

2018 - 19 Budget

**Briefing for
the Consular Corps**

28 February 2018

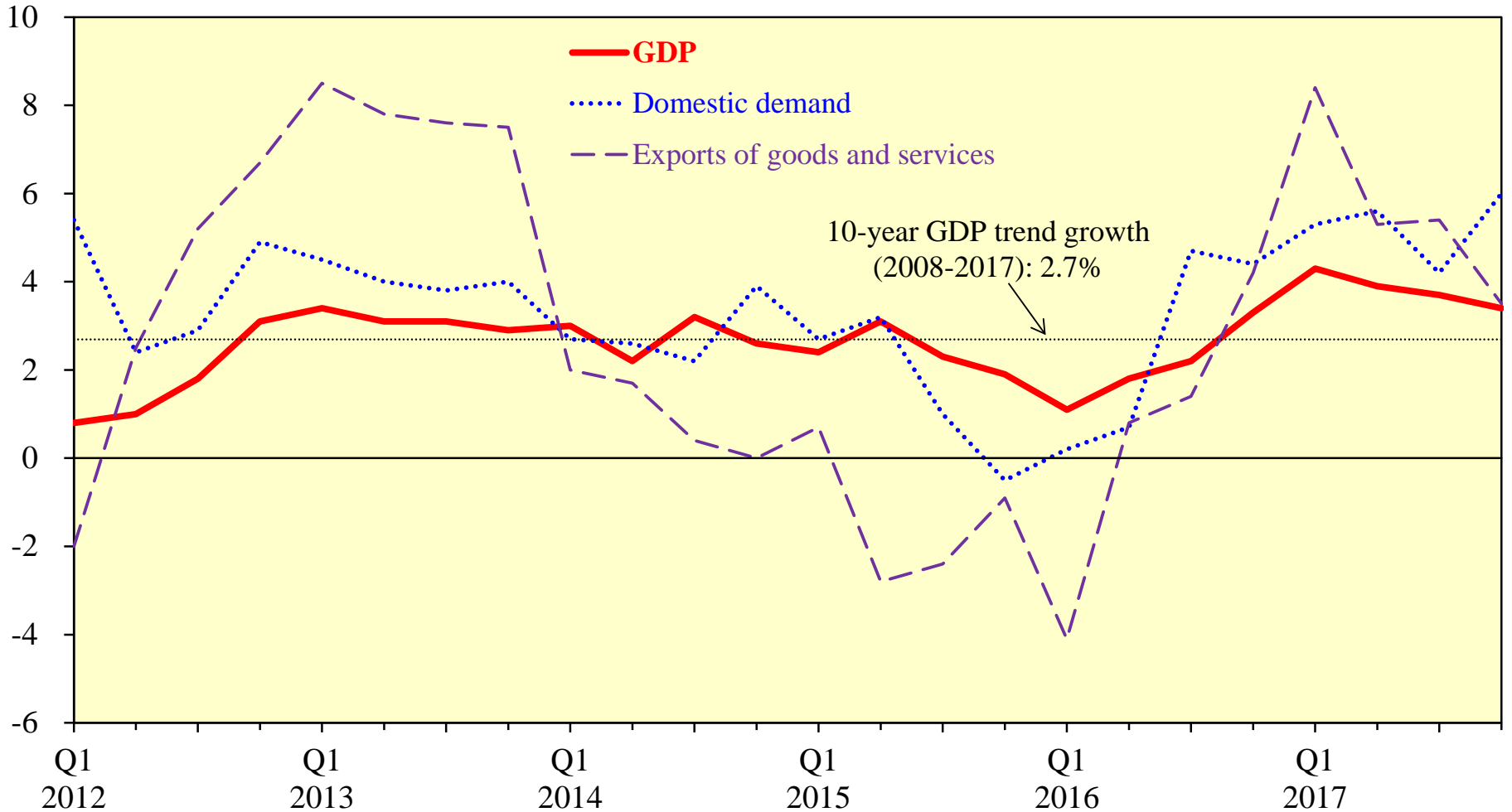
2017 Economic Performance

Salient features of economic performance in 2017

- Hong Kong's economy sustained notable expansion throughout 2017, growing by 3.8% for the year as a whole, up from 2.1% in 2016
- Exports turned stronger amid increased global growth momentum
- Domestic demand was likewise robust, thanks to favourable labour market conditions and upbeat economic sentiment
- Labour market remained in full employment, with the unemployment rate averaging 3.1% in 2017
- Underlying inflation eased for the sixth consecutive year, averaging 1.7% in 2017

The Hong Kong economy had a full-fledged upturn in 2017

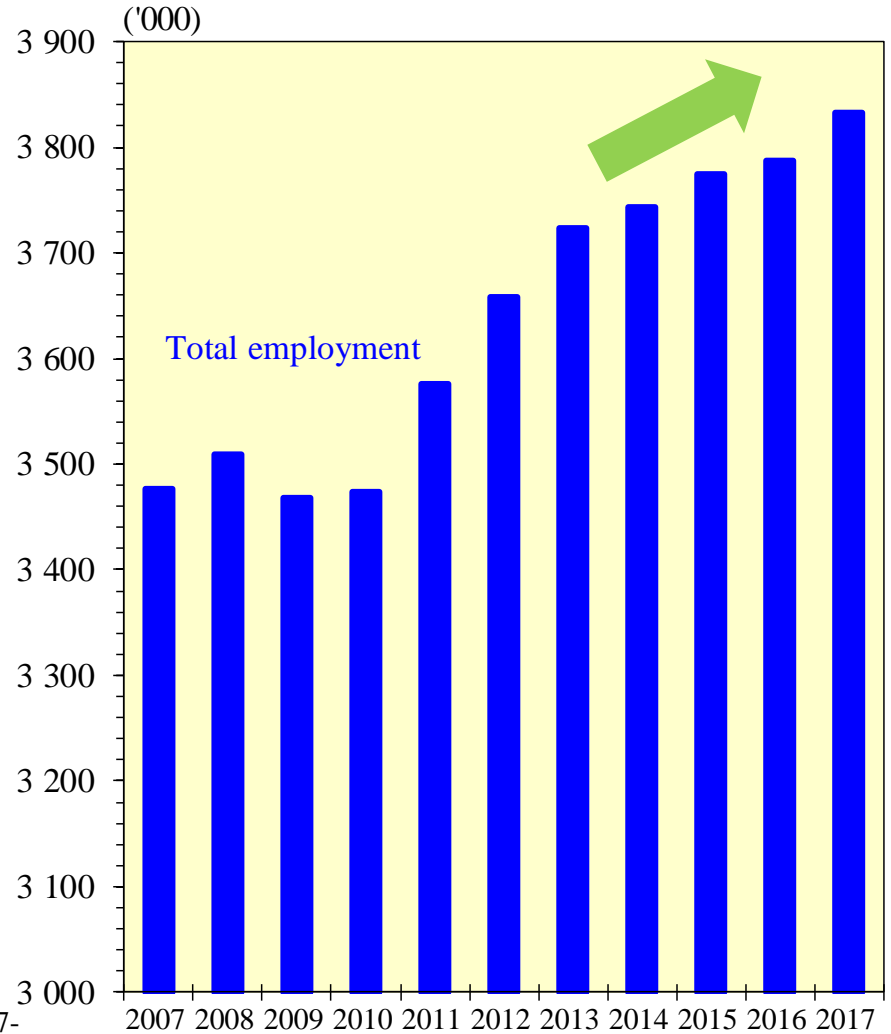
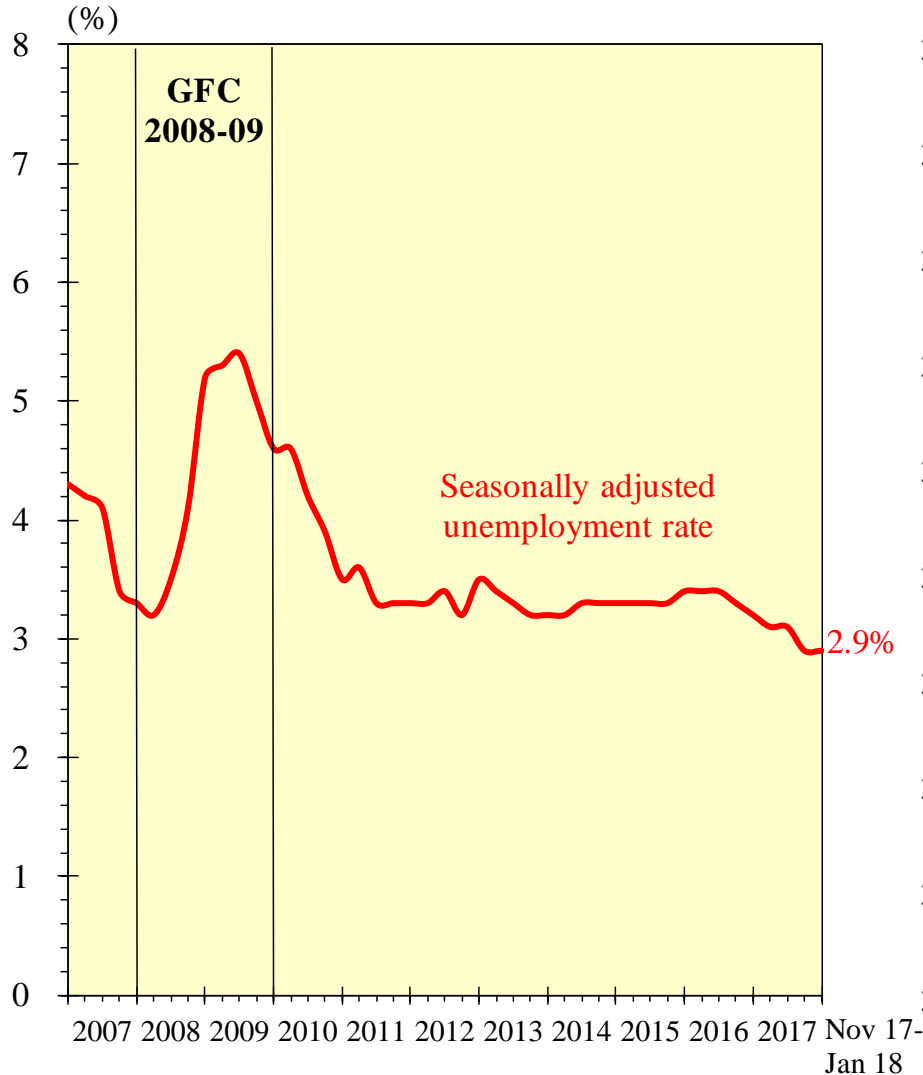
Year-on-year rate of change in real terms (%)



Labour market tightened further in 2017

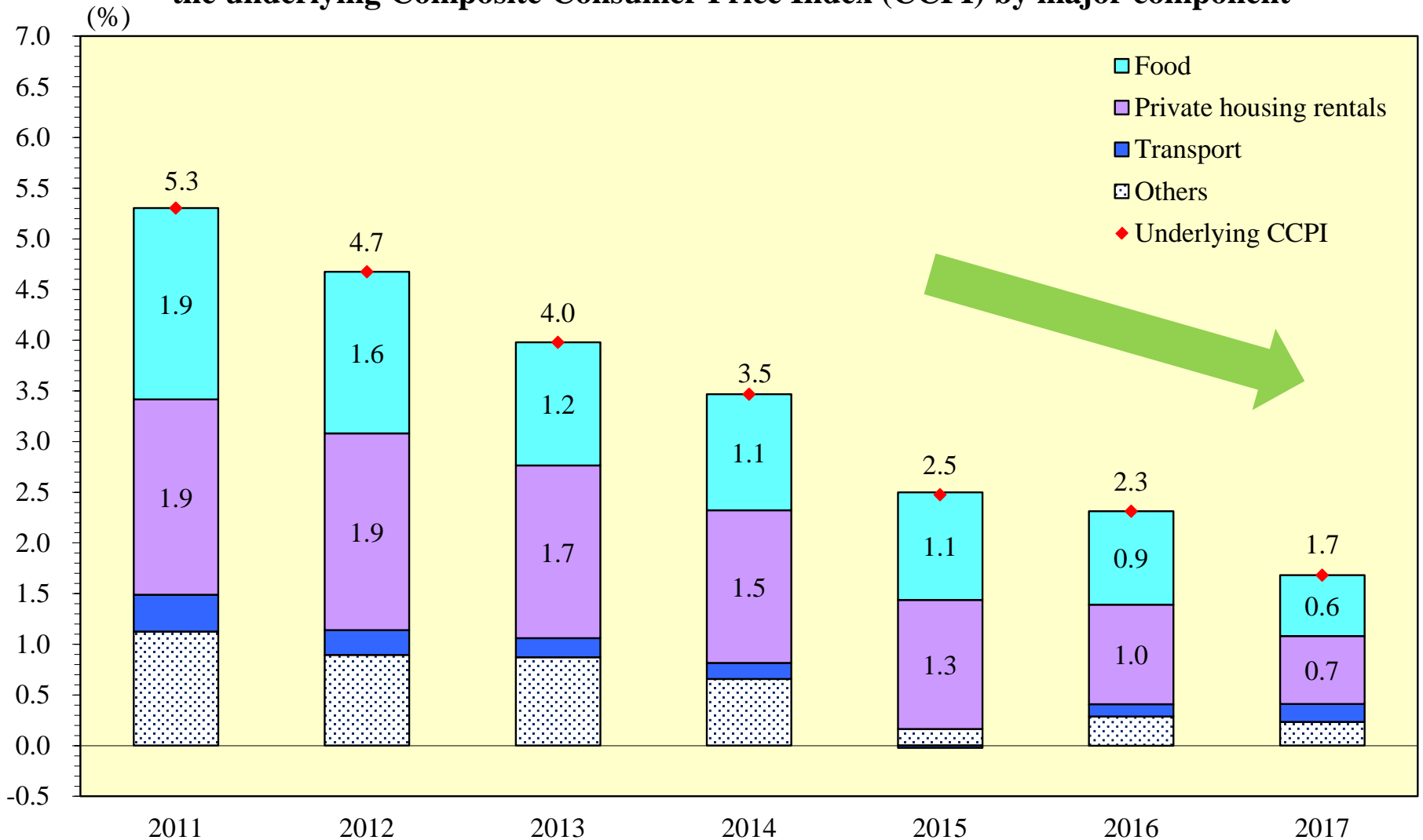
Latest unemployment rate at 2.9%

Employment reached a new high



Underlying inflation eased for the sixth consecutive year in 2017

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



2018 Economic Outlook

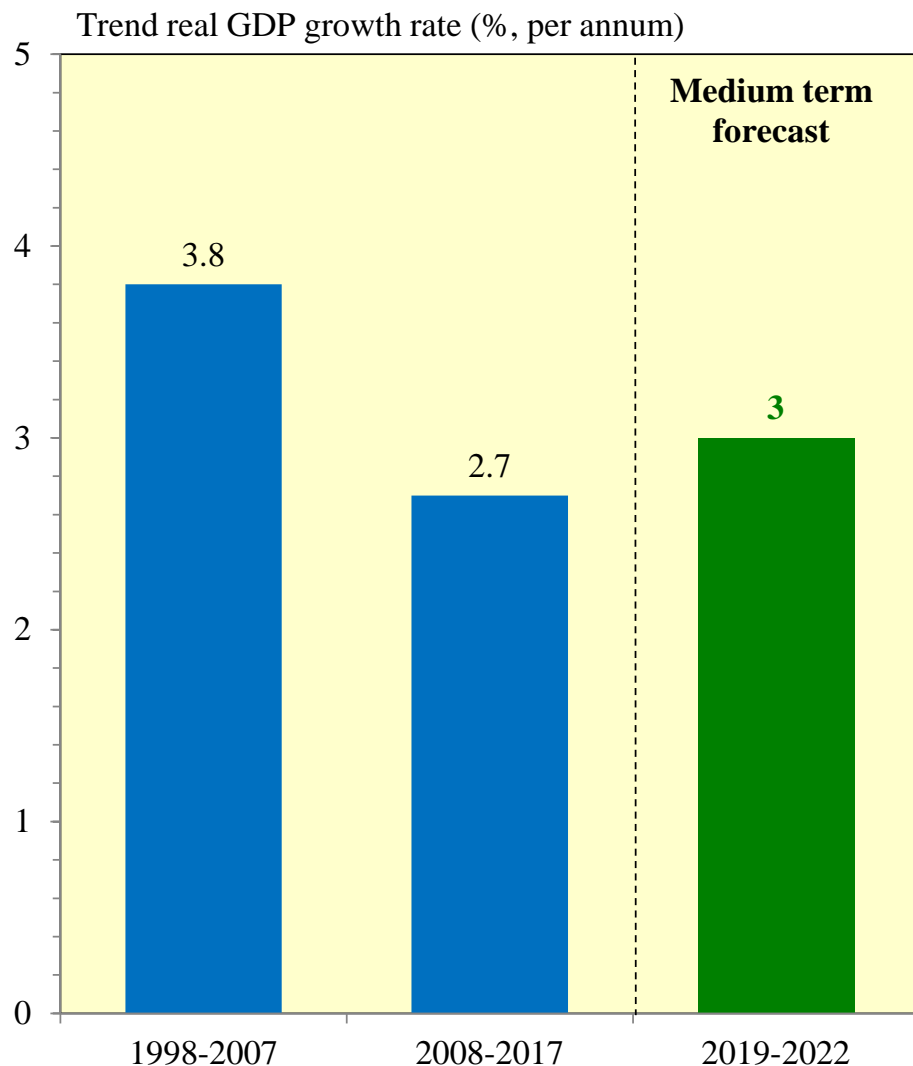
2018 economic outlook

- External demand should benefit from the strengthening global economy
- Domestic demand should remain resilient, on the back of favourable labour market conditions and benign business sentiment
 - **Real GDP growth forecast: 3-4%**
- Consumer price inflation is expected to increase somewhat amid improving global and local economic conditions
 - **Underlying inflation forecast: 2.5%**

Economic uncertainties

- The pace of the US Fed's monetary policy normalisation and possible tapering of policy stimuli by some other major central banks
- Possibility of gyrations in asset markets amid a complicated global monetary environment
- Potential impacts of US monetary policy normalisation and tax reform on global capital flows
- Rising protectionist sentiment
- Elevated geopolitical tensions

Medium-term economic outlook remains bright



- Developing Asian economies, notably the Mainland, will continue to thrive
- Vast opportunities brought by the Belt and Road Initiative and Guangdong-Hong Kong-Macao Bay Area development
- The Government will act as a facilitator and promoter when developing the economy:
 - Lift growth potential through tackling the constraints posed by land and human resources
 - Spearhead innovation to raise productivity

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Thank you
