

C&SD releases the new 2019/20-based Consumer Price Indices

The Census and Statistics Department (C&SD) today (May 28) released the new 2019/20-based Consumer Price Indices (CPIs).

The existing series of the CPIs are compiled based on the expenditure patterns obtained from the Household Expenditure Survey (HES) conducted in 2014/15. Based on the data collected in a new round of HES conducted in 2019/20, the CPIs have been rebased. The expenditure ranges and weighting patterns of the CPIs have been updated, as given in Table 1 and Table 2 respectively.

The expenditure weights of the CPIs as shown in Table 2 represent the average shares of different commodities/services in the total expenditure of the households concerned.

A spokesman for C&SD said, "The data collection of the latest HES was conducted from October 2019 to September 2020, during which consumer behaviour was severely affected by the COVID-19 epidemic. While household spending on some commodities/services during the survey period should have deviated significantly from those under normal circumstances, C&SD has nonetheless updated the CPI expenditure weights using the latest HES results in accordance with the international standard of updating the weighting patterns every five years. This also ensures that the CPIs can accurately reflect the inflation currently experienced by the households under the epidemic."

"However, to mitigate the episodic effects arising from COVID-19 epidemic, C&SD will conduct special reviews on the CPI expenditure weights annually based on up-to-date data before the next round of full-scale rebasing exercise in 2024/25. Adjustments to the CPI weights will be made as appropriate to ensure that major shifts in expenditure patterns caused by changing impacts of the epidemic or resumption of normalcy can be timely taken into account in compiling the CPIs," the spokesman added.

"Differences of the CPI weights between 2014/15 and 2019/20 should be carefully interpreted as they are the combined results of normal shifts in expenditure patterns, the special consumer behaviour under the COVID-19 epidemic, as well as the changing socio-economic conditions of Hong Kong. Take "Housing" as an example, while it continued to take up the largest weight of 40.3% in the 2019/20-based Composite CPI and was 6.0 percentage points higher when compared with the 2014/15-based Composite CPI, the difference was not only due to the rise in housing rentals during the five-year period, but also the decrease in relative spending on other categories of goods and services amid the COVID-19 epidemic," the spokesman further explained.

"While housing was largely a fixed cost of a household's budget,

spending on items such as meals out, entertainment, local and cross-boundary transport, package tours, and clothing and footwear was lowered to different extents due to the unprecedented social distancing measures, suspension of face-to-face learning, work from home arrangements, etc. in the survey period."

"Food" was the second largest commodity/service section, with a weight of 27.4% in the 2019/20-based Composite CPI, marginally higher by 0.1 percentage point when compared with the 2014/15-based Composite CPI. Within "Food", "Meals out and takeaway food" had a weight of 17.1% (0.7 percentage point lower) while "Basic Food" had a weight of 10.4% (0.8 percentage point higher), largely reflecting households were eating out less during the epidemic.

For the remaining sections, relatively large difference in expenditure weights were recorded in "Miscellaneous services" (2.7 percentage points lower, at 13.1%), "Transport" (1.8 percentage points lower, at 6.2%), "Clothing and footwear" (0.8 percentage point lower, at 2.4%) and "Durable goods" (0.7 percentage point lower, at 4.0%).

The new 2019/20-based CPI series and their year-on-year rates of change for the reference months from October 2020 to April 2021 are presented in Tables 3A and 3B. Compared with the old (2014/15-based) CPI series, the new (2019/20-based) CPI series show mostly slight differences in year-on-year rates of change. The general trend in consumer prices from October 2020 to April 2021 is consistent between the new and old series for all the four CPI series, viz. Composite CPI, CPI(A), CPI(B) and CPI(C).

Further information

It is an established practice in Hong Kong to conduct a HES once every five years to collect up-to-date information on expenditure patterns of households (excluding households receiving Comprehensive Social Security Assistance) for updating the weights for compiling the CPIs. The latest round of HES was conducted in 2019/20 with about 7 100 households participated in the survey. The data obtained from the HES are also useful for various studies on the consumption behaviour of households in Hong Kong.

C&SD compiles different CPI series for reflecting the impact of consumer price changes on households in different expenditure groups. The CPI(A), CPI(B) and CPI(C) are compiled based on the consumption patterns of households in the relatively low, medium and relatively high expenditure ranges respectively. The Composite CPI is compiled based on the aggregate expenditure pattern of all of the households covered by CPI(A), CPI(B) and CPI(C) taken together for reflecting the impact of consumer price changes on the overall household sector.

To maintain the comparability of the various CPI series, the new 2019/20-based series of CPI(A) continues to relate to about 50% of households in the relatively low expenditure range; CPI(B) to the next 30% of households in the medium expenditure range; and CPI(C) to another 10% of households in the relatively high expenditure range. About 10% of households in either the

very low or the very high expenditure range are excluded from the CPIs.

The new 2019/20-based CPIs for the reference month of May 2021 onwards will be published in future press releases and CPI monthly reports. Concurrent with the new CPI series, the old 2014/15-based CPI series will continue to be compiled and published monthly until the reference month of December 2021.

Details on the rebasing of the CPIs and the results of the 2019/20 HES will be presented in the report on "2019/20 Household Expenditure Survey and the Rebasing of the Consumer Price Indices". Users can download the report on C&SD's website

(www.censtatd.gov.hk/hkstat/sub/sp290.jsp?productCode=B1060003) from around mid-June 2021.

For enquiries about the new 2019/20-based CPI series, please contact the Consumer Price Index Section of C&SD (Tel: 3903 7374 or email: cpi@censtatd.gov.hk). For enquiries on household expenditure statistics, please contact the Price Analysis & Research Section of C&SD (Tel: 3903 7384 or email: hes@censtatd.gov.hk).