



# Hong Kong SAR Government

## First Quarter Economic Report 2015 & Updated economic forecasts for 2015

15 May 2015

# Highlights of the latest economic situation

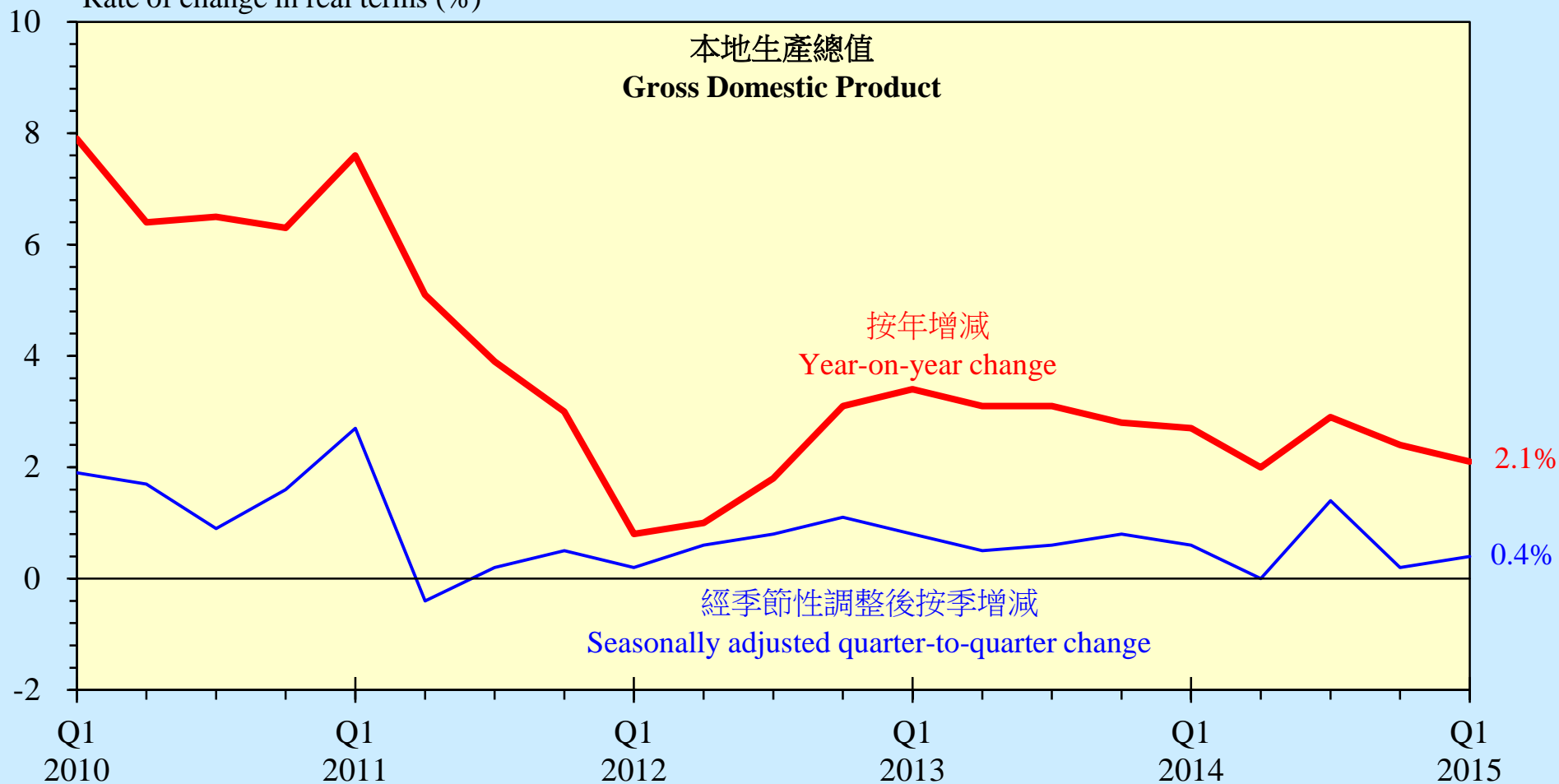
- HK economy grew modestly further in Q1; domestic demand remained the key source of growth
- External sector lacklustre: goods exports grew marginally; inbound tourism slowed down further
- Labour market still in full employment; inflation continued to ease
- Property market stabilised somewhat in March; but risks of housing market bubble still prominent

# **Economic performance in Q1 2015**

# HK economy grew modestly in Q1

實質增減率 (%)

Rate of change in real terms (%)



# Domestic demand remained the key source of growth

## Contribution to HK's GDP growth by key component

	(% point(s))	(%)	
	<u>Net exports</u>	<u>Domestic demand</u>	<u>HK's GDP growth</u>
2004-2008	2.3	4.0	6.3
2009-2013	-1.4	4.2	2.8
2014	-0.3	2.8	2.5
2014 Q1	0.1	2.6	2.7
Q2	-0.6	2.6	2.0
Q3	0.9	2.0	2.9
Q4	-1.6	4.0	2.4
2015 Q1	-0.7	2.8	2.1

# External sector

# Exports of goods posted only marginal growth

實質增減率 (%)

Rate of change in real terms (%)

貨物出口  
Exports of goods

按年增減  
Year-on-year change

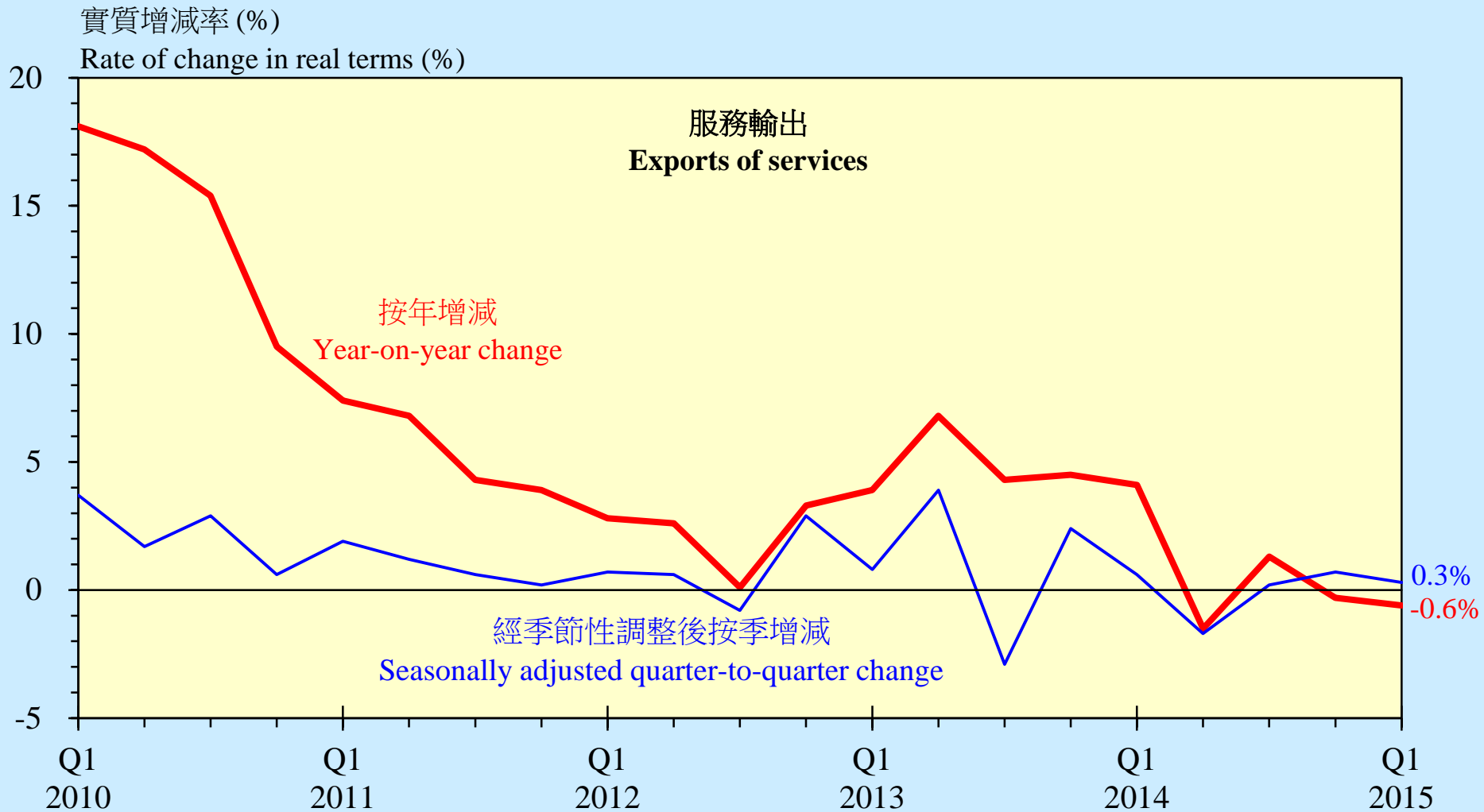
經季節性調整後按季增減  
Seasonally adjusted quarter-to-quarter change

0.4%

-1.4%

Q1 2010      Q1 2011      Q1 2012      Q1 2013      Q1 2014      Q1 2015

# Exports of services remained on a decline





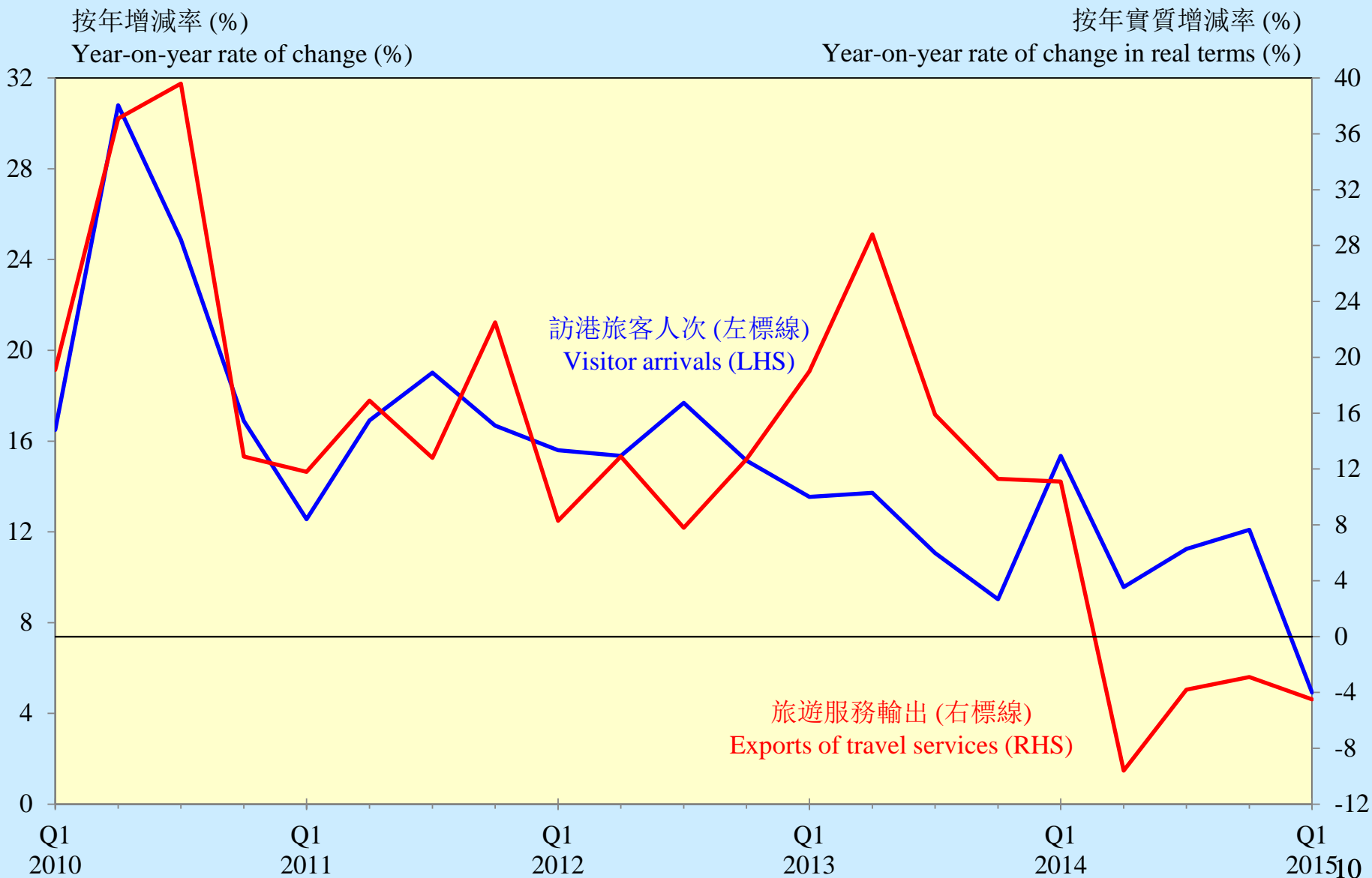
# ...mainly dragged by weakening travel services exports

## Exports of services

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

	<u>Travel services</u>	<u>Trade-related services</u>	<u>Financial and business services</u>	<u>Transportation services</u>
2013	18.2	0.7	2.2	-1.9
2014	-1.5	1.3	1.7	2.6
2014 Q1	11.1	-0.2	2.5	1.5
Q2	-9.6	1.5	0.5	3.9
Q3	-3.8	2.7	4.2	2.9
Q4	-2.9	0.8	-0.5	1.9
2015 Q1	-4.5	-1.1	2.5	1.6

# Tourist arrivals slowed visibly, weighing on travel services exports

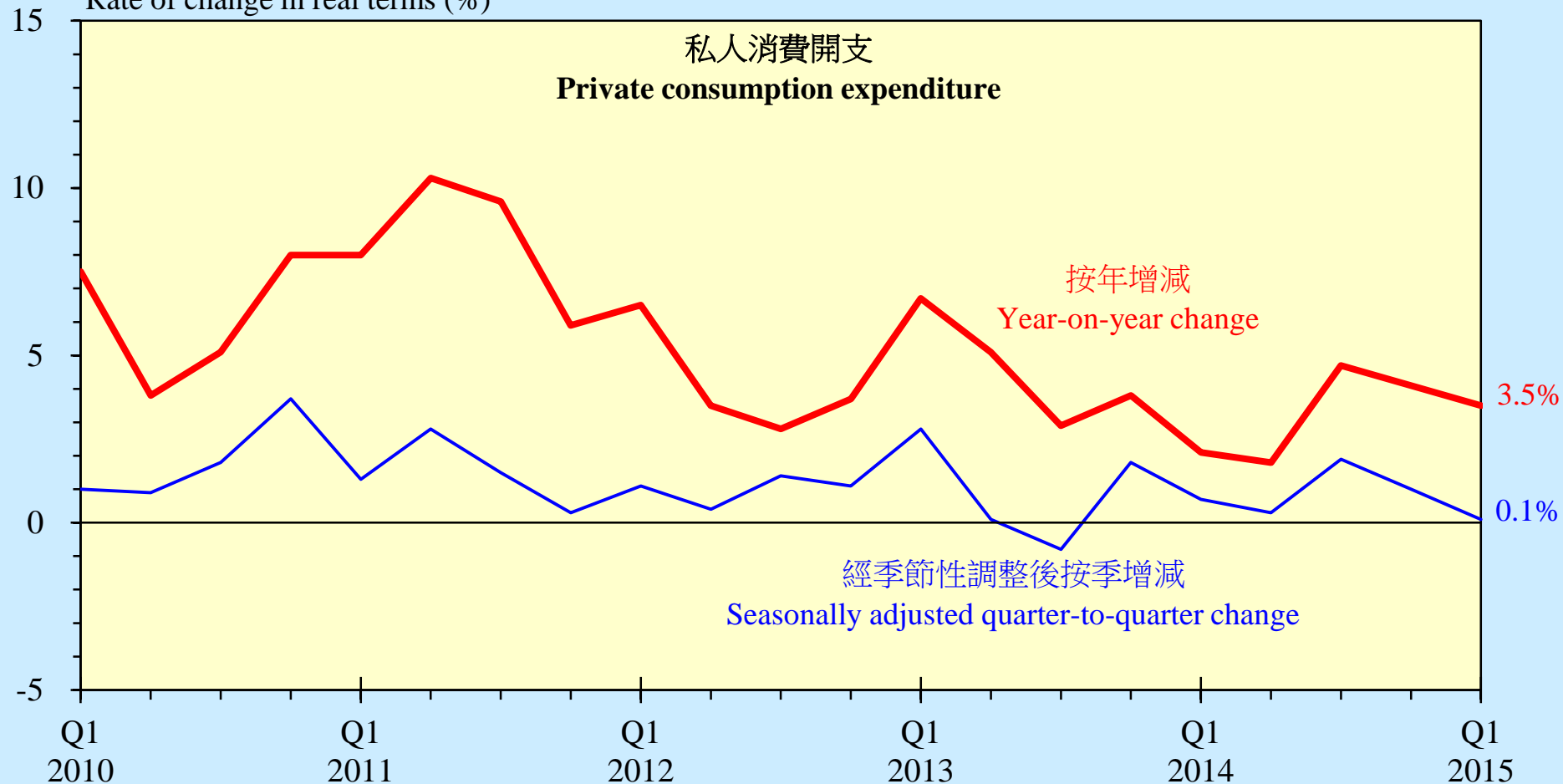


# Domestic sector

# Private consumption expanded moderately

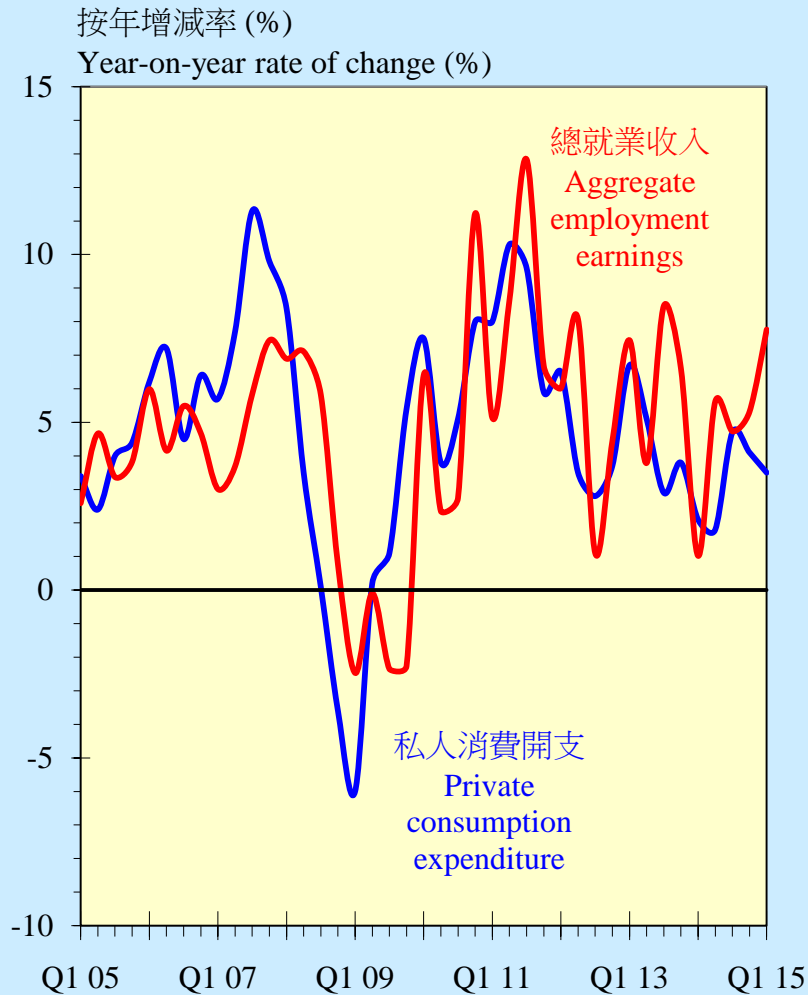
實質增減率 (%)

Rate of change in real terms (%)

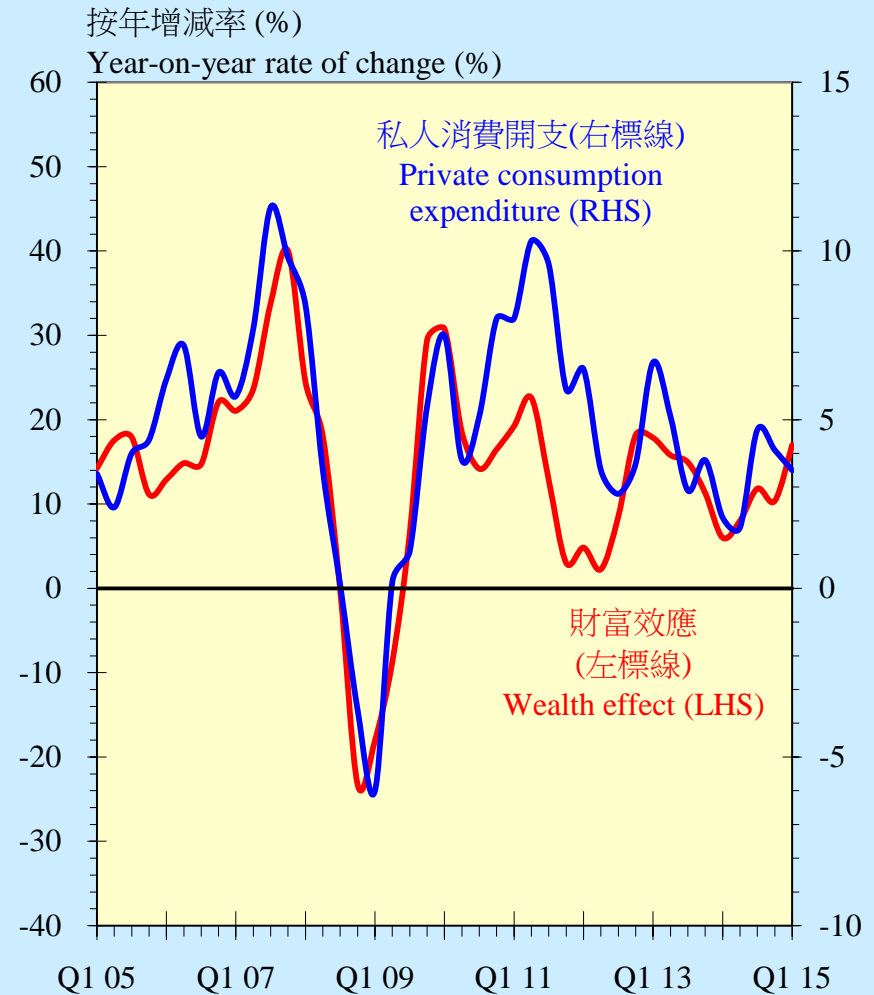


# Steady job and income conditions and positive wealth effect provided support to private consumption

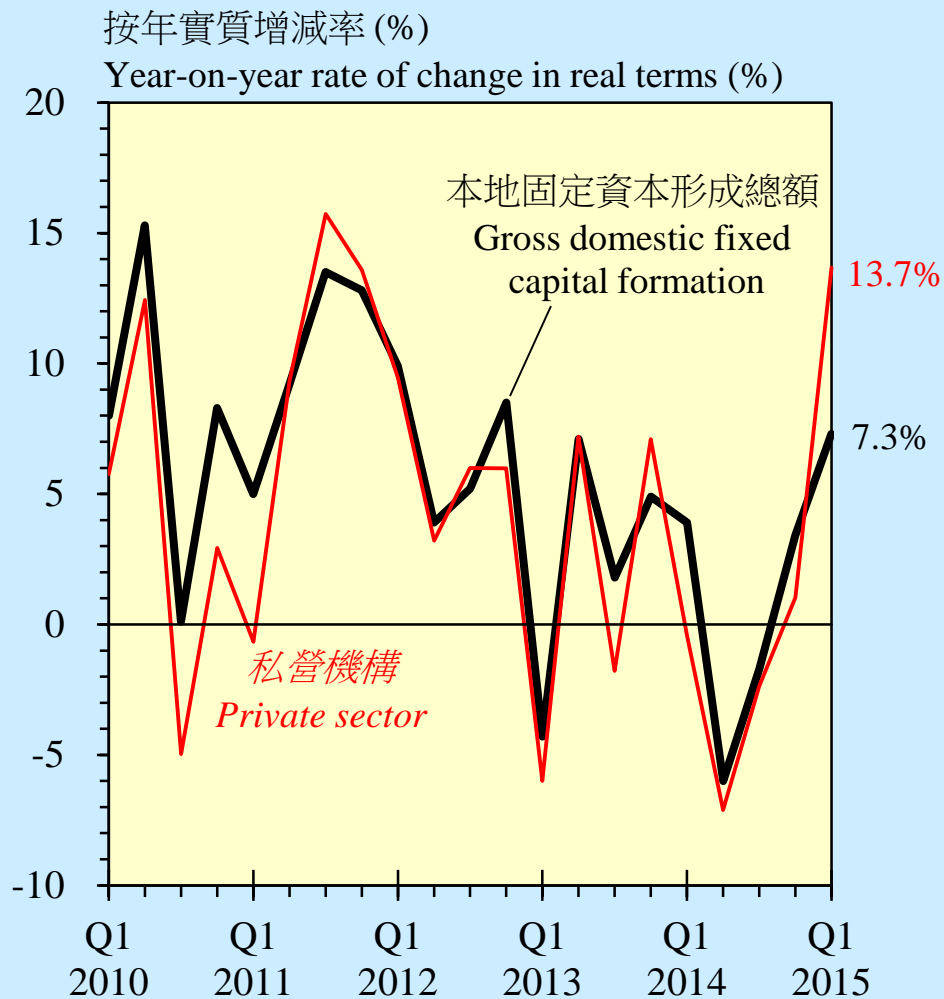
收入因素  
Income factor



財富效應  
Wealth effect



# Investment spending picked up as private sector machinery acquisitions showed strong growth



## Private sector investment spending

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

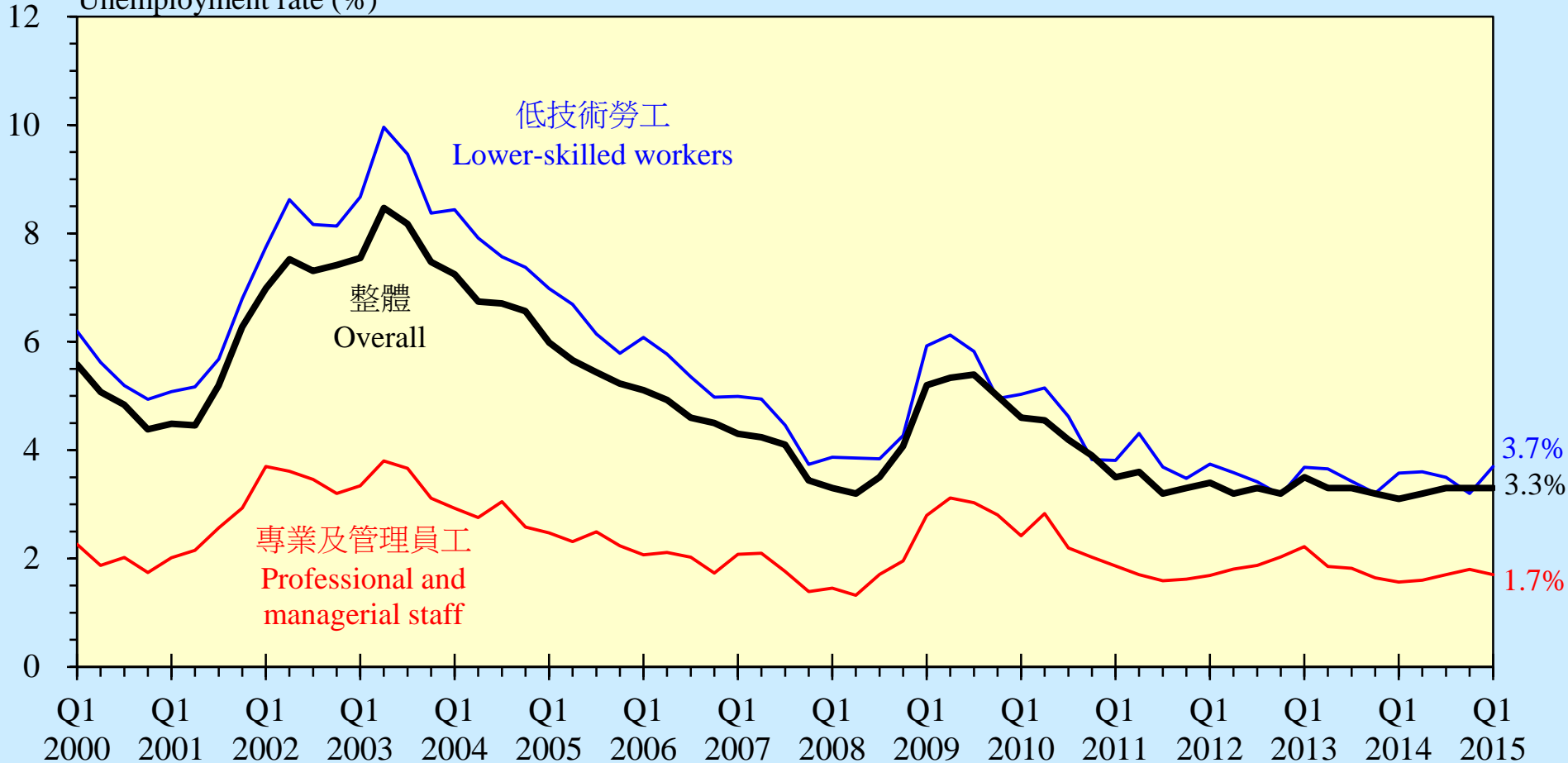
	<u>Machinery, equipment and intellectual property products</u>	<u>Building and construction</u>
2013	11.5	-8.8
2014	-7.6	4.6
2014 Q1	-2.9	5.8
Q2	-12.5	3.0
Q3	-12.2	6.2
Q4	-1.3	3.6
2015 Q1	14.8	4.6

# Labour market

# Labour market held largely stable with low jobless rate

失業率 (%)

Unemployment rate (%)



Note: Not seasonally adjusted except the overall unemployment rate.

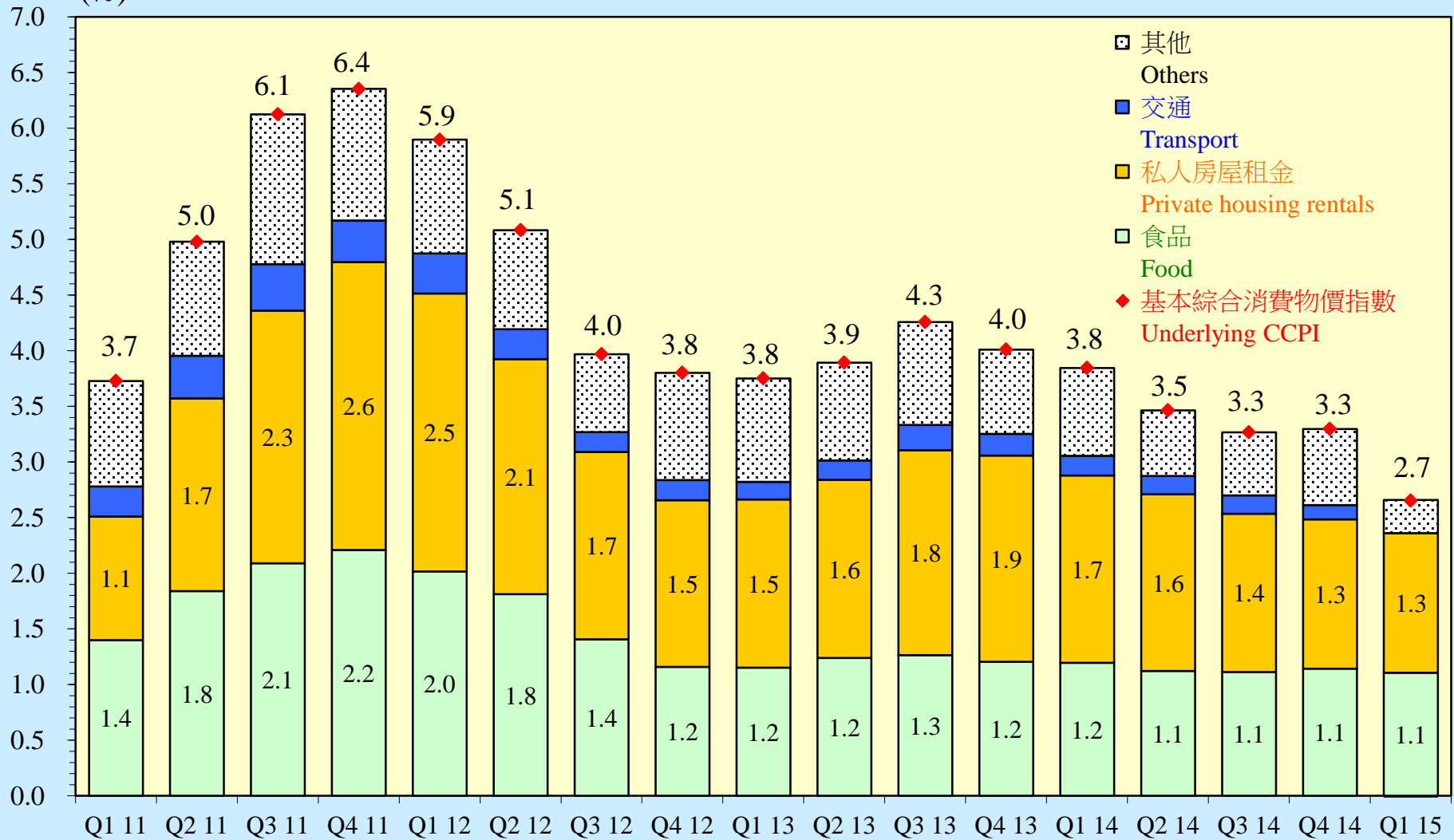


# **Inflation**

# Underlying inflation eased further

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 asset markets

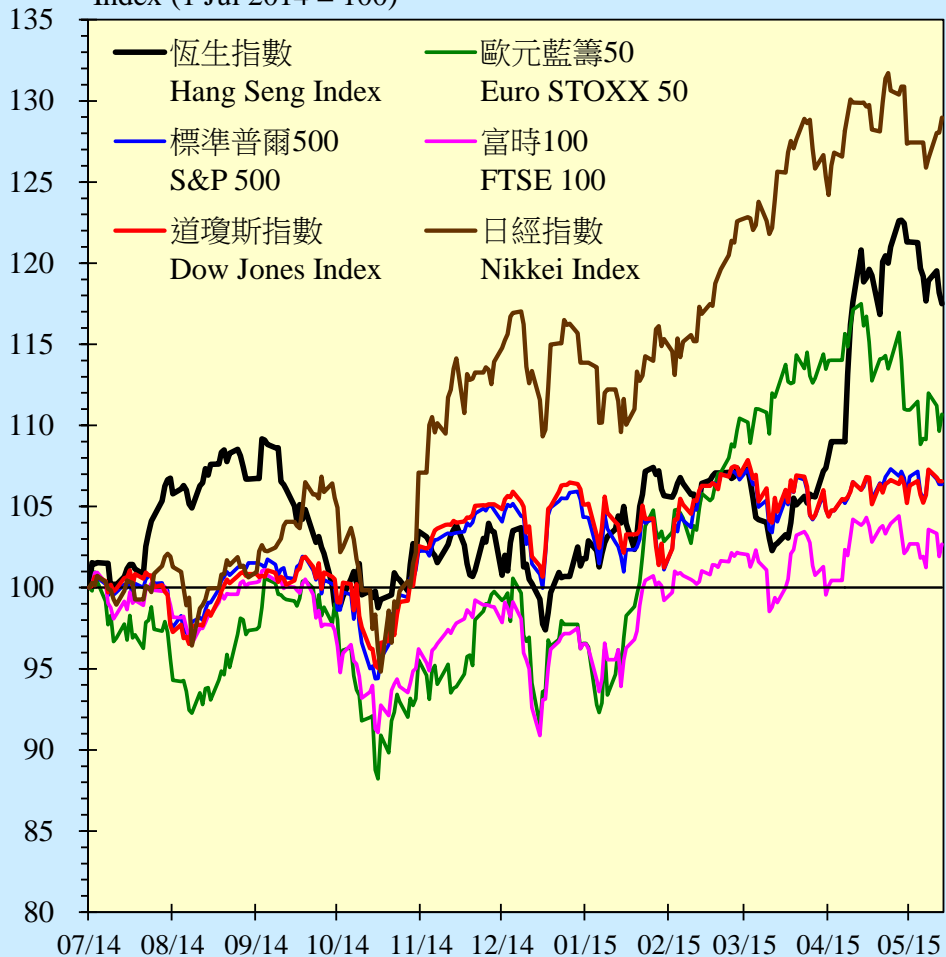
# Global stock markets exhibiting some volatilities of late

## 主要股票市場指數

### Indices of major stock markets

指數 (2014年7月1日=100)

Index (1 Jul 2014 = 100)

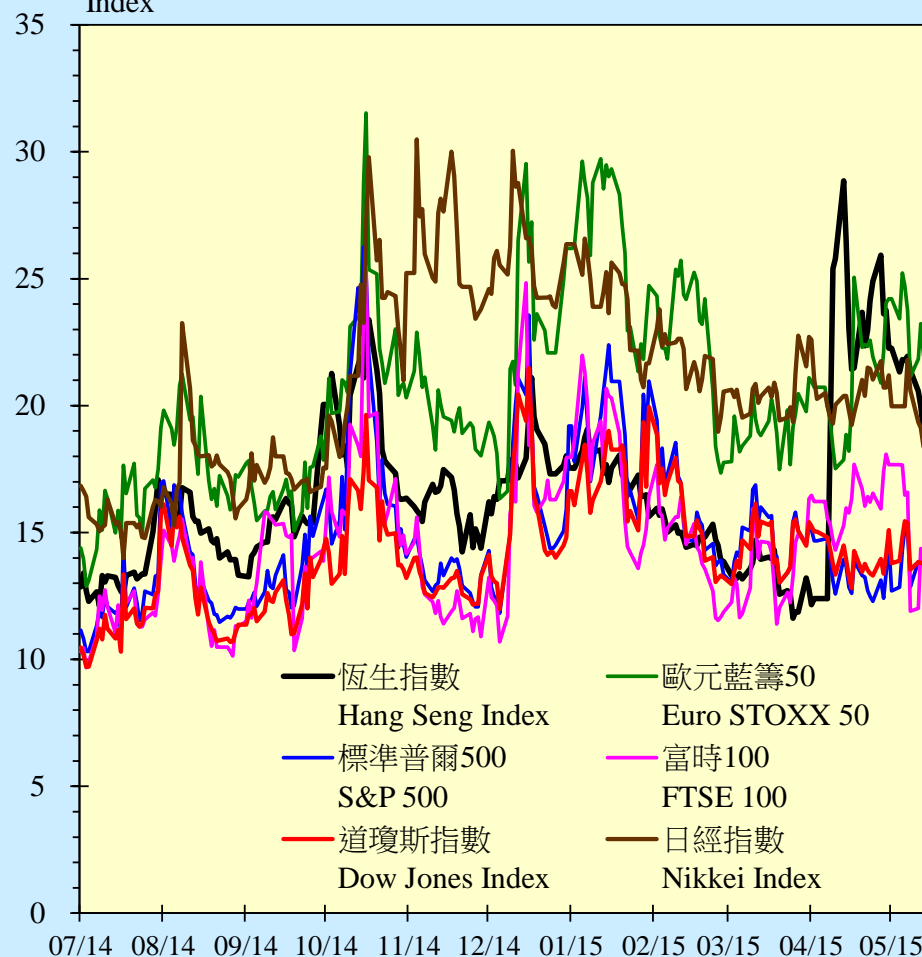


## 主要股票市場的波幅指數

### Volatility indices of major stock markets

指數

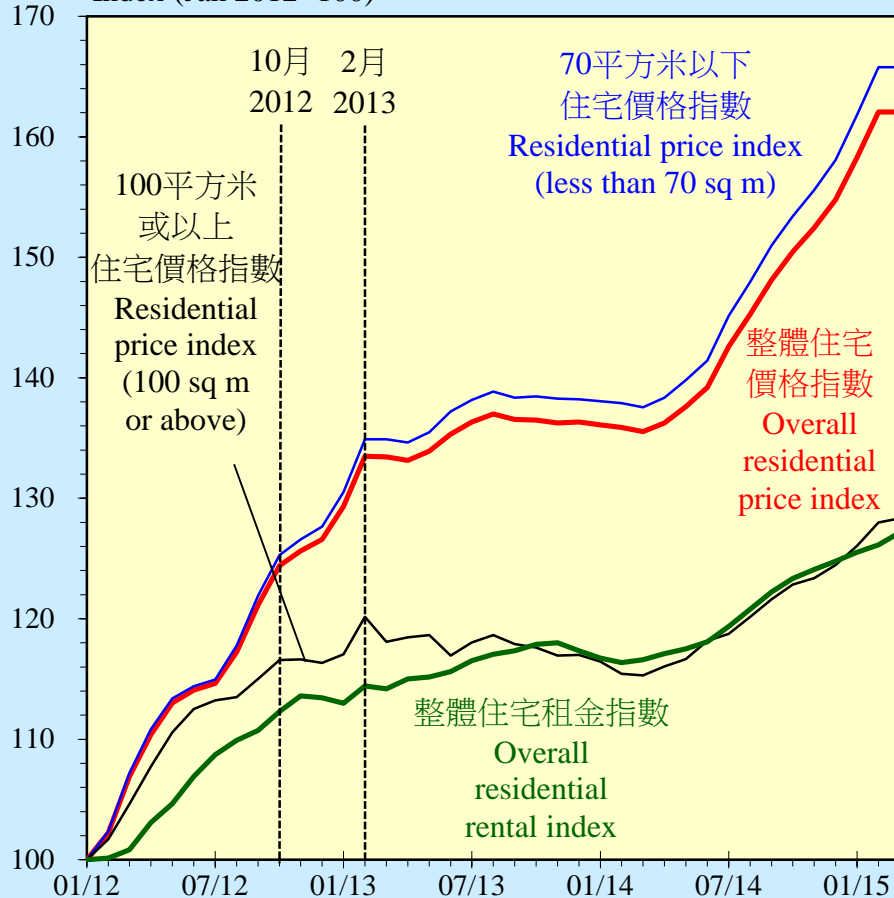
Index



# Housing market cooled down somewhat in March, but bubble risk remained visible

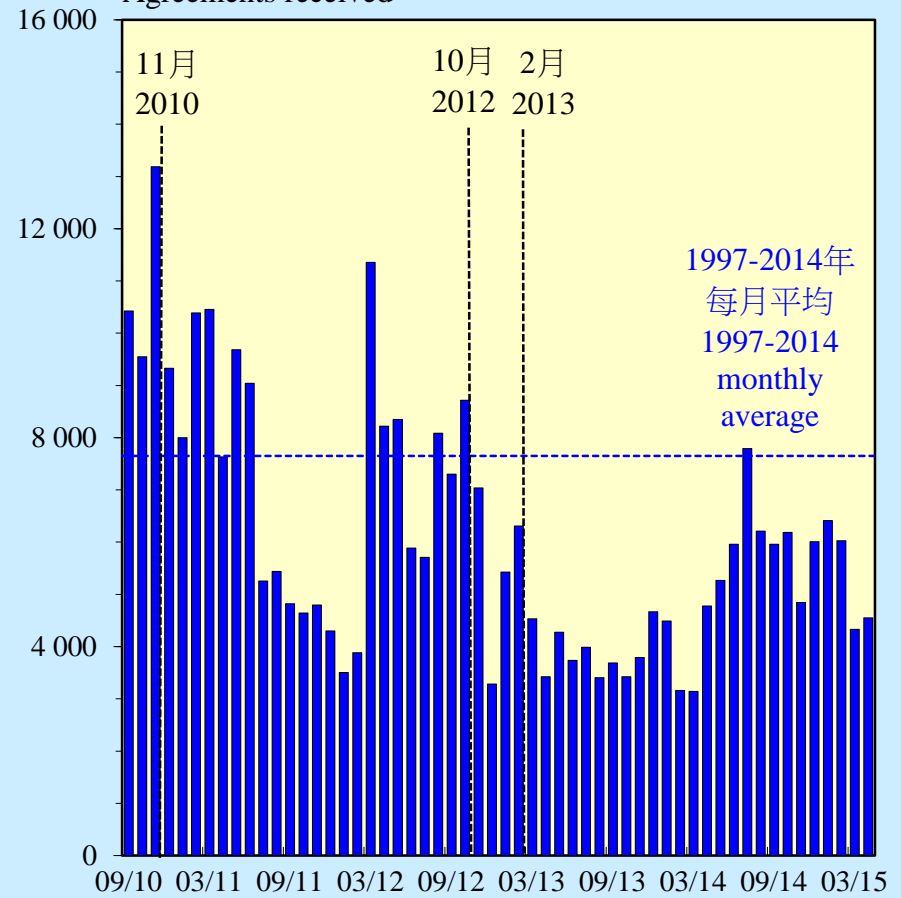
## Flat price and rental indices

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

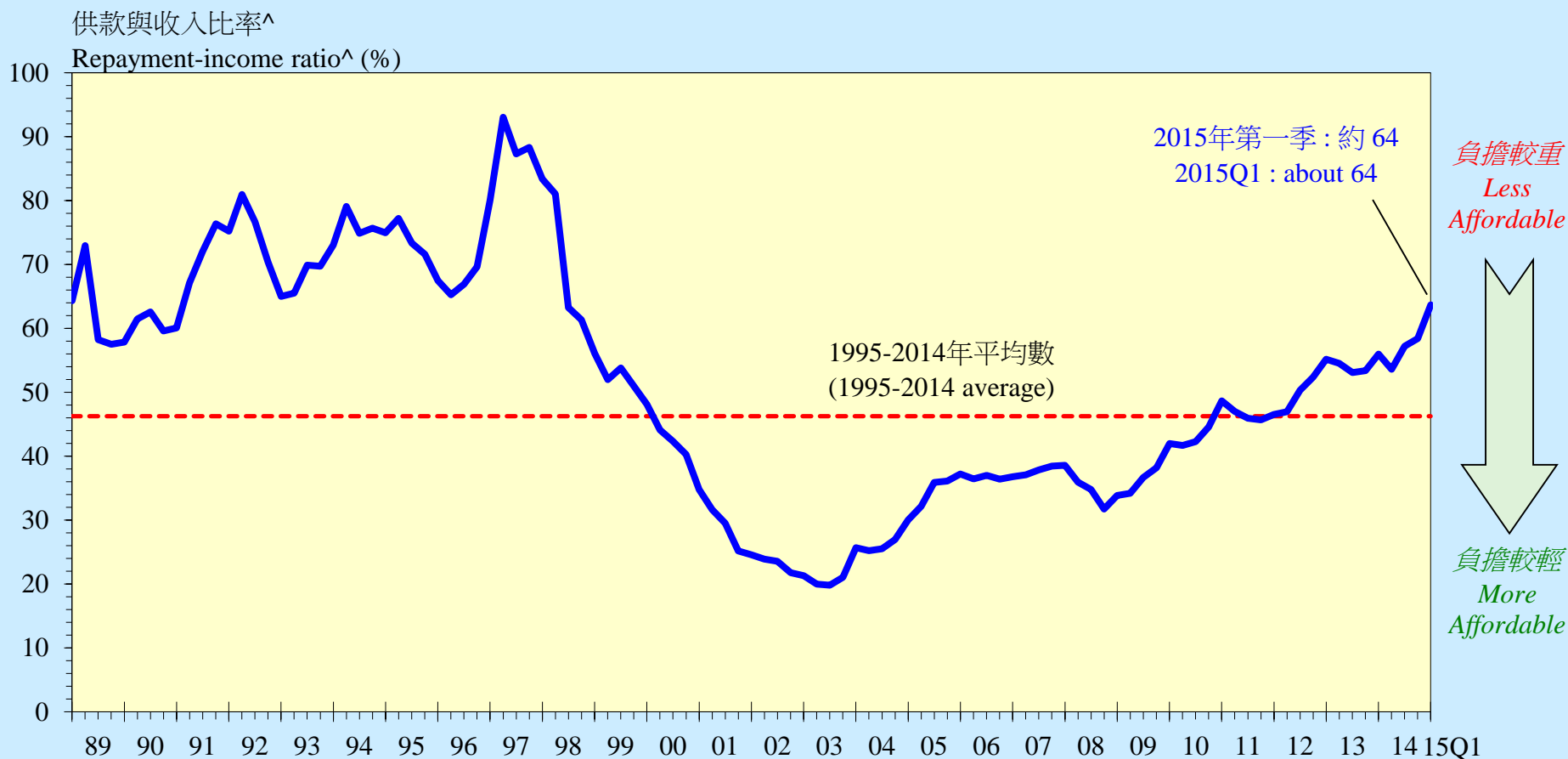


## No. of S&P agreements

買賣合約數目  
Agreements received



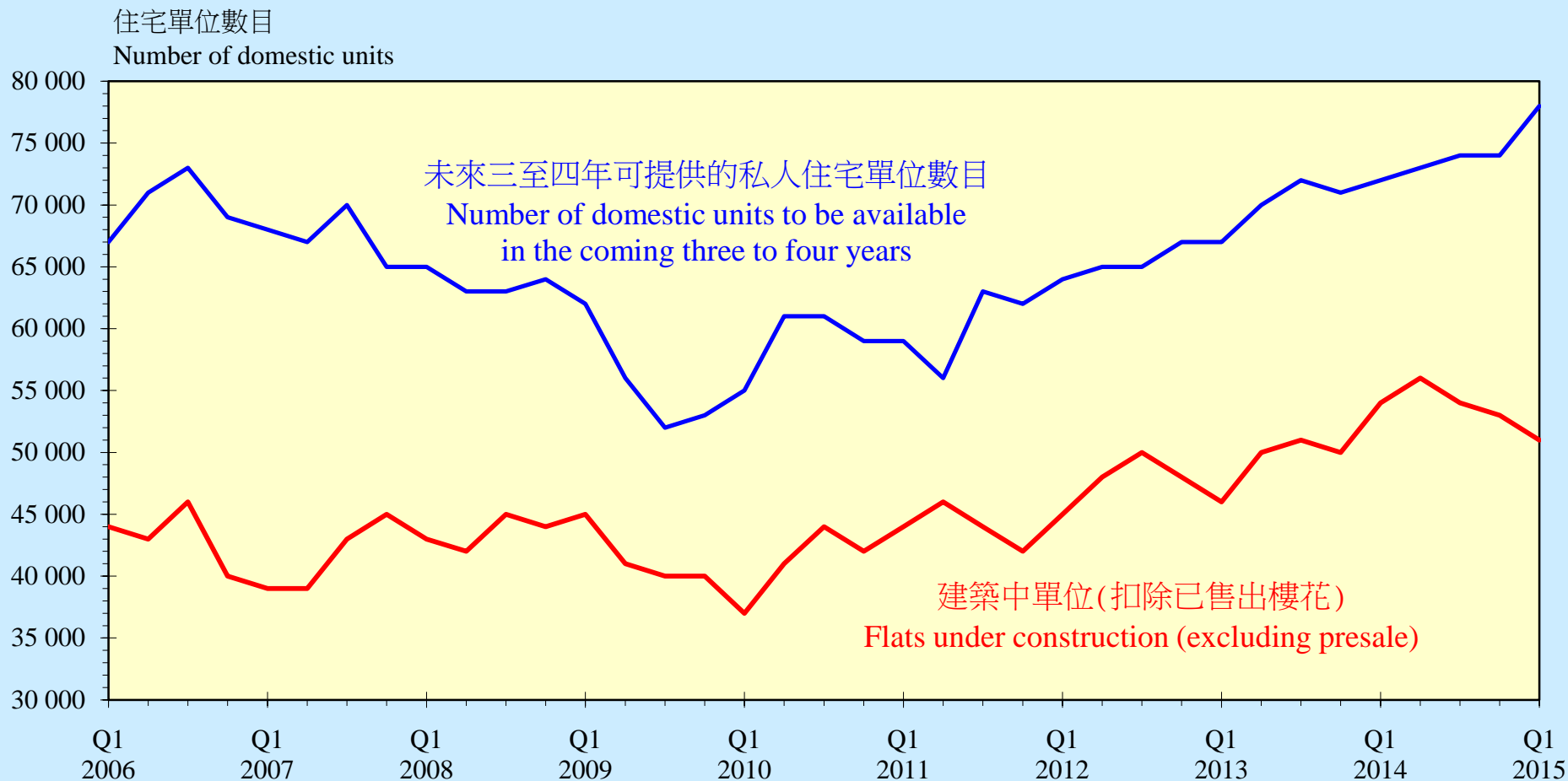
# Mortgage payment to income ratio worsened further



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.

# Medium-term housing supply expected to rise to record high



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 2015**



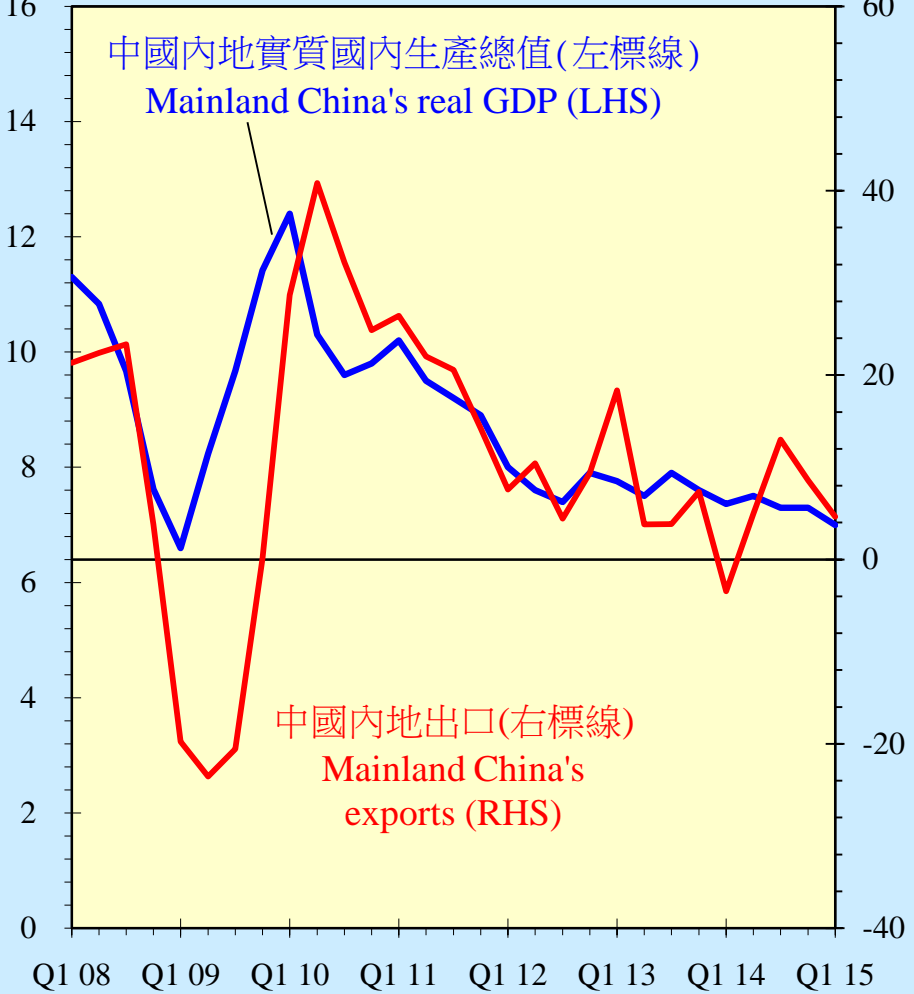
# Global economy likely to grow only slowly in 2015

	GDP growth in 2014	IMF forecasts on 2015 GDP growth	
		Jan 2015	Apr 2015
<b>World</b>	<b>3.4</b>	<b>3.5</b>	<b>3.5</b>
US	2.4	3.6	3.1
Eurozone	0.9	1.2	1.5
Japan	0.0	0.6	1.0
Mainland China	7.4	6.8	6.8
Developing Asia	6.8	6.4	6.6
Emerging market and developing economies	4.6	4.3	4.3

# Mainland economy stayed steady in Q1, but faces downward pressure

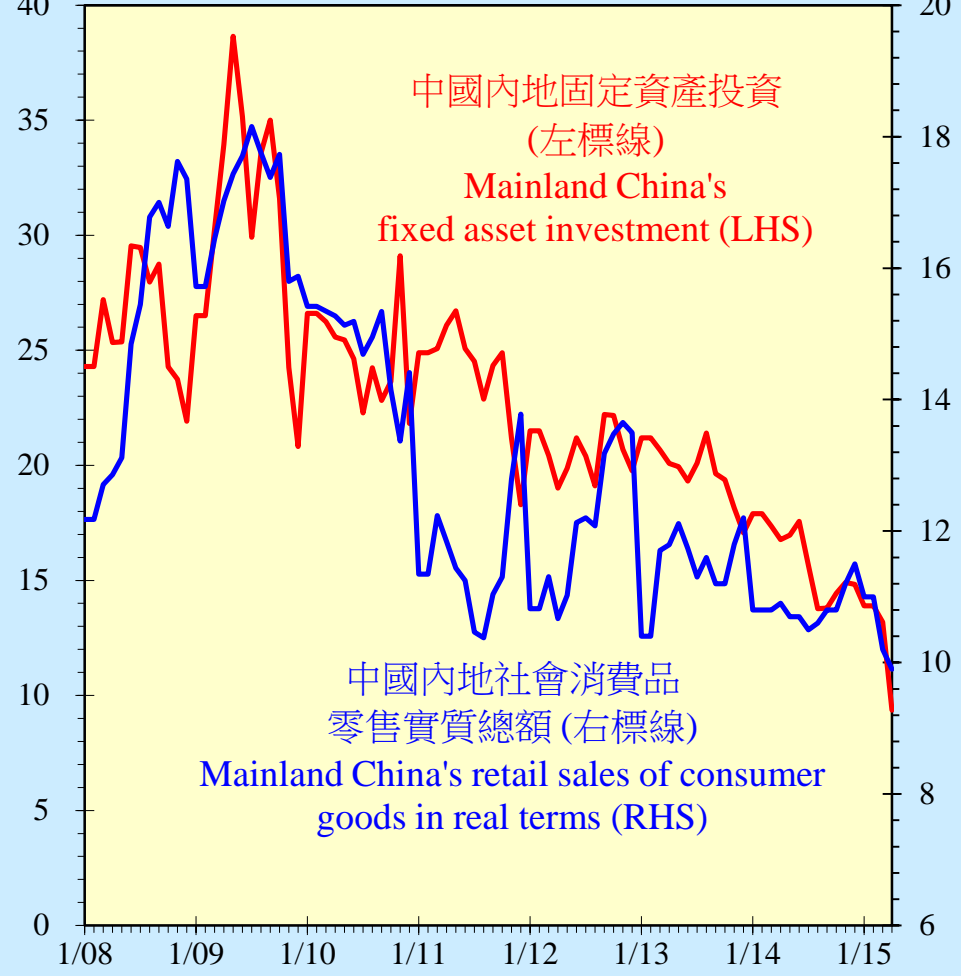
按年增減率 (%)

Year-on-year rate of change (%)



按年增減率 (%)

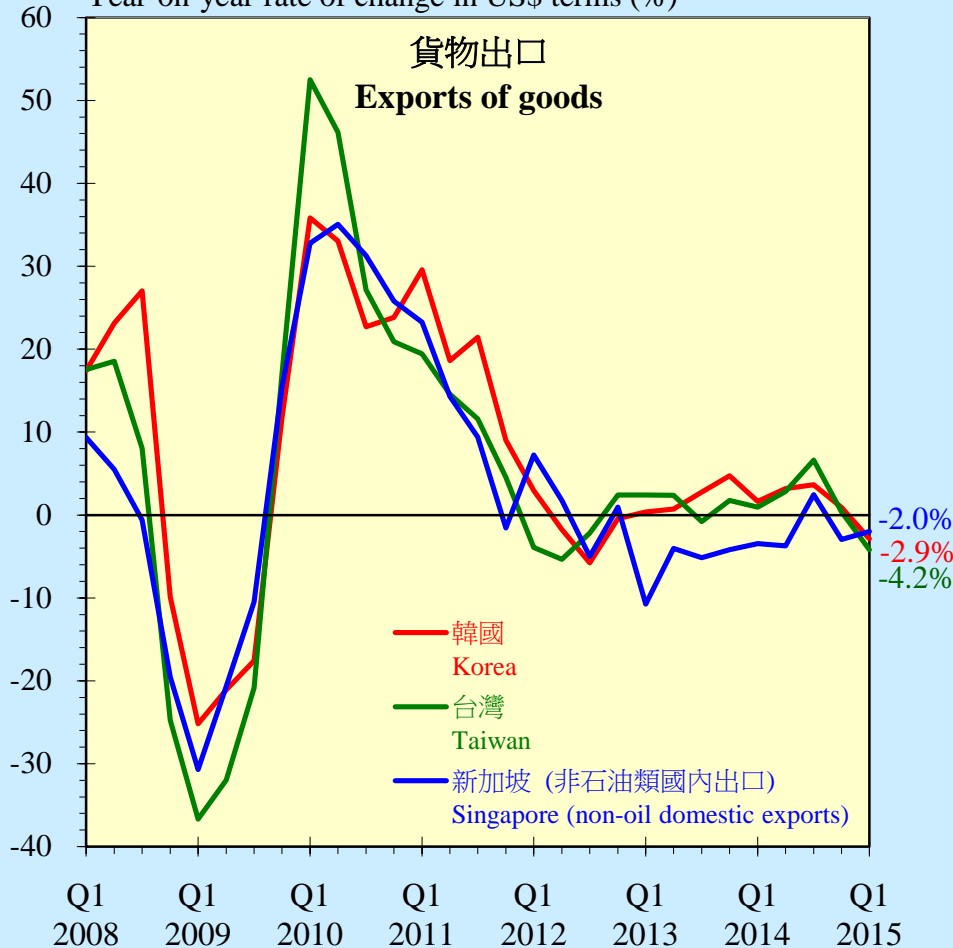
Year-on-year rate of change (%)



# Still-subdued trading and industrial activities in Asian economies

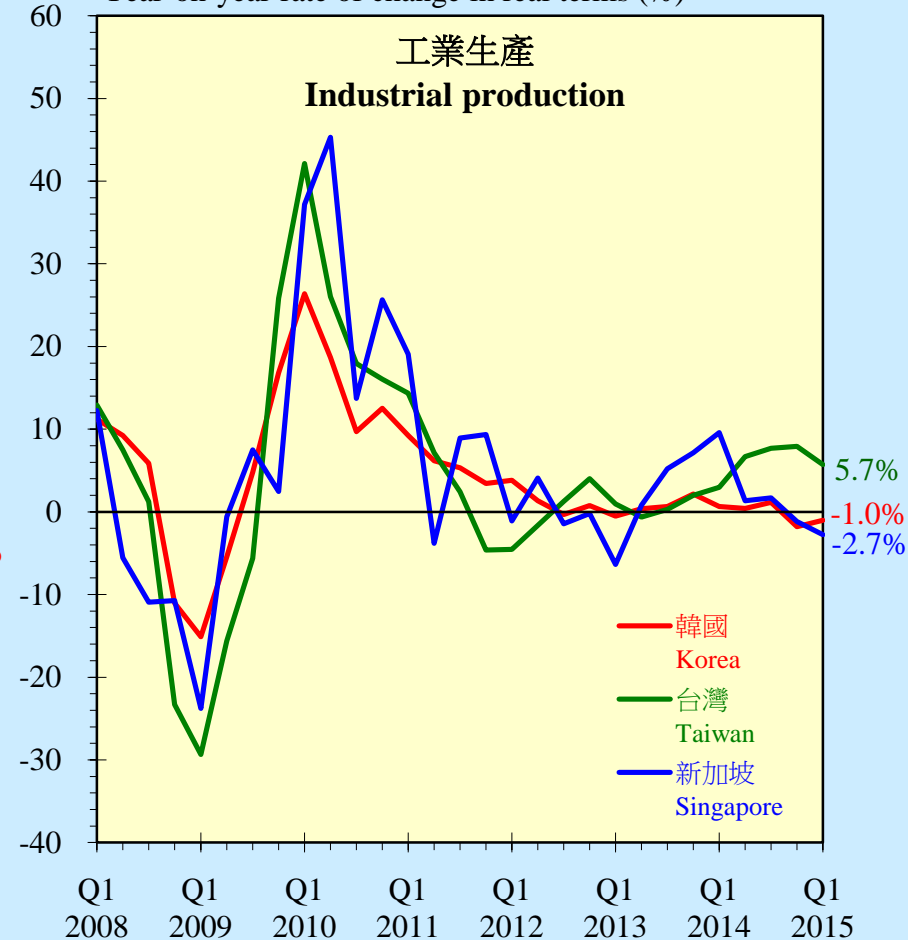
以美金計價按年增減率(%)

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



按年實質增減率(%)

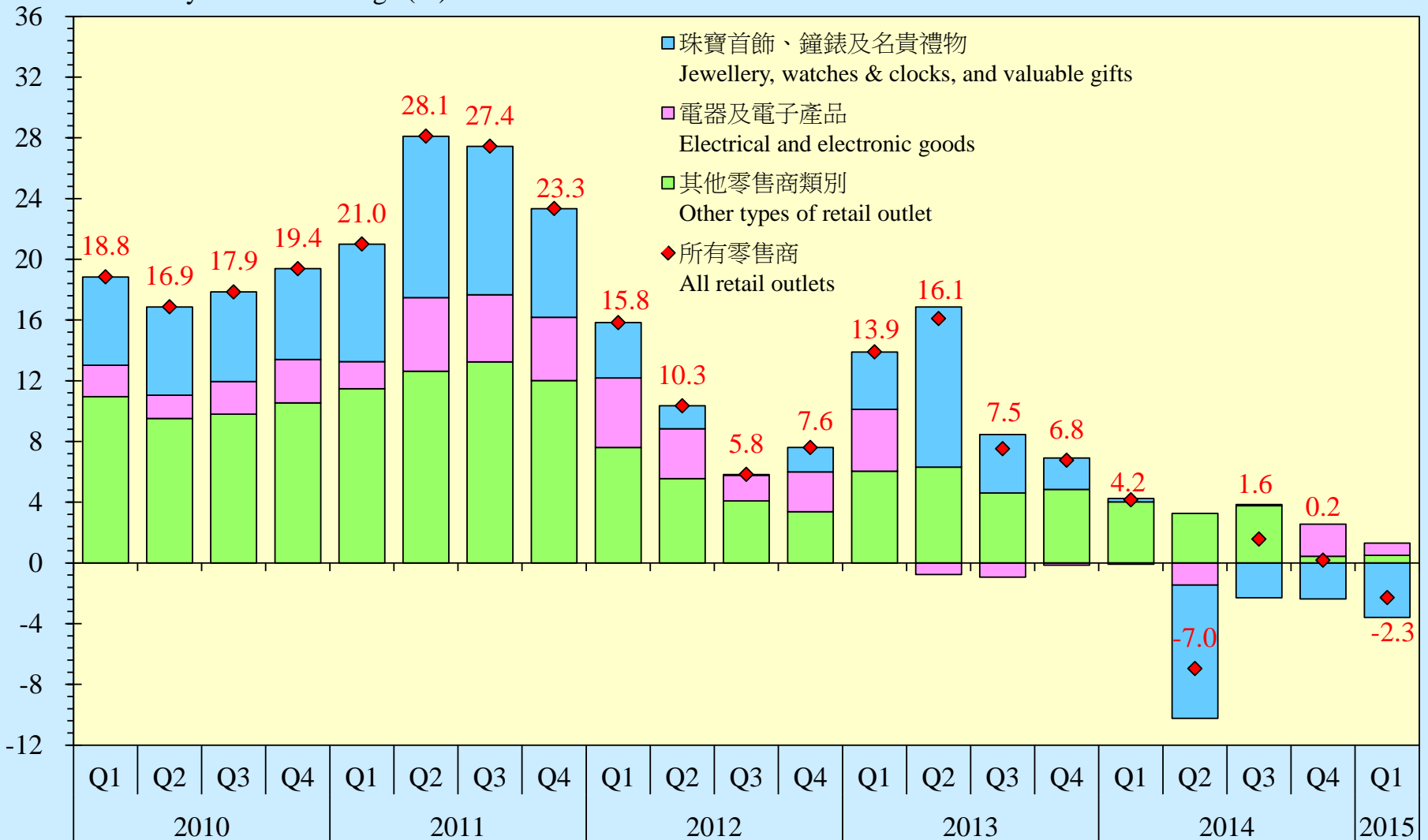
Year-on-year rate of change in real terms (%)



# Retail sales performance visibly dragged by weaker tourist spending

按年增減率 (%)

Year-on-year rate of change (%)



# Overall business sentiment turned more cautious

## Business expectation by sector (net balance\*)

	<u>14 Q4</u>	<u>15 Q1</u>	<u>15 Q2</u>
Import/export trade and wholesale	-10	-12	-15
Retail	+6	+13	-18
Accommodation and food services	+13	+11	-9
Transportation, storage and courier services	+12	+3	+10
Information and telecommunications	+35	+21	+20
Financing and insurance	+27	+13	+19
<b>All sectors surveyed</b>	<b>+7</b>	<b>+3</b>	<b>+1</b>

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.

# Considerable uncertainties remain on both the domestic and external fronts

- ◆ US recovery slower than expected; growth in eurozone and Japan still sluggish; Asian economies saw varying degrees of economic slowdown
- ◆ Diverging monetary policy stances – US interest rate hikes still uncertain; many other central banks eased their monetary policies; increasing financial market volatility
- ◆ Slowdown in inbound tourism, if protracted, may further undermine the growth momentum of the domestic economy (such as catering and retail sectors), with possible spillovers on employment generation

# Latest economic forecasts for 2015 as a whole

Forecasts as released  
on 25 February

Latest forecasts

Real GDP growth

1-3%

1-3%

Underlying inflation

3%

2.7%

Headline inflation

3.5%

3.2%



# Hong Kong SAR Government

## First Quarter Economic Report 2015 & Updated economic forecasts for 2015

15 May 2015