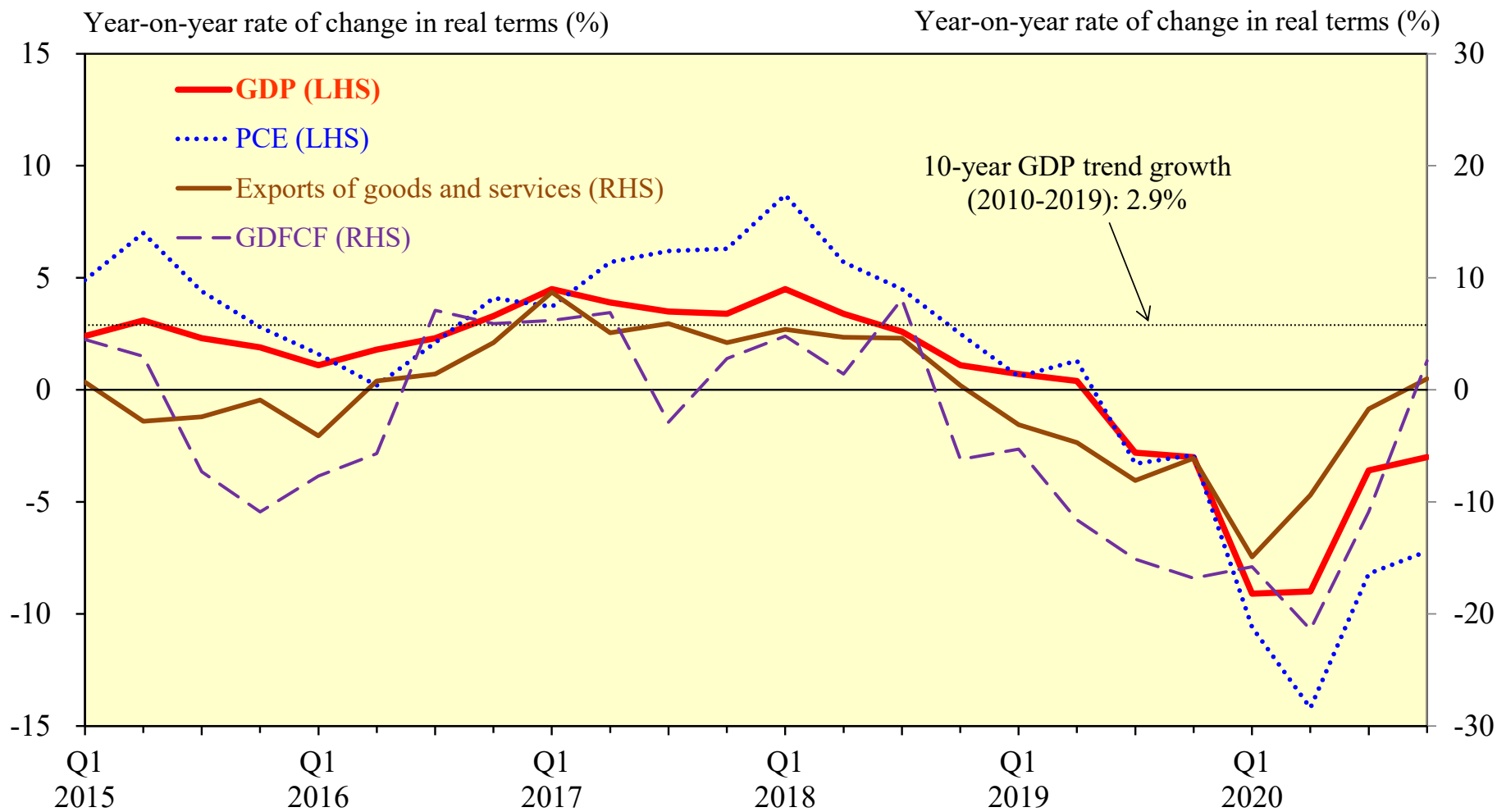


2020 Economic Performance

Summary of economic performance in 2020

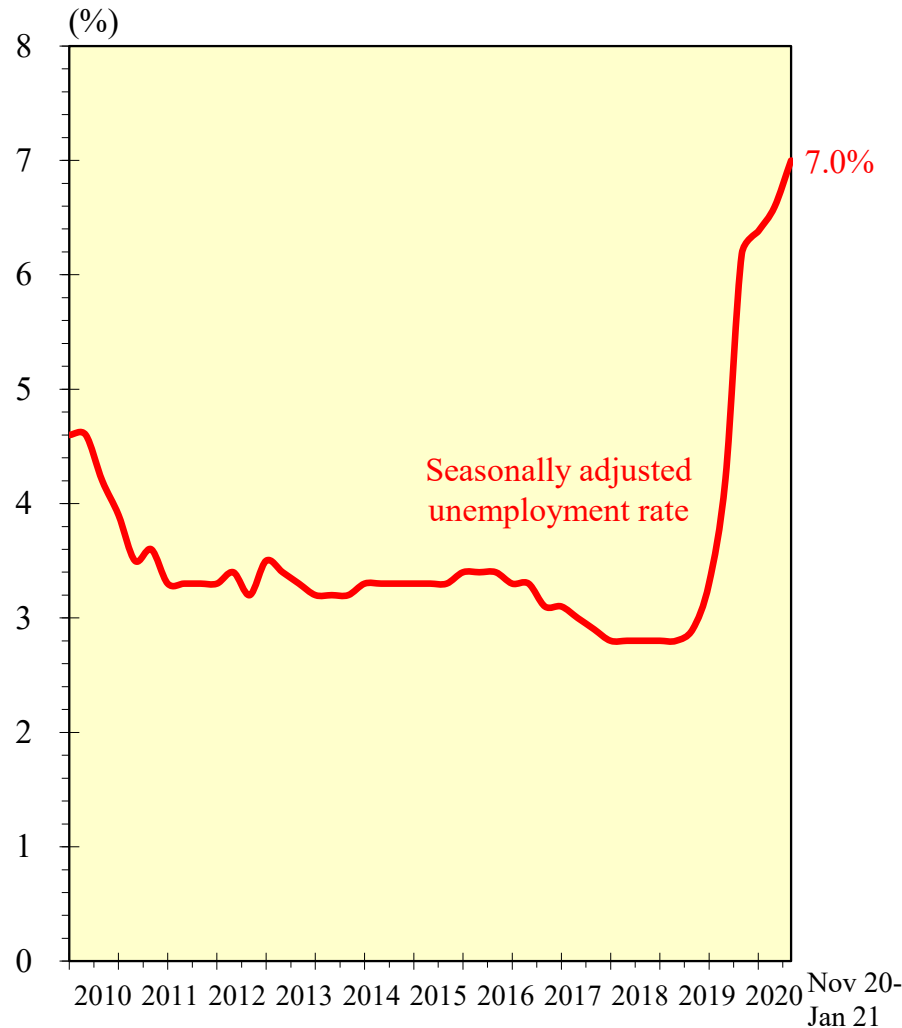
- Real GDP contracted by a record 6.1% in 2020, due to the fallout from the COVID-19 pandemic. There was some improvement in the second half, but at a constrained pace
- Exports of goods fell mildly for 2020 as a whole, though picked up over the course of the year. Exports of services posted a record decline as inbound tourism was brought to a standstill
- Domestic demand took a big hit
- Labour market deteriorated sharply
- Consumer price inflation receded visibly

Hong Kong economy contracted sharply in the first half of 2020 before showing some improvement in the second half

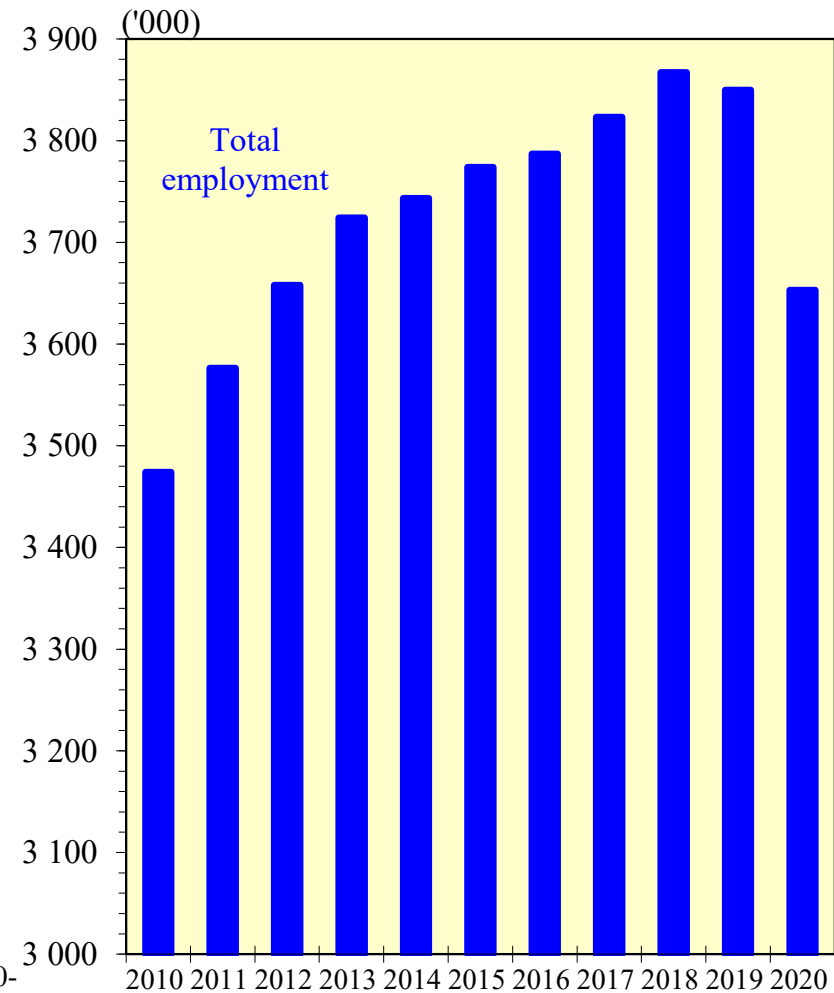


Labour market deteriorated sharply

Latest unemployment rate rose to a near 17-year high of 7.0%

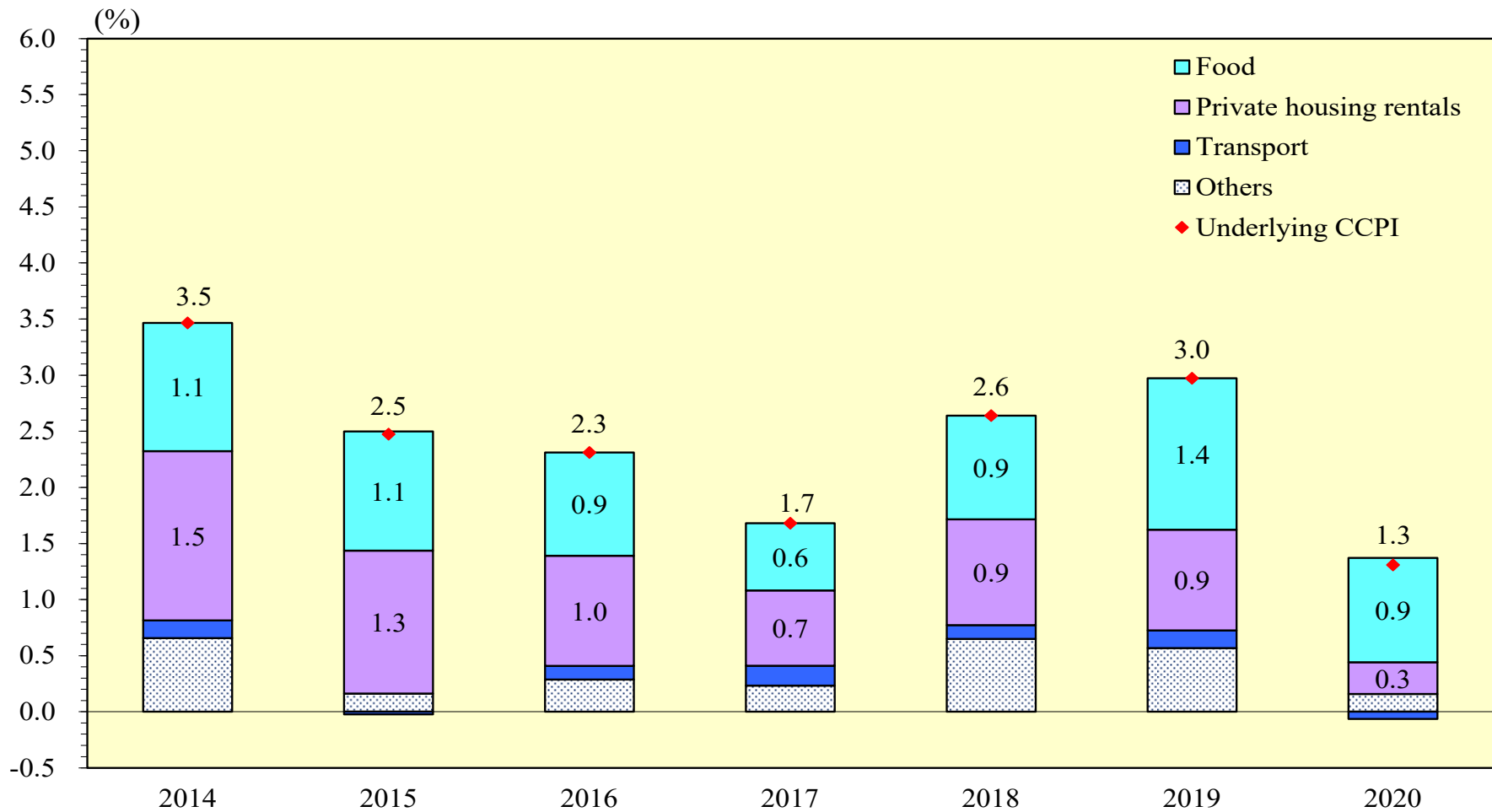


Total employment showed a record annual decline in 2020



Consumer price inflation receded visibly in 2020 amid austere global and local economic conditions

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



2021 Economic Outlook

Hong Kong economy should continue to recover in 2021

- The expected strong growth of the Mainland economy would bode well for Hong Kong's merchandise exports. Other major economies should also show more visible recovery in the second half
- May take longer time for inbound tourism to fully recover
- Domestic activities would revive once the local epidemic is under control
- The Government's policy initiatives as unveiled in the 2021-22 Budget will render further support
- Yet the breadth and strength of the recovery is subject to uncertainties

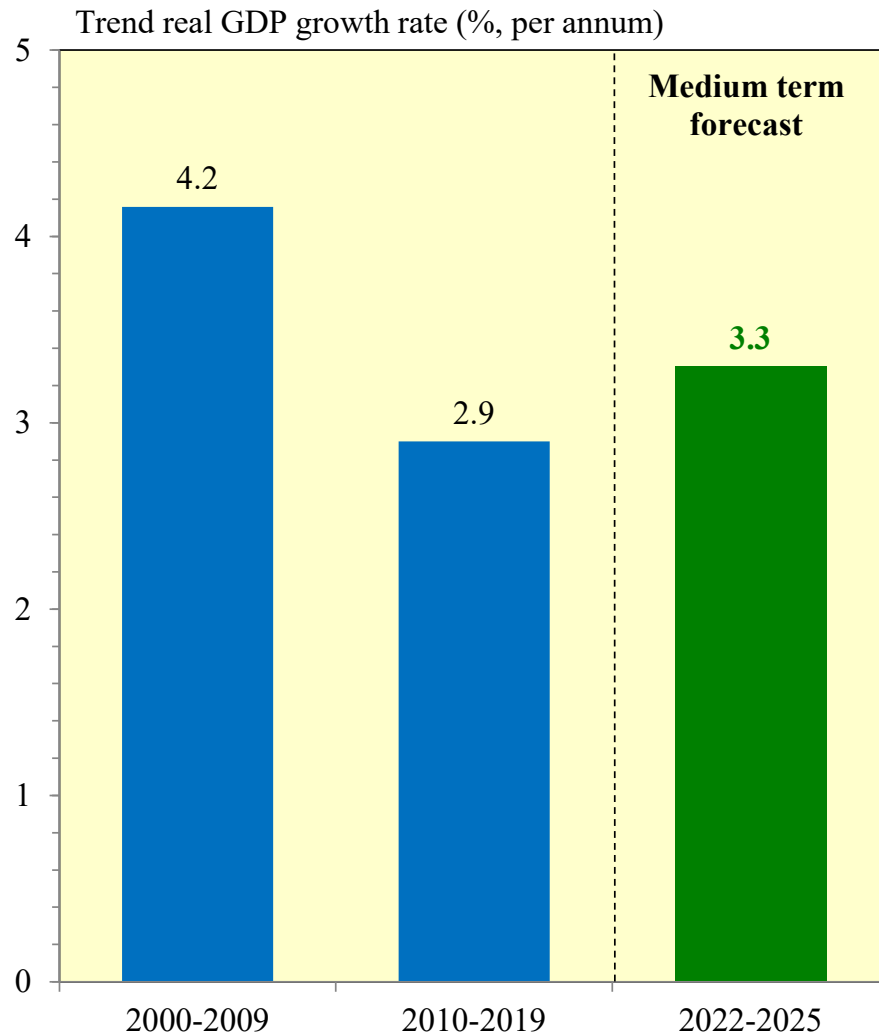
...but the strength is subject to uncertainties

- Progress and results of the mass vaccination campaigns around the world
- China-US relations under the new US administration
- Geopolitical tensions, post-Brexit development
- Financial stress in debt-ridden economies with weak fundamentals
- **Real GDP growth forecast for 2021: 3.5% to 5.5%**

Consumer price inflation should remain modest in 2021

- External price pressures are likely to stay tame
 - Inflation in our major import suppliers should remain contained as the global economy is still struggling to return to the pre-pandemic activity level
- Domestic cost pressures are likely to be modest
 - The softening in fresh-letting residential rentals since late 2019 will continue to feed through
 - Business costs should be limited, as the local economy would likely operate below capacity during most of 2021
- **Underlying consumer price inflation forecast: 1%**

Medium-term economic outlook is positive



- Asia, especially the Mainland, will remain a major global growth engine in the coming decades, reinforcing the Eastward shift of the global economic gravity
- Our country's emphasis on reform and innovation and the new development pattern of "dual circulation" will open up enormous business opportunities for Hong Kong to tap
- We will leverage on our unique advantages under "One Country, Two Systems", integrate proactively into the national development, resolve the major bottlenecks of land and talents, and facilitate the development of innovation and technology