Hong Kong's Recent Economic Situation and Near-term Outlook

The Government released the First Quarter Economic Report 2021 on 14 May. The Economic Report, together with the press release containing the updated economic forecasts for the whole year of 2021, has been furnished to Legislative Council ("LegCo") Members.

This paper analyses Hong Kong's overall economic development in the most recent period and the outlook for the rest of 2021, and summarises the updated economic forecasts by the Government for 2021 as a whole.

Office of the Government Economist
Financial Secretary's Office
31 May 2021

Hong Kong's Recent Economic Situation and Near-term Outlook

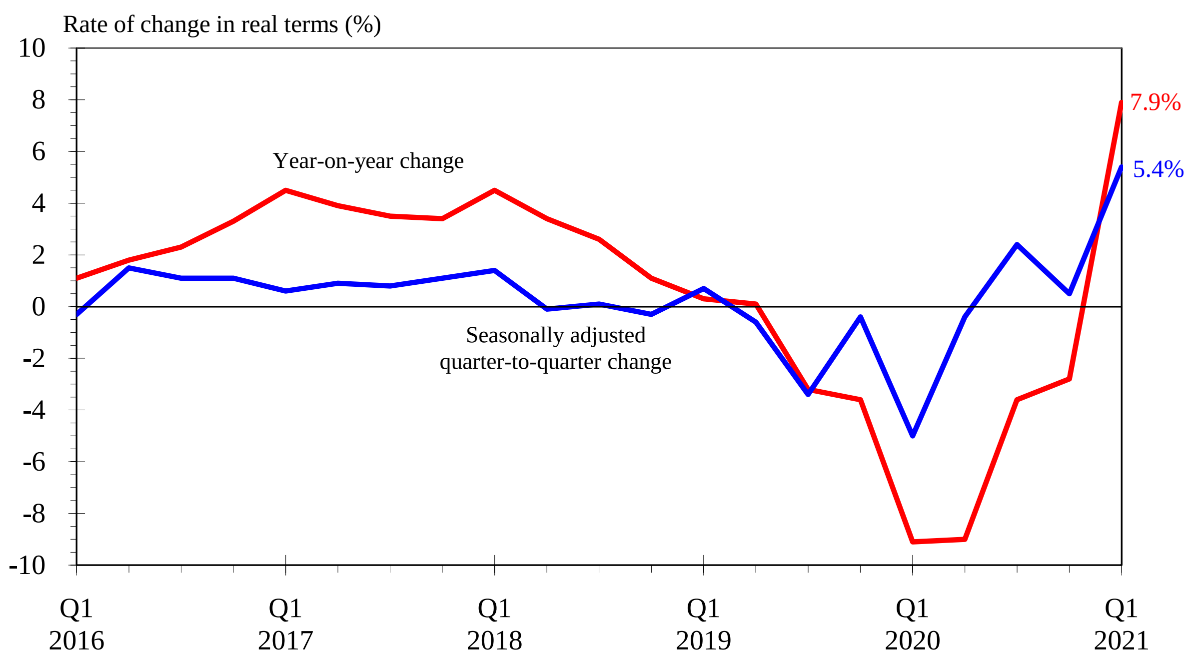
Introduction

This paper analyses the latest development of the Hong Kong economy, briefly discusses the outlook for the rest of 2021 and provides updated economic forecasts by the Government for 2021 as a whole.

Recent economic situation

2. The Hong Kong economy recovered visibly in the first quarter this year, led by very strong growth of exports of goods alongside a sharp rebound in global demand. Real Gross Domestic Product ("GDP") ended six consecutive quarters of year-on-year contraction and registered appreciable year-on-year growth of 7.9%(1). On a seasonally adjusted quarter-to-quarter comparison, real GDP grew notably by 5.4%, a marked acceleration from the 0.5% increase in the preceding quarter ***(Chart 1)***. However, the pace of economic recovery was uneven. Some consumer-facing and tourism-related activities were still particularly hard hit by the COVID-19 pandemic and overall economic activity remained below the pre-recession level.

Chart 1 : Real GDP resumed appreciable year-on-year growth in the first quarter of 2021



(1) Unless otherwise specified, all figures on change in the sections on recent economic situation, external trade and domestic sector in this document refer to year-on-year change in real terms.

External trade

3. The global economy gathered further momentum in the first quarter, thanks to strong fiscal and monetary support in many major economies, the rollout of mass COVID-19 vaccination programmes worldwide, and the expectations that the threat of the pandemic would gradually abate. However, cross-border travel remained at a standstill as strict travel restrictions were still generally in place. The Mainland economy posted strong growth of 18.3% year-on-year in the first quarter as the epidemic remained well-contained and the base of comparison was low. The US economy sustained its recovery and resumed modest year-on-year growth, while the performance of the euro area economy remained constrained by the volatile epidemic situation in the region. Many Asian economies recovered further amid vibrant regional production and trading activities. In early April, the International Monetary Fund ("IMF") forecast that the global economy would rebound by 6.0% in 2021 but pointed out that the pace of recovery would be uneven across economies and subject to high uncertainty, with economic performance hinging particularly on the development of the pandemic.

4. Thanks to the visible revival of global trading and production activities along with the pick-up of import demand in many major markets, Hong Kong's total exports of goods surged by 30.2% in the first quarter ***(Chart 2(a))***, much faster than the 5.5% increase in the preceding quarter. Specifically, exports to the Mainland soared and those to the US and the EU likewise registered strong increases. Exports to other major markets in Asia also picked up visibly.

5. Having plunged by 28.8% in the preceding quarter, Hong Kong's exports of services saw a visibly narrowed decline of 8.1% in the first quarter ***(Chart 2(b))***, partly due to a very low base of comparison a year earlier. Exports of travel services remained in the doldrums amid continued travel restrictions worldwide. Nonetheless, exports of transport services resumed growth thanks to vibrant regional trade and cargo flows. Exports of business and other services saw some improvement along with the gradual recovery of the global economy. Exports of financial services continued to expand, supported by cross-border financial and fund-raising activities.

Chart 2(a) : Total exports of goods soared in the first quarter

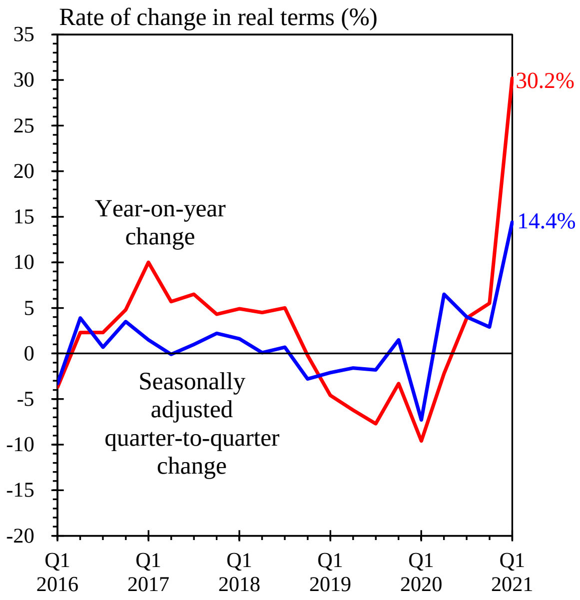
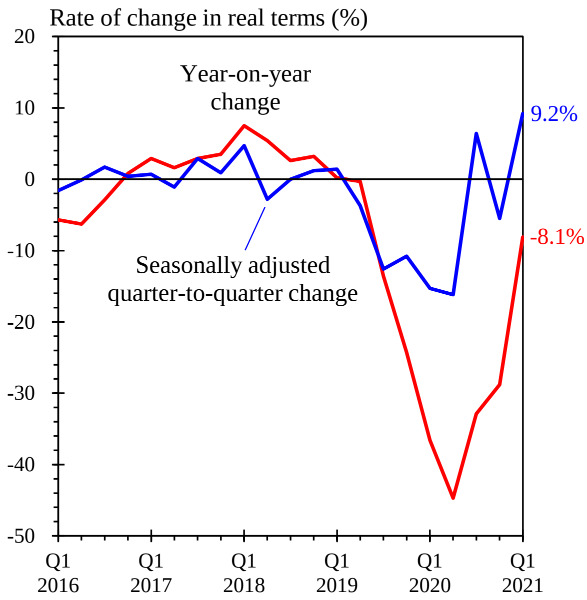


Chart 2(b) : Exports of services saw a visibly narrowed year-on-year decline



Domestic sector

6. Consumption and investment demand revived somewhat in the first quarter but stayed relatively weak. Private consumption expenditure grew only modestly by 1.6% ***(Chart 3(a))*** in the first quarter even against an exceptionally low base of comparison, as the fourth wave of the local epidemic earlier disrupted consumption activities especially in the early part of the quarter, and outbound tourism was severely hindered. The austere labour market situation also affected consumer sentiment. The performance of retail and restaurants sectors likewise improved thanks to a low base of comparison, with the volume of retail sales reverting to a 7.2% increase in the first quarter and total restaurant receipts recording a narrowed decline of 8.7% in real terms. Nonetheless, as inbound tourism remained frozen, the business receipts of these two sectors were still more than 30% lower than their pre-pandemic (i.e. the first quarter of 2019) levels.

7. Overall investment spending in terms of gross domestic fixed capital formation grew moderately by 4.5% in the first quarter ***(Chart 3(b))***. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products increased further, as the business outlook gradually turned positive amid a more benign external environment and the receding local epidemic. Expenditure on building and construction continued to decline primarily due to the noticeable fall in private sector spending, which offset the increase in public sector spending. At the same time, the costs of ownership transfer (including expenditure on stamp duties, legal fees and agents' commissions etc) surged as the volumes of both residential and non-residential property transactions were much higher than a year earlier.

Chart 3(a) : Private consumption expenditure grew only modestly year-on-year

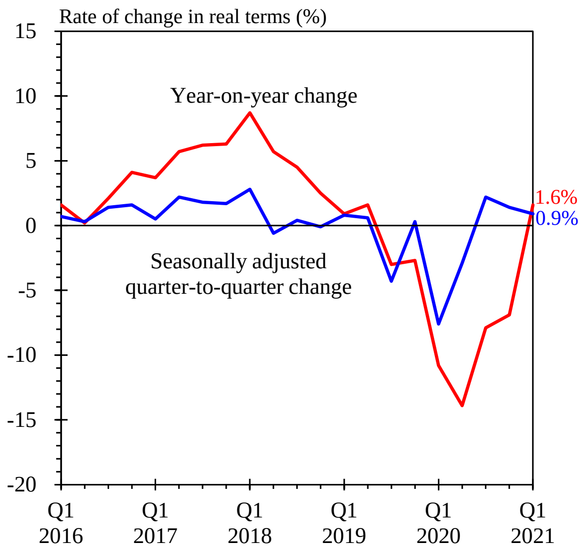
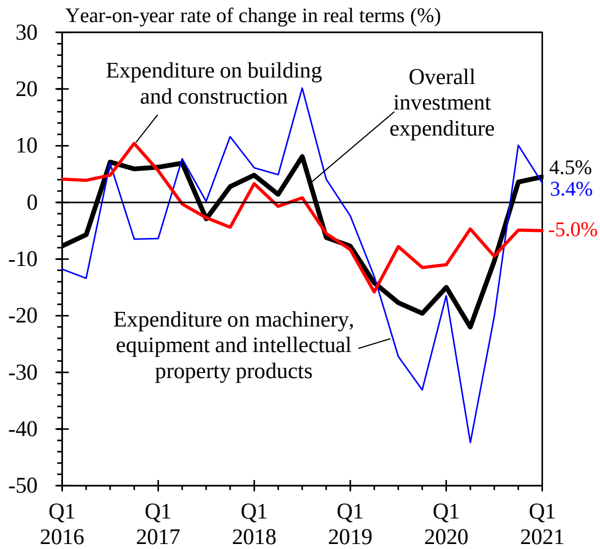


Chart 3(b) : Overall investment expenditure sustained moderate growth

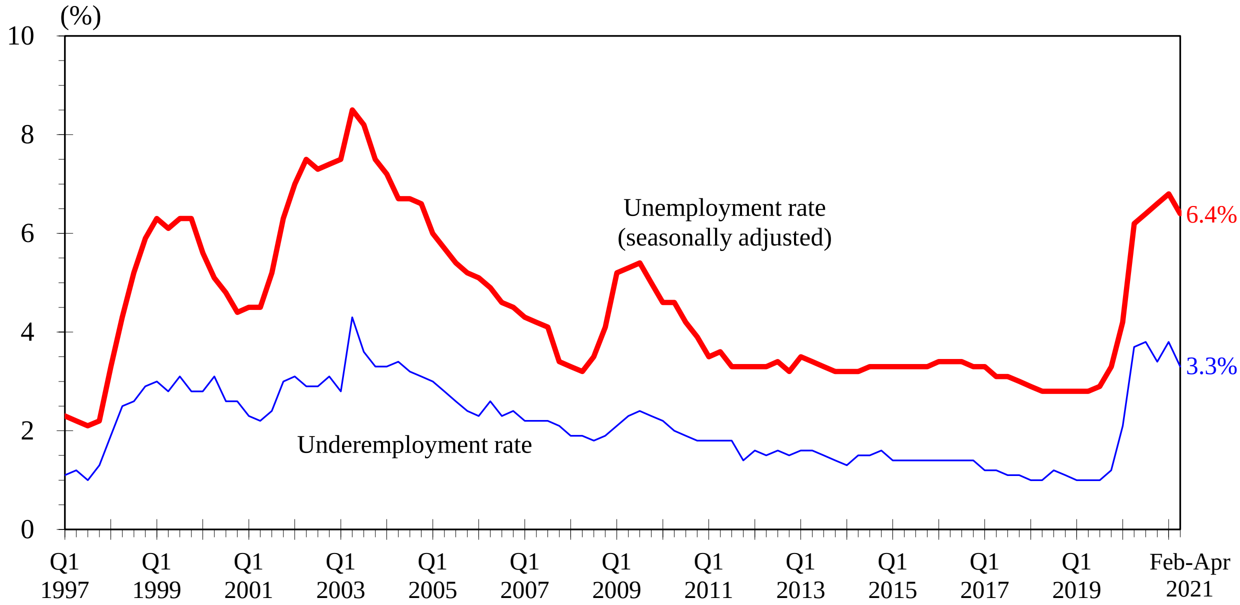


Labour market

8. Due to the disruptions caused by the epidemic, the seasonally adjusted unemployment rate went up from 6.6% in the fourth quarter of 2020 to a 17-year high of 7.2% in December 2020 – February 2021. Likewise, the underemployment rate increased from 3.4% in the fourth quarter of 2020 to a post-SARS high of 4.0% in December 2020 – February 2021. The labour market improved somewhat lately amid the gradual economic recovery and receding local epidemic. The seasonally adjusted unemployment rate declined to 6.4% in February – April 2021 (the latest period), and the underemployment rate also went down to 3.3% in the latest period ***(Chart 4)***.

9. Compared with the fourth quarter of 2020, the unemployment rates of major sectors showed diverse movements in the latest period. The unemployment rate of the consumption- and tourism-related sectors (i.e. retail, accommodation, and food and beverage services) combined was 9.9% in the latest period, 0.7 percentage point lower than that in the fourth quarter of 2020. The unemployment rates of most other major sectors in the latest period were still higher than those in the fourth quarter of 2020. Separately, overall labour demand did not see any visible increase given that the hiring sentiment remained cautious amid various economic uncertainties. Results of establishment surveys indicated that private sector employment declined visibly year-on-year in December 2020 and vacancies were also far below the levels a year earlier. More recent statistics from the General Household Survey ("GHS") also suggested that total employment fell by 1.0% from a year earlier in the latest period albeit at a decelerating pace.

Chart 4 : The labour market improved somewhat lately amid the gradual economic recovery and receding local epidemic

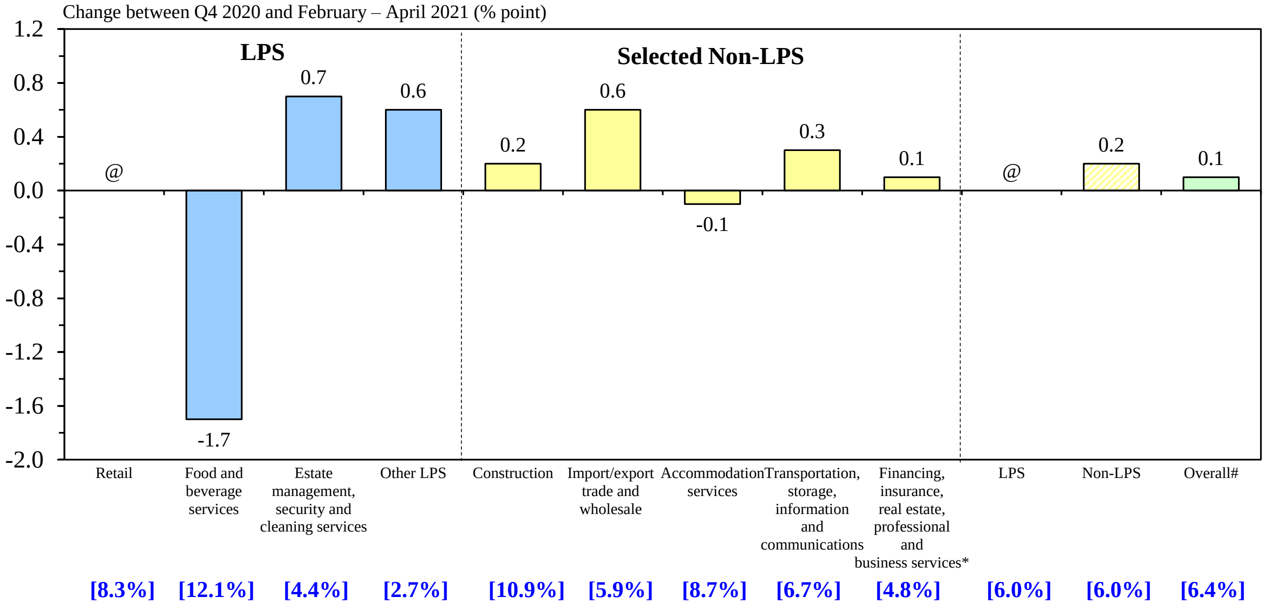


10. The unemployment rate of the low-paying sectors ("LPS")[(2)] as a whole increased from 6.0% in the fourth quarter of 2020 to 6.6% in December 2020 – February 2021, but subsequently declined to 6.0% in the latest period. Analysed by sector and compared with the fourth quarter of 2020, the unemployment rate of the food and beverage services sector fell by 1.7 percentage points to 12.1% in the latest period (***Chart 5***); the unemployment rate of the retail sector stayed unchanged at 8.3%; yet the unemployment rates of the estate management, security and cleaning services sector and other LPS went up by 0.7 and 0.6 percentage point to 4.4% and 2.7% respectively. At the same time, the unemployment rate of the non-LPS rose by 0.2 percentage point to 6.0%. Within the non-LPS, the unemployment rates of the import/export trade and wholesale sector, the transportation, storage, information and communications sector and the construction sector increased by 0.6, 0.3 and 0.2 percentage point to 5.9%, 6.7% and 10.9% respectively. Analysed by skill segment, the unemployment rate of the lower-skilled workers rose by 0.3 percentage point to 7.2%, still visibly higher than the unemployment rate of the higher-skilled workers in the same period (4.2%).

---

(2) The fifth-term (2019-2021) Minimum Wage Commission identified LPS as (i) retail; (ii) food and beverage services; (iii) estate management, security and cleaning services; and (iv) other LPS, including elderly homes; laundry and dry cleaning services; hairdressing and other personal services; local courier services; and food processing and production.

Chart 5 : The unemployment rate of the low-paying sectors as a whole was at the same level as that in the fourth quarter of 2020, with those of individual low-paying sectors showing diverse movements



Notes: Figures in square brackets refer to the unemployment rate for that sector in February – April 2021 (provisional figures).
(*) Excluding real estate maintenance management, security and cleaning services.
(#) Not seasonally adjusted, and including first-time job-seekers and re-entrants into the labour force.
(@) Change less than 0.05 percentage point.

11. Overall wages and labour earnings continued to show year-on-year increases in nominal terms in the fourth quarter of 2020 but the rates of increase were the slowest in over a decade. Nominal wages went up by 1.0% in December 2020 and labour earnings (as measured by the nominal index of payroll per person engaged) rose by 1.8% in the fourth quarter of 2020. Both wages and earnings showed diverse movements across major sectors in nominal terms. More recent statistics from the GHS suggested that earnings of low-income workers remained on the rise. In the first quarter of 2021, average monthly employment earnings of full-time employees (excluding foreign domestic helpers) of the lowest three decile groups combined increased by 2.0% year-on-year in nominal terms, faster than the inflation rate of 0.3% as measured by the underlying Consumer Price Index (A) [(3)]. At the same time, the median monthly household income (excluding foreign domestic helpers) fell sharply by 7.9% in the first quarter of 2021 from a year earlier, reflecting to a certain extent the decreased number of working members in the households amid the fall in total employment. Please refer to ***Annex*** for details on the recent situation of household income.

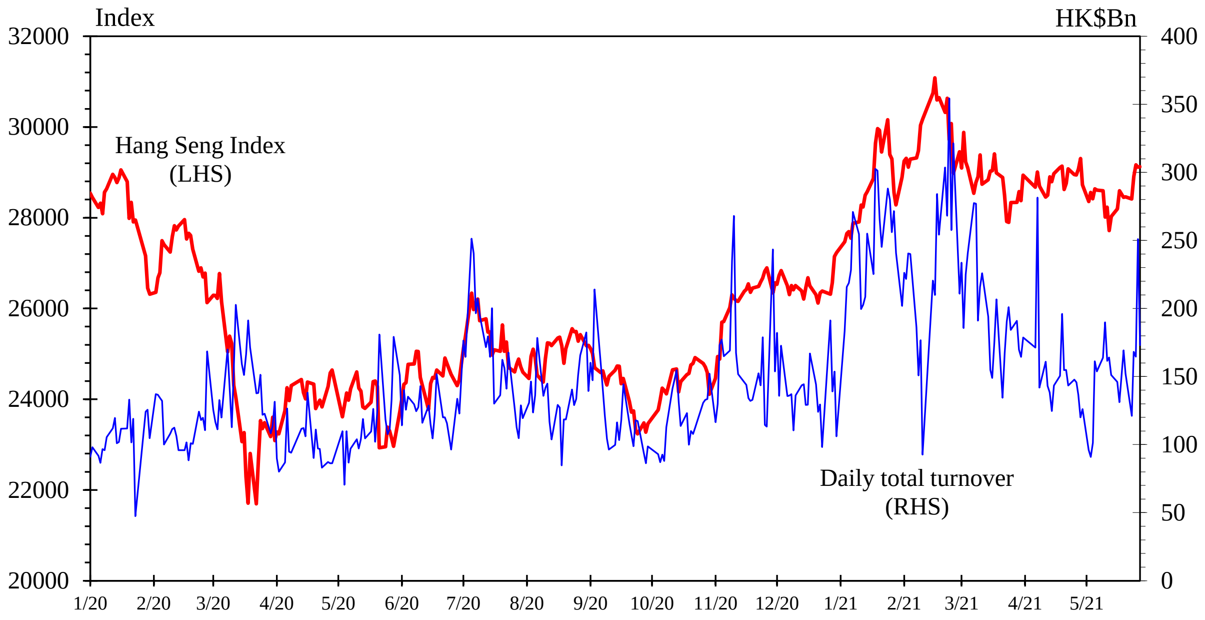
---

(3) The compilation has netted out the effects of the Government's one-off relief measures.

Asset markets

12. The local stock market showed some volatility in the first four months this year. It extended its rally in early 2021 amid hopes for a sustained global economic recovery with the rollout of mass vaccination programmes in many economies, but later retreated somewhat alongside the market's expections that inflation in the US would rise and may affect the monetary policy of the US Federal Reserve, coupled with concerns over possible monetary tightening in the Mainland. The Hang Seng Index closed at 29 124 on 28 May, 7.0% higher than end-2020 ***(Chart 6)***. Average daily turnover of the stock market surged to $208.1 billion in the first four months this year from $141.0 billion in the fourth quarter last year.

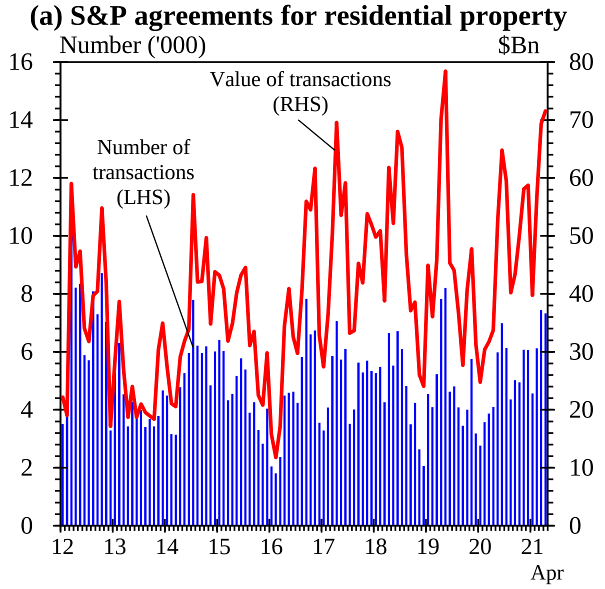
Chart 6 : The local stock market showed some volatility in the first four months

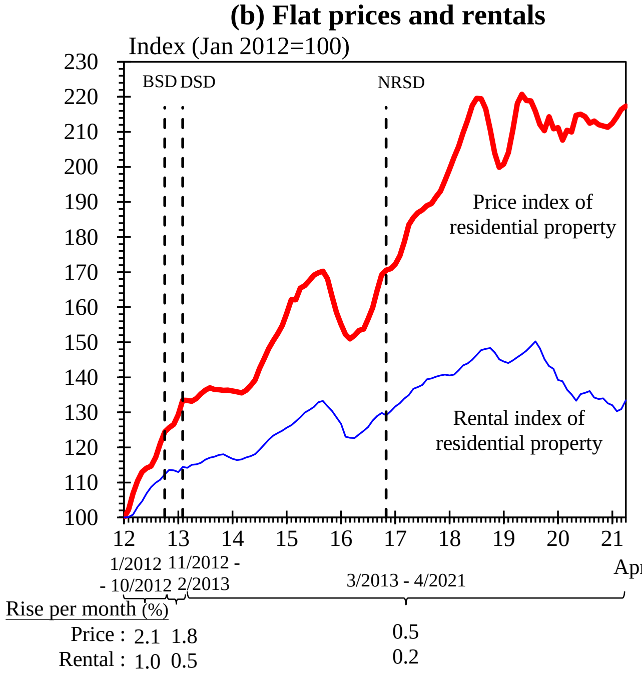


13. The residential property market became more active since January 2021 amid more upbeat sentiment. The low interest rate environment and firm end-user demand, together with the abating local epidemic situation since the latter part of the first quarter, rendered support to the market. The monthly average number of sale and purchase agreements for residential property received by the Land Registry rose to 6 364 in the first four months of 2021, an increase of 12% from the monthly average in the fourth quarter of 2020 ***(Chart 7(a))***.

14. After recording a slight decline during the second half of 2020, flat prices on average reverted to an increase of 3% during the first four months of 2021. Flat prices in April 2021 were on average only 2% lower than the historic high in May 2019. Flat rentals on average edged up by 1% during the first four months. Flat rentals on average in April were 11% below the peak in August 2019 ***(Chart 7(b))***.

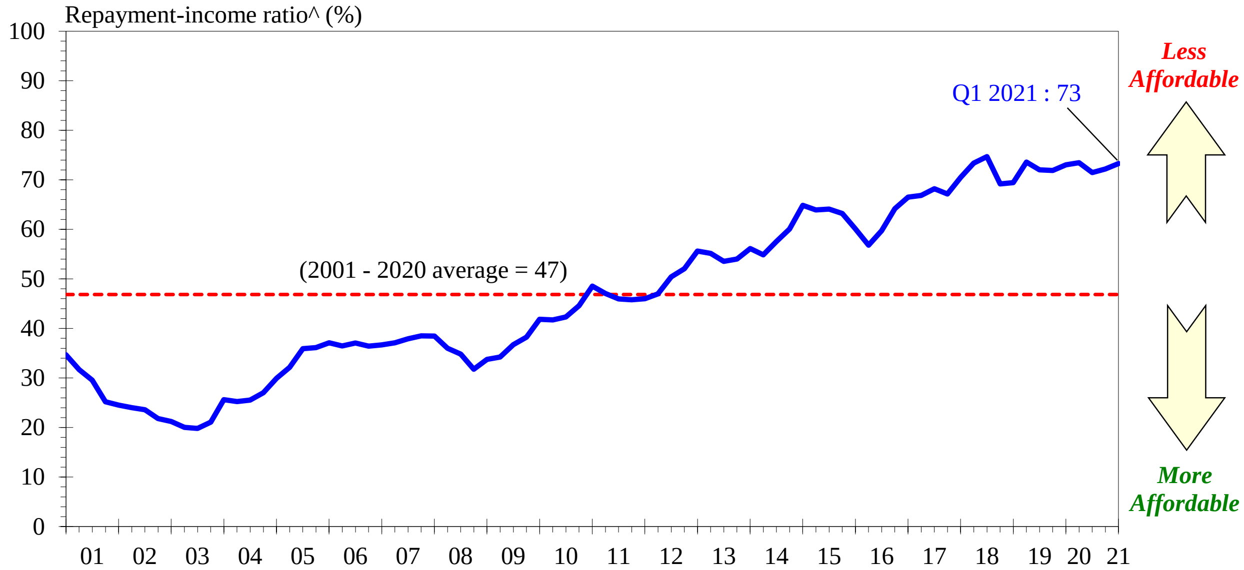
Chart 7 : The residential property market turned more active since January 2021 amid more upbeat sentiment





15. Flat prices in April 2021 was 126% above the 1997 peak. 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) rose to around 73% in the first quarter of 2021, significantly above the long-term average of 47% over 2001-2020 ***(Chart 8)***.

Chart 8 : The index of home purchase affordability rose



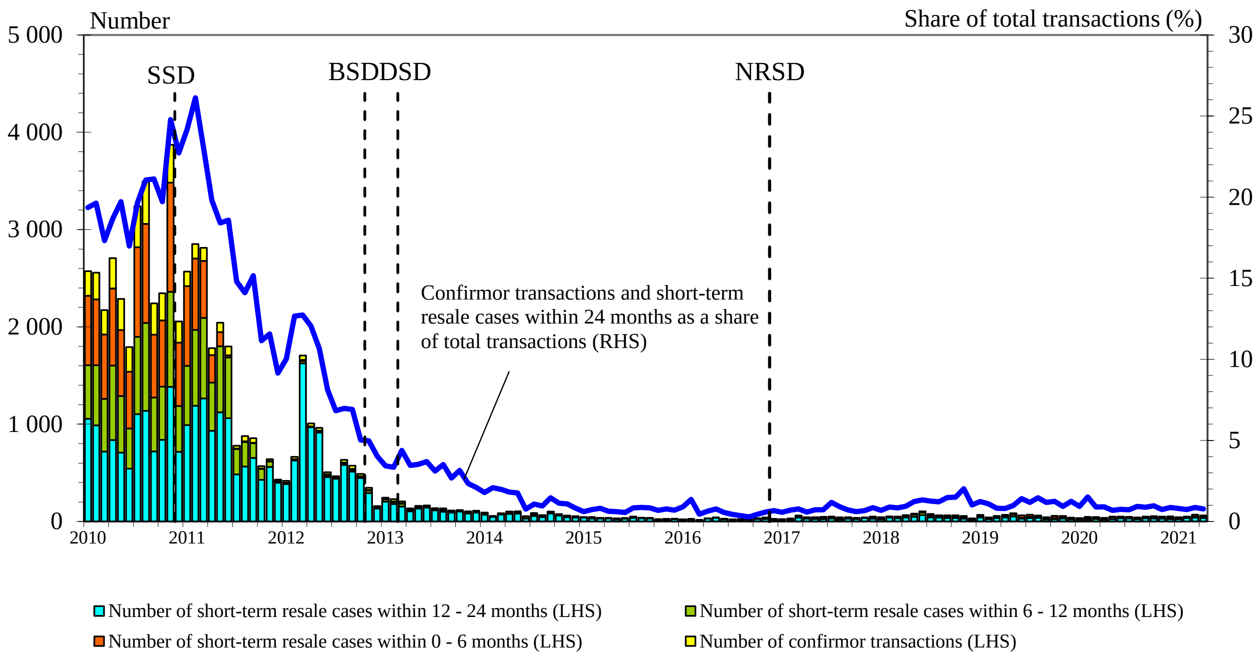
Note : (^) The ratio of the mortgage payment for a flat with saleable area of 45 sq m (assuming 70% loan-to-value ratio and tenor of 20 years) to the median income of households (excluding those living in public housing). This ratio is different from the debt servicing ratio published by the HKMA, which is the ratio of actual monthly debt obligations of mortgagees to their monthly income of newly approved mortgages.

16. Raising flat supply through increasing land supply is a policy priority of the Government. In February, the Government announced the 2021-22 Land Sale Programme, which comprises 15 residential sites capable of providing about 6 000 flats in total. Combining the various sources (including Government land sale, railway property development projects, the Urban Renewal Authority's projects, and private development and redevelopment projects), the total potential private housing land supply in 2021-22 is estimated to have a capacity to produce about 16 500 units. The total supply of flats in the private sector in the coming three to four years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) would stay at a high level of 93 000 units as estimated at end-March 2021. Also, the annual average completions of private residential flats are projected at over 18 000 units in 2021-2025, an increase of about 5% over the annual average of the past five years.

17. During 2009 to 2017, the Government implemented demand-side 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. These measures have yielded results. On speculative activities, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) remained low at 56 cases per month or 0.8% of total transactions in the first four months of 2021, well below the monthly average of 2 661 cases or 20.0% from January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty) ***(Chart 9)***. Purchases by

non-local individuals and non-local companies also stayed low at 21 cases per month or 0.3% of total transactions in the first four months of 2021, much lower than the monthly average of 365 cases or 4.5% from January to October 2012 (i.e. before the introduction of the Buyer's Stamp Duty) ***(Chart 10)***. As an indicator of investment activities, purchases subject to the New Residential Stamp Duty stayed at a modest level of 231 cases per month or 3.3% of total transactions in the first four months of 2021, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty ("DSD") or 26.5% from January to November 2016 ***(Chart 11)***. As for mortgage lending, the average loan-to-value ratio of new mortgages was 58% in the first four months, likewise below the average of 64% from January to October 2009 (i.e. before the first round of macro-prudential measures for residential property mortgage lending was introduced by the Hong Kong Monetary Authority).

Chart 9 : Short-term speculative activities stayed subdued



Note : Confirmor transactions refer to resale before assignment.

Chart 10 : Purchases by non-local buyers remained low

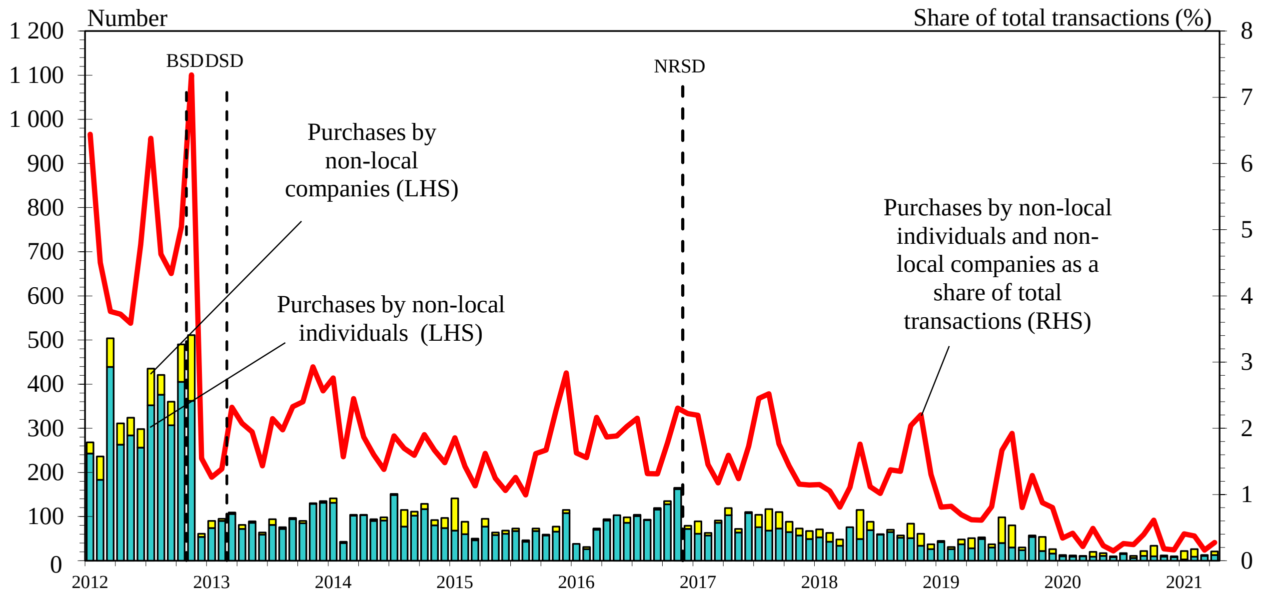
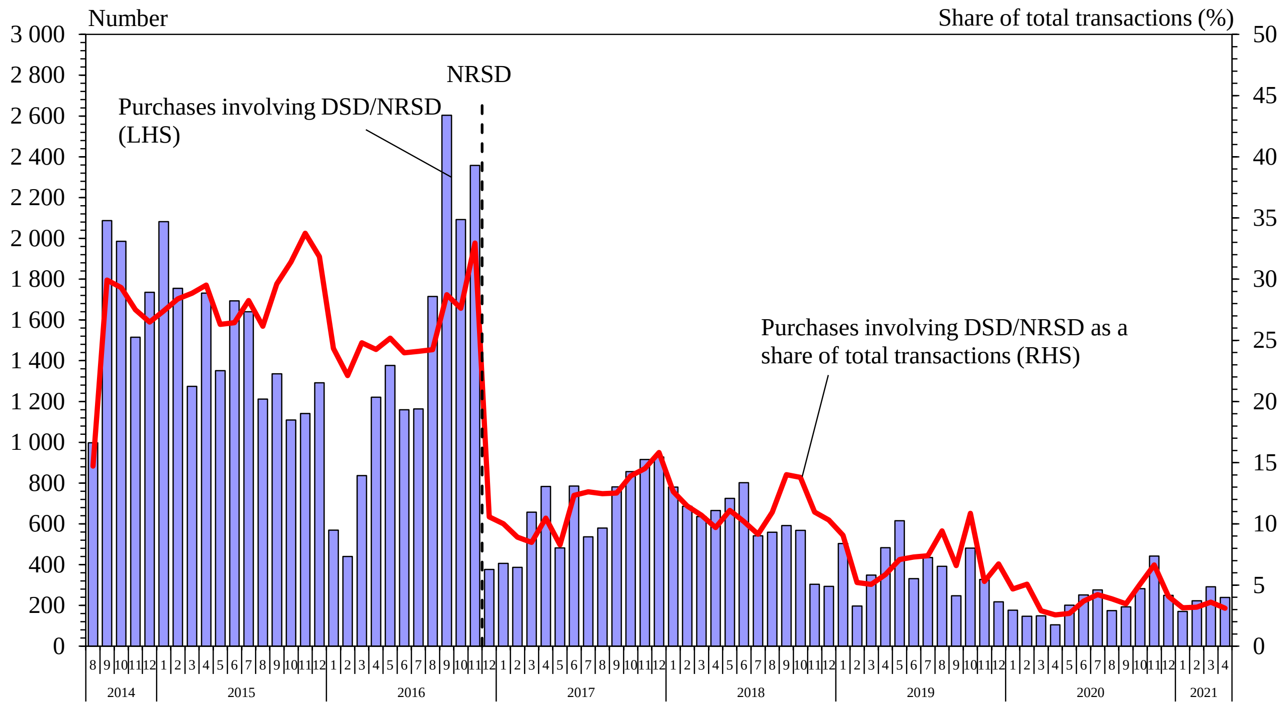


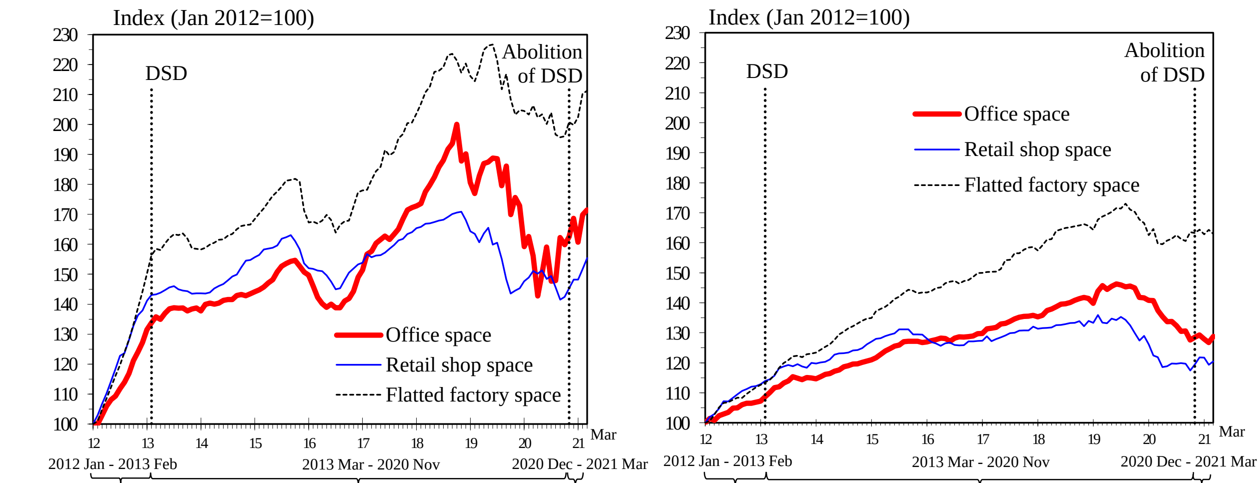
Chart 11 : Investment activities were modest



18. Following the abolition of the DSD on non-residential property transactions in late November 2020, the commercial and industrial property markets continued to revive. Trading activities for all major market segments recorded further increases in the first quarter of 2021 over the preceding quarter, but remained at relatively low levels by historical standards. Prices of office space on average increased by 2% during the first quarter while rentals on average were little changed. Prices of retail shop space rose by 5% between December 2020 and March 2021 while rentals edged down by 1%. As for flatted factory space, prices rose by 6% while rentals edged down by 1% ***(Chart 12)***.

Chart 12 : Prices of non-residential properties rose during the first quarter, while rentals declined

(a) Prices **(b) Rentals**



(a) Prices

Rise per month (%)	2012 Jan - 2013 Feb	2013 Mar - 2020 Nov	2020 Dec - 2021 Mar
Office space :	2.0	0.2	1.3
Retail shop space :	2.7	*	1.7
Flatted factory space :	3.3	0.3	1.3

Note : (*) Change of less than ±0.05%.

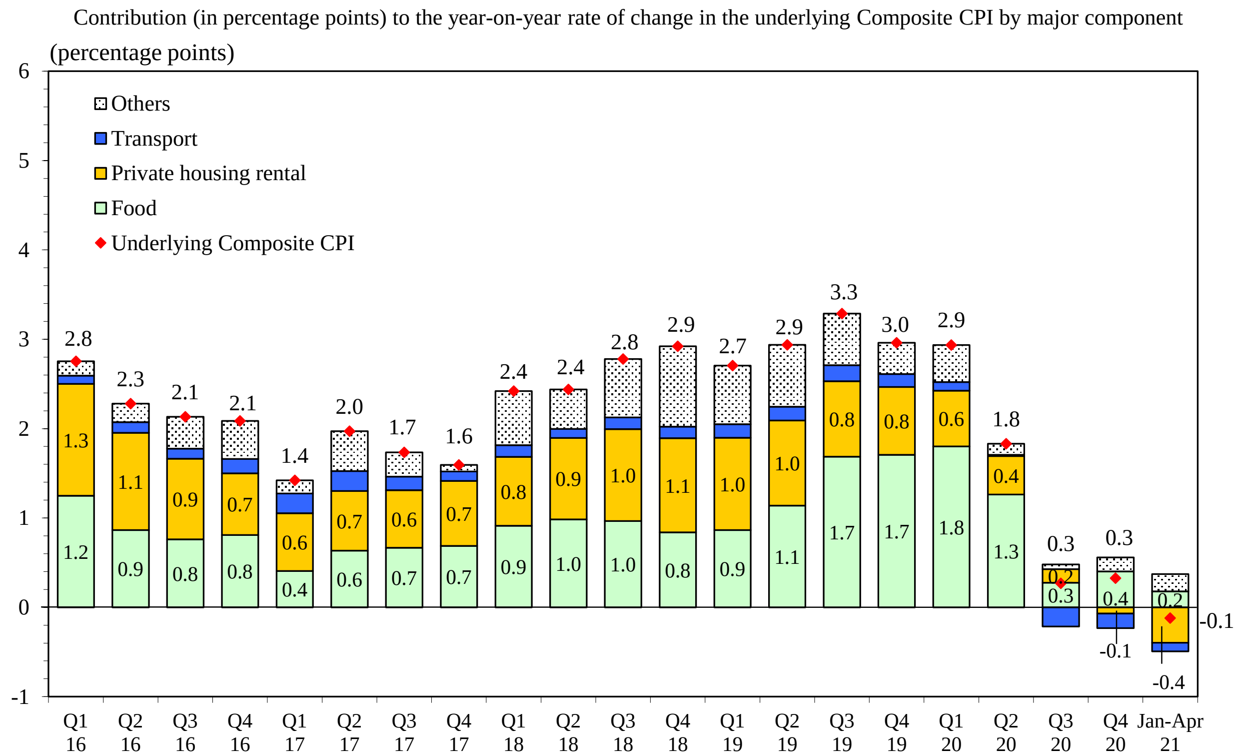
(b) Rentals

Rise per month (%)	2012 Jan - 2013 Feb	2013 Mar - 2020 Nov	2020 Dec - 2021 Mar
Office space :	0.7	0.2	0.1
Retail shop space :	1.0	0.1	0.2
Flatted factory space :	1.0	0.4	*

Inflation

19. Consumer price inflation eased further in the first four months of 2021. Netting out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, underlying consumer price inflation in the first four months of 2021 averaged -0.1% ***(Chart 13)***, lower than 0.3% in the fourth quarter of 2020.

Chart 13 : Consumer price inflation eased further in recent months



Note : The year-on-year rates of change of the underlying Composite CPIs from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

20. Analysed by major component of the underlying Composite Consumer Price Index ("Composite CPI") ***(Table 1)***, the year-on-year rate of increase in food prices (the component with the largest weight other than housing) moderated to 0.7% in the first four months of 2021. Within food prices, the rise in prices of basic foodstuffs eased to 1.6% amid a widened decline in pork prices. The increase in prices of meals out and takeaway food likewise narrowed, as the fourth wave of the local epidemic and the resultant social distancing measures weighed on the business of restaurants, particularly in the early part of the year. On the other hand, the decline in the private housing rental component widened to 1.1%, as the softening fresh-letting residential rentals in the past year or so became more apparent. As for other components, prices of transport continued to recede, thanks mainly to the extra MTR fare rebate starting from July 2020. Prices of miscellaneous services increased modestly. Prices of miscellaneous goods turned to a decline, while those of clothing and footwear saw a further albeit narrowed decline. Prices of electricity, gas and water posted a marginal

increase, while the prices of durable goods registered a slight decrease.

Table 1 : Underlying Composite Consumer Price Index by component (year-on-year rate of change (%))

			2020				2021		
Expenditure component	Weighting (%)	2020	Q1	Q2	Q3	Q4	Q1	Apr	Jan-Apr
Food	27.41	3.3	6.4	4.5	1.0	1.5	0.7	0.8	0.7
Meals out and takeaway food	17.05	0.8	1.8	1.5	-0.6	0.5	*	0.7	0.2
Other foodstuffs	10.36	7.7	14.9	9.9	3.5	3.3	1.8	0.9	1.6
Housing[(a)]	40.25	1.3 (-0.1)	2.2 (0.7)	1.6 (1.6)	0.9 (-3.2)	0.6 (0.4)	-0.1 (1.7)	-0.6 (-0.7)	-0.3 (1.1)
Private housing rent	35.46	0.9 (1.1)	2.0 (2.7)	1.4 (1.4)	0.5 (0.5)	-0.2 (-0.3)	-1.0 (-1.0)	-1.5 (-1.6)	-1.1 (-1.1)
Public housing rent	1.87	3.3 (-21.0)	0.4 (-31.1)	0.2 (0.4)	3.3 (-61.7)	9.6 (8.3)	9.6 (59.2)	9.4 (11.0)	9.6 (43.5)
Electricity, gas and water	2.82	0.6 (-20.6)	3.7 (-16.0)	0.8 (-19.0)	0.4 (-19.2)	-2.5 (-28.2)	* (25.4)	1.5 (28.7)	0.3 (26.2)
Alcoholic drinks and tobacco	0.49	0.5	-0.3	0.3	1.1	1.0	0.6	-0.6	0.3
Clothing and footwear	2.42	-5.2	-4.2	-5.0	-6.4	-5.2	-1.5	1.5	-0.7
Durable goods	4.00	-2.7	-2.5	-3.1	-3.5	-1.7	-0.5	0.9	-0.1
Miscellaneous goods	3.32	3.1	3.8	2.8	2.3	3.5	-4.2	-4.8	-4.4
Transport	6.17	-1.0	1.2	0.2	-2.8	-2.7	-2.8	2.0	-1.6
Miscellaneous services	13.12	0.8	1.5	0.8	0.6	0.4	0.5	0.5	0.5
All items	100.00	1.3 (0.3)	2.9 (2.0)	1.8 (1.3)	0.3 (-1.7)	0.3 (-0.6)	-0.2 (1.2)	0.1 (0.8)	-0.1 (1.1)

Notes : From the fourth quarter of 2020 onwards, the year-on-year rates of change of both the headline and underlying Composite Consumer Price Indices are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

(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 housing component.

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

(*) Change within ±0.05%.

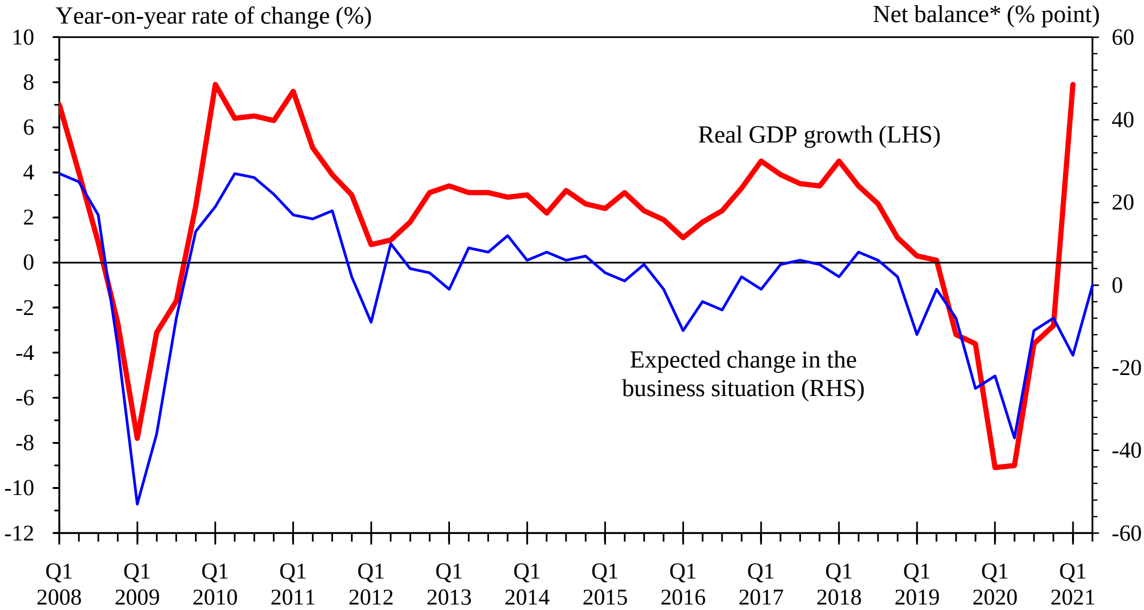
Updated economic forecasts for 2021

21. The global economy gathered steam entering 2021 thanks to strong fiscal and monetary support worldwide and the rollout of mass vaccination programmes. The sustained revival of some major economies, particularly the Mainland and the US, should continue to bode well for regional trade flows and external segments of the Hong Kong economy in the near term. Nonetheless, the volatile epidemic situation remains a key source of uncertainty surrounding the global economic outlook. International travel and tourism-related sectors will likely still take time to recover as the epidemic situation in many places remained serious. Moreover, the persistently tense politico-economic relations between the Mainland and the US and geopolitical tensions also require continued attention.

22. Domestically, the business receipts of many consumer-facing sectors remained far below the pre-recession levels, but business sentiment improved recently alongside the receding local epidemic ***(Chart 14)***. The gradual economic recovery, coupled with the support from the Government's various one-off relief measures, should help domestic demand improve in the period ahead. Nevertheless, in order to promote a full-fledged economic recovery, it is pivotal to contain the epidemic as soon as possible. Only if the community as a whole continues to do our best to prevent and fight the disease together and actively participates in the vaccination programme, can favourable conditions be created for restoring normal life and travel of citizens, resuming business and tourist travels with the Mainland and the rest of the world, and allowing consumption and other economic activities to revive to the greatest extent.

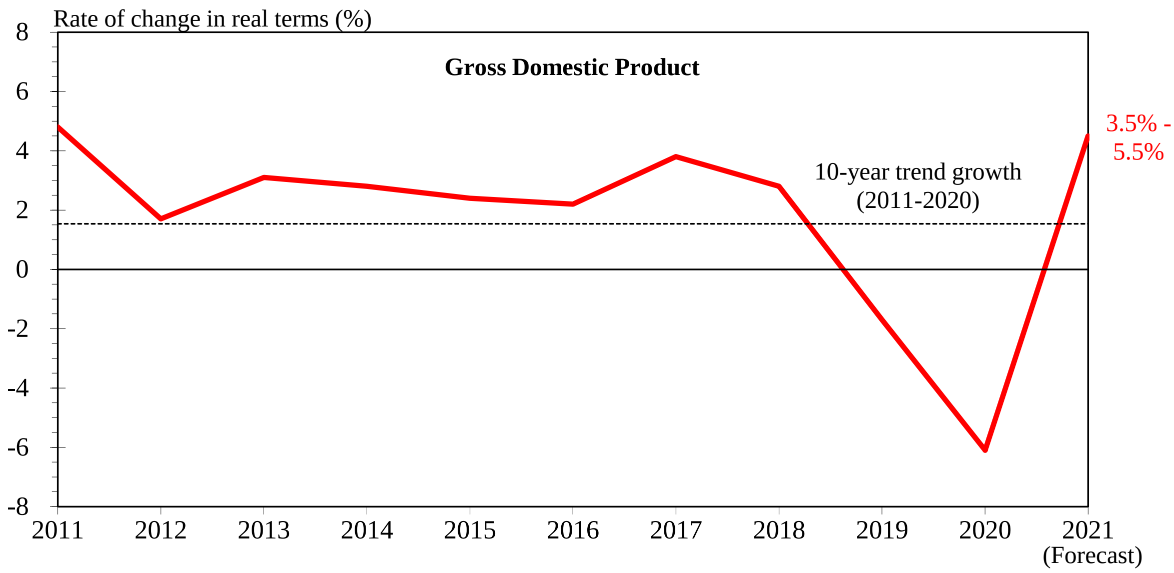
23. Considering that the pace of economic recovery is uneven and the pandemic will continue to pose uncertainty to the path of recovery, we maintain the real GDP growth forecast for 2021 at 3.5% to 5.5% as announced in the 2021-22 Budget ***(Chart 15)***. Yet, the actual outturn can hopefully be near the upper end of the range forecast if the local epidemic situation continues to improve. For reference, the IMF forecast in early April that the Hong Kong economy would rebound by 4.3% this year, whereas the growth forecasts made by private sector analysts in late May ranged from 3.5% to 9.2%, averaging around 5.7%.

Chart 14 : Business sentiment among large enterprises improved notably entering the second 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 indicates a likely downward trend.

Chart 15 : Economic growth for 2021 as a whole is forecast at 3.5%-5.5%



24. As for the near-term inflation outlook, while local inflation may go up slightly alongside the economic recovery, overall price pressures should stay mild for the year as a whole as the local economy is still operating below its capacity ***(Chart 16)***. As the inflation trends so far have been largely in line with expectations, we maintain the forecast rates of underlying and headline consumer price inflation for 2021 at 1% and 1.6% respectively ***(Chart 17)***.

Chart 16 : Domestic cost pressures abated further; external price pressures remained tame

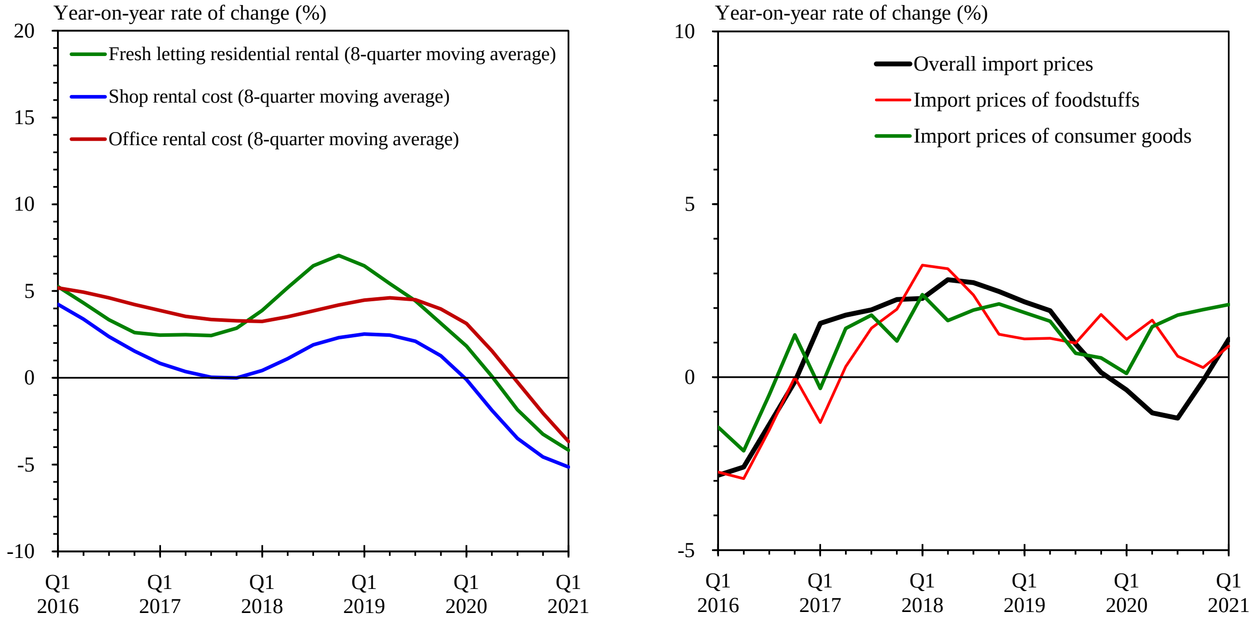
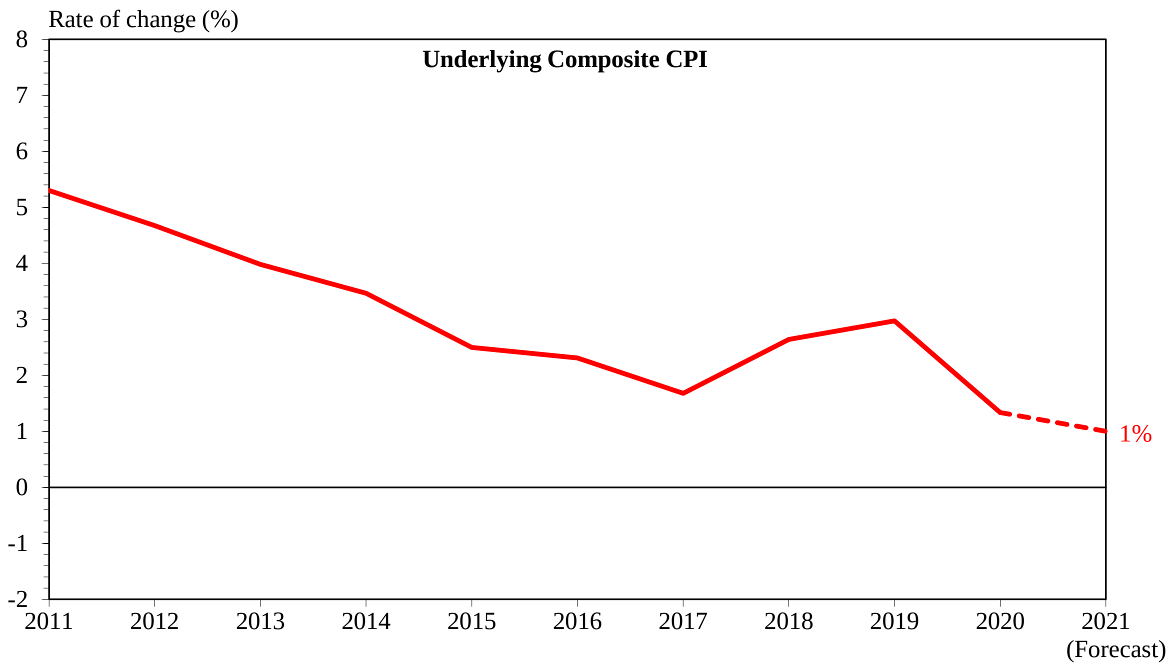


Chart 17 : Inflation is expected to remain modest in 2021



Office of the Government Economist
Financial Secretary's Office
31 May 2021

Annex

Recent Situation of Household Income[1]

Background

This Annex provides a regular update on the latest trends of household income and employment earnings among various groups. The benchmark of monthly household income for low-income households is adjusted upward based on inflation[2] from $8,800 (at constant Q2 2019 prices) to $9,100 (at Q1 2021 prices), so as to reflect the latest circumstance.

Overall situation of household income and employment earnings

2. In the first quarter of 2021, the labour market was under notable pressure as the epidemic continued to weigh on economic activities involving more frequent people contact, but it improved somewhat lately as the local epidemic receded. The seasonally adjusted unemployment rate went up from 6.6% in the fourth quarter of 2020 to a 17-year high of 7.2% in December 2020 – February 2021, subsequently declined to 6.4% in February – April 2021. Yet, the overall labour demand did not see any visible increase. The latest total employment fell by 1.0% year-on-year.

3. Alongside the aforementioned labour market conditions, the median monthly household income, a reflection of the overall household income situation, fell sharply by 7.9% in nominal terms or 8.9% in real terms in the first quarter of 2021 from a year earlier. This reflected to a certain extent the decreased number of working members in households. Average employment earnings of unskilled employees remained on the rise, up by 3.6% and 0.3% in nominal and real terms respectively. Meanwhile, average nominal employment earnings of full-time employees (excluding bonus) was roughly similar to its year-ago level, marginally lower by 0.1% in nominal terms or down by 1.3% in real terms ***(Table 1)***, due in part to the increased share of lower-skilled employees among full-time employees.

---

(1) This annex was originally provided in response to a Member's request at the meeting of the Panel on Financial Affairs on 5 December 2005. It has since been updated regularly for Members' information. Foreign domestic helpers are excluded from the analysis except general labour market statistics.

(2) Being adjusted based on Consumer Price Index (A).

Table 1 : Selected household income / employment earnings indicators (year-on-year rate of change (%))

Period		Median monthly household income		Overall employment earnings of employees*		Employment earnings of unskilled employees^	
2016		2.0	(-0.4)	6.1	(3.6)	5.7	(2.8)
2017		5.0	(3.5)	4.3	(2.8)	5.5	(3.9)
2018		6.7	(4.2)	5.5	(3.0)	4.9	(2.1)
2019		1.7	(-1.1)	3.2	(0.3)	3.5	(0.1)
2020	Q1	-4.1	(-5.9)	8.5	(6.5)	2.9	(2.0)
	Q2	-10.2	(-11.5)	6.3	(4.7)	4.5	(2.8)
	Q3	-8.2	(-6.6)	7.0	(8.9)	4.7	(9.4)
	Q4	-7.3	(-6.8)	3.7	(4.2)	5.4	(6.1)
2021	Q1	-7.9	(-8.9)	-0.1	(-1.3)	3.6	(0.3)

Notes: (*) Average employment earnings of full-time employees (excluding bonus).
(^) Average employment earnings of full-time employees.
( ) Rate of change (%) in real terms.
Median monthly household income and overall employment earnings of employees in real terms are adjusted based on headline Composite Consumer Price Index, while employment earnings of unskilled employees in real terms is adjusted based on headline Consumer Price Index (A).

Economically active households with monthly household income below $9,100

4. With the labour market and household income situations under notable pressure in the first quarter of 2021, the number of economically active households with monthly household income below $9,100 (referred to as "low-income households" thereafter) increased visibly to 149 700. Its proportion in total domestic households rose noticeably over a year earlier by 1.6 percentage points to 5.6%[3].

5. An analysis of the number and proportion of low-income households over the past two decades or so suggests that their changes generally followed economic cycles. During 2000 and 2008, when the economy sustained growth for most of the period, the proportion of low-income households fell successively from a peak of 4.8% in the first quarter of 2003 to below 4%. After the onset of the global financial tsunami in late 2008, the corresponding proportion rose back to 4.3% in the first quarter of 2009 and subsequently declined following economic recovery. In 2020, as the COVID-19 pandemic dealt heavy blows to economic activities and the labour market, the proportion of low-income households rebounded. The number and proportion of low-income households rose further to 149 700 and 5.6% respectively in the first quarter of 2021 ***(Table 2 and Chart 1)***.

---

(3) All figures pertaining to low-income households in the first quarter of 2021 are provisional figures.

Table 2 : Number and proportion of low-income households*

Period	Household type: Elderly households#	Household type: Non-elderly households	**Total**	Of which: Economically active persons therein
Q1 2003	3 000	97 400	**100 500**	118 100
	(0.1)	(4.6)	**(4.8)**	[3.6]
Q1 2007	2 800	75 900	**78 600**	89 700
	(0.1)	(3.4)	**(3.5)**	[2.6]
Q1 2008	3 400	77 900	**81 300**	90 100
	(0.2)	(3.4)	**(3.6)**	[2.7]
Q1 2009	3 800	94 200	**98 100**	113 800
	(0.2)	(4.1)	**(4.3)**	[3.3]
Q1 2011	3 800	86 000	**89 800**	98 100
	(0.2)	(3.7)	**(3.8)**	[2.9]
Q1 2013	5 100	71 500	**76 600**	86 200
	(0.2)	(3.0)	**(3.2)**	[2.4]
Q1 2015	6 600	63 400	**70 100**	76 400
	(0.3)	(2.6)	**(2.9)**	[2.1]
Q1 2017	8 800	62 300	**71 200**	79 400
	(0.4)	(2.5)	**(2.8)**	[2.2]
Q1 2019	9 300	66 300	**75 600**	82 500
	(0.4)	(2.6)	**(2.9)**	[2.3]
Q1 2020	11 000	95 300	**106 200**	119 400
	(0.4)	(3.6)	**(4.0)**	[3.4]
Q1 2021	13 400	136 300	**149 700**	171 900
	(0.5)	(5.1)	**(5.6)**	[4.8]

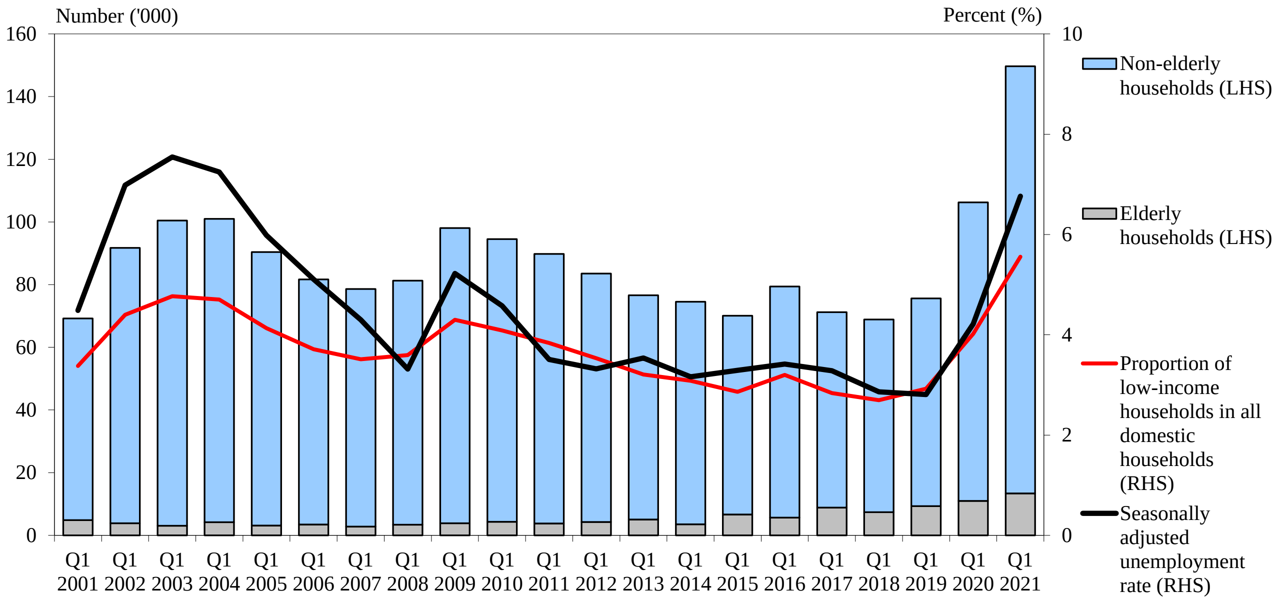
Notes : (*) Low-income households refer to households with monthly household income less than $9,100 (Q1 2021 prices). This does not include households with all members being economically inactive.

(#) Elderly households refer to domestic households with all members aged 65 and above.

( ) Proportion in all domestic households (%).

[ ] Proportion in total labour force (%).

Chart 1 : Number and proportion of low-income households*



Note : (*) Low-income households refer to households with monthly household income less than $9,100 (Q1 2021 prices). This does not include households with all members being economically inactive.

Socio-economic characteristics of low-income households

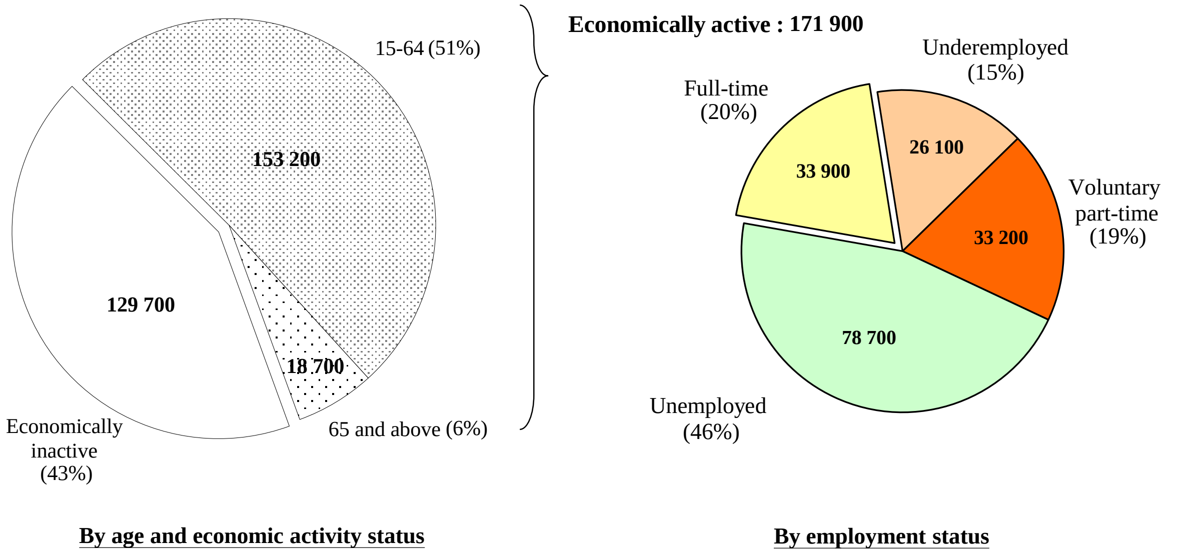
6. Further analysis of low-income households in the first quarter of 2021 reveals the following observations:

- There were 301 600 persons in these households, among whom 171 900 were economically active. Most of these economically active individuals (153 200 or 89%) were aged 15-64, with the majority belonging to the older age group of 40-64 (111 700 or 65%) and with 11% (18 700) aged 65 and above.

- The remaining 129 700 persons were economically inactive, among whom 66 100 (51%) were either children aged below 15 or elders aged 65 and above.

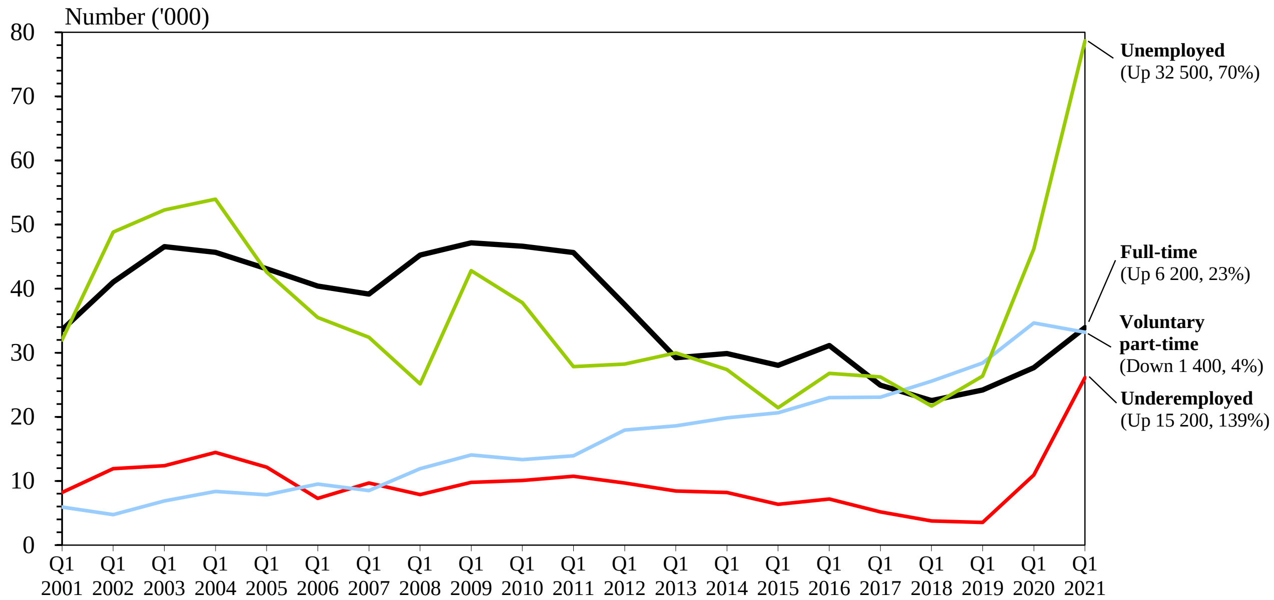
- Further analysis by employment status shows that among these 171 900 economically active persons, unemployed and underemployed persons accounted for 46% and 15% respectively, up from 39% and 9% over a year earlier, and the respective number of workers increased further to 78 700 and 26 100. The proportion of full-time workers was 20%, lower than that of 23% from a year ago ***(Charts 2 and 3)***. All these reflected the deterioration in the labour market as compared with the same period last year.

**Chart 2 : Persons living in low-income households*
by age and economic activity status, Q1 2021**



Note : (*) Low-income households refer to households with monthly household income less than $9,100 (Q1 2021 prices). This does not include households with all members being economically inactive.

Chart 3 : Composition of economically active persons in low-income households*



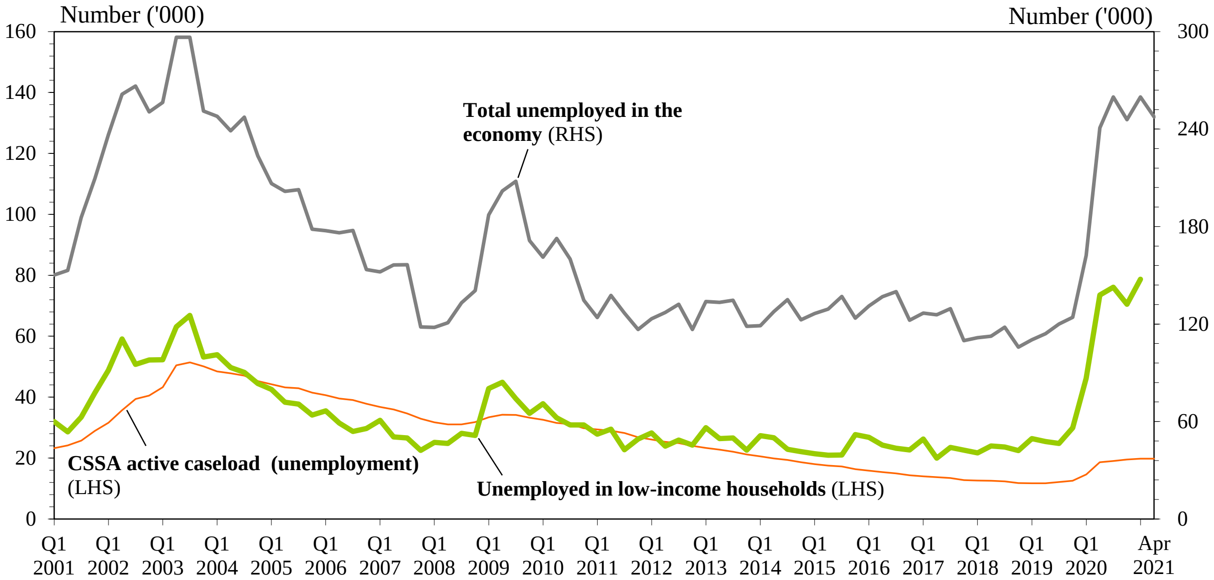
Notes : (*) Low-income households refer to households with monthly household income less than $9,100 (Q1 2021 prices). This does not include households with all members being economically inactive.
Figures in brackets are the year-on-year changes in number of economically active persons in Q1 2021.

➢ Analysed by occupation, the majority of the employed persons living in low-income households (79%) were lower-skilled workers (28% were elementary workers, and 27% were service and sales workers). A breakdown by economic sector reveals that most of them were engaged in the retail, accommodation and food services sector (27 000 or 29%), followed by the transportation sector (12 300 or 13%).

The number of Comprehensive Social Security Assistance ("CSSA") cases

7. The unemployment rate of lower-skilled workers in February – April 2021 rose by 1.1 percentage points year-on-year to 7.2%. The number of CSSA unemployment cases rose by 1 636 or 9.0% over a year earlier to 19 801 in April 2021 ***(Chart 4)***. The number of overall CSSA caseload went down by 4 356 or 1.9% to 223 154 in April 2021 from its peak in April last year (227 510), but was still higher than its trough in January last year (219 677) by 3 477 or 1.6%.

Chart 4 : The relationship between the unemployed in low-income households*, CSSA active caseload (unemployment)^, and total unemployment in the economy



Notes : (*) Low-income households refer to households with monthly household income less than $9,100 (Q1 2021 prices). This does not include households with all members being economically inactive.

(^) Monthly period-end figures.