

Results of the 2009/10 Household Expenditure Survey and the Rebasing of the Consumer Price Indices

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(Press conference on 28 April 2011 (Thursday) at 3:00 p.m.)

Ladies and Gentlemen,

Introduction

Good afternoon. Thank you for coming to this press conference. The purpose of this press conference is to announce the results of the 2009/10 Household Expenditure Survey and introduce the latest 2009/10-based Consumer Price Index (CPI) series. As you are aware, the CPI is an important economic indicator. It measures changes in the price level of consumer goods and services generally purchased by households.

2. In compiling the CPIs, two sets of information are required. One is the expenditure patterns of households collected from a Household Expenditure Survey (HES) which is conducted by the Census and Statistics Department (C&SD) at five-yearly intervals. The other is the data on price movements collected by the department on a monthly basis through the Monthly Retail Price Survey.

2009/10 Household Expenditure Survey

3. The existing series of the CPIs are compiled based on the data of the last HES conducted in 2004/05. The C&SD has conducted a new round of HES during the period from October 2009 to September 2010 to collect up-to-date information on the expenditure patterns of households in Hong Kong.

4. About 6 000 households participated in the survey, representing a response rate of 77%. The survey lasted for a whole year in order to take into account variations in consumer spending in different seasons of a year. The whole-year survey period was divided into 26 bi-weekly cycles. Each household taking part in the survey recorded details of their expenses in expenditure diaries for a designated 2-week period.

2009/10-based CPI series

5. The results of the latest 2009/10 HES have been used in rebasing the CPIs. The expenditure ranges and weighting patterns of the CPIs have also been updated.

6. The practice to rebase the CPIs once every five years in Hong Kong has been in place for a long time. This practice conforms to international standards and practices and ensures that up-to-date expenditure patterns of households are adequately and accurately reflected in the compilation of the CPIs.

Four CPI series

7. You are probably aware that three separate CPI series relating to households in different expenditure ranges are compiled in Hong Kong. This is because households in different expenditure ranges have different expenditure patterns and hence changes in price movements may have different impacts on them.

8. The CPI(A) relates to about 50% of households in the relatively low expenditure range. The CPI(B) relates to the next 30% of households in the medium expenditure range. The CPI(C) relates to the further next 10% of households in the relatively high expenditure range. About 10% of households which are at the top and the bottom of the expenditure scale are excluded from the coverage of the CPIs.

9. In addition, a Composite CPI for reflecting overall consumer price inflation is compiled based on the aggregate expenditure pattern of all of the households covered by the CPI(A), CPI(B) and CPI(C) taken together.

10. With reference to the results of the 2009/10 HES, the expenditure brackets for the new CPI(A), CPI(B) and CPI(C) series have been updated.

11. To maintain comparability of the various CPI series, the rebased series of the CPI(A) continues to relate to about 50% of households, in the relatively low expenditure range. Their average monthly expenditure during the new base period of October 2009 to September 2010 was between \$4,500 and \$18,499.

12. The rebased series of CPI(B) relates to about 30% of households, in the medium expenditure range. These households spent between \$18,500 and \$32,499 a month in the same base period.

13. As for the rebased CPI(C), it relates to about 10% of households, in the relatively high expenditure range. Their monthly expenditure in the base period was between \$32,500 and \$65,999.

14. The rebased Composite CPI relates to the above three groups of households, i.e. about 90% of households. Their monthly expenditure in the base period was between \$4,500 and \$65,999.

Changes in the expenditure weights of the CPIs

15. As I just mentioned, information on price changes are combined with expenditure weights in compiling the CPIs. The expenditure weight of each item represents its relative importance in the total household expenditure. The expenditure weights of the CPIs are updated every five years based on the results of the HES. Table 1 of the Press Release shows the expenditure weights of the 2004/05-based and 2009/10-based CPIs.

16. Compared with 2004/05, 'Housing' showed the largest change in the expenditure weight of the 2009/10-based CPIs. The expenditure weight of 'Housing' increased in all the CPIs by 1.7 to 3.7 percentage points, as mainly attributable to the general rise in rentals for private housing over the past five years.

17. Regarding 'Food', the share increased in the Composite CPI, CPI(A) and CPI(C) by 0.5 to 1.6 percentage points. This was due to the increases in both prices of various basic food items and the costs of meals bought away from home.

18. The weight of 'Transport' decreased by 0.4 to 0.9 percentage point in all the CPIs.

19. For 'Clothing and footwear', the weight decreased by 0.2 to 0.8 percentage point in all the CPIs.

20. With the increases in the weights of 'Housing' and 'Food', the weights of sections other than the above four recorded slight decreases by 0.1 to 0.8 percentage point in most of the various CPIs.

21. As regards 'Miscellaneous services', the weight dropped by 0.2 to 0.8 percentage point in the Composite CPI, CPI(A) and CPI(B), as mainly attributable to the decline in the expenditure share of information and communication services. On the other hand, an increase of 0.1 percentage point in the weight was recorded in the CPI(C), as due mainly to the increased expenditure share of package tours.

22. For 'Durable goods', the weight dropped by 0.2 percentage point in the Composite CPI. The weight showed a decline of 0.3 percentage point in the CPI(A), as mainly attributable to the fall in the expenditure share of information technology and telecommunications equipment. The weight decreased by 0.6 percentage point in the CPI(C), due mainly to the decline in the expenditure share of visual and audio equipment.

23. The weight of 'Miscellaneous goods' decreased by 0.4 to 0.8 percentage point in all the CPIs. The drop was mainly attributable to the lesser expenditure spent on newspapers, given the prevalence of online news and free newspapers.

24. The weight of 'Electricity, gas and water' decreased by 0.4 to 0.5 percentage point in all the CPIs.

25. For 'Alcoholic drinks and tobacco', the weight decreased by 0.1 to 0.4 percentage point in all the CPIs. This was mainly attributable to the decline in the expenditure on cigarettes.

Updating of the CPI basket

26. Apart from updating the weights of different items of goods and services in the CPI basket, we have also added certain new items and deleted obsolete ones based on their significance and popularity as indicated by the results of the HES.

27. Some items of goods and services added to the basket are playgroups, Ngong Ping Cable Car and mini warehouses. Meanwhile, items such as repairs service for sound equipment and cyber café were removed from the basket as the expenditures on these items have become insignificant.

Pricing survey

28. Before talking about the results of the rebasing of the CPIs, let me take say a few words on the Monthly Retail Price Survey, which is conducted by the C&SD for compiling the CPIs. In each month, the C&SD gathers information on the price movements of almost 1 000 pre-selected commodity/service items from some 4 000 retail outlets and service providers of various types. On average, about 47 000 price quotations are collected each month. These price data combined with the expenditure weights, enable CPIs to be compiled.

Movements of the 2009/10-based CPIs

29. The 2009/10-based CPI series and their year-on-year rates of change for the reference months from October 2010 to March 2011 are given in Table 2 of the Press Release.

30. Compared with the old (2004/05-based) CPI series, the new (2009/10-based) CPI series generally shows smaller year-on-year rates of increase. This is because when the prices of various goods and services change, households tend to buy more of the goods and services with relatively smaller price increases (or relatively larger price decreases) to substitute those with larger price increases (or smaller price decreases).

31. While the magnitudes of the year-on-year changes in the 2004/05-based and 2009/10-based CPIs are slightly different, the general increasing trend in the consumer prices from the 4th quarter of 2010 to the 1st quarter of 2011 is observed in all the four new CPI series, as is in the old CPI series.

Publication of the 2009/10-based CPIs

32. The newly based CPIs for April 2011 and subsequent months will be published in the coming press releases and CPI monthly reports.

33. Concurrent with the 2009/10-based CPI series, the 2004/05-based CPI series will continue to be compiled and published monthly until the reference month of December 2011.

Concluding remarks

34. A detailed report on “2009/10 Household Expenditure Survey and the Rebasing of the Consumer Price Indices” is now available. Users can download the report free of charge at C&SD’s website.

35. The 2009/10 HES has been conducted smoothly with the support and co-operation of the sampled households. We are very grateful to them and also to the retail outlets and service providers who provide price data to us continuously. With their support, the quality of the CPIs can be guaranteed.

36. Thank you.