

Press Release

(embargoed until 4:30 p.m. on 16 August 2019)

Economic Situation in the Second Quarter of 2019 and Latest GDP and Price Forecasts for 2019

The Government released today (16 August) the Half-yearly Economic Report 2019, together with the revised figures on Gross Domestic Product (GDP) for the second quarter of 2019.

The Government Economist, Mr Andrew Au, described the economic situation in the second quarter of 2019 and provided the latest GDP and price forecasts for 2019.

Main points

- * The Hong Kong economy continued to face significant downward pressure, expanding only modestly by 0.5% in the second quarter of 2019 over a year earlier, slightly slower than the 0.6% growth in the preceding quarter. The economic conditions in the first half of the year were the weakest since the recession in 2009. External demand contracted in the second quarter amid softening global economic growth, intensifying US-Mainland trade and technology tensions and the resultant slowdown in manufacturing and trading activities in Asia. Domestic demand stayed sluggish as subdued economic conditions and various headwinds weighed on local economic sentiment. On a seasonally adjusted quarter-to-quarter comparison, real GDP decreased by 0.4% in the second quarter after an expansion of 1.3% in the preceding quarter.
- * Total exports of goods weakened further to show an enlarged year-on-year decline of 5.6% in real terms in the second quarter, with a particularly sharp fall in June. Merchandise exports to most major markets recorded declines of varying degrees. Exports of services declined slightly by 0.2% after expanding modestly in the preceding quarter.
- * Domestic demand remained sluggish. Private consumption expenditure only grew modestly by 1.1% year-on-year in real terms in the second quarter as consumer sentiment stayed cautious in the face of various headwinds and the weakened economic outlook. Overall investment expenditure fell markedly by 11.6%, reflecting continued contraction in building and construction activities and worsening business sentiment.
- * The labour market was largely stable despite weaker economic conditions. The seasonally adjusted unemployment rate and the underemployment rate held steady at low levels of 2.8% and 1.0% respectively in the second quarter. Overall wages and earnings of low-income workers saw further real improvement.
- * The local stock market was volatile during the second quarter, as sentiment was swayed by the twists and turns in US-Mainland trade relations and evolving expectations of US interest rate cuts. The residential property market remained buoyant in April, but showed signs of softening in May and June. For the

quarter as a whole, transactions showed a notable increase. Flat prices rose by 4% during the quarter, notwithstanding some consolidation in June.

- * Looking forward, global economic growth should soften further in the near term. US-Mainland trade tensions have escalated further in August, as the US announced to impose a 10% additional tariff on the remaining US\$300 billion worth of Mainland products (the additional tariffs on about half of these products will take effect on 1 September and those on the rest in mid-December) and designated the Mainland as a currency manipulator. Although the two sides agreed to resume high-level negotiations shortly, it would still be difficult for the two sides to reach a trade deal in the near future given their deep differences across a range of issues. Other prevailing external uncertainties, such as the possibility of a no-deal Brexit and geopolitical tensions in the Middle East, also warrant attention. In the face of the difficult economic environment, many major central banks have lowered interest rates or shifted to a more accommodative monetary stance, but these measures are unlikely to completely offset the impacts of various headwinds. As such, Hong Kong's export performance should remain sluggish or even weaken further in the months to come.
- * Domestically, private consumption and investment sentiments will continue to be affected by subdued economic conditions and mounting headwinds. The recent local social incidents, if continued, will cause significant disruptions to inbound tourism and consumption-related economic activities, further dampen economic sentiment, and even hurt the reputation of Hong Kong as an international financial and business centre. Latest surveys for large enterprises and small-and-medium-sized enterprises all showed that local business sentiment has turned pessimistic in recent months.
- * Taking into account the much worse-than-expected actual outturn of 0.5% year-on-year growth in the first half of 2019, and considering the substantial downside risks, the real GDP growth forecast for the year as a whole is revised downwards from 2-3% in the May round of review to 0-1% in the current round. The Government will continue to closely monitor developments on both the external and local fronts, and their implications for the local economy and employment.
- * Underlying consumer price inflation went up somewhat to 2.9% in the second quarter, mainly driven by surging pork prices caused by disruptions to the supply of fresh pork in May and June. Price pressures on other major consumer price index components were largely moderate. Going ahead, overall price pressures should remain largely contained in the rest of 2019 amid the earlier easing in fresh-letting residential rentals, modest global inflation and sluggish local economic growth. Yet, considering that pork prices will likely stay elevated for some time until the resumption of normal fresh pork supply, the forecast rate of underlying consumer price inflation for 2019 as a whole is revised upwards from 2.5% in the May round of review to 2.7% in the current round. Likewise, the forecast rate of headline consumer price inflation for 2019 as a whole is revised upwards from 2.5% to 2.6%.

Details

GDP

According to the revised data on the *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, GDP expanded only modestly by 0.5% in real terms in the second quarter of 2019 over a year earlier (revised from the advance estimate of 0.6%), slightly slower than the 0.6% growth in the preceding quarter. For the first half of 2019 as a whole, real GDP expanded by 0.5% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison, real GDP decreased by 0.4% in the second quarter (revised from the advance estimate of -0.3%) after an expansion of 1.3% in the preceding quarter (*Chart*).

2. The latest figures on GDP and its major expenditure components up to the second quarter of 2019 are presented in *Table 1*. Developments in different segments of the economy in the second quarter of 2019 are described below.

External trade

3. *Total exports of goods* weakened further to show an enlarged year-on-year decline of 5.6% in real terms in the second quarter of 2019, after a 3.7% decrease in the preceding quarter. External merchandise trade statistics showed that the decline was particularly noticeable in June. Analysed by major market, exports to the US registered a double-digit fall in the second quarter, and those to the EU weakened markedly to record a modest decline. As the softer global economic environment and US-Mainland trade tensions continued to put strains on manufacturing and trading activities in Asia, exports to many Asian economies, including the Mainland and Japan, recorded declines of varying degrees. On a seasonally adjusted quarter-to-quarter basis, total exports of goods fell by 2.2% in real terms in the second quarter, further to the decline of 2.1% in the first quarter.

4. *Exports of services* declined slightly by 0.2% year-on-year in real terms in the second quarter after expanding modestly by 0.8% in the preceding quarter. Exports of travel services only showed moderate growth as strong growth in visitor arrivals was largely offset by weaker per capita visitor spending. Meanwhile, exports of financial services rose moderately as cross-border financial activities continued to expand. Amid an uncertain global economic environment, exports of business and other services continued to decline. Exports of transport services also fell further as a result of subdued regional trade and cargo flows. On a seasonally adjusted quarter-to-quarter basis, exports of services declined by 4.9% in real terms in the second quarter, having increased by 3.2% in the first quarter.

Domestic sector

5. Domestic demand stayed sluggish in the second quarter of 2019. *Private consumption expenditure* grew modestly by 1.1% year-on-year in real terms after a 0.4% increase in the preceding quarter. Consumer sentiment was cautious in the face of weakened economic conditions and various headwinds. Nevertheless, residents' expenditure abroad recorded strong year-on-year growth, partly supported by the late arrival of the Easter holidays (which started in mid-April this year but in late March last year). On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure decreased by 0.3% in real terms in the second quarter, after expanding by 0.9% in the first quarter. Meanwhile, *government consumption expenditure* continued to grow solidly by 4.2% in real terms in the second quarter over a year earlier after a 4.5% growth in the preceding quarter.

6. Overall investment spending in terms of *gross domestic fixed capital formation* fell markedly by 11.6% year-on-year in real terms in the second quarter, after a 7.0% decline in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products dropped by 12.4% as uncertainties surrounding both global and local economic prospects resulted in much weaker business sentiment. Expenditure on building and construction continued to contract, by 10.6%. Spending by both the private and public sectors shrank, with the latter reflecting the completion of some major infrastructure projects.

The labour sector

7. The labour market was largely stable in the second quarter of 2019 despite weaker economic conditions. The *seasonally adjusted unemployment rate* and the *underemployment rate* held steady at low levels of 2.8% and 1.0% respectively. Overall wages and earnings of low-income workers saw further real improvement. However, labour demand in some sectors, such as import/export trade, construction and retail, showed some preliminary signs of softening.

The asset markets

8. The *local stock market* was volatile during the second quarter. The Hang Seng Index (HSI) rose further in April, but fell visibly in May as sentiment was hit by the re-escalation of US-Mainland trade tensions. It recouped some lost ground in June as the market then perceived a reduced risk of further worsening of US-Mainland trade relations and increasingly expected US interest rate cuts. The HSI closed at 28 543 at end-June, 1.8% lower than at end-March. On 15 August, the HSI closed at 25 495.

9. The *residential property market* remained buoyant in April, but showed signs of softening in May and June. While the tight demand-supply situation and

rising expectations for US interest rate cuts provided support to the market, sentiment turned more cautious following the re-escalation of US-Mainland trade tensions in May. The number of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, increased by 49% over the preceding quarter to 20 657 in the second quarter, the highest since the third quarter of 2012. Yet, trading returned to a moderate level in June after reaching hectic levels in April and May. Flat prices rose by 4% during the quarter, but the increases in April and May were followed by a decline in June. Flat prices in June 2019 exceeded the 1997 peak by 128%. The index of home purchase affordability (i.e. ratio of mortgage payment to median income of households living in private housing, assuming 30% down payment and tenor of 20 years) remained elevated at around 73%. Meanwhile, flat rentals rose by 2% during the second quarter. As for non-residential properties, rentals for retail premises and flatted factories increased by 1% and 2% respectively, while office rentals were little changed.

Prices

10. Underlying consumer price inflation went up somewhat in the second quarter. *Underlying consumer price inflation*, which nets out the effects of the Government's one-off relief measures, climbed from 2.7% in the first quarter to 2.9% in the second quarter, mainly driven by surging pork prices caused by disruptions to the supply of fresh pork in May and June. Price pressures on other major consumer price index components were largely moderate. Locally, the private housing rental component of consumer price inflation recorded a narrower increase in the second quarter, as the earlier easing in fresh-letting residential rentals continued to feed through. On business costs, while wages and earnings went up further amid a still-tight labour market, continued labour productivity gains have helped contain the increase in unit labour costs. Commercial rental cost pressures also held largely moderate as economic growth stayed soft. External price pressures continued to ease against the backdrop of weaker global economic performance and the appreciation of the Hong Kong dollar along with the US dollar vis-à-vis other major currencies over the past year. *Headline consumer price inflation* went up by a larger extent from 2.2% in the first quarter to 3.0% in the second quarter. Apart from higher pork prices, the lower ceiling of the Government's rates concession in the new financial year which began in April also contributed to the faster increase.

Latest GDP and price forecasts for 2019

11. Looking forward, global economic growth should soften further in the near term. US-Mainland trade tensions have escalated further in August, as the US announced to impose a 10% additional tariff on the remaining US\$300 billion worth of Mainland products (the additional tariffs on about half of these products will take effect on 1 September and those on the rest in mid-December) and designated the Mainland as a currency manipulator. Although the two sides agreed to resume

high-level negotiations shortly, it would still be difficult for the two sides to reach a trade deal in the near future given their deep differences across a range of issues. Other prevailing external uncertainties, such as the possibility of a no-deal Brexit and geopolitical tensions in the Middle East, also warrant attention. In the face of the difficult economic environment, many major central banks have lowered interest rates or shifted to a more accommodative monetary stance, but these measures are unlikely to completely offset the impacts of various headwinds. As such, Hong Kong's export performance should remain sluggish or even weaken further in the months to come.

12. Domestically, private consumption and investment sentiments will continue to be affected by subdued economic conditions and mounting headwinds. The recent local social incidents, if continued, will cause significant disruptions to inbound tourism and consumption-related economic activities, further dampen economic sentiment, and even hurt the reputation of Hong Kong as an international financial and business centre. Latest surveys for large enterprises and small-and-medium-sized enterprises all showed that local business sentiment has turned pessimistic in recent months.

13. Taking into account the much worse-than-expected actual outturn of 0.5% year-on-year growth in the first half of 2019, and considering the substantial downside risks, the real GDP growth forecast for the year as a whole is revised downwards from 2-3% in the May round of review to 0-1% in the current round (*Table 2*). The Government will continue to closely monitor developments on both the external and local fronts, and their implications for the local economy and employment. For reference, the latest forecasts by private sector analysts range from 0-2.7%, averaging around 1.5%.

14. On the inflation outlook, overall price pressures should remain largely contained in the rest of 2019 amid the earlier easing in fresh-letting residential rentals, modest global inflation and sluggish local economic growth. Yet, considering that pork prices will likely stay elevated for some time until the resumption of normal fresh pork supply, the forecast rate of underlying consumer price inflation for 2019 as a whole is revised upwards from 2.5% in the May round of review to 2.7% in the current round (*Table 2*). Likewise, the forecast rate of headline consumer price inflation for 2019 as a whole is revised upwards from 2.5% to 2.6%.

(The Half-yearly Economic Report 2019 is now available for online download, free of charge at www.hkeconomy.gov.hk/en/situation/index.htm. The Report of the Gross Domestic Product, Second Quarter 2019, which contains the GDP figures up to the second quarter of 2019, is also available for online download, free of charge at the homepage of the Census and Statistics Department, www.censtatd.gov.hk.)

Hong Kong's Gross Domestic Product

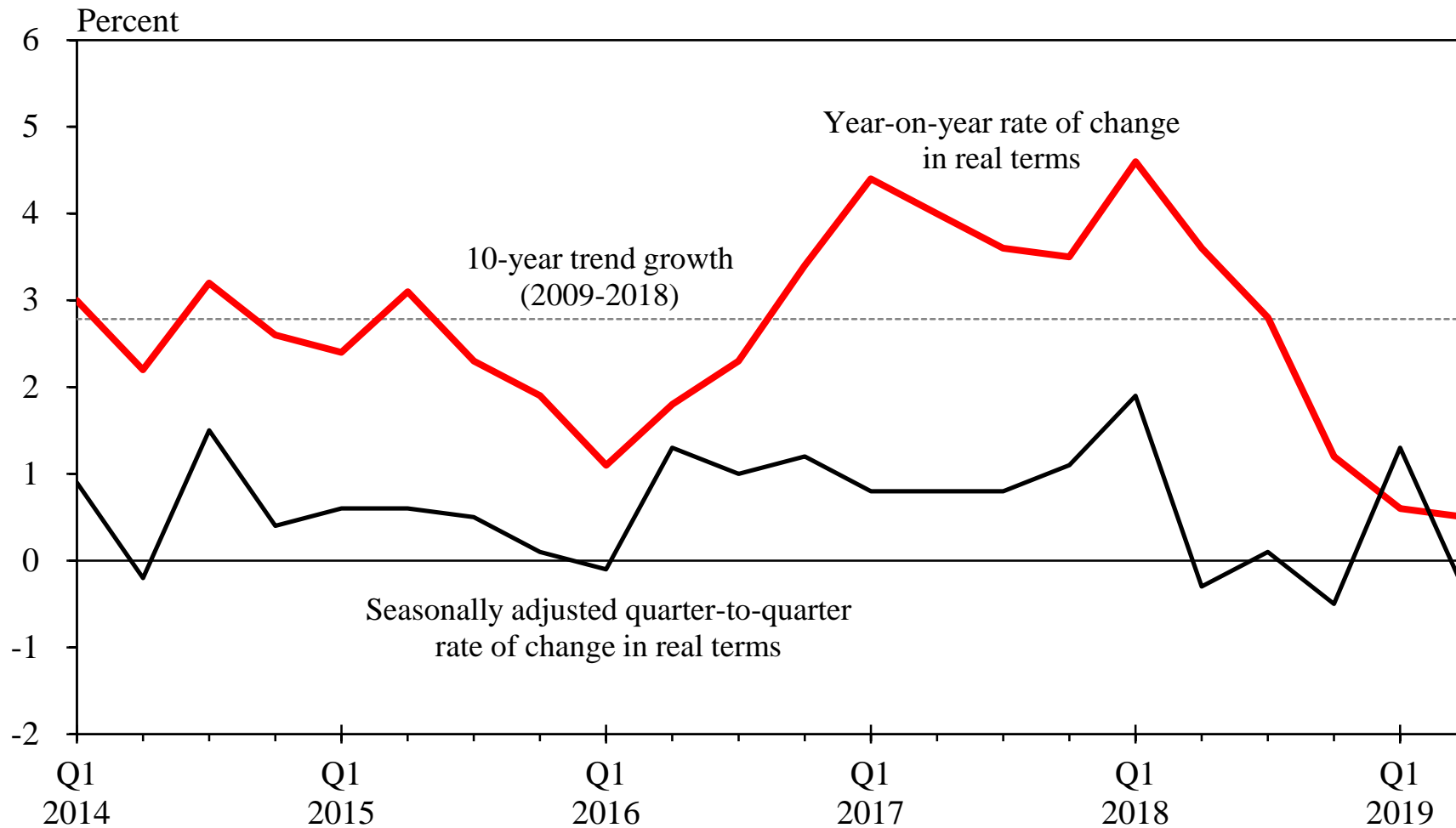


Table 1

**Gross Domestic Product, its main expenditure components
and the main price indicators
(year-on-year rate of change (%))**

| | <u>2017[#]</u> | <u>2018[#]</u> | <u>Q1[#]</u> | <u>Q2[#]</u> | <u>Q3[#]</u> | <u>Q4[#]</u> | <u>Q1[#]</u> | <u>Q2[#]</u> |
|--|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | <u>2018</u> | | | | <u>2019</u> | |
| <i>Change in real terms of GDP and its main expenditure components (%)</i> | | | | | | | | |
| Private consumption expenditure | 5.6 | 5.5 | 8.9 (3.2) | 6.0 (-1.0) | 4.8 (0.5) | 2.7 (*) | 0.4 (0.9) | 1.1 (-0.3) |
| Government consumption expenditure | 2.8 | 4.2 | 4.2 (1.7) | 4.3 (1.1) | 3.3 (0.6) | 4.9 (1.3) | 4.5 (1.4) | 4.2 (0.8) |
| Gross domestic fixed capital formation | 2.9 | 2.0 | 4.7 | 1.9 | 8.6 | -5.8 | -7.0 | -11.6 |
| Building and construction | -0.5 | -0.6 | 2.2 | -0.9 | 1.3 | -4.9 | -3.5 | -10.6 |
| Costs of ownership transfer | 21.1 | -8.3 | 12.5 | 4.8 | 0.7 | -43.2 | -38.0 | -13.0 |
| Machinery, equipment and intellectual property products | 3.8 | 8.9 | 5.5 | 4.2 | 21.0 | 4.7 | -1.7 | -12.4 |
| Total exports of goods ^{&} | 6.5 | 3.6 | 5.2 (1.8) | 4.7 (-0.4) | 5.1 (1.3) | * (-2.5) | -3.7 (-2.1) | -5.6 (-2.2) |
| Imports of goods ^{&} | 7.3 | 4.9 | 6.9 (1.6) | 6.3 (-0.2) | 7.7 (3.1) | -0.5 (-4.7) | -4.2 (-2.3) | -7.0 (-3.0) |
| Exports of services ^{&} | 2.9 | 4.9 | 7.9 (5.6) | 5.5 (-3.9) | 3.0 (0.4) | 3.3 (1.3) | 0.8 (3.2) | -0.2 (-4.9) |
| Imports of services ^{&} | 2.1 | 2.3 | 4.0 (3.7) | 0.5 (-2.2) | 2.5 (0.5) | 2.1 (0.2) | -1.5 (0.1) | 1.6 (0.8) |
| Gross Domestic Product | 3.8 | 3.0 | 4.6 (1.9) | 3.6 (-0.3) | 2.8 (0.1) | 1.2 (-0.5) | 0.6 (1.3) | 0.5 (-0.4) |
| <i>Change in the main price indicators (%)</i> | | | | | | | | |
| GDP deflator | 3.0 | 3.6 | 3.8 (1.8) | 3.7 (0.8) | 3.8 (0.6) | 3.4 (0.3) | 3.2 (1.4) | 3.0 (0.5) |
| Composite CPI | | | | | | | | |
| Headline | 1.5 | 2.4 | 2.4 (0.8) | 2.1 (0.4) | 2.5 (0.6) | 2.6 (0.7) | 2.2 (0.5) | 3.0 (1.2) |
| Underlying[^] | 1.7 | 2.6 | 2.4 (0.8) | 2.4 (0.8) | 2.8 (0.6) | 2.9 (0.7) | 2.7 (0.6) | 2.9 (1.0) |
| <i>Change in nominal GDP (%)</i> | 6.9 | 6.8 | 8.6 | 7.3 | 6.8 | 4.7 | 3.8 | 3.5 |

Notes : Figures are subject to revision later on as more data become available. The seasonally adjusted quarter-to-quarter rate of change is not applicable to gross domestic fixed capital formation, as no clear seasonal pattern is found for this category due to the presence of considerable short term fluctuations.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchandising under the standards stipulated in the *System of National Accounts 2008*.

(#) Revised figures.

() Seasonally adjusted quarter-to-quarter rate of change.

(^) After netting out the effects of the Government's one-off relief measures.

(*) Change within $\pm 0.05\%$.

Table 2**Economic forecasts for 2019
(rate of change (%))**

| | <u>Forecasts as released on 17.5.2019</u> (%) | <u>Latest forecasts on 16.8.2019</u> (%) |
|--|--|---|
| Real Gross Domestic Product (GDP) | 2 to 3 | <i>0 to 1</i> |
| Composite Consumer Price Index (CCPI) | | |
| <i>Underlying CCPI</i> | 2.5 | 2.7 |
| <i>Headline CCPI</i> | 2.5 | 2.6 |



Half-yearly Economic Report 2019

Government of the Hong Kong
Special Administrative Region

HALF-YEARLY ECONOMIC REPORT 2019

OFFICE OF THE GOVERNMENT ECONOMIST
FINANCIAL SECRETARY'S OFFICE
GOVERNMENT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION

August 2019

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CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

Summary

- *The Hong Kong economy expanded modestly by 0.5% in the second quarter of 2019 over a year earlier, slightly slower than the 0.6% growth in the preceding quarter. External demand contracted amid softening global economic growth, US-Mainland trade and technology tensions and the resultant slowdown in manufacturing and trading activities in Asia. Domestic demand stayed sluggish as subdued economic conditions and various uncertainties weighed on local economic sentiment.*
- *Total exports of goods weakened further to show an enlarged decline in the second quarter, particularly in June, with merchandise exports to most major markets recording declines of varying degrees. Exports of services recorded a marginal decline after expanding modestly in the preceding quarter.*
- *Domestic demand remained sluggish in the second quarter. Private consumption expenditure only grew modestly as consumer sentiment stayed cautious in the face of various headwinds and the weakened economic outlook. Overall investment expenditure fell markedly, reflecting continued contraction in building and construction activities and worsening business sentiment.*
- *The labour market was largely stable in the second quarter despite weaker economic conditions. The seasonally adjusted unemployment rate and the underemployment rate held steady at low levels of 2.8% and 1.0% respectively. Overall wages and earnings of low-income workers saw further real improvement.*
- *The local stock market was volatile during the second quarter, as sentiment was swayed by the twists and turns in US-Mainland trade relations and evolving expectations for US interest rate cuts. The residential property market remained buoyant in April, but showed signs of softening in May and June. For the quarter as a whole, transactions showed a notable increase. Flat prices rose by 4% during the quarter, notwithstanding some consolidation in June.*
- *Underlying consumer price inflation went up somewhat in the second quarter, mainly driven by surging pork prices caused by disruptions to the supply of fresh pork in May and June. Price pressures on other major consumer price index components were largely moderate.*

Overall situation

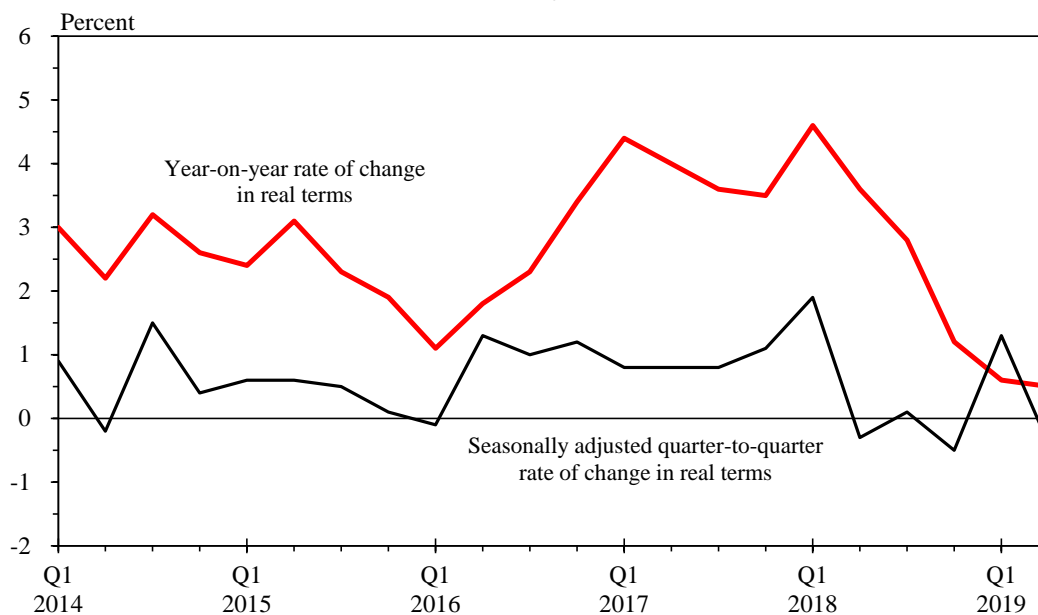
1.1 The Hong Kong economy expanded modestly by 0.5% in the second quarter of 2019 over a year earlier, slightly slower than the 0.6% growth in the preceding quarter. External demand contracted amid softening global economic growth and US-Mainland trade and technology tensions. Total exports of goods weakened further to show an enlarged decline, particularly in June, in tandem with the further setback in manufacturing and trading activities in Asia. Exports of services recorded a marginal decline after expanding modestly in the preceding quarter. Domestic demand stayed sluggish. Private consumption expenditure saw another quarter of modest growth as local consumer sentiment stayed cautious in the face of various headwinds. Overall investment expenditure fell markedly, reflecting continued contraction in building and construction activities and worsening business sentiment. The mass demonstrations in June led to some disruptions to local economic activities, including notably retail and restaurant trades and also affected the overall economic sentiment. The labour market, nevertheless, stayed largely stable. Underlying consumer price inflation went up somewhat, mainly due to a surge in pork prices.

1.2 The external environment became more unfavourable in the second quarter. Global economic growth softened amid high uncertainties. In mid-July, the International Monetary Fund (IMF) lowered its global economic growth forecast for 2019 to 3.2%⁽¹⁾, the fourth downward revision since October last year, suggesting that the global economy is in its worst shape since 2009. In May, US-Mainland trade relations turned more intense, as the US raised the rate of additional tariffs on around US\$200 billion worth of imports from the Mainland from 10% to 25%. While the bilateral trade talk resumed after the meeting between the Presidents of the two countries in late June, the US announced in early August to impose 10% additional tariffs on the remaining US\$300 billion worth of Mainland products effective 1 September 2019, and the Mainland immediately indicated it would take countermeasures, indicating that the trade conflict had escalated further and associated uncertainty remained high. In the face of increasing downside risks to the global economic outlook, many major central banks, including the US Federal Reserve and the European Central Bank, have shifted to a more accommodative monetary stance.

1.3 In the second quarter of 2019, *Gross Domestic Product (GDP)*⁽²⁾ grew by 0.5% in real terms over a year earlier (revised from the advance estimate of 0.6%), slightly slower than the 0.6% growth in the preceding quarter.

On a seasonally adjusted quarter-to-quarter comparison⁽³⁾, real GDP decreased by 0.4% in the second quarter (revised from the advance estimate of -0.3%) after an expansion of 1.3% in the preceding quarter.

Diagram 1.1 : Real GDP expanded modestly by 0.5% in the second quarter of 2019 over a year earlier



The external sector

1.4 *Total exports of goods* compiled under the GDP accounting framework weakened further to show an enlarged year-on-year decline of 5.6% in real terms in the second quarter, after a 3.7% decrease in the preceding quarter. External merchandise trade statistics showed that the decline was particularly noticeable in June. Analysed by major market, exports to the US registered a double-digit fall in the second quarter, and those to the EU weakened markedly to record a modest decline. As the softer global economic environment and US-Mainland trade tensions continued to put strains on manufacturing and trading activities in Asia, exports to many Asian economies, including the Mainland and Japan, recorded declines of varying degrees.

1.5 *Exports of services* recorded a marginal year-on-year decline of 0.2% in real terms in the second quarter after expanding modestly by 0.8% in the preceding quarter. Exports of travel services only showed moderate growth as strong growth in visitor arrivals was largely offset by weaker per capita visitor spending. Meanwhile, exports of financial services rose moderately as cross-border financial activities continued to expand. Amid an uncertain global economic environment, exports of business and other services continued to decline. Exports of transport services also fell further as a result of subdued regional trade and cargo flows.

**Table 1.1 : Gross Domestic Product, its main expenditure components
and the main price indicators
(year-on-year rate of change (%))**

| | <u>2017[#]</u> | <u>2018[#]</u> | <u>2018</u> | | | | <u>2019</u> | |
|--|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | <u>Q1[#]</u> | <u>Q2[#]</u> | <u>Q3[#]</u> | <u>Q4[#]</u> | <u>Q1[#]</u> | <u>Q2[#]</u> |
| <i>Change in real terms of GDP and its main expenditure components (%)</i> | | | | | | | | |
| Private consumption expenditure | 5.6 | 5.5 | 8.9 (3.2) | 6.0 (-1.0) | 4.8 (0.5) | 2.7 (*) | 0.4 (0.9) | 1.1 (-0.3) |
| Government consumption expenditure | 2.8 | 4.2 | 4.2 (1.7) | 4.3 (1.1) | 3.3 (0.6) | 4.9 (1.3) | 4.5 (1.4) | 4.2 (0.8) |
| Gross domestic fixed capital formation | 2.9 | 2.0 | 4.7 | 1.9 | 8.6 | -5.8 | -7.0 | -11.6 |
| Building and construction | -0.5 | -0.6 | 2.2 | -0.9 | 1.3 | -4.9 | -3.5 | -10.6 |
| Costs of ownership transfer | 21.1 | -8.3 | 12.5 | 4.8 | 0.7 | -43.2 | -38.0 | -13.0 |
| Machinery, equipment and intellectual property products | 3.8 | 8.9 | 5.5 | 4.2 | 21.0 | 4.7 | -1.7 | -12.4 |
| Total exports of goods ^{&} | 6.5 | 3.6 | 5.2 (1.8) | 4.7 (-0.4) | 5.1 (1.3) | * (-2.5) | -3.7 (-2.1) | -5.6 (-2.2) |
| Imports of goods ^{&} | 7.3 | 4.9 | 6.9 (1.6) | 6.3 (-0.2) | 7.7 (3.1) | -0.5 (-4.7) | -4.2 (-2.3) | -7.0 (-3.0) |
| Exports of services ^{&} | 2.9 | 4.9 | 7.9 (5.6) | 5.5 (-3.9) | 3.0 (0.4) | 3.3 (1.3) | 0.8 (3.2) | -0.2 (-4.9) |
| Imports of services ^{&} | 2.1 | 2.3 | 4.0 (3.7) | 0.5 (-2.2) | 2.5 (0.5) | 2.1 (0.2) | -1.5 (0.1) | 1.6 (0.8) |
| Gross Domestic Product | 3.8 | 3.0 | 4.6 (1.9) | 3.6 (-0.3) | 2.8 (0.1) | 1.2 (-0.5) | 0.6 (1.3) | 0.5 (-0.4) |
| <i>Change in the main price indicators (%)</i> | | | | | | | | |
| GDP deflator | 3.0 | 3.6 | 3.8 (1.8) | 3.7 (0.8) | 3.8 (0.6) | 3.4 (0.3) | 3.2 (1.4) | 3.0 (0.5) |
| Composite CPI | | | | | | | | |
| Headline | 1.5 | 2.4 | 2.4 (0.8) | 2.1 (0.4) | 2.5 (0.6) | 2.6 (0.7) | 2.2 (0.5) | 3.0 (1.2) |
| Underlying[^] | 1.7 | 2.6 | 2.4 (0.8) | 2.4 (0.8) | 2.8 (0.6) | 2.9 (0.7) | 2.7 (0.6) | 2.9 (1.0) |
| Change in nominal GDP (%) | 6.9 | 6.8 | 8.6 | 7.3 | 6.8 | 4.7 | 3.8 | 3.5 |

Notes : Figures are subject to revision later on as more data become available. The seasonally adjusted quarter-to-quarter rate of change is not applicable to gross domestic fixed capital formation, as no clear seasonal pattern is found for this category due to the presence of considerable short term fluctuations.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Revised figures.

() Seasonally adjusted quarter-to-quarter rate of change.

(^) After netting out the effects of the Government's one-off relief measures.

(*) Change within $\pm 0.05\%$.

The domestic sector

1.6 Domestic demand stayed sluggish in the second quarter. *Private consumption expenditure* grew modestly by 1.1% year-on-year in real terms after a 0.4% increase in the preceding quarter. Consumer sentiment was cautious in the face of weakened economic conditions and various headwinds. Nevertheless, residents' expenditure abroad recorded strong year-on-year growth, partly supported by the late arrival of the Easter holidays (which started in mid-April this year but in late March last year). Meanwhile, *government consumption expenditure* continued to grow solidly by 4.2% in the second quarter after 4.5% growth in the preceding quarter.

**Table 1.2 : Consumer spending by major component^(a)
(year-on-year rate of change in real terms (%))**

| | Total consumer spending in the domestic market ^(a) | <i>Of which :</i> | | | | Residents' expenditure abroad | Visitor spending | Private consumption expenditure ^(b) |
|-------------|---|-------------------|----------|------------------|----------|-------------------------------------|---------------------|--|
| | | Food | Durables | Non- durables | Services | | | |
| 2018 Annual | 6.1 | 2.1 | 13.9 | 11.0 | 4.0 | 3.4 | 8.6 | 5.5 |
| Q1 | 9.6 | 4.1 | 25.7 | 13.9 | 6.7 | 6.1 | 12.5 | 8.9 |
| Q2 | 7.3 | 3.9 | 21.7 | 13.9 | 4.0 | -2.4 | 10.5 | 6.0 |
| Q3 | 4.9 | 0.9 | 8.7 | 10.5 | 3.2 | 3.3 | 4.7 | 4.8 |
| Q4 | 3.0 | -0.6 | 4.4 | 6.5 | 2.3 | 6.8 | 7.0 | 2.7 |
| 2019 | | | | | | | | |
| Q1 | 1.0 | -1.2 | -6.1 | 4.5 | 1.3 | -0.4 | 3.9 | 0.4 |
| Q2 | 0.4 | -4.8 | -6.4 | 0.1 | 2.8 | 11.5 | 1.9 | 1.1 |

Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending.

(b) Private consumption expenditure is obtained by deducting visitor spending from total consumer spending in the domestic market, and adding back residents' expenditure abroad.

Diagram 1.2 : Private consumption expenditure only grew modestly

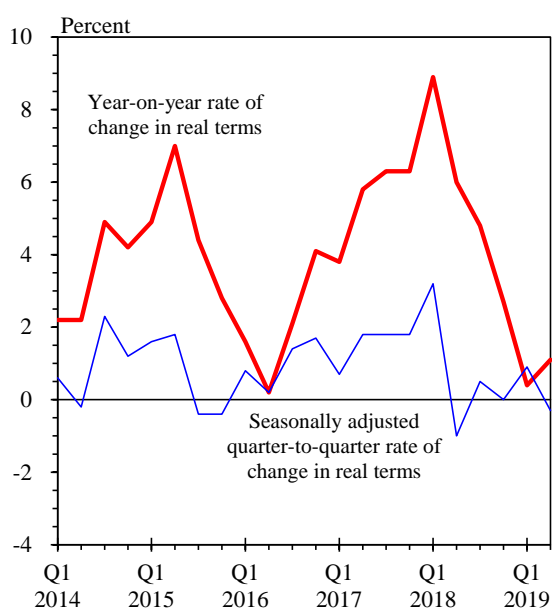
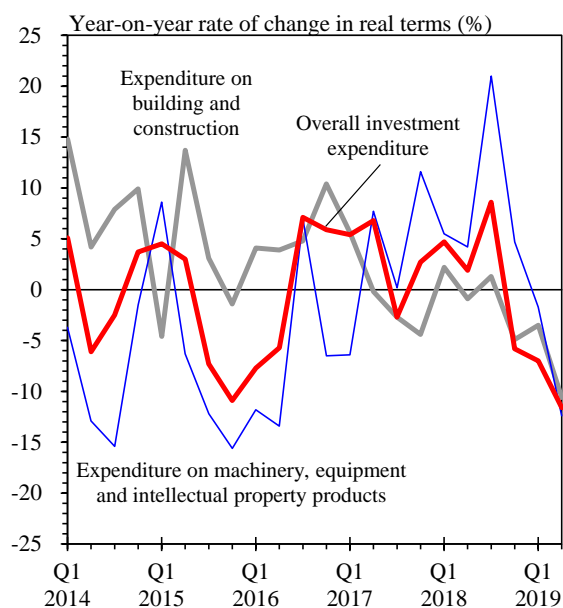


Diagram 1.3 : Overall investment spending fell markedly



1.7 Overall investment spending in terms of *gross domestic fixed capital formation* fell markedly by 11.6% in real terms in the second quarter, after a 7.0% decline in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products dropped by 12.4% as uncertainties surrounding both global and local economic prospects resulted in much weaker business sentiment (see **Box 1.1** for an analysis of business sentiment). Expenditure on building and construction continued to contract, by 10.6%. Spending by both the private and public sectors shrank, with the latter reflecting the completion of some major infrastructure projects.

Box 1.1

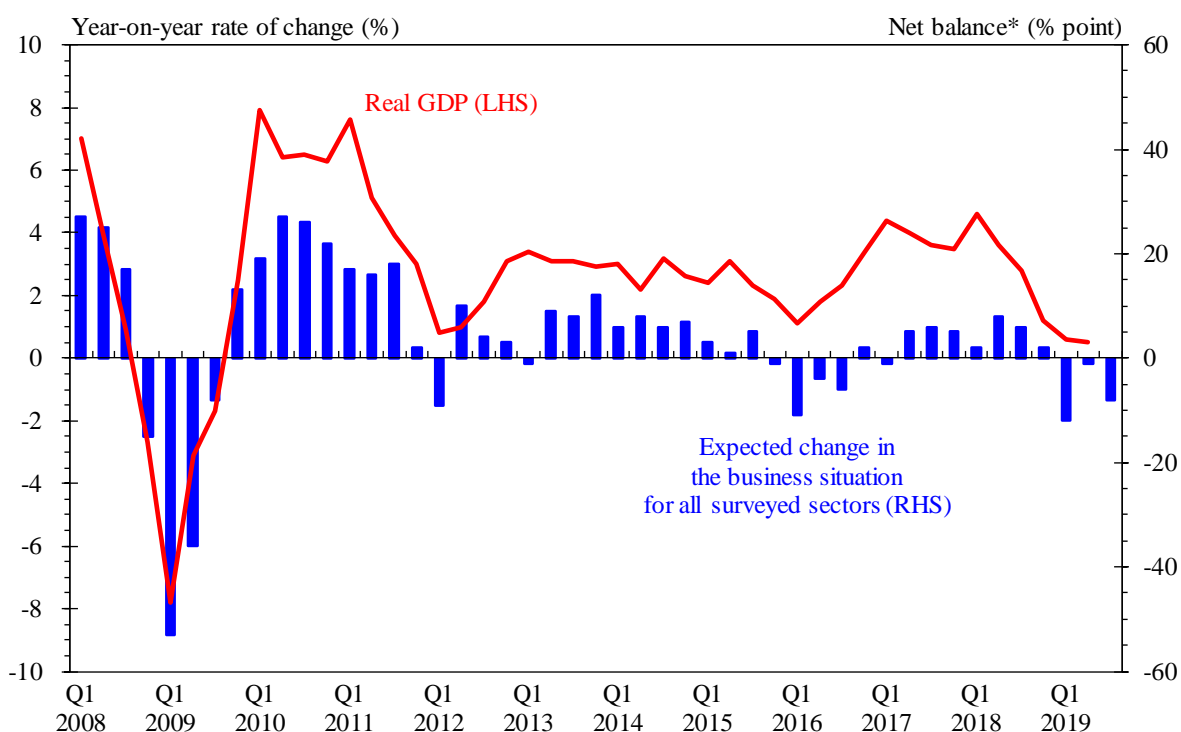
Business sentiment in Hong Kong

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Latest results of various surveys all pointed to a visible worsening of business sentiment in recent months.

According to the results from the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during early June to mid-July, business sentiment among large enterprises in Hong Kong turned more cautious as compared to the previous round (*Chart 1*). The proportion of large enterprises expecting a weaker business situation in the third quarter of 2019 outweighed the proportion of those expecting a better situation by 8 percentage points (i.e. a net balance of -8), worse than the negative net balance of -1 percentage point in the preceding quarter.

Business sentiment among large enterprises fell across most sectors amid a softening economic environment (*Table 1*). In specific, large enterprises in “retail” and “accommodation and food services” turned much more pessimistic, mirroring subdued consumer spending and more recently the marked slowdown in inbound tourism. Reflecting the effects of US-Mainland trade tensions, the net balance in “transportation, storage and courier services” went down visibly, while that in “import/export trade and wholesale” stayed in the negative zone. The net balances in other major sectors were all negative except for “information and communications”. Meanwhile, overall hiring sentiment of large enterprises stayed positive, with many sectors surveyed expecting employment to increase in the third quarter of 2019 (*Table 2*).

Chart 1 : Business sentiment among large enterprises turned more cautious



Note: (*) Net balance indicates the direction of expected change in the business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

(1) The Quarterly Business Tendency Survey collected views from around 500-600 large establishments on their near-term business outlook. Respondents were asked to exclude seasonal influences in their responses.

Box 1.1 (Cont'd)

Table 1 : Business sentiment of large enterprises saw deterioration in most sectors surveyed

| QBTS: Expected changes in business situation | | | | | | |
|--|------------------------|-----|-----|------|-----|-----|
| | Net balance* (% point) | | | | | |
| | 2018 | | | 2019 | | |
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Manufacturing | -5 | +23 | -1 | -3 | -1 | -8 |
| Construction | -13 | -10 | -26 | -23 | -22 | -7 |
| Import/export trade and wholesale | +5 | -1 | -5 | -23 | -8 | -8 |
| Retail | +4 | -1 | +19 | -6 | -8 | -24 |
| Accommodation and food services | -7 | -10 | +17 | -5 | -9 | -17 |
| Transportation, storage and courier services | -8 | +5 | +8 | -13 | -1 | -9 |
| Information and communications | +20 | +16 | +16 | -3 | +13 | +10 |
| Financing and insurance | +28 | +23 | +13 | -8 | +9 | -6 |
| Real estate | +11 | +1 | -6 | -5 | +6 | -10 |
| Professional and business services | -2 | +3 | -2 | -7 | -4 | -3 |

Note: (*) Net balance indicates the direction of expected change in the business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing "better" over that choosing "worse". A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

Table 2 : Hiring sentiment among large enterprises stayed generally positive

| QBTS: Expected changes in number of persons engaged | | | | | | |
|---|------------------------|-----|-----|------|-----|-----|
| | Net balance* (% point) | | | | | |
| | 2018 | | | 2019 | | |
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Manufacturing | +15 | +3 | +13 | +12 | -6 | +8 |
| Construction | -8 | +18 | -6 | -3 | -6 | +10 |
| Import/export trade and wholesale | +2 | -7 | -1 | -6 | -4 | -5 |
| Retail | +7 | +11 | +13 | +4 | +1 | 0 |
| Accommodation and food services | +7 | +13 | +14 | +9 | +12 | +19 |
| Transportation, storage and courier services | +8 | +10 | +16 | +11 | +6 | +6 |
| Information and communications | +9 | 0 | +15 | -11 | +11 | -3 |
| Financing and insurance | +26 | +21 | +12 | +20 | +12 | +9 |
| Real estate | +5 | +4 | +18 | +7 | +6 | +7 |
| Professional and business services | +2 | -1 | +3 | -4 | -8 | +2 |

Note: (*) Net balance indicates the direction of expected change in the number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing "up" over that choosing "down". A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

As for small and medium-sized enterprises (SMEs), the C&SD compiles a set of diffusion indices on a monthly basis⁽²⁾ to gauge the general direction of change in their views on business situation versus the preceding month. The overall index on business receipts worsened in recent months and fell to 40.6 in July, the lowest since survey results were available in June 2011 (*Chart 2a*), reflecting the continued drag from US-Mainland trade tensions, sluggish economic conditions and concerns about the recent mass demonstrations. Nonetheless, employment situation stayed broadly stable and credit situation remained highly accommodative. Likewise, the Standard Chartered Hong Kong SME Leading Business Index⁽³⁾ slipped visibly in the contractionary zone to the lowest in three years, after showing a relative improvement in the preceding quarter.

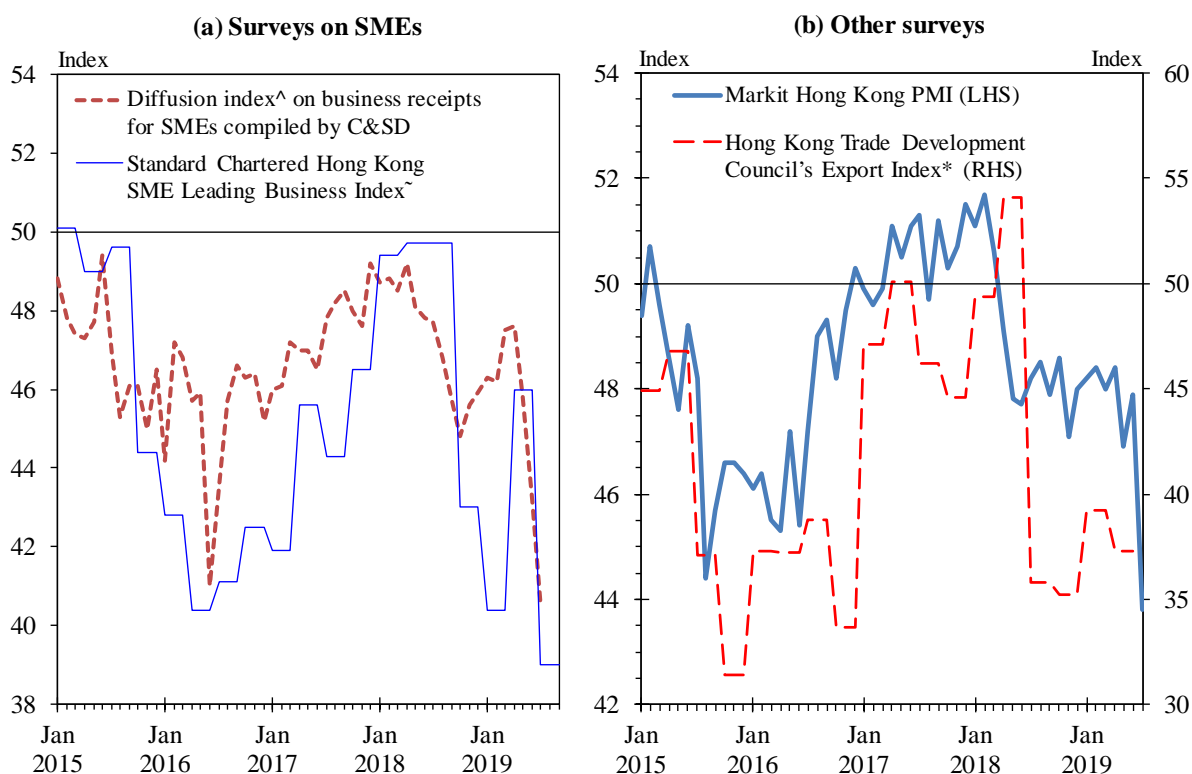
As for other surveys in the public domain, the Hong Kong Trade Development Council's Export Index⁽⁴⁾ edged down to 37.3 in the second quarter of 2019 from 39.2 in the previous quarter (*Chart 2b*). Among the traders surveyed in this latest round, 54.7% of them believed that ongoing US-Mainland trade tensions would negatively affect their near-term export performance, up from the 51.7% in the preceding quarter. Separately, the monthly Markit Purchasing Managers' Index (PMI) of Hong Kong⁽⁵⁾, which gauges the performance of the private sector's business activity, fell noticeably in July 2019 to the lowest level in more than a decade and stayed below 50 for the sixteenth consecutive month.

(2) It refers to the results from the Monthly Survey on the Business Situation of SMEs that solicits feedbacks from a panel sample of around 600 SMEs each month.

(3) Conducted independently by Hong Kong Productivity Council, the quarterly survey enables the public and SMEs to gain insights into the forthcoming business climate for better forward planning. The Overall Index comprises five areas, including local SMEs' outlook on the "Recruitment Sentiment", "Investment Sentiment", "Business Condition", "Profit Margin", and "Global Economy" for the next quarter.

Box 1.1 (Cont'd)

Chart 2 : Most of the other survey indicators also pointed to much weaker business sentiment



Notes: (^) The diffusion index is computed by adding the percentage of SMEs reporting “up” to one half of the percentage of SMEs reporting “same”. A diffusion index reading above 50 indicates that the business condition is generally favourable, whereas an index below 50 indicates otherwise. Respondents were requested to exclude seasonal effects in reporting their views.

(~) Launched in Q3 2012 and quarterly data.

(*) A reading above 50 indicates that more than half of the surveyed traders incline towards the upside, which can be interpreted as an upward trend and an increase in confidence, and vice versa for a reading below 50.

It is worth pointing out that these surveys are essentially opinion-based, thereby unavoidably subject to various limitations (e.g. results are not directly comparable) and hence the results should be interpreted with care. Still, these survey findings taken together suggest that business sentiment in Hong Kong had turned pessimistic of late. The Government will stay vigilant and closely monitor the various external and domestic developments, for their possible ramifications on Hong Kong’s business and employment situations.

(4) The Hong Kong Trade Development Council’s Export Index is compiled based on a quarterly survey to collect views from traders concerning their export performances in the prevailing quarter as well as their outlook for the subsequent quarter and covers six major industries – electronics, clothing, jewellery, timepieces, toys and machinery.

(5) According to the press release by IHS Markit, the Markit Hong Kong PMI is compiled according to monthly replies to questionnaires sent to purchasing executives in around 400 companies. It is a composite index based on five individual indices with the following weights: New Orders (30%); Output (25%); Employment (20%); Suppliers’ Delivery Times (15%); and Stocks of Purchases (10%), with the Delivery Times index inverted so that it moves in a comparable direction. Survey responses reflect the change, if any, in the prevailing month compared to the previous month.

The labour sector

1.8 The labour market was largely stable in the second quarter despite weaker economic growth momentum. The *seasonally adjusted unemployment rate* held steady at a low level of 2.8%, and the *underemployment rate* likewise stayed unchanged at 1.0%. The labour force recorded a mild year-on-year growth. However, labour demand in some sectors, such as import/export trade, construction and retail, showed some preliminary signs of softening. Overall wages and earnings of low-income workers continued to see real improvement.

The asset markets

1.9 The *local stock market* was volatile during the second quarter. The Hang Seng Index (HSI) rose further in April, but fell visibly in May as sentiment was hit by the re-escalation of US-Mainland trade tensions. It recouped some lost ground in June as the market perceived a reduced risk of further worsening of US-Mainland trade relations and increasingly expected US interest rate cuts. The HSI closed at 28 543 at end-June, 1.8% lower than at end-March. Average daily turnover of the stock market still stood at a relatively high level of \$94.7 billion, though down by 6.2% from the preceding quarter and by 11.3% from a year earlier. Credit growth, in terms of the year-on-year increase in loans for use in Hong Kong (including trade finance), was 4.5% at end-June 2019, slightly higher than its 3.9% growth at end-March.

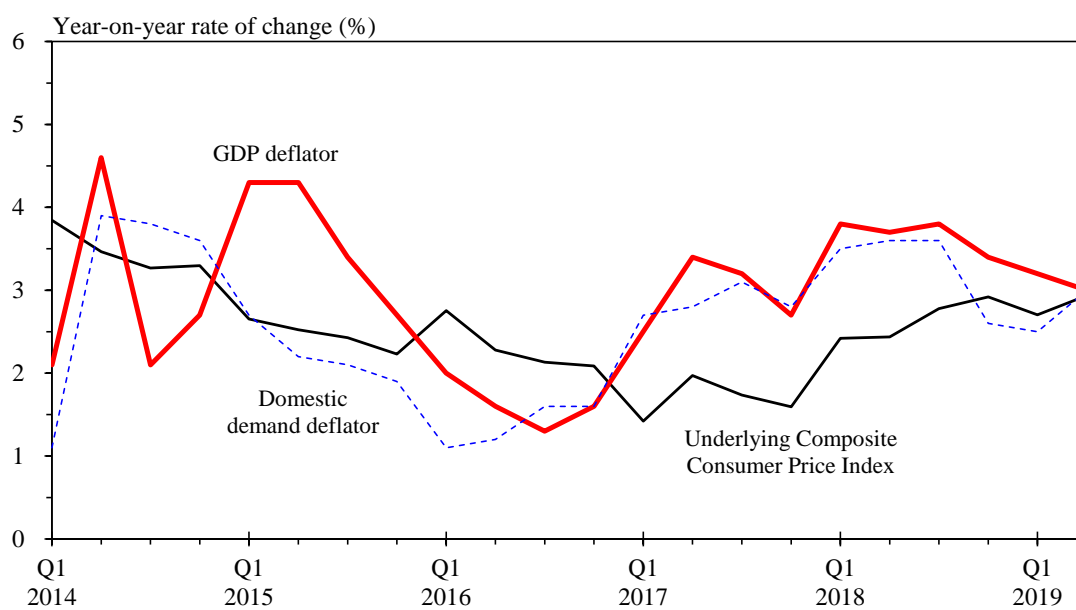
1.10 The *residential property market* remained buoyant in April, but showed signs of softening in May and June. While the tight demand-supply situation and rising expectations for US interest rate cuts provided support to the market, sentiment turned more cautious following the re-escalation of US-Mainland trade tensions in May. The number of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, increased by 49% over the preceding quarter to 20 657 in the second quarter, the highest since the third quarter of 2012. Yet, trading returned to a moderate level in June after reaching hectic levels in April and May. Flat prices rose by 4% during the quarter, but the increases in April and May were followed by a decline in June. Flat prices in June 2019 exceeded the 1997 peak by 128%. The index of home purchase affordability remained elevated at around 73%. Meanwhile, flat rentals rose by 2% during the second quarter. As for non-residential properties, rentals for retail premises and flatted factories increased by 1% and 2% respectively, while office rentals were little changed.

Inflation

1.11 Underlying consumer price inflation went up somewhat. *Underlying consumer price inflation*, which nets out the effects of the Government's one-off relief measures, climbed from 2.7% in the first quarter to 2.9% in the second quarter, mainly driven by surging pork prices caused by disruptions to the supply of fresh pork in May and June. Price pressures on other major consumer price index components were largely moderate. Locally, the private housing rental component of consumer price inflation recorded a narrower increase in the second quarter, as the earlier easing in fresh-letting residential rentals continued to feed through. On business costs, while wages and earnings went up further amid a still-tight labour market, continued labour productivity gains have helped contained the increase in unit labour costs. Commercial rental cost pressures also held largely moderate as economic growth stayed soft. External price pressures continued to ease against the backdrop of weaker global economic performance and the appreciation of the Hong Kong dollar along with the US dollar vis-à-vis other major currencies over the past year. *Headline consumer price inflation* went up by a larger extent from 2.2% in the first quarter to 3.0% in the second quarter. Apart from higher pork prices, the lower ceiling of the Government's rates concession in the new financial year which began in April also contributed to the faster increase.

1.12 The year-on-year rate of increase in the *GDP deflator* was 3.0% in the second quarter, smaller than 3.2% in the preceding quarter. The terms of trade held virtually unchanged as the rise in export prices was largely matched by that in import prices. Taking out the external trade components, the increase in the domestic demand deflator went higher to 3.0%.

Diagram 1.4 : Underlying consumer price inflation went up somewhat in the second quarter



Note : The year-on-year rates of change of the Composite Consumer Price Index from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

GDP by major economic sector

1.13 The net output of the services sector grew at a decelerated pace of 1.9% year-on-year in real terms in the first quarter of 2019, as compared with 2.4% in the preceding quarter and 3.4% in 2018 as a whole. Analysed by major service sector, the net output of import and export trade declined while that of transportation, storage, postal and courier services showed a moderated increase alongside weaker trade flows. The net output of wholesale and retail trades relapsed to a decline, reflecting cautious consumer sentiment amid various uncertainties. Nonetheless, the net output of accommodation and food services grew moderately, partly supported by sustained growth in visitor arrivals. Meanwhile, the net outputs of financing and insurance, professional and business services, public administration, social and personal services and information and communications attained moderate to solid increases. The net output of real estate, which covers activities of private sector developers and property agencies, resumed modest growth alongside the rebound in the residential property market in the quarter. As for the secondary sector, the net output of the construction sector showed a narrower decline, while that of the manufacturing sector increased modestly further.

**Table 1.3 : GDP by economic activity^(a)
(year-on-year rate of change in real terms (%))**

| | <u>2018</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>2019</u> <u>Q1</u> |
|--|-------------|-----------|-----------|-----------|-----------|--------------------------|
| Manufacturing | 1.3 | 1.1 | 1.6 | 1.2 | 1.2 | 1.4 |
| Construction | 0.1 | 3.8 | -1.3 | 2.6 | -4.4 | -2.6 |
| Services ^(b) | 3.4 | 4.4 | 3.7 | 3.1 | 2.4 | 1.9 |
| Import/export, wholesale and retail trades | 4.5 | 6.0 | 5.7 | 5.2 | 2.0 | -0.8 |
| Import and export trade | 4.1 | 4.9 | 4.7 | 5.3 | 2.1 | -0.3 |
| Wholesale and retail trades | 6.3 | 11.1 | 9.9 | 4.3 | 1.9 | -2.9 |
| Accommodation ^(c) and food services | 3.9 | 6.2 | 4.3 | 3.6 | 1.7 | 2.8 |
| Transportation, storage, postal and courier services | 3.5 | 5.2 | 4.1 | 1.4 | 3.4 | 2.4 |
| Transportation and storage | 3.6 | 5.1 | 4.5 | 1.8 | 3.3 | 2.8 |
| Postal and courier services | 1.1 | 6.0 | -2.0 | -5.3 | 4.3 | -4.9 |
| Information and communications | 3.8 | 3.2 | 3.6 | 3.4 | 4.9 | 4.8 |
| Financing and insurance | 4.6 | 6.7 | 4.9 | 3.6 | 3.5 | 3.0 |
| Real estate, professional and business services | 1.5 | 2.2 | 2.0 | 1.3 | 0.7 | 1.7 |
| Real estate | 1.4 | 2.0 | 2.3 | 1.8 | -0.2 | 1.2 |
| Professional and business services | 1.6 | 2.5 | 1.7 | 0.9 | 1.5 | 2.2 |
| Public administration, social and personal services | 2.9 | 3.2 | 2.5 | 3.0 | 3.2 | 3.4 |

Notes : Figures are subject to revision later on as more data become available.

- (a) The GDP figures shown in this table are compiled from the production approach, while those shown in Table 1.1 are compiled from the expenditure approach. For details, see Note (2) to this chapter.
- (b) In the context of value-added contribution to GDP, the service sectors include ownership of premises as well, which is analytically a service activity.
- (c) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

Other economic developments

1.14 Hong Kong continued to rank second globally in the International Institute for Management Development's World Competitiveness Yearbook 2019. Among the four competitiveness factors, Hong Kong maintained the top rank in "Government efficiency", and ranked second in "Business efficiency" and 10th in "Economic performance". Hong Kong's ranking in "Infrastructure" edged up to 22nd. Amid the keen competition among global economies, the Government will keep up its effort in consolidating Hong Kong's prevailing competitive advantages, including the rule of law, an open and free market, an efficient public sector and a favourable business environment with a level playing field, and strengthen its role as a "facilitator" and "promoter" so as to explore more opportunities for Hong Kong.

1.15 On developments in the financial sector, the Hong Kong Mortgage Corporation Limited and the China Export & Credit Insurance Corporation in April signed a Memorandum of Understanding on co-operation in infrastructure financing. The two parties will strengthen co-operation in multiple areas, including collaborating on infrastructure project financing and exchanging experience and best practices in infrastructure financing transactions, with the goal of consolidating Hong Kong's position as an infrastructure financing hub and facilitating infrastructure investment and financing flows. In June, the Hong Kong Academy of Finance was formally established to serve as a centre of excellence for developing financial leadership and a repository of knowledge in monetary and financial research, including applied research.

Notes :

- (1) The table below presents a more detailed comparison between the growth forecasts made by the IMF in July 2019 and those three months ago.

| | 2018 | 2019 | |
|--|------------------|--------------------|-------------------|
| | 2018 (%) | April round (%) | July round (%) |
| World (PPP ^{##} weighted) | 3.6 | 3.3 | 3.2 |
| Advanced economies | 2.2 | 1.8 | 1.9 |
| US | 2.9 [#] | 2.3 | 2.6 |
| Euro area | 1.9 [#] | 1.3 | 1.3 |
| UK | 1.4 [#] | 1.2 | 1.3 |
| Japan | 0.8 [#] | 1.0 | 0.9 |
| Emerging market and developing economies | 4.5 | 4.4 | 4.1 |
| Emerging and developing Asia | 6.4 | 6.3 | 6.2 |
| Mainland China | 6.6 [#] | 6.3 | 6.2 |
| India [^] | 6.8 [#] | 7.3 | 7.0 |
| ASEAN-5 [§] | 5.2 | 5.1 | 5.0 |
| Middle East and North Africa ⁺ | 1.6 | 1.5 | 1.0 |

- Notes : (#) Actual figures.
 (##) PPP refers to purchasing power parity.
 (^) Fiscal year.
 (§) Includes Indonesia, Malaysia, the Philippines, Thailand and Vietnam.
 (+) Based on “Middle East, North Africa, Afghanistan, and Pakistan” as defined by the IMF.

- (2) The Gross Domestic Product (GDP) is an overall measure of net output produced within an economy in a specified period, such as a calendar year or a quarter, before deducting the consumption of fixed capital. In accordance with the expenditure approach to its estimation, GDP is compiled as total final expenditures on goods and services (including private consumption expenditure, government consumption expenditure, gross domestic fixed capital formation, changes in inventories, and exports of goods and services), less imports of goods and services.
- (3) The seasonally adjusted quarter-to-quarter GDP series, by removing the variations that occur at about the same time and in about the same magnitude each year, provides another perspective for discerning the trend, particularly in regard to turning points. A detailed examination reveals the presence of seasonality in the overall GDP and in some of its main components, including private consumption expenditure, government consumption expenditure, exports of goods, imports of goods, exports of services, and imports of services. However, due to the presence of considerable short-term fluctuations, no clear seasonal pattern is found in gross domestic fixed capital formation. Therefore, the seasonally adjusted series of GDP is compiled separately at the overall level, rather than summing up from its main components.

CHAPTER 2 : THE EXTERNAL SECTOR

Summary

- *The adverse effects on global economic activities and sentiment from trade restrictive measures implemented over the past year or so became more notable in the second quarter of 2019. The momentum of the US economy slackened, with both private investment and exports recording declines. The euro area economy continued to see modest growth. The Mainland economy, though displaying resilience, also faced downward pressures stemming from trade tensions. Against this background, exports in many Asian economies weakened further, while manufacturing activities in the region largely stayed lacklustre. As sentiment swung in response to development of US-Mainland trade tensions and evolving expectation for the US Federal Reserve to cut interest rates in the face of weaker economic outlook, the fluctuations of global financial markets intensified.*
- *Hong Kong's merchandise exports weakened further to show an enlarged year-on-year decline of 6.1% in real terms⁽¹⁾ in the second quarter, particularly in June, in tandem with the further setback in manufacturing and trading activities in Asia. Exports to the US registered a double-digit fall, and those to the EU also recorded a modest decline. Exports to many Asian economies, including the Mainland and Japan, recorded declines of varying degrees.*
- *Exports of services recorded a marginal year-on-year decline of 0.2% in real terms in the second quarter. Exports of travel services only showed moderate growth as strong growth in visitor arrivals was largely offset by weaker per capita visitor spending. Meanwhile, exports of financial services rose moderately as cross-border financial activities continued to expand. Amid an uncertain global economic environment, exports of business and other services continued to decline. Exports of transport services also fell further as a result of subdued regional trade and cargo flows.*
- *The 21st Plenary of the Hong Kong/Guangdong Co-operation Joint Conference was held in May. Consensus on a range of areas of co-operation was reached, and the 2019 Work Plan of the Framework Agreement on Hong Kong/Guangdong Co-operation was signed. As for the Free Trade Agreement and Investment Agreement between Hong Kong and ASEAN, those parts relating to five ASEAN member states entered into force in June.*

Goods trade

Total exports of goods

2.1 Hong Kong's *merchandise exports* weakened further to show an enlarged year-on-year decline of 6.1% in real terms in the second quarter of 2019, after a 4.2% decrease in the preceding quarter. For June in particular, the volume of merchandise exports fell noticeably by 10.1% over a year earlier. The enlarged decline in the second quarter was due partly to the softening of economic growth both globally and in the region and partly to the increase in US additional tariff rates on Mainland products implemented in May.

2.2 Global economic growth softened in the second quarter amid high uncertainties. The momentum of the US economy slackened, with both private investment and exports recording declines. The euro area continued to see modest growth, reflecting the drags from deep-seated structural issues that confined the potential growth of the region, while the cyclical weakness in the manufacturing sector posed further headwinds. The future development of Brexit remained highly uncertain, especially so in view of the leadership change of the UK government. While the Mainland economy displayed resilience and grew by 6.2% in the second quarter, it also faced downward pressures stemming from trade tensions. Elsewhere in Asia, economic activities in Japan recorded only modest expansion recently. Amid lacklustre industrial production and enlarged declines in exports, many externally-oriented economies in the region likewise showed sub-par performance⁽²⁾.

2.3 US-Mainland trade relations remained bumpy. In May, US-Mainland trade relations turned more intense, as the US raised the rate of additional tariffs on US\$200 billion worth of imports from the Mainland from 10% to 25%, and indicated its intention to extend the scope of additional tariffs to all Mainland products. The Mainland announced countermeasures and released a White Paper on economic and trade consultation with the US, reiterating the Mainland's three prerequisites for a trade deal, namely the US' removal of all additional tariffs, realistic targets for the Mainland's purchase of US goods, and balanced agreement contents. While the bilateral trade talk resumed after the meeting between the Presidents of the two countries in late June, the US announced in early August to impose 10% additional tariffs on the remaining US\$300 billion worth of Mainland products effective 1 September 2019, and the Mainland immediately indicated it would take countermeasures, indicating that the trade conflicts had escalated further and uncertainty remained high.

2.4 In the face of increasing downside risks to the global economic outlook, many major central banks have shifted to a more accommodative monetary stance. In July, the European Central bank revised its forward guidance on policy rates, and signaled the possibility of interest rate cuts over the next twelve months. The US Federal Reserve cut interest rate in late July, the first time in nearly a decade. Other central banks such as those in Australia, India, Indonesia, Korea and Russia loosened their monetary policies in recent months. Separately, in mid-July, the International Monetary Fund lowered its global economic growth forecast for 2019 to 3.2%, the fourth downward revision since October last year, suggesting that the global economy is in its worst shape since 2009.

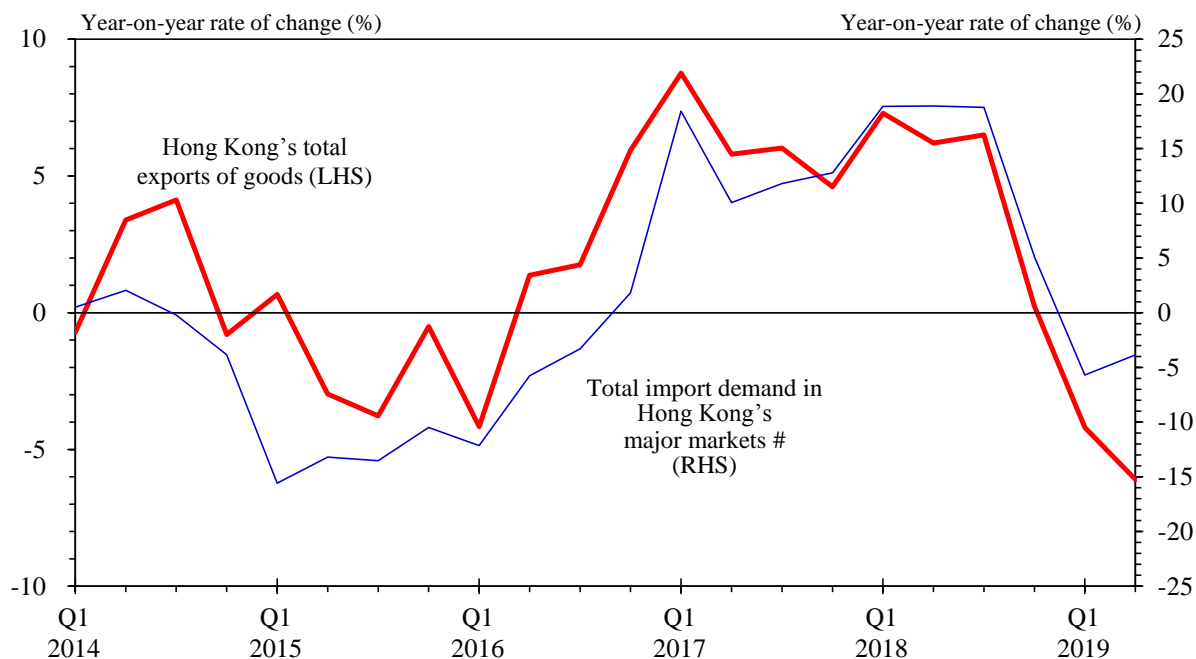
**Table 2.1 : Total exports of goods
(year-on-year rate of change (%))**

| | | <u>In value terms</u> | <u>In real terms^(a)</u> | | <u>Change in prices</u> |
|------|--------|-----------------------|------------------------------------|--------|-------------------------|
| 2018 | Annual | 7.3 | 4.9 | | 2.4 |
| | Q1 | 9.7 | 7.3 | (2.1) | 2.3 |
| | Q2 | 9.0 | 6.2 | (1.2) | 2.7 |
| | Q3 | 9.0 | 6.5 | (1.0) | 2.5 |
| | Q4 | 2.2 | 0.2 | (-3.9) | 2.3 |
| 2019 | Q1 | -2.4 | -4.2 | (-2.8) | 2.2 |
| | Q2 | -4.7 | -6.1 | (-0.5) | 1.9 |

Notes : () Seasonally adjusted quarter-to-quarter rate of change.

- (a) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

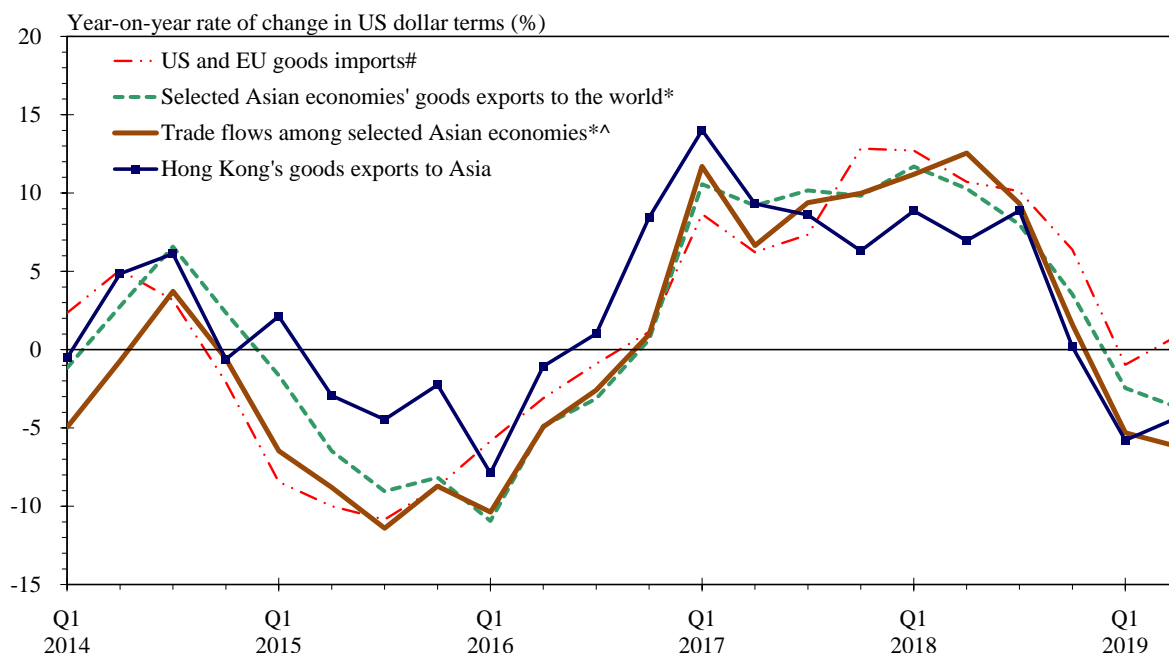
Diagram 2.1 : Merchandise exports weakened further in the second quarter of 2019



Notes : Total exports of goods as depicted refer to the year-on-year rate of change in real terms, while total import demand in Hong Kong's major markets as depicted refers to the year-on-year rate of change in US dollar terms in the aggregate import demand in Asia, the United States and the European Union taken together.

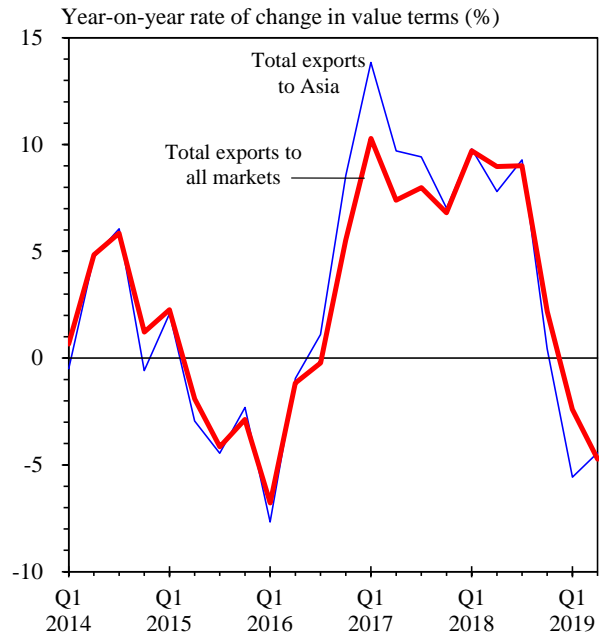
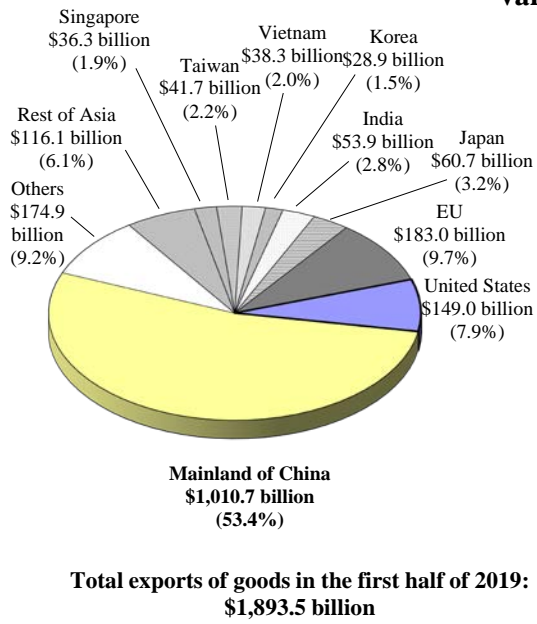
(#) Import demand figure for the second quarter of 2019 is based on statistics for April and May 2019.

Diagram 2.2 : Regional trade flows remained lacklustre amid an uncertain global economic landscape



Notes : (*) "Selected Asian economies" include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.
 (^) The trade flows were measured by the sum of the individual economies' exports of goods to the other nine economies within the "selected Asian economies".
 (#) Trade figures for the US, the EU and "selected Asian economies" for the second quarter of 2019 are based on the information available as of early August 2019.

Diagram 2.3 : Merchandise exports to many Asian economies registered declines of varying degrees



**Table 2.2 : Total exports of goods by major market
(year-on-year rate of change in real terms (%))**

| | <u>Annual</u> | <u>Q1</u> | <u>2018</u> <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>2019</u> <u>Q1</u> | <u>Q2</u> |
|-------------------|---------------|-----------|--------------------------|-----------|-----------|--------------------------|-----------|
| Mainland of China | 5.2 | 9.4 | 7.7 | 7.1 | -2.3 | -8.9 | -7.7 |
| United States | 6.1 | 5.1 | 8.2 | 7.9 | 3.1 | -9.9 | -14.4 |
| European Union | 8.2 | 9.1 | 7.2 | 7.9 | 8.5 | 9.0 | -1.7 |
| India | -13.4 | -7.6 | -33.1 | 14.3 | -21.5 | -28.6 | -1.5 |
| Japan | -1.3 | 5.2 | 2.8 | -7.8 | -4.1 | -5.8 | -7.3 |
| Taiwan | -4.8 | 8.4 | -1.9 | -18.0 | -6.7 | -10.1 | -3.2 |
| Vietnam | 5.2 | 0.9 | 7.3 | 16.7 | -2.9 | -1.6 | -6.6 |
| Singapore | 15.1 | 10.5 | 19.3 | 5.6 | 25.2 | 22.5 | 10.3 |
| Korea | 2.5 | -3.1 | 1.5 | 7.9 | 3.4 | 4.7 | 10.0 |
| Overall* | 4.9 | 7.3 | 6.2 | 6.5 | 0.2 | -4.2 | -6.1 |

Note : (*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

2.5 Analysed by major market, merchandise exports to the US registered a double-digit fall in the second quarter. While import demand in the US eased somewhat amid slower economic growth, the weak performance of Hong Kong's exports in this market was more a result of the additional tariff measures imposed on Mainland products⁽³⁾. Meanwhile, exports to the EU weakened markedly to record a modest decline, reflecting the subdued economic performance there.

2.6 The softer global economic environment and US-Mainland trade tensions continued to put strains on manufacturing and trading activities in Asia (see **Box 2.1** for the recent export performance of the major Asian economies). Exports to the Mainland and Japan registered further declines in the second quarter. As for exports to higher-income Asian economies, those to Taiwan continued to fall and those to Singapore exhibited sharply decelerated growth, while those to Korea rose notably amid a surge in exports of raw materials and semi-manufactures. Meanwhile, exports to Vietnam and India remained weak.

Diagram 2.4 : Exports to the Mainland fell further

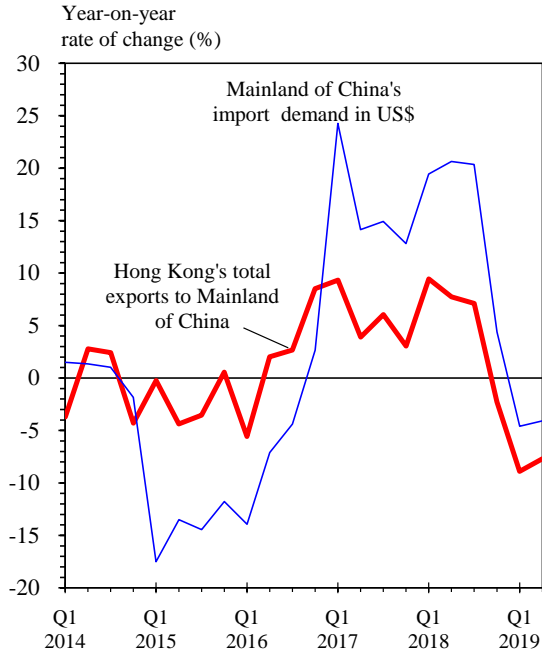


Diagram 2.5 : Exports to the EU weakened markedly to record a modest decline

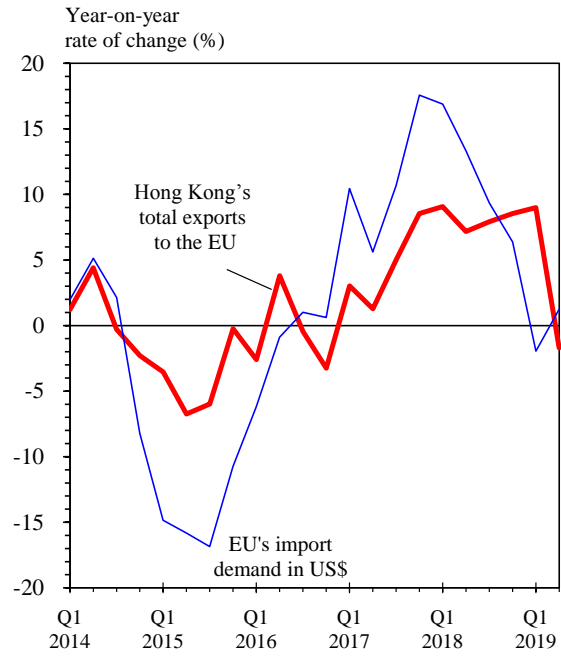


Diagram 2.6 : Exports to the US showed a double-digit fall

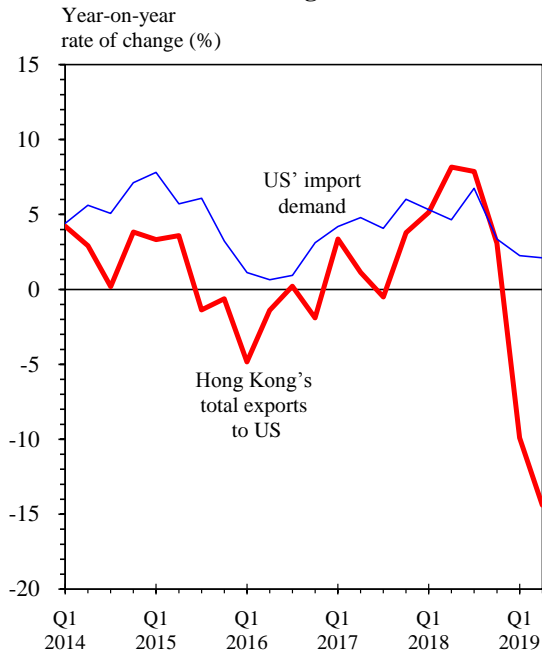


Diagram 2.7 : Exports to Japan continued to decline

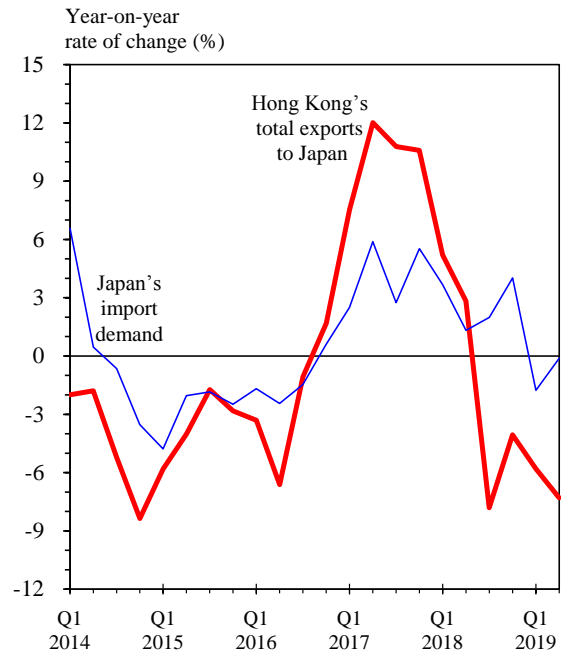


Diagram 2.8 : Exports to India remained weak

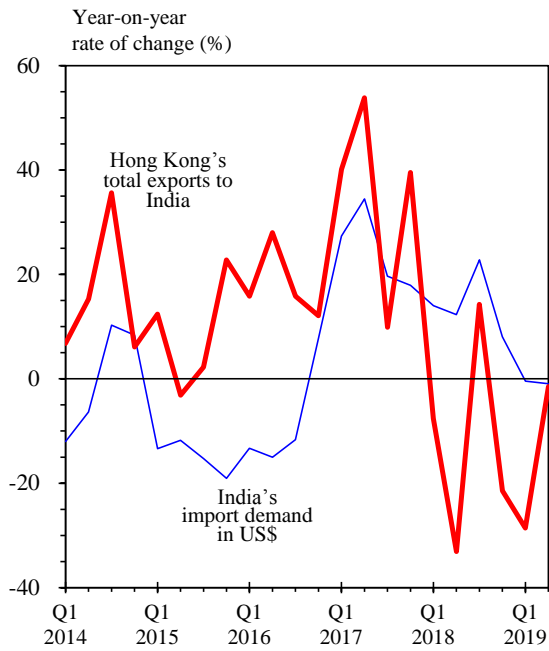


Diagram 2.9 : Exports to Taiwan continued to fall

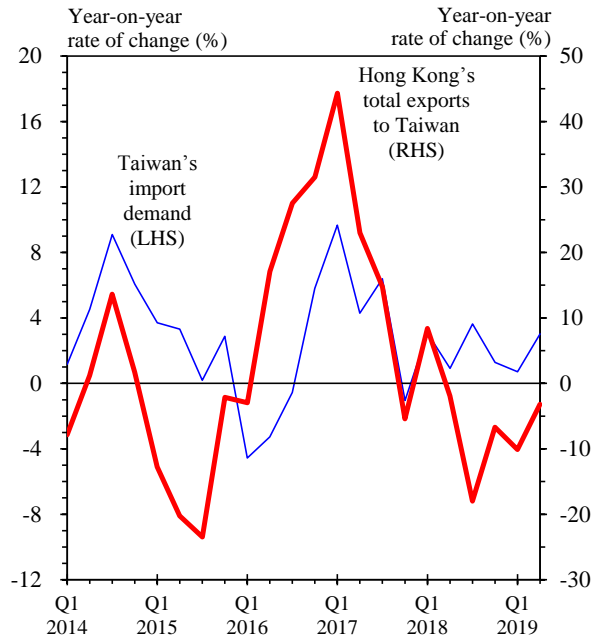


Diagram 2.10 : Exports to Korea rose visibly

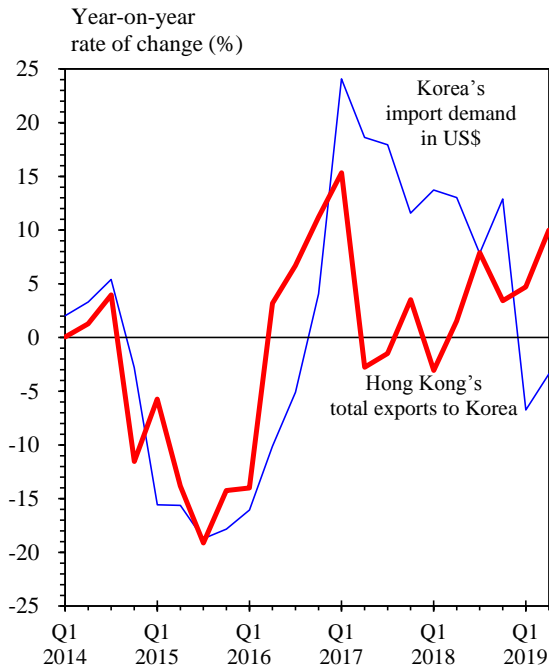
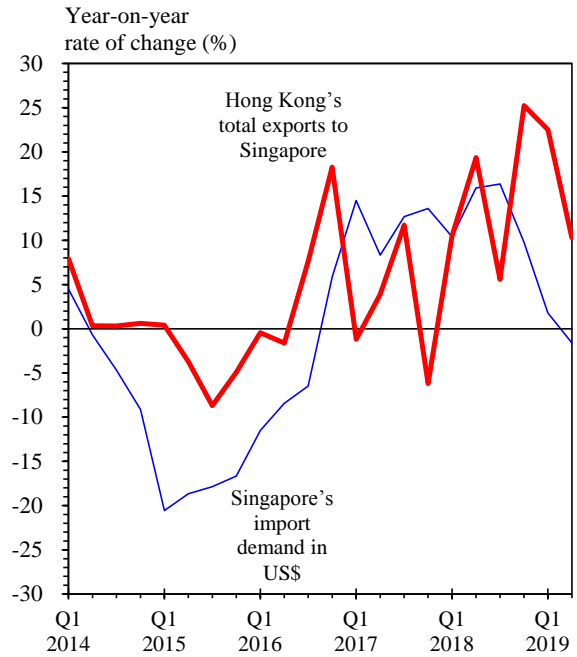


Diagram 2.11 : Exports to Singapore exhibited sharply decelerated growth



Box 2.1

Recent export performance of the major Asian economies

The export performance of many Asian economies has worsened visibly since the latter part of 2018, affected by weaker global economic growth and other external headwinds especially the escalation of US-Mainland trade tensions. The situation was largely consistent with the moderation in global trade⁽¹⁾ over the period. This box article summarises some initial observations on the recent export performance of the major Asian economies.

Hit directly by the additional tariffs imposed by the US, the Mainland's exports turned soft in the fourth quarter of 2018 and weakened further in the first half of 2019 (*Table 1*). Exports of many other economies in the region followed a similar trend. In particular, exports of higher-income Asian economies including Japan, Korea, Singapore and Taiwan grew at decelerated rates in the second half of 2018, and recorded decreases in US dollar terms of 3.4-8.5% year-on-year in the first half of 2019. This contrasted sharply with the notable growth of 6.3-12.0% in the first half of 2018. As for the developing Asian economies, growth in exports of Malaysia, Thailand, Indonesia and the Philippines likewise moderated during 2018, and turned to decreases of 0.8-8.6% in the first half of 2019. The key exceptions were Vietnam and India, whose exports continued to expand by 7.2% and 2.2% respectively in the first half of 2019, albeit moderating from the corresponding increases of 16.4% and 10.3% in the first half of 2018. But in the case of India, its exports also registered a decline in the second quarter of 2019.

**Table 1: Exports of goods in major Asian economies
(Year-on-year rate of change in US dollar terms, %)**

| Exports of | 2018 | | | | 2019 | | 2018 | | 2019 |
|------------------------|------|------|------|------|------|------|------------|-------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | First half | Second half | First half |
| The Mainland | 13.7 | 11.5 | 11.7 | 3.9 | 1.3 | -1.0 | 12.5 | 7.6 | 0.1 |
| Japan | 10.1 | 9.4 | 2.4 | 1.4 | -5.7 | -6.2 | 9.8 | 1.9 | -6.0 |
| Korea | 9.8 | 3.1 | 1.7 | 7.7 | -8.5 | -8.5 | 6.3 | 4.6 | -8.5 |
| Taiwan | 10.6 | 11.2 | 3.0 | 0.1 | -4.2 | -2.6 | 10.9 | 1.5 | -3.4 |
| Singapore [^] | 9.8 | 14.1 | 12.1 | 5.5 | -2.7 | -6.6 | 12.0 | 8.8 | -4.7 |
| Vietnam | 24.5 | 9.5 | 14.8 | 6.7 | 5.3 | 9.0 | 16.4 | 10.7 | 7.2 |
| Malaysia | 19.6 | 18.8 | 9.5 | 7.8 | -4.7 | -4.6 | 19.2 | 8.6 | -4.7 |
| Thailand | 12.2 | 11.2 | 3.0 | 2.0 | -2.1 | -3.8 | 11.7 | 2.5 | -2.9 |
| Indonesia | 8.6 | 11.1 | 8.5 | -0.7 | -8.2 | -9.0 | 9.8 | 3.8 | -8.6 |
| Philippines | 0.9 | 1.2 | 2.5 | -1.2 | -2.9 | 1.2 | 1.1 | 0.7 | -0.8 |
| India | 5.5 | 15.3 | 9.8 | 4.5 | 6.7 | -1.7 | 10.3 | 7.1 | 2.2 |

Note: [^] Figures refer to Singapore's total exports of goods.

Source: CEIC.

An analysis by market (*Table 2*) showed that the current weak performance of the Asian economies was largely attributable to the fall in exports to the Mainland, conceivably due to subdued demand for intermediate inputs there amid softening manufacturing and export activities in the face of increasing trade tensions. On the other hand, many Asian economies' exports to the US held up well in the first half of 2019. This, coupled with the fall in the Mainland's exports to US, seemed to suggest that some trade diversion might have been taking place. As a large variety of Mainland products are subject to additional tariff measures in the US, it seems natural for US companies to switch to other import sources. Meanwhile, many Asian economies' exports to the EU registered falls of different degrees in the first half of 2019, again in sharp contrast to the Mainland's export performance in this

(1) According to World Trade Organization's data, the value of global merchandise exports decelerated from a year-on-year growth of 14% in US dollar terms in the first half of 2018 to 6% in the second half, and declined by 3% in the first quarter of 2019.

Box 2.1 (Cont'd)
**Table 2: Exports of goods in major Asian economies by major markets
(Year-on-year rate of change in US dollar terms, %)**

| Exports of | to | 2018 | | | | 2019 | | 2018 | | 2019 |
|------------------------|--------------|------|------|-------|------|-------|-------|------------|-------------|------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | First half | Second half | First half |
| Japan | The Mainland | 14.1 | 13.8 | 6.7 | 0.6 | -9.4 | -9.3 | 14.0 | 3.5 | -9.3 |
| Korea | | 14.8 | 27.5 | 17.8 | -0.5 | -17.3 | -16.7 | 21.0 | 8.2 | -17.0 |
| Taiwan | | 18.8 | 13.5 | 6.1 | -0.3 | -12.3 | -6.0 | 16.1 | 2.7 | -9.1 |
| Singapore [^] | | -2.8 | -3.0 | -11.0 | -9.5 | 0.3 | -6.5 | -2.9 | -10.2 | -3.3 |
| Vietnam | | 33.8 | 22.8 | 32.0 | -5.8 | -7.7 | 11.0 | 28.0 | 9.7 | 1.7 |
| Malaysia | | 13.5 | 26.9 | 17.0 | 11.8 | 2.6 | -11.4 | 20.5 | 14.3 | -5.1 |
| Thailand | | 4.7 | 13.8 | -2.8 | -5.3 | -11.1 | -7.4 | 9.1 | -4.1 | -9.2 |
| Indonesia | | 31.1 | 39.3 | 15.6 | -4.1 | -15.1 | -1.4 | 35.0 | 4.7 | -8.4 |
| Philippines | | 9.9 | 15.3 | 15.2 | -0.4 | 2.7 | 12.1 | 12.7 | 7.6 | 7.7 |
| India | | 20.5 | 60.9 | 30.1 | 18.9 | 6.8 | 4.0 | 38.0 | 23.6 | 5.4 |
| The Mainland | | US | 14.8 | 12.7 | 13.4 | 6.7 | -8.5 | -7.7 | 13.5 | 10.0 |
| Japan | 7.1 | | 4.8 | -0.8 | 4.9 | 2.2 | 5.3 | 5.9 | 2.1 | 3.7 |
| Korea | -3.2 | | 5.6 | -1.0 | 23.5 | 12.9 | 2.4 | 1.3 | 10.6 | 7.2 |
| Taiwan | 9.0 | | 7.3 | 4.7 | 9.0 | 19.3 | 15.7 | 8.1 | 6.9 | 17.4 |
| Singapore [^] | 35.9 | | 31.1 | 30.2 | 25.9 | 14.5 | 10.5 | 33.4 | 28.1 | 12.4 |
| Vietnam | 19.8 | | 2.0 | 18.2 | 17.4 | 29.0 | 26.2 | 9.8 | 17.8 | 27.6 |
| Malaysia | 17.6 | | 7.6 | 5.6 | 5.8 | -5.1 | 2.5 | 12.4 | 5.7 | -1.3 |
| Thailand | 9.7 | | 4.7 | -0.5 | 6.2 | 31.4 | 5.3 | 7.1 | 2.8 | 18.2 |
| Indonesia | 4.0 | | 4.0 | 6.4 | -0.0 | -8.6 | -6.4 | 4.0 | 3.2 | -7.5 |
| Philippines | 3.1 | | 16.6 | 8.1 | 13.5 | 4.8 | 14.4 | 9.5 | 10.6 | 9.7 |
| India | 18.3 | | 10.9 | 11.5 | 7.9 | 7.7 | 4.7 | 14.5 | 9.7 | 6.1 |
| The Mainland | EU | 13.2 | 10.8 | 12.2 | 6.5 | 8.8 | 3.6 | 11.6 | 9.3 | 6.0 |
| Japan | | 15.1 | 10.1 | 2.3 | 5.3 | 0.7 | -6.1 | 12.5 | 3.8 | -2.7 |
| Korea | | 14.9 | -7.4 | -3.7 | 27.6 | -3.8 | -5.8 | 2.4 | 11.3 | -4.8 |
| Taiwan | | 12.9 | 14.8 | 3.5 | 3.2 | -1.4 | -9.0 | 13.9 | 3.4 | -5.4 |
| Singapore [^] | | 13.6 | 33.7 | 15.0 | 9.6 | 2.1 | -10.1 | 23.6 | 12.2 | -4.5 |
| Vietnam | | 21.4 | 6.8 | 4.9 | 6.7 | 2.6 | -3.5 | 13.4 | 5.8 | -0.5 |
| Malaysia | | 19.2 | 23.1 | 2.8 | -1.9 | -3.4 | -9.5 | 21.2 | 0.4 | -6.5 |
| Thailand | | 23.3 | 19.1 | 4.4 | -2.8 | -6.3 | -5.2 | 21.2 | 0.7 | -5.7 |
| Indonesia | | 4.5 | 8.9 | 5.8 | -1.0 | -15.5 | -15.7 | 6.7 | 2.4 | -15.6 |
| Philippines | | -4.8 | 4.4 | -18.5 | -8.6 | -14.7 | -10.6 | -0.4 | -13.9 | -12.6 |
| India | | 15.1 | 19.4 | 8.7 | 2.7 | -1.6 | 0.4 | 17.2 | 5.7 | -0.6 |

Note: [^] Figures refer to Singapore's total exports of goods.

Source: CEIC.

market, which continued to increase. Weak import demand in the EU amid soft economic growth might be the major cause for the fall in the Asian economies' exports. On the other hand, Mainland exporters might have attempted to ship more of their goods to the EU in response to the US' additional tariffs on Mainland products.

The weakened global economic outlook and high uncertainties arising from trade tensions will likely continue to weigh on exports of the Asian economies in the period ahead. US-Mainland trade tensions escalated further in early August, hinting that it would not be easy for the bilateral trade talks to reach a deal in the near future. Furthermore, lingering trade disputes between the US and some of its other trading partners also warrant concerns. While in mid-May 2019 the US postponed the decision on imposing additional tariffs on automobiles and automobile parts from the EU and Japan for up to 180 days, it remains uncertain whether the US can defuse the trade tensions with these economies through trade talks. Moreover, in early June 2019 the US terminated the preferential trade status for India, and India countered by imposing additional tariffs on 28 US products. As Hong Kong's short-term export outlook hinges on the global growth momentum as well as crucially on the development of global trade tensions and the resulting impact on regional trade flows, the Government will continue to monitor the situation closely.

Imports of goods

2.7 *Imports of goods* fell by 7.4% year-on-year in real terms in the second quarter, after a 5.0% decrease in the preceding quarter. *Retained imports*, which refer to the imports for domestic use and accounted for around one-quarter of total imports, plunged by 10.9% in real terms, mirroring the subdued domestic demand. Imports for subsequent *re-exports*⁽⁴⁾ also fell visibly along with falling exports.

**Table 2.3 : Imports of goods and retained imports
(year-on-year rate of change (%))**

| | | <u>Imports of goods</u> | | | <u>Retained imports</u> ^(a) | | | | |
|------|--------|-------------------------|-------------------------------------|-------------------------|--|----------------------|-------------------------|--------|-----|
| | | <u>In value terms</u> | <u>In real terms</u> ⁽⁺⁾ | <u>Change in prices</u> | <u>In value terms</u> | <u>In real terms</u> | <u>Change in prices</u> | | |
| 2018 | Annual | 8.4 | 5.9 | 2.6 | 10.7 | 8.7 | 2.1 | | |
| | Q1 | 10.6 | 8.2 | (2.4) | 2.3 | 11.8 | 10.6 | (2.9) | 1.5 |
| | Q2 | 10.4 | 7.6 | (1.1) | 2.8 | 14.0 | 11.7 | (1.1) | 2.5 |
| | Q3 | 11.5 | 8.8 | (2.1) | 2.7 | 18.6 | 16.2 | (5.3) | 2.3 |
| | Q4 | 1.8 | -0.4 | (-5.4) | 2.5 | 0.2 | -1.9 | (-9.4) | 2.0 |
| 2019 | Q1 | -3.2 | -5.0 | (-2.9) | 2.2 | -4.8 | -6.7 | (-3.2) | 2.1 |
| | Q2 | -5.7 | -7.4 | (-1.0) | 1.9 | -8.5 | -10.9 | (-3.0) | 2.0 |

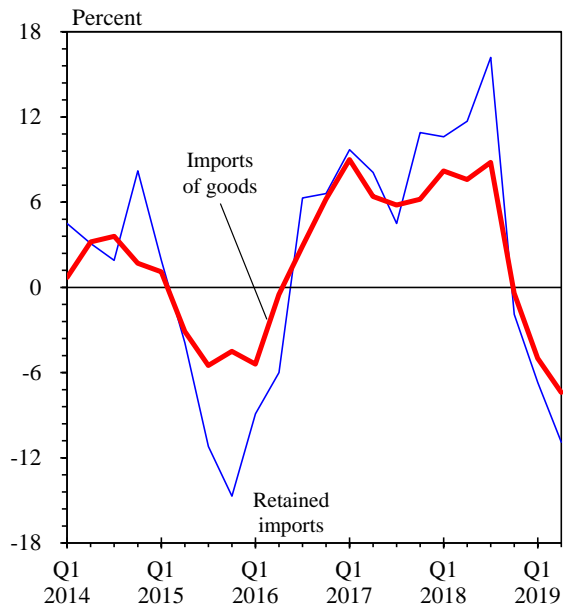
Notes : (a) Based on the results of the Annual Survey of Re-export Trade conducted by the Census and Statistics Department, re-export margins by individual end-use category are estimated and adopted for deriving the value of imports retained for use in Hong Kong.

(+) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

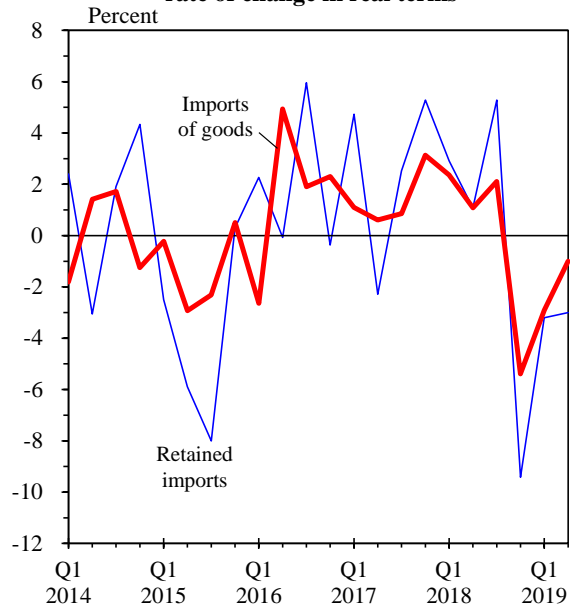
() Seasonally adjusted quarter-to-quarter rate of change.

Diagram 2.12 : Imports of goods recorded further noticeable fall in the second quarter

(a) Year-on-year rate of change in real terms



(b) Seasonally adjusted quarter-to-quarter rate of change in real terms

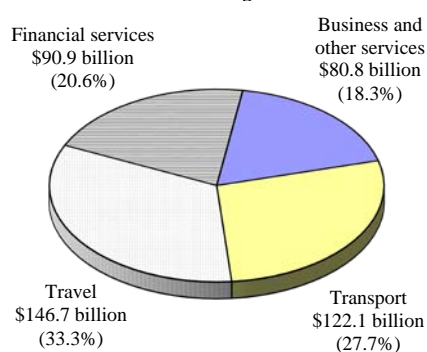


Services trade

Exports of services

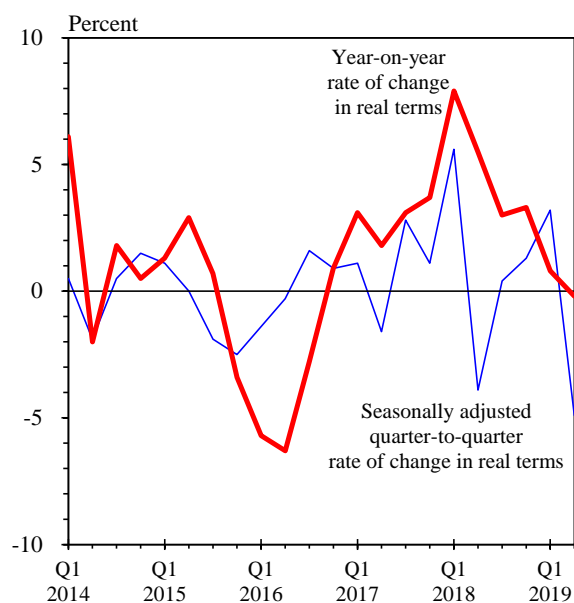
2.8 *Exports of services* recorded a marginal year-on-year decline of 0.2% in real terms in the second quarter after expanding modestly by 0.8% in the preceding quarter. Exports of travel services only showed moderate growth as strong growth in visitor arrivals was largely offset by weaker per capita visitor spending. Meanwhile, exports of financial services rose moderately as cross-border financial activities continued to expand. Amid an uncertain global economic environment, exports of business and other services continued to decline. Exports of transport services also fell further as a result of subdued regional trade and cargo flows.

Diagram 2.13 : Travel, transport and financial services together constituted over 80% of exports of services



**Exports of services in the first half of 2019:
\$440.4 billion**

Diagram 2.14 : Exports of services recorded a marginal year-on-year decline in the second quarter



**Table 2.4 : Exports of services by major service group
(year-on-year rate of change in real terms (%))**

| | | <i>Of which :</i> | | | | |
|------|--------|----------------------------|------------------|-----------------------------|---------------------------|------------------------------------|
| | | <u>Exports of services</u> | <u>Transport</u> | <u>Travel^(a)</u> | <u>Financial services</u> | <u>Business and other services</u> |
| 2018 | Annual | 4.9 | 2.5 | 8.7 | 5.7 | 1.3 |
| | Q1 | 7.9 (5.6) | 4.1 | 12.7 | 9.6 | 1.5 |
| | Q2 | 5.5 (-3.9) | 2.9 | 10.6 | 7.0 | 1.6 |
| | Q3 | 3.0 (0.4) | 2.0 | 4.7 | 2.1 | 2.0 |
| | Q4 | 3.3 (1.3) | 1.0 | 7.2 | 3.7 | 0.3 |
| 2019 | Q1 | 0.8 (3.2) | -0.5 | 3.9 | -0.6 | -1.3 |
| | Q2 | -0.2 (-4.9) | -3.5 | 2.0 | 2.8 | -1.2 |

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(a) Comprising mainly inbound tourism receipts.

() Seasonally adjusted quarter-to-quarter rate of change.

Imports of services

2.9 *Imports of services* grew modestly by 1.6% year-on-year in real terms in the second quarter, after the 1.5% decline in the preceding quarter. Imports of travel services rebounded sharply, as the timing of the Easter holidays (which fell in mid-April 2019 but in late March 2018) bolstered the year-on-year rise in residents travelling abroad in the second quarter. Yet, imports of manufacturing services fell further, as subdued global demand dampened outward processing activities. Imports of transport services also witnessed a decline amid sluggish regional trade flows. Given the soft economic environment, imports of business and other services grew at a moderate pace.

Diagram 2.15 : Travel services had the largest share in imports of services

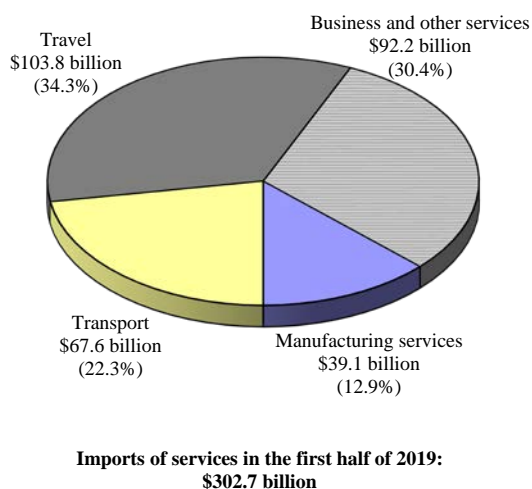


Diagram 2.16 : Imports of services grew modestly in the second quarter

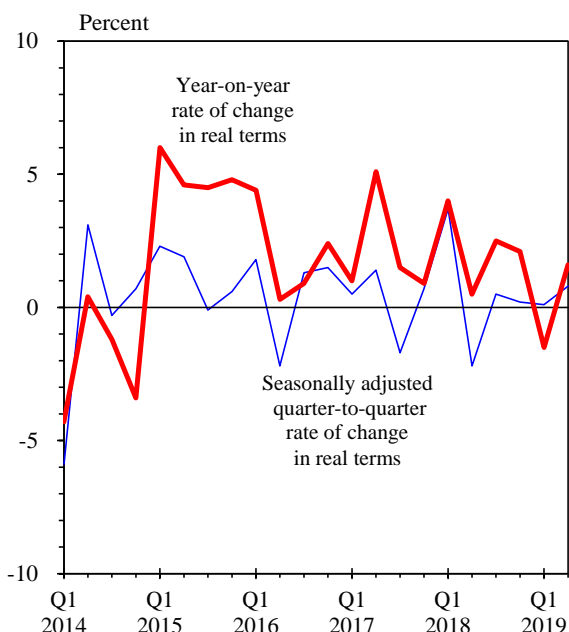


Table 2.5 : Imports of services by major service group (year-on-year rate of change in real terms (%))

Of which :

| | | Imports of services | | | | |
|------|--------|---------------------|-----------------------|-----------|---------------------------------------|-----------------------------|
| | | Imports of services | Travel ⁽⁺⁾ | Transport | Manufacturing services ^(^) | Business and other services |
| 2018 | Annual | 2.3 | 2.3 | 3.4 | -0.6 | 2.9 |
| | Q1 | 4.0 (3.7) | 6.0 | 4.4 | 0.3 | 3.5 |
| | Q2 | 0.5 (-2.2) | -3.8 | 1.9 | 4.4 | 3.0 |
| | Q3 | 2.5 (0.5) | 2.1 | 3.4 | 0.1 | 3.5 |
| | Q4 | 2.1 (0.2) | 5.4 | 3.9 | -6.3 | 1.8 |
| 2019 | Q1 | -1.5 (0.1) | -0.7 | -0.9 | -11.0 | 1.0 |
| | Q2 | 1.6 (0.8) | 10.0 | -1.8 | -14.7 | 3.3 |

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(+) Comprising mainly outbound travel spending.

(^) This includes the value of processing fees paid by Hong Kong to the processing units outside Hong Kong and raw materials / semi-manufactures directly procured by these processing units.

() Seasonally adjusted quarter-to-quarter rate of change.

Goods and services balance

2.10 Based on the GDP accounting framework, the goods deficit in the second quarter narrowed from a year earlier, as the decline in goods imports was larger than that in goods exports. Over the period, the services surplus widened slightly. The combined goods and services recorded a deficit of \$18 billion in the second quarter of 2019, equivalent to 1.5% of total import value, smaller than the deficit of \$36 billion (or 2.7% of total import value) in the second quarter of 2018.

**Table 2.6 : Goods and services balance
(\$ billion at current market prices)**

| | | <u>Total exports</u> | | <u>Imports</u> | | <u>Trade balance</u> | | | <u>As % of imports</u> |
|------|--------|----------------------|-----------------|----------------|-----------------|----------------------|-----------------|-----------------|------------------------|
| | | <u>Goods</u> | <u>Services</u> | <u>Goods</u> | <u>Services</u> | <u>Goods</u> | <u>Services</u> | <u>Combined</u> | |
| 2018 | Annual | 4,461 | 891 | 4,716 | 635 | -254 | 256 | 2 | * |
| | Q1 | 1,021 | 231 | 1,096 | 156 | -75 | 75 | # | * |
| | Q2 | 1,069 | 205 | 1,158 | 152 | -89 | 53 | -36 | -2.7 |
| | Q3 | 1,186 | 224 | 1,238 | 161 | -52 | 63 | 12 | 0.8 |
| | Q4 | 1,185 | 231 | 1,224 | 166 | -39 | 65 | 26 | 1.9 |
| 2019 | Q1 | 1,000 | 235 | 1,067 | 151 | -67 | 84 | 17 | 1.4 |
| | Q2 | 1,023 | 206 | 1,095 | 152 | -72 | 54 | -18 | -1.5 |

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

Figures may not add up exactly to the total due to rounding.

(*) Within $\pm 0.05\%$.

(#) Within $\pm \$0.5$ billion.

Other developments

2.11 The Hong Kong Special Administrative Region Government and the Guangdong Provincial Government have been taking forward the development of the Greater Bay Area proactively. Following the promulgation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in February, the 21st Plenary of the Hong Kong/Guangdong Co-operation Joint Conference was held in May. There were nine fruitful outcomes brought about by the joint efforts of both sides, including the signing of the 2019 Work Plan of the Framework Agreement on Hong Kong/Guangdong Co-operation (the Work Plan) and consensus were reached on a range of areas of co-operation. The Work Plan covers nine areas, namely cross-boundary infrastructure development and clearance facilitation; jointly developing an international innovation and technology hub; fostering co-operation in modern service industries; taking forward exchanges and co-operation in education, talents and youth; developing an internationalised business environment; jointly developing a quality living circle; jointly participating in the Belt and Road Initiative; taking forward the development of key co-operation platforms; and encouraging the think-tanks and academics in the two areas to embark on in-depth research and organise discussion seminars.

2.12 Hong Kong's trade and investment relations with its economic partners were further enhanced. Specifically, under the Free Trade Agreement (FTA) and Investment Agreement (IA) between Hong Kong and ASEAN, those parts relating to Hong Kong and five ASEAN member states, namely Laos, Myanmar, Singapore, Thailand and Vietnam entered into force in June. The implementation of the Agreements has brought legal certainty, better market access and fair and equitable treatment in investment, thus creating new business opportunities and further enhancing trade and investment flows between Hong Kong and the five ASEAN member states. Separately, Hong Kong and the United Arab Emirates signed an Investment Promotion and Protection Agreement ("IPPA") in June, marking the third similar agreement that the Government has signed since July 2017. The Agreement seeks to enhance the confidence of investors, expand investment flows and further strengthen the economic and trade ties between the two places.

2.13 The Government continued to negotiate with trading and investment partners with a view to expanding its Comprehensive Double Taxation Agreements/Arrangements (CDTA) network. Hong Kong signed a CDTA with Cambodia in June. This is the 41st CDTA that Hong Kong has concluded. It sets out the allocation of taxing rights between the two jurisdictions and will help investors better assess their potential tax liabilities from cross-border economic activities.

Box 2.2

Private consumption expenditure as an engine of growth in the Asian emerging market economies

The Asian emerging market (EM) economies have been facing increasing headwinds since the second half of 2018 due to weaker global economic growth and uncertainties stemming from US-Mainland trade tensions. Yet, despite the worsened export performance, domestic demand especially private consumption expenditure (PCE) continued to hold up, and overall economic growth of these economies were better than the major advanced economies. This box article briefly examines the recent performance of PCE in selected major Asian EM economies.⁽¹⁾

Recent performance of Asian EM economies

Trading and manufacturing activities in Asia have generally deteriorated since the second half of 2018. Total merchandise exports of the selected major Asian EM economies as a whole deteriorated from a visible year-on-year growth of 12.3% in US dollar terms in the first half of 2018 to a more moderate growth of 6.9% in the second half, and further to a modest decline of 0.7% in the first half of 2019. Likewise, industrial production in many Asian EM economies worsened. Industrial production in the Philippines and Thailand saw progressive deterioration from strong year-on-year growth in the first half of 2018 to year-on-year declines in recent months, while that in other Asian EM economies recorded moderating growth.

On the other hand, PCE in most of the selected Asian EM economies showed improvement over the course of 2018, and grew by more than 5% in real terms for the year as a whole (*Chart 1*). In fact, PCE has emerged as a significant growth driver in many Asian EM economies in recent years, more so since the second half of 2018 when the export performance of these economies was hard hit by the global economic slowdown and intensifying trade tensions (*Table 1*).

Chart 1: Growth of real PCE, year-on-year (%)

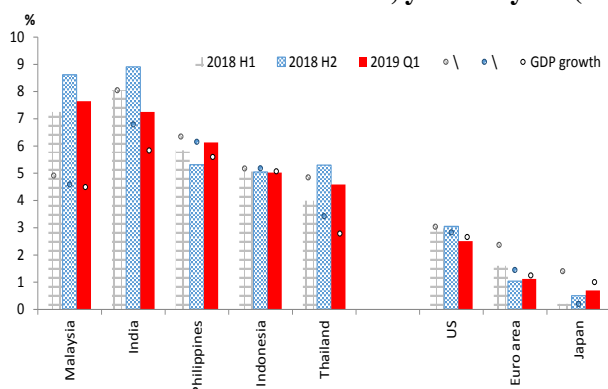
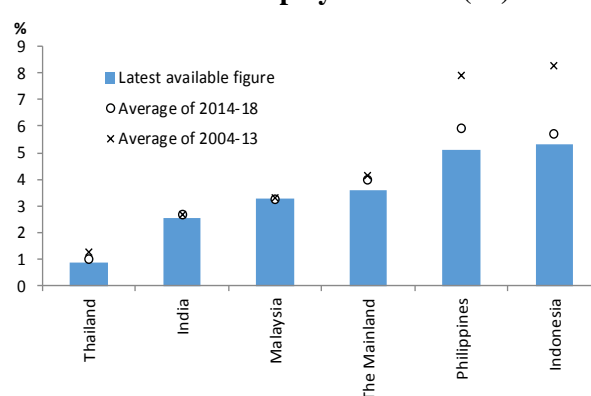


Chart 2: Unemployment rate (%)



Sources: National Bureau of Statistics of China, CEIC, Datastream, the World Bank.

(1) The selected Asian EM economies in this box article include the Mainland China, India, Indonesia, Malaysia, the Philippines and Thailand.

Box 2.2 (Cont'd)**Table 1: Contribution of PCE to GDP growth**

| | Contribution (% pts) | | | | | Growth of real GDP, year-on-year (%) | | | | |
|----------------------------------|----------------------|------|------|------|------|--------------------------------------|------|------|-----|------|
| | 2017 | 2018 | 2018 | | 2019 | 2017 | 2018 | 2018 | | 2019 |
| | | | H1 | H2 | | | | H1 | H2 | |
| China, the Mainland [#] | 3.9 | 5.0 | n.a. | n.a. | 4.2 | 6.8 | 6.6 | 6.8 | 6.4 | 6.4 |
| India | 3.7 | 4.8 | 4.5 | 5.0 | 4.1 | 6.9 | 7.4 | 8.0 | 6.8 | 5.8 |
| Indonesia | 2.7 | 2.7 | 2.7 | 2.7 | 2.8 | 5.1 | 5.2 | 5.2 | 5.2 | 5.1 |
| Malaysia | 3.7 | 4.4 | 4.0 | 4.8 | 4.3 | 5.7 | 4.7 | 4.9 | 4.6 | 4.5 |
| Philippines | 4.1 | 3.8 | 4.0 | 3.7 | 4.2 | 6.7 | 6.2 | 6.3 | 6.1 | 5.6 |
| Thailand | 1.5 | 2.3 | 2.0 | 2.7 | 2.2 | 4.0 | 4.1 | 4.8 | 3.4 | 2.8 |
| <i>Advanced economies</i> | | | | | | | | | | |
| Japan | 0.6 | 0.2 | 0.1 | 0.3 | 0.4 | 1.9 | 0.8 | 1.4 | 0.2 | 1.0 |
| Euro area | 1.0 | 0.7 | 0.9 | 0.6 | 0.6 | 2.4 | 1.9 | 2.4 | 1.4 | 1.2 |
| US | 1.8 | 2.1 | 2.1 | 2.1 | 1.7 | 2.4 | 2.9 | 3.0 | 2.8 | 2.7 |

Note: ^(#) Contribution of private and government consumption expenditure combined are shown due to unavailability of breakdown. Real GDP growth in 2018 H2 is estimated using the average growth in Q3 and Q4 weighted by the nominal GDP of the respective quarters.

Sources: National Bureau of Statistics of China, CEIC, Datastream.

Favourable factors supporting private consumption expenditure

There have been both structural and cyclical factors underpinning the relatively solid growth and thus rising importance of PCE in the Asian EM economies over the past decade.

In the aftermath of the Global Financial Crisis in 2008, there have been calls for rebalancing the Asian EM economies from export-led growth to domestic demand-driven or consumption-led growth.⁽²⁾ The exports-to-GDP ratios of the selected Asian EM economies dropped by various extent, with their five-year averages falling from a range of 21% in India to 109% in Malaysia during 2004-2008, to a range of 20% in India to 71% in Malaysia during 2014-2018. On the contrary, the PCE-to-GDP ratios in these economies were generally on the rise during the past decade, except for Indonesia and Thailand. Compared to the pre-crisis level, Malaysia marked a significant rise from 45% in 2007 to 57% in 2018, while the Mainland China and India also saw a moderate increase (from 37% to 39% in the former and from 56% to 59% in the latter). The PCE-to-GDP ratio of the Philippines has been the highest among the selected Asian EM economies, hovering around 73% since 2007. The rising importance of domestic demand particularly PCE relative to external demand implies that spillover from external shocks will become less severe. This is particularly so for economies with large domestic markets.

Moreover, there have been significant progress in financial inclusion in the Asian EM economies in the past few years, as documented by the Asian Development Bank (2017) and the International Monetary Fund (2019).⁽³⁾ As analysed by Bhattacharya and Patnaik (2015) of the World Bank, households and firms are expected to benefit from the improved financial

(2) See for example, Akyüz (2011), “The Global Economic Crisis and Trade and Growth Prospects in East Asia”, Asian Development Bank Economics Working Paper Series No. 242. The figures quoted in the paragraph are sourced from the World Bank and CEIC.

(3) Jahan et al. (2019), “The Financial Inclusion Landscape in the Asia-Pacific Region: A Dozen Key Findings”, IMF Working Paper WP/19/79. Also, Asian Development Bank (2017) “Accelerating Financial Inclusion in South-east Asia with Digital Finance” detailed the national policy and progress in Indonesia and the Philippines to accelerate financial inclusion.

Box 2.2 (Cont'd)

inclusion and increase their current spending, either by borrowing or reducing current savings, thereby leading to faster growth in PCE than in the overall economy.⁽⁴⁾

Cyclical factors in the labour market and the property market have also helped underpin the current stable growth in PCE in some Asian EM economies. The latest unemployment rates in many Asian EM economies stayed at decade lows (*Chart 2*), with continued increases in real wage.⁽⁵⁾ Specifically, thanks to improving labour productivity, the Mainland continued to post a notable wage growth of 8.7% in real terms in 2018. Real wage of Indonesia, Thailand and Malaysia registered increases of 1.4%, 0.6% and 0.5% respectively.⁽⁶⁾ Increases in real residential property prices, ranging from 0.1% in Indonesia to 6.6% in the Philippines in 2018, may have also played a role in supporting PCE in some Asian EM economies.⁽⁷⁾

Concluding remarks

Looking forward, lingering uncertainties brought about by trade tensions and subdued economic performance of the advanced economies would continue to weigh on production and trading activities in Asia. Nevertheless, domestic demand particularly PCE in the Asian EM economies as a whole is likely to expand further, providing some cushioning effect.

In addition, the governments of some Asian EM economies have introduced various measures to boost consumption. In India, the Goods and Services Tax rates levied on a wide range of commodities, including digital camera, movie ticket and uncooked vegetable, have been reduced since January 2019. In Malaysia, the sales tax with fewer goods being covered has been implemented since September 2018. In Thailand, the government approved various measures for improving public welfare benefits for low-income workers and reducing tax for domestic travel and various goods in April 2019.

The Asian EM economies contributed around 60% of global economic growth over the past five years. With the foreseeable shift of economic gravity from the West to the East, the Asian EM economies are set to become an even more important engine for global growth in future.

(4) Bhattacharya and Patnaik (2015), “Financial Inclusion, Productivity Shocks, and Consumption Volatility in Emerging Economies”, *The World Bank Economic Review*, Vol.30, No.1, p.171-201.

(5) Global Wage Report 2018/19 of the International Labour Organization noted that real wages in EM economies increased more rapidly than those in advanced economies over the period 2006-2017, with the highest real wage growth recorded in Asia and the Pacific.

(6) The real wages of Indonesia, Malaysia and Thailand are estimated by deflating the nominal wage by consumer price index, based on CEIC data. The nominal wage in Malaysia refers to the average payroll in the sector of wholesale, retail, motor vehicle and services. For the Philippines, Asian Development Bank noted in the report of Asian Development Outlook 2019 (April 2019) that steady remittances amounting to 9.7% of GDP from overseas Filipinos helped underpin the private consumption in 2018, alongside the low unemployment rate and a personal income tax rate cut.

(7) Based on real residential property price statistics of the Bank for International Settlements.

Notes :

- (1) Changes in merchandise exports and imports in real terms are derived by discounting the effect of price changes from changes in the value of the trade aggregates. Estimates of price changes for the trade aggregates are based on changes in unit values, which do not take into account changes in the composition or quality of the goods traded, except for some selected commodities for which specific price indices are available. The real growth figures reported here are based on the external trade quantum index series compiled using the chain linking approach, which were first released in March 2015 to replace the previous trade index numbers compiled using the Laspeyres method with a fixed base year. The series are not comparable with the real trade aggregates under GDP (reported in Chapter 1) which are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*. Apart from this, non-monetary gold is recorded as a separate item in the statistics of merchandise trade and not included in the trade aggregates reported in Chapter 2, but is included in the trade aggregates under GDP in accordance to the international compilation standard.
- (2) Nonetheless, the Asian emerging market economies showed better performance due to continued solid growth in domestic demand especially private consumption expenditure (See Box 2.2 on the role of private consumption expenditure as an engine of growth in the Asian emerging market economies).
- (3) It is crudely estimated that, with reference to the annual merchandise trade figures for 2018, Hong Kong's re-exports of the Mainland origin to the US affected by the various batches of additional tariffs introduced by the US in the third quarter of 2018 were equivalent to around 3.5% of Hong Kong's total exports of goods. The value of these re-exports turned to a year-on-year decline of 6.3% in the fourth quarter of 2018, before plunging by 22.9% in the first quarter of 2019 and 30.6% in the second quarter of 2019 (down by 31.8% in June 2019 following the rise of US additional tariff rates on Mainland's products in May), in contrast to the increase of 12.3% in the first three quarters of 2018 combined. The slowdown was much sharper than that in the value of total exports of goods to all markets, which decelerated to a 2.2% growth in the fourth quarter of 2018 and slackened further to decline by 2.4% in the first quarter of 2019 and 4.7% in the second quarter of 2019, compared to the increase of 9.2% in the first three quarters of 2018 combined.
- (4) Re-exports are those goods which have previously been imported into Hong Kong and are subsequently exported without having undergone in Hong Kong any manufacturing processes which change permanently the shape, nature, form or utility of the goods.

CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

Summary

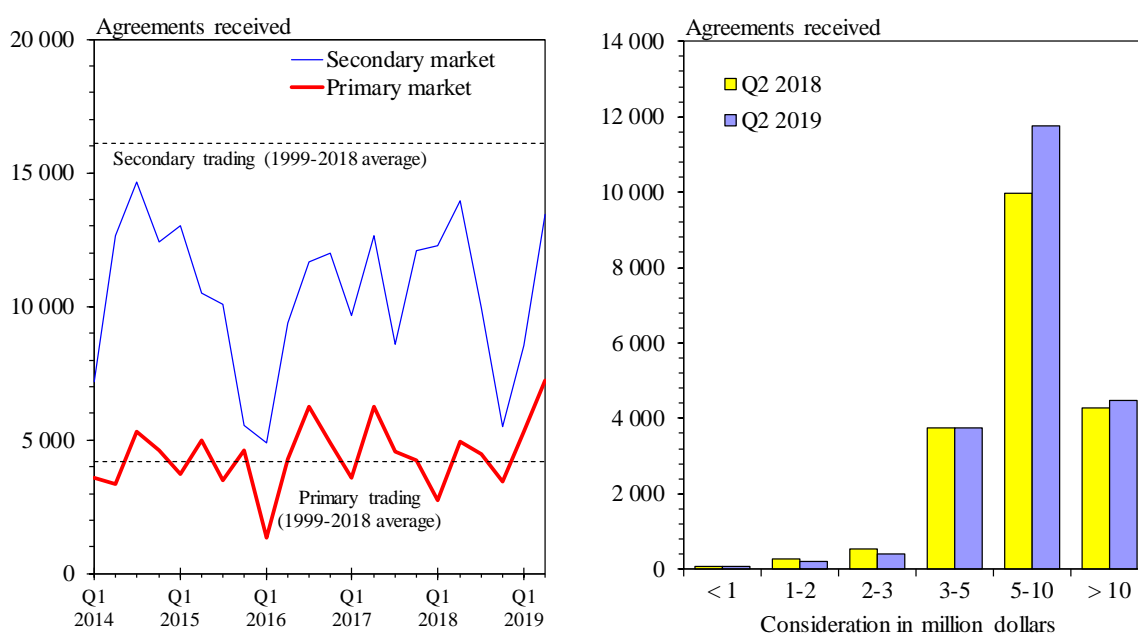
- *The residential property market remained buoyant in April, but showed signs of softening in May and June. While the tight demand-supply situation and rising expectations for US interest rate cuts provided support to the market, sentiment turned more cautious following the re-escalation of US-Mainland trade tensions in May. For the second quarter as a whole, trading showed a notable increase. Flat prices rose by 4% during the quarter, but the increases in April and May were followed by a retreat in June.*
- *Reflecting the Government's sustained efforts to increase land and flat supply, total private flat supply in the coming three to four years would stay at a high level of 93 000 units as estimated at end-June.*
- *The commercial and industrial property markets improved somewhat in the second quarter. Prices and rentals of most market segments generally increased during the quarter, with the exception of office rentals which were little changed. Trading activities in different market segments picked up notably from the preceding quarter, though still below their year-ago levels.*
- *Inbound tourism expanded further in the second quarter, supported by continued notable increase in Mainland visitors. Overall visitor arrivals increased by 10.9% over a year earlier to 16.6 million, but the expansion pace was slower than that in the first quarter. Visitors' consumption sentiment also weakened somewhat.*
- *In tandem with the sluggish trade flows, the logistics sector slackened further in the second quarter. Total container throughput declined by another 6.9% from a year earlier, and air freight throughput by 8.2%.*

Property

3.1 The *residential property market* remained buoyant in April, but showed signs of softening in May and June. While the tight demand-supply situation and rising expectations for US interest rate cuts provided support to the market, sentiment turned more cautious following the re-escalation of US-Mainland trade tensions in May. For the second quarter as a whole, trading showed a notable increase. Flat prices rose visibly during the quarter, but the increases in April and May were followed by a retreat in June.

3.2 The total number of sale and purchase (S&P) agreements for residential property received by the Land Registry increased by 49% over the preceding quarter to 20 657 in the second quarter, the highest since the third quarter of 2012. Compared with a year earlier, it was 9% higher. Yet, trading returned to a moderate level in June after reaching hectic levels in April and May. Within the total, primary and secondary market transactions soared by 36% and 57% respectively in the second quarter over the preceding quarter. In parallel, total consideration rose sharply by 53% to \$193.9 billion. For the first half of 2019 as a whole, the number of S&P agreements jumped by 48% over the second half of 2018 to 34 520, and total consideration by 35% to \$320.8 billion.

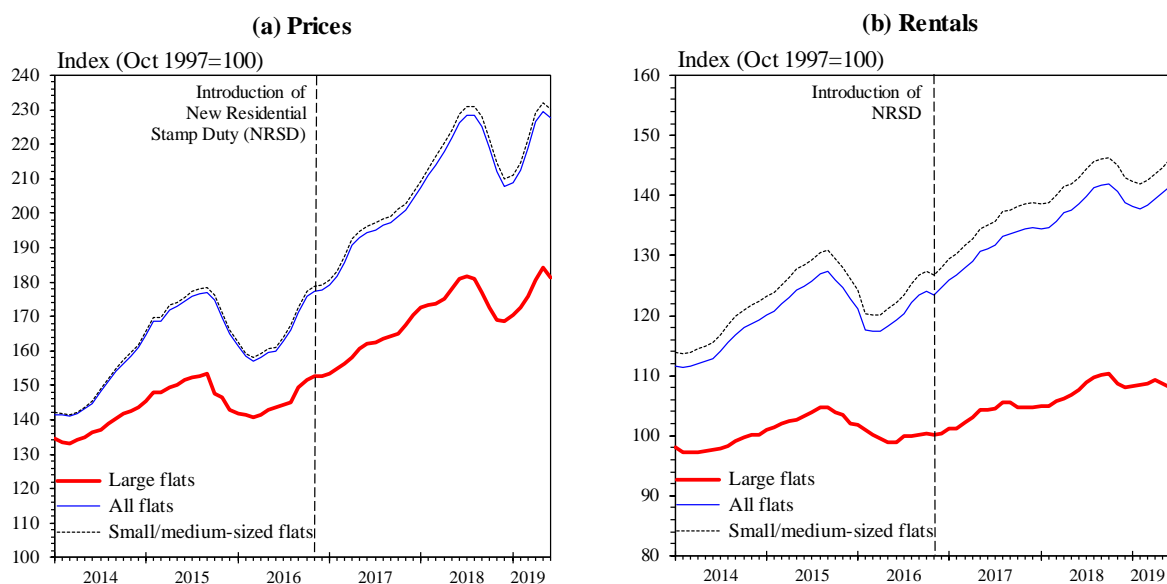
Diagram 3.1 : Trading activities increased notably in the second quarter



3.3 Flat prices on average rose by another 4% between March and June. Yet, the monthly increase moderated from 3% in April to 1% in May, and switched to a decline of 1% in June. Flat prices in June were at about the same level as the high level in July 2018. Analysed by size, prices of small/medium-sized flats and large flats went up by 4% and 3% respectively during the second quarter. During the first half of 2019, overall flat prices rose by a noticeable 10%.

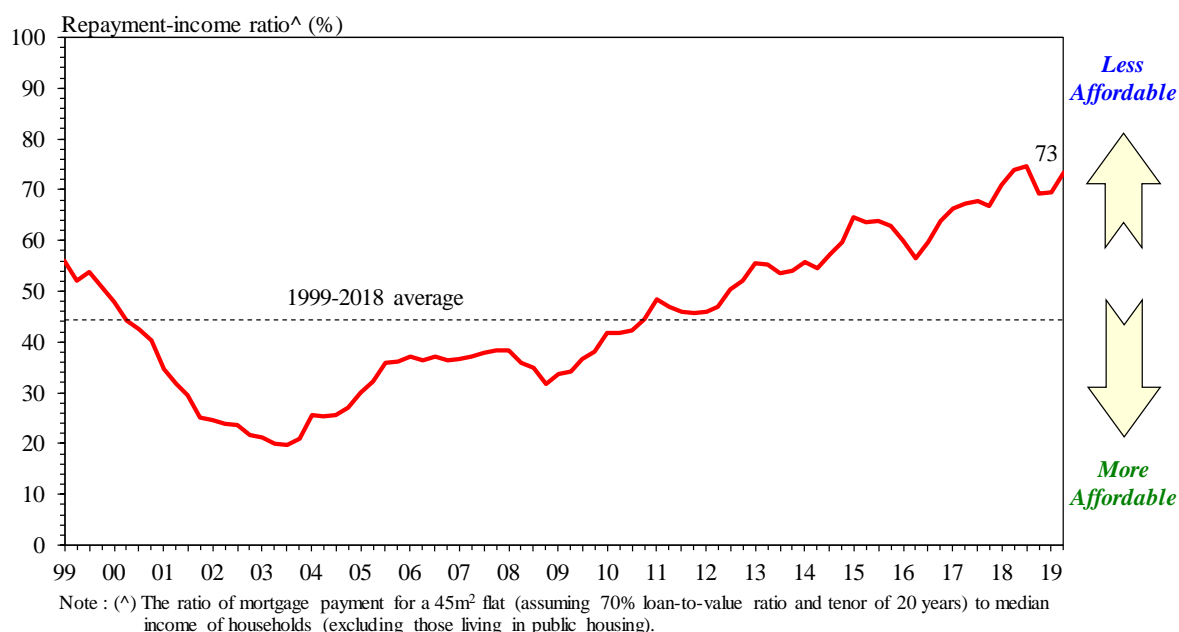
3.4 Flat rentals on average increased by 2% during the second quarter. Analysed by size, rentals of small/medium-sized flats increased by 2%, while those of large flats edged down by 1%. During the first half of 2019, overall flat rentals rose by a cumulative 2%. Reflecting the movements of prices and rentals, the average rental yield for residential property edged down from 2.5% in March to 2.4% in June.

Diagram 3.2 : Both flat prices and rentals rose during the second quarter



3.5 As a result of the general rise over the years, flat prices in June 2019 exceeded the 1997 peak by 128%. The index of home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public housing) remained elevated at around 73% in the second quarter, significantly above the long-term average of 44% over 1999-2018. Should interest rates rise by three percentage points to a more normal level, the ratio would soar to 95%.

Diagram 3.3 : The index of home purchase affordability remained elevated



3.6 Raising flat supply through increasing land supply is a key policy of the Government. In June, the Government announced to put up two residential sites for sale in the third quarter, which are capable of providing about 1 350 units in total. Combining the various sources (including Government land sale, railway property development projects, and private development and redevelopment projects), the total private housing land supply in the first half of 2019-20 is estimated to have a capacity to produce about 5 400 units.

3.7 Reflecting the Government’s sustained efforts in raising land supply, the *total supply of flats* in the private sector in the coming three to four years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) would stay at a high level of 93 000 units as estimated at end-June. Another 5 600 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.

3.8 Over the past several years, the Government has also implemented demand-management and macro-prudential measures to dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market⁽¹⁾. These measures have yielded notable results. On *speculative activities*, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) remained low at 72 cases per month or 1.0% of total transactions in the second quarter, well below the monthly average of 2 661 cases or 20.0% in January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty). Reflecting the effects of the Buyer's Stamp Duty, *purchases by non-local individuals and non-local companies* also stayed low at 47 cases per month or 0.7% of total transactions in the second quarter, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities*, purchases subject to the New Residential Stamp Duty stayed at a modest level of 476 cases per month or 6.7% of total transactions in the second quarter, markedly lower than the monthly average of 1 412 cases subject to Double Stamp Duty or 26.5% in January to November 2016. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 48% in the second quarter, likewise considerably below the average of 64% in January to October 2009 before the first round of macro-prudential measures for residential property mortgage lending was introduced by the Hong Kong Monetary Authority.

Diagram 3.4 : Speculative activities stayed subdued

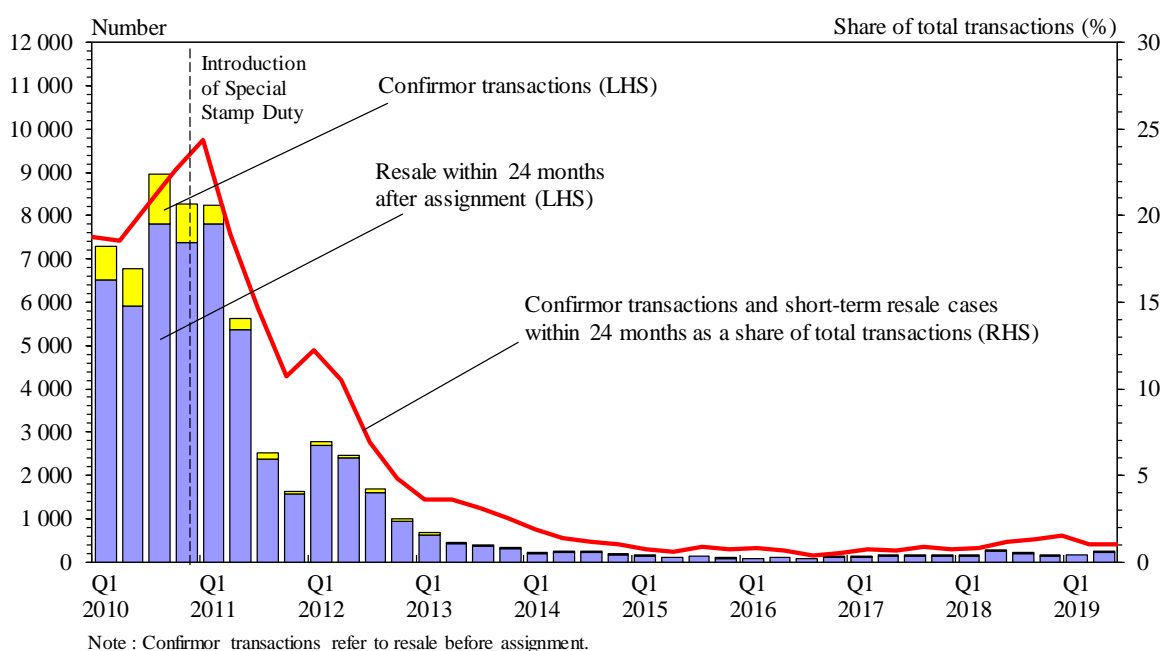


Diagram 3.5 : Purchases by non-local buyers stayed low

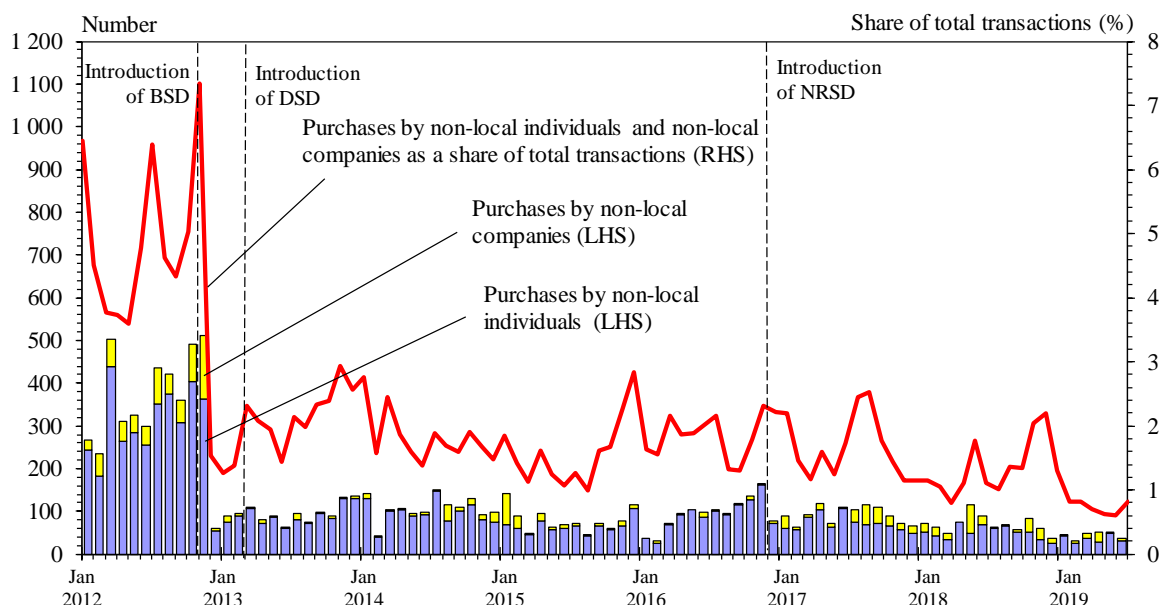
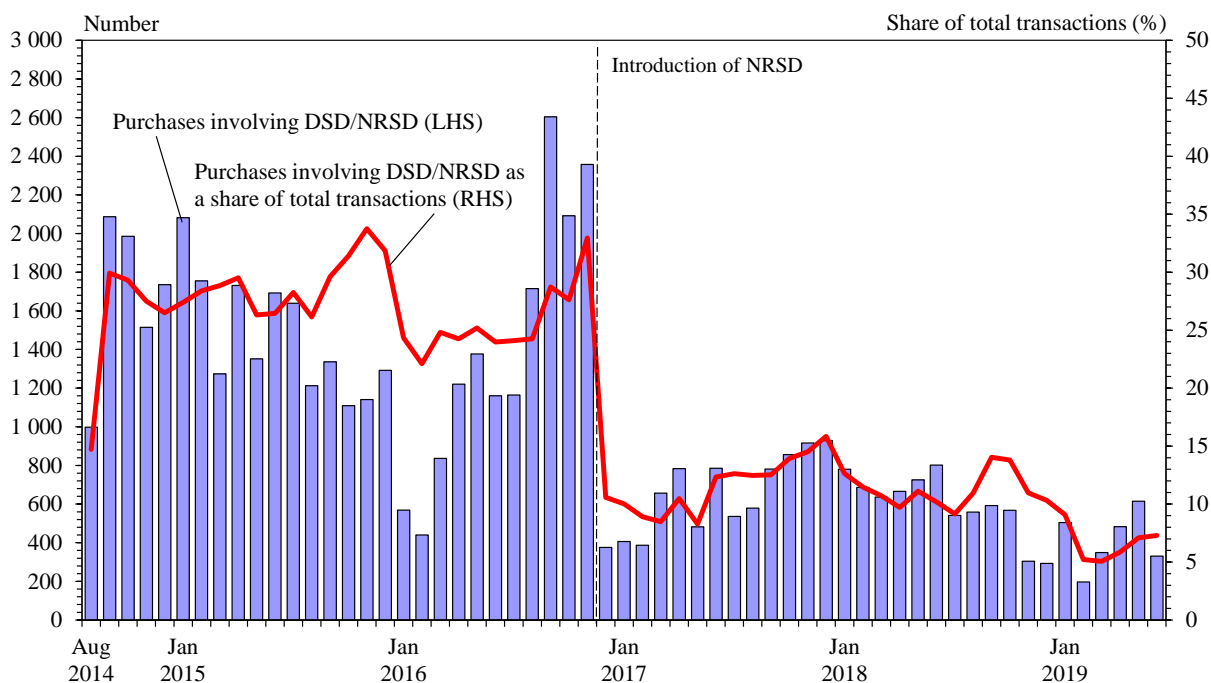


Diagram 3.6 : Investment activities were modest



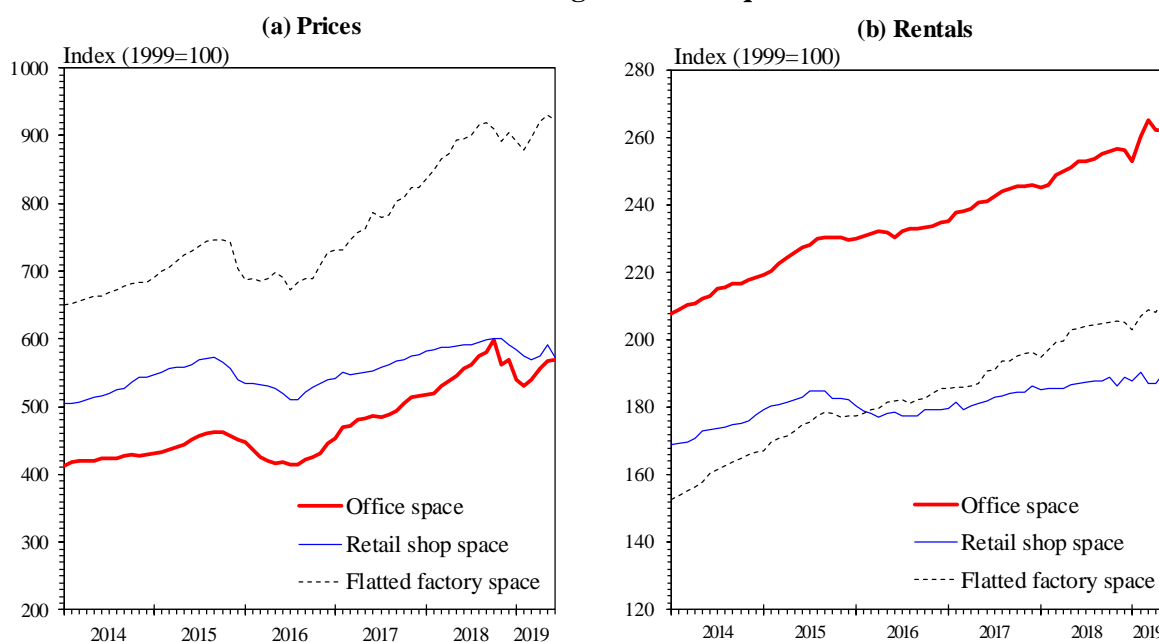
3.9 The *commercial and industrial property markets* improved somewhat in the second quarter. Prices and rentals of most market segments generally increased during the quarter, with the exception of office rentals which were little changed. Trading activities in different market segments picked up notably from the preceding quarter, though still below their year-ago levels.

3.10 Prices of *office space* on average increased by 5% between March and June. Analysed by office class, prices of Grade A decreased by 5%, while prices of Grade B and C office space leapt by 9% and 11% respectively. Meanwhile, office rentals on average were little changed. Within the total, rentals of Grade A office space decreased by 1%, while those of Grade B and C office space were virtually unchanged. The average rental yields of Grade A, B and C office space were 2.7%, 2.6% and 2.6% respectively in June, compared with 2.6%, 2.9% and 2.9% in March. Transactions for office space soared by 64% over the preceding quarter to 343 cases in the second quarter, though were still 17% lower than a year earlier.

3.11 Prices and rentals of *retail shop space* both increased by 1% during the second quarter. The average rental yield edged up from 2.5% in March to 2.6% in June. Meanwhile, trading activities surged by 63% over the preceding quarter to 456 cases in the second quarter, though were still 28% lower⁽²⁾.

3.12 Prices and rentals of *flatted factory space* in June rose by 3% and 2% respectively compared to March. The average rental yield remained unchanged at 2.8%. Transactions jumped by 59% over the preceding quarter to 886 cases in the second quarter, though were 46% below a year earlier.

Diagram 3.7 : Prices and rentals of most segments in the non-residential property market increased during the second quarter



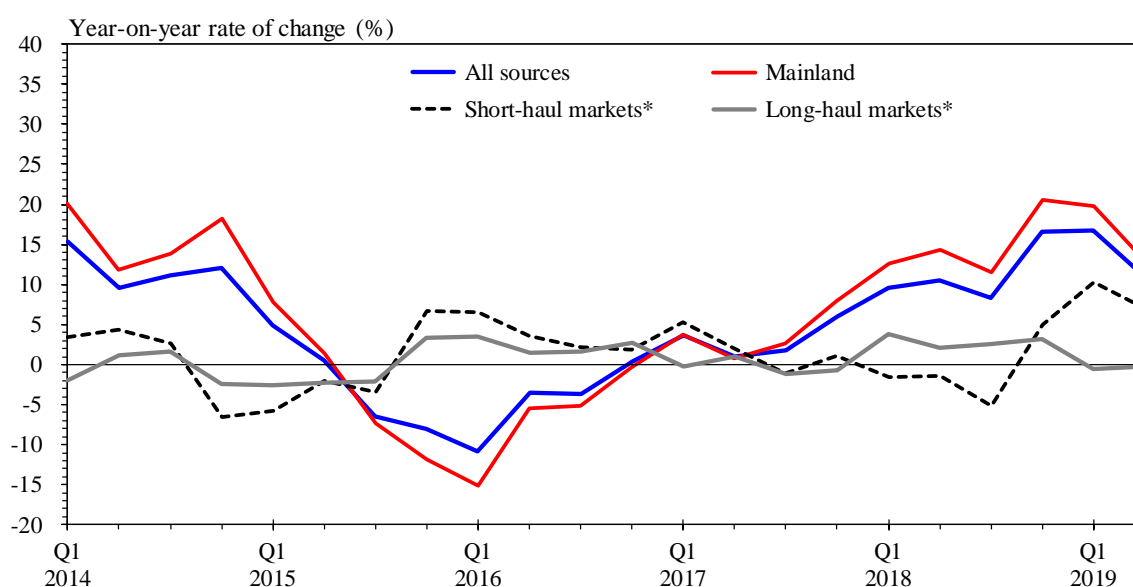
Land

3.13 Two residential sites and three sites for petrol filling station, with a total area of about 2.2 hectares, were disposed of in the second quarter, fetching a land premium of about \$26.9 billion. In addition, the tender exercises for one residential site and one commercial/hotel site commenced in the quarter. In the second quarter, one land exchange case and lease modifications of eight sites were approved.

Tourism

3.14 Inbound tourism expanded further in the second quarter, supported by continued notable increase in Mainland visitors. Overall *visitor arrivals* increased by 10.9% over a year earlier to 16.6 million, but the expansion pace was slower than that of 16.8% in the first quarter. Mainland visitors, which accounted for 78.1% of the total, increased notably by 12.9% to 13.0 million. As for other markets, visitor arrivals from short-haul markets increased by 7.0%, while those from long-haul markets decreased by 0.3%⁽³⁾. Visitor spending, as measured by exports of travel services, rose by another 2.0% year-on-year in real terms in parallel. Per capita visitor spending has, however, been on a down trend in recent quarters, conceivably affected by the weaker economic outlook, the strength of the Hong Kong dollar along with the US dollar against some major currencies over the past year, and a larger share of same-day visitors.

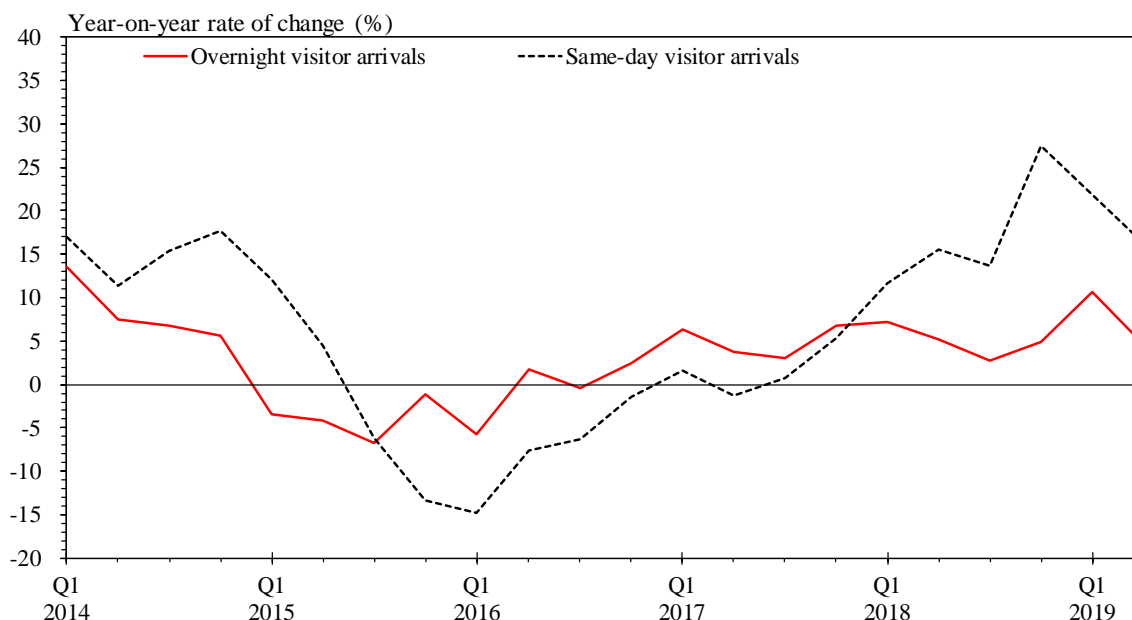
Diagram 3.8 : Inbound tourism expanded further in the second quarter



Note : (*) See note (3) at the end of this chapter for the definition of short-haul and long-haul markets.

3.15 Analysed by the length of stay, same-day visitor arrivals surged by 16.3% in the second quarter over a year earlier, while overnight visitor arrivals rose by 4.6%. Reflecting these movements, the share of same-day visitors rose from 54.4% a year earlier to 57.1%, while that of overnight visitors declined from 45.6% to 42.9%.

Diagram 3.9 : Both same-day visitors and overnight visitors increased further in the second quarter

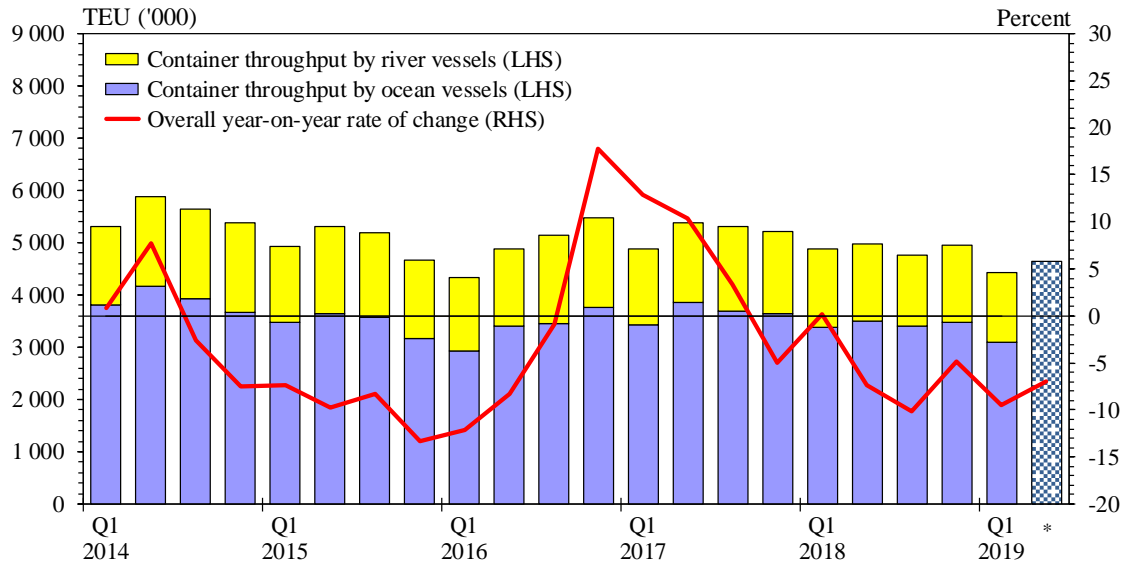


3.16 Notwithstanding the continued increase in overnight visitors, the average hotel room occupancy rate decreased from 90% a year earlier to 88% in the second quarter amid increased supply of hotel rooms, though this was still higher than the average of 87% in the same quarter of the past five years. The average achieved hotel room rate also fell by 2.2% from a year earlier to \$1,265⁽⁴⁾.

Logistics

3.17 In tandem with the sluggish trade flows, the logistics sector slackened further in the second quarter. *Total container throughput* fell by another 6.9% from a year earlier to 4.6 million twenty-foot equivalent units (TEUs), within which both direct and transshipment cargoes recorded declines. In parallel, the value of trade handled at the Hong Kong port fell by 11.0%, and its share in total trade contracted from 17.7% a year earlier to 16.6%.

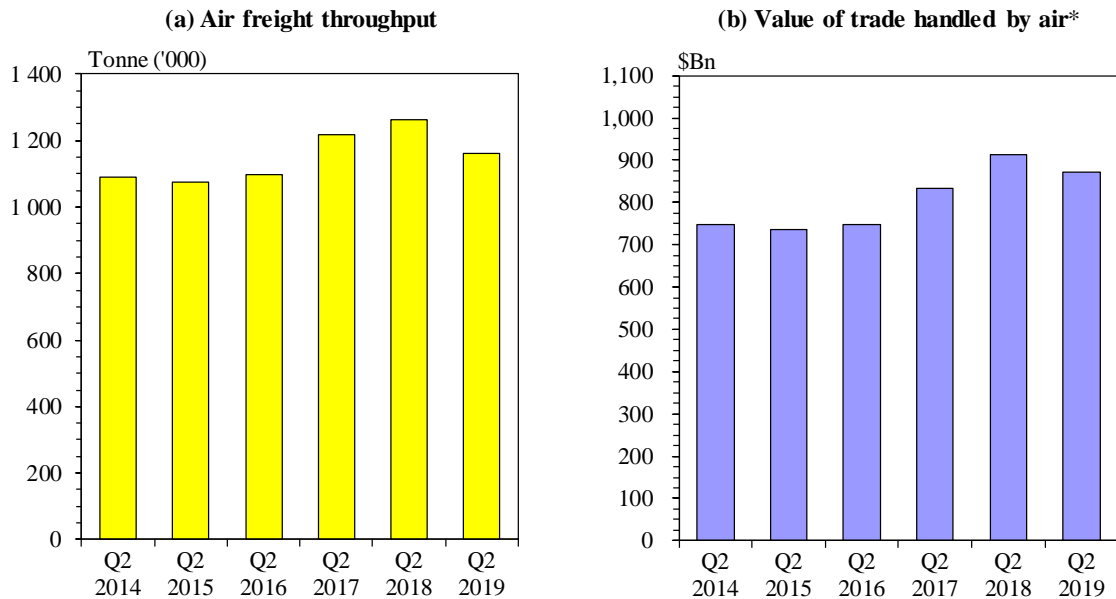
Diagram 3.10 : Container throughput fell further in the second quarter



Note : (*) The container throughput figure for the latest quarter is the preliminary estimate by the Hong Kong Maritime and Port Board, for which a breakdown by ocean and river vessels is not yet available.

3.18 *Air freight throughput* fell further by 8.2% from a year earlier to 1.2 million tonnes in the second quarter. The value of trade by air likewise declined by 4.5%, but its share in total trade edged up from 41.8% a year earlier to 42.1%.

Diagram 3.11 : Air freight throughput and value of trade handled by air fell in the second quarter



Note : (*) Not including transshipment.

Transport

3.19 Traffic flows for different modes of transport showed a mixed performance in the second quarter. Air passenger traffic rose by another 2.8% over a year earlier to 19.1 million trips. Water-borne passenger trips plummeted by 33.4% to 4.4 million, whereas land-based cross-boundary passenger trips surged by 16.4% to 65.6 million, conceivably reflecting the substitution of passenger trips following the operation of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge. Meanwhile, average daily cross-boundary vehicle movements rose by 2.5% to 44 412.

Innovation and technology

3.20 The Government strives to promote scientific research and the development of innovation and technology. In April, the Innovation & Technology Commission launched the Mainland-Hong Kong Joint Funding Scheme, inviting proposals for applied research and development projects jointly conducted by both sides under the two specific themes of biotechnology and artificial intelligence. This will further enhance research and development collaboration between Hong Kong and the Mainland. Moreover, the Government established the Smart Government Innovation Lab in April to provide a platform for encouraging innovative solutions and product suggestions from the information technology sector, particularly local start-ups and small and medium enterprises, to address public service delivery and operational needs.

3.21 In July, Cornell University, INSEAD and World Intellectual Property Organization jointly published the Global Innovation Index (GII) 2019, assessing the innovation performance of 129 economies worldwide. Hong Kong's global ranking improved by one notch to 13th. Among Asian economies, Hong Kong was ranked third. Hong Kong continued to rank rather favourably in the "Innovation input" sub-index, at 8th globally, with high rankings in various areas like "Market sophistication" (3rd), "Infrastructure" (4th) and "Institutions (7th)". Meanwhile, Hong Kong's ranking in the "Innovation output" sub-index also showed some improvement, rising from 21st globally to 16th. The Government will continue to proactively enhance Hong Kong's innovation and technology ecosystem, building on our strengths to boost our innovation capabilities on all fronts.

Creative industries

3.22 In April, the Mainland authorities agreed to offer another round of relaxation measures to further facilitate entry of Hong Kong films and TV productions and practitioners of the two sectors into the Mainland market. Implementation of the measures would further enhance the flexibility of producing Mainland-Hong Kong film and TV co-productions and reduce relevant production costs. It would also encourage Hong Kong film and TV industries to play a more active role in production and promotion of Mainland films, TV productions and co-productions, enhance the reputation and recognition of Hong Kong films and TV productions in the Mainland and provide more opportunities in the Mainland for local film and TV industries, thereby furthering the development of those industries in the two places.

Environment

3.23 In May, Hong Kong and Singapore signed a Memorandum of Understanding to enhance the synergy between the two sides regarding professional staff training on the environment front and to strengthen collaboration. In mid-June, the Council for Sustainable Development launched the public interaction phase of the public engagement on Long-term Decarbonisation Strategy, which aims to arouse public awareness on the impact of carbon emissions, and gauge the views of the community in developing feasible strategies for carbon reduction, with a view to making recommendations to the Government by the end of this year.

Notes :

- (1) For details of the measures promulgated in 2010, see Box 3.1 in the First Quarter Economic Report 2010, Box 3.1 in the Third Quarter Economic Report 2010 and note (2) at the end of Chapter 4 in the 2010 Economic Background and 2011 Prospects. For details of the measures promulgated in 2011, see note (2) at the end of Chapter 3 in the Half-yearly Economic Report 2011 and Box 3.1 in the Third Quarter Economic Report 2011. For details of the measures promulgated in 2012, see Box 3.1 in the Third Quarter Economic Report 2012 and Box 4.1 in the 2012 Economic Background and 2013 Prospects. For details of the measures promulgated in 2013, see Box 4.2 in the 2012 Economic Background and 2013 Prospects and Box 3.1 in the First Quarter Economic Report 2013. For details of the measures promulgated in 2014, see Box 4.1 in the 2013 Economic Background and 2014 Prospects. For details of the measures promulgated in 2015, see Box 3.1 of the First Quarter Economic Report 2015. For details of the measures promulgated in 2016, see note (1) at the end of Chapter 4 in the 2016 Economic Background and 2017 Prospects. For details of the measures promulgated in 2017, see note (3) at the end of Chapter 3 in the First Quarter Economic Report 2017, note (2) at the end of Chapter 3 in the Half-yearly Economic Report 2017 and Box 3.1 of the Third Quarter Economic Report 2017. For details of the measures promulgated in 2018, see Box 3.1 in the Half-yearly Economic Report 2018 and Box 3.1 of the Third Quarter Economic Report 2018.
- (2) The figures on transaction refer to commercial space, which comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.
- (3) Short-haul markets refer to North Asia, South and Southeast Asia, Taiwan and Macao, but excluding the Mainland, while long-haul markets refer to the Americas, Europe, Africa, the Middle East, Australia, New Zealand and South Pacific. In the second quarter of 2019, visitor arrivals from the Mainland, short-haul and long-haul markets accounted for respective shares of 78%, 15% and 7% of total visitors.
- (4) The figures on hotel room occupancy and achieved room rate do not include guesthouses.

CHAPTER 4 : THE FINANCIAL SECTOR[#]

Summary

- *Hong Kong dollar interest rates generally stayed low in the second quarter of 2019. Yet, interbank rates and Exchange Fund Bills yields at the short tenors showed some increases towards the end of June amid rising seasonal funding demand and initial public offerings activities.*
- *The Hong Kong dollar spot exchange rate against the US dollar stayed close to the weak-side Convertibility Undertaking level in April and May before strengthening somewhat in June. Meanwhile, as the US dollar strengthened against some major currencies including the pound sterling and renminbi, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices rose by 1.8% and 2.7% respectively during the second quarter.*
- *Total loans and advances grew by 1.8% during the second quarter, within which loans for use in and outside Hong Kong increased by 2.3% and 0.8% respectively.*
- *The local stock market was volatile in the second quarter. The Hang Seng Index fell visibly in May as sentiment was hit by the re-escalation of US-Mainland trade tensions. Nonetheless, some of the loss was recouped in June along with reduced risks of any imminent further worsening of US-Mainland trade relations during the month and increasing expectation of US interest rate cuts. The Hang Seng Index closed at 28 543 at end-June, 1.8% lower than at end-March. Trading stayed generally active in the second quarter, while fund raising activities showed relative improvement.*

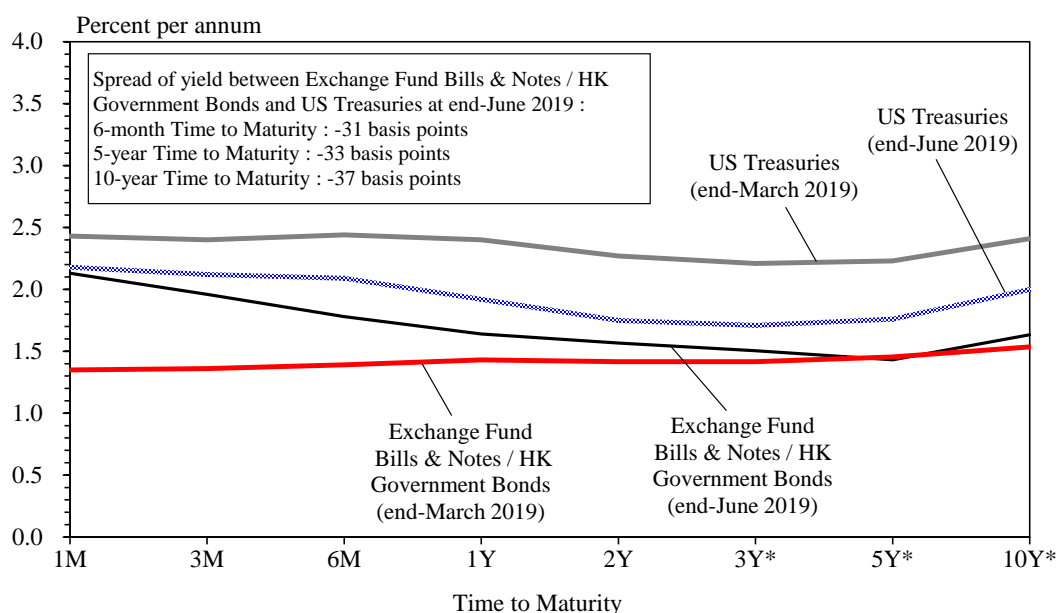
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Office of the Government Economist.*

Interest rates and exchange rates

4.1 As the US Federal Open Market Committee kept the target range for the Federal Funds Rate unchanged at 2.25-2.50% during the second quarter of 2019, the *Base Rate* under the Discount Window operated by the HKMA remained unchanged at 2.75%⁽¹⁾ at end-June. *Hong Kong dollar interbank interest rates* (HIBORs) generally stayed low in the quarter, though showing some increases at the short tenors towards the end of June amid rising seasonal funding demand and initial public offerings (IPOs) activities. The overnight HIBOR increased from 2.67% at end-March to 2.97% at end-June, and the three-month HIBOR from 1.76% to 2.46%.

4.2 The *US dollar yield curve* shifted downwards between end-March and end-June, while *Hong Kong dollar yields* rose at the short tenors. Reflecting these movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills narrowed sharply from 105 basis points at end-March to 31 basis points at end-June, while the negative yield spread between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes also decreased from 88 basis points to 37 basis points.

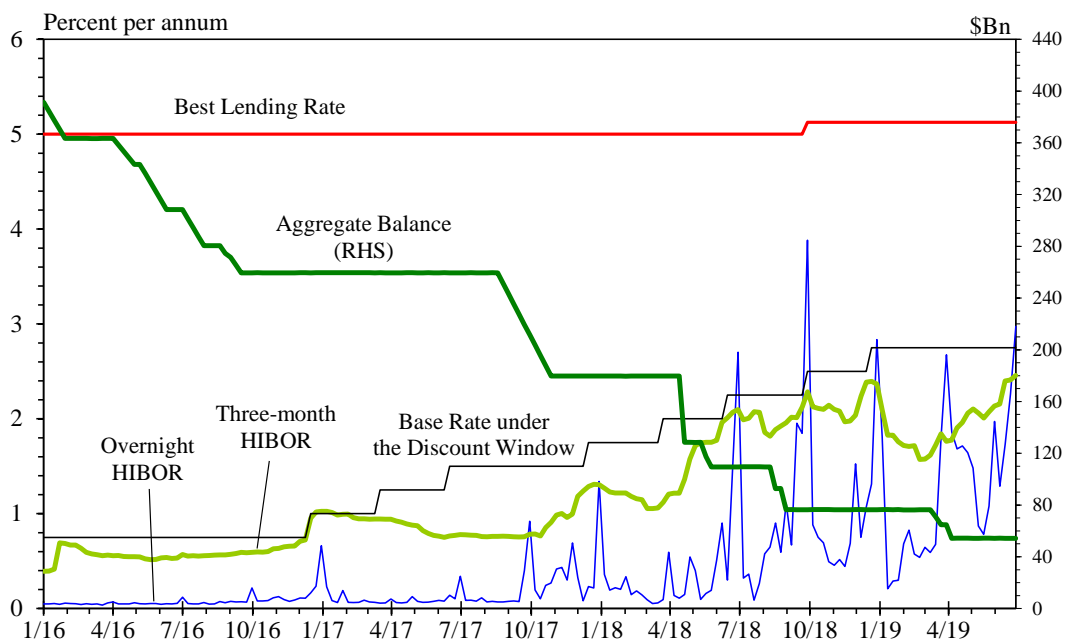
Diagram 4.1 : The US dollar yield curve shifted downwards, while Hong Kong dollar yields rose at the short tenors



Note : (*) With the HKMA stopping new issuance of Exchange Fund Notes of tenors of 3 years or above since January 2015, the Hong Kong dollar yields for tenor of 3 years and above refer to those for Hong Kong Government Bonds.

4.3 Interest rates on the retail front stayed at low levels. The three *Best Lending Rates* in the market remained unchanged at 5.125%, 5.375% and 5.500% during the second quarter. The *average savings deposit rate* and *one-year time deposit rate* quoted by the major banks for deposits of less than \$100,000 also remained unchanged at 0.13% and 0.33% respectively. The *composite interest rate*⁽²⁾, which indicates the average cost of funds for retail banks, increased from 0.82% at end-March to 0.95% at end-June.

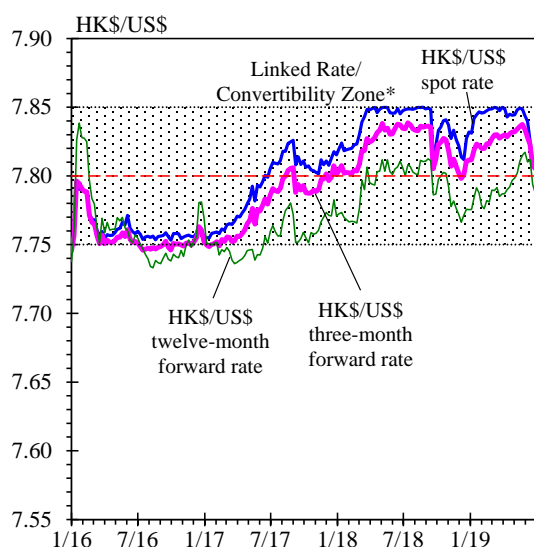
Diagram 4.2 : Interbank interest rates rose at the short tenors towards end-June, while interest rates on the retail front stayed at low levels (end for the week)



4.4 The *Hong Kong dollar spot exchange rate* against the US dollar stayed close to the weak-side Convertibility Undertaking level of 7.850 in April and May. It then strengthened somewhat in June, driven partly by unwinding of carry trade amid tightened liquidity and partly by seasonal demand for the Hong Kong dollar. The Hong Kong dollar spot exchange rate closed the second quarter at 7.807, compared with 7.850 at the end of the preceding quarter. Meanwhile, the discounts of *Hong Kong dollar forward rates* to the spot rate dwindled. The discount of 3-month forward rate narrowed from 211 pips (each pip is equivalent to HK\$0.0001) at end-March to 28 pips at end-June, and the discount of 12-month forward rate from 630 pips to 205 pips.

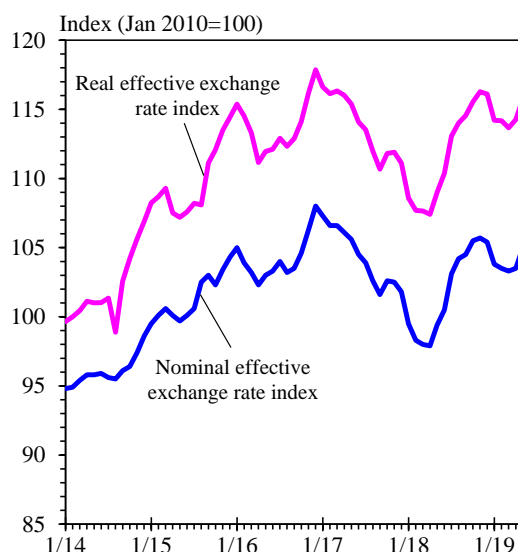
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened against some major currencies including the pound sterling and renminbi (RMB), the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*⁽³⁾ rose by 1.8% and 2.7% respectively during the second quarter.

Diagram 4.3 : Hong Kong dollar was broadly stable against the US dollar in April and May before strengthening somewhat in June (end for the week)



Note : (*) The shaded area represents the Convertibility Zone that was introduced in May 2005 as part of the three refinements to the Linked Exchange Rate System.

Diagram 4.4 : The trade-weighted nominal and real effective exchange rate indices rose (average for the month)



Money supply and banking sector

4.6 The Hong Kong dollar broad *money supply* (HK\$M3) increased by another 1.0% over end-March to \$7,537 billion⁽⁴⁾ at end-June, while the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) declined by 1.4% to \$1,578 billion. Meanwhile, *total deposits* with authorized institutions (AIs)⁽⁵⁾ edged up by 0.4% to \$13,608 billion, with the 1.1% increase in Hong Kong dollar deposits outweighing the 0.4% decline in foreign currency deposits.

Diagram 4.5 : The Hong Kong dollar broad money supply increased further, while the seasonally adjusted Hong Kong dollar narrow money supply declined

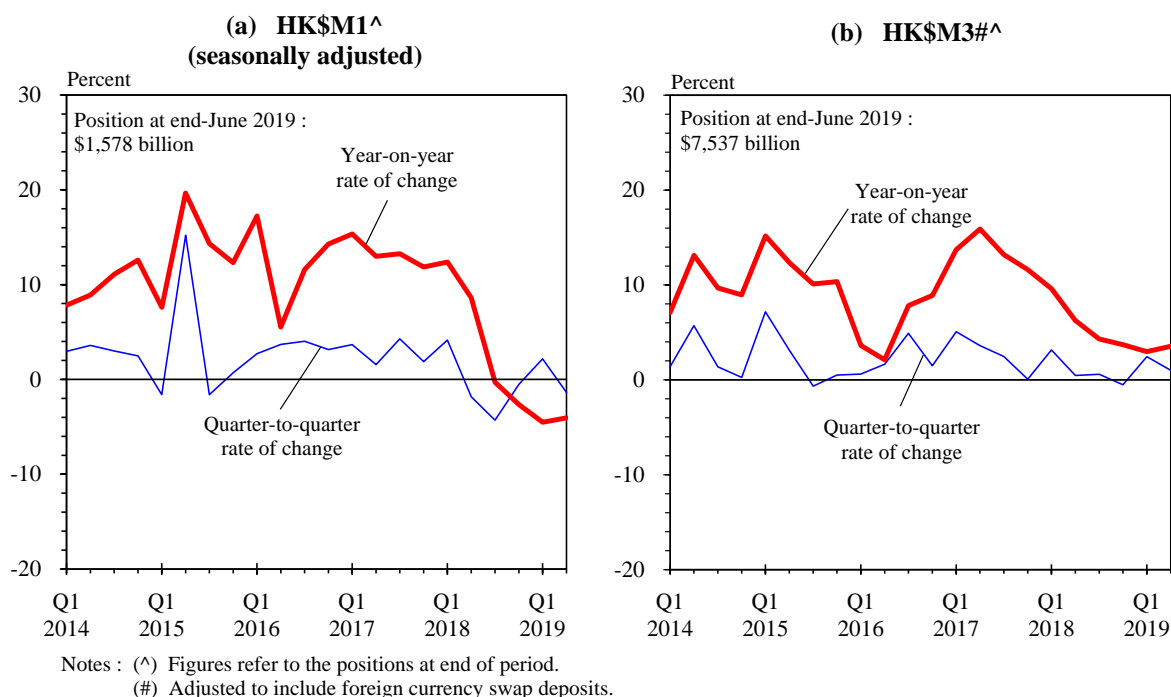


Table 4.1 : Hong Kong dollar money supply and total money supply

| | | <u>M1</u> | | <u>M2</u> | | <u>M3</u> | |
|--------------------------------------|----|-------------------------|--------------|---------------------------|--------------|---------------------------|--------------|
| <u>% change during the quarter</u> | | <u>HK\$[^]</u> | <u>Total</u> | <u>HK\$^(a)</u> | <u>Total</u> | <u>HK\$^(a)</u> | <u>Total</u> |
| 2018 | Q1 | 4.2 | 1.7 | 3.1 | 1.3 | 3.2 | 1.3 |
| | Q2 | -1.8 | 1.9 | 0.5 | 0.3 | 0.5 | 0.3 |
| | Q3 | -4.3 | -3.0 | 0.5 | 1.0 | 0.6 | 1.0 |
| | Q4 | -0.5 | -1.0 | -0.5 | 1.6 | -0.5 | 1.6 |
| 2019 | Q1 | 2.2 | -0.1 | 2.5 | 1.0 | 2.4 | 1.0 |
| | Q2 | -1.4 | 0.4 | 1.0 | 0.4 | 1.0 | 0.3 |
| Total amount at end-June 2019 (\$Bn) | | 1,578 | 2,429 | 7,515 | 14,537 | 7,537 | 14,594 |
| % change over a year earlier | | -4.1 | -3.6 | 3.5 | 4.0 | 3.5 | 4.0 |

Notes : (^) Seasonally adjusted.

(a) Adjusted to include foreign currency swap deposits.

4.7 *Total loans and advances* grew by 1.8% over end-March to \$10,132 billion at end-June. Within the total, Hong Kong dollar loans and foreign currency loans expanded by 2.9% and 0.3% respectively. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar went up further from 87.8% at end-March to 89.3% at end-June, the highest level since January 2003, while that for foreign currencies edged up from 58.5% to 58.9%.

4.8 Loans for use in Hong Kong (including trade finance) grew by 2.3% over end-March to \$7,083 billion at end-June, and loans for use outside Hong Kong by 0.8% to \$3,049 billion. Within the former, loans to most economic sectors went up, with loans to wholesale and retail trade and loans to manufacturing both rebounding by 3.4%. Despite the reduced trade flows, trade finance continued to increase, by 3.2%. On the other hand, loans to financial concerns and loans to stockbrokers declined by 0.3% and 12.6% respectively, conceivably reflecting the volatile financial market performance during the quarter. As for property-related lending, loans to building, construction, property development and investment increased steadily by 1.6%, while loans for purchase of residential property witnessed a faster increase of 3.4%.

Table 4.2 : Loans and advances

All loans and advances for use in Hong Kong

| | | Loans to : | | | | | | | | | |
|--|----|------------------|--------------------|--|--|--|-----------------------|-------------------|----------------------|---|-----------------------------------|
| | | Trade finance | Manu- facturing | Whole- sale and retail trade | Building, construction, property development and investment | Purchase of residential property ^(a) | Financial concerns | Stock- brokers | Total ^(b) | All loans and advances for use outside Hong Kong ^(c) | Total loans and advances |
| % change during the quarter | | | | | | | | | | | |
| 2018 | Q1 | 5.7 | 3.3 | 4.9 | 2.8 | 1.9 | 6.1 | 3.7 | 3.6 | 3.7 | 3.6 |
| | Q2 | 5.1 | 9.6 | * | -2.3 | 2.3 | 3.4 | 15.6 | 1.7 | 1.4 | 1.6 |
| | Q3 | -8.2 | -4.3 | -3.4 | 2.4 | 2.5 | -5.6 | -31.0 | -1.2 | -0.9 | -1.1 |
| | Q4 | -9.4 | 0.1 | -0.7 | 1.9 | 2.0 | 2.4 | -9.2 | 1.3 | -2.1 | 0.3 |
| 2019 | Q1 | 6.8 | -1.5 | -4.9 | 1.5 | 1.3 | 3.5 | 12.9 | 2.2 | 2.7 | 2.3 |
| | Q2 | 3.2 | 3.4 | 3.4 | 1.6 | 3.4 | -0.3 | -12.6 | 2.3 | 0.8 | 1.8 |
| Total amount at end-June 2019 (\$Bn) | | 503 | 305 | 384 | 1,573 | 1,436 | 885 | 65 | 7,083 | 3,049 | 10,132 |
| % change over a year earlier | | -8.2 | -3.3 | -4.8 | 7.4 | 9.4 | -0.2 | -38.1 | 4.5 | 0.6 | 3.3 |

Notes : Some loans have been reclassified. As such, the figures are not strictly comparable with those of previous quarters.

- (a) Figures also include loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme, in addition to those for the purchase of private residential flats.
- (b) Loans to individual sectors may not add up to all loans and advances for use in Hong Kong, as some sectors are not included.
- (c) Also include loans where the place of use is not known.
- (*) Change of less than $\pm 0.05\%$.

4.9 The Hong Kong banking sector remained resilient. The Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying high at 20.4% at end-March 2019. Asset quality of the local banking sector also stayed healthy. The ratio of classified loans to total loans for retail banks hovered at a low level by historical standards, though edging up from 0.51% at end-2018 to 0.52% at end-March 2019. Meanwhile, the delinquency ratio for credit card lending remained virtually unchanged at 0.21% at end-March. The delinquency ratio for residential mortgage loans stayed low at 0.02% at end-June.

Table 4.3 : Asset quality of retail banks*

(as % of total loans)

| <u>As at end of period</u> | | <u>Pass loans</u> | <u>Special mention loans</u> | <u>Classified loans</u> (gross) |
|----------------------------|----|-------------------|------------------------------|------------------------------------|
| 2018 | Q1 | 98.36 | 1.09 | 0.55 |
| | Q2 | 98.41 | 1.06 | 0.53 |
| | Q3 | 98.36 | 1.09 | 0.54 |
| | Q4 | 98.28 | 1.21 | 0.51 |
| 2019 | Q1 | 98.28 | 1.20 | 0.52 |

Notes : Due to rounding, figures may not add up to 100.

(*) Period-end figures relate to Hong Kong offices, overseas branches and major overseas subsidiaries. Loans and advances are classified into the following categories: Pass, Special Mention, Substandard, Doubtful and Loss. Loans in the substandard, doubtful and loss categories are collectively known as “classified loans”.

4.10 Performance of *offshore RMB business* was mixed in the second quarter. RMB trade settlement transactions handled by banks in Hong Kong increased by 32.0% over a year earlier to RMB1,338.6 billion in the second quarter. On the other hand, total RMB deposits (including customer deposits and outstanding certificates of deposit) declined modestly by 1.9% from end-March to RMB627.8 billion at end-June. As to RMB financing activities, RMB bond issuance rebounded from RMB6.1 billion in the preceding quarter to RMB11.3 billion in the second quarter (excluding the issuance of RMB5.0 billion by the Ministry of Finance), while outstanding RMB bank loans decreased by 3.6% from end-March to RMB110.8 billion at end-June.

Table 4.4 : Renminbi deposits and cross-border renminbi trade settlement in Hong Kong

| <u>As at end of period</u> | | <u>Interest rates on^(a)</u> | | | | | <u>Number of AIs engaged in RMB business</u> | <u>Amount of cross-border RMB trade settlement^(c)</u> (RMB Mn) |
|----------------------------------|----|--|----------------------------------|-----------------------------------|--|---|--|--|
| | | <u>Demand and savings deposits</u> (RMB Mn) | <u>Time deposits</u> (RMB Mn) | <u>Total deposits</u> (RMB Mn) | <u>Savings deposits^(b)</u> (%) | <u>Three-month time deposits^(b)</u> (%) | | |
| 2018 | Q1 | 159,509 | 394,808 | 554,317 | 0.25 | 0.53 | 136 | 1,007,895 |
| | Q2 | 167,016 | 417,505 | 584,521 | 0.25 | 0.53 | 137 | 1,013,743 |
| | Q3 | 181,117 | 419,212 | 600,329 | 0.25 | 0.53 | 137 | 1,070,825 |
| | Q4 | 194,432 | 420,585 | 615,017 | 0.25 | 0.53 | 136 | 1,113,741 |
| 2019 | Q1 | 210,156 | 392,082 | 602,238 | 0.25 | 0.53 | 136 | 1,211,303 |
| | Q2 | 214,540 | 389,697 | 604,236 | 0.25 | 0.53 | 136 | 1,338,610 |
| % change in 2019 Q2 over 2018 Q2 | | 28.5 | -6.7 | 3.4 | N.A. | N.A. | N.A. | 32.0 |
| % change in 2019 Q2 over 2019 Q1 | | 2.1 | -0.6 | 0.3 | N.A. | N.A. | N.A. | 10.5 |

Notes : (a) The interest rates are based on a survey conducted by the HKMA.

(b) Period average figures.

(c) Figures during the period.

N.A. Not applicable.

The debt market

4.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities declined by 1.9% from the preceding quarter to \$902.5 billion in the second quarter, as the 37.0% plunge in private sector debt issuance⁽⁶⁾ more than offset the 2.3% rise in public sector debt issuance. Total outstanding amount of Hong Kong dollar debt securities edged down by 0.1% from end-March to \$1,862.8 billion at end-June, equivalent to 24.7% of HK\$M3 or 19.9% of Hong Kong dollar-denominated assets of the banking sector⁽⁷⁾.

4.12 As to the Government Bond (“GB”) programme, a total of \$8.0 billion worth of institutional GBs were issued through tenders in the second quarter. At end-June, the total outstanding amount of Hong Kong dollar bonds under the GB Programme was \$92.7 billion, comprising 13 institutional issues totaling \$84.0 billion and three retail issues (all Silver Bonds) totaling \$8.7 billion. In addition, three US dollar sukuks, each with an issue size of US\$1.0 billion, were outstanding under the Programme.

4.13 In May, the Government issued the inaugural green bond under the Government Green Bond Programme, with an issue size of US\$1.0 billion and a tenor of five years. The issuance attracted interest from a diverse group of conventional and green investors in the global market and was more than three times oversubscribed. Under the Programme, proceeds raised will be credited to the Capital Works Reserve Fund to finance or refinance public works projects that provide environmental benefits and support the sustainable development of Hong Kong.

Table 4.5 : New issuance and outstanding value of Hong Kong dollar debt securities^(a) (\$Bn)

| | | Exchange Fund paper | Statutory bodies/ government- owned corporations | Govern- ment | Public sector total | AIs ^(b) | Local corporations | Non-MDBs overseas borrowers ^(c) | Private sector total | MDBs ^(c) | Total |
|--|--|------------------------|--|-----------------|---------------------------|--------------------|-----------------------|--|----------------------------|---------------------|---------|
| New Issuance | | | | | | | | | | | |
| 2018 | Annual | 3,233.0 | 19.8 | 19.6 | 3,272.3 | 174.6 | 12.6 | 90.6 | 277.8 | 5.0 | 3,555.1 |
| | Q1 | 791.9 | 7.2 | 1.8 | 801.0 | 63.1 | 2.7 | 31.3 | 97.1 | 2.4 | 900.4 |
| | Q2 | 805.4 | 6.2 | 6.5 | 818.1 | 40.7 | 7.2 | 34.5 | 82.3 | 2.4 | 902.8 |
| | Q3 | 811.5 | 4.7 | 1.8 | 818.0 | 37.0 | 2.2 | 16.3 | 55.5 | 0.0 | 873.5 |
| | Q4 | 824.1 | 1.7 | 9.5 | 835.3 | 33.8 | 0.6 | 8.5 | 42.9 | 0.2 | 878.4 |
| 2019 | Q1 | 811.4 | 7.6 | 2.1 | 821.1 | 53.5 | 8.3 | 35.3 | 97.2 | 1.5 | 919.8 |
| | Q2 | 826.6 | 5.3 | 8.0 | 839.9 | 39.0 | 5.4 | 16.9 | 61.3 | 1.3 | 902.5 |
| | % change in 2019 Q2 over 2018 Q2 | 2.6 | -14.0 | 23.1 | 2.7 | -4.2 | -25.1 | -51.0 | -25.6 | -45.8 | * |
| | % change in 2019 Q2 over 2019 Q1 | 1.9 | -30.8 | 281.0 | 2.3 | -27.1 | -35.8 | -52.1 | -37.0 | -13.3 | -1.9 |
| Outstanding (as at end of period) | | | | | | | | | | | |
| 2018 | Q1 | 1,050.6 | 55.9 | 99.7 | 1,206.2 | 219.4 | 95.8 | 258.3 | 573.4 | 12.2 | 1,791.9 |
| | Q2 | 1,053.9 | 54.5 | 106.2 | 1,214.5 | 219.1 | 102.0 | 274.6 | 595.7 | 14.2 | 1,824.5 |
| | Q3 | 1,058.0 | 56.9 | 97.9 | 1,212.8 | 219.1 | 101.8 | 271.5 | 592.4 | 13.8 | 1,819.0 |
| | Q4 | 1,062.7 | 54.5 | 107.4 | 1,224.6 | 238.2 | 100.3 | 267.6 | 606.1 | 13.9 | 1,844.5 |
| 2019 | Q1 | 1,066.5 | 56.9 | 96.2 | 1,219.7 | 246.0 | 100.1 | 285.1 | 631.1 | 14.4 | 1,865.2 |
| | Q2 | 1,071.3 | 54.5 | 94.2 | 1,220.0 | 254.3 | 98.9 | 274.5 | 627.7 | 15.1 | 1,862.8 |
| | % change in 2019 Q2 over 2018 Q2 | 1.7 | * | -11.2 | 0.5 | 16.0 | -3.0 | * | 5.4 | 6.1 | 2.1 |
| | % change in 2019 Q2 over 2019 Q1 | 0.5 | -4.4 | -2.1 | * | 3.4 | -1.2 | -3.7 | -0.5 | 4.9 | -0.1 |

Notes : Figures may not add up to the corresponding totals due to rounding and may be subject to revisions.

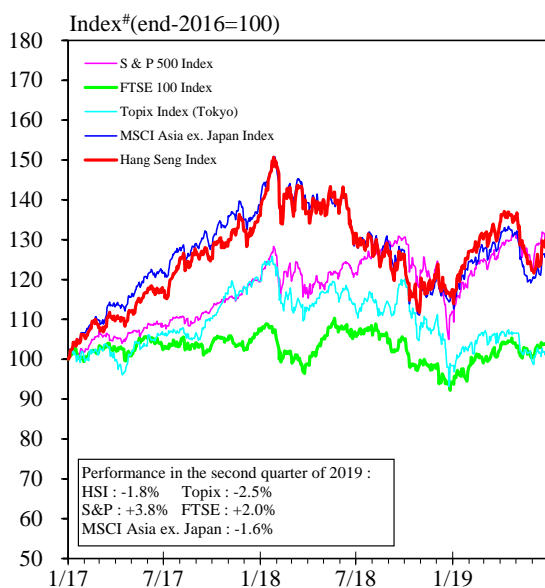
- (a) The debt securities statistics are reclassified in accordance with the latest international statistical standards set forth in the *Handbook of Securities Statistics* published by the Bank for International Settlements, International Monetary Fund and European Central Bank. They may not be comparable with statistics previously published in this report. Historical statistics reclassified under the new standards are available upon request.
- (b) AIs : Authorized institutions.
- (c) MDBs : Multilateral Development Banks.
- (*) Change of less than $\pm 0.05\%$.

The stock and derivatives markets

4.14 The *local stock market* was volatile in the second quarter, as sentiment was swayed by the twists and turns in US-Mainland trade relations. Following the strong rebound in the first quarter, the Hang Seng Index (HSI) rose further in April, but fell visibly in May as sentiment was hit by the re-escalation of US-Mainland trade tensions. Nonetheless, some of the loss was recouped in June along with reduced risks of any imminent further worsening of US-Mainland trade relations during the month and increasing expectation of US interest rate cuts. The HSI closed at 28 543 at end-June, 1.8% lower than at end-March. In parallel, *market capitalisation* declined by 3.2% from end-March to \$32.7 trillion at end-June. The local stock market ranked the sixth largest in the world and the third largest in Asia⁽⁸⁾.

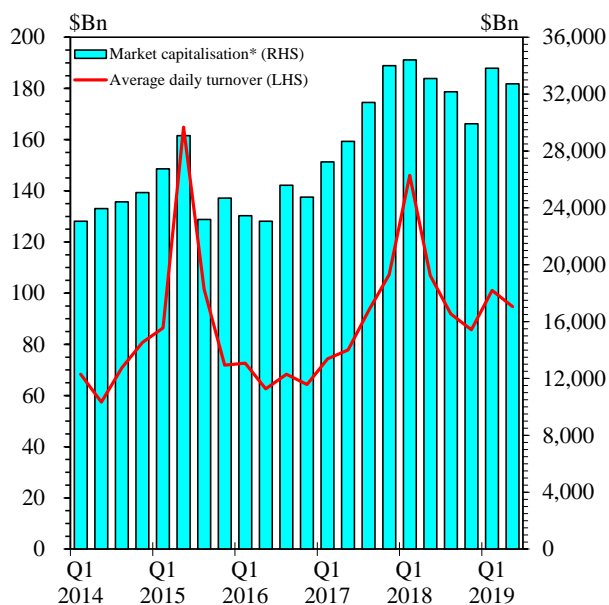
4.15 Trading stayed generally active in the second quarter, though quietening down somewhat from the vibrant situations in the preceding quarter and the same quarter last year. *Average daily turnover* in the securities market amounted to a relatively high level of \$94.7 billion, though 6.2% lower than in the preceding quarter or 11.3% lower than a year earlier. Within the total, the average daily trading value of derivative warrants and callable bull/bear contracts⁽⁹⁾ plummeted by 38.1% and 16.1% respectively from the preceding quarter, whereas that of unit trusts (including Exchange-Traded Funds) and equities increased by 23.1% and 0.7% respectively. As to futures and options⁽¹⁰⁾, the average daily trading volume declined by 1.3%, as the 7.6% decrease in trading of stock options outweighed the increases in trading of HSI options, HSI futures and Hang Seng China Enterprises Index futures, at 6.4%, 5.8% and 1.7% respectively.

Diagram 4.6 : The local stock market was volatile in the second quarter of 2019



Note : (#) Position at end of month.

Diagram 4.7 : Market capitalisation declined, while trading stayed generally active



Note : (*) Position at end of quarter.

Table 4.6 : Average daily turnover of futures and options of the Hong Kong market

| | | Hang Seng Index | | Hang Seng China | | Total futures and options traded* |
|----------------------------------|--------|-----------------|---------|---------------------------|---------------|-----------------------------------|
| | | futures | options | Enterprises Index futures | Stock options | |
| 2018 | Annual | 234 424 | 51 693 | 152 241 | 517 395 | 1 203 996 |
| | Q1 | 205 103 | 58 873 | 151 890 | 665 446 | 1 342 268 |
| | Q2 | 235 668 | 46 252 | 140 129 | 481 531 | 1 122 713 |
| | Q3 | 235 121 | 46 949 | 150 507 | 456 615 | 1 128 977 |
| | Q4 | 261 361 | 54 716 | 166 070 | 468 198 | 1 222 845 |
| 2019 | Q1 | 222 008 | 49 636 | 148 193 | 528 062 | 1 187 529 |
| | Q2 | 234 927 | 52 802 | 150 770 | 488 012 | 1 172 684 |
| % change in 2019 Q2 over 2018 Q2 | | -0.3 | 14.2 | 7.6 | 1.3 | 4.5 |
| % change in 2019 Q2 over 2019 Q1 | | 5.8 | 6.4 | 1.7 | -7.6 | -1.3 |

Note : (*) Turnover figures for individual futures and options are in number of contracts, and may not add up to the total futures and options traded as some products are not included.

4.16 Notwithstanding the volatile performance of the local stock market, fund raising activities showed relative improvement in the second quarter. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM⁽¹¹⁾, jumped by 121.8% over the low base in first quarter or 39.4% over a year earlier to \$100.1 billion in the second quarter. Within the total, the amount of funds raised through IPOs surged by 128.2% over the preceding quarter to \$48.4 billion. Hong Kong ranked third globally in terms of the amount of funds raised through IPOs in the first half of the year.

4.17 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-June, a total of 1 197 Mainland enterprises (including 274 H-share companies, 176 “Red Chip” companies and 747 private enterprises) were listed on the Main Board and GEM, accounting for 50% of the total number of listed companies and 68% of total market capitalisation. Mainland-related stocks accounted for 80% of equity turnover and 74% of total equity fund raised in the Hong Kong stock exchange in the second quarter.

Fund management and investment funds

4.18 The fund management business improved further in the second quarter⁽¹²⁾. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*⁽¹³⁾ increased by 1.9% over end-March to \$910.1 billion at end-June. The monthly average gross retail sales of *mutual funds* rose by 7.5% over the first quarter or 9.3% over a year earlier to US\$8.4 billion in April – May⁽¹⁴⁾.

Insurance sector

4.19 The *insurance sector*⁽¹⁵⁾ showed further expansion in the first quarter. Gross premium income from long-term business went up by 9.4% over a year earlier. Within the total, premium income from non-investment linked plans (which accounted for 94% of total premium for this segment) grew noticeably by 14.6%, though that from investment linked plans plunged by 37.8% from the high base a year earlier. As to general business, gross and net premium rose by 7.0% and 7.7% respectively.

Table 4.7 : Insurance business in Hong Kong* (\$Mn)

| | | General business | | | Premium for long-term business^ | | | | | Gross premium from long-term business and general business |
|----------------------------------|--------|------------------|-------------|---------------------|--|--------------------------------------|---------------------------|--------------------------------------|------------------------|--|
| | | Gross premium | Net premium | Underwriting profit | Individual life and annuity (non-linked) | Individual life and annuity (linked) | Other individual business | Non-retirement scheme group business | All long-term business | |
| 2018 | Annual | 53,555 | 35,262 | 583 | 144,091 | 17,410 | 274 | 422 | 162,197 | 215,752 |
| | Q1 | 15,495 | 10,569 | -166 | 39,783 | 4,252 | 63 | 132 | 44,230 | 59,725 |
| | Q2 | 12,401 | 8,740 | 472 | 35,232 | 4,490 | 76 | 75 | 39,873 | 52,274 |
| | Q3 | 12,624 | 8,713 | -219 | 32,342 | 4,440 | 70 | 129 | 36,981 | 49,605 |
| | Q4 | 13,035 | 7,240 | 496 | 36,734 | 4,228 | 65 | 86 | 41,113 | 54,148 |
| 2019 | Q1 | 16,587 | 11,378 | 44 | 45,601 | 2,646 | 50 | 81 | 48,378 | 64,965 |
| % change in 2019 Q1 over 2018 Q1 | | 7.0 | 7.7 | N.A. | 14.6 | -37.8 | -20.6 | -38.6 | 9.4 | 8.8 |

Notes : (*) Figures are based on provisional statistics of the Hong Kong insurance industry.

(^) Figures refer to new business only. Retirement scheme business is excluded.

N.A. Not applicable.

4.20 In May, the Government appointed 23 September 2019 as the date on which the Insurance Authority (IA) would be responsible for all aspects of the regulation of insurance intermediaries in Hong Kong, including granting licences, conducting inspections and investigations, and imposing disciplinary sanctions. The new regulatory regime would help enhance the professionalism of insurance intermediaries, promote fair and transparent regulation, and instil a robust but flexible approach in fulfilling IA's statutory function of protecting policy holders.

Notes :

- (1) Prior to 9 October 2008, the Base Rate was set at either 150 basis points above the prevailing US Federal Funds Target Rate (FFTR) or the average of the five-day moving averages of the overnight and one-month HIBORs, whichever was higher. Between 9 October 2008 and 31 March 2009, this formula for determination of the Base Rate was temporarily changed by reducing the spread of 150 basis points above the prevailing FFTR to 50 basis points and by removing the other leg relating to the moving averages of the relevant interbank interest rates. After a review of the appropriateness of the new Base Rate formula, the narrower 50 basis point spread over the FFTR was retained while the HIBOR leg was re-instated in the calculation of the Base Rate after 31 March 2009.
- (2) In December 2005, the HKMA published a new data series on composite interest rate, reflecting movements in various deposit rates, interbank and other interest rates to closely track the average cost of funds for banks. The published data enable the banks to keep track of changes in funding cost and thus help improve interest rate risk management in the banking sector. Since June 2019, the composite interest rate has been calculated based on the new local “Interest rate risk in the banking book” framework. As such, the figures are not strictly comparable with those of previous months.
- (3) The trade-weighted Nominal Effective Exchange Rate Index (EERI) is an indicator of the overall exchange value of the Hong Kong dollar against a fixed basket of other currencies. Specifically, it is a weighted average of the exchange rates of the Hong Kong dollar against some 15 currencies of its major trading partners, with the weights adopted being the respective shares of these trading partners in the total value of merchandise trade for Hong Kong during 2009 and 2010.

The Real EERI of the Hong Kong dollar is obtained by adjusting the Nominal EERI for relative movements in the seasonally adjusted consumer price indices of the respective trading partners.

- (4) The various definitions of the money supply are as follows:

M1 : Notes and coins with the public, plus customers’ demand deposits with licensed banks.

M2 : M1 plus customers’ savings and time deposits with licensed banks, plus negotiable certificates of deposit (NCDs) issued by licensed banks and held outside the monetary sector, as well as short-term Exchange Fund placements of less than one month.

M3 : M2 plus customers’ deposits with restricted licence banks and deposit-taking companies, plus NCDs issued by such institutions and held outside the monetary sector.

Among the various monetary aggregates, more apparent seasonal patterns are found in HK\$M1, currency held by the public, and demand deposits. Moreover, monetary statistics are subject to volatilities due to a wide range of transient factors, such as IPO-related funding demand, and business and investment-related activities, caution is required when interpreting the statistics, especially at a monthly frequency.

- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-June 2019, there were 160 licensed banks, 18 restricted licence banks and 16 deposit-taking companies in Hong Kong. Altogether, 194 AIs (excluding representative offices) from 30 countries and territories (including Hong Kong) had a presence in Hong Kong.
- (6) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (7) Assets of the banking sector include notes and coins, amount due from AIs in Hong Kong as well as from banks abroad, loans and advances to customers, NCDs held, negotiable debt instruments other than NCDs held, and other assets. Certificates of indebtedness issued by Exchange Fund and the counterpart bank notes issued are nevertheless excluded.
- (8) The ranking is based on the figures compiled by the World Federation of Exchanges and the London Stock Exchanges Group.
- (9) Given the relatively small share (less than 0.5% of the daily turnover in the securities market), trading of debt securities and its movements were not analysed.
- (10) At end-June 2019, there were 96 classes of stock options contracts and 78 classes of stock futures contracts.
- (11) At end-June 2019, there were 1 996 and 386 companies listed on the Main Board and GEM respectively.
- (12) With the de-authorisation of the remaining retail hedge fund in the second quarter of 2018, there was no SFC-authorized retail hedge fund at end-June 2019.
- (13) At end-June 2019, there were 15 approved trustees. On MPF products, 29 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 476 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 291 000 employers, 2.64 million employees and 214 000 self-employed persons have participated in MPF schemes.
- (14) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association on their members, and cover only the active authorised funds that have responded to the survey. At end-May 2019, the survey covered a total of 1 344 active authorised funds.
- (15) At end-June 2019, there were 162 authorised insurers in Hong Kong. Within this total, 50 were engaged in long-term insurance business, 92 in general insurance business, and 20 in composite insurance business. These authorised insurers come from 22 countries and territories (including Hong Kong).

CHAPTER 5 : THE LABOUR SECTOR

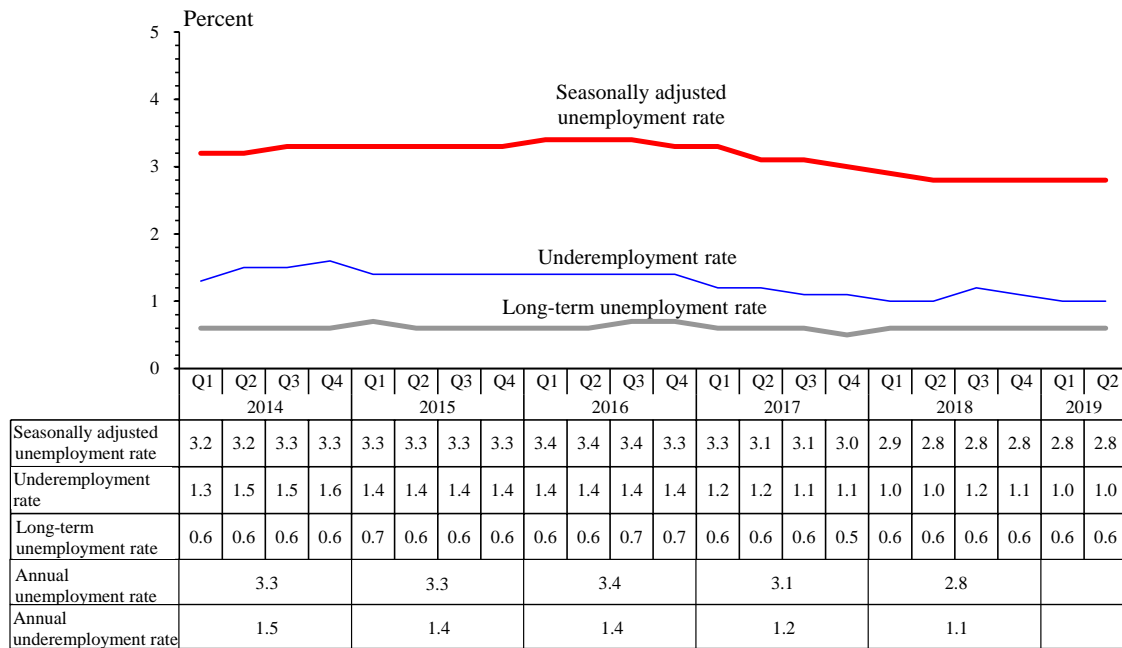
Summary

- *The labour market remained largely stable in the second quarter of 2019 despite weaker economic conditions. The unemployment rate (seasonally adjusted) and the underemployment rate held steady at low levels of 2.8% and 1.0% respectively.*
- *Labour demand in most sectors remained solid. Yet, labour demand in import/export trade and wholesale softened amid shrinking trade flows, while that at construction sites generally weakened in the past few quarters upon completion of some major infrastructure projects. As the consumption market stayed soft, pressures on employment in the consumption-related sector also increased.*
- *Thanks to largely stable labour market conditions, wages and payroll sustained solid growth in the first quarter. Low-income workers continued to see real improvement in earnings in the second quarter. The upward adjustment of the Statutory Minimum Wage (SMW) rate in May is expected to render support to earnings of grassroots workers in the remainder of the year.*

Overall labour market situation⁽¹⁾

5.1 The labour market remained largely stable in the second quarter of 2019 despite weaker economic growth momentum. The seasonally adjusted *unemployment rate*⁽²⁾ held steady at a low level of 2.8%, and the *underemployment rate*⁽³⁾ likewise stayed unchanged at 1.0%. The labour force recorded a mild year-on-year growth. Overall labour demand remained broadly solid, with private sector employment and vacancies posting further though decelerated year-on-year growth. Yet, labour demand in import/export trade and wholesale softened amid shrinking trade flows, while that at construction sites generally weakened in the past few quarters upon completion of some major infrastructure projects. Thanks to largely stable labour market conditions, overall wages and earnings continued to grow solidly in the first quarter, registering real increases across most sectors. Earnings of low-income workers continued to witness real gains in the second quarter. The upward adjustment of the SMW rate in May would provide support to earnings of grassroots workers in the coming months.

Diagram 5.1 : The labour market remained largely stable in the second quarter of 2019



Labour force and total employment

5.2 The *labour force*⁽⁴⁾ grew mildly by 0.4% year-on-year in the second quarter of 2019, compared with the increase of 1.0% in working-age population (i.e. land-based non-institutional population aged 15 and above). The slower growth in labour force than in working population was due to a decline in labour force participation rate from the year-ago level of 61.1% to 60.7%. *Total employment*⁽⁵⁾ increased by 0.4% to 3 870 700 over the period.

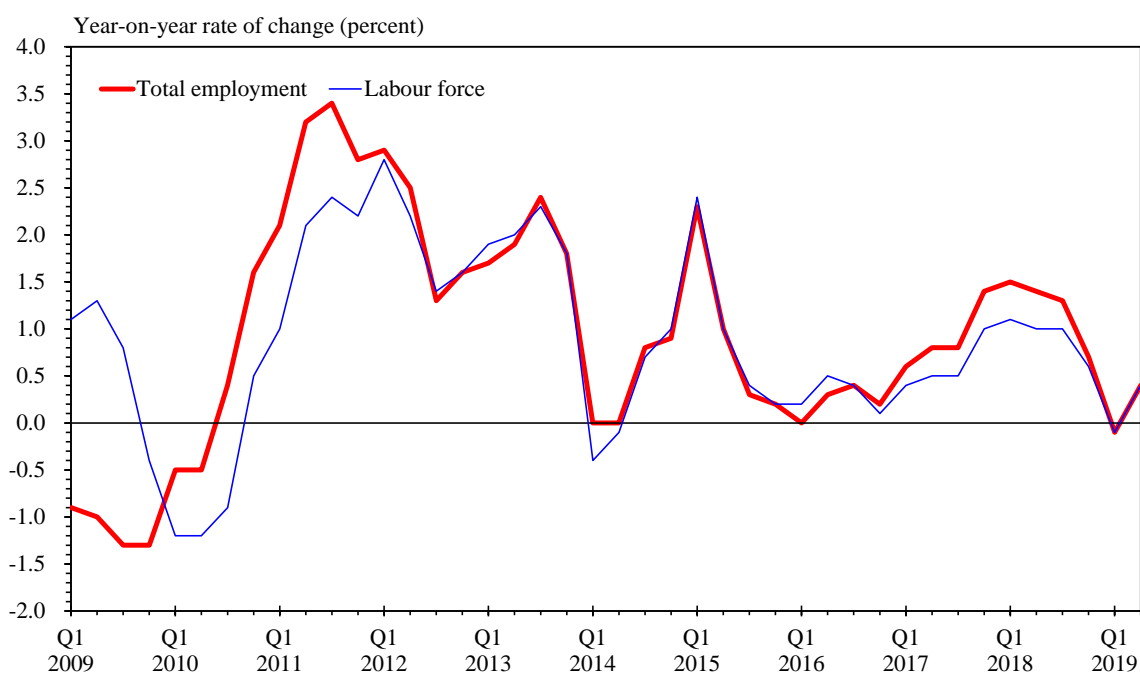
Table 5.1 : The labour force, and persons employed, unemployed and underemployed

| | <u>Labour force</u> | <u>Persons employed</u> | <u>Persons unemployed^(a)</u> | <u>Persons underemployed</u> |
|----------------------------|---------------------|-------------------------|---|------------------------------|
| 2018 Annual | 3 979 000 (0.8) | 3 867 000 (1.1) | 112 000 | 43 200 |
| Q1 | 3 975 400 (1.1) | 3 863 900 (1.5) | 111 600 | 38 800 |
| Q2 | 3 969 400 (1.0) | 3 856 900 (1.4) | 112 500 | 41 400 |
| Q3 | 3 985 100 (1.0) | 3 867 000 (1.3) | 118 100 | 47 400 |
| Q4 | 3 973 400 (0.6) | 3 867 700 (0.7) | 105 700 | 44 500 |
| 2019 Q1 | 3 970 800 (-0.1) | 3 860 400 (-0.1) | 110 400 | 38 900 |
| <i>Three months ending</i> | | | | |
| 2019 Apr | 3 977 300 (0.2) | 3 865 000 (0.2) | 112 300 | 38 000 |
| May | 3 983 300 (0.5) | 3 869 100 (0.5) | 114 100 | 39 200 |
| Jun | 3 985 000 (0.4) | 3 870 700 (0.4) | 114 300 | 41 200 |
| | <0.5> | <0.5> | | |

- Notes : (a) These include first-time job-seekers and re-entrants into the labour force.
 () % change over a year earlier.
 < > Seasonally adjusted quarter-to-quarter % change for the second quarter of 2019.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Labour force and total employment both recorded mild year-on-year growth in the second quarter of 2019



**Table 5.2 : Labour force participation rates by gender and by age group
(%)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019 Q1</u> | <u>2019 Q2</u> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|----------------|----------------|
| <u>Male</u> | | | | | | | |
| 15-24 | 37.8 | 39.1 | 39.5 | 38.1 | 39.2 | 38.3 | 39.1 |
| <i>of which:</i> | | | | | | | |
| 15-19 | 11.1 | 11.7 | 12.9 | 9.9 | 10.4 | 10.5 | 11.2 |
| 20-24 | 61.4 | 62.0 | 60.7 | 59.2 | 60.2 | 58.3 | 59.2 |
| 25-29 | 93.4 | 93.7 | 92.9 | 92.6 | 92.9 | 91.6 | 90.7 |
| 30-39 | 96.5 | 96.5 | 96.4 | 96.6 | 96.4 | 96.2 | 95.7 |
| 40-49 | 94.7 | 95.1 | 95.0 | 95.2 | 95.1 | 93.8 | 93.7 |
| 50-59 | 86.7 | 86.6 | 86.0 | 86.7 | 86.9 | 86.1 | 85.6 |
| ≥ 60 | 28.0 | 28.5 | 29.9 | 30.4 | 32.1 | 32.1 | 32.0 |
| Overall | 68.8 | 68.8 | 68.6 | 68.3 | 68.5 | 67.7 | 67.5 |
| <u>Female</u> | | | | | | | |
| 15-24 | 39.3 | 41.4 | 41.9 | 41.5 | 41.1 | 39.9 | 39.6 |
| <i>of which:</i> | | | | | | | |
| 15-19 | 12.5 | 12.8 | 12.3 | 11.8 | 12.0 | 11.8 | 12.5 |
| 20-24 | 61.4 | 63.6 | 63.6 | 61.8 | 60.4 | 58.6 | 57.6 |
| 25-29 | 86.3 | 85.7 | 86.2 | 86.5 | 86.6 | 86.4 | 86.3 |
| 30-39 | 78.9 | 78.4 | 78.0 | 79.0 | 79.3 | 79.5 | 79.3 |
| 40-49 | 73.0 | 73.7 | 73.4 | 73.8 | 74.1 | 74.5 | 74.0 |
| 50-59 | 57.2 | 58.3 | 59.7 | 60.4 | 61.5 | 61.1 | 62.3 |
| ≥ 60 | 10.7 | 11.4 | 12.3 | 13.7 | 14.5 | 15.7 | 16.1 |
| Overall | 54.5 | 54.7 | 54.8 | 55.1 | 55.1 | 55.0 | 55.1 |
| <u>Both genders combined</u> | | | | | | | |
| 15-24 | 38.5 | 40.2 | 40.7 | 39.8 | 40.2 | 39.1 | 39.3 |
| <i>of which:</i> | | | | | | | |
| 15-19 | 11.8 | 12.3 | 12.6 | 10.8 | 11.2 | 11.1 | 11.8 |
| 20-24 | 61.4 | 62.8 | 62.2 | 60.5 | 60.3 | 58.5 | 58.4 |
| 25-29 | 89.4 | 89.2 | 89.2 | 89.3 | 89.5 | 88.8 | 88.3 |
| 30-39 | 86.0 | 85.7 | 85.4 | 86.0 | 86.1 | 86.2 | 85.8 |
| 40-49 | 82.3 | 82.7 | 82.4 | 82.6 | 82.7 | 82.4 | 82.0 |
| 50-59 | 71.4 | 71.8 | 72.2 | 72.7 | 73.2 | 72.6 | 73.0 |
| ≥ 60 | 19.0 | 19.6 | 20.7 | 21.7 | 22.9 | 23.5 | 23.7 |
| Overall | 61.1 | 61.1 | 61.1 | 61.1 | 61.2 | 60.7 | 60.7 |

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

5.3 The number of unemployed persons increased by 3 800 over the preceding quarter to 114 300 in the second quarter of 2019. Nevertheless, the seasonally adjusted unemployment rate stayed low at 2.8%, same as in the preceding quarter and a year earlier.

5.4 The sectoral unemployment situation was broadly stable in most major economic sectors in the second quarter. However, the unemployment rate in foundation and superstructure works of the construction sector has been generally rising over the past year (up 0.7 percentage point year-on-year), notwithstanding the decrease of 0.7 percentage point as compared with the recent high in the preceding quarter, conceivably due to the completion of some major infrastructure projects. The unemployment rate in the import and export trade sector also rose visibly (up 0.5 percentage point year-on-year or 0.4 percentage point quarter-to-quarter) amid shrinking trade flows. Meanwhile, the unemployment rate of the consumption- and tourism-related segment (viz., retail, accommodation and food services) taken together was the same as the level a year ago, though slightly higher than the preceding quarter (up 0.3 percentage point). Yet, as the consumption market stayed soft, pressures on employment in the consumption-related sector increased. For the *low-paying sectors*⁽⁶⁾ as a whole, the unemployment rate edged up by 0.1 percentage point over the preceding quarter to 2.6%, but was 0.1 percentage point lower than a year earlier.

5.5 Analysed by skill segment, the unemployment rate of the lower-skilled segment inched up by 0.1 percentage point from the preceding quarter to 3.0%, while that of the higher-skilled segment remained unchanged at 1.9%. On a year-on-year comparison, the unemployment rate of the lower-skilled segment remained unchanged, while that of the higher-skilled segment increased by 0.2 percentage point.

5.6 As regards other socio-economic attributes, discernible year-on-year decreases in unemployment rates were observed among persons aged 15-24 (down 1.0 percentage point) and those with post-secondary (non-degree) education (down 0.9 percentage point), whereas discernible increases were noted among those aged 25-29 (up 0.4 percentage point) and those with lower secondary education (up 0.5 percentage point).

Diagram 5.3 : The unemployment situation remained broadly stable in many major service sectors in the second quarter of 2019

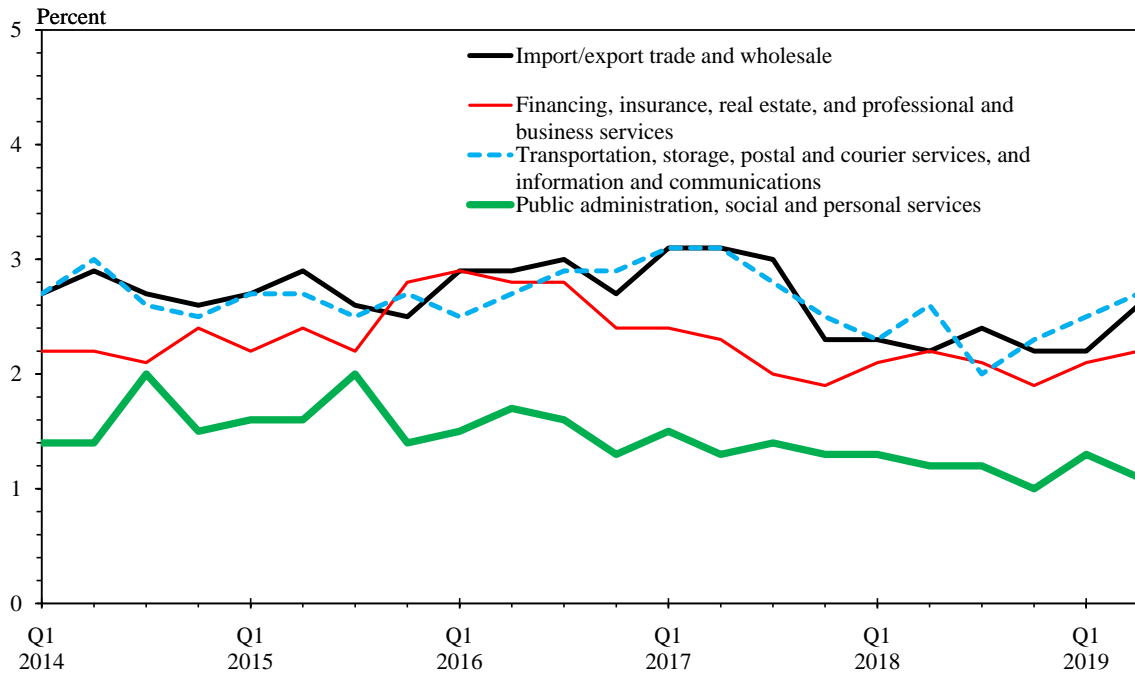
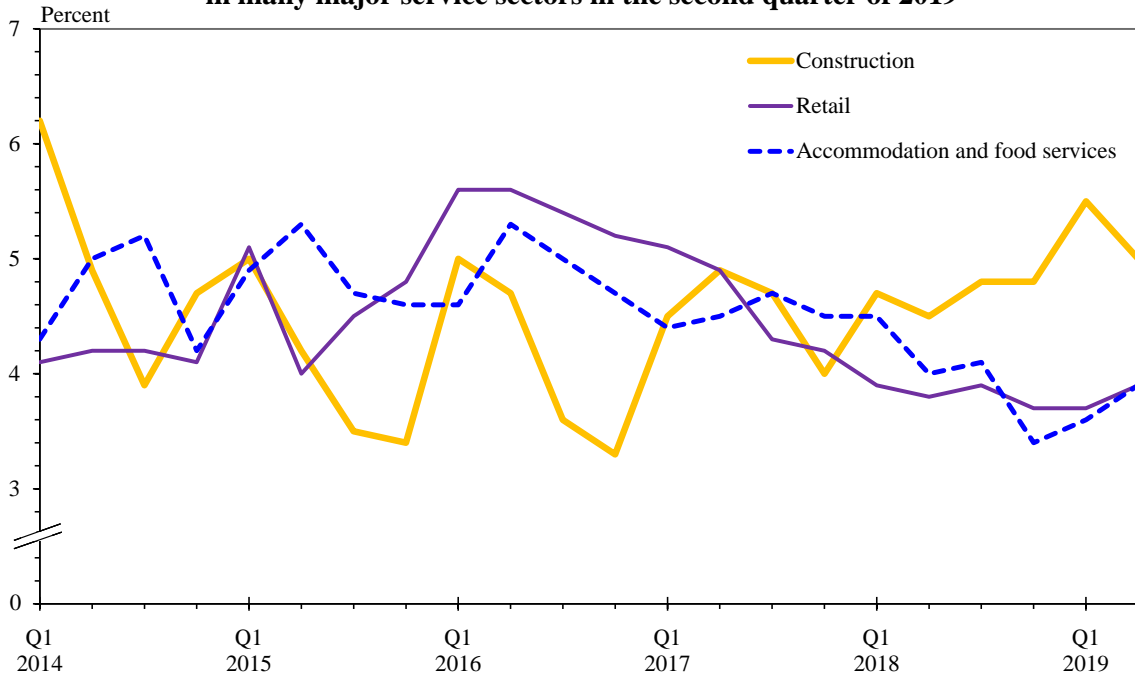


Table 5.3 : Unemployment rates by major economic sector

| | <u>2018</u> | | | | <u>2019</u> | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Q1</u> | <u>Q2</u> |
| Import/export trade and wholesale | 2.3 | 2.2 | 2.4 | 2.2 | 2.2 | 2.6 |
| Retail | 3.9 | 3.8 | 3.9 | 3.7 | 3.7 | 3.9 |
| Accommodation and food services | 4.5 | 4.0 | 4.1 | 3.4 | 3.6 | 3.9 |
| Transportation, storage, postal and courier services | 2.3 | 2.6 | 2.0 | 2.3 | 2.4 | 2.4 |
| Information and communications | 2.3 | 2.7 | 2.0 | 2.3 | 2.7 | 3.5 |
| Financing and insurance | 1.6 | 1.7 | 1.6 | 1.7 | 1.7 | 1.9 |
| Real estate | 2.3 | 2.2 | 2.3 | 1.6 | 2.0 | 1.9 |
| Professional and business services | 2.4 | 2.6 | 2.4 | 2.1 | 2.5 | 2.6 |
| Public administration, social and personal services | 1.3 | 1.2 | 1.2 | 1.0 | 1.3 | 1.1 |
| Manufacturing | 3.2 | 3.0 | 3.8 | 3.3 | 3.1 | 2.9 |
| Construction | 4.7 | 4.5 | 4.8 | 4.8 | 5.5 | 5.0 |
| Overall* | 2.8 (2.9) | 2.8 (2.8) | 3.0 (2.8) | 2.7 (2.8) | 2.8 (2.8) | 2.9 (2.8) |

Notes : * Including first-time job-seekers and re-entrants into the labour force.

() Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.4 : The unemployment rates of the higher-skilled and lower-skilled segments remained low in the second quarter of 2019

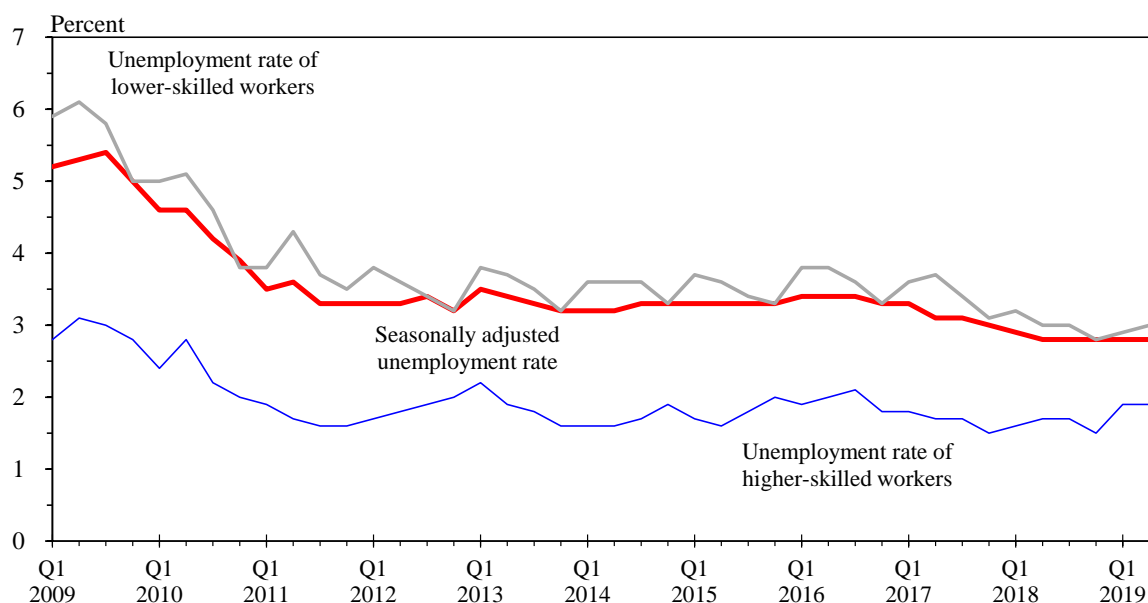


Table 5.4 : Unemployment rates* by skill segment

| | <u>2018</u> | | | | <u>2019</u> | |
|--|-------------|-----------|-----------|-----------|-------------|-----------|
| | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Q1</u> | <u>Q2</u> |
| <u>Higher-skilled segment</u> | 1.6 | 1.7 | 1.7 | 1.5 | 1.9 | 1.9 |
| Managers and administrators | 1.2 | 1.2 | 1.4 | 1.3 | 1.4 | 1.6 |
| Professionals | 1.1 | 1.0 | 1.4 | 1.5 | 1.6 | 1.7 |
| Associate professionals | 2.0 | 2.2 | 1.9 | 1.7 | 2.4 | 2.2 |
| <u>Lower-skilled segment</u> [^] | 3.2 | 3.0 | 3.0 | 2.8 | 2.9 | 3.0 |
| Clerical support workers | 3.3 | 3.1 | 3.1 | 2.3 | 2.2 | 2.8 |
| Service and sales workers | 3.9 | 3.8 | 3.5 | 3.4 | 3.2 | 3.4 |
| Craft and related workers | 4.8 | 4.2 | 4.4 | 3.8 | 4.7 | 4.8 |
| Plant and machine operators and assemblers | 1.5 | 1.8 | 1.8 | 1.7 | 2.4 | 1.7 |
| Elementary occupations | 2.5 | 2.3 | 2.3 | 2.6 | 2.8 | 2.5 |

Notes : * Not seasonally adjusted, and not including first-time job-seekers and re-entrants into the labour force.

[^] Including other occupations.

Source : General Household Survey, Census and Statistics Department.

Table 5.5 : Unemployment rates* by age and educational attainment

| | <u>2018</u> | | | | <u>2019</u> | |
|--|-------------|-----------|-----------|-----------|-------------|-----------|
| | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Q1</u> | <u>Q2</u> |
| <u>Age</u> | | | | | | |
| 15-24 | 8.0 | 8.9 | 10.5 | 7.6 | 7.0 | 7.9 |
| <i>of which:</i> | | | | | | |
| 15-19 | 9.6 | 12.2 | 10.7 | 8.9 | 7.5 | 10.2 |
| 20-24 | 7.8 | 8.5 | 10.5 | 7.5 | 6.9 | 7.5 |
| 25-29 | 3.9 | 3.5 | 3.9 | 3.5 | 3.9 | 3.9 |
| 30-39 | 1.9 | 2.1 | 1.8 | 1.8 | 1.9 | 2.1 |
| 40-49 | 2.1 | 2.2 | 2.3 | 2.1 | 2.2 | 2.4 |
| 50-59 | 2.6 | 2.6 | 2.3 | 2.6 | 2.6 | 2.7 |
| ≥ 60 | 2.1 | 1.8 | 2.1 | 1.9 | 2.4 | 2.1 |
| <u>Educational attainment</u> | | | | | | |
| Primary education and below | 2.9 | 2.6 | 3.1 | 2.8 | 2.7 | 2.5 |
| Lower secondary education | 3.4 | 3.5 | 3.2 | 3.5 | 3.9 | 4.0 |
| Upper secondary education [^] | 2.8 | 2.8 | 2.6 | 2.6 | 2.5 | 2.7 |
| Post-secondary education | 2.6 | 2.7 | 3.2 | 2.4 | 2.6 | 2.7 |

Notes : * Not seasonally adjusted, but including first-time job-seekers and re-entrants into the labour force.

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.7 Indicators of the intensity of unemployment suggested that the situation has become slightly less benign. Compared with a year earlier, the long-term unemployment rate (i.e. the share of those unemployed for six months or longer in the labour force) stayed unchanged at a low level of 0.6% in the second quarter of 2019, but the number of long-term unemployed persons increased by 1 300 to 23 900. The share of long-term unemployment in total unemployment went up by 0.8 percentage point to 20.9%, and the median duration of unemployment lengthened from 63 days to 65 days. On the other hand, the proportion of dismissal or lay-offs among the total number of unemployed persons (not including first-time job-seekers and re-entrants into the labour force) fell by 1.1 percentage points to 43.1%, somewhat below the average of 45.9% in the past five years.

Profile of underemployment

5.8 The underemployment situation remained largely stable in the second quarter of 2019. Compared with the preceding quarter, the underemployment rate stayed at a low level of 1.0%, notwithstanding an increase of 2 300 to 41 200 in the underemployed persons. Analysed by sector, quarter-to-quarter movements in sectoral underemployment rates varied but were generally small in magnitude. On a year-on-year basis, a visible decline in underemployment rate was seen in the decoration, repair and maintenance for buildings sector, whereas a noticeable increase was found in the accommodation services sector. Analysed by occupational category, the underemployment rate of the higher-skilled segment edged down by 0.1 percentage point from a year earlier to 0.3%, while that of the lower-skilled segment stayed unchanged at 1.5%.

Profile of employment in establishments

5.9 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available only up to March 2019. To bring the analysis more up-to-date, attempts have been made wherever possible by drawing reference to information from supplementary sources.

5.10 Private sector employment increased by 0.2% year-on-year to 2 874 300 in March 2019, slower than its growth of 0.7% in December 2018. The moderation was mainly due to the decline in employment at construction sites (covering manual workers only) (down 11.0%) upon completion of some major infrastructure projects and the enlarged decrease seen in the import/export trade and wholesale sector (down 3.6%) amid weaker trade flows. Meanwhile, employment grew solidly in most other sectors. Notable increases were seen in accommodation services (up 6.6%), human health services (up 4.3%), arts, entertainment and recreation (up 4.3%), information and communications (up 3.4%), and financing and insurance (up 3.2%). Analysed by establishment size, employment in *small and medium-sized enterprises (SMEs)*⁽⁷⁾ edged down by 0.2%, whereas that in large enterprises expanded by 0.6%. As for the civil service, employment increased by 2.0% over a year earlier.

Table 5.6 : Employment by major economic sector

| | <u>2018</u> | | | | | <u>2019</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>Annual average</u> | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> | <u>Dec</u> | <u>Mar</u> |
| Import/export trade and wholesale | 536 600 (-0.6) | 538 400 (-0.5) | 537 700 (-0.6) | 535 900 (-0.6) | 534 400 (-0.7) | 519 300 (-3.6) |
| Retail | 272 600 (1.7) | 271 000 (1.4) | 272 100 (1.6) | 273 100 (2.2) | 274 100 (1.8) | 272 600 (0.6) |
| Accommodation ^(a) and food services | 291 000 (3.1) | 286 200 (1.9) | 290 600 (3.2) | 293 100 (3.4) | 294 300 (3.8) | 294 000 (2.7) |
| Transportation, storage, postal and courier services | 179 800 (0.6) | 179 200 (0.6) | 179 800 (1.2) | 180 000 (0.6) | 180 100 (-0.1) | 180 700 (0.8) |
| Information and communications | 108 500 (1.5) | 106 900 (-0.3) | 108 200 (1.5) | 109 100 (2.3) | 109 900 (2.6) | 110 600 (3.4) |
| Financing, insurance, real estate, professional and business services | 747 700 (2.3) | 742 800 (2.0) | 744 700 (2.2) | 749 000 (2.5) | 754 300 (2.4) | 759 000 (2.2) |
| Social and personal services | 523 000 (2.0) | 520 000 (1.9) | 521 400 (2.1) | 523 000 (2.0) | 527 700 (2.0) | 530 900 (2.1) |
| Manufacturing | 90 100 (-3.0) | 90 900 (-3.9) | 89 800 (-3.8) | 89 400 (-2.8) | 90 100 (-1.5) | 88 500 (-2.6) |
| Construction sites (covering manual workers only) | 111 800 (-5.8) | 120 700 (2.6) | 116 100 (2.9) | 107 600 (-11.4) | 103 000 (-16.1) | 107 400 (-11.0) |
| <i>All establishments surveyed in the private sector^(b)</i> | <i>2 872 500 (1.1)</i> | <i>2 867 400 (1.1)</i> | <i>2 871 500 (1.4)</i> | <i>2 871 700 (1.0)</i> | <i>2 879 300 (0.7)</i> | <i>2 874 300 (0.2)</i> |
| | | <i><0.4></i> | <i><0.3></i> | <i><§></i> | <i><§></i> | <i><-0.1></i> |
| <i>Civil service^(c)</i> | <i>172 300 (2.1)</i> | <i>171 500 (2.3)</i> | <i>171 300 (2.1)</i> | <i>172 600 (2.1)</i> | <i>173 700 (2.0)</i> | <i>174 900 (2.0)</i> |

Notes : Employment figures enumerated from business establishments, as obtained from the Quarterly Survey of Employment and Vacancies, are somewhat different from those enumerated from households, as obtained from the General Household Survey. This is mainly due to the difference in sectoral coverage: while the former survey covers selected major sectors, the latter survey covers all sectors in the economy.

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(b) The total figures on private sector employment cover also employment in mining and quarrying; and in electricity and gas supply, and waste management, besides employment in the major sectors indicated above.

(c) These figures cover only those employed on civil service terms of appointment. Judges, judicial officers, ICAC officers, locally engaged staff working in the Hong Kong Economic and Trade Offices outside Hong Kong, and other government employees such as non-civil service contract staff are not included.

() % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change.

§ Change less than 0.05%.

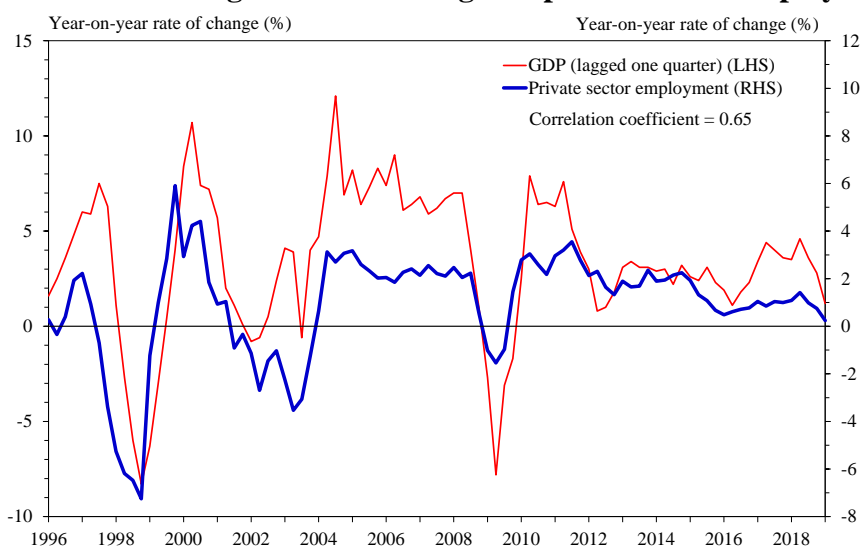
Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

Box 5.1

Sectoral employment in relation to Gross Domestic Product (GDP)

It is well known that economic growth is conducive to job creation. It follows that economic growth and changes in employment should largely move in sync with each other. However, because it is costly to recruit and train or lay off employees, employers tend to adopt more of a wait-and-see approach in making their hiring or dismissal decisions in the face of economic fluctuations. As such, adjustments in headcount are often lagged responses to changes in economic output⁽¹⁾ (*Chart 1*). This article provides a brief analysis of the relationship between output and employment at the sectoral level.

Chart 1: Economic growth and changes in private sector employment



Note: Figures on private sector employment are sourced from the Quarterly Report of Employment and Vacancies Statistics published by the Census & Statistics Department (C&SD).

How closely employment moves with overall GDP varies across sectors due to the inherent differences between them. For example, some sectors require more higher-skilled workers which are harder to acquire and train. The businesses therein may thus be more hesitant to lay off employees even at times of economic downturn and instead look for other cost-cutting measures to cope with the situation. In addition, some sectors are more closely tied to domestic consumption while some are more externally-oriented. The extent to which the employment in these sectors is affected by the economic cycle may very well depend on whether the change in output is domestically- or externally-driven. That said, there is no clear-cut demarcation as many businesses cater to both domestic and foreign demand.

Focusing on the service sectors, which account for over 90% of private sector employment, *Table 1* shows the correlations between the year-on-year rates of change in GDP (lagged one quarter⁽²⁾) and those in employment in each sector. Notably, employment changes in the “import/export trade and wholesale”, “retail, accommodation and food services” and “financing, insurance, real estate, professional and business services” sectors show a relatively higher degree of correlation with GDP growth (with correlation coefficients of 0.62, 0.58 and 0.63 respectively). In contrast, employment changes in other sectors show less correlation with GDP growth, indicating that employment in these sectors might be less sensitive to GDP variations.

(1) Refers to changes in GDP in real terms. All figures on GDP and its components are in real terms in this article.

(2) The correlation coefficients calculated using more lags of GDP growth were generally smaller, suggesting that sectoral employment is most highly correlated with GDP growth lagged by one quarter.

Box 5.1 (Cont'd)

Table 1: Correlation coefficients between year-on-year rates of change in sectoral employment and those in selected GDP components (lagged one quarter)

| <u>Employment</u> | <u>GDP</u> | <u>Consumption</u> [*] | <u>Exports</u> [^] |
|---|------------|---------------------------------|-----------------------------|
| Import/export trade and wholesale | 0.62 | 0.47 | 0.50 |
| Retail, accommodation and food services | 0.58 | 0.69 | 0.32 |
| Financing, insurance, real estate, professional and business services | 0.63 | 0.74 | 0.31 |
| Transportation, storage, postal and courier services | 0.36 | 0.45 | 0.08 |
| Information and communications | 0.11 | 0.36 | -0.01 |
| Social and personal services | -0.08 | -0.18 | -0.10 |

Notes: Figures on sectoral employment refer to private sector employment as sourced from the Quarterly Report of Employment and Vacancies Statistics published by C&SD. Due to change in industrial classification, analysis for “import/export trade and wholesale” and “retail, accommodation and food services” covers the period of March 1996 to March 2019, whereas that for other sectors only covers March 2001 to March 2019. Year-on-year rates of change in sectoral employment for March 2001 onwards are in Hong Kong Standard Industrial Classification (HSIC) v2.0, while those prior are in HSIC v1.1.

(*) Total consumer spending in the domestic market.

(^) Exports of goods and services.

In order to see whether sectoral employment responds more to developments in domestic or external markets, additional correlation analysis was conducted between the year-on-year rates of change in sectoral employment and those in two major expenditure components of GDP (lagged one quarter): total consumer spending in the domestic market and exports of goods and services. The results are shown in the two columns on the right in *Table 1*. For the three sectors in which employment changes are more closely related to overall GDP growth, the shaded coefficients indicate which GDP component (i.e. consumption or exports) exhibits a greater degree of correlation with employment in the given sector. The results largely match the notion that employment in the more externally-oriented sectors correlates more strongly with external demand, whereas employment in the more domestically-oriented sectors is more linked to consumer spending in the domestic market.

To look at these three sectors in greater detail, the movements of the sectors' employment and the corresponding more-correlated GDP components (lagged one quarter) are illustrated in *Chart 2*. Employment in the “import/export trade and wholesale” sector moves broadly in line with exports (*Chart 2(a)*), though the relationship was looser in recent years, conceivably due to the secular downtrend in employment observed in this sector amid sustained productivity growth. Meanwhile, employment in the “retail, accommodation and food services” (*Chart 2(b)*) and “financing, insurance, real estate, professional and business services” sectors (*Chart 2(c)*) moves closely with consumption in the domestic market⁽³⁾.

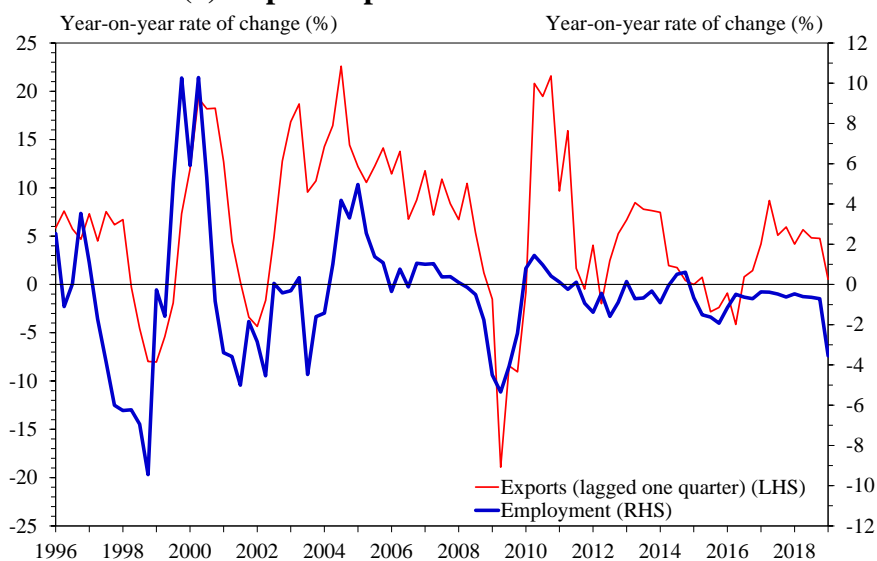
In sum, employment, though probably somewhat lagging, does go hand in hand with economic growth. While the labour market remains broadly stable at present, we need to be mindful of the possibility of a slowdown in employment in future should economic growth stay soft in the coming quarters. We will stay vigilant to the development.

(3) Separately, Granger causality tests were conducted using the seasonally-adjusted, log-transformed, and detrended series of employment and GDP components. The results confirmed that the movements of employment in the three selected sectors shown in *Chart 2* can be explained partly by the lagged values of their more-correlated GDP components.

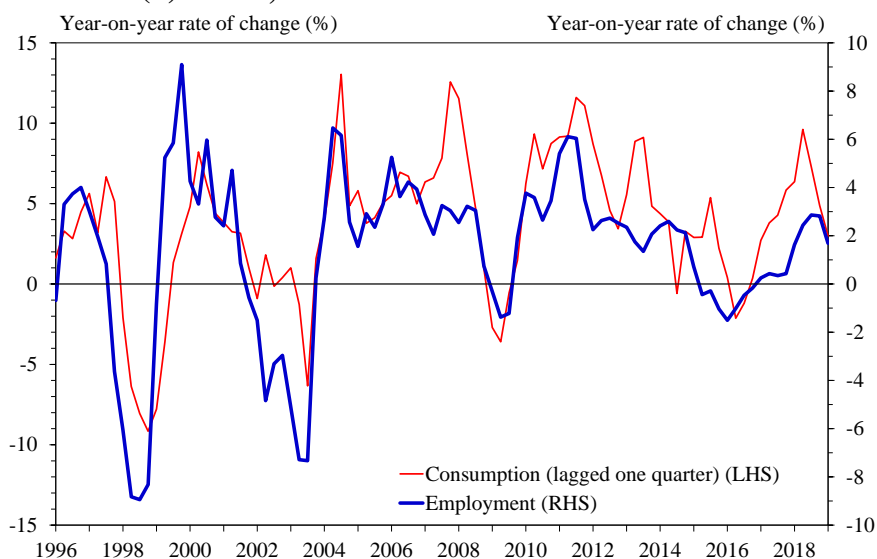
Box 5.1 (Cont'd)

Chart 2: Movements of sectoral employment and selected GDP components

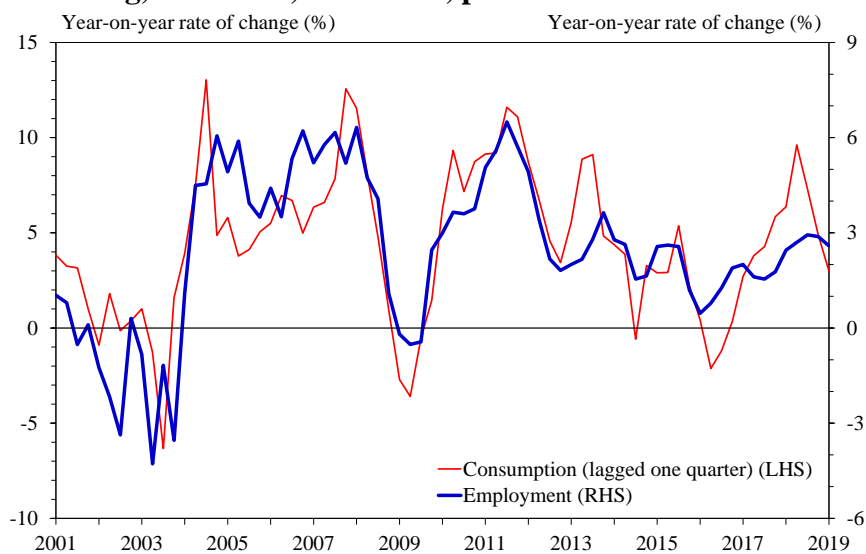
(a) Import/export trade and wholesale



(b) Retail, accommodation and food services



(c) Financing, insurance, real estate, professional and business services



Note: Figures on employment refer to private sector employment as sourced from the Quarterly Report of Employment and Vacancies Statistics published by C&SD.

Vacancies

5.11 Private sector vacancies went up by 3.5% in March 2019 over a year earlier to 79 580. The extent of increase was slower than that of 5.6% in December 2018.

5.12 Analysed by economic sector, year-on-year increases in number of vacancies were seen in many sectors in March 2019, notably in arts, entertainment and recreation (up 21.7%), transportation, storage, postal and courier services (up 18.2%), residential care and social work services (up 17.4%), and education (up 17.3%). In contrast, the number of vacancies in import/export trade and wholesale saw a noticeable fall (down 10.5%) alongside the subdued performance of the sector. In terms of occupational categories, vacancies in both higher-skilled and low-skilled segments went up further, by 2.0% and 4.3% respectively. Analysed by establishment size, the number of vacancies in SMEs decreased by 2.4%, whereas that in large enterprises went up by 7.2%. As for the civil service, the number of job openings increased visibly by 30.2% to 9 820.

5.13 Reflecting the generally tight manpower situation, the ratio of job vacancies per 100 unemployed persons went up from the year-ago level of 69 to 72 in March 2019. In particular, the increase in the lower-skilled segment, where the ratio rose from 67 to 77, outweighed the decline in the higher-skilled segment, where the ratio dropped from 104 to 85. Meanwhile, manpower shortage remained acute in accommodation services, residential care and social work services, arts, entertainment and recreation, and human health services, where the ratios far exceeded 100 in March 2019.

Table 5.7 : Vacancies by major economic sector

| | <u>Number of vacancies</u> | | | | | | <u>Vacancy rate in Mar 2019 (%)</u> | |
|--|----------------------------|---|--|--|---|--|-------------------------------------|-------------|
| | <u>Annual average</u> | <u>2018</u> | | | | | | <u>2019</u> |
| | | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> | <u>Dec</u> | <u>Mar</u> | | |
| Import/export trade and wholesale | 7 490 (1.2) | 7 600 (0.8) | 7 780 (6.2) | 7 570 (-0.6) | 7 030 (-1.7) | 6 800 (-10.5) | 1.3 | |
| Retail | 8 220 (7.6) | 8 110 (7.6) | 7 980 (12.7) | 8 010 (-1.4) | 8 770 (12.4) | 8 350 (2.9) | 3.0 | |
| Accommodation ^(a) and food services | 14 230 (6.5) | 14 380 (5.2) | 14 360 (8.6) | 14 260 (12.9) | 13 910 (§) | 14 700 (2.3) | 4.8 | |
| Transportation, storage, postal and courier services | 4 360 (22.7) | 4 040 (12.2) | 4 660 (30.9) | 4 480 (24.5) | 4 250 (23.4) | 4 780 (18.2) | 2.6 | |
| Information and communications | 2 980 (9.1) | 3 120 (14.6) | 3 250 (19.9) | 2 790 (1.4) | 2 780 (0.5) | 2 950 (-5.4) | 2.6 | |
| Financing, insurance, real estate, professional and business services | 20 130 (9.3) | 19 830 (6.5) | 20 160 (8.7) | 20 540 (12.6) | 19 980 (9.3) | 20 570 (3.7) | 2.6 | |
| Social and personal services | 16 980 (17.2) | 16 140 (19.9) | 17 250 (31.4) | 17 050 (14.3) | 17 490 (6.4) | 17 860 (10.6) | 3.3 | |
| Manufacturing | 2 850 (17.5) | 2 610 (1.6) | 2 950 (28.9) | 2 900 (29.4) | 2 940 (12.9) | 2 490 (-4.6) | 2.7 | |
| Construction sites (covering manual workers only) | 700 (-34.6) | 850 (49.8) | 580 (-61.5) | 520 (-38.0) | 850 (-37.9) | 870 (2.0) | 0.8 | |
| <i>All establishments surveyed in the private sector^(b)</i> | <i>78 150 (9.6)</i> | <i>76 880 (9.1) <0.9></i> | <i>79 200 (13.8) <3.2></i> | <i>78 340 (10.1) <0.1></i> | <i>78 190 (5.6) <1.2></i> | <i>79 580 (3.5) <-0.8></i> | 2.7 | |
| <i>Civil service^(c)</i> | <i>8 960 (7.7)</i> | <i>7 540 (-13.0)</i> | <i>8 920 (5.9)</i> | <i>9 450 (14.8)</i> | <i>9 950 (24.8)</i> | <i>9 820 (30.2)</i> | 5.3 | |

Notes : Vacancy rate refers to the ratio of vacancies to total employment opportunities (actual employment plus vacancies).

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(b) The total figures on private sector vacancies cover also vacancies in mining and quarrying; and in electricity and gas supply, and waste management, besides vacancies in the major sectors indicated above.

(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

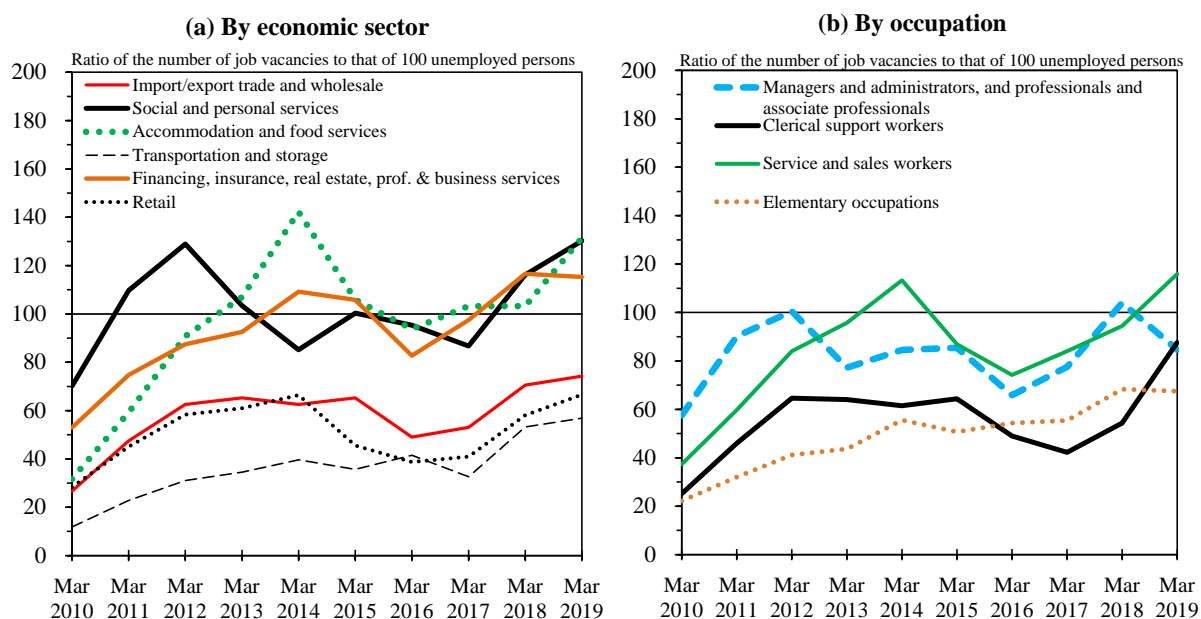
() % change over a year earlier.

<> Seasonally adjusted quarter-to-quarter % change.

§ Change less than 0.05%.

Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

Diagram 5.5 : Manpower situation remained generally tight in March 2019



5.14 The vacancy rate for private sector establishments, measured in terms of the percentage of job vacancies to total employment opportunities, edged up by 0.1 percentage point over a year earlier to 2.7% in March 2019. Notable increases in vacancy rate were seen in the residential care and social work services, and arts, entertainment and recreation sectors.

5.15 The vacancy registration figures compiled by the Labour Department (LD), notwithstanding its smaller sample size, may provide some hints on the latest developments in the labour market. In the second quarter of 2019, the number of private sector job vacancies registered at LD went down by 6.7% year-on-year to an average of 115 100 per month, mainly due to the fewer vacancies in the retail, restaurants, and finance sectors.

Wages and earnings

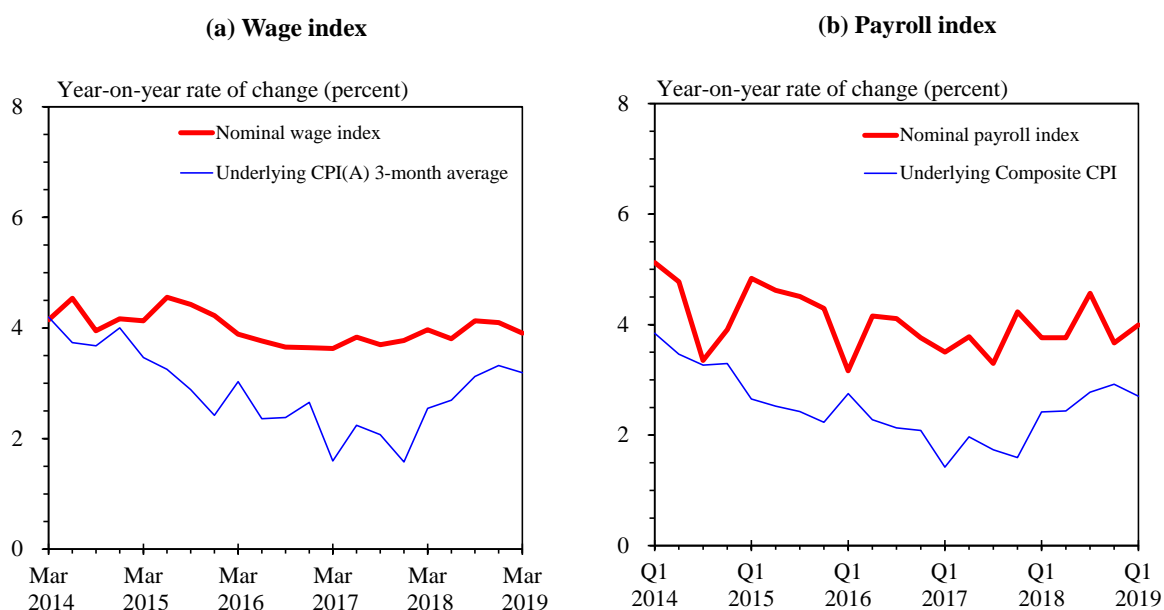
5.16 Thanks to the largely stable labour market conditions, nominal wages sustained solid year-on-year growth in March 2019. The nominal *wage index* for all selected industry sections, which covers regular payment to employees at the supervisory level or below, rose by 3.9% over a year earlier. After adjusting for inflation⁽⁸⁾, real wages went up by 1.4%.

5.17 Nominal wages continued to increase across all selected industries in March 2019, notably in the transportation (up 4.9%), and accommodation and food service activities (up 4.7%). Analysed by occupation, appreciable wage gains were observed for craftsmen and operatives (up 5.5%), and service workers (up 4.5%).

5.18 *Labour earnings*⁽⁹⁾, as measured by the index of payroll per person engaged for all selected industry sections, including overtime pay, discretionary bonuses and other irregular payments, went up further by 4.0% in the first quarter of 2019 over a year earlier. After adjusting for inflation, overall payroll recorded a real solid improvement of 1.8%.

5.19 Increases in labour earnings were recorded in all selected industries in the first quarter of 2019. More visible increases were observed in the accommodation and food service activities (up 5.2%), transportation, storage, postal and courier services (up 4.9%), and professional and business services (up 4.8%) sectors. However, import/export and wholesale trades (up 2.8%), and retail trade (up 2.4%) saw relatively moderate payroll growth amid subdued performance of the respective sectors.

Diagram 5.6 : Wages and earnings sustained real improvement in the first quarter of 2019



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

5.20 More recent statistics compiled from the General Household Survey, though not strictly comparable to those from the business establishment surveys, revealed that the *average monthly employment earnings*⁽¹⁰⁾ of full-time employees (excluding foreign domestic helpers) in the lowest three decile groups combined increased by 3.7% year-on-year in nominal terms in the second quarter of 2019, translating into a real gain of 0.4% after discounting for inflation. For the overall income situation, the median monthly household income (excluding foreign domestic helpers) went up by 5.6% in nominal terms or 2.5% in real terms in the second quarter of 2019. The upward adjustment of the SMW rate in May 2019 would render support to earnings of grassroots workers in the coming months.

Highlights of labour-related measures and policy developments

5.21 LD regularly organises large-scale job fairs in different locations, canvassing vacancies from various industries for application by job seekers on the spot. In the first half of 2019, LD organised eight large-scale job fairs in North District, Kowloon Tong, Mong Kok, Wanchai and Yau Tong. A total of 292 participating organisations offered more than 23 500 job opportunities in the retail, catering, property management, transport and other industries. There were also 17 training bodies joining the job fairs to introduce job-related training courses and accept applications on the spot. Apart from large-scale job fairs, district-based job fairs are organised frequently at LD's job centres to assist job seekers in finding employment in their locality. Recruitment activities are also staged by catering, retail and construction employers at the three industry-based recruitment centres regularly for interviewing job seekers on the spot.

5.22 The SMW rate was raised by 8.7% from \$34.5 to \$37.5 per hour with effect from 1 May 2019. LD has embarked on territory-wide publicity activities to enhance awareness of the new rate in the community and undertaken targeted enforcement actions to check employers' compliance with the new rate.

5.23 To improve employees' working hours arrangements, LD is engaging its 11 industry-based tripartite committees in formulating sector-specific guidelines on suggested working hours arrangements, overtime compensation arrangements and good working hours management measures for employers' reference and adoption.

Notes :

- (1) Labour force statistics enumerated from the General Household Survey are statistics which involve the use of the population figures in the compilation process. The statistics of the three-month periods of November 2017 – January 2018 to October – December 2018 have been revised to take into account the final end-2018 population estimates.

The classification of occupation adopted by the Census and Statistics Department follows the International Standard Classification of Occupations (ISCO), which is used to classify the occupation of an employed person or the previous occupation of an unemployed person. After the implementation of the new ISCO, 2008 (ISCO-08), the General Household Survey has been enhanced to adopt the ISCO-08 in compiling labour force statistics by occupation, with statistics backcasted to the quarter of January – March 2011. Starting from the reference quarter of January – March 2011, all the labour force statistics by occupation, unless otherwise specified, are compiled based on the ISCO-08.

- (2) For a person aged 15 or above to be classified as unemployed, he or she should: (a) not have a job and not be performing any work for pay or profit during the reference period (i.e. seven days before enumeration); (b) be available for work during the reference period; and (c) be seeking work during the 30 days before enumeration.

Notwithstanding the above, the following types of persons are also considered unemployed: (a) persons without a job, having sought work but not available for work because of temporary sickness; (b) persons without a job, available for work but not having sought work because they will take up new jobs or start business at a subsequent date, or expect to return to their original jobs; and (c) discouraged workers not having sought work because they believe work is not available to them.

Even at full employment, some frictional unemployment is bound to exist as workers move between jobs in order to obtain better terms of employment. The precise level of unemployment which can be described as purely frictional varies amongst economies, depending on the structure and characteristics of their labour markets.

The seasonally adjusted series is compiled using the X-12 ARIMA method, which is a standard method applied in compiling seasonally adjusted statistical data series.

- (3) The main criteria for an employed person aged 15 or above to be classified as underemployed are: involuntarily working less than 35 hours during the reference period (i.e. seven days before enumeration), and either available for additional work during the reference period or seeking additional work during the 30 days before enumeration.

Following these criteria, employed persons taking no-pay leave due to slack work during the reference period are also classified as underemployed if they had worked less than 35 hours or were on leave for the entire reference period.

- (4) The labour force, or the economically active population, is defined to include all persons aged 15 or above who either were engaged in productive work during the reference period (i.e. seven days before enumeration) or would otherwise have been engaged in productive work but were unemployed.

- (5) Figures enumerated from household data. The employed population is defined here to include those persons aged 15 or above who performed work for pay or profit or had a formal job attachment during the reference period (i.e. seven days before enumeration).
- (6) The low-paying sectors as identified by the fourth-term Minimum Wage Commission include:
 - (i) retail (including supermarkets and convenience stores, and other retail stores);
 - (ii) restaurants (including Chinese restaurants, non-Chinese restaurants, fast food cafes, and Hong Kong style tea cafes);
 - (iii) estate management, security and cleaning services (including real estate maintenance management, security services, cleaning services and membership organisations);
 - (iv) other low-paying sectors, including
 - elderly homes;
 - laundry and dry cleaning services;
 - hairdressing and other personal services;
 - local courier services; and
 - food processing and production.
- (7) Manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded as small and medium-sized enterprises (SMEs) in Hong Kong. Yet, establishments with the same main business registration number (BRN) and engaging in activities of the same industry sector are grouped into one business unit for the purpose of calculating the number of SMEs. Thus, a business with a lot of small chain stores each employing a small number of employees will be considered as a single large enterprise, instead of separate SMEs.
- (8) Different consumer price indices (CPIs) are used for compiling the real indices of labour earnings and wages, taking into account their relevance to the respective occupation coverage. Specifically, the Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for earnings received by employees at all levels of the occupational hierarchy. The CPI(A), being an indicator of consumer prices for the relatively low expenditure group, is taken as the price deflator for wages in respect of employees engaged in occupations up to the supervisory level.
- (9) In addition to wages, which include all regular and guaranteed payments like basic pay and stipulated bonuses and allowances, earnings also cover overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in sectoral and occupational coverage, the movements in average earnings, as measured by payroll per person engaged, do not necessarily match closely with those in wage rates.
- (10) The average (mean) monthly employment earnings are easily affected by extreme values in the survey sample, more so when reckoned for higher-end workers. They should therefore be interpreted with caution, in particular when they are compared over time.

CHAPTER 6 : PRICES

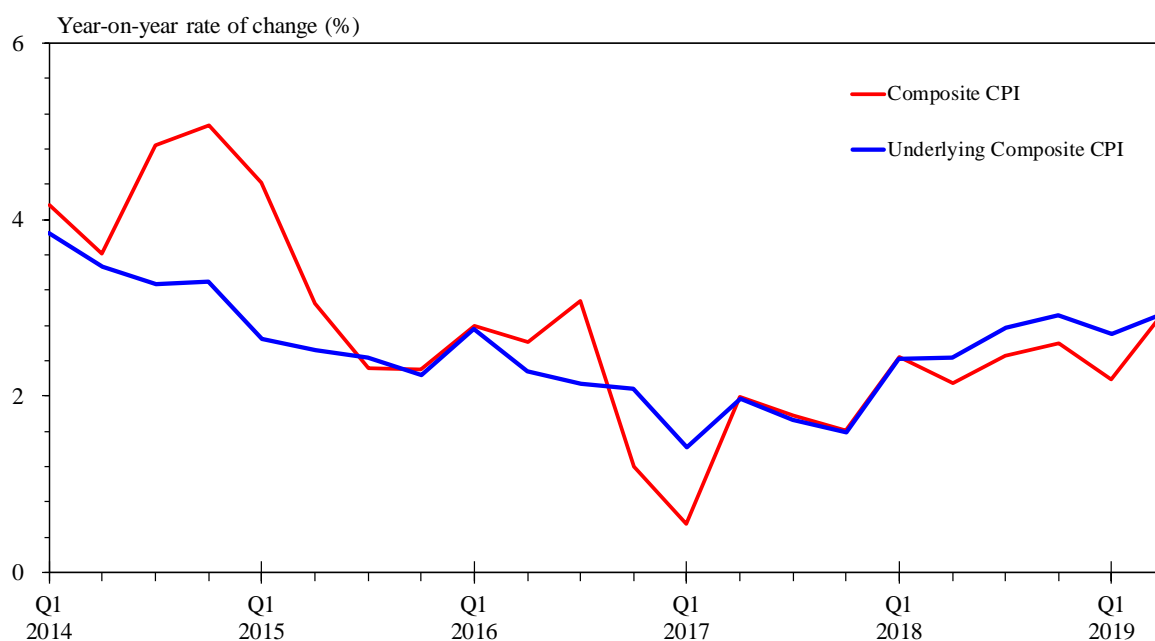
Summary

- *Underlying consumer price inflation went up somewhat in the second quarter of 2019. The year-on-year increase in the underlying Composite Consumer Price Index (Composite CPI)⁽¹⁾, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, climbed from 2.7% in the first quarter to 2.9% in the second quarter, but this was mainly driven by surging pork prices caused by disruptions to the supply of fresh pork in May and June. Price pressures on other major Composite CPI components were largely moderate. The increase in the headline Composite CPI went up by a larger extent from 2.2% in the first quarter to 3.0% in the second quarter. Apart from higher pork prices, the lower ceiling of the Government's rates concession in the new financial year which began in April also contributed to the faster increase.*
- *Locally, the private housing rental component of consumer price inflation recorded a narrower increase, as the earlier easing in fresh-letting residential rentals continued to feed through. On business costs, while wages and earnings went up further amid a still-tight labour market, continued labour productivity gains have helped contain the increase in unit labour costs. As economic growth stayed soft, commercial rental cost pressures also held largely moderate.*
- *External price pressures continued to ease in the second quarter. Against the backdrop of weaker global economic performance, international commodity and energy prices generally went lower. This, coupled with the appreciation of the Hong Kong dollar along with the US dollar against other major currencies over the past year, led to a slower year-on-year increase in import prices.*

Consumer prices

6.1 Underlying consumer price inflation went up somewhat in the second quarter of 2019, mainly driven by surging pork prices caused by disruptions to the supply of fresh pork in May and June. Locally, the private housing rental component of consumer price inflation saw a narrower increase, as the easing in fresh-letting residential rentals earlier on continued to feed through. As to business costs, while wages and earnings went up further amid a still-tight labour market, sustained labour productivity growth has helped contain the increase in unit labour costs. Commercial rental cost pressures also held largely moderate as economic growth stayed soft. Meanwhile, external price pressures continued to ease. Amid a weaker global economy, international commodity and energy prices were generally lower in the second quarter than a year earlier. This, coupled with the continued strengthening of the Hong Kong dollar alongside the US dollar vis-a-vis other major currencies over the past year, led to a slower year-on-year increase in import prices.

Diagram 6.1: Underlying consumer price inflation went up somewhat in the second quarter



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

6.2 Underlying consumer price inflation, in terms of the year-on-year rate of change in the underlying Composite CPI, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, went up somewhat from 2.7% in the preceding quarter to 2.9% in the second quarter. The increase was attributed in part to the late arrival of the Easter holidays (which started in mid-April this year but in late March last year) that led to a visibly larger increase in the charges for package tours in April, and to a larger extent to the reduced supply of fresh pork that resulted in a surge in pork prices in May and June. Meanwhile, the headline consumer price inflation rate went up more visibly, from 2.2% in the first quarter to 3.0% in the second quarter. Apart from higher pork prices, the lower ceiling of the Government's rates concession in the new financial year which began in April also contributed.

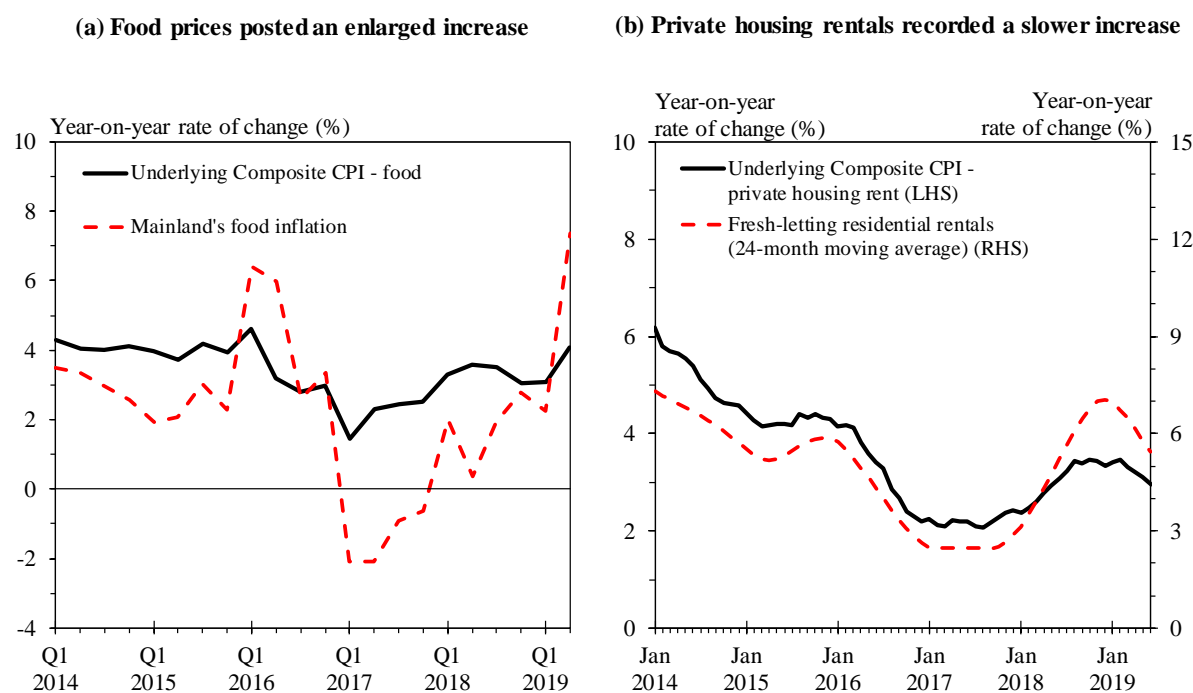
Table 6.1 : Consumer Price Indices
(year-on-year rate of change (%))

| | | <u>Composite CPI</u> | | <u>CPI(A)</u> | <u>CPI(B)</u> | <u>CPI(C)</u> |
|--|--------|---------------------------------|-----------------|---------------|---------------|---------------|
| | | <u>Underlying^(a)</u> | <u>Headline</u> | | | |
| 2018 | Annual | 2.6 | 2.4 | 2.7 | 2.3 | 2.2 |
| | Q1 | 2.4 | 2.4 | 2.6 | 2.4 | 2.4 |
| | Q2 | 2.4 | 2.1 | 2.4 | 2.1 | 2.0 |
| | Q3 | 2.8 | 2.5 | 2.8 | 2.4 | 2.2 |
| | Q4 | 2.9 | 2.6 | 3.1 | 2.4 | 2.3 |
| 2019 | Q1 | 2.7 | 2.2 | 2.6 | 2.1 | 2.0 |
| | Q2 | 2.9 | 3.0 | 3.3 | 2.8 | 2.8 |
| (seasonally adjusted quarter-to-quarter rate of change (%)) | | | | | | |
| 2018 | Q1 | 0.8 | 0.8 | 0.9 | 0.9 | 0.7 |
| | Q2 | 0.8 | 0.4 | 0.6 | 0.4 | 0.3 |
| | Q3 | 0.6 | 0.6 | 0.7 | 0.5 | 0.5 |
| | Q4 | 0.7 | 0.7 | 0.8 | 0.7 | 0.8 |
| 2019 | Q1 | 0.6 | 0.5 | 0.4 | 0.4 | 0.4 |
| | Q2 | 1.0 | 1.2 | 1.2 | 1.2 | 1.1 |

Note : (a) Underlying consumer price inflation is calculated by netting out the effects of all Government's one-off relief measures introduced since 2007, including the waiver and Government's payment of public housing rentals, rates concession, suspension and subsequent abolition of Employees Retraining Levy, subsidies for household electricity charges, and waiver of examination fees.

6.3 Analysed by major component of the underlying Composite CPI, the private housing rental component recorded a slower increase of 3.1% in the second quarter, reflecting the gradual feed-through of the easing in fresh-letting residential rentals earlier on. Yet prices of food, the component with the largest weight other than housing, posted an enlarged increase of 4.1%. In particular, prices of basic foodstuffs showed a notable increase of 7.7%, due in large part to the surge in pork prices amid disruptions to the supply of fresh pork in May and June. Prices of electricity, gas and water, miscellaneous goods and transport continued to register moderate increases. Prices of miscellaneous services rose at a faster pace, due mainly to the larger increase in the charges for package tours, whereas prices of many other items such as household services and medical services continued to record steady increases. On the other hand, prices of clothing and footwear decreased further. Prices of durable goods sustained their secular downtrend.

Diagram 6.2 : Food and private housing rental components of the underlying Composite CPI



Note : The year-on-year rates of change of the CPIs from October 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

Diagram 6.3 (a) : Price pressures on major Composite CPI components were largely moderate in the second quarter of 2019

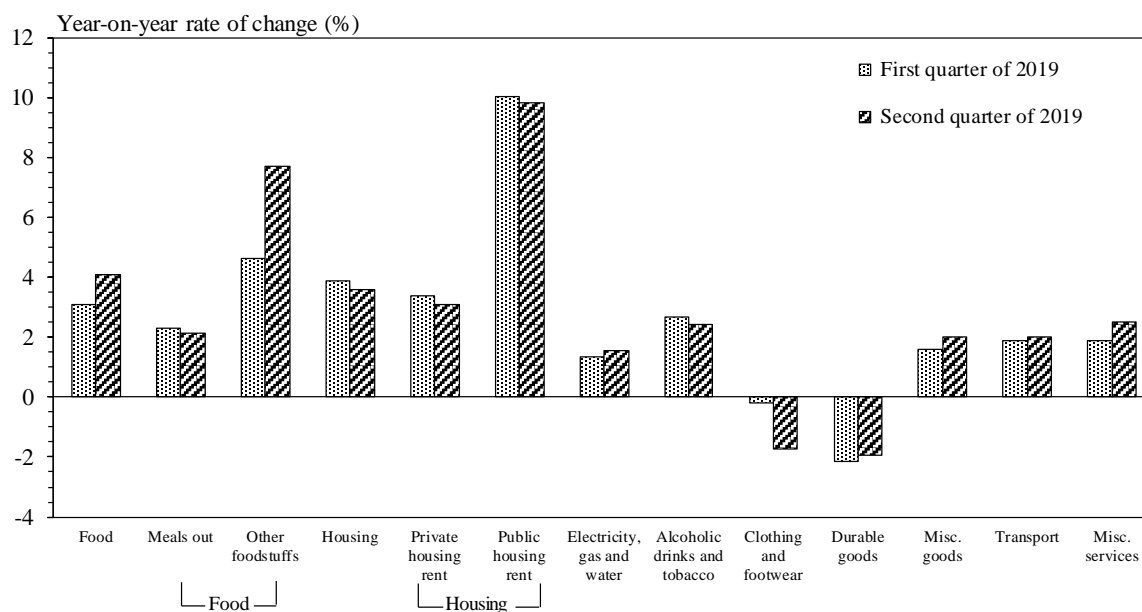
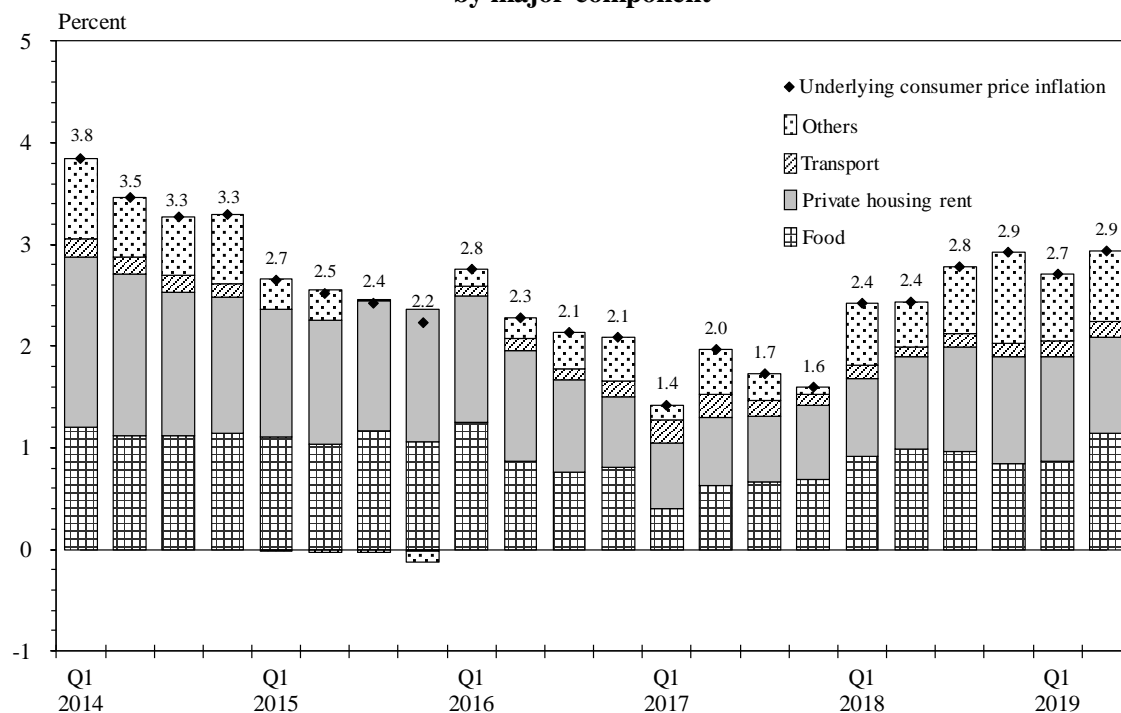


Diagram 6.3 (b) : Contribution to underlying consumer price inflation by major component



Note : The year-on-year rates of change of the Composite CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

Table 6.2 : Underlying Composite Consumer Price Index by component
(year-on-year rate of change (%))

| <u>Expenditure component</u> | <u>Weighting (%)</u> | <u>Annual</u> | <u>2018</u> | | | | <u>2019</u> | |
|------------------------------------|----------------------|---------------|--------------|--------------|--------------|----------------|----------------|---------------|
| | | | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Q1</u> | <u>Q2</u> |
| Food | 27.29 | 3.4 | 3.3 | 3.6 | 3.5 | 3.0 | 3.1 | 4.1 |
| <i>Meals bought away from home</i> | 17.74 | 2.9 | 3.0 | 3.0 | 2.9 | 2.6 | 2.3 | 2.1 |
| <i>Other foodstuffs</i> | 9.55 | 4.3 | 3.8 | 4.9 | 4.8 | 3.7 | 4.6 | 7.7 |
| Housing ^(a) | 34.29 | 3.2 (2.5) | 2.5 (2.5) | 2.9 (2.0) | 3.4 (2.5) | 3.9 (3.0) | 3.9 (2.9) | 3.6 (4.2) |
| <i>Private housing rent</i> | 29.92 | 3.1 (2.2) | 2.5 (2.5) | 3.0 (1.9) | 3.4 (2.3) | 3.4 (2.4) | 3.4 (2.3) | 3.1 (3.8) |
| <i>Public housing rent</i> | 1.94 | 3.6 (4.1) | 0.1 (0.4) | 0.5 (0.4) | 3.6 (4.1) | 10.1 (11.6) | 10.1 (11.6) | 9.8 (10.9) |
| Electricity, gas and water | 2.67 | 4.7 (4.9) | 8.4 (8.3) | 3.5 (3.7) | 3.6 (3.8) | 3.7 (4.0) | 1.4 (-4.9) | 1.5 (-4.8) |
| Alcoholic drinks and tobacco | 0.54 | 1.3 | 0.3 | 0.6 | 1.7 | 2.7 | 2.7 | 2.4 |
| Clothing and footwear | 3.21 | 1.6 | 2.3 | 2.0 | 2.3 | 0.1 | -0.2 | -1.7 |
| Durable goods | 4.65 | -2.0 | -2.1 | -2.1 | -2.0 | -1.9 | -2.1 | -2.0 |
| Miscellaneous goods | 3.56 | 1.3 | 1.1 | 1.3 | 1.5 | 1.4 | 1.6 | 2.0 |
| Transport | 7.98 | 1.6 | 1.7 | 1.3 | 1.7 | 1.7 | 1.9 | 2.0 |
| Miscellaneous services | 15.81 | 2.1 (2.1) | 1.7 (1.7) | 1.4 (1.4) | 2.1 (2.1) | 3.1 (3.0) | 1.9 (1.8) | 2.5 (2.5) |
| All items | 100.00 | 2.6 (2.4) | 2.4 (2.4) | 2.4 (2.1) | 2.8 (2.5) | 2.9 (2.6) | 2.7 (2.2) | 2.9 (3.0) |

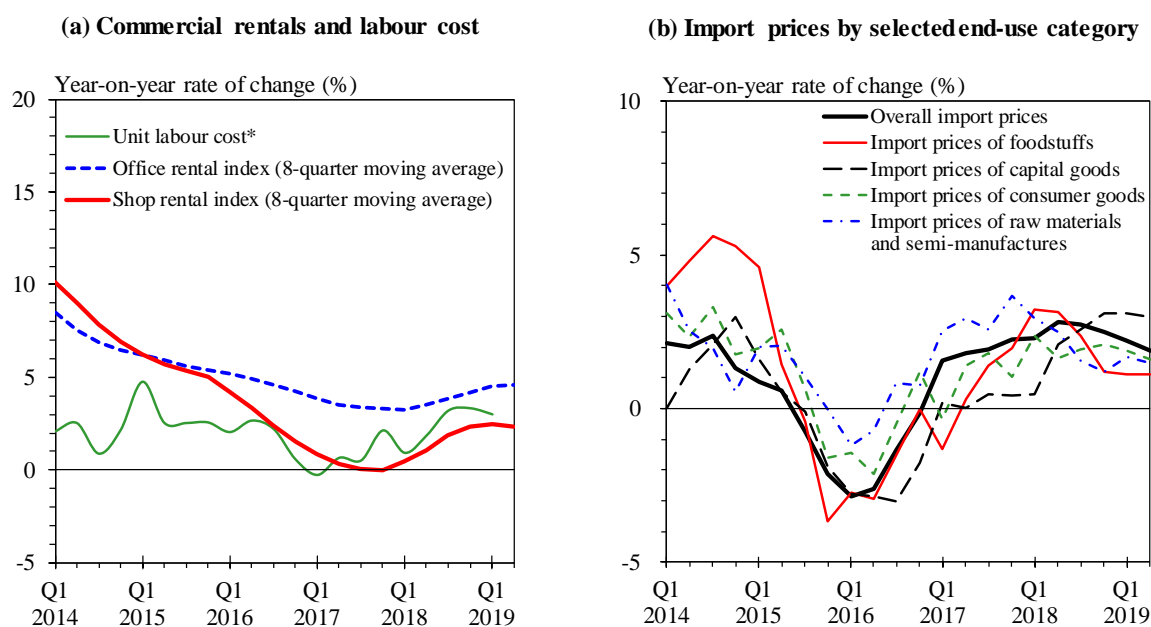
Notes : (a) The housing component covers rents, rates, Government rent, maintenance costs and other housing charges. Its sub-components on private and public housing rents as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public housing rents is slightly less than the weighting of the entire housing component.

() Figures in brackets represent the headline rates of change before netting out the effects of Government's one-off relief measures.

Costs of factor inputs and import prices

6.4 Local cost pressures remained broadly stable in the second quarter of 2019. While wages and earnings rose further amid a still-tight labour market, continued labour productivity gains have helped contain the increase in unit labour costs. In tandem with the soft demand conditions, commercial rental cost pressures also held largely moderate. As a proxy for the actual rental expenses faced by businesses, the eight-quarter moving averages of office and shop rentals posted steady year-on-year increases in the second quarter, at 4.6% and 2.4% respectively.

Diagram 6.4 : Local cost pressures remained broadly stable; external price pressures continued to ease



Note : (*) Unit labour costs is defined as the average cost of labour per unit of output (i.e. total labour cost divided by the output). The total labour cost, in the form of an index, is estimated by multiplying the per capita nominal payroll index with the total employment. The output refers to the Gross Domestic Product in chained (2017) dollar.

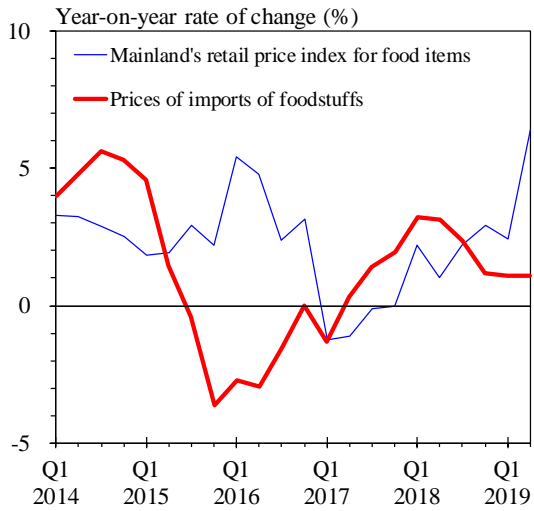
6.5 External price pressures continued to ease in the second quarter. Amid a weaker global economy, international commodity and energy prices generally softened from their year-ago levels. This, together with the appreciation of the Hong Kong dollar along with the US dollar vis-a-vis other major currencies over the past year or so, saw the year-on-year increase in overall import prices moderating from 2.2% in the preceding quarter to 1.9% in the second quarter. Analysed by major end-use category, the increases in import prices of raw materials and semi-manufactures, consumer goods, and capital goods decelerated by various degrees, to 1.5%, 1.6% and 3.0% respectively. The increase in import prices of foodstuffs remained at a modest level of 1.1%. Alongside the easing in global oil prices, import prices of fuels decelerated visibly on entering 2019 and registered a decline of 2.2% in the second quarter.

**Table 6.3 : Prices of imports by end-use category
(year-on-year rate of change (%))**

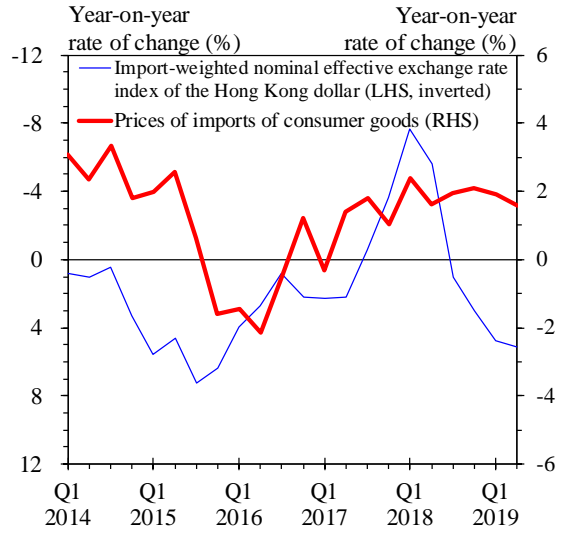
| | | <u>Foodstuffs</u> | <u>Consumer goods</u> | <u>Raw materials and semi-manufactures</u> | <u>Fuels</u> | <u>Capital goods</u> | <u>All</u> |
|------|--------|-------------------|-----------------------|--|--------------|----------------------|------------|
| 2018 | Annual | 2.4 | 2.0 | 2.0 | 24.9 | 2.1 | 2.6 |
| | Q1 | 3.2 | 2.4 | 2.9 | 16.0 | 0.5 | 2.3 |
| | Q2 | 3.1 | 1.6 | 2.5 | 30.4 | 2.1 | 2.8 |
| | Q3 | 2.4 | 1.9 | 1.6 | 34.4 | 2.6 | 2.7 |
| | Q4 | 1.2 | 2.1 | 1.2 | 19.5 | 3.1 | 2.5 |
| 2019 | Q1 | 1.1 | 1.9 | 1.7 | 1.3 | 3.1 | 2.2 |
| | Q2 | 1.1 | 1.6 | 1.5 | -2.2 | 3.0 | 1.9 |

Diagram 6.5: Import prices by end-use category

(a) Increase in import prices of foodstuffs remained modest

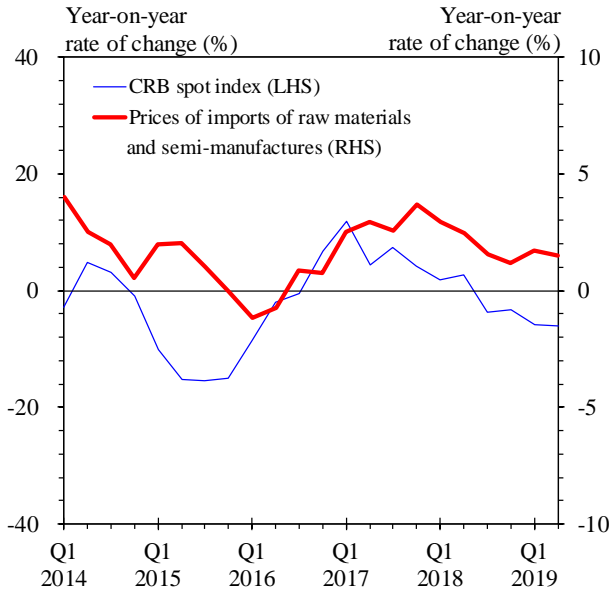


(b) Increase in import prices of consumer goods decelerated

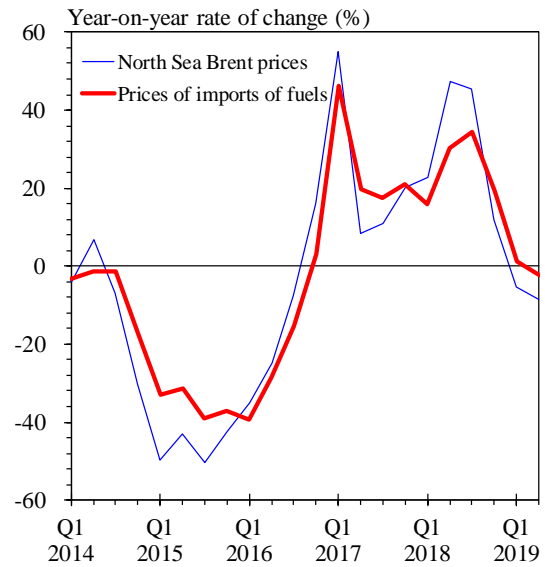


Note: An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) Increase in import prices of raw materials and semi-manufactures eased slightly



(d) Import prices of fuels fell with easing global oil prices



Output prices

6.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, showed mixed movements in the first quarter of 2019. Output prices for the manufacturing sector showed further modest increase. As for the selected service sectors, output prices for accommodation services rose at a much moderated pace following the strong increase in 2018. Against the backdrop of weakened regional trade flows, output prices for air transport relapsed to a modest decrease, while that for courier services continued to decline. Output prices for water transport and land transport continued to rise moderately. Meanwhile, output prices for telecommunications services stayed on the perennial downtrend, reflecting the intense competition and technological improvement.

Table 6.4 : Producer Price Indices for the manufacturing sector and selected service sectors (year-on-year rate of change (%))

| <u>Industry group</u> | <u>2017</u> | | <u>2018</u> | | | | <u>2019</u> |
|---|---------------|---------------|-------------|-----------|-----------|-----------|-------------|
| | <u>Annual</u> | <u>Annual</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Q1</u> |
| Manufacturing | 3.8 | 2.0 | 3.8 | 3.7 | * | 0.3 | 0.7 |
| Selected service sectors ^(a) | | | | | | | |
| Accommodation services | 2.0 | 4.4 | 4.5 | 4.7 | 3.9 | 4.5 | 1.0 |
| Land transport | 1.0 | 1.4 | 0.7 | 1.2 | 2.0 | 1.5 | 2.0 |
| Water transport | 3.3 | 2.5 | 3.6 | 0.6 | 1.3 | 4.4 | 2.1 |
| Air transport | 2.4 | 8.1 | 9.7 | 9.6 | 8.7 | 4.6 | -0.7 |
| Telecommunications | -3.2 | -3.4 | -3.5 | -2.3 | -3.4 | -4.7 | -2.6 |
| Courier services | 3.8 | -2.5 | 3.3 | 3.9 | -6.3 | -10.3 | -4.9 |

Notes : (a) Producer Price Indices for other service sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the producers often do not charge their customers explicitly.

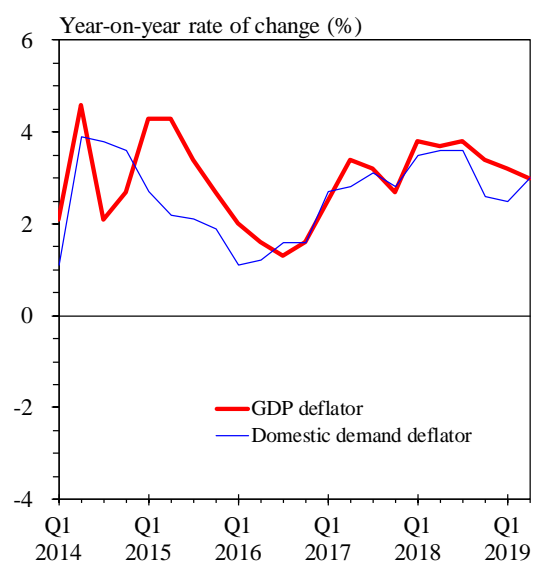
(*) Change within $\pm 0.05\%$.

GDP deflator

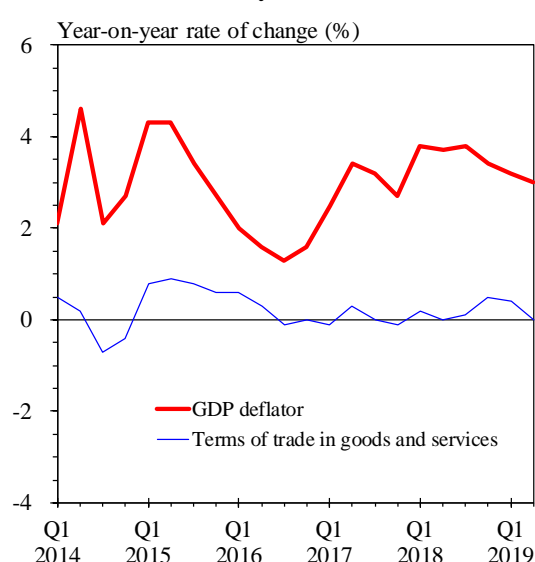
6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*⁽⁴⁾ rose by 3.0% in the second quarter of 2019 over a year earlier, 0.2 percentage point smaller than in the preceding quarter. The *terms of trade*⁽⁵⁾ held virtually unchanged over a year earlier as the rise in export prices was largely matched by that in import prices. Taking out the external trade components, the domestic demand deflator saw a year-on-year increase of 3.0% in the second quarter, 0.5 percentage point larger than in the preceding quarter.

Diagram 6.6: GDP deflator

(a) The year-on-year increase in GDP deflator was smaller than in the preceding quarter



(b) Terms of trade held virtually unchanged over a year earlier



**Table 6.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))**

| | 2017 | | 2018 | | | | 2019 | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Annual [#] | Annual [#] | Q1 [#] | Q2 [#] | Q3 [#] | Q4 [#] | Q1 [#] | Q2 [#] |
| Private consumption expenditure | 2.5 | 3.1 | 4.0 | 3.6 | 2.8 | 2.3 | 1.9 | 2.7 |
| Government consumption expenditure | 2.5 | 3.1 | 2.0 | 3.0 | 3.8 | 3.8 | 4.1 | 4.7 |
| Gross domestic fixed capital formation | 4.5 | 4.1 | 2.4 | 4.0 | 6.0 | 3.9 | 3.8 | 2.7 |
| Total exports of goods ^{&} | 1.7 | 2.2 | 2.7 | 2.5 | 2.0 | 1.7 | 1.8 | 1.4 |
| Imports of goods ^{&} | 1.8 | 2.3 | 2.5 | 2.6 | 2.5 | 1.8 | 1.7 | 1.7 |
| Exports of services ^{&} | 3.2 | 4.5 | 5.2 | 5.0 | 4.8 | 3.4 | 1.0 | 0.5 |
| Imports of services ^{&} | 2.6 | 2.6 | 6.2 | 4.7 | 0.7 | -0.6 | -1.7 | -1.6 |
| Gross Domestic Product | 3.0 | 3.6 | 3.8 <1.8> | 3.7 <0.8> | 3.8 <0.6> | 3.4 <0.3> | 3.2 <1.4> | 3.0 <0.5> |
| Total final demand ^{&} | 2.2 | 2.8 | 3.2 | 3.1 | 2.8 | 2.2 | 2.0 | 1.9 |
| Domestic demand | 2.9 | 3.3 | 3.5 | 3.6 | 3.6 | 2.6 | 2.5 | 3.0 |
| Terms of trade in goods and services ^{&} | * | 0.2 | 0.2 | * | 0.1 | 0.5 | 0.4 | * |

Notes : Figures are derived based on the series of chain volume measures of GDP. They are subject to revision later on as more data become available.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Revised figures.

< > Seasonally adjusted quarter-to-quarter rate of change.

(*) Change within $\pm 0.05\%$.

Notes :

- (1) The Consumer Price Indices (A), (B) and (C) are compiled by reference to the average expenditure patterns for different groups of households as obtained from the Household Expenditure Survey. Then, by aggregating the expenditure patterns of all the households covered by the above three indices, a Composite CPI is compiled.

The expenditure ranges of the households covered in the 2014/15-based CPIs are shown below:

| | <u>Approximate proportion of households covered</u> (%) | <u>Average monthly expenditure range during Oct 2014 to Sep 2015</u> (\$) |
|--------|--|--|
| CPI(A) | 50 | 5,500 to 24,499 |
| CPI(B) | 30 | 24,500 to 44,499 |
| CPI(C) | 10 | 44,500 to 89,999 |

The weightings of the various components in the 2014/15-based CPIs are as follows:

| <u>Expenditure component</u> | <u>Composite CPI</u> (%) | <u>CPI(A)</u> (%) | <u>CPI(B)</u> (%) | <u>CPI(C)</u> (%) |
|--|-----------------------------|----------------------|----------------------|----------------------|
| Food | 27.29 | 34.37 | 26.26 | 20.85 |
| <i>Meals bought away from home</i> | 17.74 | 20.99 | 17.88 | 13.98 |
| <i>Other foodstuffs</i> | 9.55 | 13.38 | 8.38 | 6.87 |
| Housing | 34.29 | 33.77 | 35.24 | 33.60 |
| <i>Private housing rent</i> | 29.92 | 26.51 | 32.15 | 30.72 |
| <i>Public housing rent</i> | 1.94 | 5.44 | 0.49 | -- |
| <i>Maintenance costs and other housing charges</i> | 2.43 | 1.82 | 2.60 | 2.88 |
| Electricity, gas and water | 2.67 | 3.85 | 2.38 | 1.76 |
| Alcoholic drinks and tobacco | 0.54 | 0.75 | 0.57 | 0.26 |
| Clothing and footwear | 3.21 | 2.57 | 3.26 | 3.88 |
| Durable goods | 4.65 | 3.41 | 5.03 | 5.53 |
| Miscellaneous goods | 3.56 | 3.28 | 3.64 | 3.77 |
| Transport | 7.98 | 6.75 | 7.60 | 9.84 |
| Miscellaneous services | 15.81 | 11.25 | 16.02 | 20.51 |
| All items | 100.00 | 100.00 | 100.00 | 100.00 |

- (2) The table below presents the year-on-year rates (%) of consumer price inflation in selected economies.

| | <u>2017</u> | | <u>2018</u> | | | | <u>2019</u> | |
|-----------------------------------|---------------|---------------|-------------|-----------|-----------|-----------|-------------|-----------|
| | <u>Annual</u> | <u>Annual</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Q1</u> | <u>Q2</u> |
| Selected developed economies | | | | | | | | |
| US [^] | 1.8 | 2.1 | 1.9 | 2.2 | 2.2 | 2.2 | 2.1 | 2.1 |
| Canada | 1.6 | 2.3 | 2.1 | 2.3 | 2.7 | 2.0 | 1.6 | 2.1 |
| EU | 1.7 | 1.9 | 1.5 | 1.9 | 2.2 | 2.0 | 1.6 | 1.7 |
| Japan | 0.5 | 1.0 | 1.3 | 0.6 | 1.1 | 0.9 | 0.3 | 0.8 |
| Selected major emerging economies | | | | | | | | |
| Mainland China | 1.6 | 2.1 | 2.1 | 1.8 | 2.3 | 2.2 | 1.8 | 2.6 |
| Russia | 3.7 | 2.9 | 2.2 | 2.4 | 3.0 | 3.9 | 5.2 | 5.0 |
| India | 3.3 | 3.9 | 4.6 | 4.8 | 3.9 | 2.6 | 2.5 | 3.1 |
| Brazil | 3.4 | 3.7 | 2.8 | 3.3 | 4.4 | 4.1 | 4.1 | 4.3 |
| Selected Asian economies | | | | | | | | |
| Hong Kong | 1.5 | 2.4 | 2.4 | 2.1 | 2.5 | 2.6 | 2.2 | 3.0 |
| Singapore | 0.6 | 0.4 | 0.2 | 0.3 | 0.7 | 0.5 | 0.5 | 0.7 |
| Taiwan | 0.6 | 1.3 | 1.6 | 1.7 | 1.7 | 0.5 | 0.3 | 0.8 |
| Korea | 1.9 | 1.5 | 1.1 | 1.5 | 1.6 | 1.8 | 0.5 | 0.7 |
| Malaysia | 3.8 | 1.0 | 1.8 | 1.3 | 0.5 | 0.3 | -0.3 | 0.6 |
| Thailand | 0.7 | 1.1 | 0.6 | 1.3 | 1.5 | 0.8 | 0.7 | 1.1 |
| Indonesia | 3.8 | 3.2 | 3.3 | 3.3 | 3.1 | 3.2 | 2.6 | 3.1 |
| Philippines | 2.9 | 5.2 | 3.9 | 4.8 | 6.3 | 5.9 | 3.8 | 3.0 |
| Vietnam | 3.5 | 3.5 | 2.8 | 3.8 | 4.1 | 3.4 | 2.6 | 2.7 |
| Macao | 1.2 | 3.0 | 2.5 | 3.0 | 3.4 | 3.1 | 2.9 | 2.7 |

Note: (^) Refer to the core CPI inflation.

- (3) The Producer Price Index is designed to reflect changes in the prices of goods and services received by local producers. Producer prices refer to the transacted prices, net of any discounts or rebates allowed to the buyers. Transportation and other incidental charges are not included.
- (4) The implicit price deflators of GDP and its main expenditure components are derived by dividing GDP at current prices by the corresponding chained-dollar figures. The rate of change in the GDP deflator may differ substantially from that in the Composite CPI over the same time span. The Composite CPI covers consumer price inflation in particular. Yet the GDP deflator is a much broader measure of inflation for the entire economy, and takes into account all the price changes related to consumption, investment, exports and imports. Also, the rate of change in the GDP deflator may differ appreciably from that in the total final demand deflator, depending on the movement in the prices of final demand and imports. Likewise, the rate of change in the GDP deflator may differ appreciably from that in the domestic demand deflator, depending on the movement in the prices of imports and exports.
- (5) The terms of trade is defined as the ratio of the prices of total exports to the prices of total imports.

Statistical Appendix

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**Table 1 : Gross Domestic Product by expenditure component
(at current market prices)**

| | (\$Mn) | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Private consumption expenditure | 1,013,615 | 1,090,234 | 1,224,402 | 1,314,969 | 1,413,058 | 1,502,768 |
| Government consumption expenditure | 152,512 | 157,371 | 168,517 | 185,310 | 198,572 | 214,216 |
| Gross domestic fixed capital formation | 339,552 | 386,852 | 455,294 | 517,411 | 515,516 | 530,916 |
| Building and construction | 123,746 | 139,249 | 179,341 | 204,860 | 211,130 | 244,047 |
| Costs of ownership transfer | 24,238 | 38,035 | 36,099 | 34,074 | 39,389 | 43,967 |
| Machinery, equipment and intellectual property products | 191,568 | 209,568 | 239,854 | 278,477 | 264,997 | 242,902 |
| Changes in inventories | 22,941 | 37,522 | 11,739 | -3,662 | -1,673 | 7,473 |
| Total exports of goods ^{&} | 2,454,394 | 3,021,492 | 3,406,765 | 3,632,957 | 3,926,059 | 3,986,769 |
| Imports of goods ^{&} | 2,351,386 | 2,995,928 | 3,464,968 | 3,779,686 | 4,142,651 | 4,237,700 |
| Exports of services ^{&} | 501,303 | 625,719 | 710,716 | 764,026 | 812,640 | 829,085 |
| Imports of services ^{&} | 473,686 | 546,930 | 578,035 | 594,266 | 583,216 | 573,522 |
| GDP | 1,659,245 | 1,776,332 | 1,934,430 | 2,037,059 | 2,138,305 | 2,260,005 |
| <i>Per capita GDP (\$)</i> | <i>237,960</i> | <i>252,887</i> | <i>273,549</i> | <i>284,899</i> | <i>297,860</i> | <i>312,609</i> |
| GNI | 1,709,007 | 1,813,928 | 1,987,256 | 2,066,514 | 2,178,824 | 2,306,612 |
| <i>Per capita GNI (\$)</i> | <i>245,096</i> | <i>258,240</i> | <i>281,019</i> | <i>289,019</i> | <i>303,504</i> | <i>319,056</i> |
| Total final demand | 4,484,317 | 5,319,190 | 5,977,433 | 6,411,011 | 6,864,172 | 7,071,227 |
| Total final demand excluding re-exports ^(a) | 2,823,844 | 3,235,971 | 3,604,705 | 3,828,055 | 4,025,243 | 4,116,670 |
| Domestic demand | 1,528,620 | 1,671,979 | 1,859,952 | 2,014,028 | 2,125,473 | 2,255,373 |
| Private | 1,327,688 | 1,449,592 | 1,614,010 | 1,737,274 | 1,827,460 | 1,929,514 |
| Public | 200,932 | 222,387 | 245,942 | 276,754 | 298,013 | 325,859 |
| External demand | 2,955,697 | 3,647,211 | 4,117,481 | 4,396,983 | 4,738,699 | 4,815,854 |

Definition of Terms :

| | |
|--------------------------------|---|
| Total final demand | = private consumption expenditure + government consumption expenditure + gross domestic fixed capital formation + changes in inventories + total exports of goods + exports of services |
| Private sector domestic demand | = private consumption expenditure + gross domestic fixed capital formation by the private sector + changes in inventories |
| Public sector domestic demand | = government consumption expenditure + gross domestic fixed capital formation by the public sector |
| Domestic demand | = private sector domestic demand + public sector domestic demand |
| External demand | = total exports of goods + exports of services |

**Table 1 : Gross Domestic Product by expenditure component
(at current market prices) (Cont'd)**

| | (\$Mn) | | | | | | | |
|---|------------------|------------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | <u>2018</u> | | <u>2019</u> | |
| | | | | | Q3 [#] | Q4 [#] | Q1 [#] | Q2 [#] |
| Private consumption expenditure | 1,593,091 | 1,649,941 | 1,785,499 | 1,942,606 | 473,745 | 503,072 | 486,905 | 508,544 |
| Government consumption expenditure | 231,263 | 247,973 | 261,474 | 280,980 | 70,291 | 71,573 | 77,880 | 73,664 |
| Gross domestic fixed capital formation | 537,205 | 535,216 | 575,991 | 611,616 | 158,088 | 158,452 | 137,927 | 138,175 |
| Building and construction | 262,780 | 283,447 | 297,343 | 307,600 | 74,975 | 77,387 | 79,684 | 68,398 |
| Costs of ownership transfer | 45,846 | 44,517 | 65,810 | 67,484 | 15,731 | 11,989 | 11,032 | 17,800 |
| Machinery, equipment and intellectual property products | 228,579 | 207,252 | 212,838 | 236,532 | 67,382 | 69,076 | 47,211 | 51,977 |
| Changes in inventories | -20,580 | 447 | 10,973 | 5,939 | 12,669 | -4,424 | -7,440 | -3,547 |
| Total exports of goods ^{&} | 3,889,225 | 3,892,886 | 4,212,774 | 4,461,275 | 1,186,197 | 1,185,476 | 1,000,455 | 1,022,795 |
| Imports of goods ^{&} | 4,066,527 | 4,022,579 | 4,391,306 | 4,715,580 | 1,237,864 | 1,224,018 | 1,067,013 | 1,094,841 |
| Exports of services ^{&} | 808,948 | 764,839 | 812,937 | 891,367 | 224,415 | 231,233 | 234,817 | 205,618 |
| Imports of services ^{&} | 574,345 | 578,106 | 605,506 | 635,320 | 161,189 | 166,460 | 151,017 | 151,708 |
| GDP | 2,398,280 | 2,490,617 | 2,662,836 | 2,842,883 | 726,352 | 754,904 | 712,514 | 698,700 |
| <i>Per capita GDP (\$)</i> | <i>328,924</i> | <i>339,478</i> | <i>360,247</i> | <i>381,544</i> | -- | -- | -- | -- |
| GNI | 2,442,656 | 2,553,210 | 2,778,388 | 2,984,508 | 768,078 | 774,053 | 735,520 | N.A. |
| <i>Per capita GNI (\$)</i> | <i>335,010</i> | <i>348,010</i> | <i>375,879</i> | <i>400,551</i> | -- | -- | -- | -- |
| Total final demand | 7,039,152 | 7,091,302 | 7,659,648 | 8,193,783 | 2,125,405 | 2,145,382 | 1,930,544 | 1,945,249 |
| Total final demand excluding re-exports ^(a) | 4,139,786 | 4,190,705 | 4,499,279 | 4,833,300 | 1,231,641 | 1,265,851 | 1,185,992 | 1,164,760 |
| Domestic demand | 2,340,979 | 2,433,577 | 2,633,937 | 2,841,141 | 714,793 | 728,673 | 695,272 | 716,836 |
| Private | 1,991,436 | 2,062,056 | 2,241,582 | 2,425,070 | 613,727 | 623,876 | 575,117 | 615,802 |
| Public | 349,543 | 371,521 | 392,355 | 416,071 | 101,066 | 104,797 | 120,155 | 101,034 |
| External demand | 4,698,173 | 4,657,725 | 5,025,711 | 5,352,642 | 1,410,612 | 1,416,709 | 1,235,272 | 1,228,413 |

- Notes: (a) Re-export margin is nevertheless retained in the total final demand.
 (#) Figures are subject to revision later on as more data become available.
 (&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.
 (--) Not applicable.
 N.A. Not yet available.

Table 2 : Rates of change in chain volume measures of Gross Domestic Product by expenditure component (in real terms)

(%)

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Private consumption expenditure | 0.2 | 6.1 | 8.4 | 4.1 | 4.6 | 3.3 |
| Government consumption expenditure | 2.3 | 3.4 | 2.5 | 3.6 | 2.7 | 3.1 |
| Gross domestic fixed capital formation | -3.5 | 7.7 | 10.2 | 6.8 | 2.6 | -0.1 |
| Building and construction | -5.5 | 5.7 | 15.7 | 7.2 | -4.3 | 9.3 |
| Costs of ownership transfer | -2.9 | 27.2 | -20.9 | -17.8 | -28.1 | 6.9 |
| Machinery, equipment and intellectual property products | -2.2 | 6.5 | 12.3 | 10.2 | 11.3 | -8.7 |
| Total exports of goods ^{&} | -11.2 | 18.0 | 4.6 | 3.3 | 8.2 | 0.8 |
| Imports of goods ^{&} | -7.0 | 19.9 | 6.7 | 4.6 | 9.9 | 1.5 |
| Exports of services ^{&} | 1.7 | 15.3 | 5.7 | 2.7 | 6.0 | 1.6 |
| Imports of services ^{&} | -12.9 | 10.0 | -0.2 | 2.2 | -2.1 | -2.2 |
| GDP | -2.5 | 6.8 | 4.8 | 1.7 | 3.1 | 2.8 |
| <i>Per capita GDP</i> | <i>-2.7</i> | <i>6.0</i> | <i>4.1</i> | <i>0.6</i> | <i>2.7</i> | <i>2.0</i> |
| RGNI | -4.6 | 3.7 | 4.8 | -0.2 | 4.0 | 2.7 |
| <i>Per capita RGNI</i> | <i>-4.8</i> | <i>2.9</i> | <i>4.1</i> | <i>-1.3</i> | <i>3.6</i> | <i>1.9</i> |
| Total final demand | -6.1 | 14.0 | 5.3 | 3.4 | 6.6 | 1.6 |
| Total final demand excluding re-exports ^(a) | -3.5 | 11.0 | 4.7 | 3.2 | 4.2 | 0.6 |
| Domestic demand | 0.5 | 7.1 | 6.5 | 3.9 | 4.1 | 2.9 |
| Private | -0.1 | 6.6 | 6.7 | 3.6 | 4.1 | 2.6 |
| Public | 4.5 | 10.2 | 5.5 | 5.8 | 3.7 | 4.6 |
| External demand | -9.1 | 17.6 | 4.8 | 3.2 | 7.8 | 1.0 |

Notes: (a) Re-export margin is nevertheless retained in the total final demand.

(#) Figures are subject to revision later on as more data become available.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(--) Not applicable.

N.A. Not yet available.

(*) Change within $\pm 0.05\%$.

Table 2 : Rates of change in chain volume measures of Gross Domestic Product by expenditure component (in real terms) (Cont'd)

| | <u>2015</u> | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | <u>2018</u> | | <u>2019</u> | | Average annual rate of change: | |
|---|-------------|-------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|--|---|
| | | | | | Q3 [#] | Q4 [#] | Q1 [#] | Q2 [#] | 10 years 2008 to 2018 [#] | 5 years 2013 to 2018 [#] |
| Private consumption expenditure | 4.8 | 2.0 | 5.6 | 5.5 | 4.8 | 2.7 | 0.4 | 1.1 | 4.4 | 4.2 |
| Government consumption expenditure | 3.4 | 3.4 | 2.8 | 4.2 | 3.3 | 4.9 | 4.5 | 4.2 | 3.1 | 3.4 |
| Gross domestic fixed capital formation | -3.2 | -0.1 | 2.9 | 2.0 | 8.6 | -5.8 | -7.0 | -11.6 | 2.4 | 0.3 |
| Building and construction | 2.2 | 5.9 | -0.5 | -0.6 | 1.3 | -4.9 | -3.5 | -10.6 | 3.3 | 3.2 |
| Costs of ownership transfer | -8.3 | -2.9 | 21.1 | -8.3 | 0.7 | -43.2 | -38.0 | -13.0 | -4.8 | 1.1 |
| Machinery, equipment and intellectual property products | -7.7 | -6.4 | 3.8 | 8.9 | 21.0 | 4.7 | -1.7 | -12.4 | 2.5 | -2.3 |
| Total exports of goods ^{&} | -1.7 | 1.6 | 6.5 | 3.6 | 5.1 | * | -3.7 | -5.6 | 3.1 | 2.1 |
| Imports of goods ^{&} | -2.7 | 0.7 | 7.3 | 4.9 | 7.7 | -0.5 | -4.2 | -7.0 | 4.4 | 2.3 |
| Exports of services ^{&} | 0.3 | -3.5 | 2.9 | 4.9 | 3.0 | 3.3 | 0.8 | -0.2 | 3.7 | 1.2 |
| Imports of services ^{&} | 5.0 | 2.0 | 2.1 | 2.3 | 2.5 | 2.1 | -1.5 | 1.6 | 0.5 | 1.8 |
| GDP | 2.4 | 2.2 | 3.8 | 3.0 | 2.8 | 1.2 | 0.6 | 0.5 | 2.8 | 2.8 |
| <i>Per capita GDP</i> | <i>1.5</i> | <i>1.5</i> | <i>3.1</i> | <i>2.2</i> | -- | -- | -- | -- | <i>2.1</i> | <i>2.1</i> |
| RGNI | 3.8 | 3.2 | 5.8 | 4.0 | 4.9 | 2.1 | 1.0 | N.A. | 2.7 | 3.9 |
| <i>Per capita RGNI</i> | <i>2.9</i> | <i>2.6</i> | <i>5.0</i> | <i>3.2</i> | -- | -- | -- | -- | <i>2.0</i> | <i>3.1</i> |
| Total final demand | -0.4 | 1.3 | 5.6 | 4.0 | 5.6 | 0.3 | -2.3 | -3.8 | 3.4 | 2.4 |
| Total final demand excluding re-exports ^(a) | 0.1 | 1.5 | 4.6 | 4.0 | 5.5 | 0.5 | -0.4 | -2.5 | 3.0 | 2.1 |
| Domestic demand | 1.6 | 2.6 | 5.2 | 4.4 | 7.3 | -0.3 | -1.2 | -2.1 | 3.9 | 3.3 |
| Private | 1.3 | 2.5 | 5.7 | 4.8 | 8.1 | -0.4 | -2.1 | -2.1 | 3.8 | 3.4 |
| Public | 2.9 | 3.1 | 2.2 | 2.6 | 2.7 | 0.5 | 3.5 | -2.0 | 4.5 | 3.1 |
| External demand | -1.4 | 0.7 | 5.9 | 3.8 | 4.8 | 0.5 | -2.9 | -4.7 | 3.2 | 2.0 |

**Table 3 : Gross Domestic Product by economic activity
(at current prices)**

| | <u>2013</u> | | <u>2014</u> | | <u>2015</u> | | <u>2016</u> | | <u>2017[#]</u> | |
|---|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|-------------------------|--------------|
| | \$Mn | % share | \$Mn | % share | \$Mn | % share | \$Mn | % share | \$Mn | % share |
| Agriculture, fishing, mining and quarrying | 1,225 | 0.1 | 1,496 | 0.1 | 1,630 | 0.1 | 1,898 | 0.1 | 1,736 | 0.1 |
| Manufacturing | 30,156 | 1.4 | 27,885 | 1.3 | 26,716 | 1.1 | 26,844 | 1.1 | 27,299 | 1.1 |
| Electricity, gas and water supply, and waste management | 35,119 | 1.7 | 35,636 | 1.6 | 34,653 | 1.5 | 34,414 | 1.4 | 34,978 | 1.4 |
| Construction | 83,288 | 4.0 | 96,205 | 4.4 | 107,902 | 4.6 | 124,932 | 5.2 | 129,714 | 5.1 |
| Services | 1,948,292 | 92.9 | 2,044,750 | 92.7 | 2,154,541 | 92.7 | 2,229,939 | 92.2 | 2,359,065 | 92.4 |
| <i>Import/export, wholesale and retail trades</i> | <i>523,741</i> | <i>25.0</i> | <i>531,541</i> | <i>24.1</i> | <i>527,822</i> | <i>22.7</i> | <i>525,526</i> | <i>21.7</i> | <i>548,636</i> | <i>21.5</i> |
| <i>Accommodation^(a) and food services</i> | <i>75,413</i> | <i>3.6</i> | <i>78,725</i> | <i>3.6</i> | <i>78,134</i> | <i>3.4</i> | <i>79,682</i> | <i>3.3</i> | <i>83,507</i> | <i>3.3</i> |
| <i>Transportation, storage, postal and courier services</i> | <i>125,465</i> | <i>6.0</i> | <i>137,658</i> | <i>6.2</i> | <i>150,073</i> | <i>6.5</i> | <i>149,742</i> | <i>6.2</i> | <i>153,359</i> | <i>6.0</i> |
| <i>Information and communications</i> | <i>76,145</i> | <i>3.6</i> | <i>77,761</i> | <i>3.5</i> | <i>80,813</i> | <i>3.5</i> | <i>84,208</i> | <i>3.5</i> | <i>86,891</i> | <i>3.4</i> |
| <i>Financing and insurance</i> | <i>346,248</i> | <i>16.5</i> | <i>367,989</i> | <i>16.7</i> | <i>409,933</i> | <i>17.6</i> | <i>429,082</i> | <i>17.7</i> | <i>482,191</i> | <i>18.9</i> |
| <i>Real estate, professional and business services</i> | <i>225,789</i> | <i>10.8</i> | <i>239,434</i> | <i>10.9</i> | <i>252,714</i> | <i>10.9</i> | <i>266,139</i> | <i>11.0</i> | <i>274,822</i> | <i>10.8</i> |
| <i>Public administration, social and personal services</i> | <i>356,326</i> | <i>17.0</i> | <i>379,588</i> | <i>17.2</i> | <i>407,405</i> | <i>17.5</i> | <i>436,912</i> | <i>18.1</i> | <i>465,492</i> | <i>18.2</i> |
| <i>Ownership of premises</i> | <i>219,166</i> | <i>10.4</i> | <i>232,053</i> | <i>10.5</i> | <i>247,648</i> | <i>10.6</i> | <i>258,649</i> | <i>10.7</i> | <i>264,166</i> | <i>10.3</i> |
| GDP at basic prices | 2,098,080 | 100.0 | 2,205,972 | 100.0 | 2,325,443 | 100.0 | 2,418,028 | 100.0 | 2,552,792 | 100.0 |
| Taxes on products | 75,314 | -- | 83,236 | -- | 95,433 | -- | 83,743 | -- | 110,698 | -- |
| Statistical discrepancy (%) | -1.6 | -- | -1.3 | -- | -0.9 | -- | -0.4 | -- | * | -- |
| GDP at current market prices | 2,138,305 | -- | 2,260,005 | -- | 2,398,280 | -- | 2,490,617 | -- | 2,662,836 | -- |

Notes: Individual figures may not add up exactly to the total due to rounding.

- (a) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.
- (#) Figures are subject to revision later on as more data become available.
- (--) Not applicable.
- (*) Within $\pm 0.05\%$.

**Table 4 : Rates of change in chain volume measures of Gross Domestic Product
by economic activity (in real terms)**

| | (%) | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | <u>2018</u> | | | <u>2019</u> |
| | | | | | | | Q2 [#] | Q3 [#] | Q4 [#] | Q1 [#] |
| Agriculture, fishing, mining and quarrying | 4.9 | -6.0 | -6.8 | -2.0 | -5.2 | -1.5 | -2.1 | -0.1 | 2.5 | 1.6 |
| Manufacturing | 0.1 | -0.4 | -1.5 | -0.4 | 0.4 | 1.3 | 1.6 | 1.2 | 1.2 | 1.4 |
| Electricity, gas and water supply, and waste management | -2.9 | 0.8 | -2.6 | -0.8 | 0.9 | 0.2 | 3.9 | -4.6 | -0.7 | -0.5 |
| Construction | 4.2 | 13.0 | 5.4 | 5.1 | -1.3 | 0.1 | -1.3 | 2.6 | -4.4 | -2.6 |
| Services | 2.7 | 2.5 | 1.7 | 2.3 | 3.6 | 3.4 | 3.7 | 3.1 | 2.4 | 1.9 |
| <i>Import/export, wholesale and retail trades</i> | 3.3 | 1.2 | -1.1 | 0.6 | 4.2 | 4.5 | 5.7 | 5.2 | 2.0 | -0.8 |
| <i>Accommodation^(a) and food services</i> | 3.6 | 2.2 | -1.9 | 0.5 | 2.0 | 3.9 | 4.3 | 3.6 | 1.7 | 2.8 |
| <i>Transportation, storage, postal and courier services</i> | 4.1 | 2.9 | 3.3 | 3.0 | 4.8 | 3.5 | 4.1 | 1.4 | 3.4 | 2.4 |
| <i>Information and communications</i> | 4.0 | 3.9 | 4.0 | 4.1 | 4.0 | 3.8 | 3.6 | 3.4 | 4.9 | 4.8 |
| <i>Financing and insurance</i> | 7.7 | 5.3 | 6.1 | 4.2 | 5.7 | 4.6 | 4.9 | 3.6 | 3.5 | 3.0 |
| <i>Real estate, professional and business services</i> | -4.0 | 1.9 | 0.7 | 2.8 | 2.1 | 1.5 | 2.0 | 1.3 | 0.7 | 1.7 |
| <i>Public administration, social and personal services</i> | 2.5 | 2.4 | 2.5 | 3.0 | 3.2 | 2.9 | 2.5 | 3.0 | 3.2 | 3.4 |
| <i>Ownership of premises</i> | 0.3 | 0.8 | 0.6 | 0.5 | 1.0 | 1.0 | 1.0 | 1.0 | 0.9 | 1.1 |
| Taxes on products | -6.4 | 6.7 | 7.1 | -9.1 | 12.5 | -2.2 | 7.7 | -0.6 | -27.6 | -28.2 |
| GDP in chained (2017) dollars | 3.1 | 2.8 | 2.4 | 2.2 | 3.8 | 3.0 | 3.6 | 2.8 | 1.2 | 0.6 |

Notes: (#) Figures are subject to revision later on as more data become available.

(a) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

**Table 5 : Balance of Payments by major component
(at current prices)**

| | (\$Mn) | | | | | | | | |
|--|----------------|----------------|--------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | | <u>2018</u> | | <u>2019</u> |
| | | | | | | Q2 [#] | Q3 [#] | Q4 [#] | Q1 [#] |
| Current account ^(a) | 31,453 | 79,553 | 98,664 | 123,900 | 121,937 | 15,400 | 47,715 | 40,393 | 35,107 |
| Goods | -250,931 | -177,302 | -129,693 | -178,532 | -254,305 | -89,221 | -51,667 | -38,542 | -66,558 |
| Services | 255,563 | 234,603 | 186,733 | 207,431 | 256,047 | 53,352 | 63,226 | 64,773 | 83,800 |
| Primary income | 46,607 | 44,376 | 62,593 | 115,552 | 141,625 | 56,590 | 41,726 | 19,149 | 23,006 |
| Secondary income | -19,786 | -22,124 | -20,969 | -20,551 | -21,430 | -5,321 | -5,570 | -4,987 | -5,141 |
| Capital and financial account ^(a) | -73,785 | -128,642 | -101,104 | -76,488 | -184,040 | -45,878 | -27,476 | -66,114 | -5,018 |
| Capital account | -748 | -216 | -374 | -645 | -1,522 | -838 | -135 | -474 | -242 |
| Financial account | -73,037 | -128,426 | -100,730 | -75,843 | -182,518 | -45,039 | -27,341 | -65,641 | -4,777 |
| Financial non-reserve assets | 66,052 | 153,570 | -91,874 | 174,666 | -174,959 | -93,542 | -69,064 | -41,642 | 28,182 |
| <i>Direct investment</i> | -85,718 | 794,800 | 447,758 | 186,887 | 239,071 | 68,101 | 137,615 | 53,101 | -72,323 |
| <i>Portfolio investment</i> | -64,384 | -970,938 | -469,591 | 264,159 | -587,682 | -158,118 | -77,220 | -106,692 | -222,922 |
| <i>Financial derivatives</i> | 118,359 | 99,178 | 36,327 | 61,763 | 15,545 | 546 | 11,240 | 7,609 | 8,608 |
| <i>Other investment</i> | 97,795 | 230,531 | -106,368 | -338,144 | 158,107 | -4,071 | -140,698 | 4,341 | 314,819 |
| Reserve assets | -139,089 | -281,996 | -8,856 | -250,509 | -7,559 | 48,503 | 41,723 | -23,999 | -32,959 |
| Net errors and omissions | 42,332 | 49,089 | 2,440 | -47,413 | 62,104 | 30,478 | -20,239 | 25,721 | -30,089 |
| Overall Balance of Payments | 139,089 | 281,996 | 8,856 | 250,509 | 7,559 | -48,503 | -41,723 | 23,999 | 32,959 |

Notes: Individual figures may not add up exactly to the total due to rounding.

(a) In accordance with the accounting rules adopted in compiling Balance of Payments, a positive value for the balance figure in the current account represents a surplus whereas a negative value represents a deficit. In the capital and financial account, a positive value indicates a net financial inflow while a negative value indicates a net outflow. As increases in external assets are debit entries and decreases are credit entries, a negative value for the reserve assets represents a net increase while a positive value represents a net decrease.

(#) Figures are subject to revision later on as more data become available.

**Table 6 : Goods and services trade
(at current market prices)**

(\$Mn)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | <u>2018</u> | | <u>2019</u> | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | | | | Q3 [#] | Q4 [#] | Q1 [#] | Q2 [#] |
| Total exports of goods | 3,986,769 | 3,889,225 | 3,892,886 | 4,212,774 | 4,461,275 | 1,186,197 | 1,185,476 | 1,000,455 | 1,022,795 |
| Imports of goods | 4,237,700 | 4,066,527 | 4,022,579 | 4,391,306 | 4,715,580 | 1,237,864 | 1,224,018 | 1,067,013 | 1,094,841 |
| Goods trade balance | -250,931 (-5.9) | -177,302 (-4.4) | -129,693 (-3.2) | -178,532 (-4.1) | -254,305 (-5.4) | -51,667 (-4.2) | -38,542 (-3.1) | -66,558 (-6.2) | -72,046 (-6.6) |
| Exports of services | 829,085 | 808,948 | 764,839 | 812,937 | 891,367 | 224,415 | 231,233 | 234,817 | 205,618 |
| Imports of services | 573,522 | 574,345 | 578,106 | 605,506 | 635,320 | 161,189 | 166,460 | 151,017 | 151,708 |
| Services trade balance | 255,563 (44.6) | 234,603 (40.8) | 186,733 (32.3) | 207,431 (34.3) | 256,047 (40.3) | 63,226 (39.2) | 64,773 (38.9) | 83,800 (55.5) | 53,910 (35.5) |
| Exports of goods and services | 4,815,854 | 4,698,173 | 4,657,725 | 5,025,711 | 5,352,642 | 1,410,612 | 1,416,709 | 1,235,272 | 1,228,413 |
| Imports of goods and services | 4,811,222 | 4,640,872 | 4,600,685 | 4,996,812 | 5,350,900 | 1,399,053 | 1,390,478 | 1,218,030 | 1,246,549 |
| Goods and services trade balance | 4,632 <0.1> | 57,301 <1.2> | 57,040 <1.2> | 28,899 <0.6> | 1,742 < * > | 11,559 <0.8> | 26,231 <1.9> | 17,242 <1.4> | -18,136 <-1.5> |

Notes: Figures in this table are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Figures are subject to revision later on as more data become available.

() As a percentage of the total value of imports of goods/services.

< > As a percentage of the total value of imports of goods and services.

(*) Within $\pm 0.05\%$.

Table 6a : Goods and services trade based on the standards stipulated in the *System of National Accounts 2008*, other than the change of ownership principle

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | <u>2018</u> | | <u>2019</u> | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | | | | | | Q3 [#] | Q4 [#] | Q1 [#] | Q2 [#] |
| <u>At current market prices (\$Mn)</u> | | | | | | | | | |
| Total exports of goods | 3,877,458 | 3,779,263 | 3,776,638 | 4,055,437 | 4,289,167 | 1,135,541 | 1,120,262 | 957,823 | 991,509 |
| Imports of goods | 4,471,810 | 4,289,991 | 4,240,000 | 4,586,052 | 4,911,101 | 1,286,546 | 1,267,516 | 1,103,590 | 1,138,562 |
| Goods trade balance | -594,352 (-13.3) | -510,728 (-11.9) | -463,362 (-10.9) | -530,615 (-11.6) | -621,934 (-12.7) | -151,005 (-11.7) | -147,254 (-11.6) | -145,767 (-13.2) | -147,053 (-12.9) |
| Exports of services | 1,079,989 | 1,052,355 | 1,010,316 | 1,073,707 | 1,164,903 | 298,990 | 315,443 | 294,622 | 260,893 |
| Imports of services | 481,005 | 484,326 | 489,914 | 514,193 | 541,227 | 136,426 | 141,958 | 131,613 | 131,976 |
| Services trade balance | 598,984 (124.5) | 568,029 (117.3) | 520,402 (106.2) | 559,514 (108.8) | 623,676 (115.2) | 162,564 (119.2) | 173,485 (122.2) | 163,009 (123.9) | 128,917 (97.7) |
| Exports of goods and services | 4,957,447 | 4,831,618 | 4,786,954 | 5,129,144 | 5,454,070 | 1,434,531 | 1,435,705 | 1,252,445 | 1,252,402 |
| Imports of goods and services | 4,952,815 | 4,774,317 | 4,729,914 | 5,100,245 | 5,452,328 | 1,422,972 | 1,409,474 | 1,235,203 | 1,270,538 |
| Goods and services trade balance | 4,632 <0.1> | 57,301 <1.2> | 57,040 <1.2> | 28,899 <0.6> | 1,742 < * > | 11,559 <0.8> | 26,231 <1.9> | 17,242 <1.4> | -18,136 <-1.4> |
| <u>Rates of change in real terms (%)</u> | | | | | | | | | |
| Total exports of goods | 0.8 | -1.9 | 1.4 | 5.6 | 3.5 | 5.0 | -0.4 | -4.7 | -6.5 |
| Imports of goods | 0.9 | -2.7 | 0.6 | 6.2 | 4.6 | 7.3 | -0.9 | -5.1 | -7.7 |
| Exports of services | 1.2 | -0.3 | -2.1 | 3.3 | 4.3 | 3.0 | 2.7 | 0.5 | -0.9 |
| Imports of services | 1.8 | 5.3 | 2.4 | 3.0 | 2.8 | 2.9 | 3.7 | -0.1 | 4.5 |

Notes: (#) Figures are subject to revision later on as more data become available.
 () As a percentage of the total value of imports of goods/services.
 < > As a percentage of the total value of imports of goods and services.
 (*) Within $\pm 0.05\%$.

**Table 7 : Total exports of goods by market
(in value terms)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | | <u>2018</u> | | <u>2019</u> | |
|--------------------|-------------|-------------|-------------|-------------|-------------|------------------|--------------------------------|------------|-------------|-------------|
| | (% change) | | | | (% change) | (\$Mn) | Q3 | Q4 | Q1 | Q2 |
| | | | | | | | (% change over a year earlier) | | | |
| All markets | 3.2 | -1.8 | -0.5 | 8.0 | 7.3 | 4,158,106 | 9.0 | 2.2 | -2.4 | -4.7 |
| Mainland of China | 1.5 | -2.1 | 0.4 | 8.4 | 8.6 | 2,287,303 | 11.1 | 0.8 | -6.6 | -5.3 |
| United States | 3.1 | 0.2 | -5.3 | 1.9 | 8.1 | 356,797 | 9.7 | 3.9 | -8.5 | -13.3 |
| India | 13.1 | 8.1 | 14.6 | 35.9 | -15.3 | 134,339 | 10.7 | -25.6 | -28.4 | -3.0 |
| Japan | -2.8 | -6.6 | -4.9 | 10.0 | 0.7 | 129,318 | -6.3 | -2.5 | -3.2 | -5.9 |
| Taiwan | 2.5 | -18.0 | 14.6 | 19.9 | -3.6 | 86,172 | -16.6 | -7.3 | -11.3 | -5.2 |
| Vietnam | 14.0 | 14.7 | -5.8 | 10.3 | 4.5 | 83,225 | 15.5 | -3.9 | 0.1 | -5.8 |
| Germany | -1.7 | -3.2 | -5.1 | 10.8 | 3.0 | 76,104 | -6.2 | -4.3 | 0.2 | -12.5 |
| Netherlands | 12.7 | 10.2 | 10.3 | 11.5 | 11.5 | 71,312 | 7.4 | 20.3 | 11.8 | -2.3 |
| Singapore | 2.2 | -2.3 | 4.8 | -0.4 | 13.3 | 69,150 | 4.2 | 23.0 | 17.7 | 5.3 |
| Thailand | 13.4 | -0.1 | -2.3 | 12.9 | 11.9 | 60,582 | 12.3 | 16.8 | 8.2 | -12.3 |
| Rest of the world | 6.3 | -2.8 | -3.2 | 3.3 | 10.0 | 803,805 | 9.3 | 10.1 | 14.5 | 1.3 |

Note: Individual figures may not add up exactly to the total due to rounding.

**Table 8 : Imports of goods by source
(in value terms)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | | <u>2018</u> | | <u>2019</u> | |
|--------------------|-------------|-------------|-------------|-------------|-------------|------------------|--------------------------------|------------|-------------|-------------|
| | (% change) | | | | (% change) | | Q3 | Q4 | Q1 | Q2 |
| | | | | | (\$Mn) | | (% change over a year earlier) | | | |
| All sources | 3.9 | -4.1 | -0.9 | 8.7 | 8.4 | 4,721,399 | 11.5 | 1.8 | -3.2 | -5.7 |
| Mainland of China | 2.3 | -0.1 | -3.4 | 5.9 | 7.7 | 2,186,267 | 9.5 | 4.4 | -0.4 | -3.9 |
| Taiwan | 14.7 | -8.6 | 6.4 | 12.9 | 2.7 | 338,445 | 3.0 | -16.6 | -16.9 | -4.7 |
| Singapore | 5.8 | -5.7 | 6.4 | 10.1 | 9.0 | 314,126 | 7.8 | 10.3 | 0.5 | -8.6 |
| Korea | 10.6 | -2.0 | 14.0 | 28.5 | 10.4 | 278,314 | 18.3 | -12.7 | -23.4 | -27.7 |
| Japan | 0.9 | -9.9 | -5.2 | 2.7 | 2.6 | 259,964 | 5.7 | -1.9 | -3.4 | -6.1 |
| United States | * | -3.9 | -2.0 | 3.4 | 8.1 | 231,128 | 16.1 | 7.0 | 5.4 | -1.5 |
| Malaysia | 16.7 | -7.9 | -3.7 | 26.8 | 64.6 | 189,090 | 78.6 | 24.3 | -8.2 | -9.9 |
| India | 10.0 | -13.7 | 11.9 | 15.8 | -14.0 | 92,397 | 1.3 | -13.0 | -14.7 | -20.4 |
| Thailand | 13.7 | -3.7 | -2.7 | 8.5 | 2.8 | 92,108 | 8.8 | -7.0 | -13.6 | -3.2 |
| Philippines | 22.0 | 10.3 | 5.8 | 27.6 | 1.1 | 77,129 | 1.7 | -14.3 | -13.1 | -20.4 |
| Rest of the world | -0.3 | -10.6 | -3.1 | 7.0 | 10.1 | 662,431 | 14.6 | 5.9 | 5.7 | 3.0 |

Notes: Individual figures may not add up exactly to the total due to rounding.

(*) Change within $\pm 0.05\%$.

**Table 9 : Exports and imports of services by component
(at current market prices)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | | <u>2018</u> | | <u>2019</u> | |
|----------------------------|--------------------------------|-------------|-------------|-------------------------|-------------------------|----------------|-------------|-----------------|-----------------|-----------------|
| | (% change) | | | (% change) | | | (\$Mn) | Q3 [#] | Q4 [#] | Q1 [#] |
| | (% change over a year earlier) | | | | | | | | | |
| Exports of services | 2.0 | -2.4 | -5.5 | 6.3 | 9.6 | 891,367 | 7.9 | 6.8 | 1.8 | 0.3 |
| Transport | 2.2 | -6.8 | -5.3 | 8.6 | 7.9 | 256,217 | 8.3 | 6.8 | 0.3 | -3.6 |
| Travel | -1.5 | -5.8 | -9.0 | 1.9 | 11.1 | 288,730 | 7.3 | 8.9 | 5.1 | 2.3 |
| Financial services | 7.0 | 8.5 | -6.8 | 14.6 | 14.9 | 182,316 | 10.5 | 6.5 | -0.8 | 2.5 |
| Other services | 4.7 | 1.6 | 2.3 | 2.8 | 4.5 | 164,104 | 5.2 | 3.3 | 1.3 | 1.4 |
| Imports of services | -1.7 | 0.1 | 0.7 | 4.7 | 4.9 | 635,320 | 3.2 | 1.6 | -3.2 | * |
| Transport | 1.5 | -5.9 | -2.1 | 3.7 | 5.5 | 143,709 | 4.1 | 3.3 | -3.0 | -3.9 |
| Travel | 3.7 | 4.7 | 4.8 | 5.6 | 4.7 | 207,232 | 1.9 | 3.6 | -4.4 | 6.5 |
| Manufacturing [^] | -20.2 | -2.7 | -2.0 | 3.5 | 3.0 | 94,093 | 4.1 | -4.4 | -10.9 | -14.4 |
| Other services | 3.5 | 2.2 | -0.1 | 5.2 | 5.7 | 190,286 | 3.4 | 1.3 | 1.4 | 3.4 |

Notes: Individual figures may not add up exactly to the total due to rounding.

Figures in this table are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Figures are subject to revision later on as more data become available.

([^]) This includes the value of processing fees paid by Hong Kong to the processing units outside Hong Kong and raw materials / semi-manufactures directly procured by these processing units.

(*) Change within $\pm 0.05\%$.

**Table 9a : Exports and imports of services by component based on the standards stipulated in the *System of National Accounts 2008* , other than the change of ownership principle
(at current market prices)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | | <u>2018</u> | | <u>2019</u> | |
|----------------------------|--------------------------------|-------------|-------------|-------------------------|-------------------------|------------------|-----------------|-----------------|-----------------|------------|
| | (% change) | | | (% change) | (\$Mn) | Q3 [#] | Q4 [#] | Q1 [#] | Q2 [#] | |
| | (% change over a year earlier) | | | | | | | | | |
| Exports of services | 2.0 | -2.6 | -4.0 | 6.3 | 8.5 | 1,164,903 | 7.3 | 5.9 | 1.8 | * |
| Transport | 2.2 | -6.8 | -5.3 | 8.6 | 7.9 | 256,217 | 8.3 | 6.8 | 0.3 | -3.6 |
| Travel | -1.5 | -5.8 | -9.0 | 1.9 | 11.1 | 288,730 | 7.3 | 8.9 | 5.1 | 2.3 |
| Trade-related | 1.9 | -3.0 | 0.6 | 5.8 | 4.9 | 316,682 | 5.8 | 3.5 | 1.7 | -0.9 |
| Other services | 6.6 | 6.4 | -2.4 | 9.3 | 10.5 | 303,274 | 8.4 | 5.1 | * | 2.1 |
| Imports of services | 3.0 | 0.7 | 1.2 | 5.0 | 5.3 | 541,227 | 3.0 | 2.7 | -1.9 | 2.6 |
| Transport | 1.5 | -5.9 | -2.1 | 3.7 | 5.5 | 143,709 | 4.1 | 3.3 | -3.0 | -3.9 |
| Travel | 3.7 | 4.7 | 4.8 | 5.6 | 4.7 | 207,232 | 1.9 | 3.6 | -4.4 | 6.5 |
| Trade-related | 2.8 | 0.1 | -0.9 | 2.9 | 4.4 | 35,881 | 5.4 | 2.5 | -1.3 | -2.5 |
| Other services | 3.6 | 2.7 | 0.1 | 5.8 | 6.0 | 154,405 | 2.9 | 1.0 | 2.0 | 4.8 |

Notes: Individual figures may not add up exactly to the total due to rounding.

(#) Figures are subject to revision later on as more data become available.

(*) Change within $\pm 0.05\%$.

Table 10 : Incoming visitors by source

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2018</u> | | <u>2019</u> | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | | | | | Q3 | Q4 | Q1 | Q2 |
| <u>('000)</u> | | | | | | | | | |
| All sources | 60 838.8 | 59 307.6 | 56 654.9 | 58 472.2 | 65 147.6 | 16 075.7 | 18 465.8 | 18 234.4 | 16 637.5 |
| Mainland of China | 47 247.7 | 45 842.4 | 42 778.1 | 44 445.3 | 51 038.2 | 12 942.0 | 14 407.4 | 14 582.2 | 12 991.3 |
| South and Southeast Asia | 3 614.8 | 3 559.1 | 3 701.8 | 3 626.2 | 3 571.8 | 698.3 | 1 085.7 | 871.9 | 1 028.5 |
| Taiwan | 2 031.9 | 2 015.8 | 2 011.4 | 2 010.8 | 1 925.2 | 491.4 | 485.1 | 464.9 | 459.1 |
| Europe | 1 863.3 | 1 829.4 | 1 904.9 | 1 901.5 | 1 937.6 | 412.3 | 558.7 | 486.8 | 462.7 |
| United States | 1 130.6 | 1 181.0 | 1 211.5 | 1 215.6 | 1 304.2 | 282.9 | 377.6 | 310.1 | 338.1 |
| Japan | 1 078.8 | 1 049.3 | 1 092.3 | 1 230.0 | 1 287.8 | 313.1 | 358.6 | 359.3 | 315.2 |
| Others | 3 871.9 | 3 830.7 | 3 954.8 | 4 042.9 | 4 082.7 | 935.8 | 1 192.6 | 1 159.1 | 1 042.7 |
| <u>(% change over a year earlier)</u> | | | | | | | | | |
| All sources | 12.0 | -2.5 | -4.5 | 3.2 | 11.4 | 8.4 | 16.6 | 16.8 | 10.9 |
| Mainland of China | 16.0 | -3.0 | -6.7 | 3.9 | 14.8 | 11.5 | 20.6 | 19.7 | 12.9 |
| South and Southeast Asia | -2.8 | -1.5 | 4.0 | -2.0 | -1.5 | -7.1 | 3.4 | 6.6 | 6.0 |
| Taiwan | -3.2 | -0.8 | -0.2 | * | -4.3 | -4.7 | -4.5 | 0.9 | -6.0 |
| Europe | -1.6 | -1.8 | 4.1 | -0.2 | 1.9 | 1.7 | 0.9 | -1.6 | -2.0 |
| United States | 1.9 | 4.5 | 2.6 | 0.3 | 7.3 | 5.9 | 11.0 | 1.4 | 0.1 |
| Japan | 2.1 | -2.7 | 4.1 | 12.6 | 4.7 | -3.5 | 11.2 | 10.0 | 8.9 |
| Others | 5.4 | -1.1 | 3.2 | 2.2 | 1.0 | -2.1 | 6.9 | 13.3 | 12.0 |

Notes: Individual figures may not add up exactly to the total due to rounding.

(*) Change within $\pm 0.05\%$.

Table 11 : Property market

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Completion of new property by the private sector | | | | | | | |
| ('000 m ² of internal floor area) | | | | | | | |
| Residential property ^(a) (in units) | 7 157 | 13 405 | 9 449 | 10 149 | 8 254 | 15 719 | 11 280 |
| Commercial property | 235 | 189 | 197 | 226 | 161 | 161 | 233 |
| <i>of which :</i> | | | | | | | |
| Office space | 151 | 124 | 155 | 136 | 123 | 104 | 164 |
| Other commercial premises ^(b) | 84 | 65 | 42 | 90 | 39 | 57 | 69 |
| Industrial property ^(c) | 3 | 21 | 105 | 170 | 85 | 116 | 30 |
| <i>of which :</i> | | | | | | | |
| Industrial-cum-office premises | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Conventional flatted factory space | 3 | 21 | 32 | 46 | 85 | 36 | 30 |
| Storage premises ^(d) | 0 | 0 | 73 | 123 | 0 | 80 | 0 |
| Production of public housing | | | | | | | |
| (in units) | | | | | | | |
| Rental housing flats ^(e) | 19 021 | 6 385 | 17 787 | 9 778 | 20 898 | 5 634 | 10 147 |
| Subsidised sales flats ^(e) | 370 | 1 110 | 0 | 0 | 0 | 0 | 1 310 |
| Building plans with consent to commence work in the private sector | | | | | | | |
| ('000 m ² of usable floor area) | | | | | | | |
| Residential property | 546.8 | 570.5 | 580.6 | 796.4 | 816.0 | 647.1 | 893.3 |
| Commercial property | 178.3 | 158.4 | 133.6 | 210.2 | 309.5 | 290.3 | 319.0 |
| Industrial property ^(f) | 97.1 | 34.3 | 109.3 | 70.7 | 138.1 | 105.9 | 225.3 |
| Other properties | 253.2 | 459.2 | 232.7 | 428.9 | 136.4 | 217.1 | 555.4 |
| Total | 1 075.4 | 1 222.4 | 1 056.2 | 1 506.1 | 1 400.1 | 1 260.4 | 1 993.0 |
| Agreements for sale and purchase of property | | | | | | | |
| (Number) | | | | | | | |
| Residential property ^(g) | 115 092 | 135 778 | 84 462 | 81 333 | 50 676 | 63 807 | 55 982 |
| Primary market | 16 161 | 13 646 | 10 880 | 12 968 | 11 046 | 16 857 | 16 826 |
| Secondary market | 98 931 | 122 132 | 73 582 | 68 365 | 39 630 | 46 950 | 39 156 |
| Selected types of non-residential properties ^(h) | | | | | | | |
| Office space | 2 521 | 3 591 | 3 071 | 3 269 | 1 685 | 1 271 | 1 470 |
| Other commercial premises | 5 359 | 7 639 | 5 980 | 7 282 | 4 305 | 3 092 | 2 067 |
| Flatted factory space | 5 554 | 8 206 | 7 619 | 9 731 | 4 271 | 3 016 | 3 407 |

Notes: Individual figures may not add up exactly to the total due to rounding.

- (a) Figures before 2002 cover all completed residential premises to which either temporary or full Occupation Permits have been granted, as well as village type houses issued with Letters of Compliance. Property developments subject to a Consent Scheme need a Certificate of Compliance, Consent to Assign or Consent to Lease in addition to an Occupation Permit before the premises can be individually assigned. Village-type housing units are excluded as from 2002 and units issued with temporary Occupation Permits are also excluded as from 2004 onwards.

Residential premises here pertain to private residential units, excluding units built under the Private Sector Participation Scheme (PSPS), Home Ownership Scheme (HOS), Buy or Rent Option, Mortgage Subsidy Scheme, Sandwich Class Housing Scheme, Urban Improvement Scheme (UIS) and Flat-for-Sale Scheme. Figures from 2004 onwards also cover those private flats converted from subsidised flats.

- (b) These include retail premises and other premises designed or adapted for commercial use, with the exception of purpose-built offices. Car-parking space and commercial premises built by the Hong Kong Housing Authority and the Hong Kong Housing Society are excluded.
- (c) These include industrial-cum-office premises, but exclude specialised factory buildings which are developed mainly for own use.
- (d) These include storage premises at the container terminals and the airport.

Table 11 : Property market (Cont'd)

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2018</u> | | <u>2019</u> | |
|---|-------------|-------------|-------------|-------------|-------|-------------|--------|
| | | | | Q3 | Q4 | Q1 | Q2 |
| Completion of new property by the private sector | | | | | | | |
| ('000 m ² of internal floor area) | | | | | | | |
| Residential property ^(a) (in units) | 14 595 | 17 791 | 20 968 | 6 441 | 8 307 | 971 | 4 763 |
| Commercial property | 276 | 303 | 304 | 144 | 40 | 93 | 203 |
| <i>of which :</i> | | | | | | | |
| Office space | 153 | 198 | 179 | 97 | 0 | 66 | 180 |
| Other commercial premises ^(b) | 123 | 105 | 125 | 47 | 40 | 27 | 23 |
| Industrial property ^(c) | 78 | 105 | 44 | 12 | 19 | 12 | 0 |
| <i>of which :</i> | | | | | | | |
| Industrial-cum-office premises | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Conventional flatted factory space | 5 | 23 | 41 | 12 | 19 | 12 | 0 |
| Storage premises ^(d) | 73 | 83 | 3 | 0 | 0 | 0 | 0 |
| Production of public housing | | | | | | | |
| (in units) | | | | | | | |
| Rental housing flats ^(e) | 21 755 | 11 268 | 20 137 | 7 184 | 5 724 | 1 314 | N.A. |
| Subsidised sales flats ^(e) | 229 | 2 788 | 4 863 | 3 233 | 683 | 4 506 | N.A. |
| Building plans with consent to commence work in the private sector | | | | | | | |
| ('000 m ² of usable floor area) | | | | | | | |
| Residential property | 645.8 | 872.8 | 703.0 | 114.8 | 149.5 | 214.0 | N.A. |
| Commercial property | 312.4 | 488.6 | 109.2 | 19.1 | 12.4 | 12.1 | N.A. |
| Industrial property ^(f) | 76.2 | 62.5 | 98.4 | 44.1 | 12.4 | 14.6 | N.A. |
| Other properties | 235.1 | 227.1 | 91.9 | 17.9 | 12.2 | 37.4 | N.A. |
| Total | 1 269.4 | 1 651.1 | 1 002.5 | 195.8 | 186.5 | 278.2 | N.A. |
| Agreements for sale and purchase of property | | | | | | | |
| (Number) | | | | | | | |
| Residential property ^(g) | 54 701 | 61 591 | 57 247 | 14 413 | 8 938 | 13 863 | 20 657 |
| Primary market | 16 793 | 18 645 | 15 633 | 4 495 | 3 456 | 5 313 | 7 226 |
| Secondary market | 37 908 | 42 946 | 41 614 | 9 918 | 5 482 | 8 550 | 13 431 |
| Selected types of non-residential properties ^(h) | | | | | | | |
| Office space | 1 105 | 1 955 | 1 331 | 344 | 167 | 209 | 343 |
| Other commercial premises | 1 523 | 2 198 | 1 926 | 444 | 283 | 279 | 456 |
| Flatted factory space | 2 727 | 5 135 | 4 852 | 1 164 | 483 | 558 | 886 |

Notes: (e) The series, sourced from the Housing Authority's housing production figures, exhaustively cover all housing production and to count projects (including surplus HOS projects) which undergo transfer of usage at the time of disposal and according to their actual usage. Moreover, surplus HOS courts and blocks pending disposal are excluded from production statistics until they are disposed. Rental and sales flats projects of the Housing Society are included.

(f) These include multi-purpose industrial premises designed also for office use.

(g) The figures are derived from sale and purchase agreements of domestic units received for registration for the relevant periods. They generally relate to transactions executed up to four weeks prior to their submission for registration. Sales of domestic units refer to sale and purchase agreements with payment of stamp duty. These statistics do not include sales of units under the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenants Purchase Scheme except those after payment of premium. Primary sales generally refer to sales from developers. Secondary sales refer to sales from parties other than developers.

(h) Timing of the figures for non-residential properties is based on the date on which the sale and purchase agreement is signed, which may differ from the date on which the agreement is received for registration.

N.A. Not yet available.

Table 12 : Property prices and rentals

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>(Index (1999=100))</u> | | | | | | | |
| Property price indices : | | | | | | | |
| Residential flats ^(a) | 121.3 | 150.9 | 182.1 | 206.2 | 242.4 | 256.9 | 296.8 |
| Office space | 179.8 | 230.4 | 297.9 | 334.7 | 409.8 | 423.0 | 448.9 |
| Shopping space | 193.1 | 257.2 | 327.4 | 420.5 | 506.8 | 521.2 | 559.2 |
| Flatted factory space | 216.3 | 284.4 | 385.0 | 489.8 | 655.4 | 668.0 | 723.9 |
| Property rental indices ^(b) : | | | | | | | |
| Residential flats | 100.4 | 119.7 | 134.0 | 142.6 | 154.5 | 159.5 | 172.8 |
| Office space | 135.7 | 147.6 | 169.9 | 188.3 | 204.1 | 213.7 | 226.7 |
| Shopping space | 110.9 | 122.9 | 134.3 | 151.3 | 165.5 | 173.1 | 182.5 |
| Flatted factory space | 99.4 | 108.9 | 118.6 | 131.9 | 147.3 | 160.1 | 174.4 |
| <u>(% change over a year earlier)</u> | | | | | | | |
| Property price indices : | | | | | | | |
| Residential flats ^(a) | 0.7 | 24.4 | 20.7 | 13.2 | 17.6 | 6.0 | 15.5 |
| Office space | -9.6 | 28.1 | 29.3 | 12.4 | 22.4 | 3.2 | 6.1 |
| Shopping space | 0.5 | 33.2 | 27.3 | 28.4 | 20.5 | 2.8 | 7.3 |
| Flatted factory space | -8.3 | 31.5 | 35.4 | 27.2 | 33.8 | 1.9 | 8.4 |
| Property rental indices ^(b) : | | | | | | | |
| Residential flats | -13.2 | 19.2 | 11.9 | 6.4 | 8.3 | 3.2 | 8.3 |
| Office space | -12.7 | 8.8 | 15.1 | 10.8 | 8.4 | 4.7 | 6.1 |
| Shopping space | -4.6 | 10.8 | 9.3 | 12.7 | 9.4 | 4.6 | 5.4 |
| Flatted factory space | -9.1 | 9.6 | 8.9 | 11.2 | 11.7 | 8.7 | 8.9 |

Notes: (a) Figures pertain to prices of existing flats traded in the secondary market, but not new flats sold in the primary market.

(b) All rental indices shown in this table have been adjusted for concessionary leasing terms such as provision of refurbishment, granting of rent-free periods, and waiver of miscellaneous charges, if known.

For residential property, changes in rentals cover only new tenancies for which rentals are freshly determined.

For non-residential property, changes in rentals cover also lease renewals upon which rentals may be revised.

(#) Figures for non-residential property are provisional.

(+) Provisional figures.

Table 12 : Property prices and rentals (Cont'd)

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2018</u> | | <u>2019</u> | |
|--|-------------|-------------|-------------|-------------|-------|-----------------|-----------------|
| | | | | Q3 | Q4 | Q1 [#] | Q2 ⁺ |
| <u>(Index (1999=100))</u> | | | | | | | |
| Property price indices : | | | | | | | |
| Residential flats ^(a) | 286.1 | 333.9 | 377.3 | 392.9 | 368.3 | 368.9 | 394.1 |
| Office space | 426.9 | 487.1 | 554.7 | 572.2 | 576.9 | 536.6 | 564.3 |
| Shopping space | 526.9 | 558.4 | 591.4 | 595.1 | 597.5 | 576.4 | 579.2 |
| Flatted factory space | 692.7 | 778.1 | 888.1 | 911.8 | 902.2 | 889.1 | 925.0 |
| Property rental indices ^(b) : | | | | | | | |
| Residential flats | 168.2 | 182.6 | 193.0 | 196.3 | 195.6 | 192.4 | 195.7 |
| Office space | 232.3 | 241.8 | 252.2 | 254.1 | 256.4 | 259.6 | 263.0 |
| Shopping space | 178.6 | 182.5 | 187.0 | 187.8 | 188.0 | 188.4 | 188.6 |
| Flatted factory space | 181.4 | 190.7 | 202.3 | 204.5 | 205.4 | 206.3 | 211.2 |
| <u>(% change over a year earlier)</u> | | | | | | | |
| Property price indices : | | | | | | | |
| Residential flats ^(a) | -3.6 | 16.7 | 13.0 | 15.8 | 5.8 | 1.3 | 2.7 |
| Office space | -4.9 | 14.1 | 13.9 | 17.0 | 12.9 | 2.6 | 3.2 |
| Shopping space | -5.8 | 6.0 | 5.9 | 5.8 | 4.2 | -1.3 | -1.7 |
| Flatted factory space | -4.3 | 12.3 | 14.1 | 15.7 | 10.2 | 4.5 | 4.2 |
| Property rental indices ^(b) : | | | | | | | |
| Residential flats | -2.7 | 8.6 | 5.7 | 6.1 | 4.5 | 2.4 | 2.0 |
| Office space | 2.5 | 4.1 | 4.3 | 4.2 | 4.4 | 5.2 | 4.6 |
| Shopping space | -2.1 | 2.2 | 2.5 | 2.3 | 1.6 | 1.6 | 1.1 |
| Flatted factory space | 4.0 | 5.1 | 6.1 | 6.0 | 4.8 | 4.7 | 4.5 |

Table 13 : Monetary aggregates

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>(as at end of period)</u> | | | | | | | |
| Hong Kong dollar money supply (\$Mn) | | | | | | | |
| M1 | 671,241 | 730,093 | 794,726 | 920,920 | 1,000,344 | 1,116,675 | 1,253,380 |
| M2 ^(a) | 3,587,717 | 3,866,788 | 4,046,216 | 4,537,384 | 4,795,130 | 5,225,773 | 5,765,549 |
| M3 ^(a) | 3,604,843 | 3,878,193 | 4,055,404 | 4,545,590 | 4,806,012 | 5,236,188 | 5,778,772 |
| Total money supply (\$Mn) | | | | | | | |
| M1 | 901,819 | 1,017,227 | 1,127,320 | 1,377,359 | 1,510,895 | 1,708,724 | 1,971,146 |
| M2 | 6,602,310 | 7,136,271 | 8,057,530 | 8,950,005 | 10,056,437 | 11,011,372 | 11,618,441 |
| M3 | 6,626,843 | 7,156,260 | 8,081,079 | 8,970,396 | 10,085,243 | 11,048,944 | 11,655,019 |
| Deposit (\$Mn) | | | | | | | |
| HK\$ | 3,373,595 | 3,617,183 | 3,740,240 | 4,176,200 | 4,390,953 | 4,800,330 | 5,312,403 |
| Foreign currency | 3,007,445 | 3,245,081 | 3,851,020 | 4,120,234 | 4,789,109 | 5,272,804 | 5,437,346 |
| Total | 6,381,040 | 6,862,265 | 7,591,260 | 8,296,434 | 9,180,062 | 10,073,135 | 10,749,749 |
| Loans and advances (\$Mn) | | | | | | | |
| HK\$ | 2,401,323 | 2,824,445 | 3,160,002 | 3,333,059 | 3,606,018 | 4,000,361 | 4,152,589 |
| Foreign currency | 887,160 | 1,403,281 | 1,920,659 | 2,233,751 | 2,850,795 | 3,275,910 | 3,381,951 |
| Total | 3,288,483 | 4,227,726 | 5,080,661 | 5,566,810 | 6,456,813 | 7,276,271 | 7,534,540 |
| Nominal Effective Exchange Rate Indices (Jan 2010 = 100) ^(b) | | | | | | | |
| Trade-weighted | 101.9 | 99.5 | 94.6 | 94.9 | 94.9 | 96.0 | 101.3 |
| Import-weighted | 102.2 | 99.2 | 93.9 | 94.2 | 94.7 | 96.0 | 101.7 |
| Export-weighted | 101.6 | 99.8 | 95.4 | 95.6 | 95.1 | 95.9 | 100.9 |
| <u>(% change)</u> | | | | | | | |
| Hong Kong dollar money supply | | | | | | | |
| M1 | 36.7 | 8.8 | 8.9 | 15.9 | 8.6 | 11.6 | 12.2 |
| M2 ^(a) | 10.7 | 7.8 | 4.6 | 12.1 | 5.7 | 9.0 | 10.3 |
| M3 ^(a) | 10.5 | 7.6 | 4.6 | 12.1 | 5.7 | 9.0 | 10.4 |
| Total money supply | | | | | | | |
| M1 | 39.6 | 12.8 | 10.8 | 22.2 | 9.7 | 13.1 | 15.4 |
| M2 | 5.3 | 8.1 | 12.9 | 11.1 | 12.4 | 9.5 | 5.5 |
| M3 | 5.2 | 8.0 | 12.9 | 11.0 | 12.4 | 9.6 | 5.5 |
| Deposit | | | | | | | |
| HK\$ | 11.2 | 7.2 | 3.4 | 11.7 | 5.1 | 9.3 | 10.7 |
| Foreign currency | -0.5 | 7.9 | 18.7 | 7.0 | 16.2 | 10.1 | 3.1 |
| Total | 5.3 | 7.5 | 10.6 | 9.3 | 10.7 | 9.7 | 6.7 |
| Loans and advances | | | | | | | |
| HK\$ | 2.0 | 17.6 | 11.9 | 5.5 | 8.2 | 10.9 | 3.8 |
| Foreign currency | -4.7 | 58.2 | 36.9 | 16.3 | 27.6 | 14.9 | 3.2 |
| Total | 0.1 | 28.6 | 20.2 | 9.6 | 16.0 | 12.7 | 3.5 |
| Nominal Effective Exchange Rate Indices (Jan 2010 = 100) ^(b) | | | | | | | |
| Trade-weighted | 1.2 | -2.4 | -4.9 | 0.3 | * | 1.2 | 5.5 |
| Import-weighted | 0.9 | -2.9 | -5.3 | 0.3 | 0.5 | 1.4 | 5.9 |
| Export-weighted | 1.5 | -1.8 | -4.4 | 0.2 | -0.5 | 0.8 | 5.2 |

Definition of Terms :

The Hong Kong Dollar Money Supply is the Hong Kong dollar component of the respective monetary aggregate.

Total Money Supply:

- M1: Legal tender notes and coins with the public, plus customers' demand deposits with licensed banks.
- M2: M1 plus customers' savings and time deposits with licensed banks, plus negotiable certificates of deposit issued by licensed banks and held outside the monetary sector, as well as short term Exchange Fund placements of less than one month.
- M3: M2 plus customers' deposits with restricted licence banks and deposit-taking companies, plus negotiable certificates of deposit issued by such institutions and held outside the monetary sector.

Table 13 : Monetary aggregates (Cont'd)

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2018</u> | | <u>2019</u> | |
|---|-------------|-------------|-------------|-------------|------------|-------------|------------|
| | | | | Q3 | Q4 | Q1 | Q2 |
| <i>(as at end of period)</i> | | | | | | | |
| Hong Kong dollar money supply (\$Mn) | | | | | | | |
| M1 | 1,428,775 | 1,598,014 | 1,555,731 | 1,602,519 | 1,555,731 | 1,583,172 | 1,566,091 |
| M2 ^(a) | 6,280,230 | 7,010,345 | 7,262,451 | 7,299,268 | 7,262,451 | 7,441,529 | 7,515,464 |
| M3 ^(a) | 6,292,666 | 7,024,514 | 7,284,322 | 7,321,701 | 7,284,322 | 7,461,791 | 7,536,687 |
| Total money supply (\$Mn) | | | | | | | |
| M1 | 2,213,970 | 2,431,461 | 2,421,598 | 2,445,424 | 2,421,598 | 2,418,572 | 2,428,901 |
| M2 | 12,508,127 | 13,755,255 | 14,348,059 | 14,116,664 | 14,348,059 | 14,485,182 | 14,536,903 |
| M3 | 12,551,331 | 13,803,837 | 14,403,688 | 14,175,405 | 14,403,688 | 14,545,033 | 14,594,039 |
| Deposit (\$Mn) | | | | | | | |
| HK\$ | 5,809,060 | 6,484,616 | 6,715,262 | 6,763,012 | 6,715,262 | 6,879,508 | 6,955,188 |
| Foreign currency | 5,918,240 | 6,267,872 | 6,671,119 | 6,342,585 | 6,671,119 | 6,679,751 | 6,652,789 |
| Total | 11,727,300 | 12,752,488 | 13,386,381 | 13,105,597 | 13,386,381 | 13,559,259 | 13,607,977 |
| Loans and advances (\$Mn) | | | | | | | |
| HK\$ | 4,479,107 | 5,359,983 | 5,836,238 | 5,746,301 | 5,836,238 | 6,038,281 | 6,210,439 |
| Foreign currency | 3,544,284 | 3,953,686 | 3,886,385 | 3,950,718 | 3,886,385 | 3,909,729 | 3,921,139 |
| Total | 8,023,390 | 9,313,668 | 9,722,623 | 9,697,019 | 9,722,623 | 9,948,011 | 10,131,579 |
| Nominal Effective Exchange Rate Indices | | | | | | | |
| (Jan 2010 =100) ^(b) | | | | | | | |
| Trade-weighted | 104.1 | 104.2 | 101.8 | 104.0 | 105.5 | 103.5 | 104.6 |
| Import-weighted | 104.2 | 104.2 | 101.7 | 103.8 | 105.4 | 103.3 | 104.4 |
| Export-weighted | 104.1 | 104.3 | 101.9 | 104.1 | 105.7 | 103.7 | 104.8 |
| (% change over a year earlier) | | | | | | | |
| Hong Kong dollar money supply | | | | | | | |
| M1 | 14.0 | 11.8 | -2.6 | -0.3 | -2.6 | -4.4 | -5.7 |
| M2 ^(a) | 8.9 | 11.6 | 3.6 | 4.2 | 3.6 | 2.9 | 3.5 |
| M3 ^(a) | 8.9 | 11.6 | 3.7 | 4.3 | 3.7 | 3.0 | 3.5 |
| Total money supply | | | | | | | |
| M1 | 12.3 | 9.8 | -0.4 | 2.2 | -0.4 | -2.2 | -3.6 |
| M2 | 7.7 | 10.0 | 4.3 | 4.7 | 4.3 | 3.9 | 4.0 |
| M3 | 7.7 | 10.0 | 4.3 | 4.7 | 4.3 | 4.0 | 4.0 |
| Deposit | | | | | | | |
| HK\$ | 9.3 | 11.6 | 3.6 | 4.2 | 3.6 | 3.0 | 3.6 |
| Foreign currency | 8.8 | 5.9 | 6.4 | 5.5 | 6.4 | 7.2 | 6.6 |
| Total | 9.1 | 8.7 | 5.0 | 4.8 | 5.0 | 5.0 | 5.0 |
| Loans and advances | | | | | | | |
| HK\$ | 7.9 | 19.7 | 8.9 | 12.4 | 8.9 | 8.7 | 8.3 |
| Foreign currency | 4.8 | 11.6 | -1.7 | 0.4 | -1.7 | -4.5 | -3.7 |
| Total | 6.5 | 16.1 | 4.4 | 7.2 | 4.4 | 3.1 | 3.3 |
| Nominal Effective Exchange Rate Indices | | | | | | | |
| (Jan 2010 =100) ^(b) | | | | | | | |
| Trade-weighted | 2.8 | 0.1 | -2.3 | 1.3 | 3.1 | 5.0 | 5.3 |
| Import-weighted | 2.5 | * | -2.4 | 1.1 | 3.0 | 4.8 | 5.1 |
| Export-weighted | 3.2 | 0.2 | -2.3 | 1.4 | 3.3 | 5.1 | 5.5 |

Notes: (a) Adjusted to include foreign currency swap deposits.

(b) Period average.

(*) Change within $\pm 0.05\%$.

Table 14 : Rates of change in business receipts indices for services industries/domains

| | (%) | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------|------|------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2018</u> | | | <u>2019</u> |
| | | | | | Q2 | Q3 | Q4 | Q1 |
| Services Industry | | | | | | | | |
| Import and export trade | -3.9 | -2.5 | 2.3 | 3.7 | 5.8 | 3.0 | 1.6 | -3.1 |
| Wholesale | -4.9 | -1.0 | 2.8 | 4.3 | 7.9 | 3.2 | 0.7 | -6.1 |
| Retail | -3.7 | -8.1 | 2.2 | 8.7 | 12.4 | 6.5 | 2.3 | -1.2 |
| Transportation | -4.3 | -6.5 | 7.1 | 8.0 | 8.6 | 6.2 | 7.2 | 1.9 |
| <i>within which:</i> | | | | | | | | |
| Land transport | 5.4 | 3.6 | 1.8 | 5.3 | 6.5 | 3.5 | 7.3 | 7.8 |
| Water transport | -7.7 | -11.2 | 5.6 | 4.4 | -0.8 | 3.6 | 9.4 | 3.5 |
| Air transport | -5.1 | -7.0 | 10.0 | 11.3 | 15.4 | 8.7 | 6.0 | -1.0 |
| Warehousing and storage | 12.7 | 12.1 | 14.1 | 12.7 | 12.5 | 8.9 | 12.8 | 4.3 |
| Courier | -5.9 | 5.5 | 19.1 | -0.7 | 2.4 | -11.9 | -4.7 | -11.0 |
| Accommodation services ^(a) | -6.6 | -1.1 | 6.0 | 10.8 | 16.4 | 10.4 | 7.0 | 9.8 |
| Food services | 3.9 | 2.9 | 5.0 | 6.0 | 6.7 | 5.5 | 2.3 | 3.1 |
| Information and communications | 10.8 | 0.6 | 2.9 | 3.1 | 5.5 | 3.0 | -4.8 | 1.9 |
| <i>within which:</i> | | | | | | | | |
| Telecommunications | 19.6 | -0.8 | -3.5 | 2.2 | 5.5 | 0.2 | -6.4 | -4.0 |
| Film entertainment | -3.1 | -4.5 | 4.3 | 3.1 | 5.7 | -0.9 | 6.1 | 0.3 |
| Banking | 8.3 | 8.1 | -0.1 | 6.8 | 7.9 | 7.1 | 1.2 | 0.2 |
| Financing (except banking) | 19.0 | -6.0 | 7.2 | 10.3 | 8.0 | 6.6 | -0.3 | -5.8 |
| <i>within which:</i> | | | | | | | | |
| Financial markets and asset management | 19.0 | -8.7 | 1.6 | 11.6 | 9.9 | 5.5 | -3.7 | -6.5 |
| <i>within which: Asset management</i> | 7.0 | 4.1 | 4.4 | 3.7 | 6.7 | -3.7 | -9.6 | -0.8 |
| Insurance | 11.7 | 21.8 | 11.8 | 8.7 | 6.5 | 6.9 | 12.3 | 13.2 |
| Real estate | 7.0 | 10.4 | 10.2 | 5.4 | 3.0 | 16.2 | -2.9 | 15.4 |
| Professional, scientific and technical services | 5.3 | 3.3 | 1.9 | 3.3 | 4.7 | 4.9 | -2.0 | 2.7 |
| Administrative and support services | 7.4 | 0.9 | 1.5 | 3.5 | 2.9 | 4.3 | 3.8 | 4.2 |
| Services Domain | | | | | | | | |
| Tourism, convention and exhibition services | -5.0 | -8.1 | 0.8 | 11.0 | 13.5 | 7.9 | 8.3 | 4.0 ⁺ |
| Computer and information technology services | -4.2 | -3.5 | 1.4 | 2.9 | 2.1 | 1.8 | 3.9 | -2.6 |

Notes: Upon the implementation of the new Hong Kong Standard Industrial Classification (HSIC) Version 2.0 by the C&SD in October 2008, the new classification has been adopted in compiling the quarterly business receipts indices. Starting from the first quarter of 2009, all business receipts indices are compiled based on the HSIC Version 2.0, and the base period of the indices has been changed to 2008 (i.e. with the quarterly average of the indices in 2008 taken as 100). The series of business receipts indices under the HSIC Version 2.0 has also been backcasted to the first quarter of 2005.

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(+) Provisional figures.

Table 15 : Labour force characteristics

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2018</u> | | <u>2019</u> | |
|--|-------------|-------------|-------------|-------------|-------------|-----------------|-----------------|-------------|---------|
| | | | | | | Q3 [#] | Q4 [#] | Q1 | Q2 |
| <u>(%)</u> | | | | | | | | | |
| Labour force participation rate | 61.1 | 61.1 | 61.1 | 61.1 | 61.2 | 61.1 | 60.8 | 60.7 | 60.7 |
| Seasonally adjusted unemployment rate ^(a) | 3.3 | 3.3 | 3.4 | 3.1 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Underemployment rate | 1.5 | 1.4 | 1.4 | 1.2 | 1.1 | 1.2 | 1.1 | 1.0 | 1.0 |
| <u>('000)</u> | | | | | | | | | |
| Population of working age | 6 340.1 | 6 383.7 | 6 420.9 | 6 463.3 | 6 506.4 | 6 517.5 | 6 535.7 | 6 540.5 | 6 566.5 |
| Labour force | 3 871.1 | 3 903.2 | 3 920.1 | 3 946.6 | 3 979.0 | 3 985.1 | 3 973.4 | 3 970.8 | 3 985.0 |
| Persons employed | 3 743.5 | 3 773.8 | 3 787.1 | 3 823.2 | 3 867.0 | 3 867.0 | 3 867.7 | 3 860.4 | 3 870.7 |
| Persons unemployed | 127.6 | 129.4 | 133.0 | 123.4 | 112.0 | 118.1 | 105.7 | 110.4 | 114.3 |
| Persons underemployed | 56.8 | 53.3 | 54.7 | 45.6 | 43.2 | 47.4 | 44.5 | 38.9 | 41.2 |
| <u>(% change over a year earlier)</u> | | | | | | | | | |
| Population of working age | 0.7 | 0.7 | 0.6 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 1.0 |
| Labour force | 0.4 | 0.8 | 0.4 | 0.7 | 0.8 | 1.0 | 0.6 | -0.1 | 0.4 |
| Persons employed | 0.5 | 0.8 | 0.4 | 1.0 | 1.1 | 1.3 | 0.7 | -0.1 | 0.4 |
| Persons unemployed | -2.7 | 1.4 | 2.8 | -7.2 | -9.2 | -8.7 | -3.7 | -1.0 | 1.6 |
| Persons underemployed | -2.6 | -6.1 | 2.5 | -16.5 | -5.3 | 5.5 | 4.8 | 0.2 | -0.6 |

Notes: (a) Seasonal adjustment is not applicable to annual unemployment rates.

(#) Figures have been revised to take into account the final 2018 population estimates.

Table 16 : Employment in selected major industries

| Selected major industries | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2018</u> | | | <u>2019</u> | (No.) |
|---|-------------|-------------|-------------|-------------|-------------|--------------------------------|-------|-------|-------------|---------|
| | (% change) | | | | | Jun | Sep | Dec | Mar | |
| | | | | | | (% change over a year earlier) | | | | |
| Manufacturing | -1.2 | -2.8 | -3.6 | -3.3 | -3.0 | -3.8 | -2.8 | -1.5 | -2.6 | 88 522 |
| Construction sites (covering manual workers only) | 4.4 | 14.9 | 13.3 | 10.1 | -5.8 | 2.9 | -11.4 | -16.1 | -11.0 | 107 448 |
| Import and export trade | 0.1 | -1.4 | -0.7 | -0.4 | -0.6 | -0.6 | -0.6 | -0.6 | -3.7 | 460 128 |
| Wholesale | -0.3 | -1.4 | -0.8 | -0.6 | -0.9 | -0.9 | -1.0 | -1.2 | -2.1 | 59 147 |
| Retail | 2.2 | -0.5 | -1.1 | 0.5 | 1.7 | 1.6 | 2.2 | 1.8 | 0.6 | 272 598 |
| Food and beverage services | 2.4 | 0.1 | -0.2 | 0.3 | 2.8 | 3.0 | 3.1 | 3.5 | 2.1 | 251 764 |
| Accommodation services ^(a) | 3.2 | -1.1 | -2.1 | 0.3 | 4.8 | 4.5 | 5.8 | 5.9 | 6.6 | 42 202 |
| Transportation, storage, postal and courier services | 2.7 | 1.6 | 0.5 | 0.2 | 0.6 | 1.2 | 0.6 | -0.1 | 0.8 | 180 668 |
| Information and communications | 2.7 | 1.1 | 0.7 | 0.9 | 1.5 | 1.5 | 2.3 | 2.6 | 3.4 | 110 578 |
| Financing and insurance | 2.3 | 2.3 | 0.8 | 1.5 | 2.6 | 2.4 | 2.8 | 2.8 | 3.2 | 236 116 |
| Real estate | 0.6 | 1.7 | -0.1 | 1.3 | 2.0 | 2.0 | 1.9 | 2.4 | 2.3 | 135 486 |
| Professional and business services (excluding cleaning and similar services) | 2.7 | 2.4 | 1.9 | 2.1 | 3.2 | 3.3 | 3.5 | 3.2 | 2.3 | 307 106 |
| Cleaning and similar services | 0.2 | 2.4 | 0.5 | 0.7 | -1.4 | -1.6 | -1.2 | -1.5 | -1.1 | 80 334 |
| Education | 4.4 | 3.9 | 2.3 | 1.6 | 1.8 | 1.9 | 1.8 | 1.6 | 1.6 | 206 227 |
| Human health services | 4.3 | 4.5 | 4.3 | 3.5 | 3.4 | 3.4 | 3.2 | 3.7 | 4.3 | 133 974 |
| Residential care and social work services | 0.6 | 2.8 | 3.0 | 1.0 | 1.0 | 1.6 | 0.9 | 0.7 | 0.9 | 64 175 |
| Arts, entertainment, recreation and other services | 5.9 | 0.9 | -2.2 | -0.6 | 1.4 | 1.3 | 1.8 | 1.6 | 1.2 | 126 500 |
| Civil service ^(b) | 1.0 | 0.7 | 1.2 | 1.6 | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | 174 902 |
| Others ^(c) | 3.1 | -1.0 | 0.8 | 2.1 | * | -1.6 | 0.9 | 0.7 | 0.5 | 11 299 |

Notes: Starting from March 2009, the survey coverage has been expanded to include more economic activities in some of the industries due to the change in industrial classification based on the Hong Kong Standard Industrial Classification (HSIC) Version 2.0. The activities newly covered are in the industries of transportation, storage, postal and courier services; professional and business services; and arts, entertainment, recreation and other services. The series of employment statistics under the HSIC Version 2.0 has also been backcasted to March 2000.

- (a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.
- (b) These figures cover only those employed on civil service terms of appointment. Judges, judicial officers, ICAC officers, locally engaged staff working in the Hong Kong Economic and Trade Offices outside Hong Kong, and other government employees such as non-civil service contract staff are not included.
- (c) Include employment in mining and quarrying; and in electricity and gas supply, and waste management.
- (*) Change within $\pm 0.05\%$.

Table 17 : Number of manual workers engaged at building and construction sites

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | | <u>2018</u> | | <u>2019</u> |
|---------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | | Jun | Sep | Dec | Mar |
| <u>(Number)</u> | | | | | | | | | |
| Building sites | | | | | | | | | |
| Private sector | 44 024 | 50 372 | 60 243 | 65 985 | 65 700 | 68 108 | 63 600 | 63 218 | 67 430 |
| Public sector ^(a) | 11 212 | 15 470 | 16 030 | 21 660 | 21 604 | 22 103 | 21 264 | 20 556 | 19 167 |
| Sub-total | 55 236 | 65 842 | 76 273 | 87 645 | 87 303 | 90 211 | 84 864 | 83 774 | 86 597 |
| Civil engineering sites | | | | | | | | | |
| Private sector | 1 414 | 1 609 | 1 386 | 979 | 1 729 | 1 475 | 1 889 | 2 083 | 2 488 |
| Public sector ^(a) | 26 145 | 27 652 | 30 141 | 30 050 | 22 816 | 24 365 | 20 850 | 17 160 | 18 363 |
| Sub-total | 27 559 | 29 261 | 31 526 | 31 029 | 24 546 | 25 840 | 22 739 | 19 243 | 20 851 |
| Total | 82 795 | 95 103 | 107 799 | 118 674 | 111 849 | 116 051 | 107 603 | 103 017 | 107 448 |
| <u>(% change over a year earlier)</u> | | | | | | | | | |
| Building sites | | | | | | | | | |
| Private sector | 6.6 | 14.4 | 19.6 | 9.5 | -0.4 | 7.8 | -4.7 | -7.6 | -0.7 |
| Public sector ^(a) | 13.7 | 38.0 | 3.6 | 35.1 | -0.3 | 9.5 | -5.0 | -10.3 | -14.8 |
| Sub-total | 8.0 | 19.2 | 15.8 | 14.9 | -0.4 | 8.2 | -4.8 | -8.3 | -4.2 |
| Civil engineering sites | | | | | | | | | |
| Private sector | 7.0 | 13.8 | -13.9 | -29.3 | 76.6 | 63.2 | 111.8 | 106.2 | 69.3 |
| Public sector ^(a) | -2.5 | 5.8 | 9.0 | -0.3 | -24.1 | -14.7 | -33.6 | -43.5 | -36.4 |
| Sub-total | -2.0 | 6.2 | 7.7 | -1.6 | -20.9 | -12.3 | -29.6 | -38.7 | -31.3 |
| Total | 4.4 | 14.9 | 13.3 | 10.1 | -5.8 | 2.9 | -11.4 | -16.1 | -11.0 |

Notes: Individual figures may not add up exactly to the total due to rounding.

(a) Including the Mass Transit Railway Corporation Limited and the Airport Authority Hong Kong.

**Table 18 : Rates of change in indices of payroll per person engaged
by selected industry section**

| | (%) | | | | | | | | |
|--|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 | | 2019 | |
| Selected industry sections | | | | | | Q2 | Q3 | Q4 | Q1 |
| (in nominal terms) | | | | | | | | | |
| Manufacturing | 5.3 | 5.2 | 3.5 | 3.4 | 4.0 | 3.8 | 3.8 | 4.0 | 3.9 |
| Import/export and wholesale trades | 2.8 | 3.7 | 2.3 | 2.9 | 3.2 | 3.3 | 3.2 | 2.8 | 2.8 |
| Retail trade | 4.2 | 3.5 | 2.4 | 3.3 | 3.0 | 3.3 | 3.1 | 2.6 | 2.4 |
| Transportation, storage, postal and courier services | 3.3 | 4.3 | 3.3 | 3.4 | 4.1 | 3.7 | 4.8 | 4.8 | 4.9 |
| Accommodation ^(a) and food service activities | 5.2 | 5.8 | 5.1 | 4.7 | 5.3 | 5.0 | 5.6 | 5.7 | 5.2 |
| Information and communications | 5.1 | 4.4 | 3.4 | 3.3 | 3.3 | 3.4 | 3.2 | 3.3 | 4.1 |
| Financial and insurance activities | 6.3 | 4.0 | 2.7 | 3.0 | 3.1 | 3.1 | 3.2 | 3.3 | 3.2 |
| Real estate activities | 4.7 | 5.1 | 4.2 | 4.3 | 4.3 | 4.5 | 4.3 | 4.1 | 4.1 |
| Professional and business services | 6.9 | 5.8 | 5.1 | 4.2 | 4.6 | 4.4 | 4.5 | 4.8 | 4.8 |
| Social and personal services | 1.6 | 6.7 | 2.5 | 3.1 | 4.3 | 3.1 | 7.8 | 2.9 | 4.1 |
| All selected industry sections surveyed | 4.3 | 4.6 | 3.7 | 3.7 | 3.9 | 3.8 | 4.6 | 3.7 | 4.0 |
| (in real terms) | | | | | | | | | |
| Manufacturing | 0.9 | 2.1 | 1.0 | 2.0 | 1.6 | 1.7 | 1.3 | 1.4 | 1.6 |
| Import/export and wholesale trades | -1.5 | 0.7 | -0.1 | 1.4 | 0.8 | 1.2 | 0.7 | 0.2 | 0.6 |
| Retail trade | -0.1 | 0.5 | * | 1.8 | 0.6 | 1.2 | 0.6 | * | 0.1 |
| Transportation, storage, postal and courier services | -1.0 | 1.3 | 0.9 | 1.9 | 1.6 | 1.5 | 2.3 | 2.1 | 2.7 |
| Accommodation ^(a) and food service activities | 0.8 | 2.7 | 2.6 | 3.2 | 2.8 | 2.8 | 3.1 | 3.0 | 3.0 |
| Information and communications | 0.7 | 1.4 | 1.0 | 1.9 | 0.8 | 1.3 | 0.7 | 0.7 | 1.8 |
| Financial and insurance activities | 1.9 | 0.7 | 0.3 | 1.6 | 0.7 | 1.0 | 0.7 | 0.7 | 1.0 |
| Real estate activities | 0.2 | 2.0 | 1.7 | 2.8 | 1.9 | 2.3 | 1.8 | 1.5 | 1.9 |
| Professional and business services | 2.3 | 2.8 | 2.6 | 2.7 | 2.2 | 2.2 | 2.0 | 2.1 | 2.5 |
| Social and personal services | -2.7 | 3.6 | 0.1 | 1.6 | 1.8 | 1.0 | 5.2 | 0.3 | 1.8 |
| All selected industry sections surveyed | -0.1 | 1.5 | 1.3 | 2.3 | 1.5 | 1.6 | 2.1 | 1.1 | 1.8 |

Notes: The rates of change in real terms are compiled from the Real Indices of Payroll per Person Engaged. The Indices are derived by deflating the Nominal Indices of Payroll per Person Engaged by the 2014/15-based Composite CPI.

In addition to wages, which include all regular and guaranteed payments like basic pay and stipulated bonuses and allowances, payroll also covers overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in industrial and occupational coverage, the movements in payroll per person engaged do not necessarily match closely with those in wage rates.

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(*) Change within $\pm 0.05\%$.

**Table 19 : Rates of change in wage indices
by selected industry section**

| | (%) | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|------------|-------------|------------|-------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | | <u>2018</u> | | <u>2019</u> |
| Selected industry sections | | | | | | Jun | Sep | Dec | Mar |
| (in nominal terms) | | | | | | | | | |
| Manufacturing | 4.9 | 4.0 | 4.0 | 3.7 | 3.6 | 3.8 | 3.9 | 4.0 | 3.9 |
| Import/export, wholesale and retail trades | 2.5 | 3.1 | 2.7 | 3.0 | 3.0 | 3.0 | 3.2 | 3.0 | 2.8 |
| Transportation | 4.8 | 4.4 | 3.5 | 2.9 | 4.7 | 3.2 | 5.8 | 5.9 | 4.9 |
| Accommodation ^(a) and food service activities | 4.7 | 5.4 | 4.9 | 4.7 | 4.6 | 4.7 | 4.5 | 4.8 | 4.7 |
| Financial and insurance activities ^(b) | 3.2 | 3.2 | 3.4 | 3.5 | 3.5 | 3.6 | 3.7 | 3.8 | 3.7 |
| Real estate leasing and maintenance management | 4.5 | 3.4 | 3.7 | 4.1 | 4.4 | 4.4 | 4.2 | 4.2 | 4.0 |
| Professional and business services | 6.7 | 6.9 | 4.7 | 4.7 | 4.4 | 4.5 | 4.5 | 4.2 | 4.1 |
| Personal services | 7.8 | 6.5 | 5.5 | 4.2 | 4.1 | 4.1 | 3.9 | 3.9 | 3.8 |
| All industries surveyed | 4.2 | 4.4 | 3.7 | 3.8 | 4.0 | 3.8 | 4.1 | 4.1 | 3.9 |
| (in real terms) | | | | | | | | | |
| Manufacturing | -1.6 | 0.2 | 1.4 | 2.2 | 0.8 | 1.2 | 0.5 | 0.9 | 1.4 |
| Import/export, wholesale and retail trades | -3.9 | -0.6 | 0.3 | 1.6 | 0.1 | 0.4 | -0.1 | * | 0.4 |
| Transportation | -1.9 | 0.6 | 1.0 | 1.5 | 1.7 | 0.6 | 2.4 | 2.8 | 2.4 |
| Accommodation ^(a) and food service activities | -1.8 | 1.5 | 2.3 | 3.3 | 1.7 | 2.1 | 1.1 | 1.7 | 2.2 |
| Financial and insurance activities ^(b) | -3.7 | -0.5 | 0.9 | 2.1 | 0.6 | 1.0 | 0.4 | 0.8 | 1.3 |
| Real estate leasing and maintenance management | -1.9 | -0.4 | 1.1 | 2.6 | 1.4 | 1.8 | 0.8 | 1.2 | 1.6 |
| Professional and business services | * | 2.9 | 2.3 | 3.2 | 1.5 | 1.8 | 1.1 | 1.2 | 1.6 |
| Personal services | 1.1 | 2.6 | 3.0 | 2.7 | 1.1 | 1.4 | 0.5 | 0.8 | 1.4 |
| All industries surveyed | -2.4 | 0.6 | 1.2 | 2.3 | 1.0 | 1.2 | 0.8 | 1.0 | 1.4 |

Notes: The rates of change in real terms are compiled from the Real Wage Indices. The Indices are derived by deflating the Nominal Wage Indices by the 2014/15-based CPI(A).

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(b) Excluding stock, commodity and bullion brokers, exchanges and services companies; and real estate agencies.

(*) Change within $\pm 0.05\%$.

**Table 20 : Monthly wage level and distribution analysed
by industry section : all employees**

(HK\$)

| Industry sections | May – Jun 2017 | | | May – Jun 2018 | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 25th percentile | 50th percentile | 75th percentile | 25th percentile | 50th percentile | 75th percentile |
| Manufacturing ^(a) | 13,300 | 16,100 | 24,200 | 13,900 | 16,900 | 26,000 |
| Electricity and gas supply; sewerage, waste management and remediation activities | 20,000 | 26,500 | 42,200 | 21,000 | 27,800 | 45,300 |
| Construction | 17,300 | 22,100 | 27,000 | 18,000 | 22,800 | 28,400 |
| Import and export trade | 12,900 | 17,500 | 26,900 | 13,500 | 18,300 | 27,500 |
| Wholesale | 11,100 | 14,300 | 19,300 | 11,500 | 14,900 | 19,700 |
| Retail trade | 10,400 | 13,000 | 17,200 | 10,600 | 13,500 | 17,600 |
| <i>within which:</i> | | | | | | |
| Supermarkets and convenience stores | 6,800 | 11,000 | 13,600 | 7,400 | 11,500 | 14,400 |
| Other retail stores | 10,700 | 13,300 | 18,000 | 11,300 | 13,800 | 18,200 |
| Land transport | 14,100 | 18,200 | 27,100 | 14,000 | 18,900 | 28,500 |
| Other transportation, storage, postal and courier services ^(b) | 13,300 | 17,500 | 23,800 | 14,000 | 18,400 | 24,700 |
| Restaurants | 10,000 | 12,400 | 16,100 | 10,600 | 13,100 | 17,000 |
| <i>within which:</i> | | | | | | |
| Hong Kong style tea cafes | 10,600 | 12,300 | 16,500 | 11,400 | 13,000 | 16,900 |
| Chinese restaurants | 11,600 | 13,800 | 18,600 | 12,300 | 14,400 | 19,400 |
| Restaurants, other than Chinese | 11,000 | 13,000 | 16,600 | 11,500 | 13,500 | 17,000 |
| Fast food cafes ^(c) | 4,400 | 9,300 | 12,000 | 4,800 | 9,700 | 13,100 |
| Accommodation ^(d) and other food service activities | 12,000 | 14,900 | 19,500 | 12,500 | 15,500 | 19,400 |
| Information and communications | 14,700 | 21,600 | 33,000 | 15,400 | 22,800 | 35,000 |
| Financing and insurance | 17,100 | 26,900 | 45,000 | 18,000 | 27,500 | 45,500 |
| Real estate activities ^(e) | 13,600 | 21,500 | 31,900 | 14,500 | 22,300 | 34,000 |
| Estate management, security and cleaning services | 9,500 | 11,700 | 14,300 | 9,600 | 12,400 | 15,200 |
| <i>within which:</i> | | | | | | |
| Real estate maintenance management | 11,600 | 12,900 | 15,900 | 12,000 | 13,500 | 16,500 |
| Security services ^(f) | 10,600 | 12,300 | 14,600 | 11,100 | 12,800 | 15,600 |
| Cleaning services | 7,600 | 9,100 | 10,200 | 7,500 | 9,200 | 10,400 |
| Membership organisations ^(g) | 9,600 | 12,900 | 20,000 | 10,200 | 13,100 | 21,000 |
| Professional, scientific and technical services | 14,800 | 22,100 | 34,600 | 15,200 | 23,300 | 36,000 |
| Administrative and support services activities | 12,000 | 16,200 | 25,000 | 12,500 | 16,500 | 26,300 |
| Travel agency, reservation service and related activities | 11,500 | 14,100 | 20,000 | 11,800 | 14,800 | 21,000 |
| Education and public administration (excluding the Government) | 13,800 | 27,500 | 49,400 | 14,000 | 28,400 | 50,900 |
| Human health activities; and beauty and body prettifying treatment | 13,500 | 18,200 | 40,000 | 13,500 | 18,800 | 41,100 |
| Miscellaneous activities | 10,000 | 12,000 | 15,700 | 10,400 | 12,400 | 16,300 |
| <i>within which:</i> | | | | | | |
| Elderly homes | 11,300 | 13,100 | 16,000 | 12,000 | 13,700 | 16,600 |
| Laundry and dry cleaning services | 8,200 | 11,100 | 14,700 | 8,900 | 11,500 | 15,500 |
| Hairdressing and other personal services | 9,700 | 11,500 | 15,600 | 10,200 | 12,000 | 16,300 |
| Local courier services | 8,000 | 10,200 | 14,000 | 8,100 | 10,600 | 14,300 |
| Food processing and production | 9,600 | 12,000 | 17,000 | 10,000 | 12,400 | 17,800 |
| Other activities not classified above | 11,200 | 15,000 | 23,300 | 11,900 | 15,600 | 24,500 |
| All industry sections above | 12,100 | 16,800 | 26,300 | 12,600 | 17,500 | 27,300 |

Notes: Monthly wages are rounded to the nearest hundred of Hong Kong dollar.

(a) Excluding food processing and production.

(b) Excluding local courier services.

(c) Including takeaway shops.

(d) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(e) Excluding real estate maintenance management.

(f) Including investigation activities and services to buildings and landscape care activities.

(g) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

**Table 21 : Hourly wage level and distribution analysed
by industry section : all employees**

(HK\$)

| Industry sections | May – Jun 2017 | | | May – Jun 2018 | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 25th percentile | 50th percentile | 75th percentile | 25th percentile | 50th percentile | 75th percentile |
| Manufacturing ^(a) | 50.5 | 65.4 | 97.4 | 52.8 | 68.8 | 101.7 |
| Electricity and gas supply; sewerage, waste management and remediation activities | 74.2 | 102.3 | 153.3 | 76.0 | 107.3 | 169.1 |
| Construction | 73.2 | 93.2 | 114.3 | 75.5 | 96.7 | 118.8 |
| Import and export trade | 54.4 | 75.0 | 113.9 | 56.5 | 78.9 | 116.3 |
| Wholesale | 48.4 | 60.5 | 81.3 | 50.2 | 63.5 | 84.3 |
| Retail trade | 41.6 | 49.3 | 64.8 | 44.1 | 51.3 | 66.2 |
| <i>within which:</i> | | | | | | |
| Supermarkets and convenience stores | 39.0 | 43.8 | 49.2 | 41.2 | 45.8 | 50.3 |
| Other retail stores | 42.3 | 51.0 | 68.3 | 44.8 | 54.0 | 69.7 |
| Land transport | 52.4 | 75.0 | 115.5 | 54.6 | 77.6 | 120.0 |
| Other transportation, storage, postal and courier services ^(b) | 49.5 | 64.5 | 88.2 | 51.6 | 67.9 | 93.4 |
| Restaurants | 42.0 | 47.0 | 58.7 | 44.7 | 49.9 | 62.5 |
| <i>within which:</i> | | | | | | |
| Hong Kong style tea cafes | 43.1 | 47.8 | 58.1 | 45.0 | 49.2 | 60.0 |
| Chinese restaurants | 43.0 | 49.2 | 65.8 | 44.8 | 50.9 | 68.7 |
| Restaurants, other than Chinese | 43.3 | 49.0 | 61.7 | 45.2 | 50.1 | 63.3 |
| Fast food cafes ^(c) | 40.2 | 42.6 | 46.8 | 43.0 | 46.5 | 51.7 |
| Accommodation ^(d) and other food service activities | 43.5 | 52.9 | 69.3 | 45.0 | 53.9 | 70.4 |
| Information and communications | 58.3 | 83.8 | 128.5 | 62.1 | 90.2 | 134.4 |
| Financing and insurance | 67.8 | 105.1 | 180.2 | 72.2 | 107.5 | 185.2 |
| Real estate activities ^(e) | 60.7 | 85.7 | 136.9 | 61.3 | 88.2 | 141.4 |
| Estate management, security and cleaning services | 37.5 | 41.8 | 54.0 | 38.6 | 43.6 | 54.0 |
| <i>within which:</i> | | | | | | |
| Real estate maintenance management | 37.6 | 41.4 | 57.7 | 39.4 | 44.1 | 59.7 |
| Security services ^(f) | 37.3 | 40.9 | 49.2 | 39.3 | 43.0 | 52.6 |
| Cleaning services | 36.7 | 41.8 | 46.2 | 37.8 | 42.7 | 48.7 |
| Membership organisations ^(g) | 40.0 | 52.9 | 81.2 | 42.6 | 53.8 | 87.5 |
| Professional, scientific and technical services | 61.2 | 89.6 | 148.1 | 64.2 | 94.0 | 155.6 |
| Administrative and support services activities | 46.7 | 66.7 | 103.2 | 48.4 | 68.0 | 106.3 |
| Travel agency, reservation service and related activities | 47.2 | 62.5 | 83.4 | 48.4 | 64.1 | 87.8 |
| Education and public administration (excluding the Government) | 66.4 | 127.5 | 216.3 | 65.7 | 130.5 | 220.0 |
| Human health activities; and beauty and body prettifying treatment | 59.3 | 84.0 | 158.5 | 61.9 | 86.0 | 168.5 |
| Miscellaneous activities | 41.2 | 48.4 | 64.4 | 42.5 | 49.4 | 67.2 |
| <i>within which:</i> | | | | | | |
| Elderly homes | 38.9 | 47.4 | 63.0 | 40.1 | 50.0 | 66.3 |
| Laundry and dry cleaning services | 39.4 | 45.3 | 60.7 | 40.9 | 47.1 | 62.9 |
| Hairdressing and other personal services | 44.7 | 48.8 | 66.3 | 45.6 | 50.0 | 68.4 |
| Local courier services | 40.6 | 47.8 | 58.6 | 42.0 | 49.9 | 60.0 |
| Food processing and production | 40.3 | 47.0 | 64.5 | 41.9 | 48.4 | 69.5 |
| Other activities not classified above | 48.4 | 61.1 | 96.0 | 51.0 | 64.3 | 99.7 |
| All industry sections above | 48.1 | 68.0 | 107.5 | 50.0 | 70.5 | 111.1 |

Notes: Hourly wages are rounded to the nearest ten cents of Hong Kong dollar.

(a) Excluding food processing and production.

(b) Excluding local courier services.

(c) Including takeaway shops.

(d) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(e) Excluding real estate maintenance management.

(f) Including investigation activities and services to buildings and landscape care activities.

(g) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

Table 22 : Rates of change in prices

(%)

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GDP deflator | -0.4 | 0.3 | 3.9 | 3.5 | 1.8 | 2.9 | 3.6 | 1.6 |
| Domestic demand deflator | -0.8 | 2.2 | 4.5 | 4.2 | 1.4 | 3.1 | 2.2 | 1.4 |
| Consumer Price Indices ^(a) : | | | | | | | | |
| Composite CPI | 0.5 | 2.4 | 5.3 | 4.1 | 4.3 | 4.4 | 3.0 | 2.4 |
| CPI(A) | 0.4 | 2.7 | 5.6 | 3.6 | 5.1 | 5.6 | 4.0 | 2.8 |
| CPI(B) | 0.5 | 2.3 | 5.2 | 4.3 | 4.1 | 4.2 | 2.9 | 2.3 |
| CPI(C) | 0.6 | 2.1 | 5.1 | 4.1 | 3.8 | 3.5 | 2.1 | 2.1 |
| Unit Value Indices : | | | | | | | | |
| Total exports of goods | 1.1 | 4.7 | 8.0 | 3.4 | 1.3 | 2.0 | 0.1 | -1.7 |
| Imports of goods | -0.1 | 6.4 | 8.1 | 3.3 | 0.9 | 1.9 | -0.4 | -1.7 |
| Terms of Trade Index ^(b) | 1.3 | -1.7 | -0.1 | 0.1 | 0.4 | 0.1 | 0.5 | * |
| Producer Price Index for all manufacturing industries | -1.7 | 6.0 | 8.3 | 0.1 | -3.1 | -1.7 | -2.7 | 1.3 |
| Tender Price Indices : | | | | | | | | |
| Public sector | | | | | | | | |
| building projects | -15.9 | 12.5 | 11.6 | 8.3 | 6.6 | 7.3 | 5.9 | 1.0 |
| Public housing projects | -6.8 | 6.7 | 10.1 | 6.4 | 9.3 | 8.0 | 12.5 | -0.7 |

Notes: (a) The year-on-year rates of change before October 2015 were derived using the index series in the base periods at that time (for instance the 2009/10-based index series), compared with the index a year earlier in the same base period.

(b) Derived from merchandise trade index numbers.

(#) Figures are subject to revision later on as more data become available.

(*) Change within $\pm 0.05\%$.

N.A. Not yet available.

Table 22 : Rates of change in prices (Cont'd)

(%)

| | <u>2017</u> | <u>2018</u> | <u>2018</u> | | <u>2019</u> | | Average annual rate of change: | |
|---|-------------|-------------|-------------|------|-------------|------|--------------------------------|--------------|
| | | | Q3 | Q4 | Q1 | Q2 | 10 years | 5 years |
| | | | | | | | 2008 to 2018 | 2013 to 2018 |
| GDP deflator [#] | 3.0 | 3.6 | 3.8 | 3.4 | 3.2 | 3.0 | 2.4 | 2.9 |
| Domestic demand deflator [#] | 2.9 | 3.3 | 3.6 | 2.6 | 2.5 | 3.0 | 2.4 | 2.6 |
| Consumer Price Indices ^(a) : | | | | | | | | |
| Composite CPI | 1.5 | 2.4 | 2.5 | 2.6 | 2.2 | 3.0 | 3.0 | 2.7 |
| CPI(A) | 1.5 | 2.7 | 2.8 | 3.1 | 2.6 | 3.3 | 3.4 | 3.3 |
| CPI(B) | 1.4 | 2.3 | 2.4 | 2.4 | 2.1 | 2.8 | 2.9 | 2.6 |
| CPI(C) | 1.5 | 2.2 | 2.2 | 2.3 | 2.0 | 2.8 | 2.7 | 2.3 |
| Unit Value Indices : | | | | | | | | |
| Total exports of goods | 1.8 | 2.4 | 2.5 | 2.3 | 2.2 | 1.9 | 2.3 | 0.9 |
| Imports of goods | 1.9 | 2.6 | 2.7 | 2.5 | 2.2 | 1.9 | 2.2 | 0.8 |
| Terms of Trade Index ^(b) | -0.1 | -0.1 | -0.2 | -0.1 | * | -0.1 | * | 0.1 |
| Producer Price Index for all manufacturing industries | 3.8 | 2.0 | * | 0.3 | 0.7 | N.A. | 1.2 | 0.5 |
| Tender Price Indices : | | | | | | | | |
| Public sector | | | | | | | | |
| building projects | -0.3 | -2.9 | -3.7 | -4.0 | -3.4 | N.A. | 3.1 | 2.1 |
| Public housing projects | 0.3 | -1.9 | -2.9 | -1.1 | -1.8 | N.A. | 4.2 | 3.5 |

Table 23 : Rates of change in Composite Consumer Price Index

(%)

| | Weight | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|---------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| All items | 100.00 | 0.5 (1.0) | 2.4 (1.7) | 5.3 (5.3) | 4.1 (4.7) | 4.3 (4.0) | 4.4 (3.5) | 3.0 (2.5) |
| Food | 27.29 | 1.3 | 2.4 | 7.0 | 5.8 | 4.4 | 4.1 | 4.0 |
| <i>Meals bought away from home</i> | 17.74 | 1.6 | 1.7 | 5.2 | 5.4 | 4.4 | 4.6 | 4.2 |
| <i>Food, excluding meals bought away from home</i> | 9.55 | 0.9 | 3.5 | 9.9 | 6.5 | 4.4 | 3.4 | 3.4 |
| Housing ^(a) | 34.29 | 3.7 | 0.4 | 7.2 | 5.6 | 6.7 | 6.7 | 5.1 |
| <i>Private housing rent</i> | 29.92 | 3.6 | 0.9 | 7.2 | 6.8 | 6.3 | 6.0 | 4.7 |
| <i>Public housing rent</i> | 1.94 | 9.5 | -7.8 | 11.9 | -7.1 | 16.0 | 18.3 | 10.9 |
| Electricity, gas and water | 2.67 | -25.3 | 43.3 | -4.2 | -8.2 | 6.9 | 14.9 | 8.4 |
| Alcoholic drinks and tobacco | 0.54 | 18.7 | 3.4 | 17.1 | 3.0 | 1.5 | 6.5 | 1.3 |
| Clothing and footwear | 3.21 | 2.7 | 1.8 | 6.8 | 3.1 | 1.7 | 0.9 | -1.8 |
| Durable goods | 4.65 | -3.0 | -2.7 | -3.8 | -1.4 | -4.3 | -3.4 | -5.6 |
| Miscellaneous goods | 3.56 | 2.3 | 2.4 | 3.8 | 2.2 | 2.2 | 2.3 | 0.9 |
| Transport | 7.98 | -0.9 | 2.0 | 4.4 | 3.0 | 2.3 | 2.0 | -0.3 |
| Miscellaneous services | 15.81 | -2.1 | 2.0 | 3.5 | 2.8 | 3.7 | 3.0 | 1.1 |

Notes: The year-on-year rates of change before October 2015 were derived using the index series in the base periods at that time (for instance the 2009/10-based index series), compared with the index a year earlier in the same base period. The weights quoted in this table correspond to that in the 2014/15-based index series.

Figures in brackets represent the underlying rates of change after netting out the effects of Government's one-off relief measures.

(a) Apart from "Private housing rent" and "Public housing rent", the "Housing" section also includes "Management fees and other housing charges" and "Materials for house maintenance".

Table 23 : Rates of change in Composite Consumer Price Index (Cont'd)

| (%) | | | | | | | | | | |
|--|---------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|
| | Weight | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2018</u> | | <u>2019</u> | | Average annual rate of change: | |
| | | | | | Q3 | Q4 | Q1 | Q2 | 10 years 2008 to 2018 | 5 years 2013 to 2018 |
| All items | 100.00 | 2.4 (2.3) | 1.5 (1.7) | 2.4 (2.6) | 2.5 (2.8) | 2.6 (2.9) | 2.2 (2.7) | 3.0 (2.9) | 3.0 (2.9) | 2.7 (2.5) |
| Food | 27.29 | 3.4 | 2.2 | 3.4 | 3.5 | 3.0 | 3.1 | 4.1 | 3.8 | 3.4 |
| <i>Meals bought away from home</i> | 17.74 | 3.3 | 2.7 | 2.9 | 2.9 | 2.6 | 2.3 | 2.1 | 3.6 | 3.5 |
| <i>Food, excluding meals bought away from home</i> | 9.55 | 3.6 | 1.1 | 4.3 | 4.8 | 3.7 | 4.6 | 7.7 | 4.1 | 3.2 |
| Housing ^(a) | 34.29 | 3.7 | 2.0 | 2.5 | 2.5 | 3.0 | 2.9 | 4.2 | 4.3 | 4.0 |
| <i>Private housing rent</i> | 29.92 | 3.4 | 1.8 | 2.2 | 2.3 | 2.4 | 2.3 | 3.8 | 4.3 | 3.6 |
| <i>Public housing rent</i> | 1.94 | 7.2 | 3.0 | 4.1 | 4.1 | 11.6 | 11.6 | 10.9 | 6.3 | 8.6 |
| Electricity, gas and water | 2.67 | 1.0 | -1.7 | 4.9 | 3.8 | 4.0 | -4.9 | -4.8 | 2.7 | 5.4 |
| Alcoholic drinks and tobacco | 0.54 | 1.5 | 0.6 | 1.3 | 1.7 | 2.7 | 2.7 | 2.4 | 5.3 | 2.2 |
| Clothing and footwear | 3.21 | -3.4 | -0.4 | 1.6 | 2.3 | 0.1 | -0.2 | -1.7 | 1.3 | -0.6 |
| Durable goods | 4.65 | -5.4 | -3.2 | -2.0 | -2.0 | -1.9 | -2.1 | -2.0 | -3.5 | -3.9 |
| Miscellaneous goods | 3.56 | 1.5 | 1.4 | 1.3 | 1.5 | 1.4 | 1.6 | 2.0 | 2.0 | 1.5 |
| Transport | 7.98 | 1.6 | 2.3 | 1.6 | 1.7 | 1.7 | 1.9 | 2.0 | 1.8 | 1.4 |
| Miscellaneous services | 15.81 | 2.3 | 0.9 | 2.1 | 2.1 | 3.0 | 1.8 | 2.5 | 1.9 | 1.9 |

**Table 24 : Rates of change in implicit price deflators of GDP
and its main expenditure components**

(%)

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Private consumption expenditure | -1.4 | 1.4 | 3.6 | 3.2 | 2.7 | 2.9 | 1.2 |
| Government consumption expenditure | 0.7 | -0.2 | 4.5 | 6.2 | 4.3 | 4.7 | 4.4 |
| Gross domestic fixed capital formation | 0.3 | 5.8 | 6.8 | 6.4 | -2.9 | 3.1 | 4.5 |
| Total exports of goods | 0.3 | 4.3 | 7.8 | 3.2 | -0.1 | 0.7 | -0.7 |
| Imports of goods | -1.4 | 6.3 | 8.4 | 4.3 | -0.3 | 0.8 | -1.4 |
| Exports of services | -9.4 | 8.2 | 7.5 | 4.7 | 0.4 | 0.4 | -2.8 |
| Imports of services | -3.8 | 4.9 | 5.9 | 0.6 | 0.3 | 0.5 | -4.6 |
| Gross Domestic Product | -0.4 | 0.3 | 3.9 | 3.5 | 1.8 | 2.9 | 3.6 |
| Total final demand | -1.3 | 4.1 | 6.7 | 3.7 | 0.4 | 1.4 | * |
| Domestic demand | -0.8 | 2.2 | 4.5 | 4.2 | 1.4 | 3.1 | 2.2 |

Notes: Figures in this table are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Figures are subject to revision later on as more data become available.

(*) Change within $\pm 0.05\%$.

**Table 24 : Rates of change in implicit price deflators of GDP
and its main expenditure components (Cont'd)**

(%)

| | <u>2016</u> | <u>2017[#]</u> | <u>2018[#]</u> | <u>2018</u> | | <u>2019</u> | | Average annual rate of change: | |
|---|-------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|--|---|
| | | | | Q3 [#] | Q4 [#] | Q1 [#] | Q2 [#] | 10 years 2008 to 2018 [#] | 5 years 2013 to 2018 [#] |
| Private consumption expenditure | 1.5 | 2.5 | 3.1 | 2.8 | 2.3 | 1.9 | 2.7 | 2.1 | 2.3 |
| Government consumption expenditure | 3.7 | 2.5 | 3.1 | 3.8 | 3.8 | 4.1 | 4.7 | 3.4 | 3.7 |
| Gross domestic fixed capital formation | -0.3 | 4.5 | 4.1 | 6.0 | 3.9 | 3.8 | 2.7 | 3.2 | 3.2 |
| Total exports of goods | -1.4 | 1.7 | 2.2 | 2.0 | 1.7 | 1.8 | 1.4 | 1.7 | 0.5 |
| Imports of goods | -1.8 | 1.8 | 2.3 | 2.5 | 1.8 | 1.7 | 1.7 | 1.9 | 0.3 |
| Exports of services | -2.0 | 3.2 | 4.5 | 4.8 | 3.4 | 1.0 | 0.5 | 1.3 | 0.6 |
| Imports of services | -1.3 | 2.6 | 2.6 | 0.7 | -0.6 | -1.7 | -1.6 | 0.7 | -0.1 |
| Gross Domestic Product | 1.6 | 3.0 | 3.6 | 3.8 | 3.4 | 3.2 | 3.0 | 2.4 | 2.9 |
| Total final demand | -0.6 | 2.2 | 2.8 | 2.8 | 2.2 | 2.0 | 1.9 | 1.9 | 1.2 |
| Domestic demand | 1.4 | 2.9 | 3.3 | 3.6 | 2.6 | 2.5 | 3.0 | 2.4 | 2.6 |

