

Press Release

(embargoed until 4:30 p.m. on 13 August 2021)

Economic Situation in the Second Quarter of 2021 and Latest GDP and Price Forecasts for 2021

The Government released today (13 August) the Half-yearly Economic Report 2021, together with the revised figures on Gross Domestic Product (GDP) for the second quarter of 2021.

The Government Economist, Mr Andrew Au, described the economic situation in the second quarter of 2021 and the latest GDP and price forecasts for 2021.

Main points

- * The Hong Kong economy remained on track for recovery in the second quarter of 2021 alongside the improving global economic conditions and receding local epidemic. Real Gross Domestic Product (GDP) continued to grow notably by 7.6% in the second quarter over a year earlier. For the first half of 2021 as a whole, real GDP grew by 7.8% year-on-year. Yet the economic recovery remained uneven, with exports of goods surpassing the high recorded in the same period of 2018 by a considerable margin while inbound tourism remaining frozen. Consumption-related activities revived further but were still far below their pre-recession levels. On a seasonally adjusted quarter-to-quarter comparison, real GDP fell modestly by 0.9%, mainly reflecting the high base created by the exceptionally strong performance of exports of goods in the first quarter when real GDP expanded by 5.5%.
- * Total exports of goods grew strongly by 20.2% year-on-year in real terms in the second quarter, underpinned by the revival of external demand and vibrant production activity in the region. Exports of services resumed modest growth of 2.6% in real terms from a low base of comparison. While services exports relating to inbound tourism and passenger transport remained in the doldrums and exports of financial services fell marginally, those relating to cargo flows and business services improved further along with the global economic recovery.
- * Consumption and investment demand gathered further steam. Private consumption expenditure grew by 6.8% year-on-year in real terms in the second quarter on the back of the receding local epidemic and improving labour market situation. Overall investment expenditure saw accelerated growth of 23.8% year-on-year in real terms, reflecting improved business sentiment and a low base of comparison.
- * The labour market improved as economic activity continued to recover. The seasonally adjusted unemployment rate declined visibly, from the peak of 7.2% in December 2020 – February 2021 to 6.8% in the first quarter of 2021 and further to 5.5% in the second quarter. Average wages and labour earnings rose further year-on-year in nominal terms in the first quarter, albeit at the slowest pace in more than 11 years.

- * The local stock market stayed range-bound during the second quarter, though market sentiment was swayed by various developments from time to time, including the improved global economic outlook amid the progress in mass vaccination in many major economies, worries about the threat of new virus variants, and concerns over a faster-than-expected monetary policy tightening in the US. The residential property market turned more active with flat prices rising by another 1% during the quarter.
- * The global economy has continued to recover, thanks to the rollout of mass vaccinations and strong fiscal and monetary support in many major economies. The reviving external demand should continue to support Hong Kong's exports of goods in the rest of the year, though there may be some moderation from the exceptionally strong growth in the first half. Services exports should likewise sustain growth. Nevertheless, the more infectious Delta variant has been raging around the world of late, posing a threat to the global economy. Other major risk factors such as China-US relations, geopolitical tensions and the evolving monetary policy stance of major central banks also warrant attention.
- * Domestically, consumption and business sentiments turned more positive in recent months amid the global economic recovery and the stabilised local epidemic situation. The improving labour market, coupled with the boost from the Consumption Voucher Scheme, will help stimulate consumption sentiment and lend support to consumption-related sectors. To create conditions for a broader based economic recovery, it is essential for the community to keep the epidemic under control and strive towards more widespread vaccination.
- * Barring any abrupt worsening in global economic conditions due to the pandemic developments, the Hong Kong economy should stay on the path to recovery in the rest of 2021. Considering the robust real GDP outturn in the first half of the year and the support from the Consumption Voucher Scheme, the real GDP growth forecast for 2021 as a whole is revised upwards to 5.5%-6.5% in the current round of review, from 3.5%-5.5% as announced in the May round of review. Yet, even if economic growth attains the upper bound of the latest range forecast, real GDP for 2021 as a whole will still be about 2% below the level in 2018. The Government will continue to closely monitor the situation.
- * The underlying Composite Consumer Price Index (CCPI) rose modestly by 0.3% year-on-year in the second quarter of 2021, after a decline of 0.2% in the preceding quarter as domestic economic activity continued to recover and external price pressures increased. Looking ahead, while underlying inflation will likely go up somewhat in the near term alongside the economic recovery and rising import prices, overall price pressures should remain largely contained as the local economy is still operating below capacity. As the developments so far have been largely in line with expectations, the forecast rates of underlying and headline consumer price inflation for 2021 are maintained at 1% and 1.6% respectively in the current round of review, the same as those announced in the May round of review.

Details

GDP

According to the revised figures on the *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, GDP grew notably by 7.6% in real terms in the second quarter of 2021 over a year earlier (revised from the advance estimate of 7.5%), further to an 8.0% increase in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP fell modestly by 0.9% in the second quarter (revised from the advance estimate of -1.0%), after posting very strong growth of 5.5% in the preceding quarter led by an exceptionally rapid expansion in exports of goods (*Chart*).

2. The latest figures on GDP and its major expenditure components up to the second quarter of 2021 are presented in *Table 1*. Developments in different segments of the economy in the second quarter of 2021 are described below.

External trade

3. *Total exports of goods* grew markedly by 20.2% in real terms in the second quarter of 2021 over a year earlier, after surging by 30.1% in the preceding quarter. Strong revival of import demand in major economies and vibrant production activity in the region rendered support to Hong Kong's export performance. Analysed by market, exports to the Mainland saw notable growth, and those to the US and the EU sustained double-digit increases. Exports to other major markets in Asia also posted visible gains. On a seasonally adjusted quarter-to-quarter basis, total exports of goods fell by 1.9% in real terms in the second quarter, having soared by 14.3% in the preceding quarter.

4. *Exports of services* resumed modest year-on-year growth of 2.6% in real terms in the second quarter of 2021 from a low base of comparison, having declined by 7.3% in the preceding quarter. Inbound tourism remained frozen, though exports of travel services posted a double-digit increase due to base effect. Exports of transport services saw accelerated growth amid improved regional trade and cargo flows, but cross-boundary passenger transport remained subdued. Exports of business and other services resumed growth alongside the global economic recovery. Meanwhile, exports of financial services fell marginally due to moderated cross-border financial activities. On a seasonally adjusted quarter-to-quarter basis, exports of services fell by 7.7% in real terms in the second quarter, after a notable increase of 10.2% in the preceding quarter.

Domestic sector

5. Consumption and investment demand gathered further steam in the second quarter of 2021. *Private consumption expenditure* grew by 6.8% year-on-year in real terms against a low base of comparison, after expanding by 2.1% in the preceding quarter. Consumption-related activities continued to revive alongside the receding local epidemic and improving labour market situation. However, outbound tourism activities remained severely hindered amid widespread travel restrictions. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure grew further by 1.5% in real terms in the second quarter after increasing by 1.4% in the preceding quarter. Meanwhile, *government consumption expenditure* rose by 2.8% year-on-year in real terms in the second quarter, after a 7.0% growth in the preceding quarter.

6. Overall investment spending in terms of *gross domestic fixed capital formation* saw accelerated growth of 23.8% in real terms in the second quarter of 2021 against a low base a year earlier, following a 4.8% increase in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products surged by 61.7%, reflecting improved business sentiment alongside the global economic recovery and the stabilised local epidemic situation. Expenditure on building and construction continued to fall, albeit by a narrowed 1.1%, as the weakness in private sector spending more than offset the increase in public sector spending. Meanwhile, the costs of ownership transfer rose visibly, buttressed by markedly higher volumes of both residential and non-residential property transactions than year-ago levels.

The labour sector

7. The labour market showed improvement as economic activity continued to recover. The *seasonally adjusted unemployment rate* declined visibly, from the peak of 7.2% in December 2020 – February 2021 to 6.8% in the first quarter of 2021 and further to 5.5% in the second quarter. The unemployment rates of retail, accommodation and food services, construction, and arts, entertainment and recreation sectors fell visibly. The *underemployment rate* likewise decreased from the peak of 4.0% to 3.8% and further to 2.5%. Wages and labour earnings on average rose further in nominal terms in the first quarter over a year earlier, albeit at the slowest pace in more than 11 years. The median monthly household income reverted to a year-on-year increase of 3.0% in the second quarter, though still visibly below the pre-recession level.

The asset markets

8. The *local stock market* stayed range-bound during the second quarter of 2021, though market sentiment was swayed by various developments from time to time, including the improved global economic outlook amid the progress in mass vaccination in many major economies, worries about the threat of new virus variants,

and concerns over a faster-than-expected monetary policy tightening in the US. The Hang Seng Index (HSI) moved within a range of around 27 700 to 29 500 during the quarter and closed at 28 828 at end-June, up by 1.6% over end-March. On 12 August, the HSI closed at 26 518.

9. The *residential property market* was buoyant in the second quarter of 2021, supported by the low interest rate environment, firm end-user demand and improving economic prospects. The number of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, increased notably by 21% over the preceding quarter or 29% over a year earlier to 22 000 in the second quarter, the highest since the second quarter of 2012. Flat prices rose by 1% during the second quarter, and the index of home purchase affordability rose to around 75%. Meanwhile, flat rentals reverted to an increase of 2% during the quarter. The commercial and industrial property markets stayed firm. Trading activities for all major market segments recorded further increases over the preceding quarter. Prices and rentals for most major market segments turned firmer.

Prices

10. Underlying consumer price inflation remained tame in the second quarter of 2021, though going up slightly as domestic economic activity continued to recover and external price pressures increased. Netting out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, the *underlying CCPI* registered a modest year-on-year increase of 0.3% in the second quarter, after a decline of 0.2% in the preceding quarter. This was mainly attributable to the reversal to increase in prices of transport and meals out and takeaway food. Domestically, the year-on-year decline in private housing rentals widened as the effect of earlier softening in fresh-letting residential rentals continued to feed through. Business cost pressures were mild as wage growth remained slow and commercial rentals were lower than year-ago levels. External price pressures however increased rather visibly. Inflation in many import sources picked up alongside the global economic recovery, surges in international commodity and energy prices, and supply bottlenecks in many economies. These developments, together with the weakness of the US dollar over the past year, resulted in a faster year-on-year increase in prices of merchandise imports. Nevertheless, the increases in import prices of consumer goods and foodstuffs were still moderate. The *headline CCPI* went up by 0.8% year-on-year in the second quarter, after an increase of 1.2% in the preceding quarter. The higher headline inflation rate in the first quarter was mainly due to the low base of comparison arising from the Government's payment of public housing rentals and waiver of rent for tenants by the Hong Kong Housing Society in January last year.

Latest GDP and price forecasts for 2021

11. The global economy has continued to recover, thanks to the rollout of mass vaccinations and strong fiscal and monetary support in many major economies. The reviving external demand should continue to support Hong Kong's exports of goods

in the rest of the year, though there may be some moderation from the exceptionally strong growth in the first half. Services exports should likewise sustain growth. Nevertheless, the more infectious Delta variant has been raging around the world of late, posing a threat to the global economy. Other major risk factors such as China-US relations, geopolitical tensions and the evolving monetary policy stance of major central banks also warrant attention.

12. Domestically, consumption and business sentiments turned more positive in recent months amid the global economic recovery and the stabilised local epidemic situation. The improving labour market, coupled with the boost from the Consumption Voucher Scheme, will help stimulate consumption sentiment and lend support to consumption-related sectors. To create conditions for a broader based economic recovery, it is essential for the community to keep the epidemic under control and strive towards more widespread vaccination.

13. Barring any abrupt worsening in global economic conditions due to the pandemic developments, the Hong Kong economy should stay on the path to recovery in the rest of 2021. Considering the robust real GDP outturn in the first half of the year and the support from the Consumption Voucher Scheme, the real GDP growth forecast for 2021 as a whole is revised upwards to 5.5%-6.5% in the current round of review, from 3.5%-5.5% as announced in the May round of review (*Table 2*). Yet, even if economic growth attains the upper bound of the latest range forecast, real GDP for 2021 as a whole will still be about 2% below the level in 2018. The Government will continue to closely monitor the situation. For reference, the latest forecasts by private sector analysts range from 5.0% to 7.3%, averaging around 6.4%.

14. On the inflation outlook, while underlying inflation will likely go up somewhat in the near term alongside the economic recovery and rising import prices, overall price pressures should remain largely contained as the local economy is still operating below capacity. As the developments so far have been largely in line with expectations, the forecast rates of underlying and headline consumer price inflation for 2021 are maintained at 1% and 1.6% respectively in the current round of review, the same as those announced in the May round of review (*Table 2*).

(The Half-yearly Economic Report 2021 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 2021, which contains the GDP figures up to the second quarter of 2021, 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

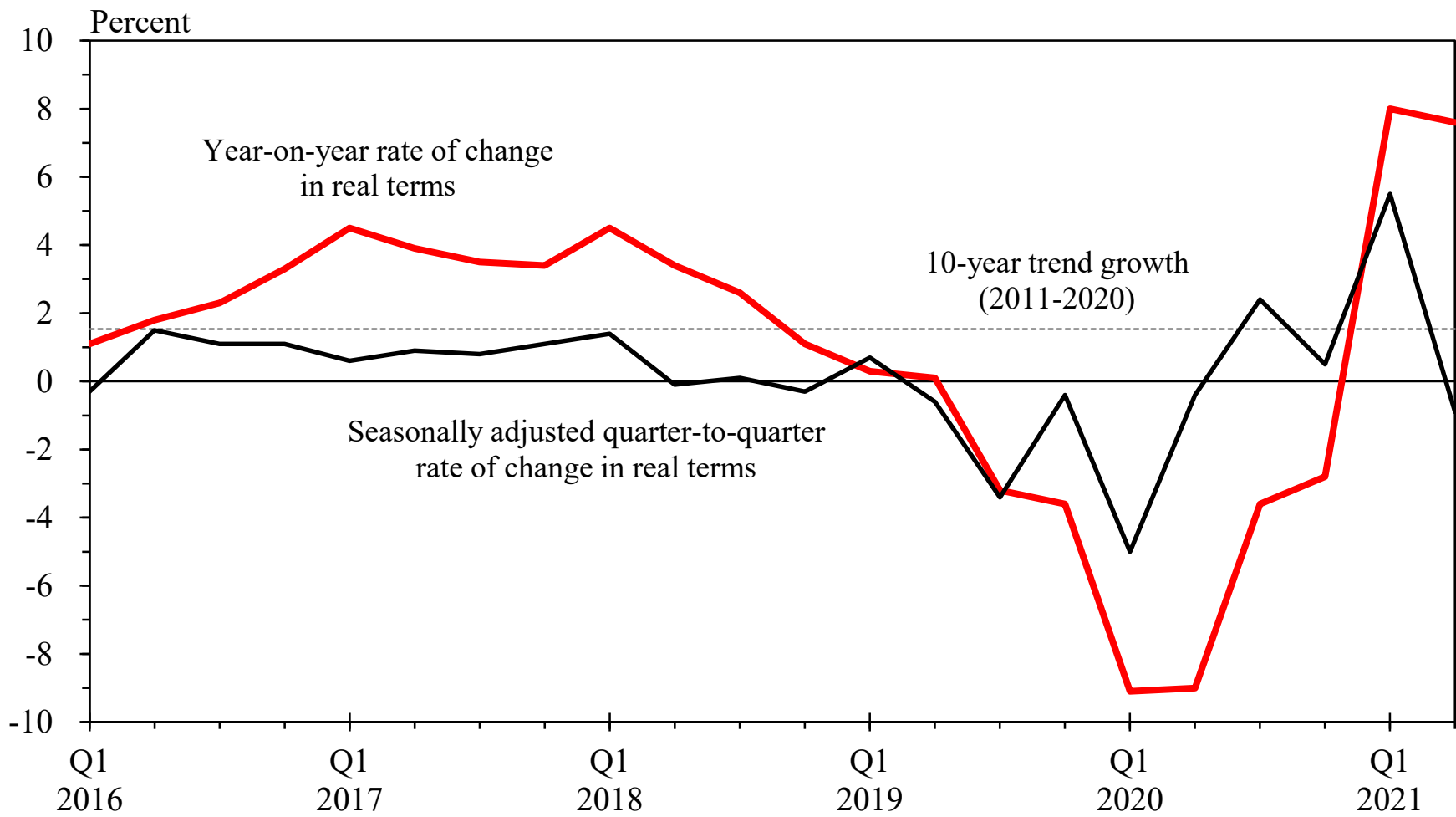


Table 1

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

	<u>2019[#]</u>	<u>2020[#]</u>	<u>2020</u>				<u>2021</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	-0.8	-9.9	-10.8 (-7.6)	-13.9 (-2.9)	-7.9 (2.2)	-6.9 (1.4)	2.1 (1.4)	6.8 (1.5)
Government consumption expenditure	5.1	8.1	9.0 (3.0)	10.0 (1.8)	7.5 (0.5)	6.1 (0.8)	7.0 (3.6)	2.8 (-2.1)
Gross domestic fixed capital formation	-14.9	-11.2	-15.0	-22.0	-10.4	3.6	4.8	23.8
Building and construction	-10.8	-7.7	-11.0	-4.7	-9.5	-4.9	-4.3	-1.1
Costs of ownership transfer	-13.4	-4.0	-33.6	-22.9	27.3	27.3	85.8	57.3
Machinery, equipment and intellectual property products	-20.8	-18.0	-16.5	-42.4	-20.1	10.1	3.3	61.7
Total exports of goods ^{&}	-5.5	-0.3	-9.6 (-7.3)	-2.2 (6.5)	3.9 (4.0)	5.5 (2.9)	30.1 (14.3)	20.2 (-1.9)
Imports of goods ^{&}	-8.2	-2.1	-11.0 (-4.0)	-6.7 (2.6)	1.9 (5.0)	6.7 (3.2)	22.9 (10.6)	21.3 (1.0)
Exports of services ^{&}	-9.6	-36.1	-36.6 (-15.3)	-44.7 (-16.2)	-32.9 (6.4)	-28.8 (-5.5)	-7.3 (10.2)	2.6 (-7.7)
Imports of services ^{&}	0.1	-34.1	-23.7 (-21.0)	-43.9 (-24.2)	-35.0 (9.5)	-33.9 (0.9)	-12.0 (5.1)	7.6 (-7.2)
Gross Domestic Product	-1.7	-6.1	-9.1 (-5.0)	-9.0 (-0.4)	-3.6 (2.4)	-2.8 (0.5)	8.0 (5.5)	7.6 (-0.9)
<i>Change in the main price indicators (%)</i>								
GDP deflator	2.0	0.6	2.7 (0.5)	0.6 (-0.8)	0.6 (0.3)	-1.2 (-1.0)	-0.8 (0.7)	-0.2 (-0.1)
Composite CPI								
Headline	2.9	0.3[@]	2.0 (-0.7)[@]	1.3 (0.7)[@]	-1.7 (-2.2)[@]	-0.6[@] (1.7)[@]	1.2[@] (1.1)[@]	0.8[@] (0.3)[@]
Underlying[^]	3.0	1.3[@]	2.9 (0.8)[@]	1.8 (*)[@]	0.3 (-0.6)[@]	0.3[@] (0.2)[@]	-0.2[@] (0.3)[@]	0.3[@] (0.4)[@]
<i>Change in nominal GDP (%)</i>	0.3	-5.5	-6.6	-8.5	-3.0	-4.0	7.2	7.3

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

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

(#) Revised figures.

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

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

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

(@) By reference to the new 2019/20-based CPI series.

Table 2**Economic forecasts for 2021
(rate of change (%))**

	Forecasts as released on <u>14.5.2021</u> (%)	Latest forecasts on <u>13.8.2021</u> (%)
Real Gross Domestic Product (GDP)	3.5 to 5.5	5.5 to 6.5
Composite Consumer Price Index (CCPI)		
<i>Underlying CCPI</i>	1	1
<i>Headline CCPI</i>	1.6	1.6



Half-yearly Economic Report 2021

Government of the Hong Kong
Special Administrative Region

HALF-YEARLY ECONOMIC REPORT 2021

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 on track for recovery in the second quarter of 2021 alongside the improving global economic conditions and receding local epidemic. Real Gross Domestic Product (GDP)⁽¹⁾ sustained notable year-on-year growth of 7.6%. Yet the economic recovery remained uneven, with exports of goods surpassing the previous peak but inbound tourism remaining at a standstill. Consumption-related activities continued to improve but were still far below their pre-recession levels. To pave way for a broader based economic recovery, it is essential to keep the epidemic under control and strive towards more widespread vaccination.*
- *Total exports of goods grew strongly in the second quarter, underpinned by robust revival of import demand from the major economies and vibrant production activity in the region. Exports to the Mainland saw notable growth, and those to the US and the EU sustained double-digit increases. Exports to other major markets in Asia also posted visible gains. Exports of services resumed modest growth from a low base of comparison. While services exports relating to inbound tourism and passenger transport remained stagnant and exports of financial services fell marginally, those relating to cargo flows and business services improved further along with the global economic recovery.*
- *Domestic demand gathered further steam. Private consumption expenditure picked up in growth in the second quarter on the back of the receding local epidemic and improving labour market situation. Overall investment expenditure saw an accelerated increase amid improved business sentiment, though a low base of comparison also contributed.*
- *The labour market showed improvement as economic activity continued to recover. The seasonally adjusted unemployment rate declined visibly, from the peak of 7.2% in December 2020 – February 2021 to 6.8% in the first quarter and further to 5.5% in the second quarter. Likewise, the underemployment rate decreased from the peak of 4.0% to 3.8% and further to 2.5%. The unemployment rates of retail, accommodation and food services, construction, and arts, entertainment and recreation sectors fell visibly.*
- *The local stock market stayed range-bound during the second quarter, though market sentiment was swayed by various developments from time to time, including the improved global economic outlook amid the progress in mass vaccination in many major economies, worries about the threat of new virus variants, and concerns over a faster-than-expected monetary policy*

tightening in the US. The residential property market turned more active with flat prices increasing by another 1% during the quarter.

- *Underlying consumer price inflation remained tame in the second quarter, though going up slightly as domestic economic activity continued to recover and external price pressures intensified. Pressures on most major Consumer Price Index (CPI) components stayed modest.*

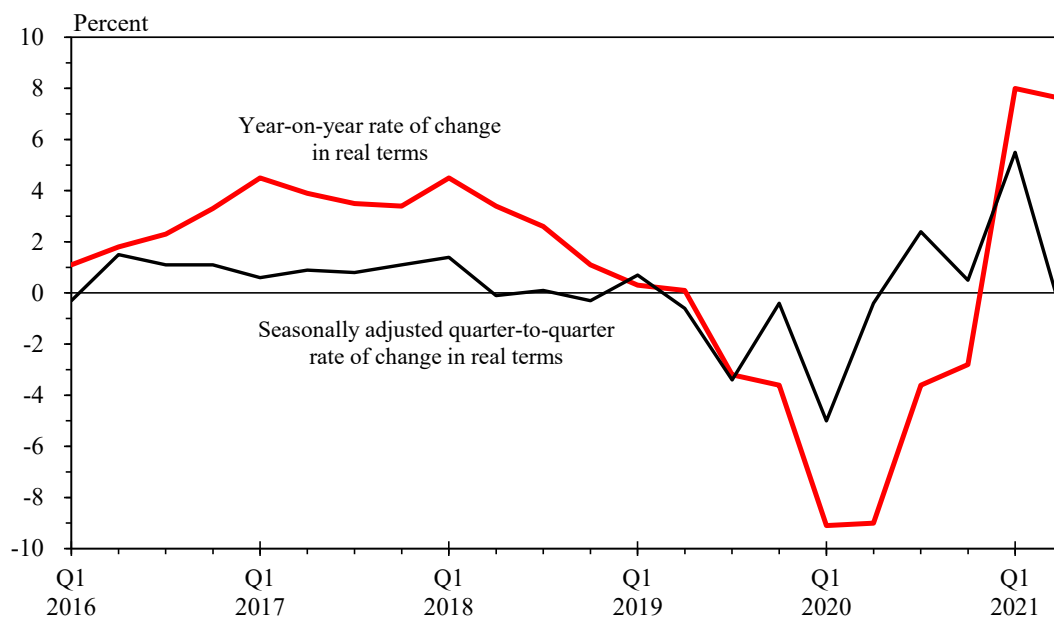
Overall situation

1.1 The Hong Kong economy remained on track for recovery in the second quarter, with real GDP sustaining notable year-on-year growth of 7.6% alongside the improving global economic conditions and receding local epidemic. However, the economic recovery was still uneven. While total exports of goods grew strongly and surpassed the high recorded in the same period of 2018, inbound tourism remained at a standstill. Consumption-related activities improved further but were still far below their pre-recession levels. Exports of services resumed modest growth amid the improvement in regional cargo flows and global business activity, although cross-boundary passenger transport remained subdued and exports of financial services declined marginally. As regards domestic demand, private consumption expenditure grew at a faster pace thanks to the receding local epidemic and improving labour market situation. Overall investment expenditure saw accelerated growth amid improved business sentiment. While the unemployment rate declined visibly, underlying consumer price inflation went up slightly.

1.2 The global economy gained momentum in the second quarter. As the epidemic situation improved, social distancing restrictions were eased in many major advanced economies notwithstanding the threat of the more infectious COVID-19 variants later in the quarter. The strong fiscal and monetary support rendered a further boost to economic recovery. In the second quarter, the Mainland economy entrenched its recovery, growing appreciably by 7.9% over a year earlier. The US economy posted slightly faster quarter-to-quarter growth and expanded sharply from an exceptionally low base a year earlier, while the euro area economy resumed growth on a quarter-to-quarter basis. Japan and other Asian economies likewise continued to recover but some of them saw a worsening of the epidemic situation. In July, the International Monetary Fund (IMF) forecast that the global economy would rebound by 6.0% in 2021⁽²⁾, the same as its April forecast. Yet, the IMF pointed out that economic prospects have diverged further across economies due to differences in the pace of vaccine rollout and policy support.

1.3 In the second quarter of 2021, real GDP grew notably by 7.6% against a low base of comparison a year earlier (revised from the advance estimate of 7.5%), having expanded by 8.0% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison⁽³⁾, real GDP fell modestly by 0.9% in the second quarter (revised from the advance estimate of -1.0%), after a very strong growth of 5.5% in the preceding quarter when exports of goods showed an exceptionally rapid expansion.

Diagram 1.1 : Real GDP sustained notable year-on-year growth in the second quarter of 2021



The external sector

1.4 *Total exports of goods* compiled under the GDP accounting framework grew markedly by 20.2% in real terms in the second quarter over a year earlier, after surging by 30.1% in the preceding quarter. Strong revival of import demand in major economies and vibrant production activity in the region rendered support to Hong Kong's export performance. Analysed by market, exports to the Mainland saw notable growth, and those to the US and the EU sustained double-digit increases. Exports to other major markets in Asia also posted visible gains.

1.5 *Exports of services* resumed modest year-on-year growth of 2.6% in real terms in the second quarter from a low base of comparison, having declined by 7.3% in the preceding quarter. Inbound tourism remained frozen, though exports of travel services posted a double-digit increase due to base effect. Exports of transport services saw accelerated growth amid the improvement in regional trade and cargo flows, but cross-boundary passenger transport remained subdued. Exports of business and other services resumed growth alongside the global economic recovery. Meanwhile, exports of financial services fell marginally due to moderated cross-border financial activities.

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

	<u>2019[#]</u>	<u>2020[#]</u>	<u>2020</u>				<u>2021</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	-0.8	-9.9	-10.8 (-7.6)	-13.9 (-2.9)	-7.9 (2.2)	-6.9 (1.4)	2.1 (1.4)	6.8 (1.5)
Government consumption expenditure	5.1	8.1	9.0 (3.0)	10.0 (1.8)	7.5 (0.5)	6.1 (0.8)	7.0 (3.6)	2.8 (-2.1)
Gross domestic fixed capital formation	-14.9	-11.2	-15.0	-22.0	-10.4	3.6	4.8	23.8
Building and construction	-10.8	-7.7	-11.0	-4.7	-9.5	-4.9	-4.3	-1.1
Costs of ownership transfer	-13.4	-4.0	-33.6	-22.9	27.3	27.3	85.8	57.3
Machinery, equipment and intellectual property products	-20.8	-18.0	-16.5	-42.4	-20.1	10.1	3.3	61.7
Total exports of goods ^{&}	-5.5	-0.3	-9.6 (-7.3)	-2.2 (6.5)	3.9 (4.0)	5.5 (2.9)	30.1 (14.3)	20.2 (-1.9)
Imports of goods ^{&}	-8.2	-2.1	-11.0 (-4.0)	-6.7 (2.6)	1.9 (5.0)	6.7 (3.2)	22.9 (10.6)	21.3 (1.0)
Exports of services ^{&}	-9.6	-36.1	-36.6 (-15.3)	-44.7 (-16.2)	-32.9 (6.4)	-28.8 (-5.5)	-7.3 (10.2)	2.6 (-7.7)
Imports of services ^{&}	0.1	-34.1	-23.7 (-21.0)	-43.9 (-24.2)	-35.0 (9.5)	-33.9 (0.9)	-12.0 (5.1)	7.6 (-7.2)
Gross Domestic Product	-1.7	-6.1	-9.1 (-5.0)	-9.0 (-0.4)	-3.6 (2.4)	-2.8 (0.5)	8.0 (5.5)	7.6 (-0.9)
<i>Change in the main price indicators (%)</i>								
GDP deflator	2.0	0.6	2.7 (0.5)	0.6 (-0.8)	0.6 (0.3)	-1.2 (-1.0)	-0.8 (0.7)	-0.2 (-0.1)
Composite CPI								
Headline	2.9	0.3[@]	2.0 (-0.7)[@]	1.3 (0.7)[@]	-1.7 (-2.2)[@]	-0.6[@] (1.7)[@]	1.2[@] (1.1)[@]	0.8[@] (0.3)[@]
Underlying[^]	3.0	1.3[@]	2.9 (0.8)[@]	1.8 (*[@])[@]	0.3 (-0.6)[@]	0.3[@] (0.2)[@]	-0.2[@] (0.3)[@]	0.3[@] (0.4)[@]
Change in nominal GDP (%)	0.3	-5.5	-6.6	-8.5	-3.0	-4.0	7.2	7.3

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

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

(#) Revised figures.

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

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

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

(@) By reference to the new 2019/20-based CPI series.

The domestic sector

1.6 Domestic demand gathered further steam in the second quarter. *Private consumption expenditure* grew by 6.8% in real terms against a low base of comparison, after expanding by 2.1% in the preceding quarter. Consumption-related activities continued to revive alongside the receding local epidemic and improving labour market situation. However, outbound tourism activities remained severely hindered amid widespread travel restrictions. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure grew further by 1.5% in real terms in the second quarter. Meanwhile, *government consumption expenditure* rose by 2.8% year-on-year in real terms in the second quarter, after a 7.0% 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)
2020	Annual	-13.3	-14.3	-20.7	-27.8	-7.3	-78.6	-89.8	-9.9
	Q1	-18.3	-16.1	-41.1	-40.2	-6.7	-46.5	-79.6	-10.8
	Q2	-18.1	-16.6	-33.4	-36.4	-10.1	-91.5	-96.5	-13.9
	Q3	-9.7	-12.2	-12.3	-16.8	-7.0	-86.5	-96.5	-7.9
	Q4	-6.1	-11.5	5.3	-11.4	-5.1	-87.5	-90.3	-6.9
2021	Q1	3.2	-9.3	35.8	12.3	*	-76.8	-76.9	2.1
	Q2	6.5	-7.5	20.1	19.1	5.1	43.2	10.0	6.8

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.

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

Diagram 1.2 : Private consumption expenditure showed faster year-on-year growth

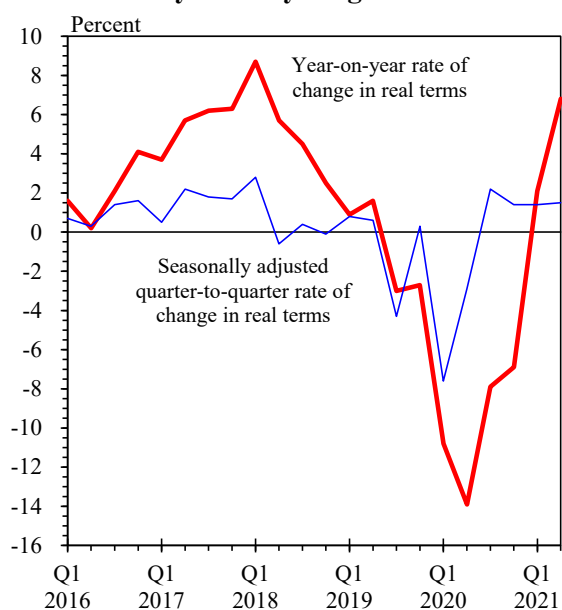
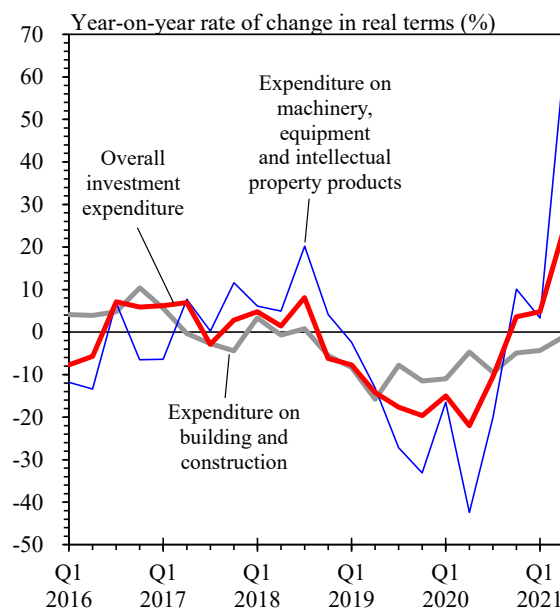


Diagram 1.3 : Overall investment expenditure saw accelerated growth



1.7 Overall investment spending in terms of *gross domestic fixed capital formation* saw accelerated growth of 23.8% in real terms in the second quarter against a low base a year earlier, following a 4.8% increase in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products surged by 61.7%, reflecting improved business sentiment alongside the global economic recovery and the stabilised local epidemic situation (see **Box 1.1**). Expenditure on building and construction continued to fall, albeit by a narrowed 1.1%, as the weakness in private sector spending more than offset the increase in public sector spending. Meanwhile, the costs of ownership transfer rose visibly, buttressed by markedly higher volumes of both residential and non-residential property transactions than year-ago levels.

Box 1.1

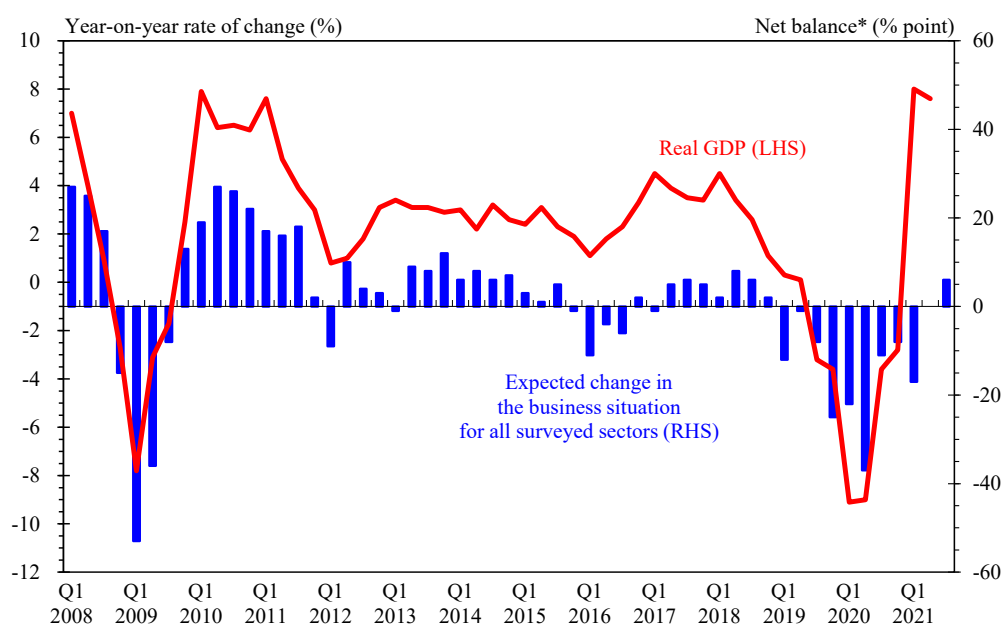
Business sentiment in Hong Kong

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 generally indicated that business sentiment improved further as the local economy was on the path to recovery amid vibrant external demand and stabilised local epidemic situation.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during 2 June to 9 July 2021, business sentiment among large enterprises in Hong Kong improved further compared to three months ago (*Chart 1*). The proportion of large enterprises expecting business situation to improve in the third quarter of 2021 over the second quarter rose and exceeded the proportion of those expecting the situation to worsen by 6 percentage points (i.e. a net balance of +6), better than the net balance of 0 in the previous round. This was the first positive net balance since the fourth quarter of 2018.

Business sentiment among large enterprises recorded improvement across most surveyed sectors (*Table 1*). There were significantly more respondents in the “professional and business services” sector expecting business situation to improve, lifting the corresponding net balance back into the positive territory. The net balances for “accommodation and food services” and “retail” sectors rose strongly, partly boosted by the launch of the Consumption Voucher Scheme. Those for “real estate” and “manufacturing” sectors likewise improved further within the expansionary zone. As for the “import/export trade and wholesale” and “financing and insurance” sectors, sentiment showed further improvement after recording a zero net balance in the preceding quarter, while that for the “information and communications” sector held up in the positive territory. However, the net balances for “construction” and “transportation, storage and courier services” sectors fell within the contractionary zone. Hiring sentiment among large enterprises revived slightly in overall terms (*Table 2*).

Chart 1 : Business sentiment among large enterprises improved further



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 improved in most sectors over Q2

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2020			2021		
	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	-23	+9	-8	-5	+14	+23
Construction	-20	-21	-19	-28	-13	-21
Import/export trade and wholesale	-42	-8	-7	-13	0	+8
Retail	-42	+21	-5	-18	+5	+18
Accommodation and food services	-63	+25	+19	-44	+20	+33
Transportation, storage and courier services	-47	-22	-13	-39	-13	-18
Information and communications	-15	-21	0	-18	+5	+5
Financing and insurance	-32	-14	-13	-10	0	+6
Real estate	-29	-26	-12	-16	+4	+14
Professional and business services	-37	-18	+4	-13	-7	+7
All sectors above	-37	-11	-8	-17	0	+6

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 revived slightly in overall terms

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2020			2021		
	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	-18	+10	-11	-3	+9	+10
Construction	-22	-10	-10	-16	-2	-11
Import/export trade and wholesale	-13	-3	-2	-16	-1	+2
Retail	-25	-4	-10	-20	-13	-5
Accommodation and food services	-35	+7	-2	-18	+11	+19
Transportation, storage and courier services	-17	-2	-8	-21	-12	-2
Information and communications	-2	-2	+8	-3	+2	-3
Financing and insurance	-9	+7	0	+6	+5	+10
Real estate	-5	+4	+5	-13	+9	+4
Professional and business services	-12	-4	-5	-4	-1	-2
All sectors above	-17	-1	-4	-11	-1	+2

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

As for small and medium-sized enterprises (SMEs), 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. Business sentiment among SMEs, though remaining relatively cautious, showed some improvement in recent months. The overall index on current situation, having eased to 44.3 in May, rose back to 46.6 in July (*Chart 2a*). Employment situation of the SMEs surveyed likewise showed improvement of late, while credit conditions stayed largely accommodative. Separately, the Standard Chartered Hong Kong SME Leading Business Index⁽³⁾ extended its upward trend in the third quarter, though remained in the contractionary zone.

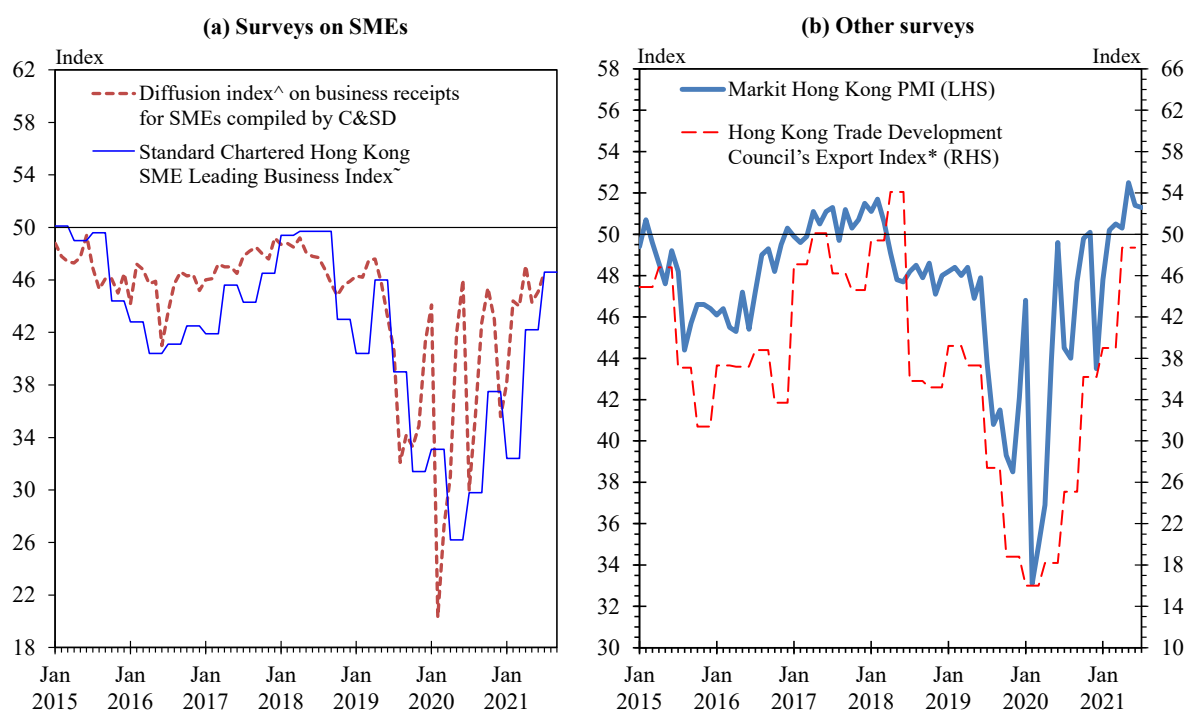
As for other surveys in the public domain, the Markit Purchasing Managers’ Index (PMI) of Hong Kong⁽⁴⁾, which gauges the performance of the private sector’s business activity, went up from 50.3 in April to 51.3 in July and remained in the expansionary zone for six consecutive months. Separately, the Hong Kong Trade Development Council’s Export Index⁽⁵⁾ rose for five quarters in a row, to 48.7 in the second quarter, reflecting exporters’ improving confidence in the global economy (*Chart 2b*). The pandemic remained the top concern, identified by 41.5% of the traders surveyed as the biggest threat to their businesses, followed by softening global demand (16.7%) and US-Mainland trade tensions (13.0%).

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

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

Box 1.1 (Cont'd)

Chart 2 : Recent surveys pointed to continued revival of business sentiment alongside vibrant external demand and stabilised local epidemic situation



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

(~) Launched in Q3 2012 and quarterly data.

(*) A reading above 50 indicates an upward trend and an optimistic outlook, while a reading below 50 indicates a downward trend and a pessimistic outlook.

It is worth 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 continued to revive in the past few months. Going forward, although the global pandemic development will remain a source of uncertainty, the improving economic situation should bode well for business sentiment. Meanwhile, the Consumption Voucher Scheme will help stimulate local consumer sentiment and lend support to consumption-related sectors. This, together with the community’s increased participation in the COVID-19 Vaccination Programme, should help create favourable conditions for a broader based economic recovery. The Government will closely monitor external and local developments.

(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.

(5) 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.

The labour sector

1.8 The labour market showed improvement as economic activity continued to recover alongside the stabilisation of local epidemic situation and the revival of global economy. The *seasonally adjusted unemployment rate* declined visibly, from the peak of 7.2% in December 2020 – February 2021 to 6.8% in the preceding quarter and further to 5.5% in the second quarter. The unemployment rates of the retail, accommodation and food services, construction and arts, entertainment and recreation sectors fell visibly. The unemployment rates of both lower-skilled workers and higher-skilled workers declined. Likewise, the *underemployment rate* decreased from the peak of 4.0% to 3.8% and further to 2.5%. Wages and labour earnings on average rose further in nominal terms in the first quarter over a year earlier, albeit at the slowest pace in more than 11 years.

The asset markets

1.9 The *local stock market* stayed range-bound during the second quarter, though market sentiment was swayed by various developments from time to time, including the improved global economic outlook amid the progress in mass COVID-19 vaccination in major economies, worries about the threat of new virus variants, and concerns over a faster-than-expected monetary policy tightening in the US. The Hang Seng Index (HSI) moved within a range of around 27 700 to 29 500 during the quarter and closed at 28 828 at end-June, up by 1.6% over end-March. Stock trading and fund raising activities were rather buoyant, though both quietened from the hectic levels in the preceding quarter. Average daily turnover in the securities market contracted by 32.6% from the record high in the preceding quarter to \$151.3 billion, but was 32.7% higher than a year earlier.

1.10 The *residential property market* was buoyant in the second quarter, supported by the low interest rate environment, firm end-user demand and improving economic prospects. The number of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, increased notably by 21% over the preceding quarter or 29% over a year earlier to 22 000 in the second quarter, the highest since the second quarter of 2012. Flat prices rose by 1% during the second quarter, and the index of home purchase affordability rose to around 75%. Meanwhile, flat rentals reverted to an increase of 2% during the quarter. The commercial and industrial property markets stayed firm. Trading activities for all major market segments recorded further increases over the

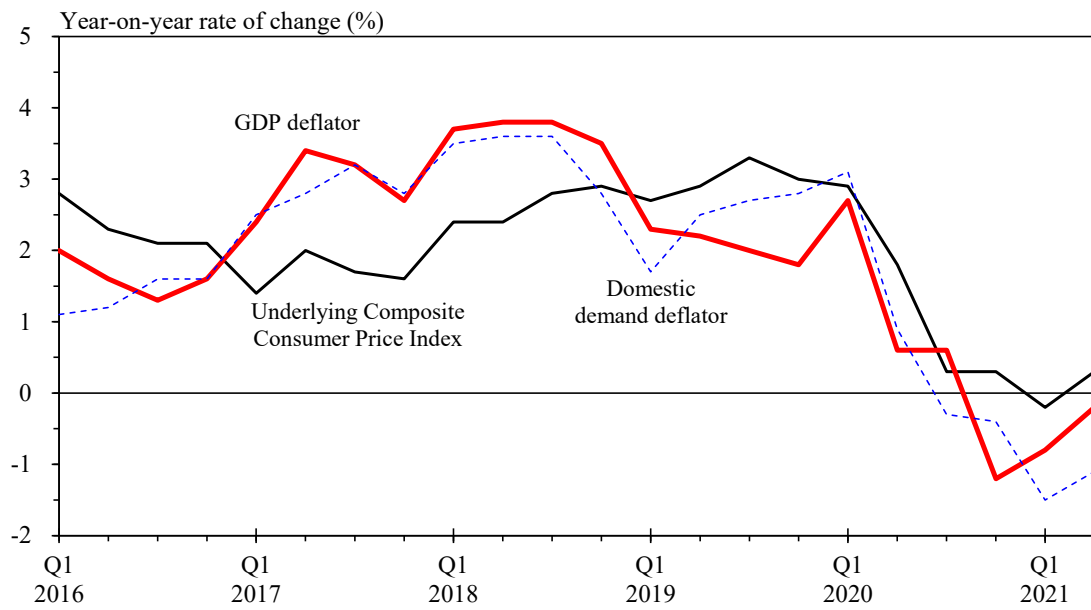
preceding quarter. Prices and rentals for most major market segments turned firmer.

Inflation

1.11 Underlying consumer price inflation remained tame in the second quarter, though going up slightly as domestic economic activity continued to recover and external price pressures intensified. Netting out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, the *underlying Composite CPI* registered a modest year-on-year increase of 0.3% in the second quarter, after a decline of 0.2% in the preceding quarter. This was mainly attributable to the reversal to increase in prices of transport and meals out and takeaway food. Domestically, the year-on-year decline in private housing rentals widened as the effect of earlier softening in fresh-letting residential rentals continued to feed through. Business cost pressures were mild as wage growth remained slow and commercial rentals were lower than year-ago levels. External price pressures however intensified rather visibly. Inflation in many import sources picked up alongside the global economic recovery, surges in international commodity and energy prices, and supply bottlenecks in many economies. These developments, together with the weakness of the US dollar over the past year, resulted in a faster year-on-year increase in prices of merchandise imports. Nevertheless, the increases in import prices of consumer goods and foodstuffs were still moderate. The *headline Composite CPI* went up by 0.8% year-on-year in the second quarter, after an increase of 1.2% in the preceding quarter. The higher headline inflation rate in the first quarter was mainly due to the low base of comparison arising from the Government's payment of public housing rentals and waiver of rent for tenants by the Hong Kong Housing Society in January last year.

1.12 The *GDP deflator* fell mildly by 0.2% from a year earlier in the second quarter, after decreasing by 0.8% in the preceding quarter. The terms of trade improved slightly from a year earlier as export prices rose faster than import prices. Taking out the external trade components, the domestic demand deflator fell by 1.1% in the second quarter, after decreasing by 1.5% in the preceding quarter.

Diagram 1.4 : Underlying consumer price inflation remained tame in the second quarter



Note : The year-on-year rates of change of the Composite Consumer Price Index 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.

GDP by major economic sector

1.13 The net output of the services sector rebounded visibly by 6.7% year-on-year in real terms in the first quarter of 2021, having shrunk by 3.8% in the preceding quarter and 6.6% for 2020 as a whole. While the performance varied across major service sectors, all of them saw relative improvement alongside the economic recovery. Specifically, thanks to a sharp rebound in global demand and vibrant regional trade flows, the net output of import and export trade turned to a notable increase and that of transportation and storage saw a much narrowed decline. The net output of wholesale and retail trades reverted to an increase and that of accommodation and food services registered a smaller decline against very low bases of comparison. Meanwhile, the net output of professional and business services rose marginally, whereas that of public administration, social and personal services resumed a mild increase. The net output of postal and courier services grew sharply, while those of financing and insurance as well as information and communications increased further. The net output of real estate, which covers activities of private sector developers and property agencies, rose moderately, supported by more active property market trading. As for the secondary sector, the net output of the construction sector saw a widened decline, while that of the manufacturing sector reverted to an increase.

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

	<u>2020</u>	<u>2020</u>				<u>2021</u>
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Manufacturing	-5.8	-4.6	-5.1	-7.4	-6.1	2.6
Construction	-5.7	-10.6	-2.4	-7.4	-1.4	-3.2
Services ^(b)	-6.6	-9.1	-8.7	-5.1	-3.8	6.7
Import/export, wholesale and retail trades	-13.7	-22.1	-19.3	-9.2	-6.4	24.0
Import and export trade	-7.1	-13.4	-10.6	-3.8	-2.4	25.4
Wholesale and retail trades	-45.1	-58.8	-54.3	-39.3	-27.3	11.5
Accommodation ^(c) and food services	-42.0	-45.9	-42.7	-44.9	-32.9	-6.1
Transportation, storage, postal and courier services	-39.5	-32.5	-49.6	-41.7	-35.2	0.4
Transportation and storage	-42.7	-34.2	-53.3	-45.1	-39.0	-2.6
Postal and courier services	11.9	-3.3	14.0	19.9	17.7	33.9
Information and communications	1.6	1.1	0.5	2.2	2.3	3.7
Financing and insurance	3.7	2.4	2.8	4.8	4.8	7.4
Real estate, professional and business services	-5.3	-5.8	-6.9	-4.9	-3.7	1.3
Real estate	-5.1	-9.3	-6.4	-3.1	-1.2	2.6
Professional and business services	-5.5	-2.7	-7.3	-6.3	-5.6	0.2
Public administration, social and personal services	-2.1	-3.3	-2.9	-0.6	-1.6	2.2

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 (1) 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 Consumption Voucher Scheme was opened for registration from 4 July 2021. Eligible persons might register to receive electronic consumption vouchers with a total value of \$5,000 by instalments. The electronic consumption vouchers, with the first instalment already disbursed on 1 August, will encourage the public to spend in local retail, catering and service sectors using stored value facilities, hence providing an additional boost to the local economic recovery. It will also help local small-and-medium merchants explore potential business opportunities by adopting electronic payments. Separately, the 100% Personal Loan Guarantee Scheme rolled out in the 2021-22 Budget and operated by the HKMC Insurance Limited started receiving applications from 28 April 2021 for six months. It aims to provide a supplementary financing option to individuals suffering from cessation of main recurrent incomes, and help them tide over the interim difficulty.

1.15 Hong Kong was ranked seventh globally in the *World Competitiveness Yearbook 2021* published by the International Institute for Management Development, compared to fifth last year. Among the four competitiveness factors, Hong Kong continued to rank top in “Government efficiency”, while our rankings in “Economic performance”, “Business efficiency” and “Infrastructure” were slightly lower than those in the previous report. The Government is committed to enhancing Hong Kong’s status as international financial, transportation and trade centres and developing Hong Kong into an international innovation and technology hub, an international aviation hub and a green city, and will step up investment in infrastructure and innovation and technology in order to add growth impetus to Hong Kong’s economic development.

Notes :

- (1) 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.
- (2) The table below presents a more detailed comparison between the growth forecasts made by the IMF in July 2021 and those three months ago.

	<u>2020</u>	<u>2021</u>	
	(%)	<u>April round</u> (%)	<u>July round</u> (%)
World (PPP ^{##} weighted)	-3.2	6.0	6.0
Advanced economies	-4.6	5.1	5.6
US	-3.4 [#]	6.4	7.0
Euro area	-6.4 [#]	4.4	4.6
UK	-9.8 [#]	5.3	7.0
Japan	-4.7 [#]	3.3	2.8
Emerging market and developing economies	-2.1	6.7	6.3
Emerging and developing Asia	-0.9	8.6	7.5
Mainland China	2.3 [#]	8.4	8.1
India [^]	-7.3 [#]	12.5	9.5
ASEAN-5 ^{\$}	-3.4	4.9	4.3
Middle East and Central Asia	-2.6	3.7	4.0

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

- (3) The seasonally adjusted quarter-to-quarter GDP series, by removing the variations that occur at about the same time and in about the same magnitude each year, provides another perspective for discerning the trend, particularly in regard to turning points. A detailed examination reveals the presence of seasonality in the overall GDP and in some of its main components, including private consumption expenditure, government consumption expenditure, exports of goods, imports of goods, exports of services, and imports of services. However, due to the presence of considerable short-term fluctuations, no clear seasonal pattern is found in gross domestic fixed capital formation. Therefore, the seasonally adjusted series of GDP is compiled separately at the overall level, rather than summing up from its main components.

CHAPTER 2 : THE EXTERNAL SECTOR

Summary

- *The global economy gained momentum in the second quarter of 2021. As the epidemic situation improved, social distancing restrictions were eased in many major advanced economies notwithstanding the threat of the more infectious virus variants later in the quarter. The strong fiscal and monetary support also provided a boost to their economic performance. In July, the International Monetary Fund (IMF) forecast that the global economy would rebound by 6.0% in 2021, but pointed out that economic prospects have diverged further across economies due to differences in the pace of vaccine rollout and policy support.*
- *Hong Kong's merchandise exports grew strongly by 21.1% year-on-year in real terms⁽¹⁾ in the second quarter, supported by strong revival of import demand from the major economies and vibrant production activity in the region. Exports to the Mainland saw notable growth, and those to the US and the EU sustained double-digit increases. Exports to other major markets in Asia also posted visible gains.*
- *Exports of services resumed modest year-on-year growth of 2.6% in real terms in the second quarter from a low base of comparison, having declined by 7.3% in the preceding quarter. Inbound tourism remained frozen, though exports of travel services posted a double-digit increase due to base effect. Exports of transport services saw accelerated growth amid the improvement in regional trade and cargo flows, but cross-boundary passenger transport remained subdued. Exports of business and other services resumed growth alongside the global economic recovery. On the other hand, exports of financial services posted a marginal decline amid moderated cross-border financial activities.*
- *Economic relations between Hong Kong and Mexico strengthened as the bilateral Investment Promotion and Protection Agreement (IPPA) took effect in June. It would enhance the confidence of investors and expand investment flows between the two sides. Separately, the tax treaty network of Hong Kong continued to expand, as the Comprehensive Avoidance of Double Taxation Agreement (CDTA) with Georgia came into force in July. It would help promote bilateral trade and investment activities through bringing a greater degree of certainty on tax liabilities.*

Goods trade

Total exports of goods

2.1 Hong Kong's *merchandise exports* grew markedly by 21.1% year-on-year in real terms in the second quarter of 2021, further to the 32.0% surge in the preceding quarter. Strong revival of import demand in major economies and vibrant production activity in the region supported Hong Kong's export performance. For the first half of 2021 as a whole, merchandise exports surpassed the high recorded in the same period of 2018 by 12.3% in real terms.

2.2 The global economy gained momentum in the second quarter. As the epidemic situation improved, social distancing restrictions were eased in many major advanced economies notwithstanding the threat of the more infectious COVID-19 variants later in the quarter. The strong fiscal and monetary support provided a further boost to their economic performance. People's mobility revived (see **Box 2.1**) and a wider range of economic activities (especially those services-related activities) gathered steam. However, international travel was still constrained and many governments took a more cautious approach to control imported cases.

2.3 Among the major economies, the Mainland economy entrenched its recovery, growing appreciably by 7.9% in the second quarter over a year earlier thanks to robust exports and improved domestic demand. The US economy posted slightly faster quarter-to-quarter growth in the second quarter and expanded sharply by 12.2% year-on-year against an exceptionally low base of comparison. In the euro area, real GDP resumed growth on a quarter-to-quarter basis in the second quarter. Japan and other Asian economies likewise continued to recover, but signs of easing in manufacturing activities were seen towards the end of the quarter as some of the economies saw a worsening of epidemic situation. In July, the IMF forecast that the global economy would rebound by 6.0% in 2021, same as its April forecast, but pointed out that economic prospects have diverged further across economies due to differences in the pace of vaccine rollout and policy support.

2.4 Monetary policies of major central banks remained accommodative in the second quarter. The Federal Reserve (Fed) kept the target range for the federal funds rate at record low of 0-0.25% and maintained the pace of asset purchases at no less than US\$120 billion per month. However, the marked increase in US inflation in the past few months aroused market concerns as to whether the Fed would tighten its policy stance at a faster-than-expected pace (see **Box 2.2** for details). The European Central Bank (ECB) maintained its policy rates at record lows, and stepped up the pace of bond purchases under the pandemic emergency purchase programme (PEPP) which would run until at least March 2022. The ECB also changed its inflation target over medium term from “below, but close to, 2%” to a symmetric 2% target, emphasising that it considered negative and positive deviations from the target to be equally undesirable. The People's Bank of China cut the reserve requirement ratios of financial institutions by 0.5 percentage point with effect from 15 July, releasing about RMB 1 trillion worth of liquidity. The Bank of Japan and many central banks in the Asian emerging markets kept their policy rates at record lows. On the other hand, the central banks of Brazil and Russia raised their policy rates amid rising inflation. On the fiscal front, the US government unveiled a US\$1 trillion plan to boost infrastructure investment, subject to Congress approval. The European Commission disbursed the first payment under “Next Generation EU” to its member states to finance crisis response and recovery measures in the aftermath of the COVID-19 pandemic.

2.5 The relations between China and the US remained tense during the second quarter, with the US administration imposing various forms of restrictions on an increasing number of Chinese companies. On 16 July, the US Department of State, along with other government agencies, issued a business advisory to caution US businesses about emerging risks to their operations and activities in Hong Kong upon implementation of the National Security Law and other recent legislative changes. The Government responded that the advisory by the US was based on ridiculous and unfounded fear-mongering about the situation in Hong Kong, and only serves to prove its hypocrisy and double standards, driven by ideological hegemony. Separately, Hong Kong filed its first submission in May to the World Trade Organization (WTO) panel established to consider the dispute raised by Hong Kong in respect to the violation of WTO rules by the US’ revised requirement on origin marking for Hong Kong products. On Brexit, the EU-UK Trade and Cooperation Agreement turned fully effective in May, but their disputes over the Northern Ireland Protocol were yet to be resolved.

Box 2.1

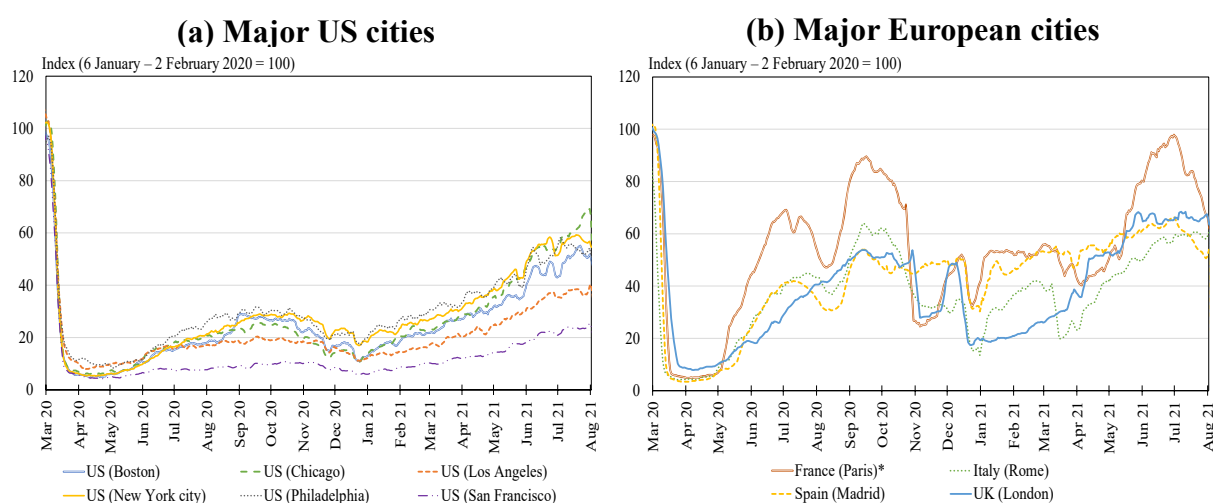
Revival of people's mobility in the US and Europe alongside the receding pandemic

The COVID-19 pandemic and resultant social distancing measures once caused serious disruptions to daily lives and a wide range of economic activity. Yet, people's mobility in major economies have been reviving gradually on the back of the receding epidemic and the progress of mass vaccination. This box article reviews how mobility in the United States (US), the European Union (EU) and the United Kingdom (UK) evolved in tandem with epidemic development over the past year or so.

According to the Citymapper Mobility Index⁽¹⁾, mobility levels of major US and European cities saw drastic drops starting from March 2020 when the epidemic began to spread rapidly (**Chart 1**). For example, the indices for New York, London and Paris, with their pre-pandemic levels setting at 100 for benchmarking, plunged to single-digit levels in early April 2020 after strict national lockdowns were imposed. Mobility rebounded somewhat in the third quarter of 2020, but declined again towards the end of last year due to the resurgence of COVID-19 infections. Nonetheless, the mobility levels in the fourth quarter of 2020 were not as depressed as in the second quarter of 2020, as anti-epidemic measures imposed by governments turned more targeted and overall less restrictive, thus causing less disruption.

Entering 2021, people's mobility in the US and Europe trended up again thanks to favourable developments in mass vaccination and epidemic control there. In the US, mobility has been steadily rising since the beginning of 2021 alongside the progress of mass vaccination (**Chart 2**) and the continued relaxation of restrictive measures. The situation in the UK was largely similar. In continental Europe, mobility showed diverse movements across major cities in the first quarter but generally took a dive in March amid a resurgence of COVID-19 cases. Yet mobility increased more visibly since April as improved epidemic situation enabled a gradual relaxation of restrictive measures⁽²⁾. The mobility indices⁽³⁾ of New York, London and Paris rose from 38.3, 52.9 and 49.9 respectively in early April to 56.0, 71.0 and 73.0 respectively in early August.

Chart 1: Mobility level of major cities during the pandemic



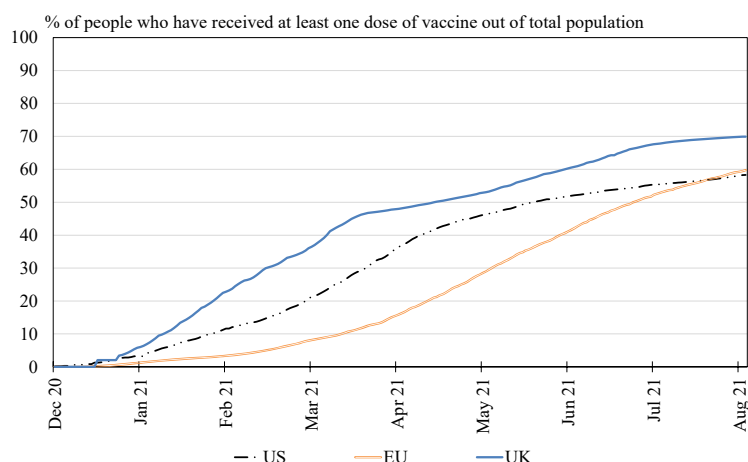
Sources : Citymapper Limited (Citymapper.com/CMI).

Note : (*) The reference period for Paris is 3 February – 1 March 2020.

- (1) The index is compiled by Citymapper Limited to record the change in mobility through assessing the difference in number of trips planned against a benchmarking period (6 January – 2 February 2020).
- (2) Although the UK started fast in COVID-19 vaccination, mobility level in London remained low as compared to other European cities in the first quarter of 2021 as the UK government then imposed more stringent restrictive measures than those in continental Europe.

Box 2.1 (Cont'd)

Chart 2: Vaccination rates in the US and Europe

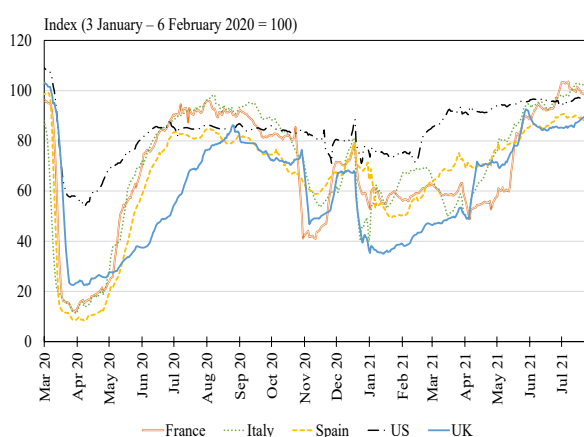


Sources : Our World in Data and internal estimations.

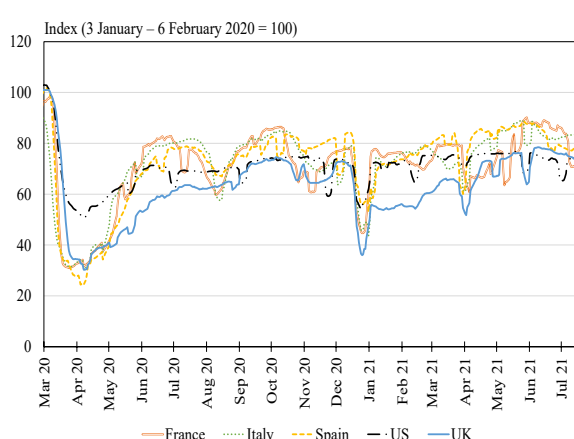
As noted earlier, the nature of restrictive measures imposed by governments would have a material impact on people’s mobility. Analysing mobility indicators published in the Google Community Mobility Report⁽⁴⁾, which provides data corresponding to different categories of destinations such as retail and recreation, workplaces, groceries and pharmacy, as well as transit stations, can help demonstrate the relation. As shown in **Chart 3a**, people’s mobility with respect to retail and recreational destinations appeared to be more sensitive to the epidemic situation and showed higher volatility, as such kind of activity was typically subject to stringent restrictions when epidemic situation deteriorated. In contrast, workplace-related mobility tended to be more stable aside from a notable drop seen in the early part of 2020 (**Chart 3b**), as people were generally allowed to go to work during the second wave of epidemic in the US and Europe⁽⁵⁾.

Chart 3: Impact of restrictive measures on different destinations

(a) “Retail and recreation” index



(b) “Workplace” index



Source : Google Community Mobility Report.

- (3) Mobility indices presented in this box article refer to seven-day moving averages so as to smooth out fluctuations within a week.
- (4) The Google Community Mobility Report is based on Google Maps data and charts movement to places with reference to a benchmarking period (3 January – 6 February 2020).
- (5) Please refer to “Box 2.1 Comparison of economic situations in the US and Europe during the first and second waves of COVID-19 epidemic” in *First Quarter Economic Report 2021* for further details.

Box 2.1 (Cont'd)

The rollout of mass vaccination has been a key factor underpinning the resumption of people's mobility this year. As at 1 August, some 70% to 85% of the population aged 14 above (or 58% to 70% of the total population) in the US, the UK and the EU had already received at least one dose of vaccination. In view of the increased vaccination rates, governments in the US and across Europe have become more confident to relax social restrictive measures and plan for broader-based economic reopening. For instance, curfews in France and most of Italy ended in June alongside the abolition of compulsory mask-wearing in most outdoor public settings. Germany announced in June that working from home was no longer compulsory starting July. In the UK, almost all restrictions have been lifted in England since 19 July 2021. Limits on gatherings and social distancing were also gradually lifted across all US mainland states over the past months.

While restrictive measures in the US and Europe are being gradually revoked, there are increasing concerns as to whether this will lead to a relapse of the epidemic, particularly so as the more infectious Delta variant has been raging in many places of the world recently. Indeed, the UK has seen a surge in the number of variant cases of late, though the mortality appears to be much lower than the previous waves of the epidemic. After all, the pandemic development will remain a key source of uncertainty to the global economic outlook in the near term. The Government will continue to monitor the situation closely and continue to promote the community's active participation in the COVID-19 Vaccination Programme, so as to create favourable conditions for broader based revival of economic activities.

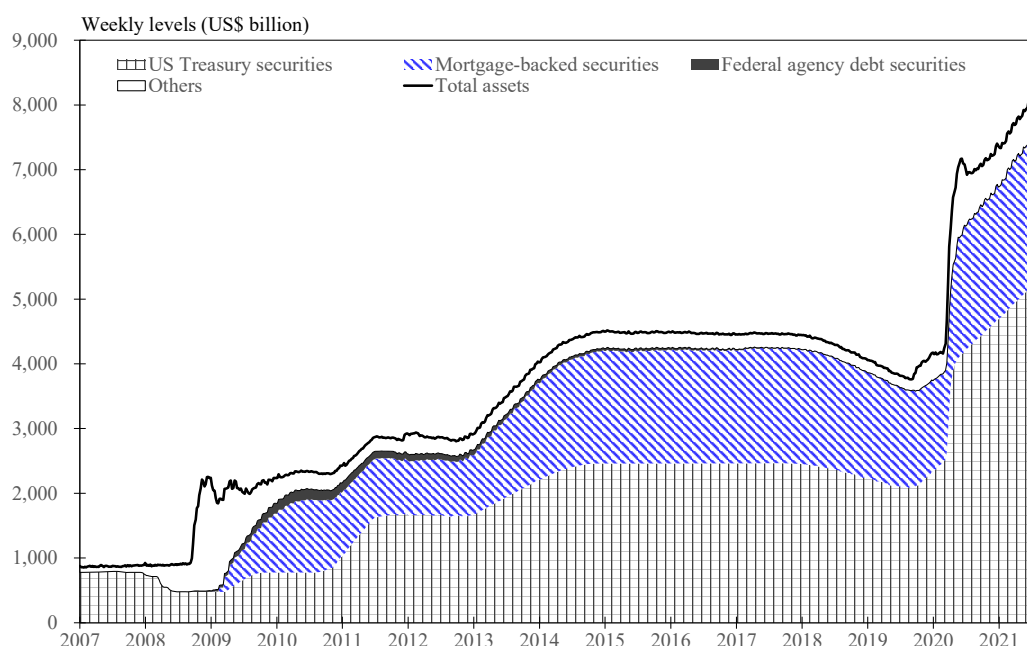
Box 2.2

Recent economic and monetary policy developments in the US

The US economy fell into a deep recession in the second quarter of 2020 due to the COVID-19 pandemic. Thanks to strong fiscal and monetary support, the US economy showed a sharp initial rebound in the third quarter of 2020 and gathered further steam entering 2021 alongside the rollout of mass vaccinations. Reflecting the sharp pick-up in demand amid economic reopening, supply constraints as well as an exceptionally low base last year, the US core inflation surged in the past few months, triggering concerns that the US Federal Reserve (Fed) may begin to adjust its ultra-loose policy stance earlier than previously anticipated. This box article examines developments in the US economy and monetary policy since the onset of the COVID-19 pandemic and their potential implications for the global and local economy.

The outbreak of the COVID-19 pandemic in early 2020 dealt a severe blow to the US economy. To curb the spread of the virus, stringent measures such as lockdowns and stay-at-home orders were imposed, resulting in an unprecedented economic contraction. To alleviate the economic pains and ensure stability and liquidity in financial markets, in March 2020 the Fed slashed the target range for the federal funds rate twice by a total of 150 basis points to an ultra-low level of 0.00%-0.25%. The Fed also restarted the quantitative easing programme through purchasing Treasury securities and agency mortgage-backed securities at no less than US\$120 billion per month. As of 4 August 2021, the Fed's balance sheet scaled up visibly to US\$8,235 billion, almost doubled the pre-pandemic level of US\$4,159 billion at end-Feb 2020 and surpassed its previous peak of US\$4,516 billion on 14 January 2015 by 82% (*Chart 1*).

Chart 1 : The Fed's balance sheet scaled up visibly after the outbreak of the pandemic



Note: Latest position as of 4 August 2021.

Source: Federal Reserve Bank of New York.

Box 2.2 (Cont'd)

Apart from rate cuts and quantitative easing, the Fed announced in late August 2020 a revised Statement on Longer-Run Goals and Monetary Policy Strategy. Average inflation targeting is adopted under the new framework, which means that following a period of inflation running below the long-run goal of 2%, the Fed will allow inflation to stay moderately above 2% for some time before adjusting its policy stance. Moreover, the Fed emphasised that its policy decisions will hinge on the “shortfalls” of employment from its maximum level, rather than the “deviations” from its maximum level, reflecting its view that a robust job market can be sustained without causing runaway inflation. With the Fed taking a more tolerant stance on inflation, the market generally expected a longer period of near-zero interest rates and easy financial conditions.

Thanks in part to the very accommodative monetary environment, the US economy has staged a notable rebound, with real GDP in the second quarter of 2021 (advance estimate) already surpassing its pre-pandemic level despite the uneven pace of recovery across sectors⁽¹⁾. On the labour market front, the unemployment rate likewise fell considerably from the high of 14.8% in April 2020 to 5.9% in June 2021, but was still above the level of 3.5% in February 2020. Non-farm payroll employment, at 145.8 million in June 2021, was still 6.8 million lower than the level in February 2020 (*Chart 2a*). This suggested that more time is needed for the labour market to fully recover.

Chart 2a : Non-farm employment still fell short of the pre-pandemic level

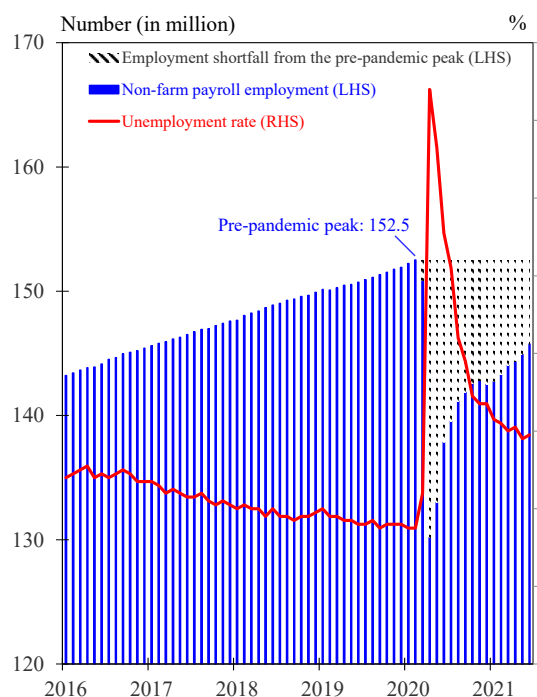
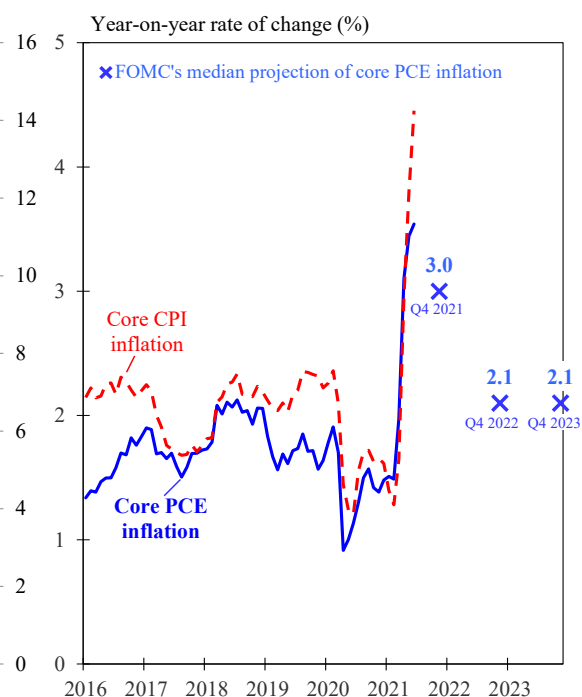


Chart 2b : FOMC’s participants expected the recent surge in inflation to be transitory



Sources: US Bureau of Labour Statistics, Bureau of Economic Analysis and Federal Reserve.

(1) Based on the detailed GDP data for the first quarter of 2021 (the latest), activity levels for sectors hard hit by the pandemic such as arts, entertainment, and recreation, and accommodation and food services were still noticeably below those in the fourth quarter of 2019 by 34.6% and 19.9% respectively.

Box 2.2 (Cont'd)

Notwithstanding the uneven recovery and the still substantial slack in the labour market, various measures of US inflation rose markedly in recent months and surprised the market. Core PCE inflation (excluding food and energy) picked up sharply from 1.5% in February to 3.5% in June. Core CPI inflation also accelerated to 4.5% in June (*Chart 2b*), the highest in almost 30 years. This reflected both surging demand amid reopening of the US economy and the supply bottlenecks, though a low base of comparison last year also contributed. There were heightened concerns that the strong monetary and fiscal support may have increased the risk of overheating in the US economy and pushed up inflation pressures.

In June 2021, participants of the Federal Open Market Committee (FOMC) meeting expected the recent surge in core PCE inflation to be transitory, with the median projection showing an ease-back in core PCE inflation to 2.1% in the fourth quarter of 2022 (*Chart 2b*). Meanwhile, a majority of participants expected the Fed would only start to raise interest rates in 2023, albeit earlier than that projected in March. In mid-July, Fed Chair Powell reiterated that he expected inflation to moderate after staying elevated in coming months. But he also added that the Fed would be prepared to adjust the stance of monetary policy if inflation was moving persistently beyond the Fed's target. In late July 2021, the Fed decided to keep the interest rate target unchanged and maintain the pace of asset purchases at no less than US\$120 billion per month. Powell added that the timing of any change in the pace of asset purchases will depend on the incoming data, and advance notice will be provided before making such changes.

However, if US inflation continues to surprise the market on the high side, this may deepen market concerns about high inflation and drive up longer-term inflation expectations which have been well-anchored over the past decade or so. Indeed, the Beige book released in mid-July revealed that many business contacts of the Fed expected further increases in input costs and selling prices in the coming months, and expressed uncertainty or pessimism over the easing of supply constraints. Gauges of short-term and longer-term inflation expectations also generally rose on entering 2021⁽²⁾, though the latter were often below the former, implying some abatement in inflation beyond the short-term. Given the dual mandates of achieving maximum employment and stable prices, the Fed would face a trade-off between curbing inflation and creating jobs. If the longer-term inflation expectation shifts to a level much higher than the Fed's target, the Fed may have to withdraw monetary support earlier than currently expected, potentially restraining economic and employment growth.

(2) For example, according to the Survey of Consumer Expectations conducted by the Federal Reserve Bank of New York, the median one-year and three-year ahead inflation rose to 4.8% and 3.5% respectively in June, up by 1.8 and 0.5 percentage points compared to end-2020 levels. Results of the University of Michigan's Survey of Consumers suggested that the expected year-ahead inflation rate was 4.7% in July 2021, substantially higher than 2.5% in December 2020, whereas the expected inflation rate for the next five years averaged 2.8% in July 2021, up from 2.5% in December 2020. According to the Second Quarter 2021 Survey of Professional Forecasters conducted by the Federal Reserve Bank of Philadelphia, the median 5-year headline CPI and PCE inflation forecasts were 2.4% and 2.2% respectively, up from 2.0% and 1.8% in the fourth quarter of 2020. The 5-year breakeven inflation rate implied by US Treasury securities rose to around 2.5% of late, up from below 2% in early 2021.

Box 2.2 (Cont'd)

Yet, tapering of asset purchases and eventual unwinding of monetary accommodation need to be handled with care. Market speculations about the future path of the Fed's monetary policy may trigger a revaluation or sell-off of risky assets and intensify global financial market volatility with repercussions on investment and economic sentiments. Emerging market economies with weaker fundamentals could also face higher risks of capital outflows and currency depreciation, adding headwinds to their economic recovery.

The timing of the Fed to withdraw its monetary support is still highly uncertain, as it would hinge on the actual progress of the US economic recovery and the outturn of inflation. The market currently expects that the process of unwinding will likely be gradual. Under the Linked Exchange Rate System, Hong Kong interest rates cannot deviate substantially from their US counterparts, suggesting that any US interest rate normalisation will likely entail upward pressures on local interest rates. That said, Hong Kong has strong economic fundamentals as well as a sound and resilient financial system, capable of handling massive capital flows and volatile global financial conditions. The Government will closely monitor the US monetary policy developments and stay vigilant to their possible impacts on the Hong Kong economy.

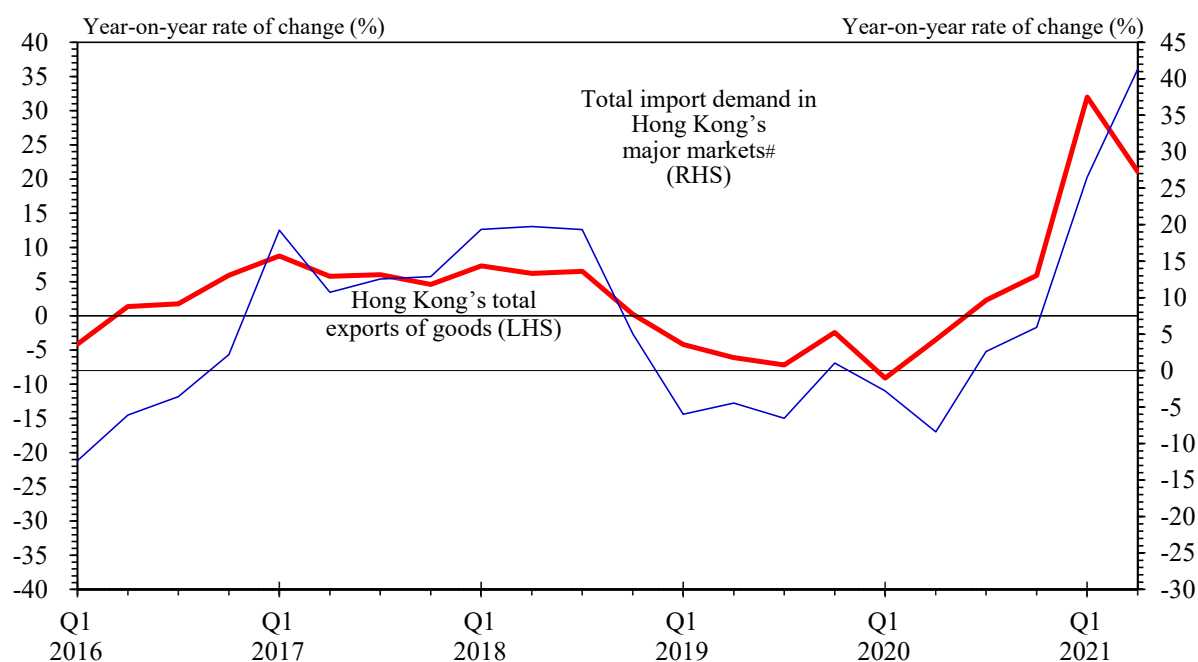
**Table 2.1 : Total exports of goods
(year-on-year rate of change (%))**

	In value terms	In real terms ^(a)		Change in prices
2020 Annual	-1.5	-0.8		-0.6
Q1	-9.7	-9.1	(-6.1)	-0.7
Q2	-4.3	-3.5	(4.4)	-1.0
Q3	1.3	2.3	(3.3)	-0.7
Q4	5.3	5.9	(4.8)	-0.1
2021 Q1	33.2	32.0	(17.9)	1.0
Q2	27.2	21.1	(-5.5)	5.0

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*.

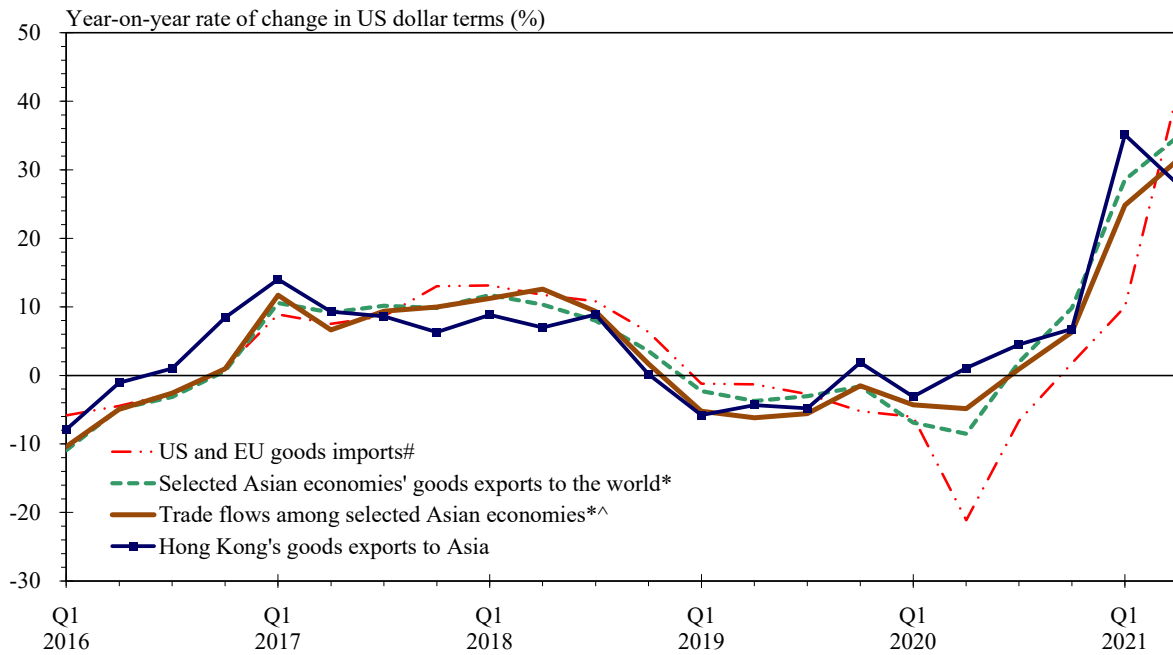
Diagram 2.1 : Merchandise exports grew markedly in the second quarter of 2021



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.

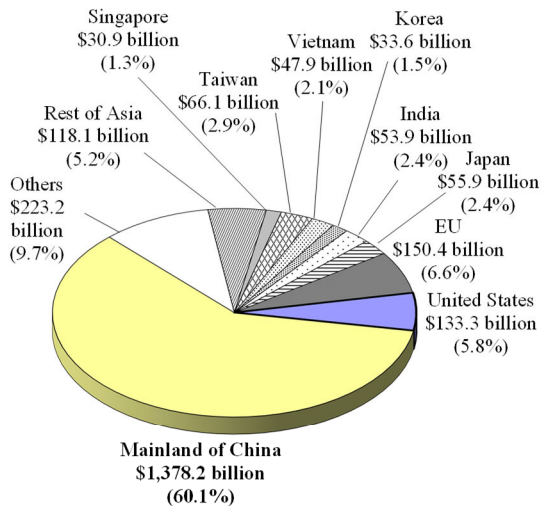
(#) Import demand figure for the EU for the second quarter of 2021 is based on information available as of early August 2021.

**Diagram 2.2 : Regional trade flows remained vibrant in the second quarter;
Import demand from the US and the EU revived markedly**



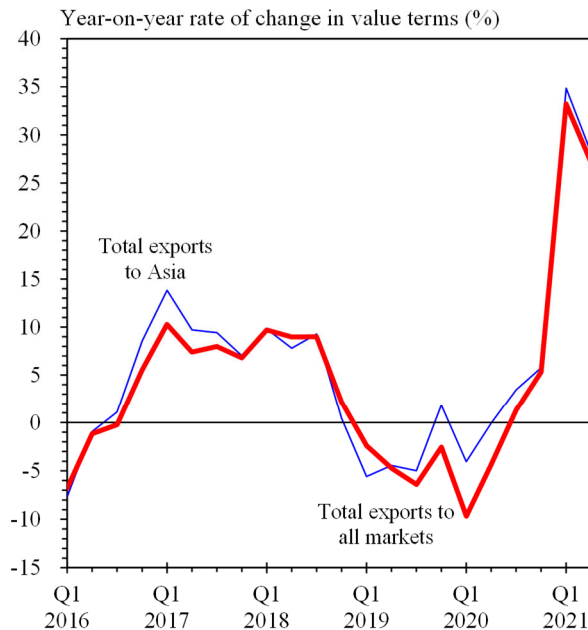
- Notes :
- (*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.
 - (^) The trade flows were measured by the sum of the individual economies’ exports of goods to the other nine economies within the “selected Asian economies”.
 - (#) EU goods imports for the second quarter of 2021 are based on the information available as of early August 2021.

Diagram 2.3 : Exports to most key markets in Asia continued to post visible gains



**Total exports of goods in the first half of 2021:
\$2,291.5 billion**

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>2020</u>			<u>2021</u>	
			<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Mainland of China	5.1	-2.2	5.8	7.2	8.3	37.5	18.8
United States	-12.5	-25.9	-17.5	-8.7	1.2	21.4	17.4
European Union [#]	-7.3	-24.4	-9.0	-4.1	9.0	26.0	10.2
India	-15.5	-0.1	-43.3	-6.7	-11.9	21.3	48.9
Japan	-7.2	-15.7	-1.6	-13.6	2.4	7.9	-1.2
Taiwan	11.3	0.7	20.2	5.5	18.8	44.6	28.3
Vietnam	9.8	5.4	-1.2	13.5	20.3	32.9	22.8
Singapore	-16.6	-14.8	-23.1	-11.5	-16.4	-2.2	14.3
Korea	-5.9	-8.9	-10.8	-7.5	4.0	33.9	28.6
Overall*	-0.8	-9.1	-3.5	2.3	5.9	32.0	21.1

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

([#]) 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 increased by 22.6% in real terms in the second quarter of 2021 over a year earlier.

2.6 Analysed by major market, merchandise exports to the US and the EU sustained double-digit growth in the second quarter, albeit at a less rapid pace than in the preceding quarter as exports of capital goods to these markets slackened. Re-exports of Mainland origin to the US and the EU, including those affected by US additional tariff⁽²⁾, also saw strong though moderated increases.

2.7 Exports to most key markets in Asia continued to post visible gains. Exports to the Mainland saw notable growth amid further activity expansion in the Mainland, though the year-on-year increase narrowed somewhat due to a higher base of comparison. Exports to Singapore grew appreciably after declining for five consecutive quarters. Exports to India accelerated notably against an exceptionally low base. Exports to Korea, Taiwan and Vietnam rose further, albeit at a decelerated rate. On the other hand, exports to Japan turned to a mild decline.

Diagram 2.4 : Exports to the Mainland saw notable growth

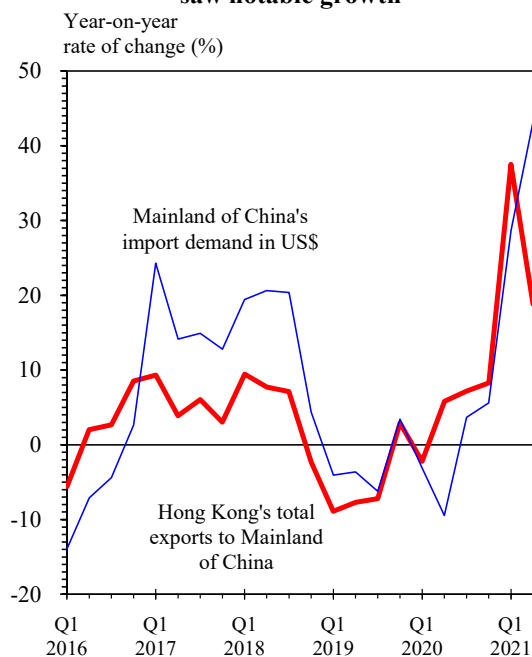
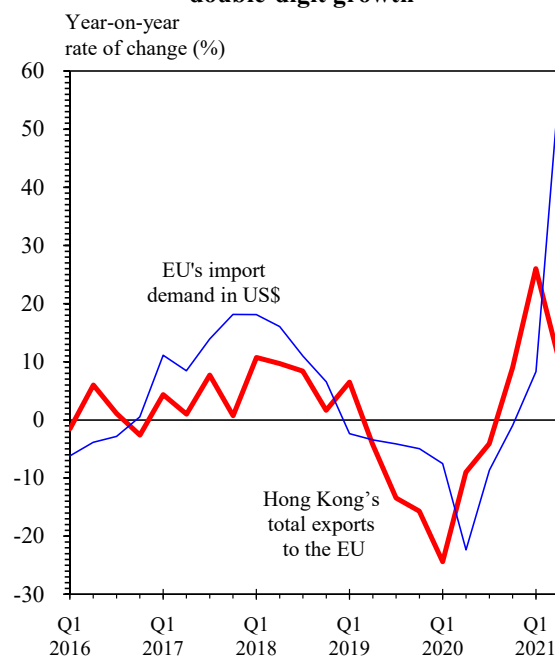


Diagram 2.5 : Exports to the EU sustained double-digit growth



Note: Import demand figure for the EU for the second quarter of 2021 is based on the information available as of early August 2021.

Diagram 2.6 : Exports to the US increased strongly

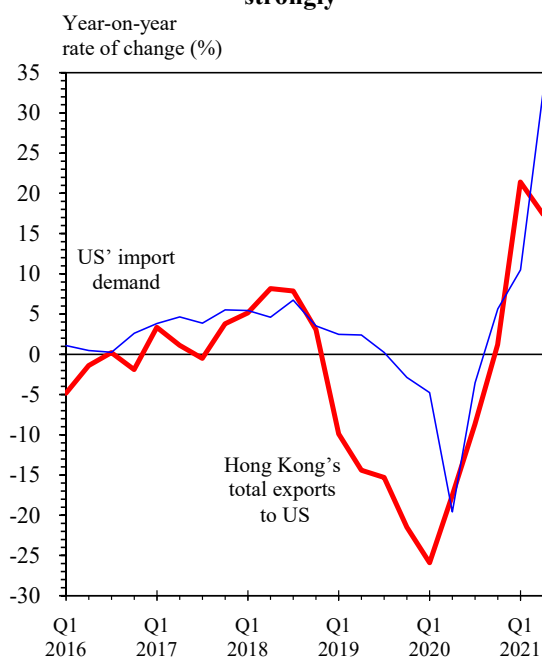


Diagram 2.7 : Exports to Japan turned to a mild decline

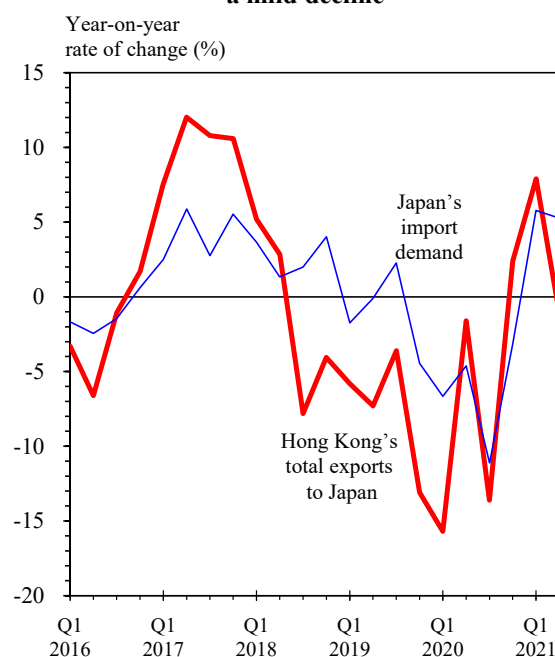


Diagram 2.8 : Exports to India accelerated notably

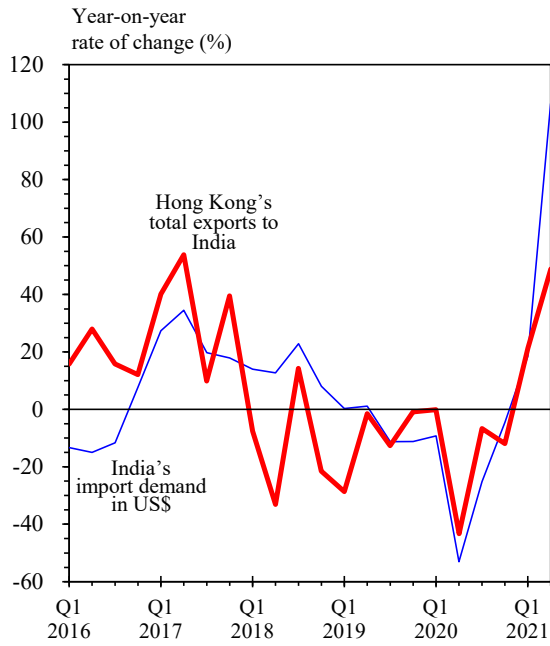


Diagram 2.9 : Exports to Taiwan rose further

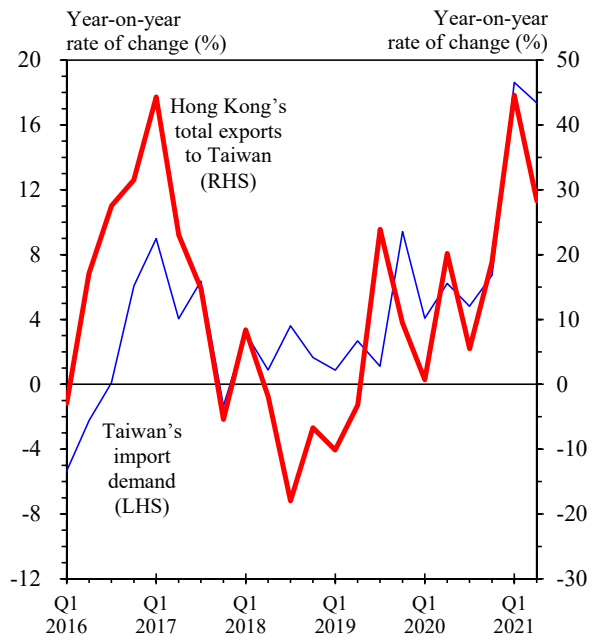


Diagram 2.10 : Exports to Korea continued to increase

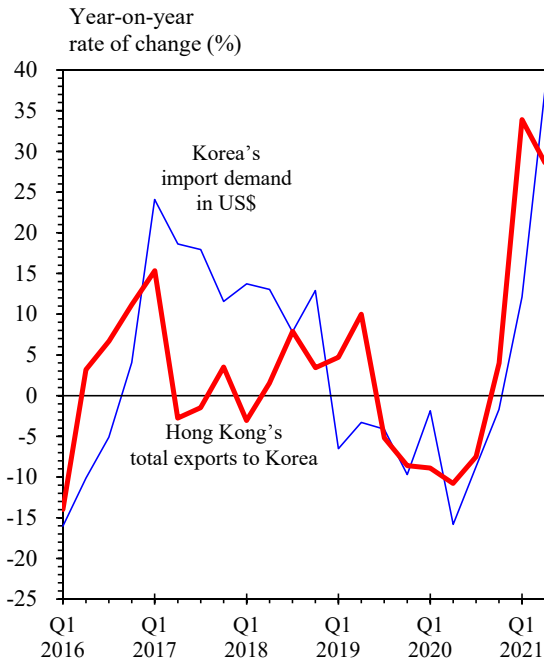
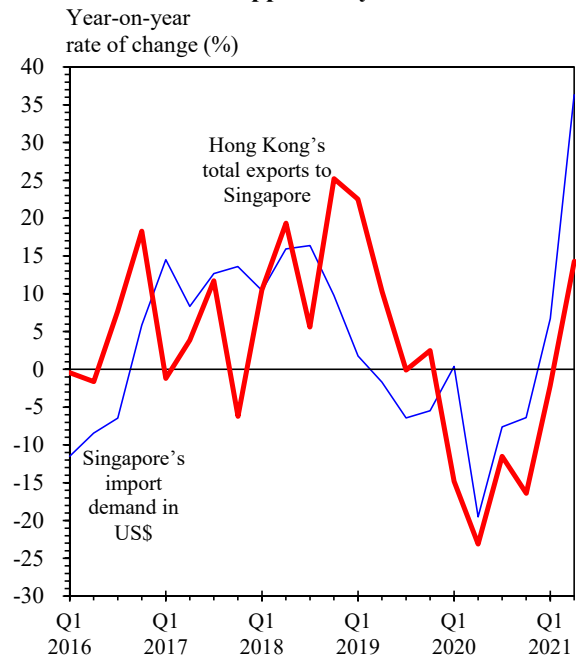


Diagram 2.11 : Exports to Singapore grew appreciably



Imports of goods

2.8 *Imports of goods* continued to rise markedly by 22.2% in real terms in the second quarter, following an increase of 24.4% in the preceding quarter. *Retained imports*, which refer to imports for domestic use and accounted for around one-fifth of total imports in 2020, saw a visibly accelerated increase of 30.5% in real terms, underpinned by the further revival of domestic demand. Meanwhile, imports for subsequent *re-exports*⁽³⁾ grew further along with the robust export performance.

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

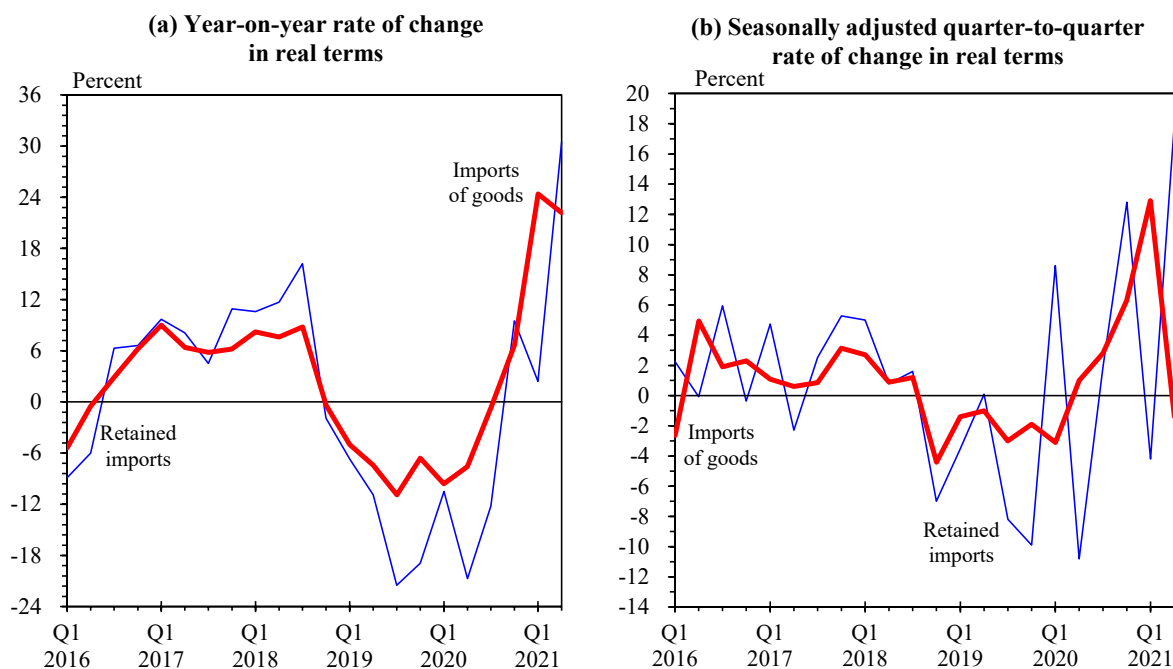
		<u>Imports of goods</u>				<u>Retained imports</u> ^(a)			
		<u>In value terms</u>	<u>In real terms</u> ⁽⁺⁾	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>		
2020	Annual	-3.3	-2.6	-0.7	-10.8	-8.8			-2.4
	Q1	-10.0	-9.6	(-3.1)	-0.4	-12.2	-10.5	(8.6)	-1.3
	Q2	-8.8	-7.6	(1.0)	-1.0	-24.5	-20.7	(-10.8)	-3.6
	Q3	-1.9	-0.7	(2.8)	-1.2	-15.2	-12.2	(1.9)	-4.2
	Q4	6.6	6.7	(6.3)	-0.1	10.2	9.5	(12.8)	-1.1
2021	Q1	25.6	24.4	(12.9)	1.1	3.1	2.4	(-4.2)	1.2
	Q2	27.9	22.2	(-1.4)	4.7	35.4	30.5	(17.9)	3.8

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 merchandising 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 continued to rise markedly

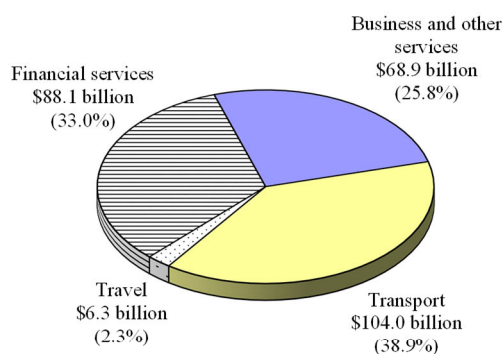


Services trade

Exports of services

2.9 *Exports of services* resumed modest year-on-year growth of 2.6% in real terms in the second quarter from a low base of comparison, having declined by 7.3% in the preceding quarter. Inbound tourism remained frozen, though exports of travel services posted a double-digit increase over a year earlier due to base effect. Exports of transport services saw accelerated growth amid the improvement in regional trade and cargo flows, but cross-boundary passenger transport remained subdued. Exports of business and other services resumed growth alongside the global economic recovery. On the other hand, exports of financial services posted a marginal decline amid moderated cross-border financial activities.

Diagram 2.13 : The contribution from travel services to total exports of services was still mere as inbound tourism remained frozen



Exports of services in the first half of 2021: \$267.4 billion

Diagram 2.14 : Exports of services resumed modest growth

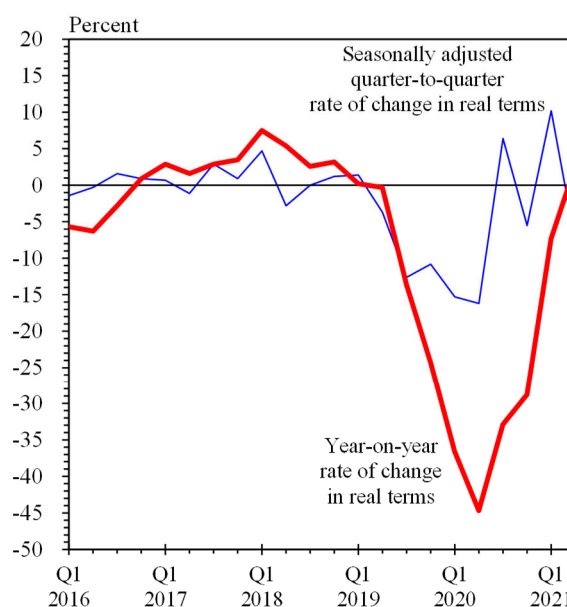


Table 2.4 : Exports of services by major service group (year-on-year rate of change in real terms (%))

		<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>
2020	Annual	-36.1	-28.5	-90.3	3.0	-11.9
	Q1	-36.6 (-15.3)	-31.2	-80.2	2.8	-13.2
	Q2	-44.7 (-16.2)	-33.5	-96.9	2.6	-13.3
	Q3	-32.9 (6.4)	-24.9	-97.1	3.6	-11.4
	Q4	-28.8 (-5.5)	-23.6	-90.8	3.1	-9.8
2021	Q1	-7.3 (10.2)	0.2	-77.5	1.8	*
	Q2	2.6 (-7.7)	5.5	16.0	-0.4	0.8

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*.

(a) Comprising mainly inbound tourism receipts.

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

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

Imports of services

2.10 *Imports of services* likewise turned to a year-on-year increase of 7.6% in real terms in the second quarter, after a fall of 12.0% in the preceding quarter. Outbound tourism remained severely hindered, though imports of travel services grew over a year earlier against a very low base of comparison. Imports of transport services expanded further as regional trade and cargo flows stayed buoyant. Imports of business and other services saw further growth thanks to the global economic recovery. Meanwhile, imports of manufacturing services continued to increase, supported by vibrant outward processing activities alongside the robust regional trade performance.

Diagram 2.15 : The share of travel services to overall imports of services remained meagre as outbound tourism remained at a standstill

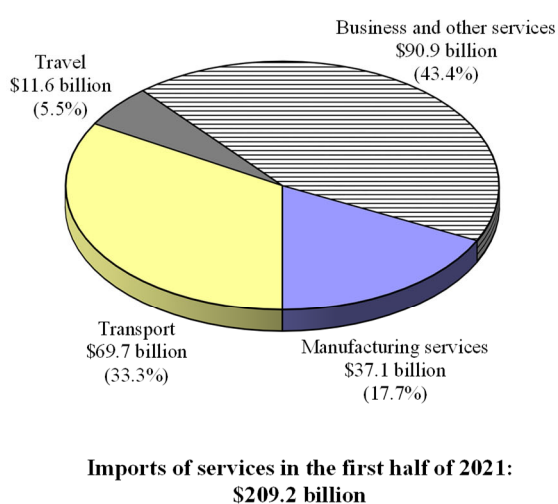
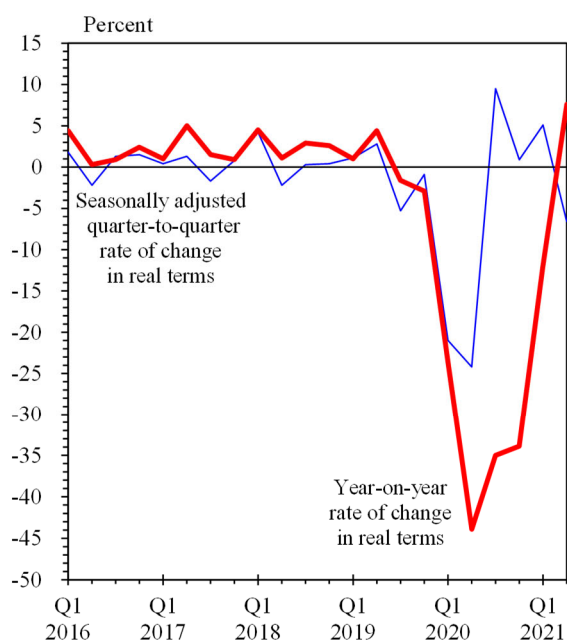


Diagram 2.16 : Imports of services turned to a year-on-year increase



**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>
2020	Annual	-34.1	-80.3	-20.1	-13.6	-3.4
	Q1	-23.7(-21.0)	-48.9	-18.7	-21.9	-3.7
	Q2	-43.9(-24.2)	-92.8	-29.4	-23.3	-4.6
	Q3	-35.0 (9.5)	-88.2	-17.6	-10.9	-2.0
	Q4	-33.9 (0.9)	-89.0	-14.1	-0.1	-3.4
2021	Q1	-12.0 (5.1)	-79.0	7.3	11.4	4.0
	Q2	7.6 (-7.2)	46.9	13.7	5.9	0.7

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 account saw an enlarged deficit in the second quarter of 2021 from a year earlier, as the increase in imports of goods outpaced exports of goods. Over the same period, the services surplus narrowed slightly. The goods and services accounts turned to a deficit of \$11 billion in the second quarter of 2021, equivalent to 0.8% of total import value, as compared to the surplus of \$2 billion (or 0.2% of total import value) in the second quarter of 2020. For the first half of 2021 as a whole, the goods and services accounts recorded a surplus of \$33 billion, equivalent to 1.3% of total import value, as compared to the deficit of \$17 billion (or 0.8% of total import value) in the first half of last year.

**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>	
2020	Annual	4,245	507	4,287	416	-42	91	49	1.0
	Q1	894	146	942	117	-48	29	-19	-1.8
	Q2	991	107	1,011	85	-20	22	2	0.2
	Q3	1,149	126	1,116	102	33	24	57	4.7
	Q4	1,212	127	1,217	112	-6	15	9	0.7
2021	Q1	1,178	146	1,171	108	7	37	44	3.4
	Q2	1,247	122	1,279	101	-32	21	-11	-0.8

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*.

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

Other developments

2.12 Economic relations between Hong Kong and Mexico strengthened as the IPPA between the two sides took effect in June. Under the IPPA, the two sides undertake to provide investors of the other side with fair, equitable and non-discriminatory treatment of investments; compensation in the event of expropriation of investments; and the right to free transfers abroad of investments and returns. It would enhance the confidence of investors and expand investment flows between Hong Kong and Mexico. With its entry into force, the IPPAs signed by Hong Kong increased to 22, covering 31 foreign economies.

2.13 The tax treaty network of Hong Kong continued to expand. In July, the CDTA with Georgia came into force after the completion of the relevant ratification procedures. The CDTA would help promote bilateral trade and investment activities through bringing a greater degree of certainty on tax liabilities. The number of CDTA signed by Hong Kong increased to 45.

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 further by 21.8% in 2020, before bouncing back by 8.1% in the first half of 2021. The performance of these affected re-exports were still worse than Hong Kong's total exports to all markets, which surged by 30.0% in the first half of 2021.
- (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

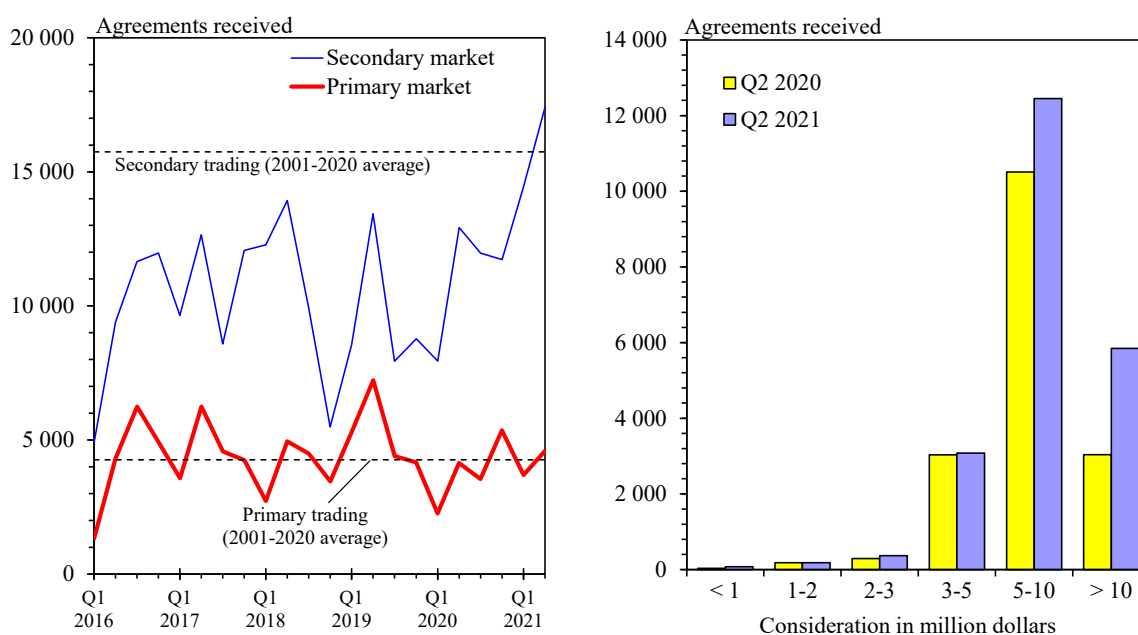
- *The residential property market was buoyant in the second quarter, supported by the low interest rate environment, firm end-user demand and improving economic prospects. Trading activities picked up notably and flat prices increased by another 1% during the quarter.*
- *Reflecting the Government's sustained efforts to increase land and flat supply, total private first-hand flat supply in the coming three to four years would rise to a high level of 96 000 units as estimated at end-June.*
- *The commercial and industrial property markets stayed firm in the second quarter. Trading activities for all major market segments recorded further increases over the preceding quarter. Prices and rentals for most major market segments turned firmer.*
- *The tourism sector remained at a standstill in the second quarter, as strict travel restrictions continued in the face of the COVID-19 pandemic. Overall visitor arrivals remained at an extremely low level of 17 200 in the second quarter, or a daily average of only around 190, as compared to the corresponding figures of 16.6 million and around 182 800 in the same quarter of 2019 prior to the recession.*
- *The logistics sector recorded further growth in the second quarter alongside robust trade flows. Total container throughput rose by 1.9% over a year earlier, while air freight throughput surged by 11.1%.*

Property

3.1 The *residential property market* was buoyant in the second quarter, supported by the low interest rate environment, firm end-user demand and improving economic prospects. Trading activities picked up notably and flat prices firmed up.

3.2 The total number of sale and purchase agreements for residential property received by the Land Registry increased notably by 21% over the preceding quarter or 29% over a year earlier to 22 000 in the second quarter, the highest level since the second quarter of 2012. Within the total, primary and secondary market transactions leapt by 24% and 21% respectively over the preceding quarter. In parallel, total consideration surged by 38% to \$229.3 billion. For the first half of 2021 as a whole, the number of S&P agreements rose by 23% over the second half of 2020 to 40 131, and total consideration by 28% to \$395.3 billion.

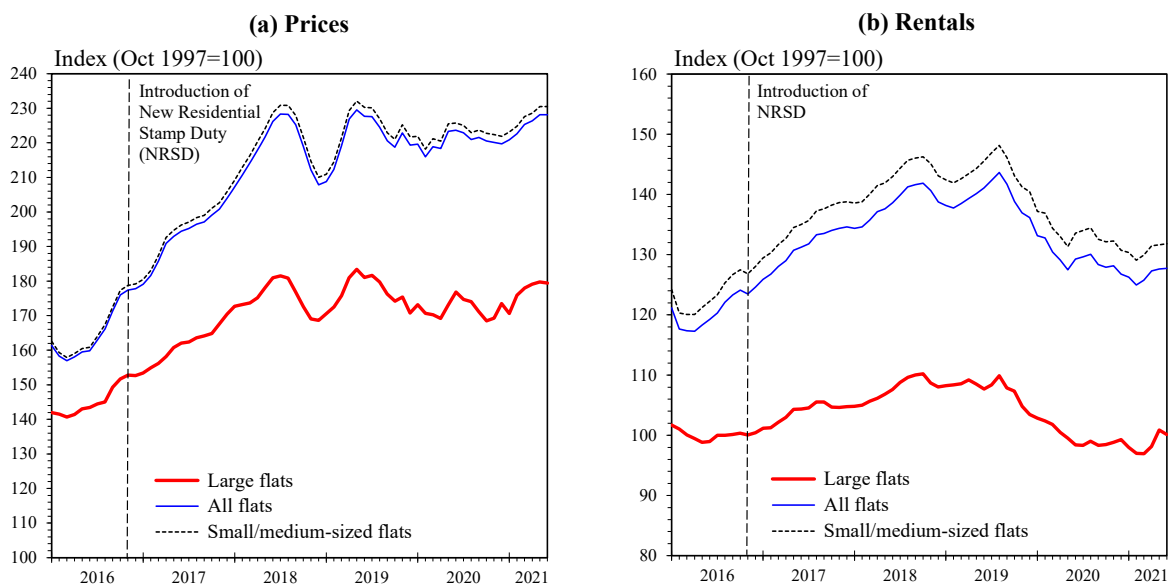
Diagram 3.1 : Trading activities picked up notably in the second quarter



3.3 After reverting to a moderate increase during the first quarter, flat prices on average rose by another 1% between March and June. Analysed by size, prices of small/medium-sized flats and large flats both increased by 1%. Flat prices in June rose by 4% over December 2020, and were only 1% lower than the historic high in May 2019.

3.4 Flat rentals on average reverted to an increase of 2% during the second quarter, after declining for six consecutive quarters. Analysed by size, rentals of small/medium-sized flats and large flats rose by 1% and 3% respectively. Flat rentals in June were 1% higher than in December 2020, though still 11% below the recent peak in August 2019. The average rental yield for residential property stayed at 2.2% in June, virtually unchanged from March.

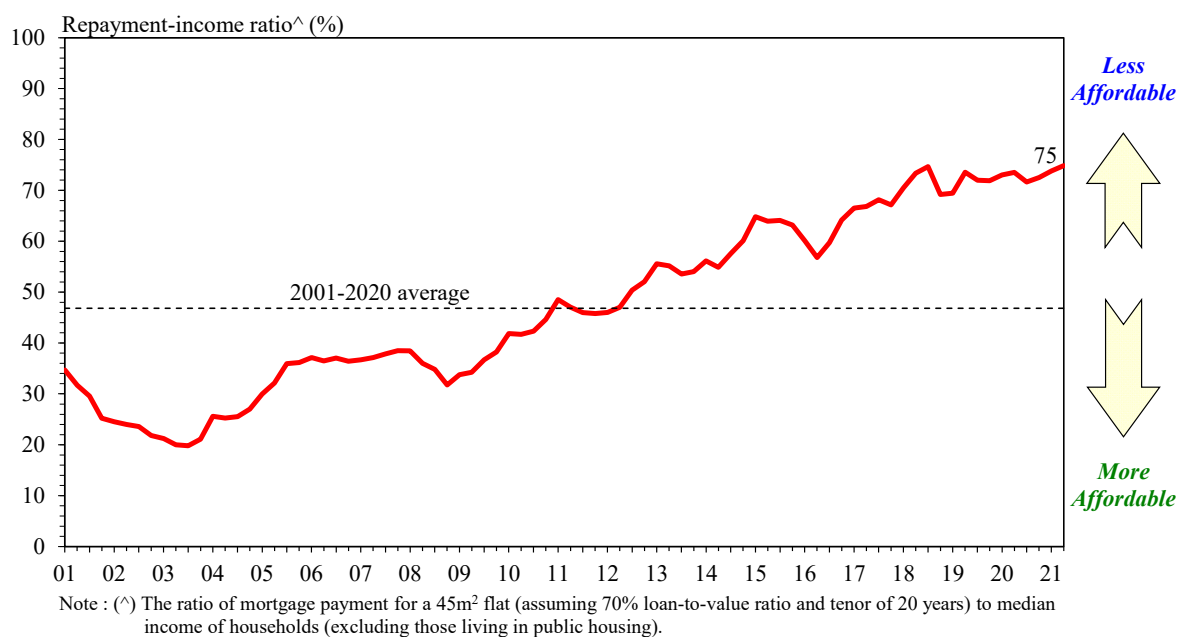
Diagram 3.2 : Flat prices rose further during the second quarter, and rentals reverted to an increase



Note : Residential property price index pertains to secondary market transactions only. Large flats refer to those with a saleable area of at least 100 m², and small/medium-sized flats with a saleable area of less than 100 m².

3.5 Flat prices in June 2021 exceeded the 1997 peak by 128%. The index of home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public housing) rose from around 74% in the first quarter to around 75% in the second quarter, significantly above the long-term average of 47% over 2001-2020⁽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 rose



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. 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 private housing land supply in the third quarter is expected to produce around 5 400 flats. Together with the supply in the preceding quarter, the total private housing land supply for the first half of 2021-22 is estimated to have a capacity to produce about 7 050 units.

3.7 Reflecting the Government’s sustained efforts in raising land supply, the *total supply of first-hand 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 rise to a high level of 96 000 units as estimated at end-June. Another 5 700 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.

3.8 During 2009 to 2017, the Government implemented a number of 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⁽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 56 cases per month or 0.7% 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 25 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 384 cases per month or 4.8% of total transactions in the second quarter, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty or 26.5% in January to November 2016. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 57% 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 remained low

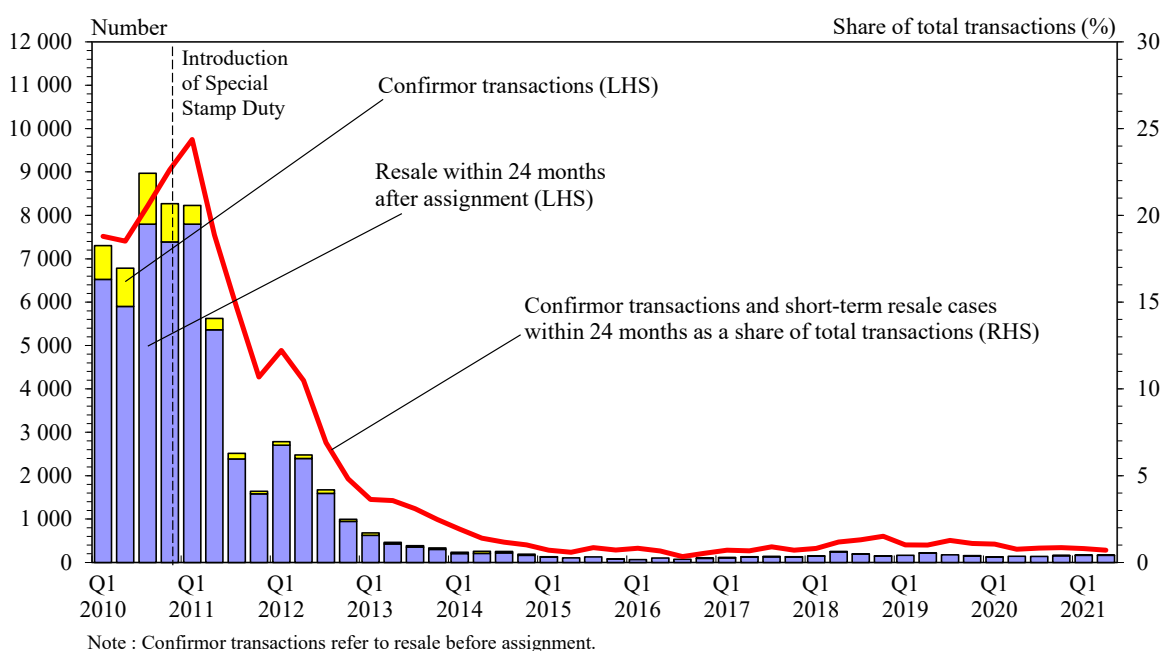


Diagram 3.5 : Purchases by non-local buyers stayed low

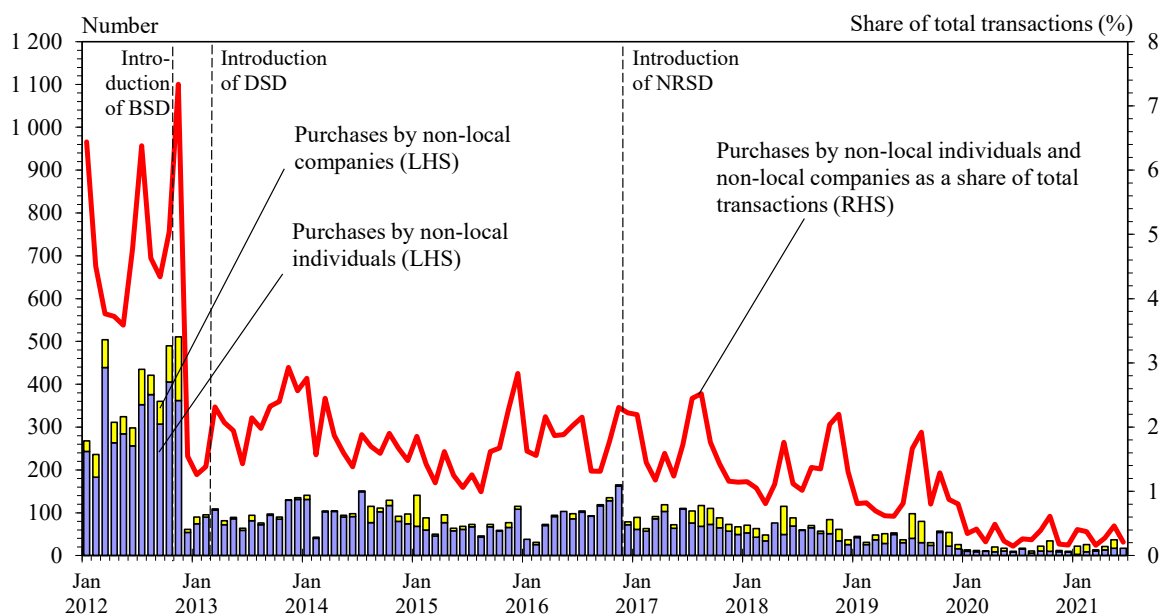
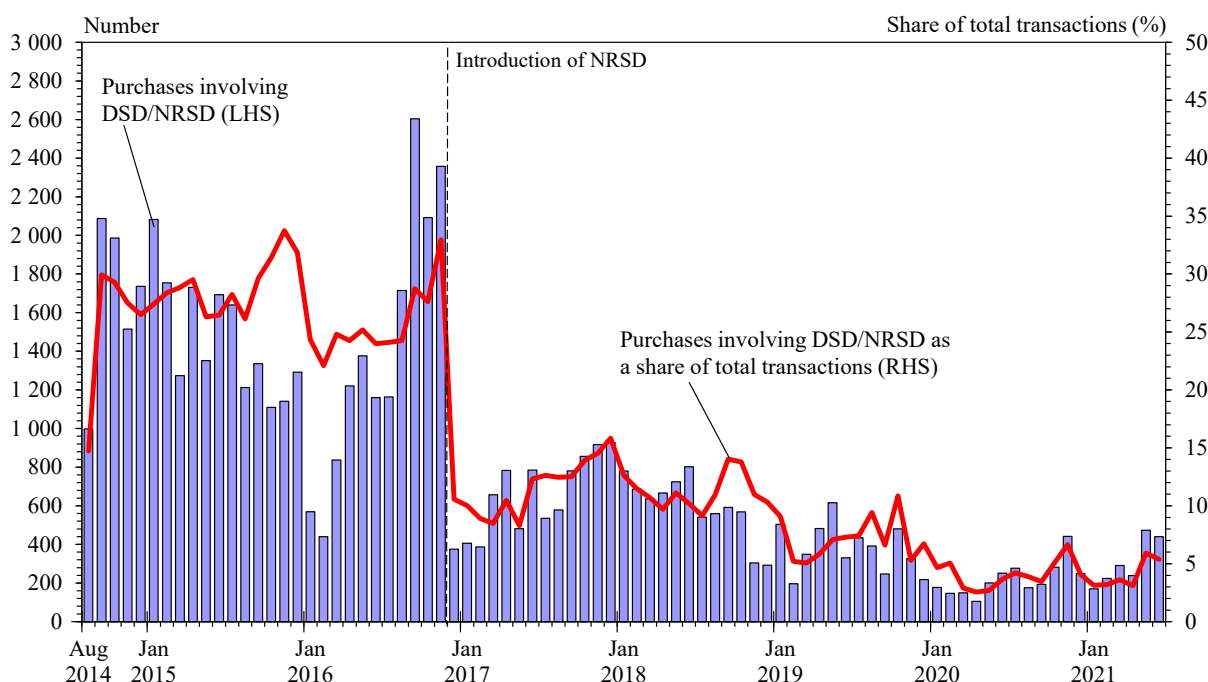


Diagram 3.6 : Investment activities were modest



3.9 The *commercial and industrial property markets* stayed firm in the second quarter. Trading activities for all major market segments recorded further increases over the preceding quarter. Prices and rentals for most major market segments turned firmer.

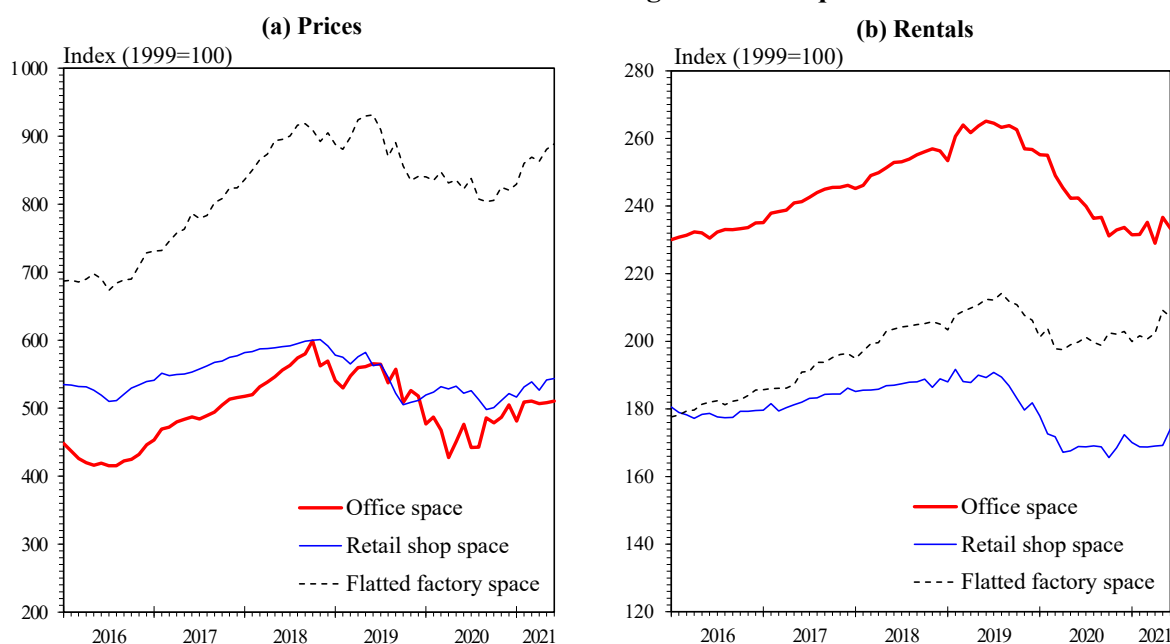
3.10 Prices of *office space* on average remained virtually unchanged between March and June, with the 12% increase in prices of Grade A office space being offset by the declines of 1% and 8% respectively in prices of Grade

B and C office space. Office rentals on average edged down by 1% during the second quarter. Within the total, rentals of Grade A office space decreased slightly by 1%, while those of Grade B and Grade C stayed virtually unchanged. Compared with the respective peaks in 2018 and 2019, prices and rentals of office space in June were on average 15% and 12% lower respectively. The average rental yields of Grade A, B and C office space were at 2.3%, 2.6% and 2.9% respectively in June, compared with 2.6%, 2.6% and 2.7% respectively in March. Transactions for all office space increased by 36% over the preceding quarter or 92% over a year earlier to 330 cases in the second quarter.

3.11 Prices and rentals of *retail shop space* increased by 1% and 3% respectively between March and June. Compared with the respective peaks in 2018 and 2019, prices and rentals in June were 10% and 9% lower respectively. The average rental yield edged up from 2.4% in March to 2.5% in June. For all commercial spaces, transactions rose by 14% over the preceding quarter or 115% over a year earlier to 610 cases in the second quarter⁽³⁾.

3.12 Prices and rentals of *flatted factory space* increased by 2% and 3% respectively during the second quarter. Prices in June were still 5% lower than the peak in June 2019, while rentals were 3% lower than the peak in August 2019. The average rental yield in June stayed at 2.8%, the same as that in March. Transactions increased by 17% over the preceding quarter or 117% over a year earlier to 1 040 cases in the second quarter.

Diagram 3.7 : Prices and rentals for most major segments in the non-residential property market turned firmer during the second quarter



Land

3.13 Two residential sites and one commercial site, with a total area of about 3.8 hectares, were disposed of in the second quarter, fetching a land premium of about \$31.0 billion. One land exchange case and lease modifications of nine sites were approved. In addition, the tender exercise for one residential site in Kwu Tung commenced in the quarter.

Tourism

3.14 The tourism sector remained at a standstill in the second quarter, as strict travel restrictions continued in the face of the COVID-19 pandemic. Overall *visitor arrivals* remained at an extremely low level of 17 200 in the second quarter, or a daily average of only around 190. This was 35.9% lower than in the second quarter of last year and 99.9% lower than the corresponding figures of 16.6 million and around 182 800 in the same quarter of 2019 prior to the recession. Visitors from the Mainland, other short-haul markets, and long-haul markets all remained at extremely low levels⁽⁴⁾, and similarly for overnight and same-day visitors. Visitor spending, as measured by exports of travel services, rebounded by 16.0% year-on-year in real terms against an exceptionally low base of comparison, mainly due to spending by non-local students in Hong Kong.

Table 3.1: Number of visitor arrivals

		<u>All Sources</u>	<u>Mainland China</u>	<u>Other short-haul markets*</u>	<u>Long-haul markets*</u>
2019	Q1	18 234 400	14 582 200	2 486 500	1 165 700
	Q2	16 637 500	12 991 300	2 448 200	1 198 000
	Q3	11 891 600	9 356 000	1 648 000	887 600
	Q4	9 149 200	6 845 100	1 356 900	947 100
2020	Q1	3 489 200	2 665 900	483 500	339 800
	Q2	26 900	15 300	4 800	6 700
	Q3	34 100	14 300	10 200	9 700
	Q4	18 600	10 900	5 100	2 700
2021	Q1	16 500	11 600	3 100	1 900
	Q2	17 200	12 700	2 400	2 100

Notes : (*) See note (4) at the end of this chapter for the definitions of other short-haul and long-haul markets.

Figures may not add up to the corresponding totals due to rounding.

Table 3.2: Number of overnight and same-day visitor arrivals

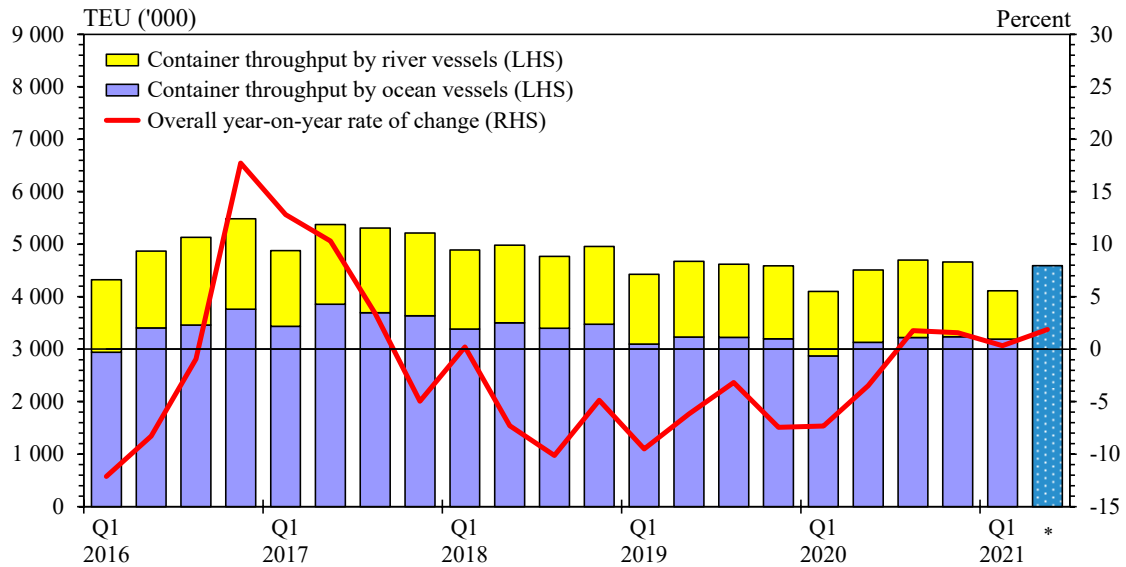
		<u>Overnight visitor arrivals</u>	<u>Same-day visitor arrivals</u>
2019	Q1	7 775 100	10 459 300
	Q2	7 145 100	9 492 400
	Q3	5 108 400	6 783 200
	Q4	3 723 700	5 425 500
2020	Q1	1 280 900	2 208 300
	Q2	26 500	300
	Q3	33 800	300
	Q4	18 100	500
2021	Q1	16 300	200
	Q2	16 900	300

3.15 The hotel sector remained under notable pressure, though local residents’ “staycation” activities and individuals undergoing compulsory quarantine at hotels provided some support. The average hotel room occupancy rate rose from 52% in the first quarter to 60% in the second quarter, but was still significantly lower than the average of 88% in the second quarter of 2019 prior to the recession. The average achieved hotel room rate, at \$827, was 4.3% lower than a year earlier⁽⁵⁾.

Logistics

3.16 The logistics sector recorded further growth in the second quarter alongside robust trade flows. *Total container throughput* rose by 1.9% over a year earlier to 4.6 million twenty-foot equivalent units (TEUs), after edging up by 0.3% in the preceding quarter. The value of trade handled at the Hong Kong port rose by 17.3% in the second quarter, but its share in total trade decreased from 14.8% a year earlier to 13.6%.

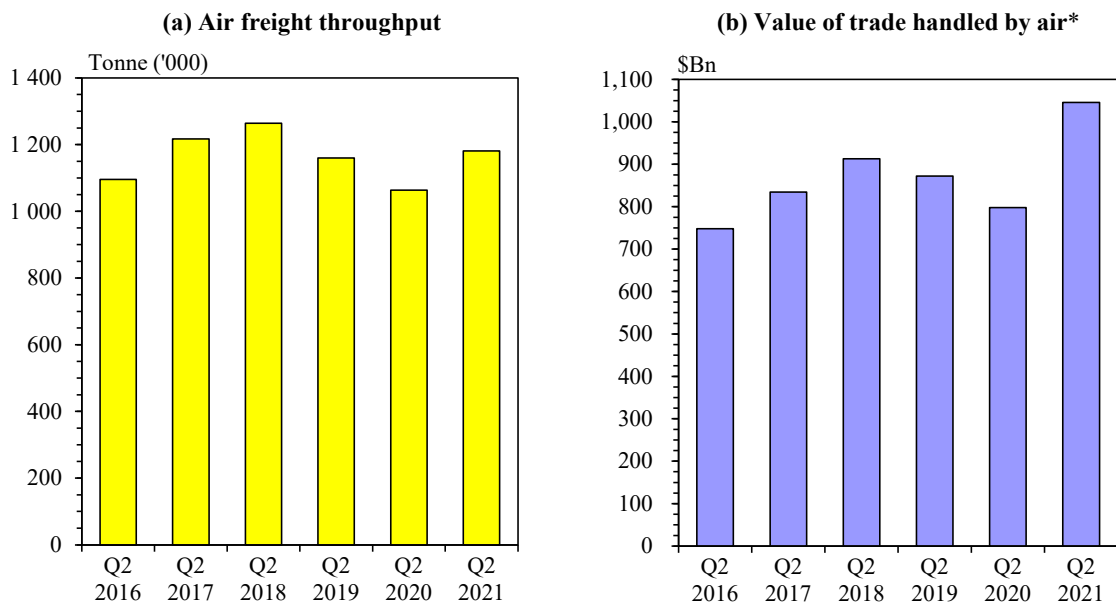
Diagram 3.8 : Container throughput rose further in the second quarter



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.

3.17 *Air freight throughput* surged by 11.1% over a year earlier to 1.2 million tonnes in the second quarter, partly bolstered by a low base of comparison last year, and was 1.8% higher than in the second quarter of 2019. The value of trade by air jumped by 31.0% in the second quarter, and its share in total trade increased from 41.3% a year earlier to 42.4%.

Diagram 3.9 : Air freight throughput and value of trade handled by air rose in the second quarter



Note : (*) Not including transhipment.

Transport

3.18 Traffic flows for all modes of cross-boundary passenger transport stood at extremely low levels in the second quarter as the travel restrictions and boundary control measures in response to the COVID-19 pandemic remained in place. Some 202 000 air passenger trips and 205 400 land-based cross-boundary passenger trips, or on average around 2 200 and 2 300 per day respectively, were made in the second quarter. While these figures were 57.8% and 16.1% respectively higher than their low bases a year earlier, they remained significantly lower than the respective daily averages of around 209 600 and 721 100 in the second quarter of 2019 prior to the recession. Water-borne cross-boundary passenger trips totalled around 5 200 in the second quarter, or on average 57 per day, down further by 42.1% year-on-year despite the low base of comparison last year and substantially below the daily average of 48 600 in the second quarter of 2019. Meanwhile, daily cross-boundary vehicle movements averaged 16 821 in the second quarter, 4.2% lower than a year earlier and 62.1% lower than the daily average in the second quarter of 2019.

Environment

3.19 In June, the Government announced the Clean Air Plan for Hong Kong 2035, setting out the vision of “Healthy Living • Low-carbon Transformation • World Class”, and the challenges, goals and strategies to enhance the air quality of Hong Kong to 2035. The plan covers six major areas, namely green transport, liveable environment, comprehensive emissions reduction, clean energy, scientific management and regional collaboration. Meanwhile, the Air Pollution Control (Amendment) Ordinance 2021 was passed in April to tighten three air quality objectives (AQOs), including the 24-hour AQO for sulphur dioxide (SO₂) and the annual and 24-hour AQOs of fine suspended particulates (FSP/PM_{2.5}). The new AQOs will come into operation on 1 January 2022.

Notes :

- (1) Starting from the third 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). 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.

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

- (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. For details of the measures promulgated in 2020, see Box 4.1 of the 2020 Economic Background and 2021 Prospects.
- (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) Other 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 2021, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 74%, 14% and 12% 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 low interest rate environment in Hong Kong continued in the second quarter, as the US Federal Open Market Committee (FOMC) maintained the target range for the Federal Funds Rate at the record low level of 0.00-0.25%. Hong Kong dollar interbank interest rates and interest rates on the retail front remained at low levels.*
- *The Hong Kong dollar spot exchange rate remained firm against the US dollar, trading within the range of 7.757 and 7.785 during the second quarter. Meanwhile, as the US dollar weakened against most major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices decreased by 0.7% and 1.3% respectively during the second quarter.*
- *Total loans and advances increased by 4.3% during the second quarter. Within the total, loans for use in Hong Kong rose by 5.8%, and loans for use outside Hong Kong edged up by 0.5%.*
- *The local stock market stayed range-bound during the second quarter, though market sentiment was swayed by various developments from time to time, including the improved global economic outlook amid the mass COVID-19 vaccination programmes worldwide, worries about the threat of new virus variants, and concerns over a faster-than-expected monetary policy tightening in the US. The Hang Seng Index (HSI) moved within a narrow range of around 27 700 and 29 500 during the quarter and closed at 28 828 at end-June, up by 1.6% over end-March. Trading activities stayed generally active and fund raising activities were rather buoyant, though both quietened from the hectic levels in the preceding quarter.*

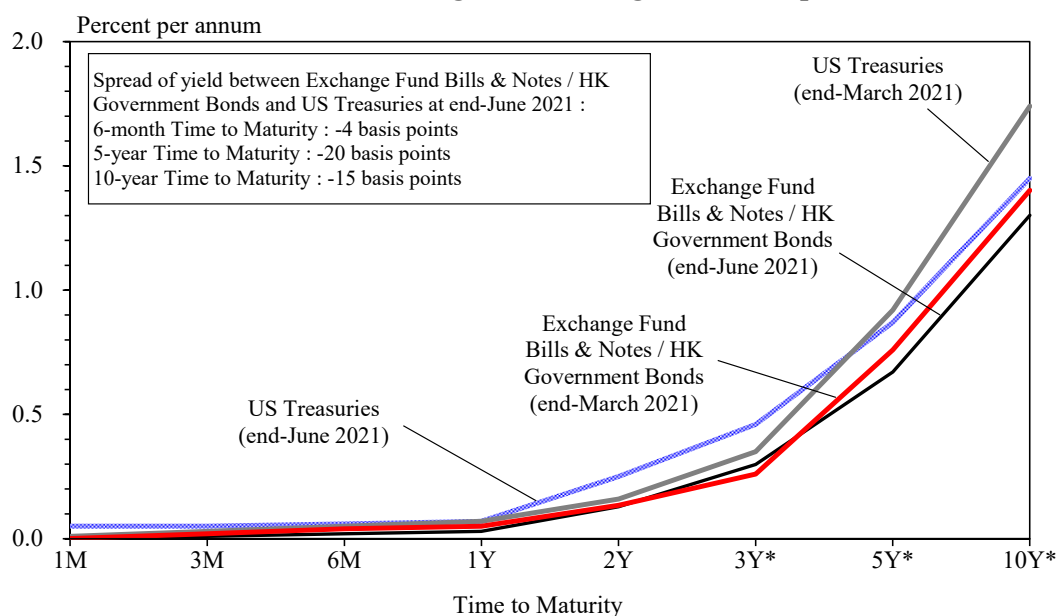
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Office of the Government Economist.*

Interest rates and exchange rates

4.1 The low interest rate environment in Hong Kong continued in the second quarter, as the US FOMC maintained the target range for the Federal Funds Rate at the record low level of 0.00-0.25%. The overnight *Hong Kong dollar interbank interest rate* (HIBOR) remained low at 0.05% at end-June, though edging up from 0.03% at end-March, while the 3-month HIBOR declined from 0.23% to 0.17%. Consequently, the *Base Rate*⁽¹⁾ under the Discount Window operated by the HKMA remained unchanged at 0.50% at end-June.

4.2 *US dollar yields* increased at the medium tenors but declined at the long tenors during the second quarter. *Hong Kong dollar yields* showed similar movement, but by a lesser extent. Reflecting the relative movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened from 1 basis point at end-March to 4 basis points at end-June, while that between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes narrowed from 34 basis points to 15 basis points.

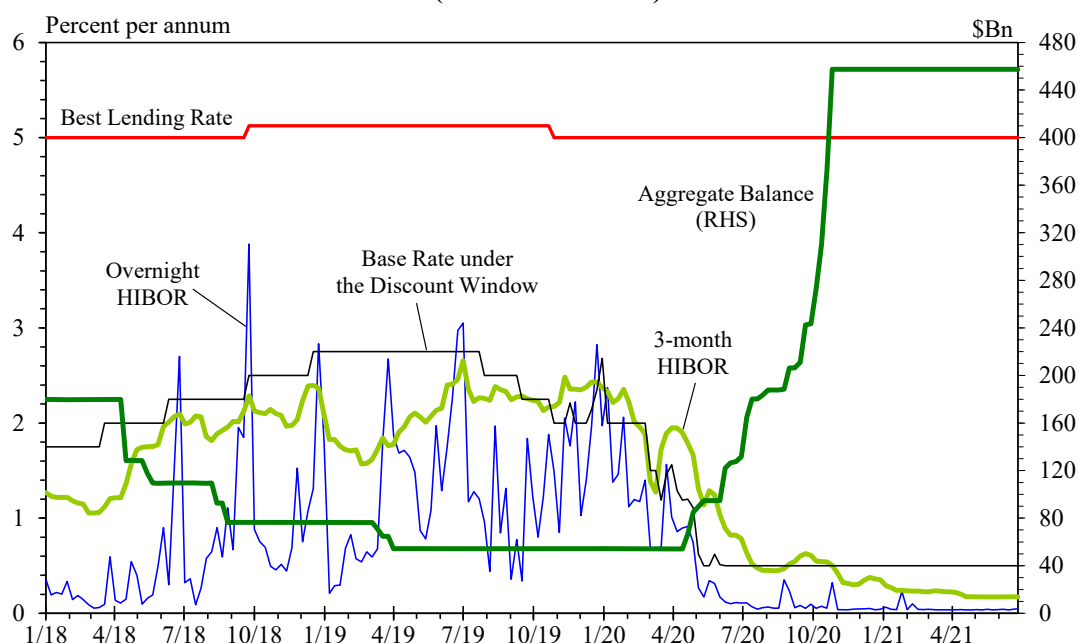
Diagram 4.1 : Hong Kong dollar yields and US dollar yields increased at the medium tenors but declined at the long tenors during the second quarter



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 in the range of 5.00% to 5.50% in the second quarter. The *average savings deposit rate* for deposits of less than \$100,000 quoted by major banks stayed unchanged at 0.001%, while the 1-year *time deposit rate* edged down from 0.11% at end-March to 0.09% at end-June. The *composite interest rate*⁽²⁾, which indicates the average cost of funds for retail banks, decreased from 0.22% at end-March to 0.18% at end-June.

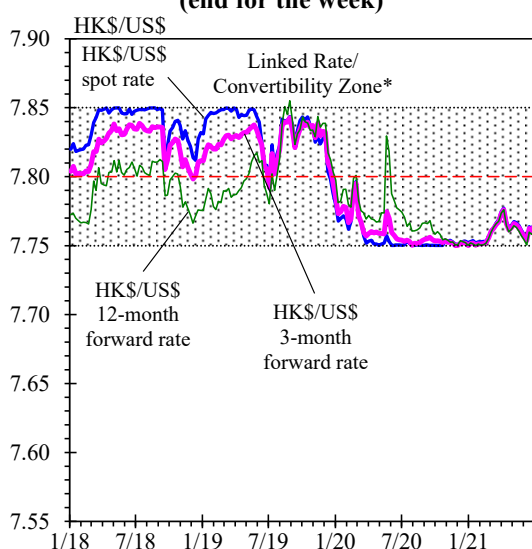
Diagram 4.2 : Interbank interest rates and interest rates on the retail front remained at low levels during the second quarter (end for the week)



4.4 The *Hong Kong dollar spot exchange rate against the US dollar* remained firm in the second quarter amid strong equity-related demand for Hong Kong dollars from the southbound Stock Connect and dividend payments, notwithstanding some selling pressure from the repatriation of funds raised in Initial Public Offerings (IPOs) and share placements. The Hong Kong dollar spot exchange rate traded within the range of 7.757 and 7.785 against the US dollar during the second quarter and closed the quarter at 7.765, compared with 7.774 at end-March. The discount of 3-month *Hong Kong dollar forward rate* narrowed from 18 pips (each pip is equivalent to HK\$0.0001) at end-March to 14 pips at end-June, and that of 12-month forward rate widened from 12 pips to 43 pips.

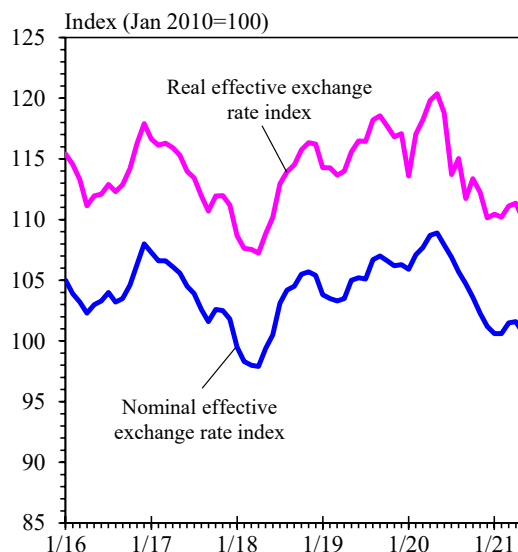
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar weakened against most major currencies (including renminbi (RMB), the euro, and pound sterling), the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*⁽³⁾ decreased by 0.7% and 1.3% respectively during the second quarter and by 6.6% and 7.7% respectively from a year earlier.

Diagram 4.3 : The Hong Kong dollar spot exchange rate remained firm against the US dollar, trading within the range of 7.757 and 7.785 during 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 decreased during the second quarter (average for the month)



Money supply and banking sector

4.6 The monetary aggregates rose further in the second quarter. The Hong Kong dollar broad *money supply* (HK\$M3) increased by 4.1% over end-March to \$8,478 billion at end-June, and the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) rose by 6.7% to \$2,169 billion⁽⁴⁾. Meanwhile, *total deposits* with authorized institutions (AIs)⁽⁵⁾ increased by 3.4% to \$15,184 billion, within which Hong Kong dollar deposits and foreign currency deposits increased by 4.8% and 2.0% respectively.

Diagram 4.5 : The monetary aggregates rose further in the second quarter

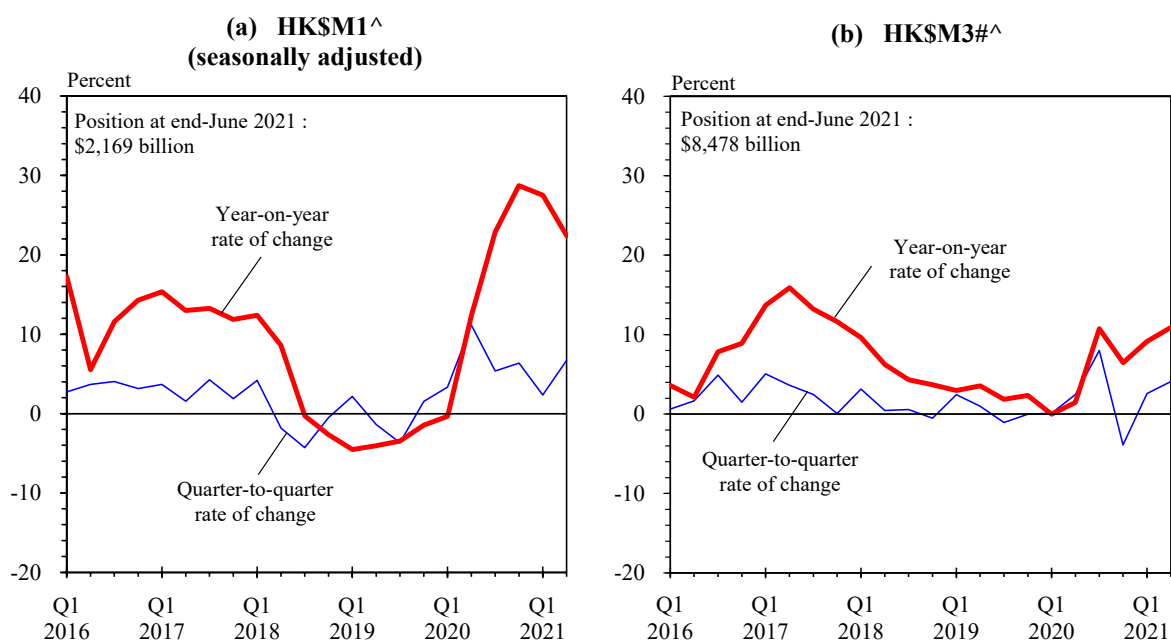


Table 4.1 : Hong Kong dollar money supply and total money supply

		<u>M1</u>		<u>M2</u>		<u>M3</u>	
<u>% change during the quarter</u>		<u>HK\$[^]</u>	<u>Total</u>	<u>HK\$[#]</u>	<u>Total</u>	<u>HK\$[#]</u>	<u>Total</u>
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
	Q3	5.4	26.0	8.0	4.9	8.0	4.9
	Q4	6.4	-9.6	-3.9	-1.5	-3.9	-1.5
2021	Q1	2.3	4.8	2.6	1.0	2.6	1.0
	Q2	6.7	14.2	4.1	3.0	4.1	3.0
Total amount at end-June 2021 (\$Bn)		2,169	3,867	8,462	16,231	8,478	16,271
% change over a year earlier		22.4	36.2	10.9	7.5	10.9	7.5

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

4.7 *Total loans and advances* increased by 4.3% over end-March to \$11,250 billion at end-June. Within the total, Hong Kong dollar loans and foreign currency loans went up by 5.8% and 2.1% respectively. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar increased from 83.3% at end-March to 84.2% at end-June, and that for foreign currencies edged up from 63.2% to 63.3%.

4.8 Loans for use in Hong Kong (including trade finance) rose by 5.8% over end-March to \$8,084 billion at end-June, and loans for use outside Hong Kong edged up by 0.5% to \$3,166 billion. Within the former, loans to many economic segments increased. Loans to stockbrokers surged by 152.0%, underpinned by generally active trading and rather buoyant fund raising activities in the stock market. Trade finance picked up by 17.8% alongside robust trade flows, while loans to financial concerns edged up by 0.5%. Meanwhile, loans to wholesale and retail trade and loans to manufacturing retreated by 1.9% and 1.5% respectively. As for property-related lending, loans for purchase of residential property and loans to building and construction, property development and investment increased by another 2.6% and 0.1% respectively amid an active property market.

Table 4.2 : Loans and advances

All loans and advances for use in Hong Kong

		Loans to :									
		Trade	Manu-	Whole-	Building and	Purchase	Financial	Stock-	Total ^(b)	All loans	Total
%		finance	facturing	sale	construction,	of	concerns	brokers		and advances	loans
change				and	and	residential				for use	and
during				retail	property	property ^(a)				outside	advances
the				trade	investment					Hong Kong ^(c)	
quarter											
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	-1.6	16.5	-0.8	2.5	0.2
	Q3	-3.6	-0.5	-3.5	-1.2	2.6	-1.8	296.5	4.7	-0.4	3.2
	Q4	-7.1	0.4	-2.7	1.6	2.0	-2.8	-77.9	-5.4	-3.5	-4.8
2021	Q1	8.5	4.3	0.2	3.4	1.4	2.4	50.8	3.6	0.9	2.8
	Q2	17.8	-1.5	-1.9	0.1	2.6	0.5	152.0	5.8	0.5	4.3
Total amount at end-June 2021 (\$Bn)		543	317	344	1,691	1,741	944	285	8,084	3,166	11,250
% change over a year earlier		14.5	2.6	-7.8	3.8	8.9	-1.9	232.8	8.6	-2.5	5.2

Notes : (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 at a high level of 20.5% at end-March. Asset quality of the local banking sector also remained sound. The ratio of classified loans to total loans for retail banks remained at a low level by historical standards, staying unchanged at 0.82% at end-March. The delinquency ratio for credit card lending edged up from 0.27% at end-2020 to 0.28% at end-March 2021. Meanwhile, the delinquency ratio for residential mortgage loans stayed at a low level of 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)
2020	Q1	97.86	1.60	0.55
	Q2	97.62	1.67	0.71
	Q3	97.64	1.61	0.75
	Q4	97.45	1.73	0.82
2021	Q1	97.57	1.60	0.82

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 Most segments of the *offshore RMB business* recorded moderate growth in the second quarter. RMB trade settlement transactions handled by banks in Hong Kong increased by 5.6% over a year earlier to RMB1,694.1 billion in the second quarter. Total RMB deposits (including customer deposits and outstanding certificates of deposit) increased by 5.5% over end-March to RMB853.1 billion at end-June. As to financing activities, RMB bond issuance went down slightly from RMB24.1 billion in the preceding quarter to RMB23.2 billion in the second quarter, and outstanding RMB bank loans increased by 5.3% over end-March to RMB174.5 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> (%)		
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
	Q3	241,432	426,459	667,890	0.16	0.31	141	1,711,958
	Q4	260,024	461,626	721,650	0.16	0.31	141	1,476,247
2021	Q1	265,396	507,084	772,481	0.16	0.31	143	1,698,745
	Q2	286,607	534,585	821,192	0.16	0.31	142	1,694,123
% change in 2021 Q2 over 2020 Q2		18.9	34.0	28.3	N.A.	N.A.	N.A.	5.6
% change in 2021 Q2 over 2021 Q1		8.0	5.4	6.3	N.A.	N.A.	N.A.	-0.3

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

(b) Period average figures.

(c) Figures during the period.

N.A. Not applicable.

The debt market

4.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities decreased by 4.5% from the preceding quarter to \$1,060.5 billion in the second quarter, as the 27.4% plunge in private sector debt issuance⁽⁶⁾ more than offset the 3.2% rise in public sector debt issuance. The total outstanding amount of Hong Kong dollar debt securities decreased by 2.0% from end-March to \$2,279.6 billion at end-June, equivalent to 26.9% of HK\$M3 or 22.5% of Hong Kong dollar-denominated assets of the banking sector⁽⁷⁾.

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. The eighth batch of iBond was issued in June, with an issuance size of \$20.0 billion. At end-June, the total outstanding amount of Hong Kong dollar bonds under the GB Programme was \$147.3 billion, comprising 13 institutional issues totaling \$91.5 billion and five retail issues (two iBonds and three Silver Bonds) totaling \$55.8 billion. In addition, one US dollar sukuk with an issuance size of US\$1.0 billion was outstanding under the GB Programme.

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

		Exchange Fund paper	Statutory bodies/ government- owned corporations	Govern- ment	Public sector total	AIs ^(a)	Local corporations	Non-MDBs overseas borrowers ^(b)	Private sector total	MDBs ^(b)	Total
New Issuance											
2020	Annual	3,392.7	54.7	48.2	3,495.6	390.2	36.3	392.4	818.9	11.3	4,325.9
	Q1	834.8	6.7	2.5	844.0	83.9	6.9	112.6	203.4	1.1	1,048.4
	Q2	823.0	22.9	8.2	854.1	76.0	16.9	109.2	202.1	2.4	1,058.5
	Q3	905.1	8.8	1.0	914.9	91.1	6.3	102.5	199.9	5.5	1,120.3
	Q4	829.7	16.4	36.5	882.7	139.2	6.3	68.1	213.6	2.4	1,098.6
2021	Q1	815.2	25.6	2.7	843.5	118.4	20.0	121.7	260.1	6.5	1,110.0
	Q2	826.9	15.0	28.2	870.1	96.7	10.4	81.7	188.8	1.6	1,060.5
% change in 2021 Q2 over 2020 Q2		0.5	-34.2	243.9	1.9	27.2	-38.1	-25.2	-6.6	-35.8	0.2
% change in 2021 Q2 over 2021 Q1		1.4	-41.2	944.4	3.2	-18.3	-47.7	-32.9	-27.4	-76.0	-4.5
Outstanding (at end of period)											
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	487.0	931.6	20.2	2,180.1
	Q3	1,068.1	71.5	89.5	1,229.0	318.3	123.6	502.9	944.9	24.6	2,198.5
	Q4	1,068.1	81.6	116.5	1,266.2	376.6	124.9	493.9	995.5	26.5	2,288.2
2021	Q1	1,068.3	93.6	119.2	1,281.1	353.5	135.1	529.3	1,018.0	27.5	2,326.5
	Q2	1,068.4	96.0	147.3	1,311.7	309.5	132.4	501.1	943.0	24.9	2,279.6
% change in 2021 Q2 over 2020 Q2		0.1	33.3	66.4	6.8	-4.0	8.3	2.9	1.2	23.2	4.6
% change in 2021 Q2 over 2021 Q1		*	2.6	23.6	2.4	-12.5	-2.0	-5.3	-7.4	-9.3	-2.0

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

The stock and derivatives markets

4.13 The *local stock market* stayed range-bound during the second quarter, though market sentiment was swayed by various developments from time to time, including the improved global economic outlook amid the mass COVID-19 vaccination programmes worldwide, worries about the threat of new virus variants, and concerns over a faster-than-expected monetary policy tightening in the US. The HSI moved within a narrow range of around 27 700 and 29 500 during the quarter and closed at 28 828 at end-June, up by 1.6% over end-March. *Market capitalisation* expanded by 1.5% during the quarter to \$52.8 trillion, ranking the fifth largest in the world and the second largest in Asia⁽⁸⁾ at end-June.

4.14 Trading activities stayed generally active in the second quarter, though quietening from the very hectic level in the preceding quarter. *Average daily turnover* in the securities market contracted by 32.6% from the record high in the preceding quarter to \$151.3 billion, but was 32.7% higher than a year earlier. Within the total, the average daily trading value of callable bull/bear contracts, equities, unit trusts (including Exchange-Traded Funds) and derivative warrants⁽⁹⁾ fell by 33.3%, 33.0%, 30.4% and 29.3% respectively from the preceding quarter. As to futures and options⁽¹⁰⁾, the average daily trading volume declined by 29.4%. Within the total, trading of HSI options, stock options, HSI futures and Hang Seng China Enterprises Index futures fell by 34.8%, 34.0%, 24.9% and 19.2% respectively.

Diagram 4.6 : The local stock market stayed range-bound during the second quarter

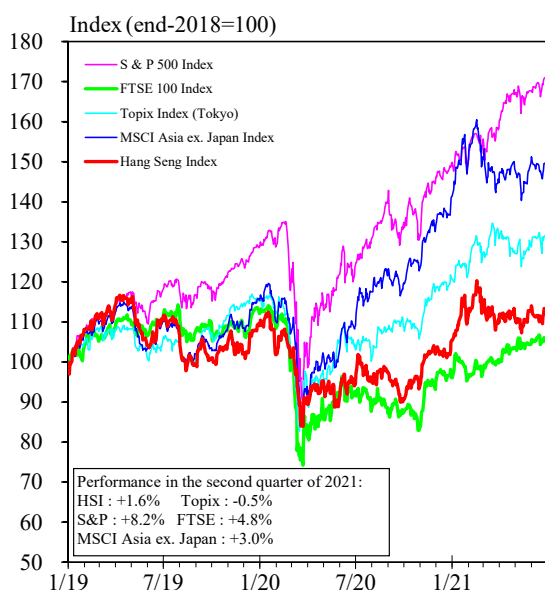
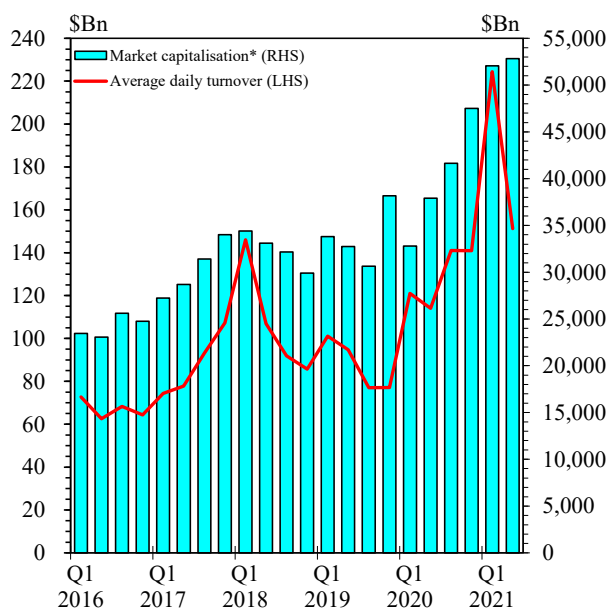


Diagram 4.7 : Market capitalisation expanded, while trading activities stayed generally active



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*
2020	Annual	167 209	39 405	145 608	526 191	1 133 435
	Q1	210 477	54 632	182 562	537 310	1 298 207
	Q2	161 548	37 321	135 135	465 236	1 048 157
	Q3	165 514	36 501	138 737	562 193	1 152 170
	Q4	131 196	29 237	125 993	536 318	1 031 547
2021	Q1	164 096	33 963	133 426	826 689	1 410 460
	Q2	123 166	22 138	107 831	545 936	995 709
	% change in 2021 Q2 over 2020 Q2	-23.8	-40.7	-20.2	17.3	-5.0
	% change in 2021 Q2 over 2021 Q1	-24.9	-34.8	-19.2	-34.0	-29.4

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, though retreating from the hectic level in the preceding quarter. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM⁽¹¹⁾, declined by 17.0% from the preceding quarter to \$218.8 billion in the second quarter, but was 59.5% higher than a year earlier. Within the total, the amount of funds raised through IPOs fell noticeably by 46.0% from the preceding quarter to \$73.8 billion. Nonetheless, thanks to the strong performance in the first quarter, total equity capital raised surged by 107.7% over the first half of 2020 to \$482.5 billion for the first half of 2021 as a whole, within which the amount of funds raised through IPOs rose sharply by 126.6% to \$210.4 billion. Hong Kong ranked the third 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 1 341 Mainland enterprises (including 291 H-share companies, 176 “Red Chip” companies and 874 private enterprises) were listed on the Main Board and GEM, accounting for 53% of the total number of listed companies and 81% of total market capitalisation. Mainland-related stocks accounted for 88% of equity turnover and 86% of total equity fund raised in the Hong Kong stock exchange in the second quarter.

4.17 The Securities and Futures and Companies Legislation (Amendment) Ordinance 2021, which establishes a legal framework for the implementation of a complete uncertificated securities market (USM) regime, was enacted in June. The USM regime would provide investors with the option to hold and transfer the legal title to securities without paper documents and register securities in their own names. This would enable investors to enjoy better legal protection and be conducive to enhancing efficiency and competitiveness of Hong Kong's securities market. The phased implementation of the USM regime is targeted to commence by end-2022.

Fund management and investment funds

4.18 Performance of fund management business⁽¹²⁾ was mixed in the second quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*⁽¹³⁾ increased by 4.5% over end-March to \$1,221.5 billion at end-June. Meanwhile, the monthly average gross retail sales of *mutual funds* fell by 26.9% from the first quarter to US\$7.6 billion in April – May⁽¹⁴⁾.

4.19 In April, the Inland Revenue (Amendment) (Tax Concessions for Carried Interest) Bill 2021 was passed, which would provide tax concessions for carried interest distributed by eligible private equity funds operating in Hong Kong. The tax concession regime would attract more private equity funds to operate and be managed in Hong Kong, thereby generating more investment management and related activities and bringing business opportunities to various professional services. Separately, a three-year grant scheme was launched by the Securities and Futures Commission in May to provide subsidies for qualified open-ended fund companies (OFCs) and real estate investment trusts (REITs) to set up in Hong Kong. The scheme would cover eligible expenses incurred and paid to Hong Kong-based service providers in relation to the incorporation or re-domiciliation of an OFC or the listing of a REIT in Hong Kong. Both the tax concession regime and the grant scheme would be conducive to enhancing Hong Kong's position as an international asset and wealth management centre.

Insurance sector

4.20 Different segments of the *insurance sector*⁽¹⁵⁾ showed diverse performance in the first quarter of 2021. Gross premium income from long-term business rose by 16.1% over a year earlier, within which premium income from non-investment linked plans (which accounted for 84% of total premium for this segment) and investment linked plans increased by 5.7% and 153.2% respectively. As to general business, gross premium remained virtually unchanged while net premium edged down by 2.2%.

4.21 Following the establishment of a new regulatory framework for the issuance of insurance-linked securities (ILS) in March, the Government launched in May a two-year grant scheme to provide subsidies to insurance enterprises or organisations for their upfront costs of issuing ILS in Hong Kong. The amount of grant for each eligible ILS issuance is subject to a cap of \$12 million or \$6 million, depending on the maturity of the ILS. Both the regulatory framework and the grant scheme would enhance Hong Kong's attractiveness as a domicile for issuance of ILS, and would be conducive to the sustainable development of the insurance industry.

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	
2020	Annual	60,297	40,932	2,232	120,224	12,794	26	367	133,411	193,708
	Q1	18,264	12,221	329	32,453	2,481	23 [#]	128	35,085	53,349
	Q2	15,219	10,579	295	28,259	2,089	23 [#]	67	30,438	45,657
	Q3	15,014	10,045	811	29,822	3,264	22 [#]	99	33,207	48,221
	Q4	11,800	8,087	797	29,690	4,960	N.A.	73	34,681	46,481
2021	Q1	18,267	11,950	512	34,291	6,283	6	140	40,720	58,987
% change in 2021 Q1 over 2020 Q1		*	-2.2	55.6	5.7	153.2	-73.9	9.4	16.1	10.6

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

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

(#) The quarterly breakdowns of 2020 do not tally with the annual figure as premiums have been reclassified in the fourth quarter of 2020.

N.A. Not applicable.

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

Other policy and market developments

4.22 In June, the HKMA unveiled its new strategy “Fintech 2025” for driving fintech development of Hong Kong. The strategy, which aims to encourage the financial sector to adopt technology comprehensively by 2025, would be conducive to enhancing Hong Kong’s status as an international financial centre. The strategy puts forward five focus areas, including : (i) promoting the all-round adoption of fintech by Hong Kong banks and encouraging them to fully digitalise their operations; (ii) increasing Hong Kong’s readiness for Central Bank Digital Currencies at wholesale and retail levels; (iii) creating the next-generation data infrastructure to facilitate consent-based data sharing; (iv) increasing the supply of fintech talent; and (v) nurturing the fintech ecosystem with funding and supportive policies.

Notes :

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

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

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

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

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

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

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

- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-June 2021, there were 162 licensed banks, 16 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 190 AIs (excluding representative offices) from 31 countries and territories (including Hong Kong) had a presence in Hong Kong.
- (6) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (7) Assets of the banking sector include notes and coins, amount due from AIs in Hong Kong as well as from banks abroad, loans and advances to customers, NCDs held, negotiable debt instruments other than NCDs held, and other assets. Certificates of indebtedness issued by Exchange Fund and the counterpart bank notes issued are nevertheless excluded.
- (8) The ranking is based on the market capitalisation figures compiled by the World Federation of Exchanges and the London Stock Exchange Group.
- (9) Given the relatively small share (less than 0.5% of the daily turnover in the securities market), trading of debt securities and its movements were not analysed.
- (10) At end-June 2021, there were 110 classes of stock options contracts and 83 classes of stock futures contracts.
- (11) At end-June 2021, there were 2 190 and 364 companies listed on the Main Board and GEM respectively.
- (12) At end-June 2021, there was one SFC-authorized retail hedge fund with net asset size of US\$132 million. The amount of net assets under management increased by 3.1% over end-March 2021, and represented a 1.5% increase over a year earlier and a 17.5% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (13) At end-June 2021, there were 14 approved trustees. On MPF products, 24 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 407 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 311 000 employers, 2.67 million employees and 230 000 self-employed persons have participated in MPF schemes.
- (14) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association on their members, and cover only the active authorised funds that have responded to the survey. At end-May 2021, the survey covered a total of 1 376 active authorised funds.
- (15) At end-June 2021, there were 165 authorised insurers in Hong Kong. Within this total, 53 were engaged in long-term insurance business, 92 in general insurance business, and 20 in composite insurance business. These authorised insurers come from 22 countries and territories (including Hong Kong).

CHAPTER 5 : THE LABOUR SECTOR

Summary

- *The labour market showed improvement as economic activity continued to recover alongside the stabilisation of local epidemic situation and the improving global economic conditions. The seasonally adjusted unemployment rate declined visibly, from the peak of 7.2% in December 2020 – February 2021 to 6.8% in the first quarter and further to 5.5% in the second quarter of 2021. Likewise, the underemployment rate decreased from the peak of 4.0% to 3.8% and further to 2.5%.*
- *Analysed by sector, the unemployment rates of most economic sectors fell in the second quarter of 2021 as compared with the preceding quarter. The unemployment rates of the consumption- and tourism-related sectors, the construction sector, and the arts, entertainment and recreation sector fell visibly. Analysed by skill segment, the unemployment rates of both lower-skilled workers and higher-skilled workers declined.*
- *Overall labour demand improved somewhat, having battered by the pandemic-induced recession. Results of establishment surveys indicated that private sector employment and vacancies showed narrower year-on-year declines in March 2021, and were higher than three months ago on a seasonally adjusted basis. More recent statistics from the General Household Survey (GHS) suggested that total employment stabilised in the second quarter of 2021, after recording year-on-year declines for seven consecutive quarters since the third quarter of 2019. However, employment in some sectors continued to decline.*
- *Wages and labour earnings on average rose further in nominal terms in the first quarter of 2021 over a year earlier, albeit at the slowest pace in more than 11 years. Labour earnings in some hard-hit sectors, however, continued to decline. GHS data showed that the median household income turned to increase over a year earlier in the second quarter, but was still well below the pre-recession levels.*

Overall labour market situation⁽¹⁾

5.1 The labour market showed improvement as the economy remained on track for recovery alongside the stabilisation of local epidemic situation and the improving global economic conditions. The seasonally adjusted *unemployment rate*⁽²⁾ declined visibly, from the peak of 7.2% in December 2020 – February 2021 to 6.8% in the first quarter and further to 5.5% in the second quarter of 2021, while the *underemployment rate*⁽³⁾ decreased from the peak of 4.0% to 3.8% and further to 2.5%. Analysed by sector, the unemployment rates of most economic sectors fell as compared with the preceding quarter. The unemployment rates of the consumption- and tourism-related sectors (viz., retail, accommodation and food services sectors), the construction sector, and the arts, entertainment and recreation sector fell visibly, though they were still higher than the unemployment rates of other sectors by some margin. Analysed by skill segment, the unemployment rates of both lower-skilled workers and higher-skilled workers declined. Overall labour demand improved somewhat from the earlier depressed situation. Private sector employment and vacancies showed narrower year-on-year declines in March 2021, but were higher than three months ago on a seasonally adjusted basis. Though not strictly comparable, more recent statistics from the General Household Survey (GHS) suggested that total employment stabilised in the second quarter of 2021, arresting the year-on-year declines recorded since the third quarter of 2019. Wages and labour earnings on average rose further in nominal terms in the first quarter over a year earlier, but labour earnings in some hard-hit sectors continued to decline. Latest GHS data showed that the median household income turned to increase over a year earlier in the second quarter, partly reflecting the improved employment situation, but was still well below the pre-recession levels.

Diagram 5.1 : The labour market showed improvement in the second quarter of 2021

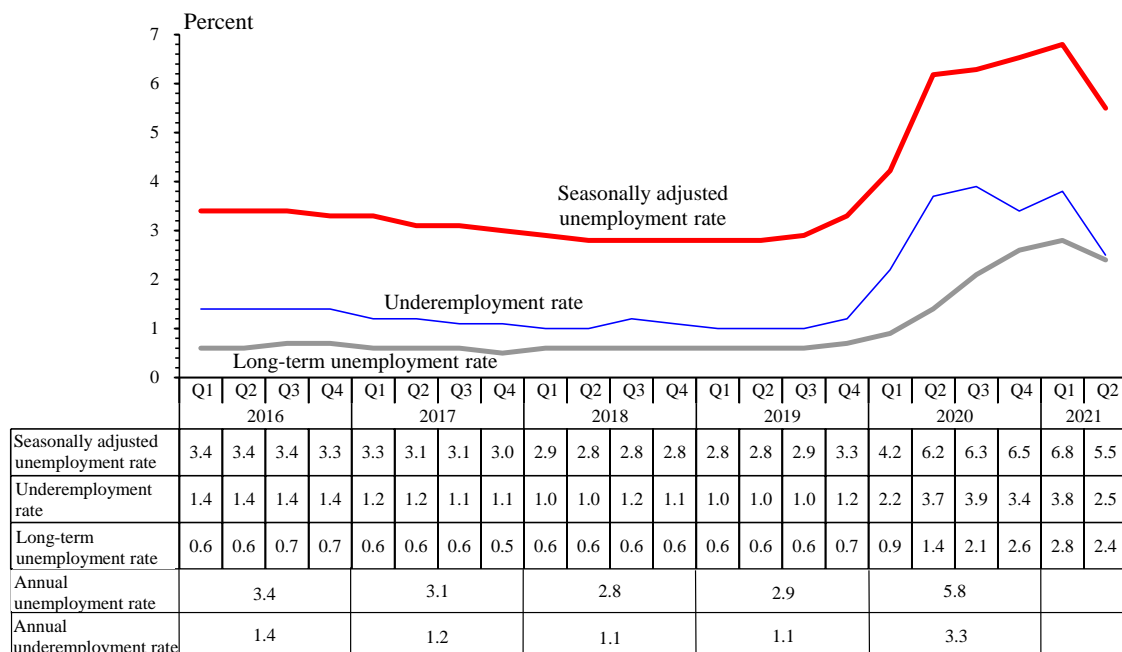


Table 5.1 : The unemployment rate (seasonally adjusted), underemployment rate and long-term unemployment rate

	Unemployment rate* (%)	Underemployment rate (%)	Long-term unemployment rate (%)
2020 Annual	5.8	3.3	1.7
Q1	4.2	2.2	0.9
Q2	6.2	3.7	1.4
Q3	6.3	3.9	2.1
Q4	6.5	3.4	2.6
2021 Q1	6.8	3.8	2.8
<i>Three months ending</i>			
2021 Apr	6.4	3.3	2.8
May	6.0	2.8	2.7
Jun	5.5	2.5	2.4

Notes : Quarterly statistics in 2020 have been revised to take into account the final end-2020 population estimates.

* 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⁾ fell by 0.7% from a year earlier to 3 853 100 in the second quarter of 2021, reflecting the 0.9% decline in the working-age population (i.e. land-based non-institutional population aged 15 and above). The overall labour force participation rate edged up by 0.1 percentage point over a year earlier to 59.5%, with increases seen across most age groups, suggesting that some people who left the labour force earlier on may have re-entered the labour market. Nevertheless, the overall labour force participation rate was lower than the pre-recession level of 60.6% in the second quarter of 2019.

5.3 *Total employment*⁽⁵⁾ stabilised in the second quarter of 2021, rising marginally by 1 500 over a year earlier to 3 640 100 in the second quarter of 2021, after a decline of 3.3% in the preceding quarter. While this arrested the downtrend since the third quarter of 2019, total employment was 5.7% lower than the pre-recession level in the second quarter of 2019. Employment of the consumption- and tourism-related sectors combined switched to increase in the second quarter of 2021 over a low base of comparison. Employment of some sectors, notably postal and courier activities, cleaning and similar activities, public administration, and construction, increased further. Yet, employment of some other sectors such as manufacturing, and import/export trade and wholesale continued to decline.

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>
2020 Annual	3 888 200 (-2.0)	3 661 600 (-4.9)	226 600	129 500
Q1	3 902 800 (-1.6)	3 739 100 (-3.1)	163 700	83 900
Q2	3 881 100 (-2.3)	3 638 600 (-5.7)	242 500	144 200
Q3	3 875 200 (-2.4)	3 619 800 (-6.0)	255 400	149 400
Q4	3 874 400 (-1.9)	3 630 200 (-5.1)	244 200	133 300
2021 Q1	3 873 900 (-0.7)	3 614 100 (-3.3)	259 800	148 400
<i>Three months ending</i>				
2021 Apr	3 869 500 (-0.2)	3 622 000 (-1.4)	247 500	126 600
May	3 863 700 (-0.1)	3 630 400 (-0.2)	233 300	107 400
Jun	3 853 100 (-0.7)	3 640 100 (§)	213 100	96 000
	<-0.5>	<0.7>		

Notes : Quarterly statistics in 2020 have been revised to take into account the final end-2020 population estimates.

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

() % change over a year earlier.

<> Quarter-to-quarter % change for the second quarter of 2021.

§ Increase less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Total employment turned to a marginal year-on-year increase in the second quarter of 2021, while the labour force fell from a year earlier

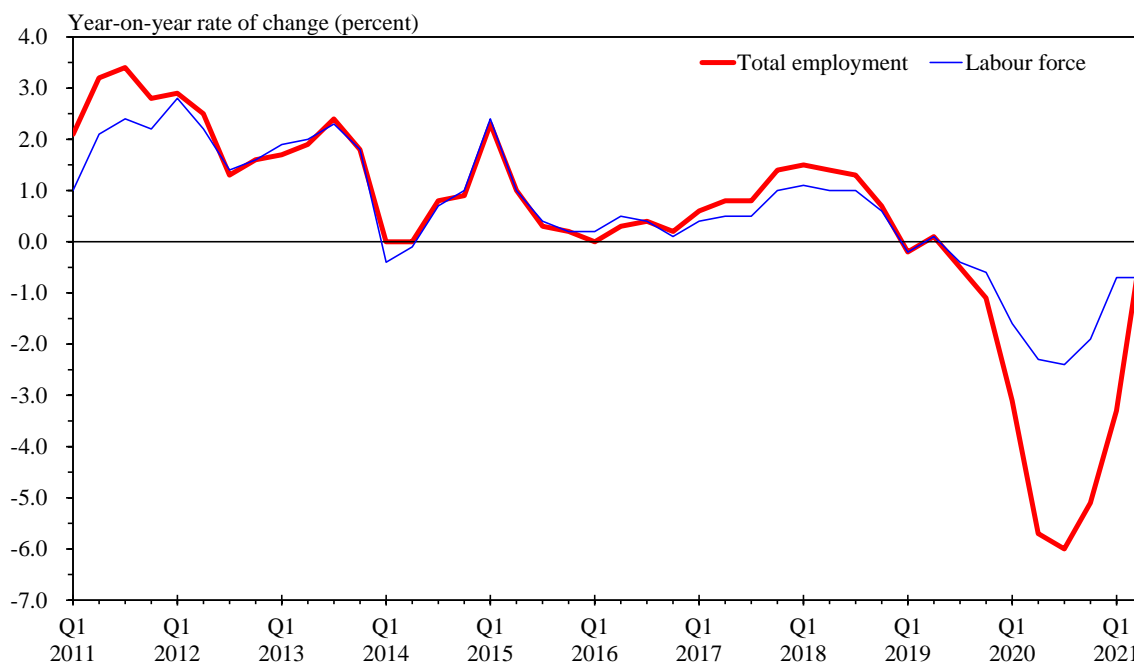


Table 5.3 : Labour force participation rates by gender and by age group (%)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021 Q1</u>	<u>2021 Q2</u>
<u>Male</u>							
15-24	39.5	38.1	39.2	39.6	35.9	35.3	34.5
<i>of which:</i>							
15-19	12.9	9.9	10.4	11.4	7.3	5.7	6.3
20-24	60.7	59.2	60.2	59.8	56.7	57.0	55.6
25-29	92.9	92.6	92.9	91.4	90.7	91.4	91.4
30-39	96.4	96.6	96.4	95.9	95.0	95.1	95.6
40-49	95.0	95.2	95.1	93.9	93.5	93.6	93.1
50-59	86.0	86.7	86.9	85.1	84.7	85.6	85.5
≥ 60	29.9	30.4	32.1	31.9	31.4	32.1	31.2
Overall	68.6	68.3	68.5	67.5	66.2	66.2	65.8
<u>Female</u>							
15-24	41.9	41.5	41.1	40.8	37.1	37.5	36.0
<i>of which:</i>							
15-19	12.3	11.8	12.0	11.7	7.2	5.3	7.3
20-24	63.6	61.8	60.4	60.2	57.9	60.4	57.0
25-29	86.2	86.5	86.6	87.2	87.2	87.1	88.7
30-39	78.0	79.0	79.3	78.9	78.7	78.8	79.2
40-49	73.4	73.8	74.1	73.4	73.2	73.2	73.9
50-59	59.7	60.4	61.5	62.2	62.7	64.5	63.7
≥ 60	12.3	13.7	14.5	15.5	15.3	15.9	16.7
Overall	54.8	55.1	55.1	55.0	54.2	54.3	54.5
<u>Both genders combined</u>							
15-24	40.7	39.8	40.2	40.2	36.5	36.4	35.3
<i>of which:</i>							
15-19	12.6	10.8	11.2	11.6	7.3	5.5	6.8
20-24	62.2	60.5	60.3	60.0	57.3	58.7	56.3
25-29	89.2	89.3	89.5	89.1	88.8	89.1	90.0
30-39	85.4	86.0	86.1	85.7	85.3	85.4	85.9
40-49	82.4	82.6	82.7	81.8	81.4	81.4	81.6
50-59	72.2	72.7	73.2	72.7	72.6	73.9	73.3
≥ 60	20.7	21.7	22.9	23.3	23.0	23.6	23.6
Overall	61.1	61.1	61.2	60.6	59.6	59.6	59.5

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

5.4 The seasonally adjusted unemployment rate fell visibly to 5.5% in the second quarter of 2021, having reached a peak of 7.2% in the three-month period ending February 2021 and 6.8% in the first quarter. Meanwhile, the number of unemployed persons (not seasonally adjusted) declined by 46 700 from the first quarter of 2021 to 213 100 in the second quarter.

5.5 Analysed by sector, the unemployment rates (not seasonally adjusted) of most economic sectors fell in the second quarter of 2021 as compared with the preceding quarter. In particular, the unemployment rate of the retail, accommodation and food services sectors combined fell by 2.2 percentage points to 8.5%. Among these sectors, the unemployment rate of food and beverage service activities fell by 3.3 percentage points to 10.0% (See **Box 5.1** for a review of the business performance and employment situation of the food and beverage services sector amid the COVID-19 epidemic), and that of the retail sector declined by 1.3 percentage points to 7.5%. Meanwhile, the unemployment rate of the construction sector declined by 2.6 percentage points to 8.9%, and that of the arts, entertainment and recreation sector fell by 2.3 percentage points to 10.8%. Yet, the unemployment rates of these sectors were still higher than those of other sectors by some margin. For the *low-paying sectors*⁽⁶⁾ (LPS) as a whole, the unemployment rate went down by 1.3 percentage points to 5.2%.

5.6 Analysed by skill segment, the unemployment rate of the lower-skilled workers fell by 1.5 percentage points from the preceding quarter to 6.1% in the second quarter of 2021, and that of the higher-skilled workers decreased by 0.8 percentage point to 3.6%. The unemployment rate of the lower-skilled workers remained notably higher than that of the higher-skilled workers.

5.7 Likewise, the unemployment rates eased in the second quarter across most groups based on other socio-economic attributes. Analysed by age, decreases in unemployment rates among persons aged 50-59 (down 1.8 percentage points to 5.9%) and persons aged 60 and over (down 1.8 percentage points to 5.0%) were particularly distinct. Analysed by level of educational attainment, the unemployment rates of those with primary and below education (down 2.9 percentage points to 5.7%) and those with lower secondary education (down 1.6 percentage points to 7.1%) showed more noticeable declines.

Diagram 5.3 : The unemployment rates of most economic sectors fell in the second quarter of 2021

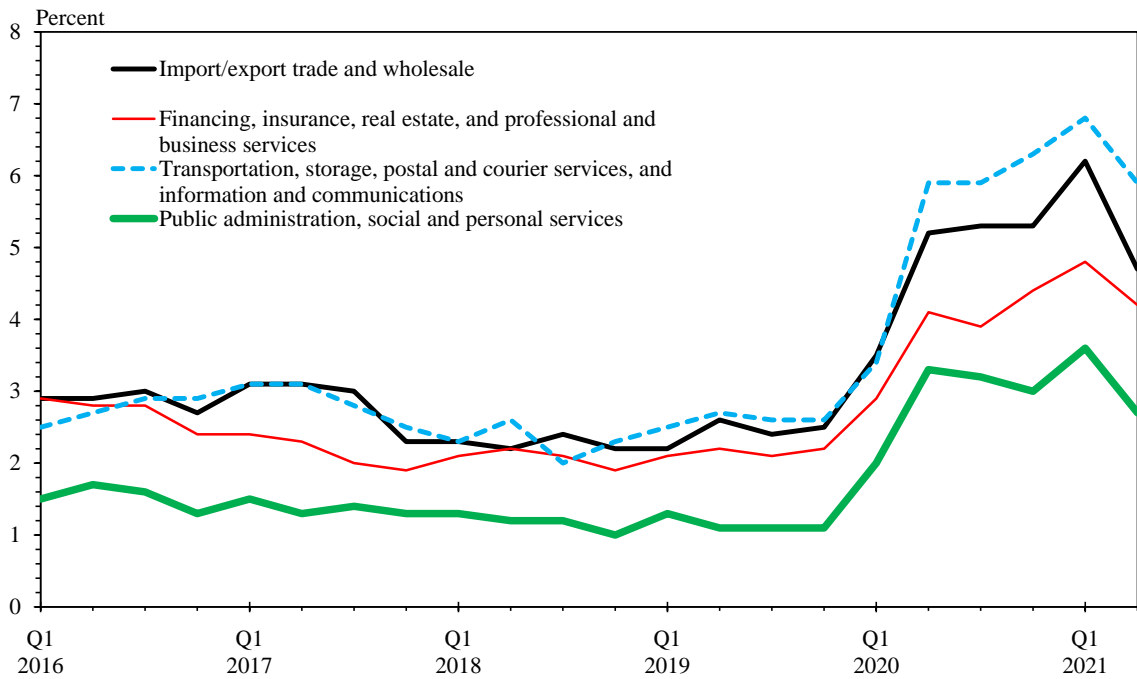
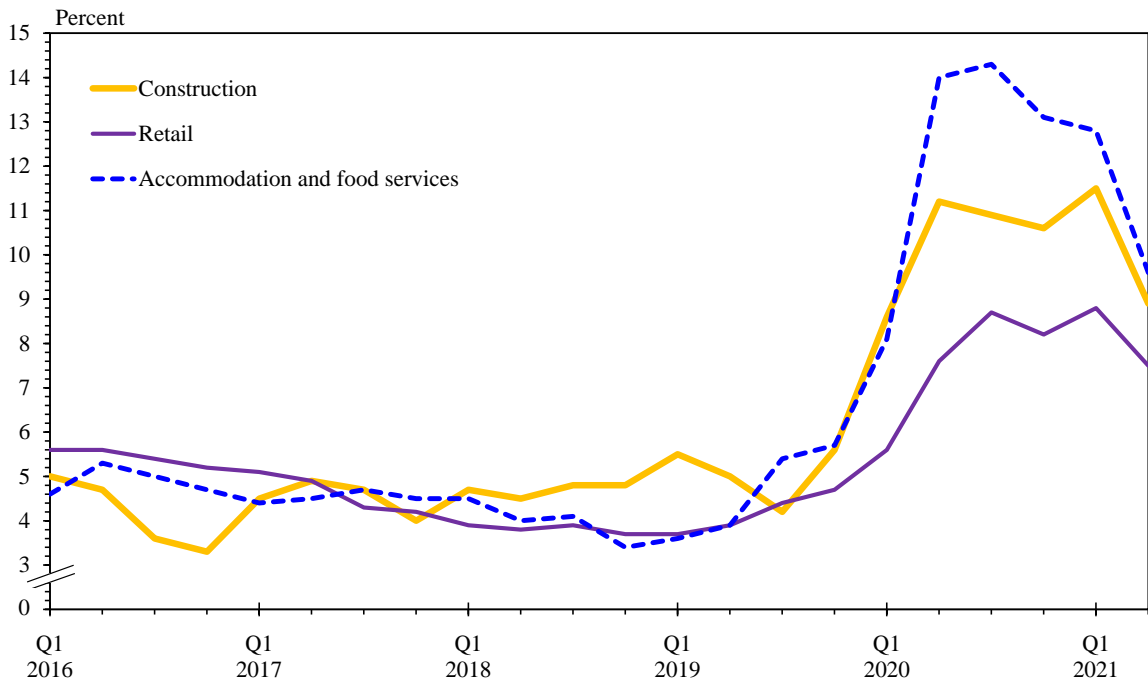


Table 5.4 : Unemployment rates by major economic sector

	<u>2020</u>				<u>2021</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Import/export trade and wholesale	3.5	5.2	5.3	5.3	6.2	4.7
Retail	5.6	7.6	8.7	8.2	8.8	7.5
Accommodation and food services	8.1	14.0	14.3	13.1	12.8	9.6
Transportation, storage, postal and courier services	3.3	6.1	6.0	6.7	7.2	6.5
Information and communications	3.5	5.7	5.6	5.4	5.8	4.5
Financing and insurance	2.4	2.9	2.8	3.2	3.7	3.0
Real estate	2.4	3.2	4.0	3.8	4.2	3.1
Professional and business services	3.3	5.3	4.6	5.4	5.7	5.3
Public administration, social and personal services	2.0	3.3	3.2	3.0	3.6	2.7
Manufacturing	5.9	6.4	6.4	6.1	6.5	6.9
Construction	8.6	11.2	10.9	10.6	11.5	8.9
Overall*	4.2 (4.2)	6.2 (6.2)	6.6 (6.3)	6.3 (6.5)	6.7 (6.8)	5.5 (5.5)

Notes : Quarterly statistics in 2020 have been revised to take into account the final end-2020 population estimates.

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

() Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

Box 5.1

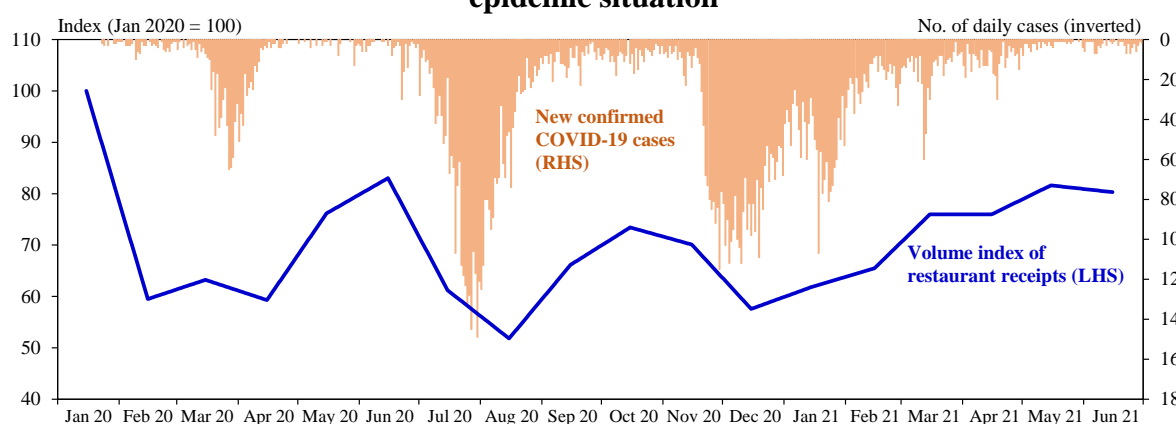
Business performance and employment situation of the food and beverage services sector amid the COVID-19 epidemic

The COVID-19 epidemic has severely disrupted consumption- and tourism-related activities since the start of 2020. Food and beverage services (F&B) sector is one of the hardest-hit. This article takes a look at the impact of the epidemic on the business performance and employment situation of this sector since then.

Business performance of the F&B sector

The F&B sector was especially sensitive to the local epidemic situation. *Chart 1* shows that the monthly restaurant receipts fell when the local epidemic situation worsened, and improved when the situation eased⁽¹⁾.

Chart 1: Business performance of the F&B sector was sensitive to the evolving local epidemic situation



Sources: Quarterly Survey of Restaurant Receipts and Purchases, Census & Statistics Department (C&SD) and Centre for Health Protection.

In Hong Kong, the first imported case of COVID-19 infection was confirmed on 23 January 2020. By February 2020, tourism was brought to a virtual standstill as travel restrictions were implemented by governments worldwide⁽²⁾. At the same time, the public became extremely cautious towards dining out, out of fear of getting infected. Business of the F&B sector took a big hit and restaurant receipts plunged by more than 40% in volume terms in February 2020 from January. After a brief period of falling new confirmed cases, the second wave of the local epidemic started in mid-March 2020 and the Government introduced a range of social distancing measures in response. Restaurant receipts in March and April 2020 remained low, similar to the level in February 2020.

Business of the F&B sector improved in May and June 2020, as the epidemic situation eased and the associated restrictions on restaurants were relaxed. Restaurant receipts in June 2020 recovered to over 80% of the level in January 2020. However, the third wave of the local epidemic started in July 2020 with new confirmed cases increasing sharply to levels substantially above those in the previous two waves. Restrictions on restaurants were tightened again. Restaurant receipts plunged in August 2020 to level only about half of that in January 2020. Business of the F&B sector revived somewhat in the following two months, when the epidemic situation stabilised. By October 2020, restaurant receipts recovered to around 70% of that in January 2020.

(1) The time series of monthly restaurant receipts is not seasonally adjusted, so the changes over time can be partly due to the effect of seasonality. Nonetheless, the changes in restaurant receipts since the start of 2020 are understandably driven predominantly by the epidemic situation rather than seasonal factors.

(2) Inbound tourism directly contributed around one-fifth of the value-added of the food and beverage services sector before the epidemic.

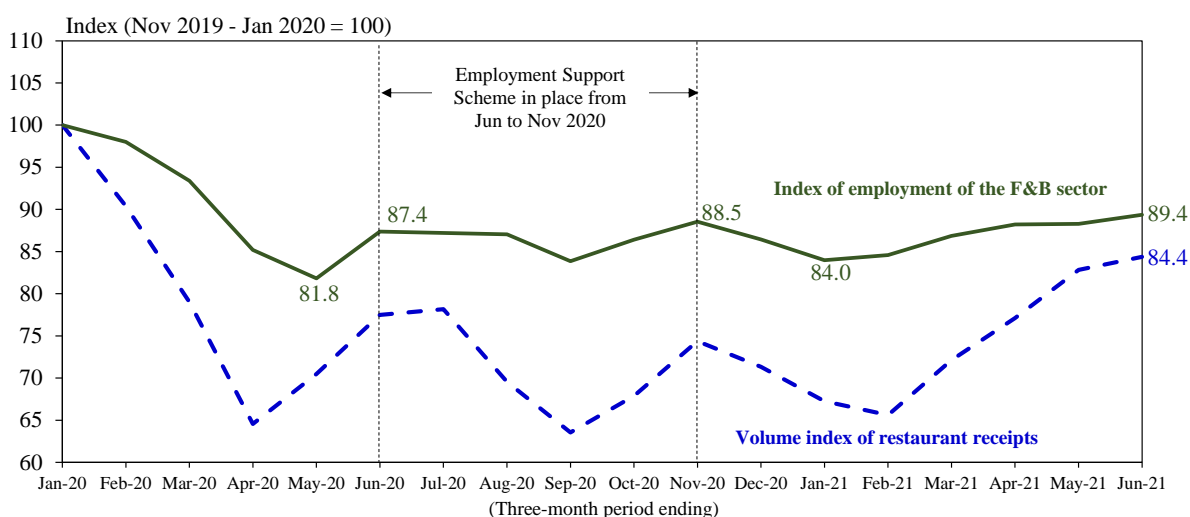
Box 5.1 (Cont'd)

The fourth wave of the local epidemic broke out in late November 2020, leading to another round of tightened restrictions on restaurants. Restaurant receipts dropped again, though the lowest level during this wave in December 2020 was somewhat higher than the lowest level during the third wave in August 2020. Restaurant receipts bottomed out at year-end, and recovered gradually after the easing of the epidemic in February 2021, which enabled a relaxation of the restrictions on restaurants in the same month. Further improvement was seen in the following months, as the overall economic conditions improved and the local epidemic situation stabilised, and the latter enabled further relaxation of the restrictions on restaurants with “vaccine bubble” as the basis in April and June 2021. Yet, in the absence of visitor spending, the volume of restaurant receipts in June 2021 was still close to 20% below that in January 2020.

Employment situation of the F&B sector

The ups and downs of the business performance of the F&B sector in the past one and a half year had consequences on the sector’s employment situation. *Chart 2* compares the restaurant receipts with employment of the F&B sector on a moving three-month basis. Employment of the F&B sector fell sharply in early 2020 along with the fall in restaurant receipts. It then held relatively stable from the second quarter of 2020 to the three-month period ending November 2020 notwithstanding the wider fluctuations in restaurant receipts in between due to the third wave of local epidemic, as the Employment Support Scheme (ESS) helped keep workers in employment. Employment of the F&B sector increased again in recent months alongside the recovery in business. In the second quarter of 2021, employment of the sector was 9.2% above the trough in the three-month period ending May 2020, though remained 10.6% lower than the pre-epidemic level in the three-month period ending January 2020.

Chart 2: Employment of the F&B sector plunged after the outbreak of the epidemic, stayed relatively steady as ESS helped, and increased again in recent months, though remained lower than the pre-epidemic level

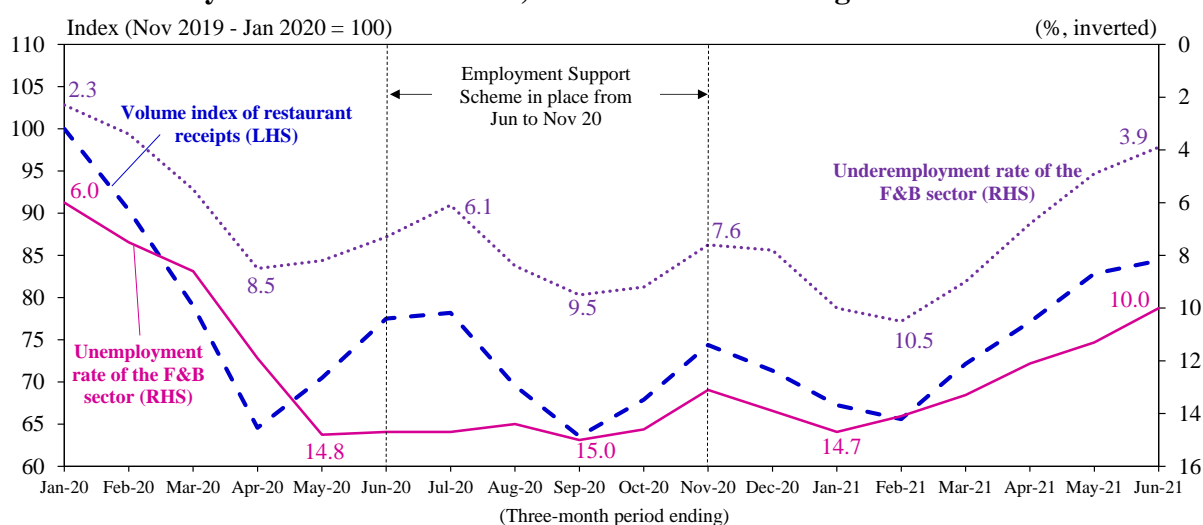


Sources: Quarterly Survey of Restaurant Receipts and Purchases and General Household Survey (GHS), C&SD.

Box 5.1 (Cont'd)

The movements in the unemployment rate of the F&B sector (*Chart 3*) largely mirrored that in the employment of the sector. The unemployment rate of the sector worsened noticeably after the outbreak of the epidemic, held largely stable at high levels when ESS was in place, and improved in recent months. In the second quarter of 2021, it declined visibly to 10.0%, having risen to the post-SARS high of 15.0% in the third quarter of 2020, though still noticeably higher than the pre-epidemic level of 6.0%. As for the underemployment rate of the sector, it showed more co-movements with the sector's business receipts. This conceivably reflected that employers preferred adjusting the working hours of existing employees over making layoffs or hiring new staff in response to the changing business situation. The underemployment rate of the sector went down to 3.9% in the second quarter of 2021, visibly lower than the record high of 10.5% in the three-month period ending February 2021, though still higher than the pre-epidemic level of 2.3%.

Chart 3: Both the unemployment and underemployment rates of the F&B sector were affected by the business situation, with the latter showing more co-movements



Sources: Quarterly Survey of Restaurant Receipts and Purchases and GHS, C&SD.

Outlook

More recently, as the local epidemic situation remained stable and the economy stayed on track for recovery, business sentiment in the F&B sector improved and hiring sentiment showed some revival⁽³⁾. The launch of the Consumption Voucher Scheme also helped. Should the local epidemic situation remain contained, the business performance of the F&B sector should continue to improve in the near term, which should support further improvement in the sector's employment situation, though the lack of visitors' spending would continue to pose a constraint. As such, the pandemic developments, not just in Hong Kong but also worldwide, hold the key to full recovery of the sector. To play our part, it is essential for the community to work together to keep the epidemic under control and actively participate in the COVID-19 Vaccination Programme.

(3) According to the results of the C&SD's Quarterly Business Tendency Survey conducted during 2 June to 9 July 2021, the proportion of large enterprises in the accommodation and food services sector expecting business situation to improve in the third quarter of 2021 over the second quarter was larger than the proportion of those expecting the situation to worsen by 33 percentage points (i.e. a net balance of +33), a back-to-back improvement from the net balance of -44 and +20 in the first two quarters of 2021. The net balance of expected changes in the number of persons engaged in the accommodation and food services sector also increased back-to-back to +19 from -18 and +11 in the preceding two quarters.

Diagram 5.4 : The unemployment rates of both lower-skilled workers and higher-skilled workers declined in the second quarter of 2021

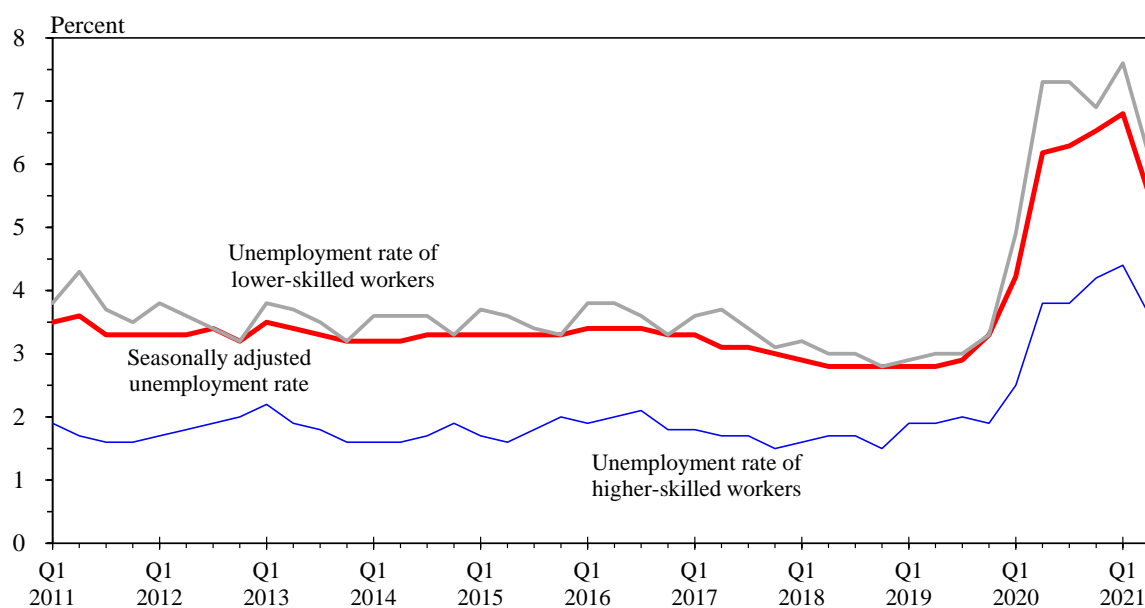


Table 5.5 : Unemployment rates* by skill segment

	<u>2020</u>				<u>2021</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
<u>Higher-skilled segment</u>	2.5	3.8	3.8	4.2	4.4	3.6
Managers and administrators	1.8	3.1	2.5	3.6	3.2	3.0
Professionals	1.5	2.0	2.5	2.6	2.6	2.1
Associate professionals	3.3	4.8	4.8	5.2	5.5	4.4
<u>Lower-skilled segment</u> [^]	4.9	7.3	7.3	6.9	7.6	6.1
Clerical support workers	3.8	5.7	6.5	5.8	5.8	5.1
Service and sales workers	6.5	10.7	10.2	9.7	11.3	7.9
Craft and related workers	9.4	11.2	9.7	10.5	10.4	8.3
Plant and machine operators and assemblers	3.8	5.7	5.6	5.2	5.8	4.9
Elementary occupations	3.2	4.7	5.1	4.6	5.6	5.0

Notes : Quarterly statistics in 2020 have been revised to take into account the final end-2020 population estimates.

* 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>2020</u>				<u>2021</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
<u>Age</u>						
15-24	10.1	14.6	20.3	17.3	13.5	13.7
<i>of which:</i>						
15-19	12.9	19.0	25.2	17.6	16.5	18.4
20-24	9.9	14.3	19.8	17.2	13.3	13.3
25-29	5.1	7.8	7.9	7.8	7.3	6.2
30-39	3.0	4.6	4.5	4.4	5.0	4.2
40-49	3.8	4.9	4.9	4.9	5.5	4.7
50-59	4.0	6.8	6.9	6.6	7.7	5.9
≥ 60	3.9	5.9	5.4	5.5	6.8	5.0
<u>Educational attainment</u>						
Primary education and below	4.2	7.4	7.2	5.9	8.6	5.7
Lower secondary education	5.9	8.8	8.0	8.8	8.7	7.1
Upper secondary education [^]	4.3	6.6	6.5	6.3	7.2	6.0
Post-secondary education	3.6	5.0	6.1	5.7	5.3	4.7

Notes : Quarterly statistics in 2020 have been revised to take into account the final end-2020 population estimates.

* 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 Indicators for the intensity of unemployment showed diverse performance in the second quarter of 2021. The long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) went down by 0.4 percentage point from the first quarter to 2.4% in the second quarter. The number of long-term unemployed persons decreased by 16 300 to 91 900 over the same period, but its share in total unemployment rose by 1.4 percentage points to 43.1%. The median duration of unemployment lengthened from 136 days in the first quarter to a record 154 days in February – April 2021, before shortening slightly to 148 days in the second quarter. 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) went up by 5.8 percentage points from the first quarter to 62.1% in the second quarter.

Profile of underemployment

5.9 The underemployment rate decreased by 1.3 percentage points from the preceding quarter to 2.5% in the second quarter of 2021, and the number of underemployed persons went down by 52 400 to 96 000. Analysed by sector, the underemployment rates of most economic sectors declined. In particular, the underemployment rate of the retail, accommodation and food services sectors combined dropped by 3.5 percentage points to 3.2%. Among these sectors, the underemployment rate for food and beverage service activities fell markedly by 5.1 percentage points to 3.9%. The underemployment rates of the arts, entertainment and recreation sector (down 4.5 percentage points to 5.8%), the decoration, repair and maintenance for buildings sector (down 2.9 percentage points to 10.3%) and the transportation sector (down 2.4 percentage points to 5.7%) also registered noticeable declines. Analysed by skill segment, the underemployment rate of the lower-skilled segment decreased by 1.7 percentage points from the preceding quarter to 3.3%, and that of the higher-skilled segment went down by 0.8 percentage point to 1.3%.

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 2021. 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 showed some relative improvement in March 2021. After falling by 4.7% year-on-year in December 2020, total private sector employment declined by a narrower rate of 2.7% to 2 690 700 in March 2021. When compared with the level three months ago on a seasonally adjusted basis, total private sector employment turned to increase in March 2021, reversing the general downtrend in the past two years or so. Looking at individual sectors, employment in many sectors saw narrower year-on-year declines, though the rates of decline remained notable in some sectors such as import/export trade and wholesale (down 8.6%) and accommodation and food services (down 7.5%). Employment of manual workers at construction sites and employment in the education sector switched to increases of 1.6% and 0.1% year-on-year respectively. Employment in some other sectors saw faster year-on-year increases, notably in human health services (up 4.0%), real estate (up 1.9%), and cleaning and similar services sectors (up 1.6%). Analysed by establishment size, employment in large enterprises and *small and medium-sized enterprises (SMEs)*⁽⁷⁾ decreased by 2.7% and 2.6% respectively in March 2021 from a year earlier. As for the civil service, employment edged down by 0.1% from a year earlier.

Table 5.7 : Employment by major economic sector

	<u>2020</u>					<u>2021</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	452 300 (-10.8)	475 400 (-8.5)	450 200 (-12.0)	444 700 (-11.3)	439 000 (-11.4)	434 600 (-8.6)
Retail	251 100 (-6.3)	254 900 (-6.5)	249 400 (-8.1)	249 800 (-6.5)	250 300 (-4.1)	249 900 (-2.0)
Accommodation ^(a) and food services	246 600 (-13.8)	259 500 (-11.7)	248 700 (-15.3)	242 000 (-13.8)	236 100 (-14.4)	239 900 (-7.5)
Transportation, storage, postal and courier services	173 800 (-3.7)	177 300 (-1.9)	176 100 (-2.3)	175 000 (-3.0)	166 800 (-7.5)	165 500 (-6.7)
Information and communications	110 200 (-0.3)	109 700 (-0.8)	110 800 (-0.2)	110 300 (-0.1)	109 900 (-0.3)	109 300 (-0.4)
Financing, insurance, real estate, professional and business services	761 700 (0.2)	758 800 (§)	759 900 (-0.1)	764 600 (0.5)	763 500 (0.4)	761 600 (0.4)
Social and personal services	532 000 (-0.6)	532 300 (0.3)	531 000 (-0.5)	531 800 (-0.9)	532 900 (-1.3)	534 700 (0.5)
Manufacturing	83 400 (-4.0)	84 200 (-4.8)	84 200 (-3.7)	83 300 (-3.5)	81 900 (-4.1)	81 200 (-3.6)
Construction sites (covering manual workers only)	97 200 (-4.5)	101 100 (-5.9)	97 600 (-4.9)	93 900 (-3.1)	96 100 (-3.8)	102 700 (1.6)
<i>All establishments surveyed in the private sector^(b)</i>	<i>2 719 500 (-4.5)</i>	<i>2 764 300 (-3.8)</i>	<i>2 719 000 (-5.1)</i>	<i>2 706 900 (-4.4)</i>	<i>2 687 900 (-4.7)</i>	<i>2 690 700 (-2.7)</i>
		<i><-1.9></i>	<i><-1.5></i>	<i><-0.4></i>	<i><-0.9></i>	<i><0.2></i>
<i>Civil service^(c)</i>	<i>177 200 (0.7)</i>	<i>177 700 (1.6)</i>	<i>177 300 (1.2)</i>	<i>176 800 (0.1)</i>	<i>177 000 (-0.2)</i>	<i>177 600 (-0.1)</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 After falling sharply by 35.6% year-on-year in December 2020, the number of job vacancies in the private sector declined by a narrower rate of 6.9% to 39 350 in March 2021. When compared with the level three months ago on a seasonally adjusted basis, the number of job vacancies in the private sector switched to increase.

5.13 Compared with a year earlier, the numbers of vacancies in most major economic sectors either saw narrower declines or switched to increases in March 2021. In particular, the rates of decline narrowed visibly in the manufacturing sector (down 9.0%) and the retail, accommodation and food services sector (down 3.9%), while the number of vacancies in the arts, entertainment and recreation sector (up 44.9%) and the education sector (up 12.0%) turned to notable increases. In respect of occupational category, the number of vacancies in the lower-skilled segment showed a narrower year-on-year decline of 14.4%, while that in the higher-skilled segment turned to an increase of 3.2%. Analysed by establishment size, the numbers of vacancies in large enterprises and SMEs declined at narrower rates of 1.9% and 18.1% respectively. On the other hand, the number of job openings in the civil service rose by 42.0% to 15 140.

5.14 The ratio of job vacancies per 100 unemployed persons was at 15 in March 2021, lower than the level of 26 a year ago but slightly higher than the level of 14 three months ago, reflecting that the manpower balance situation tended to stabilise. Analysed by skill segment, the ratio in the higher-skilled segment was at 27 in March 2021, lower than the level of 44 a year earlier but slightly higher than the level of 25 three months ago, and that in the lower-skilled segment was at 12, lower than the level of 22 a year ago but on par with the level three months ago. Meanwhile, manpower shortage remained acute in the residential care and social work services sector, where the ratio remained above 100.

Table 5.8 : Vacancies by major economic sector

	<u>Number of vacancies</u>						Vacancy rate in Mar 2021 (%)
	<u>Annual average</u>	<u>2020</u>				<u>2021</u>	
		<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	
Import/export trade and wholesale	3 450 (-42.9)	4 080 (-40.1)	3 670 (-43.3)	3 180 (-48.4)	2 880 (-39.4)	3 510 (-13.9)	0.8
Retail	3 060 (-54.3)	3 050 (-63.5)	3 160 (-58.8)	3 140 (-47.3)	2 910 (-40.2)	2 970 (-2.6)	1.2
Accommodation ^(a) and food services	2 830 (-69.4)	2 910 (-80.2)	2 840 (-74.6)	3 180 (-49.1)	2 400 (-50.6)	2 760 (-5.2)	1.1
Transportation, storage, postal and courier services	2 180 (-43.6)	2 590 (-45.8)	2 280 (-44.2)	2 090 (-45.0)	1 760 (-37.4)	2 520 (-2.9)	1.5
Information and communications	1 900 (-33.2)	2 190 (-25.6)	2 040 (-32.9)	1 740 (-39.4)	1 650 (-35.6)	1 670 (-24.1)	1.5
Financing, insurance, real estate, professional and business services	13 010 (-31.8)	14 660 (-28.7)	12 360 (-38.6)	13 060 (-29.6)	11 950 (-29.7)	12 980 (-11.4)	1.7
Social and personal services	11 300 (-32.4)	11 400 (-36.2)	11 650 (-32.3)	11 490 (-31.3)	10 660 (-29.2)	11 970 (5.1)	2.2
Manufacturing	710 (-68.0)	760 (-69.6)	750 (-71.7)	760 (-60.3)	560 (-68.5)	690 (-9.0)	0.8
Construction sites (covering manual workers only)	240 (-64.6)	500 (-42.6)	240 (-68.5)	140 (-75.2)	80 (-84.3)	80 (-84.3)	0.1
<i>All establishments surveyed in the private sector^(b)</i>	<i>38 840 (-42.6)</i>	<i>42 270 (-46.9)</i>	<i>39 120 (-46.7)</i>	<i>38 910 (-38.3)</i>	<i>35 060 (-35.6)</i>	<i>39 350 (-6.9)</i>	<i>1.4</i>
		<-23.5>	<-6.9>	<§>	<-9.6>	<10.7>	
<i>Civil service^(c)</i>	<i>12 560 (24.8)</i>	<i>10 660 (8.6)</i>	<i>11 320 (10.3)</i>	<i>13 240 (32.7)</i>	<i>15 040 (47.4)</i>	<i>15 140 (42.0)</i>	<i>7.9</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.

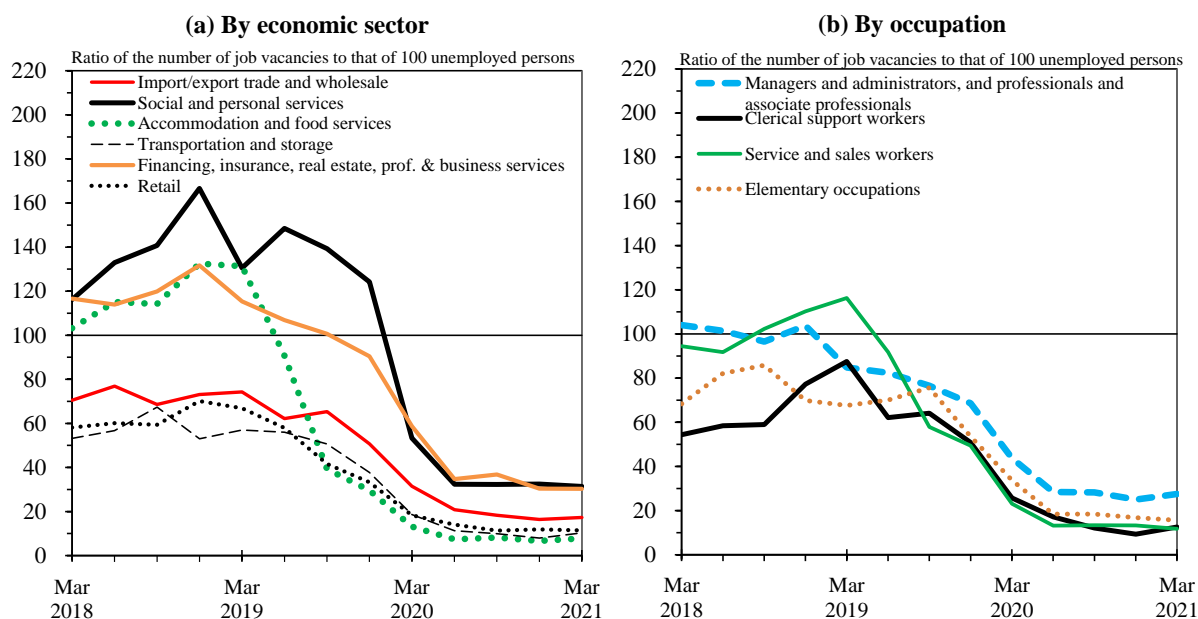
() % change over a year earlier.

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

§ Change less than 0.05%.

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

Diagram 5.5 : Manpower balance situation tended to stabilise in March 2021



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, edged down by 0.1 percentage point from a year earlier to 1.4% in March 2021, but it was 0.1 percentage point higher than three months ago (1.3%). The movements in vacancy rates in major sectors varied, but were generally small in magnitude.

5.16 Information on job vacancies in the private sector received by the Labour Department (LD) may provide some hints on the latest developments in the labour market. Such vacancies, at an average of 82 400 per month in the second quarter of 2021, surged by 34% over the preceding quarter or 51% over the same quarter a year ago. Yet, it was lower than the level prior to the recession in the same quarter of 2019 by 28%.

Wages and earnings

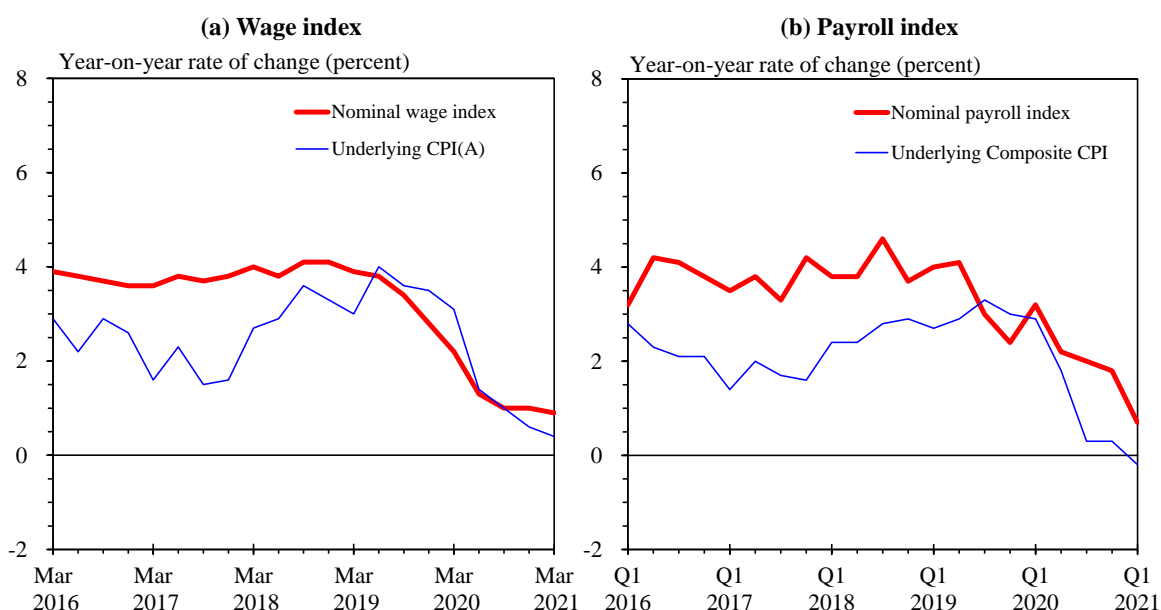
5.17 In the first quarter of 2021, wages and labour earnings on average rose further in nominal terms over a year earlier, but the rates of increase decelerated to the slowest in more than 11 years. The nominal *wage index* for all selected industry sections, which covers regular payment to employees at the supervisory level or below, increased by 0.9% year-on-year in March 2021, slightly slower than the 1.0% increase in December 2020. After discounting for headline inflation⁽⁸⁾, the wage index turned to decline of 0.6% in real terms, as the year-on-year increase in the headline Consumer Price Index (A) (CPI(A)) in that month was enlarged by the low base effect caused by the Government's one-off relief measures implemented a year earlier.

5.18 The year-on-year rates of change in nominal wages varied across selected sectors in March 2021. In particular, nominal wages of the transportation sector declined further by 2.1%, and those in the personal services sector switched to decline by 0.2%. Nominal wages in other selected sectors continued to increase, more distinctively in real estate leasing and maintenance management (up 2.8%) and financial and insurance activities (up 2.3%). Analysis by occupation, nominal wages for craftsmen declined further by 2.1% from a year earlier, and those for other selected occupations continued to increase, relatively visibly for miscellaneous non-production workers (up 2.2%).

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, likewise saw its year-on-year increase decelerated from 1.8% in the fourth quarter of 2020 to 0.7% in the first quarter of 2021. After adjusting for headline inflation, labour earnings saw a decrease of 0.5% in real terms, as the headline Composite Consumer Price Index (CCPI) recorded a faster increase in that quarter due to the low base effect caused by the Government's one-off relief measures implemented a year earlier.

5.20 On a year-on-year comparison, labour earnings in most major sectors either increased at slower rates or continued to decline in nominal terms in the first quarter of 2021. In particular, labour earnings in transportation, storage, postal and courier services, and accommodation and food service activities continued to decline visibly by 8.2% and 5.3% respectively. Meanwhile, labour earnings in the social and personal services sector fell by 1.7%, distorted by a high base of comparison a year earlier when there were pay adjustments and issuance of back-pay in a number of subvented organisations in this sector.

Diagram 5.6 : Wages rose at the slowest rate in more than 11 years in March 2021, and so did labour earnings in the first quarter of 2021



Note : The year-on-year rates of change of the 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.

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 2021. *Average monthly employment earnings*⁽¹⁰⁾ of full-time employees (excluding foreign domestic helpers) of the lowest three decile groups combined increased by 2.9% year-on-year in nominal terms in the second quarter of 2021, faster than the 2.2% increase in the preceding quarter and also the inflation rate of 0.6% in the same quarter as measured by the underlying CPI(A). Meanwhile, the median monthly household income (excluding foreign domestic helpers) reverted to an increase of 3.0% year-on-year in the second quarter of 2021, partly reflecting the improved employment situation of household members, but was still 7.5% below the pre-recession level in the second quarter of 2019.

Highlights of labour-related measures and policy developments

5.22 The Government continued to implement various measures to help job seekers secure employment. In particular, following the Government's further allocation of \$6.6 billion in the *2021-22 Budget* for the creation of an additional 30 000 time-limited jobs, around 20 000 jobs were created as at early July 2021, comprising some 11 000 jobs in the government sector and some 8 000 jobs in the non-governmental sector. The Employees Retraining Board launched the fourth tranche of the Love Upgrading Special Scheme in July 2021 for six months until the end of 2021, providing another 20 000 training places with allowance. As for the Greater Bay Area Youth Employment Scheme, as at 20 July 2021, over 2 900 job vacancies were offered by over 390 enterprises under the Scheme to graduates who were awarded bachelor's degrees or above from 2019 to 2021.

5.23 In early 2021 when the local epidemic situation was severe, LD introduced online job fairs and continued to provide employment and recruitment services through telephone and online platforms such as the Interactive Employment Service website. As the situation stabilised, LD had gradually resumed the organisation of district-based job fairs in LD's job centres, recruitment activities in industry-based recruitment centres and large-scale job fairs. During the first half of 2021, LD organised four large-scale physical job fairs and three online job fairs. Sixty eight organisations participated in the physical job fairs, offering more than 2 900 vacancies. Separately, over 5 800 vacancies were provided by 126 organisations joining the online job fairs. The job opportunities were from various industries including business services, finance, retail, property management, etc.

5.24 The Employment (Amendment) Bill 2021 was passed by the Legislative Council on 7 July 2021. Starting 2022, the number of statutory holidays will be increased progressively from existing 12 days, with one additional day every two years, to 17 days. The first additional statutory holiday will be the Birthday of the Buddha in 2022.

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 2019 – January 2020 to October – December 2020 have been revised to take into account the final end-2020 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 which employ fewer than 100 persons and non-manufacturing enterprises which employ fewer than 50 persons are regarded as small and medium-sized enterprises (SMEs) in Hong Kong. Yet, establishments with the same business registration number and engaged in the same industry/services group are combined into one business unit (enterprise) 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 persons will be considered as a single large enterprise, instead of separate SMEs. An establishment is an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location (e.g. a branch or an outlet of a company).
- (8) Different consumer price indices (CPIs) are used for compiling the real indices of labour earnings and wages, taking into account their relevance to the respective occupation coverage. Specifically, the Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for earnings received by employees at all levels of the occupational hierarchy. The CPI(A), being an indicator of consumer prices for the relatively low expenditure group, is taken as the price deflator for wages in respect of employees engaged in occupations up to the supervisory level.
- (9) In addition to wages, which include all regular and guaranteed payments like basic pay and stipulated bonuses and allowances, earnings also cover overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in sectoral and occupational coverage, the movements in average earnings, as measured by payroll per person engaged, do not necessarily match closely with those in wage rates.
- (10) The average (mean) monthly employment earnings are easily affected by extreme values in the survey sample, more so when reckoned for higher-end workers. They should therefore be interpreted with caution, in particular when they are compared over time.

CHAPTER 6 : PRICES

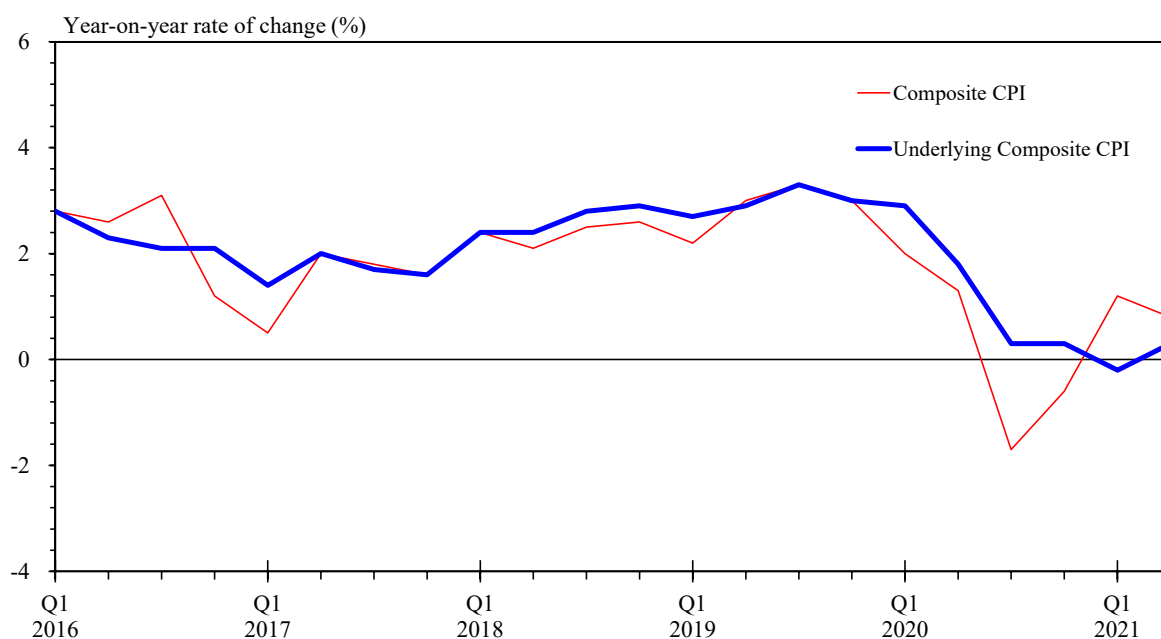
Summary

- *Underlying consumer price inflation remained tame in the second quarter of 2021, though going up slightly as domestic economic activity continued to recover and external price pressures intensified. 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, registered a modest year-on-year increase of 0.3% in the second quarter of 2021, after a decline of 0.2% in the preceding quarter. Pressures on most major CPI components stayed modest, though some of them showed more visible pick-up. Meanwhile, the headline Composite CPI went up by 0.8%, after an increase of 1.2% in the preceding quarter.*
- *Domestically, the year-on-year decline in private housing rentals widened as the effect of earlier softening in fresh-letting residential rentals continued to feed through. Business cost pressures were mild as wage growth remained slow and commercial rentals were lower than year-ago levels.*
- *External price pressures however intensified rather visibly. Inflation in many import sources⁽²⁾ picked up alongside the global economic recovery, surges in international commodity and energy prices and supply bottlenecks in many economies. These developments, together with the weakness of the US dollar over the past year, resulted in a faster year-on-year increase in prices of merchandise imports. Nevertheless, the increases in import prices of consumer goods and foodstuffs were still moderate.*

Consumer prices

6.1 Underlying consumer price inflation remained tame in the second quarter of 2021, though going up slightly as domestic economic activity continued to recover and external price pressures intensified. Pressures on most major CPI components stayed modest, though some of them showed more visible pick-up. Domestically, private housing rentals posted a widened year-on-year decline as the effect of earlier easing in fresh-letting residential rentals continued to feed through. Business cost pressures continued to abate on a year-on-year comparison, with wage growth staying slow and commercial rentals falling further. On the other hand, external price pressures intensified rather visibly as global inflation rose alongside the revival of economic activities, surging international commodity and energy prices, and supply bottlenecks. The weakness of the Hong Kong dollar, along with the US dollar, over the past year was another relevant factor. As a result, prices of merchandise imports generally recorded accelerated increases.

Diagram 6.1: Underlying consumer price inflation remained tame in the second quarter



Note : The year-on-year rates of change of the 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.

6.2 The underlying Composite CPI, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, registered a modest year-on-year increase of 0.3% in the second quarter, having fallen by 0.2% in the preceding quarter according to the new 2019/20-based series. This was mainly attributable to the reversal to increase in prices of transport and meals out and takeaway food. The headline Composite CPI rose by 0.8% over a year earlier, after an increase of 1.2% in the preceding quarter. The higher headline inflation rate in the first quarter was mainly due to the low base of comparison arising from the Government's payment of public housing rentals and waiver of rent for tenants by the Hong Kong Housing Society in January last year.

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</u> ^(a)	<u>Headline</u>			
2020	Annual	1.3 ^(b) (1.3)	0.3 ^(b) (0.3)	-0.6 ^(b) (-0.5)	0.6 ^(b) (0.7)	0.8 ^(b) (0.8)
	H1	N.A. (2.4)	N.A. (1.6)	N.A. (1.3)	N.A. (1.9)	N.A. (1.8)
	H2	0.3 ^(b) (0.3)	-1.1 ^(b) (-1.0)	-2.4 ^(b) (-2.3)	-0.6 ^(b) (-0.5)	-0.2 ^(b) (-0.2)
	Q1	N.A. (2.9)	N.A. (2.0)	N.A. (1.1)	N.A. (2.4)	N.A. (2.4)
	Q2	N.A. (1.8)	N.A. (1.3)	N.A. (1.6)	N.A. (1.4)	N.A. (1.1)
	Q3	N.A. (0.3)	N.A. (-1.7)	N.A. (-4.2)	N.A. (-0.6)	N.A. (-0.1)
	Q4	0.3 (0.2)	-0.6 (-0.3)	-0.7 (-0.3)	-0.6 (-0.5)	-0.3 (-0.2)
2021	H1	* (0.2)	1.0 (0.9)	2.5 (2.2)	0.3 (0.3)	0.2 (0.3)
	Q1	-0.2 (-0.1)	1.2 (0.9)	3.3 (2.8)	0.3 (0.1)	* (*)
	Q2	0.3 (0.6)	0.8 (0.9)	1.6 (1.6)	0.4 (0.6)	0.4 (0.6)

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

2020	Q1	0.8 (0.5)	-0.7 (-0.7)	-2.3 (-2.0)	* (-0.1)	0.3 (0.2)
	Q2	* (-0.1)	0.7 (0.6)	2.1 (1.7)	0.1 (0.1)	-0.1 (-0.2)
	Q3	-0.6 (-0.6)	-2.2 (-2.0)	-4.6 (-4.3)	-1.2 (-1.1)	-0.7 (-0.5)
	Q4	0.2 (0.5)	1.7 (1.7)	4.4 (4.5)	0.5 (0.6)	0.1 (0.4)
2021	Q1	0.3 (0.1)	1.1 (0.6)	1.6 (1.1)	0.9 (0.5)	0.7 (0.3)
	Q2	0.4 (0.6)	0.3 (0.6)	0.4 (0.6)	0.2 (0.5)	0.3 (0.5)

Notes : (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, allowances for household electricity charges, and waiver of examination fees.

(b) Splicing has been applied to the two sets of CPI series in order to obtain better estimates of the rates of change for the year 2020 and H2 of 2020.

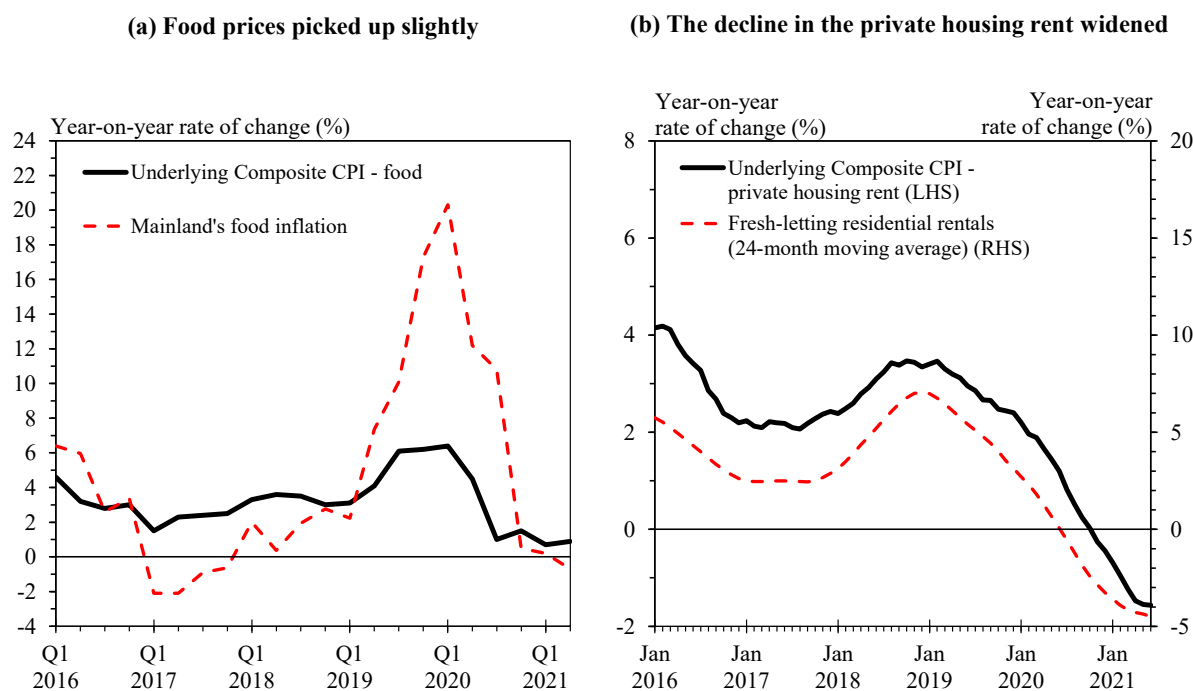
() Figures in parentheses denote year-on-year and seasonally adjusted quarter-to-quarter rates of change in the old series. From the fourth quarter of 2020 onwards, the respective rates of change in the CPIs are computed from the new 2019/20-based CPI series.

N.A. Not available. The year-on-year rates of change based on the new series are available only from the fourth quarter of 2020.

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

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, picked up slightly to 0.9% in the second quarter. Within food prices, prices of meals out and takeaway food resumed a modest year-on-year increase thanks to the receding local epidemic, whereas the rise in prices of basic food moderated further. The year-on-year decline in the private housing rental component widened further to 1.6%, as the effect of earlier softening in fresh-letting residential rentals continued to feed through. The public housing rental component increased, reflecting the effect of the biennial upward adjustment in September 2020. Prices of transport turned to a moderate increase amid smaller MTR fare rebate and bus fare increase, while the increase in prices of electricity, gas and water accelerated. With the local economy on track for recovery, prices of clothing and footwear and durable goods resumed modest increases, while those of miscellaneous services rose at a slightly faster pace. Meanwhile, prices of miscellaneous goods declined further.

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



Note : The year-on-year rates of change of the CPI 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.

Diagram 6.3 (a) : Price pressures on most major components of underlying CPI stayed modest in the second quarter

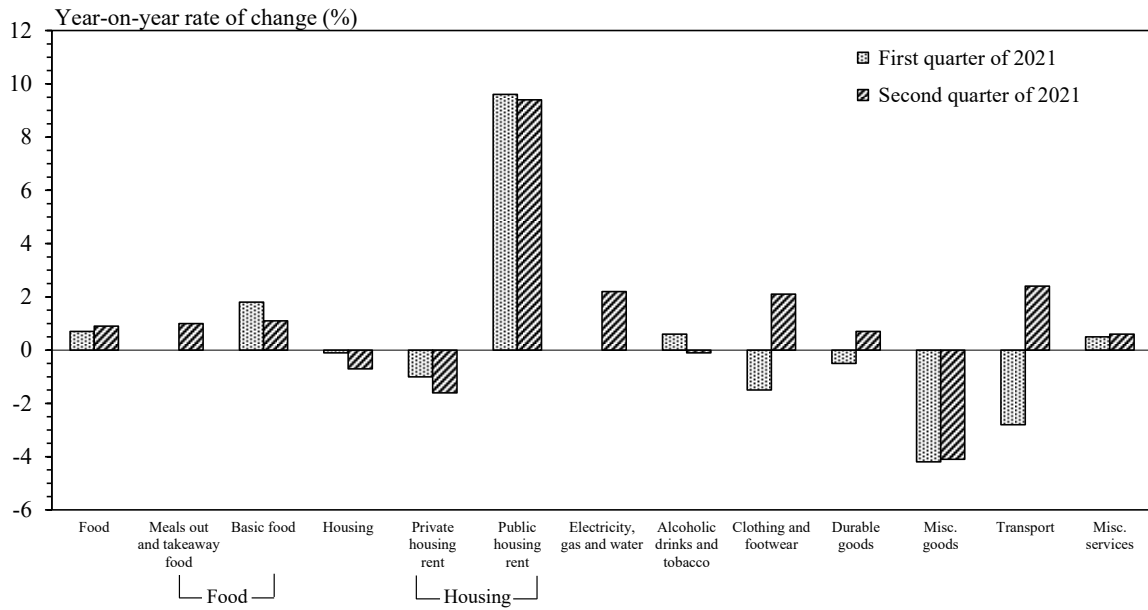
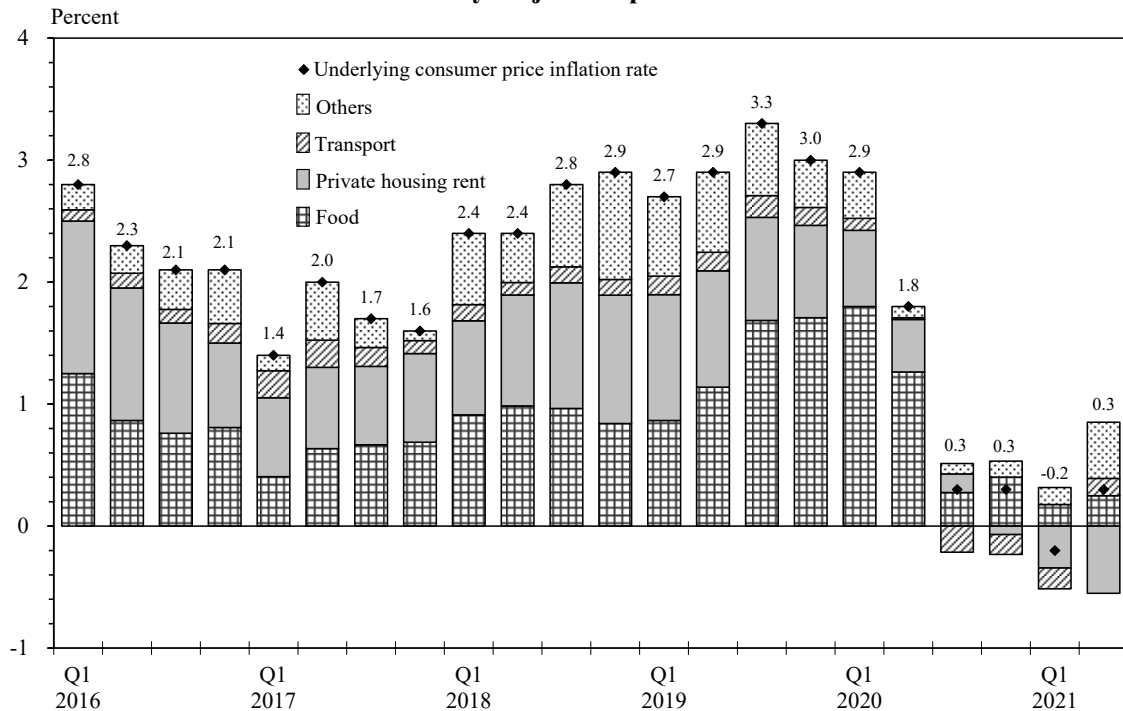


Diagram 6.3 (b) : Contribution to underlying consumer price inflation rate by major component



Note : The year-on-year rates of change of the 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.

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

<u>Expenditure component</u>	<u>Weighting (%)</u>		<u>2020</u>		<u>2021</u>		<u>2021</u>	
			<u>Q4</u>		<u>Q1</u>		<u>Q2</u>	
Food	27.41	(27.29)	1.5	(1.4)	0.7	(0.6)	0.9	(1.4)
<i>Meals out and takeaway food</i>	17.05	(17.74)	0.5	(0.6)	*	(*)	1.0	(1.1)
<i>Basic food</i>	10.36	(9.55)	3.3	(2.7)	1.8	(1.4)	1.1	(2.0)
Housing ^(a)	40.25	(34.29)	0.6	(0.6)	-0.1	(-0.1)	-0.7	(-0.6)
			0.4 ^(b)	(0.5) ^(b)	1.7 ^(b)	(1.8) ^(b)	-0.7 ^(b)	(-0.7) ^(b)
<i>Private housing rent</i>	35.46	(29.92)	-0.2	(-0.2)	-1.0	(-0.9)	-1.6	(-1.5)
			-0.3 ^(b)	(-0.2) ^(b)	-1.0 ^(b)	(-1.0) ^(b)	-1.6 ^(b)	(-1.6) ^(b)
<i>Public housing rent</i>	1.87	(1.94)	9.6	(9.4)	9.6	(9.6)	9.4	(9.4)
			8.3 ^(b)	(8.3) ^(b)	59.2 ^(b)	(59.2) ^(b)	11.0 ^(b)	(11.1) ^(b)
Electricity, gas and water	2.82	(2.67)	-2.5	(-2.2)	*	(-0.2)	2.2	(2.4)
			-28.2 ^(b)	(-24.3) ^(b)	25.4 ^(b)	(19.9) ^(b)	26.0 ^(b)	(21.8) ^(b)
Alcoholic drinks and tobacco	0.49	(0.54)	1.0	(1.2)	0.6	(0.7)	-0.1	(0.2)
Clothing and footwear	2.42	(3.21)	-5.2	(-5.6)	-1.5	(-2.2)	2.1	(1.7)
Durable goods	4.00	(4.65)	-1.7	(-2.5)	-0.5	(-1.6)	0.7	(0.3)
Miscellaneous goods	3.32	(3.56)	3.5	(1.4)	-4.2	(-0.1)	-4.1	(0.2)
Transport	6.17	(7.98)	-2.7	(-1.9)	-2.8	(-2.7)	2.4	(2.1)
Miscellaneous services	13.12	(15.81)	0.4	(*)	0.5	(0.4)	0.6	(0.6)
			0.4 ^(b)	(0.1) ^(b)	0.5 ^(b)	(0.4) ^(b)	0.6 ^(b)	(0.6) ^(b)
All items	100.00	(100.00)	0.3	(0.2)	-0.2	(-0.1)	0.3	(0.6)
			-0.6 ^(b)	(-0.3) ^(b)	1.2 ^(b)	(0.9) ^(b)	0.8 ^(b)	(0.9) ^(b)

Notes : The year-on-year rates of change in the CPIs are computed from the new 2019/20-based CPI series. Figures in adjacent brackets refer to the corresponding year-on-year rates of change computed from the old 2014/15-based CPI series.

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

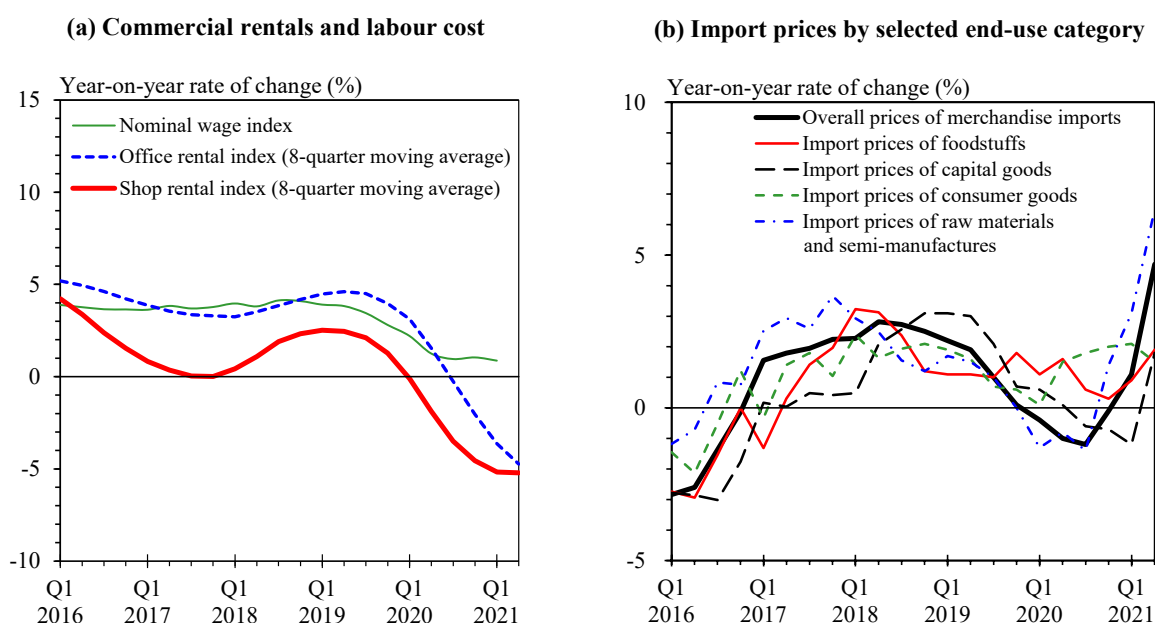
(b) Headline rates of change before netting out the effect of Government's one-off relief measures.

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

Costs of factor inputs and import prices

6.4 Domestic cost pressures remained tame in the second quarter of 2021 as overall economic activity has yet to return to the pre-recession level. Wage growth stayed slow, as the labour market remained soft notwithstanding the latest improvement. Commercial rentals softened further from a year earlier. As a proxy for the rental costs faced by businesses, the eight-quarter moving average of office rentals fell further by 4.7% in the second quarter, and that of shop rentals declined by 5.2%.

**Diagram 6.4 : Domestic cost pressures remained tame;
external price pressures picked up**



6.5 External price pressures intensified rather visibly in the second quarter of 2021, as inflation worldwide picked up in tandem with the global economic recovery and the surges in international commodity and energy prices. Consumer price inflation in major advanced economies, notably the US, accelerated, though partly reflecting temporary supply bottlenecks and a low base of comparison. Meanwhile, consumer prices in the Mainland posted a modest year-on-year increase after staying virtually unchanged in the past two quarters. The weaker US dollar over the past year also added to import price pressures. Against this backdrop, the year-on-year increase in prices of merchandise imports accelerated visibly to 4.7% in the second quarter of 2021, from 1.1% in the preceding quarter. Analysed by major end-use category, import prices of fuels surged by 61.5% over a year earlier along with elevated international oil prices. The increase in import prices of raw materials and semi-manufactures picked up sharply to 6.5% amid vibrant production activities across the globe. Meanwhile, the increases in import prices of foodstuffs and consumer goods remained moderate at 1.9% and 1.5% respectively, while import prices of capital goods rose by 1.8% after three consecutive quarters of decline.

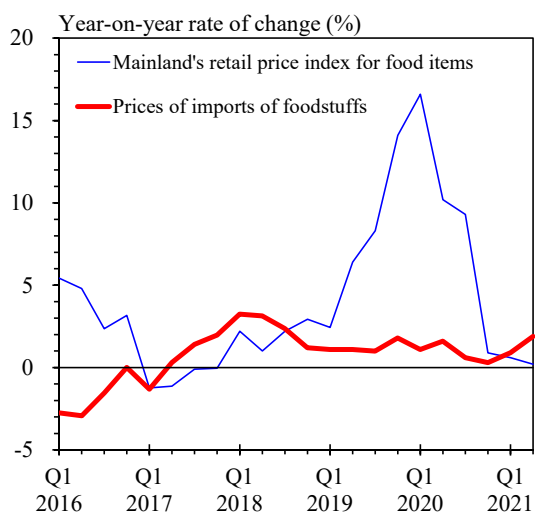
**Table 6.3 : Prices of imports by end-use category
(year-on-year rate of change (%))**

		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2020	Annual	0.9	1.5	-0.5	-27.7	-0.2	-0.7
	H1	1.4	0.8	-1.0	-23.8	0.3	-0.7
	H2	0.4	1.9	*	-32.0	-0.7	-0.6
	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
	Q3	0.6	1.8	-1.4	-32.0	-0.6	-1.2
	Q4	0.3	2.0	1.4	-32.0	-0.7	-0.1
2021	H1	1.3	1.9	4.8	18.1	0.4	2.9
	Q1	0.9	2.1	3.1	-9.5	-1.2	1.1
	Q2	1.9	1.5	6.5	61.5	1.8	4.7

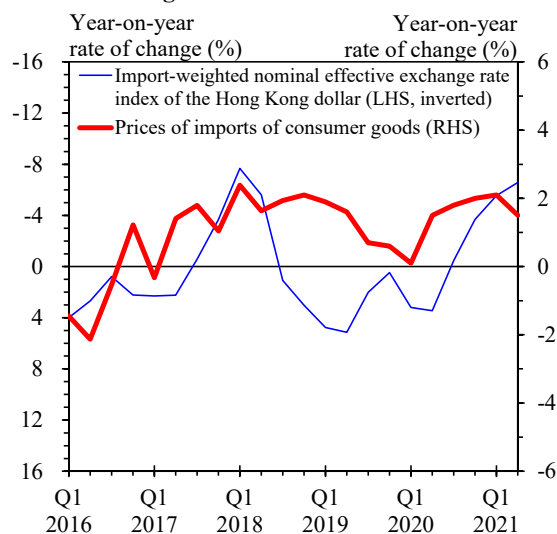
Note : (*) Change within $\pm 0.05\%$.

Diagram 6.5: Prices of merchandise imports by end-use category

(a) Import prices of foodstuffs rose moderately

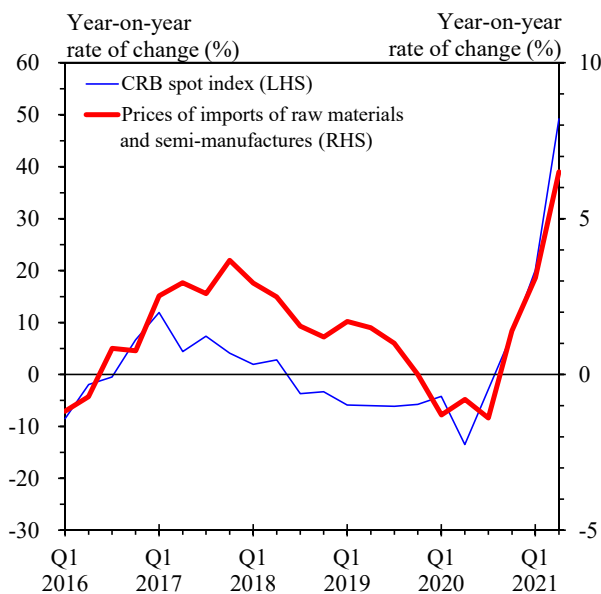


(b) The increase in import prices of consumer goods remained moderate

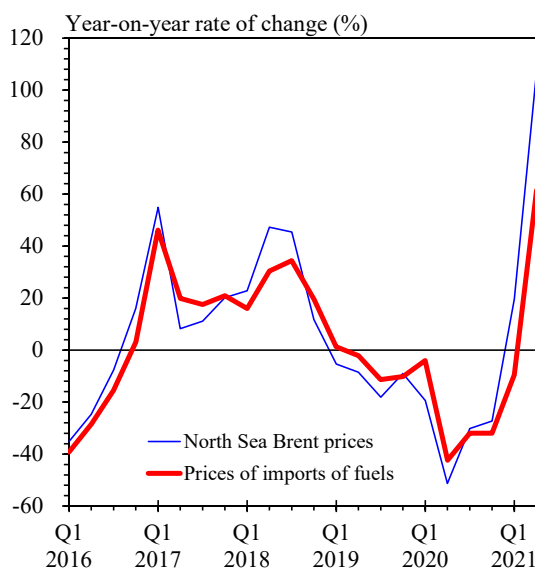


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) The increase in import prices of raw materials and semi-manufactures accelerated



(d) Import prices of fuels surged alongside the elevated international oil prices



Output prices

6.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, showed mixed movements across sectors in the first quarter of 2021. Output prices for the manufacturing sector increased moderately. Among the selected service sectors, output prices for accommodation services continued to decline, albeit at a visibly narrowed pace, as inbound tourism remained frozen. On the other hand, output prices for air transport and water transport recorded double-digit increases amid buoyant trade flows. Separately, output prices for courier services showed a modest increase, while those for land transport fell further. Output prices for telecommunications services extended its secular downtrend.

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>2019</u>		<u>2020</u>				<u>2021</u>
	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Manufacturing	1.0	2.3	1.3	1.3	3.8	2.9	1.9
Selected service sectors ^(a)							
Accommodation services	-8.0	-20.2	-23.4	-23.2	-17.7	-15.8	-4.0
Land transport	1.6	-5.0	-2.6	-3.0	-7.3	-7.2	-5.2
Water transport	-0.8	5.6	1.3	1.7	2.5	17.0	34.4
Air transport	-3.2	15.9	7.5	10.1	18.3	27.7	18.9
Telecommunications	-1.9	-1.8	-2.4	-1.9	-0.6	-2.4	-1.7
Courier services	0.5	5.1	1.8	-0.7	10.3	9.6	2.1

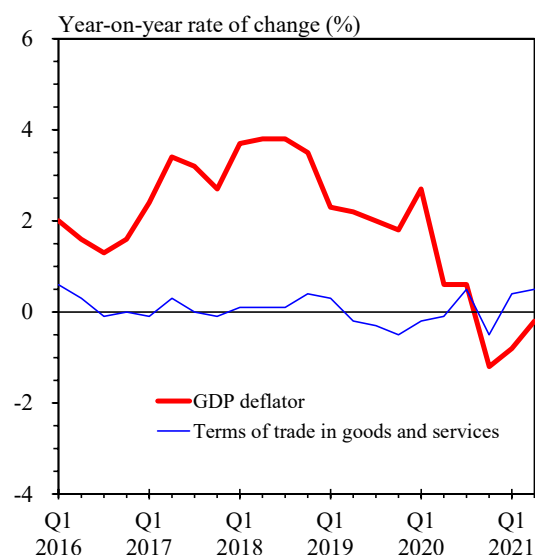
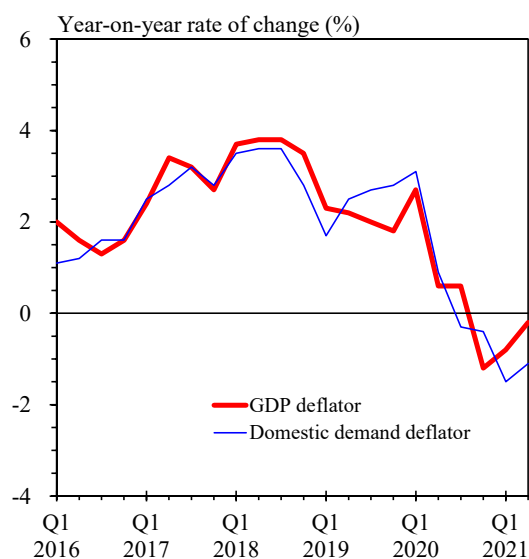
Note : (a) Producer Price Indices for other service sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the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

GDP deflator

6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*⁽⁴⁾ fell mildly by 0.2% from a year earlier in the second quarter of 2021, after decreasing by 0.8% in the preceding quarter. The *terms of trade*⁽⁵⁾ improved modestly from a year earlier as export prices rose faster than import prices. Taking out the external trade components, the domestic demand deflator fell by 1.1% in the second quarter, after decreasing by 1.5% in the preceding quarter.

Diagram 6.6: GDP deflator

- (a) The GDP deflator fell mildly in the second quarter (b) Terms of trade posted a modest increase from a year earlier



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

	2019		2020				2021	
	Annual [#]	Annual [#]	Q1 [#]	Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Private consumption expenditure	2.7	0.6	3.1	0.8	-0.4	-1.0	-1.6	-1.0
Government consumption expenditure	4.7	2.1	5.6	1.9	1.0	0.1	-0.3	-0.1
Gross domestic fixed capital formation	-0.1	-0.5	3.2	-1.3	-1.5	-2.3	-3.8	-1.4
Total exports of goods ^{&}	1.1	0.1	*	-0.1	0.1	0.1	1.3	4.7
Imports of goods ^{&}	1.3	0.1	0.5	-0.2	-0.6	0.6	1.2	4.3
Exports of services ^{&}	-0.3	-0.8	-0.5	-4.5	-1.7	3.2	7.5	10.6
Imports of services ^{&}	-1.0	-0.4	-2.1	-3.1	-1.2	4.4	5.2	10.0
Gross Domestic Product	2.0	0.6	2.7 <0.5>	0.6 <-0.8>	0.6 <0.3>	-1.2 <-1.0>	-0.8 <0.7>	-0.2 <-0.1>
Total final demand ^{&}	1.4	0.3	1.1	*	-0.1	0.1	0.7	3.0
Domestic demand	2.4	0.8	3.1	0.9	-0.3	-0.4	-1.5	-1.1
Terms of trade in goods and services ^{&}	-0.2	-0.1	-0.2	-0.1	0.5	-0.5	0.4	0.5

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.

In May 2021, the Census and Statistics Department rebased the CPI series from 2014/15 to 2019/20, incorporating the updated consumption patterns of households and other relevant information. CPI figures quoted in this report refer to the 2019/20 based series unless otherwise stated.

The expenditure ranges of the households covered in the 2019/20-based CPIs are shown below:

	Approximate proportion of <u>households covered</u> (%)	Average monthly expenditure range <u>during Oct 2019 to Sep 2020</u> (\$)
CPI(A)	50	6,500 to 27,999
CPI(B)	30	28,000 to 48,499
CPI(C)	10	48,500 to 91,999

The weightings of the various components in the 2019/20-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	27.41	32.71	26.76	21.89
<i>Meals out and takeaway food</i>	17.05	18.87	17.27	14.55
<i>Basic food</i>	10.36	13.84	9.49	7.34
Housing	40.25	40.46	40.77	39.24
<i>Private housing rent</i>	35.46	33.43	37.22	35.44
<i>Public housing rent</i>	1.87	4.95	0.55	--
<i>Maintenance costs and other housing charges</i>	2.92	2.08	3.00	3.80
Electricity, gas and water	2.82	3.85	2.57	1.92
Alcoholic drinks and tobacco	0.49	0.76	0.41	0.27
Clothing and footwear	2.42	1.78	2.51	3.08
Durable goods	4.00	3.29	3.94	4.97
Miscellaneous goods	3.32	3.31	3.48	3.10
Transport	6.17	4.52	6.38	7.89
Miscellaneous services	13.12	9.32	13.18	17.64
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>2019</u>		<u>2020</u>				<u>2021</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 [^]	2.2	1.7	2.2	1.3	1.7	1.6	1.4	3.7
Canada	1.9	0.7	1.8	*	0.3	0.8	1.4	3.3
EU	1.4	0.7	1.5	0.6	0.5	0.2	1.4	2.2
Japan	0.5	*	0.5	0.1	0.2	-0.8	-0.4	-0.1
Selected major emerging economies								
Mainland China	2.9	2.5	5.0	2.7	2.3	0.1	*	1.1
Russia	4.5	3.4	2.4	3.1	3.5	4.4	5.5	6.0
India	3.7	6.6	6.7	6.6	6.9	6.4	4.9	5.6
Brazil	3.7	3.2	3.8	2.1	2.6	4.3	5.3	7.7
Selected Asian economies								
Hong Kong	2.9	0.3	2.0	1.3	-1.7	-0.6	1.2	0.8
Singapore	0.6	-0.2	0.4	-0.7	-0.3	-0.1	0.8	2.3
Taiwan	0.6	-0.2	0.5	-1.0	-0.5	*	0.8	2.2
Korea	0.4	0.5	1.2	-0.1	0.6	0.4	1.1	2.5
Malaysia	0.7	-1.1	0.9	-2.6	-1.4	-1.5	0.5	4.2
Thailand	0.7	-0.8	0.4	-2.7	-0.7	-0.4	-0.5	2.4
Indonesia	2.8	2.0	2.9	2.3	1.4	1.6	1.4	1.5
Philippines	2.5	2.6	2.7	2.3	2.5	3.1	4.5	4.4
Vietnam	2.8	3.2	5.6	2.8	3.2	1.4	0.3	2.7
Macao	2.8	0.8	2.6	1.6	*	-0.8	-1.0	-0.4

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)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	(\$Mn)					
Private consumption expenditure	1,224,402	1,314,969	1,413,058	1,502,768	1,593,091	1,649,941
Government consumption expenditure	168,517	185,310	198,572	214,216	231,263	247,973
Gross domestic fixed capital formation	455,294	517,411	515,516	530,916	537,205	535,216
Building and construction	179,341	204,860	211,130	244,047	262,780	283,447
Costs of ownership transfer	36,099	34,074	39,389	43,967	45,846	44,517
Machinery, equipment and intellectual property products	239,854	278,477	264,997	242,902	228,579	207,252
Changes in inventories	11,739	-3,662	-1,673	7,473	-20,580	447
Total exports of goods ^{&}	3,406,765	3,632,957	3,926,059	3,986,769	3,889,225	3,892,886
Imports of goods ^{&}	3,464,968	3,779,686	4,142,651	4,237,700	4,066,527	4,022,579
Exports of services ^{&}	710,716	764,026	812,640	829,085	808,948	764,660
Imports of services ^{&}	578,035	594,266	583,216	573,522	574,345	578,106
GDP	1,934,430	2,037,059	2,138,305	2,260,005	2,398,280	2,490,438
<i>Per capita GDP (\$)</i>	<i>273,549</i>	<i>284,899</i>	<i>297,860</i>	<i>312,609</i>	<i>328,924</i>	<i>339,454</i>
GNI	1,987,256	2,066,514	2,178,824	2,306,612	2,442,656	2,553,031
<i>Per capita GNI (\$)</i>	<i>281,019</i>	<i>289,019</i>	<i>303,504</i>	<i>319,056</i>	<i>335,010</i>	<i>347,986</i>
Total final demand	5,977,433	6,411,011	6,864,172	7,071,227	7,039,152	7,091,123
Total final demand excluding re-exports ^(a)	3,604,705	3,828,055	4,025,243	4,116,670	4,139,786	4,190,526
Domestic demand	1,859,952	2,014,028	2,125,473	2,255,373	2,340,979	2,433,577
Private	1,614,010	1,737,274	1,827,460	1,929,514	1,991,436	2,062,056
Public	245,942	276,754	298,013	325,859	349,543	371,521
External demand	4,117,481	4,396,983	4,738,699	4,815,854	4,698,173	4,657,546

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>2017</u>	<u>2018</u>	<u>2019[#]</u>	<u>2020[#]</u>	<u>2020</u>		<u>2021</u>	
					Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Private consumption expenditure	1,784,148	1,936,117	1,973,438	1,788,293	432,865	464,481	450,967	467,267
Government consumption expenditure	261,447	281,420	309,437	341,745	85,172	84,749	95,595	84,453
Gross domestic fixed capital formation	575,977	612,439	520,574	460,307	114,146	128,451	117,321	123,771
Building and construction	297,306	308,596	278,091	258,442	62,274	65,227	66,302	61,291
Costs of ownership transfer	65,810	67,482	49,209	41,484	11,623	12,412	12,185	15,595
Machinery, equipment and intellectual property products	212,861	236,361	193,274	160,381	40,249	50,812	38,834	46,885
Changes in inventories	10,973	11,204	-3,067	49,202	3,255	23,135	-5,001	11,380
Total exports of goods ^{&}	4,212,774	4,453,350	4,255,098	4,245,242	1,149,115	1,211,626	1,177,759	1,247,212
Imports of goods ^{&}	4,391,306	4,706,347	4,375,619	4,286,753	1,116,429	1,217,339	1,171,015	1,278,742
Exports of services ^{&}	811,295	886,883	798,942	506,559	126,119	127,012	145,515	121,884
Imports of services ^{&}	605,924	639,947	634,243	416,059	101,631	112,244	108,193	101,042
GDP	2,659,384	2,835,119	2,844,560	2,688,536	692,612	709,871	702,948	676,183
<i>Per capita GDP (\$)</i>	<i>359,780</i>	<i>380,502</i>	<i>378,901</i>	<i>359,343</i>	--	--	--	--
GNI	2,774,936	2,969,934	2,988,277	2,836,957	737,370	736,692	724,483	N.A.
<i>Per capita GNI (\$)</i>	<i>375,412</i>	<i>398,595</i>	<i>398,044</i>	<i>379,181</i>	--	--	--	--
Total final demand	7,656,614	8,181,413	7,854,422	7,391,348	1,910,672	2,039,454	1,982,156	2,055,967
Total final demand excluding re-exports ^(a)	4,496,245	4,819,244	4,601,597	4,137,493	1,033,982	1,116,763	1,076,277	1,072,684
Domestic demand	2,632,545	2,841,180	2,800,382	2,639,547	635,438	700,816	658,882	686,871
Private	2,240,260	2,425,244	2,359,405	2,153,532	516,647	577,302	519,674	569,154
Public	392,285	415,936	440,977	486,015	118,791	123,514	139,208	117,717
External demand	5,024,069	5,340,233	5,054,040	4,751,801	1,275,234	1,338,638	1,323,274	1,369,096

- 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Private consumption expenditure	8.4	4.1	4.6	3.3	4.8	2.0
Government consumption expenditure	2.5	3.6	2.7	3.1	3.4	3.4
Gross domestic fixed capital formation	10.2	6.8	2.6	-0.1	-3.2	-0.1
Building and construction	15.7	7.2	-4.3	9.3	2.2	5.9
Costs of ownership transfer	-20.9	-17.8	-28.1	6.9	-8.3	-2.9
Machinery, equipment and intellectual property products	12.3	10.2	11.3	-8.7	-7.7	-6.4
Total exports of goods ^{&}	4.6	3.3	8.2	0.8	-1.7	1.6
Imports of goods ^{&}	6.7	4.6	9.9	1.5	-2.7	0.7
Exports of services ^{&}	5.7	2.7	6.0	1.6	0.3	-3.5
Imports of services ^{&}	-0.2	2.2	-2.1	-2.2	5.0	2.0
GDP	4.8	1.7	3.1	2.8	2.4	2.2
Per capita GDP	4.1	0.6	2.7	2.0	1.5	1.5
RGNI	4.8	-0.2	4.0	2.7	3.8	3.2
Per capita RGNI	4.1	-1.3	3.6	1.9	2.9	2.6
Total final demand	5.3	3.4	6.6	1.6	-0.4	1.3
Total final demand excluding re-exports ^(a)	4.7	3.2	4.2	0.6	0.1	1.5
Domestic demand	6.5	3.9	4.1	2.9	1.6	2.6
Private	6.7	3.6	4.1	2.6	1.3	2.5
Public	5.5	5.8	3.7	4.6	2.9	3.1
External demand	4.8	3.2	7.8	1.0	-1.4	0.7

- 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>2017</u>	<u>2018</u>	<u>2019[#]</u>	<u>2020[#]</u>	<u>2020</u>		<u>2021</u>		Average annual rate of change:	
					Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]	10 years 2010 to 2020 [#]	5 years 2015 to 2020 [#]
Private consumption expenditure	5.5	5.3	-0.8	-9.9	-7.9	-6.9	2.1	6.8	2.6	0.2
Government consumption expenditure	2.8	4.2	5.1	8.1	7.5	6.1	7.0	2.8	3.9	4.7
Gross domestic fixed capital formation	3.1	1.7	-14.9	-11.2	-10.4	3.6	4.8	23.8	-0.8	-4.6
Building and construction	-0.5	-0.5	-10.8	-7.7	-9.5	-4.9	-4.3	-1.1	1.4	-2.9
Costs of ownership transfer	23.2	-11.2	-13.4	-4.0	27.3	27.3	85.8	57.3	-8.7	-2.5
Machinery, equipment and intellectual property products	3.8	8.8	-20.8	-18.0	-20.1	10.1	3.3	61.7	-2.2	-7.2
Total exports of goods ^{&}	6.5	3.5	-5.5	-0.3	3.9	5.5	30.1	20.2	2.0	1.1
Imports of goods ^{&}	7.3	4.7	-8.2	-2.1	1.9	6.7	22.9	21.3	2.1	0.3
Exports of services ^{&}	2.8	4.6	-9.6	-36.1	-32.9	-28.8	-7.3	2.6	-3.5	-9.7
Imports of services ^{&}	2.0	2.8	0.1	-34.1	-35.0	-33.9	-12.0	7.6	-3.2	-6.7
GDP	3.8	2.8	-1.7	-6.1	-3.6	-2.8	8.0	7.6	1.5	0.1
<i>Per capita GDP</i>	<i>3.0</i>	<i>2.0</i>	<i>-2.4</i>	<i>-5.8</i>	--	--	--	--	0.9	-0.4
RGNI	5.7	3.5	-1.7	-5.8	-1.7	-3.3	9.4	N.A.	1.9	0.9
<i>Per capita RGNI</i>	<i>4.9</i>	<i>2.7</i>	<i>-2.5</i>	<i>-5.4</i>	--	--	--	--	1.3	0.4
Total final demand	5.6	3.9	-5.3	-6.1	-3.1	0.1	14.8	15.6	1.5	-0.2
Total final demand excluding re-exports ^(a)	4.5	4.0	-5.0	-10.7	-8.7	-4.5	3.2	11.3	0.6	-1.3
Domestic demand	5.2	4.4	-3.8	-6.5	-6.1	-1.7	-0.9	10.6	2.0	0.3
Private	5.7	4.8	-4.6	-9.2	-8.6	-4.1	-2.9	12.0	1.6	-0.3
Public	2.2	2.4	1.5	7.9	6.6	11.6	7.4	4.0	3.9	3.4
External demand	5.8	3.7	-6.1	-5.9	-1.5	1.1	24.8	18.4	1.3	-0.5

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

	2015		2016		2017		2018		2019 [#]	
	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share
Agriculture, fishing, mining and quarrying	1,630	0.1	1,898	0.1	1,736	0.1	1,762	0.1	2,057	0.1
Manufacturing	26,716	1.1	26,844	1.1	27,299	1.1	27,571	1.0	29,366	1.1
Electricity, gas and water supply, and waste management	34,653	1.5	34,414	1.4	34,978	1.4	35,660	1.3	34,083	1.2
Construction	107,902	4.6	124,932	5.2	129,714	5.1	120,473	4.5	114,499	4.2
Services	2,154,541	92.7	2,229,760	92.2	2,357,359	92.4	2,514,947	93.1	2,559,558	93.4
<i>Import/export, wholesale and retail trades</i>	527,822	22.7	525,526	21.7	548,636	21.5	575,103	21.3	533,352	19.5
<i>Accommodation^(a) and food services</i>	78,134	3.4	79,682	3.3	83,507	3.3	91,525	3.4	75,918	2.8
<i>Transportation, storage, postal and courier services</i>	150,073	6.5	149,742	6.2	153,359	6.0	158,440	5.9	151,574	5.5
<i>Information and communications</i>	80,813	3.5	84,208	3.5	86,891	3.4	91,449	3.4	95,557	3.5
<i>Financing and insurance</i>	409,933	17.6	428,903	17.7	480,488	18.8	535,126	19.8	581,319	21.2
<i>Real estate, professional and business services</i>	252,714	10.9	266,139	11.0	274,822	10.8	280,843	10.4	276,497	10.1
<i>Public administration, social and personal services</i>	407,405	17.5	436,912	18.1	465,488	18.2	499,433	18.5	536,259	19.6
<i>Ownership of premises</i>	247,648	10.6	258,649	10.7	264,166	10.4	283,028	10.5	309,081	11.3
GDP at basic prices	2,325,443	100.0	2,417,849	100.0	2,551,086	100.0	2,700,413	100.0	2,739,563	100.0
Taxes on products	95,433	--	83,743	--	110,698	--	117,825	--	93,623	--
Statistical discrepancy (%)	-0.9	--	-0.4	--	-0.1	--	0.6	--	0.4	--
GDP at current market prices	2,398,280	--	2,490,438	--	2,659,384	--	2,835,119	--	2,844,560	--

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019[#]</u>	<u>2020[#]</u>	<u>2020</u>			<u>2021</u>
							Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]
Agriculture, fishing, mining and quarrying	-6.8	-2.0	-5.2	-1.8	-0.8	4.8	6.1	12.4	-2.8	3.6
Manufacturing	-1.5	-0.4	0.4	1.3	0.4	-5.8	-5.1	-7.4	-6.1	2.6
Electricity, gas and water supply, and waste management	-2.6	-0.8	0.9	0.1	-0.5	-12.7	-13.2	-11.0	-11.9	0.8
Construction	5.4	5.1	-1.3	3.3	-9.7	-5.7	-2.4	-7.4	-1.4	-3.2
Services	1.7	2.3	3.5	3.1	-0.7	-6.6	-8.7	-5.1	-3.8	6.7
<i>Import/export, wholesale and retail trades</i>	-1.1	0.6	4.2	4.2	-7.5	-13.7	-19.3	-9.2	-6.4	24.0
<i>Accommodation^(a) and food services</i>	-1.9	0.5	2.0	5.9	-11.7	-42.0	-42.7	-44.9	-32.9	-6.1
<i>Transportation, storage, postal and courier services</i>	3.3	3.0	4.8	2.5	-1.7	-39.5	-49.6	-41.7	-35.2	0.4
<i>Information and communications</i>	4.0	4.1	4.0	4.1	4.7	1.6	0.5	2.2	2.3	3.7
<i>Financing and insurance</i>	6.1	4.2	5.3	4.0	3.4	3.7	2.8	4.8	4.8	7.4
<i>Real estate, professional and business services</i>	0.7	2.8	2.1	-0.4	-0.2	-5.3	-6.9	-4.9	-3.7	1.3
<i>Public administration, social and personal services</i>	2.5	3.0	3.2	3.6	3.0	-2.1	-2.9	-0.6	-1.6	2.2
<i>Ownership of premises</i>	0.6	0.5	0.9	1.0	0.6	-0.3	-0.3	-0.5	-0.3	0.6
Taxes on products	7.1	-9.1	13.7	-3.9	-11.3	17.6	-8.7	52.3	37.1	46.9
GDP in chained (2019) dollars	2.4	2.2	3.8	2.8	-1.7	-6.1	-9.0	-3.6	-2.8	8.0

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019[#]</u>	<u>2020[#]</u>		<u>2020</u>		<u>2021</u>
						Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]
Current account ^(a)	98,485	121,840	105,942	166,303	175,691	57,959	96,863	31,181	60,620
Goods	-129,693	-178,532	-252,997	-120,521	-41,511	-20,042	32,686	-5,713	6,744
Services	186,554	205,371	246,936	164,699	90,500	22,121	24,488	14,768	37,322
Primary income	62,593	115,552	134,815	143,717	148,421	60,829	44,758	26,821	21,535
Secondary income	-20,969	-20,551	-22,813	-21,592	-21,719	-4,949	-5,069	-4,695	-4,981
Capital and financial account ^(a)	-101,104	-76,488	-175,081	-237,439	-240,657	-88,805	-127,321	-62,781	-89,259
Capital account	-374	-645	-1,574	-682	-508	-127	-108	-140	-126
Financial account	-100,730	-75,843	-173,507	-236,756	-240,149	-88,677	-127,212	-62,641	-89,133
Financial non-reserve assets	-91,874	174,666	-165,948	-245,612	22,900	-104,184	-107,962	170,859	-80,917
<i>Direct investment</i>	<i>447,758</i>	<i>186,887</i>	<i>172,795</i>	<i>160,730</i>	<i>131,913</i>	<i>1,405</i>	<i>64,819</i>	<i>153,405</i>	<i>202</i>
<i>Portfolio investment</i>	<i>-469,591</i>	<i>264,159</i>	<i>-616,428</i>	<i>-215,764</i>	<i>-430,610</i>	<i>-231,339</i>	<i>7,434</i>	<i>-321,012</i>	<i>-16,435</i>
<i>Financial derivatives</i>	<i>36,327</i>	<i>61,763</i>	<i>33,202</i>	<i>1,239</i>	<i>13,831</i>	<i>20,360</i>	<i>2,436</i>	<i>1,924</i>	<i>-5,658</i>
<i>Other investment</i>	<i>-106,368</i>	<i>-338,144</i>	<i>244,483</i>	<i>-191,817</i>	<i>307,765</i>	<i>105,390</i>	<i>-182,651</i>	<i>336,541</i>	<i>-59,026</i>
Reserve assets	-8,856	-250,509	-7,559	8,855	-263,050	15,507	-19,250	-233,499	-8,216
Net errors and omissions	2,619	-45,353	69,139	71,136	64,966	30,846	30,457	31,600	28,639
Overall Balance of Payments	8,856	250,509	7,559	-8,855	263,050	-15,507	19,250	233,499	8,216

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019[#]</u>	<u>2020[#]</u>	<u>2020</u>		<u>2021</u>	
						Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Total exports of goods	3,892,886	4,212,774	4,453,350	4,255,098	4,245,242	1,149,115	1,211,626	1,177,759	1,247,212
Imports of goods	4,022,579	4,391,306	4,706,347	4,375,619	4,286,753	1,116,429	1,217,339	1,171,015	1,278,742
Goods trade balance	-129,693 (-3.2)	-178,532 (-4.1)	-252,997 (-5.4)	-120,521 (-2.8)	-41,511 (-1.0)	32,686 (2.9)	-5,713 (-0.5)	6,744 (0.6)	-31,530 (-2.5)
Exports of services	764,660	811,295	886,883	798,942	506,559	126,119	127,012	145,515	121,884
Imports of services	578,106	605,924	639,947	634,243	416,059	101,631	112,244	108,193	101,042
Services trade balance	186,554 (32.3)	205,371 (33.9)	246,936 (38.6)	164,699 (26.0)	90,500 (21.8)	24,488 (24.1)	14,768 (13.2)	37,322 (34.5)	20,842 (20.6)
Exports of goods and services	4,657,546	5,024,069	5,340,233	5,054,040	4,751,801	1,275,234	1,338,638	1,323,274	1,369,096
Imports of goods and services	4,600,685	4,997,230	5,346,294	5,009,862	4,702,812	1,218,060	1,329,583	1,279,208	1,379,784
Goods and services trade balance	56,861 <1.2>	26,839 <0.5>	-6,061 <-0.1>	44,178 <0.9>	48,989 <1.0>	57,174 <4.7>	9,055 <0.7>	44,066 <3.4>	-10,688 <-0.8>

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

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

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

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		<u>2021</u>	
	(% change)				(% change)	(\$Mn)	Q3	Q4	Q1	Q2
							(% change over a year earlier)			
All markets	-0.5	8.0	7.3	-4.1	-1.5	3,927,517	1.3	5.3	33.2	27.2
Mainland of China	0.4	8.4	8.6	-3.3	5.1	2,324,511	7.0	8.1	39.8	27.8
United States	-5.3	1.9	8.1	-14.8	-14.9	258,842	-10.7	-0.9	19.5	15.9
Japan	-4.9	10.0	0.7	-6.4	-9.7	109,326	-16.4	0.5	8.1	-0.3
Taiwan	14.6	19.9	-3.6	2.4	11.6	98,507	3.9	21.1	49.1	38.2
India	14.6	35.9	-15.3	-12.0	-17.6	97,392	-9.1	-12.2	22.9	53.8
Vietnam	-5.8	10.3	4.5	-3.6	5.3	84,484	7.6	16.0	29.8	24.8
Netherlands	10.3	11.5	11.5	-4.4	-5.2	64,643	-5.4	5.4	44.0	0.1
Singapore	4.8	-0.4	13.3	4.1	-17.5	59,371	-12.4	-18.6	-2.9	14.8
Germany	-5.1	10.8	3.0	-8.9	-14.5	59,277	-14.4	0.6	19.4	11.5
Korea	-0.6	4.9	2.1	-2.3	-7.6	52,260	-8.7	4.1	34.6	31.0
Rest of the world	-3.3	3.8	10.8	-0.8	-10.1	718,905	-3.3	2.5	26.0	35.2

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		<u>2021</u>	
	(% change)				(% change)		Q3	Q4	Q1	Q2
					(\$Mn)		(% change over a year earlier)			
All sources	-0.9	8.7	8.4	-6.5	-3.3	4,269,752	-1.9	6.6	25.6	27.9
Mainland of China	-3.4	5.9	7.7	-5.9	-6.5	1,923,535	-5.0	4.9	30.5	24.8
Taiwan	6.4	12.9	2.7	-2.4	22.8	405,695	34.2	23.5	40.6	44.2
Singapore	6.4	10.1	9.0	-7.5	8.1	314,144	9.1	14.2	35.0	40.7
Korea	14.0	28.5	10.4	-20.9	12.3	247,170	4.8	27.9	26.6	44.3
Japan	-5.2	2.7	2.6	-2.8	-5.0	239,984	-10.8	1.5	12.0	20.6
United States	-2.0	3.4	8.1	-7.9	-17.9	174,706	-24.6	-5.5	6.0	28.5
Malaysia	-3.7	26.8	64.6	-14.3	1.2	163,904	14.1	-5.6	5.9	-7.3
Vietnam	6.6	13.6	7.3	18.5	28.4	100,642	17.7	14.8	45.6	6.6
Thailand	-2.7	8.5	2.8	-7.4	1.4	86,458	4.2	6.2	23.6	23.9
Philippines	5.8	27.6	1.1	-9.1	-0.1	70,094	2.9	0.7	21.6	32.5
Rest of the world	-1.9	7.7	6.4	-4.9	-17.0	543,421	-14.7	-0.5	13.0	32.9

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019[#]</u>	<u>2020[#]</u>	<u>2020</u> Q3 [#]	<u>2020</u> Q4 [#]	<u>2021</u> Q1 [#]	<u>2021</u> Q2 [#]	
	(% change)				(% change)					(\$Mn)
Exports of services	-5.5	6.1	9.3	-9.9	-36.6	506,559	-34.0	-26.5	-0.3	13.5
Transport	-5.3	8.6	9.0	-4.7	-28.0	177,708	-27.5	-15.6	15.2	27.9
Travel	-9.0	1.9	11.2	-21.6	-90.3	22,046	-96.9	-89.9	-75.1	24.5
Financial services	-6.9	13.5	10.9	-2.9	-0.6	168,128	0.5	-1.4	7.0	4.5
Other services	2.3	2.9	5.1	-5.1	-11.4	138,677	-11.0	-9.1	1.1	2.8
Imports of services	0.7	4.8	5.6	-0.9	-34.4	416,059	-35.8	-31.0	-7.4	18.5
Transport	-2.1	3.7	6.6	-1.1	-17.5	118,518	-16.4	-2.7	22.9	37.4
Travel	4.8	5.6	4.7	1.6	-80.3	41,395	-88.0	-88.6	-78.1	57.9
Manufacturing [^]	-2.0	3.5	2.0	-5.5	-15.4	74,524	-12.7	-1.3	13.7	14.6
Other services	-0.1	5.5	7.6	-1.3	-5.3	181,622	-2.8	-3.6	4.8	4.0

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

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

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

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

Table 10 : Incoming visitors by source

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>		<u>2021</u>	
						Q3	Q4	Q1	Q2
<u>('000)</u>									
All sources	56 654.9	58 472.2	65 147.6	55 912.6	3 568.9	34.1	18.6	16.5	17.2
Mainland of China	42 778.1	44 445.3	51 038.2	43 774.7	2 706.4	14.3	10.9	11.6	12.7
South and Southeast Asia	3 701.8	3 626.2	3 571.7	3 040.5	190.5	8.3	3.5	2.0	1.5
Taiwan	2 011.4	2 010.8	1 925.2	1 538.9	105.1	1.2	1.1	0.8	0.5
Europe	1 904.9	1 901.5	1 937.6	1 728.4	158.8	7.4	1.7	1.2	1.5
United States	1 211.5	1 215.6	1 304.2	1 107.2	80.8	0.8	0.4	0.3	0.2
Japan	1 092.3	1 230.0	1 287.8	1 078.8	50.3	0.1	0.1	#	#
Others	3 954.8	4 042.9	4 082.8	3 644.1	276.9	2.0	1.1	0.6	0.8
<u>(% change over a year earlier)</u>									
All sources	-4.5	3.2	11.4	-14.2	-93.6	-99.7	-99.8	-99.5	-35.9
Mainland of China	-6.7	3.9	14.8	-14.2	-93.8	-99.8	-99.8	-99.6	-17.2
South and Southeast Asia	4.0	-2.0	-1.5	-14.9	-93.7	-98.5	-99.4	-98.8	-52.5
Taiwan	-0.2	*	-4.3	-20.1	-93.2	-99.7	-99.6	-99.3	-56.7
Europe	4.1	-0.2	1.9	-10.8	-90.8	-97.9	-99.6	-99.2	-69.8
United States	2.6	0.3	7.3	-15.1	-92.7	-99.7	-99.8	-99.6	-69.5
Japan	4.1	12.6	4.7	-16.2	-95.3	-100.0	-100.0	-99.9	-49.5
Others	3.2	2.2	1.0	-10.7	-92.4	-99.7	-99.8	-99.8	-47.9

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

(#) Less than 0.05.

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

Table 11 : Property market

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (in units)	9 449	10 149	8 254	15 719	11 280	14 595	17 791
Commercial property	197	226	161	161	233	276	303
<i>of which :</i>							
Office space	155	136	123	104	164	153	198
Other commercial premises ^(b)	42	90	39	57	69	123	105
Industrial property ^(c)	105	170	85	116	30	78	105
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	32	46	85	36	30	5	23
Storage premises ^(d)	73	123	0	80	0	73	83
Production of public housing							
(in units)							
Rental housing flats ^(e)	17 787	9 778	20 898	5 634	10 147	21 755	11 268
Subsidised sales flats ^(e)	0	0	0	0	1 310	229	2 788
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	580.6	796.4	816.0	647.1	893.3	645.8	872.8
Commercial property	133.6	210.2	309.5	290.3	319.0	312.4	488.6
Industrial property ^(f)	109.3	70.7	138.1	105.9	225.3	76.2	62.5
Other properties	232.7	428.9	136.4	217.1	555.4	235.1	227.1
Total	1 056.2	1 506.1	1 400.1	1 260.4	1 993.0	1 269.4	1 651.1
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	84 462	81 333	50 676	63 807	55 982	54 701	61 591
Primary market	10 880	12 968	11 046	16 857	16 826	16 793	18 645
Secondary market	73 582	68 365	39 630	46 950	39 156	37 908	42 946
Selected types of non-residential properties ^(h)							
Office space	3 071	3 269	1 685	1 271	1 470	1 105	1 955
Other commercial premises	5 980	7 282	4 305	3 092	2 067	1 523	2 198
Flatted factory space	7 619	9 731	4 271	3 016	3 407	2 727	5 135

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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>		<u>2021</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)	20 968	13 643	20 888	2 313	7 204	2 249	6 712
Commercial property	304	384	136	20	30	11	24
<i>of which :</i>							
Office space	179	267	69	14	12	8	12
Other commercial premises ^(b)	125	118	67	6	18	3	12
Industrial property ^(c)	44	56	38	2	23	0	15
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	41	56	38	2	23	0	15
Storage premises ^(d)	3	0	0	0	0	0	0
Production of public housing							
(in units)							
Rental housing flats ^(e)	20 137	9 634	6 605	0	3 140	2 409	N.A.
Subsidised sales flats ^(e)	4 863	7 027	7 610	0	0	0	N.A.
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	703.0	765.0	520.1	118.1	109.9	152.2	N.A.
Commercial property	109.2	763.0	228.1	78.4	26.9	112.7	N.A.
Industrial property ^(f)	98.4	177.7	182.6	39.2	121.0	9.4	N.A.
Other properties	91.9	234.6	410.8	263.8	73.8	13.7	N.A.
Total	1 002.5	1 940.3	1 341.5	499.5	331.6	288.0	N.A.
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	57 247	59 797	59 880	15 515	17 088	18 131	22 000
Primary market	15 633	21 108	15 317	3 549	5 358	3 692	4 593
Secondary market	41 614	38 689	44 563	11 966	11 730	14 439	17 407
Selected types of non-residential properties ^(h)							
Office space	1 331	861	686	186	226	244	332
Other commercial premises	1 926	1 300	1 269	375	410	538	612
Flatted factory space	4 852	2 426	2 117	630	695	886	1 035

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	182.1	206.2	242.4	256.9	296.8	286.1	333.9
Office space	297.9	334.7	409.8	423.0	448.9	426.9	487.1
Shopping space	327.4	420.5	506.8	521.2	559.2	526.9	558.4
Flatted factory space	385.0	489.8	655.4	668.0	723.9	692.7	778.1
Property rental indices ^(b) :							
Residential flats	134.0	142.6	154.5	159.5	172.8	168.2	182.6
Office space	169.9	188.3	204.1	213.7	226.7	232.3	241.8
Shopping space	134.3	151.3	165.5	173.1	182.5	178.6	182.5
Flatted factory space	118.6	131.9	147.3	160.1	174.4	181.4	190.7
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	20.7	13.2	17.6	6.0	15.5	-3.6	16.7
Office space	29.3	12.4	22.4	3.2	6.1	-4.9	14.1
Shopping space	27.3	28.4	20.5	2.8	7.3	-5.8	6.0
Flatted factory space	35.4	27.2	33.8	1.9	8.4	-4.3	12.3
Property rental indices ^(b) :							
Residential flats	11.9	6.4	8.3	3.2	8.3	-2.7	8.6
Office space	15.1	10.8	8.4	4.7	6.1	2.5	4.1
Shopping space	9.3	12.7	9.4	4.6	5.4	-2.1	2.2
Flatted factory space	8.9	11.2	11.7	8.7	8.9	4.0	5.1

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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>		<u>2021</u>	
				Q3	Q4	Q1 [#]	Q2 ⁺
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	377.3	383.0	381.2	383.5	380.6	385.5	393.5
Office space	554.7	543.0	468.8	456.8	490.0	500.1	508.4
Shopping space	591.4	549.7	518.9	512.0	511.1	528.7	537.3
Flatted factory space	888.1	887.9	826.1	816.5	817.1	852.9	877.5
Property rental indices ^(b) :							
Residential flats	193.0	194.4	180.3	180.2	177.8	175.1	177.7
Office space	252.2	261.4	241.7	237.7	232.6	232.8	233.0
Shopping space	187.0	187.2	169.9	168.9	168.8	169.2	170.8
Flatted factory space	202.3	209.7	200.5	199.9	202.5	200.7	206.3
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	13.0	1.5	-0.5	-1.1	-0.1	2.2	2.6
Office space	13.9	-2.1	-13.7	-17.4	-5.3	4.8	12.6
Shopping space	5.9	-7.1	-5.6	-5.9	0.6	0.7	1.9
Flatted factory space	14.1	*	-7.0	-8.3	-3.2	1.4	5.8
Property rental indices ^(b) :							
Residential flats	5.7	0.7	-7.3	-9.3	-7.1	-4.9	-0.8
Office space	4.3	3.6	-7.5	-9.9	-10.1	-8.0	-4.3
Shopping space	2.5	0.1	-9.2	-10.6	-7.0	-2.8	1.7
Flatted factory space	6.1	3.7	-4.4	-6.0	-2.7	-0.1	3.8

Table 13 : Monetary aggregates

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	794,726	920,920	1,000,344	1,116,675	1,253,380	1,428,775	1,598,014
M2 ^(a)	4,046,216	4,537,384	4,795,130	5,225,773	5,765,549	6,280,230	7,010,345
M3 ^(a)	4,055,404	4,545,590	4,806,012	5,236,188	5,778,772	6,292,666	7,024,514
Total money supply (\$Mn)							
M1	1,127,320	1,377,359	1,510,895	1,708,724	1,971,146	2,213,970	2,431,461
M2	8,057,530	8,950,005	10,056,437	11,011,372	11,618,441	12,508,127	13,755,255
M3	8,081,079	8,970,396	10,085,243	11,048,944	11,655,019	12,551,331	13,803,837
Deposit (\$Mn)							
HK\$	3,740,240	4,176,200	4,390,953	4,800,330	5,312,403	5,809,060	6,484,616
Foreign currency	3,851,020	4,120,234	4,789,109	5,272,804	5,437,346	5,918,240	6,267,872
Total	7,591,260	8,296,434	9,180,062	10,073,135	10,749,749	11,727,300	12,752,488
Loans and advances (\$Mn)							
HK\$	3,160,002	3,333,059	3,606,018	4,000,361	4,152,589	4,479,107	5,359,983
Foreign currency	1,920,659	2,233,751	2,850,795	3,275,910	3,381,951	3,544,284	3,953,686
Total	5,080,661	5,566,810	6,456,813	7,276,271	7,534,540	8,023,390	9,313,668
Nominal Effective Exchange Rate Indices (Jan 2010 =100) ^(b)							
Trade-weighted	94.6	94.9	94.9	96.0	101.3	104.1	104.2
Import-weighted	93.9	94.2	94.7	96.0	101.7	104.2	104.2
Export-weighted	95.4	95.6	95.1	95.9	100.9	104.1	104.3
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	8.9	15.9	8.6	11.6	12.2	14.0	11.8
M2 ^(a)	4.6	12.1	5.7	9.0	10.3	8.9	11.6
M3 ^(a)	4.6	12.1	5.7	9.0	10.4	8.9	11.6
Total money supply							
M1	10.8	22.2	9.7	13.1	15.4	12.3	9.8
M2	12.9	11.1	12.4	9.5	5.5	7.7	10.0
M3	12.9	11.0	12.4	9.6	5.5	7.7	10.0
Deposit							
HK\$	3.4	11.7	5.1	9.3	10.7	9.3	11.6
Foreign currency	18.7	7.0	16.2	10.1	3.1	8.8	5.9
Total	10.6	9.3	10.7	9.7	6.7	9.1	8.7
Loans and advances							
HK\$	11.9	5.5	8.2	10.9	3.8	7.9	19.7
Foreign currency	36.9	16.3	27.6	14.9	3.2	4.8	11.6
Total	20.2	9.6	16.0	12.7	3.5	6.5	16.1
Nominal Effective Exchange Rate Indices (Jan 2010 =100) ^(b)							
Trade-weighted	-4.9	0.3	*	1.2	5.5	2.8	0.1
Import-weighted	-5.3	0.3	0.5	1.4	5.9	2.5	*
Export-weighted	-4.4	0.2	-0.5	0.8	5.2	3.2	0.2

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)

	2018	2019	2020	2020		2021	
				Q3	Q4	Q1	Q2
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,555,731	1,533,104	1,972,719	2,406,597	1,972,719	2,079,446	2,553,280
M2 ^(a)	7,262,451	7,438,789	7,922,089	8,243,060	7,922,089	8,128,388	8,461,821
M3 ^(a)	7,284,322	7,454,655	7,937,038	8,258,067	7,937,038	8,143,300	8,477,737
Total money supply (\$Mn)							
M1	2,421,598	2,484,738	3,231,921	3,576,701	3,231,921	3,386,579	3,866,519
M2	14,348,059	14,745,872	15,606,608	15,845,097	15,606,608	15,760,021	16,231,151
M3	14,403,688	14,786,375	15,644,043	15,883,405	15,644,043	15,797,352	16,270,817
Deposit (\$Mn)							
HK\$	6,715,262	6,884,143	7,311,368	7,649,305	7,311,368	7,508,711	7,865,877
Foreign currency	6,671,119	6,887,444	7,202,247	7,122,830	7,202,247	7,173,630	7,317,676
Total	13,386,381	13,771,586	14,513,615	14,772,135	14,513,615	14,682,341	15,183,554
Loans and advances (\$Mn)							
HK\$	5,836,238	6,219,377	6,106,960	6,517,104	6,106,960	6,254,914	6,619,402
Foreign currency	3,886,385	4,157,325	4,391,617	4,514,395	4,391,617	4,535,055	4,630,411
Total	9,722,623	10,376,701	10,498,577	11,031,500	10,498,577	10,789,969	11,249,814
Nominal Effective Exchange Rate Indices							
(Jan 2010 = 100) ^(b)							
Trade-weighted	101.8	105.2	105.8	105.8	102.3	100.9	101.0
Import-weighted	101.7	104.9	105.4	105.4	102.0	100.7	100.9
Export-weighted	101.9	105.5	106.2	106.1	102.7	101.2	101.0
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	-2.6	-1.5	28.7	55.6	28.7	31.7	45.2
M2 ^(a)	3.6	2.4	6.5	10.8	6.5	9.2	10.9
M3 ^(a)	3.7	2.3	6.5	10.7	6.5	9.1	10.9
Total money supply							
M1	-0.4	2.6	30.1	44.9	30.1	29.5	36.2
M2	4.3	2.8	5.8	9.2	5.8	6.5	7.5
M3	4.3	2.7	5.8	9.2	5.8	6.4	7.5
Deposit							
HK\$	3.6	2.5	6.2	11.1	6.2	9.2	11.5
Foreign currency	6.4	3.2	4.6	6.2	4.6	4.0	4.2
Total	5.0	2.9	5.4	8.7	5.4	6.6	7.9
Loans and advances							
HK\$	8.9	6.6	-1.8	4.5	-1.8	1.0	8.6
Foreign currency	-1.7	7.0	5.6	10.9	5.6	1.2	0.7
Total	4.4	6.7	1.2	7.0	1.2	1.1	5.2
Nominal Effective Exchange Rate Indices							
(Jan 2010 = 100) ^(b)							
Trade-weighted	-2.3	3.3	0.6	-0.5	-3.9	-5.6	-6.9
Import-weighted	-2.4	3.1	0.5	-0.5	-3.7	-5.5	-6.6
Export-weighted	-2.3	3.5	0.7	-0.6	-3.8	-5.8	-7.3

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>			<u>2021</u>
					Q2	Q3	Q4	Q1
Services Industry								
Import and export trade	2.3	3.7	-6.6	-3.6	-8.9	-0.4	6.1	27.6
Wholesale	2.8	4.3	-8.3	-7.9	-12.6	-4.5	-0.3	11.2
Retail	2.2	8.7	-11.1	-24.3	-31.4	-16.7	-9.0	7.5
Transportation	7.1	8.0	-2.3	-19.7	-29.0	-23.7	-6.8	19.3
<i>within which:</i>								
Land transport	1.8	5.3	1.3	-23.9	-31.2	-24.1	-13.0	-4.6
Water transport	5.6	4.4	0.1	10.7	-0.1	7.2	35.7	67.1
Air transport	10.0	11.3	-4.9	-36.2	-45.2	-42.3	-30.1	-9.4
Warehousing and storage	14.1	12.7	-1.4	11.5	0.9	19.7	27.0	39.0
Courier	19.1	-0.7	-3.9	28.4	30.2	42.5	36.2	47.3
Accommodation services ^(a)	6.0	10.8	-14.3	-59.1	-70.4	-50.9	-33.2	16.1
Food services	5.0	6.0	-5.9	-29.4	-26.0	-35.2	-25.2	-8.8
Information and communications	2.9	3.1	1.2	-8.5	-14.4	-8.6	-0.5	6.1
<i>within which:</i>								
Telecommunications	-3.5	2.2	-2.6	-9.0	-15.0	-9.0	2.0	7.7
Film entertainment	4.3	3.1	-2.3	-44.0	-53.7	-49.1	-32.2	-17.0
Banking	-0.1	6.8	2.8	-8.0	-8.1	-13.8	-12.2	-3.7
Financing (except banking)	7.2	10.3	1.1	12.2	9.4	15.7	17.7	29.1
<i>within which:</i>								
Financial markets and asset management	1.6	11.6	0.8	13.2	8.8	19.2	21.4	36.3
<i>within which : Asset management</i>	4.4	3.7	7.3	11.6	5.9	18.4	17.9	26.2
Insurance	11.8	8.7	8.8	6.1	0.7	4.5	8.9	-1.6
Real estate	10.2	5.4	11.4	3.2	-5.6	8.1	26.9	10.4
Professional, scientific and technical services	1.9	3.3	1.3	-2.1	-3.2	-2.6	-0.7	2.9
Administrative and support services	1.5	3.5	0.4	-25.4	-34.5	-27.4	-25.9	-10.6
Services Domain								
Tourism, convention and exhibition services	0.8	11.0	-18.9	-87.1	-94.8	-90.7	-85.2	-72.1 ⁺
Computer and information technology services	1.4	2.9	-7.2	-3.2	-3.7	-0.1	2.4	22.8

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>		<u>2021</u>	
						Q3 [#]	Q4 [#]	Q1	Q2
<u>(%)</u>									
Labour force participation rate	61.1	61.1	61.2	60.6	59.6	59.6	59.6	59.6	59.5
Seasonally adjusted unemployment rate ^(a)	3.4	3.1	2.8	2.9	5.8	6.3	6.5	6.8	5.5
Underemployment rate	1.4	1.2	1.1	1.1	3.3	3.9	3.4	3.8	2.5
<u>('000)</u>									
Population of working age	6 420.9	6 463.3	6 506.4	6 549.1	6 528.3	6 497.4	6 503.7	6 498.9	6 472.0
Labour force	3 920.1	3 946.6	3 979.0	3 966.2	3 888.2	3 875.2	3 874.4	3 873.9	3 853.1
Persons employed	3 787.1	3 823.2	3 867.0	3 849.9	3 661.6	3 619.8	3 630.2	3 614.1	3 640.1
Persons unemployed	133.0	123.4	112.0	116.3	226.6	255.4	244.2	259.8	213.1
Persons underemployed	54.7	45.6	43.2	42.0	129.5	149.4	133.3	148.4	96.0
<u>(% change over a year earlier)</u>									
Population of working age	0.6	0.7	0.7	0.7	-0.3	-1.0	-1.0	-0.8	-0.9
Labour force	0.4	0.7	0.8	-0.3	-2.0	-2.4	-1.9	-0.7	-0.7
Persons employed	0.4	1.0	1.1	-0.4	-4.9	-6.0	-5.1	-3.3	*
Persons unemployed	2.8	-7.2	-9.2	3.8	94.9	112.8	96.6	58.7	-12.1
Persons underemployed	2.5	-16.5	-5.3	-2.8	208.3	261.0	180.6	76.8	-33.4

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

(#) Figures have been revised to take into account the final 2020 population estimates.

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

Table 16 : Employment in selected major industries

Selected major industries	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>			<u>2021</u>	(No.)
	(% change)					Jun	Sep	Dec	Mar	
						(% change over a year earlier)				
Manufacturing	-3.6	-3.3	-3.0	-3.5	-4.0	-3.7	-3.5	-4.1	-3.6	81 204
Construction sites (covering manual workers only)	13.3	10.1	-5.8	-9.0	-4.5	-4.9	-3.1	-3.8	1.6	102 702
Import and export trade	-0.7	-0.4	-0.6	-5.7	-11.0	-12.3	-11.6	-11.6	-8.6	383 970
Wholesale	-0.8	-0.6	-0.9	-4.0	-8.8	-10.0	-8.6	-10.1	-8.4	50 625
Retail	-1.1	0.5	1.7	-1.7	-6.3	-8.1	-6.5	-4.1	-2.0	249 866
Food and beverage services	-0.2	0.3	2.8	-2.3	-13.6	-15.4	-13.5	-13.6	-7.2	205 526
Accommodation services ^(a)	-2.1	0.3	4.8	1.8	-14.7	-14.4	-15.4	-19.1	-9.4	34 415
Transportation, storage, postal and courier services	0.5	0.2	0.6	0.3	-3.7	-2.3	-3.0	-7.5	-6.7	165 453
Information and communications	0.7	0.9	1.5	1.9	-0.3	-0.2	-0.1	-0.3	-0.4	109 273
Financing and insurance	0.8	1.5	2.6	2.9	0.6	0.7	0.7	0.1	-0.8	236 191
Real estate	-0.1	1.3	2.0	1.2	0.4	*	1.1	1.2	1.9	136 963
Professional and business services (excluding cleaning and similar services)	1.9	2.1	3.2	1.5	-0.3	-0.6	*	*	0.3	306 727
Cleaning and similar services	0.5	0.7	-1.4	-0.3	0.3	-0.6	0.5	1.2	1.6	81 762
Education	2.3	1.6	1.8	1.7	-1.0	-1.1	-1.1	-1.3	0.1	205 421
Human health services	4.3	3.5	3.4	4.7	4.1	4.6	4.1	3.4	4.0	145 287
Residential care and social work services	3.0	1.0	1.0	2.4	0.4	0.6	-0.1	-1.6	-0.3	65 678
Arts, entertainment, recreation and other services	-2.2	-0.6	1.4	0.8	-5.4	-5.2	-6.2	-6.1	-2.6	118 330
Civil service ^(b)	1.2	1.6	2.1	2.2	0.7	1.2	0.1	-0.2	-0.1	177 564
Others ^(c)	0.8	2.1	*	1.5	-1.7	-4.6	-0.4	0.5	2.5	11 306

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		<u>2021</u>
						Jun	Sep	Dec	Mar
<u>(Number)</u>									
Building sites									
Private sector	60 243	65 985	65 700	62 903	54 957	55 329	52 209	52 839	57 539
Public sector ^(a)	16 030	21 660	21 604	19 257	22 982	23 155	23 016	23 933	25 460
Sub-total	76 273	87 645	87 303	82 160	77 939	78 484	75 225	76 772	82 999
Civil engineering sites									
Private sector	1 386	979	1 729	2 483	2 180	2 178	1 866	2 079	2 034
Public sector ^(a)	30 141	30 050	22 816	17 108	17 064	16 980	16 819	17 266	17 669
Sub-total	31 526	31 029	24 546	19 591	19 244	19 158	18 685	19 345	19 703
Total	107 799	118 674	111 849	101 750	97 182	97 642	93 910	96 117	102 702
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	19.6	9.5	-0.4	-4.3	-12.6	-13.8	-13.1	-11.8	-3.2
Public sector ^(a)	3.6	35.1	-0.3	-10.9	19.3	27.1	26.4	11.7	16.7
Sub-total	15.8	14.9	-0.4	-5.9	-5.1	-4.7	-3.9	-5.6	2.1
Civil engineering sites									
Private sector	-13.9	-29.3	76.6	43.6	-12.2	-16.6	-24.7	-11.6	-21.7
Public sector ^(a)	9.0	-0.3	-24.1	-25.0	-0.3	-4.1	4.4	6.3	2.8
Sub-total	7.7	-1.6	-20.9	-20.2	-1.8	-5.8	0.5	4.1	-0.4
Total	13.3	10.1	-5.8	-9.0	-4.5	-4.9	-3.1	-3.8	1.6

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

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

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

	(%)								
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>			<u>2021</u>
Selected industry sections						Q2	Q3	Q4	Q1
(in nominal terms)									
Manufacturing	3.5	3.4	4.0	3.8	-0.1	-0.9	-1.3	-1.1	-1.8
Import/export and wholesale trades	2.3	2.9	3.2	2.3	0.5	0.6	*	-0.1	-0.5
Retail trade	2.4	3.3	3.0	2.3	0.1	0.2	-0.3	-0.4	-0.3
Transportation, storage, postal and courier services	3.3	3.4	4.1	3.9	-5.4	-3.9	-5.4	-10.5	-8.2
Accommodation ^(a) and food service activities	5.1	4.7	5.3	4.7	-2.9	-2.7	-4.1	-4.2	-5.3
Information and communications	3.4	3.3	3.3	3.9	2.3	2.3	1.7	1.7	1.2
Financial and insurance activities	2.7	3.0	3.1	3.0	1.7	1.7	1.6	1.6	1.4
Real estate activities	4.2	4.3	4.3	4.1	1.5	1.6	1.2	1.1	1.1
Professional and business services	5.1	4.2	4.6	3.8	1.6	1.3	1.3	1.2	1.1
Social and personal services	2.5	3.1	4.3	2.3	6.2	4.6	4.6	5.6	-1.7
All selected industry sections surveyed	3.7	3.7	3.9	3.4	2.4	2.2	2.0	1.8	0.7
(in real terms)									
Manufacturing	1.0	2.0	1.6	0.9	-0.4	-2.3	0.5	-0.5	-3.0
Import/export and wholesale trades	-0.1	1.4	0.8	-0.5	0.2	-0.8	1.8	0.4	-1.7
Retail trade	*	1.8	0.6	-0.5	-0.1	-1.3	1.5	0.2	-1.6
Transportation, storage, postal and courier services	0.9	1.9	1.6	1.0	-5.6	-5.3	-3.7	-10.0	-9.3
Accommodation ^(a) and food service activities	2.6	3.2	2.8	1.8	-3.2	-4.1	-2.3	-3.6	-6.4
Information and communications	1.0	1.9	0.8	0.9	2.0	0.8	3.5	2.3	-0.1
Financial and insurance activities	0.3	1.6	0.7	0.2	1.2	0.2	3.5	2.2	0.1
Real estate activities	1.7	2.8	1.9	1.1	1.3	0.2	3.0	1.7	-0.1
Professional and business services	2.6	2.7	2.2	0.9	1.4	-0.2	3.1	1.8	-0.1
Social and personal services	0.1	1.6	1.8	-0.6	6.0	3.1	6.5	6.2	-2.9
All selected industry sections surveyed	1.3	2.3	1.5	0.5	2.1	0.7	3.8	2.4	-0.5

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 2019/20-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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>			<u>2021</u>
Selected industry sections						Jun	Sep	Dec	Mar
(in nominal terms)									
Manufacturing	4.0	3.7	3.6	3.5	2.0	2.0	1.7	1.6	1.5
Import/export, wholesale and retail trades	2.7	3.0	3.0	2.3	1.0	1.0	0.8	0.7	0.5
Transportation	3.5	2.9	4.7	4.4	0.1	0.6	-1.7	-1.5	-2.1
Accommodation ^(a) and food service activities	4.9	4.7	4.6	4.1	1.0	0.9	0.9	0.9	0.8
Financial and insurance activities ^(b)	3.4	3.5	3.5	3.7	2.3	2.4	2.2	2.3	2.3
Real estate leasing and maintenance management	3.7	4.1	4.4	3.9	2.7	2.6	2.5	2.7	2.8
Professional and business services	4.7	4.7	4.4	3.6	1.7	1.2	1.4	1.5	1.5
Personal services	5.5	4.2	4.1	3.3	0.7	0.6	0.6	0.4	-0.2
All industries surveyed	3.7	3.8	4.0	3.5	1.3	1.3	1.0	1.0	0.9
(in real terms)									
Manufacturing	1.5	2.2	0.8	0.2	3.1	1.2	8.6	2.9	0.1
Import/export, wholesale and retail trades	0.3	1.6	0.1	-1.0	2.1	0.3	7.6	2.0	-1.0
Transportation	1.0	1.5	1.7	1.0	1.3	-0.1	4.9	-0.2	-3.5
Accommodation ^(a) and food service activities	2.3	3.3	1.7	0.7	2.1	0.1	7.7	2.2	-0.6
Financial and insurance activities ^(b)	0.9	2.1	0.6	0.2	3.7	1.7	9.1	3.6	0.8
Real estate leasing and maintenance management	1.1	2.6	1.4	0.5	3.8	1.9	9.4	4.0	1.3
Professional and business services	2.3	3.2	1.5	0.3	2.8	0.4	8.3	2.8	0.1
Personal services	3.0	2.7	1.1	0.2	1.7	-0.2	7.4	1.6	-1.6
All industries surveyed	1.2	2.3	1.0	0.1	2.5	0.5	7.8	2.3	-0.6

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 2019/20-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.

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

(HK\$)

Industry sections	May – Jun 2019			May – Jun 2020		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing ^(a)	14,800	17,800	27,700	14,500	17,500	27,100
Electricity and gas supply; sewerage, waste management and remediation activities	21,600	28,200	42,400	21,100	28,000	43,100
Construction	18,500	23,500	29,500	18,400	23,000	29,800
Import and export trade	14,000	18,800	28,000	14,200	18,900	28,200
Wholesale	12,000	15,100	20,500	12,200	15,200	20,600
Retail trade	11,000	14,000	18,100	10,500	13,700	18,000
<i>within which:</i>						
Supermarkets and convenience stores	7,400	11,900	14,400	7,600	11,700	14,200
Other retail stores	11,500	14,200	18,500	11,500	14,300	18,800
Land transport	14,700	19,800	29,100	14,500	19,400	28,700
Other transportation, storage, postal and courier services ^(b)	14,300	19,000	25,000	14,000	18,500	24,800
Food and beverage services	11,000	13,800	18,000	10,000	13,600	17,500
<i>within which:</i>						
Hong Kong style tea cafes	12,100	13,700	17,600	12,000	13,700	17,700
Chinese restaurants	12,800	15,000	20,200	12,800	15,100	20,500
Restaurants, other than Chinese	12,000	14,200	18,000	11,800	14,300	18,000
Fast food cafes ^(c)	4,900	10,100	13,500	4,900	10,200	13,700
Other food and beverage services	9,000	13,400	16,800	6,300	13,000	16,800
Accommodation services ^(d)	13,500	16,200	21,000	13,400	15,700	21,000
Information and communications	16,000	23,700	36,200	16,500	23,700	36,000
Financing and insurance	18,600	28,300	47,200	19,000	28,600	47,500
Real estate activities ^(e)	14,800	23,000	34,600	14,200	21,800	34,200
Estate management, security and cleaning services	10,100	13,000	15,900	10,200	13,000	15,700
<i>within which:</i>						
Real estate maintenance management	12,500	14,100	17,100	12,500	14,500	17,400
Security services ^(f)	11,800	13,600	16,400	11,800	13,800	16,500
Cleaning services	7,900	9,800	11,000	8,000	10,000	11,100
Membership organisations ^(g)	10,800	13,700	21,800	11,400	14,000	22,000
Professional, scientific and technical services	15,500	24,300	37,100	16,000	25,000	37,500
Administrative and support services activities	13,000	17,000	26,800	13,000	17,300	27,200
Travel agency, reservation service and related activities	12,400	15,300	21,900	11,000	15,200	21,500
Education and public administration (excluding the Government)	14,100	29,200	51,600	14,500	30,000	52,000
Human health activities; and beauty and body prettifying treatment	14,100	19,500	42,700	14,200	19,600	42,400
Miscellaneous activities	11,000	13,100	17,000	10,800	13,000	17,000
<i>within which:</i>						
Elderly homes	12,800	14,500	17,300	12,800	14,500	17,500
Laundry and dry cleaning services	9,400	12,000	16,300	8,400	12,000	13,900
Hairdressing and other personal services	10,500	12,600	16,800	10,300	12,300	17,000
Local courier services	8,000	11,000	15,000	8,100	11,000	15,000
Food processing and production	10,600	13,000	18,000	11,000	13,200	18,400
Other activities not classified above	12,600	16,300	25,400	12,900	16,600	25,500
All industry sections above	13,100	18,200	28,200	13,200	18,400	28,800

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

- (a) Excluding food processing and production.
- (b) Excluding local courier services.
- (c) Including takeaway shops.
- (d) Including hotels, guesthouses, boarding houses and other establishments providing short term accommodation.
- (e) Excluding real estate maintenance management.
- (f) Including investigation activities and services to buildings and landscape care activities.
- (g) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

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

(HK\$)

Industry sections	May – Jun 2019			May – Jun 2020		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing ^(a)	55.8	72.6	107.3	55.6	71.5	103.9
Electricity and gas supply; sewerage, waste management and remediation activities	78.6	111.1	168.7	76.3	108.9	166.7
Construction	78.4	99.9	124.4	78.9	100.0	125.5
Import and export trade	58.2	80.3	118.3	58.7	80.5	118.3
Wholesale	51.9	65.2	86.5	52.5	65.6	86.5
Retail trade	45.6	53.8	67.9	45.0	53.4	67.0
<i>within which:</i>						
Supermarkets and convenience stores	42.9	47.5	52.5	42.4	47.6	52.0
Other retail stores	46.3	55.9	72.6	46.6	56.6	73.1
Land transport	57.1	79.6	116.8	57.6	80.0	113.5
Other transportation, storage, postal and courier services ^(b)	52.7	69.1	95.2	52.4	68.0	94.6
Food and beverage services	46.6	52.2	64.8	46.7	52.6	66.0
<i>within which:</i>						
Hong Kong style tea cafes	47.6	52.5	63.3	47.6	52.5	64.2
Chinese restaurants	46.9	53.3	71.6	47.1	53.8	72.3
Restaurants, other than Chinese	48.3	54.2	67.3	48.5	54.1	67.1
Fast food cafes ^(c)	44.4	48.3	53.8	44.0	48.1	55.0
Other food and beverage services	45.2	51.2	61.5	45.2	51.1	61.0
Accommodation services ^(d)	47.3	58.1	74.4	47.3	58.1	74.3
Information and communications	64.5	93.8	141.2	66.1	93.9	143.4
Financing and insurance	74.6	111.0	191.2	75.4	110.4	190.2
Real estate activities ^(e)	62.5	90.0	142.9	61.7	88.0	140.7
Estate management, security and cleaning services	41.1	45.9	58.7	41.2	46.4	58.2
<i>within which:</i>						
Real estate maintenance management	41.2	46.3	62.2	41.3	46.9	62.8
Security services ^(f)	41.2	45.5	55.6	41.4	46.1	56.3
Cleaning services	40.0	45.1	51.7	40.2	45.2	51.9
Membership organisations ^(g)	44.8	56.7	90.9	44.6	58.0	91.7
Professional, scientific and technical services	65.6	95.8	157.6	66.7	97.6	159.5
Administrative and support services activities	51.4	71.0	110.5	52.1	71.7	112.5
Travel agency, reservation service and related activities	50.7	66.5	90.3	51.6	66.4	94.1
Education and public administration (excluding the Government)	67.5	131.8	220.0	67.4	133.0	222.2
Human health activities; and beauty and body prettifying treatment	63.6	89.6	174.9	63.2	90.4	173.8
Miscellaneous activities	44.4	51.6	68.3	44.9	51.6	69.0
<i>within which:</i>						
Elderly homes	42.4	52.7	69.8	42.5	52.6	70.4
Laundry and dry cleaning services	43.1	49.5	65.2	45.9	49.5	59.4
Hairdressing and other personal services	47.2	51.9	70.5	46.9	52.0	71.7
Local courier services	47.0	52.2	62.6	46.7	52.2	63.0
Food processing and production	44.0	50.9	69.8	44.4	51.4	69.7
Other activities not classified above	53.8	67.9	103.6	54.4	69.2	104.5
All industry sections above	52.2	73.0	114.9	52.8	74.4	117.6

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

- (a) Excluding food processing and production.
- (b) Excluding local courier services.
- (c) Including takeaway shops.
- (d) Including hotels, guesthouses, boarding houses and other establishments providing short term accommodation.
- (e) Excluding real estate maintenance management.
- (f) Including investigation activities and services to buildings and landscape care activities.
- (g) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

Table 22 : Rates of change in prices

(%)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
GDP deflator	3.9	3.5	1.8	2.9	3.6	1.6	2.9	3.7
Domestic demand deflator	4.5	4.2	1.4	3.1	2.2	1.4	2.8	3.4
Consumer Price Indices ^(a) :								
Composite CPI	5.3	4.1	4.3	4.4	3.0	2.4	1.5	2.4
CPI(A)	5.6	3.6	5.1	5.6	4.0	2.8	1.5	2.7
CPI(B)	5.2	4.3	4.1	4.2	2.9	2.3	1.4	2.3
CPI(C)	5.1	4.1	3.8	3.5	2.1	2.1	1.5	2.2
Unit Value Indices :								
Total exports of goods	8.0	3.4	1.3	2.0	0.1	-1.7	1.8	2.4
Imports of goods	8.1	3.3	0.9	1.9	-0.4	-1.7	1.9	2.6
Terms of Trade Index ^(b)	-0.1	0.1	0.4	0.1	0.5	*	-0.1	-0.1
Producer Price Index for all manufacturing industries	8.3	0.1	-3.1	-1.7	-2.7	1.3	3.8	2.0
Tender Price Indices :								
Public sector building projects	11.6	8.3	6.6	7.3	5.9	1.0	-0.3	-2.9
Public housing projects	10.1	6.4	9.3	8.0	12.5	-0.7	0.3	-1.9

Notes: (a) The year-on-year rates of change before October 2020 were derived using the index series in the base periods at that time (for instance the 2014/15-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>2019</u>	<u>2020</u>	<u>2020</u>		<u>2021</u>		Average annual rate of change:	
			Q3	Q4	Q1	Q2	10 years	5 years
							2010 to 2020	2015 to 2020
GDP deflator [#]	2.0	0.6	0.6	-1.2	-0.8	-0.2	2.7	2.2
Domestic demand deflator [#]	2.4	0.8	-0.3	-0.4	-1.5	-1.1	2.6	2.1
Consumer Price Indices ^(a) :								
Composite CPI	2.9	0.3	-1.7	-0.6	1.2	0.8	3.0	1.9
CPI(A)	3.3	-0.6	-4.2	-0.7	3.3	1.6	3.4	1.9
CPI(B)	2.7	0.6	-0.6	-0.6	0.3	0.4	3.0	1.9
CPI(C)	2.6	0.8	-0.1	-0.3	*	0.4	2.8	1.8
Unit Value Indices :								
Total exports of goods	1.1	-0.6	-0.7	-0.1	1.0	5.0	1.8	0.6
Imports of goods	1.3	-0.7	-1.2	-0.1	1.1	4.7	1.7	0.7
Terms of Trade Index ^(b)	-0.1	*	0.5	*	-0.1	0.3	0.1	-0.1
Producer Price Index for all manufacturing industries	1.0	2.3	3.8	2.9	1.9	N.A.	1.1	2.1
Tender Price Indices :								
Public sector								
building projects	-2.6	-3.0	-3.4	-1.6	-0.6	N.A.	3.1	-1.6
Public housing projects	-1.8	-2.7	-2.8	-3.3	-0.7	N.A.	3.8	-1.4

Table 23 : Rates of change in Composite Consumer Price Index

(%)

	Weight	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
All items	100.00	5.3 (5.3)	4.1 (4.7)	4.3 (4.0)	4.4 (3.5)	3.0 (2.5)	2.4 (2.3)	1.5 (1.7)
Food	27.41	7.0	5.8	4.4	4.1	4.0	3.4	2.2
<i>Meals out and takeaway food</i>	17.05	5.2	5.4	4.4	4.6	4.2	3.3	2.7
<i>Basic food</i>	10.36	9.9	6.5	4.4	3.4	3.4	3.6	1.1
Housing ^(a)	40.25	7.2	5.6	6.7	6.7	5.1	3.7	2.0
<i>Private housing rent</i>	35.46	7.2	6.8	6.3	6.0	4.7	3.4	1.8
<i>Public housing rent</i>	1.87	11.9	-7.1	16.0	18.3	10.9	7.2	3.0
Electricity, gas and water	2.82	-4.2	-8.2	6.9	14.9	8.4	1.0	-1.7
Alcoholic drinks and tobacco	0.49	17.1	3.0	1.5	6.5	1.3	1.5	0.6
Clothing and footwear	2.42	6.8	3.1	1.7	0.9	-1.8	-3.4	-0.4
Durable goods	4.00	-3.8	-1.4	-4.3	-3.4	-5.6	-5.4	-3.2
Miscellaneous goods	3.32	3.8	2.2	2.2	2.3	0.9	1.5	1.4
Transport	6.17	4.4	3.0	2.3	2.0	-0.3	1.6	2.3
Miscellaneous services	13.12	3.5	2.8	3.7	3.0	1.1	2.3	0.9

Notes: The year-on-year rates of change before October 2020 were derived using the index series in the base periods at that time (for instance the 2014/15-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 2019/20-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".

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

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

(%)										
	Weight	2018	2019	2020	2020		2021		Average annual rate of change:	
					Q3	Q4	Q1	Q2	10 years 2010 to 2020	5 years 2015 to 2020
All items	100.00	2.4 (2.6)	2.9 (3.0)	0.3 (1.3)	-1.7 (0.3)	-0.6 (0.3)	1.2 (-0.2)	0.8 (0.3)	3.0 (3.1)	1.9 (2.3)
Food	27.41	3.4	4.9	3.3	1.0	1.5	0.7	0.9	4.2	3.4
<i>Meals out and takeaway food</i>	17.05	2.9	2.2	0.8	-0.6	0.5	*	1.0	3.6	2.4
<i>Basic food</i>	10.36	4.3	9.9	7.7	3.5	3.3	1.8	1.1	5.4	5.3
Housing ^(a)	40.25	2.5	3.5	-0.1	-3.2	0.4	1.7	-0.7	4.3	2.3
<i>Private housing rent</i>	35.46	2.2	3.1	1.1	0.5	-0.3	-1.0	-1.6	4.2	2.3
<i>Public housing rent</i>	1.87	4.1	7.1	-21.0	-61.7	8.3	59.2	11.0	4.4	-0.6
Electricity, gas and water	2.82	4.9	-5.4	-20.6	-19.2	-28.2	25.4	26.0	-0.9	-4.8
Alcoholic drinks and tobacco	0.49	1.3	1.2	0.5	1.1	1.0	0.6	-0.1	3.4	1.0
Clothing and footwear	2.42	1.6	-1.7	-5.2	-6.4	-5.2	-1.5	2.1	0.1	-1.9
Durable goods	4.00	-2.0	-1.9	-2.7	-3.5	-1.7	-0.5	0.7	-3.4	-3.0
Miscellaneous goods	3.32	1.3	2.5	3.1	2.3	3.5	-4.2	-4.1	2.1	1.9
Transport	6.17	1.6	2.0	-1.0	-2.8	-2.7	-2.8	2.4	1.8	1.3
Miscellaneous services	13.12	2.1	2.0	0.8	0.6	0.4	0.5	0.6	2.2	1.6

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

(%)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Private consumption expenditure	3.6	3.2	2.7	2.9	1.2	1.5	2.5
Government consumption expenditure	4.5	6.2	4.3	4.7	4.4	3.7	2.5
Gross domestic fixed capital formation	6.8	6.4	-2.9	3.1	4.5	-0.3	4.4
Total exports of goods	7.8	3.2	-0.1	0.7	-0.7	-1.4	1.7
Imports of goods	8.4	4.3	-0.3	0.8	-1.4	-1.8	1.8
Exports of services	7.5	4.7	0.4	0.4	-2.8	-2.0	3.2
Imports of services	5.9	0.6	0.3	0.5	-4.6	-1.3	2.7
Gross Domestic Product	3.9	3.5	1.8	2.9	3.6	1.6	2.9
Total final demand	6.7	3.7	0.4	1.4	*	-0.6	2.2
Domestic demand	4.5	4.2	1.4	3.1	2.2	1.4	2.8

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>2018</u>	<u>2019[#]</u>	<u>2020[#]</u>	<u>2020</u>		<u>2021</u>		Average annual rate of change:	
				Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]	10 years 2010 to 2020 [#]	5 years 2015 to 2020 [#]
Private consumption expenditure	3.1	2.7	0.6	-0.4	-1.0	-1.6	-1.0	2.4	2.1
Government consumption expenditure	3.3	4.7	2.1	1.0	0.1	-0.3	-0.1	4.0	3.2
Gross domestic fixed capital formation	4.6	-0.1	-0.5	-1.5	-2.3	-3.8	-1.4	2.6	1.6
Total exports of goods	2.2	1.1	0.1	0.1	0.1	1.3	4.7	1.4	0.7
Imports of goods	2.3	1.3	0.1	-0.6	0.6	1.2	4.3	1.5	0.7
Exports of services	4.5	-0.3	-0.8	-1.7	3.2	7.5	10.6	1.4	0.9
Imports of services	2.8	-1.0	-0.4	-1.2	4.4	5.2	10.0	0.5	0.5
Gross Domestic Product	3.7	2.0	0.6	0.6	-1.2	-0.8	-0.2	2.7	2.2
Total final demand	2.8	1.4	0.3	-0.1	0.1	0.7	3.0	1.8	1.2
Domestic demand	3.4	2.4	0.8	-0.3	-0.4	-1.5	-1.1	2.6	2.1

