

Press Release

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Economic Situation in the Second Quarter of 2020 and Latest GDP and Price Forecasts for 2020

The Government released today (14 August) the Half-yearly Economic Report 2020, together with the revised figures on Gross Domestic Product (GDP) for the second quarter of 2020.

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

Main points

- * The Hong Kong economy remained very weak in the second quarter of 2020, as the COVID-19 pandemic continued to deal heavy blows to global and local economic activities. Real GDP fell notably by 9.0% year-on-year in the second quarter, following the record decline of 9.1% in the preceding quarter. Yet, the economy showed signs of stabilisation along with the abated local epidemic situation in the latter half of the quarter. The rebound of the Mainland economy also helped offset part of the downward pressures on exports of goods. On a seasonally adjusted quarter-to-quarter comparison, real GDP fell marginally by 0.1% in the second quarter, having plunged by a record 5.5% in the preceding quarter.
- * Total exports of goods saw a visibly narrower year-on-year decline of 2.4% in real terms in the second quarter despite the global recession, mainly reflecting the swift resumption of production and other economic activities in the Mainland. Exports of services plunged further by a record 46.1% year-on-year in real terms, as inbound tourism was frozen by widespread travel restrictions, and as cross-boundary transport and commercial services plummeted.
- * Domestic demand took a big hit. Private consumption expenditure recorded the steepest ever year-on-year decline of 14.2% in real terms in the second quarter, as local consumption activities were severely disrupted by the threat of COVID-19 and social distancing requirements throughout the quarter, and outbound tourism came to a halt amid stringent travel restrictions. The sharp deterioration of labour market conditions also weighed on consumer sentiment. Overall investment expenditure continued to tumble by 21.4% year-on-year in real terms amid negative business environment and subdued private construction activity.
- * The labour market continued to deteriorate in the second quarter. The seasonally adjusted unemployment rate surged to 6.2%, the highest in more than 15 years. The underemployment rate also rose visibly to 3.7%, the highest in close to 17 years. Total employment fell markedly from a year earlier. Nonetheless, signs of stabilisation emerged towards the end of the quarter thanks to the abated local epidemic situation in May and June. The Employment Support Scheme also provided cushion.
- * The local stock market stabilised in the second quarter. Market sentiment

improved thanks to the gradual easing of epidemic situation in some advanced economies in May and June and the massive economic support measures rolled out by governments and central banks around the world. The residential property market turned active, with trading activities picking up notably from a very low level in the preceding quarter and flat prices rising moderately during the quarter.

- * While the worst seems to be over in many major economies, and central banks and governments around the world have implemented massive support measures, the recovery of the global economy will likely be uneven and bumpy. The threat of COVID-19 will continue to cloud the global economic outlook until an effective vaccine or treatment is widely available. The tense China-US relations and heightened geopolitical tensions also fuel uncertainties. On the bright side, the Mainland economy has returned to solid growth, and should render some support to Hong Kong's export performance amid a difficult external environment. Yet, it is hard for inbound tourism to recover during the rest of the year given the evolving pandemic and widespread travel restrictions in place.
- * Locally, the outlook for domestic demand will hinge on the local epidemic situation. The recent surge of COVID-19 infections and the resultant tightening of social distancing measures, and austere labour market conditions will heavily weigh on private consumption in the coming weeks. The strength and speed of any recovery will depend much on how fast local infection can be brought under control. This will also be a key factor affecting business sentiment and thus fixed asset investment.
- * Hong Kong's short-term economic outlook is still highly uncertain. Considering the actual outturn in the first half of the year, and the difficult and uncertain economic environment in the second half, but also the cushioning effects of the Government's massive relief measures, the real GDP growth forecast for 2020 as a whole is revised downwards to -6% to -8% in the current round of review, from -4% to -7% as announced in late April. If the current wave of local infection can be contained within a short time and barring any further sharp deterioration in the external environment, economic performance for 2020 as a whole can hopefully fall within the upper half of the range forecast. The Government will continue to closely monitor the situation and roll out measures as necessary to maintain the vitality of the economy and pave the way for a speedy recovery once the threat of the pandemic recedes.
- * Underlying consumer price inflation went visibly lower from 2.9% in the first quarter to 1.8% in the second quarter, thanks to moderated food inflation and abating price pressures on many other consumption items. With the impact of the surge in pork prices since May last year having largely dissipated, inflationary pressures will likely ease further in the rest of the year amid subdued economic conditions. Taking into account the actual outturn in the first half of the year and the impending waiver of one-month public housing rentals in September, the forecast rates of underlying and headline inflation rates for 2020 as a whole are revised downwards to 1.8% and 0.8% respectively, from 2.2% and 1.4% in the May round of review.

Details

GDP

According to the revised data on the *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, real GDP fell sharply by 9.0% year-on-year in the second quarter of 2020 (the same as the advance estimate), following the record decline of 9.1% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP fell marginally by 0.1% in the second quarter (the same as the advance estimate), having plunged by a record 5.5% in the preceding quarter (*Chart*).

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

External trade

3. *Total exports of goods* fell by 2.4% in real terms in the second quarter of 2020 from a year earlier, much narrower than the plunge of 9.7% in the preceding quarter. While the performance was constrained by the deep global economic recession, the swift resumption of production and other economic activities in the Mainland provided support. Exports to the Mainland turned to a solid increase. Exports to the US and the EU fell at moderated rates. Exports to many other major Asian markets saw declines of varying degrees. On a seasonally adjusted quarter-to-quarter basis, total exports of goods rose by 6.5% in real terms in the second quarter, having decreased by 9.0% in the preceding quarter.

4. *Exports of services* plunged by a record 46.1% year-on-year in real terms in the second quarter of 2020, widening from the 37.4% decline in the preceding quarter. Exports of travel services came to a halt as inbound tourism was frozen by widespread travel restrictions throughout the quarter. The decline in exports of transport services remained noticeable, dragged by scant passenger traffic and subdued cargo flows. Exports of business and other services continued to register a double-digit decline amid the austere global economic environment. Nonetheless, exports of financial services grew moderately thanks to active cross-border financial and fund-raising activities. On a seasonally adjusted quarter-to-quarter basis, exports of services declined further by 17.0% in real terms in the second quarter, having decreased by 16.3% in the preceding quarter.

Domestic sector

5. Domestic demand took a big hit. *Private consumption expenditure* recorded the steepest ever year-on-year decline of 14.2% in real terms in the second quarter of 2020, after falling by 10.6% in the preceding quarter, as local consumption activities were severely disrupted by the threat of COVID-19 and social distancing requirements throughout the quarter, and outbound tourism came to a halt amid stringent travel restrictions. The sharp deterioration of labour market conditions also weighed further on consumer sentiment. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure fell by 3.8% in real terms in the second quarter after decreasing by 7.2% in the preceding quarter. In contrast, *government consumption expenditure* grew appreciably by 9.8% year-on-year in real terms in the second quarter, after an 8.8% growth in the preceding quarter.

6. Overall investment spending in terms of *gross domestic fixed capital formation* continued to tumble by 21.4% year-on-year in real terms in the second quarter of 2020, having declined sharply by 15.8% in the preceding quarter. This also marked the seventh consecutive quarter of decline. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products showed a steeper decline of 44.1%, reflecting the negative business environment and a highly uncertain economic outlook. Expenditure on building and construction dipped further by 3.6%, as the increased spending from the public sector was not enough to offset the sharp fall in the private sector. Meanwhile, the costs of ownership transfer continued to fall markedly, as property transactions in both residential and non-residential segments declined sharply from the high base a year earlier.

The labour sector

7. The labour market continued to deteriorate in the second quarter of 2020. The *seasonally adjusted unemployment rate* surged to 6.2%, the highest in more than 15 years. The *underemployment rate* also rose visibly to 3.7%, the highest in close to 17 years. Total employment fell markedly from a year earlier. Nonetheless, signs of stabilisation emerged towards the end of the quarter, thanks to abating local epidemic situation as well as the cushioning effect of the Employment Support Scheme.

The asset markets

8. The *local stock market* stabilised in the second quarter of 2020. Market sentiment improved thanks to the gradual easing of epidemic situation in some advanced economies in May and June and the massive economic support measures rolled out by governments and central banks around the world. The Hang Seng Index (HSI) moved between 22 930 and 25 057 in the quarter and closed at 24 427 at end-June, up 3.5% from end-March. On 13 August, the HSI closed at 25 231.

9. The *residential property market* turned active in the second quarter of

2020. Declining interest rates amid massive monetary stimulus around the world and the gradual stabilisation of the local COVID-19 situation during the quarter rendered support to market sentiment. Trading activity picked up notably from a very low level in the preceding quarter. 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, surged by 67% over preceding quarter to 17 073 in the second quarter, though still down 17% from a year earlier when the market was very buoyant. Flat prices increased by 2% during the second quarter. The index of home purchase affordability worsened to around 76%. Meanwhile, flat rentals edged down by 1% during the quarter. The commercial and industrial property markets stayed subdued amid thin trading. Prices and rentals for major market segments remained generally soft.

Prices

10. Consumer price inflation continued to ease in the second quarter of 2020. Netting out the effects of the Government's one-off relief measures, *underlying consumer price inflation* went down from 2.9% in the preceding quarter to 1.8% in the second quarter. Food prices recorded a slower year-on-year increase as the impact of the surge in pork prices which started in May last year began to wane, while price pressures on many other major CPI components receded amid the economic recession. Domestically, the increase in the private housing rental component narrowed further, as the effect of easing fresh-letting residential rentals in the past year or so became more apparent. Business cost pressures continued to abate amid weak economic conditions, with wages and commercial rentals staying soft. Meanwhile, external price pressures subsided further. In tandem with the deep recession in the global economy, inflation rates in many of our key import sources eased visibly, and international commodity and energy prices were far below year-ago levels. These developments, together with the continued strength of the Hong Kong dollar along with the US dollar against other major currencies in the second quarter, contributed to a widened year-on-year decline in import prices. The *headline consumer price inflation* also dropped from 2.0% to 1.3% over the same period. The lower headline inflation rate as compared to its underlying counterpart in the second quarter was mainly due to the Government's provision of additional electricity charge subsidy starting from January 2020.

Latest GDP and price forecasts for 2020

11. While the worst seems to be over in many major economies, and central banks and governments around the world have implemented massive support measures, the recovery of the global economy will likely be uneven and bumpy. The threat of COVID-19 will continue to cloud the global economic outlook until an effective vaccine or treatment is widely available. The tense China-US relations and heightened geopolitical tensions also fuel uncertainties. On the bright side, the Mainland economy has returned to solid growth, and should render some support to Hong Kong's export performance amid a difficult external environment. Yet, it is hard for inbound tourism to recover during the rest of the year given the evolving

pandemic and widespread travel restrictions in place.

12. Locally, the outlook for domestic demand will hinge on the local epidemic situation. The recent surge of COVID-19 infections and the resultant tightening of social distancing measures, and austere labour market conditions will heavily weigh on private consumption in the coming weeks. The strength and speed of any recovery will depend much on how fast local infection can be brought under control. This will also be a key factor affecting business sentiment and thus fixed asset investment.

13. Hong Kong's short-term economic outlook is still highly uncertain. Considering the actual outturn in the first half of the year, and the difficult and uncertain economic environment in the second half, but also the cushioning effects of the Government's massive relief measures, the real GDP growth forecast for 2020 as a whole is revised downwards to -6% to -8% in the current round of review, from -4% to -7% as announced in late April (*Table 2*). If the current wave of local infection can be contained within a short time and barring any further sharp deterioration in the external environment, economic performance for 2020 as a whole can hopefully fall within the upper half of the range forecast. The Government will continue to closely monitor the situation and roll out measures as necessary to maintain the vitality of the economy and pave the way for a speedy recovery once the threat of the pandemic recedes. For reference, the latest forecasts by private sector analysts range from -4.7% to -8.5%, averaging around -6.6%.

14. On the inflation outlook, with the impact of the surge in pork prices since May last year having largely dissipated, inflationary pressures will likely ease further in the rest of the year amid subdued economic conditions. Taking into account the actual outturn in the first half of the year and the impending waiver of one-month public housing rentals in September, the forecast rates of underlying and headline inflation rates for 2020 as a whole are revised downwards to 1.8% and 0.8% respectively, from 2.2% and 1.4% in the May round of review (*Table 2*).

(The Half-yearly Economic Report 2020 is now available for online download, free of charge at www.hkeconomy.gov.hk/en/situation/index.htm. The Report of the Gross Domestic Product, Second Quarter 2020, which contains the GDP figures up to the second 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.)

Hong Kong's Gross Domestic Product

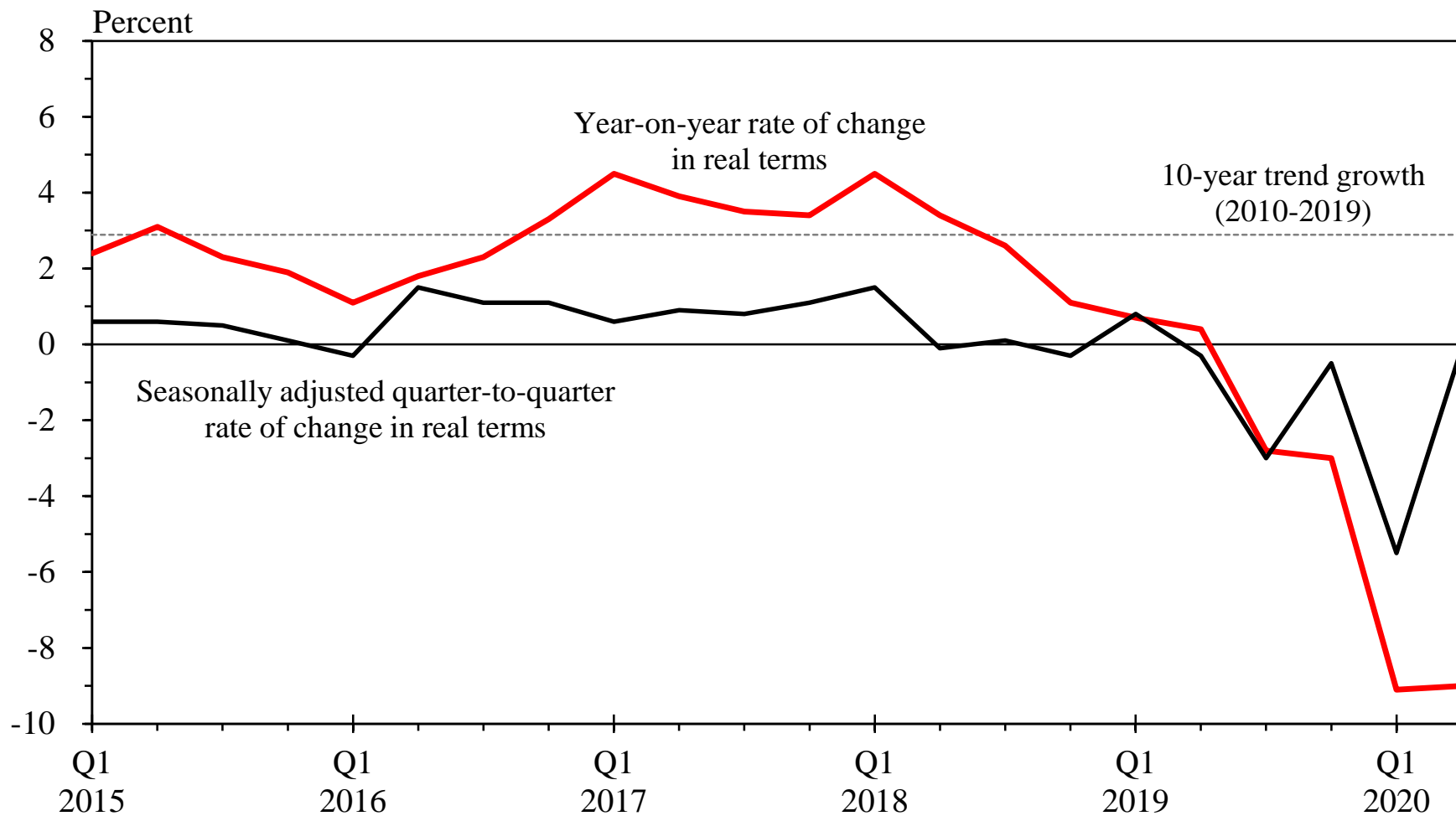


Table 1

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

	<u>2018[#]</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>	<u>Q2[#]</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)	-10.6 (-7.2)	-14.2 (-3.8)
Government consumption expenditure	4.2	5.1	4.4 (0.9)	3.9 (0.8)	5.9 (2.6)	6.1 (1.7)	8.8 (3.5)	9.8 (1.8)
Gross domestic fixed capital formation	1.7	-12.3	-5.3	-11.6	-15.1	-16.8	-15.8	-21.4
Building and construction	-0.5	-6.2	-4.3	-11.1	-2.8	-6.5	-11.5	-3.6
Costs of ownership transfer	-11.2	-13.4	-20.0	-13.4	-22.4	7.6	-32.4	-23.8
Machinery, equipment and intellectual property products	8.8	-20.0	-2.0	-12.2	-26.5	-32.3	-17.9	-44.1
Total exports of goods ^{&}	3.5	-4.6	-3.7 (-1.7)	-5.3 (-1.6)	-6.9 (-1.2)	-2.5 (2.0)	-9.7 (-9.0)	-2.4 (6.5)
Imports of goods ^{&}	4.7	-7.3	-4.2 (-2.2)	-6.7 (-2.6)	-11.0 (-2.0)	-7.0 (-0.3)	-11.1 (-6.6)	-7.1 (1.8)
Exports of services ^{&}	4.6	-10.2	-0.4 (1.0)	-1.3 (-3.6)	-14.2 (-13.1)	-24.2 (-10.6)	-37.4 (-16.3)	-46.1 (-17.0)
Imports of services ^{&}	2.8	-2.4	-1.2 (0.3)	1.8 (0.5)	-4.5 (-5.9)	-5.2 (-0.3)	-24.5 (-20.0)	-42.9 (-24.0)
Gross Domestic Product	2.8	-1.2	0.7 (0.8)	0.4 (-0.3)	-2.8 (-3.0)	-3.0 (-0.5)	-9.1 (-5.5)	-9.0 (-0.1)
<i>Change in the main price indicators (%)</i>								
GDP deflator	3.7	2.4	2.7 (0.6)	2.7 (0.9)	2.3 (0.3)	1.8 (0.2)	2.8 (1.4)	1.0 (-1.0)
Composite CPI								
Headline	2.4	2.9	2.2 (0.4)	3.0 (1.2)	3.3 (0.9)	3.0 (0.5)	2.0 (-0.6)	1.3 (0.6)
Underlying[^]	2.6	3.0	2.7 (0.6)	2.9 (1.0)	3.3 (1.0)	3.0 (0.4)	2.9 (0.5)	1.8 (-0.1)
<i>Change in nominal GDP (%)</i>	6.6	1.1	3.4	3.0	-0.5	-1.2	-6.5	-8.1

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 (%))**

	<u>Forecasts as released on 15.5.2020</u> (%)	<u>Latest forecasts on 14.8.2020</u> (%)
Real Gross Domestic Product (GDP)	-4 to -7 (as announced on 29.4.2020)	-6 to -8
Composite Consumer Price Index (CCPI)		
<i>Underlying CCPI</i>	2.2	1.8
<i>Headline CCPI</i>	1.4	0.8



Half-yearly Economic Report 2020

Government of the Hong Kong
Special Administrative Region

HALF-YEARLY ECONOMIC REPORT 2020

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

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CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

Summary

- *The Hong Kong economy remained very weak in the second quarter of 2020, as the COVID-19 pandemic continued to inflict severe impacts on global and local economic activities. Real GDP fell sharply by 9.0% year-on-year in the second quarter of 2020. Yet, as the local epidemic situation was largely under control in May and June, and the recovery of the Mainland economy also rendered support to Hong Kong's exports of goods, the overall economic situation showed signs of stabilisation during the quarter. On a seasonally adjusted quarter-to-quarter basis, real GDP saw a slight decline of 0.1%.*
- *Total exports of goods saw a visibly narrower decline in the second quarter despite the global recession, mainly reflecting the swift resumption of production and other economic activities in the Mainland. Exports to the Mainland turned to a solid increase. Exports to the US and the EU fell at moderated rates. Exports of services plunged further, as inbound tourism was frozen by widespread travel restrictions, and as cross-boundary transport and commercial services plummeted in tandem.*
- *Domestic demand took a big hit. Private consumption expenditure recorded the steepest ever decline in the second quarter, as local consumption activities were severely disrupted by the threat of COVID-19 and social distancing requirements throughout the quarter and outbound tourism came to a halt amid stringent travel restrictions. The sharp deterioration of labour market conditions also dented consumer sentiment further. Overall investment expenditure continued to tumble amid negative business environment and subdued private construction activity.*
- *The labour market continued to deteriorate in the second quarter. The seasonally adjusted unemployment rate surged to 6.2%, the highest in more than 15 years. The underemployment rate also rose visibly to 3.7%, the highest in close to 17 years. Total employment fell markedly from a year earlier. Nonetheless, signs of stabilisation emerged towards the end of the quarter, thanks to abating local epidemic situation as well as the cushioning effect of the Employment Support Scheme.*
- *The local stock market stabilised in the second quarter. Market sentiment improved thanks to the gradual easing of epidemic situation in some advanced economies in May and June and the massive economic support measures rolled out by governments and central banks around the world. The residential property market turned active. Trading activities picked up notably from a very low level in the preceding quarter, while flat prices recorded a moderate increase of 2% during the quarter.*

- *Consumer price inflation continued to ease in the second quarter. The visibly lower inflation rate reflected a slower year-on-year rise in food prices along with the waning impact of the surge in pork prices, and also receding price pressures on many other major CPI components amid the economic recession.*

Overall situation

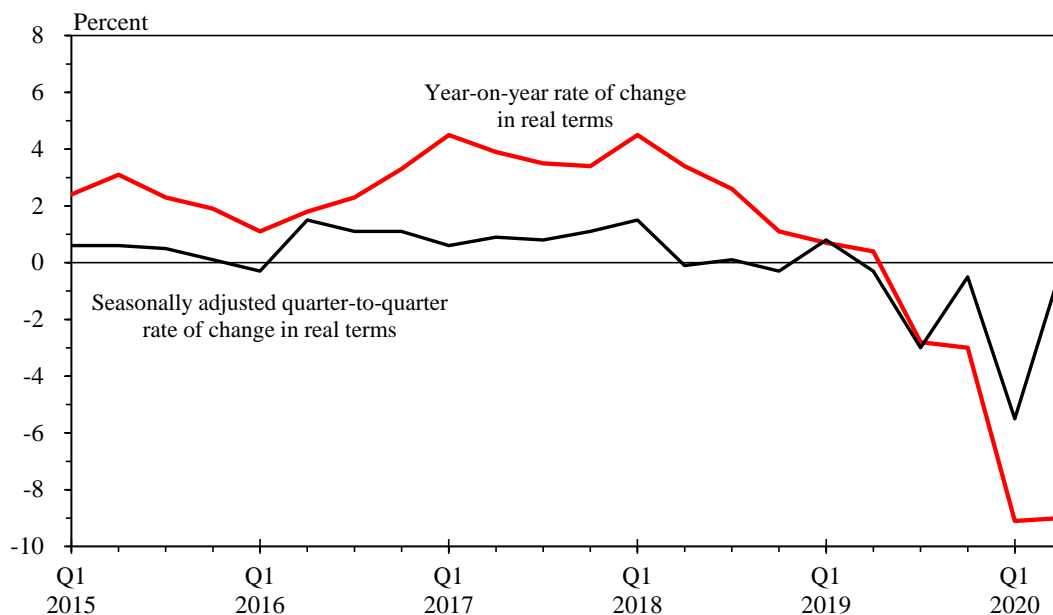
1.1 The Hong Kong economy remained very weak in the second quarter of 2020. The rapid spread of COVID-19 to most parts of the world and the resultant stringent restrictive measures imposed by the governments concerned dealt a heavy blow to global and local economic activities. Real GDP continued to fall sharply by 9.0% from a year earlier, narrowing only marginally from its record decline of 9.1% in the preceding quarter. Total exports of goods saw a visibly narrower decline despite the global recession, as production and other economic activities in the Mainland swiftly resumed and helped partly offset the external headwinds. Exports of services plunged further, with inbound tourism remaining at a standstill and cross-boundary transport (particularly passenger traffic) and commercial services plummeting in tandem. As regards domestic demand, private consumption expenditure fell at a record pace due to the social distancing requirements and travel restrictions, while overall investment expenditure continued to tumble amid negative business sentiment and subdued private construction activity. The labour market deteriorated further, and consumer price inflation continued to ease. Yet, with the support from the Mainland's economic recovery and as the local epidemic situation was largely under control in May and June, the overall economic situation showed signs of stabilisation during the quarter.

1.2 The global economic fallout of the COVID-19 pandemic turned more severe in the second quarter. Many major economies including the US and the euro area contracted at an unprecedented pace for the quarter as a whole. In Asia, the Mainland economy staged a sharp rebound as the epidemic situation there has been well contained since March, but almost all other regional economies saw further deterioration. In the latter half of the quarter, global economic sentiment improved and the US and the euro area economies showed signs of bottoming out, as the epidemic situation in many places abated and most governments gradually reopened their economies. Global financial markets rebounded sharply, with most of the major stock indices largely recouping their earlier losses at end-June. Yet, the surges in new infected cases in many places around the world since late June have reignited concerns about the global economic outlook. In view of the severe impacts of COVID-19 in the first half of the year and envisaged slower recovery in the second half, the International

Monetary Fund (IMF) revised down its global economic growth forecast for 2020 to -4.9% in late June, from -3.0% as forecast in April⁽¹⁾. To help both businesses and individuals endure the economic pains, central banks and governments around the world stepped up policy support in the second quarter.

1.3 In the second quarter of 2020, *Gross Domestic Product (GDP)*⁽²⁾ contracted by 9.0% in real terms from a year earlier (the same as the advance estimate), following the 9.1% decline in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison⁽³⁾, real GDP fell slightly by 0.1% in the second quarter (the same as the advance estimate), having plunged by a record 5.5% in the preceding quarter.

Diagram 1.1 : Real GDP fell sharply by 9.0% in the second quarter of 2020 from a year earlier



The external sector

1.4 *Total exports of goods* compiled under the GDP accounting framework fell by 2.4% in real terms in the second quarter from a year earlier, much narrower than the plunge of 9.7% in the preceding quarter. While the performance was constrained by the deep global economic recession, the swift resumption of production and other economic activities in the Mainland provided support. Exports to the Mainland turned to a solid increase. Exports to the US and the EU fell at moderated rates. Exports to many other major Asian markets saw declines of varying degrees.

1.5 *Exports of services* plunged by a record 46.1% year-on-year in real terms in the second quarter, widening from the 37.4% decline in the preceding quarter. Exports of travel services came to a halt as inbound tourism was frozen by widespread travel restrictions throughout the quarter. The decline in exports of transport services remained noticeable, dragged by scant passenger traffic and subdued cargo flows. Exports of business and other services continued to register a double-digit decline amid the austere global economic environment. Nonetheless, exports of financial services grew moderately thanks to active cross-border financial and fund-raising activities.

**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>	<u>Q2#</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)	-10.6 (-7.2)	-14.2 (-3.8)
Government consumption expenditure	4.2	5.1	4.4 (0.9)	3.9 (0.8)	5.9 (2.6)	6.1 (1.7)	8.8 (3.5)	9.8 (1.8)
Gross domestic fixed capital formation	1.7	-12.3	-5.3	-11.6	-15.1	-16.8	-15.8	-21.4
Building and construction	-0.5	-6.2	-4.3	-11.1	-2.8	-6.5	-11.5	-3.6
Costs of ownership transfer	-11.2	-13.4	-20.0	-13.4	-22.4	7.6	-32.4	-23.8
Machinery, equipment and intellectual property products	8.8	-20.0	-2.0	-12.2	-26.5	-32.3	-17.9	-44.1
Total exports of goods&	3.5	-4.6	-3.7 (-1.7)	-5.3 (-1.6)	-6.9 (-1.2)	-2.5 (2.0)	-9.7 (-9.0)	-2.4 (6.5)
Imports of goods&	4.7	-7.3	-4.2 (-2.2)	-6.7 (-2.6)	-11.0 (-2.0)	-7.0 (-0.3)	-11.1 (-6.6)	-7.1 (1.8)
Exports of services&	4.6	-10.2	-0.4 (1.0)	-1.3 (-3.6)	-14.2 (-13.1)	-24.2 (-10.6)	-37.4 (-16.3)	-46.1 (-17.0)
Imports of services&	2.8	-2.4	-1.2 (0.3)	1.8 (0.5)	-4.5 (-5.9)	-5.2 (-0.3)	-24.5 (-20.0)	-42.9 (-24.0)
Gross Domestic Product	2.8	-1.2	0.7 (0.8)	0.4 (-0.3)	-2.8 (-3.0)	-3.0 (-0.5)	-9.1 (-5.5)	-9.0 (-0.1)
<i>Change in the main price indicators (%)</i>								
GDP deflator	3.7	2.4	2.7 (0.6)	2.7 (0.9)	2.3 (0.3)	1.8 (0.2)	2.8 (1.4)	1.0 (-1.0)
Composite CPI								
Headline	2.4	2.9	2.2 (0.4)	3.0 (1.2)	3.3 (0.9)	3.0 (0.5)	2.0 (-0.6)	1.3 (0.6)
Underlying^	2.6	3.0	2.7 (0.6)	2.9 (1.0)	3.3 (1.0)	3.0 (0.4)	2.9 (0.5)	1.8 (-0.1)
<i>Change in nominal GDP (%)</i>	6.6	1.1	3.4	3.0	-0.5	-1.2	-6.5	-8.1

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

1.6 Domestic demand plunged. *Private consumption expenditure* recorded the steepest ever year-on-year decline of 14.2% in real terms in the second quarter, after falling by 10.6% in the preceding quarter, as local consumption activities were severely disrupted by the threat of COVID-19 and social distancing requirements throughout the quarter and outbound tourism came to a halt amid stringent travel restrictions. The sharp deterioration of labour market conditions also weighed further on consumer sentiment. In contrast, *government consumption expenditure* grew appreciably by 9.8% in real terms in the second quarter, after an 8.8% growth in the preceding quarter.

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

Of which :

		Total consumer spending in the domestic market ^(a)	Food	Durables	Non- durables	Services	Residents' expenditure abroad	Visitor spending	Private consumption expenditure ^(b)
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	-18.3	-16.1	-41.1	-40.2	-6.5	-46.3	-79.9	-10.6
	Q2	-18.5	-16.6	-33.4	-36.4	-10.6	-91.6	-96.6	-14.2

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 recorded the steepest ever year-on-year decline

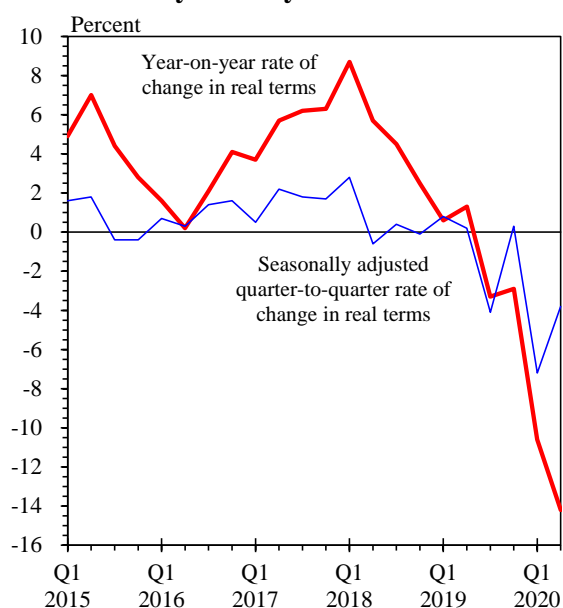
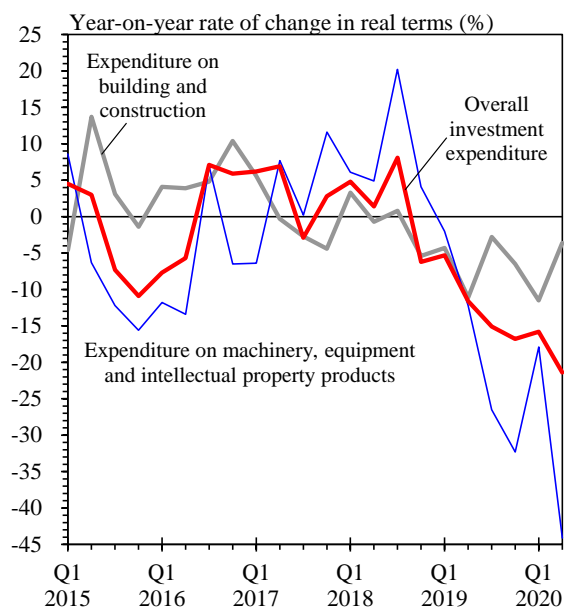


Diagram 1.3 : Overall investment expenditure continued to tumble



1.7 Overall investment spending in terms of *gross domestic fixed capital formation* continued to tumble by 21.4% year-on-year in real terms in the second quarter, having declined sharply by 15.8% in the preceding quarter. This also marked the seventh consecutive quarter of decline. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products showed a steeper decline of 44.1%, reflecting the negative business environment (see **Box 1.1**) and a highly uncertain economic outlook. Expenditure on building and construction dipped further by 3.6%, as the increased spending from the public sector was not enough to offset the sharp fall in the private sector. Meanwhile, the costs of ownership transfer continued to fall markedly, as property transactions in both residential and non-residential segments declined sharply from the high base a year earlier.

Box 1.1

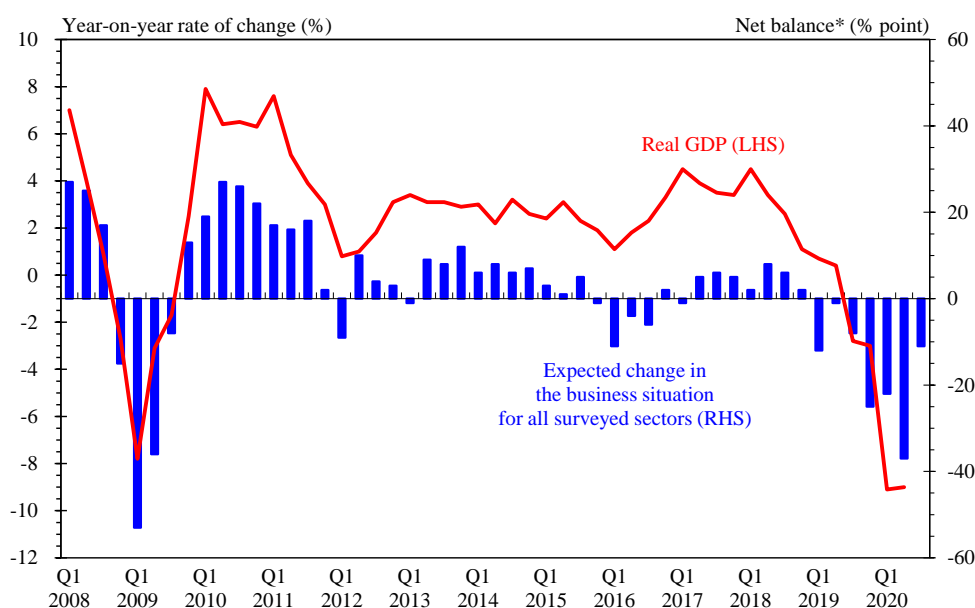
Business sentiment in Hong Kong

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Survey results covering responses up to early July generally pointed to improved business sentiment. Yet reflecting the spike in locally-infected cases since the second week of July and the resultant tightening of social distancing measures, more recent surveys showed that business sentiment deteriorated again.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during 1 June to 9 July, business sentiment among large enterprises in Hong Kong remained negative on entering the third quarter, but has shown visible improvement compared to the preceding quarter as the local epidemic situation was largely under control in May and June (*Chart 1*). The proportion of large enterprises expecting business situation to worsen in the third quarter of 2020 over the second quarter exceeded the proportion of those expecting improvement by 11 percentage points (i.e. a net balance of -11), notably better than the net balance of -37 in the previous round.

Business sentiment among large enterprises in many sectors showed improvement of varying degrees (*Table 1*). Large enterprises in the “accommodation and food services” and “retail” sectors generally expected their business situation to get out of the trough, in view of the stabilisation of the local epidemic situation and relaxation of social distancing measures in May and June. Those in “manufacturing” also became sanguine about their outlook. Thanks to the gradual recuperation of regional supply chains following the containment of the pandemic in the Mainland, large enterprises in “import/export trade and wholesale” and “transportation, storage and courier services” turned less pessimistic. The net balances in “financing and insurance”, “real estate” and “professional and business services”, though staying negative, also showed improvement. Overall hiring sentiment of large enterprises showed signs of stabilisation, with many surveyed sectors expecting employment to remain broadly stable in the third quarter of 2020 (*Table 2*).

Chart 1 : Business sentiment among large enterprises was less pessimistic on entering the third quarter



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

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

Box 1.1 (Cont'd)

Table 1 : Business sentiment of large enterprises in many sectors saw relative improvement

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2019			2020		
	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	-1	-8	-24	-27	-23	+9
Construction	-22	-7	-45	-28	-20	-21
Import/export trade and wholesale	-8	-8	-23	-23	-42	-8
Retail	-8	-24	-61	-39	-42	+21
Accommodation and food services	-9	-17	-44	-42	-63	+25
Transportation, storage and courier services	-1	-9	-26	-33	-47	-22
Information and communications	+13	+10	+6	-2	-15	-21
Financing and insurance	+9	-6	-21	-16	-32	-14
Real estate	+6	-10	-12	-18	-29	-26
Professional and business services	-4	-3	-25	-13	-37	-18
All sectors above	-1	-8	-25	-22	-37	-11

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 showed signs of stabilisation

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

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.

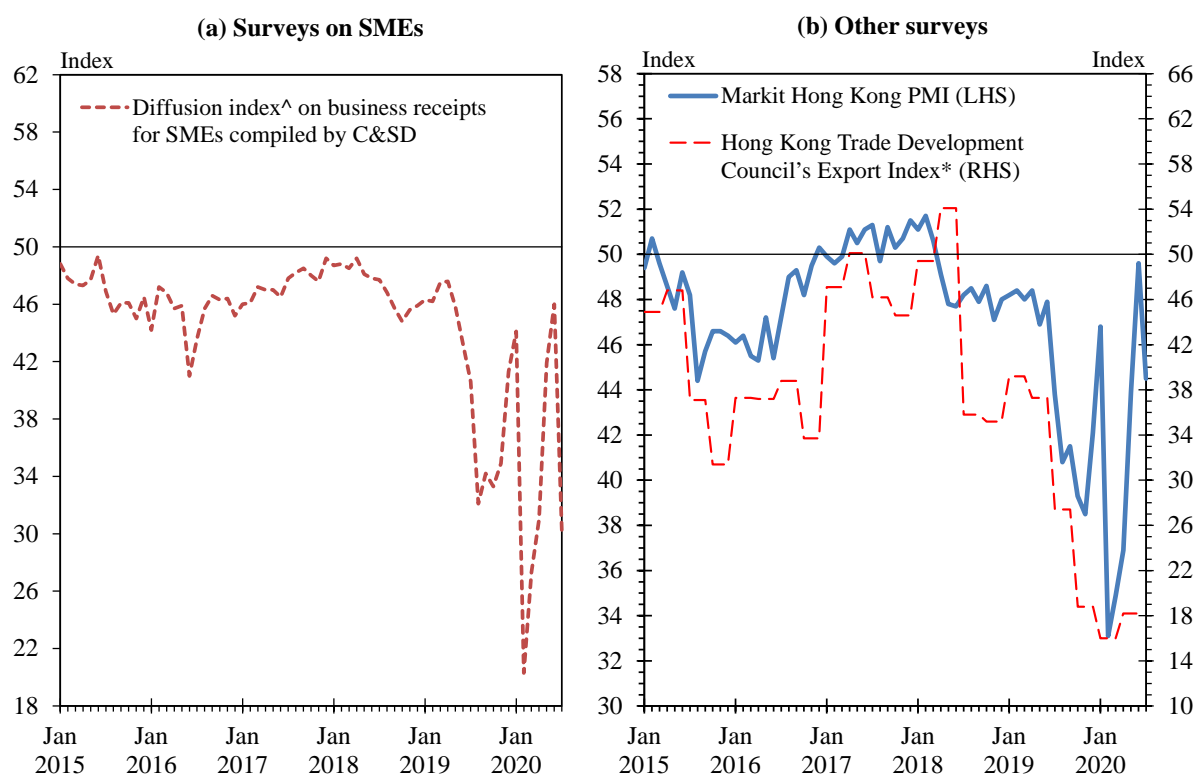
As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis⁽²⁾ to gauge the general direction of change in their views on business situation versus the preceding month. Reflecting the recent surge in locally-infected cases, the overall index on business receipts fell sharply again in the contractionary zone to 30.0 in July (*Chart 2a*), and employment situation of the SMEs surveyed showed renewed signs of weakening. Credit conditions, though still largely accommodative, tightened somewhat.

As for other surveys in the public domain, the Hong Kong Trade Development Council’s Export Index⁽³⁾ remained deep at the contractionary zone at 18.2 in the second quarter, only slightly above its record low of 16.0 in the preceding quarter (*Chart 2b*). In this round of survey conducted in mid-May 2020, 64.6% of the traders identified the pandemic as the biggest threat to their businesses, followed by softening global demand (19.5%) and US-Mainland trade tensions (10.8%). Separately, the Markit Purchasing Managers’ Index (PMI) of Hong Kong⁽⁴⁾, which gauges the performance of the private sector’s business activity, fell again in July to 44.5 after four consecutive months of increase, as the local epidemic situation worsened again more recently.

- (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) 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.
- (4) 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.

Box 1.1 (Cont'd)

Chart 2 : More recent surveys pointed to worsened business sentiment after some improvement in the second quarter



- 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.
- (*) 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 noting 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 hinged heavily on the development of the local epidemic situation. The threat of COVID-19 would linger until effective vaccines or treatments for the disease are developed. The Government has rolled out massive relief measures including the Employment Support Scheme and Cash Payout Scheme, which have helped preserve the vitality of the economy and should facilitate a swift recovery once the epidemic is under control and the external economic environment improves. 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.

The labour sector

1.8 The labour market continued to deteriorate in the second quarter. The *seasonally adjusted unemployment rate* surged from 4.2% in the first quarter to 6.2% in the second quarter, surpassing the peak of 5.5% in the aftermath of the global financial crisis to reach the highest in more than 15 years. The *underemployment rate* also rose visibly from 2.1% to 3.7%, the highest in close to 17 years. Total employment fell markedly from a year earlier, and nominal wages increased at the lowest pace in close to a decade. Nonetheless, the labour market showed signs of stabilisation towards the end of the quarter as the local epidemic situation abated in May and June. The launch of the Employment Support Scheme has also helped counter the headwinds facing the labour market.

The asset markets

1.9 The *local stock market* stabilised in the second quarter after undergoing a sharp correction in the first quarter. Market sentiment improved thanks to the gradual easing of epidemic situation in May and June in some advanced economies and the massive economic support measures around the world. The Hang Seng Index moved between 22 930 and 25 057 in the quarter and closed at 24 427 at end-June, up 3.5% from end-March. Trading activities stayed generally active, though quietening down somewhat compared to the preceding quarter. Average daily turnover in the securities market rose by 20.3% year-on-year to \$114.0 billion, but declined by 5.7% from the preceding quarter. Fund raising activities were rather buoyant.

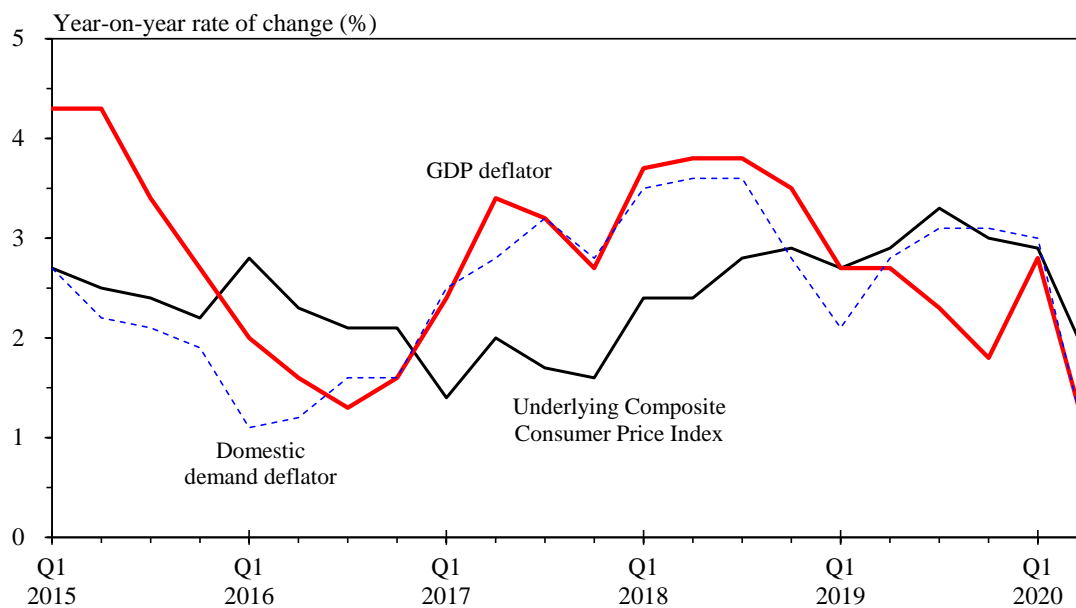
1.10 The *residential property market* turned active in the second quarter. Declining interest rates amid massive monetary stimulus around the world and the gradual stabilisation of the local COVID-19 situation during the quarter rendered support to market sentiment. Trading activity picked up notably from a very low level in the preceding quarter. 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, surged by 67% over preceding quarter to 17 073 in the second quarter, though still down 17% from a year earlier when the market was very buoyant. Flat prices increased by 2% during the second quarter. The index of home purchase affordability worsened to around 76%. Meanwhile, flat rentals edged down by 1% during the quarter. The commercial and industrial property markets stayed subdued amid thin trading. Prices and rentals for major market segments remained generally soft.

Inflation

1.11 Consumer price inflation continued to ease in the second quarter. Netting out the effects of the Government's one-off relief measures, *underlying consumer price inflation* went down from 2.9% in the preceding quarter to 1.8% in the second quarter. Food prices recorded a slower year-on-year increase as the impact of the surge in pork prices which started in May last year began to wane, while price pressures on many other major CPI components receded amid the economic recession. Domestically, the increase in the private housing rental component narrowed further, as the effect of easing fresh-letting residential rentals in the past year or so became more apparent. Business cost pressures continued to abate amid weak economic conditions, with wages increasing at a slower pace and commercial rentals softening further. Meanwhile, external price pressures subsided further. In tandem with the deep recession in the global economy, inflation rates in many of our key import sources eased visibly, and international commodity and energy prices recorded sharp declines. These developments, together with the continued strength of the Hong Kong dollar along with the US dollar against other major currencies in the second quarter, contributed to a widened year-on-year decline in import prices. The *headline consumer price inflation* also dropped from 2.0% to 1.3% over the same period. The lower headline inflation rate as compared to its underlying counterpart in the second quarter was mainly due to the Government's provision of additional electricity charge subsidy starting from January 2020.

1.12 The year-on-year rate of increase in the *GDP deflator* eased visibly from 2.8% in the preceding quarter to 1.0% in the second quarter. The terms of trade saw mild improvement as export prices recorded a slightly smaller decline than import prices. Taking out the external trade components, the domestic demand deflator rose by 0.9% in the second quarter, markedly slower than the 3.0% increase in the preceding quarter.

Diagram 1.4 : Consumer price inflation continued to ease in the second quarter



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

GDP by major economic sector

1.13 The net output of the services sector shrank sharply by 9.0% in real terms in the first quarter of 2020, after declines of 2.4% in the preceding quarter and 0.3% for 2019 as a whole, with almost all service sectors deteriorating visibly upon the onslaught of COVID-19. Analysed by major service sector, the net output of import and export trade registered an enlarged decline, weighed by serious disruptions to economic activities in the Mainland and the regional supply chains and related trading activity. The net output of transportation, storage, postal and courier services likewise tumbled. The net outputs of wholesale and retail trades as well as accommodation and food services plunged, as the threat of COVID-19 and resulting social distancing and travel restriction measures seriously disrupted consumption- and tourism-related activities, while austere labour market conditions weighed on consumer sentiment. The net output of professional and business services dipped further, whereas that of public administration, social and personal services turned to a decrease. The net output of real estate, which covers activities of private sector developers and property agencies, relapsed to a noticeable decline amid immense uncertainties about the impact of the pandemic. The major exceptions were financing and insurance and information and communications, whose net outputs posted modest increases, as the former was buttressed by buoyant financial market trading, whereas the latter may have benefited from the requirement for reduced people contact. As for the secondary sector, the net output of the construction sector saw an enlarged decline, and that of the manufacturing sector fell further.

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

	<u>2019</u>	<u>2019</u>				<u>2020</u>
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Manufacturing	0.4	1.4	0.4	0.5	-0.5	-4.6
Construction	-6.0	-3.5	-11.5	-2.5	-6.6	-12.1
Services ^(b)	-0.3	1.7	1.3	-1.7	-2.4	-9.0
Import/export, wholesale and retail trades	-6.2	-1.3	-3.8	-9.7	-8.4	-21.5
Import and export trade	-4.4	-0.9	-3.4	-7.6	-4.8	-12.9
Wholesale and retail trades	-13.8	-3.0	-5.4	-19.8	-23.8	-57.4
Accommodation ^(c) and food services	-9.2	2.7	-1.6	-14.1	-23.2	-47.6
Transportation, storage, postal and courier services	-1.6	2.4	1.9	-2.2	-8.1	-32.3
Transportation and storage	-1.5	2.9	2.2	-2.3	-8.1	-34.0
Postal and courier services	-4.6	-6.1	-4.2	1.3	-7.8	-0.5
Information and communications	4.7	4.8	5.8	5.4	2.8	1.6
Financing and insurance	2.8	2.3	3.1	3.3	2.4	2.7
Real estate, professional and business services	1.0	1.6	1.9	0.5	0.2	-4.6
Real estate	0.9	1.2	0.7	0.5	1.0	-6.8
Professional and business services	1.2	2.1	2.8	0.4	-0.5	-2.7
Public administration, social and personal services	2.9	3.6	3.6	2.0	2.5	-3.2

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.

Other economic developments

1.14 The Government has been implementing relief measures of unprecedented scale under the Anti-epidemic Fund (AEF) and the 2020-21 Budget at full steam to achieve the effect of safeguarding jobs, supporting enterprises and relieving people's financial burdens. As of early August, the Employment Support Scheme Secretariat had disbursed wage subsidies of about \$40.5 billion to almost 140 000 employers, covering about 1.75 million employees. Other subsidy schemes under the AEF have also been launched and opened for application, with disbursement of subsidy in progress. On the other hand, the Cash Payout Scheme started to disperse payment of \$10,000 to eligible registrants from early July, with almost six million residents having received the payment as of early August. These relief measures have provided some cushioning effects to the economy and the labour market, and paved the way for economic recovery.

1.15 In late June, the National People's Congress enacted the National Security Law for Hong Kong at the state level. The Law will ensure the continuous successful implementation of the "One Country, Two Systems" principle and help maintain an environment that is conducive to business and investment, thereby safeguarding the prosperity and stability of Hong Kong. In July, the US suspended different preferential treatment for Hong Kong, suspended export license exceptions for sensitive US technology and ended exports of controlled US-origin defence equipment to Hong Kong. While the US' policy changes may cause some disturbances to local business sentiment in the short term, the impact on Hong Kong's overall economic development should be manageable given our resilience, sound fundamentals and the market opportunities provided by the Mainland economy.

1.16 Hong Kong was ranked fifth globally in the *World Competitiveness Yearbook 2020* published by the International Institute for Management Development, down from second last year. Among the four competitiveness factors, Hong Kong's ranking in "Economic performance" dropped from 10th to 28th alongside the contraction of the economy in 2019. Hong Kong's rankings in "Government efficiency" and "Business efficiency" remained unchanged at first and second respectively, and that in "Infrastructure" improved to 14th, indicating that Hong Kong's core competitiveness remains intact. The Government is committed to enhancing the competitiveness and vibrancy of the Hong Kong economy, and will strive to maintain Hong Kong's competitive advantages and at the same time step up investment in infrastructure, and innovation and technology in order to add growth impetus to Hong Kong's economic development.

Notes :

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

	<u>2019</u> (%)	<u>2020</u>	
		<u>April round</u> (%)	<u>June round</u> (%)
World (PPP ^{##} weighted)	2.9	-3.0	-4.9
Advanced economies	1.7	-6.1	-8.0
US	2.2 [#]	-5.9	-8.0
Euro area	1.3 [#]	-7.5	-10.2
UK	1.5 [#]	-6.5	-10.2
Japan	0.7 [#]	-5.2	-5.8
Emerging market and developing economies	3.7	-1.0	-3.0
Emerging and developing Asia	5.5	1.0	-0.8
Mainland China	6.1 [#]	1.2	1.0
India [^]	4.2 [#]	1.9	-4.5
ASEAN-5 [§]	4.9	-0.6	-2.0
Middle East and Central Asia	1.0	-2.8	-4.7

- 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 economic fallout of the COVID-19 pandemic turned more severe in the second quarter of 2020. Many major economies including the US and the euro area contracted at an unprecedented pace amid the spread of the disease and the resultant restrictive measures imposed by the governments concerned. In contrast, the Mainland economy staged a sharp rebound as the epidemic situation there has been well contained since March. Meanwhile, almost all other Asian economies saw varying degrees of deterioration. In the latter half of the second quarter, as the pandemic abated, especially in the major European economies, and most governments gradually reopened their economies, global economic sentiment improved and economic activities showed signs of bottoming out. Yet, the surges in new infected cases in many places around the world since late June have renewed concerns about the global economic outlook.*
- *The year-on-year decline in Hong Kong's merchandise exports narrowed visibly to 3.5% in real terms⁽¹⁾ in the second quarter despite the deep global economic recession, mainly reflecting the swift resumption of production and other economic activities in the Mainland. Exports to the Mainland turned to a solid increase. Exports to the US and the EU fell at moderated rates. Exports to many other major Asian markets saw declines of varying degrees.*
- *Exports of services plunged further by a record 46.1% year-on-year in real terms in the second quarter. Exports of travel services came to a halt as inbound tourism was frozen by widespread travel restrictions. The decline in exports of transport services remained noticeable amid scant passenger traffic and subdued cargo flows. Exports of business and other services continued to register a double-digit decline, dragged by the austere global economic environment. Nonetheless, exports of financial services grew moderately thanks to active cross-border financial and fund-raising activities.*
- *Economic links with the Mainland strengthened further with the implementation of the Agreement Concerning Amendment to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) Agreement on Trade in Services. Separately, economic relations with ASEAN moved another step forward as the parts relating to Indonesia under the Free Trade Agreement (FTA) and the Investment Agreement (IA) between Hong Kong and ASEAN took effect in July.*

Goods trade

Total exports of goods

2.1 Hong Kong's *merchandise exports* fell by 3.5% year-on-year in real terms in the second quarter of 2020, much narrower than the plunge of 9.1% in the preceding quarter. While performance was constrained by the deep global economic recession, the swift resumption of production and other economic activities in the Mainland provided support.

2.2 The impact of the COVID-19 pandemic on the global economy turned more severe in the second quarter as the disease spread swiftly to most parts of the world and led to the governments concerned introducing stringent restrictive measures. The US economy shrank precipitously, with the unemployment rate surging in April to the highest since the 1930s and staying at double digit level through the quarter. The economy of the euro area contracted at an historic rate. Economic activity in Japan likewise plummeted, and many other Asian economies saw further deterioration. Regional trade flows slackened further. Yet, as the epidemic in the Mainland had been well contained since March, the economy staged a sharp rebound.

2.3 In the latter half of the second quarter, the pandemic abated in many major economies, especially those in Europe, and most governments gradually reopened their economies (see **Box 2.1**). As a result, global economic sentiment improved, and economic activities in the US and the euro area showed signs of bottoming out. Global financial markets rebounded sharply, with most of the major stock indices largely recouping their earlier losses at end-June. Yet, the surges in new infected cases in many places around the world since June suggested that the global economic outlook would continue to be under threat until an effective vaccine or treatment for the disease is developed. In view of the severe impacts of COVID-19 in the first half of the year and envisaged slower recovery in the second half, in June the International Monetary Fund (IMF) revised down its global economic growth forecast for 2020 further to -4.9%, from -3.0% as forecast in April.

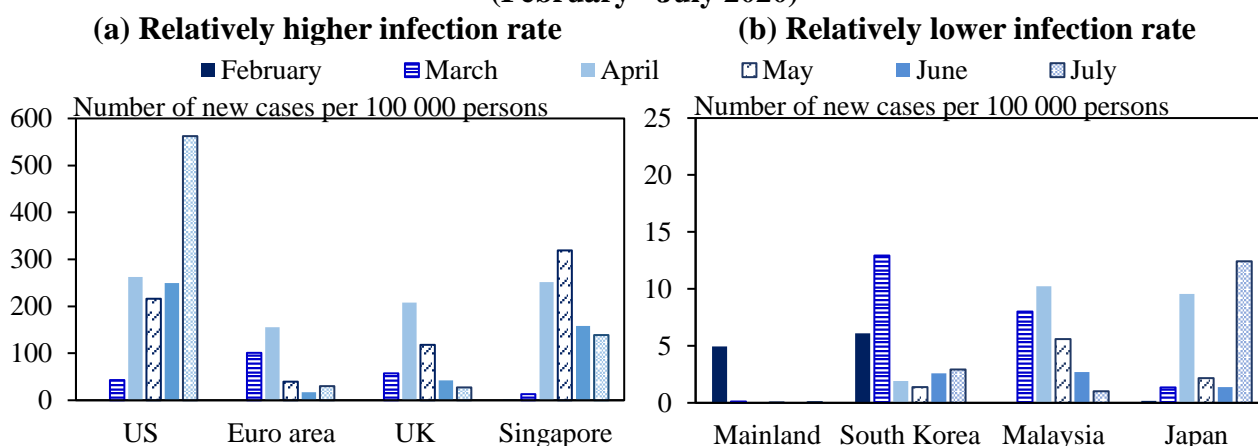
Box 2.1

Reopening of major economies amid the COVID-19 pandemic

The COVID-19 pandemic has hit the global economy like no other crisis in the past century. The large scale lockdowns and social distancing measures imposed, first by the Mainland in late January and then by many governments in March, severely disrupted production activities and global supply chains, and also led to sharp deceleration or even shuttering of economic activities worldwide. Yet, the process of reopening in major economies has already begun, with the Mainland leading the way by the end of the first quarter and the US, Europe, and other major economies in Asia following suit as their circumstances have allowed. These developments, together with the swift introduction of massive response measures by governments and central banks to support citizens and enterprises affected by the pandemic (see **Box 2.1** in the *First Quarter Economic Report 2020*), have led to a turnaround in business sentiment from the deep lows seen in April.

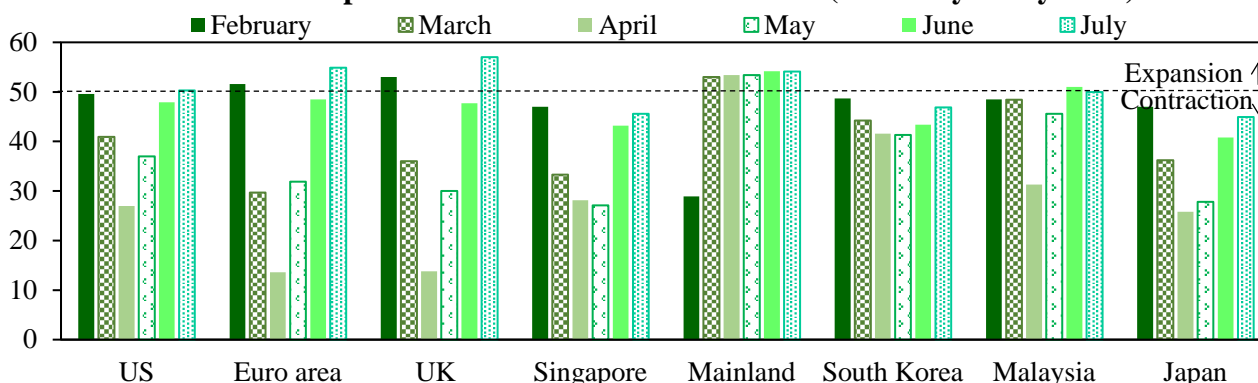
Chart 1 depicts the movements of new COVID-19 cases per 100 000 persons in selected economies in recent months, hence shedding some light on the evolution of the pandemic. Specifically, the number of new cases peaked in the Mainland in February, followed by South Korea in March, Europe and Malaysia in April, and then Singapore in May. Of particular note are the renewed increases in new cases in a number of major economies since reopening. For instance, those in the US and Japan surged to new highs in July. As for sentiment, **Chart 2** shows that PMIs in many economies began to improve at the first sign of reductions in new cases, with some returning to expansionary territory.

Chart 1: Number of new COVID-19 cases per 100 000 population in selected economies (February - July 2020)



Sources: National Health Commission of the People’s Republic of China, Department of Health and Social Care of the UK and the World Health Organization.

Chart 2: Composite PMIs* of selected economies (February - July 2020)



Note: (*) Manufacturing for South Korea and Malaysia.
Sources: National Bureau of Statistics of China and IHS Markit.

Box 2.1 (Cont'd)

With neither a vaccine nor effective treatment yet available, the near-term global economic outlook is still vulnerable to the spread of COVID-19. Policymakers need to strike a balance between the benefits of a quick and large-scale resumption of economic activities and the potential risk of occasional outbreak that may trigger a return to lockdowns. On balance, the recovery of the global economy may be slow and bumpy, with geopolitical tensions and evolving China-US relations casting further shadows. In June, the IMF forecast a 4.9% contraction for the global economy in 2020 and added that the outlook hinges much on the development of the pandemic.

Thanks to the extensive epidemic prevention measures undertaken by the authorities in late January, the **Mainland** successfully contained the spread of COVID-19 at a relatively early stage. Most factories and workplaces have resumed full operations entering the second quarter of 2020, while shops and restaurants have also reopened. A health code system has been in place to facilitate movements of people within the Mainland. With that said, the authorities have been staying vigilant against a possible recurrence of the epidemic. Externally, the Mainland remains closed to most foreigners in order to mitigate risks from imported cases of infection. Airlines, hotels and tourist sites are also subject to various capacity restrictions. Targeted epidemic controls can be readily imposed at designated areas should there be any local flare-ups.

The solid recovery of the Mainland economy following its reopening is reflected in the recent improvement of various economic indicators. In the second quarter of 2020, the Mainland economy staged a sharp rebound to grow by 3.2% year-on-year, having recorded its largest ever contraction of 6.8% in the first quarter. The industrial sector performed notably better with real growth of 4.4%, indicating the positive impact of production resumption. Fixed asset investment likewise picked up, and retail sales saw a visibly narrower decline relative to the first quarter.

In the **United States**, all fifty states reopened at various paces and scales following President Trump's announcement on reopening by phases in late April. To facilitate the process, state governments released safety guidelines for industries and individuals such as limiting building occupancy and requiring employees to wear facemasks. By May, the vast majority of states had lifted "shelter-in-place" and "stay-at-home" orders, though strict social distancing requirements remained in effect; some businesses were also allowed to reopen. By sector, manufacturing firms were among the first to reopen. Restaurants, retail stores, hairdressers and entertainment venues such as theatres and stadiums resumed operation in the majority of states by June under certain sanitation and social distancing protocols. Other key sectors such as agriculture and livestock, food packing, logistics and public transport also reopened under certain guidelines. However, the number of new COVID-19 cases bounced back as the reopening progressed, with the single day count surpassing April's high in late June and remaining elevated through July. In response, some states paused or returned to previous restrictions. For instance, bars were closed down again in Texas and parts of California while New Jersey held back from resuming indoor dining. Externally, travel restrictions remain in place and the closure of the US-Canadian border has been extended to mid-August.

Reflecting these developments, a number of economic indicators recovered from extreme lows in April. Having plunged by 19.9% in April, retail sales in the US saw a visibly narrower year-on-year decline of 5.6% in May and returned to modest growth of 1.1% in June. Industrial production likewise bottomed out in April, though it remained 10.8% lower in June as compared to a year earlier. On the labour market, the unemployment rate eased from 14.7% in April to 13.3% in May and further to 11.1% in June, thanks to the addition of some 7.5 million non-farm jobs in the latter two months. Nevertheless, advance estimates indicated that the US economy shrank sharply by 9.5% year-on-year in the second quarter, the largest fall for a single quarter on record.

Box 2.1 (Cont'd)

In Europe, on 10 March, Italy was the first to impose a nationwide lockdown. As the pandemic intensified across Europe, other economies followed suit with travel bans, social-distancing measures and other restrictions to curb the spread of the disease.

As the epidemic became more contained in April, Europe started to plan for reopening. To facilitate a coordinated exit strategy and prepare ground for comprehensive recovery, the European Commission (EC) issued a “Joint European Roadmap towards lifting COVID-19 containment measures” on 15 April 2020. The Roadmap called for a gradual, phased restart in economic activities, and for general restrictive measures to be progressively replaced by targeted ones. In accordance with the EC’s recommendations, Germany introduced an “emergency brake” mechanism to reinstate restrictions in case of a new surge, and France implemented a geographical system where stricter rules apply in regions where the virus is highly active.

Germany was able to restart some of its economic activities after less than a month, while Italy, France, and the UK started to unwind their lockdown measures from early May. Shops and factories were typically among the first to reopen, followed by restaurants, bars and hairdressers, and other entertainment venues such as cinemas. By mid-June, most restrictions had been lifted (though some were reinstated to contain regional outbreaks), including those on cross-border travel between EU member states. Some EU member states started lifting travel restrictions for selected economies outside the bloc starting from July.

Economic sentiment for the euro area has improved substantially since reopening. The composite Markit PMI improved notably in May from its record low in April, and returned to the expansionary zone by July (see *Chart 2*). Industrial production and retail sales also gradually recovered.

For other major economies in Asia, the epidemic had diverse developments and thus varying approaches to reopening were adopted. In Singapore where a relatively high infection rate was seen, a strict lockdown was implemented in early April. Later on, economic activities that did not pose a high risk of transmission were permitted to resume from 2 June. Restrictions were further lifted with shops reopened and dining in at restaurants allowed since 19 June. South Korea did not impose a widespread lockdown or restrict movements of the public, but imposed stringent social distancing rules alongside aggressive testing and contact tracing to contain the virus. The nationwide social distancing rules were lifted in early May, but had to be re-imposed in certain areas after a surge in new cases. Malaysia implemented a movement control order in mid-March, which was relaxed in phases in May and June. In Japan, a state of emergency was declared in April to encourage people to avoid unnecessary trips and non-essential businesses to close, but was lifted in May as signs of infection slowed.

The latest indicators in these Asian economies remained meagre. Manufacturing PMIs showed signs of bottoming out in May and June, but industrial production and exports were still weak. Retail sales generally recovered more visibly in June, but unemployment rates stayed elevated.

Conclusion

While lockdown and social distancing measures are necessary to save lives at the peak of the pandemic, these measures have come with high social and economic costs and inevitably affected the livelihoods of many. Apart from rolling out massive support measures to counter the adverse impacts of the pandemic, governments have successively taken steps to reopen the economies according to their own circumstances. The renewed surge in new infection cases in some economies since June suggests that amid the lingering threat of COVID-19 on a global scale, governments around the world have to stay vigilant in relaxing various restrictive measures, and always be prepared to re-tighten their grips as and when necessary. Against this backdrop, it will take time for a sustained global economic recovery to take hold.

2.4 To help both businesses and individuals endure the economic pains, central banks and governments around the world stepped up policy support in the second quarter. On the monetary front, the US Federal Reserve (Fed) expanded the scope and eligibility for the Main Street Lending Program to support the credit flow to small and medium-sized businesses. The European Central Bank raised the size of Pandemic Emergency Purchase Programme to purchase sovereign bonds and corporate debts, and extended the horizon for the purchase to at least June 2021. Central banks in emerging markets such as India, Indonesia, Malaysia, the Philippines, Thailand, Brazil and Russia further lowered their benchmark interest rates by varying degrees. On the fiscal front, in June the US government began to deliberate a massive infrastructure plan to stimulate the economy, and subsequently also contemplated on a fresh round of direct payments to families. On 21 July, European Union (EU) leaders agreed on a €750 billion instrument known as “Next Generation EU”, with a view to jump-starting Europe’s recovery and providing support to the parts of the economy that need it most. Subject to passage by the European Parliament, €390 billion of the recovery instrument will be distributed as grants and €360 billion as loans.

2.5 On trade tensions, the Mainland and the US continued to work towards the implementation of the Phase One trade agreement signed in mid-January 2020. Yet, China-US relations have turned increasingly tense. Specific to Hong Kong, in mid-July 2020, US President Trump signed the “Hong Kong Autonomy Act” into law and issued an executive order to suspend or eliminate different and preferential treatment for Hong Kong under US law. Separately, trade tensions between the US and Europe escalated, as the US announced a list of European products that could be subject to additional tariffs following disputes over the aircraft subsidy. The US also announced in early July additional tariffs on French goods in response to France’s digital services tax, but a 180-day suspension was granted to allow for further negotiations. On Brexit, while both the EU and the UK still aimed at concluding and ratifying a deal before end-2020, little progress has been made in recent months.

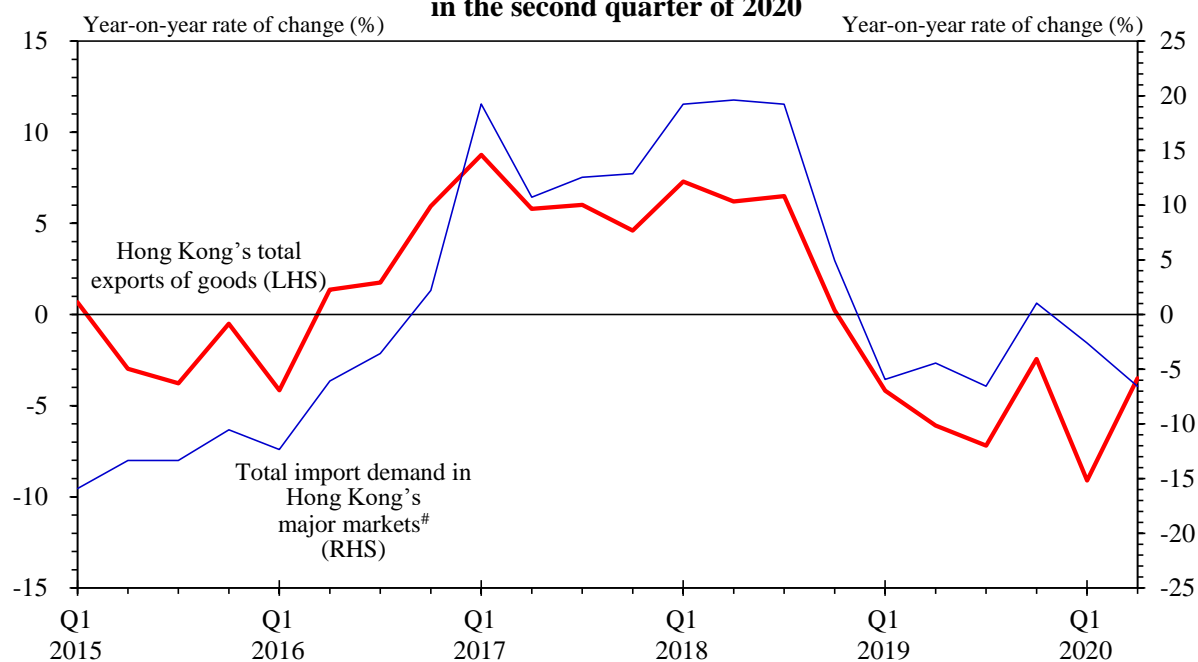
**Table 2.1 : Total exports of goods
(year-on-year rate of change (%))**

	In value terms	In real terms ^(a)		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
Q2	-4.3	-3.5	(5.5)	-1.0

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*.

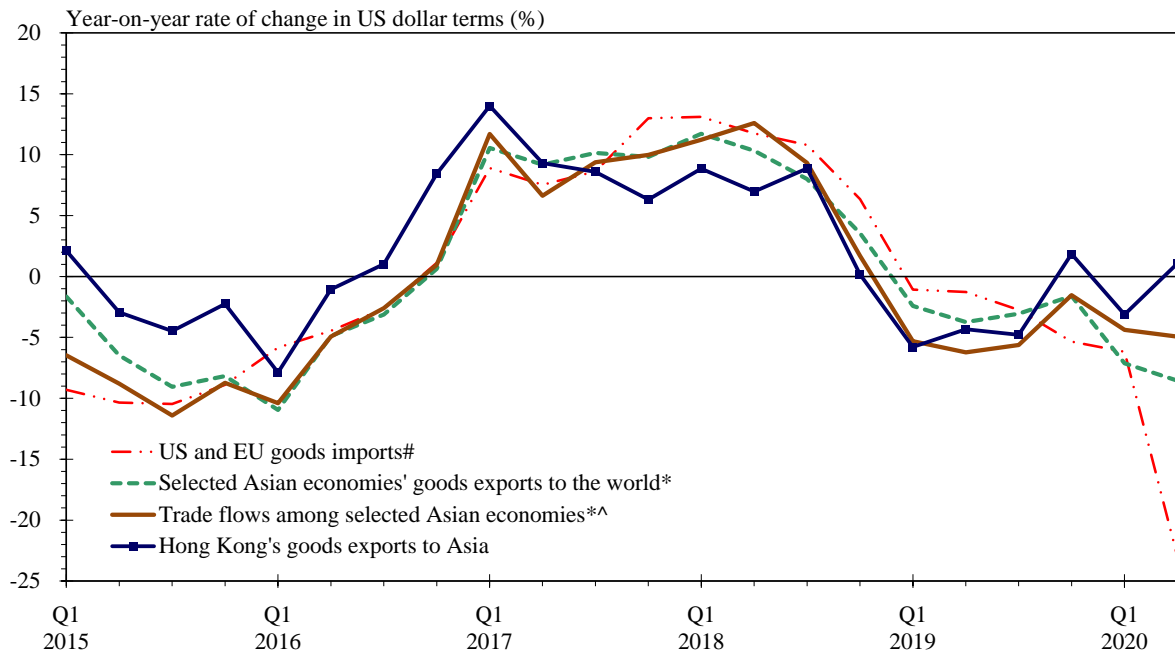
**Diagram 2.1 : Merchandise exports fell at a visibly narrower pace
in the second quarter of 2020**



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.

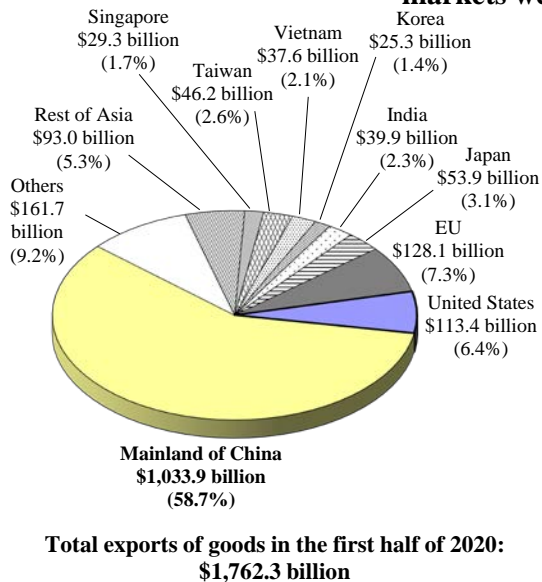
(#) Import demand figure for the EU for the second quarter of 2020 is based on information available as of early August 2020.

Diagram 2.2 : Regional trade flows slackened further amid a sharp fall-off in global demand and production disruptions in many Asian economies

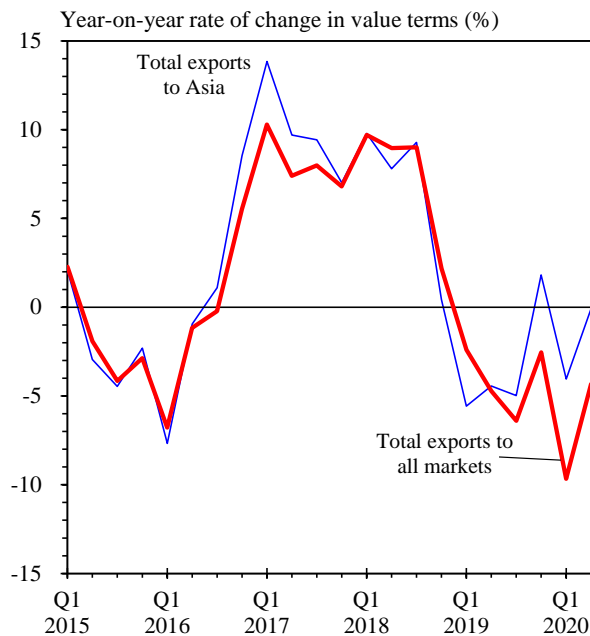


- Notes :
- (*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.
 - (^) The trade flows were measured by the sum of the individual economies’ exports of goods to the other nine economies within the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

Diagram 2.3 : Exports to the Mainland turned to a solid increase, while those to other markets were generally subdued



Note : Figures in brackets are individual markets' percentage shares in total exports of goods.



**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>2020</u>	
			<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Mainland of China	-5.1	-8.9	-7.7	-7.2	2.9	-2.2	5.8
United States	-15.5	-9.9	-14.4	-15.3	-21.5	-25.9	-17.5
European Union [#]	-7.4	6.5	-4.2	-13.4	-15.7	-24.4	-9.0
India	-11.7	-28.6	-1.5	-12.7	-0.9	-0.1	-43.3
Japan	-7.5	-5.8	-7.3	-3.6	-13.1	-15.7	-1.6
Taiwan	4.1	-10.1	-3.2	23.9	9.5	0.7	20.2
Vietnam	-4.2	-1.6	-6.6	-3.3	-5.1	5.4	-1.2
Singapore	8.2	22.5	10.3	-0.1	2.5	-14.8	-23.1
Korea	-0.2	4.7	10.0	-5.2	-8.6	-8.9	-10.8
Overall*	-5.0	-4.2	-6.1	-7.2	-2.4	-9.1	-3.5

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*.

(#) 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 10.9% in real terms in the second quarter of 2020 from a year earlier.

2.6 Analysed by major market, merchandise exports to the US and the EU continued to fall sharply in the second quarter, mirroring the weak import demand there amid the deep economic recession. Yet, the rates of decline narrowed, especially for re-exports of Mainland origin to these two markets including those affected by US additional tariffs⁽²⁾, as the Mainland's production activities largely resumed.

2.7 Exports to Asian markets showed diverse performance. Exports to the Mainland turned to a solid increase in the second quarter, alongside the swift resumption of production and other economic activities there. Exports to Japan fell modestly after two straight quarters of noticeable decline, thanks to rebounds in exports of capital goods, and raw materials and semi-manufactures. Exports to Taiwan picked up notably. On the other hand, exports to India, Singapore and Korea fell sharply while those to Vietnam relapsed to a decrease, reflecting their subdued economic performance and in some cases disruptions to their production activities due to COVID-19.

Diagram 2.4 : Exports to the Mainland turned to a solid increase

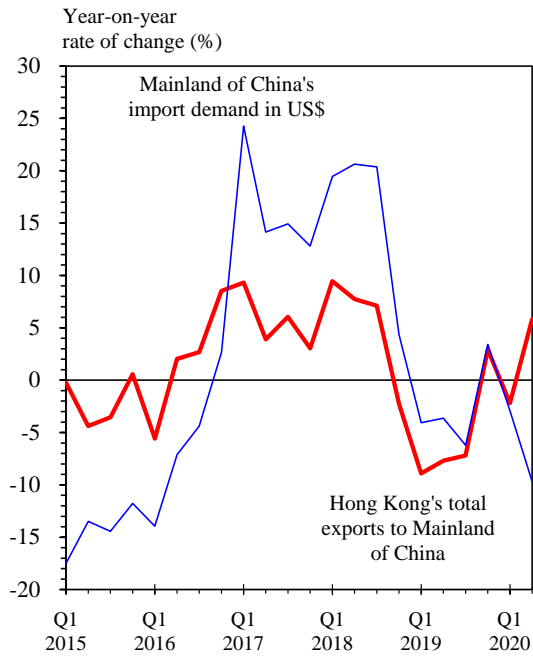
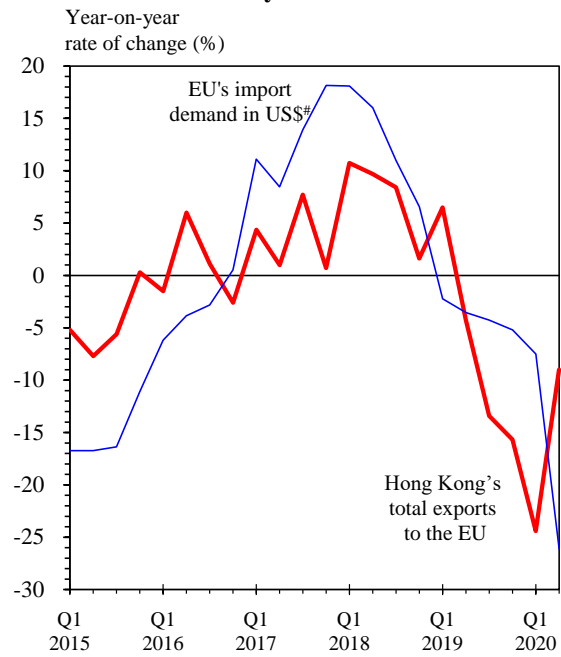


Diagram 2.5 : Exports to the EU recorded a much narrower yet still notable decline



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

Diagram 2.6 : Exports to the US continued to plunge, though at a less rapid pace

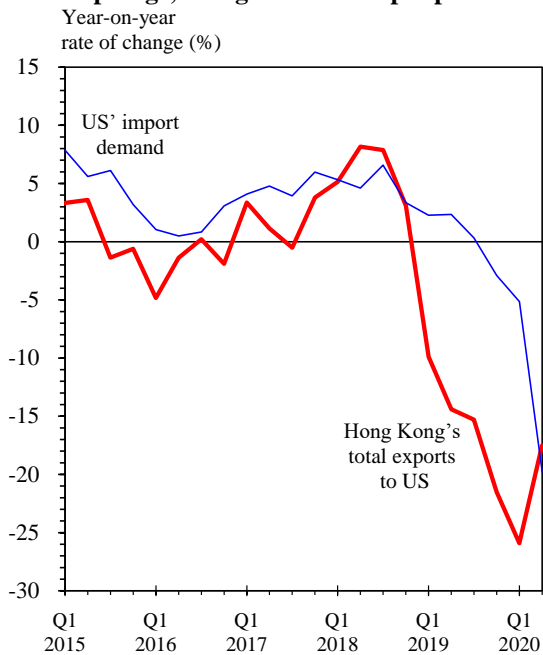


Diagram 2.7 : Exports to Japan fell modestly

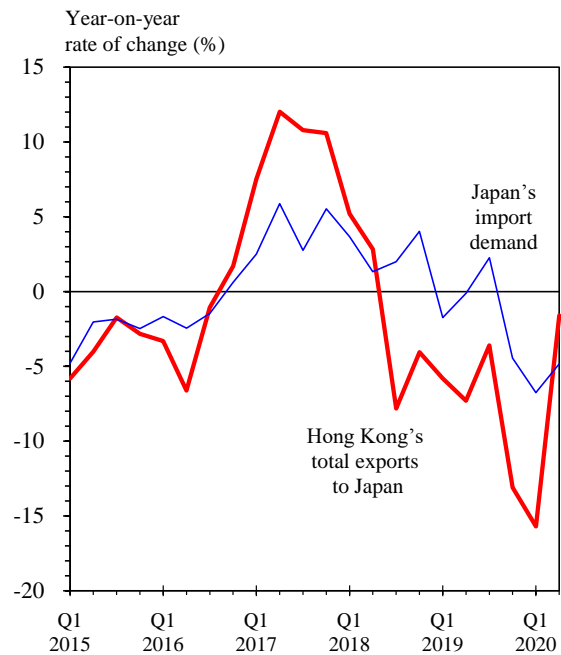


Diagram 2.8 : Exports to India recorded a drastic decline

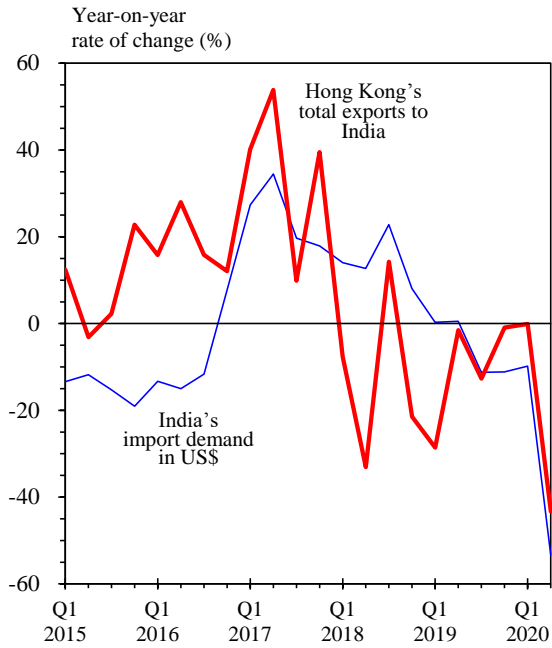


Diagram 2.9 : Exports to Taiwan picked up notably

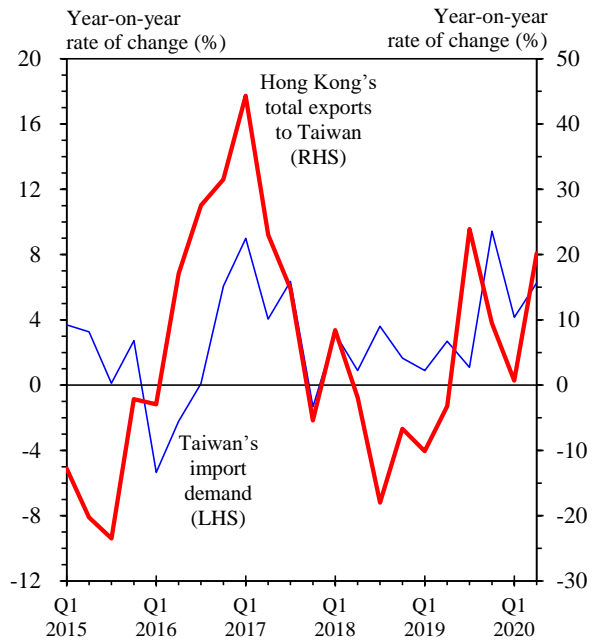


Diagram 2.10 : Exports to Korea fell sharply

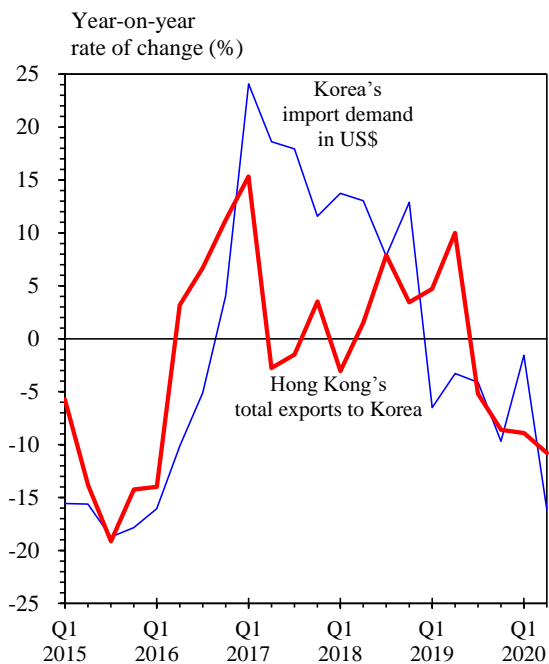
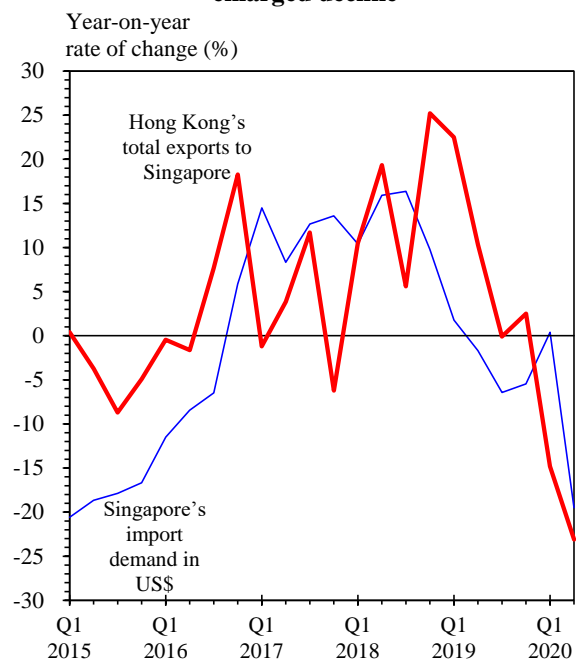


Diagram 2.11 : Exports to Singapore saw a visibly enlarged decline



Imports of goods

2.8 *Imports of goods* recorded a year-on-year decline of 7.6% in real terms in the second quarter, after decreasing by 9.6% in the preceding quarter. *Retained imports*, which refer to imports for domestic use and accounted for around one-quarter of total imports in 2019, tumbled by 20.7% in real terms from a year earlier in the second quarter, reflecting the heavy drag on domestic demand amid austere economic conditions and the threat of COVID-19. Imports for subsequent *re-exports*⁽³⁾ also fell further in tandem with the weakness in exports.

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

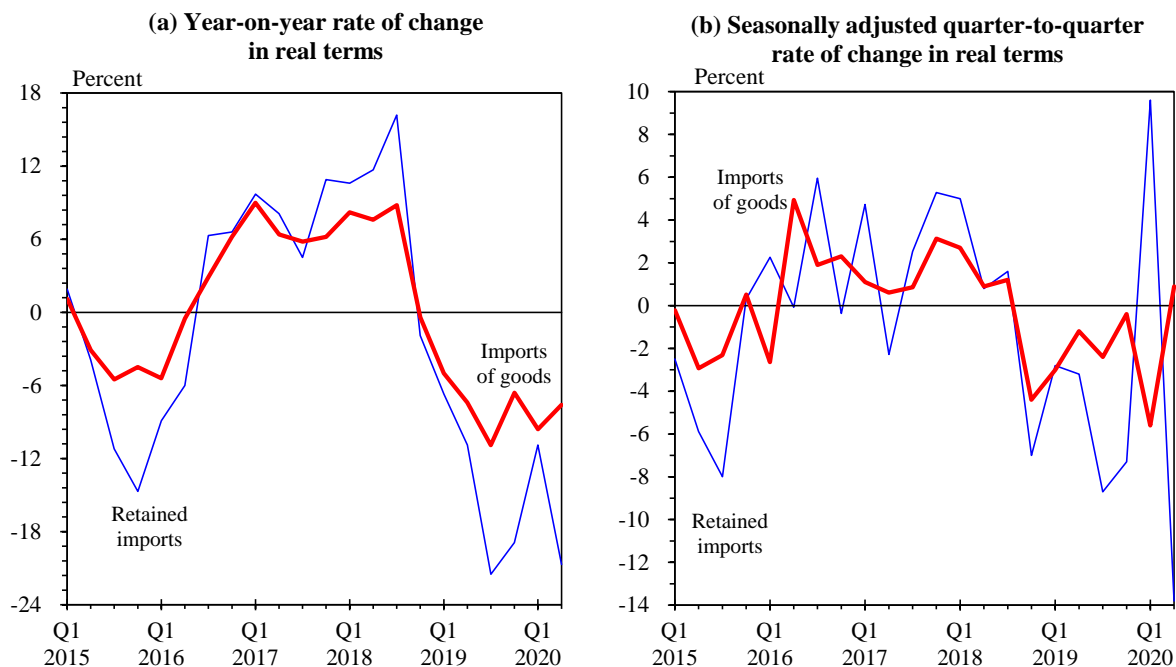
		<u>Imports of goods</u>			<u>Retained imports</u> ^(a)				
		<u>In value terms</u>	<u>In real terms</u> ⁽⁺⁾	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>		
2019	Annual	-6.5	-7.6	1.3	-17.4	-14.7	-3.4		
	Q1	-3.2	-5.0	(-3.0)	2.2	-9.1	-6.7	(-2.8)	-2.5
	Q2	-5.7	-7.4	(-1.2)	1.9	-12.6	-10.9	(-3.2)	-2.6
	Q3	-10.1	-10.9	(-2.4)	1.0	-24.4	-21.5	(-8.7)	-3.9
	Q4	-6.5	-6.6	(-0.4)	0.1	-22.3	-18.9	(-7.3)	-4.0
2020	Q1	-10.0	-9.6	(-5.6)	-0.4	-10.9	-10.5	(9.6)	0.1
	Q2	-8.8	-7.6	(0.9)	-1.0	-23.2	-20.7	(-13.8)	-1.9

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 further in the second quarter



Services trade

Exports of services

2.9 *Exports of services* plunged by a record 46.1% year-on-year in real terms in the second quarter, widening from the 37.4% decline in the preceding quarter. Exports of travel services came to a halt as inbound tourism was frozen by widespread travel restrictions amid the severe threat of COVID-19. The decline in exports of transport services remained noticeable amid scant passenger traffic and subdued cargo flows. Exports of business and other services continued to register a double-digit decline, dragged by the austere global economic environment. Nonetheless, exports of financial services grew moderately thanks to active cross-border financial and fund-raising activities.

Diagram 2.13 : The contribution from travel services to total exports of services almost dissipated as inbound tourism was at a standstill

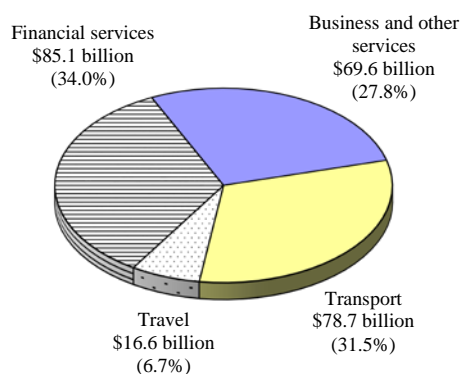


Diagram 2.14 : Exports of services plunged further in the second quarter

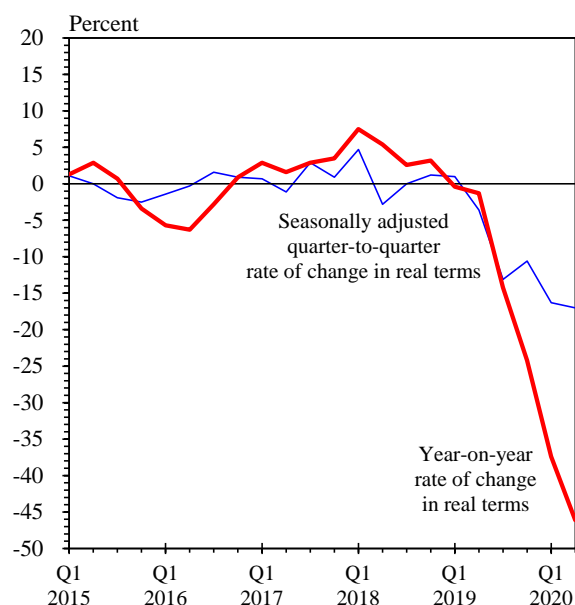


Table 2.4 : Exports of services by major service group (year-on-year rate of change in real terms (%))

		<i>Of which :</i>				
		<u>Exports of services</u>	<u>Transport</u>	<u>Travel^(a)</u>	<u>Financial services</u>	<u>Business and other services</u>
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	-37.4 (-16.3)	-32.2	-80.6	1.3	-13.7
	Q2	-46.1 (-17.0)	-37.7	-97.1	4.0	-13.8

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*.

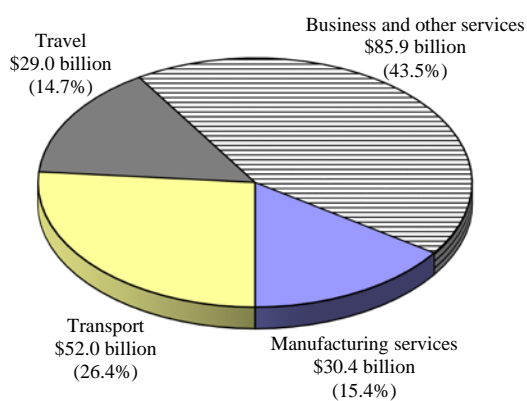
(a) Comprising mainly inbound tourism receipts.

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

Imports of services

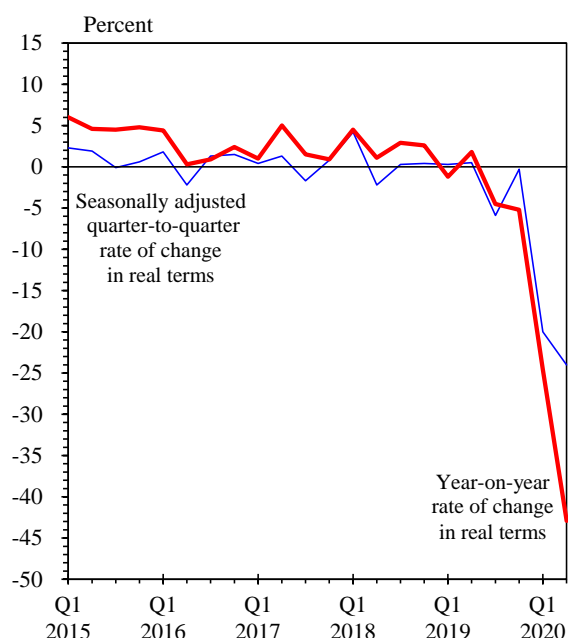
2.10 *Imports of services* plummeted by 42.9% year-on-year in real terms in the second quarter, after registering a 24.5% decline in the preceding quarter. Imports of travel services dived as outbound tourism came to a halt amid continued travel restrictions and quarantine measures. Imports of transport services recorded an enlarged decline as passenger flows plunged and cargo flows remained subdued. Imports of business and other services fell further amid the deep global recession. Meanwhile, the decline in imports of manufacturing services remained visible, reflecting the slack in outward processing activities.

Diagram 2.15 : The share of travel services plunged amid continued travel restrictions and quarantine measures



**Imports of services in the first half of 2020:
\$197.3 billion**

Diagram 2.16 : Imports of services plummeted in the second quarter



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

Of which :

		<u>Imports of services</u>	<u>Travel⁽⁺⁾</u>	<u>Transport</u>	<u>Manufacturing services^(^)</u>	<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	-24.5(-20.0)	-48.8	-19.7	-22.3	-4.7
	Q2	-42.9(-24.0)	-93.1	-25.5	-20.5	-3.2

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 second quarter narrowed from a year earlier, as the decline in goods imports outpaced that of goods exports. Over the same period, the services surplus shrank. As the services surplus was larger than the goods deficit, the combined goods and services account registered a surplus of \$5 billion in the second quarter of 2020, equivalent to 0.4% of total import value, as compared to the deficit of \$22 billion (or 1.8% of total import value) in the second 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	902	144	951	113	-49	31	-18	-1.7
	Q2	998	106	1,015	85	-17	22	5	0.4

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*.

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

(#) Within \pm \$0.5 billion.

Other developments

2.12 Economic links with the Mainland strengthened further with the implementation of the Agreement Concerning Amendment to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) Agreement on Trade in Services (Amendment Agreement) in June. The Amendment Agreement further enhances the Mainland's level of liberalisation on trade in services for Hong Kong and lowers the market access thresholds in the Mainland for Hong Kong service suppliers. It also introduces new liberalisation measures in a number of important services sectors such as legal services, construction and related engineering services, financial services, testing and certification, television and motion pictures. The new measures make it easier for Hong Kong service suppliers to set up enterprises and develop business in the Mainland, allow more Hong Kong professionals to obtain qualifications to practise in the Mainland and more of Hong Kong's quality services to be provided to the Mainland market.

2.13 Economic relations between Hong Kong and ASEAN moved another step further. The parts relating to Indonesia under the FTA and the IA between Hong Kong and ASEAN took effect on 4 July. With its entry into force, there are a total of eight ASEAN member states (viz. Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) for which both the FTA and the IA have taken effect. The two agreements are comprehensive in

scope and will create new business opportunities and further enhance trade and investment flows between Hong Kong and ASEAN.

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 from a year-on-year increase of 7.8% in the first three quarters of 2018 to a decline of 3.4% in the fourth quarter of the year, and plunged by 23.8% for 2019 as a whole. It fell by 35.6% and 24.5% respectively in the first and second quarter of 2020. The declines of these affected re-exports were still much larger than those of Hong Kong's total exports to all markets in the first and second quarter of 2020, at 9.7% and 4.3% respectively.
- (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

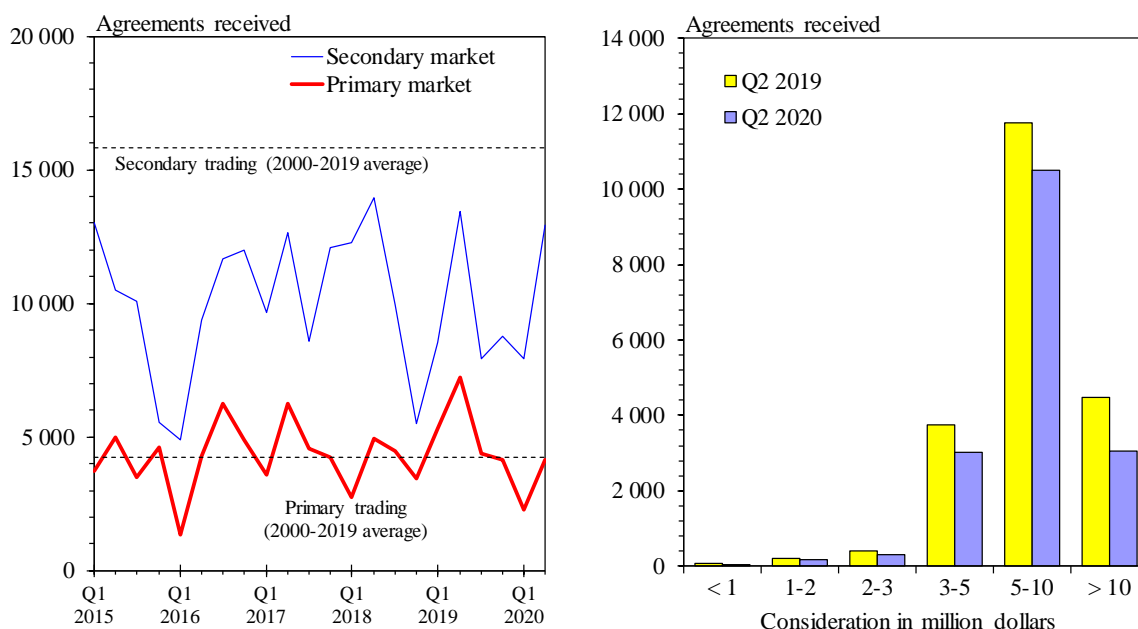
- *The residential property market turned active in the second quarter after a lull in the preceding quarter, supported by declining interest rates amid massive monetary stimulus around the world and the gradual stabilisation of the local COVID-19 situation during the quarter. Trading activities picked up notably from a very low level in the preceding quarter, while flat prices recorded a moderate increase of 2% 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 stay at a high level of 92 000 units as estimated at end-June.*
- *The commercial and industrial property markets stayed subdued in the second quarter amid austere local economic conditions. Trading activities remained quiet, though rebounding somewhat from the extremely low levels in the preceding quarter. Prices and rentals for major market segments remained generally soft.*
- *The tourism sector remained at a standstill in the second quarter, as the threat of the COVID-19 pandemic and the consequential stringent travel restrictions continued. Overall visitor arrivals were at a scanty 26 900 in the second quarter, 99.8% below its year-ago level.*
- *Dragged by weak global and regional trade flows, the logistics sector remained lacklustre in the second quarter but saw some improvement over the preceding quarter. Total container throughput declined by another 2.7% from a year earlier, and air freight throughput by 8.4%.*

Property

3.1 The *residential property market* turned active in the second quarter after a lull in the preceding quarter. Declining interest rates amid massive monetary stimulus around the world and the gradual stabilisation of the local COVID-19 situation during the quarter rendered support to market sentiment. Trading activities picked up notably from a very low level in the preceding quarter, while flat prices recorded a moderate increase during the quarter.

3.2 Amid the generally positive market sentiment, the total number of sale and purchase agreements for residential property received by the Land Registry surged by 67% over the low level in the preceding quarter to 17 073 in the second quarter, though still 17% lower than a year earlier when the market was very buoyant. Within the total, primary and secondary market transactions soared by 84% and 63% respectively over the preceding quarter. In parallel, total consideration rose sharply by 74% to \$151.3 billion. For the first half of 2020 as a whole, the number of S&P agreements rose by 8% over the second half of 2019 to 27 277, and total consideration by 4% to \$238.2 billion.

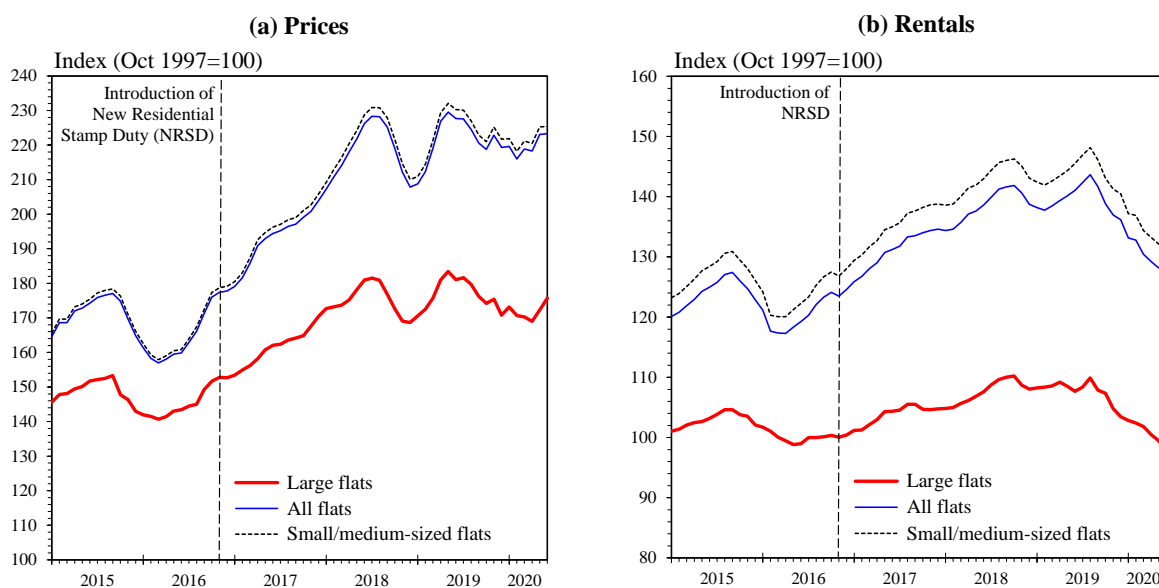
Diagram 3.1 : Trading activities picked up notably in the second quarter



3.3 Flat prices on average increased by 2% between March and June, after showing little change during the preceding quarter. Analysed by size, prices of small/medium-sized flats and large flats rose by 2% and 3% respectively. Flat prices in June rose by 2% over December 2019, but were still 3% lower than the recent peak in May 2019.

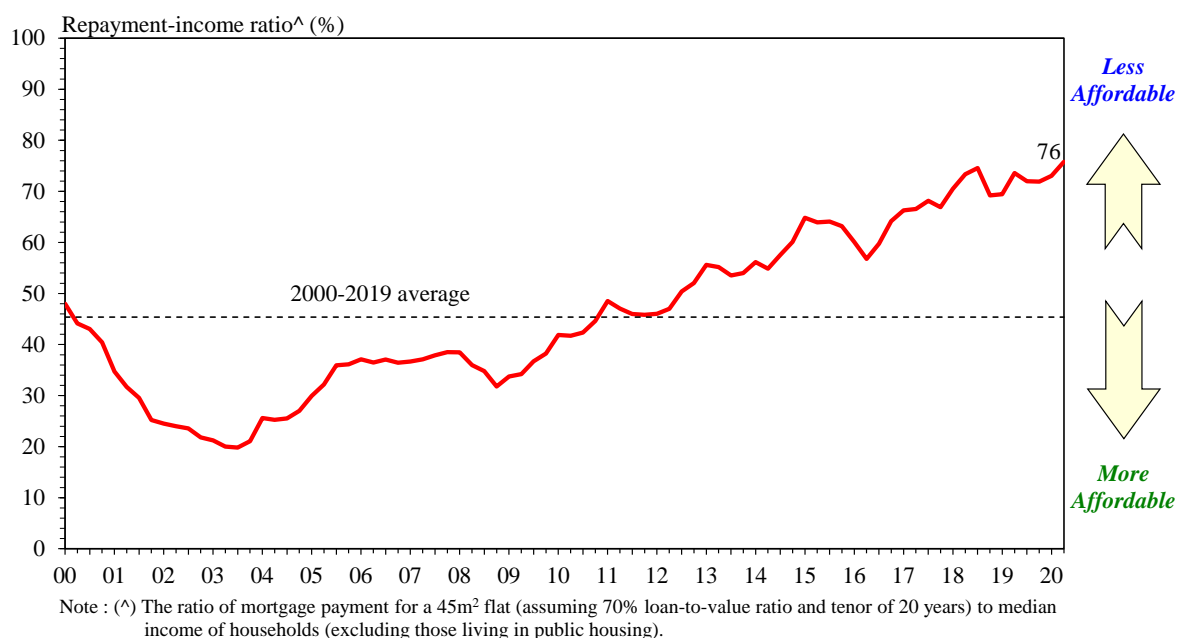
3.4 Following the noticeable declines in the preceding two quarters, flat rentals on average edged down by 1% during the second quarter, with the increase in June partially offsetting the decreases in April and May. Analysed by size, rentals of small/medium-sized flats and large flats fell by 1% and 4% respectively. Flat rentals in June were 5% lower than in December 2019, and 10% below the peak in August 2019. Reflecting the movements of prices and rentals, the average rental yield for residential property edged down from 2.3% in March to 2.2% in June.

Diagram 3.2 : Flat prices increased during the second quarter, while rentals edged down



3.5 As a result of the increase over the years, flat prices in June 2020 exceeded the 1997 peak by 123%. 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) worsened to around 76% in the second quarter, significantly above the long-term average of 45% over 2000-2019⁽¹⁾. Should interest rates rise by three percentage points to a more normal level, the ratio would soar to 98%.

Diagram 3.3 : The index of home purchase affordability worsened



3.6 Raising flat supply through increasing land supply is a policy priority of the Government. In June, the Government announced to put up two residential sites for sale in the third quarter, which are capable of providing about 160 units 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 the first half of 2020-21 is estimated to have a capacity to produce about 4 300 units.

3.7 Reflecting the Government’s sustained efforts in raising land supply, the *total supply of flats* in the private sector in the coming three to four years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) would stay at a high level of 92 000 units as estimated at end-June. Another 4 100 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.

3.8 Over the past several years, the Government has also implemented demand-management and macro-prudential measures to dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market⁽²⁾. 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 46 cases per month or 0.8% of total transactions in the second quarter, well below the monthly average of 2 661 cases or 20.0% in January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty). Reflecting the effects of the Buyer’s Stamp Duty, *purchases by non-local individuals and non-local companies* also stayed low at 16 cases per month or 0.3% of total transactions in the second quarter, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities*, purchases subject to the New Residential Stamp Duty stayed at a modest level of 186 cases per month or 3.0% of total transactions in the second quarter, markedly lower than the monthly average of 1 412 cases subject to Double Stamp Duty or 26.5% in January to November 2016. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 58% in the second quarter, likewise 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

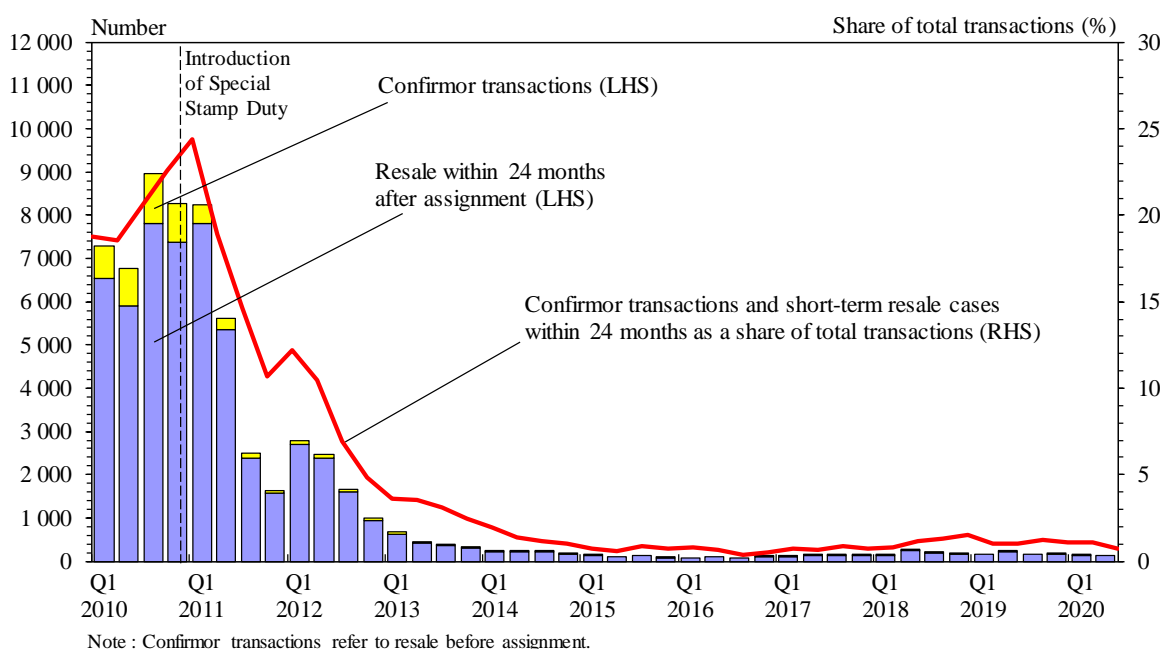


Diagram 3.5 : Purchases by non-local buyers stayed low

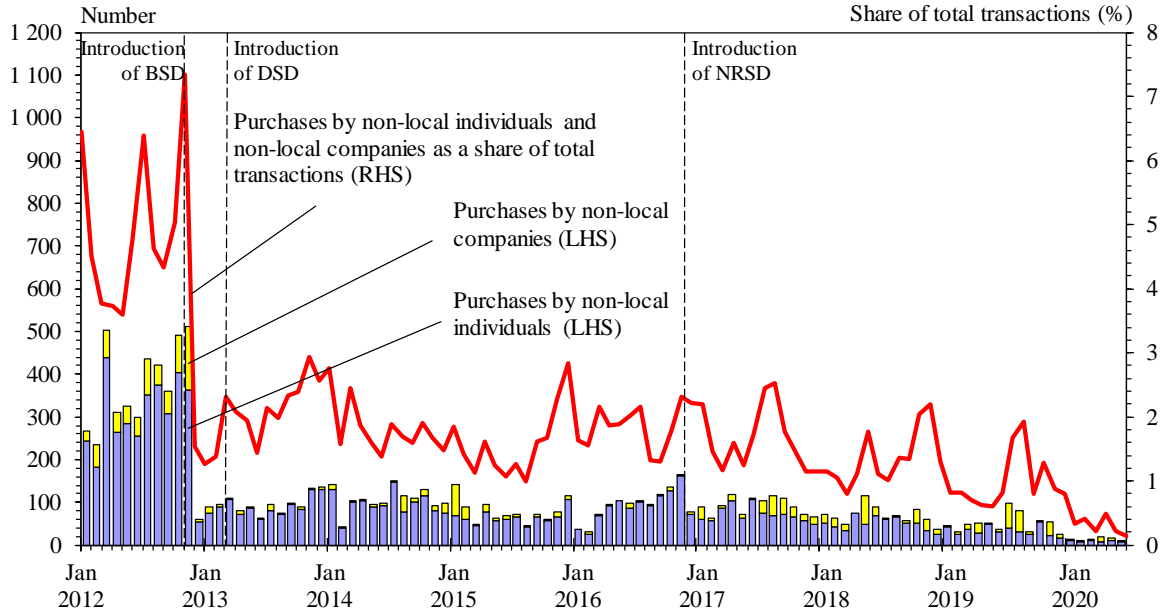
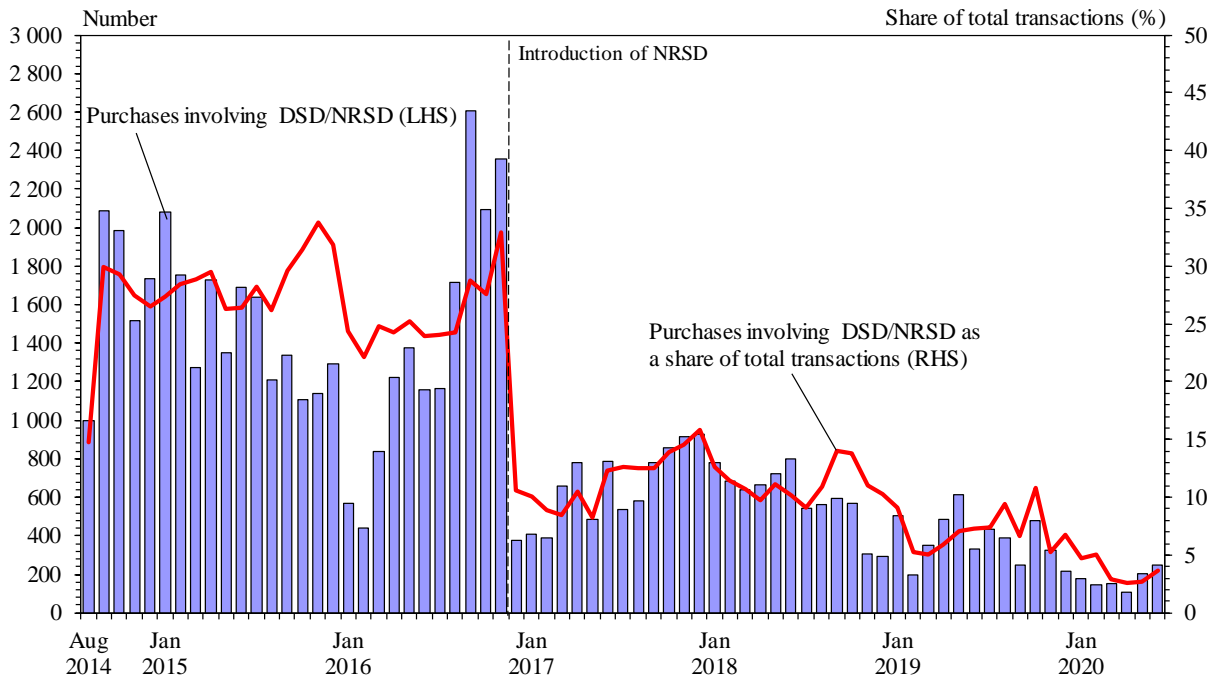


Diagram 3.6 : Investment activities were modest



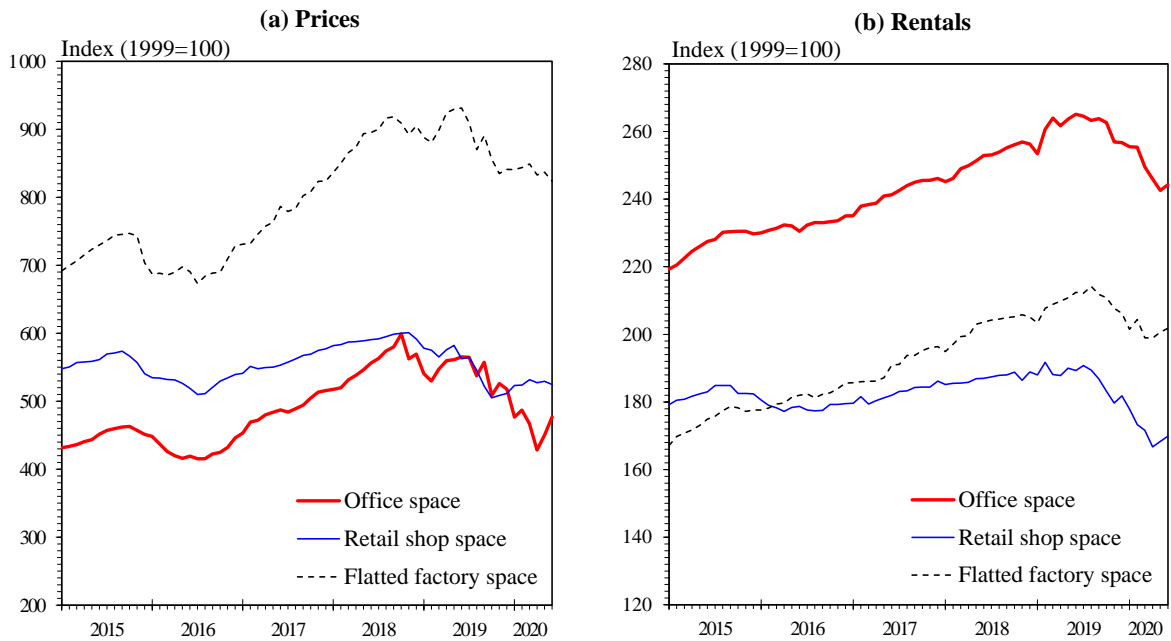
3.9 The *commercial* and *industrial property markets* stayed subdued in the second quarter amid austere local economic conditions. Trading activities, though rebounding somewhat from the extremely low levels in the preceding quarter, remained quiet. Prices and rentals for major market segments remained generally soft.

3.10 Prices of *office space* on average rebounded slightly by 2% between March and June after declining for three consecutive quarters, yet the level in June was still 8% lower than in December 2019 and 20% lower than the peak in October 2018. Analysed by office class, prices of Grade A and C office space went up by 4% and 1% respectively, while those of Grade B office space declined by 9%. Office rentals on average fell by 2% during the second quarter. Within the total, rentals of Grade A, B and C office space fell by 1%, 5% and 2% respectively. The average rental yields of Grade A, B and C office space were all at 2.7% in June, compared with 2.8%, 2.7% and 2.8% respectively in March. Transactions for office space rebounded by 73% over its record low in the preceding quarter to 170 cases in the second quarter, but were still 50% lower than a year earlier.

3.11 Prices and rentals of *retail shop space* both decreased by 1% between March and June amid the continued weakness in the retail trade. Reportedly, some landlords granted temporary rental concessions to help tenants tide over the difficult business environment, which have not been fully reflected in the rental figures. The average rental yield increased from 2.5% in March to 2.7% in June. Sales transactions rose back by 44% over the record low in the preceding quarter to 290 cases in the second quarter, but were still 37% lower than a year earlier⁽³⁾.

3.12 Prices of *flatted factory space* decreased by 3% during the second quarter, while rentals edged up by 1%. The average rental yield increased from 2.8% in March to 3.0% in June. While sales transactions rebounded by 56% over the low level in the preceding quarter to 490 cases in the second quarter, they were still 45% lower than a year earlier.

Diagram 3.7 : Prices and rentals of non-residential properties remained generally soft during the second quarter



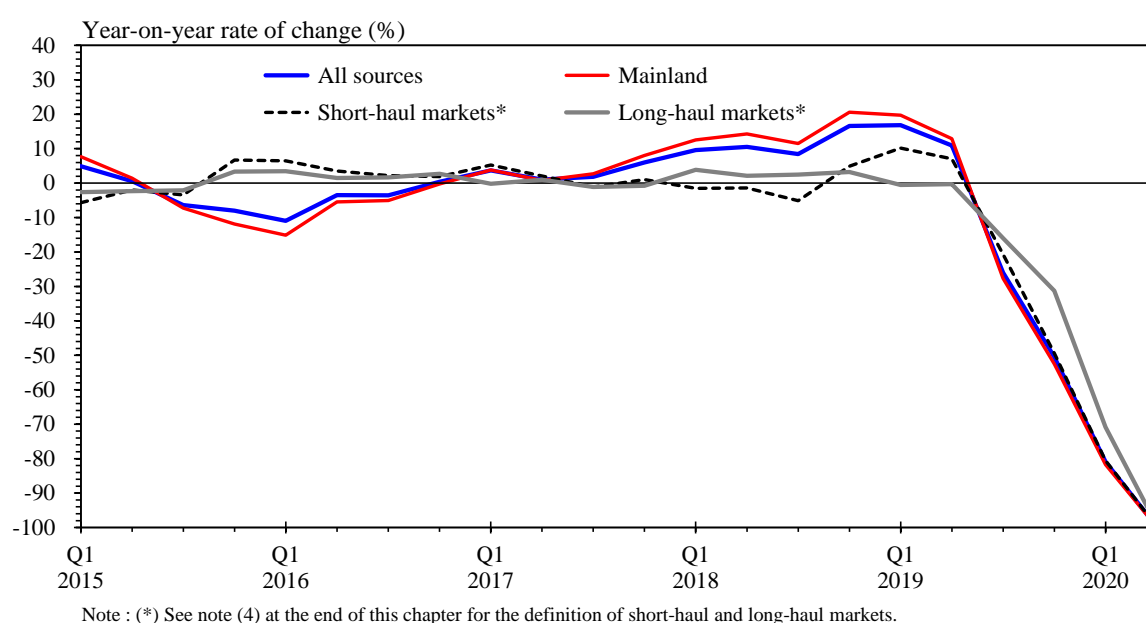
Land

3.13 Four residential sites, with a total area of about 2.2 hectares, were disposed of in the second quarter, fetching a land premium of about \$6.8 billion. In addition, the tender exercises for one residential site in Tai Po, one industrial site in Sha Tin and four sites for petrol filling station commenced in the quarter. In the second quarter, lease modifications of six sites were approved.

Tourism

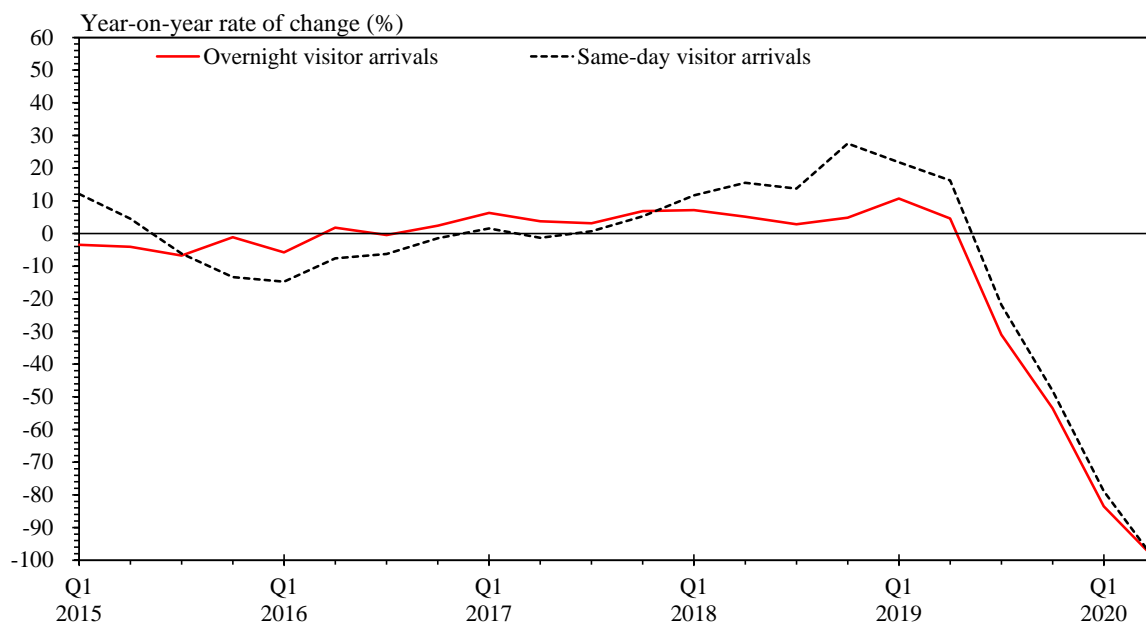
3.14 The tourism sector remained at a standstill in the second quarter, as the threat of the COVID-19 pandemic and the consequential stringent travel restrictions continued. Overall *visitor arrivals* were at a scanty 26 900 in the second quarter, 99.8% below its year-ago level. Mainland visitors, which accounted for 56.9% of the total, and visitors from other short-haul and long-haul markets all plunged⁽⁴⁾. Visitor spending, as measured by exports of travel services, tumbled by 97.1% year-on-year in real terms.

Diagram 3.8 : The tourism sector remained at a standstill in the second quarter



3.15 Given the compulsory quarantine arrangements imposed on inbound travellers, the bulk of visitors were overnight visitors in the second quarter, accounting for 98.8% of the total as against 42.9% a year earlier. In contrast, same-day visitors accounted for only 1.2% of the total in the second quarter, down from 57.1% a year earlier.

Diagram 3.9 : Both overnight visitor arrivals and same-day visitor arrivals plummeted in the second quarter

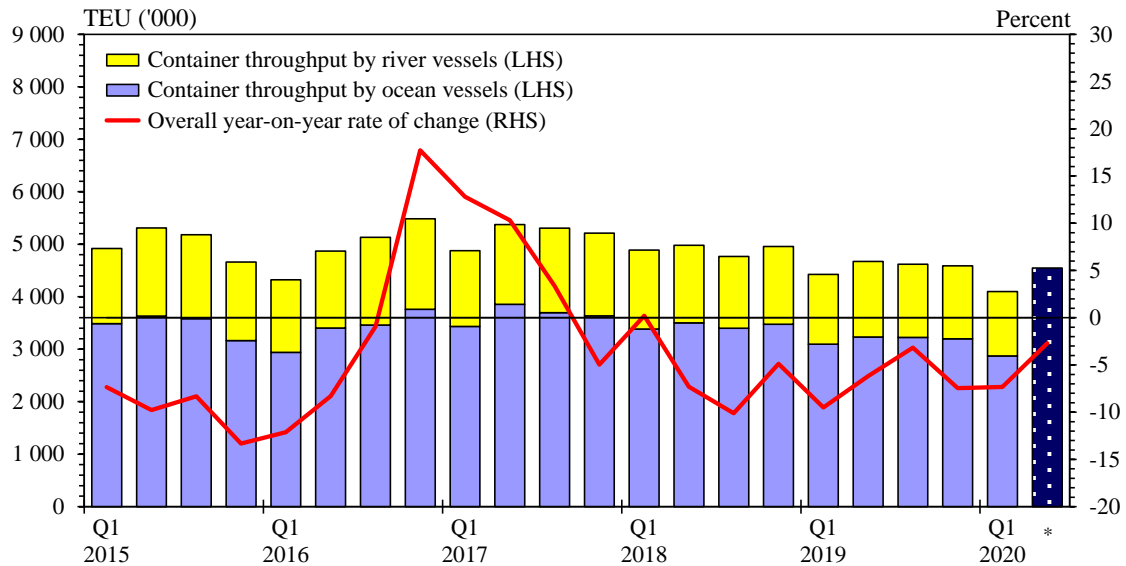


3.16 The hotel sector was severely hit by the slump in inbound tourism. Despite some cushion reportedly from local residents’ “staycation” activities and individuals undergoing compulsory quarantine at hotels, the average hotel room occupancy rate still fell distinctly from 88% a year earlier to 38% in the second quarter. The average achieved hotel room rate also dropped by 31.7% from a year earlier to \$864⁽⁵⁾.

Logistics

3.17 Dragged by weak global and regional trade flows, the logistics sector remained lacklustre in the second quarter but saw some improvement over the preceding quarter. *Total container throughput* declined by 2.7% from a year earlier to 4.5 million twenty-foot equivalent units (TEUs). This represented a relative improvement from the corresponding decline of 7.3% in the first quarter. The value of trade handled at the Hong Kong port fell notably by 17.1% in the second quarter, and its share in total trade contracted from 16.6% a year earlier to 14.8%.

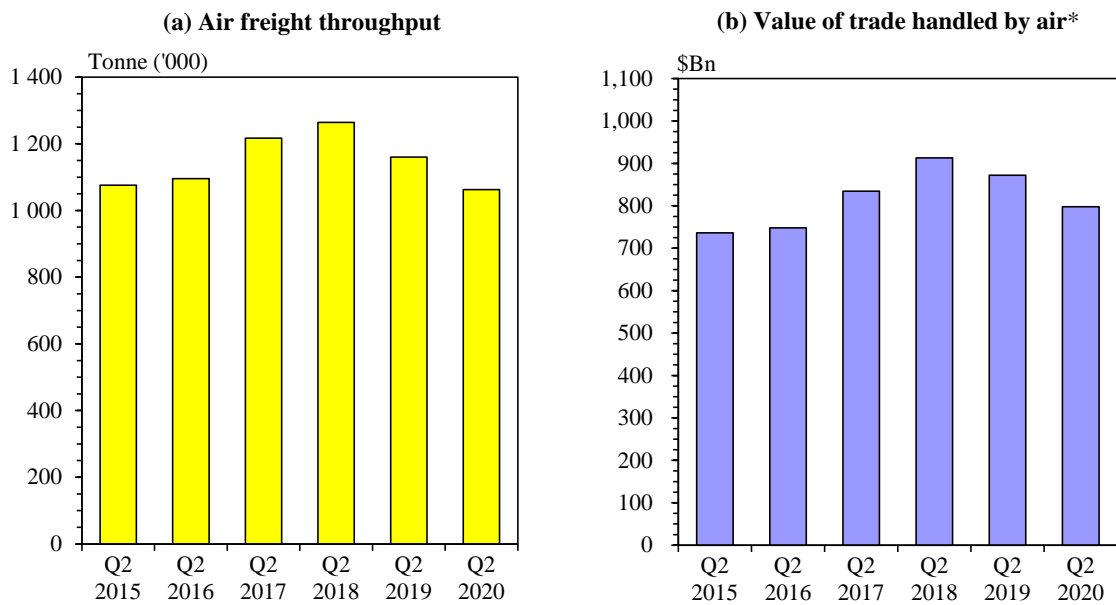
Diagram 3.10 : Container throughput declined further in the second quarter



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

3.18 *Air freight throughput fell by 8.4% from a year earlier to 1.1 million tonnes in the second quarter. The decline was likewise slightly narrower than that of 10.3% in the first quarter. The value of trade by air declined by 8.5% in the second quarter, and its share in total trade edged down from 42.1% a year earlier to 41.3%.*

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



Note : (*) Not including transshipment.

Transport

3.19 Traffic flows for all modes of cross-boundary passenger transport were almost brought to a halt in the second quarter by the widespread travel restrictions and boundary control measures in response to COVID-19. Air passenger traffic plunged by 99.3% from a year earlier to some 126 000 trips. Water-borne and land-based cross-boundary passenger trips plummeted by 99.8% and 99.7% to around 9 000 and 177 000 respectively. Meanwhile, average daily cross-boundary vehicle movements dropped notably by 60.5% to 17 558 in the second quarter.

Innovation and technology

3.20 In May, the Innovation and Technology Commission launched a time-limited Distance Business Programme under the Anti-epidemic Fund to provide funding support for enterprises to continue their business and services during the epidemic through adoption of information technology (IT) solutions. Each enterprise may receive total funding of up to \$300,000 to undertake a project to be completed within six months. The funding ceiling for each IT solution and the relevant training expenses for the employees (to be capped at 10% of the IT solution cost) is \$100,000.

Environment

3.21 In June, the Government launched a subsidy programme under the Green Employment Scheme to subsidise private companies to employ fresh graduates to work in environment-related fields, such as environmental protection and ecological conservation. The programme, which covers more than 200 jobs, aims to offer job opportunities to graduates interested in such fields and to nurture talents for meeting needs on various environmental fronts. Under the programme, a monthly subsidy of \$5,610 for each eligible fresh graduate would be provided to their employers for a period of 18 months.

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 second quarter of 2020, visitor arrivals from the Mainland, short-haul and long-haul markets accounted for respective shares of 57%, 18% and 25% of total visitors.
- (5) The figures on hotel room occupancy and achieved room rate do not include guesthouses.

CHAPTER 4 : THE FINANCIAL SECTOR[#]

Summary

- *The US Federal Open Market Committee kept the target range for the Federal Funds Rate at the record low level of 0.00-0.25% in the second quarter. Hong Kong dollar interest rates generally declined during the quarter, as the Hong Kong Monetary Authority (HKMA) purchased a total of \$57.6 billion worth of US dollars from banks upon the triggering of the strong-side Convertibility Undertaking and reduced the issuance of Exchange Fund Bills. Interest rates on the retail front remained at low levels.*
- *The Hong Kong dollar spot exchange rate against the US dollar stayed close to the strong-side Convertibility Undertaking level during the second quarter. The US dollar showed mixed movements against major currencies, strengthening against the pound sterling and Japanese yen while weakening against the euro and renminbi (RMB). The trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices edged up by 0.2% and 0.6% respectively during the second quarter.*
- *Total loans and advances edged up by 0.2% during the second quarter. Within the total, loans for use in Hong Kong declined by 0.8%, while loans for use outside Hong Kong rose by 2.5%.*
- *The local stock market stabilised in the second quarter after undergoing a sharp correction in the first quarter. Market sentiment improved visibly thanks to the gradual easing of epidemic situation in May and June in some advanced economies and the massive economic support measures rolled out by governments and central banks around the world. The Hang Seng Index (HSI) moved between 22 930 and 25 057 in the quarter and closed at 24 427 at end-June, up by 3.5% from end-March. Trading activities stayed generally active, though quietening down somewhat compared to the preceding quarter. Fund raising activities were rather buoyant.*

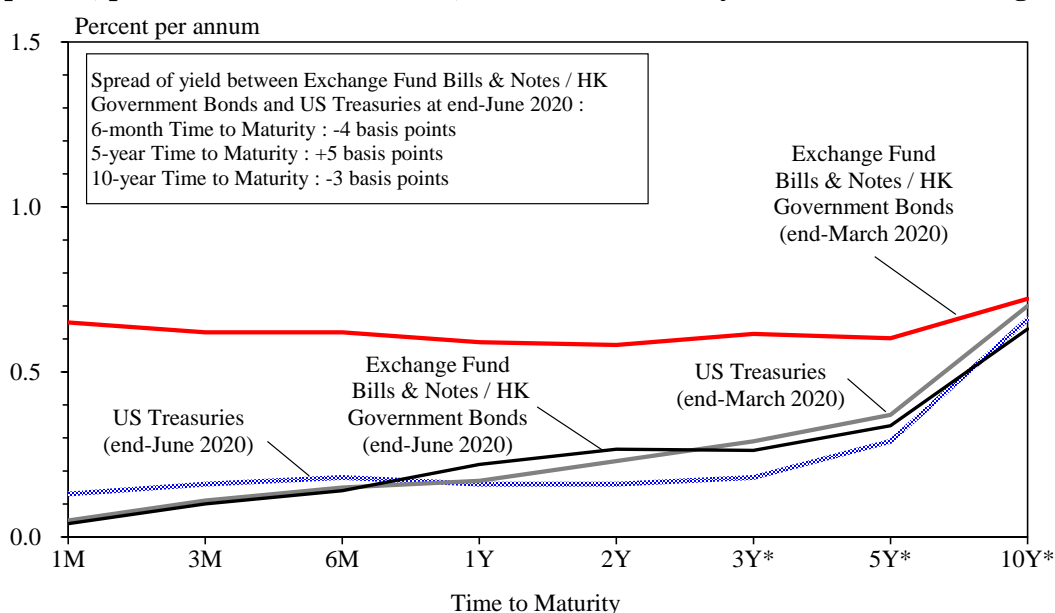
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Office of the Government Economist.*

Interest rates and exchange rates

4.1 The US Federal Open Market Committee kept the target range for the Federal Funds Rate at the record low level of 0.00-0.25% in the second quarter. Hong Kong dollar interest rates generally declined during the quarter, as the HKMA purchased a total of \$57.6 billion worth of US dollars from banks upon the triggering of the strong-side Convertibility Undertaking and reduced the issuance of Exchange Fund Bills⁽¹⁾. The overnight *Hong Kong dollar interbank interest rate* (HIBOR) dropped from 1.85% at end-March to 0.18% at end-June, and the three-month HIBOR from 1.93% to 0.78%. Consequently, the *Base Rate* under the Discount Window⁽²⁾ decreased from 1.65% to 0.50%.

4.2 The *Hong Kong dollar yield curve* shifted downwards during the second quarter, particularly at the shorter tenors, while the *US dollar yield curve* flattened slightly. Reflecting the relative movements, the yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills turned from positive 47 basis points at end-March to negative 4 basis points at end-June, and that between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes from positive 2 basis points to negative 3 basis points.

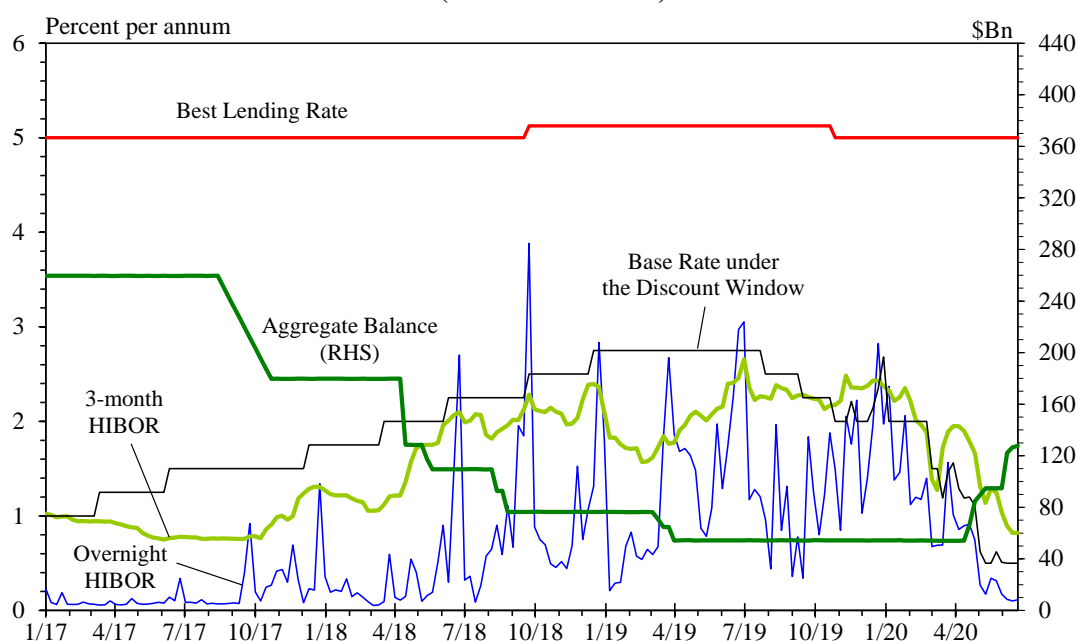
Diagram 4.1 : The Hong Kong dollar yield curve shifted downwards during the second quarter, particular at shorter tenors, while the US dollar yield curve flattened slightly



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 remained at low levels. The *Best Lending Rates* in the market remained unchanged, ranging from 5.00% to 5.50% in the second quarter. The *average savings deposit rate* for deposits of less than \$100,000 quoted by the major banks stayed unchanged at 0.001%, while the one-year *time deposit rate* edged down further from 0.28% at end-March to 0.18% at end-June. The *composite interest rate*⁽³⁾, which indicates the average cost of funds for retail banks, also decreased from 0.95% at end-March to 0.71% at end-June.

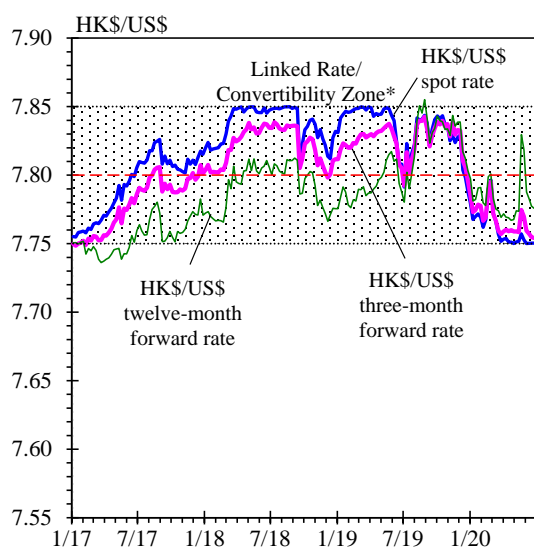
Diagram 4.2 : Interbank interest rates generally declined during the second quarter, while interest rates on the retail front remained at low levels (end for the week)



4.4 The *Hong Kong dollar spot exchange rate* stayed close to the strong-side Convertibility Undertaking level during the second quarter. The strong-side Convertibility Undertaking was triggered 21 times in the quarter, prompting the HKMA to purchase a total of US\$7.4 billion from banks with \$57.6 billion. The inflow was underpinned by equity-related demand for Hong Kong dollars, including Initial Public Offering (IPO) activities, southbound Stock Connect and dividend payments. This, coupled with the reduced issuance of Exchange Fund Bills, saw the Aggregate Balance increase from \$54.1 billion at end-March to \$131.6 billion at end-June. The Hong Kong dollar spot exchange rate closed the quarter at 7.750, compared with 7.753 at end-March. Meanwhile, the *Hong Kong dollar forward rates* registered larger premiums. The premium of 3-month forward rate widened slightly from 33 pips (each pip is equivalent to HK\$0.0001) at end-March to 51 pips at end-June, and that of 12-month forward rate from 120 pips to 295 pips.

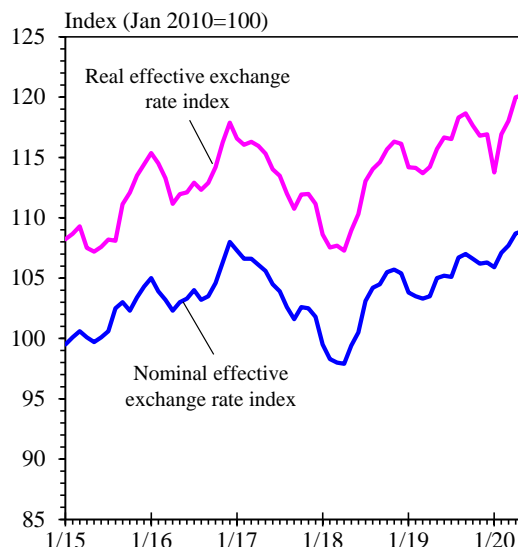
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. The US dollar showed mixed movements against major currencies, strengthening against the pound sterling and Japanese yen while weakening against the euro and RMB. Consequently, the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*⁽⁴⁾ edged up by 0.2% and 0.6% respectively during the second quarter.

Diagram 4.3 : The Hong Kong dollar stayed close to the strong-side Convertibility Undertaking level in the second 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 edged up (average for the month)



Money supply and banking sector

4.6 The monetary aggregates rose in the second quarter. The seasonally adjusted Hong Kong dollar narrow *money supply* (HK\$M1) leaped by 11.2% over end-March to \$1,772 billion at end-June, and the Hong Kong dollar broad money supply (HK\$M3) grew by 2.5% to \$7,646 billion⁽⁵⁾. Meanwhile, *total deposits* with authorized institutions (AIs)⁽⁶⁾ rose by 2.2% to \$14,078 billion, within which Hong Kong dollar deposits and foreign currency deposits increased by 2.7% and 1.8% respectively.

Diagram 4.5 : The monetary aggregates rose in the second quarter

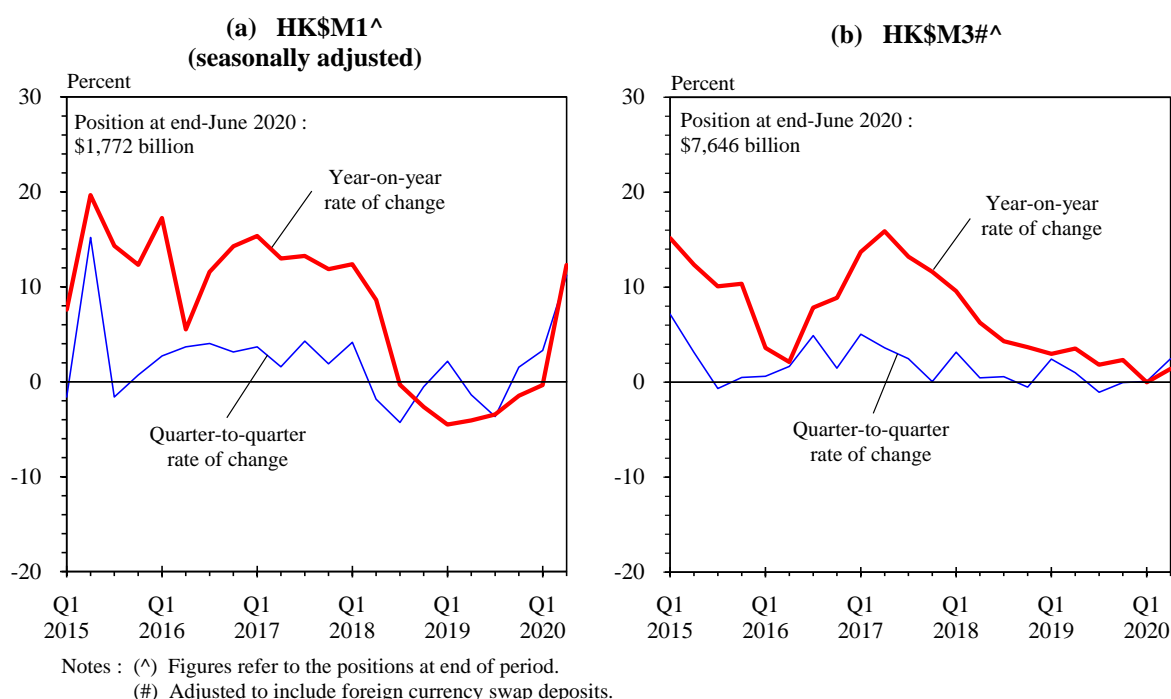


Table 4.1 : Hong Kong dollar money supply and total money supply

		<u>M1</u>		<u>M2</u>		<u>M3</u>	
<u>% change during the quarter</u>		<u>HK\$^(^)</u>	<u>Total</u>	<u>HK\$^(a)</u>	<u>Total</u>	<u>HK\$^(a)</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
	Q2	11.2	8.6	2.5	2.0	2.5	2.0
Total amount at end-June 2020 (\$Bn)		1,772	2,839	7,629	15,103	7,646	15,143
% change over a year earlier		12.3	16.9	1.5	3.9	1.4	3.8

Notes : (^) Seasonally adjusted.

(a) Adjusted to include foreign currency swap deposits.

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

4.7 *Total loans and advances* edged up by 0.2% over end-March to \$10,693 billion at end-June. Within the total, Hong Kong dollar loans decreased by 1.5%, while foreign currency loans rose by 2.6%. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar declined from 90.1% at end-March to 86.4% at end-June, while that for foreign currencies increased from 64.9% to 65.5%.

4.8 Loans for use in Hong Kong (including trade finance) declined by 0.8% from end-March to \$7,445 billion at end-June, while loans for use outside Hong Kong rose by 2.5% to \$3,247 billion. Within the former, loans to most economic sectors shrank. Dented by the subdued regional trade flows, loans to trade finance and loans to manufacturing reverted to declines of 1.3% and 4.3% respectively. Loans for wholesale and retail trade edged down further by 0.3% amid the austere business environment, while loans to financial concerns also dropped by 1.7%. On the other hand, loans to stockbrokers grew by another 16.5% on the back of improved sentiment in the stock market during the quarter. As for property-related lending, loans for purchase of residential property grew moderately by 1.7%, while loans to building, construction, property development and investment witnessed a 2.6% decline after recording steady growth in recent quarters.

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 ^(c)	Total loans and advances
		Trade finance	Manu- facturing	Whole- sale and retail trade	Building, construction, property development and investment	Purchase of residential property ^(a)	Financial concerns	Stock- brokers	Total ^(b)		
% 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	1.6	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
	Q2	-1.3	-4.3	-0.3	-2.6	1.7	-1.7	16.5	-0.8	2.5	0.2
Total amount at end-June 2020 (\$Bn)		474	309	373	1,630	1,595	960	86	7,445	3,247	10,693
% change over a year earlier		-5.6	1.1	-2.9	3.6	9.3	8.6	31.3	5.1	6.5	5.5

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 remains resilient. The Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying high at 20.1% at end-March. Asset quality of the local banking sector also stayed healthy. The ratio of classified loans to total loans for retail banks increased from 0.48% at end-2019 to 0.55% at end-March 2020, while the delinquency ratio for credit card lending rose from 0.25% to 0.35%. Yet, these were still low by historical standards. Meanwhile, the delinquency ratio for residential mortgage loans stayed low at 0.04% at end-June.

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)
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
2020	Q1	97.86	1.60	0.55

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* recorded mixed performance in the second quarter. RMB trade settlement transactions handled by banks in Hong Kong increased by 19.9% over a year earlier to RMB1,604.5 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) decreased by 3.1% from end-March to RMB678.1 billion at end-June. As to RMB financing activities, RMB bond issuance went down from RMB10.4 billion in the previous quarter to RMB2.2 billion in the second quarter, while outstanding RMB bank loans increased by 3.3% from end-March to RMB163.1 billion at end-June.

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

<u>At end of period</u>		<u>Interest rates on^(a)</u>					<u>Number of AIs engaged in RMB business</u>	<u>Amount of cross-border RMB trade settlement^(c)</u> (RMB Mn)
		<u>Demand and savings deposits</u> (RMB Mn)	<u>Time deposits</u> (RMB Mn)	<u>Total deposits</u> (RMB Mn)	<u>Savings deposits^(b)</u> (%)	<u>Three-month time deposits^(b)</u> (%)		
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
	Q2	241,113	398,802	639,915	0.22	0.40	140	1,604,512
% change in 2020 Q2 over 2019 Q2		12.4	2.3	5.9	N.A.	N.A.	N.A.	19.9
% change in 2020 Q2 over 2020 Q1		-7.5	-1.2	-3.6	N.A.	N.A.	N.A.	4.8

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 increased by 8.6% over the preceding quarter to \$1,057.5 billion in the second quarter, as public sector debt issuance rose by 11.0% and private sector debt issuance edged down by 1.1%⁽⁷⁾. Total outstanding amount of Hong Kong dollar debt increased slightly by 0.3% over end-March to \$2,179.0 billion at end-June, equivalent to 28.5% of HK\$M3 or 23.2% of Hong Kong dollar-denominated assets of the banking sector⁽⁸⁾.

4.12 As to the Government Bond (GB) programme, a total of \$8.2 billion institutional GBs were issued through tenders in the second quarter. At end-June, the total outstanding amount of Hong Kong dollar bonds under the GB Programme was \$88.5 billion, comprising 11 institutional issues totaling \$82.6 billion and two retail issues (all Silver Bonds) totaling \$5.9 billion. In addition, one US dollar sukuk, with an issuance size of US\$1.0 billion, was outstanding under the 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 ^(a)	Local corporations	Non-MDBs overseas borrowers ^(b)	Private sector total	MDBs ^(b)	Total
New Issuance											
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	83.9	6.9	112.6	203.4	1.1	973.8
	Q2	823.0	22.9	8.2	854.1	76.3	16.9	107.9	201.0	2.4	1,057.5
% change in 2020 Q2 over 2019 Q2		-0.4	112.0	2.5	1.0	0.7	-14.7	19.7	8.3	-20.8	2.3
% change in 2020 Q2 over 2020 Q1		8.3	243.7	228.0	11.0	-9.1	145.0	-4.2	-1.1	130.0	8.6
Outstanding (at end of period)											
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	20.0	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	332.9	115.1	476.3	924.3	20.5	2,172.3
	Q2	1,067.7	72.0	88.5	1,228.2	322.3	122.2	486.0	930.6	20.2	2,179.0
% change in 2020 Q2 over 2019 Q2		-0.3	21.7	-6.0	0.3	-7.1	4.7	0.4	-1.8	1.2	-0.6
% change in 2020 Q2 over 2020 Q1		-1.7	24.1	6.4	0.1	-3.2	6.2	2.1	0.7	-1.1	0.3

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

(a) AIs : Authorized institutions.

(b) MDBs : Multilateral Development Banks.

The stock and derivatives markets

4.13 The *local stock market* stabilised in the second quarter after undergoing a sharp correction in the first quarter. Market sentiment improved visibly thanks to the gradual easing of epidemic situation in May and June in some advanced economies and the massive economic support measures rolled out by governments and central banks across the world. The HSI moved between 22 930 and 25 057 in the second quarter and closed at 24 427 at end-June, up by 3.5% from end-March. Meanwhile, *market capitalisation* bounced back strongly by 15.6% to \$37.9 trillion, partly boosted by the rather buoyant fund raising activities during the quarter. At end-June, the local stock market ranked the fifth largest in the world and the third largest in Asia⁽⁹⁾.

4.14 Trading activities stayed generally active in the second quarter, though quietening down somewhat compared to the preceding quarter. *Average daily turnover* in the securities market declined by 5.7% from the preceding quarter to \$114.0 billion, but was still 20.3% higher than a year earlier. Within the total, the average daily trading value of unit trusts (including Exchange-Traded Funds), equities and derivative warrants⁽¹⁰⁾ fell by 18.6%, 5.5% and 3.6% from the preceding quarter respectively, while that of callable bull/bear contracts increased by 1.4%. As to futures and options⁽¹¹⁾, the average daily trading volume fell by 19.3%. Within the total, trading of HSI options, Hang Seng China Enterprises Index futures, HSI futures and stock options decreased by 31.7%, 26.0%, 23.2% and 13.4% respectively.

Diagram 4.6 : The local stock market stabilised in the second quarter

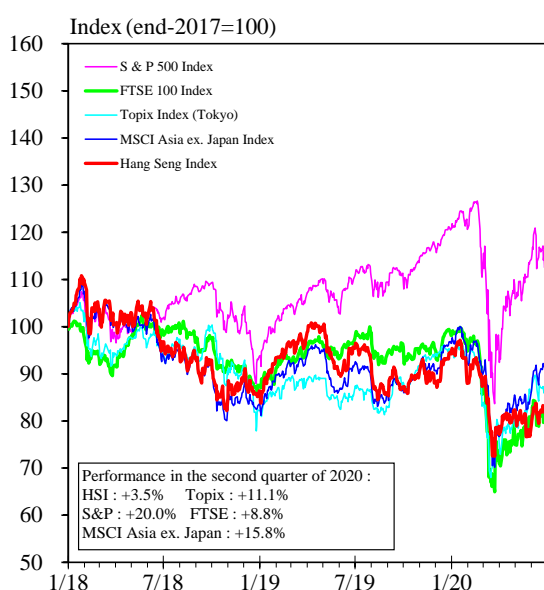
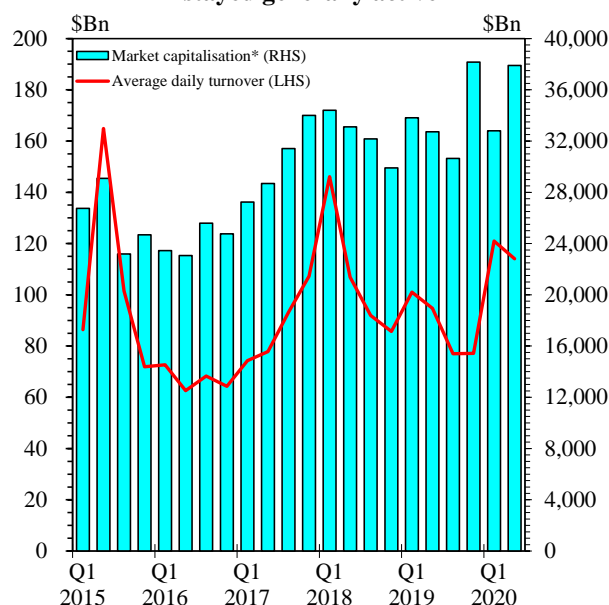


Diagram 4.7 : Market capitalisation rebounded strongly partly thanks to the rather buoyant fund raising activities, while trading stayed generally active



Note : (*) Position at end of quarter.

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

		Hang Seng Index 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
	Q2	161 548	37 321	135 135	465 236	1 048 157
	% change in 2020 Q2 over 2019 Q2	-31.2	-29.3	-10.4	-4.7	-10.6
	% change in 2020 Q2 over 2020 Q1	-23.2	-31.7	-26.0	-13.4	-19.3

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

4.15 Fund raising activities were rather buoyant in the second quarter. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM⁽¹²⁾, rose by 37.4% over the preceding quarter or 25.6% over a year earlier to \$130.7 billion in the second quarter. Within the total, the amount of funds raised through IPOs soared by 406.2% over the extremely low base in the preceding quarter to \$73.1 billion. Hong Kong ranked fourth globally in terms of the amount of funds raised through IPOs in the first half of the year.

4.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-June, a total of 1 265 Mainland enterprises (including 281 H-share companies, 177 “Red Chip” companies and 807 private enterprises) were listed on the Main Board and GEM, accounting for 51% of the total number of listed companies and 78% of total market capitalisation. Mainland-related stocks accounted for 81% of equity turnover and 96% of total equity fund raised in the Hong Kong stock exchange in the second quarter.

4.17 In June, the Hong Kong Exchanges and Clearing Limited (HKEX) launched Silver Futures contracts settled in US dollars and Offshore Renminbi to further expand its commodities product suite. The new Silver Futures will be physically settled in Hong Kong with its contract months covering the spot month and the following 11 calendar months. The launch of Silver Futures will complement HKEX’s existing metals products and provide investors and risk

managers in the region with a new tool for trading, hedging and asset allocation.

Fund management and investment funds

4.18 Performance of fund management business⁽¹³⁾ was mixed in the second quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*⁽¹⁴⁾ expanded by 11.5% over end-March to \$967.8 billion at end-June. Meanwhile, the monthly average gross retail sales of *mutual funds* declined by 39.3% from the first quarter or 41.3% from a year earlier to US\$4.9 billion in April – May⁽¹⁵⁾.

Insurance sector

4.19 Different segments of the *insurance sector*⁽¹⁶⁾ showed diverse performance in the first quarter of 2020. Gross premium income from long-term business plummeted by 27.5% from a year earlier, with the premium income from investment linked plans and non-investment linked plans declining by 6.2% and 28.8% respectively. As to general business, gross and net premium rose by 10.1% and 7.4% respectively.

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

		General business			Premium for long-term business [^]					Gross premium from long-term business and general business
		Gross premium	Net premium	Underwriting profit	Individual life and annuity (non-linked)	Individual life and annuity (linked)	Other individual business	Non-retirement scheme group business	All long-term business	
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
2020	Q1	18,264	12,221	329	32,453	2,481	23	128	35,085	53,349
% change in 2020 Q1 over 2019 Q1		10.1	7.4	647.7	-28.8	-6.2	-54.0	58.0	-27.5	-17.9

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

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

Highlights of policy and market developments

4.20 In May, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) was established to co-ordinate the management of climate and environmental risks to the financial sector, accelerating the growth of green and sustainable finance in Hong Kong and supporting the Government's climate strategies. The Steering Group was initiated by the HKMA and the Securities and Futures Commission (SFC), and joined by the Environment Bureau, the Financial Services and the Treasury Bureau, the HKEX, the Insurance Authority and the Mandatory Provident Fund Schemes Authority as members. At its inaugural meeting, the Steering Group agreed to provide strategic direction, with a focus on regulatory policy and market development, to bolster Hong Kong's position as a leading green and sustainable finance centre in Asia and globally. It would also facilitate regional cooperation, including in the Guangdong-Hong Kong-Macao Greater Bay Area (the Greater Bay Area).

4.21 In June, the People's Bank of China, the HKMA, and the Monetary Authority of Macao announced the decision to implement the two-way cross-boundary wealth management connect pilot scheme (Wealth Management Connect) in the Greater Bay Area to facilitate cross-boundary investment by residents in the area. Under Wealth Management Connect, residents in the Greater Bay Area could carry out cross-boundary investment in wealth management products distributed by banks in the area. It would help foster the collaboration and development of financial services in the Greater Bay Area, while also bringing enormous business opportunities to the entire financial industry value chain and other professional services in Hong Kong, and reinforcing further Hong Kong's position as the global offshore RMB business hub as well as international asset management centre.

4.22 In June, HKEX introduced a new spread table and continuous quoting market making obligations for Exchange Traded Products (ETPs) to enhance the liquidity of these products. The new spread table maps out the minimum price movements for securities trading at different price ranges and would reduce tick sizes by as much as 80 per cent compared with the existing spread table. The new market making scheme is designed to help investors better access ETP liquidity.

Notes :

- (1) To help ensure continued smooth operation of the Hong Kong dollar interbank market amid a volatile global macro environment stemming from the spread of COVID-19, the HKMA made available more Hong Kong dollar liquidity by reducing the issue size of 91-day Exchange Fund Bills in four regular tenders on 21 April, 28 April, 5 May and 12 May 2020. The issuance of the Bills was reduced by \$20 billion in total and the Aggregate Balance increased by the same amount.
- (2) 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.
- (3) 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” (IRRBB) framework. As such, the figures are not strictly comparable with those of previous months.
- (4) 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.

- (5) 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.

- (6) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-June 2020, there were 163 licensed banks, 17 restricted licence banks and 13 deposit-taking companies in Hong Kong. Altogether, 193 AIs (excluding representative offices) from 31 countries and territories (including Hong Kong) had a presence in Hong Kong.
- (7) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (8) 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.
- (9) The ranking is based on the market capitalisation figures compiled by the World Federation of Exchanges and the London Stock Exchange Group.
- (10) 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.
- (11) At end-June 2020, there were 103 classes of stock options contracts and 81 classes of stock futures contracts.
- (12) At end-June 2020, there were 2 111 and 376 companies listed on the Main Board and GEM respectively.
- (13) At end-June 2020, there was one SFC-authorized retail hedge fund with net asset size of US\$130 million. The amount of net assets under management represented an 8.5% decrease from end-March 2020 and an 18.8% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (14) At end-June 2020, there were 15 approved trustees. On MPF products, 25 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 417 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 298 000 employers, 2.62 million employees and 218 000 self-employed persons have participated in MPF schemes.
- (15) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association on their members, and cover only the active authorised funds that have responded to the survey. At end-May 2020, the survey covered a total of 1 268 active authorised funds.
- (16) At end-June 2020, there were 165 authorized insurers in Hong Kong. Within this total, 53 were engaged in long-term insurance business, 91 in general insurance business, and 21 in composite insurance business. These authorized insurers come from 22 countries and territories (including Hong Kong).

CHAPTER 5 : THE LABOUR SECTOR

Summary

- *The labour market continued to deteriorate for the second quarter of 2020 as a whole, but showed signs of stabilisation towards the end of the quarter as the local epidemic situation abated in May and June. The launch of the Employment Support Scheme has also helped counter the headwinds facing the labour market. However, there have been renewed pressures on the labour market since mid-July as the local epidemic situation worsened.*
- *The seasonally adjusted unemployment rate surged from 4.2% in the first quarter to 6.2% in the second quarter, surpassing the peak of 5.5% in the aftermath of the global financial crisis to reach the highest in more than 15 years. The underemployment rate rose visibly from 2.1% to 3.7%, the highest in close to 17 years.*
- *The unemployment and underemployment rates of the consumption- and tourism-related sectors and the construction sector increased visibly in the second quarter. Labour market conditions in all other major sectors also weakened. Lower-skilled workers continued to see a faster increase in unemployment rate than higher-skilled workers.*
- *Overall labour demand slackened further. Results of establishment surveys indicated that in March 2020 private sector employment recorded the largest year-on-year decline since December 1998 while the number of vacancies continued to plunge. More recent statistics from the General Household Survey (GHS) suggested that total employment fell at a record rate in the second quarter of 2020.*
- *Nominal wages continued to increase in March 2020, but the rate of increase decelerated further to the slowest in close to a decade. Labour earnings saw a faster year-on-year increase in nominal terms in the first quarter of 2020 due to pay adjustments and issuance of back-pay in some subvented organisations, which were concentrated in the social and personal services sector. Indeed, labour earnings in most other major sectors either saw decelerated growth or turned to decline. GHS data showed that earnings of low-income workers continued to increase in the second quarter of 2020, but the median household income recorded a sharp fall.*

Overall labour market situation⁽¹⁾

5.1 The labour market continued to deteriorate for the second quarter of 2020 as a whole, but showed signs of stabilisation towards the end of the quarter as the local epidemic situation abated in May and June. The launch of the Employment Support Scheme has also helped counter the headwinds facing the labour market. However, there have been renewed pressures on the labour market since mid-July as the local epidemic situation worsened. The seasonally adjusted *unemployment rate*⁽²⁾ surged from 4.2% in the first quarter to 6.2% in the second quarter of 2020, surpassing the peak of 5.5% in the aftermath of the global financial crisis to reach the highest in more than 15 years. The *underemployment rate*⁽³⁾ rose visibly from 2.1% to 3.7%, the highest in close to 17 years. Analysed by sector, the unemployment and underemployment rates of the consumption- and tourism-related sectors (viz., retail, accommodation and food services sectors) and the construction sector increased visibly, and labour market conditions in all other major sectors also weakened. Analysed by skill segment, lower-skilled workers continued to see a faster increase in unemployment rate than higher-skilled workers. Overall labour demand slackened further. Private sector employment in March 2020 recorded the largest year-on-year decline since December 1998, 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 fell at a record rate in the second quarter of 2020. Nominal wages continued to increase in March 2020, but the rate of increase decelerated further to the slowest in close to a decade. Labour earnings saw a faster year-on-year increase in nominal terms in the first quarter of 2020 due to pay adjustments and issuance of back-pay in some subvented organisations, which were concentrated in the social and personal services sector. Indeed, labour earnings in most other major sectors either saw decelerated growth or turned to decline. GHS data showed that earnings of low-income workers continued to increase in the second quarter of 2020, but the median household income recorded a sharp fall.

Diagram 5.1 : The labour market continued to deteriorate for the second quarter of 2020 as a whole

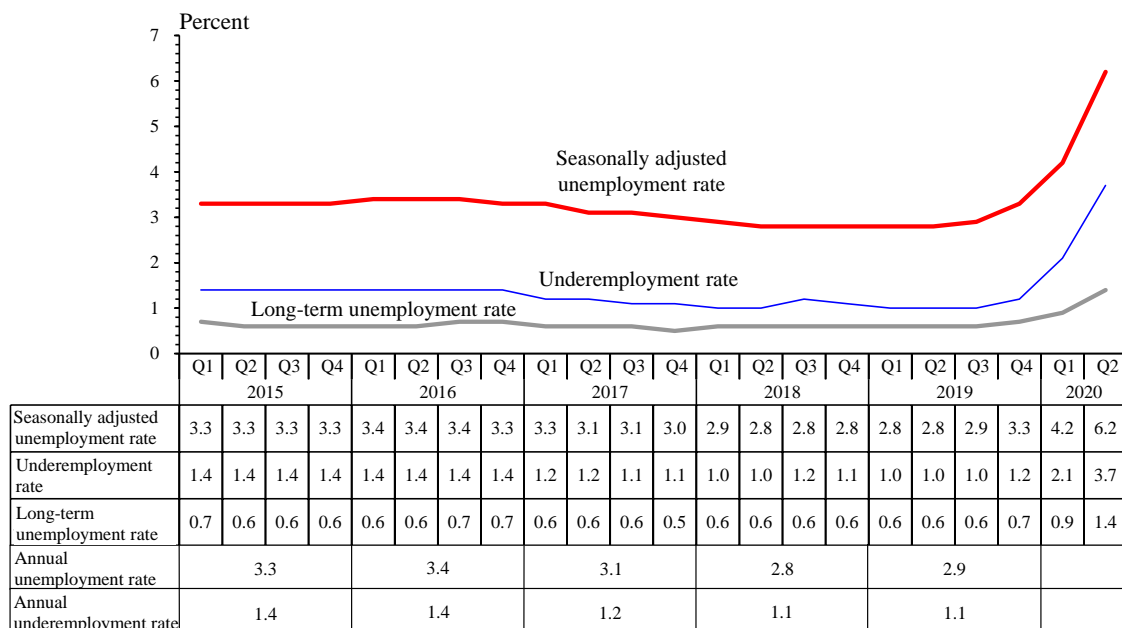


Table 5.1 : The unemployment rate (seasonally adjusted), underemployment rate and long term unemployment rate

	<u>Unemployment rate*</u> (%)	<u>Underemployment</u> <u>rate (%)</u>	<u>Long term</u> <u>unemployment rate (%)</u>
2019 Annual	2.9	1.1	0.6
Q1	2.8	1.0	0.6
Q2	2.8	1.0	0.6
Q3	2.9	1.0	0.6
Q4	3.3	1.2	0.7
2020 Q1	4.2	2.1	0.9
<i>Three months ending</i>			
2020 Apr	5.2	3.1	1.1
May	5.9	3.5	1.2
Jun	6.2	3.7	1.4

Note : (*) Seasonally adjusted (except for annual figures).

Source : General Household Survey, Census and Statistics Department.

Labour force and total employment

5.2 The *labour force*⁽⁴⁾ declined further, by a sharp 2.8% from a year earlier to 3 861 100 in the second quarter of 2020. Partly due to population ageing and partly reflecting the people's response to the economic downturn, the labour force participation rate fell further from 60.6% a year ago to a near record low of 59.4%.

5.3 *Total employment*⁽⁵⁾ fell by a record 6.2% year-on-year to 3 620 400 in the second quarter of 2020, but it was about the same as in the three months ending May, suggesting that labour market conditions may have stabilised somewhat towards the end of the quarter. Analysed by sector, employment of the consumption- and tourism-related sectors plunged as business situation in these sectors remained exceptionally difficult. Employment of the import/export trade and wholesale sector fell sizably amid subdued trade flows, and that of the construction sector declined sharply along a slowdown in construction activities (See **Box 5.1** for a brief review on the declines in employment in Hong Kong's economic downturns).

Table 5.2 : The labour force, and persons employed, unemployed and underemployed

	<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed^(a)</u>	<u>Persons underemployed</u>
2019 Annual	3 966 200 (-0.3)	3 849 900 (-0.4)	116 300	42 000
Q1	3 967 300 (-0.2)	3 857 000 (-0.2)	110 300	38 900
Q2	3 974 100 (0.1)	3 860 000 (0.1)	114 100	41 100
Q3	3 968 900 (-0.4)	3 849 000 (-0.5)	120 000	41 400
Q4	3 948 700 (-0.6)	3 824 600 (-1.1)	124 200	47 500
2020 Q1	3 882 200 (-2.1)	3 720 000 (-3.6)	162 200	82 800
<i>Three months ending</i>				
2020 Apr	3 859 800 (-2.8)	3 657 400 (-5.2)	202 500	118 600
May	3 850 000 (-3.1)	3 619 500 (-6.2)	230 400	135 100
Jun	3 861 100 (-2.8)	3 620 400 (-6.2)	240 700	142 900
	<-0.5>	<-2.6>		

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

() % change over a year earlier.

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

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Labour force continued to decline sharply, while total employment fell at a record rate

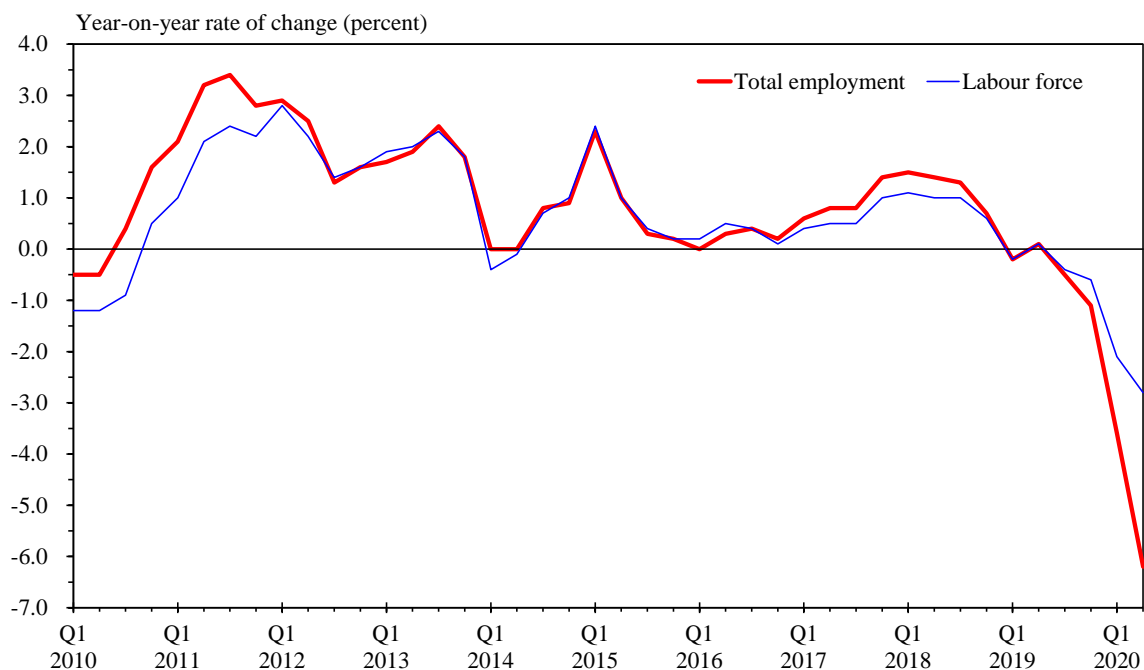


Table 5.3 : Labour force participation rates by gender and by age group (%)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 Q1</u>	<u>2020 Q2</u>
<u>Male</u>							
15-24	39.1	39.5	38.1	39.2	39.6	36.4	32.3
<i>of which:</i>							
15-19	11.7	12.9	9.9	10.4	11.4	7.1	6.3
20-24	62.0	60.7	59.2	60.2	59.8	58.0	51.3
25-29	93.7	92.9	92.6	92.9	91.4	90.4	89.2
30-39	96.5	96.4	96.6	96.4	95.9	94.9	94.6
40-49	95.1	95.0	95.2	95.1	93.9	93.1	93.1
50-59	86.6	86.0	86.7	86.9	85.1	84.4	84.3
≥ 60	28.5	29.9	30.4	32.1	31.9	30.5	31.8
Overall	68.8	68.6	68.3	68.5	67.5	65.9	65.7
<u>Female</u>							
15-24	41.4	41.9	41.5	41.1	40.8	37.2	35.7
<i>of which:</i>							
15-19	12.8	12.3	11.8	12.0	11.7	7.5	6.4
20-24	63.6	63.6	61.8	60.4	60.2	57.6	55.8
25-29	85.7	86.2	86.5	86.6	87.2	87.4	86.6
30-39	78.4	78.0	79.0	79.3	78.9	78.4	78.7
40-49	73.7	73.4	73.8	74.1	73.4	74.4	73.7
50-59	58.3	59.7	60.4	61.5	62.2	61.8	62.7
≥ 60	11.4	12.3	13.7	14.5	15.5	15.2	15.6
Overall	54.7	54.8	55.1	55.1	55.0	54.3	54.3
<u>Both genders combined</u>							
15-24	40.2	40.7	39.8	40.2	40.2	36.8	34.0
<i>of which:</i>							
15-19	12.3	12.6	10.8	11.2	11.6	7.3	6.3
20-24	62.8	62.2	60.5	60.3	60.0	57.8	53.6
25-29	89.2	89.2	89.3	89.5	89.1	88.8	87.8
30-39	85.7	85.4	86.0	86.1	85.7	85.0	85.1
40-49	82.7	82.4	82.6	82.7	81.8	82.0	81.6
50-59	71.8	72.2	72.7	73.2	72.7	71.9	72.4
≥ 60	19.6	20.7	21.7	22.9	23.3	22.5	23.3
Overall	61.1	61.1	61.1	61.2	60.6	59.5	59.4

Source : General Household Survey, Census and Statistics Department.

Box 5.1

A brief review on the declines in employment in Hong Kong's economic downturns⁽¹⁾

Employment falls during an economic downturn. Depending on the nature and cause of the downturn, different economic sectors or occupations would be affected differently in different stages of the downturn. This box article analyses the decline in employment in the current economic downturn by economic sector and by occupation, and compares the situation with past episodes of economic contraction in the past two decades or so.

Downturns caused by spread of diseases

The Hong Kong economy entered into recession in the second half of 2019 largely due to the local social incidents, and the recession deepened in the first half of 2020 by the threat of COVID-19. Reflecting the severe impact on the labour market, total employment declined by a near-record of 237 900 or 6.7% in the second quarter of 2020 from a year earlier (*Table 1*).

COVID-19 has posed very high health risks to people engaging in face-to-face activities, thereby disrupting a wide range of economic activities. As the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors) were particularly hard hit, employment in these sectors combined plunged in the second quarter of 2020, by 118 000 from a year earlier. Employment in the import / export trade and wholesale sector also fell sharply (-67 500) as the pandemic disrupted regional trade flows, while that in the construction sector saw visible decline (-35 000) along with slowing construction activities.

Table 1: Declines in employment during the current downturn and the SARS episode of 2003

Time frame of comparison	Decline in overall employment ^(*)	Economic sectors that suffered the more visible declines in employment ^(^)	Major occupations that suffered more visibly ^(^)
Current downturn			
Q2 2020 vs Q2 2019	-237 900 [-6.7%]	<ul style="list-style-type: none">• Consumption- and tourism-related sectors (-118 000)• Import / export trade and wholesale (-67 500)• Construction (-35 000)	<ul style="list-style-type: none">• Lower-skilled workers (-193 900)<ul style="list-style-type: none">- <i>Service and sales workers</i> (-94 600)- <i>Elementary occupations</i> (-54 500)- <i>Clerical support workers</i> (-39 400)• Higher-skilled workers (-44 000)
2003 Severe Acute Respiratory Syndrome (SARS)			
Q2 2003 vs Q1 2003	-32 100 [-1.1%]	<ul style="list-style-type: none">• Consumption- and tourism-related sectors (-24 900)• Construction (-13 400)	<ul style="list-style-type: none">• Lower-skilled workers (-21 200)<ul style="list-style-type: none">- <i>Service and sales workers</i> (-25 900)- <i>Elementary occupations</i> (-8 500)• Higher-skilled workers (-10 900)

Notes: (*) Figures in square brackets refer to the rates of change in employment during the time frame of comparison.

(^) Figures in parentheses refer to the changes in employment in the respective sector / occupational category during the time frame of comparison.

Analysed by occupation, the decline in employment during the current downturn was concentrated in the lower-skilled segment (-193 900), particularly in service and sales workers (-94 600), elementary occupations (-54 500) and clerical support workers (-39 400), as these occupations took up proportionately larger shares in the employment of the hard-hit sectors.

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

Box 5.1 (Cont'd)

The downturn in 2003 was caused by the spread of SARS, which was a regional epidemic that had relatively limited impact worldwide and lasted for a much shorter period of time. Overall employment declined by 32 100 or 1.1% in the second quarter of 2003 from the preceding quarter⁽²⁾, much smaller than that of the current downturn. Analysed by sector, the fall in employment in the consumption- and tourism-related sectors was the largest (-24 900) as the disease deterred tourists and disrupted local economic activities, followed by that in the construction sector (-13 400). Analysed by occupation, the lower-skilled segment as a whole (-21 200) accounted for the majority of job losses, especially service and sales workers (-25 900) and elementary occupations (-8 500)⁽³⁾, which were mainly from the aforementioned sectors (*Table 1*).

Downturns originated from financial crises in other places

In the episode of the 1997-98 Asian financial crisis (AFC), the shock was originated from regional financial activity and hence the economy felt the impact initially through the financial channel. At the early stage of the downturn, the decline in total employment was mainly concentrated in the higher-skilled segment, as the financing, insurance, real estate and business services sector was among the first to feel the pinch. In the first quarter of 1998, the decline in higher-skilled employment was 59 200 as compared to the fourth quarter of 1997, accounting for most of the decline in total employment (-66 700) over the same period (*Table 2*).

As the downturn dragged on, the impact spread to other sectors, and the decline in total employment enlarged. In the first quarter of 1999, total employment declined by 132 800 or 4.3% as compared to the fourth quarter of 1997. The pattern of economic sectors in which employment declined visibly was different from the early stage. The decline in employment was most notable in the manufacturing sector (-79 200), conceivably reflecting a secular downtrend that was exacerbated by the economic downturn. The construction sector (-25 900), the consumption- and tourism-related sectors (-21 700) and the trade-related sectors (-20 500) also saw visible declines in employment. Analysed by occupation, the majority of the decline in employment was in the lower-skilled segment (-87 000), notably in craft and related workers (-30 600) and clerical support workers (-26 700) (*Table 2*).

As regard the episode of the 2008-09 global financial crisis (GFC), the initial impact on the Hong Kong economy was also most evident in the financial sector. At the early stage of the downturn in the fourth quarter of 2008, total employment declined by 7 000 from the preceding quarter, with job losses concentrated in the higher-skilled segment (-8 600)⁽⁴⁾. Analysed by sector, visible declines in employment were only seen in financing, insurance, real estate, professional and business services (-11 900) and information and communications (-10 600)⁽⁵⁾. As the impact spread to other sectors, the decline in overall employment in the second quarter of 2009 widened to 60 100 or 1.8% as compared to the third quarter of 2008. Analysed by sector, the declines in employment were more notable in the trade-related sectors (-38 300), the construction sector (-17 400), and the consumption- and tourism-related sectors (-14 500).

(2) 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. Total employment declined by 64 100 or 2.1% in the second quarter of 2002 as compared to the third quarter of 2001.

(3) The sum of job losses of these two occupations exceeded the job losses in the lower-skilled segment as a whole as some lower-skilled occupations, such as clerical support workers, actually saw job gains.

(4) The lower-skilled segment saw an increase in employment. Hence, the number of job losses in the higher-skilled segment was larger than the decline in overall employment.

(5) The decline in employment in these two sectors were larger than the decline in overall employment as many other sectors, notably public administration, social and personal services, manufacturing, and transportation storage, postal and courier services, recorded increases in employment.

Box 5.1 (Cont'd)

The decline in employment in the trade-related sectors was particularly sharp, as trade flows plunged in early 2009. Against this backdrop, the decline in employment was concentrated in the lower-skilled segment (-43 800), notably in clerical support workers (-17 800) (*Table 2*).

Table 2: Declines in employment during the episodes of the 1997-98 AFC and the 2008-09 GFC

Time frame of comparison	Decline in overall employment ^(*)	Economic sectors that suffered the more visible declines in employment ^(^)	Major occupations that suffered more visibly ^(^)
1997-98 Asian Financial Crisis (AFC)			
Q1 1998 vs Q4 1997 (early stage)	-66 700 [-2.2%]	<ul style="list-style-type: none"> • Manufacturing (-30 500) • Financing, insurance, real estate and business services (-20 200) 	<ul style="list-style-type: none"> • Higher-skilled workers (-59 200) - <i>Associate professionals</i> (-36 800) - <i>Managers and professionals</i> (-22 300) • Lower-skilled workers (-7 500)
Q1 1999 vs Q4 1997	-132 800 [-4.3%]	<ul style="list-style-type: none"> • Manufacturing (-79 200) • Construction (-25 900) • Consumption- and tourism-related sectors (-21 700) • Import / export trade and wholesale (-20 500) 	<ul style="list-style-type: none"> • Lower-skilled workers (-87 000) - <i>Craft and related workers</i> (-30 600) - <i>Clerical support workers</i> (-26 700) • Higher-skilled workers (-45 800)
2008-09 Global Financial Crisis (GFC)			
Q4 2008 vs Q3 2008 (early stage)	-7 000 [-0.2%]	<ul style="list-style-type: none"> • Financing, insurance, real estate, professional and business services (-11 900) • Information and communications (-10 600) 	<ul style="list-style-type: none"> • Higher-skilled workers (-8 600) - <i>Managers and professionals</i> (-16 200)
Q2 2009 vs Q3 2008	-60 100 [-1.8%]	<ul style="list-style-type: none"> • Import / export trade and wholesale (-38 300) • Construction (-17 400) • Consumption- and tourism-related sectors (-14 500) 	<ul style="list-style-type: none"> • Lower-skilled workers (-43 800) - <i>Clerical support workers</i> (-17 800) • Higher-skilled workers (-16 300)

Notes: (*) Figures in square brackets refer to the rates of change in employment during the time frame of comparison.

(^) Figures in parentheses refer to the changes in employment in the respective sector / occupational category during the time frame of comparison.

Conclusion

The pattern of decline in employment during an economic downturn hinges largely on the causes of the crisis. Similar to the SARS episode of 2003, the current threat of COVID-19 has severely disrupted inbound tourism and consumption-related activities, which are the main sources of employment for lower-skilled workers. Meanwhile, the financial services sector, with the support of an efficient digital infrastructure, is more resilient to a public health crisis. The declines in employment in both crises were thus more pronounced in lower-skilled occupations. It is also noteworthy that even the pattern of decline in employment by sector and occupation was similar among the downturns of apparently similar nature, there were some differences in specific aspects. For instance, the trade-related sectors were much less affected in the SARS episode as compared to the current downturn, as SARS was a regional epidemic and did not affect the global economy. Unlike public health crises, both the 1997-98 AFC and 2008-09 GFC started as a financial crisis, which took a heavy toll on the financial services and related sectors at the early stage, resulting in noticeable job losses in the higher-skilled segment. Nevertheless in all episodes, even for those started as a financial crisis, the direct impact and its spillovers in the end led to visible declines in lower-skilled employment.

Profile of unemployment

5.4 The seasonally adjusted unemployment rate surged from 4.2% in the preceding quarter to 6.2% in the second quarter, surpassing the peak of 5.5% in the aftermath of the global financial crisis to reach the highest in more than 15 years. In terms of the three-month moving averages, the seasonally adjusted unemployment rate for the second quarter was 0.3 percentage point higher than that for the three months ending May (at 5.9%). This represented a moderation from the increase of 0.7 percentage point when comparing the seasonally adjusted unemployment rate for the three months ending May with that for the three months ending April (at 5.2%). The number of unemployed persons (not seasonally adjusted) rose markedly by 78 500 over the preceding quarter to 240 700 in the second quarter.

5.5 Analysed by sector, the unemployment rate of the retail, accommodation, and food services sectors combined (not seasonally adjusted) surged by 3.9 percentage points over the preceding quarter to 10.7% in the second quarter, the highest since the onslaught of SARS. In particular, the unemployment rate in the food and beverage service activities sector soared to 14.7% (up by 6.1 percentage points over the preceding quarter). The unemployment rate of the construction sector increased markedly by 2.7 percentage points over the preceding quarter to 11.2%. The unemployment rates in all other major sectors also went up by various degrees, particularly in the arts, entertainment and recreation sector (up by 6.1 percentage points over the preceding quarter to 10.8%) and the transportation, storage, postal and courier services sector (up by 2.8 percentage points over the preceding quarter to 6.1%). For the *low-paying sectors*⁽⁶⁾ as a whole, the unemployment rate soared by 2.1 percentage points over the preceding quarter to 6.1%.

5.6 Analysed by skill segment, the unemployment rate of the lower-skilled segment soared by 2.5 percentage points over the preceding quarter to 7.3% in the second quarter, while that of the higher-skilled segment went up visibly by 1.3 percentage points to 3.8%. Thus the lower-skilled workers continued to be more hard-hit by the current economic downturn.

5.7 As for other socio-economic attributes, the unemployment situation deteriorated across all groups. Compared with the preceding quarter, the increases in unemployment rates among persons aged 15-24 (up 4.6 percentage points), those aged 50-59 (up 2.8 percentage points), those with primary and below education (up 3.2 percentage points) and those with secondary education (up 2.5 percentage points) were particularly distinct.

Diagram 5.3 : Unemployment rates increased across all major sectors in the second quarter of 2020 as compared to the preceding quarter

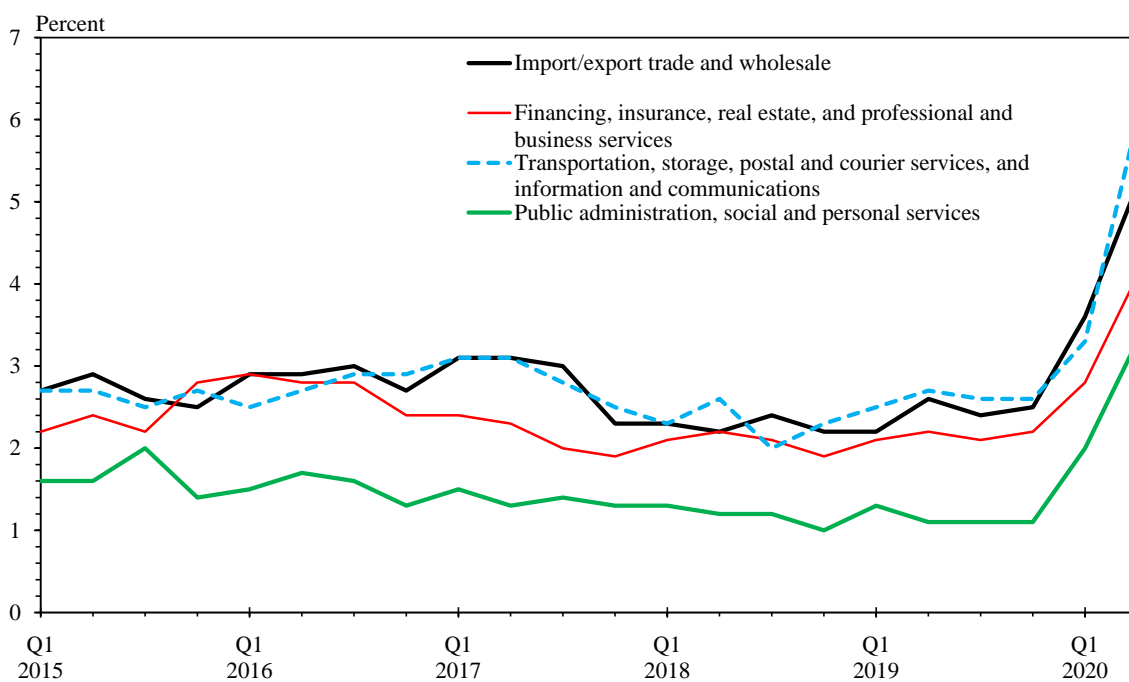
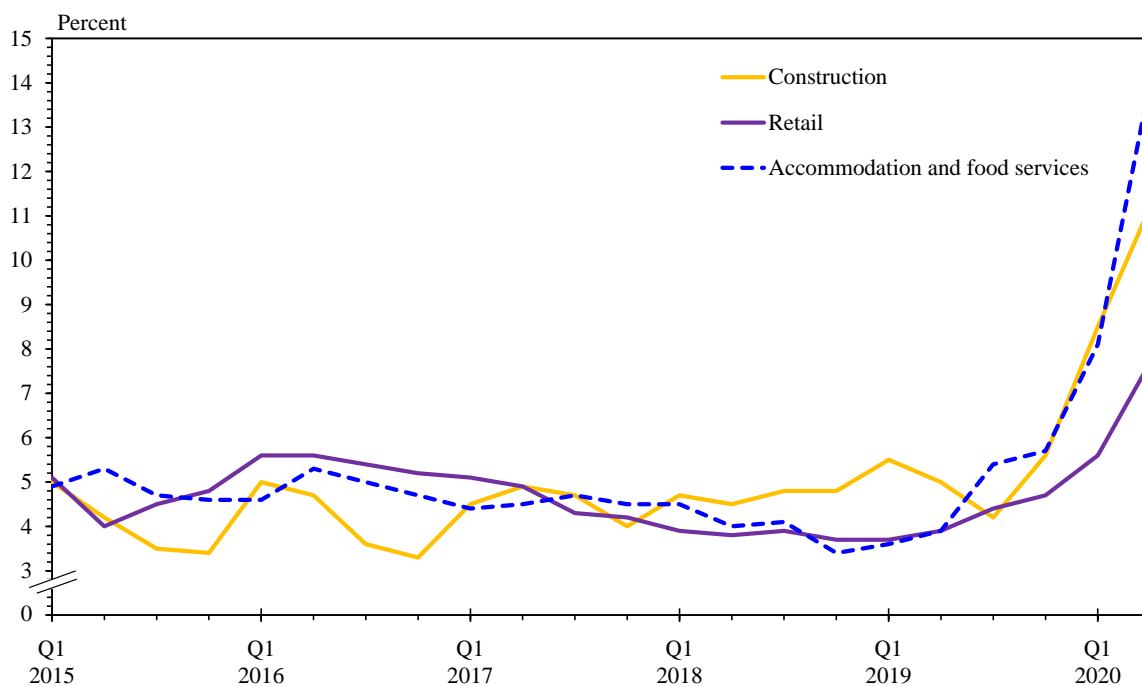


Table 5.4 : Unemployment rates by major economic sector

	<u>2019</u>				<u>2020</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Import/export trade and wholesale	2.2	2.6	2.4	2.5	3.6	5.2
Retail	3.7	3.9	4.4	4.7	5.6	7.7
Accommodation and food services	3.6	3.9	5.4	5.7	8.1	14.0
Transportation, storage, postal and courier services	2.4	2.4	2.3	2.3	3.3	6.1
Information and communications	2.7	3.5	3.2	3.3	3.5	5.8
Financing and insurance	1.7	2.0	1.8	1.8	2.4	3.0
Real estate	2.0	1.9	1.8	1.8	2.4	3.2
Professional and business services	2.5	2.6	2.5	2.6	3.3	5.2
Public administration, social and personal services	1.3	1.1	1.1	1.1	2.0	3.3
Manufacturing	3.1	3.0	3.5	3.2	5.8	6.3
Construction	5.5	5.0	4.2	5.6	8.5	11.2
Overall*	2.8 (2.8)	2.9 (2.8)	3.0 (2.9)	3.1 (3.3)	4.2 (4.2)	6.2 (6.2)

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 lower-skilled workers continued to see a faster increase in unemployment rate than the higher-skilled workers in the second quarter of 2020

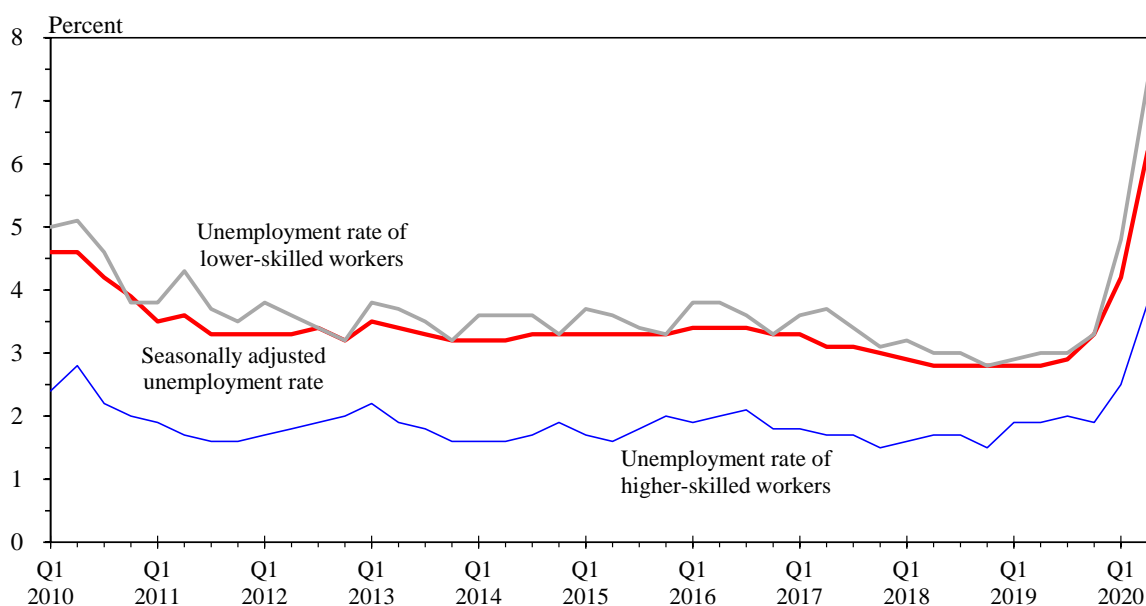


Table 5.5 : Unemployment rates* by skill segment

	<u>2019</u>				<u>2020</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
<u>Higher-skilled segment</u>	1.9	1.9	2.0	1.9	2.5	3.8
Managers and administrators	1.4	1.6	1.7	1.4	1.7	3.0
Professionals	1.6	1.7	1.1	1.4	1.5	2.1
Associate professionals	2.4	2.2	2.4	2.4	3.3	4.8
<u>Lower-skilled segment</u> [^]	2.9	3.0	3.0	3.3	4.8	7.3
Clerical support workers	2.2	2.8	2.6	2.7	3.8	5.8
Service and sales workers	3.2	3.4	4.1	4.0	6.5	10.7
Craft and related workers	4.7	4.7	4.6	5.7	9.3	11.2
Plant and machine operators and assemblers	2.4	1.7	2.1	2.4	3.7	5.7
Elementary occupations	2.8	2.5	2.0	2.6	3.1	4.7

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

[^] Including other occupations.

Source : General Household Survey, Census and Statistics Department.

Table 5.6 : 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>Q2</u>
<u>Age</u>						
15-24	7.0	7.9	10.1	9.5	10.0	14.6
<i>of which:</i>						
15-19	7.5	10.2	12.1	10.2	12.9	18.8
20-24	6.9	7.5	9.8	9.4	9.8	14.3
25-29	3.9	3.9	3.7	3.9	5.1	7.8
30-39	1.9	2.0	2.3	2.1	3.0	4.6
40-49	2.2	2.4	2.1	2.3	3.8	4.9
50-59	2.6	2.7	2.6	3.1	4.0	6.8
≥ 60	2.4	2.1	2.2	2.7	3.8	5.9
<u>Educational attainment</u>						
Primary education and below	2.7	2.4	2.4	3.8	4.2	7.4
Lower secondary education	3.9	3.9	3.6	4.0	5.8	8.8
Upper secondary education [^]	2.5	2.7	2.8	2.7	4.3	6.5
Post-secondary education	2.6	2.7	3.1	3.1	3.6	5.0

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 Various indicators showing the intensity of unemployment also worsened in the second quarter. Compared with the preceding quarter, the long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) increased by 0.5 percentage point to 1.4%, and the number of long-term unemployed persons increased by 17 900 to 52 800. The share of long-term unemployment in total unemployment also increased by 0.4 percentage point to 21.9%. Meanwhile, the median duration of unemployment increased notably from 69 days to 92 days, and 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) also increased distinctly by 7.6 percentage points to 56.5%.

Profile of underemployment

5.9 The underemployment rate rose visibly by 1.6 percentage points over the preceding quarter to 3.7% in the second quarter, the highest in close to 17 years. The number of underemployed persons rose by 60 100 over the preceding quarter to 142 900 in the second quarter. Analysed by sector, the underemployment rate of the retail, accommodation and food services sectors as a whole soared by 2.0 percentage points over the preceding quarter to 5.9% in the second quarter. In particular, the underemployment rate of the food and beverage service activities sector surged to 7.3% (up by 1.9 percentage points over the preceding quarter). Meanwhile, the underemployment rate of the construction sector increased by 0.9 percentage point over the preceding quarter to 8.0% in the second quarter. The underemployment rates of the transportation, storage, postal and courier services sector (up by 3.7 percentage points over the preceding quarter to 6.9%) and the education sector (up by 2.9 percentage points over the preceding quarter to 4.9%) increased markedly, 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 1.8 percentage points over the preceding quarter to 4.8%, while that of the higher-skilled segment went up notably by 1.3 percentage points over the preceding quarter to 2.2%.

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 March 2020. 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 March 2020 as the threat of COVID-19 seriously disrupted a wide range of economic activities. Having fallen by 2.1% from a year earlier in December 2019, private sector employment recorded an enlarged decline of 3.8% in March 2020, the largest since December 1998, to 2 764 300. Looking at individual sectors, employment in food and beverage services, accommodation services and retail saw faster declines of 12.0%, 10.0% and 6.5% respectively as businesses in these sectors plunged. The decline in employment in import/export trade and wholesale widened to 8.5% amid shrinking trade flows. Employment at construction sites (covering manual workers only) showed a steepened decline of 5.9% as construction activities saw visible slowdown. On the other hand, employment in human health services continued to grow by 4.3% in March 2020, reflecting the sustained labour demand in the sector. Analysed by establishment size, employment in *small and medium-sized enterprises (SMEs)*⁽⁷⁾ and large enterprises decreased by 3.9% and 3.8% respectively in March 2020. As for the civil service, employment increased by 1.6% over a year earlier.

Table 5.7 : Employment by major economic sector

	<u>2019</u>					<u>2020</u>
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>
Import/export trade and wholesale	507 000 (-5.5)	519 300 (-3.6)	511 700 (-4.8)	501 400 (-6.4)	495 400 (-7.3)	475 400 (-8.5)
Retail	268 000 (-1.7)	272 600 (0.6)	271 200 (-0.3)	267 000 (-2.2)	261 100 (-4.8)	254 900 (-6.5)
Accommodation ^(a) and food services	286 000 (-1.7)	294 000 (2.7)	293 500 (1.0)	280 800 (-4.2)	275 800 (-6.3)	259 500 (-11.7)
Transportation, storage, postal and courier services	180 400 (0.3)	180 700 (0.8)	180 300 (0.3)	180 400 (0.2)	180 200 (§)	177 300 (-1.9)
Information and communications	110 600 (1.9)	110 600 (3.4)	110 900 (2.5)	110 400 (1.2)	110 300 (0.3)	109 700 (-0.8)
Financing, insurance, real estate, professional and business services	760 400 (1.7)	759 000 (2.2)	760 700 (2.2)	761 000 (1.6)	760 800 (0.9)	758 800 (§)
Social and personal services	535 100 (2.3)	530 900 (2.1)	533 400 (2.3)	536 600 (2.6)	539 700 (2.3)	532 300 (0.3)
Manufacturing	86 900 (-3.5)	88 500 (-2.6)	87 400 (-2.7)	86 300 (-3.5)	85 400 (-5.2)	84 200 (-4.8)
Construction sites (covering manual workers only)	101 800 (-9.0)	107 400 (-11.0)	102 700 (-11.5)	96 900 (-10.0)	99 900 (-3.0)	101 100 (-5.9)
<i>All establishments surveyed in the private sector^(b)</i>	<i>2 847 600 (-0.9)</i>	<i>2 874 300 (0.2) <§></i>	<i>2 863 700 (-0.3) <-0.3></i>	<i>2 832 300 (-1.4) <-1.0></i>	<i>2 820 000 (-2.1) <-0.7></i>	<i>2 764 300 (-3.8) <-1.8></i>
<i>Civil service^(c)</i>	<i>176 000 (2.2)</i>	<i>174 900 (2.0)</i>	<i>175 300 (2.3)</i>	<i>176 700 (2.3)</i>	<i>177 300 (2.0)</i>	<i>177 700 (1.6)</i>

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

- (a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.
- (b) The total figures on private sector employment cover also employment in mining and quarrying; and in electricity and gas supply, and waste management, besides employment in the major sectors indicated above.
- (c) These figures cover only those employed on civil service terms of appointment. Judges, judicial officers, ICAC officers, locally engaged staff working in the Hong Kong Economic and Trade Offices outside Hong Kong, and other government employees such as non-civil service contract staff are not included.
- () % change over a year earlier.
- < > Seasonally adjusted quarter-to-quarter % change.
- § Change less than 0.05%.

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

Vacancies

5.12 Amid notably weakened labour demand, the number of private sector job vacancies plunged by 46.9% from a year earlier to 42 270 in March 2020, after a fall of 30.4% in December 2019.

5.13 All major economic sectors saw year-on-year falls in the number of vacancies in March 2020, notably for food and beverage services (down 82.0%), arts, entertainment and recreation (down 77.8%), accommodation services (down 70.9%), manufacturing (down 69.6%), retail (down 63.5%), transportation, storage, postal and courier services (down 45.8%), construction sites (covering manual workers only) (down 42.6%), and import/export trade and wholesale (down 40.1%). In terms of occupational category, the numbers of vacancies in the lower-skilled and higher-skilled segments both went down visibly, by 54.6% and 30.9% respectively. Analysed by establishment size, the numbers of vacancies in large enterprises and SMEs dropped by 42.5% and 54.5% respectively. In contrast, the number of job openings in the civil service grew by 8.6% to 10 660.

5.14 Reflecting a weak labour market, the ratio of job vacancies per 100 unemployed persons in March 2020, at 26, was noticeably lower than the level of 72 a year earlier. Analysed by skill segment, the ratio in the higher-skilled segment declined markedly from the year-ago level of 85 to 44 in March 2020, and that in the lower-skilled segment from 77 to 22. Yet manpower shortage remained acute in the residential care and social work services sector, where the ratio still stood at well above 100.

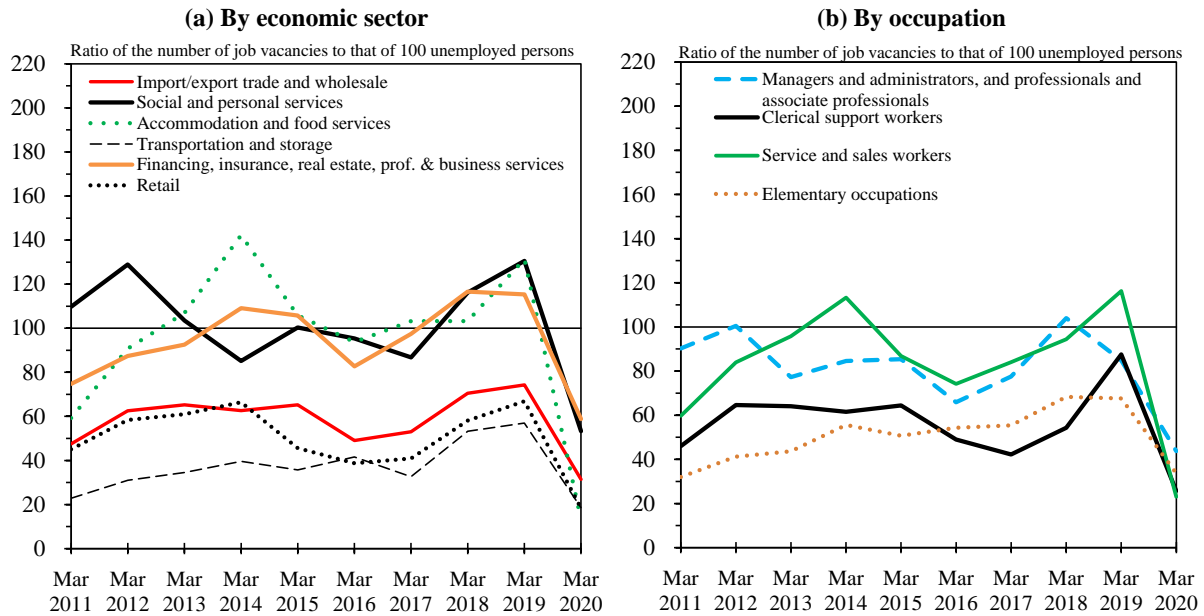
Table 5.8 : Vacancies by major economic sector

	<u>Number of vacancies</u>						Vacancy rate in Mar 2020 (%)
	<u>Annual average</u>	<u>2019</u>				<u>2020</u>	
		<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	
Import/export trade and wholesale	6 050 (-19.3)	6 800 (-10.5)	6 470 (-16.9)	6 170 (-18.5)	4 760 (-32.3)	4 080 (-40.1)	0.9
Retail	6 710 (-18.4)	8 350 (2.9)	7 650 (-4.1)	5 970 (-25.5)	4 870 (-44.5)	3 050 (-63.5)	1.2
Accommodation ^(a) and food services	9 250 (-35.0)	14 700 (2.3)	11 190 (-22.1)	6 240 (-56.2)	4 860 (-65.0)	2 910 (-80.2)	1.1
Transportation, storage, postal and courier services	3 870 (-11.2)	4 780 (18.2)	4 090 (-12.2)	3 800 (-15.2)	2 820 (-33.8)	2 590 (-45.8)	1.4
Information and communications	2 850 (-4.4)	2 950 (-5.4)	3 040 (-6.3)	2 860 (2.6)	2 560 (-8.0)	2 190 (-25.6)	2.0
Financing, insurance, real estate, professional and business services	19 060 (-5.3)	20 570 (3.7)	20 130 (-0.1)	18 560 (-9.6)	16 990 (-14.9)	14 660 (-28.7)	1.9
Social and personal services	16 710 (-1.6)	17 860 (10.6)	17 220 (-0.2)	16 720 (-2.0)	15 060 (-13.9)	11 400 (-36.2)	2.1
Manufacturing	2 210 (-22.3)	2 490 (-4.6)	2 660 (-9.7)	1 910 (-34.0)	1 790 (-39.0)	760 (-69.6)	0.9
Construction sites (covering manual workers only)	680 (-2.9)	870 (2.0)	780 (33.6)	580 (12.0)	500 (-41.6)	500 (-42.6)	0.5
<i>All establishments surveyed in the private sector^(b)</i>	<i>67 630 (-13.5)</i>	<i>79 580 (3.5) <-0.8></i>	<i>73 460 (-7.2) <-7.3></i>	<i>63 030 (-19.5) <-12.6></i>	<i>54 430 (-30.4) <-13.5></i>	<i>42 270 (-46.9) <-24.1></i>	<i>1.5</i>
<i>Civil service^(c)</i>	<i>10 060 (12.3)</i>	<i>9 820 (30.2)</i>	<i>10 260 (15.0)</i>	<i>9 970 (5.5)</i>	<i>10 210 (2.6)</i>	<i>10 660 (8.6)</i>	<i>5.7</i>

- 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.

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 further across major economic sectors and occupations in March 2020



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 visibly by 1.2 percentage points from a year earlier to 1.5% in March 2020, the lowest in over ten years. All major sectors recorded lower vacancy rates, with visible declines seen in arts, entertainment and recreation, food and beverage services, accommodation services, manufacturing, and retail.

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 52.5% from a year earlier to an average of 54 700 per month in the second quarter of 2020. Sharp falls in vacancies were observed across most sectors.

Wages and earnings

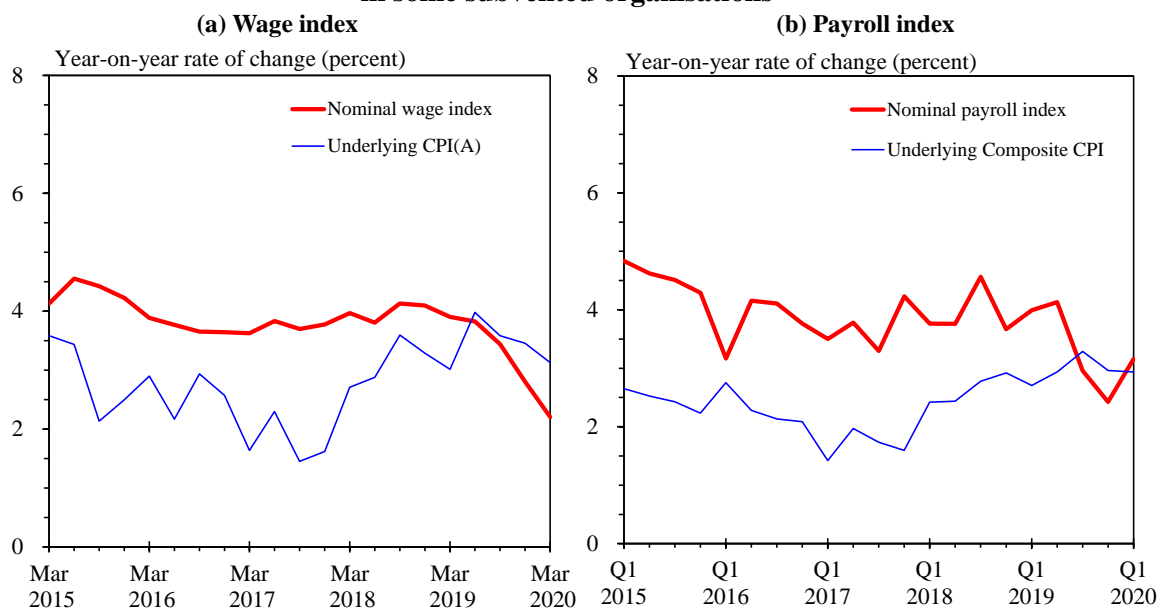
5.17 Overall nominal wages continued to increase in March 2020 over a year earlier, but the rate of increase decelerated further. After increasing by 2.8% year-on-year in December 2019, the nominal *wage index* for all selected industry sections, which covers regular payment to employees at the supervisory level or below, went up by 2.2% in March 2020, the slowest in close to a decade. After adjusting for inflation⁽⁸⁾, wages declined slightly by 0.3% in real terms.

5.18 Nominal wages continued to increase across all selected sectors in March 2020, yet the paces of increase slowed by varying degrees. In particular, visible deceleration in wage growth was seen in accommodation and food service activities (up 1.6%, slower than that of 3.3% in December 2019), and personal services (up 1.1%, slower than that of 2.9% in December 2019). Meanwhile, almost all selected occupations saw moderation in wage growth, notably for service workers (up 2.4%, slower than that of 3.4% in December 2019), clerical and secretarial workers (up 1.8%, slower than that of 2.6% in December 2019), craftsmen (up 3.4%, slower than that of 4.1% in December 2019), and miscellaneous non-production workers (up 3.2%, slower than that of 3.9% in December 2019). Only operatives recorded a faster wage growth of 3.6% in March 2020 than the 2.8% in December 2019.

5.19 *Labour earnings*⁽⁹⁾, 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, saw a faster year-on-year increase of 3.2% in nominal terms in the first quarter of 2020 than the 2.4% in the fourth quarter of 2019. The apparent pick-up was due to pay adjustments and issuance of back-pay in some subvented organisations, which were concentrated in the social and personal services sector. After adjusting for inflation, labour earnings grew by 1.2% in real terms.

5.20 Indeed, labour earnings in accommodation and food service activities (down 1.4%, switched from 3.4% increase in the fourth quarter of 2019), and transportation, storage, postal and courier services (down 1.1%, switched from 2.9% increase in the fourth quarter of 2019) turned to decline in the first quarter of 2020, while those in most other major sectors saw decelerated growth.

Diagram 5.6 : Wages grew at the slowest rate in close to a decade, while earnings showed accelerated growth due to pay adjustments and issuance of back-pay in some subvented organisations



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 second quarter of 2020. *Average monthly employment earnings*⁽¹⁰⁾ of full-time employees (excluding foreign domestic helpers) of the lowest three decile groups combined increased by 3.7 % year-on-year in nominal terms in the second quarter of 2020, faster than the inflation rate of 2.3% as measured by the underlying Consumer Price Index (A). 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 conceivably distorting the year-on-year comparison of the average monthly employment earnings of the lower decile groups. Meanwhile, the median monthly household income (excluding foreign domestic helpers) decreased further by 10.2% in nominal terms, the largest decline in 17 years, partly reflecting the decreased number of working members in the households amid the sharp fall in total employment.

Highlights of labour-related measures and policy developments

5.22 To preserve the vitality of the economy, the Government has rolled out relief measures of unprecedented scale to support enterprises, safeguard jobs and relieve people's financial burdens. These measures, including initiatives to lower enterprises' operating costs and ease their cash flow problems, targeted assistance to enterprises in the hardest hit sectors, wage subsidy to eligible employers and a range of job creation measures, should have helped avoid closure of some enterprises and keep workers in employment. In particular, under the first tranche of the Employment Support Scheme, as of early August, the first seven batches of wage subsidies amounting to about \$40.5 billion were disbursed to nearly 138 000 qualified employers since June, covering about 1.75 million employees.

5.23 To reduce the risk of cross infection posed by the congregation of people during the COVID-19 epidemic, LD cancelled most job fairs scheduled for February to April 2020. LD had gradually resumed the organisation of district-based job fairs in LD's job centres and recruitment activities in industry-based recruitment centres since May in light of the development of the epidemic. Counter services had also been resumed at job centres in tandem to assist job seekers in finding employment. However, in view of the severity of the local epidemic situation in July, LD has suspended the counter services of all job centres and industry-based recruitment centres and stopped organising job fairs since late July. Meanwhile, LD continues to receive and release information on vacancies from various industries for job-seekers with different educational backgrounds and work experience throughout the epidemic. 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) continues to implement the "Love Upgrading Special Scheme" to provide comprehensive training to employees affected by the economic downturn and special allowance to eligible trainees during the training period. The maximum amount of monthly allowance payable to each trainee during the training period has been increased from \$4,000 to \$5,800 from 25 May 2020.

5.25 The Minimum Wage Commission (MWC) is conducting a new round of review on the Statutory Minimum Wage (SMW) rate. After completing an eight-week public consultation in June 2020, MWC is undertaking an evidence-based approach in reviewing the SMW rate, with a view to submitting a recommendation report to the Chief Executive in Council by end-October 2020.

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 2018 – January 2019 to October – December 2019 have been revised to take into account the final end-2019 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

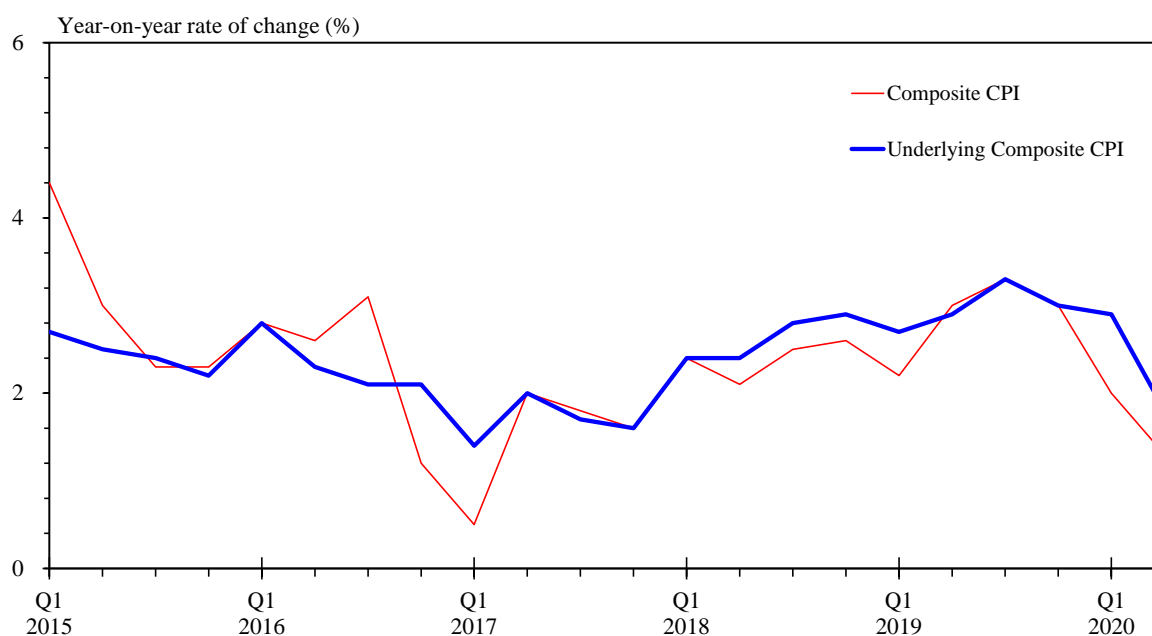
Summary

- *Consumer price inflation continued to ease in the second quarter of 2020. The year-on-year rate of increase in the underlying Composite Consumer Price Index (Composite CPI)⁽¹⁾, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, went down from 2.9% in the first quarter to 1.8% in the second quarter. The visibly lower inflation rate reflected a slower year-on-year rise in food prices along with the waning impact of the surge in pork prices, and also receding price pressures on many other major CPI components amid the economic recession. Likewise, the headline Composite CPI inflation rate moderated from 2.0% to 1.3% over the same period.*
- *Locally, the increase in the private housing rental component moderated further. Meanwhile, business cost pressures continued to abate amid weak economic conditions, with wages seeing slower growth and commercial rentals softening further.*
- *External price pressures continued to subside. Alongside the sharp global economic contraction, inflation rates in many of our major import sources⁽²⁾ eased visibly, and international commodity and energy prices saw sharp declines. These developments, coupled with the continued strength of the Hong Kong dollar alongside the US dollar against other major currencies in the second quarter, led to a larger decline in import prices.*

Consumer prices

6.1 Underlying consumer price inflation continued to ease in the second quarter of 2020. Food prices recorded a slower year-on-year increase as the impact of the surge in pork prices which started in May last year began to wane, while price pressures on many other major CPI components receded amid the economic recession. Domestically, the increase in the private housing rental component narrowed further, as the effect of easing fresh-letting residential rentals in the past year or so became more apparent. Business cost pressures continued to abate amid weak economic conditions, with wages increasing at a slower pace and commercial rentals softening further. Reportedly, some landlords of commercial properties continued to provide tenants with temporary rental relief. Meanwhile, external price pressures subsided further. In tandem with the deep recession in the global economy, inflation rates in many of our key import sources eased visibly, and international commodity and energy prices recorded sharp declines. These developments, together with the continued strength of the Hong Kong dollar along with the US dollar against other major currencies in the second quarter, contributed to a widened year-on-year decline in import prices.

Diagram 6.1: Underlying consumer price inflation continued to ease in the second quarter



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

6.2 Underlying consumer price inflation, in terms of the year-on-year rate of change in the underlying Composite CPI, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, went down further from 2.9% in the first quarter to 1.8% in the second quarter. The visibly lower inflation rate was attributed partly to a smaller year-on-year rise in prices of basic foodstuffs against a higher base of comparison, and also partly to receding price pressures on many other major CPI components. Likewise, the headline Composite CPI inflation rate dropped from 2.0% to 1.3% over the same period. The lower headline inflation rate as compared to its underlying counterpart in the second quarter was mainly due to the Government's provision of additional electricity charge subsidy starting from January 2020.

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

		<u>Composite CPI</u>		<u>CPI(A)</u>	<u>CPI(B)</u>	<u>CPI(C)</u>
		<u>Underlying^(a)</u>	<u>Headline</u>			
2019	Annual	3.0	2.9	3.3	2.7	2.6
	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
	Q2	1.8	1.3	1.6	1.4	1.1

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

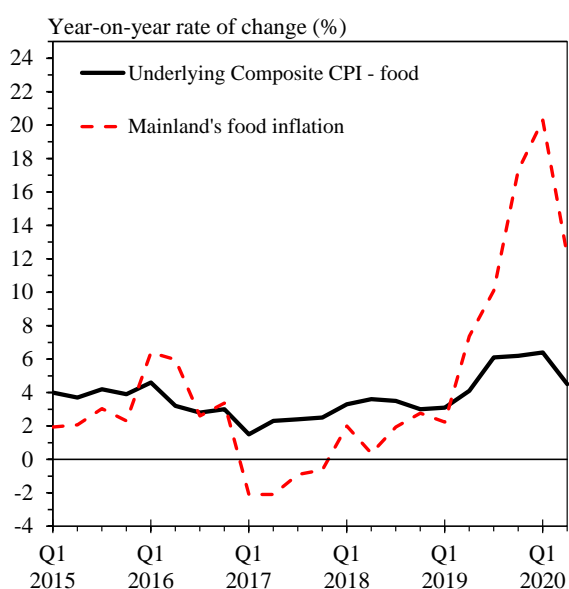
2019	Q1	0.6	0.4	0.4	0.5	0.4
	Q2	1.0	1.2	1.2	1.1	1.1
	Q3	1.0	0.9	1.3	0.9	0.6
	Q4	0.4	0.5	0.5	0.5	0.5
2020	Q1	0.5	-0.6	-1.9	-0.1	0.2
	Q2	-0.1	0.6	1.7	0.1	-0.2

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.

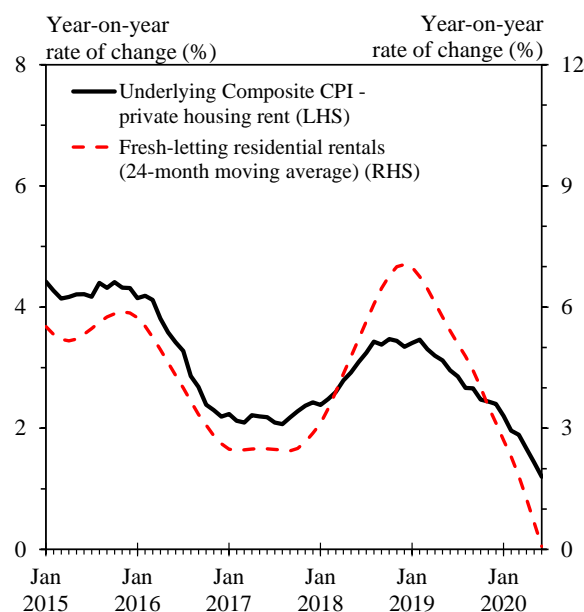
6.3 Analysed by major component of the underlying Composite CPI, the year-on-year rate of increase in food prices, the component with the largest weight other than housing, receded from 6.4% in the first quarter to 4.5% in the second quarter. Within food prices, the rise in prices of basic foodstuffs moderated to 9.9% against a higher base of comparison caused by the surge in pork prices since May last year. The increase in prices of meals bought away from home also slowed to 1.5%, owing to the offer of more discount by restaurants amid the difficult operating environment. Meanwhile, the rise in the private housing rental component narrowed further to 1.4%, as the effect of falling fresh-letting residential rentals over the past year or so turned more apparent. For other components, the increases in prices of electricity, gas and water, and transport narrowed visibly, reflecting the plunge in international fuel prices. As business conditions of retail trade remained subdued, prices of miscellaneous goods and miscellaneous services rose at slower pace, while those of clothing and footwear recorded a larger decline. Meanwhile, prices of durable goods remained on a downtrend.

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

(a) The year-on-year increase in food prices eased against a higher base of comparison



(b) The rise in the private housing rental component narrowed further



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

Diagram 6.3 (a) : Price pressures on most major CPI components receded in the second quarter

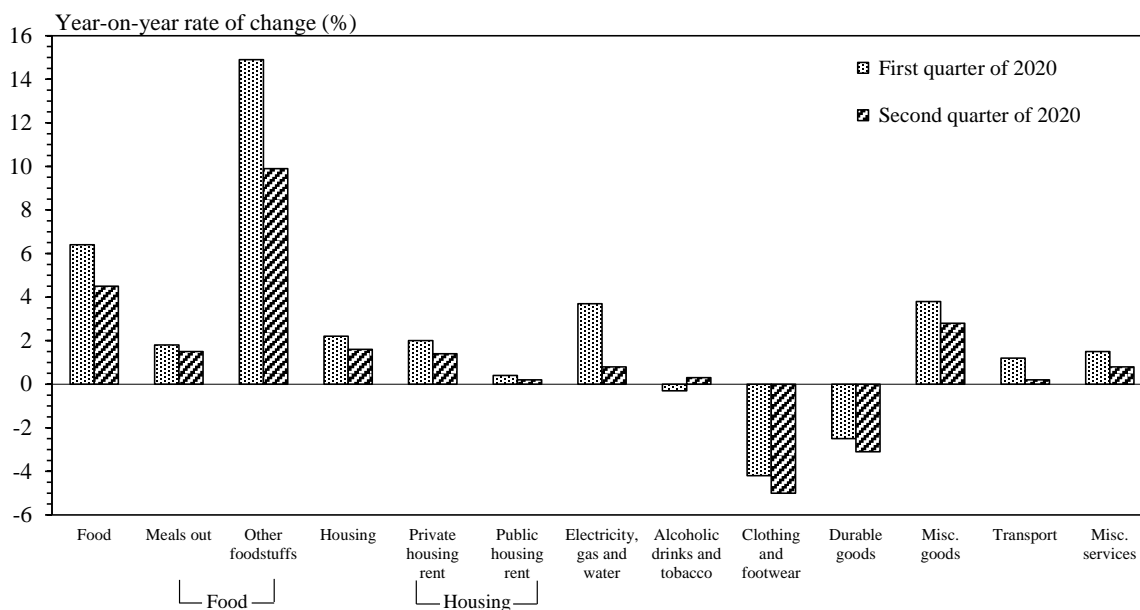
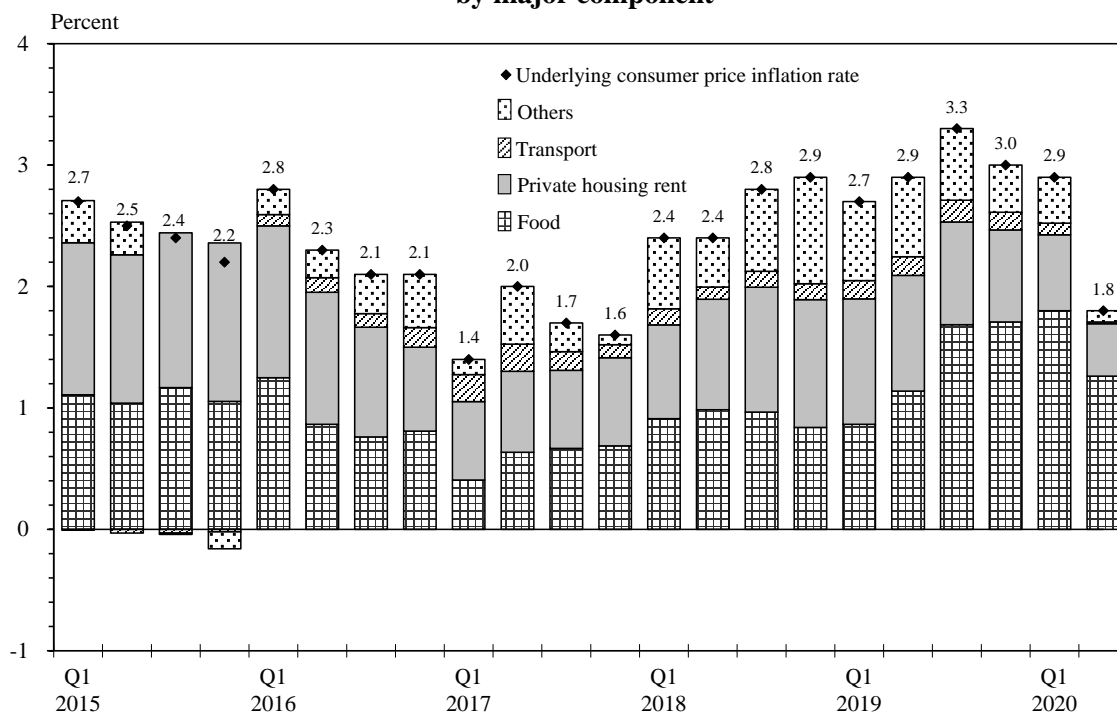


Diagram 6.3 (b) : Contribution to underlying consumer price inflation rate by major component



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>Annual</u>	<u>2019</u>				<u>2020</u>	
			<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Food	27.29	4.9	3.1	4.1	6.1	6.2	6.4	4.5
<i>Meals bought away from home</i>	17.74	2.2	2.3	2.1	2.1	2.1	1.8	1.5
<i>Other foodstuffs</i>	9.55	9.9	4.6	7.7	13.4	13.7	14.9	9.9
Housing ^(a)	34.29	3.2 (3.5)	3.9 (2.9)	3.6 (4.2)	3.1 (3.7)	2.4 (3.1)	2.2 (0.7)	1.6 (1.6)
<i>Private housing rent</i>	29.92	2.9 (3.1)	3.4 (2.3)	3.1 (3.8)	2.7 (3.4)	2.5 (3.1)	2.0 (2.7)	1.4 (1.4)
<i>Public housing rent</i>	1.94	6.5 (7.1)	10.1 (11.6)	9.8 (10.9)	6.5 (6.9)	0.4 (-0.2)	0.4 (-31.1)	0.2 (0.4)
Electricity, gas and water	2.67	1.0 (-5.4)	1.4 (-4.9)	1.5 (-4.8)	0.8 (-5.6)	0.2 (-6.3)	3.7 (-16.0)	0.8 (-19.0)
Alcoholic drinks and tobacco	0.54	1.2	2.7	2.4	0.5	-0.7	-0.3	0.3
Clothing and footwear	3.21	-1.7	-0.2	-1.7	-1.5	-3.4	-4.2	-5.0
Durable goods	4.65	-1.9	-2.1	-2.0	-1.5	-2.0	-2.5	-3.1
Miscellaneous goods	3.56	2.5	1.6	2.0	2.9	3.3	3.8	2.8
Transport	7.98	2.0	1.9	2.0	2.3	1.9	1.2	0.2
Miscellaneous services	15.81	2.0 (2.0)	1.9 (1.8)	2.5 (2.5)	1.8 (1.7)	1.9 (1.9)	1.5 (1.5)	0.8 (0.8)
All items	100.00	3.0 (2.9)	2.7 (2.2)	2.9 (3.0)	3.3 (3.3)	3.0 (3.0)	2.9 (2.0)	1.8 (1.3)

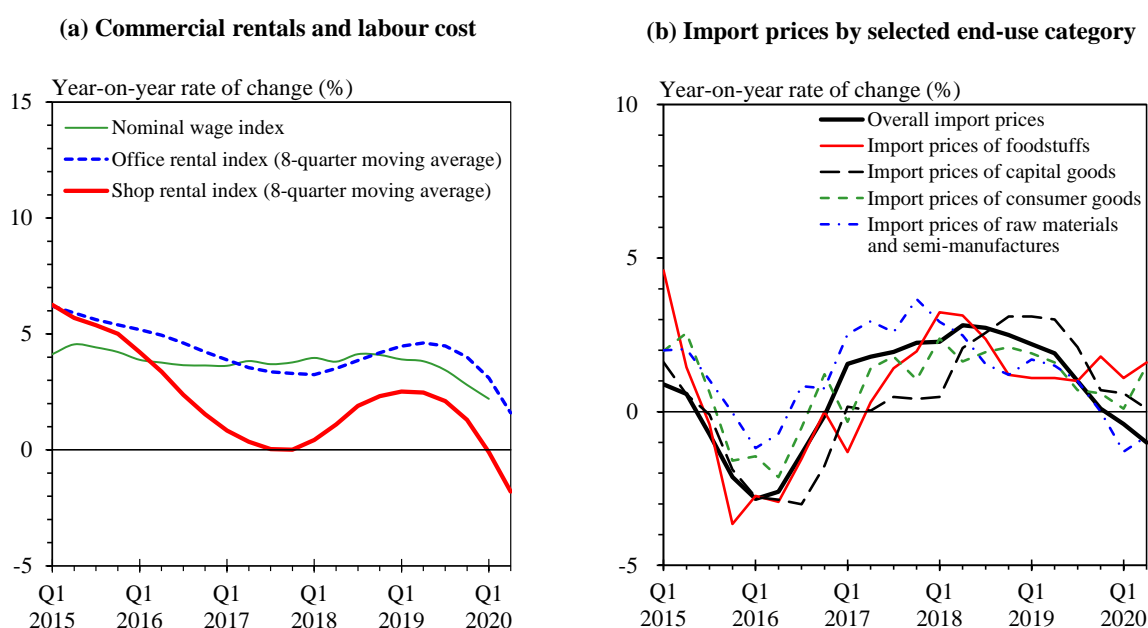
Notes : (a) The housing component covers rents, rates, Government rent, maintenance costs and other housing charges. Its sub-components on private and public housing rents as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public housing 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 second quarter of 2020. Nominal wages saw the slowest year-on-year growth in close to a decade as the unemployment rate rose to its highest level in more than 15 years. Commercial rentals eased sharply amid austere local economic conditions. As a proxy for the rental costs faced by businesses, the eight-quarter moving average of office rentals increased at a moderated pace of 1.6% in the second quarter, while that of shop rentals turned to a decline of 1.8%. Reportedly, some landlords of commercial properties continued to provide tenants with short-term rental relief.

Diagram 6.4 : Domestic cost pressures continued to abate; external price pressures subsided further



6.5 External price pressures subsided further in the second quarter. Amid the deep recession in the global economy, inflation rates in many major import sources receded visibly, while international commodity and energy prices recorded sharp year-on-year declines even after recouping some lost ground in May and June. The Hong Kong dollar also sustained its strength against other major currencies alongside the US dollar during the quarter. Against this background, the year-on-year fall in overall prices of merchandise imports widened from 0.4% in the first quarter to 1.0% in the second quarter. Among major end-use categories, import prices of fuels plunged by 42.4% alongside the sharp decline in global oil prices. Import prices of raw materials and semi-manufactures registered a modest decline of 0.8%. Separately, import prices of consumer goods and foodstuffs rose at a faster but still moderate pace, while those of capital goods recorded a mild increase.

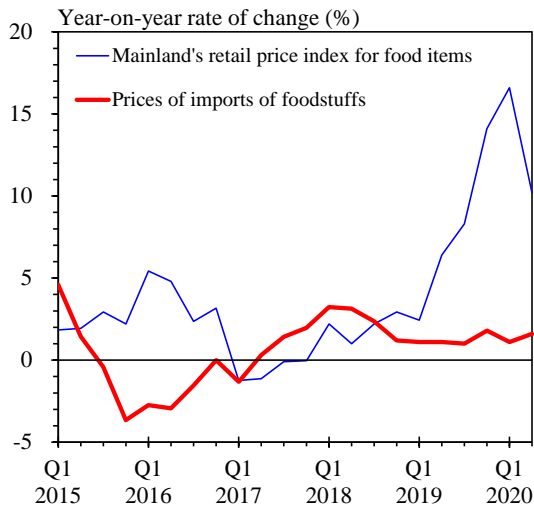
**Table 6.3 : Prices of imports by end-use category
(year-on-year rate of change (%))**

		<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
	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
	Q2	1.6	1.5	-0.8	-42.4	0.1	-1.0

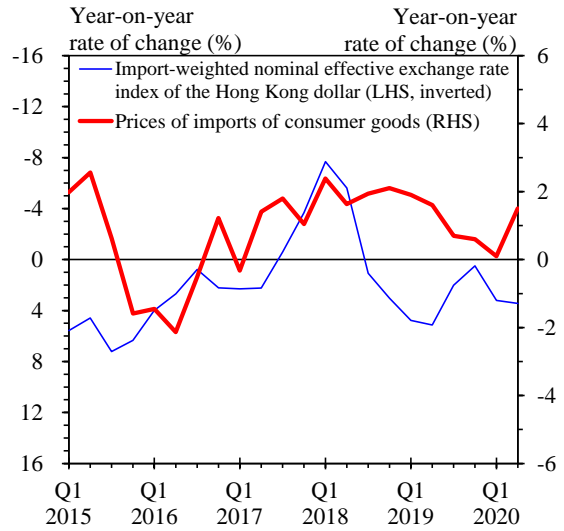
Note : (*) Change within $\pm 0.05\%$.

Diagram 6.5: Import prices by end-use category

(a) Import prices of foodstuffs stayed on the rise

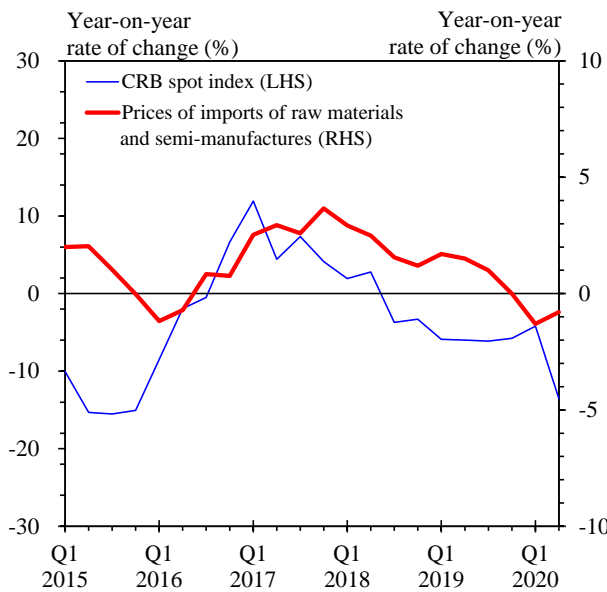


(b) Import prices of consumer goods rose at a faster but still moderate pace

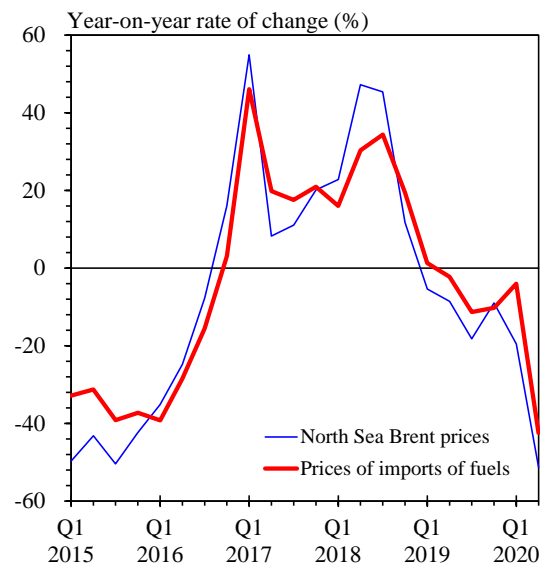


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) Import prices of raw materials and semi-manufactures fell modestly



(d) Import prices of fuels plunged alongside the sharp fall in global oil prices



Output prices

6.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, showed mixed movements across different sectors in the first quarter of 2020. For the manufacturing sector, output prices continued to increase modestly. Among the selected service sectors, output prices for accommodation services dipped further amid the severe setback in inbound tourism. On the other hand, output prices for air transport reverted to a visible increase, mainly as a result of the severe fall in air cargo capacity caused by pandemic-induced disruptions. Meanwhile, output prices for water transport and courier services recorded modest increases, whereas those for land transport turned to a moderate decline. Output prices for telecommunications services remained on a secular downtrend, reflecting keen competition and technological improvement in the sector.

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

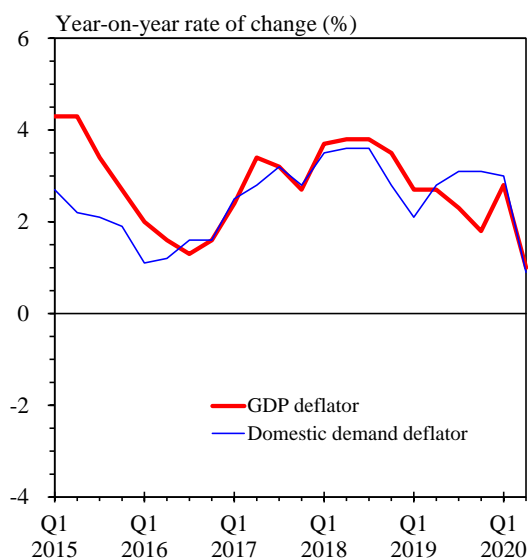
<u>Industry group</u>	<u>2018</u>		<u>2019</u>				<u>2020</u>
	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Manufacturing	2.0	1.0	0.7	0.8	1.3	1.1	1.3
Selected service sectors ^(a)							
Accommodation services	4.4	-8.0	1.0	-1.5	-9.9	-20.4	-23.4
Land transport	1.4	1.6	2.0	1.6	1.4	1.3	-2.6
Water transport	2.5	-0.8	2.1	-1.4	0.6	-4.4	1.3
Air transport	8.1	-3.2	-0.7	-2.9	-3.8	-5.3	7.5
Telecommunications	-3.4	-1.9	-2.6	-3.8	-2.2	0.9	-2.4
Courier services	-2.5	0.5	-4.9	0.5	3.1	3.7	1.8

GDP deflator

6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*⁽⁴⁾ increased by 1.0% in the second quarter over a year earlier, 1.8 percentage points lower than in the preceding quarter. The *terms of trade*⁽⁵⁾ improved slightly over a year earlier as the decline in export prices was somewhat smaller than that in import prices. Taking out the external trade components, the domestic demand deflator increased by 0.9% in the second quarter, markedly slower than the 3.0% increase in the preceding quarter.

Diagram 6.6: GDP deflator

(a) The year-on-year increase in the GDP deflator moderated visibly in the second quarter



(b) Terms of trade improved slightly over a year earlier

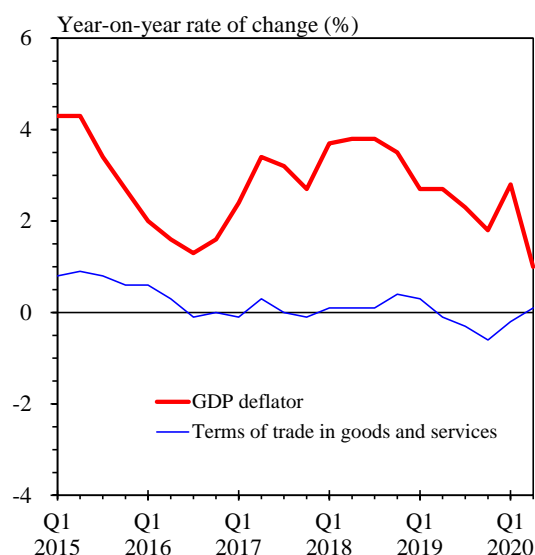


Table 6.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))

	2018		2019				2020	
	<u>Annual</u> [#]	<u>Annual</u> [#]	<u>Q1</u> [#]	<u>Q2</u> [#]	<u>Q3</u> [#]	<u>Q4</u> [#]	<u>Q1</u> [#]	<u>Q2</u> [#]
Private consumption expenditure	3.1	2.7	2.0	2.7	3.1	3.2	2.9	1.0
Government consumption expenditure	3.3	4.5	4.2	4.6	4.7	4.4	5.6	2.3
Gross domestic fixed capital formation	4.6	1.9	1.4	2.5	2.2	1.7	3.4	-1.3
Total exports of goods ^{&}	2.2	1.1	1.8	1.4	1.0	0.2	*	-0.1
Imports of goods ^{&}	2.3	1.3	1.6	1.7	1.3	0.7	0.5	-0.3
Exports of services ^{&}	4.5	-0.4	1.0	-0.1	-1.1	-1.6	-0.2	-2.5
Imports of services ^{&}	2.8	-1.0	-1.5	-1.8	-0.9	0.1	-2.2	-2.9
Gross Domestic Product	3.7	2.4	2.7 <0.6>	2.7 <0.9>	2.3 <0.3>	1.8 <0.2>	2.8 <1.4>	1.0 <-1.0>
Total final demand ^{&}	2.8	1.5	1.8	1.7	1.5	1.1	1.2	0.1
Domestic demand	3.4	2.8	2.1	2.8	3.1	3.1	3.0	0.9
Terms of trade in goods and services ^{&}	0.2	-0.2	0.3	-0.1	-0.3	-0.6	-0.2	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>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Selected developed economies								
US [^]	2.1	2.2	2.1	2.1	2.3	2.3	2.2	1.3
Canada	2.3	1.9	1.6	2.1	1.9	2.1	1.8	*
EU	1.8	1.4	1.5	1.6	1.2	1.3	1.5	0.6
Japan	1.0	0.5	0.3	0.8	0.3	0.5	0.5	0.1
Selected major emerging economies								
Mainland China	2.1	2.9	1.8	2.6	2.9	4.3	5.0	2.7
Russia	2.9	4.5	5.2	5.0	4.3	3.4	2.4	3.1
India	3.9	3.7	2.5	3.1	3.5	5.8	6.7	6.5
Brazil	3.7	3.7	4.1	4.3	3.2	3.4	3.8	2.1
Selected Asian economies								
Hong Kong	2.4	2.9	2.2	3.0	3.3	3.0	2.0	1.3
Singapore	0.4	0.6	0.5	0.8	0.4	0.6	0.4	-0.7
Taiwan	1.3	0.6	0.3	0.8	0.4	0.7	0.5	-1.0
Korea	1.5	0.4	0.5	0.7	*	0.3	1.2	-0.1
Malaysia	1.0	0.7	-0.3	0.6	1.3	1.0	0.9	-2.6
Thailand	1.1	0.7	0.7	1.1	0.6	0.4	0.4	-2.7
Indonesia	3.2	2.8	2.7	2.9	3.0	2.7	2.9	2.3
Philippines	5.2	2.5	3.8	3.0	1.7	1.5	2.7	2.3
Vietnam	3.5	2.8	2.6	2.7	2.2	3.7	5.6	2.8
Macao	3.0	2.8	2.9	2.7	2.7	2.7	2.6	1.6

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 ^{&}	3,021,492	3,406,765	3,632,957	3,926,059	3,986,769	3,889,225
Imports of goods ^{&}	2,995,928	3,464,968	3,779,686	4,142,651	4,237,700	4,066,527
Exports of services ^{&}	625,719	710,716	764,026	812,640	829,085	808,948
Imports of services ^{&}	546,930	578,035	594,266	583,216	573,522	574,345
GDP	1,776,332	1,934,430	2,037,059	2,138,305	2,260,005	2,398,280
<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>
GNI	1,813,928	1,987,256	2,066,514	2,178,824	2,306,612	2,442,656
<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 ^(a)	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[#]</u>	<u>2019[#]</u>	<u>2019</u>		<u>2020</u>	
					Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Private consumption expenditure	1,649,941	1,784,148	1,936,122	1,967,322	470,701	502,263	447,890	440,128
Government consumption expenditure	247,973	261,447	281,438	308,924	78,026	79,659	89,334	82,546
Gross domestic fixed capital formation	535,216	575,977	612,458	547,167	136,475	134,402	120,441	106,958
Building and construction	283,447	297,306	308,615	294,794	73,210	73,790	72,124	65,669
Costs of ownership transfer	44,517	65,810	67,482	50,020	10,664	10,524	7,469	10,383
Machinery, equipment and intellectual property products	207,252	212,861	236,361	202,353	52,601	50,088	40,848	30,906
Changes in inventories	447	10,973	11,204	-6,434	-1,695	3,777	21,795	3,563
Total exports of goods ^{&}	3,892,886	4,212,774	4,453,350	4,292,589	1,114,279	1,155,796	901,776	998,181
Imports of goods ^{&}	4,022,579	4,391,306	4,706,347	4,418,627	1,114,117	1,143,857	950,767	1,015,037
Exports of services ^{&}	764,660	811,295	886,883	792,916	189,582	171,019	143,891	106,073
Imports of services ^{&}	578,106	605,924	639,947	618,178	153,925	158,852	112,770	84,561
GDP	2,490,438	2,659,384	2,835,161	2,865,679	719,326	744,207	661,590	637,851
<i>Per capita GDP (\$)</i>	<i>339,454</i>	<i>359,780</i>	<i>380,507</i>	<i>381,714</i>	--	--	--	--
GNI	2,553,031	2,774,936	2,969,976	3,013,848	760,600	767,077	677,603	N.A.
<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	1,987,368	2,046,916	1,725,127	1,737,449
Total final demand excluding re-exports ^(a)	4,190,526	4,496,245	4,819,286	4,671,080	1,149,479	1,183,323	1,050,954	969,742
Domestic demand	2,433,577	2,632,545	2,841,222	2,816,979	683,507	720,101	679,460	633,195
Private	2,062,056	2,240,260	2,425,246	2,375,351	573,119	608,643	551,109	521,295
Public	371,521	392,285	415,976	441,628	110,388	111,458	128,351	111,900
External demand	4,657,546	5,024,069	5,340,233	5,085,505	1,303,861	1,326,815	1,045,667	1,104,254

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

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

(%)

	<u>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 ^{&}	18.0	4.6	3.3	8.2	0.8	-1.7
Imports of goods ^{&}	19.9	6.7	4.6	9.9	1.5	-2.7
Exports of services ^{&}	15.3	5.7	2.7	6.0	1.6	0.3
Imports of services ^{&}	10.0	-0.2	2.2	-2.1	-2.2	5.0
GDP	6.8	4.8	1.7	3.1	2.8	2.4
<i>Per capita GDP</i>	<i>6.0</i>	<i>4.1</i>	<i>0.6</i>	<i>2.7</i>	<i>2.0</i>	<i>1.5</i>
RGNI	3.7	4.8	-0.2	4.0	2.7	3.8
<i>Per capita RGNI</i>	<i>2.9</i>	<i>4.1</i>	<i>-1.3</i>	<i>3.6</i>	<i>1.9</i>	<i>2.9</i>
Total final demand	14.0	5.3	3.4	6.6	1.6	-0.4
Total final demand excluding re-exports ^(a)	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[#]</u>	<u>2019[#]</u>	<u>2019</u>		<u>2020</u>		Average annual rate of change:	
					Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]	10 years 2009 to 2019 [#]	5 years 2014 to 2019 [#]
Private consumption expenditure	2.0	5.5	5.3	-1.1	-3.3	-2.9	-10.6	-14.2	4.3	3.3
Government consumption expenditure	3.4	2.8	4.2	5.1	5.9	6.1	8.8	9.8	3.4	3.8
Gross domestic fixed capital formation	-0.1	3.1	1.7	-12.3	-15.1	-16.8	-15.8	-21.4	1.5	-2.3
Building and construction	5.9	-0.5	-0.5	-6.2	-2.8	-6.5	-11.5	-3.6	3.3	0.1
Costs of ownership transfer	-2.9	23.2	-11.2	-13.4	-22.4	7.6	-32.4	-23.8	-6.0	-3.3
Machinery, equipment and intellectual property products	-6.4	3.8	8.8	-20.0	-26.5	-32.3	-17.9	-44.1	0.4	-4.8
Total exports of goods ^{&}	1.6	6.5	3.5	-4.6	-6.9	-2.5	-9.7	-2.4	3.9	1.0
Imports of goods ^{&}	0.7	7.3	4.7	-7.3	-11.0	-7.0	-11.1	-7.1	4.3	0.4
Exports of services ^{&}	-3.5	2.8	4.6	-10.2	-14.2	-24.2	-37.4	-46.1	2.3	-1.3
Imports of services ^{&}	2.0	2.0	2.8	-2.4	-4.5	-5.2	-24.5	-42.9	1.6	1.8
GDP	2.2	3.8	2.8	-1.2	-2.8	-3.0	-9.1	-9.0	2.9	2.0
<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>
RGNI	3.2	5.7	3.5	-1.2	-3.5	-3.5	-10.1	N.A.	3.0	3.0
<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	-7.8	-5.5	-11.5	-10.7	3.5	1.0
Total final demand excluding re-exports ^(a)	1.5	4.5	4.0	-4.8	-8.2	-8.0	-12.8	-16.8	2.8	1.0
Domestic demand	2.6	5.2	4.4	-3.5	-7.1	-4.3	-5.3	-12.4	3.4	2.0
Private	2.5	5.7	4.8	-4.4	-9.1	-5.4	-6.6	-16.0	3.3	1.9
Public	3.1	2.2	2.4	1.7	4.5	2.3	0.9	10.6	4.2	2.5
External demand	0.7	5.8	3.7	-5.6	-8.1	-6.1	-14.9	-9.7	3.6	0.6

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

	2014		2015		2016		2017		2018 [#]	
	\$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^(a) 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>
GDP at basic prices	2,205,972	100.0	2,325,443	100.0	2,417,849	100.0	2,551,086	100.0	2,700,426	100.0
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	--
GDP at current market prices	2,260,005	--	2,398,280	--	2,490,438	--	2,659,384	--	2,835,161	--

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[#]</u>	<u>2019[#]</u>	<u>2019</u>			<u>2020</u>
							Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]
Agriculture, fishing, mining and quarrying	-6.0	-6.8	-2.0	-5.2	-1.8	-0.4	0.1	-3.5	0.9	2.3
Manufacturing	-0.4	-1.5	-0.4	0.4	1.3	0.4	0.4	0.5	-0.5	-4.6
Electricity, gas and water supply, and waste management	0.8	-2.6	-0.8	0.9	0.1	-0.2	-1.3	1.5	-1.1	-14.3
Construction	13.0	5.4	5.1	-1.3	3.3	-6.0	-11.5	-2.5	-6.6	-12.1
Services	2.5	1.7	2.3	3.5	3.1	-0.3	1.3	-1.7	-2.4	-9.0
<i>Import/export, wholesale and retail trades</i>	1.2	-1.1	0.6	4.2	4.2	-6.2	-3.8	-9.7	-8.4	-21.5
<i>Accommodation^(a) and food services</i>	2.2	-1.9	0.5	2.0	5.9	-9.2	-1.6	-14.1	-23.2	-47.6
<i>Transportation, storage, postal and courier services</i>	2.9	3.3	3.0	4.8	2.5	-1.6	1.9	-2.2	-8.1	-32.3
<i>Information and communications</i>	3.9	4.0	4.1	4.0	4.1	4.7	5.8	5.4	2.8	1.6
<i>Financing and insurance</i>	5.3	6.1	4.2	5.3	4.0	2.8	3.1	3.3	2.4	2.7
<i>Real estate, professional and business services</i>	1.9	0.7	2.8	2.1	-0.4	1.0	1.9	0.5	0.2	-4.6
<i>Public administration, social and personal services</i>	2.4	2.5	3.0	3.2	3.6	2.9	3.6	2.0	2.5	-3.2
<i>Ownership of premises</i>	0.8	0.6	0.5	1.0	0.9	0.6	0.8	0.5	0.1	-0.2
Taxes on products	6.7	7.1	-9.1	13.7	-3.9	-11.3	-7.7	-16.4	-1.4	-2.8
GDP in chained (2018) dollars	2.8	2.4	2.2	3.8	2.8	-1.2	0.4	-2.8	-3.0	-9.1

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[#]</u>	<u>2019[#]</u>		<u>2019</u>		<u>2020</u>
						Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]
Current account ^(a)	79,553	98,485	121,840	105,942	176,005	33,459	71,757	41,702	-8,864
Goods	-177,302	-129,693	-178,532	-252,997	-126,038	-71,934	162	11,939	-48,991
Services	234,603	186,554	205,371	246,936	174,738	49,487	35,657	12,167	31,121
Primary income	44,376	62,593	115,552	134,815	148,169	61,019	41,274	22,870	16,013
Secondary income	-22,124	-20,969	-20,551	-22,813	-20,864	-5,113	-5,336	-5,273	-7,007
Capital and financial account ^(a)	-128,642	-101,104	-76,488	-175,081	-247,001	-66,571	-103,753	-71,658	38,249
Capital account	-216	-374	-645	-1,574	-657	-155	-115	-146	-132
Financial account	-128,426	-100,730	-75,843	-173,507	-246,344	-66,416	-103,638	-71,512	38,381
Financial non-reserve assets	153,570	-91,874	174,666	-165,948	-255,199	-38,101	-163,484	-81,796	64,188
<i>Direct investment</i>	794,800	447,758	186,887	172,795	71,307	75,834	5,613	62,184	-87,715
<i>Portfolio investment</i>	-970,938	-469,591	264,159	-616,428	-318,748	-34,190	-89,970	28,334	114,307
<i>Financial derivatives</i>	99,178	36,327	61,763	33,202	8,805	546	-4,089	3,741	-10,888
<i>Other investment</i>	230,531	-106,368	-338,144	244,483	-16,564	-80,291	-75,037	-176,055	48,485
Reserve assets	-281,996	-8,856	-250,509	-7,559	8,855	-28,315	59,846	10,284	-25,807
Net errors and omissions	49,089	2,619	-45,353	69,139	70,996	33,113	31,997	29,956	-29,385
Overall Balance of Payments	281,996	8,856	250,509	7,559	-8,855	28,315	-59,846	-10,284	25,807

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[#]</u>	<u>2019[#]</u>	<u>2019</u>		<u>2020</u>	
						Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Total exports of goods	3,889,225	3,892,886	4,212,774	4,453,350	4,292,589	1,114,279	1,155,796	901,776	998,181
Imports of goods	4,066,527	4,022,579	4,391,306	4,706,347	4,418,627	1,114,117	1,143,857	950,767	1,015,037
Goods trade balance	-177,302 (-4.4)	-129,693 (-3.2)	-178,532 (-4.1)	-252,997 (-5.4)	-126,038 (-2.9)	162 (*)	11,939 (1.0)	-48,991 (-5.2)	-16,856 (-1.7)
Exports of services	808,948	764,660	811,295	886,883	792,916	189,582	171,019	143,891	106,073
Imports of services	574,345	578,106	605,924	639,947	618,178	153,925	158,852	112,770	84,561
Services trade balance	234,603 (40.8)	186,554 (32.3)	205,371 (33.9)	246,936 (38.6)	174,738 (28.3)	35,657 (23.2)	12,167 (7.7)	31,121 (27.6)	21,512 (25.4)
Exports of goods and services	4,698,173	4,657,546	5,024,069	5,340,233	5,085,505	1,303,861	1,326,815	1,045,667	1,104,254
Imports of goods and services	4,640,872	4,600,685	4,997,230	5,346,294	5,036,805	1,268,042	1,302,709	1,063,537	1,099,598
Goods and services trade balance	57,301 <1.2>	56,861 <1.2>	26,839 <0.5>	-6,061 <-0.1>	48,700 <1.0>	35,819 <2.8>	24,106 <1.9>	-17,870 <-1.7>	4,656 <0.4>

Notes: 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.
- () 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)	Q3	Q4	Q1	Q2
							(% change over a year earlier)			
All markets	-1.8	-0.5	8.0	7.3	-4.1	3,988,685	-6.4	-2.5	-9.7	-4.3
Mainland of China	-2.1	0.4	8.4	8.6	-3.3	2,210,854	-5.6	3.9	-1.8	6.0
United States	0.2	-5.3	1.9	8.1	-14.8	304,004	-14.1	-22.3	-27.4	-20.7
Japan	-6.6	-4.9	10.0	0.7	-6.4	121,012	-2.7	-13.4	-17.9	-4.4
India	8.1	14.6	35.9	-15.3	-12.0	118,186	-12.6	-1.0	-4.8	-44.7
Taiwan	-18.0	14.6	19.9	-3.6	2.4	88,275	21.3	8.3	1.5	19.9
Vietnam	14.7	-5.8	10.3	4.5	-3.6	80,213	-2.9	-5.5	3.0	-6.1
Singapore	-2.3	4.8	-0.4	13.3	4.1	71,999	-3.9	-0.7	-15.5	-23.2
Germany	-3.2	-5.1	10.8	3.0	-8.9	69,340	-6.6	-15.5	-26.4	-16.8
Netherlands	10.2	10.3	11.5	11.5	-4.4	68,169	-11.3	-11.2	-24.2	1.1
Korea	-12.8	-0.6	4.9	2.1	-2.3	56,555	-7.4	-11.7	-11.2	-13.8
Rest of the world	-1.8	-3.3	3.8	10.8	-0.8	800,079	-7.1	-8.2	-20.3	-19.0

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)	Q3	Q4	Q1	Q2
							(% change over a year earlier)			
All sources	-4.1	-0.9	8.7	8.4	-6.5	4,415,440	-10.1	-6.5	-10.0	-8.8
Mainland of China	-0.1	-3.4	5.9	7.7	-5.9	2,058,091	-8.7	-9.2	-16.9	-10.5
Taiwan	-8.6	6.4	12.9	2.7	-2.4	330,454	-0.4	13.4	15.0	16.6
Singapore	-5.7	6.4	10.1	9.0	-7.5	290,657	-16.2	-3.9	7.5	1.1
Japan	-9.9	-5.2	2.7	2.6	-2.8	252,601	-1.9	*	0.8	-10.9
Korea	-2.0	14.0	28.5	10.4	-20.9	220,071	-24.1	-6.9	12.1	3.2
United States	-3.9	-2.0	3.4	8.1	-7.9	212,902	-13.3	-19.2	-19.0	-22.5
Malaysia	-7.9	-3.7	26.8	64.6	-14.3	162,002	-28.9	-9.0	-7.8	6.1
Thailand	-3.7	-2.7	8.5	2.8	-7.4	85,267	-13.2	0.5	-6.0	0.2
Vietnam	19.8	6.6	13.6	7.3	18.5	78,373	13.1	44.3	34.4	60.3
India	-13.7	11.9	15.8	-14.0	-19.0	74,805	-23.6	-17.4	-36.5	-33.4
Rest of the world	-11.0	-3.1	8.5	9.3	-3.4	650,218	-7.0	-9.7	-16.7	-27.9

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[#]</u>	<u>2019[#]</u>		<u>2019</u>		<u>2020</u>	
	(% change)				(% change)		(\$Mn)	Q3 [#]	Q4 [#]	Q1 [#]
	(% change over a year earlier)									
Exports of services	-2.4	-5.5	6.1	9.3	-10.6	792,916	-15.2	-25.4	-37.5	-47.5
Transport	-6.8	-5.3	8.6	9.0	-8.9	235,869	-12.4	-18.5	-30.6	-41.3
Travel	-5.8	-9.0	1.9	11.2	-21.2	227,576	-31.8	-54.2	-81.1	-97.0
Financial services	8.5	-6.9	13.5	10.9	-3.8	167,405	-6.2	-2.2	0.7	2.0
Other services	1.6	2.3	2.9	5.1	-1.8	162,066	-3.2	-3.8	-13.2	-13.3
Imports of services	0.1	0.7	4.8	5.6	-3.4	618,178	-5.4	-5.1	-26.2	-44.6
Transport	-5.9	-2.1	3.7	6.6	-5.0	138,003	-5.9	-8.6	-20.5	-28.2
Travel	4.7	4.8	5.6	4.7	1.6	210,626	0.3	2.8	-49.0	-93.2
Manufacturing [^]	-2.7	-2.0	3.5	2.0	-13.7	80,375	-15.9	-16.7	-23.1	-22.9
Other services	2.2	-0.1	5.5	7.6	-2.6	189,174	-6.0	-5.1	-8.7	-4.9

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

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

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

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

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>	
						Q3	Q4	Q1	Q2
<u>('000)</u>									
All sources	59 307.6	56 654.9	58 472.2	65 147.6	55 912.6	11 891.6	9 149.2	3 489.2	26.9
Mainland of China	45 842.4	42 778.1	44 445.3	51 038.2	43 774.7	9 356.0	6 845.1	2 665.9	15.3
South and Southeast Asia	3 559.1	3 701.8	3 626.2	3 571.7	3 040.5	555.0	585.2	175.6	3.1
Taiwan	2 015.8	2 011.4	2 010.8	1 925.2	1 538.9	354.8	260.2	101.6	1.2
Europe	1 829.4	1 904.9	1 901.5	1 937.6	1 728.4	359.3	419.7	144.9	4.8
United States	1 181.0	1 211.5	1 215.6	1 304.2	1 107.2	231.4	227.5	78.9	0.8
Japan	1 049.3	1 092.3	1 230.0	1 287.8	1 078.8	243.7	160.7	50.1	0.1
Others	3 830.7	3 954.8	4 042.9	4 082.8	3 644.1	791.5	650.9	272.3	1.5
<u>(% change over a year earlier)</u>									
All sources	-2.5	-4.5	3.2	11.4	-14.2	-26.0	-50.5	-80.9	-99.8
Mainland of China	-3.0	-6.7	3.9	14.8	-14.2	-27.7	-52.5	-81.7	-99.9
South and Southeast Asia	-1.5	4.0	-2.0	-1.5	-14.9	-20.5	-46.1	-79.9	-99.7
Taiwan	-0.8	-0.2	*	-4.3	-20.1	-27.8	-46.4	-78.1	-99.7
Europe	-1.8	4.1	-0.2	1.9	-10.8	-12.9	-24.9	-70.2	-99.0
United States	4.5	2.6	0.3	7.3	-15.1	-18.2	-39.8	-74.6	-99.8
Japan	-2.7	4.1	12.6	4.7	-16.2	-22.2	-55.2	-86.1	-100.0
Others	-1.1	3.2	2.2	1.0	-10.7	-15.4	-45.4	-76.5	-99.9

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>
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (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 ^(b)	65	42	90	39	57	69	123
Industrial property ^(c)	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 ^(d)	0	73	123	0	80	0	73
Production of public housing							
(in units)							
Rental housing flats ^(e)	6 385	17 787	9 778	20 898	5 634	10 147	21 755
Subsidised sales flats ^(e)	1 110	0	0	0	0	1 310	229
Building plans with consent to commence work in the private sector							
('000 m ² 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 ^(f)	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
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	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 ^(h)							
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>	
				Q3	Q4	Q1	Q2
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (in units)	17 791	20 968	13 643	4 366	3 543	3 726	7 645
Commercial property	303	304	384	34	51	72	14
<i>of which :</i>							
Office space	198	179	267	7	11	42	2
Other commercial premises ^(b)	105	125	118	27	40	30	13
Industrial property ^(c)	105	44	56	14	29	0	12
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	23	41	56	14	29	0	12
Storage premises ^(d)	83	3	0	0	0	0	0
Production of public housing							
(in units)							
Rental housing flats ^(e)	11 268	20 137	9 634	1 056	5 798	1 787	N.A.
Subsidised sales flats ^(e)	2 788	4 863	6 984	450	330	2 610	N.A.
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	872.8	703.0	766.0	316.0	151.2	39.9	N.A.
Commercial property	488.6	109.2	763.0	398.1	24.3	65.4	N.A.
Industrial property ^(f)	62.5	98.4	177.7	79.6	83.5	22.4	N.A.
Other properties	227.1	91.9	234.6	147.6	7.7	23.4	N.A.
Total	1 651.1	1 002.5	1 941.3	941.3	266.7	151.0	N.A.
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	61 591	57 247	59 797	12 336	12 941	10 204	17 073
Primary market	18 645	15 633	21 108	4 400	4 169	2 261	4 149
Secondary market	42 946	41 614	38 689	7 936	8 772	7 943	12 924
Selected types of non-residential properties ^(h)							
Office space	1 955	1 331	861	187	124	100	173
Other commercial premises	2 198	1 926	1 300	280	284	199	287
Flatted factory space	5 135	4 852	2 426	467	387	314	489

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 ^(a)	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 ^(b) :							
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 ^(a)	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 ^(b) :							
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</u>	<u>2019</u>		<u>2020</u>	
				Q3	Q4	Q1 [#]	Q2 ⁺
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	333.9	377.3	383.0	387.7	380.9	377.2	383.1
Office space	487.1	554.7	543.0	553.1	517.4	476.9	451.8
Shopping space	558.4	591.4	549.7	544.1	508.3	526.2	527.0
Flatted factory space	778.1	888.1	887.9	890.1	844.1	844.6	831.3
Property rental indices ^(b) :							
Residential flats	182.6	193.0	194.4	198.6	191.3	184.1	179.3
Office space	241.8	252.2	261.4	263.9	258.7	253.5	244.3
Shopping space	182.5	187.0	187.2	189.0	181.5	174.3	168.3
Flatted factory space	190.7	202.3	209.7	212.7	208.2	201.6	200.4
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	16.7	13.0	1.5	-1.3	3.4	2.2	-2.8
Office space	14.1	13.9	-2.1	-3.3	-10.3	-11.6	-19.6
Shopping space	6.0	5.9	-7.1	-8.6	-14.9	-8.1	-8.1
Flatted factory space	12.3	14.1	*	-2.4	-6.4	-5.0	-10.5
Property rental indices ^(b) :							
Residential flats	8.6	5.7	0.7	1.2	-2.2	-4.3	-8.2
Office space	4.1	4.3	3.6	3.9	0.9	-2.2	-7.3
Shopping space	2.2	2.5	0.1	0.6	-3.5	-7.9	-11.0
Flatted factory space	5.1	6.1	3.7	4.0	1.4	-2.5	-5.0

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 ^(a)	3,866,788	4,046,216	4,537,384	4,795,130	5,225,773	5,765,549	6,280,230
M3 ^(a)	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) ^(b)							
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 ^(a)	7.8	4.6	12.1	5.7	9.0	10.3	8.9
M3 ^(a)	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) ^(b)							
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>	
				Q3	Q4	Q1	Q2
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,598,014	1,555,731	1,533,104	1,546,402	1,533,104	1,578,352	1,759,108
M2 ^(a)	7,010,345	7,262,451	7,438,789	7,441,069	7,438,789	7,444,053	7,629,436
M3 ^(a)	7,024,514	7,284,322	7,454,655	7,457,142	7,454,655	7,461,444	7,645,848
Total money supply (\$Mn)							
M1	2,431,461	2,421,598	2,484,738	2,469,077	2,484,738	2,614,612	2,838,550
M2	13,755,255	14,348,059	14,745,872	14,507,927	14,745,872	14,803,474	15,102,579
M3	13,803,837	14,403,688	14,786,375	14,547,864	14,786,375	14,845,663	15,142,575
Deposit (\$Mn)							
HK\$	6,484,616	6,715,262	6,884,143	6,884,808	6,884,143	6,875,008	7,057,201
Foreign currency	6,267,872	6,671,119	6,887,444	6,707,716	6,887,444	6,899,514	7,020,328
Total	12,752,488	13,386,381	13,771,586	13,592,524	13,771,586	13,774,522	14,077,528
Loans and advances (\$Mn)							
HK\$	5,359,983	5,836,238	6,219,377	6,237,338	6,219,377	6,192,059	6,096,505
Foreign currency	3,953,686	3,886,385	4,157,325	4,071,466	4,157,325	4,479,705	4,596,189
Total	9,313,668	9,722,623	10,376,701	10,308,804	10,376,701	10,671,764	10,692,694
Nominal Effective Exchange Rate Indices							
(Jan 2010 =100) ^(b)							
Trade-weighted	104.2	101.8	105.2	106.3	106.4	106.9	108.5
Import-weighted	104.2	101.7	104.9	105.9	105.9	106.6	108.0
Export-weighted	104.3	101.9	105.5	106.7	106.8	107.4	108.9
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	11.8	-2.6	-1.5	-3.5	-1.5	-0.3	12.3
M2 ^(a)	11.6	3.6	2.4	1.9	2.4	*	1.5
M3 ^(a)	11.6	3.7	2.3	1.8	2.3	*	1.4
Total money supply							
M1	9.8	-0.4	2.6	1.0	2.6	8.1	16.9
M2	10.0	4.3	2.8	2.8	2.8	2.2	3.9
M3	10.0	4.3	2.7	2.6	2.7	2.1	3.8
Deposit							
HK\$	11.6	3.6	2.5	1.8	2.5	-0.1	1.5
Foreign currency	5.9	6.4	3.2	5.8	3.2	3.3	5.5
Total	8.7	5.0	2.9	3.7	2.9	1.6	3.5
Loans and advances							
HK\$	19.7	8.9	6.6	8.5	6.6	2.5	-1.8
Foreign currency	11.6	-1.7	7.0	3.1	7.0	14.6	17.2
Total	16.1	4.4	6.7	6.3	6.7	7.3	5.5
Nominal Effective Exchange Rate Indices							
(Jan 2010 =100) ^(b)							
Trade-weighted	0.1	-2.3	3.3	2.2	0.9	3.3	3.7
Import-weighted	*	-2.4	3.1	2.0	0.5	3.2	3.4
Export-weighted	0.2	-2.3	3.5	2.5	1.0	3.6	3.9

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>			<u>2020</u>
					Q2	Q3	Q4	Q1
Services Industry								
Import and export trade	-2.5	2.3	3.7	-6.6	-6.3	-8.0	-8.7	-12.2
Wholesale	-1.0	2.8	4.3	-8.3	-5.2	-11.2	-10.6	-14.1
Retail	-8.1	2.2	8.7	-11.1	-4.2	-17.5	-22.4	-35.0
Transportation	-6.5	7.1	8.0	-2.3	0.4	-2.3	-8.7	-18.8
<i>within which:</i>								
Land transport	3.6	1.8	5.3	1.3	5.2	2.3	-8.9	-26.7
Water transport	-11.2	5.6	4.4	0.1	3.0	-0.3	-5.1	-0.3
Air transport	-7.0	10.0	11.3	-4.9	-2.5	-4.8	-10.6	-26.6
Warehousing and storage	12.1	14.1	12.7	-1.4	4.8	-0.7	-12.3	-1.6
Courier	5.5	19.1	-0.7	-3.9	-3.5	5.0	-5.2	2.8
Accommodation services ^(a)	-1.1	6.0	10.8	-14.3	-0.9	-19.3	-41.1	-71.7
Food services	2.9	5.0	6.0	-5.9	-0.5	-11.8	-14.4	-31.3
Information and communications	0.6	2.9	3.1	1.2	1.3	2.9	-1.4	-10.2
<i>within which:</i>								
Telecommunications	-0.8	-3.5	2.2	-2.6	-1.0	0.9	-6.2	-13.5
Film entertainment	-4.5	4.3	3.1	-2.3	7.8	-6.3	-11.2	-39.5
Banking	8.1	-0.1	6.8	2.8	4.6	5.5	0.8	1.9
Financing (except banking)	-6.0	7.2	10.3	1.1	2.9	-1.8	9.9	6.0
<i>within which:</i>								
Financial markets and asset management	-8.7	1.6	11.6	0.8	2.6	-4.8	13.7	3.9
<i>within which : Asset management</i>	4.1	4.4	3.7	7.3	7.1	6.7	17.2	4.4
Insurance	21.8	11.8	8.7	8.8	19.8	6.8	-2.7	10.5
Real estate	10.4	10.2	5.4	11.4	21.9	2.3	5.8	-12.8
Professional, scientific and technical services	3.3	1.9	3.3	1.3	2.1	1.3	-0.7	-1.8
Administrative and support services	0.9	1.5	3.5	0.4	3.3	-2.1	-3.5	-12.9
Services Domain								
Tourism, convention and exhibition services	-8.1	0.8	11.0	-18.9	1.1	-26.8	-49.3	-78.6 ⁺
Computer and information technology services	-3.5	1.4	2.9	-7.2	-7.0	-8.8	-9.7	-12.0

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>	
						Q3 [#]	Q4 [#]	Q1	Q2
<u>(%)</u>									
Labour force participation rate	61.1	61.1	61.1	61.2	60.6	60.5	60.1	59.5	59.4
Seasonally adjusted unemployment rate ^(a)	3.3	3.4	3.1	2.8	2.9	2.9	3.3	4.2	6.2
Underemployment rate	1.4	1.4	1.2	1.1	1.1	1.0	1.2	2.1	3.7
<u>('000)</u>									
Population of working age	6 383.7	6 420.9	6 463.3	6 506.4	6 549.1	6 561.3	6 570.9	6 529.0	6 498.8
Labour force	3 903.2	3 920.1	3 946.6	3 979.0	3 966.2	3 968.9	3 948.7	3 882.2	3 861.1
Persons employed	3 773.8	3 787.1	3 823.2	3 867.0	3 849.9	3 849.0	3 824.6	3 720.0	3 620.4
Persons unemployed	129.4	133.0	123.4	112.0	116.3	120.0	124.2	162.2	240.7
Persons underemployed	53.3	54.7	45.6	43.2	42.0	41.4	47.5	82.8	142.9
<u>(% change over a year earlier)</u>									
Population of working age	0.7	0.6	0.7	0.7	0.7	0.7	0.5	-0.2	-0.8
Labour force	0.8	0.4	0.7	0.8	-0.3	-0.4	-0.6	-2.1	-2.8
Persons employed	0.8	0.4	1.0	1.1	-0.4	-0.5	-1.1	-3.6	-6.2
Persons unemployed	1.4	2.8	-7.2	-9.2	3.8	1.6	17.5	47.0	111.0
Persons underemployed	-6.1	2.5	-16.5	-5.3	-2.8	-12.6	6.8	112.7	247.3

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

(#) Figures have been revised to take into account the final 2019 population estimates.

Table 16 : Employment in selected major industries

Selected major industries	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>			<u>2020</u>	(No.)
	(% change)					Jun	Sep	Dec	Mar	
						(% change over a year earlier)				
Manufacturing	-2.8	-3.6	-3.3	-3.0	-3.5	-2.7	-3.5	-5.2	-4.8	84 239
Construction sites (covering manual workers only)	14.9	13.3	10.1	-5.8	-9.0	-11.5	-10.0	-3.0	-5.9	101 060
Import and export trade	-1.4	-0.7	-0.4	-0.6	-5.7	-5.1	-6.6	-7.5	-8.7	420 121
Wholesale	-1.4	-0.8	-0.6	-0.9	-4.0	-3.1	-5.2	-5.6	-6.6	55 258
Retail	-0.5	-1.1	0.5	1.7	-1.7	-0.3	-2.2	-4.8	-6.5	254 921
Food and beverage services	0.1	-0.2	0.3	2.8	-2.3	0.7	-4.9	-7.0	-12.0	221 549
Accommodation services ^(a)	-1.1	-2.1	0.3	4.8	1.8	3.0	*	-2.1	-10.0	37 984
Transportation, storage, postal and courier services	1.6	0.5	0.2	0.6	0.3	0.3	0.2	*	-1.9	177 297
Information and communications	1.1	0.7	0.9	1.5	1.9	2.5	1.2	0.3	-0.8	109 741
Financing and insurance	2.3	0.8	1.5	2.6	2.9	3.5	2.7	2.2	0.9	238 178
Real estate	1.7	-0.1	1.3	2.0	1.2	1.7	0.9	*	-0.8	134 469
Professional and business services (excluding cleaning and similar services)	2.4	1.9	2.1	3.2	1.5	2.1	1.4	0.3	-0.5	305 721
Cleaning and similar services	2.4	0.5	0.7	-1.4	-0.3	-0.6	0.2	0.4	0.1	80 448
Education	3.9	2.3	1.6	1.8	1.7	1.8	1.9	1.4	-0.5	205 202
Human health services	4.5	4.3	3.5	3.4	4.7	4.5	4.8	5.3	4.3	139 720
Residential care and social work services	2.8	3.0	1.0	1.0	2.4	1.7	2.7	4.1	2.6	65 848
Arts, entertainment, recreation and other services	0.9	-2.2	-0.6	1.4	0.8	1.1	1.4	-0.3	-3.9	121 531
Civil service ^(b)	0.7	1.2	1.6	2.1	2.2	2.3	2.3	2.0	1.6	177 656
Others ^(c)	-1.0	0.8	2.1	*	1.5	4.7	1.0	-0.2	-2.4	11 031

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>		<u>2020</u>
						Jun	Sep	Dec	Mar
<u>(Number)</u>									
Building sites									
Private sector	50 372	60 243	65 985	65 700	62 903	64 174	60 083	59 923	59 450
Public sector ^(a)	15 470	16 030	21 660	21 604	19 257	18 222	18 215	21 424	21 823
Sub-total	65 842	76 273	87 645	87 303	82 160	82 396	78 298	81 347	81 273
Civil engineering sites									
Private sector	1 609	1 386	979	1 729	2 483	2 612	2 477	2 353	2 598
Public sector ^(a)	27 652	30 141	30 050	22 816	17 108	17 715	16 116	16 238	17 189
Sub-total	29 261	31 526	31 029	24 546	19 591	20 327	18 593	18 591	19 787
Total	95 103	107 799	118 674	111 849	101 750	102 723	96 891	99 938	101 060
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	14.4	19.6	9.5	-0.4	-4.3	-5.8	-5.5	-5.2	-11.8
Public sector ^(a)	38.0	3.6	35.1	-0.3	-10.9	-17.6	-14.3	4.2	13.9
Sub-total	19.2	15.8	14.9	-0.4	-5.9	-8.7	-7.7	-2.9	-6.1
Civil engineering sites									
Private sector	13.8	-13.9	-29.3	76.6	43.6	77.1	31.1	13.0	4.4
Public sector ^(a)	5.8	9.0	-0.3	-24.1	-25.0	-27.3	-22.7	-5.4	-6.4
Sub-total	6.2	7.7	-1.6	-20.9	-20.2	-21.3	-18.2	-3.4	-5.1
Total	14.9	13.3	10.1	-5.8	-9.0	-11.5	-10.0	-3.0	-5.9

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**

	(%)								
	2015	2016	2017	2018	2019	2019		2020	
Selected industry sections						Q2	Q3	Q4	Q1
(in nominal terms)									
Manufacturing	5.2	3.5	3.4	4.0	3.8	4.2	4.2	3.0	1.8
Import/export and wholesale trades	3.7	2.3	2.9	3.2	2.3	2.7	2.3	1.6	1.2
Retail trade	3.5	2.4	3.3	3.0	2.3	2.5	2.2	1.7	0.5
Transportation, storage, postal and courier services	4.3	3.3	3.4	4.1	3.9	4.8	3.5	2.9	-1.1
Accommodation ^(a) and food service activities	5.8	5.1	4.7	5.3	4.7	5.3	4.9	3.4	-1.4
Information and communications	4.4	3.4	3.3	3.3	3.9	4.3	3.9	3.3	3.2
Financial and insurance activities	4.0	2.7	3.0	3.1	3.0	3.2	3.0	2.2	1.8
Real estate activities	5.1	4.2	4.3	4.3	4.1	4.4	4.1	3.6	2.3
Professional and business services	5.8	5.1	4.2	4.6	3.8	4.1	3.8	2.9	2.7
Social and personal services	6.7	2.5	3.1	4.3	2.3	4.0	0.1	1.6	10.2
All selected industry sections surveyed	4.6	3.7	3.7	3.9	3.4	4.1	3.0	2.4	3.2
(in real terms)									
Manufacturing	2.1	1.0	2.0	1.6	0.9	1.2	0.8	*	-0.2
Import/export and wholesale trades	0.7	-0.1	1.4	0.8	-0.5	-0.3	-1.0	-1.4	-0.7
Retail trade	0.5	*	1.8	0.6	-0.5	-0.4	-1.1	-1.3	-1.4
Transportation, storage, postal and courier services	1.3	0.9	1.9	1.6	1.0	1.7	0.1	-0.1	-3.0
Accommodation ^(a) and food service activities	2.7	2.6	3.2	2.8	1.8	2.3	1.5	0.4	-3.3
Information and communications	1.4	1.0	1.9	0.8	0.9	1.3	0.6	0.3	1.2
Financial and insurance activities	0.7	0.3	1.6	0.7	0.3	0.2	-0.3	-0.8	-0.1
Real estate activities	2.0	1.7	2.8	1.9	1.2	1.4	0.7	0.6	0.3
Professional and business services	2.8	2.6	2.7	2.2	0.9	1.1	0.5	-0.1	0.7
Social and personal services	3.6	0.1	1.6	1.8	-0.5	1.0	-3.1	-1.4	8.1
All selected industry sections surveyed	1.5	1.3	2.3	1.5	0.5	1.1	-0.3	-0.6	1.2

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

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

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

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

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

	(%)								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>		<u>2020</u>
Selected industry sections						Jun	Sep	Dec	Mar
(in nominal terms)									
Manufacturing	4.0	4.0	3.7	3.6	3.5	3.7	3.4	2.8	2.5
Import/export, wholesale and retail trades	3.1	2.7	3.0	3.0	2.3	2.5	2.3	1.6	1.3
Transportation	4.4	3.5	2.9	4.7	4.4	5.4	3.9	3.4	3.2
Accommodation ^(a) and food service activities	5.4	4.9	4.7	4.6	4.1	4.4	4.1	3.3	1.6
Financial and insurance activities ^(b)	3.2	3.4	3.5	3.5	3.7	3.8	3.6	3.0	2.7
Real estate leasing and maintenance management	3.4	3.7	4.1	4.4	3.9	4.1	3.9	3.5	3.2
Professional and business services	6.9	4.7	4.7	4.4	3.6	3.9	3.6	3.0	2.7
Personal services	6.5	5.5	4.2	4.1	3.3	3.9	3.7	2.9	1.1
All industries surveyed	4.4	3.7	3.8	4.0	3.5	3.8	3.4	2.8	2.2
(in real terms)									
Manufacturing	0.2	1.4	2.2	0.8	0.2	-0.1	-0.1	-0.5	*
Import/export, wholesale and retail trades	-0.6	0.3	1.6	0.1	-0.9	-1.3	-1.1	-1.7	-1.2
Transportation	0.6	1.0	1.5	1.7	1.1	1.4	0.4	0.1	0.6
Accommodation ^(a) and food service activities	1.5	2.3	3.3	1.7	0.8	0.5	0.6	-0.1	-0.9
Financial and insurance activities ^(b)	-0.5	0.9	2.1	0.6	0.3	-0.1	0.1	-0.3	0.2
Real estate leasing and maintenance management	-0.4	1.1	2.6	1.4	0.6	0.3	0.4	0.2	0.7
Professional and business services	2.9	2.3	3.2	1.5	0.3	*	0.1	-0.3	0.2
Personal services	2.6	3.0	2.7	1.1	0.2	0.1	0.2	-0.5	-1.4
All industries surveyed	0.6	1.2	2.3	1.0	0.2	-0.1	*	-0.5	-0.3

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 ^(a)	May – Jun 2018			May – Jun 2019		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing ^(b)	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 ^(c)	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 ^(d)	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 ^(e)	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 ^(f)	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 ^(g)	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 ^(h)	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
All industry sections above	12,600	17,500	27,300	13,100	18,200	28,200

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 ^(a)	May – Jun 2018			May – Jun 2019		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing ^(b)	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 ^(c)	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 ^(d)	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 ^(e)	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 ^(f)	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 ^(g)	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 ^(h)	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
All industry sections above	50.0	70.5	111.1	52.2	73.0	114.9

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 ^(a) :								
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 ^(b)	-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>		Average annual rate of change:	
			Q3	Q4	Q1	Q2	10 years	5 years
							2009 to 2019	2014 to 2019
GDP deflator [#]	3.7	2.4	2.3	1.8	2.8	1.0	2.6	2.8
Domestic demand deflator [#]	3.4	2.8	3.1	3.1	3.0	0.9	2.8	2.5
Consumer Price Indices ^(a) :								
Composite CPI	2.4	2.9	3.3	3.0	2.0	1.3	3.3	2.4
CPI(A)	2.7	3.3	3.9	3.4	1.1	1.6	3.7	2.9
CPI(B)	2.3	2.7	3.1	2.9	2.4	1.4	3.2	2.3
CPI(C)	2.2	2.6	3.0	2.6	2.4	1.1	2.9	2.1
Unit Value Indices :								
Total exports of goods	2.4	1.1	0.9	-0.2	-0.7	-1.0	2.3	0.7
Imports of goods	2.6	1.3	1.0	0.1	-0.4	-1.0	2.4	0.7
Terms of Trade Index ^(b)	-0.1	-0.1	*	-0.3	-0.3	0.1	-0.1	*
Producer Price Index for all manufacturing industries	2.0	1.0	1.3	1.1	1.3	N.A.	1.4	1.0
Tender Price Indices :								
Public sector								
building projects	-2.9	-2.6	-1.9	-2.7	-3.2	N.A.	4.6	0.2
Public housing projects	-1.9	-1.8	-1.9	-1.7	-2.4	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>
All items	100.00	2.4 (1.7)	5.3 (5.3)	4.1 (4.7)	4.3 (4.0)	4.4 (3.5)	3.0 (2.5)	2.4 (2.3)
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 ^(a)	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:	
					Q3	Q4	Q1	Q2	10 years 2009 to 2019	5 years 2014 to 2019
All items	100.00	1.5 (1.7)	2.4 (2.6)	2.9 (3.0)	3.3 (3.3)	3.0 (3.0)	2.0 (2.9)	1.3 (1.8)	3.3 (3.1)	2.4 (2.4)
Food	27.29	2.2	3.4	4.9	6.1	6.2	6.4	4.5	4.1	3.5
<i>Meals bought away from home</i>	17.74	2.7	2.9	2.2	2.1	2.1	1.8	1.5	3.6	3.1
<i>Food, excluding meals bought away from home</i>	9.55	1.1	4.3	9.9	13.4	13.7	14.9	9.9	5.0	4.4
Housing ^(a)	34.29	2.0	2.5	3.5	3.7	3.1	0.7	1.6	4.3	3.4
<i>Private housing rent</i>	29.92	1.8	2.2	3.1	3.4	3.1	2.7	1.4	4.2	3.0
<i>Public housing rent</i>	1.94	3.0	4.1	7.1	6.9	-0.2	-31.1	0.4	6.0	6.4
Electricity, gas and water	2.67	-1.7	4.9	-5.4	-5.6	-6.3	-16.0	-19.0	5.2	1.3
Alcoholic drinks and tobacco	0.54	0.6	1.3	1.2	0.5	-0.7	-0.3	0.3	3.6	1.2
Clothing and footwear	3.21	-0.4	1.6	-1.7	-1.5	-3.4	-4.2	-5.0	0.8	-1.2
Durable goods	4.65	-3.2	-2.0	-1.9	-1.5	-2.0	-2.5	-3.1	-3.4	-3.6
Miscellaneous goods	3.56	1.4	1.3	2.5	2.9	3.3	3.8	2.8	2.0	1.5
Transport	7.98	2.3	1.6	2.0	2.3	1.9	1.2	0.2	2.1	1.4
Miscellaneous services	15.81	0.9	2.1	2.0	1.7	1.9	1.5	0.8	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
Gross Domestic Product	0.3	3.9	3.5	1.8	2.9	3.6	1.6
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 merchandising 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[#]</u>	<u>2019[#]</u>	<u>2019</u>		<u>2020</u>		Average annual rate of change:	
				Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]	10 years 2009 to 2019 [#]	5 years 2014 to 2019 [#]
Private consumption expenditure	2.5	3.1	2.7	3.1	3.2	2.9	1.0	2.5	2.2
Government consumption expenditure	2.5	3.3	4.5	4.7	4.4	5.6	2.3	3.8	3.7
Gross domestic fixed capital formation	4.4	4.6	1.9	2.2	1.7	3.4	-1.3	3.4	3.0
Total exports of goods	1.7	2.2	1.1	1.0	0.2	*	-0.1	1.8	0.5
Imports of goods	1.8	2.3	1.3	1.3	0.7	0.5	-0.3	2.1	0.4
Exports of services	3.2	4.5	-0.4	-1.1	-1.6	-0.2	-2.5	2.3	0.5
Imports of services	2.7	2.8	-1.0	-0.9	0.1	-2.2	-2.9	1.0	-0.3
Gross Domestic Product	2.9	3.7	2.4	2.3	1.8	2.8	1.0	2.6	2.8
Total final demand	2.2	2.8	1.5	1.5	1.1	1.2	0.1	2.2	1.2
Domestic demand	2.8	3.4	2.8	3.1	3.1	3.0	0.9	2.8	2.5

