



# Hong Kong SAR Government

## First Quarter Economic Report 2020 & Updated economic forecasts for 2020

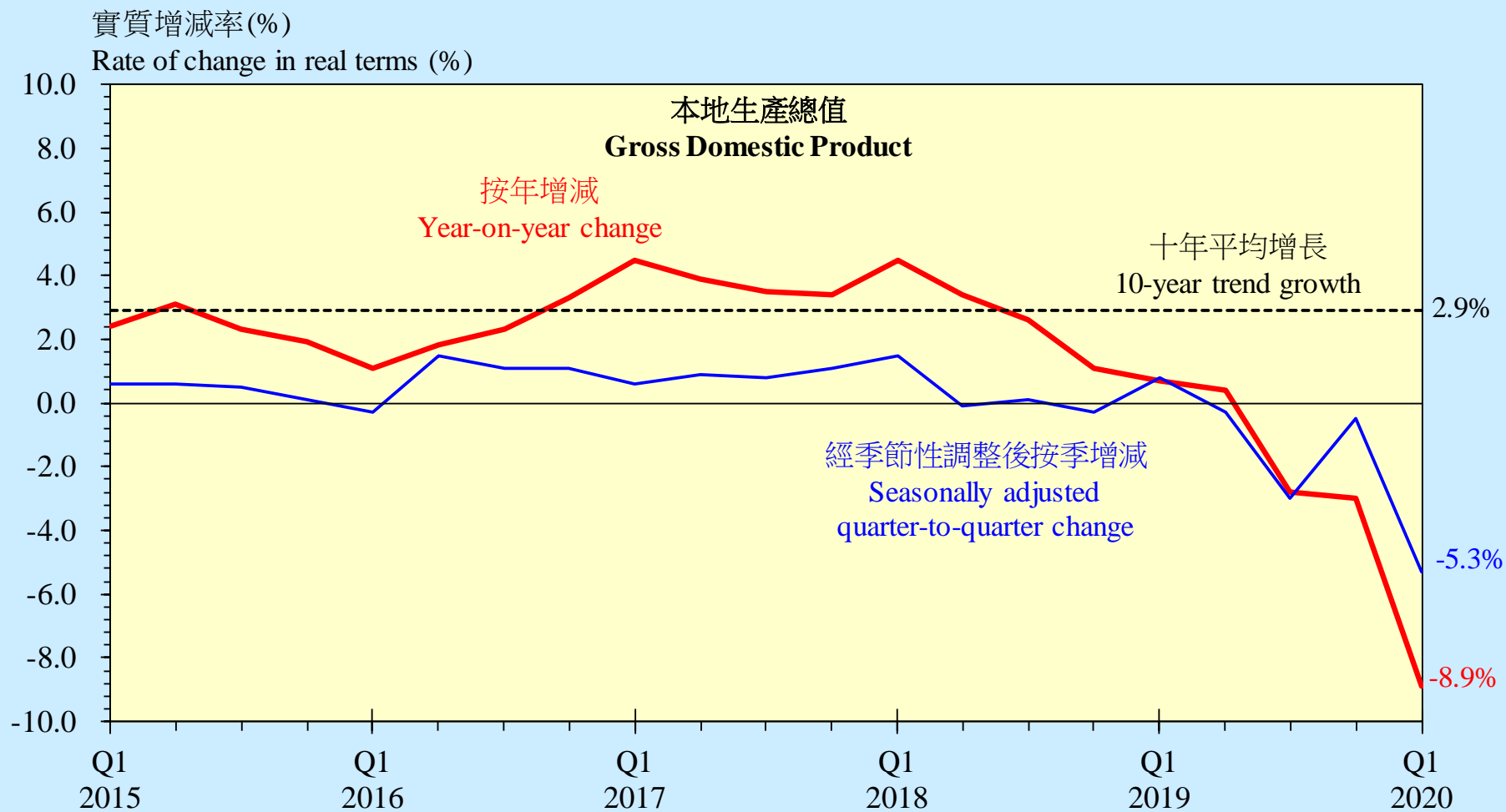
15 May 2020

## Highlights of the latest economic situation

- Hong Kong's economic recession deepened in Q1. Real GDP contracted sharply by 8.9% from a year earlier, the steepest for a single quarter on record
- The threat of COVID-19 and resulting social distancing measures seriously disrupted consumption-related activities
- Export performance was weighed by the serious impact on the regional supply chains and related trading activities amid the threat of COVID-19
- Labour market showed further deterioration; Consumer price inflation remained moderate
- Economic growth forecast for 2020 has been revised downwards to -4% to -7%; Underlying inflation rate forecast is revised downwards to 2.2%

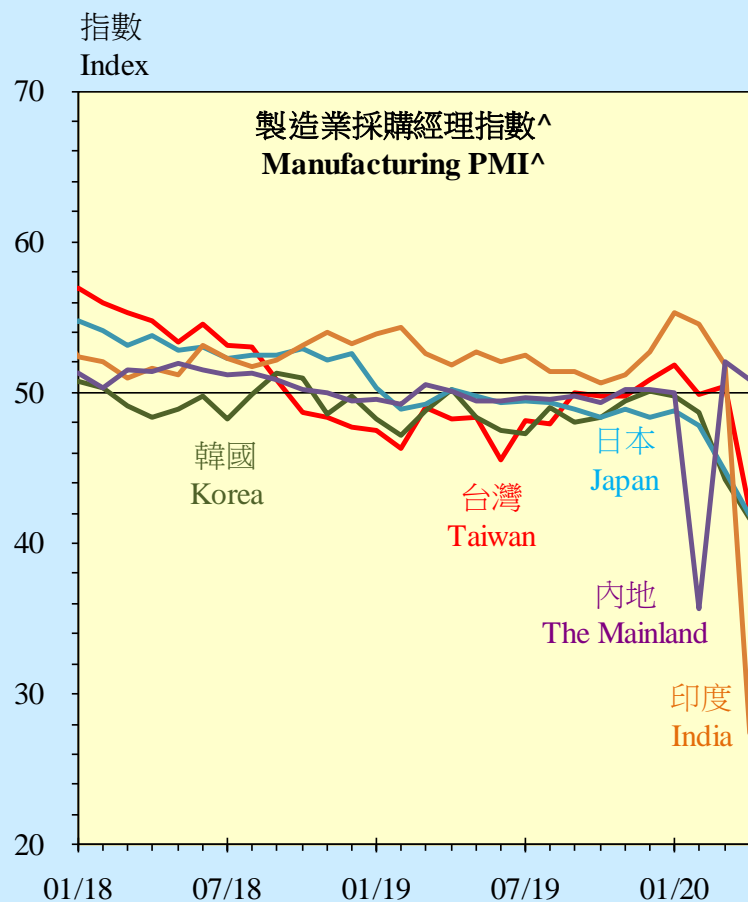
# **Economic performance in Q1 2020**

# The Hong Kong economy contracted by the steepest pace on record both year-on-year and quarter-to-quarter in Q1

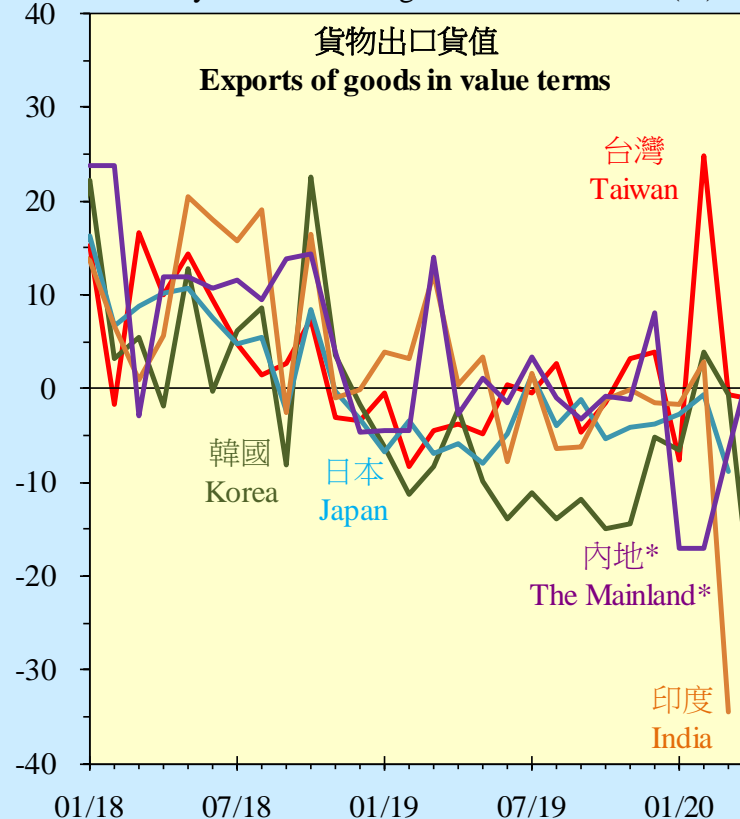


# External sector

# Regional production and trading activities weakened visibly since March



以美元計算的按年增減率(%)  
Year-on-year rate of change in US dollar terms (%)



註： (^) 內地的數字為官方製造業採購經理指數；其他經濟體的數字為Markit製造業採購經理指數。

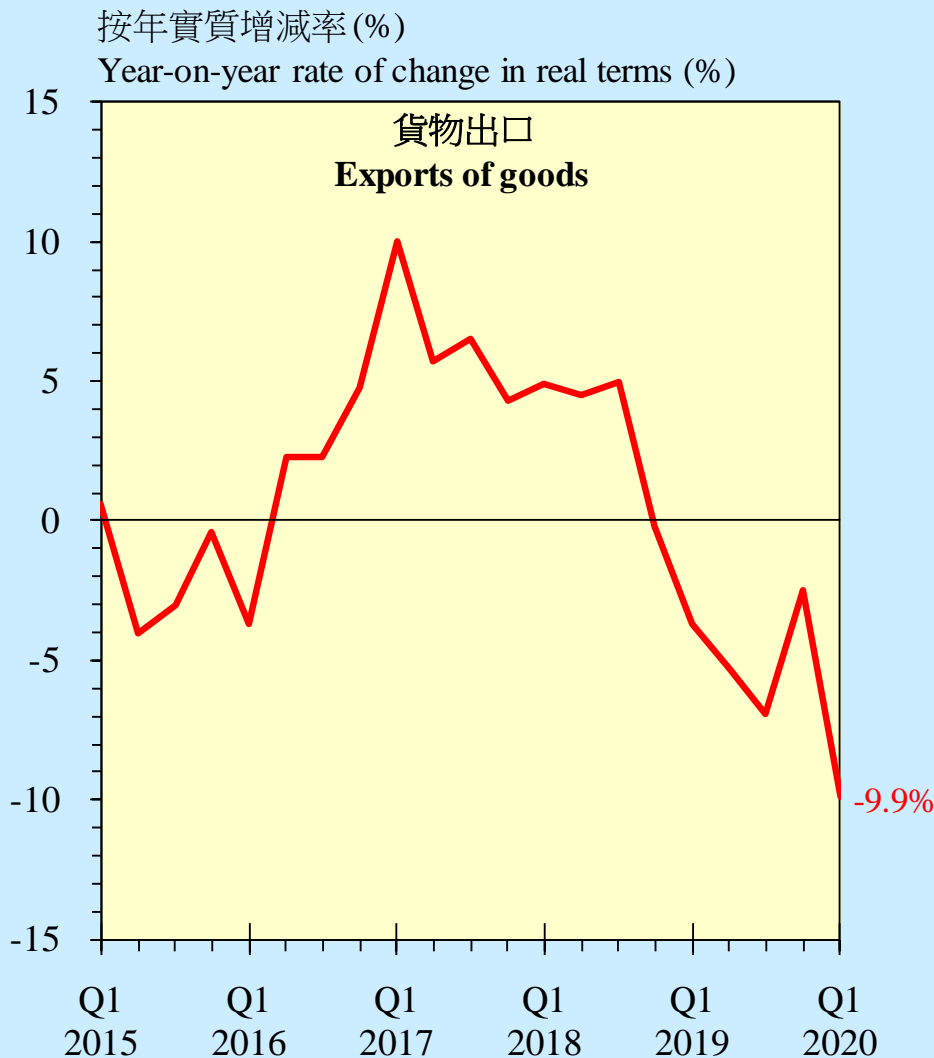
(\* ) 內地在一月和二月的數字為該兩個月份合計的平均增減率。

Notes: (^) Official manufacturing PMI for the Mainland; Markit manufacturing PMI for other economies.

(\* ) The figures for the Mainland in January and February refer to the average rate of change for the two months combined.

# Exports of goods to many major markets fell sharply

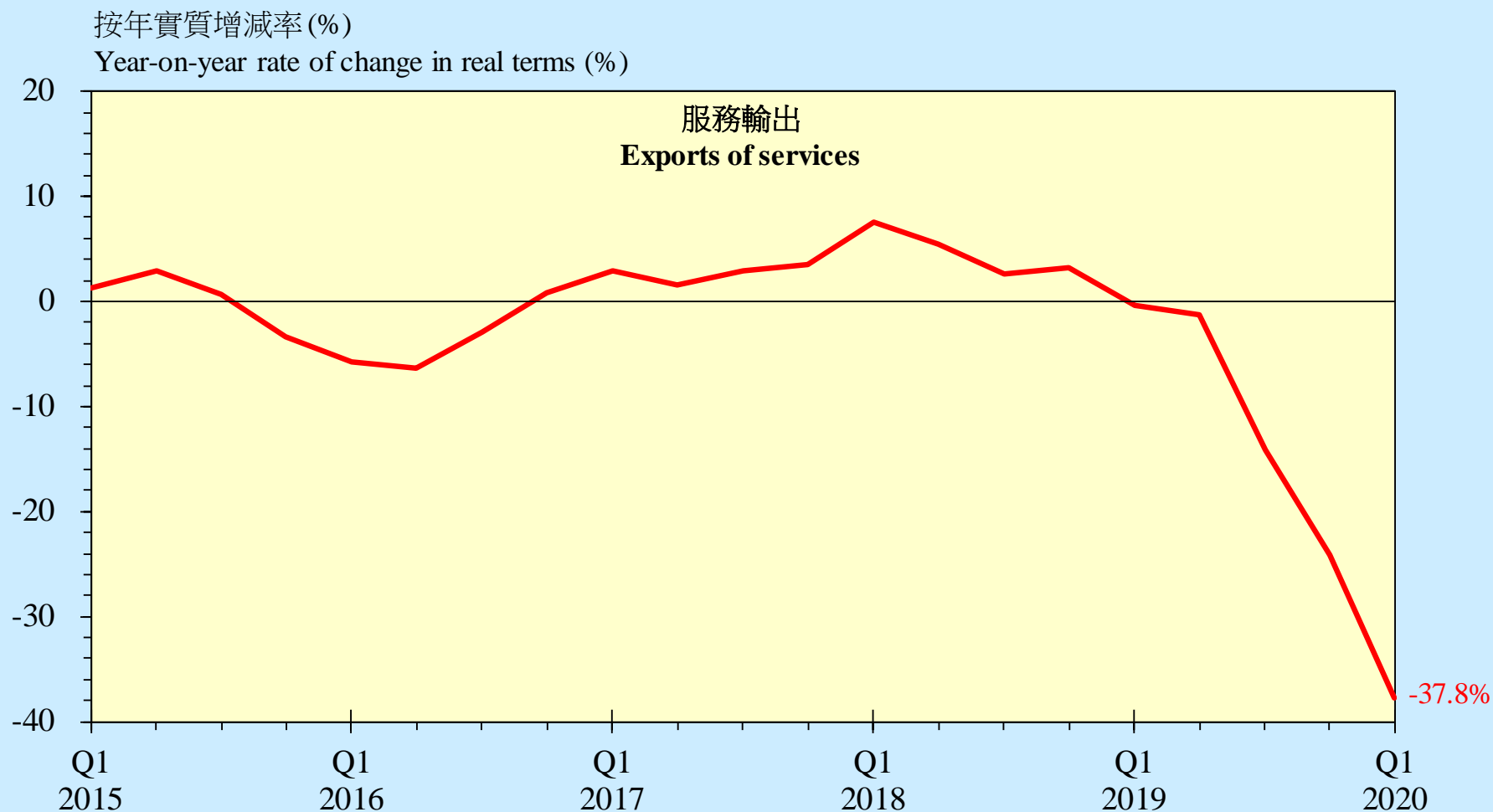
## Total exports of goods by major markets



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

	<u>2019</u>			<u>2020</u>
	<u>Annual</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Mainland	-5.1	-7.2	2.9	-2.2
U.S.	-15.5	-15.3	-21.5	-25.9
E.U.	-7.4	-13.4	-15.7	-24.4
Japan	-7.5	-3.6	-13.1	-15.7
India	-11.7	-12.7	-0.9	-0.1
Korea	-0.2	-5.2	-8.6	-8.9
Singapore	8.2	-0.1	2.5	-14.8

# Exports of services posted the biggest fall for a single quarter on record





# Exports of travel services fell drastically; exports of transport, business and other services also took a dive

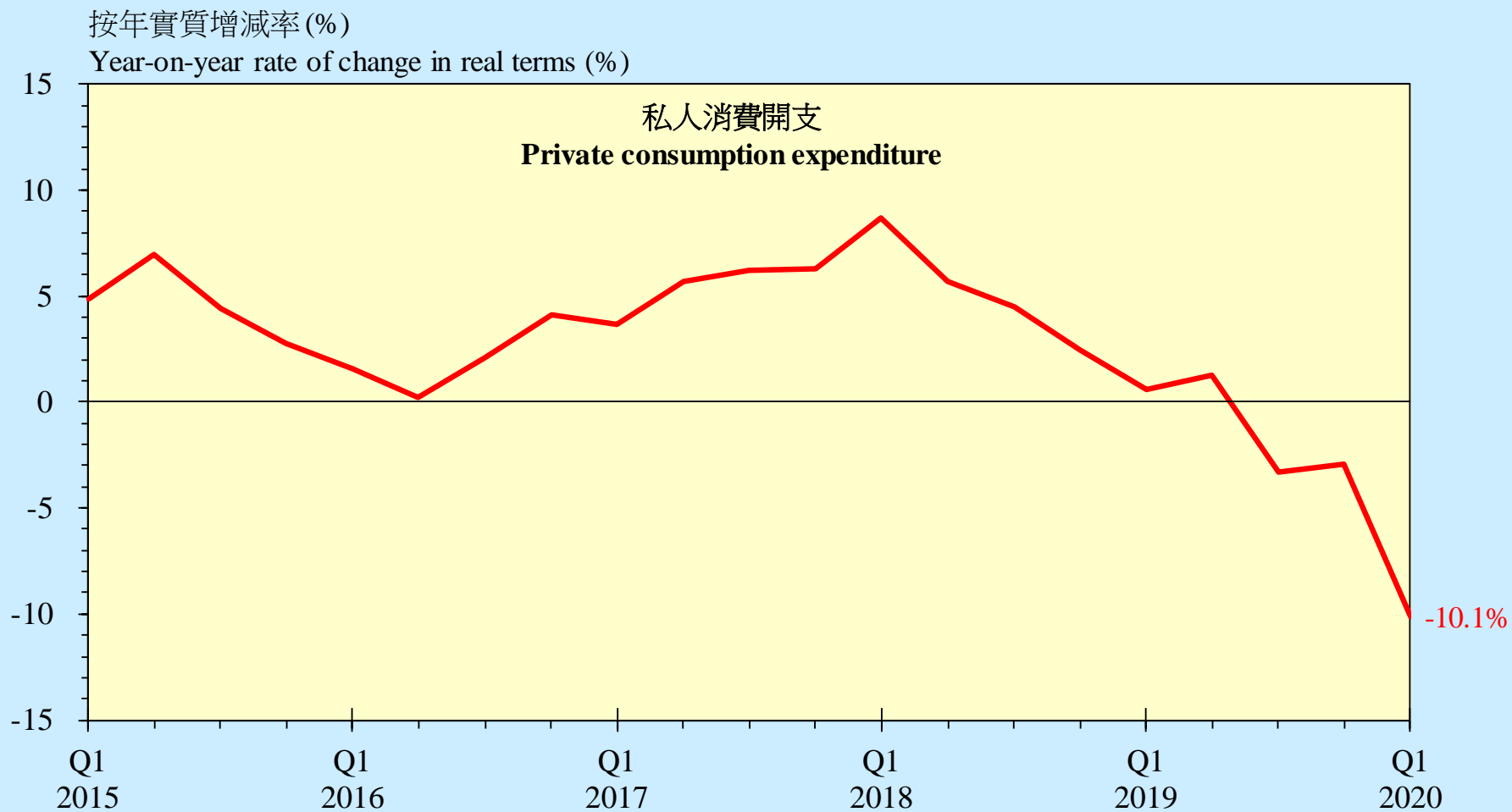
## Exports of services

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

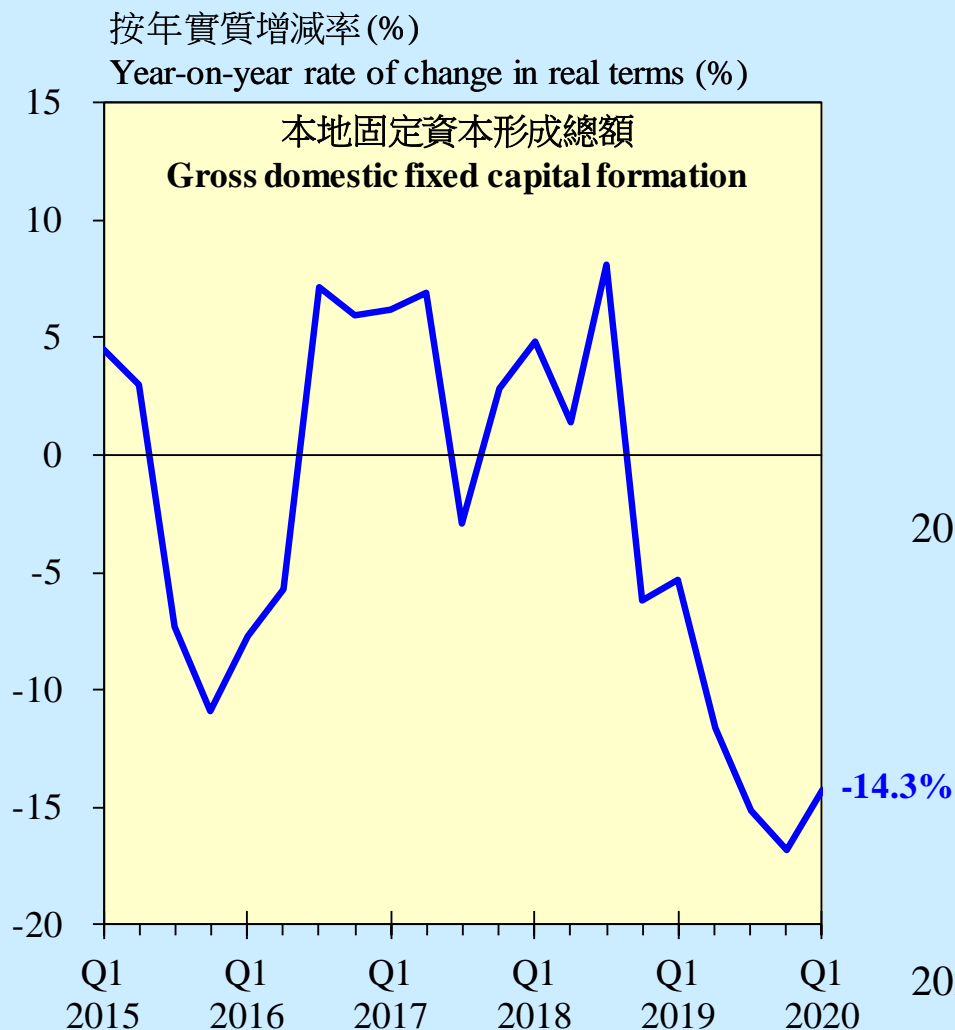
		<u>Travel</u>	<u>Transport</u>	<u>Financial services</u>	<u>Business and other services</u>
2019	Annual	-21.0	-7.6	-2.1	-3.8
	Q1	2.1	-0.4	-2.8	-2.6
	Q2	1.3	-3.6	-0.4	-2.3
	Q3	-31.3	-10.7	-2.7	-5.1
	Q4	-52.6	-15.4	-2.1	-5.0
2020	Q1	-80.6	-32.9	0.4	-13.6

# **Domestic sector**

# The fall in private consumption expenditure widened sharply to the steepest on record



# Overall investment expenditure continued to show a sharp contraction



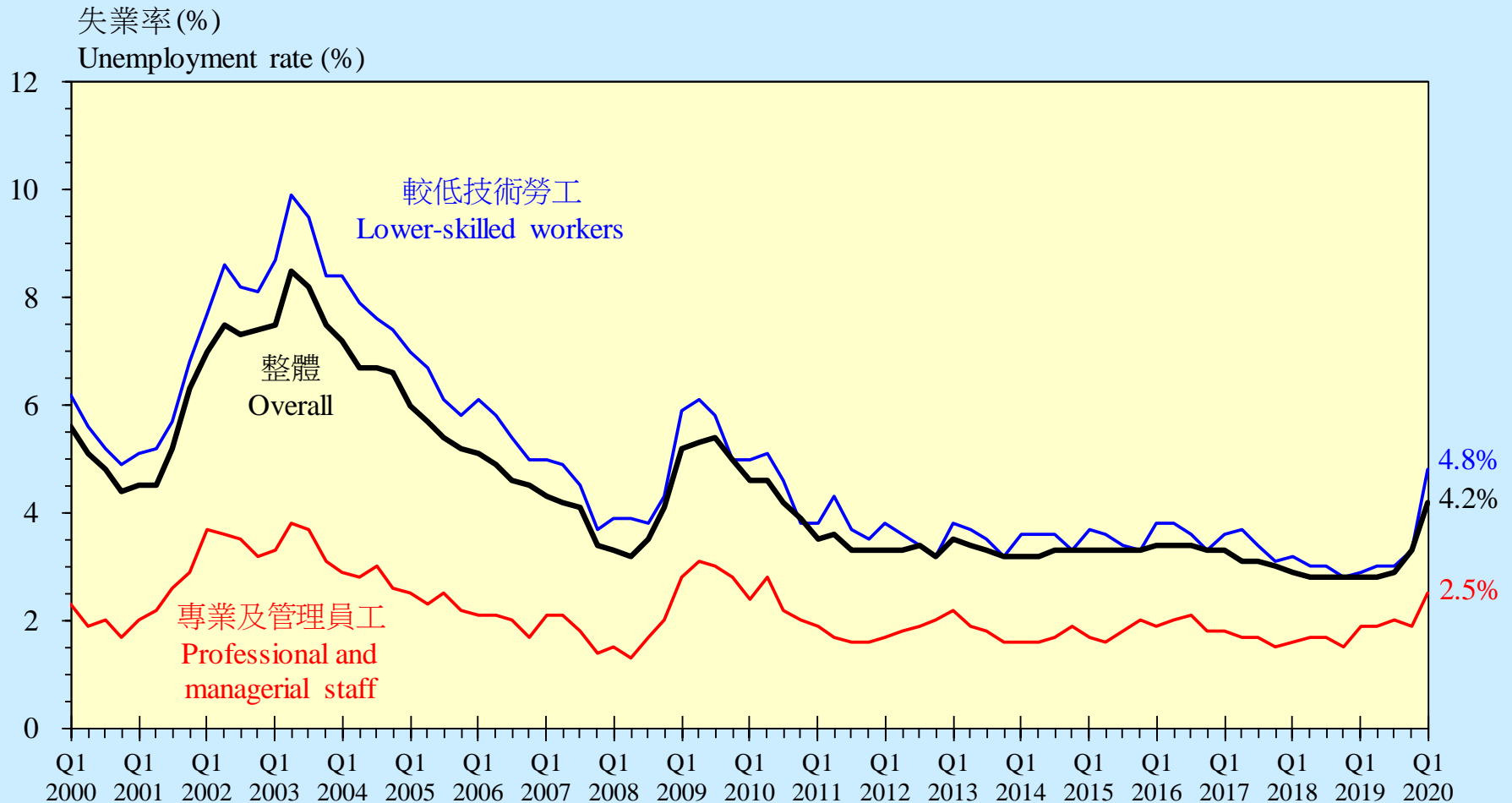
## Overall investment expenditure

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

		Machinery, equipment and intellectual property products	Building and construction
2019	Annual	-20.0	-6.2
	Q1	-2.0	-4.3
	Q2	-12.2	-11.1
	Q3	-26.5	-2.8
	Q4	-32.3	-6.5
2020	Q1	-18.0	-9.1

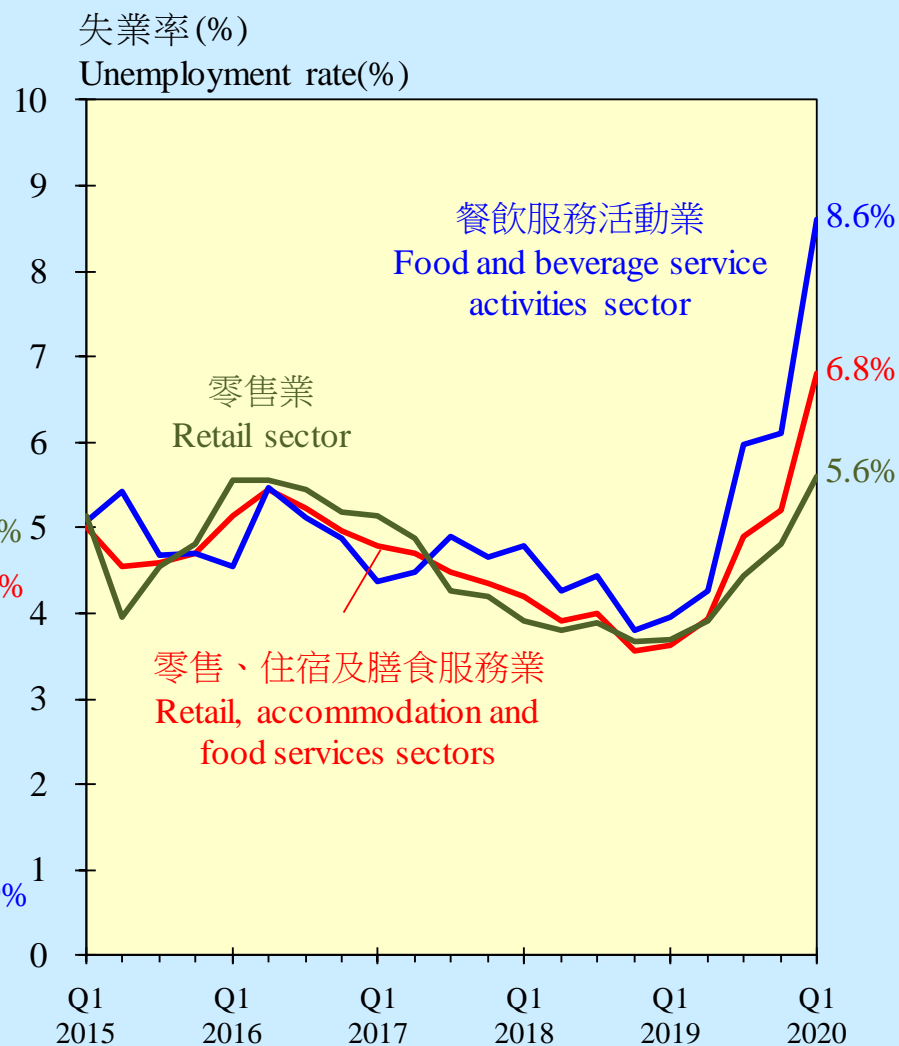
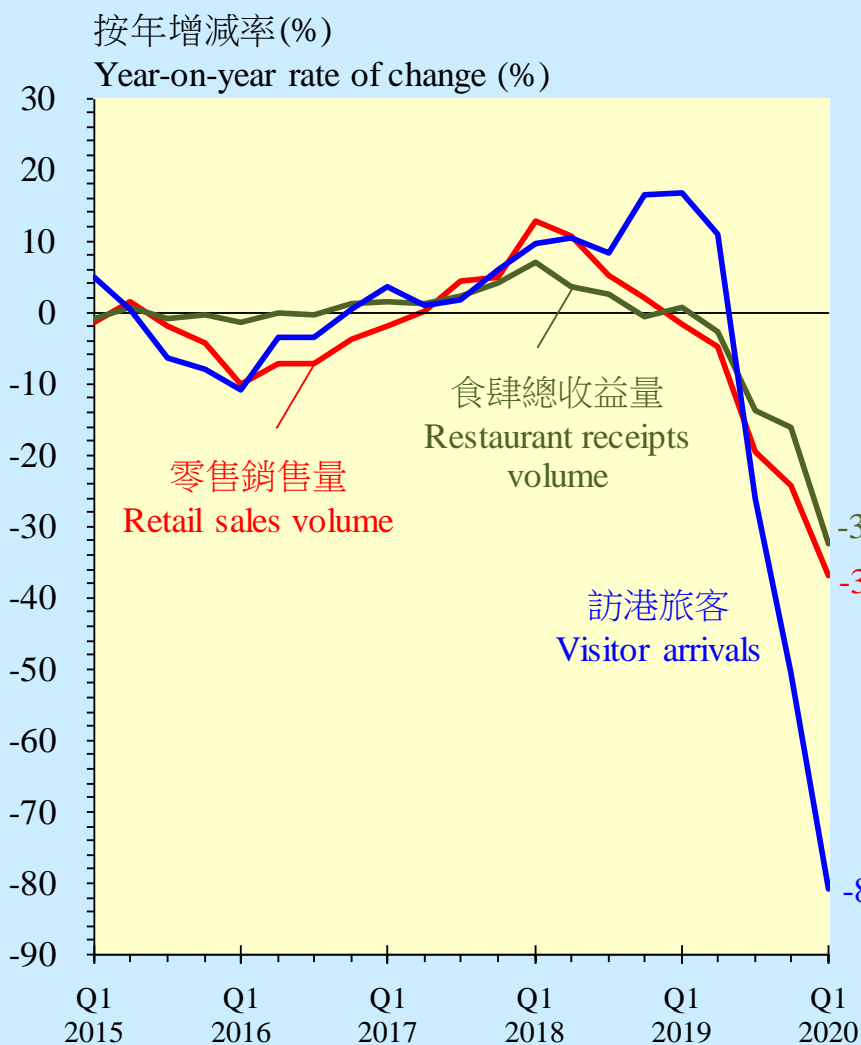
# Labour market

# Labour market showed further sharp deterioration as economic recession deepened



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.

# Consumption- and tourism-related sectors, hard hit by COVID-19, saw a surge in unemployment



## Wages and earnings rose at a decelerated pace, household income fell further

	<u>Income*</u>	
	Year-on-year rate of change (%)	
	<u>Nominal growth</u>	<u>Real growth</u>
Index of payroll per person engaged (Q4 2019)	2.4	-0.6
Wage index (December 2019)	2.8	-0.5
Average monthly employment earnings of full-time employees of the lowest three decile groups (Q1 2020)	4.4	3.3
Median monthly household income (Q1 2020)	-3.8	-5.7

Note: (\*) Excluding foreign domestic helpers.

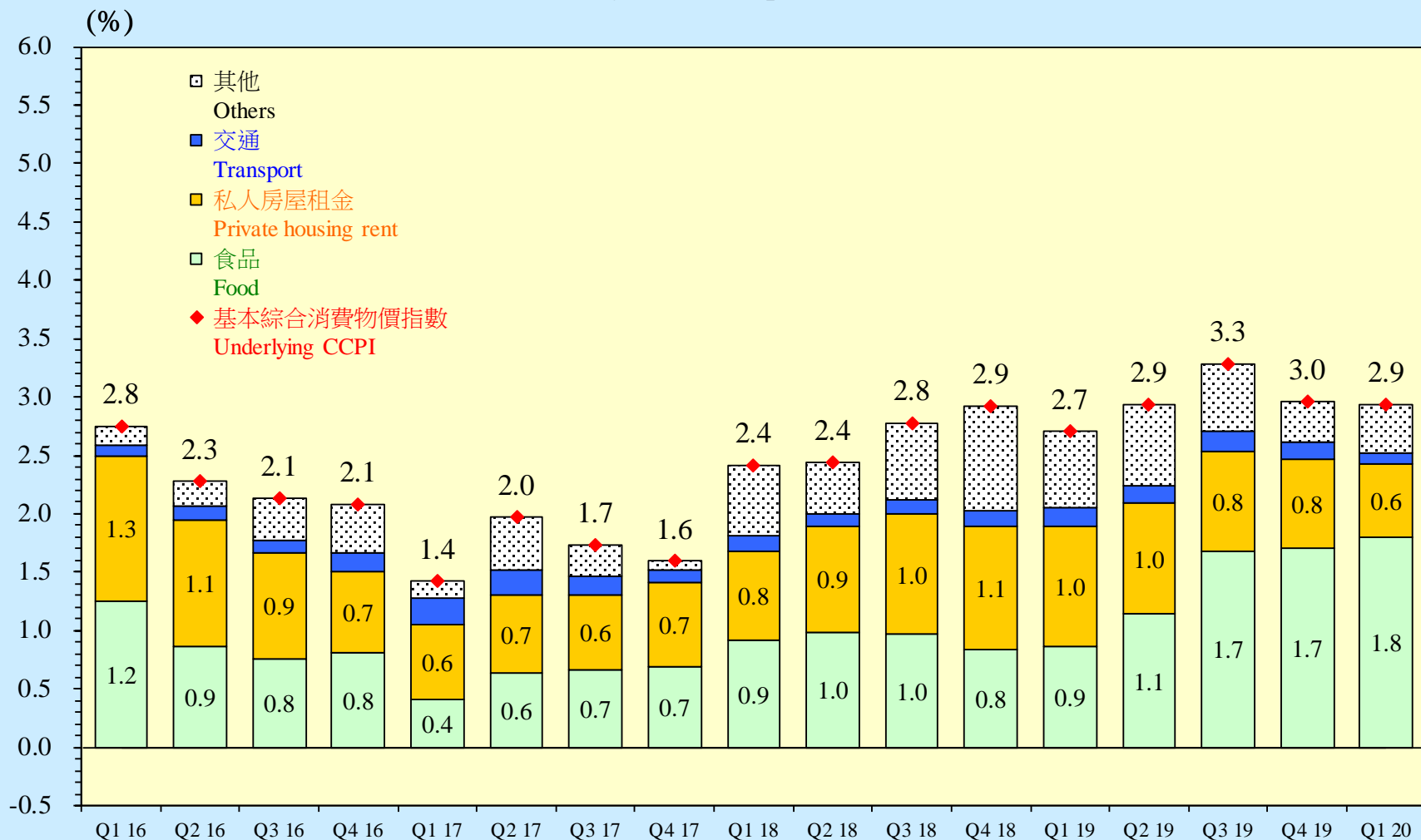


# **Inflation**

# While prices of pork and some other basic foodstuffs recorded larger increases, consumer price inflation remained moderate

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

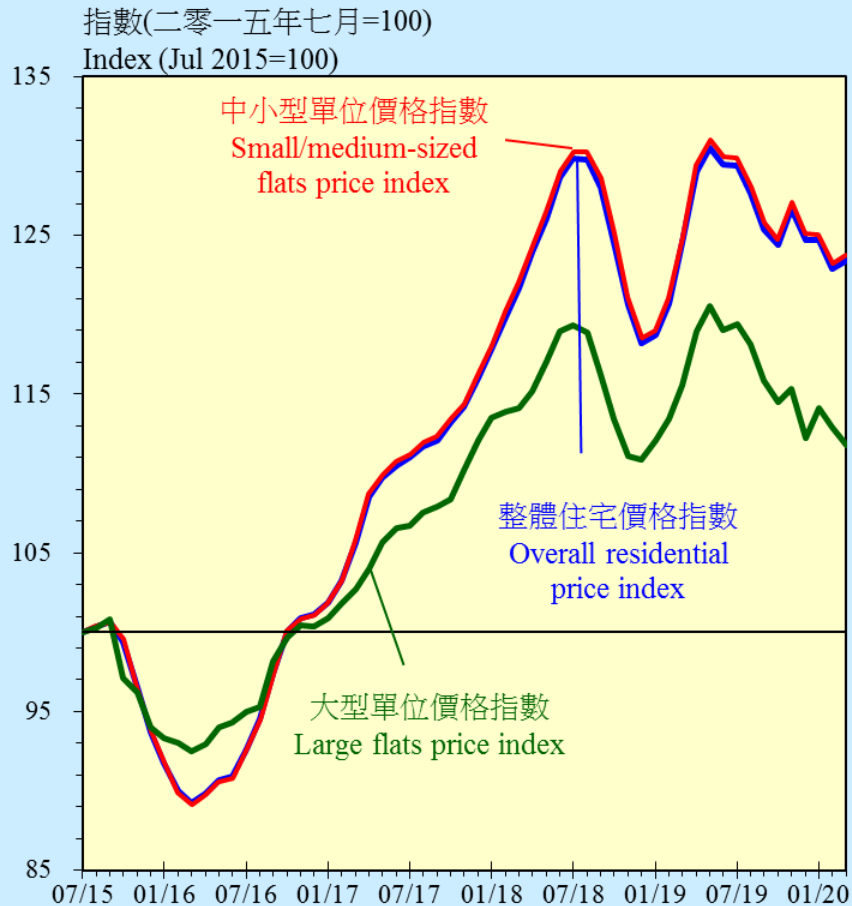
Contribution to the year-on-year rate of change in the underlying Composite Consumer Price Index (CCPI) by major component



# Property market

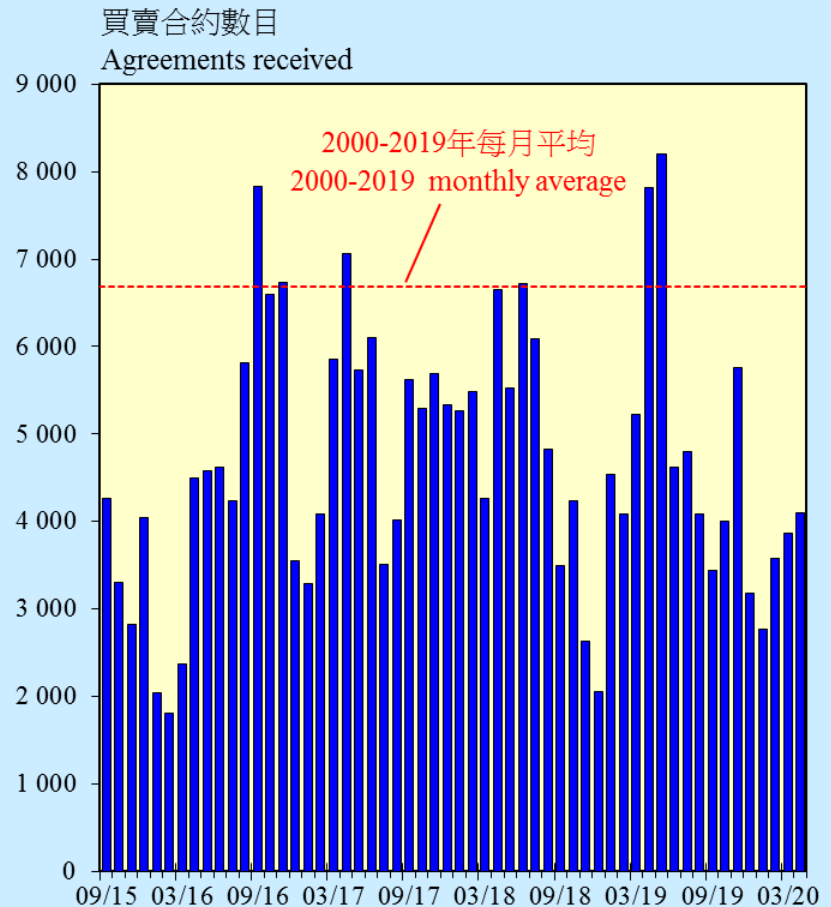
# The residential property market lacked clear direction in Q1

住宅售價  
Flat prices



住宅物業買賣合約數目

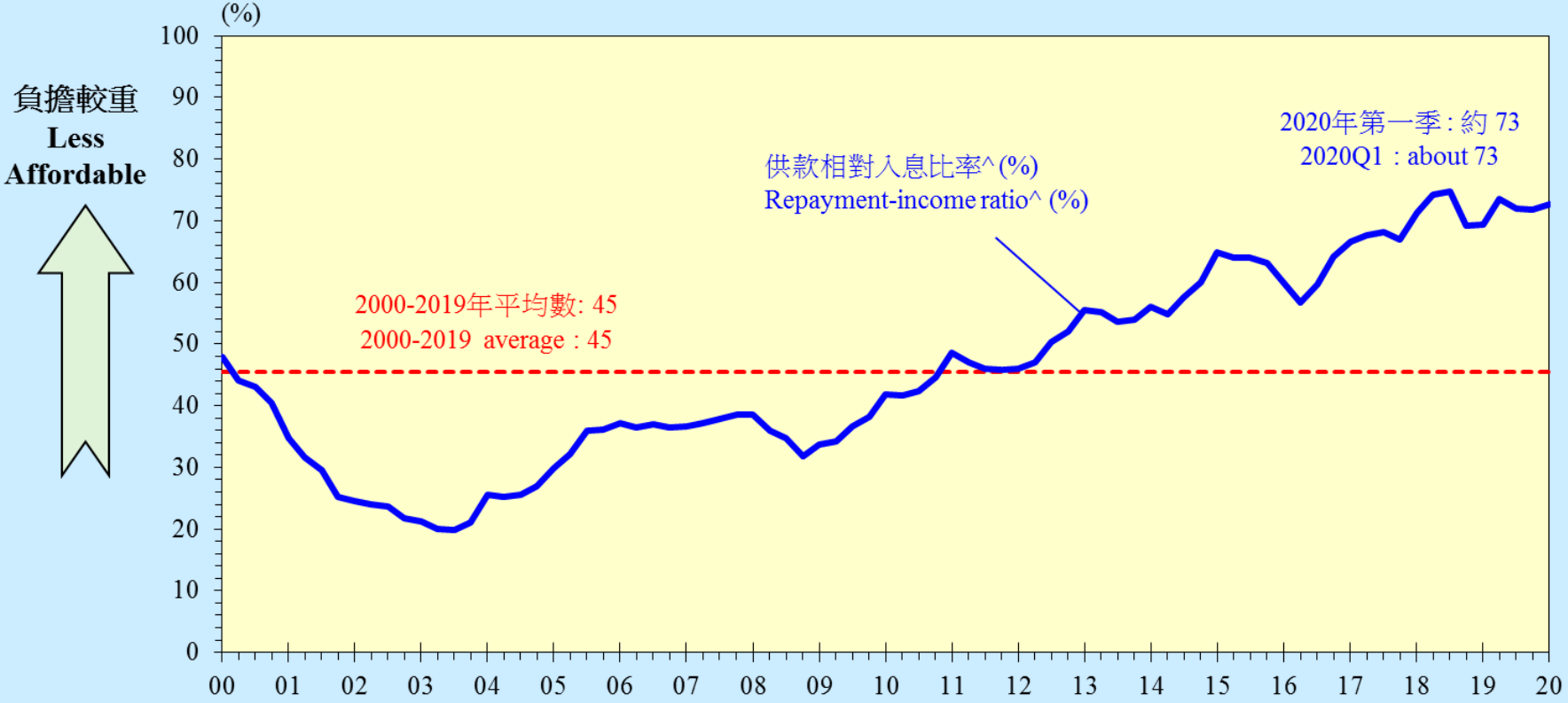
No. of S&P agreements for residential property



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>.

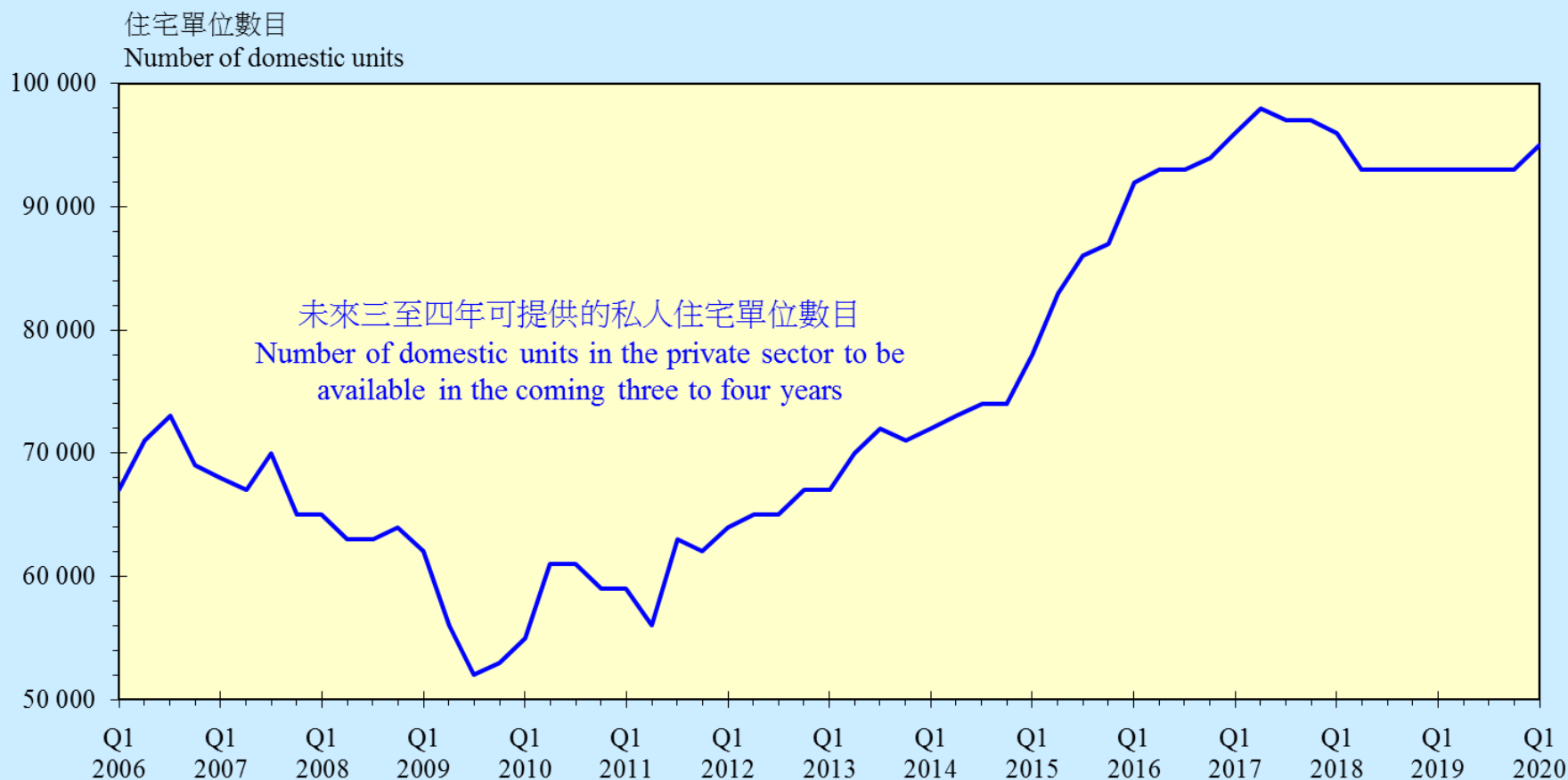
# Index of home purchase affordability (i.e. mortgage repayment to income ratio) remained elevated



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 would increase to 95 000



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.

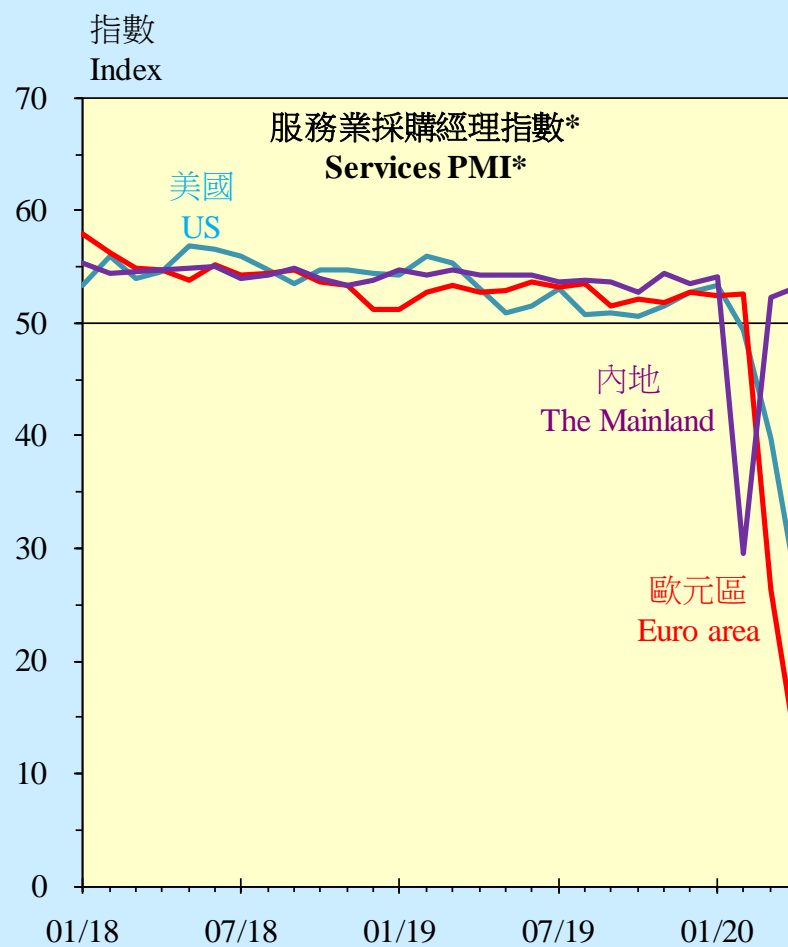
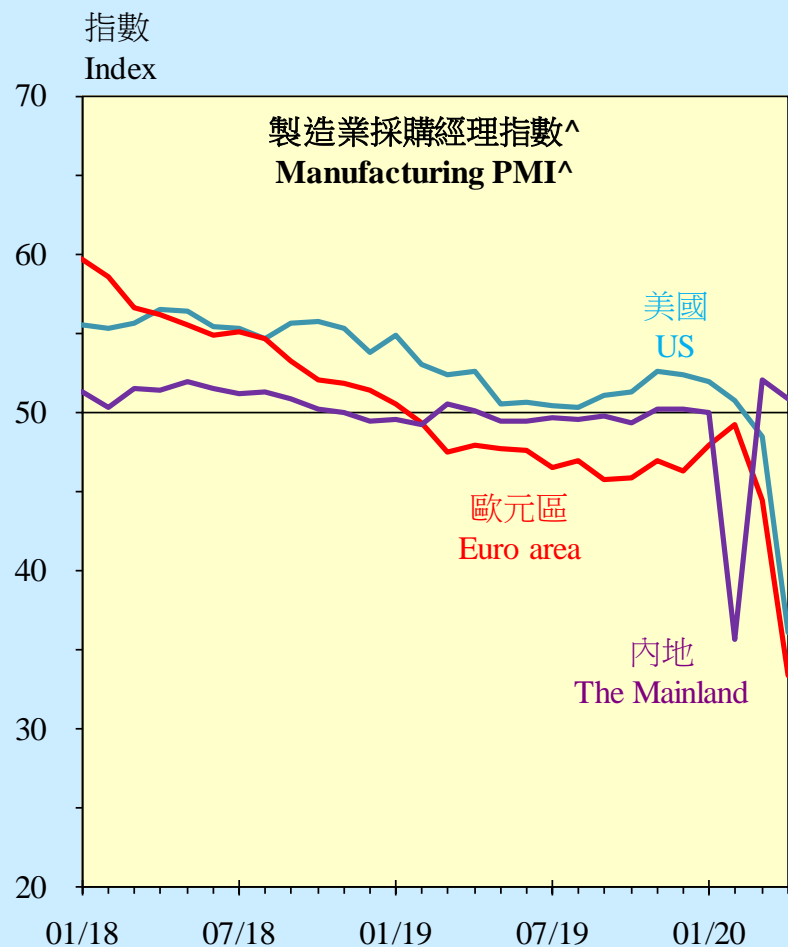
# **Outlook for the rest of 2020**

# The global economy is experiencing an unprecedented shock and facing very high uncertainties amid the spread of COVID-19

- ◆ **Mainland:** The economy saw its first ever year-on-year contraction in Q1, but has shown relative improvement since March alongside the containment of the epidemic
- ◆ **U.S.:** Unemployment has risen sharply and the market expects economic contraction to deepen notably in Q2
- ◆ **Euro area:** The economy recorded a sharp contraction in Q1, with many member states striving to reopen their economies
- ◆ **Rest of Asia:** Growth in many regional economies slowed visibly with some even turning into a fall



# Economic activities contracted sharply in the US and the euro area since March, whereas those in the Mainland showed relative improvement

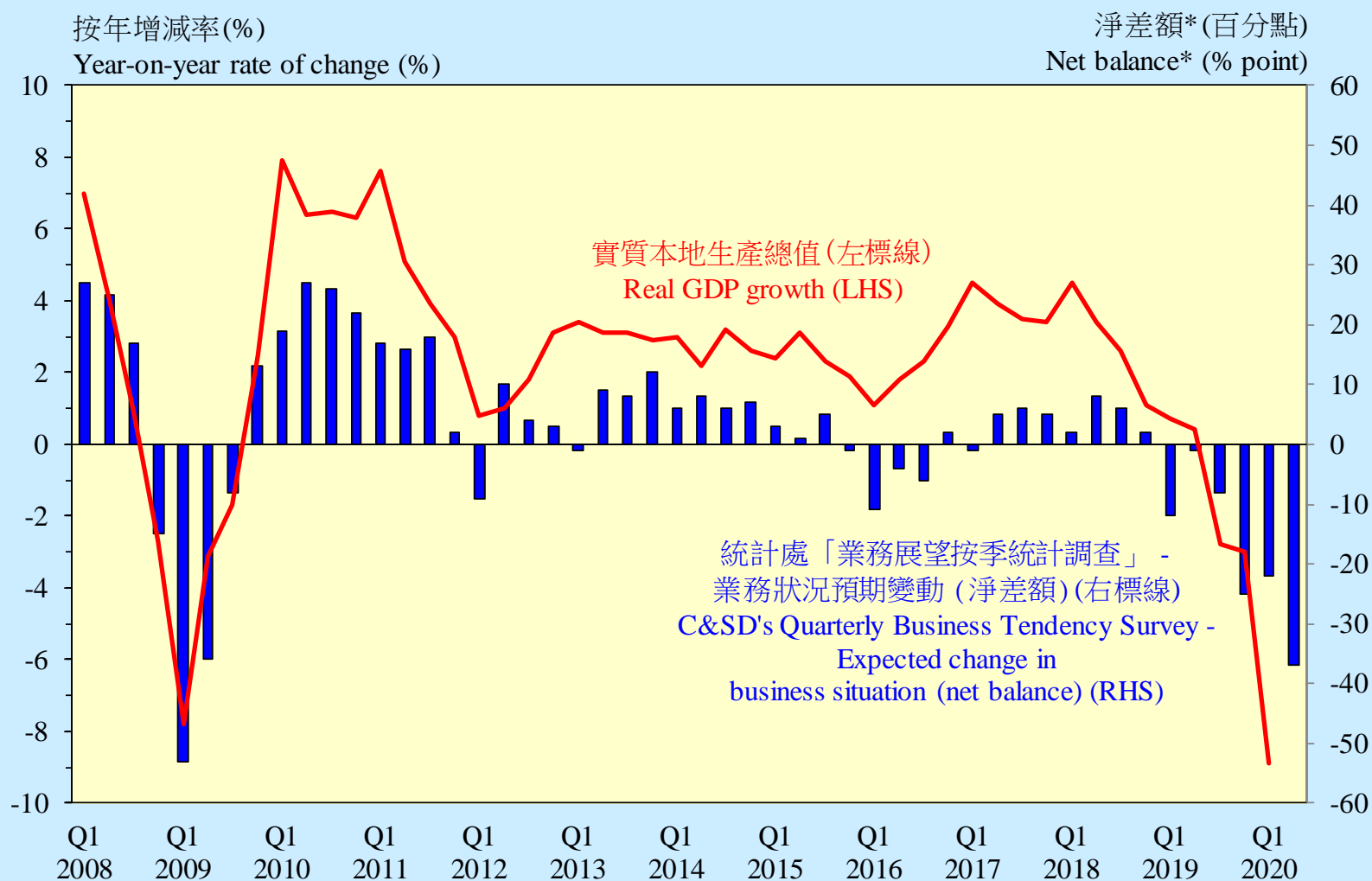


註： (^) 內地的數字為官方製造業採購經理指數；其他經濟體的數字為Markit製造業採購經理指數。  
 (\*) 內地的數字為官方非製造業採購經理指數；其他經濟體的數字為Markit服務業採購經理指數。  
 Notes: (^) Official manufacturing PMI for the Mainland; Markit manufacturing PMI for other economies.  
 (\*) Official non-manufacturing PMI for the Mainland; Markit services PMI for other economies.

## IMF forecast the global economy to shrink by 3.0% in 2020, the worst recession since the Great Depression in the 1930s

	GDP growth in 2019	IMF forecasts for 2020 GDP growth		IMF forecasts for 2021 GDP growth	
		Apr	Change between Apr and Jan	Apr	Change between Apr and Jan
World	2.9	<b>-3.0</b>	<b>-6.3</b>	5.8	+2.4
U.S.	2.3	<b>-5.9</b>	<b>-7.9</b>	4.7	+3.0
Euro area	1.2	<b>-7.5</b>	<b>-8.8</b>	4.7	+3.3
Japan	0.7	<b>-5.2</b>	<b>-5.9</b>	3.0	+2.5
Mainland China	6.1	1.2	<b>-4.8</b>	9.2	+3.4
Developing Asia	5.5	1.0	<b>-4.8</b>	8.5	+2.6
Emerging market and developing economies	3.7	<b>-1.0</b>	<b>-5.4</b>	6.6	+2.0

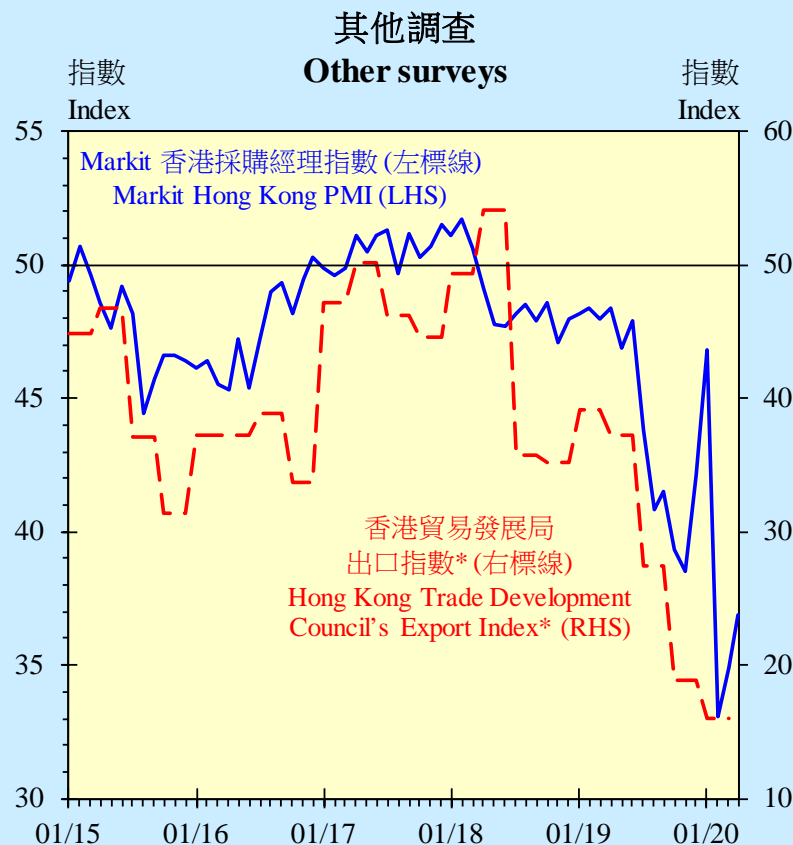
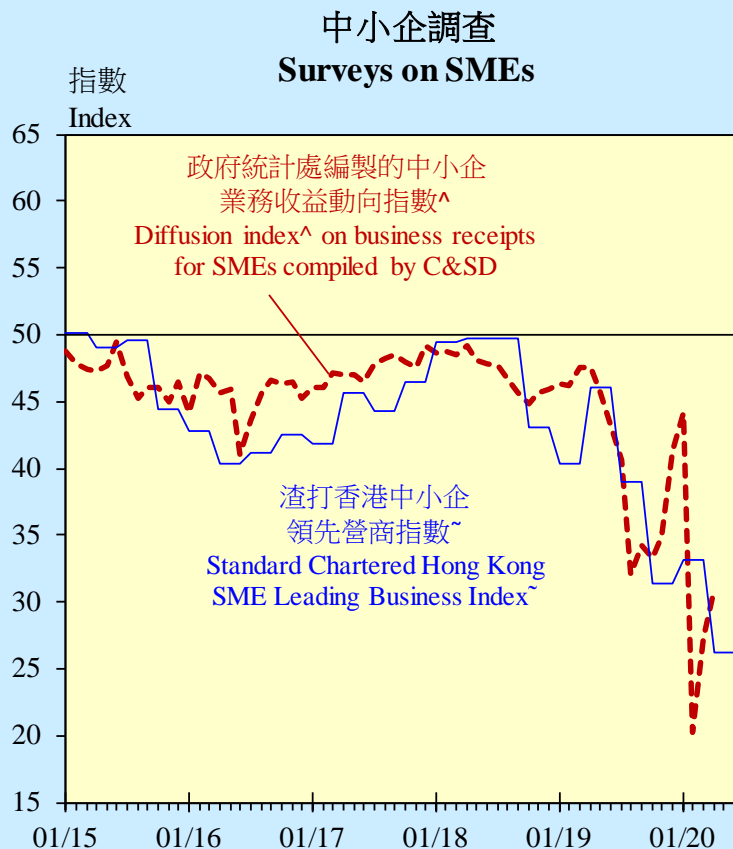
# Business sentiment among large enterprises remains subdued



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.

# Most of the other survey indicators also pointed to subdued business sentiment in recent months



註： (^) 動向指數是按報稱「上升」的中小企百分比，加上報稱「相同」的中小企百分比的一半計算。動向指數高於50表示業務狀況普遍向好，低於50則表示情況恰恰相反。受訪企業在填報意見時已撇除季節性因素的影響。

(~) 自二零一二年第三季開始提供的季度數據。

(\*) 指數高於50，表示超過一半受訪貿易商的意見傾向正面，可解讀為業務向好和信心增強；指數低於50則表示情況恰恰相反。

Notes: (^) The diffusion index is computed by adding the percentage of SMEs reporting “up” to one half of the percentage of SMEs reporting “same”. A diffusion index reading above 50 indicates that the business condition is generally favourable, whereas an index below 50 indicates otherwise. Respondents were requested to exclude seasonal effects in reporting their views.

(~) Launched in Q3 2012 and quarterly data.

(\*) A reading above 50 indicates that more than half of the surveyed traders incline towards the upside, which can be interpreted as an upward trend and an increase in confidence, and vice versa for a reading below 50.

# Hong Kong's near-term economic outlook is still highly challenging

- ◆ As the spread of COVID-19 has remained a threat in many major economies, the global economy may continue to experience sharp contraction in the near term, weighing on Hong Kong's export performance
- ◆ While the epidemic has abated in Hong Kong, the threat lingers on and local economic activities will take time to fully recover
- ◆ The US-Mainland trade conflict, geopolitical tensions and global financial market volatility continue to warrant attention
- ◆ The Government has swiftly rolled out relief measures of unprecedented scale, which should help both companies and individuals endure the current hardship. If the epidemic remains well contained, the economy will hopefully improve gradually in the second half of the year

# Latest economic forecasts for 2020 as a whole

	Forecasts as released on 26 February	Latest forecasts
Real GDP growth	-1.5% to +0.5%	-4% to -7%*
Underlying inflation	2.5%	2.2%
Headline inflation	1.7%	1.4%

Note: (\*) Announced by the Financial Secretary on 29 April.



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