



# Hong Kong SAR Government

## Third Quarter Economic Report 2018 & Updated economic forecasts for 2018

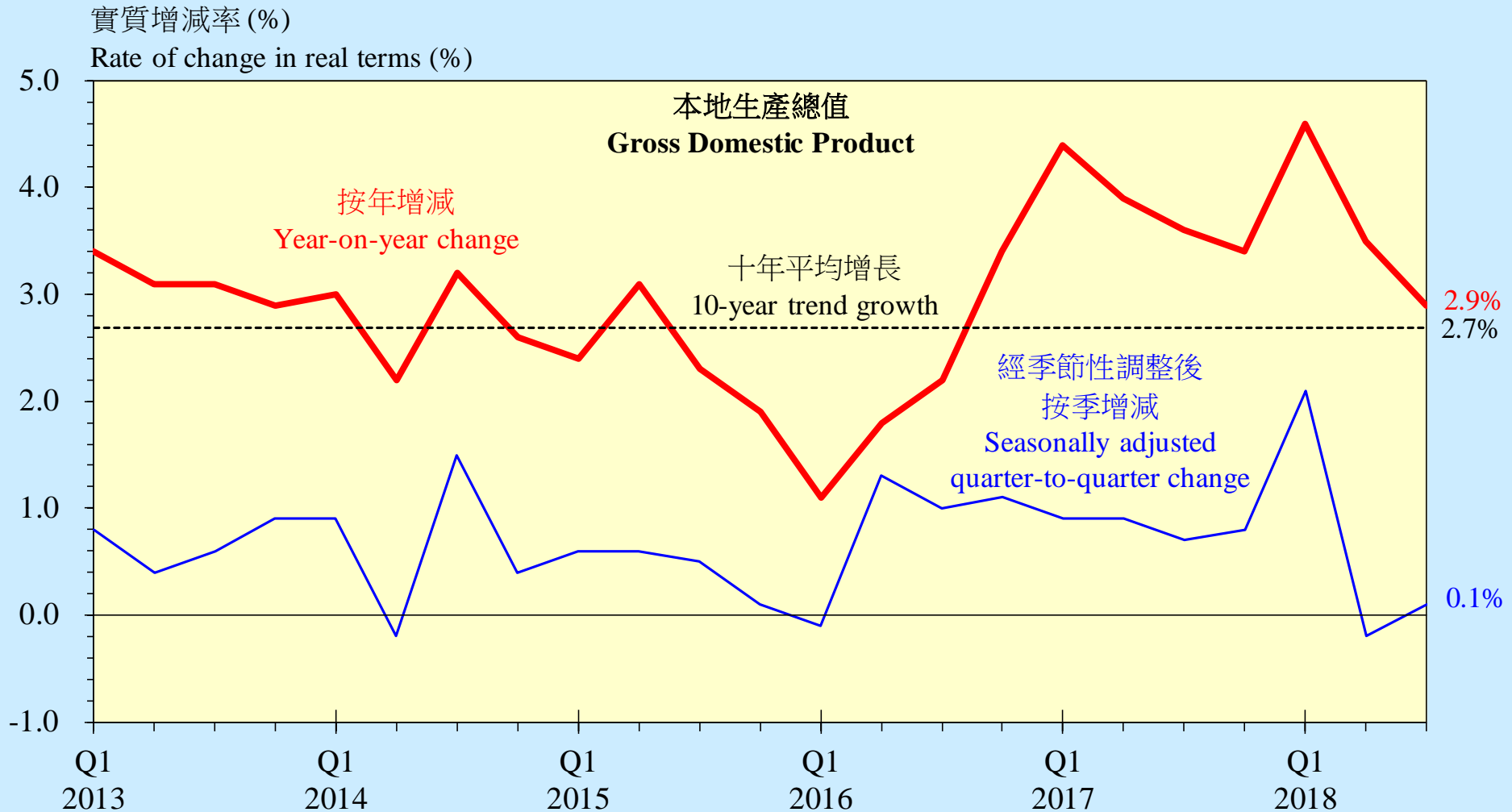
16 November 2018

# Highlights of the latest economic situation

- Hong Kong's economy grew solidly by 2.9% in Q3 over a year earlier
- External demand continued to record visible growth for the quarter as a whole alongside further expansion of the global economy
- Domestic demand held firm; labour market conditions remained favourable
- Consumer price inflation went up slightly
- Latest real GDP growth forecast for 2018 at 3.2%; underlying inflation rate forecast slightly revised up to 2.7%

# **Economic performance in Q3 2018**

# Hong Kong's economy grew solidly year-on-year in Q3

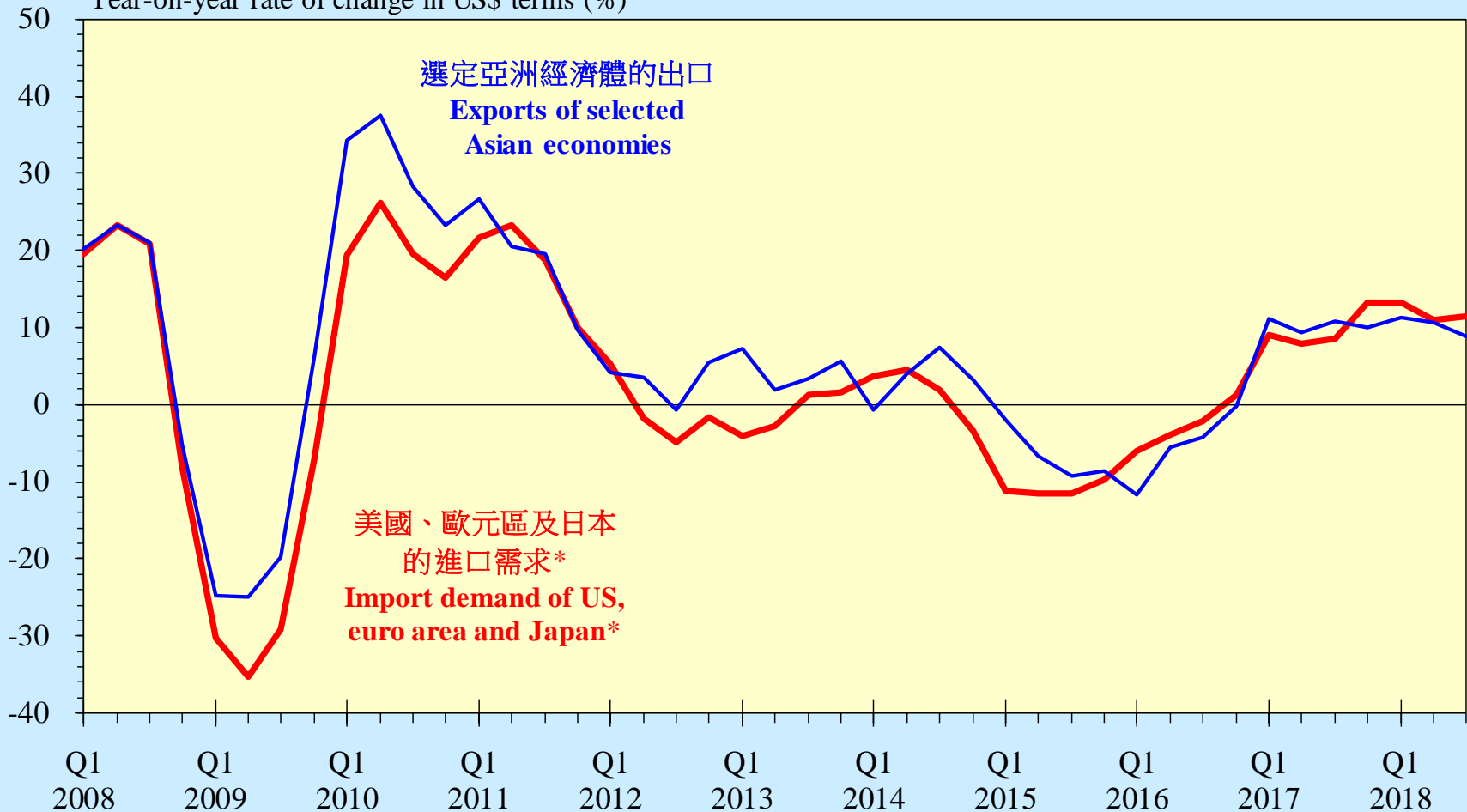


# External sector

# Supported by continued global economic expansion, Asia's export growth remained visible for Q3 as a whole

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2018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 2018 combined.

# Hong Kong's exports of goods sustained notable growth for Q3 as a whole, yet the pace of growth decelerated in September

## Total exports of goods by major market

實質增減率 (%)

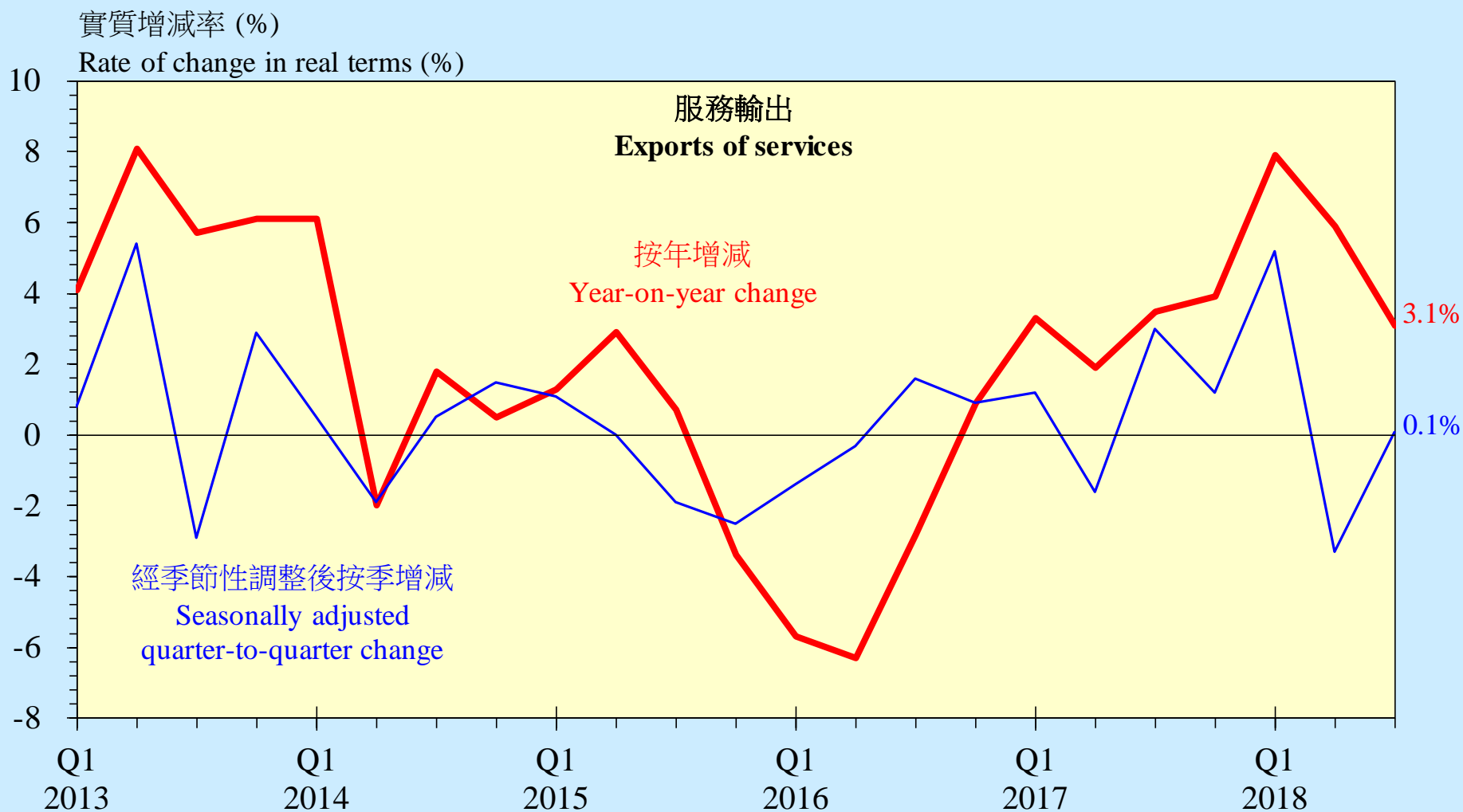
Rate of change in real terms (%)

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



	<u>2018</u>			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Sep</u>
Mainland	9.4	7.7	7.1	2.8
U.S.	5.1	8.2	7.9	3.3
E.U.	9.1	7.2	7.9	-0.4
Japan	5.2	2.8	-7.8	-14.7
India	-7.6	-33.1	14.3	8.3
Taiwan	8.4	-1.9	-18.0	-10.6
Korea	-3.1	1.5	7.9	10.7
Singapore	10.5	19.3	5.6	3.8

# Exports of services expanded moderately





# Exports of travel services grew solidly, exports of other service components recorded modest to moderate increases

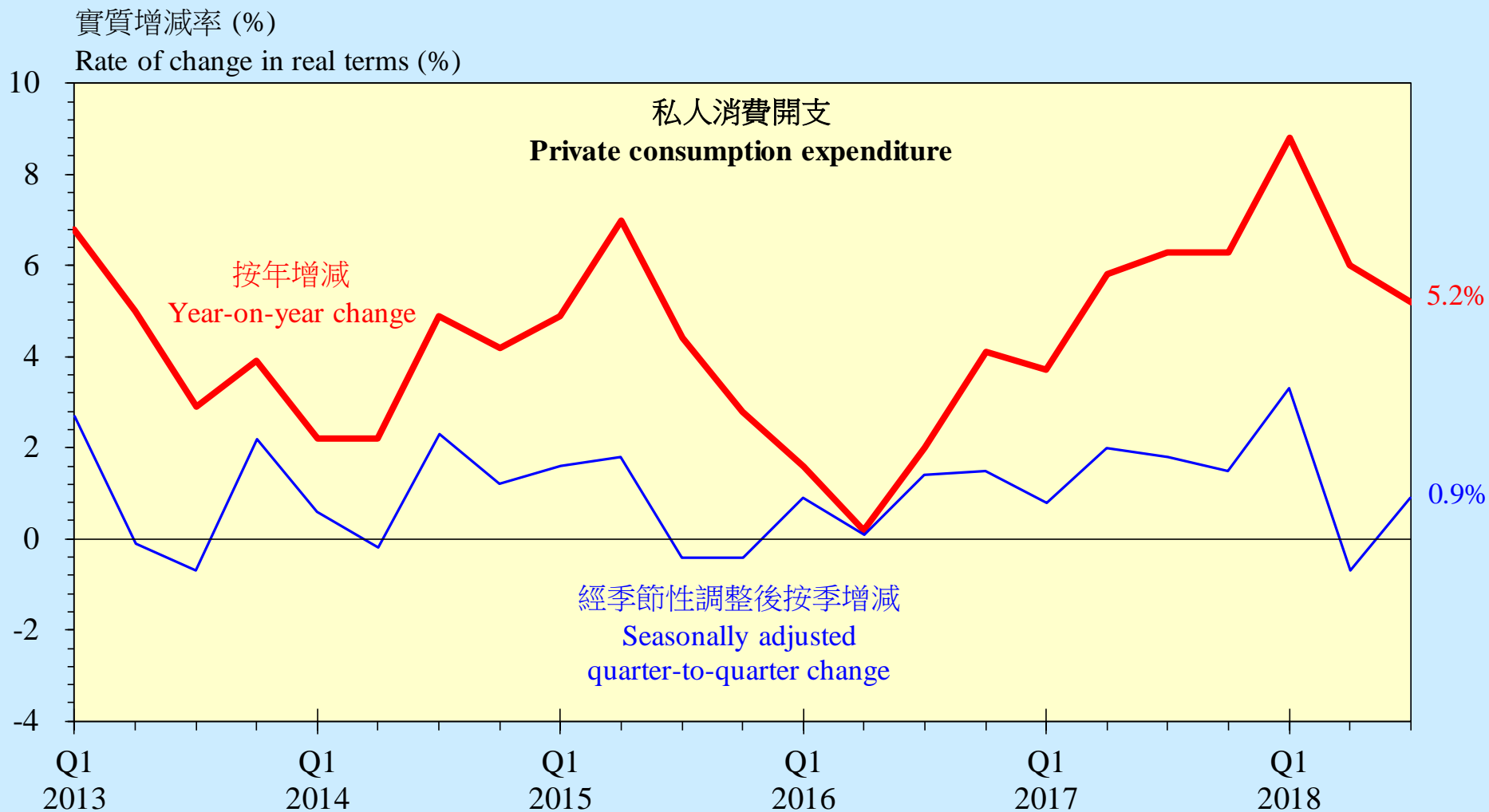
## Exports of services

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>
2017	Annual	1.5	6.1	4.4	0.7
	Q3	1.8	6.5	5.0	0.8
	Q4	4.0	3.3	8.0	0.7
2018	Q1	13.1	4.1	10.3	1.4
	Q2	11.1	3.0	6.8	1.7
	Q3	4.9	1.9	3.6	1.4

# **Domestic sector**

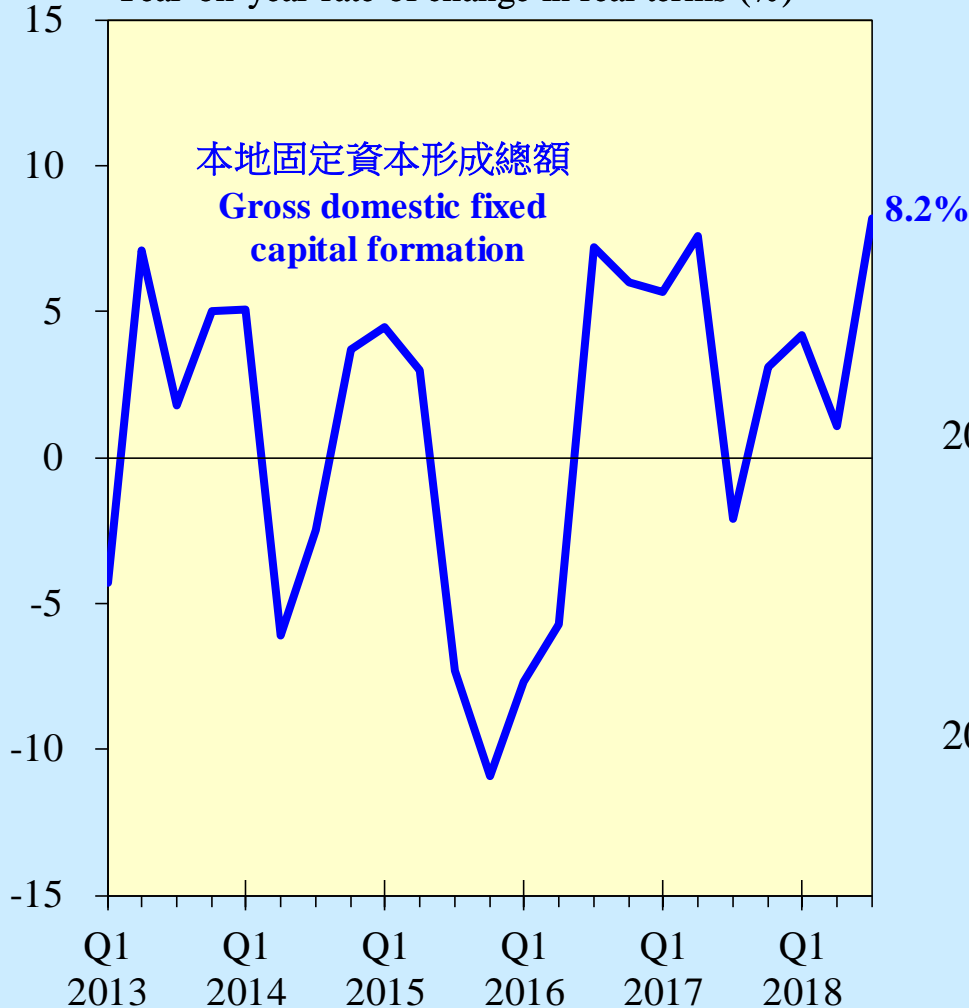
# Private consumption expenditure, albeit less buoyant than in the previous quarters, expanded notably



# Overall investment expenditure picked up significantly

按年實質增減率(%)

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



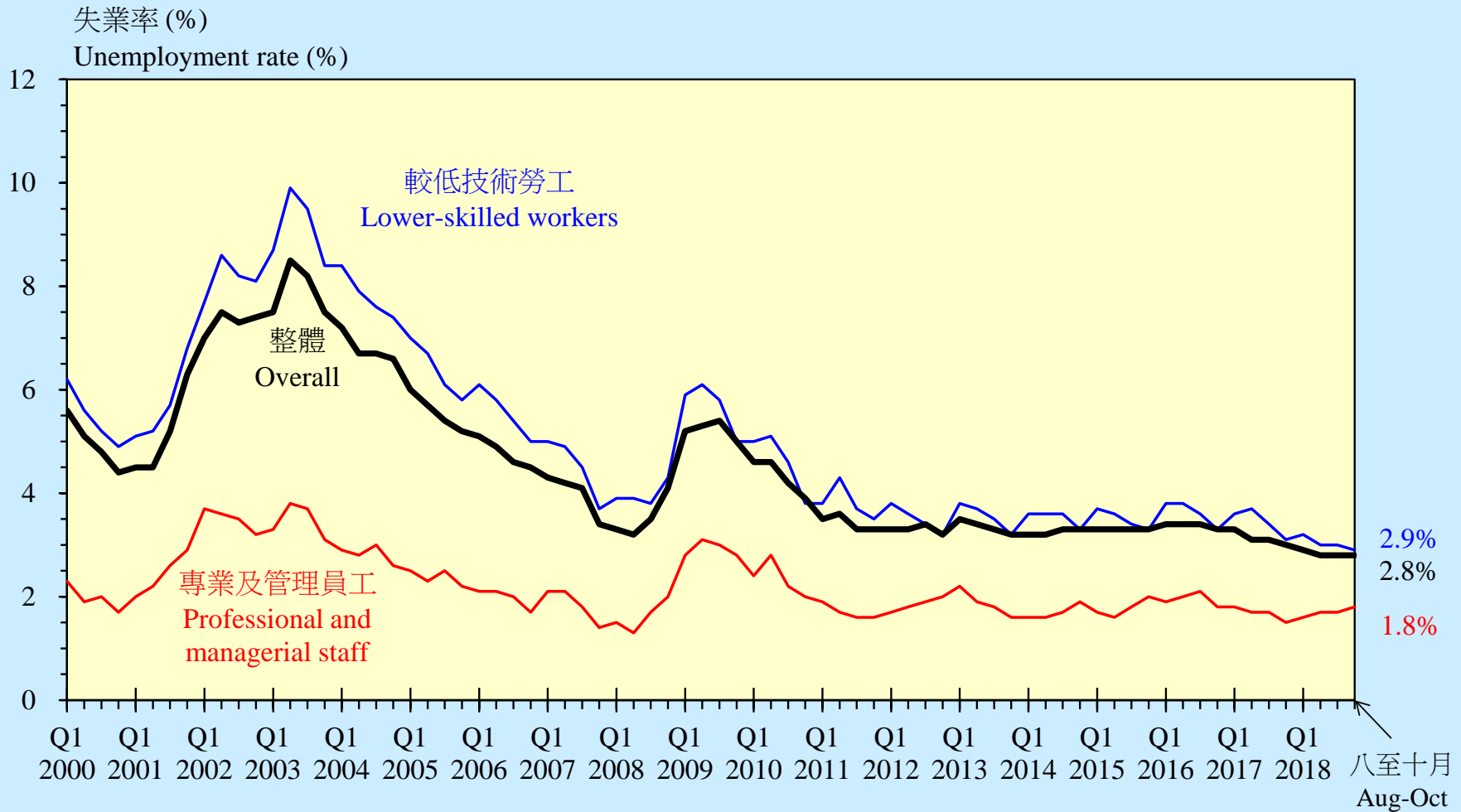
## Overall investment expenditure

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

		Machinery, equipment and intellectual property products	Building and construction
2017	Annual	1.8	1.7
	Q3	-3.0	0.9
	Q4	9.9	-2.6
2018	Q1	6.1	1.9
	Q2	4.9	-1.6
	Q3	21.2	-0.3

# Labour market

# Labour market conditions remained favourable



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.

# Wages and earnings registered solid and broad-based 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 2018)	3.8	1.6
Wage index (June 2018)	3.8	1.2
Median monthly household income (Q3 2018)	8.7	6.1
Average monthly employment earnings of full-time employees of the lowest three decile groups (Q3 2018)	4.2	1.3

Note: (\*) Excluding foreign domestic helpers.

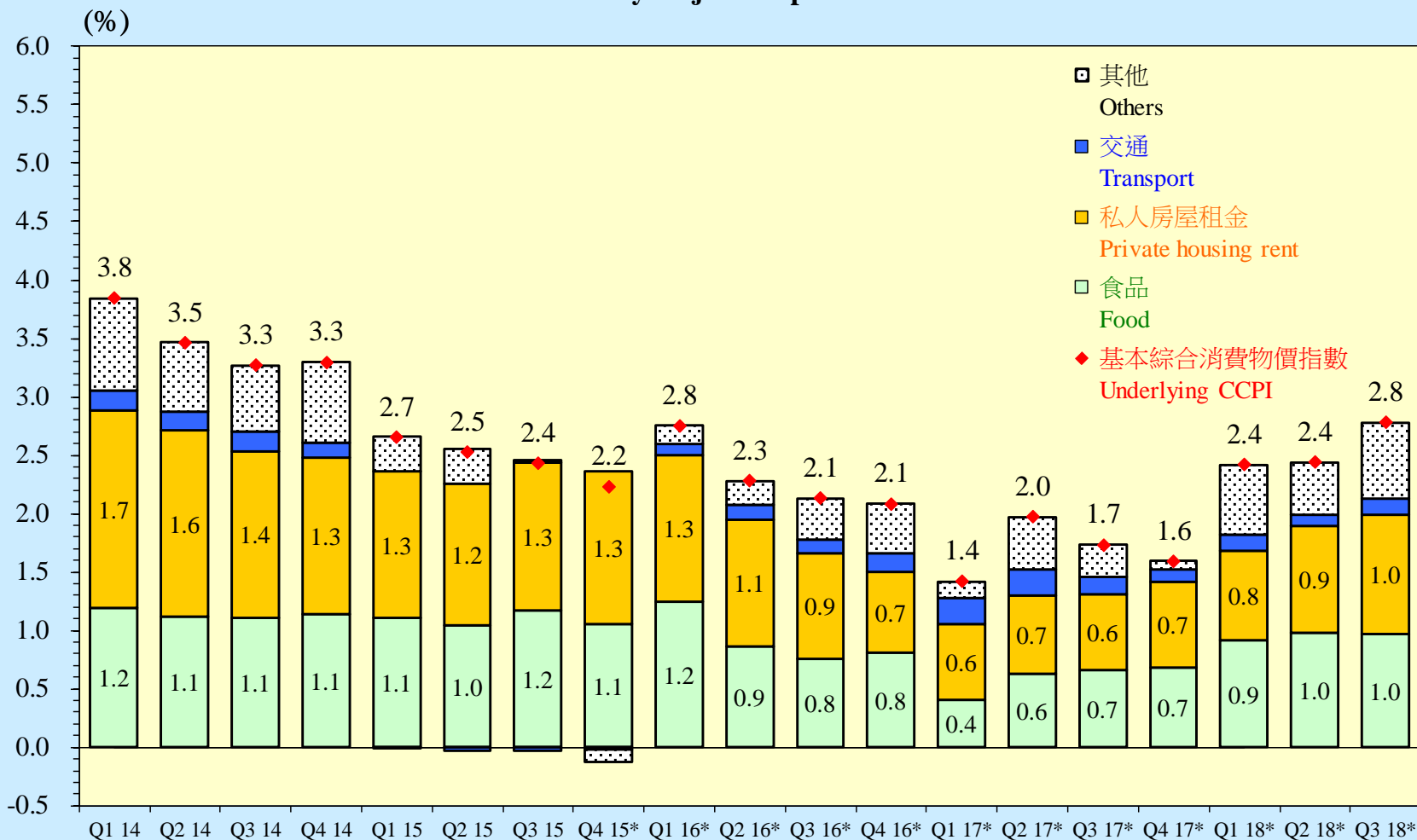
# **Inflation**



# Pressures on consumer prices continued to build up alongside sustained above-trend economic growth

各主要組成項目對基本綜合消費物價指數按年變動率的貢獻

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



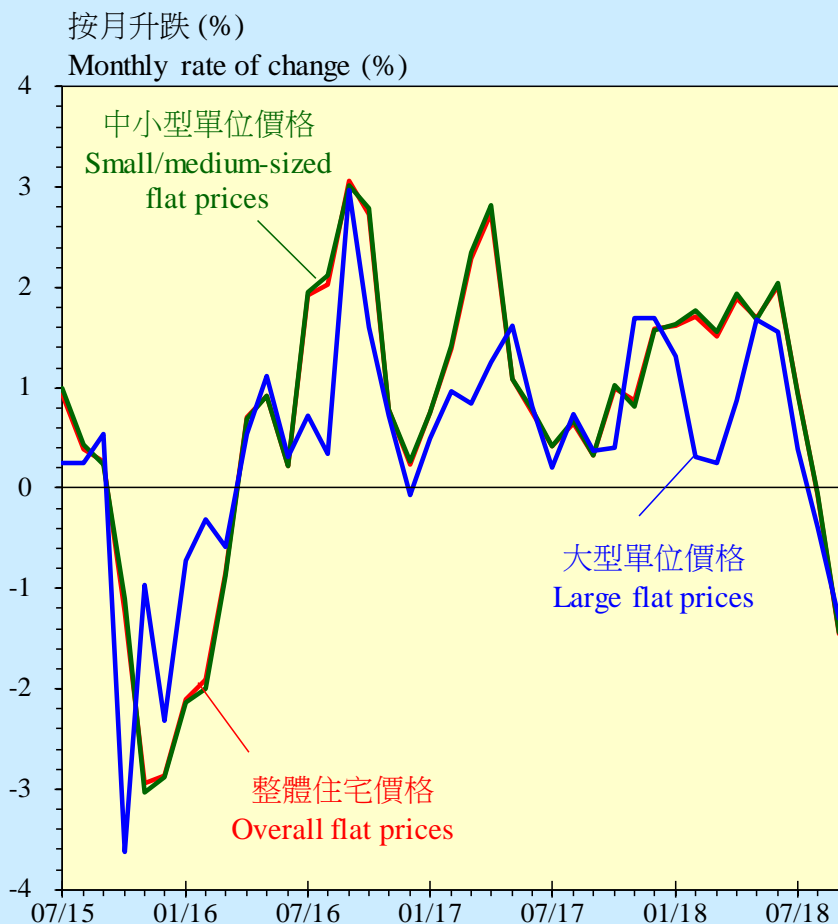
註： (\*) 根據以二零一四至一五年度為基期的消費物價指數新數列計算。

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

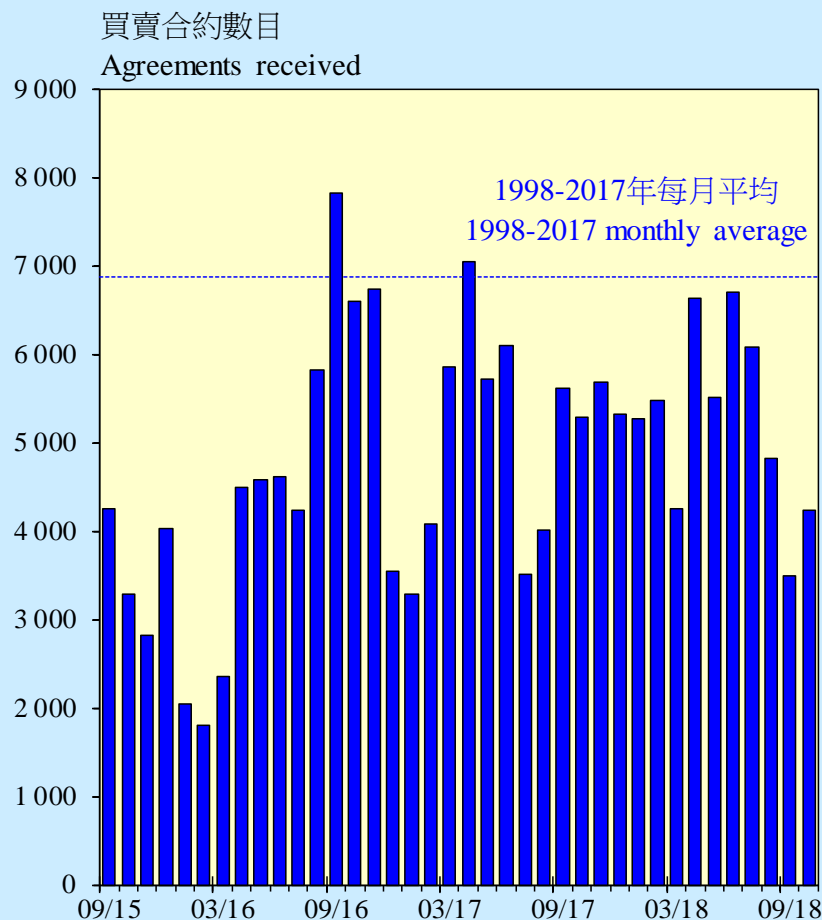
# Property market

# Residential property market showed some cool-off

住宅售價  
Flat prices



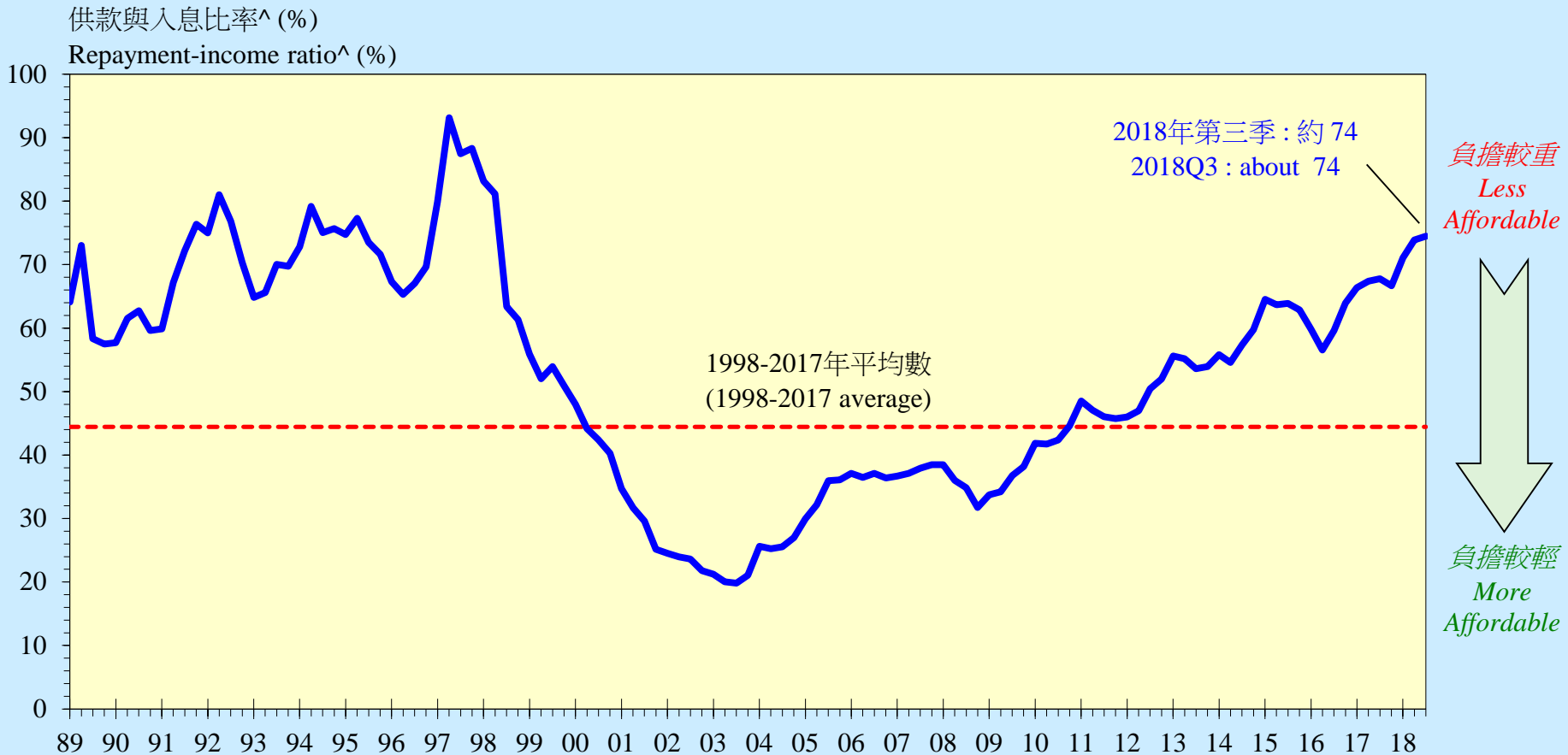
住宅物業買賣合約數目  
No. of S&P agreements for residential property



註： 中小型單位指實用面積小於100平方米的單位，而大型單位指實用面積至少達100平方米的單位。

Note: Small/medium-sized flats refer to those with a saleable area of less than 100 m<sup>2</sup>, while large flats refer to those with a saleable area of at least 100 m<sup>2</sup>.

# Index of home purchase affordability stayed elevated



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 mortgagors to their monthly income of newly approved mortgages.

# Total medium-term flat supply stayed high at 93 000



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 2018**

## □ Global economic growth has lost some momentum of late

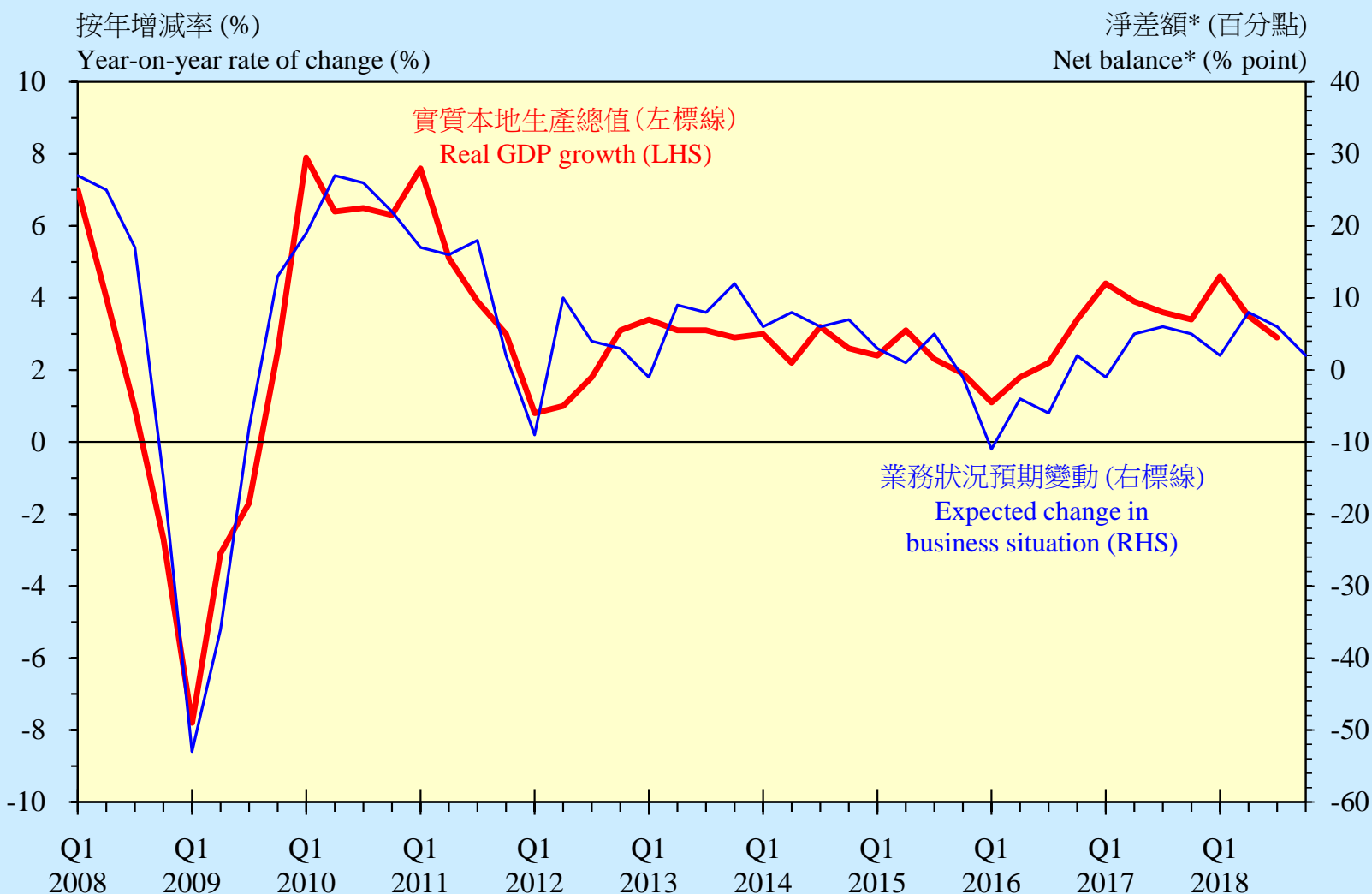
- ◆ **Mainland:** Economy continued to grow solidly, albeit at a slower pace
- ◆ **U.S.:** Economy continued to grow strongly on the back of the expansionary fiscal policy
- ◆ **Euro area & Japan:** Economic activities expanded at a decelerated pace
- ◆ **Rest of Asia:** Many economies recorded solid but somewhat slower expansion

# IMF revised down its 2018 global economic growth forecast, and warned of increasing downside risks

	GDP growth in 2017	IMF forecasts for 2018 GDP growth		
		2018		Change between Jul and Oct
		Jul	Oct	
World	3.7	3.9	3.7	-0.2
U.S.	2.2	2.9	2.9	0.0
Euro area	2.4	2.2	2.0	-0.2
Japan	1.7	1.0	1.1	0.1
Mainland China	6.9	6.6	6.6	0.0
Developing Asia	6.5	6.5	6.5	0.0
Emerging market and developing economies	4.7	4.9	4.7	-0.2



# Local business sentiment became more cautious



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 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.

# HK economy faces increasing external downside risks

- ◆ **Global economic growth has lost some momentum of late**
- ◆ **The US-Mainland trade conflicts have weighed on global economic sentiment, with possible repercussions on trade and investment activities; impacts on Hong Kong's economy likely to become more apparent in the near term**
- ◆ **Global financial and asset markets could become even more volatile amid further tightening of financial conditions across advanced economies, particularly in the US**
- ◆ **Developments related to Brexit, Italy's fiscal situation and geopolitical tensions also warrant close attention**

# **Domestic demand may also be subject to more pressure from the rising external headwinds**

- ◆ **Consumer sentiment, while still being supported by the favourable job and income conditions, could increasingly be affected by the external uncertainties and weaker asset markets**
- ◆ **Local business sentiment has become more cautious in recent months**

# Latest economic forecasts for 2018 as a whole

	Forecasts as released on 10 August	Latest forecasts
Real GDP growth	3-4%	3.2%
Underlying inflation	2.5%	2.7%
Headline inflation	2.2%	2.4%



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