



# Hong Kong SAR Government

## First Quarter Economic Report 2014 & Updated economic forecasts for 2014

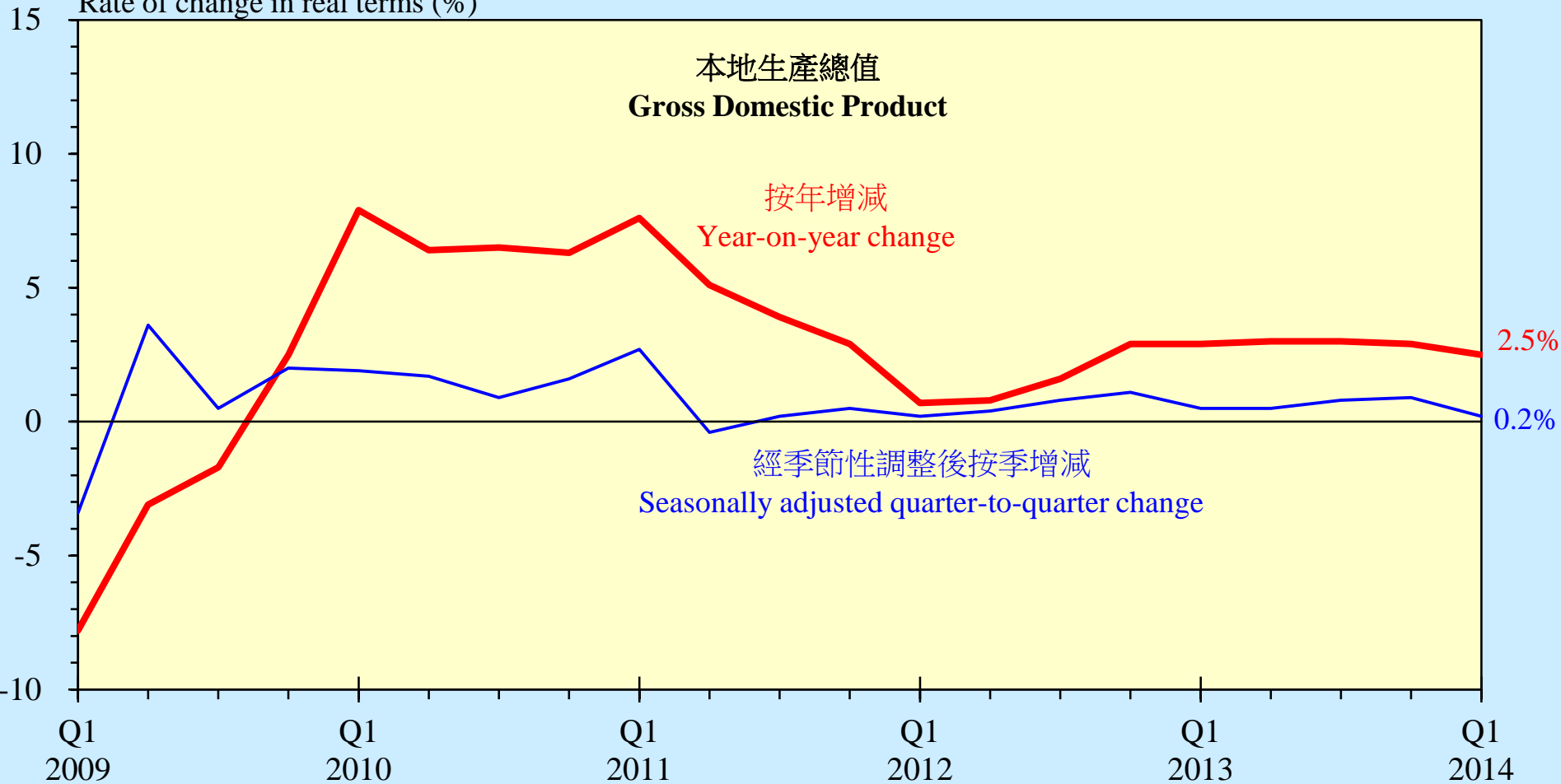
16 May 2014

# **Economic performance in Q1 2014**

# HK economy grew modestly in Q1

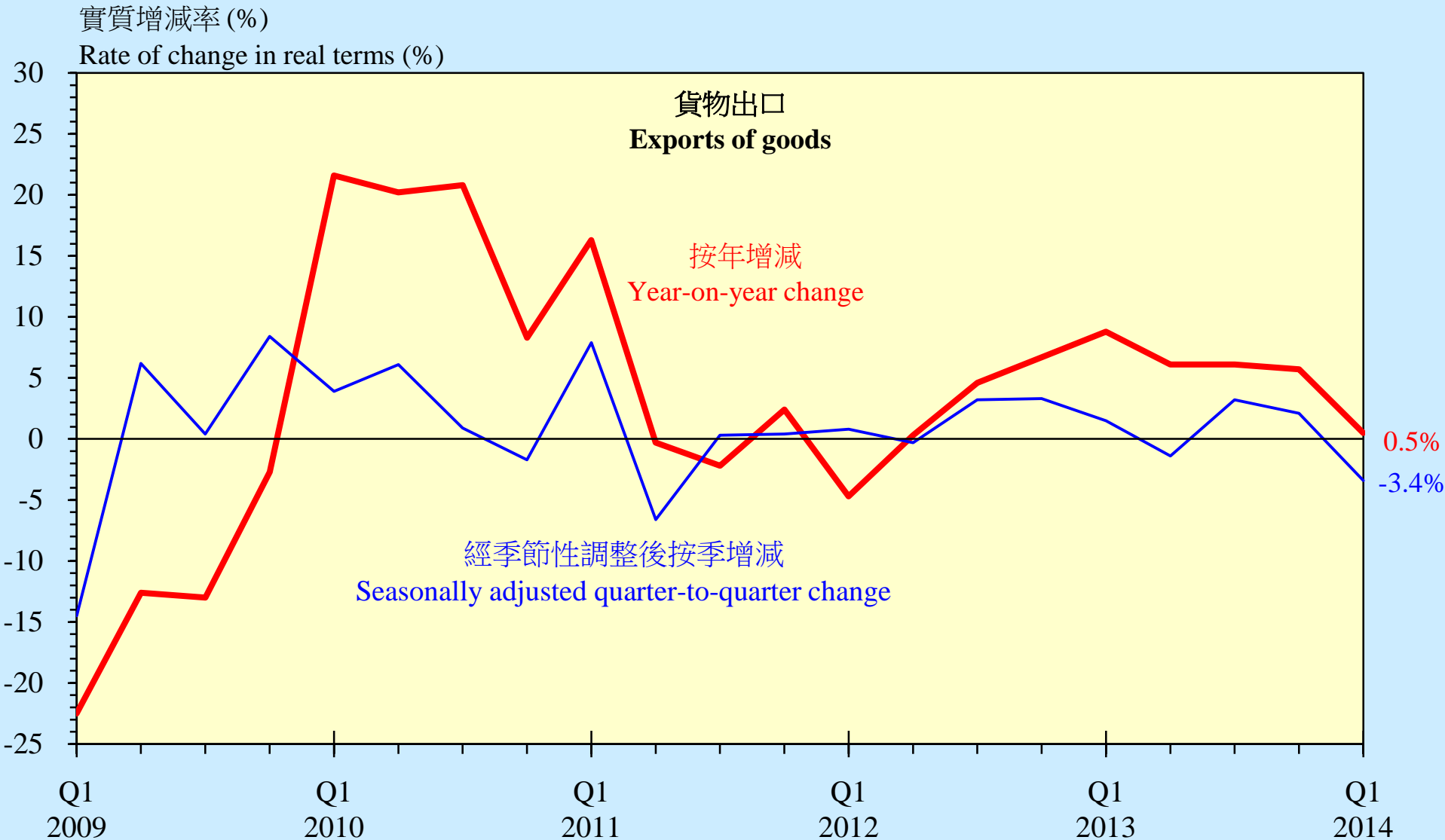
實質增減率 (%)

Rate of change in real terms (%)



# External sector

# Exports of goods were weak in Q1...



# ...though with a visible pick up in March

## Hong Kong's merchandise exports in volume terms

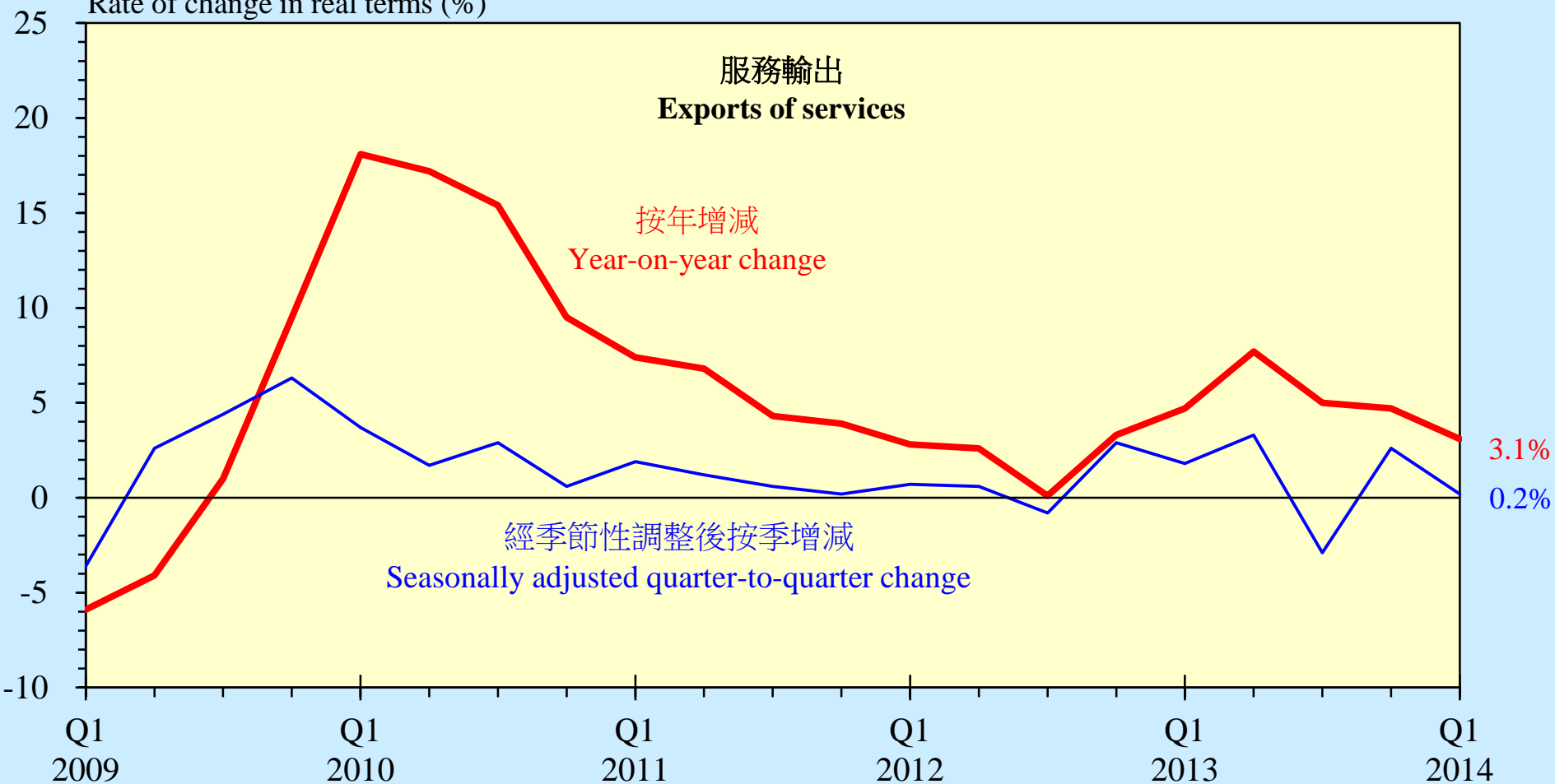
Year-on-year rate of change (%)

		<u>Overall</u>	<u>EU</u>	<u>US</u>	<u>Mainland</u>	<u>Japan</u>	<u>Other Asia</u>
2012	Annual	<b>-0.1</b>	-10.4	-1.3	3.4	0.9	-4.1
2013	Annual	<b>2.8</b>	-0.6	-4.3	4.9	-6.3	4.0
	Q1	<b>4.0</b>	-5.4	-5.0	8.5	-4.9	3.8
	Q2	<b>2.4</b>	-2.5	-8.0	6.3	-5.5	1.4
	Q3	<b>2.0</b>	2.7	-1.0	2.8	-8.3	3.0
	Q4	<b>3.1</b>	2.4	-3.6	2.8	-6.2	7.7
2014	Q1	<b>-0.3</b>	1.2	3.9	-2.9	-2.1	3.4
	Jan+Feb	<b>-1.7</b>	-3.6	-2.0	-2.2	-4.8	0.9
	Mar	<b>2.1</b>	11.3	15.8	-4.0	2.6	7.8

# Growth in exports of services also moderated

實質增減率 (%)

Rate of change in real terms (%)



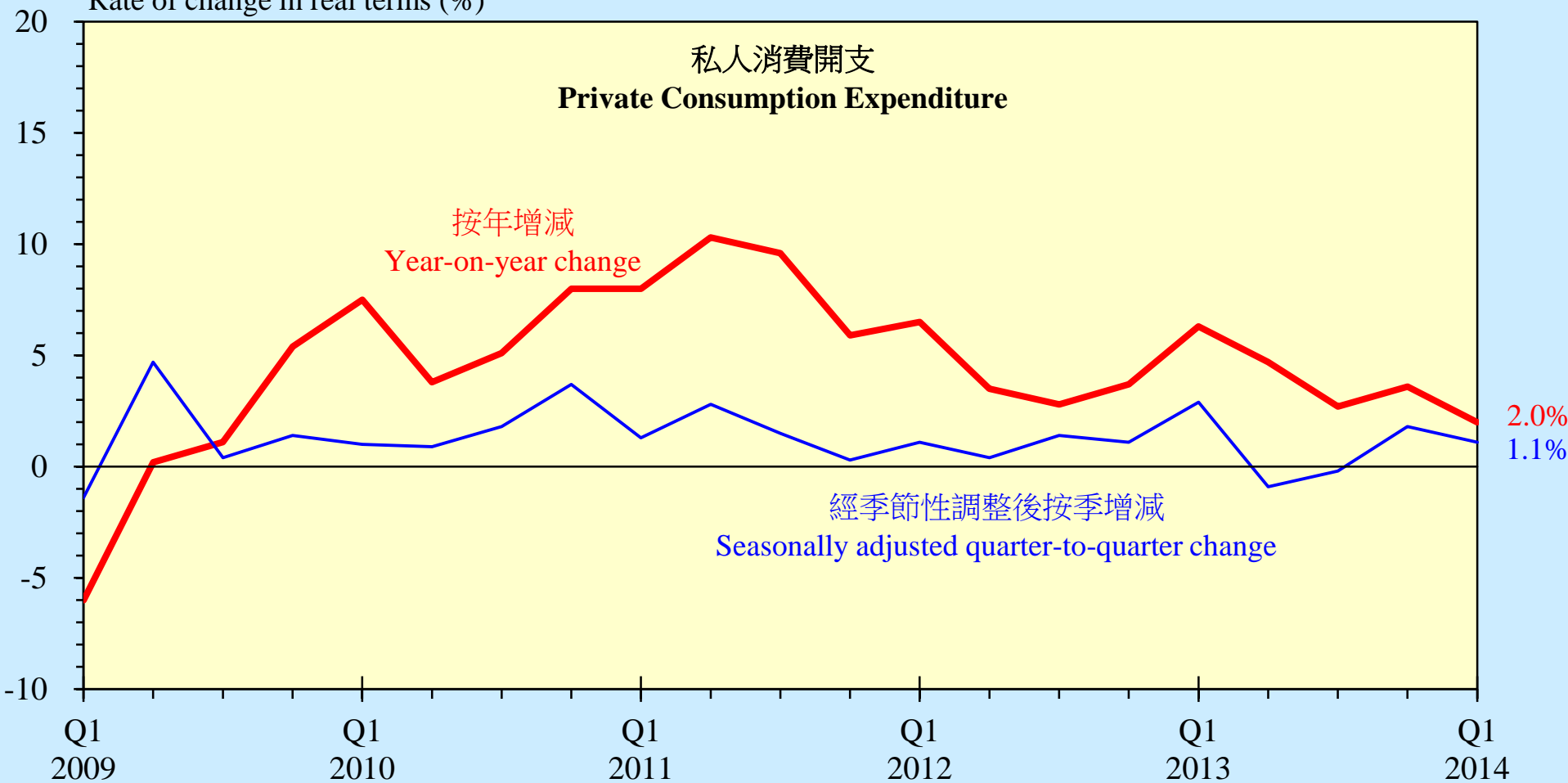
# Domestic sector



# Private consumption continued to see growth

實質增減率 (%)

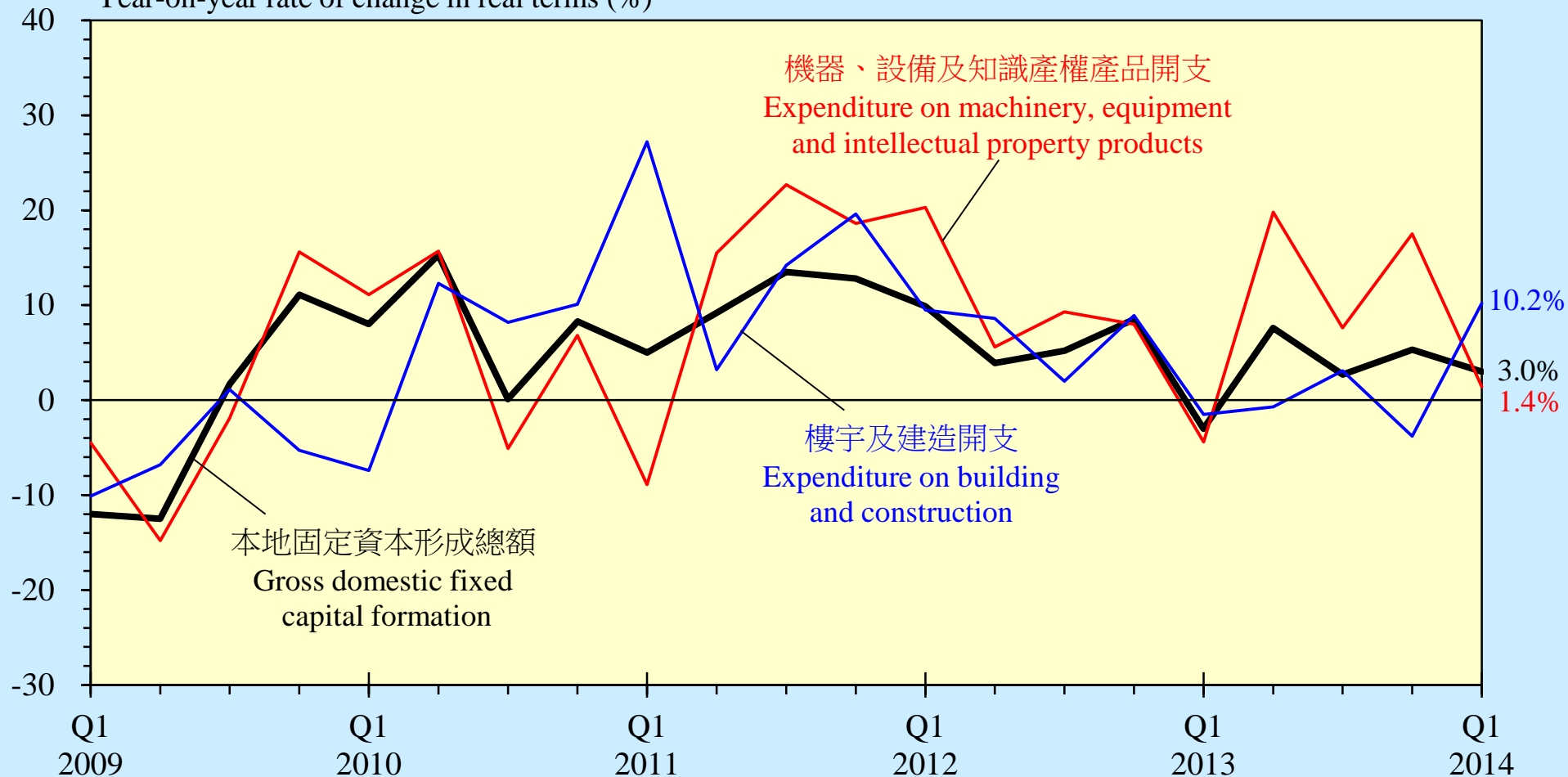
Rate of change in real terms (%)



# Investment spending grew moderately amid hectic infrastructure works

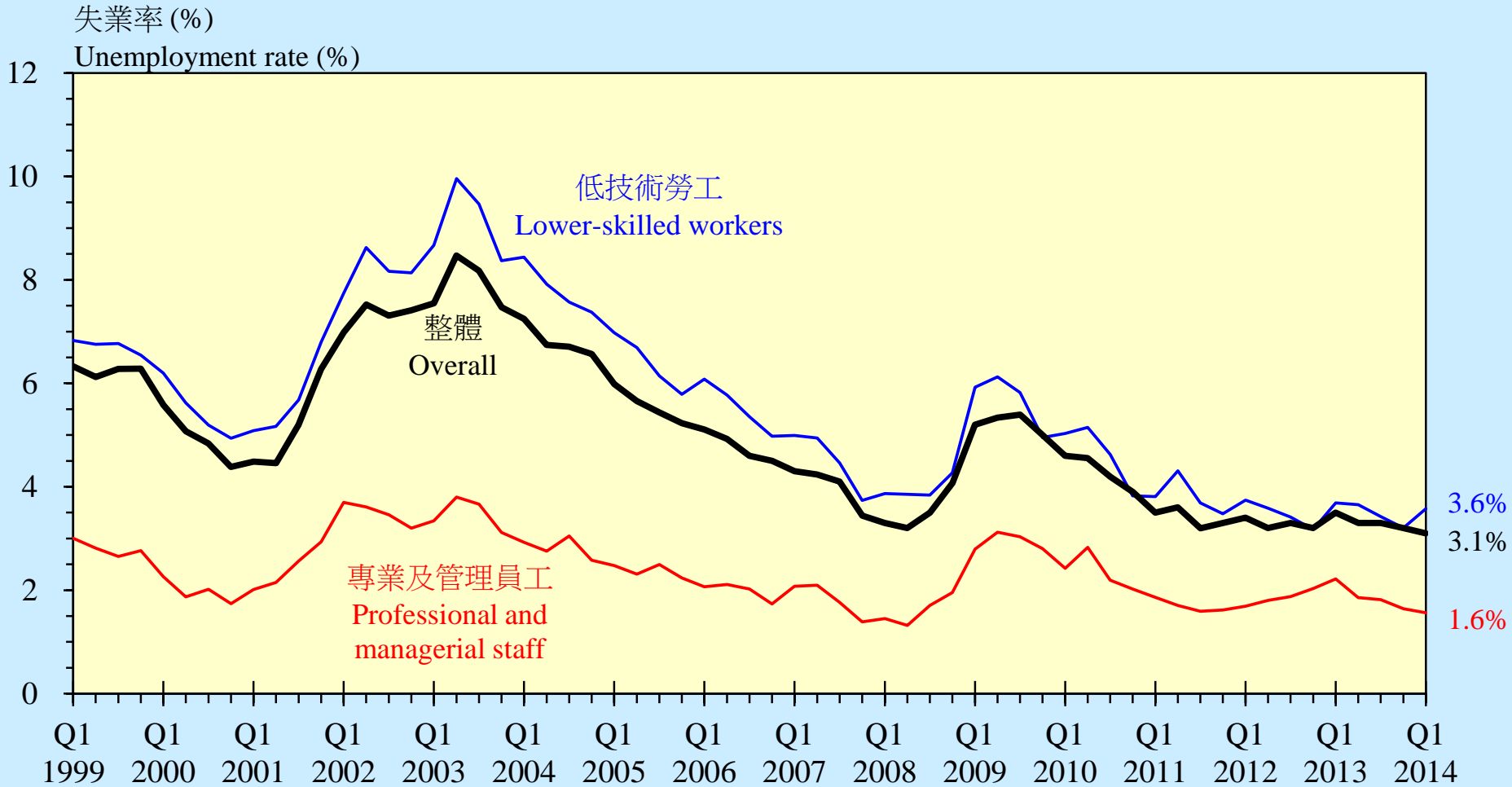
按年實質增減率 (%)

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



# Labour market

# Labour market remained tight with unemployment rate falling to 16-year low



Note: Not seasonally adjusted except the overall unemployment rate.

# Incomes continued to improve

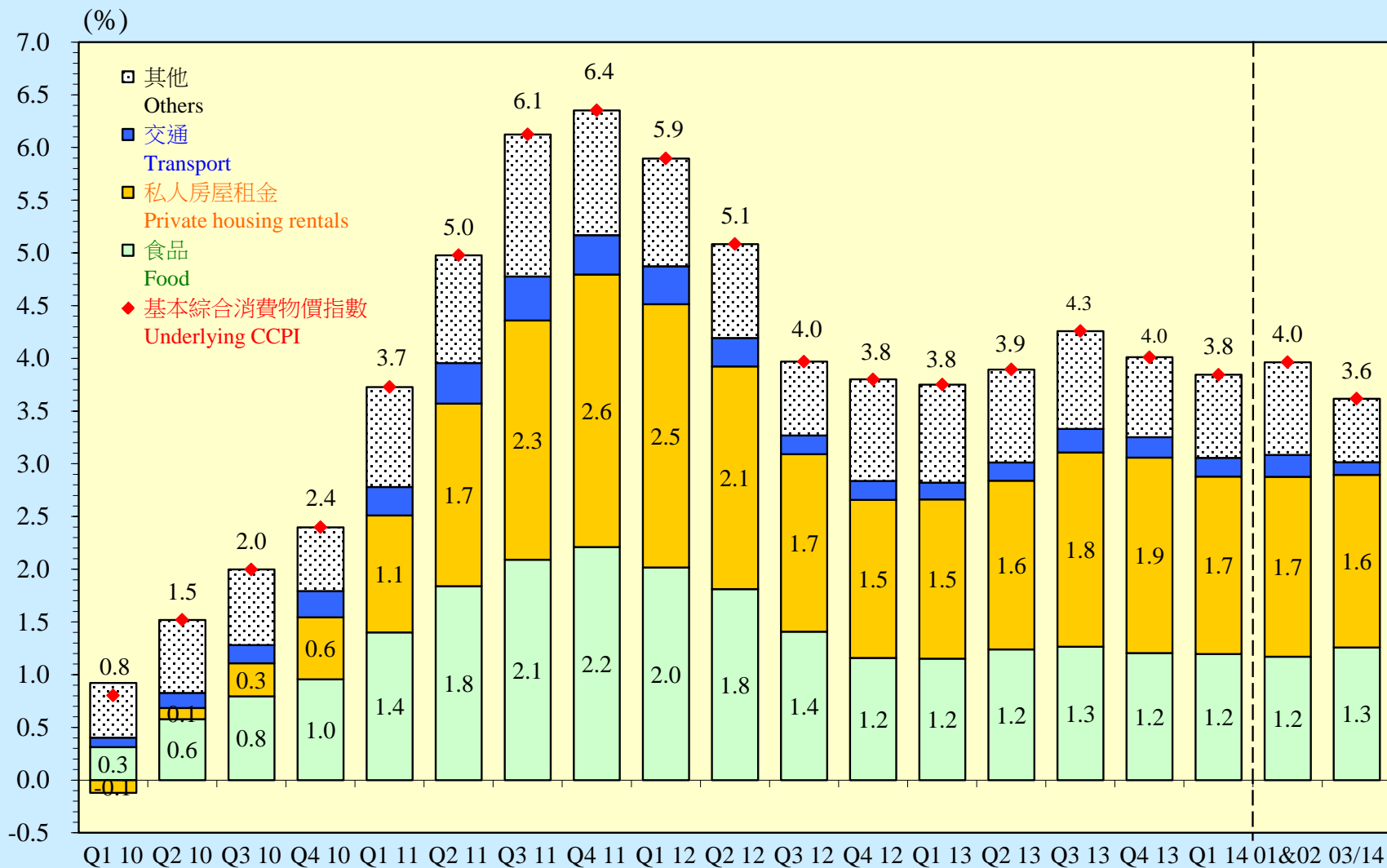
	Year-on-year rate of change	
	Nominal	Real
Index of Payroll per person engaged (2013 Q4)	5.3%	1.0%
Average monthly employment earnings of full-time unskilled (elementary occupation) workers (2014 Q1)	6.4%	2.0%

# Inflation

# Underlying inflation receded in Q1

基本綜合消費物價指數按年變動率的主要組成項目

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



# **Local property market**

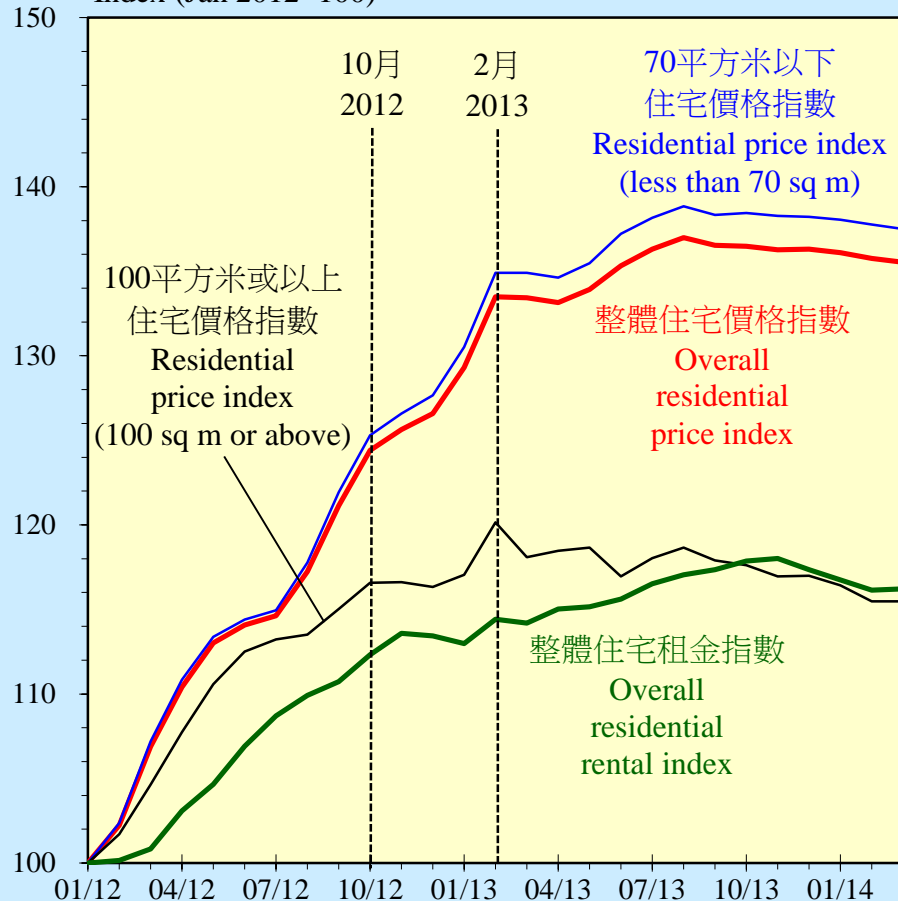


# Property market consolidated further in Q1

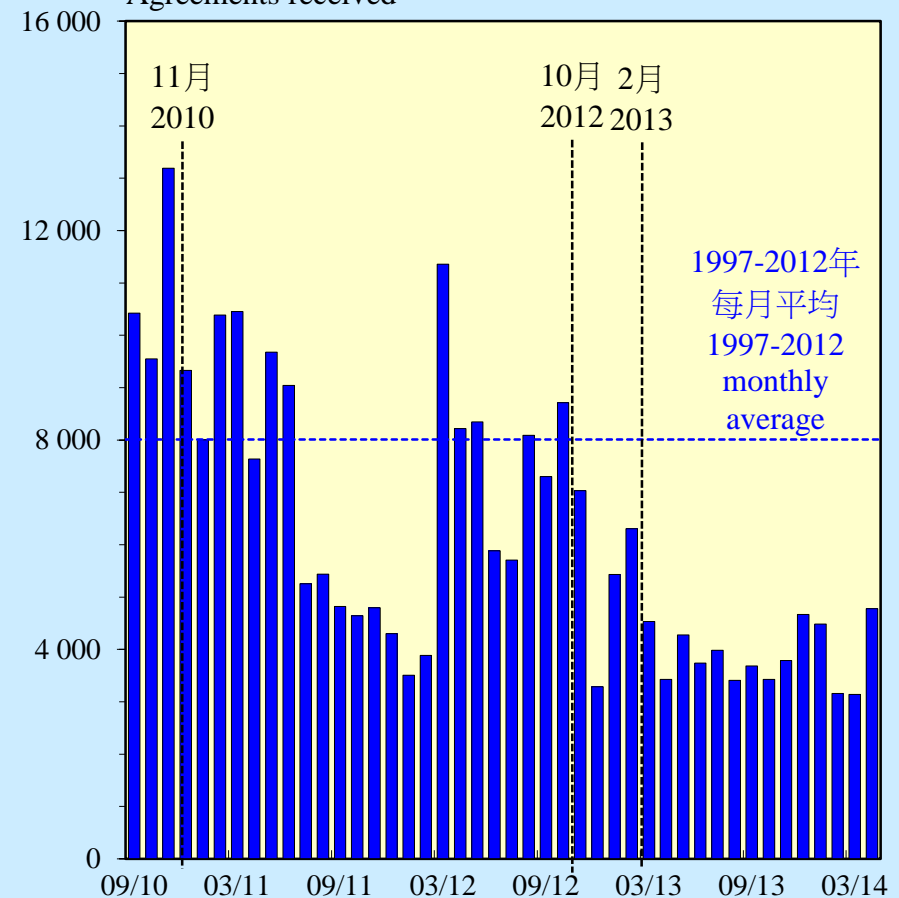
住宅價格輕微下跌  
Flat price declined slightly

交投維持在低水平  
Trading remained at low level

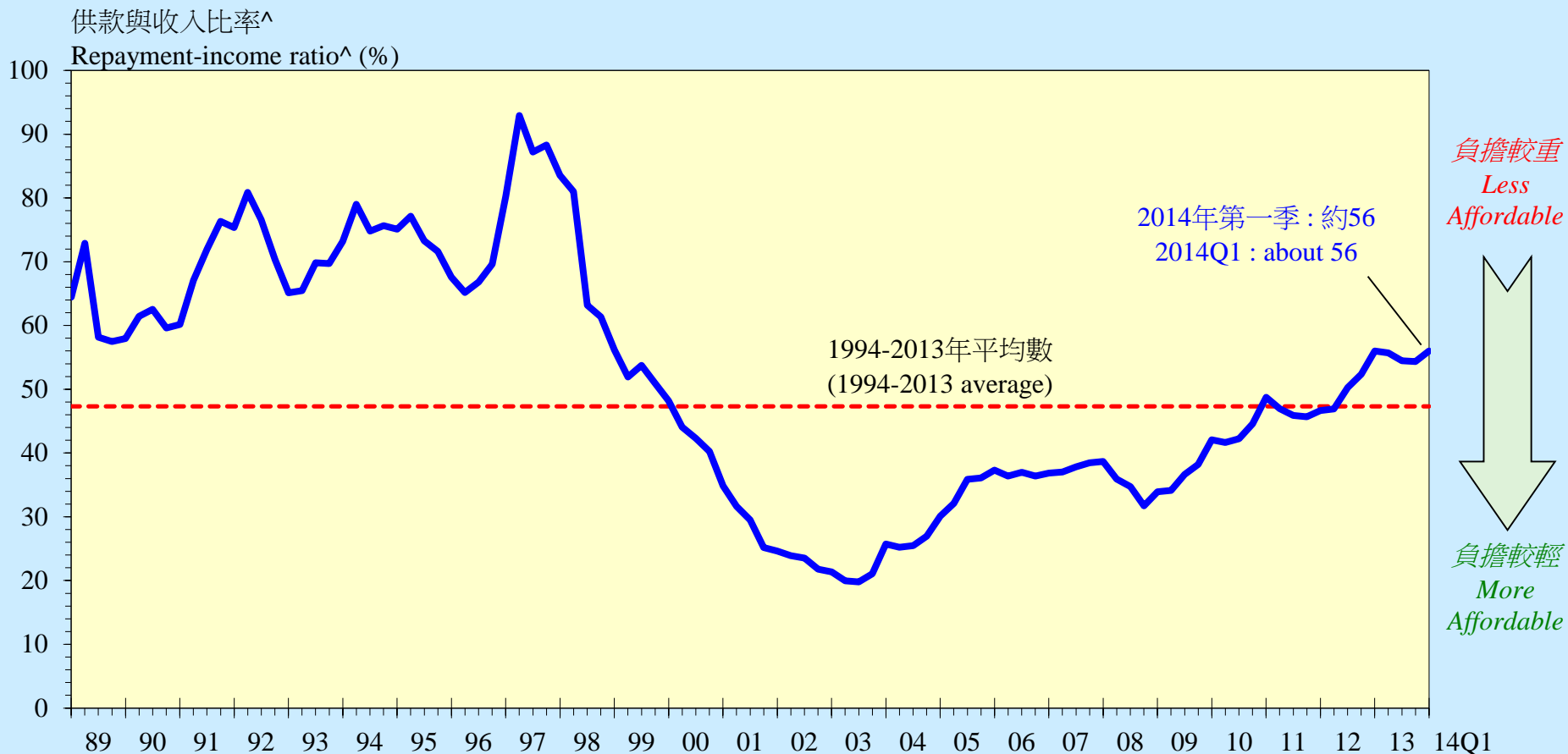
指數(二零一二年一月=100)  
Index (Jan 2012=100)



買賣合約數目  
Agreements received



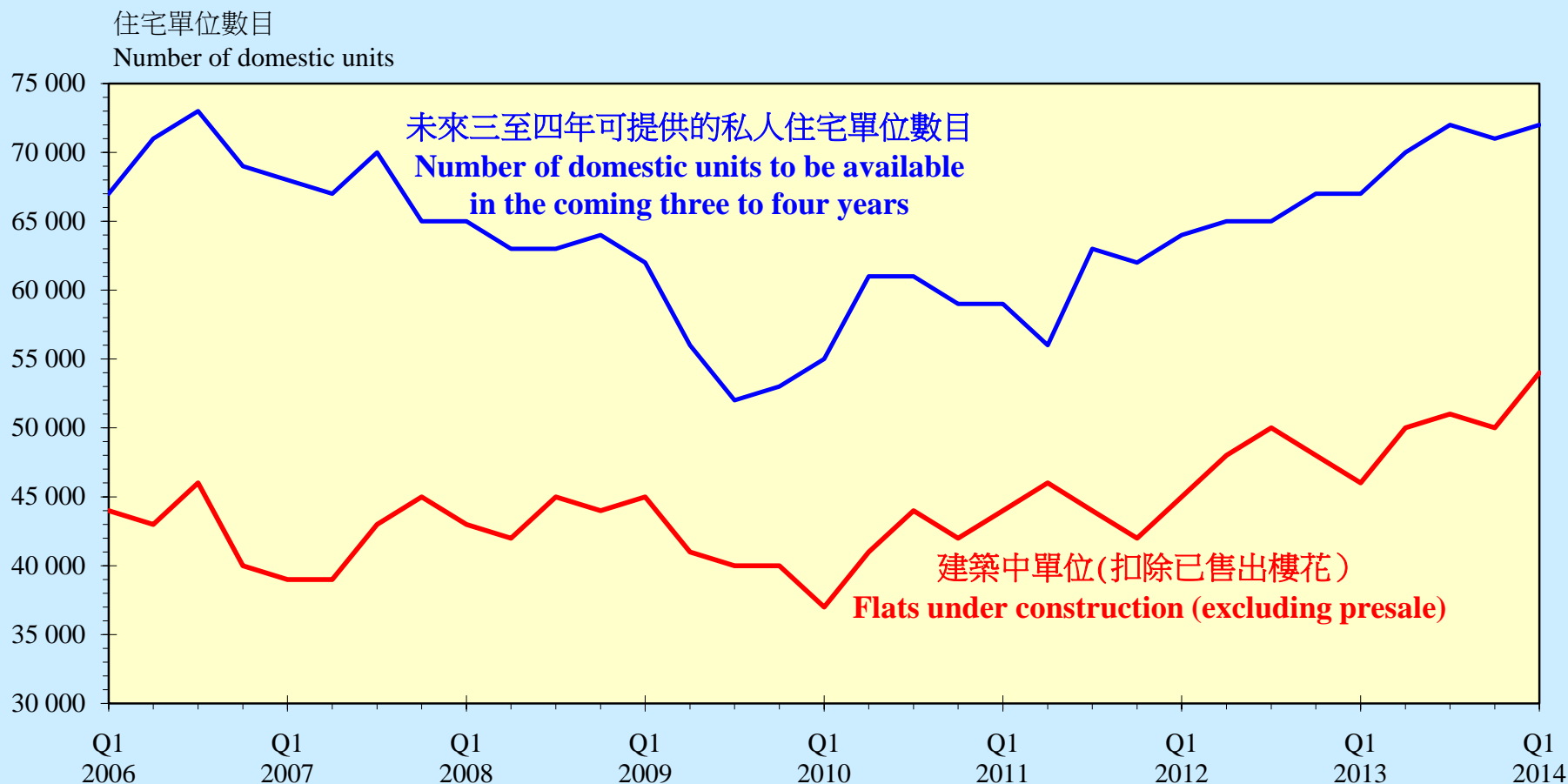
# Mortgage payment to income ratio still higher than the 20-year average



註：(^) 45平方米單位的按揭供款(假設按揭成數為70%及年期為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。這比率與金管局公布的平均供款與入息比率不同，後者是新批按揭貸款申請人的每月償還債務與每月收入的比率。

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). This ratio is different from the debt servicing ratio published by the HKMA, which is the ratio of actual monthly debt obligations of mortgagees to their monthly income of newly approved mortgages.

# The Government's measures to increase flat supply continued to yield results



註： 以上數字包括已落成樓宇但仍未售出的單位數目、建築中而且尚未預售的單位數目，及已批出土地並可隨時動工的項目。

資料來源：運輸及房屋局。

Note: The above figures included unsold units in completed projects, units under construction but not yet sold by presale, and units from disposed sites where construction may start anytime.

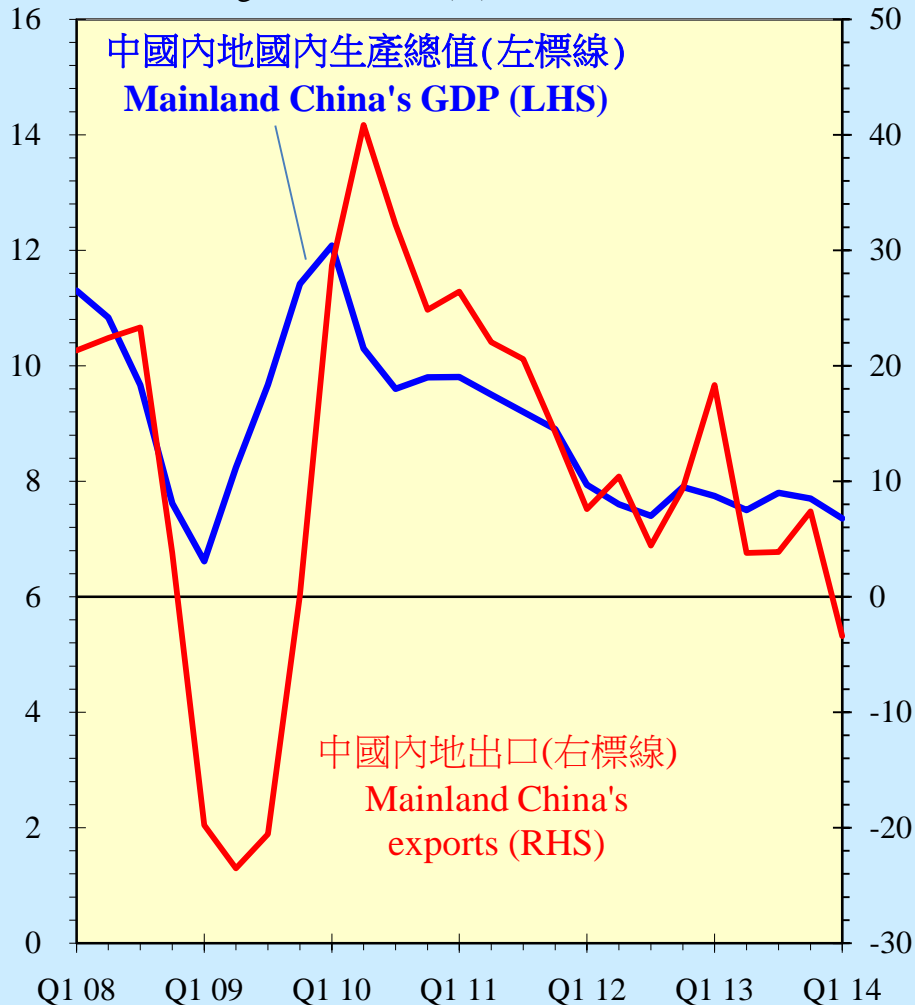
Source: Transport and Housing Bureau.

# **Outlook for the remaining of 2014**

# The moderation in Mainland's economic growth in Q1 was mainly dragged by exports

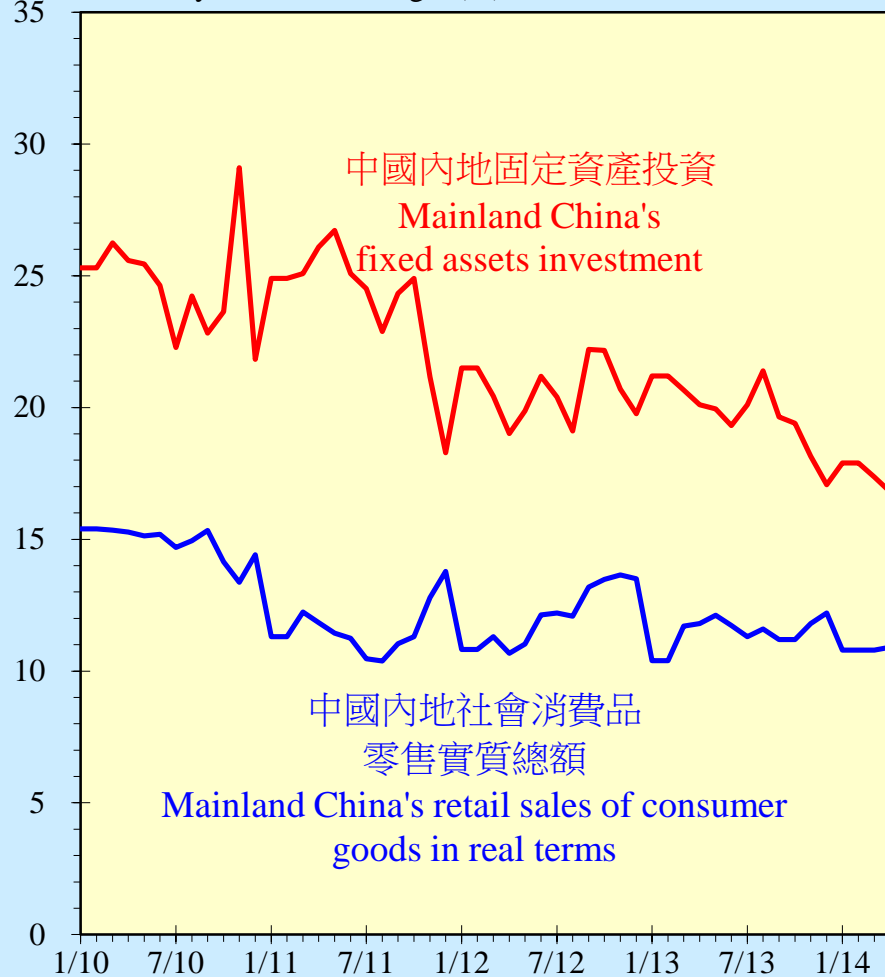
實質增減率 (%)

Rate of change in real terms (%)



按年增減率(%)

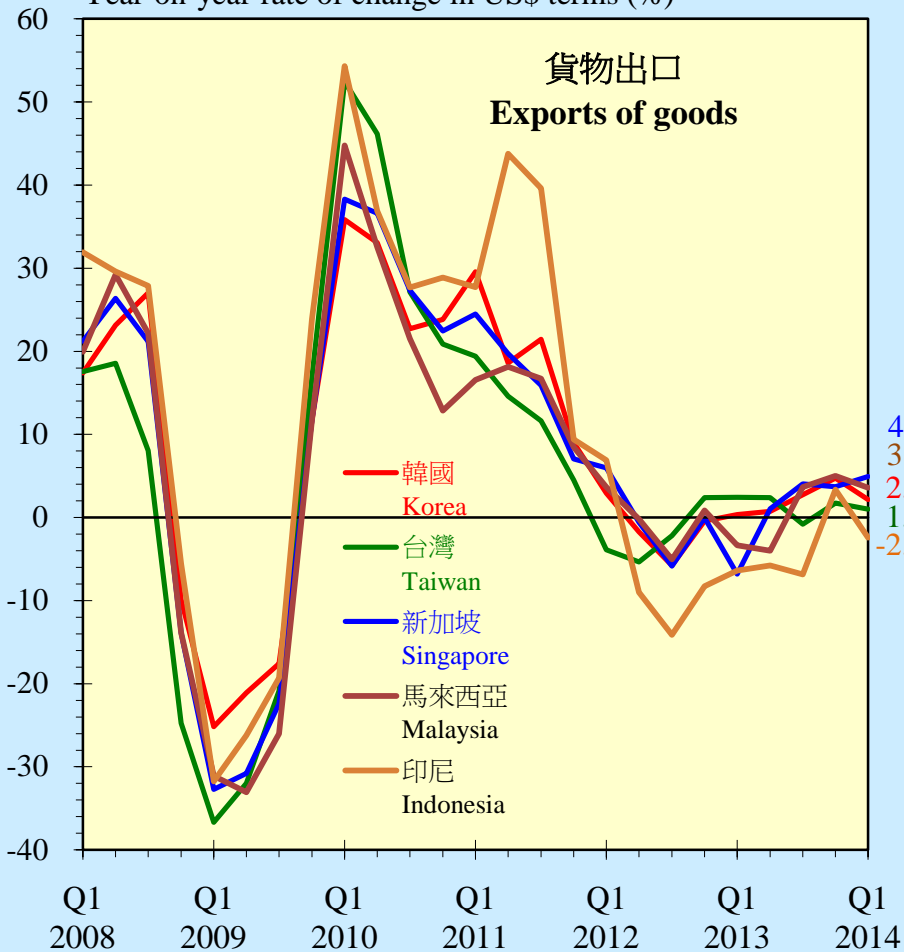
Year-on-year rate of change (%)



# Trade and industrial activities in many Asian economies were likewise affected

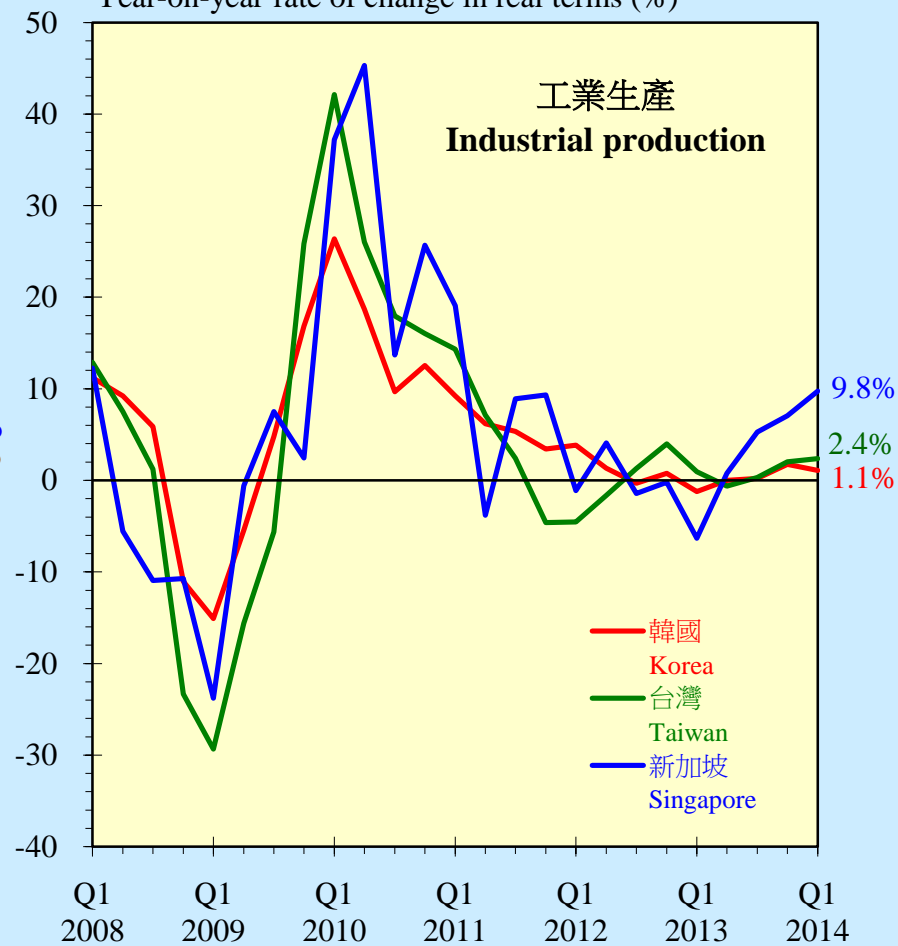
以美金計價按年增減率(%)

Year-on-year rate of change in US\$ terms (%)



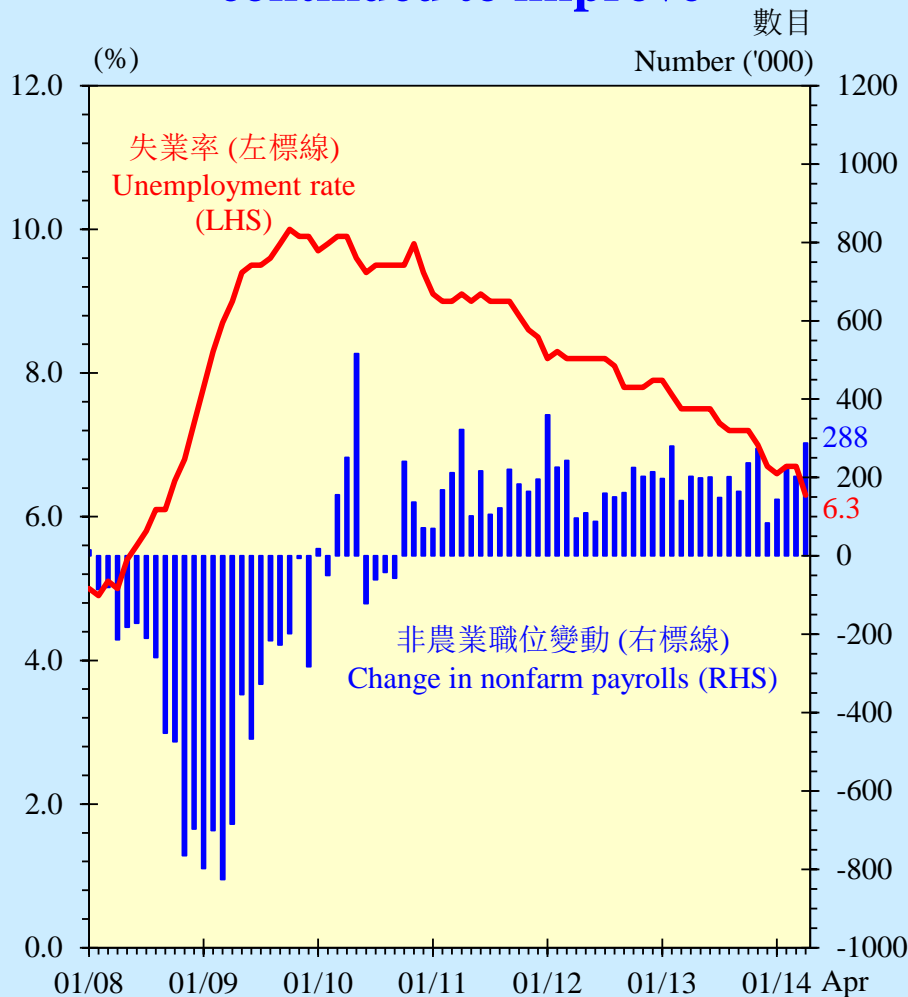
按年實質增減率(%)

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

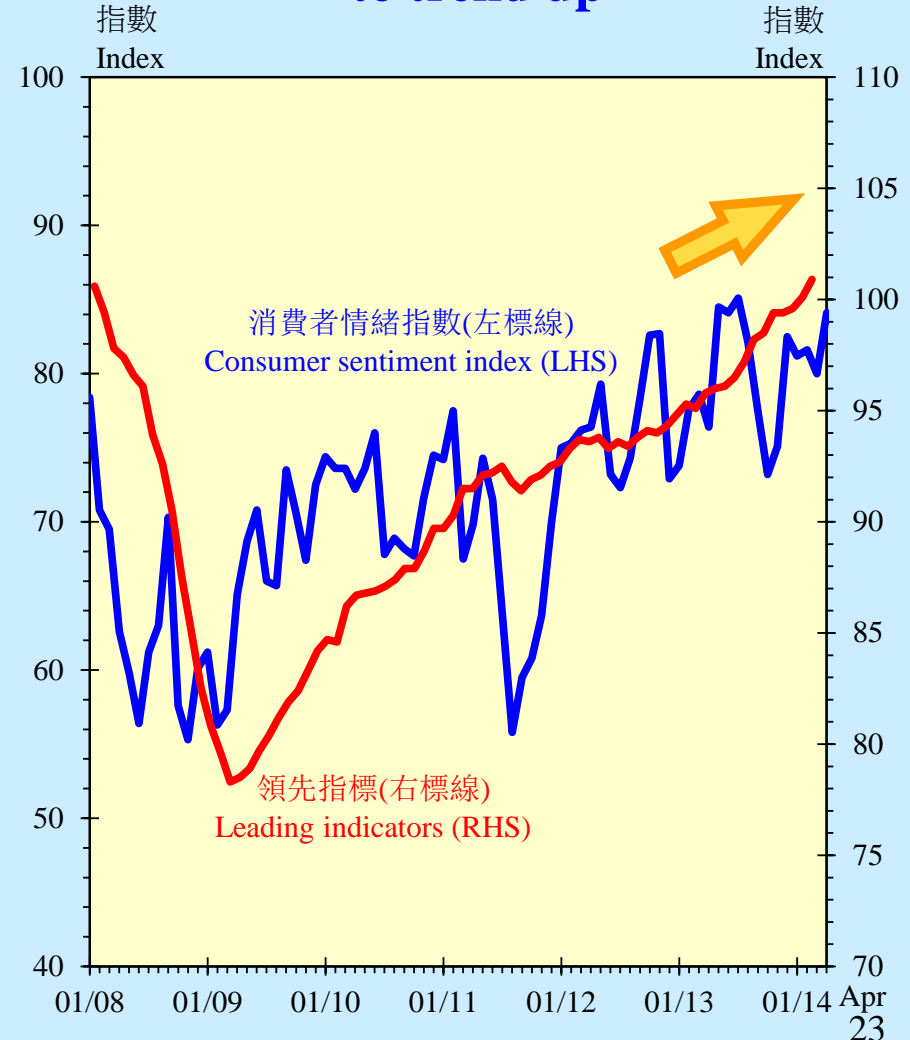


# The US economy could gain more traction down the road

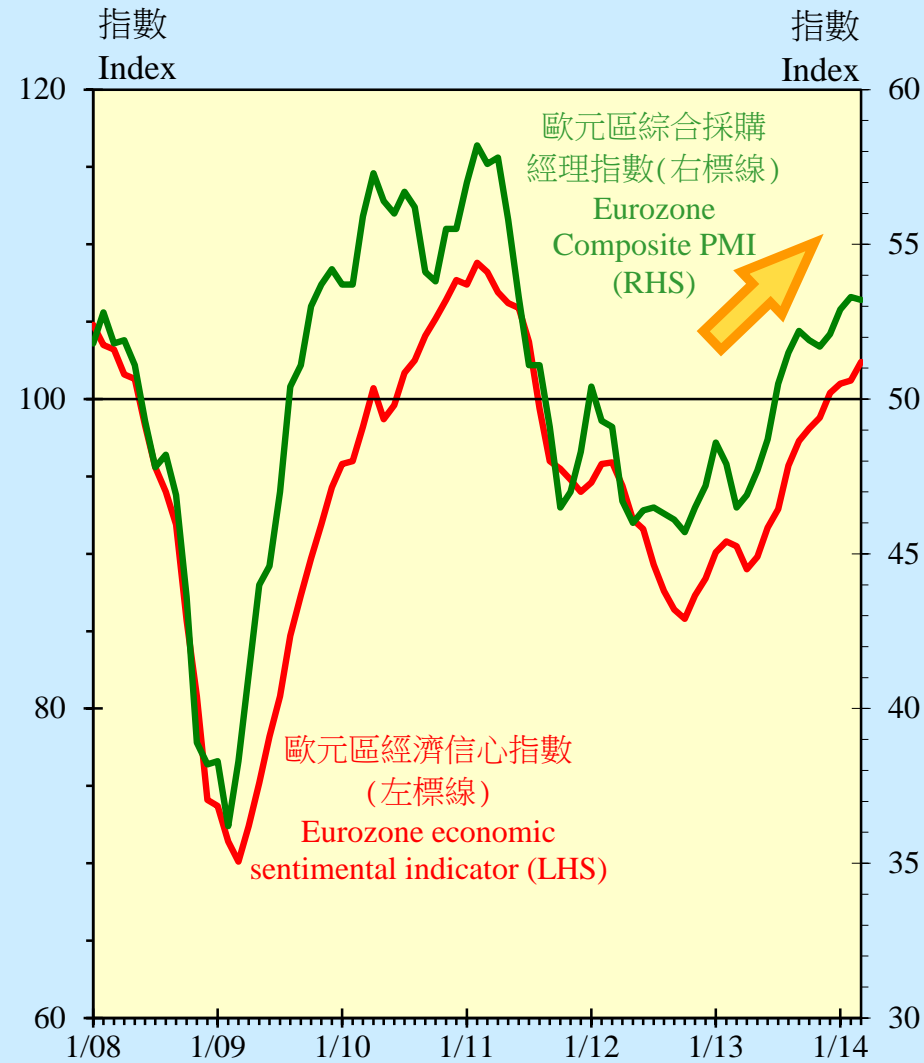
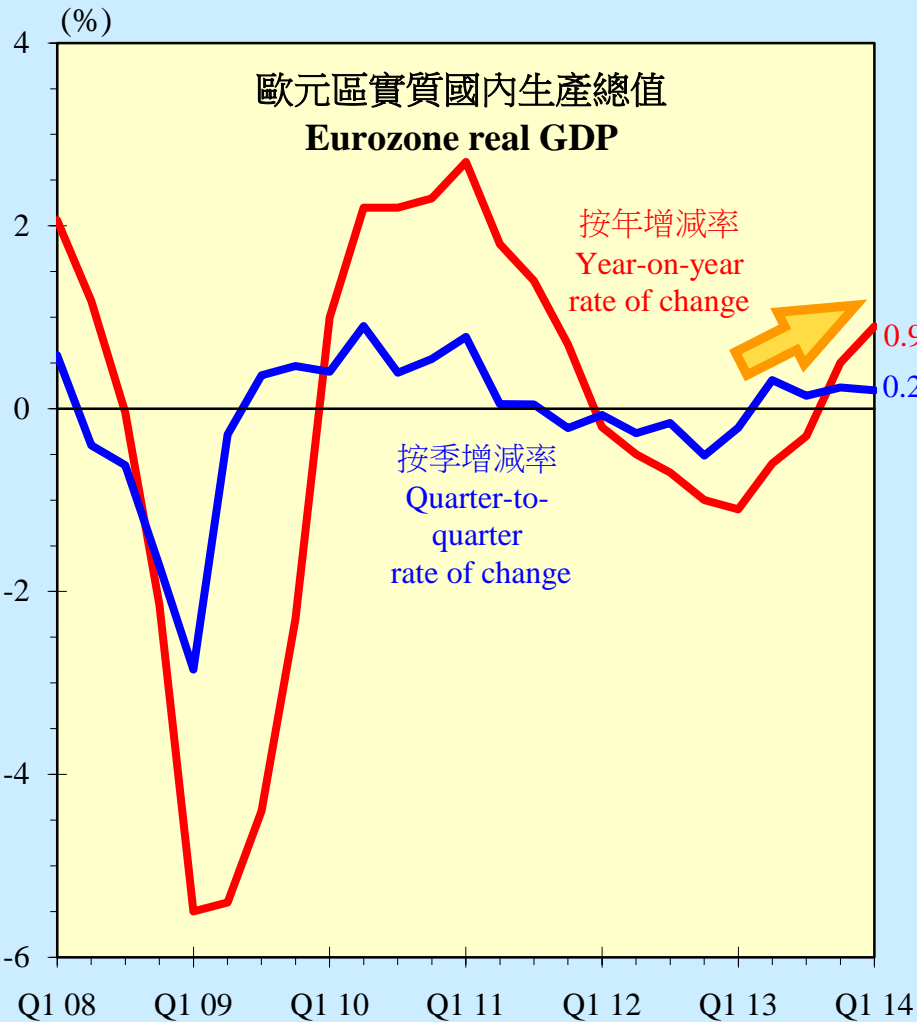
## The US labour market continued to improve



## Leading indicators continued to trend up



# The eurozone economy also turned more stable and should be able to sustain its recovery

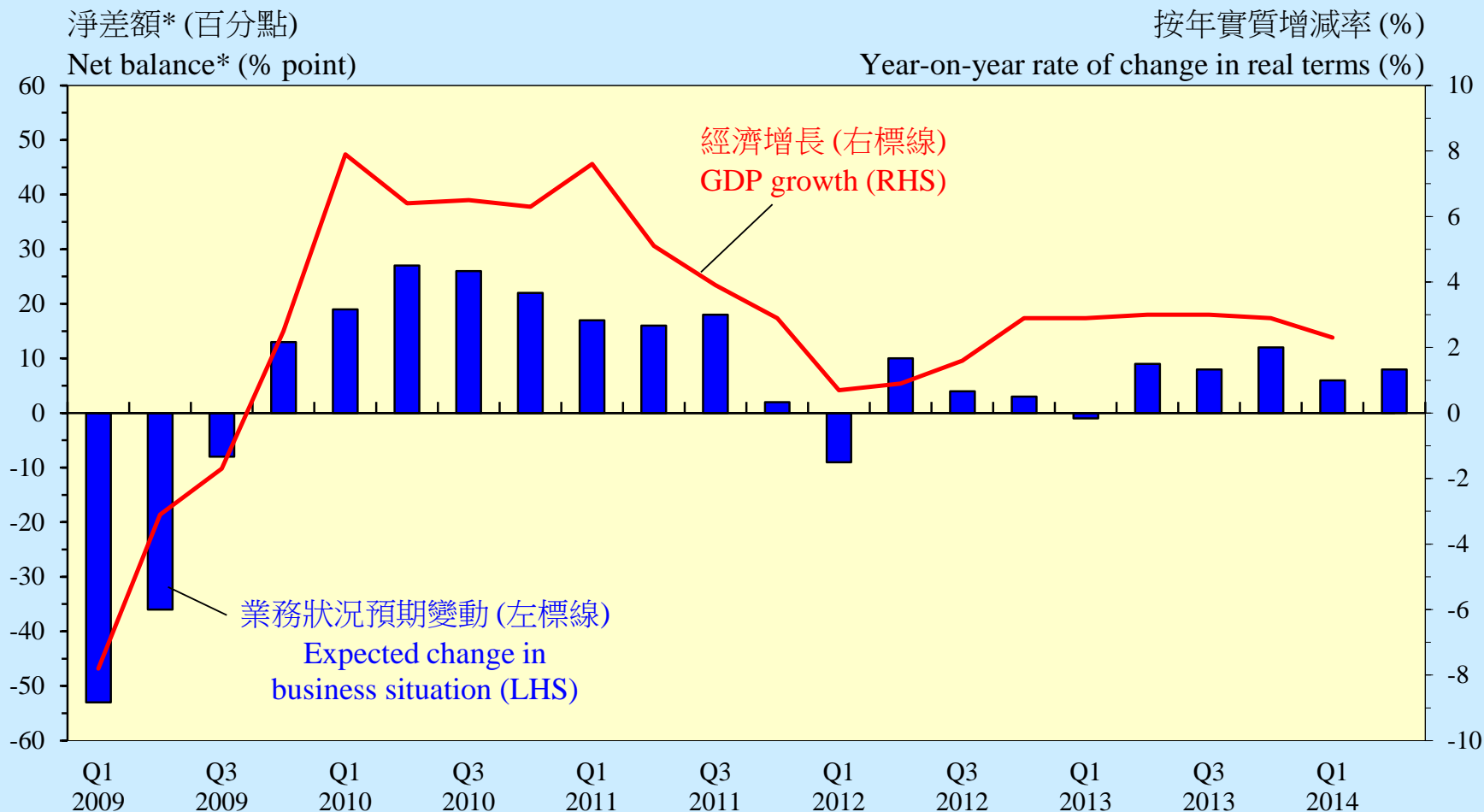




# Global growth forecast for 2014

	GDP growth in 2013	IMF forecasts on 2014 GDP growth	
		Feb 2014	Apr 2014
<b>World</b>	<b>3.0</b>	<b>3.7</b>	<b>3.6</b>
US	1.9	2.8	2.8
Eurozone	-0.5	1.0	1.2
Japan	1.5	1.7	1.4
Mainland China	7.7	7.5	7.5
Developing Asia	6.5	6.7	6.7

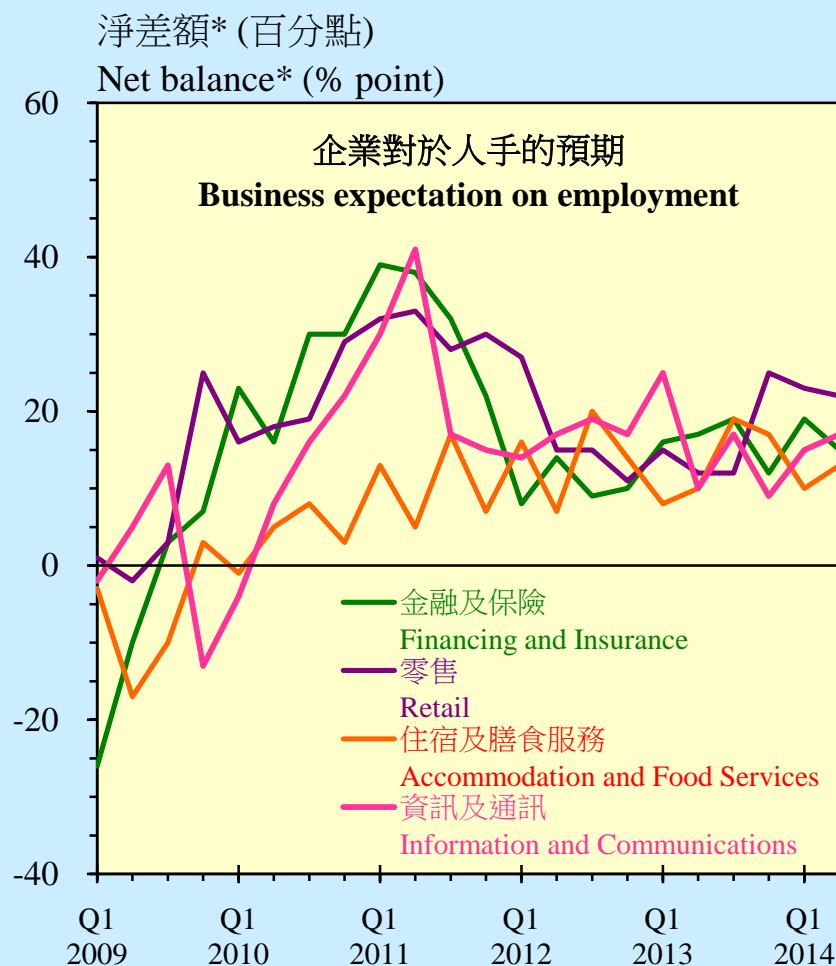
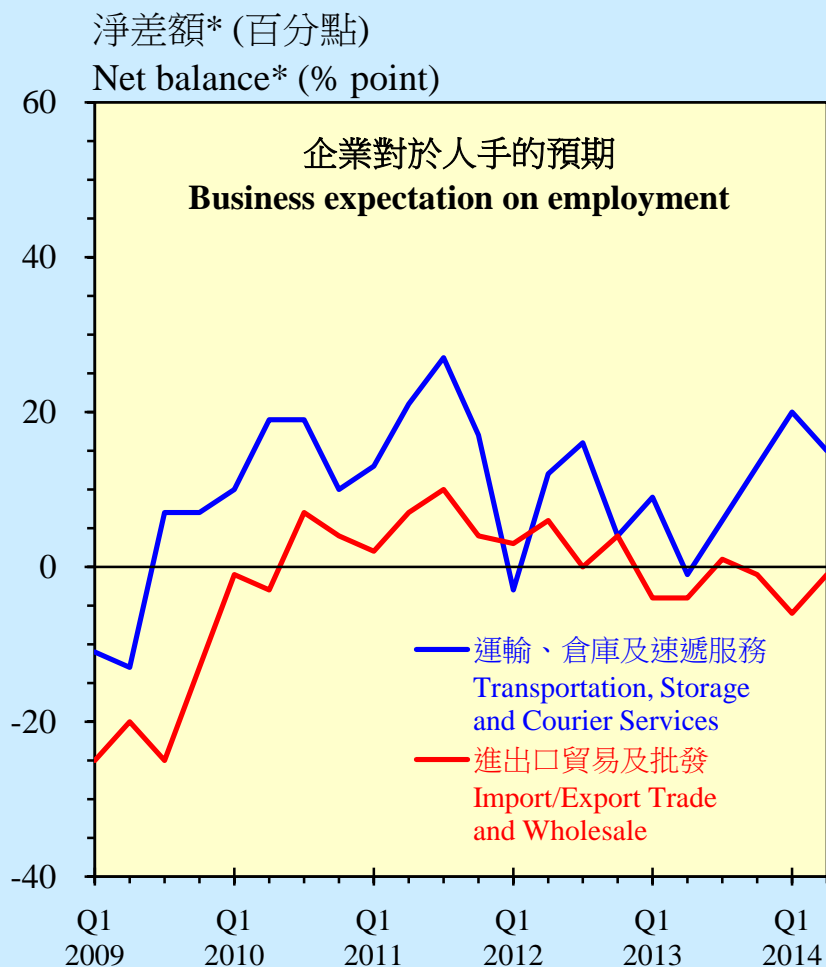
# Overall business sentiment in HK is still positive



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，而負數則為可能跌勢。

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.

# Except for trade-related sectors, hiring sentiment among services sectors remains favourable



Note: \* Net balance indicates the direction of expected change in number of persons engaged versus 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.

# Analysis on HK's economic outlook this year

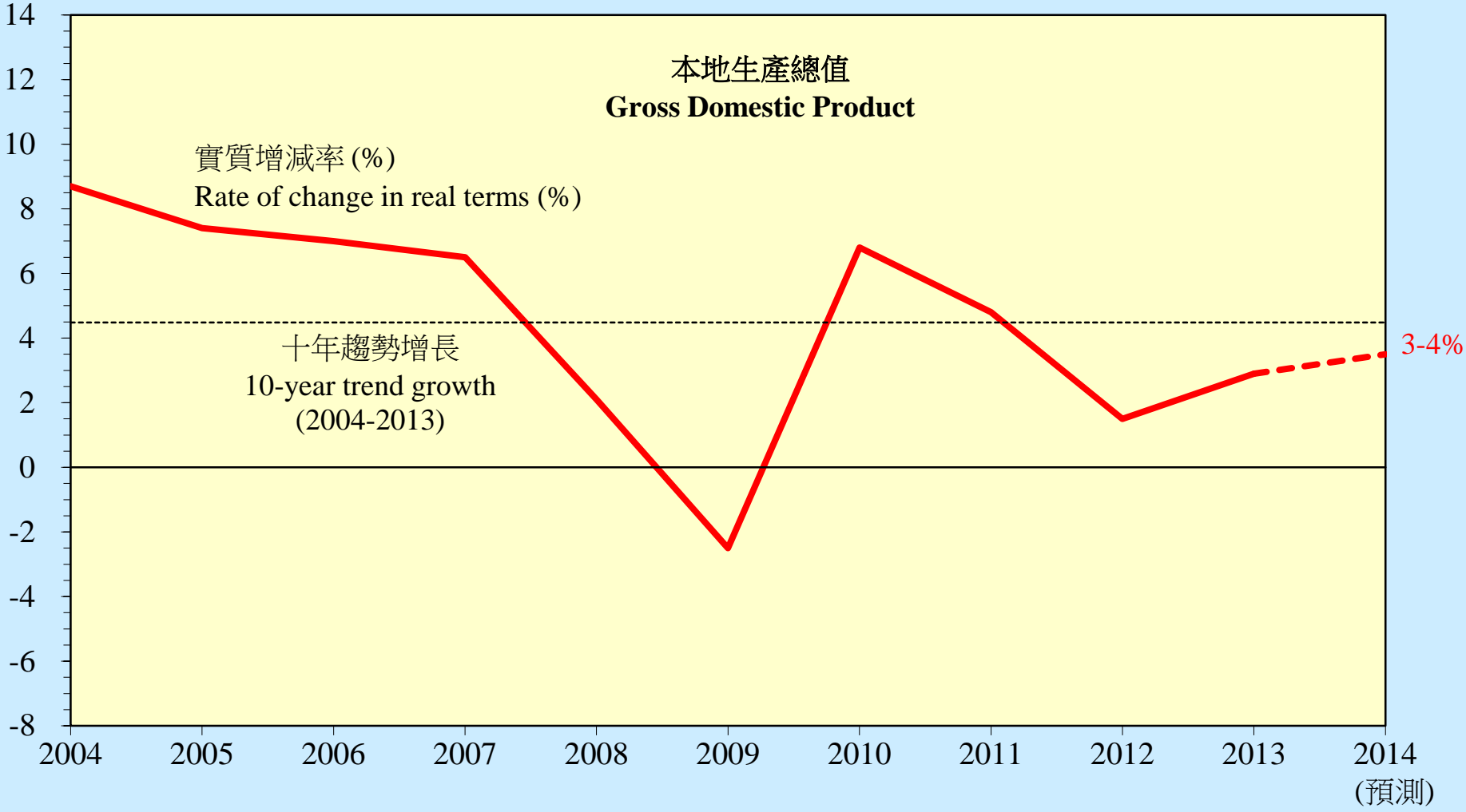
## Downside risks

- Relapse in recovery in the US and EU; US monetary policy normalisation and the accompanying funds flow reversal
- Geopolitical tensions on various fronts
- Sluggish growth in some emerging market economies
- Change in tourist spending pattern

## Positive factors

- Mainland economy maintaining steady growth
- Asia as a whole benefitting from recovery in advanced economies
- Hong Kong economy still in full employment; infrastructure works continued apace

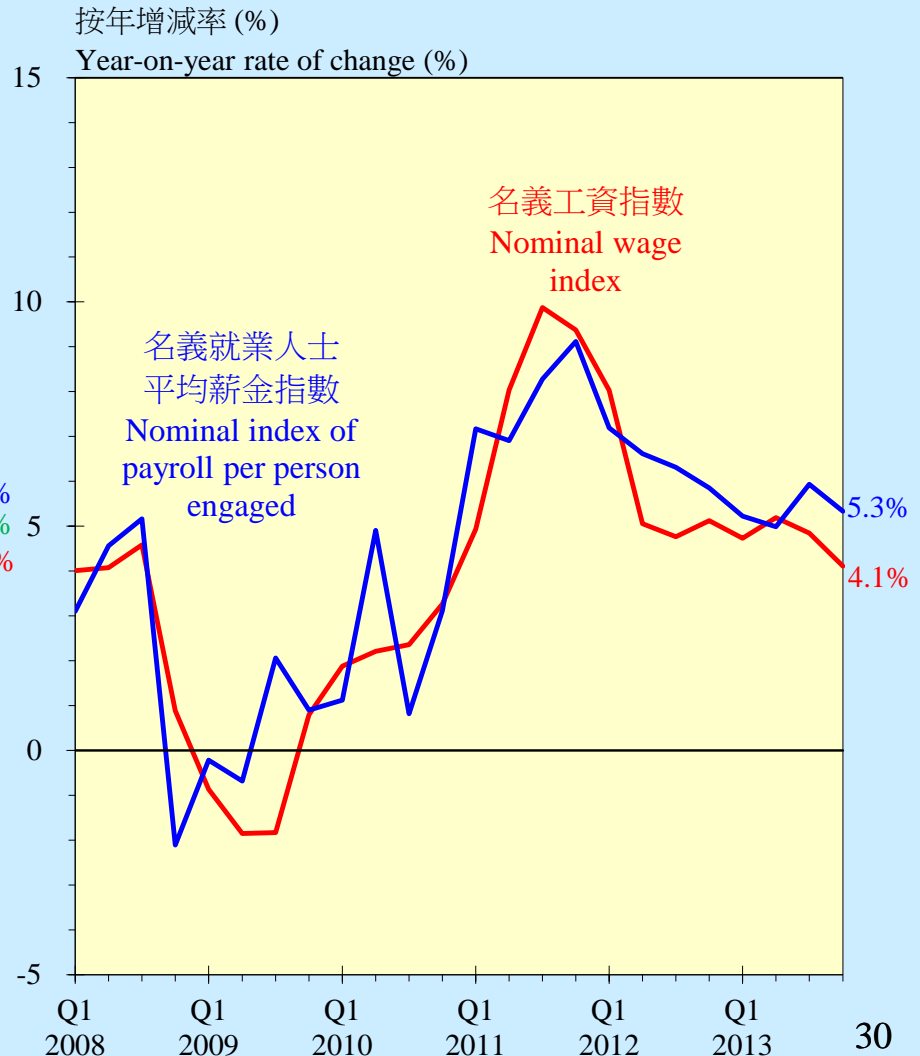
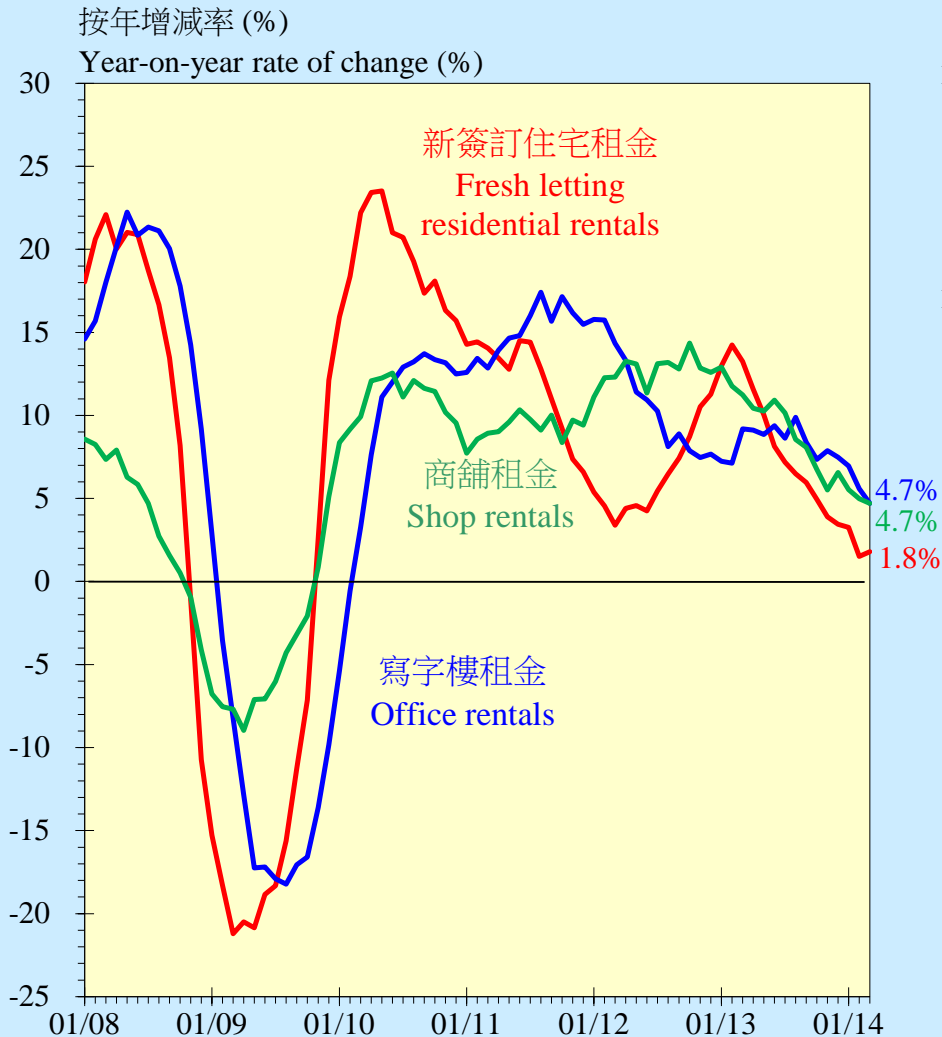
# Looking ahead, HK economic growth momentum is expected to strengthen, with the pace hinging on the US and EU recovery



# Inflation looks set to ease further (1)

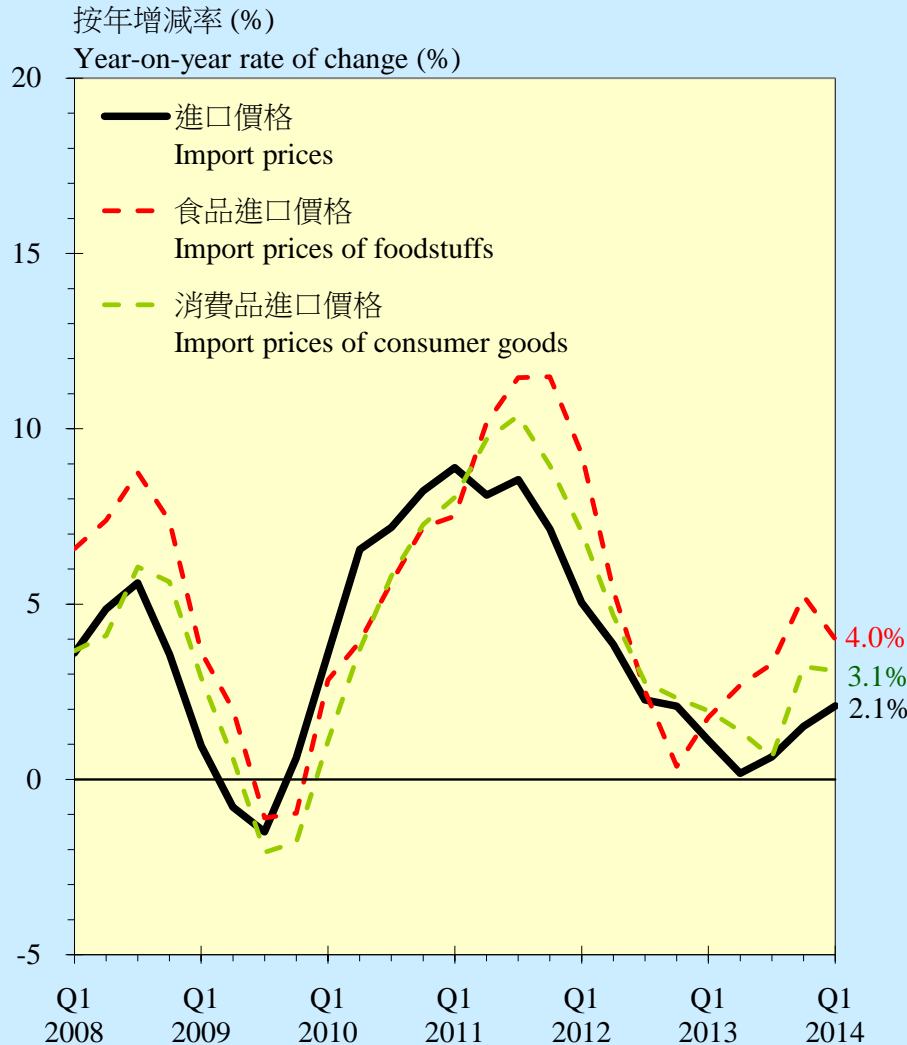
## Rental pressures softened on a broad front

## Wage growth was largely steady

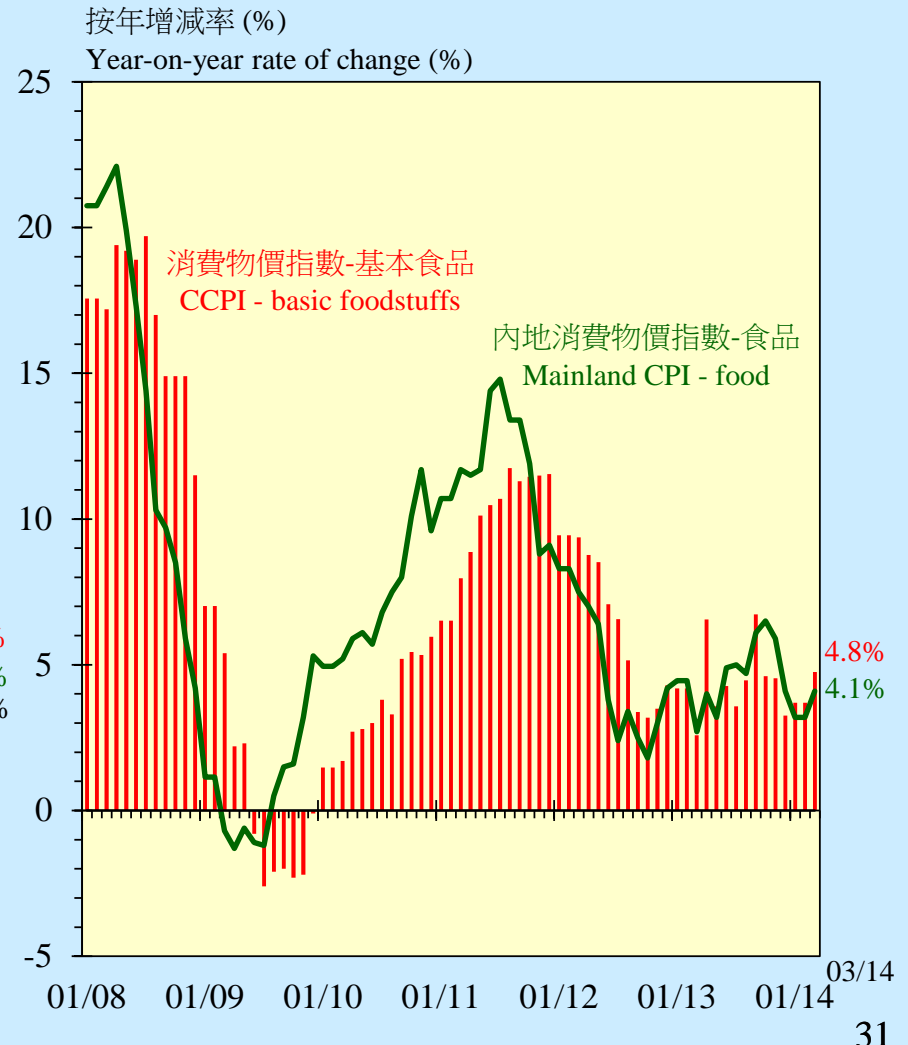


# Inflation looks set to ease further (2)

## Subdued imported inflation



## Food inflation also contained



# Latest economic forecasts for 2014 as a whole

**Forecasts as released  
on 26 Feb**

**Latest forecasts**

**Real GDP growth**

**3-4%**

**3-4%**

**Headline inflation**

**4.6%**

**4.6%**

**Underlying inflation**

**3.7%**

**3.7%**



**Thank you**



# Hong Kong SAR Government

## First Quarter Economic Report 2014 & Updated economic forecasts for 2014

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