

## Press Release

(embargoed until 4:30 p.m. on 12 November 2021)

### **Economic Situation in the Third Quarter of 2021 and Latest GDP and Price Forecasts for 2021**

The Government released today (12 November) the Third Quarter Economic Report 2021, together with the revised figures on Gross Domestic Product (GDP) for the third quarter of 2021.

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

#### **Main points**

- \* Hong Kong's economic recovery became more entrenched in the third quarter alongside the further revival of global economic activity and stable local epidemic situation. Real Gross Domestic Product (GDP) grew by 5.4% year-on-year in the third quarter, following a 7.6% growth in the second quarter. The pace of expansion moderated somewhat on account of the stronger-than-expected growth in the first half of the year and the higher base effect. For the first three quarters as a whole, real GDP grew by 7.0% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison, real GDP rose slightly by 0.1% in the third quarter.
- \* Total exports of goods grew notably by 14.2% year-on-year in real terms in the third quarter, supported by the continued revival of major economies and vibrant regional trade flows. Exports of services increased moderately by 4.2% year-on-year in real terms as exports of transport services accelerated further amid active regional trade and cargo flows, while cross-border business and financial activities also increased. Yet, exports of travel services remained at a very low level as inbound tourism was virtually at a standstill, constraining the extent of the economic recovery.
- \* Consumption and investment demand stayed on a firm recovery path in the third quarter. Private consumption expenditure rose appreciably by 7.1% year-on-year in real terms thanks to the stable local epidemic situation, improved labour market conditions and the Consumption Voucher Scheme. Overall investment expenditure grew by 10.8% year-on-year in real terms as business conditions improved and property transactions increased visibly over a year earlier.
- \* The labour market continued to recover in the third quarter, along with the sustained revival of local economic activity. The seasonally adjusted unemployment rate fell further from 5.5% in the second quarter to 4.5% in the third quarter, and the underemployment rate from 2.5% to 2.1%, both visibly lower than their respective peaks of 7.2% and 4.0% in December 2020 – February 2021. Wages and labour earnings on average showed modest yet faster year-on-year increases in nominal terms in the second quarter, reversing the general trend of deceleration in the past two years or so.
- \* The local stock market underwent a sharp correction in the third quarter, dampened by uncertainties over the monetary policy stance in the US, the

regulatory requirements in the Mainland, and the global economic outlook amid the spread of COVID-19 variant cases across the world and disrupted transportation and supply chains. The residential property market remained generally active, while flat prices on average edged up by 1% for the quarter as a whole.

### **Latest economic forecasts for 2021**

- \* The global economy has stayed on the recovery track, but the momentum has slowed somewhat in recent months amid the surge in Delta variant infections and supply bottlenecks in many places. This may weigh on the performance of Hong Kong's merchandise exports going forward. Moreover, elevated energy and commodity prices and higher inflation in the US and Europe have cast uncertainties over the future course of major central banks' monetary policies. Developments in China-US relations and geopolitical tensions also require attention.
- \* Domestically, business sentiment largely remained positive, but turned somewhat more cautious compared to a few months ago amid the increased external headwinds. Nonetheless, the stable local epidemic situation has created favourable conditions for the further revival of domestic activity. The improving employment and income conditions along with the Consumption Voucher Scheme should also remain supportive to consumption-related sectors in the near term. To pave way for a broader-based economic recovery, it is essential for the community to strive towards more widespread vaccination and abide by the anti-epidemic measures.
- \* The COVID-19 pandemic development across the world remains the key source of uncertainty surrounding the economic outlook. Provided that the local epidemic remains under control, a solid year-on-year growth in the fourth quarter should be attainable for the Hong Kong economy. Considering the actual outturn in the first three quarters of the year, the real GDP growth forecast for 2021 as a whole is revised to 6.4% in the current round of review, close to the upper bound of the forecast range of 5.5%-6.5% as announced in mid-August. Yet, the latest forecast suggests that 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 by 1.1% in the third quarter over a year earlier, up from 0.3% in the preceding quarter. While this was partly due to the larger price increases in some consumption-related items amid the stabilised local epidemic situation and improved consumption demand, the low bases of comparison for some CPI items were also relevant. Looking ahead, while overall inflationary pressures will likely increase in the near term alongside the economic recovery and rising import prices, the underlying inflation should remain in check in the rest of this year. Given the actual outturn of 0.4% in the first three quarters of the year, the forecast rate of underlying inflation for 2021 as a whole is revised downwards to 0.7% from 1% in the August round of review. The corresponding forecast rate of headline inflation is 1.6%.

## Details

### GDP

According to the revised figures on the *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, GDP grew by 5.4% in real terms in the third quarter of 2021 over a year earlier (same as the advance estimate), following a 7.6% growth in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP rose slightly by 0.1% in the third quarter (same as the advance estimate), after falling by 0.9% in the preceding quarter (*Chart*).

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

### External trade

3. *Total exports of goods* registered notable year-on-year growth of 14.2% in real terms in the third quarter of 2021, having surged by 20.5% in the preceding quarter, thanks to the continued revival of major economies and vibrant regional trade flows. Analysed by market, exports to the Mainland, the US and the EU continued to show double-digit growth. Exports to most of the other major markets in Asia saw robust performance. On a seasonally adjusted quarter-to-quarter basis, total exports of goods fell by 1.7% in real terms in the third quarter, the same pace of decline as in the preceding quarter.

4. *Exports of services* increased moderately by 4.2% year-on-year in real terms in the third quarter of 2021 after a 3.0% growth in the preceding quarter. As regional trade and cargo flows remained active, exports of transport services accelerated further despite subdued cross-boundary passenger transport. Exports of business and other services posted mild growth amid the global economic recovery. Exports of financial services increased along with the pick-up in cross-border financial activities. Meanwhile, exports of travel services remained at a very low level as inbound tourism was virtually at a standstill. On a seasonally adjusted quarter-to-quarter basis, exports of services grew by 7.8% in real terms in the third quarter, after a fall of 7.3% in the preceding quarter.

## **Domestic sector**

5. Consumption and investment demand stayed on a solid recovery path in the third quarter of 2021. *Private consumption expenditure* grew appreciably by 7.1% in real terms over a year earlier, further to a 7.2% expansion in the preceding quarter. Consumption-related activities revived further in the third quarter thanks to the stable local epidemic situation, improved labour market conditions and the Consumption Voucher Scheme. Outbound tourism activities, though increased moderately from the low base last year, were still depressed amid the evolving global pandemic. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure increased by 2.1% in real terms in the third quarter, further to a 2.0% growth in the preceding quarter. Meanwhile, *government consumption expenditure* rose by 4.3% year-on-year in real terms in the third quarter, after a 3.0% growth in the preceding quarter.

6. Overall investment spending in terms of *gross domestic fixed capital formation* grew by 10.8% in real terms in the third quarter of 2021 over a year earlier, following a 23.9% increase in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products surged by 19.6% thanks to improved business outlook. Expenditure on building and construction turned to a marginal increase of 0.3% as private sector spending grew modestly while public sector spending stayed virtually unchanged. Meanwhile, the costs of ownership transfer continued to rise sharply, as property transactions were visibly higher than a year earlier.

## **The labour sector**

7. The labour market continued to improve in the third quarter of 2021, along with the sustained revival of local economic activity. *The seasonally adjusted unemployment rate* fell further from 5.5% in the second quarter to 4.5% in the third quarter, and the *underemployment rate* from 2.5% to 2.1%, both visibly lower than their respective peaks of 7.2% and 4.0% in December 2020 – February 2021. Wages and labour earnings on average showed modest yet faster year-on-year increases in nominal terms in the second quarter, reversing the general trend of deceleration in the past two years or so.

## **The asset markets**

8. The *local stock market* underwent a sharp correction in the third quarter of 2021, dampened by uncertainties over the monetary policy in the US, the regulatory requirements in the Mainland, and the global economic outlook amid the spread of COVID-19 variant cases across the world and disrupted transportation and supply chains. The Hang Seng Index (HSI) fell to 24 099 on 20 September, before closing the quarter at 24 576, down markedly by 14.8% from end-June. On 11 November, the HSI closed at 25 248.

9. In the third quarter of 2021, the *residential property market* continued to be supported by the low interest rate environment, firm end-user demand and the local economic recovery. While 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, retreated by 14% from the hectic level in the preceding quarter to 18 969 in the third quarter, it was 22% higher than a year earlier and significantly above the quarterly average of around 14 700 in 2016-2020. Flat prices on average edged up by 1% between June and September, and the index of home purchase affordability remained elevated at around 75%. Meanwhile, flat rentals on average saw a further increase of 3% during the third quarter. The commercial and industrial property markets continued to improve from the weakness in the latter part of 2019 and 2020, though trading activities for all major market segments retreated somewhat from the preceding quarter. Prices and rentals largely stayed firm in the third quarter.

### **Prices**

10. Underlying consumer price inflation went up but remained moderate in the third quarter of 2021. Netting out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, the *underlying CCPI* rose by 1.1% in the third quarter over a year earlier, up from 0.3% in the preceding quarter. While this was partly due to the larger price increases in some consumption-related items amid the stabilised local epidemic situation and improved consumption demand, the low bases of comparison for some CPI items were also relevant. Domestically, the year-on-year decline in private housing rentals narrowed slightly as the effect of the recent rises in fresh-letting residential rentals gradually fed through. As the economy was still operating below capacity, business cost pressures remained tame, with wages registering modest year-on-year growth and commercial rentals staying soft. Yet, external price pressures increased further amid higher inflation in some major import sources resulting from increasing demand and supply bottlenecks. Elevated international commodity and energy prices, together with the lower exchange values of the US dollar vis-à-vis other major currencies than a year earlier, also contributed to a faster year-on-year increase in prices of many merchandise import items. The *headline CCPI* rose by 2.3% in the third quarter over a year earlier, having risen by 0.8% in the preceding quarter. The higher headline inflation rate in the third quarter partly reflected the low base of comparison arising from the payment of one-month public housing rentals by the Government and rent waiver for tenants by the Hong Kong Housing Society in July 2020.

### **Latest GDP and price forecasts for 2021**

11. The global economy has stayed on the recovery track, but the momentum has slowed somewhat in recent months amid the surge in Delta variant infections and supply bottlenecks in many places. This may weigh on the performance of Hong Kong's merchandise exports going forward. Moreover, elevated energy and commodity prices and higher inflation in the US and Europe have cast uncertainties over the future course of major central banks' monetary policies. Developments in

China-US relations and geopolitical tensions also require attention.

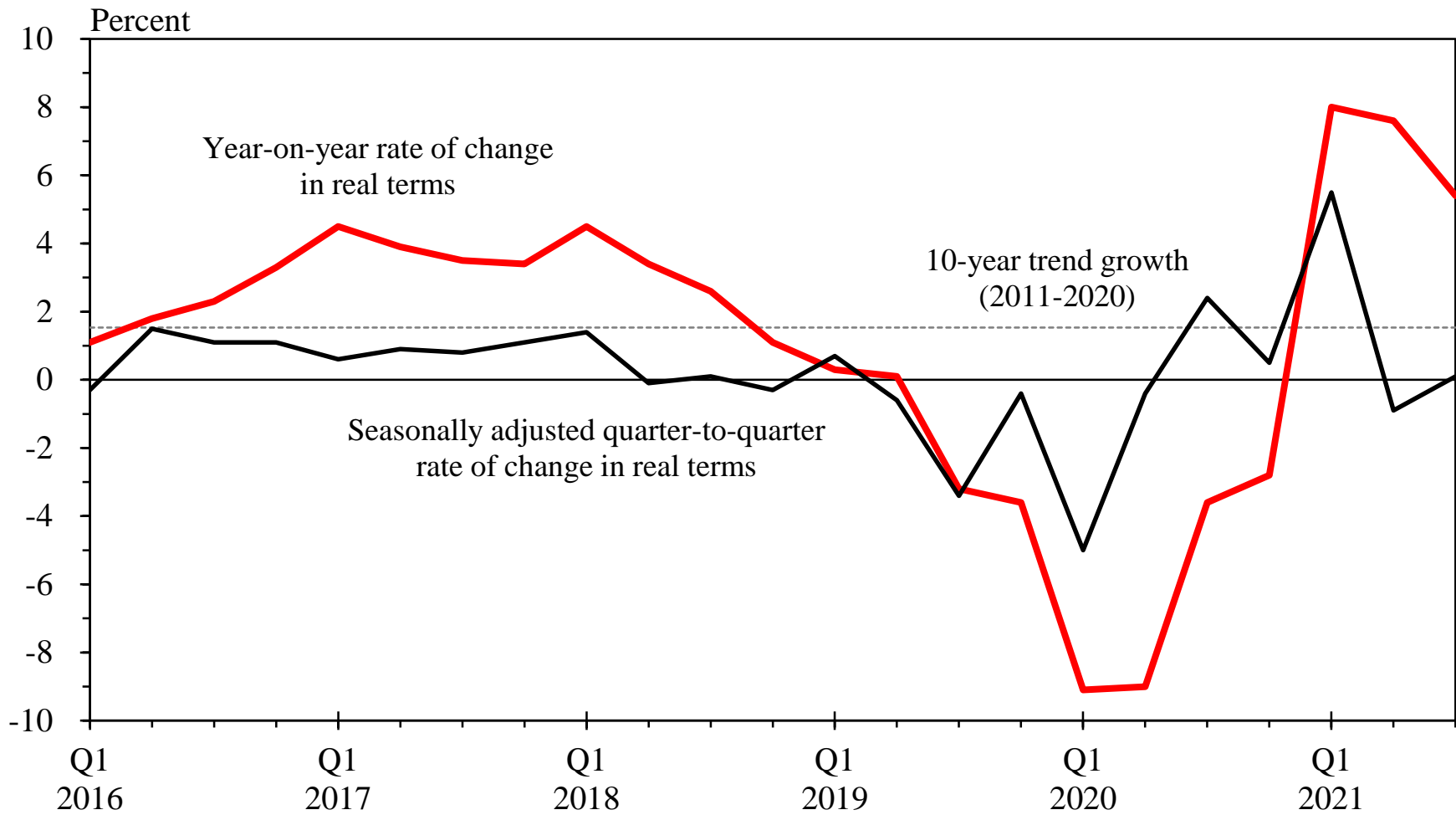
12. Domestically, business sentiment largely remained positive, but turned somewhat more cautious compared to a few months ago amid the increased external headwinds. Nonetheless, the stable local epidemic situation has created favourable conditions for the further revival of domestic activity. The improving employment and income conditions along with the Consumption Voucher Scheme should also remain supportive to consumption-related sectors in the near term. To pave way for a broader-based economic recovery, it is essential for the community to strive towards more widespread vaccination and abide by the anti-epidemic measures.

13. The COVID-19 pandemic development across the world remains the key source of uncertainty surrounding the economic outlook. Provided that the local epidemic remains under control, a solid year-on-year growth in the fourth quarter should be attainable for the Hong Kong economy. Considering the actual outturn in the first three quarters of the year, the real GDP growth forecast for 2021 as a whole is revised to 6.4% in the current round of review, close to the upper bound of the forecast range of 5.5%-6.5% as announced in mid-August (*Table 2*). Yet, the latest forecast suggests that 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 7.2%, averaging around 6.5%.

14. On the inflation outlook, while overall inflationary pressures will likely increase in the near term alongside the economic recovery and rising import prices, the underlying inflation should remain in check in the rest of this year. Given the actual outturn of 0.4% in the first three quarters of the year, the forecast rate of underlying inflation for 2021 as a whole is revised downwards to 0.7% from 1% in the August round of review. The corresponding forecast rate of headline inflation is 1.6% (*Table 2*).

(The Third Quarter Economic Report 2021 is now available for online download, free of charge at [www.hkeconomy.gov.hk/en/situation/index.htm](http://www.hkeconomy.gov.hk/en/situation/index.htm). The Report of the Gross Domestic Product, Third Quarter 2021, which contains the GDP figures up to the third 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](http://www.censtatd.gov.hk).)

# Hong Kong's Gross Domestic Product



**Table 1**

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

|  | <u>2019<sup>#</sup></u> | <u>2020<sup>#</sup></u> | <u>2020</u>                             |  |  |   | <u>2021</u>   |  |   |
|--|-------------------------|-------------------------|---|--|--|---|---|--|---|
|  |                         |                         | <u>Q1<sup>#</sup></u>                   | <u>Q2<sup>#</sup></u>                  | <u>Q3<sup>#</sup></u>                    | <u>Q4<sup>#</sup></u>                               | <u>Q1<sup>#</sup></u>                               | <u>Q2<sup>#</sup></u>                              | <u>Q3<sup>#</sup></u>                               |
| <i>Change in real terms of GDP and its main expenditure components (%)</i> |                         |                         |   |  |  |   |   |  |   |
| Private consumption expenditure  | -0.8                    | -9.9                    | -10.8<br>(-7.6)                         | -13.9<br>(-2.9)                        | -7.9<br>(2.2)                            | -6.9<br>(1.4)                                       | 2.1<br>(1.4)  | 7.2<br>(2.0)                                       | 7.1<br>(2.1)  |
| Government consumption expenditure   | 5.1                     | 8.1                     | 9.0<br>(3.0)                            | 10.0<br>(1.8)                          | 7.5<br>(0.5)                             | 6.1<br>(0.8)  | 7.0<br>(3.6)  | 3.0<br>(-2.0)                                      | 4.3<br>(1.9)  |
| Gross domestic fixed capital formation                                     | -14.9                   | -11.2                   | -15.0                                   | -22.0                                  | -10.4                                    | 3.6   | 4.8   | 23.9   | 10.8  |
| Building and construction  | -10.8                   | -7.7                    | -11.0                                   | -4.7                                   | -9.5                                     | -4.9  | -4.3  | -1.0   | 0.3   |
| Costs of ownership transfer  | -13.4                   | -4.0                    | -33.6                                   | -22.9                                  | 27.3                                     | 27.3  | 85.8  | 57.6   | 35.1  |
| Machinery, equipment and intellectual property products                    | -20.8                   | -18.0                   | -16.5                                   | -42.4                                  | -20.1                                    | 10.1  | 3.3   | 61.7   | 19.6  |
| Total exports of goods <sup>&amp;</sup>                                    | -5.5                    | -0.3                    | -9.6<br>(-7.3)                          | -2.2<br>(6.5)                          | 3.9<br>(4.0)                             | 5.5<br>(2.9)  | 30.1<br>(14.3)                                      | 20.5<br>(-1.7)                                     | 14.2<br>(-1.7)                                      |
| Imports of goods <sup>&amp;</sup>  | -8.2                    | -2.1                    | -11.0<br>(-4.0)                         | -6.7<br>(2.6)                          | 1.9<br>(5.0)                             | 6.7<br>(3.2)  | 22.9<br>(10.6)                                      | 21.4<br>(1.1)                                      | 16.8<br>(0.9)                                       |
| Exports of services <sup>&amp;</sup>                                       | -9.6                    | -36.1                   | -36.6<br>(-15.3)                        | -44.7<br>(-16.2)                       | -32.9<br>(6.4)                           | -28.8<br>(-5.5)                                     | -7.3<br>(10.2)                                      | 3.0<br>(-7.3)                                      | 4.2<br>(7.8)  |
| Imports of services <sup>&amp;</sup>                                       | 0.1                     | -34.1                   | -23.7<br>(-21.0)                        | -43.9<br>(-24.2)                       | -35.0<br>(9.5)                           | -33.9<br>(0.9)                                      | -12.0<br>(5.1)                                      | 10.6<br>(-4.7)                                     | 4.5<br>(3.2)  |
| <b>Gross Domestic Product</b>  | <b>-1.7</b>             | <b>-6.1</b>             | <b>-9.1</b><br><b>(-5.0)</b>            | <b>-9.0</b><br><b>(-0.4)</b>           | <b>-3.6</b><br><b>(2.4)</b>              | <b>-2.8</b><br><b>(0.5)</b>                         | <b>8.0</b><br><b>(5.5)</b>                          | <b>7.6</b><br><b>(-0.9)</b>                        | <b>5.4</b><br><b>(0.1)</b>                          |
| <i>Change in the main price indicators (%)</i>                             |                         |                         |   |  |  |   |   |  |   |
| <b>GDP deflator</b>  | <b>2.0</b>              | <b>0.6</b>              | <b>2.7</b><br><b>(0.5)</b>              | <b>0.6</b><br><b>(-0.8)</b>            | <b>0.6</b><br><b>(0.3)</b>               | <b>-1.2</b><br><b>(-1.0)</b>                        | <b>-0.8</b><br><b>(0.7)</b>                         | <b>*</b><br><b>(0.2)</b>                           | <b>0.7</b><br><b>(0.8)</b>                          |
| <b>Composite CPI</b>   |                         |                         |   |  |  |   |   |  |   |
| <b>Headline</b>  | <b>2.9</b>              | <b>0.3<sup>@</sup></b>  | <b>2.0</b><br><b>(-0.7)<sup>@</sup></b> | <b>1.3</b><br><b>(0.7)<sup>@</sup></b> | <b>-1.7</b><br><b>(-2.2)<sup>@</sup></b> | <b>-0.6<sup>@</sup></b><br><b>(1.7)<sup>@</sup></b> | <b>1.2<sup>@</sup></b><br><b>(1.1)<sup>@</sup></b>  | <b>0.8<sup>@</sup></b><br><b>(0.3)<sup>@</sup></b> | <b>2.3<sup>@</sup></b><br><b>(-0.9)<sup>@</sup></b> |
| <b>Underlying<sup>^</sup></b>  | <b>3.0</b>              | <b>1.3<sup>@</sup></b>  | <b>2.9</b><br><b>(0.8)<sup>@</sup></b>  | <b>1.8</b><br><b>(*)<sup>@</sup></b>   | <b>0.3</b><br><b>(-0.6)<sup>@</sup></b>  | <b>0.3<sup>@</sup></b><br><b>(0.2)<sup>@</sup></b>  | <b>-0.2<sup>@</sup></b><br><b>(0.3)<sup>@</sup></b> | <b>0.3<sup>@</sup></b><br><b>(0.4)<sup>@</sup></b> | <b>1.1<sup>@</sup></b><br><b>(0.2)<sup>@</sup></b>  |
| <i>Change in nominal GDP (%)</i>   | <b>0.3</b>              | <b>-5.5</b>             | <b>-6.6</b>                             | <b>-8.5</b>                            | <b>-3.0</b>                              | <b>-4.0</b>   | <b>7.2</b>  | <b>7.7</b>   | <b>6.1</b>  |

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

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

(#) Revised figures.

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

(^) After netting out the effects of 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 (%))**

|  | <u>Forecasts<br/>as released<br/>on 13.8.2021</u><br>(%) | <u>Latest<br/>forecasts<br/>on 12.11.2021</u><br>(%) |
|--|--|--|
| <b>Real Gross Domestic Product (GDP)</b>     | 5.5 to 6.5   | 6.4  |
| <b>Composite Consumer Price Index (CCPI)</b> |  |  |
| <i>Underlying CCPI</i>                       | 1  | 0.7  |
| <i>Headline CCPI</i>                         | 1.6  | 1.6  |



# Third Quarter Economic Report 2021

Government of the Hong Kong  
Special Administrative Region

# ***THIRD QUARTER ECONOMIC REPORT 2021***

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

*November 2021*

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## CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

### *Summary*

- *Hong Kong's economic recovery became more entrenched in the third quarter alongside the further revival of global economic activity and stable local epidemic situation. Real Gross Domestic Product (GDP)<sup>(1)</sup> grew further by 5.4% year-on-year, albeit at a more moderate pace as compared to the preceding quarter on account of the base effect and stronger-than-expected performance in the first half of the year. Total exports of goods expanded notably while consumption-related activities revived further. Yet, inbound tourism remained at a standstill, constraining the recovery momentum. For the first three quarters of 2021 as a whole, the economy grew by 7.0% over a year earlier.*
- *Total exports of goods saw notable growth in the third quarter, supported by the continued revival of major economies and vibrant regional trade flows. The Mainland, the US and the EU markets continued to show double-digit growth, and most of the other major markets in Asia also stayed robust. Exports of services increased moderately. As regional trade and cargo flows remained active, exports of transport services accelerated further despite subdued cross-boundary passenger transport. Exports of business and other services posted mild growth amid the global economic recovery. Exports of financial services increased along with the pick-up in cross-border financial activities. Meanwhile, exports of travel services remained at a very low level as inbound tourism was virtually at a standstill.*
- *Domestic demand stayed on a firm recovery path in the third quarter. Private consumption expenditure rose appreciably thanks to the stable local epidemic situation, improved labour market conditions and the Consumption Voucher Scheme. Overall investment expenditure posted a double-digit increase as business outlook improved over the past year.*
- *The labour market continued to improve in the third quarter, along with the sustained revival of local economic activity. The seasonally adjusted unemployment rate fell further from 5.5% in the second quarter to 4.5% in the third quarter, and the underemployment rate from 2.5% to 2.1%, both visibly lower than their respective peaks of 7.2% and 4.0% in December 2020 – February 2021.*
- *The local stock market underwent a sharp correction in the third quarter, dampened by uncertainties over the monetary policy stance in the US, the regulatory requirements in the Mainland, and the global economic outlook amid the spread of COVID-19 variant cases across the world and disrupted transportation and supply chains. The residential property market*

*remained generally active, while flat prices on average edged up by 1% for the quarter as a whole.*

- *Underlying consumer price inflation went up but remained moderate in the third quarter. Some Consumer Price Index (CPI) components showed larger year-on-year increases amid the stabilised local epidemic situation and improved consumption demand. Pressures on many other CPI components remained modest.*

## **Overall situation**

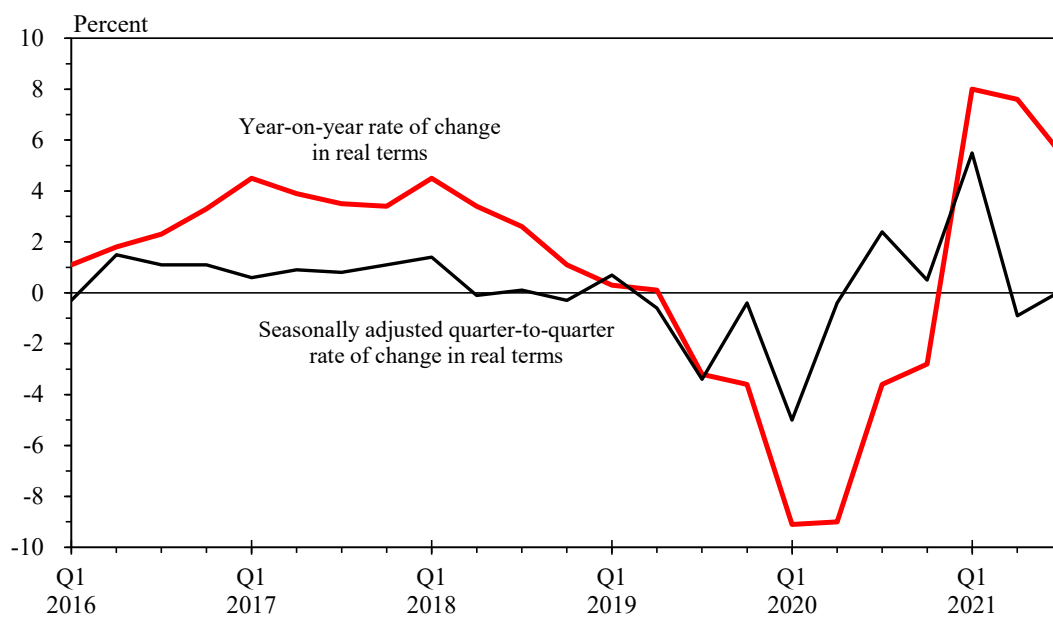
1.1 Hong Kong's economic recovery became more entrenched in the third quarter alongside the continued revival of global economic activity and stable local epidemic situation. Real GDP grew further by 5.4% over a year earlier, though the pace of expansion was more moderate than in the second quarter on account of the base effect and stronger-than-expected performance in the first half of the year. Total exports of goods saw notable growth thanks to solid external demand. Exports of services increased moderately as exports of transport services accelerated further amid active regional trade and cargo flows, while cross-border business and financial activities also increased. Meanwhile, exports of travel services remained at a very low level as inbound tourism was virtually at a standstill. As regards domestic demand, private consumption expenditure rose appreciably thanks to the stable local epidemic situation, improved labour market conditions and the Consumption Voucher Scheme. Overall investment expenditure continued to rebound visibly as business outlook improved over the past year. The unemployment rate fell further, while underlying consumer price inflation went up but remained moderate.

1.2 The global economy continued to recover, albeit at a slower pace, in the third quarter. The fiscal and monetary measures by many governments and central banks remained supportive. Yet, the pace of recovery was constrained by the pandemic situation, supply bottlenecks and to a lesser extent limited international travel. The Mainland economy posted solid albeit moderated year-on-year growth of 4.9%. The US economy also recovered at a slower pace, while the euro area economy posted broadly similar quarter-to-quarter growth as in the preceding quarter. Trading and production activities in other Asian economies on the whole continued to expand, but the revival in a few economies was hindered by their worsened epidemic situation and the resultant lockdown measures. In October, the International Monetary Fund (IMF) forecast that the global economy would rebound by 5.9% in 2021<sup>(2)</sup>, largely similar to its forecast of 6.0% in July. The IMF warned that the divergence in economic prospects

across regions remains a major concern, and the balance of risks for growth is tilted to the downside.

1.3 In the third quarter of 2021, real GDP grew further by 5.4% (same as the advance estimate), having expanded by 7.6% in the preceding quarter. For the first three quarters of 2021 as a whole, the economy grew by 7.0% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison<sup>(3)</sup>, real GDP rose slightly by 0.1% in the third quarter (same as the advance estimate).

**Diagram 1.1 : Real GDP grew further year-on-year in the third quarter of 2021**





## **The external sector**

1.4 *Total exports of goods* compiled under the GDP accounting framework registered notable year-on-year growth of 14.2% in real terms in the third quarter over a year earlier, having surged by 20.5% in the preceding quarter, thanks to the continued revival of major economies and vibrant regional trade flows. Analysed by market, exports to the Mainland, the US and the EU continued to show double-digit growth. Exports to most of the other major markets in Asia saw robust performance.

1.5 *Exports of services* increased moderately by 4.2% year-on-year in real terms in the third quarter after a 3.0% growth in the preceding quarter. As regional trade and cargo flows remained active, exports of transport services accelerated further despite subdued cross-boundary passenger transport. Exports of business and other services posted mild growth amid the global economic recovery. Exports of financial services increased along with the pick-up in cross-border financial activities. Meanwhile, exports of travel services remained at a very low level as inbound tourism was virtually at a standstill.

**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>             | <u>Q3#</u>              |
| <i>Change in real terms of GDP and its main expenditure components (%)</i> |              |              |                        |                        |                         |                         |                         |                        |                         |
| Private consumption expenditure  | -0.8         | -9.9         | -10.8<br>(-7.6)        | -13.9<br>(-2.9)        | -7.9<br>(2.2)           | -6.9<br>(1.4)           | 2.1<br>(1.4)            | 7.2<br>(2.0)           | 7.1<br>(2.1)            |
| Government consumption expenditure   | 5.1          | 8.1          | 9.0<br>(3.0)           | 10.0<br>(1.8)          | 7.5<br>(0.5)            | 6.1<br>(0.8)            | 7.0<br>(3.6)            | 3.0<br>(-2.0)          | 4.3<br>(1.9)            |
| Gross domestic fixed capital formation                                     | -14.9        | -11.2        | -15.0                  | -22.0                  | -10.4                   | 3.6                     | 4.8                     | 23.9                   | 10.8                    |
| Building and construction  | -10.8        | -7.7         | -11.0                  | -4.7                   | -9.5                    | -4.9                    | -4.3                    | -1.0                   | 0.3                     |
| Costs of ownership transfer  | -13.4        | -4.0         | -33.6                  | -22.9                  | 27.3                    | 27.3                    | 85.8                    | 57.6                   | 35.1                    |
| Machinery, equipment and intellectual property products                    | -20.8        | -18.0        | -16.5                  | -42.4                  | -20.1                   | 10.1                    | 3.3                     | 61.7                   | 19.6                    |
| Total exports of goods&  | -5.5         | -0.3         | -9.6<br>(-7.3)         | -2.2<br>(6.5)          | 3.9<br>(4.0)            | 5.5<br>(2.9)            | 30.1<br>(14.3)          | 20.5<br>(-1.7)         | 14.2<br>(-1.7)          |
| Imports of goods&  | -8.2         | -2.1         | -11.0<br>(-4.0)        | -6.7<br>(2.6)          | 1.9<br>(5.0)            | 6.7<br>(3.2)            | 22.9<br>(10.6)          | 21.4<br>(1.1)          | 16.8<br>(0.9)           |
| Exports of services&   | -9.6         | -36.1        | -36.6<br>(-15.3)       | -44.7<br>(-16.2)       | -32.9<br>(6.4)          | -28.8<br>(-5.5)         | -7.3<br>(10.2)          | 3.0<br>(-7.3)          | 4.2<br>(7.8)            |
| Imports of services&   | 0.1          | -34.1        | -23.7<br>(-21.0)       | -43.9<br>(-24.2)       | -35.0<br>(9.5)          | -33.9<br>(0.9)          | -12.0<br>(5.1)          | 10.6<br>(-4.7)         | 4.5<br>(3.2)            |
| <b>Gross Domestic Product</b>  | <b>-1.7</b>  | <b>-6.1</b>  | <b>-9.1<br/>(-5.0)</b> | <b>-9.0<br/>(-0.4)</b> | <b>-3.6<br/>(2.4)</b>   | <b>-2.8<br/>(0.5)</b>   | <b>8.0<br/>(5.5)</b>    | <b>7.6<br/>(-0.9)</b>  | <b>5.4<br/>(0.1)</b>    |
| <i>Change in the main price indicators (%)</i>                             |              |              |                        |                        |                         |                         |                         |                        |                         |
| <b>GDP deflator</b>  | <b>2.0</b>   | <b>0.6</b>   | <b>2.7<br/>(0.5)</b>   | <b>0.6<br/>(-0.8)</b>  | <b>0.6<br/>(0.3)</b>    | <b>-1.2<br/>(-1.0)</b>  | <b>-0.8<br/>(0.7)</b>   | <b>*<br/>(0.2)</b>     | <b>0.7<br/>(0.8)</b>    |
| <b>Composite CPI</b>   |              |              |                        |                        |                         |                         |                         |                        |                         |
| <b>Headline</b>  | <b>2.9</b>   | <b>0.3@</b>  | <b>2.0<br/>(-0.7)@</b> | <b>1.3<br/>(0.7)@</b>  | <b>-1.7<br/>(-2.2)@</b> | <b>-0.6@<br/>(1.7)@</b> | <b>1.2@<br/>(1.1)@</b>  | <b>0.8@<br/>(0.3)@</b> | <b>2.3@<br/>(-0.9)@</b> |
| <b>Underlying^</b>   | <b>3.0</b>   | <b>1.3@</b>  | <b>2.9<br/>(0.8)@</b>  | <b>1.8<br/>(*)@</b>    | <b>0.3<br/>(-0.6)@</b>  | <b>0.3@<br/>(0.2)@</b>  | <b>-0.2@<br/>(0.3)@</b> | <b>0.3@<br/>(0.4)@</b> | <b>1.1@<br/>(0.2)@</b>  |
| <i>Change in nominal GDP (%)</i>   | <b>0.3</b>   | <b>-5.5</b>  | <b>-6.6</b>            | <b>-8.5</b>            | <b>-3.0</b>             | <b>-4.0</b>             | <b>7.2</b>              | <b>7.7</b>             | <b>6.1</b>              |

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

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

(#) Revised figures.

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

(^) After netting out the effects of 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 stayed on a solid recovery path in the third quarter. *Private consumption expenditure* grew appreciably by 7.1% in real terms over a year earlier, further to a 7.2% expansion in the preceding quarter. Consumption-related activities revived further in the third quarter thanks to the stable local epidemic situation, improved labour market conditions and the Consumption Voucher Scheme. Outbound tourism activities, though increased moderately from the low base last year, were still depressed amid the evolving global pandemic. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure increased further by 2.1% in real terms in the third quarter. Meanwhile, *government consumption expenditure* rose by 4.3% year-on-year in real terms in the third quarter, after a 3.0% growth in the preceding quarter.

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

*Of which :*

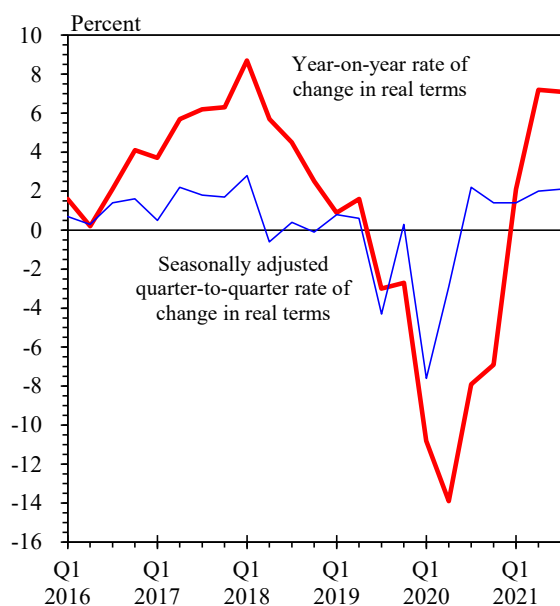
|      |        | Total<br>consumer<br>spending in<br>the domestic<br>market <sup>(a)</sup> | Food  | Durables | Non-<br>durables | Services | Residents'<br>expenditure<br>abroad | Visitor<br>spending | Private<br>consumption<br>expenditure <sup>(b)</sup> |
|------|--------|---|-------|----------|------------------|----------|-------------------------------------|---------------------|--|
| 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     | 7.0   | -7.5  | 20.1     | 19.1             | 5.9      | 41.5                                | 9.9                 | 7.2  |
|      | Q3     | 7.1   | -1.1  | 11.9     | 10.6             | 7.3      | 7.1                                 | 18.8                | 7.1  |

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

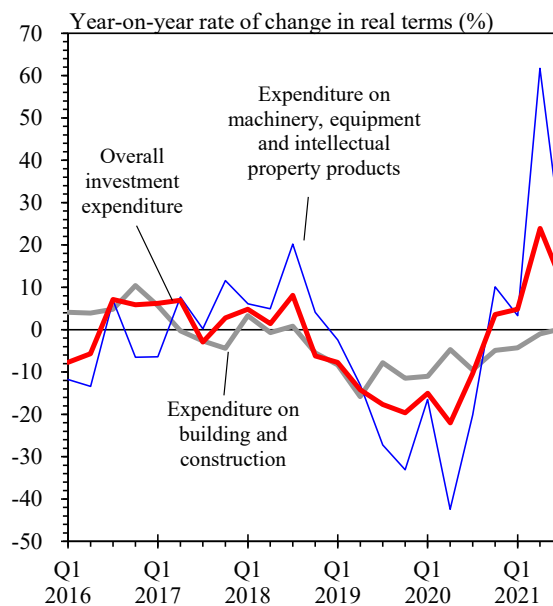
(b) Private consumption expenditure is obtained by deducting visitor spending from total consumer spending in the domestic market, and adding back residents' expenditure abroad.

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

**Diagram 1.2 : Private consumption expenditure rose appreciably**



**Diagram 1.3 : Overall investment expenditure recorded double-digit growth**



1.7 Overall investment spending in terms of *gross domestic fixed capital formation* grew by 10.8% in real terms in the third quarter over a year earlier, following a 23.9% increase in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products surged by 19.6% thanks to improved business outlook (see **Box 1.1**). Expenditure on building and construction turned to a marginal increase of 0.3% as private sector spending grew modestly while public sector spending stayed virtually unchanged. Meanwhile, the costs of ownership transfer continued to rise sharply, as property transactions were visibly higher than a year earlier.

## Box 1.1

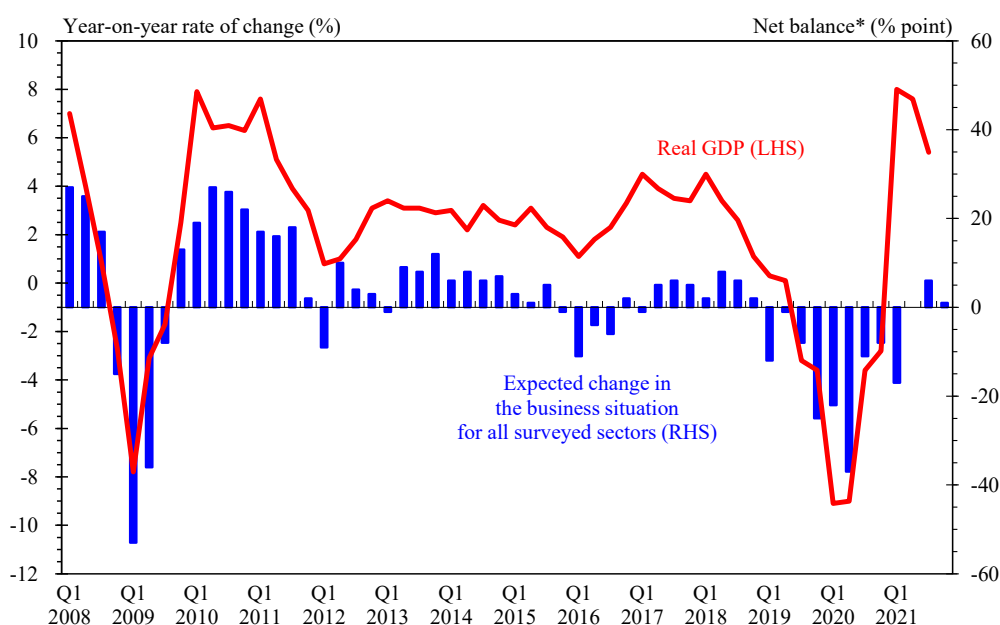
### Business sentiment in Hong Kong

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Survey results generally indicated that business sentiment largely remained positive in recent months, though the pandemic development and supply bottlenecks continued to cast uncertainties over the global economic outlook.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)<sup>(1)</sup> conducted during 2 September to 12 October 2021, business sentiment among large enterprises in Hong Kong stayed positive overall, though turning more cautious as compared to three months ago (*Chart 1*). The proportion of large enterprises expecting business situation to improve in the fourth quarter of 2021 over the third quarter exceeded the proportion of those expecting the situation to worsen by 1 percentage point (i.e. a net balance of +1), though smaller than the net balance of +6 in the previous round.

Views of large enterprises in different surveyed sectors were mixed, depending on their specific environment (*Table 1*). The net balances for the "retail" and "accommodation and food services" sectors remained positive despite some easing, on the back of the stable local epidemic situation, improving employment and income conditions and the Consumption Voucher Scheme. Those for the "manufacturing", "real estate" and "information and communications" sectors also stayed positive, but the "import/export trade and wholesale" sector only recorded a zero net balance. Meanwhile, the net balances for the "transportation, storage and courier services" and "construction" sectors improved in the negative territory. More respondents in the "financing and insurance" and "professional and business services" sectors expected business situation to worsen, and the corresponding net balances turned slightly negative. Hiring sentiment among large enterprises held steady in overall terms (*Table 2*).

**Chart 1 : Business sentiment among large enterprises stayed positive overall**



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 : Large enterprises in different sectors had mixed views on business outlook**

| QBTS: Expected changes in business situation |                        |     |      |     |     |     |
|--|------------------------|-----|------|-----|-----|-----|
|  | Net balance* (% point) |     |      |     |     |     |
|  | 2020                   |     | 2021 |     |     |     |
|  | Q3                     | Q4  | Q1   | Q2  | Q3  | Q4  |
| Manufacturing                                | +9                     | -8  | -5   | +14 | +23 | +14 |
| Construction                                 | -21                    | -19 | -28  | -13 | -21 | -6  |
| Import/export trade and wholesale            | -8                     | -7  | -13  | 0   | +8  | 0   |
| Retail                                       | +21                    | -5  | -18  | +5  | +18 | +9  |
| Accommodation and food services              | +25                    | +19 | -44  | +20 | +33 | +29 |
| Transportation, storage and courier services | -22                    | -13 | -39  | -13 | -18 | -2  |
| Information and communications               | -21                    | 0   | -18  | +5  | +5  | +5  |
| Financing and insurance                      | -14                    | -13 | -10  | 0   | +6  | -2  |
| Real estate                                  | -26                    | -12 | -16  | +4  | +14 | +7  |
| Professional and business services           | -18                    | +4  | -13  | -7  | +7  | -1  |
| All sectors above                            | -11                    | -8  | -17  | 0   | +6  | +1  |

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 held steady in overall terms**

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

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

As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis<sup>(2)</sup> to gauge the general direction of change in their views on business situation versus the preceding month. Business sentiment among SMEs improved visibly in August, but softened somewhat more recently amid increased uncertainties over the global economic outlook. The overall index on current situation was 46.7 in October, slightly higher than 46.6 in July (*Chart 2a*). Employment situation of the SMEs surveyed was likewise broadly steady, while credit conditions stayed largely accommodative. Separately, the Standard Chartered Hong Kong SME Leading Business Index<sup>(3)</sup> further extended its upward trend in the fourth quarter within the contractionary zone.

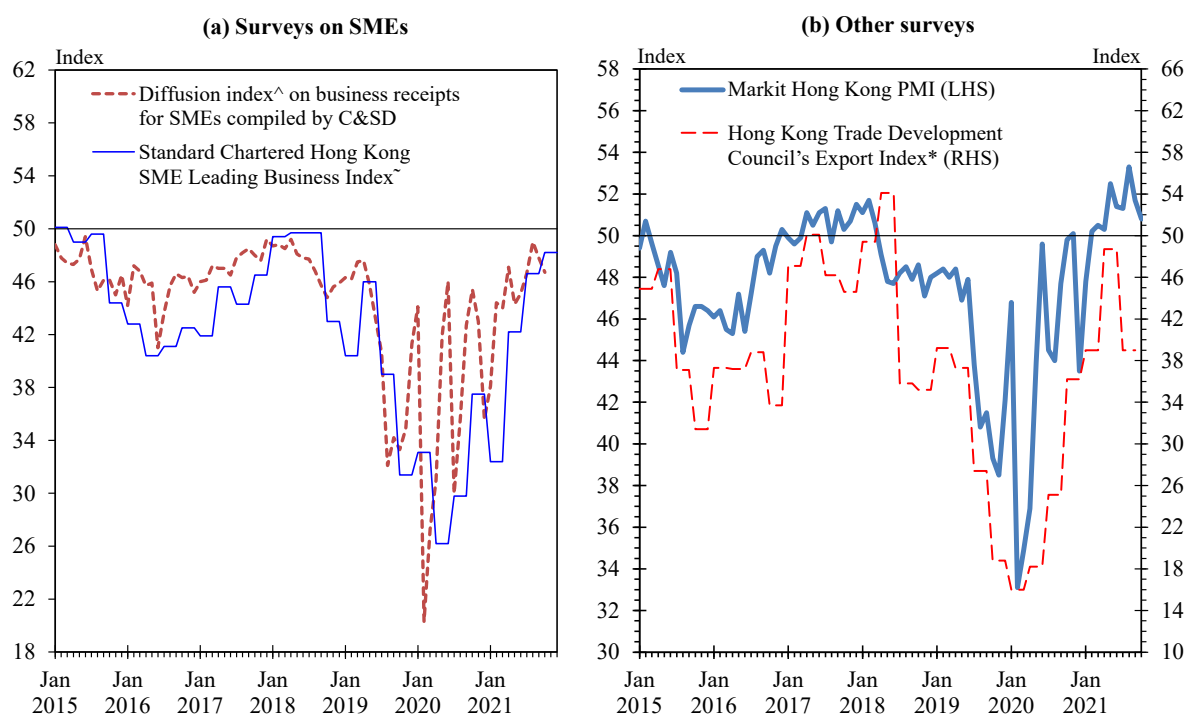
As for other surveys in the public domain, the Markit Purchasing Managers’ Index (PMI) of Hong Kong<sup>(4)</sup>, which gauges the performance of the private sector’s business activity, fell slightly from 51.3 in July to 50.8 in October but still pointed to activity expansion for the ninth consecutive month. Separately, the Hong Kong Trade Development Council’s Export Index<sup>(5)</sup> eased to 39.0 in the third quarter from 48.7 in the previous quarter, reflecting exporters’ growing concern on market uncertainties brought by the COVID-19 variants and supply bottlenecks (*Chart 2b*). The pandemic remained the top concern, identified by 45.5% of the traders surveyed as the biggest threat to their businesses, followed by softening global demand (20.3%) and continued closure of borders (10.4%).

(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 : Other recent surveys painted a mixed picture on local business sentiment**



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

(~) Launched in Q3 2012 and quarterly data.

(\*) A reading above 50 indicates 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 suggested that business sentiment in Hong Kong was still largely positive despite the increased external headwinds of late. Going forward, the pandemic especially the threat of the more infectious Delta variant and supply bottlenecks in many economies may continue to pose a drag on global growth and in turn affect the performance of Hong Kong’s merchandise exports. Nonetheless, the recent improvement in local employment conditions together with the Consumption Voucher Scheme should remain supportive to consumption-related activity. Meanwhile, the community’s concerted effort to keep the local epidemic under control remains crucial. 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 continued to improve in the third quarter, along with the sustained revival of local economic activity. The *seasonally adjusted unemployment rate* fell further from 5.5% in the second quarter to 4.5% in the third quarter, and the *underemployment rate* decreased from 2.5% to 2.1%, both visibly lower than their respective peaks of 7.2% and 4.0% in December 2020 – February 2021. The unemployment rates of the consumption- and tourism-related sectors declined visibly, and so did those of many other sectors. The unemployment rates of both lower-skilled workers and higher-skilled workers fell further. Wages and labour earnings on average showed modest yet faster year-on-year increases in nominal terms in the second quarter, reversing the general trend of deceleration in the past two years or so.

## **The asset markets**

1.9 The *local stock market* underwent a sharp correction in the third quarter, dampened by uncertainties over the monetary policy in the US, the regulatory requirements in the Mainland, and the global economic outlook amid the spread of COVID-19 variant cases across the world and disrupted transportation and supply chains. The HSI fell to 24 099 on 20 September, before closing the quarter at 24 576, down markedly by 14.8% from end-June. Stock trading stayed active, while fund raising activities quietened. Average daily turnover in the securities market increased by 9.3% over the preceding quarter to \$165.3 billion.

1.10 In the third quarter, the *residential property market* continued to be supported by the low interest rate environment, firm end-user demand and the local economic recovery. While 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, retreated by 14% from the hectic level in the preceding quarter to 18 969 in the third quarter, it was 22% higher than a year earlier and significantly above the quarterly average of around 14 700 in 2016-2020. Flat prices on average edged up by 1% between June and September, and the index of home purchase affordability remained elevated at around 75%. Meanwhile, flat rentals on average saw a further increase of 3% during the third quarter. The commercial and industrial property markets continued to improve from the weakness in the latter part of 2019 and 2020, though trading activities for all major market segments retreated somewhat from the preceding quarter. Prices and rentals largely stayed firm in the third quarter.

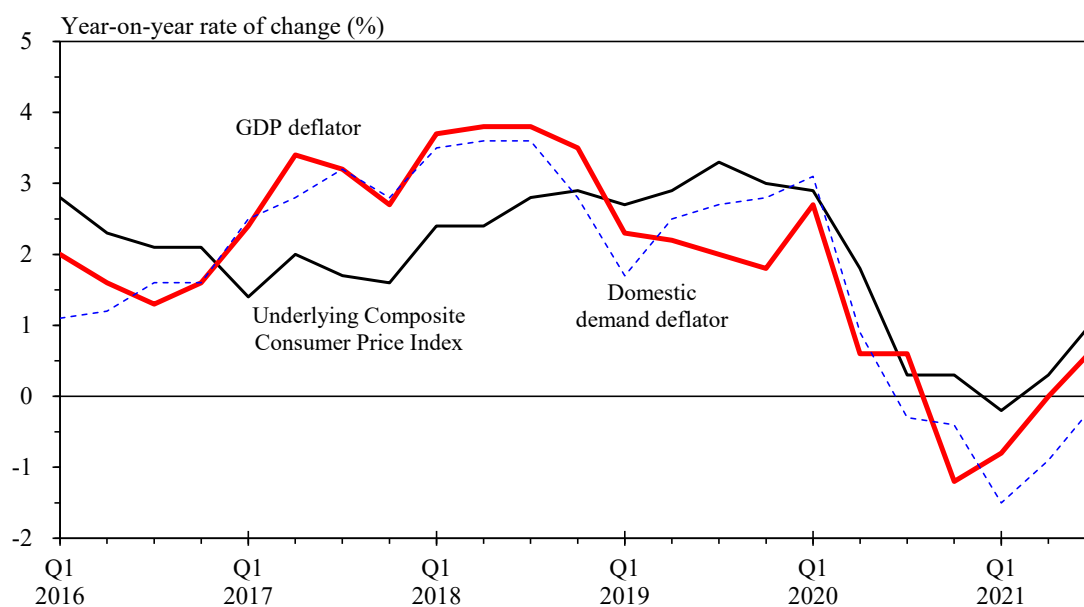


## **Inflation**

1.11 Underlying consumer price inflation went up but remained moderate in the third quarter. Netting out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, the *underlying Composite CPI* rose by 1.1% in the third quarter over a year earlier, up from 0.3% in the preceding quarter. While this was partly due to the larger price increases in some consumption-related items amid the stabilised local epidemic situation and improved consumption demand, the low bases of comparison for some CPI items were also relevant. Domestically, the year-on-year decline in private housing rentals narrowed slightly as the effect of the recent rises in fresh-letting residential rentals gradually fed through. As the economy was still operating below capacity, business cost pressures remained tame, with wages registering modest year-on-year growth and commercial rentals staying soft. Yet, external price pressures increased further amid higher inflation in some major import sources resulting from increasing demand and supply bottlenecks. Elevated international commodity and energy prices, together with the lower exchange values of the US dollar vis-à-vis other major currencies than a year earlier, also contributed to a faster year-on-year increase in prices of some merchandise import items. The *headline Composite CPI* rose by 2.3% in the third quarter over a year earlier, having risen by 0.8% in the preceding quarter. The higher headline inflation rate in the third quarter partly reflected the low base of comparison arising from the payment of one-month public housing rentals by the Government and rent waiver for tenants by the Hong Kong Housing Society in July 2020.

1.12 The *GDP deflator* rose by 0.7% over a year earlier in the third quarter, after staying virtually unchanged in the preceding quarter. The terms of trade registered a mild improvement from a year earlier as export prices rose slightly faster than import prices. Taking out the external trade components, the domestic demand deflator saw a narrowed decline of 0.1% in the third quarter, after decreasing by 0.9% in the preceding quarter.

**Diagram 1.4 : Underlying consumer price inflation went up but remained moderate in the third 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 grew visibly by 6.6% year-on-year in real terms in the second quarter of 2021, having increased by 6.7% in the first quarter. The net outputs of all major service sectors expanded alongside the economic recovery, though the low bases of comparison in many sectors were also relevant. Specifically, thanks to the sustained revival of import demand in major economies and vibrant regional trading flows, the net output of import and export trade continued to grow markedly, and that of transportation and storage resumed notable growth. The net output of wholesale and retail trades sustained an appreciable increase and that of accommodation and food services turned to a visible increase. Meanwhile, the net outputs of professional and business services and public administration, social and personal services saw modest to moderate increases. The net outputs of postal and courier services, financing and insurance as well as information and communications grew further by varying degrees. The net output of real estate, which covers activities of private sector developers and property agencies, rose modestly on the back of active property market trading. As for the secondary sector, the net output of the construction sector saw a mild decline, while that of the manufacturing sector grew further. Reflecting the uneven nature of the economic recovery, the net outputs of some sectors in the second quarter of 2021, including wholesale and retail trades, transportation and storage, and accommodation and food services, were still significantly lower than their pre-recession levels in the second quarter of 2019 by 49.0%, 43.7% and 33.0% respectively.

**Table 1.3 : GDP by economic activity<sup>(a)</sup>  
(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>   | <u>Q2</u> |
| Manufacturing  | -5.8        | -4.6        | -5.1      | -7.4      | -6.1      | 2.6         | 5.6       |
| Construction   | -5.7        | -10.6       | -2.4      | -7.4      | -1.4      | -3.2        | -0.5      |
| Services <sup>(b)</sup>                              | -6.6        | -9.1        | -8.7      | -5.1      | -3.8      | 6.7         | 6.6       |
| Import/export, wholesale and retail trades           | -13.7       | -22.1       | -19.3     | -9.2      | -6.4      | 24.0        | 15.5      |
| Import and export trade                              | -7.1        | -13.4       | -10.6     | -3.8      | -2.4      | 25.4        | 16.0      |
| Wholesale and retail trades                          | -45.1       | -58.8       | -54.3     | -39.3     | -27.3     | 11.5        | 11.5      |
| Accommodation <sup>(c)</sup> and food services       | -42.0       | -45.9       | -42.7     | -44.9     | -32.9     | -6.1        | 16.8      |
| Transportation, storage, postal and courier services | -39.5       | -32.5       | -49.6     | -41.7     | -35.2     | 0.4         | 19.6      |
| Transportation and storage                           | -42.7       | -34.2       | -53.3     | -45.1     | -39.0     | -2.6        | 20.6      |
| Postal and courier services                          | 11.9        | -3.3        | 14.0      | 19.9      | 17.7      | 33.9        | 12.2      |
| Information and communications                       | 1.6         | 1.1         | 0.5       | 2.2       | 2.3       | 3.7         | 2.1       |
| Financing and insurance                              | 3.7         | 2.4         | 2.8       | 4.8       | 4.8       | 7.4         | 6.2       |
| Real estate, professional and business services      | -5.3        | -5.8        | -6.9      | -4.9      | -3.7      | 1.3         | 2.3       |
| Real estate  | -5.1        | -9.3        | -6.4      | -3.1      | -1.2      | 2.6         | 2.1       |
| Professional and business services                   | -5.5        | -2.7        | -7.3      | -6.3      | -5.6      | 0.2         | 2.5       |
| Public administration, social and personal services  | -2.1        | -3.3        | -2.9      | -0.6      | -1.6      | 2.2         | 4.1       |

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 Chief Executive delivered the 2021 Policy Address in October and put forward initiatives in various aspects, including the visionary Northern Metropolis plan. The more salient points are highlighted below.

- The Northern Metropolis Development Strategy aims to transform the northern part of Hong Kong, including the Yuan Long District and North District with a total area of 300 square kilometres, into a lively and attractive area providing more land for housing, technology development and other industries. In particular, the Northern Metropolis will be developed as an international I&T hub, and upon full development, it would be home to some 2.5 million people and offer 650 000 jobs, including 150 000 in the I&T sector. The large-scale urban space will also become the most important area in Hong Kong that facilitates the city's development integration with Shenzhen and connection with the Guangdong-Hong Kong-Macao Greater Bay Area.
- Leveraging the Central Government's support, Hong Kong will continue to integrate into the national development, thereby bringing new impetus to our economy. The Government pledges to boost Hong Kong's competitiveness as the eight international centres or hubs (namely an international financial centre, an international transportation centre, an international trade centre, a centre for international legal and dispute resolution services in the Asia-Pacific Region, an international I&T hub, an international aviation hub, an East-meets-West centre for international cultural exchange, and a regional intellectual property trading centre) as charted in the National 14th Five-Year Plan.
- On I&T development, the Government proposes to set up an InnoLife Healthtech Hub in the Hong Kong-Shenzhen Innovation and Technology Park (HSITP) in the Loop. The HSITP and areas around Lok Ma Chau/San Tin will become the San Tin Technopole. The Government also proposes to further expand the capacity at the Hong Kong Science Park, and has accepted, in principle, proposals to provide land for research use to the University of Hong Kong and the Chinese University of Hong Kong. On financial sector development, the Government will step up efforts in further enhancing the listing regime, expanding offshore RMB business and growing a green and sustainable financial sector.

1.15 The Government started to disburse electronic consumption vouchers to the public in batches from August. The Scheme is welcomed by the public and businesses, and together with the extra promotions introduced by the four stored value facility operators and many shopping centres or merchants, have successfully boosted consumer sentiment, entrenching the revival of the local retail, catering and service sectors. Separately, the Government announced further enhancements to the support measures under the SME Financing Guarantee Scheme (SFGS). The maximum duration of principal moratorium for the 80% Guarantee Product, the 90% Guarantee Product and the Special 100% Loan Guarantee under the SFGS will be extended from 18 months to 24 months, and the application period for principal moratorium will also be extended to end-June 2022. These enhancements should effectively alleviate the cash flow burden of borrowing enterprises.

1.16 The Government published the “Report on Hong Kong’s Business Environment: A Place with Unique Advantages and Unlimited Opportunities” in September. The report reviewed and set out Hong Kong’s current business environment and advantages, and described the development opportunities available to Hong Kong under the country’s new phase and pattern of development. The Government will strive for institutional and policy innovation to assist local and overseas enterprises in Hong Kong to capitalise on the new potential to propel the Hong Kong economy up the value-added ladder.

1.17 The Fraser Institute once again ranked Hong Kong as the world’s freest economy in the *Economic Freedom of the World 2021 Annual Report*. Among the five areas of assessment, Hong Kong continued to rank top in “Freedom to Trade Internationally” and “Regulation”. Separately, Hong Kong was ranked second globally in the International Institute for Management Development’s *World Digital Competitiveness Ranking 2021*, up three places from last year. It was also the highest ranking Hong Kong ever attained since the report was first published in 2017. Meanwhile, Hong Kong was ranked 14th globally in the *Global Innovation Index 2021* by the World Intellectual Property Organization.

## 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 October 2021 and those three months ago.

|  | <u>2020</u>       | <u>July round</u> | <u>2021</u>          |
|--|-------------------|-------------------|----------------------|
|  | (%)               | (%)               | <u>October round</u> |
|  |                   |                   | (%)                  |
| World (PPP <sup>##</sup> weighted)       | -3.1              | 6.0               | 5.9                  |
| Advanced economies                       | -4.5              | 5.6               | 5.2                  |
| US                                       | -3.4 <sup>#</sup> | 7.0               | 6.0                  |
| Euro area                                | -6.4 <sup>#</sup> | 4.6               | 5.0                  |
| UK                                       | -9.7 <sup>#</sup> | 7.0               | 6.8                  |
| Japan                                    | -4.6 <sup>#</sup> | 2.8               | 2.4                  |
| Emerging market and developing economies | -2.1              | 6.3               | 6.4                  |
| Emerging and developing Asia             | -0.8              | 7.5               | 7.2                  |
| Mainland China                           | 2.3 <sup>#</sup>  | 8.1               | 8.0                  |
| India <sup>^</sup>                       | -7.0 <sup>#</sup> | 9.5               | 9.5                  |
| ASEAN-5 <sup>\$</sup>                    | -3.4              | 4.3               | 2.9                  |
| Middle East and Central Asia             | -2.8              | 4.0               | 4.1                  |

- 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 continued to recover, albeit at a moderated pace, in the third quarter of 2021. Governments in the US and many European countries refrained from imposing highly restrictive measures despite the spread of the COVID-19 Delta variant, minimizing the disruptions to the revival of economic activity. Meanwhile, the fiscal and monetary measures by many governments and central banks remained supportive. Nonetheless, the pace of recovery was constrained by supply bottlenecks in many places and to a lesser extent limited international travel.*
- *In October, the International Monetary Fund (IMF) forecast that the global economy would rebound by 5.9% in 2021, but warned that the divergence in economic prospects across regions remains a major concern and the balance of risks for growth is tilted to the downside.*
- *Hong Kong's merchandise exports saw notable growth of 15.7% year-on-year in real terms<sup>(1)</sup> in the third quarter, supported by the continued revival of major economies and vibrant regional trade flows. This represented a moderation from the 21.1% growth in the second quarter, largely reflecting the base effect. The Mainland, the US and the EU markets continued to show double-digit growth, and most of the other major markets in Asia also stayed robust.*
- *Exports of services increased moderately by 4.2% year-on-year in real terms in the third quarter after a 3.0% growth in the preceding quarter. As regional trade and cargo flows remained active, exports of transport services accelerated further despite subdued cross-boundary passenger transport. Exports of business and other services posted mild growth amid the global economic recovery. Exports of financial services increased along with the pick-up in cross-border financial activities. Meanwhile, exports of travel services remained at a very low level as inbound tourism was virtually at a standstill.*
- *Economic links between Hong Kong and the Mainland will continue to strengthen, following the Central Government's promulgation of the Plan for Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai Plan), and the signing of a Memorandum of Understanding (MOU) on enhancing exchanges and co-operation in promoting high-quality development of overseas Economic and Trade Co-operation Zones (ECTZs) by the HKSAR Government and the Ministry of Commerce.*



## Goods trade

### *Total exports of goods*

2.1 Hong Kong's *merchandise exports* registered notable year-on-year growth of 15.7% in real terms in the third quarter of 2021, having surged by 21.1% in the preceding quarter, thanks to the continued revival of major economies and vibrant regional trade flows. The growth moderation of exports in the third quarter was mainly witnessed in September against a high base of comparison in the same month last year. For the first three quarters of 2021 as a whole, merchandise exports surpassed the high recorded in the same period of 2018 by 11.4% in real terms.

2.2 The global economy continued to recover, albeit at a slower pace, in the third quarter. Governments in the US and Europe refrained from imposing large-scale lockdowns or other highly restrictive measures even amid the surge in COVID-19 Delta variant infections. Meanwhile, the fiscal and monetary measures by governments and central banks of many major economies remained supportive. Yet, supply bottlenecks in production and transportation turned even more evident in many economies. Rising commodity prices and limited international travel also restrained the global recovery momentum to some extent.

2.3 Among the major economies, the Mainland economy posted solid albeit moderated year-on-year growth of 4.9% in the third quarter, as economic activities were somewhat affected by the epidemic situation in some cities, extreme weather, and electricity rationing measures. In the US, the pace of recovery also slowed as private consumption softened after the strong growth in the first half of the year. The euro area economy posted broadly similar quarter-to-quarter growth as in the preceding quarter, though signs of moderation emerged towards the end of the quarter amid rising energy prices and production bottlenecks. Meanwhile, trading and production activities in other Asian economies on the whole continued to expand, but the revival in a few economies was hindered by their worsened epidemic situation and the resultant lockdown measures (see **Box 2.1**). In October, the IMF forecast that the global economy would rebound by 5.9% in 2021, largely similar to its forecast of 6.0% in July. The IMF warned that the divergence in economic prospects across regions remains a major concern, and the balance of risks for growth is tilted to the downside.

## Box 2.1

### Regional trade performance entering 2021

The COVID-19 pandemic seriously disrupted a wide range of economic activities around the world in the first half of 2020, pushing the global economy into a deep recession. Trading and production activities in Asia were hard hit in the first half of 2020. While having started to recover from the second half, major economies in Asia, except for the Mainland, Taiwan and Vietnam, recorded declines in merchandise exports for the year as a whole (*Table 1*). Entering 2021, notwithstanding the fluctuating pandemic situation, trading and production activities in the region have generally recovered further and stayed vibrant. This box article provides some observations on the trading and production activities in the region so far in 2021.

In the first three quarters of 2021, merchandise exports of all major economies in the region recorded strong year-on-year growth in US dollar terms (*Table 1*). Performance was particularly spectacular in the second quarter, with all major Asian economies registering double-digit growth partly helped by low bases of comparison. Latest merchandise exports value of these economies have exceeded their pre-pandemic levels in the respective periods in 2019. Likewise, production activities showed continued improvement, again with particularly notable growth seen in the second quarter partly due to base effect. The momentum extended to the third quarter for most economies in the region (*Table 2*).

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

| Exports of   | 2019  | 2020  | 2019 |      |       |       | 2020  |       |       |      | 2021 |      |      |
|--------------|-------|-------|------|------|-------|-------|-------|-------|-------|------|------|------|------|
|              |       |       | Q1   | Q2   | Q3    | Q4    | Q1    | Q2    | Q3    | Q4   | Q1   | Q2   | Q3   |
| The Mainland | 0.5   | 3.6   | 1.4  | -1.0 | -0.3  | 2.0   | -13.6 | -0.2  | 8.4   | 16.6 | 48.8 | 30.7 | 24.4 |
| Japan        | -4.4  | -9.2  | -5.7 | -6.2 | -1.3  | -4.4  | -4.4  | -23.7 | -12.0 | 3.3  | 8.9  | 42.5 | 20.4 |
| Korea        | -10.4 | -5.5  | -8.5 | -8.7 | -12.3 | -11.8 | -1.9  | -20.3 | -3.5  | 4.1  | 12.5 | 42.1 | 26.5 |
| Taiwan       | -1.5  | 4.9   | -4.2 | -2.7 | -0.9  | 1.8   | 3.6   | -2.4  | 6.0   | 11.7 | 24.6 | 37.4 | 30.1 |
| Singapore    | -5.2  | -4.2  | -2.7 | -6.7 | -7.8  | -3.5  | 1.7   | -14.5 | -2.1  | -1.7 | 11.1 | 33.6 | 19.4 |
| India        | -0.1  | -14.8 | 6.7  | -1.4 | -3.9  | -1.9  | -12.7 | -36.6 | -5.4  | -4.3 | 19.6 | 86.2 | 38.4 |
| Indonesia    | -6.8  | -2.7  | -6.7 | -9.3 | -7.5  | -4.0  | 1.1   | -12.5 | -6.6  | 6.7  | 17.2 | 55.9 | 50.9 |
| Malaysia     | -3.4  | -2.6  | -3.6 | -4.3 | -2.6  | -3.1  | -2.3  | -18.3 | 4.2   | 6.8  | 21.2 | 50.7 | 16.0 |
| Philippines  | 2.3   | -8.1  | -2.0 | 2.9  | 2.2   | 6.2   | -1.6  | -25.6 | -6.2  | 1.7  | 8.4  | 36.6 | 12.7 |
| Thailand     | -2.6  | -5.9  | -1.9 | -3.8 | -0.5  | -4.4  | 1.2   | -15.2 | -7.7  | -2.0 | 2.1  | 31.8 | 15.3 |
| Vietnam      | 8.4   | 6.9   | 5.2  | 9.1  | 10.5  | 8.5   | 7.8   | -6.9  | 10.7  | 15.0 | 23.7 | 34.6 | 3.2  |

Sources : CEIC and internal estimation.

## Box 2.1 (Cont'd)

**Table 2: Industrial production of selected Asian economies**  
(year-on-year rate of change, %)

|              | 2019 | 2020  | 2019 |      |       |      | 2020 |       |       |       | 2021  |       |      |
|--------------|------|-------|------|------|-------|------|------|-------|-------|-------|-------|-------|------|
|              |      |       | Q1   | Q2   | Q3    | Q4   | Q1   | Q2    | Q3    | Q4    | Q1    | Q2    | Q3   |
| The Mainland | 5.7  | 2.8   | 6.5  | 5.6  | 5.0   | 5.9  | -8.4 | 4.4   | 5.8   | 7.1   | 24.5  | 8.9   | 4.9  |
| Japan        | -3.0 | -10.3 | -1.7 | -2.1 | -1.1  | -6.8 | -4.7 | -20.3 | -13.0 | -3.5  | -1.1  | 19.9  | 5.8  |
| Korea        | 0.3  | -0.3  | -2.0 | *    | 0.7   | 2.5  | 4.6  | -5.8  | 0.2   | *     | 4.4   | 12.7  | 5.0  |
| Taiwan       | -0.3 | 7.1   | -4.6 | -0.9 | 2.0   | 1.8  | 9.7  | 4.4   | 6.2   | 8.2   | 12.7  | 16.4  | 13.3 |
| Singapore    | -1.5 | 7.5   | *    | -0.5 | -1.2  | -4.0 | 8.3  | -0.4  | 11.0  | 11.4  | 11.2  | 17.9  | 7.2  |
| India        | 0.7  | -11.0 | 1.5  | 3.0  | -0.4  | -1.4 | -4.3 | -35.6 | -5.7  | 1.7   | 6.0   | 44.3  | -    |
| Indonesia    | 4.0  | -10.1 | 4.5  | 3.6  | 4.3   | 3.6  | 0.8  | -19.7 | -13.1 | -8.6  | -4.8  | -     | -    |
| Malaysia     | 2.4  | -4.4  | 3.2  | 3.6  | 1.8   | 1.3  | 0.2  | -18.0 | 0.7   | -0.4  | 3.9   | 22.6  | -    |
| Philippines  | -8.8 | -40.5 | 1.0  | -6.8 | -25.2 | -4.1 | -8.1 | -72.6 | -69.4 | -20.9 | -41.8 | 258.0 | -    |
| Thailand     | -3.4 | -9.3  | -0.5 | -2.1 | -4.2  | -6.9 | -6.7 | -20.4 | -8.5  | -1.6  | 0.8   | 20.6  | -0.8 |
| Vietnam      | 9.1  | 3.3   | 9.2  | 6.9  | 10.0  | 4.5  | 5.8  | -4.9  | 4.0   | 6.6   | 5.7   | 11.7  | -7.5 |

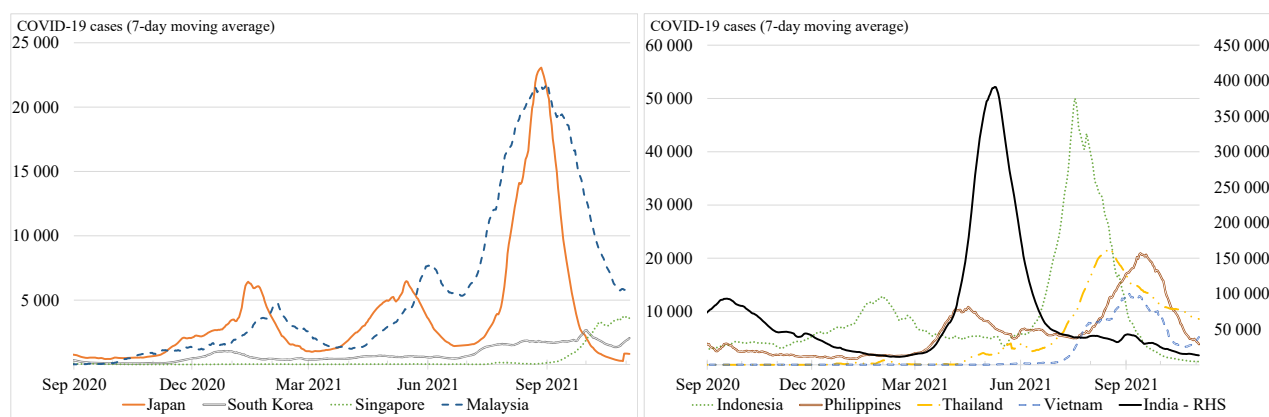
Sources : CEIC and internal estimation.

Notes : (-) Not available.

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

Compared to the first half of 2020 when the spread of COVID-19 severely disrupted trading and production activities, the impact on related economic activities in Asia of relapses in pandemic situation resulting from the spread of the more infectious Delta variant turned out to be much milder this year, conceivably due to several factors (*Chart 1*). On the demand side, reopening and recovery of the Western economies provided strong support to demand for goods. On the production side, vaccination programmes have allowed Asian economies to gradually relax their social distancing measures through a vaccination-differentiation approach, and governments in the region have generally adopted granular and district-specific restrictions instead of extensive lockdown.

**Chart 1: Average daily new COVID-19 cases of selected Asian economies**



Source: World Health Organization.

**Box 2.1 (Cont'd)**

The buoyant trade flows in the region, if sustained, should augur well for Hong Kong's export performance in the near term. Yet, the impact of the pandemic situation on the regional and global supply chains remains a key source of uncertainty going forward. In its latest *World Economic Outlook*, the IMF remarked that supply disruptions arising from the pandemic outbreak pose a major challenge to the global economy. Minutes of the FOMC meeting on 21-22 September 2021 indicated that US firms in a number of industries were facing challenges keeping up with strong demand due to widespread supply chain bottlenecks as well as labour shortages. The European Central Bank also noted ongoing supply-side disruptions involving broad-based shortages of raw materials (e.g. semiconductors, metals and plastics) and continuing transport bottlenecks. Recently, there has been growing concern that supply and production bottlenecks in many places may turn more severe and persistent than previously anticipated, which would in turn entail a more visible dampening impact on the global economy, with potential repercussions on regional trade flows. The situation warrants close monitoring.

2.4 Monetary policies in advanced economies remained accommodative in the third quarter, though some central banks began to scale back the easing measures. In early November, the US Federal Reserve announced to commence its tapering process later in the month. On the fiscal front, US President Biden signed a short-term appropriations bill to keep the government funded through early December, while the US government's debt ceiling had also been temporarily raised. The US\$1.75 trillion social-spending package and the US\$1 trillion bipartisan infrastructure plan were still subject to Congress' approval as at end-October. Meanwhile, the European Commission disbursed the payment under "Next Generation EU" to an increasing number of member states to support their economic recovery. Separately, on trade relations between the Mainland and the US, high-level dialogues continued as both sides sought to address various issues of mutual interest.

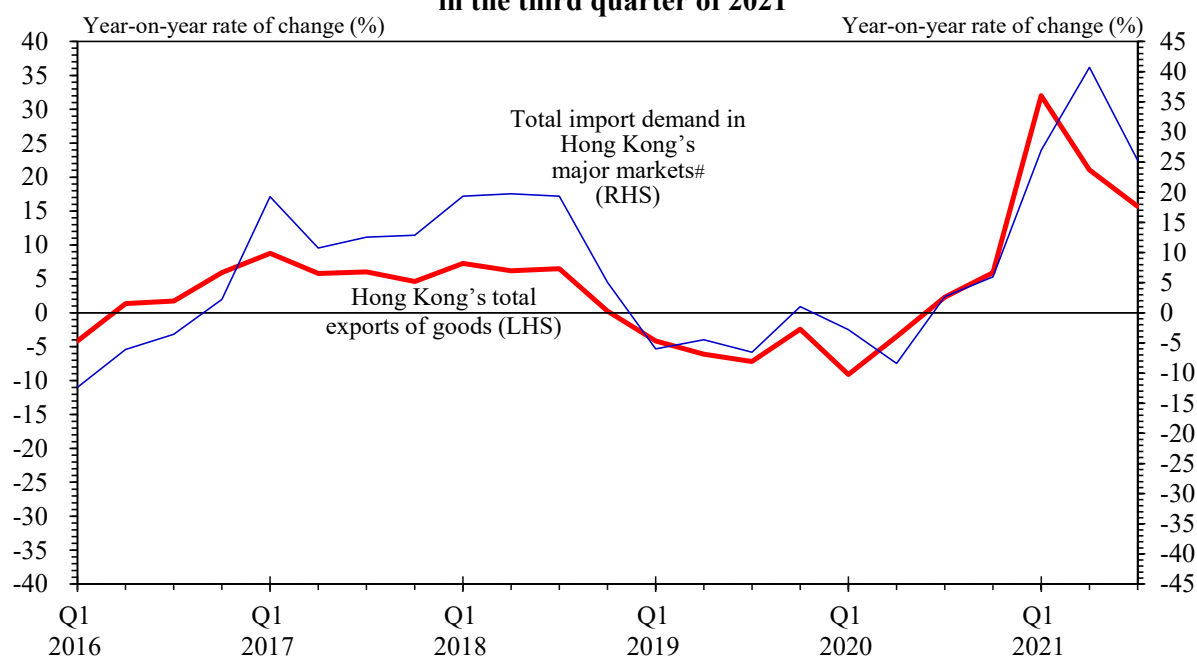
**Table 2.1 : Total exports of goods  
(year-on-year rate of change (%))**

|             | <u>In value terms</u> | <u>In real terms<sup>(a)</sup></u> |        | <u>Change in prices</u> |
|-------------|-----------------------|------------------------------------|--------|-------------------------|
| 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                     |
| Q3          | 22.7                  | 15.7                               | (-0.7) | 6.1                     |

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*.

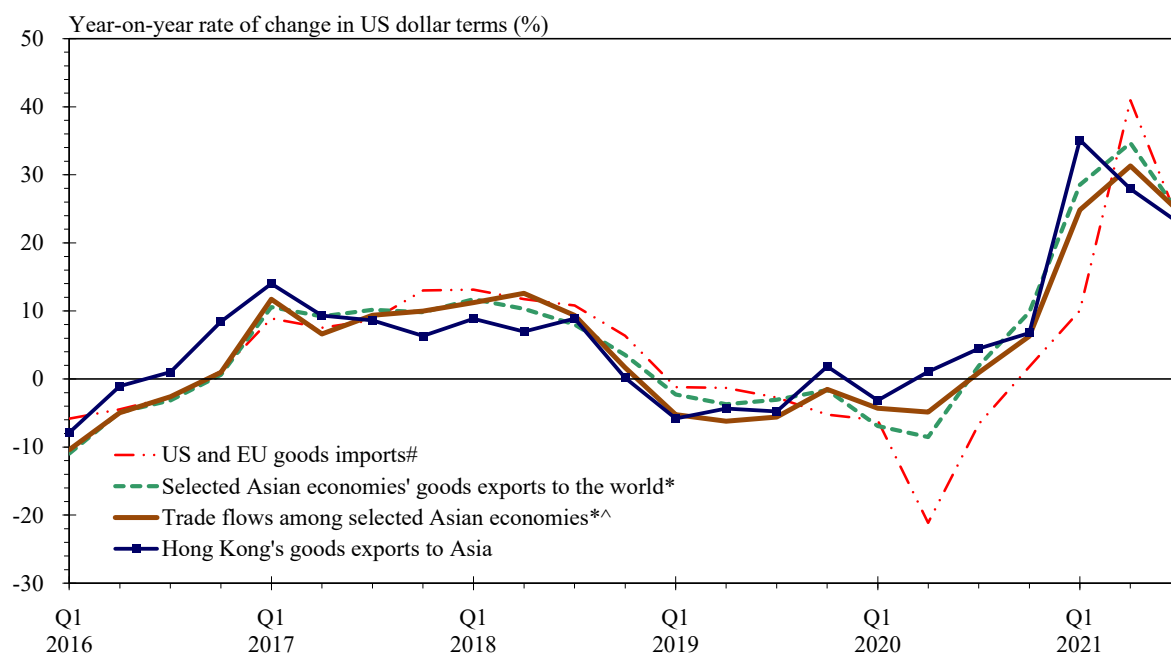
**Diagram 2.1 : Merchandise exports registered notable year-on-year growth in the third quarter of 2021**



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.

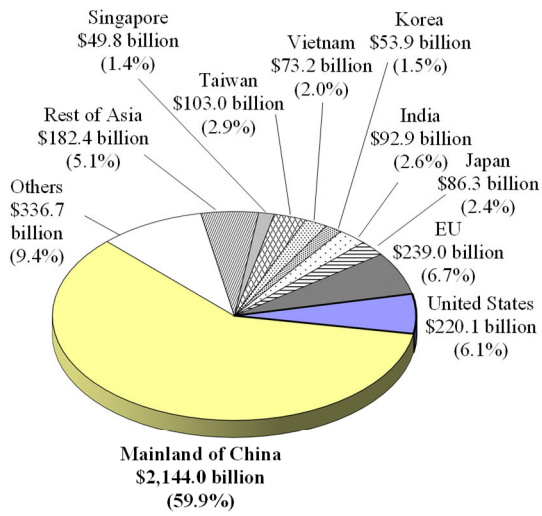
(#) Import demand figure for the EU for the third quarter of 2021 is based on information available as of early November 2021.

**Diagram 2.2 : Regional trade flows stayed vibrant in the third quarter; Import demand from the US and the EU continued to grow**



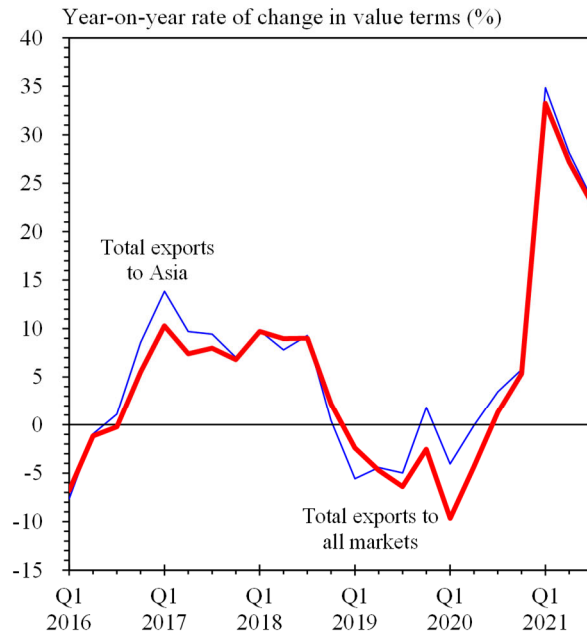
Notes : (\*) "Selected Asian economies" include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.  
 (^) The trade flows were measured by the sum of the individual economies' exports of goods to the other nine economies within the "selected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

**Diagram 2.3 : Exports to most of the major markets in Asia saw robust performance**



**Total exports of goods in the first three quarters of 2021: \$3,581.3 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> | <u>Q3</u> |
| Mainland of China           | 5.1           | -2.2      | 5.8         | 7.2       | 8.3       | 37.5        | 18.8      | 11.4      |
| United States               | -12.5         | -25.9     | -17.5       | -8.7      | 1.2       | 21.4        | 17.4      | 19.8      |
| European Union <sup>#</sup> | -7.3          | -24.4     | -9.0        | -4.1      | 9.0       | 26.0        | 10.2      | 22.5      |
| India                       | -15.5         | -0.1      | -43.3       | -6.7      | -11.9     | 21.3        | 48.9      | 20.9      |
| Japan                       | -7.2          | -15.7     | -1.6        | -13.6     | 2.4       | 7.9         | -1.2      | 16.9      |
| Taiwan                      | 11.3          | 0.7       | 20.2        | 5.5       | 18.8      | 44.6        | 28.3      | 36.8      |
| Vietnam                     | 9.8           | 5.4       | -1.2        | 13.5      | 20.3      | 32.9        | 22.8      | 3.5       |
| Singapore                   | -16.6         | -14.8     | -23.1       | -11.5     | -16.4     | -2.2        | 14.3      | 34.4      |
| Korea                       | -5.9          | -8.9      | -10.8       | -7.5      | 4.0       | 33.9        | 28.6      | 56.9      |
| Overall*                    | -0.8          | -9.1      | -3.5        | 2.3       | 5.9       | 32.0        | 21.1      | 15.7      |

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

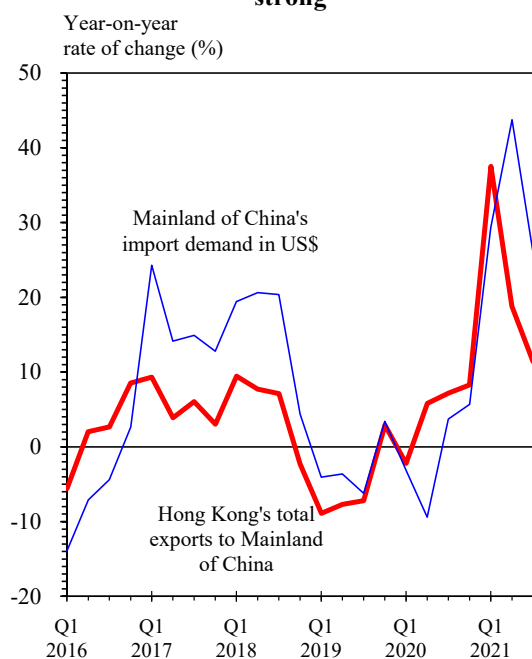
(<sup>#</sup>) Exports to the EU exclude those to the UK, as the UK formally withdrew from the EU on 31 January 2020. Taking the UK and the EU together, exports increased by 25.7% in real terms in the third quarter of 2021 over a year earlier.

2.5 Analysed by major market, merchandise exports to the US and the EU continued to show double-digit growth in the third quarter thanks to the sustained activity revival in these economies, with exports of capital goods which accounted for more than half of exports to these two markets regaining momentum. Re-exports of Mainland origin to the US and the EU, including those affected by US additional tariff<sup>(2)</sup>, likewise picked up.

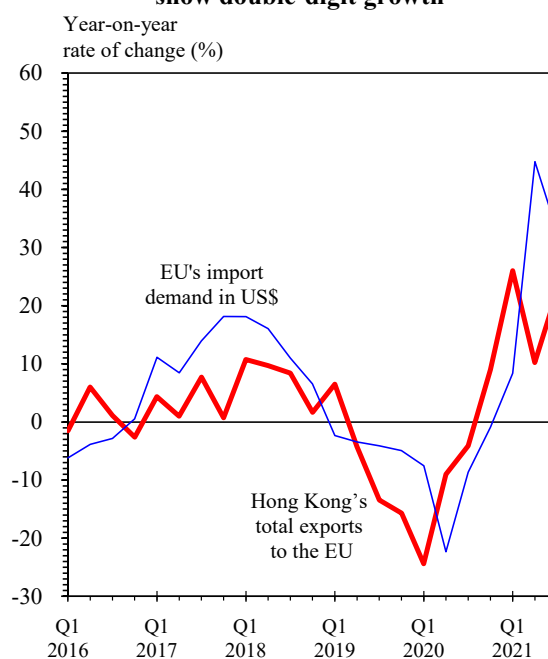


2.6 Exports to most of the major markets in Asia saw robust performance. Exports to the Mainland stayed strong thanks to its continued expansion of production activity and solid growth of domestic demand. Exports to Korea and Singapore accelerated sharply, and those to Taiwan stayed strong. Exports to Japan turned to an appreciable increase thanks to the rebound in exports of capital goods and also a lower base of comparison. On the other hand, exports to Vietnam slowed visibly, dragged by the resurgence of the epidemic there. Exports to India, while still registering notable growth, decelerated markedly as the low base effect dissipated.

**Diagram 2.4 : Exports to the Mainland stayed strong**

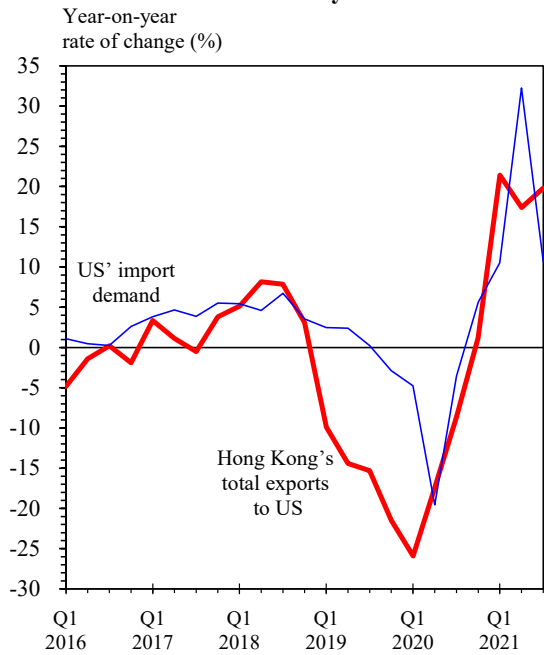


**Diagram 2.5 : Exports to the EU continued to show double-digit growth**

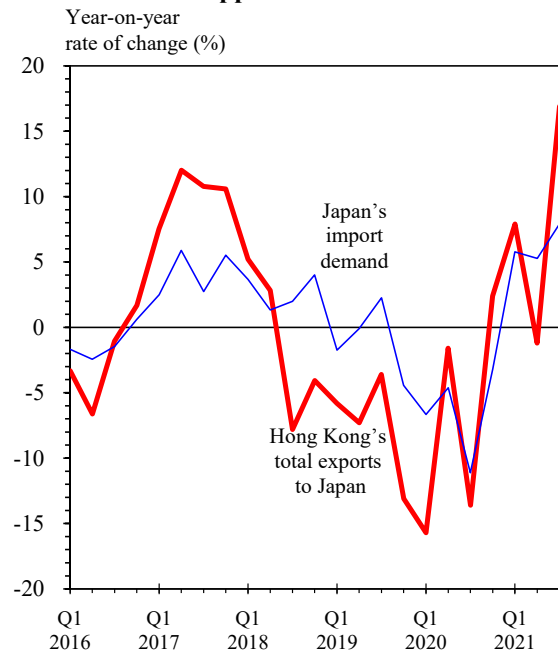


Note: Import demand figure for the EU for the third quarter of 2021 is based on the information available as of early November 2021.

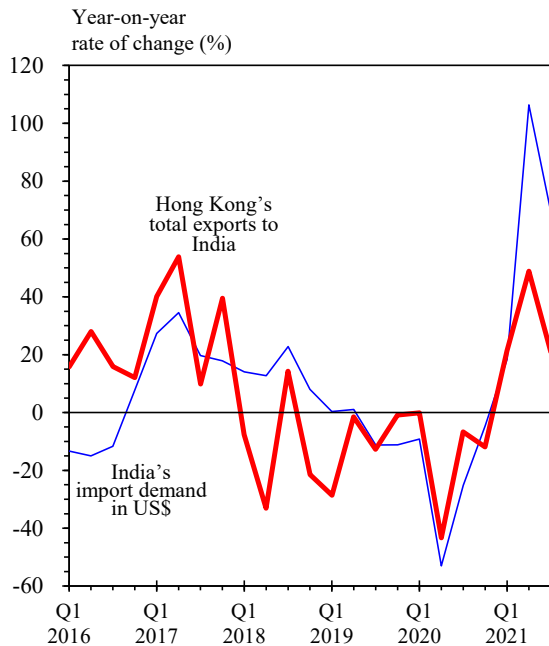
**Diagram 2.6 : Exports to the US increased markedly**



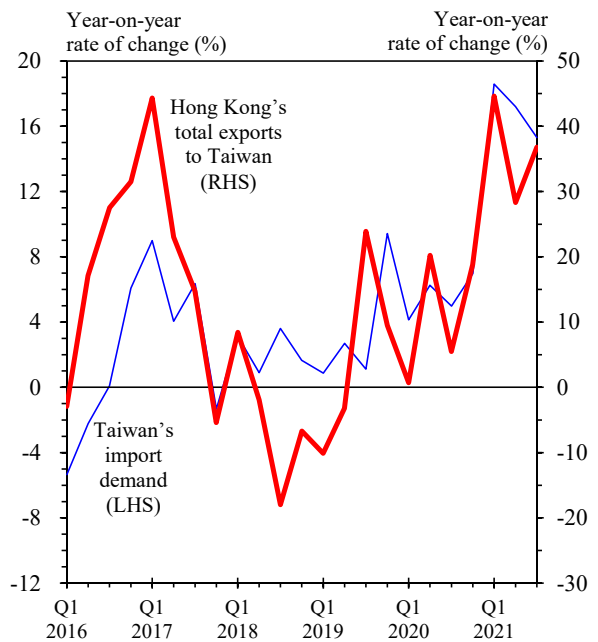
**Diagram 2.7 : Exports to Japan turned to an appreciable increase**



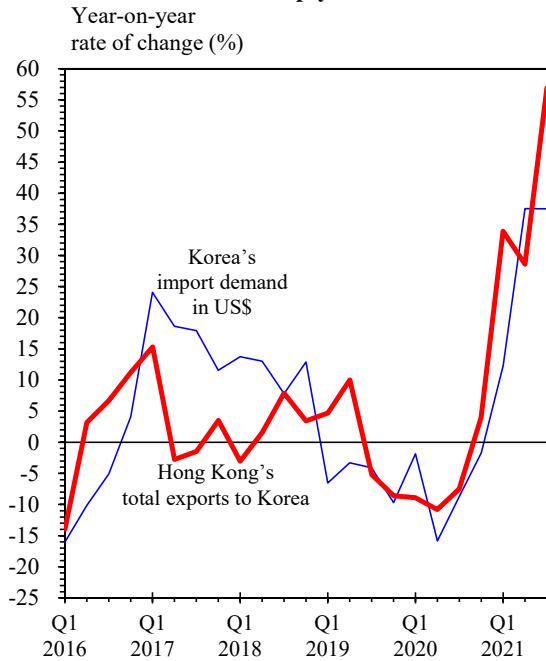
**Diagram 2.8 : Exports to India decelerated markedly but the increase was still notable**



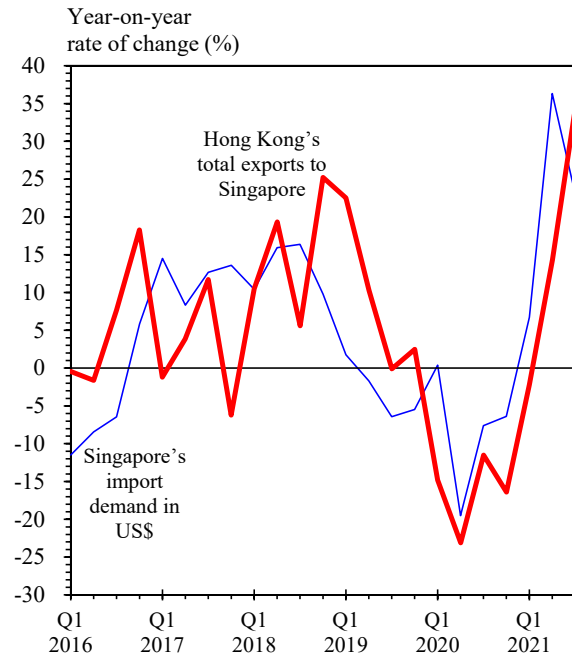
**Diagram 2.9 : Exports to Taiwan stayed strong**



**Diagram 2.10 : Exports to Korea accelerated sharply**



**Diagram 2.11 : Exports to Singapore saw visible acceleration**



### *Imports of goods*

2.7 *Imports of goods* rose visibly by 18.4% in real terms in the third quarter, further to the 22.2% surge 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 marked increase of 30.4% in real terms thanks to the continued revival of domestic demand. Meanwhile, imports for subsequent *re-exports*<sup>(3)</sup> continued to rise in tandem with the strong export performance.

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

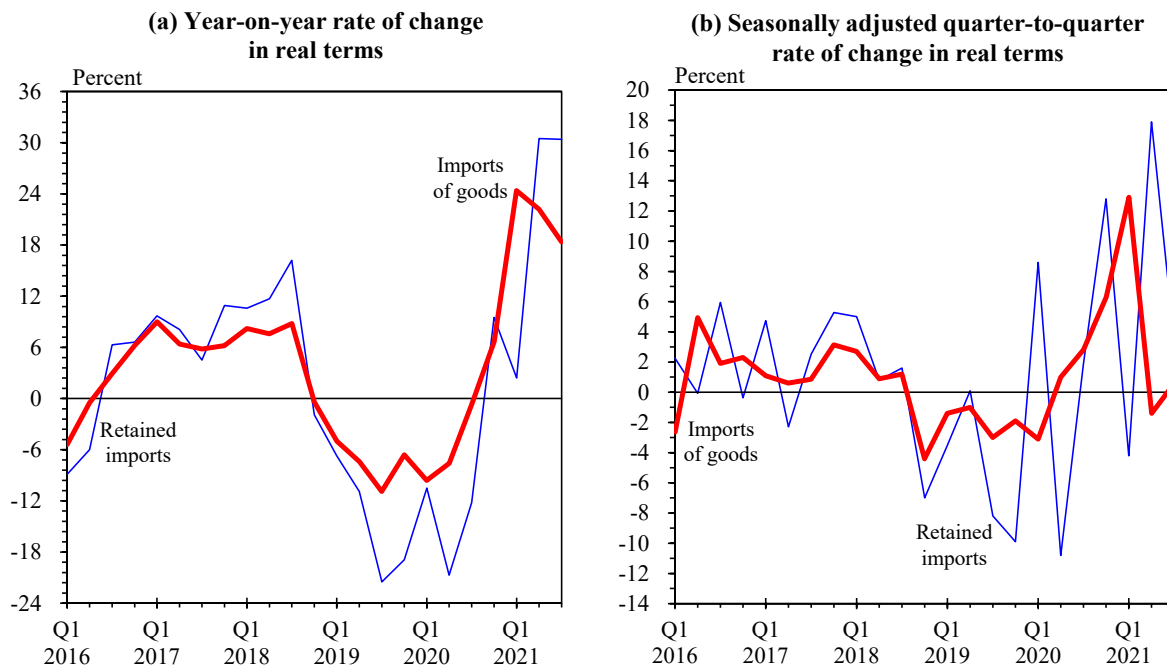
|      |        | <u>Imports of goods</u> |                                    |                         | <u>Retained imports<sup>(a)</sup></u> |                      |                         |
|------|--------|-------------------------|------------------------------------|-------------------------|---------------------------------------|----------------------|-------------------------|
|      |        | <u>In value terms</u>   | <u>In real terms<sup>(+)</sup></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                | (-10.8)                 |
|      | Q2     | -8.8                    | -7.6                               | (1.0)                   | -1.0                                  | -24.5                | (-10.8)                 |
|      | Q3     | -1.9                    | -0.7                               | (2.8)                   | -1.2                                  | -15.2                | (1.9)                   |
|      | Q4     | 6.6                     | 6.7                                | (6.3)                   | -0.1                                  | 10.2                 | (12.8)                  |
| 2021 | Q1     | 25.6                    | 24.4                               | (12.9)                  | 1.1                                   | 3.1                  | (-4.2)                  |
|      | Q2     | 27.9                    | 22.2                               | (-1.4)                  | 4.7                                   | 35.4                 | (17.9)                  |
|      | Q3     | 25.8                    | 18.4                               | (0.6)                   | 6.5                                   | 40.1                 | (3.4)                   |

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

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

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

**Diagram 2.12 : Imports of goods rose visibly**

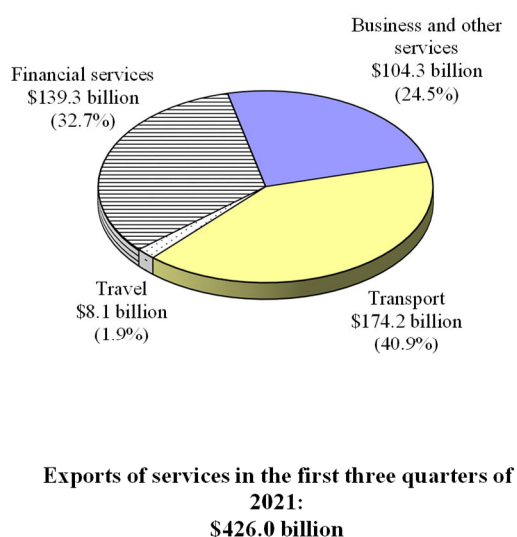


## Services trade

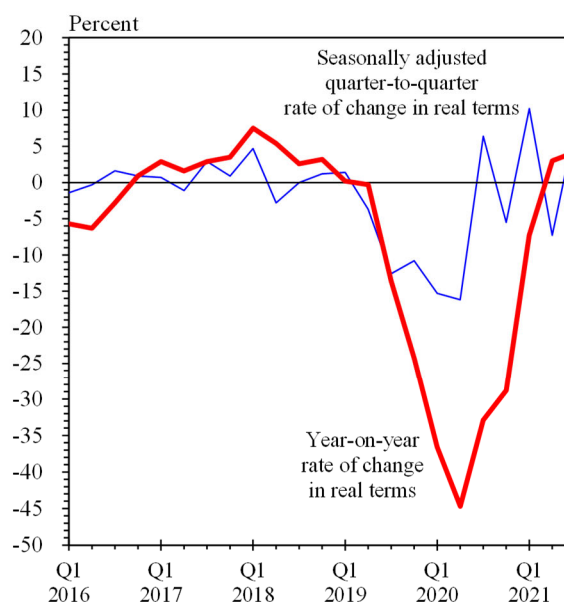
### *Exports of services*

2.8 *Exports of services* increased moderately by 4.2% year-on-year in real terms in the third quarter after a 3.0% growth in the preceding quarter. As regional trade and cargo flows remained active, exports of transport services accelerated further despite subdued cross-boundary passenger transport. Exports of business and other services posted mild growth amid the global economic recovery. Exports of financial services increased along with the pick-up in cross-border financial activities. Meanwhile, exports of travel services remained at a very low level as inbound tourism was virtually at a standstill.

**Diagram 2.13 : The contribution from travel services to total exports of services was still mere as inbound tourism was virtually at a standstill**



**Diagram 2.14 : Exports of services increased moderately year-on-year**



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

*Of which :*

|      |        | <u>Exports<br/>of services</u> | <u>Transport</u> | <u>Travel<sup>(a)</sup></u> | <u>Financial<br/>services</u> | <u>Business and<br/>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     | 3.0 (-7.3)                     | 4.8              | 16.0                        | 2.1                           | 0.7                                    |
|      | Q3     | 4.2 (7.8)                      | 7.6              | 28.5                        | 2.4                           | 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*.

(a) Comprising mainly inbound tourism receipts.

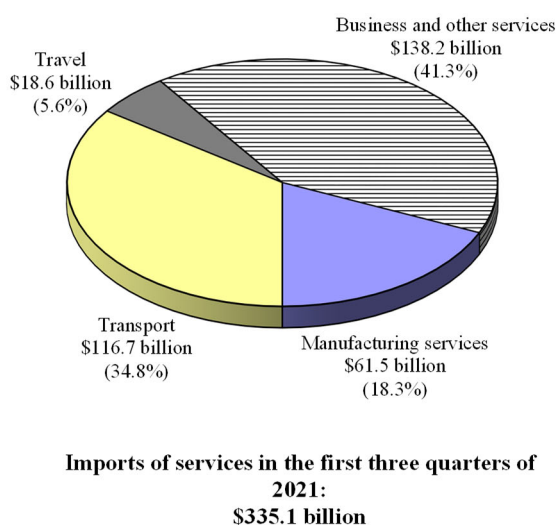
( ) Seasonally adjusted quarter-to-quarter rate of change.

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

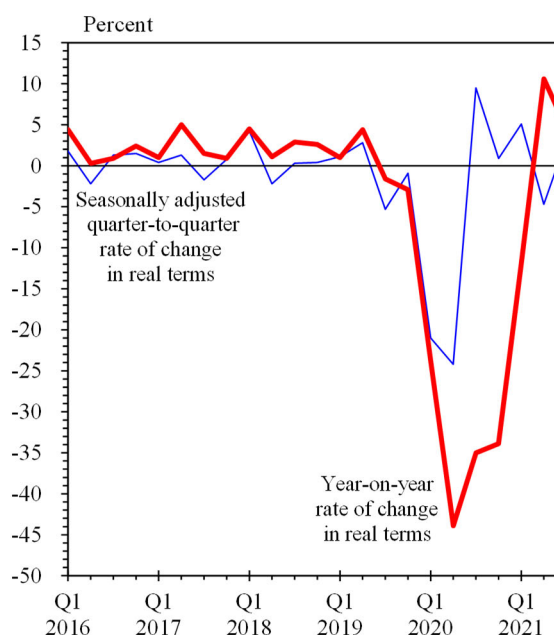
### ***Imports of services***

2.9 *Imports of services* rose further by 4.5% in real terms in the third quarter over a year earlier, having increased by 10.6% in the preceding quarter. Imports of transport services continued to expand thanks to vibrant regional trade and cargo flows. Imports of business and other services posted further growth alongside the global economic recovery. Meanwhile, imports of manufacturing services increased further as outward processing activities remained buoyant. On the other hand, imports of travel services remained depressed as outbound tourism activities were severely hindered amid the pandemic.

**Diagram 2.15 : The share of travel services to overall imports of services remained meagre as outbound tourism activities were severely hindered**



**Diagram 2.16 : Imports of services rose further over a year earlier**



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

*Of which :*

|      |        | Imports of services | Travel <sup>(+)</sup> | Transport | Manufacturing services <sup>(^)</sup> | Business and other services |
|------|--------|---------------------|-----------------------|-----------|---------------------------------------|-----------------------------|
| 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     | 10.6 (-4.7)         | 44.9                  | 14.3      | 12.2                                  | 4.4                         |
|      | Q3     | 4.5 (3.2)           | 8.6                   | 7.1       | 6.7                                   | 1.0                         |

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

2.10 Based on the GDP accounting framework and compared to a year earlier, the goods account showed a smaller surplus in the third quarter of 2021, as the increase in imports of goods outpaced exports of goods. Over the same period, the surplus in services trade widened. The goods and services accounts combined saw a smaller surplus of \$38 billion in the third quarter of 2021, equivalent to 2.5% of total import value, as compared to the surplus of \$57 billion (or 4.7% of total import value) in the third quarter of 2020. For the first three quarters of 2021 as a whole, the goods and services accounts combined recorded a surplus of \$72 billion, equivalent to 1.7% of total import value, as compared to the surplus of \$40 billion (or 1.2% of total import value) in the first three quarters 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     | 1,251                | 126             | 1,281          | 106             | -30                  | 20              | -10             | -0.7                   |
|      | Q3     | 1,380                | 154             | 1,376          | 121             | 4                    | 34              | 38              | 2.5                    |

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

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



## **Other developments**

2.11 Economic links between Hong Kong and the Mainland will continue to strengthen following the Central Government's promulgation of the Qianhai Plan in September. The Plan will foster Hong Kong-Shenzhen co-operation at a higher level under which the two cities can serve as dual engines to drive development in the Guangdong-Hong Kong-Macao Greater Bay Area. The Plan will also give full play to Hong Kong's long-held advantages in high-end professional services, elevate the function of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and promote the long-term development for Hong Kong professional services.

2.12 The HKSAR Government and the Ministry of Commerce signed a MOU on enhancing exchanges and co-operation in promoting high-quality development of overseas ETCZs in September. According to the MOU, pursuant to the principle of "government providing guidance, enterprises taking the lead, and market-oriented operation", the HKSAR Government and the Ministry of Commerce will leverage respective strengths to promote the high-quality development of the ETCZs, encourage enterprises of both places to invest and set up businesses at the ETCZs, develop the ETCZs jointly by different means, and explore international markets.

**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 and 18.9% in the third quarter of 2021. The performance of these affected re-exports in the third quarter of 2021 was less buoyant than Hong Kong's total exports to all markets, which surged by 22.7% year-on-year.
- (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*

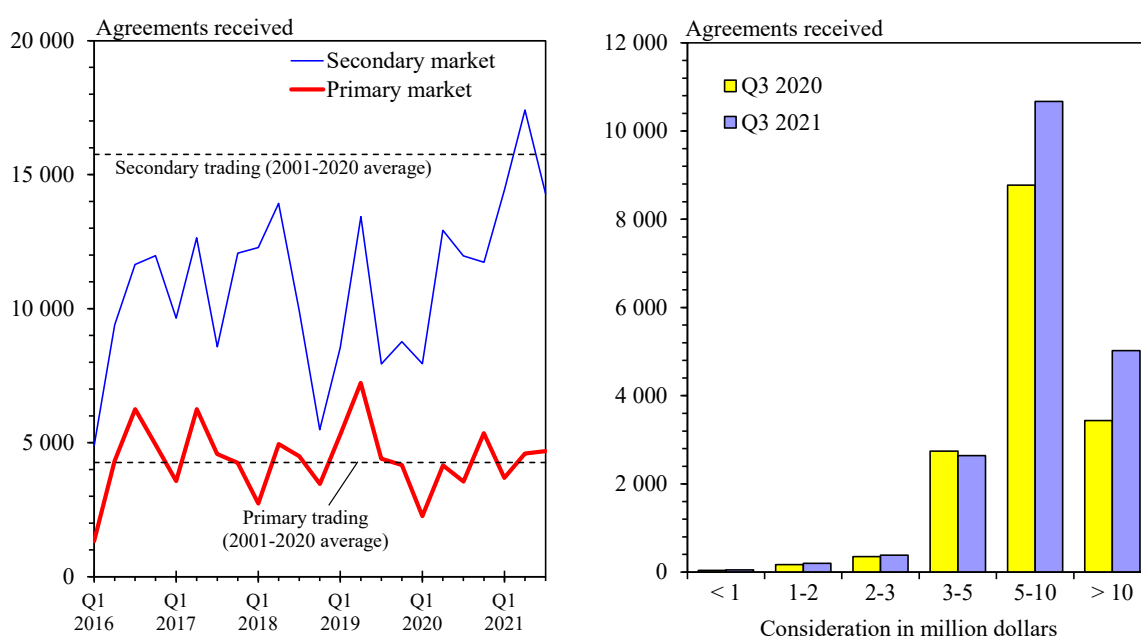
- *In the third quarter of 2021, the residential property market continued to be supported by the low interest rate environment, firm end-user demand and the local economic recovery. Trading activities remained generally active, though slowing down from the hectic level in the preceding quarter. Flat prices, on average, edged up by 1% for the quarter as a whole.*
- *Reflecting the Government's sustained efforts in increasing land and flat supply, total private first-hand flat supply in the coming three to four years would remain at a high level of 94 000 units as estimated at end-September.*
- *Amid the economic revival, the commercial and industrial property markets continued to improve from the weakness in the latter part of 2019 and 2020. Prices and rentals generally stayed firm in the third quarter, though trading activities for all major market segments retreated somewhat from the preceding quarter.*
- *The tourism sector remained at a standstill, as most of the boundary control measures and quarantine requirements in response to the COVID-19 pandemic stayed in place. Notwithstanding some increase over the preceding quarter, there were only 29 400 visitor arrivals, or around 320 per day, in the third quarter, far below the pre-recession level of 16.6 million or around 182 800 per day in the second quarter of 2019.*
- *The logistics sector showed mixed performance in the third quarter. Total container throughput declined by 1.5% from a year earlier, as congestion at many ports around the world also affected schedules of vessels going in and out of Hong Kong, while air freight throughput surged by 15.6%.*

## Property

3.1 In the third quarter of 2021, the *residential property market* continued to be supported by the low interest rate environment, firm end-user demand and the local economic recovery. Trading activities remained generally active, though slowing down from the hectic level in the preceding quarter. Flat prices, on average, increased in July and then softened in August and September, leading to a marginal increase for the quarter as a whole.

3.2 While the total number of sale and purchase agreements for residential property received by the Land Registry retreated by 14% from the hectic level in the preceding quarter to 18 969 in the third quarter, it was 22% higher than a year earlier and significantly above the quarterly average of around 14 700 in 2016-2020. The quarter-to-quarter fall in trading was entirely due to an 18% drop in secondary market transactions, while primary market transactions edged up by 2%. In parallel, total consideration decreased by 17% from the preceding quarter to \$189.2 billion.

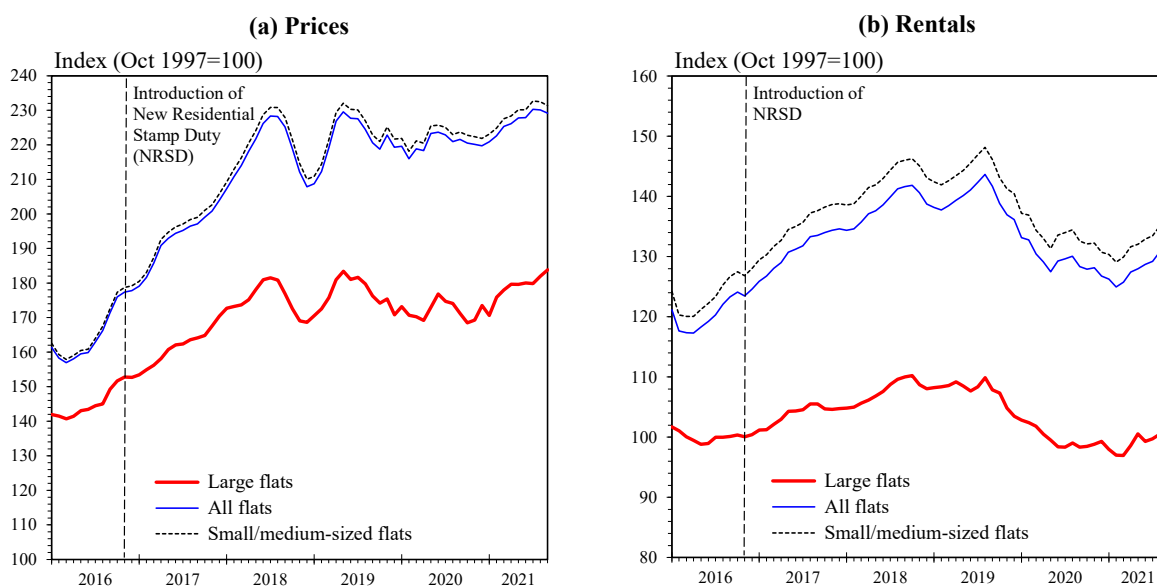
**Diagram 3.1 : Trading activities remained generally active in the third quarter, though slowing down from the hectic level in the preceding quarter**



3.3 Following the moderate increase of 4% during the first half of 2021, flat prices on average edged up by 1% between June and September. The increase in July was partly offset by the small declines in the ensuing two months. Analysed by size, prices of small/medium-sized flats and large flats edged up by 1% and 2% respectively during the quarter. Flat prices in September rose by 4% over December 2020, and were at about the same level as the historic high in May 2019.

3.4 Flat rentals on average saw a further increase of 3% during the third quarter. Analysed by size, rentals of small/medium-sized flats and large flats rose by 3% and 2% respectively. Flat rentals in September were 4% higher than in December 2020, but still 8% below the recent peak in August 2019. The average rental yield for residential property edged up from 2.2% in June to 2.3% in September.

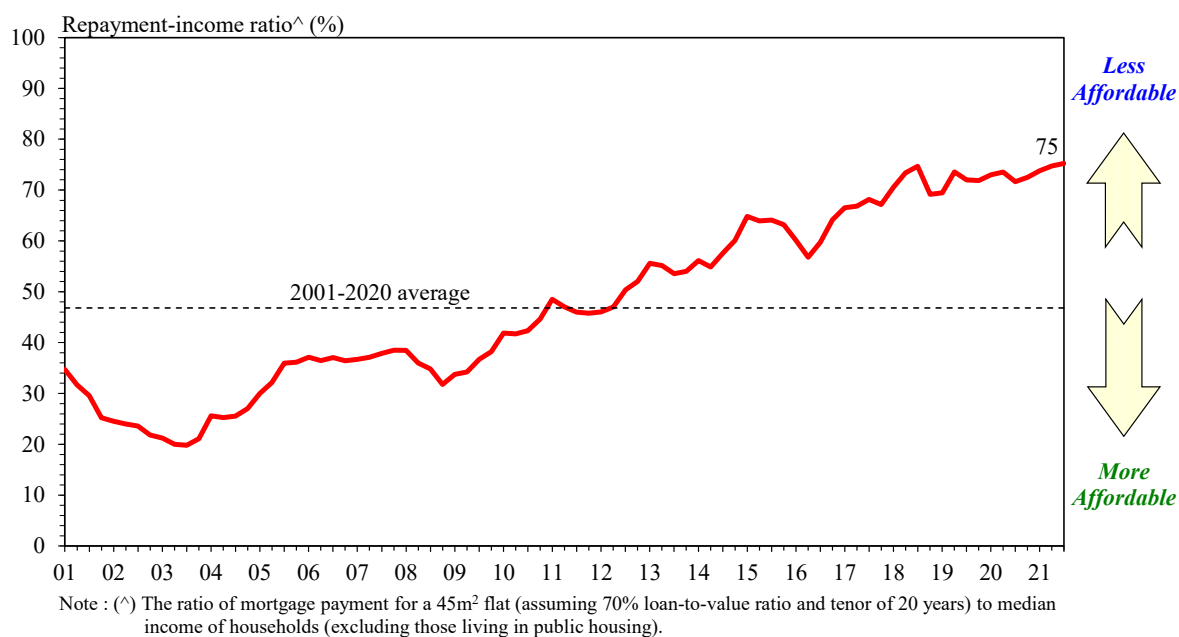
**Diagram 3.2 : Flat prices edged up during the third quarter, while rentals saw a further increase**



Note : Residential property price index pertains to secondary market transactions only. Large flats refer to those with a saleable area of at least 100 m<sup>2</sup>, and small/medium-sized flats with a saleable area of less than 100 m<sup>2</sup>.

3.5 The index of home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public housing) remained elevated at around 75% in the third quarter, significantly above the long-term average of 47% over 2001-2020<sup>(1)</sup>. Should interest rates rise by three percentage points to a more normal level, the ratio would soar to 99%.

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



3.6 Raising flat supply through increasing land supply is a policy priority of the Government. In September, the Government announced to put up two residential sites for sale in the fourth quarter. Combining the various sources (including Government land sale, the Urban Renewal Authority’s projects, and private development and redevelopment projects), the private housing land supply in the fourth quarter is expected to produce around 7 110 flats. Together with the supply in the first half of 2021-22, the total private housing land supply for the first three quarters of this financial year is estimated to have a capacity to produce about 14 430 units, exceeding the private housing supply annual target (12 900 units) by more than 10%.

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), as estimated at end-September, would remain at a high level of 94 000 units. Another 5 200 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”. In October, the Chief Executive announced various measures on housing and land supply in her Policy Address (**Box 3.1**).

## Box 3.1

### **Latest Government measures on housing and land supply (October 2021)**

In her 2021 Policy Address, the Chief Executive announced various measures and plans on housing and land supply, as summarised below.

#### *The Northern Metropolis*

- Take forward the Northern Metropolis Development Strategy to transform the northern part of Hong Kong into a lively and attractive area providing more land for housing, technology development and other industries.
- The Northern Metropolis, with a total land area of about 300 square kilometres, would cover the Yuen Long District and North District administration areas and the Shenzhen-Hong Kong Boundary Control Points Economic Belt from the west to the east, as well as the deeper hinterlands.
- Upon full development, a total of 905 000 to 926 000 residential units (including the existing 390 000 residential units in Yuen Long District and North District) will be available to accommodate a population of about 2.5 million. A total of about 650 000 jobs would be provided (including 150 000 jobs in the innovation and technology sector).

#### *Public Housing Supply*

- Identified about 350 hectares of land to produce some 330 000 public housing units to meet the estimated public housing demand of around 301 000 units in the coming 10-year period (2022-23 to 2031-32).
- Ensure timely delivery of the aforementioned 330 000 public housing units by advancing projects in the latter five-year period (2027-28 to 2031-32) as far as practicable :
  - The Hong Kong Housing Authority (HKHA) and the Hong Kong Housing Society will adopt modular integrated construction and other innovative construction technology more widely to expedite development procedures.
  - The HKHA will adopt a new procurement model for suitable projects to allow contractors to undertake design and construction in a bundle, thereby releasing resources for the Housing Department to carry out preliminary design and leveraging the contractors' expertise to further enhance the entire construction workflow.
  - The Development Bureau and the Transport and Housing Bureau will submit quarterly reports to the Chief Executive on all public housing sites for the latter five-year period (2027-28 to 2031-32), and the Chief Executive will give instructions personally if the time to deliver the sites or the progress of construction is less than satisfactory.
- Invite the HKHA to conduct a study on the redevelopment of Sai Wan Estate and Ma Tau Wai Estate, and to seek to include the adjacent areas into the redevelopment sites so that these two sites could provide more public housing units to meet public aspirations.

### **Box 3.1 (Cont'd)**

#### *Private Housing Supply*

- Strive to secure approximately 170 hectares of land for private housing in the coming 10 years, and make available to the market sites for the production of about 100 000 units through land sales or by putting up railway property developments for tender.

#### *Transitional and Other Housing Supply*

- Increase the overall supply of transitional housing from 15 000 units to 20 000 units in the coming few years, and increase the relevant funding to \$11.6 billion.
- Approval has been given by the Executive Council for the Hong Kong Settlers Housing Corporation Limited and the Urban Renewal Authority to jointly redevelop Tai Hang Sai Estate, which is expected to provide over 3 300 units upon completion, including 1 300 units to rehouse existing tenants and 2 000 “Starter Homes” units.

#### *Ensure Sustainable Land Supply*

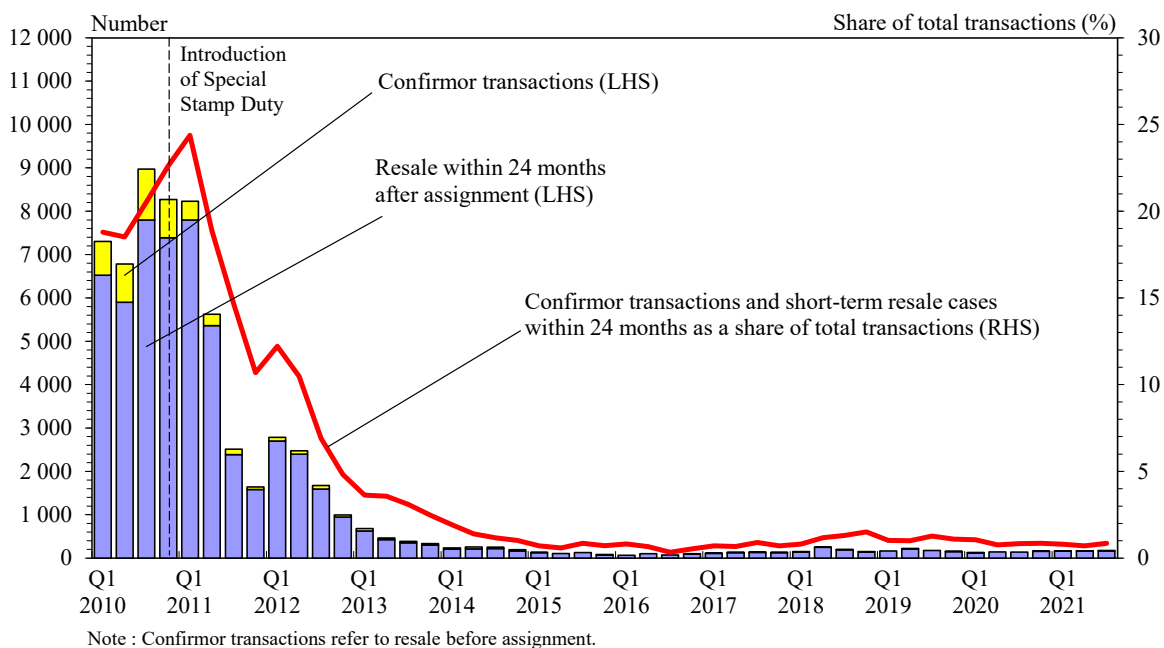
- Press ahead with the relevant studies on the reclamation works for the Kau Yi Chau Artificial Islands and various development areas in the New Territories North.
- Seek funding approval from the Legislative Council in the first half of 2022 to kick start planning and engineering studies on the Lung Kwu Tan reclamation and the re-planning of Tuen Mun West area. Revive the Ma Liu Shui reclamation project.
- Conduct a further review of the development potential of sites in the “Green Belt” zone, with emphasis on sites on steeper slopes as well as those located farther away from built-up areas.
- Set up a working group with the Heung Yee Kuk New Territories to conduct a review and formulate proposals to unlock the development potential of Tso/Tong lands in the New Territories.
- Extend the use of “standard rates” for premium assessment applied to the redevelopment of industrial buildings to in-situ land exchange cases in New Development Areas under the “Enhanced Conventional New Town Approach”.
- Extend the implementation period of two existing measures for revitalising industrial buildings to October 2024, i.e. relaxing the plot ratio for redevelopment of old industrial buildings and exempting the waiver fees chargeable for wholesale conversion.
- Review the existing statutory procedures and administrative arrangements on town planning, environmental impact assessment, land resumption and road works, and put forward proposals to streamline land development processes.

These measures and plans demonstrate the Government’s determination to sustain housing and land supply through a multi-pronged approach. They would help achieve the policy goal of providing decent accommodation for all.

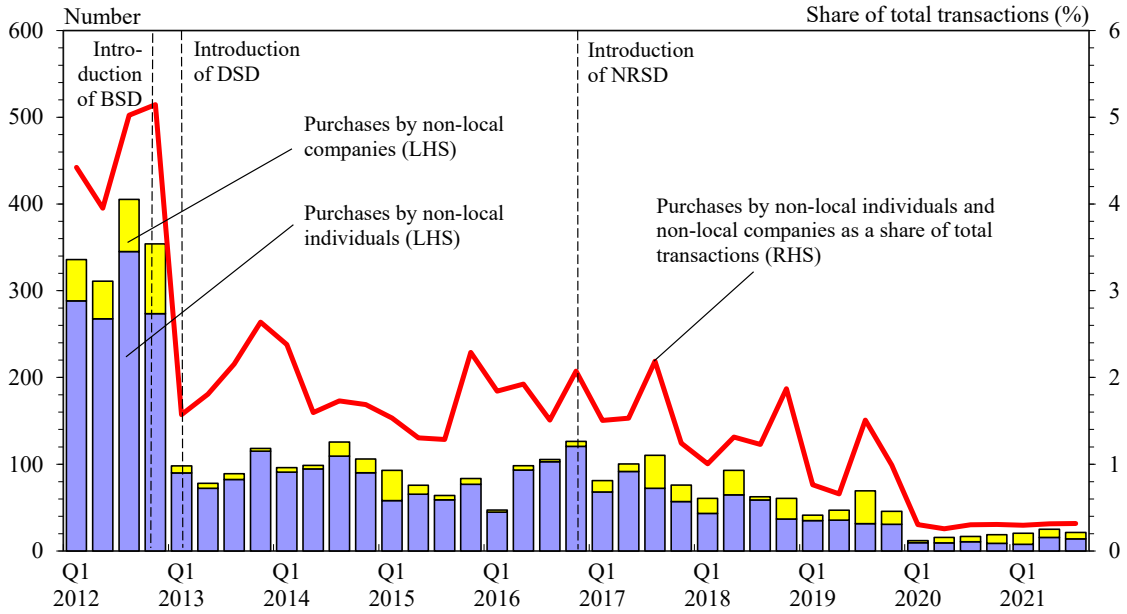


3.8 During 2009 to 2017, the Government implemented a number of demand-side management and macro-prudential measures to dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market<sup>(2)</sup>. These measures have yielded notable results. On *speculative activities*, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) remained low at 57 cases per month or 0.9% of total transactions in the third 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 21 cases per month or 0.3% of total transactions in the third 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 322 cases per month or 4.8% of total transactions in the third 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 55% in the third 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.

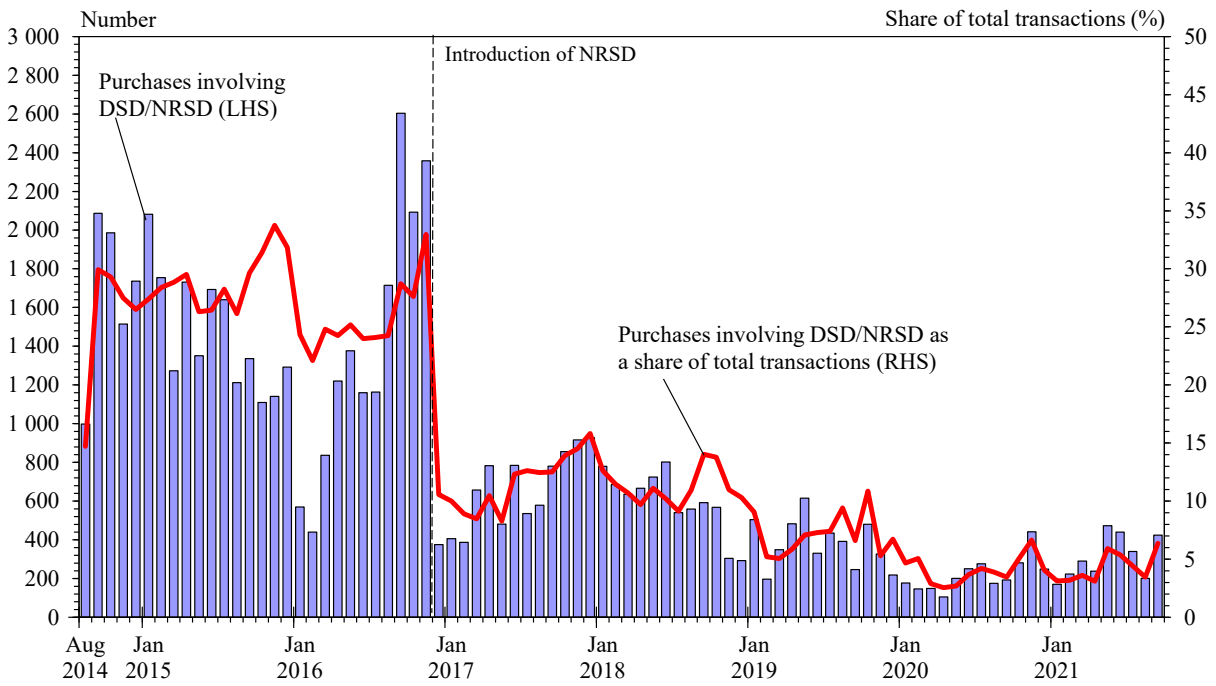
**Diagram 3.4 : Speculative activities remained low**



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



**Diagram 3.6 : Investment activities were modest**



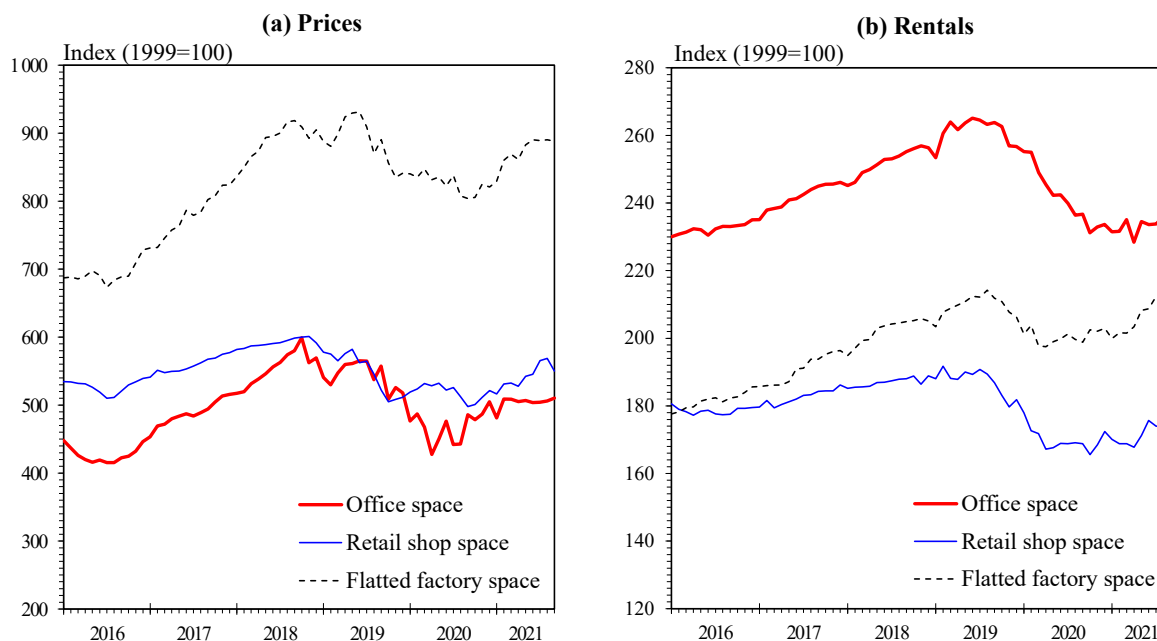
3.9 Amid the economic revival, the *commercial* and *industrial property markets* continued to improve from the weakness in the latter part of 2019 and 2020. Prices and rentals generally stayed firm in the third quarter, though trading activities for all major market segments retreated somewhat from the preceding quarter.

3.10 Prices of *office space* on average increased by 1% during the third quarter, with the 8% increase in prices of Grade B office space more than offsetting the 2% decline in prices of Grade C office space. Meanwhile, prices of Grade A office space remained virtually unchanged. Office rentals on average showed little change over the same period. Within the total, rentals of Grade B and Grade C office space both rose by 2%, while rentals of Grade A office space declined by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals of office space in September were on average 15% and 12% lower respectively. The average rental yields of Grade A, B and C office space were at 2.4%, 2.5% and 2.9% respectively in September, compared with 2.4%, 2.6% and 2.8% respectively in June. Transactions for office space fell by 14% from the preceding quarter to 290 cases in the third quarter, but were 54% higher than a year earlier.

3.11 Prices of *retail shop space* edged up by 1% during the third quarter, while rentals edged down by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals in September were 8% and 10% lower respectively. The average rental yield edged down from 2.5% in June to 2.4% in September. For all commercial spaces, transactions declined by 11% from the preceding quarter to 550 cases in the third quarter, yet 46% higher than a year earlier<sup>(3)</sup>.

3.12 Prices of *flatted factory space* stayed virtually unchanged during the third quarter, while rentals increased by 3%. Prices in September were 5% lower than the peak in June 2019, while rentals were at about the same level as the peak in August 2019. The average rental yield increased from 2.8% in June to 3.0% in September. Transactions decreased by 13% from the preceding quarter to 900 cases in the third quarter, but were higher than a year earlier by 43%.

**Diagram 3.7 : Prices and rentals of non-residential properties generally stayed firm in the third quarter**



## Land

3.13 Two residential sites, with a total area of about 2.3 hectares, were disposed of in the third quarter, fetching a land premium of about \$4.9 billion. Two land exchange cases and lease modifications of 12 sites were approved. In addition, the tender exercise for one residential site in Kowloon Tong commenced in the quarter.

## Tourism

3.14 The tourism sector remained at a standstill, as most of the boundary control measures and quarantine requirements in response to the COVID-19 pandemic stayed in place. *Visitor arrivals* rose slightly to 29 400 or around 320 per day in the third quarter, from 17 200 or 190 per day in the second quarter, alongside the introduction of new measures in early August allowing non-Hong Kong residents coming from low-risk and medium-risk places to enter Hong Kong under specified conditions and the launch of the Come2hk Scheme in mid-September exempting those coming from Guangdong Province and Macao from the compulsory quarantine requirement upon fulfilment of specified conditions. This was, however, still 14.0% lower than a year earlier and far below the pre-recession level of 16.6 million or around 182 800 per day in the second quarter of 2019. Visitors from the Mainland, other short-haul markets, and long-haul markets showed some increases over the preceding quarter, but all were still at extremely low levels<sup>(4)</sup>, and similarly for overnight and same-day visitors.

Visitor spending, as measured by exports of travel services, increased by 28.5% year-on-year in real terms against an exceptionally low base of comparison.

**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                     |
|      | Q3 | 29 400             | 21 800                | 4 300                            | 3 200                     |

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                              |
|      | Q3 | 29 000                            | 300                              |

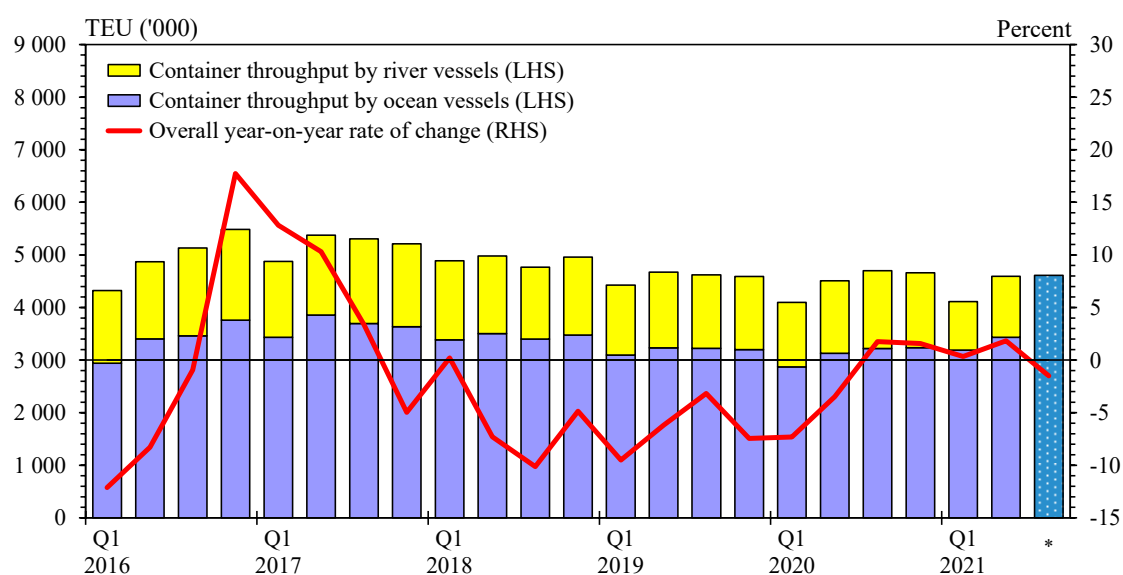
Note : Figures may not add up to total visitor arrivals due to rounding.

3.15 The hotel sector remained under pressure, though local residents' "staycation" activities and individuals undergoing compulsory quarantine at hotels provided some support. The average hotel room occupancy rate rose from 60% in the second quarter to 70% in the third quarter, but was still considerably lower than the average of 88% in the second quarter of 2019 prior to the recession. The average achieved hotel room rate edged down by 0.1% from a year earlier to \$850<sup>(5)</sup>.

## Logistics

3.16 The logistics sector showed mixed performance in the third quarter. *Total container throughput* declined by 1.5% from a year earlier to 4.6 million twenty-foot equivalent units (TEUs), as congestion at many ports around the world also affected schedules of vessels going in and out of Hong Kong. While the value of trade handled at the Hong Kong port rose by 21.7% in the third quarter, its share in total trade edged down from 13.7% a year earlier to 13.4%.

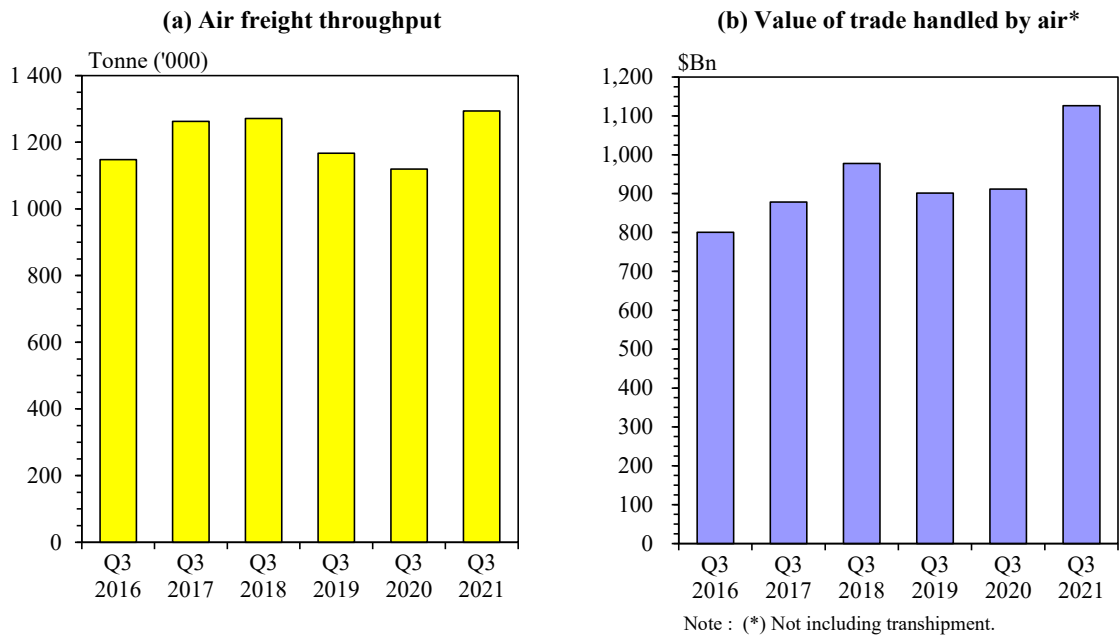
**Diagram 3.8 : Container throughput declined in the third quarter**



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 15.6% over a year earlier to 1.3 million tonnes in the third quarter, a high level by historical standards. The value of trade by air soared by 23.4% in the third quarter, though its share in total trade edged down from 42.2% a year earlier to 41.9%.

**Diagram 3.9 : Air freight throughput and value of trade handled by air surged in the third quarter**



## Transport

3.18 Traffic flows for all modes of cross-boundary passenger transport saw some increases in the third quarter over the preceding quarter, but were still significantly below the pre-recession levels as most of the boundary control measures and quarantine requirements in response to the COVID-19 pandemic remained in place. Some 561 000 air passenger trips, 308 800 land-based cross-boundary passenger trips and 79 000 water-borne cross-boundary passenger trips, or on average around 6 100, 3 400 and 900 per day respectively, were made in the third quarter. While higher than in the preceding quarter and the same quarter last year, these figures were only a fraction of the respective daily averages of around 209 600, 721 100 and 48 600 in the second quarter of 2019 prior to the recession. Meanwhile, daily cross-boundary vehicle movements averaged 17 351 in the third quarter, only 39% of the daily average in the second quarter of 2019.

## **Innovation and technology**

3.19 The Chief Executive announced a series of measures in her 2021 Policy Address to develop a more comprehensive innovation and technology (I&T) ecosystem, so as to enable re-industrialisation to take root in Hong Kong and complement I&T development in Shenzhen and the Greater Bay Area, thus developing Hong Kong into an international I&T hub as promulgated in the National 14th Five-Year Plan. The measures include, among other things, (i) consolidate the Hong Kong-Shenzhen Innovation and Technology Park, the San Tin / Lok Ma Chau Development Node, and the land to be vacated upon the relocation of the Lok Ma Chau Control Point to form the San Tin Technopole, in which there will be about 240 hectares of land dedicated for I&T uses. This, together with the Shenzhen Innovation and Technology Zone, will form the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone of approximately 540 hectares; (ii) immediately explore the expansion of the Science Park's capacity and revive the Ma Liu Shui reclamation project which, together with the land to be vacated by the relocation of the Sha Tin Sewage Treatment Works to caverns, will provide a total of 88 hectares of new land mainly for I&T development; and (iii) expand the proposed upgrading of the Hung Shui Kiu / Ha Tsuen New Development Area as the New Territories North Modern Services Centre to cover Lau Fau Shan, and give consideration to building landmark I&T facilities with a scale comparable to Cyberport at a location facing Qianhai, Shenzhen.

## **Environment**

3.20 To achieve the target of carbon neutrality before 2050, the Chief Executive announced in her 2021 Policy Address that the Hong Kong's Climate Action Plan 2050 would set out more vigorous interim decarbonisation targets to reduce Hong Kong's carbon emissions by 50% before 2035 as compared to the 2005 level, and that the Government would devote about \$240 billion in the next 15 to 20 years to take forward various measures on climate change mitigation and adaptation.



3.21 Specifically, the Hong Kong's Climate Action Plan 2050, published in October, sets out the vision of "Zero-carbon Emissions • Liveable City • Sustainable Development" and outlines the strategies and targets for combating climate change and achieving carbon neutrality. Four major decarbonisation strategies, namely net-zero electricity generation, energy saving and green buildings, green transport and waste reduction, have been set out in the new plan. Specific measures to implement the above strategies include ceasing the use of coal for daily electricity generation by 2035, ceasing new registration of fuel-propelled and hybrid private cars in 2035 or earlier, collaborating with the franchised bus companies and other stakeholders to test out hydrogen fuel cell electric buses and heavy vehicles in the next three years, and developing adequate waste-to-energy facilities in order to move away from reliance on landfills for municipal waste disposal, etc.

## 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. For details of the measures promulgated in 2021, see Box 3.1 of this report.
- (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 third quarter of 2021, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 74%, 15% and 11% of total visitors.
- (5) The figures on hotel room occupancy and achieved room rate do not include guesthouses.

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

### *Summary*

- *The low interest rate environment in Hong Kong continued in the third quarter, as the US Federal Open Market Committee (FOMC) kept the target range for the Federal Funds Rate unchanged 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 traded within the range of 7.766 to 7.792 against the US dollar during the third quarter. As the US dollar strengthened against most major currencies, the trade-weighted Hong Kong dollar Nominal Effective Exchange Rate Index increased by 0.5% during the third quarter. Meanwhile, the Real Effective Exchange Rate Index declined by 1.7%.*
- *Total loans and advances switched to a mild decline of 2.0% during the third quarter, due to the high base resulting from the surge in loans related to Initial Public Offering (IPO) activities towards the end of the preceding quarter. Within the total, loans for use in Hong Kong declined by 3.6%, while loans for use outside Hong Kong rose by 2.0%.*
- *The local stock market underwent a sharp correction in the third quarter, dampened by uncertainties over the monetary policy stance in the US, the regulatory requirements in the Mainland, and the global economic outlook amid the spread of COVID-19 variant cases across the world and disrupted transportation and supply chains. The Hang Seng Index (HSI) fell to 24 099 on 20 September, before closing the quarter at 24 576, down markedly by 14.8% from end-June. While trading activities stayed active, fund raising activities quietened.*

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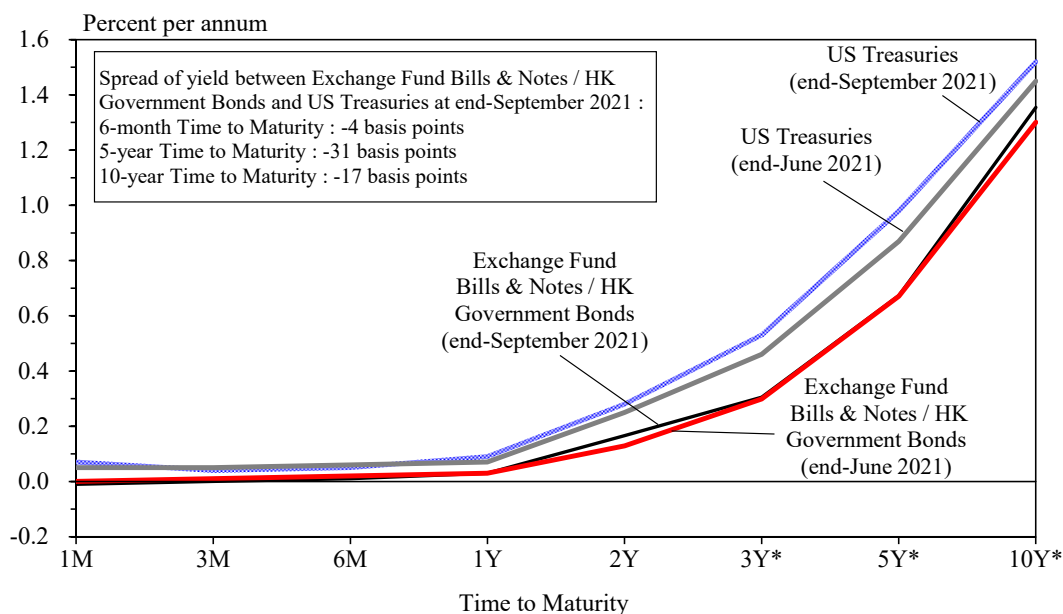
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Office of the Government Economist.*

## Interest rates and exchange rates

4.1 The low interest rate environment in Hong Kong continued in the third quarter, as the US FOMC kept the target range for the Federal Funds Rate unchanged at the record low level of 0.00-0.25%. The overnight *Hong Kong dollar interbank interest rate* (HIBOR) edged down from 0.05% at end-June to 0.04% at end-September, and the 3-month HIBOR declined from 0.17% to 0.14%. Consequently, the *Base Rate*<sup>(1)</sup> under the Discount Window operated by the HKMA remained unchanged at 0.50% at end-September. The Aggregate Balance remained sizeable, though it declined slightly from \$457 billion at end-June to \$437 billion at end-September as HKMA increased the issuance of Exchange Fund Bills<sup>(2)</sup>.

4.2 *US dollar yields* increased moderately at the medium and long tenors during the third quarter, while *Hong Kong dollar yields* were little changed. Reflecting the relative movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills remained unchanged at 4 basis points at end-September, while that between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes widened from 15 basis points to 17 basis points.

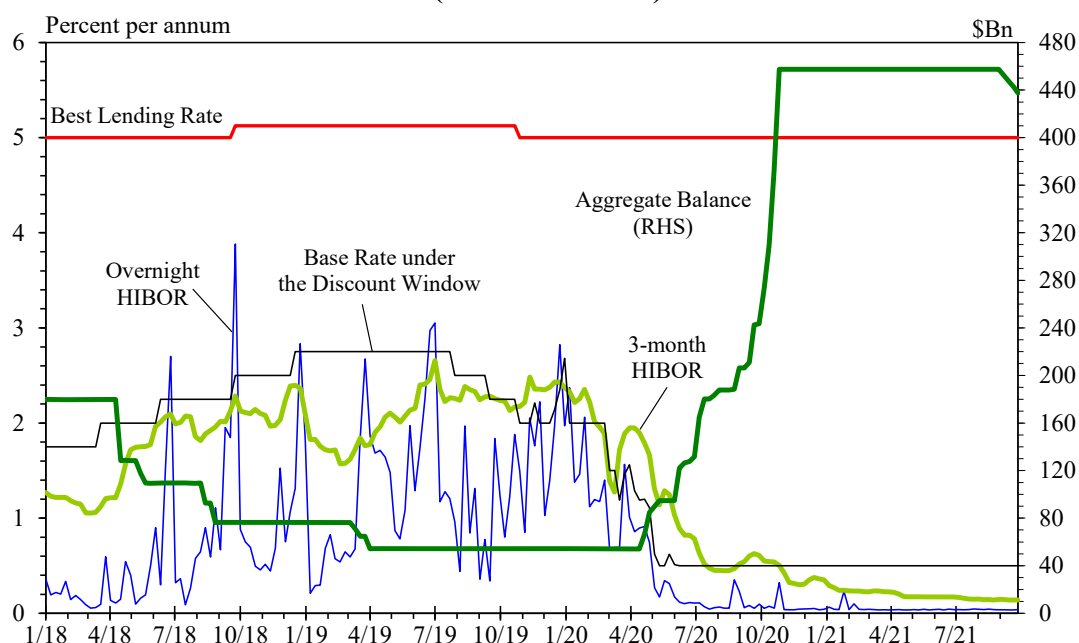
**Diagram 4.1 : US dollar yields increased moderately at the medium and long tenors during the third quarter, while Hong Kong dollar yields were little changed**



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 third quarter. The *average savings deposit rate* for deposits of less than \$100,000 quoted by major banks and the 1-year *time deposit rate* stayed unchanged at 0.001% and 0.09% at end-September respectively. The *composite interest rate*<sup>(3)</sup>, which indicates the average cost of funds for retail banks, edged up from 0.18% at end-June to 0.19% at end-September.

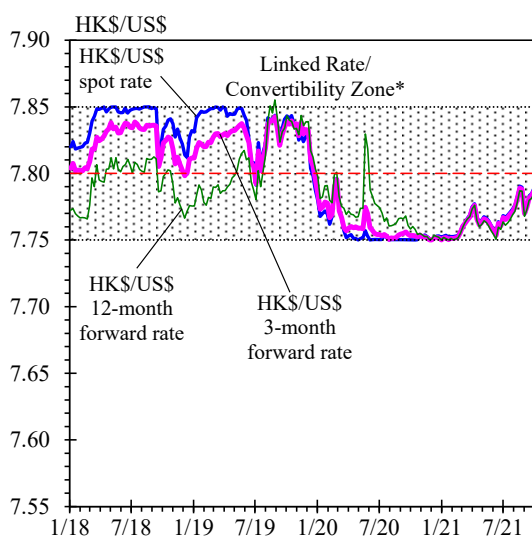
**Diagram 4.2 : Interbank interest rates and interest rates on the retail front remained at low levels during the third quarter (end for the week)**



4.4 The *Hong Kong dollar spot exchange rate* traded within the range of 7.766 to 7.792 against the US dollar during the third quarter. It softened during July and most of August amid the risk-off sentiment in the local stock market and repatriation of funds raised in IPOs. After a brief strengthening in late August, it eased again towards the end of the quarter along with the local stock market correction. The Hong Kong dollar spot exchange rate closed the quarter at 7.788, slightly weakened from 7.765 at end-June. The discount of 3-month *Hong Kong dollar forward rate* widened from 14 pips (each pip is equivalent to HK\$0.0001) at end-June to 18 pips at end-September, while that of 12-month forward rate narrowed from 43 pips to 37 pips.

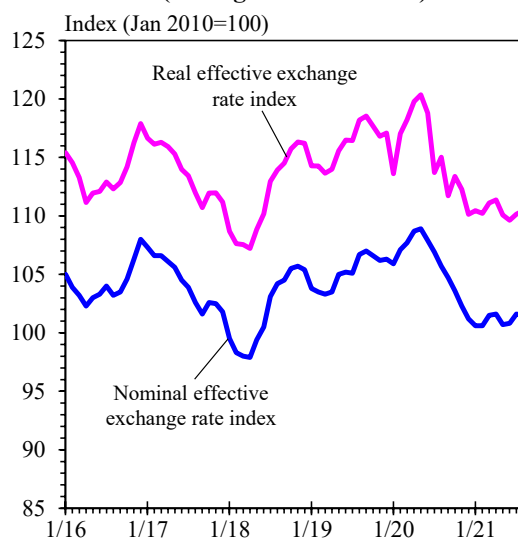
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened against most major currencies (including the euro, pound sterling and Japanese yen), the *trade-weighted Hong Kong dollar Nominal Effective Exchange Rate Index*<sup>(4)</sup> increased by 0.5% during the third quarter. Meanwhile, the *Real Effective Exchange Rate Index* declined by 1.7%.

**Diagram 4.3 : The Hong Kong dollar spot exchange rate traded within the range of 7.766 to 7.792 against the US dollar during the third 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.

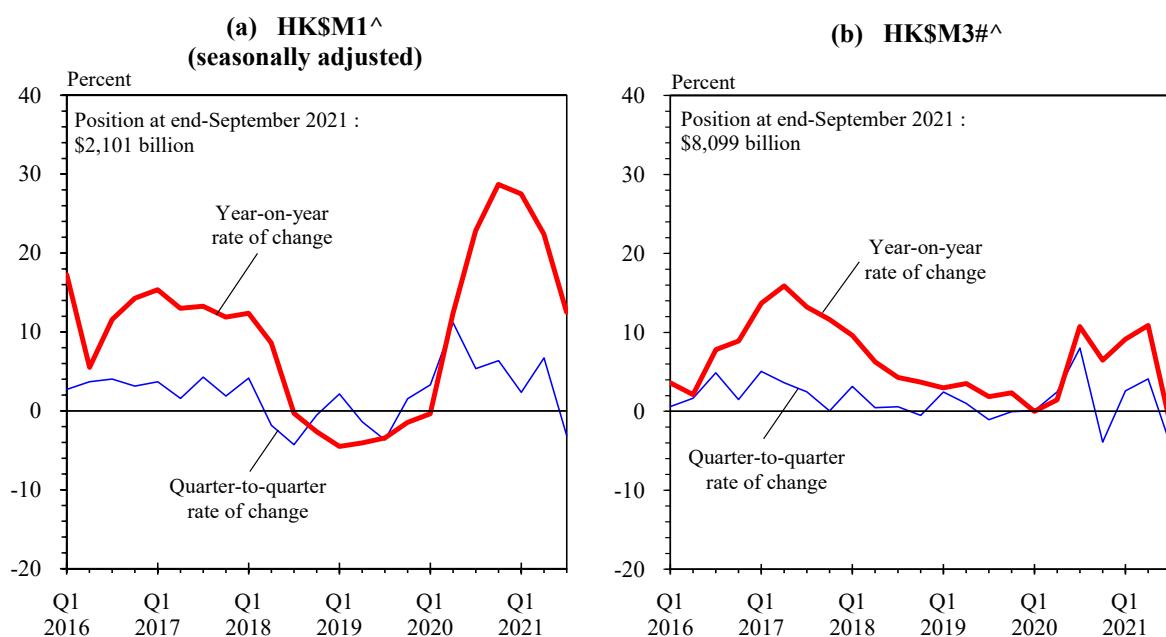
**Diagram 4.4 : The trade-weighted nominal effective exchange rate index increased during the third quarter, while the real effective exchange rate index declined (average for the month)**



## Money supply and banking sector

4.6 The monetary aggregates declined in the third quarter, partly due to the high base resulting from active IPO activities towards the end of the preceding quarter. The Hong Kong dollar broad *money supply* (HK\$M3) declined by 4.5% from end-June to \$8,099 billion at end-September, and the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) fell by 3.2% to \$2,101 billion<sup>(5)</sup>. Meanwhile, *total deposits* with authorized institutions (AIs)<sup>(6)</sup> decreased by 1.2% to \$15,000 billion, within which the 4.9% decline in Hong Kong dollar deposits more than offset the 2.8% increase in foreign currency deposits. Excluding the deposits related to IPO loans, the Hong Kong dollar broad money supply fell by a narrower rate of 1.2% during the third quarter, while total deposits with AIs increased by 0.7%.

**Diagram 4.5 : The monetary aggregates declined in the third quarter from the high levels in the preceding quarter**



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

|   |    | <u>M1</u>               |              | <u>M2</u>               |              | <u>M3</u>               |              |
|---|----|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
| <u>% change during the quarter</u>        |    | <u>HK\$<sup>^</sup></u> | <u>Total</u> | <u>HK\$<sup>#</sup></u> | <u>Total</u> | <u>HK\$<sup>#</sup></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          |
|   | Q3 | -3.2                    | -7.4         | -4.5                    | -1.0         | -4.5                    | -1.0         |
| Total amount at end-September 2021 (\$Bn) |    | 2,101                   | 3,580        | 8,085                   | 16,066       | 8,099                   | 16,105       |
| % change over a year earlier              |    | 12.5                    | 0.1          | -1.9                    | 1.4          | -1.9                    | 1.4          |

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

4.7 *Total loans and advances* recorded a modest decline of 2.0% from end-June to \$11,026 billion at end-September. Hong Kong dollar loans dropped by 4.3%, due to the high base resulting from the surge in loans related to IPO activities towards the end of the preceding quarter. On the other hand, foreign currency loans increased by 1.4%. Excluding IPO-related loans, total loans and advances increased by 0.6% during the third quarter. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar edged up from 84.2% at end-June to 84.7% at end-September, while that for foreign currencies decreased from 63.3% to 62.4%.

4.8 Loans for use in Hong Kong (including trade finance) declined by 3.6% from end-June to \$7,786 billion at end-September, while loans for use outside Hong Kong rose by 2.0% to \$3,240 billion. Within the former, loans to stockbrokers fell sharply by 77.6% from the high base. Loans to financial concerns and loans to wholesale and retail trade declined by 3.1% and 2.5% respectively. Meanwhile, trade finance and loans to manufacturing rose by 5.5% and 3.6% respectively in tandem with vibrant regional trade flows. As for property-related lending, loans for purchase of residential property increased by 3.1% along with generally active property market transactions, while loans to building, construction, property development and investment dropped by 1.1%.



**Table 4.2 : Loans and advances**

All loans and advances for use in Hong Kong

|   |    | Loans to :    |                    |                                       |  |  |                       |                   |                      | All loans and advances for use outside Hong Kong <sup>(c)</sup> | Total loans and advances |
|---|----|---------------|--------------------|---------------------------------------|--|--|-----------------------|-------------------|----------------------|---|--------------------------|
|   |    | Trade finance | Manu-<br>facturing | Whole-<br>sale and<br>retail<br>trade | Building,<br>construction,<br>property<br>development<br>and<br>investment | Purchase<br>of<br>residential<br>property <sup>(a)</sup> | Financial<br>concerns | Stock-<br>brokers | Total <sup>(b)</sup> |   |                          |
| % change during the 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          | -2.0               | -2.2                                  | -0.3   | 2.6  | 0.5                   | 152.0             | 5.7                  | 0.8   | 4.3                      |
|   | Q3 | 5.5           | 3.6                | -2.5                                  | -1.1   | 3.1  | -3.1                  | -77.6             | -3.6                 | 2.0   | -2.0                     |
| Total amount at end-September 2021 (\$Bn) |    | 573           | 326                | 334                                   | 1,667  | 1,795  | 914                   | 64                | 7,786                | 3,240   | 11,026                   |
| % change over a year earlier              |    | 25.3          | 6.3                | -7.1                                  | 3.6  | 9.4  | -3.2                  | -81.2             | -0.1                 | 0.1   | *                        |

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

4.9 The Hong Kong banking sector remains resilient. The Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying high at 19.8% at end-June. Asset quality of the local banking sector also remained sound. The ratio of classified loans to total loans for retail banks edged down from 0.82% at end-March to 0.81% at end-June. The delinquency ratio for credit card lending edged down from 0.28% at end-March to 0.27% at end-June. Meanwhile, the delinquency ratio for residential mortgage loans stayed at a low level of 0.03% at end-September.

**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><br>(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                               |
|                         | Q2 | 97.78             | 1.42                         | 0.81                               |

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 *Offshore renminbi (RMB) business* recorded broad-based growth in the third quarter. RMB trade settlement transactions handled by banks in Hong Kong rose by 9.6% over a year earlier to RMB1,876.9 billion in the third quarter. Total RMB deposits (including customer deposits and outstanding certificates of deposit) increased by 3.8% over end-June to RMB885.3 billion at end-September. As to financing activities, RMB bond issuance went up from RMB23.2 billion in the preceding quarter to RMB26.6 billion in the third quarter (including the issuance of RMB8.0 billion by the Ministry of Finance), and outstanding RMB bank loans increased by 13.0% over end-June to RMB197.1 billion at end-September.

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

| <u>At end of period</u>          |    | <u>Interest rates on<sup>(a)</sup></u>         |                                  |                                   |  |   | <u>Number of AIs engaged in RMB business</u> | <u>Amount of cross-border RMB trade settlement<sup>(c)</sup></u><br>(RMB Mn) |
|----------------------------------|----|--|----------------------------------|-----------------------------------|--|---|--|--|
|                                  |    | <u>Demand and savings deposits</u><br>(RMB Mn) | <u>Time deposits</u><br>(RMB Mn) | <u>Total deposits</u><br>(RMB Mn) | <u>Savings deposits<sup>(b)</sup></u><br>(%) | <u>Three-month time deposits<sup>(b)</sup></u><br>(%) |  |  |
| 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  |
|                                  | Q3 | 281,073  | 574,858                          | 855,931                           | 0.16   | 0.31  | 144  | 1,876,862  |
| % change in 2021 Q3 over 2020 Q3 |    | 16.4   | 34.8                             | 28.2                              | N.A.   | N.A.  | N.A.   | 9.6  |
| % change in 2021 Q3 over 2021 Q2 |    | -1.9   | 7.5                              | 4.2                               | N.A.   | N.A.  | N.A.   | 10.8   |

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

(b) Period average figures.

(c) Figures during the period.

N.A. Not applicable.

## The debt market

4.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities decreased by 1.1% from the preceding quarter to \$1,048.3 billion in the third quarter, as the 21.9% plunge in private sector debt issuance<sup>(7)</sup> more than offset the 2.8% rise in public sector debt issuance. The total outstanding amount of Hong Kong dollar debt securities edged down by 0.6% from end-June to \$2,264.9 billion at end-September, equivalent to 28.0% of HK\$M3 or 23.3% of Hong Kong dollar-denominated assets of the banking sector<sup>(8)</sup>.

4.12 As to the Government Bond (GB) Programme, a total of \$1.0 billion institutional GBs were issued through tenders in the third quarter. Separately, the sixth batch of Silver Bond was issued in August with an issuance size of \$30.0 billion. At end-September, the total outstanding amount of Hong Kong dollar bonds under the GB Programme was \$163.7 billion, comprising 12 institutional issues totaling \$78.0 billion and six retail issues (two iBonds and four Silver Bonds) totaling \$85.7 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<br>Fund paper | Statutory<br>bodies/<br>government-<br>owned<br>corporations | Govern-<br>ment | Public<br>sector<br>total | AIs <sup>(a)</sup> | Local<br>corporations | Non-MDBs<br>overseas<br>borrowers <sup>(b)</sup> | Private<br>sector<br>total | MDBs <sup>(b)</sup> | Total   |
|--|--------|------------------------|--|-----------------|---------------------------|--------------------|-----------------------|--|----------------------------|---------------------|---------|
| <b>New Issuance</b>                    |        |                        |  |                 |                           |                    |                       |  |                            |                     |         |
| 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                     | 97.1               | 10.0                  | 81.7   | 188.8                      | 1.6                 | 1,060.5 |
|  | Q3     | 851.6                  | 11.8   | 31.0            | 894.3                     | 71.9               | 11.4                  | 64.1   | 147.4                      | 6.6                 | 1,048.3 |
| % change in<br>2021 Q3 over<br>2020 Q3 |        | -5.9                   | 34.1   | 3 000.0         | -2.2                      | -21.1              | 79.9                  | -37.5  | -26.3                      | 20.1                | -6.4    |
| % change in<br>2021 Q3 over<br>2021 Q2 |        | 3.0                    | -21.6  | 9.9             | 2.8                       | -26.0              | 13.7                  | -21.5  | -21.9                      | 323.9               | -1.1    |
| <b>Outstanding (at end of period)</b>  |        |                        |  |                 |                           |                    |                       |  |                            |                     |         |
| 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                   | 309.9              | 132.0                 | 501.1  | 943.0                      | 24.9                | 2,279.6 |
|  | Q3     | 1,088.5                | 99.5   | 163.7           | 1,351.6                   | 278.4              | 136.6                 | 470.5  | 885.5                      | 27.8                | 2,264.9 |
| % change in<br>2021 Q3 over<br>2020 Q3 |        | 1.9                    | 39.2   | 82.8            | 10.0                      | -12.6              | 10.5                  | -6.4   | -6.3                       | 12.7                | 3.0     |
| % change in<br>2021 Q3 over<br>2021 Q2 |        | 1.9                    | 3.6  | 11.1            | 3.0                       | -10.2              | 3.5                   | -6.1   | -6.1                       | 11.4                | -0.6    |

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.

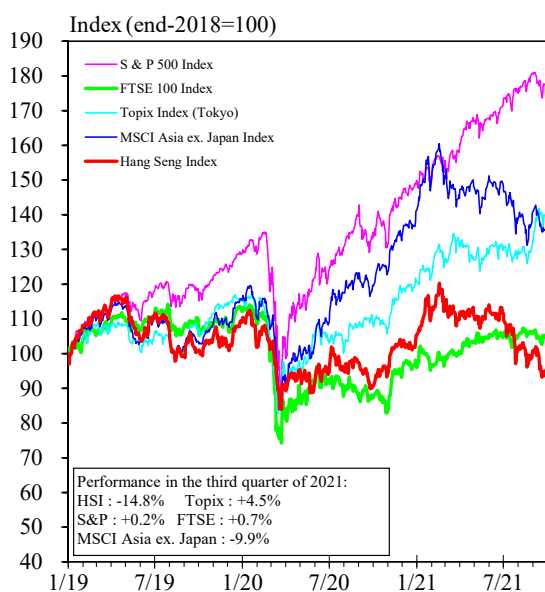
4.13 In September, the HKMA and the People's Bank of China jointly launched the Southbound Trading under Bond Connect (Southbound Bond Connect) to provide a convenient, efficient and secure channel for Mainland institutional investors to invest in offshore bonds through the Hong Kong bond market. There are an annual aggregate quota and a daily quota for net capital outflow from the Mainland, currently set at RMB500 billion and RMB20 billion respectively. The scheme would further deepen mutual access between the Mainland and Hong Kong bond markets and enhance the linkage between financial infrastructure of the two places. It would promote the vibrant development of the Hong Kong bond market, thereby consolidating Hong Kong's status as an international financial centre.

### **The stock and derivatives markets**

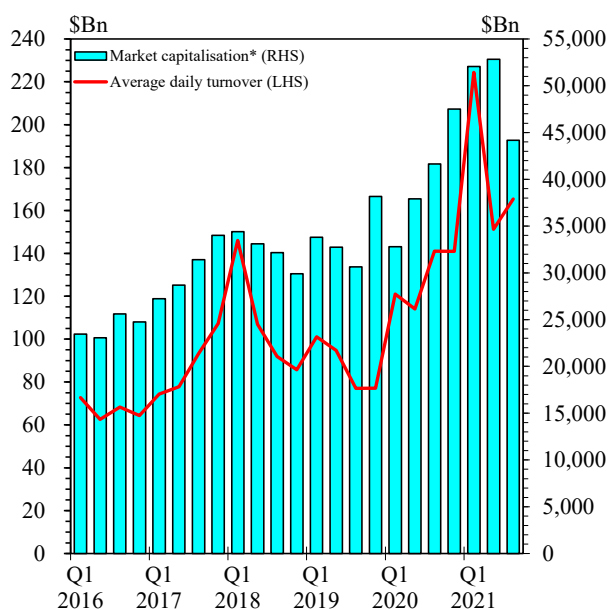
4.14 The *local stock market* underwent a sharp correction in the third quarter, dampened by uncertainties over the monetary policy stance in the US, the regulatory requirements in the Mainland, and the global economic outlook amid the spread of COVID-19 variant cases across the world and disrupted transportation and supply chains. The HSI fell to 24 099 on 20 September, before closing the quarter at 24 576, down markedly by 14.8% from end-June. In parallel, *market capitalisation* shrank by 16.4% to \$44.2 trillion. The Hong Kong stock market ranked the seventh largest in the world and the fourth largest in Asia<sup>(9)</sup> at end-September.

4.15 Trading activities stayed active in the third quarter. *Average daily turnover* in the securities market increased by 9.3% over the preceding quarter to \$165.3 billion. Within the total, the average daily trading value of unit trusts (including Exchange-Traded Funds) and equities rose by 50.0% and 9.1% respectively, while those of derivative warrants and callable bull/bear contracts<sup>(10)</sup> fell by 5.2% and 0.6% respectively. As to futures and options<sup>(11)</sup>, the average daily trading volume rose by 23.1%. Within the total, trading of Hang Seng China Enterprises Index futures, stock options, HSI options and HSI futures increased by 29.6%, 22.2%, 21.6% and 12.8% respectively.

**Diagram 4.6 : The local stock market underwent a sharp correction in the third quarter**



**Diagram 4.7 : Market capitalisation shrank, while trading activities stayed active**



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

|  |        | Hang Seng Index<br>futures | Hang Seng Index<br>options | Hang Seng China<br>Enterprises<br>Index futures | Stock<br>options | Total<br>futures and<br>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                                 |
|  | Q3     | 138 989                    | 26 926                     | 139 745   | 667 391          | 1 225 335                               |
| % change in<br>2021 Q3 over<br>2020 Q3 |        | -16.0                      | -26.2                      | 0.7   | 18.7             | 6.4                                     |
| % change in<br>2021 Q3 over<br>2021 Q2 |        | 12.8                       | 21.6                       | 29.6  | 22.2             | 23.1                                    |

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

4.16 Fund raising activities quietened in the third quarter alongside the local stock market correction. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM<sup>(12)</sup>, plunged by 47.9% from the preceding quarter or 52.8% from a year earlier to \$116.6 billion in the third quarter. Within the total, the amount of funds raised through IPOs edged down by 1.8% from the preceding quarter to \$73.8 billion, but were down markedly by 40.1% from a year earlier. Taking the first three quarters together, total equity capital raised still rose by 26.0% over a year earlier to \$603.9 billion thanks to the strong performance in the first two quarters, within which the amount of funds raised through IPOs increased by 32.2% to \$285.5 billion. Hong Kong ranked the fourth globally in terms of the amount of funds raised through IPOs in the first nine months of the year.

4.17 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-September, a total of 1 351 Mainland enterprises (including 289 H-share companies, 175 “Red Chip” companies and 887 private enterprises) were listed on the Main Board and GEM, accounting for 53% of the total number of listed companies and 80% of total market capitalisation. Mainland-related stocks accounted for 88% of equity turnover and 93% of total equity fund raised in the Hong Kong stock exchange in the third quarter.

4.18 In July, the Hong Kong Exchanges and Clearing Limited (HKEX) announced that a new platform, known as Fast Interface for New Issuance (FINI), will be introduced in the fourth quarter of 2022 at the earliest to comprehensively streamline and digitalise Hong Kong’s IPO settlement process. The introduction of FINI would shorten the cycle between IPO pricing and the start of trading from five business days to two business days. It would also address the issue of excessive liquidity lock-up in heavily oversubscribed IPOs by allowing clearing participants to opt in for a compressed prefunding requirement in certain circumstances. The new platform would help drive market efficiency and reinforce Hong Kong’s position as the world’s premier IPO market.

4.19 In August, the Securities and Futures Commission (SFC) released the consultation conclusions on proposals to introduce investor identification for the securities market in Hong Kong and require reporting of over-the-counter (OTC) securities transactions. Under the investor identification regime, licensed corporations and registered institutions will submit to The Stock Exchange of Hong Kong Limited (SEHK) the names and identity document information of clients placing securities orders on SEHK. Separately, the OTC securities transactions reporting regime will require information on OTC securities transactions in ordinary shares and real estate investment trusts listed on SEHK to be reported to the SFC. The two new regimes would enable effective and timely surveillance of the Hong Kong securities market, and help reinforce market integrity and promote investor confidence. The investor identification regime is expected to be launched in the second half of 2022 and the OTC securities transactions reporting regime in the first half of 2023.

4.20 In August, the HKEX announced to launch its first A-share derivatives product, i.e. the MSCI China A 50 Connect Index futures contract, to provide offshore investors with a new and effective risk management tool to manage their portfolios of Stock Connect eligible A-shares. It would expand the product scope offering in Hong Kong's capital markets, strengthen our offshore renminbi businesses and deepen the collaboration between the capital markets in Hong Kong and the Mainland. The futures contract is an offshore A-share index futures product formally endorsed by the Mainland authorities and was launched on 18 October 2021.

## **Fund management and investment funds**

4.21 Dragged by the local stock market correction, performance of fund management business<sup>(13)</sup> was lacklustre in the third quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*<sup>(14)</sup> decreased by 4.5% from end-June to \$1,166.8 billion at end-September. Meanwhile, the gross retail sales of *mutual funds* fell by 9.3% from the preceding quarter to US\$23.0 billion in the third quarter<sup>(15)</sup>.



## Insurance sector

4.22 Different segments of the *insurance sector*<sup>(16)</sup> showed diverse performance in the second quarter. Gross premium income from long-term business rose by 30.8% over the low base a year earlier, within which premium income from non-investment linked plans (which accounted for 82% of total premium for this segment) and investment linked plans increased by 15.6% and 238.5% respectively. As to general business, gross premium and net premium edged down by 0.7% and 4.0% respectively.

**Table 4.7 : Insurance business in Hong Kong<sup>@</sup> (\$Mn)**

|                                  |        | General business |             |                     | Premium for long-term business <sup>^</sup> |                                      |                           |                                      |                        | Gross premium from long-term business and general business |
|----------------------------------|--------|------------------|-------------|---------------------|---|--------------------------------------|---------------------------|--------------------------------------|------------------------|--|
|                                  |        | Gross premium    | Net premium | Underwriting profit | Individual life and annuity (non-linked)    | Individual life and annuity (linked) | Other individual business | Non-retirement scheme group business | All long-term business |  |
| 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 <sup>#</sup>           | 128                                  | 35,085                 | 53,349   |
|                                  | Q2     | 15,219           | 10,579      | 295                 | 28,259                                      | 2,089                                | 23 <sup>#</sup>           | 67                                   | 30,438                 | 45,657   |
|                                  | Q3     | 15,014           | 10,045      | 811                 | 29,822                                      | 3,264                                | 22 <sup>#</sup>           | 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   |
|                                  | Q2     | 15,114           | 10,158      | 282                 | 32,674                                      | 7,072                                | 9                         | 72                                   | 39,827                 | 54,941   |
| % change in 2021 Q2 over 2020 Q2 |        | -0.7             | -4.0        | -4.4                | 15.6  | 238.5                                | -60.9                     | 7.5                                  | 30.8                   | 20.3   |

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.

## Highlights of policy and market developments

4.23 To augment Hong Kong's financial services as clearly supported by the National 14th Five-Year Plan, the Chief Executive outlined in her Policy Address in October five areas that the Government will step up the development efforts, as highlighted below:

- Supporting the HKEX to further enhance the listing regime and to establish a listing regime for special purpose acquisition companies in Hong Kong after consulting the market;
- Expanding further the channels for the two-way flow of cross-boundary RMB funds and developing offshore RMB products and tools, including specific measures to enhance demand for the issuance and trading of RMB securities and allow stocks traded via the southbound trading under Stock Connect to be denominated in RMB;
- Considering the provision of tax concessions to attract family offices to establish a presence in Hong Kong;
- Strengthening Hong Kong as a regional green and sustainable finance hub by supporting the HKEX to promote cooperation with the Guangzhou Futures Exchange in financial product development related to carbon emission trading, and assessing the feasibility of developing Hong Kong into a regional carbon trading centre; and
- Promoting cross-border financial technologies (Fintech) and actively exploring with the Mainland the formation of a one-stop sandbox network to facilitate financial institutions and I&T companies from Guangdong, Hong Kong and Macao to test cross-border Fintech applications.

4.24 In September, the HKMA, together with relevant authorities in the Mainland and Macao, jointly launched the Cross-boundary Wealth Management Connect (Wealth Management Connect) to enable eligible residents in the Greater Bay Area to carry out cross-boundary investment in wealth management products distributed by banks in the area via designated channels. For the initial stage, the product scope mainly covers relatively simple wealth management products of low-to-medium risk and there is an aggregate quota of RMB150 billion in each of the Northbound and Southbound directions and an individual investor quota of RMB1 million. Being the first mutual market access mechanism for individual investors, the Wealth Management Connect would expand the cross-boundary investment channel and asset allocation choices for residents in the area and open up a broader market for the financial and relevant professional sectors. This would in turn further reinforce Hong Kong's role as an important gateway for capital flowing into and out of the

Mainland as well as its position as the global offshore Renminbi business hub and an international asset management centre.

4.25 Following earlier consultation, in August the SFC issued amendments to the Fund Manager Code of Conduct and a circular setting out the expected standards for fund managers managing collective investment schemes to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures. The new requirements, which will be implemented in phases starting from 20 August 2022, will help channel investment capital to companies with sustainable goals and facilitate the transition to a low carbon economy. Separately, in July, the Green and Sustainable Finance Cross-Agency Steering Group launched the Centre for Green and Sustainable Finance to help the financial industry manage the risks and capture the opportunities presented by climate change. As a cross-sector platform, the Centre would coordinate the efforts of financial regulators, Government agencies, industry stakeholders and the academia in capacity building, thought leadership and policy development. It would also serve as a repository for resources, data and analytics which support the transition to a more sustainable development pathway.

## 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) To meet the ongoing demand for Exchange Fund paper by banks amidst the abundance of liquidity in the banking system, the HKMA announced on 25 August 2021 a plan to increase the issuance size of 91-day Exchange Fund Bills by \$5 billion in each of the eight regular tenders on 7, 14, 21 and 28 September and 5, 12, 19 and 26 October 2021. The increase in the supply of Exchange Fund Bills is consistent with Currency Board principles, since the additional issuance simply represents a change in the composition of the Monetary Base, with a shift from the Aggregate Balance to Exchange Fund paper. The Aggregate Balance will decrease by the same amount as the increase in Exchange Fund Bills. The Monetary Base remains fully backed by foreign exchange reserves. During the third quarter of 2021, the additional issuance size of the Bills amounted to \$20 billion in total and the Aggregate Balance decreased by the same amount.
- (3) In December 2005, the HKMA published a new data series on composite interest rate, reflecting movements in various deposit rates, interbank and other interest rates to closely track the average cost of funds for banks. The published data enable the banks to keep track of changes in funding cost and thus help improve interest rate risk management in the banking sector. Since June 2019, the composite interest rate has been calculated based on the new local “Interest rate risk in the banking book” framework. As such, the figures are not strictly comparable with those of previous months.
- (4) The trade-weighted Nominal Effective Exchange Rate Index (EERI) is an indicator of the overall exchange value of the Hong Kong dollar against a fixed basket of other currencies. Specifically, it is a weighted average of the exchange rates of the Hong Kong dollar against some 15 currencies of its major trading partners, with the weights adopted being the respective shares of these trading partners in the total value of merchandise trade for Hong Kong during 2009 and 2010.

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

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

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

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

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

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

- (6) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-September 2021, there were 160 licensed banks, 16 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 188 AIs (excluding representative offices) from 31 countries and territories (including Hong Kong) had a presence in Hong Kong.
- (7) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (8) Assets of the banking sector include notes and coins, amount due from AIs in Hong Kong as well as from banks abroad, loans and advances to customers, NCDs held, negotiable debt instruments other than NCDs held, and other assets. Certificates of indebtedness issued by Exchange Fund and the counterpart bank notes issued are nevertheless excluded.
- (9) The ranking is based on the market capitalisation figures compiled by the World Federation of Exchanges and the London Stock Exchange Group.
- (10) Given the relatively small share (less than 0.5% of the daily turnover in the securities market), trading of debt securities and its movements were not analysed.
- (11) At end-September 2021, there were 117 classes of stock options contracts and 91 classes of stock futures contracts.
- (12) At end-September 2021, there were 2 201 and 358 companies listed on the Main Board and GEM respectively.
- (13) At end-September 2021, there was one SFC-authorized retail hedge fund with net asset size of US\$125 million. The amount of net assets under management decreased by 5.3% from end-June 2021, and represented a 1.6% increase over a year earlier and a 21.9% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (14) At end-September 2021, there were 13 approved trustees. On MPF products, 24 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 405 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 315 000 employers, 2.69 million employees and 230 000 self-employed persons are estimated to have participated in MPF schemes.
- (15) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association on their members, and cover only the active

authorised funds that have responded to the survey. At end-September 2021, the survey covered a total of 1 388 active authorised funds.

- (16) At end-September 2021, there were 165 authorised insurers in Hong Kong. Within this total, 54 were engaged in long-term insurance business, 91 in general insurance business, 19 in composite insurance business and one in special purpose business. These authorised insurers come from 22 countries and territories (including Hong Kong).

## CHAPTER 5 : THE LABOUR SECTOR

### *Summary*

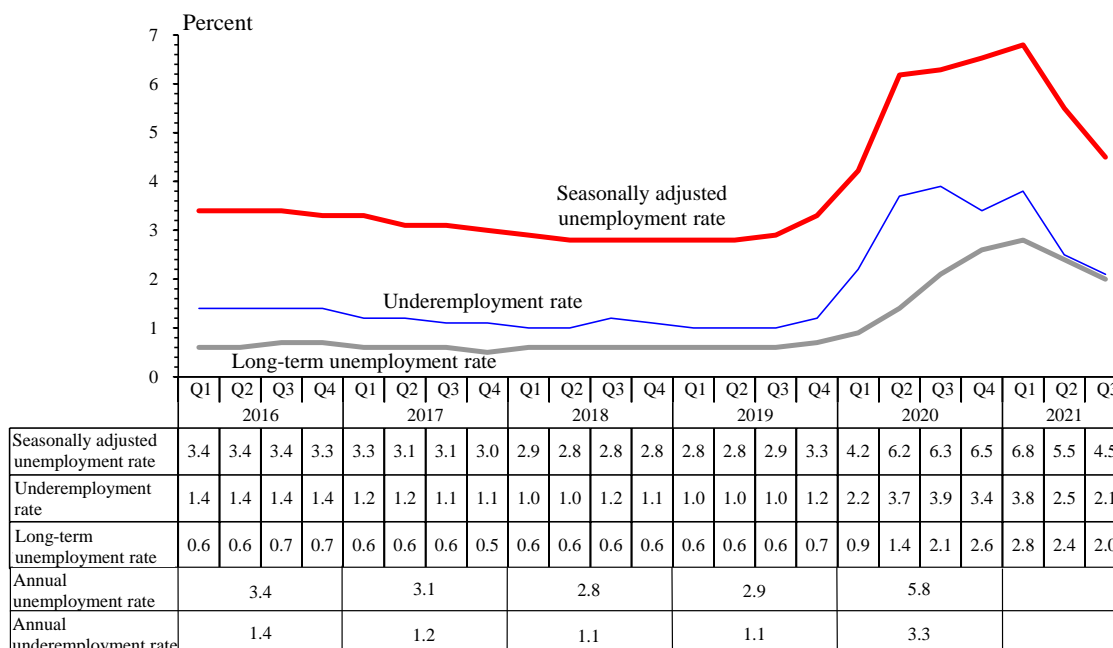
- *The labour market continued to improve in the third quarter of 2021, largely reflecting the sustained revival of local economic activity. The seasonally adjusted unemployment rate fell further from 5.5% in the second quarter of 2021 to 4.5% in the third quarter, and the underemployment rate from 2.5% to 2.1%, both visibly lower than their respective peaks of 7.2% and 4.0% in December 2020 – February 2021.*
- *Analysed by sector, the unemployment rates of most sectors fell in the third quarter compared with the preceding quarter. The unemployment rates of the consumption- and tourism-related sectors declined visibly, and so did those of many other sectors such as the arts, entertainment and recreation sector, the construction sector, the transportation sector, and postal and courier activities. Analysed by skill segment, the unemployment rates of both lower-skilled workers and higher-skilled workers declined.*
- *Labour demand strengthened gradually. Results of establishment surveys indicated that private sector employment increased further in June 2021 over March 2021, though it was still slightly below the level a year ago. Private sector vacancies likewise increased further in June 2021 and surpassed the year-ago level. More recent statistics from the General Household Survey (GHS) suggested that total employment rebounded further in the third quarter of 2021 over the preceding quarter, and turned in a year-on-year increase.*
- *Wages and labour earnings on average showed modest yet faster year-on-year increases in nominal terms in the second quarter of 2021, reversing the general trend of deceleration in the past two years or so. GHS data showed that the median household income continued to increase in the third quarter of 2021 over a year earlier, though still well below the pre-recession level.*

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

5.1 The labour market continued to improve in the third quarter of 2021, largely reflecting the sustained revival of local economic activity. The seasonally adjusted *unemployment rate*<sup>(2)</sup> fell further from 5.5% in the second quarter of 2021 to 4.5% in the third quarter, and the *underemployment rate*<sup>(3)</sup> from 2.5% to 2.1%, both sharply lower than their respective peaks of 7.2% and 4.0% in December 2020 – February 2021. Analysed by sector, the unemployment rates of most sectors fell compared with the preceding quarter. The unemployment rates of the consumption- and tourism-related sectors (viz., retail, accommodation and food services sectors) declined visibly, and so did those of many other sectors such as the arts, entertainment and recreation sector, the construction sector, the transportation sector, and postal and courier activities. Analysed by skill segment, the unemployment rates of both lower-skilled workers and higher-skilled workers declined. Labour demand strengthened gradually. Private sector employment increased further in June 2021 over March 2021, though it was still slightly below the level a year ago. Private sector vacancies likewise increased further in June 2021 and surpassed the year-ago level. Though not strictly comparable, more recent statistics from the General Household Survey (GHS) suggested that total employment rebounded further in the third quarter of 2021 over the preceding quarter, and turned in a year-on-year increase. Wages and labour earnings on average showed modest yet faster year-on-year increases in nominal terms in the second quarter of 2021, reversing the general trend of deceleration in the past two years or so. Latest GHS data showed that the median household income continued to increase in the third quarter of 2021 over a year earlier, though still well below the pre-recession level.



**Diagram 5.1 : The labour market continued to improve in the third 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                             |
| Q2                         | 5.5                    | 2.5                      | 2.4                             |
| <i>Three months ending</i> |                        |                          |                                 |
| 2021 Jul                   | 5.0                    | 2.4                      | 2.2                             |
| Aug                        | 4.7                    | 2.2                      | 2.1                             |
| Sep                        | 4.5                    | 2.1                      | 2.0                             |

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

Source : General Household Survey, Census and Statistics Department.

## Labour force and total employment

5.2 The *labour force*<sup>(4)</sup> declined by 0.9% from a year earlier to 3 838 600 in the third quarter of 2021. The fall was partly due to the 0.4% decline in the working-age population (i.e. land-based non-institutional population aged 15 and above). Another contributory factor was the decline in the overall labour force participation rate amid population aging. The overall labour force participation rate fell by 0.3 percentage point from a year earlier to 59.3%. Yet, analysed by gender and by age group, the labour force participation rates of many of them rose back to levels close to, and in some cases surpassed, where they were before the recession. The more notable exceptions were those of the younger age groups (see **Box 5.1** for the decomposition analysis of the year-on-year declines in labour force in the recent quarters).

5.3 *Total employment*<sup>(5)</sup> rebounded by 1.1% over a year earlier to 3 658 000 in the third quarter of 2021, after showing little change in the preceding quarter. Many sectors, notably public administration, accommodation services, food and beverage service activities, and construction, saw year-on-year increases in employment. On the other hand, employment in some other sectors, such as manufacturing, transportation, 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<sup>(a)</sup></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                      |
| Q2                         | 3 853 100 (-0.7)    | 3 640 100 (§)           | 213 100                                 | 96 000                       |
| <i>Three months ending</i> |                     |                         |   |                              |
| 2021 Jul                   | 3 848 400 (-1.1)    | 3 650 000 (0.1)         | 198 400                                 | 92 300                       |
| Aug                        | 3 839 500 (-1.3)    | 3 651 700 (0.3)         | 187 700                                 | 86 200                       |
| Sep                        | 3 838 600 (-0.9)    | 3 658 000 (1.1)         | 180 600                                 | 79 000                       |
|                            | <-0.4>              | <0.5>                   |   |                              |

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

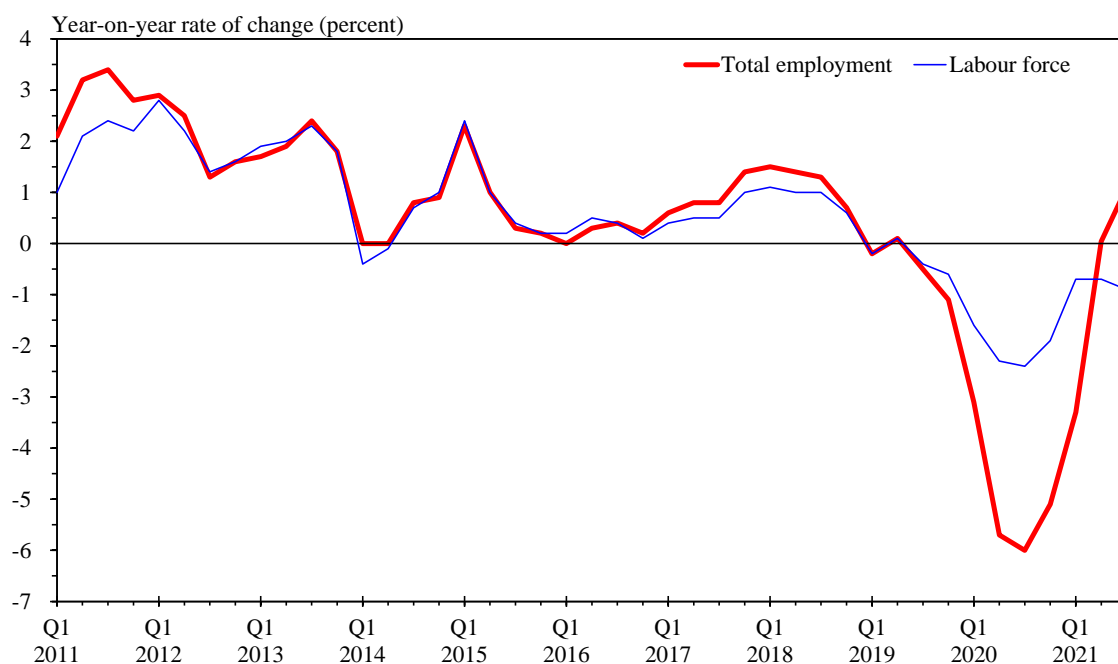
( ) % change over a year earlier.

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

§ Change less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : In the third quarter of 2021, total employment rebounded further over the preceding quarter and turned in a year-on-year increase, while labour force continued to fall**



**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>2021 Q3</u> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|----------------|----------------|----------------|
| <u>Male</u>                  |             |             |             |             |             |                |                |                |
| 15-24                        | 39.5        | 38.1        | 39.2        | 39.6        | 35.9        | 35.3           | 34.5           | 37.8           |
| <i>of which:</i>             |             |             |             |             |             |                |                |                |
| 15-19                        | 12.9        | 9.9         | 10.4        | 11.4        | 7.3         | 5.7            | 6.3            | 8.9            |
| 20-24                        | 60.7        | 59.2        | 60.2        | 59.8        | 56.7        | 57.0           | 55.6           | 59.4           |
| 25-29                        | 92.9        | 92.6        | 92.9        | 91.4        | 90.7        | 91.4           | 91.4           | 91.2           |
| 30-39                        | 96.4        | 96.6        | 96.4        | 95.9        | 95.0        | 95.1           | 95.6           | 95.3           |
| 40-49                        | 95.0        | 95.2        | 95.1        | 93.9        | 93.5        | 93.6           | 93.1           | 93.8           |
| 50-59                        | 86.0        | 86.7        | 86.9        | 85.1        | 84.7        | 85.6           | 85.5           | 85.2           |
| ≥ 60                         | 29.9        | 30.4        | 32.1        | 31.9        | 31.4        | 32.1           | 31.2           | 30.3           |
| Overall                      | 68.6        | 68.3        | 68.5        | 67.5        | 66.2        | 66.2           | 65.8           | 65.6           |
| <u>Female</u>                |             |             |             |             |             |                |                |                |
| 15-24                        | 41.9        | 41.5        | 41.1        | 40.8        | 37.1        | 37.5           | 36.0           | 39.7           |
| <i>of which:</i>             |             |             |             |             |             |                |                |                |
| 15-19                        | 12.3        | 11.8        | 12.0        | 11.7        | 7.2         | 5.3            | 7.3            | 10.8           |
| 20-24                        | 63.6        | 61.8        | 60.4        | 60.2        | 57.9        | 60.4           | 57.0           | 60.9           |
| 25-29                        | 86.2        | 86.5        | 86.6        | 87.2        | 87.2        | 87.1           | 88.7           | 88.9           |
| 30-39                        | 78.0        | 79.0        | 79.3        | 78.9        | 78.7        | 78.8           | 79.2           | 78.5           |
| 40-49                        | 73.4        | 73.8        | 74.1        | 73.4        | 73.2        | 73.2           | 73.9           | 73.7           |
| 50-59                        | 59.7        | 60.4        | 61.5        | 62.2        | 62.7        | 64.5           | 63.7           | 63.6           |
| ≥ 60                         | 12.3        | 13.7        | 14.5        | 15.5        | 15.3        | 15.9           | 16.7           | 15.9           |
| Overall                      | 54.8        | 55.1        | 55.1        | 55.0        | 54.2        | 54.3           | 54.5           | 54.2           |
| <u>Both genders combined</u> |             |             |             |             |             |                |                |                |
| 15-24                        | 40.7        | 39.8        | 40.2        | 40.2        | 36.5        | 36.4           | 35.3           | 38.7           |
| <i>of which:</i>             |             |             |             |             |             |                |                |                |
| 15-19                        | 12.6        | 10.8        | 11.2        | 11.6        | 7.3         | 5.5            | 6.8            | 9.9            |
| 20-24                        | 62.2        | 60.5        | 60.3        | 60.0        | 57.3        | 58.7           | 56.3           | 60.1           |
| 25-29                        | 89.2        | 89.3        | 89.5        | 89.1        | 88.8        | 89.1           | 90.0           | 90.0           |
| 30-39                        | 85.4        | 86.0        | 86.1        | 85.7        | 85.3        | 85.4           | 85.9           | 85.4           |
| 40-49                        | 82.4        | 82.6        | 82.7        | 81.8        | 81.4        | 81.4           | 81.6           | 81.8           |
| 50-59                        | 72.2        | 72.7        | 73.2        | 72.7        | 72.6        | 73.9           | 73.3           | 73.1           |
| ≥ 60                         | 20.7        | 21.7        | 22.9        | 23.3        | 23.0        | 23.6           | 23.6           | 22.8           |
| Overall                      | 61.1        | 61.1        | 61.2        | 60.6        | 59.6        | 59.6           | 59.5           | 59.3           |

Source : General Household Survey, Census and Statistics Department.

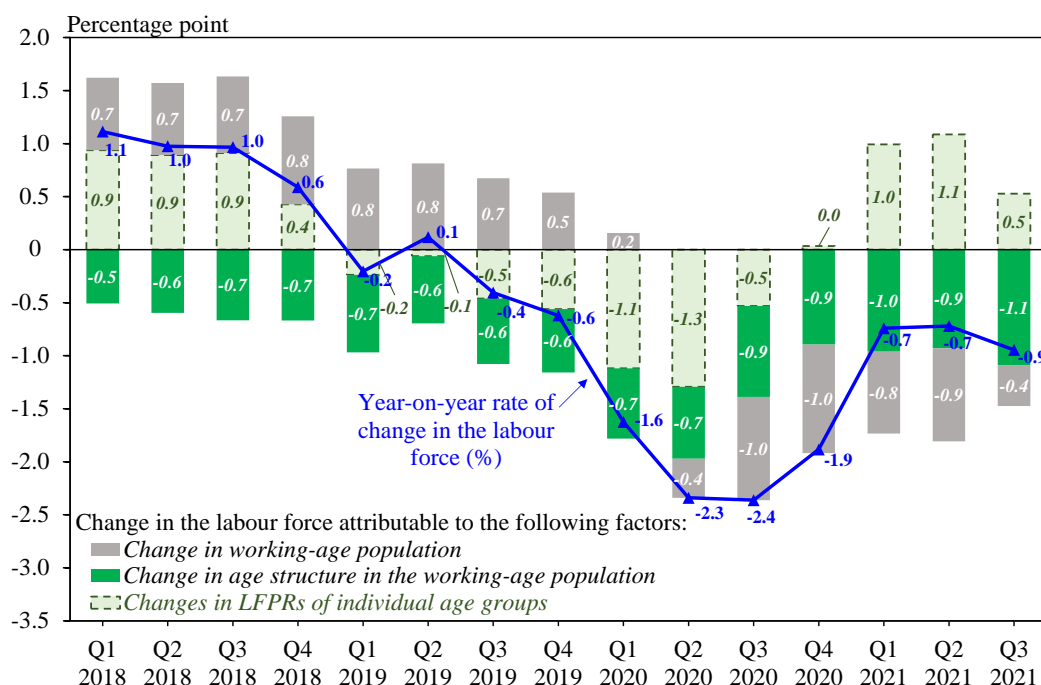
## Box 5.1

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

In *Box 5.1* in the *First Quarter Economic Report 2020*, the year-on-year rate of change in labour force in each quarter from the first quarter of 2018 to the first quarter of 2020 was decomposed into three factors: (1) Change in working-age population<sup>(2)</sup>; (2) Change in age structure in the working-age population amid population ageing, through its effect on lowering the overall labour force participation rate (LFPR); and (3) Changes in LFPRs of individual age groups. By applying the same methodology, this article gives an updated analysis, with the study period extended to the third quarter of 2021<sup>(3)</sup>.

As seen in *Chart 1*, the labour force registered consecutive quarters of year-on-year decreases since the third quarter of 2019, when the economy dipped into recession. The year-on-year decline widened visibly from 0.4% in the third quarter of 2019 to 2.3% in the second quarter of 2020, largely due to two factors. *First*, the drag arising from changes in LFPRs of individual age groups enlarged from 0.5 percentage point in the third quarter of 2019 to 1.3 percentage points in the second quarter of 2020, as the LFPRs across many age groups showed wider year-on-year declines. This partly reflected that more workers chose to leave the labour force when they lost their jobs amid the sharp deterioration in the labour market at that time. *Second*, the working-age population showed decelerated year-on-year growth during the period from the third quarter of 2019 (+0.7%) to the first quarter of 2020 (+0.2%), and switched to a decline (-0.4%) in the second quarter of 2020. The decline in labour force then widened slightly further to 2.4% in the third quarter of 2020, mainly because the decrease in working-age population widened to 1.0%.

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



- (1) All figures are compiled from the General Household Survey conducted by the Census and Statistics Department and include foreign domestic helpers. Individual figures may not add up to total due to rounding.
- (2) Working-age population refers to land-based non-institutional population aged 15 and above.
- (3) Due to data revision, the decomposition results for some of the earlier quarters in this article are slightly different from those in *Box 5.1* in the *First Quarter Economic Report 2020*.

### **Box 5.1 (Cont'd)**

The labour force showed a narrower year-on-year decline of 1.9% in the fourth quarter of 2020. The decline in labour force was even narrower in the first three quarters of 2021, being below 1.0% in each quarter. The narrower declines in these four quarters were mainly because the drag arisen from changes in LFPRs of individual age groups reduced to negligible in the fourth quarter of 2020, and the effect from this factor switched to become a boost that contributed a lift of 0.5 to 1.1 percentage points to the labour force in each of the first three quarters of 2021. A closer look showed that the LFPR of many individual age groups in the first three quarters of 2021, in particular for those aged 25-29 and 50-59, rose back to close to or even higher than the levels before the recession. This suggested that some of those people who left the labour force earlier on may have re-entered the labour market as the economic recovery became more entrenched.

Meanwhile, the change in age structure in the working-age population amid population ageing persistently posed a drag on the labour force in the past 15 quarters. Its effect was more pronounced in recent quarters as the share of older persons (e.g. those aged 60 and above) in the population showed faster increases. Specifically, the drag arising from this factor on the year-on-year change in labour force was 0.9 to 1.1 percentage points in each quarter from the third quarter of 2020 to the third quarter of 2021, larger than that of 0.5 to 0.7 percentage point in each quarter from the first quarter of 2018 to the second quarter of 2020.

Considering that population ageing is a secular trend, it will continue to pose a drag on the labour force. On the other hand, as the economic recovery continues, the improved job and income prospects should help attract more people to join or re-enter the labour market. Meanwhile, the LFPRs of some specific age groups (such as those aged 15-24) remained well below their pre-recession levels, and those of some older age groups (such as those aged 60 and above) were yet to catch up with the uptrend shown in the last decade before the recent recession. There is room for improvement in the LFPRs of these age groups going forward when the economic recovery broadens further.

## Profile of unemployment

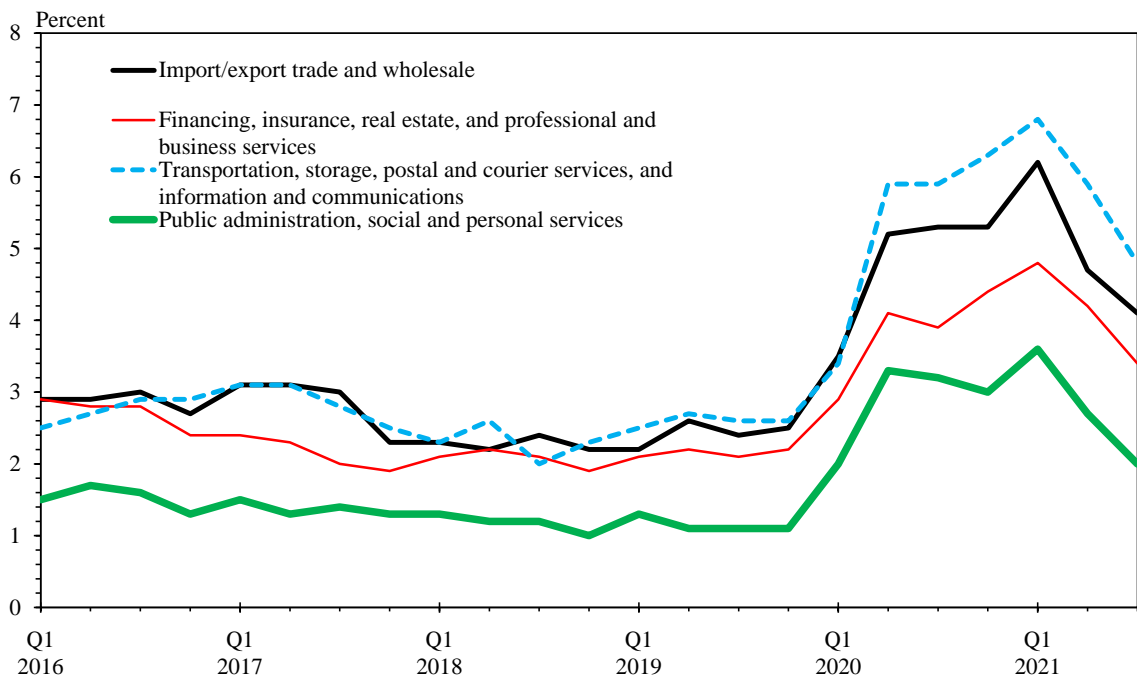
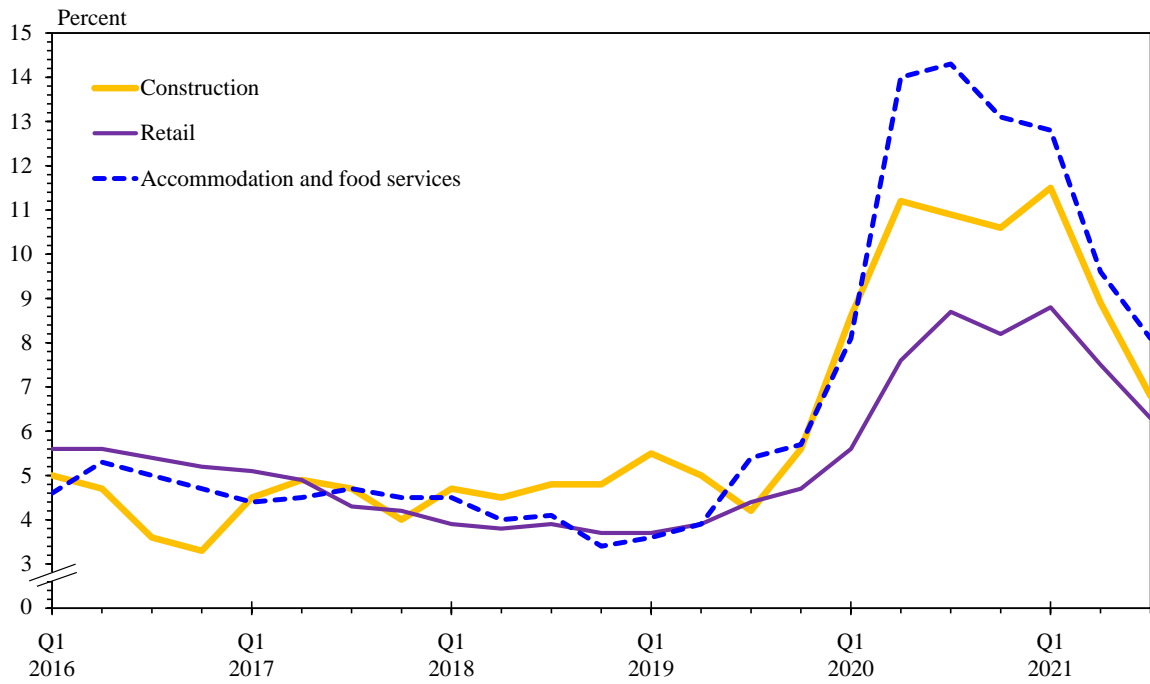
5.4 The seasonally adjusted unemployment rate fell further from 5.5% in the preceding quarter to 4.5% in the third quarter of 2021, sharply below the peak of 7.2% in December 2020 – February 2021. The number of unemployed persons (not seasonally adjusted) likewise decreased further, by 32 500 from the preceding quarter to 180 600 in the third quarter.

5.5 Analysed by sector, the unemployment rates (not seasonally adjusted) of most major sectors fell in the third quarter of 2021 compared with the preceding quarter. In particular, the unemployment rate of the retail, accommodation and food services sectors combined declined visibly by 1.3 percentage points to 7.2%. Among these sectors, the unemployment rate of food and beverage service activities fell by 1.5 percentage points to 8.5%, and that of the retail sector declined by 1.2 percentage points to 6.3%. The unemployment rates of many other sectors also declined visibly, such as those of the arts, entertainment and recreation sector (down 4.0 percentage points to 6.8%), the construction sector (down 2.1 percentage points to 6.8%), the transportation sector (down 2.0 percentage points to 4.4%), and postal and courier activities (down 1.5 percentage points to 4.8%). For the *low-paying sectors*<sup>(6)</sup> (LPS) as a whole, the unemployment rate went down to 4.3% from 5.2% in the preceding quarter and the peak of 6.6% in December 2020 – February 2021.

5.6 Analysed by skill segment, the unemployment rate of the lower-skilled workers fell by 1.2 percentage points from the preceding quarter to 4.9% in the third quarter of 2021, and that of the higher-skilled workers decreased by 0.5 percentage point to 3.1%.

5.7 Analysed by other socio-economic attributes, the unemployment rates fell across most groups in the third quarter of 2021 compared with the preceding quarter. Analysed by age, the unemployment rates in most age groups declined, notably among persons aged 50-59 (down 1.5 percentage points to 4.4%), 60 and over (down 1.3 percentage points to 3.7%), and 40-49 (down 1.2 percentage points to 3.5%), with the exception of the unemployment rate of those aged 15-24 (up 1.3 percentage points to 15.0%) as fresh graduates and school-leavers entered the labour force. Analysed by level of educational attainment, the unemployment rates of those with upper secondary education (down 1.5 percentage points to 4.5%), lower secondary education (down 1.3 percentage points to 5.8%), and primary and below education (down 1.3 percentage points to 4.4%) showed more visible declines.

**Diagram 5.3 : The unemployment rates of most major sectors fell in the third quarter of 2021 compared with the preceding quarter**





**Table 5.4 : Unemployment rates by major economic sector**

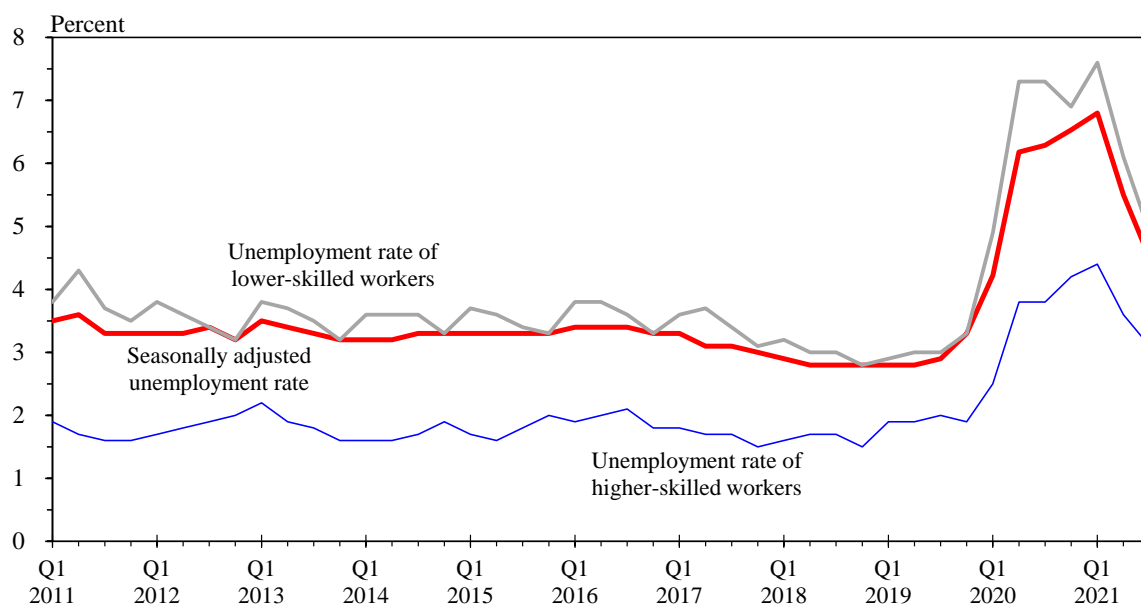
|  | <u>2020</u>  |              |              |              | <u>2021</u>  |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | <u>Q1</u>    | <u>Q2</u>    | <u>Q3</u>    | <u>Q4</u>    | <u>Q1</u>    | <u>Q2</u>    | <u>Q3</u>    |
| Import/export trade and wholesale                    | 3.5          | 5.2          | 5.3          | 5.3          | 6.2          | 4.7          | 4.1          |
| Retail   | 5.6          | 7.6          | 8.7          | 8.2          | 8.8          | 7.5          | 6.3          |
| Accommodation and food services                      | 8.1          | 14.0         | 14.3         | 13.1         | 12.8         | 9.6          | 8.1          |
| Transportation, storage, postal and courier services | 3.3          | 6.1          | 6.0          | 6.7          | 7.2          | 6.5          | 5.0          |
| Information and communications                       | 3.5          | 5.7          | 5.6          | 5.4          | 5.8          | 4.5          | 4.2          |
| Financing and insurance                              | 2.4          | 2.9          | 2.8          | 3.2          | 3.7          | 3.0          | 2.7          |
| Real estate  | 2.4          | 3.2          | 4.0          | 3.8          | 4.2          | 3.1          | 2.6          |
| Professional and business services                   | 3.3          | 5.3          | 4.6          | 5.4          | 5.7          | 5.3          | 4.3          |
| Public administration, social and personal services  | 2.0          | 3.3          | 3.2          | 3.0          | 3.6          | 2.7          | 2.0          |
| Manufacturing  | 5.9          | 6.4          | 6.4          | 6.1          | 6.5          | 6.9          | 6.8          |
| Construction   | 8.6          | 11.2         | 10.9         | 10.6         | 11.5         | 8.9          | 6.8          |
| Overall*   | 4.2<br>(4.2) | 6.2<br>(6.2) | 6.6<br>(6.3) | 6.3<br>(6.5) | 6.7<br>(6.8) | 5.5<br>(5.5) | 4.7<br>(4.5) |

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

( ) Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.4 : The unemployment rates of both lower-skilled workers and higher-skilled workers fell in the third quarter of 2021 compared with the preceding quarter**



**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>Q3</u> |
| <u>Higher-skilled segment</u>              | 2.5         | 3.8       | 3.8       | 4.2       | 4.4         | 3.6       | 3.1       |
| Managers and administrators                | 1.8         | 3.1       | 2.5       | 3.6       | 3.2         | 3.0       | 2.0       |
| Professionals                              | 1.5         | 2.0       | 2.5       | 2.6       | 2.6         | 2.1       | 2.3       |
| Associate professionals                    | 3.3         | 4.8       | 4.8       | 5.2       | 5.5         | 4.4       | 3.8       |
| <u>Lower-skilled segment</u> <sup>^</sup>  | 4.9         | 7.3       | 7.3       | 6.9       | 7.6         | 6.1       | 4.9       |
| Clerical support workers                   | 3.8         | 5.7       | 6.5       | 5.8       | 5.8         | 5.1       | 4.3       |
| Service and sales workers                  | 6.5         | 10.7      | 10.2      | 9.7       | 11.3        | 7.9       | 6.8       |
| Craft and related workers                  | 9.4         | 11.2      | 9.7       | 10.5      | 10.4        | 8.3       | 6.2       |
| Plant and machine operators and assemblers | 3.8         | 5.7       | 5.6       | 5.2       | 5.8         | 4.9       | 3.5       |
| Elementary occupations                     | 3.2         | 4.7       | 5.1       | 4.6       | 5.6         | 5.0       | 3.5       |

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

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

Source : General Household Survey, Census and Statistics Department.

**Table 5.6 : 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>Q3</u> |
| <u>Age</u>                                |             |           |           |           |             |           |           |
| 15-24                                     | 10.1        | 14.6      | 20.3      | 17.3      | 13.5        | 13.7      | 15.0      |
| <i>of which:</i>                          |             |           |           |           |             |           |           |
| 15-19                                     | 12.9        | 19.0      | 25.2      | 17.6      | 16.5        | 18.4      | 16.8      |
| 20-24                                     | 9.9         | 14.3      | 19.8      | 17.2      | 13.3        | 13.3      | 14.8      |
| 25-29                                     | 5.1         | 7.8       | 7.9       | 7.8       | 7.3         | 6.2       | 6.1       |
| 30-39                                     | 3.0         | 4.6       | 4.5       | 4.4       | 5.0         | 4.2       | 3.5       |
| 40-49                                     | 3.8         | 4.9       | 4.9       | 4.9       | 5.5         | 4.7       | 3.5       |
| 50-59                                     | 4.0         | 6.8       | 6.9       | 6.6       | 7.7         | 5.9       | 4.4       |
| ≥ 60                                      | 3.9         | 5.9       | 5.4       | 5.5       | 6.8         | 5.0       | 3.7       |
| <u>Educational attainment</u>             |             |           |           |           |             |           |           |
| Primary education<br>and below            | 4.2         | 7.4       | 7.2       | 5.9       | 8.6         | 5.7       | 4.4       |
| Lower secondary<br>education              | 5.9         | 8.8       | 8.0       | 8.8       | 8.7         | 7.1       | 5.8       |
| Upper secondary<br>education <sup>^</sup> | 4.3         | 6.6       | 6.5       | 6.3       | 7.2         | 6.0       | 4.5       |
| Post-secondary<br>education               | 3.6         | 5.0       | 6.1       | 5.7       | 5.3         | 4.7       | 4.6       |

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

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 Indicators for the intensity of unemployment improved in the third quarter of 2021 compared with the preceding quarter. The long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) went lower by 0.4 percentage point to 2.0%. The number of long-term unemployed persons decreased by 15 900 to 76 000, and its share in total unemployment went down by 1.0 percentage point to 42.1%. The median duration of unemployment shortened from 148 days to 127 days. 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) declined by 4.0 percentage points to 58.1%.

### **Profile of underemployment**

5.9 The underemployment rate decreased further by 0.4 percentage point from 2.5% in the preceding quarter to 2.1% in the third quarter of 2021, visibly lower than the peak of 4.0% in December 2020 – February 2021. Meanwhile, the number of underemployed persons decreased by 17 000 from the preceding quarter to 79 000 in the third quarter. Analysed by sector, the underemployment rates of most sectors declined, with those of the arts, entertainment and recreation sector (down 1.9 percentage points to 3.9%), postal and courier activities (down 1.5 percentage points to 3.6%), cleaning and similar activities (down 1.1 percentage points to 1.7%) and the manufacturing sector (down 1.0 percentage point to 1.8%) showing noticeable declines. Analysed by skill segment, the underemployment rate of the lower-skilled segment went down by 0.8 percentage point from the preceding quarter to 2.5% in the third quarter. The underemployment rate of the higher-skilled segment edged up by 0.1 percentage point over the preceding quarter to 1.4% in the third quarter, but it remained visibly lower than the 2.1% in the first quarter.

## 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 June 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 Employment conditions on the whole improved in June 2021 as the economy stayed on track for recovery. After reaching a low in December 2020, total private sector employment increased further by 0.6% in June 2021 over March 2021 (the rate of increase on a seasonally adjusted comparison was the same at 0.6%) to 2 707 300, although it was still 0.4% lower than a year earlier. Looking at individual sectors, employment in many selected sectors improved on a year-on-year comparison in June 2021. Specifically, employment in transportation, storage, postal and courier services (down 4.2%), import/export trade and wholesale (down 3.4%), and retail (down 0.5%) saw narrower declines. Employment in accommodation and food services (up 1.3%), residential care and social work services (up 0.4%), and financing and insurance (up 0.1%) switched to increases. Employment in many other sectors continued to increase, with notable increases in employment of manual workers at construction sites (up 8.6%), and employment in human health services (up 3.3%) and real estate sectors (up 2.4%). Yet, employment in manufacturing (down 6.0%), arts, entertainment, recreation and other services (down 2.7%), and information and communications (down 1.8%) saw wider declines. Analysed by establishment size, employment in large enterprises switched to increase by 0.4% over a year earlier, while that in *small and medium-sized enterprises (SMEs)*<sup>(7)</sup> decreased further by 1.4%. As for the civil service, employment decreased by 0.3% 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>                  | <u>Jun</u>                  |
| Import/export trade and wholesale                                      | 452 300<br>(-10.8)          | 475 400<br>(-8.5)           | 450 200<br>(-12.0)          | 444 700<br>(-11.3)          | 439 000<br>(-11.4)          | 434 600<br>(-8.6)           | 434 900<br>(-3.4)           |
| Retail   | 251 100<br>(-6.3)           | 254 900<br>(-6.5)           | 249 400<br>(-8.1)           | 249 800<br>(-6.5)           | 250 300<br>(-4.1)           | 249 900<br>(-2.0)           | 248 100<br>(-0.5)           |
| Accommodation <sup>(a)</sup> and food services                         | 246 600<br>(-13.8)          | 259 500<br>(-11.7)          | 248 700<br>(-15.3)          | 242 000<br>(-13.8)          | 236 100<br>(-14.4)          | 239 900<br>(-7.5)           | 252 000<br>(1.3)            |
| Transportation, storage, postal and courier services                   | 173 800<br>(-3.7)           | 177 300<br>(-1.9)           | 176 100<br>(-2.3)           | 175 000<br>(-3.0)           | 166 800<br>(-7.5)           | 165 500<br>(-6.7)           | 168 700<br>(-4.2)           |
| Information and communications   | 110 200<br>(-0.3)           | 109 700<br>(-0.8)           | 110 800<br>(-0.2)           | 110 300<br>(-0.1)           | 109 900<br>(-0.3)           | 109 300<br>(-0.4)           | 108 800<br>(-1.8)           |
| Financing, insurance, real estate, professional and business services  | 761 700<br>(0.2)            | 758 800<br>(§)              | 759 900<br>(-0.1)           | 764 600<br>(0.5)            | 763 500<br>(0.4)            | 761 600<br>(0.4)            | 765 700<br>(0.8)            |
| Social and personal services   | 532 000<br>(-0.6)           | 532 300<br>(0.3)            | 531 000<br>(-0.5)           | 531 800<br>(-0.9)           | 532 900<br>(-1.3)           | 534 700<br>(0.5)            | 532 500<br>(0.3)            |
| Manufacturing  | 83 400<br>(-4.0)            | 84 200<br>(-4.8)            | 84 200<br>(-3.7)            | 83 300<br>(-3.5)            | 81 900<br>(-4.1)            | 81 200<br>(-3.6)            | 79 200<br>(-6.0)            |
| Construction sites (covering manual workers only)                      | 97 200<br>(-4.5)            | 101 100<br>(-5.9)           | 97 600<br>(-4.9)            | 93 900<br>(-3.1)            | 96 100<br>(-3.8)            | 102 700<br>(1.6)            | 106 100<br>(8.6)            |
| <i>All establishments surveyed in the private sector<sup>(b)</sup></i> | <i>2 719 500<br/>(-4.5)</i> | <i>2 764 300<br/>(-3.8)</i> | <i>2 719 000<br/>(-5.1)</i> | <i>2 706 900<br/>(-4.4)</i> | <i>2 687 900<br/>(-4.7)</i> | <i>2 690 700<br/>(-2.7)</i> | <i>2 707 300<br/>(-0.4)</i> |
|  |                             | <i>&lt;-1.9&gt;</i>         | <i>&lt;-1.6&gt;</i>         | <i>&lt;-0.3&gt;</i>         | <i>&lt;-0.9&gt;</i>         | <i>&lt;0.2&gt;</i>          | <i>&lt;0.6&gt;</i>          |
| <i>Civil service<sup>(c)</sup></i>                                     | <i>177 200<br/>(0.7)</i>    | <i>177 700<br/>(1.6)</i>    | <i>177 300<br/>(1.2)</i>    | <i>176 800<br/>(0.1)</i>    | <i>177 000<br/>(-0.2)</i>   | <i>177 600<br/>(-0.1)</i>   | <i>176 900<br/>(-0.3)</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 % change compared with the level three months ago.

§ 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 Reflecting the strengthening of labour demand, the number of job vacancies in the private sector increased further by 15.5% in June 2021 over March 2021 (or by 14.1% on a seasonally adjusted comparison) to 45 440. On a year-on-year comparison, the number of job vacancies in the private sector switched to an increase of 16.2% in June 2021, after declining by 6.9% in March 2021.

5.13 In June 2021, the numbers of vacancies in almost all selected sectors increased on a year-on-year comparison, with those in the arts, entertainment, recreation and other services sector (up 72.8%), the accommodation and food services sector (up 52.4%), the transportation, storage, postal and courier services sector (up 28.5%), the manufacturing sector (up 24.4%) and the real estate sector (up 24.1%) showing sharp increases. Analysed by occupational category, the numbers of vacancies in the lower-skilled segment and the higher-skilled segment both increased visibly, by 15.8% and 16.6% respectively. Analysed by establishment size, the numbers of vacancies in large enterprises and SMEs increased by 18.3% and 11.5% respectively. Separately, the number of job openings in the civil service rose by 37.3% to 15 540.

5.14 Reflecting a somewhat improved manpower balance, the ratio of job vacancies per 100 unemployed persons went up to 21 in June 2021 after staying at low levels of around 15 for a year. Analysed by skill segment, the ratio in the higher-skilled segment rose from 27 in March 2021 to 36 in June 2021, and that in the lower-skilled segment went up from 12 to 18. Manpower shortage situation became more acute in the residential care and social work services sector, where the ratio went up from a high level of 151 in March 2021 to 211 in June 2021.

**Table 5.8 : Vacancies by major economic sector**

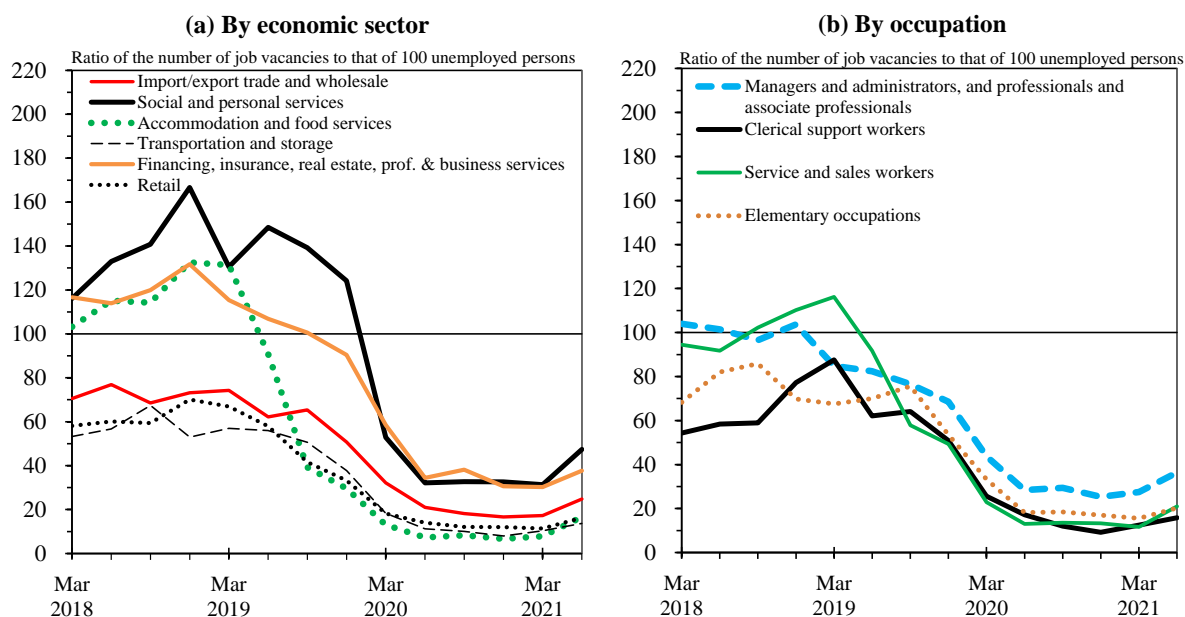
|  | <u>Number of vacancies</u> |                           |                           |                           |                           |                          |                          | Vacancy rate in Jun 2021 (%) |  |
|--|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------|--------------------------|------------------------------|--|
|  | <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>               | <u>Jun</u>               |                              |  |
| Import/export trade and wholesale                                      | 3 450<br>(-42.9)           | 4 080<br>(-40.1)          | 3 670<br>(-43.3)          | 3 180<br>(-48.4)          | 2 880<br>(-39.4)          | 3 510<br>(-13.9)         | 3 840<br>(4.8)           | 0.9                          |  |
| Retail   | 3 060<br>(-54.3)           | 3 050<br>(-63.5)          | 3 160<br>(-58.8)          | 3 140<br>(-47.3)          | 2 910<br>(-40.2)          | 2 970<br>(-2.6)          | 3 450<br>(9.4)           | 1.4                          |  |
| Accommodation <sup>(a)</sup> and food services                         | 2 830<br>(-69.4)           | 2 910<br>(-80.2)          | 2 840<br>(-74.6)          | 3 180<br>(-49.1)          | 2 400<br>(-50.6)          | 2 760<br>(-5.2)          | 4 330<br>(52.4)          | 1.7                          |  |
| Transportation, storage, postal and courier services                   | 2 180<br>(-43.6)           | 2 590<br>(-45.8)          | 2 280<br>(-44.2)          | 2 090<br>(-45.0)          | 1 760<br>(-37.4)          | 2 520<br>(-2.9)          | 2 930<br>(28.5)          | 1.7                          |  |
| Information and communications   | 1 900<br>(-33.2)           | 2 190<br>(-25.6)          | 2 040<br>(-32.9)          | 1 740<br>(-39.4)          | 1 650<br>(-35.6)          | 1 670<br>(-24.1)         | 1 930<br>(-5.5)          | 1.7                          |  |
| Financing, insurance, real estate, professional and business services  | 13 010<br>(-31.8)          | 14 660<br>(-28.7)         | 12 360<br>(-38.6)         | 13 060<br>(-29.6)         | 11 950<br>(-29.7)         | 12 980<br>(-11.4)        | 14 000<br>(13.3)         | 1.8                          |  |
| Social and personal services   | 11 300<br>(-32.4)          | 11 400<br>(-36.2)         | 11 650<br>(-32.3)         | 11 490<br>(-31.3)         | 10 660<br>(-29.2)         | 11 970<br>(5.1)          | 13 550<br>(16.3)         | 2.5                          |  |
| Manufacturing  | 710<br>(-68.0)             | 760<br>(-69.6)            | 750<br>(-71.7)            | 760<br>(-60.3)            | 560<br>(-68.5)            | 690<br>(-9.0)            | 940<br>(24.4)            | 1.2                          |  |
| Construction sites (covering manual workers only)                      | 240<br>(-64.6)             | 500<br>(-42.6)            | 240<br>(-68.5)            | 140<br>(-75.2)            | 80<br>(-84.3)             | 80<br>(-84.3)            | 250<br>(2.5)             | 0.2                          |  |
| <i>All establishments surveyed in the private sector<sup>(b)</sup></i> | <i>38 840<br/>(-42.6)</i>  | <i>42 270<br/>(-46.9)</i> | <i>39 120<br/>(-46.7)</i> | <i>38 910<br/>(-38.3)</i> | <i>35 060<br/>(-35.6)</i> | <i>39 350<br/>(-6.9)</i> | <i>45 440<br/>(16.2)</i> | <i>1.7</i>                   |  |
|  |                            | <i>&lt;-23.9&gt;</i>      | <i>&lt;-8.4&gt;</i>       | <i>&lt;1.3&gt;</i>        | <i>&lt;-8.9&gt;</i>       | <i>&lt;10.1&gt;</i>      | <i>&lt;14.1&gt;</i>      |                              |  |
| <i>Civil service<sup>(c)</sup></i>                                     | <i>12 560<br/>(24.8)</i>   | <i>10 660<br/>(8.6)</i>   | <i>11 320<br/>(10.3)</i>  | <i>13 240<br/>(32.7)</i>  | <i>15 040<br/>(47.4)</i>  | <i>15 140<br/>(42.0)</i> | <i>15 540<br/>(37.3)</i> | <i>8.1</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 % change compared with the level three months ago.

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 improved somewhat in June 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, went up from low levels of around 1.4% recorded for a year or so to 1.7% in June 2021. This compared with a ten-year average of around 2.4%. Most major sectors recorded higher vacancy rates compared with the levels three months ago, with noticeable increases observed in arts, entertainment and recreation, and accommodation and food services.

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. The number of such vacancies surged by 25% over the preceding quarter or 68% over a year earlier to a monthly average of 102 700 in the third quarter of 2021, though it was still around 11% lower than the pre-recession monthly average in the second quarter of 2019.

## Wages and earnings

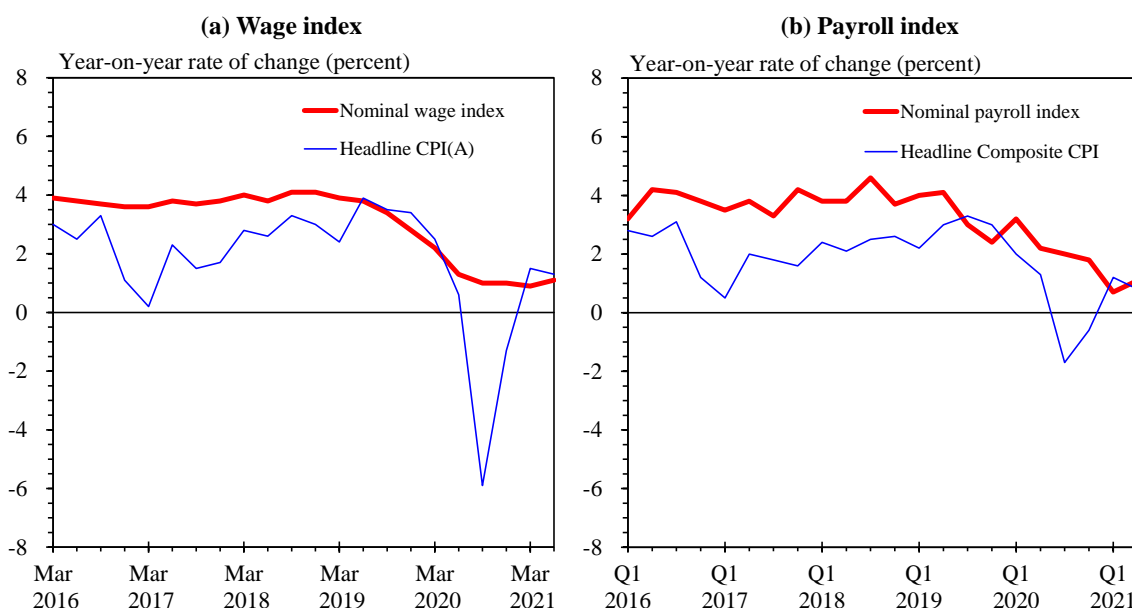
5.17 Wages and labour earnings on average showed modest yet faster year-on-year increases in nominal terms in the second quarter of 2021, reversing the general trend of deceleration in the past two years or so. The average wage rate, as measured by the *wage index* for all selected industry sections, which covers regular payment to employees at the supervisory level or below, showed a slightly faster nominal year-on-year increase of 1.1% in June 2021 than the 0.9% increase in March. After discounting for headline inflation<sup>(8)</sup>, the average wage rate decreased slightly by 0.3% in real terms in June, 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 average nominal wage rates in most selected sectors showed year-on-year increases in June 2021, notably for those in real estate leasing and maintenance management (up 2.8%), and financial and insurance activities (up 2.4%). The exception was the transportation sector, which saw a decline of 0.8%. Analysed by occupation, most selected occupations saw increases in average nominal wage rates over a year earlier, in particular miscellaneous non-production workers (up 2.6%). The exception was craftsmen, which saw a small decline of 0.3%.

5.19 *Labour earnings*<sup>(9)</sup>, as measured by the index of payroll per person engaged for all selected industry sections, which also covers overtime pay, discretionary bonuses and other irregular payments, likewise showed a somewhat faster nominal year-on-year increase of 1.1% in the second quarter than the increase of 0.7% in the first quarter. After adjusting for headline inflation, labour earnings registered a small increase of 0.2% in real terms.

5.20 Analysed by sector, the year-on-year comparison of labour earnings in nominal terms in all major sectors improved in the second quarter of 2021. Specifically, labour earnings in nominal terms in some sectors, notably information and communications (up 1.8%), and financial and insurance activities (up 1.7%), showed faster increases, and that in the social and personal services sector switched to increase (up 1.5%). Those in other sectors, particularly transportation, storage, postal and courier services (down 4.2%), and accommodation and food service activities (down 2.1%), registered narrower declines.

**Diagram 5.6 : Wages and labour earnings on average showed modest yet faster year-on-year increases, reversing the general deceleration trend in the past two years or so**



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 third quarter of 2021 over a year earlier. *Average monthly employment earnings*<sup>(10)</sup> of full-time employees (excluding foreign domestic helpers) of the lowest three decile groups combined increased by 2.6% year-on-year in nominal terms in the third quarter of 2021, following the 2.9% increase in the preceding quarter. The pace of increase was slower than the headline CPI(A) inflation rate of 4.0% in the same quarter, which was enlarged by the low base effect caused by the Government’s one-off relief measures a year ago. Nonetheless, it remained faster than the underlying CPI(A) inflation rate of 1.2% in the same quarter. Meanwhile, the median monthly household income (excluding foreign domestic helpers) increased by 1.7% year-on-year in nominal terms in the third quarter of 2021 after the 3.0% increase in the preceding quarter, but it remained visibly below the pre-recession level in the second quarter of 2019 by 6.7%.

## 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 24 000 jobs were created as at end-September 2021, comprising around 13 000 jobs in the government sector and some 11 000 jobs in the non-governmental sector. Separately, the fourth tranche of the Love Upgrading Special Scheme was launched by the Employees Retraining Board 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, nearly 3 500 job vacancies were offered by over 400 enterprises under the Scheme to graduates who were awarded bachelor's degrees or above from 2019 to 2021. Graduates responded positively and made over 20 000 job applications. As at end-September 2021, 1 073 graduates reported duty.

5.23 To enrich Hong Kong's talent pool, in her 2021 Policy Address, the Chief Executive announced measures to attract non-local talents more proactively, as well as other measures to nurture talent. Among these measures, the annual quota under the Quality Migrant Admission Scheme (QMAS) has been increased from 2 000 to 4 000. Moreover, upon the completion of a recent review, the Government has decided to add two new professions of "professionals in compliance in asset management" and "financial professionals in Environmental, Social and Governance (ESG)" to the Talent List, expand the scope of some existing professions to include experts of "medical and healthcare sciences", "microelectronics", "integrated circuit design" and "arts technology", and refine the requirements on "legal and dispute resolution professionals", with a view to complementing Hong Kong's future policy direction to develop relevant key areas. The updated Talent List now comprises 13 professions. Qualified talents under the Talent List would get bonus marks under QMAS. Separately, to support the research work of the higher education sector, the \$3 billion Research Matching Grant Scheme will be extended for two years to mid-2024.

5.24 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. From January to September 2021, LD organised ten large-scale physical

job fairs and three online job fairs. A total of 220 organisations participated in the physical job fairs, offering more than 11 400 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, catering, etc.

5.25 The Minimum Wage Commission conducted focused consultation meetings with stakeholders of LPS in September 2021 to gauge their views on the Statutory Minimum Wage.

5.26 The Government announced in October 2021 the refinements of the Government subsidy scheme for the abolition of the “offsetting” arrangement under the Mandatory Provident Fund System, which aimed to provide more targeted assistance to employers, especially micro, small and medium-sized enterprises, to adapt to the policy change.

## 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*

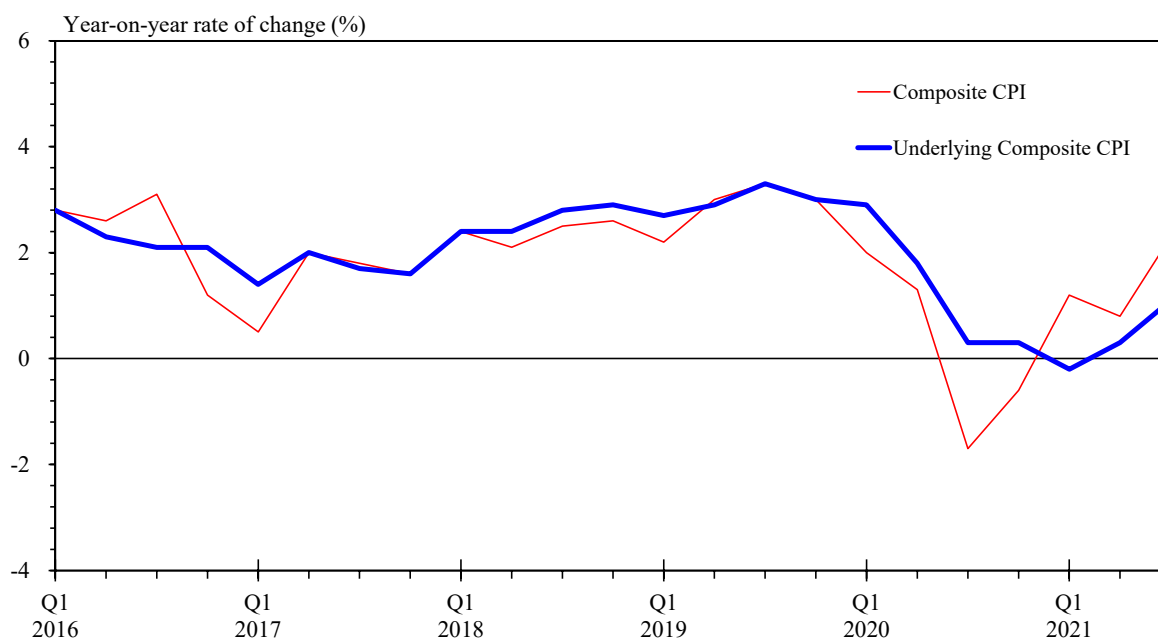
- *Underlying consumer price inflation went up but remained moderate in the third quarter of 2021. The underlying Composite Consumer Price Index (Composite CPI)<sup>(1)</sup>, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, rose by 1.1% in the third quarter over a year earlier, after rising by 0.3% in the preceding quarter. Some CPI components showed larger year-on-year increases amid the stabilised local epidemic situation and improved consumption demand. Pressures on many other CPI components remained modest.*
- *The headline Composite CPI rose by 2.3% in the third quarter over a year earlier, having risen by 0.8% in the preceding quarter. The difference between the headline and underlying rates in the third quarter mainly reflected the low base of comparison for the headline rate caused by rental concessions for public housing in July last year.*
- *Domestically, the year-on-year decline in private housing rentals narrowed slightly as the effect of the recent rises in fresh-letting residential rentals gradually fed through. As the economy was still operating below capacity, business cost pressures remained tame, with wages registering modest year-on-year growth and commercial rentals staying soft.*
- *Yet, external price pressures increased further amid higher inflation in some major import sources<sup>(2)</sup> resulting from increasing demand and supply bottlenecks. Elevated international commodity and energy prices, together with the lower exchange values of the US dollar vis-à-vis other major currencies than a year earlier, also contributed to faster year-on-year increases in prices of many merchandise import items.*



## Consumer prices

6.1 Underlying consumer price inflation went up but remained moderate in the third quarter of 2021. Some CPI components showed larger year-on-year increases amid the stabilised local epidemic situation and improved consumption demand. The low bases of comparison for some CPI items were also relevant. Domestically, the year-on-year decline in private housing rentals narrowed slightly, as the effect of the recent rises in fresh-letting residential rentals gradually fed through. As the economy was still operating below capacity, business cost pressures remained tame, with wages registering modest year-on-year growth and commercial rentals staying soft. Meanwhile, external price pressures increased further amid higher inflation in some major import sources resulting from increasing demand and supply bottlenecks. Elevated international commodity and energy prices, together with the year-on-year depreciation of the US dollar, also contributed to faster year-on-year increases in prices of many merchandise import items.

**Diagram 6.1: Underlying consumer price inflation went up but remained moderate in the third 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, rose by 1.1% in the third quarter over a year earlier, up from 0.3% in the preceding quarter. While this was partly due to the larger price increases in some consumption-related items alongside the further improvement in local economic sentiment, the low base of comparison a year earlier caused by the third wave of local epidemic and the extra MTR fare discount was also a key contributory factor. Meanwhile, the headline Composite CPI rose by 2.3% over a year earlier, having risen by 0.8% in the preceding quarter. Apart from the increase in underlying inflation, the higher headline inflation rate in the third quarter also reflected the low base of comparison arising from the payment of one-month public housing rentals by the Government and rent waiver for tenants by the Hong Kong Housing Society in July 2020.

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

|      |        | <u>Composite CPI</u>            |                     | <u>CPI(A)</u>       | <u>CPI(B)</u>       | <u>CPI(C)</u>       |
|------|--------|---------------------------------|---------------------|---------------------|---------------------|---------------------|
|      |        | <u>Underlying<sup>(a)</sup></u> | <u>Headline</u>     |                     |                     |                     |
| 2020 | Annual | 1.3 <sup>(b)</sup>              | 0.3 <sup>(b)</sup>  | -0.6 <sup>(b)</sup> | 0.6 <sup>(b)</sup>  | 0.8 <sup>(b)</sup>  |
|      | H1     | 2.4                             | 1.6                 | 1.3                 | 1.9                 | 1.8                 |
|      | H2     | 0.3 <sup>(b)</sup>              | -1.1 <sup>(b)</sup> | -2.4 <sup>(b)</sup> | -0.6 <sup>(b)</sup> | -0.2 <sup>(b)</sup> |
|      | Q1     | 2.9                             | 2.0                 | 1.1                 | 2.4                 | 2.4                 |
|      | Q2     | 1.8                             | 1.3                 | 1.6                 | 1.4                 | 1.1                 |
|      | Q3     | 0.3                             | -1.7                | -4.2                | -0.6                | -0.1                |
|      | Q4     | 0.3                             | -0.6                | -0.7                | -0.6                | -0.3                |
| 2021 | H1     | *                               | 1.0                 | 2.5                 | 0.3                 | 0.2                 |
|      | Q1     | -0.2                            | 1.2                 | 3.3                 | 0.3                 | *                   |
|      | Q2     | 0.3                             | 0.8                 | 1.6                 | 0.4                 | 0.4                 |
|      | Q3     | 1.1                             | 2.3                 | 4.0                 | 1.4                 | 1.3                 |

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

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

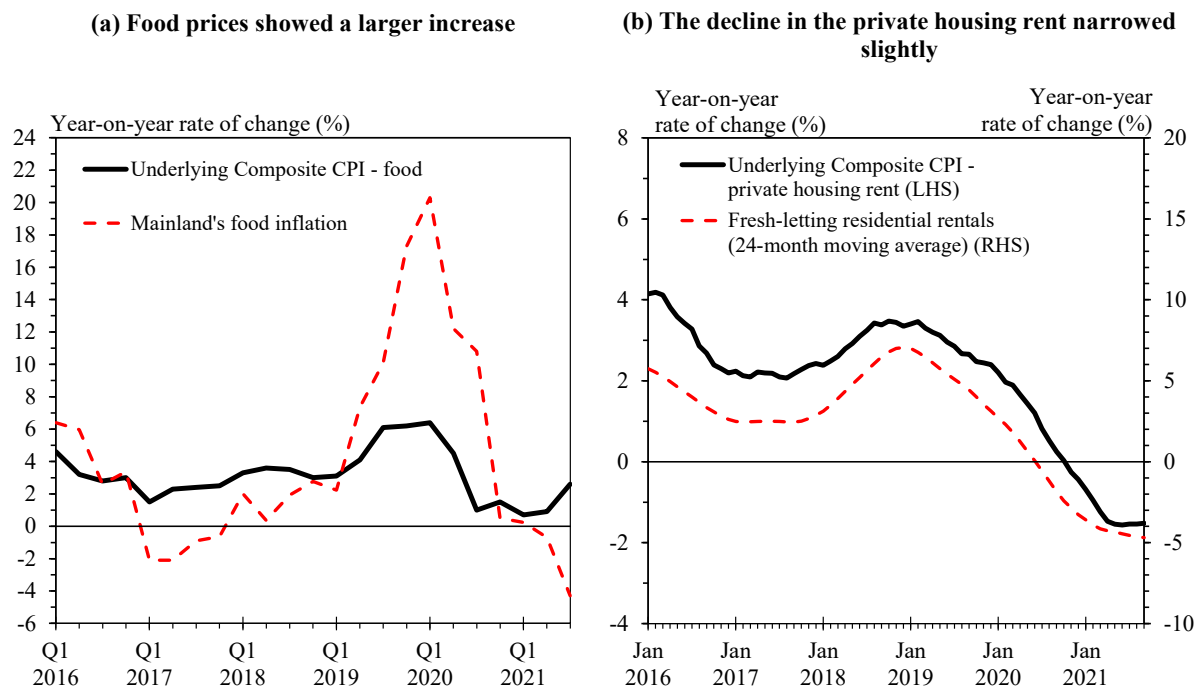
Notes : (a) Underlying consumer price inflation is calculated by netting out the effects of all Government's one-off relief measures introduced since 2007, including the waiver and Government's payment of public housing rentals, rates concession, suspension and subsequent abolition of Employees Retraining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

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

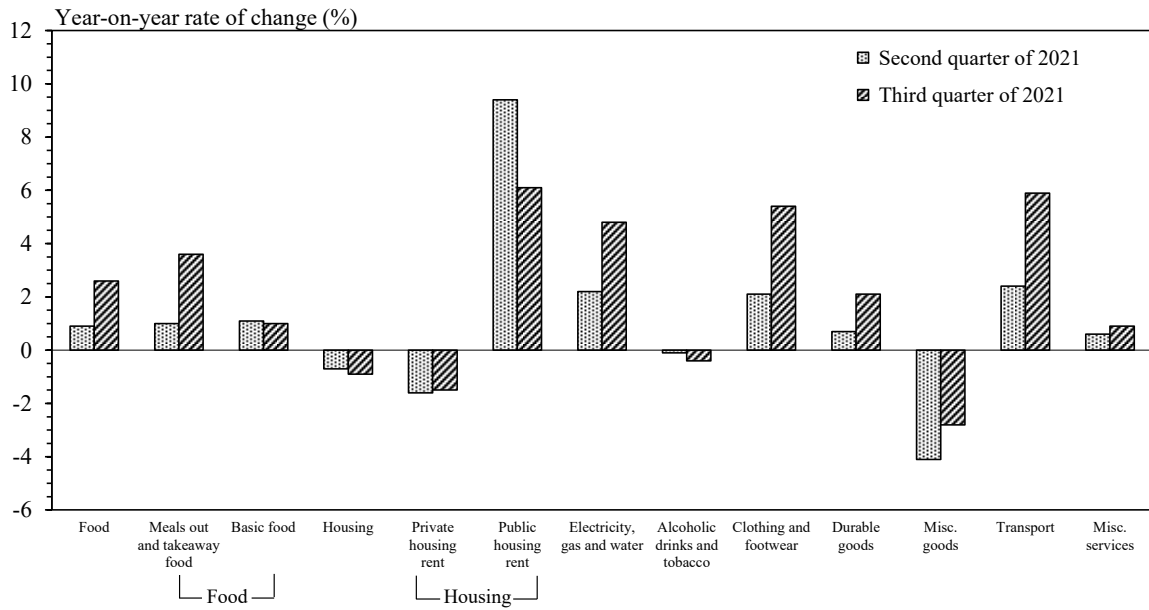
6.3 Analysed by major component of the underlying Composite CPI, the year-on-year rate of increase in food prices, the component with the largest weight other than housing, widened to 2.6% in the third quarter. Within food prices, the year-on-year increase in prices of meals out and takeaway food picked up visibly to 3.6%, mainly attributable to a low base of comparison last summer when the third wave of local epidemic caused severe disruptions to the business of restaurants. Meanwhile, the year-on-year increase in prices of basic food remained modest at 1.0%. The year-on-year decline in the private housing rental component narrowed slightly to 1.5%, reflecting the gradual feed-through of the recent increases in fresh-letting residential rentals. Prices of transport rose at a notably faster pace, mainly due to the low base of comparison a year earlier caused by the extra MTR fare discount. The increase in prices of electricity, gas and water accelerated amid the rise in international fuel prices. Against the backdrop of the stabilised local epidemic situation and improved consumption demand along with the rollout of the Consumption Voucher Scheme and better labour market conditions, prices of clothing and footwear, durable goods and miscellaneous services registered faster increases. Meanwhile, prices of miscellaneous goods saw a narrower decline.

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

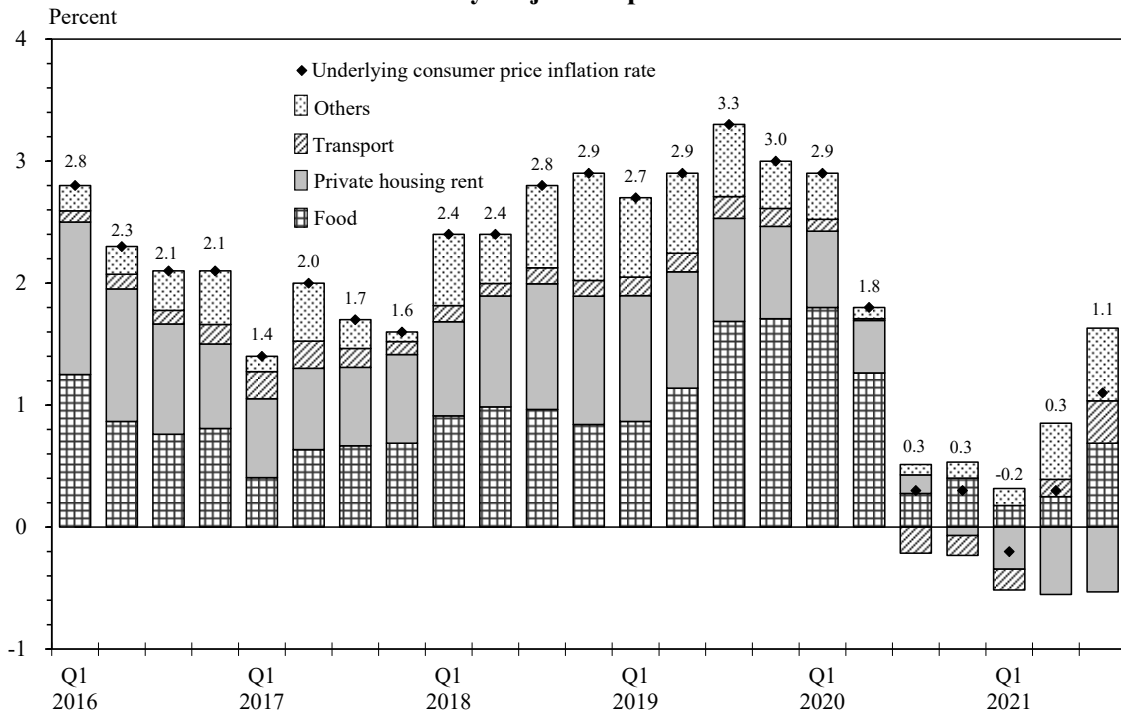


Note : The year-on-year rates of change of the CPI from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

**Diagram 6.3 (a) : Price pressures on many major components of underlying CPI remained modest in the third 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>Annual<sup>(b)</sup></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>      | <u>Q3</u>      |
| Food                               | 27.41                | 3.3                         | 6.4            | 4.5            | 1.0            | 1.5             | 0.7            | 0.9            | 2.6            |
| <i>Meals out and takeaway food</i> | 17.05                | 0.8                         | 1.8            | 1.5            | -0.6           | 0.5             | *              | 1.0            | 3.6            |
| <i>Basic food</i>                  | 10.36                | 7.7                         | 14.9           | 9.9            | 3.5            | 3.3             | 1.8            | 1.1            | 1.0            |
| Housing <sup>(a)</sup>             | 40.25                | 1.3<br>(-0.1)               | 2.2<br>(0.7)   | 1.6<br>(1.6)   | 0.9<br>(-3.2)  | 0.6<br>(0.4)    | -0.1<br>(1.7)  | -0.7<br>(-0.7) | -0.9<br>(1.0)  |
| <i>Private housing rent</i>        | 35.46                | 0.9<br>(1.1)                | 2.0<br>(2.7)   | 1.4<br>(1.4)   | 0.5<br>(0.5)   | -0.2<br>(-0.3)  | -1.0<br>(-1.0) | -1.6<br>(-1.6) | -1.5<br>(-1.6) |
| <i>Public housing rent</i>         | 1.87                 | 3.3<br>(-21.0)              | 0.4<br>(-31.1) | 0.2<br>(0.4)   | 3.3<br>(-61.7) | 9.6<br>(8.3)    | 9.6<br>(59.2)  | 9.4<br>(11.0)  | 6.1<br>(100.3) |
| Electricity, gas and water         | 2.82                 | 0.6<br>(-20.6)              | 3.7<br>(-16.0) | 0.8<br>(-19.0) | 0.4<br>(-19.2) | -2.5<br>(-28.2) | *<br>(25.4)    | 2.2<br>(26.0)  | 4.8<br>(20.5)  |
| Alcoholic drinks and tobacco       | 0.49                 | 0.5                         | -0.3           | 0.3            | 1.1            | 1.0             | 0.6            | -0.1           | -0.4           |
| Clothing and footwear              | 2.42                 | -5.2                        | -4.2           | -5.0           | -6.4           | -5.2            | -1.5           | 2.1            | 5.4            |
| Durable goods                      | 4.00                 | -2.7                        | -2.5           | -3.1           | -3.5           | -1.7            | -0.5           | 0.7            | 2.1            |
| Miscellaneous goods                | 3.32                 | 3.1                         | 3.8            | 2.8            | 2.3            | 3.5             | -4.2           | -4.1           | -2.8           |
| Transport                          | 6.17                 | -1.0                        | 1.2            | 0.2            | -2.8           | -2.7            | -2.8           | 2.4            | 5.9            |
| Miscellaneous services             | 13.12                | 0.8<br>(0.8)                | 1.5<br>(1.5)   | 0.8<br>(0.8)   | 0.6<br>(0.6)   | 0.4<br>(0.4)    | 0.5<br>(0.5)   | 0.6<br>(0.6)   | 0.9<br>(0.8)   |
| All items                          | 100.00               | 1.3<br>(0.3)                | 2.9<br>(2.0)   | 1.8<br>(1.3)   | 0.3<br>(-1.7)  | 0.3<br>(-0.6)   | -0.2<br>(1.2)  | 0.3<br>(0.8)   | 1.1<br>(2.3)   |

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

(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.

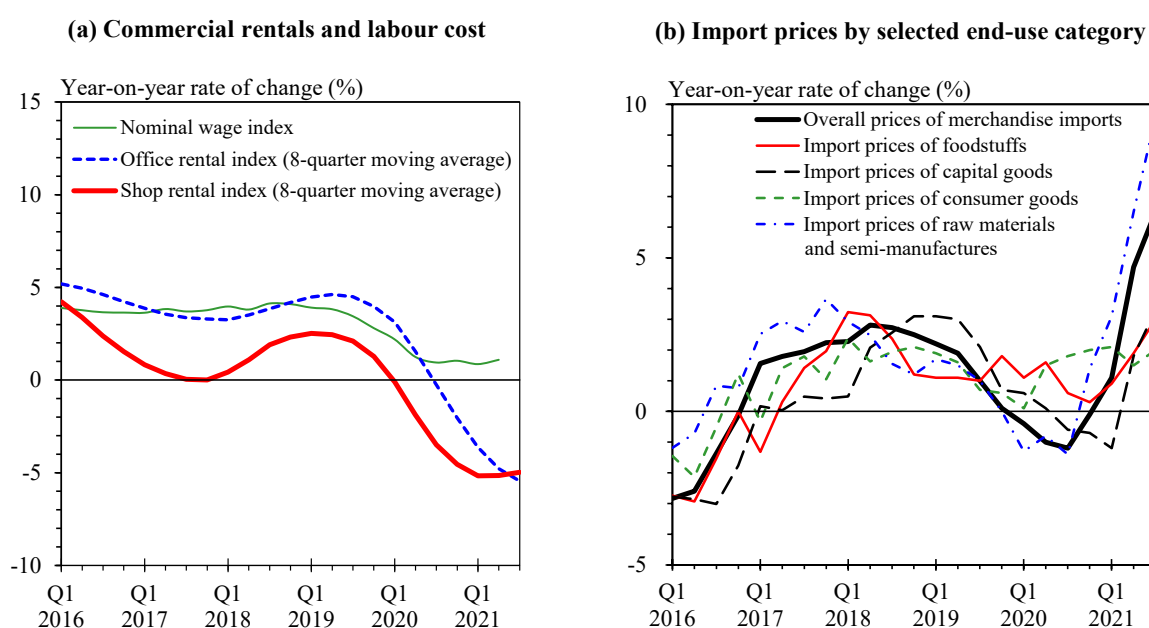
( ) Figures in brackets represent the headline rates of change before netting out the effects of Government's one-off relief measures.

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

## Costs of factor inputs and import prices

6.4 Domestic cost pressures were still contained in the third quarter of 2021 as the local economy was still operating below capacity. Wage growth remained modest on a year-on-year basis, albeit slightly faster than the preceding quarters. Commercial rentals faced by businesses stayed soft. As a proxy, the eight-quarter moving average of office rentals declined by 5.4% in the third quarter and that of shop rentals by 5.0%. Nonetheless, fresh-letting commercial rentals showed signs of firming up in recent months alongside the revival of domestic economic activity.

**Diagram 6.4 : Domestic cost pressures remained contained;  
external price pressures increased further**



6.5 External price pressures increased further amid rising inflation in some major import sources, which in turn resulted from increasing demand and supply bottlenecks. Specifically, while consumer price inflation in the Mainland remained moderate in the third quarter of 2021, those in the US and the euro area picked up further. Elevated international commodity and energy prices (see *Box 6.1*), together with the lower exchange values of the US dollar vis-à-vis other major currencies than a year earlier, also contributed to a faster year-on-year increase in prices of merchandise imports of 6.5% in the third quarter, up from 4.7% in the preceding quarter. Analysed by major end-use category, import prices of fuels surged by 53.4%, mirroring the movement in international oil prices. The increase in import prices of raw materials and semi-manufactures accelerated to 9.6%, as a combined result of the revival of demand and tight transportation capacity across the globe. Separately, the increases in import prices of capital goods, foodstuffs and consumer goods also picked up, but remained largely moderate at 3.3%, 3.0% and 2.0% respectively.

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

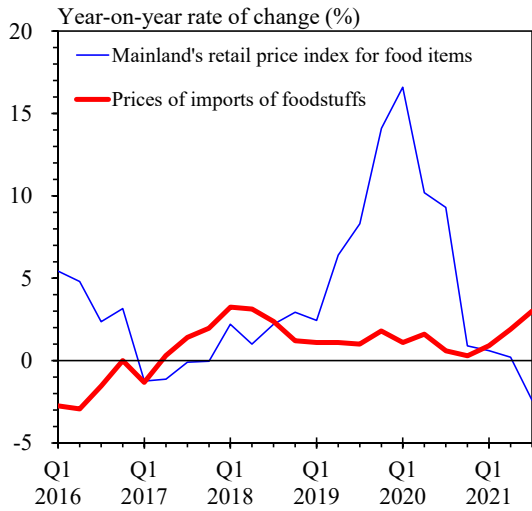
|      |        | <u>Foodstuffs</u> | <u>Consumer goods</u> | <u>Raw materials and semi-manufactures</u> | <u>Fuels</u> | <u>Capital goods</u> | <u>All</u> |
|------|--------|-------------------|-----------------------|--|--------------|----------------------|------------|
| 2020 | Annual | 0.9               | 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        |
|      | Q3     | 3.0               | 2.0                   | 9.6  | 53.4         | 3.3                  | 6.5        |

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

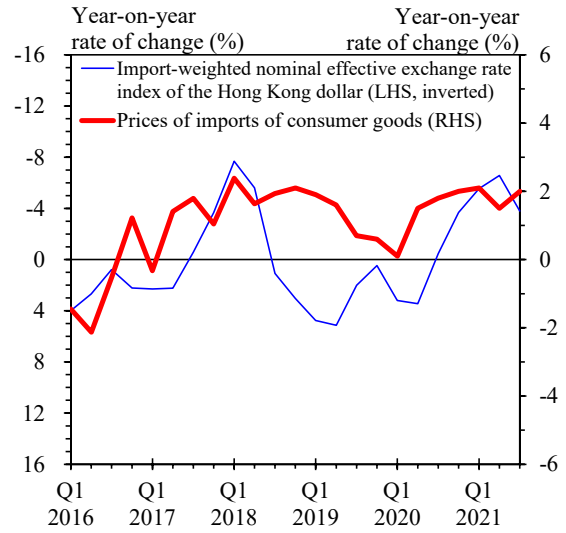


**Diagram 6.5: Prices of merchandise imports by end-use category**

**(a) Import prices of foodstuffs posted faster albeit still moderate growth**

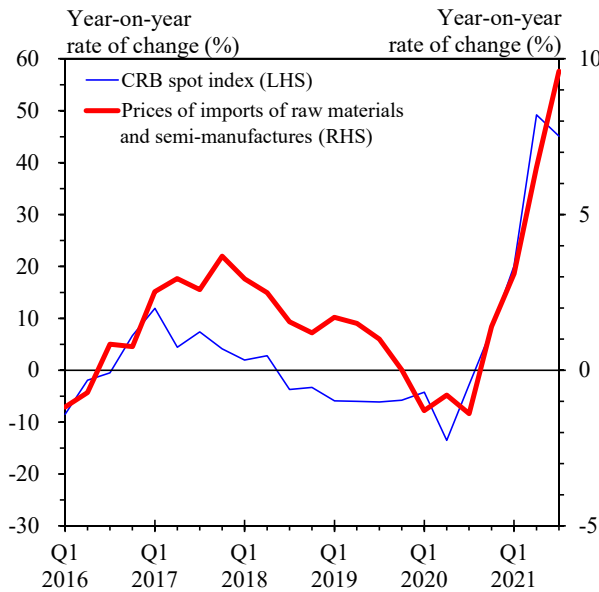


**(b) The increase in import prices of consumer goods stayed moderate**

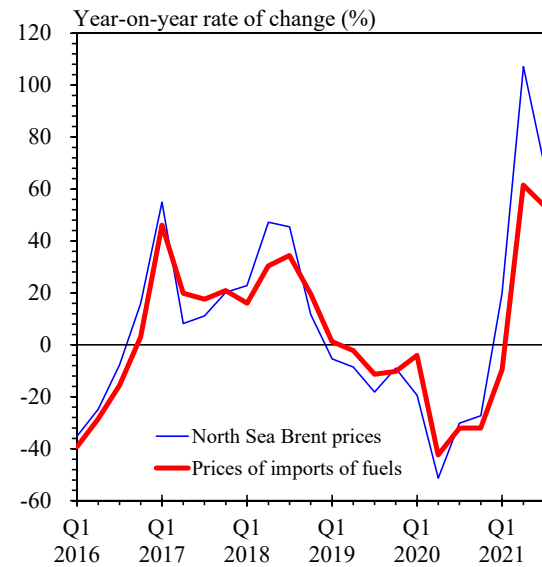


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

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



**(d) Import prices of fuels surged from a year earlier**



## Box 6.1

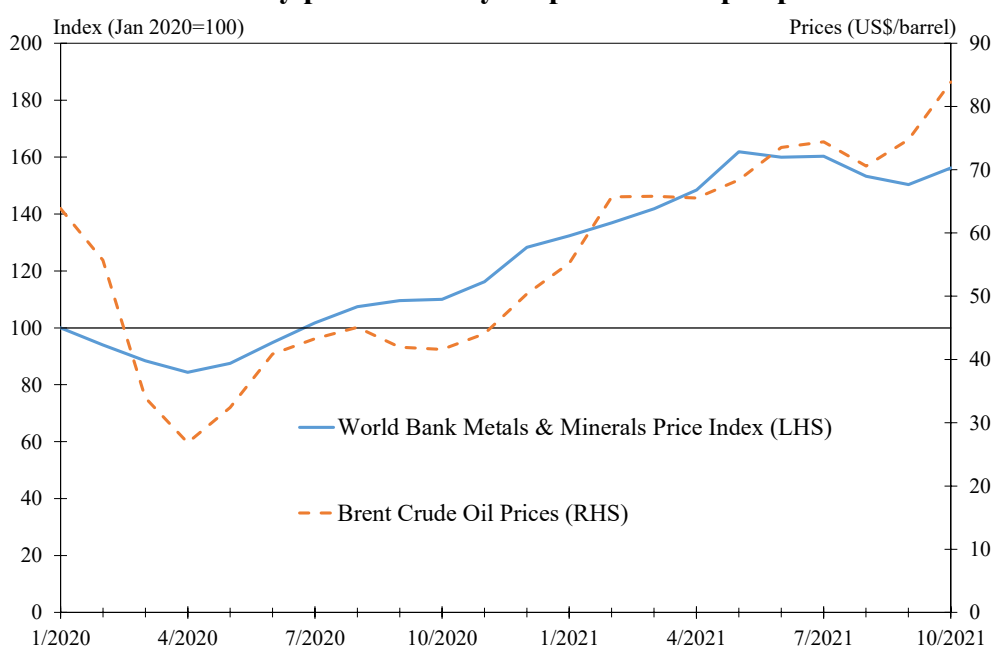
### Recent movements of international commodity and food prices

International commodity and food prices, after their significant downward adjustments following the outbreak of the COVID-19 pandemic in early 2020, have rebounded sharply amid some fluctuations over the past one and half years, alongside the global economic recovery. This box article reviews the recent movements of commodity and food prices in the international markets and discusses the possible implications for Hong Kong's consumer price inflation.

#### Recent trend of international commodity prices

According to the price index compiled by the World Bank, prices of metals and minerals fell to a low in April 2020, a 16% drop from January 2020, reflecting the serious disruptions to economic activities worldwide as the disease evolved into a pandemic. Yet, with the global economy beginning to recover in the second half of the year, prices of metals and minerals firmed up in tandem. Entering 2021, supply disruptions in some key producers<sup>(1)</sup> stemming from transportation interruptions and pandemic-induced labour shortages, together with strengthening global demand, contributed to a further surge in commodity prices. The price index stayed elevated in October 2021 despite some retreat in the preceding months, and was 56% higher than its pre-pandemic level (*Chart 1*).

**Chart 1: Commodity prices notably surpassed their pre-pandemic levels**



International oil prices showed similar movements but even greater volatility, with the monthly average of Brent crude oil prices plummeting in the early stage of the pandemic to a multi-year low of US\$27/barrel in April 2020. Besides the shrinkage in manufacturing activities, the plunge in international travel that dampened demand for aircraft fuel, the failure of members of the Organization of the Petroleum Exporting Countries and other oil-producing countries (OPEC+) to reach an agreement on cutting oil supply in March 2020 and the limited availability of unused oil storage space in the US all contributed to the price decline. Oil prices rebounded subsequently thanks to the production cut by the OPEC+ and the improving global economy.

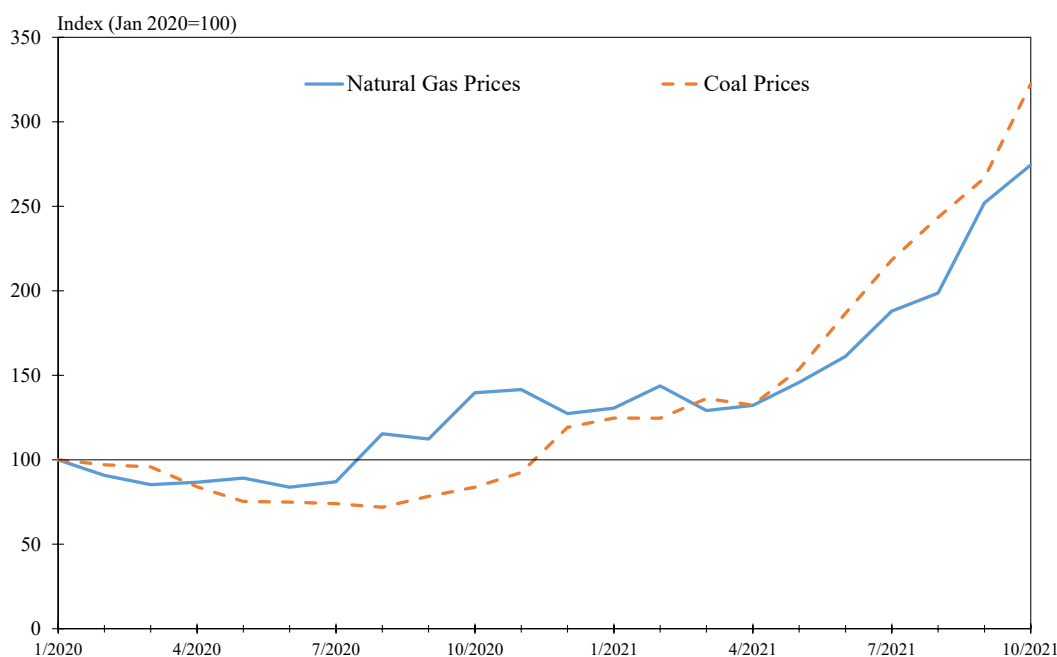
(1) For instance, the World Bank noted in its Commodity Markets Outlook (April 2021) that copper supply in Peru and Chile, and iron ore supply in Australia were disrupted.

## Box 6.1 (Cont'd)

While the OPEC+ agreed in July 2021 to phase out the output cut in view of the growing demand, oil supply may still fall short of demand in the near term. Moreover, the relatively low output of alternative energy such as wind energy and the concern of a cold winter in the Northern hemisphere have also reportedly pushed up oil prices. Brent crude oil prices rose to an average of US\$84 in October 2021, the highest level since October 2014.

Prices of coal<sup>(2)</sup> and natural gas also rose sharply, having declined in the first half of 2020. In October 2021, they were 222% and 174% respectively higher than their levels at the beginning of 2020 (*Chart 2*). The increase in coal prices partly reflected the surging demand for power generation alongside the pick-up in production activities. Meanwhile, the supply of coals has also been constrained by tighter regulations and adverse weather conditions in certain coal producing areas. As for natural gas, in its latest World Economic Outlook, the International Monetary Fund attributed the sharp price increase mainly to depleted natural gas stocks after a harsh winter in 2020, hot summer weather in the Northern Hemisphere, rebounding industrial activity, and idiosyncratic factors such as low hydropower output in Brazil.

**Chart 2: Coal and natural gas prices surged in the past year or so**



### Recent trend of global food prices

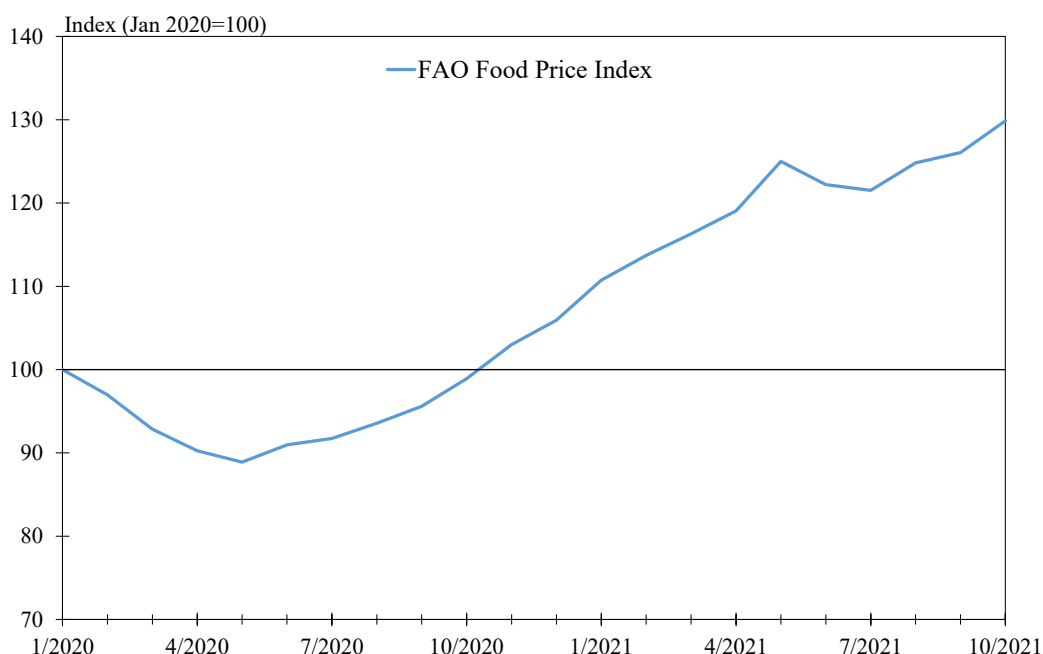
According to the price index compiled by the Food and Agriculture Organization of the United Nations (FAO), global food prices fell by over 10% from January 2020 to May 2020 (*Chart 3*). According to the FAO, this could reflect lower food consumption amid anti-epidemic measures such as closure of restaurants and reduced household incomes. Subsequently, the FAO food price index more than recouped the earlier loss alongside the global economic recovery. In October 2021, the index rose visibly by 31% over a year

(2) Refer to prices of thermal coal at Newcastle port in Australia, which is the world's largest market for the fuel and is the benchmark in Asian market.

## Box 6.1 (Cont'd)

earlier and was 30% higher than its pre-pandemic level. The supply-side issues such as insufficient labour, bad weather conditions<sup>(3)</sup>, soaring shipping and transport costs<sup>(4)</sup>, as well as higher prices of inputs (e.g. fertilizer) also contributed to the surge in global food prices.

**Chart 3: Global food prices rebounded markedly**



## Conclusion

The outlook for international commodity and food prices remains highly uncertain. The spread of more contagious COVID-19 variants around the world continues to cloud the global economic recovery. At the same time, the pandemic-related restrictions imposed by many governments also posed strain on the global supply chains. Any unpredictable supply shocks, such as adverse weather conditions and geopolitical tensions, can also entail considerable price fluctuations in the international markets.

As a small and open economy, Hong Kong is highly dependent on imports for essential goods. Yet, consumer price inflation remained contained as the local economy was still running below capacity. In particular, the basic food inflation stayed modest at 1.0% in the third quarter, reflecting the wider coverage of the local CPI food basket than the FAO food price index<sup>(5)</sup> and the modest food inflation in the Mainland<sup>(6)</sup>. Also, as a highly service-oriented economy, fuel costs on average only account for a small proportion of business costs in Hong Kong. Nevertheless, the external price developments over the past year, if persist, will increase the upside risks to Hong Kong's inflation. The Government will continue to closely monitor the inflation situation in our major import sources, the supply conditions of essential food and fuels, as well as their possible impacts on Hong Kong's consumer price inflation.

(3) In its blog about soaring consumer food prices published in June 2021, the International Monetary Fund noted that the 2020-2021 La Niña episode, a global weather event occurring every few years, has led to dry weather in key food exporting countries, including Argentina, Brazil, Russia, Ukraine, and the United States. This has caused, in some cases, harvests and harvest outlooks to fall short of expectations.

(4) Ocean freight rates as measured by the Baltic Dry Index (a measure of shipping costs) surged by 196% in October 2021 over a year earlier.

(5) The FAO food price index covers meat, cereals, oils, dairy products and sugar only. Their respective weights are 33%, 29%, 17%, 14% and 7%.

(6) The Mainland was the largest source of Hong Kong's retained imports of foodstuffs, contributing around 30% of the total in 2020.

## Output prices

6.6 Output prices, as measured by the *Producer Price Indices*<sup>(3)</sup>, registered year-on-year increases in most sectors in the second quarter of 2021. Output prices for the manufacturing sector rose moderately. Among the selected service sectors, output prices for accommodation services reverted to an increase but remained much lower than the pre-recession level reflecting a lack of visitors. Meanwhile, output prices for air transport and water transport surged further amid buoyant trade flows and tight capacity. Separately, output prices for land transport showed a modest increase, while those for courier services declined moderately. Output prices for telecommunications services continued its secular downtrend, reflecting the intense competition and technological improvement.

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

| <u>Industry group</u>                   | <u>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> |
| Manufacturing                           | 1.0           | 2.3           | 1.3         | 1.3       | 3.8       | 2.9       | 1.9         | 2.7       |
| Selected service sectors <sup>(a)</sup> |               |               |             |           |           |           |             |           |
| Accommodation services                  | -8.0          | -20.2         | -23.4       | -23.2     | -17.7     | -15.8     | -4.0        | 4.1       |
| Land transport                          | 1.6           | -5.0          | -2.6        | -3.0      | -7.3      | -7.2      | -5.2        | 1.1       |
| Water transport                         | -0.8          | 5.6           | 1.3         | 1.7       | 2.5       | 17.0      | 34.4        | 57.0      |
| Air transport                           | -3.2          | 15.9          | 7.5         | 10.1      | 18.3      | 27.7      | 18.9        | 30.3      |
| Telecommunications                      | -1.9          | -1.8          | -2.4        | -1.9      | -0.6      | -2.4      | -1.7        | -1.6      |
| Courier services                        | 0.5           | 5.1           | 1.8         | -0.7      | 10.3      | 9.6       | 2.1         | -1.1      |

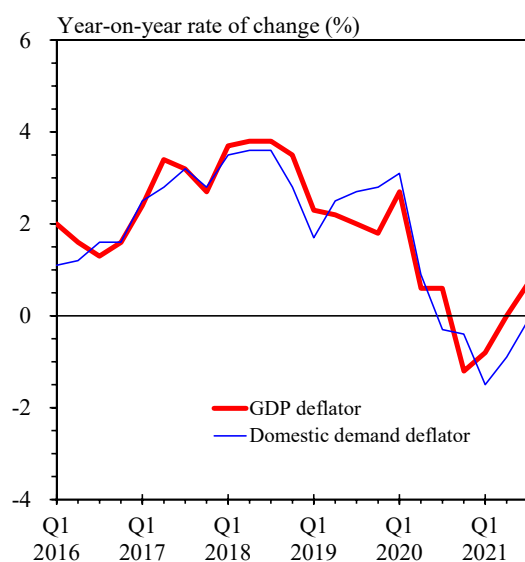
Note : (a) Producer Price Indices for other service sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the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

## GDP deflator

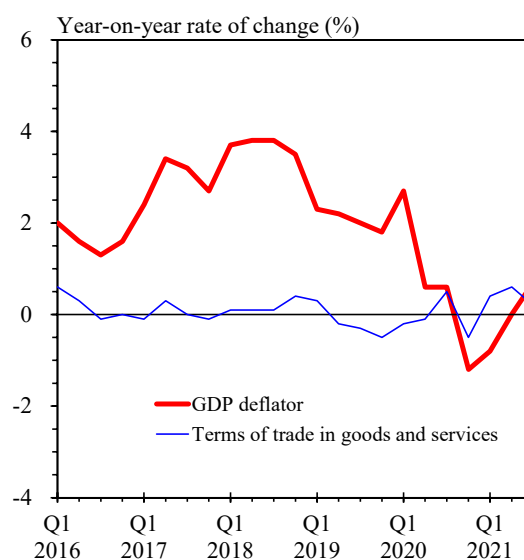
6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*<sup>(4)</sup> rose by 0.7% in the third quarter of 2021 over a year earlier, after staying virtually unchanged in the preceding quarter. The *terms of trade*<sup>(5)</sup> registered a mild improvement from a year earlier as export prices rose slightly faster than import prices. Taking out the external trade components, the domestic demand deflator saw a narrowed decline of 0.1% in the third quarter, after decreasing by 0.9% in the preceding quarter.

**Diagram 6.6: GDP deflator**

**(a) The GDP deflator rose in the third quarter**



**(b) Terms of trade registered a mild improvement from a year earlier**



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

|   | 2019                       |                            | 2020                   |                        |                        |                        | 2021                   |                        |                        |
|---|----------------------------|----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | <u>Annual</u> <sup>#</sup> | <u>Annual</u> <sup>#</sup> | <u>Q1</u> <sup>#</sup> | <u>Q2</u> <sup>#</sup> | <u>Q3</u> <sup>#</sup> | <u>Q4</u> <sup>#</sup> | <u>Q1</u> <sup>#</sup> | <u>Q2</u> <sup>#</sup> | <u>Q3</u> <sup>#</sup> |
| Private consumption expenditure                       | 2.7                        | 0.6                        | 3.1                    | 0.8                    | -0.4                   | -1.0                   | -1.6                   | -0.9                   | -0.6                   |
| Government consumption expenditure                    | 4.7                        | 2.1                        | 5.6                    | 1.9                    | 1.0                    | 0.1                    | -0.3                   | 0.1                    | 0.8                    |
| Gross domestic fixed capital formation                | -0.1                       | -0.5                       | 3.2                    | -1.3                   | -1.5                   | -2.3                   | -3.8                   | -1.3                   | 0.6                    |
| Total exports of goods <sup>&amp;</sup>               | 1.1                        | 0.1                        | *                      | -0.1                   | 0.1                    | 0.1                    | 1.3                    | 4.7                    | 5.2                    |
| Imports of goods <sup>&amp;</sup>                     | 1.3                        | 0.1                        | 0.5                    | -0.2                   | -0.6                   | 0.6                    | 1.2                    | 4.4                    | 5.5                    |
| Exports of services <sup>&amp;</sup>                  | -0.3                       | -0.8                       | -0.5                   | -4.5                   | -1.7                   | 3.2                    | 7.5                    | 14.2                   | 17.3                   |
| Imports of services <sup>&amp;</sup>                  | -1.0                       | -0.4                       | -2.1                   | -3.1                   | -1.2                   | 4.4                    | 5.2                    | 12.6                   | 13.6                   |
| <b>Gross Domestic Product</b>                         | <b>2.0</b>                 | <b>0.6</b>                 | <b>2.7</b><br><0.5>    | <b>0.6</b><br><-0.8>   | <b>0.6</b><br><0.3>    | <b>-1.2</b><br><-1.0>  | <b>-0.8</b><br><0.7>   | <b>*</b><br><0.2>      | <b>0.7</b><br><0.8>    |
| Total final demand <sup>&amp;</sup>                   | 1.4                        | 0.3                        | 1.1                    | *                      | -0.1                   | 0.1                    | 0.7                    | 3.3                    | 4.2                    |
| Domestic demand                                       | 2.4                        | 0.8                        | 3.1                    | 0.9                    | -0.3                   | -0.4                   | -1.5                   | -0.9                   | -0.1                   |
| Terms of trade in goods and services <sup>&amp;</sup> | -0.2                       | -0.1                       | -0.2                   | -0.1                   | 0.5                    | -0.5                   | 0.4                    | 0.6                    | 0.2                    |

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<br><u>households covered</u><br>(%) | Average monthly expenditure range<br><u>during Oct 2019 to Sep 2020</u><br>(\$) |
|--------|---|---|
| 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><br>(%) | <u>CPI(A)</u><br>(%) | <u>CPI(B)</u><br>(%) | <u>CPI(C)</u><br>(%) |
|--|-----------------------------|----------------------|----------------------|----------------------|
| 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> | <u>Q3</u> |
| Selected developed economies      |               |               |             |           |           |           |             |           |           |
| US <sup>^</sup>                   | 2.2           | 1.7           | 2.2         | 1.3       | 1.7       | 1.6       | 1.4         | 3.7       | 4.1       |
| Canada                            | 1.9           | 0.7           | 1.8         | *         | 0.3       | 0.8       | 1.4         | 3.3       | 4.1       |
| EU                                | 1.4           | 0.7           | 1.5         | 0.6       | 0.5       | 0.2       | 1.4         | 2.2       | 3.1       |
| Japan                             | 0.5           | *             | 0.5         | 0.1       | 0.2       | -0.8      | -0.4        | -0.1      | 0.5       |
| Selected major emerging economies |               |               |             |           |           |           |             |           |           |
| Mainland China                    | 2.9           | 2.5           | 5.0         | 2.7       | 2.3       | 0.1       | *           | 1.1       | 0.8       |
| Russia                            | 4.5           | 3.4           | 2.4         | 3.1       | 3.5       | 4.4       | 5.5         | 6.0       | 6.8       |
| India                             | 3.7           | 6.6           | 6.7         | 6.6       | 6.9       | 6.4       | 4.9         | 5.6       | 5.1       |
| Brazil                            | 3.7           | 3.2           | 3.8         | 2.1       | 2.6       | 4.3       | 5.3         | 7.7       | 9.6       |
| Selected Asian economies          |               |               |             |           |           |           |             |           |           |
| Hong Kong                         | 2.9           | 0.3           | 2.0         | 1.3       | -1.7      | -0.6      | 1.2         | 0.8       | 2.3       |
| Singapore                         | 0.6           | -0.2          | 0.4         | -0.7      | -0.3      | -0.1      | 0.8         | 2.3       | 2.5       |
| Taiwan                            | 0.6           | -0.2          | 0.5         | -1.0      | -0.5      | *         | 0.8         | 2.1       | 2.3       |
| Korea                             | 0.4           | 0.5           | 1.2         | -0.1      | 0.6       | 0.4       | 1.1         | 2.5       | 2.6       |
| Malaysia                          | 0.7           | -1.1          | 0.9         | -2.6      | -1.4      | -1.5      | 0.5         | 4.2       | 2.1       |
| Thailand                          | 0.7           | -0.8          | 0.4         | -2.7      | -0.7      | -0.4      | -0.5        | 2.4       | 0.7       |
| Indonesia                         | 2.8           | 2.0           | 2.9         | 2.3       | 1.4       | 1.6       | 1.4         | 1.5       | 1.6       |
| Philippines                       | 2.5           | 2.6           | 2.7         | 2.3       | 2.5       | 3.1       | 4.5         | 4.4       | 4.6       |
| Vietnam                           | 2.8           | 3.2           | 5.6         | 2.8       | 3.2       | 1.4       | 0.3         | 2.7       | 2.5       |
| Macao                             | 2.8           | 0.8           | 2.6         | 1.6       | *         | -0.8      | -1.0        | -0.4      | 0.5       |

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

(<sup>^</sup>) 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 <sup>&amp;</sup>                 | 3,406,765        | 3,632,957        | 3,926,059        | 3,986,769        | 3,889,225        | 3,892,886        |
| Imports of goods <sup>&amp;</sup>                       | 3,464,968        | 3,779,686        | 4,142,651        | 4,237,700        | 4,066,527        | 4,022,579        |
| Exports of services <sup>&amp;</sup>                    | 710,716          | 764,026          | 812,640          | 829,085          | 808,948          | 764,660          |
| Imports of services <sup>&amp;</sup>                    | 578,035          | 594,266          | 583,216          | 573,522          | 574,345          | 578,106          |
| <b>GDP</b>  | <b>1,934,430</b> | <b>2,037,059</b> | <b>2,138,305</b> | <b>2,260,005</b> | <b>2,398,280</b> | <b>2,490,438</b> |
| <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>   |
| <b>GNI</b>  | <b>1,987,256</b> | <b>2,066,514</b> | <b>2,178,824</b> | <b>2,306,612</b> | <b>2,442,656</b> | <b>2,553,031</b> |
| <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 <sup>(a)</sup>  | 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<sup>#</sup></u> | <u>2020<sup>#</sup></u> | <u>2020</u><br>Q4 <sup>#</sup> | Q1 <sup>#</sup> | <u>2021</u><br>Q2 <sup>#</sup> | Q3 <sup>#</sup> |
| Private consumption expenditure                         | 1,784,148        | 1,936,117        | 1,973,438               | 1,788,293               | 464,481                        | 450,967         | 469,985                        | 460,823         |
| Government consumption expenditure                      | 261,447          | 281,420          | 309,437                 | 341,745                 | 84,749                         | 95,595          | 84,724                         | 89,511          |
| Gross domestic fixed capital formation                  | 575,977          | 612,439          | 520,574                 | 460,307                 | 128,451                        | 117,321         | 123,985                        | 127,205         |
| Building and construction                               | 297,306          | 308,596          | 278,091                 | 258,442                 | 65,227                         | 66,302          | 61,493                         | 63,199          |
| Costs of ownership transfer                             | 65,810           | 67,482           | 49,209                  | 41,484                  | 12,412                         | 12,185          | 15,597                         | 15,235          |
| Machinery, equipment and intellectual property products | 212,861          | 236,361          | 193,274                 | 160,381                 | 50,812                         | 38,834          | 46,895                         | 48,771          |
| Changes in inventories                                  | 10,973           | 11,204           | -3,067                  | 49,202                  | 23,135                         | -5,001          | 9,806                          | 19,676          |
| Total exports of goods <sup>&amp;</sup>                 | 4,212,774        | 4,453,350        | 4,255,098               | 4,245,242               | 1,211,626                      | 1,177,759       | 1,250,808                      | 1,380,072       |
| Imports of goods <sup>&amp;</sup>                       | 4,391,306        | 4,706,347        | 4,375,619               | 4,286,753               | 1,217,339                      | 1,171,015       | 1,280,932                      | 1,375,846       |
| Exports of services <sup>&amp;</sup>                    | 811,295          | 886,883          | 798,942                 | 506,559                 | 127,012                        | 145,515         | 126,351                        | 154,144         |
| Imports of services <sup>&amp;</sup>                    | 605,924          | 639,947          | 634,243                 | 416,059                 | 112,244                        | 108,193         | 106,252                        | 120,638         |
| <b>GDP</b>  | <b>2,659,384</b> | <b>2,835,119</b> | <b>2,844,560</b>        | <b>2,688,536</b>        | <b>709,871</b>                 | <b>702,948</b>  | <b>678,475</b>                 | <b>734,947</b>  |
| <i>Per capita GDP (\$)</i>                              | <i>359,780</i>   | <i>380,502</i>   | <i>378,901</i>          | <i>359,343</i>          | --                             | --              | --                             | --              |
| <b>GNI</b>  | <b>2,774,936</b> | <b>2,969,934</b> | <b>2,988,277</b>        | <b>2,836,957</b>        | <b>736,692</b>                 | <b>724,483</b>  | <b>762,635</b>                 | <b>N.A.</b>     |
| <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               | 2,039,454                      | 1,982,156       | 2,065,659                      | 2,231,431       |
| Total final demand excluding re-exports <sup>(a)</sup>  | 4,496,245        | 4,819,244        | 4,601,597               | 4,137,493               | 1,116,763                      | 1,076,277       | 1,080,534                      | 1,156,135       |
| Domestic demand   | 2,632,545        | 2,841,180        | 2,800,382               | 2,639,547               | 700,816                        | 658,882         | 688,500                        | 697,215         |
| Private   | 2,240,260        | 2,425,244        | 2,359,405               | 2,153,532               | 577,302                        | 519,674         | 571,620                        | 573,716         |
| Public  | 392,285          | 415,936          | 440,977                 | 486,015                 | 123,514                        | 139,208         | 116,880                        | 123,499         |
| External demand   | 5,024,069        | 5,340,233        | 5,054,040               | 4,751,801               | 1,338,638                      | 1,323,274       | 1,377,159                      | 1,534,216       |

- 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 <sup>&amp;</sup>                 | 4.6         | 3.3         | 8.2         | 0.8         | -1.7        | 1.6         |
| Imports of goods <sup>&amp;</sup>                       | 6.7         | 4.6         | 9.9         | 1.5         | -2.7        | 0.7         |
| Exports of services <sup>&amp;</sup>                    | 5.7         | 2.7         | 6.0         | 1.6         | 0.3         | -3.5        |
| Imports of services <sup>&amp;</sup>                    | -0.2        | 2.2         | -2.1        | -2.2        | 5.0         | 2.0         |
| <b>GDP</b>  | <b>4.8</b>  | <b>1.7</b>  | <b>3.1</b>  | <b>2.8</b>  | <b>2.4</b>  | <b>2.2</b>  |
| <b>Per capita GDP</b>                                   | <b>4.1</b>  | <b>0.6</b>  | <b>2.7</b>  | <b>2.0</b>  | <b>1.5</b>  | <b>1.5</b>  |
| <b>RGNI</b>   | <b>4.8</b>  | <b>-0.2</b> | <b>4.0</b>  | <b>2.7</b>  | <b>3.8</b>  | <b>3.2</b>  |
| <b>Per capita RGNI</b>                                  | <b>4.1</b>  | <b>-1.3</b> | <b>3.6</b>  | <b>1.9</b>  | <b>2.9</b>  | <b>2.6</b>  |
| Total final demand                                      | 5.3         | 3.4         | 6.6         | 1.6         | -0.4        | 1.3         |
| Total final demand excluding re-exports <sup>(a)</sup>  | 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<sup>#</sup></u> | <u>2020<sup>#</sup></u> | <u>2020</u>     | <u>2021</u>     |                 |                 | Average annual rate of change:           |   |
|   |             |             |                         |                         | Q4 <sup>#</sup> | Q1 <sup>#</sup> | Q2 <sup>#</sup> | Q3 <sup>#</sup> | 10 years<br>2010 to<br>2020 <sup>#</sup> | 5 years<br>2015 to<br>2020 <sup>#</sup> |
| Private consumption expenditure                         | 5.5         | 5.3         | -0.8                    | -9.9                    | -6.9            | 2.1             | 7.2             | 7.1             | 2.6                                      | 0.2                                     |
| Government consumption expenditure                      | 2.8         | 4.2         | 5.1                     | 8.1                     | 6.1             | 7.0             | 3.0             | 4.3             | 3.9                                      | 4.7                                     |
| Gross domestic fixed capital formation                  | 3.1         | 1.7         | -14.9                   | -11.2                   | 3.6             | 4.8             | 23.9            | 10.8            | -0.8                                     | -4.6                                    |
| Building and construction                               | -0.5        | -0.5        | -10.8                   | -7.7                    | -4.9            | -4.3            | -1.0            | 0.3             | 1.4                                      | -2.9                                    |
| Costs of ownership transfer                             | 23.2        | -11.2       | -13.4                   | -4.0                    | 27.3            | 85.8            | 57.6            | 35.1            | -8.7                                     | -2.5                                    |
| Machinery, equipment and intellectual property products | 3.8         | 8.8         | -20.8                   | -18.0                   | 10.1            | 3.3             | 61.7            | 19.6            | -2.2                                     | -7.2                                    |
| Total exports of goods <sup>&amp;</sup>                 | 6.5         | 3.5         | -5.5                    | -0.3                    | 5.5             | 30.1            | 20.5            | 14.2            | 2.0                                      | 1.1                                     |
| Imports of goods <sup>&amp;</sup>                       | 7.3         | 4.7         | -8.2                    | -2.1                    | 6.7             | 22.9            | 21.4            | 16.8            | 2.1                                      | 0.3                                     |
| Exports of services <sup>&amp;</sup>                    | 2.8         | 4.6         | -9.6                    | -36.1                   | -28.8           | -7.3            | 3.0             | 4.2             | -3.5                                     | -9.7                                    |
| Imports of services <sup>&amp;</sup>                    | 2.0         | 2.8         | 0.1                     | -34.1                   | -33.9           | -12.0           | 10.6            | 4.5             | -3.2                                     | -6.7                                    |
| <b>GDP</b>  | <b>3.8</b>  | <b>2.8</b>  | <b>-1.7</b>             | <b>-6.1</b>             | <b>-2.8</b>     | <b>8.0</b>      | <b>7.6</b>      | <b>5.4</b>      | <b>1.5</b>                               | <b>0.1</b>                              |
| <i>Per capita GDP</i>                                   | <i>3.0</i>  | <i>2.0</i>  | <i>-2.4</i>             | <i>-5.8</i>             | --              | --              | --              | --              | <b>0.9</b>                               | <b>-0.4</b>                             |
| <b>RGNI</b>   | <b>5.7</b>  | <b>3.5</b>  | <b>-1.7</b>             | <b>-5.8</b>             | <b>-3.3</b>     | <b>9.4</b>      | <b>11.5</b>     | <b>N.A.</b>     | <b>1.9</b>                               | <b>0.9</b>                              |
| <i>Per capita RGNI</i>                                  | <i>4.9</i>  | <i>2.7</i>  | <i>-2.5</i>             | <i>-5.4</i>             | --              | --              | --              | --              | <b>1.3</b>                               | <b>0.4</b>                              |
| Total final demand                                      | 5.6         | 3.9         | -5.3                    | -6.1                    | 0.1             | 14.8            | 15.8            | 12.1            | 1.5                                      | -0.2                                    |
| Total final demand excluding re-exports <sup>(a)</sup>  | 4.5         | 4.0         | -5.0                    | -10.7                   | -4.5            | 3.2             | 11.6            | 8.4             | 0.6                                      | -1.3                                    |
| Domestic demand   | 5.2         | 4.4         | -3.8                    | -6.5                    | -1.7            | -0.9            | 10.7            | 9.8             | 2.0                                      | 0.3                                     |
| Private   | 5.7         | 4.8         | -4.6                    | -9.2                    | -4.1            | -2.9            | 12.4            | 11.4            | 1.6                                      | -0.3                                    |
| Public  | 2.2         | 2.4         | 1.5                     | 7.9                     | 11.6            | 7.4             | 2.9             | 3.1             | 3.9                                      | 3.4                                     |
| External demand   | 5.8         | 3.7         | -6.1                    | -5.9                    | 1.1             | 24.8            | 18.8            | 13.1            | 1.3                                      | -0.5                                    |

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

|   | 2016             |              | 2017             |              | 2018             |              | 2019 <sup>#</sup> |              | 2020 <sup>#</sup> |              |
|---|------------------|--------------|------------------|--------------|------------------|--------------|-------------------|--------------|-------------------|--------------|
|   | \$Mn             | % share      | \$Mn             | % share      | \$Mn             | % share      | \$Mn              | % share      | \$Mn              | % share      |
| Agriculture, fishing, mining and quarrying                  | 1,898            | 0.1          | 1,736            | 0.1          | 1,762            | 0.1          | 2,057             | 0.1          | 2,648             | 0.1          |
| Manufacturing   | 26,844           | 1.1          | 27,299           | 1.1          | 27,571           | 1.0          | 29,366            | 1.1          | 25,350            | 1.0          |
| Electricity, gas and water supply, and waste management     | 34,414           | 1.4          | 34,978           | 1.4          | 35,660           | 1.3          | 34,083            | 1.2          | 35,323            | 1.4          |
| Construction  | 124,932          | 5.2          | 129,714          | 5.1          | 120,473          | 4.5          | 114,499           | 4.2          | 108,041           | 4.2          |
| Services  | 2,229,760        | 92.2         | 2,357,359        | 92.4         | 2,514,947        | 93.1         | 2,559,558         | 93.4         | 2,392,463         | 93.3         |
| <i>Import/export, wholesale and retail trades</i>           | 525,526          | 21.7         | 548,636          | 21.5         | 575,103          | 21.3         | 533,352           | 19.5         | 474,295           | 18.5         |
| <i>Accommodation<sup>(a)</sup> and food services</i>        | 79,682           | 3.3          | 83,507           | 3.3          | 91,525           | 3.4          | 75,918            | 2.8          | 38,035            | 1.5          |
| <i>Transportation, storage, postal and courier services</i> | 149,742          | 6.2          | 153,359          | 6.0          | 158,440          | 5.9          | 151,574           | 5.5          | 106,709           | 4.2          |
| <i>Information and communications</i>                       | 84,208           | 3.5          | 86,891           | 3.4          | 91,449           | 3.4          | 95,557            | 3.5          | 91,891            | 3.6          |
| <i>Financing and insurance</i>                              | 428,903          | 17.7         | 480,488          | 18.8         | 535,126          | 19.8         | 581,319           | 21.2         | 598,018           | 23.3         |
| <i>Real estate, professional and business services</i>      | 266,139          | 11.0         | 274,822          | 10.8         | 280,843          | 10.4         | 276,497           | 10.1         | 246,099           | 9.6          |
| <i>Public administration, social and personal services</i>  | 436,912          | 18.1         | 465,488          | 18.2         | 499,433          | 18.5         | 536,259           | 19.6         | 533,447           | 20.8         |
| <i>Ownership of premises</i>                                | 258,649          | 10.7         | 264,166          | 10.4         | 283,028          | 10.5         | 309,081           | 11.3         | 303,969           | 11.9         |
| <b>GDP at basic prices</b>                                  | <b>2,417,849</b> | <b>100.0</b> | <b>2,551,086</b> | <b>100.0</b> | <b>2,700,413</b> | <b>100.0</b> | <b>2,739,563</b>  | <b>100.0</b> | <b>2,563,825</b>  | <b>100.0</b> |
| Taxes on products   | 83,743           | --           | 110,698          | --           | 117,825          | --           | 93,623            | --           | 103,627           | --           |
| Statistical discrepancy (%)                                 | -0.4             | --           | -0.1             | --           | 0.6              | --           | 0.4               | --           | 0.8               | --           |
| <b>GDP at current market prices</b>                         | <b>2,490,438</b> | <b>--</b>    | <b>2,659,384</b> | <b>--</b>    | <b>2,835,119</b> | <b>--</b>    | <b>2,844,560</b>  | <b>--</b>    | <b>2,688,536</b>  | <b>--</b>    |

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

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

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

(--) Not applicable.

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

(%)

|   | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019<sup>#</sup></u> | <u>2020<sup>#</sup></u> | <u>2020</u>     |                 | <u>2021</u>     |                 |
|---|-------------|-------------|-------------|-------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
|   |             |             |             |             |                         |                         | Q3 <sup>#</sup> | Q4 <sup>#</sup> | Q1 <sup>#</sup> | Q2 <sup>#</sup> |
| Agriculture, fishing,<br>mining and quarrying                   | -6.8        | -2.0        | -5.2        | -1.8        | -0.8                    | 4.8                     | 12.4            | -2.8            | 3.6             | -4.1            |
| Manufacturing   | -1.5        | -0.4        | 0.4         | 1.3         | 0.4                     | -5.8                    | -7.4            | -6.1            | 2.6             | 5.6             |
| Electricity, gas and water supply,<br>and waste management      | -2.6        | -0.8        | 0.9         | 0.1         | -0.5                    | -12.7                   | -11.0           | -11.9           | 0.8             | 6.0             |
| Construction  | 5.4         | 5.1         | -1.3        | 3.3         | -9.7                    | -5.7                    | -7.4            | -1.4            | -3.2            | -0.5            |
| Services  | 1.7         | 2.3         | 3.5         | 3.1         | -0.7                    | -6.6                    | -5.1            | -3.8            | 6.7             | 6.6             |
| <i>Import/export,<br/>wholesale and retail trades</i>           | -1.1        | 0.6         | 4.2         | 4.2         | -7.5                    | -13.7                   | -9.2            | -6.4            | 24.0            | 15.5            |
| <i>Accommodation<sup>(a)</sup> and<br/>food services</i>        | -1.9        | 0.5         | 2.0         | 5.9         | -11.7                   | -42.0                   | -44.9           | -32.9           | -6.1            | 16.8            |
| <i>Transportation, storage,<br/>postal and courier services</i> | 3.3         | 3.0         | 4.8         | 2.5         | -1.7                    | -39.5                   | -41.7           | -35.2           | 0.4             | 19.6            |
| <i>Information and<br/>communications</i>                       | 4.0         | 4.1         | 4.0         | 4.1         | 4.7                     | 1.6                     | 2.2             | 2.3             | 3.7             | 2.1             |
| <i>Financing and insurance</i>                                  | 6.1         | 4.2         | 5.3         | 4.0         | 3.4                     | 3.7                     | 4.8             | 4.8             | 7.4             | 6.2             |
| <i>Real estate, professional and<br/>business services</i>      | 0.7         | 2.8         | 2.1         | -0.4        | -0.2                    | -5.3                    | -4.9            | -3.7            | 1.3             | 2.3             |
| <i>Public administration, social<br/>and personal services</i>  | 2.5         | 3.0         | 3.2         | 3.6         | 3.0                     | -2.1                    | -0.6            | -1.6            | 2.2             | 4.1             |
| <i>Ownership of premises</i>                                    | 0.6         | 0.5         | 0.9         | 1.0         | 0.6                     | -0.3                    | -0.5            | -0.3            | 0.6             | 0.7             |
| Taxes on products   | 7.1         | -9.1        | 13.7        | -3.9        | -11.3                   | 17.6                    | 52.3            | 37.1            | 46.9            | 38.6            |
| <b>GDP in chained (2019) dollars</b>                            | <b>2.4</b>  | <b>2.2</b>  | <b>3.8</b>  | <b>2.8</b>  | <b>-1.7</b>             | <b>-6.1</b>             | <b>-3.6</b>     | <b>-2.8</b>     | <b>8.0</b>      | <b>7.6</b>      |

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

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



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

|  | (\$Mn)       |                |              |                         |                         |                 |                 |                 |                 |
|--|--------------|----------------|--------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
|  | <u>2016</u>  | <u>2017</u>    | <u>2018</u>  | <u>2019<sup>#</sup></u> | <u>2020<sup>#</sup></u> | <u>2020</u>     |                 | <u>2021</u>     |                 |
|  |              |                |              |                         |                         | Q3 <sup>#</sup> | Q4 <sup>#</sup> | Q1 <sup>#</sup> | Q2 <sup>#</sup> |
| Current account <sup>(a)</sup>               | 98,485       | 121,840        | 105,942      | 166,303                 | 175,691                 | 96,863          | 31,181          | 60,620          | 69,162          |
| Goods  | -129,693     | -178,532       | -252,997     | -120,521                | -41,511                 | 32,686          | -5,713          | 6,744           | -30,124         |
| Services                                     | 186,554      | 205,371        | 246,936      | 164,699                 | 90,500                  | 24,488          | 14,768          | 37,322          | 20,099          |
| Primary income                               | 62,593       | 115,552        | 134,815      | 143,717                 | 148,421                 | 44,758          | 26,821          | 21,535          | 84,160          |
| Secondary income                             | -20,969      | -20,551        | -22,813      | -21,592                 | -21,719                 | -5,069          | -4,695          | -4,981          | -4,973          |
| Capital and financial account <sup>(a)</sup> | -101,104     | -76,488        | -175,081     | -237,439                | -240,657                | -127,321        | -62,781         | -89,259         | -97,917         |
| Capital account                              | -374         | -645           | -1,574       | -682                    | -508                    | -108            | -140            | -126            | -10,140         |
| Financial account                            | -100,730     | -75,843        | -173,507     | -236,756                | -240,149                | -127,212        | -62,641         | -89,133         | -87,777         |
| Financial non-reserve assets                 | -91,874      | 174,666        | -165,948     | -245,612                | 22,900                  | -107,962        | 170,859         | -80,917         | -125,333        |
| <i>Direct investment</i>                     | 447,758      | 186,887        | 172,795      | 160,730                 | 131,913                 | 64,819          | 153,405         | 202             | 129,978         |
| <i>Portfolio investment</i>                  | -469,591     | 264,159        | -616,428     | -215,764                | -430,610                | 7,434           | -321,012        | -16,435         | -292,487        |
| <i>Financial derivatives</i>                 | 36,327       | 61,763         | 33,202       | 1,239                   | 13,831                  | 2,436           | 1,924           | -5,658          | 17,131          |
| <i>Other investment</i>                      | -106,368     | -338,144       | 244,483      | -191,817                | 307,765                 | -182,651        | 336,541         | -59,026         | 20,045          |
| Reserve assets                               | -8,856       | -250,509       | -7,559       | 8,855                   | -263,050                | -19,250         | -233,499        | -8,216          | 37,556          |
| Net errors and omissions                     | 2,619        | -45,353        | 69,139       | 71,136                  | 64,966                  | 30,457          | 31,600          | 28,639          | 28,755          |
| <b>Overall Balance of Payments</b>           | <b>8,856</b> | <b>250,509</b> | <b>7,559</b> | <b>-8,855</b>           | <b>263,050</b>          | <b>19,250</b>   | <b>233,499</b>  | <b>8,216</b>    | <b>-37,556</b>  |

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

(a) In accordance with the accounting rules adopted in compiling Balance of Payments, a positive value for the balance figure 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 credit entries and decreases are debit 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<sup>#</sup></u>   | <u>2020<sup>#</sup></u>  | <u>2020</u><br>Q4 <sup>#</sup> | <u>2021</u><br>Q1 <sup>#</sup> | <u>2021</u><br>Q2 <sup>#</sup> | <u>2021</u><br>Q3 <sup>#</sup> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Total exports of goods                  | 3,892,886                 | 4,212,774                 | 4,453,350                 | 4,255,098                 | 4,245,242                | 1,211,626                      | 1,177,759                      | 1,250,808                      | 1,380,072                      |
| Imports of goods                        | 4,022,579                 | 4,391,306                 | 4,706,347                 | 4,375,619                 | 4,286,753                | 1,217,339                      | 1,171,015                      | 1,280,932                      | 1,375,846                      |
| <b>Goods trade balance</b>              | <b>-129,693</b><br>(-3.2) | <b>-178,532</b><br>(-4.1) | <b>-252,997</b><br>(-5.4) | <b>-120,521</b><br>(-2.8) | <b>-41,511</b><br>(-1.0) | <b>-5,713</b><br>(-0.5)        | <b>6,744</b><br>(0.6)          | <b>-30,124</b><br>(-2.4)       | <b>4,226</b><br>(0.3)          |
| Exports of services                     | 764,660                   | 811,295                   | 886,883                   | 798,942                   | 506,559                  | 127,012                        | 145,515                        | 126,351                        | 154,144                        |
| Imports of services                     | 578,106                   | 605,924                   | 639,947                   | 634,243                   | 416,059                  | 112,244                        | 108,193                        | 106,252                        | 120,638                        |
| <b>Services trade balance</b>           | <b>186,554</b><br>(32.3)  | <b>205,371</b><br>(33.9)  | <b>246,936</b><br>(38.6)  | <b>164,699</b><br>(26.0)  | <b>90,500</b><br>(21.8)  | <b>14,768</b><br>(13.2)        | <b>37,322</b><br>(34.5)        | <b>20,099</b><br>(18.9)        | <b>33,506</b><br>(27.8)        |
| Exports of goods and services           | 4,657,546                 | 5,024,069                 | 5,340,233                 | 5,054,040                 | 4,751,801                | 1,338,638                      | 1,323,274                      | 1,377,159                      | 1,534,216                      |
| Imports of goods and services           | 4,600,685                 | 4,997,230                 | 5,346,294                 | 5,009,862                 | 4,702,812                | 1,329,583                      | 1,279,208                      | 1,387,184                      | 1,496,484                      |
| <b>Goods and services trade balance</b> | <b>56,861</b><br><1.2>    | <b>26,839</b><br><0.5>    | <b>-6,061</b><br><-0.1>   | <b>44,178</b><br><0.9>    | <b>48,989</b><br><1.0>   | <b>9,055</b><br><0.7>          | <b>44,066</b><br><3.4>         | <b>-10,025</b><br><-0.7>       | <b>37,732</b><br><2.5>         |

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

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

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

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

**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>2020</u>                    | <u>2021</u> | <u>2021</u> | <u>2021</u> |
|--------------------|-------------|-------------|-------------|-------------|-------------|------------------|--------------------------------|-------------|-------------|-------------|
|                    | (% change)  |             |             |             | (% change)  | (\$Mn)           | Q4                             | Q1          | Q2          | Q3          |
|                    |             |             |             |             |             |                  | (% change over a year earlier) |             |             |             |
| <b>All markets</b> | <b>-0.5</b> | <b>8.0</b>  | <b>7.3</b>  | <b>-4.1</b> | <b>-1.5</b> | <b>3,927,517</b> | <b>5.3</b>                     | <b>33.2</b> | <b>27.2</b> | <b>22.7</b> |
| Mainland of China  | 0.4         | 8.4         | 8.6         | -3.3        | 5.1         | 2,324,511        | 8.1                            | 39.8        | 27.8        | 21.8        |
| United States      | -5.3        | 1.9         | 8.1         | -14.8       | -14.9       | 258,842          | -0.9                           | 19.5        | 15.9        | 17.0        |
| Japan              | -4.9        | 10.0        | 0.7         | -6.4        | -9.7        | 109,326          | 0.5                            | 8.1         | -0.3        | 17.9        |
| Taiwan             | 14.6        | 19.9        | -3.6        | 2.4         | 11.6        | 98,507           | 21.1                           | 49.1        | 38.2        | 50.8        |
| India              | 14.6        | 35.9        | -15.3       | -12.0       | -17.6       | 97,392           | -12.2                          | 22.9        | 53.8        | 25.1        |
| Vietnam            | -5.8        | 10.3        | 4.5         | -3.6        | 5.3         | 84,484           | 16.0                           | 29.8        | 24.8        | 8.0         |
| Netherlands        | 10.3        | 11.5        | 11.5        | -4.4        | -5.2        | 64,643           | 5.4                            | 44.0        | 0.1         | 28.5        |
| Singapore          | 4.8         | -0.4        | 13.3        | 4.1         | -17.5       | 59,371           | -18.6                          | -2.9        | 14.8        | 30.2        |
| Germany            | -5.1        | 10.8        | 3.0         | -8.9        | -14.5       | 59,277           | 0.6                            | 19.4        | 11.5        | 33.1        |
| Korea              | -0.6        | 4.9         | 2.1         | -2.3        | -7.6        | 52,260           | 4.1                            | 34.6        | 31.0        | 58.4        |
| Rest of the world  | -3.3        | 3.8         | 10.8        | -0.8        | -10.1       | 718,905          | 2.5                            | 26.0        | 35.2        | 22.2        |

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>2020</u>                    | <u>2021</u> | <u>2021</u> | <u>2021</u> |
|--------------------|-------------|-------------|-------------|-------------|-------------|------------------|--------------------------------|-------------|-------------|-------------|
|                    | (% change)  |             |             |             | (% change)  | (\$Mn)           | Q4                             | Q1          | Q2          | Q3          |
|                    |             |             |             |             |             |                  | (% change over a year earlier) |             |             |             |
| <b>All sources</b> | <b>-0.9</b> | <b>8.7</b>  | <b>8.4</b>  | <b>-6.5</b> | <b>-3.3</b> | <b>4,269,752</b> | <b>6.6</b>                     | <b>25.6</b> | <b>27.9</b> | <b>25.8</b> |
| Mainland of China  | -3.4        | 5.9         | 7.7         | -5.9        | -6.5        | 1,923,535        | 4.9                            | 30.5        | 24.8        | 27.6        |
| Taiwan             | 6.4         | 12.9        | 2.7         | -2.4        | 22.8        | 405,695          | 23.5                           | 40.6        | 44.2        | 27.6        |
| Singapore          | 6.4         | 10.1        | 9.0         | -7.5        | 8.1         | 314,144          | 14.2                           | 35.0        | 40.7        | 30.5        |
| Korea              | 14.0        | 28.5        | 10.4        | -20.9       | 12.3        | 247,170          | 27.9                           | 26.6        | 44.3        | 42.5        |
| Japan              | -5.2        | 2.7         | 2.6         | -2.8        | -5.0        | 239,984          | 1.5                            | 12.0        | 20.6        | 18.2        |
| United States      | -2.0        | 3.4         | 8.1         | -7.9        | -17.9       | 174,706          | -5.5                           | 6.0         | 28.5        | 29.7        |
| Malaysia           | -3.7        | 26.8        | 64.6        | -14.3       | 1.2         | 163,904          | -5.6                           | 5.9         | -7.3        | 2.0         |
| Vietnam            | 6.6         | 13.6        | 7.3         | 18.5        | 28.4        | 100,642          | 14.8                           | 45.6        | 6.6         | 15.4        |
| Thailand           | -2.7        | 8.5         | 2.8         | -7.4        | 1.4         | 86,458           | 6.2                            | 23.6        | 23.9        | 16.4        |
| Philippines        | 5.8         | 27.6        | 1.1         | -9.1        | -0.1        | 70,094           | 0.7                            | 21.6        | 32.5        | 24.4        |
| Rest of the world  | -1.9        | 7.7         | 6.4         | -4.9        | -17.0       | 543,421          | -0.5                           | 13.0        | 32.9        | 20.7        |

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<sup>#</sup></u> | <u>2020<sup>#</sup></u> | <u>2020</u>    | <u>2020</u>     | <u>2021</u>     | <u>2021</u>     | <u>2021</u>     |
|----------------------------|--------------------------------|-------------|-------------|-------------------------|-------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
|                            | (% change)                     |             |             |                         | (% change)              | (\$Mn)         | Q4 <sup>#</sup> | Q1 <sup>#</sup> | Q2 <sup>#</sup> | Q3 <sup>#</sup> |
|                            | (% change over a year earlier) |             |             |                         |                         |                |                 |                 |                 |                 |
| <b>Exports of services</b> | <b>-5.5</b>                    | <b>6.1</b>  | <b>9.3</b>  | <b>-9.9</b>             | <b>-36.6</b>            | <b>506,559</b> | <b>-26.5</b>    | <b>-0.3</b>     | <b>17.6</b>     | <b>22.2</b>     |
| Transport                  | -5.3                           | 8.6         | 9.0         | -4.7                    | -28.0                   | 177,708        | -15.6           | 15.2            | 35.1            | 46.1            |
| Travel                     | -9.0                           | 1.9         | 11.2        | -21.6                   | -90.3                   | 22,046         | -89.9           | -75.1           | 24.5            | 29.9            |
| Financial services         | -6.9                           | 13.5        | 10.9        | -2.9                    | -0.6                    | 168,128        | -1.4            | 7.0             | 9.4             | 11.8            |
| Other services             | 2.3                            | 2.9         | 5.1         | -5.1                    | -11.4                   | 138,677        | -9.1            | 1.1             | 2.7             | 3.4             |
| <b>Imports of services</b> | <b>0.7</b>                     | <b>4.8</b>  | <b>5.6</b>  | <b>-0.9</b>             | <b>-34.4</b>            | <b>416,059</b> | <b>-31.0</b>    | <b>-7.4</b>     | <b>24.6</b>     | <b>18.7</b>     |
| Transport                  | -2.1                           | 3.7         | 6.6         | -1.1                    | -17.5                   | 118,518        | -2.7            | 22.9            | 48.9            | 42.7            |
| Travel                     | 4.8                            | 5.6         | 4.7         | 1.6                     | -80.3                   | 41,395         | -88.6           | -78.1           | 55.8            | 12.3            |
| Manufacturing <sup>^</sup> | -2.0                           | 3.5         | 2.0         | -5.5                    | -15.4                   | 74,524         | -1.3            | 13.7            | 21.5            | 15.8            |
| Other services             | -0.1                           | 5.5         | 7.6         | -1.3                    | -5.3                    | 181,622        | -3.6            | 4.8             | 7.1             | 4.2             |

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><br>Q4 | Q1           | <u>2021</u><br>Q2 | Q3           |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|----------------|-------------------|--------------|-------------------|--------------|
| <u>('000)</u>                         |                 |                 |                 |                 |                |                   |              |                   |              |
| <b>All sources</b>                    | <b>56 654.9</b> | <b>58 472.2</b> | <b>65 147.6</b> | <b>55 912.6</b> | <b>3 568.9</b> | <b>18.6</b>       | <b>16.5</b>  | <b>17.2</b>       | <b>29.4</b>  |
| Mainland of China                     | 42 778.1        | 44 445.3        | 51 038.2        | 43 774.7        | 2 706.4        | 10.9              | 11.6         | 12.7              | 21.8         |
| South and Southeast Asia              | 3 701.8         | 3 626.2         | 3 571.7         | 3 040.5         | 190.5          | 3.5               | 2.0          | 1.5               | 3.1          |
| Taiwan                                | 2 011.4         | 2 010.8         | 1 925.2         | 1 538.9         | 105.1          | 1.1               | 0.8          | 0.5               | 0.4          |
| Europe                                | 1 904.9         | 1 901.5         | 1 937.6         | 1 728.4         | 158.8          | 1.7               | 1.2          | 1.5               | 1.9          |
| United States                         | 1 211.5         | 1 215.6         | 1 304.2         | 1 107.2         | 80.8           | 0.4               | 0.3          | 0.2               | 0.4          |
| 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          | 1.1               | 0.6          | 0.8               | 1.6          |
| <u>(% change over a year earlier)</u> |                 |                 |                 |                 |                |                   |              |                   |              |
| <b>All sources</b>                    | <b>-4.5</b>     | <b>3.2</b>      | <b>11.4</b>     | <b>-14.2</b>    | <b>-93.6</b>   | <b>-99.8</b>      | <b>-99.5</b> | <b>-35.9</b>      | <b>-14.0</b> |
| Mainland of China                     | -6.7            | 3.9             | 14.8            | -14.2           | -93.8          | -99.8             | -99.6        | -17.2             | 52.4         |
| South and Southeast Asia              | 4.0             | -2.0            | -1.5            | -14.9           | -93.7          | -99.4             | -98.8        | -52.5             | -62.7        |
| Taiwan                                | -0.2            | *               | -4.3            | -20.1           | -93.2          | -99.6             | -99.3        | -56.7             | -67.3        |
| Europe                                | 4.1             | -0.2            | 1.9             | -10.8           | -90.8          | -99.6             | -99.2        | -69.8             | -74.1        |
| United States                         | 2.6             | 0.3             | 7.3             | -15.1           | -92.7          | -99.8             | -99.6        | -69.5             | -48.5        |
| Japan                                 | 4.1             | 12.6            | 4.7             | -16.2           | -95.3          | -100.0            | -99.9        | -49.5             | -4.1         |
| Others                                | 3.2             | 2.2             | 1.0             | -10.7           | -92.4          | -99.8             | -99.8        | -47.9             | -18.2        |

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> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Completion of new property by the private sector</b>                   |             |             |             |             |             |             |             |
| ('000 m <sup>2</sup> of internal floor area)                              |             |             |             |             |             |             |             |
| Residential property <sup>(a)</sup> (in units)                            | 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 <sup>(b)</sup>                                  | 42          | 90          | 39          | 57          | 69          | 123         | 105         |
| Industrial property <sup>(c)</sup>  | 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 <sup>(d)</sup>   | 73          | 123         | 0           | 80          | 0           | 73          | 83          |
| <b>Production of public housing</b>                                       |             |             |             |             |             |             |             |
| (in units)  |             |             |             |             |             |             |             |
| Rental housing flats <sup>(e)</sup>                                       | 17 787      | 9 778       | 20 898      | 5 634       | 10 147      | 21 755      | 11 268      |
| Subsidised sales flats <sup>(e)</sup>                                     | 0           | 0           | 0           | 0           | 1 310       | 229         | 2 788       |
| <b>Building plans with consent to commence work in the private sector</b> |             |             |             |             |             |             |             |
| ('000 m <sup>2</sup> 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 <sup>(f)</sup>  | 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     |
| <b>Agreements for sale and purchase of property</b>                       |             |             |             |             |             |             |             |
| (Number)  |             |             |             |             |             |             |             |
| Residential property <sup>(g)</sup>                                       | 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 <sup>(h)</sup>               |             |             |             |             |             |             |             |
| 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><br>Q4 | Q1     | <u>2021</u><br>Q2 | Q3     |
|---|-------------|-------------|-------------|-------------------|--------|-------------------|--------|
| <b>Completion of new property by the private sector</b>                   |             |             |             |                   |        |                   |        |
| ('000 m <sup>2</sup> of internal floor area)                              |             |             |             |                   |        |                   |        |
| Residential property <sup>(a)</sup> (in units)                            | 20 968      | 13 643      | 20 888      | 7 204             | 2 249  | 6 711             | 2 208  |
| Commercial property   | 304         | 384         | 136         | 30                | 11     | 24                | 14     |
| <i>of which :</i>   |             |             |             |                   |        |                   |        |
| Office space  | 179         | 267         | 69          | 12                | 8      | 12                | 0      |
| Other commercial premises <sup>(b)</sup>                                  | 125         | 118         | 67          | 18                | 3      | 13                | 14     |
| Industrial property <sup>(c)</sup>  | 44          | 56          | 38          | 23                | 0      | 15                | 0      |
| <i>of which :</i>   |             |             |             |                   |        |                   |        |
| Industrial-cum-office premises  | 0           | 0           | 0           | 0                 | 0      | 0                 | 0      |
| Conventional flatted factory space  | 41          | 56          | 38          | 23                | 0      | 15                | 0      |
| Storage premises <sup>(d)</sup>   | 3           | 0           | 0           | 0                 | 0      | 0                 | 0      |
| <b>Production of public housing</b>                                       |             |             |             |                   |        |                   |        |
| (in units)  |             |             |             |                   |        |                   |        |
| Rental housing flats <sup>(e)</sup>                                       | 20 137      | 9 634       | 6 605       | 3 140             | 2 409  | 2 761             | N.A.   |
| Subsidised sales flats <sup>(e)</sup>                                     | 4 863       | 7 027       | 7 610       | 0                 | 0      | 3 222             | N.A.   |
| <b>Building plans with consent to commence work in the private sector</b> |             |             |             |                   |        |                   |        |
| ('000 m <sup>2</sup> of usable floor area)                                |             |             |             |                   |        |                   |        |
| Residential property  | 703.0       | 765.0       | 520.1       | 109.9             | 152.2  | 69.8              | N.A.   |
| Commercial property   | 109.2       | 763.0       | 228.1       | 26.9              | 112.7  | 93.8              | N.A.   |
| Industrial property <sup>(f)</sup>  | 98.4        | 177.7       | 182.6       | 121.0             | 9.4    | 0.0               | N.A.   |
| Other properties  | 91.9        | 234.6       | 410.8       | 73.8              | 13.7   | 52.6              | N.A.   |
| Total   | 1 002.5     | 1 940.3     | 1 341.5     | 331.6             | 288.0  | 216.2             | N.A.   |
| <b>Agreements for sale and purchase of property</b>                       |             |             |             |                   |        |                   |        |
| (Number)  |             |             |             |                   |        |                   |        |
| Residential property <sup>(g)</sup>                                       | 57 247      | 59 797      | 59 880      | 17 088            | 18 131 | 22 000            | 18 969 |
| Primary market  | 15 633      | 21 108      | 15 317      | 5 358             | 3 692  | 4 593             | 4 686  |
| Secondary market  | 41 614      | 38 689      | 44 563      | 11 730            | 14 439 | 17 407            | 14 283 |
| Selected types of non-residential properties <sup>(h)</sup>               |             |             |             |                   |        |                   |        |
| Office space  | 1 331       | 861         | 686         | 226               | 245    | 332               | 286    |
| Other commercial premises   | 1 926       | 1 300       | 1 269       | 410               | 539    | 613               | 547    |
| Flatted factory space   | 4 852       | 2 426       | 2 117       | 695               | 885    | 1 036             | 900    |

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 <sup>(a)</sup>         | 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 <sup>(b)</sup> : |             |             |             |             |             |             |             |
| 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 <sup>(a)</sup>         | 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 <sup>(b)</sup> : |             |             |             |             |             |             |             |
| 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><br>Q4 | Q1    | <u>2021</u><br>Q2 <sup>#</sup> | Q3 <sup>+</sup> |
|--|-------------|-------------|-------------|-------------------|-------|--------------------------------|-----------------|
| <u>(Index (1999=100))</u>                |             |             |             |                   |       |                                |                 |
| Property price indices :                 |             |             |             |                   |       |                                |                 |
| Residential flats <sup>(a)</sup>         | 377.3       | 383.0       | 381.2       | 380.6             | 385.5 | 393.0                          | 397.5           |
| Office space                             | 554.7       | 543.0       | 468.8       | 490.0             | 499.5 | 505.2                          | 506.8           |
| Shopping space                           | 591.4       | 549.7       | 518.9       | 511.1             | 526.7 | 538.5                          | 561.4           |
| Flatted factory space                    | 888.1       | 887.9       | 826.1       | 817.1             | 852.9 | 878.2                          | 889.3           |
| Property rental indices <sup>(b)</sup> : |             |             |             |                   |       |                                |                 |
| Residential flats                        | 193.0       | 194.4       | 180.3       | 177.8             | 175.1 | 178.4                          | 182.0           |
| Office space                             | 252.2       | 261.4       | 241.7       | 232.6             | 232.7 | 232.2                          | 234.8           |
| Shopping space                           | 187.0       | 187.2       | 169.9       | 168.8             | 169.2 | 171.6                          | 173.7           |
| Flatted factory space                    | 202.3       | 209.7       | 200.5       | 202.5             | 201.0 | 206.8                          | 213.6           |
| <u>(% change over a year earlier)</u>    |             |             |             |                   |       |                                |                 |
| Property price indices :                 |             |             |             |                   |       |                                |                 |
| Residential flats <sup>(a)</sup>         | 13.0        | 1.5         | -0.5        | -0.1              | 2.2   | 2.5                            | 3.7             |
| Office space                             | 13.9        | -2.1        | -13.7       | -5.3              | 4.7   | 11.9                           | 10.9            |
| Shopping space                           | 5.9         | -7.1        | -5.6        | 0.6               | 0.3   | 2.1                            | 9.6             |
| Flatted factory space                    | 14.1        | *           | -7.0        | -3.2              | 1.4   | 5.8                            | 8.9             |
| Property rental indices <sup>(b)</sup> : |             |             |             |                   |       |                                |                 |
| Residential flats                        | 5.7         | 0.7         | -7.3        | -7.1              | -4.9  | -0.4                           | 1.0             |
| Office space                             | 4.3         | 3.6         | -7.5        | -10.1             | -8.1  | -4.6                           | -1.2            |
| Shopping space                           | 2.5         | 0.1         | -9.2        | -7.0              | -2.8  | 2.2                            | 2.8             |
| Flatted factory space                    | 6.1         | 3.7         | -4.4        | -2.7              | *     | 4.0                            | 6.9             |

**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 <sup>(a)</sup>                       | 4,046,216   | 4,537,384   | 4,795,130   | 5,225,773   | 5,765,549   | 6,280,230   | 7,010,345   |
| M3 <sup>(a)</sup>                       | 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) <sup>(b)</sup>          |             |             |             |             |             |             |             |
| 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 <sup>(a)</sup>                       | 4.6         | 12.1        | 5.7         | 9.0         | 10.3        | 8.9         | 11.6        |
| M3 <sup>(a)</sup>                       | 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) <sup>(b)</sup>          |             |             |             |             |             |             |             |
| 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)**

|   | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2020</u><br>Q4 | Q1         | <u>2021</u><br>Q2 | Q3         |
|---|-------------|-------------|-------------|-------------------|------------|-------------------|------------|
| <u>(at end of period)</u>               |             |             |             |                   |            |                   |            |
| Hong Kong dollar money supply (\$Mn)    |             |             |             |                   |            |                   |            |
| M1                                      | 1,555,731   | 1,533,104   | 1,972,719   | 1,972,719         | 2,079,446  | 2,553,280         | 2,141,722  |
| M2 <sup>(a)</sup>                       | 7,262,451   | 7,438,789   | 7,922,089   | 7,922,089         | 8,128,388  | 8,461,821         | 8,085,088  |
| M3 <sup>(a)</sup>                       | 7,284,322   | 7,454,655   | 7,937,038   | 7,937,038         | 8,143,300  | 8,477,737         | 8,098,753  |
| Total money supply (\$Mn)               |             |             |             |                   |            |                   |            |
| M1                                      | 2,421,598   | 2,484,738   | 3,231,921   | 3,231,921         | 3,386,579  | 3,866,519         | 3,579,632  |
| M2                                      | 14,348,059  | 14,745,872  | 15,606,608  | 15,606,608        | 15,760,021 | 16,231,151        | 16,065,611 |
| M3                                      | 14,403,688  | 14,786,375  | 15,644,043  | 15,644,043        | 15,797,352 | 16,270,817        | 16,104,828 |
| Deposit (\$Mn)                          |             |             |             |                   |            |                   |            |
| HK\$                                    | 6,715,262   | 6,884,143   | 7,311,368   | 7,311,368         | 7,508,711  | 7,865,877         | 7,480,315  |
| Foreign currency                        | 6,671,119   | 6,887,444   | 7,202,247   | 7,202,247         | 7,173,630  | 7,317,676         | 7,520,132  |
| Total                                   | 13,386,381  | 13,771,586  | 14,513,615  | 14,513,615        | 14,682,341 | 15,183,554        | 15,000,447 |
| Loans and advances (\$Mn)               |             |             |             |                   |            |                   |            |
| HK\$                                    | 5,836,238   | 6,219,377   | 6,106,960   | 6,106,960         | 6,254,914  | 6,619,402         | 6,332,428  |
| Foreign currency                        | 3,886,385   | 4,157,325   | 4,391,617   | 4,391,617         | 4,535,055  | 4,630,411         | 4,693,781  |
| Total                                   | 9,722,623   | 10,376,701  | 10,498,577  | 10,498,577        | 10,789,969 | 11,249,814        | 11,026,209 |
| Nominal Effective Exchange Rate Indices |             |             |             |                   |            |                   |            |
| <u>(Jan 2010 =100)<sup>(b)</sup></u>    |             |             |             |                   |            |                   |            |
| Trade-weighted                          | 101.8       | 105.2       | 105.8       | 102.3             | 100.9      | 101.0             | 101.5      |
| Import-weighted                         | 101.7       | 104.9       | 105.4       | 102.0             | 100.7      | 100.9             | 101.4      |
| Export-weighted                         | 101.9       | 105.5       | 106.2       | 102.7             | 101.2      | 101.0             | 101.5      |
| <u>(% change over a year earlier)</u>   |             |             |             |                   |            |                   |            |
| Hong Kong dollar money supply           |             |             |             |                   |            |                   |            |
| M1                                      | -2.6        | -1.5        | 28.7        | 28.7              | 31.7       | 45.2              | -11.0      |
| M2 <sup>(a)</sup>                       | 3.6         | 2.4         | 6.5         | 6.5               | 9.2        | 10.9              | -1.9       |
| M3 <sup>(a)</sup>                       | 3.7         | 2.3         | 6.5         | 6.5               | 9.1        | 10.9              | -1.9       |
| Total money supply                      |             |             |             |                   |            |                   |            |
| M1                                      | -0.4        | 2.6         | 30.1        | 30.1              | 29.5       | 36.2              | 0.1        |
| M2                                      | 4.3         | 2.8         | 5.8         | 5.8               | 6.5        | 7.5               | 1.4        |
| M3                                      | 4.3         | 2.7         | 5.8         | 5.8               | 6.4        | 7.5               | 1.4        |
| Deposit                                 |             |             |             |                   |            |                   |            |
| HK\$                                    | 3.6         | 2.5         | 6.2         | 6.2               | 9.2        | 11.5              | -2.2       |
| Foreign currency                        | 6.4         | 3.2         | 4.6         | 4.6               | 4.0        | 4.2               | 5.6        |
| Total                                   | 5.0         | 2.9         | 5.4         | 5.4               | 6.6        | 7.9               | 1.5        |
| Loans and advances                      |             |             |             |                   |            |                   |            |
| HK\$                                    | 8.9         | 6.6         | -1.8        | -1.8              | 1.0        | 8.6               | -2.8       |
| Foreign currency                        | -1.7        | 7.0         | 5.6         | 5.6               | 1.2        | 0.7               | 4.0        |
| Total                                   | 4.4         | 6.7         | 1.2         | 1.2               | 1.1        | 5.2               | *          |
| Nominal Effective Exchange Rate Indices |             |             |             |                   |            |                   |            |
| <u>(Jan 2010 =100)<sup>(b)</sup></u>    |             |             |             |                   |            |                   |            |
| Trade-weighted                          | -2.3        | 3.3         | 0.6         | -3.9              | -5.6       | -6.9              | -4.1       |
| Import-weighted                         | -2.4        | 3.1         | 0.5         | -3.7              | -5.5       | -6.6              | -3.8       |
| Export-weighted                         | -2.3        | 3.5         | 0.7         | -3.8              | -5.8       | -7.3              | -4.3       |

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>        |                   |
|---|-------------|-------------|-------------|-------------|-------------|-------|--------------------|-------------------|
|   |             |             |             |             | Q3          | Q4    | Q1                 | Q2                |
| <b>Services Industry</b>                        |             |             |             |             |             |       |                    |                   |
| Import and export trade                         | 2.3         | 3.7         | -6.6        | -3.6        | -0.4        | 6.1   | 27.6               | 27.5              |
| Wholesale                                       | 2.8         | 4.3         | -8.3        | -7.9        | -4.5        | -0.3  | 11.2               | 12.7              |
| Retail  | 2.2         | 8.7         | -11.1       | -24.3       | -16.7       | -9.0  | 7.5                | 9.3               |
| Transportation                                  | 7.1         | 8.0         | -2.3        | -19.7       | -23.7       | -6.8  | 19.3               | 52.4              |
| <i>within which:</i>                            |             |             |             |             |             |       |                    |                   |
| Land transport                                  | 1.8         | 5.3         | 1.3         | -23.9       | -24.1       | -13.0 | -4.6               | 9.3               |
| Water transport                                 | 5.6         | 4.4         | 0.1         | 10.7        | 7.2         | 35.7  | 67.1               | 78.2              |
| Air transport                                   | 10.0        | 11.3        | -4.9        | -36.2       | -42.3       | -30.1 | -9.4               | 44.9              |
| Warehousing and storage                         | 14.1        | 12.7        | -1.4        | 11.5        | 19.7        | 27.0  | 39.0               | 37.7              |
| Courier   | 19.1        | -0.7        | -3.9        | 28.4        | 42.5        | 36.2  | 47.3               | 13.3              |
| Accommodation services <sup>(a)</sup>           | 6.0         | 10.8        | -14.3       | -59.1       | -50.9       | -33.2 | 16.1               | 58.2              |
| Food services                                   | 5.0         | 6.0         | -5.9        | -29.4       | -35.2       | -25.2 | -8.8               | 10.0              |
| Information and communications                  | 2.9         | 3.1         | 1.2         | -8.5        | -8.6        | -0.5  | 6.1                | 9.6               |
| <i>within which:</i>                            |             |             |             |             |             |       |                    |                   |
| Telecommunications                              | -3.5        | 2.2         | -2.6        | -9.0        | -9.0        | 2.0   | 7.7                | 5.4               |
| Film entertainment                              | 4.3         | 3.1         | -2.3        | -44.0       | -49.1       | -32.2 | -17.0              | 35.2              |
| Banking   | -0.1        | 6.8         | 2.8         | -8.0        | -13.8       | -12.2 | -3.7               | -8.6              |
| Financing (except banking)                      | 7.2         | 10.3        | 1.1         | 12.2        | 15.7        | 17.7  | 29.1               | 21.3              |
| <i>within which:</i>                            |             |             |             |             |             |       |                    |                   |
| Financial markets and asset management          | 1.6         | 11.6        | 0.8         | 13.2        | 19.2        | 21.4  | 36.3               | 25.9              |
| <i>within which: Asset management</i>           | 4.4         | 3.7         | 7.3         | 11.6        | 18.4        | 17.9  | 26.2               | 31.5              |
| Insurance                                       | 11.8        | 8.7         | 8.8         | 6.1         | 4.5         | 8.9   | -1.6               | 3.8               |
| Real estate                                     | 10.2        | 5.4         | 11.4        | 3.2         | 8.1         | 26.9  | 10.4               | 0.2               |
| Professional, scientific and technical services | 1.9         | 3.3         | 1.3         | -2.1        | -2.6        | -0.7  | 2.9                | 8.2               |
| Administrative and support services             | 1.5         | 3.5         | 0.4         | -25.4       | -27.4       | -25.9 | -10.6              | 11.0              |
| <b>Services Domain</b>                          |             |             |             |             |             |       |                    |                   |
| Tourism, convention and exhibition services     | 0.8         | 11.0        | -18.9       | -87.1       | -90.7       | -85.2 | -72.1 <sup>+</sup> | 57.9 <sup>+</sup> |
| Computer and information technology services    | 1.4         | 2.9         | -7.2        | -3.2        | -0.1        | 2.4   | 22.8               | 15.2              |

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> |         |
|--|-------------|-------------|-------------|-------------|-------------|-------------|---------|-------------|---------|
|  |             |             |             |             |             | Q4          | Q1      | Q2          | Q3      |
| <u>(%)</u>   |             |             |             |             |             |             |         |             |         |
| Labour force participation rate                      | 61.1        | 61.1        | 61.2        | 60.6        | 59.6        | 59.6        | 59.6    | 59.5        | 59.3    |
| Seasonally adjusted unemployment rate <sup>(a)</sup> | 3.4         | 3.1         | 2.8         | 2.9         | 5.8         | 6.5         | 6.8     | 5.5         | 4.5     |
| Underemployment rate                                 | 1.4         | 1.2         | 1.1         | 1.1         | 3.3         | 3.4         | 3.8     | 2.5         | 2.1     |
| <u>('000)</u>  |             |             |             |             |             |             |         |             |         |
| Population of working age                            | 6 420.9     | 6 463.3     | 6 506.4     | 6 549.1     | 6 528.3     | 6 503.7     | 6 498.9 | 6 472.0     | 6 472.4 |
| Labour force   | 3 920.1     | 3 946.6     | 3 979.0     | 3 966.2     | 3 888.2     | 3 874.4     | 3 873.9 | 3 853.1     | 3 838.6 |
| Persons employed                                     | 3 787.1     | 3 823.2     | 3 867.0     | 3 849.9     | 3 661.6     | 3 630.2     | 3 614.1 | 3 640.1     | 3 658.0 |
| Persons unemployed                                   | 133.0       | 123.4       | 112.0       | 116.3       | 226.6       | 244.2       | 259.8   | 213.1       | 180.6   |
| Persons underemployed                                | 54.7        | 45.6        | 43.2        | 42.0        | 129.5       | 133.3       | 148.4   | 96.0        | 79.0    |
| <u>(% change over a year earlier)</u>                |             |             |             |             |             |             |         |             |         |
| Population of working age                            | 0.6         | 0.7         | 0.7         | 0.7         | -0.3        | -1.0        | -0.8    | -0.9        | -0.4    |
| Labour force   | 0.4         | 0.7         | 0.8         | -0.3        | -2.0        | -1.9        | -0.7    | -0.7        | -0.9    |
| Persons employed                                     | 0.4         | 1.0         | 1.1         | -0.4        | -4.9        | -5.1        | -3.3    | *           | 1.1     |
| Persons unemployed                                   | 2.8         | -7.2        | -9.2        | 3.8         | 94.9        | 96.6        | 58.7    | -12.1       | -29.3   |
| Persons underemployed                                | 2.5         | -16.5       | -5.3        | -2.8        | 208.3       | 180.6       | 76.8    | -33.4       | -47.1   |

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

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

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

| Selected major industries   | 2016       | 2017 | 2018 | 2019 | 2020  | 2020                           |       |      | 2021 |         |
|---|------------|------|------|------|-------|--------------------------------|-------|------|------|---------|
|   | (% change) |      |      |      |       | Sep                            | Dec   | Mar  | Jun  | (No.)   |
|   |            |      |      |      |       | (% change over a year earlier) |       |      |      |         |
| Manufacturing   | -3.6       | -3.3 | -3.0 | -3.5 | -4.0  | -3.5                           | -4.1  | -3.6 | -6.0 | 79 160  |
| Construction sites<br>(covering manual workers only)                            | 13.3       | 10.1 | -5.8 | -9.0 | -4.5  | -3.1                           | -3.8  | 1.6  | 8.6  | 106 069 |
| Import and export trade   | -0.7       | -0.4 | -0.6 | -5.7 | -11.0 | -11.6                          | -11.6 | -8.6 | -3.5 | 383 982 |
| Wholesale   | -0.8       | -0.6 | -0.9 | -4.0 | -8.8  | -8.6                           | -10.1 | -8.4 | -2.9 | 50 915  |
| Retail  | -1.1       | 0.5  | 1.7  | -1.7 | -6.3  | -6.5                           | -4.1  | -2.0 | -0.5 | 248 082 |
| Food and beverage services  | -0.2       | 0.3  | 2.8  | -2.3 | -13.6 | -13.5                          | -13.6 | -7.2 | 1.0  | 214 972 |
| Accommodation services <sup>(a)</sup>   | -2.1       | 0.3  | 4.8  | 1.8  | -14.7 | -15.4                          | -19.1 | -9.4 | 3.1  | 37 009  |
| Transportation, storage, postal and<br>courier services                         | 0.5        | 0.2  | 0.6  | 0.3  | -3.7  | -3.0                           | -7.5  | -6.7 | -4.2 | 168 707 |
| Information and communications  | 0.7        | 0.9  | 1.5  | 1.9  | -0.3  | -0.1                           | -0.3  | -0.4 | -1.8 | 108 791 |
| Financing and insurance   | 0.8        | 1.5  | 2.6  | 2.9  | 0.6   | 0.7                            | 0.1   | -0.8 | 0.1  | 238 885 |
| Real estate   | -0.1       | 1.3  | 2.0  | 1.2  | 0.4   | 1.1                            | 1.2   | 1.9  | 2.4  | 138 456 |
| Professional and business services<br>(excluding cleaning and similar services) | 1.9        | 2.1  | 3.2  | 1.5  | -0.3  | *                              | *     | 0.3  | 0.2  | 306 657 |
| Cleaning and similar services   | 0.5        | 0.7  | -1.4 | -0.3 | 0.3   | 0.5                            | 1.2   | 1.6  | 2.1  | 81 723  |
| Education   | 2.3        | 1.6  | 1.8  | 1.7  | -1.0  | -1.1                           | -1.3  | 0.1  | -0.1 | 203 738 |
| Human health services   | 4.3        | 3.5  | 3.4  | 4.7  | 4.1   | 4.1                            | 3.4   | 4.0  | 3.3  | 145 106 |
| Residential care and social work services                                       | 3.0        | 1.0  | 1.0  | 2.4  | 0.4   | -0.1                           | -1.6  | -0.3 | 0.4  | 65 996  |
| Arts, entertainment, recreation and<br>other services                           | -2.2       | -0.6 | 1.4  | 0.8  | -5.4  | -6.2                           | -6.1  | -2.6 | -2.7 | 117 639 |
| Civil service <sup>(b)</sup>  | 1.2        | 1.6  | 2.1  | 2.2  | 0.7   | 0.1                            | -0.2  | -0.1 | -0.3 | 176 876 |
| Others <sup>(c)</sup>   | 0.8        | 2.1  | *    | 1.5  | -1.7  | -0.4                           | 0.5   | 2.5  | 2.2  | 11 424  |

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>    |                |
|---------------------------------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|----------------|----------------|
|                                       |                |                |                |                |               | Sep           | Dec           | Mar            | Jun            |
| <u>(Number)</u>                       |                |                |                |                |               |               |               |                |                |
| Building sites                        |                |                |                |                |               |               |               |                |                |
| Private sector                        | 60 243         | 65 985         | 65 700         | 62 903         | 54 957        | 52 209        | 52 839        | 57 539         | 59 480         |
| Public sector <sup>(a)</sup>          | 16 030         | 21 660         | 21 604         | 19 257         | 22 982        | 23 016        | 23 933        | 25 460         | 24 750         |
| Sub-total                             | 76 273         | 87 645         | 87 303         | 82 160         | 77 939        | 75 225        | 76 772        | 82 999         | 84 230         |
| Civil engineering sites               |                |                |                |                |               |               |               |                |                |
| Private sector                        | 1 386          | 979            | 1 729          | 2 483          | 2 180         | 1 866         | 2 079         | 2 034          | 2 911          |
| Public sector <sup>(a)</sup>          | 30 141         | 30 050         | 22 816         | 17 108         | 17 064        | 16 819        | 17 266        | 17 669         | 18 928         |
| Sub-total                             | 31 526         | 31 029         | 24 546         | 19 591         | 19 244        | 18 685        | 19 345        | 19 703         | 21 839         |
| <b>Total</b>                          | <b>107 799</b> | <b>118 674</b> | <b>111 849</b> | <b>101 750</b> | <b>97 182</b> | <b>93 910</b> | <b>96 117</b> | <b>102 702</b> | <b>106 069</b> |
| <u>(% change over a year earlier)</u> |                |                |                |                |               |               |               |                |                |
| Building sites                        |                |                |                |                |               |               |               |                |                |
| Private sector                        | 19.6           | 9.5            | -0.4           | -4.3           | -12.6         | -13.1         | -11.8         | -3.2           | 7.5            |
| Public sector <sup>(a)</sup>          | 3.6            | 35.1           | -0.3           | -10.9          | 19.3          | 26.4          | 11.7          | 16.7           | 6.9            |
| Sub-total                             | 15.8           | 14.9           | -0.4           | -5.9           | -5.1          | -3.9          | -5.6          | 2.1            | 7.3            |
| Civil engineering sites               |                |                |                |                |               |               |               |                |                |
| Private sector                        | -13.9          | -29.3          | 76.6           | 43.6           | -12.2         | -24.7         | -11.6         | -21.7          | 33.7           |
| Public sector <sup>(a)</sup>          | 9.0            | -0.3           | -24.1          | -25.0          | -0.3          | 4.4           | 6.3           | 2.8            | 11.5           |
| Sub-total                             | 7.7            | -1.6           | -20.9          | -20.2          | -1.8          | 0.5           | 4.1           | -0.4           | 14.0           |
| <b>Total</b>                          | <b>13.3</b>    | <b>10.1</b>    | <b>-5.8</b>    | <b>-9.0</b>    | <b>-4.5</b>   | <b>-3.1</b>   | <b>-3.8</b>   | <b>1.6</b>     | <b>8.6</b>     |

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

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



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

|  | (%)         |             |             |             |             |             |            |             |            |
|--|-------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|------------|
|  | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2020</u> |            | <u>2021</u> |            |
| Selected industry sections                               |             |             |             |             |             | Q3          | Q4         | Q1          | Q2         |
| <b>(in nominal terms)</b>                                |             |             |             |             |             |             |            |             |            |
| Manufacturing  | 3.5         | 3.4         | 4.0         | 3.8         | -0.1        | -1.3        | -1.1       | -1.8        | -0.8       |
| Import/export and wholesale trades                       | 2.3         | 2.9         | 3.2         | 2.3         | 0.5         | *           | -0.1       | -0.5        | -0.1       |
| Retail trade   | 2.4         | 3.3         | 3.0         | 2.3         | 0.1         | -0.3        | -0.4       | -0.3        | -0.1       |
| Transportation, storage, postal and courier services     | 3.3         | 3.4         | 4.1         | 3.9         | -5.4        | -5.4        | -10.5      | -8.2        | -4.2       |
| Accommodation <sup>(a)</sup> and food service activities | 5.1         | 4.7         | 5.3         | 4.7         | -2.9        | -4.1        | -4.2       | -5.3        | -2.1       |
| Information and communications                           | 3.4         | 3.3         | 3.3         | 3.9         | 2.3         | 1.7         | 1.7        | 1.2         | 1.8        |
| Financial and insurance activities                       | 2.7         | 3.0         | 3.1         | 3.0         | 1.7         | 1.6         | 1.6        | 1.4         | 1.7        |
| Real estate activities                                   | 4.2         | 4.3         | 4.3         | 4.1         | 1.5         | 1.2         | 1.1        | 1.1         | 1.3        |
| Professional and business services                       | 5.1         | 4.2         | 4.6         | 3.8         | 1.6         | 1.3         | 1.2        | 1.1         | 1.3        |
| Social and personal services                             | 2.5         | 3.1         | 4.3         | 2.3         | 6.2         | 4.6         | 5.6        | -1.7        | 1.5        |
| <b>All selected industry sections surveyed</b>           | <b>3.7</b>  | <b>3.7</b>  | <b>3.9</b>  | <b>3.4</b>  | <b>2.4</b>  | <b>2.0</b>  | <b>1.8</b> | <b>0.7</b>  | <b>1.1</b> |
| <b>(in real terms)</b>                                   |             |             |             |             |             |             |            |             |            |
| Manufacturing  | 1.0         | 2.0         | 1.6         | 0.9         | -0.4        | 0.5         | -0.5       | -3.0        | -1.6       |
| Import/export and wholesale trades                       | -0.1        | 1.4         | 0.8         | -0.5        | 0.2         | 1.8         | 0.4        | -1.7        | -0.9       |
| Retail trade   | *           | 1.8         | 0.6         | -0.5        | -0.1        | 1.5         | 0.2        | -1.6        | -0.9       |
| Transportation, storage, postal and courier services     | 0.9         | 1.9         | 1.6         | 1.0         | -5.6        | -3.7        | -10.0      | -9.3        | -5.0       |
| Accommodation <sup>(a)</sup> and food service activities | 2.6         | 3.2         | 2.8         | 1.8         | -3.2        | -2.3        | -3.6       | -6.4        | -2.9       |
| Information and communications                           | 1.0         | 1.9         | 0.8         | 0.9         | 2.0         | 3.5         | 2.3        | -0.1        | 0.9        |
| Financial and insurance activities                       | 0.3         | 1.6         | 0.7         | 0.2         | 1.2         | 3.5         | 2.2        | 0.1         | 0.8        |
| Real estate activities                                   | 1.7         | 2.8         | 1.9         | 1.1         | 1.3         | 3.0         | 1.7        | -0.1        | 0.5        |
| Professional and business services                       | 2.6         | 2.7         | 2.2         | 0.9         | 1.4         | 3.1         | 1.8        | -0.1        | 0.5        |
| Social and personal services                             | 0.1         | 1.6         | 1.8         | -0.6        | 6.0         | 6.5         | 6.2        | -2.9        | 0.7        |
| <b>All selected industry sections surveyed</b>           | <b>1.3</b>  | <b>2.3</b>  | <b>1.5</b>  | <b>0.5</b>  | <b>2.1</b>  | <b>3.8</b>  | <b>2.4</b> | <b>-0.5</b> | <b>0.2</b> |

Notes: The rates of change in real terms are compiled from the Real Indices of Payroll per Person Engaged. The Indices are derived by deflating the Nominal Indices of Payroll per Person Engaged by the 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**

(%)

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

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.

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

**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 <sup>(a)</sup>  | 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 <sup>(b)</sup>         | 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 <sup>(c)</sup>  | 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 <sup>(d)</sup>   | 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 <sup>(e)</sup>   | 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 <sup>(f)</sup>  | 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 <sup>(g)</sup>   | 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          |
| <b>All industry sections above</b>  | <b>13,100</b>   | <b>18,200</b>   | <b>28,200</b>   | <b>13,200</b>   | <b>18,400</b>   | <b>28,800</b>   |

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 <sup>(a)</sup>  | 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 <sup>(b)</sup>         | 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 <sup>(c)</sup>  | 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 <sup>(d)</sup>   | 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 <sup>(e)</sup>   | 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 <sup>(f)</sup>  | 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 <sup>(g)</sup>   | 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           |
| <b>All industry sections above</b>  | <b>52.2</b>     | <b>73.0</b>     | <b>114.9</b>    | <b>52.8</b>     | <b>74.4</b>     | <b>117.6</b>    |

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 <sup>(a)</sup> :               |             |             |             |             |             |             |             |             |
| 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 <sup>(b)</sup>                   | -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: |  |
|---|-------------|-------------|-------------|------|-------------|------|--------------|--------------------------------|--|
|   |             |             | Q4          | Q1   | Q2          | Q3   | 10 years     | 5 years                        |  |
|   |             |             |             |      |             |      | 2010 to 2020 | 2015 to 2020                   |  |
| GDP deflator <sup>#</sup>                             | 2.0         | 0.6         | -1.2        | -0.8 | *           | 0.7  | 2.7          | 2.2                            |  |
| Domestic demand deflator <sup>#</sup>                 | 2.4         | 0.8         | -0.4        | -1.5 | -0.9        | -0.1 | 2.6          | 2.1                            |  |
| Consumer Price Indices <sup>(a)</sup> :               |             |             |             |      |             |      |              |                                |  |
| Composite CPI   | 2.9         | 0.3         | -0.6        | 1.2  | 0.8         | 2.3  | 3.0          | 1.9                            |  |
| CPI(A)  | 3.3         | -0.6        | -0.7        | 3.3  | 1.6         | 4.0  | 3.4          | 1.9                            |  |
| CPI(B)  | 2.7         | 0.6         | -0.6        | 0.3  | 0.4         | 1.4  | 3.0          | 1.9                            |  |
| CPI(C)  | 2.6         | 0.8         | -0.3        | *    | 0.4         | 1.3  | 2.8          | 1.8                            |  |
| Unit Value Indices :                                  |             |             |             |      |             |      |              |                                |  |
| Total exports of goods                                | 1.1         | -0.6        | -0.1        | 1.0  | 5.0         | 6.1  | 1.8          | 0.6                            |  |
| Imports of goods                                      | 1.3         | -0.7        | -0.1        | 1.1  | 4.7         | 6.5  | 1.7          | 0.7                            |  |
| Terms of Trade Index <sup>(b)</sup>                   | -0.1        | *           | *           | -0.1 | 0.3         | -0.4 | 0.1          | -0.1                           |  |
| Producer Price Index for all manufacturing industries | 1.0         | 2.3         | 2.9         | 1.9  | 2.7         | N.A. | 1.1          | 2.1                            |  |
| Tender Price Indices :                                |             |             |             |      |             |      |              |                                |  |
| Public sector   |             |             |             |      |             |      |              |                                |  |
| building projects                                     | -2.6        | -3.0        | -1.6        | -0.6 | N.A.        | N.A. | 3.1          | -1.6                           |  |
| Public housing projects                               | -1.8        | -2.7        | -3.3        | -0.7 | N.A.        | 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>                |
|------------------------------------|---------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>All items</b>                   | <b>100.00</b> | <b>5.3</b><br><b>(5.3)</b> | <b>4.1</b><br><b>(4.7)</b> | <b>4.3</b><br><b>(4.0)</b> | <b>4.4</b><br><b>(3.5)</b> | <b>3.0</b><br><b>(2.5)</b> | <b>2.4</b><br><b>(2.3)</b> | <b>1.5</b><br><b>(1.7)</b> |
| 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 <sup>(a)</sup>             | 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        | <u>2018</u>                | <u>2019</u>                | <u>2020</u>                | <u>2020</u>                 | <u>2021</u>                 |                            |                            | Average annual rate of change: |                            |
|------------------------------------|---------------|----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|
|                                    |               |                            |                            |                            | Q4                          | Q1                          | Q2                         | Q3                         | 10 years<br>2010 to<br>2020    | 5 years<br>2015 to<br>2020 |
| <b>All items</b>                   | <b>100.00</b> | <b>2.4</b><br><b>(2.6)</b> | <b>2.9</b><br><b>(3.0)</b> | <b>0.3</b><br><b>(1.3)</b> | <b>-0.6</b><br><b>(0.3)</b> | <b>1.2</b><br><b>(-0.2)</b> | <b>0.8</b><br><b>(0.3)</b> | <b>2.3</b><br><b>(1.1)</b> | <b>3.0</b><br><b>(3.1)</b>     | <b>1.9</b><br><b>(2.3)</b> |
| Food                               | 27.41         | 3.4                        | 4.9                        | 3.3                        | 1.5                         | 0.7                         | 0.9                        | 2.6                        | 4.2                            | 3.4                        |
| <i>Meals out and takeaway food</i> | 17.05         | 2.9                        | 2.2                        | 0.8                        | 0.5                         | *                           | 1.0                        | 3.6                        | 3.6                            | 2.4                        |
| <i>Basic food</i>                  | 10.36         | 4.3                        | 9.9                        | 7.7                        | 3.3                         | 1.8                         | 1.1                        | 1.0                        | 5.4                            | 5.3                        |
| Housing <sup>(a)</sup>             | 40.25         | 2.5                        | 3.5                        | -0.1                       | 0.4                         | 1.7                         | -0.7                       | 1.0                        | 4.3                            | 2.3                        |
| <i>Private housing rent</i>        | 35.46         | 2.2                        | 3.1                        | 1.1                        | -0.3                        | -1.0                        | -1.6                       | -1.6                       | 4.2                            | 2.3                        |
| <i>Public housing rent</i>         | 1.87          | 4.1                        | 7.1                        | -21.0                      | 8.3                         | 59.2                        | 11.0                       | 100.3                      | 4.4                            | -0.6                       |
| Electricity, gas and water         | 2.82          | 4.9                        | -5.4                       | -20.6                      | -28.2                       | 25.4                        | 26.0                       | 20.5                       | -0.9                           | -4.8                       |
| Alcoholic drinks and tobacco       | 0.49          | 1.3                        | 1.2                        | 0.5                        | 1.0                         | 0.6                         | -0.1                       | -0.4                       | 3.4                            | 1.0                        |
| Clothing and footwear              | 2.42          | 1.6                        | -1.7                       | -5.2                       | -5.2                        | -1.5                        | 2.1                        | 5.4                        | 0.1                            | -1.9                       |
| Durable goods                      | 4.00          | -2.0                       | -1.9                       | -2.7                       | -1.7                        | -0.5                        | 0.7                        | 2.1                        | -3.4                           | -3.0                       |
| Miscellaneous goods                | 3.32          | 1.3                        | 2.5                        | 3.1                        | 3.5                         | -4.2                        | -4.1                       | -2.8                       | 2.1                            | 1.9                        |
| Transport                          | 6.17          | 1.6                        | 2.0                        | -1.0                       | -2.7                        | -2.8                        | 2.4                        | 5.9                        | 1.8                            | 1.3                        |
| Miscellaneous services             | 13.12         | 2.1                        | 2.0                        | 0.8                        | 0.4                         | 0.5                         | 0.6                        | 0.8                        | 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         |
| <b>Gross Domestic Product</b>          | <b>3.9</b>  | <b>3.5</b>  | <b>1.8</b>  | <b>2.9</b>  | <b>3.6</b>  | <b>1.6</b>  | <b>2.9</b>  |
| 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 merchanting under the standards stipulated in the *System of National Accounts 2008*.

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

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

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

(%)

|   | <u>2018</u> | <u>2019<sup>#</sup></u> | <u>2020<sup>#</sup></u> | <u>2020</u>     |                 | <u>2021</u>     |                 | Average annual<br>rate of change:        |   |
|---|-------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|--|---|
|   |             |                         |                         | Q4 <sup>#</sup> | Q1 <sup>#</sup> | Q2 <sup>#</sup> | Q3 <sup>#</sup> | 10 years<br>2010 to<br>2020 <sup>#</sup> | 5 years<br>2015 to<br>2020 <sup>#</sup> |
| Private consumption<br>expenditure        | 3.1         | 2.7                     | 0.6                     | -1.0            | -1.6            | -0.9            | -0.6            | 2.4                                      | 2.1                                     |
| Government consumption<br>expenditure     | 3.3         | 4.7                     | 2.1                     | 0.1             | -0.3            | 0.1             | 0.8             | 4.0                                      | 3.2                                     |
| Gross domestic fixed<br>capital formation | 4.6         | -0.1                    | -0.5                    | -2.3            | -3.8            | -1.3            | 0.6             | 2.6                                      | 1.6                                     |
| Total exports of goods                    | 2.2         | 1.1                     | 0.1                     | 0.1             | 1.3             | 4.7             | 5.2             | 1.4                                      | 0.7                                     |
| Imports of goods                          | 2.3         | 1.3                     | 0.1                     | 0.6             | 1.2             | 4.4             | 5.5             | 1.5                                      | 0.7                                     |
| Exports of services                       | 4.5         | -0.3                    | -0.8                    | 3.2             | 7.5             | 14.2            | 17.3            | 1.4                                      | 0.9                                     |
| Imports of services                       | 2.8         | -1.0                    | -0.4                    | 4.4             | 5.2             | 12.6            | 13.6            | 0.5                                      | 0.5                                     |
| <b>Gross Domestic Product</b>             | <b>3.7</b>  | <b>2.0</b>              | <b>0.6</b>              | <b>-1.2</b>     | <b>-0.8</b>     | *               | <b>0.7</b>      | <b>2.7</b>                               | <b>2.2</b>                              |
| Total final demand                        | 2.8         | 1.4                     | 0.3                     | 0.1             | 0.7             | 3.3             | 4.2             | 1.8                                      | 1.2                                     |
| Domestic demand                           | 3.4         | 2.4                     | 0.8                     | -0.4            | -1.5            | -0.9            | -0.1            | 2.6                                      | 2.1                                     |

