

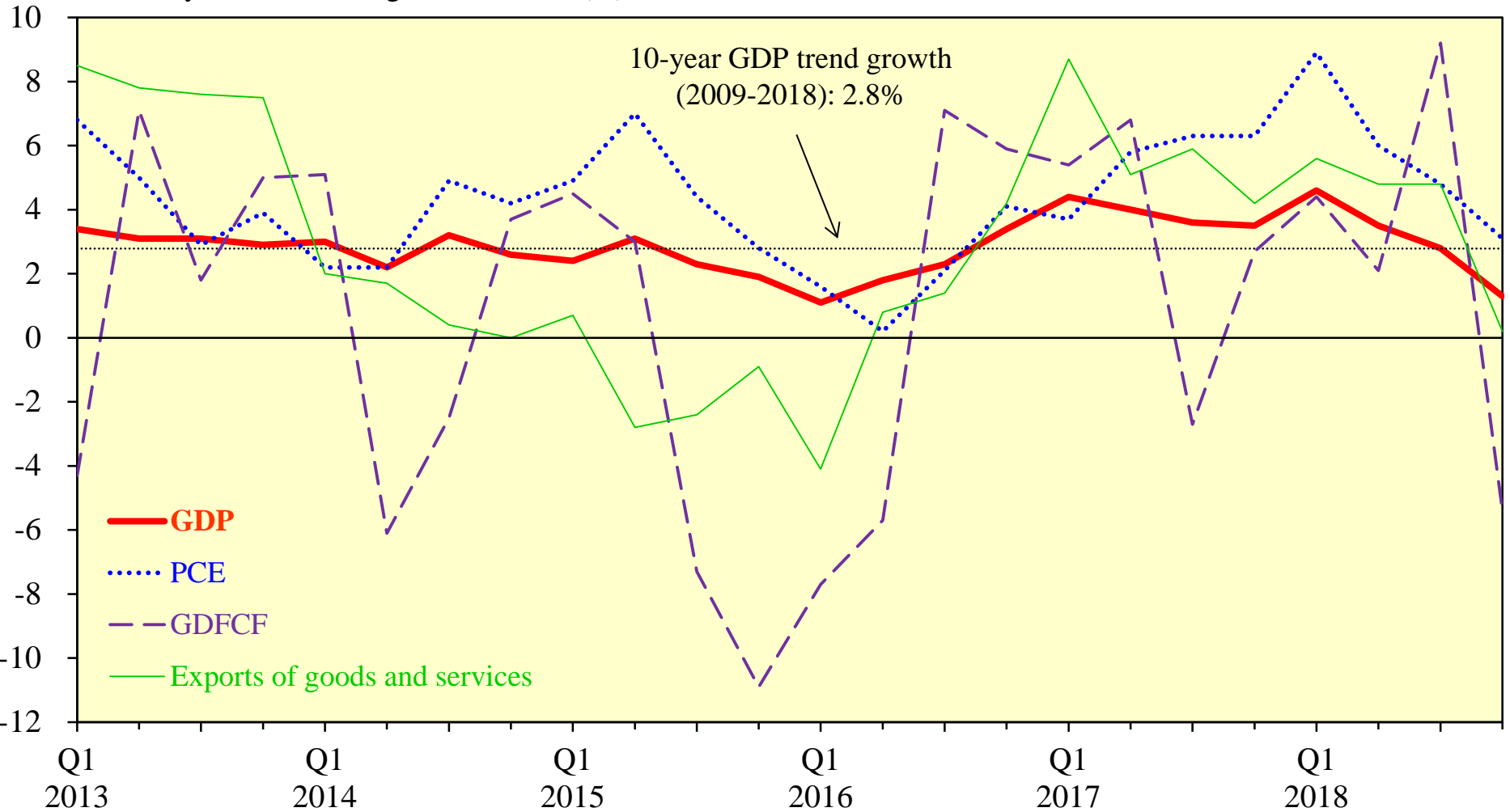
2018 Economic Performance

Salient features of economic performance in 2018

- Hong Kong's economy grew by 3.0% in 2018, marking the second year of above-trend growth. But growth decelerated visibly in the second half of the year
- Exports grew moderately for 2018 as a whole, but slowed sharply in the latter part of the year as global growth eased and the elevated US-Mainland trade conflict took its toll
- Domestic demand was broadly resilient, but faced increasing pressures amid asset market corrections and weakened business sentiment
- Labour market was in full employment. Consumer price inflation went up in 2018, but still at a moderate level

The Hong Kong economy recorded another year of above-trend growth in 2018, but growth decelerated visibly in the second half

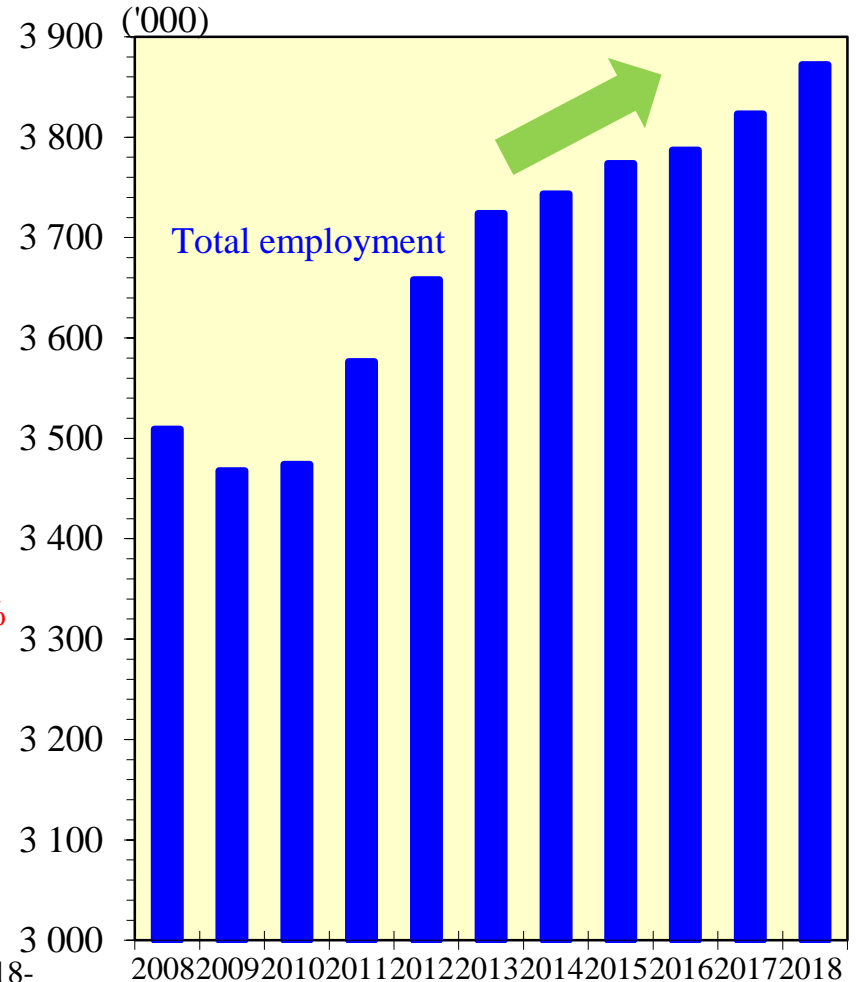
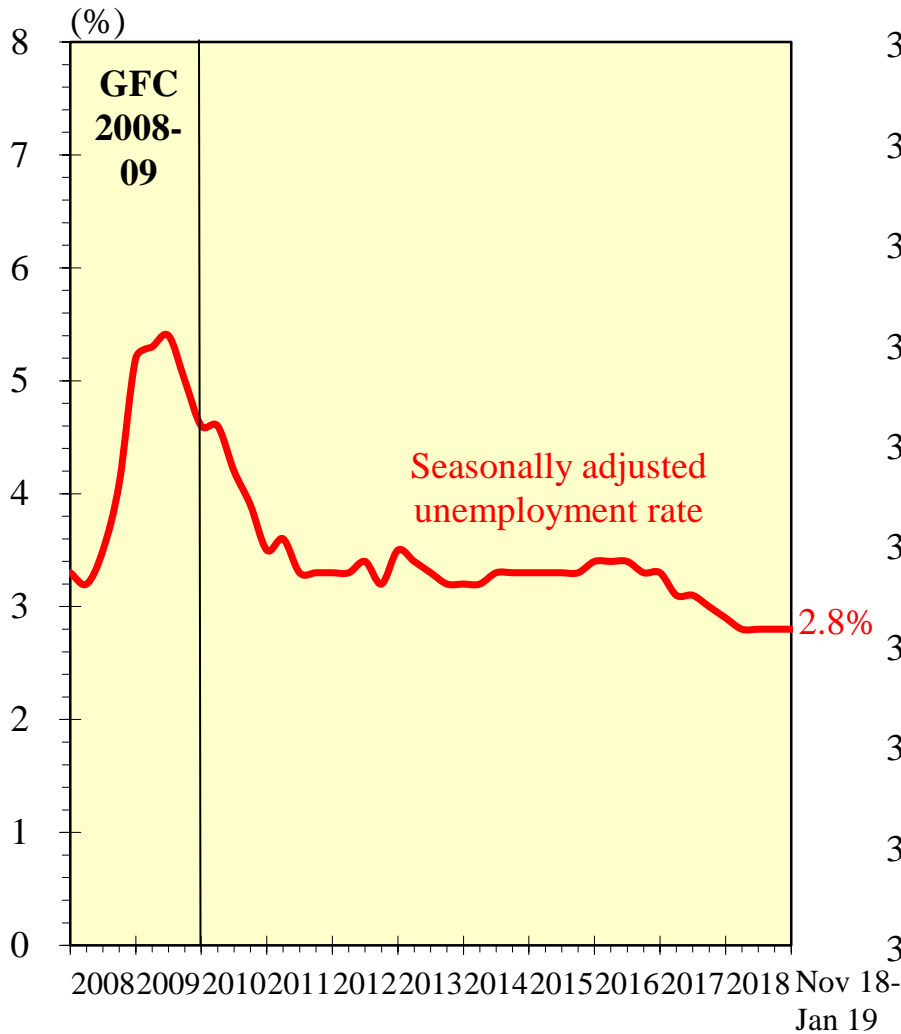
Year-on-year rate of change in real terms (%)



Unemployment rate fell to a 20-year low in 2018

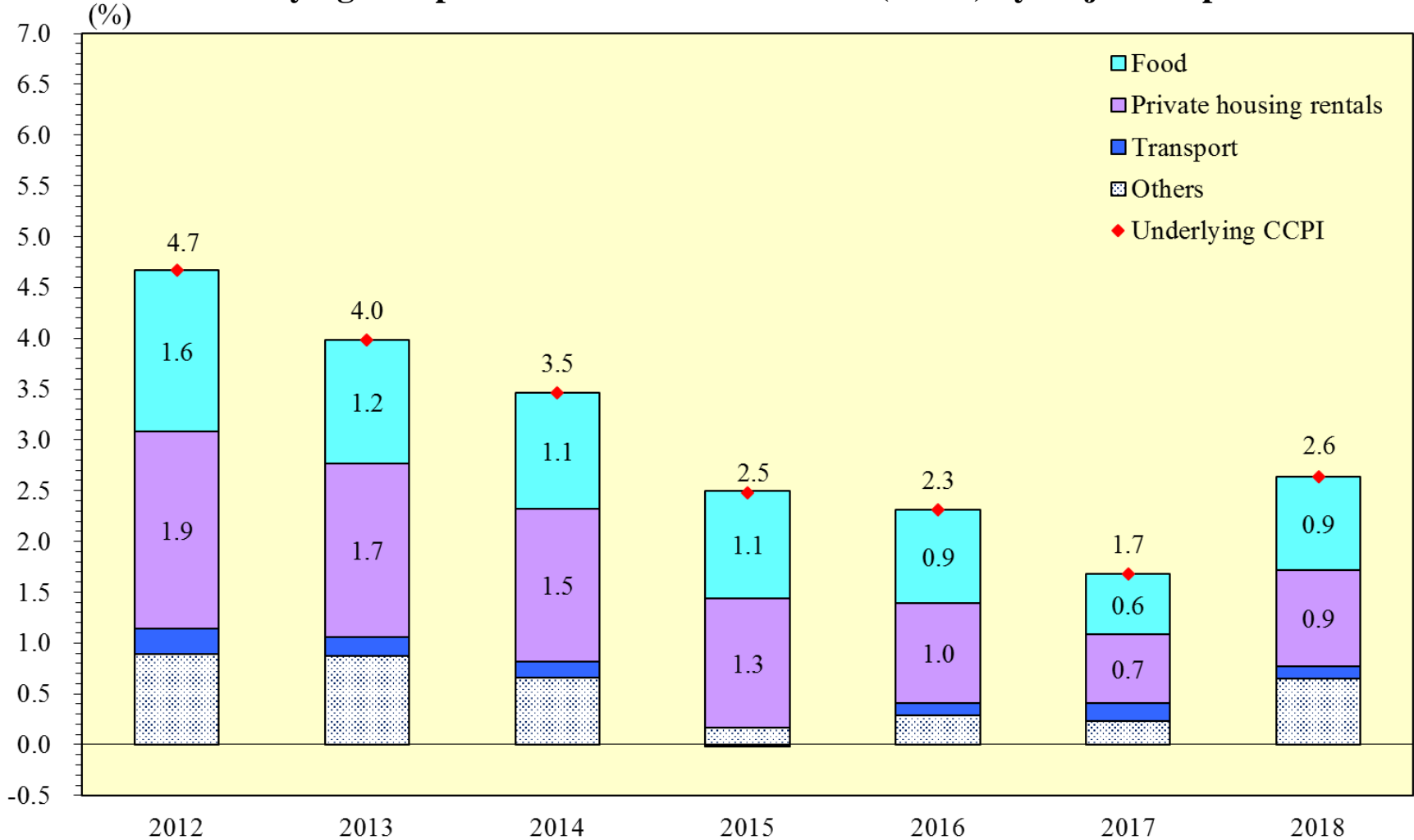
**Latest unemployment rate
at 2.8%**

Employment expanded further



Consumer price inflation went up in 2018, but was still at a moderate level

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



2019 Economic Outlook

2019 economic outlook

- Global economy is likely to decelerate, with high uncertainties. The challenging external environment may pose a drag on Hong Kong's exports
- Private consumption growth is likely to remain moderate in the near term. Investment may be constrained by the cautious business sentiment
 - **Real GDP growth forecast: 2-3%**
- Consumer price inflation may ease slightly amid the expected moderate economic growth
 - **Underlying inflation forecast: 2.5%**

Risks to the growth forecast for 2019

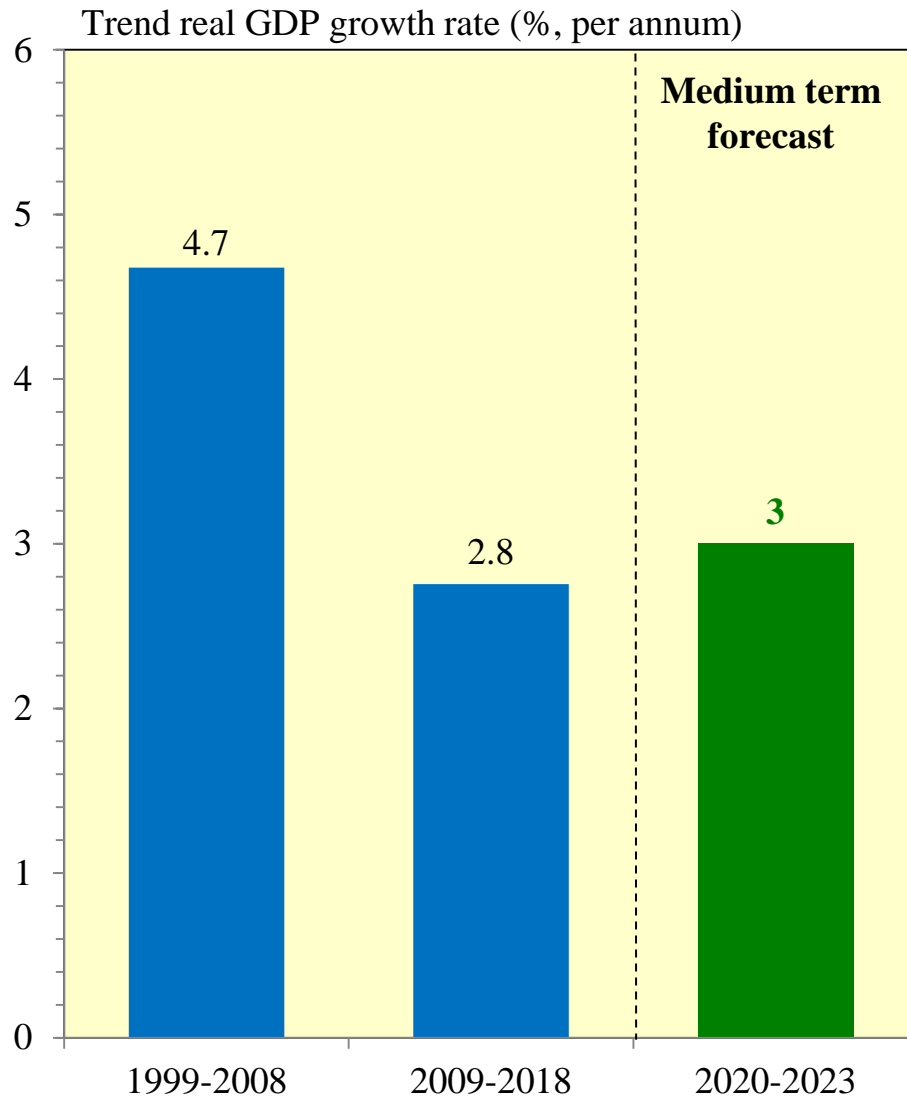
Downside

- US-Mainland trade tensions drag on or even intensify
- Uncertainties surrounding US monetary policy give rise to larger volatility in global financial and asset markets
- “no-deal Brexit”, geopolitical tensions, domestic politics in some advanced economies, etc.

Upside

- The US and the Mainland largely resolve their trade conflict and remove some or all of the additional tariffs introduced earlier

Medium-term economic outlook is bright



- Developing Asian economies, notably the Mainland, remain an important growth engine for the global economy
- Enormous opportunities brought by the Belt and Road Initiative and Guangdong-Hong Kong-Macao Bay Area development
- The Government will strengthen its role as a facilitator and promoter:
 - Address supply-side bottlenecks on land and human capital
 - Spearhead innovation and technology
 - Strengthen HK's ties with other economies
 - Develop new areas of growth