



Hong Kong SAR Government

First Quarter Economic Report 2019 & Updated economic forecasts for 2019

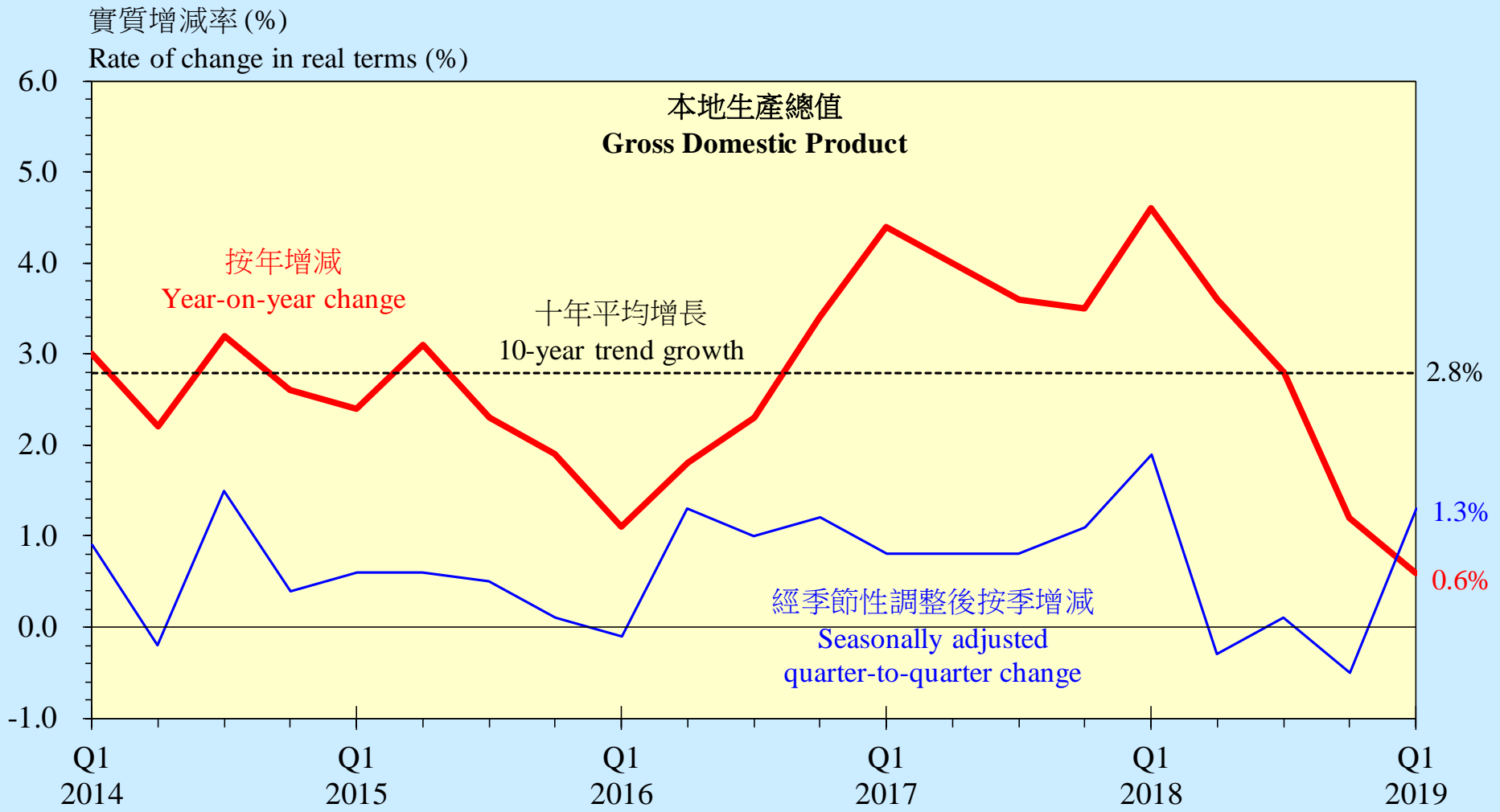
17 May 2019

Highlights of the latest economic situation

- Hong Kong's economy grew modestly by 0.6% in Q1 over a year earlier
- Weaker performance of the global economy, China-US trade conflict and associated uncertainties weighed on economic growth
- The modest year-on-year growth also reflected the high base of comparison in the same quarter last year
- Labour market remained tight; Consumer price inflation went down slightly
- Positive developments so far this year: The better-than-expected performance of the Mainland economy; the solid performance of the emerging market economies in Asia; the earlier improvement in global financial market sentiments
- Real GDP growth forecast for 2019 maintained at 2-3%; underlying inflation rate forecast remained at 2.5%

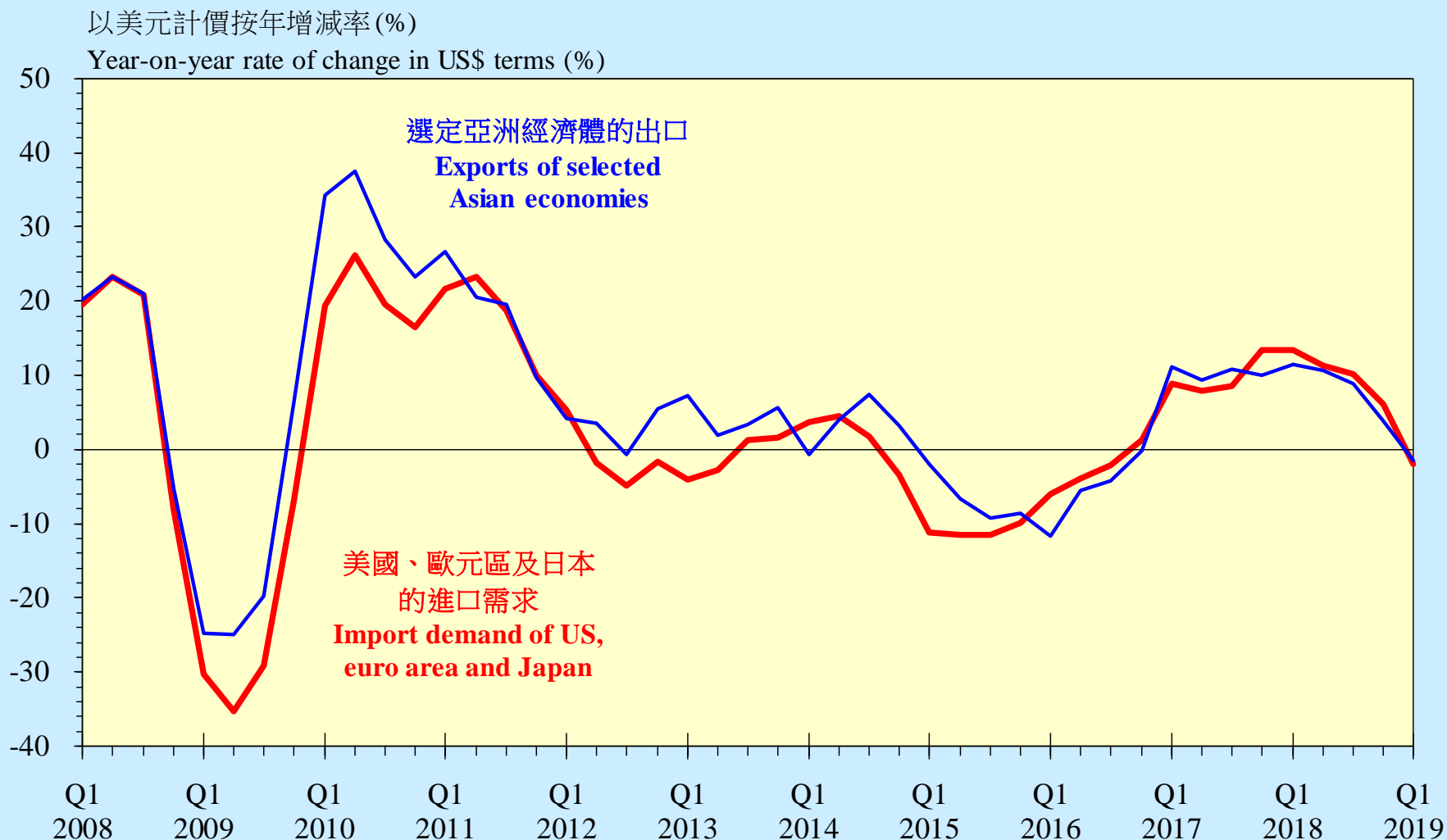
Economic performance in Q1 2019

Hong Kong's economy grew modestly on a year-on-year basis in Q1



External sector

Weaker performance of the global economy, US-China trade conflict and other uncertainties continued to dampen Asia's trade



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。

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

Hong Kong's exports of goods weakened further in Q1, similar to the situations in many Asian economies

實質增減率 (%)
Rate of change in real terms (%)

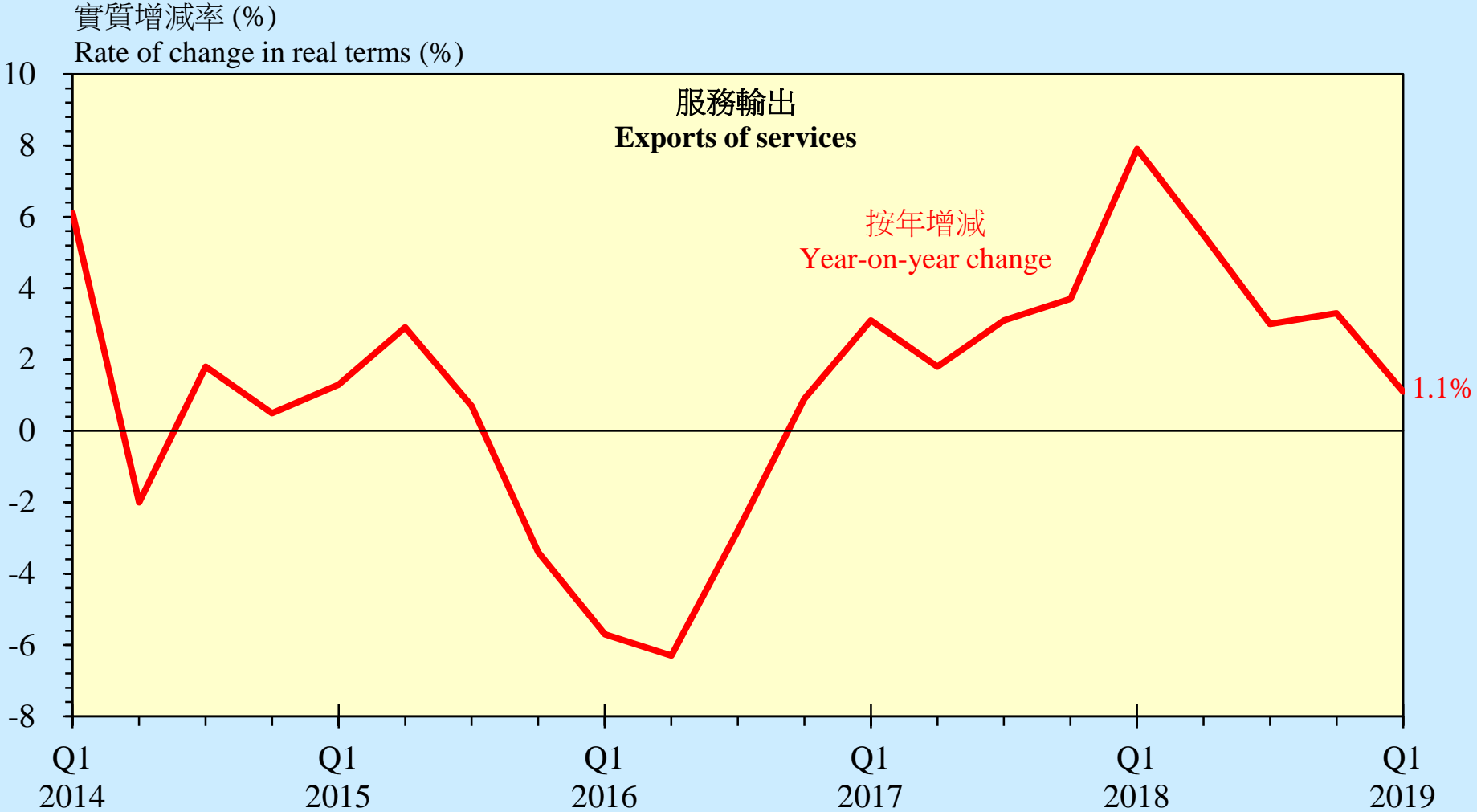


Exports of goods in selected Asian economies in value terms

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

	<u>2018</u>			<u>2019</u>
	<u>Annual</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Mainland	9.9	11.7	3.9	1.3
Japan	5.7	2.4	1.4	-5.7
Taiwan	5.9	3.0	0.1	-4.2
Korea	5.4	1.7	7.7	-8.5
Singapore	10.5	12.1	5.5	-2.7
Indonesia	6.7	8.5	-0.7	-8.5
Thailand	6.7	3.0	2.0	-1.6
Malaysia	13.8	9.5	7.8	-4.7

Exports of services also recorded decelerated growth in Q1



Exports of travel services saw solid growth, exports of other service components turned to decline modestly

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>
2018	Annual	8.7	2.5	5.7	1.3
	Q1	12.7	4.1	9.6	1.5
	Q2	10.6	2.9	7.0	1.6
	Q3	4.7	2.0	2.1	2.0
	Q4	7.2	1.0	3.7	0.3
2019	Q1	4.4	-0.9	-0.4	-0.5

Domestic sector

Private consumption expenditure grew marginally against a high base of comparison in the same quarter of last year

實質增減率 (%)

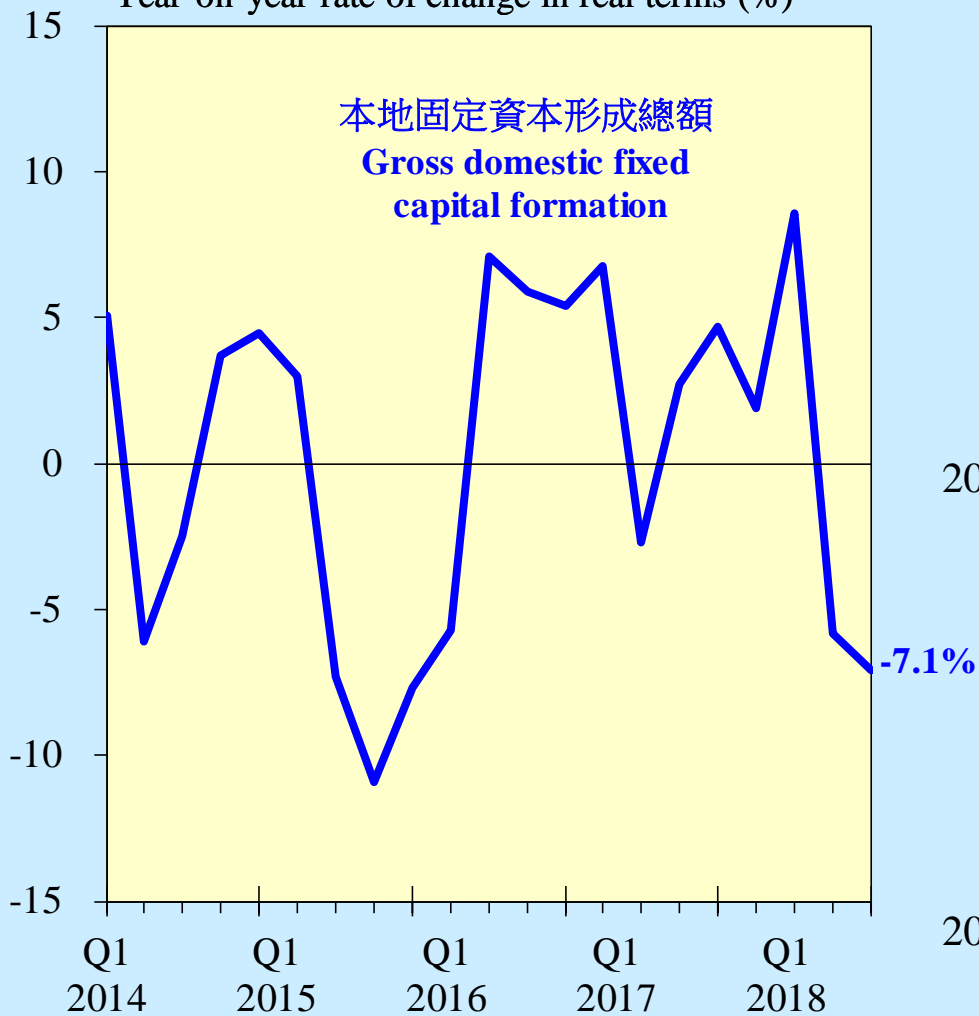
Rate of change in real terms (%)



Overall investment expenditure continued to fall as business sentiment has turned cautious since the latter part of last year

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 (%)

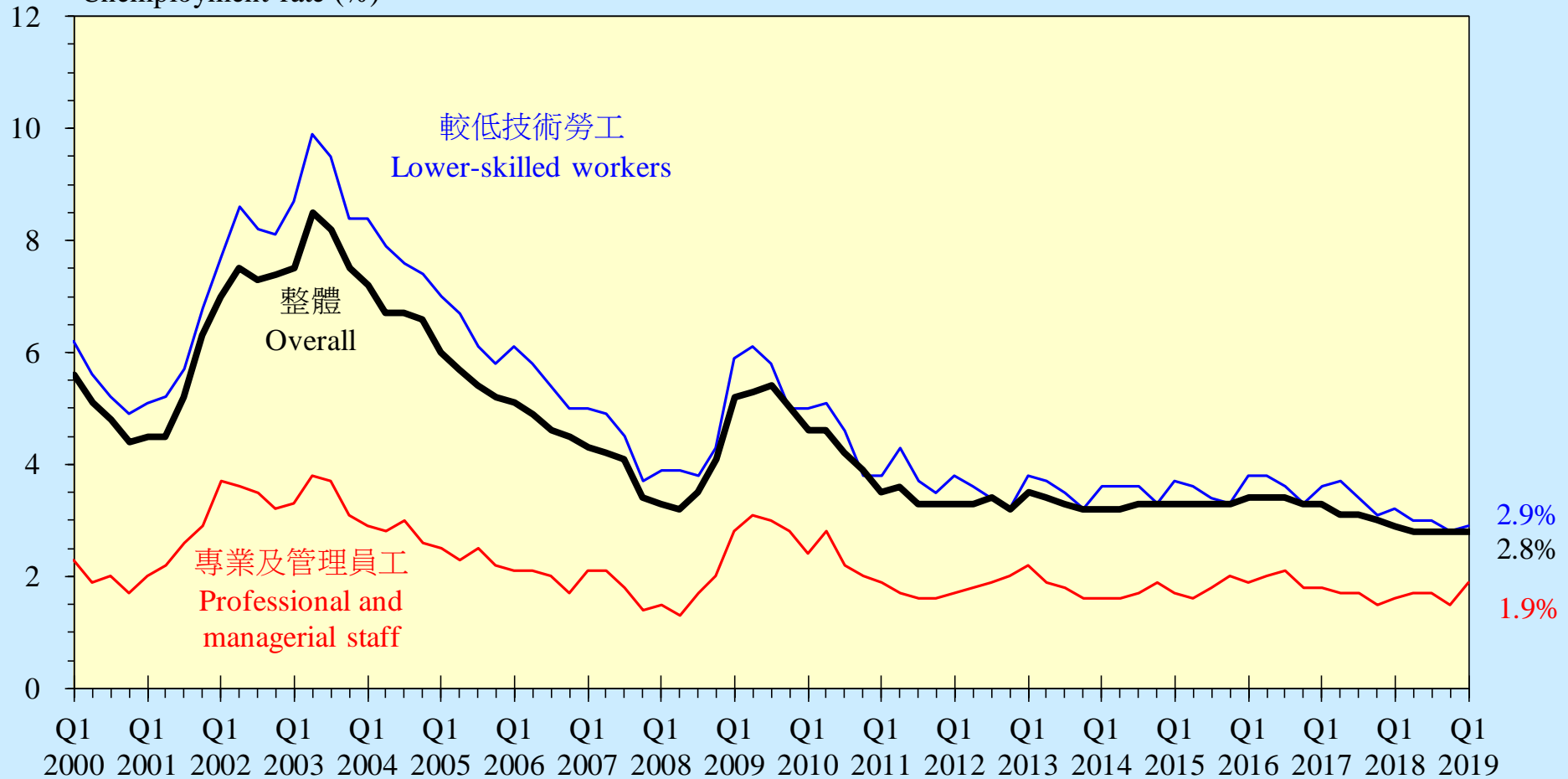
		<u>Machinery, equipment and intellectual property products</u>	<u>Building and construction</u>
2018	Annual	8.9	-0.6
	Q1	5.5	2.2
	Q2	4.2	-0.9
	Q3	21.0	1.3
	Q4	4.7	-4.9
2019	Q1	-1.8	-3.5

Labour market

Labour market remained tight

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.

Wages and earnings continued to attain real gains

	<u>Income*</u>	
	Year-on-year rate of change (%)	
	<u>Nominal growth</u>	<u>Real growth</u>
Index of payroll per person engaged (Q4 2018)	3.7	1.1
Wage index (December 2018)	4.1	1.0
Median monthly household income (Q1 2019)	4.0	1.8
Average monthly employment earnings of full-time employees of the lowest three decile groups (Q1 2019)	4.2	1.6

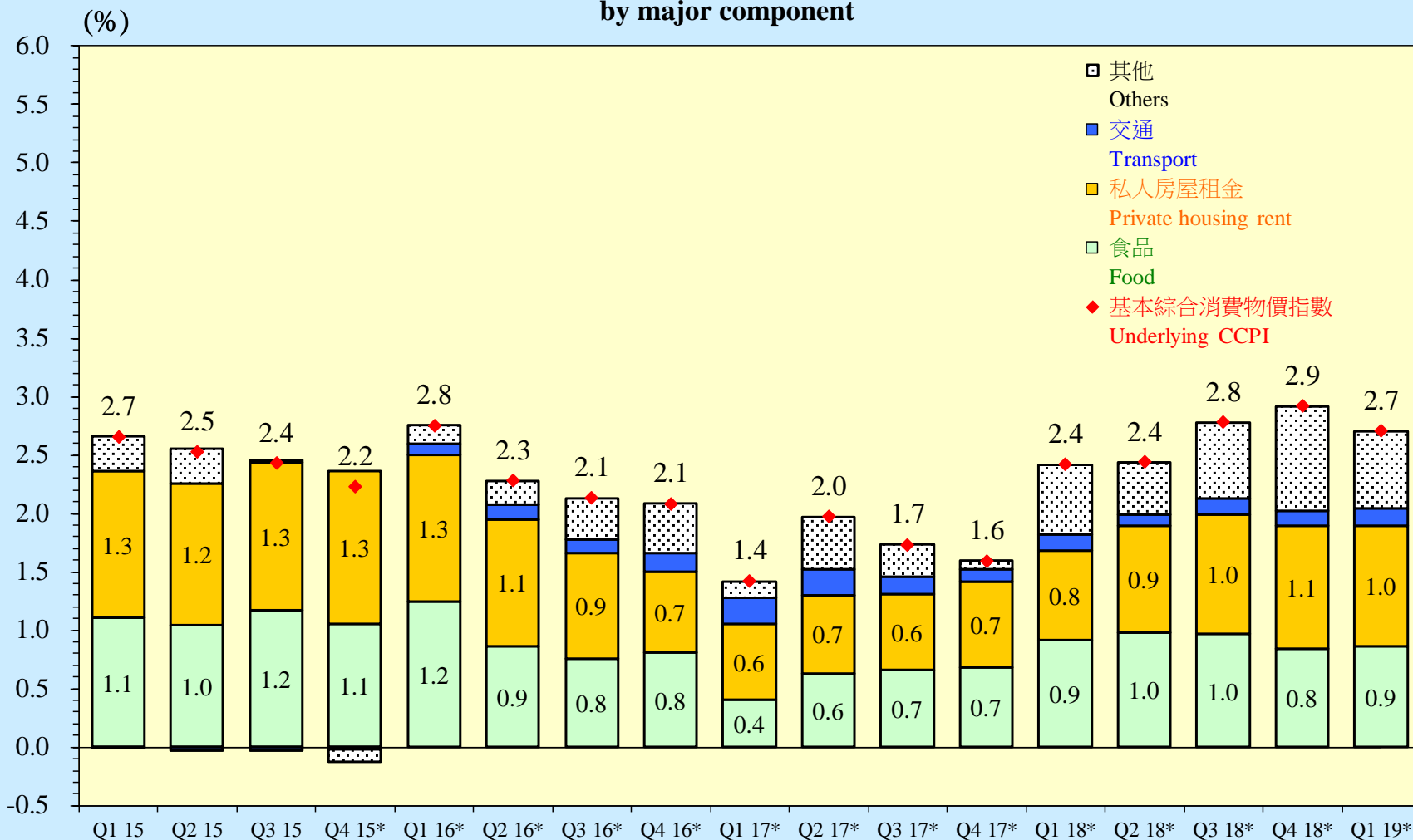
Note: (*) Excluding foreign domestic helpers.

Inflation

Consumer price inflation went down slightly

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



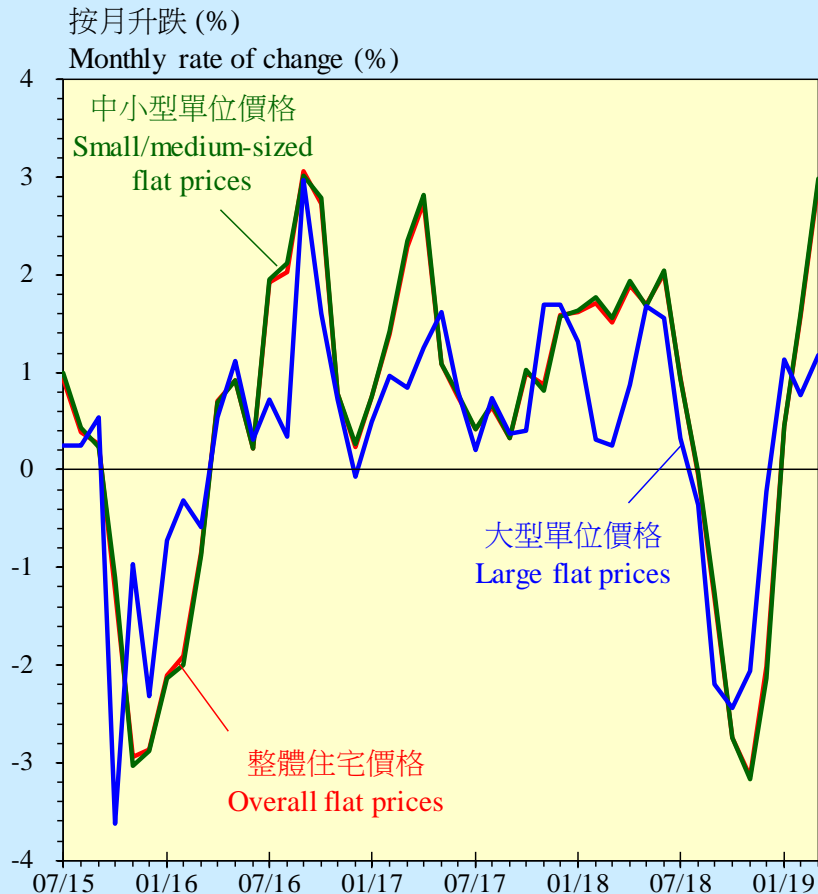
註： (*) 根據以二零一四至一五年度為基期的消費物價指數新數列計算。

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

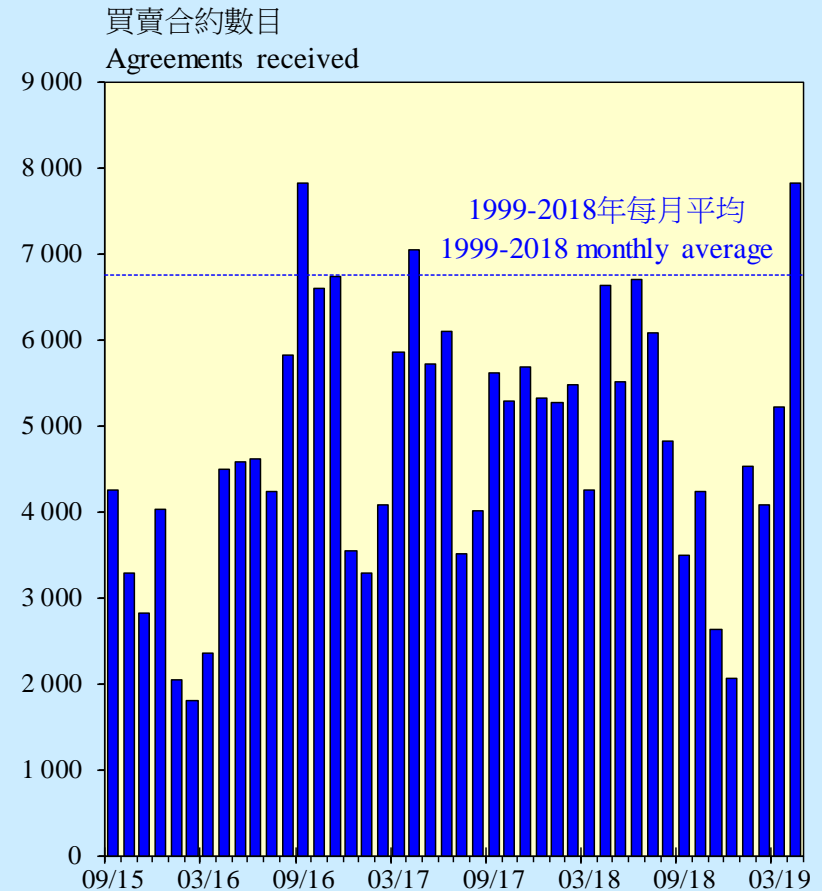
Property market

The residential property market rebounded

住宅售價
Flat prices



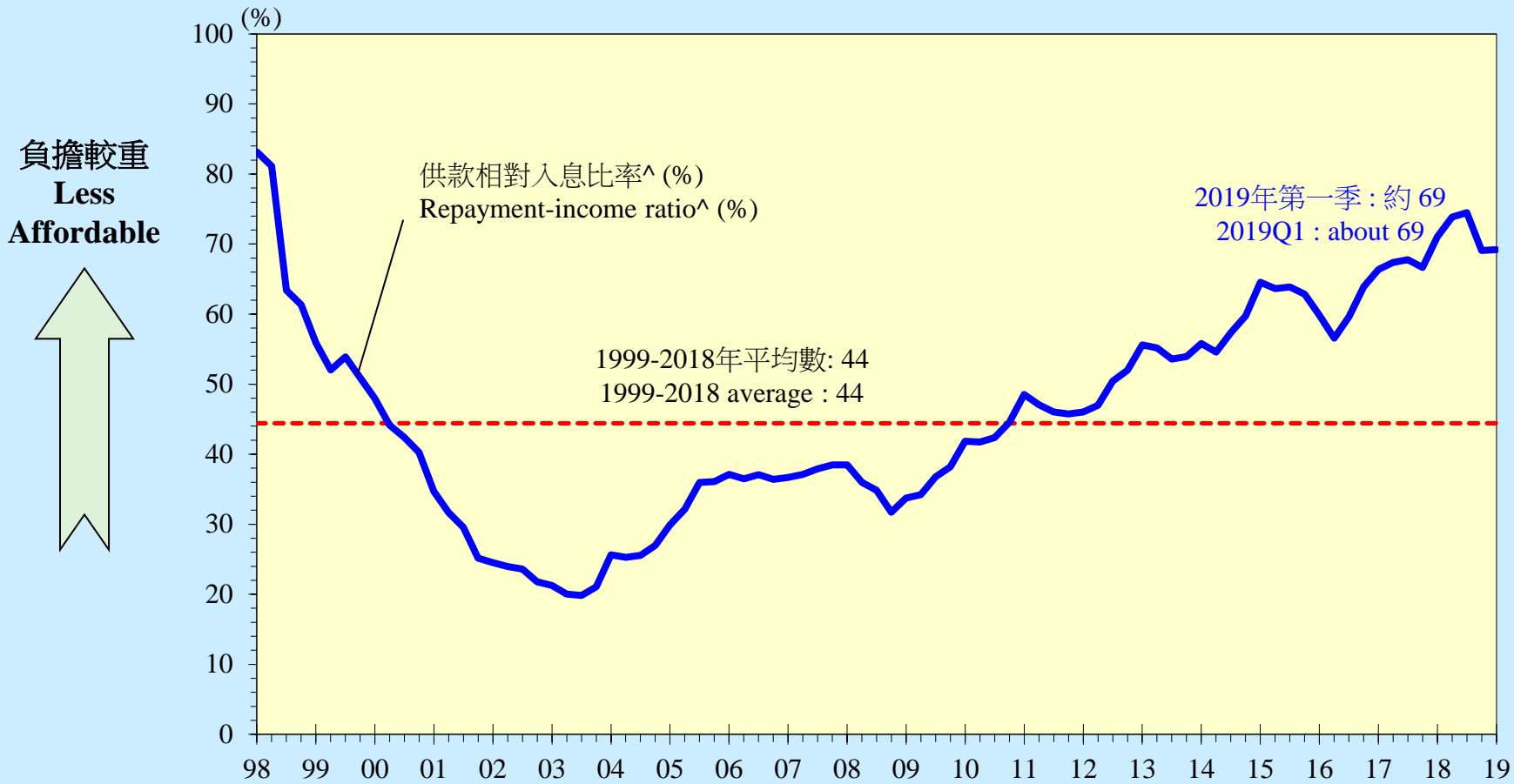
住宅物業買賣合約數目
No. of S&P agreements for residential property



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 m², while large flats refer to those with a saleable area of at least 100 m².

Index of home purchase affordability (i.e. mortgage repayment to income ratio) remained 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 mortgagees 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 2019

Global outlook hinges on the outcome of the trade talks

- ◆ **Mainland:** Economy has held stable, notwithstanding the external downward pressures
- ◆ **U.S.:** Economy still growing solidly, but its private consumption and fixed investment seem to have lost some momentum
- ◆ **Euro area :** Economic growth remains modest
- ◆ **Rest of Asia:** Higher-income economies have showed slower growth; Developing economies generally have stayed resilient

IMF revised downwards its 2019 global economic growth forecast in April

	GDP growth in 2018	IMF forecasts for 2019 GDP growth		
		2019		Change between Jan and Apr
		Jan	Apr	
World	3.6	3.5	3.3	-0.2
U.S.	2.9	2.5	2.3	-0.2
Euro area	1.8	1.6	1.3	-0.3
Japan	0.8	1.1	1.0	-0.1
Mainland China	6.6	6.2	6.3	0.1
Developing Asia	6.4	6.3	6.3	0.0
Emerging market and developing economies	4.5	4.5	4.4	-0.1

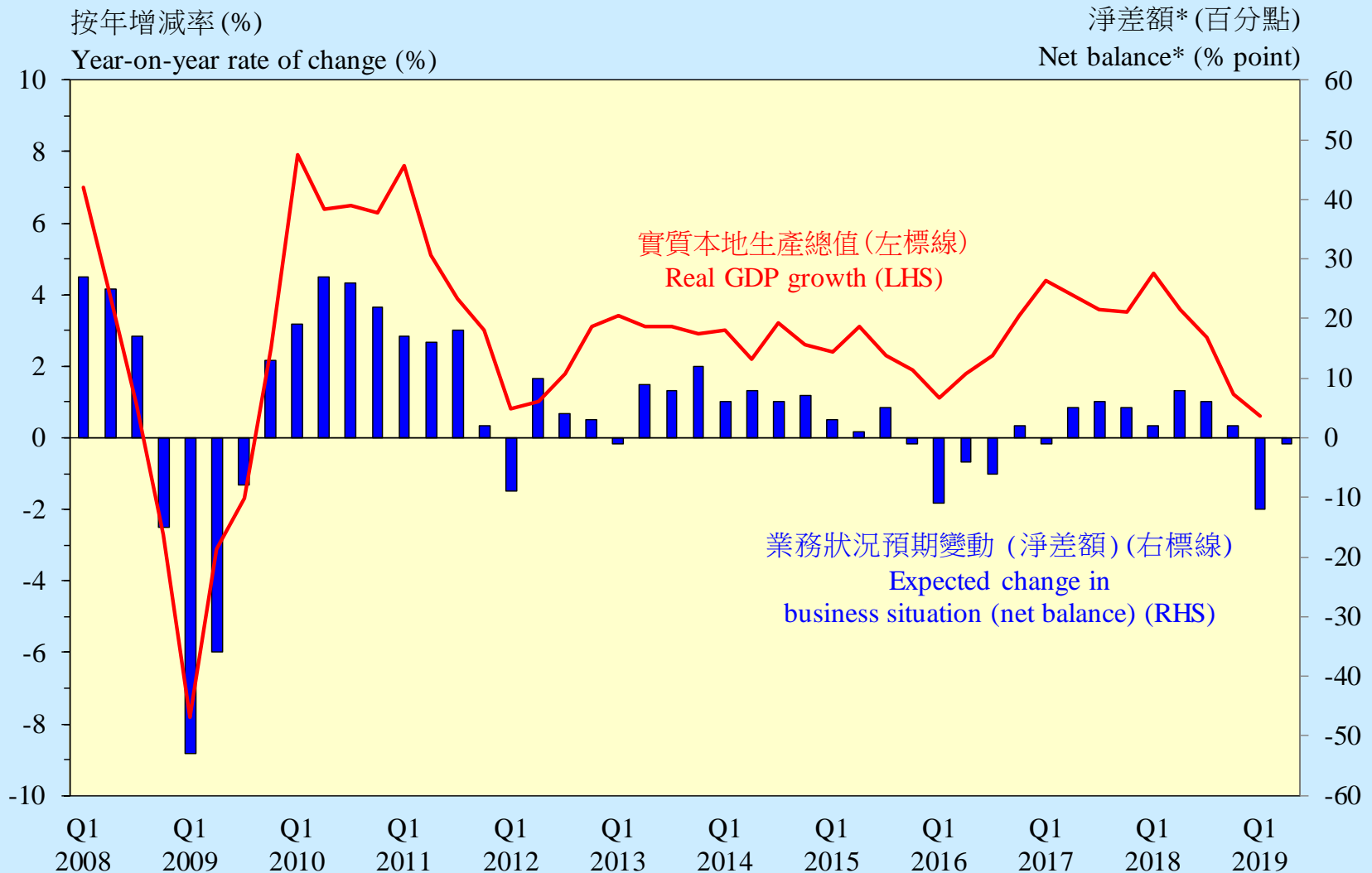
HK economy continues to face various uncertainties

- ◆ **The outlook for the global economy is still clouded by uncertainties**
- ◆ **US-Mainland trade tensions have escalated again. The US-China trade relations, together with disputes between the US and its trading partners, could remain sources of uncertainties, with potential implications for global economic and financial stability**
- ◆ **Brexit, geopolitical tensions, and domestic politics in some advanced economies**

Yet, there have been some positive developments in the external environment so far this year

- ◆ **The better-than-expected performance of the Mainland economy**
- ◆ **The solid performance of the emerging market economies in Asia**
- ◆ **The earlier improvement in global financial sentiments**

Local business sentiment, albeit still cautious, displayed some relative improvement



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.

Hiring sentiment remained largely positive

	Hiring expectations by sector (net balance*)			
	<u>18Q3</u>	<u>18Q4</u>	<u>19Q1</u>	<u>19Q2</u>
Import/export trade and wholesale	-7	-1	-6	-4
Retail	+11	+13	+4	+1
Accommodation and food services	+13	+14	+9	+12
Transportation, storage and courier services	+10	+16	+11	+6
Information and communications	0	+15	-11	+11
Professional and business services	-1	+3	-4	-8
Financing and insurance	+21	+12	+20	+12

Note: (*) Net balance indicates the direction of expected change in number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “up” over that choosing “down”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

Latest economic forecasts for 2019 as a whole

	Forecasts as released on 27 February	Latest forecasts
Real GDP growth	2-3%	2-3%
Underlying inflation	2.5%	2.5%
Headline inflation	2.5%	2.5%



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