

## **Results of the 2014/15 Household Expenditure Survey and the Rebasing of the Consumer Price Indices**

Speech by Mr Stephen LEUNG,  
Deputy Commissioner for Census and Statistics

(Press conference on 29 April 2016 (Friday) 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 2014/15 Household Expenditure Survey (HES) and introduce the latest 2014/15-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 price data of the basket of consumer goods and services collected by the Census and Statistics Department (C&SD) on a monthly basis through the Monthly Retail Price Survey. As the price changes of individual items have varying degrees of impact on all households, the overall price movement in CPI compilation should be calculated as a weighted average based on their relative importance. The C&SD conducts the HES at 5-yearly intervals to obtain information on the household expenditure pattern for selecting a basket of consumer goods and services commonly purchased by households. Based on the shares of individual goods and services in the overall household expenditure, the expenditure weights in the CPI weighting system are determined.

### ***2014/15 Household Expenditure Survey***

3. The existing series of the CPIs are compiled based on the data of the last HES conducted in 2009/10. The C&SD has conducted a new round of HES during the period from October 2014 to September 2015 to collect up-to-date information on the expenditure patterns of households in Hong Kong.

4. About 6 800 households participated in the survey, representing a response rate of 72%. 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.

### ***2014/15-based CPI series***

5. The results of the latest 2014/15 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 5 years in Hong Kong conforms to international standards and practices and ensures that up-to-date expenditure patterns of households are adequately and accurately reflected in the weights for 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 another 30% of households in the medium expenditure range. The CPI(C) relates to about 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 to reflect overall consumer price changes 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 2014/15 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 2014 to September 2015 was between \$5,500 and \$24,499.

12. The rebased series of CPI(B) relates to about 30% of households in the medium expenditure range. These households spent between \$24,500 and \$44,499 a month on average 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 average monthly expenditure in the base period was between \$44,500 and \$89,999.

14. The rebased Composite CPI relates to the above three groups of households, i.e. about 90% of households. Their average monthly expenditure in the base period was between \$5,500 and \$89,999.

### ***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 5 years based on the results of the HES. Table 1 of the Press Release shows the expenditure weights of the 2009/10-based and 2014/15-based CPIs.

16. Compared with 2009/10, 'Housing' showed the largest change in the expenditure weight of the 2014/15-based CPIs. The expenditure weight of "Housing" increased in all the CPIs by 1.6 to 3.8 percentage points, which was mainly attributable to the general rise in rentals for private housing over the past 5 years.

17. Regarding "Food", the weight decreased in the Composite CPI, CPI(B) and CPI(C). This was due to the drop in the expenditure share of basic food items. As for CPI(B), the drop in the weight of "Food" was more apparent, mainly related to the relatively larger increase in the share of "Housing". On the other hand, an increase of 0.7 percentage point in the weight of "Food" noted in the CPI(A) was due mainly to the relatively significant increase in expenditure share of meals bought away from home.

18. The weight of "Transport" decreased by 0.1 to 0.8 percentage point in all the CPIs.

19. For "Clothing and footwear", the weight decreased by 0.03 to 0.5 percentage point in all the CPIs.

20. With the increase in the weight of "Housing", the weights of sections other than the above four recorded slight decreases by 0.1 to 0.9 percentage point in most of the various CPIs.

21. As regards "Miscellaneous services", the weight dropped by 0.1 to 0.3 percentage point in the Composite CPI, CPI(A) and CPI(B), which was mainly attributable to the relatively larger decline in the expenditure share of school fees. On the other hand, an increase of 0.3 percentage point in the weight recorded in the CPI(C) was due mainly to the increase of 0.5 percentage point in the expenditure share of package tours.

22. For “Durable goods”, the weight dropped by 0.3 to 0.9 percentage point in all the CPIs, which was mainly attributable to the decline in the expenditure share of watches, clocks, cameras and optical goods. On the other hand, since technology products such as smartphones and tablet PCs were becoming increasingly popular, the expenditure share of information technology and telecommunications equipment rose significantly in the CPIs.

23. The weight of “Miscellaneous goods” decreased by 0.5 to 0.7 percentage point in all the CPIs, with decreases registered in the expenditure weights of various groups of miscellaneous goods. Nevertheless, the expenditure weight of proprietary medicines and supplies under “Miscellaneous goods” increased in all the CPIs. This might be related to the increasing health consciousness of Hong Kong people.

24. The weight of “Electricity, gas and water” decreased by 0.3 to 0.5 percentage point in all the CPIs.

25. For “Alcoholic drinks and tobacco”, the weight decreased by 0.03 to 0.2 percentage point in the Composite CPI, CPI(A) and CPI(C). This was mainly attributable to the decline in the expenditure share of cigarettes. A marginal increase of 0.01 percentage point in the weight was recorded in the CPI(B), which was due mainly to the increased expenditure share of foreign-style wines.

### ***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 smart wearable devices (e.g. smart watch), event catering service and post-natal care service. Meanwhile, items such as fax machine, video rental fee and blank recording media (e.g. blank disc) 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 2014/15-based CPIs***

29. The 2014/15-based CPI series and their year-on-year rates of change for the reference months from October 2015 to March 2016 are given in Table 2 of the Press Release.

30. Compared with the old (2009/10-based) CPI series, the new (2014/15-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 for those with larger price increases (or smaller price decreases).

31. While the magnitudes of the year-on-year changes in the 2009/10-based and 2014/15-based CPIs are slightly different, the general increasing trend in the consumer prices from the 4<sup>th</sup> quarter of 2015 to the 1<sup>st</sup> quarter of 2016 is observed in all the four new CPI series, as in the old CPI series.

### ***Publication of the 2014/15-based CPIs***

32. The newly based CPIs for April 2016 and subsequent months will be published in the corresponding month of press releases and CPI monthly reports.

33. Concurrent with the new 2014/15-based CPI series, the old 2009/10-based CPI series will continue to be compiled and published monthly until the reference month of December 2016.

### ***Concluding remarks***

34. A detailed report on the “2014/15 Household Expenditure Survey and the Rebasing of the Consumer Price Indices” is now available. Users can download the report free of charge at the C&SD’s website.

35. The 2014/15 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.