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

The Government released the Third Quarter Economic Report 2024 on 15 November. The Economic Report, together with the press release on the updated economic forecasts for the whole year of 2024, has been furnished to Legislative Council Members.

This paper analyses Hong Kong's overall economic performance in the most recent period and the near-term outlook, and provides a preliminary analysis on the economic prospects for 2025.

Office of the Government Economist
Financial Secretary's Office
25 November 2024

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

Introduction

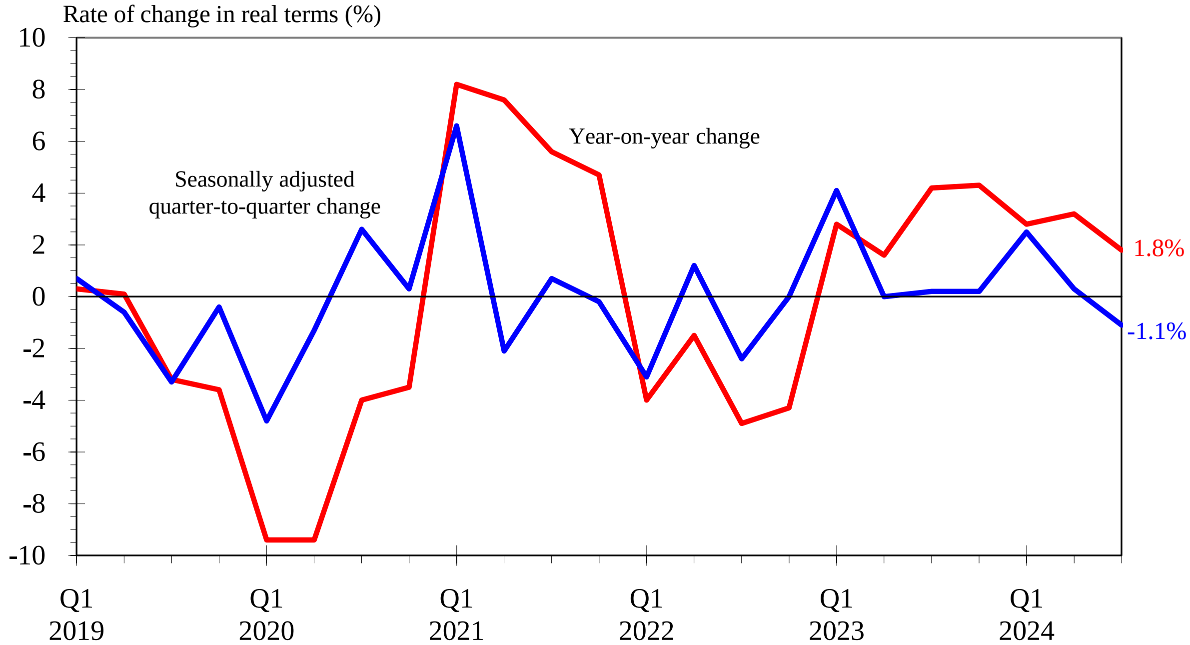
This paper analyses the latest performance of the Hong Kong economy and provides a preliminary analysis on the outlook for 2025.

Recent economic performance

2. On the external environment, the global economy showed some signs of softening in the third quarter of 2024. The Mainland economy recorded slightly moderated growth in the third quarter, but economic activities saw some acceleration towards the end of the quarter and strengthened further in October. The US economy expanded at a slightly decelerated pace in the third quarter, while growth in the euro area economy remained mild. Economic growth in other Asian economies generally stayed solid. As the global disinflationary trend continued, the major central banks eased their monetary policies during the quarter. Meanwhile, geopolitical tensions intensified and trade conflicts escalated further. In October, the International Monetary Fund ("IMF") forecast global economic growth for both 2024 and 2025 at 3.2%, slightly lower than the growth of 3.3% in 2023 and visibly below the average annual growth of 3.7% in the two decades before the pandemic.

3. The Hong Kong economy continued to expand in the third quarter over a year earlier, though at a moderated pace. Real Gross Domestic Product ("GDP") grew by 1.8% year-on-year in the third quarter, having increased by 3.2% in the preceding quarter. Total exports of goods saw decelerated growth, while exports of services increased further. Overall investment expenditure also rose further. However, private consumption expenditure continued to decline. On a seasonally adjusted quarter-to-quarter comparison, real GDP decreased by 1.1% in the third quarter ***(Chart 1)***. For the first three quarters as a whole, the economy expanded by 2.6% over a year earlier.

Chart 1 : The Hong Kong economy continued to expand, though at a moderated pace, in the third quarter of 2024 over a year earlier



External trade

4. Hong Kong's total exports of goods grew by 4.0% in year-on-year in real terms in the third quarter, after increasing by 7.5% in the preceding quarter ***(Chart 2(a))***. The moderation was mainly due to softening economic growth in some major markets. Analysed by major market, exports to the Mainland continued to increase visibly. Those to the US grew at a moderated pace, while those to the EU saw a rebound. Yet, exports to many major Asian markets declined.

5. Exports of services increased further by 2.4% year-on-year in real terms in the third quarter, after growing by 1.1% in the preceding quarter ***(Chart 2(b))***. Exports of financial services rose further in tandem with improved cross-border financial and fund raising activities. Exports of business and other services also grew further along with the economic expansion. Exports of transport services continued to grow as visitor arrivals and regional trade flows increased. Meanwhile, exports of travel services continued to decline alongside the impact stemming from the change in consumption patterns of visitors and the strength of the Hong Kong dollar.

Chart 2(a) : Total exports of goods grew at a moderated pace

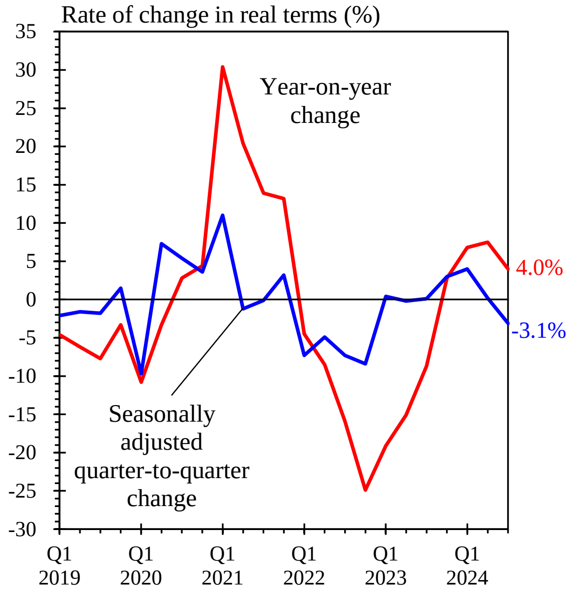
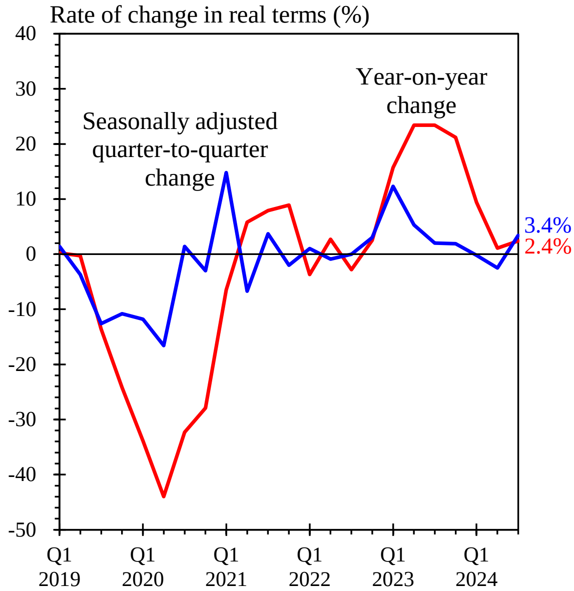


Chart 2(b) : Exports of services increased further



Domestic sector

6. Consumption activities remained weak in the third quarter of 2024 amid the change in consumption patterns of residents. After decreasing by 1.6% year-on-year in real terms in the preceding quarter, private consumption expenditure declined further by 1.3% in the third quarter ***(Chart 3(a))***.

7. In tandem with the overall economic growth, overall investment spending in terms of gross domestic fixed capital formation increased by 3.7% in real terms in the third quarter over a year earlier, after a 4.1% increase in the preceding quarter ***(Chart 3(b))***. Expenditure on acquisitions of machinery, equipment and intellectual property products resumed growth of 15.1%. Expenditure on building and construction declined by 3.5%, mainly attributable to the decline in private sector spending. Separately, the costs of ownership transfer (including expenditure on stamp duties, legal fees, agents' commissions, etc.) rose further as property transactions continued to increase.

Chart 3(a) : Private consumption expenditure declined further

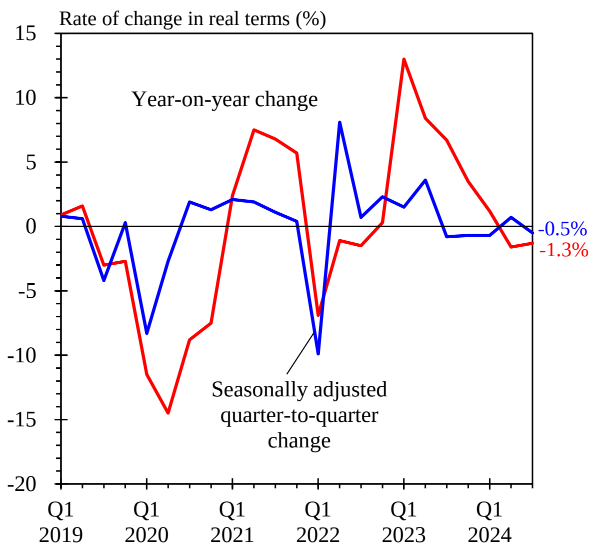
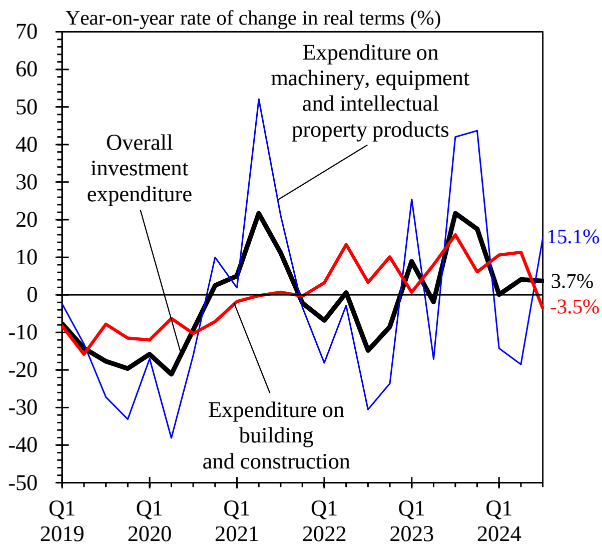


Chart 3(b) : Overall investment expenditure continued to increase



8. Hong Kong's total stock of inward direct investment ("DI") amounted to $20 trillion as at end-June 2024, equivalent to 6.5 times of GDP. According to the latest available figures by source, the Mainland continued to be one of the most important sources of Hong Kong's inward DI, accounting for around 30% of the total stock as at end-2022.

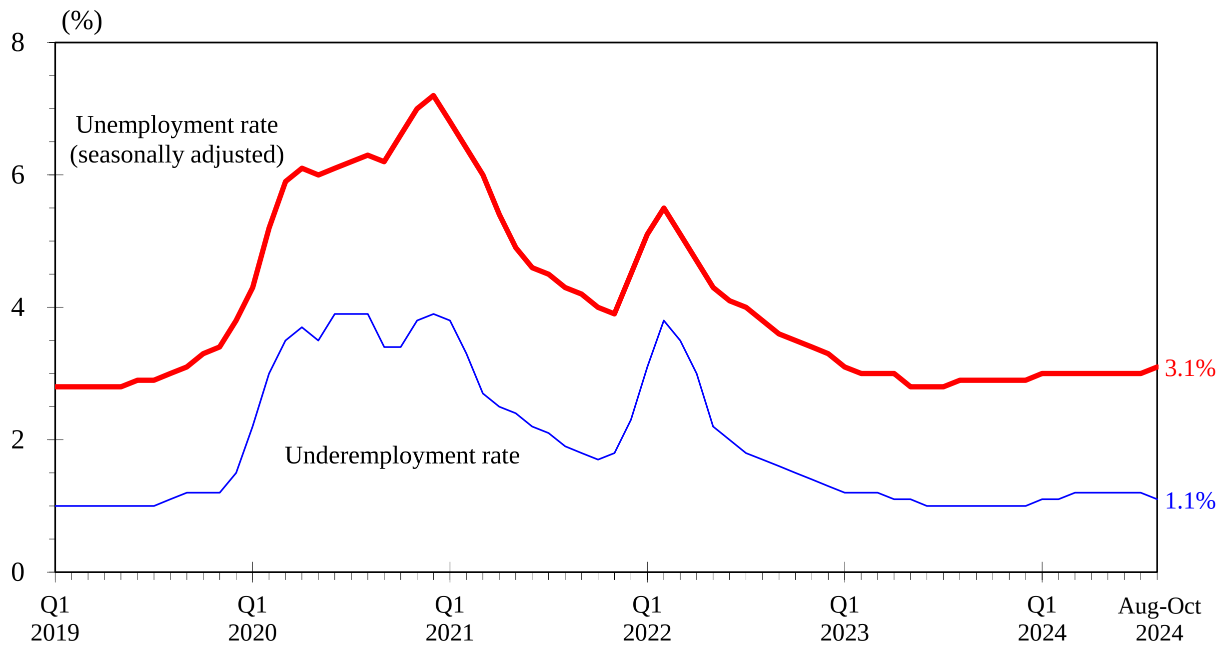
Labour market

9. The labour market remained tight. The seasonally adjusted unemployment rate stayed low at 3.1% in August – October, edging up by 0.1 percentage point from the second quarter. The underemployment rate declined slightly by 0.1 percentage point to 1.1% ***(Chart 4)***. The labour force and total employment increased by 9 900 and 3 800 over the second quarter to 3 827 900 and 3 707 100 in August – October respectively.

10. The unemployment rates of various sectors showed diverse movements in August – October as compared with the second quarter ***(Chart 5)***. Among which, more notable increases in the unemployment rates were seen in the arts, entertainment and recreation sector (up 0.7 percentage point to 3.1%), the retail sector (up 0.4 percentage point to 4.3%), and the food and beverage service activities sector (up 0.4 percentage point to 5.1%). The unemployment rate of the construction sector also increased (up 0.2 percentage point to 4.4%). On the other hand, the unemployment rates of some sectors declined, including the transportation sector (down 0.4 percentage point to 2.2%), the financing, insurance, real estate, professional and business services sector (down 0.3 percentage point to 2.5%), and the

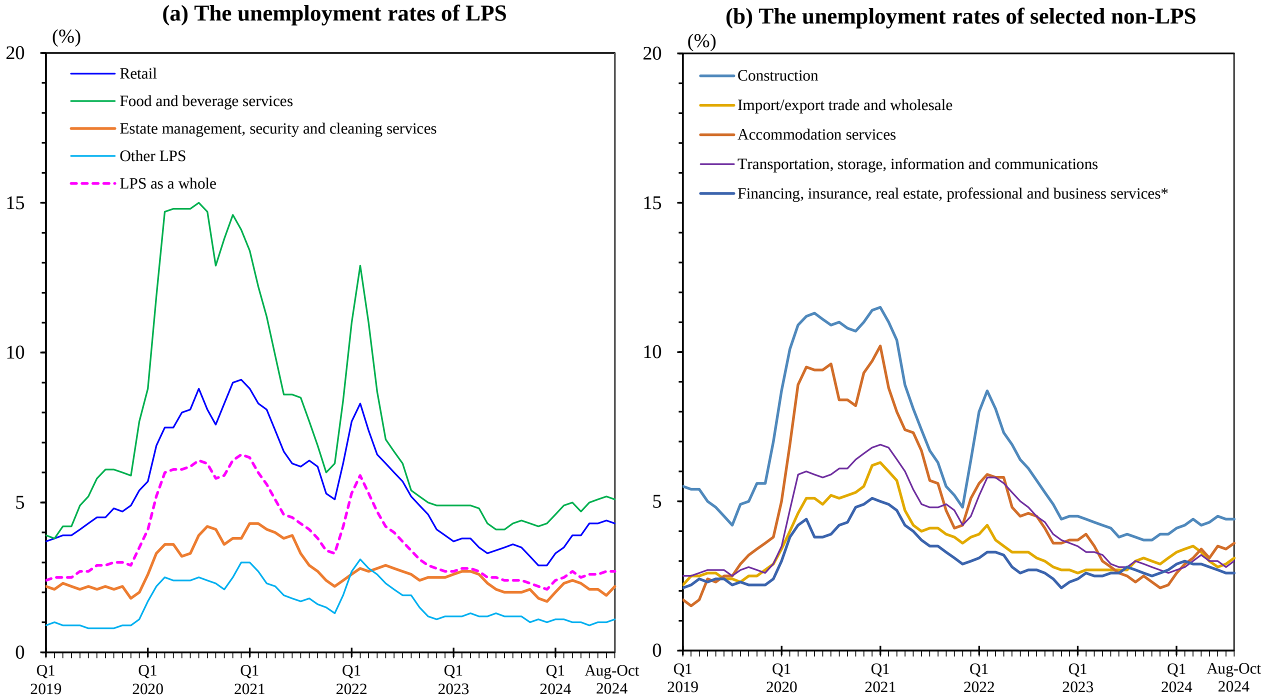
import/export trade and wholesale sector (down 0.2 percentage point to 3.1%). For the low-paying sectors ("LPS")[(1)] as a whole, the unemployment rate went up by 0.2 percentage point to 2.7%, which was still at a low level.

Chart 4 : The labour market remained tight



(1) 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.

Chart 5 : The unemployment rates of various sectors showed diverse movements in August – October as compared with the second quarter



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

11. Analysed by skill segment (2), the unemployment rates of lower-skilled workers went up by 0.2 percentage point over the second quarter to 3.3% in August – October, whereas the unemployment rate of the higher-skilled workers declined by 0.4 percentage point to 1.9%.

12. Establishment survey indicated that wages and labour earnings continued to record increases in the second quarter over a year earlier. The average wage rate rose further by 3.7% year-on-year in nominal terms in June. After discounting for inflation, the average wage rate increased by 1.9% in real terms. Labour earnings, as measured by the index of payroll per person engaged, increased further by 3.5% year-on-year in nominal terms in the second quarter. In real terms, labour earnings increased by 2.2%. Recent General Household Survey data indicated that employment earnings continued to record solid growth in the third quarter over a year earlier. The median monthly employment earnings of full-time employees(3) increased by 6.7% in nominal terms or 4.2% in real terms. Please refer to ***Annex*** for details on the recent situation of household income.

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(2) The breakdown of unemployment by skill segment does not include first-time job-seekers and re-entrants into the labour force who were unemployed.

(3) Figure excludes foreign domestic helpers.

Hong Kong Dollar exchange rates and interest rates

13. Interest rates in Hong Kong remained relatively high in recent months despite some softening. The US Federal Reserve ("Fed") lowered the target range for the Federal Funds Rate in September and November by 50 basis points and 25 basis points respectively to 4.50-4.75%. In tandem, the Hong Kong Monetary Authority adjusted the Base Rate under the Discount Window downwards by the same magnitude to 5.00%. Hong Kong dollar interbank interest rates (HIBORs) declined for the majority of the time during the third quarter. HIBORs climbed towards end-September amid vibrant stock market activities, and retreated again on entering the fourth quarter ***(Chart 6)***. The overnight HIBOR and three-month HIBOR receded from 4.98% and 4.75% at end-June to 3.60% and 4.31% on 22 November respectively. Many local banks lowered their Best Lending Rates after the two US rate cuts by a total of 50 basis points, with the prevailing Best Lending Rates in the market ranging from 5.375% and 5.875%. Total deposits with authorized institutions increased by 2.5% during the third quarter, within which Hong Kong dollar deposits increased by 1.3%, reflecting inflow of funds into the Hong Kong banking system.

14. The Hong Kong dollar spot exchange rate against the US dollar strengthened during the third quarter, mainly due to strong equity-related funding demand towards quarter-end. The Hong Kong dollar weakened slightly against the US dollar of late, closing at 7.784 on 22 November, compared with 7.808 at end-June ***(Chart 7)***. On the other hand, under the Linked Exchange Rate System, as the US dollar weakened against most major currencies during the third quarter, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices decreased by 2.9% and 2.0% respectively. The Aggregate Balance of the banking system was little changed, at $46.3 billion on 22 November.

Chart 6 : HIBORs started to follow a broad downward trend within the third quarter

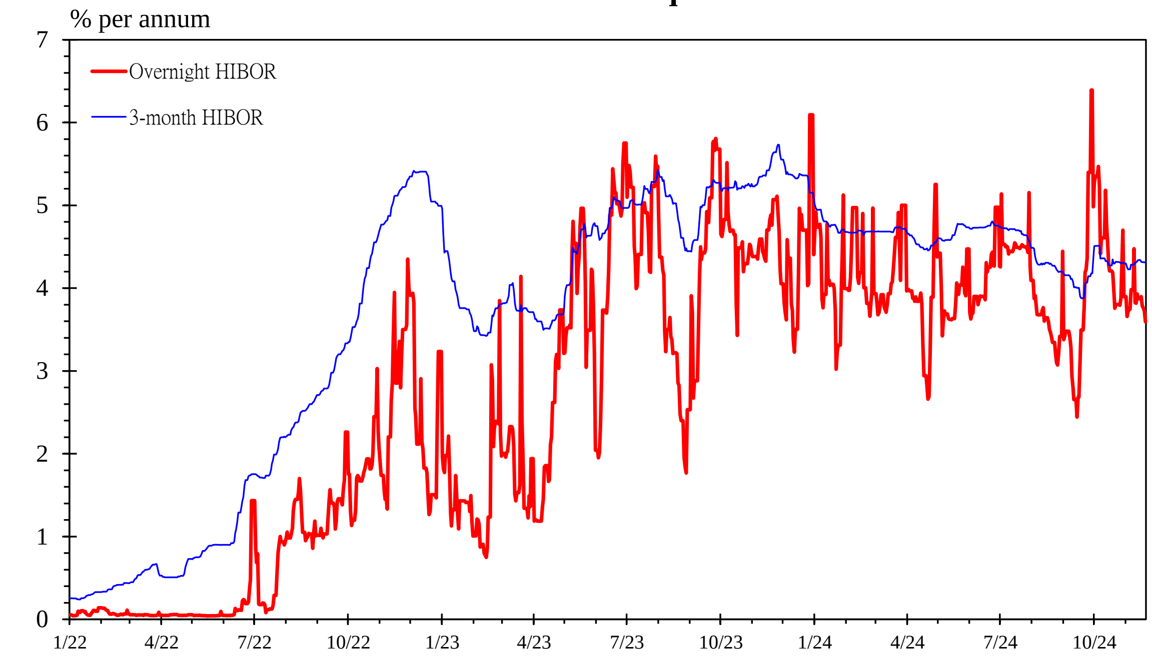
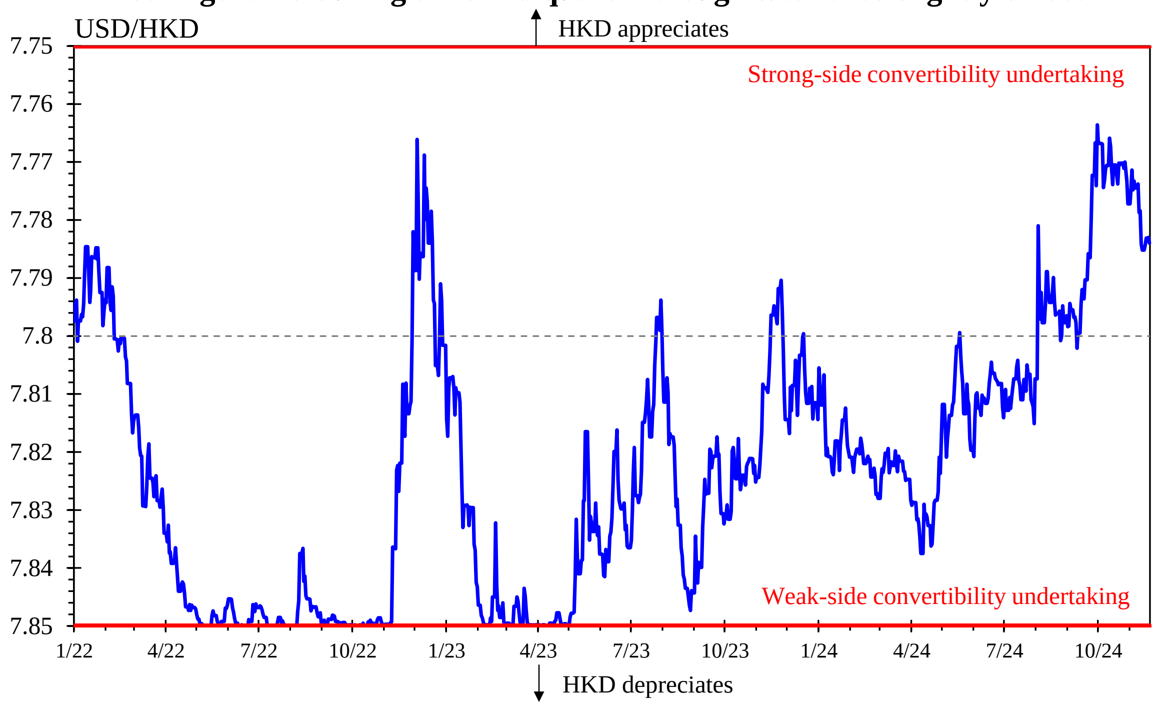


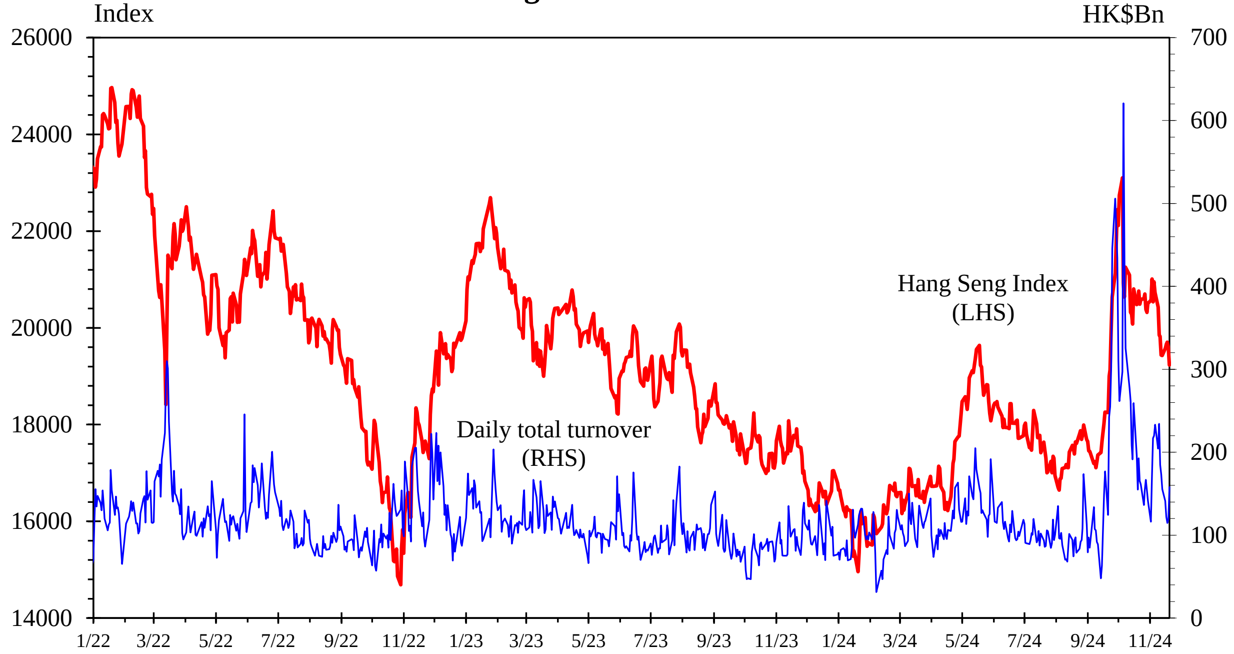
Chart 7: The Hong Kong dollar spot exchange rate against the US dollar strengthened during the third quarter though weakened slightly of late



Asset markets

15. Amid uncertainties surrounding the pace of US interest rate cuts and the economic outlook of major economies, the local stock market stayed soft during most of the third quarter. Following the US' rate cut in mid-September and the Mainland's subsequent announcement of policies to support the economy, market sentiment improved and the Hang Seng Index (HSI) jumped. Trading activities turned more active. For the fourth quarter up to 22 November, average daily turnover of the stock market was $217.9 billion, way higher than the $113.3 billion in the first nine months. Fund raising activities also increased. Nevertheless, the US presidential election in early November have added uncertainties to the global political and economic landscapes, cooling market expectations on policies. The HSI retreated to close at 19 230 on 22 November, still 8.5% higher than the level at end-June ***(Chart 8)***.

Chart 8 : Trading in the local stock market has turned more active since mid-September, though retreated of late

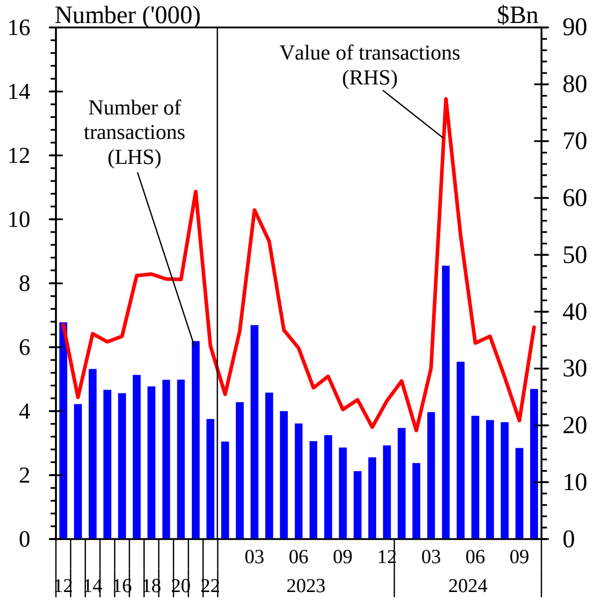


16. The residential property market remained quiet for most of the third quarter, but it regained momentum after the start of US interest rate cuts in September. The monthly average number of sale and purchase agreements for residential property received by the Land Registry rose visibly from 3 408 in the third quarter to 4 697 in October, on par with the monthly average recorded in the past five years ***(Chart 9(a))***.

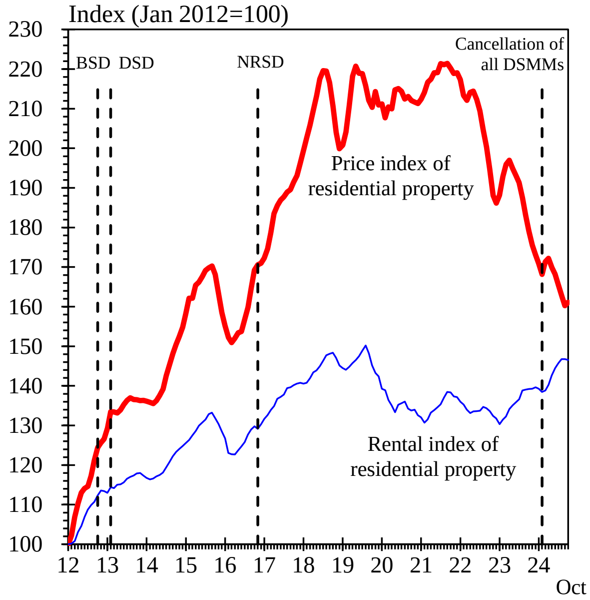
17. Overall flat prices rose by 1% in October after declining by 5% in the third quarter. Prices in October were 27% below the peak in September 2021. Meanwhile, overall flat rentals increased further by 1% on the whole during July to October, with some tapering seen in the last two months of this period. Rentals in October were 3% below the peak in August 2019 ***(Chart 9(b))***.

Chart 9 : The residential property market remained quiet for most of the third quarter, but regained momentum after the US rate cut began

(a) Monthly S&P agreements for residential property



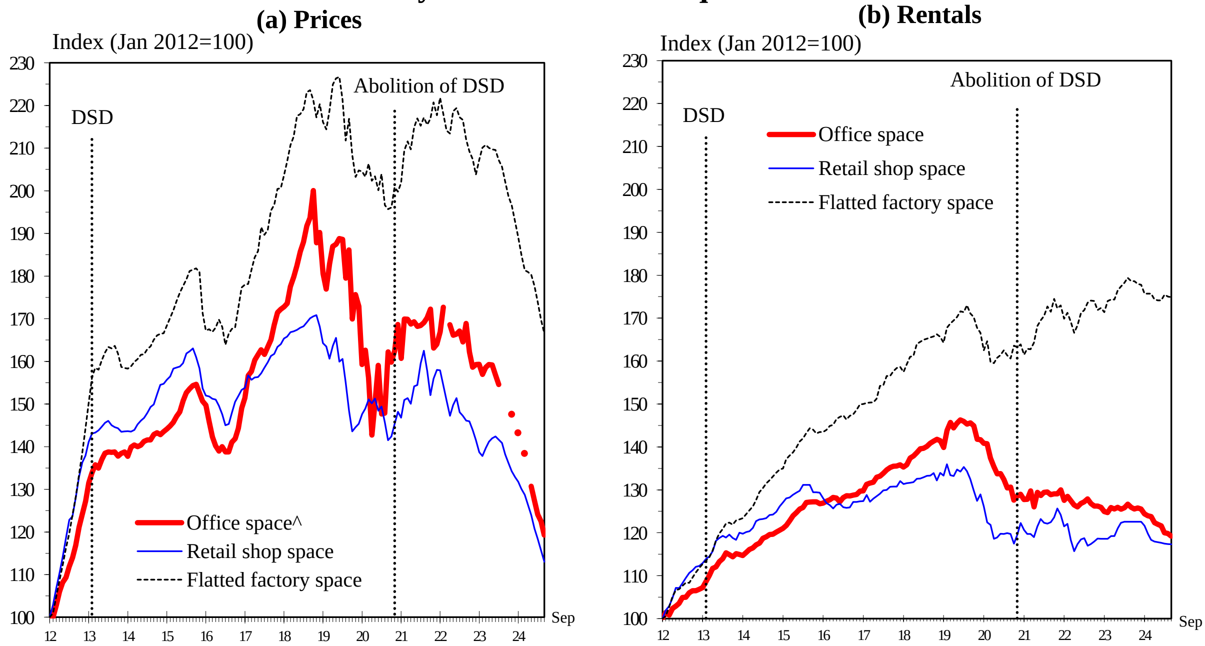
(b) Flat prices and rentals



18. Maintaining a sustained supply of housing land in a prudent manner is a policy priority of the Government to support the healthy and stable development of the residential property market. Combining the various sources (including a Government land sale, a railway property development project, and private development and redevelopment projects), the total private housing land supply in the fourth quarter of 2024 is expected to produce around 2 200 flats. Together with the supply in the previous two quarters, the total private housing land supply for the first three quarters of the 2024-25 financial year is estimated to produce about 5 760 units, or around 44% of the annual private housing supply target (13 200 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) remained at a high level of 108 000 units as estimated at end-September 2024.

19. The non-residential property market stayed weak in the third quarter. Trading activities remained subdued. Prices and rentals stayed soft. Overall prices of office space, retail shop space and flatted factory space all decreased further by 6% during the third quarter. Rentals of office space on average declined by 2% over the same period, while those of retail shop space and flatted factory space were both little changed. ***(Chart 10)***.

Chart 10 : Prices and rentals of non-residential properties stayed soft in the third quarter



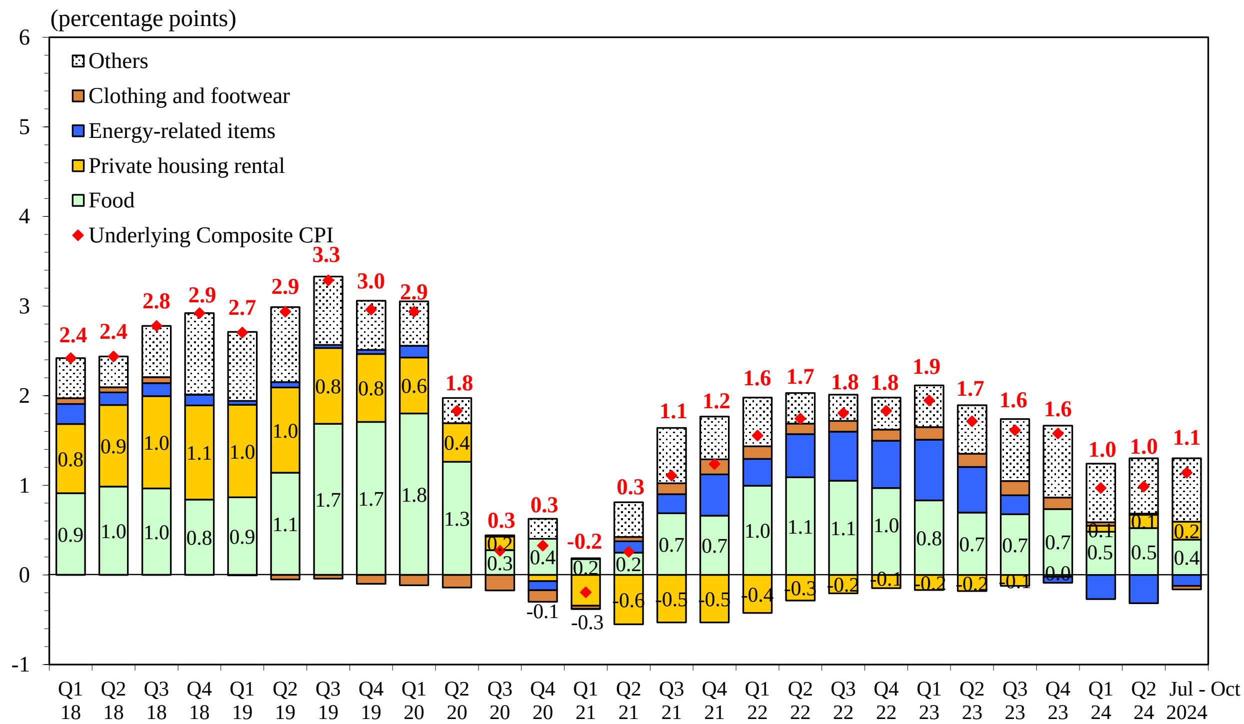
Note : (^) The price index of overall office space cannot be compiled in March 2022, August to October and December 2023, and February and April 2024 as there were insufficient transactions for Grade A or Grade B office space in those months.

Inflation

20. Underlying consumer price inflation remained modest in overall terms. The underlying Composite Consumer Price Index ("CPI"), which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, rose by 1.1% year-on-year during July – October 2024, as compared to 1.0% in the second quarter, and averaged 1.0% in the first ten months ***(Chart 11)***.

Chart 11 : Underlying consumer price inflation remained modest in overall terms

Contribution to the year-on-year rate of change in the underlying consumer price index by major component



Notes : 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. Energy-related items include electricity, town gas, liquefied petroleum gas and other fuel, and motor fuel.

21. Analysed by major component of the underlying Composite CPI ***(Table 1)***, prices of meals out and takeaway food increased at a moderated pace of 2.2% during July – October, while prices of basic food edged up by 0.1%. Increases in private housing rentals remained small at 0.6%. Prices of alcoholic drinks and tobacco were visibly higher than a year ago, due to the increase in tobacco duty. Mild increases were seen for prices of transport and miscellaneous services. Prices of miscellaneous goods inched up. Meanwhile, prices of clothing and footwear turned to a decline and those of durable goods fell further. Prices of electricity, gas and water continued to decrease noticeably.

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

		2023					2024		
Expenditure component	Weighting (%)^	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Jul-Oct
Food	26.49	2.7	3.0	2.5	2.5	2.7	1.7	1.8	1.4
Meals out and takeaway food	17.39	4.0	4.4	4.0	3.8	3.7	3.4	3.0	2.2
Basic food	9.10	0.5	0.8	0.2	0.2	0.9	-1.0	*	0.1
Housing [(a)]	38.48	0.1 (1.0)	-0.1 (-0.1)	-0.1 (0.6)	0.2 (0.8)	0.4 (2.8)	0.5 (3.0)	0.7 (1.1)	1.0 (2.7)
Private housing rent	33.58	-0.4 (0.5)	-0.5 (-0.5)	-0.5 (0.2)	-0.4 (0.4)	-0.1 (1.8)	0.2 (2.0)	0.4 (0.5)	0.6 (2.0)
Public housing rent	1.97	1.1 (4.4)	1.2 (0.7)	1.5 (1.7)	1.5 (1.7)	0.3 (13.5)	0.3 (13.5)	0.4 (1.2)	2.9 (10.2)
Electricity, gas and water	3.07	8.1 (9.6)	17.2 (20.4)	13.2 (15.9)	5.2 (6.1)	-2.1 (-2.3)	-6.9 (-8.0)	-8.4 (-6.7)	-4.0 (5.5)
Alcoholic drinks and tobacco	0.52	17.0	11.2	18.8	19.0	18.8	14.3	21.0	21.5
Clothing and footwear	2.74	5.8	5.9	5.9	6.5	5.0	1.6	0.4	-1.5
Durable goods	4.30	-2.4	-2.3	-3.6	-2.5	-1.2	-1.4	-0.8	-0.7
Miscellaneous goods	3.38	1.7	0.9	1.5	2.2	2.2	1.3	1.0	1.1
Transport	7.28	1.9	1.4	1.7	2.0	2.5	2.1	1.9	2.0
Miscellaneous services	13.74	2.6 (2.6)	2.1 (2.2)	2.5 (2.5)	2.5 (2.5)	3.2 (3.2)	2.9 (2.9)	2.3 (2.2)	2.2 (2.2)
All items	100.00	1.7 (2.1)	1.9 (1.9)	1.7 (2.0)	1.6 (1.9)	1.6 (2.6)	1.0 (1.9)	1.0 (1.2)	1.1 (2.1)

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.

(^) These are expenditure weights of the reference period 2023, which are used for the compilation of CPIs since April 2024. CPIs prior to this are compiled based on expenditure weights of the reference period 2019/20.

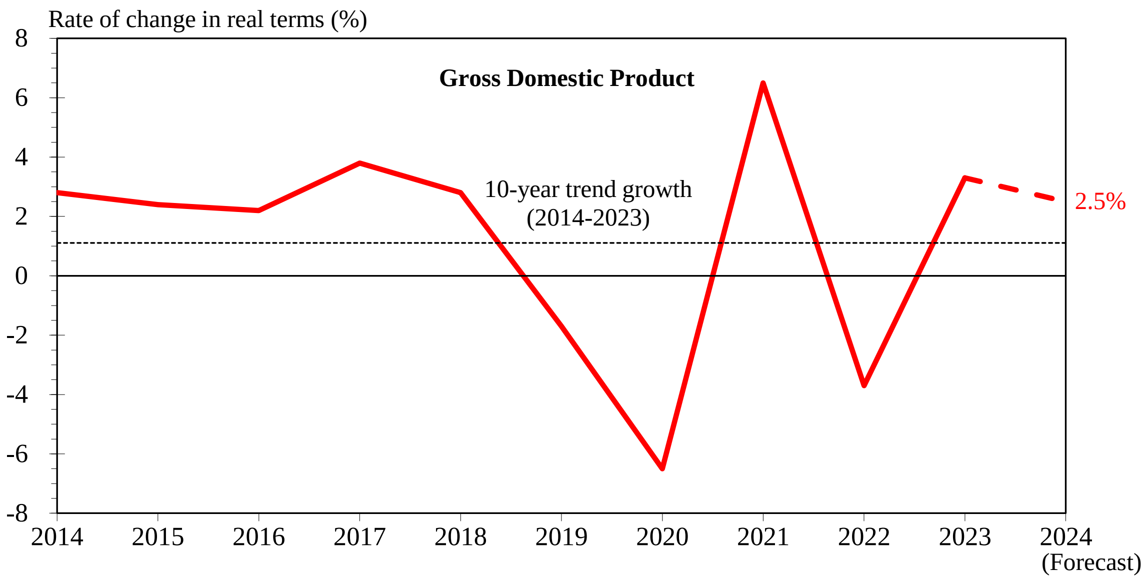
(*) Change within ±0.05%.

Updated economic forecasts for 2024

22. While the external environment has turned more challenging recently, the Hong Kong economy is expected to maintain its growth momentum for the remainder of the year. Increased global economic uncertainties and escalation of trade conflicts would affect the performance of our goods exports. Nonetheless, the expected further monetary easing by major central banks, together with the Mainland's recent introduction of various measures to boost the economy, would help support sentiment and activities in our domestic market. Specifically, gradually easing financial conditions should bode well for fixed asset investment. The Central Government's various measures benefitting Hong Kong, the SAR Government's various initiatives to boost market sentiment, as well as better sentiment in the asset markets and increasing employment earnings would be conducive to spending by both residents and visitors in the domestic market, though the change in their consumption patterns will continue to pose a constraint.

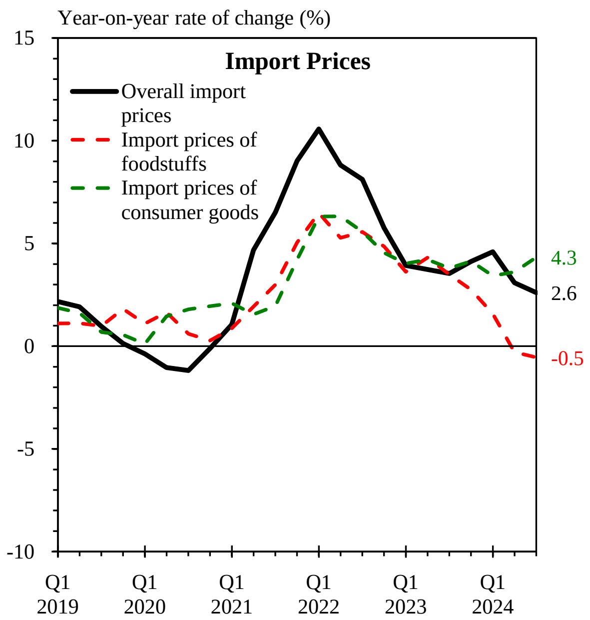
23. Taking into account the actual outturn in the first three quarters of the year, the evolving global political and economic situation and the latest developments of the local economic situation, the real GDP growth forecast for 2024 as a whole is revised to 2.5%, from 2.5%-3.5% in the August round of review ***(Chart 12)***. For reference, the latest forecasts for Hong Kong's economic growth in 2024 made by private sector analysts in November were in the range of 2.4% to 2.9%, averaging around 2.6%.

Chart 12 : Economic growth forecast for 2024 as a whole was revised to 2.5%



24. As regards inflation, overall inflation should stay modest in the near term. The continued growth of the Hong Kong economy may pose some mild upward pressures on domestic cost. Separately, external price pressures should ease further, though uncertainties in the external environment remain ***(Chart 13)***. The forecast rate of underlying consumer price inflation for 2024 was revised down to 1.1% from 1.3% as announced in the August round of review ***(Chart 14)***, and the corresponding forecast rate of headline consumer price inflation was also revised down to 1.7% from 1.9%.

Chart 13 : External price pressures softened in overall terms; domestic business cost pressures remained largely contained



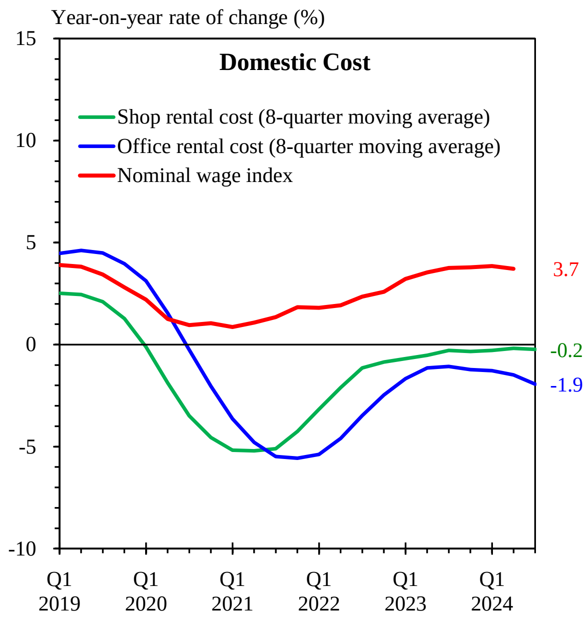
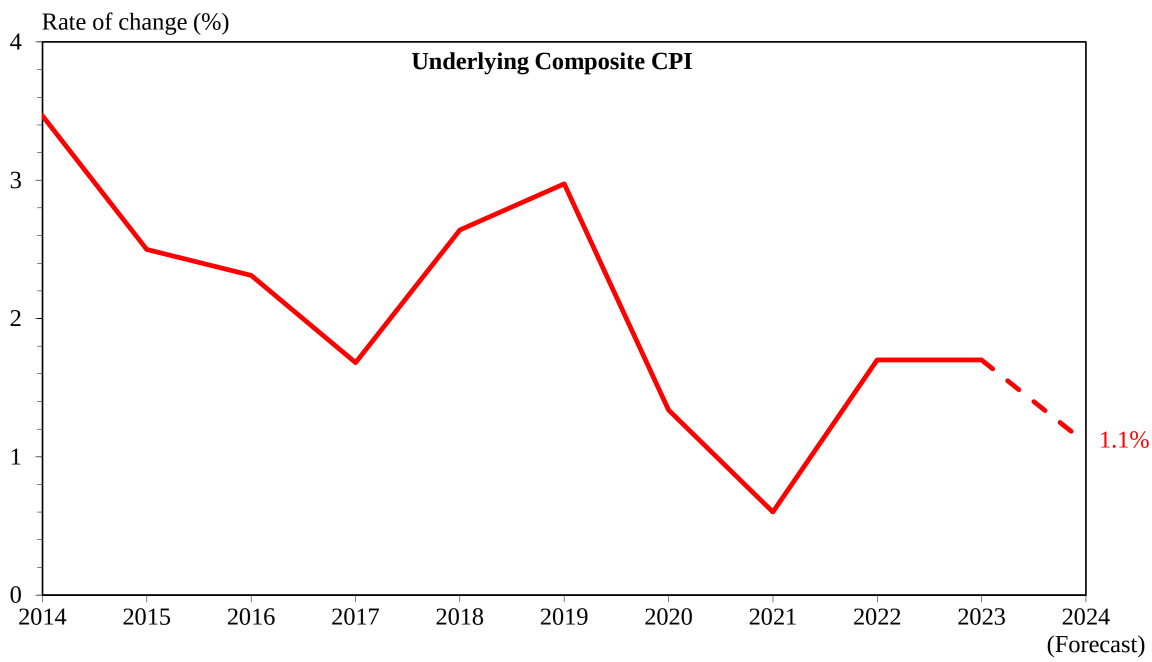


Chart 14 : Underlying inflation rate for 2024 is forecast at 1.1%

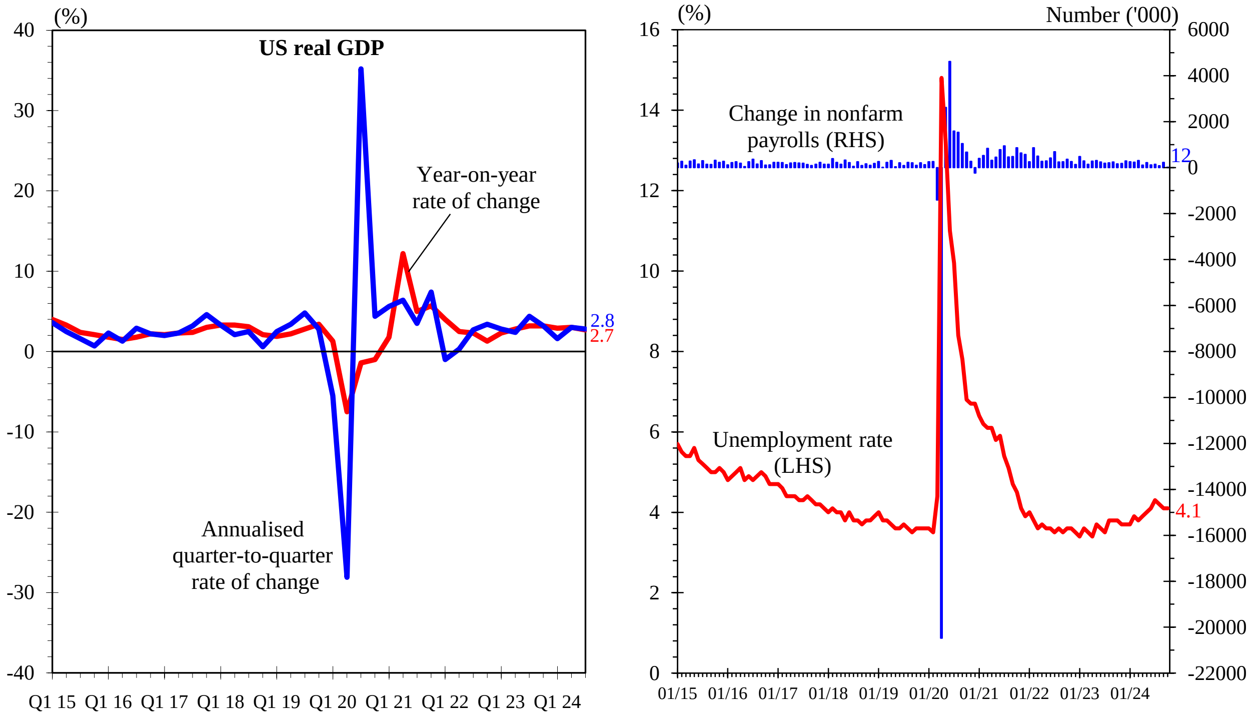


Economic outlook for 2025

25. The global economy will face heightened uncertainties in 2025, including the economic policies of the new term of the US administration. If the US government substantially increases tariffs as indicated earlier, there will be serious disruptions to global trade and investment flows, and countermeasures by other economies will be triggered. Moreover, the expected expansionary fiscal policies to be introduced by the next US administration should increase inflationary pressure. The pace of interest rate cuts may slow as a result, which would dampen global economic sentiment and growth, and lead to volatility in the financial market. The IMF forecast in October, before the US presidential election, that global economic growth would remain at 3.2% in 2025, same as in 2024. The IMF warned that downside risks to the global economic outlook have gained prominence, including an escalation in regional conflicts, monetary policy remaining tight for too long causing a faster-than-anticipated growth deceleration, a resurgence of financial market volatility, and intensification of protectionist sentiment. The IMF also noted that growth might moderate visibly under some adverse scenarios, such as increase in tariffs and trade policy uncertainty.

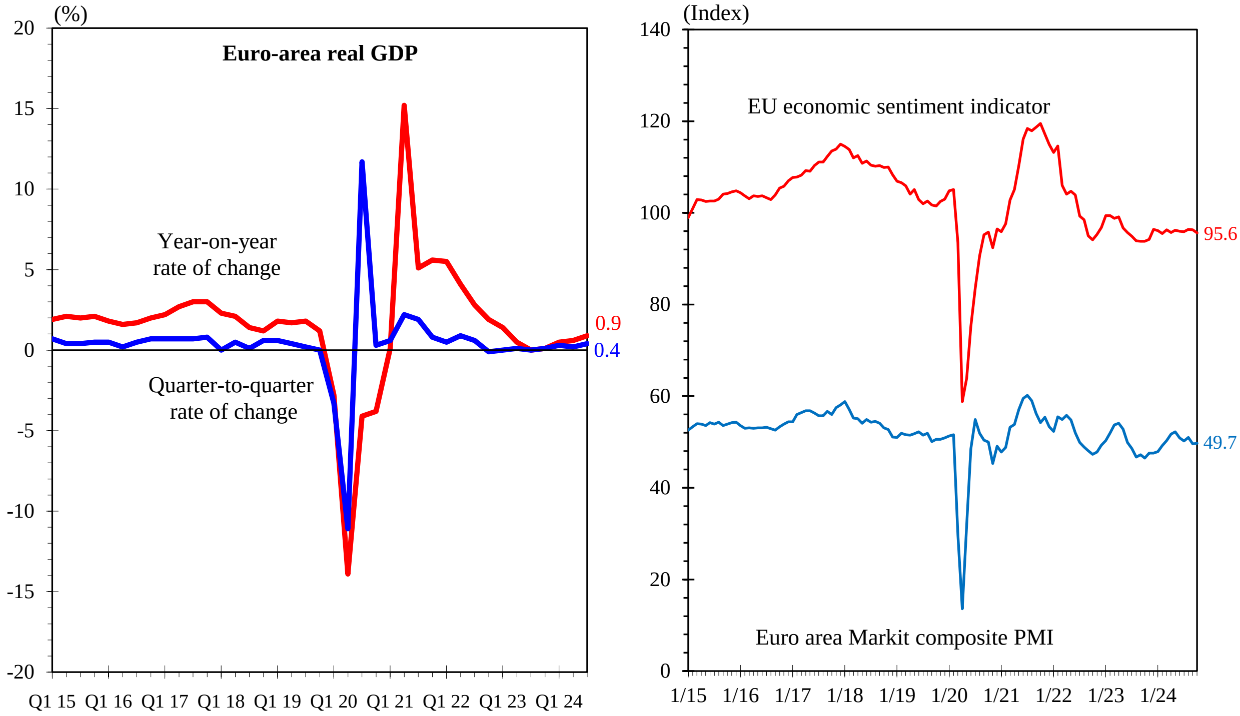
26. For advanced economies, the US economy expanded at a slightly moderated pace in the third quarter ***(Chart 15)***. In tandem with inflation generally trending downward and the labour market softening gradually, the Fed cut the federal funds rate in September and November by 50 and 25 basis points respectively, to the current range of 4.50% to 4.75%, and continued to reduce the size of its balance sheet. Yet, since the US election, the market has generally expected the new administration to substantially increase tariffs and adopt expansionary fiscal policies, which would cause upward pressures to inflation and slow the pace of interest rate cuts in the US. Recently, Fed Chair Powell also noted that the Fed was in no hurry to cut rates. The market generally expects interest rates in the US to retreat further by 75 basis points by end-2025, 25 basis points less than before the election. The IMF forecast in October that US economic growth would slow from 2.8% this year to 2.2% next year.

Chart 15 : The US economy expanded at a slightly moderated pace in the third quarter; the labour market showed a gradual softening trend



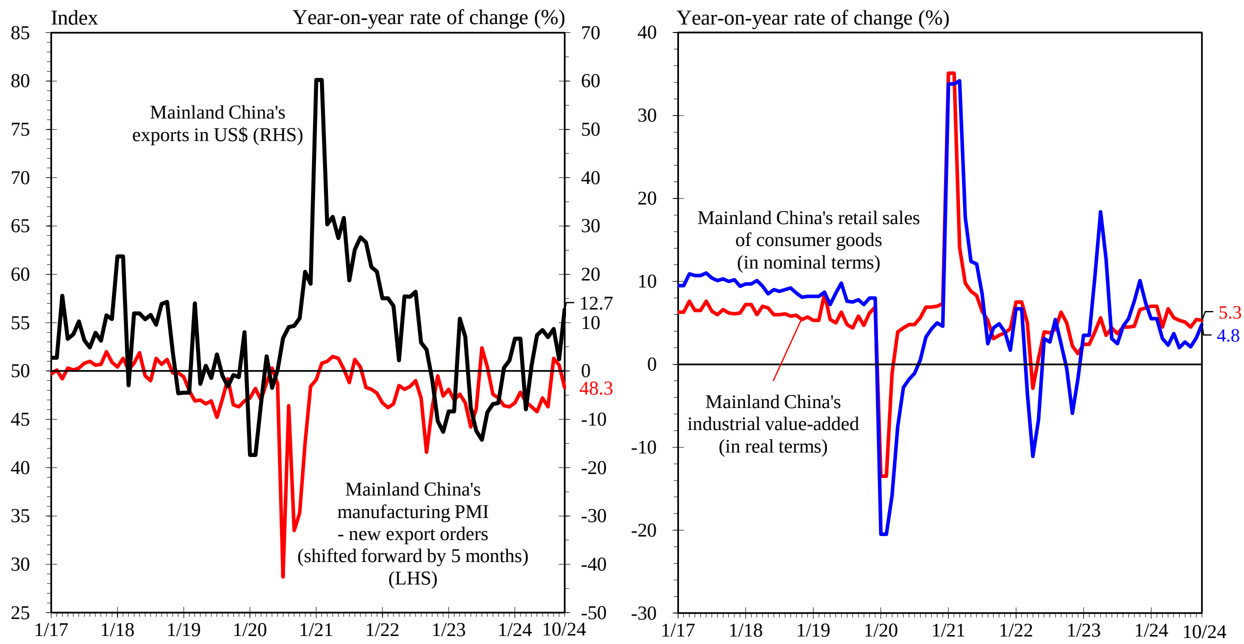
27. The euro area economy continued to record mild growth in the third quarter. Most economic sentiment indices improved slightly from low levels ***(Chart 16)***. Inflation has eased in recent months to levels consistent with the target set by the European Central Bank ("ECB"). The ECB cut deposit facility rate by 25 basis points at each meeting in June, September and October, to the current level of 3.25%. The market generally expects the ECB to further cut interest rates by 150 basis points by end-2025. The IMF forecast in October that the euro area economy would benefit from stronger domestic demand and see slightly faster growth of 1.2% next year after growing by 0.8% this year.

Chart 16 : The euro area economy continued to record mild growth in the third quarter, economic sentiment indices improved slightly



28. In the Mainland, our country has been gradually strengthening countercyclical fiscal and monetary policies to foster steady economic growth. Since September, the authorities have put forward a series of policy measures, including lowering the reserve requirement ratio and interest rates to support domestic demand, resolving local governments' debt risks, and stabilising the property market, etc. The Mainland's economic growth momentum has improved from the end of the third quarter ***(Chart 17)***. Although geopolitical factors may weigh on the Mainland's trade performance, strong economic fundamentals and ample policy room should help the Mainland economy sustain steady growth next year. The IMF forecast in October that the Mainland economy would grow by 4.5% next year.

Chart 17: The Mainland's economic growth momentum has improved from the end of the third quarter



29. Most other Asian economies recorded solid growth in the third quarter. Looking ahead to the next year, the external trade performance of these economies would depend on the evolving global political and economic environment, while domestic demand would hinge on whether their respective central banks have room to loosen monetary policies further. Overall, there should be more uncertainties compared to this year.

30. Against such an environment, Hong Kong's economic outlook will face quite some challenges. If the US substantially increases tariffs, Hong Kong's exports, particularly re-exports from the Mainland to the US, would be hit notably. Moreover, a slowdown in the pace of rate cut in the US could cause the Hong Kong dollar to stay relatively strong for longer, affecting the attractiveness of domestic goods and services, thereby undermining residents' and visitors' consumption in Hong Kong. Domestic economic sentiment would also be affected. Nonetheless, our country's strong measures to boost the economy will help improve market confidence in Hong Kong, and benefit different segments of the economy. Furthermore, the 2024 Policy Address has set out a range of strong measures on economic development, which will inject new impetus to economic development in Hong Kong, strengthening Hong Kong's economic outlook.

31. In respect of prices, Hong Kong's inflation outlook will hinge on a range of factors, including overall economic performance, local cost pressures, international commodity prices, inflation situation of Hong Kong's major import sources and exchange rates movements, etc. On current indication, external inflationary

pressures should remain largely moderate next year, though geopolitical developments may pose uncertainty. Domestic cost will see mild upward pressures as the Hong Kong economy continues to grow.

32. The Government will closely monitor the developments in the domestic and external environment and announce the economic growth and inflation forecasts for 2025 along with the 2025-26 Budget in February next year. For reference, the latest forecasts for Hong Kong's economic growth in 2025 made by private sector analysts were in the range of 0.6% to 3.2%, while those for consumer price inflation were in the range of 1.5% to 2.4%.

Office of the Government Economist
Financial Secretary's Office
25 November 2024

Annex

Recent Situation of Household Income[(1)]

Background

This Annex provides an update on the latest trends of household income and employment earnings in Hong Kong and those of the low-income households. The benchmark of monthly household income for low-income households is $9,600 (at Q3 2024 prices) after adjusting for inflation[(2)].

Overall situation of household income and employment earnings

2. The labour market remained tight in recent months. The seasonally adjusted unemployment rate stayed low at 3.1% in August – October 2024, though edging up by 0.1 percentage point from the second quarter. The latest labour force and total employment increased by 0.3% and 0.1% respectively over the second quarter, though lower by 0.3% and 0.4% from a year ago.

3. Compared to a year earlier, various employment earnings / household income indicators largely maintained growth. Median employment earnings of full-time employees recorded a year-on-year increase of 6.7% in nominal terms in the third quarter of 2024, or 4.2% in real terms after netting out inflation. Within the total, median employment earnings of unskilled employees grew by 7.1% year-on-year in nominal terms or 3.9% in real terms. On the other hand, the median monthly household income, an indication of the overall household income situation, went up by 0.7% in nominal terms. After netting out inflation, the median monthly household income declined by 1.7% in real terms ***(Table 1)***. This was due to the increasing share of economically inactive households amid continued population ageing, which posed a drag on the growth of the median monthly income of all households.

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

(2) Calculated based on Consumer Price Index (A), and the benchmark is equivalent to $8,800 at Q2 2019 prices.

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

Period		Median monthly household income		Median employment earnings of employees^		Median employment earnings of unskilled employees^	
2020		-6.1	(-6.4)	@	(-0.3)	0.8	(1.5)
2021		-0.2	(-1.7)	@	(-1.5)	7.4	(4.5)
2022		3.3	(1.4)	5.0	(3.1)	@	(-2.1)
2023		6.7	(4.6)	6.2	(4.0)	8.2	(5.8)
2023	Q1	4.4	(2.4)	4.7	(2.7)	7.7	(5.6)
	Q2	7.4	(5.3)	5.4	(3.3)	7.7	(5.4)
	Q3	5.6	(3.6)	7.1	(5.2)	3.7	(1.7)
	Q4	3.1	(0.5)	9.0	(6.3)	8.0	(4.9)
2024	Q1	2.0	@	4.4	(2.5)	7.1	(4.8)
	Q2	1.0	(-0.2)	6.8	(5.5)	7.1	(5.7)
	Q3	0.7	(-1.7)	6.7	(4.2)	7.1	(3.9)

Notes: (^) Median employment earnings of full-time employees.
( ) Rate of change (%) in real terms.
(@) Change of less than 0.05%.
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 $9,600

4. In the third quarter of 2024, the number of economically active households with monthly household income below $9,600 (referred to as "low-income households") increased by 3 600 or 4.7% over a year earlier to 78 800, but its proportion in total domestic households remained at 2.8%(3).

5. An analysis of the number and proportion of low-income households over the past years suggests that their changes largely 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 5.5% in the third quarter of 2003 to 3.2% in the third quarter of 2007. After the onset of the global financial crisis in late 2008, the corresponding proportion rose back to 4.1% in the third quarter of 2009, but subsequently declined in tandem with the economic recovery. Hard hit by the COVID-19 epidemic, labour market conditions deteriorated over the course of 2020, and the proportion of low-income households

(3) All figures pertaining to low-income households in the third quarter of 2024 are provisional figures.

rose visibly to 5.0% in the third quarter. The proportion declined afterwards as the local labour market improved. In the third quarter of 2024, the proportion of low-income households remained unchanged from a year ago and was comparable to the pre-pandemic levels ***(Table 2 and Chart 1)***.

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

Period	Household type: Elderly households#	Household type: Non-elderly households	**Total**	Of which: Economically active persons therein
Q3 2003	3 000	113 400	**116 500**	140 600
	(0.1)	(5.3)	**(5.5)**	[4.3]
Q3 2007	2 700	70 500	**73 200**	80 600
	(0.1)	(3.1)	**(3.2)**	[2.4]
Q3 2008	2 700	79 100	**81 700**	91 200
	(0.1)	(3.5)	**(3.6)**	[2.7]
Q3 2009	1 700	91 800	**93 500**	107 600
	(0.1)	(4.0)	**(4.1)**	[3.1]
Q3 2011	3 800	55 600	**59 300**	66 000
	(0.2)	(2.3)	**(2.5)**	[1.9]
Q3 2017	6 800	64 900	**71 700**	79 000
	(0.3)	(2.6)	**(2.8)**	[2.2]
Q3 2019	6 000	61 300	**67 400**	72 300
	(0.2)	(2.4)	**(2.6)**	[2.0]
Q3 2020	9 500	122 300	**131 800**	152 900
	(0.4)	(4.6)	**(5.0)**	[4.3]
Q3 2021	9 900	91 600	**101 500**	115 200
	(0.4)	(3.4)	**(3.8)**	[3.2]
Q3 2022	10 900	82 100	**92 900**	101 900
	(0.4)	(3.1)	**(3.5)**	[2.9]
Q3 2023	8 500	66 700	**75 200**	81 400
	(0.3)	(2.4)	**(2.8)**	[2.3]
Q3 2024	9 600	69 100	**78 800**	85 100
	(0.3)	(2.5)	**(2.8)**	[2.4]

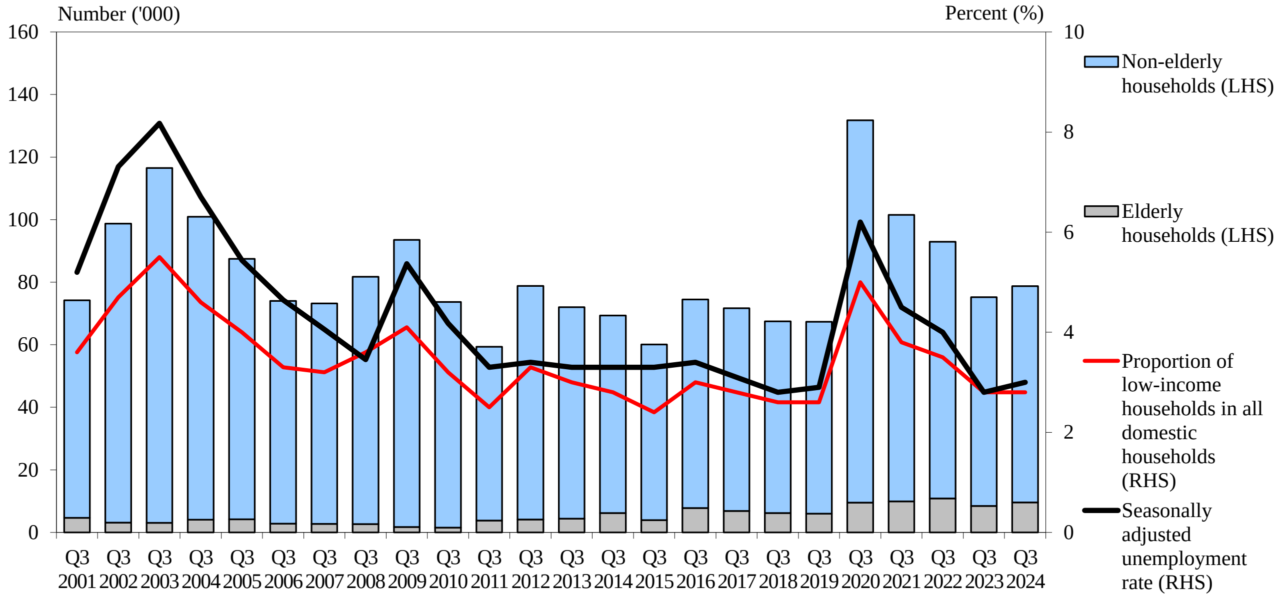
Notes : (*) Low-income households refer to households with monthly household income less than $9,600 (Q3 2024 prices). This does not include households with all members being economically inactive.

(#) 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 $9,600 (Q3 2024 prices). This does not include households with all members being economically inactive.

Socio-economic characteristics of low-income households

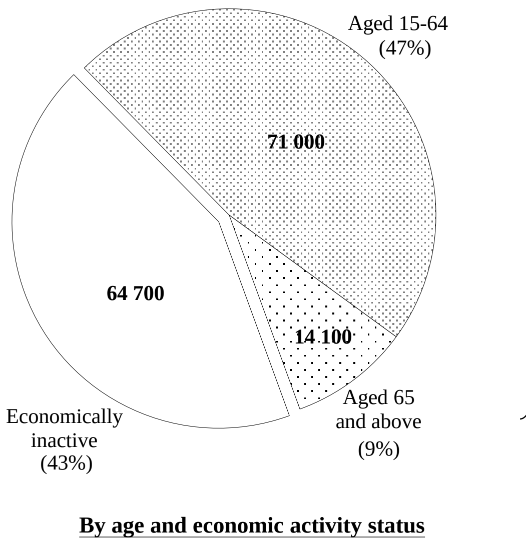
6. Further analysis of low-income households in the third quarter of 2024 yields the following observations:

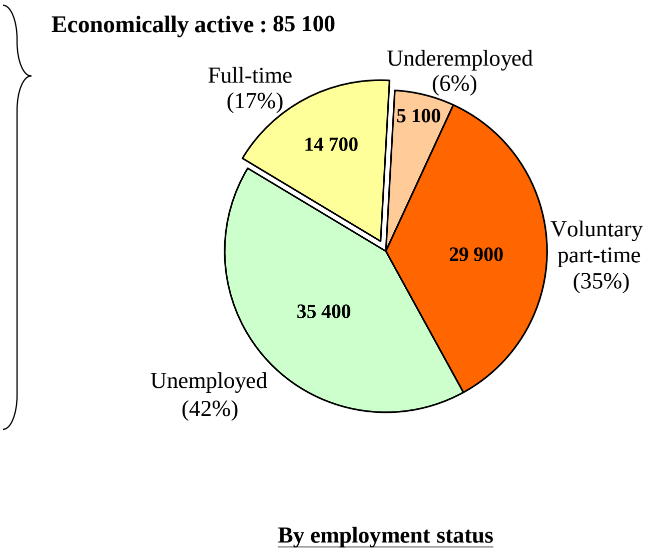
- There were 149 700 persons living in low-income households, among whom 85 100 were economically active. Most of these economically active persons (71 000 or 83%) were aged 15-64, with the majority in the older age group of 40-64 (54 500 or 64%), and some were elders aged 65 and above (14 100 or 17%).

- The remaining 64 700 persons were economically inactive, among whom 34 100 (53%) were either children aged below 15 or elders aged 65 and above.

- Further analysis by employment status shows that among the 85 100 economically active persons, the number and proportion of full-time workers were 14 700 and 17% respectively, down visibly by 24% and 7 percentage points year-on-year. Compared with a year ago, the proportion of voluntary part-timers remained at 35%, while the proportion of underemployed persons rose by 2 percentage points to 6%. Meanwhile, the number and proportion of unemployed persons increased by 17% and 5 percentage points year-on-year to 35 400 and 42% respectively ***(Charts 2 and 3)***.

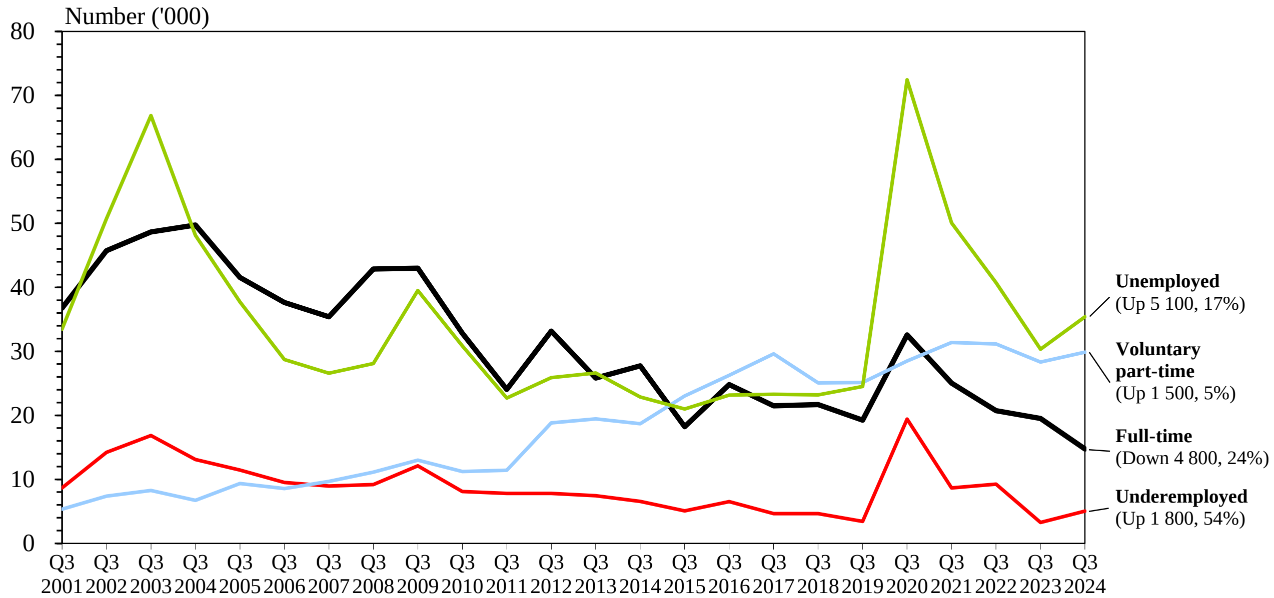
Chart 2 : Persons living in low-income households*
by age and economic activity status in the third quarter of 2024





Note : (*) Low-income households refer to households with monthly household income less than $9,600 (Q3 2024 prices). This does not include households with all members being economically inactive.

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



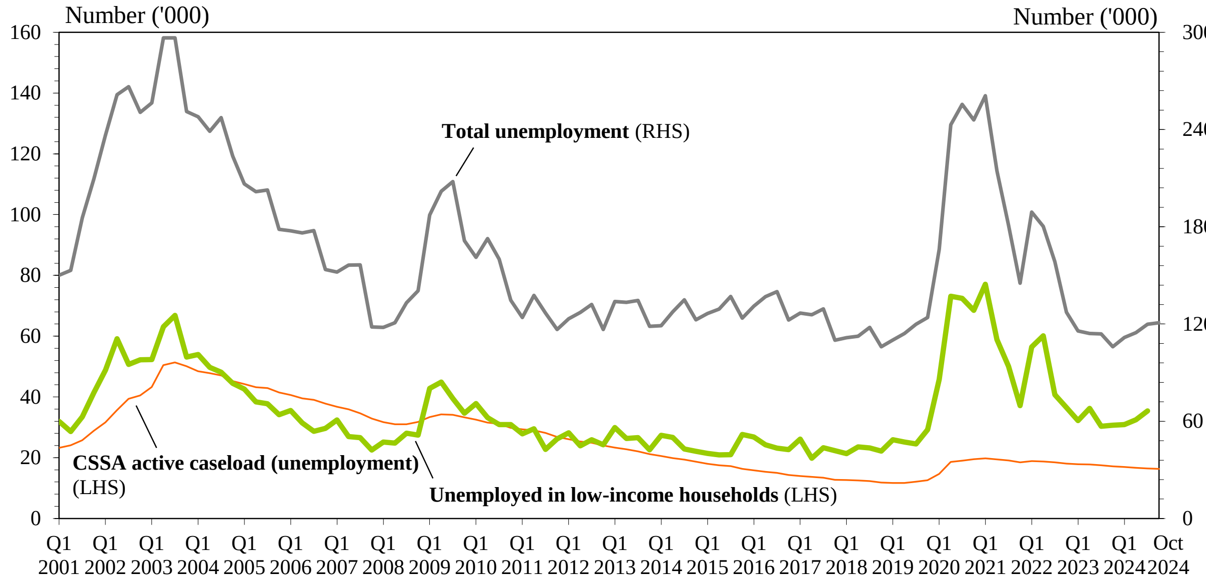
Notes : (*) Low-income households refer to households with monthly household income less than $9,600 (Q3 2024 prices). This does not include households with all members being economically inactive.
Figures in brackets are the year-on-year changes in the number of economically active persons in the third quarter of 2024.

- Analysed by occupation, the majority of the employed persons in low-income households (82%) were lower-skilled workers (31% were service and sales workers, and 28% were elementary workers). A breakdown by economic sector reveals that most of them were engaged in the retail, accommodation and food services sector (13 100 or 26%), followed by the transportation, storage, postal and courier services sector (6 300 or 13%).

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

7. The unemployment rate of lower-skilled workers went up by 0.4 percentage point over a year earlier to 3.3% in August – October 2024. The number of CSSA unemployment cases was 16 357 in October 2024, down by 1 046 or 6.0% from a year earlier ***(Chart 4)***. As for the number of overall CSSA caseload, there were 196 477 cases in October 2024, down by 5 046 or 2.5% 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 $9,600 (Q3 2024 prices). This does not include households with all members being economically inactive.

(^) Monthly period-end figures.