



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

The Government released the First Quarter Economic Report 2022 on 13 May. The Economic Report, together with the press release containing the updated economic forecasts for the whole year of 2022, has been furnished to Legislative Council Members.

This paper analyses Hong Kong's overall economic development in the most recent period and the outlook for the second half of 2022, and summarises the updated economic forecasts by the Government for 2022 as a whole.

Office of the Government Economist  
Financial Secretary's Office  
30 May 2022

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

## Introduction

This paper analyses the latest development of the Hong Kong economy, briefly discusses the outlook for the second half of 2022 and provides updated economic forecasts by the Government for 2022 as a whole.

## Recent economic situation

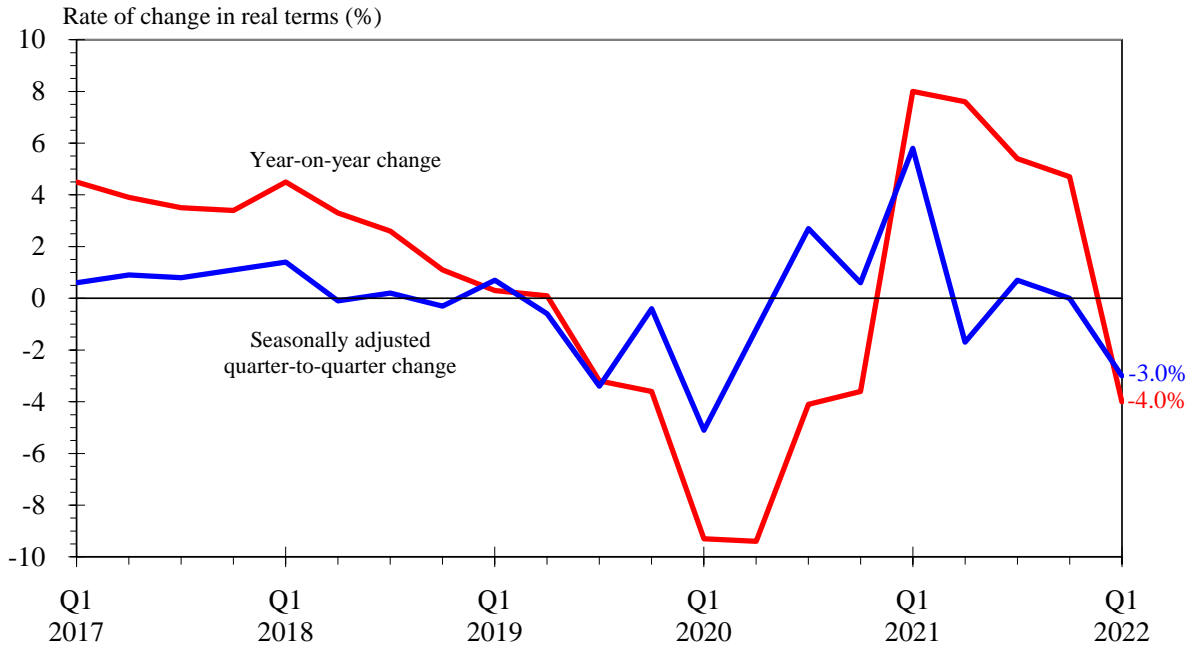
2. Growth momentum of the global economy slowed in the first quarter. Surging inflation curtailed purchasing power and weighed on demand growth in the advanced economies. The rapid spread of Omicron disrupted global economic activities and dampened sentiment. The tense situation of Russia-Ukraine conflicts further dragged global economic growth through pushing up international energy and commodity prices, and aggravating supply chain and transportation disruptions. With inflation pressure turning more intensive, many major central banks have stepped up and expedited monetary policy tightening. In April, the International Monetary Fund (“IMF”) downgraded its global economic growth projection for this year to 3.6%, 0.8 percentage point lower than its forecast in January, and remarked that the global economy would be subject to unusually high uncertainty. It also projected that inflation would accelerate further.

3. As the fifth wave of epidemic and tightened social distancing measures weighed heavily on a wide range of economic activities as well as economic sentiment, the Hong Kong economy saw a marked deterioration in the first quarter of this year. Real Gross Domestic Product (“GDP”) fell by 4.0% year-on-year<sup>(1)</sup>, reversing the growth trend in the previous four quarters. On a seasonally adjusted quarter-to-quarter comparison, real GDP decreased by 3.0% (**Chart 1**). Slower global demand growth and epidemic-induced cross-boundary transportation disruptions also posed significant drags to exports.

---

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

**Chart 1 : Real GDP contracted in the first quarter of 2022**

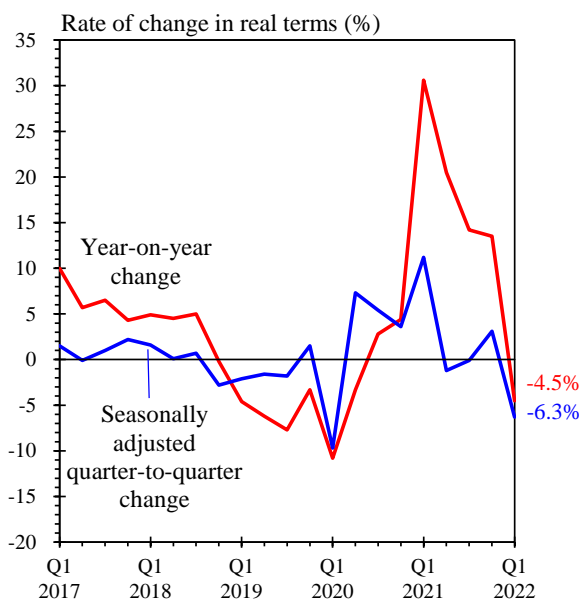


## External trade

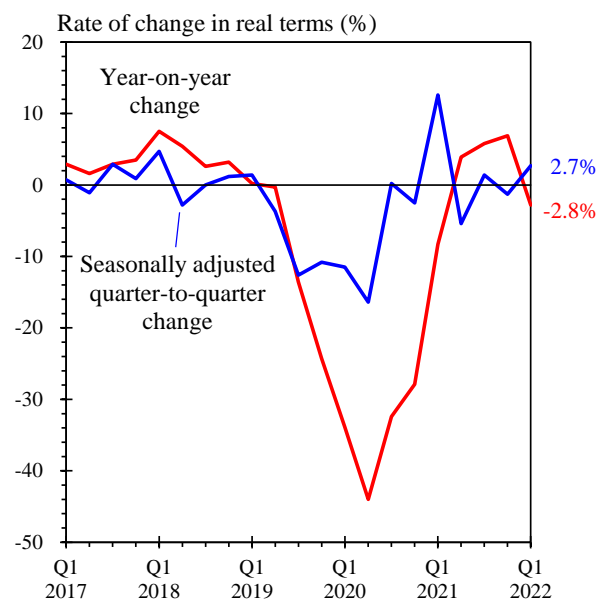
4. Hong Kong's total exports of goods fell by 4.5% in the first quarter, in stark contrast to the increase of 13.5% in the preceding quarter (**Chart 2(a)**). In addition to the slower growth in external demand, disruptions to cross-boundary cargo flows between the Mainland and Hong Kong amid the fifth wave of epidemic also constrained export performance in the latter part of the quarter. Moreover, export performance was also affected by an exceptionally high base of comparison in the same period last year. Analysed by major market, exports to the Mainland turned to a sharp decline, while those to the US and the EU posted moderated growth. Growth in exports to other major markets in Asia remained robust, but the pace decelerated in general.

5. Hong Kong's exports of services contracted by 2.8% in the first quarter, after growing by 6.9% in the fourth quarter of last year (**Chart 2(b)**). Exports of transport services declined as cargo movements shrank and passenger flows remained scant. Exports of business and other services also fell along with decelerated global economic growth, while exports of financial services declined amid moderated cross-border financial and fund-raising activities. Meanwhile, exports of travel services stayed at a very low level as inbound tourism remained frozen.

**Chart 2(a) : Total exports of goods worsened abruptly**



**Chart 2(b) : Exports of services contracted from a year earlier**

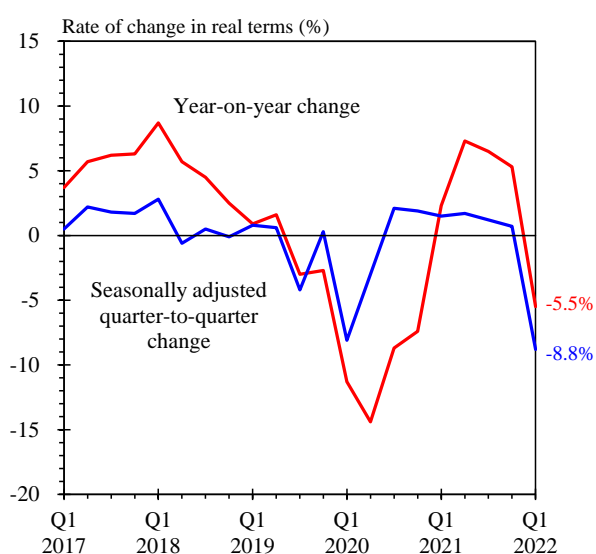


## Domestic sector

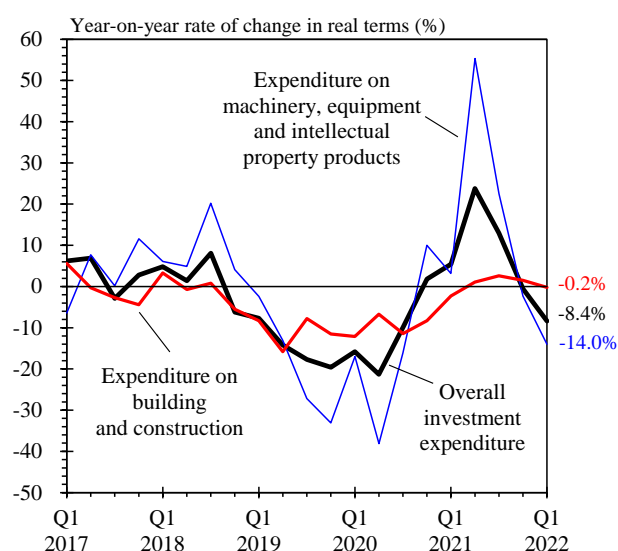
6. Domestic demand weakened markedly in the first quarter. Private consumption expenditure declined by 5.5% in the first quarter of this year, having increased by 5.3% in the preceding quarter (*Chart 3(a)*). The austere epidemic situation and the tightening of various social distancing measures led to a drastic fall in people flow and seriously hit consumption activities. The deteriorating labour market also further dampened consumption sentiment. The retail and food services sectors were the hardest hit. The value of total retail sales and restaurant receipts fell by 7.6% and 23.1% respectively in the first quarter, with particularly notable declines in February and March.

7. Overall investment spending in terms of gross domestic fixed capital formation dropped by 8.4% in the first quarter, enlarged from the 0.6% decrease in the preceding quarter (*Chart 3(b)*). Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products fell by 14.0% as business sentiment worsened. Overall expenditure on building and construction as a whole declined by 0.2% as the decrease in private sector spending offset the increase in public sector spending. The costs of ownership transfer (including expenditure on stamp duties, legal fees, agents' commissions, etc.) plunged along with sharp falls in both residential and non-residential property transactions.

**Chart 3(a) : Private consumption expenditure turned to a fall**



**Chart 3(b) : Overall investment expenditure posted an enlarged decline**



## Labour market

8. The labour market was under severe pressure amid the fifth wave of epidemic. Compared with the fourth quarter of last year (i.e. before the fifth wave of epidemic), the seasonally adjusted unemployment rate increased notably by 1.4 percentage points to 5.4% in February – April 2022. The underemployment rate also increased markedly by 2.1 percentage points to 3.8% (**Chart 4**). Total employment decreased by 3.9% (or 145 900) to around 3 559 200. The number of unemployed persons increased markedly by 41.9% (or 60 900) to around 206 100, and the number of underemployed persons also surged by 112.9% (or 75 300) to around 142 000. Yet, the labour market situation showed stabilisation of late amid the gradual receding of the local epidemic from its peak and parallel revival of local economic activities.

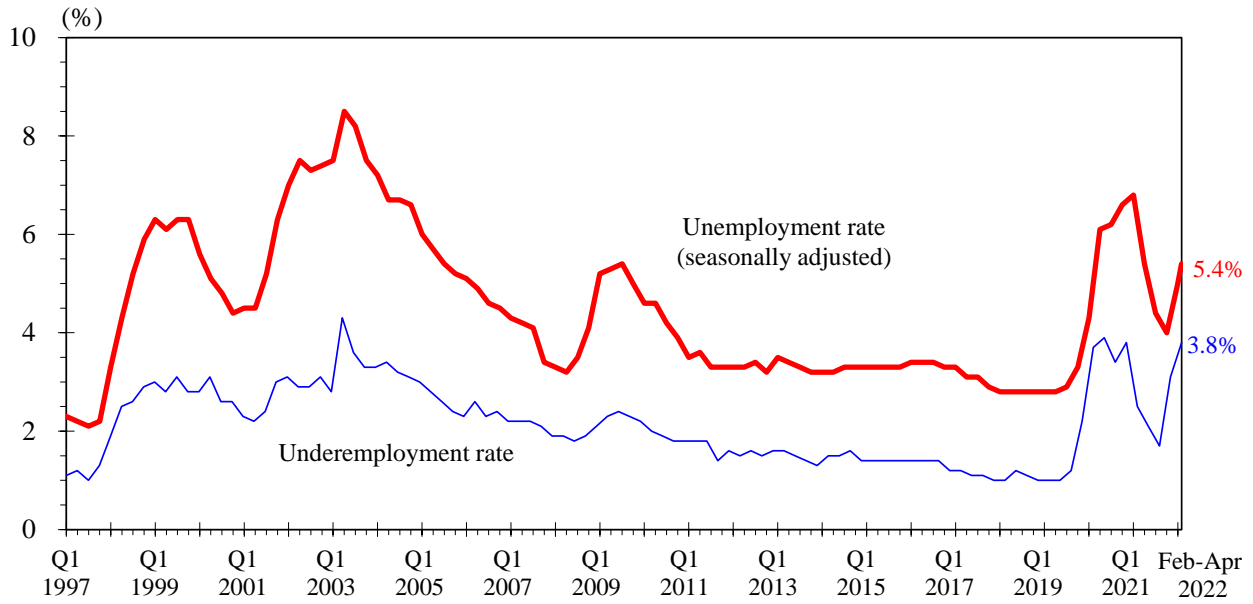
9. Compared with the fourth quarter of last year, the unemployment rates of most major sectors increased in February – April 2022. The unemployment rate of the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors) combined surged by 4.5 percentage points to 10.0%. Among these sectors, the unemployment rates of the food and beverage services sector and the retail sector surged by 6.9 and 3.0 percentage points to 12.9% and 8.3% respectively, which were the major factors contributing to a notable increase of 2.5 percentage points in the unemployment rate of the low-paying sectors (“LPS”)<sup>(2)</sup> to 5.9%<sup>(3)</sup> (**Chart 5**). The unemployment rates of the arts, entertainment and recreation sector, and the construction sector also increased sizably by 7.7 and 3.5 percentage points to 11.7% and 8.7% respectively.

---

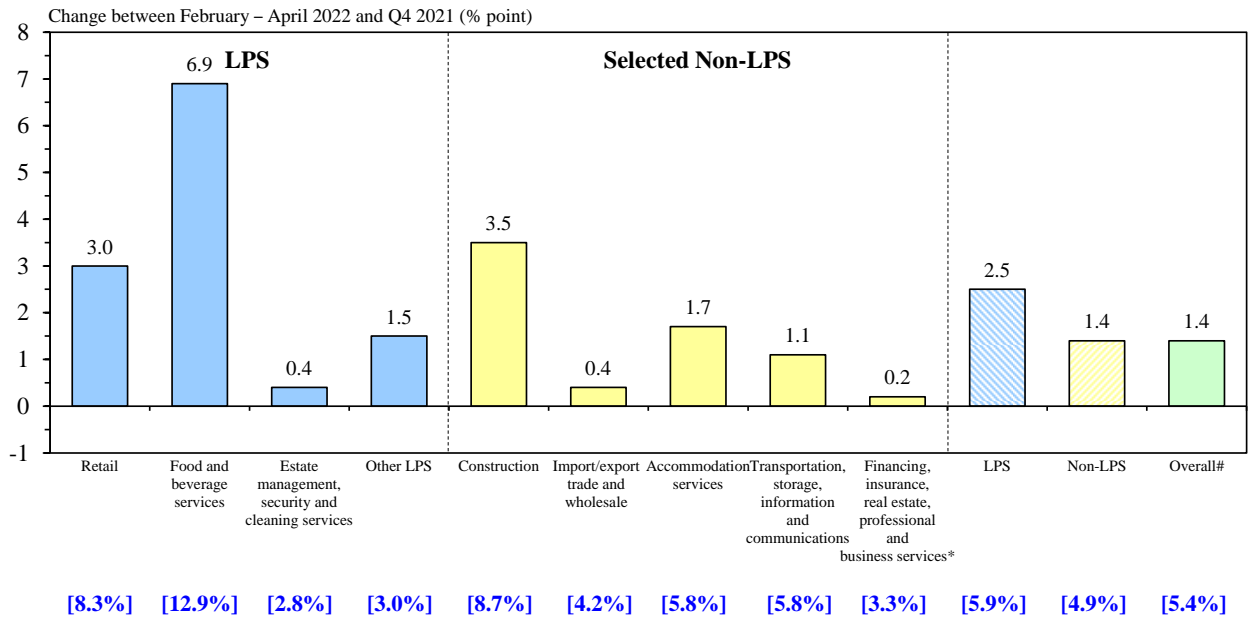
(2) The Minimum Wage Commission identifies LPS as (i) retail; (ii) food and beverage services; (iii) estate management, security and cleaning services; and (iv) other LPS, including elderly homes; laundry and dry cleaning services; hairdressing and other personal services; local courier services; and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

(3) Within LPS, the unemployment rate of the estate management, security and cleaning services sector and that of other LPS also went up in February – April 2022 compared with the fourth quarter of 2021, but their increases were smaller. The unemployment rates of the two rose by 0.4 and 1.5 percentage points to 2.8% and 3.0% respectively.

**Chart 4 : The labour market was under severe pressure amid the fifth wave of epidemic**



**Chart 5 : The unemployment rate of the low-paying sectors as a whole increased visibly in February – April 2022 as compared with the fourth quarter last year**



Notes: Figures in square brackets refer to the unemployment rate for that sector in February – April 2022 (provisional figures).

(\*) Excluding real estate maintenance management, security and cleaning services.

(#) Seasonally adjusted, and including first-time job-seekers and re-entrants into the labour force.

10. Analysed by skill segment, the unemployment rates of both the lower-skilled workers and the higher-skilled workers went up in February – April 2022 compared with the fourth quarter of last year, and the former was visibly higher than the latter. The unemployment rate of the lower-skilled workers increased visibly by 2.5 percentage points to 6.5%, and that of the higher-skilled workers increased by 0.9 percentage point to 3.4%.

11. Both nominal wages and labour earnings on average showed slightly faster increases before the outbreak of the fifth wave of epidemic, thanks to the economic recovery at that time. The year-on-year increase in average wage rates in nominal terms accelerated from 1.3% in September 2021 to 1.8% in December 2021. Labour earnings (as measured by the nominal index of payroll per person engaged) likewise saw its year-on-year increase in nominal terms accelerate from 1.1% in the third quarter of 2021 to 1.5% in the fourth quarter of 2021. Yet, more recent General Household Survey data showed that the increase in nominal earnings of low-income workers decelerated slightly amid the fifth wave of epidemic. In the first quarter of 2022, average monthly employment earnings of full-time employees (excluding foreign domestic helpers) of the lowest three decile groups combined rose by 3.8% year-on-year in nominal terms, slightly slower than the 4.0% increase in the preceding quarter, but was still faster than the headline and underlying<sup>(4)</sup> Consumer Price Index (A) inflation rates in the same quarter, which were 1.5% and 1.6% respectively. Meanwhile, the median monthly household income (excluding foreign domestic helpers) rose visibly by 6.3% year-on-year in nominal terms in the first quarter of 2022, partly due to a low base of comparison. Please refer to *Annex* for details on the recent situation of household income.

---

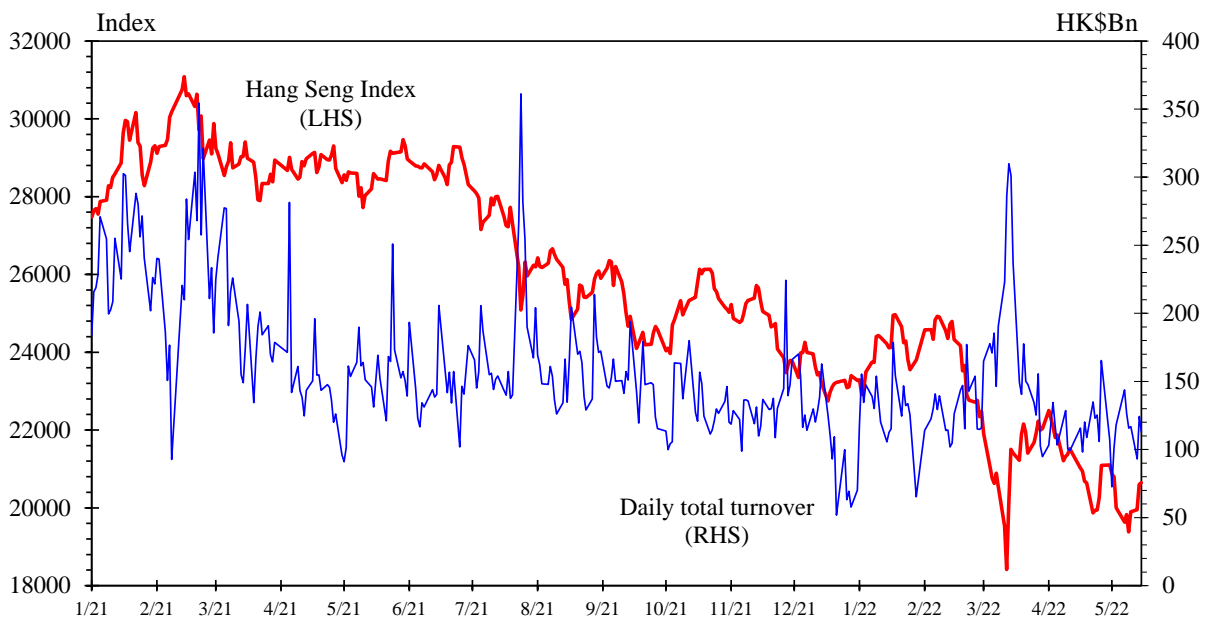
(4) The compilation has netted out the effects of the Government's one-off relief measures.



## Asset markets

12. The local stock market exhibited substantial volatility this year so far. As market sentiment was dampened by concerns over the impending tightening of US monetary policy, the tension between Russia and Ukraine, regulatory requirements for some sectors in the Mainland, adjustments to the valuation of technology stocks and the unstable epidemic situation, the Hang Seng Index has shown heightened volatility and drifted downwards since February, closing at 20 697 on 27 May, 11.5% lower than end-2021 (*Chart 6*). Average daily turnover of the stock market rose from some \$126 billion in the fourth quarter of last year to about \$140 billion in the first four months this year.

**Chart 6 : The local stock market exhibited substantial volatility this year so far**

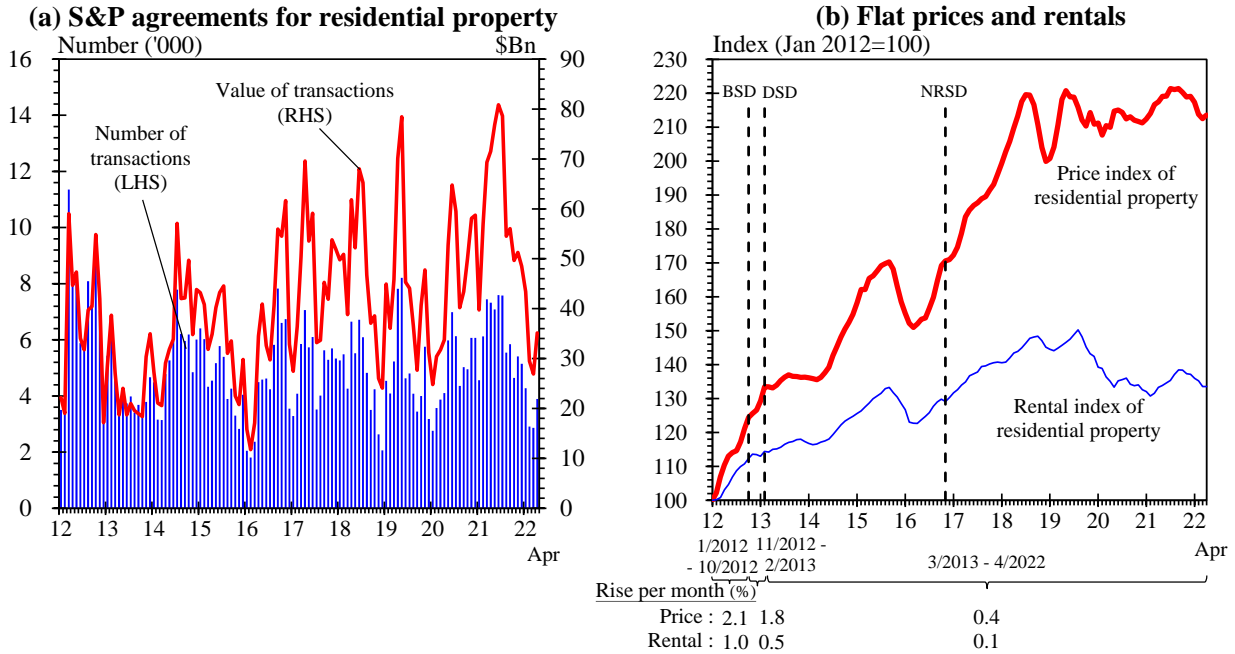


13. The residential property market remained soft in the first quarter of this year, after quietening down in the second half of last year. Affected by the US Federal Reserve expediting and stepping up monetary policy tightening and the austere local epidemic situation, market sentiment and trading activities both weakened in the first quarter. Nevertheless, market sentiment has shown improvement since late March amid the gradual stabilisation of the epidemic situation. The monthly average number of sale and purchase agreements for residential property received by the Land Registry fell to 3 488 in the first four months of this year, 31% lower than the monthly average in the fourth quarter of last year (*Chart 7(a)*).

14. Flat prices on average fell by 3% during the first quarter of this year, before turning to a slight increase of 0.5% in April. Flat prices in April of this year on

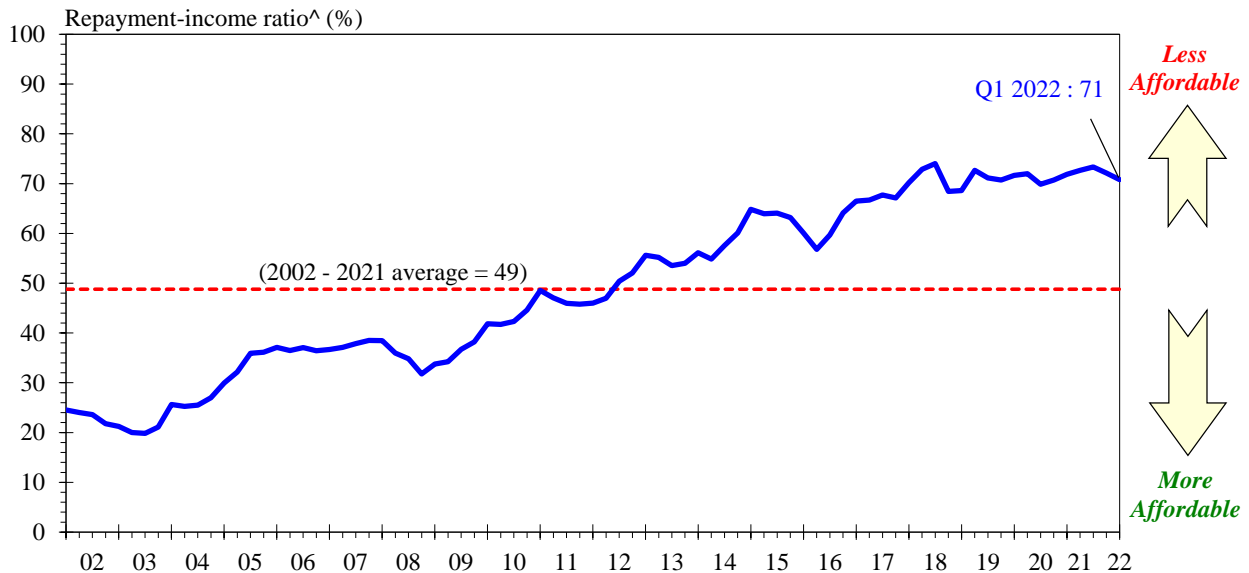
average were 4% lower than the recent peak in September of last year. Meanwhile, flat rentals on average declined by 3% between December of last year and April of this year, and were 11% below the recent peak in August 2019 (*Chart 7(b)*).

**Chart 7 : The residential property market remained soft in the first quarter of this year, yet market sentiment has shown improvement since late March amid the gradual stabilisation of the epidemic situation**



15. 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 71% in the first quarter of this year, significantly above the long-term average of 49% over 2002-2021 (*Chart 8*). Should interest rates rise by three percentage points, the index would soar to 93%.

**Chart 8 : The index of home purchase affordability remained elevated**



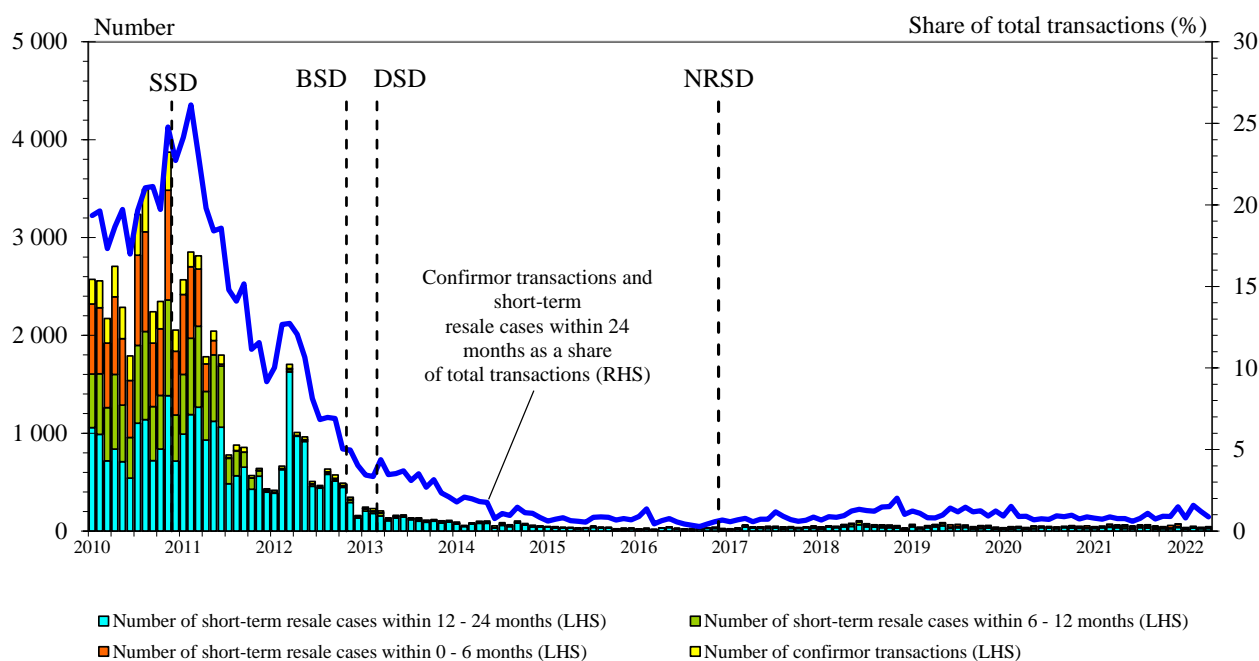
Note : (^) The ratio of the mortgage payment for a flat with saleable area of 45 sq m (assuming 70% loan-to-value ratio and tenor of 20 years) to the median income of households (excluding those living in public housing). This ratio is different from the debt servicing ratio published by the HKMA, which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

16. Raising flat supply through increasing land supply is a policy priority of the Government. In February, the Government announced the 2022-23 Land Sale Programme, which comprises 13 residential sites capable of providing about 8 200 flats in total. Combining the various sources (including Government land sale, railway property development projects, the Urban Renewal Authority's projects, and private development and redevelopment projects), the total potential private housing land supply in 2022-23 is estimated to have a capacity to produce about 17 900 units. The total supply of first-hand flats in the private sector in the coming three to four years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) would rise to a record high of 99 000 units as estimated at end-March 2022. Also, the annual average completions of private residential flats are projected at over 19 000 units in 2022-2026, an increase of about 14% over the annual average of the past five years.

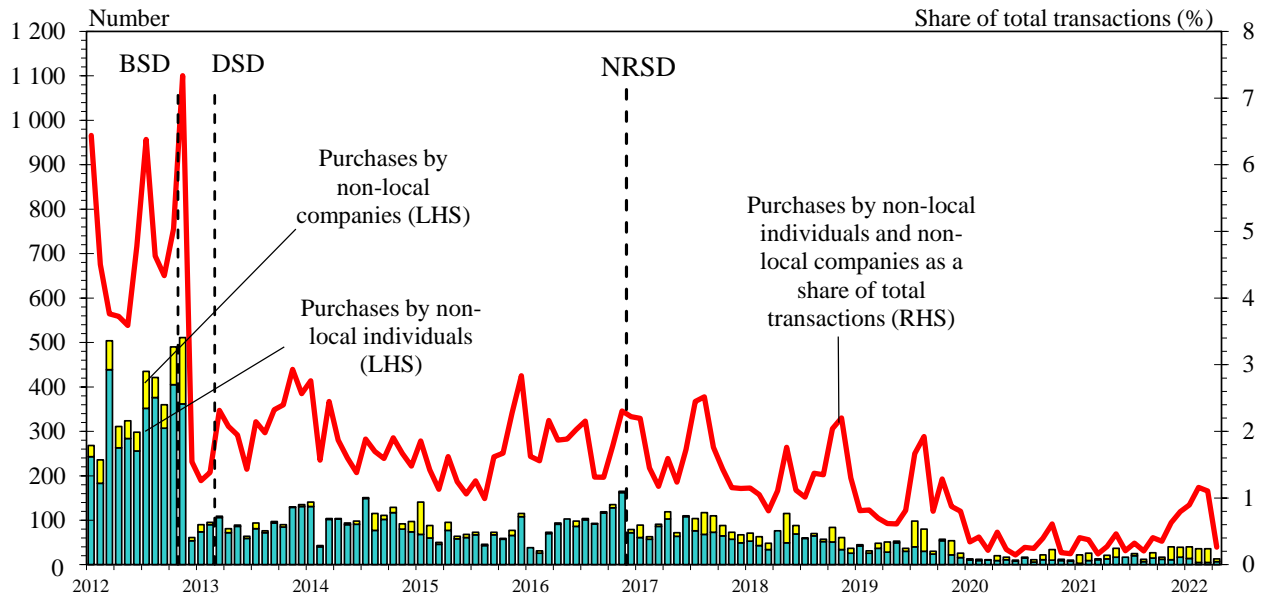
17. To dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market, the Government implemented a number of demand-side management and macro-prudential measures during 2009 to 2017, and these measures have yielded

notable results. On speculative activities, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) remained low at 42 cases per month or 1.1% of total transactions in the first four months of this year, well below the monthly average of 2 661 cases or 20.0% from January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty) (*Chart 9*). Purchases by non-local individuals and non-local companies also stayed low at 31 cases per month or 0.8% of total transactions in the first four months of this year, much lower than the monthly average of 365 cases or 4.5% from January to October 2012 (i.e. the period before the introduction of the Buyer’s Stamp Duty) (*Chart 10*). As an indicator of investment activities, purchases subject to the New Residential Stamp Duty stayed at a modest level of 197 cases per month or 5.0% of total transactions in the first four months of this year, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty (“DSD”) or 26.5% from January to November 2016 (*Chart 11*). As to mortgage lending, the average loan-to-value ratio of new mortgages was 56% in the first quarter of this year, likewise below the average of 64% from 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.

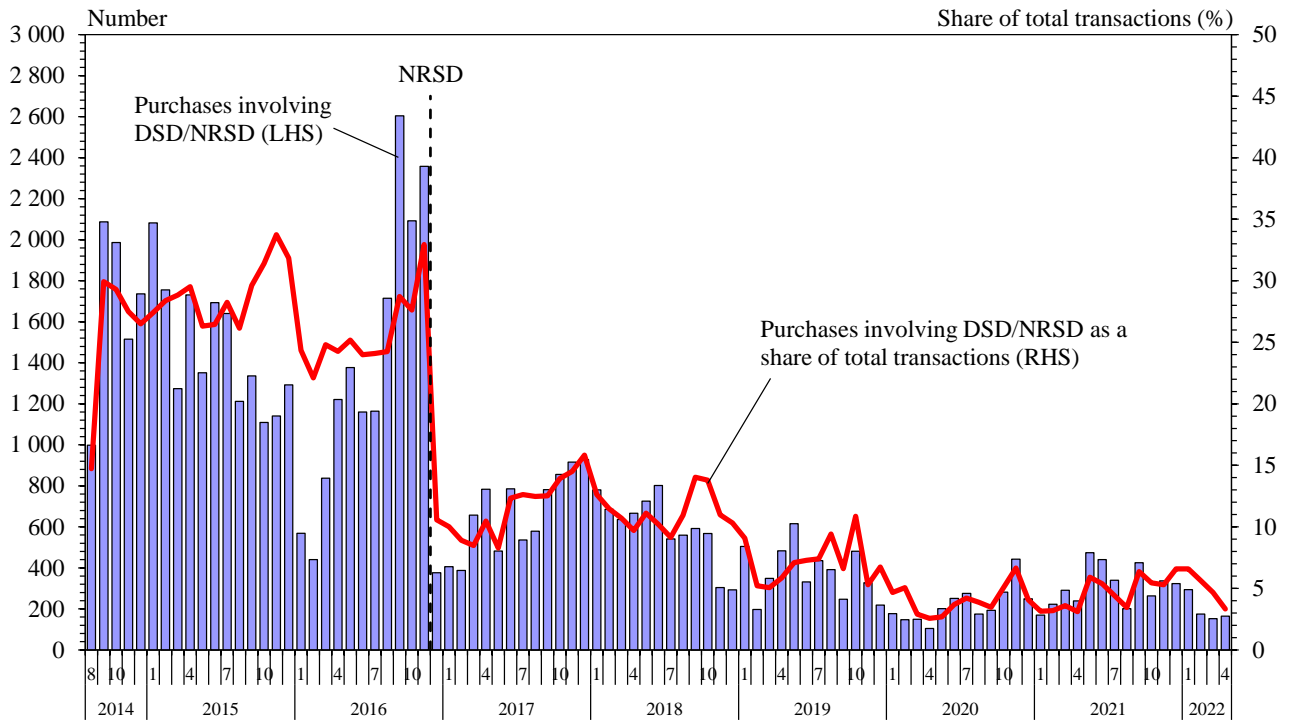
**Chart 9 : Short-term speculative activities remained low**



**Chart 10 : Purchases by non-local buyers remained low**

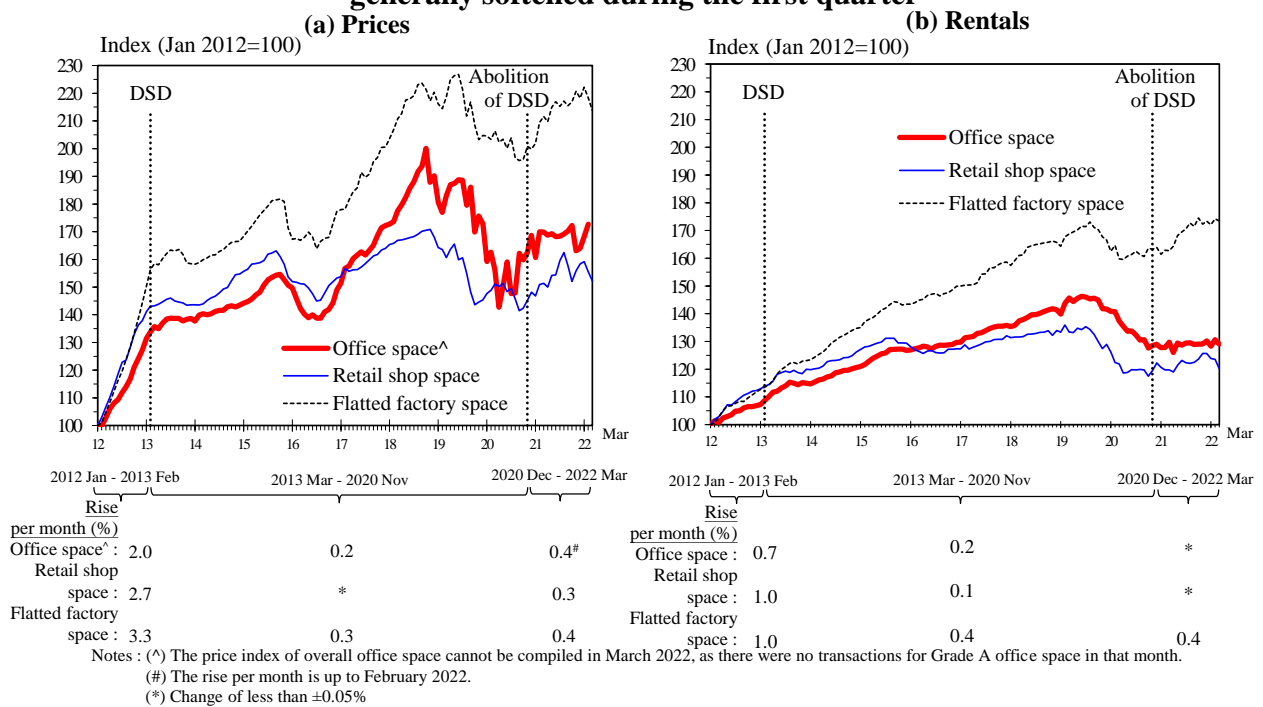


**Chart 11 : Investment activities were modest**



18. The commercial and industrial property markets quietened down visibly in the first quarter, with trading activities retreating to low levels. Prices and rentals for major market segments generally softened during the quarter. Price index for overall office space, which is compiled based on the weighted average of the price indices for different office grades, was not available in March of this year, as there were no transactions for Grade A office space in that month and hence the price index for this particular office grade cannot be compiled. Comparing the latest available data in February of this year with that in December of last year, prices of office space on average increased by 5%, while rentals on average edged down by 1% between December of last year and March of this year. Prices and rentals of retail shop space both fell by 4% between December of last year and March of this year, conceivably reflecting the difficult business environment amid the austere local epidemic situation. As for flatted factory space, prices went down by 2% while rentals were virtually unchanged (*Chart 12*).

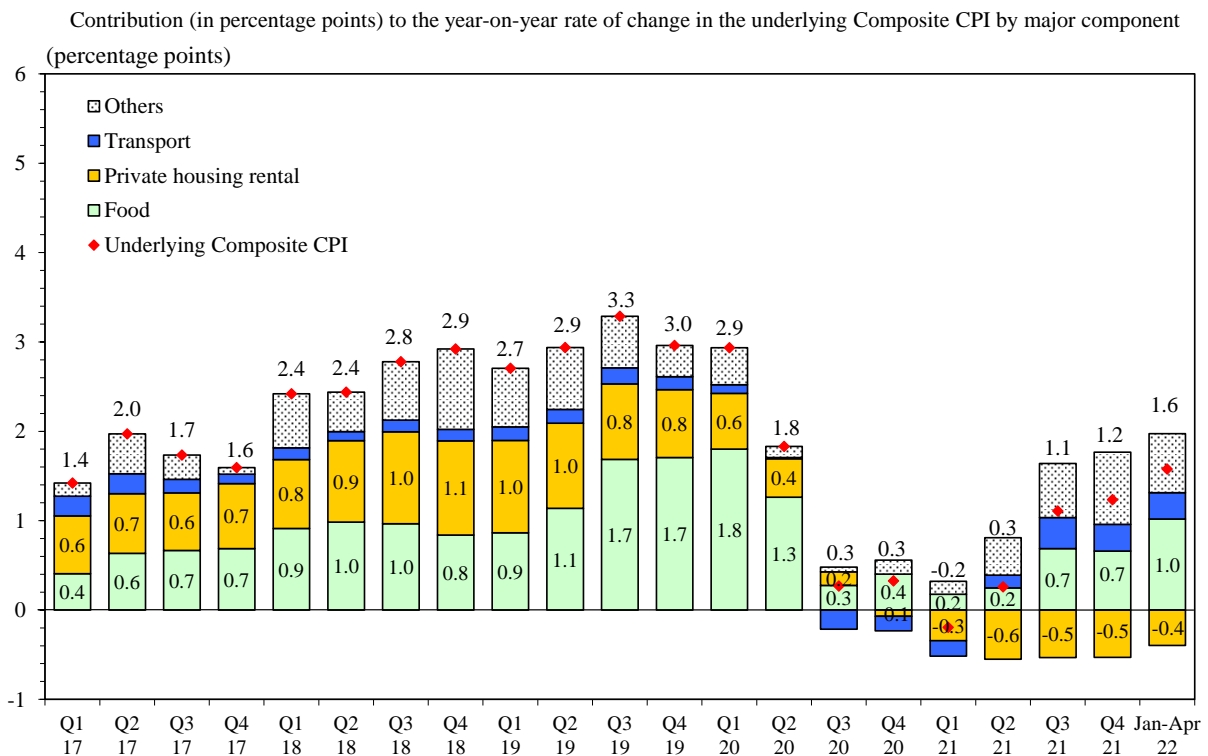
**Chart 12 : Prices and rentals of non-residential properties generally softened during the first quarter**



## Inflation

19. Consumer price inflation increased further in the first four months of this year, but remained moderate in overall terms. Netting out the effects of the Government’s one-off relief measures to reflect the underlying inflation trend, the underlying consumer price inflation rate in the first four months of this year averaged 1.6% (*Chart 13*), up from 1.2% in the fourth quarter of last year.

**Chart 13 : Consumer price inflation increased further in the first four months of this year**



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

20. Analysed by major component of the underlying Composite Consumer Price Index (*Table 1*), the year-on-year rate of increase in food prices, the component with the largest weight other than housing, accelerated to 3.8% in the first four months of this year. Within food prices, prices of basic food posted a visible increase of 4.7%. This was mainly because epidemic-induced transportation disruptions early this year temporarily affected the supply of certain food items from the Mainland, especially fresh vegetables. Prices of meals out and takeaway food rose by 3.1% over a year earlier. The year-on-year decline in the private housing rental component narrowed further to 1.1%, reflecting the gradual feed-through of the earlier increase in fresh-letting residential rentals. Prices of transport saw a visible increase, partly due to higher motor fuel prices. The increase in prices of electricity and gas remained notable amid elevated international energy prices. Prices of clothing and footwear rose notably against a low base of comparison, while those of durable goods and

miscellaneous services showed steady increases. Meanwhile, prices of miscellaneous goods turned to a modest increase.

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

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>2021</u>					<u>2022</u>		
		<u>2021</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Apr</u>	<u>Jan-Apr</u>
Food	27.41	1.7	0.7	0.9	2.6	2.5	3.7	4.0	3.8
<i>Meals out and     takeaway food</i>	17.05	1.8	*	1.0	3.6	2.8	3.1	3.2	3.1
<i>Basic food</i>	10.36	1.4	1.8	1.1	1.0	1.9	4.6	5.2	4.7
Housing <sup>(a)</sup>	40.25	-0.7 (0.3)	-0.1 (1.7)	-0.7 (-0.7)	-0.9 (1.0)	-1.2 (-0.6)	-1.0 (-0.3)	-0.6 (-0.6)	-0.9 (-0.4)
<i>Private housing rent</i>	35.46	-1.4 (-1.3)	-1.0 (-1.0)	-1.6 (-1.6)	-1.5 (-1.6)	-1.5 (-0.8)	-1.2 (-0.5)	-0.9 (-0.9)	-1.1 (-0.6)
<i>Public housing rent</i>	1.87	6.1 (29.3)	9.6 (59.2)	9.4 (11.0)	6.1 (100.3)	-0.1 (2.0)	-0.1 (2.0)	* (-0.1)	-0.1 (1.4)
Electricity, gas and water	2.82	4.7 (27.0)	* (25.4)	2.2 (26.0)	4.8 (20.5)	12.3 (37.0)	6.5 (-2.4)	9.3 (0.2)	7.2 (-1.7)
Alcoholic drinks and tobacco	0.49	0.1	0.6	-0.1	-0.4	0.2	0.3	1.7	0.7
Clothing and footwear	2.42	3.3	-1.5	2.1	5.4	7.1	6.1	3.6	5.5
Durable goods	4.00	1.0	-0.5	0.7	2.1	2.0	1.7	1.2	1.6
Miscellaneous goods	3.32	-3.1	-4.2	-4.1	-2.8	-1.2	-0.2	0.9	0.1
Transport	6.17	2.6	-2.8	2.4	5.9	5.1	6.1	1.8	5.0
Miscellaneous services	13.12	0.7 (0.7)	0.5 (0.5)	0.6 (0.6)	0.9 (0.8)	1.1 (1.0)	1.1 (1.0)	1.3 (1.3)	1.1 (1.1)
All items	100.00	0.6 (1.6)	-0.2 (1.2)	0.3 (0.8)	1.1 (2.3)	1.2 (2.0)	1.6 (1.5)	1.6 (1.3)	1.6 (1.5)

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

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

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



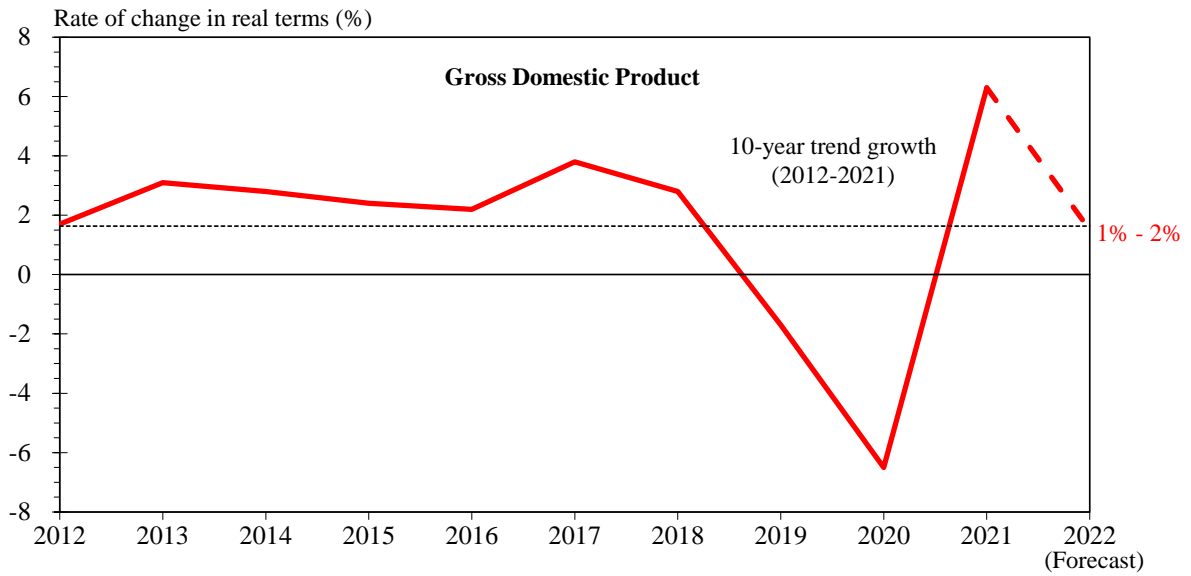
## Updated economic forecasts for 2022

21. The worsened global economic prospects, together with the possible impact of the epidemic in the Mainland on global supply chain, may continue to weigh on Hong Kong's export performance. Persisting tension between Russia and Ukraine and uncertainties related to its future development will likely keep international energy and commodity prices elevated, aggravate supply chain and transportation disruptions, and dampen economic sentiments. In the face of heated inflation, major central banks will continue to tighten monetary policy, further dampening global economic growth. The evolving global pandemic and development of China-US relations will add further uncertainties to the economy. .

22. Domestically, the gradual easing of cross-boundary transportation disruptions between the Mainland and Hong Kong alongside the stabilising and moderating local epidemic will help improve our external trade performance. As long as the epidemic remains under control and social distancing measures are progressively relaxed as planned, economic activities should show some revival in the rest of the year. The new round of Consumption Voucher Scheme, along with the 2022 Employment Support Scheme and Temporary Unemployment Relief Scheme, will render additional support to domestic demand. In fact, local consumer and business sentiments have shown visible improvement recently. However, at this critical juncture when the economy just begins to stabilise, the community must stay alert and continue to work together to control the epidemic on every front, so as to preserve the momentum of the gradually recovering economy.

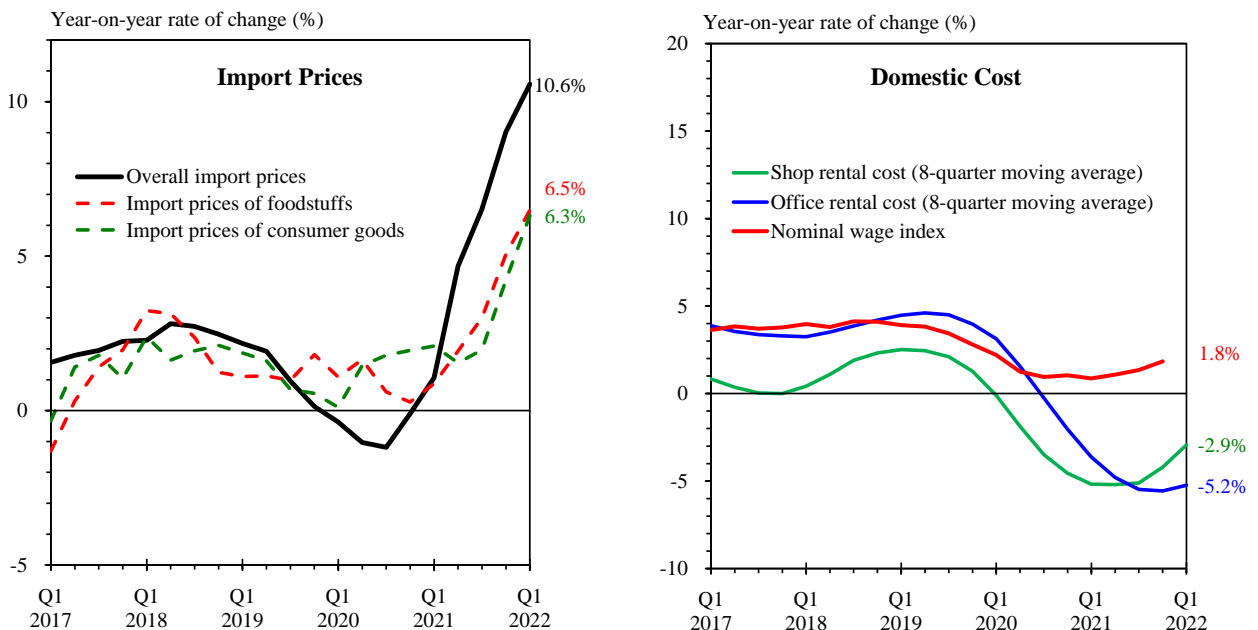
23. Given the worse-than-expected economic performance in the first quarter, and taking into account the deteriorating export outlook but also the gradual revival trend of local economic activities, we have revised down the real GDP growth forecast for 2022 to 1%-2% (*Chart 14*), from 2%-3.5% as announced in the 2022-23 Budget. For reference, the growth forecasts made by private sector analysts in late May for the Hong Kong economy for this year range from -1.5% to 3.0%, averaging around 1.0%, whereas the forecast made by the IMF in April was 0.5%.

**Chart 14 : Economic growth forecast for 2022 as a whole is revised down to 1% - 2%**

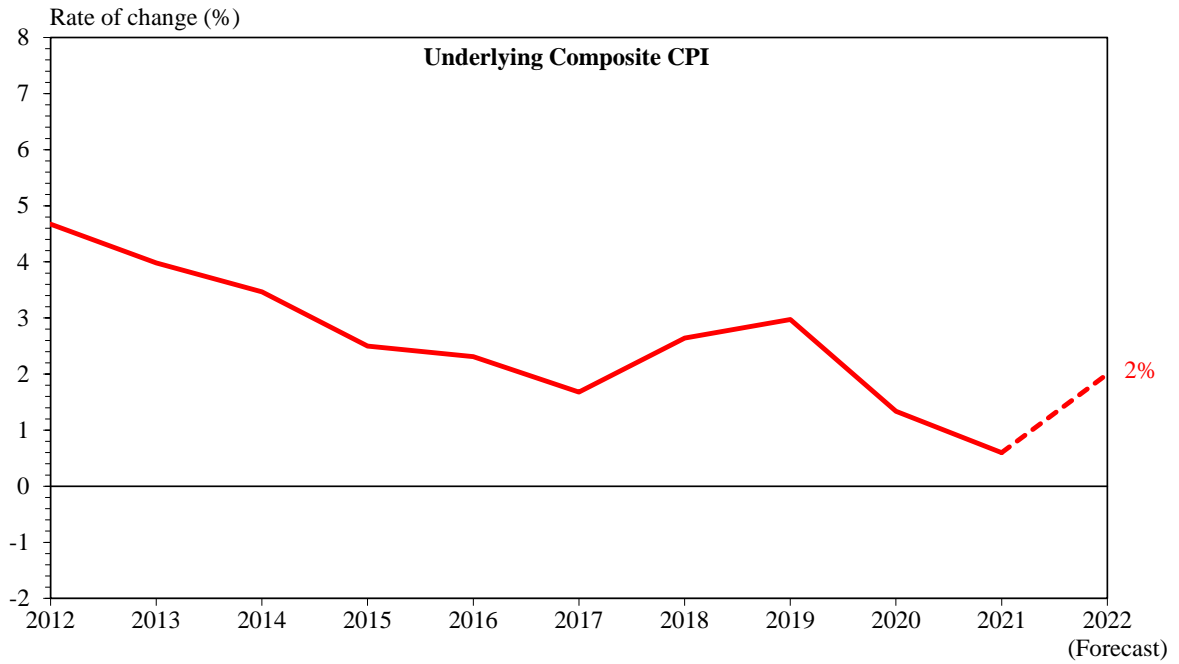


24. On inflation, external price pressures may remain elevated as inflation in many major economies stays high amid heightened geopolitical tensions and supply chain bottlenecks. Nonetheless, overall inflation should remain moderate in the near term as domestic cost pressures stay largely mild (*Chart 15*). The forecast rates of underlying and headline consumer price inflation for 2022 are maintained at 2% (*Chart 16*) and 2.1% respectively.

**Chart 15 : Domestic cost pressures remained mild; external price pressures intensified further**



**Chart 16 : Underlying inflation rate for 2022 is forecast at 2%**



Office of the Government Economist  
Financial Secretary's Office  
30 May 2022

## **Recent Situation of Household Income<sup>(1)</sup>**

### **Background**

This Annex provides an update on the latest trends of household income and employment earnings in Hong Kong particularly those of the low-income households. The benchmark of monthly household income for low-income households is revised upward from \$8,800 (at Q2 2019 prices) to \$9,300 (at Q1 2022 prices) after adjusting for inflation<sup>(2)</sup>.

### **Overall situation of household income and employment earnings**

2. The labour market was under severe pressure amid the fifth wave of epidemic. The seasonally adjusted unemployment rate rose again notably from 4.0% in the fourth quarter of 2021 to 5.4% in February – April 2022, but was still lower than the 6.4% a year ago. Total employment decreased by 2.2% from a year earlier. Yet, the labour market situation showed some stabilisation of late amid the receding local epidemic and revival of local economic activities.

3. Various household income / employment earnings indicators generally maintained positive year-on-year growth. The median monthly household income, an indication of the overall household income situation, increased visibly by 6.3% in nominal terms or 4.7% in real terms in the first quarter of 2022 over a year earlier, conceivably attributable in part to a low base of comparison. Average employment earnings of full-time employees also recorded a year-on-year increase of 3.6% in nominal terms or 2.0% in real terms. Within the total, average employment earnings of unskilled employees went up by 1.7% in nominal terms or 0.2% in real terms (*Table 1*).

---

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

(2) Based on Consumer Price Index (A).

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

Period	Median monthly household income		Overall employment earnings of employees <sup>^</sup>		Employment earnings of unskilled employees <sup>^</sup>		
2017	5.3	(3.8)	3.6	(2.1)	5.3	(3.7)	
2018	6.7	(4.2)	5.6	(3.1)	5.4	(2.6)	
2019	3.0	(0.1)	4.6	(1.7)	2.5	(-0.9)	
2020	-6.1	(-6.4)	5.4	(5.1)	4.5	(5.2)	
2021	Q1	-8.1	(-9.2)	0.1	(-1.1)	4.0	(0.6)
	Q2	3.8	(3.0)	-1.3	(-2.1)	4.2	(2.5)
	Q3	1.3	(-0.9)	-2.7	(-4.9)	3.5	(-0.5)
	Q4	7.3	(5.1)	1.7	(-0.3)	3.8	(1.3)
2022	Q1	6.3	(4.7)	3.6	(2.0)	1.7	(0.2)

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

### **Economically active households with monthly household income below \$9,300**

4. In the first quarter of 2022, the number of economically active households with monthly household income below \$9,300 (referred to as “low-income households”) declined notably by 31 700 to 113 000. Its proportion in total domestic households likewise fell by 1.3 percentage points over the same period to 4.2%<sup>(3)</sup>.

5. An analysis of the number and proportion of low-income households over the past years suggests that their changes generally followed economic cycles. During 2000 to 2008 when the economy sustained growth for most of the period, the proportion of low-income households fell successively from a peak of 4.8% in the first quarter of 2003 to below 4%. After the onset of the global financial crisis in late 2008, the corresponding proportion rose back to 4.3% in the first quarter of 2009, but subsequently declined in tandem with the economic recovery. As the epidemic took its toll, the labour market conditions deteriorated over the course of 2020. The unemployment rate rose to a high of 6.8% in the first quarter of 2021, and the proportion of low-income households climbed to 5.5%. While the number and proportion of low-income households came down from a year earlier to 113 000 and 4.2% respectively in the first quarter of 2022, they were still above the pre-pandemic levels (*Table 2 and Chart 1*).

(3) All figures pertaining to low-income households in the first quarter of 2022 are provisional figures.

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

<u>Period</u>	Household type:		<u>Total</u>	Of which:
	<u>Elderly households<sup>#</sup></u>	<u>Non-elderly households</u>		<u>Economically active persons therein</u>
Q1 2003	3 000 (0.1)	97 400 (4.6)	<b>100 500</b> <b>(4.8)</b>	118 100 [3.6]
Q1 2007	2 800 (0.1)	75 900 (3.4)	<b>78 600</b> <b>(3.5)</b>	89 700 [2.6]
Q1 2008	3 400 (0.2)	77 900 (3.4)	<b>81 300</b> <b>(3.6)</b>	90 100 [2.7]
Q1 2009	3 800 (0.2)	94 200 (4.1)	<b>98 100</b> <b>(4.3)</b>	113 800 [3.3]
Q1 2011	3 800 (0.2)	86 000 (3.7)	<b>89 800</b> <b>(3.8)</b>	98 100 [2.9]
Q1 2013	5 100 (0.2)	71 500 (3.0)	<b>76 600</b> <b>(3.2)</b>	86 200 [2.4]
Q1 2015	6 600 (0.3)	63 400 (2.6)	<b>70 100</b> <b>(2.9)</b>	76 400 [2.1]
Q1 2017	8 700 (0.3)	62 100 (2.5)	<b>70 800</b> <b>(2.8)</b>	79 000 [2.2]
Q1 2019	8 900 (0.3)	64 900 (2.5)	<b>73 800</b> <b>(2.9)</b>	80 700 [2.2]
Q1 2020	10 000 (0.4)	94 100 (3.6)	<b>104 100</b> <b>(4.0)</b>	117 700 [3.3]
Q1 2021	12 800 (0.5)	131 900 (5.0)	<b>144 700</b> <b>(5.5)</b>	166 800 [4.7]
Q1 2022	9 700 (0.4)	103 300 (3.9)	<b>113 000</b> <b>(4.2)</b>	129 800 [3.7]

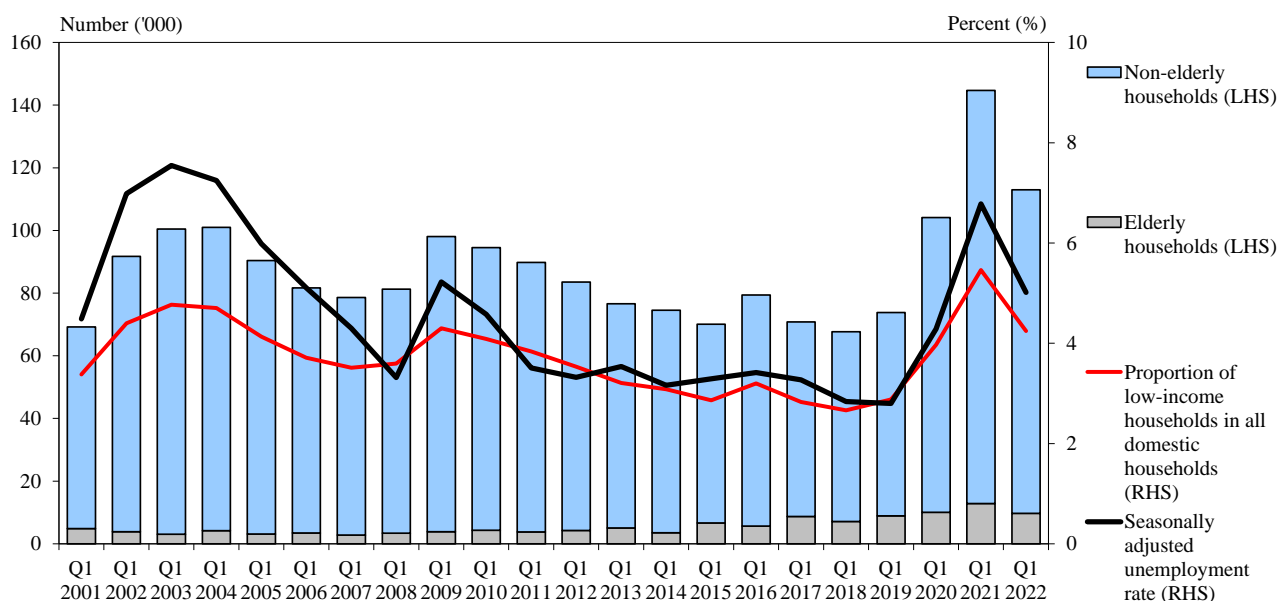
Notes : (\*) Low-income households refer to households with monthly household income less than \$9,300 (Q1 2022 prices). This does not include households with all members being economically inactive.

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

() Proportion in all domestic households (%).

[ ] Proportion in total labour force (%).

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



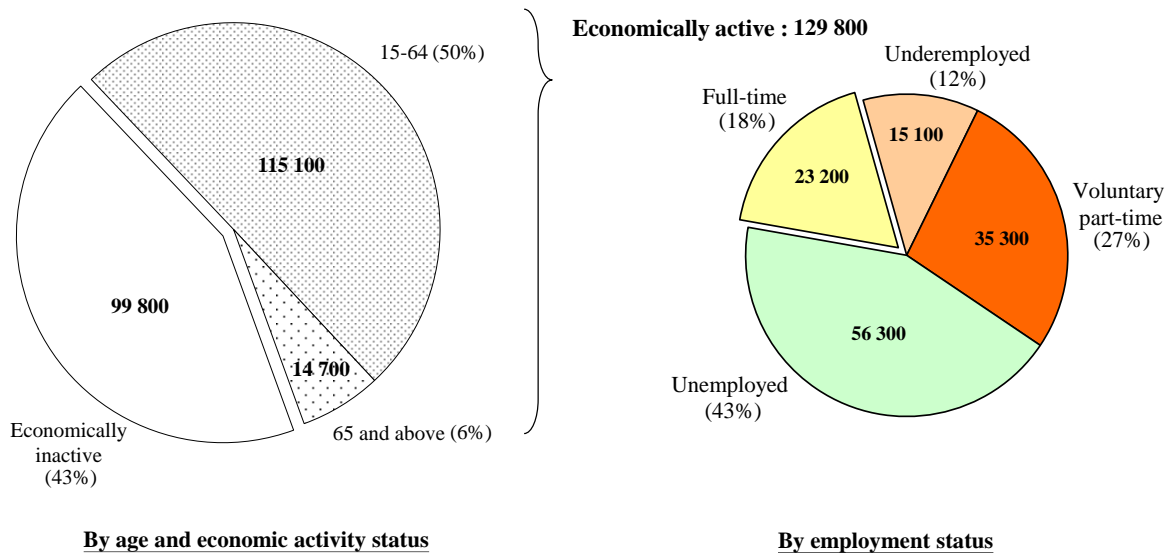
Note : (\*) Low-income households refer to households with monthly household income less than \$9,300 (Q1 2022 prices). This does not include households with all members being economically inactive.

## Socio-economic characteristics of low-income households

6. Further analysis of low-income households in the first quarter of 2022 yields the following observations:

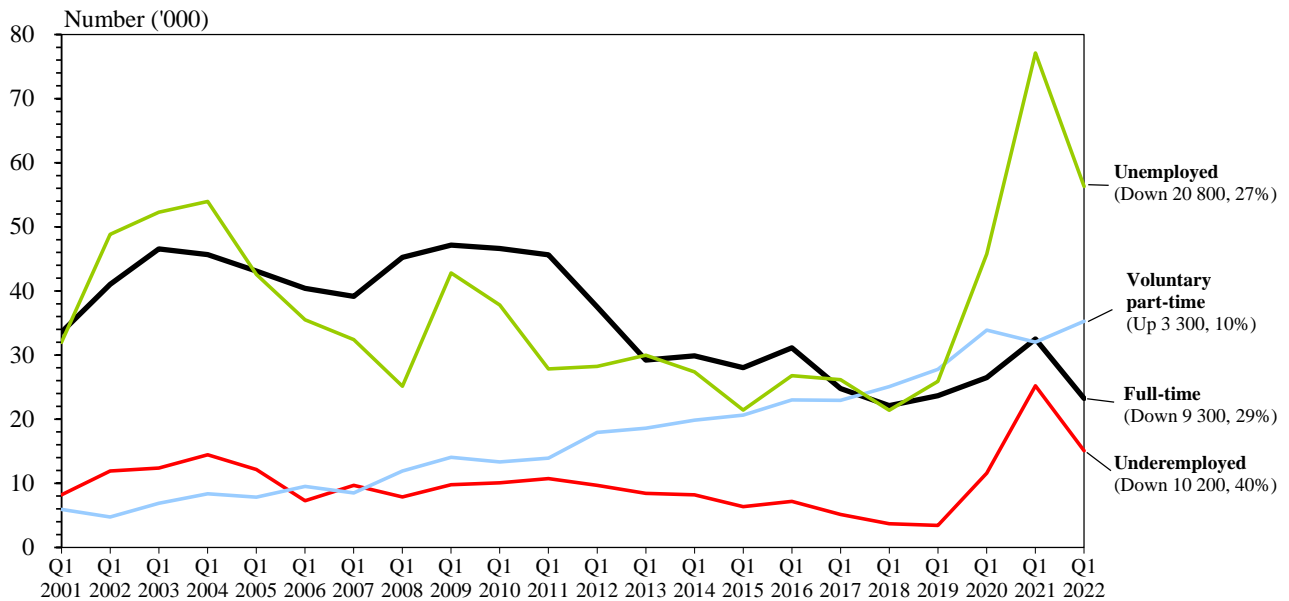
- There were 229 600 persons in these households, among whom 129 800 were economically active. Most of these economically active individuals (115 100 or 89%) were aged 15-64, with the majority of whom in the older age group of 40-64 (84 600 or 65%) and some being elders aged 65 and above (14 700 or 11%).
- The remaining 99 800 persons were economically inactive, among whom 46 900 (47%) were either children aged below 15 or elders aged 65 and above.
- Further analysis by employment status shows that among these 129 800 economically active persons, unemployed and underemployed persons accounted for 43% and 12% respectively, lower than the corresponding ratios of 46% and 15% in the same period in 2021, and the respective number of persons decreased to 56 300 and 15 100. The proportion of full-time workers was 18%, broadly similar to the 19% a year ago (*Charts 2 and 3*).

**Chart 2 : Persons living in low-income households\*  
by age and economic activity status in the first quarter of 2022**



Note : (\*) Low-income households refer to households with monthly household income less than \$9,300 (Q1 2022 prices). This does not include households with all members being economically inactive.

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



Notes : (\*) Low-income households refer to households with monthly household income less than \$9,300 (Q1 2022 prices). This does not include households with all members being economically inactive. Figures in brackets are the year-on-year changes in number of economically active persons in the first quarter of 2022.

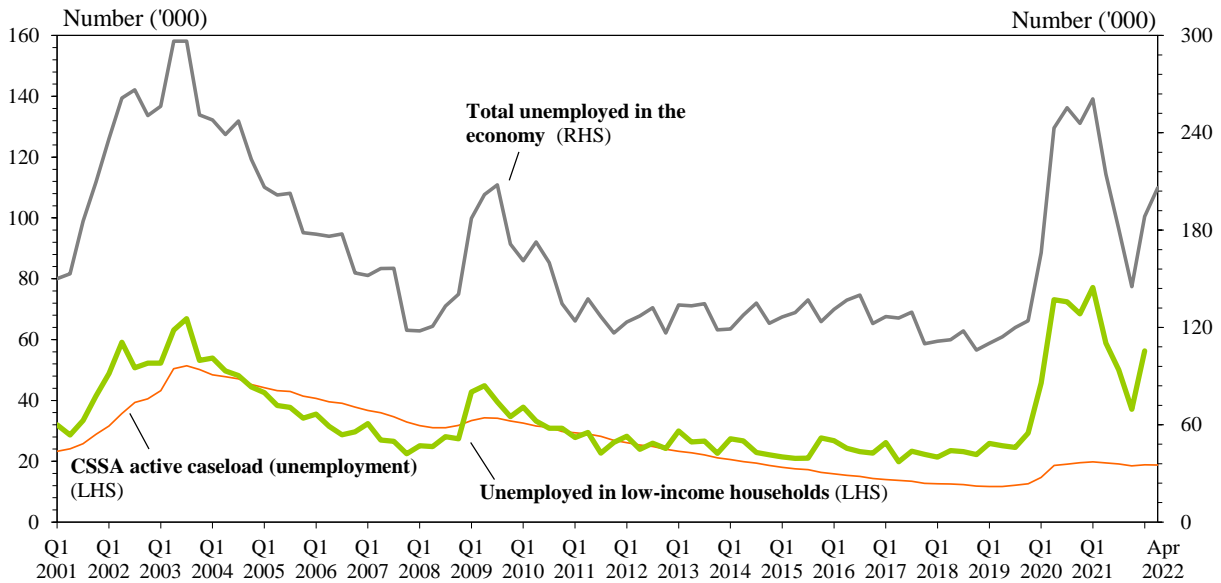
- Analysed by occupation, the majority of the employed persons in low-income households (74%) were lower-skilled workers (31% were service and sales workers, and 21% were elementary workers). A breakdown by economic sector reveals that most of them were engaged in the retail, accommodation and food services sector (19 600 or 27%), followed by repair, laundry, domestic and other personal service activities (7 400 or 10%) and transportation (7 300 or 10%).



## The number of Comprehensive Social Security Assistance (“CSSA”) cases

7. The unemployment rate of lower-skilled workers fell by 0.7 percentage point from a year earlier to 6.5% in February – April 2022. The number of CSSA unemployment cases was 18 796 in April 2022, down by 1 005 or 5.1% from a year earlier. Yet, it was up by 343 or 1.9% when compared with the trough in January of this year (18 453) (*Chart 4*). As for the number of overall CSSA caseload, there were 215 304 cases recorded in April 2022, down by 7 850 or 3.5% year-on-year.

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



Notes : (\*) Low-income households refer to households with monthly household income less than \$9,300 (Q1 2022 prices). This does not include households with all members being economically inactive.  
 (^) Monthly period-end figures.