

**2017 - 18 Budget**

---

**Briefing for  
the Consular Corps**

---

**22 February 2017**

# **2016 Economic Performance**

# Salient features of economic performance in 2016

- Hong Kong's economic growth picked up over the course of 2016, after a weak performance in Q1
- Export performance improved visibly in the latter part of the year; domestic demand strengthened in tandem
- For 2016 as a whole, the Hong Kong economy grew by 1.9%, compared to 2.4% in 2015
- Labour market in full employment, with the unemployment rate staying low throughout the year (2016 average: 3.4%)
- Inflation eased for the fifth consecutive year. Underlying inflation averaged 2.3% in 2016

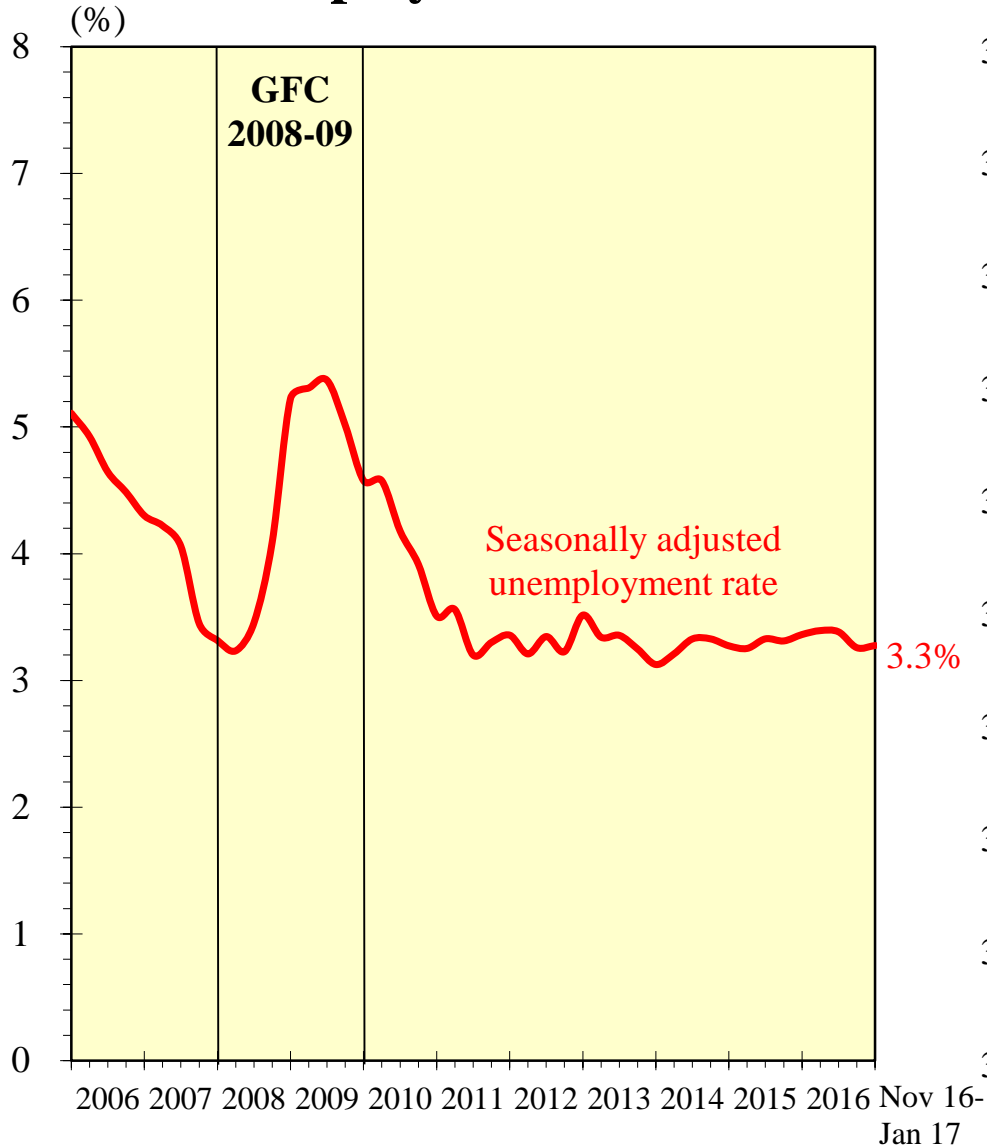
# Economic growth regained some momentum, supported by a recovery in exports and resilient domestic demand

Year-on-year rate of change in real terms (%)

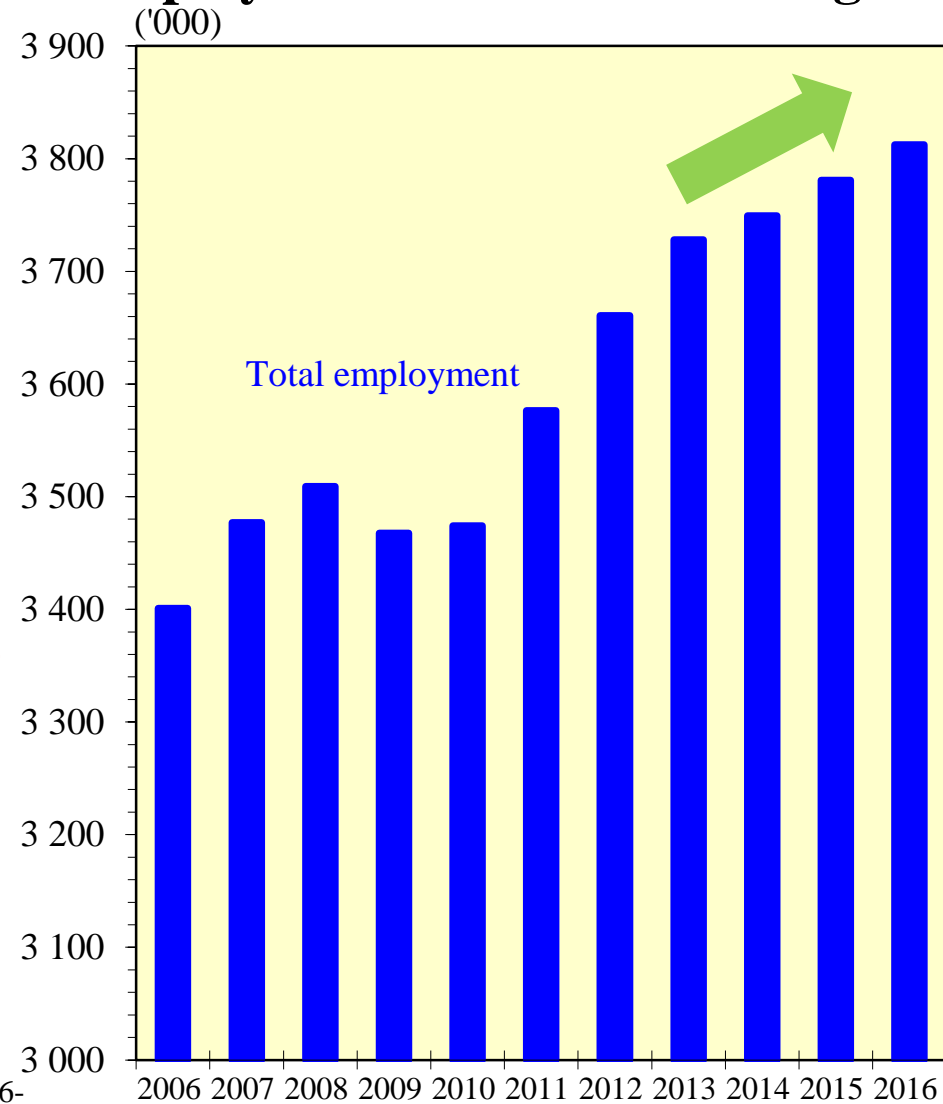
	<u><b>GDP</b></u>	<u><b>Domestic demand</b></u>	<u><b>Exports of goods and services</b></u>
2016	<b>1.9</b>	2.5	0.9
2016			
Q1	<b>1.0</b>	0.1	<b>-3.9</b>
Q2	<b>1.7</b>	1.1	0.9
Q3	<b>2.0</b>	4.5	1.6
Q4	<b>3.1</b>	4.2	4.5

# Labour market remained in full employment

Latest unemployment rate at 3.3%

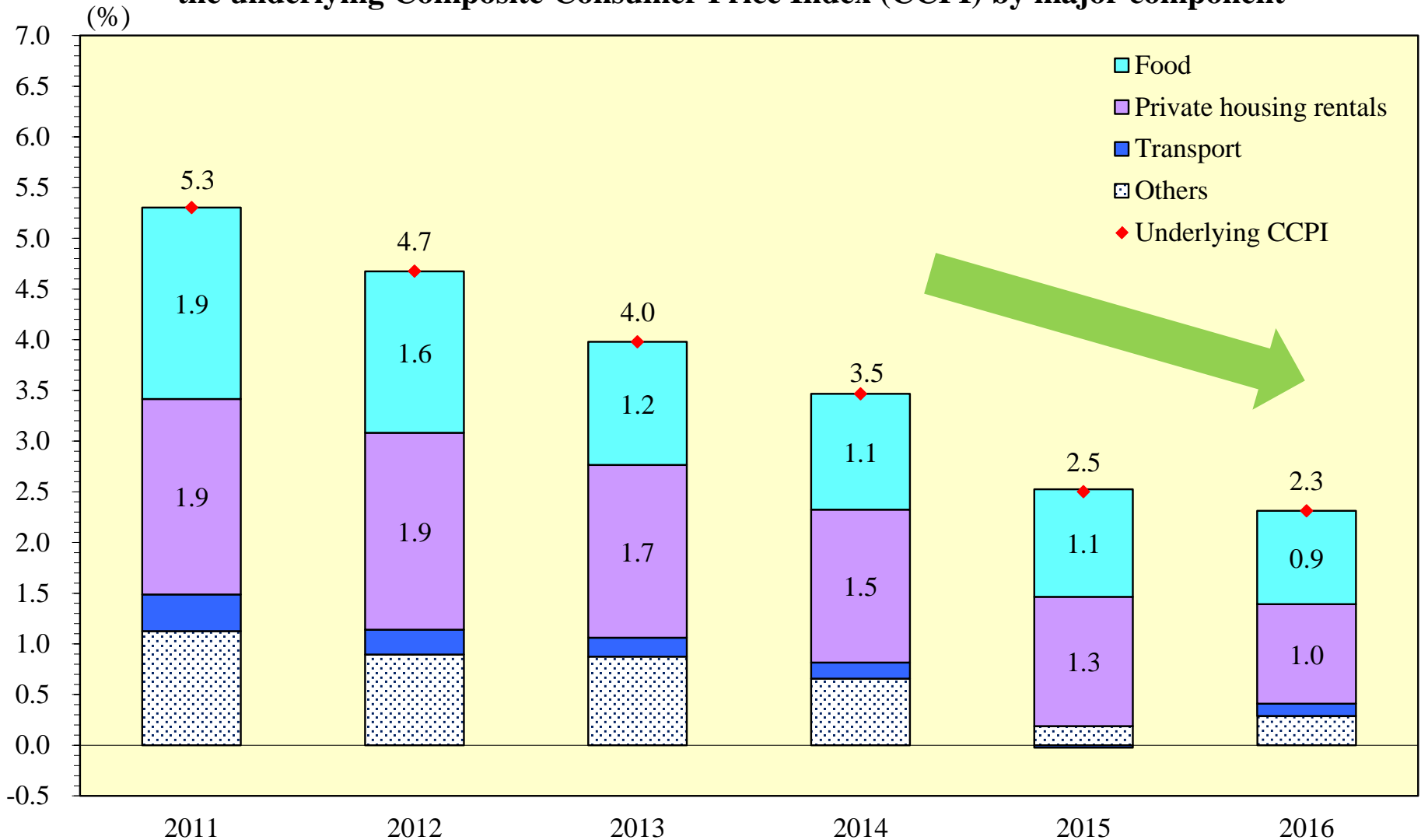


Employment reached a new high



# Inflation eased further in 2016

Contribution to the annual rate of change in the underlying Composite Consumer Price Index (CCPI) by major component



# **2017 Economic Outlook**

# 2017 economic outlook

- Exports of goods and services to fare better, riding on recent recovery trend and granting no adverse shocks from external front
- Domestic demand to stay resilient on the back of tight labour market and sanguine sentiment
- Large package of fiscal measures to help sustain the economy on recovery path
- **Real GDP growth forecast: 2-3%**
- **Underlying inflation forecast: 2%**

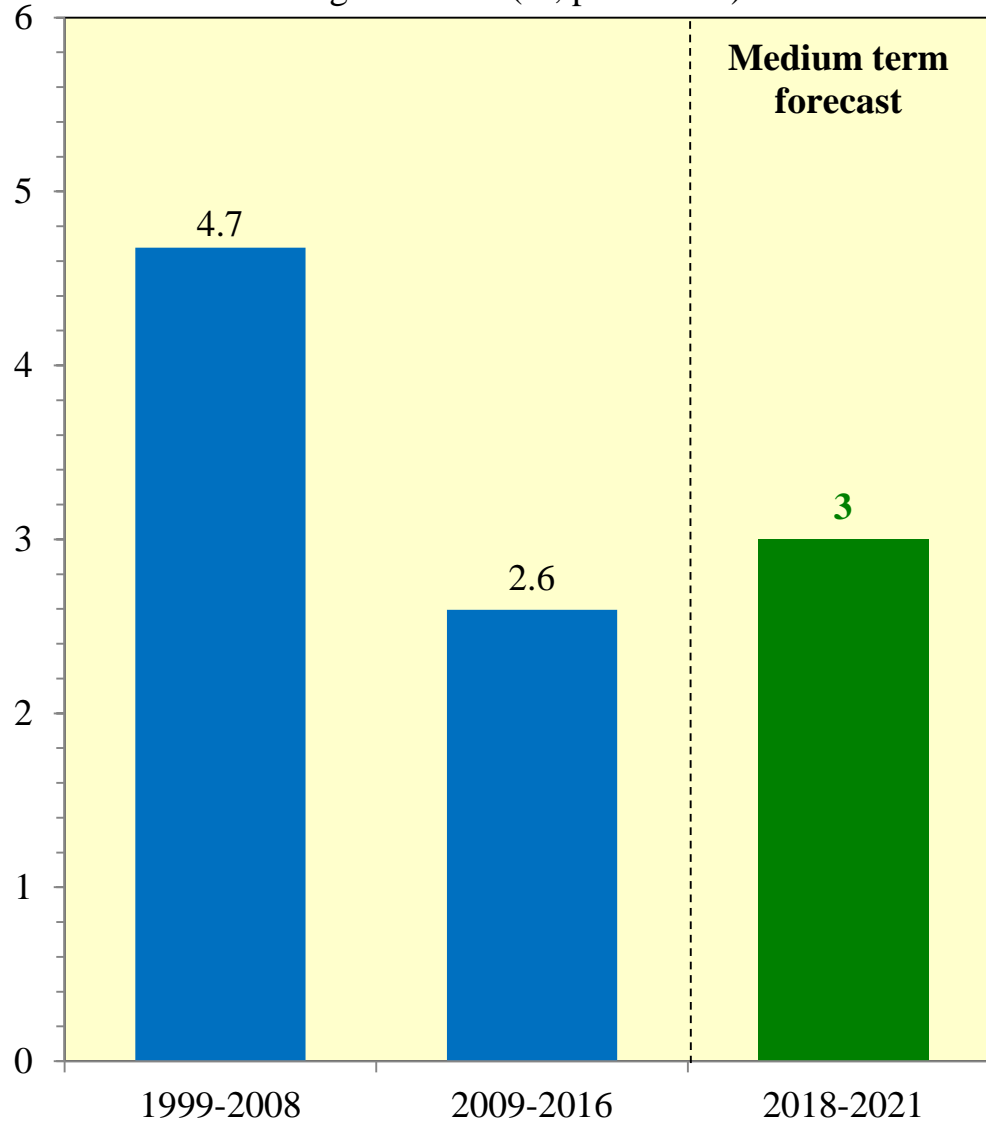


# **Key uncertainties surrounding the economic outlook**

- US economic performance and policy directions under the new administration
- Possible rises in protectionist or anti-trade sentiments across the globe
- Timing and pace of Fed's interest rate normalisation; visible monetary policy divergence among major central banks
- Political developments in Europe, including Brexit-related risks; elevated geopolitical tensions

# Medium-term economic outlook remains positive

Trend real GDP growth rate (% , per annum)



- Against the backdrop of modest global economic growth under the new normal
- The forecast assumes no severe external shocks during the period, and has also taken into account the drag from population ageing
- The Government will continue its strenuous efforts to raise productivity and unleash growth potential

# **2017-18 Budget**

---

**Thank you**

---