



# Hong Kong SAR Government

## Third Quarter Economic Report 2020 & Latest economic forecasts for 2020

13 November 2020

## Highlights of the economic situation in Q3 2020

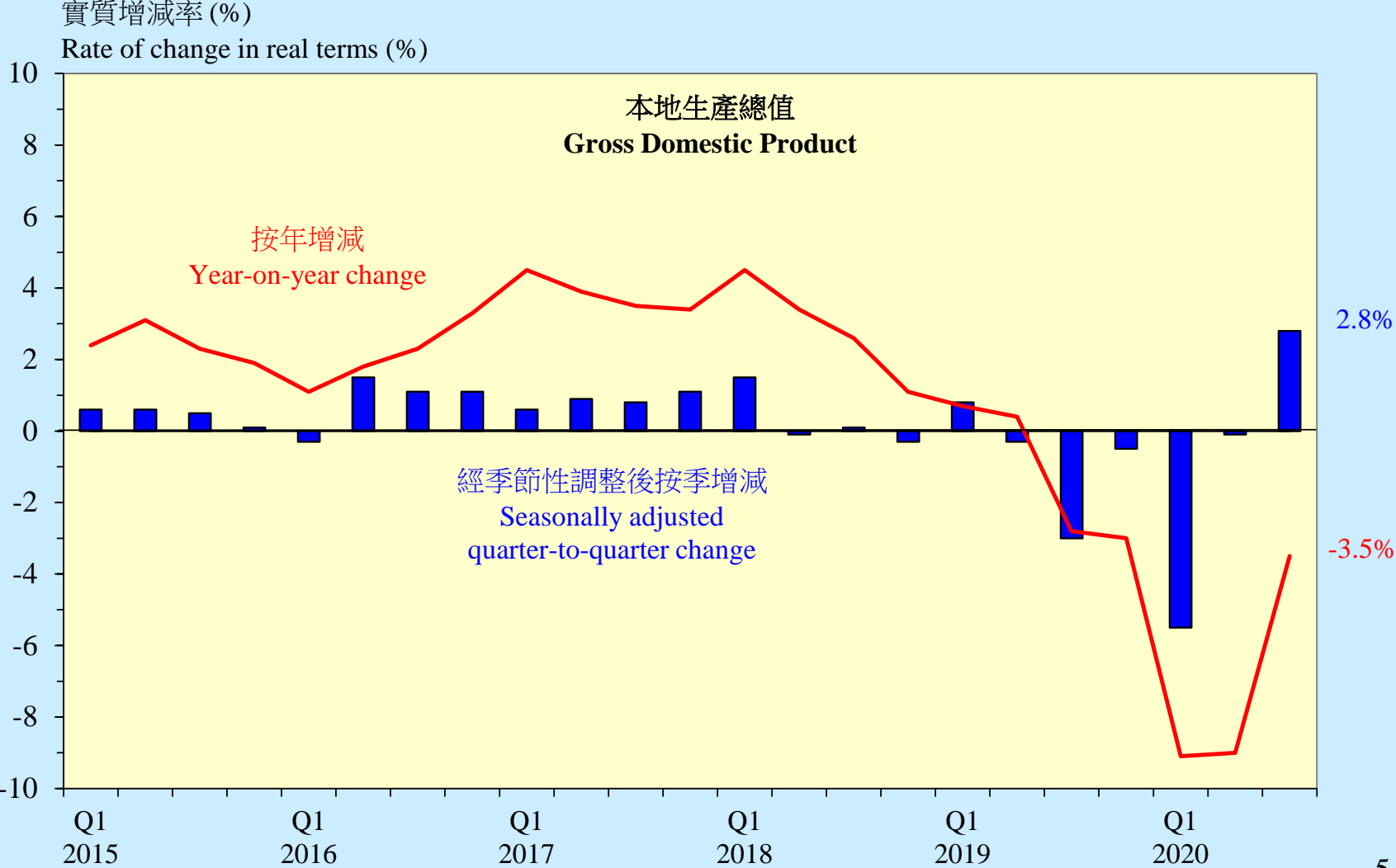
- Hong Kong's overall economic performance saw some improvement in Q3. Real GDP recorded a visibly narrowed decline of 3.5% from a year earlier, and rebounded by 2.8% from Q2
- Exports of goods resumed moderate growth thanks to an improved external trading environment amid the accelerated growth of the Mainland economy
- Local economic sentiment revived in the latter part of the quarter as the epidemic situation stabilised. Domestic demand improved somewhat but stayed weak
- Exports of services continued to plummet as inbound tourism and cross-boundary passenger transport remained frozen, though exports of financial services grew further
- Labour market deteriorated further for the quarter as a whole; Consumer price inflation eased visibly

# Latest economic forecasts for 2020

- While the abruptly deteriorated epidemic situations in Europe and the US cast a shadow over the prospects of global economic recovery, the Mainland economy is expected to strengthen further, thereby rendering some support to Hong Kong's exports
- The evolving China-US relations, heightened geopolitical tensions, and Brexit negotiations have also added to external uncertainties
- Locally, the near-term outlook will hinge critically on the local COVID-19 situation. Provided that the local epidemic remains well contained, domestic economic activities will likely see further modest improvement in Q4 of the year
- Latest real GDP growth forecast for 2020 at -6.1%;  
Underlying inflation rate forecast revised downwards to 1.3%

# **Economic performance in Q3 2020**

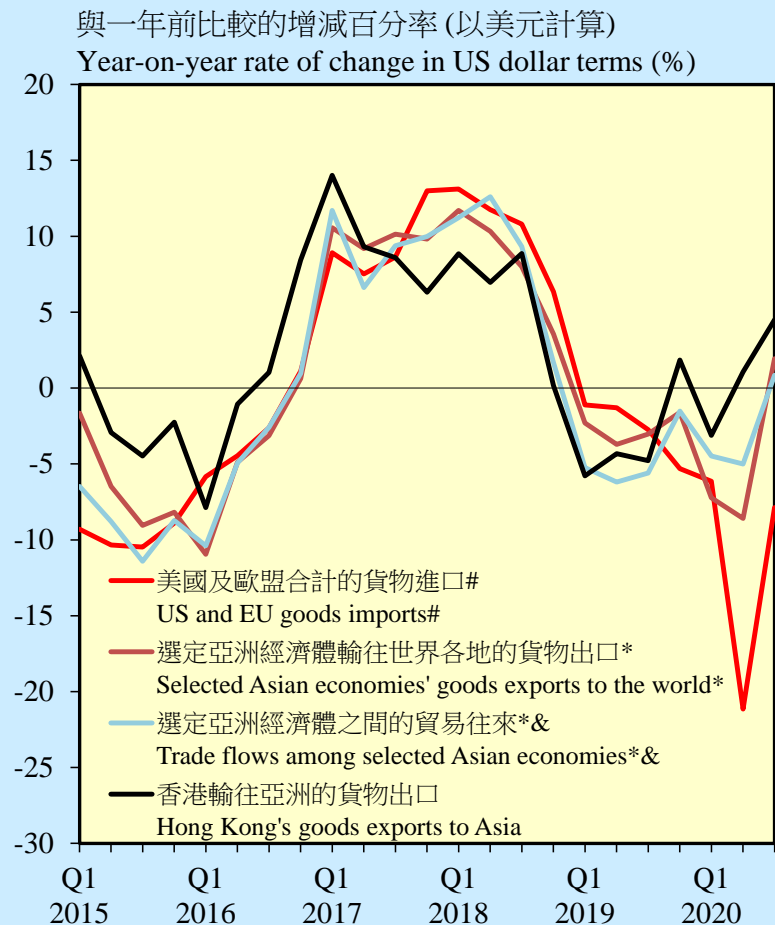
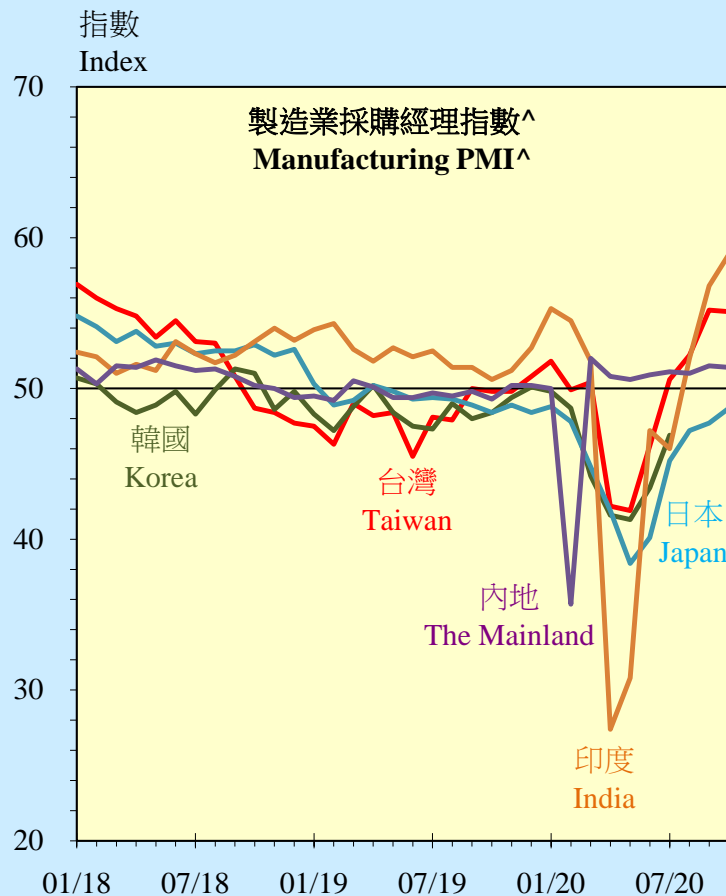
# The Hong Kong economy showed a visibly narrowed year-on-year contraction in Q3 amid an improved external trading environment and the stabilisation of the local epidemic situation in the latter half of the quarter



# External sector



# Regional trade flows regained some momentum in Q3 alongside improved production activities 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三季的貨物進口是根據二零二零年十一月初的資料計算。

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.

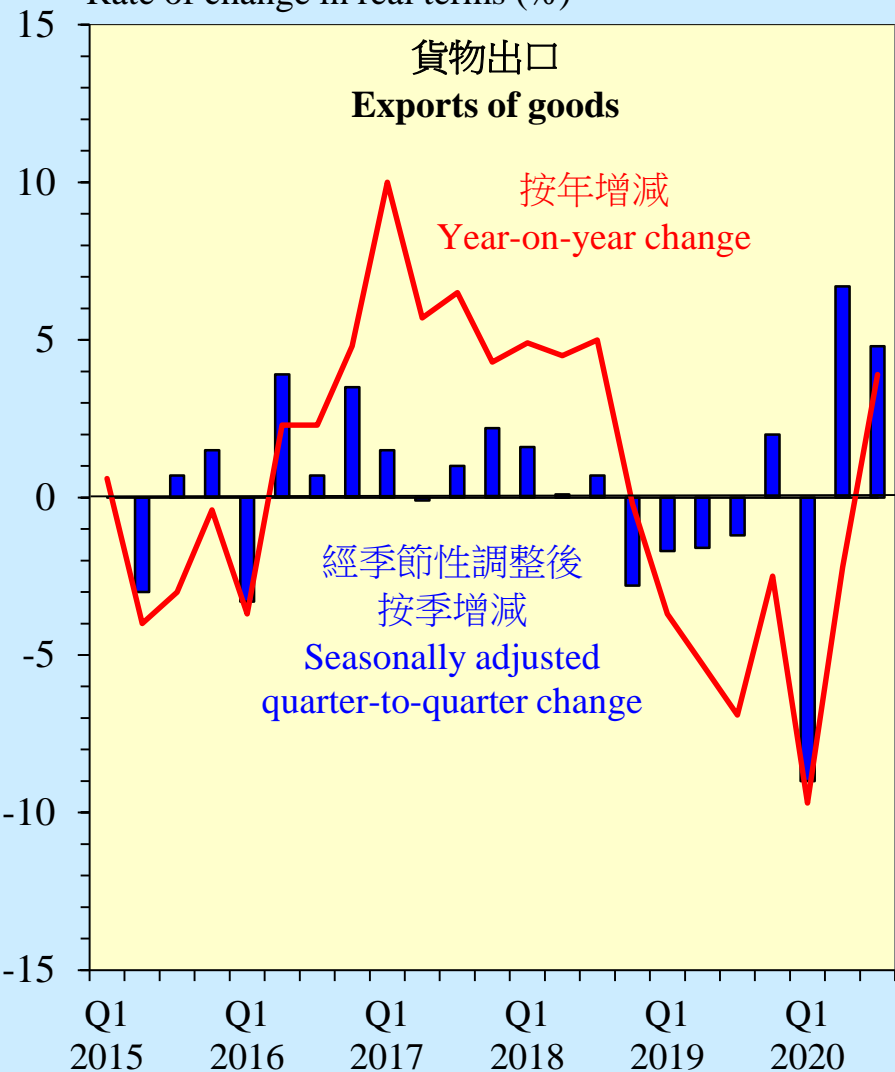
(&) The trade flows were measured by the sum of the individual economies' exports of goods to the other nine economies within the "selected Asian economies".

(#) EU goods imports for the third quarter of 2020 are based on the information available as of early-November 2020.

# Merchandise exports to the Mainland continued to rebound notably, while those to many other major markets saw relative improvements

實質增減率 (%)

Rate of change in real terms (%)



## Total exports of goods by major markets

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

	<u>2020</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Mainland	-2.2	5.8	7.2
US	-25.9	-17.5	-8.7
EU	-24.4	-9.0	-4.1
Japan	-15.7	-1.6	-13.6
India	-0.1	-43.3	-6.7
Korea	-8.9	-10.8	-7.5
Singapore	-14.8	-23.1	-11.5



# Exports of services plummeted further, though narrowing from the record fall in the preceding quarter

實質增減率 (%)

Rate of change in real terms (%)



# Exports of travel services almost vanished; Declines in exports of transport, business and other services remained notable, but exports of financial services saw further growth

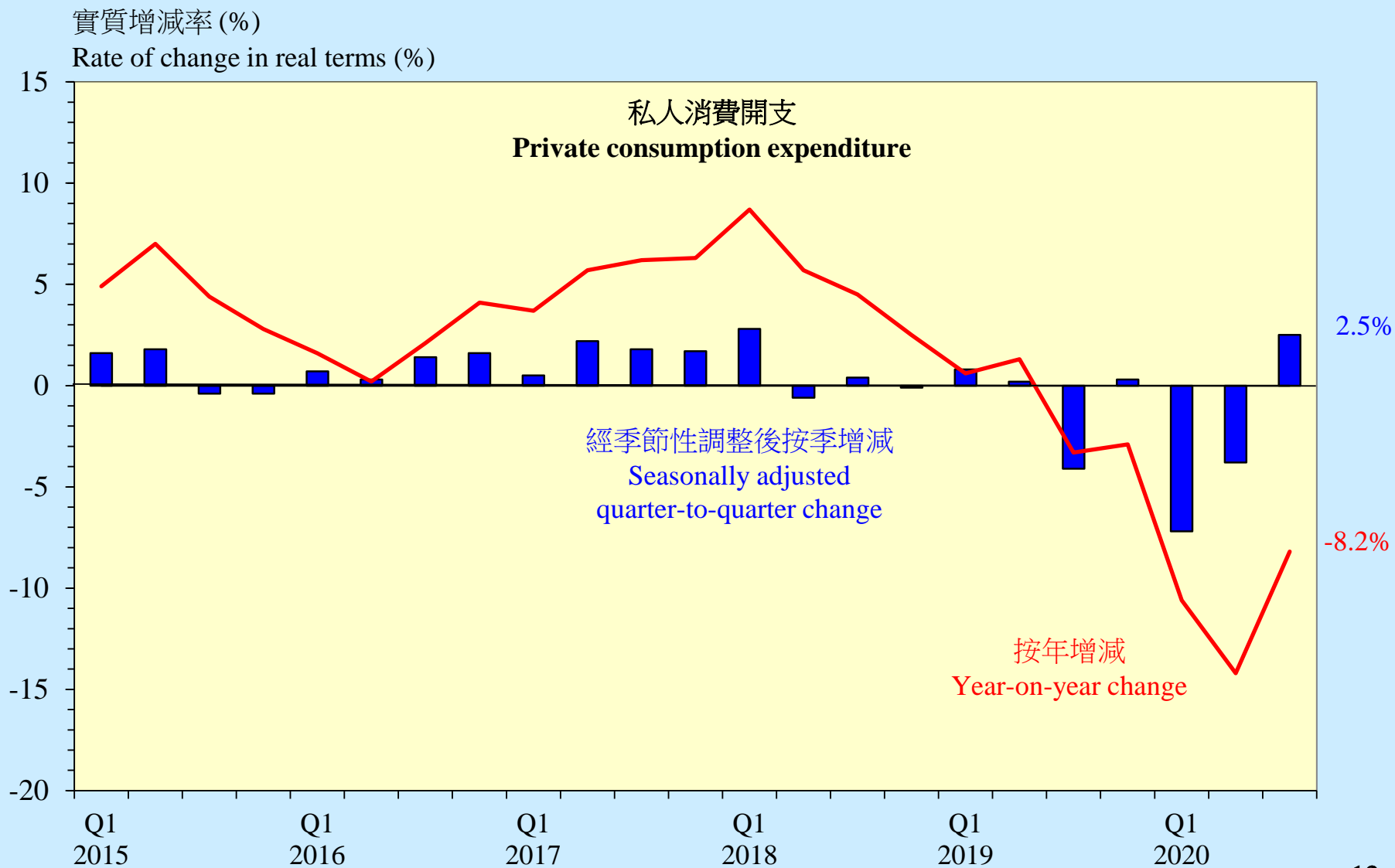
## Exports of services

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	-35.5	2.5	-13.1
	Q3	-97.4	-29.6	3.5	-10.7

# Domestic sector

# PCE posted a smaller but still notable year-on-year decline, as sentiment revived somewhat in the latter part of Q3

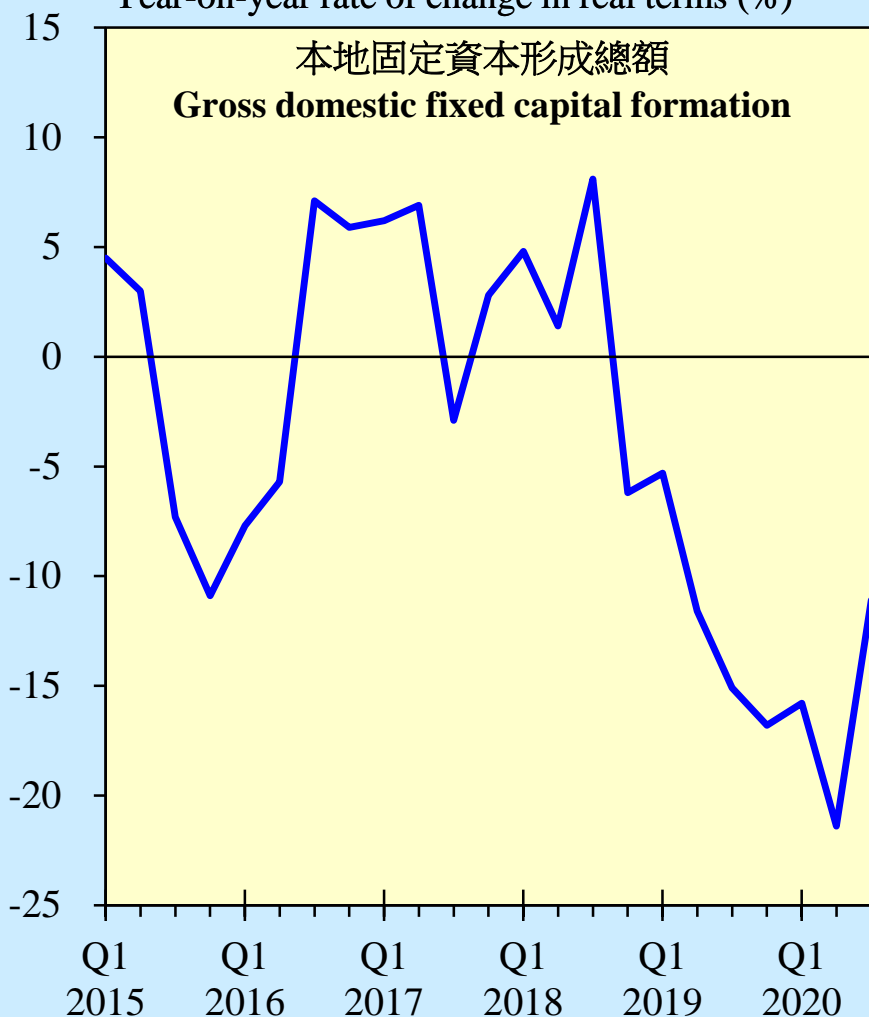


# Overall investment expenditure continued to fall, reflecting the highly uncertain economic outlook and weak construction activity

按年實質增減率 (%)

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

本地固定資本形成總額  
Gross domestic fixed capital formation



## Overall investment expenditure

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

Machinery,  
equipment and  
intellectual  
property products

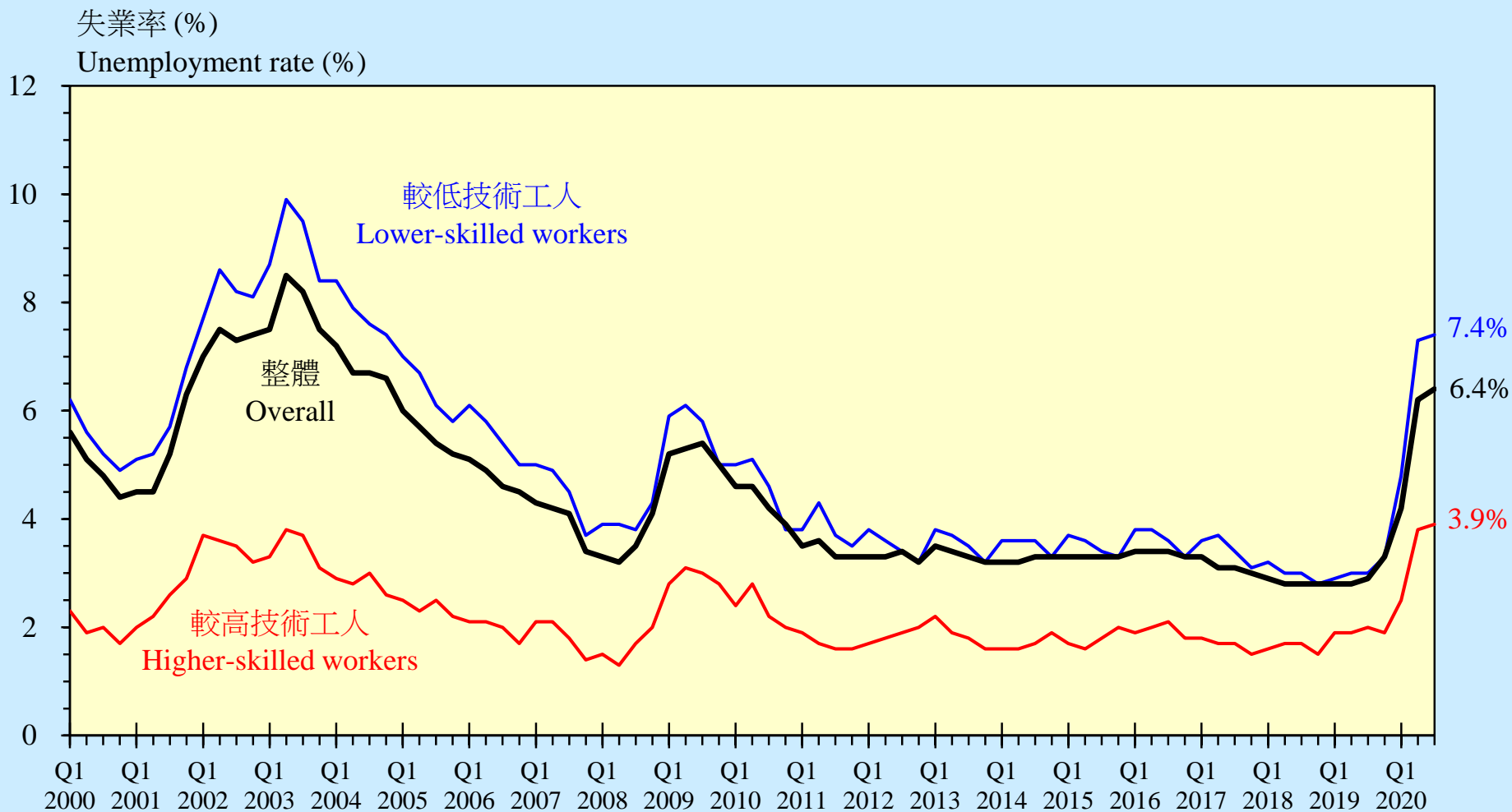
Building and  
construction

Year	Quarter	Machinery, equipment and intellectual property products	Building and construction
2019	Annual	-20.0	-6.2
	Q3	-26.5	-2.8
	Q4	-32.3	-6.5
2020	Q1	-17.9	-11.5
	Q2	-43.6	-4.0
	Q3	-20.9	-10.4

# Labour market



# Labour market deteriorated further for Q3 as a whole with the unemployment rate rising to the highest in close to 16 years



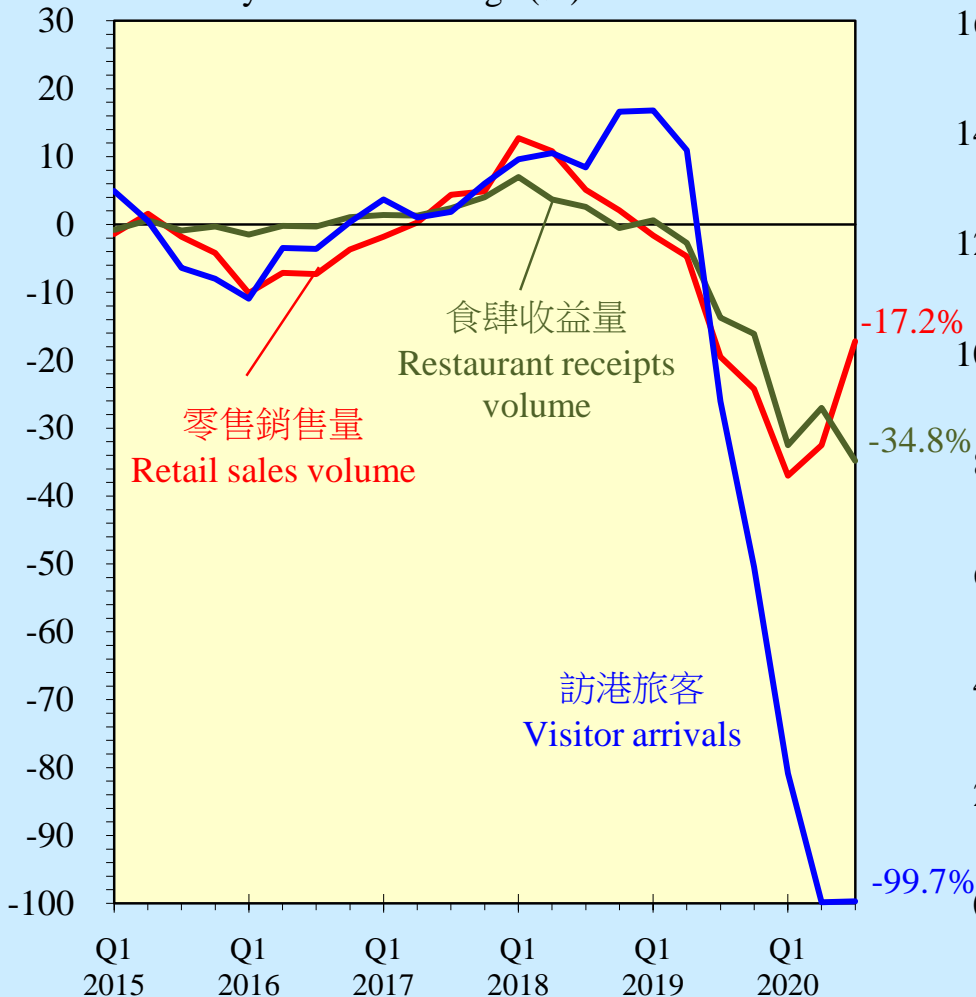
註：除整體失業率外，其他均為未經季節性調整數字。

Note: Not seasonally adjusted except the overall unemployment rate.

# Unemployment rates of the consumption- and tourism-related sectors went up to the highest level since SARS in 2003

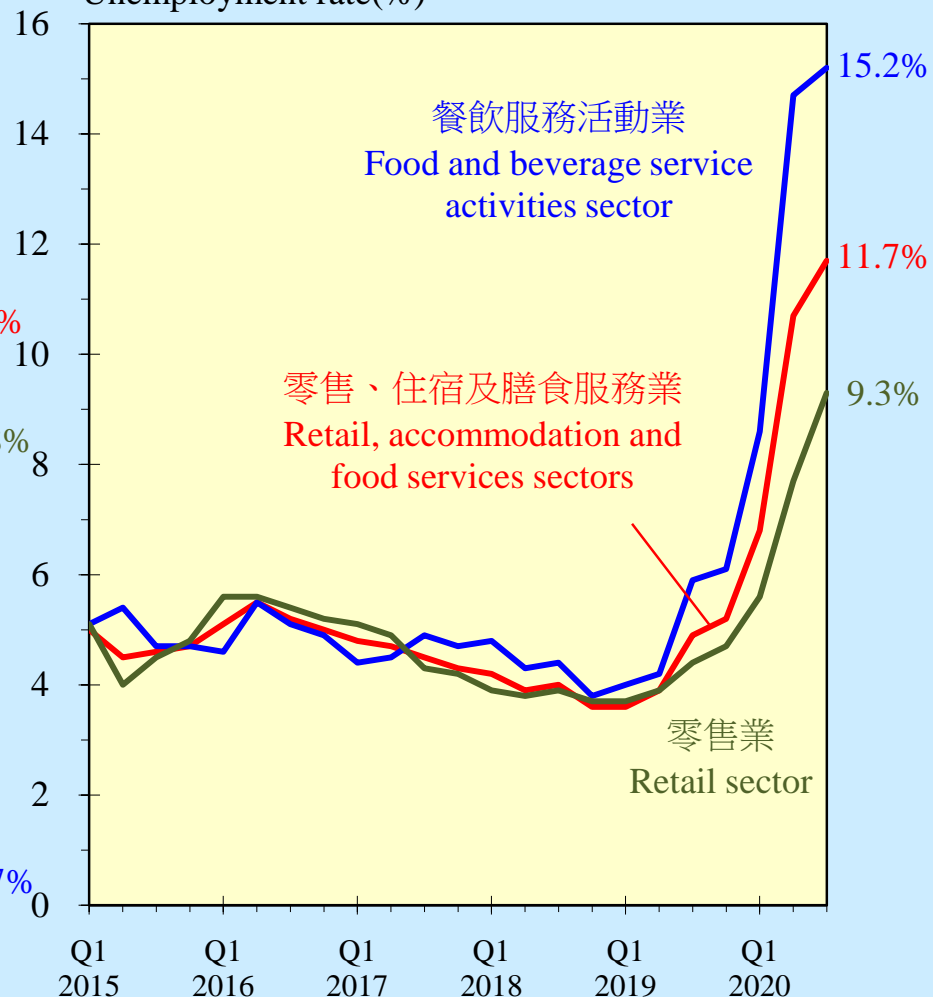
按年增減率 (%)

Year-on-year rate of change (%)



失業率 (%)

Unemployment rate (%)



# Wage growth slowed further and median 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 (Q2 2020)	2.2	0.8
Wage index (June 2020)	1.3	0.6
Average monthly employment earnings of full-time employees of the lowest three decile groups (Q3 2020)	3.2	7.7
Median monthly household income (Q3 2020)	-8.2	-6.7

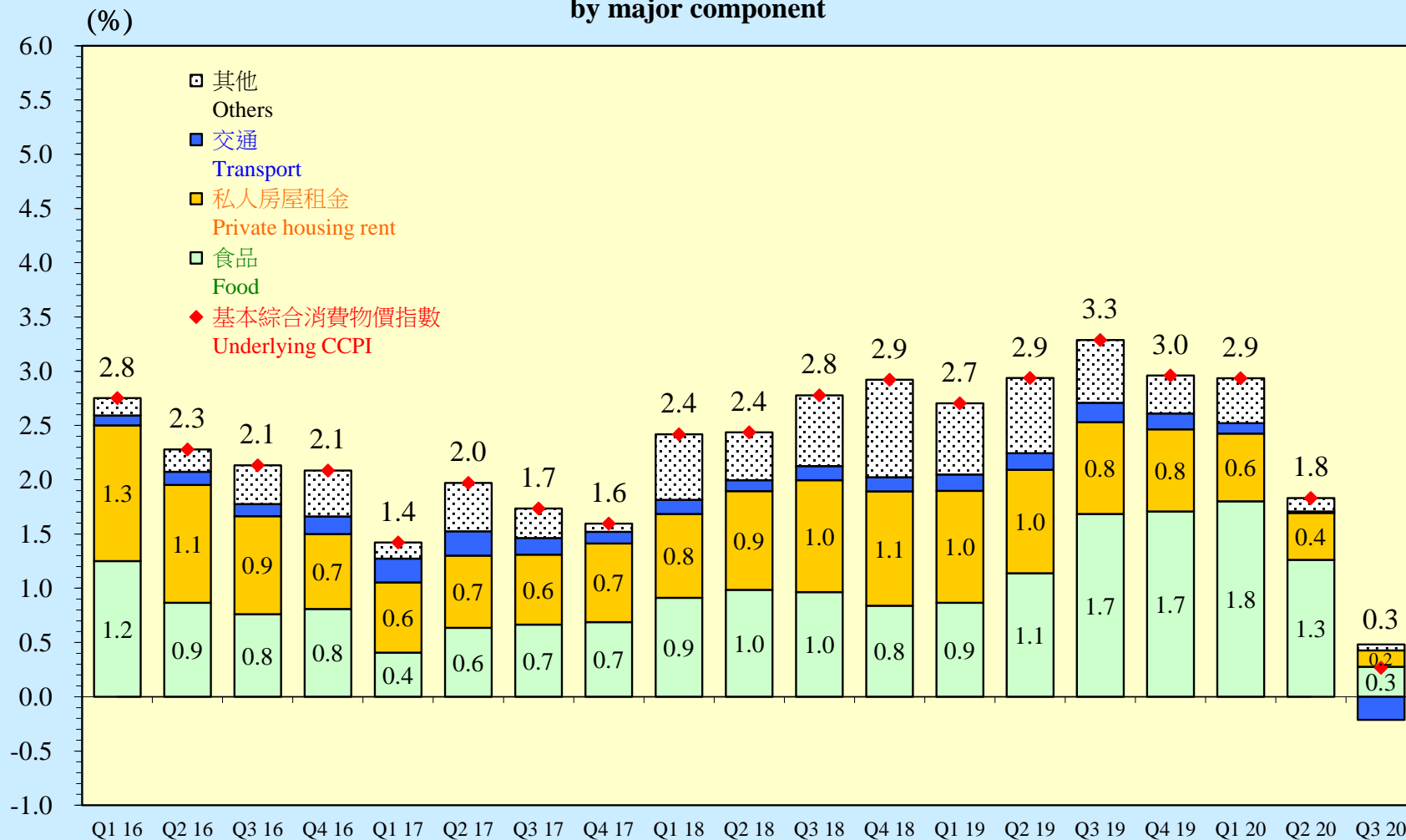
Note: (\*) Excluding foreign domestic helpers.

# **Inflation**

# Consumer price inflation eased notably, as the year-on-year rise in food prices narrowed visibly and price pressures on many other components softened

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

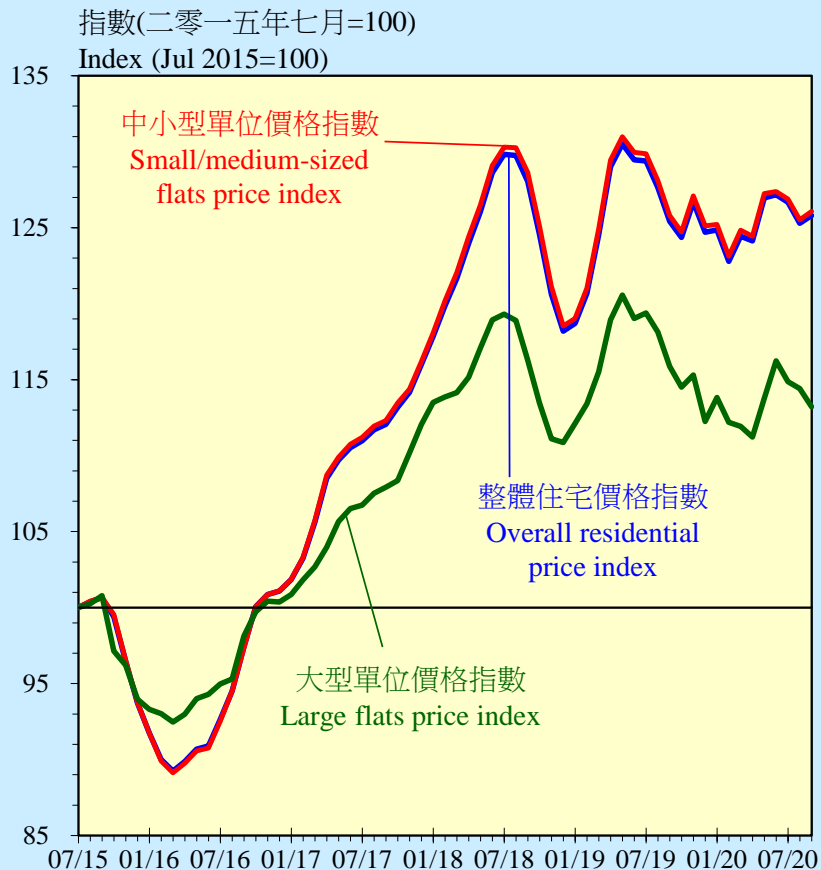


# Property market

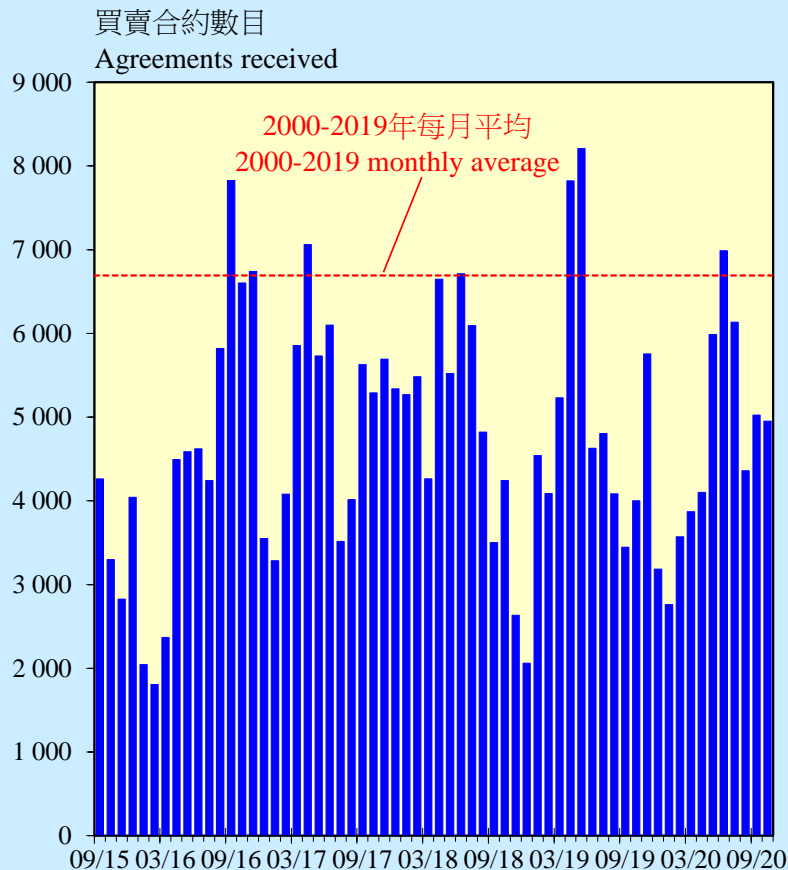


# The residential property market softened somewhat on entering Q3, but showed some revival in the latter part of the quarter

住宅售價  
Flat prices



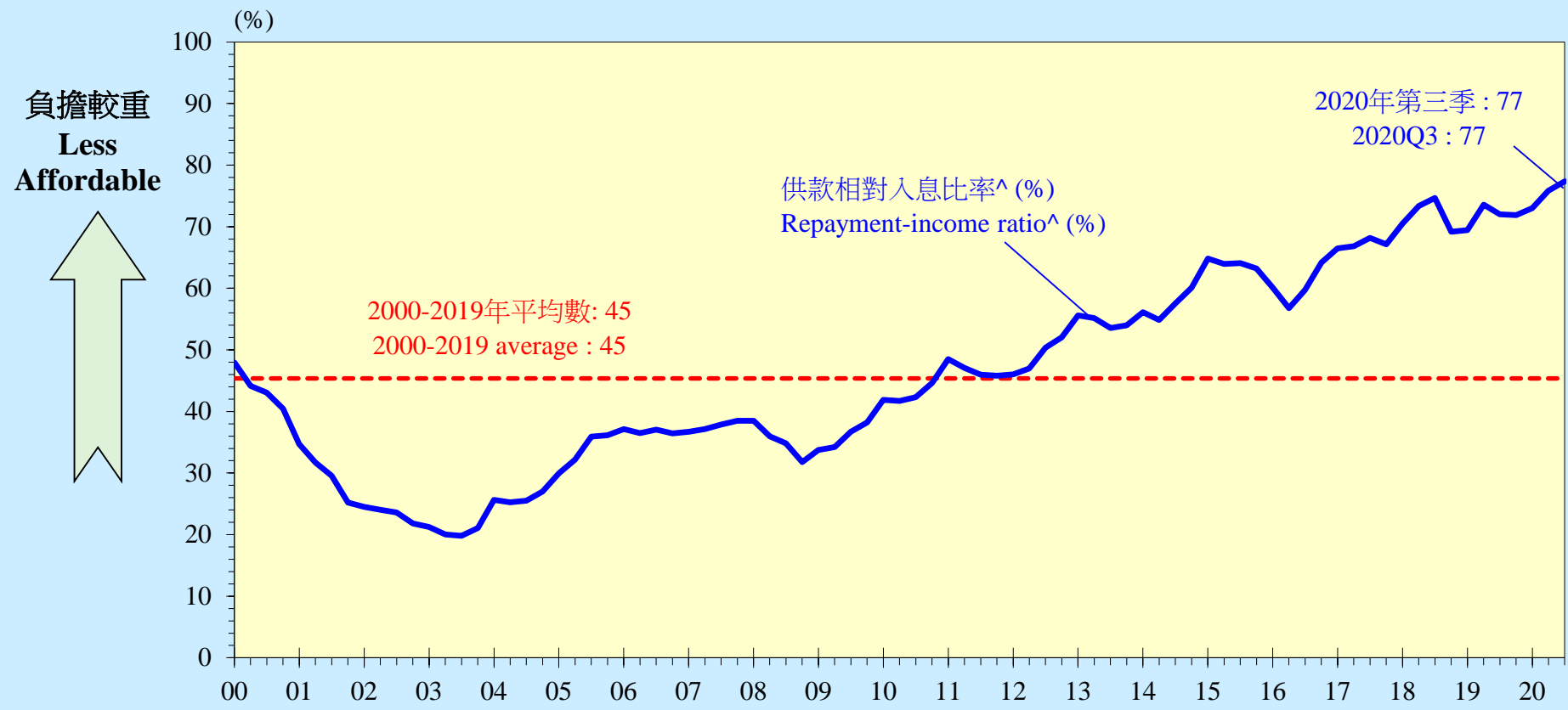
住宅物業買賣合約數目  
No. of S&P agreements for residential property



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>.

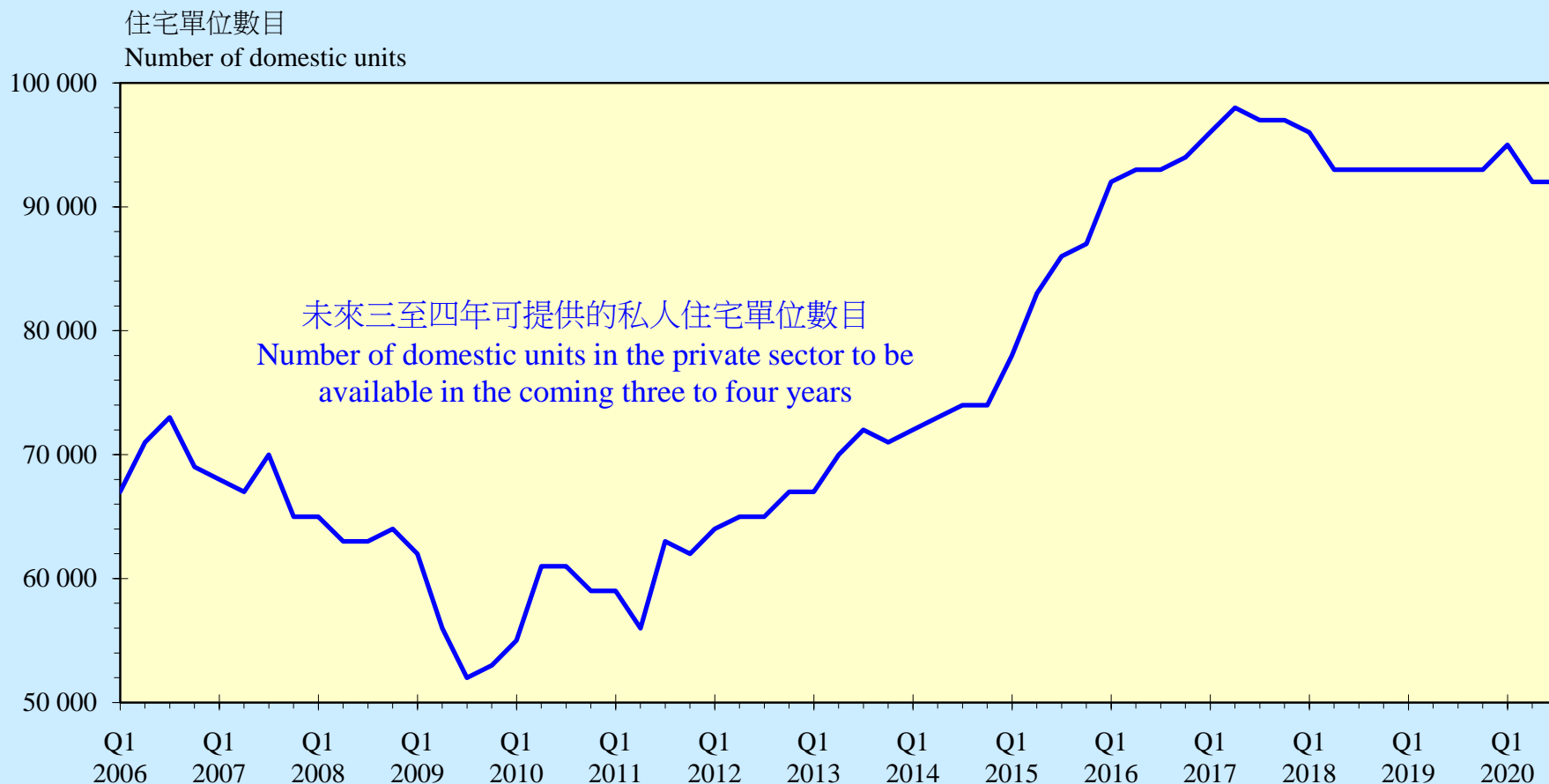
# Index of home purchase affordability (i.e. mortgage repayment to income ratio) remained elevated



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 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.

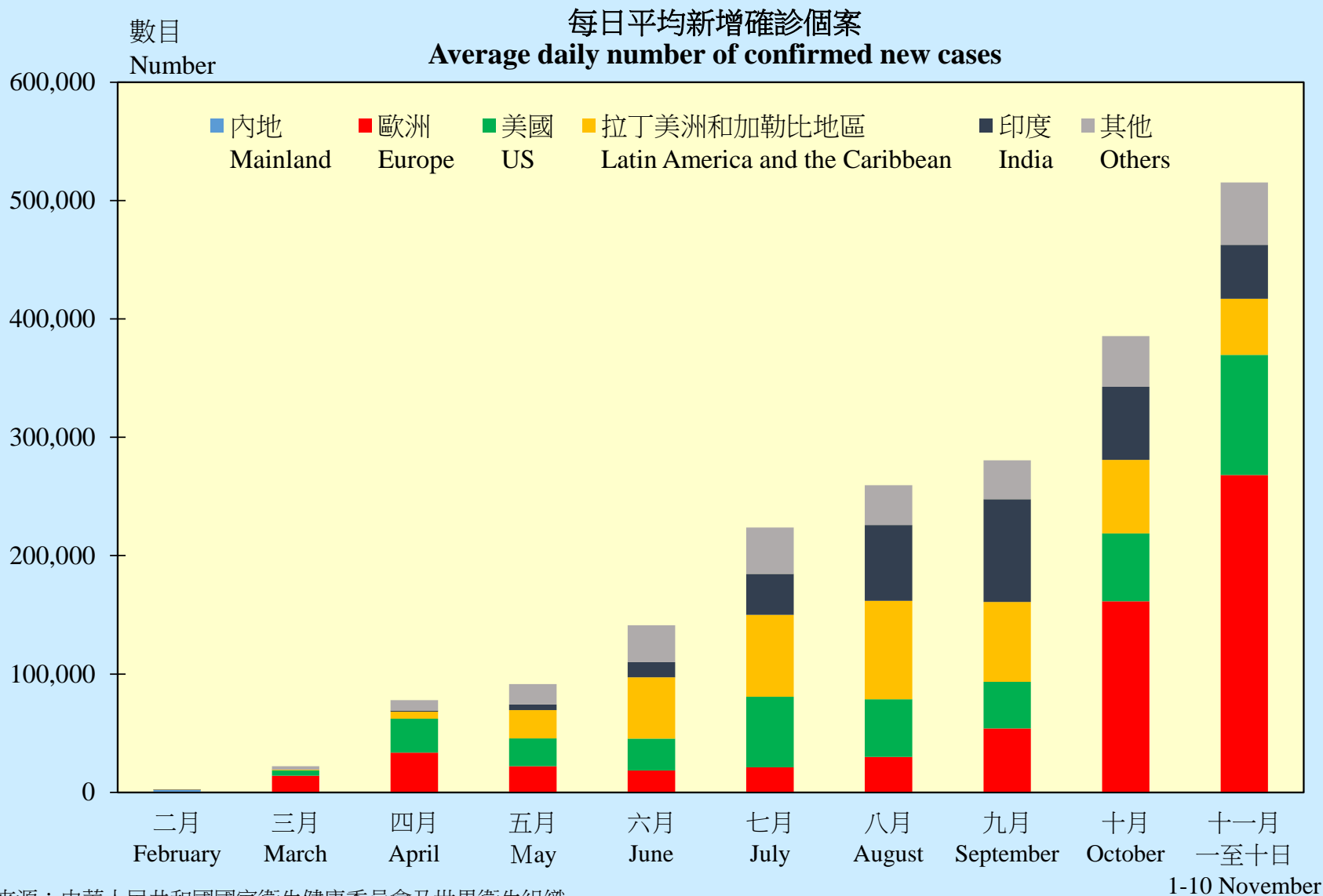
Source : Transport and Housing Bureau.

# **Outlook for the rest of 2020**

## The IMF slightly revised upwards its global economic growth forecast for 2020, but warned that there remained tremendous uncertainty about the outlook

	GDP growth in 2019	IMF forecasts for 2020 GDP growth		IMF forecasts for 2021 GDP growth	
		Oct	Change between Oct and Jun	Oct	Change between Oct and Jun
World	2.8	-4.4	+0.8	5.2	-0.2
US	2.2	-4.3	+3.7	3.1	-1.4
Euro area	1.3	-8.3	+1.9	5.2	-0.8
Japan	0.7	-5.3	+0.5	2.3	-0.1
Mainland China	6.1	1.9	+0.9	8.2	0.0
Developing Asia	5.5	-1.7	-0.9	8.0	+0.6
Emerging market and developing economies	3.7	-3.3	-0.2	6.0	+0.2

# The COVID-19 pandemic is still threatening many economies, with the situations in Europe turning particularly acute of late



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。

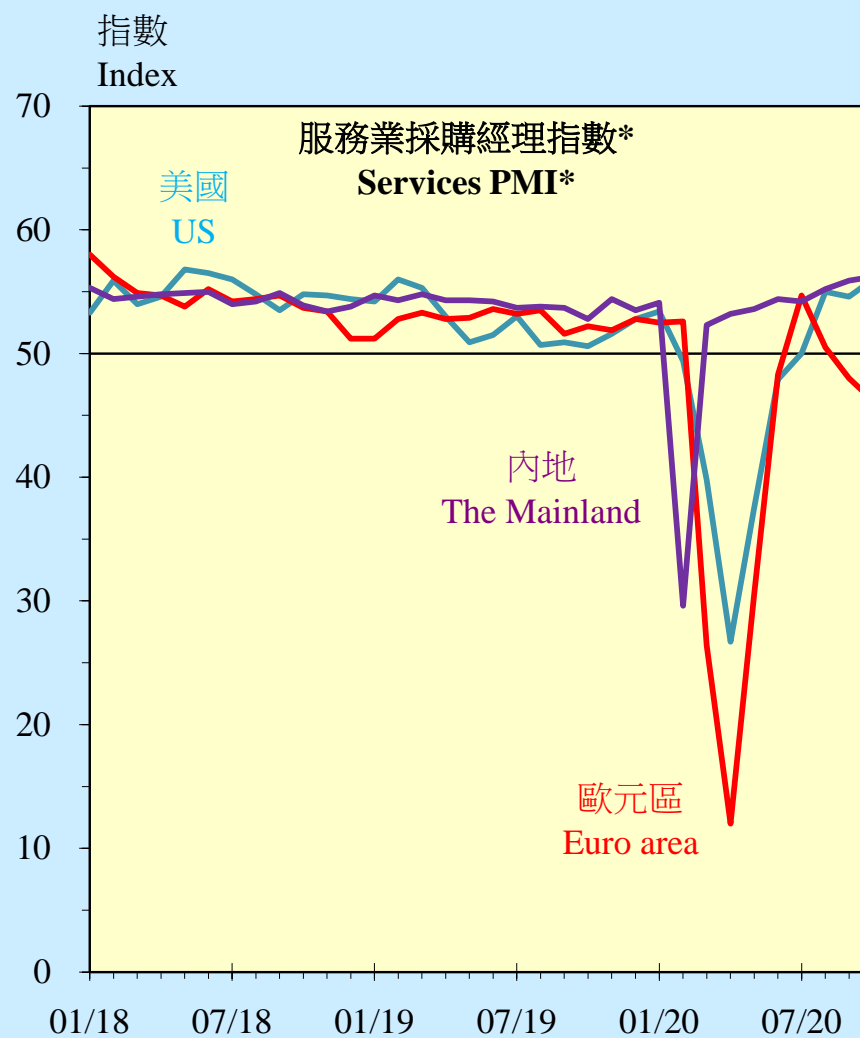
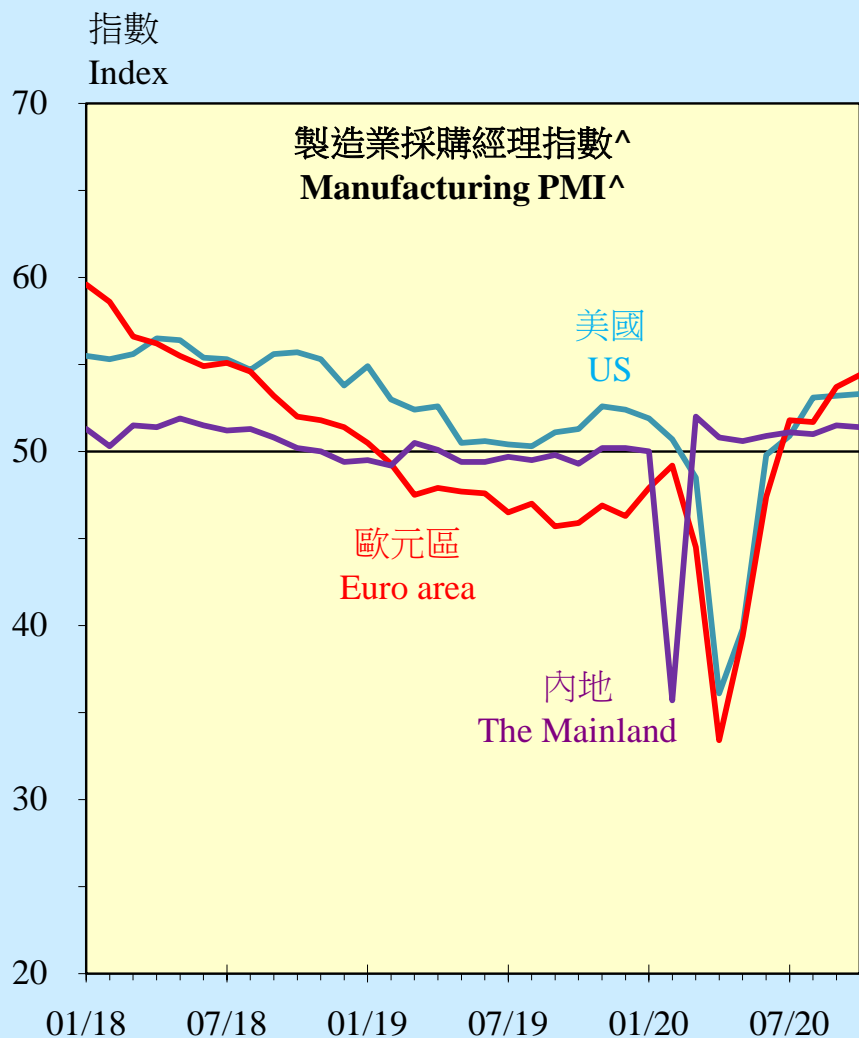
Sources : National Health Commission of the People's Republic of China and the World Health Organization.



## **While the global economy saw a faster-than-expected initial recovery, the deteriorated epidemic in many places of late has added downside risks**

- ◆ **Mainland:** The economy gathered further steam as the epidemic there stayed well contained since March
- ◆ **US:** Economic activity continued to improve more recently after the sharp rebound in Q3, but the increasingly severe epidemic situation there casts a shadow on the economic outlook
- ◆ **Euro area:** The economy saw a notably narrowed contraction in Q3, but the austere epidemic situation threatens the economic outlook
- ◆ **Rest of Asia:** Regional trade flows and production activities continued to see improvement in recent months

# Major economies continued to recover, but the euro area economy showed signs of weakening amid the resurgence of COVID-19 infections



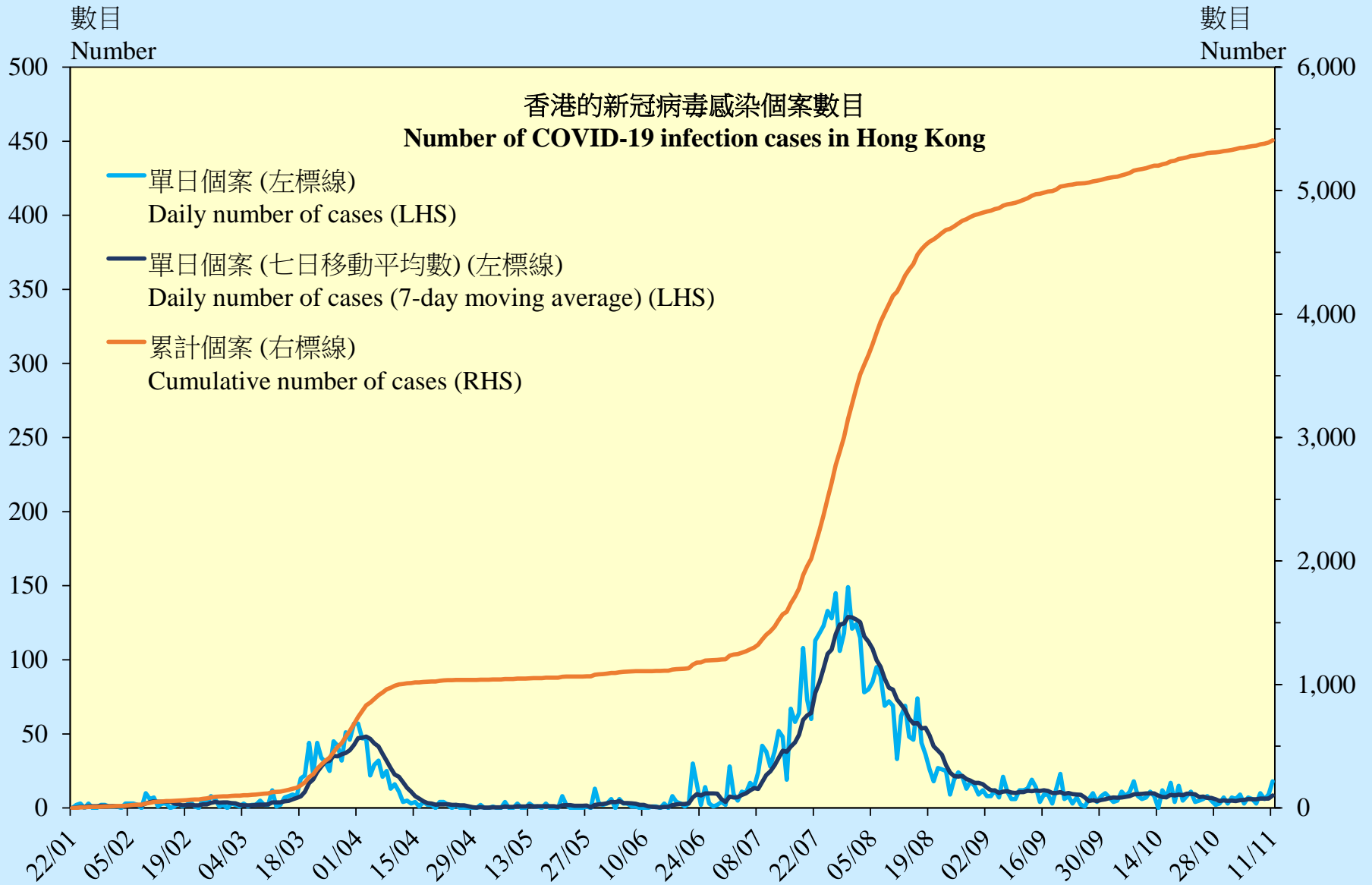
註： (^) 內地的數字為官方製造業採購經理指數；其他經濟體的數字為Markit製造業採購經理指數。

(\*) 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。

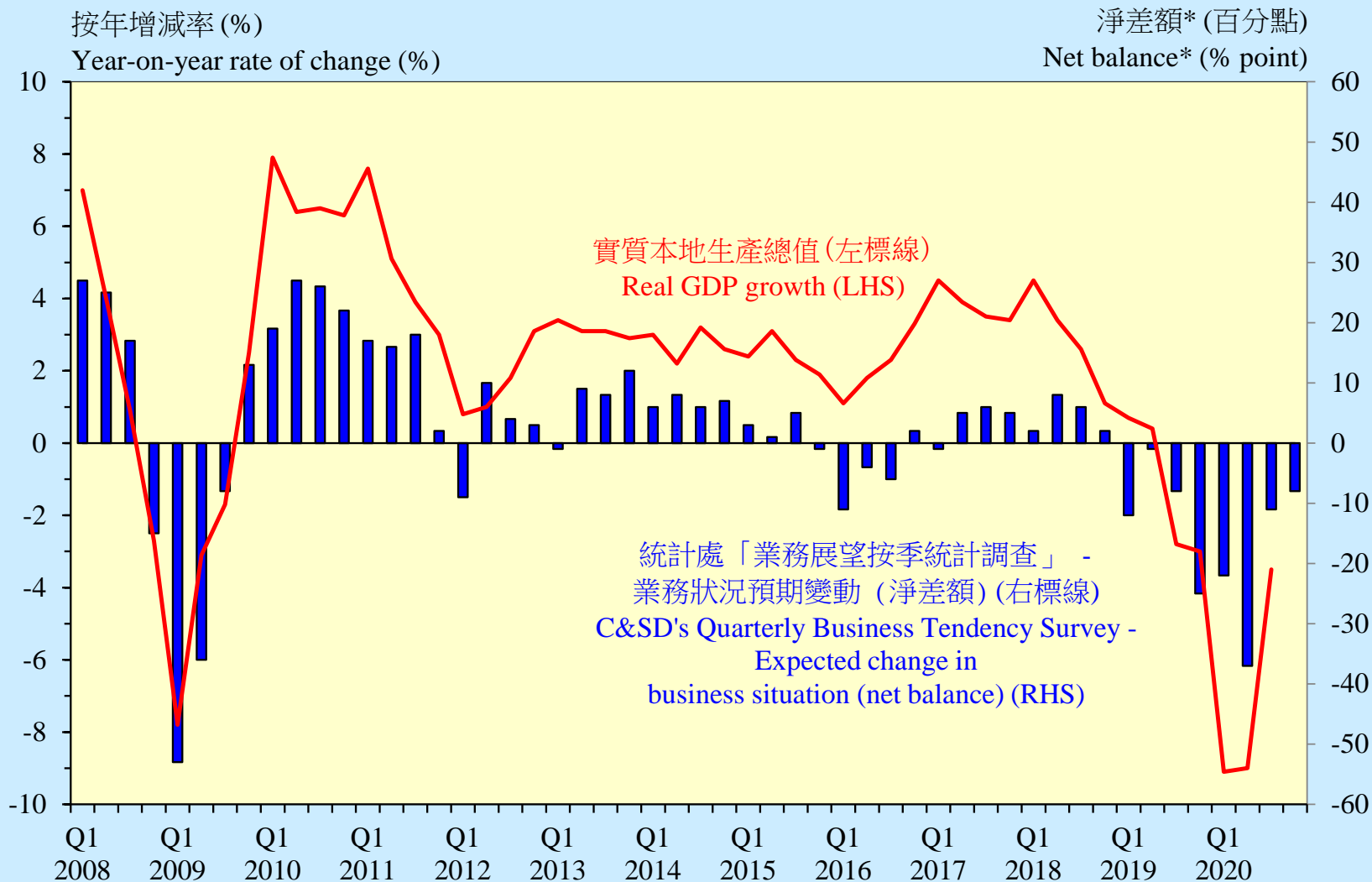
Notes: (^) Official manufacturing PMI for the Mainland; Markit manufacturing PMI for other economies.

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

# The third wave of local epidemic has eased since late August



# Business sentiment among large enterprises saw some relative improvement on entering the fourth quarter

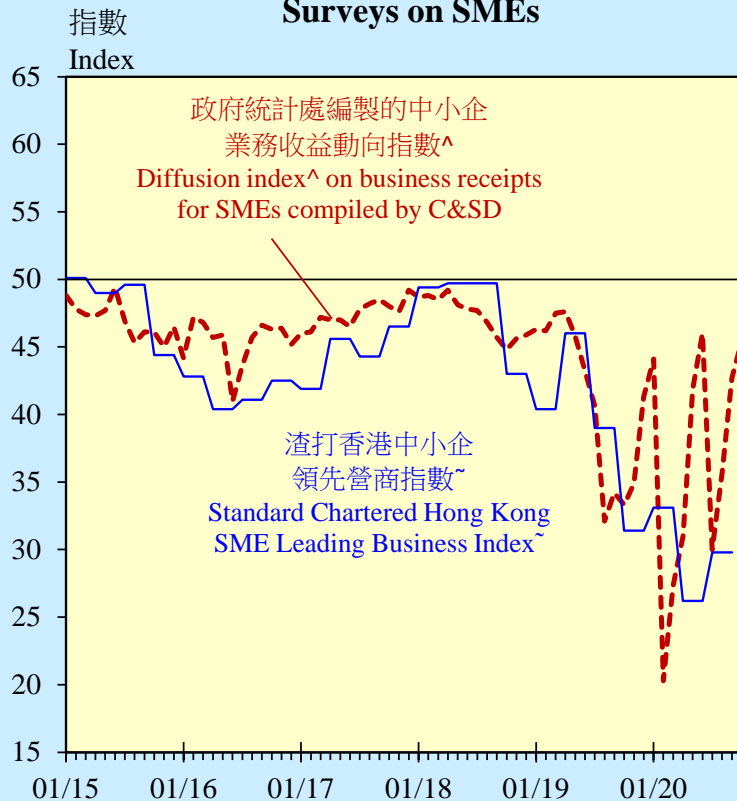


註：(\*) 淨差額展現了業務狀況預期較前一季的變動方向。它是填報「較佳」的機構單位百分比與填報「較差」的機構單位百分比的差距。正數指可能向上趨升，而負數則為可能跌勢。

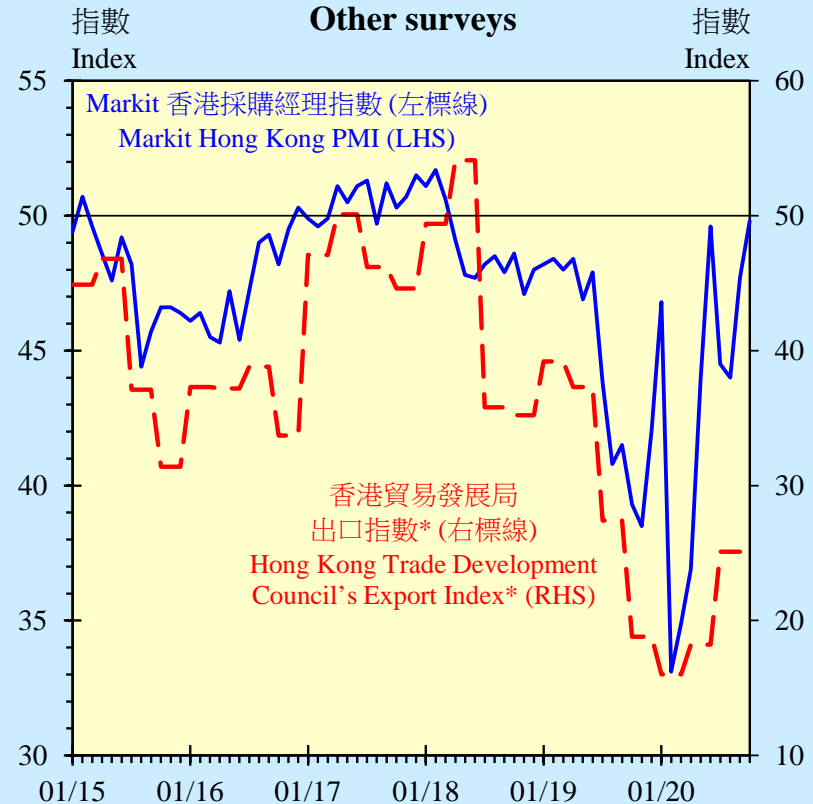
Note: (\*) Net balance indicates the direction of expected change in business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend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

# More recent surveys also showed that business sentiment revived somewhat as the local epidemic stabilised

中小企調查  
Surveys on SMEs



其他調查  
Other surveys



註： (A) 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 : (A) 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.

## **The Hong Kong economy will likely see further modest improvement in Q4, but uncertainties remain very high**

- While the further strengthening of the Mainland economy should render some support to Hong Kong's exports, the prospects of global economic recovery still hinge crucially on the epidemic development in other major economies
- The evolving China-US relations, heightened geopolitical tensions and the Brexit negotiations have also added to external uncertainties
- Locally, the near-term outlook will hinge critically on the local COVID-19 situation. Effectively controlling the epidemic is crucial to further revival of domestic economic activities
- To preserve the vitality of the economy, the Government has been implementing the relief measures under the Anti-epidemic Fund and the 2020-21 Budget at full steam, providing some cushioning effects to the economy and paving way for continued recovery

# Latest economic forecasts for 2020 as a whole

	Forecasts as released on 14 August	Latest forecasts
Real GDP growth	-6% to -8%	-6.1%
Underlying inflation	1.8%	1.3%
Headline inflation	0.8%	0.3%





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