

**2014 - 15 Budget**

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**Briefing for  
the Consular Corps**

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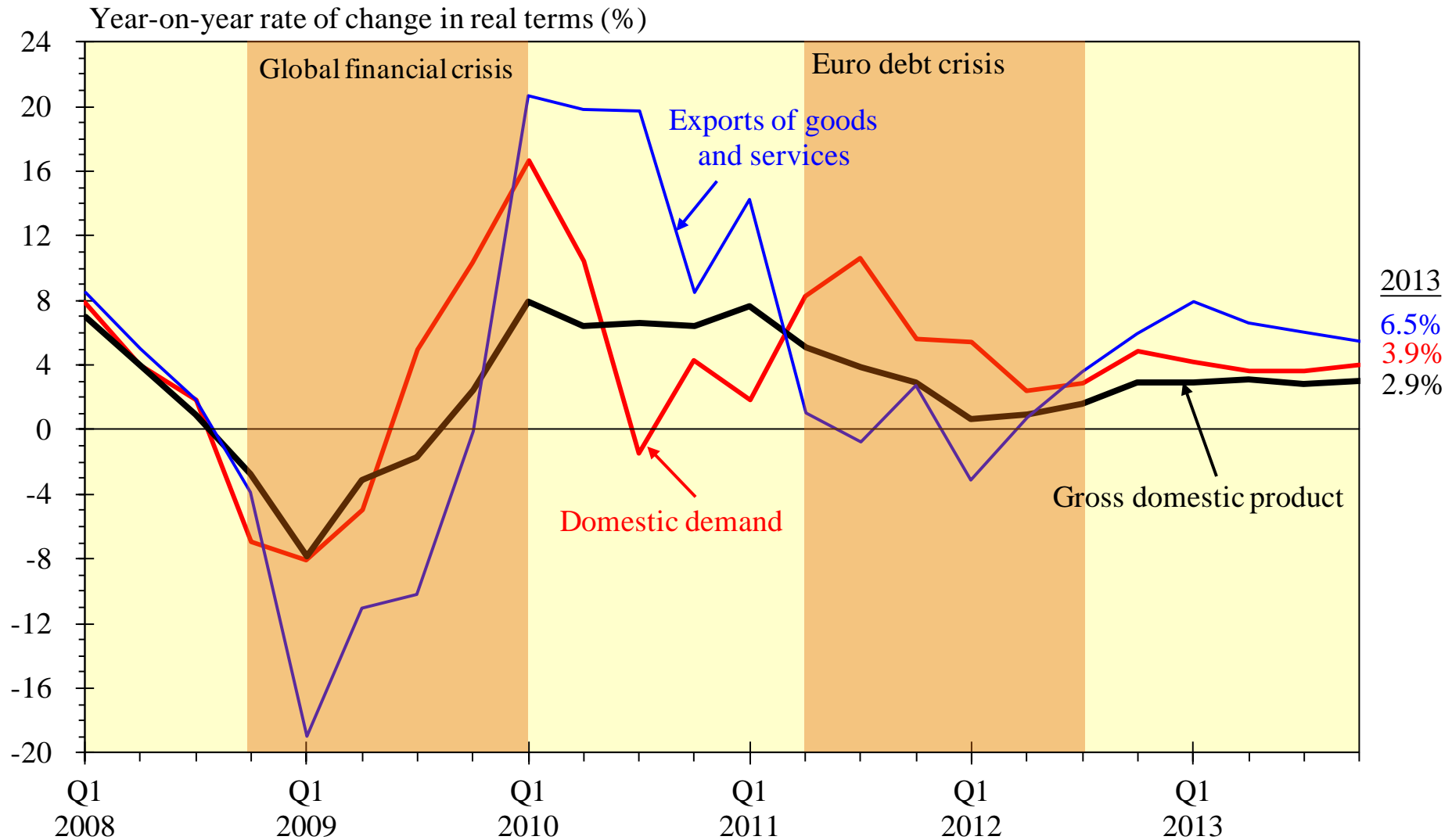
**26 February 2014**

# 2013 Performance

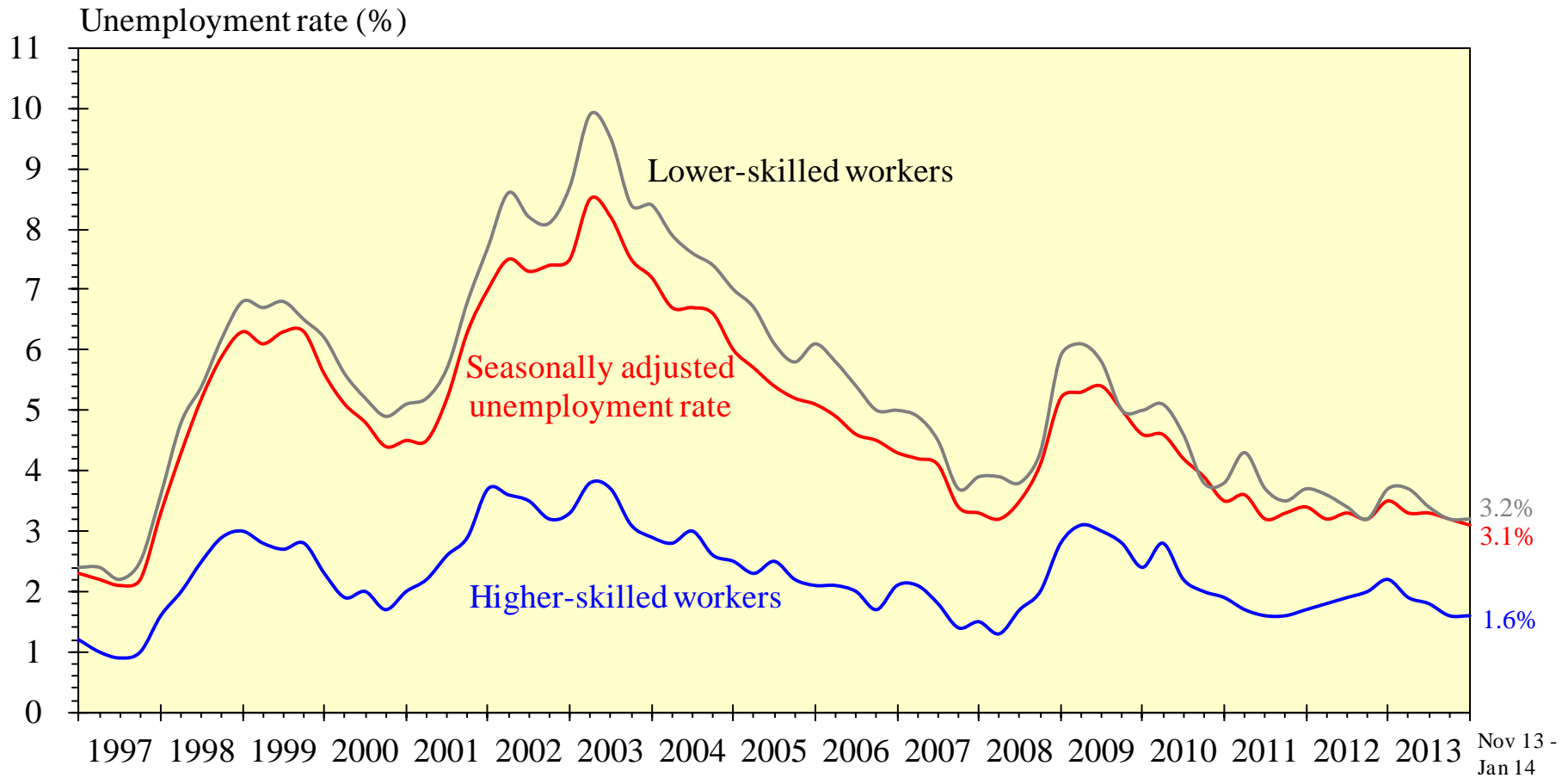
# Salient features of economic performance in 2013

- Economy maintained steady growth at around 3% throughout the four quarters. GDP growth at 2.9% for 2013 as a whole, up from 1.5% in 2012
- An improved external trading environment rendered the key driver to faster growth in 2013, thanks also to a resilient Mainland economy
- Domestic sector saw further steady growth. Labour market remained in full employment
- Inflation was broadly steady. Underlying inflation rate averaged 4.0% in 2013, down from 4.7% in 2012

# Economy grew faster in 2013...



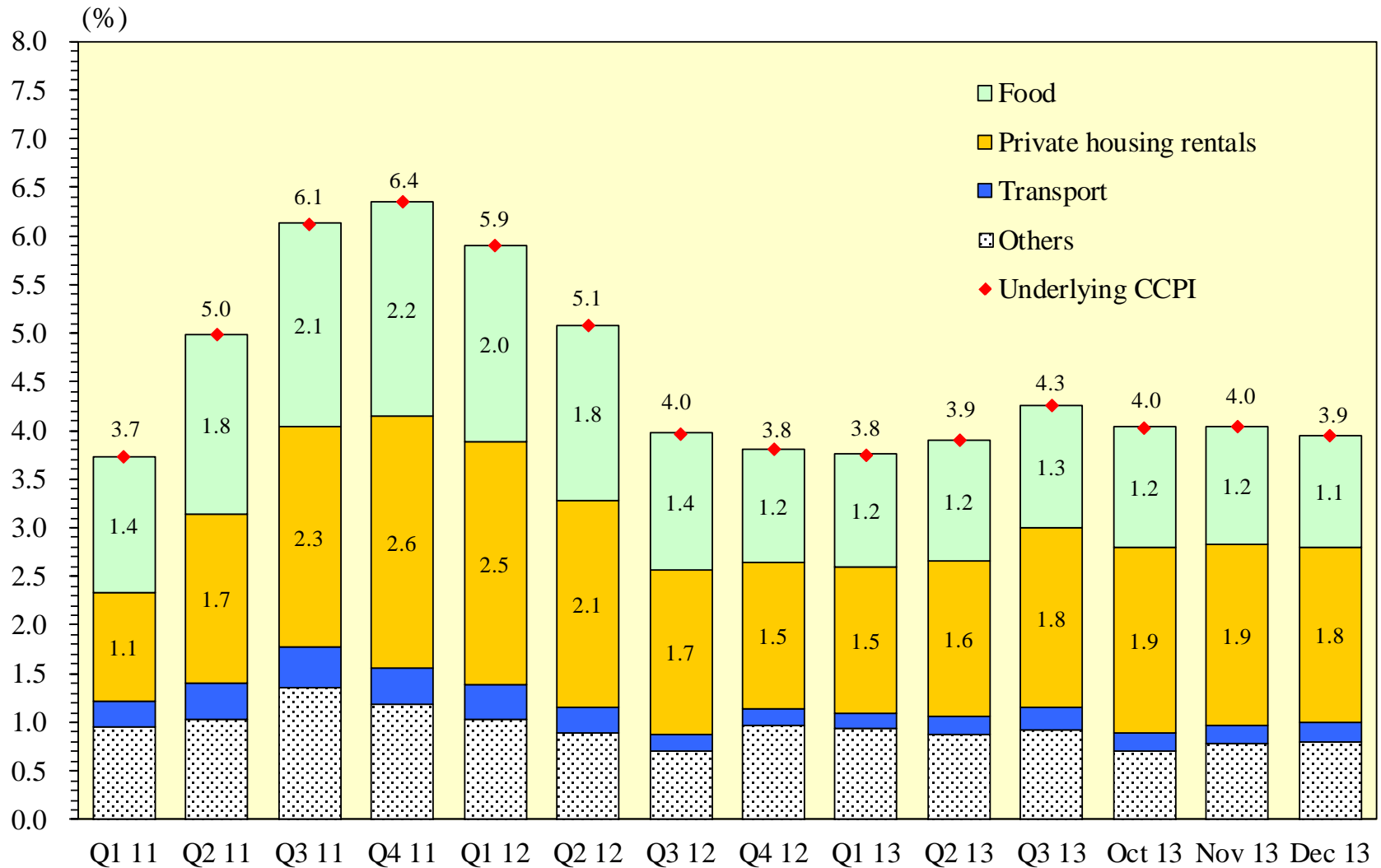
# ... keeping labour market in a state of full employment



Note : Unemployment rates for lower-skilled and higher-skilled workers are not seasonally adjusted.

# Yet, inflation was broadly contained in 2013

Contribution to the year-on-year rate of change in the underlying Composite Consumer Price Index by major component



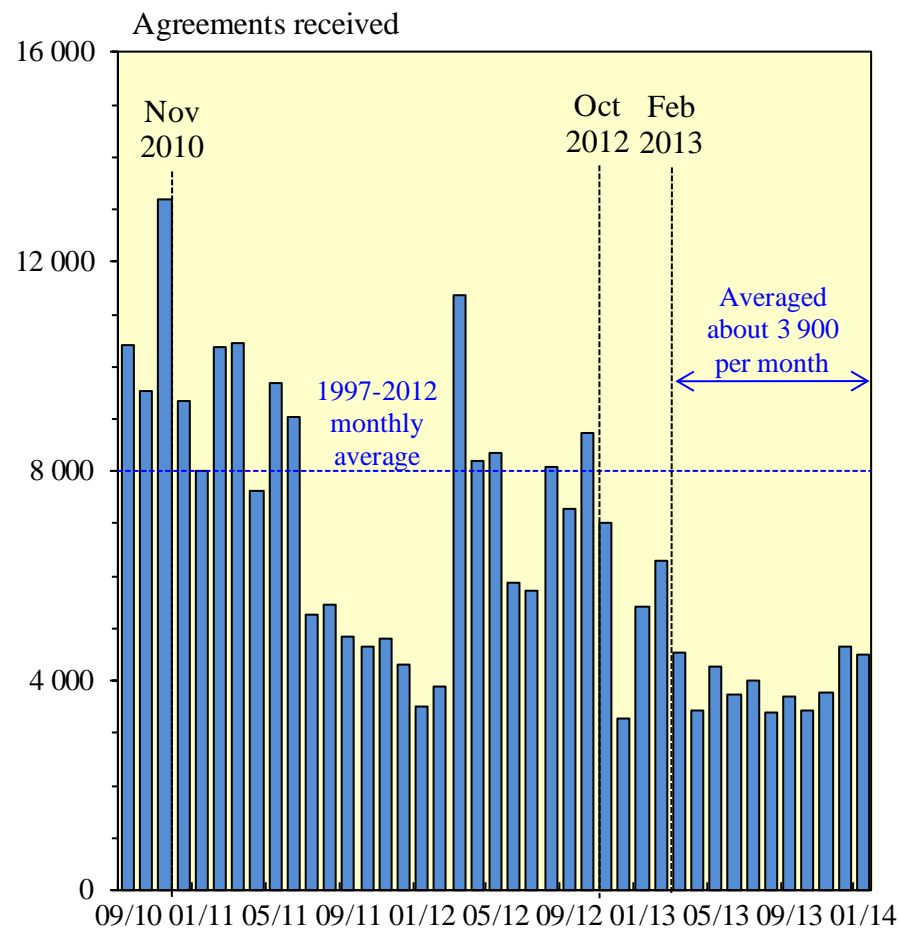
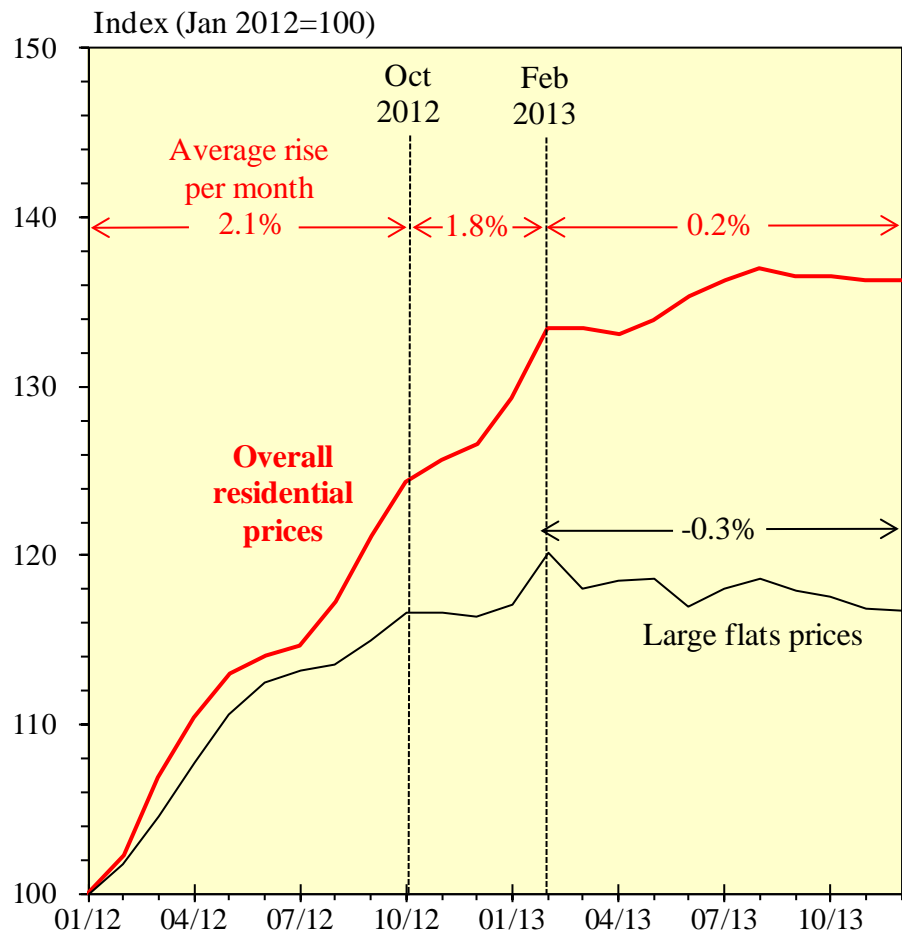
# Housing market

# **Government's efforts to tackle housing bubble risks have yielded results:**

- **Raising flat supply as top policy priority**
  - Supply of residential units over the next few years reaching a high of 71 000
- **Demand-side management measures, including SSD (Nov 2010), enhanced SSD and BSD (Oct 2012), and across-the-board rise in ad valorem stamp duty rates (Feb 2013)**
  - Both residential and non-residential property markets cooled off visibly, with sharply decelerated price rise amid thin trading
  - Speculative activities and non-local demand stayed subdued
- **Six rounds of macro-prudential measures on mortgage lending business since Oct-2009 to safeguard financial stability**



# Housing market cooled off after Feb 2013



# **2014 Economic Outlook**

# GDP Growth Prospect

- HK's exports should fare better in 2014 than in 2013, riding on the latest improvements in the advanced economies
- Domestic demand underpinned by intensive public infrastructure works as well as sanguine consumer and business sentiments

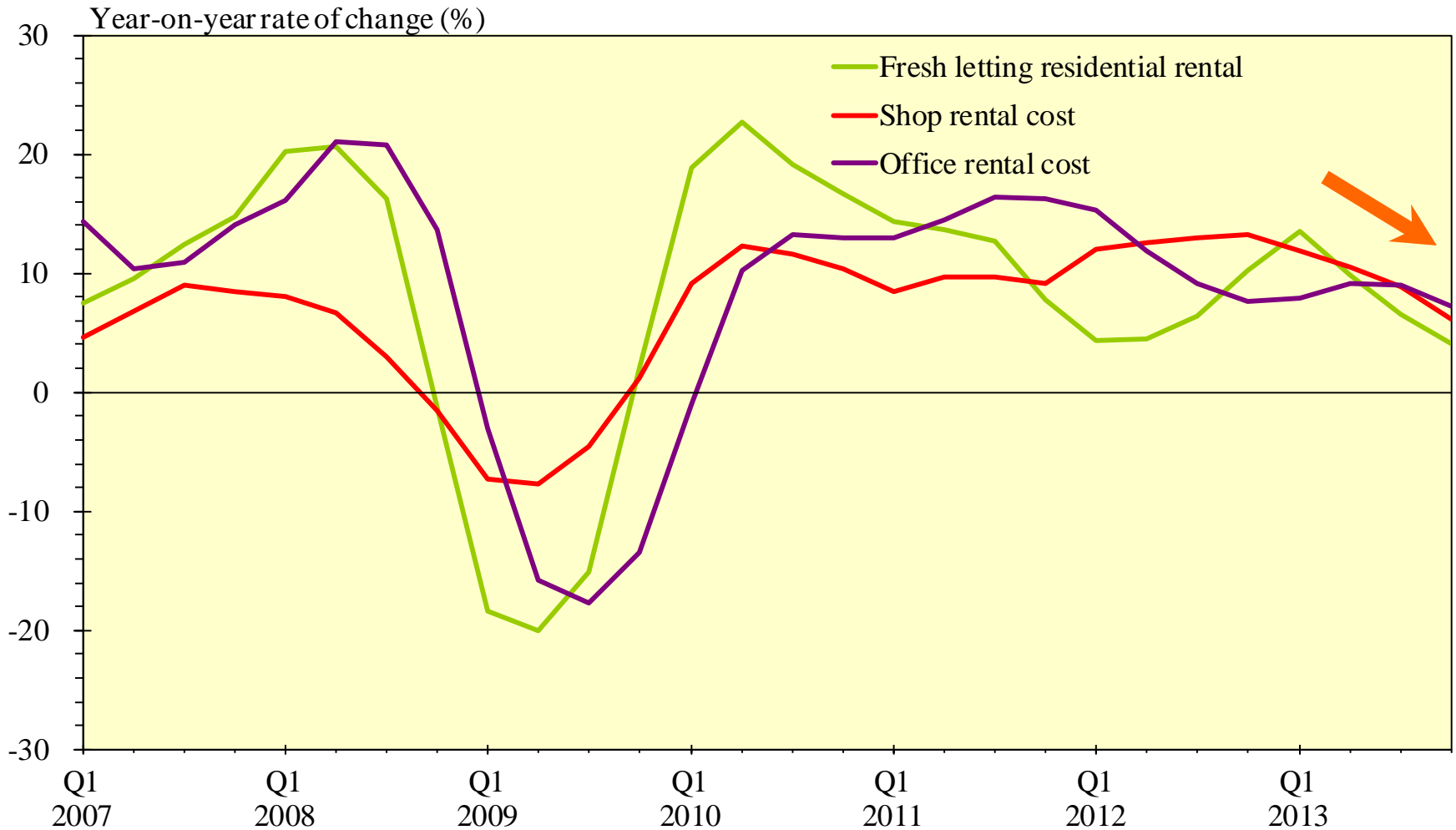
**Real GDP growth:** 2011: 4.8%  
2012: 1.5%  
2013: 2.9%  
2014: 3-4% (F)

## **Inflation outlook**

- **Underlying inflation likely to ease slightly further to 3.7% in 2014:**
  - External: international commodity prices still broadly stable; benign inflation in our major import sources
  - Local: steady wage trend; moderating rental cost increase

**Underlying inflation:** 2011: 5.3%  
2012: 4.7%  
2013: 4.0%  
2014: 3.7% (F)

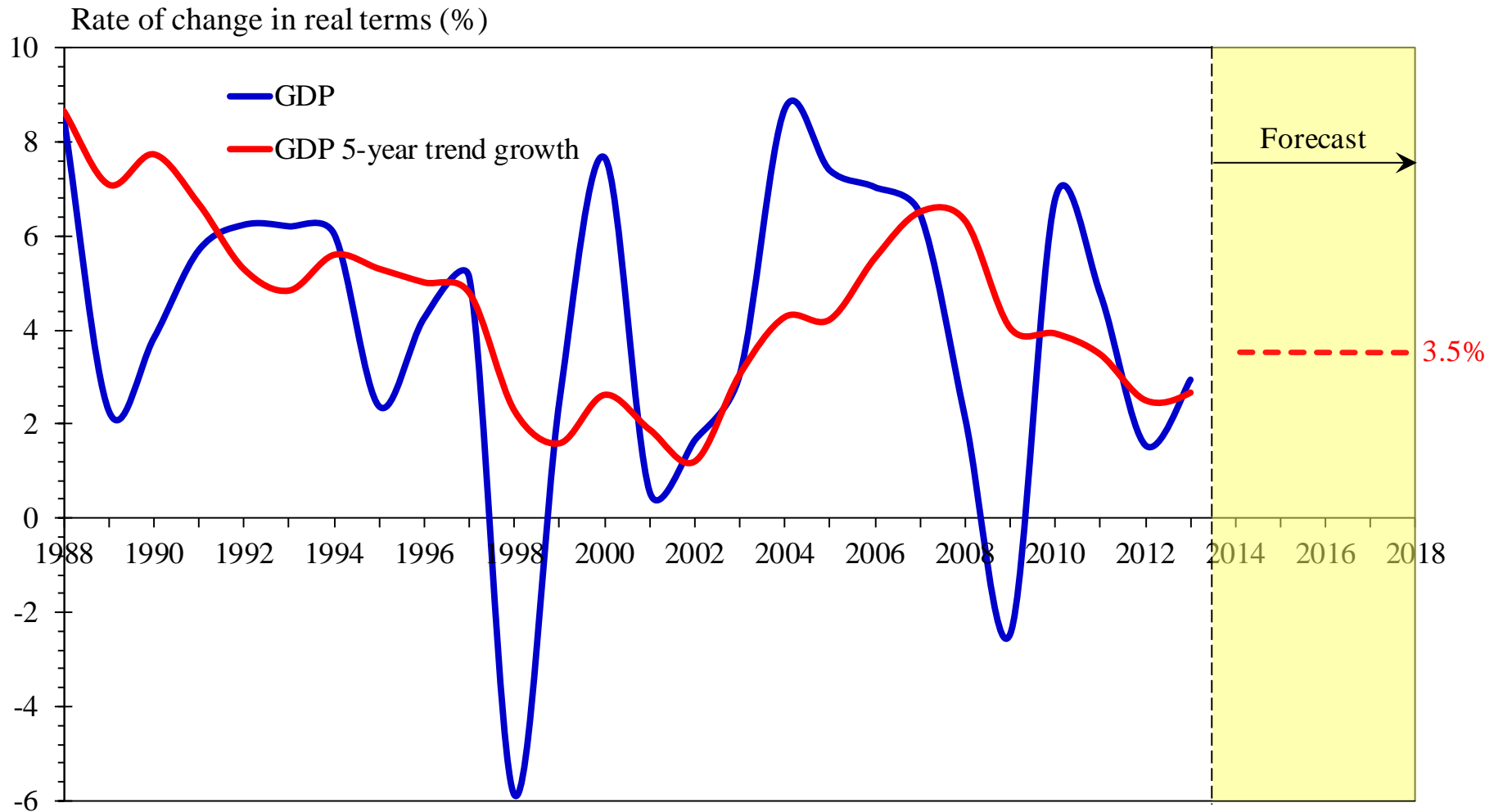
# Rental rise easing on a broad front



# Hong Kong's medium term economic outlook

- Risks arising from the Fed's monetary policy normalisation
- “New norm” of advanced economies – lower growth potential as constrained by structural problems
- Yet Mainland's economic prospect is still bright and will remain our primary source of growth opportunities
- **Trend growth of the Hong Kong economy at 3.5% per annum from 2015 to 2018**

# Medium term economic growth forecast at 3.5% p.a.



# **2014-15 Budget**

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**Thank you**

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