



Hong Kong SAR Government

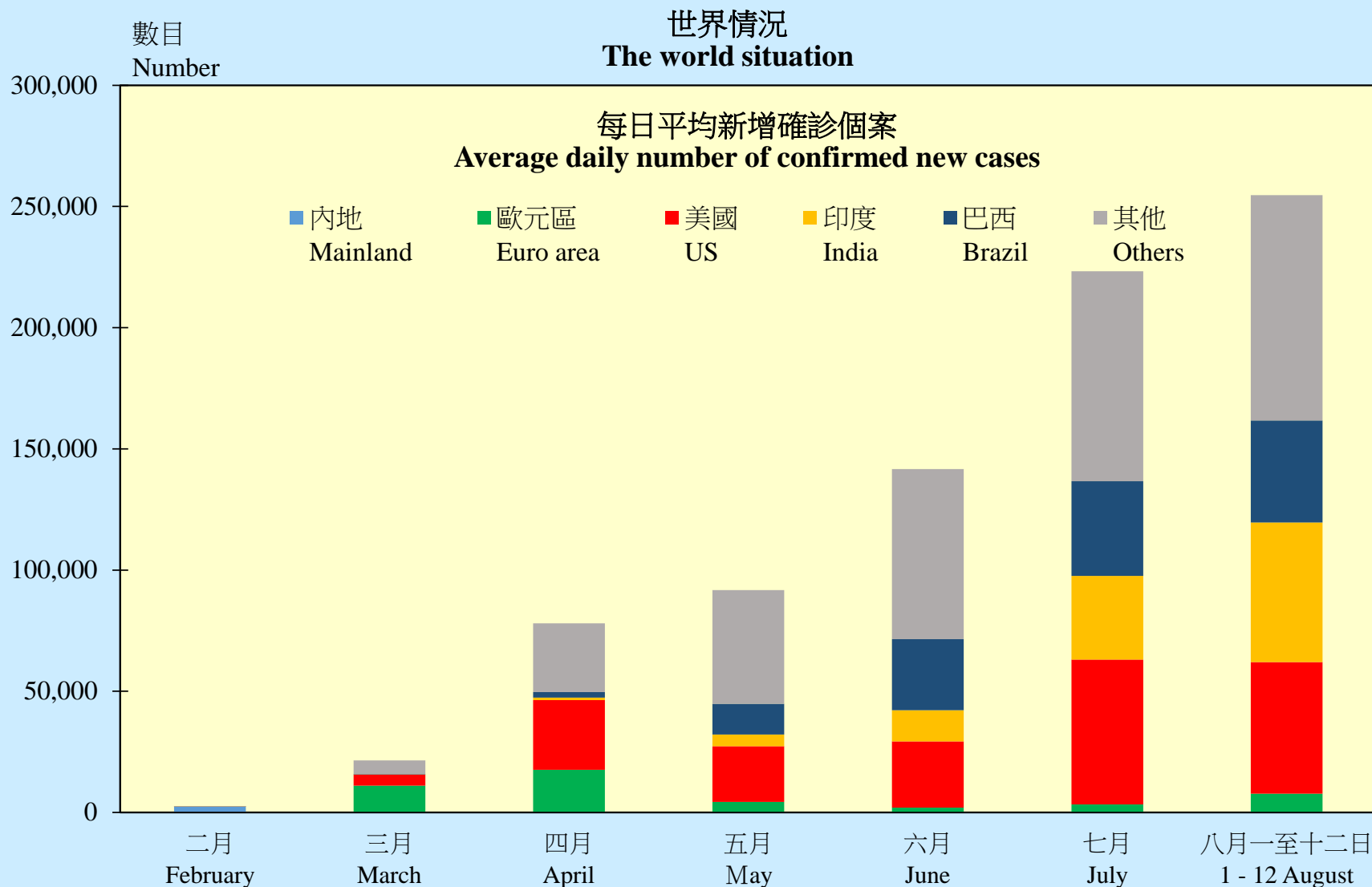
Half-yearly Economic Report 2020 & Latest economic forecasts for 2020

14 August 2020

Highlights of the economic situation in Q2 2020

- The Hong Kong economy remained very weak in Q2. Yet, as local epidemic receded in May and June, and the rebound of the Mainland economy also rendered support to Hong Kong's exports of goods, the overall economic situation tended to stabilise during the quarter
- Real GDP fell markedly by 9.0% year-on-year in Q2, and slightly by 0.1% from Q1
- Local consumption activities were severely disrupted by the threat of COVID-19. Yet the easing of social distancing requirements in May and June helped consumer sentiment somewhat
- Exports of goods saw a visibly narrower decline; Exports of services plunged further, with inbound tourism remaining at a standstill
- Unemployment rate rose to the highest in over 15 years; Consumer price inflation eased visibly

The COVID-19 pandemic is still threatening many economies



資料來源：中華人民共和國國家衛生健康委員會及世界衛生組織。

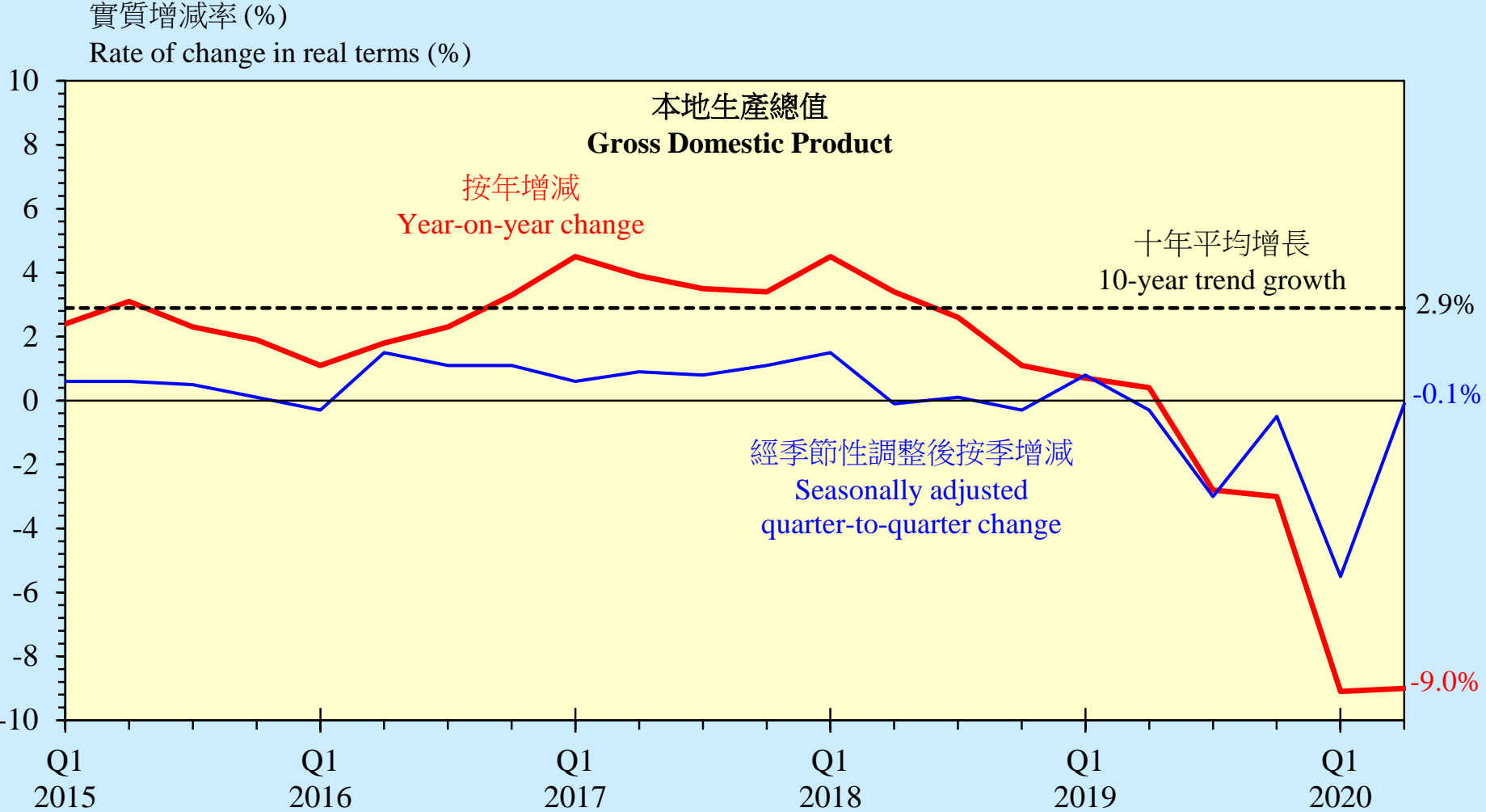
Sources : National Health Commission of the People's Republic of China and the World Health Organization.

Latest economic forecasts for 2020

- Global economic recovery is likely to be uneven and bumpy. The threat of the pandemic will continue to cloud the global economic outlook until an effective vaccine is widely available
- The tense China-US relations also fuel uncertainties
- Locally, the surge of COVID-19 infections since mid-July and the resultant tightening of social distancing measures have heavily weighed on private consumption and business sentiment. Containing the epidemic is pivotal to the recovery of local consumption activity
- Economic growth forecast for 2020 is revised downwards to -6% to -8%; Underlying inflation rate forecast is revised downwards to 1.8%

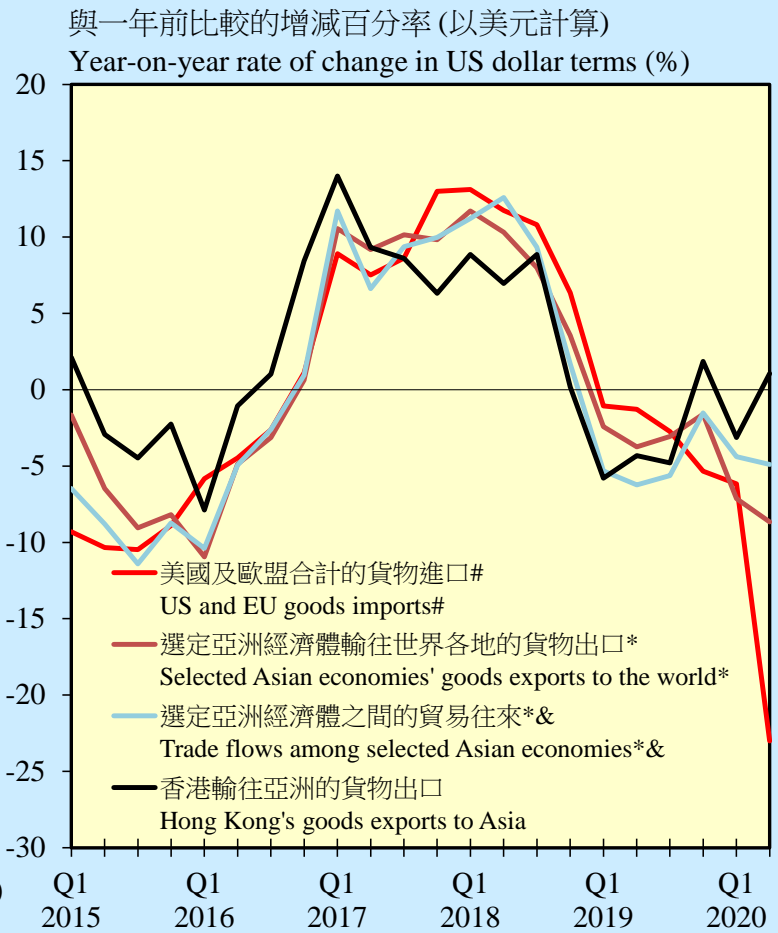
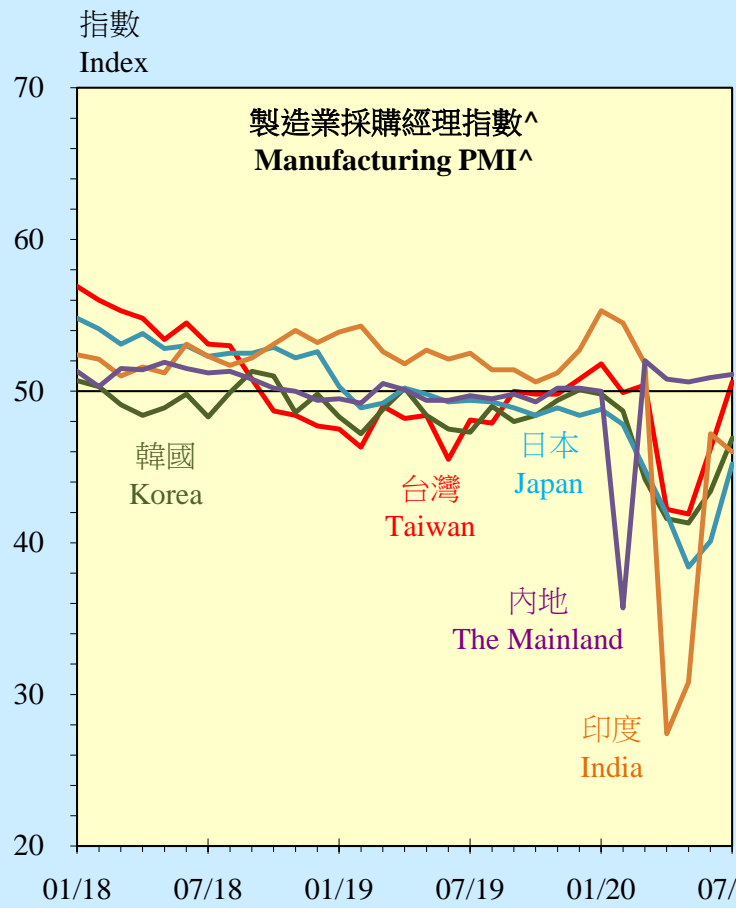
Economic performance in Q2 2020

The Hong Kong economy contracted sharply year-on-year in Q2 amid the severe blows of the COVID-19 pandemic, despite signs of stabilisation during the quarter



External sector

Regional trade flows slackened further in Q2 amid production disruptions in many Asian economies



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。

(*) 「選定亞洲經濟體」包括中國內地、香港、新加坡、韓國、台灣、日本、印尼、馬來西亞、泰國和菲律賓。

(&) 貿易往來根據「選定亞洲經濟體」之中個別經濟體輸往其他九個經濟體的貨物出口總和計算。

(#) 歐盟在二零二零年第二季的貨物進口是根據二零二零年八月中的資料計算。

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

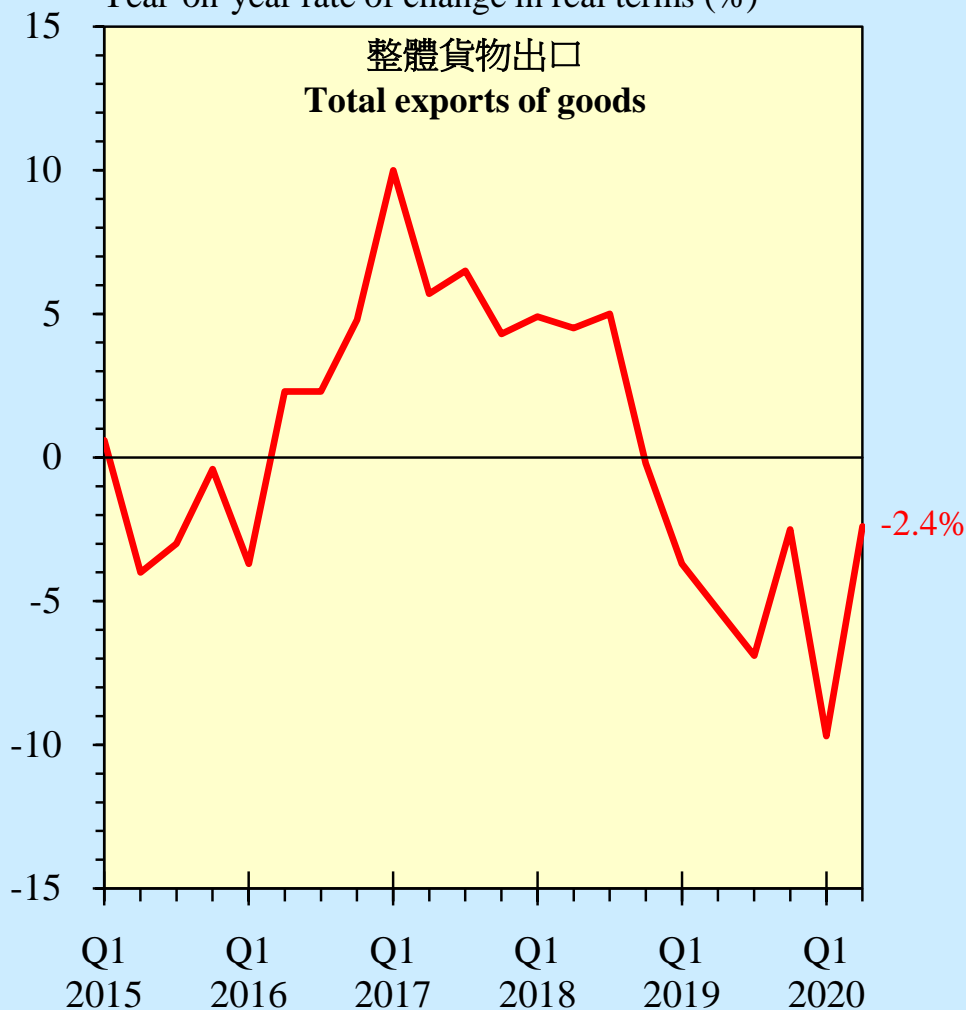
(*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.

(&) The trade flows were measured by the sum of the individual economies’ exports of goods to the other nine economies within the “selected Asian economies”.

(#) EU goods imports for the second quarter of 2020 are based on the information available as of mid-August 2020.

Exports of goods to the Mainland turned to a solid increase, but those to many other major markets saw declines of varying degrees

按年實質增減率 (%)
Year-on-year rate of change in real terms (%)

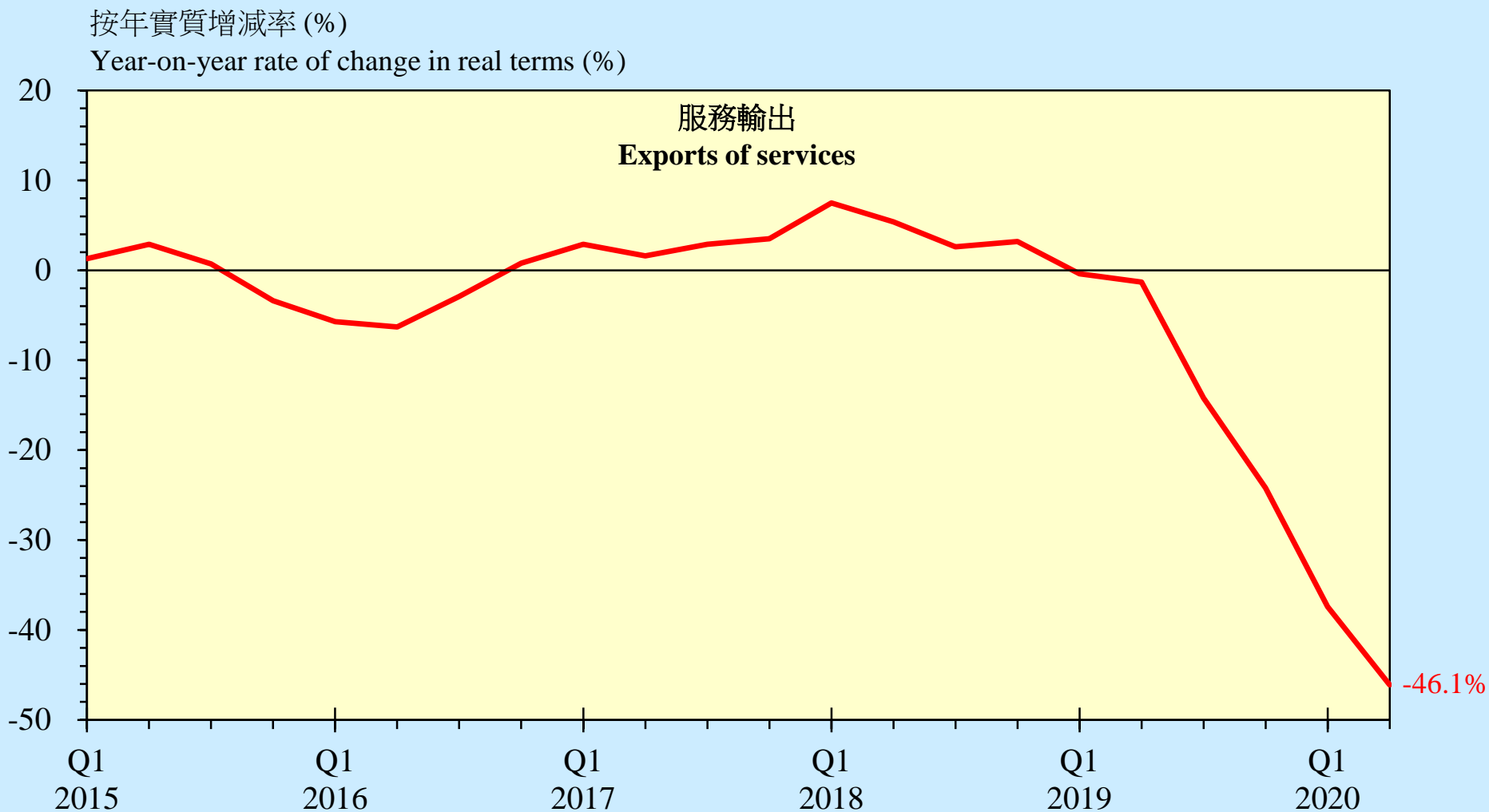


Total exports of goods by major markets

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

	<u>2019</u>	<u>2020</u>	
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>
Mainland	-5.1	-2.2	5.8
US	-15.5	-25.9	-17.5
EU	-7.4	-24.4	-9.0
Japan	-7.5	-15.7	-1.6
India	-11.7	-0.1	-43.3
Korea	-0.2	-8.9	-10.8
Singapore	8.2	-14.8	-23.1

Exports of services plunged further, registering the sharpest decline on record



Exports of travel services came to a halt; Declines in exports of transport, business and other services remained notable, but exports of financial services still kept rising

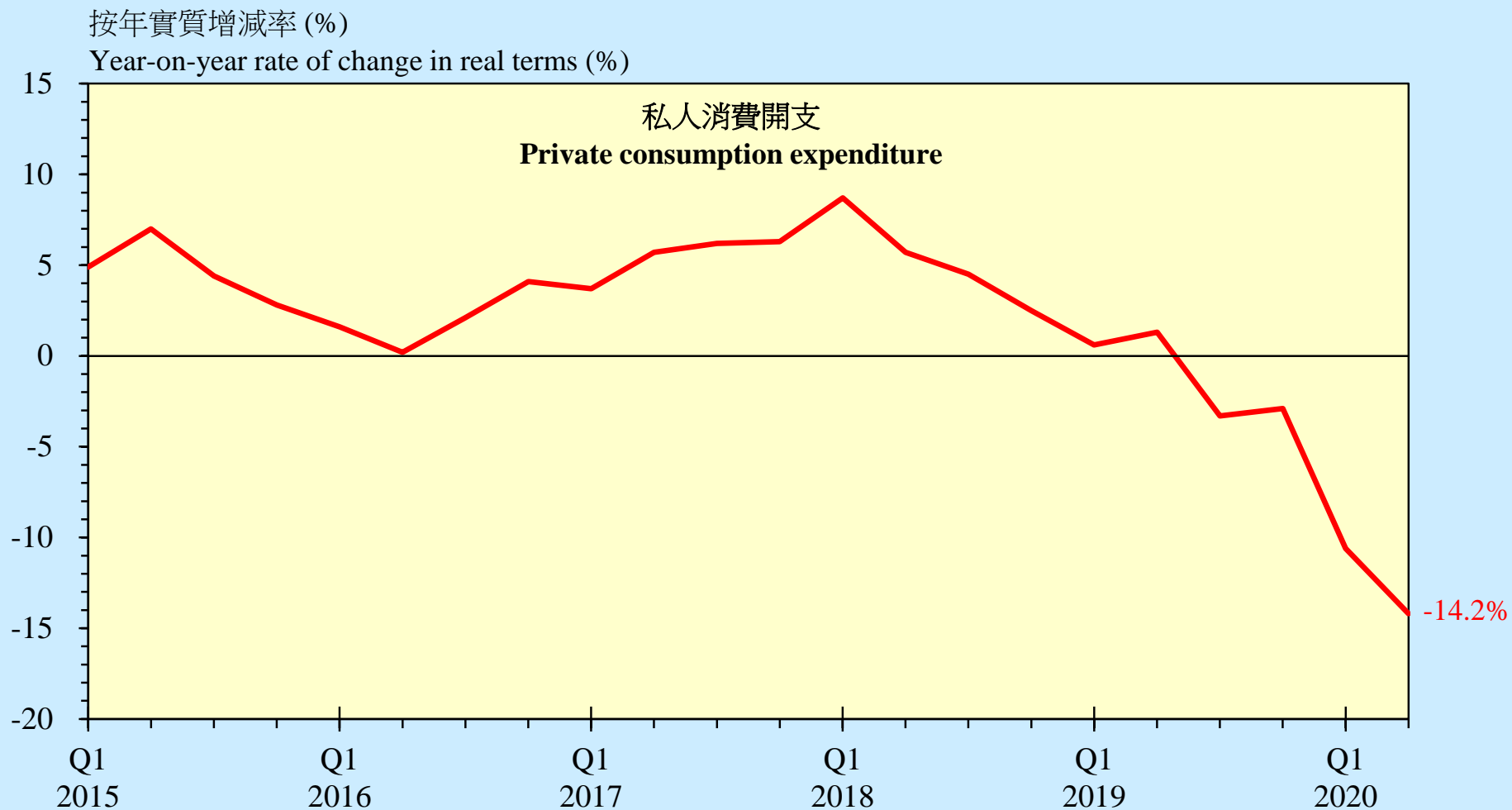
Exports of services

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

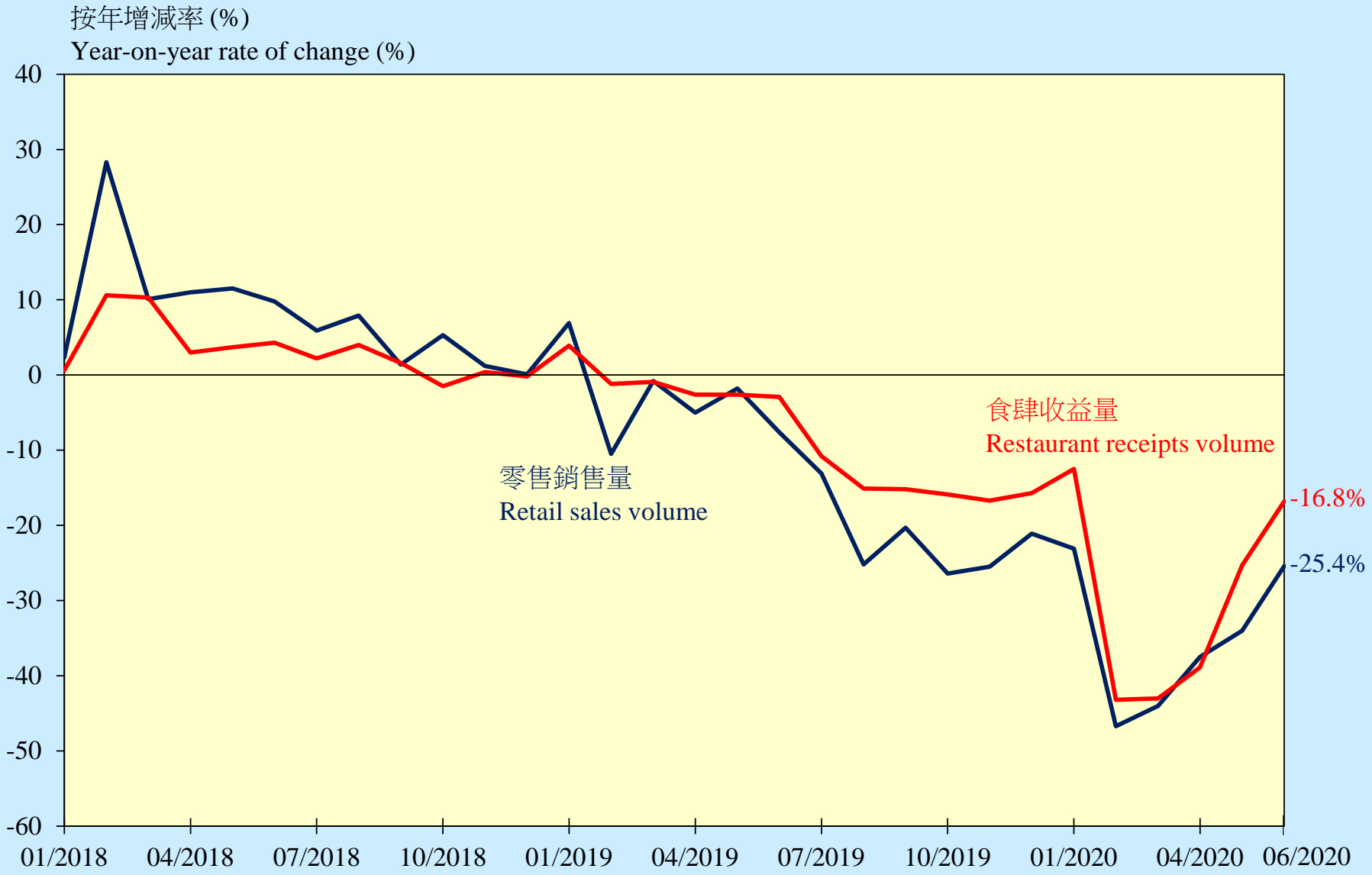
		<u>Travel</u>	<u>Transport</u>	<u>Financial services</u>	<u>Business and other services</u>
2019	Annual	-21.0	-7.6	-2.1	-3.8
	Q3	-31.3	-10.7	-2.7	-5.1
	Q4	-52.6	-15.4	-2.1	-5.0
2020	Q1	-80.6	-32.2	1.3	-13.7
	Q2	-97.1	-37.7	4.0	-13.8

Domestic sector

Private consumption expenditure recorded the steepest ever decline, as local consumption activities were severely disrupted by the threat of COVID-19



Declines in retail sales and restaurant receipts narrowed in May and June along with receding local epidemic



Overall investment expenditure continued to tumble amid negative business environment

按年實質增減率 (%)

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



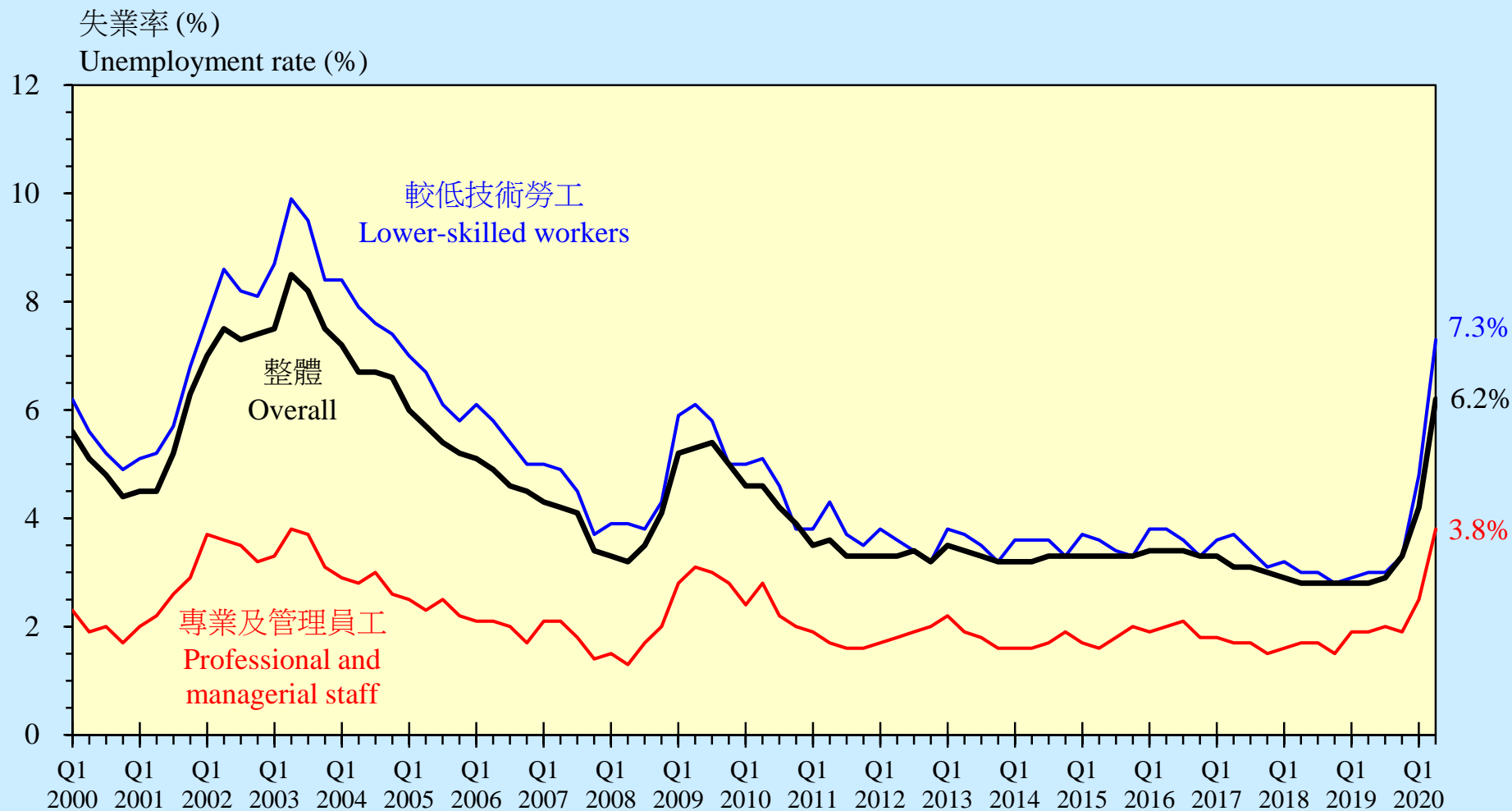
Overall investment expenditure

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

		Machinery, equipment and intellectual property products	Building and construction
2019	Annual	-20.0	-6.2
	Q1	-2.0	-4.3
	Q2	-12.2	-11.1
	Q3	-26.5	-2.8
2020	Q4	-32.3	-6.5
	Q1	-17.9	-11.5
	Q2	-44.1	-3.6

Labour market

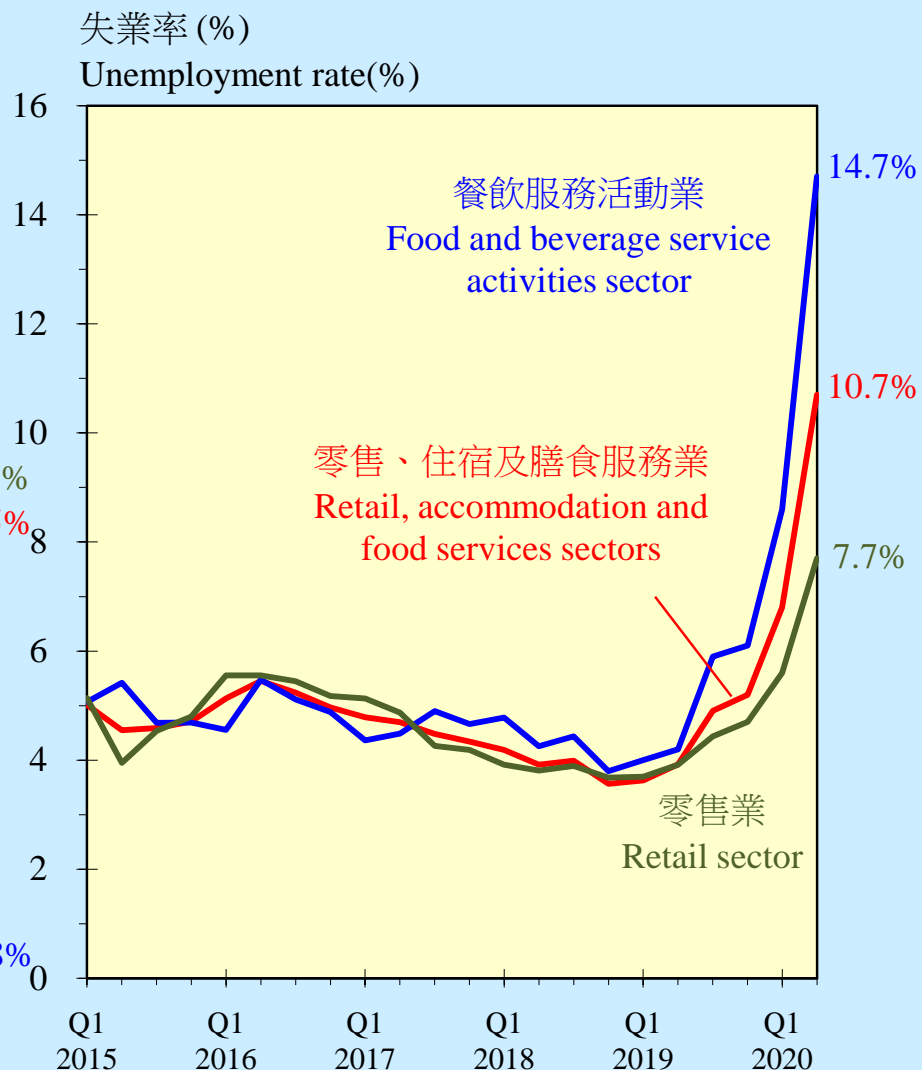
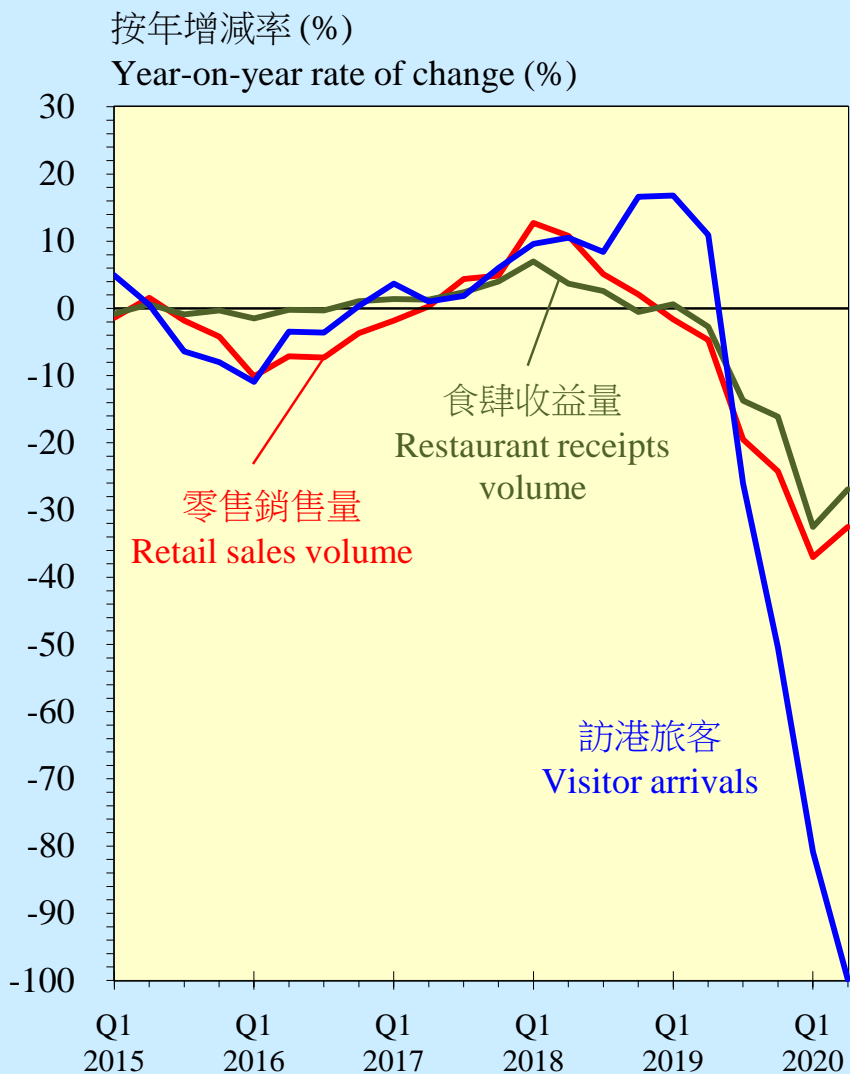
Labour market continued to deteriorate with unemployment rate surging to the highest in more than 15 years



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.

Unemployment rates of the consumption- and tourism-related sectors saw particularly visible increases



Wages growth decelerated, and household income fell sharply

	<u>Income*</u>	
	Year-on-year rate of change (%)	
	<u>Nominal growth</u>	<u>Real growth</u>
Index of payroll per person engaged (Q1 2020)	3.2	1.2
Wage index (March 2020)	2.2	-0.3
Average monthly employment earnings of full-time employees of the lowest three decile groups (Q2 2020)	3.7	2.1
Median monthly household income (Q2 2020)	-10.2	-11.3

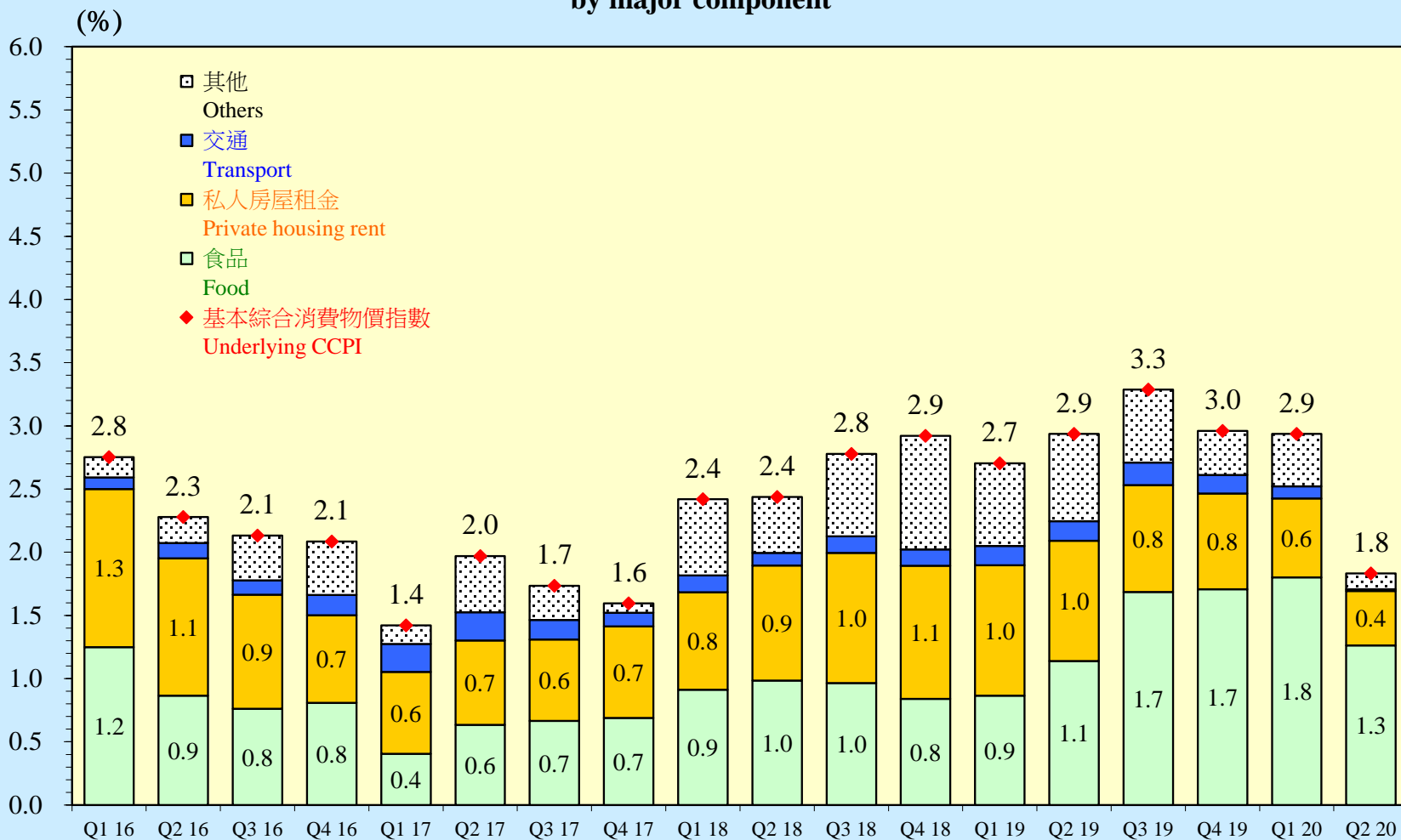
Note: (*) Excluding foreign domestic helpers.

Inflation

Consumer price inflation went visibly lower, as the year-on-year rise in pork prices slowed and price pressures on many other components receded

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

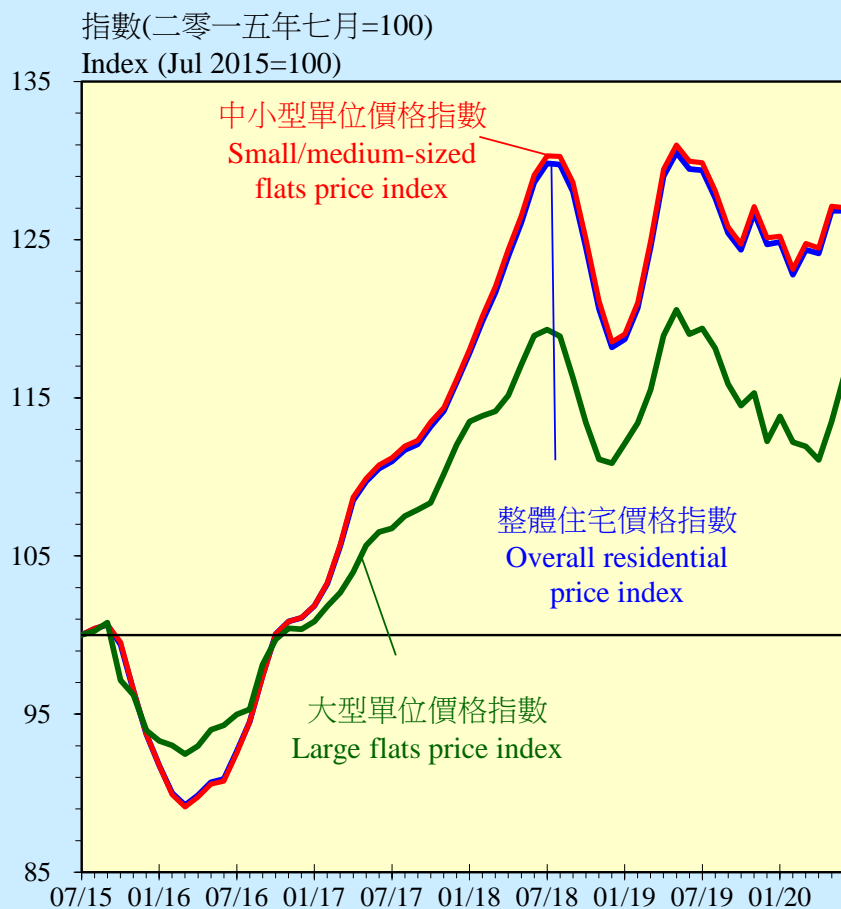
Contribution to the year-on-year rate of change in the underlying Composite Consumer Price Index (CCPI) by major component



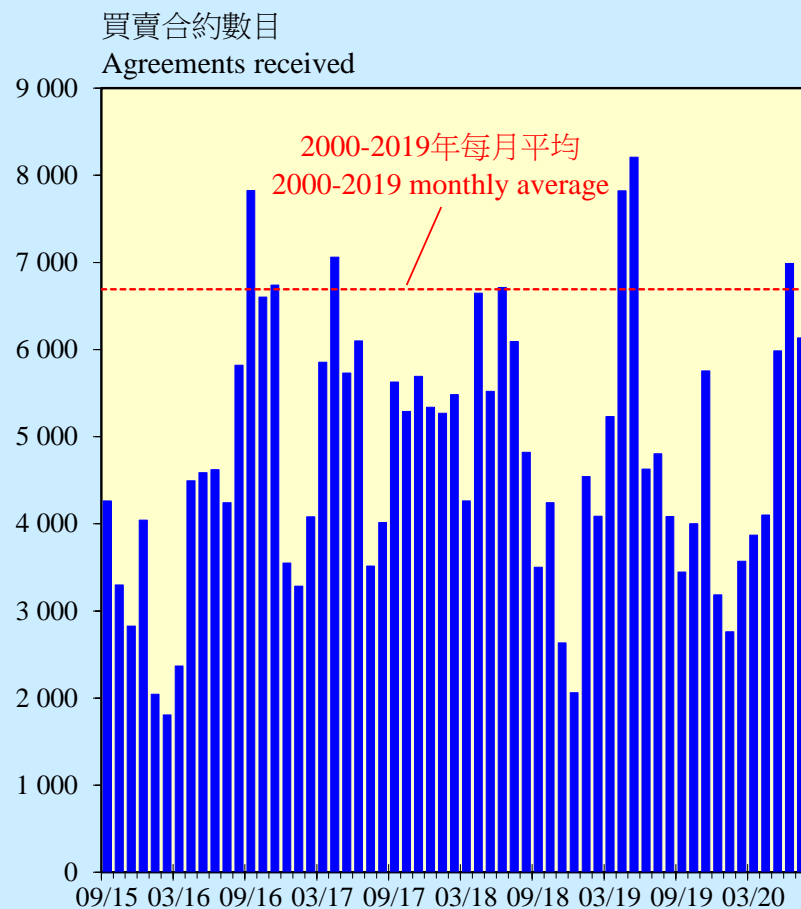
Property market

The residential property market turned active in Q2

住宅售價
Flat prices



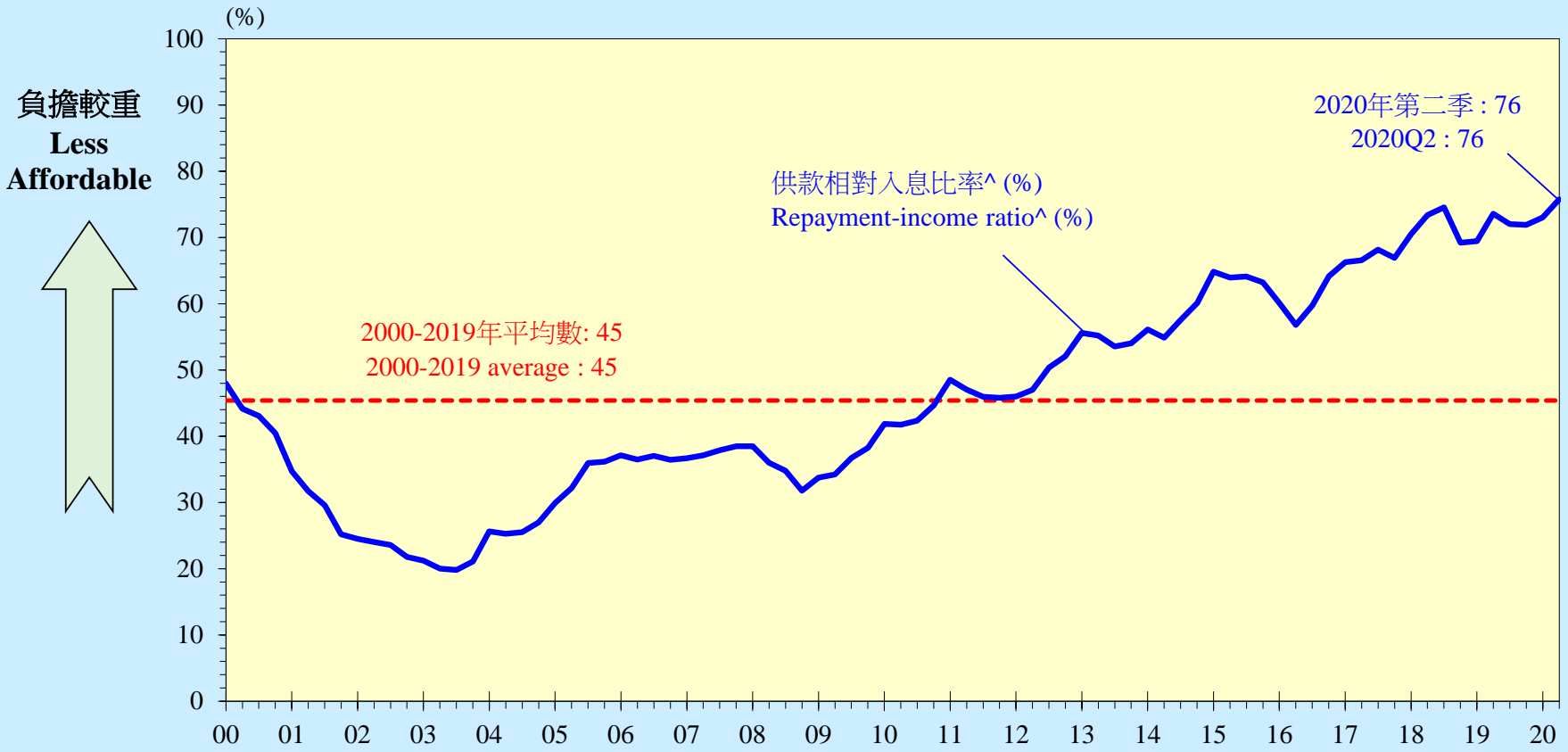
住宅物業買賣合約數目
No. of S&P agreements for residential property



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.

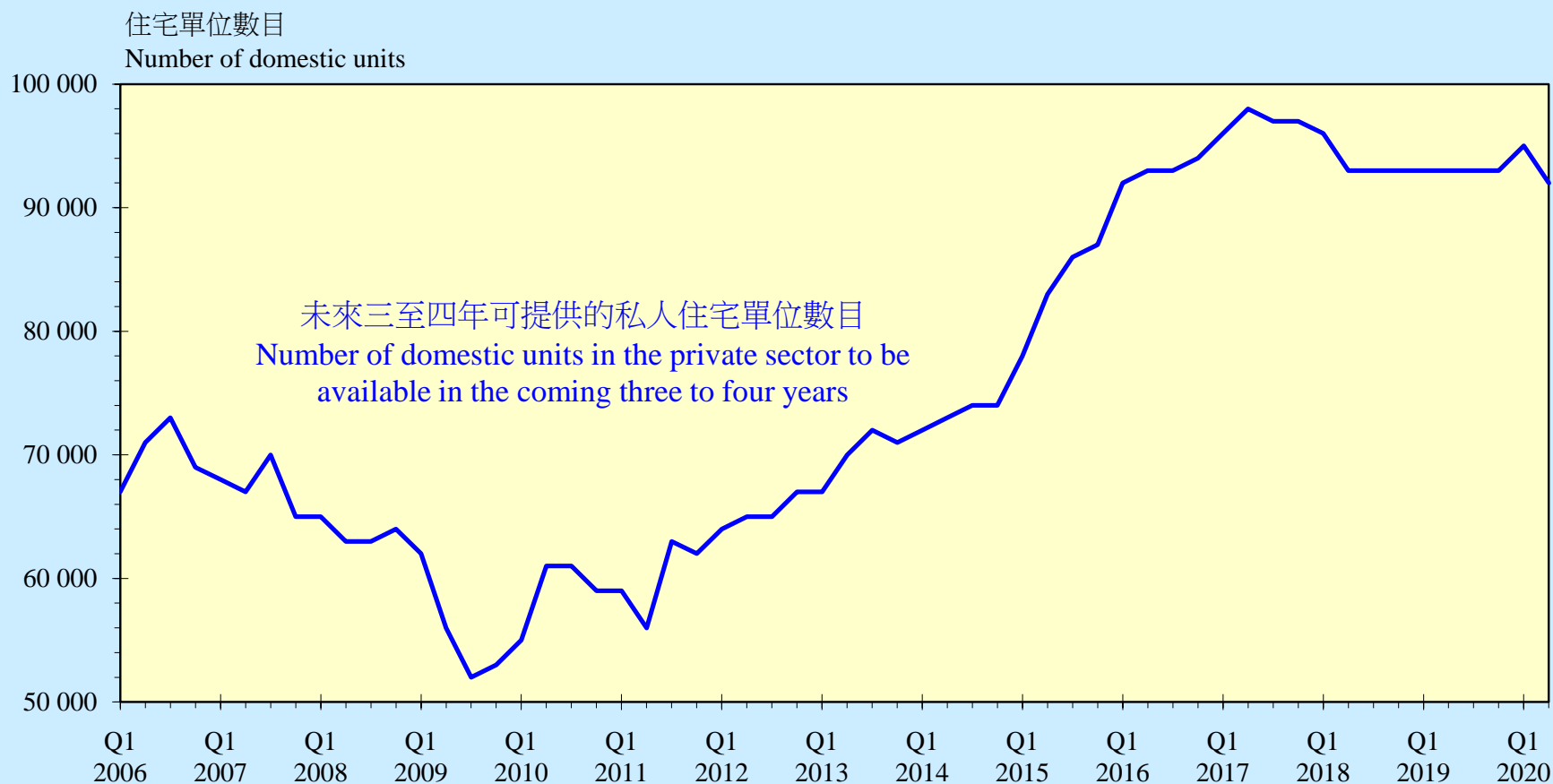
Index of home purchase affordability (i.e. mortgage repayment to income ratio) worsened



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 private flat supply would stay at a high level of 92 000 units



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.

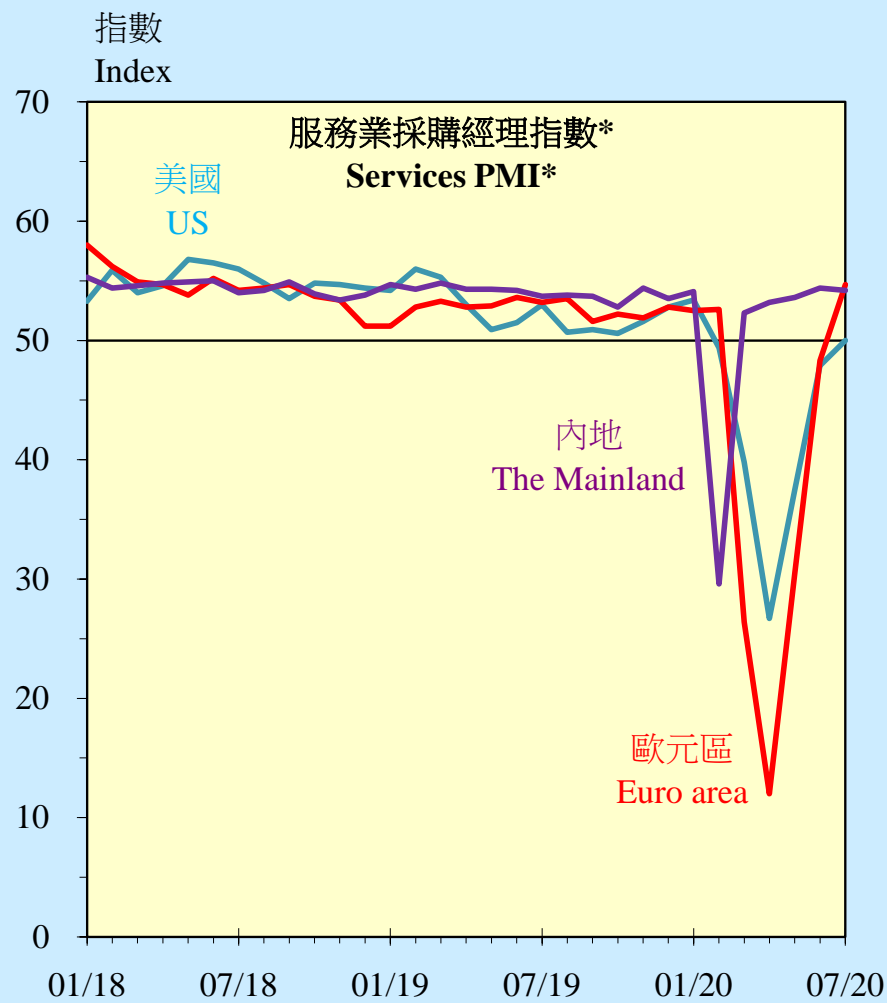
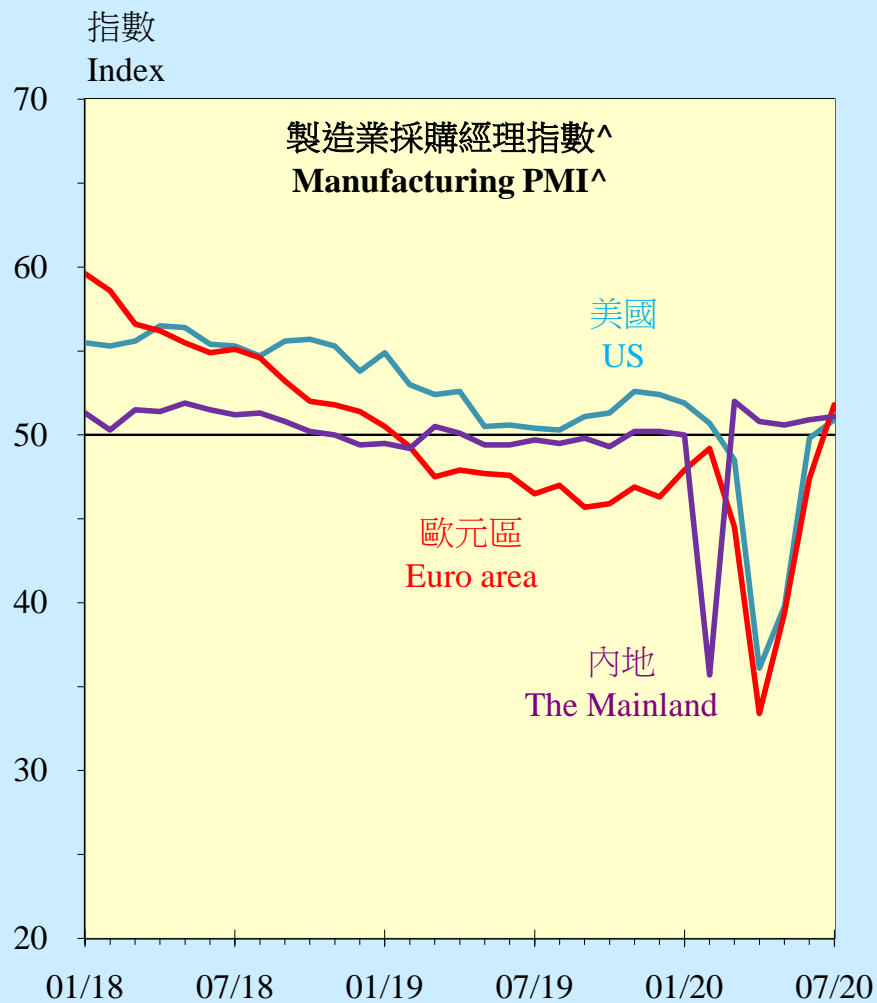
Source : Transport and Housing Bureau.

Outlook for the rest of 2020

The global economy shows signs of bottoming out, but COVID-19 remains a key threat to near-term outlook

- ◆ **Mainland:** The economy has returned to solid growth due to successful containment of the epidemic at an early stage
- ◆ **US:** The economy shrank sharply in Q2, but has shown signs of stabilisation in the latter half of the quarter
- ◆ **Euro area:** The economy contracted at a historic rate in Q2, but economic sentiment improved in recent months
- ◆ **Rest of Asia:** Many economies are troubled by the epidemic, weighing on regional trade flows

The US and the euro area economies should have got out of their troughs, and the Mainland economy will likely show solid growth



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。

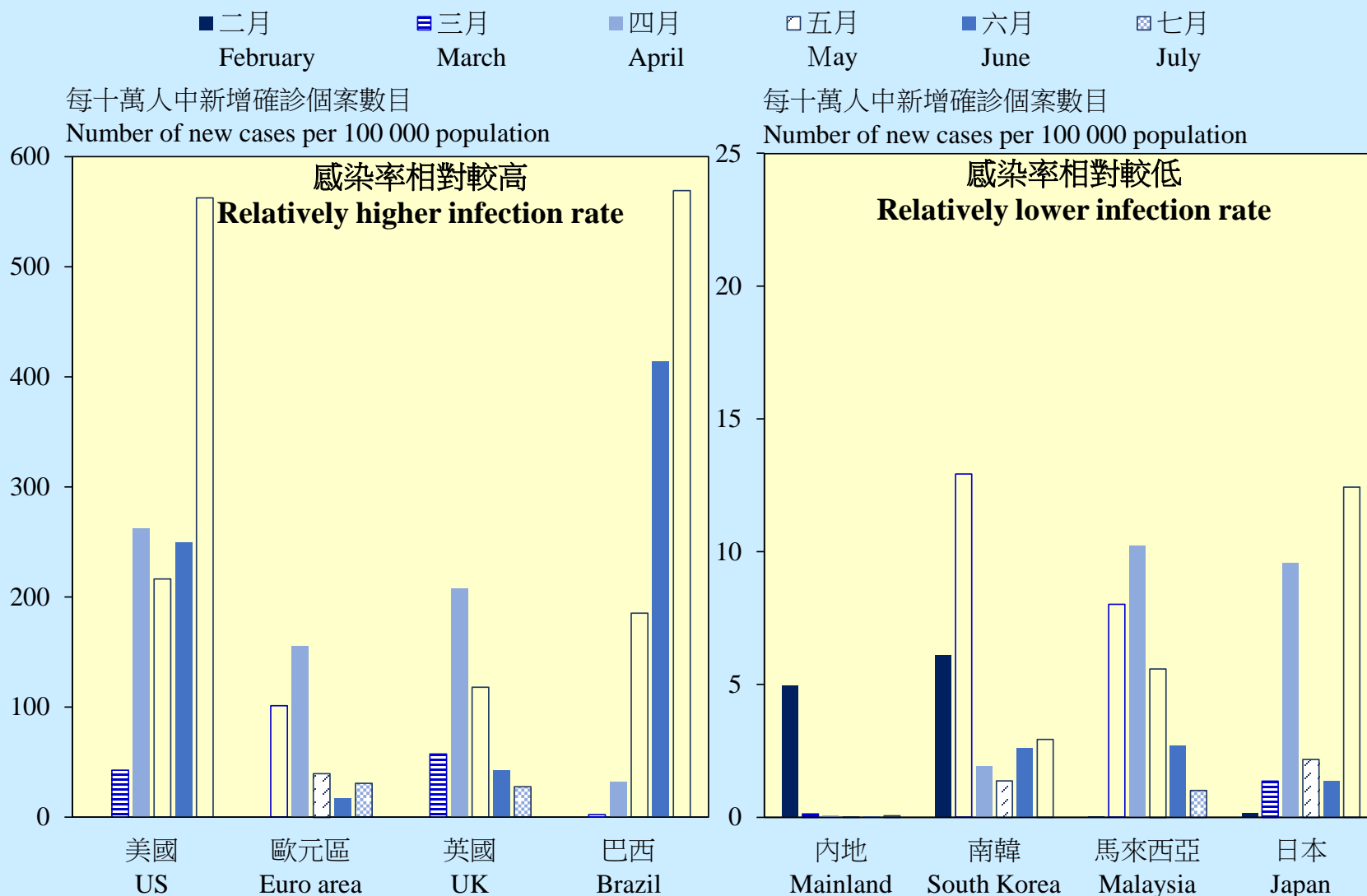
Notes: (^) Official manufacturing PMI for the Mainland; Markit manufacturing PMI for other economies.

(*) Official non-manufacturing PMI for the Mainland; Markit services PMI for other economies.

In view of the severe impacts of COVID-19 in the first half of the year and envisaged slower recovery in the second half, the IMF projected a deeper global recession for 2020

	GDP growth in 2019	IMF forecasts for 2020 GDP growth		IMF forecasts for 2021 GDP growth	
		Jun	Change between Jun and Apr	Jun	Change between Jun and Apr
World	2.9	-4.9	-1.9	5.4	-0.4
US	2.2	-8.0	-2.1	4.5	-0.2
Euro area	1.3	-10.2	-2.7	6.0	+1.3
Japan	0.7	-5.8	-0.6	2.4	-0.6
Mainland China	6.1	1.0	-0.2	8.2	-1.0
Developing Asia	5.5	-0.8	-1.8	7.4	-1.1
Emerging market and developing economies	3.7	-3.0	-2.0	5.9	-0.7

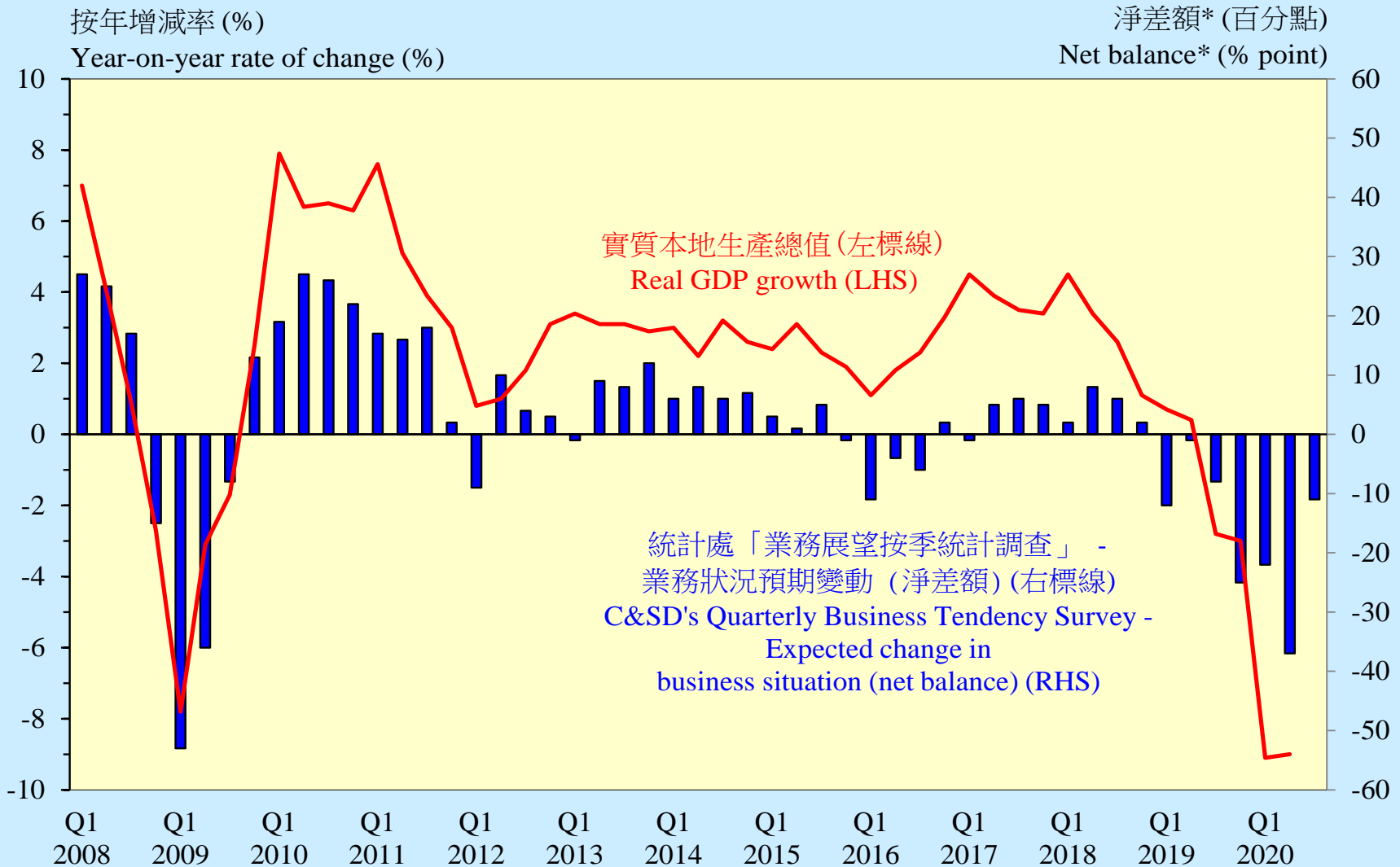
In the Mainland, the spread of COVID-19 has been well contained since March; Other economies generally faced more severe epidemic situations in Q2



資料來源：中華人民共和國國家衛生健康委員會、英國衛生及社會關懷部及世界衛生組織。

Sources: National Health Commission of the People's Republic of China, Department of Health and Social Care of the UK and the World Health Organization.

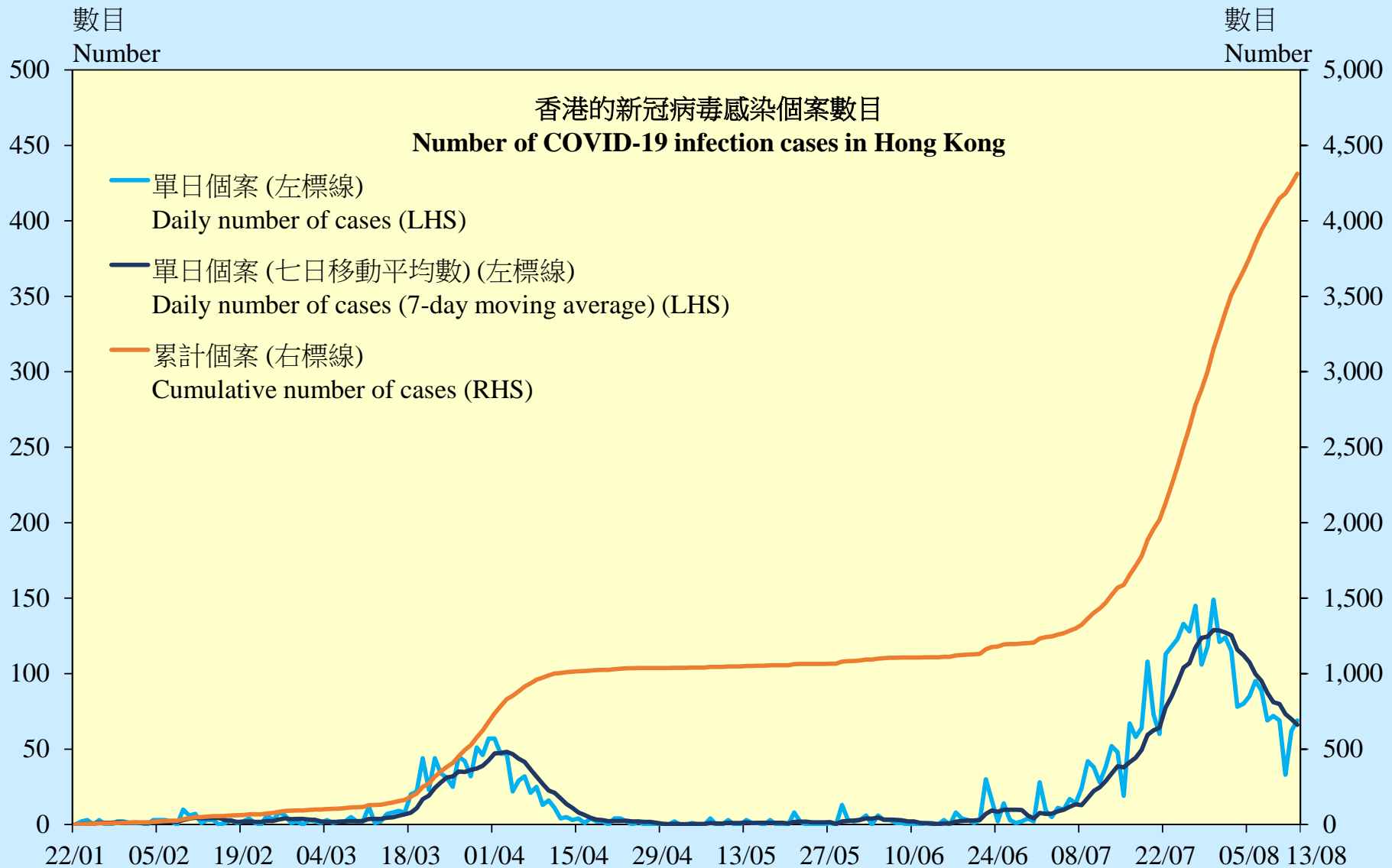
Business sentiment among large enterprises was less pessimistic on entering the third quarter



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。

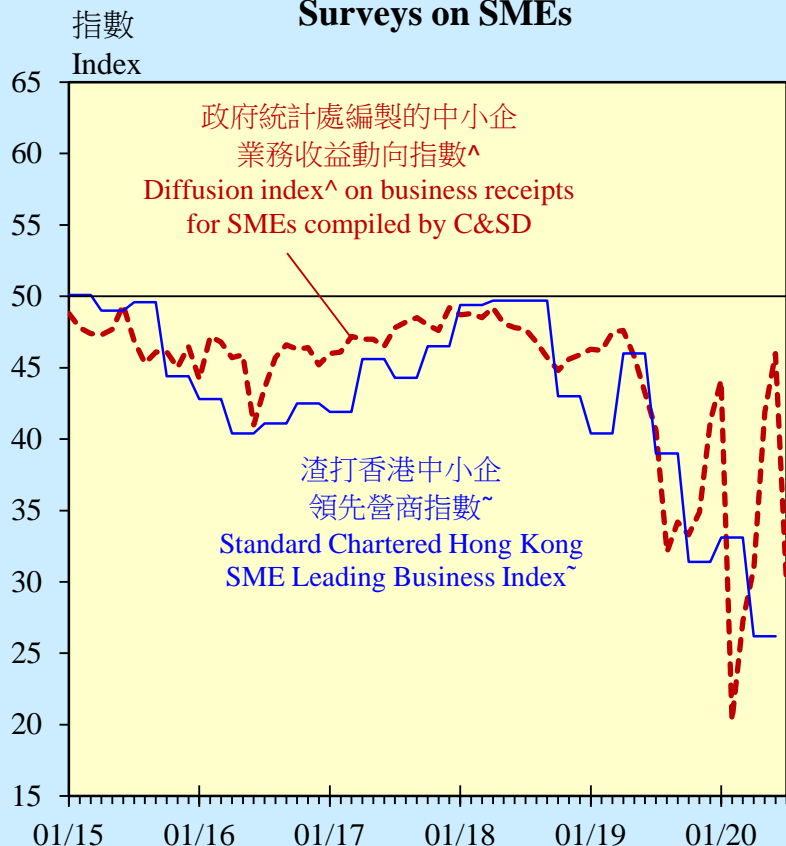
Note: (*) Net balance indicates the direction of expected change in business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend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

Surging local infections since the second week of July



More recent surveys showed that business sentiment worsened again

中小企調查 Surveys on SMEs



其他調查 Other surveys



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 uncertain

- ◆ The threat of COVID-19 will continue to cloud the global economic outlook until an effective vaccine or treatment is widely available, with recovery path likely to be uneven and bumpy
- ◆ The tense China-US relations and heightened geopolitical tensions also fuel uncertainties
- ◆ Locally, the recent surge of COVID-19 infections and the resultant tightening of social distancing measures have weighed heavily on private consumption and business sentiment
- ◆ The strength and speed of recovery in the Hong Kong economy will depend much on how fast local infection can be brought under control and also the progress of global economic recovery. The Government has been implementing the relief measures under the Anti-epidemic Fund and the 2020-21 Budget at full steam to safeguard jobs, support enterprises and relieve people's financial burdens

Latest economic forecasts for 2020 as a whole

	Forecasts as released on 15 May	Latest forecasts
Real GDP growth	-4% to -7%*	-6% to -8%
Underlying inflation	2.2%	1.8%
Headline inflation	1.4%	0.8%

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



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