

### **Why is there a gap between consumer price index and the public's perception?**

1. The consumer price index (CPI) is a weighted average price which measures the changes in the price level of consumer goods and services generally purchased by households over time. CPI covers 368 items and approximately 25,000 specifications. The prices of items are collected 1-3 times per month, depending on the volatility of prices. Items with steady prices such as clothing and cars are subject to price collecting once a month; whereas those with volatile prices such as fruits and vegetables are subject to price collecting three times a month. The data are compiled in accordance with ILO Manual on Consumer Price Indices.
2. Since the general index is the weighted average price of numerous goods and services, its movement of change is usually steadier than that of selected items. Besides, the composition of consuming expenditure and purchasing frequencies of goods and services for each household may vary dramatically. Hence, there is a gap between consumer price index and the public's perception. This same situation exists in other countries. The papers from Japan, European Union, Canada, and Britain show that people are particularly aware of, and may pay most attention to, prices for frequently purchased items. For instance, many households are sensitive to the rise of food prices, but it is easy for them to ignore the large drop in prices of 3C electronic products which they infrequently purchase.
3. In order to reduce the discrepancies between public's perception and the consumer price index, DGBAS also publicizes the indices include 7 groups, 40 subgroups, and 62 small groups, as well as 368 individual items on its website. DGBAS also compiles related classified group indices as follows:
  - (1) CPI for Non-durable Goods: This index encompasses the consumption goods items purchased more frequently by households, such as foods, energy, tissue paper, and toothpaste.
  - (2) CPI classified by Frequency of Purchase Group: It contains the indices for 3 groups (i.e. Items to buy about once a month, Items to buy about once every three months and Items to buy about once longer than three months).
4. Index with items that are have higher purchase frequency (purchased more frequently) tend to have much visible price fluctuations than the overall CPI.