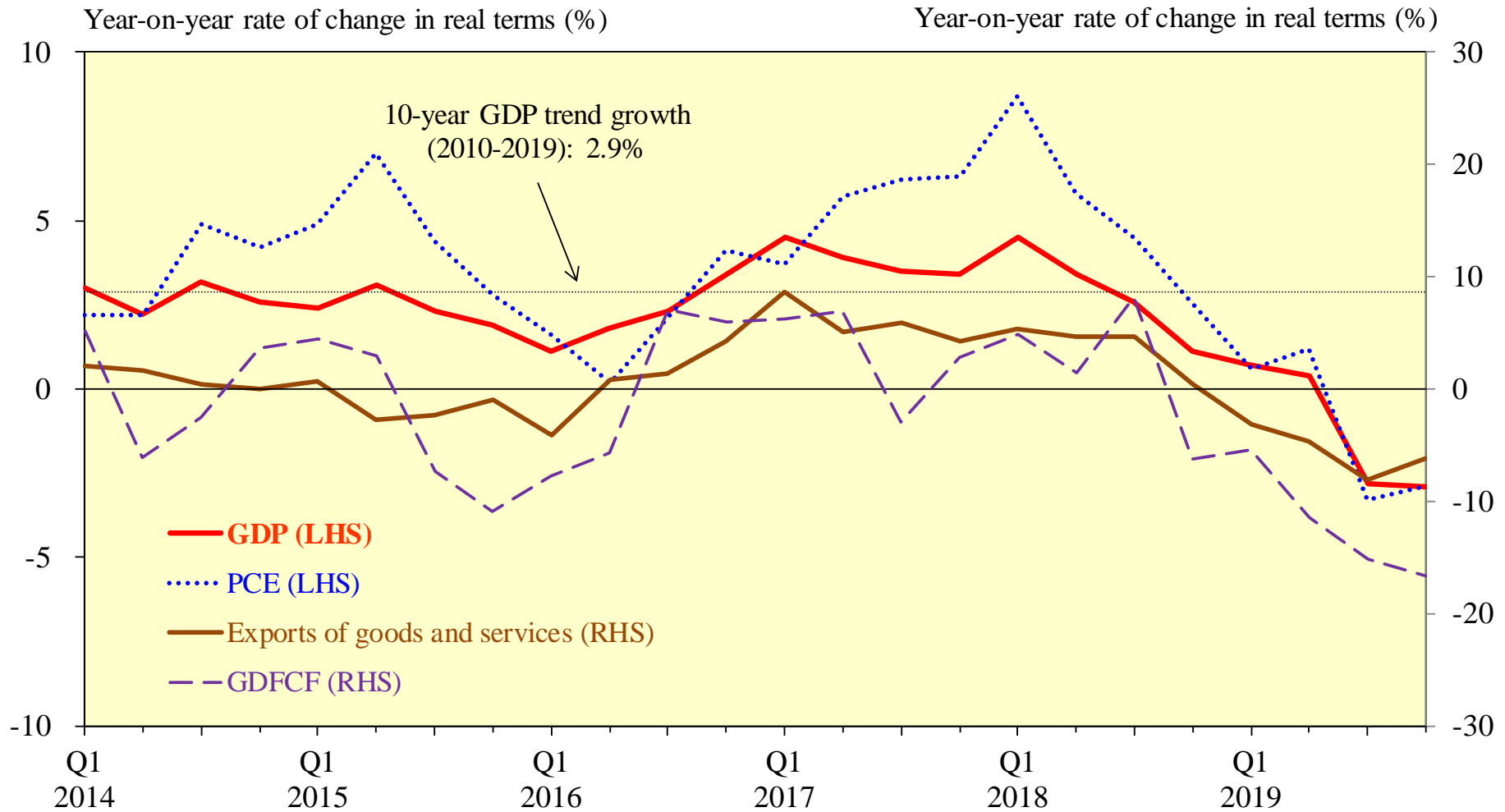


# **2019 Economic Performance**

# Salient features of economic performance in 2019

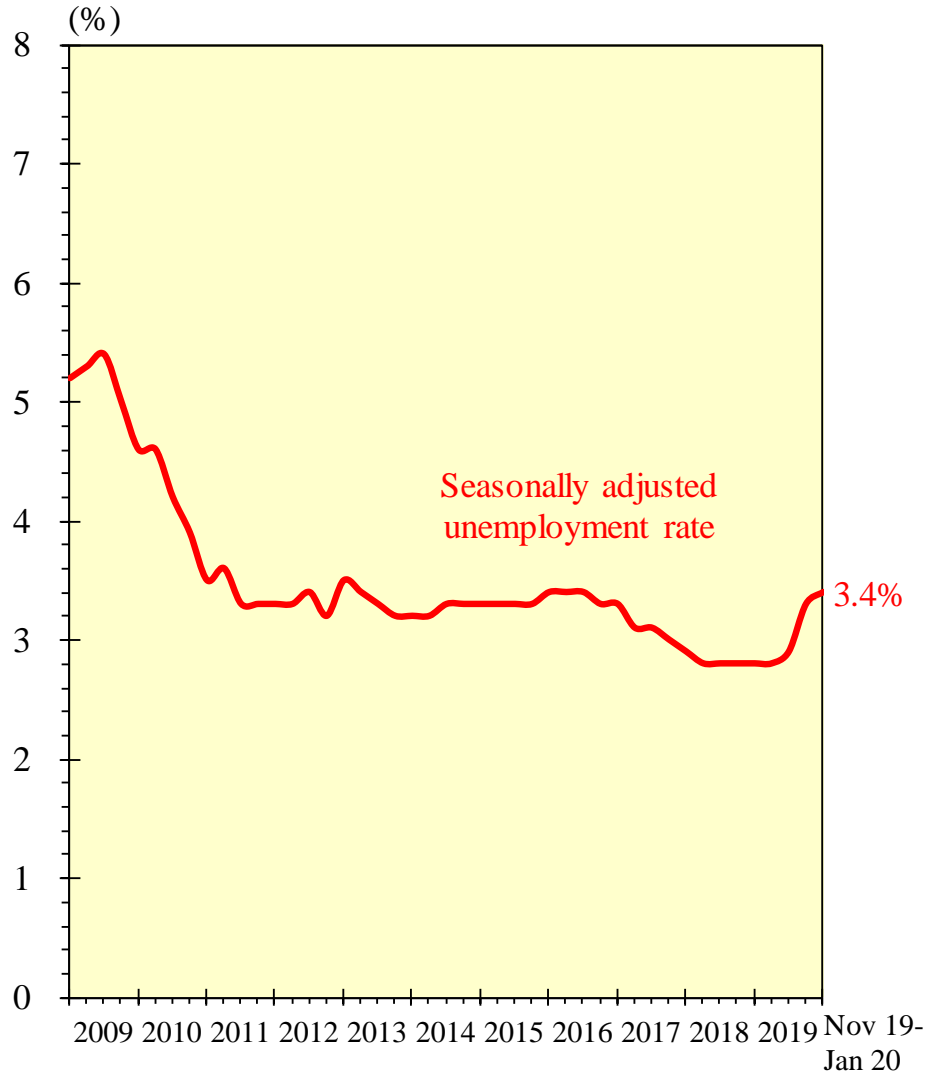
- The Hong Kong economy went through a difficult year in 2019. Real GDP contracted by 1.2%, the first annual decline since 2009
- Exports of goods turned to a fall, as the global economic slowdown and US-Mainland trade tensions dampened trade and investment worldwide. Exports of services registered the biggest annual decline on record, as the social unrest caused a severe setback in inbound tourism in the second half of the year
- Domestic demand retreated, especially in the second half when consumption-related activities and economic sentiment were severely affected by the local social incidents
- Labour market was increasingly under pressure during the year
- Consumer price inflation went up, primarily due to a sharp increase in pork prices

# Hong Kong economy entered recession in the second half of 2019 and contracted for the year as a whole

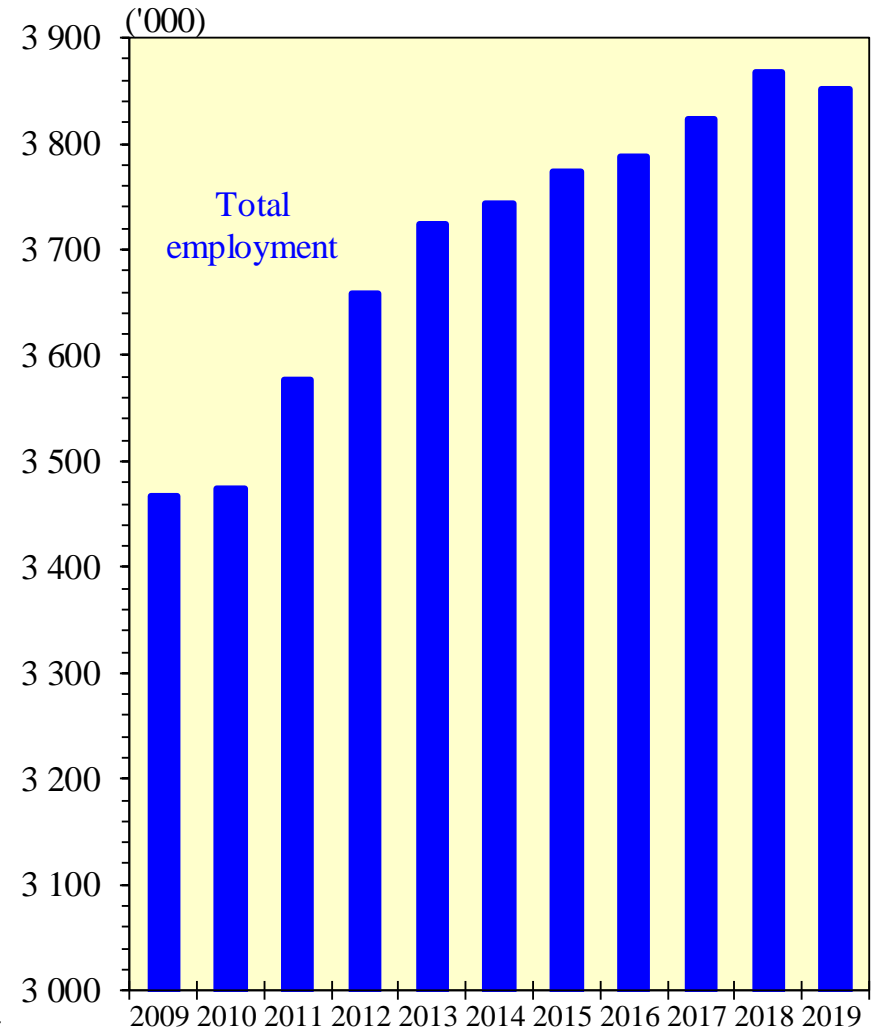


# Labour market was increasingly under pressure during 2019

**Latest unemployment rate went up to a 3-year high of 3.4%**

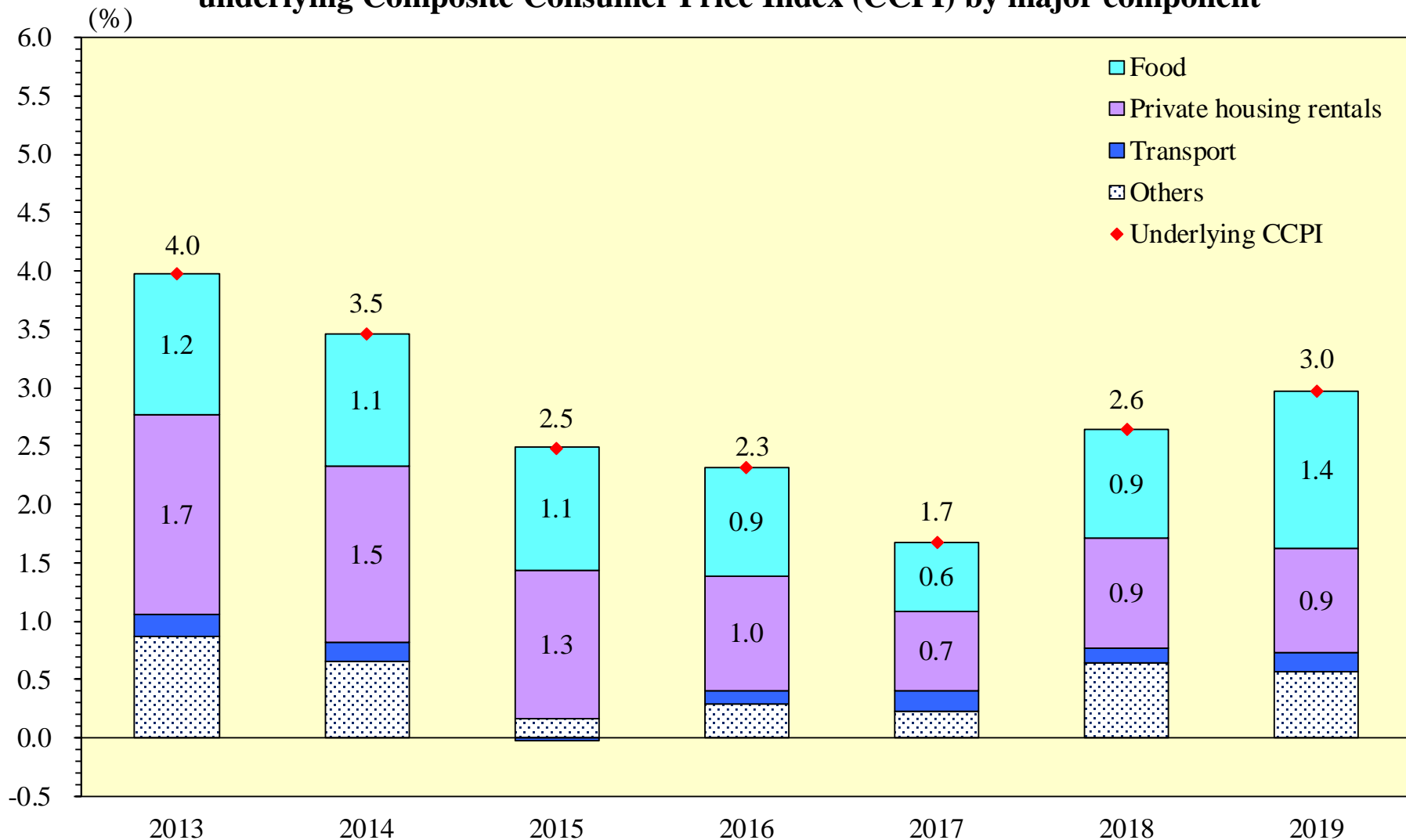


**Employment recorded first decline in 10 years**



# Consumer price inflation went up in 2019, primarily due to a sharp increase in pork prices amid reduced supply of fresh pork since May 2019

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



# **2020 Economic Outlook**

# 2020 economic outlook

- The near-term outlook for the Hong Kong economy is extremely challenging, and subject to a high degree of uncertainty
- The outturn for the economy will hinge on the development of the novel coronavirus infection, the US-Mainland trade relations and the local social incidents
  - **Real GDP growth forecast: -1.5% to +0.5%**
- External price pressures should remain contained and domestic cost pressures should be kept at bay
  - **Underlying inflation forecast: 2.5%**

# Risks to the growth forecast for 2020

## *Downside*

- The severe impact of the novel coronavirus infection lasts longer than expected
- The social unrest persists
- US-Mainland trade tensions re-escalate
- Disorderly “Brexit” by end of 2020, financial vulnerabilities in a low interest rate environment, geopolitical tensions, etc.

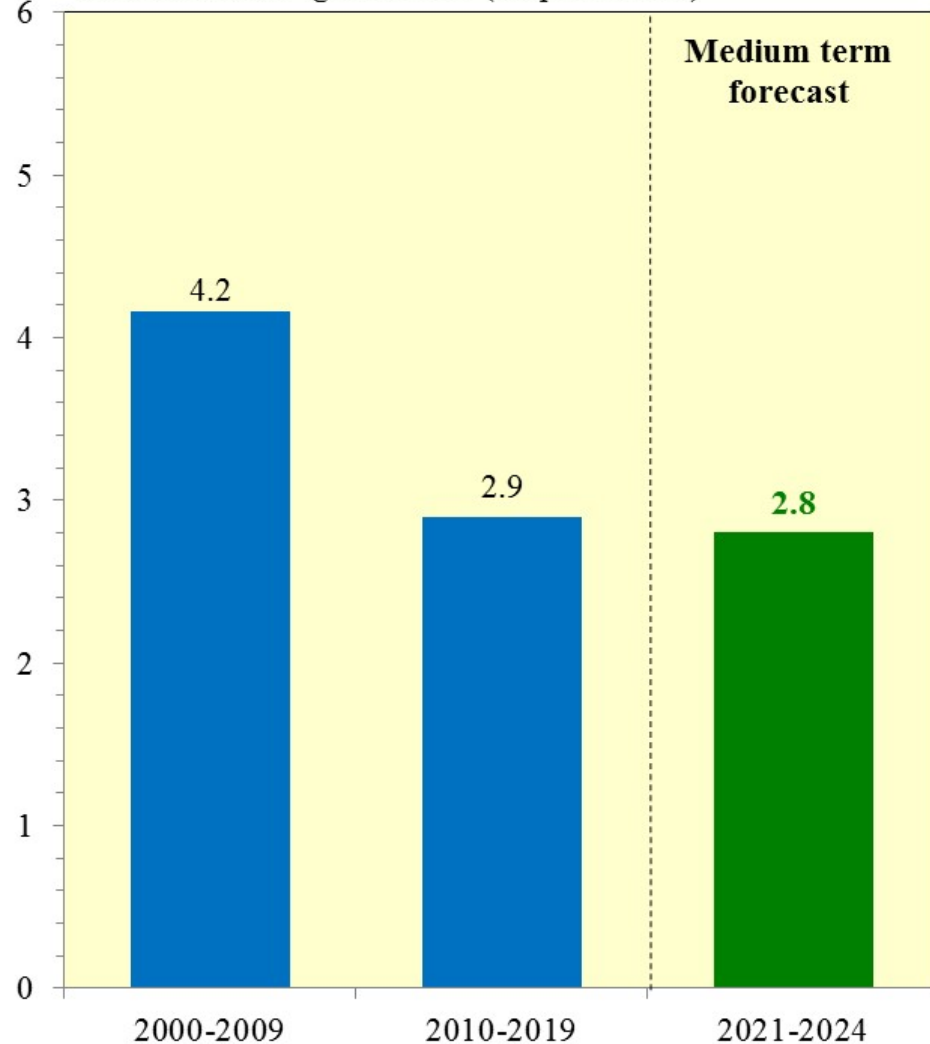
## *Upside*

- Stronger-than-expected global recovery, some rollback of existing trade barriers, quick control of the infection, etc.



# Medium-term economic outlook is positive

Trend real GDP growth rate (% per annum)



- Asia, notably the Mainland, will continue to be a major global growth driver in the years to come
- Enormous business opportunities brought about by deeper economic and financial ties with the Mainland
- The Government will continue to play its role of “facilitator” and “promoter” in a proactive manner to tackle supply-side constraints, spearhead innovation and technology, and promote new areas of growth