

**INFLATION IN THE HONGKONG SPECIAL ADMINISTRATIVE REGION:
PLEASE, CHIEF EXECUTIVE LEUNG, STOP BLAMING IT, ALL,
ON INCREASES IN PRIVATE HOUSING RENTALS**

With inflation in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), running at about 4.20 percent, the Hongkong Government, as is its wont, likes to blame it on increases in private housing rentals.

Of late, private housing rentals are the Government's favourite whipping boy for all that ails the economy of the territory.

TARGET () maintains that this is only one of the prime reasons that the July inflation rate rose by about 6.90 percent, compared with the like month in 2012.

In June, this year, the inflation rate rose by about 4.10 percent, Year-On-Year, to 4.00 percent.

It is silly in the extreme to state that, within one month, due to increases in private housing rentals, the inflation rate for the month of July started to gallop away.

It is well established that high inflation causes employees to demand wage increases in order to keep up with consumer prices.

This is a very valid argument and one cannot blame employees for taking this stance.

It is, also, well established that rising wage demands can help to fuel the rate of increase in inflation.

This is because, inter alia, employers will seek to pass on higher operating costs to customers.

Higher inflation leads to greater demands by labour, leading to even further inflationary pressures on an economy, until, taken to extremes, leading to fears of further inflation which, as is well known, leads to discouraging saving and, more importantly, discouraging investment.

The Statutory Minimum Wage

On May 1, 2011, the Statutory Minimum Wage in the HKSAR was set at \$HK28 per hour.

Exactly, two years later, the Statutory Minimum Wage was raised to \$HK30 per hour, a 7.14-percent increase over the previous level of \$HK28 per hour.

Since May 1, 2013, prices at restaurants have risen, rapidly: The excuse for the price rises, being higher operating costs.

This, too, is a very valid argument and, in many cases, one cannot blame managements of restaurants for trying to recover the 7.14-percent, higher wage costs from their patrons.

Price increases with regard to food outlets in private clubs are among the highest that this medium has noted of late.

In The Aberdeen Marina Club, for instance, the price of a cup of lemon-grass tea at The Balcony, the food outlet, specialising in serving Thai cuisine, has risen from \$HK25 to \$HK34, an increase of 36 percent.

At The Deck, another food outlet that could be likened to a coffee shop of a hotel, the price of a plate of fruit has risen from \$HK42 to \$HK60, an increase of about 43 percent.

The cost of a membership at this swank club is \$HK3.50 million for an individual or for a corporate entity.

Probably, management of this private club is of the opinion that it can stick it to its members because all of them are multimillionaires.

Well, according to **TARGET**'s confirmed information, management is wrong in thinking that well-heeled people will sit idly by as prices for food at outlets rise to what amounts to extortionate levels: Multimillionaires do not like to be ripped off any more than the lowest-paid worker, sweeping streets.

In most restaurants, available to the general public, a bowl of rice, that used to cost \$HK10, now costs at least \$HK14 – and increase of about 40 percent.

The price of a cup of milk tea, Hongkong style, sold at Café de Coral (), the fast-food restaurant chain that is very popular with many office workers, has risen, since May 1, from \$HK8.00 to \$HK10.00, an increase of about 25.00 percent.

At Maxim's Express, a fast-food outlet of the Maxim's Group that caters, to a large extent, to the dietary needs of manual workers as well as office workers, a cup of milk tea, which used to cost \$HK7.00, now costs \$HK11.00, an increase of 42.86 percent within a period of just a few months.

Other restaurant chains are employing similar increases, in most cases.

In bakeries, whereas, only a few short months ago, a packet of eight slices of bread was selling at \$HK6.00, today, the price is, still, \$HK6.00 – but there are only four slices of bread in the packet.

Where restaurants find it difficult to raise prices because management is afraid of losing too many customers, it has, simply, reduced the portions that they serve per dish, hoping that customers will not notice any change.

At doctors' clinics, located in the Central Business District of Hongkong Island, consultant fees have risen from about \$HK250 per visit to \$HK500 per visit. This is an increase of 100 percent!

In a conversation with one doctor, who admitted that he had charged more than \$HK200 million to take care of one of his elderly well-heeled patients, said: *'But he can afford it!'*

All of the above increases have nothing to do with private house rentals, but they, all, are a direct result of inflationary pressures, coupled with the avariciousness of owners/managers of establishments that cater to performing services to the public.

In the case of private clubs, such as The Aberdeen Marina Club, its members may not complain, but they may well refrain, completely, from eating at the food outlets.

And, according to one, very reliable source, that is, exactly, what has happened.

Lastly, from Bank of America Tower, located at Number 12, Harcourt Road, the Central Business District of Hongkong Island, **TARGET** has learned that renovation contractors have, now, established a three-tier system of pricing for jobs:

The Lowest Tier
The Middle Tier
The Highest Tier

During Office hours
From the closing of offices to midnight
From midnight to 9 am

There are no published rates for any of the above tiers since contractors expect to engage in bargaining over prices that rise, very materially, from the Lowest Tier to the Highest Tier.

The Hongkong Government Statistics

For the quarter, ended July 31, 2013, the HKSAR labour force numbered about 3.88 million workers. That number of workers was an increase of about 0.16 percent, compared with the number of workers, available for work, during the three months, ended June 30, 2013.

The Labour Force Participation Rate was almost unchanged, during that same period, at about 61.60 percent, and the unemployment rate was unchanged at 3.30 percent.

The Census and Statistics Department of the HKSAR Government has gone on record, stating, inter alia, that *'an increase in the unemployment rate (not seasonally adjusted) was mainly observed in the decoration, repair and maintenance for buildings sector ...'*

The total human population of the HKSAR, as at the middle of this year, was about 7,184,000, representing an increase of about 29,400, or about 0.40 percent, Year-On-Year.

Turning to the **Consumer Price Index (CPI)**, the Composite CPI rose by 6.90 in July, this year, compared with July 2012, and *'larger than the corresponding increase (4.1%) in June 2013.'*

The Census and Statistics Department went on to state:

'The larger year-on-year rate of change in the Composite CPI in July was mainly due to the low base of comparison resulted from the Government's payment of public housing rentals in July last year. Netting out the effects of all Government's one-off relief measures, the year-on-year rate of increase in the Composite CPI (i.e. the underlying inflation rate) in July 2013 was 4.2%, larger than that in June (4.0%), mainly due to the enlarged increases in private housing rentals as well as the charges for package tours.'

'On a seasonally adjusted basis, the average monthly rate of increase in the Composite CPI for the three-month period from May to July 2013 was 0.2%, and that for the three-month period from April to June 2013 was 0.3%. Netting out the effects of all Government's one-off relief measures, the average monthly rate of increase in the Composite CPI for the three-month period from May to July 2013 was 0.2%, and that for the three-month period from April to June 2013 was 0.3% ...'

'Amongst the various CPI components, year-on-year increases in prices were recorded in July 2013 for housing (15.1% in the Composite CPI and 32.4% in the CPI(A), mainly due to the low base of comparison resulted from the Government's payment of public housing rentals in July last year); electricity, gas and water (9.3% in the Composite CPI and 9.8% in the CPI(A)); meals bought away from home (4.4% in the Composite CPI and 4.5% in the CPI(A)); miscellaneous services (3.9% in the Composite CPI and 3.2% in the CPI(A)); food (excluding meals bought away from home) (3.6% in the Composite CPI and 4.0% in the CPI(A)); transport (2.7% in the Composite CPI and 1.8% in the CPI(A)); miscellaneous goods (2.3% in the Composite CPI and 3.4% in the CPI(A)); alcoholic drinks and tobacco (2.2% in the Composite CPI and 1.7% in the CPI(A)) and clothing and footwear (1.6% in the Composite CPI and 2.0% in the CPI(A)).'

In summary of the above, an HKSAR Government spokesman said:

'A Government spokesman said that underlying consumer price inflation edged up further on a year-on-year comparison in July, mainly reflecting the continued feed-through of the past increases in private housing rentals as well as the rise in the costs of package tours. The relatively large gap between the headline and underlying year-on-year inflation rates in July

was mainly due to the low base of comparison resulted from the Government's payment of public housing rentals in July last year.

'The spokesman commented further that, looking ahead, underlying inflation is still subject to modest upside risks in the coming months, mainly due to the lagged effects of the notable rise in private housing rentals during 2012. Nonetheless, the subdued imported inflation and the milder increases in fresh-letting residential rentals in the first half of 2013 should help contain inflation in the latter part of this year. The Government will monitor the inflation situation closely, particularly its impact on the lower-income people.'

And, there you have it.

It could be deduced from the above that the HKSAR Government's 'whipping boy', has, to a large extent, been castrated.

-- **E N D** --

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in
TARGET, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET**
does not guarantee to publish readers' views, but reserves the right so to do subject to the
laws of libel.*