

## **Press Release**

(embargoed until 4:15 p.m. on 15 May 2020)

### **Economic Situation in the First Quarter of 2020 and Latest GDP and Price Forecasts for 2020**

The Government released today (15 May) the First Quarter Economic Report 2020, together with the revised figures on Gross Domestic Product (GDP) for the first quarter of 2020.

The Government Economist, Mr Andrew Au, described the economic situation in the first quarter of 2020 and the latest GDP and price forecasts for 2020.

#### **Main points**

- \* The economic recession deepened in Hong Kong in the first quarter of 2020, as the threat of COVID-19 and the necessary anti-epidemic measures seriously disrupted a wide range of local economic activities and supply chains in the region. With the disease evolving into a pandemic in March, the economic fallout became even more severe. Real GDP contracted sharply by 8.9% in the first quarter from a year earlier, after declining by 3.0% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP plunged by 5.3% in the first quarter, after a decrease of 0.5% in the preceding quarter. Both rates of decline were the steepest for a single quarter on record.
- \* Total exports of goods saw a visibly enlarged year-on-year fall of 9.9% in real terms in the first quarter, weighed by the serious disruptions to economic activities in the Mainland, the regional supply chains and related trading activities amid the threat of COVID-19, and later by sharp moderation of economic activities worldwide. Exports of services plummeted by a record 37.8% in real terms from a year earlier, with inbound tourism at a standstill in February and March and cross-boundary transport and commercial services falling distinctly.
- \* Domestic demand weakened markedly. The year-on-year fall in private consumption expenditure widened sharply to 10.1% in real terms in the first quarter, as the threat of COVID-19 and resulting social distancing measures seriously disrupted consumption-related activities, while austere labour market conditions dealt a heavy blow to consumer sentiment. Overall investment expenditure continued to show a sharp year-on-year contraction of 14.3% in real terms amid subdued business sentiment and falling construction activity.
- \* The labour market showed further sharp deterioration in the first quarter. The seasonally adjusted unemployment rate soared to 4.2%, the highest in more than nine years. The underemployment rate likewise increased notably to an almost 10-year high of 2.1%. Total employment saw a record decrease.
- \* The local stock market showed a notable correction in the first quarter, with market sentiment hard hit by the economic fallout of the COVID-19 pandemic. The residential property market lacked clear direction amid immense uncertainties about the impact of the pandemic and the resultant large-scale monetary easing

measures by the major central banks. Trading activities slowed down visibly, while flat prices edged down by 1% during the quarter.

- \* Looking ahead, as many major economies are still facing the serious threat of COVID-19, the global economy may continue to experience sharp contraction in the near term despite the massive monetary and fiscal support measures from central banks and governments worldwide. The progress of reopening the major economies and thus the timing and speed of recovery of the global economy will hinge on the developments of the pandemic and global public health situation, which are subject to huge uncertainties. Besides, the US-Mainland economic and trade relations, geopolitical tensions and global financial market volatility continue to warrant attention. Amid a still austere external environment, Hong Kong's export performance will remain under pressure in the near term.
- \* Recently there have been signs that the epidemic is getting contained in Hong Kong. However, local economic activities will take time to fully recover. The threat of the epidemic has not been eradicated on a global scale yet. This, together with the global economic recession, will continue to weigh on sentiment. Indeed, latest surveys on both large enterprises and small-and-medium-sized enterprises indicate that business sentiment has remained subdued. As inbound tourism is likely to remain at a standstill until the pandemic is well contained and travel restrictions are gradually eased, the business environment facing the consumption- and tourism-related sectors will remain challenging in the near term.
- \* Considering the sharp economic contraction in the first quarter, the high uncertainties surrounding the pandemic, the difficult global economic situation, but also the cushioning effects of the massive relief measures rolled out by the Government, the real GDP growth forecast for 2020 as a whole has been revised downwards to -4% to -7%, as announced by the Financial Secretary on 29 April. If the local epidemic remains well contained and our major trading partners are successful in reopening their economies, Hong Kong's economic performance will hopefully improve gradually in the second half of the year. The Government will continue to closely monitor the situation and introduce measures as necessary to support enterprises and safeguard jobs.
- \* Underlying consumer price inflation edged down to 2.9% in the first quarter from 3.0% in the preceding quarter. Inflationary pressure is likely to ease in the near term. Domestic cost pressures should continue to abate amid the austere local economic situation. External price pressures are expected to subside further in view of the deep global recession and the recent strengthening of the Hong Kong dollar along with the US dollar. Taking into account these factors and the actual outturn in the first quarter, the forecast rates of underlying and headline consumer price inflation for 2020 as a whole are revised downwards to 2.2% and 1.4% respectively, from 2.5% and 1.7% as announced in the Budget.

## Details

### GDP

According to the revised data on the *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, GDP contracted sharply by 8.9% in real terms in the first quarter of 2020 from a year earlier (the same as the advance estimate), after declining by 3.0% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP plunged by 5.3% in the first quarter (the same as the advance estimate), after a decrease of 0.5% in the preceding quarter (*Chart*).

2. The latest figures on GDP and its major expenditure components up to the first quarter of 2020 are presented in *Table 1*. Developments in different segments of the economy in the first quarter of 2020 are described below.

### External trade

3. *Total exports of goods* plunged by 9.9% in real terms in the first quarter of 2020 from a year earlier, visibly larger than the 2.5% fall in the preceding quarter. Both exports to the Mainland and re-exports of Mainland origin dived in the first two months of the year combined as the threat of COVID-19 caused serious disruptions to economic activities in the Mainland, regional supply chains and related trading activities. For the first quarter as a whole, exports to the Mainland fell moderately. Exports to the US and the EU recorded further sharp falls, partly due to plunging demand in March when the disease spread to most parts of the world. Exports to many other major Asian markets also registered declines of varying degrees. On a seasonally adjusted quarter-to-quarter basis, total exports of goods fell by 9.2% in real terms in the first quarter, having increased by 2.0% in the preceding quarter.

4. *Exports of services* plummeted by a record 37.8% year-on-year in real terms in the first quarter, following an already very steep decline of 24.2% in the preceding quarter. Exports of travel services fell drastically, as the COVID-19 pandemic resulted in widespread travel restrictions and border controls across the world. Exports of business and other services showed a visibly enlarged decrease, dampened by the extremely austere external environment. Exports of transport services took a dive, as cross-boundary passenger flows came to a virtual halt in February and March and cargo flows turned more subdued. Exports of financial services fared relatively better and grew mildly from a year earlier, supported by active financial market trading amid the turbulent market situation. On a seasonally adjusted quarter-to-quarter basis, exports of services declined further by 16.8% in real terms in the first quarter, having decreased by 10.6% in the preceding quarter.

## **Domestic sector**

5. Domestic demand weakened markedly. The year-on-year fall in *private consumption expenditure* widened sharply from 2.9% in real terms in the preceding quarter to 10.1% in the first quarter of 2020. The threat of COVID-19 and resulting social distancing measures severely disrupted consumption-related activities, while austere labour market conditions heavily weighed on consumer sentiment. Residents' expenditure abroad plunged, as people delayed or cancelled their travel plans in the face of travel restrictions and quarantine measures around the world. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure decreased by 6.7% in real terms in the first quarter after increasing by 0.3% in the preceding quarter. In contrast, *government consumption expenditure* grew notably by 8.3% year-on-year in real terms in the first quarter, after a 6.1% growth in the preceding quarter.

6. Overall investment spending in terms of *gross domestic fixed capital formation* fell significantly by 14.3% year-on-year in real terms in the first quarter, following a decline of 16.8% in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products showed another large decline of 18.0%, as there was a further deterioration of business sentiment amid the COVID-19 pandemic. Expenditure on building and construction continued to fall visibly by 9.1%, with both private and public sector activities shrinking further. Meanwhile, the costs of ownership transfer plunged along with the sharp fall in property transactions in both residential and non-residential segments.

## **The labour sector**

7. The labour market showed further sharp deterioration in the first quarter. The *seasonally adjusted unemployment rate* soared to 4.2%, the highest in more than nine years, with lower-skilled workers experiencing a faster rise in unemployment. The *underemployment rate* likewise increased notably to an almost 10-year high of 2.1%. Total employment saw a record decrease, signifying significant job losses.

## **The asset markets**

8. The *local stock market* saw a notable correction in the first quarter of 2020, as market sentiment was hard hit by the economic fallout of the COVID-19 pandemic. The Hang Seng Index (HSI) closed at 23 603 at end-March, down markedly by 16.3% from end-2019, the largest quarterly decline since the third quarter of 2015. On 14 May, the HSI closed at 23 830.

9. The *residential property market* lacked clear direction in the first quarter of 2020 amid immense uncertainties about how the COVID-19 pandemic and the resultant large-scale monetary easing measures by the major central banks will affect the economy and the market. Trading activities slowed down visibly. 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, declined visibly by 21% from the preceding quarter or 26% from a year earlier to 10 204 in the first quarter. Flat prices edged down by 1% during the first quarter, but the level in March 2020 still exceeded the 1997 peak by 117%. The index of home purchase affordability remained elevated at around 73% in the first quarter. Meanwhile, flat rentals continued to decrease amid a weak economy, by 4% during the quarter. The commercial and industrial property markets quietened further, with trading activities plunging to record low levels. Prices for major market segments exhibited diverse movements, while rentals fell.

## Prices

10. Consumer price inflation remained moderate in the first quarter. Netting out the effects of the Government's one-off relief measures, *underlying consumer price inflation* edged down from 3.0% in the preceding quarter to 2.9% in the first quarter. While prices of pork and some other basic foodstuffs recorded larger increases, price pressures on many major CPI components showed easing of varying degrees. Domestically, the increase in private housing rentals decelerated further, as the effect of softening fresh-letting residential rentals over the past year or so continued to feed through. Business cost pressures also abated amid the austere local economic conditions, with wages rising at a slower pace and commercial rentals easing further. Meanwhile, external price pressures subsided. Alongside the weakened global demand and softened international commodity and energy prices amid the COVID-19 pandemic, inflation rates in many of our major import sources eased visibly towards the end of the quarter. These developments, together with the strengthening of the Hong Kong dollar along with the US dollar against other major currencies, have led to some softening of import prices. *Headline consumer price inflation* went down visibly from 3.0% in the preceding quarter to 2.0% in the first quarter, mainly reflecting the implementation of new one-off relief measures by the Government.

## Latest GDP and price forecasts for 2020

11. Looking ahead, as many major economies are still facing the serious threat of COVID-19, the global economy may continue to experience sharp contraction in the near term despite the massive monetary and fiscal support measures from central banks and governments worldwide. The progress of reopening the major economies and thus the timing and speed of recovery of the global economy will hinge on the developments of the pandemic and global public health situation, which are subject to huge uncertainties. Besides, the US-Mainland economic and trade relations, geopolitical tensions and global financial market volatility continue to warrant attention. Amid a still austere external environment, Hong Kong's export performance will remain under pressure in the near term.

12. Recently there have been signs that the epidemic is getting contained in Hong Kong. However, local economic activities will take time to fully recover. The threat of the epidemic has not been eradicated on a global scale yet. This,

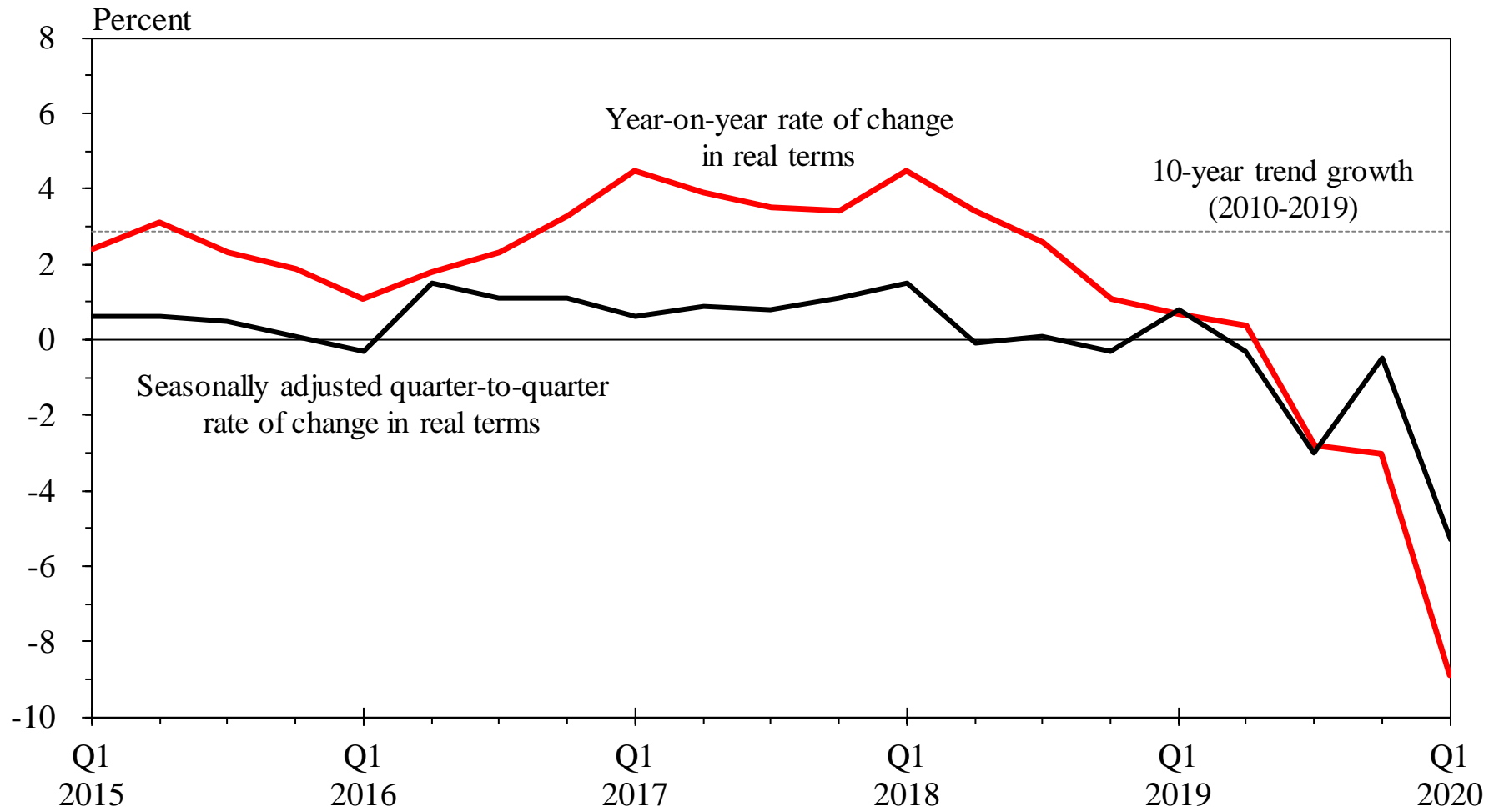
together with the global economic recession, will continue to weigh on sentiment. Indeed, latest surveys on both large enterprises and small-and-medium-sized enterprises indicate that business sentiment has remained subdued. As inbound tourism is likely to remain at a standstill until the pandemic is well contained and travel restrictions are gradually eased, the business environment facing the consumption- and tourism-related sectors will remain challenging in the near term.

13. Considering the sharp economic contraction in the first quarter, the high uncertainties surrounding the pandemic, the difficult global economic situation, but also the cushioning effects of the massive relief measures rolled out by the Government, the real GDP growth forecast for 2020 as a whole has been revised downwards to -4% to -7%, as announced by the Financial Secretary on 29 April (*Table 2*). If the local epidemic remains well contained and our major trading partners are successful in reopening their economies, Hong Kong's economic performance will hopefully improve gradually in the second half of the year. The Government will continue to closely monitor the situation and introduce measures as necessary to support enterprises and safeguard jobs. For reference, the latest forecasts by private sector analysts range from -3.0% to -8.7%, averaging around -5.1%.

14. On the inflation outlook, inflationary pressure is likely to ease in the near term. Domestic cost pressures should continue to abate amid the austere local economic situation. External price pressures are expected to subside further in view of the deep global recession and the recent strengthening of the Hong Kong dollar along with the US dollar. Taking into account these factors and the actual outturn in the first quarter, the forecast rates of underlying and headline consumer price inflation for 2020 as a whole are revised downwards to 2.2% and 1.4% respectively, from 2.5% and 1.7% as announced in the Budget (*Table 2*).

(The First Quarter Economic Report 2020 is now available for online download, free of charge at [www.hkeconomy.gov.hk/en/situation/index.htm](http://www.hkeconomy.gov.hk/en/situation/index.htm). The Report of the Gross Domestic Product, First Quarter 2020, which contains the GDP figures up to the first quarter of 2020, is also available for online download, free of charge at the homepage of the Census and Statistics Department, [www.censtatd.gov.hk](http://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>2018<sup>#</sup></u>	<u>2019<sup>#</sup></u>	<u>2019</u>				<u>2020</u>
			<u>Q1<sup>#</sup></u>	<u>Q2<sup>#</sup></u>	<u>Q3<sup>#</sup></u>	<u>Q4<sup>#</sup></u>	<u>Q1<sup>#</sup></u>
<i>Change in real terms of GDP and its main expenditure components (%)</i>							
Private consumption expenditure	5.3	-1.1	0.6 (0.8)	1.3 (0.2)	-3.3 (-4.1)	-2.9 (0.3)	-10.1 (-6.7)
Government consumption expenditure	4.2	5.1	4.4 (0.9)	3.9 (0.8)	5.9 (2.6)	6.1 (1.7)	8.3 (3.1)
Gross domestic fixed capital formation	1.7	-12.3	-5.3	-11.6	-15.1	-16.8	-14.3
Building and construction	-0.5	-6.2	-4.3	-11.1	-2.8	-6.5	-9.1
Costs of ownership transfer	-11.2	-13.4	-20.0	-13.4	-22.4	7.6	-31.6
Machinery, equipment and intellectual property products	8.8	-20.0	-2.0	-12.2	-26.5	-32.3	-18.0
Total exports of goods <sup>&amp;</sup>	3.5	-4.6	-3.7 (-1.7)	-5.3 (-1.6)	-6.9 (-1.2)	-2.5 (2.0)	-9.9 (-9.2)
Imports of goods <sup>&amp;</sup>	4.7	-7.3	-4.2 (-2.2)	-6.7 (-2.6)	-11.0 (-2.0)	-7.0 (-0.3)	-11.0 (-6.5)
Exports of services <sup>&amp;</sup>	4.6	-10.2	-0.4 (1.0)	-1.3 (-3.6)	-14.2 (-13.1)	-24.2 (-10.6)	-37.8 (-16.8)
Imports of services <sup>&amp;</sup>	2.8	-2.4	-1.2 (0.3)	1.8 (0.5)	-4.5 (-5.9)	-5.2 (-0.3)	-26.3 (-21.9)
<b>Gross Domestic Product</b>	<b>2.8</b>	<b>-1.2</b>	<b>0.7 (0.8)</b>	<b>0.4 (-0.3)</b>	<b>-2.8 (-3.0)</b>	<b>-3.0 (-0.5)</b>	<b>-8.9 (-5.3)</b>
<i>Change in the main price indicators (%)</i>							
<b>GDP deflator</b>	<b>3.7</b>	<b>2.4</b>	<b>2.7 (0.6)</b>	<b>2.7 (0.9)</b>	<b>2.3 (0.3)</b>	<b>1.8 (0.2)</b>	<b>2.8 (1.4)</b>
<b>Composite CPI</b>							
<b>Headline</b>	<b>2.4</b>	<b>2.9</b>	<b>2.2 (0.4)</b>	<b>3.0 (1.2)</b>	<b>3.3 (0.9)</b>	<b>3.0 (0.5)</b>	<b>2.0 (-0.6)</b>
<b>Underlying<sup>^</sup></b>	<b>2.6</b>	<b>3.0</b>	<b>2.7 (0.6)</b>	<b>2.9 (1.0)</b>	<b>3.3 (1.0)</b>	<b>3.0 (0.4)</b>	<b>2.9 (0.5)</b>
<b>Change in nominal GDP (%)</b>	<b>6.6</b>	<b>1.1</b>	<b>3.4</b>	<b>3.0</b>	<b>-0.5</b>	<b>-1.2</b>	<b>-6.3</b>

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 Government's one-off relief measures.



**Table 2****Economic forecasts for 2020  
(rate of change (%))**

	Forecasts as released on <u>26.2.2020</u> (%)	Latest forecasts on <u>15.5.2020</u> (%)
<b>Real Gross Domestic Product (GDP)</b>	-1.5 to 0.5	-4 to -7 <i>(as announced on 29.4.2020)</i>
<b>Composite Consumer Price Index (CCPI)</b>		
<i>Underlying CCPI</i>	2.5	2.2
<i>Headline CCPI</i>	1.7	1.4



# First Quarter Economic Report 2020

Government of the Hong Kong  
Special Administrative Region

# ***FIRST QUARTER ECONOMIC REPORT 2020***

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

*May 2020*

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## CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

### *Summary*

- *The economic recession deepened in Hong Kong in the first quarter of 2020, as the threat of COVID-19 seriously disrupted a wide range of local economic activities and supply chains in the region. With the disease evolving into a pandemic in March, the economic fallout became even more severe. Real GDP contracted sharply by 8.9% from a year earlier, the steepest for a single quarter on record.*
- *Total exports of goods saw a visibly enlarged fall in the first quarter, weighed by the serious disruptions to economic activities in the Mainland, the regional supply chains and related trading activities amid the threat of COVID-19, and later by sharp moderation of economic activities worldwide. Both exports to the Mainland and re-exports of Mainland origin plunged in the first two months combined before showing some relative improvement in March alongside the gradual resumption of economic activities there. For the first quarter as a whole, exports to the Mainland fell moderately. Exports to most other major markets also registered declines, especially drastic for those to the US and EU. Exports of services posted the biggest quarterly fall on record, as inbound tourism was at a standstill in February and March, and cross-boundary transport and commercial services fell distinctly.*
- *Domestic demand weakened markedly. The fall in private consumption expenditure widened sharply in the first quarter, as the threat of COVID-19 and resulting social distancing measures seriously disrupted consumption-related activities, while austere labour market conditions dealt a heavy blow to consumer sentiment. Overall investment expenditure continued to show a sharp contraction amid subdued business sentiment and falling construction activity.*
- *The labour market showed further sharp deterioration in the first quarter. The seasonally adjusted unemployment rate soared to 4.2%, the highest in more than nine years, with lower-skilled workers experiencing a faster rise in unemployment. The underemployment rate likewise increased notably to an almost 10-year high of 2.1%. Total employment saw a record decrease, signifying significant job losses.*
- *The local stock market showed a notable correction, with market sentiment hard hit by the economic fallout of the COVID-19 pandemic. The residential property market lacked clear direction amid immense uncertainties about the impact of the pandemic and the resultant large-scale monetary easing measures by the major central banks. Trading activities*

*slowed down visibly, while flat prices edged down by 1% during the quarter.*

- *Consumer price inflation remained moderate in the first quarter. While prices of pork and some other basic foodstuffs recorded larger increases, price pressures on many major CPI components showed easing of varying degrees. Local cost pressures abated amid austere economic conditions, while external price pressures subsided alongside weaker global inflation and a stronger Hong Kong dollar.*

## **Overall situation**

1.1 The economic recession deepened in Hong Kong in the first quarter of 2020. Real GDP contracted sharply by 8.9% from a year earlier, the steepest for a single quarter on record, even worse than that experienced in the aftermath of the Asian Financial Crisis of 1997-98 (see **Box 1.1**). Total exports of goods saw a visibly enlarged fall, weighed by the serious disruptions to regional supply chains and related trading activities amid the threat of COVID-19, and later by sharp moderation of economic activities worldwide when the epidemic turned into a pandemic. Exports of services posted the biggest quarterly fall on record, with inbound tourism at a standstill in February and March and cross-boundary transport and commercial services falling distinctly. Domestically, the fall in private consumption expenditure widened sharply, as the threat of the disease and resulting social distancing measures seriously disrupted consumption-related activities, while austere labour market conditions dealt a heavy blow to consumer sentiment. Overall investment expenditure continued to show a sharp contraction amid subdued business sentiment and falling construction activity. Meanwhile, the labour market showed further sharp deterioration, while consumer price inflation remained moderate.

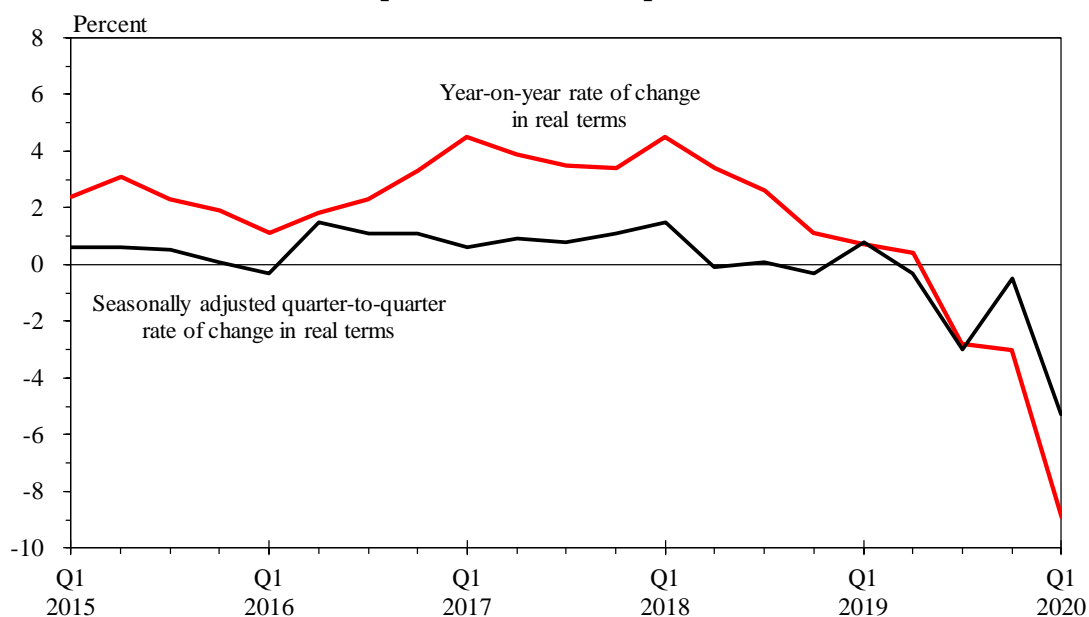
1.2 As for the global situation, the Mainland economy was seriously disrupted by the spread of COVID-19 and the response measures in January and February 2020 before showing some relative improvement in March. In contrast, other major economies largely maintained their modest to moderate growth momentum in the first two months but suffered an unprecedented shock in March when COVID-19 spread to most parts of the world. To curb the spread of the disease, many governments implemented travel bans, imposed city and regional lockdowns and closed non-essential businesses, leading to sharp deceleration or even shuttering of economic activities. Taking the first quarter as a whole, the Mainland and the euro area economies witnessed noticeable contractions from a year earlier, while growth in the US economy decelerated sharply. The emergence of a deep global recession since March and worries

about the consequential stress on companies' profits and ability to meet financial obligations sent shockwaves to global financial markets. To alleviate the economic pains and financial market strains, central banks around the world stepped up easing actions through rate cuts, liquidity injection and additional asset purchases. Governments around the world rolled out huge fiscal packages to support companies and relieve people's financial burdens, including provision of loans and subsidies to affected industries and small businesses, as well as cash handout to individuals.

1.3 In mid-April the International Monetary Fund (IMF) forecast the global economy to contract by 3.0% in 2020<sup>(1)</sup>, much worse than the 0.1% contraction in 2009, even assuming that the pandemic would peak in the second quarter. The IMF noted that the COVID-19 pandemic is inflicting a severe impact on economic activity worldwide and risks to the global forecast are still on the downside.

1.4 In the first quarter of 2020, *Gross Domestic Product (GDP)*<sup>(2)</sup> contracted by 8.9% in real terms from a year earlier (the same as the advance estimate), deteriorating markedly from its 3.0% decline in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison<sup>(3)</sup>, real GDP plunged by 5.3% in the first quarter (the same as the advance estimate), after a decrease of 0.5% in the preceding quarter. Both the year-on-year and quarter-to-quarter rates of decline in real GDP for the first quarter were the steepest on record for a single quarter.

**Diagram 1.1 : Both the year-on-year and quarter-to-quarter rates of decline in real GDP for the first quarter were the steepest on record**





## Box 1.1

### A brief review of economic downturns in Hong Kong

The Hong Kong economy recorded the deepest ever year-on-year contraction of 8.9% in the first quarter of 2020 due to the COVID-19 outbreak in most parts of the world. Over the past two decades or so, Hong Kong experienced three other episodes of economic contraction. This note compares the current economic downturn with those three episodes.

#### Nature of shocks

As a small and open economy, economic cycles in Hong Kong are closely linked to the ups and downs of the global economy. Hence, it is no surprise that economic recession in Hong Kong is often triggered by external shocks. The 1997-98 Asian Financial Crisis (AFC) and the 2008-09 Global Financial Crisis (GFC) started as a financial crisis originated elsewhere. In both cases, deep worries about systemic risks in the financial systems elsewhere sparked regional or global credit crunch, leading to a collapse in global financial markets and a severe demand shock. The initial impact on the Hong Kong economy was huge downward pressure through trade and financial channels, which eventually also spilled over to domestic demand.

Regarding the economic contraction during 2003, the primary trigger was the outbreak of Severe Acute Respiratory Syndrome (SARS), which deterred tourists and disrupted local economic activities that require people-to-people contact. It is however worth noting that the downturn in 2003 was preceded by a prolonged period of economic slack amid successive external shocks, including notably the dotcom bubble burst in late 2000 and the 911 incident in 2001<sup>(1)</sup>.

For the current episode, economic contraction began in the third quarter of 2019, as the local social incidents with violence dealt a severe blow to an economy already dampened by a synchronised global economic slowdown amid US-Mainland trade tensions. The COVID-19 outbreak then saw the economic recession deepen at an unprecedented pace in the first quarter of 2020.

The impact of COVID-19 on the Hong Kong economy has been across-the-board. In the early stage of the outbreak, the spread of the disease and the stringent anti-epidemic measures imposed in the Mainland and Hong Kong seriously disrupted regional supply chains and related trading activities as well as a wide range of economic activities in Hong Kong. As the disease spread swiftly to most parts of the world in March, many governments implemented travel bans, imposed city and regional lockdowns and closed non-essential businesses to curb the spread of the disease. This led to a sharp contraction of economic activity worldwide and prompted sharp corrections of global financial markets, thereby reducing external demand for Hong Kong's goods and services and dampening economic sentiment.

#### Depth and length of economic contraction

The external shocks were very severe in both the episodes of the 1997-98 AFC and the 2008-09 GFC. The former was the worst regional financial crisis in Asia, and its epicentre was close to us. The latter was a full-fledged global financial crisis stemming from the subprime mortgage problems in the US, the largest economy in the world. The year-on-year contraction of Hong Kong's real GDP ran as deep as 8.3% in the third quarter of 1998 and 7.8% in the first quarter of 2009 respectively at the peak of these two crises (*Chart 1*). As the two shocks were economic in nature, the damage gradually faded after decisive measures were implemented to fix the financial systems and aggressive monetary and fiscal responses were implemented to bolster demand. In both episodes, the Hong Kong economy came out of the doldrums after four to five consecutive quarters of contraction.

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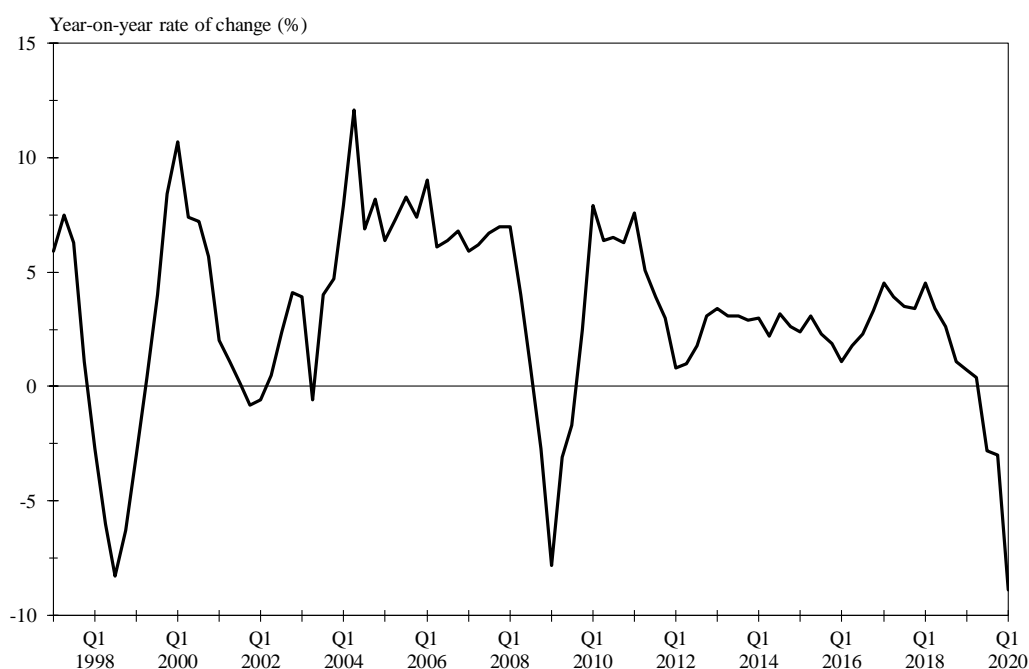
(1) Before the SARS outbreak in 2003, the Hong Kong economy had shown mild year-on-year contraction for two consecutive quarters from the fourth quarter of 2001.

### Box 1.1 (Cont'd)

Similar to the SARS episode of 2003, the current shock originated from a disease. Yet, SARS was a regional epidemic, which mainly affected some regions of China, whereas its impact worldwide was limited. Moreover, the epidemic vanished gradually as the summer for the region approached. The adverse impacts on regional or global economic growth momentum and regional supply chains were limited. Indeed, Mainland's and global economic growth picked up somewhat to 10.0% and 4.3% respectively in 2003. As a result, the Hong Kong economy shrank for only one quarter, by 0.6% year-on-year in the second quarter of 2003. With the support of vibrant external demand and the launch of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), the economy staged a robust recovery in the second half of the year.

The negative shock engendered by the COVID-19 outbreak is enormous. The levels of disruptions and the range of economic activities affected in Hong Kong all surpassed the worst situation experienced during 2003 SARS outbreak. Both exports to the Mainland and re-exports of Mainland origin dived in the first two months of 2020 as the Mainland's consumption and production activities were seriously hampered. As the disease spread to most parts of the world in March, it also led to a sharp contraction of the global economy and weighed on Hong Kong's external demand. Given the unprecedented nature of the pandemic, the duration of the current economic downturn is subject to high uncertainties, hinging critically on evolving global public health and economic situations.

**Chart 1: Real GDP growth in Hong Kong**



#### Industries that were hard hit

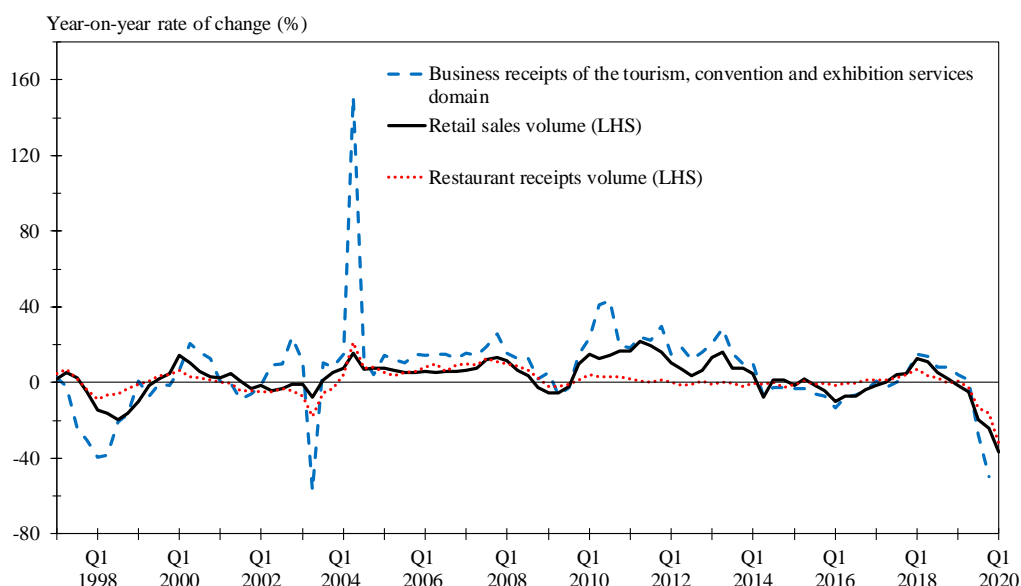
Both the 1997-98 AFC and the 2008-09 GFC took a heavy toll on the financial sector. Business receipts of banking and financing plummeted during both episodes. In view of the severity of these two shocks, their negative spill-overs to domestic demand were rather visible. Hence, many other industries also came under notable pressure.

The dent to the Hong Kong economy during the 2003 SARS outbreak was mainly concentrated in the tourism- and consumption-related sectors. Both inbound and outbound tourism suffered drastic declines. Business receipts of the retail, accommodation and food services all registered visible falls.

### Box 1.1 (Cont'd)

For the current episode of economic contraction, at the beginning tourism- and consumption-related sectors were the main victims of the local social incidents with violence. Business receipts of the tourism, convention and exhibition services domain tumbled by an average of 39.7% in the second half of 2019 from a year earlier (*Chart 2*). With the onslaught of COVID-19, the impact was felt across most sectors, though the tourism- and consumption-related sectors were particularly hard hit. Inbound tourism came to a standstill in February and March, with the year-on-year fall in visitor arrivals enlarging visibly to 80.9% for the first quarter as a whole. Outbound tourism likewise fell drastically amid travel bans and border controls implemented by governments around the world. Meanwhile, the year-on-year decreases in retail sales volume and restaurant receipts volume widened from 21.9% and 14.9% respectively in the second half of 2019 to 36.9% and 32.3% in the first quarter of 2020, both the steepest for a single quarter on record. Against the background of seriously disrupted regional supply chains and related trading activities, goods exports and imports fell by 9.9% and 11.0% respectively in real terms in the first quarter of 2020 from a year earlier. Other sectors, including education and construction, also felt pains of varying extent in the face of the unprecedented threat of the COVID-19 pandemic.

**Chart 2: Tourism- and consumption-related economic indicators in Hong Kong**



Note: Retail sales and restaurant receipts statistics compiled before the fourth quarter of 2005 and business receipts of the tourism, convention and exhibition services domain statistics compiled before the first quarter of 2006 followed the Hong Kong Standard Industrial Classification (HSIC) Version 1.1, while the statistics compiled afterwards followed the HSIC Version 2.0.

### Conclusion

In sum, the shock arising from the COVID-19 pandemic is unique in its combination of nature, severity, scope, length and also degree of uncertainty when compared with the past shocks. The Government has swiftly rolled out relief measures of unprecedented scale to preserve the vitality of the economy and relieve people's financial burdens. These measures should be able to help both companies and individuals endure the current hardship, and facilitate the economy to recover once the pandemic is well contained.

## **The external sector**

1.5 *Total exports of goods* compiled under the GDP accounting framework plunged by 9.9% in real terms from a year earlier in the first quarter of 2020, visibly larger than the 2.5% fall in the preceding quarter. Both exports to the Mainland and re-exports of Mainland origin dived in the first two months of the year combined as the threat of COVID-19 caused serious disruptions to economic activities in the Mainland, regional supply chains and related trading activities. For the first quarter as a whole, exports to the Mainland fell moderately. Exports to the US and the EU recorded further sharp falls, partly due to plunging demand in March when the disease spread to most parts of the world. Exports to many other major Asian markets also registered declines of varying degrees.

1.6 *Exports of services* plummeted by a record 37.8% year-on-year in real terms in the first quarter, following an already very steep decline of 24.2% in the preceding quarter. Exports of travel services fell drastically, as the COVID-19 pandemic resulted in widespread travel restrictions and border controls across the world. Exports of business and other services showed a visibly enlarged decrease, dampened by the extremely austere external environment. Exports of transport services took a dive, as cross-boundary passenger flows came to a virtual halt in February and March and cargo flows turned more subdued. Exports of financial services fared relatively better and grew mildly from a year earlier, supported by active financial market trading amid the turbulent market situation.

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

	<u>2018#</u>	<u>2019#</u>	<u>2019</u>				<u>2020</u>
			<u>Q1#</u>	<u>Q2#</u>	<u>Q3#</u>	<u>Q4#</u>	<u>Q1#</u>
<i>Change in real terms of GDP and its main expenditure components (%)</i>							
Private consumption expenditure	5.3	-1.1	0.6 (0.8)	1.3 (0.2)	-3.3 (-4.1)	-2.9 (0.3)	-10.1 (-6.7)
Government consumption expenditure	4.2	5.1	4.4 (0.9)	3.9 (0.8)	5.9 (2.6)	6.1 (1.7)	8.3 (3.1)
Gross domestic fixed capital formation	1.7	-12.3	-5.3	-11.6	-15.1	-16.8	-14.3
Building and construction	-0.5	-6.2	-4.3	-11.1	-2.8	-6.5	-9.1
Costs of ownership transfer	-11.2	-13.4	-20.0	-13.4	-22.4	7.6	-31.6
Machinery, equipment and intellectual property products	8.8	-20.0	-2.0	-12.2	-26.5	-32.3	-18.0
Total exports of goods&	3.5	-4.6	-3.7 (-1.7)	-5.3 (-1.6)	-6.9 (-1.2)	-2.5 (2.0)	-9.9 (-9.2)
Imports of goods&	4.7	-7.3	-4.2 (-2.2)	-6.7 (-2.6)	-11.0 (-2.0)	-7.0 (-0.3)	-11.0 (-6.5)
Exports of services&	4.6	-10.2	-0.4 (1.0)	-1.3 (-3.6)	-14.2 (-13.1)	-24.2 (-10.6)	-37.8 (-16.8)
Imports of services&	2.8	-2.4	-1.2 (0.3)	1.8 (0.5)	-4.5 (-5.9)	-5.2 (-0.3)	-26.3 (-21.9)
<b>Gross Domestic Product</b>	<b>2.8</b>	<b>-1.2</b>	<b>0.7 (0.8)</b>	<b>0.4 (-0.3)</b>	<b>-2.8 (-3.0)</b>	<b>-3.0 (-0.5)</b>	<b>-8.9 (-5.3)</b>
<i>Change in the main price indicators (%)</i>							
<b>GDP deflator</b>	<b>3.7</b>	<b>2.4</b>	<b>2.7 (0.6)</b>	<b>2.7 (0.9)</b>	<b>2.3 (0.3)</b>	<b>1.8 (0.2)</b>	<b>2.8 (1.4)</b>
<b>Composite CPI</b>							
<b>Headline</b>	<b>2.4</b>	<b>2.9</b>	<b>2.2 (0.4)</b>	<b>3.0 (1.2)</b>	<b>3.3 (0.9)</b>	<b>3.0 (0.5)</b>	<b>2.0 (-0.6)</b>
<b>Underlying^</b>	<b>2.6</b>	<b>3.0</b>	<b>2.7 (0.6)</b>	<b>2.9 (1.0)</b>	<b>3.3 (1.0)</b>	<b>3.0 (0.4)</b>	<b>2.9 (0.5)</b>
<b>Change in nominal GDP (%)</b>	<b>6.6</b>	<b>1.1</b>	<b>3.4</b>	<b>3.0</b>	<b>-0.5</b>	<b>-1.2</b>	<b>-6.3</b>

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 Government's one-off relief measures.

## The domestic sector

1.7 Domestic demand weakened markedly in the first quarter of 2020. The year-on-year fall in *private consumption expenditure* widened sharply from 2.9% in real terms in the preceding quarter to 10.1%. The threat of COVID-19 and resulting social distancing measures severely disrupted consumption-related activities, while austere labour market conditions heavily weighed on consumer sentiment. Residents' expenditure abroad plunged, as people delayed or cancelled their travel plans in the face of travel restrictions and quarantine measures around the world. In contrast, *government consumption expenditure* grew notably by 8.3% in real terms in the first quarter, after a 6.1% growth in the preceding quarter.

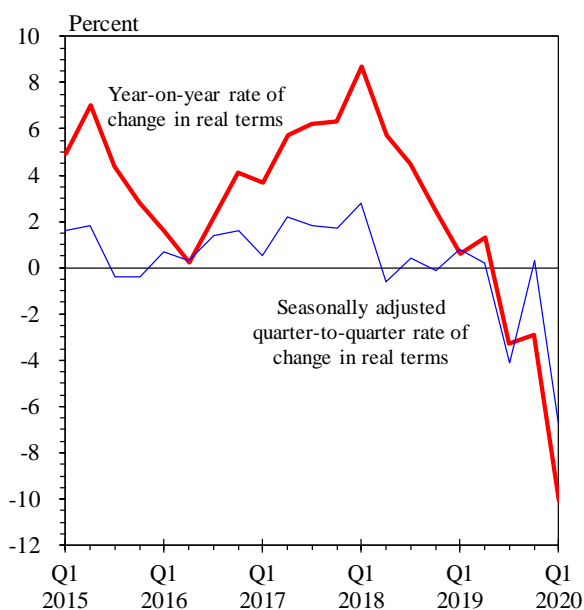
**Table 1.2 : Consumer spending by major component<sup>(a)</sup>  
(year-on-year rate of change in real terms (%))**

		<i>Of which :</i>							
		Total consumer spending in the domestic market <sup>(a)</sup>					Residents' expenditure abroad	Visitor spending	Private consumption expenditure <sup>(b)</sup>
			Food	Durables	Non- durables	Services			
2019	Annual	-4.3	-8.0	-13.4	-11.3	0.7	4.1	-20.7	-1.1
	Q1	0.9	-1.2	-6.1	4.4	1.3	-0.5	2.1	0.6
	Q2	0.5	-4.8	-6.4	0.1	2.7	12.1	1.3	1.3
	Q3	-7.6	-12.1	-16.3	-21.8	-0.1	2.2	-30.8	-3.3
	Q4	-10.8	-14.1	-22.7	-26.6	-1.2	2.9	-51.9	-2.9
2020	Q1	-17.8	-16.1	-41.1	-40.2	-5.6	-46.9	-79.7	-10.1

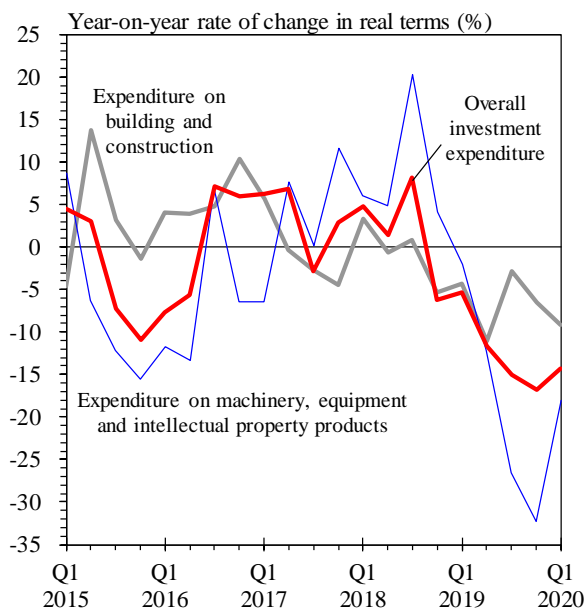
Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending.

(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 saw the largest year-on-year contraction on record**



**Diagram 1.3 : Overall investment expenditure remained in the doldrums**



1.8 Overall investment spending in terms of *gross domestic fixed capital formation* fell significantly by 14.3% in real terms in the first quarter from a year earlier, following a decline of 16.8% in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products showed another large decline of 18.0%, as there was a further deterioration of business sentiment amid the COVID-19 pandemic (see **Box 1.2**). Expenditure on building and construction continued to fall visibly by 9.1%, with both private and public sector activities shrinking further. Meanwhile, the costs of ownership transfer plunged along with the sharp fall in property transactions in both residential and non-residential segments.

## Box 1.2

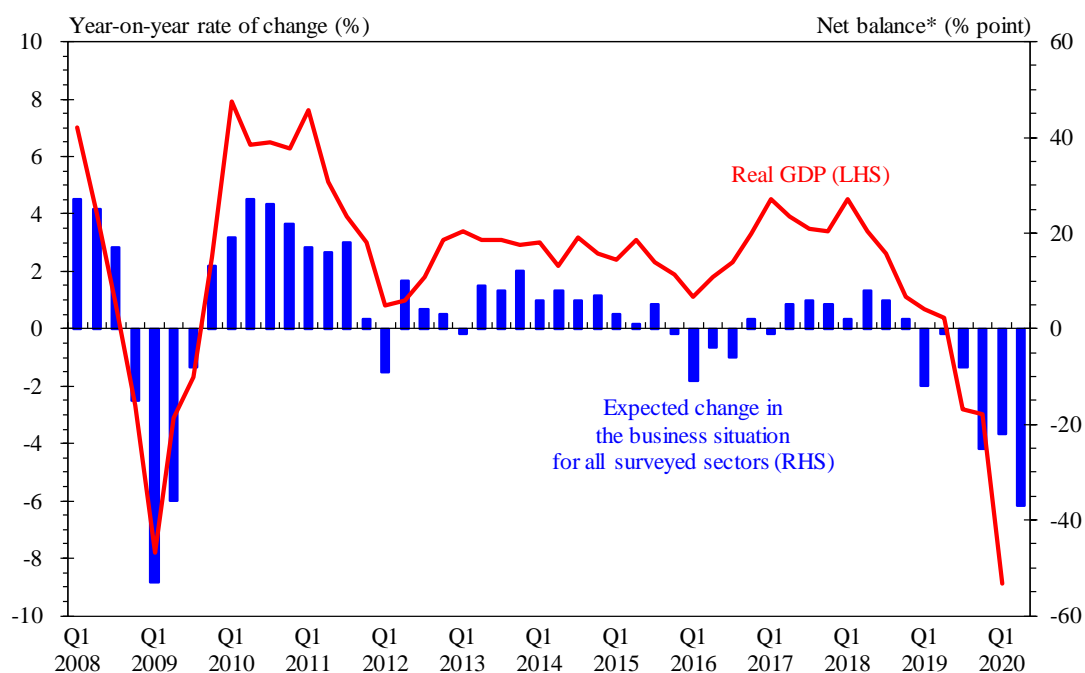
### Business sentiment in Hong Kong

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 sharp deterioration in business sentiment in recent months.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)<sup>(1)</sup> conducted during early March to mid-April, business sentiment among large enterprises in Hong Kong turned even more subdued (*Chart 1*). The proportion of large enterprises expecting business situation to worsen in the second quarter of 2020 over the first quarter exceeded the proportion of those expecting improvement by 37 percentage points (i.e. a net balance of -37), representing a sharp deterioration from the net balance of -22 in the previous round and also the worst reading since the first quarter of 2009.

The severe economic fallout from the COVID-19 pandemic weighed heavily on the business sentiment among large enterprises across all surveyed sectors (*Table 1*). Large enterprises in “accommodation and food services” and “retail” sectors were very gloomy about their business situation, as the threat of COVID-19 and various anti-epidemic measures brought inbound tourism to a standstill in February and March and seriously curtailed local consumption activities. Meanwhile, severe disruptions to production activity and plunging consumption demand worldwide caused by the pandemic darkened the outlook of the trade-related sectors, with the net balances in “transportation, storage and courier services”, and “import/export trade and wholesale” diving deeper in the negative zone. The net balances of all other sectors were also negative, reflecting the widespread economic impact of the disease. Overall hiring sentiment of large enterprises also plummeted, with all surveyed sectors expecting employment to decline in the second quarter of 2020 (*Table 2*).

**Chart 1 : Business sentiment among large enterprises turned more subdued**



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 1.2 (Cont'd)

**Table 1 : Large enterprises in all sectors expected deteriorating business situation in Q2 2020**

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	-3	-1	-8	-24	-27	-23
Construction	-23	-22	-7	-45	-28	-20
Import/export trade and wholesale	-23	-8	-8	-23	-23	-42
Retail	-6	-8	-24	-61	-39	-42
Accommodation and food services	-5	-9	-17	-44	-42	-63
Transportation, storage and courier services	-13	-1	-9	-26	-33	-47
Information and communications	-3	+13	+10	+6	-2	-15
Financing and insurance	-8	+9	-6	-21	-16	-32
Real estate	-5	+6	-10	-12	-18	-29
Professional and business services	-7	-4	-3	-25	-13	-37
All sectors above	-12	-1	-8	-25	-22	-37

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 of large enterprises weakened in most sectors**

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	+12	-6	+8	+5	+3	-18
Construction	-3	-6	+10	-20	-25	-22
Import/export trade and wholesale	-6	-4	-5	-9	-10	-13
Retail	+4	+1	0	-21	-19	-25
Accommodation and food services	+9	+12	+19	-13	-9	-35
Transportation, storage and courier services	+11	+6	+6	0	+1	-17
Information and communications	-11	+11	-3	-6	0	-2
Financing and insurance	+20	+12	+9	+11	+4	-9
Real estate	+7	+6	+7	-6	-13	-5
Professional and business services	-4	-8	+2	-2	-8	-12
All sectors above	+3	+1	+4	-7	-8	-17

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<sup>(2)</sup> to gauge the general direction of change in their views on business situation versus the preceding month. The overall index on business receipts, at 31.0 in April 2020, stayed deep below the 50 divide, though somewhat better than the record low of 20.3 in February 2020 (*Chart 2a*). The employment situation of the SMEs surveyed deteriorated and stayed subdued in the recent months. Credit conditions, though still accommodative showed some tightening. Meanwhile, the Standard Chartered Hong Kong SME Leading Business Index<sup>(3)</sup> fell further in the contractionary zone to a new record low.

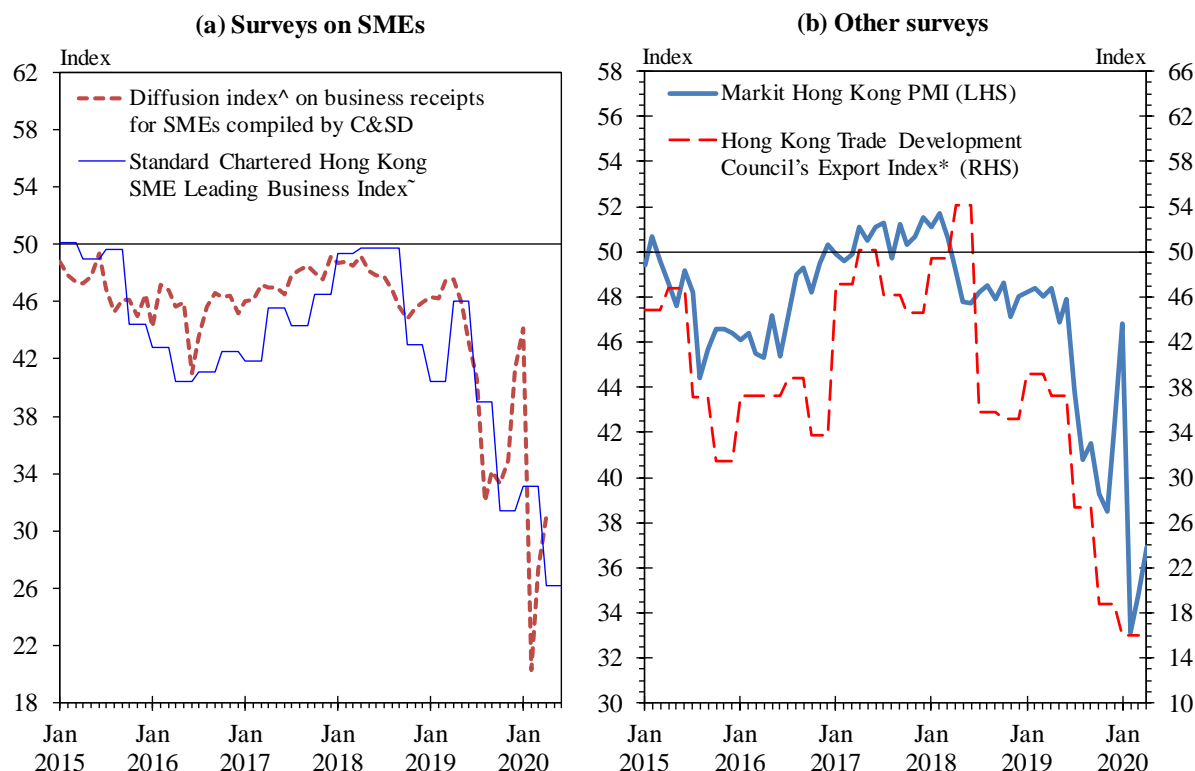
As for other surveys in the public domain, the Hong Kong Trade Development Council’s Export Index<sup>(4)</sup> fell further from 18.8 in the fourth quarter of 2019 to 16.0 in the first quarter of 2020 (*Chart 2b*), a fresh record low since the index was compiled in 2006. In this round of survey conducted in mid-February 2020, 63.9% of the traders identified the pandemic as the biggest threat to their businesses, overtaking softening global demand and US-Mainland trade tensions as their primary concern. Separately, the Markit Purchasing Managers’ Index (PMI) of Hong Kong<sup>(5)</sup>, which gauges the performance of the private sector’s business activity, still stayed well below the 50 boom-bust threshold at 36.9 in April 2020, though rising back somewhat from the recent record low of 33.1 in February 2020.

(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 1.2 (Cont'd)**

**Chart 2 : Most of the other survey indicators also pointed to subdued business sentiment in recent months**



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 an upward trend and an optimistic outlook, while a reading below 50 indicates a downward trend and a pessimistic outlook.

It is worth to note 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 turned even more subdued amid the pandemic, while hiring sentiment also worsened noticeably. In view of the immense economic challenges, the Government has rolled out relief measures of unprecedented scale to support enterprises and safeguard jobs, with a view to preserving the vitality of the economy. As the global public health and economic situations are still subject to high uncertainties, the Government will stay vigilant and closely monitor various external and local developments, for their possible repercussions on Hong Kong’s business and employment situation.

- (4) The Hong Kong Trade Development Council’s Export Index is designed to gauge the prospects of the near-term export performance of Hong Kong traders. The business confidence survey is conducted on a quarterly basis, with 500 participating Hong Kong traders from six major industry sectors interviewed, namely 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 Suppliers’ 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**

1.9 The labour market showed further sharp deterioration in the first quarter of 2020 as the economic recession deepened amid the COVID-19 epidemic. The *seasonally adjusted unemployment rate* soared from 3.3% in the preceding quarter to 4.2%, the highest in more than nine years, with lower-skilled workers experiencing a faster rise in unemployment. The tourism- and consumption-related sectors as well as the construction sector were particularly hard hit. The *underemployment rate* likewise rose notably to 2.1%, the highest in nearly a decade. The year-on-year decline in total employment widened to 3.6%, the largest on record, signifying significant job losses during the current crisis. The labour force likewise fell by a record 2.2% from a year earlier. Wages and earnings rose at a decelerated pace.

## **The asset markets**

1.10 The *local stock market* saw a notable correction in the first quarter of 2020, as market sentiment was hard hit by the economic fallout of the COVID-19 pandemic. The Hang Seng Index (HSI) plunged to 21 696 on 23 March, the lowest level since late December 2016, before recouping some of the lost ground after many governments across the world rolled out strong measures to support their economies. The HSI closed at 23 603 at end-March, down markedly by 16.3% from end-2019, the largest quarterly decline since the third quarter of 2015. As market volatility increased, trading activities were active in the first quarter, with average daily turnover in the securities market surging by 56.8% over the preceding quarter to \$120.9 billion.

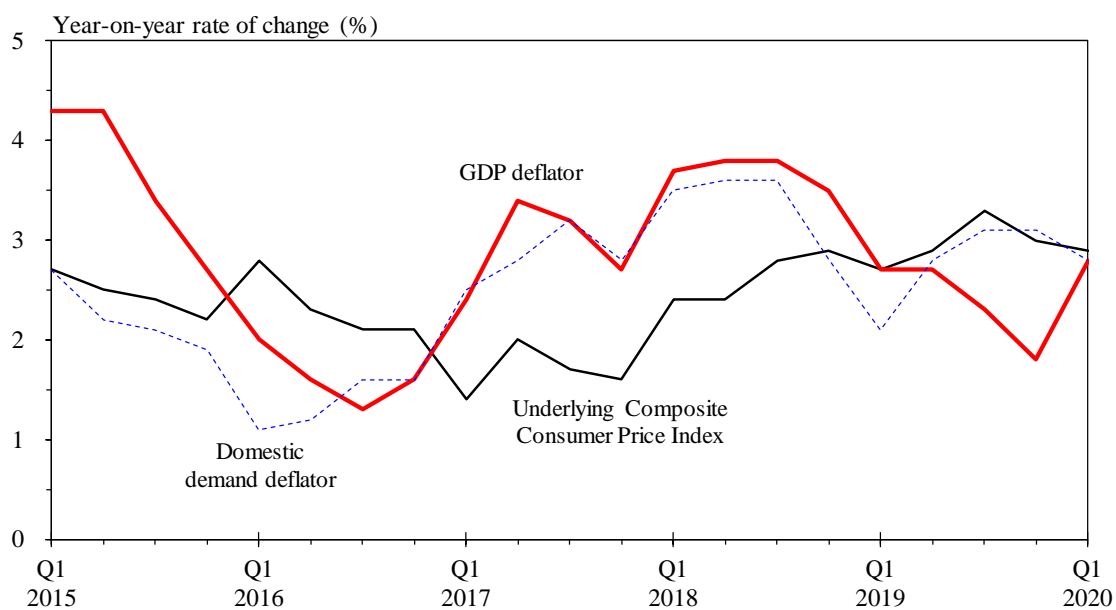
1.11 The *residential property market* lacked clear direction in the first quarter of 2020 amid immense uncertainties about how the COVID-19 pandemic and the resultant large-scale monetary easing measures by the major central banks will affect the economy and the market. Trading activities slowed down visibly. 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, declined visibly by 21% from the preceding quarter or 26% from a year earlier to 10 204 in the first quarter. Flat prices edged down by 1% during the first quarter, but the level in March 2020 still exceeded the 1997 peak by 117%. The index of home purchase affordability remained elevated at around 73% in the first quarter. Meanwhile, flat rentals continued to decrease amid a weak economy, by 4% during the quarter. The commercial and industrial property markets quietened further, with trading activities plunging to historic low levels. Prices for major market segments exhibited diverse movements, while rentals fell.

## **Inflation**

1.12 Consumer price inflation remained moderate in the first quarter. Netting out the effects of the Government's one-off relief measures, *underlying consumer price inflation* edged down from 3.0% in the preceding quarter to 2.9% in the first quarter. While prices of pork and some other basic foodstuffs recorded larger increases, price pressures on many major CPI components showed easing of varying degrees. Domestically, the increase in private housing rentals decelerated further, as the effect of softening fresh-letting residential rentals over the past year or so continued to feed through. Business cost pressures also abated amid the austere local economic conditions, with wages rising at a slower pace and commercial rentals easing further. Meanwhile, external price pressures subsided. Alongside the weakened global demand and softened international commodity and energy prices amid the COVID-19 pandemic, inflation rates in many of our major import sources eased visibly towards the end of the quarter. These developments, together with the strengthening of the Hong Kong dollar along with the US dollar against other major currencies, have led to some softening of import prices. The *headline consumer price inflation* went down visibly from 3.0% in the preceding quarter to 2.0% in the first quarter, mainly reflecting the implementation of new one-off relief measures by the Government.

1.13 The year-on-year rate of increase in the *GDP deflator* rose from 1.8% in the preceding quarter to 2.8% in the first quarter. The terms of trade continued to deteriorate from a year earlier, though to a lesser extent as compared to the preceding quarter. Taking out the external trade components, the domestic demand deflator rose by 2.8% in the first quarter, slower than the 3.1% increase in the preceding quarter.

**Diagram 1.4 : Consumer price inflation remained moderate in the first 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**

1.14 The net output of the services sector shrank slightly by 0.3% in real terms in 2019 after its 3.1% growth in 2018. As for the quarterly profile, growth decelerated to 1.7% and 1.3% year-on-year in the first and second quarters respectively amid softening global economic growth and elevated US-Mainland trade tensions, and turned to contraction of 1.7% in the third quarter and 2.4% in the fourth quarter as the local social incidents involving violence dealt a heavy blow to the economy. Analysed by major service sector, net output of import and export trade showed a noticeable decline for the year as a whole, and that of transportation, storage, postal and courier services relapsed to a decrease amid shrinking trade flows. The net outputs of wholesale and retail trades as well as accommodation and food services plummeted, as the local social incidents in the second half of the year caused significant disruptions to consumption- and tourism-related activities. Meanwhile, growth in the net outputs of financing and insurance, professional and business services as well as public administration, social and personal services moderated. On the other hand, the net output of information and communications grew appreciably during most of the year before seeing a deceleration in the fourth quarter. The net output of real estate, which covers activities of private sector developers and property agencies, resumed modest expansion for the year as a whole, despite some weakening in the second half. As for the secondary sector, net output of the construction sector reverted to a fall, while that of the manufacturing sector only expanded mildly for the year as a whole.

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

	<u>2018</u>	<u>2019</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>	<u>Q3</u>	<u>Q4</u>
Manufacturing	1.3	0.4	1.1	1.6	1.2	1.2	1.4	0.4	0.5	-0.5
Construction	3.3	-6.0	9.4	2.6	4.1	-2.6	-3.5	-11.5	-2.5	-6.6
Services <sup>(b)</sup>	3.1	-0.3	4.1	3.5	2.8	2.1	1.7	1.3	-1.7	-2.4
Import/export, wholesale and retail trades	4.2	-6.2	5.8	5.4	4.8	1.6	-1.3	-3.8	-9.7	-8.4
Import and export trade	3.8	-4.4	4.7	4.4	4.9	1.7	-0.9	-3.4	-7.6	-4.8
Wholesale and retail trades	6.0	-13.8	10.9	9.6	4.2	1.3	-3.0	-5.4	-19.8	-23.8
Accommodation <sup>(c)</sup> and food services	5.9	-9.2	8.9	6.3	5.9	2.7	2.7	-1.6	-14.1	-23.2
Transportation, storage, postal and courier services	2.5	-1.6	4.3	3.0	0.3	2.5	2.4	1.9	-2.2	-8.1
Transportation and storage	2.6	-1.5	4.2	3.3	0.6	2.3	2.9	2.2	-2.3	-8.1
Postal and courier services	1.0	-4.6	6.0	-2.1	-5.4	4.3	-6.1	-4.2	1.3	-7.8
Information and communications	4.1	4.7	3.3	3.8	3.8	5.3	4.8	5.8	5.4	2.8
Financing and insurance	4.0	2.8	6.3	4.1	3.0	2.8	2.3	3.1	3.3	2.4
Real estate, professional and business services	-0.4	1.0	0.3	*	-0.6	-1.1	1.6	1.9	0.5	0.2
Real estate	-3.1	0.9	-2.6	-2.5	-2.7	-4.7	1.2	0.7	0.5	1.0
Professional and business services	2.0	1.2	3.0	2.1	1.1	1.8	2.1	2.8	0.4	-0.5
Public administration, social and personal services	3.6	2.9	3.8	3.2	3.6	3.8	3.6	3.6	2.0	2.5

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 services 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.

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

## **Other economic developments**

1.15 Given the severe impact of the COVID-19 pandemic on the Hong Kong economy, the Government has rolled out relief measures of unprecedented scale to preserve the vitality of the economy and relieve people's financial burdens. On 14 February 2020, the Government announced the setting up of the Anti-epidemic Fund. The first round of \$30 billion funding commitment covered 24 measures aiming at enhancing our capability in combating the epidemic and providing assistance to enterprises and members of the public hard hit or affected. In the 2020-21 Budget (the Budget) released on 26 February 2020, the Financial Secretary unveiled a whole range of counter-cyclical measures involving over \$120 billion to support enterprises, safeguard jobs, stabilise the economy and relieve people's financial burdens. Key measures included, among others, a cash payout of \$10,000 to Hong Kong permanent residents aged 18 or above, reduction of profits tax and salaries tax, waiver of rates and business registration fees, a subsidy to electricity bills and waiver of water and sewage charges payable by non-domestic household accounts, extra allowances for low-income groups such as eligible social security and Work Incentive Transport Subsidy recipients. The Budget also introduced a concessionary low-interest loan under the SME Financing Guarantee Scheme with 100 percent guarantee provided by the Government.

1.16 On 8 April 2020 the Government announced the second round of Anti-epidemic Fund measures worth \$137.5 billion to provide further assistance to the affected sectors and members of the public. Key measures included introducing an \$80 billion Employment Support Scheme to provide wage subsidies to eligible employers, providing 16 types of support for specific sectors, enhancing the SME Financing Guarantee Scheme, helping the MTR Corporation to provide a 20% fare discount, temporarily relaxing the monthly threshold of the Public Transport Fare Subsidy Scheme, granting interest-free deferral of loan repayments to all student loan repayees, and allowing deferrals of tax payments.

1.17 The total size of the two rounds of Anti-epidemic Fund measures and the one-off relief measures in the Budget amounted to \$287.5 billion, representing about 10% of GDP. Together with the four rounds of support measures rolled out during August to December last year, it is estimated that there would be a cushioning effect on the Hong Kong economy of around 5% of GDP.

1.18 Apart from measures to cope with the challenges arising from the epidemic, the Budget also introduced initiatives to promote sustainable economic development in the medium- and long-term. To broaden the foundation of our



economy, the Budget offered a wide range of measures to strengthen Hong Kong's pillar industries, while fostering new growth engines such as innovation and technology, cultural and creative industries and nurturing talents. Taking part in the two national policies, namely the development of Guangdong-Hong Kong-Macao Greater Bay Area and the Belt and Road Initiative, the Government will continue to help bring in foreign investments and know-how to the Greater Bay Area, actively support local enterprises and professional services sectors to explore Belt and Road markets and to collaborate with Mainland enterprises in going global, and establish various business exchange and matching platforms and promoting project participation under the Initiative. Our services industry is heading for the development of high-end and high value-added services, and can provide diversified services in the areas of infrastructure financing, green finance, RMB products and services, insurance as well as other professional services. Moreover, the Government will devote resources to overcome the land and housing challenges, invest in infrastructure, strengthen the healthcare system, promote smart city and sports development and enhance environmental protection, with a view to developing Hong Kong into a more liveable city and caring society.

1.19 Hong Kong was ranked second in the Heritage Foundation's *2020 Index of Economic Freedom*, after holding the world's freest economy title for 25 successive years. Our overall score decreased due primarily to security issues arising from social unrest in the latter half of 2019. Hong Kong nevertheless attained high scores of 90 or above in seven out of the 12 components adopted for measuring economic freedom in the Index, and continued to attain the highest score among the assessed economies in terms of 'Fiscal Health', 'Business Freedom', 'Trade Freedom' and 'Financial Freedom', reflecting that our various institutional strengths have remained unscathed. The Government will continue to uphold the fine tradition of the rule of law and judicial independence, maintain a simple tax system with low tax rates, improve government efficiency, safeguard an open and free trade regime, and build a level-playing field for all, so as to create a favourable environment for business to thrive and to enable the economy to prosper.

## Notes :

- (1) The table below presents a more detailed comparison between the growth forecasts made by the IMF in April 2020 and those three months ago.

	<u>2019</u> (%)	<u>2020</u>	
		<u>January round</u> (%)	<u>April round</u> (%)
World (PPP <sup>##</sup> weighted)	2.9	3.3	-3.0
Advanced economies	1.7	1.6	-6.1
US	2.3 <sup>#</sup>	2.0	-5.9
Euro area	1.2 <sup>#</sup>	1.3	-7.5
UK	1.4 <sup>#</sup>	1.4	-6.5
Japan	0.7 <sup>#</sup>	0.7	-5.2
Emerging market and developing economies	3.7	4.4	-1.0
Emerging and developing Asia	5.5	5.8	1.0
Mainland China	6.1 <sup>#</sup>	6.0	1.2
India <sup>^</sup>	4.2	5.8	1.9
ASEAN-5 <sup>§</sup>	4.8	4.8	-0.6
Middle East and Central Asia	1.2	2.8	-2.8

- Notes : (#) Actual figures.  
 (##) PPP refers to purchasing power parity.  
 (^) Fiscal year.  
 (§) Includes Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

- (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 global economy experienced an unprecedented and severe shock in the first quarter of 2020. The COVID-19 outbreak and the stringent containment measures implemented, first by the Mainland in late January and then by many governments since March, have led to sharp moderation or even shuttering of economic activities worldwide. The Mainland economy recorded its first ever year-on-year contraction, while major economies such as the US and the euro area worsened abruptly towards the end of the quarter. The sharp global economic contraction and worries about the consequential stress on companies' profits and ability to meet financial obligations sent shockwaves to global financial markets. To alleviate the economic pains and financial market strains, central banks stepped up easing actions while governments around the world rolled out huge fiscal support packages.*
- *The year-on-year decline in Hong Kong's merchandise exports widened visibly to 9.1% in real terms<sup>(1)</sup> in the first quarter, weighed by the serious disruptions to economic activities in the Mainland, the regional supply chains and related trading activities amid the threat of COVID-19, and later by sharp moderation of economic activities worldwide when the epidemic turned into a pandemic. Exports to the Mainland fell moderately, while those to the US and the EU recorded further sharp falls. Exports to many other major Asian markets registered declines of varying degrees.*
- *Exports of services plummeted by a record 37.8% year-on-year in real terms in the first quarter, following an already very steep decline of 24.2% in the preceding quarter. Exports of travel services fell drastically, as the COVID-19 pandemic resulted in widespread travel restrictions and border controls across the world. Exports of business and other services showed a visibly enlarged decrease, dampened by the extremely austere external environment. Exports of transport services took a dive, as cross-boundary passenger flows came to a virtual halt in February and March and cargo flows turned more subdued. Exports of financial services fared relatively better and grew mildly from a year earlier, supported by active financial market trading amid the turbulent market situation.*
- *The Government continued to enhance trade and investment relations between Hong Kong and other economies. The part of the Free Trade Agreement (FTA) and the Investment Agreement (IA) between Hong Kong and ASEAN relating to the Philippines took effect in May, bringing the total number of ASEAN members for which both the FTA and the IA have taken effect to seven.*

## Goods trade

### *Total exports of goods*

2.1 Hong Kong's *merchandise exports* plunged by 9.1% year-on-year in real terms in the first quarter of 2020, visibly larger than the 2.4% decline in the preceding quarter. The drastic deterioration in performance was initially due to the serious disruptions to economic activities in the Mainland, the regional supply chains and related trading activities amid the threat of COVID-19, and later due to sharp moderation of economic activities worldwide when the epidemic turned into a pandemic.

2.2 The global economy experienced an unprecedented and severe shock in the first quarter of 2020. In the latter part of the quarter, the COVID-19 epidemic spread at alarming rates in most parts of the world. To curb the spread of the disease, many governments implemented travel bans, imposed city and regional lockdowns and closed non-essential businesses, leading to sharp moderation or even shuttering of economic activities worldwide.

2.3 The Mainland economy was seriously disrupted by the spread of COVID-19 and the response measures in January and February of 2020, before showing some relative improvement in March when the disease was gradually kept under control there. In contrast, other major economies largely maintained their modest to moderate growth momentum in the first two months of the year but took a big hit in March when the outbreak became a pandemic. Taking the first quarter as a whole, the Mainland economy saw its first year-on-year contraction on record, at a rate of 6.8%. The US economy decelerated sharply to record only marginal year-on-year growth, with its labour market deteriorating abruptly since March. The euro area economy recorded a sharp contraction. Japan's economic activity retreated further, and growth in many other Asian economies decelerated sharply with some even turning into a fall. The emergence of a deep global recession since March and worries about the consequential stress on companies' profits and ability to meet financial obligations sent shockwaves to global financial markets. In mid-April the International Monetary Fund (IMF) forecast the global economy to shrink by 3.0% in 2020, much worse than the 0.1% contraction in 2009, even assuming that the pandemic would peak in the second quarter. The IMF noted that the COVID-19 pandemic was inflicting a severe impact on economic activity worldwide and risks to the global forecast were still on the downside.

2.4 To alleviate the economic pains and financial market strains, central banks around the world have stepped up easing actions through rate cuts, liquidity injection and additional asset purchases. Specifically, in March the US Federal Reserve cut the target range for the federal funds rate twice by a total of 150 basis points to 0.00%-0.25%, set up a number of funding facilities to inject liquidity, and resumed purchases of Treasury securities and agency mortgage-backed securities in whatever amounts needed to ensure financial stability for an infinite period. Central banks in other advanced economies such as the euro area, the United Kingdom, Canada, Japan and Australia launched new or greatly augmented existing asset purchase programmes. Central banks across Asia ramped up various easing measures, and many have cut rates aggressively. Governments around the world rolled out huge fiscal packages to support companies and relieve people's financial burdens, including provision of loans and subsidies to affected industries and small businesses, as well as cash handout to individuals. In the US, an economic stimulus package worth around 10% of GDP was rolled out in March, and the measures were further scaled up subsequently. The size of fiscal measures introduced by Japan, Australia, Singapore and other advanced economies were also sizable (see *Box 2.1*).

2.5 With the signing of the Phase One trade agreement in mid-January 2020, the bilateral economic and trade relations between the Mainland and the US remained broadly stable during the first quarter. The US halved the additional tariffs on around US\$120 billion worth of Mainland products from 15% to 7.5% from mid-February, and the Mainland also scaled back its countermeasures. Yet, trade barriers imposed earlier remained in place. Meanwhile, trade tensions between the US and the EU escalated, as the US raised the additional tariffs on aircraft imported from the EU from 10% to 15% on 18 March 2020. Separately, the negotiations between the UK and the EU for a free trade agreement have made little progress since the UK's withdrawal from the EU on 31 January 2020, and it is still uncertain whether the two parties could strike a deal before the end of this year.

## Box 2.1

### Response measures by major economies to counter the COVID-19 pandemic

The COVID-19 disease has spread at alarming rates across the world since March 2020. On 11 March, the World Health Organization declared the outbreak a pandemic. The global economy worsened abruptly and plunged into a deep recession as travel restrictions, social distancing and other anti-epidemic measures have led to severe disruptions to production activity as well as a collapse in consumption demand. Financial markets became highly volatile as market participants examined the pandemic's duration and intensity and its impact on the economy, magnifying concerns about elevated debt levels in some major economies and the vulnerability of some emerging markets.

The severity of this unprecedented shock is plainly visible. In mid-April the International Monetary Fund (IMF) projected that the global economy would shrink by 3.0% this year, in stark contrast to the modest pick-up envisaged in January. This would represent the worst recession since the Great Depression in the 1930s, far worse than that during the global financial crisis in 2008-09. The Mainland economy, having registered its first ever contraction in the first quarter, was expected to gradually recover and grow by 1.2% for 2020 as a whole. Yet this already represented a substantial downward revision of 4.8 percentage points from the forecast in January. Other economies, which were still working to contain the pandemic, saw their forecasts marked down to an even greater extent. For instance, the IMF forecast sharper contraction of 5.9% and 7.5% in the US and the euro area respectively, though private sector forecasts issued at around the same time tended to be more optimistic (*Table 1*).

**Table 1 : Growth forecasts for major economies in 2020 before and after the outbreak**

	<b>Pre-outbreak (January 2020)*</b>	<b>Post-outbreak (April 2020)*</b>	<b>Post-outbreak (April 2020)^</b>
	(%)	(%)	(%)
World (PPP# weighted)	3.3	-3.0	-
Mainland	6.0	1.2	2.0
US	2.0	-5.9	-4.0
Euro area	1.3	-7.5	-5.7
<i>France</i>	<i>1.3</i>	<i>-7.2</i>	<i>-5.4</i>
<i>Germany</i>	<i>1.1</i>	<i>-7.0</i>	<i>-5.0</i>
<i>Italy</i>	<i>0.5</i>	<i>-9.1</i>	<i>-7.5</i>
UK	1.4	-6.5	-5.4
Japan	0.7	-5.2	-3.3
Korea	2.2&	-1.2	-0.5
Singapore	1.0&	-3.5	-3.5

Notes : (\*) Forecasts from IMF World Economic Outlook.  
(^) Average private sector forecasts as at April 2020.  
(#) PPP refers to purchasing power parity.  
(&) October 2019 forecast.

The IMF's April forecasts were based on the benign assumption that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound. However, the risks of a worse outcome predominated given the extreme uncertainty around the duration and intensity of the pandemic.

## Box 2.1 (Cont'd)

In response to the huge adverse impact of the pandemic, major economies rolled out a series of fiscal and monetary measures. Fiscal measures were deployed to fight the COVID-19 outbreak directly and provide assistance to hard-hit businesses and households. Meanwhile, monetary measures were deployed to ease businesses' and household's debt burdens and calm financial markets. Some economies, including those facing more severe and protracted epidemic situations, have kept scaling up their response measures more recently.

In the Mainland, authorities made all-out efforts to combat the epidemic, and introduced a series of fiscal policies to stabilize the economy and employment and safeguard people's livelihood. The fiscal response consisted of three main components. *First*, the authorities allocated over RMB 140 billion directly to epidemic prevention and control. *Second*, the Mainland authorities offered considerable support to businesses by waiving various taxes and fees, including over RMB 1 trillion in social security contribution waivers. The hardest hit businesses, i.e. SMEs and enterprises in Hubei, have been offered the most assistance. *Third*, the central government put more funds in the hands of local authorities by increasing their fiscal revenue retention ratio and front-loading local bond issuance quotas. This was intended to allow local authorities to safeguard people's livelihood with programmes tailor-made to their individual circumstances and press ahead with their infrastructure investment projects.

The People's Bank of China (PBOC) also introduced a number of monetary and credit policy measures to support lending to hard-hit enterprises and ensure liquidity. These included introducing a special relending fund of RMB 300 billion to increase the supply of credit to producers of medical supplies and daily necessities, and expanding existing relending and rediscounting operations by RMB 1.5 trillion to increase the supply of credit to small, medium and micro enterprises and those in hard-hit sectors such as transport, tourism, and exports. The PBOC also added liquidity to the system by lowering the reserve requirement ratios for selected financial institutions, and lowered the policy rates through open market operations with a view to driving down the market-based 1-year and 5-year Loan Prime Rates (LPRs).

In the US, the government's fiscal response can also be divided into three components. *First*, authorities provided grants for federal agencies and healthcare providers to cope with the COVID-19 outbreak. *Second*, the government offered direct fiscal assistance to hard-hit businesses and individuals. For businesses, the fiscal assistance was mainly in the form of grants largely targeted towards small businesses and the airline industry, as well as forgivable loans and tax reductions. Individuals received direct cash payments, expanded unemployment benefits, and, for those employed by SMEs, subsidized medical leave. *Third*, state and local governments were given additional funds to mount their own responses to the outbreak. These measures, reflecting the severity of the outbreak in the US, summed up to around US\$2.4 trillion, or around 11% of GDP<sup>(1)</sup> as at early May.

On monetary and credit policy, the US response, like the Mainland's, also included elements aimed at providing additional liquidity to hard-hit sectors. For instance, the US Treasury was allocated US\$454 billion which the Federal Reserve (Fed) could leverage to backstop up to US\$4.5 trillion of loans to businesses, states and municipalities if needed. For households and local governments, the Fed expanded its purchases of mortgage-backed securities and established a facility to provide liquidity to states and municipalities. Finally, the Fed slashed the target range for the federal funds rate twice in March by a total of 150 basis points to 0.00% to 0.25%, a low level last seen during the global financial crisis. The Fed also announced unlimited quantitative easing to further support smooth market functioning and the effective transmission of monetary policy.

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(1) Ratios of fiscal measures to GDP presented in this box exclude credit measures and may differ from other estimates reported by the media.

## Box 2.1 (Cont'd)

In Europe, which also experienced a severe outbreak, the EU acted to free up funding to fight the pandemic through introducing credit measures to assist SMEs and facilitate member states' own fiscal responses. Key credit measures comprised €100 billion for national short-time work and unemployment schemes through a new instrument, €200 billion for SME lending via the European Investment Bank, and around €240 billion for euro area governments via the European Stability Mechanism. The European Commission also took a flexible approach to various rules and regulations with a view to allowing greater scope for member economies to deploy their fiscal resources, though the prevailing institutional constraints were still relatively stringent than in the US. At the national level, European economies unveiled a host of fiscal and liquidity measures to shore up their respective economies. Fiscal measures in major European economies, as a ratio to GDP, ranged from 4% (United Kingdom) to 6% (Germany). Notably, France, Germany, Italy and Spain all extended existing wage subsidy schemes, while Ireland and the UK introduced new ones.

On monetary policy, the ECB acknowledged that health and fiscal policies needed to be front and centre in Europe's coordinated response, but affirmed that it had a vital role to play in keeping the financial sector liquid and ensuring supportive financing conditions for all sectors of the economy. To this end, the ECB announced it would lower the interest rate on its targeted longer-term refinancing operations (TLTRO-III) by 25 basis points, such that banks lending to non-financial corporations and households could borrow at rates as low as -1.0%. The ECB also announced a new round of quantitative easing, expanding its regular asset purchases by €20 billion through the end of the year and introducing a new €750 billion Pandemic Emergency Purchase Programme which will extend through at least the end of this year.

Other major Asian economies also responded to the COVID-19 outbreak with a mix of fiscal and monetary policies. As at early May, Japan's fiscal measures, summing up to around 9% of GDP, included cash payments to households and SMEs facing hardships; additional measures included allowing SMEs to borrow at zero interest and struggling companies to defer tax payments and social security contributions. Singapore's fiscal measures, summing up to around 7% of GDP, included among others cash payments to individuals, and a substantial jobs support scheme with wage subsidies ranging from 25% to 75%; credit measures included a substantial injection of loan capital to further support businesses' credit needs. In South Korea, fiscal measures summed up to about 4% of GDP and included cash payments for households and tax concessions for individuals and small businesses; credit measures included providing additional liquidity to exporters, and stabilising financial markets.

Alongside these measures, central banks in the region acted to ease monetary policy and meet needs for liquidity. The Bank of Japan increased its purchases of corporate debt and exchange-traded funds and offered increased liquidity support for businesses. The Monetary Authority of Singapore eased its exchange rate policy. The Bank of Korea cut its policy rate by 50 basis points and purchased government bonds to stabilise the bond market.

In sum, the COVID-19 pandemic has dealt an unprecedented and severe blow to the global economy. Concerted action is needed to fight against the pandemic, and the world's major economies have already announced a raft of measures to do so, many of them unprecedented. At this juncture, sustained and effective anti-epidemic efforts remain the most crucial for creating a favourable environment for a full recovery of the global economy.



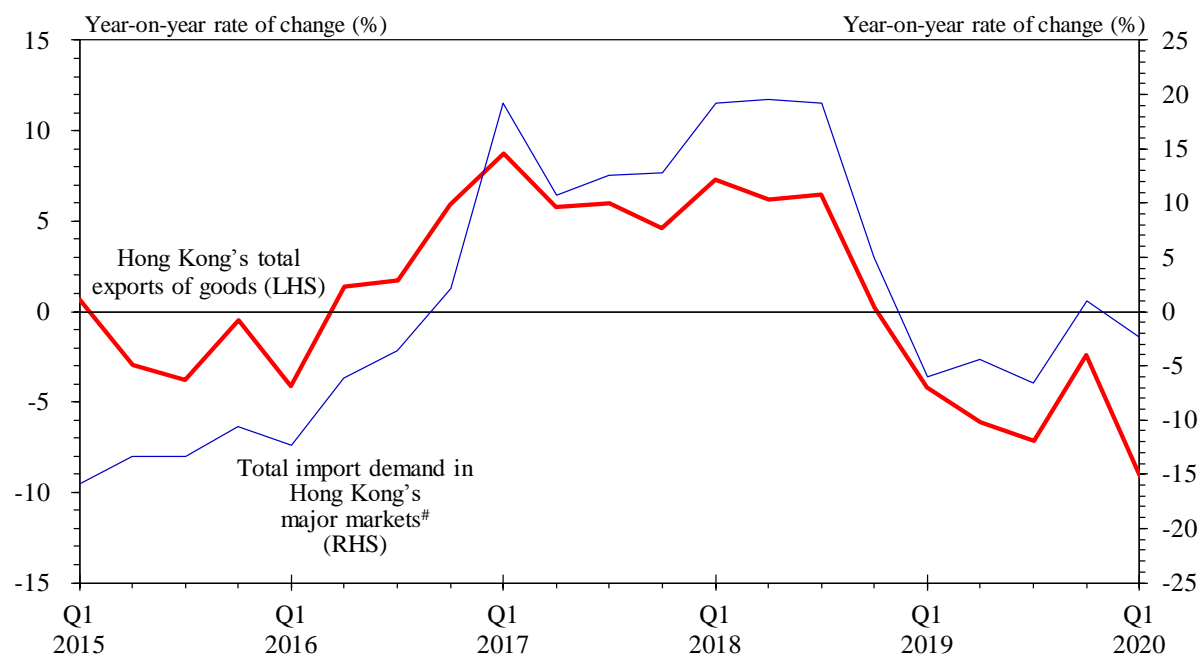
**Table 2.1 : Total exports of goods  
(year-on-year rate of change (%))**

	In value terms	In real terms <sup>(a)</sup>		Change in prices
2019 Annual	-4.1	-5.0		1.1
Q1	-2.4	-4.2	(-3.1)	2.2
Q2	-4.7	-6.1	(-0.6)	1.9
Q3	-6.4	-7.2	(-0.2)	0.9
Q4	-2.5	-2.4	(1.7)	-0.2
2020 Q1	-9.7	-9.1	(-9.7)	-0.7

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*.

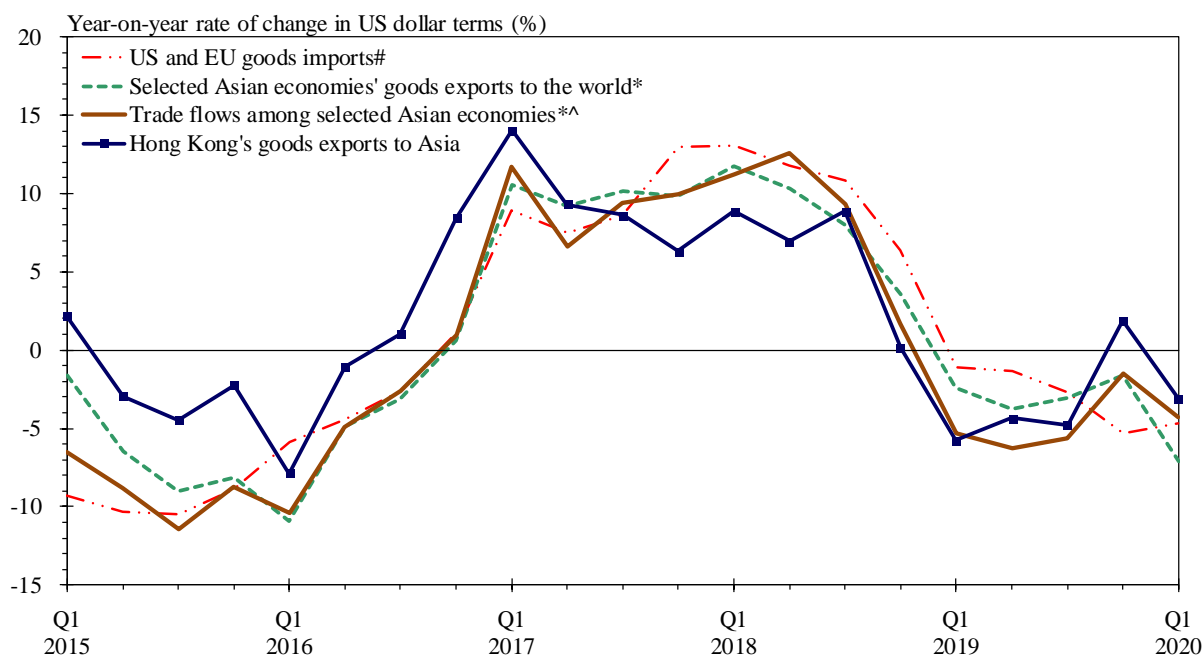
**Diagram 2.1 : Merchandise exports saw a visibly enlarged fall in the first quarter of 2020**



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.

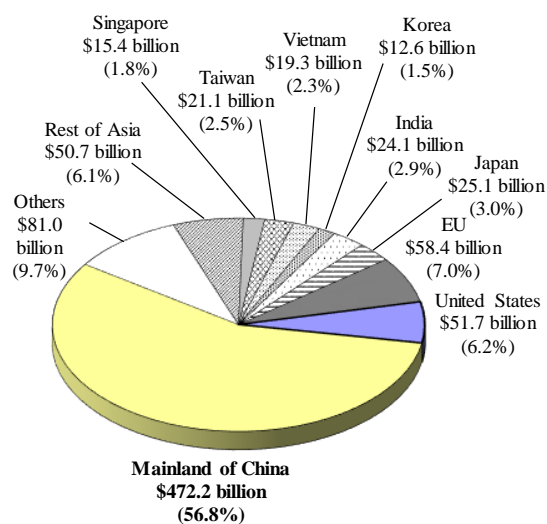
(#) Import demand figure for the EU for the first quarter of 2020 is based on information available as of early May 2020.

**Diagram 2.2 : COVID-19 seriously disrupted the regional supply chains, and led to a sharp moderation in economic activities worldwide when it turned into a pandemic**

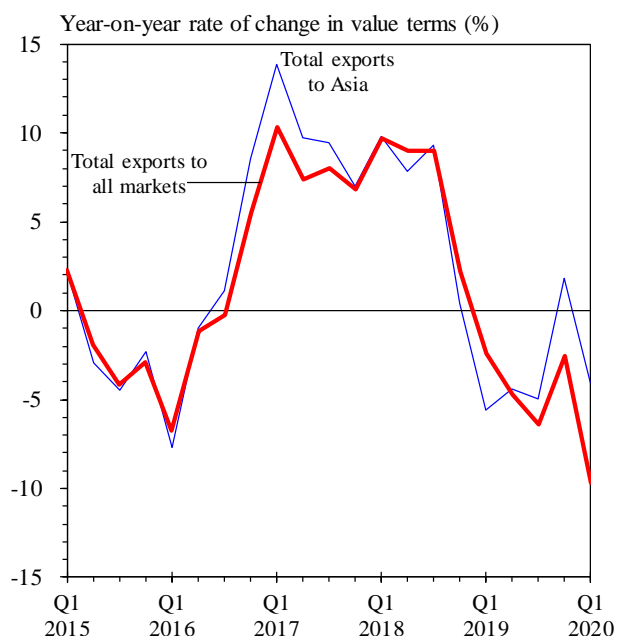


Notes : (\*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.  
 (^) The trade flows were measured by the sum of the individual economies’ exports of goods to the other nine economies within the “selected Asian economies”.  
 (#) EU goods imports for the first quarter of 2020 are based on the information available as of early May 2020.

**Diagram 2.3 : Exports to most major markets registered declines in the first quarter**



**Total exports of goods in the first quarter of 2020:**  
**\$831.4 billion**



**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>2019</u> <u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2020</u> <u>Q1</u>
Mainland of China	-5.1	-8.9	-7.7	-7.2	2.9	-2.2
United States	-15.5	-9.9	-14.4	-15.3	-21.5	-25.9
European Union <sup>#</sup>	-7.4	6.5	-4.2	-13.4	-15.7	-24.4
India	-11.7	-28.6	-1.5	-12.7	-0.9	-0.1
Japan	-7.5	-5.8	-7.3	-3.6	-13.1	-15.7
Taiwan	4.1	-10.1	-3.2	23.9	9.5	0.7
Vietnam	-4.2	-1.6	-6.6	-3.3	-5.1	5.4
Singapore	8.2	22.5	10.3	-0.1	2.5	-14.8
Korea	-0.2	4.7	10.0	-5.2	-8.6	-8.9
Overall*	-5.0	-4.2	-6.1	-7.2	-2.4	-9.1

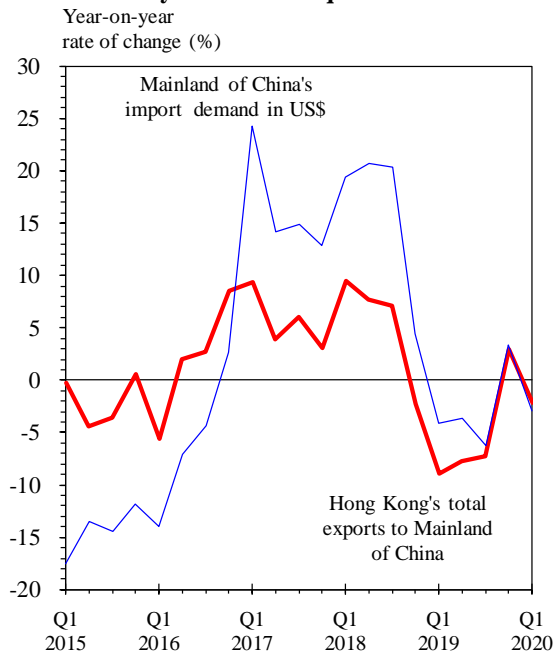
Notes : (\*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National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

(<sup>#</sup>) Exports to the EU exclude those to the UK, as the UK formally withdrew from the EU on 31 January 2020. Taking the UK and the EU together, exports also decreased visibly, by 25.7% in real terms in the first quarter of 2020 over a year earlier.

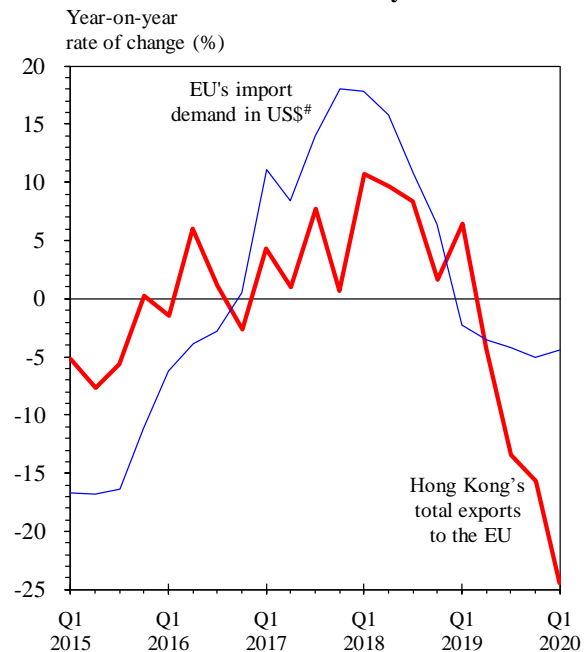
2.6 Analysing by major market, merchandise exports to the US and the EU recorded further sharp fall in the first quarter, dragged initially by the disruptions to the supply chains in Asia amid the threat of COVID-19, and later by sharp moderation of economic activities there when the disease spread widely and swiftly in most parts of the world. In the US market, re-exports of Mainland origin affected by US additional tariffs continued to plunge despite the reduction in additional tariff rates for some products since February.<sup>(2)</sup>

2.7 Exports to many major markets in Asia registered declines of varying degrees. Both exports to the Mainland and re-exports of Mainland origin dived in the first two months of the year combined before showing some relative improvement in March alongside the gradual resumption of economic activities in the Mainland. For the first quarter as a whole, exports to the Mainland fell moderately. Exports to Japan, Korea and Singapore registered noticeable declines. Exports to India and Taiwan were nearly flat on a year-on-year comparison, while exports to Vietnam posted a solid increase.

**Diagram 2.4 : Exports to the Mainland fell moderately for the first quarter as a whole**

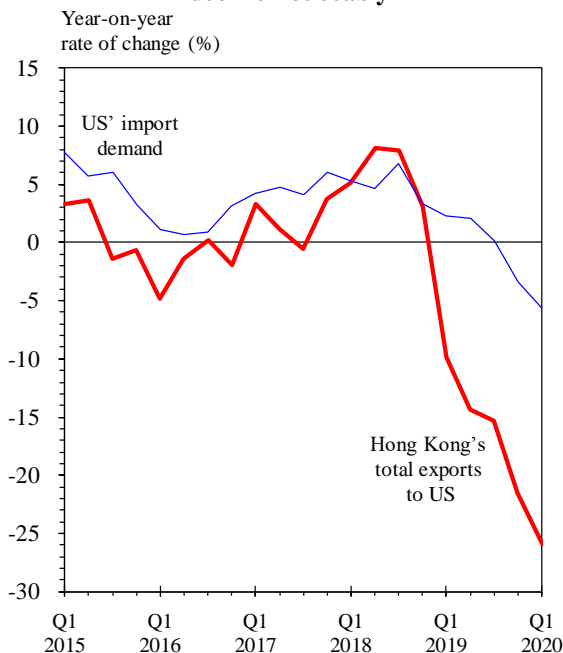


**Diagram 2.5 : The decline in exports to the EU widened markedly**

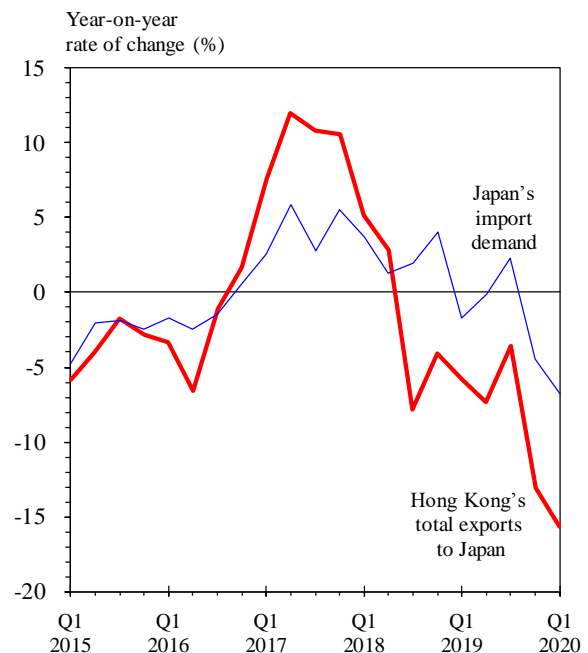


Note : (#) Import demand figure for the EU for the first quarter of 2020 is based on the information available as of early May 2020.

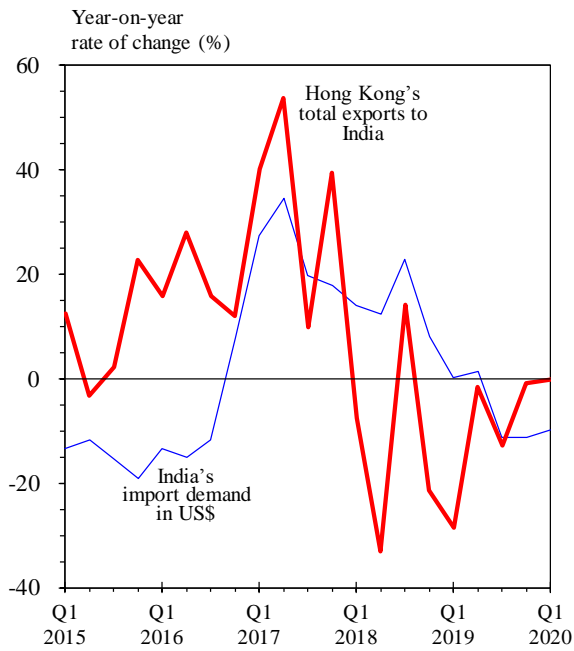
**Diagram 2.6 : Exports to the US continued to decline noticeably**



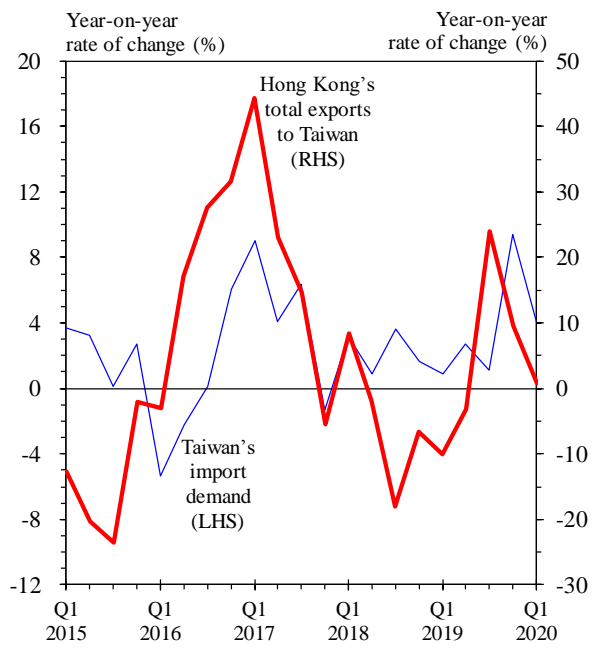
**Diagram 2.7 : The fall in exports to Japan widened further**



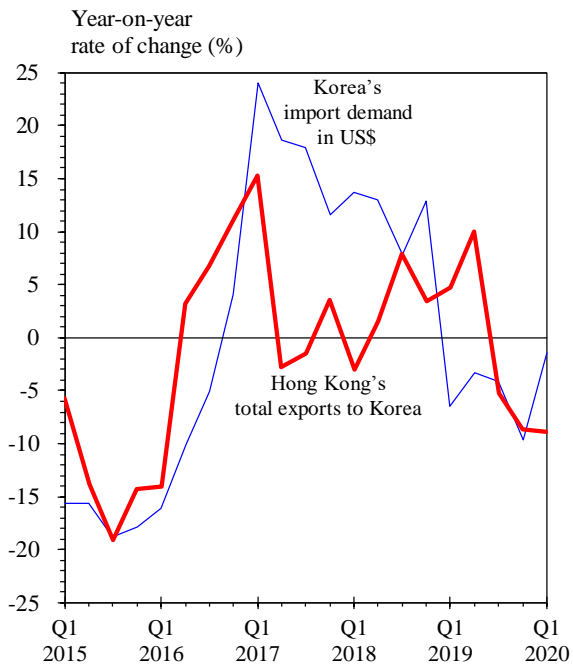
**Diagram 2.8 : Exports to India fell slightly**



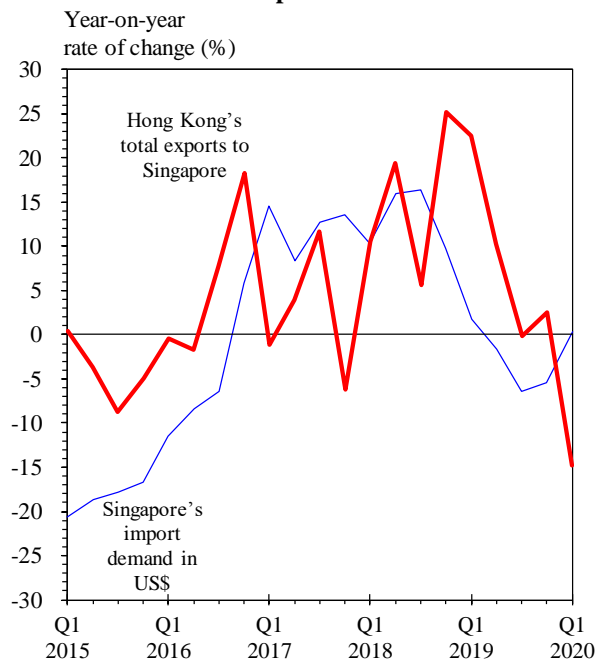
**Diagram 2.9 : Exports to Taiwan edged up**



**Diagram 2.10 : Exports to Korea fell noticeably further**



**Diagram 2.11 : Exports to Singapore recorded a sharp decline**



## *Imports of goods*

2.8 *Imports of goods* fell markedly by 9.6% in real terms in the first quarter, after a 6.6% decrease in the preceding quarter. *Retained imports*, which refer to imports for domestic use and accounted for around one-quarter of total imports, dropped sharply by 10.9% in real terms, reflecting the reduced intake of goods for local consumption and investment. Imports for subsequent *re-exports*<sup>(3)</sup> also fell visibly along with the weak export performance.

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

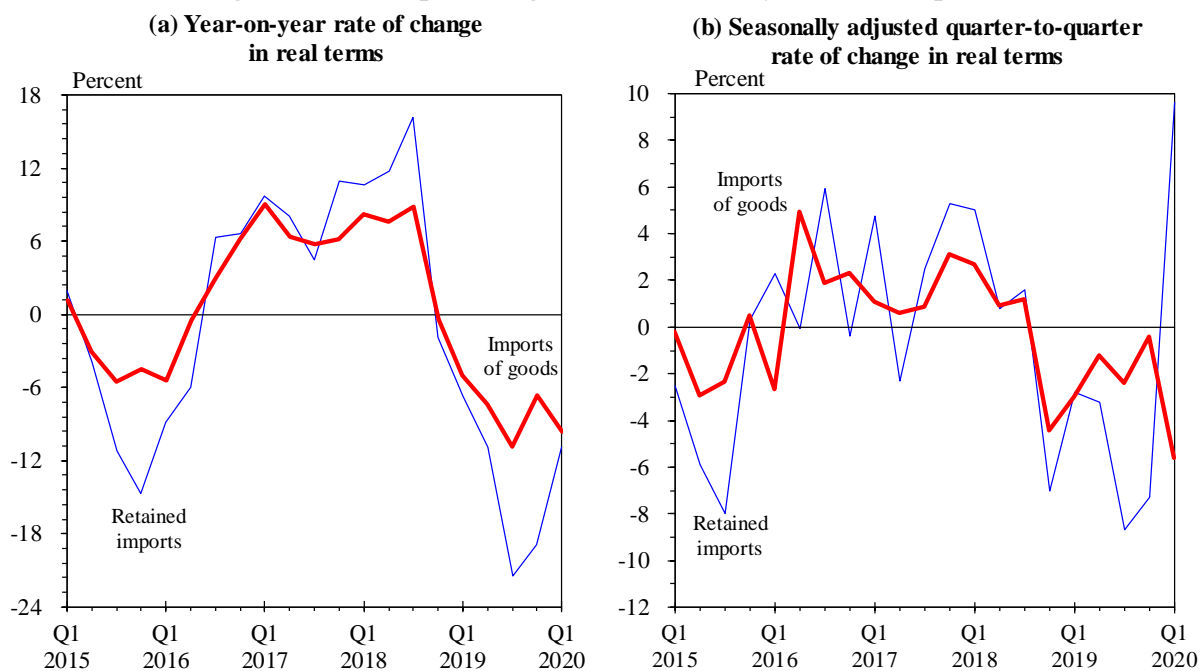
		<u>Imports of goods</u>			<u>Retained imports</u> <sup>(a)</sup>				
		<u>In value terms</u>	<u>In real terms</u> <sup>(+)</sup>	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>		
2019	Annual	-6.5	-7.6	1.3	-13.2	-14.7	1.6		
	Q1	-3.2	-5.0	(-3.0)	2.2	-4.8	-6.7	(-2.8)	2.1
	Q2	-5.7	-7.4	(-1.2)	1.9	-8.5	-10.9	(-3.2)	2.0
	Q3	-10.1	-10.9	(-2.4)	1.0	-20.2	-21.5	(-8.7)	1.4
	Q4	-6.5	-6.6	(-0.4)	0.1	-17.9	-18.9	(-7.3)	1.4
2020	Q1	-10.0	-9.6	(-5.6)	-0.4	-10.8	-10.9	(9.6)	0.6

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 fell markedly in the first quarter**

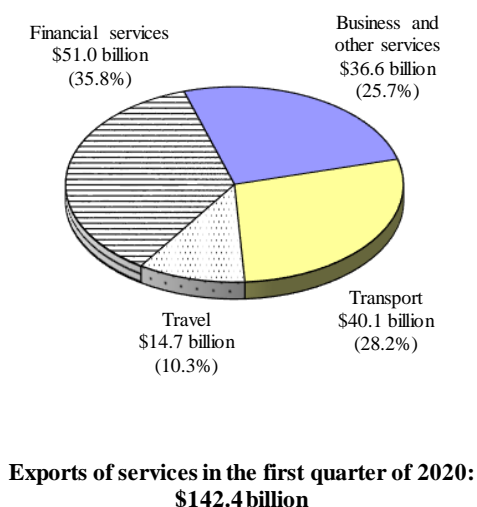


## Services trade

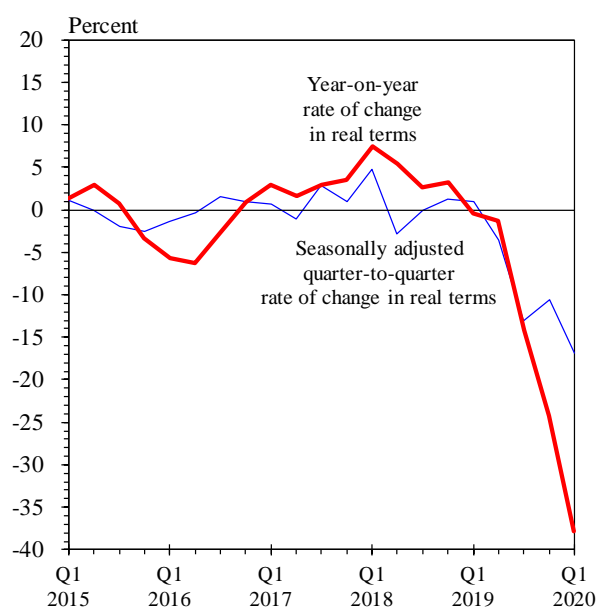
### *Exports of services*

2.9 *Exports of services* plummeted by a record 37.8% year-on-year in real terms in the first quarter, following an already very steep decline of 24.2% in the preceding quarter. Exports of travel services fell drastically as the COVID-19 pandemic resulted in widespread travel restrictions and border controls across the world, bringing tourism to a standstill in February and March. Exports of business and other services showed a visibly enlarged decrease, dampened by the extremely austere external environment. Exports of transport services took a dive, as cross-boundary passenger flows came to a virtual halt in February and March and cargo flows turned more subdued. Exports of financial services fared relatively better and grew mildly from a year earlier, supported by active financial market trading amid the turbulent market situation.

**Diagram 2.13 : Travel, transport and financial services together constituted about 74% of exports of services**



**Diagram 2.14 : Exports of services saw the worst performance on record in the first 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<sup>(a)</sup></u>	<u>Financial services</u>	<u>Business and other services</u>
2019	Annual	-10.2	-7.6	-21.0	-2.1	-3.8
	Q1	-0.4 (1.0)	-0.4	2.1	-2.8	-2.6
	Q2	-1.3 (-3.6)	-3.6	1.3	-0.4	-2.3
	Q3	-14.2 (-13.1)	-10.7	-31.3	-2.7	-5.1
	Q4	-24.2 (-10.6)	-15.4	-52.6	-2.1	-5.0
2020	Q1	-37.8 (-16.8)	-32.9	-80.6	0.4	-13.6

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.

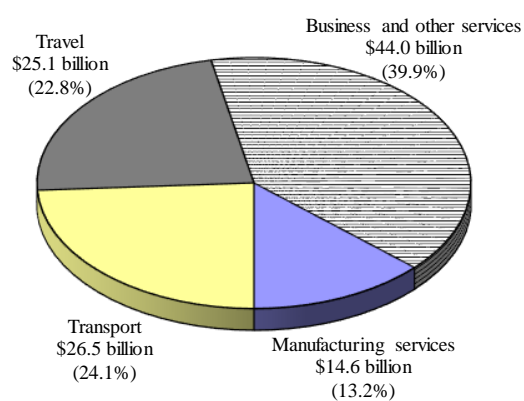
( ) Seasonally adjusted quarter-to-quarter rate of change.



## *Imports of services*

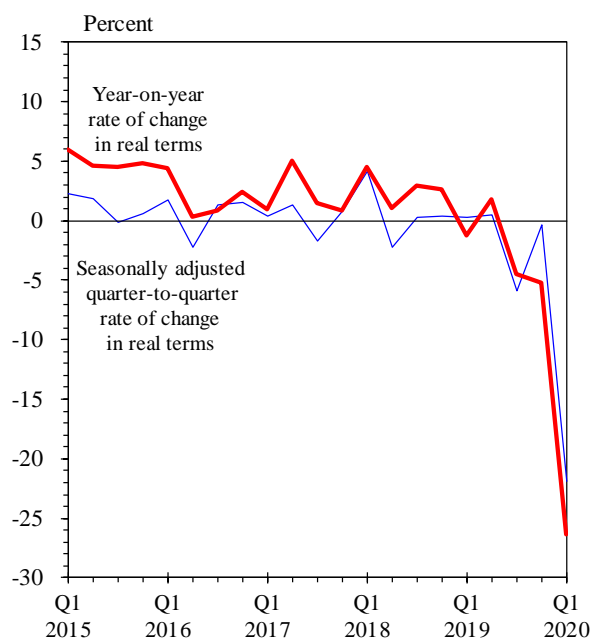
2.10 *Imports of services* plunged by a record 26.3% year-on-year in real terms in the first quarter, having decreased by 5.2% in the preceding quarter. Imports of travel services took a nosedive, as the threat of COVID-19 and the anti-epidemic measures prompted most local residents to delay or cancel their travel plans. Imports of transport services tumbled amid reduced passenger and cargo flows. In the face of the severe global economic downturn, imports of business and other services saw a steeper fall. Meanwhile, imports of manufacturing services fell visibly further, reflecting weakened outward processing activities.

**Diagram 2.15 : Travel, transport and business and other services together accounted for around 87% of import services**



**Imports of services in the first quarter of 2020:  
\$110.3 billion**

**Diagram 2.16 : Imports of services registered the steepest fall on record in the first quarter**



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

*Of which :*

		<u>Imports of services</u>	<u>Travel</u> <sup>(+)</sup>	<u>Transport</u>	<u>Manufacturing services</u> <sup>(^)</sup>	<u>Business and other services</u>
2019	Annual	-2.4	3.1	-4.5	-13.4	-1.4
	Q1	-1.2 (0.3)	-0.7	-1.2	-7.6	0.8
	Q2	1.8 (0.5)	10.9	-0.6	-14.2	1.6
	Q3	-4.5 (-5.9)	0.9	-6.5	-15.2	-3.1
	Q4	-5.2 (-0.3)	1.5	-9.6	-15.4	-4.4
2020	Q1	-26.3 (-21.9)	-49.0	-19.4	-25.9	-8.9

Notes : 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*.

(+) 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**

2.11 Based on the GDP accounting framework, the goods deficit in the first quarter narrowed from a year earlier, as the decline of goods imports was larger than that of goods exports. Over the same period, the services surplus narrowed visibly. As the services surplus was smaller than the goods deficit, the combined goods and services account registered a deficit of \$18 billion in the first quarter of 2020, equivalent to 1.7% of total import value. This was in contrast to the surplus of \$11 billion (or 0.9% of total import value) in the first quarter of 2019.

**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>	
2019	Annual	4,293	793	4,419	618	-126	175	49	1.0
	Q1	999	230	1,065	153	-66	77	11	0.9
	Q2	1,024	202	1,096	153	-72	49	-22	-1.8
	Q3	1,114	190	1,114	154	#	36	36	2.8
	Q4	1,156	171	1,144	159	12	12	24	1.9
2020	Q1	900	142	950	110	-50	32	-18	-1.7

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 ±\$0.5 billion.

## Other developments

2.12 The Government continued to enhance trade and investment relations between Hong Kong and ASEAN. The FTA and the IA between Hong Kong and ASEAN took effect for the part relating to the Philippines in May. With its entry into force, there are a total of seven ASEAN member states (viz. Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) for which both the FTA and the IA have taken effect. The two agreements will create more business opportunities and enhance trade and investment flows between Hong Kong and ASEAN.

2.13 Investment relations between Hong Kong and other economic partners strengthened further. In January, Hong Kong and Mexico signed an Investment Promotion and Protection Agreement (IPPA) to strengthen mutual investment protection. The IPPA is expected to enhance the confidence of investors, expand investment flows and further strengthen the economic and trade ties between the two places. Also, the IPPA between Hong Kong and the United Arab Emirates entered into force in March, bringing the total number of IPPAs in force between Hong Kong and foreign economies to 21.

## 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) It is crudely estimated that, based on the annual merchandise trade figures for 2018 (without taking into account the temporary exemptions of some Mainland products as announced by the US in September 2019 and the additional tariff measures that became effective on 1 September 2019), around HK\$144 billion worth of Hong Kong's re-exports of Mainland origin to the US were affected by the various batches of additional tariffs introduced by the US in the third quarter of 2018, equivalent to around 3.5% of Hong Kong's total exports of goods. After the implementation of additional tariffs in September 2019, the share of affected re-exports increased to around 6.0% of Hong Kong's total exports of goods. Taken together, the value of the affected re-exports turned to a year-on-year decline of 3.4% in the fourth quarter of 2018, and plunged by 23.8% in 2019 and 35.6% in the first quarter of 2020, in contrast to the increase of 7.8% in the first three quarters of 2018 combined. The performance was much worse than total exports of goods to all markets, which saw the growth rate decelerated from 9.2% in the first three quarters of 2018 combined to 2.2% in the fourth quarter of 2018 and then weakened visibly to show declines of 4.1% in 2019 and 9.7% in the first quarter of 2020.
- (3) 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*

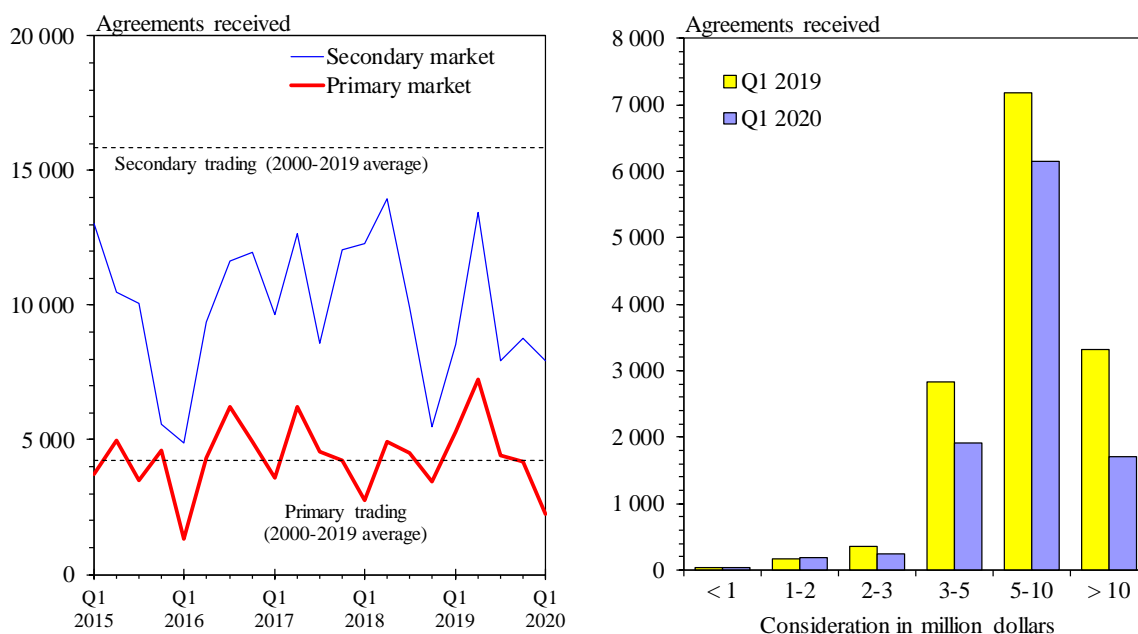
- *The residential property market lacked clear direction in the first quarter of 2020 amid immense uncertainties about how the COVID-19 pandemic and the resultant monetary easing measures by the major central banks will affect the economy and the market. Trading activities slowed down visibly, while flat prices edged down by 1% during the quarter.*
- *Reflecting the Government's sustained efforts to increase land and flat supply, total private flat supply in the coming three to four years would increase to 95 000 units as estimated at end-March 2020.*
- *The commercial and industrial property markets quietened further in the first quarter, with trading activities plunging to historic low levels. Prices for major market segments exhibited diverse movements, while rentals fell.*
- *The COVID-19 pandemic and the associated travel restrictions and border / boundary control measures implemented by governments worldwide brought the tourism sector to a standstill in February and March. Overall visitor arrivals dived by 80.9% from a year earlier to 3.5 million in the first quarter, with most of the arrivals taking place in January.*
- *In parallel with shrinking trade flows, the logistics sector weakened further in the first quarter. Total container throughput fell by 6.5% from a year earlier, and air freight throughput by 10.9%.*

## Property

3.1 The *residential property market* lacked clear direction in the first quarter of 2020 amid immense uncertainties about how the COVID-19 pandemic and the resultant monetary easing measures by the major central banks will affect the economy and the market. Trading activities slowed down visibly, while flat prices edged down during the quarter.

3.2 The total number of sale and purchase agreements for residential property received by the Land Registry fell visibly by 21% from the preceding quarter or 26% from a year earlier to 10 204 in the first quarter. Within the total, primary and secondary market transactions dropped by 46% and 9% respectively from the preceding quarter. In parallel, total consideration declined sharply by 27% to \$86.9 billion.

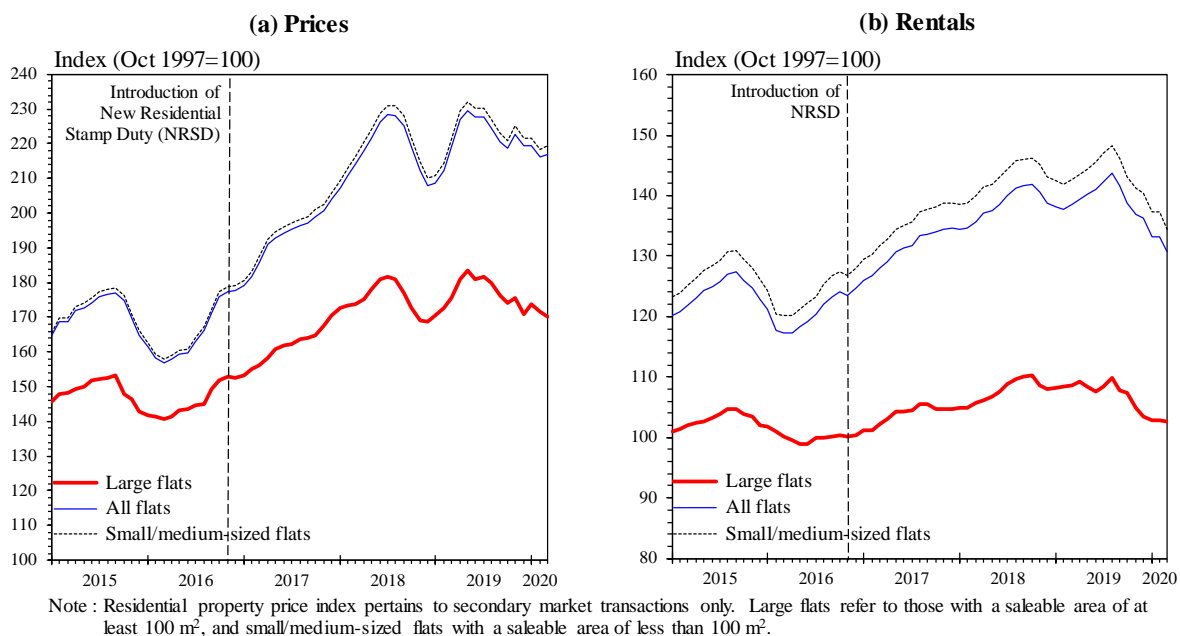
**Diagram 3.1 : Trading activities slowed down visibly in the first quarter**



3.3 Flat prices on average edged down by 1% between December 2019 and March 2020. Analysed by size, prices of small/medium-sized flats went down by 1% during the quarter, while prices of large flats were little changed. Compared to the recent peak in May 2019, flat prices in March have retreated by 5%.

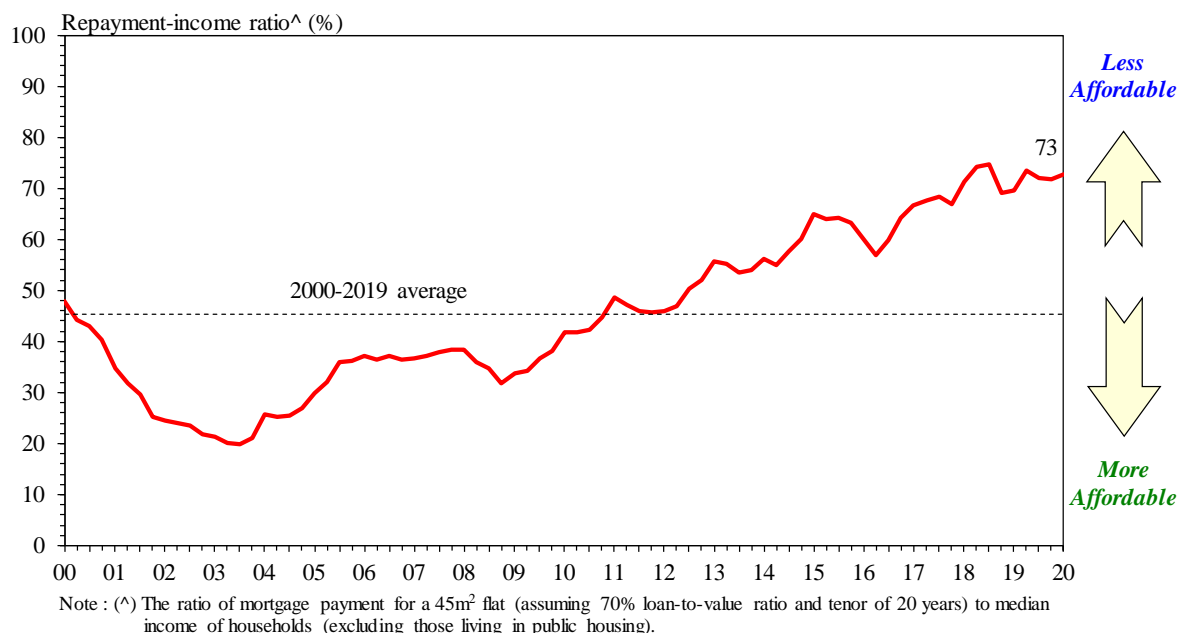
3.4 The leasing market moderated further in the first quarter amid weakening income and job conditions. Flat rentals on average fell by 4% during the first quarter. Analysed by size, rentals of small/medium-sized flats and large flats went down by 4% and 1% respectively. As a result, the average rental yield for residential property edged down from 2.4% in December 2019 to 2.3% in March 2020.

**Diagram 3.2 : Flat prices edged down during the first quarter, while rentals fell**



3.5 Notwithstanding the recent decline, flat prices in March 2020 exceeded the 1997 peak by 117%. 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 first quarter, significantly above the long-term average of 45% over 2000-2019<sup>(1)</sup>. Should interest rates rise by three percentage points to a more normal level, the ratio would soar to 94%.

**Diagram 3.3 : The index of home purchase affordability remained elevated**



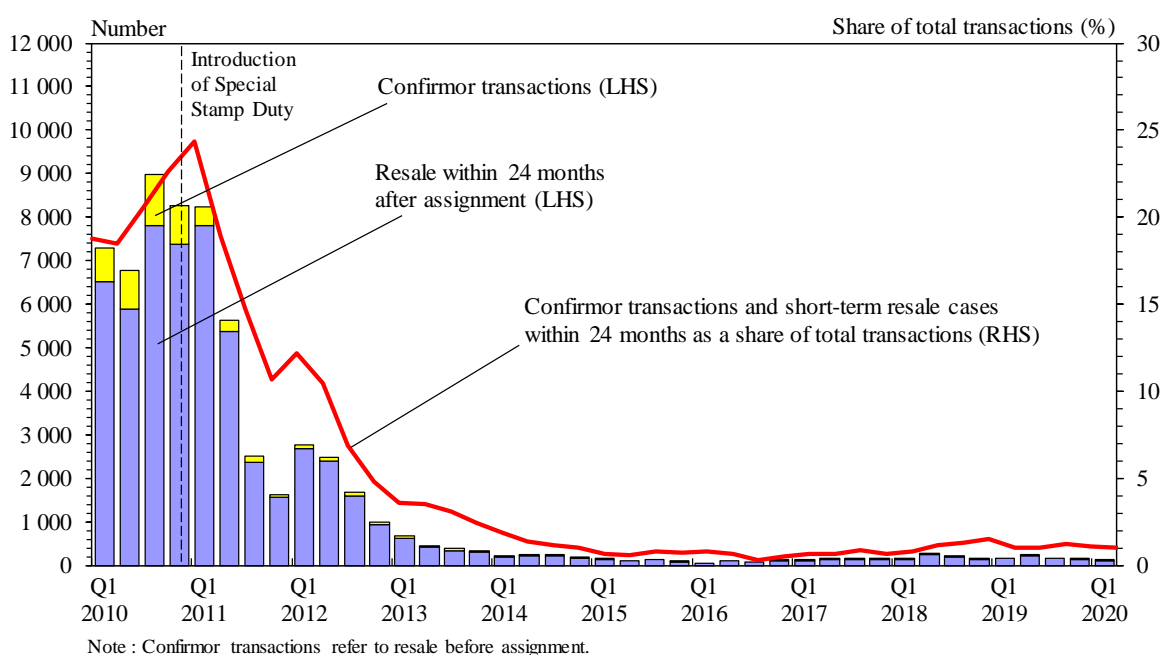
3.6 Raising flat supply through increasing land supply is a policy priority of the Government. In February, the Government announced the 2020-21 Land Sale Programme, which comprises 15 residential sites capable of providing about 7 500 flats in total. Combining the various sources (including Government land sale, railway property development projects, and private development and redevelopment projects), the total potential private housing land supply in 2020-21 is estimated to have a capacity to produce about 15 700 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 increase to 95 000 units as estimated at end-March 2020. Another 2 400 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”. Also, the annual average completions of private residential flats are projected at about 19 600 units in 2020-2024, an increase of about 25% over the annual average of the past five years.

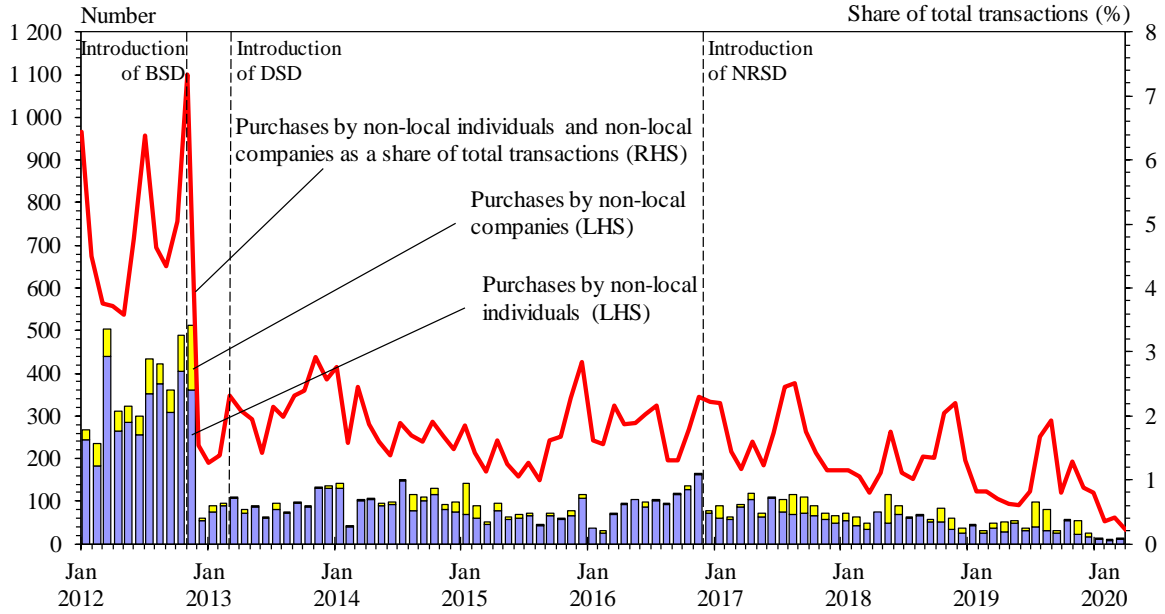


3.8 Over the past several years, the Government has also implemented demand-management and macro-prudential measures to dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market<sup>(2)</sup>. These measures 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 42 cases per month or 1.1% of total transactions in the first 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 12 cases per month or 0.3% of total transactions in the first 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 158 cases per month or 4.0% of total transactions in the first 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 55% in the first 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.

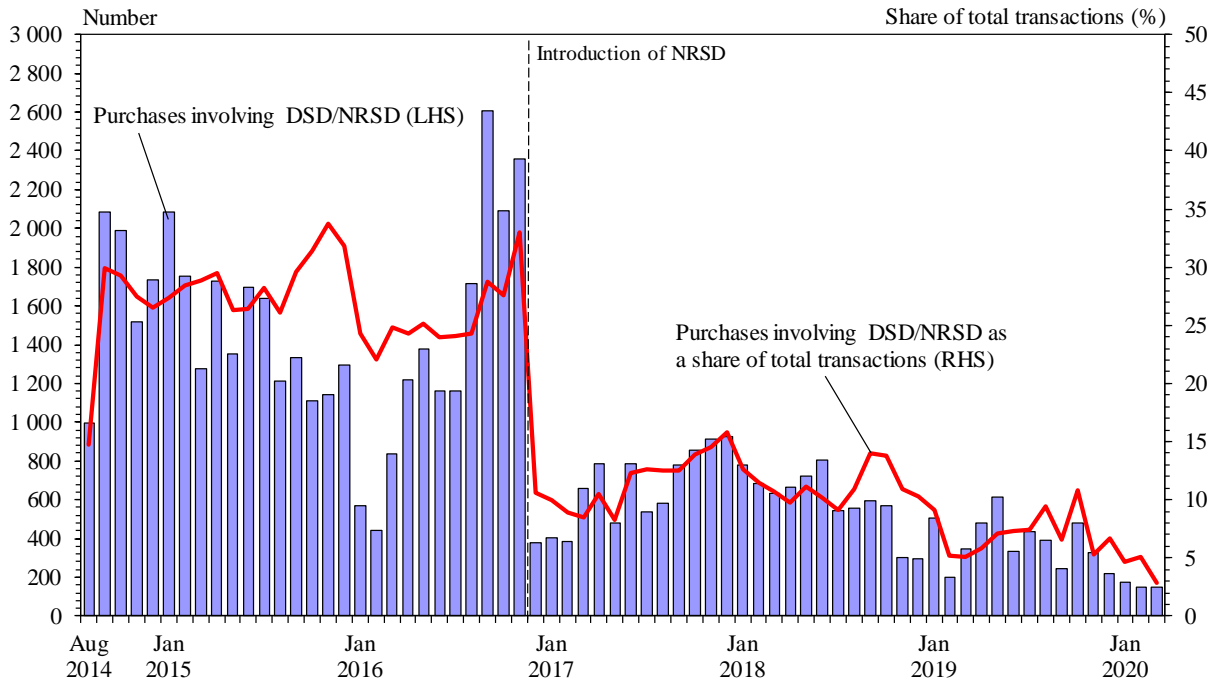
**Diagram 3.4 : Speculative activities stayed subdued**



**Diagram 3.5 : Purchases by non-local buyers stayed low**



**Diagram 3.6 : Investment activities were modest**



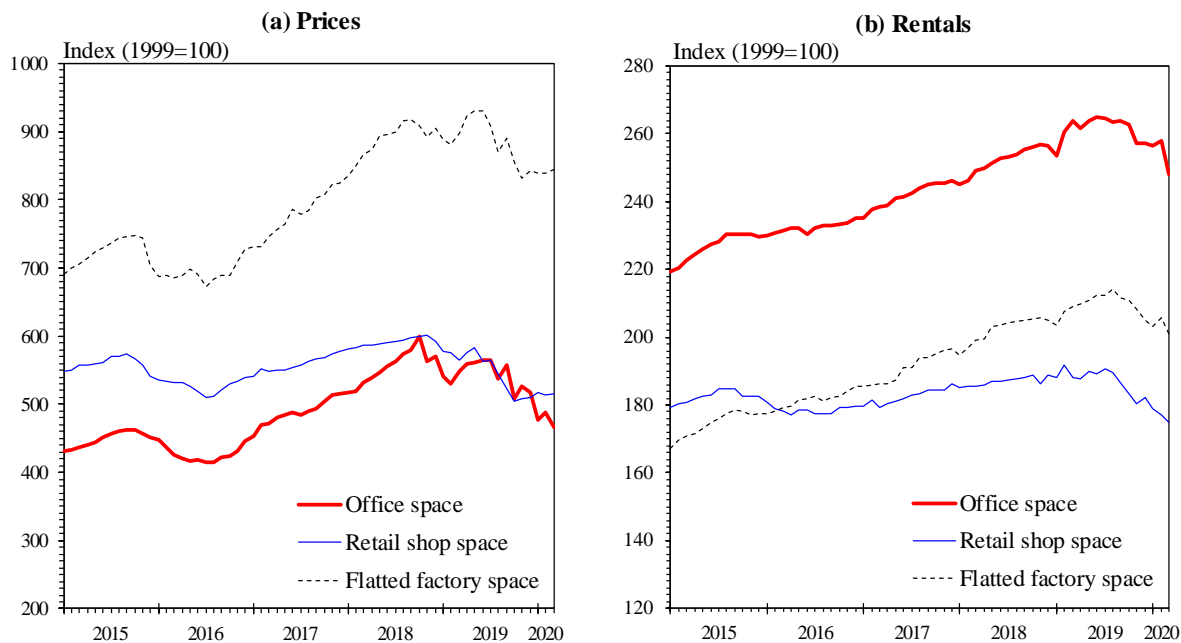
3.9 The *commercial and industrial property markets* quietened further in the first quarter, with trading activities plunging to historic low levels. Prices for major market segments exhibited diverse movements, while rentals fell.

3.10 Prices of *office space* on average dropped by 10% between December 2019 and March 2020. Analysed by office class, prices of Grade A and B office space declined by 13% and 1% respectively, while those of Grade C office space went up by 3%. Over the same period, office rentals on average fell by 4%. Within the total, rentals of Grade A, B and C office space fell by 4%, 2% and 5% respectively. The average rental yields of Grade A, B and C office space were 2.8%, 2.7% and 2.8% respectively in March 2020, compared with 2.5%, 2.7% and 3.0% in December 2019. Transactions for office space plunged further by 19% from the preceding quarter or by 52% from a year earlier to a record low of 100 cases in the first quarter.

3.11 Prices of *retail shop space* edged up by 1% during the first quarter, while rentals declined by 4%. As the volume of transactions was very low in the quarter, these price and rental movements should be read with caution. Some landlords have reportedly granted temporary rental concessions to help tenants tide over the austere business environment, but this has not been reflected in the rentals figures. The average rental yield edged down from 2.8% to 2.7% over the period. Meanwhile, sales transactions plummeted by 32% from the preceding quarter or by 29% from a year earlier to a record low of 200 cases in the first quarter<sup>(3)</sup>.

3.12 Prices of *flatted factory space* were virtually unchanged between December 2019 and March 2020, while rentals fell by 2%. The average rental yield edged down from 3.0% to 2.9% over the period. Sales transactions fell sharply by 19% from the preceding quarter or by 54% from a year earlier to 310 cases in the first quarter.

**Diagram 3.7 : Prices of non-residential properties exhibited diverse movements, while rentals fell during the first quarter**



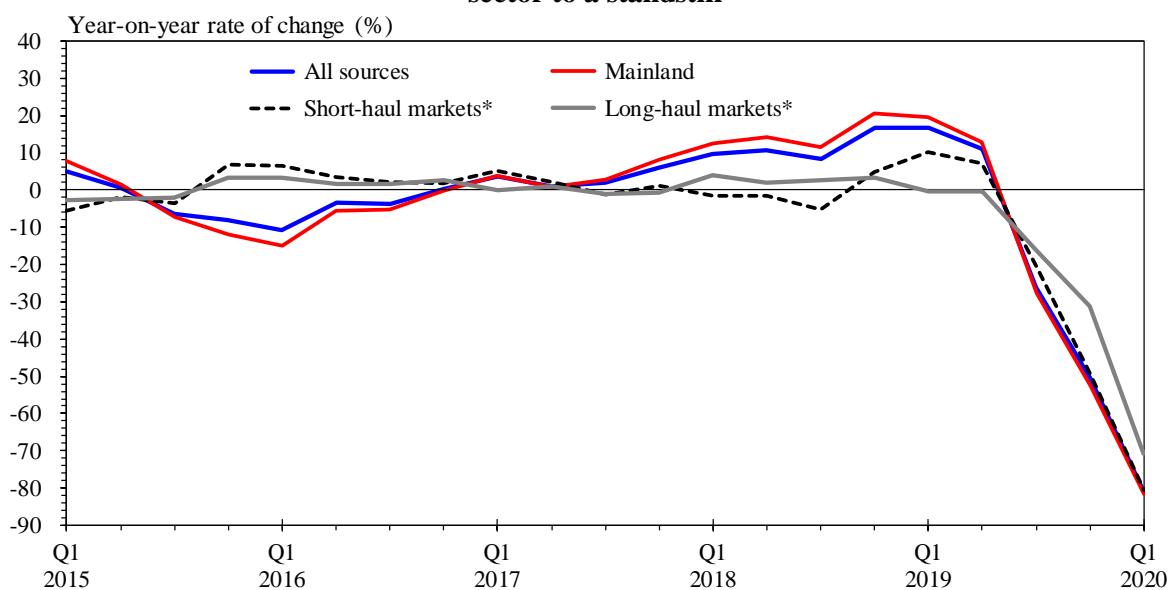
## Land

3.13 One residential site in Tuen Mun, with an area of about 1.4 hectares, was disposed of in the first quarter, fetching a land premium of about \$3.5 billion. In addition, the tender exercises for three residential sites in Mong Kok and Kwun Tong and one commercial site in Kai Tak commenced in the quarter. In the first quarter, lease modification of one site was approved.

## Tourism

3.14 The COVID-19 pandemic and the associated travel restrictions and border / boundary control measures implemented by governments worldwide brought the tourism sector to a standstill in February and March. Overall *visitor arrivals* dived by 80.9% from a year earlier to 3.5 million in the first quarter, with rate of decline reaching 98.6% in March. Mainland visitors, which accounted for 76.4% of the total, plunged by 81.7% to 2.7 million in the first quarter. Visitor arrivals from both short-haul and long-haul markets also plummeted, by 80.6% and 70.9% respectively<sup>(4)</sup>. Visitor spending, as measured by exports of travel services, fell sharply by 80.7% year-on-year in real terms.

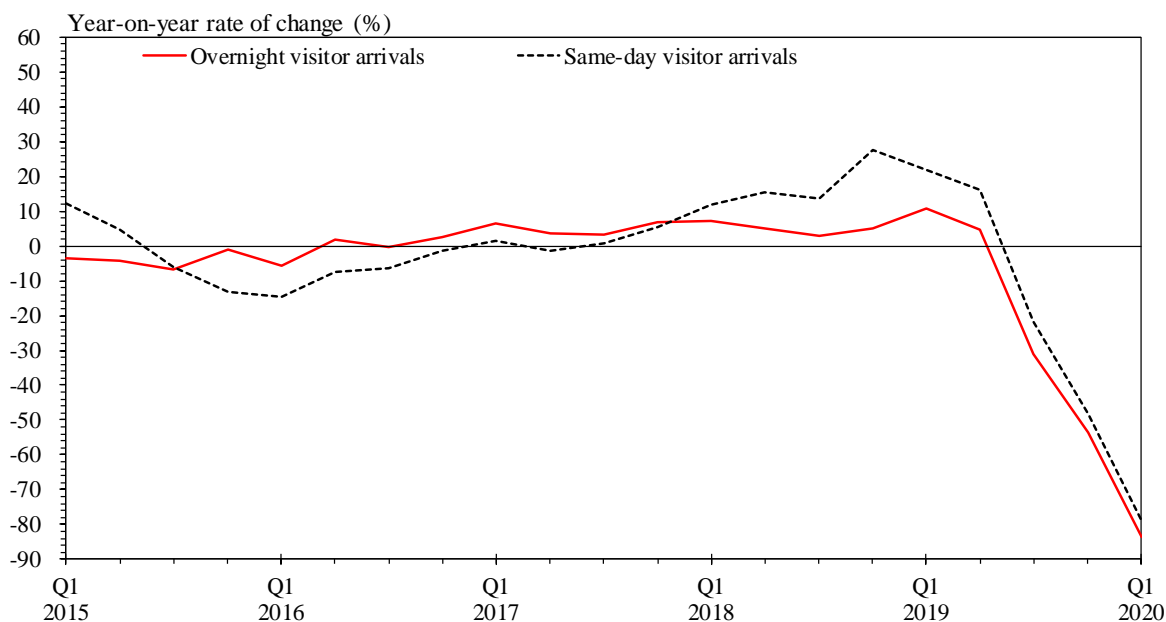
**Diagram 3.8 : The COVID-19 pandemic and the associated travel restrictions and border / boundary control measures implemented by governments worldwide brought the tourism sector to a standstill**



Note : (\*) See note (4) at the end of this chapter for the definition of short-haul and long-haul markets.

3.15 Analysed by the length of stay, overnight and same-day visitor arrivals decreased drastically by 83.5% and 78.9% respectively in the first quarter from a year earlier. Reflecting these movements, the share of overnight visitors declined from 42.6% a year earlier to 36.7%, while that of same-day visitors rose from 57.4% to 63.3%.

**Diagram 3.9 : Both overnight visitor arrivals and same-day visitor arrivals decreased drastically in the first quarter**

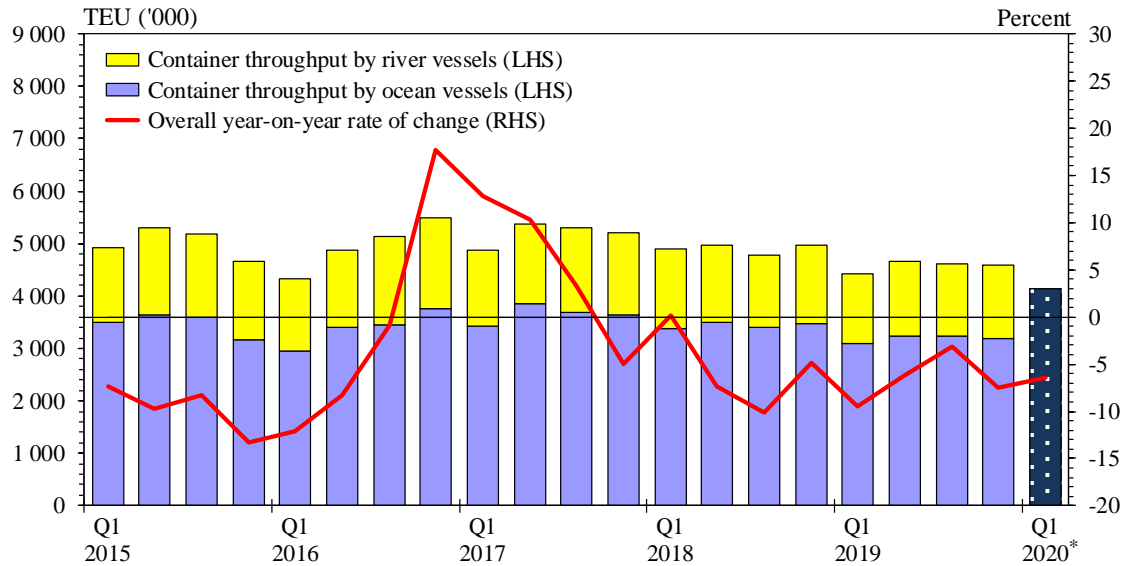


3.16 Consequential to the slump in visitor arrivals, the average hotel room occupancy rate decreased notably from 92% a year earlier to 40% in the first quarter. The average achieved hotel room rate also dropped by 30.9% from a year earlier to \$962<sup>(5)</sup>.

## Logistics

3.17 In parallel with shrinking trade flows, the logistics sector weakened further in the first quarter. *Total container throughput* fell by 6.5% from a year earlier to 4.1 million twenty-foot equivalent units (TEUs), after decreasing by 7.5% in the preceding quarter. Within the laden container throughput, direct shipment and transshipment fell by 11.1% and 7.5% respectively. The value of trade handled at the Hong Kong port dropped notably by 22.4%, and its share in total trade decreased from 17.3% a year earlier to 14.8%.

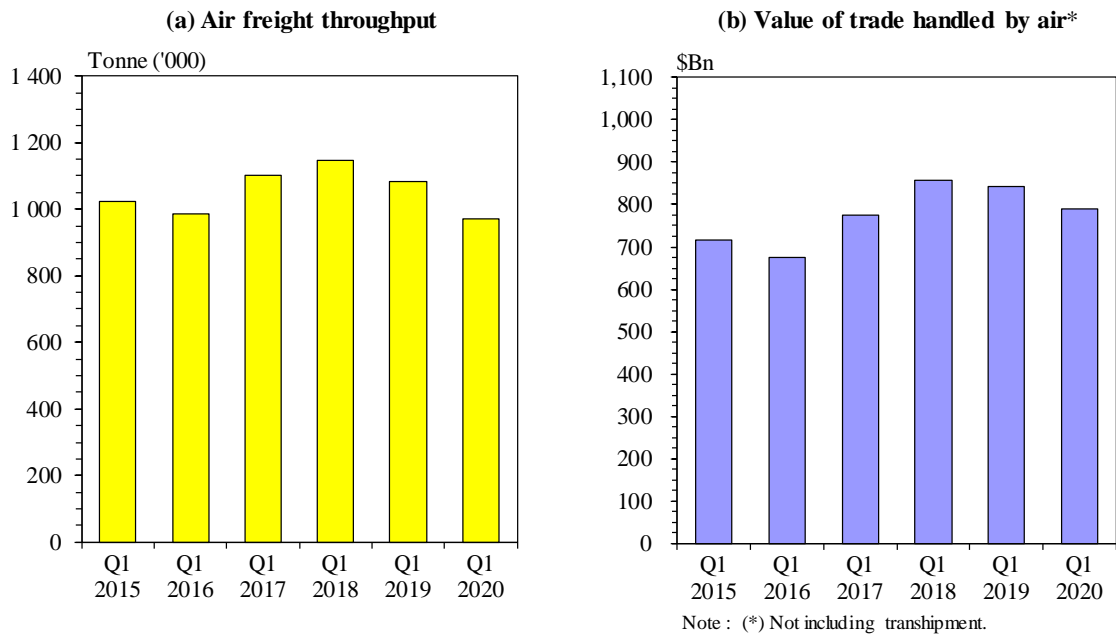
**Diagram 3.10 : Container throughput fell further in the first quarter**



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* likewise declined by 10.9% from a year earlier to 1.0 million tonnes in the first quarter. The value of trade by air fell by 6.2%, but its share in total trade rose from 43.0% a year earlier to 44.8%.

**Diagram 3.11 : Air freight throughput and value of trade handled by air declined in the first quarter**



## **Transport**

3.19 Traffic flows for all modes of cross-boundary transport plummeted in the first quarter, as the Government introduced and stepped up boundary control measures in response to the threat of COVID-19. For the first quarter as a whole, air passenger traffic plunged by 56.5% from a year earlier to 8.2 million trips. Water-borne and land-based cross-boundary passenger trips plummeted by 78.8% and 74.2% to 1.0 and 16.8 million respectively. In fact, passenger flows for all these modes of transport were almost grinded to a halt towards the end of the quarter. Meanwhile, average daily cross-boundary vehicle movements recorded an enlarged drop of 46.5% to 22 775 in the first quarter.

## **Innovation and technology**

3.20 In the 2020-21 Budget, the Financial Secretary announced a number of measures to support the development of innovation and technology (I&T) in Hong Kong. These include, among others, earmarking \$3 billion to take forward Phase 2 of the Science Park Expansion Programme and setting aside \$40 million to subsidise short-term internships for undergraduates and postgraduates taking STEM programmes in local universities. In addition, the Technology Voucher Programme has been enhanced by increasing the Government's funding ratio from two-thirds to three-quarters, the funding ceiling from \$400,000 to \$600,000, and the maximum number of approved projects from four to six, to promote the wider use of technological services and solutions among local enterprises. The Government is also exploring the establishment of a third InnoHK research cluster to strengthen the I&T infrastructure and promote research and development (R&D). These measures would be conducive to promoting I&T development and strengthening Hong Kong's long-term economic competitiveness.

## **Environment**

3.21 The Financial Secretary announced various environmental protection initiatives in the 2020-21 Budget. Of which, the Government would set up a \$200 million Green Tech Fund to support R&D of decarbonisation and green technologies and their application. To continue the efforts to improve air quality, there were also some new initiatives on the green transformation of vehicles and ferries, including a \$2 billion pilot scheme to subsidise the installation of electric vehicles (EVs) charging-enabling infrastructure in



eligible car parks of private residential buildings, a \$80 million pilot scheme for electric public light buses and a \$350 million pilot scheme for electric ferries. The Government also earmarked \$7.1 billion for the launch of the ex-gratia payment scheme in the second half of 2020 to phase out about 40 000 Euro IV diesel commercial vehicles. Furthermore, the Government would update the Clean Air Plan to, among other things, formulate Hong Kong's first roadmap on the popularisation of EVs. On the other hand, the Government would set aside a sum of not less than \$300 million each year starting from 2020-21 to implement waste paper collection and recycling services to enhance the recycling volume, quality and value of local waste paper and to promote the sustainable development of the recycling industry.

3.22 In March, the Advisory Committee on Recycling Fund (RFAC) announced reserving \$100 million to launch the One-off Recycling Industry Anti-epidemic Scheme to help the recycling industry cope with the recent operational difficulties arising from the COVID-19 pandemic. The Scheme will provide financial support to help with recyclers' operational costs for six months. The funding limit for each recycler is \$20,000 per month for the period from January to June this year with a total maximum subsidy of \$120,000. The RFAC also allocated additional funds to extend its earlier-launched One-off Rental Support Scheme (ORSS) for another six months until September 2020 and increase the rental assistance from 50% to 75% for the subsidy period from April to September 2020 to help street-corner recycling shops and recycling sites. The rental subsidy for each recycler under ORSS was capped at \$25,000 per month for October 2019 to March 2020 and \$37,500 per month for April 2020 to September 2020; while the maximum total rental subsidy for the 12-month period was increased correspondingly from \$300,000 to \$375,000.

## Notes :

- (1) Starting from the fourth quarter of 2019, the index of home purchase affordability is calculated based on, among others, the mortgage rates of new mortgage loans with reference to both the Best Lending Rate (BLR) and the Hong Kong Interbank Offered Rate (HIBOR). Also, the index for the third quarter of 2019 has been revised retrospectively based on the revised mortgage rates. As such, the data from the third quarter of 2019 onwards may not be strictly comparable with those in previous quarters, which were based on the mortgage rates of new mortgages loans with reference to the BLR only.
- (2) 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. For details of the measures promulgated in 2019, see Box 3.1 of the Third Quarter Economic Report 2019.
- (3) 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.
- (4) 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 first quarter of 2020, visitor arrivals from the Mainland, short-haul and long-haul markets accounted for respective shares of 76%, 14% and 10% of total visitors.
- (5) The figures on hotel room occupancy and achieved room rate do not include guesthouses.

## CHAPTER 4 : THE FINANCIAL SECTOR<sup>#</sup>

### *Summary*

- *The US Federal Open Market Committee lowered the target range for the Federal Funds Rate twice by a total of 150 basis points to 0.00-0.25% in the first quarter. Thus it returned to the record low levels prevailing during December 2008 to December 2015 in the aftermath of the global financial crisis. Accordingly, the Base Rate under the Discount Window operated by the Hong Kong Monetary Authority (HKMA) decreased from 2.49% at end-2019 to 1.65% at end-March 2020. Meanwhile, Hong Kong dollar interbank interest rates generally declined during the first quarter, notwithstanding some pick-up in late March amid quarter-end and initial public offering (IPO)-related funding demand. Interest rates on the retail front stayed at low levels.*
- *The Hong Kong dollar spot exchange rate strengthened against the US dollar in the first quarter and moved close to the strong-side Convertibility Undertaking towards the end of the quarter. Meanwhile, as the US dollar strengthened against most major currencies, including the euro, pound sterling and renminbi (RMB), the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices rose by 1.3% and 0.9% respectively during the first quarter.*
- *Total loans and advances grew by 2.8% during the first quarter despite the sharp contraction in economic activity amid the threat of COVID-19. Within the total, loans for use in Hong Kong and outside Hong Kong rose by 3.4% and 1.6% respectively.*
- *The local stock market showed a sharp correction in the first quarter. Market sentiment was hard hit by the economic fallout of the COVID-19 pandemic. The Hang Seng Index (HSI) closed at 23 603 at end-March, down markedly by 16.3% from end-2019, the largest quarterly decline since the third quarter of 2015. Trading activities in the local stock market were active, while fund raising activities quietened down.*

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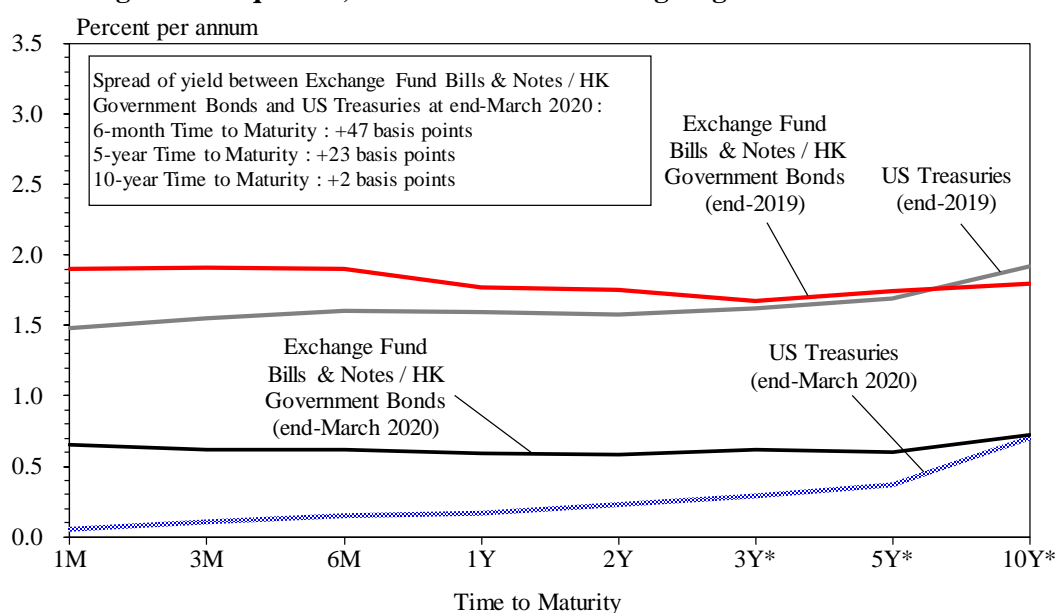
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Office of the Government Economist.*

## Interest rates and exchange rates

4.1 The US Federal Open Market Committee lowered the target range for the Federal Funds Rate twice in the first quarter, first by 50 basis points to 1.00-1.25% in early March and then by another 100 basis points to 0.00-0.25% in mid-March. Thus it returned to the record low levels prevailing during December 2008 to December 2015 in the aftermath of the global financial crisis. Accordingly, the *Base Rate* under the Discount Window operated by the HKMA decreased from 2.49% at end-2019 to 1.65% at end-March 2020<sup>(1)</sup>. Meanwhile, *Hong Kong dollar interbank interest rates* (HIBORs) generally declined during the first quarter, notwithstanding some pick-up in late March amid quarter-end and IPO-related funding demand. For the quarter as a whole, the overnight HIBOR dropped from 4.56% at end-2019 to 1.85% at end-March 2020, and the 3-month HIBOR from 2.43% to 1.93%.

4.2 Both *Hong Kong dollar* and *US dollar yield curves* shifted downwards during the first quarter, with the latter recording larger declines across tenors. Reflecting these relative movements, the positive yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened from 30 basis points at end-2019 to 47 basis points at end-March 2020. The yield spread between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes turned from negative 12 basis points to positive 2 basis points.

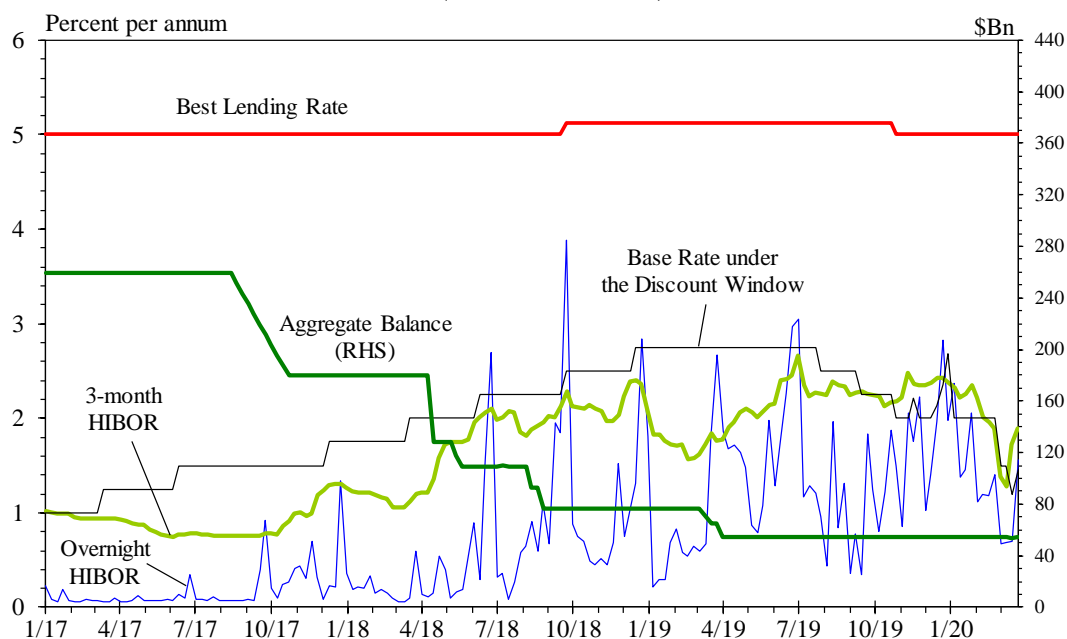
**Diagram 4.1 : Both Hong Kong dollar and US dollar yield curves shifted downwards during the first quarter, with the latter recording larger declines across tenors**



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 *Best Lending Rates* in the market remained unchanged, ranging from 5.00% to 5.50% in the first quarter. The *average savings deposit rate* and the *one-year time deposit rate* for deposits of less than \$100,000 quoted by the major banks stayed low at 0.001% and 0.28% respectively. The *composite interest rate*<sup>(2)</sup>, which indicates the average cost of funds for retail banks, decreased from 1.09% at end-2019 to 0.95% at end-March 2020.

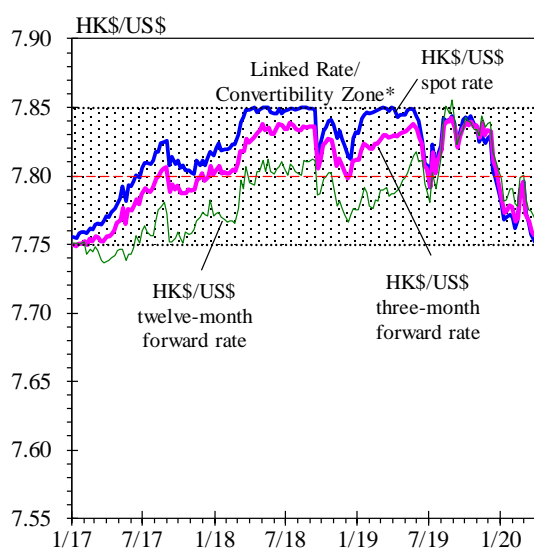
**Diagram 4.2 : Interbank interest rates generally declined during the first quarter, while interest rates on the retail front stayed at low levels (end for the week)**



4.4 The *Hong Kong dollar spot exchange rate* strengthened against the US dollar in the first quarter. The spot rate moved close to the strong-side Convertibility Undertaking towards the end of the quarter, driven partly by the unwinding of short Hong Kong dollar positions and partly by seasonal demand for the Hong Kong dollar. The Hong Kong dollar spot exchange rate closed the quarter at 7.753, compared with 7.787 at end-2019. The premium of 3-month *Hong Kong dollar forward rate* narrowed from 51 pips (each pip is equivalent to HK\$0.0001) at end-2019 to 33 pips at end-March 2020, and the premium of 12-month forward rate from 135 pips to 120 pips.

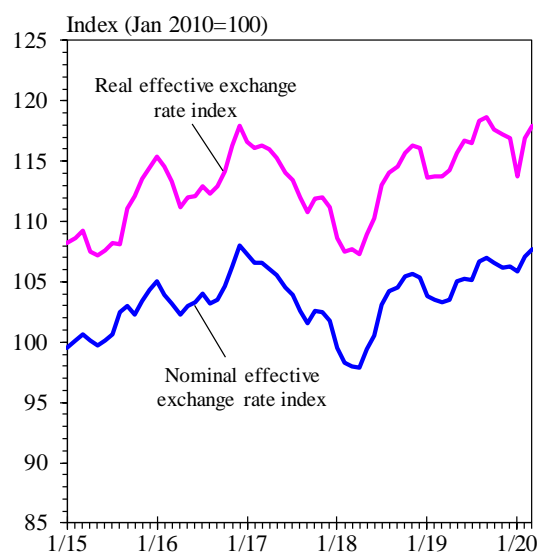
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened against most major currencies, including the euro, pound sterling and RMB, the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*<sup>(3)</sup> rose by 1.3% and 0.9% respectively during the first quarter.

**Diagram 4.3 : The Hong Kong dollar strengthened against the US dollar in the first quarter (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.

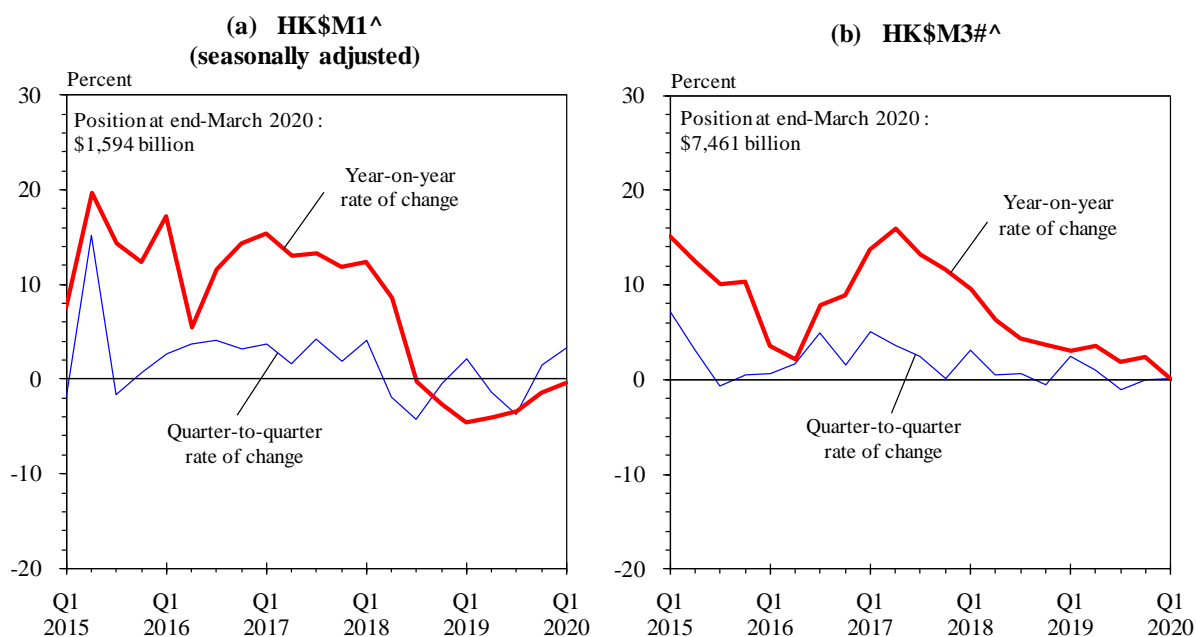
**Diagram 4.4 : The trade-weighted nominal and real effective exchange rate indices rose (average for the month)**



## Money supply and banking sector

4.6 The Hong Kong dollar broad *money supply* (HK\$M3) edged up by 0.1% over end-2019 to \$7,461 billion<sup>(4)</sup> at end-March 2020, and the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) increased by another 3.3% to \$1,594 billion. Meanwhile, *total deposits* with authorised institutions (AIs)<sup>(5)</sup> stayed virtually unchanged at \$13,775 billion, within which Hong Kong dollar deposits declined marginally by 0.1% while foreign currency deposits rose slightly by 0.2%.

**Diagram 4.5 : The Hong Kong dollar broad money supply edged up and the seasonally adjusted Hong Kong dollar narrow money supply increased further during the first quarter**



**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\$<sup>^</sup></u>	<u>Total</u>	<u>HK\$<sup>(a)</sup></u>	<u>Total</u>	<u>HK\$<sup>(a)</sup></u>	<u>Total</u>
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
	Q3	-3.7	1.7	-1.0	-0.2	-1.1	-0.3
	Q4	1.5	0.6	*	1.6	*	1.6
2020	Q1	3.3	5.2	0.1	0.4	0.1	0.4
Total amount at end-March 2020 (\$Bn)		1,594	2,615	7,444	14,800	7,461	14,842
% change over a year earlier		-0.4	8.1	*	2.2	*	2.0

Notes : (^) Seasonally adjusted.

(a) Adjusted to include foreign currency swap deposits.

(\*) Change of less than  $\pm 0.05\%$ .

4.7 *Total loans and advances* grew by 2.8% over end-2019 to \$10,672 billion at end-March 2020 despite the sharp contraction in economic activity amid the threat of COVID-19. Within the total, Hong Kong dollar loans declined slightly by 0.4%, while foreign currency loans expanded by 7.8%. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar edged down from 90.3% at end-2019 to 90.1% at end-March 2020, while that for foreign currencies increased from 60.4% to 64.9%.

4.8 Both loans for use in and outside Hong Kong recorded moderate growth in the first quarter. Specifically, loans for use in Hong Kong (including trade finance) rose by 3.4% over end-2019 to \$7,503 billion at end-March 2020, and loans for use outside Hong Kong by 1.6% to \$3,169 billion. Within the former, loans to most economic sectors increased. Loans to manufacturing and loans to trade finance went up by 6.5% and 6.1% respectively during the first quarter, following the declines in the second half of 2019. Loans to financial concerns and loans to stockbrokers expanded by 7.6% and 17.0% respectively alongside active trading in the stock market. On the other hand, loans to wholesale and retail trade declined by another 1.2% amid the austere business environment. As for property-related lending, loans to building, construction, property development and investment and loans for purchase of residential property increased by 2.5% and 1.7% respectively.

**Table 4.2 : Loans and advances**

All loans and advances for use in Hong Kong

		Loans to :								All loans and advances for use outside Hong Kong <sup>(c)</sup>	Total loans and advances
		Trade finance	Manu- facturing	Whole- sale and retail trade	Building, construction, property development and investment	Purchase of residential property <sup>(a)</sup>	Financial concerns	Stock- brokers	Total <sup>(b)</sup>		
% change during the quarter											
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	3.3	3.4	1.6	3.4	-0.3	-12.6	2.3	0.8	1.8
	Q3	-1.9	-0.3	0.6	0.6	3.9	1.4	-0.7	1.9	1.4	1.7
	Q4	-8.2	-0.4	-2.1	3.1	1.4	1.2	-2.9	0.6	0.8	0.7
2020	Q1	6.1	6.5	-1.2	2.5	1.7	7.6	17.0	3.4	1.6	2.8
Total amount at end-March 2020 (\$Bn)		481	323	374	1,673	1,539	977	74	7,503	3,169	10,672
% change over a year earlier		-1.3	9.3	0.7	8.0	10.8	10.1	-1.4	8.4	4.7	7.3

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.



4.9 The Hong Kong banking sector remained resilient. The Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying at a high level of 20.7% at end-2019. In March, the HKMA reduced the applicable jurisdictional countercyclical capital buffer ratio for Hong Kong from 2.0% to 1.0%. Asset quality of the local banking sector stayed healthy. The ratio of classified loans to total loans for retail banks declined from 0.52% at end-September 2019 to 0.48% at end-2019, while the delinquency ratio for credit card lending edged up from 0.23% at end-September 2019 to a still-low level of 0.25% at end-2019. The delinquency ratio for residential mortgage loans stayed low at 0.03% at end-March 2020, same as end-2019.

**Table 4.3 : Asset quality of retail banks\***

(as % of total loans)

<u>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
	Q2	98.26	1.20	0.54
	Q3	98.32	1.16	0.52
	Q4	98.25	1.27	0.48

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 Different segments of the *offshore RMB business* showed diverse performance in the first quarter. RMB trade settlement transactions handled by banks in Hong Kong increased by 26.4% over a year earlier to RMB1,531.3 billion. Meanwhile, total RMB deposits (including customer deposits and outstanding certificates of deposit) rose by 6.4% over end-2019 to RMB700.0 billion at end-March 2020. As to RMB financing activities, RMB bond issuance went down from RMB11.6 billion in the preceding quarter (excluding the issuance of RMB5.0 billion by the Ministry of Finance) to RMB10.4 billion in the first quarter, while outstanding RMB bank loans increased by 2.7% over end-2019 to RMB157.9 billion at end-March 2020.

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

<u>At end of period</u>		<u>Interest rates on<sup>(a)</sup></u>					<u>Number of AIs engaged in RMB business</u>	<u>Amount of cross-border RMB trade settlement<sup>(c)</sup></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<sup>(b)</sup></u> (%)	<u>Three-month time deposits<sup>(b)</sup></u> (%)		
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
	Q3	207,338	416,106	623,443	0.25	0.53	136	1,411,384
	Q4	223,985	408,222	632,207	0.25	0.53	138	1,414,999
2020	Q1	260,629	403,524	664,153	0.25	0.53	140	1,531,343
% change in 2020 Q1 over 2019 Q1		24.0	2.9	10.3	N.A.	N.A.	N.A.	26.4
% change in 2020 Q1 over 2019 Q4		16.4	-1.2	5.1	N.A.	N.A.	N.A.	8.2

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 decreased by 1.9% from the preceding quarter to \$973.8 billion in the first quarter, with the decline of 9.7% in public sector debt issuance more than offsetting the surge of 45.3% in private sector debt issuance<sup>(6)</sup>. Total outstanding amount of Hong Kong dollar debt securities increased slightly by 0.3% over end-2019 to \$2,172.2 billion at end-March 2020, equivalent to 29.1% of HK\$M3 or 23.2% of Hong Kong dollar-denominated assets of the banking sector<sup>(7)</sup>.

4.12 As to the Government Bond (GB) programme, a total of \$2.5 billion worth of institutional GBs were issued through tenders in the first quarter. At end-March 2020, the total outstanding amount of Hong Kong dollar bonds under the GB Programme was \$83.2 billion, comprising 11 institutional issues totaling \$74.4 billion and three retail issues (all Silver Bonds) totaling \$8.8 billion. In addition, two US dollar sukuks, each with an issue size of US\$1.0 billion, were outstanding under the GB Programme.

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

		Exchange Fund paper	Statutory bodies/ government- owned corporations	Govern- ment	Public sector total	AIs <sup>(a)</sup>	Local corporations	Non-MDBs overseas borrowers <sup>(b)</sup>	Private sector total	MDBs <sup>(b)</sup>	Total
<b>New Issuance</b>											
2019	Annual	3,394.0	24.6	20.4	3,439.0	323.2	39.4	376.2	738.7	6.3	4,184.0
	Q1	811.4	9.8	2.1	823.2	103.0	7.9	127.7	238.7	1.5	1,063.4
	Q2	826.6	10.8	8.0	845.4	75.8	19.8	90.2	185.7	3.1	1,034.2
	Q3	911.8	2.9	3.8	918.4	82.8	6.1	85.5	174.4	1.3	1,094.2
	Q4	844.2	1.2	6.5	851.9	61.6	5.6	72.8	139.9	0.4	992.2
2020	Q1	760.2	6.7	2.5	769.3	83.4	7.4	112.6	203.4	1.1	973.8
% change in 2020 Q1 over 2019 Q1		-6.3	-31.9	19.0	-6.5	-19.1	-6.9	-11.8	-14.8	-30.0	-8.4
% change in 2020 Q1 over 2019 Q4		-10.0	468.4	-61.5	-9.7	35.4	32.9	54.7	45.3	162.5	-1.9
<b>Outstanding (at end of period)</b>											
2019	Q1	1,066.5	58.4	96.2	1,221.1	337.1	107.7	470.9	915.7	17.6	2,154.4
	Q2	1,071.3	59.2	94.2	1,224.7	346.8	116.7	484.2	947.8	20.9	2,192.5
	Q3	1,076.8	57.1	93.7	1,227.5	339.2	116.8	466.2	922.1	21.1	2,170.7
	Q4	1,082.1	55.9	100.1	1,238.1	331.3	116.8	458.5	906.5	21.2	2,165.9
2020	Q1	1,086.3	58.0	83.2	1,227.6	332.4	115.5	476.3	924.2	20.5	2,172.2
% change in 2020 Q1 over 2019 Q1		1.9	-0.6	-13.5	0.5	-1.4	7.3	1.1	0.9	16.0	0.8
% change in 2020 Q1 over 2019 Q4		0.4	3.8	-16.9	-0.9	0.3	-1.1	3.9	1.9	-3.6	0.3

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

(a) AIs : Authorised institutions.

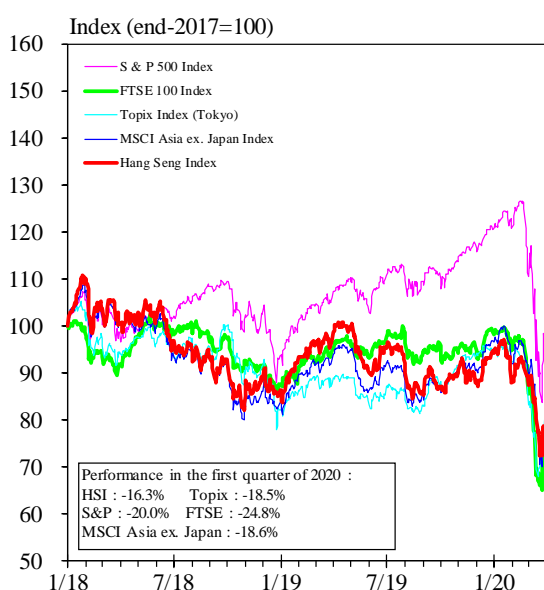
(b) MDBs : Multilateral Development Banks.

## The stock and derivatives markets

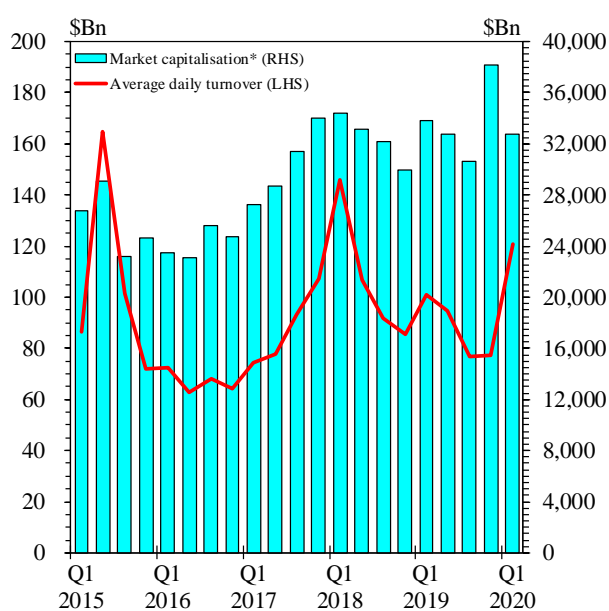
4.13 The *local stock market* showed a sharp correction in the first quarter, as market sentiment was hard hit by the economic fallout of the COVID-19 pandemic. The HSI plunged to 21 696 on 23 March, the lowest level since late December 2016, before recouping some of the lost ground after many governments across the world rolled out strong measures to support their economies. The HSI closed at 23 603 at end-March, down markedly by 16.3% from end-2019, the largest quarterly decline since the third quarter of 2015. In parallel, *market capitalisation* shrank by 14.1% to \$32.8 trillion. At end-March, the local stock market ranked the fifth largest in the world and the third largest in Asia<sup>(8)</sup>.

4.14 Trading activities were active in the first quarter. *Average daily turnover* in the securities market surged by 56.8% over the preceding quarter or 19.7% over a year earlier to \$120.9 billion. Within the total, the average daily trading value of unit trusts (including Exchange-Traded Funds), equities, callable bull/bear contracts and derivative warrants<sup>(9)</sup> jumped by 72.7%, 59.4%, 39.4% and 39.0% respectively over the preceding quarter. As to futures and options<sup>(10)</sup>, the average daily trading volume also rose sharply by 38.6%. Within the total, trading of Hang Seng China Enterprises Index futures, stock options, HSI options and HSI futures leapt by 43.6%, 42.1%, 22.0% and 18.3% respectively.

**Diagram 4.6 : The local stock market showed a sharp correction in the first quarter**



**Diagram 4.7 : Market capitalisation shrank, while trading activities were 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 futures	Hang Seng Index options	Hang Seng China Enterprises Index futures	Stock options	Total futures and options traded*
2019	Annual	208 609	50 678	138 826	442 333	1 068 641
	Q1	222 008	49 636	148 193	528 062	1 187 529
	Q2	234 927	52 802	150 770	488 012	1 172 684
	Q3	201 554	55 351	130 513	382 998	990 111
	Q4	177 992	44 767	127 108	378 106	936 911
2020	Q1	210 477	54 632	182 562	537 310	1 298 207
	% change in 2020 Q1 over 2019 Q1	-5.2	10.1	23.2	1.8	9.3
	% change in 2020 Q1 over 2019 Q4	18.3	22.0	43.6	42.1	38.6

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.

4.15 Fund raising activities quietened down in the first quarter amid the sharp correction in the local stock market. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM<sup>(11)</sup>, plunged by 57.2% from the high base in the preceding quarter to \$93.4 billion in the first quarter, though still 107.0% higher than a year earlier. Within the total, the amount of funds raised through IPOs plummeted by 92.2% from the preceding quarter to \$14.1 billion. Hong Kong ranked the fourth globally in terms of the amount of funds raised through IPOs in the period.

4.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-March, a total of 1 259 Mainland enterprises (including 283 H-share companies, 177 “Red Chip” companies and 799 private enterprises) were listed on the Main Board and GEM, accounting for 51% of the total number of listed companies and 75% of total market capitalisation. Mainland-related stocks accounted for 82% of equity turnover and 69% of total equity fund raised in the Hong Kong stock exchange in the first quarter.

## **Fund management and investment funds**

4.17 Performance of fund management business<sup>(12)</sup> was mixed in the first quarter. Dragged by the corrections in the local and global stock markets, the aggregate net asset value of the approved constituent funds under the *Mandatory*

*Provident Fund (MPF) schemes*<sup>(13)</sup> shrank by 10.5% from end-2019 to \$867.8 billion at end-March 2020. Meanwhile, the monthly average gross retail sales of *mutual funds* rose by 53.5% over the fourth quarter of 2019 or 20.7% over a year earlier to US\$9.1 billion in January – February<sup>(14)</sup>.

## Insurance sector

4.18 The *insurance sector*<sup>(15)</sup> showed further expansion in 2019, though the notable growth in the first three quarters of the year was followed by a decline in the fourth quarter. For 2019 as a whole, gross premium income from long-term business increased by 6.5%, within which premium income from non-investment linked plans (which accounted for 93% of total premium for this segment) increased solidly by 11.3%, while that from investment linked plans plunged by 32.4%. As to general business, gross and net premium rose by 3.9% and 6.8% respectively.

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

		General business			Premium for long-term business <sup>^</sup>					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	Annual	55,669	37,650	1,127	160,384	11,761	184	387	172,716	228,385
	Q1	16,587	11,378	44	45,601	2,646	50	81	48,378	64,965
	Q2	13,939	9,575	388	48,191	3,169	53	79	51,492	65,431
	Q3	13,838	9,341	424	36,987	2,717	43	162	39,909	53,747
	Q4	11,305	7,356	271	29,605	3,229	38	65	32,937	44,242
% change in 2019 Q4 over 2018 Q4		-13.3	1.6	-45.4	-19.4	-23.6	-41.5	-24.4	-19.9	-18.3
% change in 2019 over 2018		3.9	6.8	93.3	11.3	-32.4	-32.8	-8.3	6.5	5.9

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

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

## 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. As monthly monetary statistics are subject to volatilities due to a wide range of transient factors, such as seasonal and IPO-related funding demand as well as business and investment-related activities, caution is required when interpreting the statistics.

- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-March 2020, there were 162 licensed banks, 17 restricted licence banks and 13 deposit-taking companies in Hong Kong. Altogether, 192 AIs (excluding representative offices) from 31 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 market capitalisation 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-March 2020, there were 101 classes of stock options contracts and 80 classes of stock futures contracts.
- (11) At end-March 2020, there were 2 096 and 377 companies listed on the Main Board and GEM respectively.
- (12) At end-March 2020, there was one SFC-authorized retail hedge fund with net asset size of US\$142 million. The amount of net assets under management represented a 11.3% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (13) At end-March 2020, there were 15 approved trustees. On MPF products, 27 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 439 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 291 000 employers, 2.60 million employees and 215 000 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-February 2020, the survey covered a total of 1 276 active authorised funds.
- (15) At end-March 2020, there were 163 authorised insurers in Hong Kong. Within this total, 52 were engaged in long-term insurance business, 90 in general insurance business, and 21 in composite insurance business. These authorised insurers come from 22 countries and territories (including Hong Kong).



## CHAPTER 5 : THE LABOUR SECTOR

### *Summary*

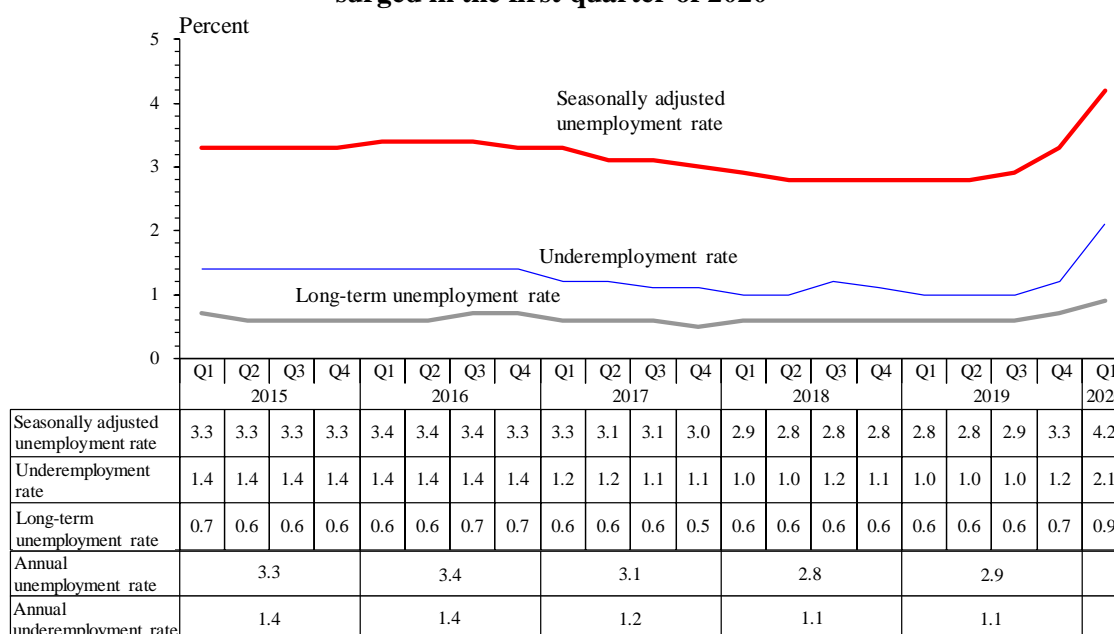
- *The labour market showed further sharp deterioration in the first quarter of 2020, as the COVID-19 pandemic deepened the economic recession. The seasonally adjusted unemployment rate soared from 3.3% in the preceding quarter to 4.2%, and the underemployment rate from 1.2% to 2.1%. Both reached their highest levels in more than nine years. The unemployment and underemployment rates of the consumption- and tourism-related sectors and the construction sector showed particularly distinct increases, whereas those of most other sectors went up by various degrees. Also, the lower-skilled workers saw a faster increase in unemployment rate than the higher-skilled workers.*
- *Overall labour demand slackened. Results of establishment surveys indicated that in December 2019, private sector employment recorded the largest year-on-year decline since September 2003 while the number of vacancies continued to plunge. More recent statistics from the General Household Survey (GHS) suggested that total employment registered the largest fall on record in the first quarter of 2020.*
- *Nominal wages and earnings continued to increase in the fourth quarter of 2019, but the rates of increase decelerated further to the slowest in more than nine years. GHS data showed that earnings of low-income workers continued to increase in the first quarter of 2020, but the median household income declined further.*

### **Overall labour market situation<sup>(1)</sup>**

5.1 The labour market showed further sharp deterioration in the first quarter of 2020 as the economic recession deepened amid the COVID-19 pandemic. The seasonally adjusted *unemployment rate*<sup>(2)</sup> soared from 3.3% in the preceding quarter to 4.2%, the highest in more than nine years, and the *underemployment rate*<sup>(3)</sup> from 1.2% to 2.1%, the highest in nearly a decade. The unemployment and underemployment rates of the consumption- and tourism-related sectors (viz., retail, accommodation and food services sectors) combined surged as the threat of COVID-19 and the resulting need for travel restrictions and social distancing significantly weighed on business. Those of the construction sector increased drastically amid visible slowdown in construction activities. The unemployment and underemployment rates of most other sectors also went up by

various degrees. Also, the lower-skilled workers saw a faster increase in unemployment rate than the higher-skilled workers. Overall labour demand slackened. Private sector employment in December 2019 recorded the largest year-on-year decline since September 2003, while the number of vacancies continued to plunge. Though not strictly comparable, more recent statistics from the General Household Survey (GHS) suggested that total employment recorded the largest fall on record in the first quarter of 2020. Nominal wages and earnings continued to increase in the fourth quarter of 2019, but the rates of increase decelerated further to the slowest in more than nine years. GHS data showed that earnings of low-income workers continued to increase in the first quarter of 2020, but the median household income declined further.

**Diagram 5.1 : The unemployment rate (seasonally adjusted) and underemployment rate surged in the first quarter of 2020**



## Labour force and total employment

5.2 The *labour force*<sup>(4)</sup> fell by a record 2.2% from a year earlier to 3 882 200 in the first quarter of 2020 (see **Box 5.1** for a decomposition analysis of the decline in labour force). Partly due to population ageing and partly reflecting the people’s response to the sharp deterioration in economic conditions, the labour force participation rate declined from 60.7% a year ago to a record low of 59.5%.

5.3 *Total employment*<sup>(5)</sup> likewise fell by a record 3.6% year-on-year to 3 720 000 in the first quarter of 2020. Analysed by sector, employment of the consumption- and tourism-related sectors plunged as the threat of COVID-19 dealt a heavy blow to business. Employment of the import/export trade and wholesale sector declined sizably amid shrinking trade flows, and that of the construction sector fell sharply as construction activities saw visible slowdown.

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

	<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed<sup>(a)</sup></u>	<u>Persons underemployed</u>
2019 Annual	3 966 200 (-0.3)	3 849 900 (-0.4)	116 300	42 000
Q1	3 970 800 (-0.1)	3 860 400 (-0.1)	110 400	38 900
Q2	3 985 000 (0.4)	3 870 700 (0.4)	114 300	41 200
Q3	3 975 700 (-0.2)	3 855 400 (-0.3)	120 300	41 500
Q4	3 941 800 (-0.8)	3 817 800 (-1.3)	124 000	47 400
<i>Three months ending</i>				
2020 Jan	3 925 500 (-1.2)	3 803 200 (-1.8)	122 300	47 300
Feb	3 903 000 (-1.7)	3 768 800 (-2.5)	134 100	59 100
Mar	3 882 200 (-2.2)	3 720 000 (-3.6)	162 200	82 800
	<-1.8>	<-2.7>		

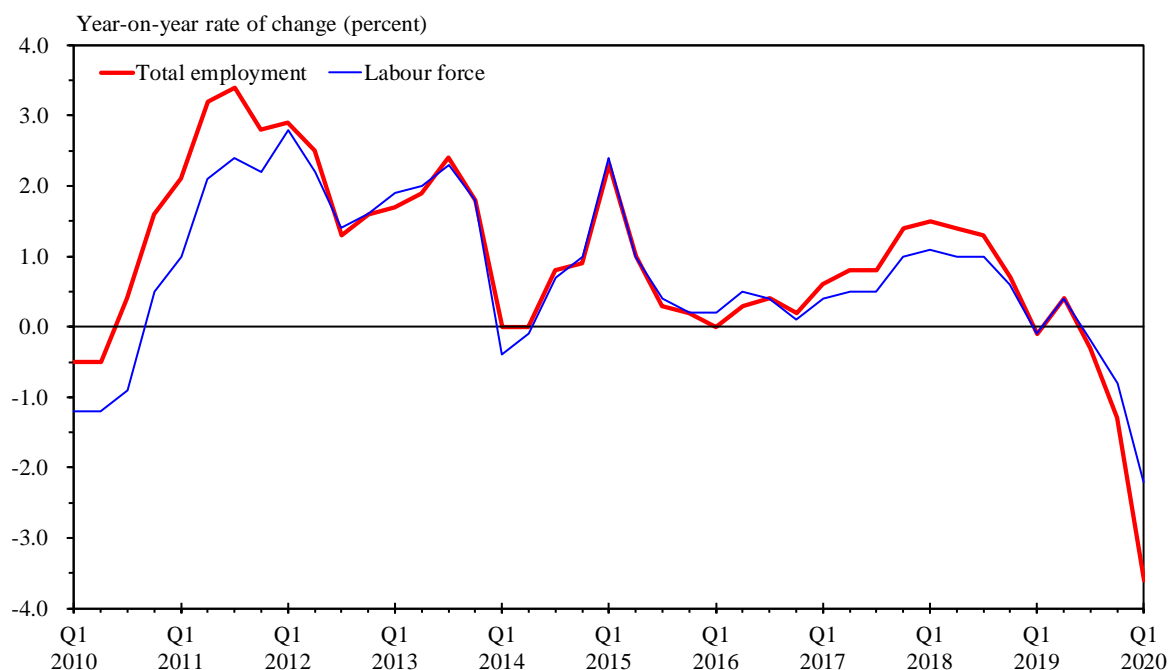
Notes : (a) These include first-time job-seekers and re-entrants into the labour force.

( ) % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change for the first quarter of 2020.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : Labour force and total employment registered the largest falls on record**



## Box 5.1

### Decomposition of the year-on-year declines in labour force in the recent quarters<sup>(1)</sup>

The size of the labour force is dependent on the size of the working-age population<sup>(2)</sup> and the share of this working-age population that choose to work, i.e. the overall labour force participation rate (LFPR).

Amid the economic downturn, the labour force declined by 0.2% over a year earlier in the third quarter of 2019, and the decline widened successively to 2.2% in the first quarter of 2020, the largest on record. This article decomposes the fall in the labour force in the recent quarters into the change in the size of the working-age population and that in overall LFPR. As LFPR is age dependent (generally speaking older people have lower LFPR), the change in overall LFPR was also broken down into two components, namely the change in age structure of the working-age population and the changes in LFPRs of different age groups, in order to have a better understanding of the dynamics currently at play in the labour market.

Using the first quarter of 2020 as an illustration, the labour force fell by 2.2% over a year earlier, and the working-age population declined marginally by 0.2%, suggesting that 2.1 percentage points of the decline in labour force was due to the drop in overall LFPR, which fell by 1.25 percentage points from its year-ago level of 60.71% to 59.46%. A decomposition of the fall in overall LFPR using standard shift-share analysis<sup>(3)</sup> suggests that about 36% of the drop (0.45 percentage point) in overall LFPR was attributed to the change in age structure of the working-age population, whereas the remaining 64% (0.80 percentage point) was due to the changes in LFPRs of individual age groups. Hence, these two factors contributed 0.7 and 1.3 percentage points respectively to the 2.1 percentage-point decline in the labour force. Using the same method, the year-on-year rates of change in labour force in the past quarters since the first quarter of 2018 are decomposed, with results shown in *Chart 1*.

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(1) All figures are compiled from the General Household Survey conducted by the Census and Statistics Department and include foreign domestic helpers. Individual figures may not add up to total due to rounding.

(2) Refers to land-based non-institutional population aged 15 and above.

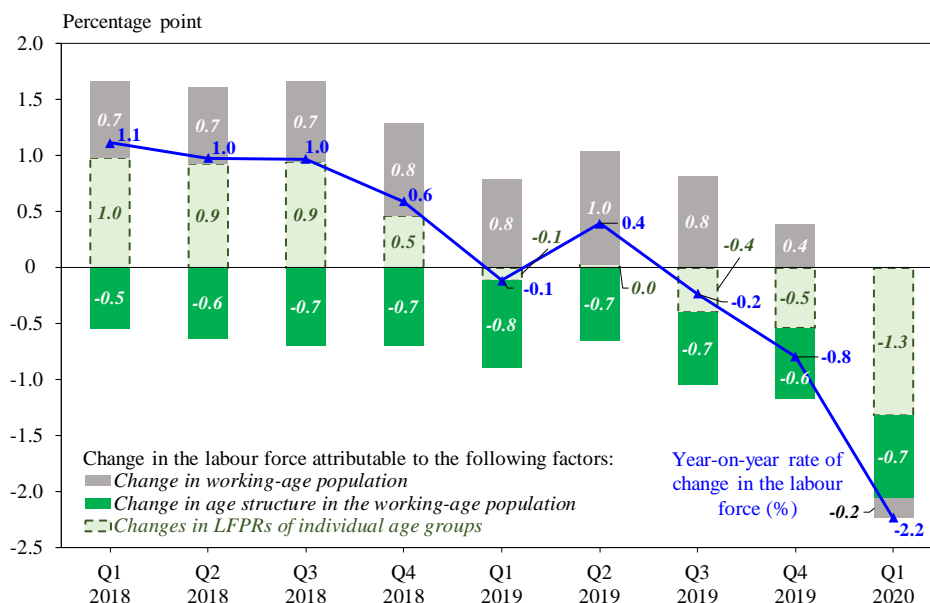
(3) Using the formula below, the year-on-year change in overall LFPR is decomposed into (1) the change in age structure of the working-age population while holding LFPRs of individual age groups constant (i.e. the first term on the right hand side of the formula) and (2) the changes in LFPRs of individual age groups while holding shares of respective age groups constant (i.e. the second term on the right hand side of the formula).

$$LFPR_{t+k} - LFPR_t = \sum_i LFPR_{i,t} \times (share_{i,t+k} - share_{i,t}) + \sum_i share_{i,t+k} \times (LFPR_{i,t+k} - LFPR_{i,t})$$

where  $LFPR_t$  denotes the overall LFPR in period  $t$ ,  $LFPR_{i,t}$  denotes the LFPR of age group  $i$  in period  $t$ , and  $share_{i,t}$  denotes the share of age group  $i$  in the working-age population in period  $t$ .

## Box 5.1 (Cont'd)

**Chart 1: Decomposition of the year-on-year rates of change in labour force**



As seen in **Chart 1**, the change in age structure in the working-age population amid population ageing, through its effect on lowering the overall LFPR, has persistently been a drag on the labour force, contributing a drag of 0.5 to 0.8 percentage point to the year-on-year rate of change in the labour force in the past quarters. On the other hand, the widening in the year-on-year decline in the labour force from the third quarter of 2019 to the first quarter of 2020 was largely due to two factors. *First*, the working-age population switched from a 0.8% growth in the third quarter of 2019 to a 0.2% decline in the first quarter of 2020. *Second*, the drag arising from changes in LFPRs of individual age groups enlarged from 0.4 percentage point to 1.3 percentage points over the period. A closer look showed that the LFPRs of most age groups recorded year-on-year declines in the first quarter of 2020. Specifically, the LFPRs of those aged 15-24, 30-39 and 60 and above declined more sharply by 2.3, 1.2 and 1.0 percentage points respectively, whereas the LFPRs of those aged 40-49 and 50-59 declined by 0.4 and 0.7 percentage point respectively.

A concurrent decrease in LFPR across most age groups may in part reflect that, in response to the sharp deterioration in economic and labour market conditions, a number of workers have chosen to leave the labour force for the time being when losing their jobs<sup>(4)</sup>. It is also likely that when economic conditions return to normal, many of these people may choose to re-enter the labour force.

(4) It refers to workers who have chosen to leave the labour force in order to engage in household duties and to take rest, among other reasons, but excludes discouraged workers who have not sought work because they believe that work is not available to them. The latter is included in the labour force and classified as unemployed.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019 Q1</u>	<u>2020 Q1</u>
<u>Male</u>							
15-24	39.1	39.5	38.1	39.2	39.6	38.3	36.4
<i>of which:</i>							
15-19	11.7	12.9	9.9	10.4	11.4	10.5	7.1
20-24	62.0	60.7	59.2	60.2	59.8	58.3	58.0
25-29	93.7	92.9	92.6	92.9	91.4	91.6	90.4
30-39	96.5	96.4	96.6	96.4	95.9	96.2	94.9
40-49	95.1	95.0	95.2	95.1	93.9	93.8	93.1
50-59	86.6	86.0	86.7	86.9	85.1	86.1	84.4
≥ 60	28.5	29.9	30.4	32.1	31.9	32.1	30.5
Overall	68.8	68.6	68.3	68.5	67.5	67.7	65.9
<u>Female</u>							
15-24	41.4	41.9	41.5	41.1	40.8	39.9	37.2
<i>of which:</i>							
15-19	12.8	12.3	11.8	12.0	11.7	11.8	7.5
20-24	63.6	63.6	61.8	60.4	60.2	58.6	57.6
25-29	85.7	86.2	86.5	86.6	87.2	86.4	87.4
30-39	78.4	78.0	79.0	79.3	78.9	79.5	78.4
40-49	73.7	73.4	73.8	74.1	73.4	74.5	74.4
50-59	58.3	59.7	60.4	61.5	62.2	61.1	61.8
≥ 60	11.4	12.3	13.7	14.5	15.5	15.7	15.2
Overall	54.7	54.8	55.1	55.1	55.0	55.0	54.3
<u>Both genders combined</u>							
15-24	40.2	40.7	39.8	40.2	40.2	39.1	36.8
<i>of which:</i>							
15-19	12.3	12.6	10.8	11.2	11.6	11.1	7.3
20-24	62.8	62.2	60.5	60.3	60.0	58.5	57.8
25-29	89.2	89.2	89.3	89.5	89.1	88.8	88.8
30-39	85.7	85.4	86.0	86.1	85.7	86.2	85.0
40-49	82.7	82.4	82.6	82.7	81.8	82.4	82.0
50-59	71.8	72.2	72.7	73.2	72.7	72.6	71.9
≥ 60	19.6	20.7	21.7	22.9	23.3	23.5	22.5
Overall	61.1	61.1	61.1	61.2	60.6	60.7	59.5

Source : General Household Survey, Census and Statistics Department.

## Profile of unemployment

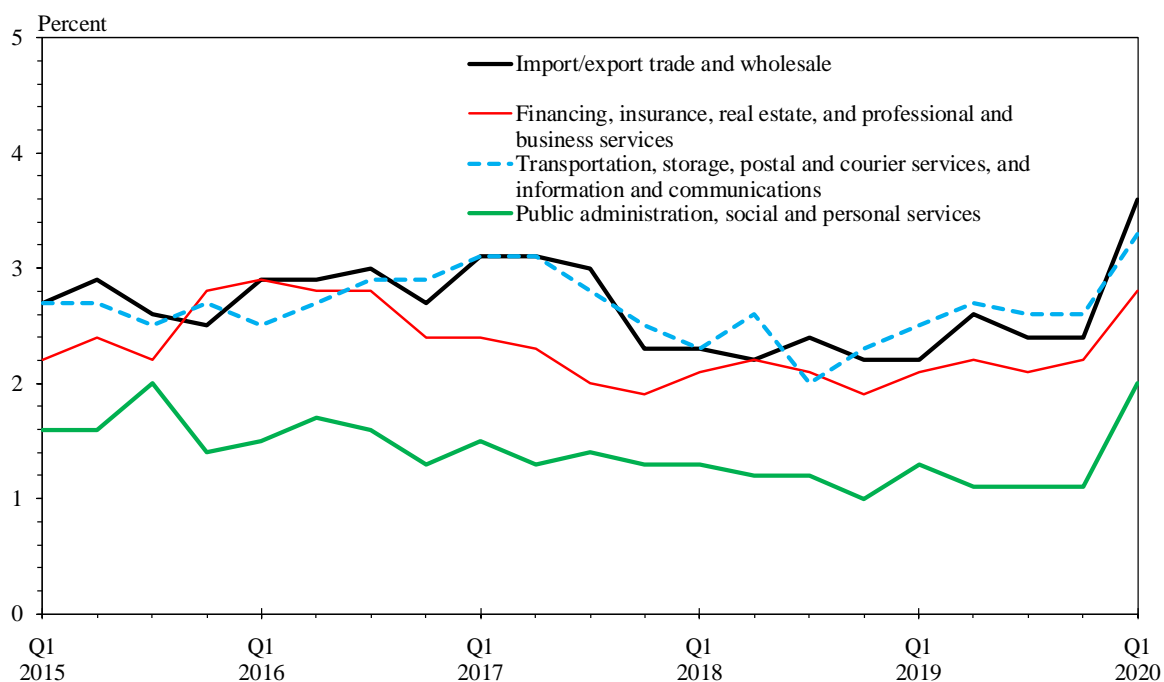
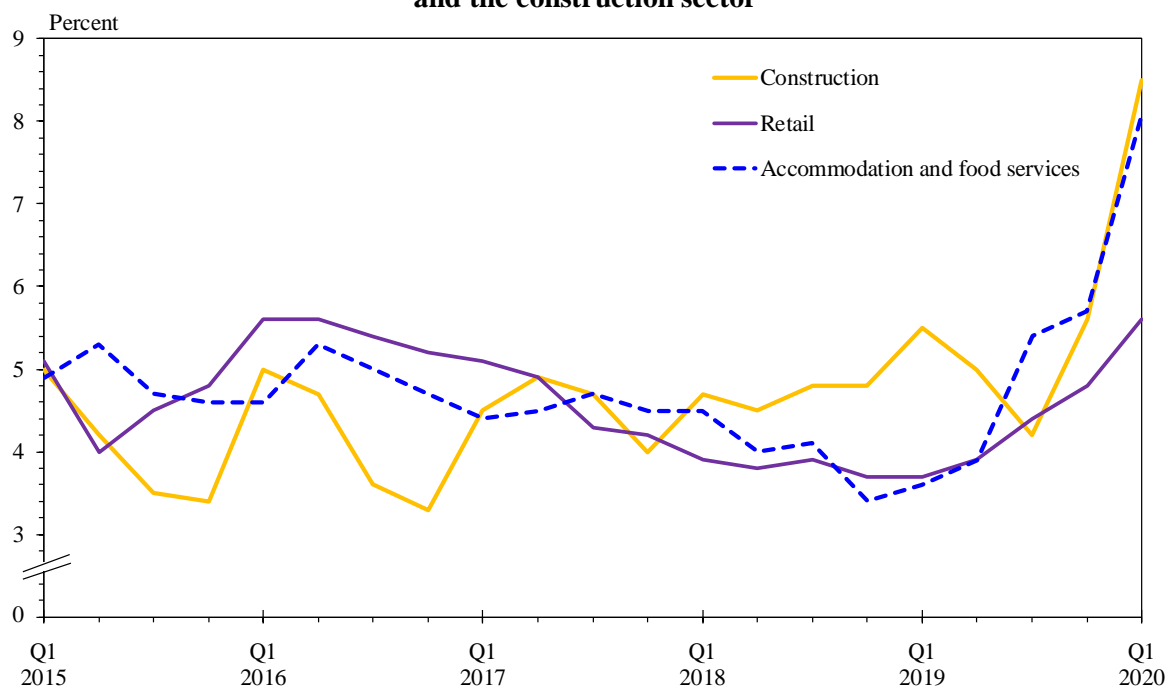
5.4 The unemployment situation deteriorated sharply in the first quarter. The seasonally adjusted unemployment rate soared by 0.9 percentage point over the preceding quarter or 1.4 percentage points over a year earlier to 4.2%, the highest in more than nine years. The number of unemployed persons (not seasonally adjusted) went up markedly by 38 200 over the preceding quarter or 51 800 over a year earlier to 162 200.

5.5 Analysed by sector, reflecting the impact of the COVID-19 pandemic, the unemployment rate of the retail, accommodation, and food services sectors combined (not seasonally adjusted) soared by 1.6 percentage points over the preceding quarter or 3.2 percentage points over a year earlier to 6.8% in the first quarter, the highest since late 2009 in the aftermath of the Global Financial Crisis. In particular, the unemployment rate in the food and beverage service activities sector surged by 2.5 percentage points over the preceding quarter or 4.7 percentage points over a year earlier to 8.6%. Due to visible slowdown in construction activities, the unemployment rate of the construction sector increased drastically by 2.9 percentage points over the preceding quarter or 3.0 percentage points over a year earlier to 8.5%. Amid shrinking trade flows, the unemployment rate of the import/export trade and wholesale sector went up by 1.2 percentage points over the preceding quarter or 1.4 percentage points over a year earlier to 3.6%. The unemployment rates of the education sector (up by 1.4 percentage points over the preceding quarter or 1.5 percentage points over a year earlier to 3.1%), and the transportation, storage, postal and courier services sector (up by 1.0 percentage point over the preceding quarter or 0.9 percentage point over a year earlier to 3.3%) also increased notably, while those of most other sectors went up by various degrees. For the *low-paying sectors*<sup>(6)</sup> as a whole, the unemployment rate increased by 1.0 percentage point over the preceding quarter or 1.5 percentage points over a year earlier to 4.0%.

5.6 Analysed by skill segment, the unemployment rate of the lower-skilled segment surged by 1.5 percentage points over the preceding quarter or 1.9 percentage points over a year earlier to 4.8% in the first quarter, while that of the higher-skilled segment went up visibly by 0.6 percentage point on both quarter-to-quarter and year-on-year comparisons to 2.5%. Thus the lower-skilled workers have been more hard-hit by the current economic crisis.

5.7 As for other socio-economic attributes, the unemployment situation deteriorated across all groups. Compared with a year earlier, the increases in unemployment rates among persons aged 15-24 (up 3.0 percentage points) and those with lower secondary (up 1.9 percentage points) or upper secondary education (up 1.8 percentage points) were particularly distinct.

**Diagram 5.3 : Unemployment rates increased across most sectors in the first quarter of 2020, particularly distinctly in the consumption- and tourism-related sectors and the construction sector**





**Table 5.3 : Unemployment rates by major economic sector**

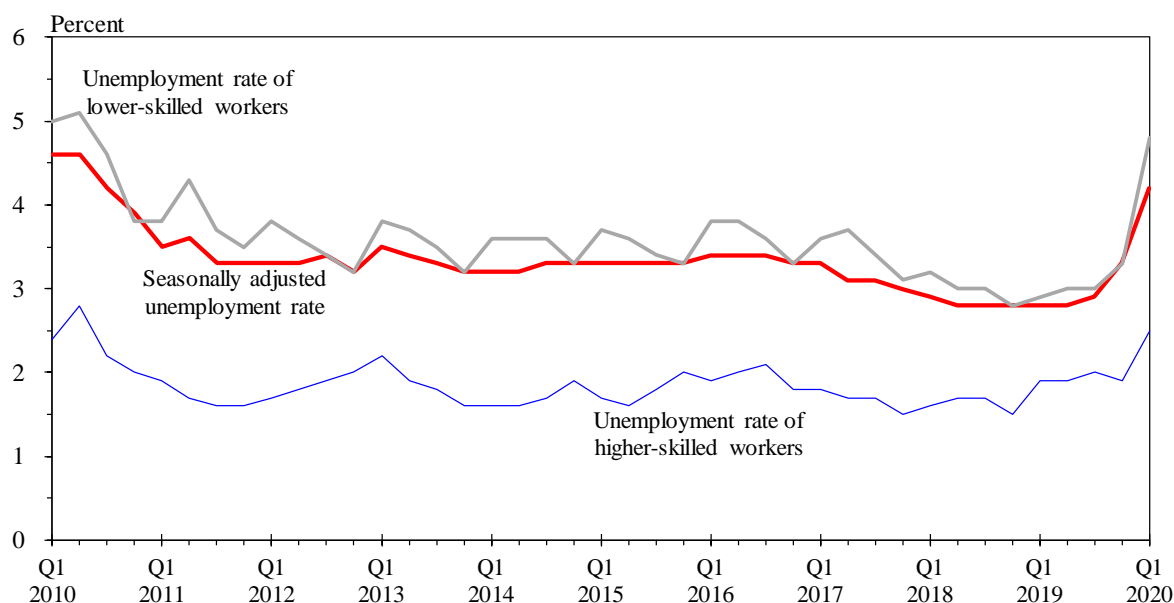
	<u>2019</u>				<u>2020</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Import/export trade and wholesale	2.2	2.6	2.4	2.4	3.6
Retail	3.7	3.9	4.4	4.8	5.6
Accommodation and food services	3.6	3.9	5.4	5.7	8.1
Transportation, storage, postal and courier services	2.4	2.4	2.3	2.3	3.3
Information and communications	2.7	3.5	3.2	3.3	3.5
Financing and insurance	1.7	1.9	1.8	1.7	2.4
Real estate	2.0	1.9	1.9	1.8	2.4
Professional and business services	2.5	2.6	2.5	2.6	3.3
Public administration, social and personal services	1.3	1.1	1.1	1.1	2.0
Manufacturing	3.1	2.9	3.5	3.3	5.8
Construction	5.5	5.0	4.2	5.6	8.5
Overall*	2.8 (2.8)	2.9 (2.8)	3.0 (2.9)	3.1 (3.3)	4.2 (4.2)

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 rate of lower-skilled workers increased faster than that of higher-skilled workers in the first quarter of 2020**



**Table 5.4 : Unemployment rates\* by skill segment**

	<u>2019</u>				<u>2020</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Higher-skilled segment</u>	1.9	1.9	2.0	1.9	2.5
Managers and administrators	1.4	1.6	1.8	1.3	1.7
Professionals	1.6	1.7	1.1	1.4	1.5
Associate professionals	2.4	2.2	2.4	2.4	3.3
<u>Lower-skilled segment</u> <sup>^</sup>	2.9	3.0	3.0	3.3	4.8
Clerical support workers	2.2	2.8	2.6	2.7	3.8
Service and sales workers	3.2	3.4	4.1	4.1	6.5
Craft and related workers	4.7	4.8	4.6	5.7	9.3
Plant and machine operators and assemblers	2.4	1.7	2.1	2.5	3.7
Elementary occupations	2.8	2.5	2.0	2.6	3.1

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

<sup>^</sup> Including other occupations.

Source : General Household Survey, Census and Statistics Department.

**Table 5.5 : Unemployment rates\* by age and educational attainment**

	<u>2019</u>				<u>2020</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Age</u>					
15-24	7.0	7.9	10.1	9.5	10.0
<i>Of which:</i>					
15-19	7.5	10.2	12.1	10.2	12.9
20-24	6.9	7.5	9.8	9.4	9.8
25-29	3.9	3.9	3.7	3.9	5.1
30-39	1.9	2.1	2.3	2.1	3.0
40-49	2.2	2.4	2.1	2.3	3.8
50-59	2.6	2.7	2.6	3.1	4.0
≥ 60	2.4	2.1	2.2	2.7	3.8
<u>Educational attainment</u>					
Primary education and below	2.7	2.5	2.4	3.8	4.2
Lower secondary education	3.9	4.0	3.6	4.0	5.8
Upper secondary education <sup>^</sup>	2.5	2.7	2.8	2.7	4.3
Post-secondary education	2.6	2.7	3.1	3.1	3.6

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.

5.8 All indicators for the intensity of unemployment worsened in the first quarter. Compared with a year earlier, the long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) increased by 0.3 percentage point to 0.9%, and the number of long-term unemployed persons increased by 11 800 to 34 900. The share of long-term unemployment in total unemployment went up by 0.5 percentage point to 21.5%, and the median duration of unemployment increased from 64 days to 69 days. Meanwhile, the proportion of dismissal or lay-offs in the total number of unemployed persons (not including first-time job-seekers and re-entrants into the labour force) increased by 2.4 percentage points to 48.9%.

## Profile of underemployment

5.9 The underemployment rate increased markedly in the first quarter, by 0.9 percentage point over the preceding quarter or 1.1 percentage points over a year earlier to 2.1%, the highest in nearly a decade. The number of underemployed persons increased by 35 500 over the preceding quarter or 43 900 over a year earlier to 82 800. Analysed by sector, the underemployment rate of the retail, accommodation and food services sectors as a whole soared by 2.3 percentage points over the preceding quarter or 3.0 percentage points over a year earlier to 3.9%, the highest since the onslaught of SARS. In particular, the underemployment rate of the food and beverage service activities sector surged to 5.4% (up by 3.1 percentage points over the preceding quarter or 4.2 percentage points over a year earlier). Meanwhile, the underemployment rate of the construction sector increased drastically by 1.3 percentage points over the preceding quarter or 2.6 percentage points over a year earlier to 7.1%. The underemployment rates of the transportation, storage, postal and courier services sector (up by 2.0 percentage points over the preceding quarter or 1.7 percentage points over a year earlier to 3.2%) and the education sector (up by 1.2 percentage points over the preceding quarter or 0.9 percentage point over a year earlier to 2.0%) also increased visibly, while those of most other sectors went up by various degrees. Analysed by occupational category, the underemployment rate of the lower-skilled segment surged by 1.2 percentage points over the preceding quarter or 1.6 percentage points over a year earlier to 3.0%, while that of the higher-skilled segment went up by 0.5 percentage point on both quarter-to-quarter and year-on-year comparisons to 0.9%.

## Profile of employment in establishments

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

5.11 Labour demand slackened further in December 2019 as economic conditions remained weak after entering into recession in the third quarter of last year. Having fallen by 1.4% from a year earlier in September 2019, private sector employment recorded an enlarged decline of 2.1% in December, the biggest fall since September 2003, to 2 820 000. Looking at individual sectors, employment in food and beverage services and retail fell sharply by 7.0% and 4.8% respectively, and employment in accommodation services turned to a decline of 2.1% in December 2019, as businesses in these sectors were hard hit by the local social incidents involving violence. Employment in import/export trade and wholesale continued to decline sizably by 7.3% amid weak trade flows. Employment at construction sites (covering manual workers only) declined further by 3.0% due to falling construction activities. On the other hand, employment in human health services grew visibly by 5.3% in December 2019, reflecting the sustained labour demand in the sector. Analysed by establishment size, employment in *small and medium-sized enterprises (SMEs)*<sup>(7)</sup> decreased by 4.6% in December 2019, while employment in large enterprises recorded a marginal increase of 0.1%. For 2019 as a whole, private sector employment contracted by 0.9%, in contrast to the gain of 1.1% in 2018. As for the civil service, employment increased by 2.0% year-on-year in December 2019 and 2.2% for 2019 as a whole, broadly similar to the increase of 2.1% in 2018.

**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>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</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)	507 000 (-5.5)	519 300 (-3.6)	511 700 (-4.8)	501 400 (-6.4)	495 400 (-7.3)
Retail	272 600 (1.7)	271 000 (1.4)	272 100 (1.6)	273 100 (2.2)	274 100 (1.8)	268 000 (-1.7)	272 600 (0.6)	271 200 (-0.3)	267 000 (-2.2)	261 100 (-4.8)
Accommodation <sup>(a)</sup> and food services	291 000 (3.1)	286 200 (1.9)	290 600 (3.2)	293 100 (3.4)	294 300 (3.8)	286 000 (-1.7)	294 000 (2.7)	293 500 (1.0)	280 800 (-4.2)	275 800 (-6.3)
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)	180 400 (0.3)	180 700 (0.8)	180 300 (0.3)	180 400 (0.2)	180 200 (§)
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 (1.9)	110 600 (3.4)	110 900 (2.5)	110 400 (1.2)	110 300 (0.3)
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)	760 400 (1.7)	759 000 (2.2)	760 700 (2.2)	761 000 (1.6)	760 800 (0.9)
Social and personal services	523 000 (2.0)	520 000 (1.9)	521 400 (2.1)	523 000 (2.0)	527 700 (2.0)	535 100 (2.3)	530 900 (2.1)	533 400 (2.3)	536 600 (2.6)	539 700 (2.3)
Manufacturing	90 100 (-3.0)	90 900 (-3.9)	89 800 (-3.8)	89 400 (-2.8)	90 100 (-1.5)	86 900 (-3.5)	88 500 (-2.6)	87 400 (-2.7)	86 300 (-3.5)	85 400 (-5.2)
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)	101 800 (-9.0)	107 400 (-11.0)	102 700 (-11.5)	96 900 (-10.0)	99 900 (-3.0)
<i>All establishments surveyed in the private sector<sup>(b)</sup></i>	2 872 500 (1.1)	2 867 400 (1.1)	2 871 500 (1.4)	2 871 700 (1.0)	2 879 300 (0.7)	2 847 600 (-0.9)	2 874 300 (0.2)	2 863 700 (-0.3)	2 832 300 (-1.4)	2 820 000 (-2.1)
		<0.3>	<0.3>	<0.1>	<0.1>		<-0.2>	<-0.3>	<-0.9>	<-0.6>
<i>Civil service<sup>(c)</sup></i>	172 300 (2.1)	171 500 (2.3)	171 300 (2.1)	172 600 (2.1)	173 700 (2.0)	176 000 (2.2)	174 900 (2.0)	175 300 (2.3)	176 700 (2.3)	177 300 (2.0)

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.

## Vacancies

5.12 Amid weakened labour demand, the number of private sector job vacancies plunged by 30.4% from a year earlier to 54 430 in December 2019, following a fall of 19.5% in September. For 2019 as a whole, the number of job vacancies dropped by 13.5% to an average of 67 630.

5.13 Most major economic sectors saw year-on-year falls in the number of vacancies in December 2019, notably for food and beverage services (down 66.6%), accommodation services (down 56.3%), retail (down 44.5%), construction sites (covering manual workers only) (down 41.6%), manufacturing (down 39.0%), import/export trade and wholesale (down 32.3%), and arts, entertainment and recreation (down 28.1%). In contrast, the number of vacancies in human health services rose visibly by 8.9%. In terms of occupational category, the numbers of vacancies in the lower-skilled and higher-skilled segments both went down, by 37.0% and 16.6% respectively. Analysed by establishment size, the numbers of vacancies in large enterprises and SMEs dropped by 22.8% and 42.7% respectively. In contrast, the number of job openings in the civil service grew by 2.6% to 10 210 in December 2019.

5.14 Reflecting a weak labour market, the ratio of job vacancies per 100 unemployed persons in December 2019, at 44, was noticeably lower than the level of 74 a year earlier. Analysed by skill segment, the ratio in the higher-skilled segment declined markedly from the year-ago level of 104 to 69 in December 2019, and that in the lower-skilled segment from 79 to 43. Yet manpower shortage remained acute in some sectors, such as residential care and social work services, and human health services, where the ratios still stood at well above 100. For 2019 as a whole, the overall ratio decreased from 70 in the preceding year to 58. The corresponding ratios in the higher- and lower-skilled segments both declined, from 102 to 78 and from 73 to 61 respectively.

**Table 5.7 : Vacancies by major economic sector**

	<u>Number of vacancies</u>										Vacancy rate in Dec 2019 (%)	
	Annual average	2018					Annual average	2019				
		Mar	Jun	Sep	Dec	Mar		Jun	Sep	Dec		
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)	6 050 (-19.3)	6 800 (-10.5)	6 470 (-16.9)	6 170 (-18.5)	4 760 (-32.3)	1.0	
Retail	8 220 (7.6)	8 110 (7.6)	7 980 (12.7)	8 010 (-1.4)	8 770 (12.4)	6 710 (-18.4)	8 350 (2.9)	7 650 (-4.1)	5 970 (-25.5)	4 870 (-44.5)	1.8	
Accommodation <sup>(a)</sup> and food services	14 230 (6.5)	14 380 (5.2)	14 360 (8.6)	14 260 (12.9)	13 910 (§)	9 250 (-35.0)	14 700 (2.3)	11 190 (-22.1)	6 240 (-56.2)	4 860 (-65.0)	1.7	
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)	3 870 (-11.2)	4 780 (18.2)	4 090 (-12.2)	3 800 (-15.2)	2 820 (-33.8)	1.5	
Information and communications	2 980 (9.1)	3 120 (14.6)	3 250 (19.9)	2 790 (1.4)	2 780 (0.5)	2 850 (-4.4)	2 950 (-5.4)	3 040 (-6.3)	2 860 (2.6)	2 560 (-8.0)	2.3	
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)	19 060 (-5.3)	20 570 (3.7)	20 130 (-0.1)	18 560 (-9.6)	16 990 (-14.9)	2.2	
Social and personal services	16 980 (17.2)	16 140 (19.9)	17 250 (31.4)	17 050 (14.3)	17 490 (6.4)	16 710 (-1.6)	17 860 (10.6)	17 220 (-0.2)	16 720 (-2.0)	15 060 (-13.9)	2.7	
Manufacturing	2 850 (17.5)	2 610 (1.6)	2 950 (28.9)	2 900 (29.4)	2 940 (12.9)	2 210 (-22.3)	2 490 (-4.6)	2 660 (-9.7)	1 910 (-34.0)	1 790 (-39.0)	2.1	
Construction sites (covering manual workers only)	700 (-34.6)	850 (49.8)	580 (-61.5)	520 (-38.0)	850 (-37.9)	680 (-2.9)	870 (2.0)	780 (33.6)	580 (12.0)	500 (-41.6)	0.5	
All establishments surveyed in the private sector <sup>(b)</sup>	78 150 (9.6)	76 880 (9.1)	79 200 (13.8)	78 340 (10.1)	78 190 (5.6)	67 630 (-13.5)	79 580 (3.5)	73 460 (-7.2)	63 030 (-19.5)	54 430 (-30.4)	1.9	
		<0.4>	<3.7>	<0.7>	<0.5>		<-1.3>	<-7.0>	<-12.7>	<-13.2>		
Civil service <sup>(c)</sup>	8 960 (7.7)	7 540 (-13.0)	8 920 (5.9)	9 450 (14.8)	9 950 (24.8)	10 060 (12.3)	9 820 (30.2)	10 260 (15.0)	9 970 (5.5)	10 210 (2.6)	5.4	

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.

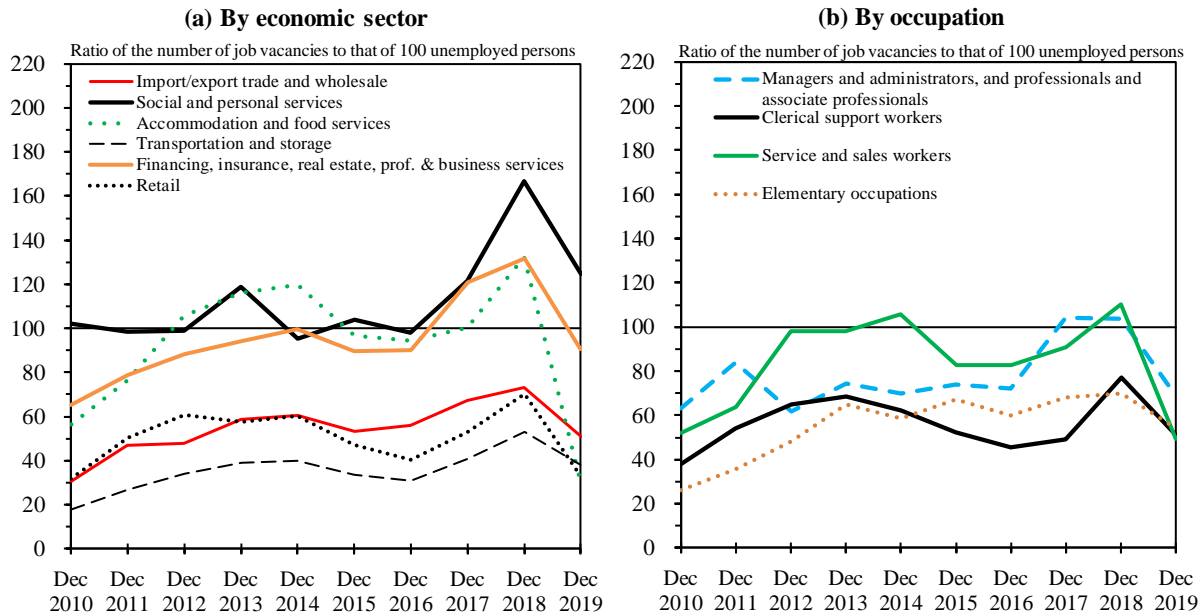
< > Seasonally adjusted quarter-to-quarter % change.

§ 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 balance slackened across major economic sectors and occupations in December 2019**



5.15 The vacancy rate for private sector establishments, measured in terms of the number of job vacancies as a percentage of total employment opportunities, dropped by 0.7 percentage point from a year earlier to 1.9% in December 2019, the lowest in nine years. Most sectors recorded lower vacancy rates, with visible declines seen in food and beverage services, accommodation services, arts, entertainment and recreation, and retail. For 2019 as a whole, the private sector vacancy rate decreased from 2.6% in the preceding year to 2.3%.

5.16 Information on vacancies received by the Labour Department (LD) may provide some hints on the latest developments in the labour market. The number of private sector job vacancies plunged by 54.2% from a year earlier to an average of 51 200 per month in the first quarter of 2020. Sharp falls in vacancies were observed across all sectors.

## Wages and earnings

5.17 Overall nominal wages and earnings continued to grow in December 2019 over a year earlier, but the rates of increase decelerated further as economic conditions stayed weak. After increasing by 3.4% year-on-year in September 2019, the nominal *wage index* for all selected industry sections, which covers regular payment to employees at the supervisory level or below, went up by 2.8% in December 2019, the slowest in more than nine years. For 2019 as a whole, nominal wages grew by 3.5%, slower than the 4.0% growth in 2018. After adjusting for inflation<sup>(8)</sup>, which was affected by elevated fresh pork prices since May 2019, wages increased marginally by 0.2% in real terms in 2019.

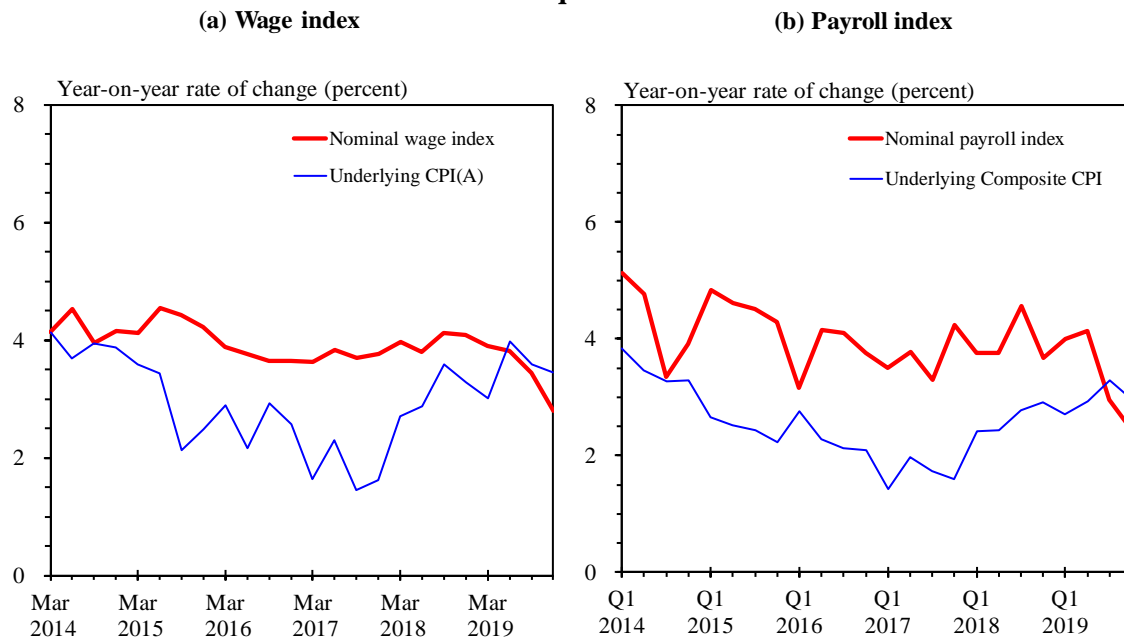
5.18 Nominal wages continued to increase across all selected sectors and occupations in December 2019, yet the paces of increase slowed by varying degrees. Looking at individual sectors, visible deceleration in wage growth was seen in accommodation and food service activities (up 3.3%, slower than that of 4.1% in September), personal services (up 2.9%, slower than that of 3.7% in September), and import/export, wholesale and retail trades (up 1.6%, slower than that of 2.3% in September). Analysed by occupation, moderation in wage growth was noticeable for supervisory and technical workers (up 1.8%, slower than that of 2.6% in September), and clerical and secretarial workers (up 2.6%, slower than that of 3.4% in September). Meanwhile, craftsmen saw a visible gain of 4.1% in their wages in December 2019, but the pace of increase moderated from 4.5% in September.

5.19 *Labour earnings*<sup>(9)</sup>, as measured by the index of payroll per person engaged for all selected industry sections, which also covers overtime pay, discretionary bonuses and other irregular payments, likewise saw further deceleration in year-on-year growth from 3.0% in the third quarter of 2019 to 2.4% in the fourth quarter, the slowest in more than nine years. For 2019 as a whole, labour earnings grew by 3.4%, slower than the growth of 3.9% in 2018. After adjusting for inflation, labour earnings grew by 0.5% in real terms in 2019.

5.20 Almost all major sectors recorded decelerated growth in labour earnings in the fourth quarter of 2019, notably in accommodation and food service activities (up 3.4%, slower than that of 4.9% in the third quarter), manufacturing (up 3.0%, slower than that of 4.2% in the third quarter), and professional and business services (up 2.9%, slower than that of 3.8% in the third quarter). There were also further deceleration in labour earnings growth in the import/export and wholesale trades (up 1.6%, slower than that of 2.3% in the

third quarter) and retail trade (up 1.7%, slower than that of 2.2% in the third quarter) sectors, which had already seen relatively modest growth in the preceding quarter.

**Diagram 5.6 : Wages and earnings growth decelerated further in the fourth 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.

5.21 More recent statistics compiled from the GHS, though not strictly comparable to those from the business establishment surveys, suggested that earnings of low-income workers continued to increase in the first quarter of 2020. *Average monthly employment earnings*<sup>(10)</sup> of full-time employees (excluding foreign domestic helpers) of the lowest three decile groups combined increased by 4.4% year-on-year in nominal terms in the first quarter of 2020, faster than the inflation rate of 3.5% as measured by the underlying Consumer Price Index (A) which netted out the effects of Government's one-off relief measures. Caution should be exercised when interpreting these earnings growth figures, as the job loss over the past year was more concentrated in the lower-paid segment, thereby distorting the year-on-year comparison of the average monthly employment earnings of the lower decile groups to some extent. Moreover, the median monthly household income (excluding foreign domestic helpers) decreased further by 3.8% in nominal terms, partly reflecting the decreased number of working members in the households.

## **Highlights of labour-related measures and policy developments**

5.22 The Government has rolled out relief measures of unprecedented scale, including the relief package in the 2020-21 Budget and the two rounds of measures under the Anti-epidemic Fund totalling \$287.5 billion (around 10% of GDP), with a view to preserving the vitality of the economy and relieving people's financial burdens. Some specific measures, in particular the Employment Support Scheme and various types of support for specific sectors, should help keep workers in employment.

5.23 Due to the COVID-19 epidemic, LD has cancelled recruitment activities that would lead to congregation of people such as large-scale job fairs, district-based job fairs at job centres and recruitment activities at its three industry-based recruitment centres. Meanwhile, LD continues to receive and release information on vacancies from various industries for job-seekers with different educational background and working experience. Job-seekers may make use of LD's online platforms such as the Interactive Employment Service website for obtaining employment information.

5.24 The Employees Retraining Board (ERB) launched the "Love Upgrading Special Scheme" (Special Scheme) in October 2019 to provide comprehensive training to employees affected by the economic downturn and special allowance to eligible trainees during the training period. In view of the positive response, the 2020-21 Budget proposed to allocate \$2.5 billion for ERB's enhancement and extension of the Special Scheme. It was estimated that around 20 000 affected employees could take part in the Special Scheme.

## 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 fifth-term Minimum Wage Commission include:
  - (i) retail (including supermarkets and convenience stores, and other retail stores);
  - (ii) food and beverage services (including Chinese restaurants, non-Chinese restaurants, fast food cafes, Hong Kong style tea cafes, and other food and beverage services);
  - (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

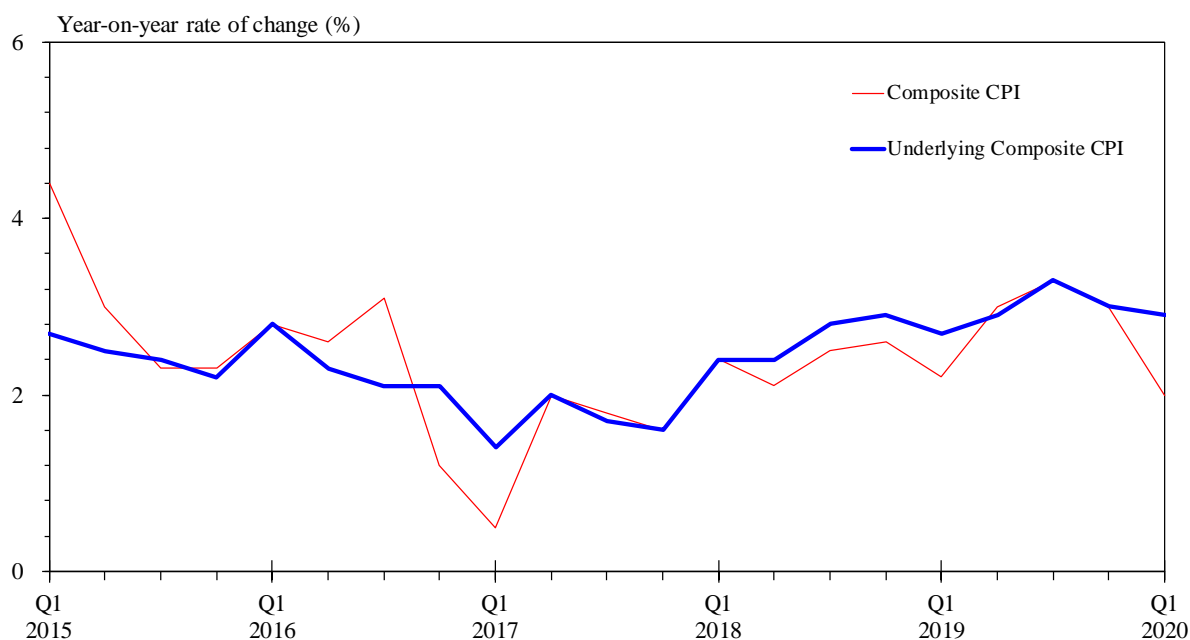
### *Summary*

- *Consumer price inflation remained moderate in the first quarter of 2020. The increase in the underlying Composite Consumer Price Index (Composite CPI)<sup>(1)</sup>, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, edged down from 3.0% in the preceding quarter to 2.9% despite the larger increases in prices of pork and some other basic foodstuffs, as price pressures on many major CPI components showed easing of varying degrees. The headline Composite CPI inflation rate went down from 3.0% to 2.0% over the same period, mainly reflecting the implementation of new one-off relief measures by the Government.*
- *Domestically, the increase in private housing rentals decelerated further in the first quarter. Business cost pressures also abated amid the austere local economic conditions, with wages rising at a slower pace and commercial rentals easing further.*
- *Meanwhile, external price pressures subsided. Alongside the weakened global demand and softened international commodity and energy prices amid the COVID-19 pandemic, inflation rates in many of our major import sources<sup>(2)</sup> eased visibly towards the end of the first quarter. These developments, together with the strengthening of the Hong Kong dollar along with the US dollar vis-a-vis other major currencies, have led to some softening of import prices.*

## Consumer prices

6.1 Consumer price inflation remained moderate in the first quarter of 2020. Underlying consumer price inflation edged down despite the larger increases in prices of pork and some other basic foodstuffs, as price pressures on many major CPI components showed easing of varying degrees. Domestically, the increase in private housing rentals decelerated further, as the effect of softening fresh-letting residential rentals over the past year or so continued to feed through. Business cost pressures also abated amid the austere local economic conditions, with wages rising at a slower pace and commercial rentals easing further. Reportedly, some landlords of commercial properties provided temporary rental relief to help their tenants get through the extremely difficult business environment. Meanwhile, external price pressures subsided. Alongside the weakened global demand and softened international commodity and energy prices amid the COVID-19 pandemic, inflation rates in many of our major import sources eased visibly towards the end of the quarter. These developments, together with the strengthening of the Hong Kong dollar along with the US dollar against other major currencies, have led to a mild year-on-year decline in overall prices of merchandise imports.

**Diagram 6.1: Underlying consumer price inflation remained moderate in the first 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 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, edged down from 3.0% in the preceding quarter to 2.9% in the first quarter. While prices of basic foodstuffs recorded larger increases, pressures on prices of many other major CPI components showed easing of varying degrees amid the sharp economic downturn. Meanwhile, the headline Composite CPI inflation rate went down visibly from 3.0% to 2.0%, mainly attributable to the implementation of new one-off relief measures by the Government, including the waiver of one-month rentals for public housing tenants and two-thirds of one-month rentals for tenants of Group B estates of the Hong Kong Housing Society in January, as well as additional provision of electricity charge subsidy starting from January. The effects of these new measures outweighed that of a lower quarterly ceiling of rates concession for each domestic rateable tenement (\$1,500 in the first quarter of 2020 compared to \$2,500 a year earlier).

**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<sup>(a)</sup></u>	<u>Headline</u>			
2019	Annual	3.0	2.9	3.3	2.7	2.6
	H1	2.8	2.6	3.0	2.4	2.4
	H2	3.1	3.1	3.6	3.0	2.8
	Q1	2.7	2.2	2.6	2.1	2.0
	Q2	2.9	3.0	3.3	2.8	2.8
	Q3	3.3	3.3	3.9	3.1	3.0
	Q4	3.0	3.0	3.4	2.9	2.6
2020	Q1	2.9	2.0	1.1	2.4	2.4

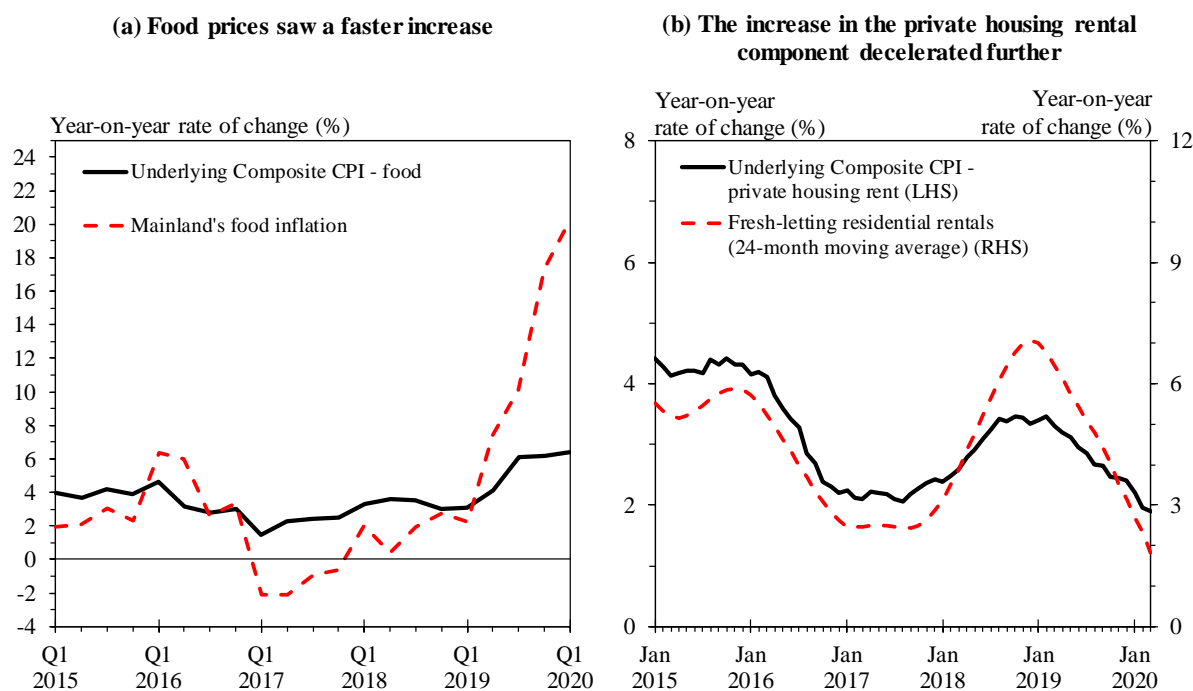
**(seasonally adjusted quarter-to-quarter rate of change (%))**

2019	Q1	0.6	0.4	0.4	0.5	0.4
	Q2	1.0	1.2	1.2	1.1	1.1
	Q3	1.0	0.9	1.3	0.9	0.6
	Q4	0.4	0.5	0.5	0.5	0.5
2020	Q1	0.5	-0.6	-1.9	-0.1	0.2

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.

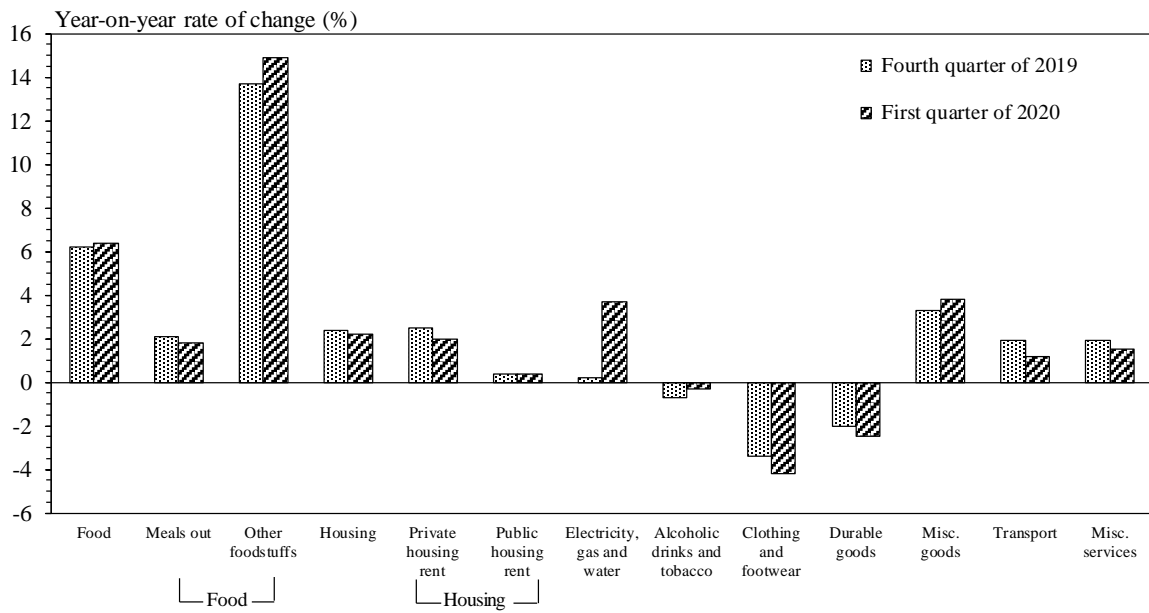
6.3 Analysed by major component of the underlying Composite CPI, the year-on-year rate of increase in food prices, the component with the largest weight other than housing, rose further to 6.4% in the first quarter. Within food prices, the rise in prices of basic foodstuffs went up further to 14.9%, driven by accelerated increases in prices of pork and fresh vegetables. In contrast, the increase in prices of meals bought away from home eased to 1.8%, mirroring the difficult business environment of the restaurants sector. Meanwhile, the increase in the private housing rental component narrowed further to 2.0%, as the softening fresh-letting residential rentals in the past year or so continued to feed-through. As for other components, prices of electricity, gas and water, and miscellaneous goods recorded faster increases. On the other hand, the rises in prices of transport and miscellaneous services moderated, with the latter dragged by the fall in charges for package tour towards the end of the quarter amid the COVID-19 pandemic. Prices of clothing and footwear saw an enlarged decline, while those of durable goods stayed on its perennial downtrend.

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

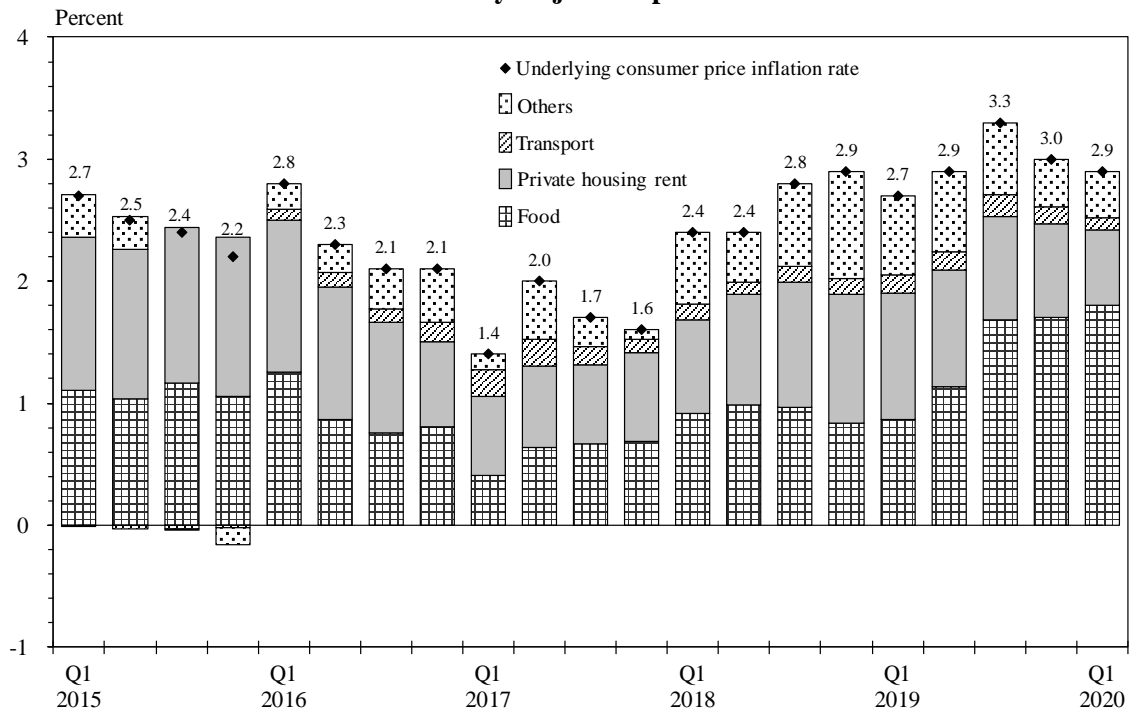


Note : The year-on-year rates of change of the CPIs from October 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

**Diagram 6.3 (a) : Apart from basic foodstuffs, price pressures on many major CPI components showed easing of varying degrees in the first quarter**



**Diagram 6.3 (b) : Contribution to underlying consumer price inflation rate 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>2018</u>	<u>Annual</u>	<u>2019</u>				<u>2020</u>
				<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Food	27.29	3.4	4.9	3.1	4.1	6.1	6.2	6.4
<i>Meals bought away from home</i>	17.74	2.9	2.2	2.3	2.1	2.1	2.1	1.8
<i>Other foodstuffs</i>	9.55	4.3	9.9	4.6	7.7	13.4	13.7	14.9
Housing <sup>(a)</sup>	34.29	3.2 (2.5)	3.2 (3.5)	3.9 (2.9)	3.6 (4.2)	3.1 (3.7)	2.4 (3.1)	2.2 (0.7)
<i>Private housing rent</i>	29.92	3.1 (2.2)	2.9 (3.1)	3.4 (2.3)	3.1 (3.8)	2.7 (3.4)	2.5 (3.1)	2.0 (2.7)
<i>Public housing rent</i>	1.94	3.6 (4.1)	6.5 (7.1)	10.1 (11.6)	9.8 (10.9)	6.5 (6.9)	0.4 (-0.2)	0.4 (-31.1)
Electricity, gas and water	2.67	4.7 (4.9)	1.0 (-5.4)	1.4 (-4.9)	1.5 (-4.8)	0.8 (-5.6)	0.2 (-6.3)	3.7 (-16.0)
Alcoholic drinks and tobacco	0.54	1.3	1.2	2.7	2.4	0.5	-0.7	-0.3
Clothing and footwear	3.21	1.6	-1.7	-0.2	-1.7	-1.5	-3.4	-4.2
Durable goods	4.65	-2.0	-1.9	-2.1	-2.0	-1.5	-2.0	-2.5
Miscellaneous goods	3.56	1.3	2.5	1.6	2.0	2.9	3.3	3.8
Transport	7.98	1.6	2.0	1.9	2.0	2.3	1.9	1.2
Miscellaneous services	15.81	2.1 (2.1)	2.0 (2.0)	1.9 (1.8)	2.5 (2.5)	1.8 (1.7)	1.9 (1.9)	1.5 (1.5)
All items	100.00	2.6 (2.4)	3.0 (2.9)	2.7 (2.2)	2.9 (3.0)	3.3 (3.3)	3.0 (3.0)	2.9 (2.0)

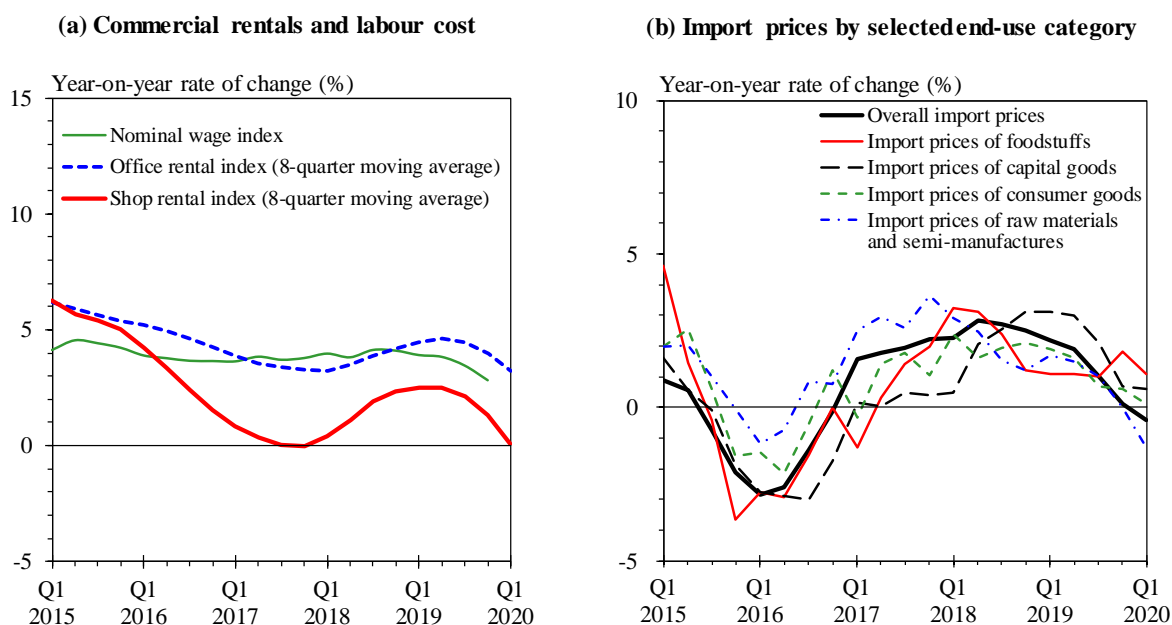
Notes : (a) The housing component covers rents, rates, Government rent, maintenance costs and other housing charges. Its sub-components on private and public housing rents as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public housing 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 Domestic cost pressures abated further in the first quarter of 2020. Nominal wages continued to rise, but at a decelerated rate as the labour market showed further sharp deterioration. Commercial rentals also eased further amid the austere local economic conditions. As a proxy for the rental costs faced by businesses, the increase in the eight-quarter moving averages of office rentals went down from 4.0% in the preceding quarter to 3.2% in the first quarter, while that of shop rentals receded from 1.3% to 0.1%. Reportedly, more landlords of commercial properties provided temporary rental relief in recent months to alleviate the financial stress of their tenants amid the serious disruption to business.

**Diagram 6.4 : Domestic cost pressures abated further;  
external price pressures subsided**



6.5 External price pressures subsided in the first quarter. Inflation rates in many of our major import sources eased visibly towards the end of the quarter amid weakening global demand. International commodity and energy prices recorded a sharp fall due to the COVID-19 pandemic. The appreciation of the Hong Kong dollar along with the US dollar against other major currencies also made foreign goods cheaper in local currency terms. As a result, overall prices of merchandise imports turned to a mild year-on-year decline of 0.4% in the first quarter. Analysed by major end-use categories, the increases in import prices of foodstuffs, capital goods and consumer goods eased to 1.1%, 0.6% and 0.1% respectively. Import prices of raw materials and semi-manufactures turned to a decline of 1.3%. Meanwhile, import prices of fuels fell by 4.0%.

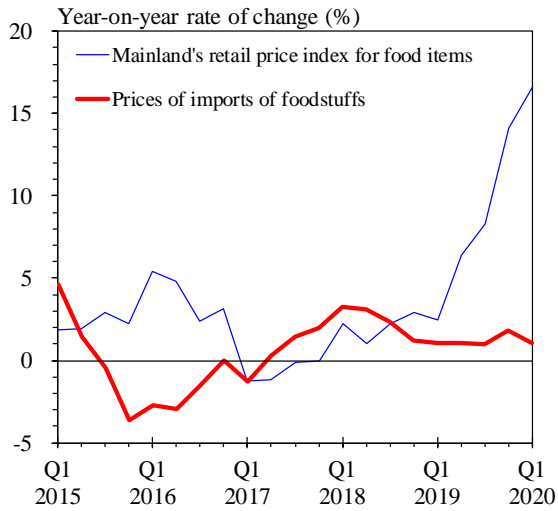
**Table 6.3 : Prices of imports by end-use category  
(year-on-year rate of change (%))**

		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2019	Annual	1.3	1.1	1.0	-5.9	2.1	1.3
	H1	1.1	1.7	1.6	-0.7	3.0	2.0
	H2	1.4	0.6	0.5	-10.7	1.3	0.5
	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
	Q3	1.0	0.7	1.0	-11.3	2.1	1.0
	Q4	1.8	0.6	*	-10.2	0.7	0.1
2020	Q1	1.1	0.1	-1.3	-4.0	0.6	-0.4

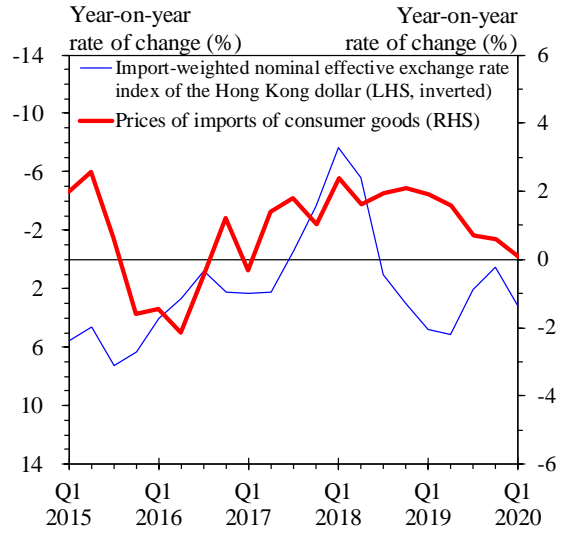
Note : (\*) Change within  $\pm 0.05\%$ .

**Diagram 6.5: Import prices by end-use category**

**(a) Increase in import prices of foodstuffs eased**

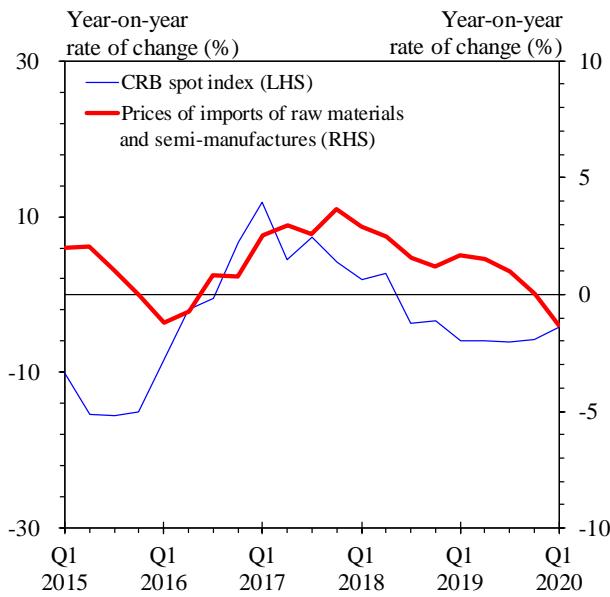


**(b) Increase in import prices of consumer goods moderated**

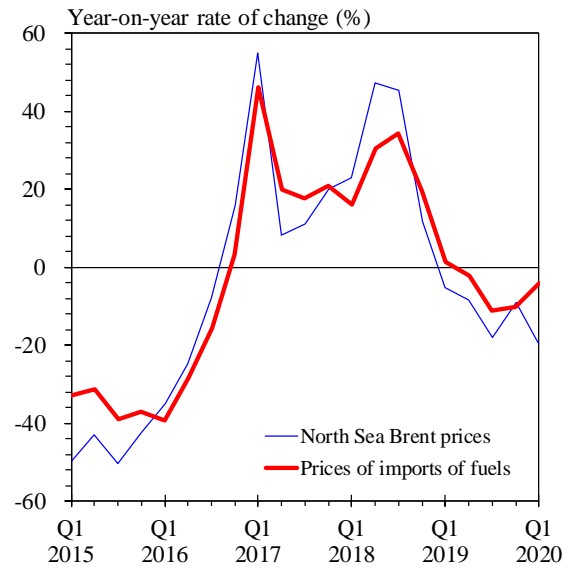


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

**(c) Import prices of raw materials and semi-manufactures switched to a decline**



**(d) Import prices of fuels fell**





## Output prices

6.6 Output prices, as measured by the *Producer Price Indices*<sup>(3)</sup>, showed some general easing in 2019. For the manufacturing sector, output prices saw a modest increase throughout the year. Among the selected service sectors, output prices for accommodation services turned to a noticeable fall in 2019, particularly in the second half as the social unrest caused a severe setback in inbound tourism. As regional trade flows slackened amid a weak global economy and US-Mainland trade tensions, output prices for air transport and water transport declined, while those for land transport continued to rise modestly. Meanwhile, output prices for courier services recorded a marginal increase in 2019 after a decline in the preceding year. On the other hand, output prices for telecommunications services extended its secular downtrend for the year as a whole, due to keen competition and technological advancement in the sector.

**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>Annual</u>	<u>2018</u>				<u>2019</u>				
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Manufacturing	2.0	3.8	3.7	*	0.3	1.0	0.7	0.8	1.3	1.1
Selected service sectors <sup>(a)</sup>										
Accommodation services	4.4	4.5	4.7	3.9	4.5	-8.0	1.0	-1.5	-9.9	-20.4
Land transport	1.4	0.7	1.2	2.0	1.5	1.6	2.0	1.6	1.4	1.3
Water transport	2.5	3.6	0.6	1.3	4.4	-0.8	2.1	-1.4	0.6	-4.4
Air transport	8.1	9.7	9.6	8.7	4.6	-3.2	-0.7	-2.9	-3.8	-5.3
Telecommunications	-3.4	-3.5	-2.3	-3.4	-4.7	-1.9	-2.6	-3.8	-2.2	0.9
Courier services	-2.5	3.3	3.9	-6.3	-10.3	0.5	-4.9	0.5	3.1	3.7

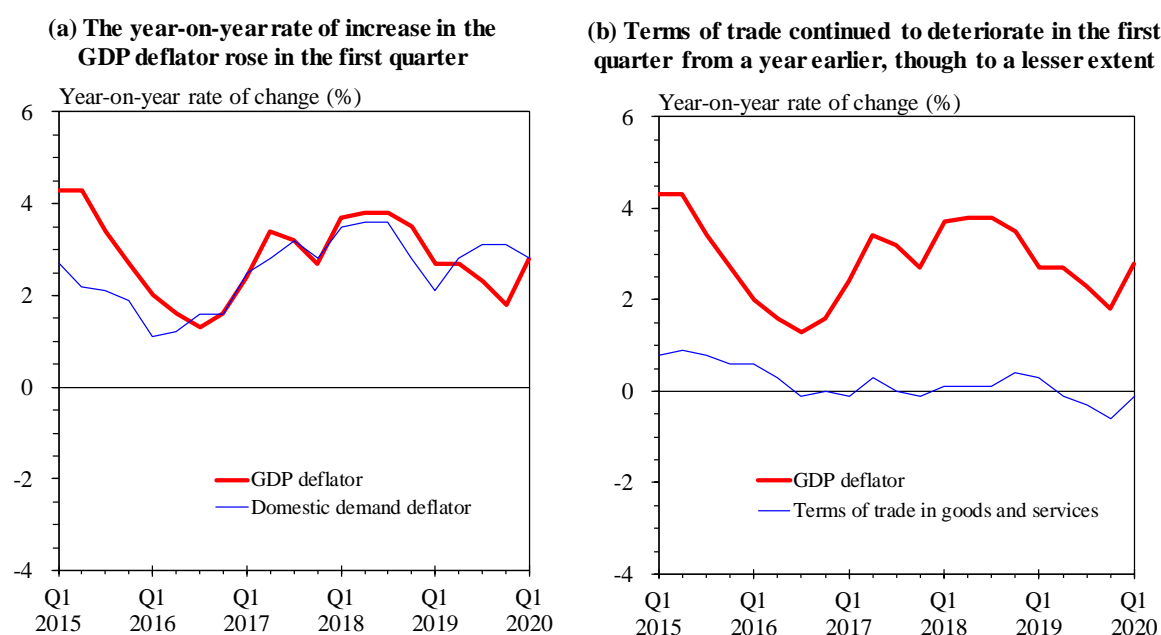
Notes : (a) Producer Price Indices for other service sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the 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 year-on-year rate of increase in the *GDP deflator*<sup>(4)</sup> rose from 1.8% in the preceding quarter to 2.8% in the first quarter. The *terms of trade*<sup>(5)</sup> continued to deteriorate from a year earlier, though to a lesser extent as compared to the preceding quarter. Taking out the external trade components, the domestic demand deflator rose by 2.8% in the first quarter, slower than the 3.1% increase in the preceding quarter.

**Diagram 6.6: GDP deflator**



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

	<u>2018</u>		<u>2019</u>				<u>2020</u>
	<u>Annual</u> <sup>#</sup>	<u>Annual</u> <sup>#</sup>	<u>Q1</u> <sup>#</sup>	<u>Q2</u> <sup>#</sup>	<u>Q3</u> <sup>#</sup>	<u>Q4</u> <sup>#</sup>	<u>Q1</u> <sup>#</sup>
Private consumption expenditure	3.1	2.7	2.0	2.7	3.1	3.2	2.8
Government consumption expenditure	3.3	4.5	4.2	4.6	4.7	4.4	5.3
Gross domestic fixed capital formation	4.6	1.9	1.4	2.5	2.2	1.7	3.0
Total exports of goods <sup>&amp;</sup>	2.2	1.1	1.8	1.4	1.0	0.2	*
Imports of goods <sup>&amp;</sup>	2.3	1.3	1.6	1.7	1.3	0.7	0.3
Exports of services <sup>&amp;</sup>	4.5	-0.4	1.0	-0.1	-1.1	-1.6	-0.6
Imports of services <sup>&amp;</sup>	2.8	-1.0	-1.5	-1.8	-0.9	0.1	-2.0
<b>Gross Domestic Product</b>	<b>3.7</b>	<b>2.4</b>	<b>2.7</b> <0.6>	<b>2.7</b> <0.9>	<b>2.3</b> <0.3>	<b>1.8</b> <0.2>	<b>2.8</b> <1.4>
Total final demand <sup>&amp;</sup>	2.8	1.5	1.8	1.7	1.5	1.1	1.1
Domestic demand	3.4	2.8	2.1	2.8	3.1	3.1	2.8
Terms of trade in goods and services <sup>&amp;</sup>	0.2	-0.2	0.3	-0.1	-0.3	-0.6	-0.1

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>2018</u>					<u>2019</u>					<u>2020</u>
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Selected developed economies											
US <sup>^</sup>	2.1	1.9	2.2	2.2	2.2	2.2	2.1	2.1	2.3	2.3	2.2
Canada	2.3	2.1	2.3	2.7	2.0	1.9	1.6	2.1	1.9	2.1	1.8
EU	1.9	1.5	1.9	2.2	2.0	1.5	1.6	1.7	1.3	1.3	1.5
Japan	1.0	1.3	0.6	1.1	0.9	0.5	0.3	0.8	0.3	0.5	0.5
Selected major emerging economies											
Mainland China	2.1	2.1	1.8	2.3	2.2	2.9	1.8	2.6	2.9	4.3	5.0
Russia	2.9	2.2	2.4	3.0	3.9	4.5	5.2	5.0	4.3	3.4	2.4
India	3.9	4.6	4.8	3.9	2.6	3.7	2.5	3.1	3.5	5.8	6.7
Brazil	3.7	2.8	3.3	4.4	4.1	3.7	4.1	4.3	3.2	3.4	3.8
Selected Asian economies											
Hong Kong	2.4	2.4	2.1	2.5	2.6	2.9	2.2	3.0	3.3	3.0	2.0
Singapore	0.4	0.2	0.3	0.7	0.5	0.6	0.5	0.8	0.4	0.6	0.4
Taiwan	1.3	1.6	1.7	1.7	0.5	0.6	0.3	0.8	0.4	0.7	0.5
Korea	1.5	1.1	1.5	1.5	1.8	0.4	0.5	0.7	*	0.3	1.2
Malaysia	1.0	1.8	1.3	0.5	0.3	0.7	-0.3	0.6	1.3	1.0	0.9
Thailand	1.1	0.6	1.3	1.5	0.8	0.7	0.7	1.1	0.6	0.4	0.4
Indonesia	3.2	3.3	3.3	3.1	3.2	2.8	2.7	2.9	3.0	2.7	2.9
Philippines	5.2	3.9	4.8	6.3	5.9	2.5	3.8	3.0	1.7	1.5	2.7
Vietnam	3.5	2.8	3.8	4.1	3.4	2.8	2.6	2.7	2.2	3.7	5.6
Macao	3.0	2.5	3.0	3.4	3.1	2.8	2.9	2.7	2.7	2.7	2.6

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

(^) 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Private consumption expenditure	1,090,234	1,224,402	1,314,969	1,413,058	1,502,768	1,593,091
Government consumption expenditure	157,371	168,517	185,310	198,572	214,216	231,263
Gross domestic fixed capital formation	386,852	455,294	517,411	515,516	530,916	537,205
Building and construction	139,249	179,341	204,860	211,130	244,047	262,780
Costs of ownership transfer	38,035	36,099	34,074	39,389	43,967	45,846
Machinery, equipment and intellectual property products	209,568	239,854	278,477	264,997	242,902	228,579
Changes in inventories	37,522	11,739	-3,662	-1,673	7,473	-20,580
Total exports of goods <sup>&amp;</sup>	3,021,492	3,406,765	3,632,957	3,926,059	3,986,769	3,889,225
Imports of goods <sup>&amp;</sup>	2,995,928	3,464,968	3,779,686	4,142,651	4,237,700	4,066,527
Exports of services <sup>&amp;</sup>	625,719	710,716	764,026	812,640	829,085	808,948
Imports of services <sup>&amp;</sup>	546,930	578,035	594,266	583,216	573,522	574,345
<b>GDP</b>	<b>1,776,332</b>	<b>1,934,430</b>	<b>2,037,059</b>	<b>2,138,305</b>	<b>2,260,005</b>	<b>2,398,280</b>
<i>Per capita GDP (\$)</i>	<i>252,887</i>	<i>273,549</i>	<i>284,899</i>	<i>297,860</i>	<i>312,609</i>	<i>328,924</i>
<b>GNI</b>	<b>1,813,928</b>	<b>1,987,256</b>	<b>2,066,514</b>	<b>2,178,824</b>	<b>2,306,612</b>	<b>2,442,656</b>
<i>Per capita GNI (\$)</i>	<i>258,240</i>	<i>281,019</i>	<i>289,019</i>	<i>303,504</i>	<i>319,056</i>	<i>335,010</i>
Total final demand	5,319,190	5,977,433	6,411,011	6,864,172	7,071,227	7,039,152
Total final demand excluding re-exports <sup>(a)</sup>	3,235,971	3,604,705	3,828,055	4,025,243	4,116,670	4,139,786
Domestic demand	1,671,979	1,859,952	2,014,028	2,125,473	2,255,373	2,340,979
Private	1,449,592	1,614,010	1,737,274	1,827,460	1,929,514	1,991,436
Public	222,387	245,942	276,754	298,013	325,859	349,543
External demand	3,647,211	4,117,481	4,396,983	4,738,699	4,815,854	4,698,173

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>2016</u>	<u>2017</u>	<u>2018<sup>#</sup></u>	<u>2019<sup>#</sup></u>		<u>2019</u>		<u>2020</u>
					Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
Private consumption expenditure	1,649,941	1,784,148	1,936,122	1,967,322	507,709	470,701	502,263	449,737
Government consumption expenditure	247,973	261,447	281,438	308,924	73,466	78,026	79,659	88,774
Gross domestic fixed capital formation	535,216	575,977	612,458	547,167	137,911	136,475	134,402	122,140
Building and construction	283,447	297,306	308,615	294,794	67,806	73,210	73,790	73,858
Costs of ownership transfer	44,517	65,810	67,482	50,020	17,801	10,664	10,524	7,468
Machinery, equipment and intellectual property products	207,252	212,861	236,361	202,353	52,304	52,601	50,088	40,814
Changes in inventories	447	10,973	11,204	-6,434	-2,359	-1,695	3,777	20,321
Total exports of goods <sup>&amp;</sup>	3,892,886	4,212,774	4,453,350	4,292,589	1,023,952	1,114,279	1,155,796	899,625
Imports of goods <sup>&amp;</sup>	4,022,579	4,391,306	4,706,347	4,418,627	1,095,886	1,114,117	1,143,857	949,809
Exports of services <sup>&amp;</sup>	764,660	811,295	886,883	792,916	202,120	189,582	171,019	142,401
Imports of services <sup>&amp;</sup>	578,106	605,924	639,947	618,178	152,633	153,925	158,852	110,251
<b>GDP</b>	<b>2,490,438</b>	<b>2,659,384</b>	<b>2,835,161</b>	<b>2,865,679</b>	<b>694,280</b>	<b>719,326</b>	<b>744,207</b>	<b>662,938</b>
<i>Per capita GDP (\$)</i>	<i>339,454</i>	<i>359,780</i>	<i>380,507</i>	<i>381,714</i>	--	--	--	--
<b>GNI</b>	<b>2,553,031</b>	<b>2,774,936</b>	<b>2,969,976</b>	<b>3,013,848</b>	<b>755,299</b>	<b>760,600</b>	<b>767,077</b>	<b>N.A.</b>
<i>Per capita GNI (\$)</i>	<i>347,986</i>	<i>375,412</i>	<i>398,601</i>	<i>401,450</i>	--	--	--	--
Total final demand	7,091,123	7,656,614	8,181,455	7,902,484	1,942,799	1,987,368	2,046,916	1,722,998
Total final demand excluding re-exports <sup>(a)</sup>	4,190,526	4,496,245	4,819,286	4,671,080	1,158,731	1,149,479	1,183,323	1,050,745
Domestic demand	2,433,577	2,632,545	2,841,222	2,816,979	716,727	683,507	720,101	680,972
Private	2,062,056	2,240,260	2,425,246	2,375,351	617,951	573,119	608,643	551,476
Public	371,521	392,285	415,976	441,628	98,776	110,388	111,458	129,496
External demand	4,657,546	5,024,069	5,340,233	5,085,505	1,226,072	1,303,861	1,326,815	1,042,026

- 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 merchandising 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Private consumption expenditure	6.1	8.4	4.1	4.6	3.3	4.8
Government consumption expenditure	3.4	2.5	3.6	2.7	3.1	3.4
Gross domestic fixed capital formation	7.7	10.2	6.8	2.6	-0.1	-3.2
Building and construction	5.7	15.7	7.2	-4.3	9.3	2.2
Costs of ownership transfer	27.2	-20.9	-17.8	-28.1	6.9	-8.3
Machinery, equipment and intellectual property products	6.5	12.3	10.2	11.3	-8.7	-7.7
Total exports of goods <sup>&amp;</sup>	18.0	4.6	3.3	8.2	0.8	-1.7
Imports of goods <sup>&amp;</sup>	19.9	6.7	4.6	9.9	1.5	-2.7
Exports of services <sup>&amp;</sup>	15.3	5.7	2.7	6.0	1.6	0.3
Imports of services <sup>&amp;</sup>	10.0	-0.2	2.2	-2.1	-2.2	5.0
<b>GDP</b>	<b>6.8</b>	<b>4.8</b>	<b>1.7</b>	<b>3.1</b>	<b>2.8</b>	<b>2.4</b>
<b>Per capita GDP</b>	<b>6.0</b>	<b>4.1</b>	<b>0.6</b>	<b>2.7</b>	<b>2.0</b>	<b>1.5</b>
<b>RGNI</b>	<b>3.7</b>	<b>4.8</b>	<b>-0.2</b>	<b>4.0</b>	<b>2.7</b>	<b>3.8</b>
<b>Per capita RGNI</b>	<b>2.9</b>	<b>4.1</b>	<b>-1.3</b>	<b>3.6</b>	<b>1.9</b>	<b>2.9</b>
Total final demand	14.0	5.3	3.4	6.6	1.6	-0.4
Total final demand excluding re-exports <sup>(a)</sup>	11.0	4.7	3.2	4.2	0.6	0.1
Domestic demand	7.1	6.5	3.9	4.1	2.9	1.6
Private	6.6	6.7	3.6	4.1	2.6	1.3
Public	10.2	5.5	5.8	3.7	4.6	2.9
External demand	17.6	4.8	3.2	7.8	1.0	-1.4

- 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) (Cont'd)**

	<u>2016</u>	<u>2017</u>	<u>2018<sup>#</sup></u>	<u>2019<sup>#</sup></u>	<u>2019</u>				<u>2020</u>		Average annual rate of change:	
					Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>			10 years 2009 to 2019 <sup>#</sup>	5 years 2014 to 2019 <sup>#</sup>
Private consumption expenditure	2.0	5.5	5.3	-1.1	1.3	-3.3	-2.9	-10.1			4.3	3.3
Government consumption expenditure	3.4	2.8	4.2	5.1	3.9	5.9	6.1	8.3			3.4	3.8
Gross domestic fixed capital formation	-0.1	3.1	1.7	-12.3	-11.6	-15.1	-16.8	-14.3			1.5	-2.3
Building and construction	5.9	-0.5	-0.5	-6.2	-11.1	-2.8	-6.5	-9.1			3.3	0.1
Costs of ownership transfer	-2.9	23.2	-11.2	-13.4	-13.4	-22.4	7.6	-31.6			-6.0	-3.3
Machinery, equipment and intellectual property products	-6.4	3.8	8.8	-20.0	-12.2	-26.5	-32.3	-18.0			0.4	-4.8
Total exports of goods <sup>&amp;</sup>	1.6	6.5	3.5	-4.6	-5.3	-6.9	-2.5	-9.9			3.9	1.0
Imports of goods <sup>&amp;</sup>	0.7	7.3	4.7	-7.3	-6.7	-11.0	-7.0	-11.0			4.3	0.4
Exports of services <sup>&amp;</sup>	-3.5	2.8	4.6	-10.2	-1.3	-14.2	-24.2	-37.8			2.3	-1.3
Imports of services <sup>&amp;</sup>	2.0	2.0	2.8	-2.4	1.8	-4.5	-5.2	-26.3			1.6	1.8
<b>GDP</b>	<b>2.2</b>	<b>3.8</b>	<b>2.8</b>	<b>-1.2</b>	<b>0.4</b>	<b>-2.8</b>	<b>-3.0</b>	<b>-8.9</b>			<b>2.9</b>	<b>2.0</b>
<i>Per capita GDP</i>	<i>1.5</i>	<i>3.0</i>	<i>2.0</i>	<i>-2.0</i>	--	--	--	--			<i>2.1</i>	<i>1.2</i>
<b>RGNI</b>	<b>3.2</b>	<b>5.7</b>	<b>3.5</b>	<b>-1.2</b>	<b>0.8</b>	<b>-3.5</b>	<b>-3.5</b>	<b>N.A.</b>			<b>3.0</b>	<b>3.0</b>
<i>Per capita RGNI</i>	<i>2.6</i>	<i>4.9</i>	<i>2.7</i>	<i>-2.0</i>	--	--	--	--			<i>2.2</i>	<i>2.2</i>
Total final demand	1.3	5.6	3.9	-4.8	-3.7	-7.8	-5.5	-11.5			3.5	1.0
Total final demand excluding re-exports <sup>(a)</sup>	1.5	4.5	4.0	-4.8	-2.5	-8.2	-8.0	-12.7			2.8	1.0
Domestic demand	2.6	5.2	4.4	-3.5	-1.9	-7.1	-4.3	-4.9			3.4	2.0
Private	2.5	5.7	4.8	-4.4	-1.6	-9.1	-5.4	-6.4			3.3	1.9
Public	3.1	2.2	2.4	1.7	-3.8	4.5	2.3	2.3			4.2	2.5
External demand	0.7	5.8	3.7	-5.6	-4.7	-8.1	-6.1	-15.2			3.6	0.6

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

	2014		2015		2016		2017		2018 <sup>#</sup>	
	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share
Agriculture, fishing, mining and quarrying	1,496	0.1	1,630	0.1	1,898	0.1	1,736	0.1	1,762	0.1
Manufacturing	27,885	1.3	26,716	1.1	26,844	1.1	27,299	1.1	27,571	1.0
Electricity, gas and water supply, and waste management	35,636	1.6	34,653	1.5	34,414	1.4	34,978	1.4	35,660	1.3
Construction	96,205	4.4	107,902	4.6	124,932	5.2	129,714	5.1	120,473	4.5
Services	2,044,750	92.7	2,154,541	92.7	2,229,760	92.2	2,357,359	92.4	2,514,960	93.1
<i>Import/export, wholesale and retail trades</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>575,103</i>	<i>21.3</i>
<i>Accommodation<sup>(a)</sup> and food services</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>91,525</i>	<i>3.4</i>
<i>Transportation, storage, postal and courier services</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>158,440</i>	<i>5.9</i>
<i>Information and communications</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>91,449</i>	<i>3.4</i>
<i>Financing and insurance</i>	<i>367,989</i>	<i>16.7</i>	<i>409,933</i>	<i>17.6</i>	<i>428,903</i>	<i>17.7</i>	<i>480,488</i>	<i>18.8</i>	<i>535,126</i>	<i>19.8</i>
<i>Real estate, professional and business services</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>280,843</i>	<i>10.4</i>
<i>Public administration, social and personal services</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>465,488</i>	<i>18.2</i>	<i>499,446</i>	<i>18.5</i>
<i>Ownership of premises</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>10.4</i>	<i>283,028</i>	<i>10.5</i>
<b>GDP at basic prices</b>	<b>2,205,972</b>	<b>100.0</b>	<b>2,325,443</b>	<b>100.0</b>	<b>2,417,849</b>	<b>100.0</b>	<b>2,551,086</b>	<b>100.0</b>	<b>2,700,426</b>	<b>100.0</b>
Taxes on products	83,236	--	95,433	--	83,743	--	110,698	--	117,825	--
Statistical discrepancy (%)	-1.3	--	-0.9	--	-0.4	--	-0.1	--	0.6	--
<b>GDP at current market prices</b>	<b>2,260,005</b>	<b>--</b>	<b>2,398,280</b>	<b>--</b>	<b>2,490,438</b>	<b>--</b>	<b>2,659,384</b>	<b>--</b>	<b>2,835,161</b>	<b>--</b>

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.

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

	(%)										
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018<sup>#</sup></u>	<u>2019<sup>#</sup></u>	<u>2019</u>				
							Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	
Agriculture, fishing, mining and quarrying	-6.0	-6.8	-2.0	-5.2	-1.8	-0.4	0.9	0.1	-3.5	0.9	
Manufacturing	-0.4	-1.5	-0.4	0.4	1.3	0.4	1.4	0.4	0.5	-0.5	
Electricity, gas and water supply, and waste management	0.8	-2.6	-0.8	0.9	0.1	-0.2	-0.4	-1.3	1.5	-1.1	
Construction	13.0	5.4	5.1	-1.3	3.3	-6.0	-3.5	-11.5	-2.5	-6.6	
Services	2.5	1.7	2.3	3.5	3.1	-0.3	1.7	1.3	-1.7	-2.4	
<i>Import/export, wholesale and retail trades</i>	1.2	-1.1	0.6	4.2	4.2	-6.2	-1.3	-3.8	-9.7	-8.4	
<i>Accommodation<sup>(a)</sup> and food services</i>	2.2	-1.9	0.5	2.0	5.9	-9.2	2.7	-1.6	-14.1	-23.2	
<i>Transportation, storage, postal and courier services</i>	2.9	3.3	3.0	4.8	2.5	-1.6	2.4	1.9	-2.2	-8.1	
<i>Information and communications</i>	3.9	4.0	4.1	4.0	4.1	4.7	4.8	5.8	5.4	2.8	
<i>Financing and insurance</i>	5.3	6.1	4.2	5.3	4.0	2.8	2.3	3.1	3.3	2.4	
<i>Real estate, professional and business services</i>	1.9	0.7	2.8	2.1	-0.4	1.0	1.6	1.9	0.5	0.2	
<i>Public administration, social and personal services</i>	2.4	2.5	3.0	3.2	3.6	2.9	3.6	3.6	2.0	2.5	
<i>Ownership of premises</i>	0.8	0.6	0.5	1.0	0.9	0.6	0.8	0.8	0.5	0.1	
Taxes on products	6.7	7.1	-9.1	13.7	-3.9	-11.3	-18.0	-7.7	-16.4	-1.4	
<b>GDP in chained (2018) dollars</b>	<b>2.8</b>	<b>2.4</b>	<b>2.2</b>	<b>3.8</b>	<b>2.8</b>	<b>-1.2</b>	<b>0.7</b>	<b>0.4</b>	<b>-2.8</b>	<b>-3.0</b>	

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018<sup>#</sup></u>	<u>2019<sup>#</sup></u>	<u>2019</u>			
						Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>
Current account <sup>(a)</sup>	79,553	98,485	121,840	105,942	176,005	29,087	33,459	71,757	41,702
Goods	-177,302	-129,693	-178,532	-252,997	-126,038	-66,205	-71,934	162	11,939
Services	234,603	186,554	205,371	246,936	174,738	77,427	49,487	35,657	12,167
Primary income	44,376	62,593	115,552	134,815	148,169	23,006	61,019	41,274	22,870
Secondary income	-22,124	-20,969	-20,551	-22,813	-20,864	-5,141	-5,113	-5,336	-5,273
Capital and financial account <sup>(a)</sup>	-128,642	-101,104	-76,488	-175,081	-247,001	-5,018	-66,571	-103,753	-71,658
Capital account	-216	-374	-645	-1,574	-657	-242	-155	-115	-146
Financial account	-128,426	-100,730	-75,843	-173,507	-246,344	-4,777	-66,416	-103,638	-71,512
Financial non-reserve assets	153,570	-91,874	174,666	-165,948	-255,199	28,182	-38,101	-163,484	-81,796
<i>Direct investment</i>	794,800	447,758	186,887	172,795	71,307	-72,323	75,834	5,613	62,184
<i>Portfolio investment</i>	-970,938	-469,591	264,159	-616,428	-318,748	-222,922	-34,190	-89,970	28,334
<i>Financial derivatives</i>	99,178	36,327	61,763	33,202	8,805	8,608	546	-4,089	3,741
<i>Other investment</i>	230,531	-106,368	-338,144	244,483	-16,564	314,819	-80,291	-75,037	-176,055
Reserve assets	-281,996	-8,856	-250,509	-7,559	8,855	-32,959	-28,315	59,846	10,284
Net errors and omissions	49,089	2,619	-45,353	69,139	70,996	-24,069	33,113	31,997	29,956
<b>Overall Balance of Payments</b>	<b>281,996</b>	<b>8,856</b>	<b>250,509</b>	<b>7,559</b>	<b>-8,855</b>	<b>32,959</b>	<b>28,315</b>	<b>-59,846</b>	<b>-10,284</b>

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018<sup>#</sup></u>	<u>2019<sup>#</sup></u>		<u>2019</u>		<u>2020</u>
						Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
Total exports of goods	3,889,225	3,892,886	4,212,774	4,453,350	4,292,589	1,023,952	1,114,279	1,155,796	899,625
Imports of goods	4,066,527	4,022,579	4,391,306	4,706,347	4,418,627	1,095,886	1,114,117	1,143,857	949,809
<b>Goods trade balance</b>	<b>-177,302</b>	<b>-129,693</b>	<b>-178,532</b>	<b>-252,997</b>	<b>-126,038</b>	<b>-71,934</b>	<b>162</b>	<b>11,939</b>	<b>-50,184</b>
	<b>&lt;-4.4&gt;</b>	<b>&lt;-3.2&gt;</b>	<b>&lt;-4.1&gt;</b>	<b>&lt;-5.4&gt;</b>	<b>&lt;-2.9&gt;</b>	<b>&lt;-6.6&gt;</b>	<b>(*)</b>	<b>(1.0)</b>	<b>&lt;-5.3&gt;</b>
Exports of services	808,948	764,660	811,295	886,883	792,916	202,120	189,582	171,019	142,401
Imports of services	574,345	578,106	605,924	639,947	618,178	152,633	153,925	158,852	110,251
<b>Services trade balance</b>	<b>234,603</b>	<b>186,554</b>	<b>205,371</b>	<b>246,936</b>	<b>174,738</b>	<b>49,487</b>	<b>35,657</b>	<b>12,167</b>	<b>32,150</b>
	<b>(40.8)</b>	<b>(32.3)</b>	<b>(33.9)</b>	<b>(38.6)</b>	<b>(28.3)</b>	<b>(32.4)</b>	<b>(23.2)</b>	<b>(7.7)</b>	<b>(29.2)</b>
Exports of goods and services	4,698,173	4,657,546	5,024,069	5,340,233	5,085,505	1,226,072	1,303,861	1,326,815	1,042,026
Imports of goods and services	4,640,872	4,600,685	4,997,230	5,346,294	5,036,805	1,248,519	1,268,042	1,302,709	1,060,060
<b>Goods and services trade balance</b>	<b>57,301</b>	<b>56,861</b>	<b>26,839</b>	<b>-6,061</b>	<b>48,700</b>	<b>-22,447</b>	<b>35,819</b>	<b>24,106</b>	<b>-18,034</b>
	<b>&lt;1.2&gt;</b>	<b>&lt;1.2&gt;</b>	<b>&lt;0.5&gt;</b>	<b>&lt;-0.1&gt;</b>	<b>&lt;1.0&gt;</b>	<b>&lt;-1.8&gt;</b>	<b>&lt;2.8&gt;</b>	<b>&lt;1.9&gt;</b>	<b>&lt;-1.7&gt;</b>

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>			<u>2020</u>
	(% change)				(% change)	(\$Mn)	Q2	Q3	Q4	Q1
							(% change over a year earlier)			
<b>All markets</b>	<b>-1.8</b>	<b>-0.5</b>	<b>8.0</b>	<b>7.3</b>	<b>-4.1</b>	<b>3,988,685</b>	<b>-4.7</b>	<b>-6.4</b>	<b>-2.5</b>	<b>-9.7</b>
Mainland of China	-2.1	0.4	8.4	8.6	-3.3	2,210,854	-5.3	-5.6	3.9	-1.8
United States	0.2	-5.3	1.9	8.1	-14.8	304,004	-13.3	-14.1	-22.3	-27.4
Japan	-6.6	-4.9	10.0	0.7	-6.4	121,012	-5.9	-2.7	-13.4	-17.9
India	8.1	14.6	35.9	-15.3	-12.0	118,186	-3.0	-12.6	-1.0	-4.8
Taiwan	-18.0	14.6	19.9	-3.6	2.4	88,275	-5.2	21.3	8.3	1.5
Vietnam	14.7	-5.8	10.3	4.5	-3.6	80,213	-5.8	-2.9	-5.5	3.0
Singapore	-2.3	4.8	-0.4	13.3	4.1	71,999	5.3	-3.9	-0.7	-15.5
Germany	-3.2	-5.1	10.8	3.0	-8.9	69,340	-12.5	-6.6	-15.5	-26.4
Netherlands	10.2	10.3	11.5	11.5	-4.4	68,169	-2.3	-11.3	-11.2	-24.2
Korea	-12.8	-0.6	4.9	2.1	-2.3	56,555	8.5	-7.4	-11.7	-11.2
Rest of the world	-1.8	-3.3	3.8	10.8	-0.8	800,079	-0.2	-7.1	-8.2	-20.3

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>			<u>2020</u>	
	(% change)				(% change)		(\$Mn)	Q2	Q3	Q4	Q1
								(% change over a year earlier)			
<b>All sources</b>	<b>-4.1</b>	<b>-0.9</b>	<b>8.7</b>	<b>8.4</b>	<b>-6.5</b>	<b>4,415,440</b>		<b>-5.7</b>	<b>-10.1</b>	<b>-6.5</b>	<b>-10.0</b>
Mainland of China	-0.1	-3.4	5.9	7.7	-5.9	2,058,091		-3.9	-8.7	-9.2	-16.9
Taiwan	-8.6	6.4	12.9	2.7	-2.4	330,454		-4.7	-0.4	13.4	15.0
Singapore	-5.7	6.4	10.1	9.0	-7.5	290,657		-8.6	-16.2	-3.9	7.5
Japan	-9.9	-5.2	2.7	2.6	-2.8	252,601		-6.1	-1.9	*	0.8
Korea	-2.0	14.0	28.5	10.4	-20.9	220,071		-27.7	-24.1	-6.9	12.1
United States	-3.9	-2.0	3.4	8.1	-7.9	212,902		-1.5	-13.3	-19.2	-19.0
Malaysia	-7.9	-3.7	26.8	64.6	-14.3	162,002		-9.9	-28.9	-9.0	-7.8
Thailand	-3.7	-2.7	8.5	2.8	-7.4	85,267		-3.2	-13.2	0.5	-6.0
Vietnam	19.8	6.6	13.6	7.3	18.5	78,373		9.4	13.1	44.3	34.4
India	-13.7	11.9	15.8	-14.0	-19.0	74,805		-20.4	-23.6	-17.4	-36.5
Rest of the world	-11.0	-3.1	8.5	9.3	-3.4	650,218		-0.5	-7.0	-9.7	-16.7

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018<sup>#</sup></u>	<u>2019<sup>#</sup></u>		<u>2019</u>	<u>2019</u>	<u>2020</u>	
	(% change)				(% change)	(\$Mn)	Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
							(% change over a year earlier)			
<b>Exports of services</b>	<b>-2.4</b>	<b>-5.5</b>	<b>6.1</b>	<b>9.3</b>	<b>-10.6</b>	<b>792,916</b>	<b>-1.5</b>	<b>-15.2</b>	<b>-25.4</b>	<b>-38.1</b>
Transport	-6.8	-5.3	8.6	9.0	-8.9	235,869	-4.2	-12.4	-18.5	-32.8
Travel	-5.8	-9.0	1.9	11.2	-21.2	227,576	1.7	-31.8	-54.2	-81.1
Financial services	8.5	-6.9	13.5	10.9	-3.8	167,405	-4.0	-6.2	-2.2	0.1
Other services	1.6	2.3	2.9	5.1	-1.8	162,066	0.1	-3.2	-3.8	-12.9
<b>Imports of services</b>	<b>0.1</b>	<b>0.7</b>	<b>4.8</b>	<b>5.6</b>	<b>-3.4</b>	<b>618,178</b>	<b>-0.1</b>	<b>-5.4</b>	<b>-5.1</b>	<b>-27.8</b>
Transport	-5.9	-2.1	3.7	6.6	-5.0	138,003	-2.0	-5.9	-8.6	-20.0
Travel	4.7	4.8	5.6	4.7	1.6	210,626	7.7	0.3	2.8	-49.2
Manufacturing <sup>^</sup>	-2.7	-2.0	3.5	2.0	-13.7	80,375	-13.9	-15.9	-16.7	-26.5
Other services	2.2	-0.1	5.5	7.6	-2.6	189,174	-0.4	-6.0	-5.1	-12.5

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 merchandising 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.

**Table 10 : Incoming visitors by source**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>		<u>2020</u>
						Q2	Q3	Q4	Q1
<u>('000)</u>									
<b>All sources</b>	<b>59 307.6</b>	<b>56 654.9</b>	<b>58 472.2</b>	<b>65 147.6</b>	<b>55 912.6</b>	<b>16 637.5</b>	<b>11 891.6</b>	<b>9 149.2</b>	<b>3 489.2</b>
Mainland of China	45 842.4	42 778.1	44 445.3	51 038.2	43 774.7	12 991.3	9 356.0	6 845.1	2 665.9
South and Southeast Asia	3 559.1	3 701.8	3 626.2	3 571.7	3 040.5	1 028.5	555.0	585.2	175.6
Taiwan	2 015.8	2 011.4	2 010.8	1 925.2	1 538.9	459.1	354.8	260.2	101.6
Europe	1 829.4	1 904.9	1 901.5	1 937.6	1 728.4	462.7	359.3	419.7	144.9
United States	1 181.0	1 211.5	1 215.6	1 304.2	1 107.2	338.1	231.4	227.5	78.9
Japan	1 049.3	1 092.3	1 230.0	1 287.8	1 078.8	315.2	243.7	160.7	50.1
Others	3 830.7	3 954.8	4 042.9	4 082.8	3 644.1	1 042.7	791.5	650.9	272.3
<u>(% change over a year earlier)</u>									
<b>All sources</b>	<b>-2.5</b>	<b>-4.5</b>	<b>3.2</b>	<b>11.4</b>	<b>-14.2</b>	<b>10.9</b>	<b>-26.0</b>	<b>-50.5</b>	<b>-80.9</b>
Mainland of China	-3.0	-6.7	3.9	14.8	-14.2	12.9	-27.7	-52.5	-81.7
South and Southeast Asia	-1.5	4.0	-2.0	-1.5	-14.9	6.0	-20.5	-46.1	-79.9
Taiwan	-0.8	-0.2	*	-4.3	-20.1	-6.0	-27.8	-46.4	-78.1
Europe	-1.8	4.1	-0.2	1.9	-10.8	-2.0	-12.9	-24.9	-70.2
United States	4.5	2.6	0.3	7.3	-15.1	0.1	-18.2	-39.8	-74.6
Japan	-2.7	4.1	12.6	4.7	-16.2	8.9	-22.2	-55.2	-86.1
Others	-1.1	3.2	2.2	1.0	-10.7	12.0	-15.4	-45.4	-76.5

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

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

**Table 11 : Property market**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Completion of new property by the private sector</b>							
('000 m <sup>2</sup> of internal floor area)							
Residential property <sup>(a)</sup> (in units)	13 405	9 449	10 149	8 254	15 719	11 280	14 595
Commercial property	189	197	226	161	161	233	276
<i>of which :</i>							
Office space	124	155	136	123	104	164	153
Other commercial premises <sup>(b)</sup>	65	42	90	39	57	69	123
Industrial property <sup>(c)</sup>	21	105	170	85	116	30	78
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	21	32	46	85	36	30	5
Storage premises <sup>(d)</sup>	0	73	123	0	80	0	73
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	6 385	17 787	9 778	20 898	5 634	10 147	21 755
Subsidised sales flats <sup>(e)</sup>	1 110	0	0	0	0	1 310	229
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> of usable floor area)							
Residential property	570.5	580.6	796.4	816.0	647.1	893.3	645.8
Commercial property	158.4	133.6	210.2	309.5	290.3	319.0	312.4
Industrial property <sup>(f)</sup>	34.3	109.3	70.7	138.1	105.9	225.3	76.2
Other properties	459.2	232.7	428.9	136.4	217.1	555.4	235.1
Total	1 222.4	1 056.2	1 506.1	1 400.1	1 260.4	1 993.0	1 269.4
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	135 778	84 462	81 333	50 676	63 807	55 982	54 701
Primary market	13 646	10 880	12 968	11 046	16 857	16 826	16 793
Secondary market	122 132	73 582	68 365	39 630	46 950	39 156	37 908
Selected types of non-residential properties <sup>(h)</sup>							
Office space	3 591	3 071	3 269	1 685	1 271	1 470	1 105
Other commercial premises	7 639	5 980	7 282	4 305	3 092	2 067	1 523
Flatted factory space	8 206	7 619	9 731	4 271	3 016	3 407	2 727

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>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>		<u>2020</u>
				Q2	Q3	Q4	Q1
<b>Completion of new property by the private sector</b>							
('000 m <sup>2</sup> of internal floor area)							
Residential property <sup>(a)</sup> (in units)	17 791	20 968	13 643	4 763	4 366	3 543	3 744
Commercial property	303	304	384	206	34	51	72
<i>of which :</i>							
Office space	198	179	267	182	7	11	42
Other commercial premises <sup>(b)</sup>	105	125	118	23	27	40	30
Industrial property <sup>(c)</sup>	105	44	56	0	14	29	0
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	23	41	56	0	14	29	0
Storage premises <sup>(d)</sup>	83	3	0	0	0	0	0
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	11 268	20 137	9 634	1 466	1 056	5 798	N.A.
Subsidised sales flats <sup>(e)</sup>	2 788	4 863	6 534	1 698	0	330	N.A.
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> of usable floor area)							
Residential property	872.8	703.0	765.6	84.4	316.0	151.2	N.A.
Commercial property	488.6	109.2	763.0	328.4	398.1	24.3	N.A.
Industrial property <sup>(f)</sup>	62.5	98.4	175.6	0.0	79.6	81.4	N.A.
Other properties	227.1	91.9	234.6	41.9	147.6	7.7	N.A.
Total	1 651.1	1 002.5	1 938.7	454.7	941.3	264.6	N.A.
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	61 591	57 247	59 797	20 657	12 336	12 941	10 204
Primary market	18 645	15 633	21 108	7 226	4 400	4 169	2 261
Secondary market	42 946	41 614	38 689	13 431	7 936	8 772	7 943
Selected types of non-residential properties <sup>(h)</sup>							
Office space	1 955	1 331	861	343	187	124	100
Other commercial premises	2 198	1 926	1 304	459	280	288	197
Flatted factory space	5 135	4 852	2 427	894	467	388	314

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	150.9	182.1	206.2	242.4	256.9	296.8	286.1
Office space	230.4	297.9	334.7	409.8	423.0	448.9	426.9
Shopping space	257.2	327.4	420.5	506.8	521.2	559.2	526.9
Flatted factory space	284.4	385.0	489.8	655.4	668.0	723.9	692.7
Property rental indices <sup>(b)</sup> :							
Residential flats	119.7	134.0	142.6	154.5	159.5	172.8	168.2
Office space	147.6	169.9	188.3	204.1	213.7	226.7	232.3
Shopping space	122.9	134.3	151.3	165.5	173.1	182.5	178.6
Flatted factory space	108.9	118.6	131.9	147.3	160.1	174.4	181.4
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	24.4	20.7	13.2	17.6	6.0	15.5	-3.6
Office space	28.1	29.3	12.4	22.4	3.2	6.1	-4.9
Shopping space	33.2	27.3	28.4	20.5	2.8	7.3	-5.8
Flatted factory space	31.5	35.4	27.2	33.8	1.9	8.4	-4.3
Property rental indices <sup>(b)</sup> :							
Residential flats	19.2	11.9	6.4	8.3	3.2	8.3	-2.7
Office space	8.8	15.1	10.8	8.4	4.7	6.1	2.5
Shopping space	10.8	9.3	12.7	9.4	4.6	5.4	-2.1
Flatted factory space	9.6	8.9	11.2	11.7	8.7	8.9	4.0

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.

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

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

	<u>2017</u>	<u>2018</u>	<u>2019<sup>#</sup></u>		<u>2019</u>		<u>2020</u>
				Q2	Q3	Q4 <sup>#</sup>	Q1 <sup>+</sup>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	333.9	377.3	383.0	394.3	387.7	380.9	376.1
Office space	487.1	554.7	543.0	562.1	553.1	517.4	477.1
Shopping space	558.4	591.4	549.6	573.5	544.1	508.0	515.5
Flatted factory space	778.1	888.1	887.7	928.4	890.1	843.4	840.9
Property rental indices <sup>(b)</sup> :							
Residential flats	182.6	193.0	194.4	195.3	198.6	191.3	184.4
Office space	241.8	252.2	261.5	263.5	263.9	259.1	254.1
Shopping space	182.5	187.0	187.3	189.0	189.0	182.0	176.9
Flatted factory space	190.7	202.3	209.6	211.0	212.7	208.1	203.4
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	16.7	13.0	1.5	2.7	-1.3	3.4	2.0
Office space	14.1	13.9	-2.1	2.8	-3.3	-10.3	-11.5
Shopping space	6.0	5.9	-7.1	-2.6	-8.6	-15.0	-10.0
Flatted factory space	12.3	14.1	*	4.6	-2.4	-6.5	-5.4
Property rental indices <sup>(b)</sup> :							
Residential flats	8.6	5.7	0.7	1.8	1.2	-2.2	-4.2
Office space	4.1	4.3	3.7	4.8	3.9	1.1	-2.0
Shopping space	2.2	2.5	0.2	1.3	0.6	-3.2	-6.6
Flatted factory space	5.1	6.1	3.6	4.4	4.0	1.3	-1.6

**Table 13 : Monetary aggregates**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	730,093	794,726	920,920	1,000,344	1,116,675	1,253,380	1,428,775
M2 <sup>(a)</sup>	3,866,788	4,046,216	4,537,384	4,795,130	5,225,773	5,765,549	6,280,230
M3 <sup>(a)</sup>	3,878,193	4,055,404	4,545,590	4,806,012	5,236,188	5,778,772	6,292,666
Total money supply (\$Mn)							
M1	1,017,227	1,127,320	1,377,359	1,510,895	1,708,724	1,971,146	2,213,970
M2	7,136,271	8,057,530	8,950,005	10,056,437	11,011,372	11,618,441	12,508,127
M3	7,156,260	8,081,079	8,970,396	10,085,243	11,048,944	11,655,019	12,551,331
Deposit (\$Mn)							
HK\$	3,617,183	3,740,240	4,176,200	4,390,953	4,800,330	5,312,403	5,809,060
Foreign currency	3,245,081	3,851,020	4,120,234	4,789,109	5,272,804	5,437,346	5,918,240
Total	6,862,265	7,591,260	8,296,434	9,180,062	10,073,135	10,749,749	11,727,300
Loans and advances (\$Mn)							
HK\$	2,824,445	3,160,002	3,333,059	3,606,018	4,000,361	4,152,589	4,479,107
Foreign currency	1,403,281	1,920,659	2,233,751	2,850,795	3,275,910	3,381,951	3,544,284
Total	4,227,726	5,080,661	5,566,810	6,456,813	7,276,271	7,534,540	8,023,390
Nominal Effective Exchange Rate Indices (Jan 2010 =100) <sup>(b)</sup>							
Trade-weighted	99.5	94.6	94.9	94.9	96.0	101.3	104.1
Import-weighted	99.2	93.9	94.2	94.7	96.0	101.7	104.2
Export-weighted	99.8	95.4	95.6	95.1	95.9	100.9	104.1
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	8.8	8.9	15.9	8.6	11.6	12.2	14.0
M2 <sup>(a)</sup>	7.8	4.6	12.1	5.7	9.0	10.3	8.9
M3 <sup>(a)</sup>	7.6	4.6	12.1	5.7	9.0	10.4	8.9
Total money supply							
M1	12.8	10.8	22.2	9.7	13.1	15.4	12.3
M2	8.1	12.9	11.1	12.4	9.5	5.5	7.7
M3	8.0	12.9	11.0	12.4	9.6	5.5	7.7
Deposit							
HK\$	7.2	3.4	11.7	5.1	9.3	10.7	9.3
Foreign currency	7.9	18.7	7.0	16.2	10.1	3.1	8.8
Total	7.5	10.6	9.3	10.7	9.7	6.7	9.1
Loans and advances							
HK\$	17.6	11.9	5.5	8.2	10.9	3.8	7.9
Foreign currency	58.2	36.9	16.3	27.6	14.9	3.2	4.8
Total	28.6	20.2	9.6	16.0	12.7	3.5	6.5
Nominal Effective Exchange Rate Indices (Jan 2010 =100) <sup>(b)</sup>							
Trade-weighted	-2.4	-4.9	0.3	*	1.2	5.5	2.8
Import-weighted	-2.9	-5.3	0.3	0.5	1.4	5.9	2.5
Export-weighted	-1.8	-4.4	0.2	-0.5	0.8	5.2	3.2

**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>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>		<u>2020</u>
				Q2	Q3	Q4	Q1
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,598,014	1,555,731	1,533,104	1,566,091	1,546,402	1,533,104	1,578,352
M2 <sup>(a)</sup>	7,010,345	7,262,451	7,438,789	7,515,464	7,441,069	7,438,789	7,444,053
M3 <sup>(a)</sup>	7,024,514	7,284,322	7,454,655	7,536,687	7,457,142	7,454,655	7,461,444
Total money supply (\$Mn)							
M1	2,431,461	2,421,598	2,484,738	2,428,901	2,469,077	2,484,738	2,614,612
M2	13,755,255	14,348,059	14,745,872	14,536,903	14,507,927	14,745,872	14,799,948
M3	13,803,837	14,403,688	14,786,375	14,594,039	14,547,864	14,786,375	14,842,137
Deposit (\$Mn)							
HK\$	6,484,616	6,715,262	6,884,143	6,955,188	6,884,808	6,884,143	6,875,008
Foreign currency	6,267,872	6,671,119	6,887,444	6,652,789	6,707,716	6,887,444	6,899,514
Total	12,752,488	13,386,381	13,771,586	13,607,977	13,592,524	13,771,586	13,774,522
Loans and advances (\$Mn)							
HK\$	5,359,983	5,836,238	6,219,377	6,210,439	6,237,338	6,219,377	6,192,059
Foreign currency	3,953,686	3,886,385	4,157,325	3,921,139	4,071,466	4,157,325	4,479,655
Total	9,313,668	9,722,623	10,376,701	10,131,579	10,308,804	10,376,701	10,671,715
Nominal Effective Exchange Rate Indices							
<u>(Jan 2010 =100)<sup>(b)</sup></u>							
Trade-weighted	104.2	101.8	105.2	104.6	106.3	106.4	106.9
Import-weighted	104.2	101.7	104.9	104.4	105.9	105.9	106.6
Export-weighted	104.3	101.9	105.5	104.8	106.7	106.8	107.4
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	11.8	-2.6	-1.5	-5.7	-3.5	-1.5	-0.3
M2 <sup>(a)</sup>	11.6	3.6	2.4	3.5	1.9	2.4	*
M3 <sup>(a)</sup>	11.6	3.7	2.3	3.5	1.8	2.3	*
Total money supply							
M1	9.8	-0.4	2.6	-3.6	1.0	2.6	8.1
M2	10.0	4.3	2.8	4.0	2.8	2.8	2.2
M3	10.0	4.3	2.7	4.0	2.6	2.7	2.0
Deposit							
HK\$	11.6	3.6	2.5	3.6	1.8	2.5	-0.1
Foreign currency	5.9	6.4	3.2	6.6	5.8	3.2	3.3
Total	8.7	5.0	2.9	5.0	3.7	2.9	1.6
Loans and advances							
HK\$	19.7	8.9	6.6	8.3	8.5	6.6	2.5
Foreign currency	11.6	-1.7	7.0	-3.7	3.1	7.0	14.6
Total	16.1	4.4	6.7	3.3	6.3	6.7	7.3
Nominal Effective Exchange Rate Indices							
<u>(Jan 2010 =100)<sup>(b)</sup></u>							
Trade-weighted	0.1	-2.3	3.3	5.3	2.2	0.9	3.3
Import-weighted	*	-2.4	3.1	5.1	2.0	0.5	3.2
Export-weighted	0.2	-2.3	3.5	5.5	2.5	1.0	3.6

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>			
					Q1	Q2	Q3	Q4
<b>Services Industry</b>								
Import and export trade	-2.5	2.3	3.7	-6.6	-3.1	-6.3	-8.0	-8.7
Wholesale	-1.0	2.8	4.3	-8.3	-6.1	-5.2	-11.2	-10.6
Retail	-8.1	2.2	8.7	-11.1	-1.2	-4.2	-17.5	-22.4
Transportation	-6.5	7.1	8.0	-2.3	1.9	0.4	-2.3	-8.7
<i>within which:</i>								
Land transport	3.6	1.8	5.3	1.3	7.8	5.2	2.3	-8.9
Water transport	-11.2	5.6	4.4	0.1	3.5	3.0	-0.3	-5.1
Air transport	-7.0	10.0	11.3	-4.9	-1.0	-2.5	-4.8	-10.6
Warehousing and storage	12.1	14.1	12.7	-1.4	4.3	4.8	-0.7	-12.3
Courier	5.5	19.1	-0.7	-3.9	-11.0	-3.5	5.0	-5.2
Accommodation services <sup>(a)</sup>	-1.1	6.0	10.8	-14.3	9.8	-0.9	-19.3	-41.1
Food services	2.9	5.0	6.0	-5.9	3.1	-0.5	-11.8	-14.4
Information and communications	0.6	2.9	3.1	1.2	1.9	1.3	2.9	-1.4
<i>within which:</i>								
Telecommunications	-0.8	-3.5	2.2	-2.6	-4.0	-1.0	0.9	-6.2
Film entertainment	-4.5	4.3	3.1	-2.3	0.3	7.8	-6.3	-11.2
Banking	8.1	-0.1	6.8	2.8	0.2	4.6	5.5	0.8
Financing (except banking)	-6.0	7.2	10.3	1.1	-5.8	2.9	-1.8	9.9
<i>within which:</i>								
Financial markets and asset management	-8.7	1.6	11.6	0.8	-6.5	2.6	-4.8	13.7
<i>within which: Asset management</i>	4.1	4.4	3.7	7.3	-0.8	7.1	6.7	17.2
Insurance	21.8	11.8	8.7	8.8	13.2	19.8	6.8	-2.7
Real estate	10.4	10.2	5.4	11.4	15.4	21.9	2.3	5.8
Professional, scientific and technical services	3.3	1.9	3.3	1.3	2.7	2.1	1.3	-0.7
Administrative and support services	0.9	1.5	3.5	0.4	4.2	3.3	-2.1	-3.5
<b>Services Domain</b>								
Tourism, convention and exhibition services	-8.1	0.8	11.0	-19.0 <sup>+</sup>	4.0 <sup>+</sup>	1.1 <sup>+</sup>	-27.8 <sup>+</sup>	-49.8 <sup>+</sup>
Computer and information technology services	-3.5	1.4	2.9	-7.2	-2.6	-7.0	-8.8	-9.7

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>		<u>2020</u>
						Q2	Q3	Q4	Q1
<u>(%)</u>									
Labour force participation rate	61.1	61.1	61.1	61.2	60.6	60.7	60.5	60.1	59.5
Seasonally adjusted unemployment rate <sup>(a)</sup>	3.3	3.4	3.1	2.8	2.9	2.8	2.9	3.3	4.2
Underemployment rate	1.4	1.4	1.2	1.1	1.1	1.0	1.0	1.2	2.1
<u>('000)</u>									
Population of working age	6 383.7	6 420.9	6 463.3	6 506.4	6 549.1	6 566.5	6 570.5	6 560.4	6 529.0
Labour force	3 903.2	3 920.1	3 946.6	3 979.0	3 966.2	3 985.0	3 975.7	3 941.8	3 882.2
Persons employed	3 773.8	3 787.1	3 823.2	3 867.0	3 849.9	3 870.7	3 855.4	3 817.8	3 720.0
Persons unemployed	129.4	133.0	123.4	112.0	116.3	114.3	120.3	124.0	162.2
Persons underemployed	53.3	54.7	45.6	43.2	42.0	41.2	41.5	47.4	82.8
<u>(% change over a year earlier)</u>									
Population of working age	0.7	0.6	0.7	0.7	0.7	1.0	0.8	0.4	-0.2
Labour force	0.8	0.4	0.7	0.8	-0.3	0.4	-0.2	-0.8	-2.2
Persons employed	0.8	0.4	1.0	1.1	-0.4	0.4	-0.3	-1.3	-3.6
Persons unemployed	1.4	2.8	-7.2	-9.2	3.8	1.6	1.9	17.3	46.9
Persons underemployed	-6.1	2.5	-16.5	-5.3	-2.8	-0.6	-12.4	6.5	113.0

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

**Table 16 : Employment in selected major industries**

Selected major industries	2015	2016	2017	2018	2019	2019				(No.)
	(% change)					Mar	Jun	Sep	Dec	
						(% change over a year earlier)				
Manufacturing	-2.8	-3.6	-3.3	-3.0	-3.5	-2.6	-2.7	-3.5	-5.2	85 387
Construction sites (covering manual workers only)	14.9	13.3	10.1	-5.8	-9.0	-11.0	-11.5	-10.0	-3.0	99 938
Import and export trade	-1.4	-0.7	-0.4	-0.6	-5.7	-3.7	-5.1	-6.6	-7.5	439 050
Wholesale	-1.4	-0.8	-0.6	-0.9	-4.0	-2.1	-3.1	-5.2	-5.6	56 348
Retail	-0.5	-1.1	0.5	1.7	-1.7	0.6	-0.3	-2.2	-4.8	261 058
Food and beverage services	0.1	-0.2	0.3	2.8	-2.3	2.1	0.7	-4.9	-7.0	234 496
Accommodation services <sup>(a)</sup>	-1.1	-2.1	0.3	4.8	1.8	6.6	3.0	*	-2.1	41 343
Transportation, storage, postal and courier services	1.6	0.5	0.2	0.6	0.3	0.8	0.3	0.2	*	180 227
Information and communications	1.1	0.7	0.9	1.5	1.9	3.4	2.5	1.2	0.3	110 282
Financing and insurance	2.3	0.8	1.5	2.6	2.9	3.2	3.5	2.7	2.2	238 513
Real estate	1.7	-0.1	1.3	2.0	1.2	2.3	1.7	0.9	*	135 038
Professional and business services (excluding cleaning and similar services)	2.4	1.9	2.1	3.2	1.5	2.3	2.1	1.4	0.3	306 596
Cleaning and similar services	2.4	0.5	0.7	-1.4	-0.3	-1.1	-0.6	0.2	0.4	80 645
Education	3.9	2.3	1.6	1.8	1.7	1.6	1.8	1.9	1.4	207 606
Human health services	4.5	4.3	3.5	3.4	4.7	4.3	4.5	4.8	5.3	138 994
Residential care and social work services	2.8	3.0	1.0	1.0	2.4	0.9	1.7	2.7	4.1	66 537
Arts, entertainment, recreation and other services	0.9	-2.2	-0.6	1.4	0.8	1.2	1.1	1.4	-0.3	126 612
Civil service <sup>(b)</sup>	0.7	1.2	1.6	2.1	2.2	2.0	2.3	2.3	2.0	177 281
Others <sup>(c)</sup>	-1.0	0.8	2.1	*	1.5	0.5	4.7	1.0	-0.2	11 332

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>		
						Mar	Jun	Sep	Dec
<u>(Number)</u>									
Building sites									
Private sector	50 372	60 243	65 985	65 700	62 903	67 430	64 174	60 083	59 923
Public sector <sup>(a)</sup>	15 470	16 030	21 660	21 604	19 257	19 167	18 222	18 215	21 424
Sub-total	65 842	76 273	87 645	87 303	82 160	86 597	82 396	78 298	81 347
Civil engineering sites									
Private sector	1 609	1 386	979	1 729	2 483	2 488	2 612	2 477	2 353
Public sector <sup>(a)</sup>	27 652	30 141	30 050	22 816	17 108	18 363	17 715	16 116	16 238
Sub-total	29 261	31 526	31 029	24 546	19 591	20 851	20 327	18 593	18 591
<b>Total</b>	<b>95 103</b>	<b>107 799</b>	<b>118 674</b>	<b>111 849</b>	<b>101 750</b>	<b>107 448</b>	<b>102 723</b>	<b>96 891</b>	<b>99 938</b>
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	14.4	19.6	9.5	-0.4	-4.3	-0.7	-5.8	-5.5	-5.2
Public sector <sup>(a)</sup>	38.0	3.6	35.1	-0.3	-10.9	-14.8	-17.6	-14.3	4.2
Sub-total	19.2	15.8	14.9	-0.4	-5.9	-4.2	-8.7	-7.7	-2.9
Civil engineering sites									
Private sector	13.8	-13.9	-29.3	76.6	43.6	69.3	77.1	31.1	13.0
Public sector <sup>(a)</sup>	5.8	9.0	-0.3	-24.1	-25.0	-36.4	-27.3	-22.7	-5.4
Sub-total	6.2	7.7	-1.6	-20.9	-20.2	-31.3	-21.3	-18.2	-3.4
<b>Total</b>	<b>14.9</b>	<b>13.3</b>	<b>10.1</b>	<b>-5.8</b>	<b>-9.0</b>	<b>-11.0</b>	<b>-11.5</b>	<b>-10.0</b>	<b>-3.0</b>

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**

	(%)								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>			
Selected industry sections						Q1	Q2	Q3	Q4
<b>(in nominal terms)</b>									
Manufacturing	5.2	3.5	3.4	4.0	3.8	3.9	4.2	4.2	3.0
Import/export and wholesale trades	3.7	2.3	2.9	3.2	2.3	2.8	2.7	2.3	1.6
Retail trade	3.5	2.4	3.3	3.0	2.3	2.4	2.5	2.2	1.7
Transportation, storage, postal and courier services	4.3	3.3	3.4	4.1	3.9	4.9	4.8	3.5	2.9
Accommodation <sup>(a)</sup> and food service activities	5.8	5.1	4.7	5.3	4.7	5.2	5.3	4.9	3.4
Information and communications	4.4	3.4	3.3	3.3	3.9	4.1	4.3	3.9	3.3
Financial and insurance activities	4.0	2.7	3.0	3.1	3.0	3.2	3.2	3.0	2.2
Real estate activities	5.1	4.2	4.3	4.3	4.1	4.1	4.4	4.1	3.6
Professional and business services	5.8	5.1	4.2	4.6	3.8	4.8	4.1	3.8	2.9
Social and personal services	6.7	2.5	3.1	4.3	2.3	4.1	4.0	0.1	1.6
<b>All selected industry sections surveyed</b>	<b>4.6</b>	<b>3.7</b>	<b>3.7</b>	<b>3.9</b>	<b>3.4</b>	<b>4.0</b>	<b>4.1</b>	<b>3.0</b>	<b>2.4</b>
<b>(in real terms)</b>									
Manufacturing	2.1	1.0	2.0	1.6	0.9	1.6	1.2	0.8	*
Import/export and wholesale trades	0.7	-0.1	1.4	0.8	-0.5	0.6	-0.3	-1.0	-1.4
Retail trade	0.5	*	1.8	0.6	-0.5	0.1	-0.4	-1.1	-1.3
Transportation, storage, postal and courier services	1.3	0.9	1.9	1.6	1.0	2.7	1.7	0.1	-0.1
Accommodation <sup>(a)</sup> and food service activities	2.7	2.6	3.2	2.8	1.8	3.0	2.3	1.5	0.4
Information and communications	1.4	1.0	1.9	0.8	0.9	1.8	1.3	0.6	0.3
Financial and insurance activities	0.7	0.3	1.6	0.7	0.3	1.0	0.2	-0.3	-0.8
Real estate activities	2.0	1.7	2.8	1.9	1.2	1.9	1.4	0.7	0.6
Professional and business services	2.8	2.6	2.7	2.2	0.9	2.5	1.1	0.5	-0.1
Social and personal services	3.6	0.1	1.6	1.8	-0.5	1.8	1.0	-3.1	-1.4
<b>All selected industry sections surveyed</b>	<b>1.5</b>	<b>1.3</b>	<b>2.3</b>	<b>1.5</b>	<b>0.5</b>	<b>1.8</b>	<b>1.1</b>	<b>-0.3</b>	<b>-0.6</b>

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**

(%)

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

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; and exchanges and services companies.

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

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

(HK\$)

Industry sections <sup>(a)</sup>	May – Jun 2018			May – Jun 2019		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(b)</sup>	13,900	16,900	26,000	14,800	17,800	27,700
Electricity and gas supply; sewerage, waste management and remediation activities	21,000	27,800	45,300	21,600	28,200	42,400
Construction	18,000	22,800	28,400	18,500	23,500	29,500
Import and export trade	13,500	18,300	27,500	14,000	18,800	28,000
Wholesale	11,500	14,900	19,700	12,000	15,100	20,500
Retail trade	10,600	13,500	17,600	11,000	14,000	18,100
<i>within which:</i>						
Supermarkets and convenience stores	7,400	11,500	14,400	7,400	11,900	14,400
Other retail stores	11,300	13,800	18,200	11,500	14,200	18,500
Land transport	14,000	18,900	28,500	14,700	19,800	29,100
Other transportation, storage, postal and courier services <sup>(c)</sup>	14,000	18,400	24,700	14,300	19,000	25,000
Food and beverage services	10,500	13,000	17,000	11,000	13,800	18,000
<i>within which:</i>						
Hong Kong style tea cafes	11,400	13,000	16,900	12,100	13,700	17,600
Chinese restaurants	12,300	14,400	19,400	12,800	15,000	20,200
Restaurants, other than Chinese	11,500	13,500	17,000	12,000	14,200	18,000
Fast food cafes <sup>(d)</sup>	4,800	9,700	13,100	4,900	10,100	13,500
Other food and beverage services	8,500	12,800	16,000	9,000	13,400	16,800
Accommodation services <sup>(e)</sup>	13,000	15,700	20,600	13,500	16,200	21,000
Information and communications	15,400	22,800	35,000	16,000	23,700	36,200
Financing and insurance	18,000	27,500	45,500	18,600	28,300	47,200
Real estate activities <sup>(f)</sup>	14,500	22,300	34,000	14,800	23,000	34,600
Estate management, security and cleaning services	9,600	12,400	15,200	10,100	13,000	15,900
<i>within which:</i>						
Real estate maintenance management	12,000	13,500	16,500	12,500	14,100	17,100
Security services <sup>(g)</sup>	11,100	12,800	15,600	11,800	13,600	16,400
Cleaning services	7,500	9,200	10,400	7,900	9,800	11,000
Membership organisations <sup>(h)</sup>	10,200	13,100	21,000	10,800	13,700	21,800
Professional, scientific and technical services	15,200	23,300	36,000	15,500	24,300	37,100
Administrative and support services activities	12,500	16,500	26,300	13,000	17,000	26,800
Travel agency, reservation service and related activities	11,800	14,800	21,000	12,400	15,300	21,900
Education and public administration (excluding the Government)	14,000	28,400	50,900	14,100	29,200	51,600
Human health activities; and beauty and body prettifying treatment	13,500	18,800	41,100	14,100	19,500	42,700
Miscellaneous activities	10,400	12,400	16,300	11,000	13,100	17,000
<i>within which:</i>						
Elderly homes	12,000	13,700	16,600	12,800	14,500	17,300
Laundry and dry cleaning services	8,900	11,500	15,500	9,400	12,000	16,300
Hairdressing and other personal services	10,200	12,000	16,300	10,500	12,600	16,800
Local courier services	8,100	10,600	14,300	8,000	11,000	15,000
Food processing and production	10,000	12,400	17,800	10,600	13,000	18,000
Other activities not classified above	11,900	15,600	24,500	12,600	16,300	25,400
<b>All industry sections above</b>	<b>12,600</b>	<b>17,500</b>	<b>27,300</b>	<b>13,100</b>	<b>18,200</b>	<b>28,200</b>

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

- (a) Starting from the 2019 survey round, the industry section previously named as “Restaurants” in this table has been expanded to cover also “Other food service activities” which was previously classified under the industry section “Accommodation and other food service activities”. For the sake of clarity and consistency, the “Restaurants” industry section has been renamed as “Food and beverage services” after the expansion of coverage while “Other food service activities” has also been renamed as “Other food and beverage services”. As a result of this reclassification, statistics for “Accommodation services” can be separately provided. To facilitate year-on-year comparison, the 2018 statistics published in this table are compiled using the most up-to-date industry classification.
- (b) Excluding food processing and production.
- (c) Excluding local courier services.
- (d) Including takeaway shops.
- (e) Including hotels, guesthouses, boarding houses and other establishments providing short term accommodation, i.e. all industries covered under the previous “Accommodation and other food service activities” industry section, except “Other food service activities”.
- (f) Excluding real estate maintenance management.
- (g) Including investigation activities and services to buildings and landscape care activities.
- (h) 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 <sup>(a)</sup>	May – Jun 2018			May – Jun 2019		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(b)</sup>	52.8	68.8	101.7	55.8	72.6	107.3
Electricity and gas supply; sewerage, waste management and remediation activities	76.0	107.3	169.1	78.6	111.1	168.7
Construction	75.5	96.7	118.8	78.4	99.9	124.4
Import and export trade	56.5	78.9	116.3	58.2	80.3	118.3
Wholesale	50.2	63.5	84.3	51.9	65.2	86.5
Retail trade	44.1	51.3	66.2	45.6	53.8	67.9
<i>within which:</i>						
Supermarkets and convenience stores	41.2	45.8	50.3	42.9	47.5	52.5
Other retail stores	44.8	54.0	69.7	46.3	55.9	72.6
Land transport	54.6	77.6	120.0	57.1	79.6	116.8
Other transportation, storage, postal and courier services <sup>(c)</sup>	51.6	67.9	93.4	52.7	69.1	95.2
Food and beverage services	44.4	49.7	62.1	46.6	52.2	64.8
<i>within which:</i>						
Hong Kong style tea cafes	45.0	49.2	60.0	47.6	52.5	63.3
Chinese restaurants	44.8	50.9	68.7	46.9	53.3	71.6
Restaurants, other than Chinese	45.2	50.1	63.3	48.3	54.2	67.3
Fast food cafes <sup>(d)</sup>	43.0	46.5	51.7	44.4	48.3	53.8
Other food and beverage services	43.0	48.9	58.5	45.2	51.2	61.5
Accommodation services <sup>(e)</sup>	45.5	56.3	72.1	47.3	58.1	74.4
Information and communications	62.1	90.2	134.4	64.5	93.8	141.2
Financing and insurance	72.2	107.5	185.2	74.6	111.0	191.2
Real estate activities <sup>(f)</sup>	61.3	88.2	141.4	62.5	90.0	142.9
Estate management, security and cleaning services	38.6	43.6	54.0	41.1	45.9	58.7
<i>within which:</i>						
Real estate maintenance management	39.4	44.1	59.7	41.2	46.3	62.2
Security services <sup>(g)</sup>	39.3	43.0	52.6	41.2	45.5	55.6
Cleaning services	37.8	42.7	48.7	40.0	45.1	51.7
Membership organisations <sup>(h)</sup>	42.6	53.8	87.5	44.8	56.7	90.9
Professional, scientific and technical services	64.2	94.0	155.6	65.6	95.8	157.6
Administrative and support services activities	48.4	68.0	106.3	51.4	71.0	110.5
Travel agency, reservation service and related activities	48.4	64.1	87.8	50.7	66.5	90.3
Education and public administration (excluding the Government)	65.7	130.5	220.0	67.5	131.8	220.0
Human health activities; and beauty and body prettifying treatment	61.9	86.0	168.5	63.6	89.6	174.9
Miscellaneous activities	42.5	49.4	67.2	44.4	51.6	68.3
<i>within which:</i>						
Elderly homes	40.1	50.0	66.3	42.4	52.7	69.8
Laundry and dry cleaning services	40.9	47.1	62.9	43.1	49.5	65.2
Hairdressing and other personal services	45.6	50.0	68.4	47.2	51.9	70.5
Local courier services	42.0	49.9	60.0	47.0	52.2	62.6
Food processing and production	41.9	48.4	69.5	44.0	50.9	69.8
Other activities not classified above	51.0	64.3	99.7	53.8	67.9	103.6
<b>All industry sections above</b>	<b>50.0</b>	<b>70.5</b>	<b>111.1</b>	<b>52.2</b>	<b>73.0</b>	<b>114.9</b>

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

- (a) Starting from the 2019 survey round, the industry section previously named as “Restaurants” in this table has been expanded to cover also “Other food service activities” which was previously classified under the industry section “Accommodation and other food service activities”. For the sake of clarity and consistency, the “Restaurants” industry section has been renamed as “Food and beverage services” after the expansion of coverage while “Other food service activities” has also been renamed as “Other food and beverage services”. As a result of this reclassification, statistics for “Accommodation services” can be separately provided. To facilitate year-on-year comparison, the 2018 statistics published in this table are compiled using the most up-to-date industry classification.
- (b) Excluding food processing and production.
- (c) Excluding local courier services.
- (d) Including takeaway shops.
- (e) Including hotels, guesthouses, boarding houses and other establishments providing short term accommodation, i.e. all industries covered under the previous “Accommodation and other food service activities” industry section, except “Other food service activities”.
- (f) Excluding real estate maintenance management.
- (g) Including investigation activities and services to buildings and landscape care activities.
- (h) Including incorporated owners/tenants committees, kaifong welfare associations, etc.



**Table 22 : Rates of change in prices**

(%)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
GDP deflator	0.3	3.9	3.5	1.8	2.9	3.6	1.6	2.9
Domestic demand deflator	2.2	4.5	4.2	1.4	3.1	2.2	1.4	2.8
Consumer Price Indices <sup>(a)</sup> :								
Composite CPI	2.4	5.3	4.1	4.3	4.4	3.0	2.4	1.5
CPI(A)	2.7	5.6	3.6	5.1	5.6	4.0	2.8	1.5
CPI(B)	2.3	5.2	4.3	4.1	4.2	2.9	2.3	1.4
CPI(C)	2.1	5.1	4.1	3.8	3.5	2.1	2.1	1.5
Unit Value Indices :								
Total exports of goods	4.7	8.0	3.4	1.3	2.0	0.1	-1.7	1.8
Imports of goods	6.4	8.1	3.3	0.9	1.9	-0.4	-1.7	1.9
Terms of Trade Index <sup>(b)</sup>	-1.7	-0.1	0.1	0.4	0.1	0.5	*	-0.1
Producer Price Index for all manufacturing industries	6.0	8.3	0.1	-3.1	-1.7	-2.7	1.3	3.8
Tender Price Indices :								
Public sector								
building projects	12.5	11.6	8.3	6.6	7.3	5.9	1.0	-0.3
Public housing projects	6.7	10.1	6.4	9.3	8.0	12.5	-0.7	0.3

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>2018</u>	<u>2019</u>	<u>2019</u>			<u>2020</u>	<u>Average annual rate of change:</u>		
			Q2	Q3	Q4		10 years		5 years
							Q1	2009 to 2019	2014 to 2019
GDP deflator <sup>#</sup>	3.7	2.4	2.7	2.3	1.8	2.8	2.6	2.8	
Domestic demand deflator <sup>#</sup>	3.4	2.8	2.8	3.1	3.1	2.8	2.8	2.5	
Consumer Price Indices <sup>(a)</sup> :									
Composite CPI	2.4	2.9	3.0	3.3	3.0	2.0	3.3	2.4	
CPI(A)	2.7	3.3	3.3	3.9	3.4	1.1	3.7	2.9	
CPI(B)	2.3	2.7	2.8	3.1	2.9	2.4	3.2	2.3	
CPI(C)	2.2	2.6	2.8	3.0	2.6	2.4	2.9	2.1	
Unit Value Indices :									
Total exports of goods	2.4	1.1	1.9	0.9	-0.2	-0.7	2.3	0.7	
Imports of goods	2.6	1.3	1.9	1.0	0.1	-0.4	2.4	0.7	
Terms of Trade Index <sup>(b)</sup>	-0.1	-0.1	-0.1	*	-0.3	-0.3	-0.1	*	
Producer Price Index for all manufacturing industries	2.0	1.0	0.8	1.3	1.1	N.A.	1.4	1.0	
Tender Price Indices :									
Public sector									
building projects	-2.9	-2.6	-2.4	-1.9	-2.7	N.A.	4.6	0.2	
Public housing projects	-1.9	-1.8	-1.9	-1.9	-1.7	N.A.	4.8	1.5	

**Table 23 : Rates of change in Composite Consumer Price Index**

(%)

	Weight	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>All items</b>	<b>100.00</b>	<b>2.4</b> <b>(1.7)</b>	<b>5.3</b> <b>(5.3)</b>	<b>4.1</b> <b>(4.7)</b>	<b>4.3</b> <b>(4.0)</b>	<b>4.4</b> <b>(3.5)</b>	<b>3.0</b> <b>(2.5)</b>	<b>2.4</b> <b>(2.3)</b>
Food	27.29	2.4	7.0	5.8	4.4	4.1	4.0	3.4
<i>Meals bought away from home</i>	17.74	1.7	5.2	5.4	4.4	4.6	4.2	3.3
<i>Food, excluding meals bought away from home</i>	9.55	3.5	9.9	6.5	4.4	3.4	3.4	3.6
Housing <sup>(a)</sup>	34.29	0.4	7.2	5.6	6.7	6.7	5.1	3.7
<i>Private housing rent</i>	29.92	0.9	7.2	6.8	6.3	6.0	4.7	3.4
<i>Public housing rent</i>	1.94	-7.8	11.9	-7.1	16.0	18.3	10.9	7.2
Electricity, gas and water	2.67	43.3	-4.2	-8.2	6.9	14.9	8.4	1.0
Alcoholic drinks and tobacco	0.54	3.4	17.1	3.0	1.5	6.5	1.3	1.5
Clothing and footwear	3.21	1.8	6.8	3.1	1.7	0.9	-1.8	-3.4
Durable goods	4.65	-2.7	-3.8	-1.4	-4.3	-3.4	-5.6	-5.4
Miscellaneous goods	3.56	2.4	3.8	2.2	2.2	2.3	0.9	1.5
Transport	7.98	2.0	4.4	3.0	2.3	2.0	-0.3	1.6
Miscellaneous services	15.81	2.0	3.5	2.8	3.7	3.0	1.1	2.3

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>			<u>2020</u>	Average annual rate of change:	
					Q2	Q3	Q4		Q1	10 years 2009 to 2019
<b>All items</b>	<b>100.00</b>	<b>1.5</b> <b>(1.7)</b>	<b>2.4</b> <b>(2.6)</b>	<b>2.9</b> <b>(3.0)</b>	<b>3.0</b> <b>(2.9)</b>	<b>3.3</b> <b>(3.3)</b>	<b>3.0</b> <b>(3.0)</b>	<b>2.0</b> <b>(2.9)</b>	<b>3.3</b> <b>(3.1)</b>	<b>2.4</b> <b>(2.4)</b>
Food	27.29	2.2	3.4	4.9	4.1	6.1	6.2	6.4	4.1	3.5
<i>Meals bought away from home</i>	17.74	2.7	2.9	2.2	2.1	2.1	2.1	1.8	3.6	3.1
<i>Food, excluding meals bought away from home</i>	9.55	1.1	4.3	9.9	7.7	13.4	13.7	14.9	5.0	4.4
Housing <sup>(a)</sup>	34.29	2.0	2.5	3.5	4.2	3.7	3.1	0.7	4.3	3.4
<i>Private housing rent</i>	29.92	1.8	2.2	3.1	3.8	3.4	3.1	2.7	4.2	3.0
<i>Public housing rent</i>	1.94	3.0	4.1	7.1	10.9	6.9	-0.2	-31.1	6.0	6.4
Electricity, gas and water	2.67	-1.7	4.9	-5.4	-4.8	-5.6	-6.3	-16.0	5.2	1.3
Alcoholic drinks and tobacco	0.54	0.6	1.3	1.2	2.4	0.5	-0.7	-0.3	3.6	1.2
Clothing and footwear	3.21	-0.4	1.6	-1.7	-1.7	-1.5	-3.4	-4.2	0.8	-1.2
Durable goods	4.65	-3.2	-2.0	-1.9	-2.0	-1.5	-2.0	-2.5	-3.4	-3.6
Miscellaneous goods	3.56	1.4	1.3	2.5	2.0	2.9	3.3	3.8	2.0	1.5
Transport	7.98	2.3	1.6	2.0	2.0	2.3	1.9	1.2	2.1	1.4
Miscellaneous services	15.81	0.9	2.1	2.0	2.5	1.7	1.9	1.5	2.3	1.7

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

(%)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Private consumption expenditure	1.4	3.6	3.2	2.7	2.9	1.2	1.5
Government consumption expenditure	-0.2	4.5	6.2	4.3	4.7	4.4	3.7
Gross domestic fixed capital formation	5.8	6.8	6.4	-2.9	3.1	4.5	-0.3
Total exports of goods	4.3	7.8	3.2	-0.1	0.7	-0.7	-1.4
Imports of goods	6.3	8.4	4.3	-0.3	0.8	-1.4	-1.8
Exports of services	8.2	7.5	4.7	0.4	0.4	-2.8	-2.0
Imports of services	4.9	5.9	0.6	0.3	0.5	-4.6	-1.3
<b>Gross Domestic Product</b>	<b>0.3</b>	<b>3.9</b>	<b>3.5</b>	<b>1.8</b>	<b>2.9</b>	<b>3.6</b>	<b>1.6</b>
Total final demand	4.1	6.7	3.7	0.4	1.4	*	-0.6
Domestic demand	2.2	4.5	4.2	1.4	3.1	2.2	1.4

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>2017</u>	<u>2018<sup>#</sup></u>	<u>2019<sup>#</sup></u>	<u>2019</u>			<u>2020</u>	Average annual rate of change:	
				Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	10 years 2009 to 2019 <sup>#</sup>	5 years 2014 to 2019 <sup>#</sup>
Private consumption expenditure	2.5	3.1	2.7	2.7	3.1	3.2	2.8	2.5	2.2
Government consumption expenditure	2.5	3.3	4.5	4.6	4.7	4.4	5.3	3.8	3.7
Gross domestic fixed capital formation	4.4	4.6	1.9	2.5	2.2	1.7	3.0	3.4	3.0
Total exports of goods	1.7	2.2	1.1	1.4	1.0	0.2	*	1.8	0.5
Imports of goods	1.8	2.3	1.3	1.7	1.3	0.7	0.3	2.1	0.4
Exports of services	3.2	4.5	-0.4	-0.1	-1.1	-1.6	-0.6	2.3	0.5
Imports of services	2.7	2.8	-1.0	-1.8	-0.9	0.1	-2.0	1.0	-0.3
<b>Gross Domestic Product</b>	<b>2.9</b>	<b>3.7</b>	<b>2.4</b>	<b>2.7</b>	<b>2.3</b>	<b>1.8</b>	<b>2.8</b>	<b>2.6</b>	<b>2.8</b>
Total final demand	2.2	2.8	1.5	1.7	1.5	1.1	1.1	2.2	1.2
Domestic demand	2.8	3.4	2.8	2.8	3.1	3.1	2.8	2.8	2.5

