



# Hong Kong SAR Government

## Half-yearly Economic Report 2017 & Updated economic forecasts for 2017

11 August 2017

# Highlights of the latest economic situation

- Hong Kong economy sustained above-trend growth in Q2, expanding by 3.8% year-on-year in real terms
- Global economy improved further, supportive of external demand
- Domestic demand continued to display strength; labour market conditions were favourable
- Inflation pressure remained moderate
- Latest real GDP growth forecast for 2017 revised up to 3-4%; underlying inflation rate forecast revised slightly down to 1.8%

# **Economic performance in Q2 2017**

# Hong Kong economy sustained above-trend growth in Q2

實質增減率(%)

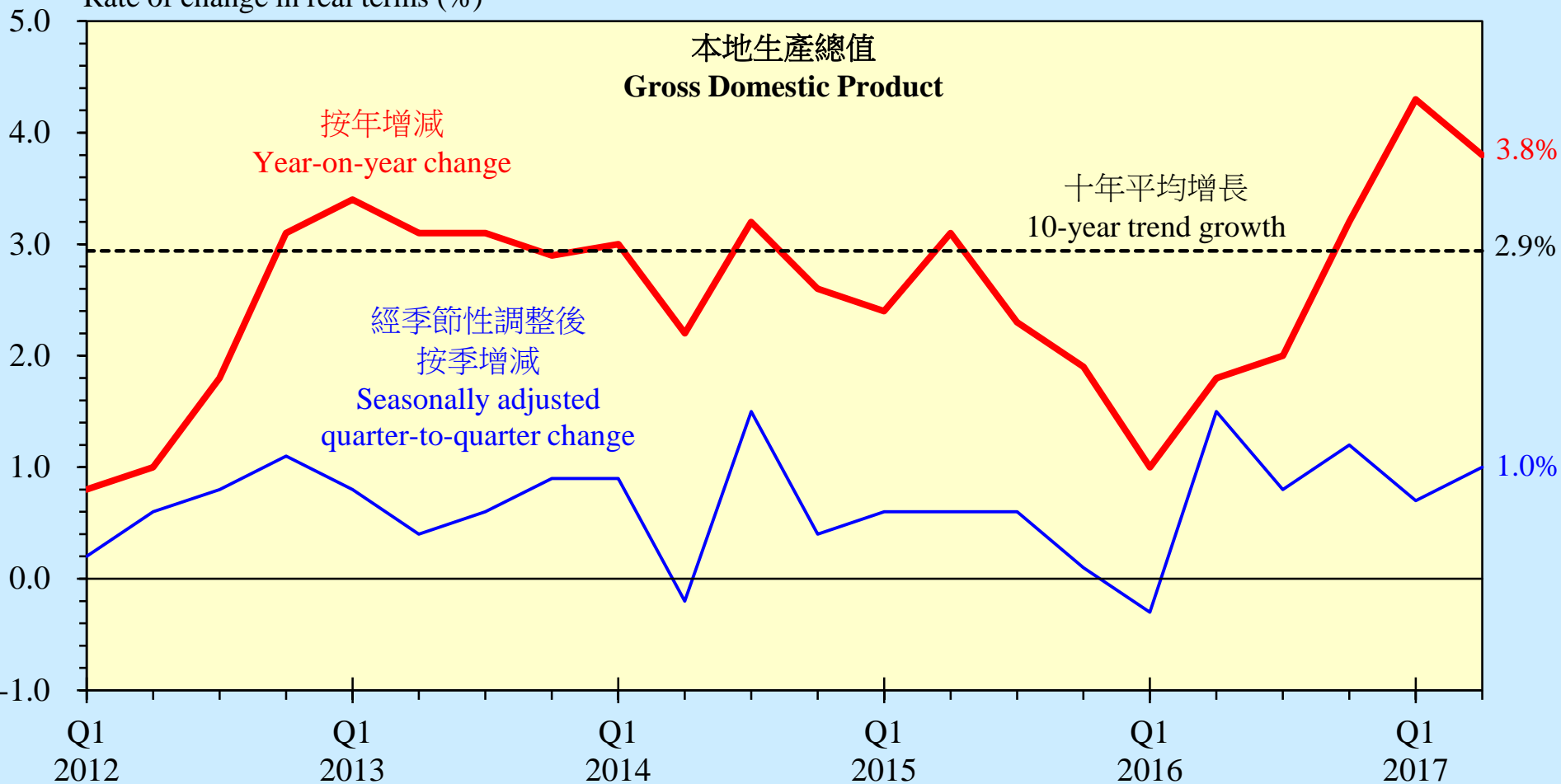
Rate of change in real terms (%)

本地生產總值  
Gross Domestic Product

按年增減  
Year-on-year change

十年平均增長  
10-year trend growth

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

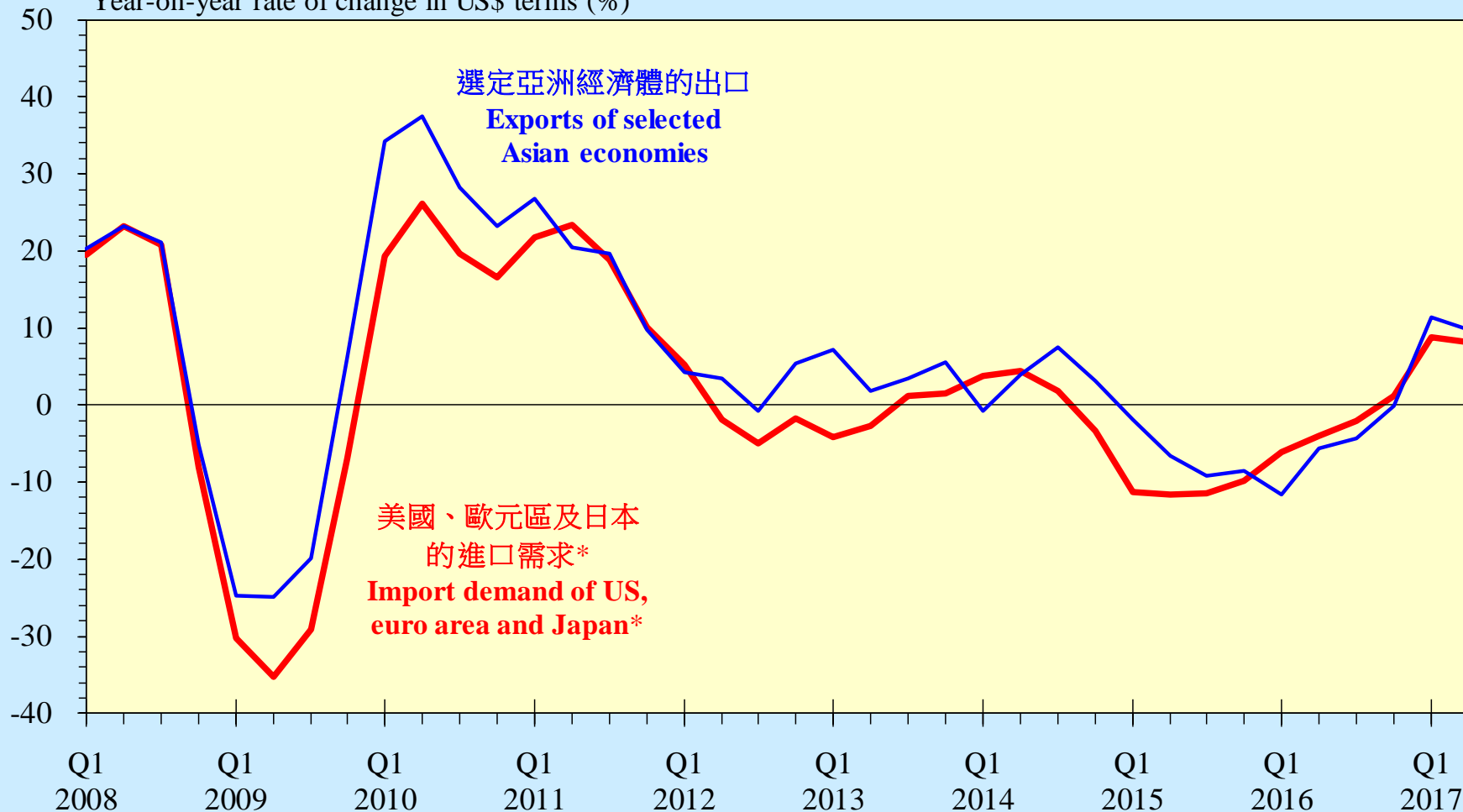


# External sector

# Global economy saw further improvement, providing support to Asia's exports

以美元計價按年增減率(%)

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



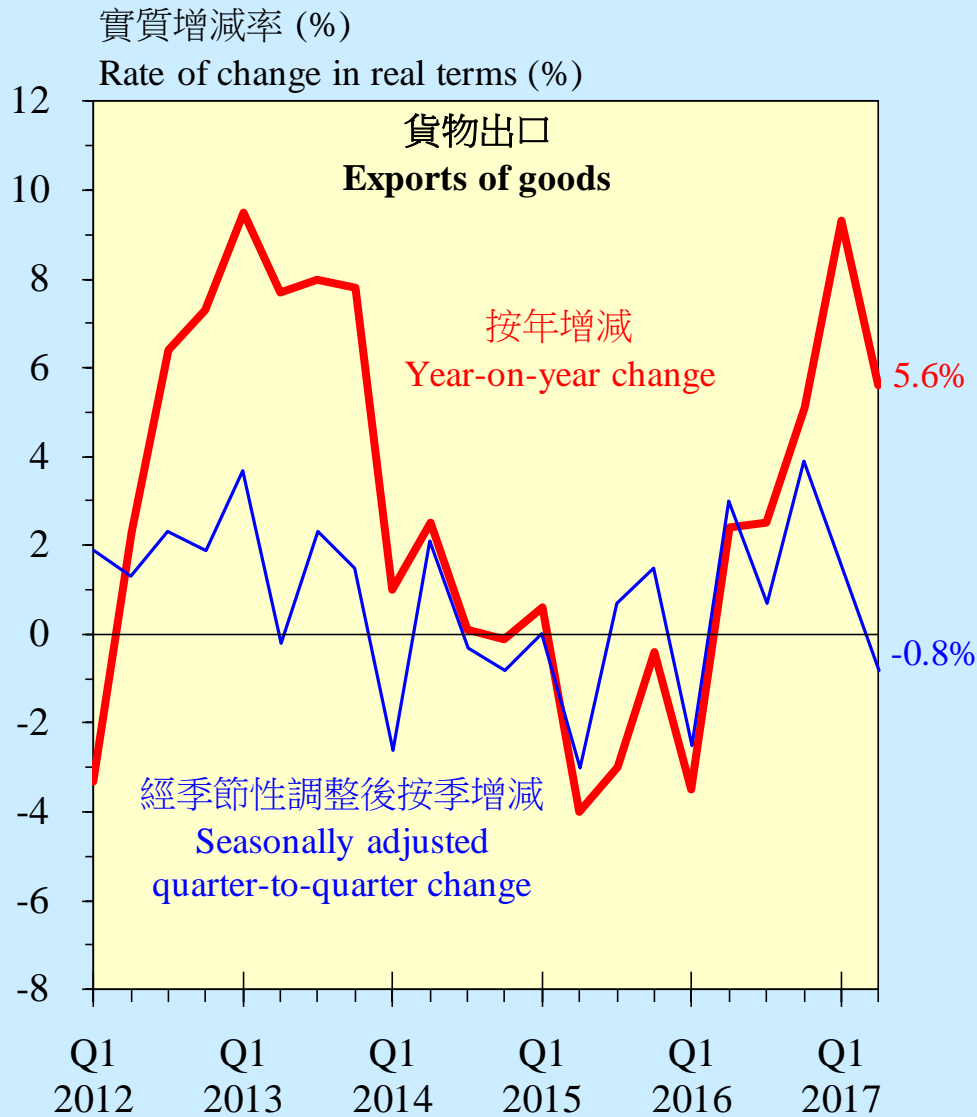
註：選定亞洲經濟體包括中國內地、香港、印度、印尼、韓國、馬來西亞、菲律賓、新加坡、台灣及泰國。

(\*) 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4-5月合併的數字。

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

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

# Hong Kong's exports of goods likewise posted visible year-on-year growth

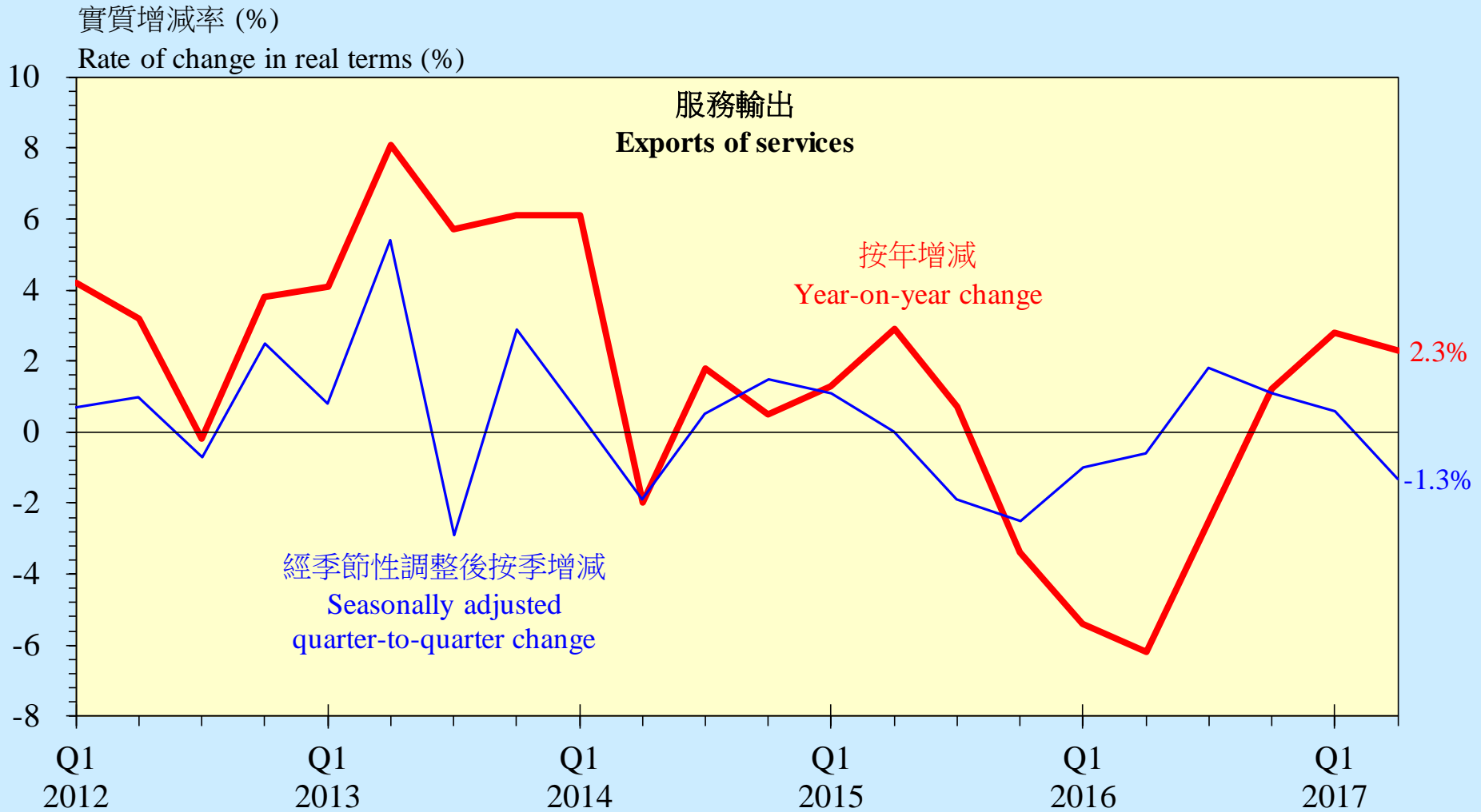


## Total exports of goods by major market

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

	<u>2016</u>	<u>2017</u>	
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>
Mainland	2.2	9.3	3.9
U.S.	-1.9	3.4	1.1
E.U.	-0.7	3.0	1.3
Japan	-2.3	7.5	12.0
India	17.6	40.1	53.8
Taiwan	19.0	44.3	23.0
Korea	1.5	15.3	-2.8
Singapore	5.9	-1.2	3.9

# Services exports grew at a steady year-on-year pace





# Transport and financial services exports registered further growth, but inbound tourism remained soft

## Exports of services

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

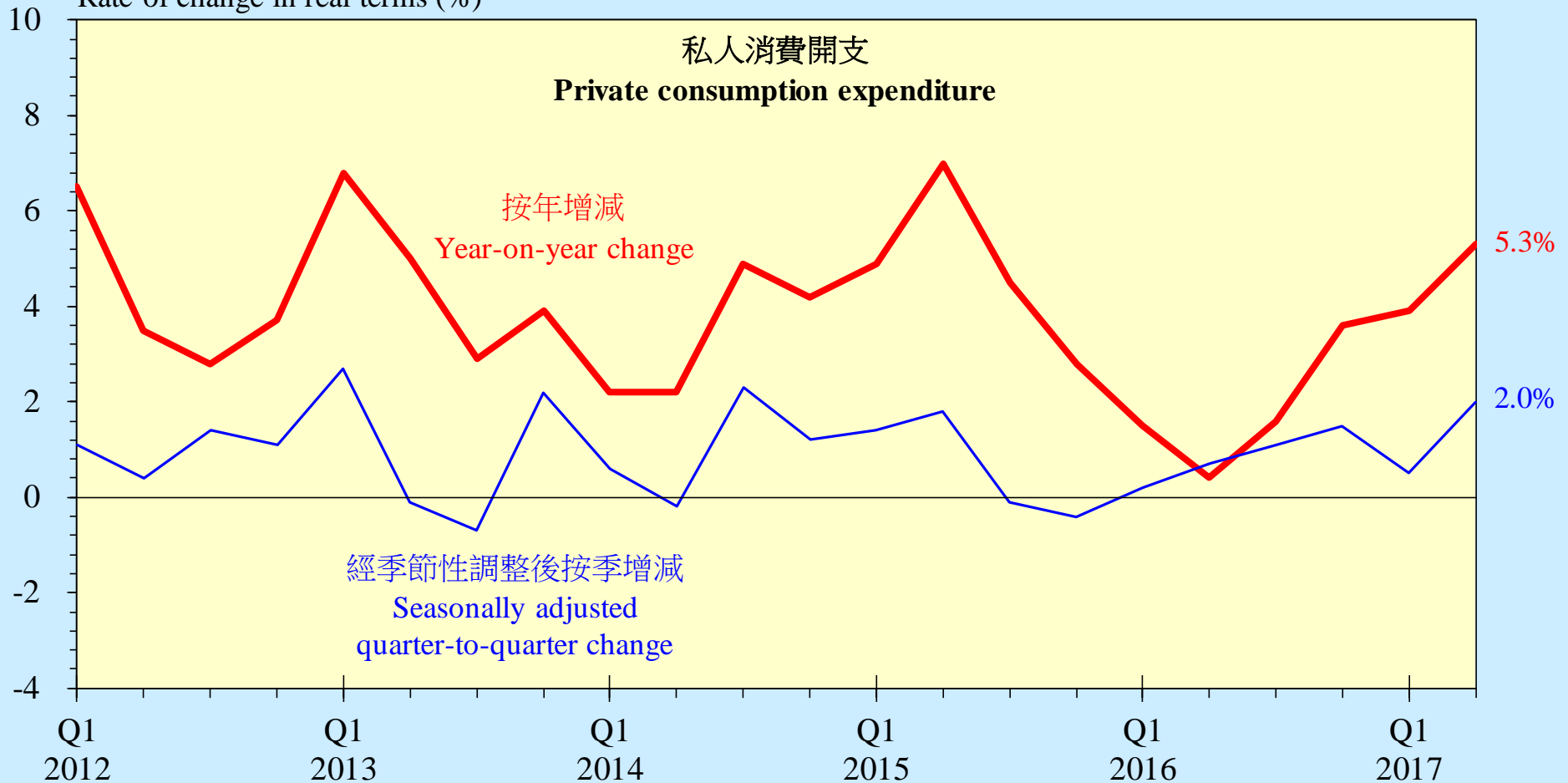
		<u>Travel</u>	<u>Transport</u>	<u>Financial services</u>	<u>Business and other services</u>
2016	Annual	-8.6	2.2	-3.7	-1.0
	Q3	-8.1	2.5	-1.7	-1.1
	Q4	-4.0	9.6	-0.2	0.2
2017	Q1	-1.1	9.2	2.4	0.9
	Q2	-2.1	7.5	2.8	0.6

# **Domestic sector**

# Private consumption grew briskly

實質增減率 (%)

Rate of change in real terms (%)

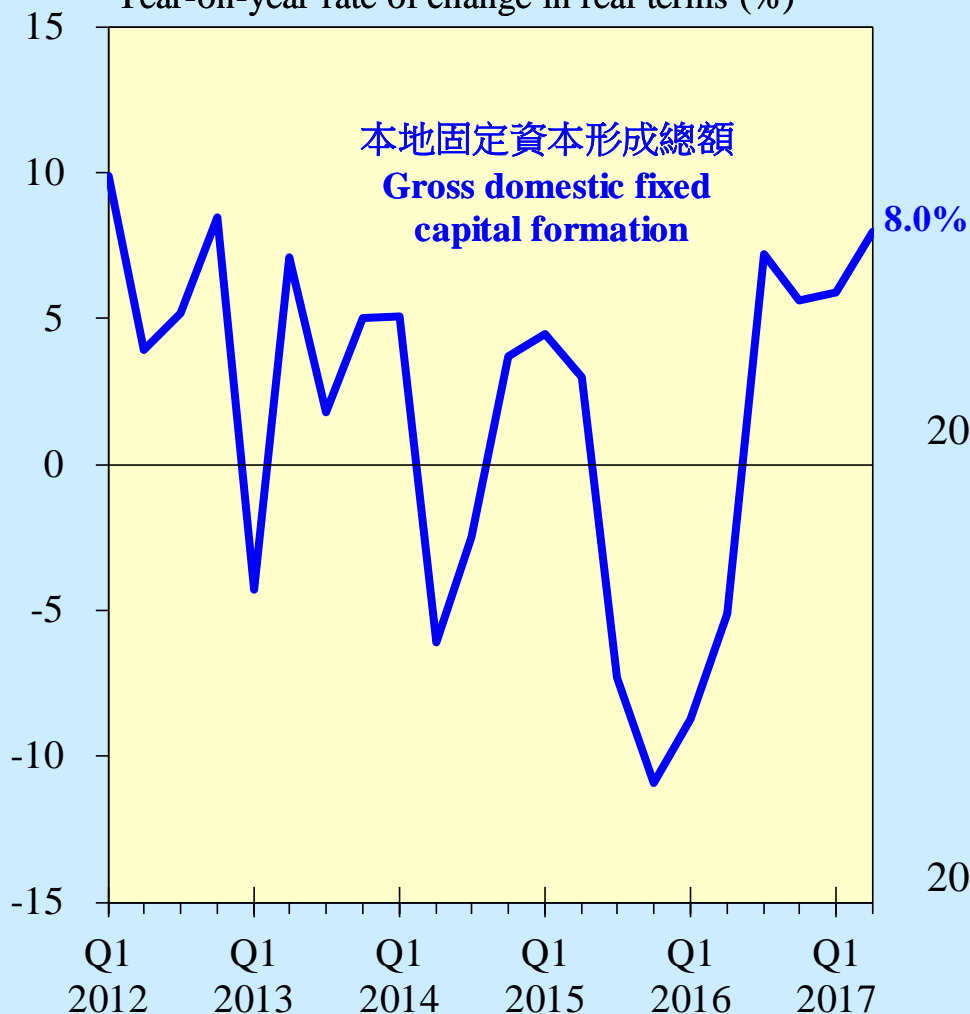


# Overall investment spending strengthened

按年實質增減率(%)

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

本地固定資本形成總額  
Gross domestic fixed  
capital formation



## Overall investment spending

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

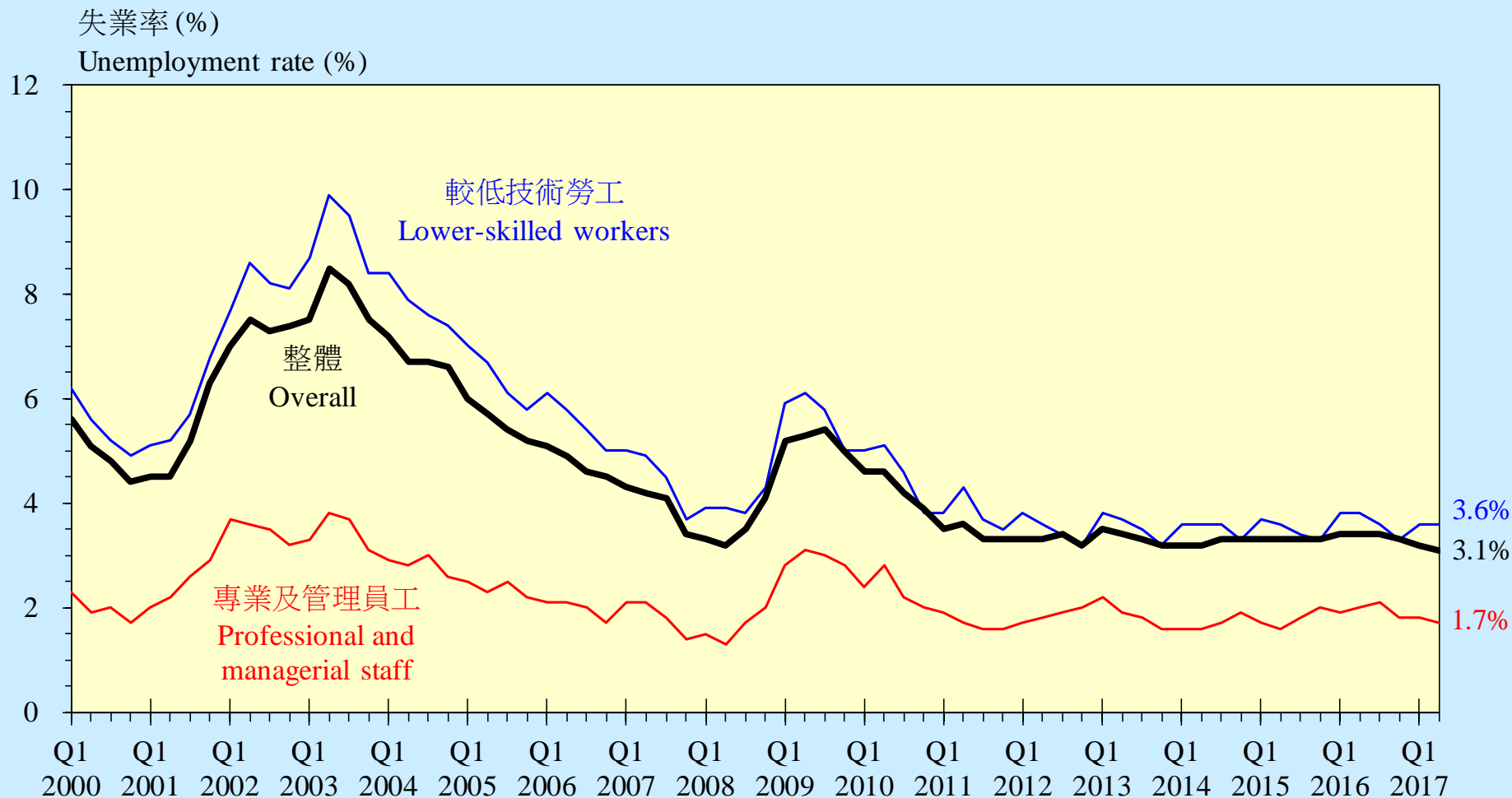
Machinery,  
equipment and  
intellectual  
property products

Building and  
construction

Year	Quarter	Machinery, equipment and intellectual property products	Building and construction
2016	Annual	-4.6	3.9
	Q1	-10.8	1.5
	Q2	-10.3	2.4
	Q3	7.6	4.3
2017	Q1	-8.6	8.6
	Q2	4.6	4.0

# Labour market

# Labour market remained in full employment and also tightened somewhat



Note: Not seasonally adjusted except 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 (Q1 2017)	3.5	2.9
Average employment earnings of full-time employees (Q2 2017)	2.4	0.4
<i>Among those: with elementary occupations</i>	5.8	3.4
<i>lowest three decile groups</i>	7.0	4.6

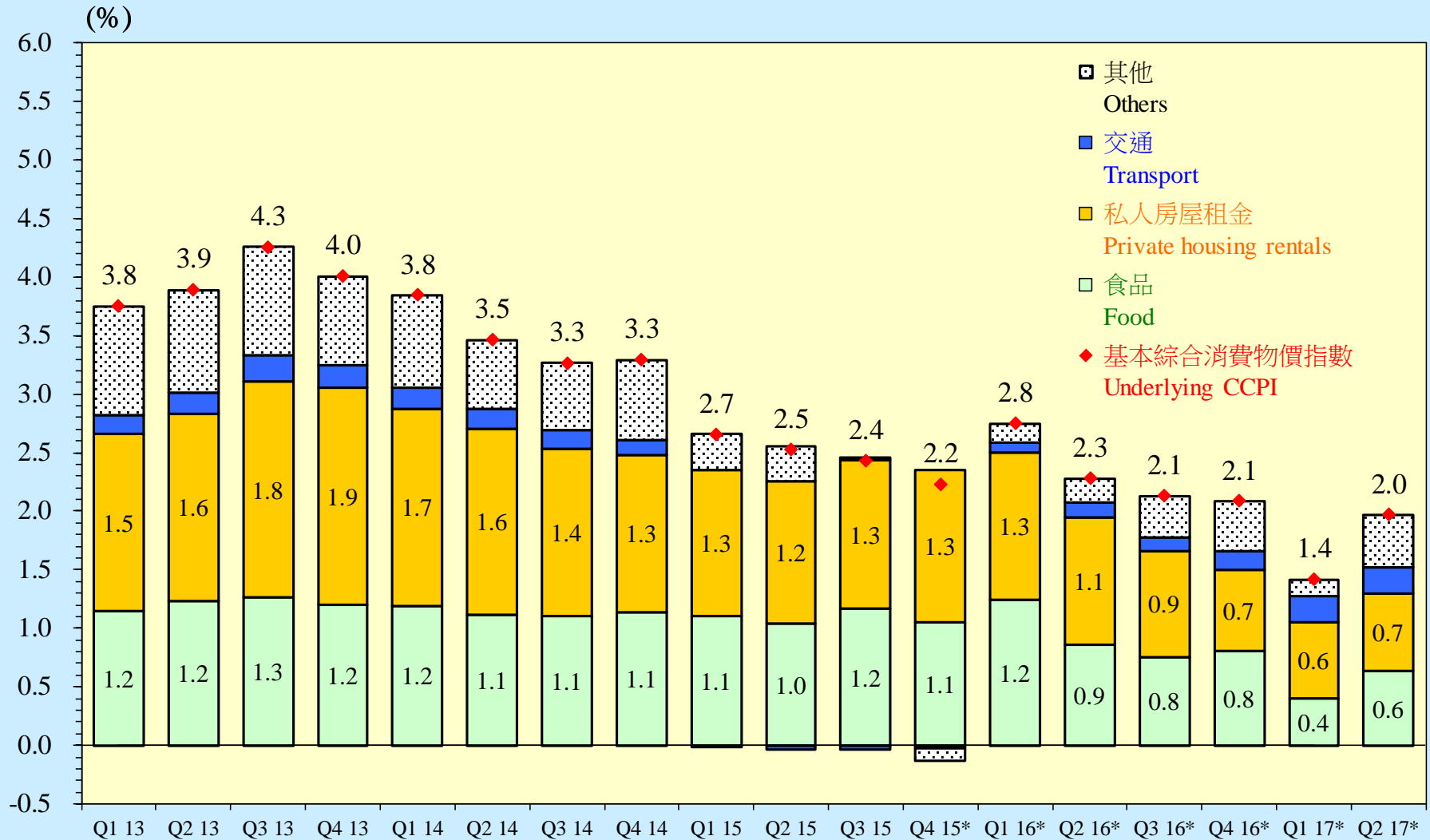
Note: (\*) Excluding foreign domestic helpers.

# **Inflation**



# Underlying inflation stayed moderate

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



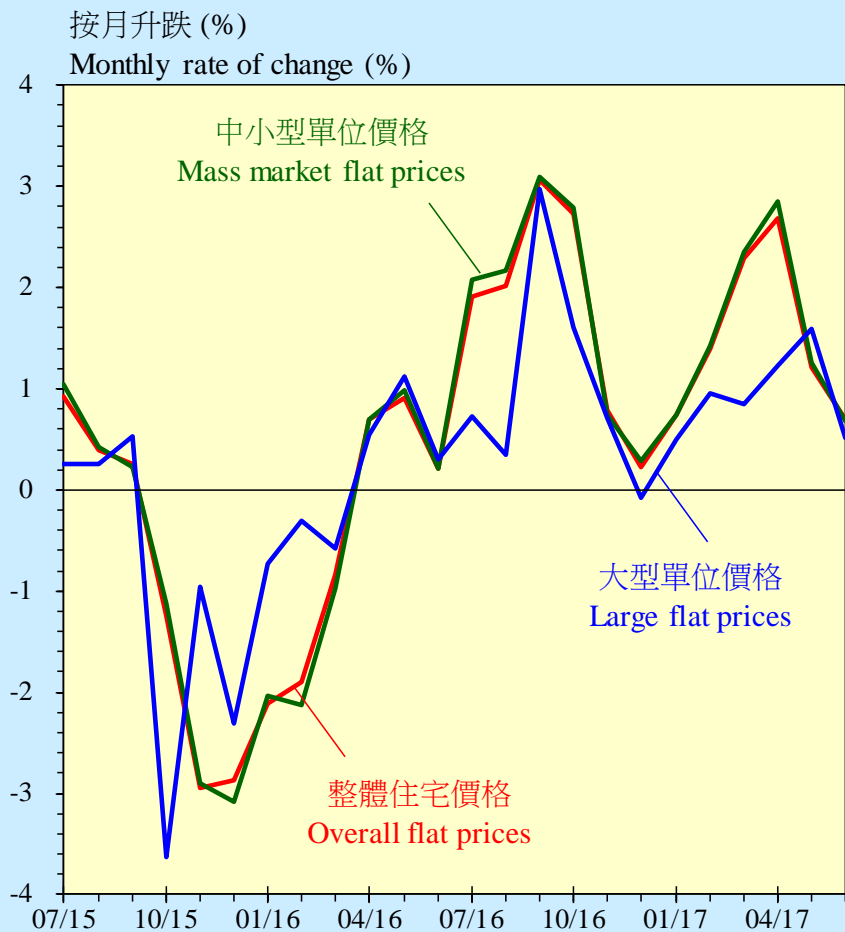
註： (\*) 根據以二零一四至一五年度為基期的消費物價指數新數列計算。

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

# Property market

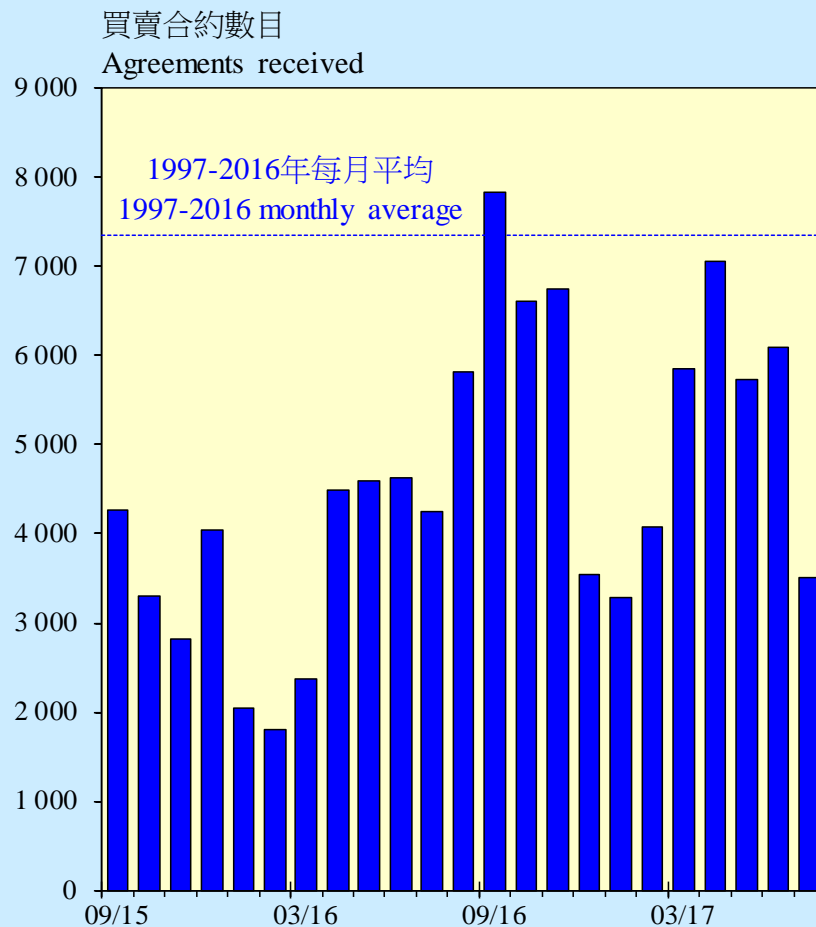
# Residential property price increases moderated with slower trading more recently

住宅售價  
Flat price



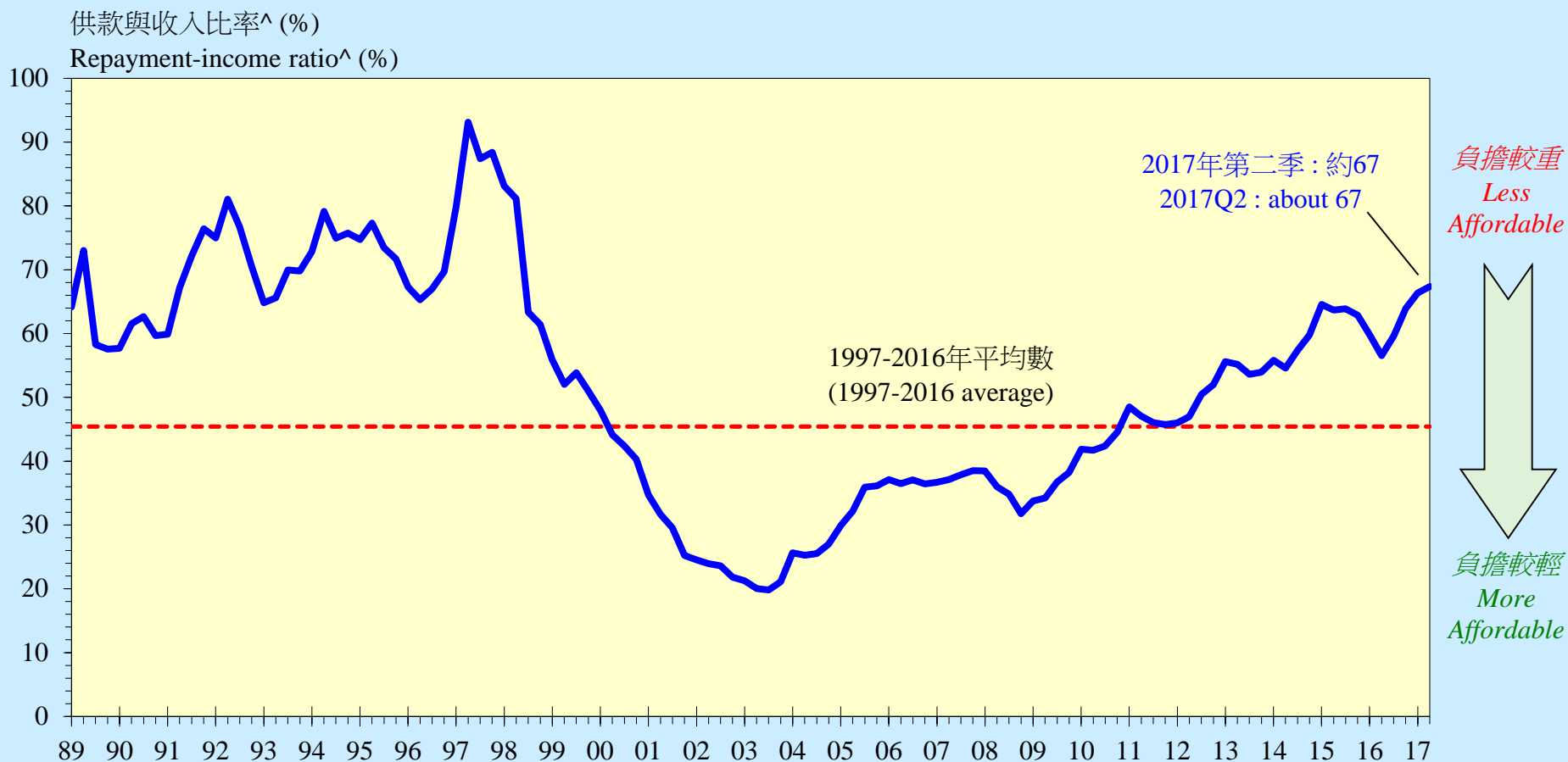
住宅物業買賣合約數目

No. of S&P agreements for residential property



Note: Mass market flats refer to those with a saleable area of less than 70 m<sup>2</sup>, while large flats refer to those with a saleable area of at least 100 m<sup>2</sup>.

# 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 98 000



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 expanded further in recent months

- ◆ **US:** Moderate economic growth has supported Fed to continue monetary policy normalisation
- ◆ **Euro area:** Stronger growth momentum; limited impact from policy and political uncertainties thus far
- ◆ **Japan:** Recent economic data largely positive
- ◆ **Asia:** Mainland's economy sustained medium-high speed growth; regional production and trading activities expanded visibly further

# Mainland economy sustained medium-high speed growth in Q2

## Exports grew notably

以美元計價按年增減率 (%)

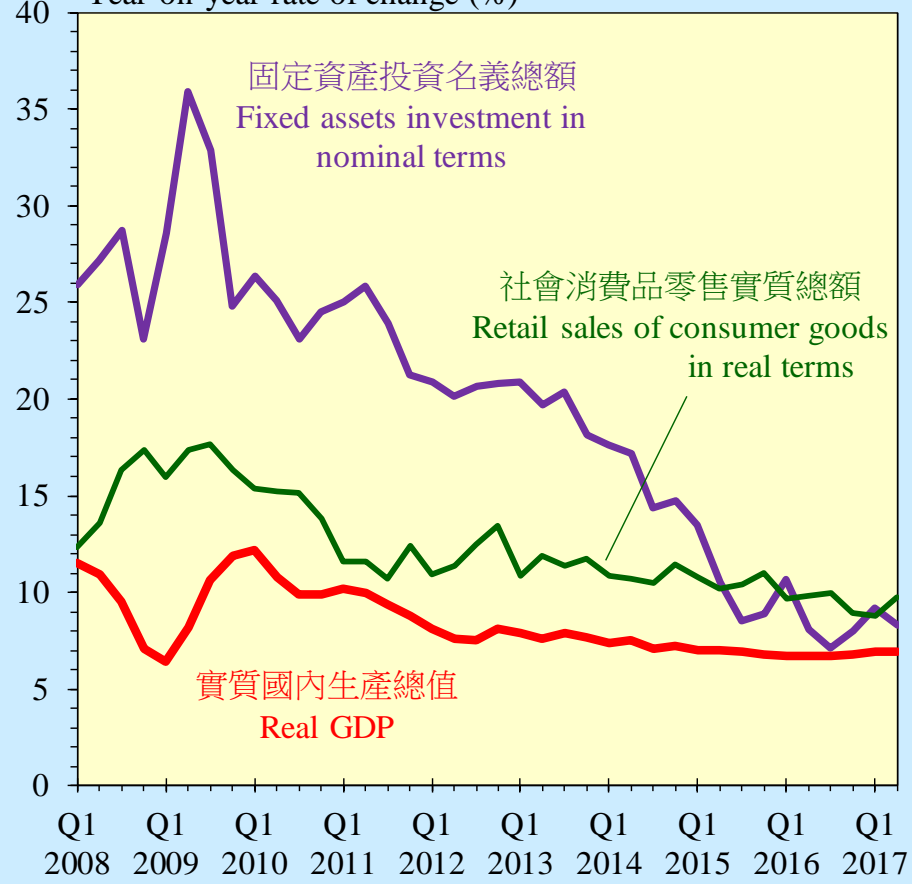
Year-on-year rate of change in US\$ terms (%)



## Domestic demand grew solidly

按年增減率 (%)

Year-on-year rate of change (%)



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。

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# IMF maintained its global growth forecasts

	GDP growth in 2016	IMF forecasts for 2017 GDP growth			Change between Apr and Jul
		Jan	Apr	Jul	
World	3.2	3.4	3.5	3.5	0.0
U.S.	1.5	2.3	2.3	2.1	-0.2
Euro area	1.8	1.6	1.7	1.9	0.2
Japan	1.0	0.8	1.2	1.3	0.1
Mainland China	6.7	6.5	6.6	6.7	0.1
Developing Asia	6.4	6.4	6.4	6.5	0.1
Emerging market and developing economies	4.3	4.5	4.5	4.6	0.1

# Large enterprises slightly more sanguine over business outlook

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

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

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.

# Uncertainties remain, despite improving global outlook

- ◆ Uncertain pace of US monetary policy normalisation
- ◆ Policy differences among major central banks
- ◆ Brexit-related negotiations
- ◆ Possible rise in protectionist sentiment; heightened geopolitical tensions in various regions

# Near-term economic outlook

## **Improving global economic environment should further support the external sector**

- ◆ Major advanced economies likely to see more improvements; Mainland's growth momentum stronger than earlier expected

## **Domestic demand is likely to stay firm**

- ◆ Favourable employment and income conditions; positive business sentiment
- ◆ Continued expansion in building and construction works

## **Upside risks to inflation should remain contained**

- ◆ Global inflation likely to stay modest
- ◆ Increases in local costs should remain moderate

# Latest economic forecasts for 2017 as a whole

	Forecasts as released on 22 February	Forecasts as released on 12 May	Latest forecasts
<b>Real GDP growth</b>	<b>2-3%</b>	<b>2-3%</b>	<b>3-4%</b>
<b>Underlying inflation</b>	<b>2%</b>	<b>2%</b>	<b>1.8%</b>
<b>Headline inflation</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.6%</b>



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