



2023 Economic Background and 2024 Prospects

Government of the Hong Kong
Special Administrative Region

***2023 ECONOMIC BACKGROUND
AND
2024 PROSPECTS***

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

February 2024

CONTENTS

Paragraphs

CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE IN 2023

| | |
|---|-------------|
| Overall situation | 1.1 |
| The external sector | 1.2 - 1.3 |
| The domestic sector | 1.4 - 1.5 |
| The labour sector | 1.6 |
| The asset markets | 1.7 - 1.8 |
| Inflation | 1.9 - 1.10 |
| GDP by major economic sector | 1.11 - 1.12 |
| Other economic developments | 1.13 - 1.15 |
| Box 1.1 Business sentiment in Hong Kong | |

CHAPTER 2 : ECONOMIC OUTLOOK FOR 2024 AND THE MEDIUM TERM

| | |
|---|-------------|
| Global economic outlook | 2.1 - 2.4 |
| World inflation and global commodity prices | 2.5 - 2.6 |
| Exchange rate movements | 2.7 |
| Outlook for the Hong Kong economy in 2024 | 2.8 - 2.12 |
| Medium-term outlook for the Hong Kong economy | 2.13 - 2.16 |

CHAPTER 3 : THE EXTERNAL SECTOR

| | |
|----------------------------|-------------|
| Merchandise trade | |
| External environment | 3.1 - 3.4 |
| Merchandise exports | 3.5 - 3.6 |
| Merchandise imports | 3.7 |
| Services trade | |
| Exports of services | 3.8 |
| Imports of services | 3.9 |
| Goods and services balance | 3.10 |
| Other developments | 3.11 - 3.13 |

CHAPTER 4 : DEVELOPMENTS IN SELECTED SECTORS

| | |
|-------------|-------------|
| Property | 4.1 - 4.15 |
| Land | 4.16 |
| Tourism | 4.17 - 4.18 |
| Logistics | 4.19 - 4.20 |
| Transport | 4.21 |
| Environment | 4.22 |

CHAPTER 5 : THE FINANCIAL SECTOR

| | |
|--|-------------|
| Interest rates and exchange rates | 5.1 - 5.5 |
| Money supply and banking sector | 5.6 - 5.10 |
| The debt market | 5.11 - 5.12 |
| The stock and derivatives markets | 5.13 - 5.17 |
| Fund management and investment funds | 5.18 |
| Insurance sector | 5.19 |
| Highlights of policy and market developments | 5.20 - 5.24 |

CHAPTER 6 : THE LABOUR SECTOR

| | |
|--|-------------|
| Overall labour market situation | 6.1 |
| Labour force and total employment | 6.2 - 6.3 |
| Profile of unemployment | 6.4 - 6.8 |
| Underemployment situation | 6.9 |
| Profile of employment in establishments | 6.10 - 6.11 |
| Vacancies | 6.12 - 6.14 |
| Wages and earnings | 6.15 - 6.18 |
| Highlights of related measures and policy developments | 6.19 - 6.23 |

CHAPTER 7 : PRICES

| | |
|--|-----------|
| Consumer prices | 7.1 - 7.3 |
| Costs of factor inputs and import prices | 7.4 - 7.5 |
| Output prices | 7.6 |
| GDP deflator | 7.7 |

STATISTICAL APPENDIX

CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE IN 2023

Summary

- *The Hong Kong economy staged a recovery in 2023 in the aftermath of the pandemic. Economic activities revived following the removal of anti-epidemic measures and resumption of normal travel, though the challenging external environment amid heightened geopolitical tensions and tightened financial conditions constrained the pace of recovery. Real Gross Domestic Product (GDP) resumed growth of 3.2% in 2023.*
- *Hong Kong's total exports of goods fell further in 2023, dragged by the weak external demand for goods. Exports to the Mainland, the US and the EU fell visibly further. Exports to other major Asian markets shrank by varying degrees.*
- *Exports of services reverted to visible growth in 2023. Exports of travel services jumped thanks to the revival of visitor arrivals during the year. Exports of transport services resumed a moderate increase in tandem. Exports of business and other services reverted to mild growth, while exports of financial services fell further.*
- *Private consumption expenditure rebounded in 2023. Consumer sentiment improved sharply following the removal of anti-epidemic measures in both Hong Kong and the Mainland in early 2023. Improved labour market conditions, rising household income and the Government's various initiatives and activities also rendered support through the year. Overall investment expenditure turned to an increase in 2023 alongside the economic recovery.*
- *The labour market improved in 2023 along with the local economic recovery. The seasonally adjusted unemployment rate declined to 2.8% and 2.9% in the third and fourth quarters respectively. The underemployment rate declined to 1.0% in both the third and fourth quarters.*
- *The local stock market was under pressure during most of 2023. The Hang Seng Index (HSI) drifted down from its year-high of 22 689 on 27 January and closed the year at 17 047, down 13.8% from a year earlier. After staging a brief rebound in early 2023, the residential property market turned sluggish in the latter part of the year. Trading activities rebounded in the first quarter of 2023 but quietened visibly in the subsequent quarters. Flat prices declined by 7% during the year.*
- *Underlying consumer price inflation stayed moderate in overall terms in 2023. Prices of meals out and takeaway food as well as clothing and footwear rose visibly. Prices of electricity soared for the year as a whole, but the rate of increase moderated successively and turned to a decline in the*

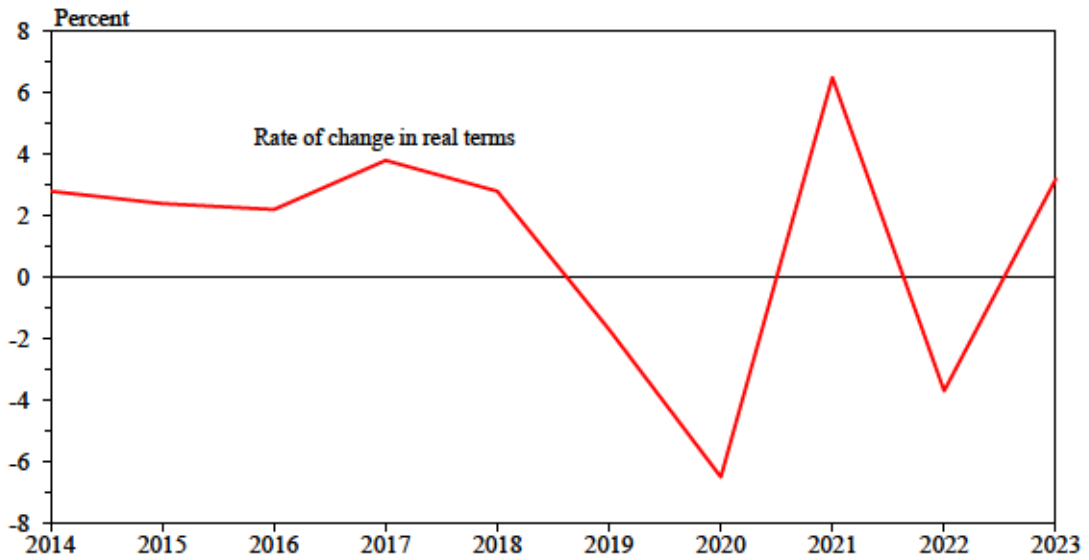
fourth quarter. Price pressures on other major components remained broadly in check. Private housing rentals continued to fall, though at a narrowed rate. For 2023 as a whole, underlying Composite Consumer Price Index (Composite CPI) inflation averaged 1.7%, the same as 2022.

Overall situation

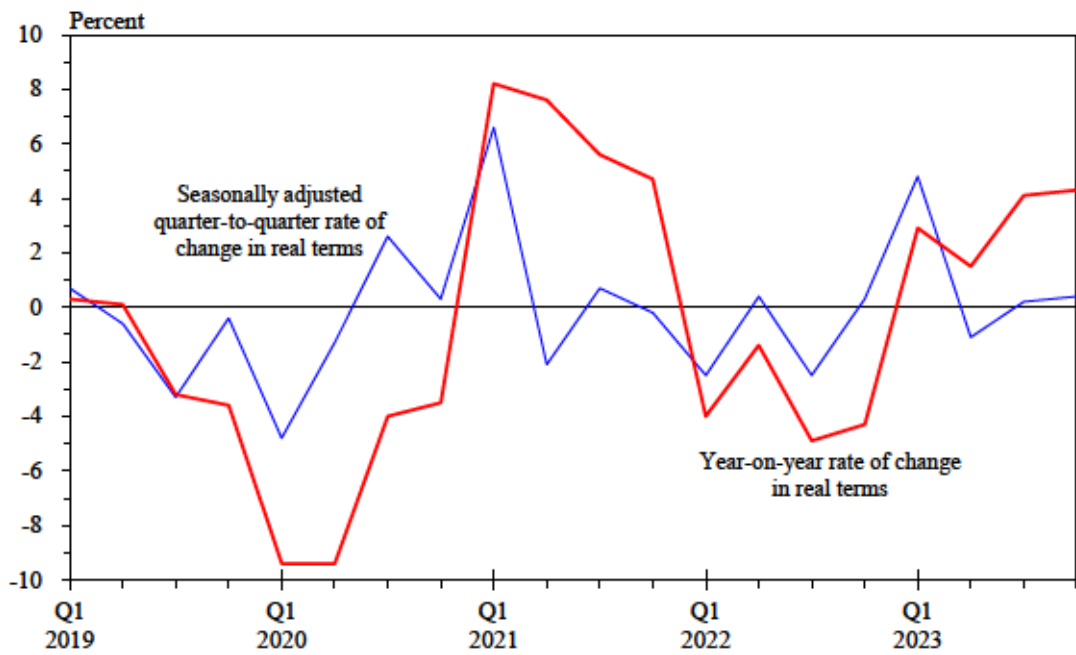
1.1 The Hong Kong economy staged a recovery in 2023 in the aftermath of the pandemic. Inbound tourism and domestic demand revived strongly following the removal of anti-epidemic measures and resumption of normal travel. However, the challenging external environment amid heightened geopolitical tensions and tightened financial conditions continued to weigh on exports of goods and also dampened economic sentiment. GDP⁽¹⁾ expanded by 3.2% in real terms for the year as a whole, having contracted by 3.7% in the preceding year. The year-on-year growth rates were 2.9%, 1.5%, 4.1% and 4.3% respectively in the four quarters. The labour market improved along with the economic recovery. Underlying consumer price inflation remained moderate in overall terms.

Diagram 1.1 : The Hong Kong economy staged a recovery in 2023 in the aftermath of the pandemic

(a) Annual profile



(b) Quarterly profile



The external sector

1.2 The weak external demand for goods continued to weigh heavily on export performance. *Total exports of goods* based on the GDP compilation framework fell by 10.3% in real terms in 2023, after plunging by 14.0% in 2022. Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland, the US and the EU fell visibly further. Exports to other major Asian markets shrank by varying degrees.

1.3 *Exports of services* grew visibly by 21.2% in real terms in 2023, reversing the decline of 0.5% in 2022. Exports of travel services jumped more than six-fold and recovered to 48% of the level in 2018, thanks to the revival of visitor arrivals during the year. Exports of transport services resumed a moderate increase in tandem. Exports of business and other services reverted to growth, but at a mild pace against the challenging external environment. Meanwhile, exports of financial services fell further as cross-border financial and fund raising activities weakened amid tight financial conditions.

**Table 1.1 : Gross Domestic Product, its main expenditure components
and the main price indicators
(year-on-year rate of change (%))**

| | <u>2022[#]</u> | <u>2023[#]</u> | <u>2022</u> | | | | <u>2023</u> | | | |
|--|-------------------------|-------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| | | | <u>Q1[#]</u> | <u>Q2[#]</u> | <u>Q3[#]</u> | <u>Q4[#]</u> | <u>Q1[#]</u> | <u>Q2[#]</u> | <u>Q3[#]</u> | <u>Q4[#]</u> |
| <i>Change in real terms of GDP and its main expenditure components (%)</i> | | | | | | | | | | |
| Private consumption Expenditure | -2.2 | 7.3 | -6.9 (-9.9) | -1.1 (8.2) | -1.5 (0.7) | 0.3 (2.2) | 12.7 (1.2) | 7.8 (3.3) | 6.2 (-0.7) | 3.3 (-0.6) |
| Government consumption expenditure | 8.0 | -4.3 | 6.0 (3.8) | 12.3 (6.2) | 5.1 (-4.0) | 8.8 (2.8) | 1.3 (-3.5) | -9.7 (-4.8) | -4.0 (1.8) | -5.2 (1.4) |
| Gross domestic fixed capital formation | -7.4 | 10.8 | -6.8 | 0.6 | -14.8 | -8.5 | 8.6 | -1.9 | 21.8 | 16.4 |
| Building and construction | 7.4 | 7.1 | 3.2 | 13.4 | 3.3 | 10.1 | -0.1 | 7.7 | 16.5 | 4.9 |
| Costs of ownership transfer | -43.2 | * | -37.5 | -39.5 | -44.3 | -53.0 | 26.3 | -5.0 | -17.8 | -3.9 |
| Machinery, equipment and intellectual property products | -18.9 | 20.7 | -18.0 | -2.8 | -30.5 | -23.6 | 25.7 | -16.8 | 42.3 | 43.5 |
| Total exports of goods ^{&} | -14.0 | -10.3 | -4.5 (-7.3) | -8.5 (-4.9) | -15.9 (-7.3) | -24.9 (-8.4) | -19.0 (0.4) | -15.1 (-0.2) | -8.7 (0.1) | 2.6 (2.9) |
| Imports of goods ^{&} | -13.2 | -8.6 | -5.9 (-7.8) | -6.1 (0.3) | -16.5 (-9.6) | -23.0 (-7.9) | -14.8 (2.3) | -16.0 (-1.1) | -6.1 (1.3) | 3.6 (1.7) |
| Exports of services ^{&} | -0.5 | 21.2 | -3.7 (1.0) | 2.7 (-0.9) | -2.8 (*) | 2.5 (3.0) | 16.6 (14.3) | 23.0 (4.3) | 23.2 (0.5) | 22.2 (2.0) |
| Imports of services ^{&} | -1.2 | 26.2 | -2.8 (-3.7) | -0.8 (0.7) | -2.8 (1.2) | 1.6 (5.4) | 20.5 (12.0) | 26.9 (6.2) | 28.9 (3.2) | 28.4 (4.8) |
| Gross Domestic Product | -3.7 | 3.2 | -4.0 (-2.5) | -1.4 (0.4) | -4.9 (-2.5) | -4.3 (0.3) | 2.9 (4.8) | 1.5 (-1.1) | 4.1 (0.2) | 4.3 (0.4) |
| <i>Change in the main price indicators (%)</i> | | | | | | | | | | |
| GDP deflator | 1.7 | 3.2 | 1.1 (0.2) | 0.8 (*) | 3.2 (2.1) | 1.5 (-0.7) | 2.3 (0.9) | 3.3 (1.1) | 2.9 (1.6) | 4.1 (0.5) |
| Composite CPI | | | | | | | | | | |
| Headline | 1.9 | 2.1 | 1.5 (0.6) | 1.5 (0.1) | 2.7 (0.6) | 1.8 (0.6) | 1.9 (0.6) | 2.0 (0.2) | 1.9 (0.4) | 2.6 (1.3) |
| Underlying[^] | 1.7 | 1.7 | 1.6 (0.5) | 1.7 (0.4) | 1.8 (0.5) | 1.8 (0.3) | 1.9 (0.7) | 1.7 (0.3) | 1.6 (0.3) | 1.6 (0.3) |
| <i>Change in nominal GDP (%)</i> | -2.1 | 6.5 | -2.9 | -0.6 | -1.8 | -2.9 | 5.2 | 4.9 | 7.1 | 8.5 |

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⁽²⁾.

(^) After netting out the effects of the Government's one-off relief measures.

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

The domestic sector

1.4 Consumption activities rebounded in 2023. Consumer sentiment improved sharply following the removal of anti-epidemic measures in both Hong Kong and the Mainland in early 2023. Improved labour market conditions, rising household income and the Government's various initiatives and activities, including another round of Consumption Voucher Scheme, "Happy Hong Kong" and "Night Vibes Hong Kong" campaigns, also rendered support through the year. For 2023 as a whole, private consumption expenditure rose by 7.3% in real terms, having fallen by 2.2% in 2022. Meanwhile, *government consumption expenditure* fell by 4.3% in real terms in 2023, after an 8.0% increase in 2022.

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

Of which :

| | | Total consumer spending in the domestic market ^(a) | Food | Durables | Non- durables | Services | Residents' expenditure abroad | Visitor spending | Private consumption expenditure ^(b) |
|------|--------|---|------|----------|------------------|----------|-------------------------------------|---------------------|--|
| 2022 | Annual | -2.4 | -4.2 | -1.0 | -5.0 | -1.5 | 54.4 | 57.6 | -2.2 |
| | H1 | -4.0 | -5.1 | -8.0 | -5.2 | -2.9 | 21.1 | 28.0 | -3.9 |
| | H2 | -0.9 | -3.3 | 5.0 | -4.8 | -0.3 | 83.7 | 85.0 | -0.5 |
| | Q1 | -7.0 | -5.3 | -13.4 | -12.6 | -4.7 | 18.2 | 18.3 | -6.9 |
| | Q2 | -1.1 | -4.9 | -0.4 | 1.3 | -1.1 | 24.0 | 41.4 | -1.1 |
| | Q3 | -1.4 | -4.3 | 2.5 | -2.1 | -1.2 | 24.8 | 77.7 | -1.5 |
| | Q4 | -0.5 | -2.3 | 6.7 | -7.0 | 0.6 | 144.3 | 88.4 | 0.3 |
| 2023 | Annual | 8.5 | 0.4 | 12.1 | 22.8 | 5.4 | 287.3 | 501.0 | 7.3 |
| | H1 | 11.4 | 3.6 | 24.3 | 26.0 | 7.2 | 354.7 | 601.7 | 10.2 |
| | H2 | 5.7 | -2.8 | 3.1 | 19.8 | 3.6 | 248.2 | 436.2 | 4.7 |
| | Q1 | 14.2 | 7.2 | 24.9 | 32.2 | 9.3 | 302.2 | 487.7 | 12.7 |
| | Q2 | 9.0 | 0.6 | 23.5 | 21.3 | 5.3 | 404.8 | 734.2 | 7.8 |
| | Q3 | 7.3 | -1.3 | 9.7 | 21.7 | 4.6 | 375.9 | 744.6 | 6.2 |
| | Q4 | 4.2 | -4.3 | -1.5 | 18.1 | 2.7 | 181.2 | 301.6 | 3.3 |

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.

Diagram 1.2 : Private consumption expenditure rebounded in 2023

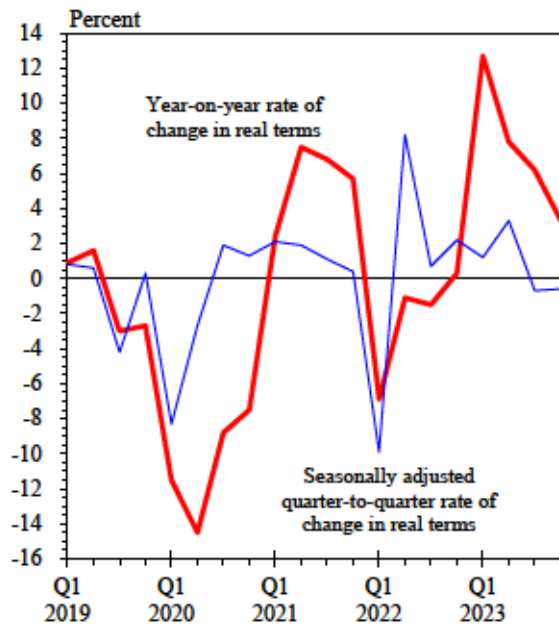
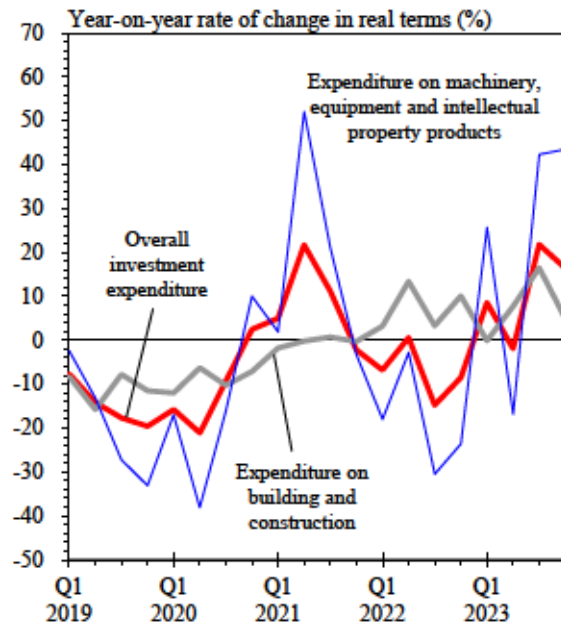


Diagram 1.3 : Overall investment expenditure turned to an increase in 2023



1.5 Overall investment spending in terms of *gross domestic fixed capital formation* turned to a 10.8% increase in real terms in 2023 in tandem with the economic recovery, after falling by 7.4% in 2022. Notwithstanding tight financial conditions, expenditure on acquisitions of machinery, equipment and intellectual property products surged by 20.7% amid an improved business outlook. Expenditure on building and construction rose by 7.1%, with the increase in private sector spending more than offsetting the decline in public sector spending. Separately, the costs of ownership transfer stayed virtually unchanged.

Box 1.1

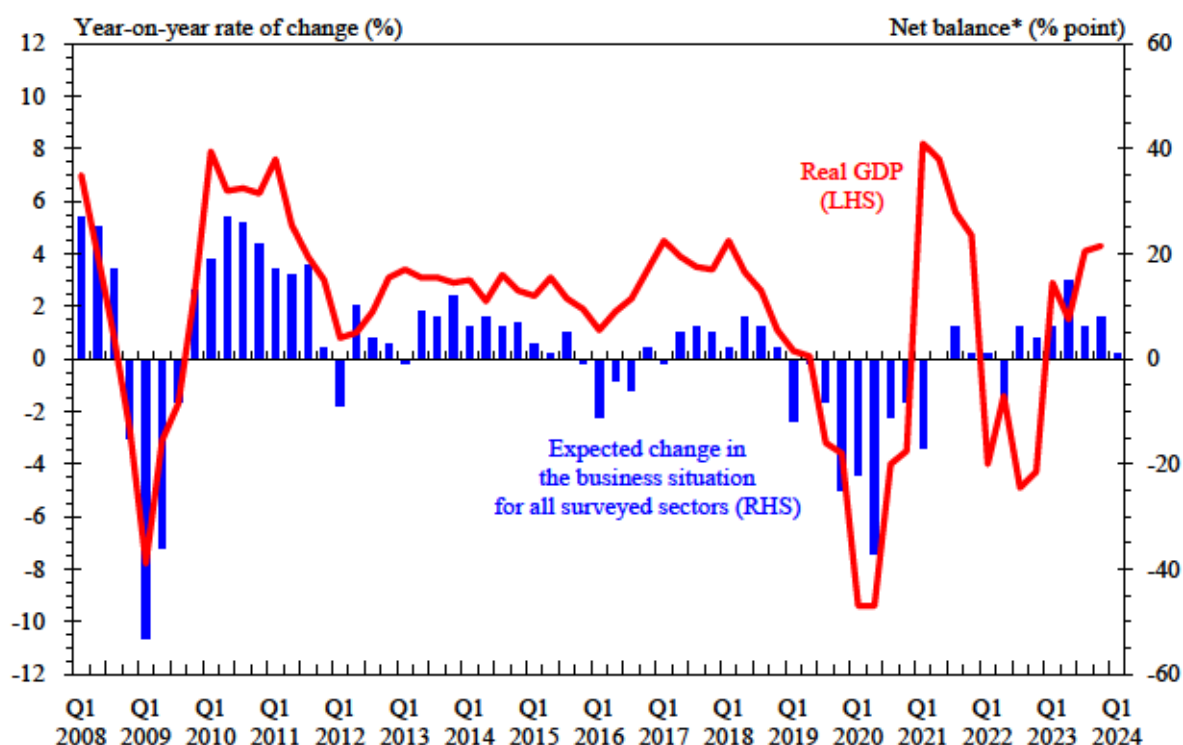
Business sentiment in Hong Kong

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 indicate that various business sentiment indicators were mixed in the past few months.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during 1 December 2023 to 8 January 2024, business sentiment among large enterprises in Hong Kong remained positive in overall terms, though showed some softening as compared to three months ago (*Chart 1*). The proportion of large enterprises expecting their business situation to improve in the first quarter of 2024 over the fourth quarter of 2023 was larger than the proportion of those expecting the situation to worsen by 1 percentage point (i.e. a net balance of +1), though the net balance was lower than that in the previous round (+8).

Business sentiment of large enterprises in different sectors varied (*Table 1*). The net balance for the “financing and insurance” sector improved within the positive zone, and that for “professional and business services” remained slightly positive. The net balance for the “manufacturing” sector reverted to positive. The net balances for the “retail”, “accommodation and food services” and “transportation, storage and courier services” sectors remained positive notwithstanding some declines. Meanwhile, the net balances for “import/export trade and wholesale”, “information and communications”, “real estate” and “construction” sectors turned negative. Large enterprises’ appetite for hiring stayed positive (*Table 2*).

Chart 1 : Business sentiment of large enterprises remained positive in overall terms, though showed some softening in the first quarter



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 : Business sentiment of large enterprises in different sectors varied

| QBTS: Expected changes in business situation | | | | | | |
|--|------------------------|------|-----|-----|-----|------|
| | Net balance* (% point) | | | | | |
| | 2022 | 2023 | | | | 2024 |
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Manufacturing | -13 | +23 | +36 | +20 | -2 | +2 |
| Construction | -5 | -7 | +6 | +10 | +1 | -9 |
| Import/export trade and wholesale | +9 | -8 | +10 | +7 | +5 | -9 |
| Retail | +16 | +12 | +34 | +18 | +32 | +3 |
| Accommodation and food services | +37 | +39 | +64 | +41 | +33 | +9 |
| Transportation, storage and courier services | +8 | -5 | +13 | +4 | +11 | +5 |
| Information and communications | -4 | -1 | +6 | +2 | +9 | -4 |
| Financing and insurance | +4 | +25 | +25 | +4 | +10 | +14 |
| Real estate | -2 | +4 | +13 | -2 | +6 | -6 |
| Professional and business services | +2 | -3 | -4 | +5 | +1 | +1 |
| All sectors above | +4 | +6 | +15 | +6 | +8 | +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 stayed positive

| QBTS: Expected changes in number of persons engaged | | | | | | |
|---|------------------------|------|-----|-----|-----|------|
| | Net balance* (% point) | | | | | |
| | 2022 | 2023 | | | | 2024 |
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Manufacturing | +18 | +8 | +18 | +26 | +11 | +13 |
| Construction | +18 | +16 | +6 | +6 | +2 | -8 |
| Import/export trade and wholesale | 0 | -6 | -1 | -2 | +1 | -1 |
| Retail | +5 | +6 | +20 | +8 | +14 | +7 |
| Accommodation and food services | +22 | +24 | +50 | +31 | +23 | +21 |
| Transportation, storage and courier services | +13 | +9 | 0 | +6 | +8 | +8 |
| Information and communications | -8 | -6 | -6 | -6 | -2 | -11 |
| Financing and insurance | +5 | +9 | +13 | +8 | +10 | +10 |
| Real estate | 0 | 0 | +9 | +8 | +19 | +10 |
| Professional and business services | +2 | +5 | +7 | +4 | +6 | +6 |
| All sectors above | +7 | +6 | +11 | +8 | +9 | +6 |

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.

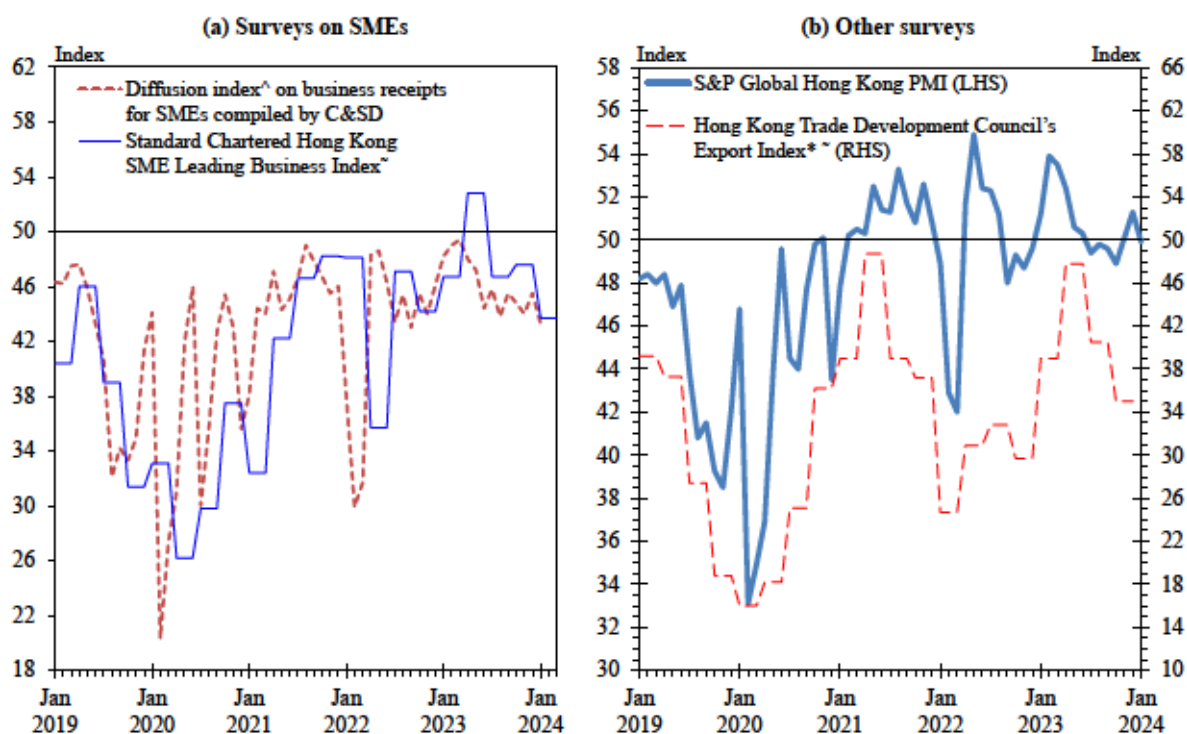
As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis⁽²⁾ to gauge the general direction of change in their views on the business situation versus the preceding month. The overall index on the current situation fluctuated at relatively low levels between 43.3 and 45.5 during October 2023 to January 2024 (*Chart 2a*). Employment sentiment among SMEs softened slightly of late, while credit conditions remained accommodative. Meanwhile, the Standard Chartered Hong Kong SME Leading Business Index⁽³⁾ rose in the fourth quarter of 2023 before falling in the first quarter of 2024.

As for other surveys in the public domain, the S&P Global Purchasing Managers' Index (PMI) of Hong Kong⁽⁴⁾, which gauges the performance of the private sector's business activity, increased to 50.1 in November 2023 and further to 51.3 in December 2023, before easing to 49.9 in January 2024. The Hong Kong Trade Development Council's Export Index⁽⁵⁾ declined further to 35.0 in the fourth quarter of 2023 (*Chart 2b*), with confidence softening in most sectors. Among the exporters surveyed, 84.7% saw economic slowdown or recession risk in overseas markets as the major challenge to their businesses in 2024, followed by ongoing geopolitical tensions (62.5%) and rising transport costs, disruption to logistics and distribution obstructions (41.8%).

- (2) It refers to the results from the Monthly Survey on the Business Situation of SMEs that solicits feedback 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 "Recruitment Sentiment", "Investment Sentiment", "Business Condition", "Profit Margin", and "Global Economy" for the next quarter.

Box 1.1 (Cont'd)

Chart 2 : Business sentiment indicators were mixed in the past few months



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 asked to exclude seasonal effects in reporting their views.

(~) 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. These survey findings taken together suggest that business sentiment indicators were mixed in the past few months. Looking ahead, the complicated external environment may continue to dampen business sentiment for the time being, but there should be some improvement over the course of the year if the advanced economies cut interest rates as expected. Continued economic growth and the Government’s various initiatives to foster consumption- and tourism-related activities should also provide support.

- (4) According to the press release by S&P Global, the S&P Global Hong Kong PMI is compiled according to monthly replies to questionnaires sent to purchasing managers in around 400 private sector 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, toys, jewellery, timepieces and machinery.

The labour sector

1.6 Along with the local economic recovery, the labour market improved in 2023. The seasonally adjusted *unemployment rate* declined from 3.5% in the fourth quarter of 2022 to 2.8% and 2.9% in the third and fourth quarters of 2023. The *underemployment rate* declined from 1.5% in the fourth quarter of 2022 to 1.0% in both the third and fourth quarters of 2023. The unemployment rates of various major sectors were generally low in the fourth quarter of 2023. Analysed by skill segment, the unemployment rate of lower-skilled workers declined by 0.7 percentage point from a year earlier to 2.8% in the fourth quarter, and that of the higher-skilled workers declined by 0.3 percentage point to 2.0%. Growth in nominal wages and labour earnings accelerated in the first three quarters of 2023. Employment earnings and household income attained decent growth throughout the year.

The asset markets

1.7 The *local stock market* was under pressure during most of 2023. While the HSI extended its rally in January alongside market expectations of economic activities returning to normal, sentiment was then successively dampened by the banking sector stress in the US and Europe, concerns over the global and Mainland's economic outlook, and the expectations of a prolonged period of higher interest rates. The HSI, after reaching its year-high of 22 689 on 27 January, drifted down subsequently and closed the year at 17 047. For 2023 as a whole, the HSI dropped by 13.8%. Trading activities quietened further, with the average daily turnover contracting by 15.9% from a year earlier to \$105.0 billion. Fund raising activities were extremely quiet. For the year as a whole, total equity capital raised plunged by 40.7% to \$150.7 billion. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) shrank by 55.8% to \$46.3 billion. Hong Kong ranked sixth among stock exchange markets globally in terms of the amount of funds raised through IPOs in 2023.

1.8 After staging a brief rebound in early 2023, the *residential property market* turned sluggish in the latter part of the year, as market sentiment was weighed down by tightened financial conditions, lacklustre local stock market performance, and slowing global economic growth. Trading activities rebounded in the first quarter of 2023 but quietened visibly in the subsequent quarters. For the year as a whole, the number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, fell by another 5% to 43 002, the lowest level on record. Flat prices declined by 7% during the year. The index of home purchase

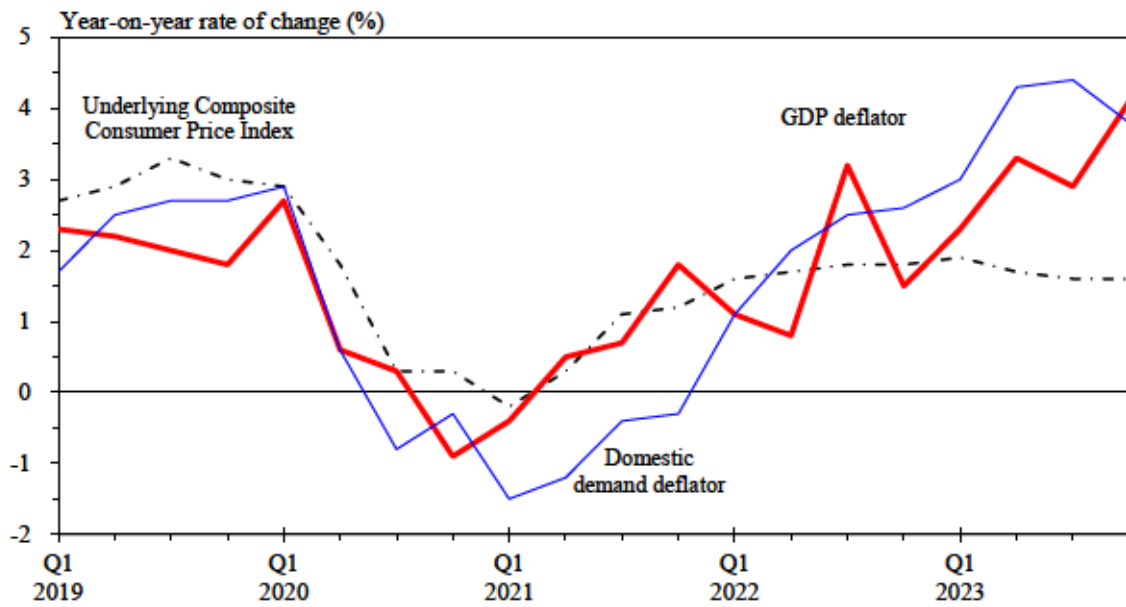
affordability fell further to around 67% in the fourth quarter of 2023 alongside the decline in flat prices. This was lower than the 70% a year earlier, but it remained significantly above the long-term average of 51% over 2003-2022. Meanwhile, overall flat rentals in December 2023 were on average 7% higher than in December 2022, but still 6% below the peak in August 2019. The *non-residential property market* stayed weak in 2023. Trading activities for all major market segments fell to record low levels. Prices declined, while rentals generally showed some improvement.

Inflation

1.9 Underlying consumer price inflation stayed moderate in overall terms in 2023. Prices of meals out and takeaway food as well as clothing and footwear rose visibly. Prices of electricity soared for the year as a whole, but the rate of increase moderated successively and turned to a decline in the fourth quarter. Price pressures on other major components remained broadly in check. Private housing rentals continued to fall, though at a narrowed rate. Netting out the effects of the Government's one-off relief measures, *underlying Composite CPI inflation* remained at 1.7% in 2023, the same as in 2022. Domestic business cost pressures remained contained. Nominal wage growth picked up during the year on the back of improved labour market conditions, but remained largely moderate. Commercial rentals stayed soft. External price pressures eased alongside receding inflation in many major economies, though remaining visible. Import prices of most end-use categories recorded moderated albeit still notable increases, while those of fuels turned to a sharp decline against a high base of comparison. Meanwhile, *headline Composite CPI inflation* picked up slightly to 2.1% in 2023 from 1.9% in 2022. The headline inflation rate was higher than its underlying counterpart in 2023 mainly due to the lower rates concession.

1.10 As a broad measure of the overall change in prices in the economy, the increase in the *GDP deflator* picked up to 3.2% in 2023 from 1.7% in 2022. The *terms of trade* edged down by 0.3% in 2023 as a whole. Taking out the external trade components, the domestic demand deflator increased by 3.9% in 2023.

Diagram 1.4 : Underlying consumer price inflation stayed moderate in overall terms in 2023



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

1.11 The net output of the services sector increased by 4.1% year-on-year in real terms in the third quarter of 2023, after a 1.8% increase in the preceding quarter. Net outputs of many service sectors showed further growth. In particular, the net outputs of transportation and storage, wholesale and retail trades, and accommodation and food services continued to see double-digit year-on-year increases as inbound tourism continued to revive. Net outputs of real estate and public administration, social and personal services posted accelerated growth, while that of information and communications turned to an increase. Net outputs of import and export trade, postal and courier services, professional and business services, and financing and insurance recorded narrowed declines. As for the secondary sector, the net outputs of both the manufacturing sector and the construction sector increased further.

Table 1.3 : GDP by economic activity^(a)
(year-on-year rate of change in real terms (%))

| | <u>2022</u> | <u>2023</u> | <u>2022</u> | | | | <u>2023</u> | | |
|--|-------------|--------------|-------------|-----------|-----------|-----------|-------------|-----------|-----------|
| | | <u>Q1-Q3</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> |
| Manufacturing | 0.2 | 3.6 | -1.3 | 2.7 | -0.5 | -0.1 | 3.8 | 2.7 | 4.3 |
| Construction | 8.3 | 5.9 | 5.2 | 13.7 | 2.9 | 11.7 | -0.9 | 6.2 | 13.6 |
| Services ^(b) | -3.3 | 3.0 | -3.7 | -1.3 | -3.7 | -4.5 | 3.2 | 1.8 | 4.1 |
| Import/export, wholesale and retail trades | -11.9 | -3.0 | -7.4 | -6.1 | -12.2 | -19.4 | -7.3 | -3.7 | 1.8 |
| Import and export trade | -12.6 | -7.5 | -6.6 | -6.7 | -13.1 | -21.7 | -13.2 | -7.8 | -1.6 |
| Wholesale and retail trades | -7.1 | 28.6 | -13.6 | -2.0 | -6.6 | -6.9 | 43.5 | 21.7 | 23.8 |
| Accommodation and food services | -6.8 | 35.7 | -25.7 | -1.1 | -2.4 | -1.9 | 83.8 | 23.1 | 18.2 |
| Transportation, storage, postal and courier services | -4.5 | 29.8 | -10.3 | -2.9 | -5.0 | 0.4 | 30.5 | 27.3 | 31.3 |
| Transportation and storage | -4.5 | 32.7 | -10.6 | -2.6 | -5.8 | 1.4 | 33.6 | 30.3 | 33.8 |
| Postal and courier services | -5.2 | -17.0 | -4.8 | -3.8 | -5.0 | -6.6 | -15.3 | -19.4 | -16.6 |
| Information and communications | 0.5 | 0.6 | 0.4 | 1.3 | * | 0.3 | 0.4 | -0.5 | 1.7 |
| Financing and insurance | -2.6 | -2.1 | -3.2 | 0.9 | -5.7 | -2.3 | -3.0 | -2.3 | -1.1 |
| Real estate, professional and business services | -2.1 | 2.8 | -4.4 | -0.2 | -1.8 | -1.8 | 5.4 | -0.5 | 3.4 |
| Real estate | -3.5 | 7.4 | -7.9 | -1.1 | -1.7 | -2.7 | 10.8 | 2.5 | 8.6 |
| Professional and business services | -1.1 | -0.5 | -1.3 | 0.2 | -1.9 | -1.3 | 1.4 | -2.6 | -0.4 |
| Public administration, social and personal services | 1.3 | 3.6 | 0.1 | 0.6 | 2.1 | 2.3 | 5.7 | 2.5 | 2.9 |

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

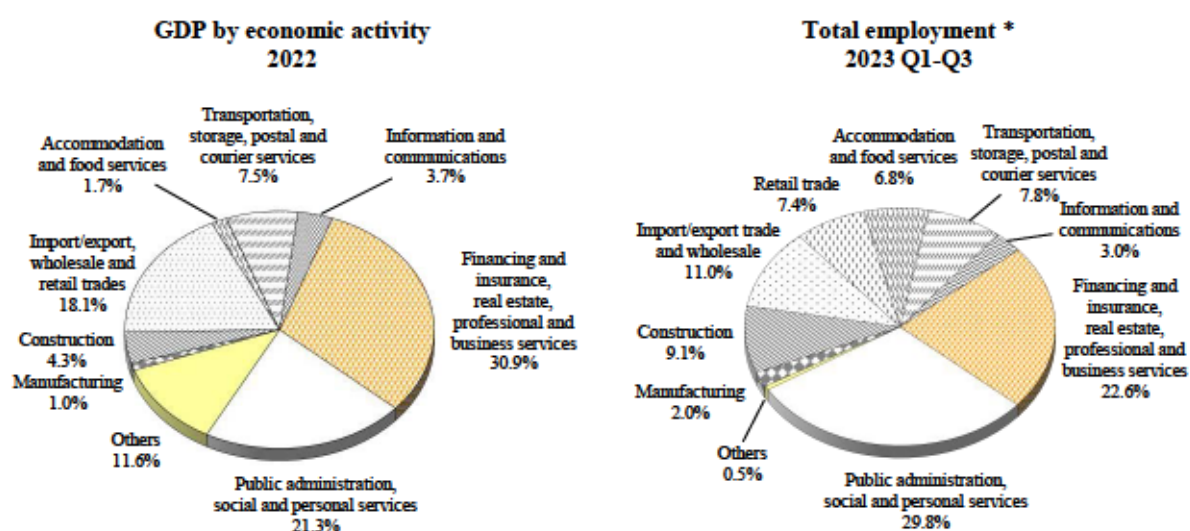
(a) The GDP figures shown in this table are compiled from the production approach, while those shown in Table 1.1 are compiled from the expenditure approach. For details, see Note (1) to this chapter.

(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.

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

1.12 The services sector is the mainstay of the Hong Kong economy, making up 93.5% of GDP in 2022 and providing 88.3% of total employment in the first three quarters of 2023. Hong Kong is a global centre for world trade, finance, transportation and business, located strategically at the doorstep of the Mainland's huge and vibrant economy, and supported by competitive advantages including free flows of capital, people, goods and information, open and fair competition, a simple tax system with low tax rates, superb networks and infrastructure, the rule of law and judicial independence, and a flexible labour market with a well-educated workforce and a pool of efficient and innovative entrepreneurs.

Diagram 1.5 : The services sector continued to be the mainstay of the economy



Note : (*) Figures refer to the Composite Employment Estimates, which are compiled based on results of the General Household Survey and the Quarterly Survey of Employment and Vacancies. Figures are averages of the first three quarters of 2023.

Other economic developments

1.13 The Chief Executive delivered his 2023 Policy Address in October 2023 and outlined a series of further initiatives to create strong impetus for growth and raise competitiveness. These included developing a “headquarters economy” to attract more enterprises from outside Hong Kong; implementing the new Capital Investment Entrant Scheme; and setting up the New Industrialisation Development Office together with a \$10 billion New Industrialisation Acceleration Scheme to accelerate growth of the innovation and technology ecosystem. Furthermore, there were initiatives for enhancing Hong Kong’s development of the “eight centres” as outlined in the 14th Five-Year Plan.

1.14 In the 2023-24 Budget (the Budget), the Financial Secretary took a moderately liberal fiscal stance to gear up for speedy recovery on the path to normalcy, open up new horizons in pursuit of high-quality development, actively align with national development strategies, and build capacity for economic development. To strengthen economic recovery, the Budget announced another round of Consumption Voucher Scheme, launched the “Happy Hong Kong” Campaign, committed resources for staging mega events, and introduced various measures to support enterprises and individuals. To promote high-quality development, the Budget introduced measures to accelerate the developments of digital economy, Web3 ecosystem, and green technology and finance, and a mechanism to attract companies to re-domicile in Hong Kong. For alignment with national development strategies, the Budget proposed setting up thematic research centres related to life and health technology, enhancing research in frontier technology fields, and introducing a “patent box” tax incentive. For expanding capacity, various measures to overcome constraints on manpower and land were outlined.

1.15 Hong Kong’s economic fundamentals and competitiveness have been well recognised internationally. Hong Kong continued to rank among the top of the world’s freest economies, second globally in the Fraser Institute’s *Economic Freedom of the World 2023 Annual Report*. Meanwhile, Hong Kong was ranked seventh globally in the *World Competitiveness Yearbook 2023* by the International Institute for Management Development (IMD). On innovation and digital development, Hong Kong was ranked tenth globally in the IMD’s *World Digital Competitiveness Ranking 2023*. The *Global Innovation Index 2023* by the World Intellectual Property Organization ranked the Shenzhen-Hong Kong-Guangzhou science and technology cluster second globally for four consecutive years and, for individual economies, ranked Hong Kong 17th globally. Hong Kong was also ranked 16th globally and second amongst Asian economies in the IMD’s *World Talent Ranking 2023*. The Government is

committed to further enhancing Hong Kong's competitiveness amid keen global competition.

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 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 : ECONOMIC OUTLOOK FOR 2024 AND THE MEDIUM TERM

Summary

- *The external environment is rather complicated in 2024. On one hand, geopolitical tensions and the lagged effects of the sharp monetary tightening in the advanced economies over the past couple of years will continue to affect global economic growth as well as international trade and investment flows. On the other hand, major central banks are expected to cut interest rates later in the year, thereby lending some support to economic confidence and activities around the world, though the exact timing and magnitude of the cuts remain uncertain. In late January, the International Monetary Fund (IMF) projected that the global economy would grow by 3.1% in 2024, the same as in 2023 but well below the average annual growth rate of 3.8% during 2000 to 2019.*
- *Hong Kong's exports of goods will thus remain under pressure in 2024, but the situation may improve later in the year if the advanced economies cut interest rates as expected. Meanwhile, exports of services should improve further as visitor numbers continue to increase along with the further recovery of handling capacity. The Government's efforts to promote mega event economy should provide additional support.*
- *Domestically, economic confidence should gradually improve over the course of the year amid an expected easing of financial conditions. Rising household income and the Government's initiatives in creating a happy atmosphere and boosting sentiment should bode well for private consumption. Fixed asset investment should expand further on the back of continued economic growth and the Government's efforts in building infrastructure and increasing housing supply.*
- *In sum, the Hong Kong economy is forecast to grow by 2.5% to 3.5% in 2024, after 3.2% growth in 2023.*
- *Underlying consumer price inflation should remain moderate in 2024. Domestic costs may face some upward pressure as the Hong Kong economy continues to grow. Meanwhile, external price pressures should continue to ease in view of the disinflationary effect of monetary policy tightening in the advanced economies in the past two years, though international energy and food prices are subject to huge uncertainties. Underlying Composite Consumer Price Index (CPI) inflation is forecast at 1.7% in 2024, same as that in 2023.*

- *The medium-term outlook for the Hong Kong economy is bright. The external environment may see some improvements in the coming years, with Asia recording decent growth. Specifically, the Mainland will pursue high quality development through deepening reforms and further opening-up. As for the advanced economies, the expected interest rate cuts in the coming few years should support a gradual recovery of demand.*
- *To improve the longer-term growth momentum, the Government has been building capacity for economic development through pressing ahead with land development projects, developing infrastructure, attracting enterprises, and trawling for and retaining talents. The Government has also been strengthening traditional industries where Hong Kong has competitive edges, and promoting the development of emerging strategic areas where Hong Kong has potential with an industry-oriented approach. These initiatives will enable Hong Kong to withstand the keen competition from other economies and grasp the opportunities brought by the improving global demand. The Hong Kong economy is expected to grow by 3.2% per annum from 2025 to 2028. The trend rate of underlying Composite CPI inflation is forecast at 2.5% per annum over the same period.*

Global economic outlook

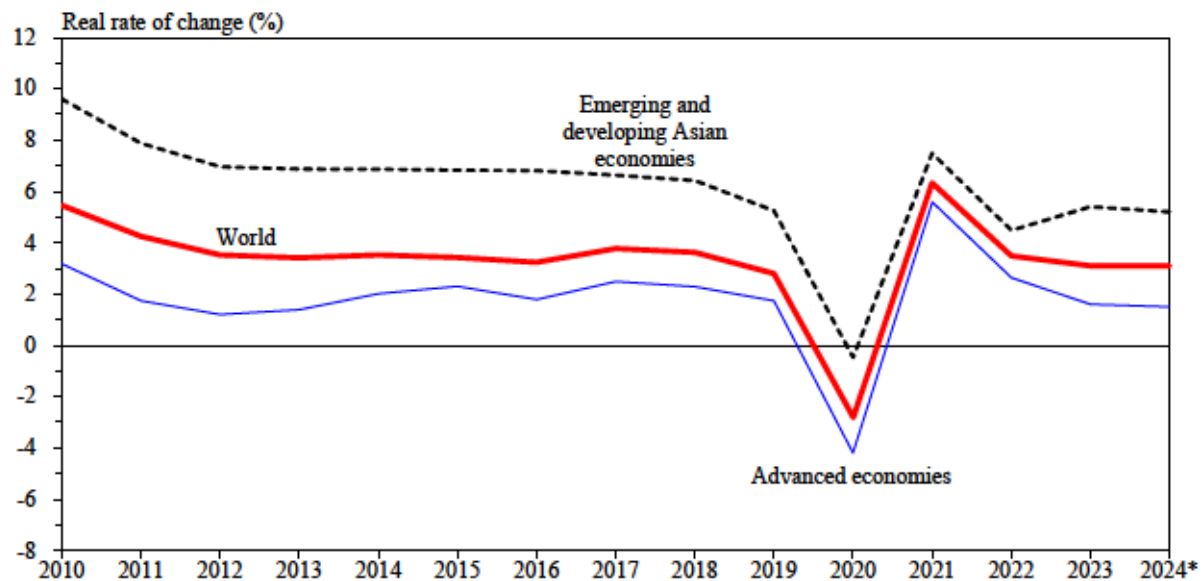
2.1 The external environment is rather complicated in 2024. On one hand, geopolitical tensions and the lagged effects of the sharp monetary tightening in the advanced economies over the past couple of years will continue to affect global economic growth as well as international trade and investment flows. On the other hand, major central banks are expected to cut interest rates later in the year, thereby lending some support to economic confidence and activities around the world, though the exact timing and magnitude of the cuts remain uncertain. In late January, the IMF projected that the global economy would grow by 3.1% in 2024, the same as in 2023 but well below the average annual growth rate of 3.8% during 2000 to 2019.

2.2 The Mainland economy registered faster growth of 5.2% in 2023 following the removal of pandemic-related restrictions and on the back of enhanced policy support. Looking ahead to 2024, weak demand in the advanced economies and geopolitical factors would continue to put pressure on the Mainland's export performance. Yet, strong economic fundamentals and policy support introduced since last year should help the economy sustain its growth momentum. In particular, the annual Central Economic Work Conference in December 2023 called for policies conducive to stabilising expectations, growth and employment, as well as concerted efforts to boost domestic demand. The IMF forecast that the Mainland economy would post solid growth of 4.6% in 2024.

2.3 As for the advanced economies, their central banks continued to tighten monetary policies in 2023. While the US economy stayed more resilient than expected and recorded growth of 2.5% in 2023, the lagged effects of monetary tightening may continue to surface in 2024. While the market widely expects the Federal Reserve (Fed) to start cutting interest rates by around the middle of the year, with the latest core Personal Consumption Expenditures (PCE) inflation remaining higher than the Fed's target, its monetary policy would probably remain restrictive for some time, exerting pressure on economic activities. The IMF forecast that US economic growth would slow to 2.1% in 2024. For the euro area, the economy slowed notably to 0.5% in 2023. Relative improvement is expected in 2024, attributable to easing financial conditions and increasing real disposable income. Yet, inflation remained above the European Central Bank (ECB)'s target level, and the ECB President stated that interest rate decisions would be data-dependent. Meanwhile, the continued conflict in Ukraine remains a threat. The IMF forecast that growth in the euro area economy would only pick up slightly to 0.9% in 2024.

2.4 Other major Asian economies continued to grow in 2023. Looking ahead to 2024, robust domestic demand and further recovery in the tourism sector are expected to sustain growth in the region, though weak global demand would continue to constrain export performance. In December 2023, the Asian Development Bank forecast that economic growth of developing Asia excluding the Mainland would pick up from 4.5% in 2023 to 5.0% in 2024.

Diagram 2.1 : Global economic growth will likely remain slow in 2024



Source : IMF World Economic Outlook Update, January 2024.

Note : (*) Forecasts from the IMF.

Table 2.1 : Growth forecasts for major economies in 2024

| | 2024 | | | |
|---|--------------|-------------|------------|------------------------------------|
| | 2023* (%) | IMF* (%) | UN@ (%) | Private sector forecast^ (%) |
| World (PPP### weighted) | 3.1 | 3.1 | 2.4 | - |
| Advanced economies | 1.6 | 1.5 | - | - |
| US | 2.5# | 2.1 | 1.4 | 1.6 |
| Euro area | 0.5# | 0.9 | 1.1 | 0.5 |
| UK | 0.1# | 0.6 | 0.4 | 0.4 |
| Japan | 1.9# | 0.9 | 1.2 | 0.8 |
| Emerging market and developing economies | 4.1 | 4.1 | - | - |
| Emerging and developing Asia | 5.4 | 5.2 | - | - |
| Mainland China | 5.2# | 4.6 | 4.7 | 4.6 |
| India~ | 6.7 | 6.5 | 6.2 | 6.3 |
| ASEAN-5§ | 4.2 | 4.7 | - | - |
| Middle East and Central Asia | 2.0 | 2.9 | - | - |

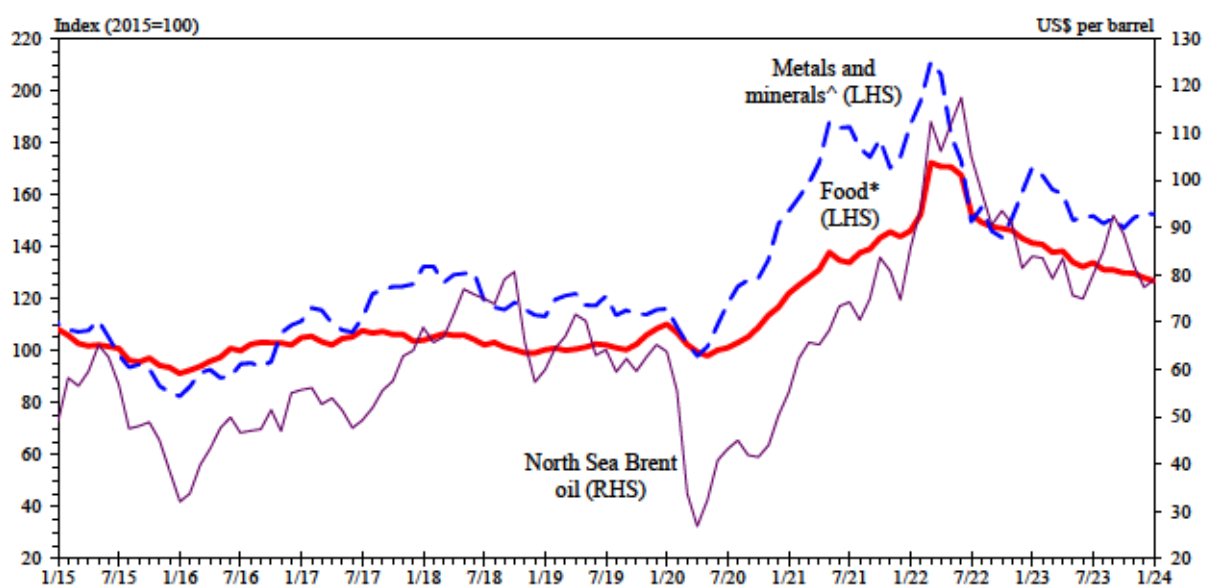
Notes : (*) IMF World Economic Outlook Update, January 2024.
 (@) United Nations World Economic Situation and Prospects, January 2024.
 (^) Average forecasts as at 20 February 2024.
 (-) Not available.
 (#) Actual figures.
 (###) PPP refers to purchasing power parity.
 (~) India's GDP growth refers to the fiscal year.
 (§) Includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.

World inflation and global commodity prices

2.5 Global inflation eased notably in 2023 from its earlier peak in 2022 amid moderated consumer demand, recovery of global supply chains, and lower energy, commodity and food prices. Looking forward, global inflation is expected to soften further in 2024, as the tightened monetary policies in the advanced economies in the past two years continue to take effect. Nonetheless, the pace of moderation may slow alongside the dissipation of the high base effect related to energy prices, or related pass-through effects. Neither the Fed nor the ECB expect inflation in their respective economies to come down to their targets by end-2024. In late January, the IMF forecast that global headline inflation would decline from an average of 6.8% in 2023 to 5.8% in 2024, with the pace of disinflation for the advanced economies being more pronounced, easing from 4.6% to 2.6%.

2.6 International prices of selected metals and food broadly fell in 2023 amid moderating demand, while oil prices exhibited volatility due to production cuts of the oil-producing economies and the conflict in Israel and Gaza. Looking ahead, while slow global economic growth should keep price pressures low, the outlook for international commodity prices in 2024 will hinge on various supply-side factors. The evolving geopolitical developments would bring significant uncertainties to global energy and food supply and thus their prices. The production decisions of oil-producing economies would also have important implications on international oil prices.

Diagram 2.2 : International commodity prices in 2024 will hinge on various supply-side factors, though slow global economic growth should keep price pressures low

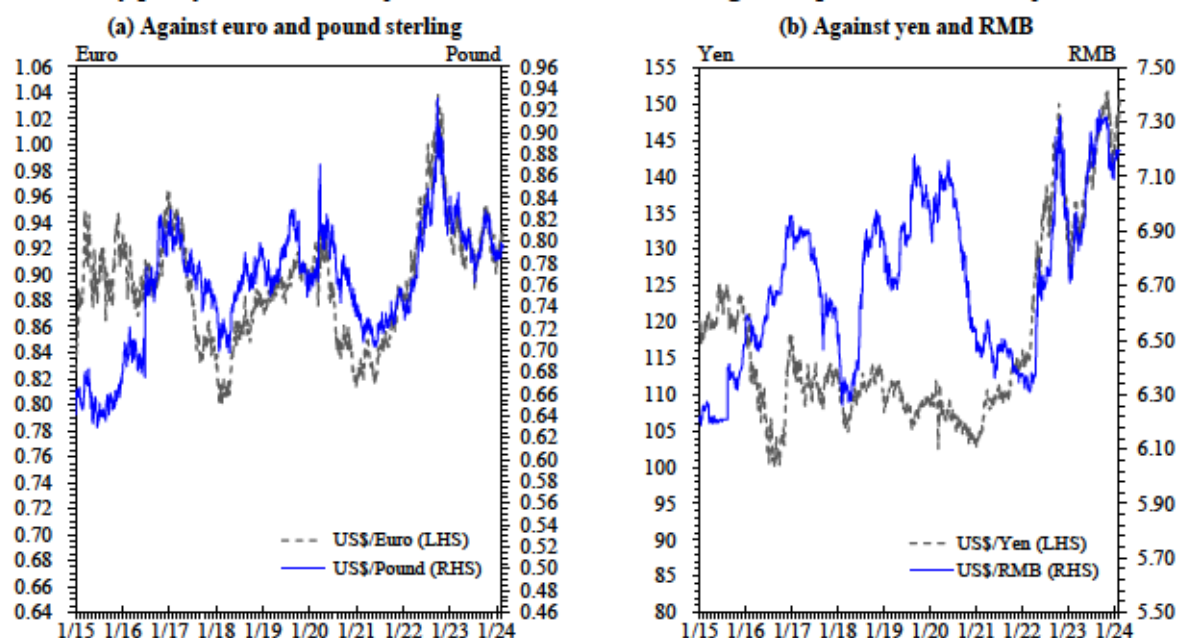


Notes: (*) Food Price Index from FAO of the United Nations, rebased to show average in 2015 = 100.
 (**) Metals and Minerals Price Index from the World Bank, rebased to show average in 2015 = 100.

Exchange rate movements

2.7 After strengthening visibly against most currencies in 2022, the US dollar eased against the euro and pound sterling in 2023, but strengthened further against the renminbi and yen. Under the Linked Exchange Rate System, the Hong Kong dollar closely followed the movements of the US dollar. The nominal trade-weighted effective exchange rate index edged up by 1% in December 2023 over a year earlier. The direction of exchange rate movements in 2024 will, as always, be subject to various uncertainties, including the monetary policy decisions of major central banks, relative economic growth performance among major economies, and geopolitical factors.

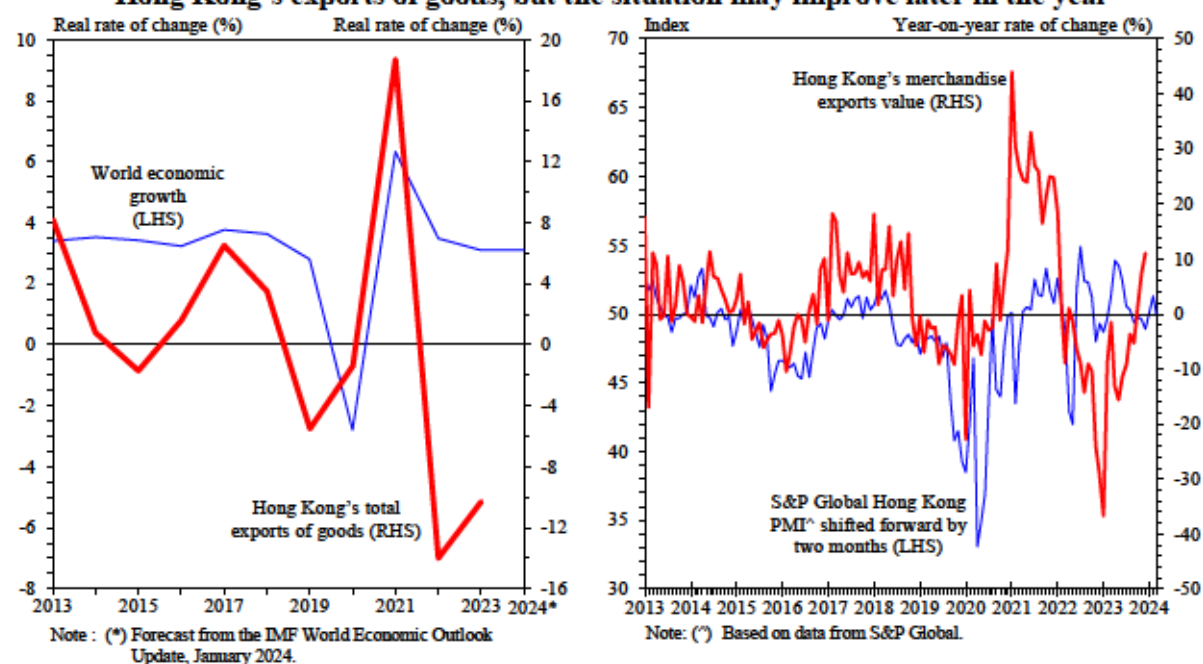
Diagram 2.3 : Exchange rate movements in 2024 will depend on various factors, including monetary policy decisions of major central banks and relative growth performance of major economies



Outlook for the Hong Kong economy in 2024

2.8 Hong Kong's exports of goods fell further in 2023, dragged by falling global demand for goods amid heightened geopolitical tensions and tight financial conditions. Looking ahead to 2024, the complicated external environment will continue to put pressure on Hong Kong's exports of goods, but the situation may improve later in the year if the advanced economies cut interest rates as expected.

Diagram 2.4 : The complicated external environment will continue to put pressure on Hong Kong's exports of goods, but the situation may improve later in the year



2.9 Exports of services reverted to visible growth in 2023 thanks to the revival of visitor arrivals and spending. Looking ahead, visitor numbers should continue to increase as handling capacity, particularly air passenger capacity, recovers further. The Government's efforts to promote mega event economy should provide additional support. Meanwhile, tight global financial conditions may continue to weigh on cross-border financial and business activities, though the economic backdrop may become more favourable later in the year if the advanced economies loosen monetary policies as expected. Exports of trade-related services will be dependent on how the external trade situation unfolds.

2.10 Domestic demand rebounded strongly in 2023, following the removal of anti-epidemic measures and supported by improved labour market conditions and the Government’s various support initiatives. In 2024, economic confidence should gradually improve over the course of the year amid an expected easing of financial conditions. Rising household income and the Government’s initiatives in creating a happy atmosphere and boosting sentiment should bode well for private consumption. Fixed asset investment should expand further on the back of continued economic growth and the Government’s efforts in building infrastructure and increasing housing supply.

Diagram 2.5 : Rising household income and the Government’s various initiatives should bode well for private consumption in 2024

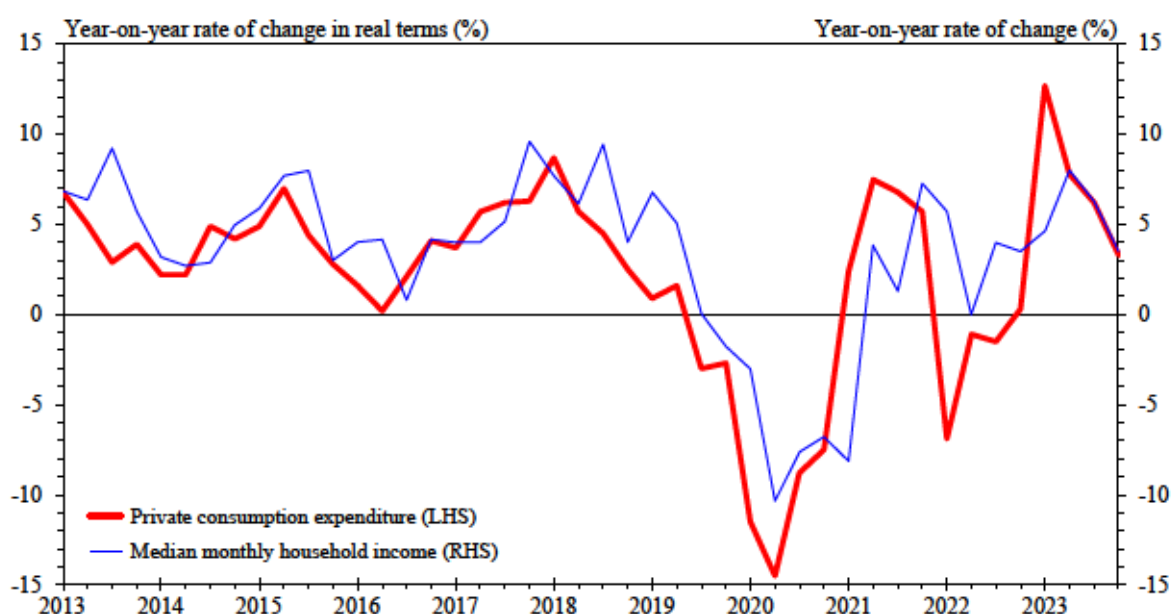
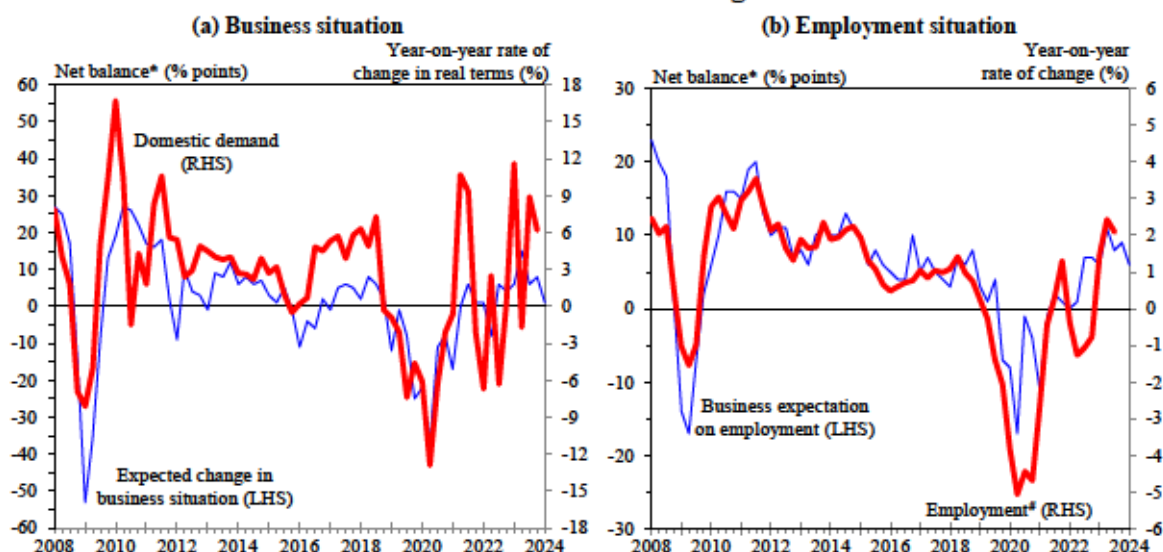


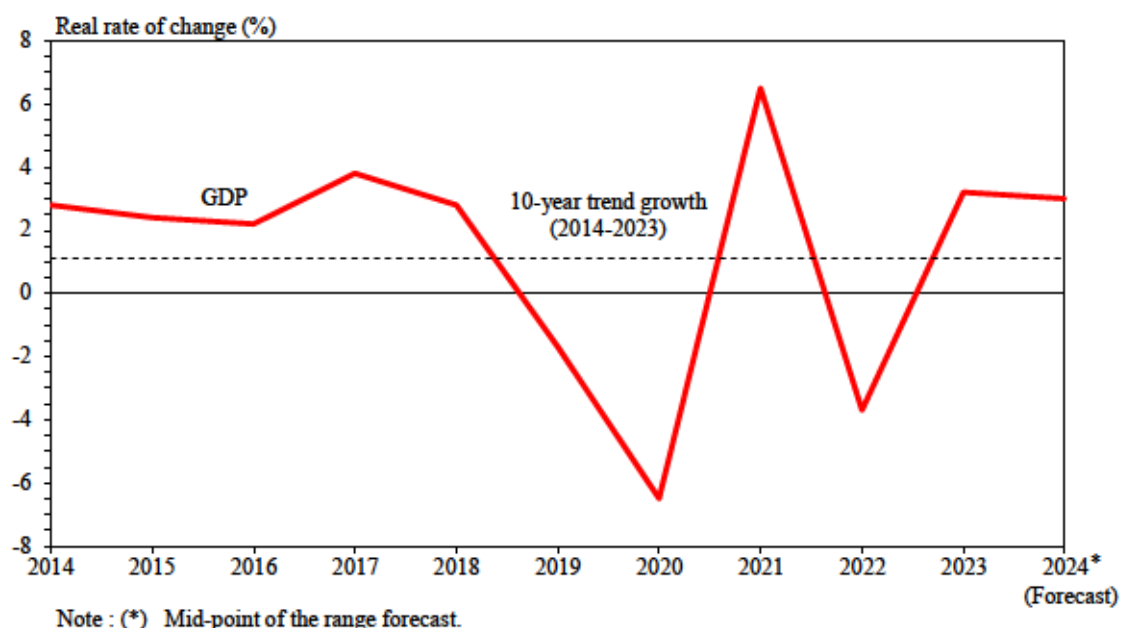
Diagram 2.6 : Business and hiring sentiment among large enterprises remained positive in overall terms on entering 2024



Notes : (*) Net balance indicates the direction of expected change in business situation / number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” / “up” over that choosing “worse” / “down”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.
 (#) Employment in the private sector.

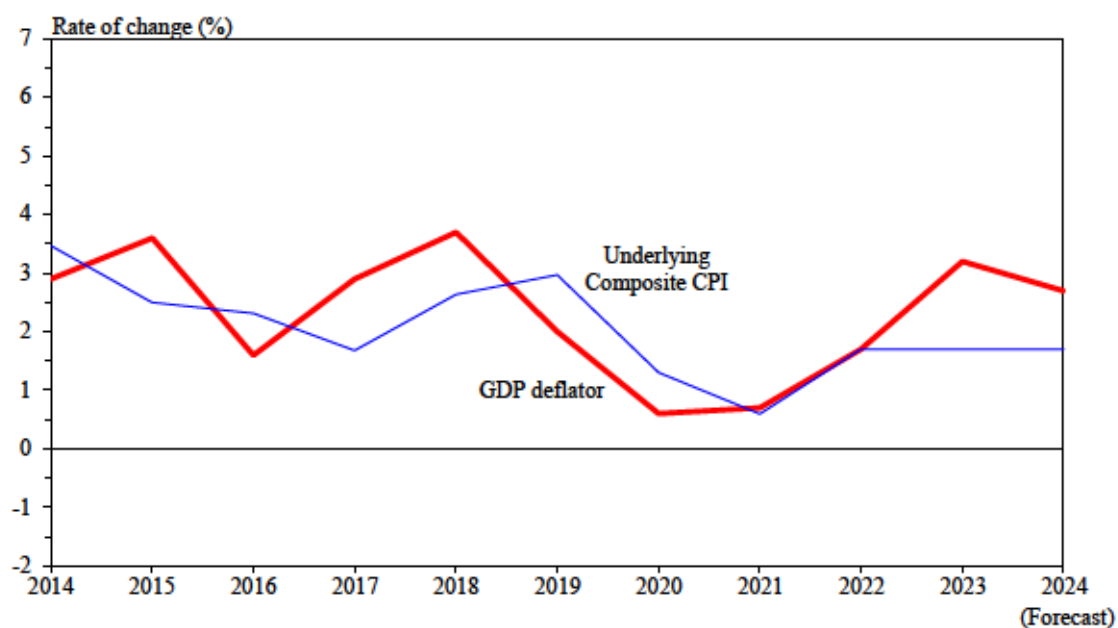
2.11 In sum, the Hong Kong economy is expected to grow further in 2024. Real GDP is forecast to grow by 2.5% to 3.5% in 2024, after 3.2% growth in 2023. The forecast is predicated on the assumptions that the impact of geopolitical tensions on the global economy would not significantly worsen, the advanced economies would start cutting interest rates around the middle of the year, and the global economy would register similar growth as in 2023. For comparison, the latest forecasts by private sector analysts for Hong Kong's economic growth in 2024 range from 0.5% to 3.8%, averaging 2.7%. The IMF forecast made in October 2023 is 2.9%.

Diagram 2.7 : Real GDP is forecast to grow by 2.5%-3.5% in 2024



2.12 Underlying consumer price inflation in Hong Kong stayed moderate in overall terms in 2023, and should remain moderate in 2024. As the Hong Kong economy continues to grow, domestic costs including commercial rentals and labour costs may face some upward pressure. Meanwhile, external price pressures should continue to ease in view of the disinflationary effect of monetary policy tightening in the advanced economies in the past two years. However, international energy and food prices are subject to huge uncertainties stemming from geopolitical developments. Movement of exchange rates of import sources' currencies will also have a bearing on local inflation outlook. Overall, underlying Composite CPI inflation is forecast at 1.7% in 2024, same as that in 2023. The GDP deflator is forecast to rise by 2.7% in 2024. For reference, the latest forecasts for consumer price inflation in 2024 by private sector analysts average 2.2%, and the IMF forecast made in October 2023 is 2.3%.

Diagram 2.8 : Underlying Composite CPI inflation is forecast to remain moderate at 1.7% in 2024



Forecast rate of change in 2024 (%)

Gross Domestic Product (GDP)

| | |
|--|--|
| <i>Real GDP</i> | 2.5 to 3.5 |
| <i>Nominal GDP</i> | 5.2 to 6.2 |
| <i>Per capita GDP in real terms</i> | 2.1 to 3.1 |
| <i>Per capita GDP at current market prices</i> | HK\$416,000 – 419,900 (US\$53,300 – 53,800) |

Underlying Composite CPI 1.7

GDP Deflator 2.7

Forecast on Hong Kong's real GDP growth in 2024 recently made by other selected parties

| | |
|--|-----|
| | (%) |
| Asian Development Bank (December 2023) | 3.3 |
| IMF (October 2023) | 2.9 |
| Average forecast by private sector analysts [#] | 2.7 |

Note : (#) Real GDP growth forecasts by private sector analysts fall between 0.5% and 3.8%.

Medium-term outlook for the Hong Kong economy

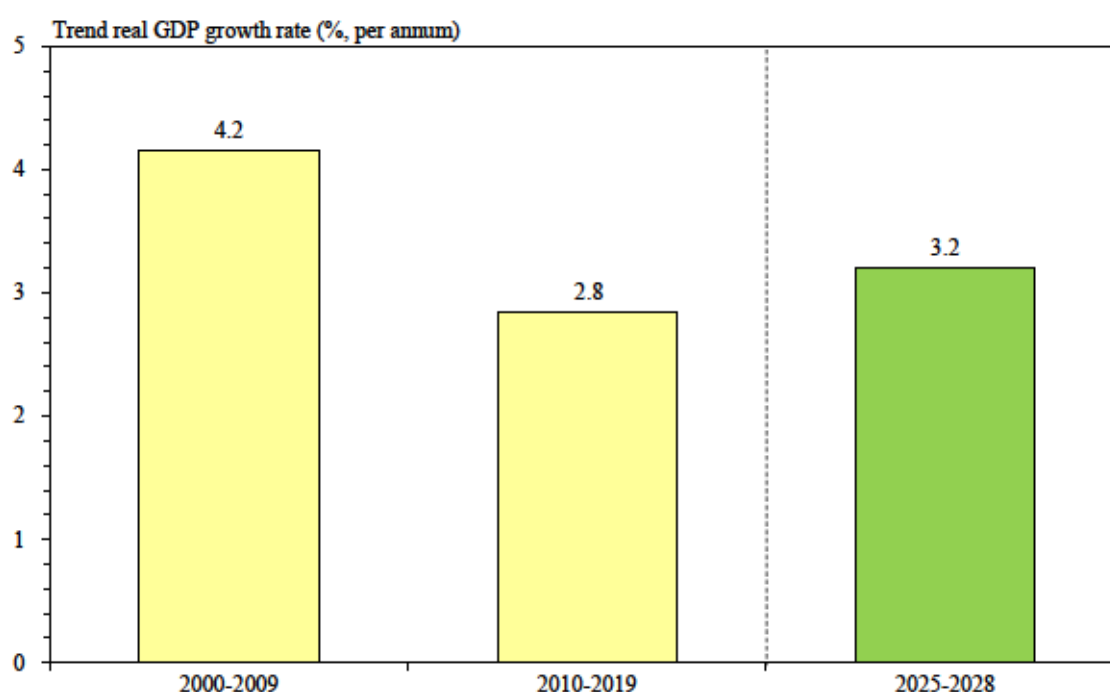
2.13 The medium-term outlook for the Hong Kong economy is bright. The external environment may see some improvements in the coming years, with Asia recording decent growth. Specifically, the Mainland will pursue high quality development through deepening reforms and further opening-up. These developments will provide enormous opportunities for Hong Kong. As for the advanced economies, the expected interest rate cuts in the coming few years should support a gradual recovery of demand. In Japan, the central bank noted that the inflation target is increasingly likely to be achieved and expected a virtuous economic cycle as a result, though economic growth will still be constrained by its ageing population and high government debts. Meanwhile, heightened geopolitical tensions as well as the increased vulnerabilities in the global economy and financial system warrant continued attention.

2.14 The Government has been proactive in economic management, integrating a capable government and an efficient market. To improve the longer-term growth momentum, the Government has been building capacity for economic development through pressing ahead with land development projects, developing infrastructure, attracting enterprises, and trawling for and retaining talents. With the efforts of the Office for Attracting Strategic Enterprises, 30 strategic enterprises from the Mainland and overseas are setting up or expanding their businesses in Hong Kong. Since the launch of the Top Talent Pass Scheme and enhancements of other admission schemes in December 2022, over 140 000 applications have been approved with about 100 000 talents having come to Hong Kong under these schemes as of end-January 2024. Moreover, the Government has been strengthening traditional industries where Hong Kong has competitive edges and promoting the development of emerging strategic areas where Hong Kong has potential with an industry-oriented approach. Innovation and technology is a priority area where the Government has made substantial investment, which should not only provide new growth impetus, but also enhance the overall competitiveness of the economy.

2.15 The Government's various initiatives will enable Hong Kong to withstand the keen competition from other economies and grasp the opportunities brought by the improving global demand. Taking the above-mentioned factors into account, the Hong Kong economy is expected to grow by 3.2% per annum from 2025 to 2028, compared with the average annual growth of 2.8% during the ten years before COVID-19 (2010-2019).

2.16 The inflation outlook for Hong Kong in the medium term will depend on various external and domestic factors. Externally, inflationary pressures are expected to soften as the tight monetary policies in the advanced economies continue to take effect and international commodity prices retreat. However, persisting geopolitical tensions may pose upside risks through affecting international commodity prices as well as the operation and location of supply chains. Locally, continued economic growth in the coming years will likely put some pressure on prices, but the Government's various initiatives to increase productive capacity and improve efficiency should help contain cost pressure. Taking all these factors into account, the trend rate of change in the underlying Composite CPI in Hong Kong from 2025 to 2028 is forecast at 2.5% per annum.

Diagram 2.9 : Medium-term trend growth forecast at 3.2% per annum



Note : The Hong Kong economy recorded the largest ever contraction amid the outbreak of the COVID-19 pandemic in 2020, rebounded sharply in 2021 and shrank again in 2022, in stark contrast to the growth trend in the pre-pandemic years. Hence, the 10-year trend growth for the period 2010 – 2019, instead of 2011 – 2020, 2012 – 2021, or 2013 – 2022, is used to better illustrate the underlying growth trajectory in recent years.

CHAPTER 3 : THE EXTERNAL SECTOR

Summary

- *The external environment remained challenging in 2023. Central banks in the US and Europe continued to tighten monetary policies to tame inflation, dampening import demand for goods. Meanwhile, the Mainland economy recovered from the COVID-19 pandemic. According to the International Monetary Fund (IMF), global economic growth slowed from 3.5% in 2022 to 3.1% in 2023.*
- *The weak external demand continued to weigh heavily on Hong Kong's export performance. Merchandise exports fell further by 11.6% in real terms⁽¹⁾ in 2023. Exports to the Mainland, the US and the EU fell visibly further. Exports to other major Asian markets shrank by varying degrees.*
- *Exports of services reverted to visible growth of 21.2% in real terms in 2023. Exports of travel services jumped more than six-fold thanks to the revival of visitor arrivals during the year. Exports of transport services resumed a moderate increase in tandem. Exports of business and other services reverted to mild growth, while exports of financial services fell further.*
- *The Government continued to strengthen Hong Kong's economic links with the Mainland and overseas economies and made concerted efforts to promote Hong Kong on all fronts in 2023. The Chief Executive and various Principal Officials visited different Mainland cities and overseas economies to strengthen bilateral economic ties and mutual co-operation and promote Hong Kong's strengths. Invest Hong Kong signed Memorandums of Understanding (MOUs) with the Arab Republic of Egypt and Saudi Arabia, fostering co-operation on investment promotion exchange and support. The Government also signed an Investment Promotion and Protection Agreement (IPPA) with Türkiye to expand investment flows and strengthen economic and trade ties between the two places.*

Merchandise trade

External environment

3.1 The external environment remained challenging in 2023. According to the IMF, global economic growth slowed from 3.5% in 2022 to 3.1% in 2023, as the advanced economies grew at a slower pace.

3.2 The Mainland economy recovered from the COVID-19 pandemic in 2023 and registered faster growth of 5.2% for the year as a whole. Economic growth regained momentum since August 2023 after a temporary slowdown earlier on, as the Mainland authorities gradually strengthened macro-policy support to bolster the economy and market confidence. On the fiscal front, tax and fee reductions for small and micro enterprises and individuals were extended or enhanced. The Central Government issued an additional RMB 1 trillion of treasury bonds in the fourth quarter of 2023 to support local governments' post-disaster reconstruction work. On monetary policy, the People's Bank of China reduced the reserve requirement ratio of financial institutions by 50 basis points in 2023, and the benchmark policy interest rates were lowered by 20 to 25 basis points. In addition, the authorities eased restrictions and optimised policies to support the healthy development of the real estate sector.

3.3 As regards the advanced economies, their central banks tightened monetary policies further in 2023 as inflation remained elevated despite softening from their earlier peaks. In the US, core personal consumption expenditure inflation, at 2.9% in December, stayed higher than the Federal Reserve (Fed)'s target of 2%. The Fed raised the target range for the federal funds rate four times by a total of 100 basis points to 5.25%-5.5% between January and July, and maintained it at this level for the rest of the year. The Fed also continued to reduce the size of its balance sheet as planned. While economic growth in the US picked up to 2.5% in 2023, imports of goods weakened. In the euro area, headline inflation remained elevated at 2.9% in December, and the European Central bank raised key interest rates six times by a total of 200 basis points during the year. Dragged by tightened financing conditions and subdued external demand, the euro area economy slowed notably and recorded a meagre growth of 0.5% in 2023.

3.4 Other major Asian economies posted further growth in 2023, supported by resilient domestic demand and continued revival of tourism. Exports in the region remained subdued amid weak demand for goods from major economies, but improved somewhat towards the end of the year. Intra-regional trade likewise declined but showed some improvements in the last quarter of 2023.

Merchandise exports

3.5 The weak external demand continued to weigh heavily on Hong Kong's export performance. *Merchandise exports* fell by 11.6% in real terms in 2023, after plunging by 14.8% in 2022. Year-on-year declines of 20.9%, 16.6% and 9.2% were recorded in the first three quarters respectively, though a low base of comparison led to modest growth of 1.4% in the fourth quarter.

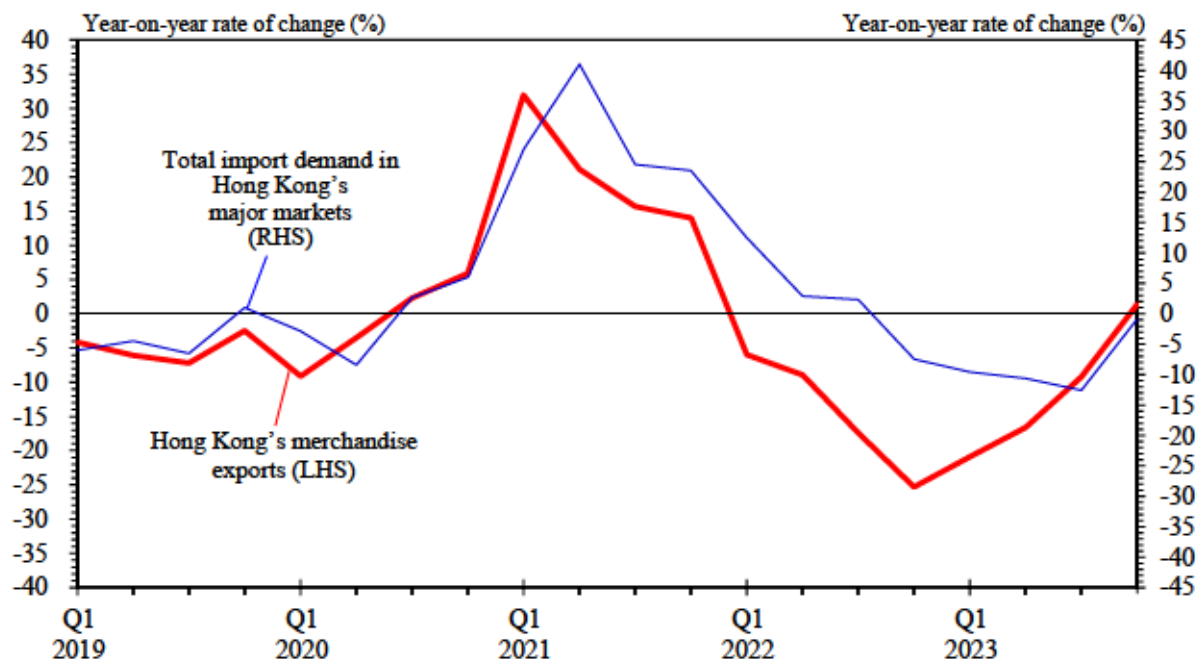
**Table 3.1 : Merchandise exports
(year-on-year rate of change (%))**

| | | <u>In value terms</u> | <u>In real terms^(a)</u> | | <u>Change in prices</u> |
|------|--------|-----------------------|------------------------------------|--------|-------------------------|
| 2022 | Annual | -8.6 | -14.8 | | 7.8 |
| | Q1 | 3.4 | -6.0 | (-5.5) | 10.3 |
| | Q2 | -2.4 | -8.9 | (-6.5) | 8.0 |
| | Q3 | -10.9 | -17.4 | (-8.5) | 8.5 |
| | Q4 | -21.7 | -25.3 | (-7.6) | 5.3 |
| 2023 | Annual | -7.8 | -11.6 | | 4.4 |
| | Q1 | -17.7 | -20.9 | (0.2) | 4.7 |
| | Q2 | -13.3 | -16.6 | (-1.1) | 4.1 |
| | Q3 | -6.0 | -9.2 | (0.5) | 3.7 |
| | Q4 | 6.6 | 1.4 | (2.0) | 4.6 |

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

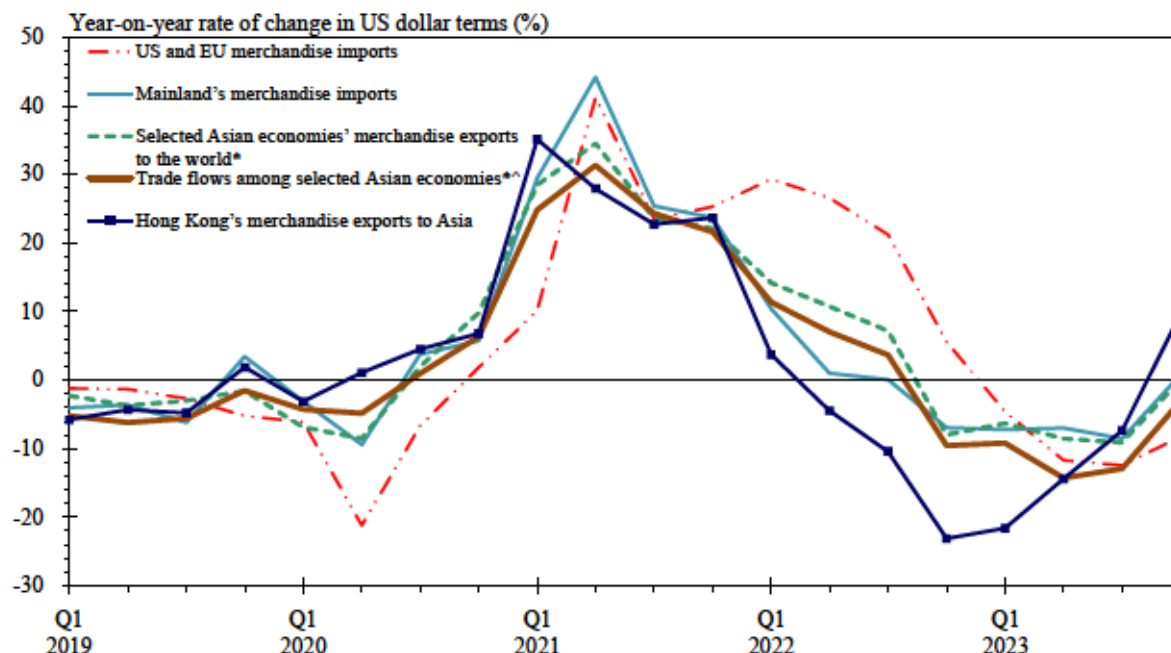
- (a) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts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

Diagram 3.1 : Merchandise exports fell further in 2023



Note : Merchandise exports 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 US and the EU taken together.

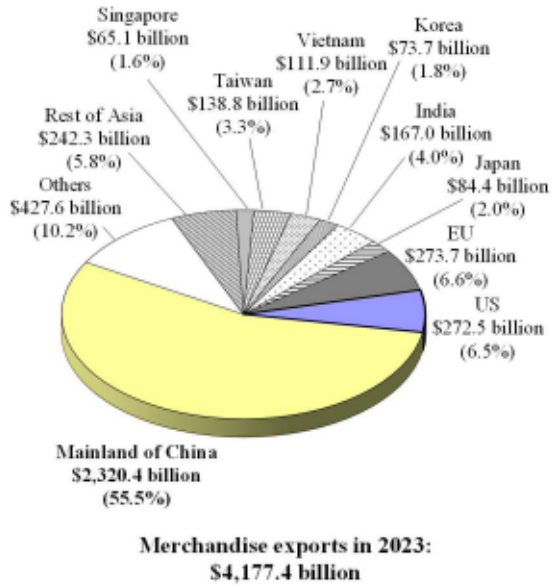
Diagram 3.2 : Regional trade flows declined in 2023, but showed some improvements in the last quarter



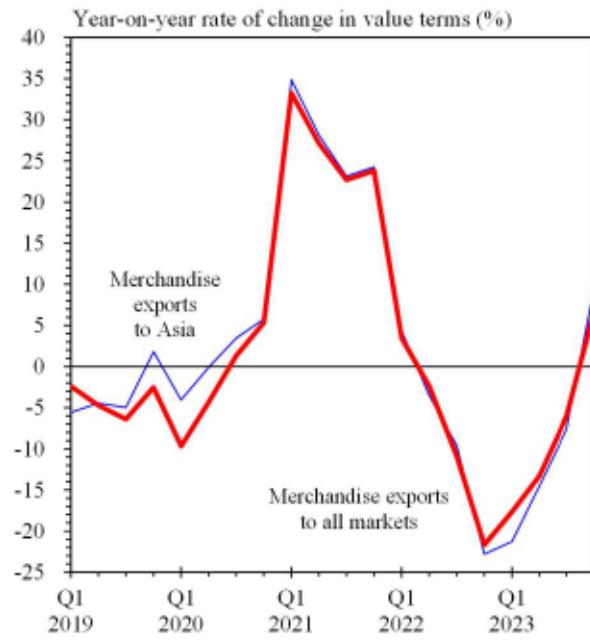
Notes : (*) "Selected Asian economies" include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.

(^) The trade flows were measured by the sum of the individual economies' merchandise exports to the other nine economies within the "selected Asian economies".

Diagram 3.3 : Exports to Asia declined further in 2023



Note : Figures in brackets are individual markets' percentage shares in merchandise exports.



**Table 3.2 : Merchandise exports by major market
(year-on-year rate of change in real terms (%))**

| | <u>Annual</u> | <u>2022</u> | | | | <u>2023</u> | | | | |
|----------------------|---------------|-------------|-----------|-----------|-----------|---------------|-----------|-----------|-----------|-----------|
| | | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Annual</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> |
| Mainland of China | -20.6 | -13.4 | -18.0 | -21.0 | -29.2 | -13.8 | -27.2 | -17.6 | -12.0 | 3.5 |
| US | -10.7 | 11.2 | 7.3 | -22.1 | -29.4 | -10.2 | -13.3 | -22.9 | -8.5 | 7.2 |
| EU | -10.5 | 2.1 | 2.0 | -15.3 | -25.3 | -14.7 | -8.7 | -18.4 | -15.5 | -16.1 |
| ASEAN | 2.1 | 13.6 | 17.4 | 1.4 | -18.4 | -12.0 | -18.6 | -19.2 | -9.0 | * |
| Vietnam | 4.3 | 14.1 | 22.5 | 8.6 | -22.0 | -5.3 | -19.5 | -11.6 | 2.5 | 11.1 |
| Singapore | 12.4 | 28.0 | 23.0 | 10.5 | -6.3 | -26.2 | -30.8 | -27.6 | -27.9 | -17.7 |
| India | 26.0 | 38.0 | 78.4 | 19.1 | -8.5 | -8.7 | -17.5 | -25.3 | -9.7 | 22.6 |
| Japan | -17.4 | 7.7 | -15.2 | -24.6 | -33.9 | -20.5 | -32.5 | -21.2 | -17.4 | -6.5 |
| Taiwan | -0.5 | 23.4 | 5.1 | -4.6 | -21.5 | -11.8 | -20.3 | -19.7 | -8.2 | 4.4 |
| Korea | 7.3 | 9.8 | 21.4 | 7.1 | -5.9 | -10.0 | 0.2 | -11.7 | -15.3 | -12.1 |
| Overall [#] | -14.8 | -6.0 | -8.9 | -17.4 | -25.3 | -11.6 | -20.9 | -16.6 | -9.2 | 1.4 |

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

(#) 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*.

3.6 Analysed by major market, exports to the Mainland, the US and the EU fell visibly further in 2023. Exports to other major Asian markets shrank by varying degrees.

Diagram 3.4 : Exports to the Mainland fell visibly further in 2023

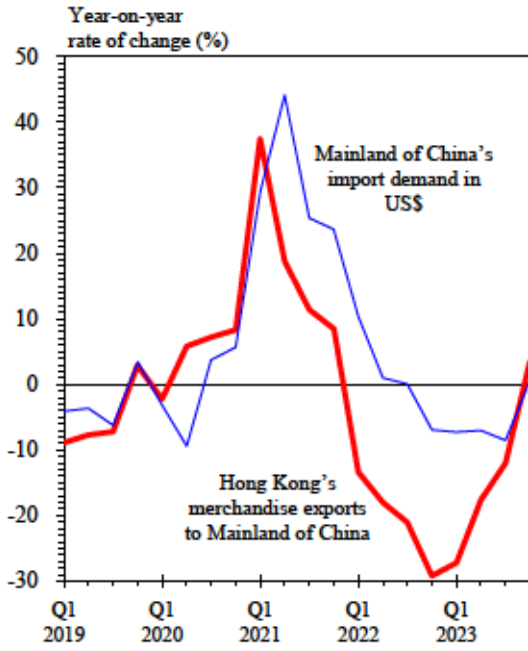


Diagram 3.5 : Exports to the EU dropped notably further in 2023

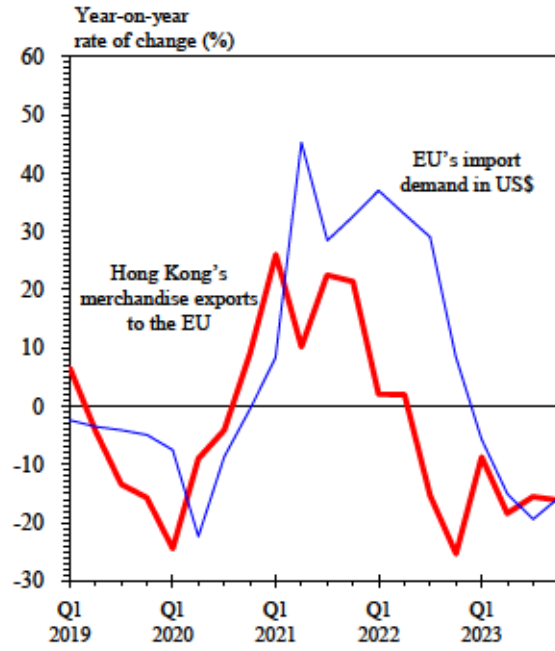


Diagram 3.6 : Exports to the US continued to record a double-digit decrease in 2023

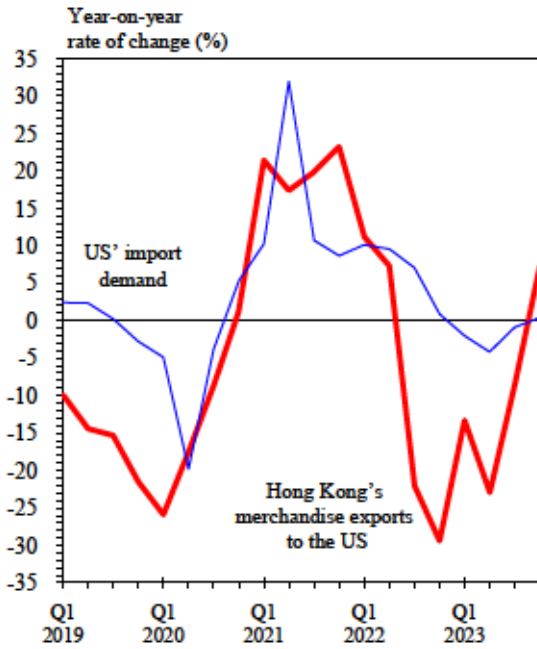


Diagram 3.7 : Exports to Japan plummeted further in 2023

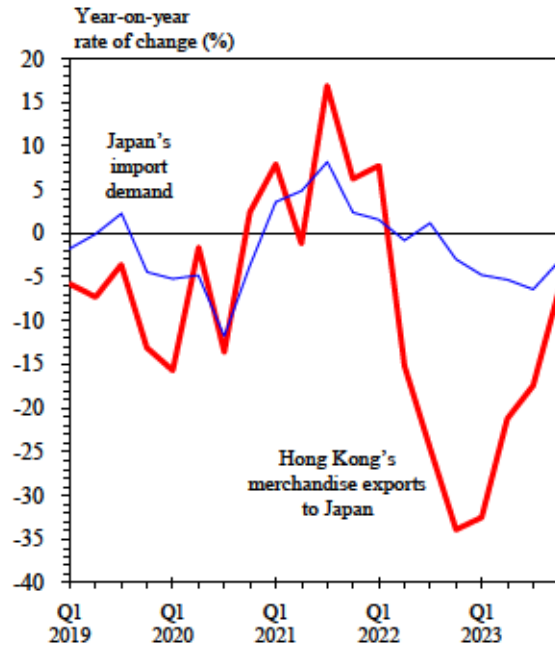


Diagram 3.8 : Exports to India slumped in 2023

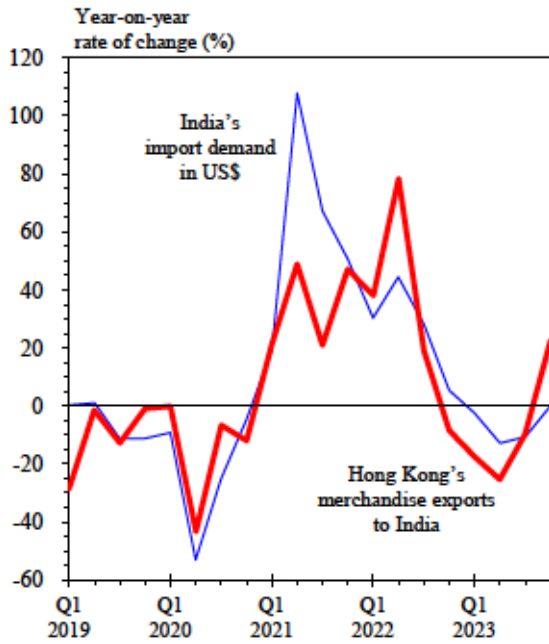


Diagram 3.9 : Exports to Taiwan shrank notably further in 2023

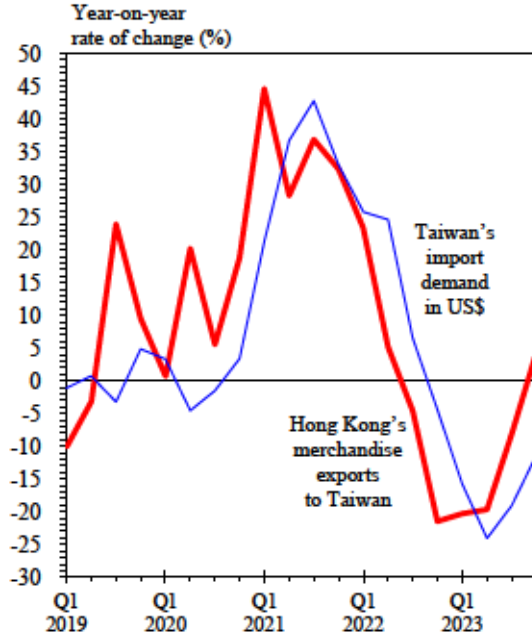


Diagram 3.10 : Exports to Korea turned to a decline in 2023

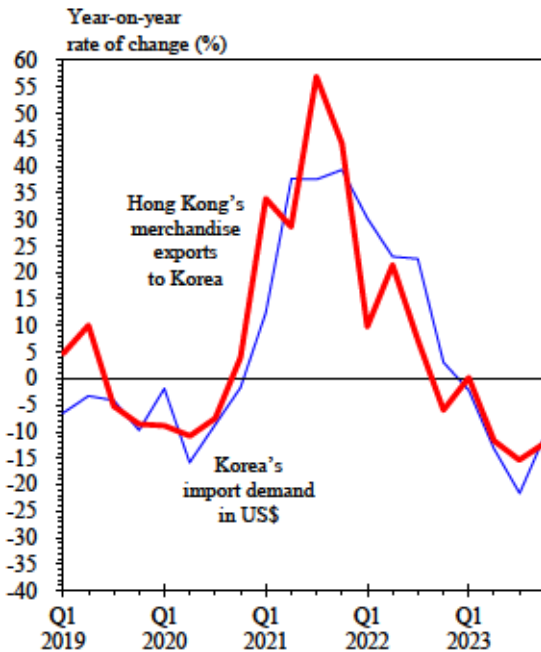
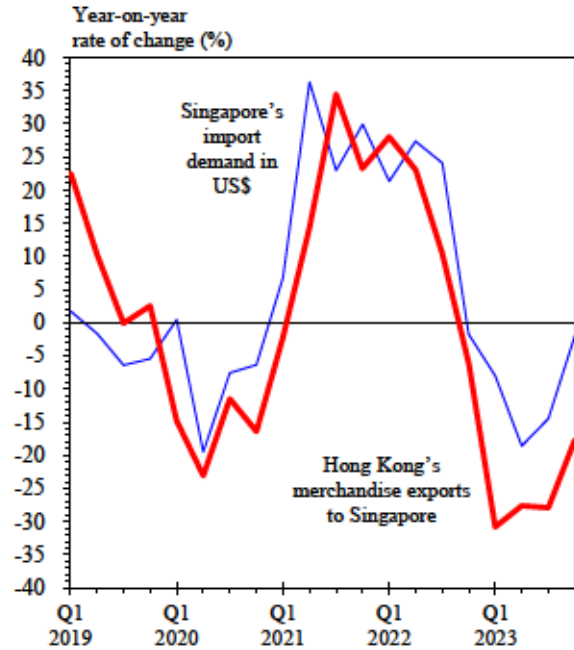


Diagram 3.11 : Exports to Singapore plunged in 2023



Merchandise imports

3.7 *Merchandise imports* declined by 9.2% in real terms in 2023, having fallen by 13.9% in 2022. *Retained imports*, which refer to imports for domestic use and accounted for around one-fifth of merchandise imports in 2023, reverted to an increase of 0.9%. Imports for subsequent *re-exports*⁽²⁾ continued to shrink visibly.

**Table 3.3 : Merchandise imports and retained imports
(year-on-year rate of change (%))**

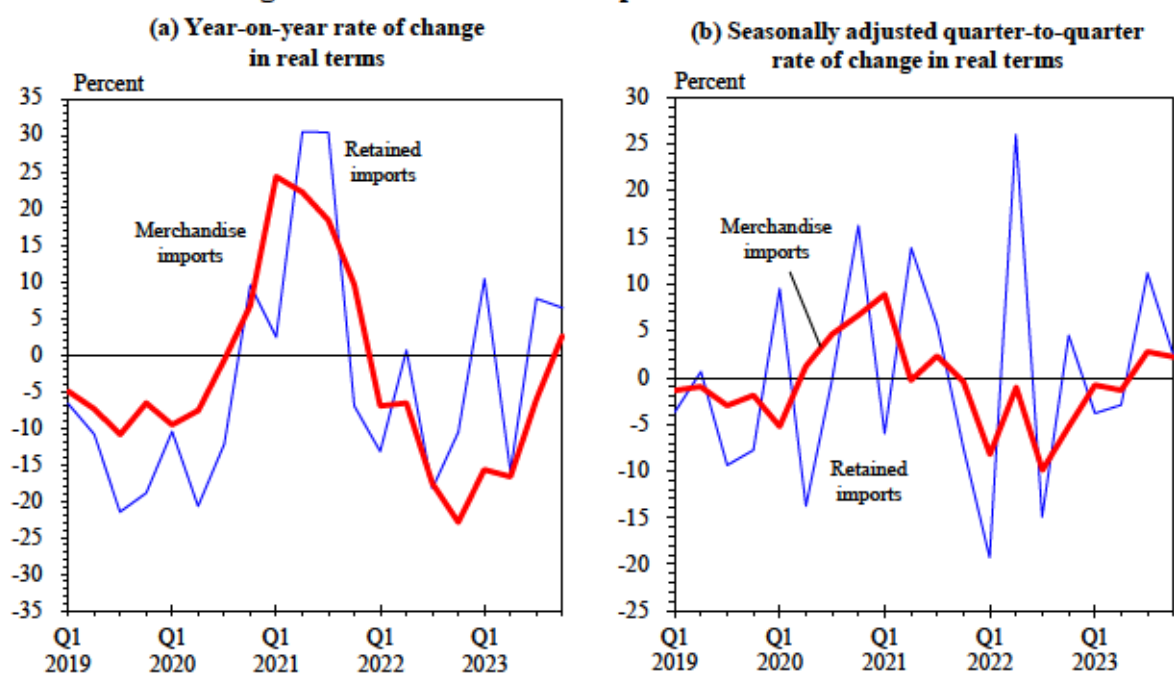
| | | <u>Merchandise imports</u> | | | <u>Retained imports</u> ^(a) | | | | |
|------|--------|----------------------------|-------------------------------------|-------------------------|--|----------------------|-------------------------|---------|-----|
| | | <u>In value terms</u> | <u>In real terms</u> ⁽⁺⁾ | <u>Change in prices</u> | <u>In value terms</u> | <u>In real terms</u> | <u>Change in prices</u> | | |
| 2022 | Annual | -7.2 | -13.9 | 8.1 | -5.9 | -10.2 | 4.2 | | |
| | Q1 | 2.9 | -7.0 | (-8.2) | 10.6 | -7.1 | -13.2 | (-19.3) | 5.4 |
| | Q2 | 1.3 | -6.6 | (-1.1) | 8.8 | 9.3 | 0.6 | (26.0) | 7.5 |
| | Q3 | -11.3 | -17.6 | (-9.9) | 8.1 | -16.7 | -18.3 | (-14.9) | 1.5 |
| | Q4 | -18.8 | -22.9 | (-5.3) | 5.8 | -8.7 | -10.6 | (4.5) | 2.6 |
| 2023 | Annual | -5.7 | -9.2 | 3.9 | 3.2 | 0.9 | 2.4 | | |
| | Q1 | -12.7 | -15.7 | (-0.8) | 3.9 | 13.0 | 10.4 | (-3.8) | 2.3 |
| | Q2 | -13.6 | -16.7 | (-1.3) | 3.7 | -14.2 | -16.0 | (-2.9) | 1.8 |
| | Q3 | -2.8 | -6.1 | (2.8) | 3.5 | 11.5 | 7.7 | (11.2) | 3.2 |
| | Q4 | 7.0 | 2.6 | (2.2) | 4.1 | 7.8 | 6.4 | (2.3) | 2.2 |

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 3.12 : Merchandise imports declined further in 2023



Services trade

Exports of services

3.8 *Exports of services* grew visibly by 21.2% in real terms in 2023, reversing the decline of 0.5% in 2022. Exports of travel services jumped more than six-fold and recovered to 48% of the level in 2018, thanks to the revival of visitor arrivals during the year. Exports of transport services resumed a moderate increase in tandem. Exports of business and other services reverted to growth, but at a mild pace against the challenging external environment. Meanwhile, exports of financial services fell further as cross-border financial and fund raising activities weakened amid tight financial conditions.

Diagram 3.13 : The contribution from travel services to total exports of services rose back, despite remaining lower than the pre-pandemic level

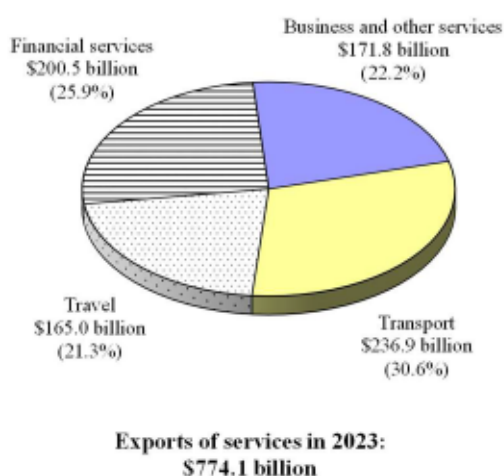


Diagram 3.14 : Exports of services reverted to visible growth in 2023

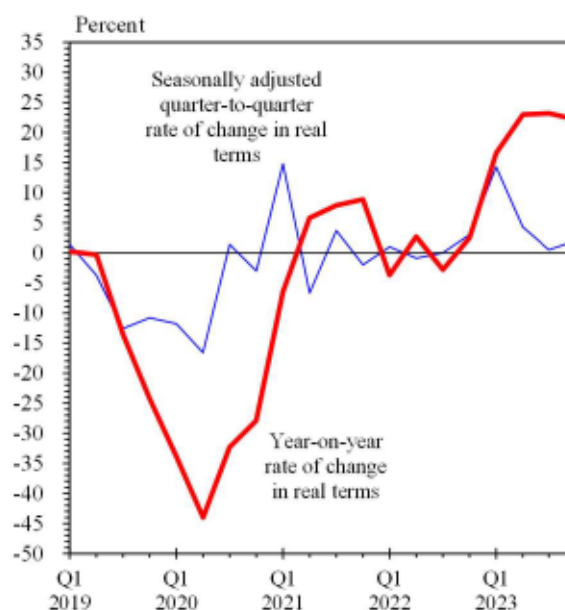


Table 3.4 : Exports of services by major service group (year-on-year rate of change in real terms (%))

| | | <i>Of which :</i> | | | | |
|------|---------------|----------------------------|------------------|-----------------------------|---------------------------|------------------------------------|
| | | <u>Exports of services</u> | <u>Transport</u> | <u>Travel^(a)</u> | <u>Financial services</u> | <u>Business and other services</u> |
| 2022 | Annual | -0.5 | -2.9 | 62.2 | -1.8 | -0.6 |
| | Q1 | -3.7 (1.0) | -2.5 | 20.1 | -6.0 | -1.1 |
| | Q2 | 2.7 (-0.9) | -0.6 | 45.4 | 2.8 | 2.3 |
| | Q3 | -2.8 (*) | -4.4 | 87.7 | -8.3 | -0.1 |
| | Q4 | 2.5 (3.0) | -4.0 | 94.2 | 7.9 | -2.9 |
| 2023 | Annual | 21.2 | 4.7 | 523.1 | -4.1 | 2.2 |
| | Q1 | 16.6 (14.3) | 3.2 | 507.1 | -3.3 | 2.5 |
| | Q2 | 23.0 (4.3) | 1.7 | 771.1 | -3.0 | 0.4 |
| | Q3 | 23.2 (0.5) | 6.2 | 795.3 | -5.0 | 1.9 |
| | Q4 | 22.2 (2.0) | 7.7 | 311.2 | -4.9 | 3.6 |

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

3.9 *Imports of services* expanded notably by 26.2% in real terms in 2023, after decreasing by 1.2% in 2022. This was mainly led by the surge in imports of travel services. Imports of business and other services grew modestly. On the other hand, imports of manufacturing services and transport services continued to fall as trade and cargo flows stayed weak.

Diagram 3.15 : The share of travel services to overall imports of services went up

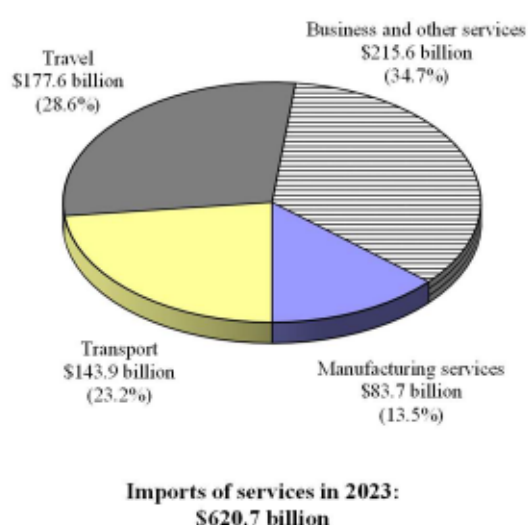
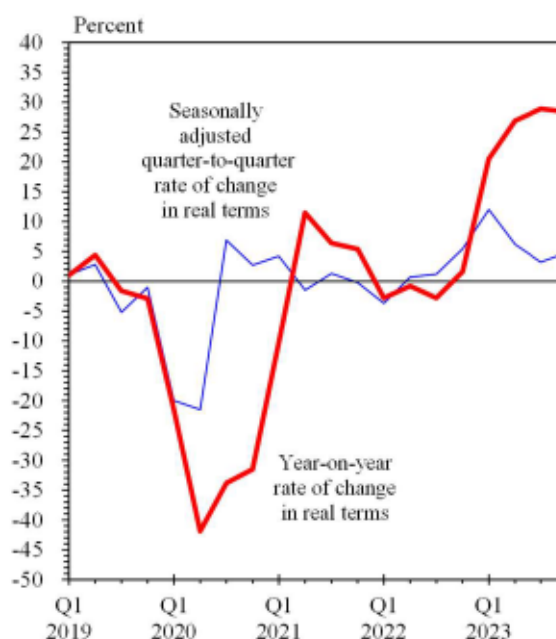


Diagram 3.16 : Imports of services expanded notably in 2023



**Table 3.5 : Imports of services by major service group
(year-on-year rate of change in real terms (%))**

Of which :

| | | <u>Imports of services</u> | <u>Travel⁽⁺⁾</u> | <u>Transport</u> | <u>Manufacturing services^(^)</u> | <u>Business and other services</u> |
|------|--------|--------------------------------|-----------------------------|------------------|---|--|
| 2022 | Annual | -1.2 | 59.8 | -5.8 | -6.7 | -3.0 |
| | Q1 | -2.8 (-3.7) | 18.0 | -6.0 | 1.7 | -4.0 |
| | Q2 | -0.8 (0.7) | 24.2 | -1.5 | -6.9 | -1.0 |
| | Q3 | -2.8 (1.2) | 27.6 | -5.9 | -5.5 | -3.7 |
| | Q4 | 1.6 (5.4) | 162.6 | -9.3 | -13.3 | -3.0 |
| 2023 | Annual | 26.2 | 308.8 | -2.5 | -4.3 | 1.5 |
| | Q1 | 20.5 (12.0) | 354.9 | 0.2 | -11.2 | 1.6 |
| | Q2 | 26.9 (6.2) | 447.9 | -9.5 | -3.6 | * |
| | Q3 | 28.9 (3.2) | 390.6 | -4.0 | -3.9 | 1.9 |
| | Q4 | 28.4 (4.8) | 189.5 | 3.6 | 0.1 | 2.3 |

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*.

(+) 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.

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

Goods and services balance

3.10 Based on the GDP compilation framework, the goods deficit widened to \$128 billion in 2023, as the value of exports of goods saw a larger decline than that of imports. Meanwhile, the services surplus narrowed marginally to \$153 billion. The combined goods and services account registered a surplus of \$25 billion in 2023, equivalent to 0.5% of total import value, compared to a surplus of \$115 billion or 2.1% in 2022.

**Table 3.6 : 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> | |
| 2022 | Annual | 4,813 | 651 | 4,853 | 495 | -40 | 155 | 115 | 2.1 |
| | Q1 | 1,218 | 169 | 1,202 | 119 | 16 | 50 | 66 | 5.0 |
| | Q2 | 1,212 | 154 | 1,288 | 117 | -76 | 37 | -39 | -2.8 |
| | Q3 | 1,229 | 162 | 1,212 | 121 | 17 | 41 | 58 | 4.4 |
| | Q4 | 1,153 | 166 | 1,151 | 138 | 3 | 27 | 30 | 2.3 |
| 2023 | Annual | 4,497 | 774 | 4,625 | 621 | -128 | 153 | 25 | 0.5 |
| | Q1 | 1,023 | 192 | 1,061 | 144 | -38 | 48 | 10 | 0.8 |
| | Q2 | 1,067 | 182 | 1,129 | 144 | -62 | 38 | -24 | -1.9 |
| | Q3 | 1,163 | 197 | 1,184 | 157 | -21 | 41 | 19 | 1.4 |
| | Q4 | 1,244 | 203 | 1,251 | 176 | -7 | 27 | 21 | 1.4 |

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*.

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

Other developments

3.11 The Government continued to strengthen Hong Kong's economic links with the Mainland in 2023. In April, the Chief Executive led a delegation of the Government and the Legislative Council to visit four cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), namely Shenzhen, Dongguan, Foshan and Guangzhou, to strengthen the connection and deepen the collaboration with various GBA cities. The Chief Executive also led high-level delegations to attend the third Belt and Road Forum for International Cooperation in Beijing in October and the sixth China International Import Expo in Shanghai in November, to promote to Mainland and overseas enterprises Hong Kong's role as the functional platform for the Belt and Road Initiative and an important channel between the country and the world. Meanwhile, the Financial Secretary visited Guangzhou in March, Beijing in April and July, Shenzhen in June and Shanghai in July to promote the financial services, trade and commerce, and innovation and technology sectors in Hong Kong and strengthen collaboration on attracting enterprises and investments, with a view to facilitating Hong Kong's more active integration into the national development.

3.12 The Government also made concerted efforts to promote Hong Kong on all fronts and enhance trade and investment relations with overseas economies during the year. The Chief Executive led delegations to visit Saudi Arabia and the United Arab Emirates in February and three Association of Southeast Asian Nations Member States, namely Singapore, Indonesia and Malaysia, in July to promote Hong Kong's business and investment opportunities. The Financial Secretary visited Malaysia and Singapore in March, and Paris, London, Berlin and Frankfurt in September, to introduce Hong Kong's new advantages and business opportunities, with a view to strengthening bilateral economic ties and mutual co-operation. The Financial Secretary also attended the 2023 Annual Meetings of the IMF and the World Bank Group in Morocco in October, the Asia-Pacific Economic Cooperation Finance Ministers' Meeting and the Economic Leaders' Meeting on behalf of the Chief Executive in the United States in November, and the World Economic Forum Annual Meeting in Switzerland in January 2024. During the meetings, he met with political, business and financial leaders across the globe to promote Hong Kong's strengths and core competitive advantages and strengthen bilateral trade and investment relations.

3.13 In addition, Invest Hong Kong signed MOUs with the General Authority for Investment and Free Zones of the Arab Republic of Egypt in September and the Ministry of Investment of Saudi Arabia in December, fostering co-operation on investment promotion exchange and support. In October, Hong Kong and Türkiye signed an IPPA, marking the first IPPA signed by this term of Government. The Agreement seeks to enhance investor confidence with a view to expanding investment flows and strengthening the economic and trade ties between the two places. Continuing its efforts to strengthen Hong Kong's investment relations with other economic partners, the Government also announced in October that, in addition to Bahrain and Saudi Arabia, Hong Kong is negotiating an IPPA with Bangladesh.

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 3, but is included in the trade aggregates under GDP in accordance with the international compilation standard.
- (2) 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 4 : DEVELOPMENTS IN SELECTED SECTORS

Summary

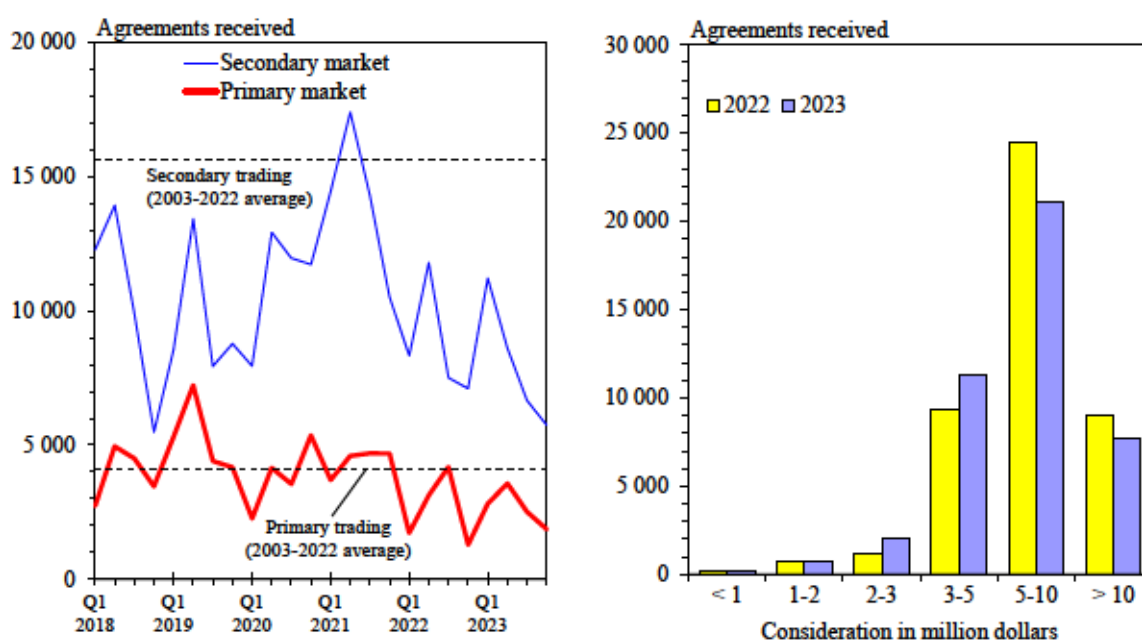
- *After staging a brief rebound in early 2023, the residential property market turned sluggish in the latter part of the year, as market sentiment was weighed down by tightened financial conditions, lacklustre local stock market performance, and slowing global economic growth. Trading activities rebounded in the first quarter of 2023 but quietened visibly in the subsequent quarters. Flat prices declined by 7% during the year.*
- *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 rise to a record high of 109 000 units as estimated at end-2023. Reflecting the impacts of the various demand-side management measures, speculative activities and non-local demand stayed low in 2023 while investment activities by locals remained modest.*
- *The non-residential property market stayed weak in 2023. Trading activities for all major market segments fell to record low levels. Prices declined, while rentals generally showed some improvement.*
- *Inbound tourism revived strongly in 2023 alongside the resumption of normal travel with the Mainland and the rest of the world, though the pace of recovery decelerated somewhat towards the end of the year. Visitor arrivals leapt to 34.0 million for the year as a whole, with the number in the fourth quarter returning to 58% of the level in the same period in 2018.*
- *The logistics sector remained sluggish in 2023 amid weak external trade performance. Total container throughput declined by 14.0%, while air freight throughput rebounded slightly by 3.2% against a low base of comparison.*

Property

4.1 After staging a brief rebound in early 2023, the *residential property market* turned sluggish in the latter part of the year, as market sentiment was weighed down by tightened financial conditions, lacklustre local stock market performance, and slowing global economic growth.

4.2 Trading activities rebounded in the first quarter of 2023 but quietened visibly in the subsequent quarters. For the year as a whole, the total number of sale and purchase agreements for residential property received by the Land Registry fell by another 5% to 43 002, the lowest level since figures are available and well below the five-year average of 59 254 in 2018-2022. Within the total, primary market transactions increased slightly by 4% to 10 752, while secondary market transactions fell by 7% to 32 250. Total consideration also declined by 5% to \$389.2 billion.

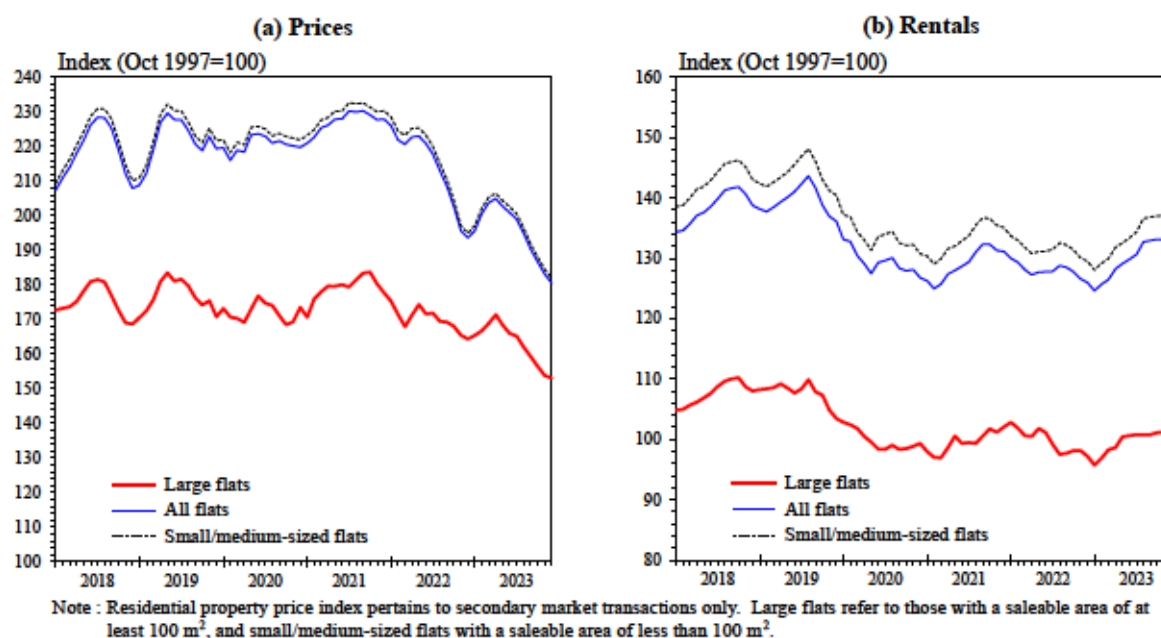
Diagram 4.1 : Trading activities rebounded in the first quarter of 2023 but quietened visibly in the subsequent quarters



4.3 Overall flat prices bounced back by 6% during the first four months, but reverted to a decline of 12% during the rest of the year. Flat prices in December 2023 were on average 7% lower than in December 2022, and 22% below the peak in September 2021. Analysed by size, prices of small/medium-sized flats and large flats both fell by 7% during the year.

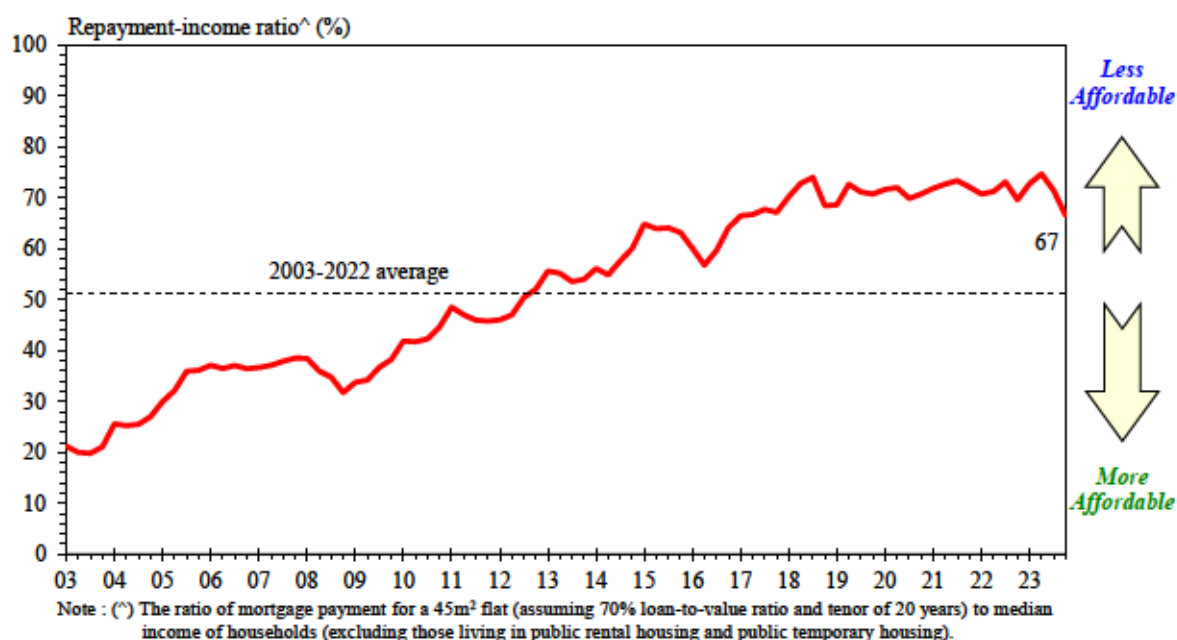
4.4 Meanwhile, the leasing market for residential property revived over the course of the year. Overall flat rentals in December 2023 were on average 7% higher than in December 2022, but still 6% below the peak in August 2019. Analysed by size, rentals of small/medium-sized flats and large flats rose by 7% and 5% respectively during the year. Reflecting the movements of prices and rentals, the average rental yield for residential property rose to 2.9% in December 2023 from 2.5% a year earlier.

Diagram 4.2 : Flat prices fell during 2023, while rentals revived



4.5 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 rental housing and public temporary housing) fell further to around 67% in the fourth quarter of 2023 alongside the decline in flat prices. This was lower than the 70% a year earlier, but it remained significantly above the long-term average of 51% over 2003-2022⁽¹⁾.

Diagram 4.3 : The index of home purchase affordability fell further



4.6 Increasing housing land supply is a policy priority of the Government⁽²⁾. For the 2023-24 financial year, a total of three residential sites were sold by the Government under the Land Sale Programme, capable of providing about 1 890 units in total. Taking into account the Government’s land sales, the Urban Renewal Authority’s projects, and private development and redevelopment projects, the total private housing land supply in 2023-24 is estimated to have a capacity to produce about 11 530 units, which is close to the annual private housing supply target of 12 900 units.

4.7 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) would rise to a record high of 109 000 units as estimated at end-2023. Another 4 900 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.

4.8 The demand-supply balance of private flats remained tight during 2023. The gross completions of private flats decreased by 35% to 13 900 units in 2023. After netting off demolitions, the net completions of 12 800 units were lower than the take-up of 15 700 units⁽³⁾. As a result, the vacancy rate fell from 4.4% at end-2022 to 4.1% at end-2023, below the long-term average of 4.6% over 2003-2022. The Rating and Valuation Department forecasts gross completions at 22 300 units in 2024 and 25 500 units in 2025⁽⁴⁾, compared with the average of 16 400 units per annum in the past ten years (2014-2023).

4.9 To dampen speculative activities as well as investment and non-local demand against the backdrop of a tight housing demand-supply balance, the Government implemented a number of demand-side management measures during 2010 to 2017 to facilitate the steady development of the property market and accord priority to the home ownership needs of the people of Hong Kong. These have yielded notable results. On *speculative activities*, the number of short-term resales (comprising confirmor transactions and resales within 24 months after assignment) remained low at 36 cases per month or 0.9% of total transactions in 2023, 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 (SSD)). Reflecting the effects of the Buyer's Stamp Duty (BSD), *purchases by non-local individuals and non-local companies* stayed low at 32 cases per month or 0.8% of total transactions in 2023, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities* by Hong Kong Permanent Residents (HKPRs), purchases by HKPRs subject to the New Residential Stamp Duty (NRSD) stayed at a modest level of 109 cases per month or 2.7% of total transactions in 2023, markedly lower than the monthly average of 1 180 cases subject to Doubled Ad Valorem Stamp Duty or 22.1% in January to November 2016.

4.10 In the face of rising interest rates, moderated growth in many economies, declining transactions in the local residential property market alongside a downward adjustment of property prices, as well as the increasing housing supply in the coming years, and having considered the overall situation, the Government made adjustments to the demand-side management measures for residential properties on 25 October 2023. These included shortening the applicable period of the SSD from three to two years, reducing the respective rates of the BSD and the NRSD by half to 7.5%, and introducing a stamp duty suspension arrangement for incoming talents' acquisition of residential properties. At end-2023, 305 cases have been approved under this stamp duty suspension arrangement.

Diagram 4.4 : Speculative activities remained low

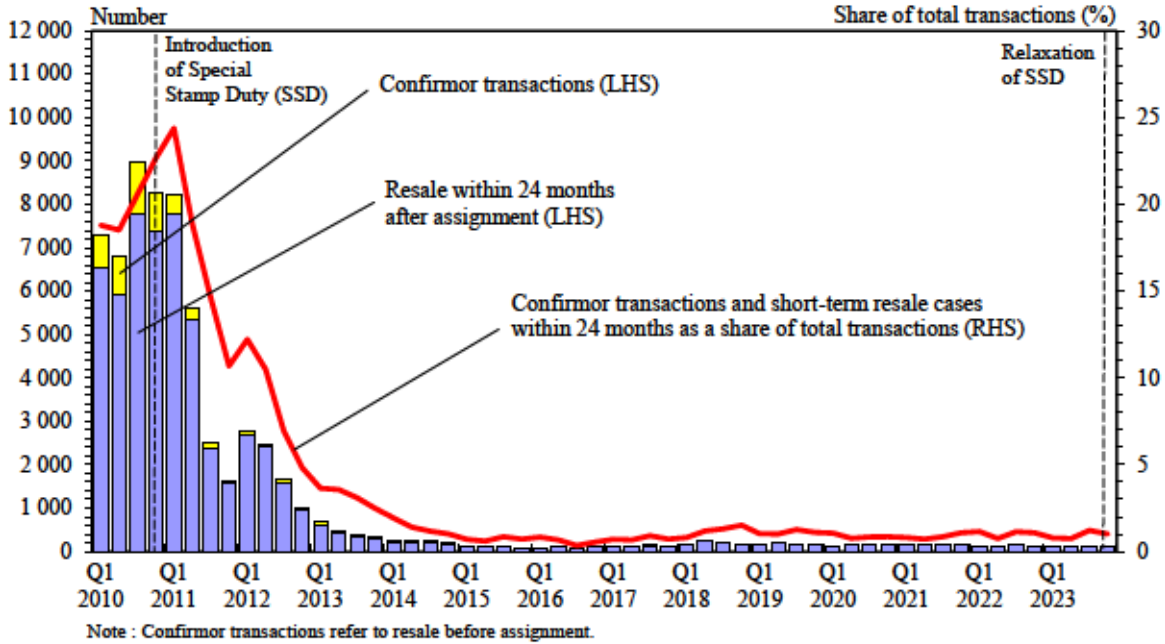


Diagram 4.5 : Purchases by non-local buyers stayed low

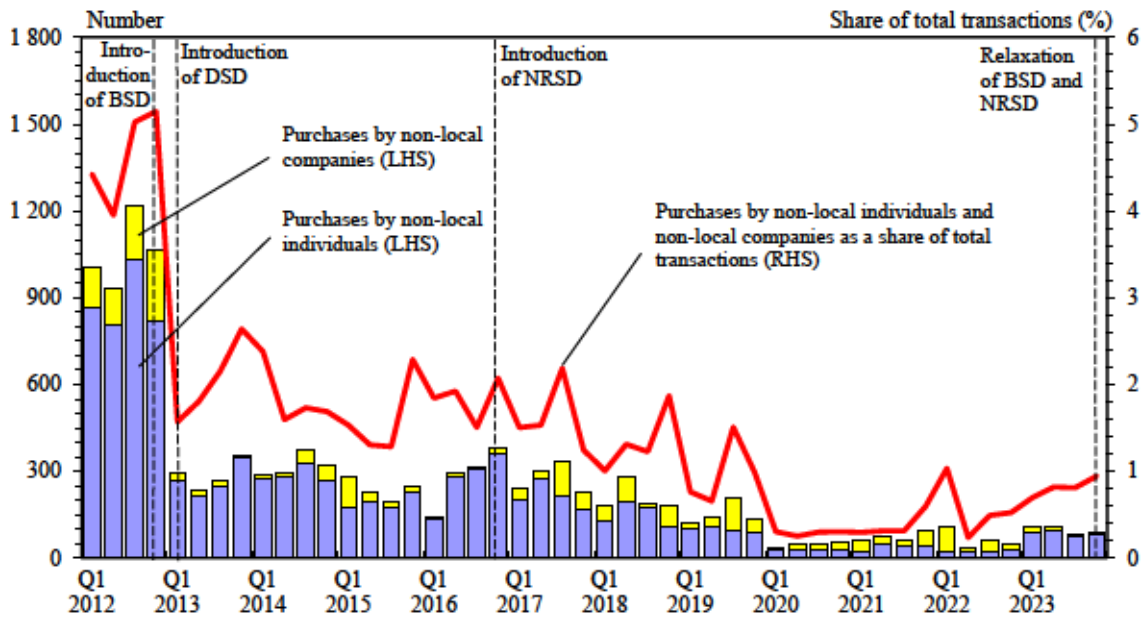
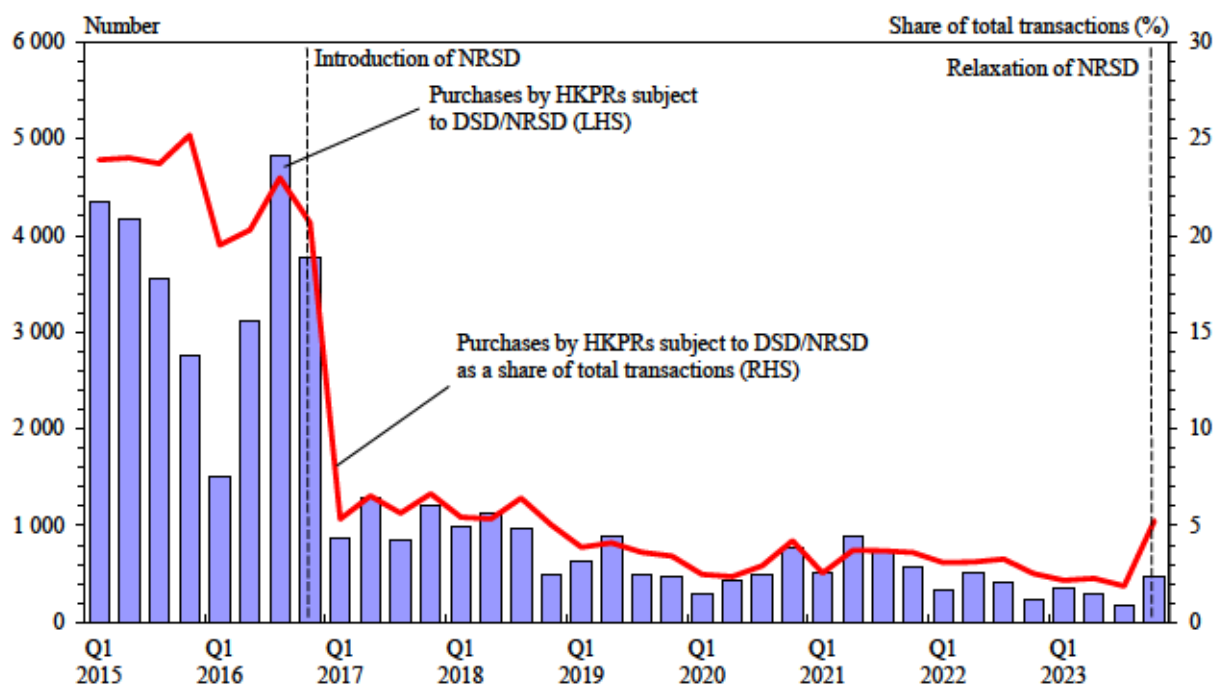


Diagram 4.6 : Investment activities by HKPRs were modest



4.11 In order to contain the possible risks to financial stability arising from the property market, the Hong Kong Monetary Authority has introduced multiple rounds of macro-prudential measures since 2009 and adjusted the measures in accordance with the evolving market situation. The average loan-to-value ratio of new *mortgage loans* was 57% in 2023, well 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.

4.12 The *non-residential property market* stayed weak in 2023. Trading activities for all major market segments fell to record low levels. Prices declined, while rentals generally showed some improvement.

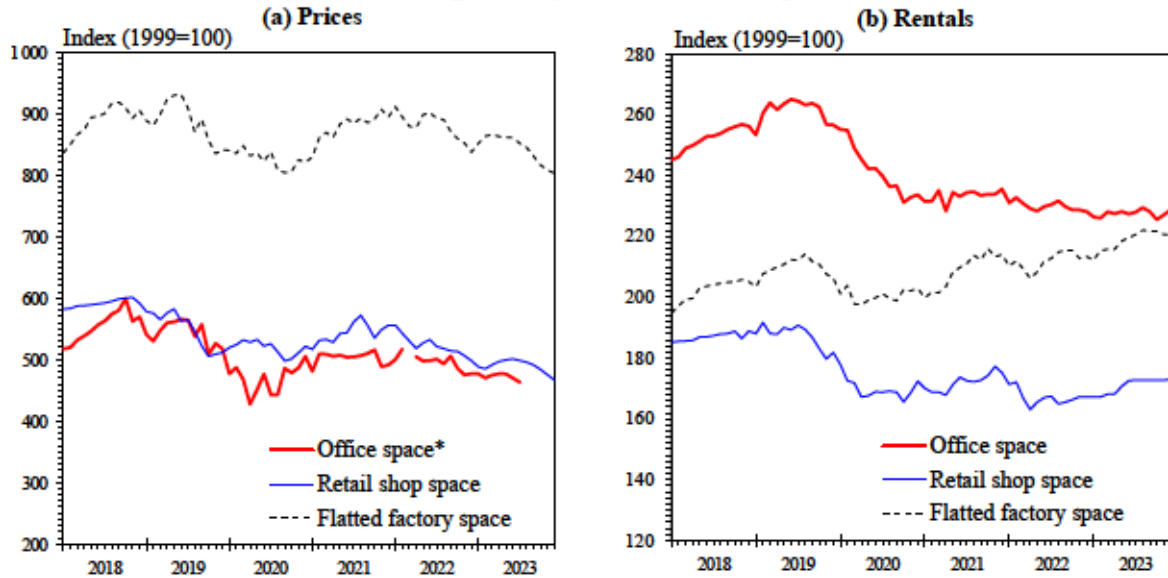
4.13 Price indices for overall *office space* were not available in August to October and December 2023, as there were insufficient transactions for Grade A office space in those months. Comparing the latest available figures in November 2023 with those in December 2022, prices for office space on average fell by 7%. Analysed by grade, prices of Grade A, B and C office space declined by 3%, 9% and 8% respectively. Overall office rentals in December 2023 were virtually unchanged from December 2022. Within the total, rentals of Grade A office space retreated by 1%, while those of Grade B and C office space went up by 2% and 1% respectively. Compared with the respective peaks in 2018 and 2019, prices in November 2023 and rentals in December 2023 on average were 26% and 14% lower. The average rental yields of Grade A, B and C office space were 2.6%, 3.0% and 3.3% respectively in November 2023, compared with 2.6%,

2.7% and 3.0% in December 2022. Transactions for office space fell further by 3% to a record low of 650 cases in 2023, significantly below the annual average of 920 cases in 2018-2022. As to the demand-supply balance, the take-up of 41 400 m² was much lower than the completion of 158 700 m². The vacancy rate thus climbed up from 14.4% at end-2022 to 14.9% at end-2023, staying above the long-term average of 9.3% over 2003-2022.

4.14 Prices of *retail shop space* declined by 6% between December 2022 and December 2023, while rentals increased by 3%. Compared with the respective peaks in 2018 and 2019, prices and rentals in December 2023 were 22% and 10% lower. The average rental yield rose from 2.7% in December 2022 to 2.9% in December 2023. For all commercial spaces, transactions shrank by 20% to a record low of 1 110 cases⁽⁵⁾ in 2023, considerably below the annual average of 1 620 cases in 2018-2022. The take-up of 87 300 m² for retail shop space was slightly lower than the completion of 90 700 m². After taking into account demolitions, the vacancy rate fell from 10.5% at end-2022 to 10.3% at end-2023, still above the long-term average of 9.1% over 2003-2022.

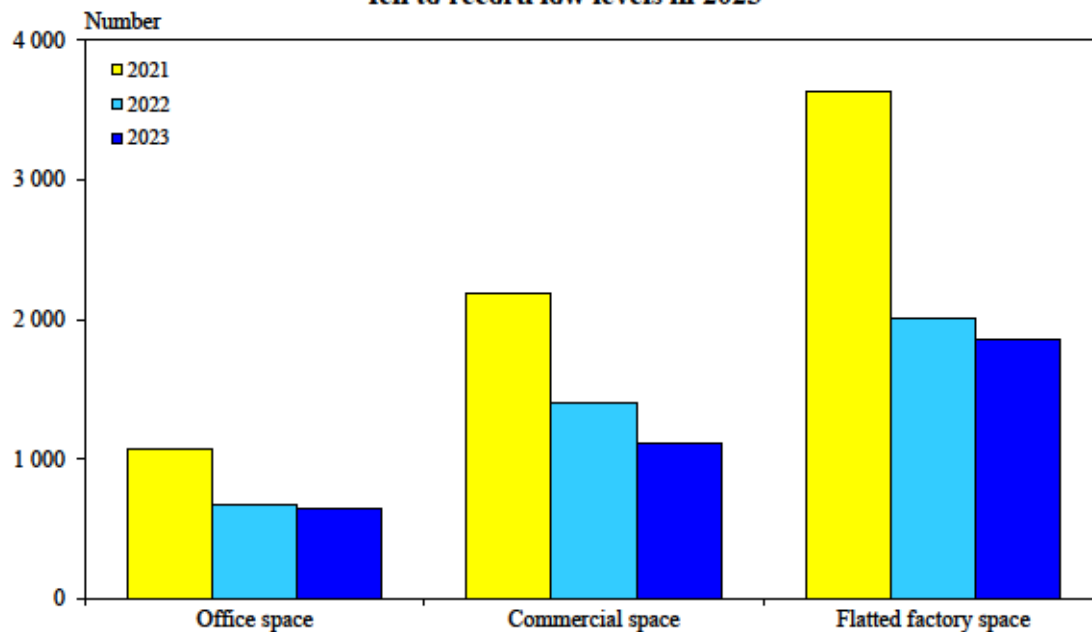
4.15 Prices of *flatted factory space* fell by 4% between December 2022 and December 2023, while rentals rose by 3%. Prices in December 2023 were 14% lower than the peak in 2019, while rentals were 2% higher than the peak in 2021. The average rental yield rose from 3.1% in December 2022 to 3.3% in December 2023. Transactions dropped by 7% to a record low of 1 860 cases in 2023, well below the annual average of 3 010 cases in 2018-2022. With a negative take-up of 46 000 m² and a completion of 57 400 m², the vacancy rate went up from 5.3% at end-2022 to 5.7% at end-2023, but was still below the long-term average of 6.5% over 2003-2022.

Diagram 4.7 : Prices of non-residential properties declined in 2023, while rentals generally showed some improvement



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

Diagram 4.8 : Transactions for all major segments in the non-residential property market fell to record low levels in 2023



Land

4.16 Six sites with a total area of about 5.6 hectares were disposed of in 2023, fetching a land premium of about \$13.5 billion. Among these sites, there were four residential sites, one commercial site and one site for an external telecommunications station. Regarding exchange of land, 13 sites with a total area of about 12.1 hectares were approved in 2023. As to lease modifications, a total of 73 sites were approved.

Tourism

4.17 Inbound tourism revived strongly in 2023 alongside the resumption of normal travel with the Mainland and the rest of the world, though the pace of recovery decelerated somewhat towards the end of the year. *Visitor arrivals* surged from 4.4 million in the first quarter to 8.5 million in the second quarter, and then grew further to 10.4 million and 10.7 million in the third and fourth quarters respectively. For 2023 as a whole, visitor arrivals leapt to 34.0 million from merely 0.6 million in 2022. In the fourth quarter of 2023, visitor arrivals recovered to 58% of the level in the same period in 2018. Visitors from the Mainland, other short-haul markets and long-haul markets all registered strong revivals in 2023⁽⁶⁾. Analysed by length of stay, overnight and same-day visitors rose to 17.2 million and 16.8 million respectively. Visitor spending surged by 523.1% in real terms over the extremely low level in the preceding year, and the figure in the fourth quarter of 2023 was 49% of the level in the same period in 2018.

Table 4.1 : Number of visitor arrivals

| | | <u>All sources</u> | <u>Mainland China</u> | <u>Other short-haul markets*</u> | <u>Long-haul markets*</u> |
|------|--------|--------------------|-----------------------|----------------------------------|---------------------------|
| 2019 | Annual | 55 912 600 | 43 774 700 | 7 939 600 | 4 198 300 |
| | 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 | Annual | 3 568 900 | 2 706 400 | 503 600 | 358 900 |
| | 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 | Annual | 91 400 | 65 700 | 15 000 | 10 700 |
| | 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 |
| | Q4 | 28 300 | 19 700 | 5 200 | 3 500 |
| 2022 | Annual | 604 600 | 375 100 | 128 600 | 100 800 |
| | Q1 | 11 500 | 8 600 | 2 000 | 900 |
| | Q2 | 64 500 | 53 400 | 5 700 | 5 500 |
| | Q3 | 173 700 | 139 600 | 17 300 | 16 800 |
| | Q4 | 354 900 | 173 500 | 103 700 | 77 600 |
| 2023 | Annual | 33 999 700 | 26 760 500 | 5 177 800 | 2 061 400 |
| | Q1 | 4 414 800 | 3 361 200 | 779 100 | 274 400 |
| | Q2 | 8 469 100 | 6 749 600 | 1 224 100 | 495 500 |
| | Q3 | 10 438 100 | 8 574 500 | 1 331 700 | 531 800 |
| | Q4 | 10 677 700 | 8 075 200 | 1 842 900 | 759 600 |

Notes : (*) See note (6) 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 4.2 : Number of overnight and same-day visitor arrivals

| | | <u>Overnight visitor arrivals</u> | <u>Same-day visitor arrivals</u> |
|------|--------|-----------------------------------|----------------------------------|
| 2019 | Annual | 23 752 400 | 32 160 300 |
| | 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 | Annual | 1 359 400 | 2 209 500 |
| | Q1 | 1 280 900 | 2 208 300 |
| | Q2 | 26 500 | 300 |
| | Q3 | 33 800 | 300 |
| | Q4 | 18 100 | 500 |
| 2021 | Annual | 89 200 | 2 200 |
| | Q1 | 16 300 | 200 |
| | Q2 | 16 900 | 300 |
| | Q3 | 29 000 | 300 |
| | Q4 | 26 900 | 1 400 |
| 2022 | Annual | 567 800 | 36 800 |
| | Q1 | 10 700 | 800 |
| | Q2 | 62 700 | 1 800 |
| | Q3 | 164 600 | 9 100 |
| | Q4 | 329 800 | 25 100 |
| 2023 | Annual | 17 159 300 | 16 840 300 |
| | Q1 | 2 340 400 | 2 074 400 |
| | Q2 | 4 237 500 | 4 231 700 |
| | Q3 | 5 267 600 | 5 170 500 |
| | Q4 | 5 313 900 | 5 363 800 |

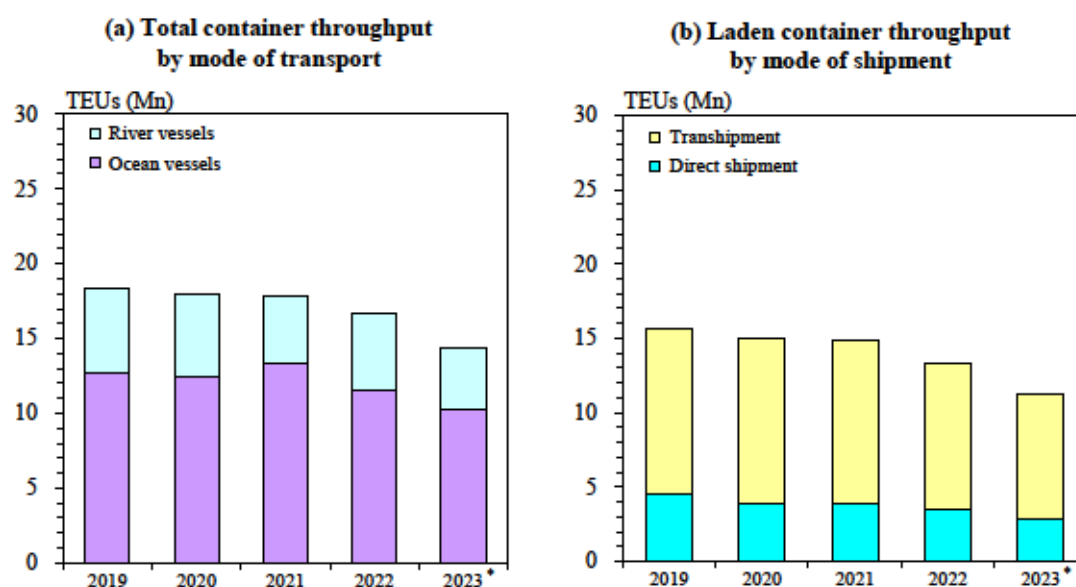
Note : Figures may not add up to total visitor arrivals due to rounding.

4.18 Hotel businesses staged a visible recovery in tandem. The average hotel room occupancy rate rose gradually from 76% in the first quarter to 86% in the fourth quarter, averaging 82% for 2023 as a whole. This figure was visibly higher than the 66% recorded in 2022 though remaining below the 91% in 2018. Meanwhile, the average achieved hotel room rate jumped by 50.2% over a year earlier to \$1,558⁽⁷⁾ in the fourth quarter of 2023, almost on par with the \$1,566 in the same period in 2018.

Logistics

4.19 The logistics sector remained sluggish in 2023 amid weak external trade performance. *Total container throughput* declined by 14.0% to about 14.3 million twenty-foot equivalent units (TEUs). Within the laden container throughput, direct shipment and transshipment fell by 21.0% and 13.0% respectively. The value of trade handled at the Hong Kong port plummeted by 29.2% and its share in total trade dropped from 16.4% in 2022 to 12.5% in 2023.

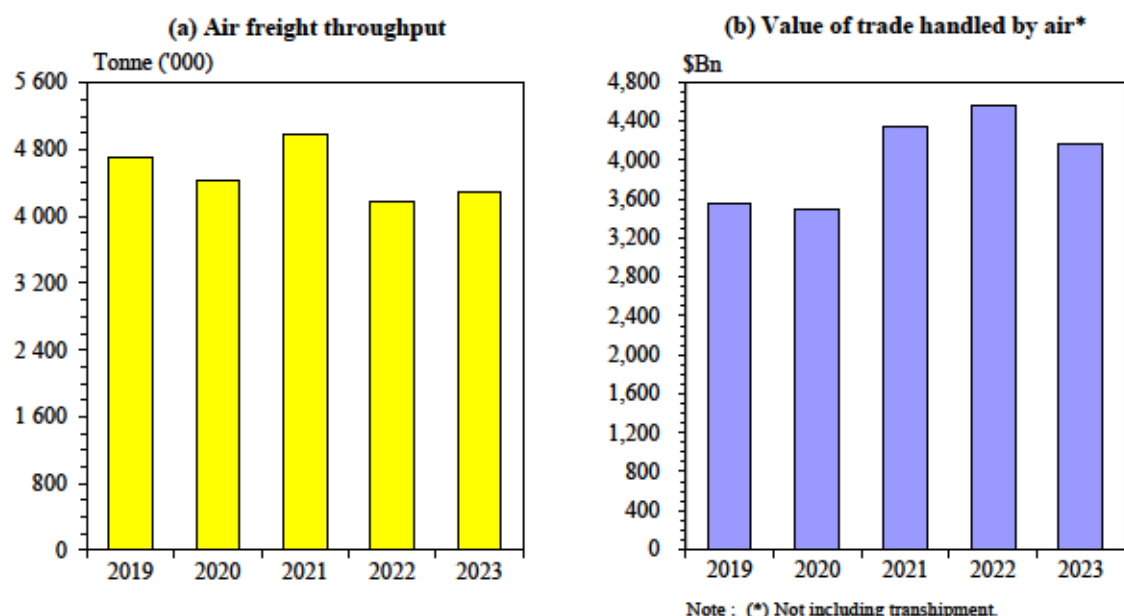
Diagram 4.9 : Container throughput declined in 2023



Note : (*) Total container throughput for 2023 is the preliminary estimate by Hong Kong Maritime and Port Board. Its breakdown by mode of transport and the laden container throughput by mode of shipment are crudely estimated from the profile in the first eleven months of 2023.

4.20 *Air freight throughput* rebounded slightly by 3.2% in 2023 to 4.3 million tonnes against a low base of comparison. The value of trade by air fell by 8.8% and its share in total trade decreased from 48.2% to 47.2%.

Diagram 4.10 : Air freight throughput rebounded slightly in 2023 against a low base of comparison, and the value of trade handled by air fell



Transport

4.21 Traffic flows for all modes of cross-boundary passenger transport recovered strongly in 2023, though by varying extents. Air passenger trips as well as water-borne and land-based cross-boundary passenger trips amounted to 39.5 million, 8.1 million and 172.0 million trips respectively, significantly above their corresponding levels in 2022. The passenger trips of these three modes of transport in the fourth quarter of 2023 returned to 62.9%, 40.3% and 84.1% of their corresponding levels in the same period in 2018. Meanwhile, average daily cross-boundary vehicle movements also rebounded to 28 420 from 7 761 in the preceding year, with the figure in the fourth quarter of 2023 equivalent to 83.6% of the daily average in the same period in 2018.

Environment

4.22 The Environment and Ecology Bureau of the HKSAR Government signed the Cooperation Arrangement on Technical Exchange on Environmental Monitoring with China National Environmental Monitoring Centre of the Ministry of Ecology and Environment in October 2023 to strengthen co-operation in areas including monitoring of environmental water quality, environmental air quality, ecology and new pollutants.

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 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 the Third Quarter Economic Report 2021. For details of the measures promulgated in 2022, see Box 3.1 of the Third Quarter Economic Report 2022. For details of the measures promulgated in 2023, see Box 3.1 of the Third Quarter Economic Report 2023.
- (3) Take-up figures represent the net increase in the number of units occupied. The figures are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. Take-up should not be confused with the sales of new developments, and it bears no direct relationship to the number of units sold by developers. Negative take-up means that there is a decrease in the number of units occupied (i.e. property previously occupied was released during the year and remained vacant at the year-end). Also, take-up, demolition, completion and vacancy figures on residential and non-residential properties are preliminary figures from the Rating and Valuation Department, and are subject to revision.
- (4) Forecast completions in 2024 and 2025 are preliminary figures only, and are subject to revision upon the availability of more data.
- (5) The figures on transactions refer to commercial space, which comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.

- (6) 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 2023, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 79%, 15% and 6% of the total.
- (7) The figures on hotel room occupancy and achieved room rate do not include guesthouses. The figures are subject to revision later as more data become available.

CHAPTER 5 : THE FINANCIAL SECTOR[#]

Summary

- *Interest rates in Hong Kong rose further during 2023. Following aggressive policy rate hikes in the preceding year, the US Federal Open Market Committee raised interest rates further four times during January to July 2023, by 25 basis points each, before coming to a pause amid easing inflation. In tandem, the Hong Kong Monetary Authority (HKMA) adjusted the Base Rate upward by a total of 100 basis points from 4.75% at end-2022 to 5.75% at end-2023. Hong Kong dollar interbank interest rates generally remained at high levels during the year, with increases in the shorter tenors. Many banks raised their Best Lending Rates in May and July 2023, by a total of 25 basis points.*
- *The Hong Kong dollar spot exchange rate against the US dollar softened in early 2023 and stayed close to the weak-side Convertibility Undertaking (CU) from February to early May. Subsequently, the Hong Kong dollar regained some strength and traded around the central parity of 7.8 towards the year-end. Alongside the movement of the US dollar, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices increased further by 1.2% and 2.3% respectively during the year.*
- *Total loans and advances decreased by 3.6% during 2023. Within the total, loans for use in Hong Kong and loans for use outside Hong Kong decreased by 1.1% and 10.4% respectively.*
- *The local stock market was under pressure during most of 2023. Since early the year, market sentiment has been successively dampened by the banking sector stress in the US and Europe, concerns over the global and Mainland's economic outlook, and then the expectations of a prolonged period of high interest rates. The Hang Seng Index (HSI) drifted down from its year-high of 22 689 on 27 January and closed the year at 17 047, down 13.8% from a year earlier. Trading activities turned quieter from the preceding year, while fund raising activities were extremely quiet amid subdued global fund raising demand and local stock market performance.*

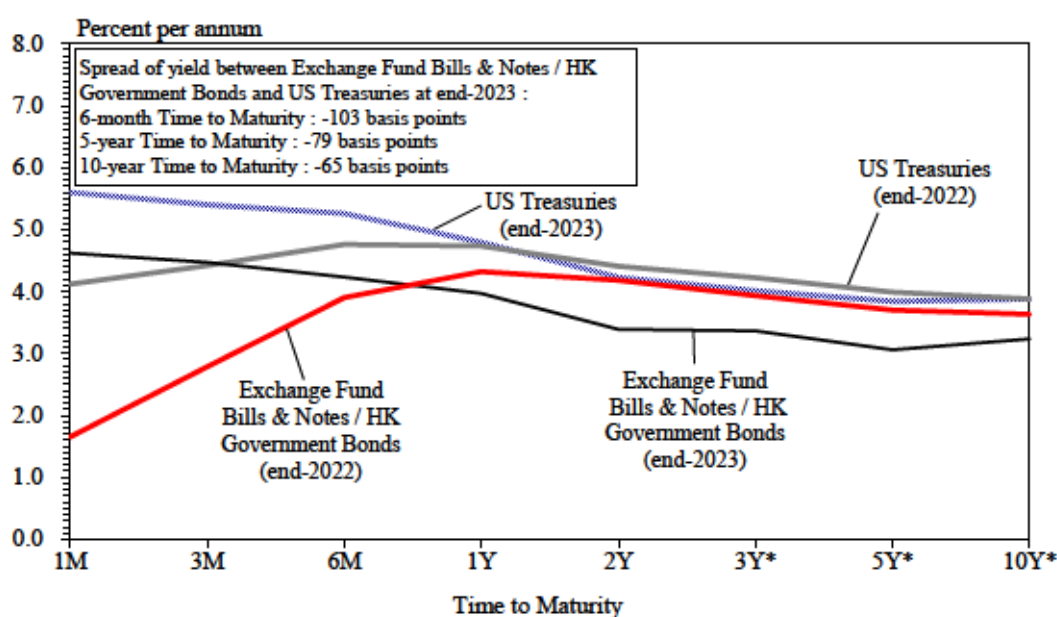
(#) *This chapter is jointly prepared by the HKMA and the Office of the Government Economist.*

Interest rates and exchange rates

5.1 Interest rates in Hong Kong rose further during 2023. Following aggressive rate hikes in the preceding year, the US FOMC raised the target range for the federal funds rate four times further by a total of 100 basis points from 4.25-4.50% to 5.25-5.50% during January to July 2023, before coming to a pause amid easing inflation. Consequently, the HKMA adjusted the *Base Rate*⁽¹⁾ under the Discount Window upward, by a total of 100 basis points from 4.75% at end-2022 to 5.75% at end-2023. *Hong Kong dollar interbank interest rates* (HIBORs) generally remained at high levels during the year, with increases at the shorter tenors. The overnight HIBOR rose from 3.23% at end-2022 to 6.09% at end-2023, and the 3-month HIBOR rose from 4.99% to 5.15% during the same period.

5.2 Both the *Hong Kong dollar* and *US dollar yield curves* inverted during 2023, with yields on the medium and longer tenors for the Hong Kong dollar coming down more notably. Reflecting the relative movements of the US dollar yields and the Hong Kong dollar counterparts, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened from 86 basis points at end-2022 to 103 basis points at end-2023, and that between the 10-year Hong Kong Government Bonds and 10-year US Treasury Notes widened from 25 basis points to 65 basis points.

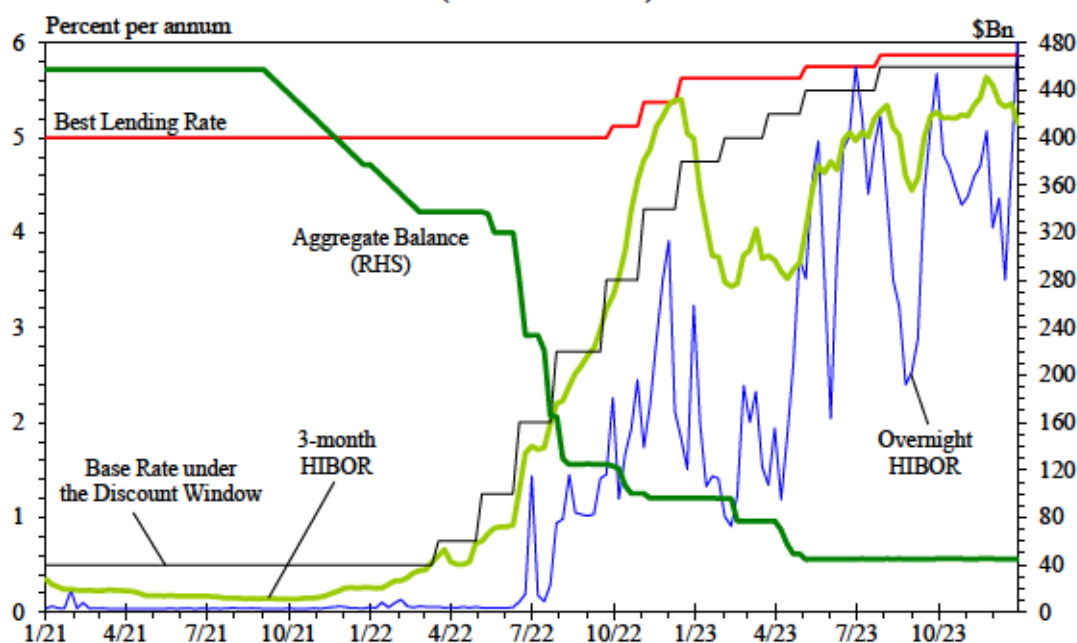
Diagram 5.1 : Both Hong Kong dollar and US dollar yield curves inverted during 2023



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.

5.3 On the retail front, many banks raised their *Best Lending Rates* by 12.5 basis points in early-May and another 12.5 basis points in late-July. Meanwhile, some banks raised the cap on HIBOR-based mortgage rates of newly approved mortgage loans during the year. At end-2023, the Best Lending Rates among banks ranged from 5.875% to 6.375%, up from 5.625% to 6.125% at end-2022. The *average savings deposit rate* on deposits of less than \$100,000 quoted by major banks rose from 0.55% at end-2022 to 0.79% at end-2023, and the *one-year time deposit rate* rose from 0.38% to 0.67%. The *composite interest rate*⁽²⁾, which indicates the average cost of funds for retail banks, rose from 2.11% to 2.94%.

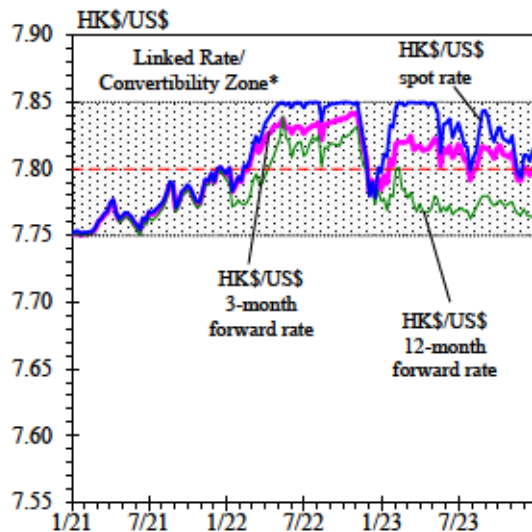
Diagram 5.2 : Interbank interest rates generally remained at high levels during 2023, and many banks raised their Best Lending Rates two times (end of the week)



5.4 The *Hong Kong dollar spot exchange rate against the US dollar* softened and stayed close to the weak-side CU in early 2023, amid the US Fed’s further rate hikes and market expectations of “higher for longer” US policy rate. It regained some strength since May driven in part by corporate funding needs and buying flows through the Southbound Stock Connect, and closed at 7.812 against the US dollar at end-2023, compared to 7.797 at end-2022. The weak-side CU was triggered eight times from mid-February to early-May, and the HKMA purchased a total of \$51.5 billion worth of Hong Kong dollars. As a result, the Aggregate Balance declined from \$96.3 billion at end-2022 to \$45.0 billion at end-2023. The discount of 3-month *Hong Kong dollar forward rate* widened from 125 pips (each pip is equivalent to HK\$0.0001) at end-2022 to 166 pips at end-2023, and that of the 12-month forward rate widened from 215 pips to 515 pips.

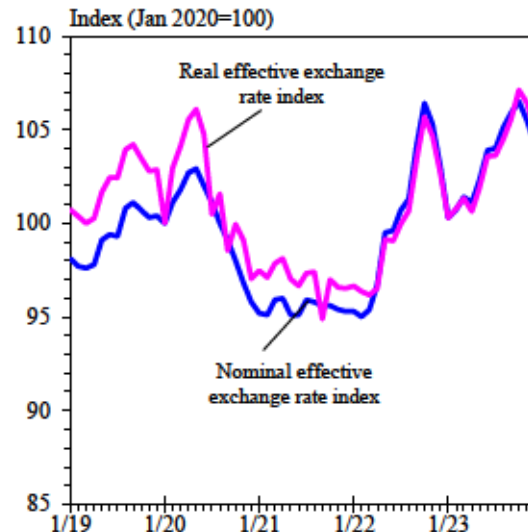
5.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. Alongside the movement of the US dollar, the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*⁽³⁾ rose further by 1.2% and 2.3% respectively during the year.

Diagram 5.3 : The Hong Kong dollar spot exchange rate against the US dollar softened in early 2023 but regained some strength since May (end of 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 5.4 : The trade-weighted nominal and real effective exchange rate indices rose further during 2023 (average of the month)



Money supply and banking sector

5.6 The Hong Kong dollar broad *money supply* (HK\$M3) increased modestly by 1.9% over a year earlier to \$8,263 billion at end-2023, while the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) fell notably by 10.8% to \$1,573 billion⁽⁴⁾. Meanwhile, *total deposits* with authorized institutions (AIs)⁽⁵⁾ increased by 5.1% to \$16,222 billion, within which Hong Kong dollar deposits and foreign currency deposits increased by 2.1% and 7.9% respectively.

Diagram 5.5 : The Hong Kong dollar broad money supply increased modestly during 2023, while the narrow money supply fell notably

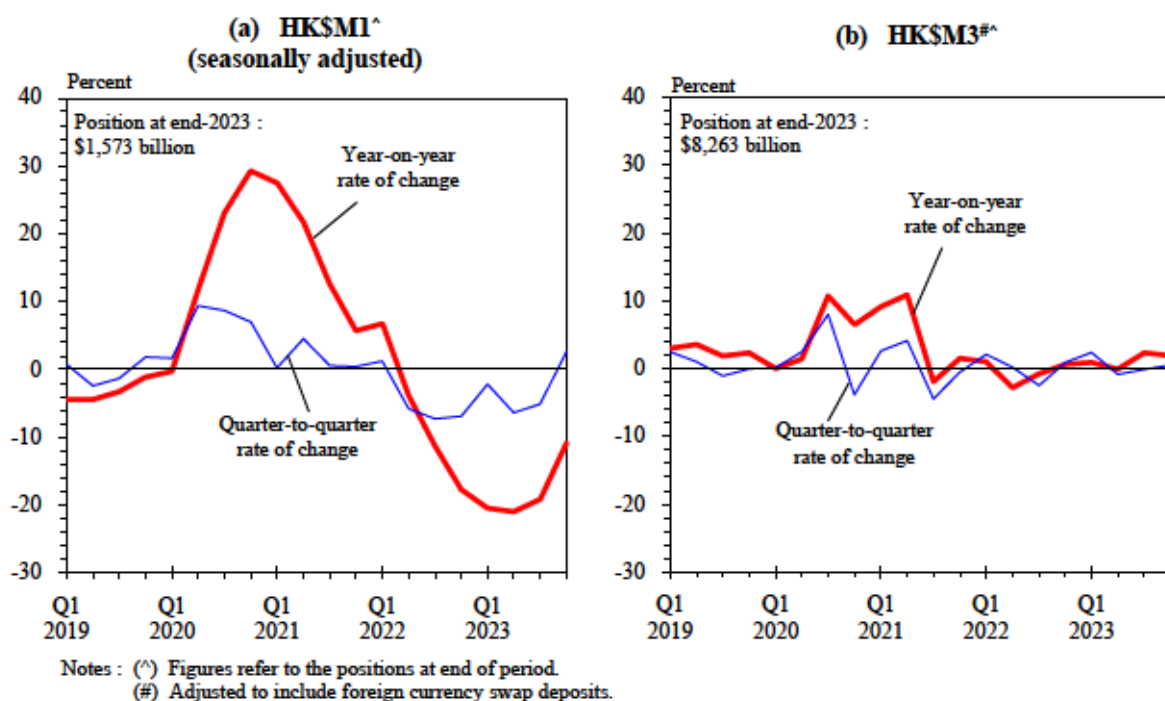


Table 5.1 : Hong Kong dollar money supply and total money supply

| | | <u>M1</u> | | <u>M2</u> | | <u>M3</u> | |
|------------------------------------|----|-------------------------|--------------|---------------------------|--------------|---------------------------|--------------|
| <u>% change during the quarter</u> | | <u>HK\$[^]</u> | <u>Total</u> | <u>HK\$^(a)</u> | <u>Total</u> | <u>HK\$^(a)</u> | <u>Total</u> |
| 2022 | Q1 | 1.2 | 2.3 | 2.1 | 0.7 | 2.1 | 0.7 |
| | Q2 | -5.8 | -7.1 | 0.2 | -0.6 | 0.2 | -0.5 |
| | Q3 | -7.3 | -8.5 | -2.5 | 0.2 | -2.5 | 0.2 |
| | Q4 | -6.9 | -8.8 | 0.9 | 1.2 | 0.9 | 1.2 |
| 2023 | Q1 | -2.2 | -2.0 | 2.3 | 0.5 | 2.3 | 0.5 |
| | Q2 | -6.4 | -4.8 | -0.8 | -0.4 | -0.8 | -0.4 |
| | Q3 | -5.1 | -3.1 | -0.1 | 1.4 | -0.1 | 1.4 |
| | Q4 | 2.6 | 3.8 | 0.5 | 2.4 | 0.5 | 2.5 |
| Total amount at end-2023 (\$Bn) | | 1,573 | 2,598 | 8,250 | 17,195 | 8,263 | 17,234 |
| % change over a year earlier | | -10.8 | -6.2 | 1.9 | 4.0 | 1.9 | 4.0 |

Notes : (^) Seasonally adjusted.
 (a) Adjusted to include foreign currency swap deposits.

5.7 *Total loans and advances* decreased by 3.6% from a year earlier to \$10,193 billion at end-2023. Within the total, Hong Kong dollar loans and foreign currency loans decreased by 2.8% and 5.0% respectively. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar went down from 88.4% at end-2022 to 84.2% at end-2023, and that for foreign currencies fell from 49.8% to 43.9%.

5.8 Comparing end-2023 with end-2022, loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong declined by 1.1% and 10.4% to \$7,628 billion and \$2,565 billion respectively. Within the former, trade finance and loans to manufacturing went down by 13.1% and 4.5% respectively, affected by the weak external trade performance. Loans to wholesale and retail trade also fell by 3.6%. Loans to stockbrokers and loans to financial concerns shrank by 13.3% and 2.5% respectively amid subdued financial market activities. As for property-related lending, loans to building, construction, property development and investment decreased by 1.9%, while loans for purchase of residential property increased by 3.4%.

Table 5.2 : Loans and advances

All loans and advances for use in Hong Kong

| | | Loans to : | | | | | | | | All loans and advances for use outside Hong Kong ^(c) | Total loans and advances |
|---------------------------------|----|---------------|--------------------|----------------------------|--|---|--------------------|---------------|----------------------|---|--------------------------|
| | | Trade finance | Manu- facturing | Wholesale and retail trade | Building and construction, property development and investment | Purchase of residential property ^(a) | Financial concerns | Stock-brokers | Total ^(b) | | |
| % change during the quarter | | | | | | | | | | | |
| 2022 | Q1 | 9.6 | 5.9 | 8.1 | 1.9 | 1.3 | 2.1 | -8.8 | 2.0 | -0.7 | 1.2 |
| | Q2 | -1.3 | -0.9 | 1.4 | -1.1 | 0.7 | -1.3 | 6.2 | 0.1 | -1.7 | -0.4 |
| | Q3 | -7.0 | 4.6 | -3.8 | -1.5 | 1.2 | -0.4 | -12.0 | -0.8 | -3.0 | -1.5 |
| | Q4 | -14.0 | -8.9 | -9.1 | 0.7 | 0.7 | 1.2 | 11.1 | -1.3 | -5.0 | -2.3 |
| 2023 | Q1 | -0.9 | 3.8 | -1.1 | 1.8 | 0.9 | 1.2 | 14.6 | 1.4 | -0.4 | 0.9 |
| | Q2 | -2.4 | -3.8 | -0.4 | -2.0 | 1.6 | 1.1 | -16.8 | -0.4 | -4.1 | -1.3 |
| | Q3 | -2.9 | -3.5 | -3.0 | -2.5 | 0.9 | -5.4 | 1.5 | -1.9 | -2.8 | -2.2 |
| | Q4 | -7.5 | -0.8 | 0.9 | 0.8 | -0.1 | 0.8 | -10.5 | -0.1 | -3.4 | -1.0 |
| Total amount at end-2023 (\$Bn) | | 365 | 299 | 301 | 1,679 | 1,979 | 899 | 47 | 7,628 | 2,565 | 10,193 |
| % change over a year earlier | | -13.1 | -4.5 | -3.6 | -1.9 | 3.4 | -2.5 | -13.3 | -1.1 | -10.4 | -3.6 |

- 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.

5.9 The Hong Kong banking sector remained sound and resilient, underpinned by strong capital and liquidity buffers. The Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying at a high level of 20.9% at end-September 2023. The banking sector's overall asset quality stayed at a healthy level, though the ratio of classified loans to total loans for all AIs rose from 1.40% at end-2022 to 1.61% at end-September 2023 and the delinquency ratio for credit card lending edged up from 0.23% to 0.28%. The delinquency ratio for residential mortgage loans stayed low at 0.08% at end-2023, slightly higher than that at end-2022.

Table 5.3 : Asset quality of all authorized institutions^{}**
(as % of total loans)

| <u>At end of period</u> | | <u>Pass loans</u> | <u>Special mention loans</u> | <u>Classified loans</u> (gross) |
|-------------------------|----|-------------------|------------------------------|------------------------------------|
| 2022 | Q1 | 97.37 | 1.66 | 0.98 |
| | Q2 | 97.11 | 1.79 | 1.10 |
| | Q3 | 97.08 | 1.73 | 1.19 |
| | Q4 | 96.58 | 2.02 | 1.40 |
| 2023 | Q1 | 96.57 | 1.98 | 1.46 |
| | Q2 | 96.57 | 1.93 | 1.50 |
| | Q3 | 96.49 | 1.90 | 1.61 |

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".

(^) As a reference, for retail banks, the pass loans, special mention loans and classified loans (gross) as percentages of total loans were 96.40%, 1.91% and 1.69% respectively at end-September 2023.

5.10 *Offshore RMB business* recorded broad-based growth in 2023. RMB trade settlement transactions handled by banks in Hong Kong increased by 24.9% to RMB11,668.6 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) increased by 6.5% over a year earlier to RMB1,045.3 billion at end-2023. As to financing activities, RMB bond issuance amounted to RMB334.5 billion in 2023 (of which RMB50.0 billion were issued by the Ministry of Finance), compared with RMB143.4 billion in 2022, and outstanding RMB bank loans increased by 130.2% over a year earlier to RMB441.2 billion at end-2023.

Table 5.4 : Renminbi customer deposits and cross-border renminbi trade settlement in Hong Kong

| <u>At end of period</u> | | Demand and savings deposits (RMB Mn) | Time deposits (RMB Mn) | Total deposits (RMB Mn) | <u>Interest rates on^(a)</u> | | Number of AIs engaged in RMB business | Amount of cross-border RMB trade settlement ^(c) (RMB Mn) |
|------------------------------|----|--------------------------------------|------------------------|-------------------------|--|--|---------------------------------------|---|
| | | | | | Savings deposits ^(b) (%) | Three-month time deposits ^(b) (%) | | |
| 2022 | Q1 | 272,981 | 518,361 | 791,342 | 0.16 | 0.31 | 146 | 2,001,669 |
| | Q2 | 300,012 | 515,017 | 815,029 | 0.16 | 0.31 | 142 | 2,355,747 |
| | Q3 | 331,577 | 526,128 | 857,706 | 0.16 | 0.31 | 143 | 2,413,273 |
| | Q4 | 342,034 | 493,869 | 835,903 | 0.16 | 0.31 | 142 | 2,571,442 |
| 2023 | Q1 | 319,076 | 475,018 | 794,095 | 0.16 | 0.31 | 141 | 2,312,566 |
| | Q2 | 399,974 | 507,327 | 907,302 | 0.16 | 0.31 | 141 | 2,791,750 |
| | Q3 | 361,994 | 590,571 | 952,565 | 0.16 | 0.31 | 139 | 3,145,772 |
| | Q4 | 381,803 | 557,400 | 939,203 | 0.16 | 0.31 | 139 | 3,418,469 |
| % change over a year earlier | | 11.6 | 12.9 | 12.4 | N.A. | N.A. | N.A. | 32.9 |

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

5.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities increased by 4.4% to \$4,926.5 billion in 2023. Issuance by the public and private sectors increased by 4.5% and 2.4% respectively⁽⁶⁾. As a result, the total outstanding amount of Hong Kong dollar debt securities rose by 8.2% over a year earlier to \$2,739.1 billion at end-2023, equivalent to 33.1% of HK\$M3 or 27.2% of Hong Kong dollar-denominated assets of the banking sector⁽⁷⁾.

5.12 As to the Hong Kong dollar bonds issued by the Government, a total of \$30.5 billion institutional Government Bonds (GBs) were issued through tenders in 2023, and \$55.0 billion Silver Bond was issued under the retail part of the GB Programme in August. Under the Government Green Bond (GGB) Programme, the inaugural tokenised institutional green bond with an issuance size of \$0.8 billion was issued in February, marking the first tokenised green bond issued by a government globally; and the second retail green bond with an issuance size of \$20.0 billion was issued in October. At end-2023, the total outstanding amount of Hong Kong dollar bonds under the GB and GGB Programmes was \$284.6 billion, comprising 16 GB institutional issues totalling \$98.5 billion, four GB retail issues (one iBond and three Silver Bonds) totalling \$145.3 billion, two

retail GGB issues totalling \$40.0 billion, and one tokenised institutional GGB issue of \$0.8 billion. As for GBs denominated in foreign currencies, there was one US dollar sukuk with an issuance size of US\$1.0 billion outstanding under the GB Programme, as well as around US\$19.0 billion equivalent of institutional green bonds outstanding under the GGB Programme.

Table 5.5 : New issuance and outstanding value of Hong Kong dollar debt securities (\$Bn)

| | | Exchange Fund paper | Statutory bodies/ government- owned corporations | Govern- ment | Public sector total | AIs ^(a) | Local corporations | Non-MDBs overseas borrowers ^(b) | Private sector total | MDBs ^(b) | Total |
|--|--------|------------------------|--|-----------------|---------------------------|--------------------|-----------------------|--|----------------------------|---------------------|---------|
| New Issuance | | | | | | | | | | | |
| 2022 | Annual | 3,818.7 | 75.3 | 86.8 | 3,980.8 | 379.8 | 46.0 | 296.9 | 722.7 | 16.9 | 4,720.4 |
| | Q1 | 937.7 | 14.6 | 3.3 | 955.6 | 106.3 | 18.5 | 69.7 | 194.4 | 3.8 | 1,153.8 |
| | Q2 | 948.9 | 22.3 | 28.5 | 999.7 | 111.4 | 6.8 | 79.1 | 197.2 | 1.9 | 1,198.8 |
| | Q3 | 962.2 | 13.2 | 49.0 | 1,024.4 | 89.0 | 5.9 | 73.7 | 168.6 | 10.8 | 1,203.8 |
| | Q4 | 969.9 | 25.2 | 6.0 | 1,001.1 | 73.1 | 14.8 | 74.5 | 162.4 | 0.5 | 1,164.0 |
| 2023 | Annual | 3,978.0 | 76.3 | 106.3 | 4,160.6 | 289.9 | 30.2 | 419.7 | 739.7 | 26.2 | 4,926.5 |
| | Q1 | 975.8 | 31.8 | 7.8 | 1,015.3 | 86.1 | 9.0 | 128.5 | 223.6 | 14.9 | 1,253.8 |
| | Q2 | 997.2 | 19.4 | 9.5 | 1,026.2 | 65.2 | 10.4 | 106.0 | 181.6 | 3.7 | 1,211.5 |
| | Q3 | 994.5 | 16.4 | 58.5 | 1,069.4 | 80.3 | 7.1 | 95.0 | 182.3 | 6.1 | 1,257.8 |
| | Q4 | 1,010.6 | 8.7 | 30.5 | 1,049.8 | 58.2 | 3.7 | 90.2 | 152.1 | 1.5 | 1,203.4 |
| % change in 2023 over 2022 | | 4.2 | 1.4 | 22.5 | 4.5 | -23.7 | -34.4 | 41.4 | 2.4 | 54.6 | 4.4 |
| Outstanding (as at end of period) | | | | | | | | | | | |
| 2022 | Q1 | 1,189.2 | 106.3 | 171.4 | 1,466.9 | 262.5 | 146.0 | 469.0 | 877.5 | 30.4 | 2,374.8 |
| | Q2 | 1,190.4 | 116.8 | 190.7 | 1,497.9 | 296.3 | 135.9 | 468.6 | 900.8 | 29.9 | 2,428.6 |
| | Q3 | 1,196.3 | 118.3 | 236.5 | 1,551.1 | 313.7 | 129.8 | 479.2 | 922.6 | 38.0 | 2,511.8 |
| | Q4 | 1,207.5 | 130.6 | 238.6 | 1,576.7 | 303.5 | 134.8 | 480.2 | 918.5 | 36.7 | 2,531.9 |
| 2023 | Q1 | 1,216.7 | 145.5 | 226.9 | 1,589.0 | 305.6 | 133.1 | 499.0 | 937.6 | 48.2 | 2,574.9 |
| | Q2 | 1,227.1 | 148.8 | 234.5 | 1,610.4 | 296.0 | 136.5 | 541.8 | 974.3 | 50.4 | 2,635.2 |
| | Q3 | 1,240.4 | 158.7 | 288.9 | 1,688.0 | 288.6 | 133.5 | 563.3 | 985.4 | 53.3 | 2,726.6 |
| | Q4 | 1,255.4 | 151.5 | 284.6 | 1,691.5 | 290.1 | 129.3 | 574.9 | 994.3 | 53.3 | 2,739.1 |
| % change at end-2023 over end-2022 | | 4.0 | 16.0 | 19.3 | 7.3 | -4.4 | -4.1 | 19.7 | 8.3 | 45.3 | 8.2 |

Notes : Figures may not add up to the corresponding totals due to rounding. Figures are provisional and may be subject to revision.

(a) AIs : Authorized institutions.

(b) MDBs : Multilateral Development Banks.

The stock and derivatives markets

5.13 The *local stock market* was under pressure during most of 2023. While the HSI extended its rally in January alongside market expectations of economic activities returning to normal, sentiment was then successively dampened by the banking sector stress in the US and Europe, concerns over the global and Mainland's economic outlook, and the expectations of a prolonged period of higher interest rates. The HSI, after reaching its year-high of 22 689 on 27 January, drifted down subsequently and closed the year at 17 047. For 2023 as a whole, the HSI went down by 13.8%. *Market capitalisation* shrank further by 13.0% from a year earlier to \$31.0 trillion at end-2023. The local stock market ranked the eighth largest in the world and the fifth largest in Asia⁽⁸⁾.

5.14 Trading activities in the local stock market turned quieter from the preceding year. For the year as a whole, *average daily turnover* in the securities market contracted further by 15.9% to \$105.0 billion, the lowest since 2019. Within the total, the average daily trading value of equities, derivative warrants, and callable bull/bear contracts declined by 18.4%, 29.2% and 22.6% respectively, while that of unit trusts (including Exchange-Traded Funds (ETFs))⁽⁹⁾ increased by 16.3%. As to futures and options⁽¹⁰⁾, the average daily trading volume expanded moderately by 3.9%. Within the total, trading of stock options and Hang Seng China Enterprises Index futures rose by 4.2% and 2.0% respectively, while that of HSI futures and HSI options fell by 9.1% and 11.7% respectively.

Diagram 5.6 : The local stock market was under pressure during most of 2023

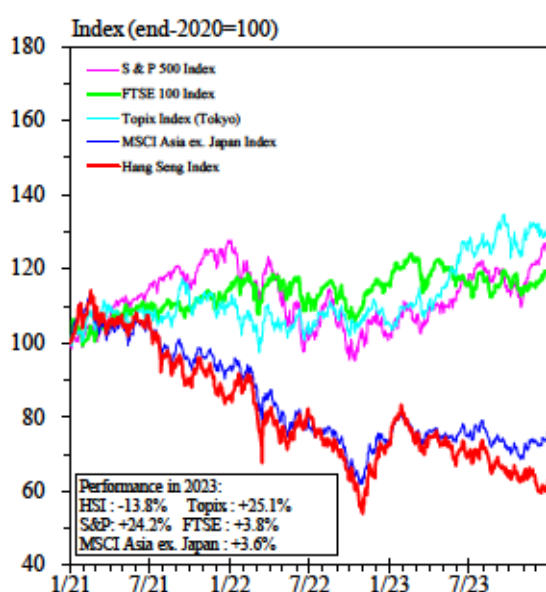
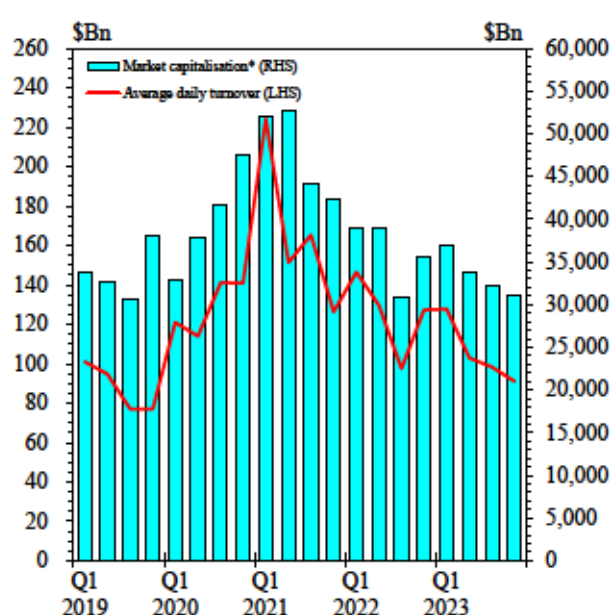


Diagram 5.7 : Market capitalisation shrank further and trading activities turned quieter



Note : (*) Position at end of quarter.

Table 5.6 : Average daily turnover of futures and options of the Hong Kong market

| | | Hang Seng Index futures | Hang Seng Index options | Hang Seng China Enterprises Index futures | Stock options | Total futures and options traded* |
|------|--|----------------------------|----------------------------|---|------------------|---|
| 2022 | Annual | 152 374 | 25 832 | 183 068 | 587 749 | 1 302 889 |
| | Q1 | 159 738 | 29 387 | 178 800 | 637 181 | 1 342 258 |
| | Q2 | 150 505 | 23 286 | 179 989 | 569 933 | 1 274 278 |
| | Q3 | 135 534 | 20 944 | 154 286 | 505 258 | 1 115 403 |
| | Q4 | 164 291 | 29 803 | 219 906 | 641 220 | 1 483 708 |
| 2023 | Annual | 138 446 | 22 820 | 186 689 | 612 182 | 1 353 839 |
| | Q1 | 145 708 | 25 243 | 196 405 | 665 210 | 1 418 700 |
| | Q2 | 138 717 | 23 143 | 188 933 | 598 988 | 1 315 783 |
| | Q3 | 136 670 | 22 706 | 179 322 | 590 969 | 1 336 408 |
| | Q4 | 132 813 | 20 207 | 182 652 | 593 478 | 1 343 428 |
| | % change in 2023 Q4 over 2022 Q4 | -19.2 | -32.2 | -16.9 | -7.4 | -9.5 |
| | % change in 2023 over 2022 | -9.1 | -11.7 | 2.0 | 4.2 | 3.9 |

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

5.15 Fund raising activities in Hong Kong were extremely quiet in 2023 amid subdued global fund raising demand and local stock market performance. According to the data compiled by the World Federation of Exchanges, the total equity capital raised in the global markets fell by a visible 54% in the year. Locally, *total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM⁽¹¹⁾, plunged by 40.7% to \$150.7 billion, the lowest level since 2002. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) shrank by 55.8% to \$46.3 billion. Hong Kong ranked sixth among stock exchange markets globally in terms of the amount of funds raised through IPOs in 2023⁽¹²⁾.

5.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-2023, a total of 1 447 Mainland enterprises (including 339 H-share companies, 176 “Red Chip” companies and 932 private enterprises) were listed on the Main Board and GEM, accounting for 55% of the total number of listed companies and 76% of total market capitalisation. Mainland-related stocks accounted for 87% of equity turnover and 86% of total equity fund raised in the Hong Kong Stock Exchange in 2023.

5.17 In late November, Asia’s first ETF to track Saudi Arabian equities was listed on the Hong Kong Stock Exchange, marking a milestone in Hong Kong’s financial co-operation with Saudi Arabia. This provides investors with a new opportunity to invest in Saudi Arabia’s capital markets through a Hong Kong-listed ETF, further enhancing the global connectivity of Hong Kong’s ETF market.

Fund management and investment funds

5.18 Performance of fund management business saw relative improvement in 2023 notwithstanding the local stock market correction. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*⁽¹³⁾ increased by 8.5% over a year earlier to \$1,140.7 billion at end-2023. The gross retail sales of *mutual funds* leaped by 17.9% over a year earlier to US\$55.6 billion in 2023⁽¹⁴⁾⁽¹⁵⁾.

Insurance sector

5.19 The *insurance sector*⁽¹⁶⁾ continued to see solid growth in the third quarter of 2023. New office premiums of long-term business surged by 43.3% over a year earlier, within which premium from non-investment linked plans (which accounted for 94% of total premium for this segment) soared by 52.4%, though that from investment linked plans fell by 29.0%. As to general business, gross and net premiums increased by 3.9% and 2.0% respectively.

Table 5.7 : Insurance business in Hong Kong[@] (\$Mn)

| | | General business | | | New office premium for long-term business [^] | | | | | Gross premium from long-term business and general business |
|----------------------------------|--------|------------------|-------------|---------------------|--|---|---------------------------|--------------------------------------|------------------------|--|
| | | Gross premium | Net premium | Underwriting profit | Individual life and annuity (non-investment linked) | Individual life and annuity (investment linked) | Other individual business | Non-retirement scheme group business | All long-term business | |
| 2022 | Annual | 64,624 | 42,138 | 4,186 | 119,480 | 14,899 | 43 | 460 | 134,882 | 199,506 |
| | Q1 | 19,327 | 11,966 | 1,063 | 37,744 | 4,573 | 12 | 114 | 42,443 | 61,770 |
| | Q2 | 15,875 | 10,528 | 1,482 | 35,287 | 3,941 | 9 | 209 | 39,446 | 55,321 |
| | Q3 | 16,183 | 11,230 | 852 | 26,855 | 3,345 | 11 | 72 | 30,283 | 46,466 |
| | Q4 | 13,239 | 8,414 | 789 | 19,594 | 3,040 | 11 | 65 | 22,710 | 35,949 |
| 2023 | Q1 | 20,660 | 12,460 | 513 | 43,476 | 3,419 | 13 | 71 | 46,979 | 67,639 |
| | Q2 | 16,324 | 10,803 | 940 | 52,890 | 3,171 | 11 | 87 | 56,159 | 72,483 |
| | Q3 | 16,821 | 11,459 | 66 | 40,916 | 2,375 | 12 | 78 | 43,381 | 60,202 |
| % change in 2023 Q3 over 2022 Q3 | | 3.9 | 2.0 | -92.3 | 52.4 | -29.0 | 9.1 | 8.3 | 43.3 | 29.6 |

Notes : (@) Figures are based on provisional statistics of the Hong Kong insurance industry.

(^) Retirement scheme business is excluded.

Highlights of policy and market developments

5.20 In November, the Hong Kong Exchanges and Clearing Limited (HKEX) announced its plan to launch China Treasury Bond Futures in Hong Kong. As part of HKEX's RMB and China-product ecosystem, the launch will help regional and global investors interested in accessing the Mainland to more effectively manage their interest rate and investment risks, support greater international participation in the Mainland's equities and fixed-income markets, further broaden investment and risk management opportunities in our markets, and cement Hong Kong's role as the world's leading offshore RMB hub.

5.21 The Government announced a series of major initiatives to foster co-development of fintech and the real economy in Hong Kong FinTech Week 2023 in November. These initiatives include launching a new integrated fund platform for distribution of Hong Kong's retail funds; welcoming cross-boundary e-CNY applications to benefit inbound and outbound visitors between the Mainland and Hong Kong; promoting real economy related applications and innovations by the Virtual Assets (VA) and Web3 sector, as well as further enhancing the regulatory framework by bringing trading of VA beyond centralised trading platforms and issuance of stablecoins into the regulatory remit (see **paragraph 5.22**).

5.22 In view of the important roles played by stablecoins in the Web3 and VA ecosystem, and the rising interconnectedness between the traditional financial system and the VA markets, the Government and the HKMA launched a public consultation on the legislative proposal to implement regulatory regime for fiat-referenced stablecoin (FRS) issuers in December. Bringing FRS issuers into the regulatory remit under a risk-based and agile approach will facilitate proper management of the potential monetary and financial stability risks, and provide transparent and suitable guardrails with the increased prevalence of VAs. To facilitate the subsequent implementation of the regulatory regime, the HKMA will also introduce a sandbox arrangement for communicating supervisory expectations and guidance on compliance to entities having a genuine interest in and a reasonable plan on issuing FRS in Hong Kong, as well as obtaining their feedback on the proposed regulatory requirements.

5.23 The Insurance (Amendment) Ordinance 2023 that provides legal framework for the implementation of a Risk-based Capital (RBC) regime for Hong Kong's insurance industry was enacted in July 2023. The RBC regime, which will replace the existing rule-based capital adequacy regime, would render the capital requirements imposed on insurance companies more sensitive to their asset and liability matching, risk profile and mix of products. This would strengthen the financial soundness of insurers through incentivising better asset-liability matching and the cultivation of robust risk management culture of insurers, and align Hong Kong's insurance regulatory regime with international standards. Subsequently, the Insurance Authority launched further public consultation on draft subsidiary legislations to set out detailed capital, valuation, reporting and other requirements, with a view to commencing the RBC regime within 2024.

5.24 In view of the general support to the establishment of the Policy Holders' Protection Scheme (PPS) received during the public consultation, the Government will begin preparatory work based on the consultation conclusions as published in December 2023, including the formulation of detailed arrangements of the PPS and the drafting of the necessary legislative amendments. The PPS will enhance the protection of policy holders and strengthen market stability in the event of insurer insolvency.

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) 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.
- (3) 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 18 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 2019 and 2020.

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.

- (4) 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.

- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-2023, there were 151 licensed banks, 16 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 179 AIs (excluding representative offices) from 32 countries and territories (including Hong Kong) had a presence in Hong Kong.
- (6) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (7) 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.
- (8) The ranking is based on the market capitalisation figures of global stock exchange markets and compiled by the World Federation of Exchanges and the London Stock Exchange Group.
- (9) 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.
- (10) At end-2023, there were 126 classes of stock options contracts and 98 classes of stock futures contracts.
- (11) At end-2023, there were 2 283 and 326 companies listed on the Main Board and GEM respectively.
- (12) The ranking is based on the amount of funds raised through IPOs (including fundraising of special purpose acquisition companies) compiled by Dealogic.
- (13) At end-2023, there were 12 approved trustees. On MPF products, 21 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 379 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 359 000 employers, 2.66 million employees and 237 000 self-employed persons are estimated to have participated in MPF schemes.
- (14) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association (HKIFA) on their members, and cover only the active authorised funds that have responded to the survey. As HKIFA has revised the coverage of its funds statistics for 2023, the figures in this report may not be comparable with those contained in previous issues of this report.
- (15) At end-2023, there was one SFC-authorized retail hedge fund with net asset size of US\$105 million. This amount of net assets under management decreased by 10.3% from end-September 2023, and represented a 17.3% decrease from a year earlier and a 34.4% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (16) At end-2023, there were 161 authorized insurers in Hong Kong. Within this total, 53 were engaged in long-term insurance business, 88 in general insurance business, 18 in composite insurance business, and two in special purpose business. These authorized insurers come from 22 countries and territories (including Hong Kong).

CHAPTER 6 : THE LABOUR SECTOR

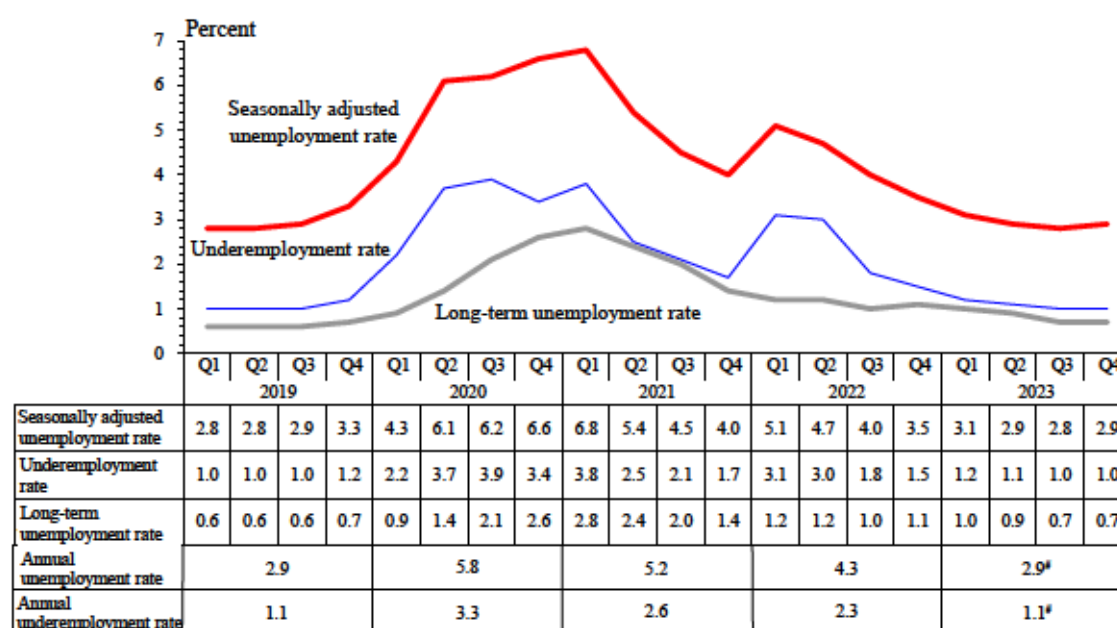
Summary

- *Along with the local economic recovery, the labour market improved in 2023. The seasonally adjusted unemployment rate declined to 2.8% and 2.9% in the third and fourth quarters respectively. The underemployment rate declined to 1.0% in both the third and fourth quarters.*
- *The unemployment rates of various major sectors were generally low in the fourth quarter of 2023. Compared with a year earlier, the unemployment rates of most major sectors declined, particularly those of the arts, entertainment and recreation sector, the transportation and storage sector, the construction sector, and the retail, accommodation and food services sector.*
- *Establishment surveys indicated that growth in nominal wages and labour earnings accelerated in the first three quarters of 2023, yielding solid growth in real terms after discounting for inflation. General Household Survey (GHS) data indicated that employment earnings and household income attained decent growth throughout the year.*

Overall labour market situation⁽¹⁾

6.1 Along with the local economic recovery, the labour market improved in 2023. The seasonally adjusted *unemployment rate*⁽²⁾ declined from 3.5% in the fourth quarter of 2022 to 2.8% and 2.9% in the third and fourth quarters of 2023. The *underemployment rate*⁽³⁾ declined from 1.5% in the fourth quarter of 2022 to 1.0% in both the third and fourth quarters of 2023. The unemployment rates of various major sectors were generally low in the fourth quarter of 2023. Compared with a year earlier, the unemployment rates of most major sectors declined, particularly those of the arts, entertainment and recreation sector, the transportation and storage sector, the construction sector, and the retail, accommodation and food services sector. Establishment surveys indicated that growth in nominal wages and labour earnings accelerated in the first three quarters of 2023, yielding solid growth in real terms after discounting for inflation. General Household Survey data indicated that employment earnings and household income attained decent growth throughout the year.

Diagram 6.1 : Along with the local economic recovery, the labour market improved in 2023



Note : # Provisional figures.

Table 6.1 : The unemployment rate (seasonally adjusted), underemployment rate and long-term unemployment rate

| | | <u>Unemployment rate*</u> <u>(%)</u> | <u>Underemployment</u> <u>rate (%)</u> | <u>Long-term</u> <u>unemployment rate (%)</u> |
|------|---------------------|---|---|--|
| 2022 | Annual | 4.3 | 2.3 | 1.1 |
| | Q1 | 5.1 | 3.1 | 1.2 |
| | Q2 | 4.7 | 3.0 | 1.2 |
| | Q3 | 4.0 | 1.8 | 1.0 |
| | Q4 | 3.5 | 1.5 | 1.1 |
| 2023 | Annual [#] | 2.9 | 1.1 | 0.8 |
| | Q1 | 3.1 | 1.2 | 1.0 |
| | Q2 | 2.9 | 1.1 | 0.9 |
| | Q3 | 2.8 | 1.0 | 0.7 |
| | Q4 | 2.9 | 1.0 | 0.7 |

Notes : * Seasonally adjusted (except for annual figures).

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Labour force and total employment

6.2 The *labour force*⁽⁴⁾ continued to be constrained by the secular trend of population ageing in 2023. Notwithstanding a bounce-back in the second and third quarters of 2023 amid an increase in the working-age population (i.e. land-based non-institutional population aged 15 and above), the labour force shrank again in the fourth quarter. Compared with a year ago, the labour force declined by 0.9% to 3 812 500 in the fourth quarter. This mainly reflected the decline of 0.7 percentage point in the overall labour force participation rate to a record low of 57.3% as a result of the persistent drag from population ageing, which more than offset the increase of 0.3% in the working-age population to 6 649 400.

6.3 *Total employment*⁽⁵⁾ rebounded in the second and third quarters of 2023, before declining again in the fourth quarter. Compared with a year ago, total employment declined by 0.4% to 3 706 800. Employment of many major sectors declined, particularly for the import/export trade and wholesale sector, the postal and courier activities sector, the warehousing and support activities for transportation sector, the manufacturing sector, and the financing and insurance sector. Employment of some major sectors increased, notably for the social work activities sector, the education sector, the information and communications sector, and the construction sector.

Table 6.2 : The labour force, and persons employed, unemployed and underemployed

| | <u>Labour force</u> | <u>Persons employed</u> | <u>Persons unemployed^(a)</u> | <u>Persons underemployed</u> |
|--------------------------|---------------------|-------------------------|---|------------------------------|
| 2022 Annual | 3 776 300 (-2.4) | 3 613 200 (-1.6) | 163 100 | 88 100 |
| Q1 | 3 793 600 (-2.4) | 3 604 500 (-0.6) | 189 100 | 117 100 |
| Q2 | 3 754 300 (-3.4) | 3 574 000 (-2.6) | 180 200 | 112 100 |
| Q3 | 3 808 100 (-1.7) | 3 649 700 (-1.2) | 158 400 | 69 900 |
| Q4 | 3 847 300 (-0.1) | 3 720 000 (0.4) | 127 200 | 55 900 |
| 2023 Annual [#] | 3 804 600 (0.8) | 3 692 500 (2.2) | 112 100 | 40 800 |
| Q1 | 3 769 200 (-0.6) | 3 654 100 (1.4) | 115 100 | 46 700 |
| Q2 | 3 802 400 (1.3) | 3 688 800 (3.2) | 113 600 | 41 500 |
| Q3 | 3 834 300 (0.7) | 3 720 300 (1.9) | 114 000 | 37 900 |
| Q4 | 3 812 500 (-0.9) | 3 706 800 (-0.4) | 105 700 | 37 000 |
| | <-0.6> | <-0.4> | | |

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 fourth quarter of 2023.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.2 : The labour force and total employment rebounded in the second and third quarters of 2023, before declining again in the fourth quarter

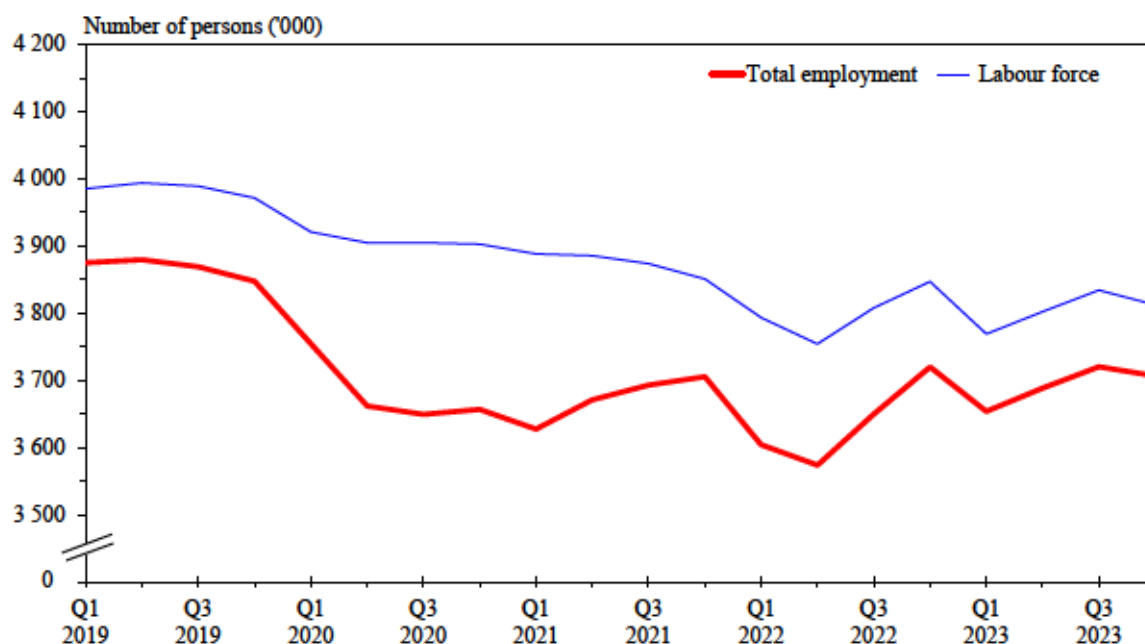


Table 6.3 : Labour force participation rates by gender and by age group (%)

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023[#]</u> | <u>2023</u> <u>Q1</u> | <u>2023</u> <u>Q2</u> | <u>2023</u> <u>Q3</u> | <u>2023</u> <u>Q4</u> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <u>Male</u> | | | | | | | | | |
| 15-24 | 39.2 | 35.4 | 34.4 | 31.4 | 30.4 | 29.9 | 29.8 | 32.0 | 29.9 |
| <i>of which:</i> | | | | | | | | | |
| 15-19 | 11.3 | 7.3 | 6.6 | 7.0 | 7.4 | 6.5 | 6.3 | 9.2 | 7.7 |
| 20-24 | 59.6 | 56.5 | 57.2 | 53.3 | 52.5 | 52.7 | 52.2 | 53.9 | 51.2 |
| 25-29 | 91.3 | 90.8 | 91.7 | 89.7 | 87.9 | 88.4 | 87.4 | 87.1 | 88.9 |
| 30-39 | 95.9 | 95.0 | 95.2 | 94.0 | 94.1 | 93.6 | 93.9 | 94.6 | 94.3 |
| 40-49 | 93.9 | 93.5 | 93.5 | 93.4 | 93.7 | 93.8 | 94.2 | 93.8 | 93.0 |
| 50-59 | 85.2 | 84.8 | 85.4 | 85.2 | 85.2 | 85.1 | 85.2 | 85.2 | 85.2 |
| ≥ 60 | 32.0 | 31.6 | 31.0 | 32.0 | 31.6 | 31.9 | 31.2 | 31.9 | 31.2 |
| Overall | 67.6 | 66.3 | 65.8 | 64.7 | 63.7 | 64.0 | 63.6 | 64.0 | 63.3 |
| <u>Female</u> | | | | | | | | | |
| 15-24 | 40.5 | 36.6 | 35.3 | 32.5 | 31.3 | 31.6 | 30.0 | 32.6 | 30.8 |
| <i>of which:</i> | | | | | | | | | |
| 15-19 | 11.6 | 7.2 | 7.8 | 7.7 | 7.5 | 7.0 | 6.6 | 9.7 | 6.7 |
| 20-24 | 60.1 | 57.8 | 57.5 | 54.2 | 52.7 | 54.4 | 50.9 | 53.1 | 52.5 |
| 25-29 | 87.5 | 87.5 | 88.2 | 86.2 | 85.5 | 86.1 | 85.4 | 85.6 | 84.7 |
| 30-39 | 79.3 | 79.1 | 79.3 | 78.9 | 80.0 | 79.5 | 80.1 | 80.1 | 80.4 |
| 40-49 | 73.7 | 73.6 | 74.3 | 74.0 | 74.8 | 74.4 | 74.5 | 75.2 | 75.2 |
| 50-59 | 62.3 | 62.9 | 64.0 | 64.6 | 65.1 | 65.1 | 64.3 | 65.1 | 65.8 |
| ≥ 60 | 15.7 | 15.6 | 16.3 | 16.5 | 17.0 | 17.1 | 17.2 | 16.9 | 16.8 |
| Overall | 55.1 | 54.3 | 54.2 | 52.9 | 52.7 | 52.9 | 52.5 | 52.7 | 52.5 |
| <u>Both genders combined</u> | | | | | | | | | |
| 15-24 | 39.8 | 36.0 | 34.9 | 31.9 | 30.8 | 30.8 | 29.9 | 32.3 | 30.3 |
| <i>of which:</i> | | | | | | | | | |
| 15-19 | 11.5 | 7.3 | 7.2 | 7.3 | 7.5 | 6.8 | 6.4 | 9.4 | 7.2 |
| 20-24 | 59.9 | 57.2 | 57.4 | 53.8 | 52.6 | 53.6 | 51.5 | 53.5 | 51.9 |
| 25-29 | 89.2 | 89.0 | 89.8 | 87.9 | 86.6 | 87.2 | 86.3 | 86.3 | 86.7 |
| 30-39 | 86.0 | 85.6 | 85.9 | 85.3 | 86.0 | 85.5 | 86.0 | 86.2 | 86.3 |
| 40-49 | 82.0 | 81.8 | 82.1 | 81.9 | 82.5 | 82.2 | 82.5 | 82.8 | 82.4 |
| 50-59 | 72.7 | 72.7 | 73.4 | 73.5 | 73.7 | 73.7 | 73.3 | 73.8 | 74.1 |
| ≥ 60 | 23.5 | 23.2 | 23.3 | 23.9 | 23.9 | 24.1 | 23.8 | 24.0 | 23.6 |
| Overall | 60.7 | 59.7 | 59.4 | 58.2 | 57.6 | 57.9 | 57.5 | 57.8 | 57.3 |

Note : # Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

6.4 The seasonally adjusted unemployment rate declined from 3.5% in the fourth quarter of 2022 to 3.1% in the first quarter of 2023, 2.9% in the second quarter and 2.8% in the third quarter, before edging up to 2.9% in the fourth quarter. The number of unemployed persons (not seasonally adjusted) decreased by 16.9% or 21 500 from a year earlier to 105 700 in the fourth quarter of 2023.

6.5 The unemployment rates of various major sectors (not seasonally adjusted) were generally low in the fourth quarter, broadly on par with the pre-recession levels in the second quarter of 2019. Compared with a year earlier, the unemployment rates of most major sectors declined, particularly those of the arts, entertainment and recreation sector (down 2.3 percentage points to 2.9%), the transportation and storage sector (down 1.7 percentage points to 2.4%), the construction sector (down 1.2 percentage points to 3.7%), and the retail, accommodation and food services sector (down 1.1 percentage points to 3.6%). For the *low-paying sectors*⁽⁶⁾ as a whole, the unemployment rate declined by 0.6 percentage point from a year earlier to 2.3% in the fourth quarter.

6.6 Analysed by skill segment, the unemployment rate of lower-skilled workers declined by 0.7 percentage point from a year earlier to 2.8% in the fourth quarter, and that of the higher-skilled workers declined by 0.3 percentage point to 2.0%.

6.7 Analysed by other socio-economic attributes, the unemployment rates of all age and educational attainment groups declined in the fourth quarter from a year earlier, notably for those aged 15-29 (down 0.7 percentage point to 5.8%), those aged 50 or above (down 0.7 percentage point to 2.4%), those with primary education and below (down 0.6 percentage point to 2.2%), and those with upper secondary education (down 0.6 percentage point to 2.5%).

Diagram 6.3 : The unemployment rates of various major sectors were generally low in the fourth quarter of 2023

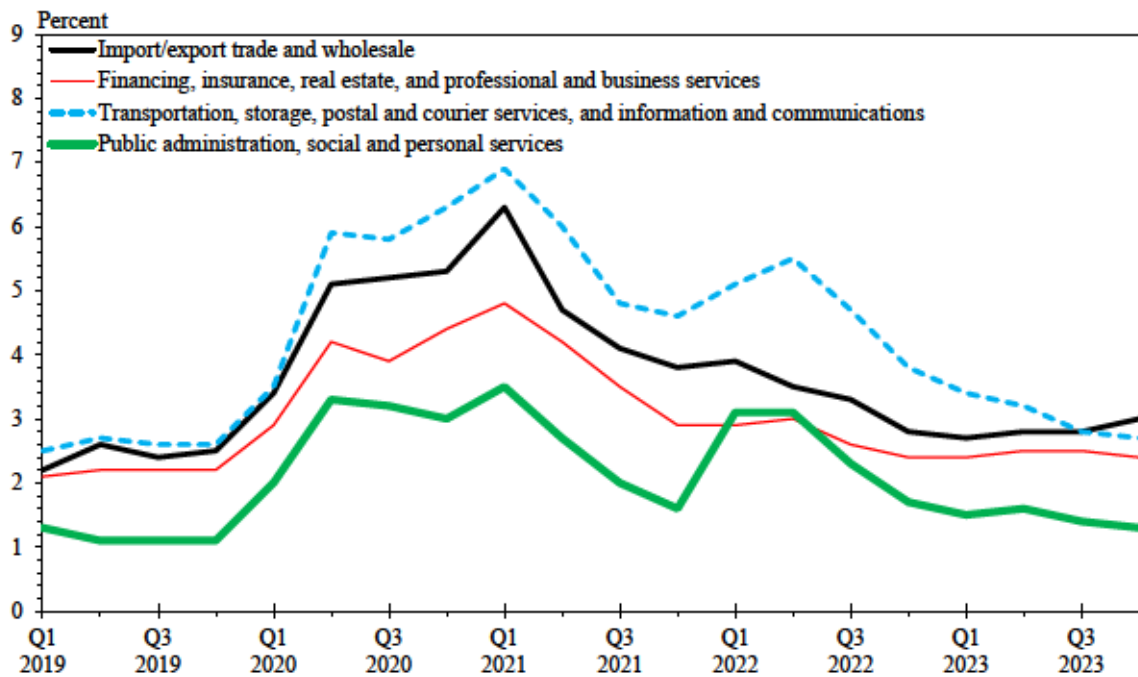
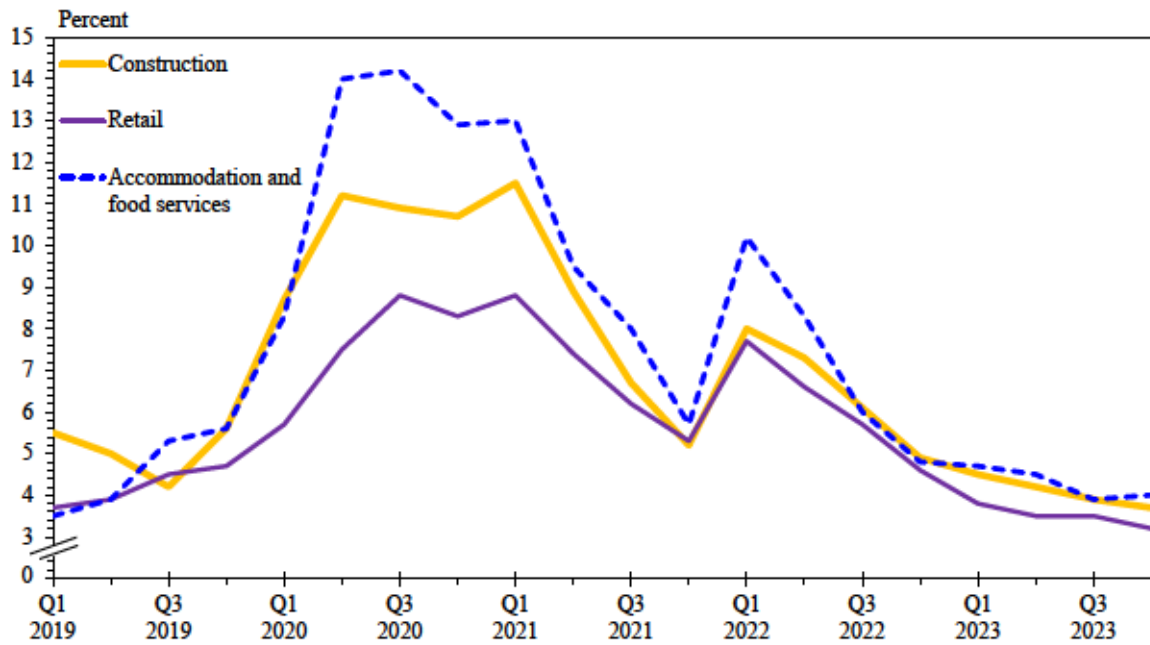


Table 6.4 : Unemployment rates by major economic sector

| | <u>2022</u> | | | | | <u>2023</u> | | | | |
|--|---------------|-----------|-----------|-----------|-----------|----------------------------|-----------|-----------|-----------|-----------|
| | <u>Annual</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Annual</u> [#] | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> |
| Import/export trade and wholesale | 3.3 | 3.9 | 3.5 | 3.3 | 2.8 | 2.8 | 2.7 | 2.8 | 2.8 | 3.0 |
| Retail, accommodation and food services | 6.8 | 8.9 | 7.4 | 5.9 | 4.7 | 3.9 | 4.2 | 4.0 | 3.7 | 3.6 |
| <i>of which:</i> | | | | | | | | | | |
| <i>Retail</i> | 6.1 | 7.7 | 6.6 | 5.7 | 4.6 | 3.5 | 3.8 | 3.5 | 3.5 | 3.2 |
| <i>Accommodation services</i> | 4.9 | 5.6 | 5.8 | 4.6 | 3.6 | 2.9 | 3.8 | 3.0 | 2.5 | 2.3 |
| <i>Food and beverage service activities</i> | 7.9 | 11.0 | 8.7 | 6.3 | 5.0 | 4.5 | 4.9 | 4.8 | 4.2 | 4.3 |
| Transportation, storage, postal and courier services | 5.1 | 5.3 | 6.0 | 5.0 | 4.0 | 2.8 | 3.3 | 3.1 | 2.6 | 2.4 |
| <i>of which:</i> | | | | | | | | | | |
| <i>Transportation and storage</i> | 5.3 | 5.6 | 6.3 | 5.1 | 4.1 | 2.9 | 3.4 | 3.1 | 2.6 | 2.4 |
| Information and communications | 4.0 | 4.6 | 4.2 | 4.0 | 3.3 | 3.4 | 3.5 | 3.4 | 3.4 | 3.5 |
| Financing and insurance | 2.4 | 2.4 | 2.5 | 2.4 | 2.0 | 2.1 | 2.1 | 2.0 | 2.3 | 1.9 |
| Real estate | 2.6 | 2.4 | 2.9 | 2.7 | 2.5 | 2.4 | 2.6 | 2.6 | 2.1 | 2.1 |
| Professional and business services | 3.0 | 3.4 | 3.4 | 2.8 | 2.5 | 2.7 | 2.6 | 2.8 | 2.8 | 2.7 |
| Public administration, social and personal services | 2.5 | 3.1 | 3.1 | 2.3 | 1.7 | 1.4 | 1.5 | 1.6 | 1.4 | 1.3 |
| <i>of which:</i> | | | | | | | | | | |
| <i>Arts, entertainment and recreation</i> | 7.5 | 11.4 | 8.0 | 5.8 | 5.2 | 3.4 | 4.3 | 3.3 | 3.3 | 2.9 |
| Manufacturing | 5.1 | 5.5 | 5.7 | 5.1 | 4.4 | 4.0 | 4.0 | 4.1 | 4.1 | 3.9 |
| Construction | 6.6 | 8.0 | 7.3 | 6.1 | 4.9 | 4.1 | 4.5 | 4.2 | 3.9 | 3.7 |
| Overall* | 4.3 | 5.0 | 4.8 | 4.2 | 3.3 | 2.9 | 3.1 | 3.0 | 3.0 | 2.8 |
| | | (5.1) | (4.7) | (4.0) | (3.5) | | (3.1) | (2.9) | (2.8) | (2.9) |

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

() Seasonally adjusted unemployment rates.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.4 : The unemployment rates of both lower-skilled and higher-skilled workers declined in the fourth quarter of 2023 from a year earlier

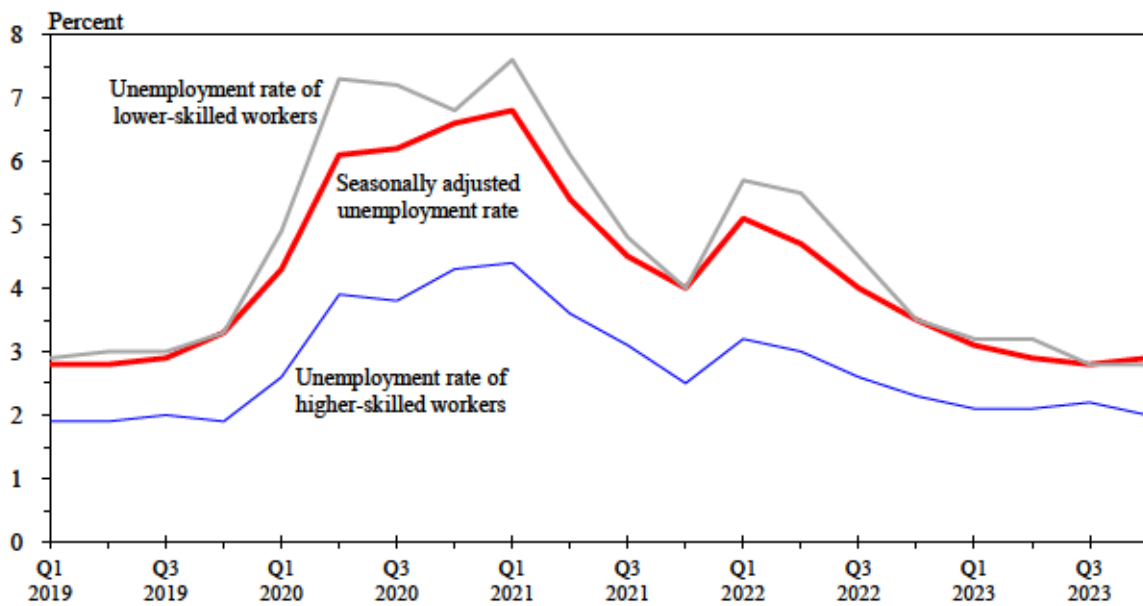


Table 6.5 : Unemployment rates* by skill segment

| | <u>2022</u> | | | | | <u>2023</u> | | | | |
|--|---------------|-----------|-----------|-----------|-----------|---------------------------|-----------|-----------|-----------|-----------|
| | <u>Annual</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Annual[#]</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> |
| <u>Higher-skilled segment</u> | 2.7 | 3.2 | 3.0 | 2.6 | 2.3 | 2.1 | 2.1 | 2.1 | 2.2 | 2.0 |
| Managers | 2.2 | 2.7 | 2.4 | 2.1 | 1.7 | 1.6 | 1.4 | 1.5 | 1.7 | 1.8 |
| Professionals | 1.9 | 2.0 | 2.0 | 1.9 | 1.6 | 1.8 | 2.0 | 1.6 | 1.9 | 1.6 |
| Associate professionals | 3.6 | 4.1 | 4.1 | 3.3 | 3.0 | 2.7 | 2.7 | 2.9 | 2.8 | 2.5 |
| <u>Lower-skilled segment[^]</u> | 4.8 | 5.7 | 5.5 | 4.5 | 3.5 | 3.0 | 3.2 | 3.2 | 2.8 | 2.8 |
| Clerical support workers | 4.2 | 4.6 | 4.2 | 4.8 | 3.3 | 3.2 | 3.3 | 3.1 | 3.0 | 3.3 |
| Service and sales workers | 5.8 | 7.4 | 6.7 | 4.8 | 4.1 | 3.4 | 3.8 | 3.6 | 3.1 | 3.0 |
| Craft and related workers | 7.2 | 8.8 | 7.5 | 6.9 | 4.9 | 4.0 | 4.3 | 4.1 | 3.9 | 3.8 |
| Plant and machine operators and assemblers | 3.9 | 4.2 | 4.6 | 3.7 | 2.7 | 2.2 | 2.4 | 2.2 | 1.9 | 2.3 |
| Elementary occupations | 3.6 | 4.1 | 4.5 | 3.2 | 2.7 | 2.3 | 2.5 | 2.6 | 2.3 | 1.9 |

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

[^] Including other occupations.

[#] Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Table 6.6 : Unemployment rates* by age and educational attainment

| | <u>2022</u> | | | | | <u>2023</u> | | | | |
|--|---------------|-----------|-----------|-----------|-----------|---------------------------|-----------|-----------|-----------|-----------|
| | <u>Annual</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Annual[#]</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> |
| <u>Age</u> | | | | | | | | | | |
| 15-24 | 11.0 | 10.6 | 11.9 | 12.2 | 9.1 | 9.0 | 7.9 | 9.3 | 10.2 | 8.4 |
| of which: | | | | | | | | | | |
| 15-19 | 15.7 | 14.4 | 18.5 | 16.4 | 11.7 | 10.5 | 9.8 | 11.2 | 11.4 | 9.3 |
| 20-24 | 10.5 | 10.2 | 11.2 | 11.6 | 8.8 | 8.8 | 7.7 | 9.1 | 10.0 | 8.3 |
| 25-29 | 5.7 | 6.0 | 5.7 | 6.1 | 5.2 | 4.4 | 4.5 | 4.0 | 4.4 | 4.5 |
| 30-39 | 3.3 | 3.7 | 3.7 | 3.3 | 2.4 | 2.3 | 2.5 | 2.3 | 2.2 | 2.1 |
| 40-49 | 3.5 | 4.2 | 4.2 | 2.9 | 2.6 | 2.3 | 2.4 | 2.5 | 2.3 | 2.2 |
| 50-59 | 4.5 | 5.6 | 4.9 | 4.0 | 3.3 | 2.9 | 3.2 | 2.9 | 2.8 | 2.6 |
| ≥ 60 | 3.9 | 4.9 | 4.5 | 3.6 | 2.8 | 2.2 | 2.2 | 2.4 | 2.2 | 2.1 |
| <u>Educational attainment</u> | | | | | | | | | | |
| Primary education and below | 4.2 | 5.8 | 5.0 | 2.7 | 2.8 | 2.2 | 2.4 | 2.3 | 1.9 | 2.2 |
| Lower secondary education | 5.8 | 7.2 | 6.5 | 5.2 | 4.1 | 3.7 | 4.2 | 3.9 | 3.3 | 3.6 |
| Upper secondary education [^] | 4.5 | 5.5 | 5.2 | 4.2 | 3.1 | 2.8 | 3.0 | 3.1 | 2.6 | 2.5 |
| Post-secondary education | 3.7 | 3.8 | 3.9 | 4.0 | 3.3 | 2.9 | 2.9 | 2.7 | 3.3 | 2.8 |

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

[^] Including craft courses.

[#] Provisional figures.

Source : General Household Survey, Census and Statistics Department.

6.8 The situation on unemployment duration improved in 2023 in general. The long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) declined by 0.4 percentage point from a year earlier to 0.7% in the fourth quarter of 2023, with the number of long-term unemployed persons declining by 32.0% or 13 400 to 28 400. The median duration of unemployment shortened by 4 days to 82 days.

Underemployment situation

6.9 The underemployment rate declined from 1.5% in the fourth quarter of 2022 to 1.2% in the first quarter of 2023, 1.1% in the second quarter and 1.0% in both the third and fourth quarters. The number of underemployed persons decreased by 33.9% or 18 900 from a year earlier to 37 000 in the fourth quarter of 2023.

Profile of employment in establishments

6.10 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available up to September 2023. Attempts have been made to bring the analysis more up-to-date by drawing reference to information from supplementary sources wherever possible.

6.11 Compared with three months ago on a seasonally adjusted basis, total private sector employment increased by 1.0% in March 2023 and 0.6% in June, and then held steady in September. Total private sector employment (not seasonally adjusted) in September, at 2 743 200, was 2.1% higher than a year earlier. Employment in many selected industries in September increased over a year ago, notably for arts, entertainment, recreation and other services; residential care and social work services; accommodation services; and professional and business services (excluding cleaning and similar services). On the other hand, employment in several selected industries declined from a year earlier, notably for import/export trade and wholesale.

Table 6.7 : Employment by major economic sector

| | <u>2022</u> | | | | | <u>2023</u> | | |
|---|-----------------------|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|------------------|
| | <u>Annual average</u> | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> | <u>Dec</u> | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> |
| Import/export trade and wholesale | 434 600 | 438 300 | 434 800 | 432 700 | 432 700 | 430 100 | 427 600 | 425 400 |
| | (-0.3) | (0.8) | (§) | (-0.6) | (-1.5) | (-1.9) | (-1.7) | (-1.7) |
| Retail | 245 400 | 245 200 | 244 800 | 245 200 | 246 400 | 248 500 | 251 900 | 252 100 |
| | (-1.6) | (-1.9) | (-1.3) | (-1.3) | (-2.0) | (1.4) | (2.9) | (2.8) |
| Accommodation services | 34 400 | 35 400 | 33 400 | 33 600 | 35 300 | 35 600 | 35 200 | 35 300 |
| | (-4.5) | (2.8) | (-9.8) | (-9.0) | (-1.3) | (0.6) | (5.5) | (5.2) |
| Food and beverage services | 216 700 | 204 700 | 217 200 | 222 000 | 223 000 | 223 900 | 224 600 | 224 200 |
| | (1.3) | (-0.4) | (1.0) | (2.0) | (2.4) | (9.4) | (3.4) | (1.0) |
| Transportation, storage, postal and courier services | 163 400 | 164 400 | 162 500 | 164 000 | 162 700 | 161 900 | 163 000 | 164 800 |
| | (-2.1) | (-0.6) | (-3.7) | (-1.9) | (-2.0) | (-1.5) | (0.3) | (0.5) |
| Information and communications | 106 300 | 107 200 | 106 100 | 105 300 | 106 400 | 107 400 | 108 800 | 108 600 |
| | (-2.2) | (-1.9) | (-2.4) | (-2.9) | (-1.5) | (0.2) | (2.5) | (3.1) |
| Financing, insurance, real estate, professional and business services | 756 600 | 766 600 | 750 500 | 751 800 | 757 500 | 763 400 | 769 700 | 773 000 |
| | (-1.5) | (0.7) | (-2.0) | (-2.6) | (-1.9) | (-0.4) | (2.6) | (2.8) |
| <i>of which:</i> | | | | | | | | |
| <i>Professional and business services (excluding cleaning and similar services)</i> | 300 200 | 302 600 | 297 200 | 297 600 | 303 300 | 306 100 | 308 900 | 311 700 |
| | (-2.1) | (-1.3) | (-3.1) | (-2.9) | (-0.9) | (1.1) | (3.9) | (4.8) |
| Social and personal services | 536 900 | 532 900 | 533 900 | 536 400 | 544 300 | 553 900 | 559 700 | 564 100 |
| | (0.4) | (-0.3) | (0.3) | (0.5) | (1.3) | (3.9) | (4.8) | (5.2) |
| <i>of which:</i> | | | | | | | | |
| <i>Residential care and social work services</i> | 66 800 | 67 300 | 65 700 | 66 500 | 67 600 | 68 900 | 69 600 | 70 200 |
| | (0.9) | (2.5) | (-0.4) | (0.5) | (0.9) | (2.4) | (5.9) | (5.5) |
| <i>Arts, entertainment, recreation and other services</i> | 114 500 | 111 900 | 114 300 | 115 000 | 117 000 | 119 800 | 123 000 | 124 900 |
| | (-3.4) | (-5.5) | (-2.8) | (-3.7) | (-1.5) | (7.1) | (7.6) | (8.6) |
| Manufacturing | 74 900 | 75 800 | 74 900 | 74 400 | 74 500 | 74 900 | 74 800 | 74 000 |
| | (-5.0) | (-6.7) | (-5.3) | (-5.1) | (-2.6) | (-1.2) | (-0.2) | (-0.5) |
| Construction sites (covering manual workers only) | 104 700 | 98 300 | 103 400 | 109 700 | 107 300 | 108 400 | 111 000 | 109 600 |
| | (-0.7) | (-4.3) | (-2.5) | (3.2) | (0.6) | (10.3) | (7.4) | (-0.1) |
| All establishments surveyed in the private sector^(a) | 2 685 700 | 2 680 500 | 2 673 200 | 2 686 900 | 2 702 000 | 2 719 800 | 2 738 300 | 2 743 200 |
| | (-0.9) | (-0.4) | (-1.3) | (-1.1) | (-0.8) | (1.5) | (2.4) | (2.1) |
| | | <-1.2> | <-0.3> | <0.4> | <-0.4> | <-1.0> | <0.6> | <§> |
| <i>Civil service^(b)</i> | 174 800 | 176 200 | 175 200 | 174 000 | 173 700 | 173 600 | 172 700 | 172 600 |
| | (-1.2) | (-0.7) | (-1.0) | (-1.3) | (-1.7) | (-1.5) | (-1.4) | (-0.8) |

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) 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.

(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.

() % change over a year earlier.

<> Seasonally adjusted % change compared with the level three months ago.

§ Change within $\pm 0.05\%$.

Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

Vacancies

6.12 Compared with three months ago on a seasonally adjusted basis, private sector vacancies increased by 7.1% in March 2023 and 2.6% in June, before declining by 6.4% in September. On a year-on-year comparison, private sector vacancies (not seasonally adjusted) increased by 7.8% to 80 650 in September, with the number of vacancies in many selected industries showing increases.

6.13 The manpower balance situation tightened in 2023. The ratio of job vacancies per 100 unemployed persons was 71 in September, compared with 57 in December 2022. Manpower shortage situation remained acute in the human health services sector, the education sector, the residential care and social work services sector, and the accommodation services sector, with their corresponding ratios exceeding 200.

6.14 As to the number of job vacancies in the private sector received by the Labour Department, its monthly average was 85 700 in the fourth quarter of 2023, 15% lower than the preceding quarter and 5% lower than the monthly average in 2022.

Table 6.8 : Vacancies by major economic sector

| | <u>2022</u> | | | | | <u>2023</u> | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| | <u>Annual average</u> | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> | <u>Dec</u> | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> |
| Import/export trade and wholesale | 3 740 (-3.7) | 2 920 (-16.9) | 3 600 (-6.3) | 4 110 (1.0) | 4 310 (5.5) | 4 250 (45.8) | 4 220 (17.0) | 3 860 (-6.3) |
| Retail | 4 900 (19.6) | 3 710 (25.1) | 4 880 (41.3) | 5 000 (6.1) | 6 030 (14.4) | 6 410 (72.5) | 6 600 (35.2) | 5 900 (18.2) |
| Accommodation services | 1 880 (56.0) | 1 410 (100.7) | 1 790 (63.4) | 2 030 (47.9) | 2 290 (38.7) | 2 830 (100.7) | 2 620 (46.5) | 2 540 (24.9) |
| Food and beverage services | 4 520 (20.6) | 2 410 (17.2) | 4 700 (45.5) | 5 540 (26.4) | 5 420 (1.9) | 5 810 (140.8) | 6 050 (28.7) | 6 220 (12.2) |
| Transportation, storage, postal and courier services | 5 550 (91.5) | 3 550 (41.1) | 3 740 (27.5) | 7 520 (191.6) | 7 390 (107.4) | 7 440 (109.7) | 7 020 (87.7) | 6 850 (-9.0) |
| Information and communications | 2 850 (36.8) | 2 790 (67.6) | 2 780 (44.2) | 3 020 (31.9) | 2 830 (14.8) | 3 020 (8.3) | 3 040 (9.2) | 2 860 (-5.2) |
| Financing, insurance, real estate, professional and business services | 17 590 (16.7) | 16 580 (27.7) | 17 020 (21.6) | 18 540 (15.9) | 18 210 (5.1) | 19 410 (17.1) | 20 370 (19.7) | 18 490 (-0.3) |
| <i>of which:</i> | | | | | | | | |
| <i>Professional and business services (excluding cleaning and similar services)</i> | 6 040 (20.8) | 6 010 (34.6) | 5 890 (31.8) | 6 100 (13.2) | 6 180 (8.6) | 6 800 (13.0) | 7 500 (27.5) | 6 570 (7.8) |
| Social and personal services | 22 500 (44.0) | 18 410 (53.8) | 21 370 (57.8) | 26 270 (49.5) | 23 950 (23.2) | 25 290 (37.4) | 26 040 (21.8) | 28 410 (8.1) |
| <i>of which:</i> | | | | | | | | |
| <i>Residential care and social work services</i> | 4 930 (22.6) | 4 650 (25.3) | 4 810 (18.8) | 5 180 (23.2) | 5 080 (23.3) | 5 260 (13.1) | 5 460 (13.6) | 5 540 (6.9) |
| <i>Arts, entertainment, recreation and other services</i> | 3 600 (42.2) | 2 740 (58.5) | 3 260 (35.2) | 3 800 (38.9) | 4 600 (41.6) | 5 450 (99.1) | 5 510 (68.9) | 5 290 (39.1) |
| Manufacturing | 1 690 (63.8) | 1 400 (103.6) | 1 640 (74.8) | 1 830 (59.7) | 1 880 (39.4) | 2 380 (69.5) | 2 480 (51.1) | 2 690 (46.9) |
| Construction sites (covering manual workers only) | 520 (177.1) | 270 (244.9) | 630 (153.6) | 640 (291.5) | 540 (106.9) | 640 (139.4) | 2 760 (335.8) | 2 560 (298.9) |
| All establishments surveyed in the private sector^(a) | 66 050 (31.9) | 53 700 (36.5) | 62 500 (37.5) | 74 840 (37.2) | 73 150 (20.0) | 77 750 (44.8) | 81 460 (30.3) | 80 650 (7.8) |
| | | <-11.2> | <14.1> | <13.6> | <4.5> | <7.1> | <2.6> | <-6.4> |
| <i>Civil service^(b)</i> | 17 800 (13.7) | 16 800 (10.9) | 17 490 (12.5) | 18 230 (14.2) | 18 690 (16.9) | 19 170 (14.1) | 19 700 (12.7) | 19 450 (6.7) |

Notes : (a) 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.

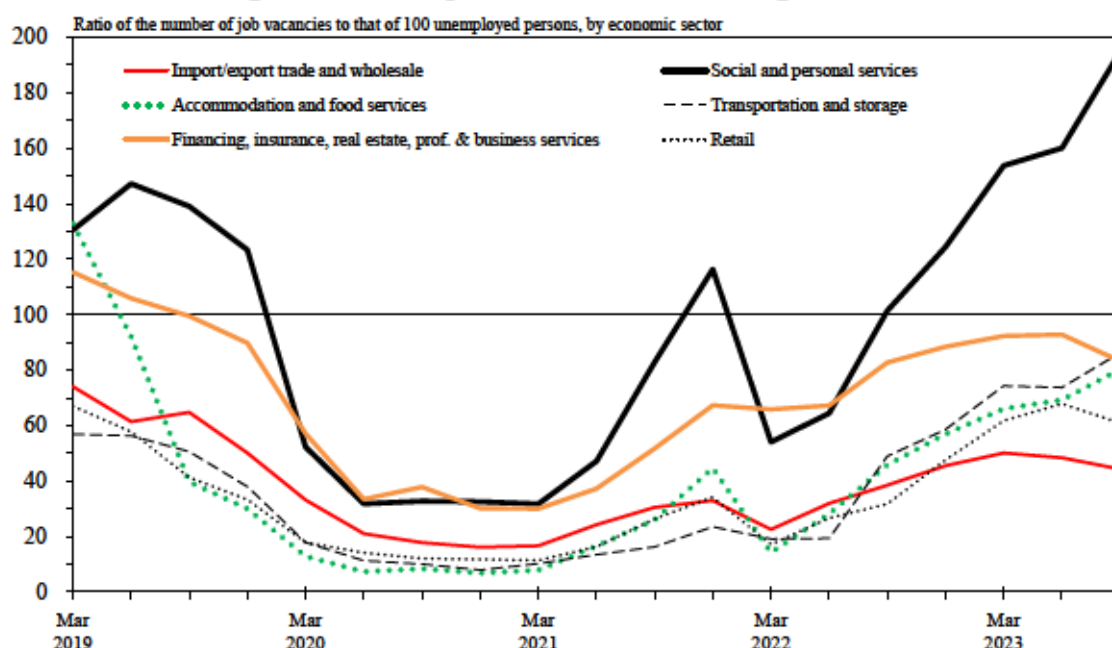
(b) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

() % 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 6.5 : Manpower balance situation tightened in 2023



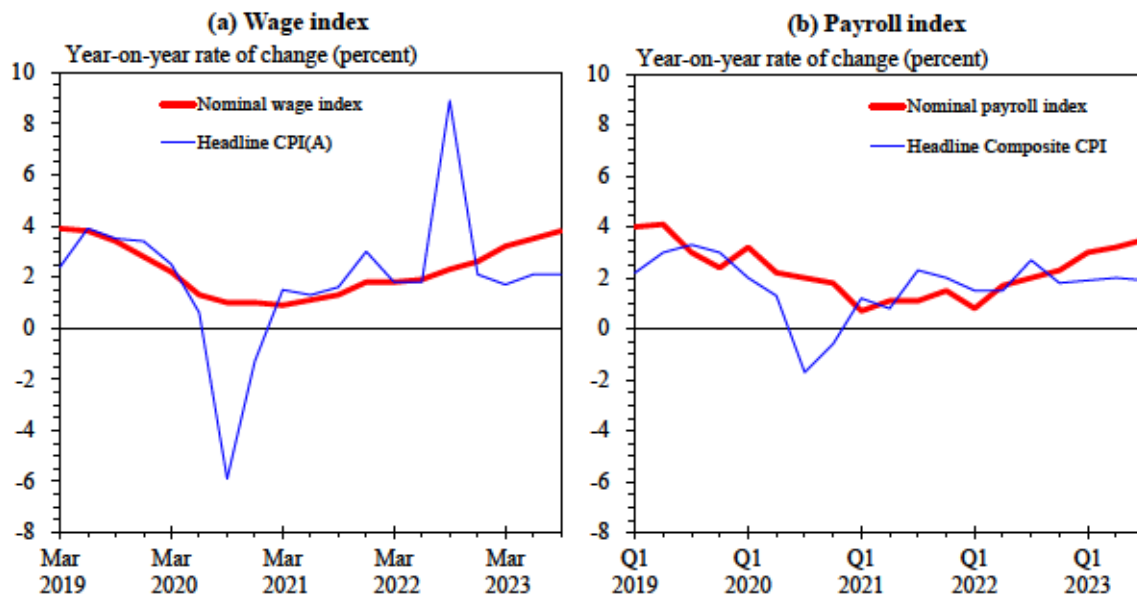
Wages and earnings

6.15 Growth in nominal wages and labour earnings accelerated in the first three quarters of 2023. The year-on-year increase in average nominal wage rate, as measured by the nominal wage index for all selected industry sections which covers regular payment to employees at the supervisory level or below, accelerated from 3.2% in March to 3.5% in June and further to 3.8% in September. After discounting for *inflation*⁽⁷⁾, the average wage rate rose by 1.7% in real terms in September.

6.16 Nominal *labour earnings*⁽⁸⁾, as measured by the index of nominal payroll per person engaged for all selected industry sections which covers basic wage, overtime pay, discretionary bonuses and other irregular payments, increased by 3.5% in the third quarter over a year earlier, after increases of 3.0% in the first quarter and 3.2% in the second quarter. After discounting for inflation, labour earnings rose by 1.5% in real terms in the third quarter.

6.17 Nominal payroll per person engaged in all selected industries recorded year-on-year increases in the third quarter of 2023, particularly for transportation, storage, postal and courier services (up 10.7%), accommodation and food service activities (up 5.4%) and sewerage, waste management and remediation activities (up 5.3%). The gains in almost all selected industries were faster than the preceding quarter.

Diagram 6.6 : The year-on-year increases in nominal wages and labour earnings accelerated in the first three quarters of 2023



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.

6.18 More recent statistics compiled from the GHS, though not strictly comparable to those from the business establishment surveys, indicated that employment earnings and household income attained decent growth throughout 2023. On a year-on-year comparison, the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) increased by 8.6% in nominal terms or 5.9% in real terms⁽⁹⁾ in the fourth quarter of 2023. The median monthly household income (excluding foreign domestic helpers) increased by 3.5% in nominal terms or 0.9% in real terms⁽¹⁰⁾ during the same period.

Highlights of related measures and policy developments

6.19 The Government has launched a series of measures since the end of 2022 to attract more high-quality talents from all around the world. Specifically, the Top Talent Pass Scheme (TTPS) was launched on 28 December 2022, and various enhancements to the existing talent admission schemes became effective on the same date. On 16 May 2023, the coverage of Talent List was expanded from 13 professions to 51, spanning across 9 industry segments. The 2023 Policy Address announced a number of further new measures to attract and retain talents. The physical office of the Hong Kong Talent Engage was subsequently established in late October 2023 to provide support for incoming talents and follow up with their development and needs after arrival. Furthermore, the list of eligible universities under the TTPS was expanded on 1 November 2023 to add eight top institutions from the Mainland and overseas. From 1 November 2023, full-time non-local postgraduate students are temporarily exempted from the restrictions on taking up part-time jobs to enhance their experience and understanding of working in Hong Kong and increase their incentive to stay for development after graduation. Separately, the Government will launch the New Capital Investment Entrant Scheme with a view to attracting high-net-worth asset owners to set foot in Hong Kong and inject additional funds for investment. The Vocational Professionals Admission Scheme will also be launched on a pilot basis for two years starting from the 2024/25 admission cohort, under which non-local students of designated full-time professional Higher Diploma programme of the Vocational Training Council will be allowed to stay in Hong Kong for one year after graduation to seek jobs relevant to their disciplines.

6.20 Response to the Government's efforts in trawling for talents has been positive. For 2023 as a whole, over 220 000 applications were received under the various talent admission schemes, with more than 130 000 approved (including about 50 000 under TTPS). Around 90 000 talents came to Hong Kong, far exceeding the Government's key performance indicator of drawing at least 35 000 talents per year.

6.21 The Policy Address also unveiled measures to encourage more locals to join the labour market. The Government will strengthen re-training and promote re-employment. Among these measures, the maximum monthly retraining allowance was increased from \$5,800 to \$8,000, effective from 23 February 2024. Moreover, the Government will launch a three-year Re-employment Allowance Pilot Scheme in the third quarter of 2024 to encourage the elderly and middle-aged persons aged 40 or above who have not been in paid

employment for three consecutive months or more to rejoin the labour market. Furthermore, the Government will strengthen support for working families in childbearing and unleash their labour force. Among these measures, starting from April 2024, the rates of the household and child allowances under the Working Family Allowance Scheme will be increased by 15%. Over the next three years starting from 2024, 10 more aided standalone child care centres will be set up in phases, and the After-School Care Programme for Pre-primary Children will be extended in phases to cover all districts in Hong Kong.

6.22 To address the labour shortage issue, the Government also implemented various measures on labour importation on the premise of safeguarding the employment priority for local workers. Specifically, the special scheme to import care workers for residential care homes was launched in June 2023, and the sector-specific labour importation schemes for the construction and transport sectors were launched in July 2023. By the end of 2023, around 2 000 quotas were approved for residential care homes to import additional care workers. 7 184 quotas were approved under the labour importation scheme for the construction sector (including 835 quotas previously approved under the Supplementary Labour Scheme). A total of 3 810 quotas were approved under the labour importation scheme for the transport sector, of which 2 841 were for the aviation industry and 969 were for the public light bus/coach trade. Separately, the Enhanced Supplementary Labour Scheme was launched on 4 September 2023.

6.23 The Minimum Wage Commission (MWC) submitted the study report on enhancing the review mechanism of Statutory Minimum Wage to the Government on 31 October 2023. The Government will examine and consider the recommendations made by MWC, and decide on the way forward of the review mechanism in six months' time.

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 from November 2021 – January 2022 to October – December 2022 have been revised to take into account the final end-2022 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. The occupation classification adopted in the General Household Survey has been enhanced since January – March 2022 to follow the International Standard Classification of Occupations 2008 (ISCO-08) more closely. The series has been backcasted to the quarter of January – March 2016. Starting from the reference quarter of January – March 2016, all the labour force statistics by occupation, unless otherwise specified, are compiled based on the revised classification.

- (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 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) 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 headline 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 headline 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.
- (8) 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.
- (9) The headline Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for the median monthly employment earnings of full-time employees (excluding foreign domestic helpers).
- (10) The headline Composite CPI is also taken as the price deflator for the median monthly household income (excluding foreign domestic helpers).

CHAPTER 7 : PRICES

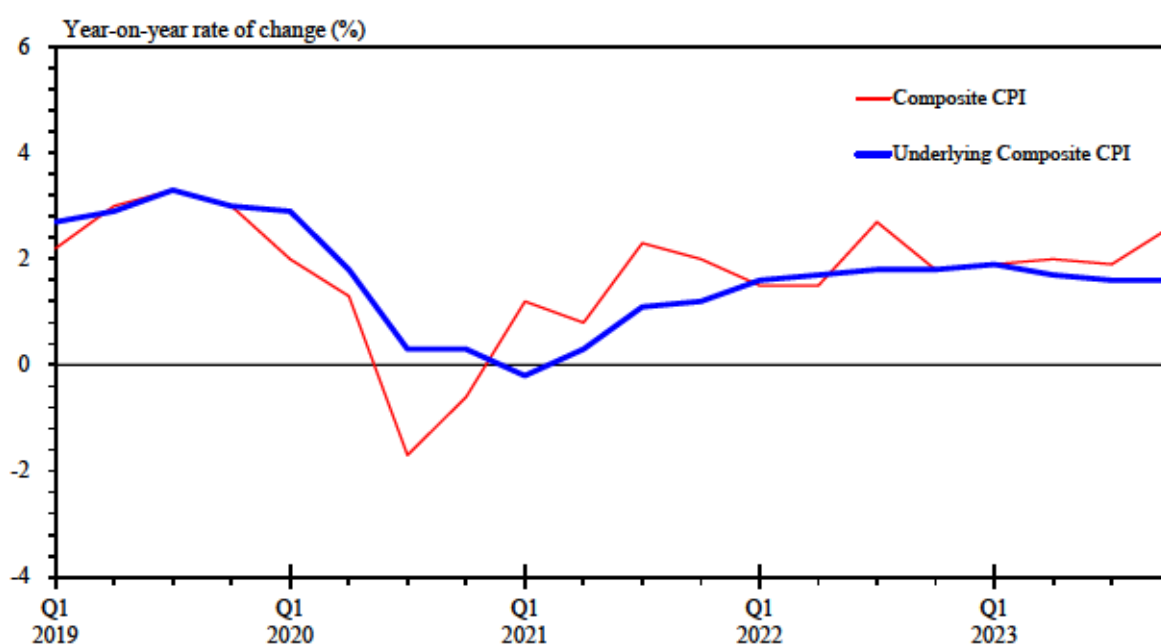
Summary

- *Underlying consumer price inflation stayed moderate in overall terms in 2023. Prices of meals out and takeaway food as well as clothing and footwear rose visibly. Prices of electricity soared for the year as a whole, but the rate of increase moderated successively and turned to a decline in the fourth quarter. Price pressures on other major components remained broadly in check. Private housing rentals continued to fall, though at a narrowed rate. The underlying Composite Consumer Price Index (Composite CPI)⁽¹⁾, which nets out the effects of the Government's one-off relief measures, rose by 1.7% in 2023, the same as in 2022.*
- *The headline Composite CPI inflation rate averaged 2.1% in 2023, compared to 1.9% in 2022. The higher headline inflation rate than its underlying counterpart in 2023 was mainly due to the lower rates concession.*
- *Domestic business cost pressures remained contained in 2023. Nominal wage growth picked up during the year on the back of improved labour market conditions, but remained largely moderate. Commercial rentals stayed soft.*
- *External price pressures eased in 2023, though remaining visible. Alongside receding inflation in many major economies⁽²⁾, import prices of most end-use categories recorded moderated albeit still notable increases, while those of fuels turned to a sharp decline against a high base of comparison.*

Consumer prices

7.1 Underlying consumer price inflation stayed moderate in overall terms in 2023. Prices of meals out and takeaway food as well as clothing and footwear rose visibly. Prices of electricity soared for the year as a whole, but the rate of increase moderated successively and turned to a decline in the fourth quarter. Price pressures on other major components remained broadly in check. Private housing rentals continued to fall, though at a narrowed rate. Domestic business cost pressures remained contained. Nominal wage growth picked up during the year on the back of improved labour market conditions, but remained largely moderate. Commercial rentals stayed soft. External price pressures eased alongside receding inflation in many major economies, though remaining visible. Import prices of most end-use categories recorded moderated albeit still notable increases, while those of fuels turned to a sharp decline against a high base of comparison.

Diagram 7.1: Underlying consumer price inflation stayed moderate in overall terms in 2023



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.

7.2 Underlying consumer price inflation, in terms of the year-on-year rate of change in the underlying Composite CPI which nets out the effects of the Government's one-off relief measures, remained at 1.7% in 2023, the same as in 2022, with the quarterly figures moving within a narrow range of 1.6% to 1.9%. Meanwhile, the headline Composite CPI inflation picked up slightly to 2.1% in 2023 from 1.9% in 2022. The headline inflation rate was higher than its underlying counterpart in 2023 mainly due to the lower rates concession.

Table 7.1 : 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^(a)</u> | <u>Headline</u> | | | |
| 2022 | Annual | 1.7 | 1.9 | 2.2 | 1.7 | 1.8 |
| | H1 | 1.6 | 1.5 | 1.4 | 1.5 | 1.7 |
| | H2 | 1.8 | 2.3 | 3.0 | 1.9 | 1.9 |
| | Q1 | 1.6 | 1.5 | 1.5 | 1.5 | 1.6 |
| | Q2 | 1.7 | 1.5 | 1.2 | 1.4 | 1.8 |
| | Q3 | 1.8 | 2.7 | 4.1 | 2.1 | 1.9 |
| | Q4 | 1.8 | 1.8 | 1.9 | 1.7 | 1.9 |
| | 2023 | Annual | 1.7 | 2.1 | 2.3 | 2.0 |
| | H1 | 1.8 | 2.0 | 2.1 | 1.9 | 2.0 |
| | H2 | 1.6 | 2.2 | 2.5 | 2.1 | 2.1 |
| | Q1 | 1.9 | 1.9 | 2.0 | 1.8 | 2.0 |
| | Q2 | 1.7 | 2.0 | 2.2 | 1.9 | 2.0 |
| | Q3 | 1.6 | 1.9 | 1.9 | 1.8 | 1.9 |
| | Q4 | 1.6 | 2.6 | 3.0 | 2.4 | 2.3 |

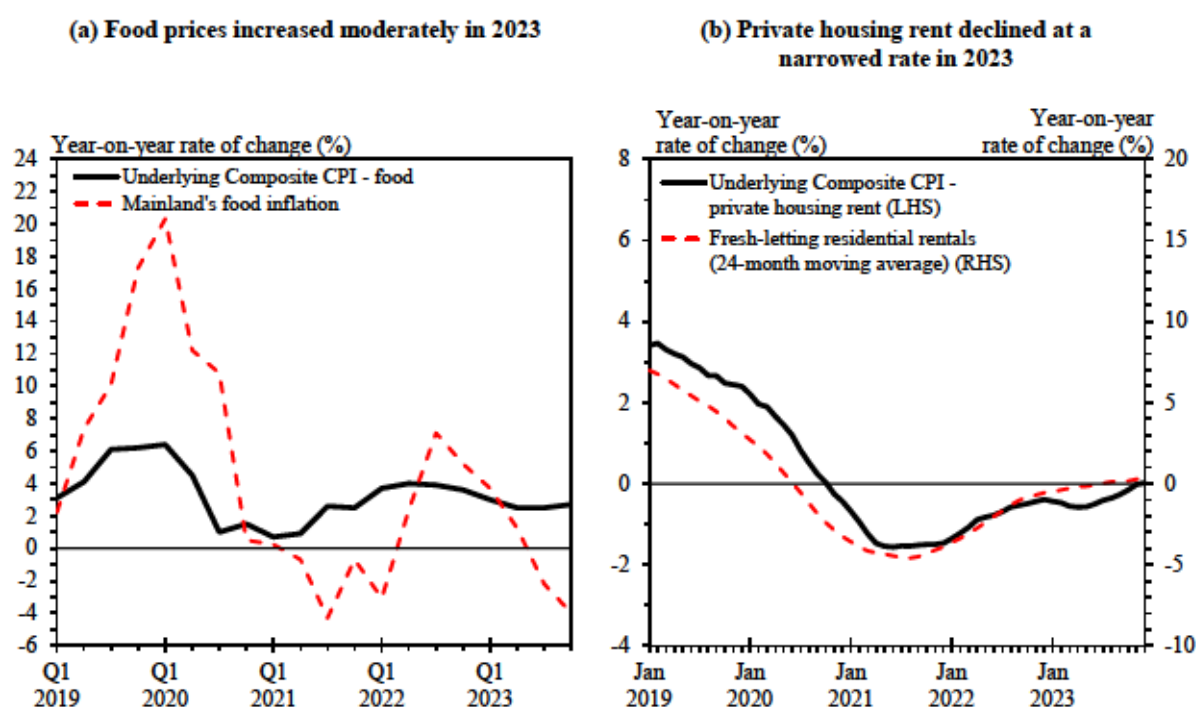
(seasonally adjusted quarter-to-quarter rate of change (%))

| | | | | | | |
|------|----|-----|-----|-----|-----|-----|
| 2022 | Q1 | 0.5 | 0.6 | 0.5 | 0.5 | 0.5 |
| | Q2 | 0.4 | 0.1 | 0.1 | 0.2 | 0.5 |
| | Q3 | 0.5 | 0.6 | 0.7 | 0.5 | 0.5 |
| | Q4 | 0.3 | 0.6 | 0.6 | 0.6 | 0.6 |
| 2023 | Q1 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 |
| | Q2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.3 |
| | Q3 | 0.3 | 0.4 | 0.5 | 0.4 | 0.4 |
| | Q4 | 0.3 | 1.3 | 1.6 | 1.1 | 1.0 |

Note : (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, subsidies for household electricity charges, and waiver of examination fees.

7.3 Analysed by major component of the underlying Composite CPI, food prices, the component with the largest weight other than housing, increased moderately by 2.7% in 2023. Within food prices, prices of meals out and takeaway food rose visibly by 4.0%, while prices of basic food edged up by 0.5%. Prices of clothing and footwear continued to increase notably. As led by prices of electricity, prices of electricity, gas and water surged in the first half of the year but recorded a sharply decelerated rate of increase in the third quarter and a decline in the fourth quarter. Prices of alcoholic drinks and tobacco surged alongside the duty rate hike on tobacco which took effect in late February 2023. Price increases of transport, miscellaneous goods and miscellaneous services remained moderate. Meanwhile, prices of durable goods turned to a decline. As for housing, the private housing rental component fell at a narrowed rate of 0.4% in 2023 as the effect of rising fresh-letting residential rentals since early 2023 gradually fed through.

Diagram 7.2 : 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 7.3 (a) : Prices of electricity, gas and water increased markedly in 2023 while those of meals out and takeaway food and clothing and footwear rose visibly

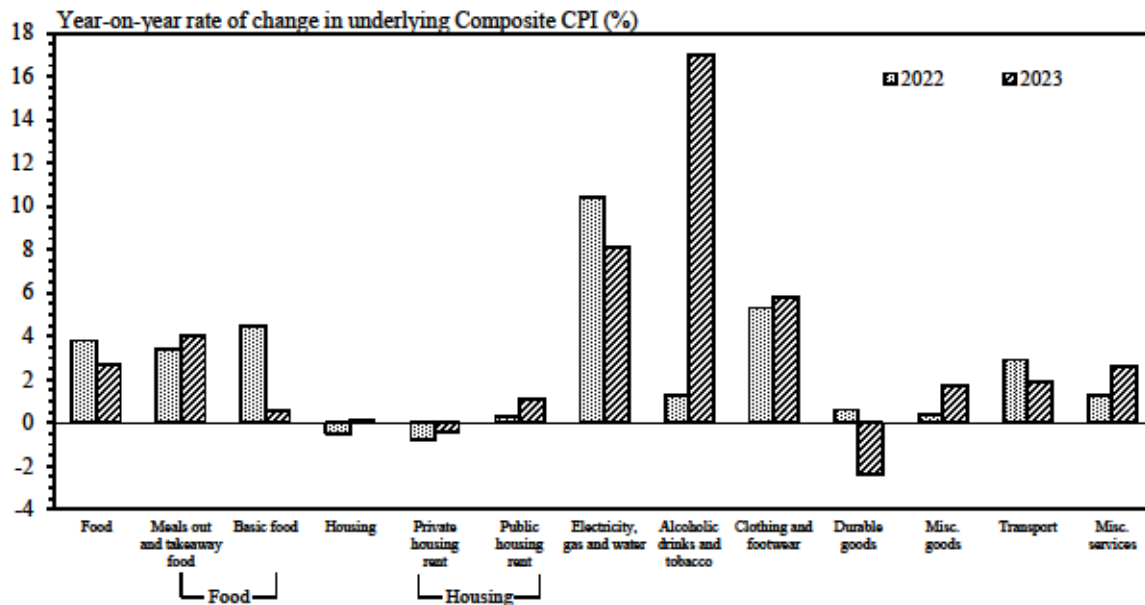
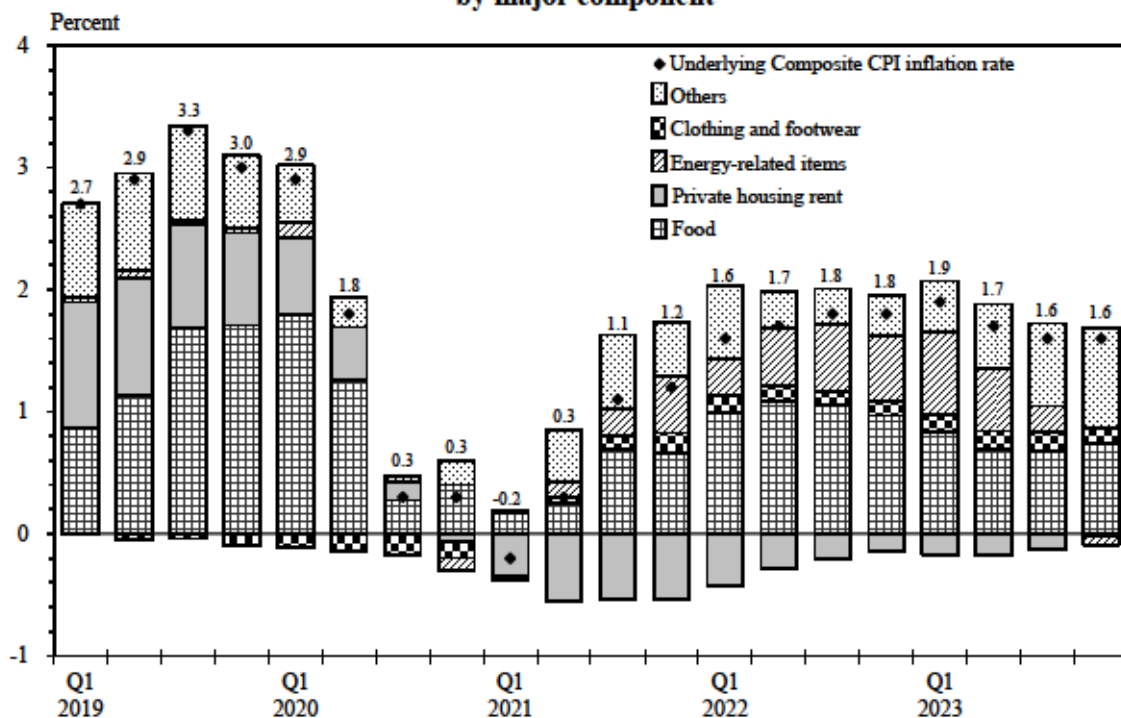


Diagram 7.3 (b) : Contribution to underlying Composite CPI inflation rate by major component



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

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 7.2 : Underlying Composite CPI by component
(year-on-year rate of change (%))

| <u>Expenditure component</u> | <u>Weighting (%)</u> | <u>2022</u> | <u>Annual</u> | <u>2023</u> | | | |
|------------------------------------|----------------------|----------------|---------------|----------------|----------------|---------------|----------------|
| | | | | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> |
| Food | 27.41 | 3.8 | 2.7 | 3.0 | 2.5 | 2.5 | 2.7 |
| <i>Meals out and takeaway food</i> | 17.05 | 3.4 | 4.0 | 4.4 | 4.0 | 3.8 | 3.7 |
| <i>Basic food</i> | 10.36 | 4.5 | 0.5 | 0.8 | 0.2 | 0.2 | 0.9 |
| Housing ^(a) | 40.25 | -0.5 (0.2) | 0.1 (1.0) | -0.1 (-0.1) | -0.1 (0.6) | 0.2 (0.8) | 0.4 (2.8) |
| <i>Private housing rent</i> | 35.46 | -0.8 (-0.6) | -0.4 (0.5) | -0.5 (-0.5) | -0.5 (0.2) | -0.4 (0.4) | -0.1 (1.8) |
| <i>Public housing rent</i> | 1.87 | 0.3 (9.6) | 1.1 (4.4) | 1.2 (0.7) | 1.5 (1.7) | 1.5 (1.7) | 0.3 (13.5) |
| Electricity, gas and water | 2.82 | 10.4 (7.2) | 8.1 (9.6) | 17.2 (20.4) | 13.2 (15.9) | 5.2 (6.1) | -2.1 (-2.3) |
| Alcoholic drinks and tobacco | 0.49 | 1.3 | 17.0 | 11.2 | 18.8 | 19.0 | 18.8 |
| Clothing and footwear | 2.42 | 5.3 | 5.8 | 5.9 | 5.9 | 6.5 | 5.0 |
| Durable goods | 4.00 | 0.6 | -2.4 | -2.3 | -3.6 | -2.5 | -1.2 |
| Miscellaneous goods | 3.32 | 0.4 | 1.7 | 0.9 | 1.5 | 2.2 | 2.2 |
| Transport | 6.17 | 2.9 | 1.9 | 1.4 | 1.7 | 2.0 | 2.5 |
| Miscellaneous services | 13.12 | 1.3 (1.3) | 2.6 (2.6) | 2.1 (2.2) | 2.5 (2.5) | 2.5 (2.5) | 3.2 (3.2) |
| All items | 100.00 | 1.7 (1.9) | 1.7 (2.1) | 1.9 (1.9) | 1.7 (2.0) | 1.6 (1.9) | 1.6 (2.6) |

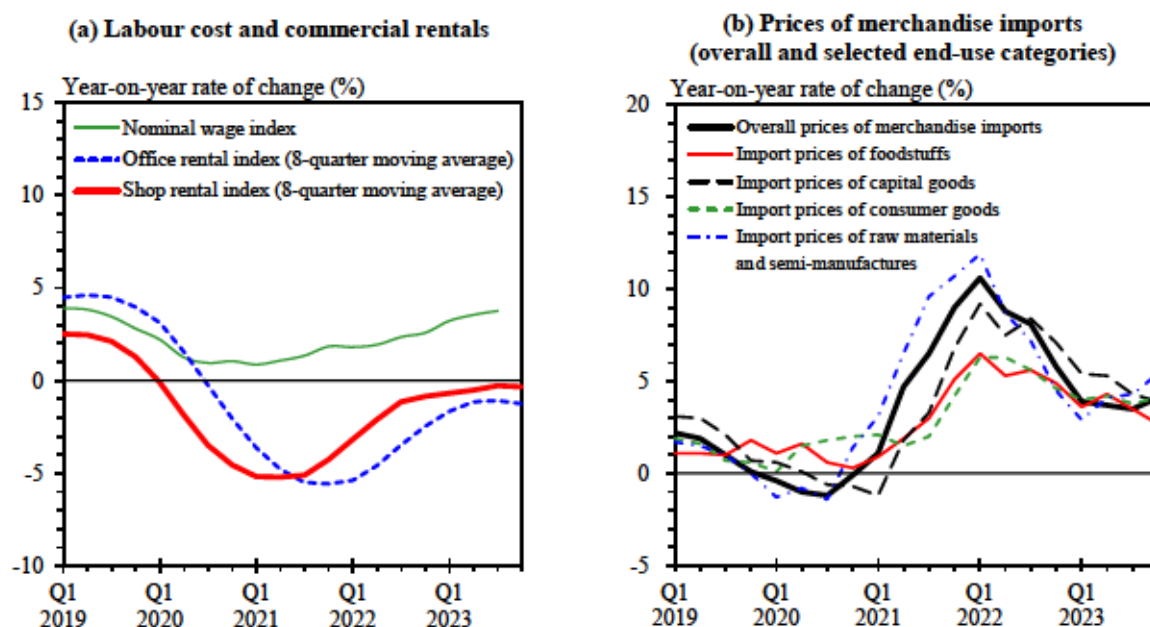
Notes : (a) The housing component covers rents, rates, Government rent, management fees and other housing charges. Its sub-components on private and public housing rents as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public housing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

Costs of factor inputs and import prices

7.4 Domestic business cost pressures remained contained in 2023. As labour market conditions continued to improve, the year-on-year increase in nominal wages picked up during the year, but was still largely moderate. Commercial rentals faced by businesses stayed soft. As a proxy, the eight-quarter moving averages of office rentals and shop rentals continued to register year-on-year declines throughout 2023, though at a narrowed pace as compared to 2022 amid the revival of business activities.

Diagram 7.4 : Domestic business cost pressures remained contained, while external price pressures eased though remaining visible



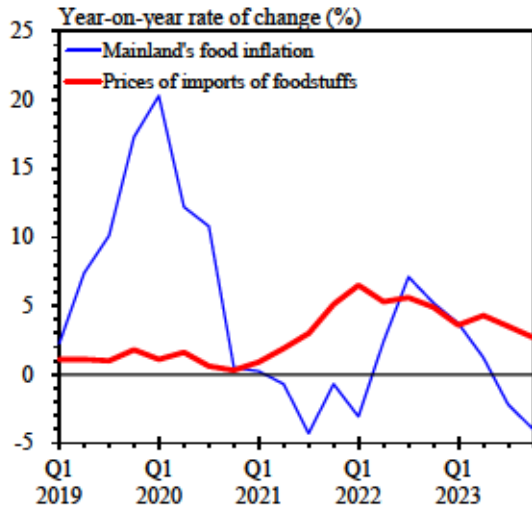
7.5 External price pressures eased in 2023, though remaining visible. Inflation in many major economies, while remained elevated, generally receded from earlier peaks. Against this backdrop, prices of overall merchandise imports rose by 3.9% in 2023, slowing from the 8.1% increase in the preceding year. Analysed by end-use category, import prices of capital goods, raw materials and semi-manufactures, consumer goods and foodstuffs all recorded slower albeit still visible increases of 4.9%, 4.4%, 4.0% and 3.6% respectively. Import prices of fuels turned to a sharp decline of 16.2% as international energy prices retreated from the high level caused by geopolitical events in the preceding year.

**Table 7.3 : Prices of imports by end-use category
(year-on-year rate of change (%))**

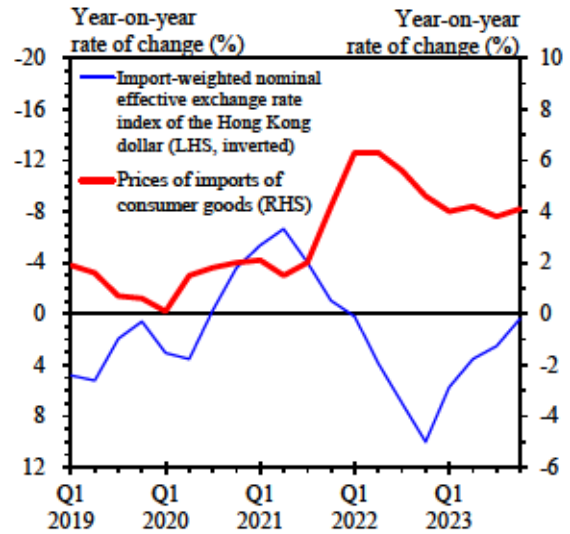
| | | <u>Foodstuffs</u> | <u>Consumer goods</u> | <u>Raw materials and semi-manufactures</u> | <u>Fuels</u> | <u>Capital goods</u> | <u>All</u> |
|------|--------|-------------------|-----------------------|--|--------------|----------------------|------------|
| 2022 | Annual | 5.6 | 5.6 | 7.9 | 49.8 | 7.8 | 8.1 |
| | H1 | 5.9 | 6.3 | 10.2 | 61.9 | 8.3 | 9.7 |
| | H2 | 5.2 | 5.0 | 5.9 | 41.1 | 7.7 | 6.9 |
| | Q1 | 6.5 | 6.3 | 11.9 | 53.0 | 9.2 | 10.6 |
| | Q2 | 5.3 | 6.3 | 8.7 | 71.3 | 7.5 | 8.8 |
| | Q3 | 5.6 | 5.6 | 7.2 | 56.8 | 8.4 | 8.1 |
| | Q4 | 4.9 | 4.6 | 4.5 | 26.8 | 7.1 | 5.8 |
| | 2023 | Annual | 3.6 | 4.0 | 4.4 | -16.2 | 4.9 |
| | H1 | 4.0 | 4.1 | 3.6 | -12.4 | 5.3 | 3.8 |
| | H2 | 3.1 | 3.9 | 4.9 | -19.5 | 4.1 | 3.9 |
| | Q1 | 3.6 | 4.0 | 2.9 | 5.4 | 5.4 | 3.9 |
| | Q2 | 4.3 | 4.2 | 4.1 | -26.7 | 5.3 | 3.7 |
| | Q3 | 3.5 | 3.8 | 4.3 | -21.7 | 4.3 | 3.5 |
| | Q4 | 2.7 | 4.1 | 5.4 | -16.7 | 3.9 | 4.1 |

Diagram 7.5: Prices of merchandise imports by selected end-use category

(a) Import prices of foodstuffs recorded a moderated albeit still visible increase in 2023

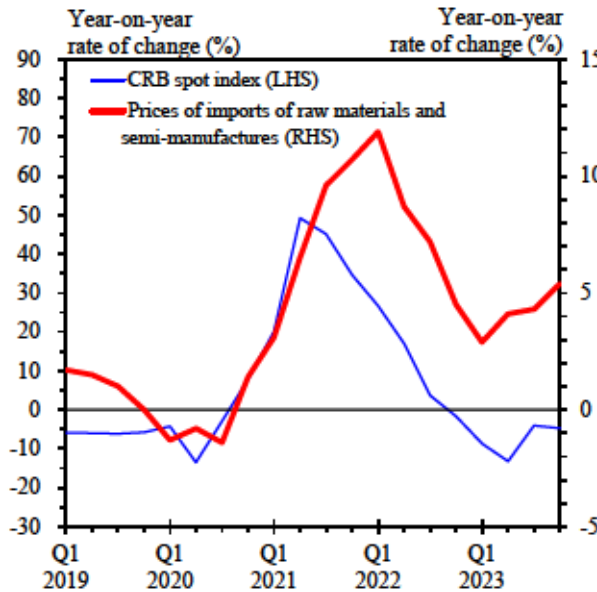


(b) Increase in import prices of consumer goods decelerated but remained visible in 2023

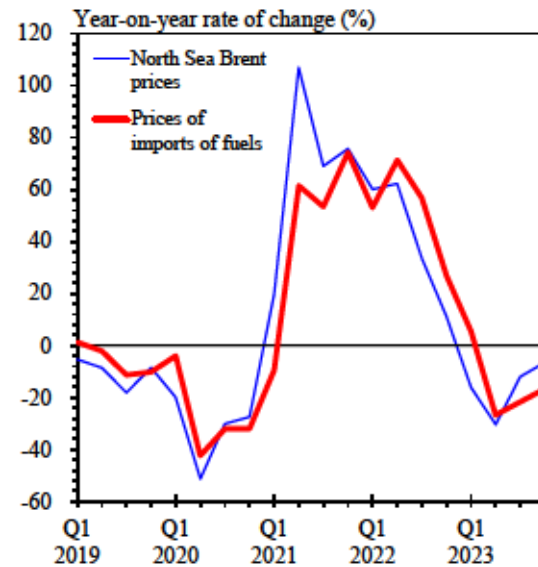


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) Import prices of raw materials and semi-manufactures rose at a slowed but still notable pace in 2023



(d) Import prices of fuels turned to a sharp decline in 2023



Output prices

7.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, saw mixed movements across different sectors in the first three quarters of 2023. Output prices for the manufacturing sector continued to rise mildly. Among the selected service sectors, output prices for accommodation services surged and surpassed the pre-pandemic level. Output prices for courier services turned to an increase. Output prices for land transport recorded an increase in the first quarter, and declines in the second and third quarters, resulting in a marginal increase for the three quarters combined. Meanwhile, output prices for water transport and air transport plunged from the high levels caused by the pandemic-induced disruptions a year ago. Output prices for telecommunications services continued its secular downtrend.

Table 7.4 : Producer Price Indices for the manufacturing sector and selected service sectors (year-on-year rate of change (%))

| <u>Industry group</u> | <u>Annual</u> | <u>2022</u> | | | | | <u>2023</u> | | |
|--------------------------|---------------|-------------|-----------|-----------|-----------|--------------|-------------|-----------|-----------|
| | | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Q1-Q3</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> |
| Manufacturing | 0.8 | 2.3 | 0.8 | 0.4 | -0.3 | 1.2 | 0.9 | -0.2 | 3.0 |
| Selected service sectors | | | | | | | | | |
| Accommodation services | 13.0 | 8.9 | 12.2 | 17.2 | 13.6 | 24.4 | 21.1 | 29.7 | 22.5 |
| Land transport | 9.5 | 9.4 | 10.8 | 9.4 | 8.5 | 0.1 | 4.4 | -2.3 | -1.5 |
| Water transport | 18.1 | 57.0 | 40.0 | 10.2 | -17.0 | -40.5 | -38.7 | -42.2 | -40.7 |
| Air transport | 2.8 | 42.8 | 17.8 | -1.7 | -29.5 | -27.6 | -28.9 | -30.0 | -23.3 |
| Telecommunications | -1.3 | -0.6 | -0.8 | -1.8 | -2.2 | -1.2 | -1.1 | -1.3 | -1.2 |
| Courier services | -4.5 | -4.1 | -4.1 | -4.0 | -5.8 | 3.6 | 1.4 | 4.1 | 5.5 |

GDP deflator

7.7 As a broad measure of the overall change in prices in the economy, the increase in the *GDP deflator*⁽⁴⁾ picked up to 3.2% in 2023 from 1.7% in 2022. The *terms of trade*⁽⁵⁾ edged down by 0.3% for 2023 as a whole. Taking out the external trade components, the domestic demand deflator increased by 3.9% in 2023.

Diagram 7.6: GDP deflator

(a) The increase in GDP deflator picked up in 2023

(b) Terms of trade edged down for 2023 as a whole

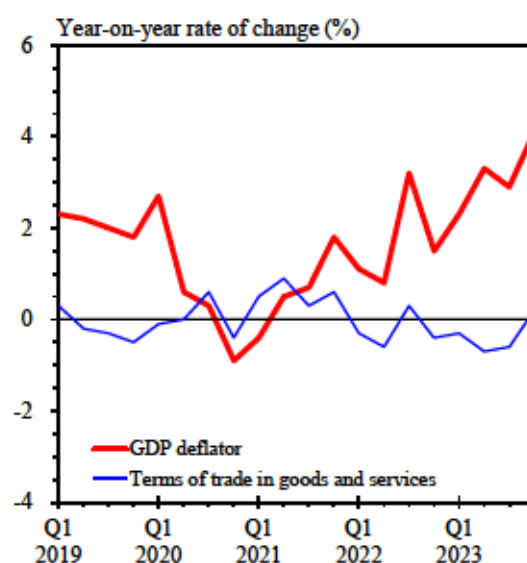
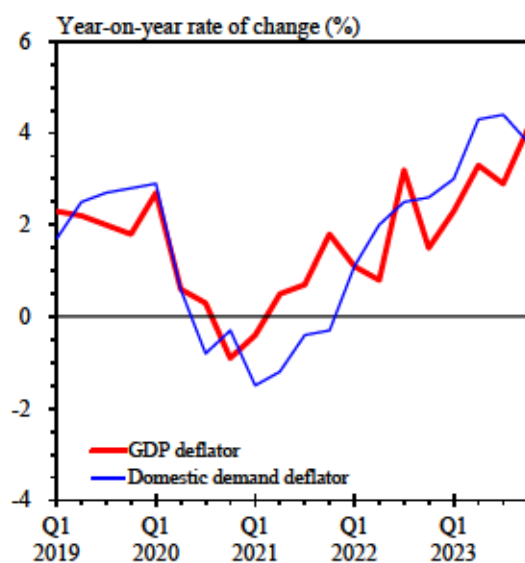


Table 7.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))

| | <u>Annual</u> [#] | <u>2022</u> | | | | <u>2023</u> | | | | |
|---|----------------------------|------------------------|------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|------------------------|------------------------|
| | | <u>Q1</u> [#] | <u>Q2</u> [#] | <u>Q3</u> [#] | <u>Q4</u> [#] | <u>Annual</u> [#] | <u>Q1</u> [#] | <u>Q2</u> [#] | <u>Q3</u> [#] | <u>Q4</u> [#] |
| Private consumption expenditure | 2.2 | 0.9 | 2.0 | 2.8 | 3.1 | 5.1 | 4.6 | 4.7 | 5.8 | 5.3 |
| Government consumption expenditure | 2.6 | 1.6 | 3.9 | 3.2 | 1.9 | 2.6 | 2.6 | 3.3 | 2.6 | 2.2 |
| Gross domestic fixed capital formation | 1.0 | 0.1 | 3.8 | 1.3 | -1.3 | -0.4 | -1.9 | 0.4 | 0.2 | -0.4 |
| Total exports of goods ^{&} | 6.8 | 9.3 | 7.1 | 7.1 | 4.6 | 4.2 | 3.7 | 3.7 | 3.7 | 5.2 |
| Imports of goods ^{&} | 7.3 | 10.2 | 8.3 | 6.8 | 4.8 | 4.3 | 3.6 | 4.3 | 4.1 | 5.0 |
| Exports of services ^{&} | 6.3 | 13.5 | 11.8 | 2.5 | -1.4 | -1.8 | -2.6 | -3.8 | -1.1 | 0.1 |
| Imports of services ^{&} | 4.4 | 9.2 | 7.7 | 1.1 | 0.5 | -0.7 | 0.3 | -2.6 | 0.8 | -1.2 |
| Gross Domestic Product | 1.7 | 1.1 <0.2> | 0.8 <*> | 3.2 <2.1> | 1.5 <-0.7> | 3.2 | 2.3 <0.9> | 3.3 <1.1> | 2.9 <1.6> | 4.1 <0.5> |
| Total final demand ^{&} | 5.2 | 6.9 | 5.7 | 5.2 | 3.2 | 3.3 | 2.6 | 3.1 | 3.2 | 4.2 |
| Domestic demand | 2.1 | 1.1 | 2.0 | 2.5 | 2.6 | 3.9 | 3.0 | 4.3 | 4.4 | 3.8 |
| Terms of trade in goods and services ^{&} | -0.3 | -0.3 | -0.6 | 0.3 | -0.4 | -0.3 | -0.3 | -0.7 | -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 with 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 updated the base period and expenditure weights for compiling the CPIs. 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:

| | <u>Approximate proportion of households covered</u> (%) | <u>Average monthly expenditure range during Oct 2019 to Sep 2020</u> (\$) |
|--------|--|--|
| 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> (%) | <u>CPI(A)</u> (%) | <u>CPI(B)</u> (%) | <u>CPI(C)</u> (%) |
|--|-----------------------------|----------------------|----------------------|----------------------|
| 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>Management fees 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>2022</u> | | | | | <u>2023</u> | | | | |
|--|---------------|-----------|-----------|-----------|-----------|---------------|-----------|-----------|-----------|-----------|
| | <u>Annual</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Annual</u> | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> |
| Selected developed economies | | | | | | | | | | |
| US | 8.0 | 8.0 | 8.6 | 8.3 | 7.1 | 4.1 | 5.8 | 4.0 | 3.5 | 3.2 |
| Canada | 6.8 | 5.8 | 7.5 | 7.2 | 6.7 | 3.9 | 5.1 | 3.5 | 3.7 | 3.2 |
| EU | 9.2 | 6.5 | 8.8 | 10.3 | 11.0 | 6.4 | 9.4 | 7.2 | 5.7 | 3.4 |
| Japan | 2.5 | 0.9 | 2.4 | 2.9 | 3.9 | 3.2 | 3.6 | 3.4 | 3.1 | 2.9 |
| Selected major emerging economies | | | | | | | | | | |
| Mainland China | 2.0 | 1.1 | 2.2 | 2.7 | 1.8 | 0.2 | 1.3 | 0.1 | -0.1 | -0.3 |
| Russia | 13.8 | 11.6 | 17.0 | 14.3 | 12.2 | 5.9 | 8.6 | 2.7 | 5.2 | 7.2 |
| India | 6.7 | 6.3 | 7.3 | 7.0 | 6.1 | 5.7 | 6.2 | 4.6 | 6.4 | 5.4 |
| Brazil | 9.3 | 10.7 | 11.9 | 8.6 | 6.1 | 4.6 | 5.3 | 3.8 | 4.6 | 4.7 |
| Selected Asian economies | | | | | | | | | | |
| Hong Kong | 1.9 | 1.5 | 1.5 | 2.7 | 1.8 | 2.1 | 1.9 | 2.0 | 1.9 | 2.6 |
| Singapore | 6.1 | 4.6 | 5.9 | 7.3 | 6.6 | 4.8 | 6.1 | 5.1 | 4.1 | 4.0 |
| Taiwan | 2.9 | 2.8 | 3.5 | 2.9 | 2.6 | 2.5 | 2.6 | 2.0 | 2.4 | 2.9 |
| Korea | 5.1 | 3.9 | 5.4 | 5.8 | 5.2 | 3.6 | 4.6 | 3.3 | 3.1 | 3.4 |
| Malaysia | 3.3 | 2.2 | 2.8 | 4.5 | 3.9 | 2.5 | 3.6 | 2.8 | 2.0 | 1.6 |
| Thailand | 6.1 | 4.7 | 6.5 | 7.3 | 5.8 | 1.2 | 3.9 | 1.1 | 0.5 | -0.5 |
| Indonesia | 4.2 | 2.3 | 3.8 | 5.2 | 5.5 | 3.7 | 5.2 | 3.9 | 2.9 | 2.7 |
| Philippines | 5.8 | 3.4 | 5.5 | 6.5 | 7.9 | 6.0 | 8.3 | 6.0 | 5.4 | 4.3 |
| Vietnam | 3.2 | 1.9 | 3.0 | 3.3 | 4.4 | 3.3 | 4.2 | 2.4 | 2.9 | 3.5 |
| Macao | 1.0 | 1.0 | 1.2 | 1.2 | 0.8 | 0.9 | 0.8 | 0.8 | 0.9 | 1.2 |

- (3) The Producer Price Indices are 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.
- (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

| <u>Table</u> | <u>Page</u> |
|--|-------------|
| 1. Gross Domestic Product by expenditure component (at current market prices) | 120-121 |
| 2. Rates of change in chain volume measures of Gross Domestic Product by expenditure component (in real terms) | 122-123 |
| 3. Gross Domestic Product by economic activity (at current prices) | 124 |
| 4. Rates of change in chain volume measures of Gross Domestic Product by economic activity (in real terms) | 125 |
| 5. Value added and employment statistics of the Four Key Industries and other selected industries | 126-127 |
| 6. Balance of Payments by major component (at current prices) | 128 |
| 7. Goods and services trade (at current market prices) | 129 |
| 8. Total exports of goods by market (in value terms) | 130 |
| 9. Imports of goods by source (in value terms) | 131 |
| 10. Exports and imports of services by component (at current market prices) | 132 |
| 11. Incoming visitors by source | 133 |
| 12. Property market | 134-135 |
| 13. Property prices and rentals | 136-137 |
| 14. Monetary aggregates | 138-139 |
| 15. Rates of change in business receipts indices for services industries/domains | 140 |
| 16. Labour force characteristics | 141 |
| 17. Employment in selected major industries | 142 |
| 18. Number of manual workers engaged at building and construction sites | 143 |
| 19. Rates of change in indices of payroll per person engaged by selected industry section | 144 |
| 20. Rates of change in wage indices by selected industry section | 145 |
| 21. Monthly wage level and distribution analysed by industry section : all employees | 146 |
| 22. Hourly wage level and distribution analysed by industry section : all employees | 147 |
| 23. Rates of change in prices | 148-149 |
| 24. Rates of change in Composite Consumer Price Index | 150-151 |
| 25. Rates of change in implicit price deflators of GDP and its main expenditure components | 152-153 |

**Table 1 : Gross Domestic Product by expenditure component
(at current market prices)**

| | (\$Mn) | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
| Private consumption expenditure | 1,502,768 | 1,593,091 | 1,650,101 | 1,784,375 | 1,936,427 | 1,973,720 |
| Government consumption expenditure | 214,216 | 231,263 | 247,973 | 261,447 | 281,420 | 309,437 |
| Gross domestic fixed capital formation | 530,916 | 537,205 | 535,216 | 575,977 | 612,439 | 520,575 |
| Building and construction | 244,047 | 262,780 | 283,447 | 297,306 | 308,596 | 278,091 |
| Costs of ownership transfer | 43,967 | 45,846 | 44,517 | 65,810 | 67,482 | 49,209 |
| Machinery, equipment and intellectual property products | 242,902 | 228,579 | 207,252 | 212,861 | 236,361 | 193,275 |
| Changes in inventories | 7,473 | -20,580 | 447 | 10,973 | 11,204 | -3,067 |
| Total exports of goods ^{&} | 3,986,769 | 3,889,225 | 3,892,886 | 4,212,774 | 4,453,350 | 4,255,098 |
| Imports of goods ^{&} | 4,237,700 | 4,066,527 | 4,022,579 | 4,391,306 | 4,706,347 | 4,375,619 |
| Exports of services ^{&} | 829,085 | 808,948 | 764,660 | 811,295 | 886,883 | 799,121 |
| Imports of services ^{&} | 573,522 | 574,345 | 578,106 | 605,924 | 639,947 | 634,243 |
| GDP | 2,260,005 | 2,398,280 | 2,490,598 | 2,659,611 | 2,835,429 | 2,845,022 |
| <i>Per capita GDP (\$)</i> | <i>312,609</i> | <i>328,924</i> | <i>339,476</i> | <i>359,737</i> | <i>380,462</i> | <i>378,937</i> |
| GNI | 2,306,612 | 2,442,656 | 2,553,191 | 2,775,163 | 2,970,244 | 2,988,739 |
| <i>Per capita GNI (\$)</i> | <i>319,056</i> | <i>335,010</i> | <i>348,007</i> | <i>375,367</i> | <i>398,551</i> | <i>398,079</i> |
| Total final demand | 7,071,227 | 7,039,152 | 7,091,283 | 7,656,841 | 8,181,723 | 7,854,884 |
| Total final demand excluding re-exports ^(a) | 4,116,670 | 4,139,786 | 4,190,686 | 4,496,472 | 4,819,554 | 4,602,059 |
| Domestic demand | 2,255,373 | 2,340,979 | 2,433,737 | 2,632,772 | 2,841,490 | 2,800,665 |
| Private | 1,929,514 | 1,991,436 | 2,062,216 | 2,240,487 | 2,425,554 | 2,359,687 |
| Public | 325,859 | 349,543 | 371,521 | 392,285 | 415,936 | 440,978 |
| External demand | 4,815,854 | 4,698,173 | 4,657,546 | 5,024,069 | 5,340,233 | 5,054,219 |

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>2020</u> | <u>2021</u> | <u>2022[#]</u> | <u>2023[#]</u> | | <u>2023</u> | | |
| | | | | | Q1 [#] | Q2 [#] | Q3 [#] | Q4 [#] |
| Private consumption expenditure | 1,775,202 | 1,863,524 | 1,863,421 | 2,101,678 | 497,388 | 533,434 | 518,615 | 552,241 |
| Government consumption expenditure | 341,052 | 363,591 | 402,903 | 395,702 | 108,217 | 93,217 | 97,165 | 97,103 |
| Gross domestic fixed capital formation | 455,695 | 483,054 | 451,429 | 498,206 | 113,090 | 122,621 | 129,869 | 132,626 |
| Building and construction | 254,459 | 259,950 | 283,395 | 299,379 | 70,629 | 76,222 | 77,037 | 75,491 |
| Costs of ownership transfer | 40,071 | 53,279 | 28,415 | 25,522 | 8,545 | 7,819 | 5,176 | 3,982 |
| Machinery, equipment and intellectual property products | 161,165 | 169,825 | 139,619 | 173,305 | 33,916 | 38,580 | 47,656 | 53,153 |
| Changes in inventories | 52,221 | -1,909 | -23,593 | -29,396 | -7,710 | -17,328 | 3,518 | -7,876 |
| Total exports of goods ^{&} | 4,198,338 | 5,236,005 | 4,812,517 | 4,497,080 | 1,022,708 | 1,066,824 | 1,163,070 | 1,244,478 |
| Imports of goods ^{&} | 4,239,663 | 5,211,334 | 4,852,975 | 4,625,331 | 1,060,545 | 1,129,066 | 1,184,443 | 1,251,277 |
| Exports of services ^{&} | 519,205 | 615,069 | 650,549 | 774,105 | 191,781 | 182,081 | 197,310 | 202,933 |
| Imports of services ^{&} | 426,257 | 480,027 | 495,151 | 620,716 | 144,169 | 144,281 | 156,678 | 175,588 |
| GDP | 2,675,793 | 2,867,973 | 2,809,100 | 2,991,328 | 720,760 | 707,502 | 768,426 | 794,640 |
| <i>Per capita GDP (\$)</i> | <i>357,679</i> | <i>386,879</i> | <i>382,393</i> | <i>396,933</i> | – | – | – | – |
| GNI | 2,831,876 | 3,066,705 | 2,994,869 | N.A. | 760,180 | 787,335 | 861,860 | N.A. |
| <i>Per capita GNI (\$)</i> | <i>378,542</i> | <i>413,687</i> | <i>407,681</i> | <i>N.A.</i> | – | – | – | – |
| Total final demand | 7,341,713 | 8,559,334 | 8,157,226 | 8,237,375 | 1,925,474 | 1,980,849 | 2,109,547 | 2,221,505 |
| Total final demand excluding re-exports ^(a) | 4,099,539 | 4,454,376 | 4,349,747 | 4,732,273 | 1,137,138 | 1,135,914 | 1,196,979 | 1,262,242 |
| Domestic demand | 2,624,170 | 2,708,260 | 2,694,160 | 2,966,190 | 710,985 | 731,944 | 749,167 | 774,094 |
| Private | 2,147,406 | 2,202,170 | 2,118,508 | 2,394,879 | 552,530 | 598,218 | 613,257 | 630,874 |
| Public | 476,764 | 506,090 | 575,652 | 571,311 | 158,455 | 133,726 | 135,910 | 143,220 |
| External demand | 4,717,543 | 5,851,074 | 5,463,066 | 5,271,185 | 1,214,489 | 1,248,905 | 1,360,380 | 1,447,411 |

- 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 merchandising 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>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Private consumption expenditure | 3.3 | 4.8 | 2.0 | 5.5 | 5.3 | -0.8 |
| Government consumption expenditure | 3.1 | 3.4 | 3.4 | 2.8 | 4.2 | 5.1 |
| Gross domestic fixed capital formation | -0.1 | -3.2 | -0.1 | 3.1 | 1.7 | -14.9 |
| Building and construction | 9.3 | 2.2 | 5.9 | -0.5 | -0.5 | -10.8 |
| Costs of ownership transfer | 6.9 | -8.3 | -2.9 | 23.2 | -11.2 | -13.4 |
| Machinery, equipment and intellectual property products | -8.7 | -7.7 | -6.4 | 3.8 | 8.8 | -20.8 |
| Total exports of goods ^{&} | 0.8 | -1.7 | 1.6 | 6.5 | 3.5 | -5.5 |
| Imports of goods ^{&} | 1.5 | -2.7 | 0.7 | 7.3 | 4.7 | -8.2 |
| Exports of services ^{&} | 1.6 | 0.3 | -3.5 | 2.8 | 4.6 | -9.6 |
| Imports of services ^{&} | -2.2 | 5.0 | 2.0 | 2.0 | 2.8 | 0.1 |
| GDP | 2.8 | 2.4 | 2.2 | 3.8 | 2.8 | -1.7 |
| <i>Per capita GDP</i> | <i>2.0</i> | <i>1.5</i> | <i>1.5</i> | <i>3.0</i> | <i>2.0</i> | <i>-2.4</i> |
| RGNI | 2.7 | 3.8 | 3.2 | 5.7 | 3.5 | -1.7 |
| <i>Per capita RGNI</i> | <i>1.9</i> | <i>2.9</i> | <i>2.6</i> | <i>4.9</i> | <i>2.7</i> | <i>-2.4</i> |
| Total final demand | 1.6 | -0.4 | 1.3 | 5.6 | 3.9 | -5.3 |
| Total final demand excluding re-exports ^(a) | 0.6 | 0.1 | 1.5 | 4.5 | 4.0 | -5.0 |
| Domestic demand | 2.9 | 1.6 | 2.6 | 5.2 | 4.4 | -3.7 |
| Private | 2.6 | 1.3 | 2.5 | 5.7 | 4.8 | -4.6 |
| Public | 4.6 | 2.9 | 3.1 | 2.2 | 2.4 | 1.5 |
| External demand | 1.0 | -1.4 | 0.7 | 5.8 | 3.7 | -6.1 |

- 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.
 (*) Change within $\pm 0.05\%$.
 N.A. Not yet available.
 (^) Average annual rate of change for the 10-year period 2012-2022.
 (~) Average annual rate of change for the 5-year period 2017-2022.

**Table 2 : Rates of change in chain volume measures of Gross Domestic Product
by expenditure component (in real terms) (Cont'd)**

(%)

| | 2020 | 2021 | 2022 [#] | 2023 [#] | 2023 | | | | Average annual rate of change: | |
|---|-------------|------------|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------|--|---|
| | | | | | Q1 [#] | Q2 [#] | Q3 [#] | Q4 [#] | 10 years 2013 to 2023 [#] | 5 years 2018 to 2023 [#] |
| Private consumption expenditure | -10.6 | 5.6 | -2.2 | 7.3 | 12.7 | 7.8 | 6.2 | 3.3 | 1.9 | -0.3 |
| Government consumption expenditure | 7.9 | 5.9 | 8.0 | -4.3 | 1.3 | -9.7 | -4.0 | -5.2 | 3.9 | 4.4 |
| Gross domestic fixed capital formation | -11.1 | 8.3 | -7.4 | 10.8 | 8.6 | -1.9 | 21.8 | 16.4 | -1.6 | -3.4 |
| Building and construction | -9.1 | -0.5 | 7.4 | 7.1 | -0.1 | 7.7 | 16.5 | 4.9 | 0.8 | -1.5 |
| Costs of ownership transfer | -4.0 | 36.2 | -43.2 | * | 26.3 | -5.0 | -17.8 | -3.9 | -3.9 | -8.4 |
| Machinery, equipment and intellectual property products | -16.0 | 15.2 | -18.9 | 20.7 | 25.7 | -16.8 | 42.3 | 43.5 | -3.9 | -5.6 |
| Total exports of goods ^{&} | -1.4 | 18.7 | -14.0 | -10.3 | -19.0 | -15.1 | -8.7 | 2.6 | -0.5 | -3.1 |
| Imports of goods ^{&} | -3.2 | 17.2 | -13.2 | -8.6 | -14.8 | -16.0 | -6.1 | 3.6 | -0.8 | -3.8 |
| Exports of services ^{&} | -34.8 | 3.4 | -0.5 | 21.2 | 16.6 | 23.0 | 23.2 | 22.2 | -2.5 | -6.0 |
| Imports of services ^{&} | -32.2 | 2.5 | -1.2 | 26.2 | 20.5 | 26.9 | 28.9 | 28.4 | -0.5 | -2.8 |
| GDP | -6.5 | 6.5 | -3.7 | 3.2 | 2.9 | 1.5 | 4.1 | 4.3 | 1.1 | -0.6 |
| <i>Per capita GDP</i> | <i>-6.2</i> | <i>7.4</i> | <i>-2.8</i> | <i>0.6</i> | -- | -- | -- | -- | <i>0.6</i> | <i>-0.8</i> |
| RGNI | -5.8 | 8.9 | -4.5 | N.A. | 6.5 | -0.4 | 5.9 | N.A. | 1.9[^] | -0.1[~] |
| <i>Per capita RGNI</i> | <i>-5.4</i> | <i>9.9</i> | <i>-3.6</i> | <i>N.A.</i> | -- | -- | -- | -- | <i>1.6[^]</i> | <i>0.1[~]</i> |
| Total final demand | -6.7 | 12.4 | -9.4 | -2.3 | -6.4 | -7.7 | -0.3 | 5.5 | -0.1 | -2.5 |
| Total final demand excluding re-exports ^(a) | -11.1 | 6.0 | -4.8 | 5.6 | 6.8 | -0.1 | 7.6 | 8.0 | * | -2.1 |
| Domestic demand | -6.9 | 4.1 | -2.5 | 6.0 | 11.6 | -1.7 | 8.9 | 6.2 | 1.3 | -0.7 |
| Private | -9.3 | 3.8 | -5.6 | 8.3 | 15.3 | -0.5 | 11.2 | 8.7 | 0.8 | -1.7 |
| Public | 6.2 | 5.2 | 10.7 | -2.4 | 0.4 | -6.8 | -0.4 | -3.2 | 3.6 | 4.1 |
| External demand | -6.7 | 17.0 | -12.5 | -6.5 | -14.8 | -10.9 | -4.9 | 5.1 | -0.8 | -3.5 |

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

| | 2018 | | 2019 | | 2020 | | 2021 | | 2022 [#] | |
|---|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|-------------------|--------------|
| | \$Mn | % share | \$Mn | % share | \$Mn | % share | \$Mn | % share | \$Mn | % share |
| Agriculture, fishing, mining and quarrying | 1,762 | 0.1 | 2,057 | 0.1 | 2,648 | 0.1 | 2,168 | 0.1 | 1,486 | 0.1 |
| Manufacturing | 27,571 | 1.0 | 29,366 | 1.1 | 25,525 | 1.0 | 26,175 | 1.0 | 26,608 | 1.0 |
| Electricity, gas and water supply, and waste management | 35,660 | 1.3 | 34,083 | 1.2 | 35,325 | 1.4 | 36,348 | 1.3 | 32,910 | 1.2 |
| Construction | 120,473 | 4.5 | 114,499 | 4.2 | 104,262 | 4.1 | 109,254 | 4.0 | 116,829 | 4.3 |
| Services | 2,514,947 | 93.1 | 2,560,716 | 93.4 | 2,392,895 | 93.4 | 2,571,900 | 93.7 | 2,557,582 | 93.5 |
| <i>Import/export, wholesale and retail trades</i> | <i>575,103</i> | <i>21.3</i> | <i>533,352</i> | <i>19.5</i> | <i>471,246</i> | <i>18.4</i> | <i>532,715</i> | <i>19.4</i> | <i>494,675</i> | <i>18.1</i> |
| <i>Accommodation and food services</i> | <i>91,525</i> | <i>3.4</i> | <i>75,918</i> | <i>2.8</i> | <i>36,934</i> | <i>1.4</i> | <i>45,394</i> | <i>1.7</i> | <i>45,351</i> | <i>1.7</i> |
| <i>Transportation, storage, postal and courier services</i> | <i>158,440</i> | <i>5.9</i> | <i>151,574</i> | <i>5.5</i> | <i>113,951</i> | <i>4.5</i> | <i>200,986</i> | <i>7.3</i> | <i>204,348</i> | <i>7.5</i> |
| <i>Information and communications</i> | <i>91,449</i> | <i>3.4</i> | <i>95,557</i> | <i>3.5</i> | <i>93,759</i> | <i>3.7</i> | <i>99,514</i> | <i>3.6</i> | <i>100,082</i> | <i>3.7</i> |
| <i>Financing and insurance</i> | <i>535,126</i> | <i>19.8</i> | <i>581,499</i> | <i>21.2</i> | <i>599,797</i> | <i>23.4</i> | <i>583,613</i> | <i>21.3</i> | <i>613,438</i> | <i>22.4</i> |
| <i>Real estate, professional and business services</i> | <i>280,843</i> | <i>10.4</i> | <i>276,497</i> | <i>10.1</i> | <i>244,337</i> | <i>9.5</i> | <i>250,306</i> | <i>9.1</i> | <i>233,080</i> | <i>8.5</i> |
| <i>Public administration, social and personal services</i> | <i>499,433</i> | <i>18.5</i> | <i>537,238</i> | <i>19.6</i> | <i>529,457</i> | <i>20.7</i> | <i>561,557</i> | <i>20.5</i> | <i>582,473</i> | <i>21.3</i> |
| <i>Ownership of premises</i> | <i>283,028</i> | <i>10.5</i> | <i>309,081</i> | <i>11.3</i> | <i>303,414</i> | <i>11.8</i> | <i>297,816</i> | <i>10.8</i> | <i>284,135</i> | <i>10.4</i> |
| GDP at basic prices | 2,700,413 | 100.0 | 2,740,721 | 100.0 | 2,560,655 | 100.0 | 2,745,846 | 100.0 | 2,735,415 | 100.0 |
| Taxes on products | 117,825 | -- | 93,623 | -- | 102,066 | -- | 138,757 | -- | 105,301 | -- |
| Statistical discrepancy (%) | 0.6 | -- | 0.4 | -- | 0.5 | -- | -0.6 | -- | -1.1 | -- |
| GDP at current market prices | 2,835,429 | -- | 2,845,022 | -- | 2,675,793 | -- | 2,867,973 | -- | 2,809,100 | -- |

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

(#) 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>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022[#]</u> | <u>2022</u> | <u>2023</u> | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | | | | | | | Q4 [#] | Q1 [#] | Q2 [#] | Q3 [#] |
| Agriculture, fishing, mining and quarrying | -5.2 | -1.8 | -0.8 | 3.8 | -2.5 | -15.8 | -9.7 | -1.8 | 4.4 | -3.6 |
| Manufacturing | 0.4 | 1.3 | 0.4 | -5.8 | 5.5 | 0.2 | -0.1 | 3.8 | 2.7 | 4.3 |
| Electricity, gas and water supply, and waste management | 0.9 | 0.1 | -0.5 | -14.2 | 3.7 | -1.2 | -1.2 | 0.3 | 3.2 | 0.4 |
| Construction | -1.3 | 3.3 | -9.7 | -11.7 | -0.6 | 8.3 | 11.7 | -0.9 | 6.2 | 13.6 |
| Services | 3.5 | 3.1 | -0.6 | -6.7 | 5.9 | -3.3 | -4.5 | 3.2 | 1.8 | 4.1 |
| <i>Import/export, wholesale and retail trades</i> | 4.2 | 4.2 | -7.5 | -15.0 | 13.3 | -11.9 | -19.4 | -7.3 | -3.7 | 1.8 |
| <i>Accommodation and food services</i> | 2.0 | 5.9 | -11.7 | -44.8 | 22.6 | -6.8 | -1.9 | 83.8 | 23.1 | 18.2 |
| <i>Transportation, storage, postal and courier services</i> | 4.8 | 2.5 | -1.7 | -36.9 | 7.7 | -4.5 | 0.4 | 30.5 | 27.3 | 31.3 |
| <i>Information and communications</i> | 4.0 | 4.1 | 4.7 | 1.7 | 2.6 | 0.5 | 0.3 | 0.4 | -0.5 | 1.7 |
| <i>Financing and insurance</i> | 5.3 | 4.0 | 3.4 | 4.0 | 4.7 | -2.6 | -2.3 | -3.0 | -2.3 | -1.1 |
| <i>Real estate, professional and business services</i> | 2.1 | -0.4 | -0.2 | -4.6 | 2.1 | -2.1 | -1.8 | 5.4 | -0.5 | 3.4 |
| <i>Public administration, social and personal services</i> | 3.2 | 3.6 | 3.2 | -2.3 | 4.4 | 1.3 | 2.3 | 5.7 | 2.5 | 2.9 |
| <i>Ownership of premises</i> | 0.9 | 1.0 | 0.6 | -0.3 | 1.2 | 0.6 | 1.0 | 1.0 | 1.2 | 0.8 |
| Taxes on products | 13.7 | -3.9 | -11.3 | 17.6 | 22.3 | -16.6 | -3.2 | 4.9 | -9.7 | -9.7 |
| GDP in chained (2021) dollars | 3.8 | 2.8 | -1.7 | -6.5 | 6.5 | -3.7 | -4.3 | 2.9 | 1.5 | 4.1 |

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

Table 5 : Value added and employment statistics of the Four Key Industries and other selected industries

| | <u>2019</u> | | <u>2020</u> | | <u>2021</u> | | <u>2022[#]</u> | | <u>Annual percentage change (%)</u> | | |
|--|---|---|---|---|---|---|---|---|-------------------------------------|------------|-------------------|
| | % share \$Bn in total ⁽¹⁾ | % share \$Bn in total ⁽¹⁾ | % share \$Bn in total ⁽¹⁾ | % share \$Bn in total ⁽¹⁾ | % share \$Bn in total ⁽¹⁾ | % share \$Bn in total ⁽¹⁾ | % share \$Bn in total ⁽¹⁾ | % share \$Bn in total ⁽¹⁾ | 2020 | 2021 | 2022 [#] |
| <u>Value added at current prices</u> | | | | | | | | | | | |
| <i>Four Key Industries</i> ⁽²⁾ | 1,546.1 | 56.4 | 1,410.7 | 55.1 | 1,548.3 | 56.4 | 1,538.8 | 56.3 | -8.8 | 9.8 | -0.6 |
| Financial services | 581.5 | 21.2 | 599.8 | 23.4 | 583.6 | 21.3 | 613.4 | 22.4 | 3.1 | -2.7 | 5.1 |
| Tourism | 98.6 | 3.6 | 9.2 | 0.4 | 2.3 | 0.1 | 10.9 | 0.4 | -90.7 | -75.2 | 380.3 |
| Trading and logistics | 541.2 | 19.7 | 507.0 | 19.8 | 650.7 | 23.7 | 614.9 | 22.5 | -6.3 | 28.3 | -5.5 |
| Professional services and other producer services ⁽³⁾ | 324.8 | 11.9 | 294.7 | 11.5 | 311.7 | 11.4 | 299.6 | 11.0 | -9.3 | 5.8 | -3.9 |
| <u>Other selected industries</u> | | | | | | | | | | | |
| Cultural and creative industries ⁽⁴⁾ | 129.3 | 4.7 | 115.6 | 4.5 | 124.8 | 4.5 | 123.6 | 4.5 | -10.7 | 8.0 | -1.0 |
| Medical services ⁽⁴⁾ | 51.4 | 1.9 | 47.3 | 1.8 | 54.7 | 2.0 | 65.4 | 2.4 | -7.9 | 15.6 | 19.6 |
| Education services ⁽⁴⁾ | 36.7 | 1.3 | 34.9 | 1.4 | 35.8 | 1.3 | 36.1 | 1.3 | -4.9 | 2.3 | 1.0 |
| Innovation and technology ⁽⁴⁾ | 23.5 | 0.9 | 24.4 | 1.0 | 24.4 | 0.9 | 25.7 | 0.9 | 3.8 | 0.1 | 5.4 |
| Testing and certification services ⁽⁴⁾ | 7.3 | 0.3 | 6.7 | 0.3 | 9.3 | 0.3 | 10.9 | 0.4 | -8.5 | 38.3 | 17.3 |
| Environmental industries ⁽⁴⁾ | 9.9 | 0.4 | 10.0 | 0.4 | 10.2 | 0.4 | 10.9 | 0.4 | 1.0 | 2.2 | 7.4 |
| Air transport | 68.8 | 2.5 | 37.3 | 1.5 | 42.7 | 1.6 | 47.5 | 1.7 | -45.8 | 14.6 | 11.2 |
| Sports and related activities | 39.0 | 1.4 | 31.0 | 1.2 | 38.0 | 1.4 | N.A. | N.A. | -19.9 | 21.4 | N.A. |
| Nominal GDP at basic prices | 2,740.7 | 100.0 | 2,560.7 | 100.0 | 2,745.8 | 100.0 | 2,735.4 | 100.0 | -6.6 | 7.2 | -0.4 |

Notes: For sports and related activities, value added figures are rounded to the nearest billion and employment figures are rounded to the nearest thousand. Percentage share in total and annual percentage change for each industry are derived from unrounded figures.

- (1) Refers to percentage share in nominal GDP at basic prices. Such GDP figure is slightly different from the commonly used one, i.e. valued at current market prices, in which taxes on products are included.
- (2) Individual figures may not add up exactly to the total due to rounding.
- (3) Other producer services refer to producer services other than financial services, tourism, trading and logistics and professional services.
- (4) The other selected industries reflect the direct contribution of these industries in the private sector only. Some of them are service domains straddling across different industries. For example, "innovation and technology" activities may exist in any industry and organisation. The term "industry" is used to denote the aggregate of the economic activities concerned for easy general understanding.
- (5) Since innovation and technology involves significant non-routine activities, persons engaged in these activities are measured by the volume of labour input to innovation and technology in full-time equivalent terms (in terms of man-years).
- (6) Figures refer to Composite Employment Estimates.
- (#) Figures are subject to revision later on as more data become available.
- N.A. Not yet available.

Table 5 : Value added and employment statistics of the Four Key Industries and other selected industries (Cont'd)

| | <u>2019</u> | | <u>2020</u> | | <u>2021</u> | | <u>2022[#]</u> | | <u>Annual percentage change (%)</u> | | |
|--|----------------|--------------|----------------|--------------|----------------|--------------|-------------------------|--------------|-------------------------------------|-------------|-------------------|
| | Number | % share | Number | % share | Number | % share | Number | % share | 2020 | 2021 | 2022 [#] |
| | ('000) | in total | ('000) | in total | ('000) | in total | ('000) | in total | | | |
| <u>Employment</u> | | | | | | | | | | | |
| <i>Four Key Industries</i> ⁽²⁾ | 1 756.7 | 45.4 | 1 512.7 | 41.0 | 1 477.1 | 40.2 | 1 448.4 | 40.1 | -13.9 | -2.4 | -1.9 |
| Financial services | 274.4 | 7.1 | 276.2 | 7.5 | 277.5 | 7.6 | 269.7 | 7.5 | 0.6 | 0.5 | -2.8 |
| Tourism | 232.7 | 6.0 | 49.0 | 1.3 | 22.5 | 0.6 | 29.6 | 0.8 | -78.9 | -54.1 | 31.5 |
| Trading and logistics | 678.4 | 17.5 | 622.6 | 16.9 | 608.2 | 16.6 | 591.3 | 16.4 | -8.2 | -2.3 | -2.8 |
| Professional services and other producer services ⁽³⁾ | 571.2 | 14.8 | 564.9 | 15.3 | 568.9 | 15.5 | 557.8 | 15.4 | -1.1 | 0.7 | -1.9 |
| <i>Other selected industries</i> | | | | | | | | | | | |
| Cultural and creative industries ⁽⁴⁾ | 237.2 | 6.1 | 228.6 | 6.2 | 225.9 | 6.2 | 221.3 | 6.1 | -3.6 | -1.2 | -2.0 |
| Medical services ⁽⁴⁾ | 102.5 | 2.6 | 103.2 | 2.8 | 102.2 | 2.8 | 111.4 | 3.1 | 0.6 | -1.0 | 9.0 |
| Education services ⁽⁴⁾ | 89.3 | 2.3 | 88.5 | 2.4 | 87.6 | 2.4 | 88.7 | 2.5 | -1.0 | -1.0 | 1.2 |
| Innovation and technology ^{(4) (5)} | 44.6 | 1.2 | 45.3 | 1.2 | 46.7 | 1.3 | 49.5 | 1.4 | 1.6 | 3.1 | 5.9 |
| Testing and certification services ⁽⁴⁾ | 14.8 | 0.4 | 15.1 | 0.4 | 15.3 | 0.4 | 15.1 | 0.4 | 2.2 | 1.1 | -1.4 |
| Environmental industries ⁽⁴⁾ | 44.7 | 1.2 | 47.4 | 1.3 | 45.6 | 1.2 | 43.5 | 1.2 | 6.1 | -3.8 | -4.5 |
| Air transport | 62.4 | 1.6 | 57.2 | 1.6 | 48.9 | 1.3 | 47.2 | 1.3 | -8.3 | -14.5 | -3.5 |
| Sports and related activities | 83.0 | 2.2 | 75.0 | 2.0 | 74.0 | 2.0 | N.A. | N.A. | -10.1 | -1.3 | N.A. |
| Total employment⁽⁶⁾ | 3 872.2 | 100.0 | 3 691.7 | 100.0 | 3 671.1 | 100.0 | 3 614.2 | 100.0 | -4.7 | -0.6 | -1.6 |

**Table 6 : Balance of Payments by major component
(at current prices)**

| | (\$Mn) | | | | | | | | |
|------------------------------------|--------------|---------------|----------------|---------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022[#]</u> | <u>2022</u> | | <u>2023</u> | |
| | | | | | | Q4 [#] | Q1 [#] | Q2 [#] | Q3 [#] |
| Current account ^(a) | 105,942 | 166,482 | 187,012 | 339,429 | 286,089 | 55,869 | 45,479 | 51,644 | 108,497 |
| Goods | -252,997 | -120,521 | -41,325 | 24,671 | -40,458 | 2,839 | -37,837 | -62,242 | -21,373 |
| Services | 246,936 | 164,878 | 92,948 | 135,042 | 155,398 | 27,361 | 47,612 | 37,800 | 40,632 |
| Primary income | 134,815 | 143,717 | 156,083 | 198,732 | 185,769 | 29,450 | 39,420 | 79,833 | 93,434 |
| Secondary income | -22,813 | -21,592 | -20,694 | -19,017 | -14,620 | -3,781 | -3,717 | -3,746 | -4,196 |
| Capital account ^(a) | -1,574 | -682 | -90 | -10,363 | 1,231 | -394 | -93 | -109 | 6,199 |
| Financial account ^(b) | 173,507 | 236,756 | 243,839 | 363,230 | 276,830 | 33,636 | 12,208 | 80,667 | 143,500 |
| Financial non-reserve assets | 165,948 | 245,612 | -19,211 | 372,371 | 644,042 | 50,165 | 8,570 | 171,175 | 127,401 |
| Direct investment | -172,795 | -160,730 | -263,703 | -340,141 | -27,086 | -45,750 | 88,402 | -65,760 | -105,320 |
| Portfolio investment | 616,428 | 215,764 | 528,049 | 620,493 | 317,357 | 102,979 | -18,711 | 296,643 | 139,908 |
| Financial derivatives | -33,202 | -1,239 | -18,790 | -45,126 | -140,392 | -52,026 | -8,795 | -10,181 | -55,896 |
| Other investment | -244,483 | 191,817 | -264,766 | 137,145 | 494,163 | 44,962 | -52,325 | -49,527 | 148,708 |
| Reserve assets | 7,559 | -8,855 | 263,050 | -9,142 | -367,212 | -16,529 | 3,638 | -90,508 | 16,099 |
| Net errors and omissions | 69,139 | 70,957 | 56,918 | 34,164 | -10,489 | -21,839 | -33,177 | 29,132 | 28,804 |
| Overall Balance of Payments | 7,559 | -8,855 | 263,050 | -9,142 | -367,212 | -16,529 | 3,638 | -90,508 | 16,099 |

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 in the current account and capital account represents a surplus whereas a negative value represents a deficit.
- (b) A new sign convention has been adopted for the entire series of the financial account since June 2023. A positive value indicates an increase in net assets (a net financial outflow) while a negative value indicates a decrease in net assets (a net inflow). A positive value for the reserve assets represents an increase while a negative value represents a decrease.
- (#) Figures are subject to revision later on as more data become available.

**Table 7 : Goods and services trade
(at current market prices)**

(\$Mn)

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022[#]</u> | <u>2023[#]</u> | <u>2023</u> | | | |
|----------------------------------|--------------------|-------------------|-------------------|-------------------------|-------------------------|-------------------|-------------------|-------------------|------------------|
| | | | | | | Q1 [#] | Q2 [#] | Q3 [#] | Q4 [#] |
| Total exports of goods | 4,255,098 | 4,198,338 | 5,236,005 | 4,812,517 | 4,497,080 | 1,022,708 | 1,066,824 | 1,163,070 | 1,244,478 |
| Imports of goods | 4,375,619 | 4,239,663 | 5,211,334 | 4,852,975 | 4,625,331 | 1,060,545 | 1,129,066 | 1,184,443 | 1,251,277 |
| Goods trade balance | -120,521 (-2.8) | -41,325 (-1.0) | 24,671 (0.5) | -40,458 (-0.8) | -128,251 (-2.8) | -37,837 (-3.6) | -62,242 (-5.5) | -21,373 (-1.8) | -6,799 (-0.5) |
| Exports of services | 799,121 | 519,205 | 615,069 | 650,549 | 774,105 | 191,781 | 182,081 | 197,310 | 202,933 |
| Imports of services | 634,243 | 426,257 | 480,027 | 495,151 | 620,716 | 144,169 | 144,281 | 156,678 | 175,588 |
| Services trade balance | 164,878 (26.0) | 92,948 (21.8) | 135,042 (28.1) | 155,398 (31.4) | 153,389 (24.7) | 47,612 (33.0) | 37,800 (26.2) | 40,632 (25.9) | 27,345 (15.6) |
| Exports of goods and services | 5,054,219 | 4,717,543 | 5,851,074 | 5,463,066 | 5,271,185 | 1,214,489 | 1,248,905 | 1,360,380 | 1,447,411 |
| Imports of goods and services | 5,009,862 | 4,665,920 | 5,691,361 | 5,348,126 | 5,246,047 | 1,204,714 | 1,273,347 | 1,341,121 | 1,426,865 |
| Goods and services trade balance | 44,357 <0.9> | 51,623 <1.1> | 159,713 <2.8> | 114,940 <2.1> | 25,138 <0.5> | 9,775 <0.8> | -24,442 <-1.9> | 19,259 <-1.4> | 20,546 <-1.4> |

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 8 : Total exports of goods by market
(in value terms)**

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | | <u>2023</u> | | | |
|----------------------|-------------|-------------|-------------|-------------|-------------|--------------------------------|-------------|-------|-------|-------|
| | (% change) | | (% change) | | (\$Mn) | | Q1 | Q2 | Q3 | Q4 |
| | | | | | | (% change over a year earlier) | | | | |
| All markets | -4.1 | -1.5 | 26.3 | -8.6 | -7.8 | 4,177,405 | -17.7 | -13.3 | -6.0 | 6.6 |
| Mainland of China | -3.3 | 5.1 | 27.0 | -12.9 | -9.7 | 2,320,368 | -23.8 | -14.5 | -9.1 | 9.8 |
| United States | -14.8 | -14.9 | 19.6 | -5.5 | -6.9 | 272,476 | -9.4 | -19.5 | -5.3 | 9.1 |
| India | -12.0 | -17.6 | 36.6 | 29.0 | -2.7 | 167,022 | -14.9 | -19.8 | -1.8 | 30.7 |
| Taiwan | 2.4 | 11.6 | 46.0 | 7.2 | -9.9 | 138,842 | -19.7 | -18.8 | -5.1 | 7.6 |
| Vietnam | -3.6 | 5.3 | 22.2 | 8.9 | -0.5 | 111,878 | -16.5 | -6.8 | 6.8 | 18.6 |
| United Arab Emirates | 7.1 | -0.4 | 38.8 | 35.3 | 8.9 | 103,466 | 23.1 | -3.7 | 15.2 | 4.3 |
| Japan | -6.4 | -9.7 | 8.7 | -13.8 | -17.7 | 84,398 | -29.1 | -18.0 | -16.0 | -3.8 |
| Netherlands | -4.4 | -5.2 | 22.8 | 0.1 | -2.5 | 77,475 | 31.2 | -7.5 | -4.6 | -22.2 |
| Macao | 7.1 | -21.5 | 56.1 | -6.6 | 24.9 | 75,543 | 12.7 | 21.9 | 57.7 | 18.2 |
| Korea | -2.3 | -7.6 | 42.7 | 9.2 | -9.5 | 73,706 | 1.8 | -10.8 | -16.1 | -11.2 |
| Rest of the world | -2.0 | -11.0 | 22.2 | -11.0 | -7.3 | 752,232 | -11.9 | -9.7 | -2.9 | -4.4 |

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

**Table 9 : Imports of goods by source
(in value terms)**

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | | <u>2023</u> | | | |
|--------------------|-------------|-------------|-------------|-------------|-------------|--------------------------------|-------------|-------|-------|-------|
| | (% change) | | (% change) | | (\$Mn) | | Q1 | Q2 | Q3 | Q4 |
| | | | | | | (% change over a year earlier) | | | | |
| All sources | -6.5 | -3.3 | 24.3 | -7.2 | -5.7 | 4,644,991 | -12.7 | -13.6 | -2.8 | 7.0 |
| Mainland of China | -5.9 | -6.5 | 26.5 | -14.6 | -2.7 | 2,022,317 | -10.0 | -9.2 | 0.2 | 8.2 |
| Taiwan | -2.4 | 22.8 | 35.0 | 7.3 | -10.5 | 525,905 | -21.4 | -13.9 | -5.5 | 1.0 |
| Singapore | -7.5 | 8.1 | 31.7 | -3.7 | -17.3 | 329,557 | -27.5 | -34.1 | -7.2 | 5.5 |
| Korea | -20.9 | 12.3 | 31.3 | -10.7 | -22.8 | 223,626 | -39.9 | -30.5 | -21.8 | 2.4 |
| Japan | -2.8 | -5.0 | 12.8 | -10.4 | -8.8 | 221,499 | -16.5 | -12.5 | -5.8 | 0.5 |
| United States | -7.9 | -17.9 | 18.3 | 1.3 | -4.6 | 199,708 | -9.2 | -13.9 | 2.1 | 5.1 |
| Malaysia | -14.3 | 1.2 | 1.7 | 6.1 | -15.3 | 149,754 | -13.0 | -21.0 | -20.8 | -4.6 |
| Vietnam | 18.5 | 28.4 | 16.9 | 22.3 | -7.0 | 133,742 | -17.3 | -23.6 | -17.5 | 29.4 |
| Thailand | -7.4 | 1.4 | 18.9 | -8.9 | -8.6 | 85,571 | -26.4 | -22.0 | 8.1 | 12.3 |
| Philippines | -9.1 | -0.1 | 25.1 | 7.4 | -15.7 | 79,341 | -0.5 | -13.2 | -15.1 | -30.3 |
| Rest of the world | -4.9 | -17.0 | 17.0 | -3.6 | 9.9 | 673,972 | 13.6 | -1.4 | 10.5 | 18.2 |

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

**Table 10 : Exports and imports of services by component
(at current market prices)**

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022[#]</u> | <u>2023[#]</u> | | <u>2023</u> | | | |
|----------------------------|-------------|-------------|-------------|-------------------------|-------------------------|---------|--------------------------------|-----------------|-----------------|-----------------|
| | (% change) | | (% change) | | (\$Mn) | | Q1 [#] | Q2 [#] | Q3 [#] | Q4 [#] |
| | | | | | | | (% change over a year earlier) | | | |
| Exports of services | -9.9 | -35.0 | 18.5 | 5.8 | 19.0 | 774,105 | 13.6 | 18.3 | 21.8 | 22.4 |
| Transport | -4.7 | -24.7 | 37.8 | 2.0 | -9.3 | 236,870 | -13.9 | -14.7 | -6.5 | -0.6 |
| Travel | -21.6 | -90.2 | -35.1 | 70.7 | 572.2 | 164,993 | 547.8 | 843.3 | 826.3 | 355.9 |
| Financial services | -2.8 | -0.3 | 10.0 | 8.8 | -0.7 | 200,452 | 4.8 | -0.7 | -1.7 | -5.6 |
| Other services | -5.1 | -9.0 | 11.7 | 2.5 | 5.4 | 171,790 | 5.4 | 3.5 | 5.2 | 7.2 |
| Imports of services | -0.9 | -32.8 | 12.6 | 3.2 | 25.4 | 620,716 | 20.8 | 23.5 | 29.9 | 26.8 |
| Transport | -1.1 | -19.8 | 35.7 | -1.5 | -6.6 | 143,862 | -3.8 | -15.9 | -8.3 | 1.8 |
| Travel | 1.6 | -79.7 | -38.9 | 64.4 | 313.1 | 177,635 | 372.0 | 454.6 | 400.5 | 184.8 |
| Manufacturing [^] | -5.5 | -10.4 | 20.0 | -4.3 | -7.8 | 83,654 | -13.4 | -8.3 | -7.1 | -2.9 |
| Other services | -1.3 | -1.4 | 7.1 | 2.3 | 3.9 | 215,565 | 5.1 | -0.2 | 5.0 | 5.3 |

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 merchanting 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 11 : Incoming visitors by source

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | | <u>2023</u> | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|----------|----------|
| | | | | | | Q1 | Q2 | Q3 | Q4 |
| <u>(’000)</u> | | | | | | | | | |
| All sources | 55 912.6 | 3 568.9 | 91.4 | 604.6 | 33 999.7 | 4 414.8 | 8 469.1 | 10 438.1 | 10 677.7 |
| Mainland of China | 43 774.7 | 2 706.4 | 65.7 | 375.1 | 26 760.5 | 3 361.2 | 6 749.6 | 8 574.5 | 8 075.2 |
| South and Southeast Asia | 3 040.5 | 190.5 | 9.5 | 78.5 | 2 420.6 | 302.2 | 603.0 | 561.3 | 954.1 |
| Taiwan | 1 538.9 | 105.1 | 2.5 | 24.2 | 783.8 | 123.4 | 187.9 | 226.6 | 245.8 |
| Europe | 1 728.4 | 158.8 | 6.6 | 39.2 | 764.3 | 123.9 | 183.8 | 179.0 | 277.6 |
| United States | 1 107.2 | 80.8 | 1.4 | 26.0 | 594.8 | 62.7 | 147.2 | 167.9 | 217.0 |
| Japan | 1 078.8 | 50.3 | 0.3 | 7.3 | 346.4 | 35.2 | 70.6 | 108.0 | 132.6 |
| Others | 3 644.1 | 276.9 | 5.3 | 54.2 | 2 329.3 | 406.2 | 527.1 | 620.6 | 775.4 |
| <u>(% change over a year earlier)</u> | | | | | | | | | |
| All sources | -14.2 | -93.6 | -97.4 | 561.5 | 5 523.8 | 38 322.6 | 13 027.6 | 5 909.4 | 2 908.9 |
| Mainland of China | -14.2 | -93.8 | -97.6 | 470.8 | 7 033.6 | 38 992.7 | 12 549.3 | 6 041.0 | 4 553.1 |
| South and Southeast Asia | -14.9 | -93.7 | -95.0 | 724.1 | 2 984.0 | 38 102.5 | 18 358.0 | 5 985.5 | 1 363.2 |
| Taiwan | -20.1 | -93.2 | -97.6 | 852.1 | 3 132.2 | 20 507.3 | 19 373.8 | 6 055.8 | 1 193.5 |
| Europe | -10.8 | -90.8 | -95.9 | 498.0 | 1 848.9 | 21 525.5 | 7 780.1 | 2 823.2 | 819.6 |
| United States | -15.1 | -92.7 | -98.3 | 1 803.8 | 2 188.7 | 51 260.7 | 9 614.9 | 3 288.8 | 1 018.7 |
| Japan | -16.2 | -95.3 | -99.3 | 2 014.5 | 4 634.7 | 117 120.0 | 29 061.2 | 12 837.1 | 2 036.1 |
| Others | -10.7 | -92.4 | -98.1 | 915.0 | 4 199.8 | 52 178.5 | 18 499.3 | 6 612.5 | 1 776.7 |

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

Table 12 : Property market

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Completion of new property by the private sector | | | | | | | |
| (‘000 m ² of internal floor area) | | | | | | | |
| Residential property ^(a) (in units) | 15 719 | 11 280 | 14 595 | 17 791 | 20 968 | 13 643 | 20 888 |
| Commercial property | 161 | 233 | 276 | 303 | 304 | 384 | 136 |
| <i>of which :</i> | | | | | | | |
| Office space | 104 | 164 | 153 | 198 | 179 | 267 | 69 |
| Other commercial premises ^(b) | 57 | 69 | 123 | 105 | 125 | 118 | 67 |
| Industrial property ^(c) | 116 | 30 | 78 | 105 | 44 | 56 | 38 |
| <i>of which :</i> | | | | | | | |
| Industrial-cum-office premises | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Conventional flatted factory space | 36 | 30 | 5 | 23 | 41 | 56 | 38 |
| Storage premises ^(d) | 80 | 0 | 73 | 83 | 3 | 0 | 0 |
| Production of public housing | | | | | | | |
| (in units) | | | | | | | |
| Rental housing flats ^(e) | 5 634 | 10 147 | 21 755 | 11 268 | 20 137 | 9 634 | 6 605 |
| Subsidised sales flats ^(e) | 0 | 1 310 | 229 | 2 788 | 4 863 | 7 027 | 7 610 |
| Building plans with consent to commence work in the private sector | | | | | | | |
| (‘000 m ² of usable floor area) | | | | | | | |
| Residential property | 647.1 | 893.3 | 645.8 | 872.8 | 704.5 | 796.5 | 521.5 |
| Commercial property | 290.3 | 319.0 | 312.4 | 488.6 | 131.5 | 844.9 | 228.1 |
| Industrial property ^(f) | 105.9 | 225.3 | 76.2 | 62.5 | 105.2 | 177.7 | 182.6 |
| Other properties | 217.1 | 555.4 | 235.1 | 241.2 | 101.2 | 236.7 | 409.6 |
| Total | 1 260.4 | 1 993.0 | 1 269.4 | 1 665.2 | 1 042.4 | 2 055.9 | 1 341.7 |
| Agreements for sale and purchase of property | | | | | | | |
| (Number) | | | | | | | |
| Residential property ^(g) | 63 807 | 55 982 | 54 701 | 61 591 | 57 247 | 59 797 | 59 880 |
| Primary market | 16 857 | 16 826 | 16 793 | 18 645 | 15 633 | 21 108 | 15 317 |
| Secondary market | 46 950 | 39 156 | 37 908 | 42 946 | 41 614 | 38 689 | 44 563 |
| Selected types of non-residential properties ^(h) | | | | | | | |
| Office space | 1 271 | 1 470 | 1 105 | 1 955 | 1 331 | 861 | 686 |
| Other commercial premises | 3 092 | 2 067 | 1 523 | 2 198 | 1 926 | 1 300 | 1 269 |
| Flatted factory space | 3 016 | 3 407 | 2 727 | 5 135 | 4 852 | 2 426 | 2 117 |

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 12 : Property market (Cont'd)

| | 2021 | 2022 | 2023 | 2023 | | | |
|---|---------|--------|--------|--------|--------|-------|-------|
| | | | | Q1 | Q2 | Q3 | Q4 |
| Completion of new property by the private sector | | | | | | | |
| ('000 m ² of internal floor area) | | | | | | | |
| Residential property ^(a) (in units) | 14 386 | 21 168 | 13 852 | 6 796 | 760 | 2 534 | 3 762 |
| Commercial property | 111 | 469 | 249 | 25 | 74 | 37 | 113 |
| <i>of which :</i> | | | | | | | |
| Office space | 70 | 351 | 159 | 15 | 29 | 9 | 106 |
| Other commercial premises ^(b) | 42 | 118 | 91 | 10 | 45 | 28 | 8 |
| Industrial property ^(c) | 30 | 180 | 58 | 18 | 0 | 0 | 39 |
| <i>of which :</i> | | | | | | | |
| Industrial-cum-office premises | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Conventional flatted factory space | 30 | 105 | 57 | 18 | 0 | 0 | 39 |
| Storage premises ^(d) | 0 | 75 | 0 | 0 | 0 | 0 | 0 |
| Production of public housing | | | | | | | |
| (in units) | | | | | | | |
| Rental housing flats ^(e) | 13 057 | 12 285 | N.A. | 0 | 819 | 0 | N.A. |
| Subsidised sales flats ^(e) | 3 222 | 6 996 | N.A. | 3 562 | 0 | 2 112 | N.A. |
| Building plans with consent to commence work in the private sector | | | | | | | |
| ('000 m ² of usable floor area) | | | | | | | |
| Residential property | 866.4 | 483.1 | N.A. | 124.3 | 139.9 | 35.5 | N.A. |
| Commercial property | 743.0 | 105.5 | N.A. | 79.5 | 47.2 | 71.2 | N.A. |
| Industrial property ^(f) | 39.8 | 61.2 | N.A. | 16.6 | 0.0 | 29.3 | N.A. |
| Other properties | 187.5 | 242.9 | N.A. | 47.0 | 25.9 | 64.4 | N.A. |
| Total | 1 836.7 | 892.6 | N.A. | 267.4 | 213.0 | 200.4 | N.A. |
| Agreements for sale and purchase of property | | | | | | | |
| (Number) | | | | | | | |
| Residential property ^(g) | 74 297 | 45 050 | 43 002 | 14 023 | 12 199 | 9 174 | 7 606 |
| Primary market | 17 650 | 10 315 | 10 752 | 2 805 | 3 569 | 2 516 | 1 862 |
| Secondary market | 56 647 | 34 735 | 32 250 | 11 218 | 8 630 | 6 658 | 5 744 |
| Selected types of non-residential properties ^(h) | | | | | | | |
| Office space | 1 077 | 667 | 645 | 183 | 192 | 137 | 133 |
| Other commercial premises | 2 189 | 1 397 | 1 111 | 314 | 284 | 295 | 218 |
| Flatted factory space | 3 637 | 2 006 | 1 861 | 521 | 551 | 420 | 369 |

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 13 : Property prices and rentals

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>(Index (1999=100))</u> | | | | | | | |
| Property price indices : | | | | | | | |
| Residential flats ^(a) | 256.9 | 296.8 | 286.1 | 333.9 | 377.3 | 383.0 | 381.2 |
| Office space | 423.0 | 448.9 | 426.9 | 487.1 | 554.7 | 543.0 | 468.8 |
| Shopping space | 521.2 | 559.2 | 526.9 | 558.4 | 591.4 | 549.7 | 518.9 |
| Flatted factory space | 668.0 | 723.9 | 692.7 | 778.1 | 888.1 | 887.9 | 826.1 |
| Property rental indices ^(b) : | | | | | | | |
| Residential flats | 159.5 | 172.8 | 168.2 | 182.6 | 193.0 | 194.4 | 180.3 |
| Office space | 213.7 | 226.7 | 232.3 | 241.8 | 252.2 | 261.4 | 241.7 |
| Shopping space | 173.1 | 182.5 | 178.6 | 182.5 | 187.0 | 187.2 | 169.9 |
| Flatted factory space | 160.1 | 174.4 | 181.4 | 190.7 | 202.3 | 209.7 | 200.5 |
| <u>(% change over a year earlier)</u> | | | | | | | |
| Property price indices : | | | | | | | |
| Residential flats ^(a) | 6.0 | 15.5 | -3.6 | 16.7 | 13.0 | 1.5 | -0.5 |
| Office space | 3.2 | 6.1 | -4.9 | 14.1 | 13.9 | -2.1 | -13.7 |
| Shopping space | 2.8 | 7.3 | -5.8 | 6.0 | 5.9 | -7.1 | -5.6 |
| Flatted factory space | 1.9 | 8.4 | -4.3 | 12.3 | 14.1 | * | -7.0 |
| Property rental indices ^(b) : | | | | | | | |
| Residential flats | 3.2 | 8.3 | -2.7 | 8.6 | 5.7 | 0.7 | -7.3 |
| Office space | 4.7 | 6.1 | 2.5 | 4.1 | 4.3 | 3.6 | -7.5 |
| Shopping space | 4.6 | 5.4 | -2.1 | 2.2 | 2.5 | 0.1 | -9.2 |
| Flatted factory space | 8.7 | 8.9 | 4.0 | 5.1 | 6.1 | 3.7 | -4.4 |

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 13 : Property prices and rentals (Cont'd)

| | <u>2021</u> | <u>2022</u> | <u>2023⁺</u> | | <u>2023</u> | | |
|--|-------------|-------------|-------------------------|-------|-------------|-----------------|-----------------|
| | | | | Q1 | Q2 | Q3 [#] | Q4 ⁺ |
| <u>(Index (1999=100))</u> | | | | | | | |
| Property price indices : | | | | | | | |
| Residential flats ^(a) | 392.7 | 369.7 | 337.6 | 345.8 | 350.6 | 336.7 | 317.1 |
| Office space | 502.5 | 495.7 | 468.7 | 473.9 | 474.4 | 462.8 | 441.8 |
| Shopping space | 543.4 | 523.0 | 489.3 | 488.0 | 499.0 | 495.0 | 475.1 |
| Flatted factory space | 879.0 | 880.3 | 843.3 | 860.1 | 861.7 | 842.2 | 809.0 |
| Property rental indices ^(b) : | | | | | | | |
| Residential flats | 179.8 | 178.3 | 181.2 | 175.0 | 179.8 | 184.0 | 186.0 |
| Office space | 233.4 | 230.0 | 227.6 | 226.8 | 227.7 | 228.5 | 227.2 |
| Shopping space | 172.0 | 167.0 | 170.9 | 167.5 | 170.4 | 172.8 | 172.8 |
| Flatted factory space | 208.8 | 211.9 | 218.7 | 214.5 | 218.0 | 221.5 | 221.0 |
| <u>(% change over a year earlier)</u> | | | | | | | |
| Property price indices : | | | | | | | |
| Residential flats ^(a) | 3.0 | -5.9 | -8.7 | -10.3 | -8.7 | -8.6 | -7.0 |
| Office space | 7.2 | -1.4 | -5.4 | -6.8 | -5.1 | -7.4 | -7.8 |
| Shopping space | 4.7 | -3.8 | -6.4 | -10.1 | -5.1 | -4.4 | -6.1 |
| Flatted factory space | 6.4 | 0.1 | -4.2 | -3.9 | -3.4 | -4.8 | -4.8 |
| Property rental indices ^(b) : | | | | | | | |
| Residential flats | -0.3 | -0.8 | 1.6 | -2.7 | 1.2 | 2.9 | 5.3 |
| Office space | -3.4 | -1.5 | -1.0 | -2.1 | -0.6 | -1.0 | -0.6 |
| Shopping space | 1.2 | -2.9 | 2.3 | -1.5 | 3.1 | 4.2 | 3.5 |
| Flatted factory space | 4.1 | 1.5 | 3.2 | 1.9 | 4.4 | 3.3 | 3.3 |

Table 14 : Monetary aggregates

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| (at end of period) | | | | | | | |
| Hong Kong dollar money supply (\$Mn) | | | | | | | |
| M1 | 1,116,675 | 1,253,380 | 1,428,775 | 1,598,014 | 1,555,731 | 1,533,104 | 1,972,719 |
| M2 ^(a) | 5,225,773 | 5,765,549 | 6,280,230 | 7,010,345 | 7,262,451 | 7,438,789 | 7,922,089 |
| M3 ^(a) | 5,236,188 | 5,778,772 | 6,292,666 | 7,024,514 | 7,284,322 | 7,454,655 | 7,937,038 |
| Total money supply (\$Mn) | | | | | | | |
| M1 | 1,708,724 | 1,971,146 | 2,213,970 | 2,431,461 | 2,421,598 | 2,484,738 | 3,231,921 |
| M2 | 11,011,372 | 11,618,441 | 12,508,127 | 13,755,255 | 14,348,059 | 14,745,872 | 15,606,608 |
| M3 | 11,048,944 | 11,655,019 | 12,551,331 | 13,803,837 | 14,403,688 | 14,786,375 | 15,644,043 |
| Deposits (\$Mn) | | | | | | | |
| HK\$ | 4,800,330 | 5,312,403 | 5,809,060 | 6,484,616 | 6,715,262 | 6,884,143 | 7,311,368 |
| Foreign currency | 5,272,804 | 5,437,346 | 5,918,240 | 6,267,872 | 6,671,119 | 6,887,444 | 7,202,247 |
| Total | 10,073,135 | 10,749,749 | 11,727,300 | 12,752,488 | 13,386,381 | 13,771,586 | 14,513,615 |
| Loans and advances (\$Mn) | | | | | | | |
| HK\$ | 4,000,361 | 4,152,589 | 4,479,107 | 5,359,983 | 5,836,238 | 6,219,377 | 6,106,960 |
| Foreign currency | 3,275,910 | 3,381,951 | 3,544,284 | 3,953,686 | 3,886,385 | 4,157,325 | 4,391,617 |
| Total | 7,276,271 | 7,534,540 | 8,023,390 | 9,313,668 | 9,722,623 | 10,376,701 | 10,498,577 |
| Nominal Effective Exchange Rate Indices | | | | | | | |
| (Jan 2020 =100)^(b) | | | | | | | |
| Trade-weighted | 90.7 | 95.7 | 98.4 | 98.4 | 96.2 | 99.4 | 100.0 |
| Import-weighted | 91.1 | 96.5 | 98.8 | 98.8 | 96.5 | 99.5 | 100.1 |
| Export-weighted | 90.2 | 94.8 | 97.9 | 98.0 | 95.8 | 99.2 | 100.0 |
| (% change over a year earlier) | | | | | | | |
| Hong Kong dollar money supply | | | | | | | |
| M1 | 11.6 | 12.2 | 14.0 | 11.8 | -2.6 | -1.5 | 28.7 |
| M2 ^(a) | 9.0 | 10.3 | 8.9 | 11.6 | 3.6 | 2.4 | 6.5 |
| M3 ^(a) | 9.0 | 10.4 | 8.9 | 11.6 | 3.7 | 2.3 | 6.5 |
| Total money supply | | | | | | | |
| M1 | 13.1 | 15.4 | 12.3 | 9.8 | -0.4 | 2.6 | 30.1 |
| M2 | 9.5 | 5.5 | 7.7 | 10.0 | 4.3 | 2.8 | 5.8 |
| M3 | 9.6 | 5.5 | 7.7 | 10.0 | 4.3 | 2.7 | 5.8 |
| Deposits | | | | | | | |
| HK\$ | 9.3 | 10.7 | 9.3 | 11.6 | 3.6 | 2.5 | 6.2 |
| Foreign currency | 10.1 | 3.1 | 8.8 | 5.9 | 6.4 | 3.2 | 4.6 |
| Total | 9.7 | 6.7 | 9.1 | 8.7 | 5.0 | 2.9 | 5.4 |
| Loans and advances | | | | | | | |
| HK\$ | 10.9 | 3.8 | 7.9 | 19.7 | 8.9 | 6.6 | -1.8 |
| Foreign currency | 14.9 | 3.2 | 4.8 | 11.6 | -1.7 | 7.0 | 5.6 |
| Total | 12.7 | 3.5 | 6.5 | 16.1 | 4.4 | 6.7 | 1.2 |
| Nominal Effective Exchange Rate Indices | | | | | | | |
| (Jan 2020 =100)^(b) | | | | | | | |
| Trade-weighted | 1.2 | 5.5 | 2.8 | * | -2.2 | 3.3 | 0.6 |
| Import-weighted | 1.4 | 5.9 | 2.4 | * | -2.3 | 3.1 | 0.6 |
| Export-weighted | 0.9 | 5.1 | 3.3 | 0.1 | -2.2 | 3.5 | 0.8 |

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 14 : Monetary aggregates (Cont'd)

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | | <u>2023</u> | | | |
|--|-------------|-------------|-------------|------------|-------------|------------|------------|--|
| | | | | Q1 | Q2 | Q3 | Q4 | |
| (at end of period) | | | | | | | | |
| Hong Kong dollar money supply (\$Mn) | | | | | | | | |
| M1 | 2,078,911 | 1,708,421 | 1,533,291 | 1,709,591 | 1,625,680 | 1,535,901 | 1,533,291 | |
| M2 ^(a) | 8,043,994 | 8,095,990 | 8,250,110 | 8,285,625 | 8,217,612 | 8,206,059 | 8,250,110 | |
| M3 ^(a) | 8,057,408 | 8,108,473 | 8,262,831 | 8,298,864 | 8,230,408 | 8,219,643 | 8,262,831 | |
| Total money supply (\$Mn) | | | | | | | | |
| M1 | 3,490,858 | 2,769,343 | 2,598,203 | 2,712,678 | 2,582,312 | 2,502,111 | 2,598,203 | |
| M2 | 16,272,650 | 16,536,080 | 17,195,267 | 16,619,681 | 16,552,573 | 16,785,739 | 17,195,267 | |
| M3 | 16,310,866 | 16,568,886 | 17,234,053 | 16,653,624 | 16,587,509 | 16,820,252 | 17,234,053 | |
| Deposits (\$Mn) | | | | | | | | |
| HK\$ | 7,414,381 | 7,467,703 | 7,623,773 | 7,660,860 | 7,594,580 | 7,585,828 | 7,623,773 | |
| Foreign currency | 7,771,839 | 7,971,437 | 8,598,297 | 7,858,581 | 7,874,008 | 8,201,780 | 8,598,297 | |
| Total | 15,186,220 | 15,439,140 | 16,222,070 | 15,519,441 | 15,468,588 | 15,787,608 | 16,222,070 | |
| Loans and advances (\$Mn) | | | | | | | | |
| HK\$ | 6,425,857 | 6,602,964 | 6,420,797 | 6,759,070 | 6,739,946 | 6,546,102 | 6,420,797 | |
| Foreign currency | 4,467,291 | 3,968,334 | 3,771,742 | 3,904,774 | 3,780,612 | 3,746,042 | 3,771,742 | |
| Total | 10,893,147 | 10,571,298 | 10,192,539 | 10,663,843 | 10,520,558 | 10,292,144 | 10,192,539 | |
| Nominal Effective Exchange Rate Indices | | | | | | | | |
| (Jan 2020 =100)^(b) | | | | | | | | |
| Trade-weighted | 95.5 | 100.1 | 103.4 | 100.9 | 102.5 | 105.0 | 105.4 | |
| Import-weighted | 95.8 | 100.8 | 103.9 | 101.3 | 102.9 | 105.4 | 105.9 | |
| Export-weighted | 95.1 | 99.3 | 102.9 | 100.3 | 102.0 | 104.5 | 104.8 | |
| (% change over a year earlier) | | | | | | | | |
| Hong Kong dollar money supply | | | | | | | | |
| M1 | 5.4 | -17.8 | -10.3 | -20.4 | -21.7 | -19.2 | -10.3 | |
| M2 ^(a) | 1.5 | 0.6 | 1.9 | 0.9 | -0.1 | 2.3 | 1.9 | |
| M3 ^(a) | 1.5 | 0.6 | 1.9 | 0.9 | -0.1 | 2.3 | 1.9 | |
| Total money supply | | | | | | | | |
| M1 | 8.0 | -20.7 | -6.2 | -24.0 | -22.2 | -17.6 | -6.2 | |
| M2 | 4.3 | 1.6 | 4.0 | 1.4 | 1.5 | 2.8 | 4.0 | |
| M3 | 4.3 | 1.6 | 4.0 | 1.4 | 1.5 | 2.8 | 4.0 | |
| Deposits | | | | | | | | |
| HK\$ | 1.4 | 0.7 | 2.1 | 1.1 | 0.1 | 2.8 | 2.1 | |
| Foreign currency | 7.9 | 2.6 | 7.9 | 1.1 | 2.9 | 3.8 | 7.9 | |
| Total | 4.6 | 1.7 | 5.1 | 1.1 | 1.5 | 3.3 | 5.1 | |
| Loans and advances | | | | | | | | |
| HK\$ | 5.2 | 2.8 | -2.8 | 4.7 | 2.4 | -1.5 | -2.8 | |
| Foreign currency | 1.7 | -11.2 | -5.0 | -14.6 | -14.1 | -10.3 | -5.0 | |
| Total | 3.8 | -3.0 | -3.6 | -3.3 | -4.2 | -4.9 | -3.6 | |
| Nominal Effective Exchange Rate Indices | | | | | | | | |
| (Jan 2020 =100)^(b) | | | | | | | | |
| Trade-weighted | -4.5 | 4.8 | 3.3 | 6.0 | 3.9 | 2.9 | 0.6 | |
| Import-weighted | -4.3 | 5.2 | 3.1 | 5.7 | 3.5 | 2.5 | 0.4 | |
| Export-weighted | -4.9 | 4.4 | 3.6 | 6.0 | 4.2 | 3.4 | 0.7 | |

Notes: (a) Adjusted to include foreign currency swap deposits.

(b) Period average.

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

Table 15 : Rates of change in business receipts indices for services industries/domains

(%)

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2022</u> | | <u>2023</u> | |
|--|-------------|-------------|-------------|-------------|-------------|--------------------|--------------------|--------------------|
| | | | | | Q4 | Q1 | Q2 | Q3 |
| Services Industry | | | | | | | | |
| Import and export trade | -6.6 | -3.6 | 23.9 | -8.5 | -22.2 | -17.5 | -14.4 | -2.8 |
| Wholesale | -8.3 | -7.9 | 13.3 | -5.8 | -10.8 | 3.8 | -12.0 | -4.9 |
| Retail | -11.1 | -24.3 | 8.1 | -0.8 | 0.4 | 24.1 | 17.5 | 14.5 |
| Transportation <i>within which:</i> | -2.3 | -19.7 | 54.1 | 5.8 | -21.3 | -20.0 | -25.1 | -19.4 |
| Land transport | 1.3 | -23.9 | 4.0 | -3.3 | -3.3 | 29.7 | 18.9 | 16.6 |
| Water transport | 0.1 | 10.7 | 85.9 | 5.0 | -35.1 | -47.1 | -50.7 | -48.0 |
| Air transport | -4.9 | -36.2 | 43.3 | 9.7 | -8.7 | 10.6 | -2.7 | 4.3 |
| Warehousing and storage | -1.4 | 11.5 | 27.6 | -4.6 | -9.4 | 0.5 | -1.4 | 0.3 |
| Courier | -3.9 | 28.4 | 19.0 | -9.3 | -10.2 | -12.5 | -13.4 | -9.3 |
| Accommodation services ^(a) | -14.3 | -59.1 | 38.3 | 17.3 | -2.5 | 84.7 | 45.5 | 45.1 |
| Food services | -5.9 | -29.4 | 16.8 | -6.3 | 1.7 | 81.8 | 24.3 | 12.5 |
| Information and communications <i>within which:</i> | 1.2 | -8.5 | 7.7 | 6.2 | 7.4 | 6.8 | 4.2 | 2.6 |
| Telecommunications | -2.6 | -9.0 | 6.1 | 8.7 | 7.7 | 5.4 | 2.6 | -0.5 |
| Film entertainment | -2.3 | -44.0 | 26.7 | -10.4 | -15.6 | 131.8 | 33.1 | -1.3 |
| Banking | 2.8 | -8.0 | -4.3 | 10.2 | 43.6 | 30.6 | 31.0 | 18.3 |
| Financing (except banking) <i>within which:</i> | 1.1 | 12.2 | 17.4 | -14.7 | -8.2 | -1.3 | 3.2 | 0.4 |
| Financial markets and asset management | 0.8 | 13.2 | 19.6 | -17.6 | -9.3 | -5.2 | -0.3 | -1.9 |
| <i>within which: Asset management</i> | 7.3 | 11.6 | 23.3 | -19.6 | -27.3 | -12.7 | -5.4 | -1.8 |
| Insurance | 8.8 | 6.1 | 2.5 | -6.0 | -15.1 | -10.0 | 1.2 | 4.8 |
| Real estate | 11.4 | 3.2 | -1.9 | -8.9 | -6.9 | 6.3 | -0.9 | -4.5 |
| Professional, scientific and technical services | 1.3 | -2.1 | 6.6 | 3.5 | 6.4 | 5.1 | 4.0 | 3.4 |
| Administrative and support services | 0.4 | -25.4 | 1.7 | 10.5 | 18.3 | 21.5 | 16.1 | 16.2 |
| Services Domain | | | | | | | | |
| Tourism, convention and exhibition services | -19.3 | -86.7 | -17.7 | 36.8 | 42.9 | 402.7 ⁺ | 385.5 ⁺ | 350.7 ⁺ |
| Computer and information technology services | -7.2 | -3.2 | 20.1 | -0.4 | -13.9 | -9.1 | 5.9 | 71.8 |

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 16 : Labour force characteristics

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023⁺</u> | <u>2023</u> | | | |
|--|-------------|-------------|-------------|-------------|-------------------------|-------------|---------|---------|---------|
| | | | | | | Q1 | Q2 | Q3 | Q4 |
| <u>(%)</u> | | | | | | | | | |
| Labour force participation rate | 60.7 | 59.7 | 59.4 | 58.2 | 57.6 | 57.9 | 57.5 | 57.8 | 57.3 |
| Seasonally adjusted unemployment rate ^(a) | 2.9 | 5.8 | 5.2 | 4.3 | 2.9 | 3.1 | 2.9 | 2.8 | 2.9 |
| Underemployment rate | 1.1 | 3.3 | 2.6 | 2.3 | 1.1 | 1.2 | 1.1 | 1.0 | 1.0 |
| <u>('000)</u> | | | | | | | | | |
| Population of working age | 6 572.7 | 6 562.2 | 6 518.6 | 6 487.0 | 6 602.6 | 6 514.0 | 6 611.4 | 6 635.7 | 6 649.4 |
| Labour force | 3 987.8 | 3 918.5 | 3 870.4 | 3 776.3 | 3 804.6 | 3 769.2 | 3 802.4 | 3 834.3 | 3 812.5 |
| Persons employed | 3 871.4 | 3 690.9 | 3 670.2 | 3 613.2 | 3 692.5 | 3 654.1 | 3 688.8 | 3 720.3 | 3 706.8 |
| Persons unemployed | 116.3 | 227.6 | 200.3 | 163.1 | 112.1 | 115.1 | 113.6 | 114.0 | 105.7 |
| Persons underemployed | 42.0 | 129.9 | 98.9 | 88.1 | 40.8 | 46.7 | 41.5 | 37.9 | 37.0 |
| <u>(% change over a year earlier)</u> | | | | | | | | | |
| Population of working age | 0.8 | -0.2 | -0.7 | -0.5 | 1.8 | 0.3 | 2.2 | 1.5 | 0.3 |
| Labour force | -0.2 | -1.7 | -1.2 | -2.4 | 0.8 | -0.6 | 1.3 | 0.7 | -0.9 |
| Persons employed | -0.3 | -4.7 | -0.6 | -1.6 | 2.2 | 1.4 | 3.2 | 1.9 | -0.4 |
| Persons unemployed | 3.7 | 95.6 | -12.0 | -18.6 | -31.2 | -39.2 | -37.0 | -28.0 | -16.9 |
| Persons underemployed | -2.8 | 209.6 | -23.8 | -10.9 | -53.7 | -60.1 | -62.9 | -45.8 | -33.9 |

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

(+) Provisional figures.

Table 17 : Employment in selected major industries

| Selected major industries | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2022</u> | <u>2023</u> | | | (No.) |
|---|-------------|-------------|-------------|-------------|-------------|--------------------------------|-------------|------|------|---------|
| | (% change) | | | | | Dec | Mar | Jun | Sep | |
| | | | | | | (% change over a year earlier) | | | | |
| Manufacturing | -3.0 | -3.5 | -4.0 | -5.5 | -5.0 | -2.6 | -1.2 | -0.2 | -0.5 | 74 043 |
| Construction sites (covering manual workers only) | -5.8 | -9.0 | -4.5 | 8.5 | -0.7 | 0.6 | 10.3 | 7.4 | -0.1 | 109 624 |
| Import and export trade | -0.6 | -5.7 | -11.0 | -3.6 | -0.9 | -2.3 | -1.9 | -1.7 | -1.4 | 374 750 |
| Wholesale | -0.9 | -4.0 | -8.8 | -3.9 | 4.2 | 4.0 | -1.4 | -1.5 | -4.0 | 50 680 |
| Retail | 1.7 | -1.7 | -6.3 | -0.6 | -1.6 | -2.0 | 1.4 | 2.9 | 2.8 | 252 066 |
| Food and beverage services | 2.8 | -2.3 | -13.6 | 1.4 | 1.3 | 2.4 | 9.4 | 3.4 | 1.0 | 224 233 |
| Accommodation services ^(a) | 4.8 | 1.8 | -14.7 | 1.1 | -4.5 | -1.3 | 0.6 | 5.5 | 5.2 | 35 321 |
| Transportation, storage, postal and courier services | 0.6 | 0.3 | -3.7 | -4.0 | -2.1 | -2.0 | -1.5 | 0.3 | 0.5 | 164 797 |
| Information and communications | 1.5 | 1.9 | -0.3 | -1.4 | -2.2 | -1.5 | 0.2 | 2.5 | 3.1 | 108 556 |
| Financing and insurance | 2.6 | 2.9 | 0.6 | 0.1 | -2.1 | -2.8 | -1.3 | 0.6 | 1.4 | 235 843 |
| Real estate | 2.0 | 1.2 | 0.4 | 3.6 | -0.5 | -3.4 | -1.3 | 2.7 | 2.8 | 142 407 |
| Professional and business services (excluding cleaning and similar services) | 3.2 | 1.5 | -0.3 | * | -2.1 | -0.9 | 1.1 | 3.9 | 4.8 | 311 740 |
| Cleaning and similar services | -1.4 | -0.3 | 0.3 | 1.3 | 0.8 | -0.5 | -2.0 | 2.7 | -0.2 | 82 993 |
| Education | 1.8 | 1.7 | -1.0 | -0.1 | 1.1 | 1.9 | 3.8 | 4.2 | 4.5 | 214 898 |
| Human health services | 3.4 | 4.7 | 4.1 | 2.9 | 2.5 | 2.9 | 2.4 | 3.0 | 3.3 | 154 171 |
| Residential care and social work services | 1.0 | 2.4 | 0.4 | 0.9 | 0.9 | 0.9 | 2.4 | 5.9 | 5.5 | 70 183 |
| Arts, entertainment, recreation and other services | 1.4 | 0.8 | -5.4 | -1.7 | -3.4 | -1.5 | 7.1 | 7.6 | 8.6 | 124 870 |
| Civil service ^(b) | 2.1 | 2.2 | 0.7 | -0.2 | -1.2 | -1.7 | -1.5 | -1.4 | -0.8 | 172 637 |
| Others ^(c) | * | 1.5 | -1.7 | 1.2 | 3.3 | 3.5 | 0.9 | 2.0 | 2.3 | 12 054 |

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 18 : Number of manual workers engaged at building and construction sites

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2022</u> Dec | Mar | <u>2023</u> Jun | Sep |
|---------------------------------------|----------------|----------------|---------------|----------------|----------------|--------------------|----------------|--------------------|----------------|
| <u>(Number)</u> | | | | | | | | | |
| Building sites | | | | | | | | | |
| Private sector | 65 700 | 62 903 | 54 957 | 58 385 | 56 160 | 53 681 | 54 940 | 57 591 | 57 682 |
| Public sector ^(a) | 21 604 | 19 257 | 22 982 | 23 622 | 22 853 | 25 964 | 25 319 | 25 365 | 25 398 |
| Sub-total | 87 303 | 82 160 | 77 939 | 82 006 | 79 012 | 79 645 | 80 259 | 82 956 | 83 080 |
| Civil engineering sites | | | | | | | | | |
| Private sector | 1 729 | 2 483 | 2 180 | 3 095 | 3 796 | 4 164 | 3 953 | 2 214 | 1 768 |
| Public sector ^(a) | 22 816 | 17 108 | 17 064 | 20 329 | 21 855 | 23 489 | 24 186 | 25 879 | 24 776 |
| Sub-total | 24 546 | 19 591 | 19 244 | 23 424 | 25 651 | 27 653 | 28 139 | 28 093 | 26 544 |
| Total | 111 849 | 101 750 | 97 182 | 105 430 | 104 663 | 107 298 | 108 398 | 111 049 | 109 624 |
| <u>(% change over a year earlier)</u> | | | | | | | | | |
| Building sites | | | | | | | | | |
| Private sector | -0.4 | -4.3 | -12.6 | 6.2 | -3.8 | -8.7 | 3.6 | -3.5 | -1.0 |
| Public sector ^(a) | -0.3 | -10.9 | 19.3 | 2.8 | -3.3 | 19.8 | 18.7 | 25.1 | 6.5 |
| Sub-total | -0.4 | -5.9 | -5.1 | 5.2 | -3.7 | -1.0 | 8.0 | 3.8 | 1.2 |
| Civil engineering sites | | | | | | | | | |
| Private sector | 76.6 | 43.6 | -12.2 | 42.0 | 22.6 | 16.8 | 2.2 | -33.5 | -53.8 |
| Public sector ^(a) | -24.1 | -25.0 | -0.3 | 19.1 | 7.5 | 4.0 | 20.6 | 28.6 | 4.3 |
| Sub-total | -20.9 | -20.2 | -1.8 | 21.7 | 9.5 | 5.8 | 17.6 | 19.8 | -3.7 |
| Total | -5.8 | -9.0 | -4.5 | 8.5 | -0.7 | 0.6 | 10.3 | 7.4 | -0.1 |

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

| | (%) | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2022</u> | <u>2023</u> | | |
| Selected industry sections | | | | | | Q4 | Q1 | Q2 | Q3 |
| (in nominal terms) | | | | | | | | | |
| Manufacturing | 4.0 | 3.8 | -0.1 | -0.6 | 1.0 | 2.1 | 4.0 | 3.7 | 3.8 |
| Import/export and wholesale trades | 3.2 | 2.3 | 0.5 | 0.1 | 0.9 | 1.3 | 2.2 | 2.6 | 2.8 |
| Retail trade | 3.0 | 2.3 | 0.1 | 0.2 | 1.1 | 2.0 | 2.1 | 2.9 | 3.1 |
| Transportation, storage, postal and courier services | 4.1 | 3.9 | -5.4 | -3.8 | 1.9 | 4.1 | 6.7 | 9.9 | 10.7 |
| Accommodation ^(a) and food service activities | 5.3 | 4.7 | -2.9 | -1.0 | 2.2 | 3.4 | 4.9 | 5.2 | 5.4 |
| Information and communications | 3.3 | 3.9 | 2.3 | 1.8 | 2.8 | 3.1 | 3.9 | 3.7 | 3.8 |
| Financial and insurance activities | 3.1 | 3.0 | 1.7 | 1.7 | 2.7 | 2.9 | 3.2 | 3.6 | 3.7 |
| Real estate activities | 4.3 | 4.1 | 1.5 | 1.4 | 2.1 | 2.3 | 2.9 | 2.9 | 2.8 |
| Professional and business services | 4.6 | 3.8 | 1.6 | 1.5 | 2.7 | 3.2 | 3.6 | 3.3 | 3.4 |
| Social and personal services | 4.3 | 2.3 | 6.2 | 0.1 | 1.3 | 2.2 | 1.7 | 0.1 | 3.0 |
| All selected industry sections surveyed | 3.9 | 3.4 | 2.4 | 1.0 | 1.7 | 2.3 | 3.0 | 3.2 | 3.5 |
| (in real terms) | | | | | | | | | |
| Manufacturing | 1.6 | 0.9 | -0.4 | -2.1 | -0.9 | 0.2 | 2.0 | 1.6 | 1.8 |
| Import/export and wholesale trades | 0.8 | -0.5 | 0.2 | -1.4 | -1.0 | -0.5 | 0.2 | 0.5 | 0.9 |
| Retail trade | 0.6 | -0.5 | -0.1 | -1.4 | -0.7 | 0.1 | 0.2 | 0.9 | 1.2 |
| Transportation, storage, postal and courier services | 1.6 | 1.0 | -5.6 | -5.3 | * | 2.2 | 4.7 | 7.7 | 8.6 |
| Accommodation ^(a) and food service activities | 2.8 | 1.8 | -3.2 | -2.6 | 0.3 | 1.5 | 2.9 | 3.1 | 3.4 |
| Information and communications | 0.8 | 0.9 | 2.0 | 0.2 | 0.9 | 1.2 | 1.9 | 1.7 | 1.8 |
| Financial and insurance activities | 0.7 | 0.2 | 1.2 | 0.2 | 0.8 | 1.0 | 1.2 | 1.6 | 1.7 |
| Real estate activities | 1.9 | 1.1 | 1.3 | -0.1 | 0.2 | 0.5 | 0.9 | 0.8 | 1.0 |
| Professional and business services | 2.2 | 0.9 | 1.4 | -0.1 | 0.8 | 1.3 | 1.6 | 1.2 | 1.5 |
| Social and personal services | 1.8 | -0.6 | 6.0 | -1.5 | -0.6 | 0.4 | -0.3 | -1.9 | 1.1 |
| All selected industry sections surveyed | 1.5 | 0.5 | 2.1 | -0.5 | -0.2 | 0.5 | 1.1 | 1.1 | 1.5 |

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 20 : Rates of change in wage indices
by selected industry section**

| | (%) | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2022</u> | <u>2023</u> | | |
| Selected industry sections | | | | | | Dec | Mar | Jun | Sep |
| (in nominal terms) | | | | | | | | | |
| Manufacturing | 3.6 | 3.5 | 2.0 | 1.6 | 2.0 | 2.3 | 3.9 | 3.9 | 4.5 |
| Import/export, wholesale and retail trades | 3.0 | 2.3 | 1.0 | 0.9 | 1.7 | 1.8 | 2.3 | 2.5 | 2.8 |
| Transportation | 4.7 | 4.4 | 0.1 | -0.9 | 1.4 | 3.6 | 5.3 | 6.0 | 6.0 |
| Accommodation ^(a) and food service activities | 4.6 | 4.1 | 1.0 | 1.4 | 2.1 | 2.5 | 3.9 | 4.1 | 4.3 |
| Financial and insurance activities ^(b) | 3.5 | 3.7 | 2.3 | 2.5 | 3.2 | 3.3 | 3.5 | 3.8 | 4.1 |
| Real estate leasing and maintenance management | 4.4 | 3.9 | 2.7 | 3.0 | 2.9 | 2.9 | 3.0 | 3.1 | 3.2 |
| Professional and business services | 4.4 | 3.6 | 1.7 | 1.8 | 2.5 | 2.6 | 2.8 | 3.3 | 3.6 |
| Personal services | 4.1 | 3.3 | 0.7 | 0.3 | 0.6 | 1.5 | 3.3 | 3.6 | 3.9 |
| All industries surveyed | 4.0 | 3.5 | 1.3 | 1.3 | 2.2 | 2.6 | 3.2 | 3.5 | 3.8 |
| (in real terms) | | | | | | | | | |
| Manufacturing | 0.8 | 0.2 | 3.1 | -0.3 | -1.5 | 0.2 | 2.2 | 1.8 | 2.4 |
| Import/export, wholesale and retail trades | 0.1 | -1.0 | 2.1 | -0.9 | -1.9 | -0.3 | 0.6 | 0.3 | 0.7 |
| Transportation | 1.7 | 1.0 | 1.3 | -2.7 | -2.2 | 1.5 | 3.5 | 3.8 | 3.8 |
| Accommodation ^(a) and food service activities | 1.7 | 0.7 | 2.1 | -0.3 | -1.5 | 0.4 | 2.1 | 1.9 | 2.2 |
| Financial and insurance activities ^(b) | 0.6 | 0.2 | 3.7 | 0.7 | -0.6 | 1.1 | 1.8 | 1.6 | 1.9 |
| Real estate leasing and maintenance management | 1.4 | 0.5 | 3.8 | 1.3 | -0.8 | 0.7 | 1.4 | 1.0 | 1.1 |
| Professional and business services | 1.5 | 0.3 | 2.8 | 0.1 | -1.2 | 0.5 | 1.1 | 1.2 | 1.5 |
| Personal services | 1.1 | 0.2 | 1.7 | -1.6 | -2.9 | -0.6 | 1.6 | 1.4 | 1.8 |
| All industries surveyed | 1.0 | 0.1 | 2.5 | -0.5 | -1.4 | 0.5 | 1.5 | 1.4 | 1.7 |

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.

**Table 21 : Monthly wage level and distribution analysed
by industry section : all employees**

(HK\$)

| Industry sections | May – Jun 2021 | | | May – Jun 2022 | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 25th percentile | 50th percentile | 75th percentile | 25th percentile | 50th percentile | 75th percentile |
| Manufacturing ^(a) | 14,600 | 17,700 | 27,700 | 15,100 | 18,300 | 28,800 |
| Electricity and gas supply; sewerage, waste management and remediation activities | 21,300 | 28,300 | 42,500 | 21,400 | 29,000 | 42,900 |
| Construction | 18,600 | 23,200 | 30,100 | 19,100 | 23,900 | 30,800 |
| Import and export trade | 14,300 | 19,100 | 28,200 | 14,800 | 19,500 | 28,500 |
| Wholesale | 12,300 | 15,500 | 20,800 | 13,000 | 15,900 | 21,300 |
| Retail trade | 10,400 | 13,500 | 17,500 | 10,800 | 13,800 | 17,800 |
| <i>within which:</i> | | | | | | |
| Supermarkets and convenience stores | 7,600 | 11,900 | 14,400 | 7,900 | 12,100 | 15,000 |
| Other retail stores | 11,500 | 14,000 | 18,100 | 11,700 | 14,300 | 18,500 |
| Land transport | 14,500 | 19,500 | 27,400 | 15,000 | 19,800 | 27,400 |
| Other transportation, storage, postal and courier services ^(b) | 13,800 | 18,400 | 24,500 | 14,100 | 18,700 | 24,500 |
| Food and beverage services | 11,000 | 13,900 | 18,000 | 10,500 | 14,000 | 18,000 |
| <i>within which:</i> | | | | | | |
| Hong Kong style tea cafes | 12,000 | 13,800 | 18,000 | 12,000 | 14,000 | 18,200 |
| Chinese restaurants | 12,800 | 15,200 | 20,900 | 13,100 | 15,700 | 21,500 |
| Restaurants, other than Chinese | 12,300 | 14,500 | 18,000 | 12,400 | 14,900 | 18,600 |
| Fast food cafes ^(c) | 4,800 | 10,400 | 13,800 | 4,800 | 10,600 | 14,300 |
| Other food and beverage services | 8,000 | 13,000 | 16,600 | 8,500 | 13,200 | 17,000 |
| Accommodation services ^(d) | 13,500 | 16,000 | 21,000 | 14,000 | 16,400 | 21,000 |
| Information and communications | 16,700 | 24,300 | 36,000 | 17,000 | 25,100 | 36,500 |
| Financing and insurance | 19,200 | 29,300 | 47,500 | 19,700 | 30,500 | 48,000 |
| Real estate activities ^(e) | 14,300 | 22,100 | 34,400 | 15,000 | 22,800 | 34,500 |
| Estate management, security and cleaning services | 10,300 | 13,000 | 16,300 | 10,800 | 13,500 | 16,800 |
| <i>within which:</i> | | | | | | |
| Real estate maintenance management | 12,600 | 14,800 | 17,800 | 12,900 | 15,200 | 18,200 |
| Security services ^(f) | 12,000 | 14,100 | 16,800 | 12,000 | 14,500 | 17,200 |
| Cleaning services | 8,100 | 10,200 | 11,400 | 8,400 | 10,500 | 11,900 |
| Membership organisations ^(g) | 11,600 | 14,100 | 22,000 | 12,000 | 14,000 | 23,000 |
| Professional, scientific and technical services | 16,200 | 25,100 | 37,900 | 16,500 | 26,000 | 38,500 |
| Administrative and support services activities | 12,600 | 17,400 | 27,600 | 12,600 | 18,000 | 28,000 |
| Travel agency, reservation service and related activities | 11,000 | 15,000 | 21,400 | 11,000 | 15,100 | 22,000 |
| Education and public administration (excluding the Government) | 14,700 | 30,200 | 52,600 | 15,100 | 31,000 | 52,700 |
| Human health activities; and beauty and body prettifying treatment | 14,300 | 19,900 | 42,000 | 14,800 | 20,000 | 40,000 |
| Miscellaneous activities | 11,000 | 13,300 | 17,100 | 11,000 | 13,900 | 17,100 |
| <i>within which:</i> | | | | | | |
| Elderly homes | 13,000 | 14,700 | 17,700 | 13,500 | 15,200 | 18,000 |
| Laundry and dry cleaning services | 8,100 | 12,400 | 14,300 | 8,400 | 12,500 | 15,000 |
| Hairdressing and other personal services | 10,000 | 12,500 | 15,500 | 10,000 | 13,000 | 15,700 |
| Local courier services | 8,100 | 11,000 | 15,000 | 8,500 | 11,600 | 15,600 |
| Food processing and production | 11,200 | 13,400 | 18,600 | 12,000 | 14,000 | 18,700 |
| Other activities not classified above | 13,200 | 16,900 | 26,300 | 13,500 | 17,400 | 27,100 |
| All industry sections above | 13,400 | 18,700 | 29,500 | 13,700 | 19,100 | 30,200 |

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 22 : Hourly wage level and distribution analysed
by industry section : all employees**

(HK\$)

| Industry sections | May – Jun 2021 | | | May – Jun 2022 | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 25th percentile | 50th percentile | 75th percentile | 25th percentile | 50th percentile | 75th percentile |
| Manufacturing ^(a) | 56.1 | 72.2 | 106.3 | 57.4 | 74.6 | 109.3 |
| Electricity and gas supply; sewerage, waste management and remediation activities | 77.1 | 109.4 | 167.4 | 77.6 | 112.5 | 171.4 |
| Construction | 79.6 | 100.6 | 126.4 | 81.9 | 103.5 | 129.6 |
| Import and export trade | 59.1 | 81.1 | 118.3 | 60.8 | 82.8 | 119.5 |
| Wholesale | 52.8 | 66.1 | 87.5 | 54.2 | 67.8 | 89.8 |
| Retail trade | 46.4 | 53.7 | 66.7 | 47.2 | 55.0 | 66.7 |
| <i>within which:</i> | | | | | | |
| Supermarkets and convenience stores | 43.3 | 48.6 | 53.2 | 44.0 | 49.5 | 58.9 |
| Other retail stores | 47.1 | 55.8 | 71.3 | 48.3 | 57.2 | 73.6 |
| Land transport | 57.8 | 79.6 | 106.7 | 58.2 | 81.2 | 107.5 |
| Other transportation, storage, postal and courier services ^(b) | 52.0 | 67.4 | 92.3 | 53.2 | 69.3 | 93.8 |
| Food and beverage services | 47.0 | 53.0 | 65.0 | 48.4 | 55.0 | 68.3 |
| <i>within which:</i> | | | | | | |
| Hong Kong style tea cafes | 48.1 | 53.1 | 65.0 | 50.0 | 54.0 | 66.3 |
| Chinese restaurants | 48.1 | 54.4 | 73.8 | 49.9 | 56.1 | 76.6 |
| Restaurants, other than Chinese | 49.4 | 54.8 | 67.8 | 51.2 | 56.2 | 71.0 |
| Fast food cafes ^(c) | 43.5 | 48.5 | 55.6 | 44.0 | 49.5 | 58.0 |
| Other food and beverage services | 46.0 | 51.0 | 60.9 | 48.4 | 53.0 | 65.1 |
| Accommodation services ^(d) | 47.9 | 58.7 | 75.0 | 49.1 | 59.9 | 76.4 |
| Information and communications | 67.2 | 95.8 | 146.3 | 69.2 | 98.7 | 151.7 |
| Financing and insurance | 75.4 | 112.5 | 190.1 | 77.7 | 115.9 | 191.5 |
| Real estate activities ^(e) | 62.6 | 89.6 | 143.4 | 65.8 | 92.6 | 143.9 |
| Estate management, security and cleaning services | 41.4 | 47.1 | 58.6 | 43.0 | 48.7 | 60.4 |
| <i>within which:</i> | | | | | | |
| Real estate maintenance management | 41.9 | 47.6 | 63.4 | 43.5 | 49.1 | 64.5 |
| Security services ^(f) | 41.9 | 46.6 | 56.9 | 42.5 | 48.0 | 58.4 |
| Cleaning services | 40.6 | 45.6 | 52.4 | 41.7 | 46.9 | 54.2 |
| Membership organisations ^(g) | 45.0 | 58.6 | 91.7 | 50.0 | 60.6 | 99.5 |
| Professional, scientific and technical services | 66.7 | 99.2 | 160.1 | 67.2 | 102.6 | 161.6 |
| Administrative and support services activities | 51.9 | 71.7 | 114.7 | 52.5 | 73.3 | 116.9 |
| Travel agency, reservation service and related activities | 51.1 | 66.0 | 94.7 | 50.0 | 66.1 | 97.4 |
| Education and public administration (excluding the Government) | 68.5 | 133.0 | 222.9 | 70.0 | 136.6 | 222.2 |
| Human health activities; and beauty and body prettifying treatment | 63.8 | 91.6 | 173.8 | 65.5 | 93.8 | 166.7 |
| Miscellaneous activities | 44.8 | 52.4 | 70.0 | 45.8 | 54.0 | 70.0 |
| <i>within which:</i> | | | | | | |
| Elderly homes | 42.9 | 53.1 | 71.8 | 44.6 | 54.5 | 73.9 |
| Laundry and dry cleaning services | 45.8 | 50.5 | 64.5 | 48.4 | 52.0 | 64.5 |
| Hairdressing and other personal services | 46.1 | 52.4 | 70.0 | 46.7 | 53.6 | 69.9 |
| Local courier services | 45.5 | 52.5 | 66.7 | 44.3 | 53.4 | 70.4 |
| Food processing and production | 45.3 | 52.4 | 73.3 | 47.0 | 54.5 | 75.3 |
| Other activities not classified above | 55.6 | 70.5 | 107.1 | 56.8 | 73.1 | 110.4 |
| All industry sections above | 53.5 | 75.7 | 120.3 | 54.8 | 77.4 | 123.7 |

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 23 : Rates of change in prices**(%)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GDP deflator | 2.9 | 3.6 | 1.6 | 2.9 | 3.7 | 2.0 | 0.6 | 0.7 |
| Domestic demand deflator | 3.1 | 2.2 | 1.4 | 2.8 | 3.4 | 2.4 | 0.6 | -0.8 |
| Consumer Price Indices ^(a) : | | | | | | | | |
| Composite CPI | 4.4 | 3.0 | 2.4 | 1.5 | 2.4 | 2.9 | 0.3 | 1.6 |
| CPI(A) | 5.6 | 4.0 | 2.8 | 1.5 | 2.7 | 3.3 | -0.6 | 2.9 |
| CPI(B) | 4.2 | 2.9 | 2.3 | 1.4 | 2.3 | 2.7 | 0.6 | 1.0 |
| CPI(C) | 3.5 | 2.1 | 2.1 | 1.5 | 2.2 | 2.6 | 0.8 | 0.9 |
| Unit Value Indices : | | | | | | | | |
| Total exports of goods | 2.0 | 0.1 | -1.7 | 1.8 | 2.4 | 1.1 | -0.6 | 5.4 |
| Imports of goods | 1.9 | -0.4 | -1.7 | 1.9 | 2.6 | 1.3 | -0.7 | 5.5 |
| Terms of Trade Index ^(b) | 0.1 | 0.5 | * | -0.1 | -0.1 | -0.1 | * | * |
| Producer Price Index for all manufacturing industries | -1.7 | -2.7 | 1.3 | 3.8 | 2.0 | 1.0 | 2.3 | 1.2 |
| Tender Price Indices : | | | | | | | | |
| Public sector | | | | | | | | |
| building projects | 7.3 | 5.9 | 1.0 | -0.3 | -2.9 | -2.6 | -3.0 | 1.0 |
| Public housing projects | 8.0 | 12.5 | -0.7 | 0.3 | -1.9 | -1.8 | -2.7 | 1.8 |

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.

(^) Average annual rate change for the 10-year period 2012-2022

(~) Average annual rate change for the 5-year period 2017-2022

Table 23 : Rates of change in prices (Cont'd)

| | (%) | | | | | | | |
|---|-------------|-------------|-------------|------|-----|------|--------------------------------|-------------------------|
| | <u>2022</u> | <u>2023</u> | <u>2023</u> | | | | Average annual rate of change: | |
| | | | Q1 | Q2 | Q3 | Q4 | 10 years 2013 to 2023 | 5 years 2018 to 2023 |
| GDP deflator [#] | 1.7 | 3.2 | 2.3 | 3.3 | 2.9 | 4.1 | 2.3 | 1.6 |
| Domestic demand deflator [#] | 2.1 | 3.9 | 3.0 | 4.3 | 4.4 | 3.8 | 2.1 | 1.6 |
| Consumer Price Indices ^(a) : | | | | | | | | |
| Composite CPI | 1.9 | 2.1 | 1.9 | 2.0 | 1.9 | 2.6 | 2.2 | 1.7 |
| CPI(A) | 2.2 | 2.3 | 2.0 | 2.2 | 1.9 | 3.0 | 2.7 | 2.0 |
| CPI(B) | 1.7 | 2.0 | 1.8 | 1.9 | 1.8 | 2.4 | 2.1 | 1.6 |
| CPI(C) | 1.8 | 2.0 | 2.0 | 2.0 | 1.9 | 2.3 | 1.9 | 1.6 |
| Unit Value Indices : | | | | | | | | |
| Total exports of goods | 7.8 | 4.4 | 4.7 | 4.1 | 3.7 | 4.6 | 2.2 | 3.6 |
| Imports of goods | 8.1 | 3.9 | 3.9 | 3.7 | 3.5 | 4.1 | 2.2 | 3.6 |
| Terms of Trade Index ^(b) | -0.3 | 0.4 | 0.7 | 0.4 | 0.1 | 0.4 | * | * |
| Producer Price Index for all manufacturing industries | 0.8 | N.A. | 0.9 | -0.2 | 3.0 | N.A. | 0.5 [^] | 1.5 [~] |
| Tender Price Indices : | | | | | | | | |
| Public sector | | | | | | | | |
| building projects | 5.5 | N.A. | 5.2 | 4.6 | 3.8 | N.A. | 1.8 [^] | -0.5 [~] |
| Public housing projects | 5.3 | N.A. | 5.7 | 4.7 | 3.1 | N.A. | 2.9 [^] | 0.1 [~] |

Table 24 : Rates of change in Composite Consumer Price Index

(%)

| | Weight | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|------------------------------------|---------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| All items | 100.00 | 4.4 (3.5) | 3.0 (2.5) | 2.4 (2.3) | 1.5 (1.7) | 2.4 (2.6) | 2.9 (3.0) | 0.3 (1.3) |
| Food | 27.41 | 4.1 | 4.0 | 3.4 | 2.2 | 3.4 | 4.9 | 3.3 |
| <i>Meals out and takeaway food</i> | 17.05 | 4.6 | 4.2 | 3.3 | 2.7 | 2.9 | 2.2 | 0.8 |
| <i>Basic food</i> | 10.36 | 3.4 | 3.4 | 3.6 | 1.1 | 4.3 | 9.9 | 7.7 |
| Housing ^(a) | 40.25 | 6.7 | 5.1 | 3.7 | 2.0 | 2.5 | 3.5 | -0.1 |
| <i>Private housing rent</i> | 35.46 | 6.0 | 4.7 | 3.4 | 1.8 | 2.2 | 3.1 | 1.1 |
| <i>Public housing rent</i> | 1.87 | 18.3 | 10.9 | 7.2 | 3.0 | 4.1 | 7.1 | -21.0 |
| Electricity, gas and water | 2.82 | 14.9 | 8.4 | 1.0 | -1.7 | 4.9 | -5.4 | -20.6 |
| Alcoholic drinks and tobacco | 0.49 | 6.5 | 1.3 | 1.5 | 0.6 | 1.3 | 1.2 | 0.5 |
| Clothing and footwear | 2.42 | 0.9 | -1.8 | -3.4 | -0.4 | 1.6 | -1.7 | -5.2 |
| Durable goods | 4.00 | -3.4 | -5.6 | -5.4 | -3.2 | -2.0 | -1.9 | -2.7 |
| Miscellaneous goods | 3.32 | 2.3 | 0.9 | 1.5 | 1.4 | 1.3 | 2.5 | 3.1 |
| Transport | 6.17 | 2.0 | -0.3 | 1.6 | 2.3 | 1.6 | 2.0 | -1.0 |
| Miscellaneous services | 13.12 | 3.0 | 1.1 | 2.3 | 0.9 | 2.1 | 2.0 | 0.8 |

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".

Table 24 : Rates of change in Composite Consumer Price Index (Cont'd)

| (%) | | | | | | | | | | |
|------------------------------------|---------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|
| | Weight | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2023</u> | | | | Average annual rate of change: | |
| | | | | | Q1 | Q2 | Q3 | Q4 | 10 years 2013 to 2023 | 5 years 2018 to 2023 |
| All items | 100.00 | 1.6 (0.6) | 1.9 (1.7) | 2.1 (1.7) | 1.9 (1.9) | 2.0 (1.7) | 1.9 (1.6) | 2.6 (1.6) | 2.2 (2.1) | 1.7 (1.8) |
| Food | 27.41 | 1.7 | 3.8 | 2.7 | 3.0 | 2.5 | 2.5 | 2.7 | 3.3 | 3.2 |
| <i>Meals out and takeaway food</i> | 17.05 | 1.8 | 3.4 | 4.0 | 4.4 | 4.0 | 3.8 | 3.7 | 3.0 | 2.4 |
| <i>Basic food</i> | 10.36 | 1.4 | 4.5 | 0.5 | 0.8 | 0.2 | 0.2 | 0.9 | 3.9 | 4.7 |
| Housing ^(a) | 40.25 | 0.3 | 0.2 | 1.0 | -0.1 | 0.6 | 0.8 | 2.8 | 2.5 | 1.0 |
| <i>Private housing rent</i> | 35.46 | -1.3 | -0.6 | 0.5 | -0.5 | 0.2 | 0.4 | 1.8 | 2.1 | 0.5 |
| <i>Public housing rent</i> | 1.87 | 29.3 | 9.6 | 4.4 | 0.7 | 1.7 | 1.7 | 13.5 | 6.6 | 4.6 |
| Electricity, gas and water | 2.82 | 27.0 | 7.2 | 9.6 | 20.4 | 15.9 | 6.1 | -2.3 | 3.8 | 2.3 |
| Alcoholic drinks and tobacco | 0.49 | 0.1 | 1.3 | 17.0 | 11.2 | 18.8 | 19.0 | 18.8 | 3.0 | 3.8 |
| Clothing and footwear | 2.42 | 3.3 | 5.3 | 5.8 | 5.9 | 5.9 | 6.5 | 5.0 | 0.4 | 1.4 |
| Durable goods | 4.00 | 1.0 | 0.6 | -2.4 | -2.3 | -3.6 | -2.5 | -1.2 | -2.5 | -1.1 |
| Miscellaneous goods | 3.32 | -3.1 | 0.4 | 1.7 | 0.9 | 1.5 | 2.2 | 2.2 | 1.2 | 0.9 |
| Transport | 6.17 | 2.6 | 2.9 | 1.9 | 1.4 | 1.7 | 2.0 | 2.5 | 1.5 | 1.7 |
| Miscellaneous services | 13.12 | 0.7 | 1.3 | 2.6 | 2.2 | 2.5 | 2.5 | 3.2 | 1.7 | 1.5 |

**Table 25 : Rates of change in implicit price deflators of GDP
and its main expenditure components**

(**%**)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Private consumption expenditure | 2.9 | 1.2 | 1.5 | 2.5 | 3.1 | 2.7 | 0.6 |
| Government consumption expenditure | 4.7 | 4.4 | 3.7 | 2.5 | 3.3 | 4.7 | 2.1 |
| Gross domestic fixed capital formation | 3.1 | 4.5 | -0.3 | 4.4 | 4.6 | -0.1 | -1.5 |
| Total exports of goods | 0.7 | -0.7 | -1.4 | 1.7 | 2.2 | 1.1 | 0.1 |
| Imports of goods | 0.8 | -1.4 | -1.8 | 1.8 | 2.3 | 1.3 | 0.1 |
| Exports of services | 0.4 | -2.8 | -2.0 | 3.2 | 4.5 | -0.3 | -0.4 |
| Imports of services | 0.5 | -4.6 | -1.3 | 2.7 | 2.8 | -1.0 | -0.9 |
| Gross Domestic Product | 2.9 | 3.6 | 1.6 | 2.9 | 3.7 | 2.0 | 0.6 |
| Total final demand | 1.4 | * | -0.6 | 2.2 | 2.8 | 1.4 | 0.2 |
| Domestic demand | 3.1 | 2.2 | 1.4 | 2.8 | 3.4 | 2.4 | 0.6 |

Notes: 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.

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

**Table 25 : Rates of change in implicit price deflators of GDP
and its main expenditure components (Cont'd)**

| | <u>2021</u> | <u>2022[#]</u> | <u>2023[#]</u> | <u>2023</u> | | | | Average annual rate of change: | |
|---|-------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|--|---|
| | | | | Q1 [#] | Q2 [#] | Q3 [#] | Q4 [#] | 10 years 2013 to 2023 [#] | 5 years 2018 to 2023 [#] |
| Private consumption expenditure | -0.6 | 2.2 | 5.1 | 4.6 | 4.7 | 5.8 | 5.3 | 2.1 | 2.0 |
| Government consumption expenditure | 0.7 | 2.6 | 2.6 | 2.6 | 3.3 | 2.6 | 2.2 | 3.1 | 2.5 |
| Gross domestic fixed capital formation | -2.1 | 1.0 | -0.4 | -1.9 | 0.4 | 0.2 | -0.4 | 1.3 | -0.6 |
| Total exports of goods | 5.1 | 6.8 | 4.2 | 3.7 | 3.7 | 3.7 | 5.2 | 1.9 | 3.4 |
| Imports of goods | 4.9 | 7.3 | 4.3 | 3.6 | 4.3 | 4.1 | 5.0 | 1.9 | 3.6 |
| Exports of services | 14.5 | 6.3 | -1.8 | -2.6 | -3.8 | -1.1 | 0.1 | 2.0 | 3.5 |
| Imports of services | 9.9 | 4.4 | -0.7 | 0.3 | -2.6 | 0.8 | -1.2 | 1.1 | 2.3 |
| Gross Domestic Product | 0.7 | 1.7 | 3.2 | 2.3 | 3.3 | 2.9 | 4.1 | 2.3 | 1.6 |
| Total final demand | 3.7 | 5.2 | 3.3 | 2.6 | 3.1 | 3.2 | 4.2 | 2.0 | 2.7 |
| Domestic demand | -0.8 | 2.1 | 3.9 | 3.0 | 4.3 | 4.4 | 3.8 | 2.1 | 1.6 |

