



Hong Kong SAR Government

Third Quarter Economic Report 2017 & Updated economic forecasts for 2017

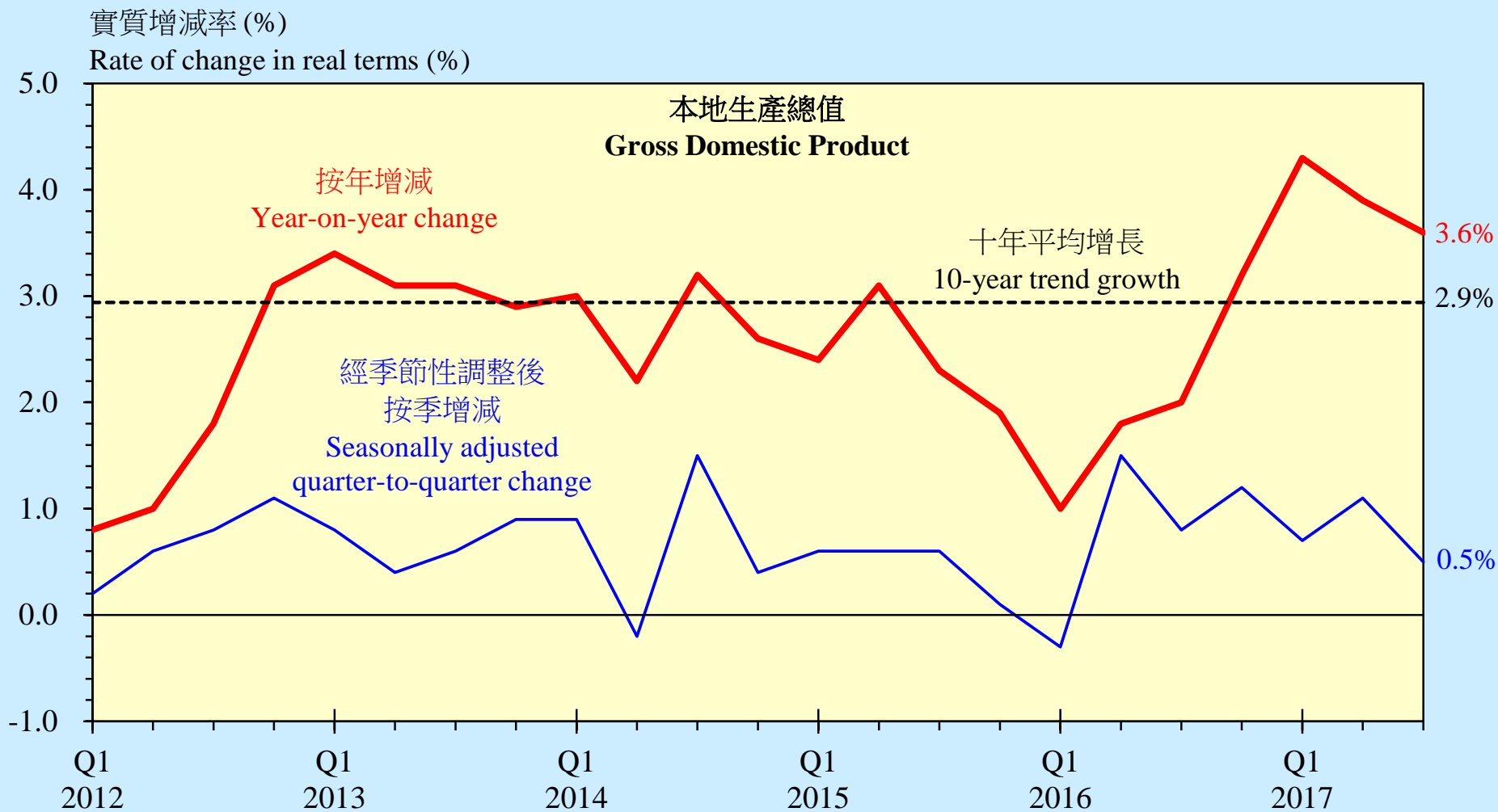
10 November 2017

Highlights of the latest economic situation

- Hong Kong's economy continued to expand notably in Q3, by 3.6% year-on-year
- External demand stayed vibrant, supported by the broadly benign global economic conditions
- Domestic demand stayed firm; labour market remained in a state of full employment
- Inflation pressure was largely contained
- Latest real GDP growth forecast for 2017 at 3.7%; underlying inflation rate forecast revised slightly down to 1.7%

Economic performance in Q3 2017

Hong Kong economy continued to expand notably in Q3

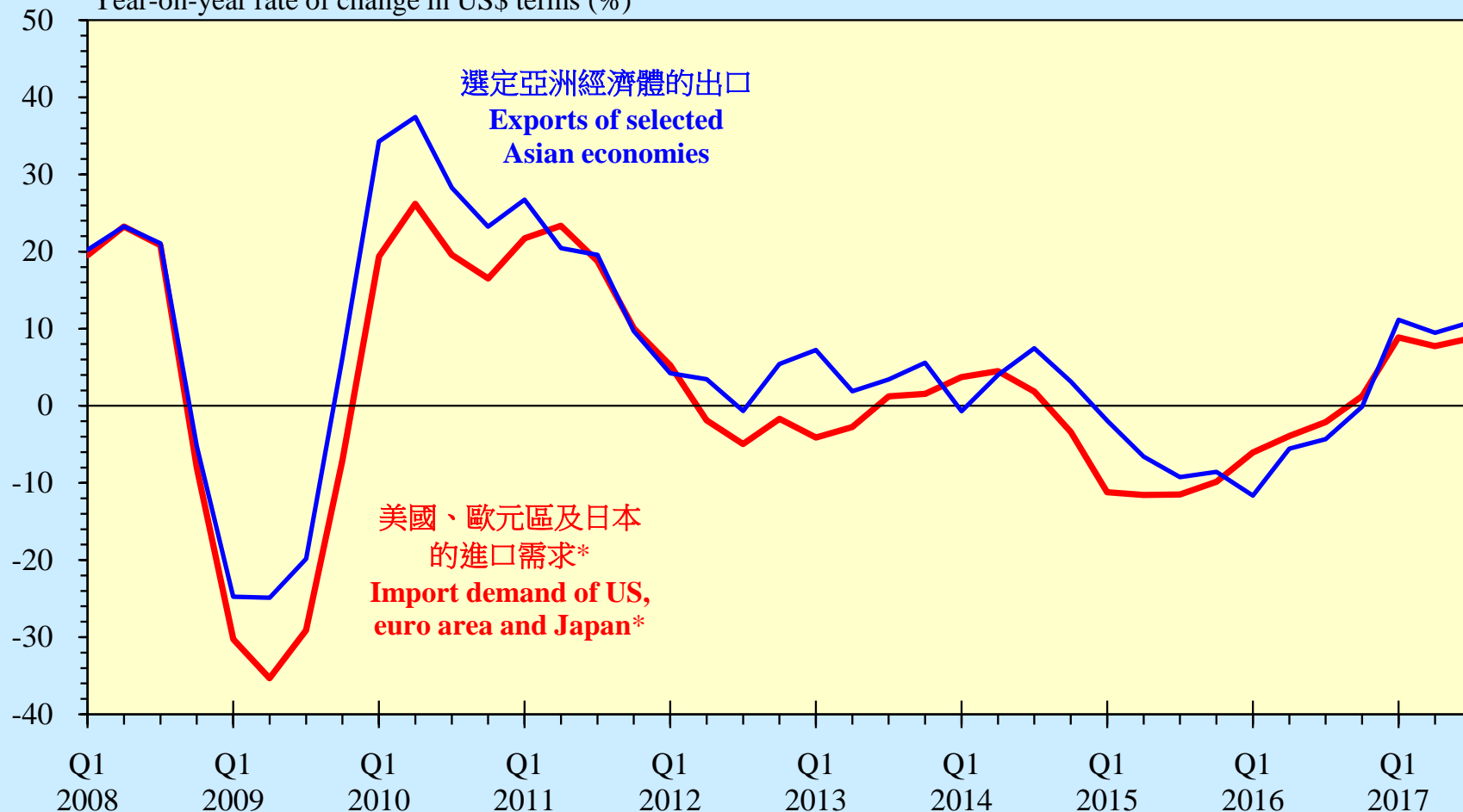


External sector

Continued expansion in global demand gave rise to vibrant growth in 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。

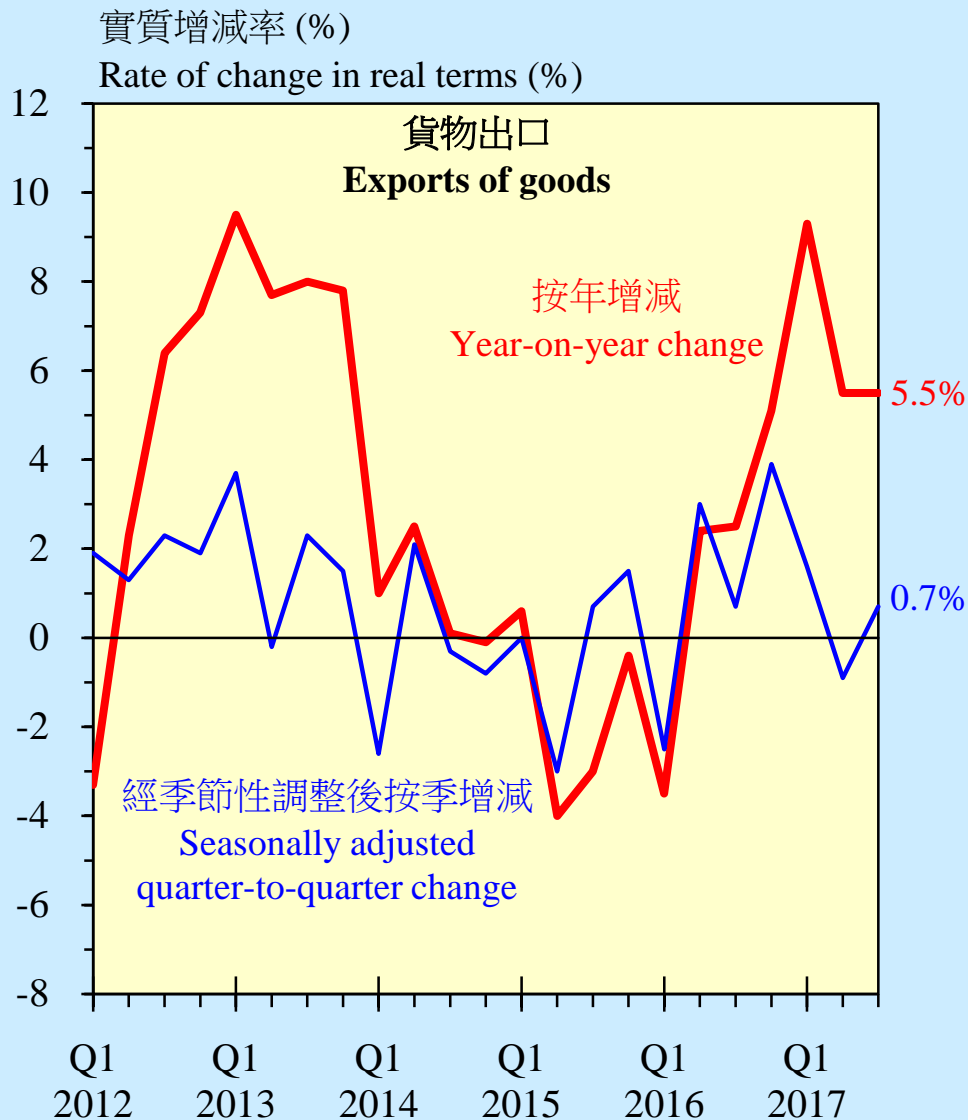
(*) 由於數據有限，美國、歐元區及日本的進口需求最新數字為2017年7-8月合併的數字。

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 Jul-Aug 2017 combined.

Hong Kong's exports of goods maintained visible growth

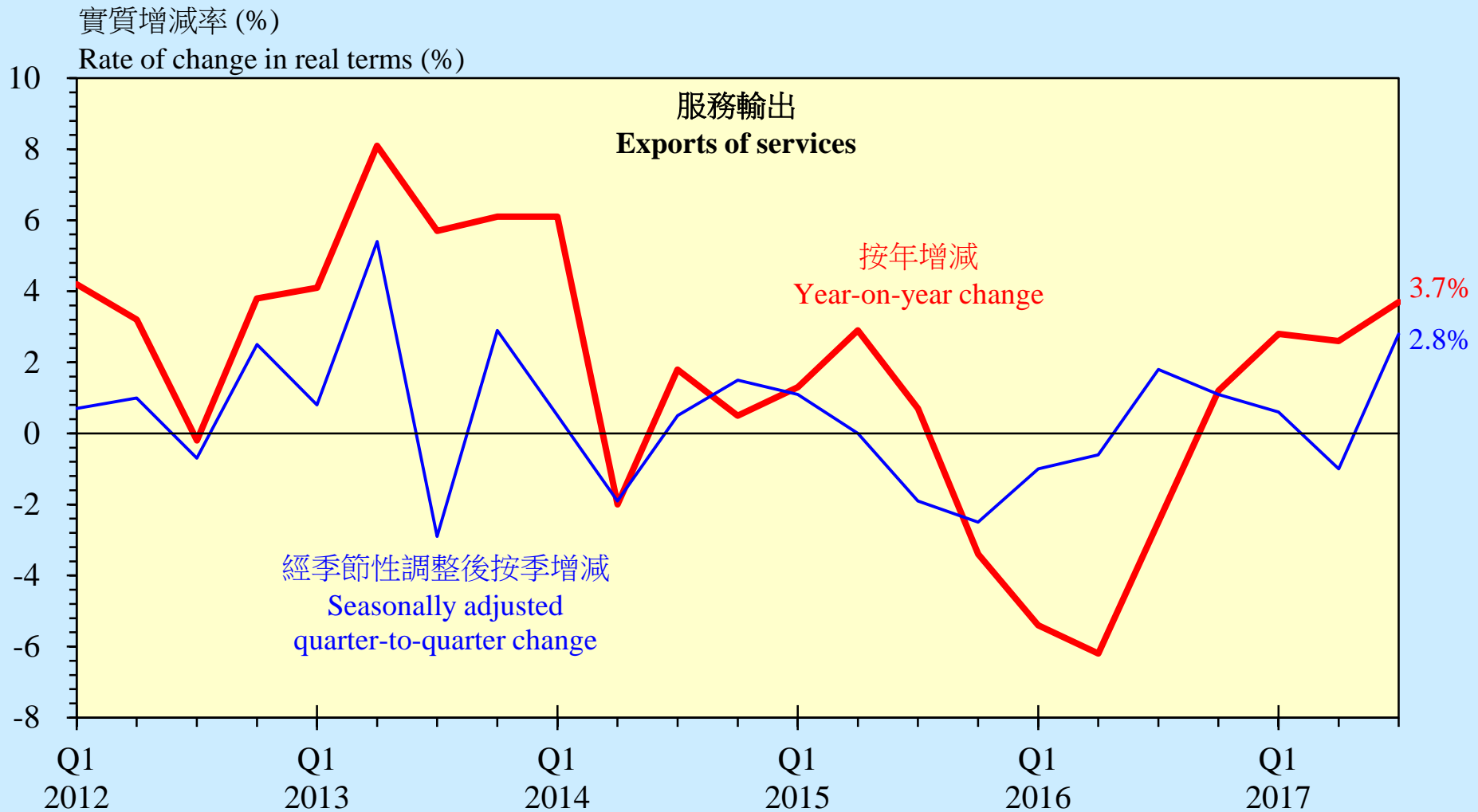
Total exports of goods by major market



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

	<u>2016</u>	<u>2017</u>		
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Mainland	2.2	9.3	3.9	6.0
U.S.	-1.9	3.4	1.1	-0.5
E.U.	-0.7	3.0	1.3	5.0
Japan	-2.3	7.5	12.0	10.8
India	17.6	40.1	53.8	9.9
Taiwan	19.0	44.3	23.0	14.7
Korea	1.5	15.3	-2.8	-1.5
Singapore	5.9	-1.2	3.9	11.7

Exports of services picked up in growth



Exports of services saw growth in all segments; exports of travel services resumed growth

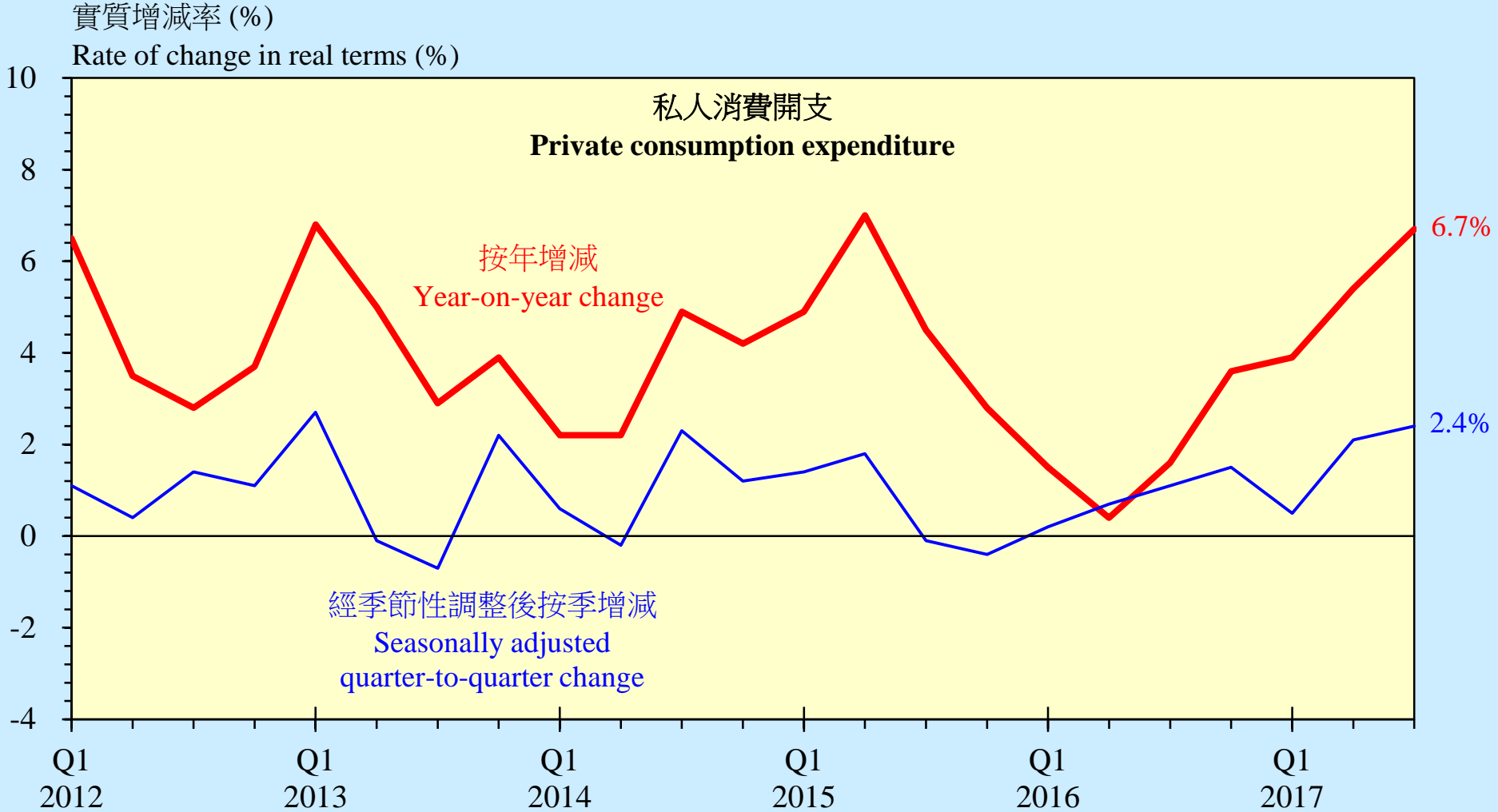
Exports of services

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	-1.9	8.2	2.9	0.5
	Q3	1.8	7.0	4.1	0.6

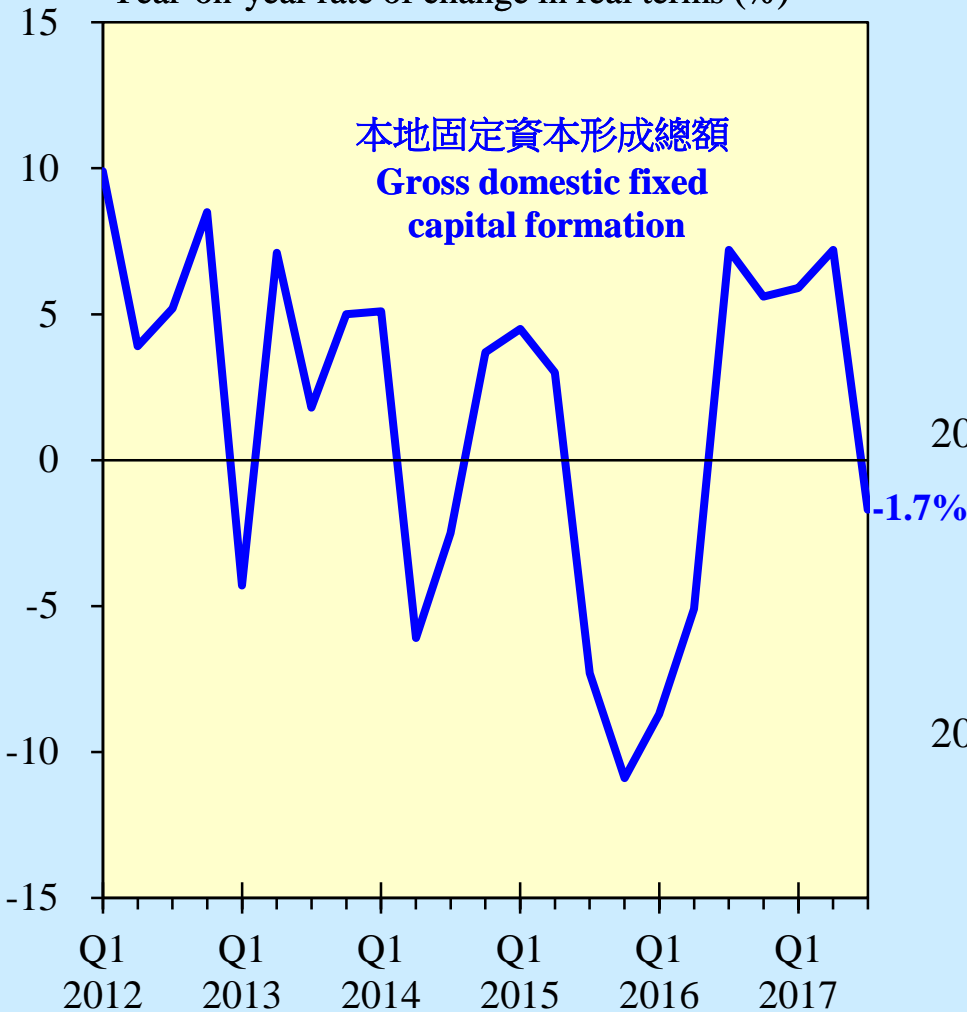
Domestic sector

Private consumption expenditure held up particularly well



Overall investment spending reverted to a modest decline

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 (%)

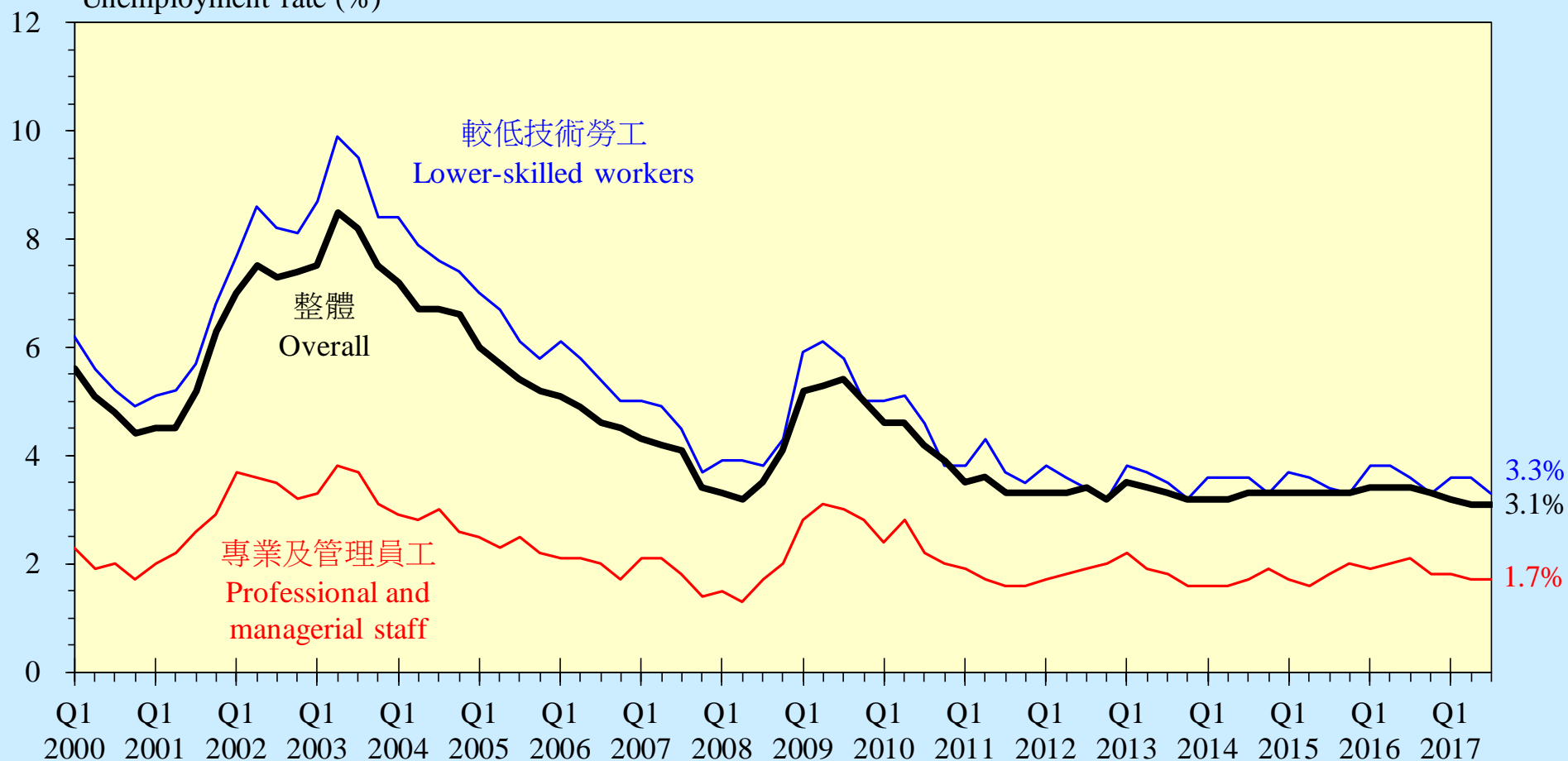
		Machinery, equipment and intellectual property products	Building and construction
2016	Annual	-4.6	3.9
	Q3	7.6	4.3
	Q4	-4.2	7.5
2017	Q1	-8.6	8.6
	Q2	4.7	2.4
	Q3	-6.0	4.1

Labour market

Labour market remained in a state of full employment

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 the overall unemployment rate.

Incomes generally sustained gains in real terms

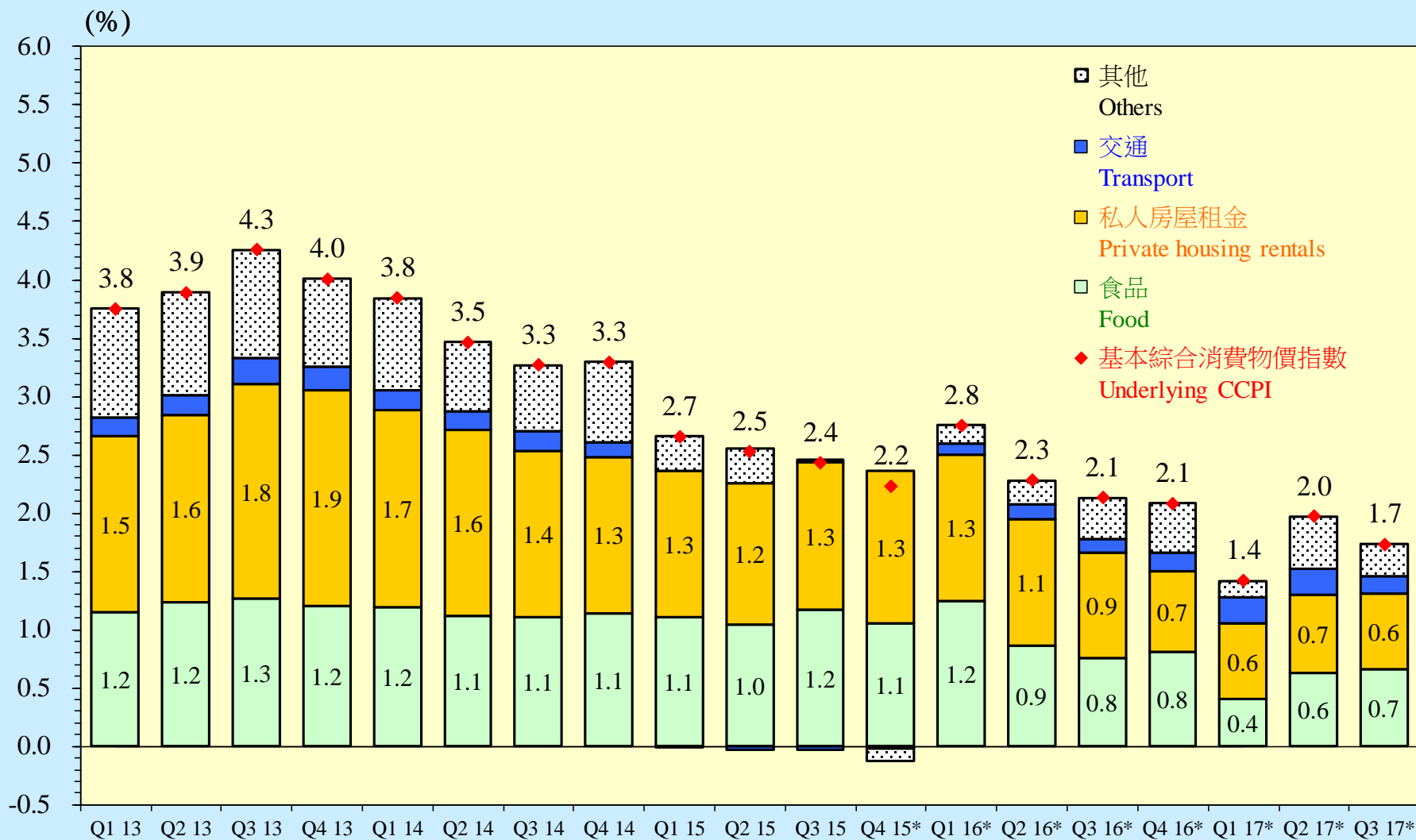
	<u>Income*</u>	
	Year-on-year rate of change (%)	
	<u>Nominal growth</u>	<u>Real growth</u>
Index of payroll per person engaged (Q2 2017)	3.8	1.7
Wage index (June 2017)	3.8	1.5
Median monthly household income (Q3 2017)	4.9	3.1
Average monthly employment earnings of full-time employees of the lowest three decile groups (Q3 2017)	6.1	4.0

Note: (*) Excluding foreign domestic helpers.

Inflation

Inflation pressure was largely contained

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



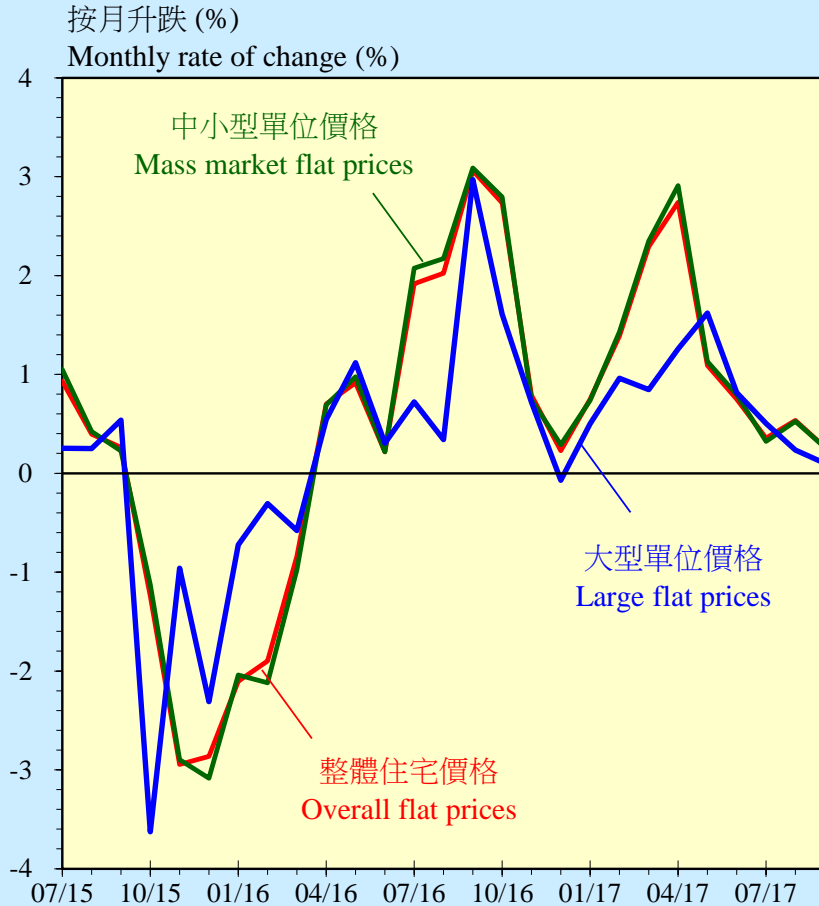
註： (*) 根據以二零一四至一五年度為基期的消費物價指數新數列計算。

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

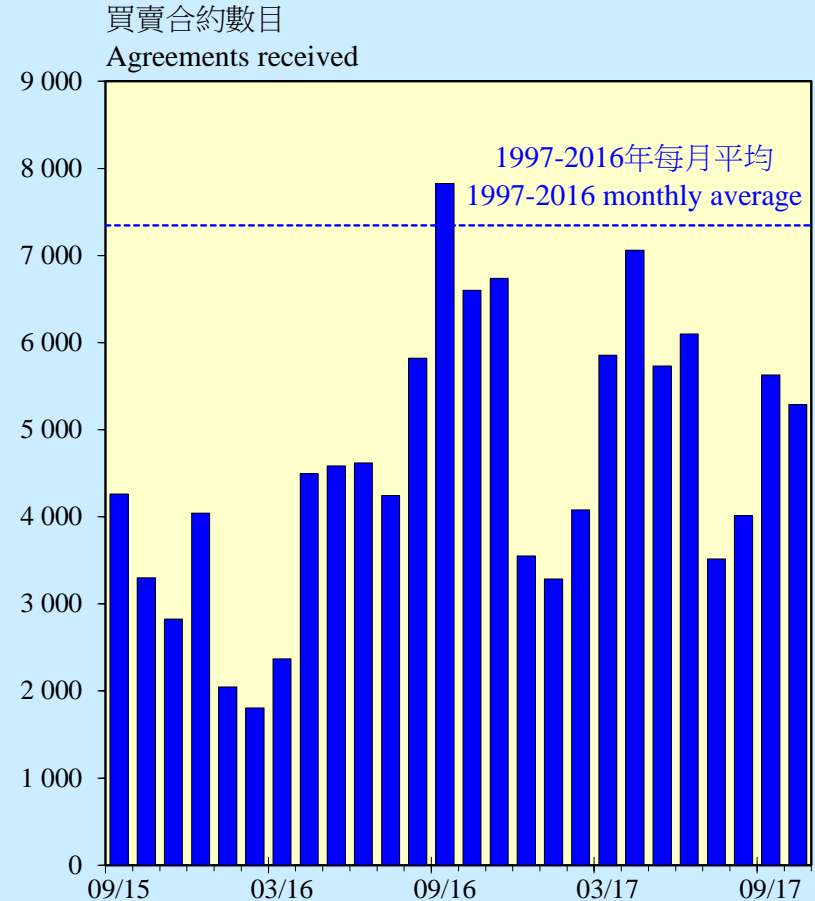
Property market

Residential property market transactions eased in Q3, flat prices recorded a decelerated increase

住宅售價
Flat prices

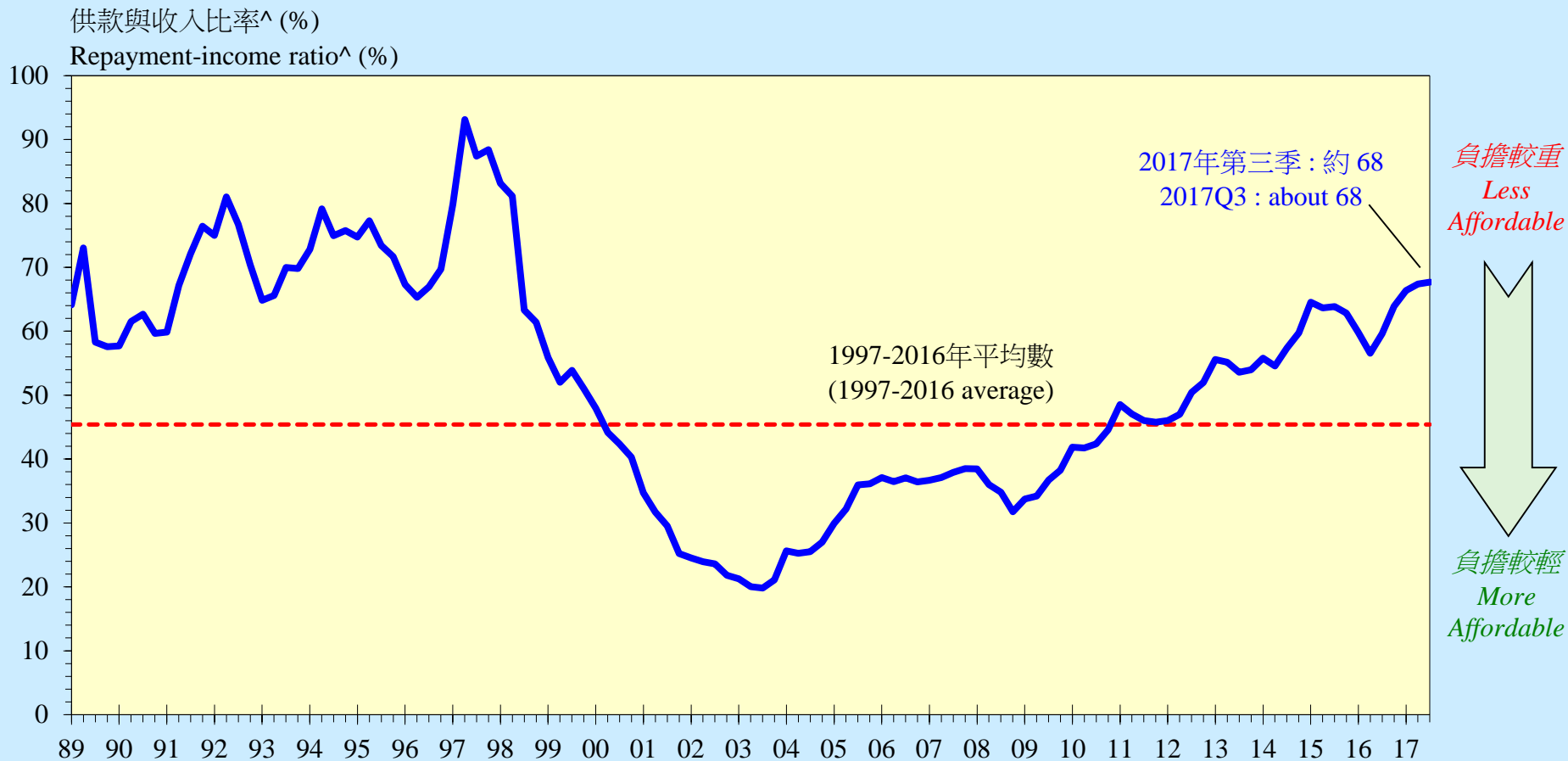


住宅物業買賣合約數目
No. of S&P agreements for residential property



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

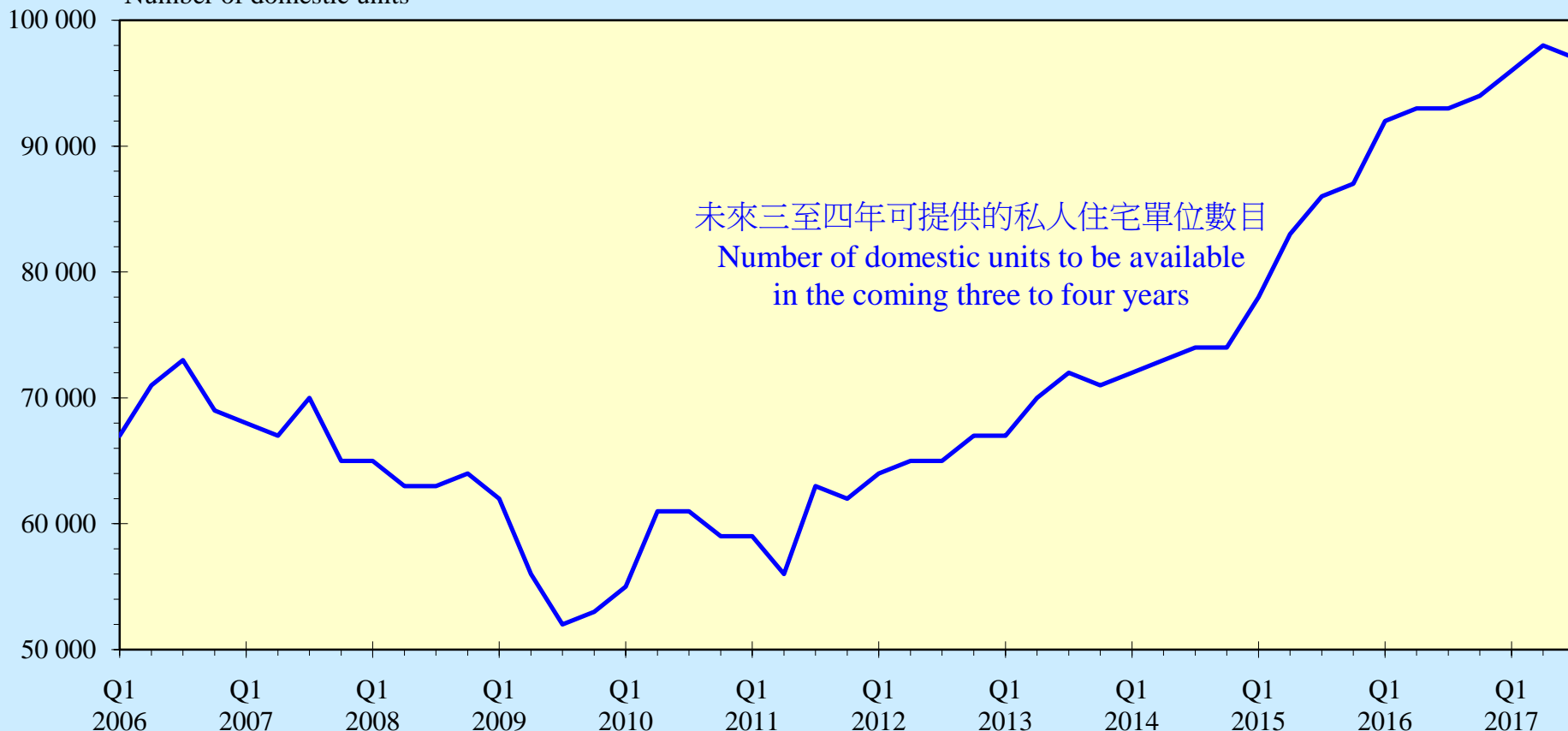


註：(^) 45平方米單位的按揭供款(假設按揭成數為70%及年期為20年)相對住戶入息中位數(不包括居於公營房屋的住戶)的比率。這比率與金管局公布的平均供款與入息比率不同，後者是新批按揭貸款申請人的每月償還債務與每月收入的比率。

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 at a high level of 97 000

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 on track to expand further

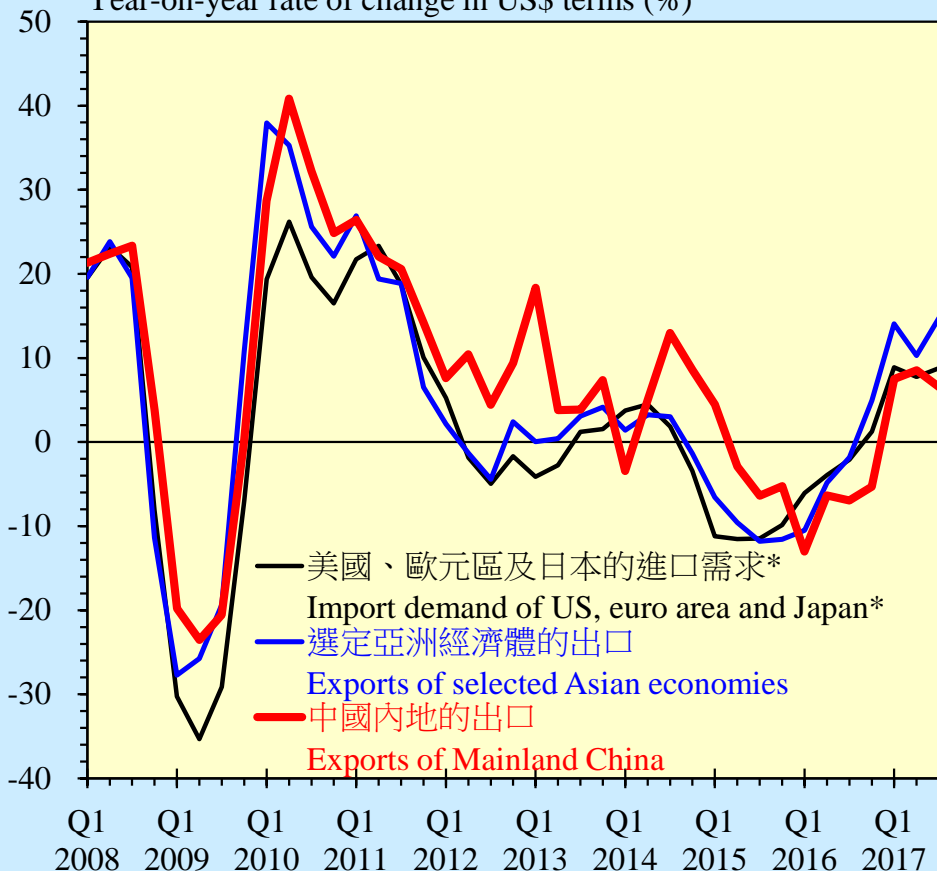
- ◆ **US:** Solid economic growth has supported Fed to begin trimming its balance sheet
- ◆ **Euro area:** More entrenched recovery
- ◆ **Japan:** Recent economic data largely positive
- ◆ **Asia:** Mainland's economy poised to sustain medium-high speed growth; regional trading and manufacturing activities likely to remain vibrant

Mainland economy sustained medium-high speed growth in Q3

Exports grew notably

以美元計價按年增減率 (%)

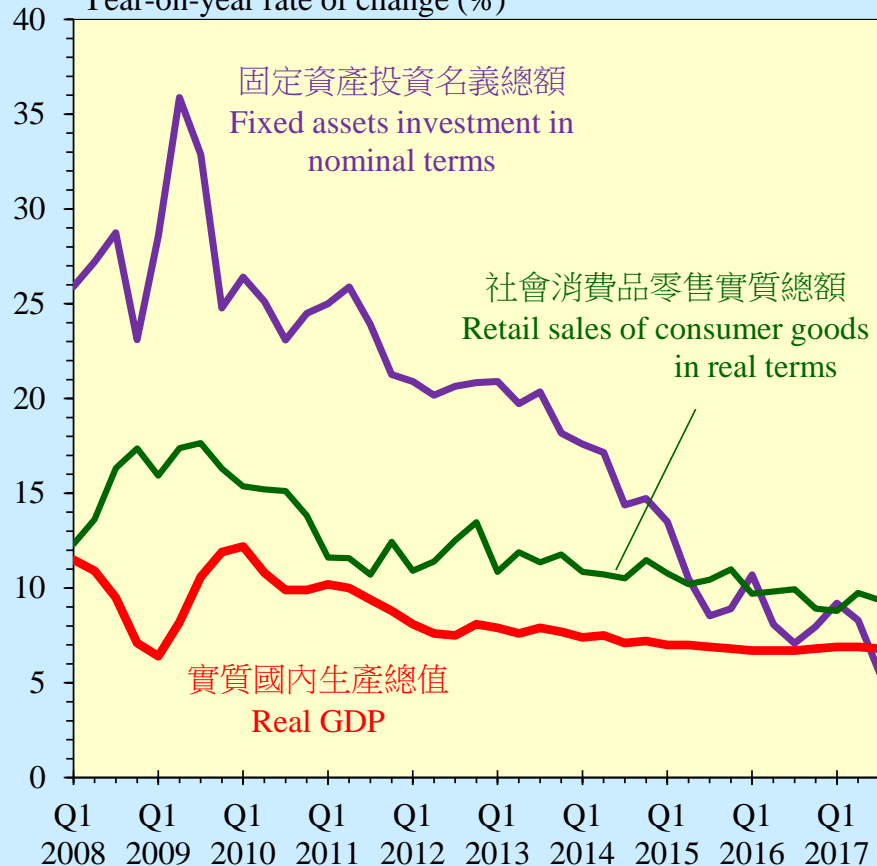
Year-on-year rate of change in US\$ terms (%)



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 revised up its global growth forecasts

	GDP growth in 2016	IMF forecasts for 2017 GDP growth		Change between Jul and Oct
		2017 Jul	2017 Oct	
World	3.2	3.5	3.6	0.1
U.S.	1.5	2.1	2.2	0.1
Euro area	1.8	1.9	2.1	0.2
Japan	1.0	1.3	1.5	0.2
Mainland China	6.7	6.7	6.8	0.1
Developing Asia	6.4	6.5	6.5	0.0
Emerging market and developing economies	4.3	4.6	4.6	0.0

Large enterprises remained sanguine about business outlook

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

Near-term economic outlook

- ◆ **Improving external environment should support our exports down the road**
- ◆ **Domestic demand is likely to stay firm**
- ◆ **While there remain various uncertainties in the external environment, Hong Kong economy is poised for further solid growth in the rest of this year**
- ◆ **Upside risks to inflation remain limited**

Latest economic forecasts for 2017 as a whole

	Forecasts as released on 11 August	Latest forecasts
Real GDP growth	3-4%	3.7%
Underlying inflation	1.8%	1.7%
Headline inflation	1.6%	1.5%



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