



# Third Quarter Economic Report 2014

Government of the Hong Kong  
Special Administrative Region

# ***THIRD QUARTER ECONOMIC REPORT 2014***

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HONG KONG SPECIAL ADMINISTRATIVE REGION

*November 2014*

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## CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

### *Summary*

- *The Hong Kong economy regained some momentum in the third quarter of 2014, growing by 2.7% in real terms over a year earlier, up from the 1.8% growth in the second quarter. This was underpinned by a relative improvement in both services exports and private consumption. On a seasonally adjusted quarter-to-quarter comparison, real GDP also rebounded visibly, by 1.7% in the third quarter, after a 0.1% dip in the preceding quarter.*
- *The global economic recovery remained moderate and uneven in the third quarter, with US economic growth increasingly gaining traction whilst eurozone and Japan staying subdued. Yet, Mainland sustained solid growth, and Asia in general improved in tandem. Against this backdrop, total exports of goods made further growth in the third quarter. Exports of services also reverted to growth, as the drag from travel services lessened visibly, while exports of trade-related services and financial services both improved alongside revival in trade flows and cross-border financial activity.*
- *On the domestic front, private consumption expenditure, after operating in low gear in the preceding two quarters, strengthened in the third quarter. However, investment expenditure remained soft with a plunge in the machinery and equipment acquisition, even though building and construction activity grew slightly further.*
- *The labour market was largely stable during the quarter. The seasonally adjusted unemployment rate edged up to 3.3% in the third quarter from 3.2% in the second quarter. Wages and earnings recorded further increases in real terms.*
- *The local stock market showed sharp swings during the quarter, with a rally in July and August, followed by a visible correction in September under increasing concerns about the global economic outlook. The residential property market remained rather active in the third quarter, marked by higher flat prices and turnover.*
- *The “Occupy Movement”, which began in late September, has caused disruptions to economic activities in such sectors as retail, catering and inbound tourism, with their negative impacts on the local consumption market and the economy as a whole likely to show up successively in economic data in the coming months.*

- *Underlying inflation eased further in the third quarter, thanks largely to the tame rental cost pressures and still-mild imported inflation. The inflation risks remain contained in the near term.*

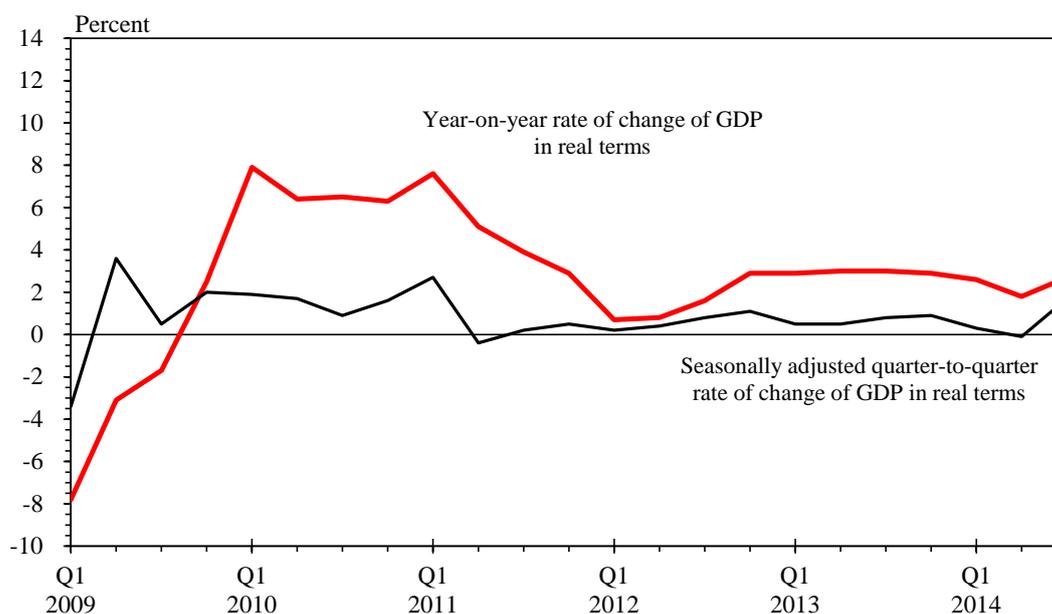
## **Overall situation**

1.1 The Hong Kong economy picked up moderately in growth in the third quarter of 2014. Externally, the global economic recovery remained on a moderate track, albeit uneven across regions. Among the advanced markets, the US economy gained further traction in the third quarter, with more notable improvement in its labour market, leading the Federal Reserve to end its asset purchase programme in October. On the other hand, the economic recovery in Europe and Japan was still sluggish, restraining the strength of Hong Kong's exports rebound. The subdued eurozone situation, in particular, prompted its central bank to announce bolder easing measures in September to stimulate credit growth and to avert deflation risks. The economic performance across emerging markets was also mixed as Mainland and India grew solidly further, whilst Brazil and Russia saw visible growth slowdown. The divergence in monetary policy among the major central banks became more pronounced amid the uneven global economic landscape. This, coupled with the heightened geopolitical tensions in various parts of the world, had hampered sentiment and would continue to cloud the global economic outlook.

1.2 Against such a still unsteady external environment, Hong Kong's merchandise exports only managed to grow moderately further in the third quarter. Services exports showed more visible improvement, thanks partly to a much smaller fall in visitor spending, yet the outlook going forward is again clouded by the potential negative impact from the "Occupy Movement". Over the period, private consumption expenditure strengthened, but investment expenditure remained soft, resulting in a modest growth in domestic demand. Underlying consumer price inflation eased further in the third quarter amid moderate local and external price pressures.

1.3 In the third quarter of 2014, *Gross Domestic Product* (GDP)<sup>(1)</sup> grew by 2.7% in real terms over a year earlier, up from the 1.8% growth in the second quarter (same as the earlier estimate). Taking the first three quarters of 2014 together, real GDP expanded by 2.4% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison<sup>(2)</sup>, real GDP rebounded by 1.7% in the third quarter, after a 0.1% dip in the preceding quarter (same as the earlier estimate).

**Diagram 1.1 : Hong Kong economy regained some momentum in the third quarter of 2014**



## **The external sector**

1.4 *Total exports of goods* compiled under the GDP accounting framework rose by 1.3% year-on-year in real terms in the third quarter, further to a 2.4% growth in the preceding quarter. Excluding the notable decline in non-monetary gold exports, export performance was actually somewhat better than in the previous quarter. Exports to major advanced markets as a whole remained weak in the third quarter, reflecting the slow recovery of their import demand. Exports to the US recorded only a marginal growth and those to the EU and Japan both slackened to a decline. Yet, exports to Asia picked up visibly upon increased intake of raw materials and capital goods, with those to India, Taiwan, South Korea and many ASEAN economies registering particularly notable growth.

1.5 *Exports of services* recovered to growth at 2.0% year-on-year in real terms in the third quarter, reversing the 2.0% decline in the second quarter. The drag from exports of travel services lessened visibly to a mere decline of 0.8%, in stark contrast to the double-digit decline in the previous quarter, reflecting in part the waning of base effects and in part also benefitting from the pick-up in visitor arrivals back to double-digit growth. Also, other service exports generally improved. Trade-related services grew slightly faster, underpinned by more active regional trade and production. Exports of financial and other business services also picked up visibly, thanks to buoyant cross-border financial and fund-raising activities. On the other hand, exports of transportation services remained soft, with only a marginal growth, partly associated with weak cargo flows. On a seasonally adjusted basis, exports of services rebounded notably, by 1.3% in real terms in the third quarter over the preceding quarter.

**Table 1.1 : Gross Domestic Product, its main expenditure components  
and the main price indicators  
(year-on-year rate of change (%))**

	<u>2012</u>	<u>2013</u>	<u>2013</u>				<u>2014</u>		
			<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u> <sup>#</sup>	<u>Q2</u> <sup>#</sup>	<u>Q3</u> <sup>+</sup>
<i>Change in real terms of GDP and its main expenditure components (%)</i>									
Private consumption expenditure	4.1	4.3	6.3 (2.9)	4.7 (-0.9)	2.7 (-0.2)	3.6 (1.8)	1.6 (0.7)	1.2 (-1.0)	3.2 (1.9)
Government consumption expenditure	3.6	2.3	1.9 (*)	3.1 (1.8)	2.3 (*)	2.0 (0.3)	2.6 (0.5)	2.7 (1.9)	3.5 (0.8)
Gross domestic fixed capital formation	6.8	3.3	-3.0	7.6	2.7	5.3	3.5	-5.7	-4.7
<i>of which :</i>									
Building and construction	7.2	-0.9	-1.5	-0.7	3.1	-3.8	10.6	0.5	1.1
Machinery, equipment and intellectual property products	10.1	10.8	-4.4	19.8	7.6	17.5	1.9	-9.8	-11.9
Total exports of goods	1.8	6.6	8.8 (1.5)	6.1 (-1.4)	6.1 (3.2)	5.7 (2.1)	0.5 (-3.4)	2.4 (0.7)	1.3 (2.0)
Imports of goods	3.0	7.4	9.5 (3.4)	7.6 (-1.7)	6.6 (1.7)	6.1 (2.3)	1.2 (-0.6)	1.1 (-2.2)	0.7 (1.3)
Exports of services	2.2	5.5	4.7 (1.8)	7.7 (3.3)	5.0 (-2.9)	4.7 (2.6)	3.2 (0.3)	-2.0 (-1.9)	2.0 (1.3)
Imports of services	1.9	2.0	0.3 (1.1)	-0.7 (-1.1)	2.6 (1.7)	5.5 (3.7)	-0.8 (-5.0)	5.0 (4.9)	1.8 (-1.5)
<b>Gross Domestic Product</b>	<b>1.5</b>	<b>2.9</b>	<b>2.9</b> <b>(0.5)</b>	<b>3.0</b> <b>(0.5)</b>	<b>3.0</b> <b>(0.8)</b>	<b>2.9</b> <b>(0.9)</b>	<b>2.6</b> <b>(0.3)</b>	<b>1.8</b> <b>(-0.1)</b>	<b>2.7</b> <b>(1.7)</b>
<i>Change in the main price indicators (%)</i>									
<b>GDP deflator</b>	<b>3.7</b>	<b>1.4</b>	<b>1.8</b> <b>(-0.7)</b>	<b>0.6</b> <b>(*)</b>	<b>1.6</b> <b>(1.7)</b>	<b>1.5</b> <b>(0.5)</b>	<b>2.2</b> <b>(0.1)</b>	<b>3.6</b> <b>(1.5)</b>	<b>2.5</b> <b>(0.3)</b>
<b>Composite CPI</b>									
<b>Headline</b>	<b>4.1</b>	<b>4.3</b>	<b>3.7</b> <b>(1.1)</b>	<b>4.0</b> <b>(1.3)</b>	<b>5.3</b> <b>(-0.8)</b>	<b>4.3</b> <b>(2.7)</b>	<b>4.2</b> <b>(1.0)</b>	<b>3.6</b> <b>(0.7)</b>	<b>4.8</b> <b>(0.4)</b>
<b>Underlying<sup>^</sup></b>	<b>4.7</b>	<b>4.0</b>	<b>3.8</b> <b>(1.1)</b>	<b>3.9</b> <b>(1.1)</b>	<b>4.3</b> <b>(0.8)</b>	<b>4.0</b> <b>(1.0)</b>	<b>3.8</b> <b>(0.9)</b>	<b>3.5</b> <b>(0.7)</b>	<b>3.3</b> <b>(0.7)</b>
<b>Change in nominal GDP (%)</b>	<b>5.3</b>	<b>4.3</b>	<b>4.8</b>	<b>3.6</b>	<b>4.6</b>	<b>4.4</b>	<b>4.8</b>	<b>5.5</b>	<b>5.3</b>

Notes : Figures are subject to revision later on as more data become available. Seasonally adjusted quarter-to-quarter rate of change is not applicable to gross domestic fixed capital formation, as no clear seasonal pattern is found for the category due to the presence of considerable short term fluctuations.

(#) Revised figures.

(+) Preliminary figures.

( ) Seasonally adjusted quarter-to-quarter rate of change.

(<sup>^</sup>) After netting out the effects of Government's one-off relief measures.

(\*) Change within  $\pm 0.05\%$ .

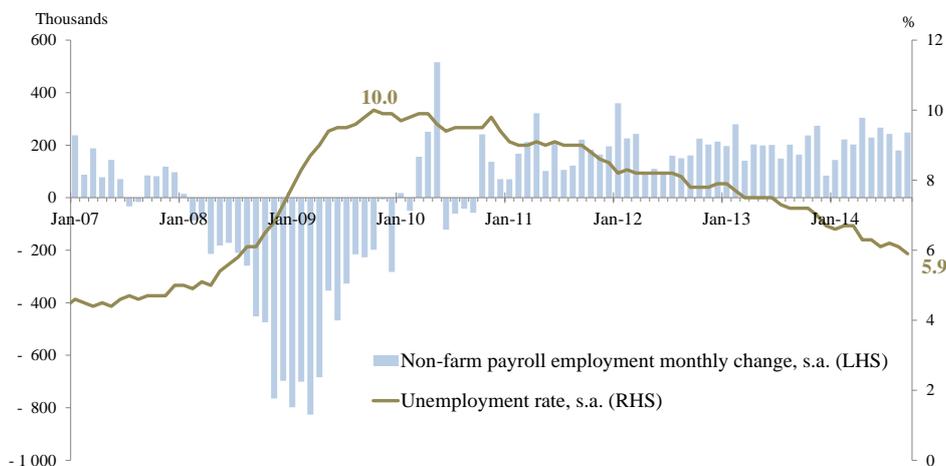
## Box 1.1

### Recent developments in the US labour market

The US labour market has been gradually improving from the plight following the global financial crisis. This note briefly reviews some major indicators for the US labour market and discusses the possible implications for the future path of the US monetary policy.

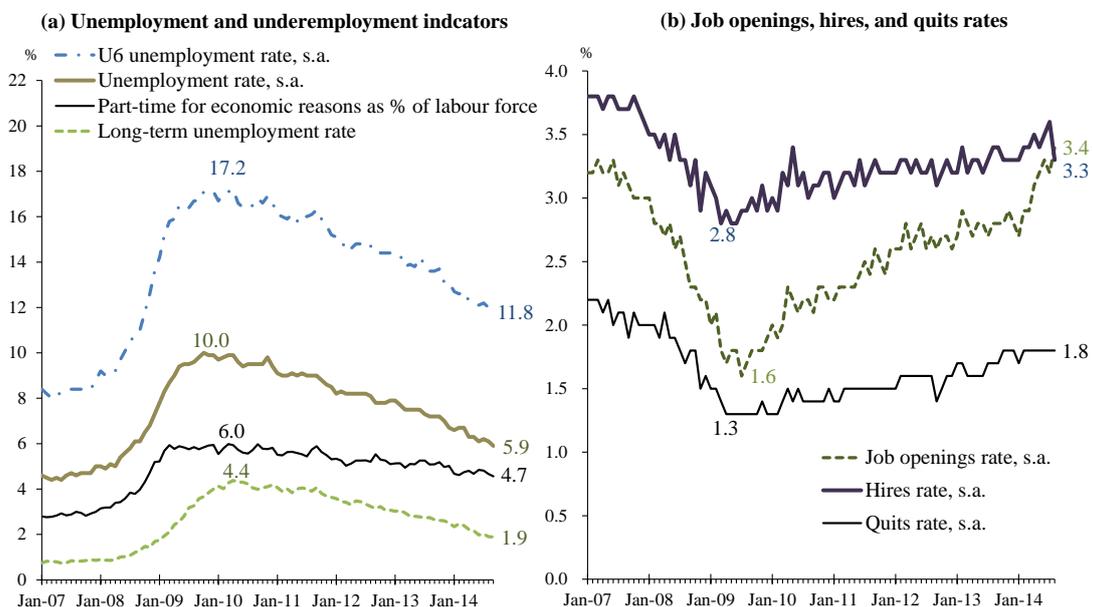
Since late 2010, job creation in the US, in terms of the increase in non-farm payroll, has been continuing for 48 consecutive months by September 2014. The pace of creation has been quite impressive on entering 2014, at a monthly average of 226 700, surpassing the past few years' average. Against this backdrop, the unemployment rate, after hitting a peak of 10.0% in late 2009, fell successively to 5.9% in September 2014 (*Chart 1*). Nevertheless, it was still higher than the pre-crisis level, at an average of 5.2% in 2003-2007.

**Chart 1 : Unemployment rate has been declining amid sustained job creation**



Many other US labour market indicators also improved. As a broader measure of unemployment including the marginally attached workers (i.e. those looking for jobs sometime in the past 12 months but not currently classified in the labour force) and the underemployed, the U6 unemployment rate has also been falling alongside the headline unemployment rate. Likewise, the share of involuntary part-time and the long-term unemployment rate went lower (*Chart 2a*).

**Chart 2 : Many other labour market indicators also improved**



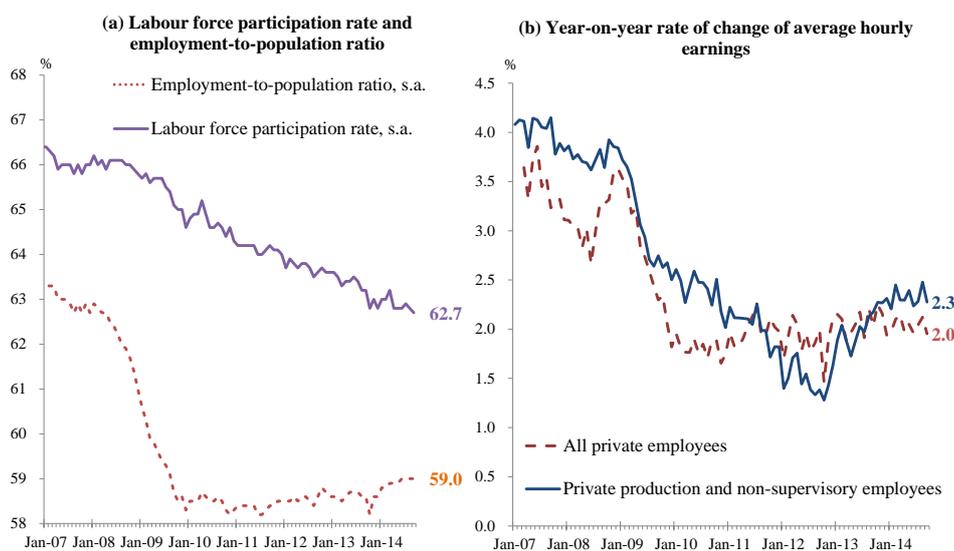
## Box 1.1 (Cont'd)

Private sector job openings and the job hires and quits rates<sup>(1)</sup> have also gradually climbed up, suggesting that hiring sentiment turned more positive given the recent improved performance of the economy and that workers became more aggressive in changing jobs (*Chart 2b*).

Nevertheless, the labour force participation rate (LFPR) has largely kept declining. Indeed, the LFPR has been on a secular downtrend after peaking at 67.3% in early 2000, although it fell more sharply during the global financial crisis. This in turn constrained the recent rise in the employment-to-population ratio, despite sustained job creation (*Chart 3a*). The reasons for the decline in LFPR have been much debated. Recent research results tend to suggest that the fall could have been driven more by demographic and structural than by cyclical factors.

Recent attention also focused on the implications of the labour market recovery for inflation. Earnings growth actually remained quite sluggish, with the average hourly earnings rising at around 2% year-on-year, translating into rather meagre real income gains (*Chart 3b*). Some analysts suggested this as an evidence of the slack in the labour market.

**Chart 3 : LFPR showed no signs of a reversal, and earnings growth remained sluggish**



The median forecast by members of the US Federal Open Market Committee in September indicated that the US federal funds rate would rise to 1.375% by end-2015. However, such a forecast was predicated on a sustained strengthening of the US economy. The recent heightened volatility in stock and bond markets and declines in commodity prices suggest that markets are rather concerned about the global outlook, given the weakness in the eurozone and growth slowdown of the major emerging markets. The possible consequences of the global economic situation for the US economy would add to the uncertainty about the pace of US monetary policy normalisation. Conversely, any perceived misjudgment on the part of the US Federal Reserve (Fed) will result in greater volatility in financial markets and capital flows to the detriment of the global economy.

The Fed adopts a data-dependent approach in determining the future path of its monetary policy. Given the Fed's dual mandate of maximum employment and price stability, the evolving US labour market conditions, together with the US inflation trend, will be the main considerations. We need to monitor closely these developments.

(1) The hires (quits) rate is the number of hires (quits) during the month divided by the number of employees who worked during or received pay for the pay period.

## The domestic sector

1.6 Domestic demand made further modest growth, though with mixed performance amongst different components. *Private consumption expenditure* strengthened to a 3.2% year-on-year growth in real terms in the third quarter, after two quarters of slowdown. On a seasonally adjusted basis, private consumption expenditure bounced back by 1.9% over the preceding quarter. The stronger performance during the quarter reflected that local consumption sentiment turned more positive, under the support of the favourable job and income conditions, as well as positive wealth effects. However, the “Occupy Movement” that began in late September has caused disruptions to local consumption activities in certain affected districts, the impact of which is likely to show up successively in the macro data in the fourth quarter. *Government consumption expenditure* maintained steady growth at 3.5% in real terms in the third quarter.

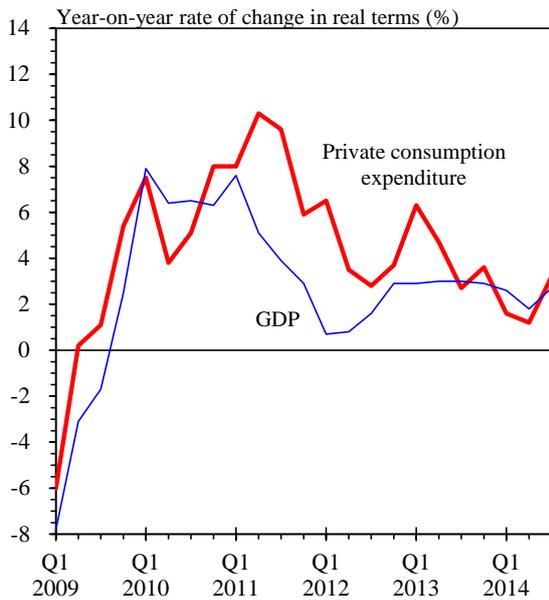
**Table 1.2 : Consumer spending by major component<sup>(a)</sup>  
(year-on-year rate of change in real terms (%))**

	Total consumer spending in the domestic market <sup>(a)</sup>	<i>Of which :</i>						
		<u>Food</u>	<u>Durables</u>	<u>Non- durables</u>	<u>Services</u>	<u>Residents’ expenditure abroad</u>	<u>Visitor spending</u>	<u>Private consumption expenditure<sup>(b)</sup></u>
2013 Annual	6.5	4.6	6.9	14.9	3.1	6.5	17.3	4.3
H1	8.6	4.0	14.3	18.7	4.3	2.6	22.7	5.5
H2	4.4	5.3	0.4	11.4	2.0	10.3	12.7	3.2
Q1	8.5	4.2	27.9	11.4	4.0	5.1	17.9	6.3
Q2	8.8	3.7	-0.2	26.1	4.6	0.2	27.6	4.7
Q3	4.7	5.2	-0.7	12.6	2.3	6.6	15.0	2.7
Q4	4.2	5.4	1.3	10.5	1.7	14.2	10.7	3.6
2014								
H1	0.9	3.4	0.1	-2.7	2.1	3.2	-0.7	1.4
Q1	3.4	3.1	4.0	6.3	2.1	-1.9	9.8	1.6
Q2	-1.6	3.6	-5.2	-10.5	2.2	8.4	-10.6	1.2
Q3	2.5	0.9	4.5	-0.1	3.7	1.6	-0.7	3.2

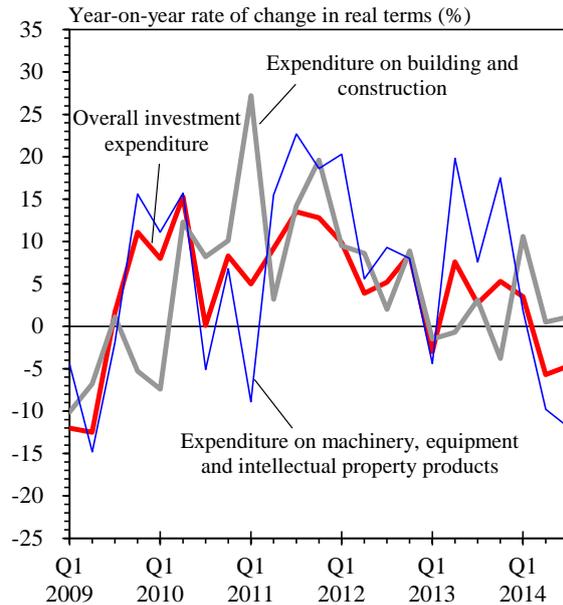
Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending, which are not separable from the survey data.

(b) Private consumption expenditure is obtained by deducting visitor spending from the total consumer spending in the domestic market, and adding back residents’ expenditure abroad.

**Diagram 1.2 : Private consumption expenditure picked up in momentum**



**Diagram 1.3 : Investment spending declined further**



1.7 Overall investment spending in terms of *gross domestic fixed capital formation* contracted for the second consecutive quarter, down by 4.7% year-on-year in real terms in the third quarter, further to a 5.7% decline in the preceding quarter. The decline largely reflected subdued machinery and equipment acquisition, which plunged by 11.9% year-on-year in the third quarter. While this GDP component is typically volatile and a high base of comparison was partly to blame, its weak performance to a certain extent may also be associated with the subpar growth of the economy in recent quarters. The “Occupy Movement” might have also further dented business sentiment in the fourth quarter, as indicated by the recent surge in the proportion of small and medium-sized enterprises (SMEs) with increased cautiousness (see **Box 1.2** for details of the consultation on SMEs). Overall building and construction expenditure grew modestly further by 1.1% over a year earlier in the third quarter, with activity in the private sector growing slightly, while large-scale infrastructure works fell marginally from the high level attained in the same period last year.

## Box 1.2

### Diffusion indices on small and medium-sized enterprises (an update)

To gain a better understanding of the current situation of business receipts, employment and credit access for small and medium-sized enterprises (SMEs)<sup>(1)</sup>, an ad-hoc consultation exercise has been conducted by the Census and Statistics Department on behalf of the Economic Analysis and Business Facilitation Unit since late November 2008. In the recent past, the exercise has been conducted on a sample panel of around 400 SMEs. This note provides a further update of the results reported in *Box 1.3* in the *Half-yearly Economic Report 2014*.

A set of diffusion indices is compiled to indicate the general directions of change in the respondents' views on business receipts, employment and new export orders versus the preceding month. The percentage of SMEs reporting tight access to credit is also reported. While the findings should be interpreted with considerable caution given the coverage and nature of the consultation exercise, they can serve as a rough indicator to enable high frequency monitoring of SMEs' situation.

On business receipts of the SMEs surveyed, as depicted by the set of diffusion indices, the overall reading worsened abruptly in October to 41.0, the lowest since the adoption of the current consultation method (*Table 1*). Conceivably, the sharp decline in the latest readings reflects a far more cautious business sentiment among SMEs after the start of the "Occupy Movement". The details showed that deterioration in business receipts was widespread among the selected sectors. In particular, readings for the logistics, restaurants, wholesale trade, and retail trade sectors declined markedly, by 11.1, 8.9, 8.4, and 7.7 points respectively in October compared with September. As to the employment situation, the feedback from SMEs also indicated some initial signs of weakening, broadly in line with the more cautious business sentiment (*Table 2*).

Specifically for SMEs in the import/export trades sector, their views on new export orders were sought separately to help gauge the likely export performance in the near term. The diffusion index on new export orders also slackened distinctly to 44.7 in October, possibly a foreboding sign that the external demand conditions would turn weaker going forward, although the sudden turn in business sentiment should also have dragged down the reading further.

The proportion of SMEs reporting tight credit access held stable at a low level of 0.8% in October, reflecting the generally accommodative monetary conditions and the Government's continued efforts to support SMEs through various loan guarantee schemes.

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(1) Manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded as SMEs in Hong Kong.

**Box 1.2 (Cont'd)****Table 1 : Diffusion indices<sup>^</sup> on business receipts**

	2013		2014									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
<i>Local segments</i>												
Restaurants	48.2	49.1	48.1	47.2	47.2	46.3	47.2	45.3	47.1	48.1	47.1	38.2
Real estate	36.8	44.1	42.4	42.4	54.5	48.5	48.5	43.9	47.0	47.0	46.9	40.6
Retail trade	48.0	49.0	47.4	49.1	47.4	48.2	47.7	46.9	46.1	48.4	48.0	40.3
Wholesale trade	44.1	47.1	44.7	44.7	50.0	50.0	44.7	39.5	36.8	44.4	41.7	33.3
Business services	48.5	53.0	47.0	51.6	51.6	53.1	50.0	46.9	48.4	48.4	45.3	45.2
<i>External segments</i>												
Import/export trade	49.5	49.0	47.9	48.3	48.7	49.6	48.4	49.2	48.8	49.6	49.2	42.6
Logistics	52.8	50.0	47.2	50.0	50.0	47.2	47.2	47.2	47.2	44.4	47.2	36.1
<b>All the above sectors*</b>	<b>48.0</b>	<b>49.0</b>	<b>47.0</b>	<b>48.2</b>	<b>49.2</b>	<b>49.3</b>	<b>48.0</b>	<b>47.0</b>	<b>47.0</b>	<b>48.3</b>	<b>47.6</b>	<b>41.0</b>

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.

(\*) Weighted average using total number of SMEs in individual sectors as weights.

**Table 2 : Diffusion indices on employment situation**

	2013		2014									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
<i>Local segments</i>												
Restaurants	49.1	48.2	49.1	49.1	49.1	49.1	49.1	48.1	49.0	50.0	48.0	46.1
Real estate	47.1	47.1	50.0	50.0	50.0	48.5	47.0	48.5	50.0	50.0	50.0	50.0
Retail trade	50.0	50.0	49.6	50.4	49.1	50.5	49.6	49.6	49.6	50.4	50.0	49.2
Wholesale trade	50.0	47.1	50.0	50.0	50.0	52.6	47.4	47.4	47.4	52.8	50.0	50.0
Business services	51.5	50.0	50.0	50.0	51.6	50.0	48.4	50.0	50.0	53.1	50.0	46.8
<i>External segments</i>												
Import/export trade	51.0	50.0	50.4	50.4	49.6	50.4	48.4	50.4	49.2	50.0	50.0	49.2
Logistics	50.0	50.0	50.0	50.0	50.0	50.0	50.0	52.8	50.0	50.0	47.2	50.0
<b>All the above sectors*</b>	<b>50.3</b>	<b>49.5</b>	<b>50.0</b>	<b>50.2</b>	<b>49.7</b>	<b>50.3</b>	<b>48.6</b>	<b>49.8</b>	<b>49.3</b>	<b>50.6</b>	<b>49.8</b>	<b>48.9</b>

Note : (\*) Weighted average using total number of SMEs in individual sectors as weights.

**Table 3 : Diffusion index on current new export orders**

	2013		2014									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Import/export trade	50.5	49.5	49.2	48.3	49.6	50.0	49.6	49.2	49.6	50.4	50.0	44.7

**Table 4 : Percentage of SMEs reporting tight current access to credit**

	2013		2014									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
All selected sectors*	0.4	0.6	1.5	1.8	0.9	0.9	1.1	1.1	0.8	0.8	0.8	0.8

Note : (\*) Weighted average using total number of SMEs in individual sectors as weights.

## **The labour sector**

1.8 The labour market remained generally stable during the quarter. The *seasonally adjusted unemployment rate* edged up by 0.1 percentage point to 3.3% in the third quarter, while the *underemployment rate* stayed at 1.5%. Job vacancies bounced back slightly in June, while employment recorded faster growth in the third quarter, both signifying firm labour demand up till the third quarter. Both wages and earnings sustained broad-based and solid growth in the second quarter. Specifically, growth in nominal wages picked up slightly to 4.5% in June, and average employment earnings of full-time employees at the unskilled level increased by 6.8% in nominal terms in the third quarter over a year earlier.

## **The asset markets**

1.9 The *local stock market* fluctuated sharply during the third quarter. Market sentiment was initially boosted by such factors as the Shanghai-Hong Kong Stock Connect and hopes for strengthening global growth momentum, pushing the Hang Seng Index higher in July and August before hitting a six-year peak of 25 318 in early September. But mounting evidence on weaker-than-expected economic recovery of some major economies, particularly in Europe and Japan, and elevated geopolitical tensions in various parts of the world, instigated a visible correction in the major overseas stock markets, hitting the local stock market in the rest of September. The Hang Seng Index finished the third quarter at 22 933, 1.1% lower than at end-June. Average daily turnover rose to \$70.9 billion in the third quarter. Thanks to the positive sentiment in the first two months of the quarter, equity fund raised for the third quarter as a whole still went up when compared with both the preceding quarter and the same period last year.

1.10 The *residential property market* stayed active in the third quarter. Trading volume rose by a further 25% in the third quarter from the preceding quarter, though the level remained low by historical standards. Residential property prices rose by an accelerated 6% between June and September, bringing the cumulative increase this year to 8%. The recent revival of the property market indicates that the bubble risks of the housing market remain prominent. Indeed, overall flat prices in September exceeded the 1997 peak by 54% and the housing affordability ratio remained elevated at around 57% in the third quarter. Separately, flat rentals rose by 3% during the third quarter, while office and shop rentals went up by 2% and 1% respectively. These rental increases were still all kept at low single-digit levels on a year-on-year basis, indicating that the broader inflationary impacts associated with the recent

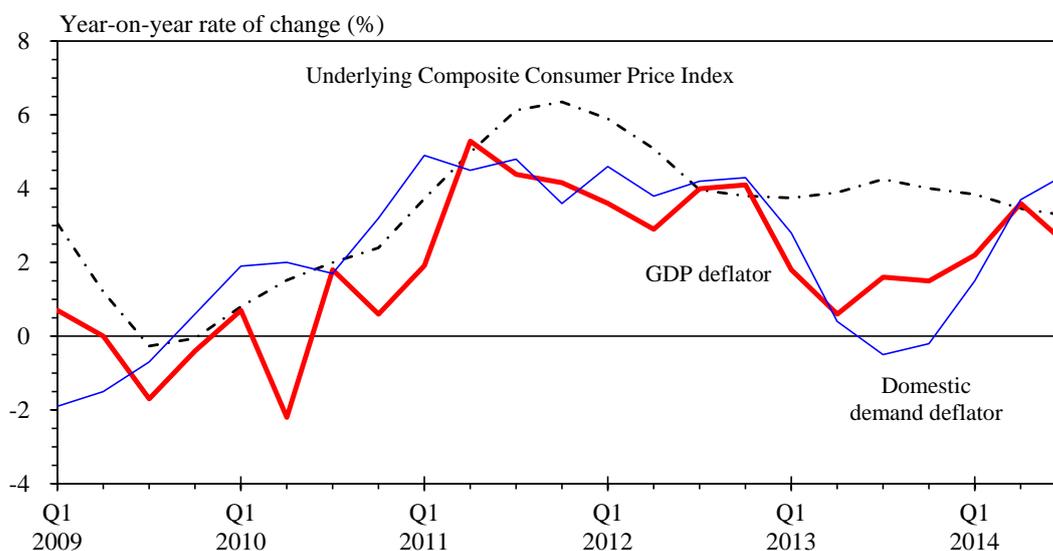
rental trend remain largely contained.

## Inflation

1.11 Underlying inflation trended lower in the third quarter. On the domestic front, rental cost pressures stayed tame, with both residential and commercial rentals rising at low single-digit year-on-year rates, while the growth in labour costs was also rather steady, helping to keep local cost pressures contained. On the external front, imported inflationary pressures were also not visible, thanks to softer energy and raw material prices in the international markets and the benign inflationary trend in major import sources. *Underlying consumer price inflation*, which netted out the Government's one-off relief measures to more accurately reflect the underlying inflation trend, eased to 3.3% in the third quarter, down from 3.5% in the preceding quarter. By contrast, *headline consumer price inflation* went up to 4.8% in the third quarter, from 3.6% in the preceding quarter, but the increase was merely due to the Government's one-off relief measures, and in particular, the temporary lower base effect created by the Government's payment of public housing rentals in September last year, and the gradual depletion of the Government's one-off electricity charge subsidy by some households.

1.12 The *GDP deflator* rose by 2.5% over a year earlier in the third quarter, somewhat slower than in the preceding quarter. There was a modest decline in the terms of trade, which partly offset the increase in the domestic demand deflator.

**Diagram 1.4 : Consumer price inflation trended lower in the third quarter**



## **GDP by major economic sector**

1.13 Net output of the services sector as a whole rose by 2.0% in real terms over a year earlier in the second quarter of 2014, after the 2.2% increase in the first quarter. While the rise in the overall services sector was broadly consistent with the modest economic performance during the period, the performance varied across sectors. Net output of wholesale and retail trades slackened distinctively, and that of accommodation and food services also slowed in growth, mirroring the fall-off in tourist spending and the growth slowdown in private consumption expenditure in the second quarter. Growth in net output of financing and insurance also weakened somewhat. Yet, net output of import and export trade rebounded modestly amid relative improvements in the external trading environment. Similarly, net output of real estate also revived to show moderate growth as trading activity picked up. Information and communications saw accelerated growth, and transportation, storage, postal and courier services broadly maintained its relatively faster growth pace. As for the secondary sector, the manufacturing sector showed a mild expansion in net output in the second quarter, while growth of the construction sector decelerated visibly as large-scale public infrastructure works eased momentum after brisk growth in the recent past and private construction activity expanded only at a modest pace.

**Table 1.3 : GDP by economic activity<sup>(a)</sup>  
(year-on-year rate of change in real terms (%))**

	<u>2013</u>	<u>2013</u>				<u>2014</u>	
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Manufacturing	0.1	0.5	0.3	-0.9	0.5	2.1	2.2
Construction	1.1	-0.8	2.8	8.5	-4.3	12.8	3.1
Services <sup>(b)</sup>	2.9	2.8	3.8	2.5	2.8	2.2	2.0
Import/export, wholesale and retail trades	3.6	5.4	5.1	1.8	2.8	0.3	0.5
Import and export trade	2.3	3.7	3.1	0.8	1.9	-0.7	2.3
Wholesale and retail trades	9.2	12.2	12.9	6.4	6.4	4.1	-6.0
Accommodation <sup>(c)</sup> and food services	3.7	4.3	4.2	3.4	2.9	4.3	2.5
Transportation, storage, postal and courier services	2.5	-0.5	2.9	2.4	5.4	7.0	6.9
Transportation and storage	2.0	-0.9	2.8	1.2	5.1	6.7	6.9
Postal and courier services	12.9	7.7	6.5	27.9	10.2	12.9	7.1
Information and communications	4.2	6.5	3.0	4.3	2.9	2.9	5.4
Financing and insurance	5.6	3.3	7.5	7.2	4.6	3.3	0.9
Real estate, professional and business services	0.1	-0.1	-0.8	-0.7	2.0	1.8	3.4
Real estate	-3.9	-2.4	-6.8	-5.2	-1.3	0.2	2.7
Professional and business services	4.2	2.3	5.3	3.7	5.3	3.4	4.1
Public administration, social and personal services	2.6	2.1	3.8	2.2	2.1	2.7	2.3

Notes : Figures are subject to revision later on as more data become available.

- (a) The GDP figures shown in this table are compiled from the production approach, in parallel with those shown in Table 1.1 which are compiled from the expenditure approach. For details, see Note (1) to this chapter.
- (b) In the context of value-added contribution to GDP, the service sectors include ownership of premises as well, which is analytically a service activity.
- (c) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

## **Other economic developments**

1.14 The uneven global economic recovery, with growth in the Mainland consistently outperforming major advanced economies, accentuates the significance of our strategy to deepen economic integration with the Mainland in developing our economy. In this regard, the Financial Services Development Council released a new research report titled “Policy Development Proposals on the Mainland and Hong Kong Closer Economic Partnership Arrangement” in September, providing recommendations on enhancing financial cooperation between the two places, so as to create more opportunities for Hong Kong’s banking, insurance, asset management and other financial industries. Separately, a supplement to the customs facilitation agreement for wine entering the Mainland market through Hong Kong was signed in September. At the Tenth Pan-Pearl River Delta (PPRD) Regional Co-operation and Development Forum and Trade Fair held in Guangzhou in October, the “Joint Declaration on Deepening PPRD Regional Co-operation (2015 - 2025)” was signed, which set forth a blueprint for strengthening PPRD regional co-operation in the coming decade.

1.15 Apart from economic collaboration with the Mainland, the Government also proactively strengthens economic ties with other emerging markets. In particular, Hong Kong’s Free Trade Agreement (FTA) with Chile that covered a wide range of areas including trade in goods and services, and investment took effect in October. The FTA should help Hong Kong companies to tap the Chilean market, which is not only an emerging market with promising potentials in itself, but also serves as a gateway to explore opportunities in Central and South American markets. Besides, Hong Kong and six Nordic jurisdictions, covering Denmark, Sweden, Norway, Iceland, Greenland, and the Faroe Island, signed an agreement on tax information exchange in August, which should help enhance tax transparency and avoid double taxation with trading partners in these Nordic jurisdictions.

1.16 On the financial development, the Government successfully launched its inaugural sukuk under the Government Bond Programme in September, with an over-subscription of 4.7 times. The sukuk, with an issuance size of US\$1 billion and a tenor of 5 years, signified the world’s first USD-denominated sukuk originated by an AAA-rated government. The success of the issue demonstrated the capability of our fund-raising platform for sukuk issuance, which should help advance the development of Islamic finance in Hong Kong.

**Notes :**

- (1) The Gross Domestic Product (GDP) is an overall measure of net output produced within an economy in a specified period, such as a calendar year or a quarter, before deducting the consumption of fixed capital. In accordance with the expenditure approach to its estimation, GDP is compiled as total final expenditures on goods and services (including private consumption expenditure, government consumption expenditure, gross domestic fixed capital formation, changes in inventories, and exports of goods and services), less imports of goods and services.
- (2) The seasonally adjusted quarter-to-quarter GDP series, by removing the variations that occur at about the same time and in about the same magnitude each year, provides another perspective for discerning the trend, particularly in regard to turning points. A detailed examination reveals the presence of seasonality in the overall GDP and in some of its main components, including private consumption expenditure, government consumption expenditure, exports of goods, imports of goods, exports of services, and imports of services. However, due to the presence of considerable short-term fluctuations, no clear seasonal pattern is found in gross domestic fixed capital formation. Therefore, the seasonally adjusted series of GDP is compiled separately at the overall level, rather than summing up from its main components.

## CHAPTER 2 : THE EXTERNAL SECTOR

### *Summary*

- *The global economic recovery remained uneven in the third quarter of 2014. The US economy showed some visible improvement; the Mainland economy sustained solid growth; and many other Asian economies kept expanding albeit at a moderate pace. In contrast, the rebound of the Japanese economy from a tax-induced slide was somewhat weaker than expected. The eurozone economy also lacked momentum, having nearly stalled in the preceding quarter, being constrained by the internal structural problems and weighed by the geopolitical risks in Ukraine and tensions with Russia. Given the unevenness of the global recovery, monetary policy directions of major central banks in the world tended to diverge, adding uncertainty to the external environment.*
- *In the third quarter, Hong Kong's merchandise exports grew moderately further in real terms<sup>(1)</sup>, with expansions seen across most markets. Exports to some major Asian markets accelerated more visibly.*
- *Exports of services staged a visible rebound in the third quarter after the setback in the second quarter. Exports of trade-related services picked up further, in tandem with the recovery of regional trade flows, while exports of financial and other business services posted appreciable growth alongside the expansion in cross-border financial and fund raising activities. Meanwhile, exports of travel services saw a much narrower decline after the plunge in the preceding quarter. The receding base effect and the somewhat faster growth in visitor arrivals were the key factors contributable to the relative improvement.*
- *The Government strives to enhance Hong Kong's trade and investment relations with its economic partners. The Hong Kong-Korea Mutual Recognition Arrangement (MRA) on the Authorised Economic Operators (AEOs) became operational in late August, enabling local companies to tap into the Mainland and Korean markets. Moreover, a Free Trade Agreement (FTA) between Hong Kong and Chile also came into effect in early October. It expands Hong Kong's existing FTA network to the Americas and covers areas including trade in goods and services, investment, and other related areas.*

## Goods trade

### *Total exports of goods*

2.1 The global economy continued to recover at a moderate pace in the third quarter of 2014, with uneven performance across regions. Against this backdrop, Hong Kong's *merchandise exports* (comprising re-exports and domestic exports) sustained moderate year-on-year growth in the third quarter of 2014, at 4.8% in real terms, slightly up from 4.3% in the second quarter. On a seasonally adjusted quarter-to-quarter basis, merchandise exports increased by 2.6% in real terms in the third quarter, after the 3.7% expansion in the preceding quarter.

2.2 The external trading environment was still rather unsteady in the third quarter amid the uneven recovery of the global economy. The divergence in performance was most notable among advanced economies. Having recovered from the weather-induced contraction in the early part of the year, the US economy moved along a moderate expansion path in the third quarter. In the eurozone, economic activities remained sluggish and disinflationary pressure turned more evident, with a range of structural problems having yet to be resolved and with the geopolitical tensions around Ukraine hampering sentiment. In Japan, the economic recovery was somewhat weaker than expected after a tax-induced contraction in the second quarter. In Asia, the Mainland economy sustained relatively solid and robust growth in the third quarter, while the expansion pace of many other Asian economies was rather moderate. Moreover, some major emerging economies, notably Brazil and Russia, remained lacklustre. Apart from geopolitical tensions, the divergence in monetary policy among the major central banks will continue to add headwinds to the global financial and foreign exchange markets as well as the global trading environment. In October 2014, the International Monetary Fund (IMF) cut its global economic growth forecast for 2014 further, to 3.3% from that of 3.4% in July. This marked the third mark-down since the beginning of the year, signifying the disappointing outturn of the global economy so far this year.

2.3 *Re-exports*<sup>(2)</sup>, the mainstay of overall merchandise exports and accounting for 98.5% of total exports by value, rose by 4.7% year-on-year in real terms in the third quarter of 2014, up from 4.1% in the preceding quarter. *Domestic exports*, constituting the remaining 1.5% of total exports, posted a more moderate 5.8% year-on-year growth in real terms in the third quarter, following the 11.8% increase in the preceding quarter.

**Table 2.1 : Total exports of goods, re-exports and domestic exports  
(year-on-year rate of change (%))**

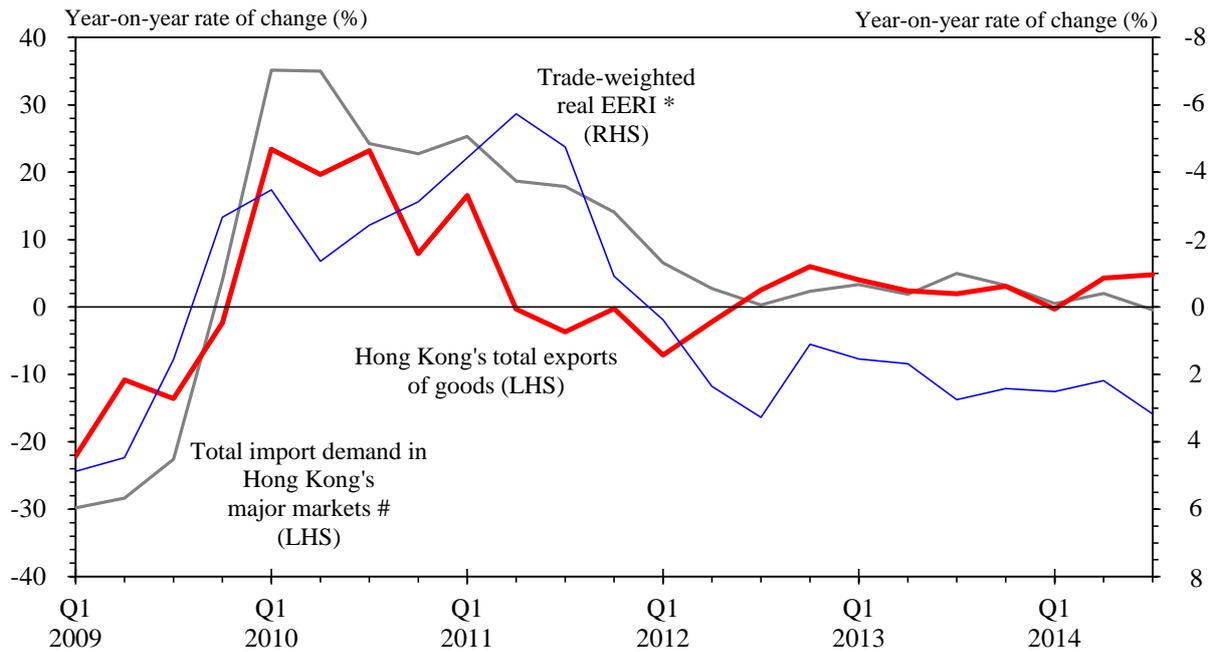
	<u>Total exports of goods</u>			<u>Re-exports</u>			<u>Domestic exports</u>					
	<u>In value terms</u>	<u>In real terms<sup>(a)</sup></u>	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms<sup>(a)</sup></u>	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms<sup>(a)</sup></u>	<u>Change in prices</u>			
2013 Annual	3.6	2.8	1.3	3.8	3.0	1.3	-7.6	-9.4	2.2			
H1	3.2	3.2	0.5	3.3	3.4	0.4	-4.6	-7.5	3.2			
H2	4.1	2.5	2.0	4.3	2.8	2.0	-10.3	-11.2	1.2			
Q1	4.0	4.0	(-1.9)	0.6	4.0	4.2	(-1.9)	0.5	-0.9	-4.5	(-1.2)	4.2
Q2	2.4	2.4	(-1.2)	0.4	2.6	2.6	(-1.1)	0.4	-7.9	-10.1	(-5.2)	2.3
Q3	3.3	2.0	(2.2)	1.7	3.6	2.2	(2.3)	1.7	-11.9	-12.9	(-1.0)	1.8
Q4	4.8	3.1	(3.6)	2.4	5.0	3.3	(3.7)	2.4	-8.5	-9.4	(-1.7)	0.6
2014 H1	2.8	2.0	1.8	2.8	1.9	1.8	3.7	7.9	-0.5			
Q1	0.7	-0.3	(-4.9)	1.7	0.7	-0.4	(-5.2)	1.7	-1.1	3.7	(12.4)	-1.2
Q2	4.8	4.3	(3.7)	1.8	4.8	4.1	(3.7)	1.9	8.3	11.8	(2.4)	*
Q3	5.8	4.8	(2.6)	2.2	5.9	4.7	(2.8)	2.2	3.1	5.8	(-6.4)	1.0

Notes : ( ) Seasonally adjusted quarter-to-quarter rate of change.

(\*) Change of less than 0.05%.

(a) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1, due to differences in coverage and methodology.

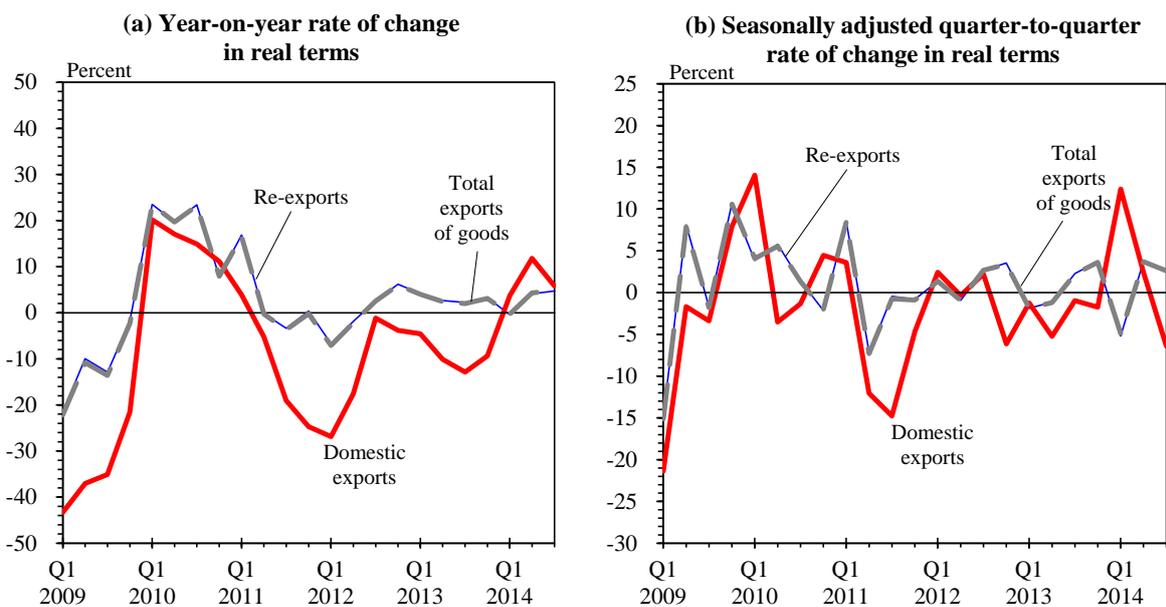
**Diagram 2.1 : Merchandise exports sustained moderate growth in the third quarter of 2014**



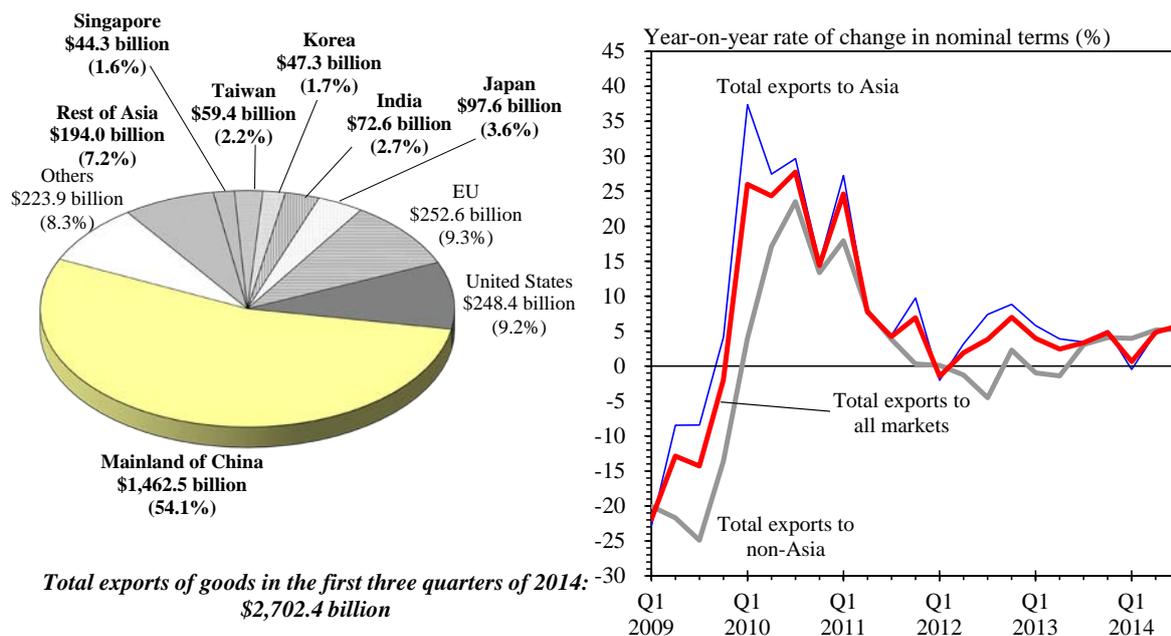
Notes : Total exports of goods as depicted refer to the year-on-year rate of change in real terms, while total import demand in Hong Kong's major markets as depicted refers to the year-on-year rate of change in US dollar terms in the aggregate import demand in Asia, the United States and the European Union taken together.

- (\*) The real EERI in this graph is inverted in scale for easier comprehension. A positive change denotes real appreciation of the Hong Kong dollar.
- (#) Import demand figure for the third quarter of 2014 is based on statistics for July and August 2014.

**Diagram 2.2 : Both re-exports and domestic exports grew further**



**Diagram 2.3 : Asian markets continued to feature prominently in Hong Kong's exports**



**Table 2.2 : Total exports of goods by major market (year-on-year rate of change in real terms (%))**

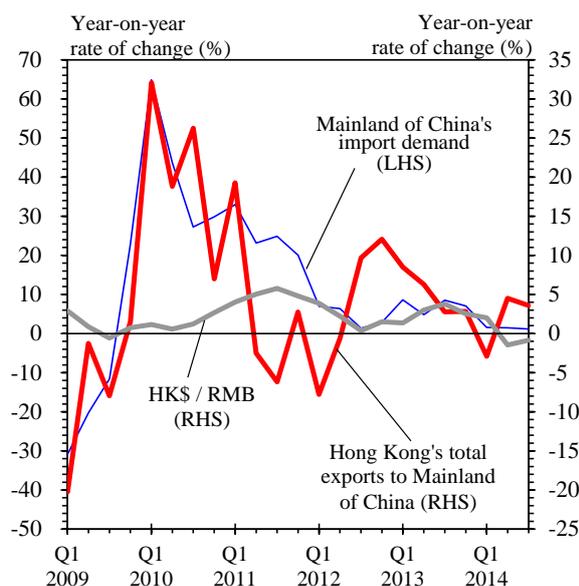
	Annual	2013				2014		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
Mainland of China	4.9	8.5	6.3	2.8	2.8	-2.9	4.5	3.6
United States	-4.3	-5.0	-8.0	-1.0	-3.6	3.9	3.1	0.4
European Union	-0.6	-5.4	-2.5	2.7	2.4	1.2	4.3	-0.4
Japan	-6.3	-4.9	-5.5	-8.3	-6.2	-2.1	-1.5	-5.1
India	7.7	0.3	8.0	6.7	16.8	7.6	17.4	37.9
Taiwan	-6.1	14.2	-12.1	-7.6	-13.9	-5.9	0.2	13.5
Korea	6.3	0.5	2.0	4.5	18.6	1.8	4.5	7.0
Singapore	2.5	5.2	0.2	-0.9	6.2	6.8	-0.6	2.9
Overall <sup>(*)</sup>	2.8	4.0	2.4	2.0	3.1	-0.3	4.3	4.8

Note : (\*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1, due to differences in coverage and methodology.

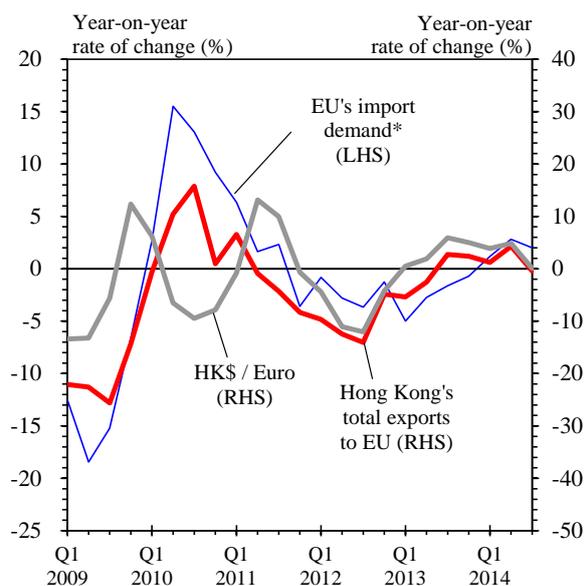
2.4 Analysed by major markets, Asia was the key growth spot in the third quarter, marked by a visible pick-up in regional intake of raw materials and capital goods upon with the revival in trade and production activities following the slow start earlier this year. Merchandise exports to many Asian markets showed different degrees of improvement, with India recording particularly strong surge of 37.9%. Exports to many ASEAN economies also picked up with notable growth, possibly aided by some recovery in sentiment and inventory replenishment after the weak performance in the second quarter. Exports to the developed economies in Asia, viz. Singapore, Taiwan and Korea, also posted faster growth ranging from 2.9% to 13.5%. Over the same period, exports to the Mainland made solid growth at 3.6%, similarly under the support of somewhat improved export prospect and production activities.

2.5 In stark contrast, exports to the advanced economies remained lacklustre as a whole, though with the mixed performance amongst different markets. Specifically, the US market continued to fare better than those of EU and Japan, reflecting the more advanced stage of economic recovery in the former and the renewed slackening in the latter two. Exports to the US still had some growth, albeit at a dismal 0.4% year-on-year in real terms in the third quarter. Yet, exports to the EU turned back to a decline at 0.4%, reflecting the sluggish demand under the worsening economic conditions and geopolitical tensions in Eastern Europe. Exports to Japan slackened further with enlarged decline of 5.1%, in tandem with the fall-off in import demand and weak yen.

**Diagram 2.4 : Exports to the Mainland continued to see moderate growth**

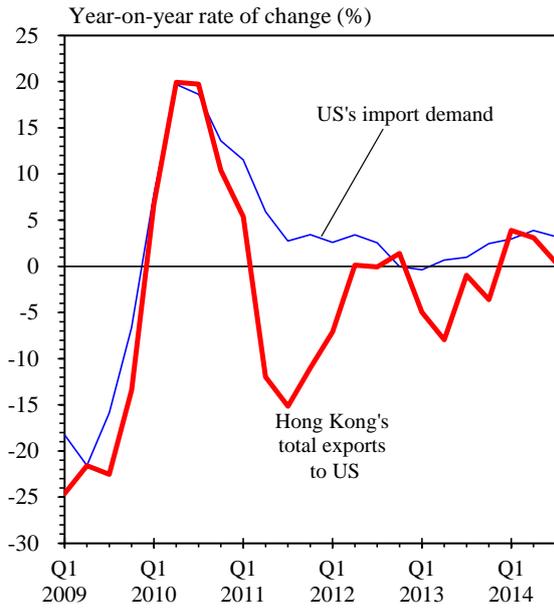


**Diagram 2.5 : Exports to the EU related to a decline**

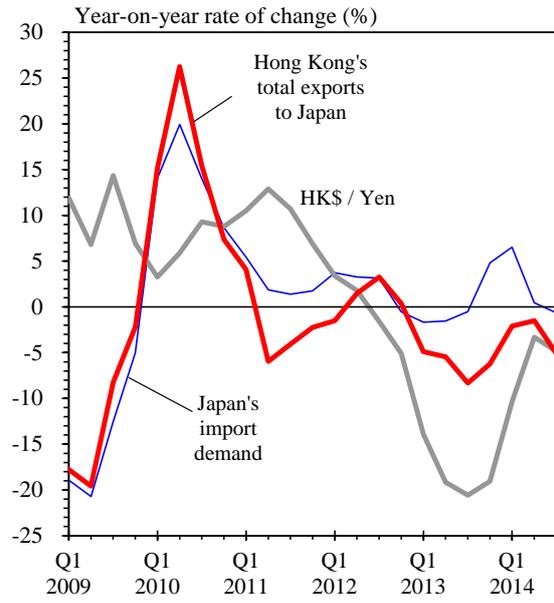


Note : (\*) Import demand figure for the third quarter of 2014 is based on statistics for July and August 2014.

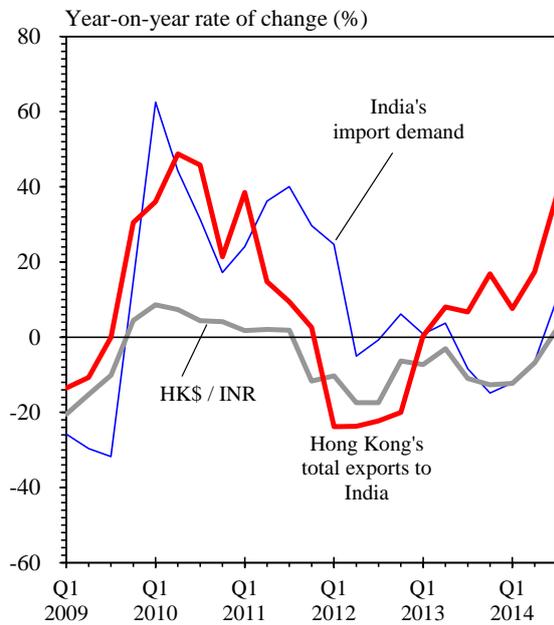
**Diagram 2.6 : Exports to the US expanded only marginally**



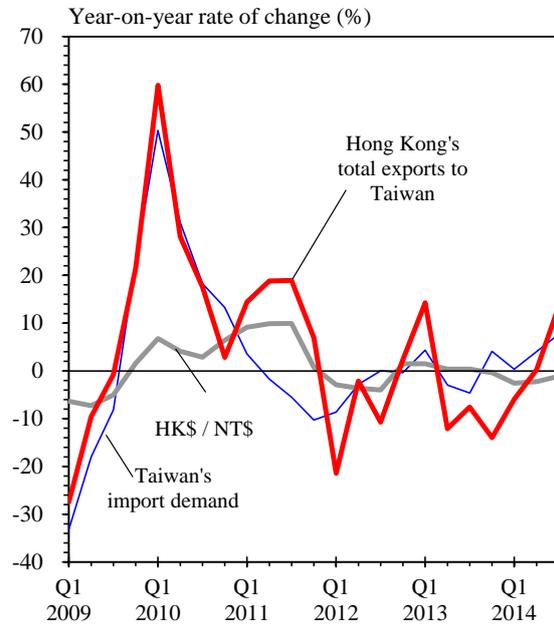
**Diagram 2.7 : The decline in exports to Japan enlarged further**



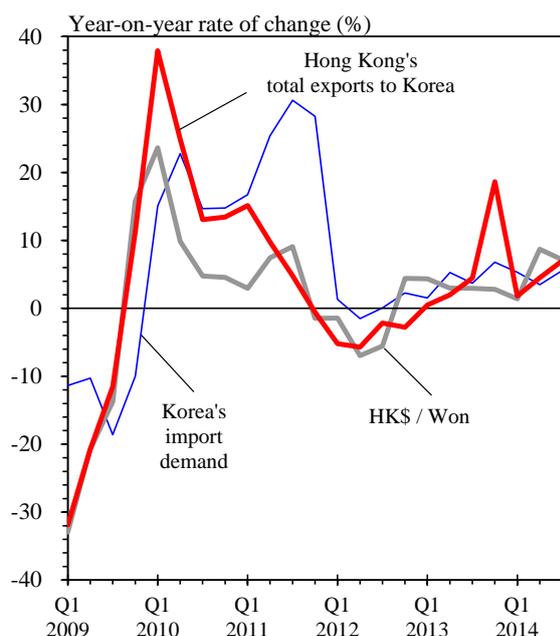
**Diagram 2.8 : Exports to India continued to surge**



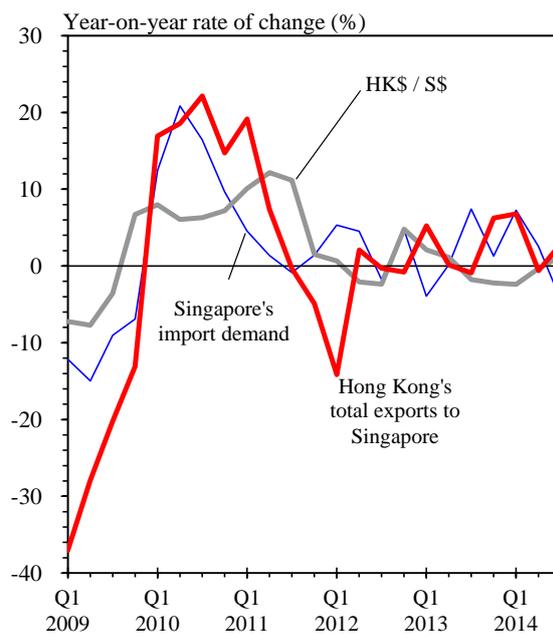
**Diagram 2.9 : Exports to Taiwan accelerated visibly**



**Diagram 2.10 : Exports to Korea likewise grew further**



**Diagram 2.11 : Exports to Singapore reverted to a moderate growth**



### ***Imports of goods***

2.6 *Imports of goods* grew by 4.1% year-on-year in real terms in the third quarter of 2014, up from a 3.7% growth in the preceding quarter. Within this, *retained imports*, which accounted for over one-quarter of total imports, rose by 2.3% in real terms in the third quarter over a year earlier, following a 2.6% growth in the preceding quarter. Analysed by end-use category, retained imports of consumer goods and foodstuffs had rather notable growth, in tandem with the rather sanguine consumer sentiment during most of the third quarter, and also in line with the rebound in local consumption market over this period. Retained imports of raw materials and semi-manufactures also maintained strong growth, though partly helped by a low base of comparison last year. However, retained imports of capital goods stayed weak with a further notable decline. Those of fuels fell for the third consecutive quarter, partly due to the continued weak demand for fuel oil associated with cargo transportation.

**Table 2.3 : Imports of goods and retained imports  
(year-on-year rate of change (%))**

		<u>Imports of goods</u>			<u>Retained imports<sup>(a)</sup></u>			
		<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>	
2013	Annual	3.8	3.9	0.9	4.5	6.3	0.6	
	H1	4.1	4.5	0.6	7.3	7.6	1.9	
	H2	3.5	3.4	1.1	2.1	5.2	-0.6	
	Q1	4.9	5.0	(-1.1)	8.1	7.1	(1.0)	3.7
	Q2	3.5	4.2	(-0.6)	6.6	8.1	(0.6)	0.4
	Q3	2.6	2.8	(1.9)	0.8	4.4	(1.0)	-1.2
	Q4	4.3	4.0	(3.6)	3.4	5.9	(3.3)	*
2014	H1	3.3	2.4	2.1	4.7	3.6	2.7	
	Q1	2.1	1.1	(-3.2)	5.8	4.8	(1.8)	3.1
	Q2	4.5	3.7	(1.6)	3.7	2.6	(-3.5)	2.4
	Q3	5.7	4.1	(2.3)	5.0	2.3	(0.9)	2.7

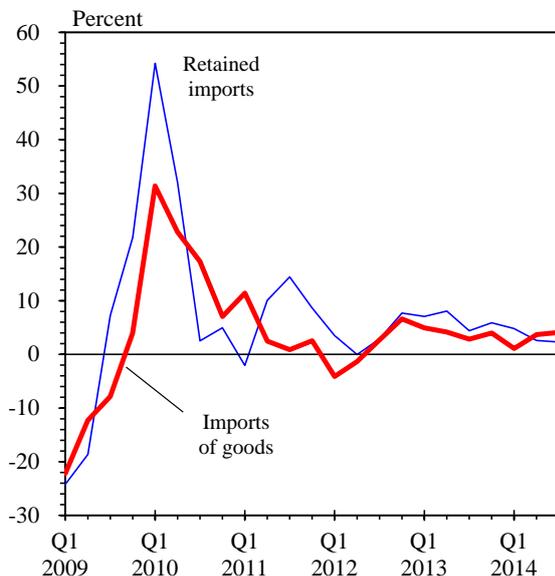
Notes : (a) Based on the results of the Annual Survey of Re-export Trade conducted by the Census and Statistics Department, re-export margins by individual end-use category are estimated and adopted for deriving the value of imports retained for use in Hong Kong.

( ) Seasonally adjusted quarter-to-quarter rate of change.

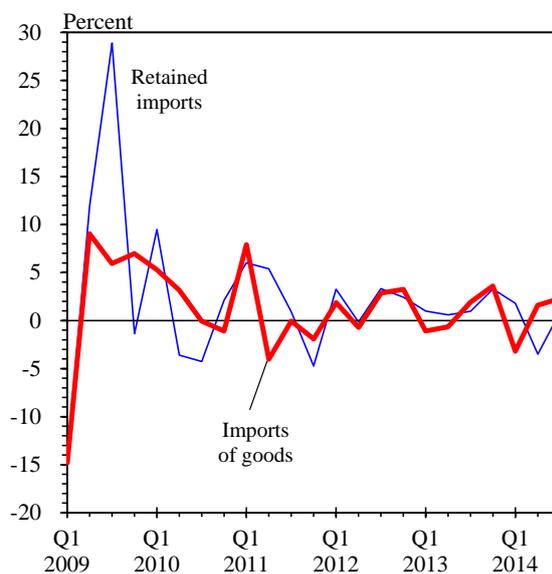
(\*) Change of less than 0.05%.

**Diagram 2.12 : Both imports and retained imports grew moderately**

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



**(b) Seasonally adjusted quarter-to-quarter rate of change in real terms**



**Table 2.4 : Retained imports by end-use category  
(year-on-year rate of change in real terms (%))**

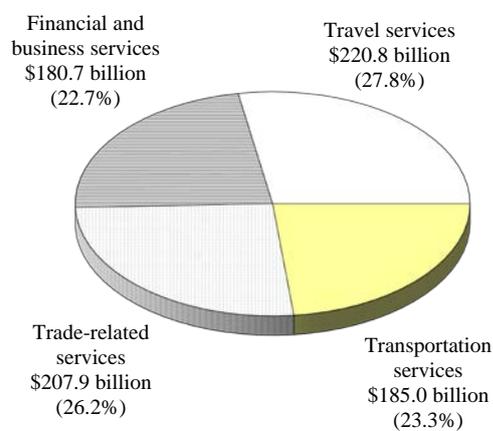
		<u>Consumer goods</u>	<u>Foodstuffs</u>	<u>Capital goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>
2013	Annual	2.9	9.3	22.3	-3.3	0.2
	H1	2.9	6.6	18.7	5.0	0.9
	H2	2.8	11.8	25.1	-11.1	-0.4
	Q1	4.7	12.0	-3.1	12.3	7.6
	Q2	1.3	1.3	38.7	-0.8	-5.4
	Q3	9.5	12.1	16.8	-9.1	-5.9
	Q4	-3.0	11.6	32.7	-13.1	5.2
2014	H1	6.0	7.1	-4.6	8.0	-5.5
	Q1	4.0	1.9	6.1	9.7	-8.5
	Q2	7.9	12.8	-11.5	6.5	-2.3
	Q3	9.9	6.3	-16.0	11.9	-8.1

## Services trade

### *Exports of services*

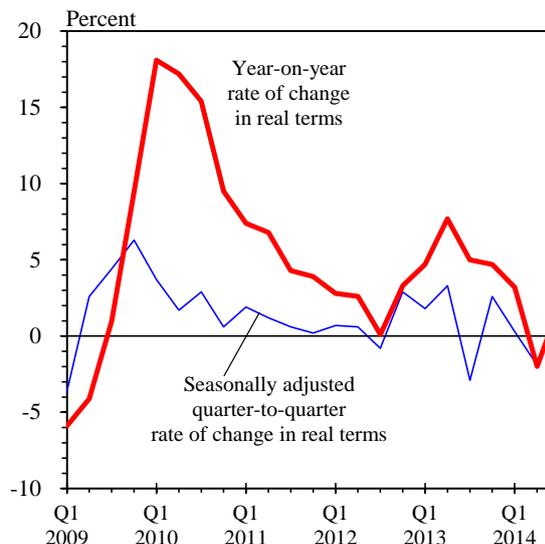
2.7 *Exports of services* staged a visible rebound of 2.0% year-on-year in real terms in the third quarter of 2014, after a 2.0% contraction in the second quarter. The decline in exports of travel services narrowed markedly to a mere 0.8% after a double-digit plunge in the preceding quarter, partly reflecting the waning base effect, and partly helped by somewhat faster growth in visitor arrivals. Other exports of services also improved in general. Specifically, along with the revival in trading and production activities in Asia, exports of trade-related services picked up further to a 2.7% growth. Also, exports of financial and other business services resumed appreciable growth in the third quarter, thanks to more vibrant cross-border financial and fund raising activities. On the other hand, exports of transportation services fared less well and increased marginally over a year earlier.

**Diagram 2.13 : Major service groups accounted for similar shares of Hong Kong's services exports, reflecting a diversified base**



Exports of services in the first three quarters of 2014: \$794.3 billion

**Diagram 2.14 : Exports of services staged a visible rebound**



**Table 2.5 : Exports of services by major service group (year-on-year rate of change in real terms (%))**

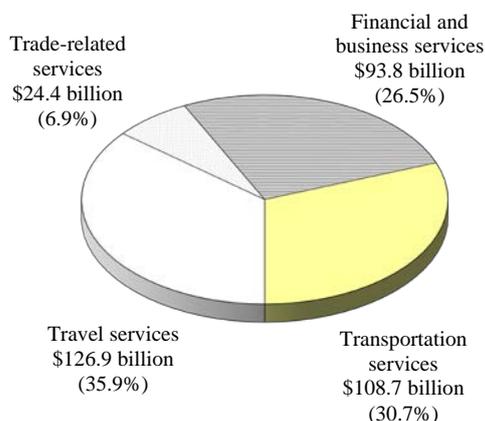
		<i>Of which :</i>				
		Exports of services	Trade-related services <sup>(a)</sup>	Transportation services	Travel services <sup>(b)</sup>	Financial and business services
2013	Annual	5.5	1.2	-1.1	18.2	3.5
	H1	6.2	2.3	-3.6	23.8	2.4
	H2	4.8	0.4	1.4	13.5	4.7
	Q1	4.7 (1.8)	2.8	-3.9	19.0	0.6
	Q2	7.7 (3.3)	1.8	-3.4	28.8	4.6
	Q3	5.0 (-2.9)	0.3	0.5	15.9	4.3
	Q4	4.7 (2.6)	0.5	2.4	11.3	5.0
	2014	H1	0.6	0.7	2.0	-0.7
	Q1	3.2 (0.3)	-0.2	1.1	9.9	0.7
	Q2	-2.0 (-1.9)	1.6	2.7	-10.7	0.8
	Q3	2.0 (1.3)	2.7	0.5	-0.8	6.4

Notes : (a) Comprising mainly offshore trade.  
 (b) Comprising mainly inbound tourism receipts.  
 ( ) Seasonally adjusted quarter-to-quarter rate of change.

## *Imports of services*

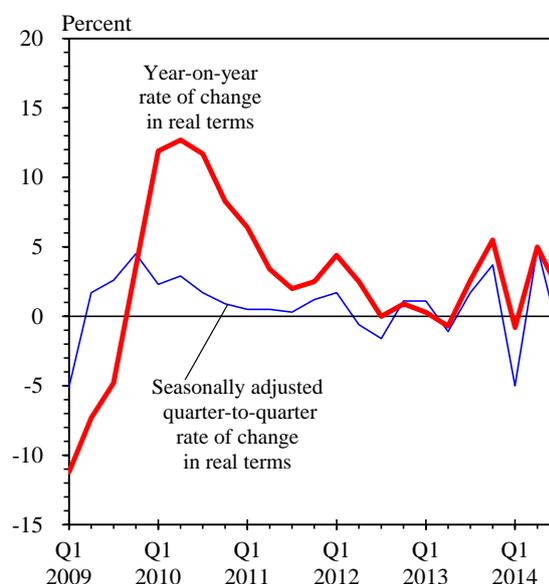
2.8 *Imports of services* grew modestly by 1.8% year-on-year in real terms in the third quarter of 2014, after a 5.0% year-on-year increase in the second quarter. The faster growth in the second quarter was boosted by the increase in outbound tourism due to the timing of the Easter holidays, which fell in mid-April this year but late March last year. In the third quarter, imports of travel services, trade-related services as well as financial and other business services all saw further moderate growth in the range of 1.7% to 3.2%, while those of transportation services were largely flat.

**Diagram 2.15 : Travel services had the largest share in imports of services**



*Imports of services in the first three quarters of 2014:*  
\$353.8 billion

**Diagram 2.16 : Imports of services grew modestly**



**Table 2.6 : Imports of services by major service group  
(year-on-year rate of change in real terms (%))**

		<i>Of which :</i>					
		<u>Imports of services</u>	<u>Travel services<sup>(+)</sup></u>	<u>Transportation services</u>	<u>Trade-related services</u>	<u>Financial and business services</u>	
2013	Annual	2.0	6.3	-1.7	-1.1	1.6	
	H1	-0.2	3.5	-5.2	0.6	1.1	
	H2	4.0	9.0	1.9	-2.3	2.0	
	Q1	0.3	(1.1)	5.8	-6.0	2.3	0.2
	Q2	-0.7	(-1.1)	1.1	-4.4	-1.2	2.2
	Q3	2.6	(1.7)	5.5	0.4	-2.4	3.2
	Q4	5.5	(3.7)	12.6	3.6	-2.2	1.1
2014	H1	2.0	3.8	0.6	1.7	1.4	
	Q1	-0.8	(-5.0)	-2.8	-0.7	0.8	1.2
	Q2	5.0	(4.9)	10.7	1.9	2.6	1.6
	Q3	1.8	(-1.5)	3.2	0.1	1.7	1.7

Notes : (+) Comprising mainly outbound travel spending.

( ) Seasonally adjusted quarter-to-quarter rate of change.

## Goods and services balance

2.9 With the services surplus more than outweighing the goods deficit, the overall balance on goods and services showed a surplus of \$37 billion in the third quarter of 2014, equivalent to 2.9% of the total value of imports of goods and services. This was largely the same as the corresponding surplus of \$36 billion or 2.9% in the same quarter of 2013.

**Table 2.7 : Goods and services balance  
(\$ billion at current market prices)**

		<u>Total exports</u>		<u>Imports</u>		<u>Trade balance</u>			<u>As % of imports</u>
		<u>Goods</u>	<u>Services</u>	<u>Goods</u>	<u>Services</u>	<u>Goods</u>	<u>Services</u>	<u>Combined</u>	
2013	Annual	3,816	1,063	4,395	467	-579	597	18	0.4
	H1	1,801	506	2,124	221	-323	285	-39	-1.7
	H2	2,015	558	2,271	246	-255	312	57	2.3
	Q1	872	256	1,024	114	-152	143	-10	-0.9
	Q2	929	249	1,100	107	-171	142	-29	-2.4
	Q3	1,000	271	1,117	118	-117	153	36	2.9
	Q4	1,015	286	1,153	127	-138	159	21	1.6
2014	H1	1,820	512	2,140	230	-320	282	-37	-1.6
	Q1	871	266	1,029	114	-158	152	-6	-0.5
	Q2	950	246	1,111	116	-162	130	-31	-2.5
	Q3	1,027	282	1,148	124	-122	158	37	2.9

Note : Figures may not add up exactly to the total due to rounding.

## Other developments

2.10 As always, the Government strives to foster closer trade and investment relations between Hong Kong and its economic partners. In August, Hong Kong signed a tax information exchange agreement with six Nordic jurisdictions, including Denmark, Sweden, Norway, Iceland, Greenland, and the Faroe Islands. The agreement demonstrated Hong Kong's commitment to promote tax transparency and avoid double taxation with its trading and investment partners. Moreover, Hong Kong and South Africa signed an agreement in October for the avoidance of double taxation and prevention of income tax evasion. The agreement is the 31<sup>st</sup> of its kind Hong Kong has concluded with its trading partners. It will help to bolster economic and trade connections between the two places and offer added incentives for companies in South Africa to do business and invest in Hong Kong.

2.11 The Hong Kong-Korea Mutual Recognition Arrangement (MRA) on the Authorised Economic Operators (AEOs) became operational in late August, and the recognition arrangement with the Mainland also took effect from 1 September. Local companies accredited by the Customs and Excise Department as AEOs can enjoy customs facilitation, such as reduced examination or prioritised clearance, for goods exported to the Mainland and Korea. Similarly, companies certified by the Mainland and Korea will have their exported goods cleared expeditiously in Hong Kong. The measures will enable local companies to tap into the Mainland and Korean markets and bring

more business opportunities to the import-export and logistics industries, thereby helping to sustain Hong Kong's long-term economic development.

2.12 Moreover, Hong Kong and the Mainland signed a wine customs agreement supplement in mid-September. According to the supplement, registered wine exporters can use a web-based system for the submission of advance consignment information to facilitate clearance on arrival at designated Mainland ports. The supplement can help enhance flexibility in wine trading and strengthen Hong Kong's role as a wine trading and distribution hub in Asia.

2.13 Separately, a Free Trade Agreement (FTA) between Hong Kong and Chile came into effect on 9 October. The agreement expands Hong Kong's existing FTA network from the Asia-Pacific and European regions to the Americas. It covers areas including trade in goods and services, investment, and other related areas. On the issue of trade in goods originating from Hong Kong, Chile will abolish import tariffs on about 88% of its tariff lines, and will phase out the tariffs on another 10% of tariff lines over three years. For trade in services, Hong Kong service providers will enjoy legal certainty in market access and national treatment for a range of services in the Chilean market. On the investment side, Hong Kong investors will have legal certainty on national treatment in respect of their investments in specified non-services sectors in Chile. The two sides will further negotiate a separate agreement on investment after the pact comes into effect. Obviously, traders and investors of both sides can enjoy preferential access to each other's markets.

#### **Notes :**

- (1) Changes in merchandise exports and imports in real terms are derived by discounting the effect of price changes from changes in the value of the trade aggregates. Estimates of price changes for the trade aggregates are based on changes in unit values, which do not take into account changes in the composition or quality of the goods traded, except for some selected commodities for which specific price indices are available. The real growth figures reported here are based on the constant price measures adopted for compiling the external trade quantum index numbers. They are not strictly comparable with the real trade aggregates under GDP (reported in Chapter 1) which are based on the chain volume measures using the preceding-year prices as weights for aggregating the components. In addition, non-monetary gold is recorded as a separate item in the statistics of merchandise trade and not included in the trade aggregates reported in Chapter 2, but is included in the trade aggregates under GDP in accordance to the international compilation standard.
- (2) Re-exports are those goods which have previously been imported into Hong Kong and are subsequently exported without having undergone in Hong Kong any manufacturing processes which change permanently the shape, nature, form or utility of the goods.

## CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

### *Summary*

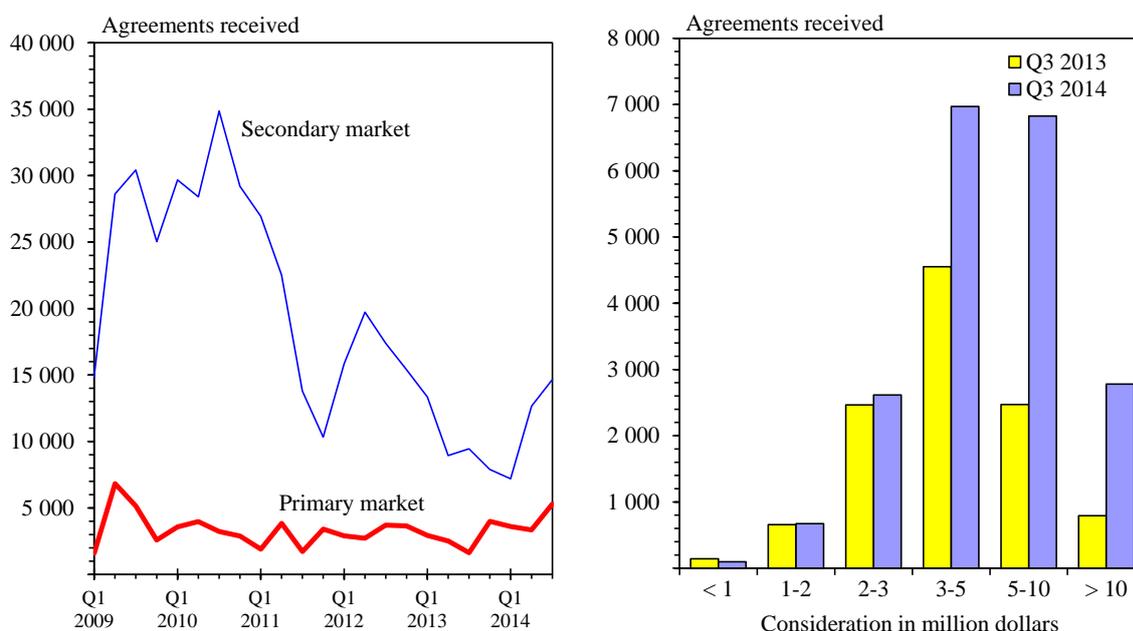
- *The residential property market stayed active in the third quarter of 2014. Market sentiment was supported by the expectation of a lingering low interest rate environment and a tight demand-supply balance in the property market. Trading activities rose, while flat prices also recorded an accelerated increase during the quarter.*
- *Raising flat supply through increasing land supply is the Government's top policy priority in facilitating the healthy development of the property market. Reflecting the Government's sustained efforts, total flat supply in the coming three to four years rose to a record high of 74 000 units.*
- *The commercial and industrial property markets likewise firmed up further. Prices and rentals generally recorded mild increases. Trading activities also rose further, though still at low levels by historical standards.*
- *Inbound tourism showed relative improvement in the third quarter. Supported by Mainland visitors, overall visitor arrivals rose by a slightly faster 11.2% over a year earlier to 16.1 million. Preliminary indicators also suggested that visitor spending saw a smaller decline, thanks in part to fading base effects and in part to slightly faster growth in visitor arrivals.*
- *The logistics sector saw mixed performance in the third quarter amid the unsteady growth in external trade. Air freight throughput continued to fare better, recording a solid year-on-year growth of 7.4%. Meanwhile, container throughput declined by 3.6%.*

## Property

3.1 The *residential property market* stayed active in the third quarter of 2014. Market sentiment was supported by the expectation of a lingering low interest rate environment and a tight demand-supply balance in the property market. With developers pacing up their sales of primary projects that mostly received positive responses during the quarter, trading turned more active. Flat prices also went up further.

3.2 Reflecting the further pick-up in trading, the total number of sale and purchase agreements for residential property received by the Land Registry leapt by 25% over the preceding quarter or 80% over a year earlier to 19 962 in the third quarter, though still below the long-term average of 23 600 per quarter over 1994-2013. Within the total, primary market transactions surged by 58% over the preceding quarter, and secondary market transactions rose by 16%. In tandem, total consideration rose by 49% to \$141.3 billion.

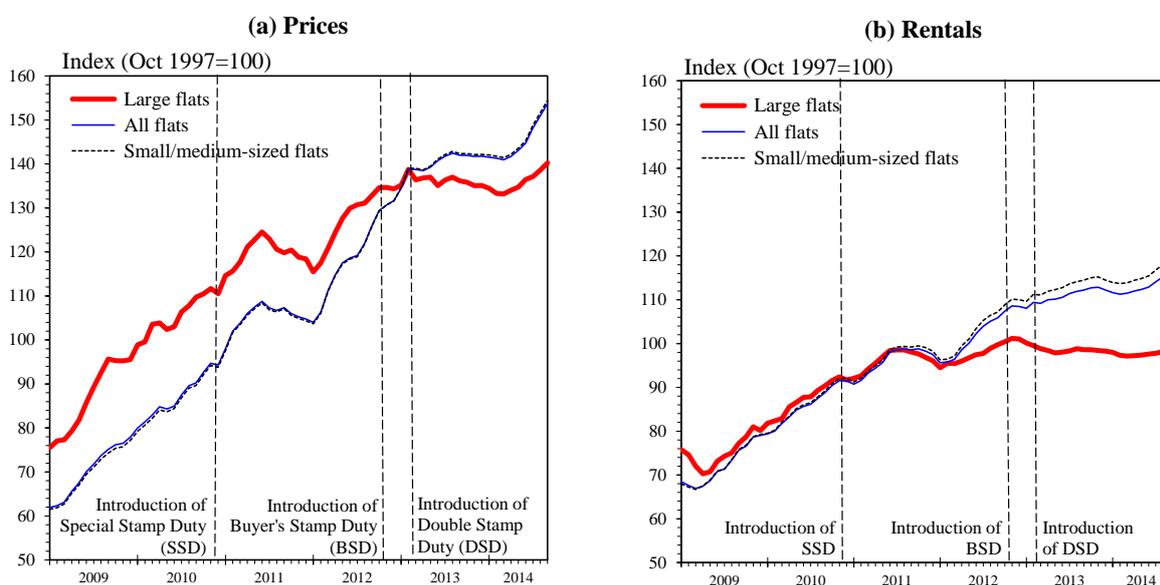
**Diagram 3.1 : Trading activities turned more active in the third quarter**



3.3 Overall flat prices in the secondary market rose by an accelerated 6% between June and September. The increase was mainly driven by small/medium-sized flats, with their prices up by 6%, while those of large flats went up by 3%. Overall flat prices in September have risen by 9% over the recent low in March 2014 and by 8% over December 2013. Meanwhile, most developers still adopted a conservative pricing strategy in launching new primary projects, yet the concessions and discounts narrowed somewhat given the improved market sentiment.

3.4 Likewise, the leasing market showed some pick-up. Overall flat rentals rose by a faster 3% between June and September. Analysed by size, rentals of small/medium-sized and large flats increased by 3% and 1% respectively. Compared with December 2013, overall flat rentals in September 2014 rose by 4%. Reflecting the relative movements of flat prices and rentals, the average rental yield for residential property fell from 2.8% in June to a record low of 2.7% in September.

**Diagram 3.2 : Flat prices and rentals rose at an accelerated rate during the third quarter**



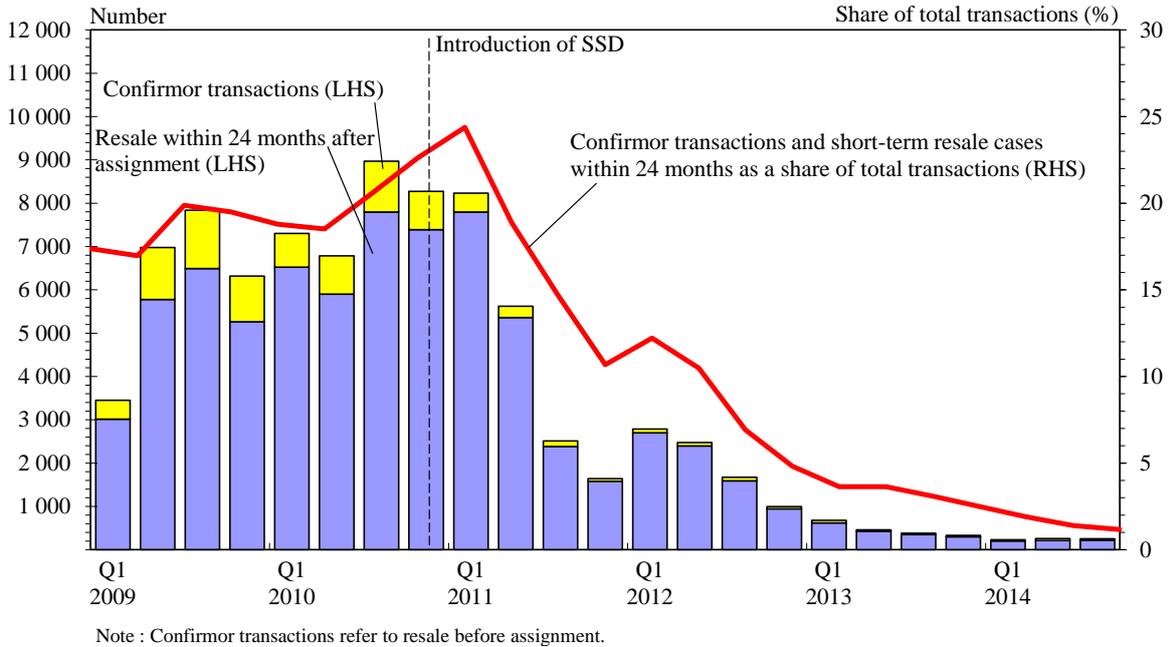
Note : Residential property price index pertains to secondary market transactions only. Large flats refer to those with a saleable area of at least 100 m<sup>2</sup>, and small/medium-sized flats with a saleable area of less than 100 m<sup>2</sup>.

3.5 Raising flat supply through increasing land supply is the Government's top policy priority in facilitating the healthy development of the property market. In September, the Government announced that a total of six residential sites, which could provide for about 1 250 flats, would be put up for sale by tender in the fourth quarter. Combining the various sources (including Government land sale, railway property development projects, the Urban Renewal Authority's projects and private re-development/development projects),

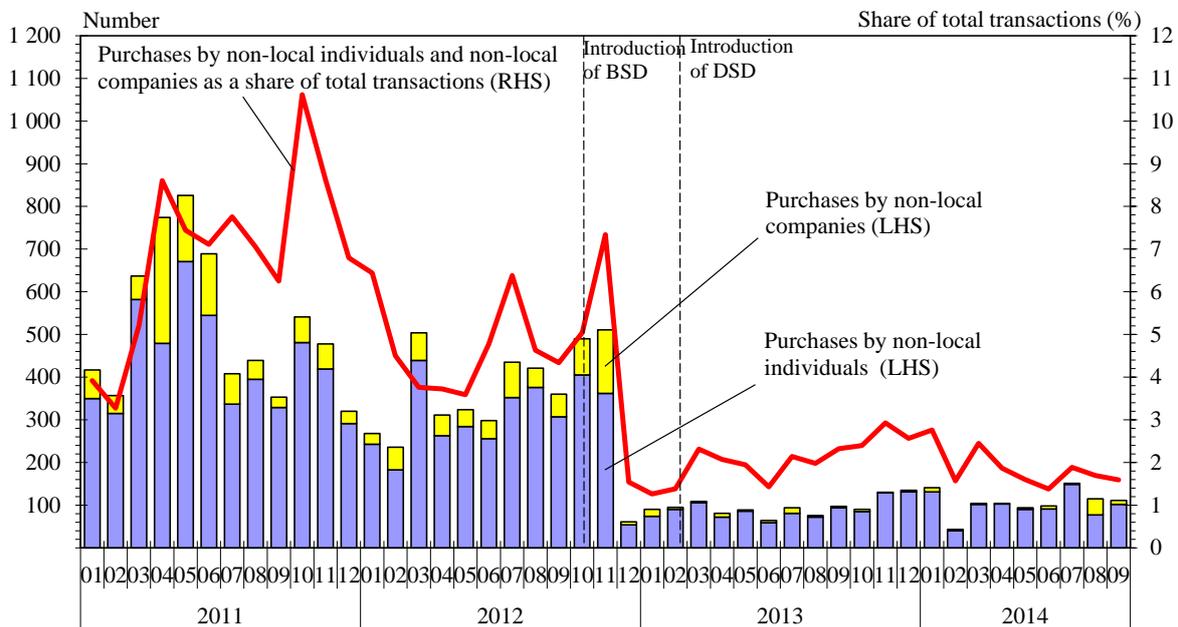
the total land supply for the first three quarters of financial year 2014/15 (i.e. from the second to the fourth quarter of 2014) is estimated to be about 16 800 units, representing about 90% of the average annual target for private housing land supply adopted from 2014/15. Reflecting the Government's sustained efforts on land supply, completions of private domestic units jumped by 175% over a year earlier to 12 200 units in the first three quarters of 2014. For the medium term, *total supply of flats* in the coming few years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) rose to a record high of 74 000 units as estimated at end-September. In addition, another 15 000 units could be added to the total supply after the conversion of a number of residential sites into "disposed sites" and the completion of tendering of some sites in the months ahead.

3.6 As it takes time to increase supply, the Government has also put in significant efforts to manage demand and reduce the possible risks to financial stability arising from an exuberant property market<sup>(1)</sup>. These measures have yielded notable results. On *speculative activities*, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) stayed low at 84 cases per month or 1.2% of total transactions in the third quarter of 2014, well below the monthly average of 2 661 cases or 20.0% in January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty). Reflecting the effects of the Buyer's Stamp Duty, *purchases by non-local individuals and non-local companies*, at 126 cases per month or 1.7% of total transactions, were much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 56% in the quarter, also below the average of 64% in January to October 2009 before the first round of macro-prudential measures for residential property mortgage lending was introduced by the Hong Kong Monetary Authority.

**Diagram 3.3 : Speculative activities stayed subdued**

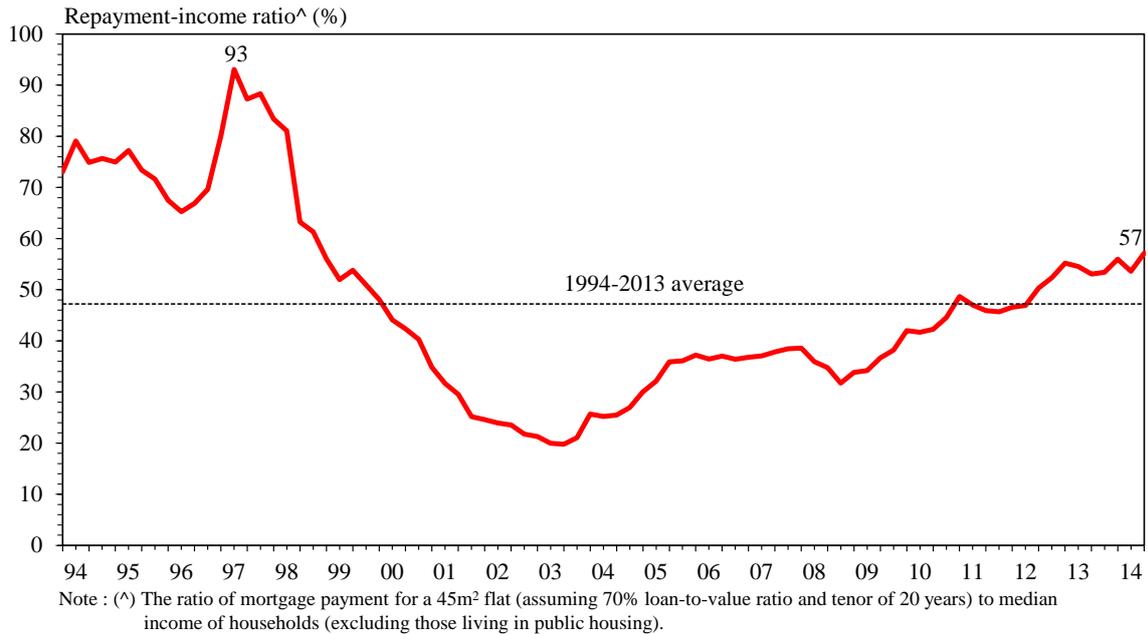


**Diagram 3.4 : Purchases by non-local buyers remained low**



3.7 Nevertheless, following the almost uninterrupted rally in the past few years, overall flat prices in September 2014 have surpassed the 1997 peak by a rampant 54%. Home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public housing) rose to around 57% in the third quarter, exceeding the long-term average of 47% over 1994-2013. Should interest rates rise by three percentage points to a more normal level, the ratio would soar to 74%.

**Diagram 3.5 : The mortgage payment to income ratio rose in the third quarter**



3.8 With the recent pick-up in the property market, the risks of a housing market bubble are still prominent. While the US Federal Reserve concluded its asset purchase programme in October, there is still uncertainty surrounding the pace of monetary policy normalisation in the US, especially the timing of the first interest rate hike. Meanwhile, the full effect of the “Occupy Movement” on the property market has yet to surface. As such, the property market may experience considerable fluctuations as sentiment, interest rate expectations and international fund flows shift with the developments of various factors. The Government will continue to monitor the situation closely, and respond in a prompt and appropriate manner.

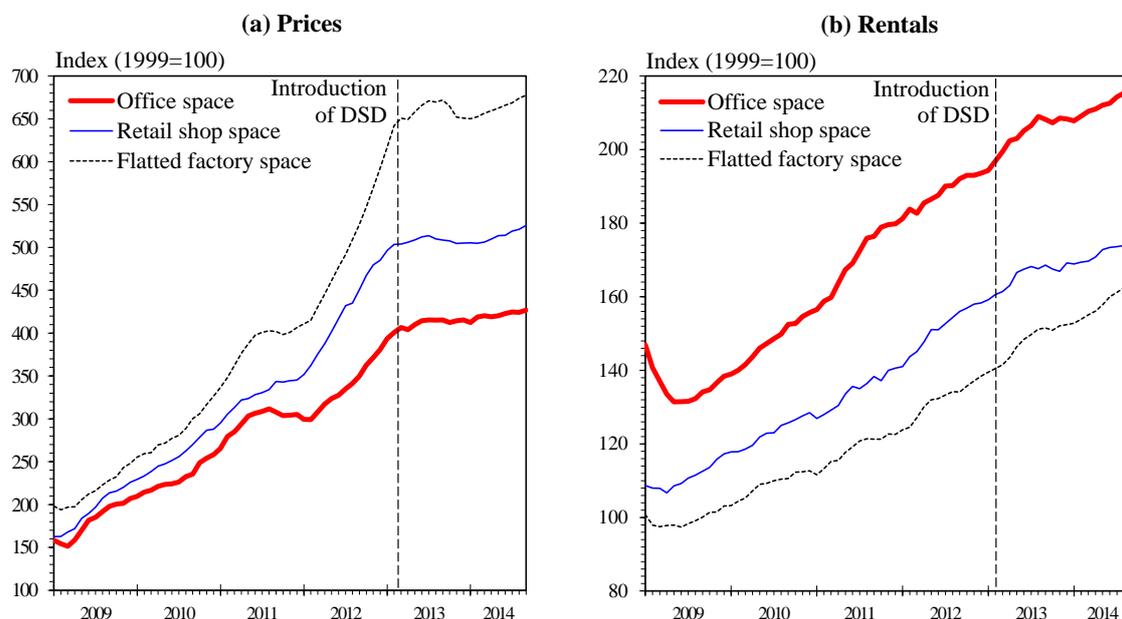
3.9 The *commercial and industrial property markets* likewise firmed up further in the third quarter. Prices and rentals generally recorded mild increases. Trading activities also rose further, though they were still at low levels by historical standards.

3.10 Transactions for *retail shop space* went up by 5% over the preceding quarter or surged by 48% over a year earlier to 880 cases in the third quarter<sup>(2)</sup>. Sale prices and rentals of retail shop space rose further by 2% and 1% respectively between June and September. Compared with December 2013, sale prices and rentals in September 2014 both rose modestly by 4%. The average rental yield for retail shop space stayed low at 2.4% in September, same as in June.

3.11 As to the *office space* market, transactions leapt by 32% over the preceding quarter or 15% over a year earlier to 320 cases in the third quarter. Overall office prices edged up by 1% between June and September. Within the total, prices of Grade A and Grade B office space rose slightly by 1%, while those of Grade C office space went up by 2%. Overall office rentals rose by 2% over the period, with rentals of Grade A, Grade B and Grade C office space edging up by 1%, 2% and 2% respectively. During the first nine months of 2014, overall prices and rentals of office space rose modestly by 3% and 4% respectively. The average rental yields for Grade A, B and C office space held at 2.9%, 3.0% and 2.8% in September, same as in June.

3.12 The market for *flatted factory space* picked up further. Transactions increased notably by 28% over the preceding quarter or 23% over a year earlier to 860 cases. Sale prices and rentals both rose by 2% between June and September. Compared with December, sale prices in September went up by 4% and rentals by a faster 7%. Compared with June, the average rental yield in September remained unchanged at 2.9%.

**Diagram 3.6 : Prices and rentals of non-residential properties recorded mild increases**



## Land

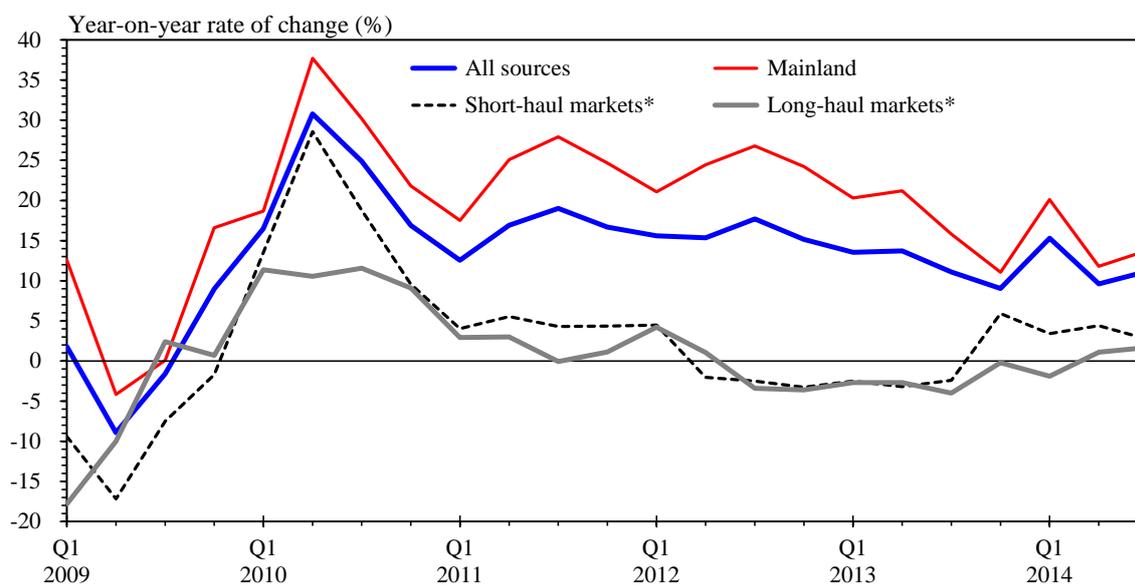
3.13 Reflecting the Government's efforts to increase land supply, six residential sites, one residential and commercial/hotel site, and one commercial/office/hotel site, with a combined area of about 16.5 hectares, were disposed in the third quarter, fetching a land premium of about \$14.6 billion. The tender exercises for three residential sites in Tai Po, Lei Yue Mun and Tuen Mun, and

one hotel site in Tung Chung also commenced in September. As to land exchange, there was one land exchange approved in the third quarter. Meanwhile, 24 sites were approved for lease modifications.

## Tourism

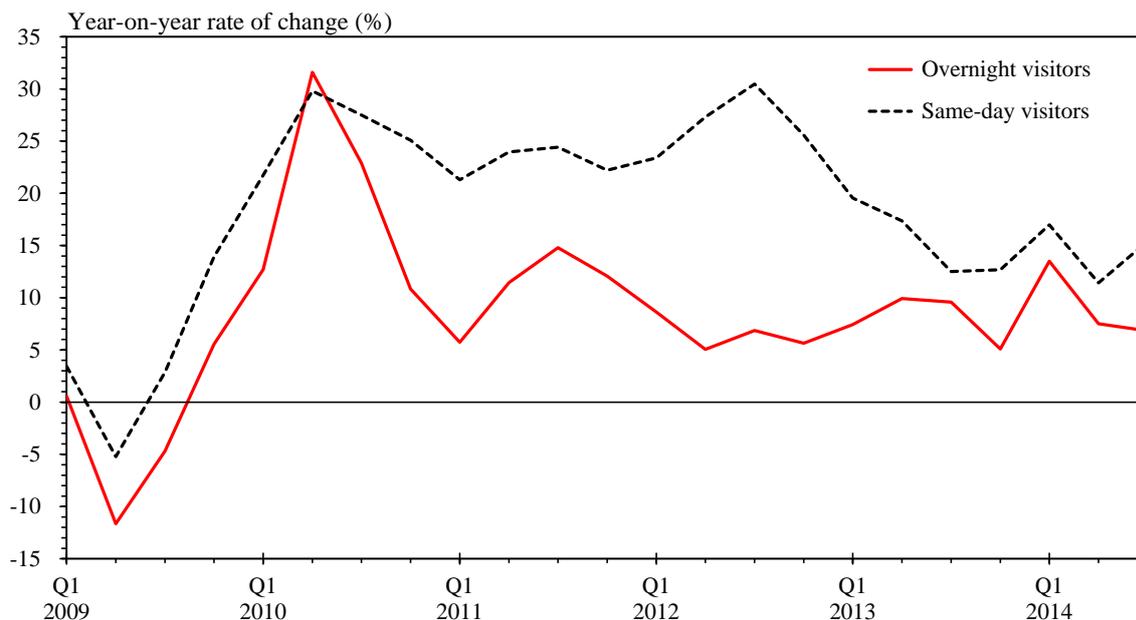
3.14 Inbound tourism showed relative improvement in the third quarter, yet the outlook in the months ahead is clouded by the potential negative impact from the “Occupy Movement”. Overall *visitor arrivals* rose by a slightly faster 11.2% over a year earlier to 16.1 million, though the pace was not as marked as the boom in the past few years. Mainland visitors remained the growth driver, leaping by 13.8% to 12.8 million. Visitors from the short-haul markets and long-haul markets increased only modestly, by 2.7% and 1.7% respectively<sup>(3)</sup>. Preliminary indicators also suggested that visitor spending saw a smaller decline over the period, with exports of travel services edging down by 0.8%, thanks in part to fading high base effects and in part to slightly faster growth in visitor arrivals.

**Diagram 3.7 : Growth in visitor arrivals picked up slightly in the third quarter**



3.15 Analysed by the length of stay, year-on-year growth of same-day visitor arrivals picked up to 15.4% in the third quarter, while that of overnight visitor arrivals moderated further to 6.8%. As growth in same-day visitors continued to outpace that of overnight visitors, the share of same-day visitors rose from 51.5% a year earlier to 53.4% in the third quarter, while that of overnight visitors declined from 48.5% to 46.6%.

**Diagram 3.8 : Growth of same-day visitors picked up while that of overnight visitors moderated further**

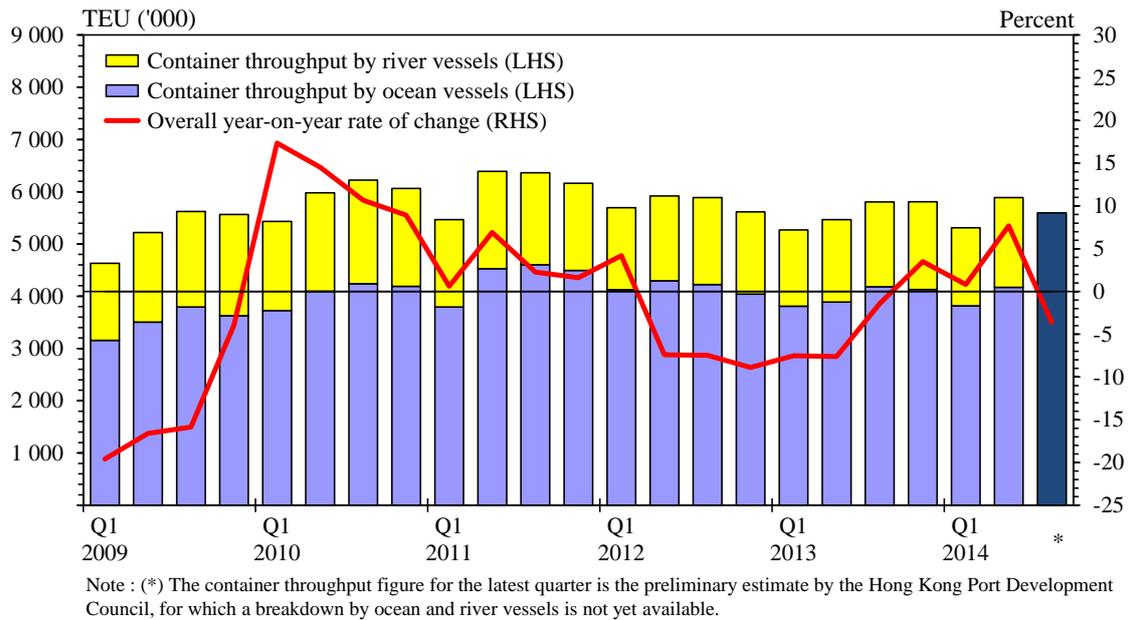


3.16 On the back of the further growth in visitor arrivals, the average hotel room occupancy rate remained high at 90% in the third quarter, unchanged from a year earlier. Over the period, the average achieved hotel room rate went up by 3.8% to \$1,412<sup>(4)</sup>.

## Logistics

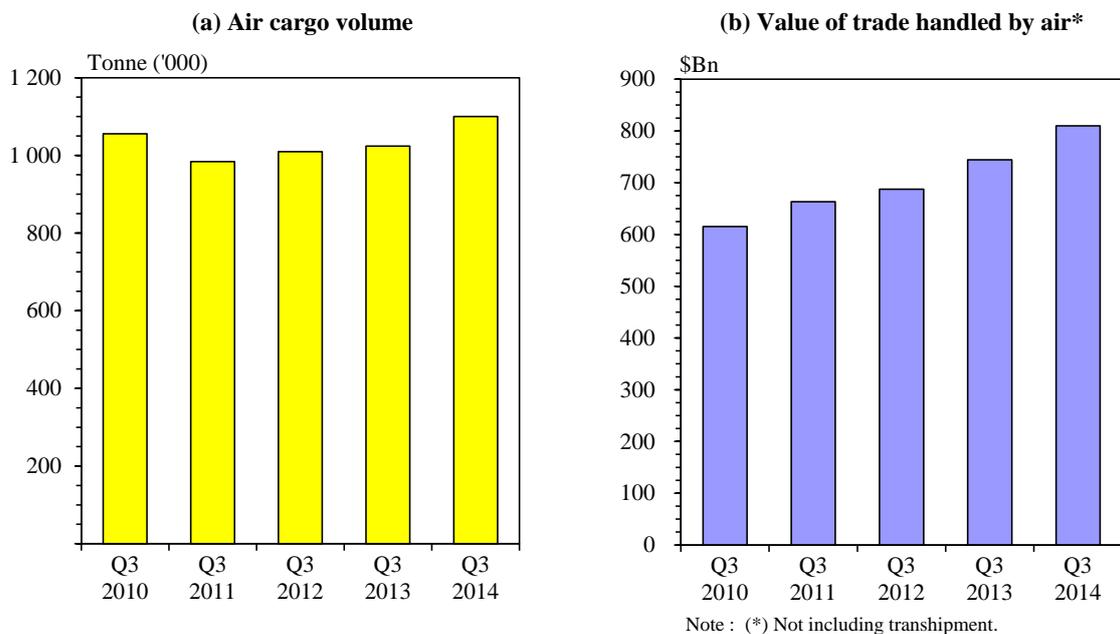
3.17 The logistics sector saw a mixed performance in the third quarter amid the unsteady growth in external trade. *Total container throughput* declined by 3.6% over a year earlier to 5.6 million twenty-foot equivalent units (TEUs). In tandem, the value of trade handled at the Hong Kong port during the quarter fell slightly by 0.8% from a year earlier, with its share in total trade down from 23.2% to 21.7%.

**Diagram 3.9 : Container throughput declined in the third quarter**



3.18 *Air freight throughput* fared better, expanding by a solid 7.4% over a year earlier to 1.1 million tonnes in the third quarter. Meanwhile, the total value of trade by air leapt further by 8.9% over a year earlier, and its share in overall trade value rose from 37.6% to 38.7%.

**Diagram 3.10 : Air cargo throughput and value of trade handled by air rose further**



## **Transport**

3.19 Traffic flows for most major modes of transport grew further in the third quarter. In tandem with the notable growth in visitor arrivals, land-based cross-boundary passenger trips rose by 5.7% over a year earlier to a daily average of 608 900. Air passenger traffic also increased by 3.8% to 16.4 million, and water-borne passenger trips by 2.8% to 7.5 million. Meanwhile, average daily movements of cross-boundary land-based vehicles fell by 2.0% to 42 900.

3.20 In September, the Government announced the Railway Development Strategy 2014, a strategic blueprint for planning the further expansion of Hong Kong's railway network up to 2031. It recommends that seven new railway projects be implemented on or before 2026, namely the Northern Link and Kwu Tung Station, the Tuen Mun South Extension, the East Kowloon Line, the Tung Chung West Extension, Hung Shui Kiu Station, the South Island Line (West) and the North Island Line. Extending Hong Kong's railway network from 270 km in 2021 to over 300 km by 2031 and enabling the whole railway network to cover areas inhabited by 75% of the population and 85% of job locations, the new railway projects would bring significant social, environmental and economic benefits, such as integrating land planning and releasing the development potential of peripheral areas. Subject to further detailed studies, updated demand assessment and availability of resources, individual projects will be taken forward in the period ahead.

## **Environment**

3.21 The Cooperation Agreement on Regional Air Pollution Control and Prevention jointly signed by the Governments of Guangdong, Hong Kong and Macao came into effect on 3 September. The agreement mainly includes establishing a joint Pearl River Delta (PRD) air quality monitoring platform for the three sides; jointly releasing regional air quality information; taking forward air pollution control and prevention measures; co-operating in scientific environmental studies; and fostering exchanges and promotion activities on environmental technology. The agreement would help foster tripartite cooperation on air pollution control and prevention, and improve the air quality in the PRD region.

## **Creativity and Innovation**

3.22 The ninth meeting of the Mainland/Hong Kong Science and Technology Cooperation Committee, which aims at formulating and coordinating technology exchanges and collaboration initiatives between the two economies, was held on 11 September. At the meeting, various topics were discussed, including the establishment of Hong Kong Branches of Chinese National Engineering Research Centres, the re-assessment of Partner State Key Laboratories in Hong Kong, and technology co-operation in the modern services industry. These would help promote the technological development of the Mainland and Hong Kong in the long run.

### **Notes :**

- (1) For details of the measures promulgated in 2010, see Box 3.1 in the First Quarter Economic Report 2010, Box 3.1 in the Third Quarter Economic Report 2010 and note (2) at the end of Chapter 4 in the 2010 Economic Background and 2011 Prospects. For details of the measures promulgated in 2011, see note (2) at the end of Chapter 3 in the Half-yearly Economic Report 2011 and Box 3.1 in the Third Quarter Economic Report 2011. For details of the measures promulgated in 2012, see Box 3.1 in the Third Quarter Economic Report 2012 and Box 4.1 in the 2012 Economic Background and 2013 Prospects. For details of the measures promulgated in 2013, see Box 4.2 in the 2012 Economic Background and 2013 Prospects and Box 3.1 in the First Quarter Economic Report 2013. For details of the measures promulgated in 2014, see Box 4.1 in the 2013 Economic Background and 2014 Prospects.
- (2) The figures on transaction refer to commercial space, which comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.
- (3) Short-haul markets refer to North Asia, South and Southeast Asia, Taiwan and Macao, but excluding the Mainland, while long-haul markets refer to the Americas, Europe, Africa, the Middle East, Australia, New Zealand and South Pacific. In the third quarter of 2014, visitor arrivals from the Mainland, short-haul and long-haul markets accounted for respective shares of 80%, 14% and 6% of total visitors.
- (4) The figures on hotel room occupancy and achieved room rate do not include tourist guesthouses.

## CHAPTER 4 : THE FINANCIAL SECTOR<sup>#</sup>

### *Summary*

- *The low interest rate environment in Hong Kong continued in the third quarter of 2014 amid the ongoing accommodative monetary policy in the United States.*
- *The Hong Kong dollar spot exchange rate stayed close to the strong-side Convertibility Undertaking level of 7.75 per US dollar during most of the third quarter, though it softened slightly towards the end of the quarter amid worries about global economic prospects. The strong-side Convertibility Undertaking was repeatedly triggered by banks during the quarter, and the HKMA passively purchased a total of US\$9.7 billion, leading to a jump in the Aggregate Balance.*
- *Meanwhile, the trade-weighted Hong Kong dollar Nominal Effective Exchange Rate Index and Real Effective Exchange Rate Index both went up along with a stronger US dollar.*
- *The Hong Kong dollar monetary aggregates expanded at a moderate pace in the third quarter. Total loans and advances rose at a slower pace, with loans for use in Hong Kong recording decelerated growth.*
- *The local stock market exhibited sharp fluctuations in the third quarter. After rising further in July and August, the Hang Seng Index underwent a notable correction since early September on renewed concerns over a decelerating global recovery. HSI closed at 22 933 at end-September, the lowest point during the quarter and 1.1% below end-June.*

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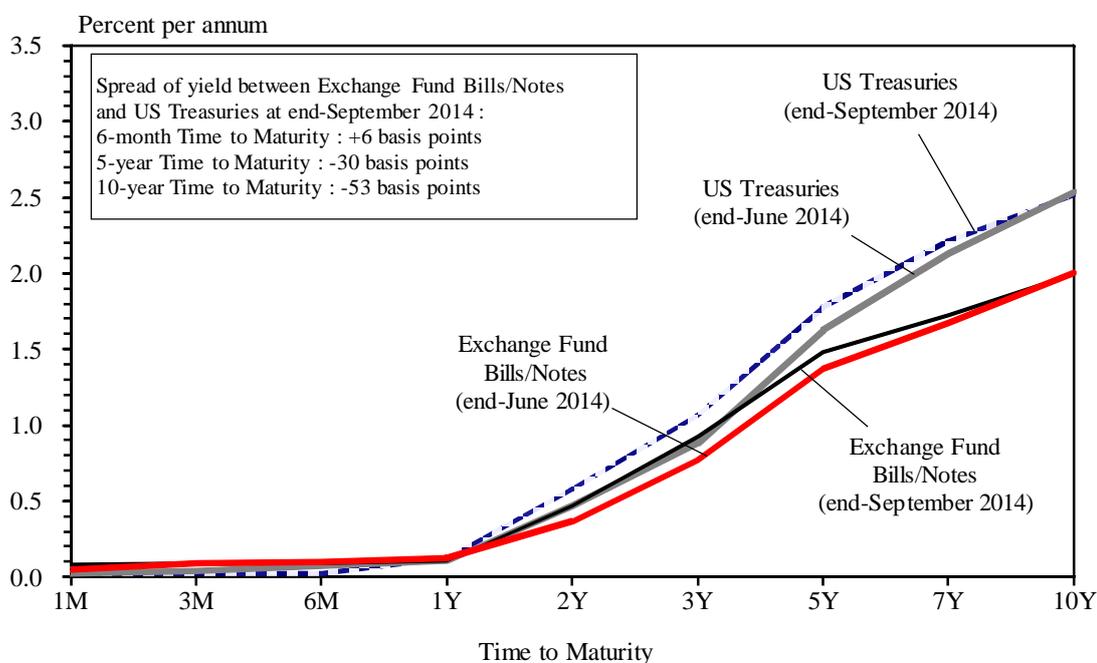
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Economic Analysis Division.*

## Interest rates and exchange rates

4.1 The low interest rate environment in Hong Kong continued in the third quarter of 2014 amid the ongoing accommodative monetary policy in the United States. With the Federal Funds Target Rate staying at 0-0.25%, the *Base Rate* under the Discount Window operated by the HKMA held unchanged at 0.5%<sup>(1)</sup>. The *Hong Kong dollar interbank interest rates* (HIBOR) also stayed at low levels. The three-month HIBOR remained at 0.38% while the overnight HIBOR edged down from 0.20% at end-June to 0.06% at end-September.

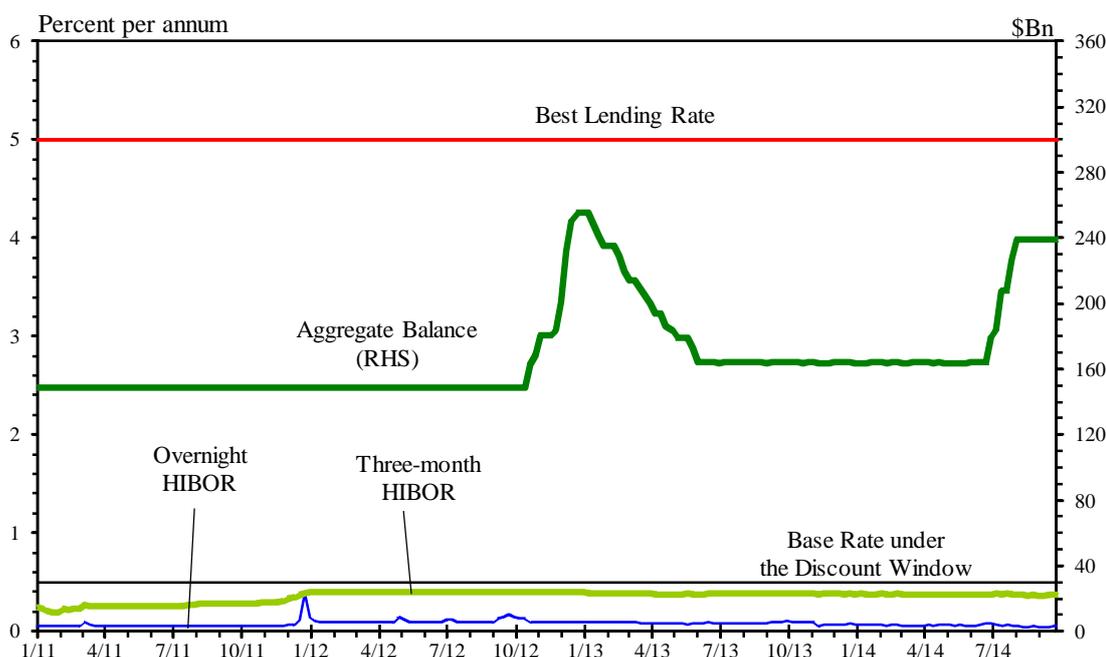
4.2 The *Hong Kong dollar* and *US dollar yields* edged up in the medium tenor (i.e. 2 to 5 years to maturity), yet were broadly unchanged at the short and long tenors. As a result, the positive yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened slightly from three basis points at end-June to six basis points at end-September, while the negative yield spread between 10-year Exchange Fund Notes and 10-year US Treasury Notes held steady at 53 basis points.

**Diagram 4.1 : The Hong Kong dollar and US dollar yield curves were broadly unchanged**



4.3 Interest rates on the retail front remained low. The *Best Lending Rates* stayed unchanged at 5.00% or 5.25% in the third quarter. The *average savings deposit rate* and the *one-year time deposit rate* quoted by the major banks for deposits of less than \$100,000 also remained unchanged at 0.01% and 0.16% respectively. The *composite interest rate*<sup>(2)</sup>, which indicates the average cost of funds for retail banks, fell slightly from 0.47% at end-June to 0.40% at end-September.

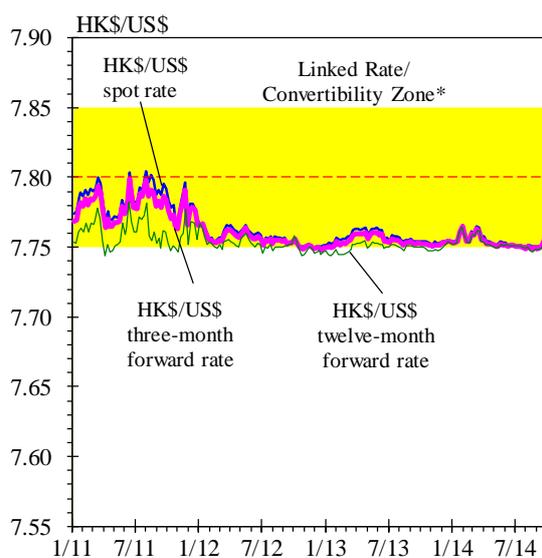
**Diagram 4.2 : Hong Kong dollar interest rates remained low  
(end for the week)**



4.4 The *Hong Kong dollar spot exchange rate* stayed close to the strong-side Convertibility Undertaking level of 7.75 per US dollar during most of the third quarter, though it softened slightly towards the end of the quarter amid worries about global economic prospects. It closed at 7.764 per US dollar at end-September, compared with 7.751 at end-June. The strong-side Convertibility Undertaking was repeatedly triggered by banks from July to early August amid strong commercial and equity-related demand for Hong Kong dollar. In response, the HKMA passively purchased a total of US\$9.7 billion, thereby creating HK\$75.3 billion in accordance with the currency board principles. As a result, the Aggregate Balance jumped from \$163.9 billion at end-June to \$239.2 billion at end-September. During the quarter, the differential between the *3-month Hong Kong dollar forward rate* and spot rate edged up from +7 pips (each pip equivalent to HK\$0.0001) to +8 pips, and that between the *12-month forward rate* and spot rate increased from +8 pips to +17 pips.

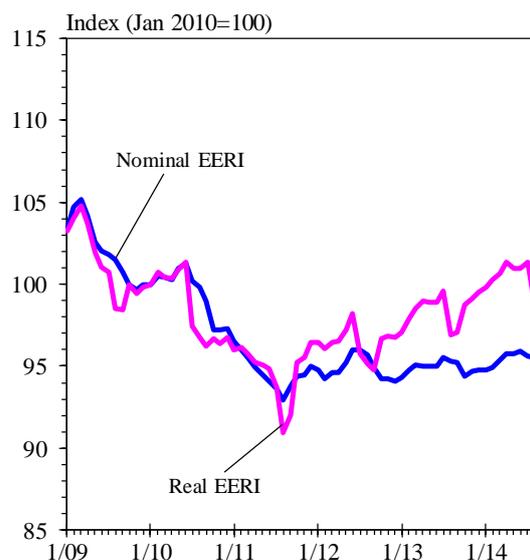
4.5 Under the Linked Exchange Rate system, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. With the US dollar strengthening slightly against most of the major currencies, the *trade-weighted Hong Kong dollar Nominal Index* and *Real Effective Exchange Rate Index*<sup>(3)</sup> went up by 0.2% and 1.6% respectively between June and September.

**Diagram 4.3 : Hong Kong dollar stayed close to 7.75 per US dollar during most of the quarter (end for the week)**



Note : (\*) The shaded area represents the Convertibility Zone that was introduced in May 2005 as part of the three refinements to the Linked Exchange Rate System.

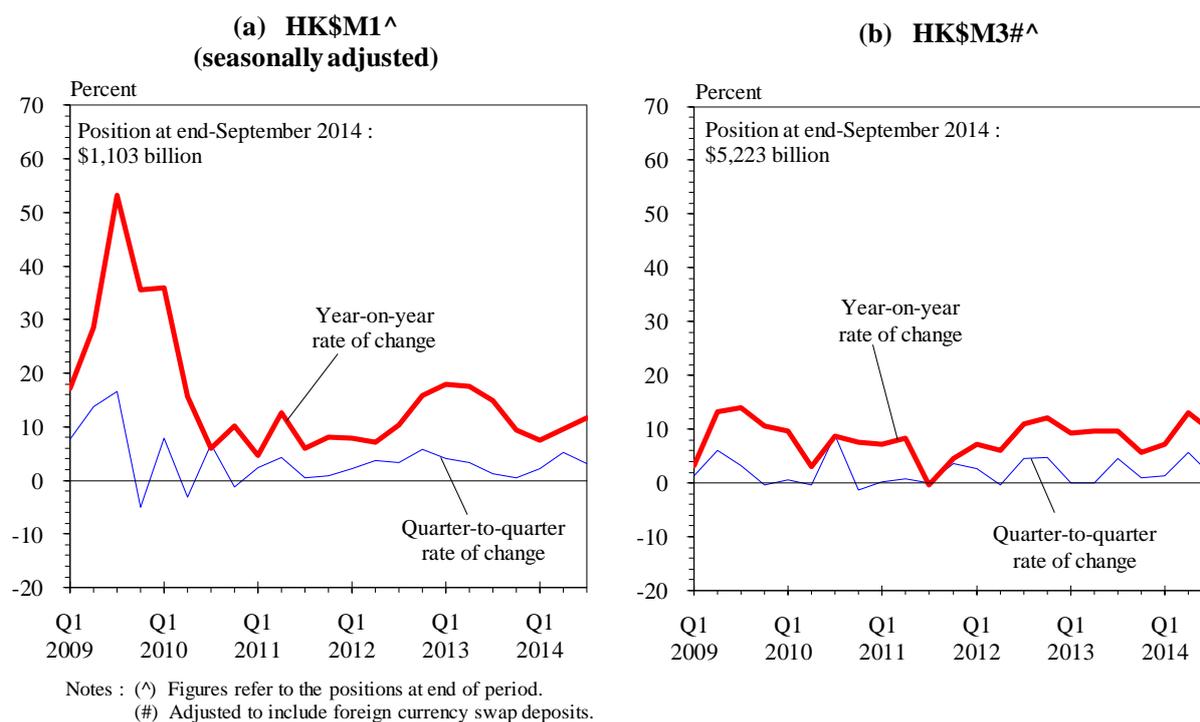
**Diagram 4.4 : The trade-weighted nominal and real EERIs both went up (average for the month)**



## Money supply and banking sector

4.6 The Hong Kong dollar monetary aggregates expanded at a moderate pace in the third quarter. The seasonally adjusted Hong Kong dollar narrow *money supply* (HK\$M1) increased by 3.1% over end-June to \$1,103 billion at end-September, and the broad money supply (HK\$M3) by 1.4% to \$5,223 billion<sup>(4)</sup>. Meanwhile, *total deposits* with authorized institutions (AIs)<sup>(5)</sup> grew by 3.2% to \$9,920 billion, within which Hong Kong dollar deposits and foreign currency deposits increased by 1.5% and 4.8% respectively.

**Diagram 4.5 : The monetary aggregates recorded modest growth**



**Table 4.1 : Hong Kong dollar money supply and total money supply**

		<u>M1</u>		<u>M2</u>		<u>M3</u>	
<u>% change during the quarter</u>		<u>HK\$<sup>^</sup></u>	<u>Total</u>	<u>HK\$<sup>(a)</sup></u>	<u>Total</u>	<u>HK\$<sup>(a)</sup></u>	<u>Total</u>
2013	Q1	4.0	1.0	0.1	1.1	0.1	1.1
	Q2	3.3	2.7	#	1.9	0.1	1.9
	Q3	1.2	3.9	4.6	5.5	4.6	5.5
	Q4	0.6	1.8	0.9	3.4	0.9	3.4
2014	Q1	2.2	0.8	1.4	0.9	1.4	0.9
	Q2	5.3	6.9	5.7	4.5	5.7	4.5
	Q3	3.1	3.1	1.4	2.9	1.4	3.0
Total amount at end-September 2014 (\$Bn)		1,103	1,678	5,212	10,911	5,223	10,947
% change over a year earlier		11.6	13.1	9.7	12.2	9.7	12.3

Notes : (^) Seasonally adjusted.

(a) Adjusted to include foreign currency swap deposits.

(#) Change of less than  $\pm 0.05\%$ .

4.7 Total loans and advances grew by 1.9% over end-June to \$7,210 billion at end-September. Within the total, Hong Kong dollar loans grew modestly by 0.7%, while foreign currency loans expanded by a faster 3.5%. Reflecting the relative movements in deposits and loans, the

loan-to-deposit ratio for Hong Kong dollar decreased from 82.5% at end-June to 81.8% at end-September, while that for foreign currency edged down from 65.0% to 64.2%.

4.8 Loans for use in Hong Kong (including trade finance) increased at a decelerated pace of 1.4% over end-June to \$5,111 billion at end-September, while loans for use outside Hong Kong rose by 3.2% to \$2,099 billion. Within the former, trade financing recorded a marginal increase of 0.2%. Growth in loans to financial concerns moderated to 1.2%, while loans to stockbroker plunged by 38.8% due to a correction in stock market towards the end of the quarter. Meanwhile, loans to manufacturing and wholesale and retail trade continued to grow strongly, by 7.1% and 8.0% respectively. As for property-related lending, loans to building, construction, property development and investment edged up by 0.8%, while loans for purchase of residential property expanded by 2.3%.

**Table 4.2 : Loans and advances**

All loans and advances for use in Hong Kong											
		Loans to :							All loans and advances for use outside Hong Kong <sup>(c)</sup>		Total loans and advances
% change during the quarter		Trade finance	Manu- facturing	Whole- sale and retail trade	Building, construction, property development and investment	Purchase of residential property <sup>(a)</sup>	Financial concerns	Stock- brokers	Total <sup>(b)</sup>	Hong Kong <sup>(c)</sup>	advances
2013	Q1	19.3	2.5	1.1	-0.7	1.7	5.1	26.3	3.1	2.9	3.0
	Q2	23.9	9.3	8.8	4.2	1.3	3.3	17.3	7.0	4.3	6.3
	Q3	7.9	4.4	6.7	4.3	0.5	3.5	125.5	3.6	8.5	5.0
	Q4	-9.8	0.8	1.6	-0.8	0.3	6.5	-53.2	-0.5	4.3	0.9
2014	Q1	12.4	7.4	5.5	2.7	1.0	12.0	38.2	6.6	3.7	5.7
	Q2	2.2	6.7	5.2	1.6	2.1	3.3	68.1	4.4	1.7	3.6
	Q3	0.2	7.1	8.0	0.8	2.3	1.2	-38.8	1.4	3.2	1.9
Total amount at end-September 2014 (\$Bn)		633	266	501	1,045	1,002	383	44	5,111	2,099	7,210
% change over a year earlier		3.7	23.6	21.9	4.3	5.8	24.7	-33.5	12.3	13.6	12.7

Notes : Some loans have been reclassified. As such, the figures are not strictly comparable with those of previous quarters.

(a) Figures also include loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme, in addition to those for the purchase of private residential flats.

(b) Loans to individual sectors may not add up to all loans and advances for use in Hong Kong, as some sectors are not included.

(c) Also include loans where the place of use is not known.

4.9 The Hong Kong banking sector remains resilient. The Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying high at 16.1% at end-June 2014. So far no AIs have encountered difficulties in complying with the statutory minimum ratios required by the HKMA under Basel III<sup>(6)</sup>.

4.10 The consultation paper on the proposal for establishing and implementing a local regulatory and supervising framework for systemically important AIs in Hong Kong was generally supported by the industry. The HKMA was in the process of developing a new Supervisory Policy Manual module on systemically important banks. Separately, HKMA has been working on the implementation of the second phase of the Basel III standards which encompass the liquidity coverage ratio, the capital buffers (i.e. the “capital conservation buffer”, the “countercyclical capital buffer”, and for systemically important banks, the “higher loss absorbency requirements”), and the requirements for disclosure by banks that are associated with these standards as well as the Basel III Leverage Ratio. To this end, draft amendments to the Banking (Capital) Rules and a draft set of Banking (Liquidity) Rules are being finalised for submission to the Legislative Council in Q4 2014, with a view to having them take effect from 1 January 2015. Preparation on draft amendments to the Banking (Disclosure) Rules are likewise in progress with a view to having them take effect from the first disclosure of AIs in 2015.

4.11 Asset quality of the local banking sector remained good. The ratio of classified loans to total loans edged down further from 0.46% at end-March to 0.44% at end-June. The delinquency ratio for credit card lending stayed low at 0.22%. The delinquency ratio for residential mortgage loans remained unchanged at a low level of 0.02% at end-September.

**Table 4.3 : Asset quality of retail banks\***  
(as % of total loans)

<u>As at end of period</u>		<u>Pass loans</u>	<u>Special mention loans</u>	<u>Classified loans (gross)</u>
2013	Q1	98.32	1.22	0.46
	Q2	98.42	1.11	0.47
	Q3	98.25	1.27	0.48
	Q4	98.33	1.20	0.48
2014	Q1	98.42	1.12	0.46
	Q2	98.51	1.05	0.44

Notes : Due to rounding, figures may not add up to 100.

(\*) Period-end figures relate to Hong Kong offices and overseas branches. Loans and advances are classified into the following categories: Pass, Special Mention, Substandard, Doubtful and Loss. Loans in the substandard, doubtful and loss categories are collectively known as “classified loans”.

4.12 RMB business grew further in the third quarter. *RMB trade settlement handled by banks in Hong Kong* jumped by 75% over a year earlier to RMB1,609 billion. Meanwhile, *total deposits* (including customer deposits and outstanding certificates of deposit) edged up by 0.2% over end-June to RMB1,128 billion at end-September.

4.13 RMB bond issuance in the third quarter declined to RMB31 billion from the high base of comparison of RMB72 billion in the preceding quarter. Yet total RMB bond issuance totalled RMB164 billion in the first three quarters, 40% more than the total issuance in the entire year of 2013. Meanwhile, *outstanding RMB loans* leapt by 20% over the preceding quarter to RMB167 billion at end-September.

**Table 4.4 : Renminbi deposits and cross-border renminbi trade settlement in Hong Kong**

<u>As at end of period</u>		<u>Interest rates on<sup>(a)</sup></u>					<u>Number of AIs engaged in RMB business</u>	<u>Amount of cross-border RMB trade settlement<sup>(c)</sup></u> (RMB Mn)
		<u>Demand and savings deposits</u> (RMB Mn)	<u>Time deposits</u> (RMB Mn)	<u>Total deposits</u> (RMB Mn)	<u>Savings deposits<sup>(b)</sup></u> (%)	<u>Three-month time deposits<sup>(b)</sup></u> (%)		
2013	Q1	144,314	523,744	668,058	0.25	0.52	140	830,955
	Q2	127,512	570,447	697,959	0.25	0.53	140	864,366
	Q3	135,217	594,801	730,018	0.25	0.53	143	921,282
	Q4	151,055	709,417	860,472	0.25	0.53	146	1,224,349
2014	Q1	167,082	777,828	944,910	0.25	0.53	147	1,488,813
	Q2	150,696	775,218	925,914	0.25	0.53	148	1,437,291
	Q3	144,306	800,168	944,473	0.25	0.53	149	1,609,298
% change in 2014 Q3 over 2013 Q3		6.7	34.5	29.4	N.A.	N.A.	N.A.	74.7
% change in 2014 Q3 over 2014 Q2		-4.2	3.2	2.0	N.A.	N.A.	N.A.	12.0

Notes : (a) The interest rates are based on a survey conducted by the HKMA.

(b) Period average figures.

(c) Figures during the period.

N.A. Not available.

## The debt market

4.14 The Hong Kong dollar debt market picked up in the third quarter of 2014. Total issuance for Hong Kong dollar debt securities edged up by 1.3% over the preceding quarter to \$601.3 billion. Within the total, public sector debt issuance increased slightly by 2.1%, as a jump in new debts issued by the Government and statutory bodies/government-owned corporations more than offset the slight decrease in Exchange Fund papers. Meanwhile, a plunge in new debts issued by non-MDBs overseas borrowers pulled private sector debt issuance lower by 8.3%, despite a significant growth in new issuance by AIs and local corporations<sup>(7)</sup>. As a result, the Hong Kong dollar debt market expanded slightly, with the total outstanding balance rising by 0.5% to \$1,404.2 billion at end-September. This was equivalent to 26.9% of HK\$M3 or 22.5% of Hong Kong dollar-denominated assets of the entire banking sector<sup>(8)</sup>.

4.15 As to the Government Bond (“GB”) Programme, three bond tenders were held under the institutional part in the third quarter of 2014, i.e. a \$2 billion 5-year re-opening tender in July, a \$1 billion 10-year new issuance tender in August and a \$3.5 billion 2-year re-opening tender in September. As to the retail part, this year’s iBond was issued in August, with the issuance size of \$10 billion. A total of 488 170 valid applications were received for a total of around \$28.79 billion in principal amount of bonds. Later in September the Government successfully issued the inaugural sukuk (“the Sukuk”) under the Government Bond Programme. The Sukuk, with an issuance size of US\$1 billion and a tenor of 5 years, was greeted with favourable market responses and attracted orders exceeding US\$4.7 billion. Its issuance marked the world’s first US dollar sukuk originated by an AAA-rated government and signified an important milestone in the development of the Islamic capital market in Hong Kong. At end-September 2014, the outstanding size of Hong Kong dollar bonds issued under the GB programme amounted to \$103.5 billion, including 12 institutional issues for \$73.5 billion, and three retail issues (iBonds) for \$30 billion.

**Table 4.5 : New issuance and outstanding value of  
Hong Kong dollar debt securities (\$Bn)**

		Exchange Fund paper	Statutory bodies/govern- ment-owned corporations	Govern- ment	Public sector total	AIs <sup>(a)</sup>	Local corporations	Non-MDBs overseas borrowers <sup>(b)</sup>	Private sector total	MDBs <sup>(b)</sup>	Total
<b>New Issuance</b>											
2013	Annual	2,123.4	10.7	30.0	2,164.1	143.0	25.6	23.1	191.7	0.9	2,356.8
	Q1	508.9	3.5	7.0	519.4	32.5	11.6	6.1	50.3	0.0	569.7
	Q2	537.6	5.0	13.0	555.6	39.5	2.2	7.5	49.2	0.0	604.7
	Q3	532.0	1.1	7.0	540.1	43.2	6.6	2.4	52.2	0.9	593.2
	Q4	545.0	1.1	3.0	549.1	27.8	5.2	7.1	40.0	0.0	589.1
2014	Q1	525.4	2.5	7.5	535.4	33.3	9.8	13.3	56.4	1.3	593.1
	Q2	539.5	0.2	3.8	543.5	23.2	6.5	20.6	50.3	0.0	593.8
	Q3	533.6	4.9	16.5	555.1	32.2	8.3	5.6	46.2	0.0	601.3
	% change in 2014 Q3 over 2013 Q3	0.3	348.8	135.7	2.8	-25.3	25.4	130.4	-11.6	-	1.4
	% change in 2014 Q3 over 2014 Q2	-1.1	2,985.6	334.2	2.1	39.0	27.8	-72.8	-8.3	-	1.3
<b>Outstanding (as at end of period)</b>											
2013	Q1	708.6	45.7	72.0	826.4	249.7	123.0	145.8	518.5	10.2	1,355.1
	Q2	750.1	43.2	85.0	878.3	250.9	117.0	149.0	516.9	9.9	1,405.0
	Q3	750.6	40.1	88.5	879.2	248.1	122.9	148.1	519.2	10.4	1,408.7
	Q4	751.2	39.8	91.5	882.5	250.1	127.9	148.7	526.7	10.2	1,419.4
2014	Q1	751.5	40.1	95.5	887.1	249.0	130.4	150.9	530.3	11.1	1,428.4
	Q2	752.0	37.1	99.3	888.4	228.9	124.4	148.1	501.5	6.9	1,396.7
	Q3	752.2	41.5	105.8	899.5	223.0	132.3	142.5	497.8	6.9	1,404.2
	% change in 2014 Q3 over 2013 Q3	0.2	3.5	19.5	2.3	-10.1	7.6	-3.8	-4.1	-33.8	-0.3
	% change in 2014 Q3 over 2014 Q2	#	11.8	6.5	1.3	-2.6	6.4	-3.8	-0.7	#	0.5

Notes : Figures may not add up to the corresponding totals due to rounding and may be subject to revisions.

(a) AIs : Authorized institutions.

(b) MDBs : Multilateral Development Banks.

N.A. Not available.

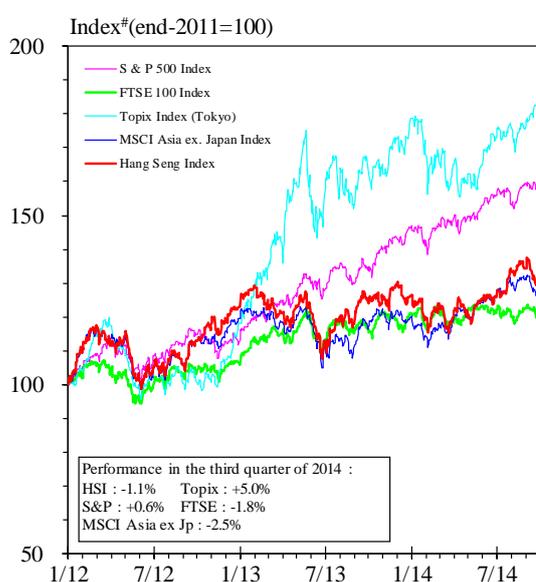
(#) Change of less than  $\pm 0.05\%$ .

## The stock and derivatives markets

4.16 The *local stock market* exhibited sharp fluctuations in the third quarter of 2014. The Hang Seng Index (HSI) rose further in July and August, as market sentiment was boosted by the expected implementation of the Shanghai-Hong Kong Stock Connect and the hopes for a strengthening global economy in the latter part of the year. Nonetheless, after reaching a high of 25 318 in early September, it underwent a notable correction amid renewed concerns over a decelerating global recovery. HSI closed at 22 933 at end-September, the lowest point during the quarter and 1.1% below end-June. Meanwhile, the *market capitalisation* rose modestly, by 2.0% to \$24.4 trillion. According to the World Federation of Exchanges, the local stock market was the sixth largest stock exchange in the world and second largest in Asia<sup>(9)</sup>.

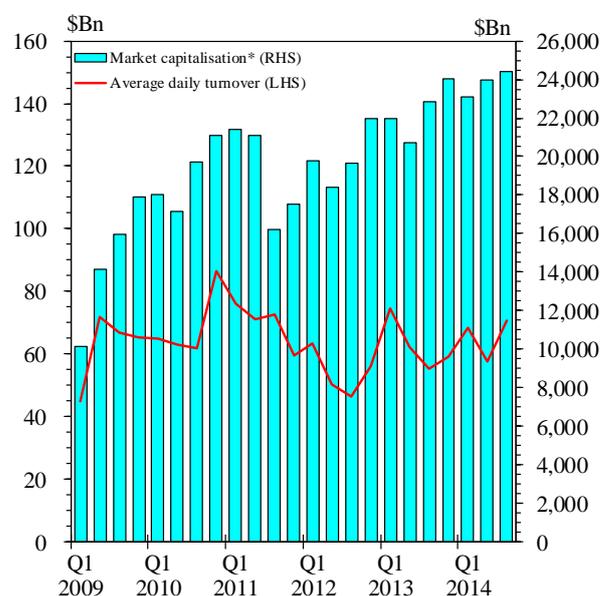
4.17 Trading activities showed some pick-up in the third quarter. *Average daily turnover* in the securities market rebounded sharply by 23.3% from the preceding quarter or 28.4% from a year earlier to \$70.9 billion. Likewise, trading of *derivatives products*<sup>(10)</sup> increased. The average daily trading volume of futures and options rose by 12.2% over the preceding quarter, with trading of H-shares Index futures, HSI futures, HSI options and stock options going up by 2.0%, 2.8%, 3.7% and 21.0% respectively. The average daily trading value of securitised derivatives products soared by 43.9%, within which trading of derivative warrants and callable bull/bear contracts surged by 52.9% and 29.9% respectively.

**Diagram 4.6 : The Hang Seng Index showed some sharp fluctuations in the third quarter of 2014**



Notes : (#) Position at end of month.

**Diagram 4.7 : Market capitalisation rose further, and trading activities showed some pick-up**



Note : (\*) Position at end of quarter.

**Table 4.6 : Average daily turnover of derivatives products of the Hong Kong market**

		Hang Seng Index <u>futures</u>	Hang Seng Index <u>options</u>	H-shares Index <u>futures</u>	Stock <u>options</u>	Total futures and options <u>traded</u> *	Derivative warrants <u>(\$Mn)</u>	Callable bull/bear contracts <u>(\$Mn)</u>	Total securitised derivatives traded <u>(\$Mn)</u> <sup>^</sup>
2013	Annual	80 247	35 252	85 538	249 295	532 905	7,309	5,202	12,510
	Q1	82 570	38 464	77 111	278 115	552 686	10,268	6,032	16,301
	Q2	91 137	43 304	87 653	256 162	563 658	7,150	5,433	12,583
	Q3	78 192	31 109	87 853	217 169	503 305	6,190	5,250	11,441
	Q4	69 587	28 614	89 157	247 867	514 398	5,783	4,138	9,920
2014	Q1	71 607	28 842	92 576	274 757	554 700	7,077	5,090	12,167
	Q2	64 897	28 810	77 613	251 375	496 449	6,404	4,074	10,478
	Q3	66 730	29 887	79 181	304 098	556 968	9,791	5,290	15,081
% change in 2014 Q3 over 2013 Q3		-14.7	-3.9	-9.9	40.0	10.7	58.2	0.8	31.8
% change in 2014 Q3 over 2014 Q2		2.8	3.7	2.0	21.0	12.2	52.9	29.9	43.9

Notes : (\*) Turnover figures for individual futures and options are in number of contracts, and may not add up to the total futures and options traded as some products are not included.

(^) Comprising derivative warrants and callable bull/bear contracts.

4.18 Having stayed generally subdued in the past two years or so, fund raising activities staged a strong rebound in the third quarter. *Total equity capital raised*, comprising new share floatations and post-listing arrangements on the Main Board and the Growth Enterprise Market (GEM)<sup>(11)</sup>, soared by 272% over the preceding quarter or 626% over a year earlier to a high level of \$392.1 billion. Within the total, the amount of funds raised through initial public offerings also surged by 36.5% over the low base in the preceding quarter to \$49.2 billion.

4.19 Mainland enterprises continued to play a dominant role in the Hong Kong stock market. A total of 857 Mainland enterprises (including 195 H-share companies, 130 “Red Chips” companies and 532 private enterprises) were listed on the Main Board and GEM, accounting for 50% of the total number of listed companies and 59% of total market capitalisation at end-September 2014. During the third quarter, Mainland-related stocks accounted for 69% of equity turnover and 92% of total equity fund raised in the Hong Kong stock exchange.

4.20 To increase the transparency in the over-the-counter (OTC) derivative market, in July the HKMA and the Securities and Futures Commission (SFC) jointly launched a consultation on the draft Securities and Futures (OTC Derivative Transactions – Reporting and Record Keeping) Rules. The consultation focused on the detailed requirements for the mandatory reporting and related record keeping obligations under the new OTC derivative regulatory regime. The consultation ended on 18 August 2014, and the SFC is now working with the HKMA on the submissions received with a view to issuing the consultation conclusions in due course.

4.21 In August the revised Code on Real Estate Investment Trusts (REITs) was gazetted and subsequently took effect. The revisions allow greater flexibility in the investment scope of REITs with respect to property development activities and financial instrument, subject to additional safeguards and regulatory measures. This will help to promote the long-term growth of Hong Kong's REIT market in a manner that protects investors' interests and market confidence.

4.22 During the third quarter of 2014, further progress has been made for the development of the Shanghai-Hong Kong Stock Connect ("the programme"), a pilot programme announced in April for establishing mutual stock market access between Shanghai and Hong Kong<sup>(12)</sup>. In August and September, one round of connectivity test and two rounds of market rehearsals have been successfully conducted for participants to ascertain their system readiness for the programme, to familiarise themselves with the trading features of Northbound trading, and to test their trading and clearing operations. The Hong Kong stock exchange would analyse the results from the test and market rehearsals and take follow-up actions as appropriate.

### **Fund management and investment funds**

4.23 Most segments in the fund management business expanded during the third quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*<sup>(13)</sup> edged up by 0.7% to \$547 billion between end-June and end-September. The monthly average gross retail sales of *mutual funds* rose by 12.1% from the preceding quarter to US\$7.7 billion in July and August<sup>(14)</sup>. Meanwhile, the amount of net assets managed by *retail hedge funds* declined<sup>(15)</sup>.

## Insurance sector

4.24 In the second quarter of 2014, the *insurance sector*<sup>(16)</sup> expanded further. Gross premium income from long-term business rose by another 18.2% over a year earlier, though there was varied performance for different segments. Premium income from non-investment linked plans increased by a sharp 32.0% while that from investment-linked plans plummeted by 24.8%. Meanwhile, gross premium and net premium for general business went up modestly, by 2.1% and 3.4% respectively.

**Table 4.7 : Insurance business in Hong Kong\* (\$Mn)**

		General business			Premium for long-term business <sup>^</sup>				Gross premium from long-term business and general business	
		Gross premium	Net premium	Underwriting profit	Individual life and annuity (non-linked)	Individual life and annuity (linked)	Other individual business	Non-retirement scheme group business		All long-term business
2013	Annual	42,120	29,179	3,038	73,015	19,132	156	285	92,588	134,708
	Q1	12,359	8,759	657	17,527	4,919	36	53	22,535	34,894
	Q2	10,428	7,446	864	17,570	5,597	40	61	23,268	33,696
	Q3	10,512	7,314	671	18,910	3,831	40	50	22,831	33,343
	Q4	8,821	5,660	846	19,008	4,785	40	121	23,954	32,775
2014	Q1	12,551	8,668	902	23,770	3,387	39	180	27,376	39,927
	Q2	10,642	7,697	636	23,191	4,210	40	53	27,494	38,136
% change in 2014 Q2 over 2013 Q2		2.1	3.4	-26.4	32.0	-24.8	#	-13.1	18.2	13.2

Notes : (\*) Figures are based on provisional statistics of the Hong Kong insurance industry.

(^) Figures refer to new business only. Retirement scheme business is excluded.

(#) Change of less than  $\pm 0.05\%$ .

## Highlights of policy and market developments

4.25 In September the HKMA and the Financial Services and the Treasury Bureau jointly issued a consultation paper on the proposed enhancements to the Deposit Protection Scheme (DPS). As a statutory scheme established to protect depositors and reduce the risks of bank runs during a banking crisis, DPS has been a key component of the financial safety net that contributes to the stability of the financial system. To accelerate the process of making deposit compensation to depositors when a bank fails, it is proposed to adopt the “gross

payout” approach to determine DPS compensation (i.e. a depositor would be compensated up to the protect limit without the need to set-off the depositor’s liabilities in the same bank at the time of payout), to provide more certainty for determining the reference date used for calculating the compensation amount, and to enable the use of electronic communication channels under certain circumstances to notify depositors of the compensation arrangements and other details. The Government would carefully study the comments received and would take them into account in preparing the legislative amendments.

## Notes :

- (1) Prior to 9 October 2008, the Base Rate was set at either 150 basis points above the prevailing US Federal Funds Target Rate (FFTR) or the average of the five-day moving averages of the overnight and one-month HIBORs, whichever was higher. Between 9 October 2008 and 31 March 2009, this formula for determination of the Base Rate was temporarily changed by reducing the spread of 150 basis points above the prevailing FFTR to 50 basis points and by removing the other leg relating to the moving averages of the relevant interbank interest rates. After a review of the appropriateness of the new Base Rate formula, the narrower 50 basis point spread over the FFTR was retained while the HIBOR leg was re-instated in the calculation of the Base Rate after 31 March 2009.
- (2) In December 2005, the HKMA published a new data series on composite interest rate, reflecting movement in various deposit rates, interbank and other interest rates to closely track the average cost of funds for banks. The published data enable the banks to keep track of changes in funding cost and thus help improve interest rate risk management in the banking sector.
- (3) The trade-weighted Nominal Effective Exchange Rate Index (EERI) is an indicator of the overall exchange value of the Hong Kong dollar against a fixed basket of other currencies. Specifically, it is a weighted average of the exchange rates of the Hong Kong dollar against some 15 currencies of its major trading partners, with the weights adopted being the respective shares of these trading partners in the total value of merchandise trade for Hong Kong during 2009 and 2010.

The Real EERI of the Hong Kong dollar is obtained by adjusting the Nominal EERI for relative movements in the seasonally adjusted consumer price indices of the respective trading partners.

- (4) The various definitions of the money supply are as follows:

M1 : Notes and coins with the public, plus customers’ demand deposits with licensed banks.

M2 : M1 plus customers’ savings and time deposits with licensed banks, plus negotiable certificates of deposit (NCDs) issued by licensed banks, held outside the monetary sector as well as short-term Exchange Fund placements of less than one month.

M3 : M2 plus customers' deposits with restricted licence banks and deposit-taking companies, plus NCDs issued by such institutions and held outside the monetary sector.

Among the various monetary aggregates, more apparent seasonal patterns are found in HK\$M1, currency held by the public, and demand deposits.

- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-September 2014, there were 159 licensed banks, 20 restricted licence banks and 23 deposit-taking companies in Hong Kong. Altogether, 202 AIs (excluding representative offices) from 31 countries and territories (including Hong Kong) had a presence in Hong Kong.
- (6) Basel III was introduced by the Basel Committee in December 2010 (and subsequently revised in June 2011) to strengthen the resilience of banks and banking systems in the light of lessons drawn from the global financial crisis. It tightens the definition of regulatory capital and increases the minimum common equity requirement from 2% to 4.5% of risk-weighted assets and the Tier 1 capital from 4% to 6% (with the total capital ratio remaining at 8%); requires banks to hold a Capital Conservation Buffer of 2.5% during good times and a Countercyclical Capital Buffer in the range of 0% to 2.5% (or higher at national discretion) at times of excessive credit growth, both to be met by common equity. It introduces a supplementary leverage ratio as a backstop to risk-weighted capital measures and enhances the transparency of the capital base. In addition, Basel III introduces two liquidity standards i.e. the Liquidity Coverage Ratio (LCR) to promote short term liquidity resilience and the Net Stable Funding Ratio (NSFR) to encourage more stable funding structures. The LCR is scheduled to take effect from 1 January 2015, starting with a minimum required level of 60% which is to be stepped up by 10 percentage points annually until achieving 100% by 1 January 2019. The NSFR is scheduled to take effect from 1 January 2018. The revision to the standard is expected to be finalised in October 2014. The first phase of Basel III standards, which covers revised minimum capital requirements calculated based on a stricter definition of capital base and a wider risk coverage, took effect in Hong Kong with the amendments to the Banking (Capital) Rules (by way of the Banking (Capital) (Amendment) Rules 2012) coming into operation since 1 January 2013. To implement the Basel Committee's disclosure requirements associated with these standards, amendments were introduced in the Banking (Disclosure) Rules (by way of the Banking (Disclosure) (Amendment) Rules 2013) which took effect from 30 June 2013.
- (7) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (8) Assets of the banking sector include notes and coins, amount due from AIs in Hong Kong as well as from banks abroad, loans and advances to customers, negotiable certificates of deposit (NCDs) held, negotiable debt instruments other than NCDs held, and other assets. Certificates of indebtedness issued by Exchange Fund and the counterpart bank notes issued are nevertheless excluded.
- (9) The ranking is made by the World Federation of Exchanges, a global trade association for the securities exchange industry. Its membership comprises 64 securities exchanges, covering almost all globally recognised stock exchanges.
- (10) At end-September 2014, there were 77 classes of stock options contracts and 41 classes of stock futures contracts.

- (11) At end-September 2014, there were 1 521 and 200 companies listed on the Main Board and GEM respectively.
- (12) For details, see 4.25 and footnote (13) of chapter 4 in the First Quarter Economic Report 2014.
- (13) At end-September 2014, there were 19 approved trustees. On MPF products, 36 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 471 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 272 000 employers, 2.50 million employees and 210 000 self-employed persons have participated in MPF schemes.
- (14) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association on their members, and cover only the active authorised funds that have responded to the survey. At end-August 2014, the survey covered a total of 1 191 active authorised funds.
- (15) At end-September 2014, there were three SFC-authorised retail hedge funds with combined net asset size of US\$190 million. The amount of net assets under management dropped by 22.4% from the end-June level, and represented an increase of 1.1 times of that at end-2002, the year when the hedge funds guidelines were first issued.
- (16) At end-September 2014, there were 156 authorised insurers in Hong Kong. Within this total, 44 were engaged in long-term insurance business, 93 in general insurance business, and 19 in composite insurance business. These authorised insurers came from 23 countries and territories (including Hong Kong).

## CHAPTER 5 : THE LABOUR SECTOR

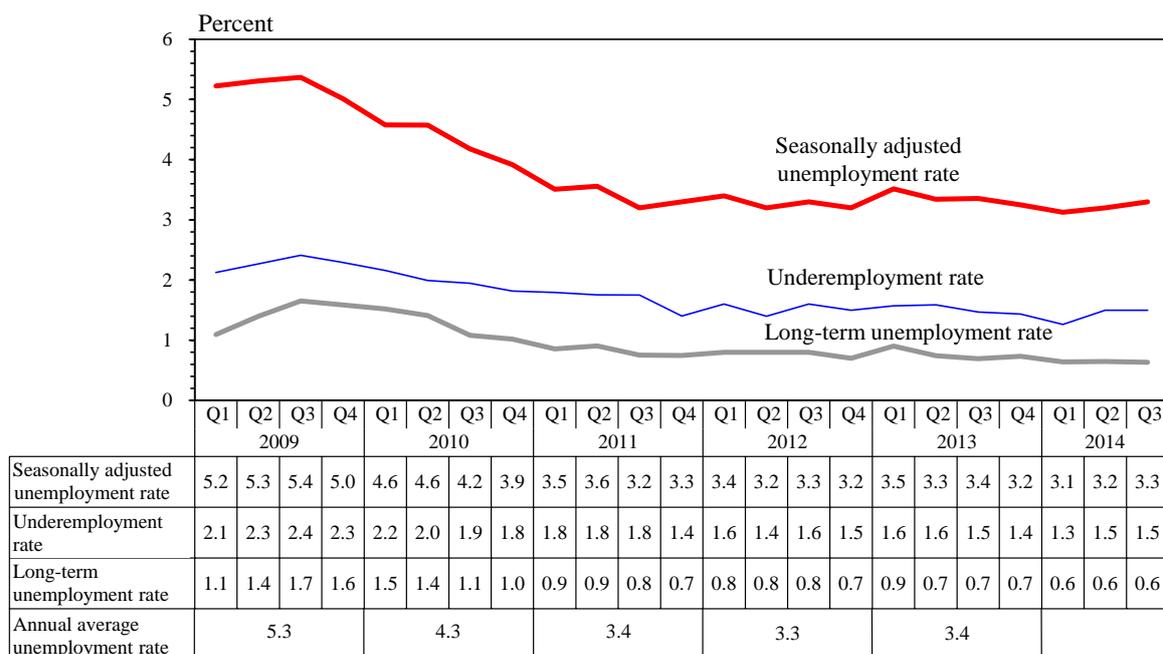
### *Summary*

- *The labour market remained generally stable in the third quarter of 2014, marked by low unemployment and high vacancies. However, the figures up to September 2014 had not yet reflected the disturbances caused by the “Occupy Movement” to local business activities in the more recent period.*
- *Total employment posted moderate year-on-year growth in the third quarter, matched by a broadly similar growth pace in labour force.*
- *The seasonally adjusted unemployment rate, though edging up further by 0.1 percentage point over the preceding quarter, remained at a relatively low level of 3.3% in the third quarter.*
- *Both nominal wages and earnings sustained broad-based and solid growth up till the second quarter on the back of a still tight manpower resource balance. More recent data showed that earnings of grassroots workers stayed on the rise.*

### **Overall labour market situation<sup>(1)</sup>**

5.1 The labour market held generally stable in the third quarter of 2014. As overall labour demand in the corporate sector remained sturdy, total employment kept growing broadly on par with the increase in labour supply, resulting in largely steady unemployment situation. After discounting seasonal factors, the seasonally adjusted *unemployment rate*<sup>(2)</sup> went up marginally by 0.1 percentage point to 3.3% in the third quarter, still a relatively low level. The underemployment situation likewise remained stable, with the *underemployment rate*<sup>(3)</sup> holding unchanged at 1.5%. On the back of the still largely tight manpower situation in many economic sectors and across different occupations, wages and earnings sustained solid and broad-based growth up to the second quarter. Nevertheless, the figures up to September 2014 had not yet reflected the disturbances caused by the “Occupy Movement” to many industries including retail, catering, inbound tourism, and transportation in the more recent period.

**Diagram 5.1 : The labour market held largely stable in the third quarter of 2014**



## Labour force and total employment

5.2 The *labour force*<sup>(4)</sup> picked up to a 1.2% year-on-year growth, reaching 3 918 600 in the third quarter of 2014, following a meagre growth of only 0.2% in the preceding quarter. This was attributable to a higher labour force participation rate at 61.6% and a sustained modest year-on-year growth in the working-age population (i.e. land-based non-institutional population aged 15 and above). Compared with the preceding quarter, the labour force increased by 46 300, thanks in part to the seasonal entry of fresh graduates and school leavers into the labour market, as manifested by a more visible rise in the labour force participation rate of persons aged 15 – 24 (up 3.9 percentage points to 41.1%). On a seasonally adjusted quarter-to-quarter comparison, the labour force grew further by 1.2% in the third quarter.

5.3 On the demand side, *total employment*<sup>(5)</sup> likewise recorded faster growth at 1.3% in the third quarter over a year earlier to 3 785 700. Apart from the still sturdy manpower demand in the corporate sector, the pick-up in the previously stagnant labour supply should have also contributed to the faster growth in total employment vis-à-vis the preceding quarter, as evidenced by the concurrent increases in both labour force and employment across many economic sectors.

**Table 5.1 : The labour force, and persons employed, unemployed and underemployed**

		<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed<sup>(a)</sup></u>	<u>Persons underemployed</u>
2013	Annual	3 858 800 (1.9)	3 728 000 (1.8)	130 800	58 200
	Q1	3 838 000 (2.0)	3 704 000 (1.8)	134 000	60 300
	Q2	3 863 100 (2.1)	3 729 900 (2.0)	133 300	61 300
	Q3	3 871 500 (2.4)	3 737 200 (2.4)	134 300	56 800
	Q4	3 865 600 (1.9)	3 747 000 (1.9)	118 700	55 500
2014	Q1	3 833 900 (-0.1)	3 714 800 (0.3)	119 100	48 400
	Q2	3 872 300 (0.2)	3 744 700 (0.4)	127 600	58 000
Three months ending					
2014	Jul	3 904 400 (0.9)	3 771 100 (1.0)	133 300	57 900
	Aug	3 926 400 (1.3)	3 790 000 (1.3)	136 400	54 600
	Sep	3 918 600 (1.2)	3 785 700 (1.3)	132 900	57 000
		<1.2>	<1.2>		

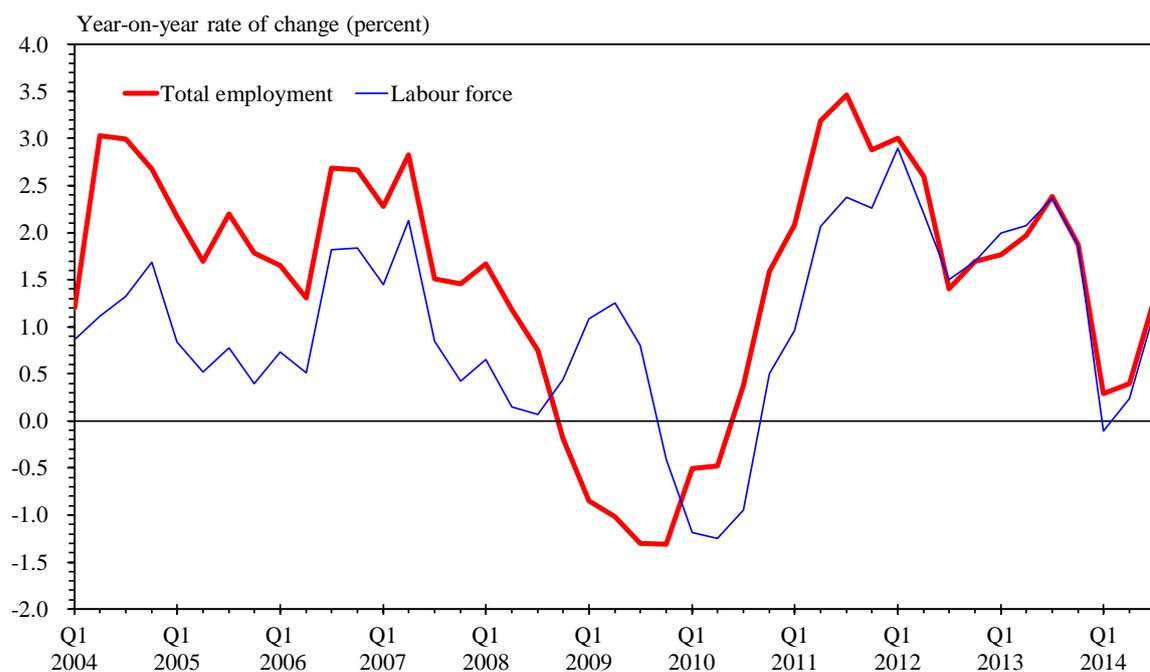
Notes : (a) These include first-time job-seekers and re-entrants into the labour force.

( ) % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change for the third quarter of 2014.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : Both total employment and labour force resumed moderate year-on-year growth in the third quarter of 2014**



**Table 5.2 : Labour force participation rates by gender and by age group  
(%)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 Q1</u>	<u>2014 Q2</u>	<u>2014 Q3</u>
<u>Male</u>								
15-24	38.1	35.4	35.7	36.4	37.8	36.2	37.0	40.0
<i>of which:</i>								
15-19	12.5	10.2	9.9	10.5	11.0	9.9	10.6	13.3
20-24	64.1	60.6	61.1	61.1	62.5	60.3	60.8	64.2
25-29	94.7	94.0	93.9	94.5	93.8	91.6	93.6	93.5
30-39	96.4	96.5	96.5	96.8	96.9	96.5	96.2	96.8
40-49	95.1	95.0	95.1	95.3	95.5	94.4	94.6	94.3
50-59	84.3	84.4	84.9	85.1	86.8	85.6	86.8	86.8
≥ 60	21.3	22.0	23.4	25.6	26.9	27.0	27.3	28.6
Overall	69.4	68.5	68.4	68.7	69.1	68.1	68.6	69.3
<u>Female</u>								
15-24	40.3	36.7	37.0	37.5	40.0	37.6	37.4	42.1
<i>of which:</i>								
15-19	11.3	9.2	9.1	9.7	11.5	11.2	12.4	15.4
20-24	66.0	61.4	62.1	62.0	64.2	60.0	59.0	64.6
25-29	87.0	86.6	87.5	87.2	86.6	85.4	86.1	86.9
30-39	77.3	75.6	76.8	77.5	78.5	79.3	80.0	79.5
40-49	68.8	68.2	69.9	70.8	72.8	73.1	72.6	72.8
50-59	48.9	49.0	51.6	53.8	56.1	55.9	56.8	57.0
≥ 60	6.6	6.8	8.1	8.8	9.6	10.0	10.6	11.1
Overall	53.2	51.9	53.0	53.6	54.5	54.2	54.4	55.1
<u>Both genders combined</u>								
15-24	39.2	36.0	36.4	37.0	38.9	36.9	37.2	41.1
<i>of which:</i>								
15-19	11.9	9.7	9.5	10.1	11.2	10.5	11.5	14.3
20-24	65.1	61.0	61.6	61.6	63.4	60.2	59.9	64.4
25-29	90.3	89.8	90.2	90.3	89.7	88.1	89.4	89.8
30-39	85.3	84.3	84.9	85.4	85.9	86.3	86.5	86.4
40-49	80.8	80.2	81.0	81.4	82.5	82.2	82.0	81.9
50-59	66.5	66.5	68.0	69.2	71.0	70.2	71.2	71.4
≥ 60	13.7	14.1	15.5	16.9	17.9	18.1	18.6	19.5
Overall	60.8	59.6	60.1	60.5	61.2	60.5	60.9	61.6

Source : General Household Survey, Census and Statistics Department.

## Profile of unemployment

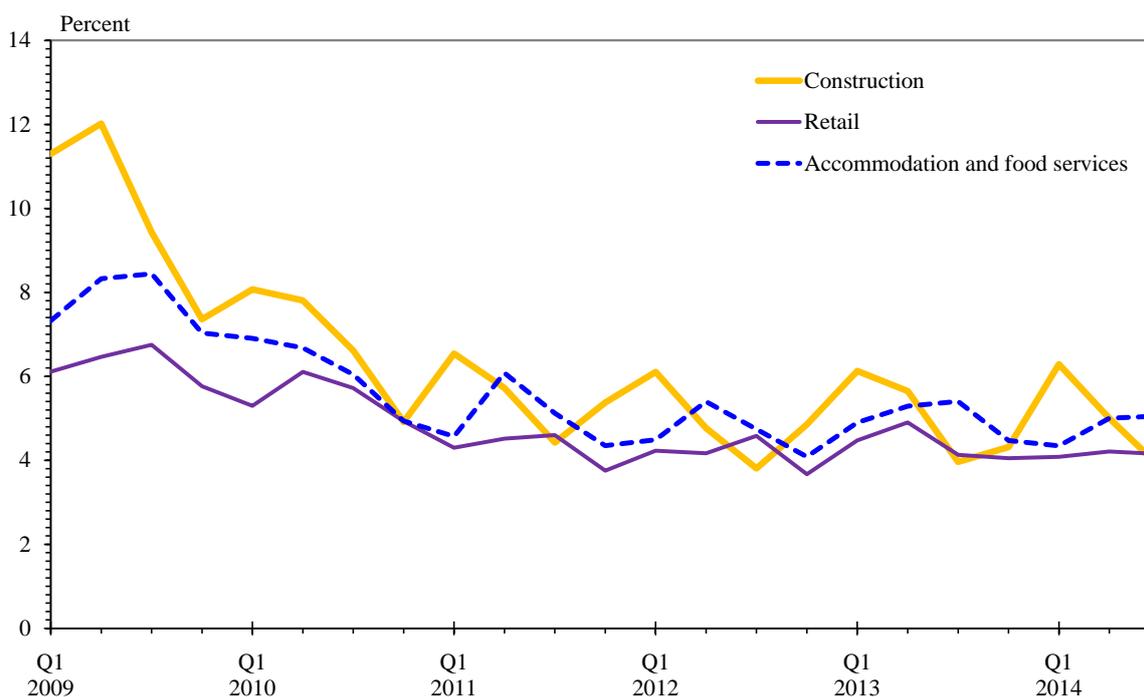
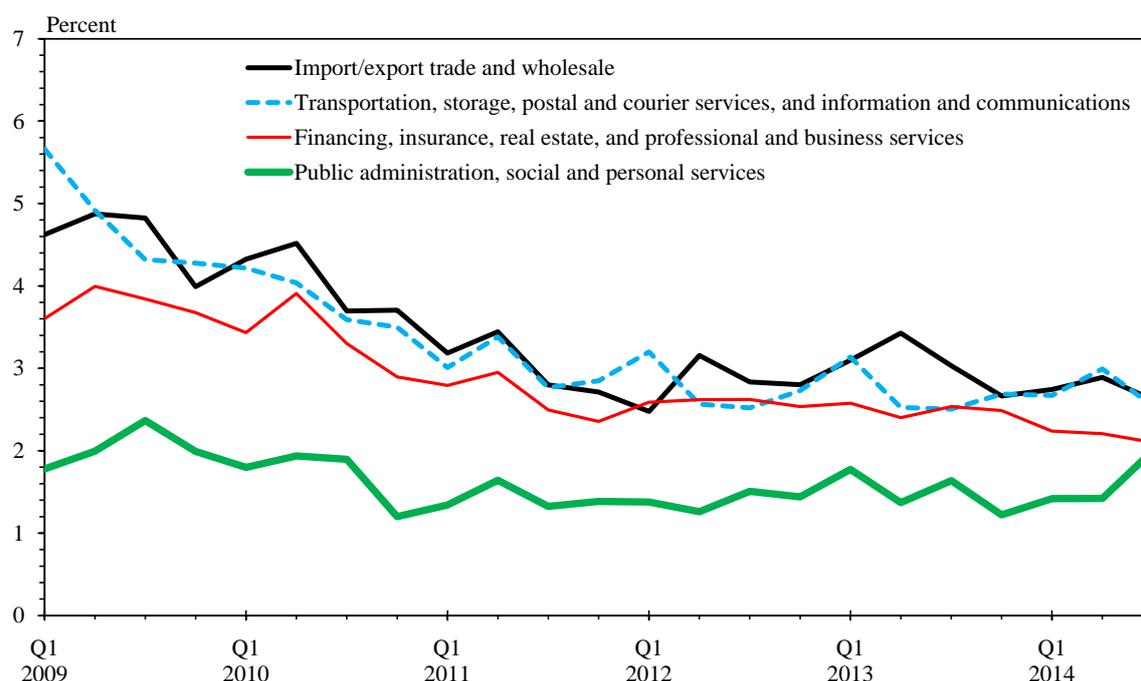
5.4 The number of unemployed persons (not seasonally adjusted) rose by 5 300 over the preceding quarter to 132 900 in the third quarter of 2014. After discounting seasonal factors, the seasonally adjusted unemployment rate went up slightly further by 0.1 percentage point to 3.3%. The small yet successive rises in the seasonally adjusted unemployment rate in the second and third quarters pointed to some slight easing in the labour market over the period. Nonetheless, the latest unemployment rate still stayed at a relatively low level, indicating a largely tight labour market up till the third quarter.

5.5 The unemployment rates (not seasonally adjusted) of most major economic sectors remained at relatively low levels in the third quarter of 2014. On a year-on-year comparison to net out seasonal influences, the unemployment rates of tourism and consumption-related sectors stayed broadly stable, with those of the accommodation and food services, and retail sectors declining by 0.3 percentage point and holding steady respectively. As for the construction sector, its unemployment rate edged down by 0.1 percentage point over the same period. For the *low paying sectors*<sup>(6)</sup> as a whole, the unemployment rate remained unchanged at 3.2%, broadly similar to the corresponding rates immediately before the implementation of the Statutory Minimum Wage (SMW) in May 2011 and the upward adjustment of SMW rate in May 2013.

5.6 Analysed by skill segment, the unemployment rates for both higher-skilled and lower-skilled workers, at 1.7% and 3.5% respectively in the third quarter, were little changed from both a year earlier and the preceding quarter. As for individual occupational categories, more visible decreases in unemployment rate were seen for plant and machine operators and assemblers, and associate professionals both year-on-year and quarter-to-quarter. In contrast, service and sales workers witnessed a relatively noticeable increase in unemployment rate.

5.7 In terms of other socio-economic attributes, the unemployment situation of many educational attainment and age groups either held steady or improved somewhat on a year-on-year basis in the third quarter of 2014, with the exception of persons aged 30 – 39, and 60 and above, and those with lower secondary education only. Nonetheless, the unemployment rates of those aged 30 – 39, and 60 and above remained well below 3%. As for persons with lower secondary education only, a notable job gain was seen despite the year-on-year increase in unemployment rate, suggesting that abundant employment opportunities remained available for the lesser educated group.

**Diagram 5.3 : Unemployment rates remained relatively low in major economic sectors**



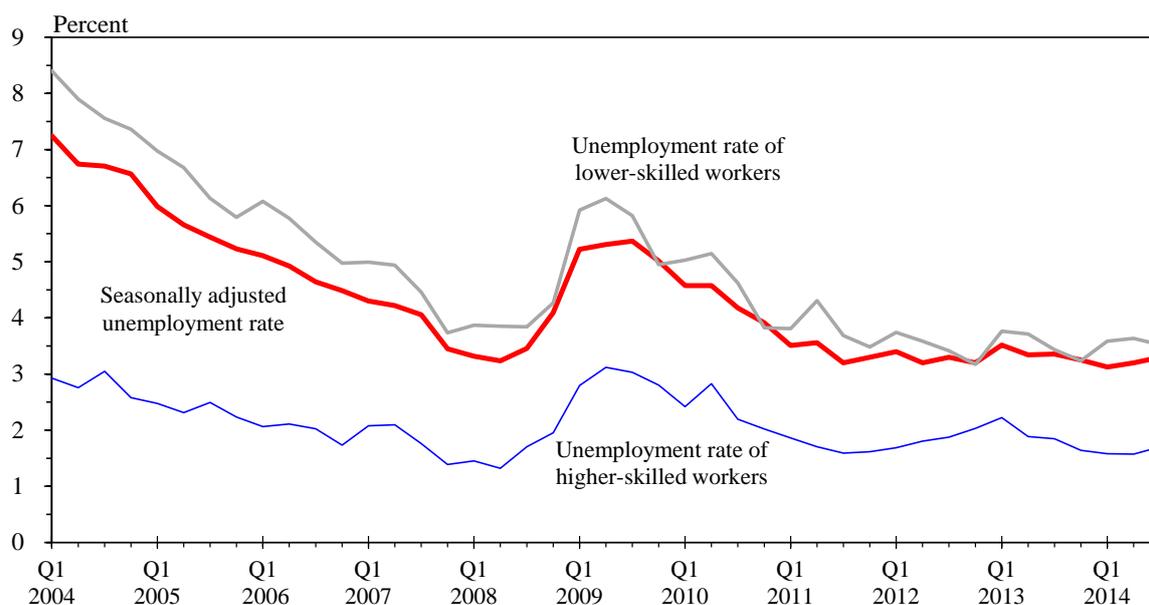
**Table 5.3 : Unemployment rates by major economic sector**

	<u>2013</u>				<u>2014</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Import/export trade and wholesale	3.1	3.4	3.0	2.7	2.7	2.9	2.6
Retail	4.5	4.9	4.1	4.1	4.1	4.2	4.1
Accommodation and food services	4.9	5.3	5.4	4.5	4.3	5.0	5.1
Transportation, storage, postal and courier services	3.1	2.4	2.2	2.8	2.9	3.2	2.4
Information and communications	3.2	2.9	3.4	2.5	2.0	2.3	2.9
Financing and insurance	2.8	2.4	2.7	2.3	1.5	1.5	1.8
Real estate	2.4	1.8	2.4	2.5	2.8	3.0	2.0
Professional and business services	2.5	2.6	2.4	2.6	2.5	2.3	2.4
Public administration, social and personal services	1.8	1.4	1.6	1.2	1.4	1.4	2.0
Manufacturing	3.7	3.3	2.8	2.4	3.3	3.7	3.2
Construction	6.1	5.6	4.0	4.3	6.3	5.0	3.9
Overall	3.5 (3.5)	3.4 (3.3)	3.5 (3.4)	3.1 (3.2)	3.1 (3.1)	3.3 (3.2)	3.4 (3.3)

Note : ( ) Seasonally adjusted unemployment figures.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.4 : Unemployment rates of higher-skilled and lower-skilled workers were little changed from a year ago and the preceding quarter in the third quarter of 2014**



**Table 5.4 : Unemployment rates\* by skill segment**

	<u>2013</u>				<u>2014</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<u>Higher-skilled segment</u>	2.2	1.9	1.8	1.6	1.6	1.6	1.7
Managers and administrators	1.9	1.7	1.3	1.5	1.5	0.8	1.1
Professionals	1.9	1.5	1.4	1.4	1.1	0.9	1.7
Associate professionals	2.5	2.2	2.3	1.8	1.8	2.2	1.9
<u>Lower-skilled segment<sup>^</sup></u>	3.8	3.7	3.4	3.2	3.6	3.6	3.5
Clerical support workers	3.1	2.9	3.5	2.9	2.7	3.3	3.2
Service and sales workers	4.5	4.5	4.3	4.0	4.1	4.3	4.7
Craft and related workers	5.7	5.4	3.6	4.4	5.9	4.1	3.8
Plant and machine operators and assemblers	1.8	1.8	2.1	2.2	2.6	1.9	1.4
Elementary occupations	3.4	3.4	3.0	2.7	3.2	3.6	3.0

Notes : \* Not seasonally adjusted, and not including first-time job-seekers and re-entrants into the labour force.

<sup>^</sup> Including other occupations.

Source : General Household Survey, Census and Statistics Department.

**Table 5.5 : Unemployment rates\* by age and educational attainment**

	<u>2013</u>				<u>2014</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<u>Age</u>							
15-24	8.2	9.8	11.3	8.8	7.5	9.1	11.3
<i>of which:</i>							
15-19	13.5	18.7	15.2	11.6	10.0	14.6	12.2
20-24	7.4	8.4	10.6	8.3	7.1	8.2	11.1
25-29	3.2	3.6	3.9	3.7	3.1	3.5	3.7
30-39	2.4	2.5	2.3	1.8	2.2	2.1	2.4
40-49	3.4	2.7	2.6	2.7	2.7	2.9	2.5
50-59	3.6	3.1	2.8	2.8	3.1	3.0	2.6
≥ 60	2.3	2.5	2.1	1.9	2.9	2.8	2.6
<u>Educational attainment</u>							
Primary education and below	4.2	4.2	3.2	3.3	3.7	3.6	2.9
Lower secondary education	5.2	4.7	3.6	3.9	4.2	4.8	3.9
Upper secondary education <sup>^</sup>	3.2	3.2	3.4	3.1	3.2	3.2	3.3
Post-secondary education	2.9	3.0	3.6	2.7	2.4	2.7	3.5

Notes : \* Not seasonally adjusted, but including first-time job-seekers and re-entrants into the labour force.

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 Other indicators measuring the intensity of unemployment remained largely favourable. The long-term unemployment rate (i.e. the number of persons unemployed for six months or longer as a percentage of the labour force) stayed at a low level of 0.6%, while the median duration of unemployment went down to 58 days in the third quarter of 2014 from 60 days a year earlier. As regards the reasons of unemployment, the share of dismissal or lay-offs among the unemployed (excluding first-time job seekers and re-entrants into the labour force) was 45.4%, up slightly by 0.7 percentage point from the year-ago level.

## **Profile of underemployment**

5.9 The underemployment situation remained stable in the third quarter of 2014. The underemployment rate stayed at 1.5%, whereas the number of underemployed persons went down slightly by 1 000 to 57 000. The construction and transportation sectors, which together already accounted for almost half of all the underemployed persons, both saw declines in underemployment rate between the second and third quarters of 2014. The improved underemployment situation in the construction sector was mainly led by the notable decrease in underemployment in the decoration, repair and maintenance for buildings segment. On the other hand, the underemployment rates of the retail, and food and beverage service activities sectors, which also had a relatively large number of underemployed persons, edged up over the same period. In terms of occupation category, a more visible decline in underemployment rate was observed for craft and related workers, while increases were seen among service and sales workers, and workers engaged in elementary occupations.

## Box 5.1

### Labour force participation and educational attainment in Hong Kong

Labour force participation at the macro level, typically expressed in terms of labour force participation rate (LFPR), is determined by a nexus of social and policy factors (e.g. cultural perception and work arrangement practices) on the one hand, and economic and structural factors (e.g. labour market conditions and demographic composition) on the other. In particular, educational attainment is often regarded as a key economic factor determining LFPR. It comes into the decision to work in two ways. First, higher educational attainment is often associated with higher wages, which in turn suggests that the opportunity cost of not working is higher for the more educated ones. Second, those who have received more education tend to be more versatile and adaptable to changes in the labour market, essentially meaning a higher chance of getting employed. They are thus less prone to long term unemployment or to become discouraged workers. A detailed analysis of LFPR<sup>(1)</sup> of those aged 25 – 64 over the last two decades, who accounted for almost 90% of our labour force in 2013, indeed demonstrated that educational attainment plays an important role in determining Hong Kong's labour force participation.

#### More educated, more willing to work?

*Charts 1(a) and (b)* show the LFPR of persons aged 25 – 54 (“prime working age persons”) and those aged 55 – 64 by gender and educational attainment respectively from 1993 to 2013. In general, in terms of level, more educated persons had higher LFPR. Regardless of age and gender, persons with post-secondary education had the highest LFPR among the three educational attainment groups.

In terms of trend, the LFPR of men in prime working age saw a slight secular downtrend<sup>(2)</sup>, more noticeably among those with lower secondary or below education (down by 5 percentage points over twenty years). As for men aged 55 – 64, the LFPR across all educational attainment groups showed decreasing trends in the 1990s but started to increase again upon entering the new millennium. The pick-up in LFPR for those with lower secondary or below education was more apparent. Meanwhile, the LFPR of women with lower secondary or below education also saw visible increases, up by 14.0 and 16.5 percentage points for those aged 25 – 54 and 55 – 64 respectively from 1993 to 2013.

One should also note the gaps in LFPR across educational attainment levels. The gaps in LFPR were notably wider among prime working age women with different educational attainment vis-à-vis their male counterparts. Among women aged 25 – 54, LFPR of those with post-secondary education was 13.3 and 28.5 percentage points higher than that of those with upper secondary education only and with lower secondary or below education respectively in 2013; while the corresponding gaps in LFPR were less than 5 percentage points for men in the same age group. Similar variations were also observed for persons aged 55 – 64, yet such gender difference was less pronounced.

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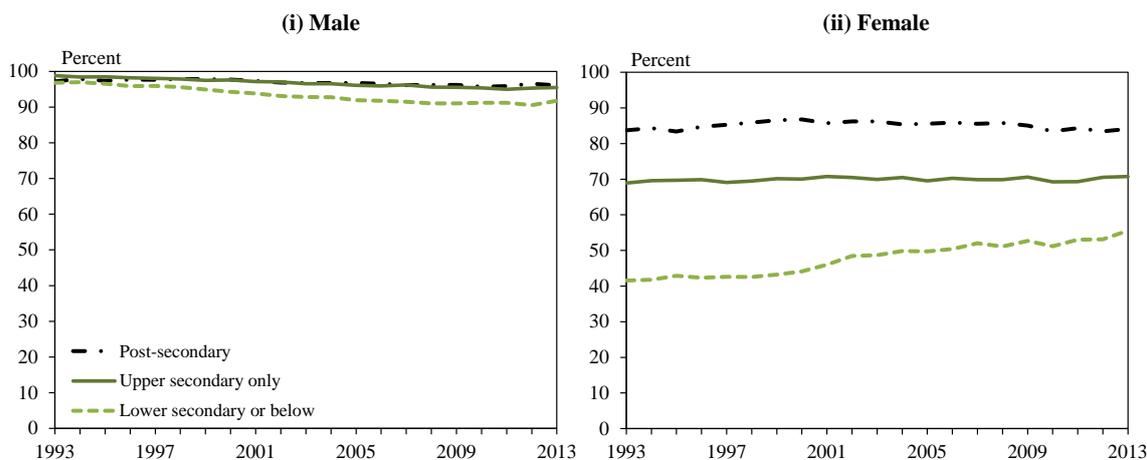
(1) In this article, LFPR figures come from the General Household Survey (GHS) of the Census and Statistics Department (C&SD). In GHS, LFPR is calculated as the proportion of labour force in total land-based non-institutional population aged 15 and over. All statistics exclude foreign domestic helpers.

(2) Some studies suggested that the LFPR of men, albeit not necessarily limited to those with less schooling, showed secular downtrend over a long period of time due to the combined effects of substitution from female workforce, development of services sectors that skewed towards female employment, fall in physically demanding jobs and the increased prevalence of male homemakers etc. While it may be interesting to investigate whether these factors are applicable to the case of Hong Kong, it is beyond the scope of this article and left for future research.

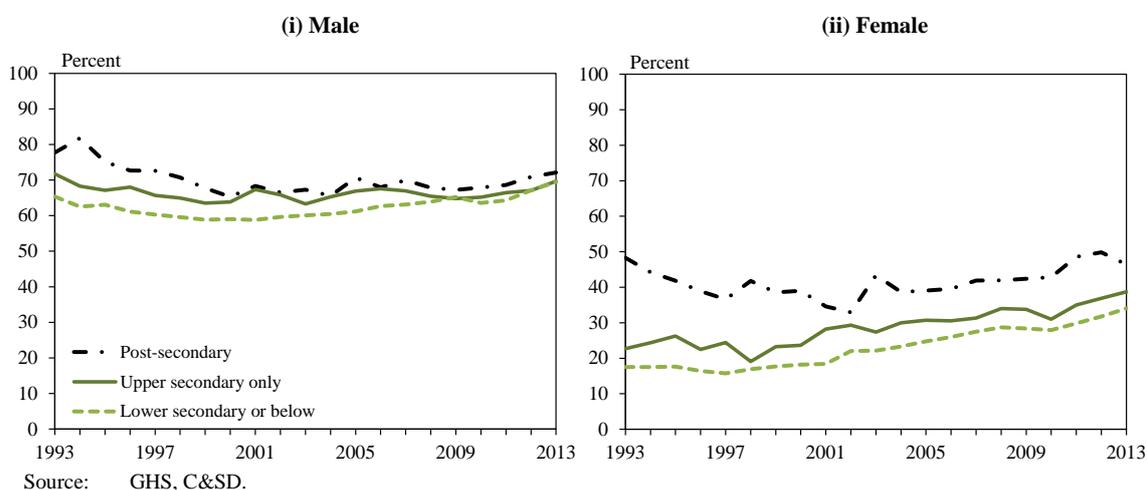
**Box 5.1 (Cont'd)**

**Chart 1: Labour force participation rates by gender and educational attainment**

**(a) Persons aged 25 – 54**



**(b) Persons aged 55 – 64**



Intuitively, these observations suggest that the impact of educational attainment on LFPR is considerably greater for women than for men, especially for those in their prime working age. Indeed, traditionally perceived as breadwinners, men usually have higher LFPR (at above 90% for those in their prime working age), which hinges to a lesser extent on their educational attainment levels. In contrast, female labour supply is often more elastic, particularly for those married women in their prime working age who may wish to shoulder greater household responsibilities (e.g. taking care of their children) and choose to be homemakers<sup>(3)</sup>.

(3) Please see Box 5.1 in the Half-yearly Economic Report 2014 for a related discussion.

## Box 5.1 (Cont'd)

### **With other determinants interplayed, does educational attainment still matter?**

Conceivably, apart from educational attainment, there could be some other factors in place that determine labour force participation. To analyse the effect of educational attainment on LFPR upon controlling for the effects of time trend and other possible socio-economic changes, regressions<sup>(4)</sup> of annual LFPR figures spanning from 1993 to 2013 on educational attainment level were performed separately for different age-gender cohorts.

The regression results presented in *Table 1* show that, similar to the observations above, more educated groups had higher LFPR in general, except for men in prime working age whose educational attainment was shown to have no direct statistically significant effect on LFPR (*regression [i]*). Besides, among prime working age women, the gaps in LFPR across different educational attainment groups were larger for those ever-married than for those never-married (*regression [ii]*), indicating that marital status had a significant bearing on women's decision to work.

The direct impact of educational attainment on LFPR was also quite significant for those aged 55 – 64. To illustrate, LFPR of women with lower secondary or below education and with upper secondary education only were, on average, 18.6 and 17.7 percentage points less than that of women with post-secondary education from the same age group in 1993, holding other factors constant (*regression [iv]*). The corresponding differences in LFPR for their male counterparts, albeit slightly smaller, were 10.9 and 9.8 percentage points respectively (*regression [iii]*). On the other hand, as for persons with lower secondary or below education, a noteworthy point is that the implementation of Statutory Minimum Wage (SMW) in 2011 might have a boosting effect on their LFPR, more specifically for women aged 45 – 54 and 60 – 64, and men aged 55 – 64.

### **Concluding remarks**

The above analysis suggests that since more educated persons tend to have higher LFPR, a generally more educated population could help boost the overall LFPR and mitigate the dampening impact of ageing population on labour force participation. Indeed, the percentage of persons aged 25 – 54 attaining post-secondary education went up significantly over the past two decades, from 14.0% in 1993 to 36.9% in 2013, likewise for those aged 55 – 64 (up from 5.8% to 12.5% over the same period). Undoubtedly, this percentage is expected to rise even further down the road in view of the increased availability of education and training opportunities for the prevailing prime working age population and youngsters vis-à-vis our older generations. With Hong Kong's labour force projected to start a secular decline from 2018 amid an ageing population, continuous upgrading our workforce in terms of investment in education and training will not only have significant impact on our workforce from the "quality" angle; from the "quantity" angle, it would also help to entice individuals to stay economically active. Challenges remain ahead, however. Issues like how to effectively tap into the skills and knowledge of the older workers to meet the changing needs of the Hong Kong economy without jeopardising the career progression opportunities for the younger generation still call for considerable efforts from the whole community.

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(4) Linear regression models were constructed with reference to the methodology adopted in projecting economically active population in other economies. See International Labour Organization (2011), "Projections of Economically Active Population – A Review of National and International Methodologies" for details. However, for more precise estimation, logistic regression may be considered in future research, as the normality assumption of linear regression may be violated if the LFPR is close 100%, as in the case for men aged 25 – 54.

**Box 5.1 (Cont'd)**

**Table 1: Regression analysis results of LFPR**

**(a) Persons aged 25 – 54**

Dependent variable: annual LFPR by age, gender, marital status (for female only) and educational attainment	[i]		[ii]	
	Male		Female	
	coefficient	s.e.	coefficient	s.e.
Intercept	97.87 **	(0.31)	97.09 **	(1.40)
Ever-married <sup>#</sup>	—		-19.05 **	(1.87)
Lower secondary or below <sup>^</sup>	0.05	(0.39)	-5.55 **	(1.88)
Upper secondary only <sup>^</sup>	0.51	(0.39)	-0.61	(1.87)
Lower secondary or below <sup>^</sup> * ever-married <sup>#</sup>	—		-35.33 **	(2.65)
Upper secondary only <sup>^</sup> * ever-married <sup>#</sup>	—		-20.30 **	(2.65)
Log(trend) (1993 = 1)	-0.66 **	(0.12)	-0.50	(0.57)
Log(trend) * lower secondary or below <sup>^</sup>	-1.42 **	(0.17)	-3.34 **	(0.82)
Log(trend) * upper secondary only <sup>^</sup>	-0.34 **	(0.17)	-0.67	(0.81)
Log(trend) * ever-married <sup>#</sup>	—		1.20	(0.81)
Log(trend) * lower secondary or below <sup>^</sup> * ever-married <sup>#</sup>	—		6.00 **	(1.15)
Log(trend) * upper secondary only <sup>^</sup> * ever-married <sup>#</sup>	—		2.76 **	(1.15)
SMW dummy * lower secondary or below * aged 40 – 44	-0.18	(0.65)	3.88	(2.21)
SMW dummy * lower secondary or below * aged 45 – 49	0.10	(0.65)	6.52 **	(2.21)
SMW dummy * lower secondary or below * aged 50 – 54	0.88	(0.65)	9.02 **	(2.21)
Real wage growth ( <i>lagged one year</i> )	0.08 **	(0.04)	0.10	(0.12)
Age dummies <sup>@</sup>	Included		Included	
Adjusted R-square	85.5%		92.8%	
Number of observations	378		756	

**(b) Persons aged 55 – 64**

Dependent variable: annual LFPR by age, gender, marital status (for female only) and educational attainment	[iii]		[iv]	
	Male		Female	
	coefficient	s.e.	coefficient	s.e.
Intercept	89.46 **	(1.24)	68.63 **	(2.90)
Ever-married <sup>#</sup>	—		-18.81 **	(1.10)
Lower secondary or below <sup>^</sup>	-10.86 **	(1.72)	-18.56 **	(3.97)
Upper secondary only <sup>^</sup>	-9.76 **	(1.69)	-17.68 **	(3.89)
Log(trend) (1993 = 1)	-3.56 **	(0.52)	-1.06	(1.19)
Log(trend) * lower secondary or below <sup>^</sup>	1.84 **	(0.77)	2.90	(1.78)
Log(trend) * upper secondary only <sup>^</sup>	2.65 **	(0.73)	3.13	(1.69)
SMW dummy * lower secondary or below * aged 55 – 59	5.40 **	(1.73)	4.43	(3.97)
SMW dummy * lower secondary or below * aged 60 – 64	8.23 **	(1.73)	8.02 **	(3.97)
Real wage growth ( <i>lagged one year</i> )	0.10	(0.16)	0.13	(0.37)
Age dummies <sup>@</sup>	Included		Included	
Adjusted R-square	96.7%		77.8%	
Number of observations	126		252	

Notes: \*\* denotes statistical significance at 5% significance level.

# denotes a dummy variable for marital status which takes a value of one for ever-married and zero otherwise.

<sup>^</sup> denotes a set of dummy variables for educational attainment level, with one dummy variable taking a value of one for lower secondary or below education and zero otherwise; and another taking a value of one for upper secondary education only and zero otherwise.

@ A set of dummy variables for age groups: 30 – 34, 35 – 39, ..., 50 – 54 for regressions [i] and [ii]; and 60 – 64 for regressions [iii] and [iv] was incorporated.

Regression models were estimated using ordinary least squares. Dummy variables and their interactions controlling for marital status (ever-married versus never-married), educational attainment level (lower secondary or below, upper secondary only, and post-secondary), age groups, and the implementation of SMW (pre-2011 versus post-2011) were included in the models where appropriate, depending on the models' goodness of fit.

## **Profile of employment in establishments**

5.10 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available up to June 2014 only. To bring the analysis more up-to-date, attempts have been made where possible by drawing reference to information from supplementary sources.

5.11 Total employment in private sector establishments sustained solid year-on-year growth at 1.9% in June 2014, reaching a record high of 2 754 200. Job gains were almost across-the-board, with more notable growth seen in some services industries, such as arts, entertainment and recreation (up 12.2% year-on-year), accommodation services (up 5.3%), human health services (up 4.2%), and education (up 4.1%). On the other hand, employment at construction sites (covering manual workers only) fell moderately year-on-year (down 3.4%), yet remained near its annual level in 2013. Meanwhile, the secular downtrend in manufacturing employment persisted (down 1.1%). Analysed by establishment size, headcounts at small and medium-sized enterprises (SMEs)<sup>(7)</sup> and large enterprises expanded by 2.0% and 1.9% over a year earlier in June 2014. Consequently, each of them contributed about the same to total employment growth. As for the civil service, employment grew steadily at 1.2% over a year earlier.

### **Vacancies**

5.12 Job vacancies in private sector establishments reverted to a modest year-on-year increase of 2.4% in June 2014 and stayed at a high level of 79 720. On a seasonally adjusted basis, the number of vacancies went up by 4.8% in June 2014 over three months earlier.

**Table 5.6 : Employment by major economic sector**

	<u>2013</u>					<u>2014</u>	
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>
Import/export trade and wholesale	554 200 (-0.4)	558 000 (0.1)	554 400 (-0.7)	551 600 (-0.7)	552 800 (-0.3)	552 900 (-0.9)	554 100 (-0.1)
Retail	265 000 (2.3)	262 700 (2.3)	264 800 (2.1)	264 800 (1.9)	267 700 (2.9)	270 000 (2.8)	271 900 (2.7)
Accommodation <sup>(a)</sup> and food services	276 400 (1.5)	275 600 (2.4)	276 200 (1.4)	275 900 (0.8)	277 800 (1.3)	281 200 (2.0)	283 200 (2.5)
Transportation, storage, postal and courier services	170 000 (2.0)	168 100 (1.5)	169 300 (1.6)	171 000 (2.5)	171 600 (2.6)	171 700 (2.1)	174 500 (3.1)
Information and communications	101 300 (5.1)	98 400 (3.3)	101 100 (5.4)	102 600 (5.2)	103 200 (6.2)	102 900 (4.6)	103 500 (2.4)
Financing, insurance, real estate, professional and business services	683 400 (2.5)	676 100 (2.1)	678 300 (2.1)	685 200 (2.6)	693 800 (3.4)	693 300 (2.5)	694 000 (2.3)
Social and personal services	462 400 (2.7)	458 600 (3.2)	461 000 (2.3)	463 800 (2.9)	466 100 (2.6)	475 600 (3.7)	480 000 (4.1)
Manufacturing	103 700 (-3.0)	104 000 (-3.7)	103 400 (-4.0)	103 900 (-2.7)	103 700 (-1.5)	103 500 (-0.5)	102 200 (-1.1)
Construction sites (manual workers only)	79 300 (11.2)	77 800 (10.1)	82 500 (15.1)	76 800 (6.3)	80 100 (13.4)	78 600 (1.0)	79 700 (-3.4)
<i>All establishments surveyed in the private sector<sup>(b)</sup></i>	2 706 400 (1.9)	2 689 700 (1.9)	2 701 600 (1.7)	2 706 500 (1.7)	2 727 900 (2.4)	2 740 700 (1.9)	2 754 200 (1.9)
		<0.9>	<0.4>	<0.3>	<0.7>	<0.5>	<0.5>
<i>Civil service<sup>(c)</sup></i>	161 400 (1.3)	160 700 (0.9)	160 900 (1.1)	161 500 (1.5)	162 400 (1.7)	162 800 (1.4)	162 800 (1.2)

Notes : Employment figures enumerated from business establishments, as obtained from the Quarterly Survey of Employment and Vacancies, are somewhat different from those enumerated from households, as obtained from the General Household Survey. This is mainly due to difference in sectoral coverage: while the former survey covers selected major sectors, the latter survey covers all sectors in the economy.

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(b) The total figures on private sector employment cover also employment in mining and quarrying; and in electricity and gas supply, and waste management, besides employment in the major sectors indicated above.

(c) These figures cover only those employed on civil service terms of appointment. Judges, judicial officers, ICAC officers, locally engaged staff working in the Hong Kong Economic and Trade Offices outside Hong Kong, and other government employees such as non-civil service contract staff are not included.

( ) % change over a year earlier.

<> Seasonally adjusted quarter-to-quarter % change.

Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.  
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

5.13 Analysed by economic sector, more appreciable vacancy gains in June 2014 were found in construction sites (covering manual workers only) (up 49.8% year-on-year), cleaning and similar services (up 45.8%), and accommodation and food services (up 21.8%). This mirrored the appreciable vacancy growth at 10.4% year-on-year in the lower-skilled segment, in particular among elementary occupations (up 29.5%). In contrast, vacancies in the higher-skilled segment declined by 15.0% over a year earlier, dragged mainly by the softened demand for managers and administrators (down 38.4%), and associate professionals (down 15.3%). In terms of establishment size, while job vacancies at large enterprises grew notably by 14.4% year-on-year in June 2014, the number of job openings offered by SMEs registered a further double-digit decline of 10.7%. As for the civil service, the number of vacancies rose by 4.2% over the same period.

5.14 Analysing the number of job openings in private sector establishments relative to that of job-seekers, the ratio of job vacancies per 100 unemployed persons was 62 in June 2014, down slightly from 65 three months ago, but still higher than the level of 58 recorded a year earlier, indicating the tightness in the labour market in that period. Compared with a year ago, the vacancy-to-unemployed ratios for the higher-skilled and lower-skilled segments were both higher, at 94 and 66 respectively, with the increase in the former attributable mainly to the tight manpower situation among professionals, for which the corresponding ratio went up from the year-ago level of 88 to 144 in June 2014. Meanwhile, manpower shortage remained apparent in social and personal services, financing and insurance, and professional and business services, with the respective ratios far exceeding 100.

5.15 The vacancy rate for private sector establishments, expressed as the percentage of job vacancies to total employment opportunities, remained at 2.8% in June 2014, the same as in March and a year ago. More notable year-on-year increases in vacancy rate were seen in accommodation and food services, and construction sites (manual workers only). On the other hand, the residential care and social work services, and arts, entertainment and recreation sectors registered more visible declines in vacancy rate from a year ago.

**Table 5.7 : Vacancies by major economic sector**

	<u>Number of vacancies</u>							Vacancy rate in <u>Jun 2014</u> (%)	
	<u>Annual Average</u>	<u>2013</u>					<u>2014</u>		
		<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>		
Import/export trade and wholesale	9 810 (15.3)	10 440 (16.7)	10 120 (10.7)	10 140 (23.1)	8 540 (10.9)	9 210 (-11.8)	8 150 (-19.4)	1.4	
Retail	8 760 (10.9)	9 400 (15.0)	8 120 (17.8)	9 190 (2.6)	8 310 (9.9)	9 680 (2.9)	8 810 (8.4)	3.1	
Accommodation <sup>(a)</sup> and food services	14 460 (20.2)	15 550 (40.9)	12 970 (5.7)	14 360 (11.0)	14 960 (26.1)	17 600 (13.2)	15 800 (21.8)	5.3	
Transportation, storage, postal and courier services	3 750 (13.9)	3 620 (13.1)	4 100 (20.3)	3 640 (2.8)	3 630 (20.4)	4 180 (15.7)	4 040 (-1.6)	2.3	
Information and communications	2 690 (13.3)	2 680 (8.2)	3 050 (28.3)	3 020 (40.2)	2 000 (-19.6)	2 570 (-4.2)	2 650 (-13.1)	2.5	
Financing, insurance, real estate, professional and business services	17 710 (10.0)	17 510 (8.2)	17 950 (8.1)	18 450 (16.6)	16 910 (7.3)	17 820 (1.8)	18 210 (1.4)	2.6	
Social and personal services	16 190 (6.7)	17 330 (6.2)	17 690 (7.3)	15 620 (5.4)	14 130 (8.2)	11 620 (-32.9)	16 600 (-6.1)	3.3	
Manufacturing	2 590 (-5.5)	2 600 (-9.1)	2 680 (-9.8)	2 700 (14.1)	2 390 (-13.9)	3 200 (23.2)	3 580 (33.7)	3.4	
Construction sites (manual workers only)	1 050 (63.1)	930 (39.6)	1 030 (74.3)	890 (73.2)	1 350 (67.9)	1 630 (75.1)	1 540 (49.8)	1.9	
<i>All establishments surveyed in the private sector<sup>(b)</sup></i>	<i>77 180 (12.1)</i>	<i>80 170 (14.6) &lt;7.1&gt;</i>	<i>77 860 (9.9) &lt;-0.4&gt;</i>	<i>78 300 (12.7) &lt;2.4&gt;</i>	<i>72 380 (11.2) &lt;1.5&gt;</i>	<i>77 790 (-3.0) &lt;-6.3&gt;</i>	<i>79 720 (2.4) &lt;4.8&gt;</i>	2.8	
<i>Civil service<sup>(c)</sup></i>	<i>6 520 (2.7)</i>	<i>6 220 (5.8)</i>	<i>6 980 (10.0)</i>	<i>6 670 (1.1)</i>	<i>6 190 (-5.5)</i>	<i>6 350 (2.0)</i>	<i>7 270 (4.2)</i>	4.3	

Notes : Vacancy rate refers to the ratio of vacancies to total employment opportunities (actual employment plus vacancies).

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(b) The total figures on private sector vacancies cover also vacancies in mining and quarrying; and in electricity and gas supply, and waste management, besides vacancies in the major sectors indicated above.

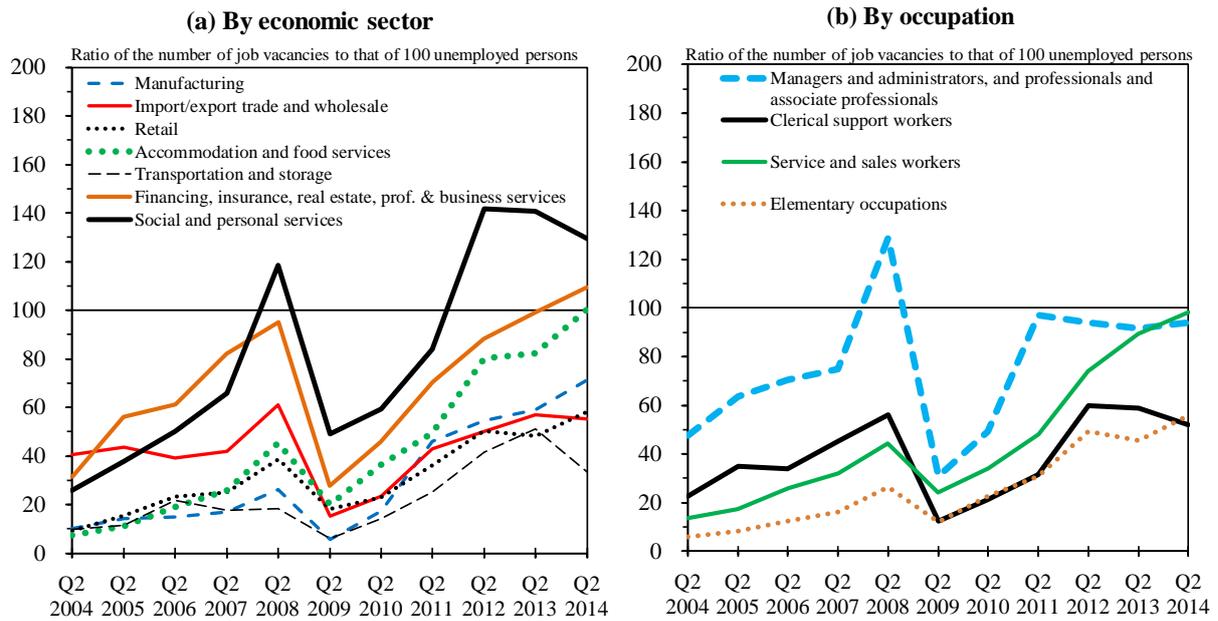
(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

( ) % change over a year earlier.

<> Seasonally adjusted quarter-to-quarter % change.

Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.  
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

**Diagram 5.5 : Manpower shortage remained apparent in some sectors and occupations**



5.16 The vacancy figures compiled by the Labour Department (LD), notwithstanding its smaller sample size, may offer some hints on the latest developments in the labour market. In the third quarter of 2014, the average number of private sector vacancies posted by LD, at a high level of 108 600, went up by 1.8% year-on-year, pointing to largely stable hiring sentiment in the corporate sector up to September 2014.

## Wages and earnings

5.17 On the back of a largely tight labour market, wages and earnings sustained solid growth in the second quarter of 2014. *Nominal Wage Index*, which measures the regular payment to employees at the supervisory level or below, rose by 4.5% in June 2014 over a year earlier, translating into a real increase of 0.7% after adjusting for inflation<sup>(8)</sup>.

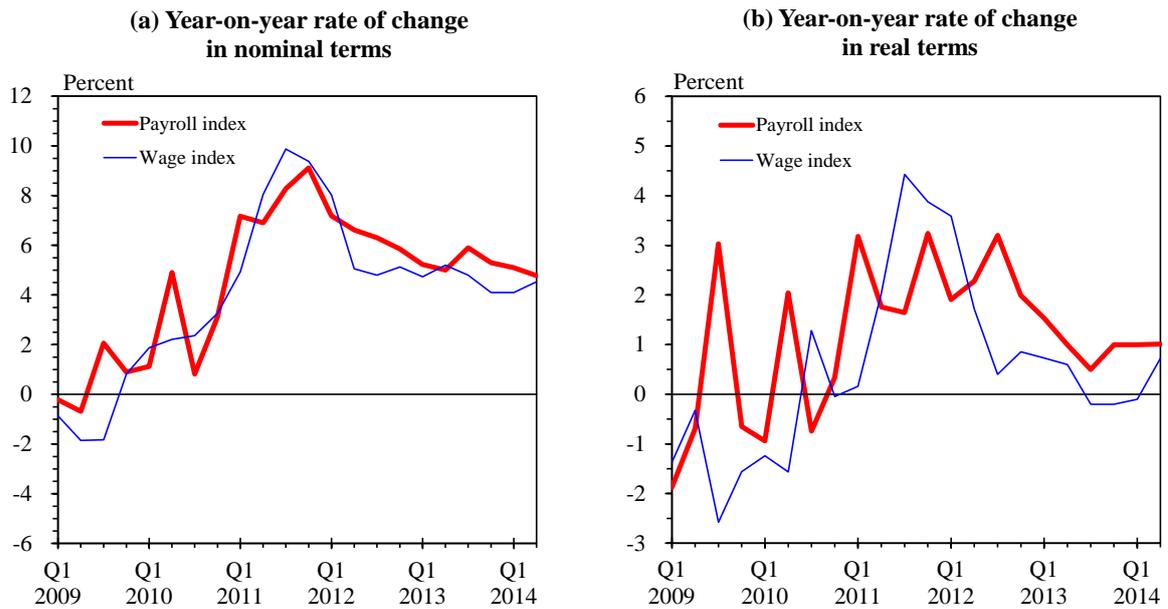
5.18 Nominal wage increments were across-the-board in June 2014, with more notable rises observed in personal services (up 7.9% year-on-year), and professional and business services (up 6.2%). Wage increases along the occupational hierarchy were broadly similar to the overall wage growth.

5.19 According to the Salary Indices for Managerial and Professional Employees, compensation among workers at the upper end also witnessed solid growth. The Salary Index covering staff remaining in the same occupation and the same company over the period rose by 5.3% in nominal terms and by 1.8% in real terms in June 2014 over a year earlier. Including the newly recruited and promoted employees, the broader-based index registered a nominal increase of 4.4%, translating into a gain of 0.9% in real terms.

5.20 *Labour earnings*<sup>(9)</sup>, as measured by payroll per person engaged in the private sector, including overtime pay, discretionary bonuses and other irregular payments, sustained an increase of 4.8% year-on-year, slightly faster than that in wages in the second quarter of 2014. After discounting inflation, there was a real improvement of 1.0%, same as that recorded in the preceding two quarters.

5.21 Rises in nominal payroll were seen across all major industry sections in the second quarter of 2014. In particular, year-on-year increases of 6.4% and 5.7% were observed in professional and business services, and real estate activities respectively.

**Diagram 5.6 : Wages and earnings sustained solid growth in nominal terms and showed real improvement in the second quarter of 2014**



5.22 More recent data from the General Household Survey, while not strictly comparable to those from the business establishment surveys, indicated that in the third quarter of 2014, the average monthly employment earnings<sup>(10)</sup> of full-time employees engaged in elementary occupations (excluding foreign domestic helpers) continued to register a solid year-on-year nominal growth of 6.8%, faster than the increase in the overall average.

## **Highlights of recent labour-related measures and policy developments**

5.23 LD regularly organises large-scale job fairs in different locations, canvassing vacancies from various industries for application by job-seekers on the spot. During January to October 2014, LD organised 17 large-scale job fairs. 522 participating organisations offered over 42 200 vacancies from the retail, catering, property management and other industries. There were also 14 training bodies joining the job fairs to introduce job training courses and receive applications on the spot. Apart from large-scale job fairs, district-based job fairs are organised at LD's Job Centres from time to time to assist job-seekers in finding employment. Recruitment activities are also staged by catering and retail employers at the two industry-based recruitment centres regularly for interviewing job-seekers on the spot. Moreover, to strengthen employment services to residents living in remote areas, LD set up a job centre in Tung Chung in October 2014 to facilitate job-seekers in the region in obtaining employment services and save their travelling expenses.

5.24 LD has enhanced its collaboration with employers and various organisations to launch pilot projects under the Youth Employment and Training Programme to provide young people with appropriate pre-employment training, workplace attachment, on-the-job training and employment support services. Targeted at different groups of young people, five pilot projects have been launched in 2014 making available about 660 training places. In addition, LD had launched a special programme, "Career GPS", lasting from May to August 2014 to help secondary school graduates find suitable work through a series of tailor-made activities, including training courses and career consultation services organised at the Youth Employment Start.

5.25 The Standard Working Hours Committee (SWHC) was appointed in April 2013 for a term of three years to foster informed and in-depth discussions in the community with a view to building consensus and identifying the way forward for a working hours policy. Up to end-October 2014, SWHC has held nine meetings. The two working groups (WGs) on "Working Hours Consultation" and "Working Hours Study" have also been carrying out their work in full swing. Specifically, a large-scale public consultation launched by SWHC since late January 2014 ended on 31 July 2014, while the main fieldwork of the dedicated working hours survey was completed in August. The two WGs are preparing their reports to SWHC by end-2014 for deliberation and formulation of its further work.

## Notes :

- (1) Labour force statistics enumerated from the General Household Survey are statistics which involve the use of the population figures in the compilation process. These statistics of the three-month periods of November 2012 – January 2013 to October – December 2013 have been revised to take into account the final end-2013 population estimates and those of November 2013 – January 2014 to April – June 2014 have been revised to incorporate the latest information.

The classification of occupation adopted by the Census and Statistics Department follows the International Standard Classification of Occupations (ISCO), which is used to classify the occupation of an employed person or the previous occupation of an unemployed person. After the implementation of the new ISCO, 2008 (ISCO-08), the General Household Survey has been enhanced to adopt the ISCO-08 in compiling labour force statistics by occupation, with statistics backcasted to the quarter of January to March 2011. Starting from the reference quarter of January to March 2011, all the labour force statistics by occupation, unless otherwise specified, are compiled based on the ISCO-08.

- (2) For a person aged 15 or above to be classified as unemployed, he or she should: (a) not have a job and not be performing any work for pay or profit during the reference period (i.e. seven days before enumeration); and (b) be available for work during the reference period; and (c) be seeking work during the 30 days before enumeration.

Notwithstanding the above, the following types of persons are also considered unemployed: (a) persons without a job, having sought work but not available for work because of temporary sickness; (b) persons without a job, available for work but not having sought work because they will take up new jobs or start business at a subsequent date, or expect to return to their original jobs; and (c) discouraged workers not having sought work because they believe work is not available to them.

Even at full employment, some frictional unemployment is bound to exist as workers move between jobs in order to obtain better terms of employment. The precise level of unemployment which can be described as purely frictional varies amongst economies, depending on the structure and characteristics of their labour markets.

The seasonally adjusted series is compiled using the X-12 ARIMA method, which is a standard method applied in compiling seasonally adjusted statistical data series.

- (3) The main criteria for an employed person aged 15 or above to be classified as underemployed are: involuntarily working less than 35 hours during the reference period (i.e. seven days before enumeration), and either available for additional work during the reference period or seeking additional work during the 30 days before enumeration.

Following these criteria, employed persons taking no-pay leave due to slack work during the reference period are also classified as underemployed if they had worked less than 35 hours or were on leave for the entire reference period.

- (4) The labour force, or the economically active population, is defined to include all persons aged 15 or above who either were engaged in productive work during the reference period (i.e. seven days before enumeration) or would otherwise have been engaged in productive work but were unemployed.
- (5) Figures enumerated from household data. The employed population is defined here to include those persons aged 15 or above who performed work for pay or profit or had a formal job attachment during the reference period (i.e. seven days before enumeration).
- (6) The low paying sectors as identified by the Minimum Wage Commission include:
  - (i) retail;
  - (ii) restaurants (including Chinese restaurants, non-Chinese restaurants, fast food cafes, and Hong Kong-style tea cafes. However, beverage serving places, event catering and other food service activities are not included.);
  - (iii) estate management, security and cleaning services (including real estate maintenance management, security services, cleaning services and membership organisations);
  - (iv) other low paying sectors, namely
    - elderly homes;
    - laundry and dry cleaning services;
    - hairdressing and other personal services;
    - local courier services; and
    - food processing and production.
- (7) Manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded as small and medium-sized enterprises (SMEs) in Hong Kong. Yet, establishments with the same main business registration number (BRN) and engaging in activities of the same industry sector are grouped into one business unit for the purpose of calculating the number of SMEs. Thus, a business with a lot of small chain stores each employing a small number of employees will be considered as a single large enterprise, instead of separate SMEs.
- (8) Different consumer price indices are used for compiling the real indices of labour earnings and wages, taking into account their relevance to the respective occupation coverage. Specifically, the Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for earnings received by employees at all levels of the occupational hierarchy. The CPI(A), being an indicator of consumer prices for the relatively low expenditure group, is taken as the price deflator for wages in respect of employees engaged in occupations up to the supervisory level.
- (9) In addition to wages, which include all regular and guaranteed payments like basic pay and stipulated bonuses and allowances, earnings also cover overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in industrial and occupational coverage, the movements in average earnings, as measured by payroll per person engaged, do not necessarily match closely with those in wage rates.
- (10) The average (mean) monthly employment earnings are easily affected by extreme values in the survey sample, more so when reckoned for higher-end workers. They should therefore be interpreted with caution, in particular when they are compared over time.

## CHAPTER 6 : PRICES

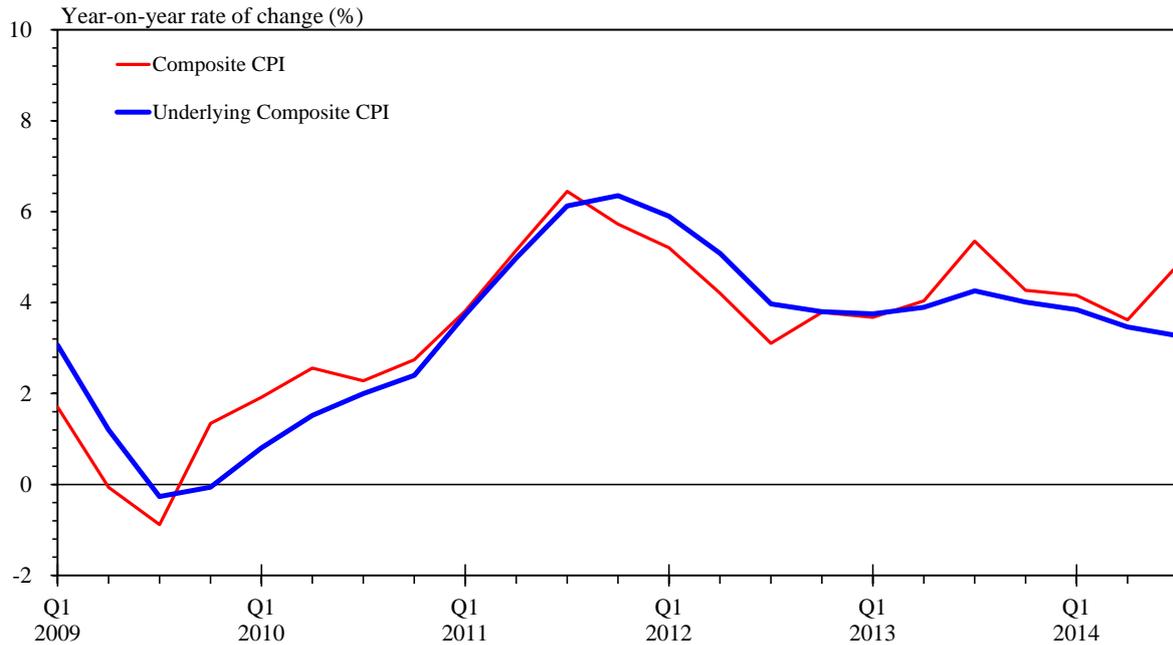
### *Summary*

- *Underlying inflation trended lower in the third quarter of 2014, reflecting the moderate domestic cost pressures and still-mild imported inflation. Although the Composite Consumer Price Index (Composite CPI)<sup>(1)</sup> rose by 4.8% in the third quarter over a year earlier, up from the 3.6% increase in the second quarter, it was merely affected by a lower base of comparison resulting from the Government's payment of public housing rentals in September 2013, and the gradual depletion of the Government's one-off electricity charge subsidy. Indeed, after netting out the effects of the Government's one-off relief measures to more accurately reflect the underlying inflation trend, underlying Composite CPI increase narrowed further to 3.3% in the third quarter, from 3.5% in the second quarter.*
- *Local cost pressures remained tame in the third quarter. Fresh-letting private residential rentals rose mildly year-on-year, and their stabilising effect kept feeding through to the CPI. Meanwhile, the shop and office rental pressures moderated further, while increases in labour costs held broadly steady, both helping to mitigate business cost burden.*
- *External price pressures were largely kept at bay in the third quarter. The rise in import prices, despite a modest rebound, was still rather benign in overall terms, thanks mainly to the softer energy and raw material prices in the international markets and generally tame inflation in major import sources.*
- *In view of moderated rental cost pressures, steady wage growth, and still-benign imported inflation, upside risks to inflation should be limited in the rest of this year.*

### **Consumer prices**

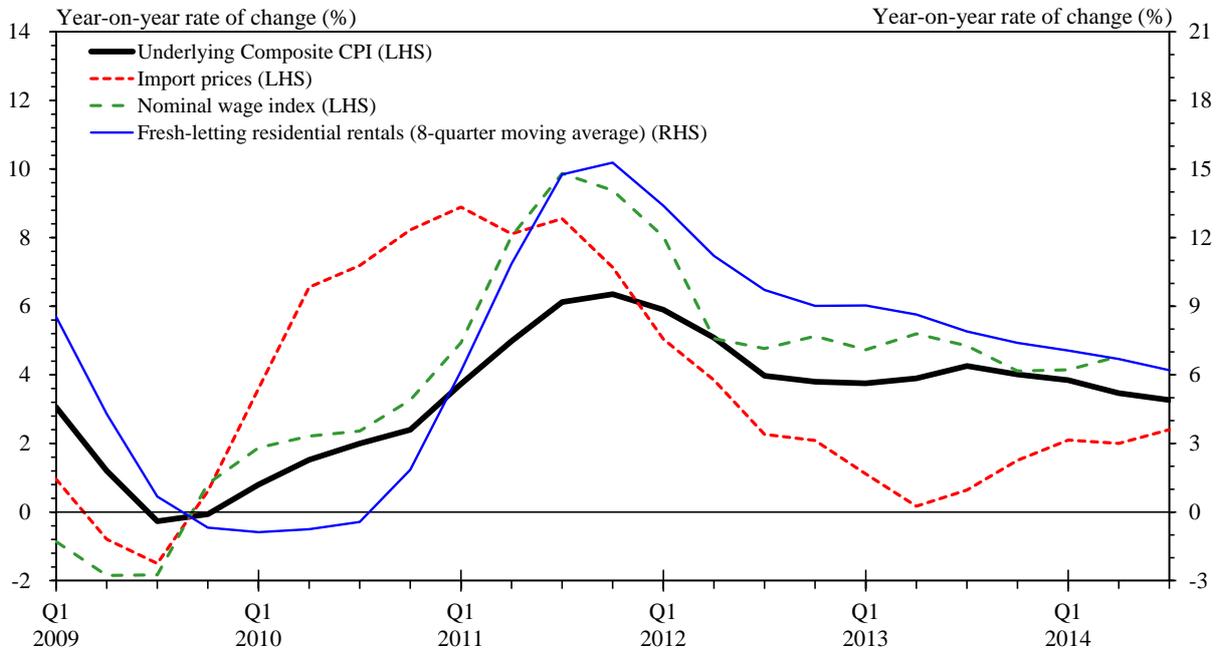
6.1 The underlying inflation rate eased further in the third quarter of 2014, as local cost pressures and imported inflation both remained moderate in overall terms. Domestically, rental cost pressures were still tame, and the feed-through of the milder increase in fresh-letting rentals in earlier quarters continued to trim the rise in the private residential rentals component in the CPI. Increases in labour costs also held largely stable. Externally, the softer energy and raw material prices, modest inflation in the major import sources<sup>(2)</sup> and, to a lesser extent, the earlier strengthening of the US dollar against some major currencies, helped keep the increases in import prices moderate.

**Diagram 6.1 : Underlying inflation sustained the easing trend in the third quarter of 2014**



Note : The year-on-year rates of change of the Consumer Price Indices from the fourth quarter of 2010 onwards are computed from the 2009/10-based series, and those before that from the 2004/05-based series. Splicing has been applied to the indices to maintain continuity.

**Diagram 6.2 : Domestic cost pressures and imported inflation both stayed moderate**



6.2 Underlying consumer price inflation, which nets out the effects of the Government's one-off relief measures to more accurately reflect the underlying inflation trend, eased further to 3.3% in the third quarter of 2014 from 3.5% in the second quarter. Nevertheless, headline consumer price inflation, as measured by the year-on-year rate of change in the Composite CPI, rebounded visibly to 4.8% in the third quarter of 2014, up from 3.6% in the preceding quarter. The rise in the headline inflation rate was mainly due to the temporary influence of a lower base of comparison stemming from the Government's payment of public housing rentals in September last year. Also relevant here was the gradual depletion of the Government's one-off electricity charge subsidy by some households during the third quarter. For the first three quarters of 2014 as a whole, the headline and underlying consumer price inflation rates stood at 4.2% and 3.5% respectively, both lower than those of 4.3% and 4.0% for 2013 as a whole.

**Table 6.1 : Consumer Price Indices**  
(year-on-year rate of change (%))

		<u>Composite CPI</u>		<u>CPI(A)</u>	<u>CPI(B)</u>	<u>CPI(C)</u>
		<u>Underlying<sup>(a)</sup></u>	<u>Headline</u>			
2013	Annual	4.0	4.3	5.1	4.1	3.8
	H1	3.8	3.9	4.4	3.6	3.5
	H2	4.1	4.8	5.8	4.5	4.1
	Q1	3.8	3.7	4.2	3.5	3.3
	Q2	3.9	4.0	4.6	3.8	3.6
	Q3	4.3	5.3	7.3	4.6	4.2
	Q4	4.0	4.3	4.4	4.4	4.1
2014	H1	3.7	3.9	4.0	4.0	3.7
	Q1	3.8	4.2	4.3	4.3	3.9
	Q2	3.5	3.6	3.8	3.8	3.5
	Q3	3.3	4.8	7.2	4.1	3.3

**(seasonally adjusted quarter-to-quarter rate of change (%))**

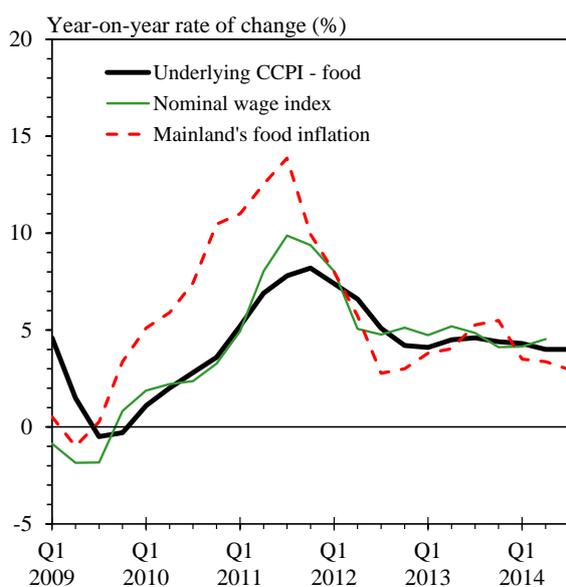
2013	Q1	1.1	1.1	1.2	1.1	1.0
	Q2	1.1	1.3	1.3	1.2	1.2
	Q3	0.8	-0.8	-3.4	0.3	0.8
	Q4	1.0	2.7	5.5	1.7	1.0
2014	Q1	0.9	1.0	1.1	1.0	0.8
	Q2	0.7	0.7	0.8	0.6	0.7
	Q3	0.7	0.4	-0.2	0.9	0.7

Note : (a) Underlying consumer price inflation is calculated by netting out the effects of all relevant one-off measures introduced since 2007, including the waiver and Government's payment of public housing rentals, rates concession, suspension and subsequent abolition of Employees Retraining Levy, and subsidies for household electricity charges.

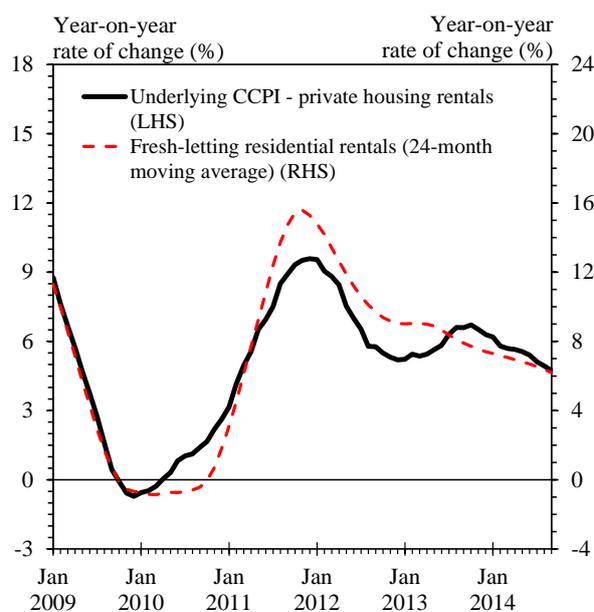
6.3 Analysed by the major components of the underlying Composite CPI, food prices and private housing rentals remained the two largest contributors to inflation, although the increase in the latter had narrowed in recent quarters. Local food inflation (including costs of dining out) held steady at 4.0% in the third quarter of 2014, same as that in the preceding quarter. On the other hand, as the slower increases of fresh-letting residential rentals in earlier quarters progressively fed through, the year-on-year rise in the private housing rental component decelerated notably further to 4.9% in the third quarter from 5.5% in the second quarter. Many other components in the underlying Composite CPI showed milder price increases in the third quarter, and the prices of durable goods also stayed on a secular downtrend.

**Diagram 6.3 : Food and private housing rental components of the underlying CCPI**

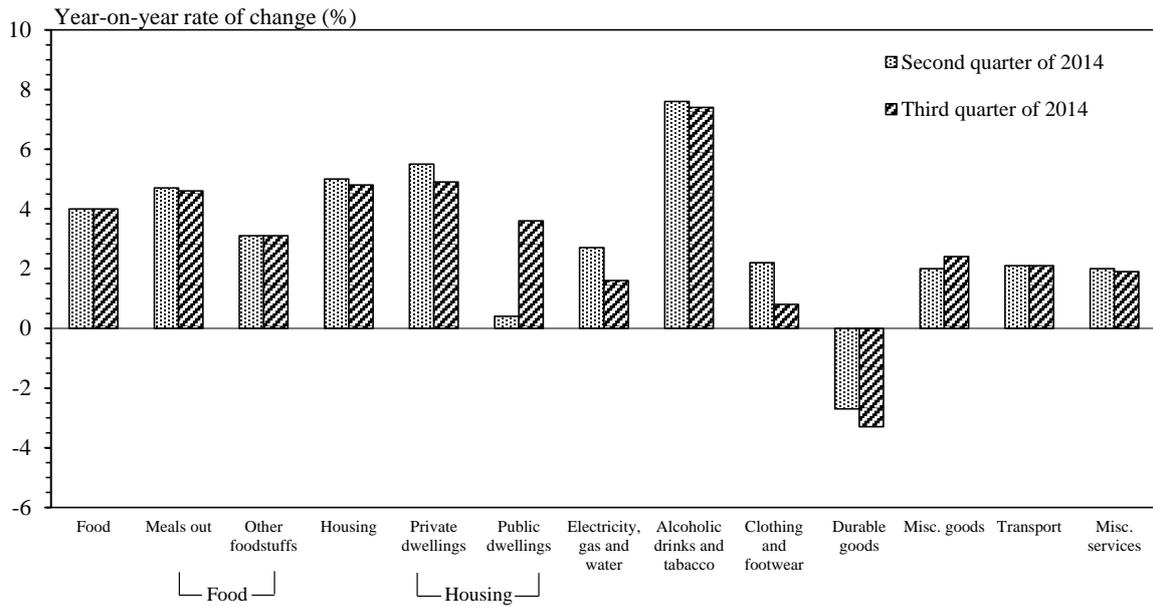
**(a) Food inflation held broadly stable in the third quarter of 2014**



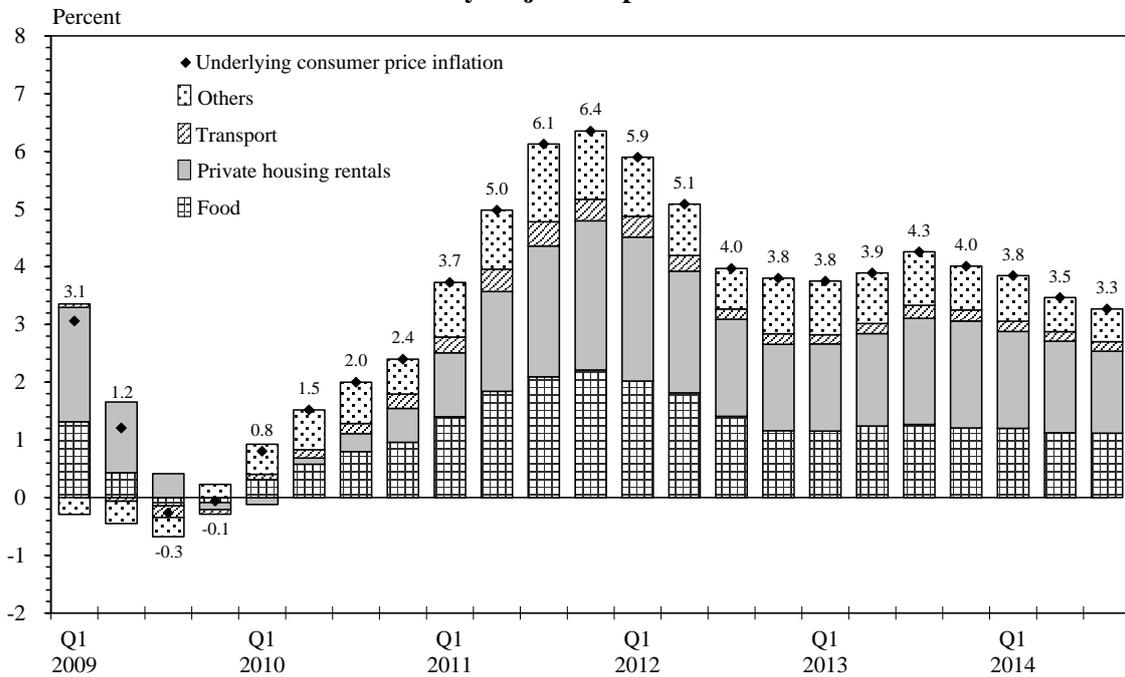
**(b) The slower increases in fresh-letting rentals continued to feed through**



**Diagram 6.4 (a) : The price increases in many major components in the underlying Composite CPI remained mild**



**Diagram 6.4 (b) : Contribution to underlying consumer price inflation by major component**



Note : The year-on-year rates of change of the Composite CPI from the fourth quarter of 2010 onwards are computed from the 2009/10-based series, and those before that from the 2004/05-based series.

**Table 6.2 : Composite Consumer Price Index by component  
(year-on-year rate of change (%))**

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>2013</u>					<u>2014</u>		
		<u>2013</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Food	27.45	4.4	4.1	4.5	4.6	4.4	4.3	4.0	4.0
<i>Meals bought away from home</i>	17.07	4.4	4.4	4.3	4.3	4.5	4.5	4.7	4.6
<i>Other foodstuffs</i>	10.38	4.4	3.6	4.8	4.9	4.1	4.0	3.1	3.1
Housing <sup>(a)</sup>	31.66	6.7 (5.8)	5.2 (5.5)	6.1 (5.8)	9.4 (6.3)	6.1 (5.8)	5.6 (5.3)	5.0 (5.0)	7.6 (4.8)
<i>Private dwellings</i>	27.14	6.3 (6.0)	5.0 (5.4)	6.1 (5.7)	7.0 (6.5)	7.0 (6.5)	6.4 (5.9)	5.6 (5.5)	4.9 (4.9)
<i>Public dwellings</i>	2.05	16.0 (6.0)	9.7 (9.5)	8.9 (9.2)	777.6 (5.9)	-1.8 (-0.1)	-1.8 (-0.1)	-0.9 (0.4)	101.4 (3.6)
Electricity, gas and water	3.10	6.9 (5.1)	4.9 (3.6)	5.9 (4.4)	9.6 (7.2)	7.1 (5.3)	5.5 (4.4)	3.4 (2.7)	24.9 (1.6)
Alcoholic drinks and tobacco	0.59	1.5	1.6	1.9	1.4	1.1	3.3	7.6	7.4
Clothing and footwear	3.45	1.7	1.5	1.0	1.7	2.5	2.1	2.2	0.8
Durable goods	5.27	-4.3	-3.5	-5.0	-4.7	-4.0	-3.3	-2.7	-3.3
Miscellaneous goods	4.17	2.2	1.4	2.2	2.5	2.7	3.1	2.0	2.4
Transport	8.44	2.3	2.0	2.2	2.8	2.4	2.2	2.1	2.1
Miscellaneous services	15.87	3.7 (3.2)	3.5 (3.5)	3.1 (3.1)	3.9 (3.1)	4.3 (3.1)	4.4 (3.1)	3.2 (2.0)	2.3 (1.9)
All items	100.00	4.3 (4.0)	3.7 (3.8)	4.0 (3.9)	5.3 (4.3)	4.3 (4.0)	4.2 (3.8)	3.6 (3.5)	4.8 (3.3)

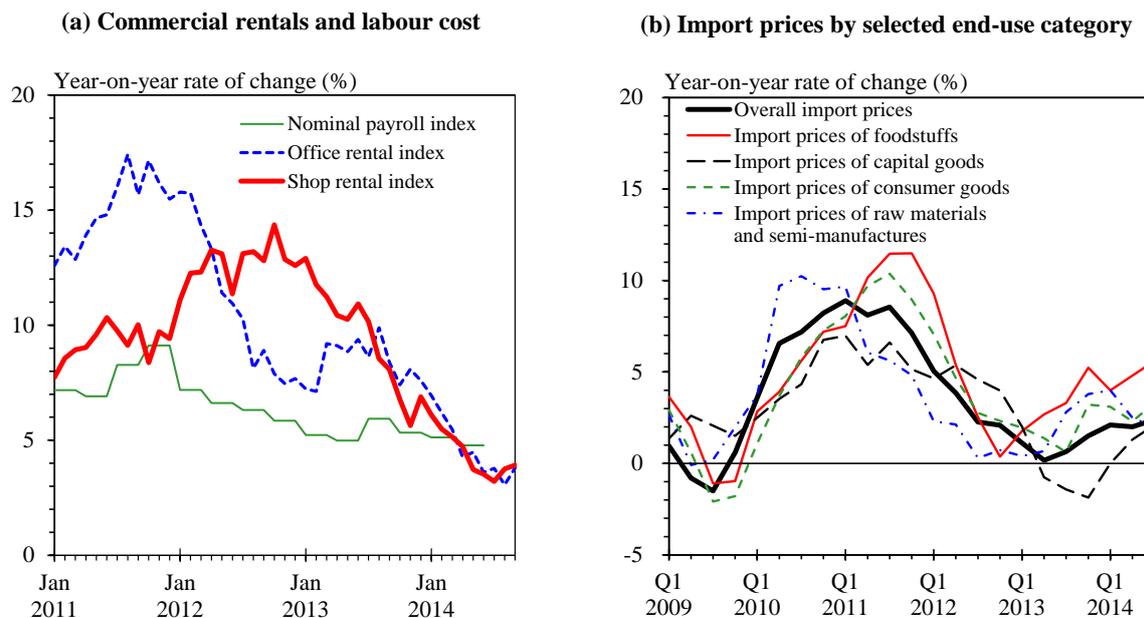
Notes : (a) The housing component covers rents, rates, Government rent, maintenance costs and other housing charges. Its sub-components on private and public dwellings as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public dwellings is slightly less than the weighting of the entire housing component.

( ) Figures in bracket represent the underlying rates of change after netting out the effect of Government's one-off relief measures.

## Costs of factor inputs and import prices

6.4 Domestic cost pressures remained in check in the third quarter of 2014. The year-on-year increases of both shop rentals and office rentals moderated further in the third quarter, staying at low single-digit levels. Meanwhile, labour cost increases were rather steady in recent periods.

**Diagram 6.5 : Domestic cost pressures, particularly rentals, stayed relatively mild, as did the imported price pressures**



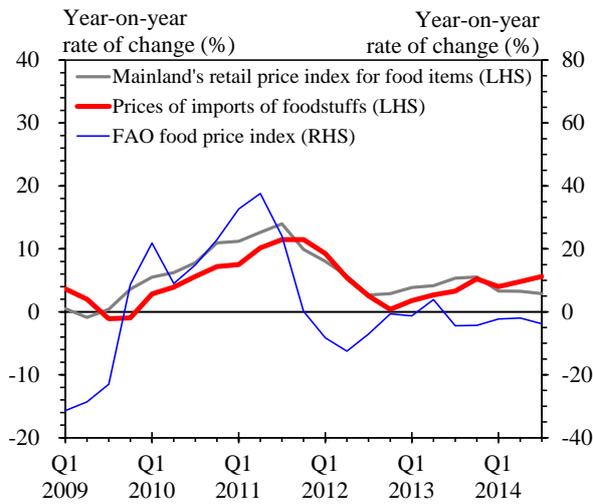
6.5 External inflationary pressures stayed relatively moderate in the third quarter of 2014, thanks to the benign global commodity prices trend, largely contained inflation in major import sources and, to a lesser extent, the earlier depreciation of some major currencies against the US dollar. Overall import prices rose by 2.4% over a year earlier in the third quarter, somewhat faster than the 2.0% rise in the second quarter, but by a varying degree among different end-use categories. Import prices of foodstuffs still posted the largest increase in the third quarter, mirroring the faster price increases of meat and beverage in the international markets. Import prices of consumer and capital goods also showed faster, albeit still moderate increases. On the other hand, the increase in import prices of raw materials eased, as international industrial materials and metal prices remained soft. Meanwhile, import prices of fuels fell further, following the retreat in crude oil prices, as the recovery of global demand remained mediocre, and geopolitical tensions in the Middle East and Eastern Europe had thus far not led to supply disruptions.

**Table 6.3 : Prices of imports by end-use category  
(year-on-year rate of change (%))**

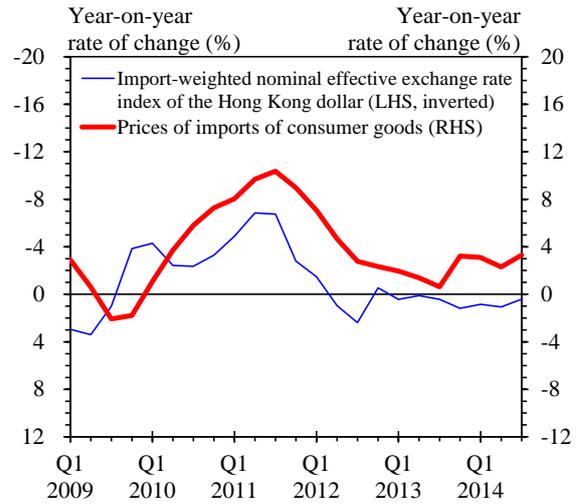
		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2013	Annual	3.3	1.8	2.0	-3.6	-0.6	0.9
	H1	2.2	1.7	0.5	-5.4	0.6	0.6
	H2	4.4	1.9	3.3	-1.8	-1.6	1.1
	Q1	1.8	2.0	0.4	-5.5	2.0	1.1
	Q2	2.7	1.4	0.7	-5.4	-0.8	0.2
	Q3	3.3	0.6	2.8	-1.9	-1.4	0.6
	Q4	5.2	3.2	3.8	-1.8	-1.9	1.5
2014	H1	4.4	2.7	3.2	-2.2	0.7	2.1
	Q1	4.0	3.1	4.0	-3.1	*	2.1
	Q2	4.8	2.3	2.5	-1.2	1.3	2.0
	Q3	5.6	3.3	2.0	-1.4	2.1	2.4

## Diagram 6.6 : Import prices by end-use category

**(a) Imported food inflation accelerated somewhat**

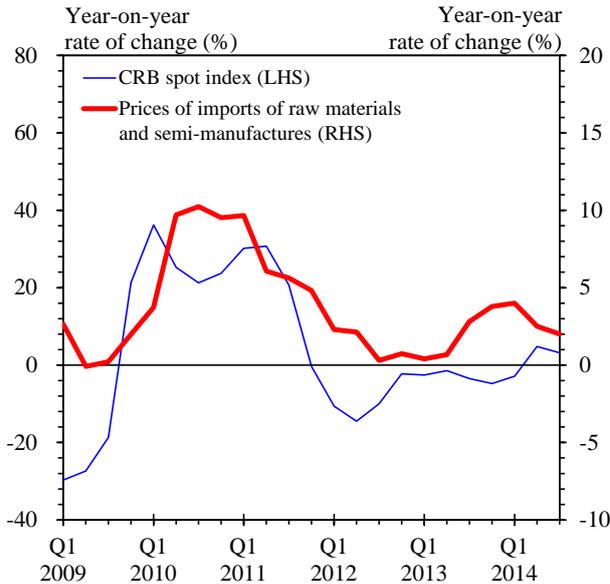


**(b) Import prices of consumer goods rose slightly faster**

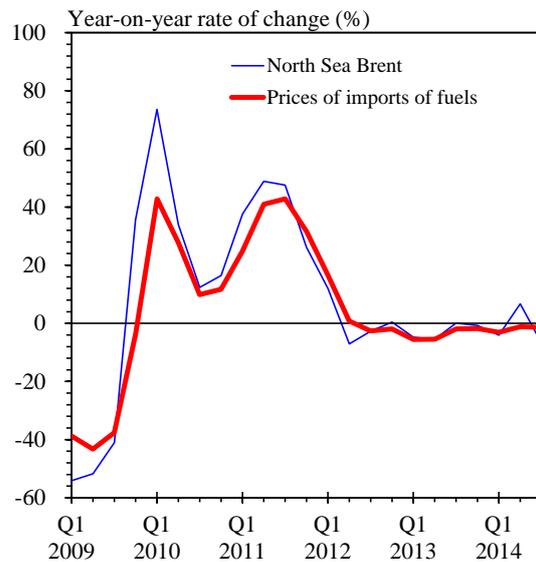


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

**(c) Import prices of raw materials saw further moderated growth**



**(d) Import prices of fuels continued to decline**



## Output prices

6.6 Output prices, as measured by the *Producer Price Indices*<sup>(3)</sup>, showed mixed movements in the second quarter of 2014. For the manufacturing sector, the year-on-year rate of decline in output prices narrowed, amid a lower base of comparison and improved export performance in that quarter. As for the service sectors, output prices for accommodation services showed slightly faster increase on the back of sustained solid expansion in visitor arrivals. In tandem with the recent pick-up in trade flows, output prices for land transport and courier services increased moderately further in the second quarter. While prices for air transport reverted to a mild year-on-year increase, those for water transport fell less. Separately, output prices for telecommunications services stayed on a downtrend, largely attributable to continued enhancements in cost-saving technologies and keen competition.

**Table 6.4 : Producer Price Indices for the manufacturing sector and selected services sectors (year-on-year rate of change (%))**

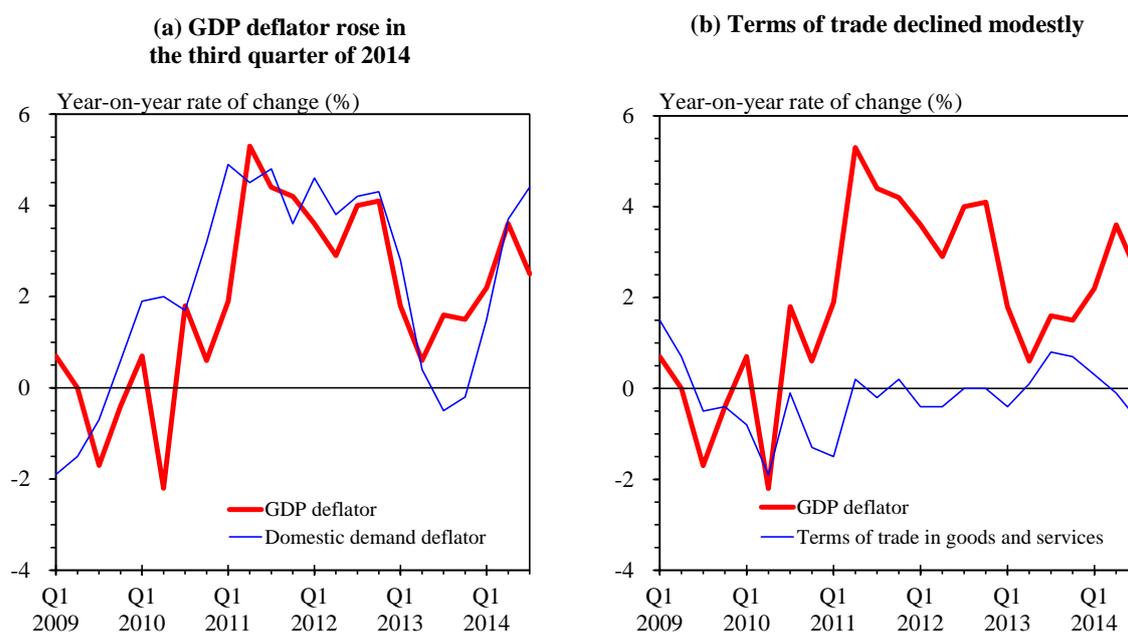
<u>Industry group</u>	<u>Annual</u>	<u>2013</u>				<u>2014</u>	
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Manufacturing	-3.1	0.6	-2.4	-5.2	-5.5	-6.2	-0.4
Selected services sectors <sup>(a)</sup>							
Accommodation services	2.4	2.5	2.8	1.7	2.6	2.2	3.9
Land transport	1.7	0.6	1.0	2.4	2.7	2.5	3.0
Water transport	-2.5	7.3	-14.8	1.8	-1.9	-2.9	-0.6
Air transport	1.0	4.0	-2.4	0.1	2.5	-0.6	1.8
Telecommunications	-1.9	-1.6	-1.8	-1.7	-2.6	-2.9	-3.4
Courier services	2.7	2.7	3.1	3.3	1.8	1.9	1.4

Note : (a) Producer Price Indices for other services sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the producers often do not charge their customers explicitly.

## GDP deflator

6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*<sup>(4)</sup> rose by 2.5% in the third quarter of 2014 over a year earlier, lower than the 3.6% increase in the preceding quarter. Within the GDP deflator, the *terms of trade*<sup>(5)</sup> declined modestly in the third quarter from a year earlier, while the domestic demand deflator increased by 4.4% after a 3.7% rise in the preceding quarter.

Diagram 6.7 : GDP deflator



**Table 6.5 : GDP deflator and the main expenditure component deflators  
(year-on-year rate of change (%))**

	<u>2012</u>		<u>2013</u>				<u>2014</u>		
	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1<sup>#</sup></u>	<u>Q2<sup>#</sup></u>	<u>Q3<sup>+</sup></u>
Private consumption expenditure	3.2	2.4	2.1	2.1	3.0	2.4	2.0	3.0	3.1
Government consumption expenditure	6.2	4.4	6.1	4.1	3.7	3.7	4.0	5.0	4.7
Gross domestic fixed capital formation	6.4	-5.1	3.1	-4.7	-9.4	-7.7	-1.6	3.4	7.0
Total exports of goods	3.1	-0.3	-0.5	-0.4	-0.3	-0.1	-0.6	-0.1	1.3
Imports of goods	3.8	-0.6	0.2	-0.5	-1.1	-0.8	-0.8	-0.1	2.1
Exports of services	4.3	0.5	1.2	-0.2	0.7	0.3	0.6	0.8	1.8
Imports of services	1.9	0.5	0.9	0.4	0.2	0.4	1.1	3.0	2.7
<b>Gross Domestic Product</b>	<b>3.7</b>	<b>1.4</b>	<b>1.8</b>	<b>0.6</b>	<b>1.6</b>	<b>1.5</b>	<b>2.2</b>	<b>3.6</b>	<b>2.5</b>
			<-0.7>	<*>	<1.7>	<0.5>	<0.1>	<1.5>	<0.3>
Total final demand	3.6	0.1	0.8	-0.1	-0.2	*	0.3	1.2	2.3
Domestic demand	4.2	0.6	2.8	0.4	-0.5	-0.2	1.5	3.7	4.4
Terms of trade in goods and services	-0.2	0.3	-0.4	0.1	0.8	0.7	0.3	-0.1	-0.7

Notes : Figures are derived based on the series of chain volume measures of GDP. They are subject to revision later on as more data become available.

(#) Revised figures.

(+) Preliminary figures.

< > Seasonally adjusted quarter-to-quarter rate of change.

(\*) Change within  $\pm 0.05\%$ .

## Notes :

- (1) The Consumer Price Indices (A), (B) and (C) are compiled by reference to the average expenditure patterns for different groups of households as obtained from the Household Expenditure Survey. Then, by aggregating the expenditure patterns of all the households covered by the above three indices, a Composite CPI is compiled.

The expenditure ranges of the households covered in the 2009/10-based CPIs are shown below:

	<u>Approximate proportion of households covered</u> (%)	<u>Average monthly expenditure range during Oct 2009 to Sep 2010</u> (\$)
CPI(A)	50	4,500 to 18,499
CPI(B)	30	18,500 to 32,499
CPI(C)	10	32,500 to 65,999

The weightings of the various components in the 2009/10-based CPIs are as follows:

<u>Expenditure component</u>	<u>Composite CPI</u> (%)	<u>CPI(A)</u> (%)	<u>CPI(B)</u> (%)	<u>CPI(C)</u> (%)
Food	27.45	33.68	27.16	20.87
<i>Meals bought away from     home</i>	<i>17.07</i>	<i>19.23</i>	<i>17.90</i>	<i>13.55</i>
<i>Other foodstuffs</i>	<i>10.38</i>	<i>14.45</i>	<i>9.26</i>	<i>7.32</i>
Housing	31.66	32.19	31.43	31.36
<i>Private dwellings</i>	<i>27.14</i>	<i>24.78</i>	<i>28.13</i>	<i>28.45</i>
<i>Public dwellings</i>	<i>2.05</i>	<i>5.49</i>	<i>0.72</i>	<i>--</i>
<i>Maintenance costs and     other housing charges</i>	<i>2.47</i>	<i>1.92</i>	<i>2.58</i>	<i>2.91</i>
Electricity, gas and water	3.10	4.36	2.84	2.03
Alcoholic drinks and tobacco	0.59	0.91	0.56	0.29
Clothing and footwear	3.45	2.60	3.45	4.39
Durable goods	5.27	3.73	5.73	6.39
Miscellaneous goods	4.17	3.87	4.17	4.49
Transport	8.44	7.22	8.35	9.93
Miscellaneous services	15.87	11.44	16.31	20.25
All items	100.00	100.00	100.00	100.00

- (2) The table below presents the year-on-year rates (%) of consumer price inflation in selected economies.

	<u>2012</u>		<u>2013</u>				<u>2014</u>		
	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Selected developed economies									
US	2.1	1.5	1.7	1.4	1.6	1.2	1.4	2.1	1.8
Canada	1.5	0.9	0.9	0.8	1.1	0.9	1.4	2.2	2.1
EU	2.6	1.5	2.0	1.6	1.5	1.0	0.8	0.7	0.5
Japan	*	0.4	-0.6	-0.3	0.9	1.4	1.5	3.6	3.3
Major emerging economies									
Mainland China	2.6	2.6	2.4	2.4	2.8	2.9	2.3	2.2	2.0
Russia	5.1	6.8	7.1	7.2	6.4	6.4	6.4	7.6	7.7
India	9.7	10.1	10.7	9.5	9.7	10.4	8.4	8.1	7.4
Brazil	5.4	6.2	6.4	6.6	6.1	5.8	5.8	6.4	6.6
Selected Asian economies									
Hong Kong	4.1	4.3	3.7	4.0	5.3	4.3	4.2	3.6	4.8
Singapore	4.6	2.4	4.0	1.6	1.8	2.0	1.0	2.4	0.9
Taiwan	1.9	0.8	1.8	0.8	*	0.6	0.8	1.6	1.5
Korea	2.2	1.3	1.6	1.2	1.4	1.1	1.1	1.6	1.4
Malaysia	1.7	2.1	1.5	1.8	2.2	3.0	3.5	3.3	3.0
Thailand	3.0	2.2	3.1	2.3	1.7	1.7	2.0	2.5	2.0
Indonesia	4.0	6.4	4.5	5.1	8.0	8.0	7.8	7.1	4.4
Philippines	3.2	3.0	3.2	2.6	2.4	3.5	4.1	4.4	4.7
Vietnam	9.2	6.6	6.9	6.6	7.0	5.9	4.8	4.7	4.3
Macao	6.1	5.5	5.4	5.1	5.6	5.9	6.1	6.2	5.9

Note : (\*) Change within  $\pm 0.05\%$ .

- (3) The Producer Price Index is designed to reflect changes in the prices of goods and services received by local producers. Producer prices refer to the transacted prices, net of any discounts or rebates allowed to the buyers. Transportation and other incidental charges are not included.
- (4) The implicit price deflators of GDP and its main expenditure components are derived by dividing GDP at current prices by the corresponding chained-dollar figures. The rate of change in the GDP deflator may differ substantially from that in the Composite CPI over the same time span. The Composite CPI covers consumer price inflation in particular. Yet the GDP deflator is a much broader measure of inflation for the entire economy, and takes into account all the price changes related to consumption, investment, exports and imports. Also, the rate of change in the GDP deflator may differ appreciably from that in the total final demand deflator, depending on the movement in the prices of final demand and imports. Likewise, the rate of change in the GDP deflator may differ appreciably from that in the domestic demand deflator, depending on the movement in the prices of imports and exports.
- (5) The terms of trade is defined as the ratio of the prices of total exports to the prices of total imports.

## Statistical Appendix

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**Table 1 : Gross Domestic Product by expenditure component  
(at current market prices)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(\$Mn)					
Private consumption expenditure	771,443	811,654	868,691	982,368	1,026,482	1,013,615
Government consumption expenditure	136,354	130,566	131,837	138,967	148,017	152,512
Gross domestic fixed capital formation	287,360	302,152	337,153	340,356	350,796	339,552
<i>of which:</i>						
Building and construction	107,692	105,993	106,268	111,776	127,312	123,746
Machinery, equipment and intellectual property products	162,871	176,269	214,093	204,083	198,633	191,568
Changes in inventories	7,076	-4,761	-2,129	12,841	8,480	22,941
Total exports of goods <sup>&amp;</sup>	2,027,031	2,251,744	2,467,357	2,698,850	2,843,998	2,500,143
Imports of goods <sup>&amp;</sup>	2,099,545	2,311,091	2,576,340	2,852,522	3,024,089	2,702,966
Exports of services <sup>&amp;</sup>	431,090	496,985	566,416	664,100	720,837	672,794
Imports of services <sup>&amp;</sup>	243,860	265,124	289,634	334,204	367,034	339,346
<b>GDP</b>	<b>1,316,949</b>	<b>1,412,125</b>	<b>1,503,351</b>	<b>1,650,756</b>	<b>1,707,487</b>	<b>1,659,245</b>
<i>Per capita GDP (\$)</i>	<i>194,140</i>	<i>207,263</i>	<i>219,240</i>	<i>238,676</i>	<i>245,406</i>	<i>237,960</i>
<b>GNI</b>	<b>1,344,927</b>	<b>1,419,589</b>	<b>1,538,864</b>	<b>1,703,567</b>	<b>1,807,994</b>	<b>1,709,007</b>
<i>Per capita GNI (\$)</i>	<i>198,264</i>	<i>208,359</i>	<i>224,419</i>	<i>246,312</i>	<i>259,851</i>	<i>245,096</i>
Total final demand	3,660,354	3,988,340	4,369,325	4,837,482	5,098,610	4,701,557
Total final demand excluding re-exports <sup>(a)</sup>	2,088,521	2,243,119	2,436,589	2,697,292	2,836,222	2,687,437
Domestic demand	1,202,233	1,239,611	1,335,552	1,474,532	1,533,775	1,528,620
Private	1,012,565	1,062,587	1,163,262	1,297,607	1,342,889	1,327,688
Public	189,668	177,024	172,290	176,925	190,886	200,932
External demand	2,458,121	2,748,729	3,033,773	3,362,950	3,564,835	3,172,937

Definition of Terms :

Total final demand	= private consumption expenditure + government consumption expenditure + gross domestic fixed capital formation + changes in inventories + total exports of goods + exports of services
Private sector domestic demand	= private consumption expenditure + gross domestic fixed capital formation by the private sector + changes in inventories
Public sector domestic demand	= government consumption expenditure + gross domestic fixed capital formation by the public sector
Domestic demand	= private sector domestic demand + public sector domestic demand
External demand	= total exports of goods + exports of services

**Table 1 : Gross Domestic Product by expenditure component  
(at current market prices) (Cont'd)**

	(\$Mn)							
	<u>2010</u>	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>	<u>2013</u> Q4 <sup>#</sup>	Q1 <sup>#</sup>	<u>2014</u> Q2 <sup>#</sup>	Q3 <sup>#</sup>
Private consumption expenditure	1,090,234	1,224,402	1,314,996	1,404,527	369,017	356,236	368,827	359,614
Government consumption expenditure	157,371	168,517	185,310	197,951	50,104	54,269	51,076	53,753
Gross domestic fixed capital formation	386,852	455,294	517,389	507,106	138,522	117,989	123,819	128,138
<i>of which:</i>								
Building and construction	139,249	179,341	204,858	218,449	58,003	63,067	54,853	58,958
Machinery, equipment and intellectual property products	209,568	239,854	278,457	259,178	73,685	48,826	61,769	58,452
Changes in inventories	37,522	11,742	-3,662	-2,296	1,721	8,566	5,339	-1,716
Total exports of goods <sup>&amp;</sup>	3,068,444	3,420,076	3,591,776	3,816,390	1,015,104	870,681	949,609	1,026,915
Imports of goods <sup>&amp;</sup>	3,395,057	3,848,200	4,116,410	4,394,928	1,153,163	1,028,681	1,111,191	1,148,472
Exports of services <sup>&amp;</sup>	829,044	941,178	1,003,047	1,063,231	286,109	266,101	246,278	281,934
Imports of services <sup>&amp;</sup>	398,078	438,576	455,382	466,628	127,284	114,245	115,833	123,676
<b>GDP</b>	<b>1,776,332</b>	<b>1,934,433</b>	<b>2,037,064</b>	<b>2,125,353</b>	<b>580,130</b>	<b>530,916</b>	<b>517,924</b>	<b>576,490</b>
<i>Per capita GDP (\$)</i>	<i>252,887</i>	<i>273,550</i>	<i>284,721</i>	<i>295,701</i>	--	--	--	--
<b>GNI</b>	<b>1,813,928</b>	<b>1,987,259</b>	<b>2,066,519</b>	<b>2,167,523</b>	<b>581,127</b>	<b>538,206</b>	<b>545,746</b>	<b>N.A.</b>
<i>Per capita GNI (\$)</i>	<i>258,240</i>	<i>281,020</i>	<i>288,838</i>	<i>301,568</i>	--	--	--	--
Total final demand	5,569,467	6,221,209	6,608,856	6,986,909	1,860,577	1,673,842	1,744,948	1,848,638
Total final demand excluding re-exports <sup>(a)</sup>	3,058,027	3,433,562	3,655,330	3,836,430	1,021,600	953,703	961,933	999,049
Domestic demand	1,671,979	1,859,955	2,014,033	2,107,288	559,364	537,060	549,061	539,789
Private	1,449,592	1,614,013	1,737,299	1,809,995	482,413	448,634	476,047	461,001
Public	222,387	245,942	276,734	297,293	76,951	88,426	73,014	78,788
External demand	3,897,488	4,361,254	4,594,823	4,879,621	1,301,213	1,136,782	1,195,887	1,308,849

- Notes: (a) Re-export margin is nevertheless retained in the total final demand.  
 (#) Figures are subject to revision later on as more data become available.  
 (&) Figures are based on the *System of National Accounts 2008*, other than the change of ownership principle. For figures based on the change of ownership principle, please see Table 6a. For details about the change of ownership principle, please refer to the *Special Report on Gross Domestic Product* published by the Census and Statistics Department in September 2012.  
 (--) Not applicable.  
 N.A. Not yet available.

**Table 2 : Rates of change in chain volume measures of Gross Domestic Product  
by expenditure component (in real terms)**

(%)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Private consumption expenditure	7.1	3.5	6.1	8.6	1.9	0.2
Government consumption expenditure	1.4	-2.6	0.9	3.2	2.0	2.3
Gross domestic fixed capital formation	3.4	4.0	7.1	3.2	1.4	-3.5
<i>of which:</i>						
Building and construction	-10.7	-7.6	-7.1	-0.3	6.8	-5.5
Machinery, equipment and intellectual property products	11.4	12.1	18.2	2.5	*	-2.2
Total exports of goods <sup>&amp;</sup>	14.9	10.4	9.3	7.0	1.9	-12.5
Imports of goods <sup>&amp;</sup>	13.7	8.0	9.2	8.8	1.8	-9.5
Exports of services <sup>&amp;</sup>	17.9	11.6	10.0	14.3	5.0	0.4
Imports of services <sup>&amp;</sup>	14.6	7.6	8.4	12.1	5.8	-5.0
<b>GDP</b>	<b>8.7</b>	<b>7.4</b>	<b>7.0</b>	<b>6.5</b>	<b>2.1</b>	<b>-2.5</b>
<b>Per capita GDP</b>	<b>7.9</b>	<b>6.9</b>	<b>6.3</b>	<b>5.6</b>	<b>1.5</b>	<b>-2.7</b>
<b>RGNI</b>	<b>4.1</b>	<b>4.3</b>	<b>6.7</b>	<b>8.2</b>	<b>3.3</b>	<b>-4.6</b>
<b>Per capita RGNI</b>	<b>3.3</b>	<b>3.9</b>	<b>6.0</b>	<b>7.3</b>	<b>2.7</b>	<b>-4.8</b>
Total final demand	11.9	7.8	8.4	8.2	2.2	-6.8
Total final demand excluding re-exports <sup>(a)</sup>	9.1	5.6	7.4	7.9	1.7	-2.6
Domestic demand	5.3	2.0	6.1	7.8	1.4	0.5
Private	6.5	3.4	7.6	8.9	1.2	-0.1
Public	-0.4	-5.7	-2.8	0.6	3.2	4.5
External demand	15.4	10.6	9.4	8.4	2.5	-9.9

- Notes: (a) Re-export margin is nevertheless retained in the total final demand.  
 (#) Figures are subject to revision later on as more data become available.  
 (&) Figures are based on the *System of National Accounts 2008*, other than the change of ownership principle. For figures based on the change of ownership principle, please see Table 6a. For details about the change of ownership principle, please refer to the *Special Report on Gross Domestic Product* published by the Census and Statistics Department in September 2012.  
 (--) Not applicable.  
 (\*) Change within  $\pm 0.05\%$ .  
 N.A. Not yet available.

**Table 2 : Rates of change in chain volume measures of Gross Domestic Product by expenditure component (in real terms) (Cont'd)**

									(%)	
	<u>2010</u>	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>	<u>2013</u>	<u>2014</u>			Average annual rate of change:	
					Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>	10 years 2003 to 2013 <sup>#</sup>	5 years 2008 to 2013 <sup>#</sup>
Private consumption expenditure	6.1	8.4	4.1	4.3	3.6	1.6	1.2	3.2	5.0	4.6
Government consumption expenditure	3.4	2.5	3.6	2.3	2.0	2.6	2.7	3.5	1.9	2.8
Gross domestic fixed capital formation	7.7	10.2	6.8	3.3	5.3	3.5	-5.7	-4.7	4.3	4.8
<i>of which:</i>										
Building and construction	5.7	15.7	7.2	-0.9	-3.8	10.6	0.5	1.1	*	4.2
Machinery, equipment and intellectual property products	6.5	12.3	10.1	10.8	17.5	1.9	-9.8	-11.9	8.0	7.4
Total exports of goods <sup>&amp;</sup>	17.3	3.4	1.8	6.6	5.7	0.5	2.4	1.3	5.7	2.9
Imports of goods <sup>&amp;</sup>	18.1	4.7	3.0	7.4	6.1	1.2	1.1	0.7	6.3	4.4
Exports of services <sup>&amp;</sup>	14.7	5.5	2.2	5.5	4.7	3.2	-2.0	2.0	8.6	5.5
Imports of services <sup>&amp;</sup>	11.1	3.5	1.9	2.0	5.5	-0.8	5.0	1.8	6.0	2.6
<b>GDP</b>	<b>6.8</b>	<b>4.8</b>	<b>1.5</b>	<b>2.9</b>	<b>2.9</b>	<b>2.6</b>	<b>1.8</b>	<b>2.7</b>	<b>4.5</b>	<b>2.7</b>
<i>Per capita GDP</i>	<b>6.0</b>	<b>4.1</b>	<b>0.4</b>	<b>2.5</b>	--	--	--	--	<b>3.8</b>	<b>2.0</b>
<b>RGNI</b>	<b>3.6</b>	<b>4.8</b>	<b>-0.2</b>	<b>4.3</b>	<b>4.6</b>	<b>2.1</b>	<b>1.2</b>	<b>N.A.</b>	<b>3.4</b>	<b>1.5</b>
<i>Per capita RGNI</i>	<b>2.9</b>	<b>4.1</b>	<b>-1.3</b>	<b>3.8</b>	--	--	--	--	<b>2.7</b>	<b>0.9</b>
Total final demand	13.6	4.7	2.5	5.6	5.0	1.5	1.6	1.4	5.7	3.7
Total final demand excluding re-exports <sup>(a)</sup>	10.4	5.6	3.2	4.7	4.4	1.7	1.3	1.4	5.2	4.2
Domestic demand	7.1	6.5	3.9	4.0	4.1	2.4	1.9	1.1	4.4	4.4
Private	6.6	6.7	3.6	4.1	4.8	1.5	1.8	0.8	4.8	4.1
Public	10.2	5.5	5.8	3.5	-0.2	7.8	2.5	2.6	2.3	5.9
External demand	16.8	3.9	1.9	6.4	5.5	1.1	1.4	1.5	6.3	3.4

**Table 3 : Gross Domestic Product by economic activity  
(at current prices)**

	<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u> <sup>#</sup>		<u>2013</u> <sup>#</sup>	
	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share
Agriculture, fishing, mining and quarrying	1,090	0.1	948	0.1	944	*	1,114	0.1	1,225	0.1
Manufacturing	28,714	1.8	30,410	1.8	30,578	1.6	30,600	1.5	30,049	1.4
Electricity, gas and water supply, and waste management	35,032	2.2	34,486	2.0	33,877	1.8	35,382	1.8	35,644	1.7
Construction	50,264	3.2	56,531	3.3	65,484	3.4	73,445	3.6	82,670	3.9
Services	1,466,724	92.7	1,614,922	93.0	1,770,166	93.1	1,872,498	93.0	1,945,411	92.9
<i>Import/export, wholesale and retail trades</i>	370,226	23.4	413,308	23.8	492,900	25.9	511,537	25.4	521,384	24.9
<i>Accommodation<sup>(a)</sup> and food services</i>	48,789	3.1	56,418	3.2	66,421	3.5	72,044	3.6	74,027	3.5
<i>Transportation, storage, postal and courier services</i>	99,208	6.3	137,941	7.9	120,034	6.3	120,609	6.0	123,971	5.9
<i>Information and communications</i>	47,893	3.0	55,024	3.2	62,952	3.3	70,866	3.5	75,382	3.6
<i>Financing and insurance</i>	255,900	16.2	283,752	16.3	305,282	16.1	319,312	15.9	342,077	16.3
<i>Real estate, professional and business services</i>	173,903	11.0	188,476	10.8	213,987	11.3	232,416	11.5	232,462	11.1
<i>Public administration, social and personal services</i>	288,109	18.2	295,257	17.0	313,585	16.5	337,678	16.8	357,230	17.1
<i>Ownership of premises</i>	182,696	11.5	184,745	10.6	195,005	10.3	208,036	10.3	218,878	10.4
<b>GDP at basic prices</b>	<b>1,581,824</b>	<b>100.0</b>	<b>1,737,298</b>	<b>100.0</b>	<b>1,901,049</b>	<b>100.0</b>	<b>2,013,038</b>	<b>100.0</b>	<b>2,094,999</b>	<b>100.0</b>
Taxes on products	54,689	--	68,707	--	69,401	--	63,575	--	65,398	--
Statistical discrepancy (%)	1.4	--	-1.7	--	-1.9	--	-1.9	--	-1.6	--
<b>GDP at current market prices</b>	<b>1,659,245</b>	<b>--</b>	<b>1,776,332</b>	<b>--</b>	<b>1,934,433</b>	<b>--</b>	<b>2,037,064</b>	<b>--</b>	<b>2,125,353</b>	<b>--</b>

Notes: Individual figures may not add up exactly to the total due to rounding.

(a) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(#) Figures are subject to revision later on as more data become available.

(--) Not applicable.

(\*) Less than 0.05%.

**Table 4 : Rates of change in chain volume measures of Gross Domestic Product by economic activity (in real terms)**

(%)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>	<u>2013</u>		<u>2014</u>	
							Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Agriculture, fishing, mining and quarrying	-17.0	-4.6	3.9	0.8	-3.2	1.3	-2.0	0.9	-5.8	-5.8
Manufacturing	-7.0	-8.2	3.3	0.7	-0.8	0.1	-0.9	0.5	2.1	2.2
Electricity, gas and water supply, and waste management	0.7	1.5	-0.2	0.6	1.4	-0.7	-0.2	1.3	1.9	2.7
Construction	8.9	-7.5	15.6	18.3	8.3	1.1	8.5	-4.3	12.8	3.1
Services	2.4	-1.7	6.9	5.2	1.8	2.9	2.5	2.8	2.2	2.0
<i>Import/export, wholesale and retail trades</i>	6.8	-9.5	16.7	9.1	1.9	3.6	1.8	2.8	0.3	0.5
<i>Accommodation<sup>(a)</sup> and food services</i>	1.7	-11.3	9.5	8.3	1.8	3.7	3.4	2.9	4.3	2.5
<i>Transportation, storage, postal and courier services</i>	2.5	-5.5	6.0	7.2	0.9	2.5	2.4	5.4	7.0	6.9
<i>Information and communications</i>	-1.2	1.3	1.5	2.8	2.8	4.2	4.3	2.9	2.9	5.4
<i>Financing and insurance</i>	-0.5	4.1	6.3	6.5	0.8	5.6	7.2	4.6	3.3	0.9
<i>Real estate, professional and business services</i>	1.4	1.6	2.5	2.6	3.1	0.1	-0.7	2.0	1.8	3.4
<i>Public administration, social and personal services</i>	1.4	3.0	2.2	1.8	2.1	2.6	2.2	2.1	2.7	2.3
<i>Ownership of premises</i>	2.0	0.3	0.8	0.7	1.1	0.4	0.5	0.7	1.0	1.1
Taxes on products	-1.7	-4.8	6.3	-6.8	-10.4	-9.0	-10.3	-10.4	-3.4	-0.6
<b>GDP in chained (2012) dollars</b>	<b>2.1</b>	<b>-2.5</b>	<b>6.8</b>	<b>4.8</b>	<b>1.5</b>	<b>2.9</b>	<b>3.0</b>	<b>2.9</b>	<b>2.6</b>	<b>1.8</b>

Notes: (#) Figures are subject to revision later on as more data become available.

(a) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

**Table 5 : Balance of Payments by major component  
(at current prices)**

	(\$Mn)								
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>	<u>2013</u>		<u>2014</u>	
						Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Current account <sup>(a)</sup>	164,001	124,369	107,513	32,151	39,517	31,121	16,439	-3,723	-8,080
Goods	103,008	25,564	-58,203	-146,729	-203,302	-17,777	-27,296	-74,590	-81,217
Services	27,617	78,789	132,681	169,760	221,367	53,853	48,062	68,446	50,080
Primary income	49,762	37,596	52,826	29,455	42,170	368	997	7,290	27,822
Secondary income	-16,386	-17,580	-19,791	-20,336	-20,718	-5,323	-5,324	-4,869	-4,765
Capital and financial account <sup>(a)</sup>	-144,532	-88,838	-113,242	-67,664	-40,452	-8,589	-45,288	29,922	-11,997
Capital account	-3,021	-4,436	-2,021	-1,433	-1,594	-1,280	-67	-67	-168
Financial account	-141,511	-84,402	-111,220	-66,231	-38,858	-7,309	-45,221	29,989	-11,829
Financial non-reserve assets	470,987	-25,257	-24,437	122,658	19,032	-36,030	-446	62,173	392
<i>Direct investment</i>	-28,421	-122,026	1,868	-102,623	-115,542	11,563	45,716	-82,302	83,000
<i>Portfolio investment</i>	-310,083	-442,460	-10,979	-31,592	-333,625	-123,286	-212,416	-11,476	-53,545
<i>Financial derivatives</i>	24,560	18,677	20,884	15,208	8,066	10,598	1,041	18,052	23,815
<i>Other investment</i>	784,930	520,552	-36,210	241,665	460,132	65,095	165,214	137,899	-52,878
Reserve assets	-612,498	-59,145	-86,783	-188,889	-57,890	28,722	-44,775	-32,185	-12,221
Net errors and omissions	-19,470	-35,530	5,729	35,513	935	-22,531	28,849	-26,199	20,078
<b>Overall Balance of Payments</b>	<b>612,498</b>	<b>59,145</b>	<b>86,783</b>	<b>188,889</b>	<b>57,890</b>	<b>-28,722</b>	<b>44,775</b>	<b>32,185</b>	<b>12,221</b>

Notes: Individual figures may not add up exactly to the total due to rounding.

(a) In accordance with the accounting rules adopted in compiling Balance of Payments, a positive value for the balance figure in the current account represents a surplus whereas a negative value represents a deficit. In the capital and financial account, a positive value indicates a net financial inflow while a negative value indicates a net outflow. As increases in external assets are debit entries and decreases are credit entries, a negative value for the reserve assets represents a net increase while a positive value represents a net decrease.

(#) Figures are subject to revision later on as more data become available.

**Table 6 : Goods and services trade  
(at current market prices)**

(\$Mn)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>	<u>2013</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>
						Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>
Total exports of goods	2,500,143	3,068,444	3,420,076	3,591,776	3,816,390	1,015,104	870,681	949,609	1,026,915
Imports of goods	2,702,966	3,395,057	3,848,200	4,116,410	4,394,928	1,153,163	1,028,681	1,111,191	1,148,472
<b>Goods trade balance</b>	<b>-202,823</b>	<b>-326,613</b>	<b>-428,124</b>	<b>-524,634</b>	<b>-578,538</b>	<b>-138,059</b>	<b>-158,000</b>	<b>-161,582</b>	<b>-121,557</b>
	<b>&lt;-7.5&gt;</b>	<b>&lt;-9.6&gt;</b>	<b>&lt;-11.1&gt;</b>	<b>&lt;-12.7&gt;</b>	<b>&lt;-13.2&gt;</b>	<b>&lt;-12.0&gt;</b>	<b>&lt;-15.4&gt;</b>	<b>&lt;-14.5&gt;</b>	<b>&lt;-10.6&gt;</b>
Exports of services	672,794	829,044	941,178	1,003,047	1,063,231	286,109	266,101	246,278	281,934
Imports of services	339,346	398,078	438,576	455,382	466,628	127,284	114,245	115,833	123,676
<b>Services trade balance</b>	<b>333,448</b>	<b>430,966</b>	<b>502,602</b>	<b>547,665</b>	<b>596,603</b>	<b>158,825</b>	<b>151,856</b>	<b>130,445</b>	<b>158,258</b>
	<b>&lt;98.3&gt;</b>	<b>&lt;108.3&gt;</b>	<b>&lt;114.6&gt;</b>	<b>&lt;120.3&gt;</b>	<b>&lt;127.9&gt;</b>	<b>&lt;124.8&gt;</b>	<b>&lt;132.9&gt;</b>	<b>&lt;112.6&gt;</b>	<b>&lt;128.0&gt;</b>
Exports of goods and services	3,172,937	3,897,488	4,361,254	4,594,823	4,879,621	1,301,213	1,136,782	1,195,887	1,308,849
Imports of goods and services	3,042,312	3,793,135	4,286,776	4,571,792	4,861,556	1,280,447	1,142,926	1,227,024	1,272,148
<b>Goods and services trade balance</b>	<b>130,625</b>	<b>104,353</b>	<b>74,478</b>	<b>23,031</b>	<b>18,065</b>	<b>20,766</b>	<b>-6,144</b>	<b>-31,137</b>	<b>36,701</b>
	<b>&lt;4.3&gt;</b>	<b>&lt;2.8&gt;</b>	<b>&lt;1.7&gt;</b>	<b>&lt;0.5&gt;</b>	<b>&lt;0.4&gt;</b>	<b>&lt;1.6&gt;</b>	<b>&lt;-0.5&gt;</b>	<b>&lt;-2.5&gt;</b>	<b>&lt;2.9&gt;</b>

Notes: Figures in this table are reckoned on GDP basis and based on the *System of National Accounts 2008*, other than the change of ownership principle. For figures based on the change of ownership principle, please see Table 6a. For details about the change of ownership principle, please refer to the *Special Report on Gross Domestic Product* published by the Census and Statistics Department in September 2012.

(#) Figures are subject to revision later on as more data become available.

() As a percentage of the total value of imports of goods/services.

< > As a percentage of the total value of imports of goods and services.

**Table 6a : Goods and services trade based on the change of ownership principle**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>	<u>2013</u>		<u>2014</u>	
						Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>
<b><u>At current market prices (\$Mn)</u></b>									
Total exports of goods	2,454,394	3,021,492	3,406,765	3,632,957	3,945,256	1,068,467	905,735	978,673	1,076,564
Imports of goods	2,351,386	2,995,928	3,464,968	3,779,686	4,148,558	1,095,763	980,325	1,059,890	1,095,802
<b>Goods trade balance</b>	<b>103,008</b>	<b>25,564</b>	<b>-58,203</b>	<b>-146,729</b>	<b>-203,302</b>	<b>-27,296</b>	<b>-74,590</b>	<b>-81,217</b>	<b>-19,238</b>
	(4.4)	(0.9)	(-1.7)	(-3.9)	(-4.9)	(-2.5)	(-7.6)	(-7.7)	(-1.8)
Exports of services	501,303	625,719	710,716	764,026	817,948	211,684	211,258	193,691	212,668
Imports of services	473,686	546,930	578,035	594,266	596,581	163,622	142,812	143,611	156,729
<b>Services trade balance</b>	<b>27,617</b>	<b>78,789</b>	<b>132,681</b>	<b>169,760</b>	<b>221,367</b>	<b>48,062</b>	<b>68,446</b>	<b>50,080</b>	<b>55,939</b>
	(5.8)	(14.4)	(23.0)	(28.6)	(37.1)	(29.4)	(47.9)	(34.9)	(35.7)
Exports of goods and services	2,955,697	3,647,211	4,117,481	4,396,983	4,763,204	1,280,151	1,116,993	1,172,364	1,289,232
Imports of goods and services	2,825,072	3,542,858	4,043,003	4,373,952	4,745,139	1,259,385	1,123,137	1,203,501	1,252,531
<b>Goods and services trade balance</b>	<b>130,625</b>	<b>104,353</b>	<b>74,478</b>	<b>23,031</b>	<b>18,065</b>	<b>20,766</b>	<b>-6,144</b>	<b>-31,137</b>	<b>36,701</b>
	<4.6>	<2.9>	<1.8>	<0.5>	<0.4>	<1.6>	<-0.5>	<-2.6>	<2.9>
<b><u>Rates of change in real terms (%)</u></b>									
Total exports of goods	-11.2	18.0	4.6	3.2	8.8	8.6	2.6	3.9	1.9
Imports of goods	-7.0	19.9	6.7	4.6	10.3	9.7	3.4	2.7	1.2
Exports of services	1.7	15.3	5.7	2.7	6.8	6.3	4.0	-2.9	1.7
Imports of services	-12.9	10.0	-0.2	2.2	0.6	3.0	-1.6	2.9	1.5

Notes: Figures in this table are reckoned on GDP basis and based on the System of National Accounts 2008.

Statistics on goods and services trade presented in this table provide supplementary information for analysis of international trade in goods and services, compiled using the change of ownership principle in recording goods sent abroad for processing and merchanting under the *System of National Accounts 2008*. The statistics are consistent with the goods and services statistics in the current account of Hong Kong's Balance of Payments. For details about the change of ownership principle, please refer to the *Special Report on Gross Domestic Product* published by the Census and Statistics Department in September 2012.

(#) Figures are subject to revision later on as more data become available.

() As a percentage of the total value of imports of goods/services.

<> As a percentage of the total value of imports of goods and services.

**Table 7 : Total exports of goods by market  
(in value terms)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>		<u>2013</u>	<u>2014</u>		
	(% change)				(% change)		Q4	Q1	Q2	Q3
					(\$Mn)		(% change over a year earlier)			
<b>All markets</b>	<b>-12.6</b>	<b>22.8</b>	<b>10.1</b>	<b>2.9</b>	<b>3.6</b>	<b>3,559,686</b>	<b>4.8</b>	<b>0.7</b>	<b>4.8</b>	<b>5.8</b>
Mainland of China	-7.8	26.5	9.3	6.3	4.9	1,949,247	4.8	-1.7	5.2	4.6
United States	-20.6	16.4	-0.4	2.3	-2.1	331,303	-2.6	2.2	1.4	1.6
Japan	-10.0	17.2	5.9	6.5	-6.1	135,229	-4.7	-0.7	1.8	-3.2
India	0.2	42.4	25.6	-17.5	7.9	83,301	13.9	5.2	8.5	31.9
Taiwan	-0.4	25.4	24.3	-5.2	-4.3	77,359	-14.1	-5.6	0.2	12.5
Germany	-15.5	1.6	10.7	-12.8	-5.1	73,827	-7.8	-1.4	4.3	-3.3
Republic of Korea	-13.0	24.4	14.2	-4.0	9.0	64,128	19.5	0.3	1.6	2.2
Vietnam	16.6	33.9	37.3	9.9	15.5	58,580	21.4	9.9	11.6	16.4
Singapore	-23.6	20.7	10.3	-0.5	4.7	58,580	6.7	4.2	-2.2	3.3
United Kingdom	-20.8	1.9	-3.4	-6.0	-2.0	54,045	3.9	-4.2	8.6	1.0
Rest of the world	-20.2	20.9	15.1	0.6	5.7	674,087	11.5	6.6	6.4	10.9

Note: Individual figures may not add up exactly to the total due to rounding.

**Table 8 : Imports of goods by source  
(in value terms)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>		<u>2013</u>	<u>2014</u>		
	(% change)				(% change)	(\$Mn)	Q4	Q1	Q2	Q3
							(% change over a year earlier)			
<b>All sources</b>	<b>-11.0</b>	<b>25.0</b>	<b>11.9</b>	<b>3.9</b>	<b>3.8</b>	<b>4,060,717</b>	<b>4.3</b>	<b>2.1</b>	<b>4.5</b>	<b>5.7</b>
Mainland of China	-11.4	22.4	10.9	8.5	5.5	1,942,131	3.2	-2.4	2.9	5.0
Japan	-20.6	30.4	3.4	-2.2	-8.1	286,343	-2.3	2.3	6.2	-0.5
Taiwan	-8.5	28.0	7.2	1.6	6.9	261,895	8.2	11.3	14.7	19.7
Singapore	-10.4	35.9	7.2	-3.2	*	246,441	0.8	0.2	11.5	10.3
United States	-5.7	26.0	18.0	-3.3	7.4	219,678	23.2	4.2	2.3	-0.7
Republic of Korea	-12.7	29.8	12.2	2.4	3.4	158,709	-1.3	7.8	11.3	7.2
Malaysia	2.8	24.5	5.1	-6.0	4.7	87,601	21.9	25.7	30.6	11.3
India	-9.3	36.5	20.6	-5.5	6.7	87,321	3.6	1.0	1.8	12.4
Thailand	-9.7	32.5	0.3	-4.8	6.4	77,544	7.7	19.2	10.8	14.7
Switzerland	-11.5	26.3	51.7	-0.7	-1.7	77,195	2.0	2.6	2.6	3.4
Rest of the world	-8.2	19.2	20.2	5.8	3.8	615,861	4.0	5.4	-3.3	2.4

Notes: Individual figures may not add up exactly to the total due to rounding.

(\*) Change within  $\pm 0.05\%$ .

**Table 9 : Retained imports of goods by end-use category  
(in value terms)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>		<u>2013</u>	<u>2014</u>		
	(% change)				(% change)	(\$Mn)	Q4	Q1	Q2	Q3
							(% change over a year earlier)			
<b>Overall</b>	<b>-10.8</b>	<b>27.3</b>	<b>17.3</b>	<b>3.0</b>	<b>4.5</b>	<b>1,104,539</b>	<b>3.4</b>	<b>5.8</b>	<b>3.7</b>	<b>5.0</b>
Foodstuffs	9.9	17.0	18.8	5.1	14.7	131,774	20.8	5.0	15.6	11.7
Consumer goods	-14.0	33.8	36.0	5.9	1.0	267,900	-0.8	4.3	5.0	15.1
Raw materials and semi-manufactures	-6.4	32.3	0.2	-6.5	11.4	341,297	-1.3	20.9	8.4	11.3
Fuels	-18.4	33.8	21.9	-4.2	-2.7	132,065	5.4	-10.0	-2.1	-8.5
Capital goods	-18.7	12.9	27.3	19.0	-1.5	231,038	3.4	-6.6	-9.3	-14.1

Note: Individual figures may not add up exactly to the total due to rounding.

**Table 10 : Exports and imports of services by component  
(at current market prices)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>		<u>2013</u>	<u>2014</u>		
	(% change)				(% change)	(\$Mn)	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>
							(% change over a year earlier)			
<b>Exports of services</b>	<b>-6.7</b>	<b>23.2</b>	<b>13.5</b>	<b>6.6</b>	<b>6.0</b>	<b>1,063,231</b>	<b>5.0</b>	<b>3.8</b>	<b>-1.2</b>	<b>3.9</b>
Transportation	-18.6	26.3	7.8	-0.6	-2.2	242,995	2.1	*	1.9	0.4
Travel	6.7	35.6	28.4	15.8	17.7	301,969	9.4	10.2	-9.1	0.8
Trade-related	-4.3	18.0	11.0	3.9	2.6	288,559	2.9	1.5	3.4	5.0
Other services	-3.1	16.4	10.1	9.0	5.9	229,708	5.1	2.3	1.2	10.2
<b>Imports of services</b>	<b>-7.5</b>	<b>17.3</b>	<b>10.2</b>	<b>3.8</b>	<b>2.5</b>	<b>466,628</b>	<b>5.9</b>	<b>0.3</b>	<b>8.1</b>	<b>4.5</b>
Transportation	-21.6	20.7	14.3	2.3	-0.4	142,068	4.6	-0.3	5.3	3.5
Travel	-3.8	11.9	9.8	5.2	5.7	164,545	11.6	-2.7	12.8	5.2
Trade-related	0.5	21.6	1.1	1.7	-0.2	33,679	-0.7	2.9	4.6	4.2
Other services	5.7	19.5	8.7	4.6	2.4	126,336	2.7	3.9	6.0	4.9
<b>Net exports of services</b>	<b>-5.8</b>	<b>29.2</b>	<b>16.6</b>	<b>9.0</b>	<b>8.9</b>	<b>596,603</b>	<b>4.3</b>	<b>6.5</b>	<b>-8.2</b>	<b>3.4</b>

Notes: Individual figures may not add up exactly to the total due to rounding.

Figures are based on the *System of National Accounts 2008*, other than the change of ownership principle. For figures based on the change of ownership principle, please see Table 10a. For details about the change of ownership principle, please refer to the *Special Report on Gross Domestic Product* published by the Census and Statistics Department in September 2012.

(#) Figures are subject to revision later on as more data become available.

(\*) Change within  $\pm 0.05\%$ .

**Table 10a : Exports and imports of services based on the change of ownership principle by component (at current market prices)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>		<u>2013</u>	<u>2014</u>		
	(% change)			(% change)		(\$Mn)	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>
							(% change over a year earlier)			
<b>Exports of services</b>	<b>-7.9</b>	<b>24.8</b>	<b>13.6</b>	<b>7.5</b>	<b>7.1</b>	<b>817,948</b>	<b>5.7</b>	<b>4.4</b>	<b>-2.4</b>	<b>3.5</b>
Transportation	-18.6	26.3	7.8	-0.6	-2.2	242,995	2.1	*	1.9	0.4
Travel	6.7	35.6	28.4	15.8	17.7	301,969	9.4	10.2	-9.1	0.8
Other services	-4.6	16.2	8.1	8.3	5.4	272,984	4.7	2.2	1.5	9.3
<b>Imports of services</b>	<b>-16.2</b>	<b>15.5</b>	<b>5.7</b>	<b>2.8</b>	<b>0.4</b>	<b>596,581</b>	<b>2.9</b>	<b>-1.2</b>	<b>5.0</b>	<b>3.4</b>
Transportation	-21.6	20.7	14.3	2.3	-0.4	142,068	4.6	-0.3	5.3	3.5
Travel	-3.8	11.9	9.8	5.2	5.7	164,545	11.6	-2.7	12.8	5.2
Other services	-19.0	15.1	0.1	1.9	-2.0	289,968	-1.8	-0.8	*	2.2

Notes: Individual figures may not add up exactly to the total due to rounding.

Statistics on exports and imports of services presented in this table provide supplementary information for analysis of international trade in goods and services, compiled using the change of ownership principle in recording goods sent abroad for processing and merchanting under the *System of National Accounts 2008*. The statistics are consistent with the goods and services statistics in the current account of Hong Kong's Balance of Payments. For details about the change of ownership principle, please refer to the *Special Report on Gross Domestic Product* published by the Census and Statistics Department in September 2012.

(#) Figures are subject to revision later on as more data become available.

(\*) Change within  $\pm 0.05\%$ .

**Table 11 : Incoming visitors by source**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u> Q4	Q1	<u>2014</u> Q2	Q3
<u>('000)</u>									
<b>All sources</b>	<b>29 590.7</b>	<b>36 030.3</b>	<b>41 921.3</b>	<b>48 615.1</b>	<b>54 298.8</b>	<b>14 434.0</b>	<b>14 698.0</b>	<b>13 831.2</b>	<b>16 129.9</b>
Mainland of China	17 956.7	22 684.4	28 100.1	34 911.4	40 745.3	10 644.1	11 406.7	10 416.1	12 839.5
South and Southeast Asia	2 885.2	3 500.9	3 751.1	3 651.8	3 718.0	1 116.4	846.6	973.6	791.4
Taiwan	2 009.6	2 164.8	2 148.7	2 088.7	2 100.1	529.8	491.1	500.7	555.3
Europe	1 610.5	1 757.8	1 801.3	1 867.7	1 893.7	543.6	481.5	454.1	404.1
United States	1 070.1	1 171.4	1 212.3	1 184.8	1 109.8	308.8	264.4	296.6	262.3
Japan	1 204.5	1 316.6	1 283.7	1 254.6	1 057.0	281.5	274.4	254.0	285.7
Others	2 854.0	3 434.5	3 623.9	3 656.1	3 674.9	1 009.9	933.4	936.1	991.5
<u>(% change over a year earlier)</u>									
<b>All sources</b>	<b>0.3</b>	<b>21.8</b>	<b>16.4</b>	<b>16.0</b>	<b>11.7</b>	<b>9.0</b>	<b>15.3</b>	<b>9.6</b>	<b>11.2</b>
Mainland of China	6.5	26.3	23.9	24.2	16.7	11.1	20.1	11.8	13.8
South and Southeast Asia	-1.7	21.3	7.1	-2.6	1.8	6.7	3.4	0.1	-2.4
Taiwan	-10.3	7.7	-0.7	-2.8	0.5	0.9	-4.7	2.4	-2.0
Europe	-5.9	9.1	2.5	3.7	1.4	1.7	-0.3	-1.5	-0.5
United States	-6.7	9.5	3.5	-2.3	-6.3	-1.9	-2.2	4.1	6.7
Japan	-9.1	9.3	-2.5	-2.3	-15.7	8.6	2.6	7.1	5.4
Others	-13.1	20.3	5.5	0.9	0.5	3.7	5.2	8.2	8.6

Note: Individual figures may not add up exactly to the total due to rounding.

**Table 12 : Property market**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Completion of new property by the private sector</b>							
('000 m <sup>2</sup> of internal floor area)							
Residential property <sup>(a)</sup> (in units)	26 036	17 321	16 579	10 471	8 776	7 157	13 405
Commercial property	371	145	291	368	390	235	189
<i>of which :</i>							
Office space	279	34	108	320	341	151	124
Other commercial premises <sup>(b)</sup>	91	111	183	48	49	84	65
Industrial property <sup>(c)</sup>	1	17	27	16	78	3	21
<i>of which :</i>							
Industrial-cum-office premises	0	4	0	0	4	0	0
Conventional flatted factory space	1	0	0	16	70	3	21
Storage premises <sup>(d)</sup>	0	13	27	0	4	0	0
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	20 614	24 691	4 430	4 795	22 759	19 021	6 385
Subsidised sales flats <sup>(e)</sup>	0	0	0	2 010	2 200	370	1 110
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> of usable floor area)							
Residential property	530.0	550.7	706.7	900.0	530.0	546.8	570.5
Commercial property	161.3	481.9	468.4	327.5	147.7	178.3	158.4
Industrial property <sup>(f)</sup>	16.4	35.1	23.9	103.5	106.6	97.1	34.3
Other properties	407.1	408.0	199.2	207.7	212.8	253.2	459.2
Total	1 114.8	1 475.8	1 398.2	1 538.6	997.1	1 075.4	1 222.4
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	100 630	103 362	82 472	123 575	95 931	115 092	135 778
Primary market	25 694	15 994	13 986	20 123	11 046	16 161	13 646
Secondary market	74 936	87 368	68 486	103 452	84 885	98 931	122 132
Selected types of non-residential properties <sup>(h)</sup>							
Office space	3 213	3 431	2 874	4 129	2 845	2 521	3 591
Other commercial premises	7 833	7 143	4 402	5 490	4 149	5 359	7 639
Flatted factory space	5 889	6 560	7 409	9 072	5 741	5 554	8 206

Notes: Individual figures may not add up exactly to the total due to rounding.

- (a) Figures before 2002 cover all completed residential premises to which either temporary or full Occupation Permits have been granted, as well as village type houses issued with Letters of Compliance. Property developments subject to a Consent Scheme need a Certificate of Compliance, Consent to Assign or Consent to Lease in addition to an Occupation Permit before the premises can be individually assigned. Village-type housing units are excluded as from 2002 and units issued with temporary Occupation Permits are also excluded as from 2004 onwards.

Residential premises here pertain to private residential units, excluding units built under the Private Sector Participation Scheme (PSPS), Home Ownership Scheme (HOS), Buy or Rent Option, Mortgage Subsidy Scheme, Sandwich Class Housing Scheme, Urban Improvement Scheme (UIS) and Flat-for-Sale Scheme. Figures from 2004 onwards also cover those private flats converted from subsidised flats.

- (b) These include retail premises and other premises designed or adapted for commercial use, with the exception of purpose-built offices. Car-parking space and commercial premises built by the Hong Kong Housing Authority and the Hong Kong Housing Society are excluded.
- (c) These include industrial-cum-office premises, but exclude specialised factory buildings which are developed mainly for own use.
- (d) These include storage premises at the container terminals and the airport.

**Table 12 : Property market (Cont'd)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u> Q4	Q1	<u>2014</u> Q2	Q3
<b>Completion of new property by the private sector</b>							
('000 m <sup>2</sup> of internal floor area)							
Residential property <sup>(a)</sup> (in units)	9 449	10 149	8 254	3 818	2 879	4 653	4 652
Commercial property	197	226	161	62	75	11	7
<i>of which :</i>							
Office space	155	136	123	47	57	0	2
Other commercial premises <sup>(b)</sup>	42	90	39	16	18	11	6
Industrial property <sup>(c)</sup>	105	170	85	4	17	9	11
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	32	46	85	4	17	9	11
Storage premises <sup>(d)</sup>	73	123	0	0	0	0	0
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	17 787	9 778	20 898	2 549	3 566	990	N.A.
Subsidised sales flats <sup>(e)</sup>	0	0	0	0	0	0	N.A.
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> of usable floor area)							
Residential property	580.6	796.4	816.0	297.7	77.7	206.7	N.A.
Commercial property	133.6	210.2	309.5	114.0	43.3	100.4	N.A.
Industrial property <sup>(f)</sup>	109.3	70.7	138.1	25.0	0.0	20.8	N.A.
Other properties	232.7	428.9	136.4	105.7	68.7	48.3	N.A.
Total	1 056.2	1 506.1	1 400.1	542.3	189.7	376.2	N.A.
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	84 462	81 333	50 676	11 883	10 788	16 011	19 962
Primary market	10 880	12 968	11 046	3 986	3 595	3 352	5 295
Secondary market	73 582	68 365	39 630	7 897	7 193	12 659	14 667
Selected types of non-residential properties <sup>(h)</sup>							
Office space	3 071	3 269	1 685	263	205	238	315
Other commercial premises	5 980	7 282	4 305	808	671	838	884
Flatted factory space	7 619	9 731	4 271	619	596	669	858

Notes: (e) The series, sourced from the Housing Authority's housing production figures, exhaustively cover all housing production and to count projects (including surplus HOS projects) which undergo transfer of usage at the time of disposal and according to their actual usage. Moreover, surplus HOS courts and blocks pending disposal are excluded from production statistics until they are disposed. Rental and sales flats projects of the Housing Society are included.

(f) These include multi-purpose industrial premises designed also for office use.

(g) The figures are derived from sale and purchase agreements of domestic units received for registration for the relevant periods. They generally relate to transactions executed up to four weeks prior to their submission for registration. Sales of domestic units refer to sale and purchase agreements with payment of stamp duty. These statistics do not include sales of units under the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenants Purchase Scheme except those after payment of premium. Primary sales generally refer to sales from developers. Secondary sales refer to sales from parties other than developers.

(h) Timing of the figures for non-residential properties is based on the date on which the sale and purchase agreement is signed, which may differ from the date on which the agreement is received for registration.

N.A. Not yet available.

**Table 13 : Property prices and rentals**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	78.0	92.0	92.7	103.5	120.5	121.3	150.9
Office space	99.3	133.0	139.3	165.5	199.0	179.8	230.4
Shopping space	119.3	149.3	153.5	172.5	192.2	193.1	257.2
Flatted factory space	88.6	125.0	158.5	199.5	235.9	216.3	284.4
Property rental indices <sup>(b)</sup> :							
Residential flats	77.7	86.5	91.6	101.8	115.7	100.4	119.7
Office space	78.1	96.4	117.4	131.9	155.5	135.7	147.6
Shopping space	92.8	100.5	104.3	111.8	116.2	110.9	122.9
Flatted factory space	77.3	82.6	91.0	100.5	109.3	99.4	108.9
<u>(% change)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	26.6	17.9	0.8	11.7	16.4	0.7	24.4
Office space	58.9	33.9	4.7	18.8	20.2	-9.6	28.1
Shopping space	39.5	25.1	2.8	12.4	11.4	0.5	33.2
Flatted factory space	23.6	41.1	26.8	25.9	18.2	-8.3	31.5
Property rental indices <sup>(b)</sup> :							
Residential flats	5.6	11.3	5.9	11.1	13.7	-13.2	19.2
Office space	4.7	23.4	21.8	12.4	17.9	-12.7	8.8
Shopping space	7.4	8.3	3.8	7.2	3.9	-4.6	10.8
Flatted factory space	3.2	6.9	10.2	10.4	8.8	-9.1	9.6

Notes: (a) Figures pertain to prices of existing flats traded in the secondary market, but not new flats sold in the primary market.

(b) All rental indices shown in this table have been adjusted for concessionary leasing terms such as provision of refurbishment, granting of rent-free periods, and waiver of miscellaneous charges, if known.

For residential property, changes in rentals cover only new tenancies for which rentals are freshly determined.

For non-residential property, changes in rentals cover also lease renewals upon which rentals may be revised.

(#) Figures for non-residential property are provisional.

(+) Provisional figures.

**Table 13 : Property prices and rentals (Cont'd)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u> Q4	Q1	<u>2014</u> Q2 <sup>#</sup>	Q3 <sup>+</sup>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	182.1	206.2	242.4	245.2	244.2	247.6	261.0
Office space	297.9	334.7	409.8	414.1	417.2	420.8	425.2
Shopping space	327.4	420.5	506.8	505.9	505.5	512.5	522.0
Flatted factory space	385.0	489.8	655.4	655.9	653.2	662.6	673.5
Property rental indices <sup>(b)</sup> :							
Residential flats	134.0	142.6	154.5	156.8	155.3	156.6	160.5
Office space	169.9	188.3	204.1	208.1	209.1	211.9	215.3
Shopping space	134.3	151.3	165.5	167.9	169.3	172.3	174.2
Flatted factory space	118.6	131.9	147.3	151.8	153.9	158.0	162.3
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	20.7	13.2	17.6	8.6	2.8	2.7	6.3
Office space	29.3	12.4	22.4	11.4	4.2	2.7	2.4
Shopping space	27.3	28.4	20.5	6.0	0.8	0.7	2.2
Flatted factory space	35.4	27.2	33.8	15.1	2.6	0.7	0.4
Property rental indices <sup>(b)</sup> :							
Residential flats	11.9	6.4	8.3	4.0	2.4	2.0	3.0
Office space	15.1	10.8	8.4	7.7	6.2	4.1	3.6
Shopping space	9.3	12.7	9.4	6.5	5.5	4.0	3.6
Flatted factory space	8.9	11.2	11.7	10.7	9.5	8.1	7.6

**Table 14 : Monetary aggregates**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>(as at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	412,629	348,248	387,909	454,342	491,115	671,241	730,093
M2 <sup>(a)</sup>	2,208,591	2,329,669	2,777,679	3,281,017	3,239,857	3,587,717	3,866,788
M3 <sup>(a)</sup>	2,219,557	2,345,838	2,795,545	3,300,500	3,261,306	3,604,843	3,878,193
Total money supply (\$Mn)							
M1	484,494	434,684	491,648	616,709	645,833	901,819	1,017,227
M2	4,166,706	4,379,057	5,054,332	6,106,348	6,268,058	6,602,310	7,136,271
M3	4,189,544	4,407,188	5,089,741	6,139,758	6,300,751	6,626,843	7,156,260
Deposit (\$Mn)							
HK\$	2,017,911	2,131,579	2,568,283	3,075,042	3,033,980	3,373,595	3,617,183
Foreign currency	1,848,145	1,936,322	2,188,993	2,793,856	3,024,004	3,007,445	3,245,081
Total	3,866,056	4,067,901	4,757,275	5,868,898	6,057,984	6,381,040	6,862,265
Loans and advances (\$Mn)							
HK\$	1,666,740	1,797,350	1,917,437	2,184,705	2,354,755	2,401,323	2,824,445
Foreign currency	488,964	514,637	550,392	776,971	930,883	887,160	1,403,281
Total	2,155,704	2,311,987	2,467,828	2,961,676	3,285,638	3,288,483	4,227,726
Nominal Effective Exchange Rate Indices (Jan 2010 =100) <sup>(b)</sup>							
Trade-weighted	113.6	112.6	111.1	106.3	100.7	101.9	99.5
Import-weighted	115.4	114.1	112.6	107.6	101.3	102.2	99.2
Export-weighted	111.7	110.9	109.6	104.8	100.1	101.6	99.8
<u>(% change)</u>							
Hong Kong dollar money supply							
M1	16.3	-15.6	11.4	17.1	8.1	36.7	8.8
M2 <sup>(a)</sup>	4.8	5.5	19.2	18.1	-1.3	10.7	7.8
M3 <sup>(a)</sup>	4.6	5.7	19.2	18.1	-1.2	10.5	7.6
Total money supply							
M1	17.2	-10.3	13.1	25.4	4.7	39.6	12.8
M2	9.3	5.1	15.4	20.8	2.6	5.3	8.1
M3	8.6	5.2	15.5	20.6	2.6	5.2	8.0
Deposit							
HK\$	4.5	5.6	20.5	19.7	-1.3	11.2	7.2
Foreign currency	13.0	4.8	13.0	27.6	8.2	-0.5	7.9
Total	8.4	5.2	16.9	23.4	3.2	5.3	7.5
Loans and advances							
HK\$	6.0	7.8	6.7	13.9	7.8	2.0	17.6
Foreign currency	5.8	5.3	6.9	41.2	19.8	-4.7	58.2
Total	5.9	7.2	6.7	20.0	10.9	0.1	28.6
Nominal Effective Exchange Rate Indices (Jan 2010 =100) <sup>(b)</sup>							
Trade-weighted	-2.4	-0.9	-1.3	-4.3	-5.3	1.2	-2.4
Import-weighted	-2.4	-1.1	-1.3	-4.4	-5.9	0.9	-2.9
Export-weighted	-2.4	-0.7	-1.2	-4.4	-4.5	1.5	-1.8

**Definition of Terms :**

The Hong Kong Dollar Money Supply is the Hong Kong dollar component of the respective monetary aggregate.

**Total Money Supply:**

- M1: Legal tender notes and coins with the public, plus customers' demand deposits with licensed banks.
- M2: M1 plus customers' savings and time deposits with licensed banks, plus negotiable certificates of deposit issued by licensed banks and held outside the monetary sector.
- M3: M2 plus customers' deposits with restricted licence banks and deposit-taking companies, plus negotiable certificates of deposit issued by such institutions and held outside the monetary sector.

**Table 14 : Monetary aggregates (Cont'd)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u> Q4	Q1	<u>2014</u> Q2	Q3
<u>(as at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	794,726	920,920	1,000,344	1,000,344	1,014,042	1,081,475	1,100,139
M2 <sup>(a)</sup>	4,046,216	4,537,384	4,795,130	4,795,130	4,861,544	5,140,282	5,211,895
M3 <sup>(a)</sup>	4,055,404	4,545,590	4,806,012	4,806,012	4,873,038	5,151,120	5,222,564
Total money supply (\$Mn)							
M1	1,127,320	1,377,359	1,510,895	1,510,895	1,522,509	1,628,109	1,677,934
M2	8,057,530	8,950,005	10,056,437	10,056,437	10,145,621	10,599,021	10,911,013
M3	8,081,079	8,970,396	10,085,243	10,085,243	10,177,899	10,632,038	10,947,314
Deposit (\$Mn)							
HK\$	3,740,240	4,176,200	4,390,953	4,390,953	4,445,310	4,712,873	4,785,302
Foreign currency	3,851,020	4,120,234	4,789,109	4,789,109	4,743,682	4,899,221	5,134,317
Total	7,591,260	8,296,434	9,180,062	9,180,062	9,188,992	9,612,094	9,919,620
Loans and advances (\$Mn)							
HK\$	3,160,002	3,333,059	3,606,018	3,606,018	3,747,851	3,889,193	3,915,548
Foreign currency	1,920,659	2,233,751	2,850,795	2,850,795	3,078,485	3,184,500	3,294,476
Total	5,080,661	5,566,810	6,456,813	6,456,813	6,826,336	7,073,693	7,210,024
Nominal Effective Exchange Rate Indices							
<u>(Jan 2010 =100)<sup>(b)</sup></u>							
Trade-weighted	94.6	94.9	94.9	94.6	95.1	95.8	95.7
Import-weighted	93.9	94.2	94.7	94.6	95.1	95.8	95.6
Export-weighted	95.4	95.6	95.1	94.7	95.0	95.9	95.8
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	8.9	15.9	8.6	8.6	7.3	13.1	11.4
M2 <sup>(a)</sup>	4.6	12.1	5.7	5.7	7.1	13.1	9.7
M3 <sup>(a)</sup>	4.6	12.1	5.7	5.7	7.1	13.1	9.7
Total money supply							
M1	10.8	22.2	9.7	9.7	9.5	14.0	13.1
M2	12.9	11.1	12.4	12.4	12.1	15.0	12.2
M3	12.9	11.0	12.4	12.4	12.2	15.0	12.3
Deposit							
HK\$	3.4	11.7	5.1	5.1	6.7	13.1	9.9
Foreign currency	18.7	7.0	16.2	16.2	13.3	13.6	12.8
Total	10.6	9.3	10.7	10.7	10.0	13.3	11.4
Loans and advances							
HK\$	11.9	5.5	8.2	8.2	11.6	11.4	8.9
Foreign currency	36.9	16.3	27.6	27.6	29.5	22.2	17.5
Total	20.2	9.6	16.0	16.0	19.0	16.0	12.7
Nominal Effective Exchange Rate Indices							
<u>(Jan 2010 =100)<sup>(b)</sup></u>							
Trade-weighted	-4.9	0.3	0.0	0.4	0.4	0.8	0.4
Import-weighted	-5.3	0.3	0.5	1.2	0.8	1.1	0.4
Export-weighted	-4.4	0.2	-0.5	-0.2	-0.2	0.7	0.4

Notes: (a) Adjusted to include foreign currency swap deposits.

(b) Period average.

**Table 15 : Rates of change in business receipts indices for services industries/domains**

(%)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>		<u>2014</u>	
					Q3	Q4	Q1	Q2
<b>Services Industry</b>								
Import and export trade	19.7	8.9	-1.3	-0.3	0.2	-1.8	0.9	-0.5
Wholesale	25.0	12.7	3.2	4.3	3.4	5.1	3.1	3.4
Retail	18.3	24.9	9.8	11.0	7.5	6.8	4.2	-7.0
Transportation	24.5	4.4	0.9	1.4	-0.3	4.3	5.9	7.2
<i>within which :</i>								
Land transport	6.0	7.0	11.9	8.0	6.6	11.4	8.5	8.0
Water transport	20.5	0.6	-2.4	-2.9	-7.1	-2.0	4.9	8.7
Air transport	33.7	6.7	0.3	2.4	2.7	6.5	5.5	5.8
Warehousing and storage	9.5	9.4	25.2	8.2	14.4	16.6	10.8	10.0
Courier	28.3	17.3	16.1	26.1	53.0	19.8	24.7	13.8
Accommodation services <sup>(a)</sup>	25.3	19.6	13.8	5.6	2.6	2.9	10.0	9.8
Food services	5.1	6.4	5.0	3.5	3.8	2.0	3.6	3.8
Information and communications	4.9	8.8	9.3	6.0	6.7	2.4	-0.1	-0.4
<i>within which :</i>								
Telecommunications	3.0	8.1	14.7	8.0	11.1	3.8	1.0	5.3
Film entertainment	-6.4	-5.6	1.9	-4.3	-5.2	-7.9	-2.5	-17.8
Banking	8.8	10.8	9.4	16.8	16.8	18.6	5.5	3.8
Financing (except banking)	16.7	-2.4	1.6	2.6	10.5	-5.4	-5.8	0.7
<i>within which :</i>								
Financial markets and asset management	15.3	-3.2	1.7	1.0	9.9	-8.2	-4.7	0.4
<i>within which : Asset management</i>	28.4	10.6	-5.4	14.9	13.1	19.5	4.8	4.9
Insurance	8.3	9.4	13.6	15.1	16.0	18.6	23.1	19.0
Real estate	11.4	-0.9	11.8	0.1	-10.6	8.4	2.3	22.1
Professional, scientific and technical services	13.9	7.3	-0.5	7.2	6.7	7.3	6.9	6.2
Administrative and support services	12.3	10.2	8.2	9.5	10.8	8.6	11.6	10.2
<b>Services Domain</b>								
Tourism, convention and exhibition services	30.6	23.8	15.1	17.8	15.3	9.7	6.9 <sup>+</sup>	-7.5 <sup>+</sup>
Computer and information technology services	32.5	10.4	15.1	2.1	0.4	0.8	-7.8	0.7

Notes: Upon the implementation of the new HSIC Version 2.0 by the C&SD in October 2008, the new classification has been adopted in compiling the quarterly business receipts indices. Starting from the first quarter of 2009, all business receipts indices are compiled based on the HSIC Version 2.0, and the base period of the indices has been changed to 2008 (i.e. with the quarterly average of the indices in 2008 taken as 100). The series of business receipts indices under the HSIC Version 2.0 has also been backcasted to the first quarter of 2005.

(a) Accommodation services covers hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(+) Provisional figures.

**Table 16 : Labour force characteristics**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u> Q4	Q1	<u>2014</u> Q2	Q3
<u>(%)</u>									
Labour force participation rate	60.8	59.6	60.1	60.5	61.2	61.1	60.5	60.9	61.6
Seasonally adjusted unemployment rate	5.3	4.3	3.4	3.3	3.4	3.2	3.1	3.2	3.3
Underemployment rate	2.3	2.0	1.7	1.5	1.5	1.4	1.3	1.5	1.5
<u>('000)</u>									
Population of working age	6 022.9	6 093.8	6 164.4	6 253.4	6 304.6	6 331.2	6 335.3	6 359.0	6 363.6
Labour force	3 660.3	3 631.3	3 703.1	3 785.2	3 858.8	3 865.6	3 833.9	3 872.3	3 918.6
Persons employed	3 467.6	3 474.1	3 576.4	3 660.7	3 728.0	3 747.0	3 714.8	3 744.7	3 785.7
Persons unemployed	192.6	157.2	126.7	124.5	130.8	118.7	119.1	127.6	132.9
Persons underemployed	83.8	72.5	63.3	57.6	58.2	55.5	48.4	58.0	57.0
<u>(% change over a year earlier)</u>									
Population of working age	0.8	1.2	1.2	1.4	0.8	0.8	0.6	0.9	0.8
Labour force	0.6	-0.8	2.0	2.2	1.9	1.9	-0.1	0.2	1.2
Persons employed	-1.2	0.2	2.9	2.4	1.8	1.9	0.3	0.4	1.3
Persons unemployed	50.4	-18.4	-19.4	-1.8	5.1	1.6	-11.1	-4.2	-1.0
Persons underemployed	23.4	-13.5	-12.7	-9.0	1.1	-0.7	-19.8	-5.4	0.4

**Table 17 : Employment in selected major industries**

Selected major industries	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>			<u>2014</u>		
	(% change)					Sep	Dec	Mar	Jun		
						(% change over a year earlier)					(No.)
Manufacturing	-5.7	-4.5	-5.6	-5.1	-3.0	-2.7	-1.5	-0.5	-1.1	102 222	
Construction sites (manual workers only)	2.2	9.6	13.2	13.8	11.2	6.3	13.4	1.0	-3.4	79 734	
Import and export trade	-4.4	0.9	-0.3	-1.1	-0.2	-0.4	-0.2	-0.9	*	491 632	
Wholesale	-2.0	1.2	*	-0.6	-2.0	-2.5	-1.3	-1.0	-0.3	62 461	
Retail	-0.3	3.3	4.0	2.5	2.3	1.9	2.9	2.8	2.7	271 904	
Food and beverage services	*	3.7	6.6	1.6	0.9	0.2	0.5	1.4	2.1	242 854	
Accommodation services <sup>(a)</sup>	-1.0	1.5	5.8	9.2	5.0	4.4	6.3	5.9	5.3	40 300	
Transportation, storage, postal and courier services	1.1	1.5	2.0	1.8	2.0	2.5	2.6	2.1	3.1	174 547	
Information and communications	-1.6	1.3	3.4	5.6	5.1	5.2	6.2	4.6	2.4	103 517	
Financing and insurance	-0.5	4.8	6.3	1.9	1.0	2.1	2.8	2.5	3.2	213 994	
Real estate	0.5	4.1	8.0	4.2	1.6	0.3	0.5	*	0.2	126 624	
Professional and business services (excluding cleaning and similar services)	0.9	2.2	4.2	3.4	4.5	4.6	5.9	4.4	3.4	274 365	
Cleaning and similar services	6.7	13.7	9.5	3.3	1.6	0.7	1.6	0.7	-0.1	79 001	
Education	5.3	3.4	1.5	2.4	2.8	3.0	2.4	3.3	4.1	184 238	
Human health services	3.8	3.0	4.1	4.9	5.2	5.4	4.9	4.9	4.2	110 252	
Residential care and social work services	1.5	1.8	1.3	2.0	0.5	*	-0.5	-0.9	0.1	59 140	
Arts, entertainment, recreation and other services	0.8	5.0	2.8	0.6	1.6	1.9	2.5	5.6	6.1	126 357	
Civil service <sup>(b)</sup>	1.1	0.5	0.7	1.1	1.3	1.5	1.7	1.4	1.2	162 797	
Others <sup>(c)</sup>	-1.0	3.1	-0.6	-5.1	3.5	5.3	6.6	6.6	3.6	11 049	

Notes: Starting from March 2009, the survey coverage has been expanded to include more economic activities in some of the industries due to the change in industrial classification based on the Hong Kong Standard Industrial Classification Version 2.0. The activities newly covered are in the industries of transportation, storage, postal and courier services; professional and business services; and arts, entertainment, recreation and other services. The series of employment statistics under the HSIC Version 2.0 has also been backcasted to March 2000.

- (a) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.
- (b) These figures cover only those employed on civil service terms of appointment. Judges, judicial officers, ICAC officers, locally engaged staff working in the Hong Kong Economic and Trade Offices outside Hong Kong, and other government employees such as non-civil service contract staff are not included.
- (c) Include employment in mining and quarrying; and in electricity and gas supply, and waste management.
- (\*) Change within  $\pm 0.05\%$ .

**Table 18 : Number of manual workers engaged at building and construction sites**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>		<u>2014</u>	
						Sep	Dec	Mar	Jun
<u>(Number)</u>									
Building sites									
Private sector	28 776	28 620	31 780	37 687	41 308	39 450	42 719	43 676	41 792
Public sector <sup>(a)</sup>	10 277	11 463	12 335	10 578	9 860	8 508	8 487	8 785	9 932
Sub-total	39 053	40 083	44 115	48 265	51 168	47 958	51 206	52 461	51 724
Civil engineering sites									
Private sector	1 618	1 544	1 250	1 410	1 322	1 504	1 578	1 507	1 593
Public sector <sup>(a)</sup>	9 831	13 714	17 270	21 621	26 813	27 342	27 277	24 602	26 417
Sub-total	11 449	15 258	18 520	23 030	28 135	28 846	28 855	26 109	28 010
<b>Total</b>	<b>50 501</b>	<b>55 341</b>	<b>62 635</b>	<b>71 295</b>	<b>79 303</b>	<b>76 804</b>	<b>80 061</b>	<b>78 570</b>	<b>79 734</b>
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	-0.4	-0.5	11.0	18.6	9.6	5.6	17.2	9.6	-3.3
Public sector <sup>(a)</sup>	26.3	11.5	7.6	-14.2	-6.8	-24.8	-19.8	-25.2	-7.2
Sub-total	5.5	2.6	10.1	9.4	6.0	-1.5	8.9	1.7	-4.1
Civil engineering sites									
Private sector	-4.0	-4.6	-19.0	12.8	-6.2	2.1	16.1	42.8	38.6
Public sector <sup>(a)</sup>	-8.1	39.5	25.9	25.2	24.0	23.8	23.0	-2.2	-3.9
Sub-total	-7.6	33.3	21.4	24.4	22.2	22.5	22.6	-0.4	-2.1
<b>Total</b>	<b>2.2</b>	<b>9.6</b>	<b>13.2</b>	<b>13.8</b>	<b>11.2</b>	<b>6.3</b>	<b>13.4</b>	<b>1.0</b>	<b>-3.4</b>

Notes: Individual figures may not add up exactly to the total due to rounding.

(a) Including the Mass Transit Railway Corporation Limited and the Airport Authority Hong Kong.

**Table 19 : Rates of change in indices of payroll per person engaged  
by selected industry section**

(%)

Selected industry section	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>		<u>2014</u>	
						Q3	Q4	Q1	Q2
<b>(in nominal terms)</b>									
Manufacturing	-3.5	2.3	7.7	8.2	3.3	3.1	2.8	4.1	5.7
Import/export and wholesale trade	-1.8	2.0	12.8	4.6	3.3	5.8	3.1	1.7	4.4
Retail trade	-1.4	3.9	12.0	10.1	6.7	6.9	6.8	6.8	4.5
Transportation, storage, postal and courier services	-0.7	4.0	4.1	1.2	5.4	4.9	5.0	4.1	3.6
Accommodation <sup>(a)</sup> and food service activities	-0.9	3.4	9.5	6.2	6.7	7.7	6.9	5.9	5.1
Information and communications	0.2	2.5	7.5	8.2	5.4	5.6	6.3	6.6	3.9
Financial and insurance activities	-3.5	6.5	12.4	4.7	4.6	3.0	3.8	8.7	4.8
Real estate activities	-2.1	1.8	10.8	7.7	5.9	7.5	4.8	4.4	5.7
Professional and business services	0.7	2.2	2.1	4.7	7.1	8.0	7.6	7.9	6.4
Social and personal services	1.7	-2.4	3.2	7.6	3.6	2.0	3.7	3.3	3.9
<b>All selected industry sections surveyed</b>	<b>0.7</b>	<b>2.1</b>	<b>7.8</b>	<b>6.5</b>	<b>5.4</b>	<b>5.9</b>	<b>5.3</b>	<b>5.1</b>	<b>4.8</b>
<b>(in real terms)</b>									
Manufacturing	-4.1	0.1	2.1	3.9	-0.8	-2.1	-1.4	*	1.9
Import/export and wholesale trade	-2.5	-0.3	7.2	0.4	-1.0	0.4	-1.1	-2.3	0.7
Retail trade	-2.1	1.5	6.3	5.7	2.3	1.5	2.4	2.6	0.7
Transportation, storage, postal and courier services	-1.3	1.6	-1.2	-2.7	1.0	-0.5	0.7	*	-0.1
Accommodation <sup>(a)</sup> and food service activities	-1.6	1.0	4.1	2.0	2.3	2.2	2.5	1.7	1.3
Information and communications	-0.4	0.1	2.2	4.0	1.0	0.2	1.9	2.3	0.2
Financial and insurance activities	-4.2	4.1	7.0	0.5	0.4	-2.3	-0.4	4.4	1.0
Real estate activities	-2.6	-0.4	5.2	3.6	1.4	2.0	0.5	0.3	1.9
Professional and business services	0.1	*	-3.1	0.7	2.6	2.4	3.2	3.6	2.6
Social and personal services	1.2	-4.6	-2.1	3.6	-0.8	-3.2	-0.5	-0.8	0.2
<b>All selected industry sections surveyed</b>	<b>*</b>	<b>-0.2</b>	<b>2.4</b>	<b>2.3</b>	<b>1.1</b>	<b>0.5</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

Notes: The rates of change in real terms are compiled from the Real Indices of Payroll per Person Engaged. The Indices are derived by deflating the Nominal Indices of Payroll per Person Engaged by the 2009/10-based Composite CPI.

In addition to wages, which include all regular and guaranteed payments like basic pay and stipulated bonuses and allowances, payroll also covers overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in industrial and occupational coverage, the movements in payroll per person engaged, do not necessarily match closely with those in wage rates.

(a) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(\*) Change within  $\pm 0.05\%$ .

**Table 20 : Rates of change in wage indices  
by selected industry section**

	(%)								
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>		<u>2014</u>	
Selected industry section						Sep	Dec	Mar	Jun
<b>(in nominal terms)</b>									
Manufacturing	-1.0	-1.0	6.7	4.3	4.7	5.1	4.7	4.8	4.5
Import/export, wholesale and retail trades	-1.1	2.7	7.7	4.5	2.9	3.4	1.9	0.9	4.1
Transportation	*	1.1	4.1	3.3	3.9	3.9	4.1	4.3	4.9
Accommodation <sup>(a)</sup> and food service activities	-2.2	2.5	9.4	7.9	5.7	5.5	3.7	5.0	4.3
Financial and insurance activities <sup>(b)</sup>	-0.4	2.9	6.7	4.2	4.4	4.0	2.8	2.7	2.8
Real estate leasing and maintenance management	-0.3	2.6	8.7	7.6	9.3	9.4	9.7	9.7	5.2
Professional and business services	0.8	3.4	12.9	6.5	5.9	6.1	8.1	9.1	6.2
Personal services	-0.5	3.6	10.0	9.2	6.2	5.4	5.4	7.8	7.9
<b>All industries surveyed</b>	<b>-0.9</b>	<b>2.5</b>	<b>8.1</b>	<b>5.6</b>	<b>4.7</b>	<b>4.8</b>	<b>4.1</b>	<b>4.1</b>	<b>4.5</b>
<b>(in real terms)</b>									
Manufacturing	-1.4	-3.6	0.9	0.6	-0.2	*	0.4	0.5	0.6
Import/export, wholesale and retail trades	-1.5	-0.2	2.4	0.6	-1.7	-1.6	-2.3	-3.2	0.3
Transportation	-0.6	-1.6	-1.2	-0.7	-0.6	-1.2	-0.2	0.0	1.0
Accommodation <sup>(a)</sup> and food service activities	-2.6	-0.4	3.9	3.8	1.1	0.4	-0.5	0.7	0.5
Financial and insurance activities <sup>(b)</sup>	-0.9	0.3	1.4	0.1	*	-1.0	-1.4	-1.5	-0.9
Real estate leasing and maintenance management	-0.7	-0.4	3.5	3.4	4.5	4.1	5.2	5.2	1.4
Professional and business services	0.5	0.6	7.0	2.2	1.4	1.0	3.6	4.6	2.3
Personal services	-0.8	0.7	4.2	5.3	1.5	0.3	1.1	3.4	4.0
<b>All industries surveyed</b>	<b>-1.3</b>	<b>-0.4</b>	<b>2.7</b>	<b>1.6</b>	<b>0.1</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.7</b>

Notes: The rates of change in real terms are compiled from the Real Wage Indices. The Indices are derived by deflating the Nominal Wage Indices by the 2009/10-based CPI(A).

(a) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(b) Excluding stock, commodity and bullion brokers, exchanges and services companies; insurance agents and brokers; and real estate agencies.

(\*) Change within  $\pm 0.05\%$ .

**Table 21 : Monthly wage level and distribution analysed  
by industry section : all business undertakings**

(HK\$)

Industry Section	May – Jun 2012			May – Jun 2013		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(a)</sup>	9,500	12,500	18,000	10,800	13,300	20,000
Electricity and gas supply; sewerage, waste management and remediation activities	15,000	23,000	36,800	16,200	23,500	37,000
Construction	12,100	16,100	21,000	13,800	17,600	22,300
Import and export trade	10,400	15,000	22,000	11,200	15,500	24,000
Wholesale	9,000	11,600	15,500	10,000	12,200	17,300
Retail trade	7,800	10,300	14,100	8,100	10,900	14,900
<i>within which:</i>						
Supermarkets and convenience stores	5,600	9,100	11,500	5,600	9,500	11,900
Other retail stores	8,000	10,600	14,800	8,400	11,100	15,500
Land transport	11,000	14,000	22,000	11,700	15,000	22,500
Other transportation, storage, postal and courier services <sup>(b)</sup>	10,000	13,500	19,400	11,400	14,800	20,700
Restaurants	7,500	9,400	12,700	7,800	10,000	13,100
<i>within which:</i>						
Hong Kong style tea cafes	7,500	9,100	12,200	8,400	9,800	13,000
Chinese restaurants	8,400	10,600	14,800	9,100	11,100	15,100
Restaurants, other than Chinese	8,100	9,800	12,500	8,700	10,400	13,600
Fast food cafes <sup>(c)</sup>	3,500	7,500	9,800	3,800	7,800	9,900
Accommodation <sup>(d)</sup> and other food service activities	10,000	12,500	16,200	10,400	13,000	16,700
Information and communications	12,600	17,000	27,000	13,000	18,200	29,000
Financing and insurance	14,900	22,000	39,000	15,000	22,600	39,600
Real estate activities <sup>(e)</sup>	11,700	17,500	25,400	12,000	18,000	27,000
Estate management, security and cleaning services	7,300	9,100	10,800	7,700	9,700	11,800
<i>within which:</i>						
Real estate maintenance management	8,800	10,000	12,000	9,400	10,800	13,700
Security services <sup>(f)</sup>	8,400	9,500	10,500	8,700	10,000	11,600
Cleaning services	6,000	7,300	7,800	6,200	7,400	8,400
Membership organisations <sup>(g)</sup>	7,000	9,300	15,000	7,100	10,100	16,100
Professional, scientific and technical services	11,500	18,500	28,100	12,000	19,200	29,700
Administrative and support services activities	9,200	12,800	19,500	10,200	14,000	22,000
Travel agency, reservation service and related activities	9,000	11,400	16,000	10,000	12,000	17,000
Education and public administration (excluding the Government)	11,400	23,500	42,000	12,000	24,200	42,300
Human health activities; and beauty and body prettifying treatment	10,700	15,500	40,000	11,400	15,800	40,000
Miscellaneous activities	7,700	9,200	12,400	8,300	9,800	13,000
<i>within which:</i>						
Elderly homes	8,700	9,800	11,700	9,400	10,600	13,100
Laundry and dry cleaning services	6,200	8,100	10,400	6,900	8,900	11,300
Hairdressing and other personal services	7,600	8,600	12,500	8,600	9,400	12,600
Local courier services	6,900	7,500	9,700	7,000	8,100	11,000
Food processing and production	7,600	9,300	13,700	7,900	10,200	14,400
Other activities not classified above	9,000	12,500	17,700	9,400	12,700	20,000
<b>All industry sections above</b>	<b>9,500</b>	<b>13,400</b>	<b>20,900</b>	<b>10,000</b>	<b>14,100</b>	<b>22,000</b>

Notes: Monthly wages are rounded to the nearest hundred of Hong Kong dollar.

(a) Excluding food processing and production.

(b) Excluding local courier services.

(c) Including takeaway shops.

(d) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(e) Excluding real estate maintenance management.

(f) Including investigation activities and services to buildings and landscape care activities.

(g) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

**Table 22 : Hourly wage level and distribution analysed  
by industry section : all business undertakings**

(HK\$)

Industry Section	May – Jun 2012			May – Jun 2013		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(a)</sup>	39.0	52.2	76.1	42.7	54.9	84.4
Electricity and gas supply; sewerage, waste management and remediation activities	57.4	85.2	129.6	63.5	89.2	130.0
Construction	49.9	66.7	87.5	58.1	72.5	92.4
Import and export trade	45.0	63.7	92.6	46.4	64.5	101.3
Wholesale	37.3	46.6	66.2	41.1	51.2	69.0
Retail trade	32.0	38.5	53.8	34.7	40.9	54.4
<i>within which:</i>						
Supermarkets and convenience stores	30.0	32.3	38.5	32.5	35.4	41.6
Other retail stores	32.6	40.3	56.9	35.0	42.1	58.0
Land transport	44.0	62.9	88.4	46.0	65.0	103.1
Other transportation, storage, postal and courier services <sup>(b)</sup>	38.4	51.7	71.9	43.4	56.8	81.7
Restaurants	30.5	35.2	45.8	33.1	37.2	48.2
<i>within which:</i>						
Hong Kong style tea cafes	31.1	35.0	43.3	34.0	37.6	46.9
Chinese restaurants	31.8	38.6	50.9	34.0	40.2	53.0
Restaurants, other than Chinese	32.2	37.3	49.0	35.2	40.0	50.0
Fast food cafes <sup>(c)</sup>	29.3	31.0	36.1	31.0	33.2	37.8
Accommodation <sup>(d)</sup> and other food service activities	37.0	46.2	61.7	37.9	46.8	62.0
Information and communications	49.7	68.5	114.8	51.7	74.1	115.0
Financing and insurance	58.8	87.1	157.3	60.5	89.8	166.7
Real estate activities <sup>(e)</sup>	48.8	69.8	110.0	52.3	72.6	116.4
Estate management, security and cleaning services	28.9	31.1	40.4	30.5	33.3	44.2
<i>within which:</i>						
Real estate maintenance management	28.8	31.5	44.4	31.0	33.9	50.2
Security services <sup>(f)</sup>	28.7	31.3	35.0	30.0	32.9	40.3
Cleaning services	28.9	30.2	34.9	30.0	32.4	38.4
Membership organisations <sup>(g)</sup>	30.5	40.7	74.5	30.6	41.7	74.7
Professional, scientific and technical services	48.4	71.7	116.5	50.3	72.9	122.2
Administrative and support services activities	37.0	52.0	75.5	42.0	56.9	88.6
Travel agency, reservation service and related activities	37.8	50.4	71.7	39.1	51.9	72.6
Education and public administration (excluding the Government)	60.0	108.9	180.6	60.0	114.0	189.4
Human health activities; and beauty and body prettifying treatment	46.7	68.9	166.7	50.5	71.6	170.9
Miscellaneous activities	31.7	37.5	50.9	34.1	40.0	55.0
<i>within which:</i>						
Elderly homes	29.2	36.4	49.4	32.0	38.6	53.2
Laundry and dry cleaning services	30.0	34.2	41.3	32.3	37.5	47.0
Hairdressing and other personal services	32.0	38.5	51.9	35.8	40.3	55.3
Local courier services	32.0	36.8	44.4	32.5	40.4	48.2
Food processing and production	32.1	37.5	50.9	34.0	39.3	56.5
Other activities not classified above	37.3	50.4	75.0	40.8	53.5	83.5
<b>All industry sections above</b>	<b>37.7</b>	<b>54.8</b>	<b>86.9</b>	<b>40.0</b>	<b>57.5</b>	<b>91.9</b>

Notes: Hourly wages are rounded to the nearest ten cents of Hong Kong dollar.

(a) Excluding food processing and production.

(b) Excluding local courier services.

(c) Including takeaway shops.

(d) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(e) Excluding real estate maintenance management.

(f) Including investigation activities and services to buildings and landscape care activities.

(g) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

**Table 23 : Rates of change in prices**

(%)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
GDP deflator	-3.6	-0.2	-0.5	3.1	1.3	-0.4	0.3	3.9
Domestic demand deflator	-0.1	1.1	1.6	2.4	2.6	-0.8	2.2	4.5
Consumer Price Indices <sup>(a)</sup> :								
Composite CPI	-0.4	1.0	2.0	2.0	4.3	0.5	2.4	5.3
CPI(A)	*	1.1	1.7	1.3	3.6	0.4	2.7	5.6
CPI(B)	-0.5	1.0	2.1	2.2	4.6	0.5	2.3	5.2
CPI(C)	-0.9	0.8	2.2	2.7	4.7	0.6	2.1	5.1
Unit Value Indices :								
Domestic exports	1.5	2.2	-2.1	0.8	5.1	-0.2	5.5	6.4
Re-exports	1.1	1.2	1.1	2.4	3.8	1.2	4.6	8.0
Total exports of goods	1.2	1.3	1.0	2.3	3.8	1.1	4.7	8.0
Imports of goods	2.9	2.7	2.1	2.3	4.4	-0.1	6.4	8.1
Terms of Trade Index	-1.7	-1.4	-1.1	0.1	-0.5	1.3	-1.7	-0.1
Producer Price Index for all manufacturing industries <sup>(b)</sup>	2.2	0.8	2.2	3.0	5.6	-1.7	6.0	8.3
Tender Price Indices :								
Public sector								
building projects	-1.5	1.4	5.0	20.1	41.9	-15.9	12.5	11.6
Public housing projects	3.5	7.7	11.2	19.7	30.8	-6.8	6.7	10.1

Notes: (a) The year-on-year rates of change before October 2010 were derived using the index series in the bases periods at that time (for instance the 2004/05-based index series), compared with the index a year earlier in the same base period.

(b) Starting from the first quarter of 2009, the producer price indices for all manufacturing industries are compiled based on the HSIC Version 2.0, and the base period of the indices has been changed to 2008 (i.e. with the quarterly average of the indices in 2008 taken as 100). The new series has also been backcasted to the first quarter of 2005. The rates of change before 2006 presented here are the old series compiled based on the HSIC Version 1.1. The two series are therefore not strictly comparable.

(#) Figures are subject to revision later on as more data become available.

(\*) Change within  $\pm 0.05\%$ .

(--) Not applicable.

N.A. Not yet available.

**Table 23 : Rates of change in prices (Cont'd)**

(%)

	<u>2012</u>	<u>2013</u>	<u>2013</u>				<u>2014</u>			Average annual rate of change:	
			Q4	Q1	Q2	Q3	10 years		5 years		
							2003 to 2013	2008 to 2013	2003 to 2013	2008 to 2013	
GDP deflator <sup>#</sup>	3.7	1.4	1.5	2.2	3.6	2.5	0.9	1.8			
Domestic demand deflator <sup>#</sup>	4.2	0.6	-0.2	1.5	3.7	4.4	1.8	2.1			
Consumer Price Indices <sup>(a)</sup> :											
Composite CPI	4.1	4.3	4.3	4.2	3.6	4.8	2.5	3.3			
CPI(A)	3.6	5.1	4.4	4.3	3.8	7.2	2.5	3.5			
CPI(B)	4.3	4.1	4.4	4.3	3.8	4.1	2.6	3.3			
CPI(C)	4.1	3.8	4.1	3.9	3.5	3.3	2.5	3.1			
Unit Value Indices :											
Domestic exports	2.5	2.2	0.6	-1.2	*	1.0	2.4	3.3			
Re-exports	3.4	1.3	2.4	1.7	1.9	2.2	2.8	3.7			
Total exports of goods	3.4	1.3	2.4	1.7	1.8	2.2	2.8	3.7			
Imports of goods	3.3	0.9	1.5	2.1	2.0	2.4	3.3	3.7			
Terms of Trade Index	0.1	0.4	0.8	-0.4	-0.2	-0.1	-0.5	*			
Producer Price Index for all manufacturing industries <sup>(b)</sup>	0.1	-3.1	-5.5	-6.2	-0.4	N.A.	--	1.8			
Tender Price Indices :											
Public sector											
building projects	8.3	6.6	6.3	6.9	7.6	N.A.	8.1	4.0			
Public housing projects	6.4	9.3	8.7	8.4	7.8	N.A.	9.5	4.9			

**Table 24 : Rates of change in Composite Consumer Price Index**

(%)

	Weight	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>All items</b>	<b>100.0</b>	<b>-0.4</b> <b>(--)</b>	<b>1.0</b> <b>(--)</b>	<b>2.0</b> <b>(--)</b>	<b>2.0</b> <b>(2.8)</b>	<b>4.3</b> <b>(5.6)</b>	<b>0.5</b> <b>(1.0)</b>	<b>2.4</b> <b>(1.7)</b>
Food	27.45	1.0	1.8	1.7	4.3	10.1	1.3	2.4
<i>Meals bought away from home</i>	17.07	0.2	0.9	1.3	2.5	5.9	1.6	1.7
<i>Food, excluding meals bought away from home</i>	10.38	2.5	3.2	2.5	7.1	16.8	0.9	3.5
Housing <sup>(a)</sup>	31.66	-5.2	0.1	4.7	2.0	4.1	3.7	0.4
<i>Private housing rent</i>	27.14	-6.6	-0.1	5.6	4.0	6.8	3.6	0.9
<i>Public housing rent</i>	2.05	2.5	0.2	0.1	-17.7	-27.2	9.5	-7.8
Electricity, gas and water	3.10	11.4	4.1	2.1	-0.7	-6.5	-25.3	43.3
Alcoholic drinks and tobacco	0.59	*	0.4	-3.7	-1.2	0.1	18.7	3.4
Clothing and footwear	3.45	6.4	2.0	1.0	4.1	0.8	2.7	1.8
Durable goods	5.27	-2.2	-3.2	-6.4	-4.7	-2.0	-3.0	-2.7
Miscellaneous goods	4.17	3.6	1.5	1.7	2.5	5.0	2.3	2.4
Transport	8.44	0.4	1.4	0.7	-0.1	2.5	-0.9	2.0
Miscellaneous services	15.87	-0.2	1.0	1.9	1.7	0.8	-2.1	2.0

Notes: The year-on-year rates of change before October 2010 were derived using the index series in the bases periods at that time (for instance the 2004/05-based index series), compared with the index a year earlier in the same base period. The weights quoted in this table correspond to that in the 2009/10-based index series.

Figures in bracket represent the underlying rate of change after netting out the effects of Government's one-off relief measures.

(a) Apart from "Private housing rent" and "Public housing rent", the "Housing" section also includes "Management fees and other housing charges" and "Materials for house maintenance".

(\*) Change within  $\pm 0.05\%$ .

(--) Not applicable.

**Table 24 : Rates of change in Composite Consumer Price Index (Cont'd)**

(%)										
	Weight	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>			Average annual rate of change:	
					Q4	Q1	Q2	Q3	10 years 2003 to 2013	5 years 2008 to 2013
<b>All items</b>	<b>100.0</b>	<b>5.3</b>	<b>4.1</b>	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>	<b>3.6</b>	<b>4.8</b>	<b>2.5</b>	<b>3.3</b>
		<b>(5.3)</b>	<b>(4.7)</b>	<b>(4.0)</b>	<b>(4.0)</b>	<b>(3.8)</b>	<b>(3.5)</b>	<b>(3.3)</b>	<b>(--)</b>	<b>(3.4)</b>
Food	27.45	7.0	5.8	4.4	4.4	4.3	4.0	4.0	3.9	4.2
<i>Meals bought away from home</i>	17.07	5.2	5.4	4.4	4.5	4.5	4.7	4.6	2.9	3.6
<i>Food, excluding meals bought away from home</i>	10.38	9.9	6.5	4.4	4.1	4.0	3.1	3.1	5.6	5.0
Housing <sup>(a)</sup>	31.66	7.2	5.6	6.7	6.1	5.6	5.0	7.6	2.9	4.7
<i>Private housing rent</i>	27.14	7.2	6.8	6.3	7.0	6.4	5.6	4.9	3.4	4.9
<i>Public housing rent</i>	2.05	11.9	-7.1	16.0	-1.8	-1.8	-0.9	101.4	-2.8	4.0
Electricity, gas and water	3.10	-4.2	-8.2	6.9	7.1	5.5	3.4	24.9	1.0	0.1
Alcoholic drinks and tobacco	0.59	17.1	3.0	1.5	1.1	3.3	7.6	7.4	3.7	8.5
Clothing and footwear	3.45	6.8	3.1	1.7	2.5	2.1	2.2	0.8	3.0	3.2
Durable goods	5.27	-3.8	-1.4	-4.3	-4.0	-3.3	-2.7	-3.3	-3.4	-3.0
Miscellaneous goods	4.17	3.8	2.2	2.2	2.7	3.1	2.0	2.4	2.7	2.6
Transport	8.44	4.4	3.0	2.3	2.4	2.2	2.1	2.1	1.6	2.2
Miscellaneous services	15.87	3.5	2.8	3.7	4.3	4.4	3.2	2.3	1.5	2.0

**Table 25 : Rates of change in implicit price deflators of GDP  
and its main expenditure components**

(%)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Private consumption expenditure	-0.4	1.6	0.9	4.1	2.5	-1.4	1.4
Government consumption expenditure	-2.6	-1.7	0.1	2.2	4.4	0.7	-0.2
Gross domestic fixed capital formation	2.2	1.1	4.2	-2.1	1.7	0.3	5.8
Total exports of goods	0.9	0.6	0.3	2.2	3.4	0.5	4.6
Imports of goods	2.9	1.9	2.1	1.7	4.1	-1.3	6.3
Exports of services	0.5	3.3	3.6	2.5	3.4	-7.0	7.4
Imports of services	4.1	1.0	0.8	3.0	3.8	-2.7	5.6
<b>Gross Domestic Product</b>	<b>-3.6</b>	<b>-0.2</b>	<b>-0.5</b>	<b>3.1</b>	<b>1.3</b>	<b>-0.4</b>	<b>0.3</b>
Total final demand	0.5	1.1	1.1	2.3	3.1	-1.1	4.3
Domestic demand	-0.1	1.1	1.6	2.4	2.6	-0.8	2.2

Notes: (#) Figures are subject to revision later on as more data become available.  
(\* ) Change within  $\pm 0.05\%$ .

**Table 25 : Rates of change in implicit price deflators of GDP  
and its main expenditure components (Cont'd)**

(%)

	<u>2011</u>	<u>2012<sup>#</sup></u>	<u>2013<sup>#</sup></u>	<u>2013</u>		<u>2014</u>			Average annual rate of change:	
				Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>	10 years 2003 to 2013 <sup>#</sup>	5 years 2008 to 2013 <sup>#</sup>	
Private consumption expenditure	3.6	3.2	2.4	2.4	2.0	3.0	3.1	1.8	1.8	
Government consumption expenditure	4.5	6.2	4.4	3.7	4.0	5.0	4.7	1.8	3.1	
Gross domestic fixed capital formation	6.8	6.4	-5.1	-7.7	-1.6	3.4	7.0	2.0	2.7	
Total exports of goods	7.7	3.1	-0.3	-0.1	-0.6	-0.1	1.3	2.3	3.1	
Imports of goods	8.2	3.8	-0.6	-0.8	-0.8	-0.1	2.1	2.9	3.2	
Exports of services	7.6	4.3	0.5	0.3	0.6	0.8	1.8	2.5	2.4	
Imports of services	6.4	1.9	0.5	0.4	1.1	3.0	2.7	2.4	2.3	
<b>Gross Domestic Product</b>	<b>3.9</b>	<b>3.7</b>	<b>1.4</b>	<b>1.5</b>	<b>2.2</b>	<b>3.6</b>	<b>2.5</b>	<b>0.9</b>	<b>1.8</b>	
Total final demand	6.7	3.6	0.1	*	0.3	1.2	2.3	2.2	2.7	
Domestic demand	4.5	4.2	0.6	-0.2	1.5	3.7	4.4	1.8	2.1	

