

**Finance Committee**

**List of follow-up actions arising from the meeting on 21 February 2020**

- (f) Please list the detailed statistics on the losses of the Hong Kong economy caused by the social movements triggered by the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters (Amendment) Bill 2019 in the second half of 2019, and the novel coronavirus epidemic in early 2020.
- In the second half of 2019, the local social incidents involving violence dealt a heavy blow to economic sentiment and consumption- and tourism-related activities. The year-on-year decline in the volume of retail sales enlarged markedly from 4.7% in the second quarter to 19.5% in the third quarter, and then further to around 24% in the fourth quarter, the largest decline on record. The decline in restaurant receipts in real terms widened visibly from 2.7% in the second quarter to 13.7% in the third quarter and 16.0% in the fourth quarter. Visitor arrivals turned drastically from a 10.9% year-on-year increase in the second quarter to a 26.0% decline in the third quarter, and the decline widened visibly to 50.5% in the fourth quarter. As for the hotel sector, the decline in business receipts of the accommodation services accelerated further from 0.9% in the second quarter to 19.3% in the third quarter, and the decline should have been even more abrupt in the fourth quarter.
  - Confronted by difficulties on both the internal and external fronts, the already-weak Hong Kong economy worsened abruptly in the second half of 2019, recording sharp year-on-year contractions of 2.8% and 2.9% respectively in the third and fourth quarters. For the year as a whole, the economy contracted by 1.2%, the first annual decline since 2009. It was crudely estimated that the possible economic losses arising from the additional decline in businesses of the retail, restaurant and accommodation sectors, as well as that in other tourists' consumption expenditure due to the local social incidents dragged the year-on-year change in real Gross Domestic Product (GDP) by around 2 percentage points in the third quarter

of 2019, and likely by even more in the fourth quarter, and constituted the main reason for the economic contraction in the second half of last year.

- Entering 2020, the novel coronavirus infection has dealt a further blow to the Hong Kong economy. The epidemic severely hurt local business and consumer sentiments and disrupted a wide range of economic activities. The year-on-year decline in visitor arrivals widened to 52.7% in January 2020, partly affected by the epidemic. Information from the Immigration Department showed that the fall in February worsened abruptly to over 90%. With strengthened measures worldwide to curb the further spread of the epidemic, travel, production activities, freight arrangements and operations of supply chain, and even overall economic growth in Asia will be hampered. As such, Hong Kong's external trade will inevitably be affected. Considering the austere external and domestic situations, the risk for the Hong Kong economy to remain in recession in the first half of the year is running high, and the unemployment rate will increasingly face upward pressure.
- The actual impact of the epidemic on the Hong Kong economy will depend on developments down the road and is thus subject to high uncertainty. Given limited economic data available thus far and the distortions of the January statistics caused by the difference in timing of the Lunar New Year this year and last year, more data are required for assessing the impact of the epidemic on the economy. The Government will closely monitor the developments, make every effort to fight against the epidemic, and implement the announced support measures as soon as possible.

**Office of the Government Economist**

**28 February 2020**