

**Establishment Subcommittee
Follow-up to meeting on 3 February 2016**

EC(2015-16)14

In respect of the captioned proposal to retain one supernumerary post of Principal Economist (D2) in the Economic Analysis Division ("EAD") of Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office, the Administration is requested to provide:

- (a) a list of economic assessments and studies conducted respectively by the five sections in EAD in the past few years;**
- (b) a list of major economic assessments and studies conducted by Government bureaux and departments, including the Central Policy Unit, the Commerce and Economic Development Bureau, the Environment Bureau, and FSTB in the past few years; and**
- (c) in respect of (b) above, if EAD has participated in the assessments and studies concerned, information on the division of work between EAD and the relevant bureaux and departments.**

The reply made by the Economic Analysis and Business Facilitation Unit (EABFU) under the Financial Secretary's Office is as follows:

- (a) The Annex lists out the economic assessments and studies conducted by the five sections in the Economic Analysis Division (EAD) in the past few years, including the regular and topical studies under each area, as well as economic analyses and economic impact assessments on specific policies concerned.**
- (b) After the meeting on 3 February, we have made relevant enquiry to all bureaux. All the bureaux replied that they did not conduct any internal or commissioned independent economic studies or analyses in 2015. In case they need any economic assessment in a policy deliberation, they would seek analytical support from the Government Economist's team.**

Apart from Government bureaux and departments, the Hon. Members

also specifically enquired about the research work of the Central Policy Unit (CPU) and the Hong Kong Monetary Authority (HKMA). CPU's reply indicated that there is no economist in CPU. It had commissioned a university to undertake an independent study titled "Study on The Impact of the Hong Kong-Zhuhai-Macao Bridge on Regional Economic Development" during July 2014 to October 2015. One of the key focuses of this research was to analyse the impact mechanism of the Bridge on regional development. This report is still under review. CPU will examine various completed research reports from time to time and upload those that are suitable for release to the website (http://www.cpu.gov.hk/en/research_reports/index.html).

As for the HKMA, it has a Research Department specifically responsible for conducting analyses. There are also academic research through funding the Visiting Scholars Programme under the Hong Kong Institute for Monetary Research. HKMA expressed that its analyses and research studies are mainly focussed on global monetary and financial stability issues, as well as assessing the potential risks posed to Hong Kong's monetary and financial stability by economic and financial market developments in the major advanced countries, the Asia-Pacific region and the Mainland China. The research and analyses released by HKMA in the past few years are published on the following website (<http://www.hkma.gov.hk/eng/publications-and-research/research/>).

HKMA will exchange views with EABFU from time to time on various macroeconomic analyses, including economic data for analytic and research purposes.

- (c) In policy formulation process, various Government bureaux will take into account a whole range of factors, of which the associated economic implications are one such factor. As such, the division of work between bureaux/departments and EAD on analyses and economic impact assessments of specific policies concerned is rather clear. As mentioned above, different bureaux and departments would seek the relevant analytical support from EABFU whenever such need arises from the policy deliberation, while EAD would purport to provide the necessary economic analyses, assessments and professional advice based on objective data. The economic assessments and analyses with EAD's key involvement in relevant policy work under different bureaux over the past few years are listed in the **Annex**.

Section	Topic of the economic assessments / studies	Paper / analysis
<p align="center">I</p>	<ol style="list-style-type: none"> 1. Close monitoring of the global and local macroeconomic developments, and also analysing their implications for the Hong Kong economy. 2. Assessment of the latest economic situation in Hong Kong and producing GDP growth and inflation forecasts for the Hong Kong economy. The results of such assessments are contained in the Economic Report and Updated Economic Forecasts published at quarterly intervals for public information. 3. Providing inputs to the Budget in respect of macroeconomic analyses, assessments and related forecasts. 4. Participating in studies relating to public finance on a need basis. <p>[Details are given in the right column on those regular reports, research / feature articles and other related documents that have been uploaded to EABFU's website for the reference of the public.]</p>	<p><u>1. Regular reports / briefings</u></p> <ul style="list-style-type: none"> • Hong Kong Quarterly Economic Report • Quarterly updates of economic forecasts, with comprehensive analyses furnished in the press release and the press conference powerpoint presentation • Detailed analyses on Hong Kong's latest economic situation and near-term outlook, as well as the low-income households in Hong Kong submitted to brief the LegCo Panel on Financial Affairs on a biannual basis, in the form of information paper and powerpoint presentation <p><u>2. Policy analyses with key involvement</u></p> <ul style="list-style-type: none"> • The Budget of every year: providing the Financial Secretary with the analyses of the recent economic situation and macroeconomic risk assessments, forecasts on economic growth and inflation, economic assumptions over the medium term, and assessments of the stimulus impacts of relief measures • Working Group on Long-Term Fiscal Planning: Phase I (2014) and Phase II (2015) Reports, specifically, regarding the detailed analyses and forecasts on the long-term trends of Hong Kong's economic growth and inflation as well as government's revenues

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		<p><u>3. Feature articles / research papers in the past three years</u></p> <ul style="list-style-type: none"> • Diffusion indices on small and medium-sized enterprises (an update) (2013) • Recent economic policy in Japan and its impacts on the Hong Kong economy (2013) • The US Federal Reserve's conditional timetable for tapering asset purchases (2013) • A look at intra-regional trade in East Asia (2013) • Performance of exports of consumer goods – a longer-term perspective (2013) • Recent movements of the Composite CPI's private housing rental sub-index (2013) • The relationship between commercial rental costs and macroeconomic variables (2013) • The performance of Hong Kong's retail trade industry (2013) • Summary of recent major events pertinent to the euro debt crisis (an update) (2013) • Recent movements of food and commodity prices in the international markets (2013) • Recent developments in the US labour market (2014) • Diffusion indices on small and medium-sized enterprises (an update) (2014)

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		<ul style="list-style-type: none"> • Recent monetary easing in the eurozone (2014) • The recent performance of Hong Kong's retail sales (2014) • ASEAN's economic linkages with Hong Kong and market potentials (2014) • Recent inflation situation in the US (2014) • Recent global trade performance (2014) • Recent situation of global current account imbalances (2014) • Recent performance of the US housing market (2014) • The eurozone's economic recovery in perspective (2014) • Medium and long-term growth outlook of major economies (2014) • The relations among global, Mainland and local food inflation (2014) • Will personal consumption help sustain economic growth in the United States? (2015) • An update on the recent performance of Hong Kong's retail sales (2015) • Diffusion indices on small and medium-sized enterprises (an update) (2015) • The increasing monetary policy divergence between major central banks (2015) • Risks of capital flow reversals in emerging market economies from the eventual normalisation of US interest rates (2015)

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		<ul style="list-style-type: none"> • Recent economic performance of the selected member economies in the eurozone (2015) • The Chinese New Year effects on Hong Kong's retail sales and merchandise exports (2015) • The US Federal Reserve's policy objectives and recent progress (2015) • Recent situation of US household deleveraging (2015) • Recent macroeconomic performance of the eurozone (2015) • An update on retail sales trends and performance (2015) • Deflation risks in selected economies (2015) • Oil price fluctuations and its impact on the global economy (2015) • Recent movements of food and commodity prices in the international markets (2015) • Diffusion indices on small and medium-sized enterprises (an update) (2016) • Recent labour market conditions in the eurozone (2016) • Can domestic demand of selected Asian economies provide support to growth? (2016) • What can we learn from the previous US interest rate upcycles? (2016) • The cyclical and secular forces behind Hong Kong's merchandise export performance (2016)

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		<ul style="list-style-type: none"> • Hong Kong's trade with selected regions along the Belt and Road (2016) • A Non-parametric Analysis of Micro-data using Classification Trees (2013) (English version only) • An Anatomy of the World Trade Network (2013) (English version only) • Growth accounting framework applied to Hong Kong (2014) • How high is the natural rate of unemployment in Hong Kong? (A technical note) (2014) (English version only) • Exchange Rate Effect on HK Trade (2015) (English version only) • The Prospects for a Turnaround in Retail Sales (2015) (English version only) • The Impact of Retail Trade and Rental on Demand for Floor Space (2015) (English version only) • An Overview of the Household Debt Situation in Hong Kong (2015) (English version only) • Effect of Statutory Corporate Profits Tax Rates on DI Flows to and from Hong Kong (2015) (English version only)

Section	Topic of the economic assessments / studies	Paper / analysis
II	<p>1. Property market</p> <ul style="list-style-type: none"> • Close monitoring of the latest developments in the residential and non-residential property markets. Analysing property prices and rental movements, demand-supply situation and other factors affecting the markets, monitoring the risk of related property market bubble and providing data and technical support for the policy works of policy bureaux to forestall the build-up of property market bubble. • Providing economic analyses and research support to the Long Term Housing Strategy Steering Committee. Also, rendering professional advices to the long term housing demand projection and conducting scenario analysis on the household formation for the long term housing demand projection based on an econometric model. <p>2. Analysing the inbound tourism sector of Hong Kong and its salient developments, and examining the impact on the Hong Kong economy. Conducting economic impact assessments for individual large-scale tourism projects and facilities, and tourism-related policies.</p> <p>3. Monitoring and analysing the latest developments of the financial services industry (e.g. the banking sector, bond market).</p> <p>4. Providing economic analyses and advices on the economic</p>	<p><u>1. Regular reports</u></p> <ul style="list-style-type: none"> • Detailed analyses and data of the property market, tourism sector and various segments of the financial services industry, as contained in the Quarterly Economic Report • A broad overview of the residential and non-residential property markets, as contained in the Hong Kong Yearbook published every year <p><u>2. Policy analyses with key involvement</u></p> <ul style="list-style-type: none"> • Detailed data and analyses in support of the Government's policy formulation to forestall property market bubble risks, as set out in the papers for the Legislative Council Panel on Housing as submitted by Financial Services and the Treasury Bureau and Transport and Housing Bureau (2013-2015) • Analyses of the home purchase affordability of specific groups in the community, as set out in the consultation document of the Long Term Housing Strategy by Transport and Housing Bureau (2013) • Input into the Long Term Housing Strategy, specifically, scenario analysis on the household formation for long term housing demand projection (2013-2015) • Annual update of the assessment of economic benefits brought about by the Hong Kong Disneyland. The estimated results are released in the papers for the Legislative Council Panel on Economic Development as submitted by Tourism Commission (2013-2015)

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	<p>implications of policies and measures of major infrastructure programmes and urban planning.</p>	<ul style="list-style-type: none"> • Impact assessment of the Individual Visit Scheme on the overall Hong Kong economy. The estimated results are released in the public report “Assessment report on Hong Kong’s capacity to receive tourists” by Tourism Commission (2013) <p><u>3. Feature articles / analyses in the past three years</u></p> <ul style="list-style-type: none"> • Latest Government measures on the property market (2013) • Key Government measures on the property market in 2012 (2013) • Latest Government measures on housing and land supply (2013) • Spending pattern of inbound visitors (2013) • Per capita spending of incoming visitors (2013) • Renminbi (RMB) bond market in Hong Kong (2013) • Latest Government measures on land and housing supply (2014) • Tourist spending in 2013 (2014) • Mainland-related exposures of the Hong Kong banking sector (2014) • The Long Term Housing Strategy (2015) • HKMA’s macro-prudential measures since 2009 (2015) • Characteristics of cross-boundary trip makers (2015) • Mortgage Loan Approvals and Government Intervention Policy (2014) (English version only) • The Various Facets of Credit Card Debt (2014) (English version

Section	Topic of the economic assessments / studies	Paper / analysis
		<p>only)</p> <ul style="list-style-type: none"> Economic Analysis of Tenancy Control : International Experience (2015) (English version only) Airports and Economic Growth (2015) (English version only)
III	<ol style="list-style-type: none"> 1. Conducting focused research on the methodologies and data of the various competitiveness research institutes, and arranging regular dialogue to elucidate Hong Kong's economic situation and the Administration's stance / policy direction on various policy areas, with a view to enhancing Hong Kong's soft power. 2. Close monitoring of the Mainland's macroeconomic situation and analysing the impacts on Hong Kong. 3. Assessment of the economic implications of Free Trade Agreements (FTAs) signed by Hong Kong and its major trading partners. 4. Providing research support for Hong Kong's participation in regular meetings / negotiation with the multilateral organisations such as Asia-Pacific Economic Cooperation (APEC) and World Trade Organization (WTO). 5. Rendering economic analysis on such areas as electricity and other public utilities, environment, commerce and industry, and home affairs to the relevant policy Bureaux. 	<p><u>1. Regular work</u></p> <ul style="list-style-type: none"> Analysis of various annual international competitiveness ranking studies: <ul style="list-style-type: none"> — The Heritage Foundation's <i>Index of Economic Freedom Report</i> — The Fraser Institute's <i>Economic Freedom of the World Report</i> — World Economic Forum's <i>Global Competitiveness Report</i> — IMD's <i>World Competitiveness Yearbook</i> — Chinese Academy of Social Sciences (CASS)'s <i>Blue Book on China's Urban Competitiveness</i> Research paper on Hong Kong's economic situation, competitiveness and long-term economic policies, for publication in CASS' Report on <i>Economy of China Analysis and Forecast</i> every year. Dedicated chapter on Hong Kong, as contribution to the annual <i>APEC Economic Policy Report</i>.

Section	Topic of the economic assessments / studies	Paper / analysis
		<p><u>2. Topical research</u></p> <ul style="list-style-type: none"> Assessment of the impacts of Mainland's economic development on Hong Kong's economic and trade performance, including the published assessment on economic benefits of the Mainland and Hong Kong Closer Economic Partnership Arrangement which has already been released to the public. Assessment of the impacts of signed or negotiating FTAs among Asian economies on Hong Kong's economic and trade performance, including the China-ASEAN FTA, the Economic Cooperation Framework Agreement, and the China-Japan-Korea FTA etc. <p><u>3. Economic analysis support for other policy areas</u></p> <ul style="list-style-type: none"> Covering a wide spectrum of topics; examples include: impact assessment of annual public utility fees adjustment on inflation; data and analytical support for electricity demand projections to support the Environment Bureau in assessing the Development Plan submitted by the two power companies; consultancy study on new convention and exhibition facilities; consultancy study relating to the Kai Tak Multi-Purpose Sports Complex, and economic analytical support to vetting various research papers throughout the process of Hong Kong's participation in APEC and WTO.

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IV	<ol style="list-style-type: none"> 1. Monitoring of the prevailing labour market situation and analyses of its developments. 2. Monitoring of the economic impact of the implementation of Statutory Minimum Wage (SMW) and impact assessments on the revision of SMW rate. 3. Analyses of the economic impact of labour legislation and other labour-related policies. 4. Analyses of the prevailing manpower situation in Hong Kong and future trends of labour supply and demand. 	<p><u>1. Regular reports</u></p> <ul style="list-style-type: none"> • Detailed analysis of labour supply and demand, wage / payroll as contained in the Quarterly Economic Report <p><u>2. Policy analyses with key involvement</u></p> <ul style="list-style-type: none"> • Economic research and analyses for the Minimum Wage Commission (MWC), including (i) compilation of massive amount of data and information for reference by MWC and the public with a view to supporting the review of the SMW rate; (ii) rendering support to MWC in drafting a detailed report, in particular, analysing the changes in socio-economic conditions after the implementation of SMW as well as conducting scenario analyses and stress tests to assess the impact of revising the SMW rate on employees, enterprises, unemployment rate and inflation. • As per the requests from the relevant bureaux, departments and high-level committees, conduct economic impact assessments on different labour legislation and labour-related policies, <i>inter alia</i>, (i) assess the cost impact of increasing the number of statutory holidays on different industries for the Labour Department (2015); (ii) assess the impact of the Work Incentive Transport Subsidy Scheme on poverty alleviation and labour market for the Labour and Welfare Bureau (in collaboration with Section V) (2015); (iii) based on the steer from the Standard Working Hours Committee, provide the required data analysis and conduct economic impact

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		<p>assessment on working hours policy (since 2013).</p> <ul style="list-style-type: none"> • Policy analysis support to the Labour and Welfare Bureau also include (i) provision of the required data and economic analysis in respect of revising the Minimum Allowable Wage and food allowance levels for foreign domestic helpers every year; (ii) scenario study for the report on manpower projection to 2022 (2013); and (iii) provision of the required economic data and analysis pertinent to the drawing up of a talent list (2015). • Technical support to the Task Force on Manpower Development of the Retail Industry, and detailed analyses on the performance of the retail industry and its manpower situation for the report of the Task Force (2013). <p><u>3. Feature articles / research papers in the past three years</u></p> <ul style="list-style-type: none"> • Part-time employment in Hong Kong (2013) • Business performance after the implementation of statutory minimum wage (SMW) (2013) • Population ageing in Hong Kong: challenges and opportunities (2013) • Hong Kong's latent labour force (2013) • Labour's share of national income in Hong Kong (2014) • Labour force participation and educational attainment in Hong Kong (2014)

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		<ul style="list-style-type: none"> • Female labour supply in Hong Kong: child care responsibilities and decision to work (2014) • Business performance of enterprises after the implementation of Statutory Minimum Wage (2014) • Labour market adjustments under different economic cycles (2015) • Operating situation of enterprises after the upward adjustment of the Statutory Minimum Wage rate in 2013 (2015) • Gender wage gap for low-paid employees in Hong Kong during 2011-2014 (2015) • Salient observations on the trends of labour force participation rate (2016) • An update on the self-employment situation (2016) • The Analytics of Labour Market Matching (2014) (English version only)
V	<p>Since the establishment in 2013, Section V is responsible for providing dedicated support to two high-level Committees, viz. the Commission on Poverty (CoP) and the Steering Committee on Population Policy (SCPP), both chaired by the Chief Secretary for Administration. The key areas of research and analyses are as follows:</p> <ol style="list-style-type: none"> 1. Providing full economic analytical support to the reinstated CoP and its Task Force: <ul style="list-style-type: none"> • Technical support in setting the first official “poverty 	<p><u>1. Regular reports</u></p> <ul style="list-style-type: none"> • Hong Kong Poverty Situation Annual Report (Released every year, from 2013 onwards) <p><u>2. Feature reports / research papers in the past three years</u></p> <ul style="list-style-type: none"> • Information paper and statistical appendix: poverty situation by district based on an array of indicators (2013) (Chinese version only)

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	<p>line” appropriate to Hong Kong’s unique circumstances.</p> <ul style="list-style-type: none"> Continuous monitoring of Hong Kong’s poverty situation, assessment of its underlying forms and causes, analyses of the poverty risks, and evaluation of the effectiveness of existing key measures and policy initiatives in poverty alleviation. Focused analysis of the poverty situation of selected disadvantaged groups (including single-parent households, new-arrival households, households with persons with disabilities and ethnic minority households). Study on the earnings mobility of recent tertiary education graduates from underprivileged families so as to understand the impact of education on enhancing upward earnings mobility. Rendering economic analysis and research in support of the CoP’s discussion on the subject of retirement protection. <p>2. Providing economic analytical and research support to SCPP, especially conducting detailed analyses of macroeconomic implications of population ageing and identifying the future direction of the population policy of Hong Kong; supporting the policy formulation or enhancement with the</p>	<ul style="list-style-type: none"> Information paper: poverty situation of selected social groups in 2012 (2013) (Chinese version only) (focusing on the analysis of the poverty situation of single-parent households, new-arrival households and households with children) Hong Kong Poverty Situation Report on Disability 2013 (2014) Hong Kong Poverty Situation Report on Ethnic Minorities 2014 (2015) Problems of PAYG Pension Scheme and Pension Reform - A note on overseas experience and international guidelines (2015) (English version only) Research paper on the 2015 Study on Earnings Mobility (The preliminary research results have been submitted to the Youth Education, Employment and Training Task Force under the second-term CoP. The research paper will be released soon.) <p><u>3. Policy analyses with key involvement</u></p> <ul style="list-style-type: none"> Analyses of the contribution to Hong Kong’s economic growth by various factors of production over the past several decades; assessments of the impacts of population ageing on local economic capacity and economic growth potential; and analyses of the latent labour force in Hong Kong, as contained in the consultation document on population policy (2013) and Population Policy - Strategies and Initiatives (2015)

Economic Assessments and Studies Conducted by EABFU between 2013 and Early 2016

Annex

Section	Topic of the economic assessments / studies	Paper / analysis
	<p>necessary data analyses:</p> <ul style="list-style-type: none"> Local manpower resources: Analysis of the manpower resources trends and dynamics in Hong Kong with a discussion on future challenges. Macroeconomic implications of population ageing: Assessment of the economic implications of demographic trends in Hong Kong, including economic growth, long-term fiscal sustainability and so forth. 	<ul style="list-style-type: none"> Detailed financial analysis of various retirement protection proposals, as contained in the retirement protection consultation document (2015) Assessment of the impact of “Low-income Working Family Allowance” scheme in terms of the number of beneficiaries, financial implications and the effectiveness of poverty alleviation; the estimated results released in the related LegCo paper (LC Paper No. CB(2)1597/13-14(01)) (2014)

Note: Year(s) in the parenthesis refers to the starting year / publication year of the deliverable(s).