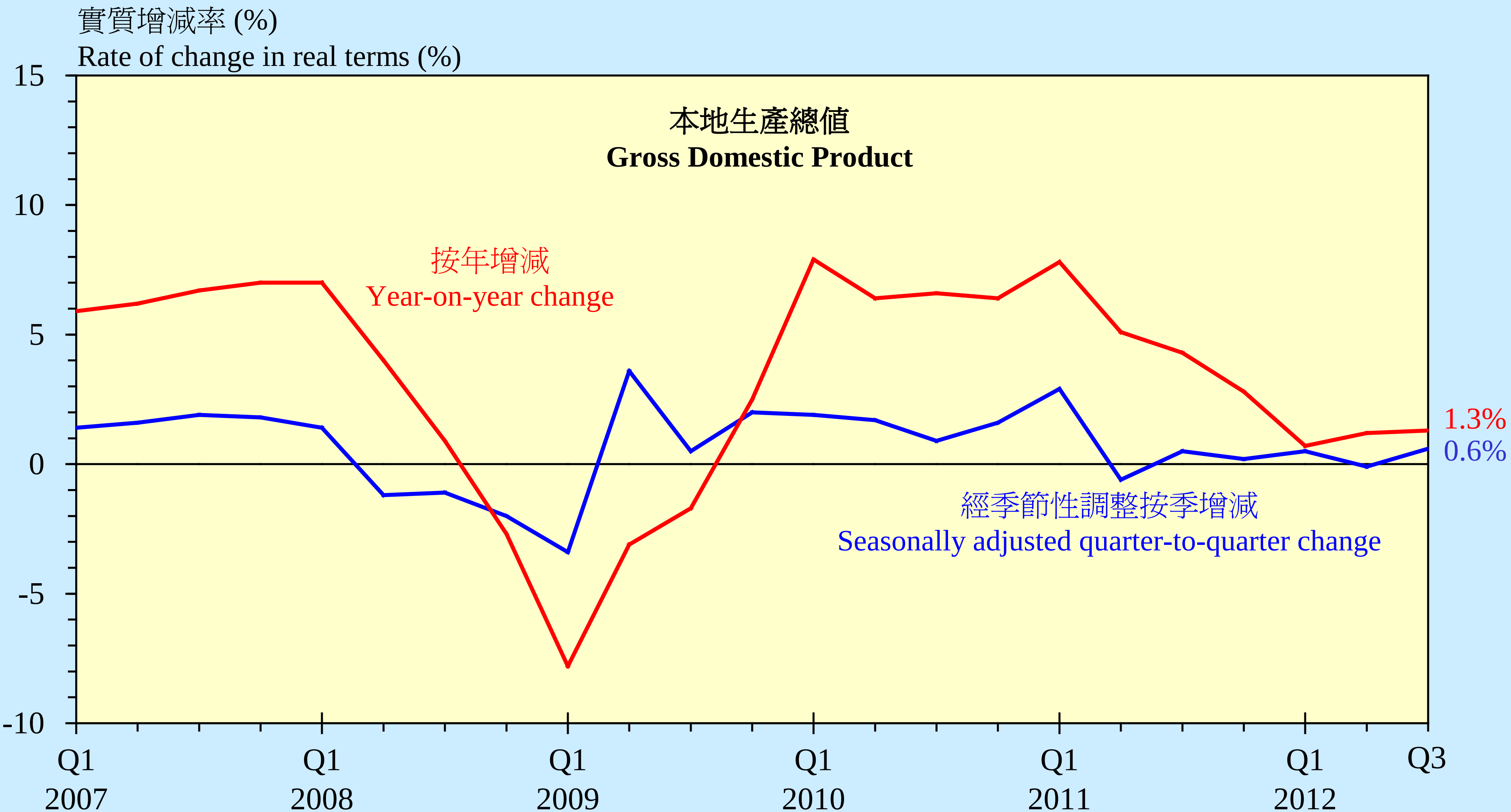
Hong Kong SAR Government

Third Quarter Economic Report 2012
&
Updated economic forecasts for 2012

16 November 2012

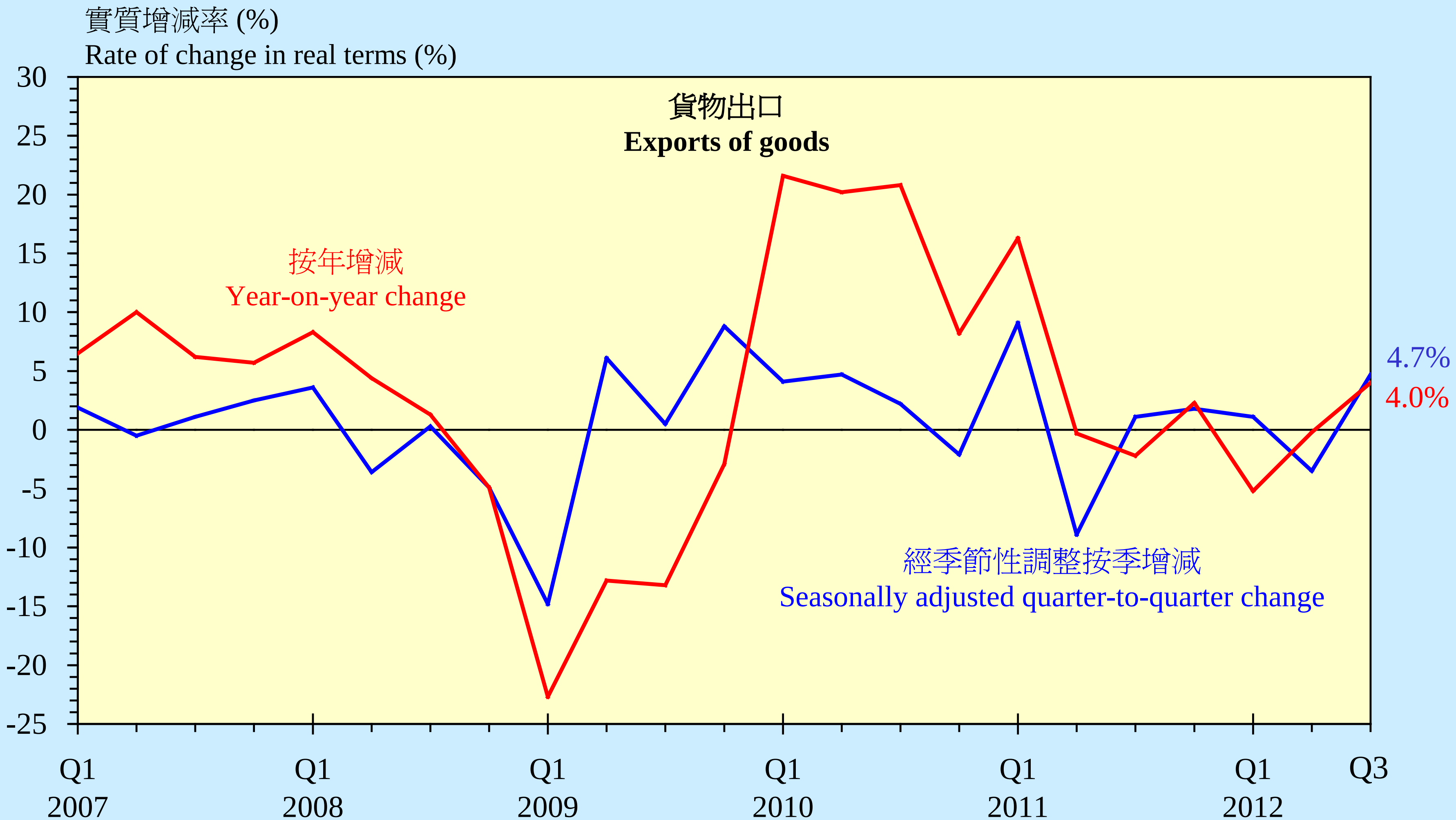
Economic performance in 2012 Q3

Economy continued to show modest growth in Q3



External sector

Exports of goods rebounded slightly



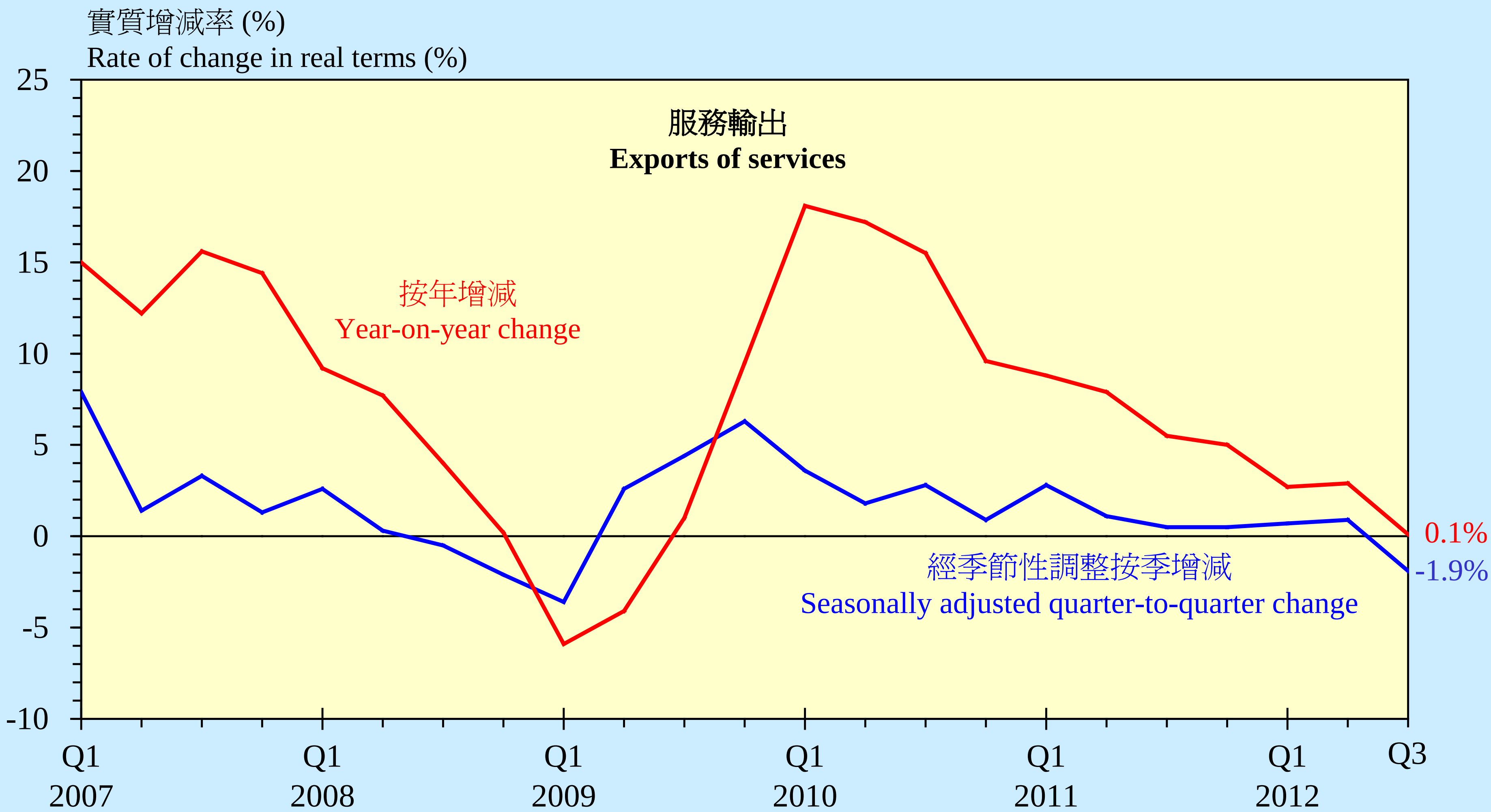
Exports to Mainland rebounded strongly, yet the US and EU markets were still sluggish

Hong Kong's merchandise exports in volume terms

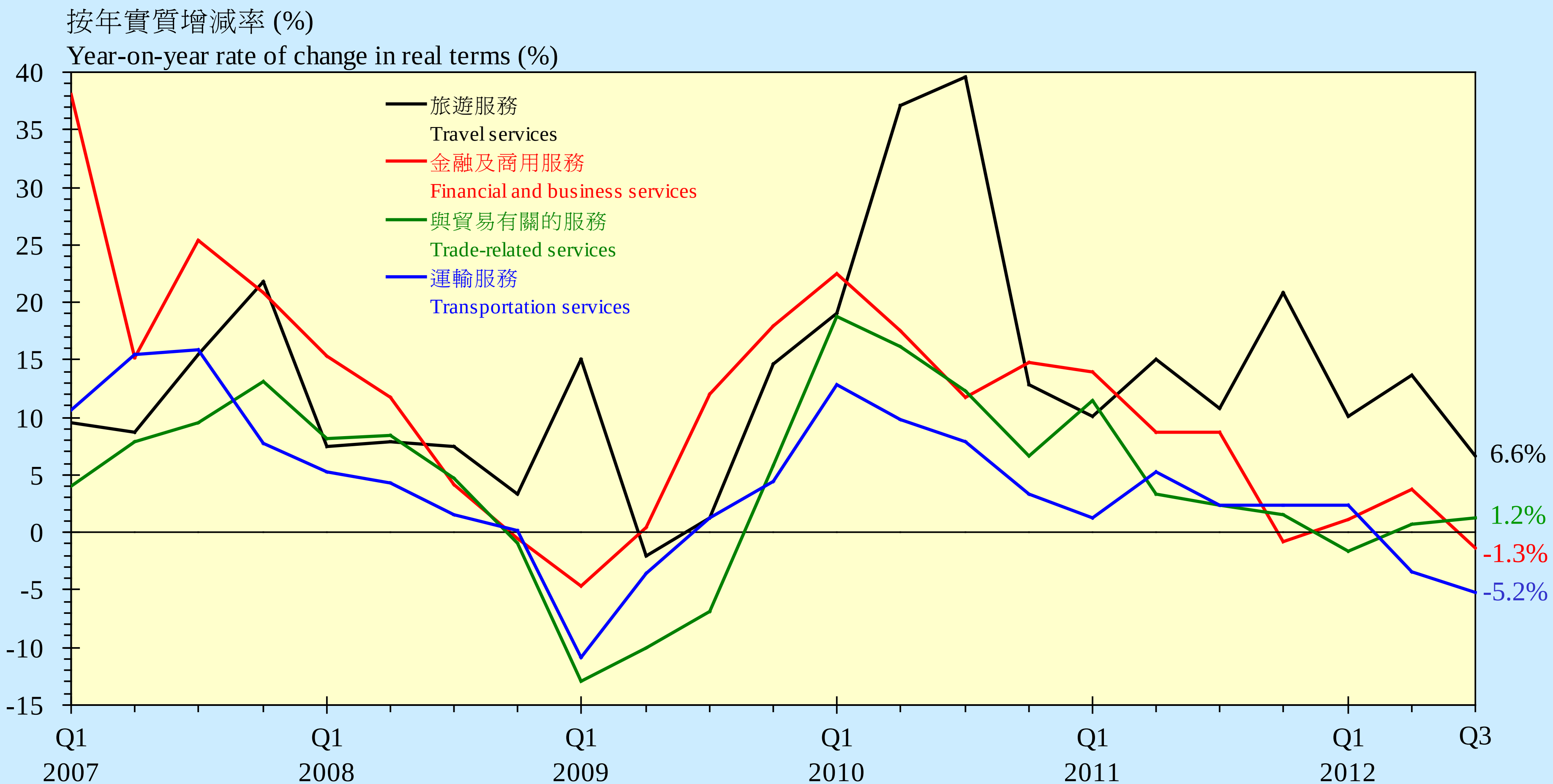
Year-on-year rate of change (%)

		EU	USA	Mainland	Japan	Other Asia
2010	Annual	6.6	14.5	20.0	15.5	25.1
2011	Q1	6.6	5.4	19.3	4.1	23.6
	Q2	-0.9	-12.0	-2.5	-5.9	13.1
	Q3	-4.3	-15.1	-6.2	-4.1	12.2
	Q4	-8.3	-11.0	2.8	-2.3	6.2
	Annual	-2.2	-9.2	2.5	-2.2	13.4
2012	Q1	-9.7	-7.1	-7.8	-1.5	-7.4
	Q2	-12.5	0.1	-0.6	1.5	-2.2
	Q3	-14.1	-0.1	9.7	3.3	-4.4

Exports of services moderated visibly…

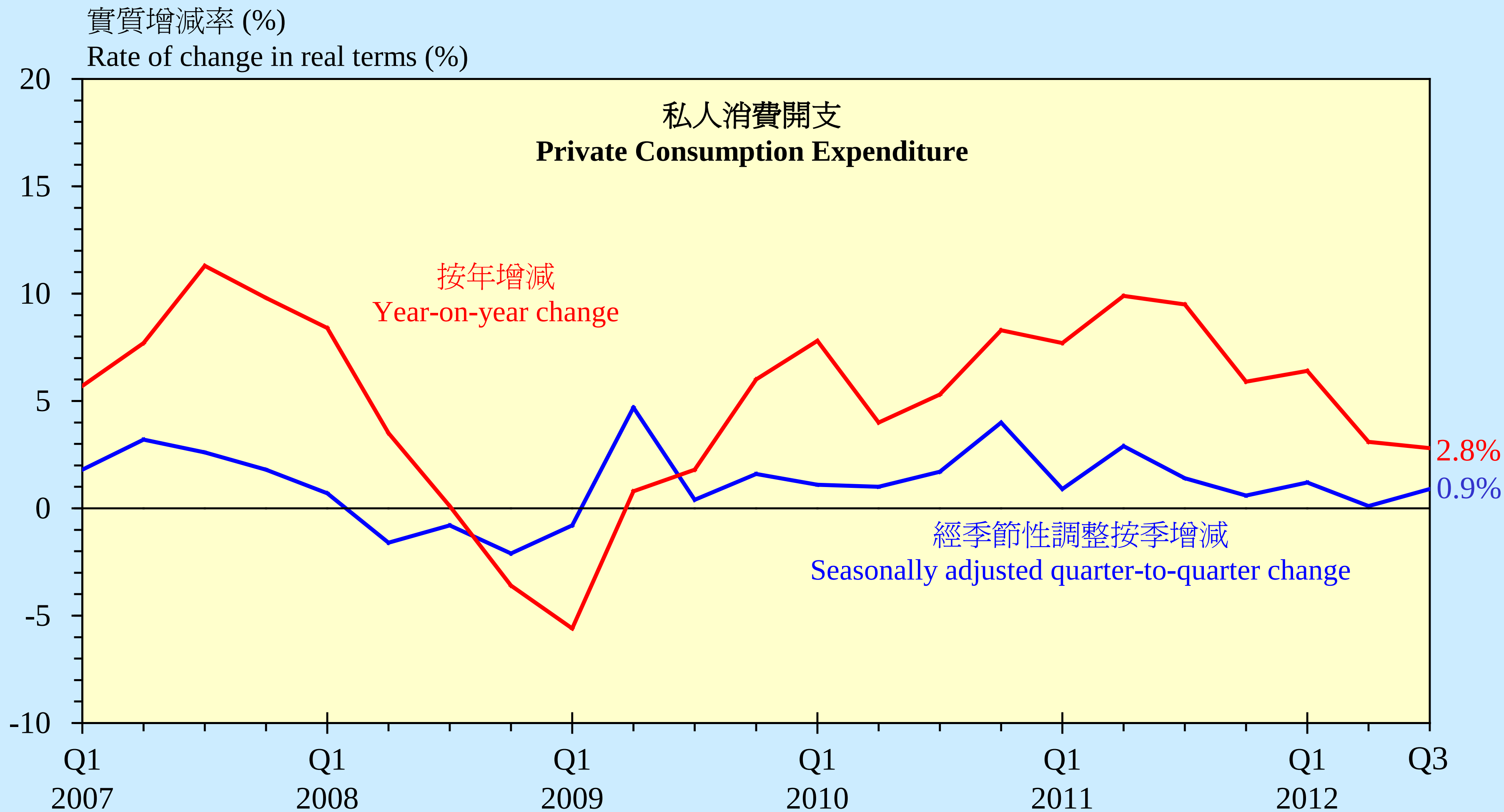


…mostly dragged by sluggish external demand, but tourism earnings also slowed

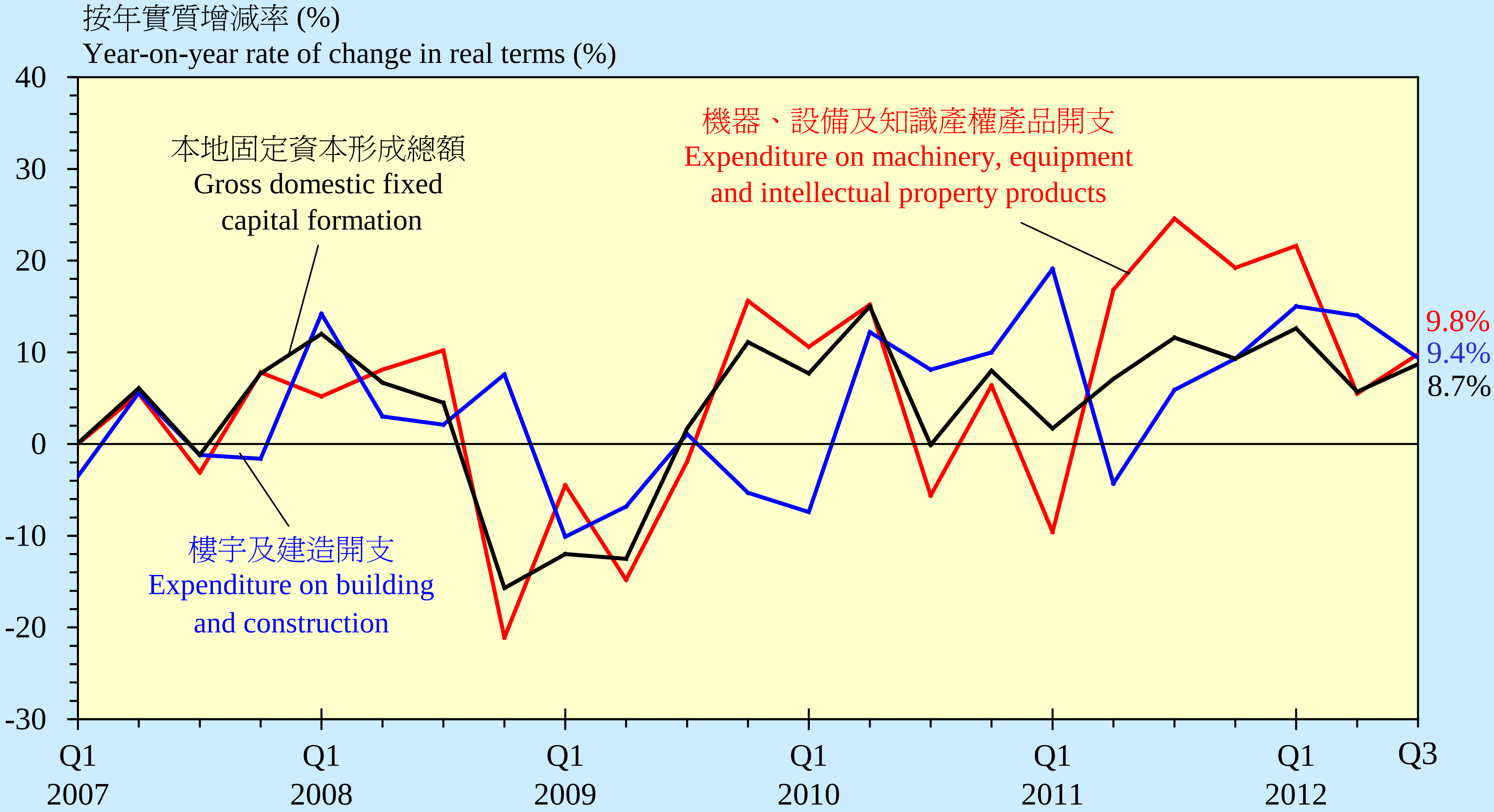


Domestic sector

Private consumption showed modest growth

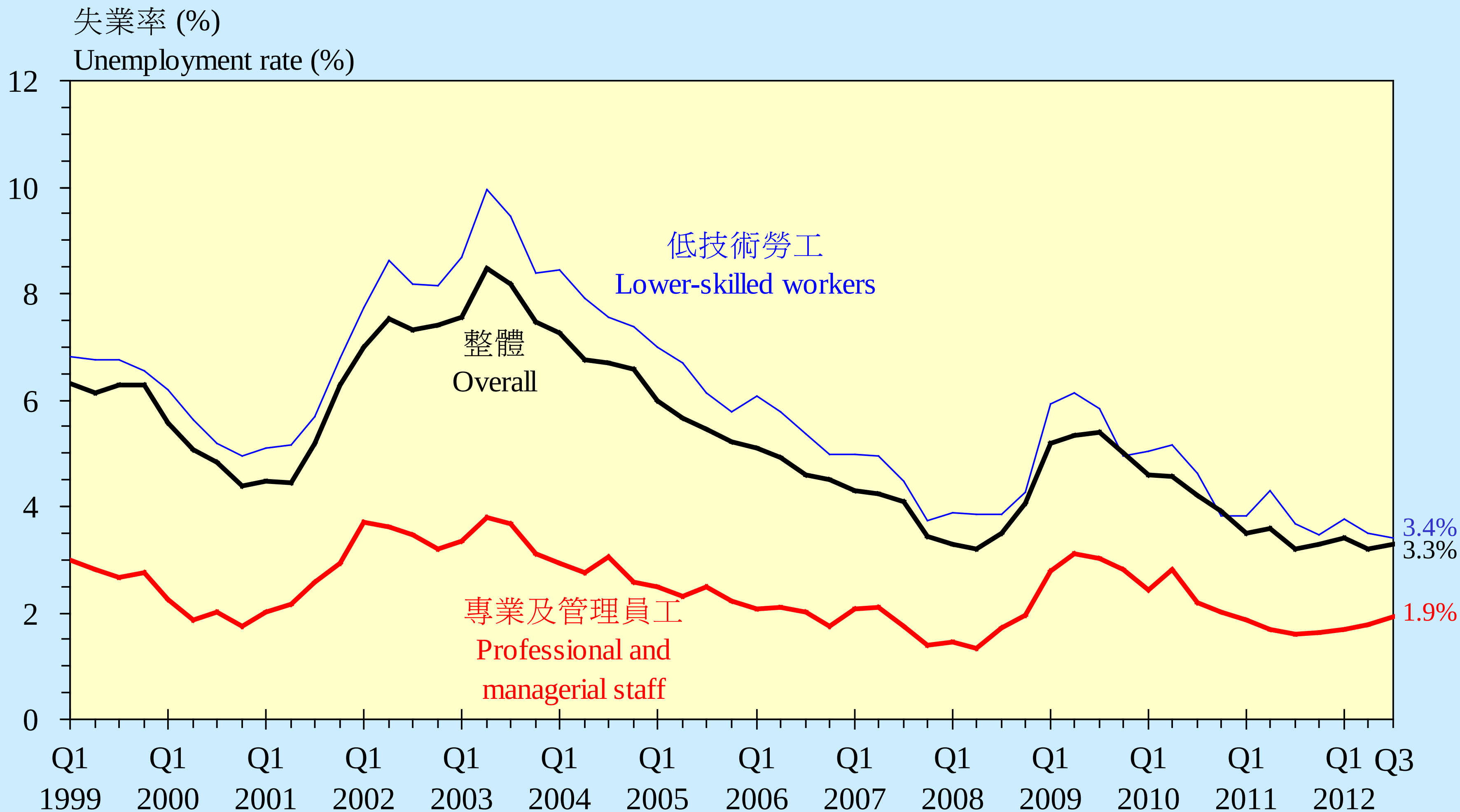


Investment spending grew strongly amid vibrant machinery and equipment acquisition and construction works



Labour market

Labour market, while still in full employment, began to see some pressure



註: 除整體失業率外，其他均爲未經季節性調整數字。

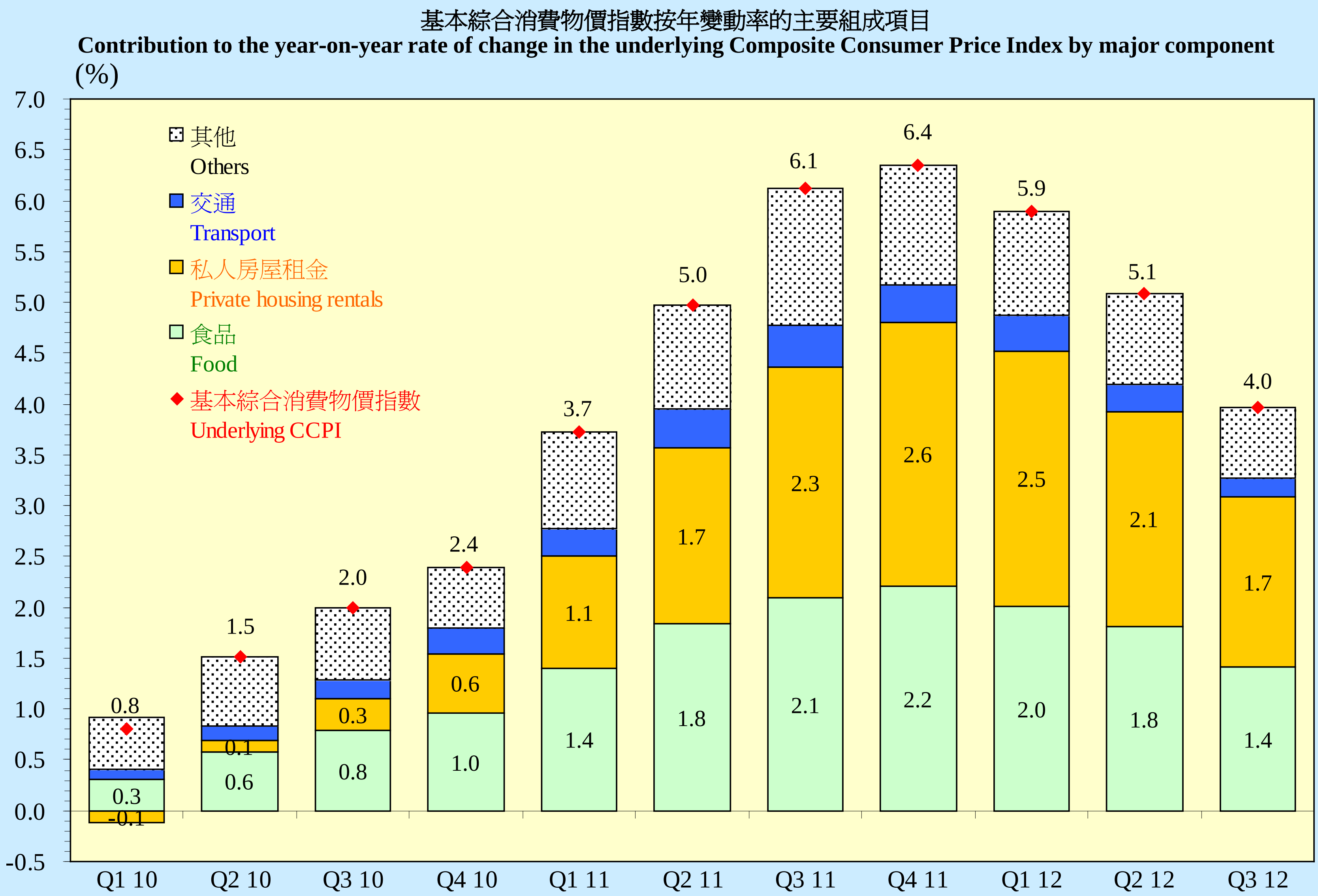
Note: Not seasonally adjusted except the overall unemployment rate.

Income improved in real terms

	Year-on-year rate of change	
	Nominal	**Real**
Wage index (2012 June)	*5.1%*	*1.7%*
Index of payroll per person engaged (2012 Q2)	*6.6%*	*2.3%*
Average monthly employment earnings of full-time employees in the lowest decile group (2012 Q3)	*7.2%*	*5.2%*

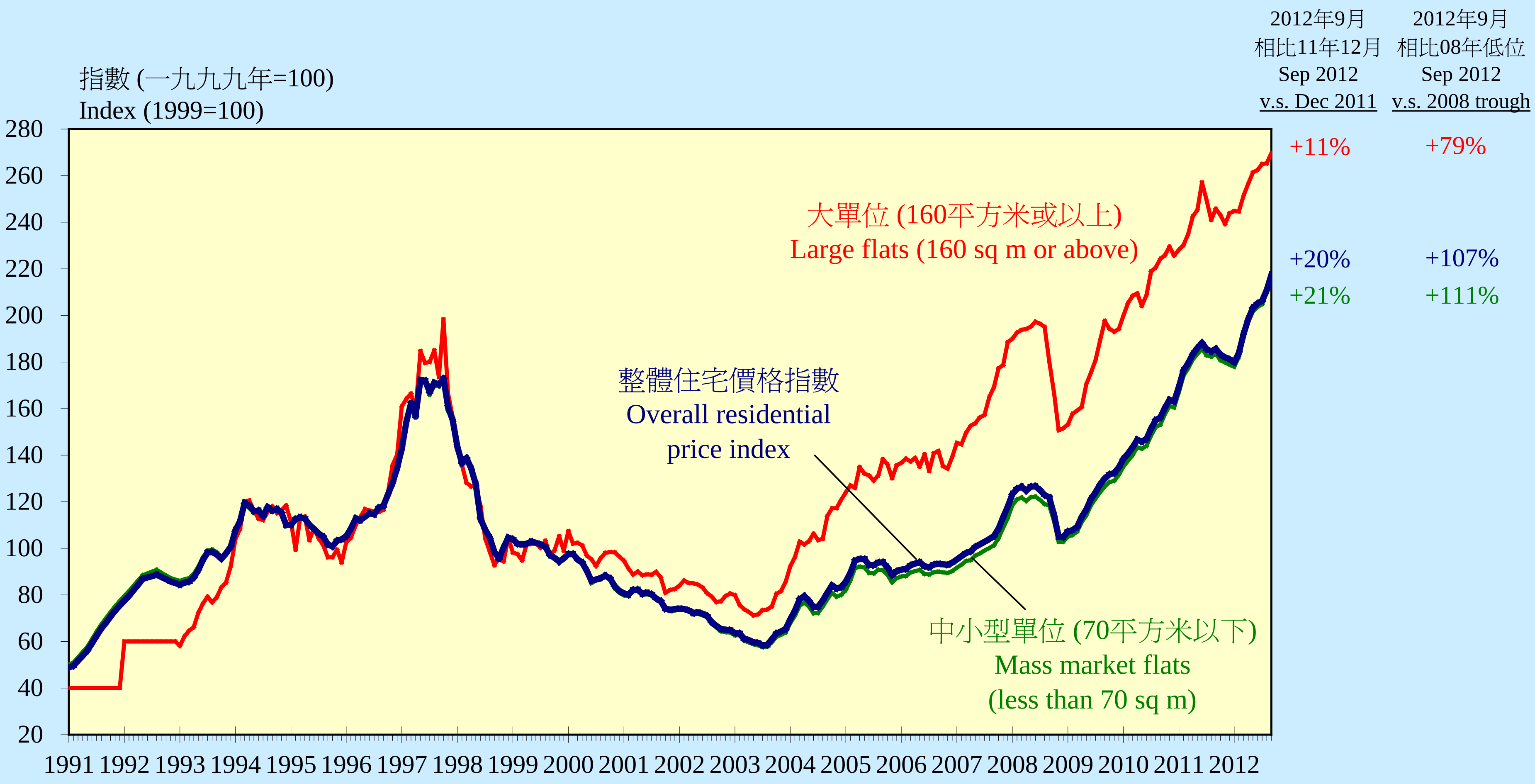
Inflation

Underlying inflation continued to taper

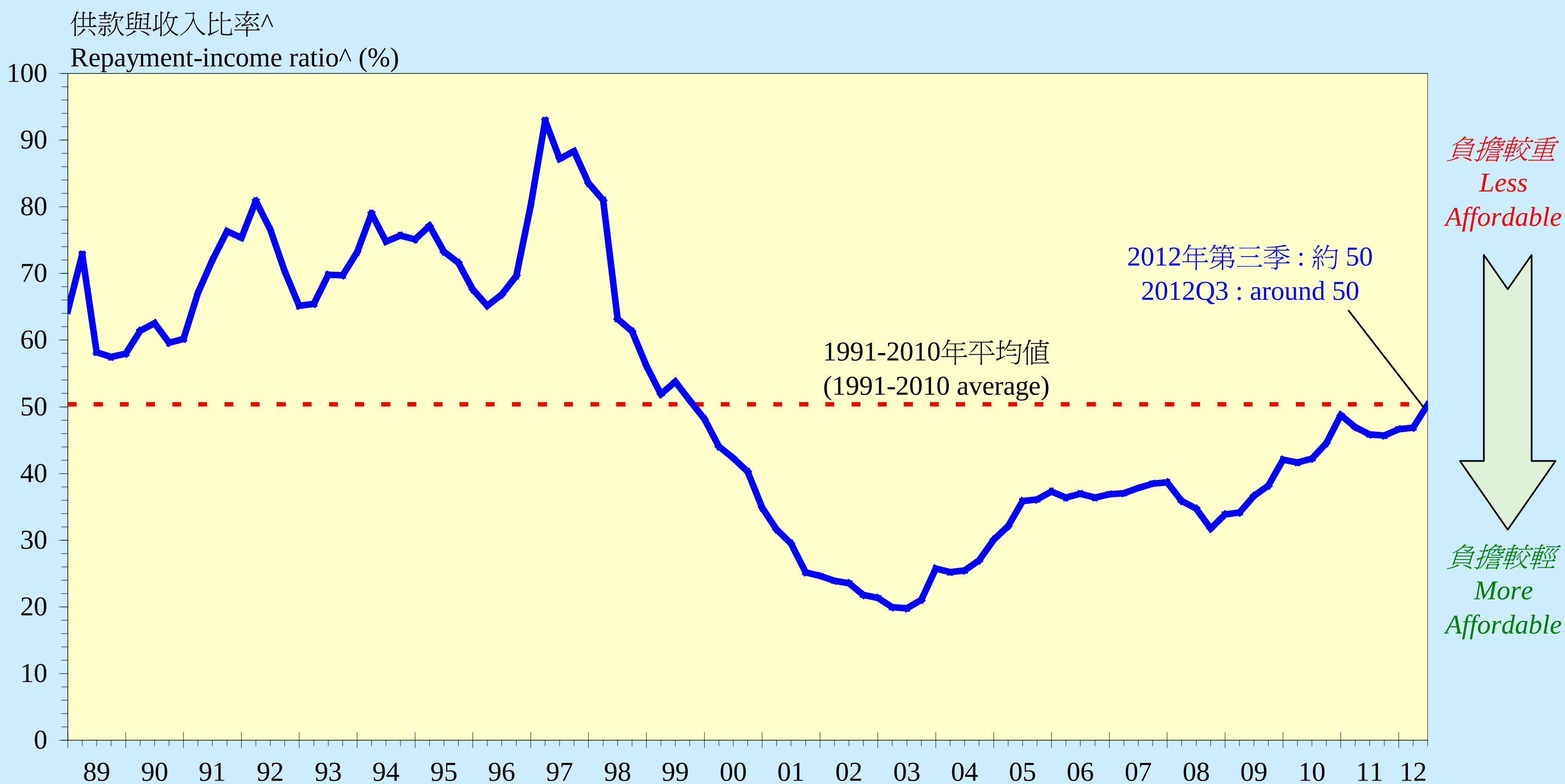


Local property market

Mass market flats saw larger price rise so far this year



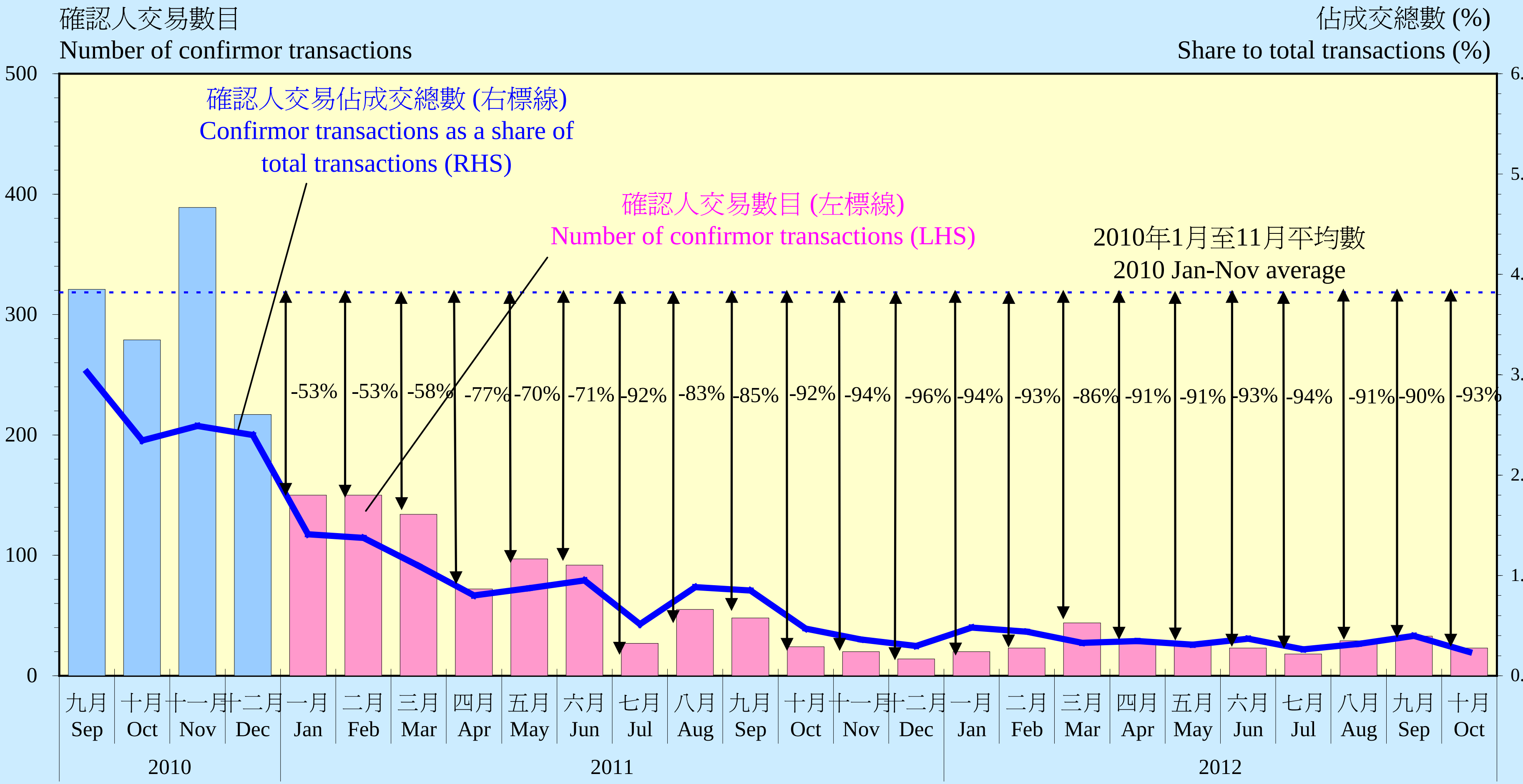
Mortgage payment to income ratio worsened further



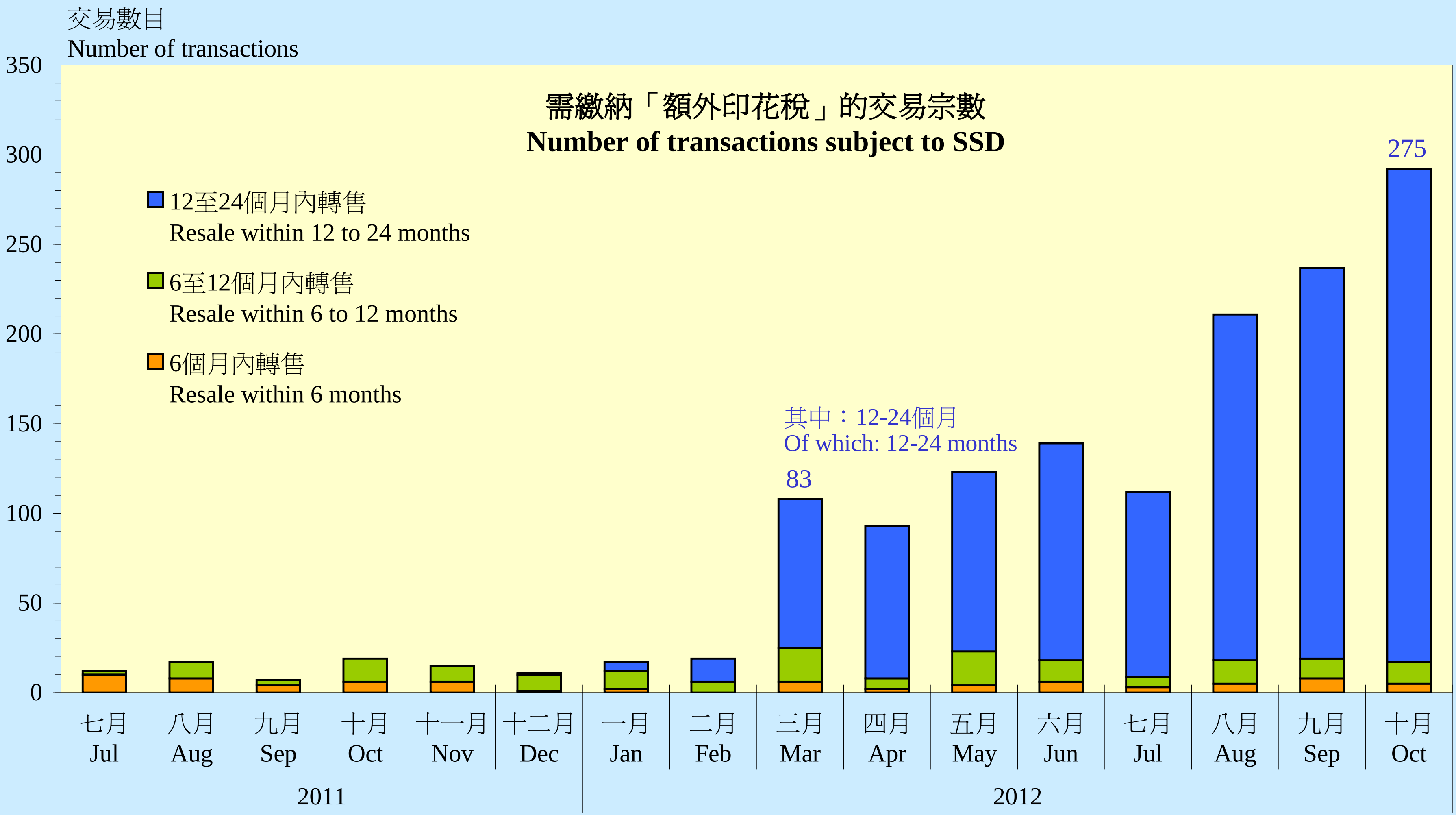
註： (^) 45平方米單位的按揭供款(假設按揭成數爲70%及年期爲20年) 相對住戶入息中位數 (不包括居於公營房屋的住戶) 的比率。

Note : (^) The ratio of mortgage payment for a flat with saleable area of 45 sq m (assuming 70% loan-to-value ratio and tenor of 20 years) to median income of households (excluding those living in public housing).

SSD curbed speculative activities effectively

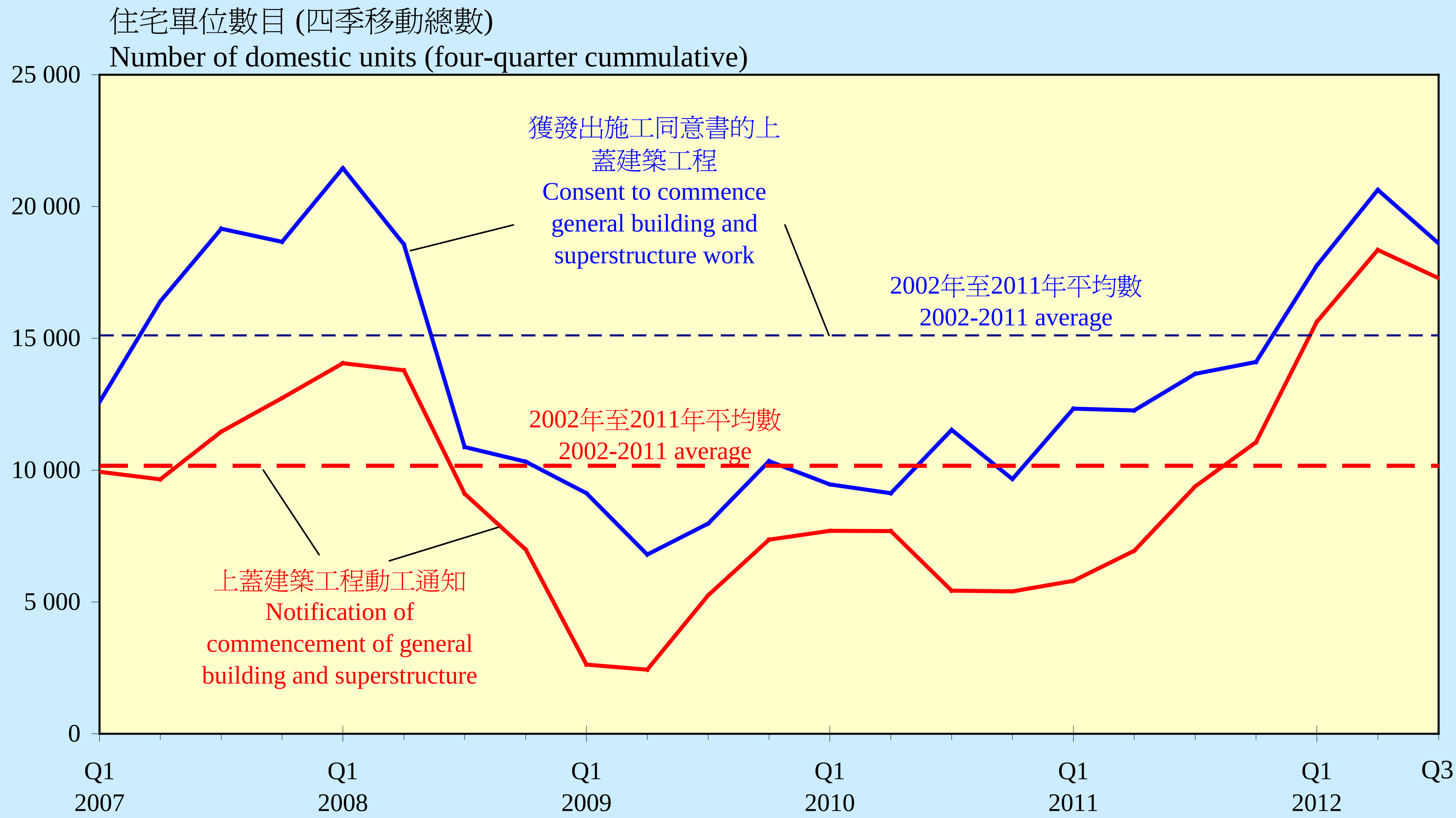


Yet resale cases within 12-24 months rose in recent months, reflecting diminishing effect of a 5% SSD rate



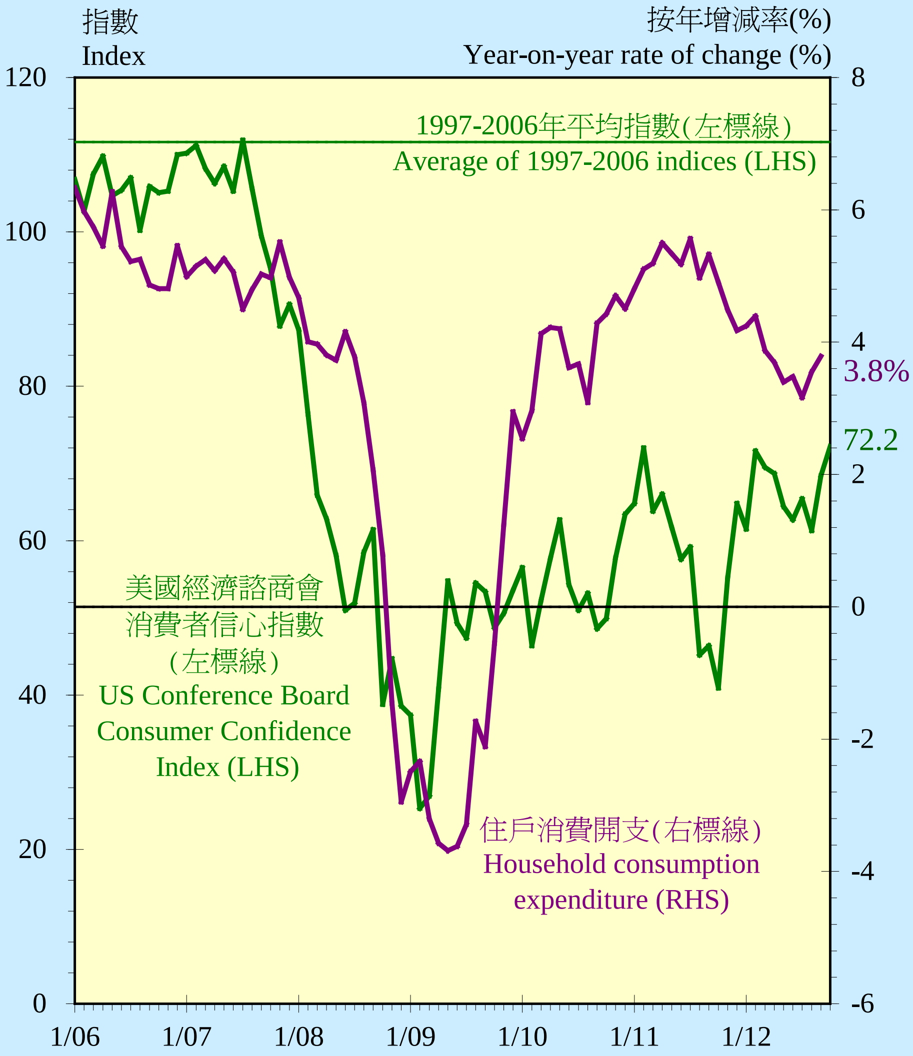
資料來源：稅務局。
Source : Inland Revenue Department.

Supply side measures to tackle the problem at source are yielding positive results

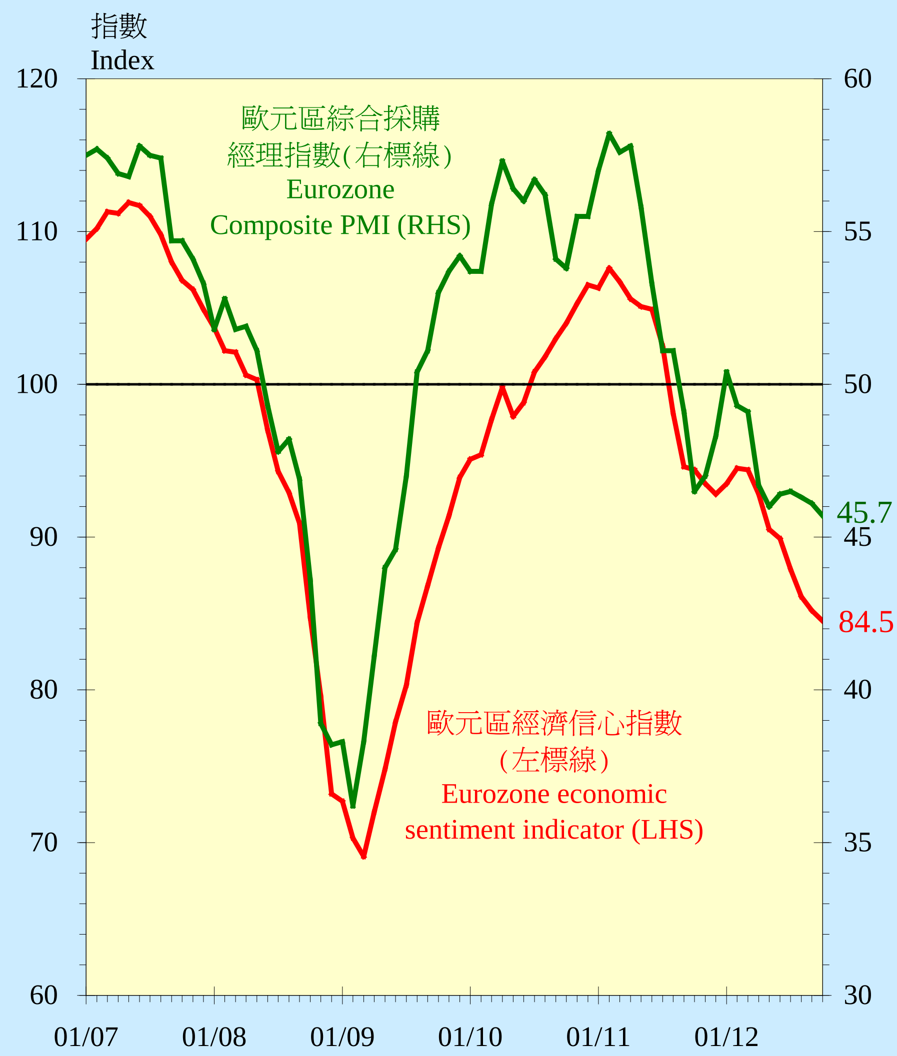


Outlook for the remainder of 2012

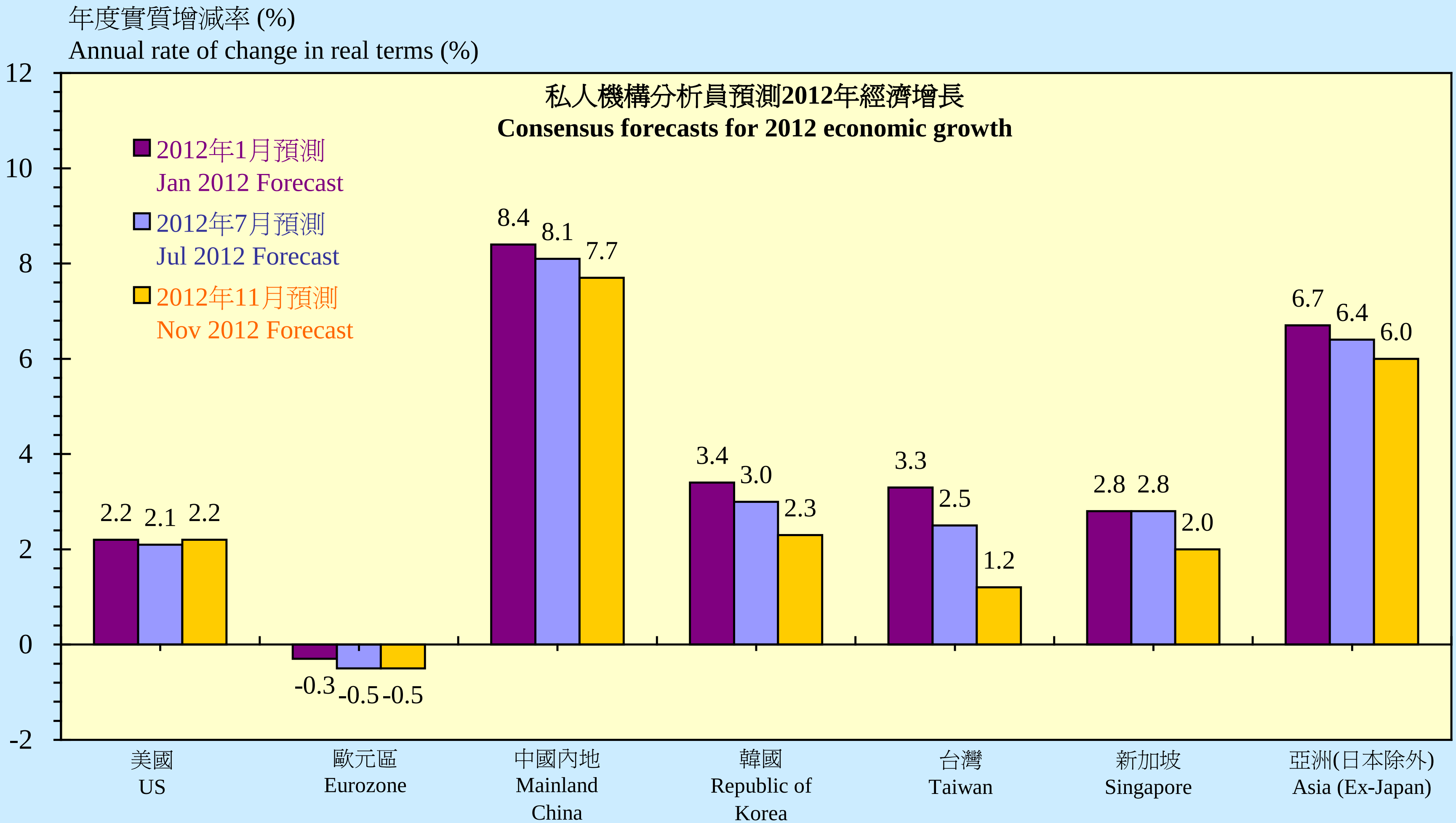
US consumption fared somewhat better than expected



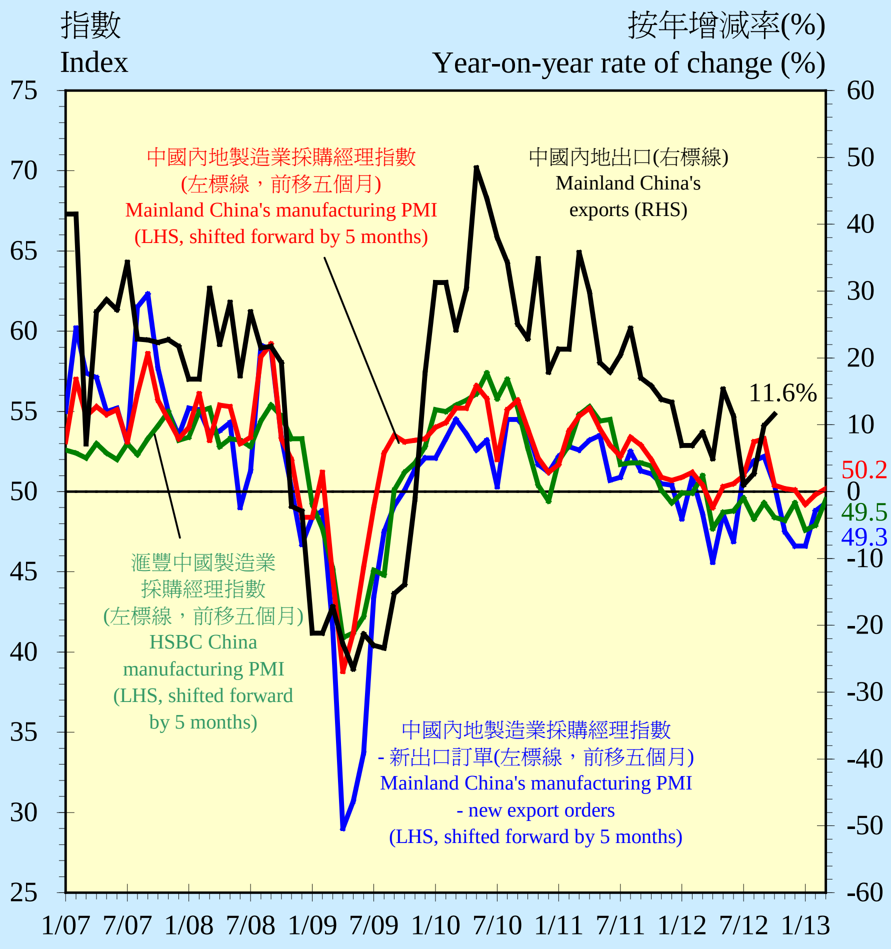
Eurozone economy still in doldrums

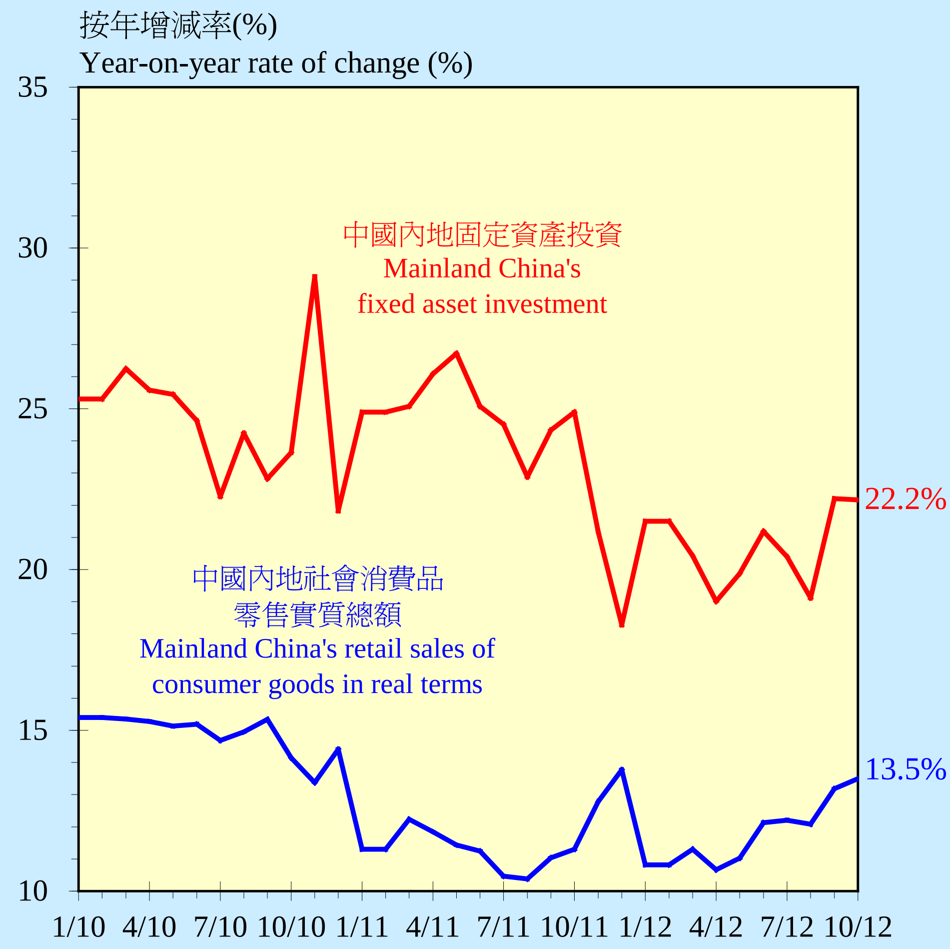


Growth forecasts worldwide marked down successively

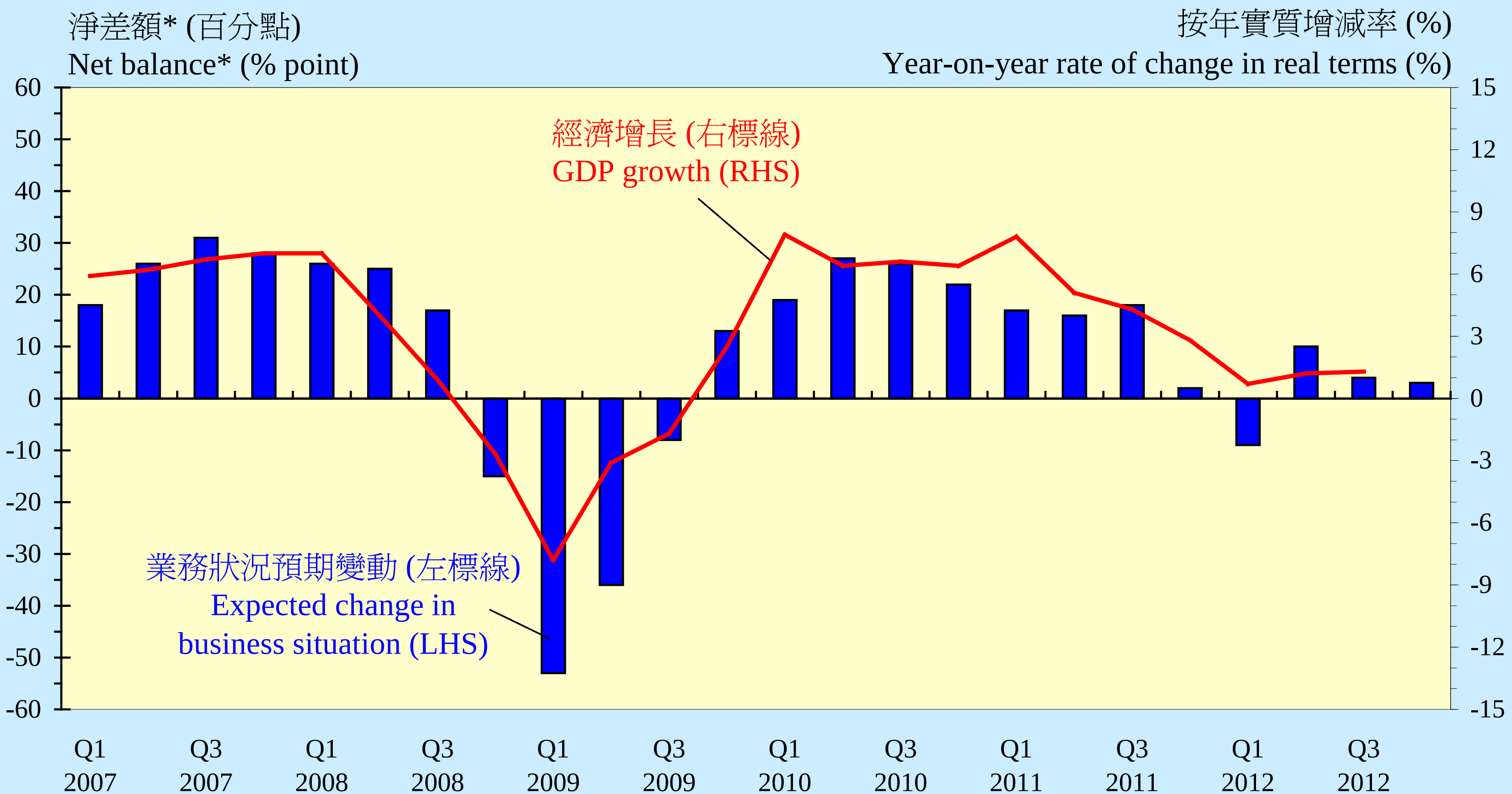


Mainland economy set to bottom out and improve





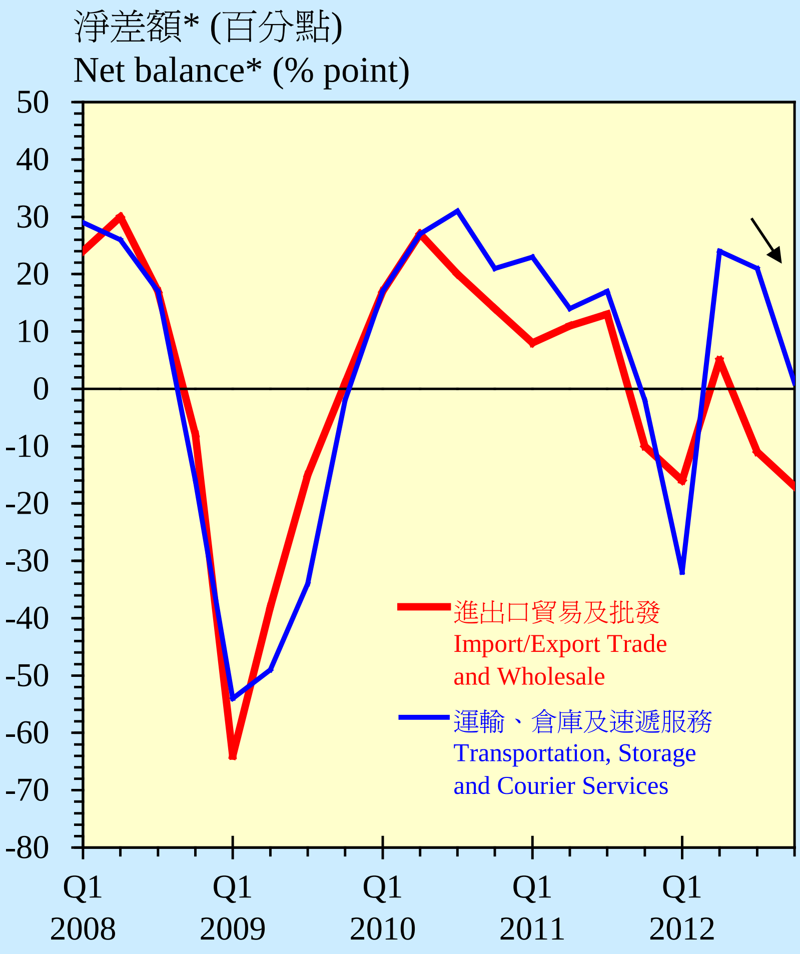
Overall business sentiment still cautious in HK



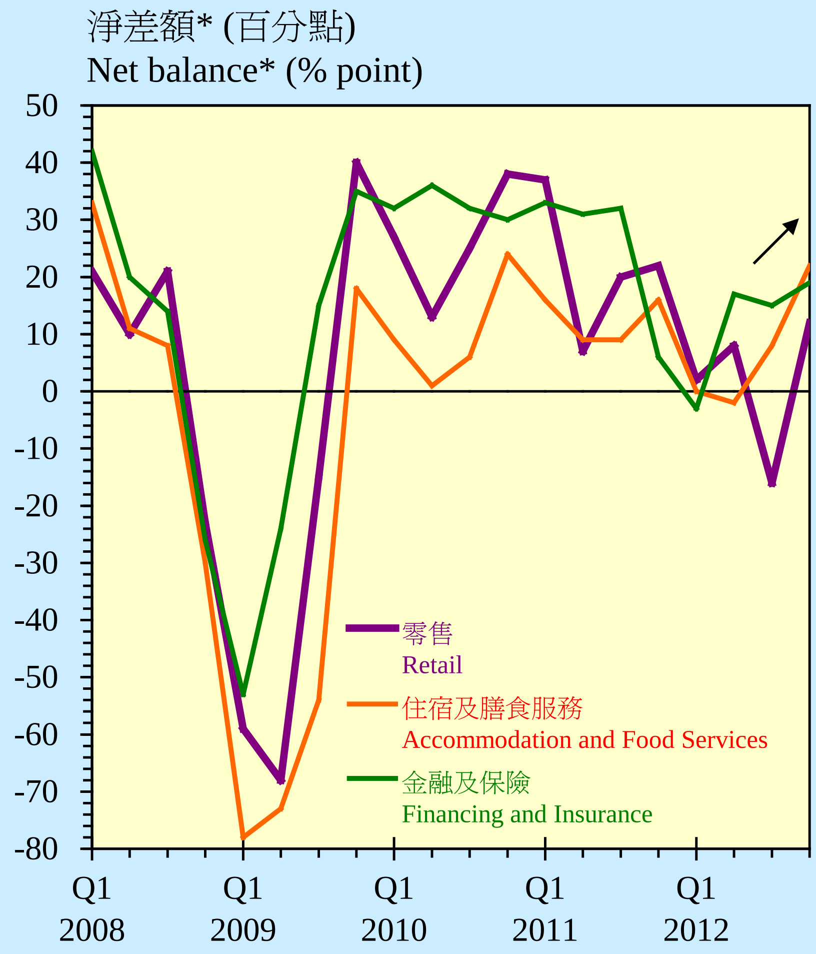
註 : * 淨差額展現了業務狀況預期較前一季的變動方向。它是填報「較佳」的機構單位百分比與填報「較差」的機構單位百分比的差距。正數指可能向上趨升，而負數則爲可能跌勢。

Note : * Net balance indicates the direction of expected change in business situation versus 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.

Business sentiment of trade-related sectors worsened



Domestic and tourism sectors turned more optimistic



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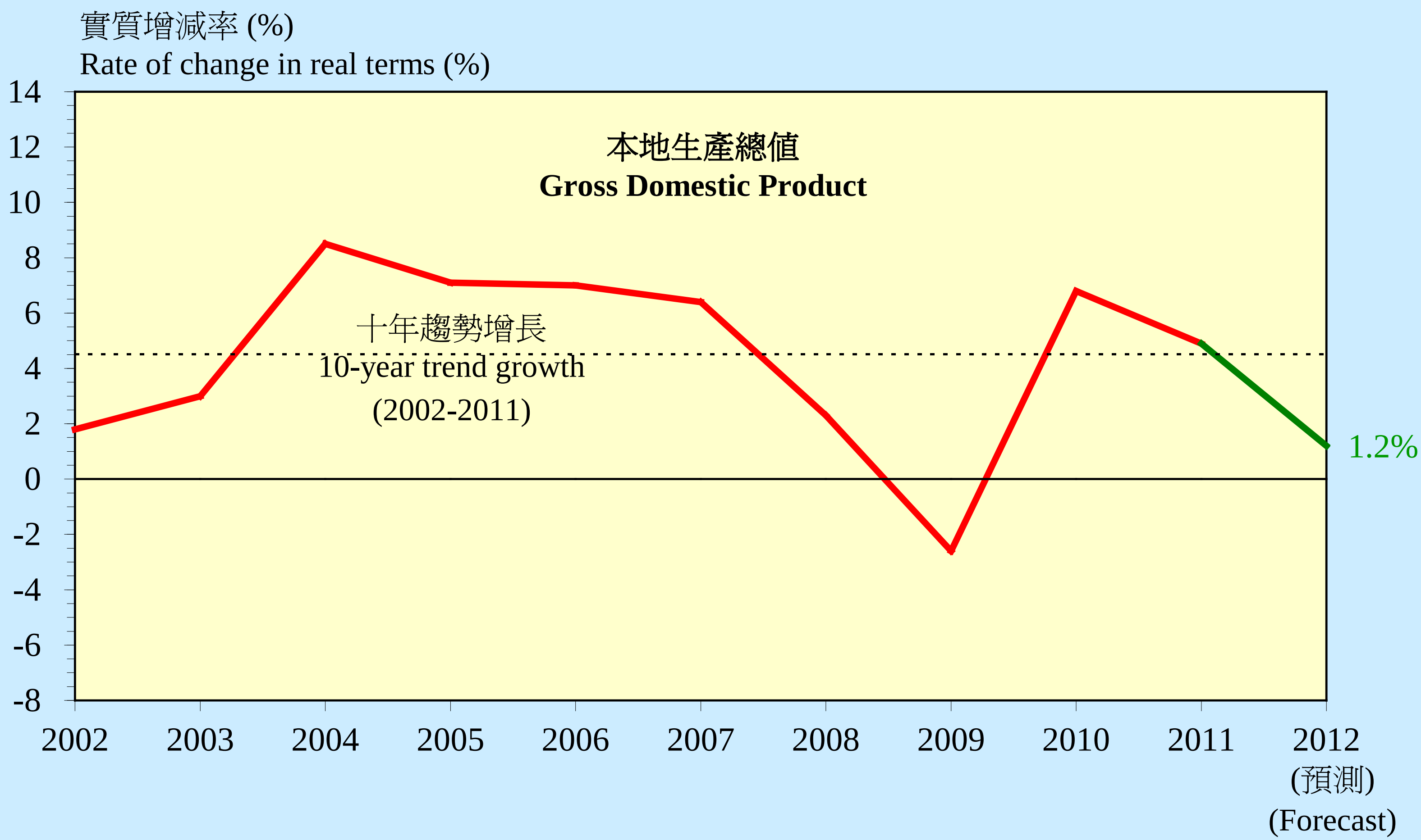
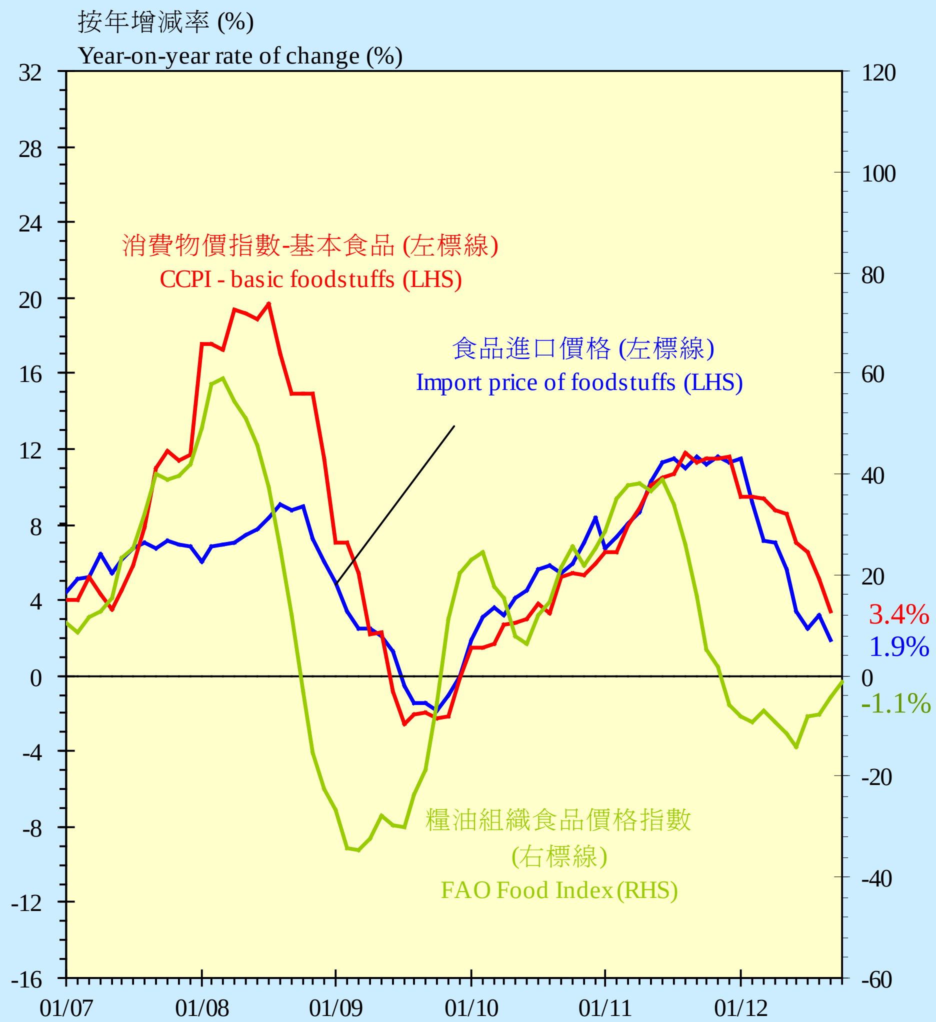
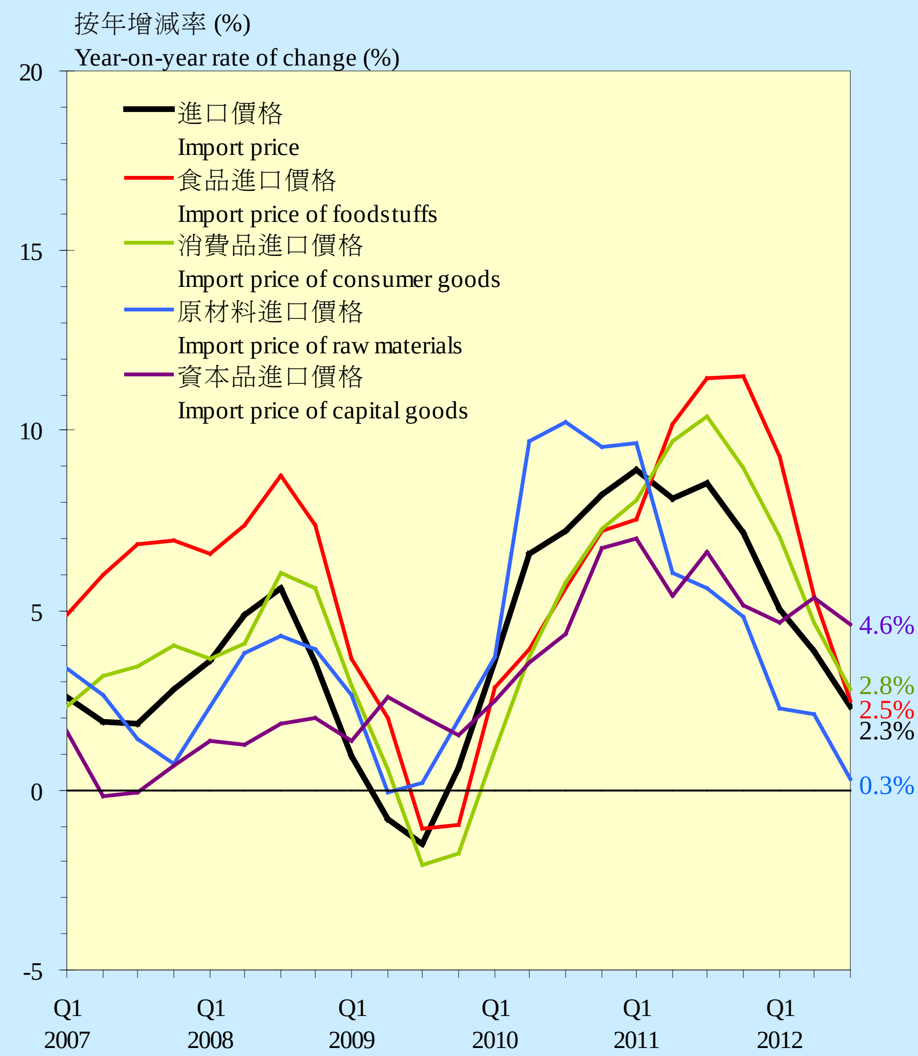
Economy forecast to grow by 1.2% for 2012 as a whole



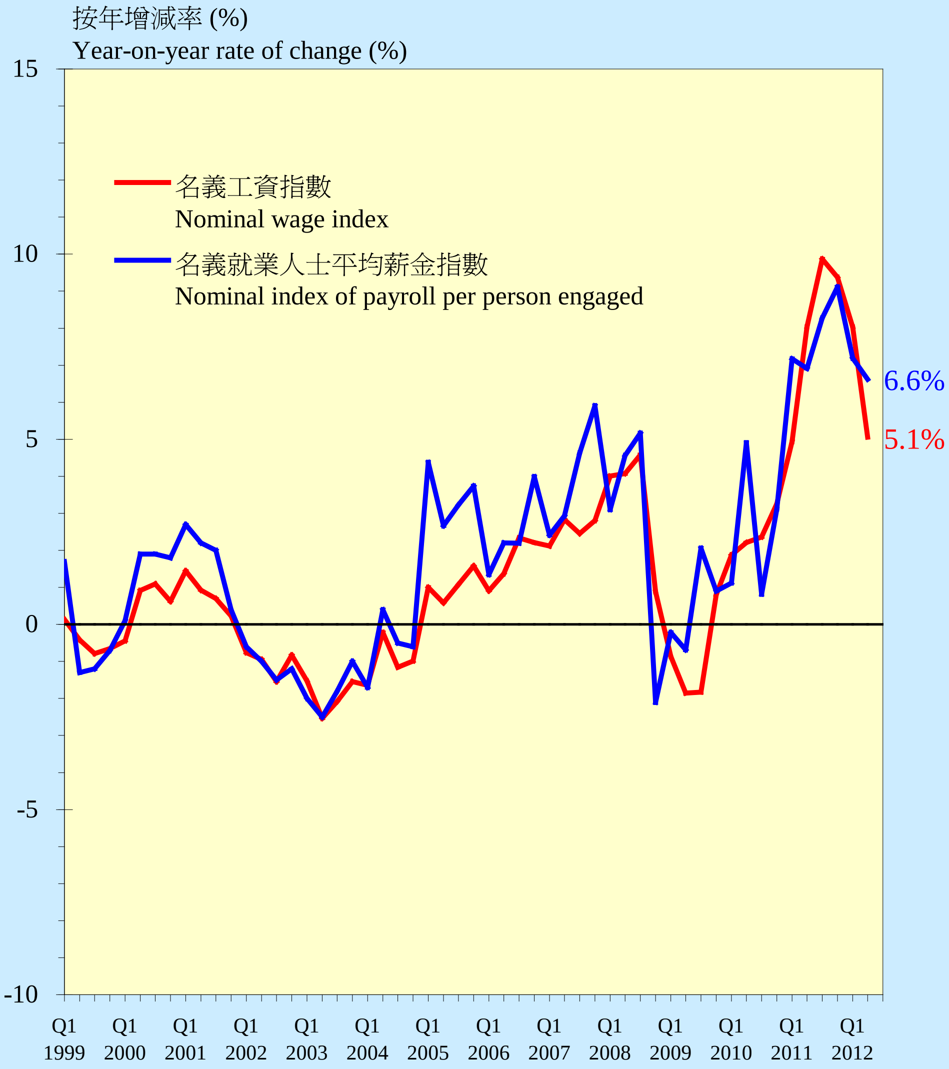
Food inflation tapered alongside global food prices

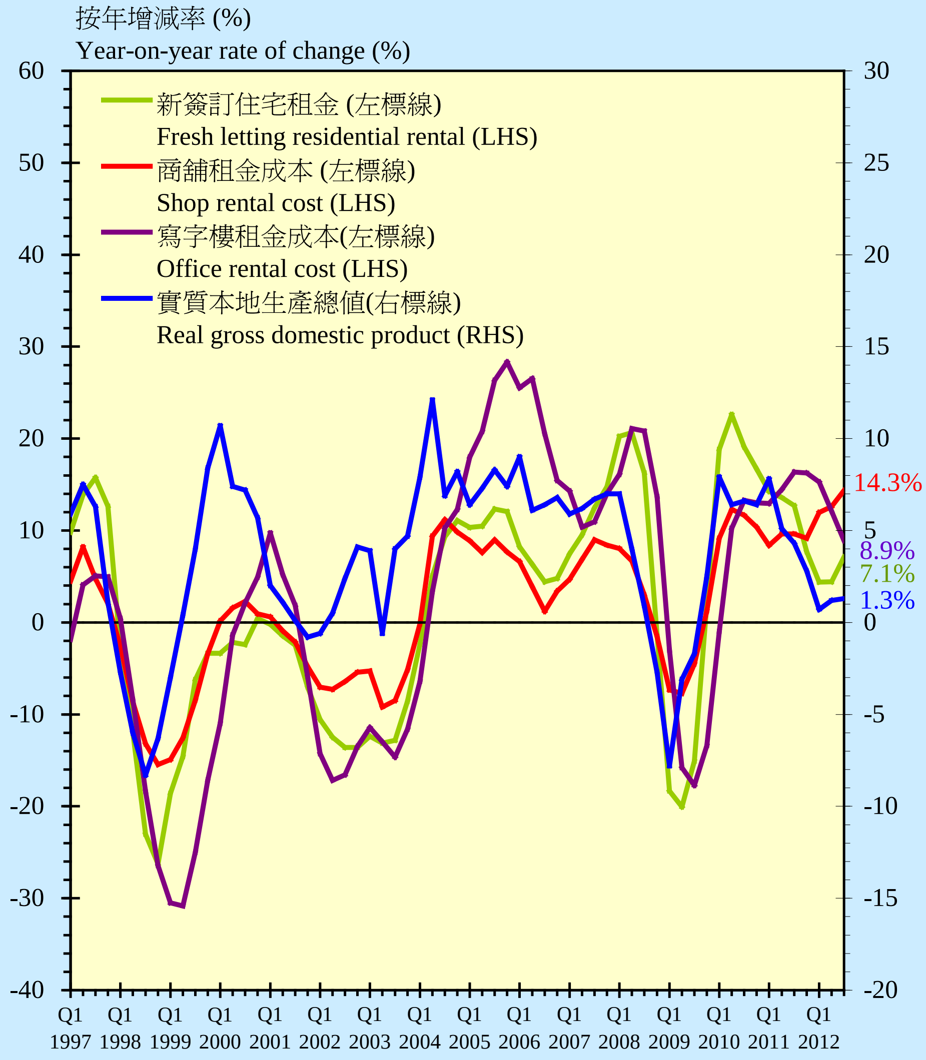


Imported inflation is receding

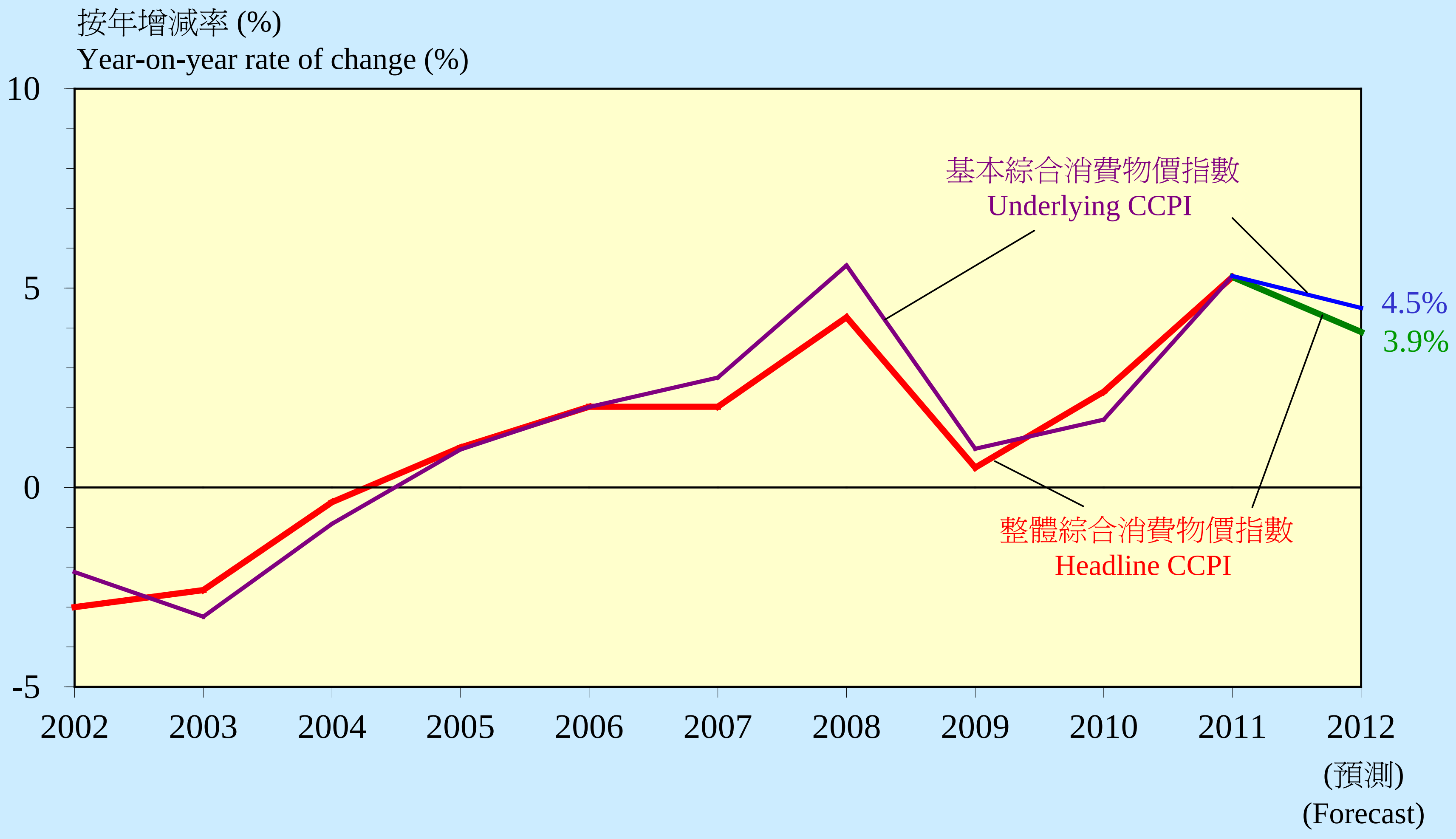


Wage pressure eased somewhat… …yet rental movements varied





With slower-than-expected easing, inflation forecasts for 2012 as a whole are revised slightly upwards



Latest economic forecasts for 2012 as a whole

	Forecasts as released on 10 August	Latest forecasts
Real GDP growth	1-2%	1.2%
Headline inflation	3.7%	3.9%
Underlying inflation	4.3%	4.5%

Thank you