



Hong Kong SAR Government

First Quarter Economic Report 2017 & Updated economic forecasts for 2017

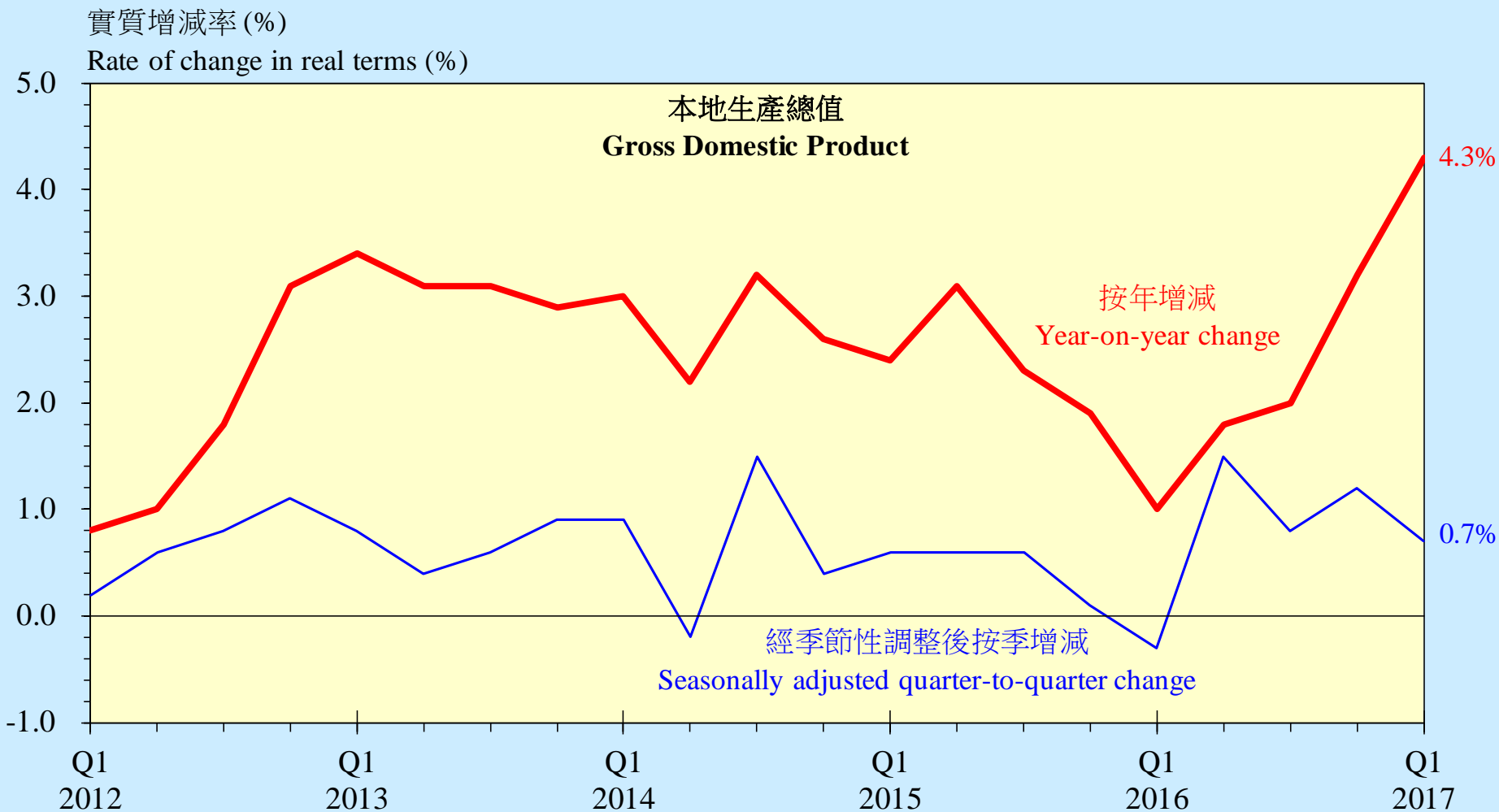
12 May 2017

Highlights of the latest economic situation

- Hong Kong economy continued to improve in Q1, growing notably by 4.3% year-on-year in real terms
- External demand strengthened as the global economic environment improved
- Domestic demand held up well; full employment continued to prevail
- Inflation pressure was rather modest
- Latest real GDP growth forecast for 2017 unchanged at 2-3%; underlying inflation rate forecast at 2%

Economic performance in Q1 2017

Hong Kong economy grew notably year-on-year in Q1

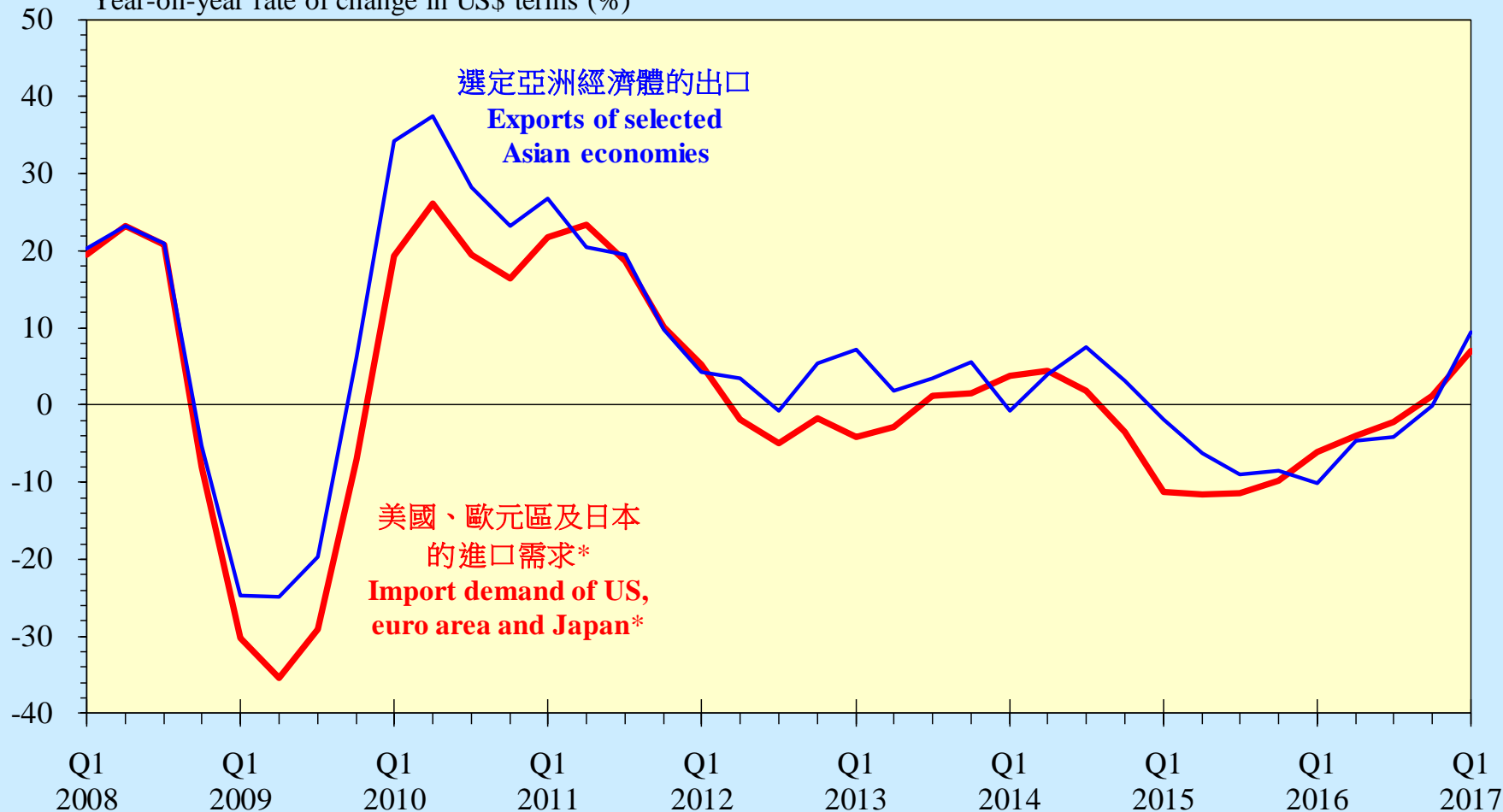


External sector

Asia's exports continued to rebound, thanks to the improvement in global demand

以美元計價按年增減率(%)

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



註： 選定亞洲經濟體包括中國內地、香港、印度、印尼、韓國、馬來西亞、菲律賓、新加坡、台灣及泰國。

Selected Asian economies include Mainland China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

Notes: (*) 由於數據有限，美國、歐元區及日本的進口需求最新數字為2017年1-2月合併的數字。

(*) Due to data limitations, the latest figure for import demand of US, euro area and Japan is Jan-Feb 2017 combined.

Hong Kong's exports of goods saw faster growth

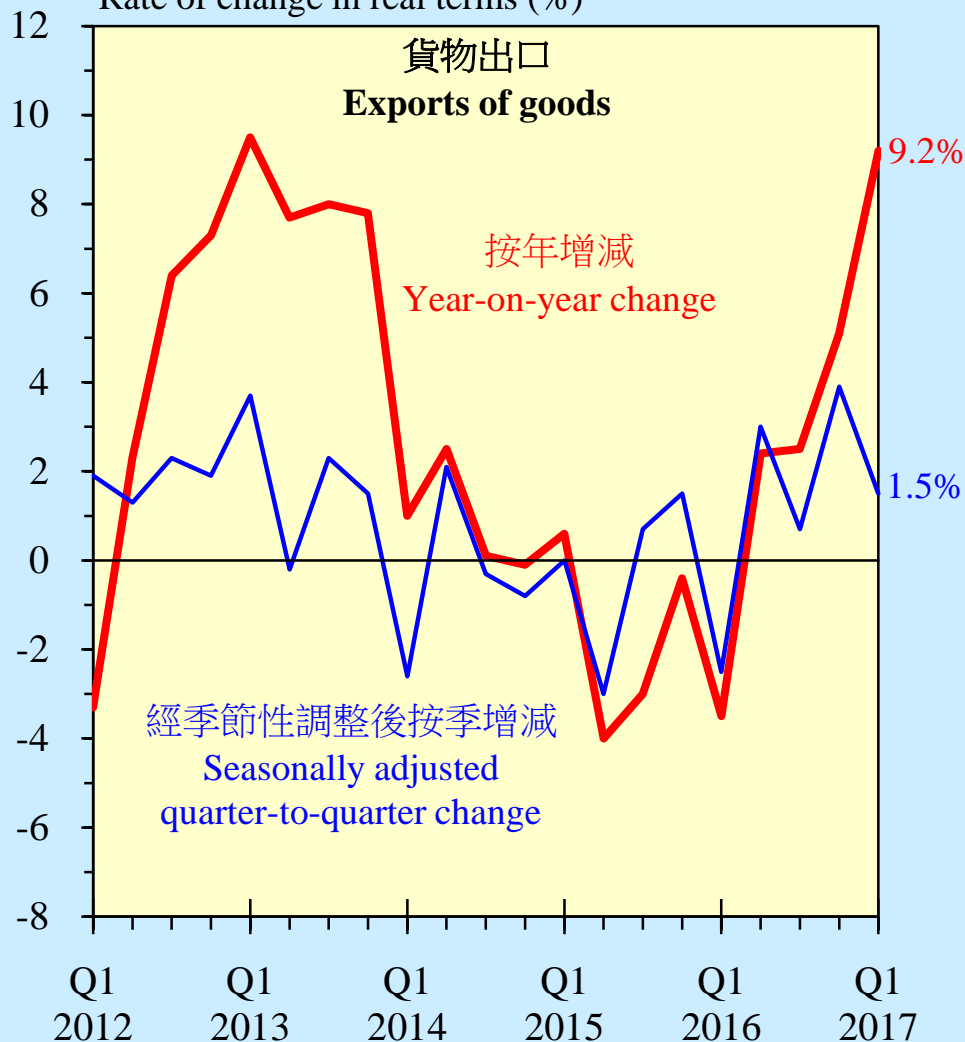
Total exports of goods by major market

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

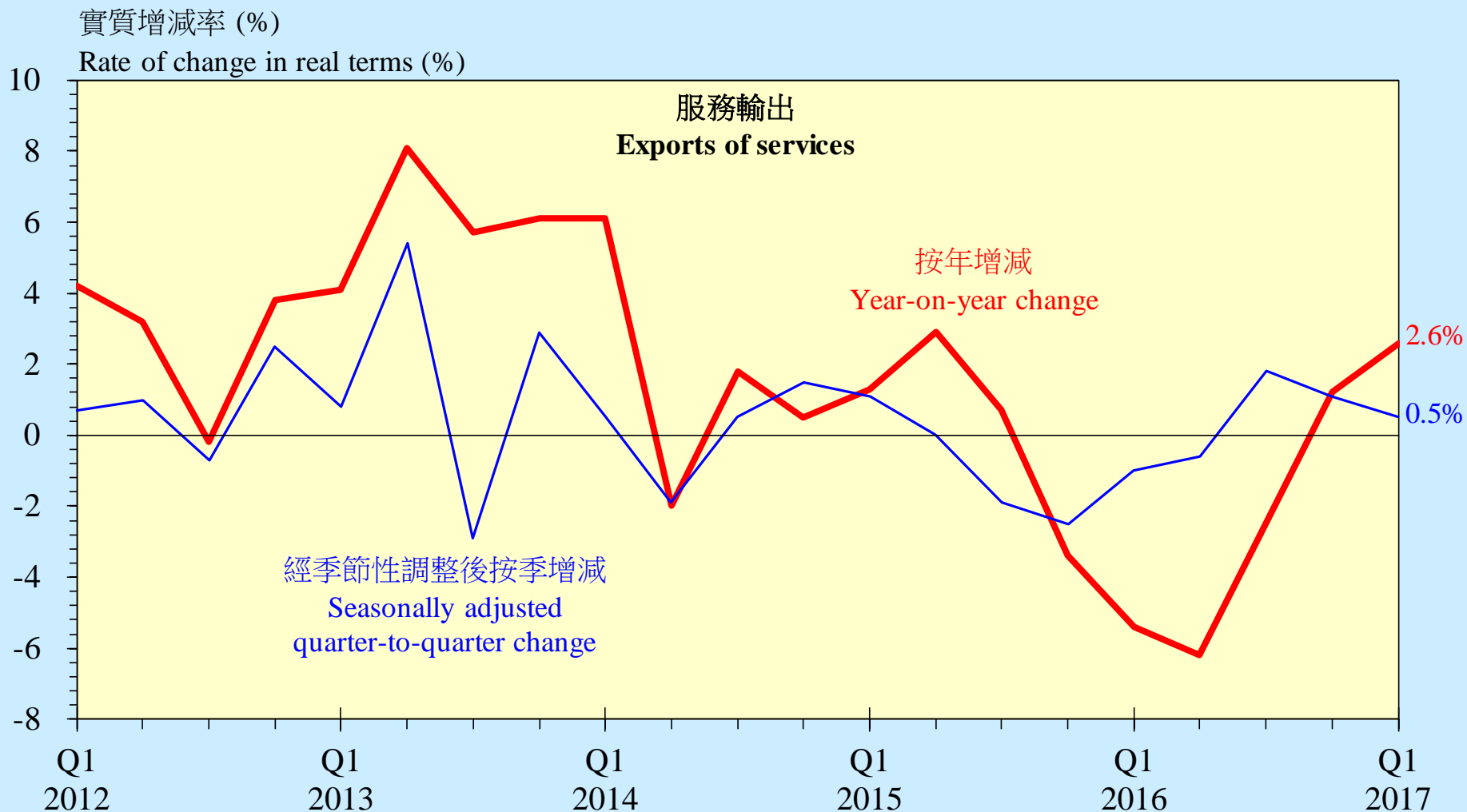
	<u>2016</u>			<u>2017</u>
	<u>Annual</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Mainland	2.2	2.7	8.5	9.3
U.S.	-1.9	0.2	-1.9	3.4
E.U.	-0.7	-0.4	-3.2	3.0
Japan	-2.3	-1.1	1.7	7.5
India	17.6	15.8	12.1	40.1
Taiwan	19.0	27.5	31.5	44.3
Korea	1.5	6.7	11.2	15.3
Singapore	5.9	7.7	18.3	-1.2

實質增減率 (%)

Rate of change in real terms (%)



Year-on-year growth in services exports also accelerated somewhat



Most major groups of service exports turned in growth, inbound tourism also showed relative improvement

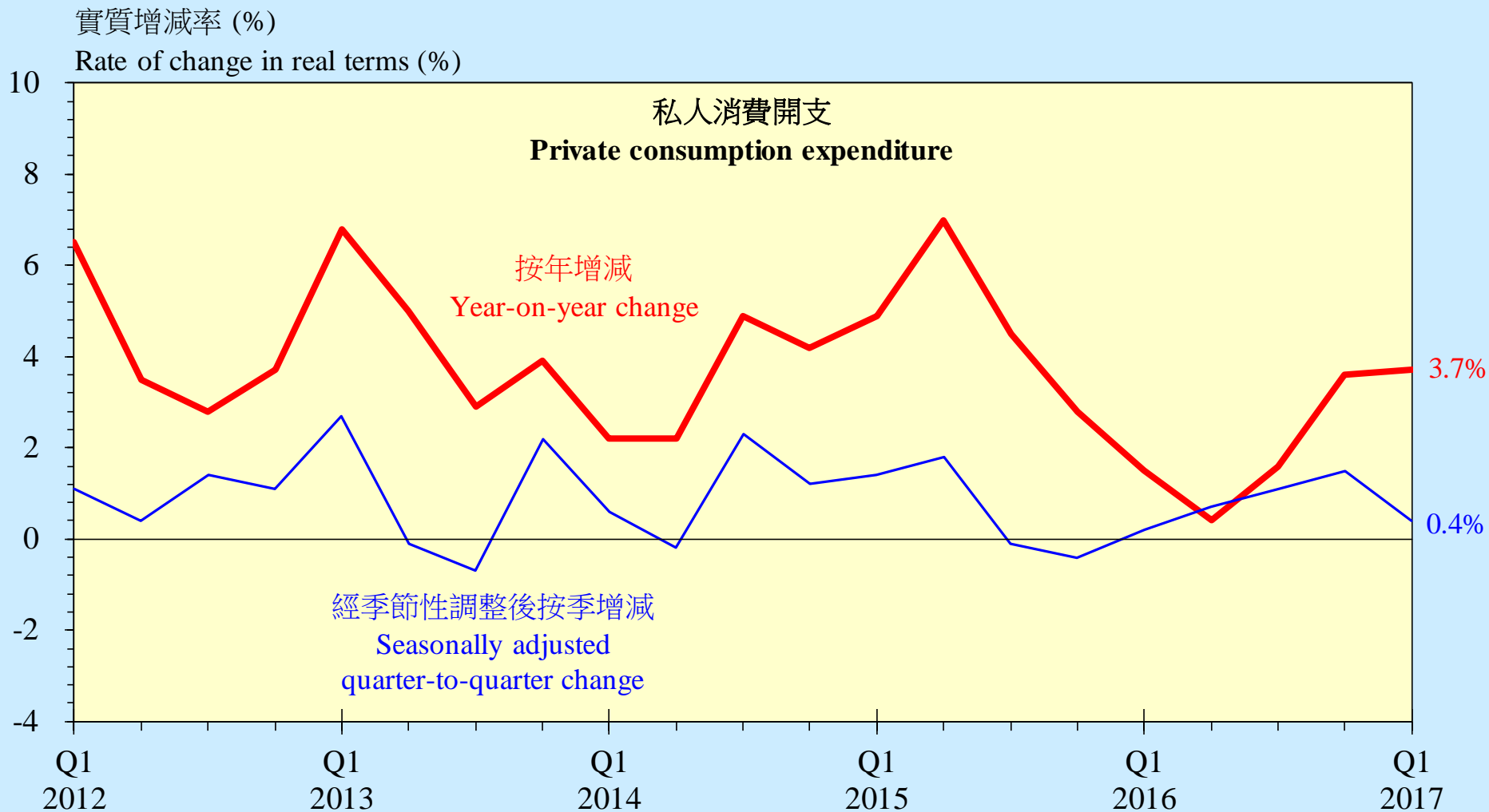
Exports of services

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

		<u>Travel</u>	<u>Transport</u>	<u>Financial services</u>	<u>Business and other services</u>
2016	Annual	-8.6	2.2	-3.7	-1.0
	Q1	-13.1	-2.0	0.1	-2.6
	Q2	-8.9	-1.1	-15.1	-0.7
	Q3	-8.1	2.5	-1.7	-1.1
	Q4	-4.0	9.6	-0.2	0.2
2017	Q1	-1.2	9.4	1.9	0.7

Domestic sector

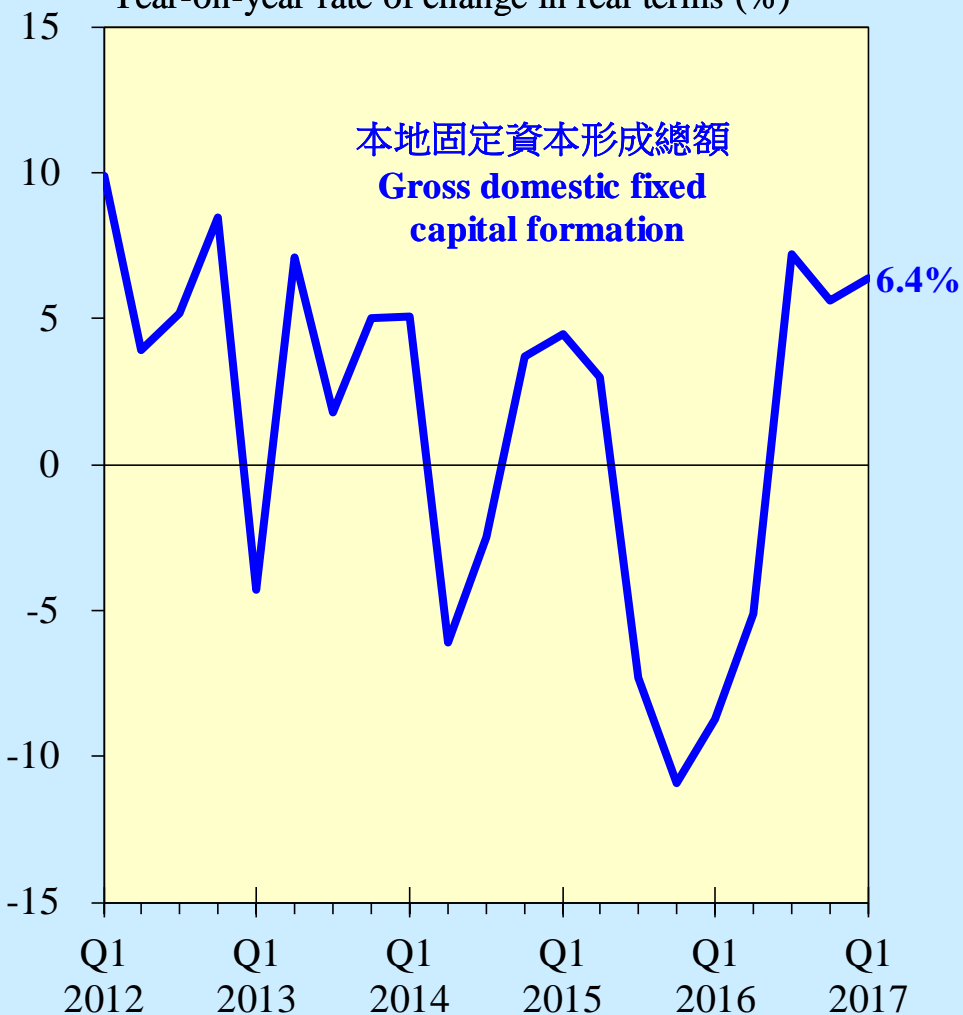
Private consumption saw further solid growth



Overall investment spending increased notably

按年實質增減率(%)

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



Overall investment spending

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

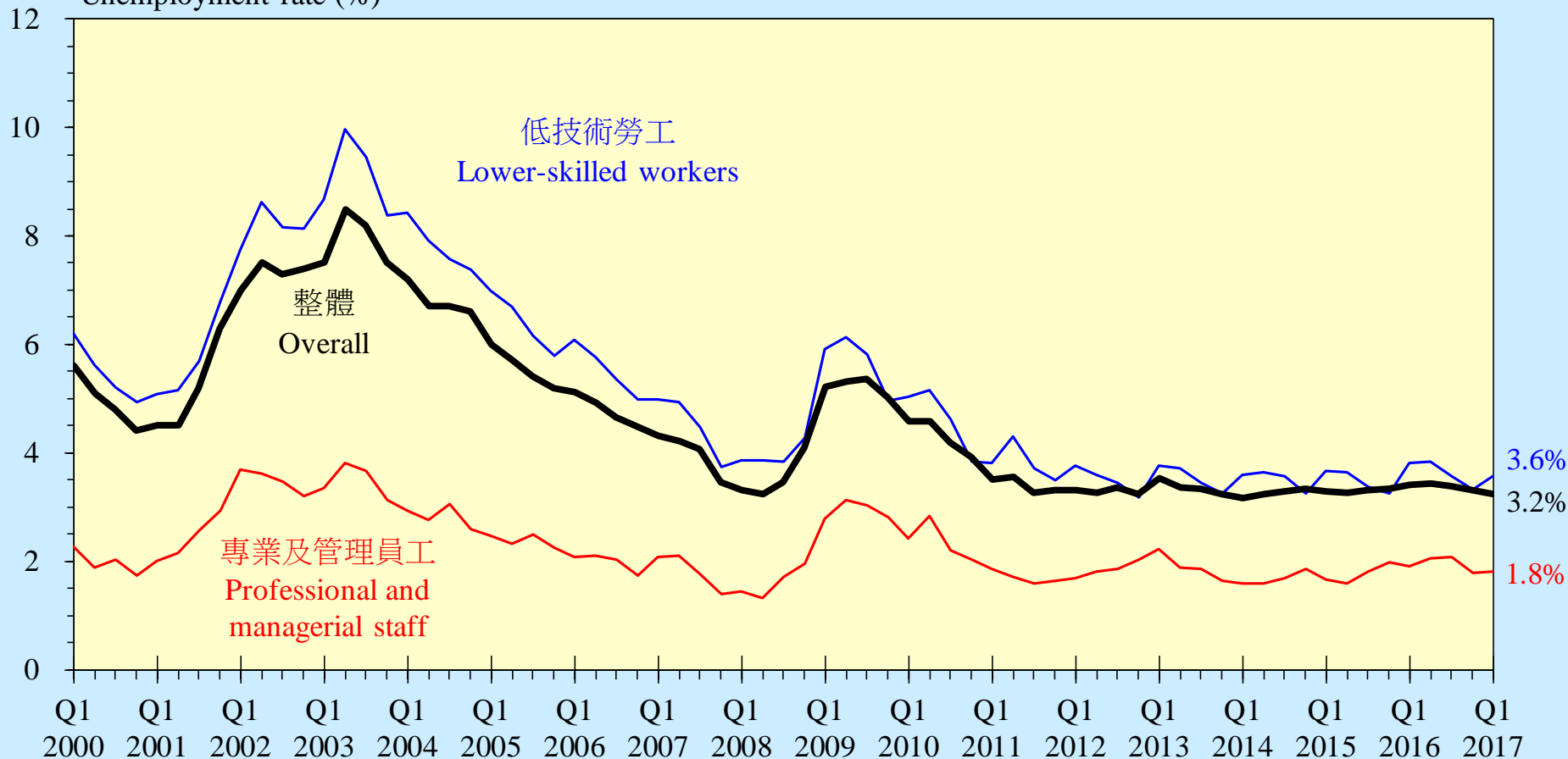
		Machinery, equipment and intellectual property products	Building and construction
2015	Annual	-7.7	2.2
2016	Annual	-4.6	3.9
	Q3	7.6	4.3
	Q4	-4.2	7.5
2017	Q1	-8.9	9.6

Labour market

Labour market remained in a state of full employment, with unemployment rate edging down in Q1

失業率 (%)

Unemployment rate (%)



註：除整體失業率外，其他均為未經季節性調整數字。

Note: Not seasonally adjusted except for the overall unemployment rate.

Incomes sustained real improvements

	<u>Income*</u>	
	Year-on-year rate of change (%)	
	<u>Nominal growth</u>	<u>Real growth</u>
Index of payroll per person engaged (Q4 2016)	3.8	2.5
Average employment earnings of full-time employees (Q1 2017)	2.0	1.4
<i>Among those: with elementary occupations</i>	5.2	5.1
<i>lowest three decile groups</i>	5.2	5.1

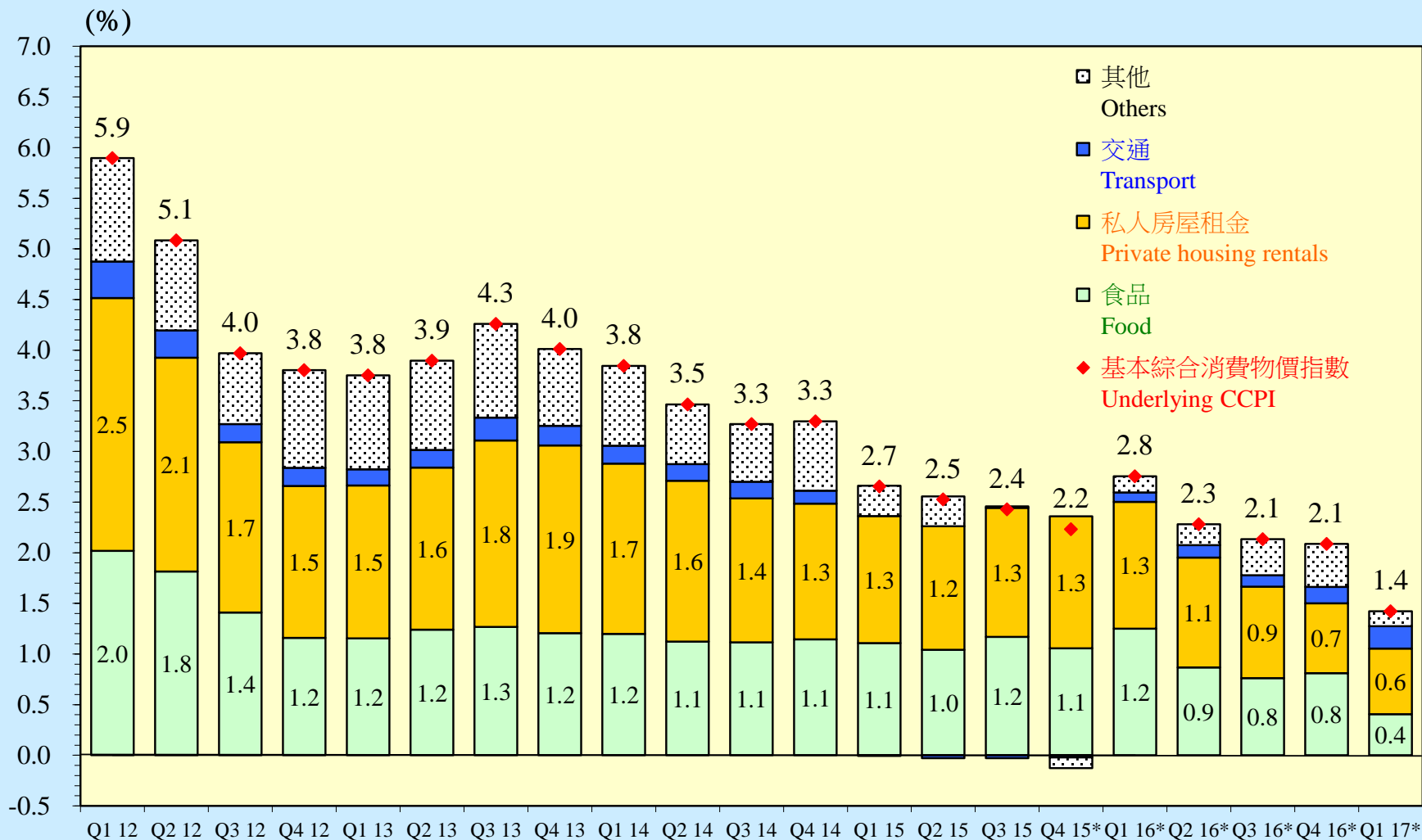
Note: (*) Excluding foreign domestic helpers.

Inflation

Underlying inflation was rather modest

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 (CCPI) by major component



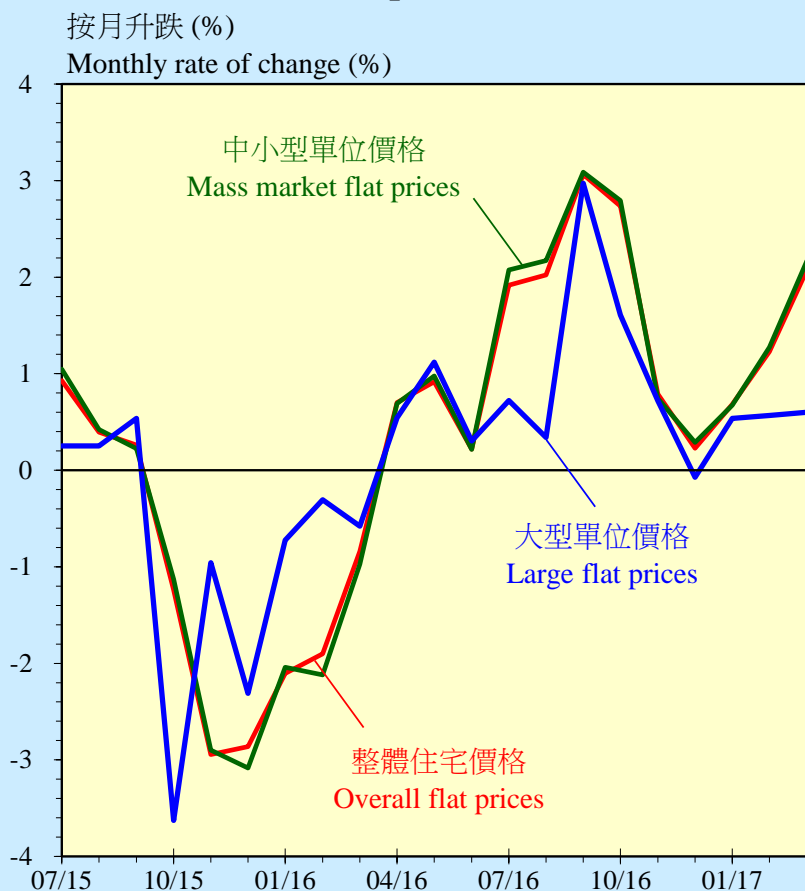
註：(*) 根據以二零一四至一五年度為基期的消費物價指數新數列計算。

Note: (*) By reference to the new 2014/15-based CPI series.

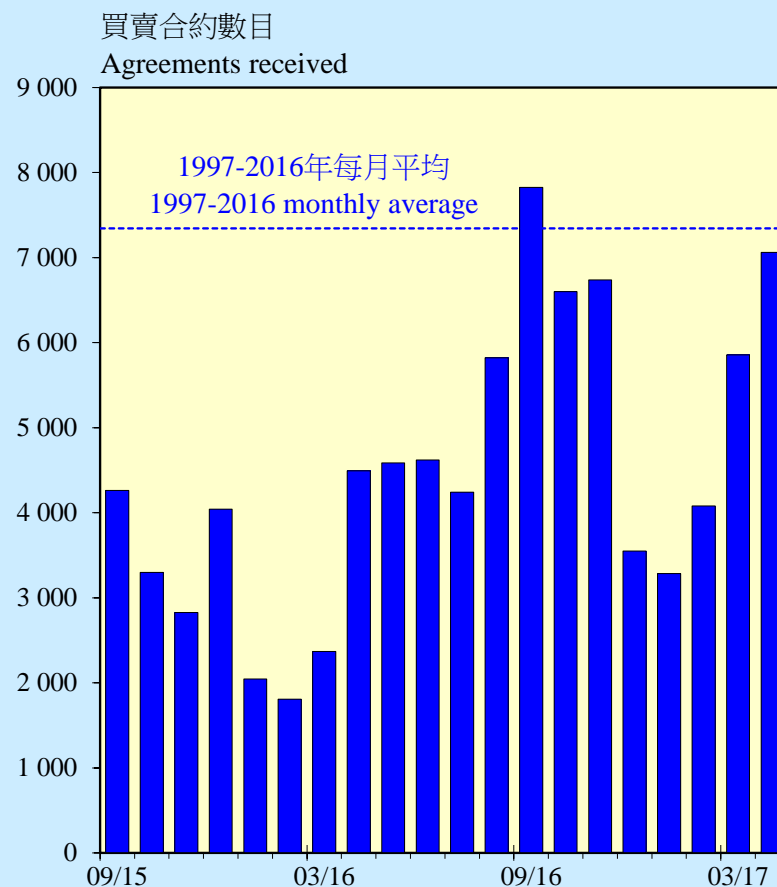
Property market

Residential property market turned more active again recently

住宅售價
Flat price

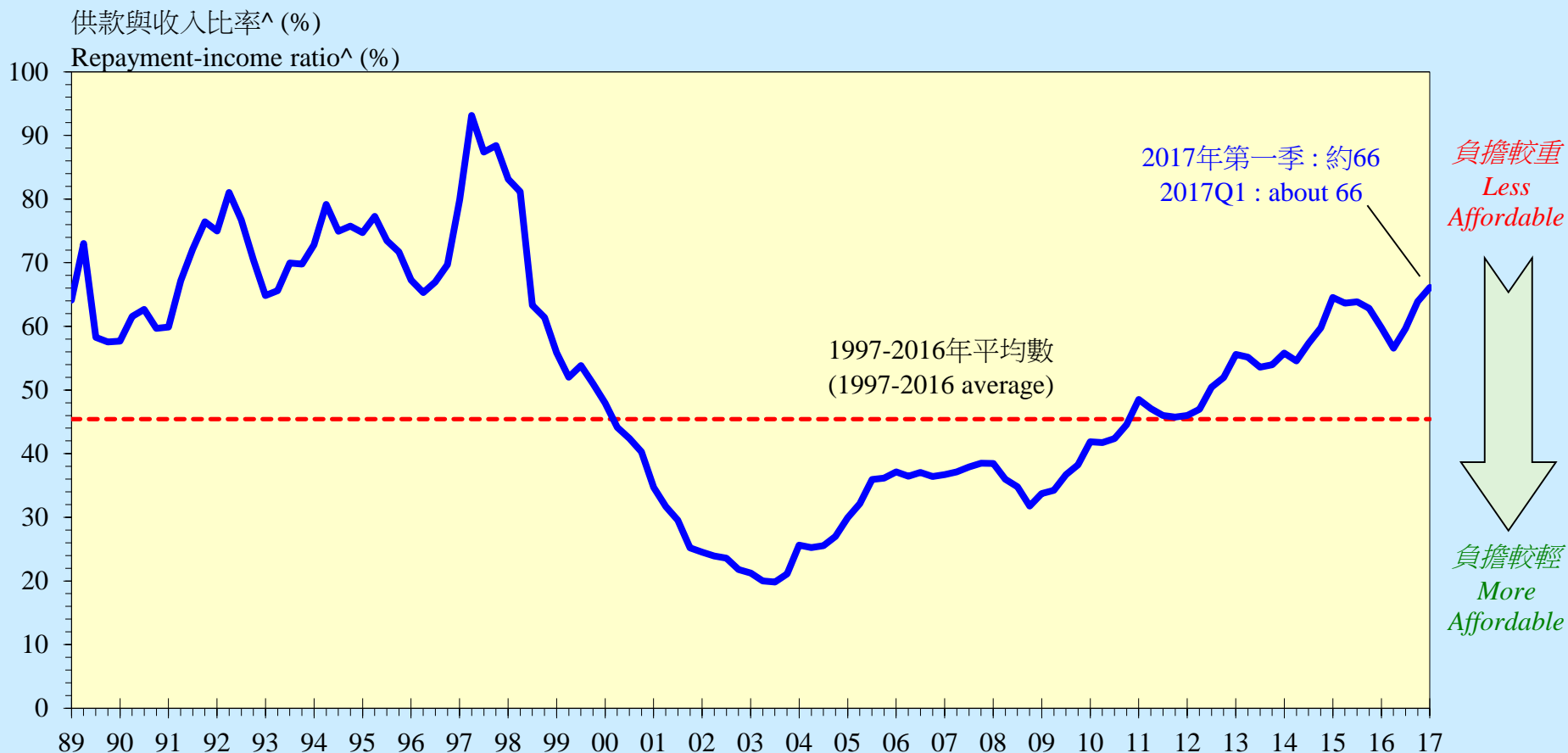


住宅物業買賣合約數目
No. of S&P agreements for residential property



Note: Mass market flats refer to those with a saleable area of less than 70 m², while large flats refer to those with a saleable area of at least 100 m².

Mortgage payment to income ratio worsened further



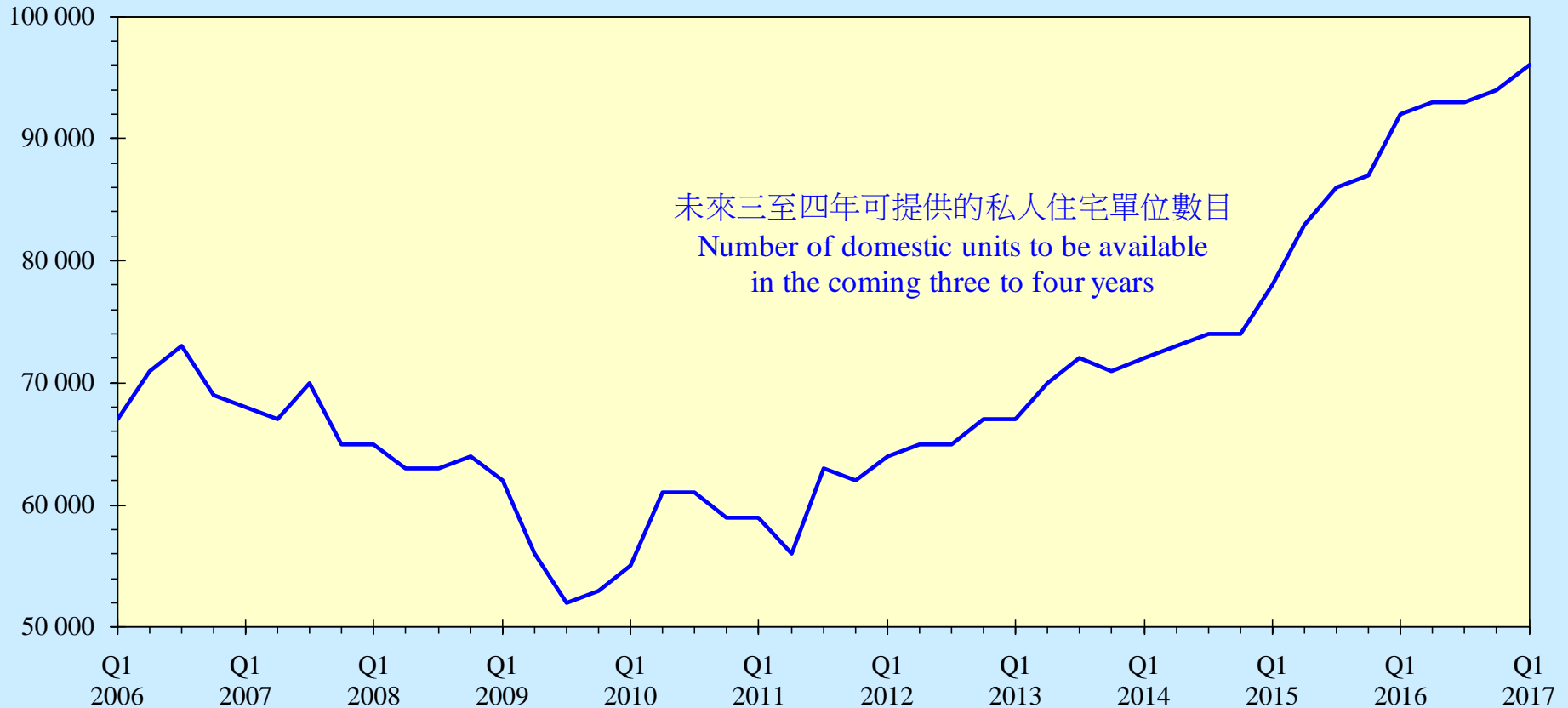
註：(^) 45平方米單位的按揭供款(假設按揭成數為70%及年期為20年)相對住戶入息中位數(不包括居於公營房屋的住戶)的比率。這比率與金管局公布的平均供款與入息比率不同，後者是新批按揭貸款申請人的每月償還債務與每月收入的比率。

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.

Total medium-term flat supply rose to a record high of 96 000

住宅單位數目

Number of domestic units



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 2017

Global economy improved further in recent months

- ◆ **US:** Economic growth stayed moderate, thereby underpinning gradual rate hikes by the Fed
- ◆ **Euro area:** Modest economic growth; limited impact of Brexit thus far
- ◆ **Japan:** Recent economic data improved somewhat
- ◆ **Asia:** Solid growth at medium-high speed in the Mainland; strengthening in regional trading and industrial activities

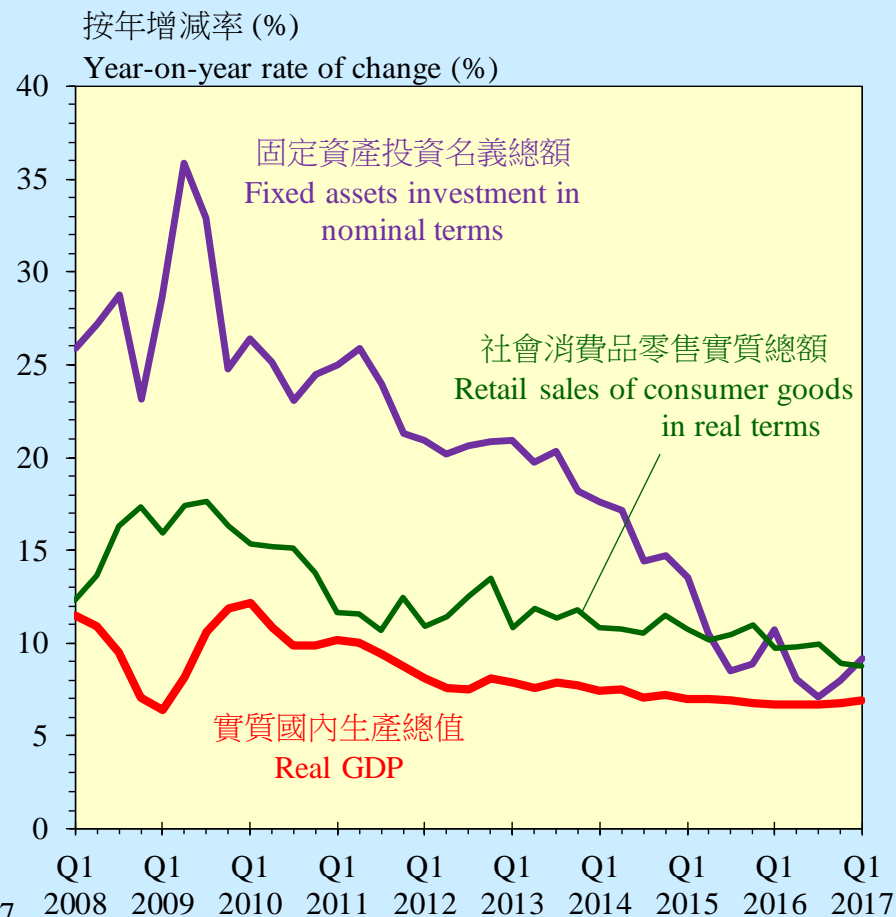
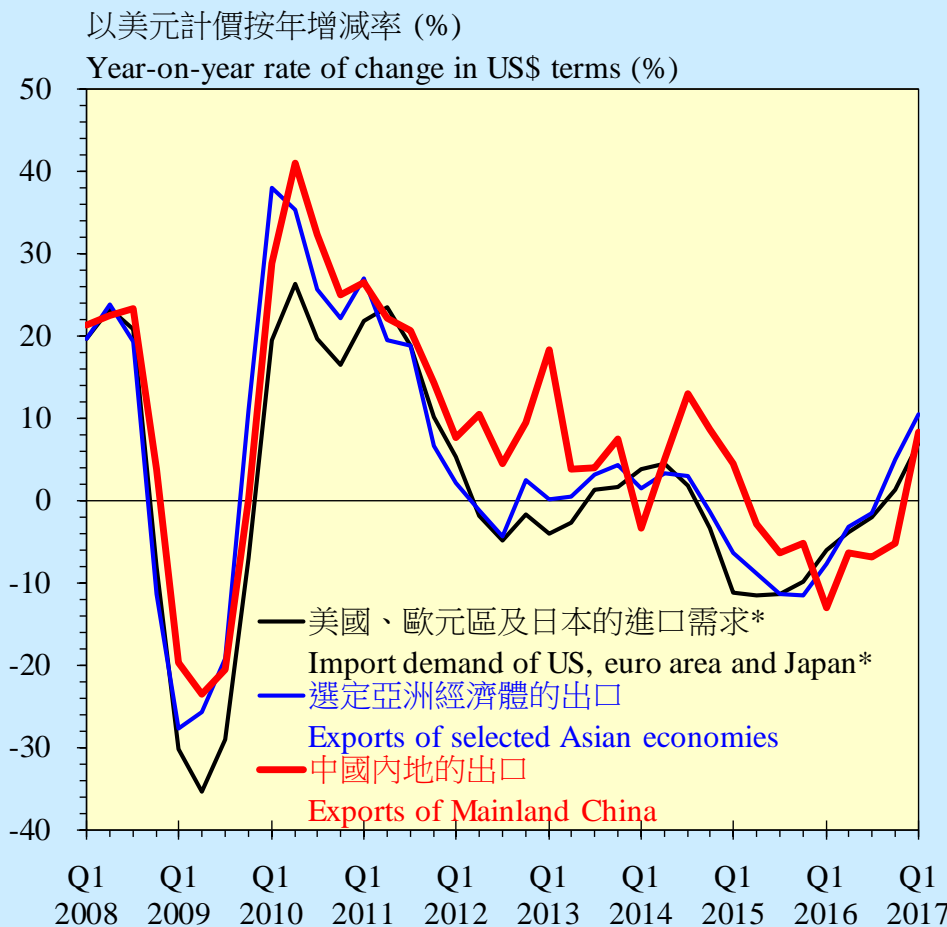
IMF slightly revised up its global growth forecasts

	GDP growth in 2016	IMF forecasts for 2017 GDP growth		Change between Jan and Apr
		2017 Jan	2017 Apr	
World	3.1	3.4	3.5	0.1
U.S.	1.6	2.3	2.3	0.0
Euro area	1.8	1.6	1.7	0.1
Japan	1.0	0.8	1.2	0.4
Mainland China	6.7	6.5	6.6	0.1
Developing Asia	6.4	6.4	6.4	0.0
Emerging market and developing economies	4.1	4.5	4.5	0.0

Mainland continued to grow at a medium-high speed in Q1

Export performance improved in tandem with stronger global demand conditions

Domestic demand continued to grow solidly



註：選定亞洲經濟體包括香港、印度、印尼、韓國、馬來西亞、菲律賓、新加坡、台灣及泰國。

Notes: Selected Asian economies include Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

(*) 由於數據有限，美國、歐元區及日本的進口需求最新數字為2017年1-2月合併的數字。

(*) Due to data limitations, the latest figure for import demand of US, euro area and Japan is Jan-Feb 2017 combined.

Local business sentiment turned somewhat positive

Business expectations by sector (net balance*)

	<u>16Q3</u>	<u>16Q4</u>	<u>17Q1</u>	<u>17Q2</u>
Import/export trade and wholesale	-14	-14	-6	-2
Retail	-38	-2	-15	-4
Accommodation and food services	-11	+13	-14	-13
Transportation, storage and courier services	+5	+12	+7	-2
Information and communications	+12	+15	0	+19
Professional and business services	-14	+9	-8	0
Financing and insurance	+6	+12	+12	+24
All sectors surveyed	-6	+2	-1	+5

Note: (*) Net balance indicates the direction of expected change in 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.

Hiring sentiment stayed robust

	Hiring expectations by sector (net balance*)			
	<u>16Q3</u>	<u>16Q4</u>	<u>17Q1</u>	<u>17Q2</u>
Import/export trade and wholesale	-6	-5	0	+2
Retail	-4	+4	+1	+4
Accommodation and food services	+15	+16	+5	+9
Transportation, storage and courier services	+18	+20	+17	+9
Information and communications	+21	+13	+14	+24
Professional and business services	-7	+15	0	+6
Financing and insurance	+10	+10	+15	+16

Note: (*) Net balance indicates the direction of expected change in 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.

Near-term economic outlook

Improving global demand is likely to benefit the external sector

- ◆ Extra lift if the recent revival in inbound tourism continues

Domestic demand should stay resilient

- ◆ Favourable employment and income conditions; improved business sentiment
- ◆ Boost from the package of relief measures in 2017-18 Budget
- ◆ Ongoing expansion in building and construction works

Inflation pressure likely to stay moderate

- ◆ Benign inflation in major import sources
- ◆ Domestic cost pressures in check

Downside risks still affecting the outlook

- ◆ Pace of US interest rate normalisation; monetary policy divergence among central banks
- ◆ Brexit-related negotiations
- ◆ Uncertainties surrounding policy and political developments in the US and Europe
- ◆ Possible rise in protectionist sentiment; heightened geopolitical tensions in various regions

Latest economic forecasts for 2017 as a whole

	Forecasts as released on 22 February	Latest forecasts
Real GDP growth	2-3%	2-3%
Underlying inflation	2%	2%
Headline inflation	1.8%	1.8%



Hong Kong SAR Government

First Quarter Economic Report 2017 & Updated economic forecasts for 2017

12 May 2017