



Third Quarter Economic Report 2020

Government of the Hong Kong
Special Administrative Region

THIRD QUARTER ECONOMIC REPORT 2020

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CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

Summary

- *The Hong Kong economy saw some improvement in the third quarter of 2020, thanks to an improved external environment led by the accelerated growth of the Mainland economy, the stabilisation of the local epidemic situation in the latter part of the quarter, and stronger financial market activity. However, the level of economic activity was still notably below the pre-recession level. Real Gross Domestic Product (GDP)⁽¹⁾ registered a year-on-year decline of 3.5% in the third quarter, visibly narrower than the 9.0% contraction in the second quarter. On a seasonally adjusted quarter-to-quarter basis⁽²⁾, real GDP rose notably by 2.8%, arresting the declines in the preceding five quarters.*
- *Total exports of goods resumed moderate growth in the third quarter, mainly underpinned by the sharp pick-up in September along with the recovery of import demand in many major markets. Exports to the Mainland continued to stage a strong growth. Exports to the US and the EU saw narrowed declines. Meanwhile, exports of services plummeted further as inbound tourism remained at a standstill and cross-boundary transport and business services stayed sluggish, though exports of financial services sustained growth.*
- *Domestic demand improved somewhat but stayed weak. Private consumption expenditure posted a smaller though still notable decline in the third quarter, as local consumption sentiment revived somewhat in the latter part of the quarter when the third wave of local COVID-19 infections was contained. Overall investment expenditure continued to fall visibly amid difficult business environment and weak construction activity.*
- *The labour market deteriorated for the third quarter as a whole, but the pressure faced by the labour market showed signs of stabilisation towards the end of the quarter as the local epidemic situation abated in September. Meanwhile, the Employment Support Scheme continued to provide support. The seasonally adjusted unemployment rate increased to 6.4%, the highest in close to 16 years. The underemployment rate rose slightly to a post-SARS high of 3.8%.*
- *The local stock market underwent some consolidation in the third quarter as sentiment was dampened by tense China-US relations and the still-uncertain global economic outlook amid the COVID-19 pandemic. The residential property market softened somewhat on entering the third quarter, but showed some revival in the latter part of the quarter. Trading activities showed a mild decline from the preceding quarter, while flat prices edged down by 1%*

during the quarter.

- *Consumer price inflation eased visibly in the third quarter. The sharp deceleration was attributed to a notably smaller year-on-year rise in prices of basic foodstuffs, particularly pork, due mainly to the high base effects, the fall in charges for meals-out, as well as softening price pressures on many other major CPI components amid austere economic conditions.*

Overall situation

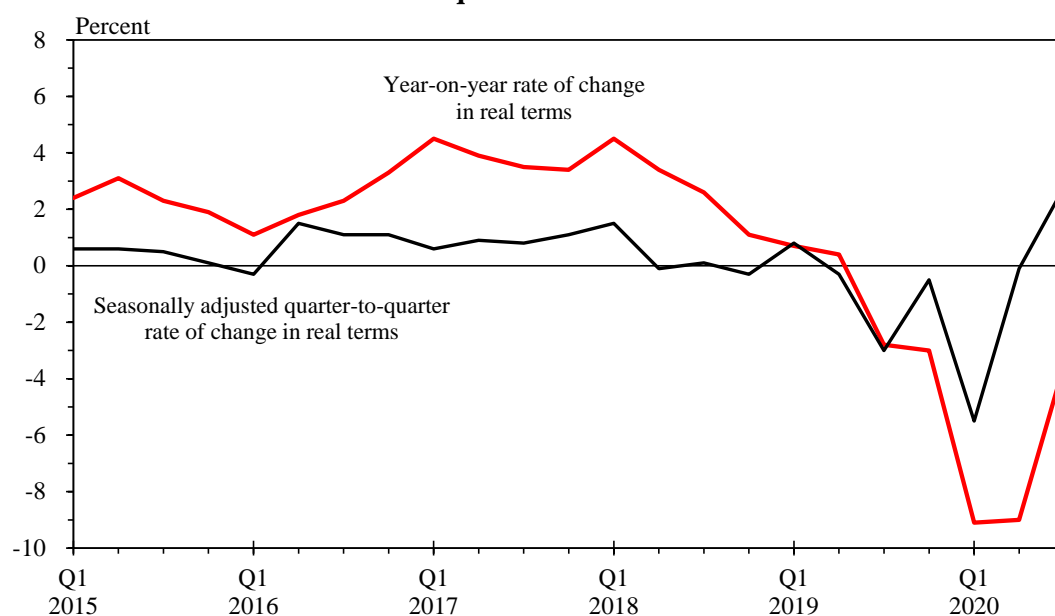
1.1 The Hong Kong economy saw some improvement in the third quarter of 2020, having hit the trough in the second quarter. An improved external environment led by the accelerated growth of the Mainland economy, the stabilisation of the local epidemic situation in the latter part of the quarter, and stronger financial market activity all contributed. However, the level of economic activity in the third quarter, on a seasonally adjusted basis, was still well below the pre-recession level. Real GDP continued to fall by 3.5% year-on-year in the third quarter (revised from the advance estimate of -3.4%), though visibly narrower than the 9.0% contraction in the second quarter. For the first three quarters of 2020 as a whole, real GDP declined by 7.2% from the same period in 2019. In the third quarter, total exports of goods resumed moderate growth, mainly supported by the sharp pick-up in September along with the recovery of import demand in many major markets, especially the Mainland. Exports of services continued to plummet as inbound tourism remained at a standstill while cross-boundary transport and business services stayed sluggish. As regards domestic demand, private consumption expenditure posted a smaller though still notable decline, as local consumption sentiment revived somewhat after the third wave of local COVID-19 infections was contained, while outbound tourism remained at a standstill amid widespread travel restrictions. Overall investment expenditure continued to fall visibly, reflecting the difficult business environment and weak construction activity. The labour market deteriorated for the quarter as a whole, and consumer price inflation eased visibly.

1.2 The global economy staged a faster-than-expected recovery in the third quarter, as the major economies reopened when their COVID-19 situations tended to stabilise. The US and the euro area economies recorded much narrowed year-on-year contractions. The Mainland economy posted a solid expansion as the epidemic there had been well contained since March. Many other Asian economies showed improvement of varying degrees. Yet, the resurgence of COVID-19 infections in a number of economies, especially those in Europe, since the latter half of the quarter has forced many governments to retighten social distancing measures or reinstate lockdowns of varying degrees,

casting a shadow over the near-term global economic outlook. While the International Monetary Fund (IMF) slightly revised upwards its global economic growth forecast for 2020 to -4.4% in October⁽³⁾, it warned that there remains tremendous uncertainty around the outlook and the global economic recovery will likely be long, uneven, and prone to setbacks.

1.3 On a seasonally adjusted quarter-to-quarter comparison, real GDP rose notably by 2.8% in the third quarter (revised from the advance estimate of 3.0%), following a slight decline of 0.1% in the preceding quarter and ending five consecutive quarters of contraction. This indicated that the economy might have already reached the bottom and rebounded.

Diagram 1.1 : Real GDP posted a visibly narrower year-on-year contraction in the third quarter of 2020



The external sector

1.4 *Total exports of goods* compiled under the GDP accounting framework grew moderately by 3.9% in real terms year-on-year in the third quarter, after the 2.2% decline in the preceding quarter. The improvement mirrored the gradual recovery of the global economy led by the Mainland and the parallel revival of import demand in many major markets. Analysed by market, exports to the Mainland continued to stage a strong growth. Exports to the US and the EU showed narrowed declines. Exports to many other major Asian markets also improved.

1.5 *Exports of services* plummeted further by 34.6% year-on-year in real terms in the third quarter, though narrower than the record fall of 45.6% in the preceding quarter. Exports of travel services almost vanished as inbound tourism remained at a standstill. Exports of transport services fell sharply as passenger flows tumbled, but the pace of decline moderated somewhat alongside improved regional trade and cargo flows. Exports of business and other services continued to record a double-digit decline amid still weak global economic conditions. In contrast, exports of financial services saw further growth, buttressed by active cross-border financial and fund-raising activities.

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

	<u>2018[#]</u>	<u>2019[#]</u>	<u>2019</u>				<u>2020</u>		
			<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</u>	<u>Q4[#]</u>	<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</u>
<i><u>Change in real terms of GDP and its main expenditure components (%)</u></i>									
Private consumption expenditure	5.3	-1.1	0.6 (0.8)	1.3 (0.2)	-3.3 (-4.1)	-2.9 (0.3)	-10.6 (-7.2)	-14.2 (-3.8)	-8.2 (2.5)
Government consumption expenditure	4.2	5.1	4.4 (0.9)	3.9 (0.8)	5.9 (2.6)	6.1 (1.7)	8.8 (3.5)	9.7 (1.7)	7.0 (*)
Gross domestic fixed capital formation	1.7	-12.3	-5.3	-11.6	-15.1	-16.8	-15.8	-21.4	-11.1
Building and construction	-0.5	-6.2	-4.3	-11.1	-2.8	-6.5	-11.5	-4.0	-10.4
Costs of ownership transfer	-11.2	-13.4	-20.0	-13.4	-22.4	7.6	-32.4	-23.8	26.3
Machinery, equipment and intellectual property products	8.8	-20.0	-2.0	-12.2	-26.5	-32.3	-17.9	-43.6	-20.9
Total exports of goods ^{&}	3.5	-4.6	-3.7 (-1.7)	-5.3 (-1.6)	-6.9 (-1.2)	-2.5 (2.0)	-9.7 (-9.0)	-2.2 (6.7)	3.9 (4.8)
Imports of goods ^{&}	4.7	-7.3	-4.2 (-2.2)	-6.7 (-2.6)	-11.0 (-2.0)	-7.0 (-0.3)	-11.1 (-6.6)	-6.7 (2.4)	1.8 (6.8)
Exports of services ^{&}	4.6	-10.2	-0.4 (1.0)	-1.3 (-3.6)	-14.2 (-13.1)	-24.2 (-10.6)	-37.4 (-16.3)	-45.6 (-16.1)	-34.6 (4.6)
Imports of services ^{&}	2.8	-2.4	-1.2 (0.3)	1.8 (0.5)	-4.5 (-5.9)	-5.2 (-0.3)	-24.5 (-20.0)	-44.5 (-26.1)	-36.8 (7.2)
Gross Domestic Product	2.8	-1.2	0.7 (0.8)	0.4 (-0.3)	-2.8 (-3.0)	-3.0 (-0.5)	-9.1 (-5.5)	-9.0 (-0.1)	-3.5 (2.8)
<i><u>Change in the main price indicators (%)</u></i>									
GDP deflator	3.7	2.4	2.7 (0.6)	2.7 (0.9)	2.3 (0.3)	1.8 (0.2)	2.8 (1.4)	0.8 (-1.2)	0.6 (0.3)
Composite CPI									
Headline	2.4	2.9	2.2 (0.4)	3.0 (1.2)	3.3 (0.9)	3.0 (0.5)	2.0 (-0.6)	1.3 (0.6)	-1.7 (-2.0)
Underlying[^]	2.6	3.0	2.7 (0.6)	2.9 (1.0)	3.3 (1.0)	3.0 (0.4)	2.9 (0.5)	1.8 (-0.1)	0.3 (-0.6)
Change in nominal GDP (%)	6.6	1.1	3.4	3.0	-0.5	-1.2	-6.5	-8.3	-2.9

Notes : Figures are subject to revision later on as more data become available. The 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 this category due to the presence of considerable short term fluctuations.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Revised figures.

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

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

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

The domestic sector

1.6 Domestic demand improved somewhat but stayed weak. *Private consumption expenditure* posted a notable year-on-year decline of 8.2% in real terms in the third quarter, though considerably narrower than the record 14.2% fall in the preceding quarter. Local consumption sentiment took a big hit amid the third wave of COVID-19 infections in July and August and the austere labour market conditions, but revived somewhat alongside the stabilised epidemic situation and relaxation of social distancing measures. Outbound tourism remained frozen through the quarter amid widespread travel restrictions. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure rebounded by 2.5% in real terms in the third quarter, having contracted by 3.8% in the preceding quarter. In contrast, *government consumption expenditure* rose markedly by 7.0% year-on-year in real terms in the third quarter, after a 9.7% surge in the preceding quarter.

Table 1.2 : Consumer spending by major component^(a)
(year-on-year rate of change in real terms (%))

Of which :

		Total consumer spending in the domestic market ^(a)	Food	Durables	Non- durables	Services	Residents' expenditure abroad	Visitor spending	Private consumption expenditure ^(b)
2019	Annual	-4.3	-8.0	-13.4	-11.3	0.7	4.1	-20.7	-1.1
	Q1	0.9	-1.2	-6.1	4.4	1.3	-0.5	2.1	0.6
	Q2	0.5	-4.8	-6.4	0.1	2.7	12.1	1.3	1.3
	Q3	-7.6	-12.1	-16.3	-21.8	-0.1	2.2	-30.8	-3.3
	Q4	-10.8	-14.1	-22.7	-26.6	-1.2	2.9	-51.9	-2.9
2020	Q1	-18.3	-16.1	-41.1	-40.2	-6.5	-46.3	-79.9	-10.6
	Q2	-18.5	-16.6	-33.4	-36.4	-10.6	-91.5	-96.6	-14.2
	Q3	-10.2	-12.2	-12.3	-16.8	-7.6	-86.5	-96.7	-8.2

Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending.

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

Diagram 1.2 : Private consumption expenditure posted a smaller though still notable year-on-year decline

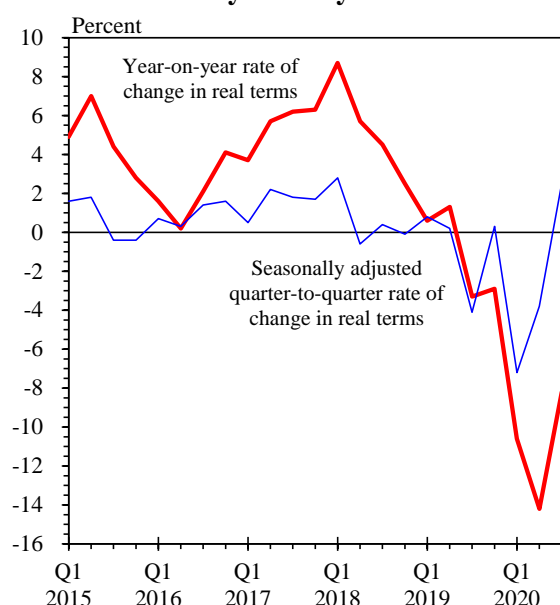
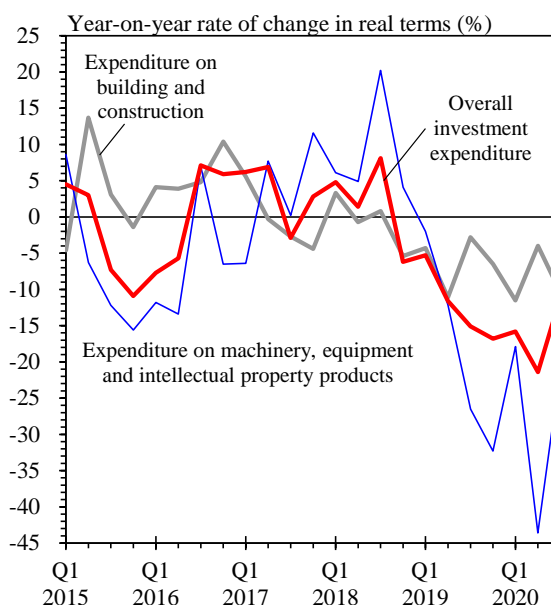


Diagram 1.3 : Overall investment expenditure continued to fall visibly



1.7 Overall investment spending in terms of *gross domestic fixed capital formation* fell noticeably by 11.1% year-on-year in real terms in the third quarter. The decline narrowed from that of 21.4% in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products saw another double-digit fall of 20.9% amid the still exceptionally uncertain business outlook (see **Box 1.1**). Expenditure on building and construction declined further by 10.4%, as spending from both the private and public sectors remained subdued. In contrast, the costs of ownership transfer rose visibly, as property transactions were much more active than a year earlier.

Box 1.1

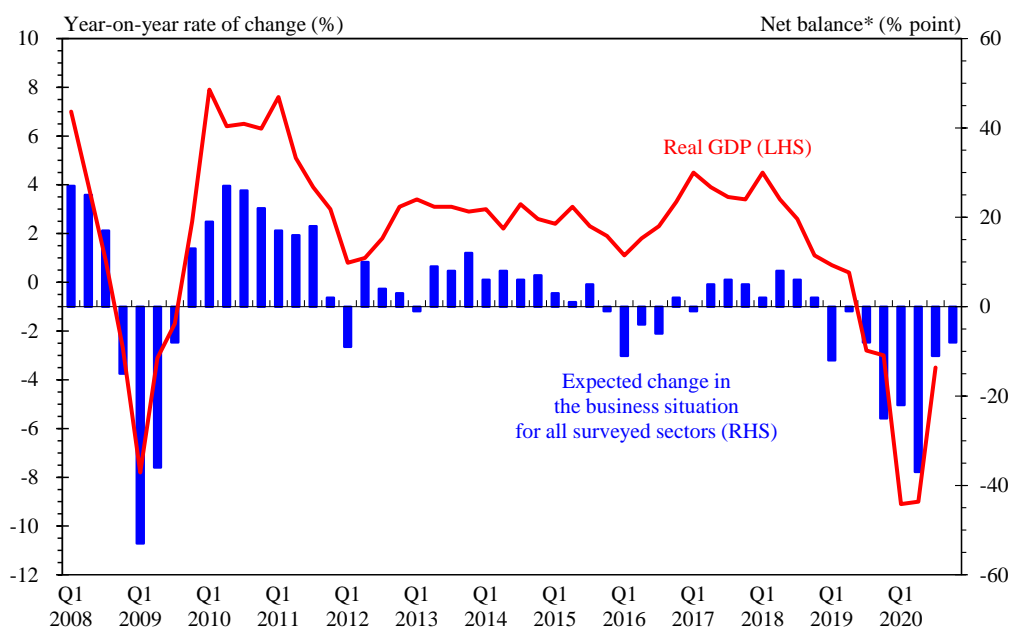
Business sentiment in Hong Kong

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Survey results generally signalled that business sentiment took a big hit amid the third wave of local COVID-19 infections in July and August, but revived somewhat afterwards as the epidemic abated.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during 2 September to 15 October, business sentiment among large enterprises in Hong Kong turned less gloomy compared to three months ago (**Chart 1**). The proportion of large enterprises expecting business situation to worsen in the fourth quarter of 2020 over the third quarter exceeded the proportion of those expecting improvement by 8 percentage points (i.e. a net balance of -8), representing a modest pick-up from the net balance of -11 in the previous round.

Large enterprises in the “accommodation and food services” sector were particularly sanguine about their business outlook for the fourth quarter (**Table 1**), thanks to the gradual relaxation of social distancing measures along with the abated epidemic situation since September. Sentiment in the “professional and business services” improved visibly and returned to the positive zone. Sentiment in most other sectors, including “import/export trade and wholesale”, “transportation, storage and courier services”, “information and communications”, “financing and insurance” and “real estate” displayed improvement of varying degrees, though still have not reached the positive zone. Yet, large enterprises in the “retail” sector held a more cautious view, as inbound tourism was unlikely to see a swift recovery with widespread travel restrictions in place. Overall hiring sentiment of large enterprises stayed weak, with many surveyed sectors expecting employment to decrease in the fourth quarter of 2020 (**Table 2**).

Chart 1 : Business sentiment among large enterprises turned less gloomy



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

- (1) The Quarterly Business Tendency Survey collected views from around 500-600 large establishments on their near-term business outlook. Respondents were asked to exclude seasonal influences in their responses.

Box 1.1 (Cont'd)

Table 1 : Business sentiment of large enterprises saw relative improvement in Q4 2020

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2019		2020			
	Q3	Q4	Q1	Q2	Q3	Q4
Manufacturing	-8	-24	-27	-23	+9	-8
Construction	-7	-45	-28	-20	-21	-19
Import/export trade and wholesale	-8	-23	-23	-42	-8	-7
Retail	-24	-61	-39	-42	+21	-5
Accommodation and food services	-17	-44	-42	-63	+25	+19
Transportation, storage and courier services	-9	-26	-33	-47	-22	-13
Information and communications	+10	+6	-2	-15	-21	0
Financing and insurance	-6	-21	-16	-32	-14	-13
Real estate	-10	-12	-18	-29	-26	-12
Professional and business services	-3	-25	-13	-37	-18	+4
All sectors above	-8	-25	-22	-37	-11	-8

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

Table 2 : Hiring sentiment of large enterprises in many sectors stayed weak

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2019		2020			
	Q3	Q4	Q1	Q2	Q3	Q4
Manufacturing	+8	+5	+3	-18	+10	-11
Construction	+10	-20	-25	-22	-10	-10
Import/export trade and wholesale	-5	-9	-10	-13	-3	-2
Retail	0	-21	-19	-25	-4	-10
Accommodation and food services	+19	-13	-9	-35	+7	-2
Transportation, storage and courier services	+6	0	+1	-17	-2	-8
Information and communications	-3	-6	0	-2	-2	+8
Financing and insurance	+9	+11	+4	-9	+7	0
Real estate	+7	-6	-13	-5	+4	+5
Professional and business services	+2	-2	-8	-12	-4	-5
All sectors above	+4	-7	-8	-17	-1	-4

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

As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis⁽²⁾ to gauge the general direction of change in their views on business situation versus the preceding month. The overall index on current situation rose further to 45.4 in October from a recent trough of 30.0 in July (*Chart 2a*), as the local epidemic situation remained contained. The employment situation of the SMEs surveyed also showed signs of stabilising. Credit conditions remained largely accommodative. The Standard Chartered Hong Kong SME Leading Business Index⁽³⁾ also improved slightly in the third quarter, albeit still in the contractionary zone.

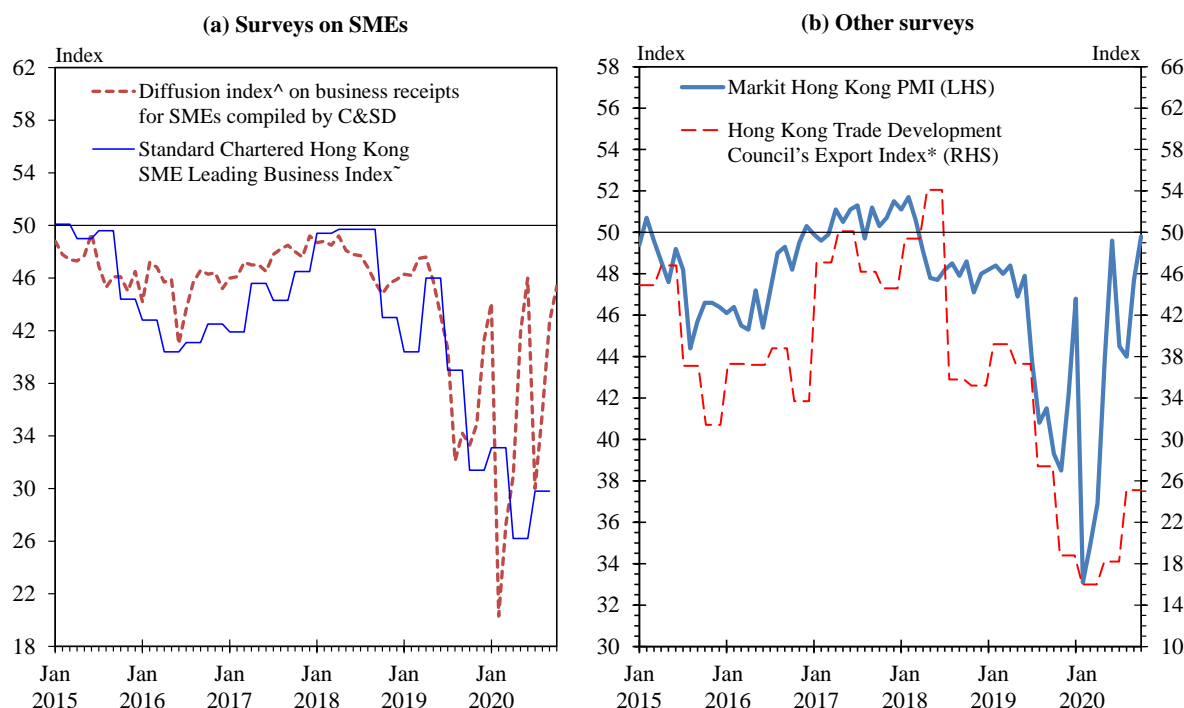
As for other surveys in the public domain, the Markit Purchasing Managers’ Index (PMI) of Hong Kong⁽⁴⁾, which gauges the performance of the private sector’s business activity, also improved to 49.8 in October from 44.5 in July, though still marginally lower than the boom-bust line. Separately, the Hong Kong Trade Development Council’s Export Index⁽⁵⁾ increased for the second consecutive quarter to 25.1 in the third quarter, though remaining deep in the contractionary zone (*Chart 2b*). The survey was conducted in mid-August 2020, and at that time 51.5% of the traders identified the pandemic as the biggest threat to their businesses, followed by softening global demand (21.5%) and US-Mainland trade tensions (15.0%).

(2) It refers to the results from the Monthly Survey on the Business Situation of SMEs that solicits feedbacks from a panel sample of around 600 SMEs each month.

(3) Conducted independently by Hong Kong Productivity Council, the quarterly survey enables the public and SMEs to gain insights into the forthcoming business climate for better forward planning. The Overall Index comprises five areas, including local SMEs’ outlook on the “Recruitment Sentiment”, “Investment Sentiment”, “Business Condition”, “Profit Margin”, and “Global Economy” for the next quarter.

Box 1.1 (Cont'd)

Chart 2 : Most of the other survey indicators also pointed to some revival of economic sentiment after the third wave of the local epidemic stabilised in the latter part of the third quarter



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

(~) Launched in Q3 2012 and quarterly data.

(*) A reading above 50 indicates an upward trend and an optimistic outlook, while a reading below 50 indicates a downward trend and a pessimistic outlook.

It is worth noting that these surveys are essentially opinion-based, thereby unavoidably subject to various limitations (e.g. results are not directly comparable) and hence the results should be interpreted with care. Still, these survey findings taken together suggest that business sentiment in Hong Kong has revived somewhat since the latter part of the third quarter as the third wave of the local epidemic abated and social distancing measures were subsequently relaxed. Barring any sharp resurgence of local COVID-19 infections and abrupt changes in the external environment, business sentiment and domestic demand should continue to recover in the rest of the year. The Government will stay vigilant and closely monitor various external and local developments, for their possible repercussions on Hong Kong’s business and employment situation.

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- (4) According to the press release by IHS Markit, the Markit Hong Kong PMI is compiled according to monthly replies to questionnaires sent to purchasing executives in around 400 companies. It is a composite index based on five individual indices with the following weights: New Orders (30%); Output (25%); Employment (20%); Suppliers’ Delivery Times (15%); and Stocks of Purchases (10%), with the Suppliers’ Delivery Times index inverted so that it moves in a comparable direction. Survey responses reflect the change, if any, in the prevailing month compared to the previous month.
 - (5) The Hong Kong Trade Development Council’s Export Index is designed to gauge the prospects of the near-term export performance of Hong Kong traders. The business confidence survey is conducted on a quarterly basis, with 500 participating Hong Kong traders from six major industry sectors interviewed, namely electronics, clothing, jewellery, timepieces, toys and machinery.

The labour sector

1.8 The labour market deteriorated for the third quarter as a whole, but the pressure faced by the labour market showed signs of stabilisation towards the end of the quarter as the local epidemic situation abated in September. Meanwhile, the Employment Support Scheme continued to provide support. The *seasonally adjusted unemployment rate* increased from 6.2% in the second quarter to 6.4% in the third quarter, the highest in close to 16 years. The *underemployment rate* rose slightly from 3.7% to a post-SARS high of 3.8%. Nominal wages continued to grow in June 2020 over a year earlier, but the rate of increase decelerated further to the slowest in more than a decade.

The asset markets

1.9 The *local stock market* underwent some consolidation in the third quarter as sentiment was dampened by tense China-US relations and the still-uncertain global economic outlook amid the COVID-19 pandemic. The Hang Seng Index fell from a high of 26 339 on 6 July to a low of 23 235 on 25 September, and closed the quarter at 23 459, down 4.0% from end-June. Nevertheless, securities market trading stayed active, with the average daily turnover surging by 23.7% over the preceding quarter or 83.2% over a year earlier to \$141.1 billion. Fund raising activities picked up notably.

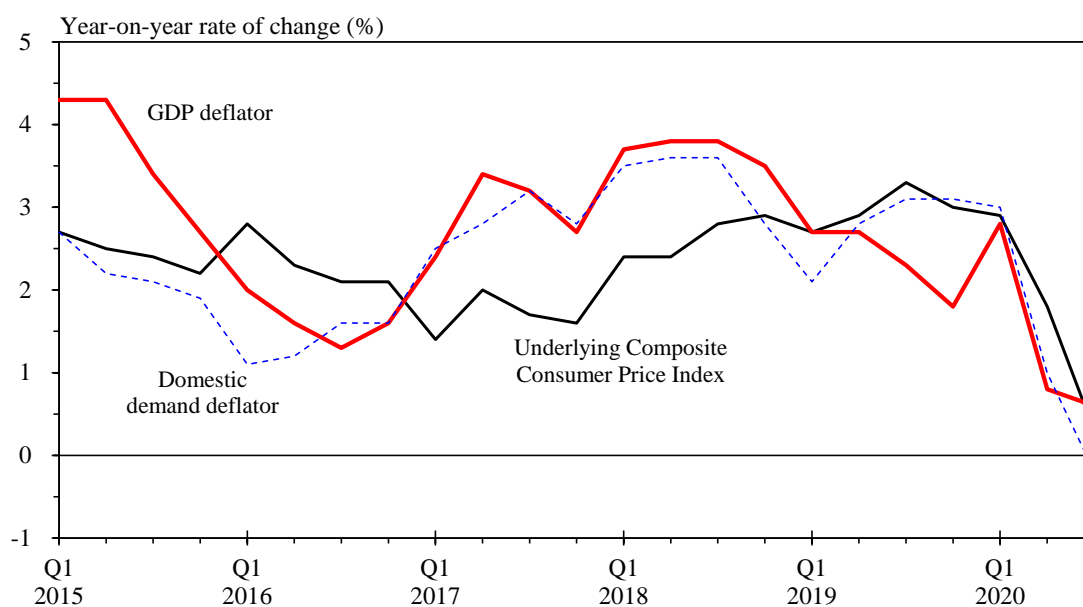
1.10 The *residential property market* softened somewhat on entering the third quarter, but showed some revival in the latter part of the quarter. Market sentiment was dented by the third wave of the local epidemic in July and early August, but gradually improved in September as the situation stabilised. The low interest rate environment and firm end-user demand also appeared to render support to the market. Trading activities showed a mild decline in the quarter. The number of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, declined by 9% from the preceding quarter to 15 515 in the third quarter, though rising by 26% over the low base a year earlier. Flat prices edged down by 1% during the third quarter, with the decline in the first two months partly offset by a mild rebound in September. However, the index of home purchase affordability remained elevated at around 77%. Meanwhile, flat rentals showed virtually no change for the quarter as a whole. The commercial and industrial property markets stayed generally weak, with prices and rentals for major market segments exhibiting diverse movements during the quarter.

Inflation

1.11 Consumer price inflation eased visibly in the third quarter. Netting out the effects of the Government's one-off relief measures, *underlying consumer price inflation* went down from 1.8% in the second quarter to 0.3% in the third quarter. The sharp deceleration was attributed to a notably smaller year-on-year rise in prices of basic foodstuffs, particularly pork, due mainly to the high base effects, the fall in charges for meals-out, as well as softening price pressures on many other major CPI components amid austere economic conditions. Domestic price pressures receded further amid the weak economy. The year-on-year increase in private housing rentals continued to moderate. Commercial rentals softened further while wages recorded the slowest growth in more than a decade. External price pressures continued to abate. As global demand stayed sluggish, inflation in many major import sources eased, and world energy prices were still sharply lower than their year-ago levels even after some rebound since May. Against this backdrop, import prices continued to record a modest year-on-year decline. The *headline Composite CPI* turned from a 1.3% increase to a 1.7% decline over the same period. The significant gap between the headline and underlying inflation rates in the third quarter mainly reflected the payment of one-month rentals for public housing tenants by the Government and the waiver of two-thirds of rent for tenants of Group B estates by the Hong Kong Housing Society in July, and the rent waiver to public housing tenants by the Hong Kong Housing Authority in September.

1.12 The year-on-year rate of increase in the *GDP deflator* eased slightly to 0.6% in the third quarter, 0.2 percentage point lower than in the preceding quarter. The terms of trade improved from a year earlier as export prices recorded virtually no change while import prices registered a decline. Taking out the external trade components, the domestic demand deflator fell marginally by 0.2% in the third quarter, after the 1.0% increase in the preceding quarter.

Diagram 1.4 : Consumer price inflation eased visibly in the third quarter



Note : The year-on-year rates of change of the Composite Consumer Price Index from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

GDP by major economic sector

1.13 The net output of the services sector shrank sharply by 9.0% in real terms in the second quarter of 2020, comparable to its decline in the first quarter. Many service sectors continued to record declines amid the COVID-19 pandemic. Analysed by major service sector, the net output of import and export trade registered a narrowed decline as the swift resumption of production and other economic activities in the Mainland lent some support. The net output of transportation and storage continued to tumble. The net outputs of wholesale and retail trades as well as accommodation and food services plunged further amid the threat of COVID-19 and the resultant social distancing measures. The net output of professional and business services saw a larger fall, whereas that of public administration, social and personal services continued to decrease. The net output of real estate, which covers activities of private sector developers and property agencies, registered a moderated decline as trading activities in the residential property market turned more active in that quarter. On the other hand, the net output of postal and courier services recorded a double-digit increase, conceivably benefiting from the requirement for reduced people contact. The net output of financing and insurance posted moderate growth, buttressed by buoyant financial market trading. The net output of information and communications decelerated to show a modest increase. As for the secondary sector, the net output of the construction sector saw a smaller decline, and that of the manufacturing sector fell further.

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

	<u>2019</u>	<u>2019</u>				<u>2020</u>	
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Manufacturing	0.4	1.4	0.4	0.5	-0.5	-4.6	-5.1
Construction	-6.0	-3.5	-11.5	-2.5	-6.6	-12.1	-3.5
Services ^(b)	-0.3	1.7	1.3	-1.7	-2.4	-9.0	-9.0
Import/export, wholesale and retail trades	-6.2	-1.3	-3.8	-9.7	-8.4	-21.5	-18.7
Import and export trade	-4.4	-0.9	-3.4	-7.6	-4.8	-12.9	-10.3
Wholesale and retail trades	-13.8	-3.0	-5.4	-19.8	-23.8	-57.4	-51.9
Accommodation ^(c) and food services	-9.2	2.7	-1.6	-14.1	-23.2	-47.6	-44.5
Transportation, storage, postal and courier services	-1.6	2.4	1.9	-2.2	-8.1	-32.3	-49.4
Transportation and storage	-1.5	2.9	2.2	-2.3	-8.1	-34.0	-52.8
Postal and courier services	-4.6	-6.1	-4.2	1.3	-7.8	-0.5	13.7
Information and communications	4.7	4.8	5.8	5.4	2.8	1.6	0.9
Financing and insurance	2.8	2.3	3.1	3.3	2.4	2.7	3.0
Real estate, professional and business services	1.0	1.6	1.9	0.5	0.2	-4.6	-5.9
Real estate	0.9	1.2	0.7	0.5	1.0	-6.8	-4.0
Professional and business services	1.2	2.1	2.8	0.4	-0.5	-2.7	-7.4
Public administration, social and personal services	2.9	3.6	3.6	2.0	2.5	-3.2	-3.0

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, while those shown in Table 1.1 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 services 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 In order to assist industries and people affected by the epidemic and help enhance Hong Kong's anti-epidemic capabilities, on 15 September the Government announced the introduction of the third round of Anti-epidemic Fund (AEF) and other support measures amounting to \$24 billion. The relief measures announced so far, including the three rounds of measures under the AEF and the countercyclical measures in the 2020-21 Budget, are of unprecedented scale, totalling over \$300 billion or around 11% of GDP. The measures are expected to have a supporting effect of slightly higher than 5 percentage points of GDP on our economy. Through helping to keep companies afloat and workers in employment, they also pave the way for sustained economic recovery.

1.15 Hong Kong's sound economic fundamentals are well recognised by various international ranking institutes. The Fraser Institute once again ranked Hong Kong as the world's freest economy in its *Economic Freedom of the World 2020 Annual Report*, an unambiguous recognition of Hong Kong's long-standing and steadfast commitment to building a free economy with a level playing field. Among the five areas of assessment, Hong Kong was ranked top in "Freedom to trade internationally" and "Regulation". Separately, Hong Kong was ranked fifth globally in the International Institute for Management Development's *World Digital Competitiveness Ranking 2020*, up three places from last year. It was also the highest ranking Hong Kong ever attained since the report was first published in 2017. Meanwhile, Hong Kong's global ranking in the *Global Innovation Index 2020*, jointly published by Cornell University, INSEAD and World Intellectual Property Organization, improved by two notches to 11th.

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.
- (3) The table below presents a more detailed comparison between the growth forecasts made by the IMF in October 2020 and those in June.

	<u>2019</u>	<u>June round</u>	<u>2020</u> <u>October round</u>
	(%)	(%)	(%)
World (PPP ^{##} weighted)	2.8	-5.2	-4.4
Advanced economies	1.7	-8.1	-5.8
US	2.2 [#]	-8.0	-4.3
Euro area	1.3 [#]	-10.2	-8.3
UK	1.3 [#]	-10.2	-9.8
Japan	0.7 [#]	-5.8	-5.3
Emerging market and developing economies	3.7	-3.1	-3.3
Emerging and developing Asia	5.5	-0.8	-1.7
Mainland China	6.1 [#]	1.0	1.9
India [^]	4.2 [#]	-4.5	-10.3
ASEAN-5 ^{\$}	4.9	-2.0	-3.4
Middle East and Central Asia	1.4	-4.5	-4.1

Notes : Global and regional figures are based on new purchasing-power-parity weights.

(#) Actual figures.

(##) PPP refers to purchasing power parity.

(^) Fiscal year.

(\$) Includes Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

CHAPTER 2 : THE EXTERNAL SECTOR

Summary

- *The global economy staged a faster-than-expected recovery in the third quarter of 2020. Major economies including the US and the euro area recorded much narrowed year-on-year contractions as their economies reopened when the COVID-19 situation tended to stabilise. Meanwhile, the Mainland economy gathered further steam and posted a solid expansion as the epidemic there had been well contained since March. Many other Asian economies showed improvement of varying degrees in the third quarter. Yet, the resurgence of COVID-19 infections in a number of economies, especially those in Europe, since the latter half of the quarter has forced many governments to retighten social distancing measures or reinstate lockdowns of varying degrees, casting a shadow over the near-term global economic outlook.*
- *Hong Kong's merchandise exports turned to a moderate year-on-year increase of 2.3% in real terms⁽¹⁾ in the third quarter, mainly boosted by the sharp pick-up in September along with the recovery of import demand in many major markets. Exports to the Mainland continued to stage a strong growth. Exports to the US and the EU saw narrowed declines. Exports to many other major Asian markets also improved.*
- *Exports of services plummeted further by 34.6% year-on-year in real terms in the third quarter, though narrowing from the record fall of 45.6% in the preceding quarter. Exports of travel services almost vanished as inbound tourism remained at a standstill. Exports of transport services fell sharply as passenger flows tumbled, but the pace of decline moderated somewhat alongside improved regional trade and cargo flows. Exports of business and other services continued to record a double-digit decline amid still weak global economic conditions. Nonetheless, exports of financial services sustained growth, buttressed by active cross-border financial and fund-raising activities.*
- *Trade and investment relations between Hong Kong and ASEAN strengthened further, with the parts relating to Brunei Darussalam under the Free Trade Agreement (FTA) and the Investment Agreement (IA) between Hong Kong and ASEAN taking effect in October. Separately, Hong Kong's tax treaty network further expanded following the conclusion of comprehensive avoidance of double taxation agreements (CDTAs) with Serbia and Georgia in August and October respectively.*

Goods trade

Total exports of goods

2.1 Hong Kong's *merchandise exports* rose moderately by 2.3% in real terms in the third quarter of 2020 over a year earlier, after a decline of 3.5% in the preceding quarter. For individual months, the volume of merchandise exports grew notably by 10.3% in September, more than offsetting the modest declines in July and August. The improvement in export performance in the third quarter mirrored the gradual recovery of the global economy led by the Mainland and the parallel revival of import demand in many major markets.

2.2 The global economy recovered at a faster-than-expected pace in the third quarter, as the major economies reopened when their COVID-19 situation tended to stabilise. The US economy shrank at a sharply moderated year-on-year pace in the third quarter, and the unemployment rate eased back to single-digit level. The year-on-year contraction of the euro area economy likewise narrowed notably. Meanwhile, the Mainland economy gathered further steam, with growth accelerating to 4.9% in the third quarter as the epidemic there had been well contained since March. Japan's economic activity saw some revival, while many other Asian economies also showed improvement of varying degrees, enabling regional trade flows and production activities to regain some momentum.

2.3 Yet, the resurgence of COVID-19 infections in a number of economies, especially those in Europe, since the latter half of the third quarter has forced many governments to retighten social distancing measures or reinstate lockdowns of varying degrees, casting a shadow over the near-term global economic outlook. These developments indicated that the threat of the COVID-19 will remain until effective vaccines are widely available. While in October the International Monetary Fund (IMF) slightly revised upwards its global economic growth forecast for 2020 to -4.4% taking into account the better-than-anticipated performance of the advanced economies in their initial phase of rebound, it warned that there remained tremendous uncertainty around the outlook, and the global economic recovery would likely be long, uneven, and prone to setback.

2.4 Monetary policies of major central banks remained highly accommodative in the third quarter. In its updated Statement on Longer-Run Goals and Monetary Policy Strategy, the US Federal Reserve indicated a more tolerant stance on inflation by stating that "following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time". Participants of the Federal Open Market Committee projected that the federal funds rate would remain at 0.00%-0.25% until 2023. The European Central Bank and the Bank of Japan also maintained their policy rates at record lows. Meanwhile, central banks in emerging economies including Indonesia, Malaysia, Brazil, Mexico, Russia and South Africa further cut their benchmark interest rates by varying degrees. On the fiscal front, the US government and lawmakers have yet to complete the negotiation on a new stimulus package. As for Europe, the French government announced a €100 billion stimulus package in September with an aim of creating jobs, reducing business taxes and promoting environmental friendly investment. The UK government also unveiled a new stimulus plan called the Winter Economy Plan in the same month to protect jobs and support businesses.

2.5 China-US relations remained tense, with the US government imposing sanctions or restrictive measures on an increasing number of Mainland companies. On Brexit, the UK and the EU were unable to reach a free trade agreement prior to the European Council Summit in mid-October. It is still uncertain whether the two parties could strike a deal before the end of this year.

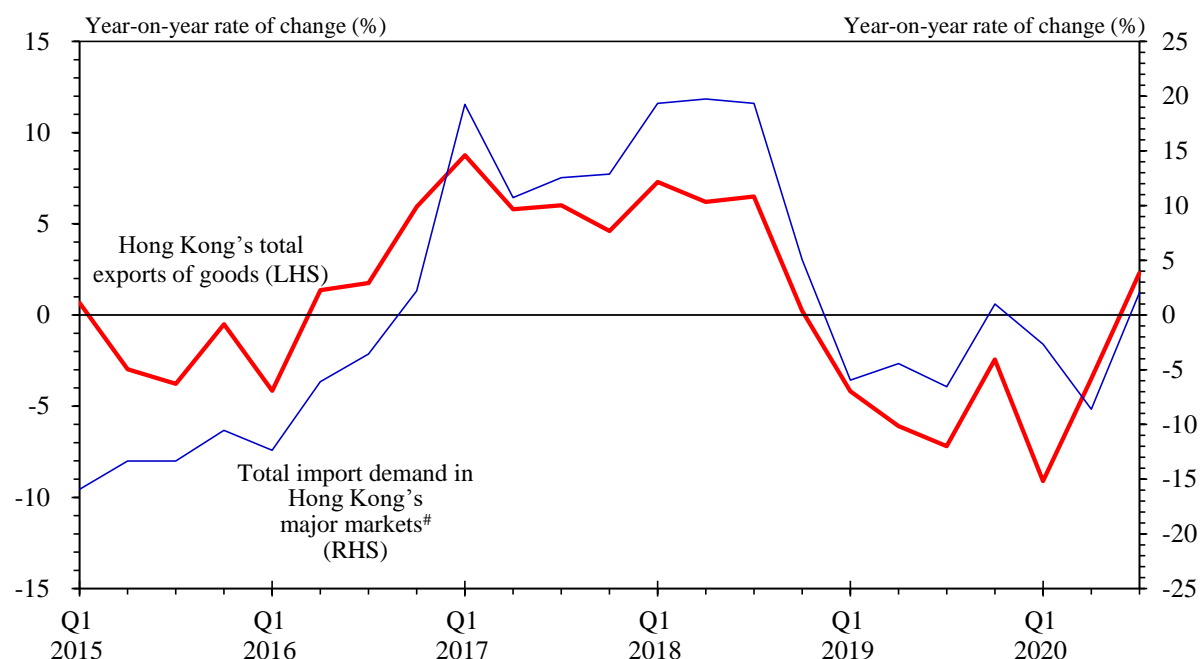
**Table 2.1 : Total exports of goods
(year-on-year rate of change (%))**

	In value terms	In real terms ^(a)		Change in prices
2019 Annual	-4.1	-5.0		1.1
Q1	-2.4	-4.2	(-3.1)	2.2
Q2	-4.7	-6.1	(-0.6)	1.9
Q3	-6.4	-7.2	(-0.2)	0.9
Q4	-2.5	-2.4	(1.7)	-0.2
2020 Q1	-9.7	-9.1	(-9.7)	-0.7
Q2	-4.3	-3.5	(5.5)	-1.0
Q3	1.3	2.3	(5.0)	-0.7

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

- (a) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

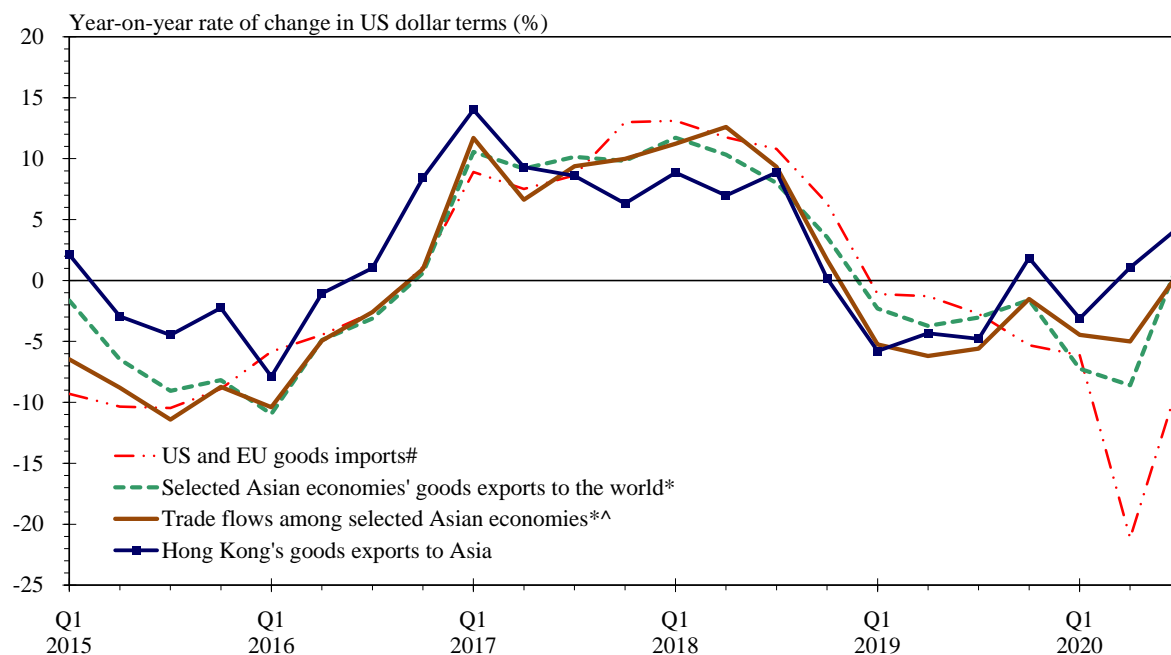
Diagram 2.1 : Merchandise exports rose moderately in the third quarter of 2020



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.

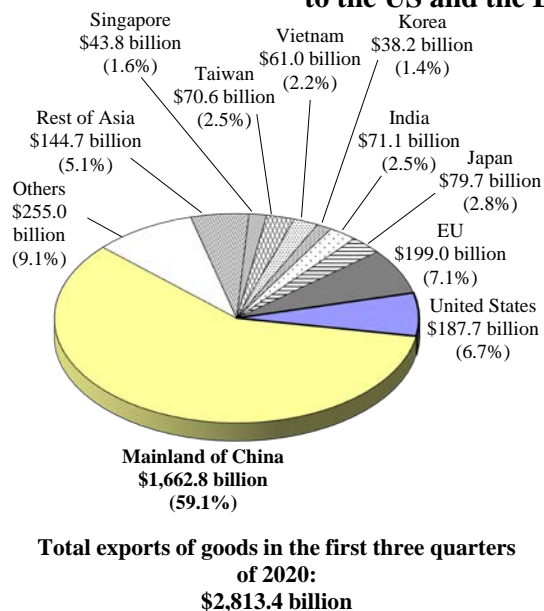
- (#) Import demand figure for the EU for the third quarter of 2020 is based on information available as of early November 2020.

Diagram 2.2 : Regional trade flows saw some improvement; import demand in the US and EU recovered amid gradual resumption of economic activities

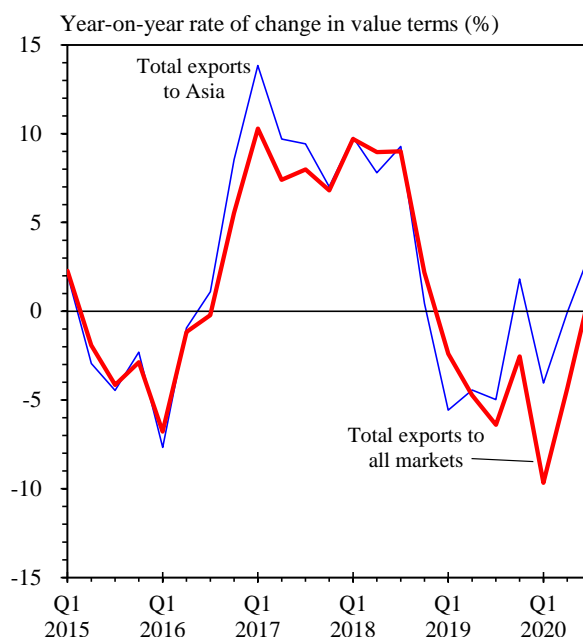


- Notes :
- (*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.
 - (^) The trade flows were measured by the sum of the individual economies’ exports of goods to the other nine economies within the “selected Asian economies”.
 - (#) EU goods imports for the third quarter of 2020 are based on the information available as of early November 2020.

Diagram 2.3 : Exports to the Mainland continued to stage a strong growth, while those to the US and the EU showed narrowed declines



Note : Figures in brackets are individual markets' percentage shares in total exports of goods.



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

		<u>2019</u>				<u>2020</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>
Mainland of China	-5.1	-8.9	-7.7	-7.2	2.9	-2.2	5.8	7.2
United States	-15.5	-9.9	-14.4	-15.3	-21.5	-25.9	-17.5	-8.7
European Union [#]	-7.4	6.5	-4.2	-13.4	-15.7	-24.4	-9.0	-4.1
India	-11.7	-28.6	-1.5	-12.7	-0.9	-0.1	-43.3	-6.7
Japan	-7.5	-5.8	-7.3	-3.6	-13.1	-15.7	-1.6	-13.6
Taiwan	4.1	-10.1	-3.2	23.9	9.5	0.7	20.2	5.5
Vietnam	-4.2	-1.6	-6.6	-3.3	-5.1	5.4	-1.2	13.5
Singapore	8.2	22.5	10.3	-0.1	2.5	-14.8	-23.1	-11.5
Korea	-0.2	4.7	10.0	-5.2	-8.6	-8.9	-10.8	-7.5
Overall [*]	-5.0	-4.2	-6.1	-7.2	-2.4	-9.1	-3.5	2.3

Notes : (*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

([#]) Exports to the EU exclude those to the UK, as the UK formally withdrew from the EU on 31 January 2020. Taking the UK and the EU together, exports decreased by 2.9% in real terms in the third quarter of 2020 from a year earlier.

2.6 Analysed by major market, merchandise exports to the US and the EU showed narrowed declines in the third quarter, thanks to the revival of import demand in these markets alongside their initial economic recovery (see **Box 2.1** for the potential impact of the recent trend of the US dollar on Hong Kong's merchandise exports). In particular, re-exports of Mainland origin to these two markets including those affected by US additional tariffs⁽²⁾ turned to moderate increases in September, contributing to a further narrowing in the rate of decline for the third quarter as a whole.

2.7 Exports to many major markets in Asia showed improvement. Specifically, exports to the Mainland continued to stage a strong growth in the third quarter, buttressed by the solid economic expansion there. Exports to India, Singapore and Korea showed narrowed declines of varying degrees, while those to Vietnam rose back markedly. However, the decline in exports to Japan enlarged notably due to renewed weakness in exports of raw materials and semi-manufactures and capital goods. Exports to Taiwan also saw a much smaller increase.

Diagram 2.4 : Exports to the Mainland continued to stage a strong growth

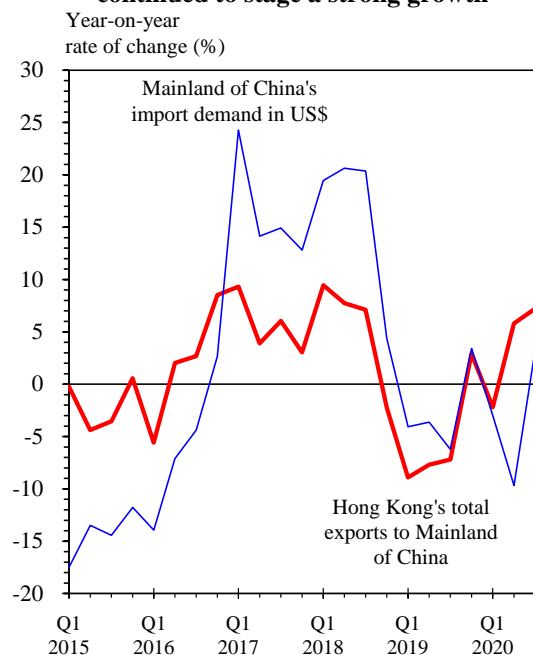
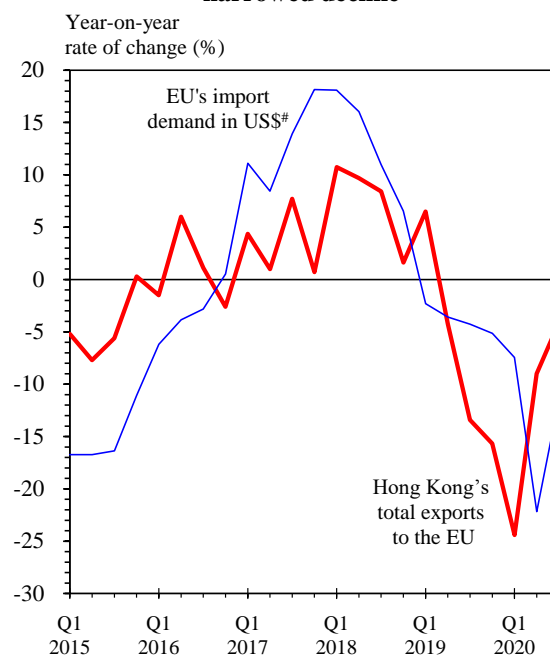


Diagram 2.5 : Exports to the EU showed a narrowed decline



Note : (#) Import demand figure for the EU for the third quarter of 2020 is based on the information available as of early November 2020.

Diagram 2.6 : Exports to the US saw a visibly smaller decline

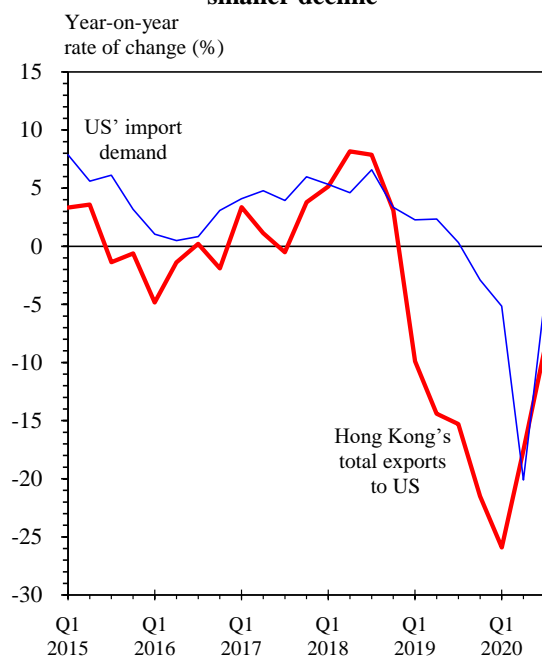


Diagram 2.7 : The fall in exports to Japan enlarged notably

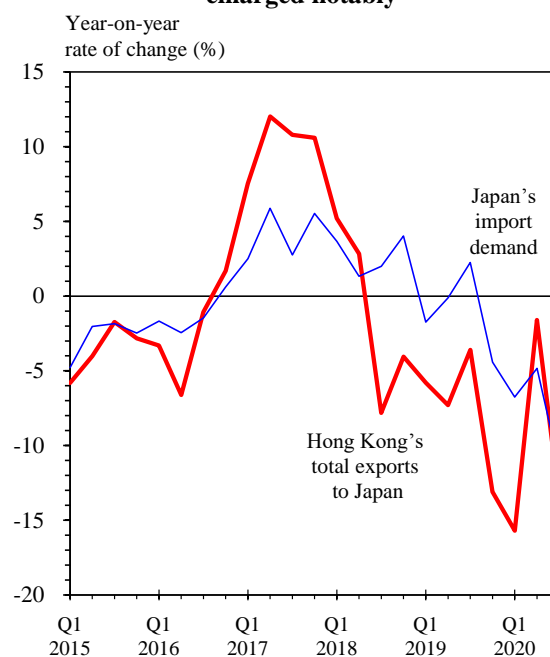


Diagram 2.8 : Exports to India showed a notably narrowed decline

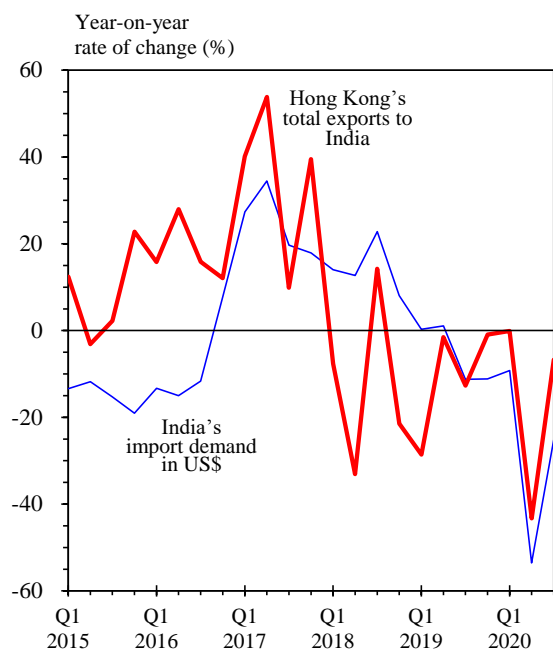


Diagram 2.9 : Exports to Taiwan saw a much smaller increase

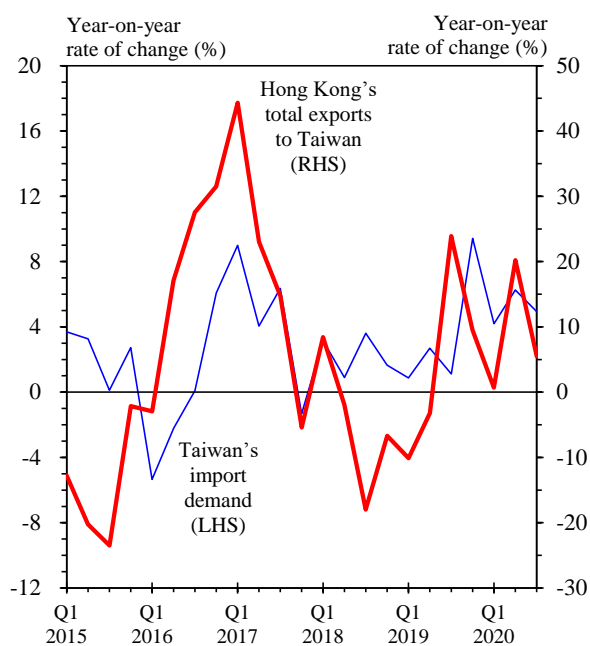


Diagram 2.10 : The decline in exports to Korea moderated

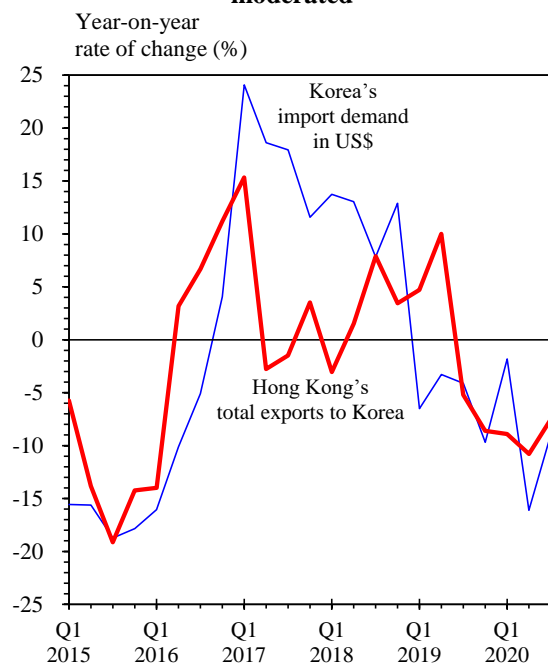
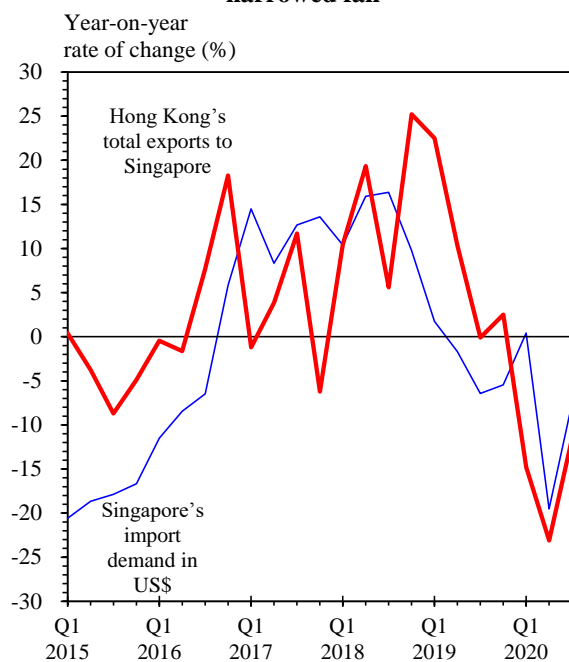


Diagram 2.11 : Exports to Singapore saw a visibly narrowed fall



Box 2.1

Recent trend of the US dollar and its potential implications for the Hong Kong economy

The movements of the US dollar have been quite volatile against other major currencies since the COVID-19 outbreak in early 2020. The US Dollar Index surged to its highest level in more than three years in late March on safe-haven demand, but fell back substantially thereafter. Some market analysts warned that the US dollar weakness may persist in the years to come owing to the launch of massive monetary easing and fiscal stimulus by the US authorities to cushion the adverse impact of the pandemic. This box article examines some of the factors contributing to the recent trend of the US dollar and the potential implications for the Hong Kong economy.

The recent movements of the US dollar

On 11 March 2020, the World Health Organization declared the outbreak as a pandemic. In the midst of the resultant stringent containment measures implemented by many governments, the global economy slid into a deep recession. Anxiety over sustained spread of the COVID-19 worldwide sent international financial markets into a tailspin from late February to mid-March 2020, triggering risk-off sentiment and a flight to safe-haven currencies. Subsequently, the US dollar strengthened notably with the US dollar index surging by over 8% in two weeks' time to 103 on 20 March 2020, the highest since January 2017.

Chart 1: The US dollar has been volatile since the COVID-19 outbreak



Note: The US Dollar Index measures the value of the US dollar relative to a basket of six currencies, namely the euro (57.6%), Japanese yen (13.6%), British pound (11.9%), Canadian dollar (9.1%), Swedish krona (4.2%) and Swiss franc (3.6%).

Yet, the surge of the US dollar was swiftly followed by a weakening trend in the ensuing months as shown in **Chart 1**. The US dollar index fell to 92 on 31 August 2020, the lowest since May 2018, before stabilising somewhat in September. The depreciation of the US dollar could be attributed to several factors. On the monetary front, the US Federal Reserve (Fed) has taken more sizeable easing actions since the COVID-19 outbreak than other major central banks. It lowered the target range for the federal funds rate twice by a total of 150 basis points to 0.00%-0.25% in March, while the European Central Bank (ECB) and the Bank of Japan (BoJ) continued to maintain their policy rates at historical lows (**Chart 2a**). The Fed was also more aggressive in asset purchases, announcing on 23 March to purchase Treasury securities and agency mortgage-backed securities in whatever amounts needed to ensure financial stability for an infinite period. As a result, the Fed's balance sheet expanded

Box 2.1 (Cont'd)

by more than 60% from mid-March to over US\$7 trillion in end-September, outpacing those of the ECB and the BoJ, which grew by 39% and 17% respectively over the same period (*Chart 2b*), and hence adding downward pressure on the US dollar.

Chart 2a: Fed cut its target range for the federal funds rate by 150 bps in March

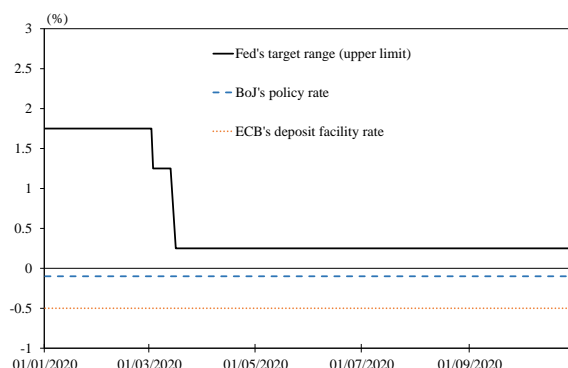
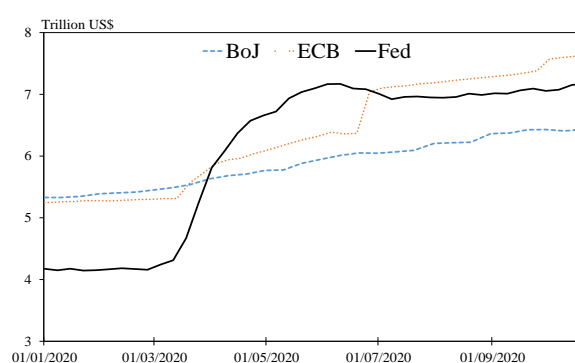


Chart 2b: Fed's balance sheet has expanded at a faster pace than those of ECB and BoJ



Besides, there have been growing concerns about whether the massive stimulus measures undertaken by the US government would lead to notable deterioration of its fiscal health. The Federal Reserve Bank of St. Louis estimated that total federal public debt in the US as a percentage of GDP soared from 107.7% in the first quarter of 2020 to 135.6% in the second quarter. In September 2020, the US Congressional Budget Office projected that the federal budget deficit would widen sharply from 4.6% of GDP in 2019 to 16.0% in 2020 and 8.6% in 2021, significantly higher than its March projections of 4.9% and 4.3% respectively. The worsening fiscal situation of the US government raises doubts on the latter's ability to render continued support to the economy beyond the short term. Such worries were particularly elevated upon the resurgence of COVID-19 infections in the US since June, piling further depreciation pressure on the US dollar.

Potential implications for the Hong Kong economy

Under the Linked Exchange Rate System, the Hong Kong dollar moves in tandem with the US dollar against other currencies. For an open economy, the exchange rate movement can, in theory, affect its external price competitiveness and hence trading activities. To further examine the issue in the context of Hong Kong, the volume of Hong Kong's merchandise exports since 2002 is plotted alongside the US dollar index (*Chart 3a*). Historical trends of these two variables before 2009 appeared to be consistent with what economic theory suggests, with export volume expanding by around 85% alongside a dip of about 30% in the US Dollar Index during 2002-2008. Yet, such correlation seemed to disappear afterwards.

The aforementioned observation should be interpreted with caution, considering that there are a host of other factors at play. In particular, given that Hong Kong's goods exports are predominately re-exports (i.e. goods not produced in Hong Kong), external factors such as economic conditions of neighbouring economies and regional trade flows are arguably more relevant than exchange rate movement in determining the export performance of Hong Kong. For instance, the increase in Hong Kong's exports during 2002-2008 as noted above was mostly driven by the surge in exports to the Mainland following its accession to the World Trade Organization in December 2001. The pick-up in external demand amid vibrant global economic growth at 4.5% per annum during the period also contributed. In contrast, the deceleration in Hong Kong's export performance during 2014-2015 mainly reflected weak import demand in our trading partners amid the slow and uneven growth of the global economy.

Box 2.1 (Cont'd)

The movements of the US dollar also have a bearing on Hong Kong's import prices. In general, the weakening of the US dollar tends to result in higher import prices, translating into greater external price pressures for Hong Kong. As shown in **Chart 3b**, overall prices of Hong Kong's merchandise imports rose by about 10% during 2002-2008 when the US dollar index trended downwards. The uptrend in inflation in many of Hong Kong's major import sources during the period also contributed. Nonetheless, the correlation between the US dollar exchange rate and overall import prices became less apparent thereafter. While the downtrend in the US dollar ended in 2009, import prices hiked further in next few years as international commodity and energy prices rebounded after the global financial crisis. In more recent years, import prices rose moderately alongside the slowdown in global economic growth and easing inflation pressures in many import sources, while the strengthening of the US dollar might also be relevant.

Chart 3a: Hong Kong's export volume appeared to be negatively correlated to the US dollar index in earlier years

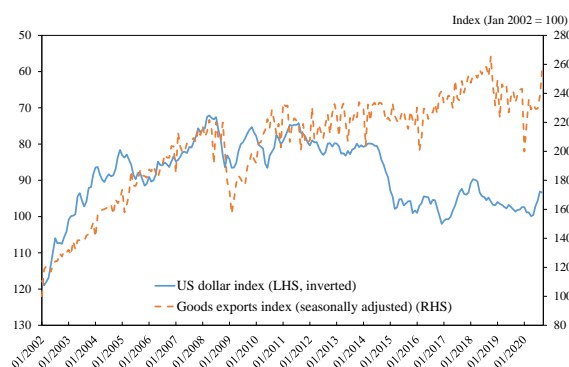
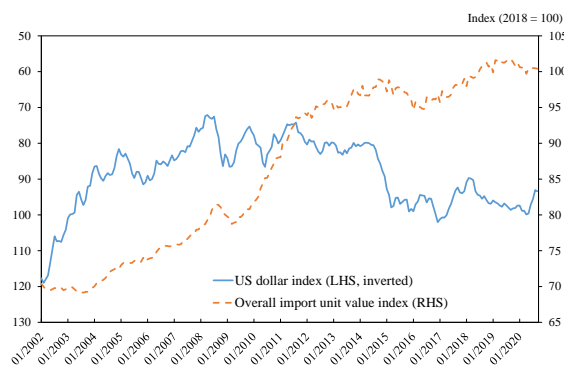


Chart 3b: The US dollar exchange rate is one of the determining factors of Hong Kong's import prices



Conclusion

The heightened volatility of the US dollar exchange rate this year was largely a result of the unprecedented shocks arising from the COVID-19 pandemic and the immense policy actions taken by the US authorities in consequence. As the threat of the pandemic will remain until effective vaccines are widely available, the movements of the US dollar may continue to be volatile in the near term. Nevertheless, the recent movements of the US dollar were actually not particularly large compared with the fluctuations seen in the past. Moreover, relative to exchange rate movements, other macroeconomic developments such as the pace and strength of the global economic recovery, China-US relations, and the risks of rising protectionism and unilateralism are more likely to have a bigger impact on Hong Kong's export performance going forward. The Government will monitor the developments closely.

Imports of goods

2.8 *Imports of goods* decreased mildly by 0.7% in real terms in the third quarter from a year earlier, after a 7.6% decline in the preceding quarter. *Retained imports*, which refer to imports for domestic use and accounted for around one-quarter of total imports in 2019, fell notably by 12.2% as domestic demand remained sluggish. On the other hand, imports for subsequent *re-exports*⁽³⁾ rose back modestly alongside the improvement in export performance.

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

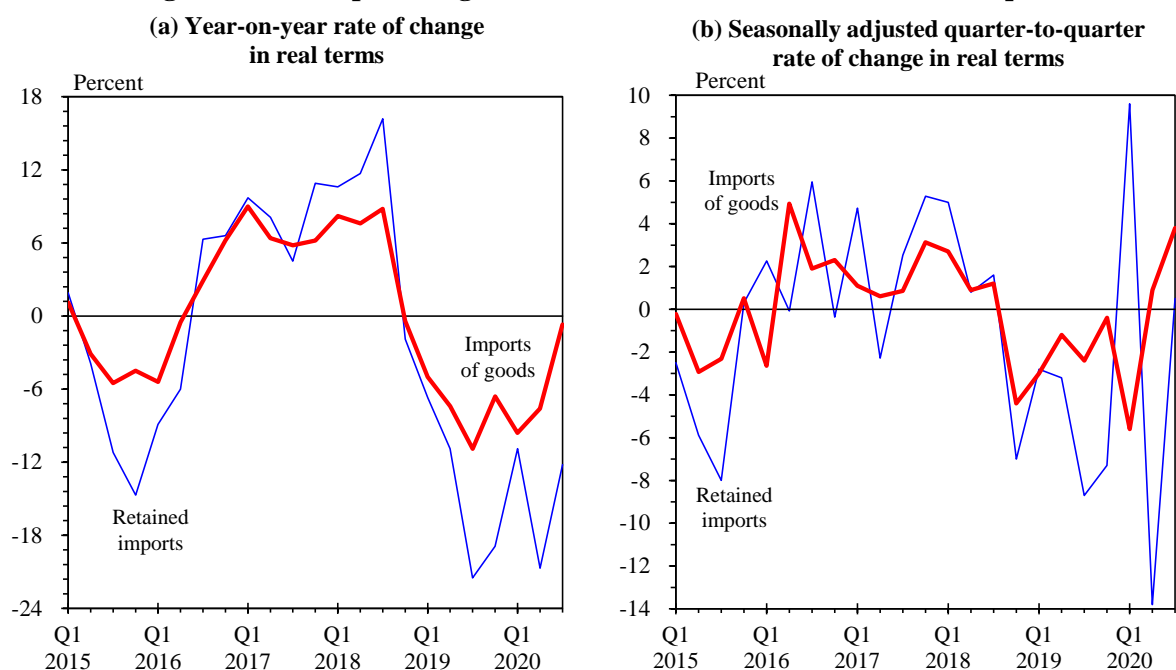
		<u>Imports of goods</u>				<u>Retained imports</u> ^(a)			
		<u>In value terms</u>	<u>In real terms</u> ⁽⁺⁾		<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>		<u>Change in prices</u>
2019	Annual	-6.5	-7.6		1.3	-17.4	-14.7		-3.4
	Q1	-3.2	-5.0	(-3.0)	2.2	-9.1	-6.7	(-2.8)	-2.5
	Q2	-5.7	-7.4	(-1.2)	1.9	-12.6	-10.9	(-3.2)	-2.6
	Q3	-10.1	-10.9	(-2.4)	1.0	-24.4	-21.5	(-8.7)	-3.9
	Q4	-6.5	-6.6	(-0.4)	0.1	-22.3	-18.9	(-7.3)	-4.0
2020	Q1	-10.0	-9.6	(-5.6)	-0.4	-10.9	-10.5	(9.6)	0.1
	Q2	-8.8	-7.6	(0.9)	-1.0	-23.2	-20.7	(-13.8)	-1.9
	Q3	-1.9	-0.7	(3.8)	-1.2	-13.6	-12.2	(0.5)	-2.3

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.

(+) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

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

Diagram 2.12 : Imports of goods showed a mild decrease in the third quarter



Services trade

Exports of services

2.9 *Exports of services* plummeted further by 34.6% year-on-year in real terms in the third quarter, though narrower than the record fall of 45.6% in the preceding quarter. Exports of travel services almost vanished as inbound tourism remained at a standstill amid strict travel restrictions and quarantine measures around the world. Exports of transport services fell sharply as passenger flows tumbled, but the pace of decline moderated somewhat alongside the improvement in regional trade and cargo flows. Exports of business and other services continued to record a double-digit decline amid still weak global economic conditions. On the other hand, exports of financial services saw further growth, buttressed by active cross-border financial and fund-raising activities.

Diagram 2.13 : The contribution from travel services to total exports of services was meagre as inbound tourism remained at a standstill

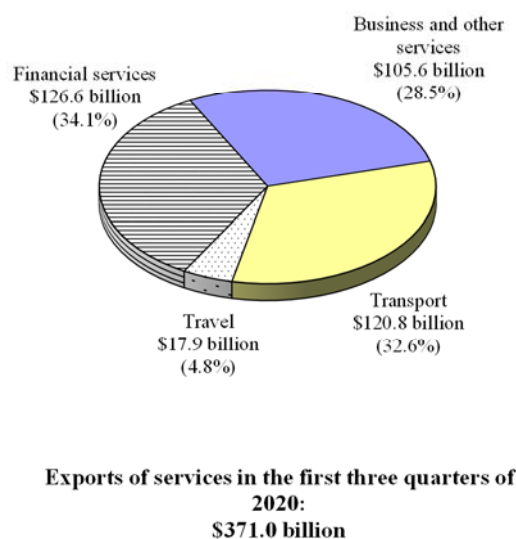


Diagram 2.14 : Exports of services plummeted further in the third quarter

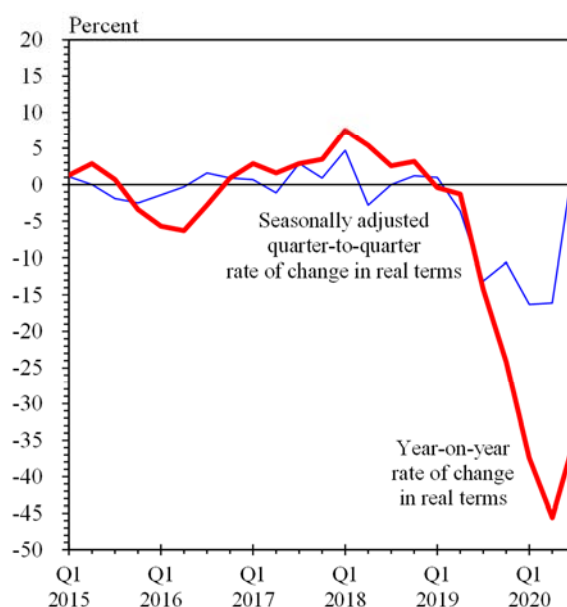


Table 2.4 : Exports of services by major service group (year-on-year rate of change in real terms (%))

		<i>Of which :</i>					
		<u>Exports of services</u>		<u>Transport</u>	<u>Travel</u> ^(a)	<u>Financial services</u>	<u>Business and other services</u>
2019	Annual	-10.2		-7.6	-21.0	-2.1	-3.8
	Q1	-0.4	(1.0)	-0.4	2.1	-2.8	-2.6
	Q2	-1.3	(-3.6)	-3.6	1.3	-0.4	-2.3
	Q3	-14.2	(-13.1)	-10.7	-31.3	-2.7	-5.1
	Q4	-24.2	(-10.6)	-15.4	-52.6	-2.1	-5.0
2020	Q1	-37.4	(-16.3)	-32.2	-80.6	1.3	-13.7
	Q2	-45.6	(-16.1)	-35.5	-97.1	2.5	-13.1
	Q3	-34.6	(4.6)	-29.6	-97.4	3.5	-10.7

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

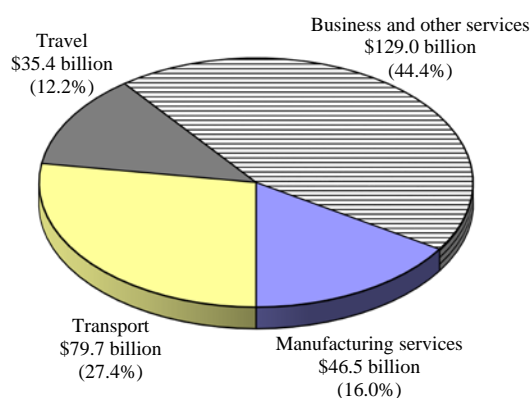
(a) Comprising mainly inbound tourism receipts.

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

Imports of services

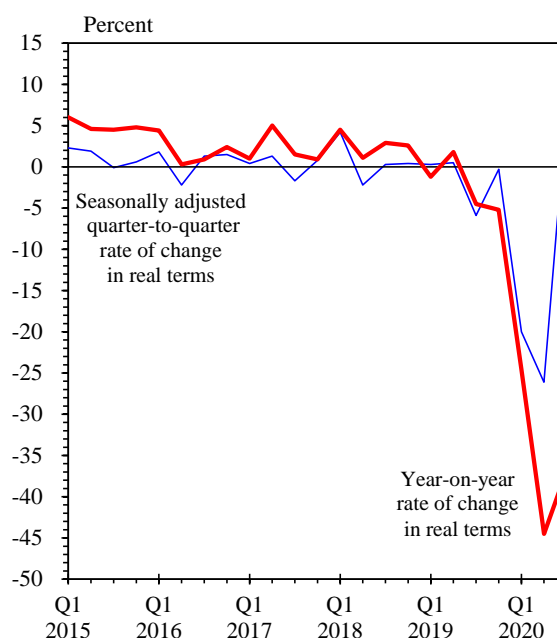
2.10 *Imports of services* plunged by 36.8% year-on-year in real terms in the third quarter, after the 44.5% record decline in the preceding quarter. Imports of travel services continued to dive due to stringent border/boundary controls worldwide. Imports of transport services fell noticeably amid subdued passenger traffic, but the rate of decline narrowed thanks to improved regional trade and cargo flows. Imports of business and other services continued to decline amid the still difficult external environment. Meanwhile, imports of manufacturing services continued to fall visibly, reflecting sluggish outward processing activities.

Diagram 2.15 : The share of travel services almost dissipated amid stringent border/boundary controls worldwide



Imports of services in the first three quarters of 2020:
\$290.7 billion

Diagram 2.16 : Imports of services plunged in the third quarter



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

Of which :

		<u>Imports of services</u>	<u>Travel</u> ⁽⁺⁾	<u>Transport</u>	<u>Manufacturing services</u> ^(^)	<u>Business and other services</u>
2019	Annual	-2.4	3.1	-4.5	-13.4	-1.4
	Q1	-1.2 (0.3)	-0.7	-1.2	-7.6	0.8
	Q2	1.8 (0.5)	10.9	-0.6	-14.2	1.6
	Q3	-4.5 (-5.9)	0.9	-6.5	-15.2	-3.1
	Q4	-5.2 (-0.3)	1.5	-9.6	-15.4	-4.4
2020	Q1	-24.5 (-20.0)	-48.8	-19.7	-22.3	-4.7
	Q2	-44.5 (-26.1)	-92.9	-29.0	-25.2	-4.1
	Q3	-36.8 (7.2)	-88.2	-18.6	-16.0	-2.1

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(+) Comprising mainly outbound travel spending.

(^) This includes the value of processing fees paid by Hong Kong to the processing units outside Hong Kong and raw materials / semi-manufactures directly procured by these processing units.

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

Goods and services balance

2.11 Based on the GDP accounting framework, the goods account registered a surplus in the third quarter after recording a deficit for two consecutive quarters, mainly due to a faster increase in goods exports than goods imports in the quarter. Meanwhile, the services surplus shrank from a year earlier. As such, the combined goods and services account registered a surplus of \$57 billion in the third quarter of 2020, equivalent to 4.6% of total import value, as compared to the surplus of \$36 billion (or 2.8% of total import value) in the third quarter of 2019.

**Table 2.6 : 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>	
2019	Annual	4,293	793	4,419	618	-126	175	49	1.0
	Q1	999	230	1,065	153	-66	77	11	0.9
	Q2	1,024	202	1,096	153	-72	49	-22	-1.8
	Q3	1,114	190	1,114	154	#	36	36	2.8
	Q4	1,156	171	1,144	159	12	12	24	1.9
2020	Q1	902	144	951	113	-49	31	-18	-1.7
	Q2	1,000	106	1,021	82	-20	24	4	0.3
	Q3	1,159	121	1,127	96	31	25	57	4.6

Notes : Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

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

(#) Within \pm \$0.5 billion.

Other developments

2.12 Trade and investment relations between Hong Kong and ASEAN strengthened further. The parts relating to Brunei Darussalam under the FTA and the IA between Hong Kong and ASEAN took effect on 20 October. With its entry into force, the FTA and the IA have come into effect for a total of nine ASEAN member states (viz Brunei Darussalam, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam). The two agreements serve as solid platforms for closer economic co-operation and collaboration between Hong Kong and ASEAN.

2.13 Hong Kong's tax treaty network expanded further following the conclusion of CDTAs with Serbia and Georgia in August and October respectively, bringing the total number of CDTAs concluded to 45. The CDTAs set out the allocation of taxing rights between the jurisdictions and will help investors better assess their potential tax liabilities from cross-border economic activities, thereby promoting investment and trade connections between the places.

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 external trade quantum index series compiled using the chain linking approach, which were first released in March 2015 to replace the previous trade index numbers compiled using the Laspeyres method with a fixed base year. The series are not comparable with the real trade aggregates under GDP (reported in Chapter 1) which are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*. Apart from this, 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) It is crudely estimated that, based on the annual merchandise trade figures for 2018 (without taking into account the temporary exemptions of some Mainland products as announced by the US in September 2019 and the additional tariff measures that became effective on 1 September 2019), around HK\$144 billion worth of Hong Kong's re-exports of Mainland origin to the US were affected by the various batches of additional tariffs introduced by the US in the third quarter of 2018, equivalent to around 3.5% of Hong Kong's total exports of goods. After the implementation of additional tariffs in September 2019, the share of affected re-exports increased to around 6.0% of Hong Kong's total exports of goods. Taken together, the value of the affected re-exports turned from a year-on-year increase of 7.8% in the first three quarters of 2018 to a decline of 3.4% in the fourth quarter of the year, and plunged by 23.8% for 2019 as a whole. It fell by 29.9% and 20.3% respectively in the first half and the third quarter of 2020. The performance of these affected re-exports were still far worse than Hong Kong's total exports to all markets, which fell by 6.9% in the first half of 2020 but rose back by 1.3% in the third quarter.
- (3) 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

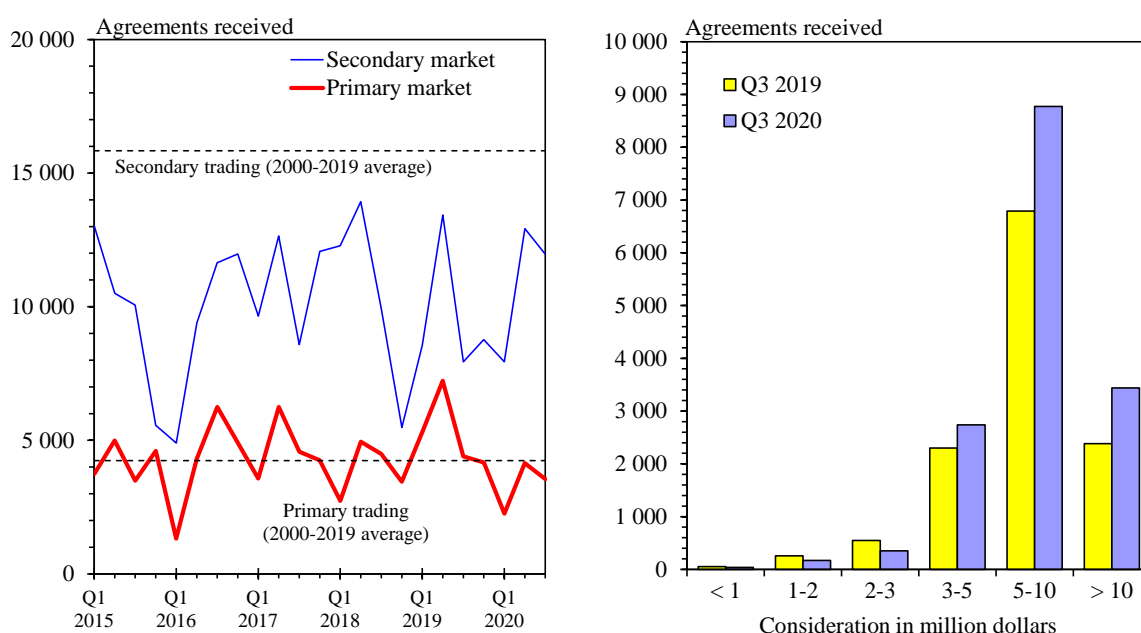
- *The residential property market softened somewhat on entering the third quarter of 2020, but showed some revival in the latter part of the quarter. Market sentiment was dented by the third wave of the local epidemic in July and early August, but gradually improved in September as the situation stabilised. The low interest rate environment and firm end-user demand also appeared to render support to the market. Trading activities showed a mild decline in the third quarter compared with the preceding quarter, while flat prices edged down by 1% during the quarter as a whole.*
- *Reflecting the Government's sustained efforts to increase land and flat supply, total private flat supply in the coming three to four years would stay at a high level of 92 000 units as estimated at end-September.*
- *The commercial and industrial property markets stayed generally weak in the third quarter amid the third wave of the local epidemic, weak economic conditions and exceptionally uncertain economic outlook. Trading activities stayed at low levels by historical standards, despite showing some signs of rebound towards the end of the quarter after the Hong Kong Monetary Authority (HKMA) relaxed the macro-prudential measures for mortgage loans on non-residential properties in August. Prices and rentals for major market segments exhibited diverse movements during the quarter.*
- *The tourism sector stayed at a standstill in the third quarter, as the stringent travel restrictions in response to the threat of the COVID-19 pandemic remained in place. Overall visitor arrivals plunged by 99.7% from a year earlier to an extremely low level.*
- *The logistics sector showed signs of improvement in the third quarter as regional and global trade flows saw some revival in the midst of a gradual global economic recovery. Total container throughput switched to an increase of 1.8% over a year earlier, while air freight throughput declined by a narrowed 3.8%.*

Property

3.1 The *residential property market* softened somewhat on entering the third quarter of 2020, but showed some revival in the latter part of the quarter. Market sentiment was dented by the third wave of the local epidemic in July and early August, but gradually improved in September as the situation stabilised. The low interest rate environment and firm end-user demand also appeared to render support to the market. Trading activities showed a mild decline in the third quarter compared with the preceding quarter, while flat prices edged down during the quarter as a whole.

3.2 The total number of sale and purchase agreements for residential property received by the Land Registry declined by 9% from the preceding quarter to 15 515 in the third quarter, though rising by 26% over the low base a year earlier. Within the total, primary and secondary market transactions decreased by 14% and 7% from the preceding quarter respectively. In parallel, total consideration fell by 5% to \$143.1 billion.

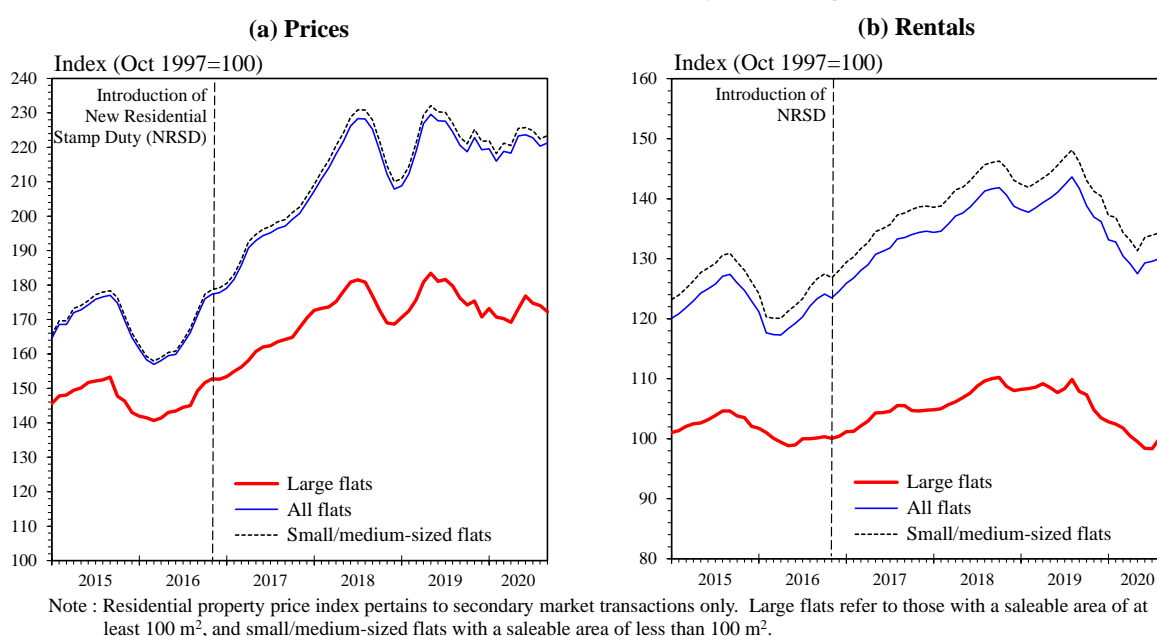
Diagram 3.1 : Trading activities showed a mild decline in the third quarter



3.3 Flat prices on average edged down by 1% during the third quarter, with the decline in the first two months partly offset by a mild rebound in September. Analysed by size, prices of small/medium-sized flats and large flats declined by 1% and 3% respectively. Flat prices in September were 4% below the recent peak in May 2019, but still 1% higher than in December 2019.

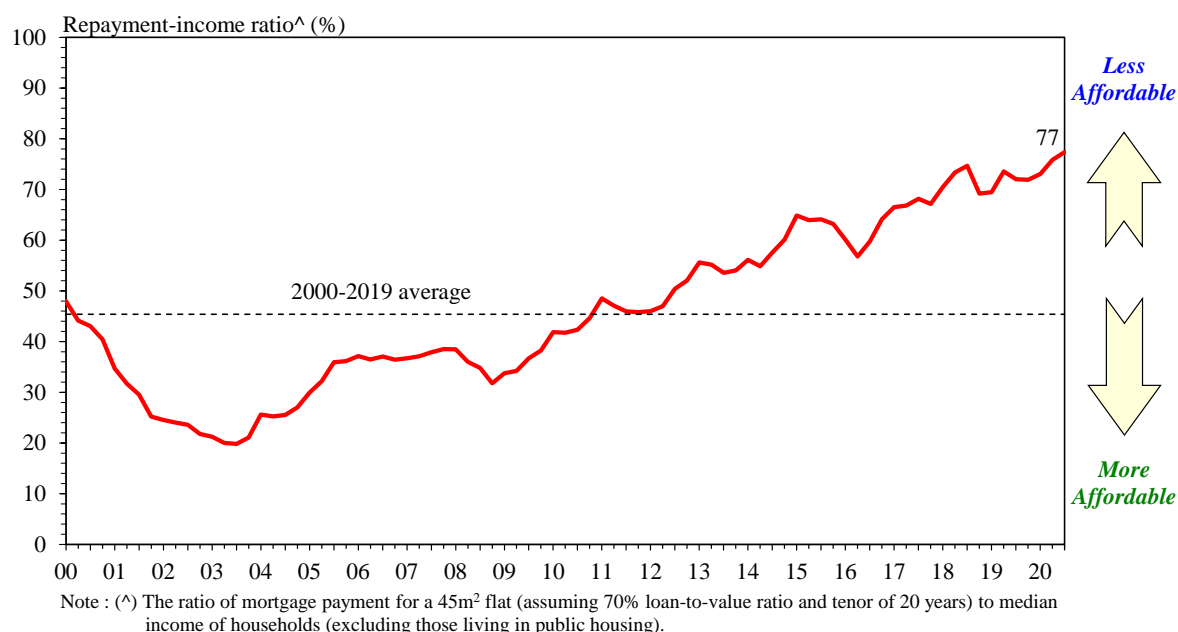
3.4 With the decline in September offsetting the increases in July and August, flat rentals showed virtually no change for the third quarter as a whole. Analysed by size, rentals of small/medium-sized flats in September were little changed from June, while those of large flats rose by 1%. Flat rentals in September were 5% lower than in December 2019, and 10% below the peak in August 2019. Reflecting the movements of prices and rentals, the average rental yield for residential property stayed at 2.3% in September, virtually unchanged from June.

Diagram 3.2 : Flat prices edged down during the third quarter, while rentals showed virtually no change



3.5 Notwithstanding the recent mild decline, flat prices in September 2020 exceeded the 1997 peak by 121%. The index of 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) remained elevated at around 77% in the third quarter, significantly above the long-term average of 45% over 2000-2019⁽¹⁾. Should interest rates rise by three percentage points to a more normal level, the ratio would soar to 100%.

Diagram 3.3 : The index of home purchase affordability remain elevated



3.6 Raising flat supply through increasing land supply is a policy priority of the Government. In September, the Government announced to put up two residential sites for sale in the fourth quarter, which are capable of providing about 630 units in total. Combining the various sources (including Government land sale, railway property development projects, and private development and redevelopment projects), the total potential private housing land supply in the first three quarters of 2020-21 is estimated to have a capacity to produce about 7 400 units.

3.7 Reflecting the Government's sustained efforts in raising land supply, the *total supply of flats* in the private sector in the coming three to four 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) would stay at a high level of 92 000 units as estimated at end-September. Another 5 400 units could be added to the total supply after the conversion of a number of residential sites into "disposed sites".

3.8 Over the past several years, the Government has also implemented demand-management and macro-prudential measures to dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market⁽²⁾. 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) remained low at 46 cases per month or 0.8% of total transactions in the third quarter, 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* also stayed low at 17 cases per month or 0.3% of total transactions in the third quarter, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities*, purchases subject to the New Residential Stamp Duty stayed at a modest level of 215 cases per month or 3.9% of total transactions in the third quarter, markedly lower than the monthly average of 1 412 cases subject to Double Stamp Duty or 26.5% in January to November 2016. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 57% in the third quarter, likewise 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 HKMA.

Diagram 3.4 : Speculative activities stayed subdued

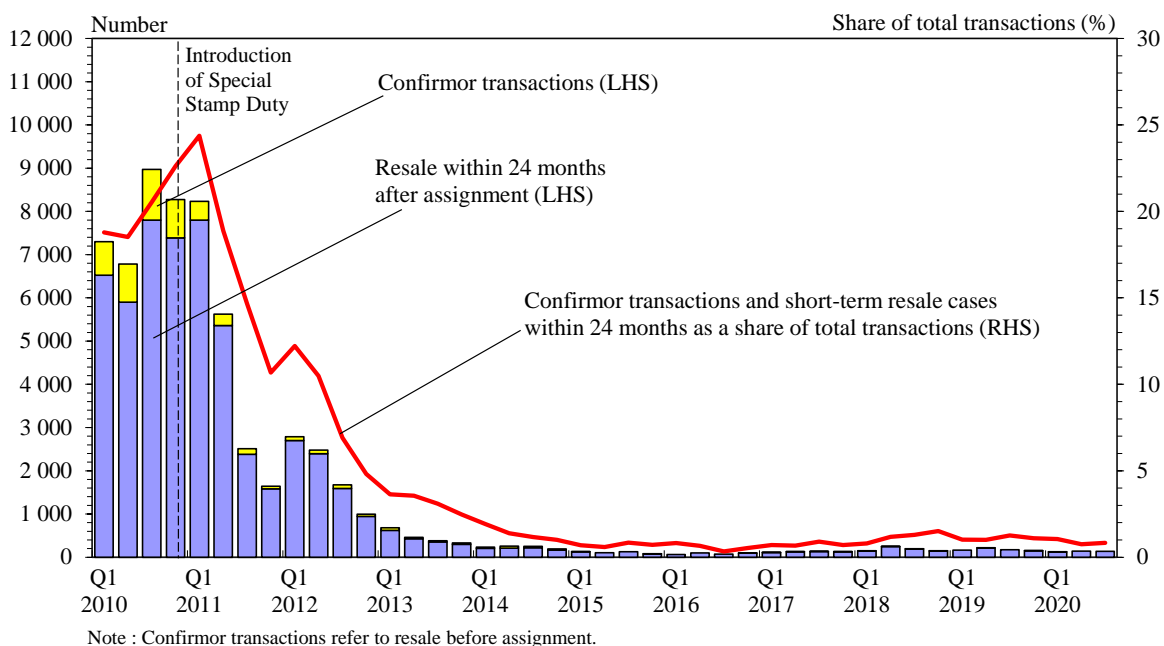


Diagram 3.5 : Purchases by non-local buyers stayed low

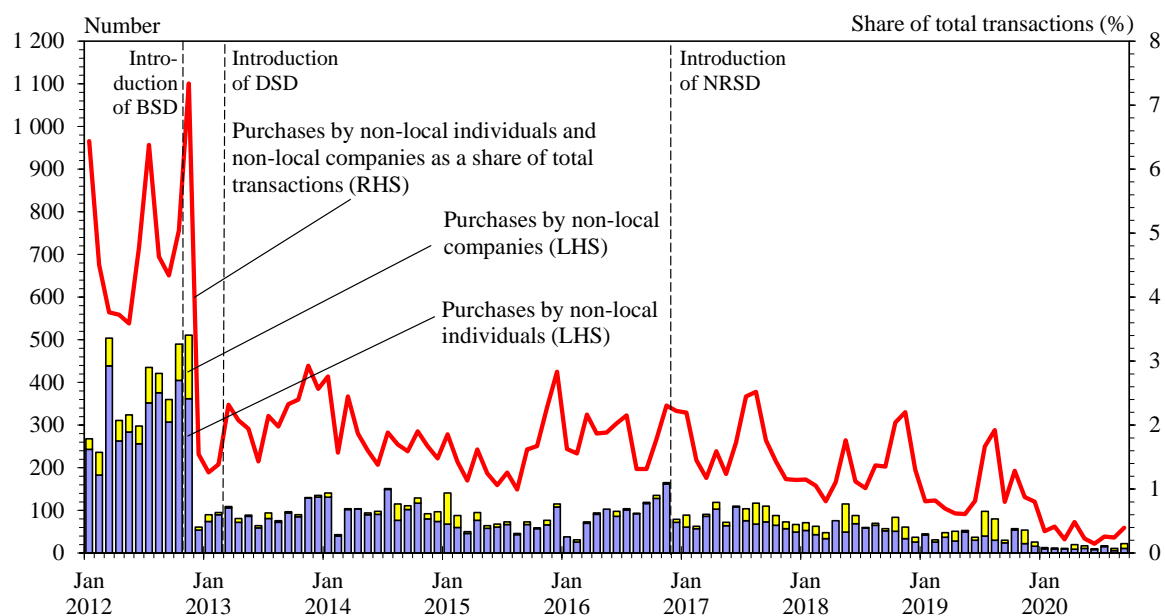
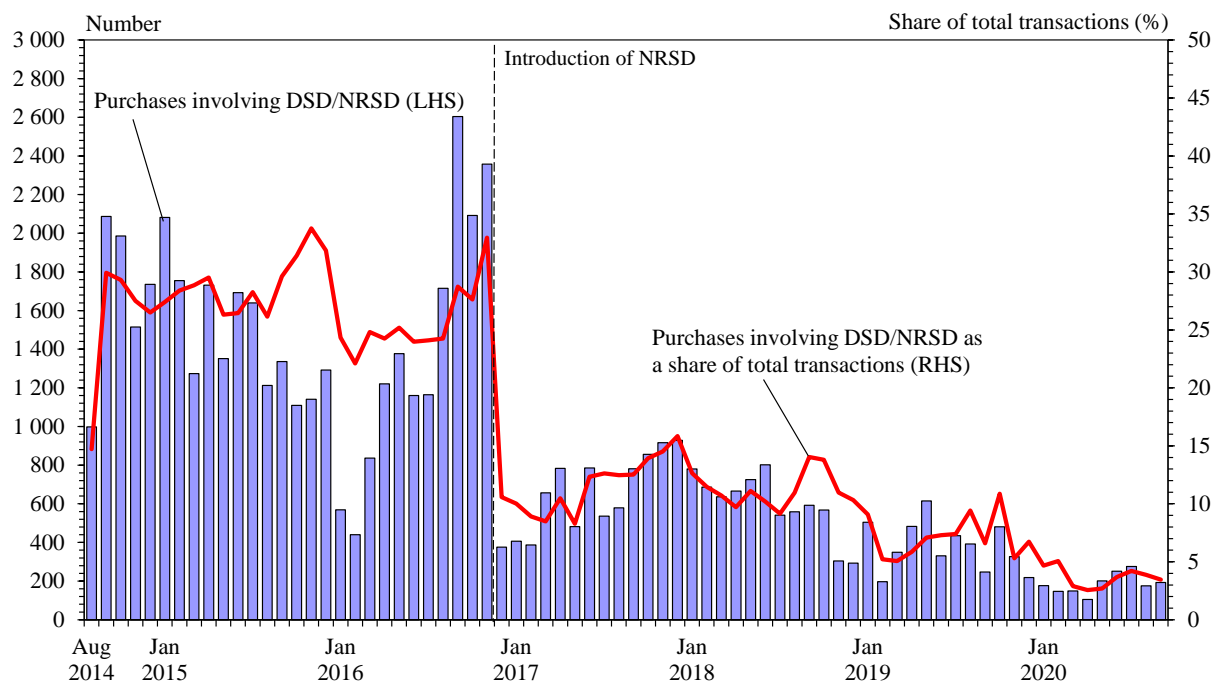


Diagram 3.6 : Investment activities were modest



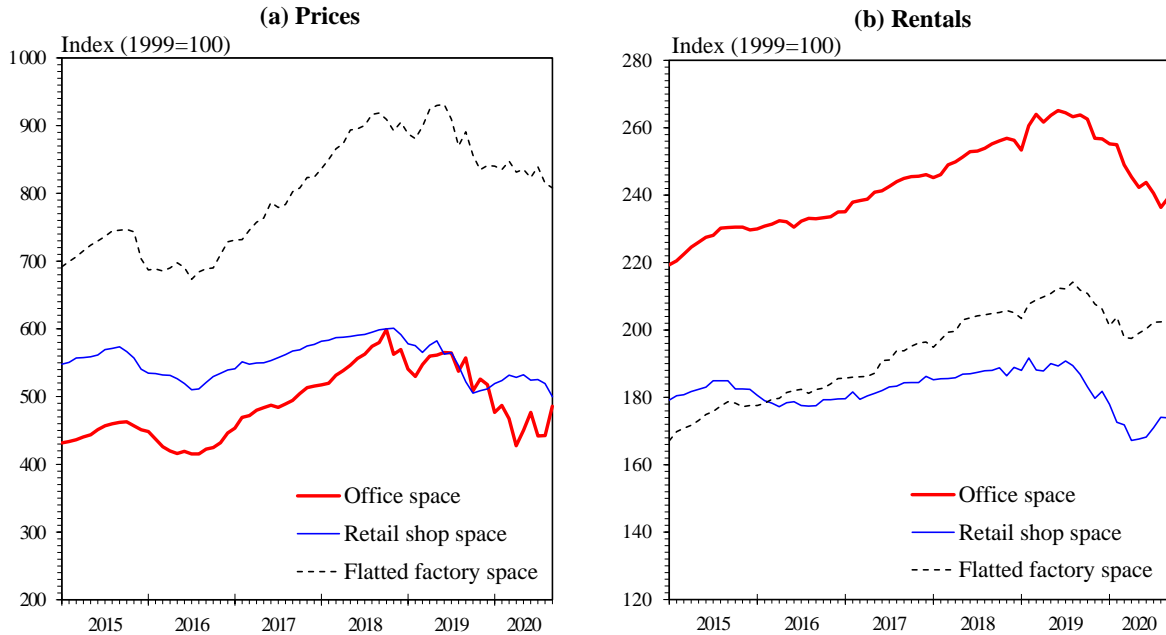
3.9 The *commercial* and *industrial property markets* stayed generally weak in the third quarter amid the third wave of the local epidemic, weak economic conditions and exceptionally uncertain economic outlook. Trading activities stayed at low levels by historical standards, despite showing some signs of rebound towards the end of the quarter after the HKMA relaxed the macro-prudential measures for mortgage loans on non-residential properties in August⁽³⁾. Prices and rentals for major market segments exhibited diverse movements during the quarter.

3.10 Prices of *office space* on average increased by 2% during the third quarter. Analysed by office class, prices of Grade B office space rose by 2%, while those of Grade A and C office space declined by 3% and 8% respectively⁽⁴⁾. Over the same period, office rentals on average continued to decline, by 2%. Within the total, rentals of Grade B and C office space fell by 6% and 1% respectively, while those of Grade A office space showed virtually no change. Compared with the respective peaks in 2018 and 2019, prices of office space in September on average plummeted by 19% and rentals by 10%. The average rental yields of Grade A, B and C office space were 2.8%, 2.5% and 2.8% respectively in September, compared with 2.7%, 2.7% and 2.6% in June. Sales transactions for office space notched up by 8% over the preceding quarter to 190 cases in the third quarter, but were still 1% lower than a year earlier.

3.11 Prices of *retail shop space* declined by another 5% between June and September, while rentals increased by 3%. Reportedly, some landlords rolled out further temporary rental concessions and other relief measures during the quarter to help tenants tide over the difficult business environment, though these have not been fully reflected in the rental figures. Prices in September retreated by 17% from the peak in 2018 and rentals were 9% below the peak in 2019. The average rental yield edged up from 2.6% in June to 2.7% in September. Sales transactions increased by 32% over the preceding quarter or by 34% over a year earlier to 380 cases in the third quarter⁽⁵⁾.

3.12 Prices of *flatted factory space* decreased by 2% during the third quarter, while rentals rose by 1%. Compared with their peaks in 2019, prices and rentals in September were 13% and 5% lower respectively. Reflecting the relative movements of prices and rentals during the period, the average rental yield increased from 2.9% in June to 3.0% in September. Sales transactions rose by 31% over the preceding quarter or by 34% over a year earlier to 630 cases in the third quarter.

Diagram 3.7 : Prices and rentals of non-residential properties exhibited diverse movements during the third quarter



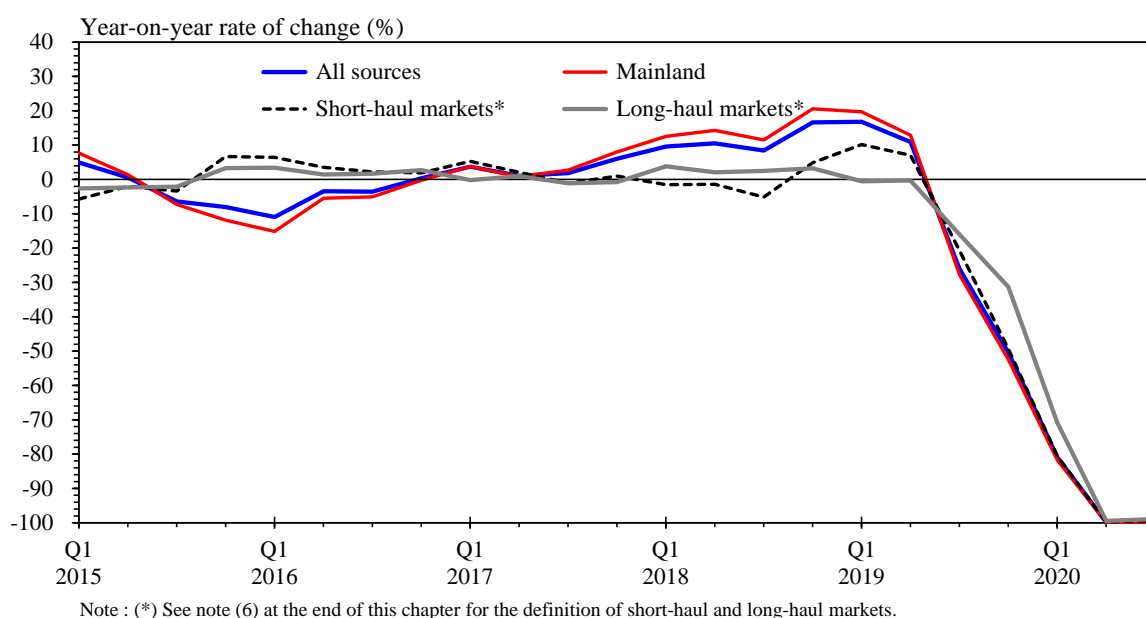
Land

3.13 Four sites for petrol filling station, two residential sites, and one industrial site, with a total area of about 3.8 hectares, were disposed of in the third quarter, fetching a land premium of about \$11.7 billion. In addition, the tender exercise for one residential site in Tai Po commenced in the quarter. In the third quarter, one land exchange case and lease modifications of 16 sites were approved.

Tourism

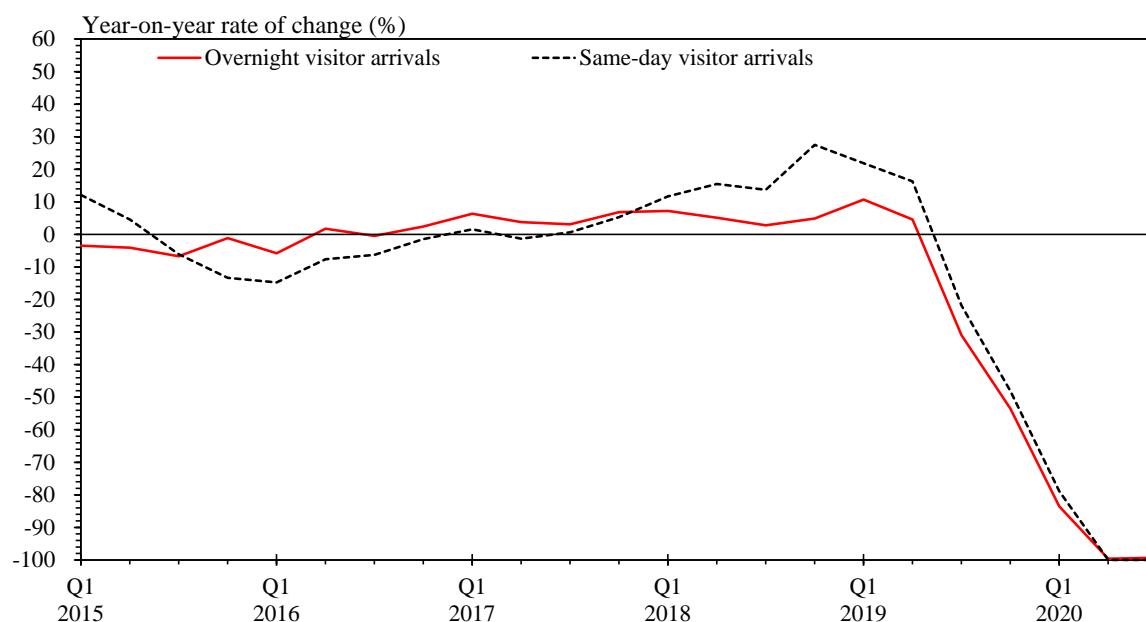
3.14 The tourism sector stayed at a standstill in the third quarter, as the stringent travel restrictions in response to the threat of the COVID-19 pandemic remained in place. Overall *visitor arrivals* plunged by 99.7% from a year earlier to an extremely low level of 34 100 in the third quarter. Mainland visitors and visitors from other short-haul and long-haul markets all recorded declines of over 98%⁽⁶⁾. Visitor spending, as measured by exports of travel services, plummeted by 97.4% year-on-year in real terms.

Diagram 3.8 : The tourism sector stayed at a standstill in the third quarter



3.15 Overnight visitors continued to account for a dominating majority of visitor arrivals in the quarter, given the compulsory quarantine arrangements imposed on inbound travellers. Reflecting this, the share of overnight visitors jumped from 43.0% a year earlier to 99.0%, while that of same-day visitors plummeted from 57.0% to only 1.0%.

Diagram 3.9 : Both overnight visitor arrivals and same-day visitor arrivals plunged from a year earlier in the third quarter

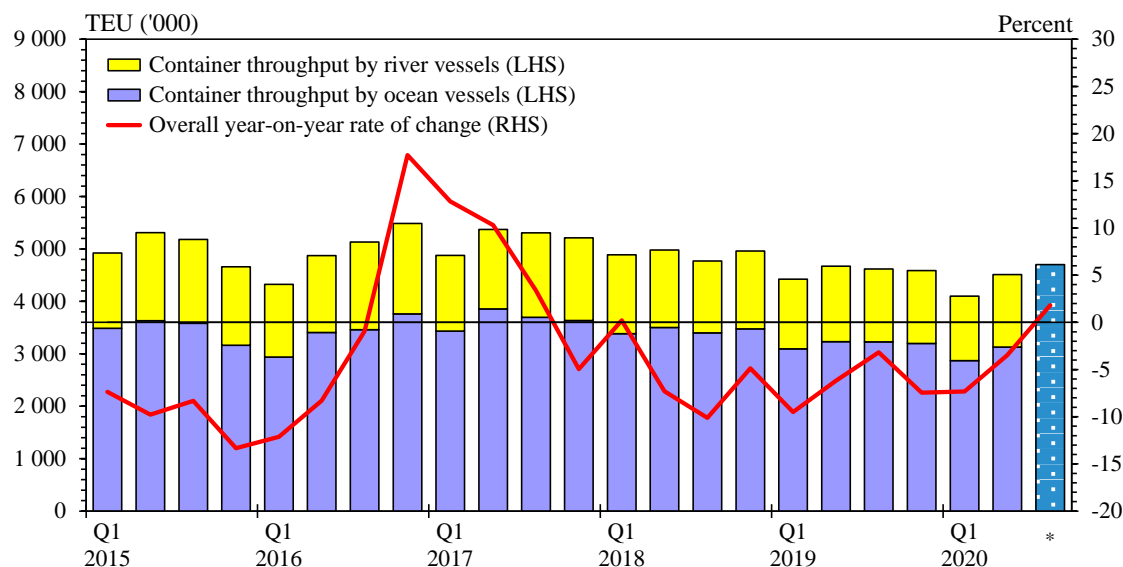


3.16 The plunge in visitor arrivals continued to take a heavy toll on the hotel sector in the third quarter, but “staycation activities” by local residents and individuals undergoing compulsory quarantine at hotels provided some cushion. The average hotel room occupancy rate rose from 38% in the second quarter to 51% in the third quarter, though still represented a sharp decline from 72% a year earlier. The average achieved hotel room rate fell visibly by 20.0% from a year earlier to \$851⁽⁷⁾.

Logistics

3.17 The logistics sector showed signs of improvement in the third quarter as regional and global trade flows saw some revival in the midst of a gradual global economic recovery. *Total container throughput* switched to an increase of 1.8% over a year earlier to 4.7 million twenty-foot equivalent units (TEUs), the first growth since the first quarter of 2018. Yet the value of trade handled at the Hong Kong port declined by another 14.2% in the third quarter, and its share in total trade fell from 15.9% a year earlier to 13.7%.

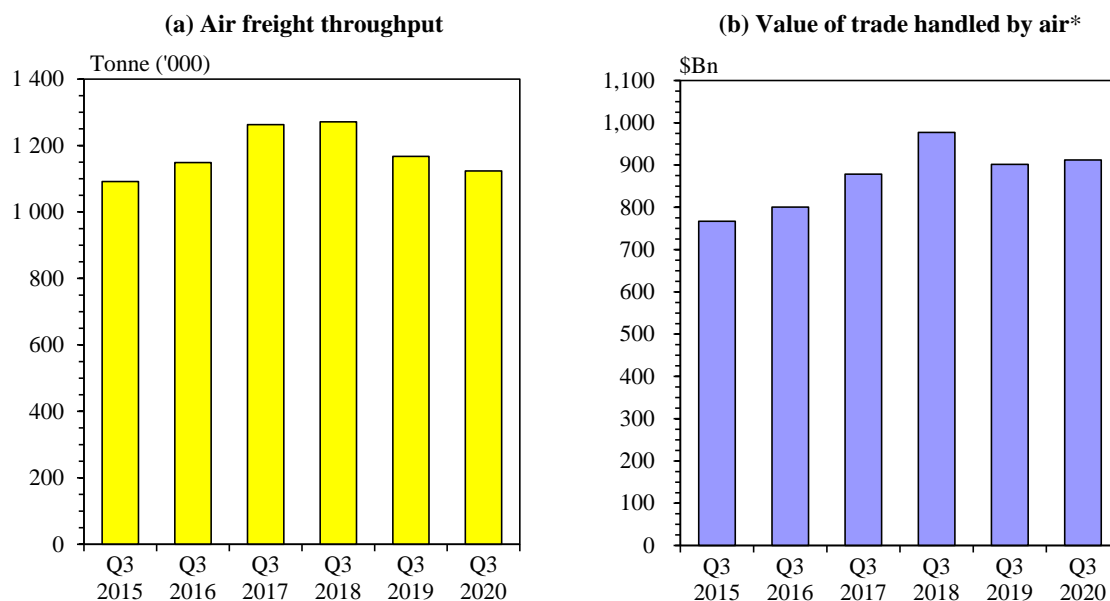
Diagram 3.10 : Container throughput switched to an increase in the third quarter



Note : (*) The container throughput figure for the latest quarter is the preliminary estimate by the Hong Kong Maritime and Port Board, for which a breakdown by ocean and river vessels is not yet available.

3.18 Meanwhile, *air freight throughput* declined by a narrowed 3.8% from a year earlier to 1.1 million tonnes in the third quarter. The value of trade by air increased slightly by 1.2% in the third quarter, and its share in total trade rose from 41.6% a year earlier to 42.2%.

Diagram 3.11 : Air freight throughput declined by a narrower extent in the third quarter, while value of trade handled by air increased slightly



Note : (*) Not including transshipment.

Transport

3.19 Traffic flows for all modes of cross-boundary passenger transport remained very low in the third quarter given the widespread travel restrictions and boundary control measures associated with the COVID-19 pandemic. Air passenger traffic plummeted by 98.4% from a year earlier to around 280 000 trips, and water-borne passenger trips by 99.4% to some 22 000. As to land based traffic, passenger trips plunged by 99.6% to around 232 000, and average daily cross-boundary vehicle movements declined by 57.2% to 18 819.

Creative industries

3.20 In July, the Government announced that around \$260 million would be earmarked under the Film Development Fund to implement five major measures to add value to the local film industry and help the trade tide over the current difficult period. The five major measures include the Directors' Succession Scheme, relaxation of the Film Production Financing Scheme, the Scriptwriting Incubation Programme, sponsoring the trade to provide short-term advanced training programmes and the enhanced First Feature Film Initiative. These measures could help increase the number of local film productions, nurture young directors and scriptwriting talents, and enhance professional training for the local film industry.

Environment

3.21 In August, the Government extended the deadline of the first registration tax concession arrangement for electric vehicles, including the "One-for-One Replacement" Scheme for electric private cars, for three years to 31 March 2024. Under the Scheme, private car owners who arrange to scrap and de-register their eligible old private cars and then first register a new electric private car could enjoy a first registration tax concession of up to \$250,000.

Notes :

- (1) Starting from the fourth quarter of 2019, the index of home purchase affordability is calculated based on, among others, the mortgage rates of new mortgage loans with reference to both the Best Lending Rate (BLR) and the Hong Kong Interbank Offered Rate (HIBOR). Also, the index for the third quarter of 2019 has been revised retrospectively based on the revised mortgage rates. As such, the data from the third

quarter of 2019 onwards may not be strictly comparable with those in previous quarters, which were based on the mortgage rates of new mortgages loans with reference to the BLR only.

- (2) 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. For details of the measures promulgated in 2015, see Box 3.1 of the First Quarter Economic Report 2015. For details of the measures promulgated in 2016, see note (1) at the end of Chapter 4 in the 2016 Economic Background and 2017 Prospects. For details of the measures promulgated in 2017, see note (3) at the end of Chapter 3 in the First Quarter Economic Report 2017, note (2) at the end of Chapter 3 in the Half-yearly Economic Report 2017 and Box 3.1 of the Third Quarter Economic Report 2017. For details of the measures promulgated in 2018, see Box 3.1 in the Half-yearly Economic Report 2018 and Box 3.1 of the Third Quarter Economic Report 2018. For details of the measures promulgated in 2019, see Box 3.1 of the Third Quarter Economic Report 2019.
- (3) On 19 August 2020, the HKMA announced that, with effect from 20 August 2020, the applicable loan-to-value ratio caps for mortgage loans on non-residential properties would be adjusted upward by 10 percentage points, from 40% to 50% for general cases.
- (4) The overall price index of office space is compiled by calculating a weighted average of the price indices of Grade A, B and C office space. The weightings are based on the total floor area transacted of the respective categories in the current and previous 11 months. As the respective weightings of Grade A, B and C office space calculated using the floor area showed visible changes between June and September, even though the prices of Grade A and Grade C office space recorded declines of larger extent during the period, the overall prices of office space still showed a mild increase.
- (5) 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.
- (6) 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 2020, visitor arrivals from the Mainland, short-haul and long-haul markets accounted for respective shares of 42%, 30% and 28% of total visitors.
- (7) The figures on hotel room occupancy and achieved room rate do not include guesthouses.

CHAPTER 4 : THE FINANCIAL SECTOR[#]

Summary

- *With the US Federal Open Market Committee keeping the target range for the Federal Funds Rate at the record low level of 0.00-0.25%, the low interest rate environment in Hong Kong continued in the third quarter. Hong Kong dollar interbank interest rates and interest rates on the retail front remained at low levels.*
- *The Hong Kong dollar spot exchange rate stayed close to 7.75 per US dollar throughout the third quarter and the strong-side Convertibility Undertaking was triggered repeatedly. Meanwhile, as the US dollar weakened against most major currencies, including the euro, pound sterling and renminbi (RMB), the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices declined by 3.0% and 5.5% respectively during the third quarter.*
- *Total loans and advances increased by 3.2% during the third quarter amid a notable pick-up in fund raising activities. Within the total, loans for use in Hong Kong rose by 4.7%, while loans for use outside Hong Kong edged down by 0.4%.*
- *The local stock market underwent some consolidation in the third quarter as sentiment was dampened by the tense China-US relations and the still-uncertain global economic outlook amid the COVID-19 pandemic. The Hang Seng Index (HSI) fell from a high of 26 339 on 6 July to a low of 23 235 on 25 September, and closed the quarter at 23 459, down 4.0% from end-June. Yet, trading activities stayed active and fund raising activities picked up notably.*

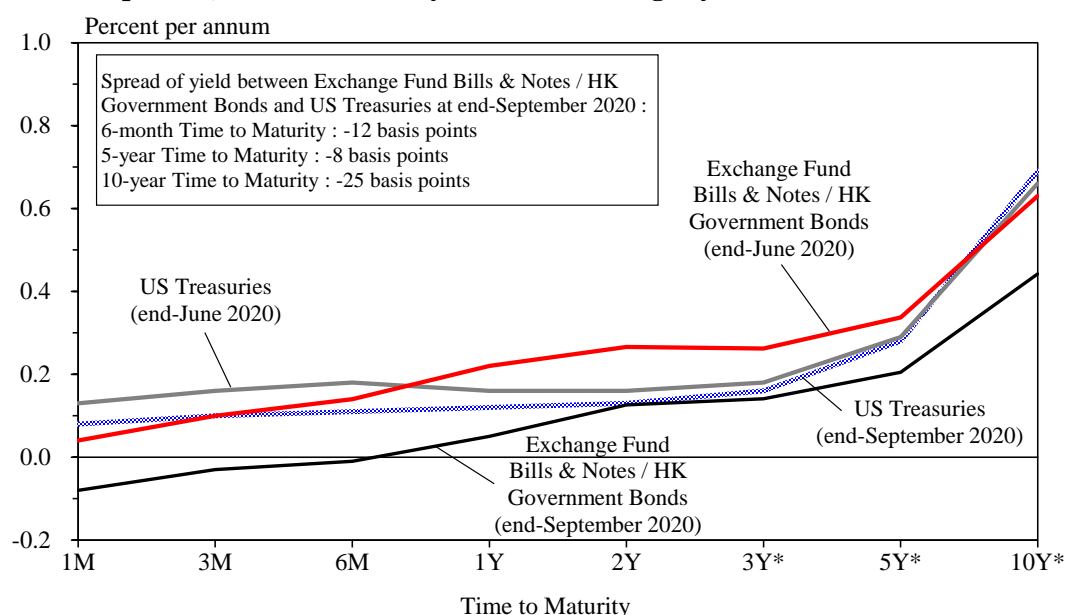
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Office of the Government Economist.*

Interest rates and exchange rates

4.1 With the US Federal Open Market Committee keeping the target range for the Federal Funds Rate at the record low level of 0.00-0.25%, the low interest rate environment in Hong Kong continued in the third quarter. The overnight *Hong Kong dollar interbank interest rate* (HIBOR) edged down further from 0.18% at end-June to 0.10% at end-September, and the three-month HIBOR from 0.78% to 0.61%, notwithstanding occasional slight pick-ups amid Initial Public Offering (IPO)-related and quarter-end funding demand. Consequentially, the *Base Rate* under the Discount Window⁽¹⁾ operated by the HKMA remained unchanged at 0.50% at end-September.

4.2 The *Hong Kong dollar yield curve* shifted downwards during the third quarter, while *US dollar yields* declined slightly at the shorter tenors. Reflecting the relative movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened from 4 basis points at end-June to 12 basis points at end-September, and that between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes from 3 basis points to 25 basis points.

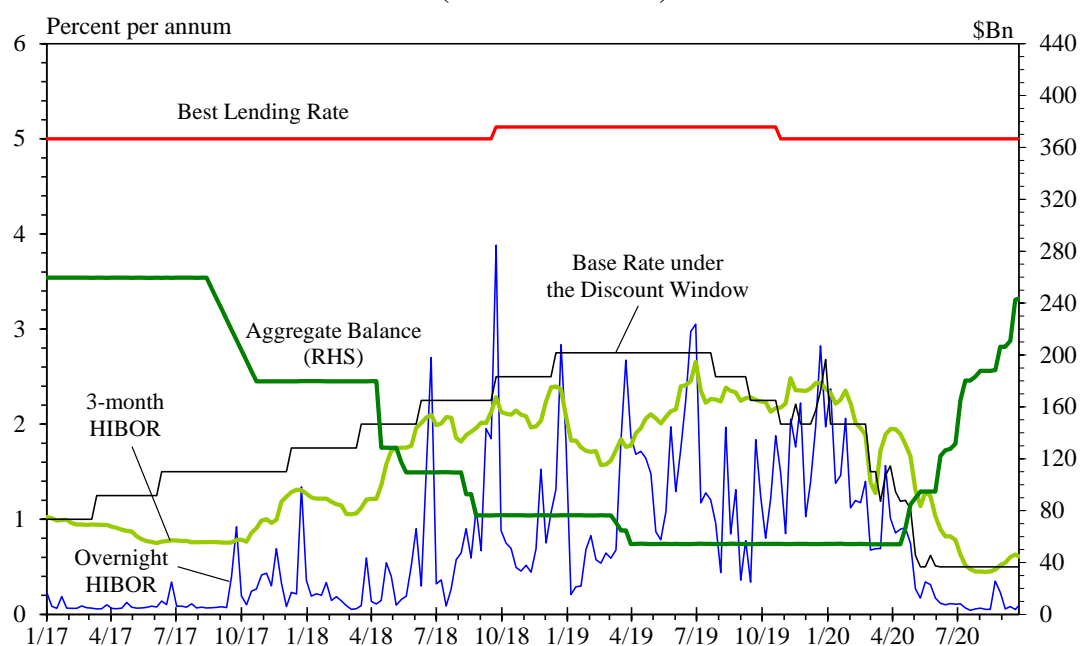
Diagram 4.1 : The Hong Kong dollar yield curve shifted downwards during the third quarter, while US dollar yields declined slightly at the shorter tenors



Note : (*) With the HKMA stopping new issuance of Exchange Fund Notes of tenors of 3 years or above since January 2015, the Hong Kong dollar yields for tenor of 3 years and above refer to those for Hong Kong Government Bonds.

4.3 Interest rates on the retail front also stayed at low levels. The *Best Lending Rates* in the market remained unchanged, ranging from 5.00% to 5.50% in the third quarter. The *average savings deposit rate* for deposits of less than \$100,000 quoted by the major banks remained unchanged at 0.001%, while the one-year *time deposit rate* edged down from 0.18% at end-June to 0.16% at end-September. The *composite interest rate*⁽²⁾, which indicates the average cost of funds for retail banks, declined from 0.71% at end-June to 0.36% at end-September.

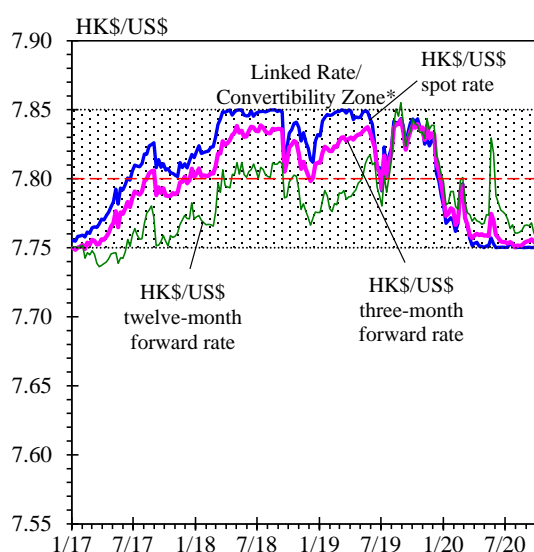
**Diagram 4.2 : Interbank interest rates and interest rates on the retail front remained at low levels during the third quarter
(end for the week)**



4.4 The *Hong Kong dollar spot exchange rate* stayed close to 7.75 per US dollar throughout the third quarter. The strong-side Convertibility Undertaking was triggered 33 times in the quarter, mainly driven by equity-related demand for Hong Kong dollars, including IPO activities, southbound Stock Connect, and dividend payments. Consequently, the Aggregate Balance increased from \$131.6 billion at end-June to \$243.5 billion at end-September. The Hong Kong dollar spot exchange rate closed the quarter at 7.750, little changed from that at end-June. The premium of 3-month *Hong Kong dollar forward rate* narrowed from 51 pips (each pip is equivalent to HK\$0.0001) at end-June to 31 pips at end-September, and that of 12-month forward rate from 295 pips to 80 pips.

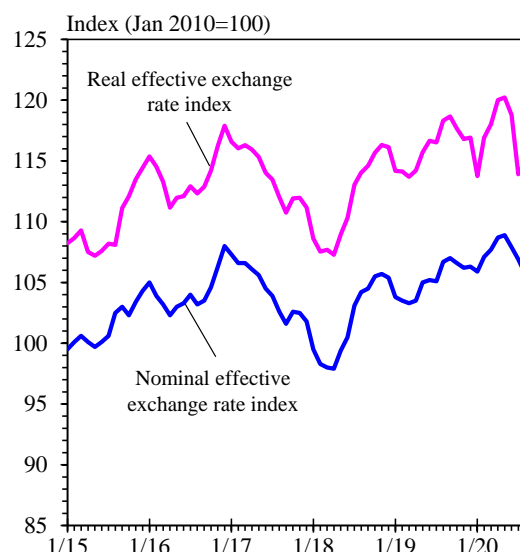
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar weakened against most major currencies, including the euro, pound sterling and RMB, the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*⁽³⁾ declined by 3.0% and 5.5% respectively during the third quarter.

**Diagram 4.3 : The Hong Kong dollar stayed close to 7.75 per US dollar throughout the third 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 effective exchange rate indices declined
(average for the month)**



Money supply and banking sector

4.6 The monetary aggregates rose further in the third quarter. The Hong Kong dollar broad *money supply* (HK\$M3) increased by another 8.0% over end-June to \$8,258 billion at end-September, and the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) rose by 5.4% to \$1,867 billion⁽⁴⁾. Meanwhile, *total deposits* with authorized institutions (AIs)⁽⁵⁾ went up by 4.9% to \$14,772 billion, within which Hong Kong dollar deposits and foreign currency deposits rose by 8.4% and 1.5% respectively.

Diagram 4.5 : The monetary aggregates rose further in the third quarter

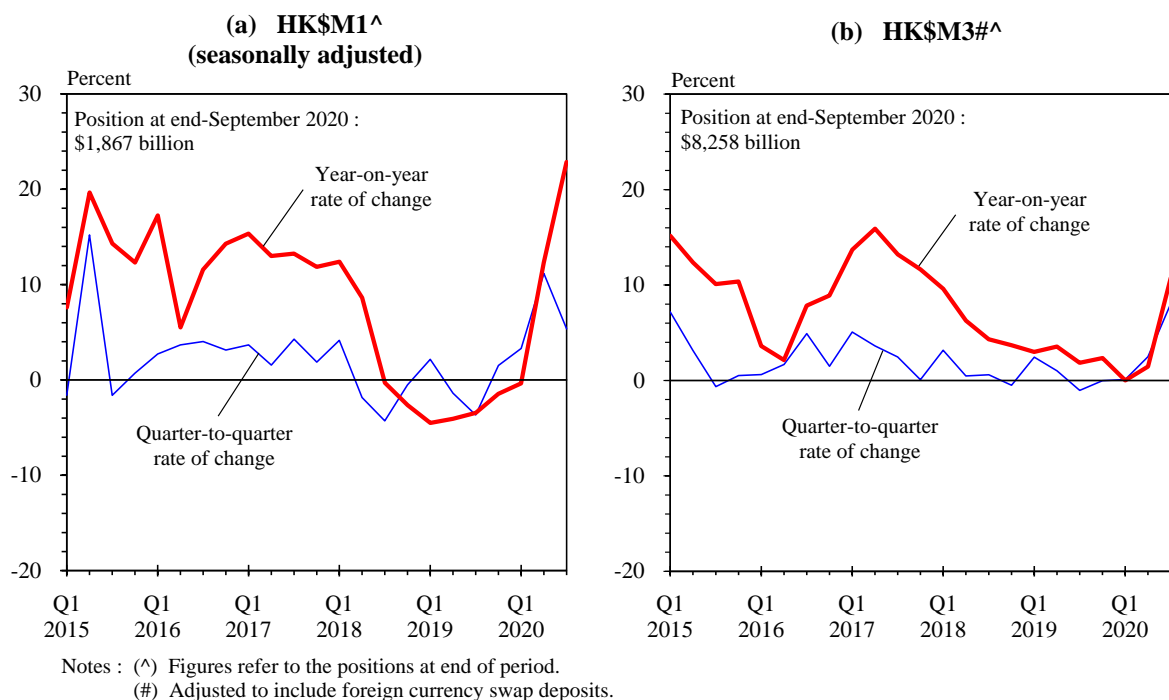


Table 4.1 : Hong Kong dollar money supply and total money supply

% change during the quarter		<u>M1</u>		<u>M2</u>		<u>M3</u>	
		<u>HK\$[^]</u>	<u>Total</u>	<u>HK\$[#]</u>	<u>Total</u>	<u>HK\$[#]</u>	<u>Total</u>
2019	Q1	2.2	-0.1	2.5	1.0	2.4	1.0
	Q2	-1.4	0.4	1.0	0.4	1.0	0.3
	Q3	-3.7	1.7	-1.0	-0.2	-1.1	-0.3
	Q4	1.5	0.6	*	1.6	*	1.6
2020	Q1	3.3	5.2	0.1	0.4	0.1	0.4
	Q2	11.2	8.6	2.5	2.0	2.5	2.0
	Q3	5.4	26.0	8.0	4.9	8.0	4.9
Total amount at end-September 2020 (\$Bn)		1,867	3,577	8,243	15,845	8,258	15,883
% change over a year earlier		22.9	44.9	10.8	9.2	10.7	9.2

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

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

4.7 *Total loans and advances* increased by 3.2% over end-June to \$11,031 billion at end-September. Within the total, Hong Kong dollar loans rose by 6.9%, while foreign currency loans declined by 1.8%. Reflecting the relative movements in deposits and loans, the loan-to-deposit ratio for Hong Kong dollar decreased from 86.4% at end-June to 85.2% at end-September, and that for foreign currencies from 65.5% to 63.4%.

4.8 Loans for use in Hong Kong (including trade finance) rose by 4.7% over end-June to \$7,795 billion at end-September, while loans for use outside Hong Kong edged down by 0.4% to \$3,237 billion. Within the former, loans to stockbrokers surged by 296.5% amid a notable pick-up in fund raising activities during the quarter. On the other hand, loans to trade finance and loans to manufacturing declined further by 3.6% and 0.5% respectively alongside the uncertain trading environment. Loans to wholesale and retail trade fell by another 3.5% amid the austere business environment, while loans to financial concerns also decreased by 1.8%. As for property-related lending, loans for purchase of residential property increased moderately by 2.6%, while loans for building, construction, property development and investment dropped by 1.2%.

Table 4.2 : Loans and advances

All loans and advances for use in Hong Kong

		Loans to :									
% change during the quarter		Trade finance	Manu- facturing	Whole- sale and retail trade	Building, construction, property development and investment	Purchase of residential property ^(a)	Financial concerns	Stock- brokers	Total ^(b)	All loans and advances for use outside Hong Kong ^(c)	Total loans and advances
2019	Q1	6.8	-1.5	-4.9	1.5	1.3	3.5	12.9	2.2	2.7	2.3
	Q2	3.2	3.3	3.4	1.6	3.3	-0.3	-12.6	2.3	0.8	1.8
	Q3	-1.9	-0.3	0.6	0.6	3.9	1.4	-0.7	1.9	1.4	1.7
	Q4	-8.2	-0.4	-2.1	3.1	1.6	1.2	-2.9	0.6	0.8	0.7
2020	Q1	6.1	6.5	-1.2	2.5	1.7	7.6	17.0	3.4	1.6	2.8
	Q2	-1.3	-4.3	-0.3	-2.6	1.7	-1.6	16.5	-0.8	2.5	0.2
	Q3	-3.6	-0.5	-3.5	-1.2	2.6	-1.8	296.5	4.7	-0.4	3.2
Total amount at end-September 2020 (\$Bn)		457	307	360	1,610	1,640	944	339	7,795	3,237	11,031
% change over a year earlier		-7.4	0.9	-6.9	1.8	7.9	5.3	424.7	8.0	4.7	7.0

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 at a high level of 20.7% at end-June. Asset quality of the local banking sector remained high by historical standards, though showing a slight deterioration during the second quarter amid the weak economic performance. The ratio of classified loans to total loans for retail banks went up slightly from 0.55% at end-March to 0.71% at end-June, while the delinquency ratio for credit card lending edged up from 0.35% to 0.39%. Meanwhile, the delinquency ratio for residential mortgage loans stayed at a low level of 0.04% at end-September.

Table 4.3 : Asset quality of retail banks*

(as % of total loans)

<u>At end of period</u>		<u>Pass loans</u>	<u>Special mention loans</u>	<u>Classified loans</u> (gross)
2019	Q1	98.28	1.20	0.52
	Q2	98.26	1.20	0.54
	Q3	98.32	1.16	0.52
	Q4	98.25	1.27	0.48
2020	Q1	97.86	1.60	0.55
	Q2	97.63	1.67	0.71

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

(*) Period-end figures relate to Hong Kong offices, overseas branches and major overseas subsidiaries. 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”.

4.10 The *offshore RMB business* showed a broad-based expansion. RMB trade settlement transactions handled by banks in Hong Kong rose by 21.3% over a year earlier to RMB1,712.0 billion in the third quarter. Total RMB deposits (including customer deposits and outstanding certificates of deposit) increased by 4.9% over end-June to RMB711.1 billion at end-September. As to RMB financing activities, RMB bond issuance went up from RMB2.2 billion in the preceding quarter to RMB17.7 billion in the third quarter (excluding the issuance of RMB5.0 billion by the Ministry of Finance), while outstanding RMB bank loans were virtually unchanged at RMB163.2 billion at end-September.

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

<u>At end of period</u>		<u>Interest rates on^(a)</u>					<u>Number of AIs engaged in RMB business</u>	<u>Amount of cross-border RMB trade settlement^(c)</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^(b)</u> (%)	<u>Three-month time deposits^(b)</u> (%)		
2019	Q1	210,156	392,082	602,238	0.25	0.53	136	1,211,303
	Q2	214,540	389,697	604,236	0.25	0.53	136	1,338,610
	Q3	207,338	416,106	623,443	0.25	0.53	136	1,411,384
	Q4	223,985	408,222	632,207	0.25	0.53	138	1,414,999
2020	Q1	260,629	403,524	664,153	0.25	0.53	140	1,531,343
	Q2	241,113	398,802	639,915	0.22	0.40	140	1,604,512
	Q3	241,432	426,459	667,890	0.16	0.31	141	1,711,958
% change in 2020 Q3 over 2019 Q3		16.4	2.5	7.1	N.A.	N.A.	N.A.	21.3
% change in 2020 Q3 over 2020 Q2		0.1	6.9	4.4	N.A.	N.A.	N.A.	6.7

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 applicable.

The debt market

4.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities increased by 5.9% over the preceding quarter to \$1,120.3 billion in the third quarter. Within the total, public sector debt issuance rose by 7.1% while private sector debt issuance edged down by 0.5%⁽⁶⁾. Total outstanding amount of Hong Kong dollar debt increased by 0.8% over end-June to \$2,197.5 billion at end-September, equivalent to 26.6% of HK\$M3 or 21.8% of Hong Kong dollar-denominated assets of the banking sector⁽⁷⁾.

4.12 As to the Government Bond (GB) programme, a total of \$1.0 billion institutional GBs were issued through tenders in the third quarter. At end-September, the total outstanding amount of Hong Kong dollar bonds under the GB Programme was \$89.5 billion, comprising 11 institutional issues totaling \$83.6 billion and two retail issues (all Silver Bonds) totaling \$5.9 billion. In addition, one US dollar sukuk, with an issuance size of US\$1.0 billion, was outstanding under the Programme.

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

		Exchange Fund paper	Statutory bodies/ government- owned corporations	Govern- ment	Public sector total	AIs ^(a)	Local corporations	Non-MDBs overseas borrowers ^(b)	Private sector total	MDBs ^(b)	Total
New Issuance											
2019	Annual	3,394.0	24.6	20.4	3,439.0	323.2	39.4	376.2	738.7	6.3	4,184.0
	Q1	811.4	9.8	2.1	823.2	103.0	7.9	127.7	238.7	1.5	1,063.4
	Q2	826.6	10.8	8.0	845.4	75.8	19.8	90.2	185.7	3.1	1,034.2
	Q3	911.8	2.9	3.8	918.4	82.8	6.1	85.5	174.4	1.3	1,094.2
	Q4	844.2	1.2	6.5	851.9	61.6	5.6	72.8	139.9	0.4	992.2
2020	Q1	760.2	6.7	2.5	769.3	83.9	6.9	112.6	203.4	1.1	973.8
	Q2	823.0	22.9	8.2	854.1	76.3	16.9	107.9	201.0	2.4	1,057.5
	Q3	905.1	8.8	1.0	914.9	91.2	6.3	102.4	199.9	5.5	1,120.3
% change in 2020 Q3 over 2019 Q3		-0.7	205.6	-73.7	-0.4	10.2	3.4	19.7	14.6	306.7	2.4
% change in 2020 Q3 over 2020 Q2		10.0	-61.5	-87.8	7.1	19.5	-62.4	-5.1	-0.5	126.5	5.9
Outstanding (at end of period)											
2019	Q1	1,066.5	58.4	96.2	1,221.1	337.1	107.7	470.9	915.7	17.6	2,154.4
	Q2	1,071.3	59.2	94.2	1,224.7	346.8	116.7	484.2	947.8	20.0	2,192.5
	Q3	1,076.8	57.1	93.7	1,227.5	339.2	116.8	466.2	922.1	21.1	2,170.7
	Q4	1,082.1	55.9	100.1	1,238.1	331.3	116.8	458.5	906.5	21.2	2,165.9
2020	Q1	1,086.3	58.0	83.2	1,227.6	332.9	115.1	476.3	924.3	20.5	2,172.3
	Q2	1,067.7	72.0	88.5	1,228.2	322.3	122.2	486.0	930.6	20.2	2,179.0
	Q3	1,068.1	71.5	89.5	1,229.0	318.4	123.6	501.8	943.8	24.6	2,197.5
% change in 2020 Q3 over 2019 Q3		-0.8	25.2	-4.4	0.1	-6.1	5.9	7.6	2.4	16.9	1.2
% change in 2020 Q3 over 2020 Q2		*	-0.8	1.1	0.1	-1.2	1.1	3.2	1.4	21.9	0.8

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.

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

The stock and derivatives markets

4.13 The *local stock market* underwent some consolidation in the third quarter as sentiment was dampened by the tense China-US relations and the still-uncertain global economic outlook amid the COVID-19 pandemic. The HSI fell from a high of 26 339 on 6 July to a low of 23 235 on 25 September, and closed the quarter at 23 459, down 4.0% from end-June. Yet, bolstered by buoyant fund raising activities, *market capitalisation* expanded further by 9.8% during the quarter to \$41.6 trillion. At end-September, the local stock market ranked the fifth largest in the world and the third largest in Asia⁽⁸⁾.

4.14 Trading activities stayed active in the third quarter. *Average daily turnover* in the securities market surged by 23.7% over the preceding quarter or 83.2% over a year earlier to \$141.1 billion. Within the total, the average daily trading value of derivative warrants, equities and callable bull/bear contracts⁽⁹⁾ rose by 44.4%, 26.2% and 6.3% respectively over the preceding quarter, while that of unit trusts (including Exchange-Traded Funds) fell by 6.0%. As to futures and options⁽¹⁰⁾, the average daily trading volume rose by 9.9% over the preceding quarter. Within the total, trading of stock options, Hang Seng China Enterprises Index futures and HSI futures increased by 20.8%, 2.7% and 2.5% respectively, while that of HSI options went down by 2.2%.

Diagram 4.6 : The local stock market underwent some consolidation in the third quarter

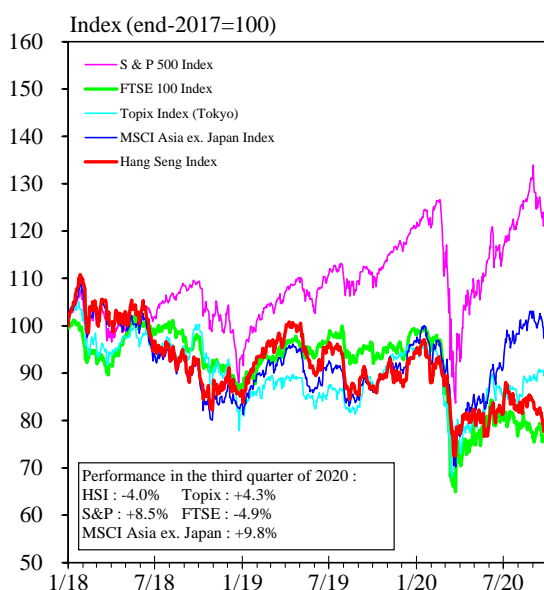
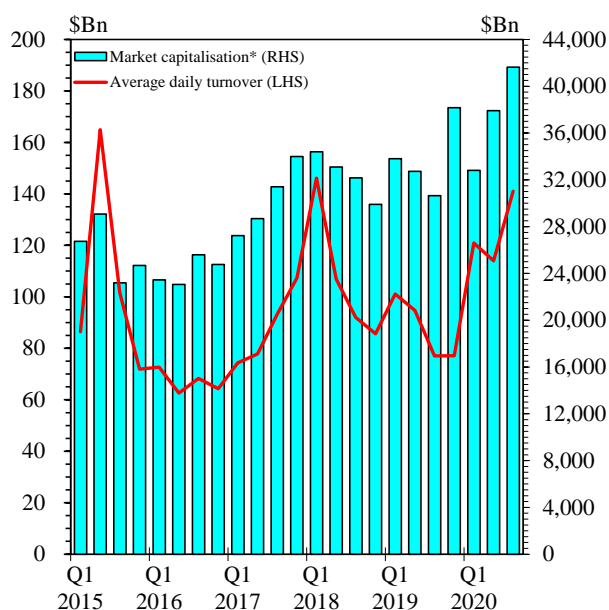


Diagram 4.7 : Market capitalisation was bolstered by buoyant fund raising activities, while trading activities stayed active



Note : (*) Position at end of quarter.

**Table 4.6 : Average daily turnover of futures and options
of the Hong Kong market**

		Hang Seng Index <u>futures</u>	Hang Seng Index <u>options</u>	Hang Seng China Enterprises <u>Index futures</u>	Stock <u>options</u>	Total futures and <u>options traded</u> [*]
2019	Annual	208 609	50 678	138 826	442 333	1 068 641
	Q1	222 008	49 636	148 193	528 062	1 187 529
	Q2	234 927	52 802	150 770	488 012	1 172 684
	Q3	201 554	55 351	130 513	382 998	990 111
	Q4	177 992	44 767	127 108	378 106	936 911
2020	Q1	210 477	54 632	182 562	537 310	1 298 207
	Q2	161 548	37 321	135 135	465 236	1 048 157
	Q3	165 514	36 501	138 737	562 193	1 152 170
% change in 2020 Q3 over 2019 Q3		-17.9	-34.1	6.3	46.8	16.4
% change in 2020 Q3 over 2020 Q2		2.5	-2.2	2.7	20.8	9.9

Note : (*) 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.

4.15 Fund raising activities picked up notably in the third quarter notwithstanding the stock market consolidation. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM⁽¹¹⁾, surged by 75.9% over the preceding quarter or 178.1% over the low base a year earlier to \$241.4 billion in the third quarter. Within the total, the amount of funds raised through IPOs leapt by 51.2% over the preceding quarter to \$118.5 billion. Taking the first three quarters together, total equity capital raised soared by 100.7% over a year earlier to \$473.8 billion, within which the amount of funds raised through IPOs rose sharply by 57.9% to \$211.4 billion. Hong Kong ranked third globally in terms of the amount of funds raised through IPOs in the period.

4.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-September, a total of 1 296 Mainland enterprises (including 287 H-share companies, 177 “Red Chip” companies and 832 private enterprises) were listed on the Main Board and GEM, accounting for 51% of the total number of listed companies and 80% of total market capitalisation. Mainland-related stocks accounted for 86% of equity turnover and 81% of total equity fund raised in the Hong Kong stock exchange in the third quarter.

Fund management and investment funds

4.17 The fund management business⁽¹²⁾ showed some expansion in the third quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*⁽¹³⁾ expanded by 5.6% over end-June to \$1,021.8 billion at end-September. Meanwhile, the monthly average gross retail sales of *mutual funds* surged by 33.6% over the second quarter to US\$7.1 billion in July – August⁽¹⁴⁾, though 18.0% lower than the high base a year earlier.

4.18 The Limited Partnership Fund Ordinance has come into operation on 31 August, establishing a new registration regime which enables funds to be registered in the form of limited partnerships in Hong Kong. The new registration regime will help attract investment funds (including private equity and venture capital funds) to set up and operate in Hong Kong and in turn strengthen Hong Kong's position as an international financial centre.

4.19 In September, the Securities and Futures Commission (SFC) released consultation conclusions on enhancements to the open-ended fund companies (OFC) regime. Major enhancements include removing all investment restrictions for private OFCs, allowing licensed or registered securities brokers to act as custodians for private OFCs and introducing a statutory mechanism for the re-domiciliation of overseas corporate funds to Hong Kong. The removal of the investment restrictions and expansion of the custodian eligibility requirements have taken effect in the same month. Meanwhile, the re-domiciliation mechanism will come into effect upon completion of the legislative process. These enhancements would support the development of Hong Kong as a preferred fund domicile and an international asset management centre.

Insurance sector

4.20 Different segments of the *insurance sector*⁽¹⁵⁾ showed diverse performance in the second quarter. Gross premium income from long-term business plunged by 40.9% from the high base a year earlier, with the premium income from investment linked plans and non-investment linked plans plummeting by 34.1% and 41.4% respectively. As to general business, gross and net premium rose by 9.2% and 10.5% respectively.

4.21 In July, primary legislations were enacted to take forward the following measures to enhance the competitiveness of the insurance industry : (i) reducing profits tax rate by 50% for general reinsurance business of direct insurers, selected general insurance business of direct insurers, and selected insurance brokerage business; (ii) facilitating the setting up of special purpose companies in Hong Kong for the issuance of insurance-linked securities; (iii) expanding the scope of insurable risks by captive insurers set up in Hong Kong; and (iv) developing a group-wide supervision framework for the supervision of insurance groups where the holding company of the group is incorporated in Hong Kong. The Government is currently undertaking preparatory work with a view to implementing these measures in early 2021.

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

		General business			Premium for long-term business^					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	
2019	Annual	55,669	37,650	1,127	160,384	11,761	184	387	172,716	228,385
	Q1	16,587	11,378	44	45,601	2,646	50	81	48,378	64,965
	Q2	13,939	9,575	388	48,191	3,169	53	79	51,492	65,431
	Q3	13,838	9,341	424	36,987	2,717	43	162	39,909	53,747
	Q4	11,305	7,356	271	29,605	3,229	38	65	32,937	44,242
2020	Q1	18,264	12,221	329	32,453	2,481	23	128	35,085	53,349
	Q2	15,219	10,579	295	28,259	2,089	23	67	30,438	45,657
% change in 2020 Q2 over 2019 Q2		9.2	10.5	-24.0	-41.4	-34.1	-56.6	-15.2	-40.9	-30.2

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

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

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 movements 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. Since June 2019, the composite interest rate has been calculated based on the new local “Interest rate risk in the banking book” (IRRBB) framework. As such, the figures are not strictly comparable with those of previous months.
- (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 and 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. As monthly monetary statistics are subject to volatilities due to a wide range of transient factors, such as seasonal and IPO-related funding demand as well as business and investment-related activities, caution is required when interpreting the statistics.

- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-September 2020, there were 163 licensed banks, 17 restricted licence banks and 13

deposit-taking companies in Hong Kong. Altogether, 193 AIs (excluding representative offices) from 31 countries and territories (including Hong Kong) had a presence in Hong Kong.

- (6) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (7) 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, 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.
- (8) The ranking is based on the market capitalisation figures compiled by the World Federation of Exchanges and the London Stock Exchange Group.
- (9) Given the relatively small share (less than 0.5% of the daily turnover in the securities market), trading of debt securities and its movements were not analysed.
- (10) At end-September 2020, there were 103 classes of stock options contracts and 74 classes of stock futures contracts.
- (11) At end-September 2020, there were 2 143 and 375 companies listed on the Main Board and GEM respectively.
- (12) At end-September 2020, there was one SFC-authorized retail hedge fund with net asset size of US\$123 million. The amount of net assets under management represented a 5.4% decrease from end-June 2020 and a 23.1% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (13) At end-September 2020, there were 15 approved trustees. On MPF products, 25 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 420 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 306 000 employers, 2.68 million employees and 227 000 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 2020, the survey covered a total of 1 250 active authorised funds.
- (15) At end-September 2020, there were 165 authorized insurers in Hong Kong. Within this total, 53 were engaged in long-term insurance business, 91 in general insurance business, and 21 in composite insurance business. These authorized insurers come from 22 countries and territories (including Hong Kong).

CHAPTER 5 : THE LABOUR SECTOR

Summary

- *The labour market deteriorated for the third quarter of 2020 as a whole amid the third wave of the local epidemic, but the pressure faced by the labour market showed signs of stabilisation towards the end of the quarter as the local epidemic situation abated in September. Meanwhile, the Employment Support Scheme continued to provide support.*
- *The seasonally adjusted unemployment rate increased from 6.2% in the second quarter to 6.4% in the third quarter of 2020, the highest in close to 16 years. The underemployment rate rose slightly from 3.7% to a post-SARS high of 3.8%.*
- *Analysed by sector, the unemployment rate of the consumption- and tourism-related sectors combined surged in the third quarter of 2020 to the highest since the SARS episode in 2003, while the underemployment rate also increased. The unemployment and underemployment rates of the construction sector stayed elevated. Labour market conditions in many other sectors deteriorated. Analysed by skill segment, the unemployment rate of lower-skilled workers continued to be much higher than that of higher-skilled workers.*
- *Overall labour demand slackened further. Results of establishment surveys indicated that in June 2020, private sector employment recorded the largest year-on-year decline since December 1998, while the number of vacancies continued to plunge. More recent statistics from the General Household Survey (GHS) suggested that total employment remained notably lower in the third quarter than a year earlier, but went up slightly from the preceding quarter.*
- *Nominal wages continued to increase in June 2020 over a year earlier, but the rate of increase decelerated further to the slowest in more than a decade. Labour earnings likewise saw a decelerated increase in nominal terms in the second quarter of 2020 to the slowest in close to a decade. GHS data showed that in the third quarter of 2020, the median household income continued to fall sharply from a year earlier.*

Overall labour market situation⁽¹⁾

5.1 The labour market deteriorated for the third quarter of 2020 as a whole amid the third wave of the local epidemic, but the pressure faced by the labour market showed signs of stabilisation towards the end of the quarter as the local epidemic situation abated in September. Meanwhile, the Employment Support Scheme continued to provide support. The seasonally adjusted *unemployment rate*⁽²⁾ increased from 6.2% in the second quarter to 6.4% in the third quarter of 2020, the highest in close to 16 years. The *underemployment rate*⁽³⁾ rose slightly from 3.7% to a post-SARS high of 3.8%. Analysed by sector, the unemployment rate of the consumption- and tourism-related sectors (viz., retail, accommodation and food services sectors) combined surged to the highest since the SARS episode in 2003, while the underemployment rate also increased. The unemployment and underemployment rates of the construction sector stayed elevated. Labour market conditions in many other sectors deteriorated. Analysed by skill segment, the unemployment rate of lower-skilled workers continued to be much higher than that of higher-skilled workers. Overall labour demand remained much weaker than a year earlier. Private sector employment in June 2020 recorded the largest year-on-year decline since December 1998, while the number of vacancies continued to plunge. Though not strictly comparable, more recent statistics from the General Household Survey (GHS) suggested that total employment was still sharply lower in the third quarter of 2020 than a year earlier, but went up slightly from the preceding quarter. Nominal wages and labour earnings continued to increase in June or the second quarter of 2020 over a year earlier, but the rates of increase decelerated further to the slowest in around ten years. GHS data showed that in the third quarter, the median household income continued to fall sharply from a year earlier.

Diagram 5.1 : The labour market deteriorated for the third quarter of 2020 as a whole

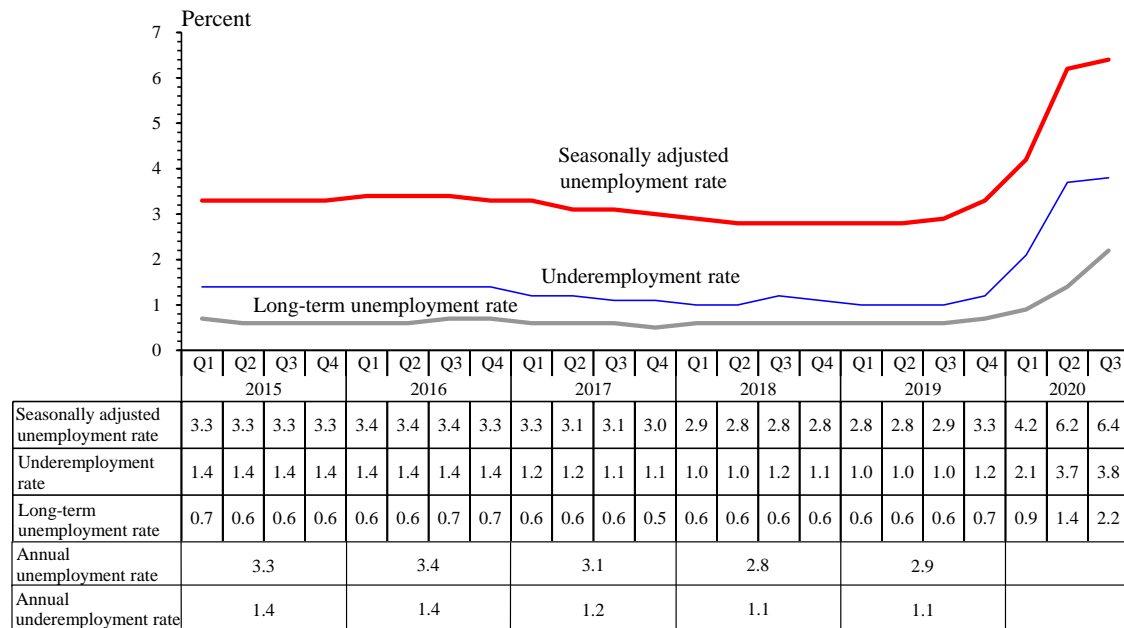


Table 5.1 : The unemployment rate (seasonally adjusted), underemployment rate and long-term unemployment rate

		<u>Unemployment rate*</u> (%)	<u>Underemployment</u> <u>rate (%)</u>	<u>Long-term</u> <u>unemployment rate (%)</u>
2019	Annual	2.9	1.1	0.6
	Q1	2.8	1.0	0.6
	Q2	2.8	1.0	0.6
	Q3	2.9	1.0	0.6
	Q4	3.3	1.2	0.7
2020	Q1	4.2	2.1	0.9
	Q2	6.2	3.7	1.4
<i>Three months ending</i>				
2020	Jul	6.1	3.5	1.6
	Aug	6.1	3.8	1.8
	Sep	6.4	3.8	2.2

Note : (*) Seasonally adjusted (except for annual figures).

Source : General Household Survey, Census and Statistics Department.

Labour force and total employment

5.2 The *labour force*⁽⁴⁾ declined visibly by 2.1% from a year earlier to 3 884 600 in the third quarter of 2020, but increased slightly by 0.6% from the preceding quarter, partly reflecting the entry of school leavers into the labour market. Meanwhile, the labour force participation rate fell from 60.5% a year earlier to 59.6% in the third quarter of 2020, partly due to population ageing and partly due to the people's response to the economic downturn. Compared with the second quarter, the labour force participation rate rose modestly by 0.2 percentage point.

5.3 *Total employment*⁽⁵⁾ fell sharply by 5.8% year-on-year to 3 624 800 in the third quarter of 2020, though the rate of decline narrowed slightly compared with the record fall in the preceding quarter. Analysed by sector, on a year-on-year comparison, employment of the consumption- and tourism-related sectors declined notably as business situation in these sectors remained austere. Employment of the import/export trade and wholesale sector fell sharply amid the uncertain trading environment, and that of the construction sector declined visibly as construction activities remained subdued. Nevertheless, total employment tended to stabilise in the third quarter when compared with the preceding quarter, registering a marginal increase of 0.1%.

Table 5.2 : The labour force, and persons employed, unemployed and underemployed

		<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed^(a)</u>	<u>Persons underemployed</u>
2019	Annual	3 966 200 (-0.3)	3 849 900 (-0.4)	116 300	42 000
	Q1	3 967 300 (-0.2)	3 857 000 (-0.2)	110 300	38 900
	Q2	3 974 100 (0.1)	3 860 000 (0.1)	114 100	41 100
	Q3	3 968 900 (-0.4)	3 849 000 (-0.5)	120 000	41 400
	Q4	3 948 700 (-0.6)	3 824 600 (-1.1)	124 200	47 500
2020	Q1	3 882 200 (-2.1)	3 720 000 (-3.6)	162 200	82 800
	Q2	3 861 100 (-2.8)	3 620 400 (-6.2)	240 700	142 900
<i>Three months ending</i>					
2020	Jul	3 879 500 (-2.4)	3 637 000 (-5.7)	242 500	136 000
	Aug	3 888 800 (-2.1)	3 640 400 (-5.5)	248 300	149 200
	Sep	3 884 600 (-2.1)	3 624 800 (-5.8)	259 800	149 100
		<0.6>	<0.1>		

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

() % change over a year earlier.

< > Quarter-to-quarter % change for the third quarter of 2020.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Total employment and labour force both declined sharply on a year-on-year basis in the third quarter of 2020, though the rates of decline were narrower than those in the preceding quarter

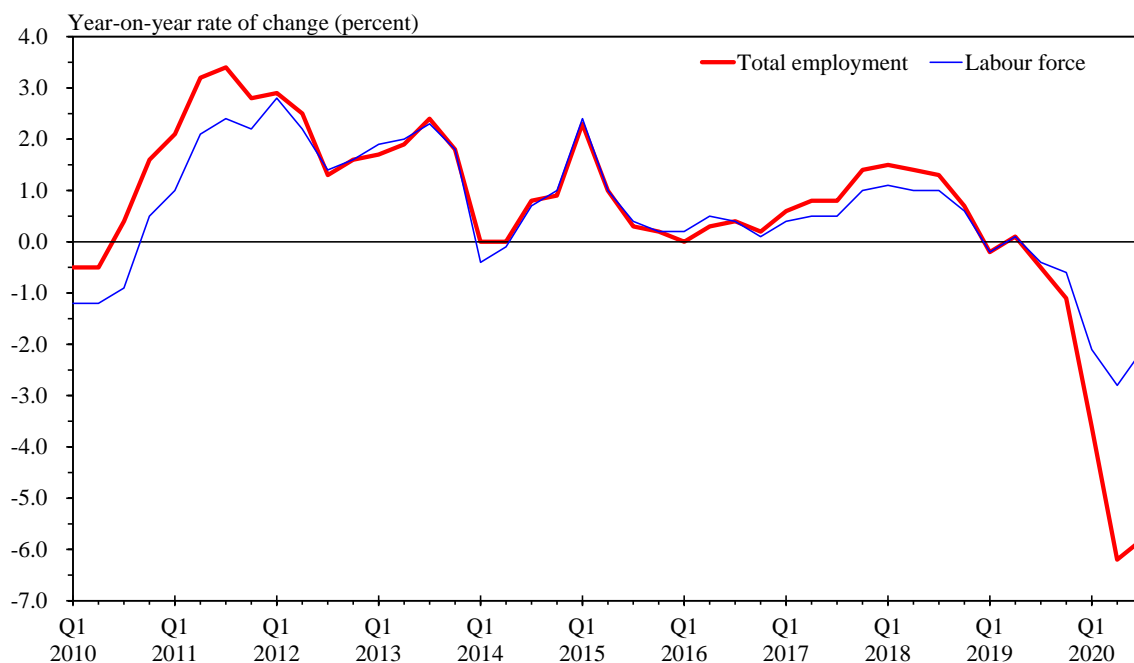


Table 5.3 : Labour force participation rates by gender and by age group (%)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 Q1</u>	<u>2020 Q2</u>	<u>2020 Q3</u>
<u>Male</u>								
15-24	39.1	39.5	38.1	39.2	39.6	36.4	32.3	36.8
<i>of which:</i>								
15-19	11.7	12.9	9.9	10.4	11.4	7.1	6.3	8.1
20-24	62.0	60.7	59.2	60.2	59.8	58.0	51.3	57.9
25-29	93.7	92.9	92.6	92.9	91.4	90.4	89.2	90.5
30-39	96.5	96.4	96.6	96.4	95.9	94.9	94.6	95.1
40-49	95.1	95.0	95.2	95.1	93.9	93.1	93.1	93.7
50-59	86.6	86.0	86.7	86.9	85.1	84.4	84.3	84.9
≥ 60	28.5	29.9	30.4	32.1	31.9	30.5	31.8	31.4
Overall	68.8	68.6	68.3	68.5	67.5	65.9	65.7	66.4
<u>Female</u>								
15-24	41.4	41.9	41.5	41.1	40.8	37.2	35.7	38.1
<i>of which:</i>								
15-19	12.8	12.3	11.8	12.0	11.7	7.5	6.4	8.5
20-24	63.6	63.6	61.8	60.4	60.2	57.6	55.8	58.7
25-29	85.7	86.2	86.5	86.6	87.2	87.4	86.6	86.8
30-39	78.4	78.0	79.0	79.3	78.9	78.4	78.7	78.3
40-49	73.7	73.4	73.8	74.1	73.4	74.4	73.7	72.6
50-59	58.3	59.7	60.4	61.5	62.2	61.8	62.6	61.9
≥ 60	11.4	12.3	13.7	14.5	15.5	15.2	15.6	15.6
Overall	54.7	54.8	55.1	55.1	55.0	54.3	54.3	54.0
<u>Both genders combined</u>								
15-24	40.2	40.7	39.8	40.2	40.2	36.8	34.0	37.5
<i>of which:</i>								
15-19	12.3	12.6	10.8	11.2	11.6	7.3	6.3	8.3
20-24	62.8	62.2	60.5	60.3	60.0	57.8	53.6	58.3
25-29	89.2	89.2	89.3	89.5	89.1	88.8	87.8	88.5
30-39	85.7	85.4	86.0	86.1	85.7	85.0	85.1	85.1
40-49	82.7	82.4	82.6	82.7	81.8	82.0	81.6	81.2
50-59	71.8	72.2	72.7	73.2	72.7	71.9	72.4	72.3
≥ 60	19.6	20.7	21.7	22.9	23.3	22.5	23.3	23.1
Overall	61.1	61.1	61.1	61.2	60.6	59.5	59.4	59.6

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

5.4 The seasonally adjusted unemployment rate increased from 6.2% in the preceding quarter to 6.4% in the third quarter, the highest in close to 16 years. The number of unemployed persons (not seasonally adjusted) rose by 19 100 over the preceding quarter to 259 800, though this was partly due to the entry of school leavers into the labour market.

5.5 Analysed by sector, the unemployment rate of the retail, accommodation and food services sectors combined (not seasonally adjusted) surged by 1.0 percentage point over the preceding quarter to 11.7% in the third quarter, the highest since the SARS episode in 2003. Among these sectors, the unemployment rate of the food and beverage service activities sector rose by 0.5 percentage point over the preceding quarter to 15.2%. While the unemployment rate of the construction sector eased somewhat by 0.3 percentage point from the preceding quarter to 10.9%, it stayed near the post-global financial crisis high of 11.3% registered in May – July 2020. Meanwhile, the unemployment rates of many other sectors went up over the preceding quarter, in particular the real estate sector (up by 0.8 percentage point over the preceding quarter to 4.0%), the arts, entertainment and recreation sector (up by 0.6 percentage point over the preceding quarter to 11.4%), and the social work activities sector (up by 0.5 percentage point over the preceding quarter to 4.0%). For the *low-paying sectors*⁽⁶⁾ as a whole, the unemployment rate went up further by 0.6 percentage point over the preceding quarter to 6.7%.

5.6 Analysed by skill segment, the unemployment rate of the lower-skilled segment and that of the higher-skilled segment both edged up by 0.1 percentage point over the preceding quarter to 7.4% and 3.9% respectively in the third quarter.

5.7 Analysing the unemployed persons by other socio-economic attributes, it is noted that in the third quarter, the increases in unemployment rates among persons aged 15-24 (up by 6.0 percentage points over the preceding quarter) and those with post-secondary education (up by 1.3 percentage points over the preceding quarter) were particularly distinct.

Diagram 5.3 : The unemployment rates of the retail, accommodation and food services sectors continued to rise in the third quarter of 2020

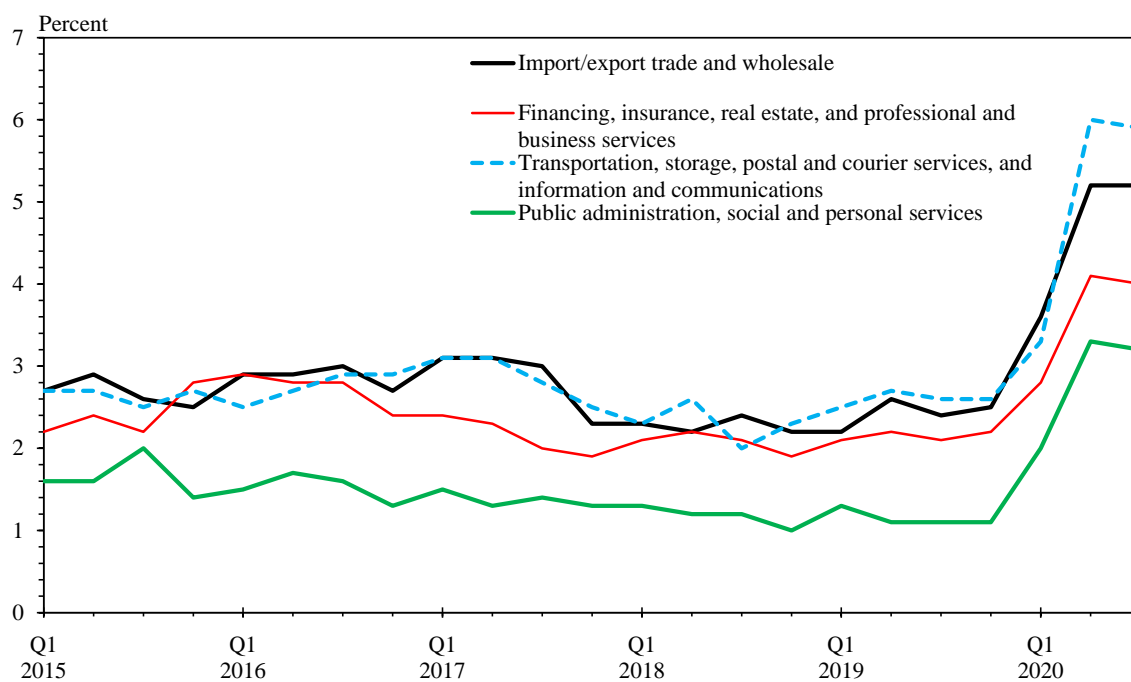
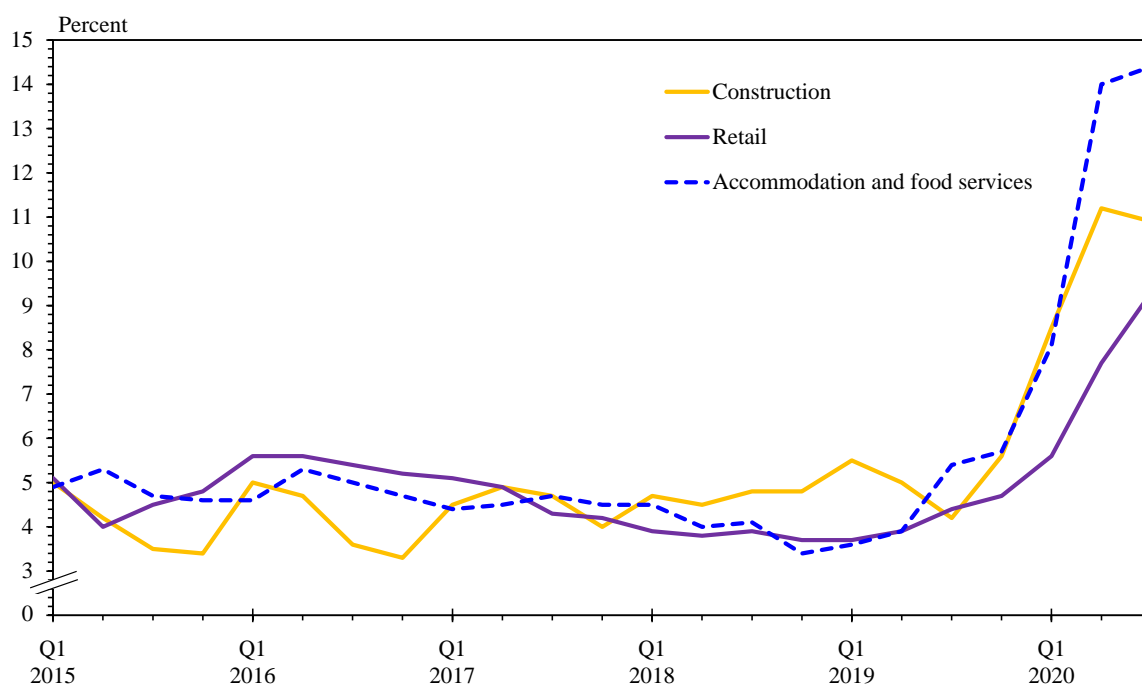


Table 5.4 : Unemployment rates by major economic sector

	<u>2019</u>				<u>2020</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	2.2	2.6	2.4	2.5	3.6	5.2	5.2
Retail	3.7	3.9	4.4	4.7	5.6	7.7	9.3
Accommodation and food services	3.6	3.9	5.4	5.7	8.1	14.0	14.4
Transportation, storage, postal and courier services	2.4	2.4	2.3	2.3	3.3	6.1	6.1
Information and communications	2.7	3.5	3.2	3.3	3.5	5.8	5.5
Financing and insurance	1.7	2.0	1.8	1.8	2.4	3.0	2.8
Real estate	2.0	1.9	1.8	1.8	2.4	3.2	4.0
Professional and business services	2.5	2.6	2.5	2.6	3.3	5.2	4.9
Public administration, social and personal services	1.3	1.1	1.1	1.1	2.0	3.3	3.2
Manufacturing	3.1	3.0	3.5	3.2	5.8	6.3	6.5
Construction	5.5	5.0	4.2	5.6	8.5	11.2	10.9
Overall*	2.8 (2.8)	2.9 (2.8)	3.0 (2.9)	3.1 (3.3)	4.2 (4.2)	6.2 (6.2)	6.7 (6.4)

Notes : * Including first-time job-seekers and re-entrants into the labour force.

() Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.4 : The unemployment rate of lower-skilled workers continued to be much higher than that of higher-skilled workers

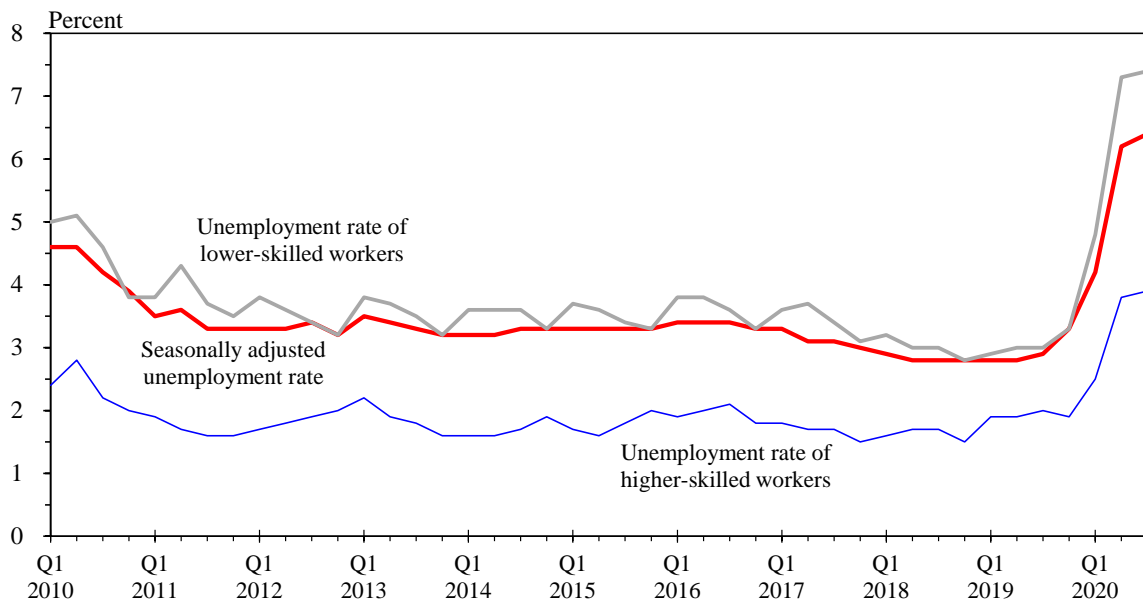


Table 5.5 : Unemployment rates* by skill segment

	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<u>Higher-skilled segment</u>	1.9	1.9	2.0	1.9	2.5	3.8	3.9
Managers and administrators	1.4	1.6	1.7	1.4	1.7	3.0	2.5
Professionals	1.6	1.7	1.1	1.4	1.5	2.1	2.7
Associate professionals	2.4	2.2	2.4	2.4	3.3	4.8	4.9
<u>Lower-skilled segment^</u>	2.9	3.0	3.0	3.3	4.8	7.3	7.4
Clerical support workers	2.2	2.8	2.6	2.7	3.8	5.8	6.5
Service and sales workers	3.2	3.4	4.1	4.0	6.5	10.7	10.4
Craft and related workers	4.7	4.7	4.6	5.7	9.3	11.2	10.0
Plant and machine operators and assemblers	2.4	1.7	2.1	2.4	3.7	5.7	5.7
Elementary occupations	2.8	2.5	2.0	2.6	3.1	4.7	5.2

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

^ Including other occupations.

Source : General Household Survey, Census and Statistics Department.

Table 5.6 : Unemployment rates* by age and educational attainment

	<u>2019</u>				<u>2020</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	7.0	7.9	10.1	9.5	10.0	14.6	20.6
<i>of which:</i>							
15-19	7.5	10.2	12.1	10.2	12.9	18.8	25.2
20-24	6.9	7.5	9.8	9.4	9.8	14.3	20.1
25-29	3.9	3.9	3.7	3.9	5.1	7.8	7.9
30-39	1.9	2.0	2.3	2.1	3.0	4.6	4.7
40-49	2.2	2.4	2.1	2.3	3.8	4.9	5.0
50-59	2.6	2.7	2.6	3.1	4.0	6.8	6.9
≥ 60	2.4	2.1	2.2	2.7	3.8	5.9	5.3
<u>Educational attainment</u>							
Primary education and below	2.7	2.4	2.4	3.8	4.2	7.4	7.1
Lower secondary education	3.9	3.9	3.6	4.0	5.8	8.8	8.1
Upper secondary education^	2.5	2.7	2.8	2.7	4.3	6.5	6.6
Post-secondary education	2.6	2.7	3.1	3.1	3.6	5.0	6.3

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 Most of the indicators showing the intensity of unemployment worsened in the third quarter. Compared with the preceding quarter, the long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) increased by 0.8 percentage point to 2.2%, and the number of long-term unemployed persons increased by 30 800 to 83 600. The share of long-term unemployment in total unemployment also soared by 10.3 percentage points to 32.2%. In addition, the median duration of unemployment increased visibly from 92 days to 108 days (See **Box 5.1** for a brief analysis on the unemployment duration in the current economic downturn). On the other hand, the proportion of dismissal or lay-offs in the total number of unemployed persons (not including first-time job-seekers and re-entrants into the labour force) decreased by 5.2 percentage points to 51.3%.

Profile of underemployment

5.9 The underemployment rate rose slightly by 0.1 percentage point over the preceding quarter to a post-SARS high of 3.8% in the third quarter. The number of underemployed persons increased by 6 200 over the preceding quarter to 149 100. Analysed by sector, the underemployment rate of the retail, accommodation and food services sectors as a whole rose by 0.4 percentage point over the preceding quarter to 6.3%. In particular, the underemployment rate of the food and beverage service activities sector surged by 2.2 percentage points to a record high of 9.5%. Meanwhile, the underemployment rate of the construction sector went up by 0.3 percentage point to 8.3%. The underemployment rates of many other sectors also went up over the preceding quarter, in particular the arts, entertainment and recreation sector (up by 1.0 percentage point to 7.3%), the manufacturing sector (up by 0.8 percentage point to 3.6%), and the transportation, storage, postal and courier services sector (up by 0.4 percentage point to 7.3%). Analysed by skill segment, the underemployment rate of the lower-skilled segment increased by 0.2 percentage point over the preceding quarter to 5.0%, while that of the higher-skilled segment remained unchanged at 2.2%.

Box 5.1

A brief analysis on the unemployment duration in the current economic downturn

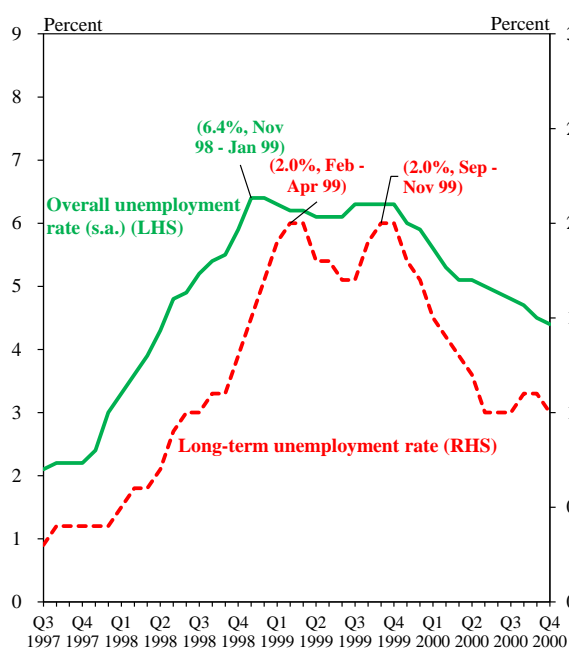
The unemployment situation in Hong Kong deteriorated drastically in the current economic downturn. The overall seasonally adjusted (s.a.) unemployment rate went up from a low level of 2.8% in the second quarter of 2019 (i.e. the quarter right before the recession) to 6.4% in the third quarter of 2020. As for the long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force), it was at a low level of 0.6% in the second and third quarters of 2019, but then climbed up successively to 2.2% in the third quarter of 2020. It was higher than the respective highs of 2.0% and 1.7% reached during the 1997-98 Asian Financial Crisis and the 2008-09 Global Financial Crisis episodes, but lower than the historical peak of 2.7% reached during the 2003 SARS episode (it was already quite high at 2.2% in the fourth quarter of 2002, before the outbreak of SARS in Hong Kong).

Comparison between the overall unemployment rate and the long-term unemployment rate: Current downturn versus the past three episodes

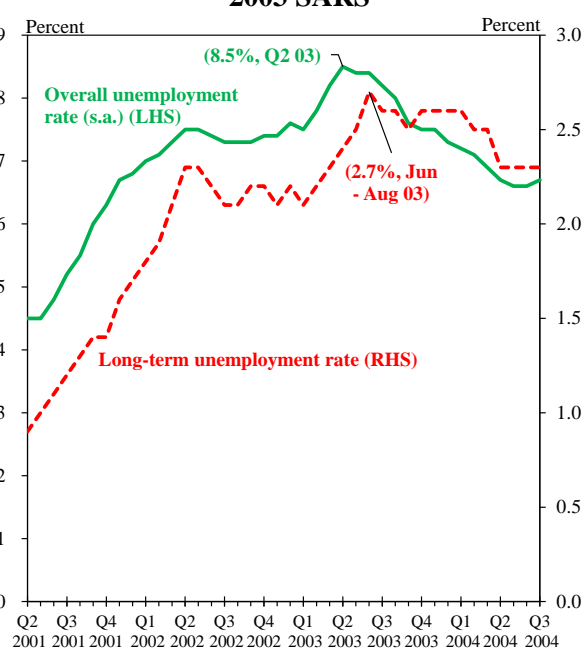
In the past three episodes of economic downturn (*Charts 1(a) – 1(c)*), when the overall unemployment rate increased, the long-term unemployment rate also rose, reflecting that more people became unemployed for longer periods as the overall unemployment situation deteriorated. Even when the overall unemployment rate began to stabilise or even edge down, the long-term unemployment rate still increased further for some time before starting to ease. This probably reflects that those being unemployed for relatively long periods would tend to stay unemployed even when the overall labour market situation began to improve. Similar to the experiences in the past episodes, the long-term unemployment rate also rose alongside the overall unemployment rate in the current downturn (*Chart 1(d)*). However, the 1.6-percentage-point increase in the long-term unemployment rate in the third quarter of 2020 over a year earlier was the largest year-on-year increase seen in the four episodes of downturn.

Chart 1: Overall unemployment rate and long-term unemployment rate in downturns

(a) 1997-98 Asian Financial Crisis

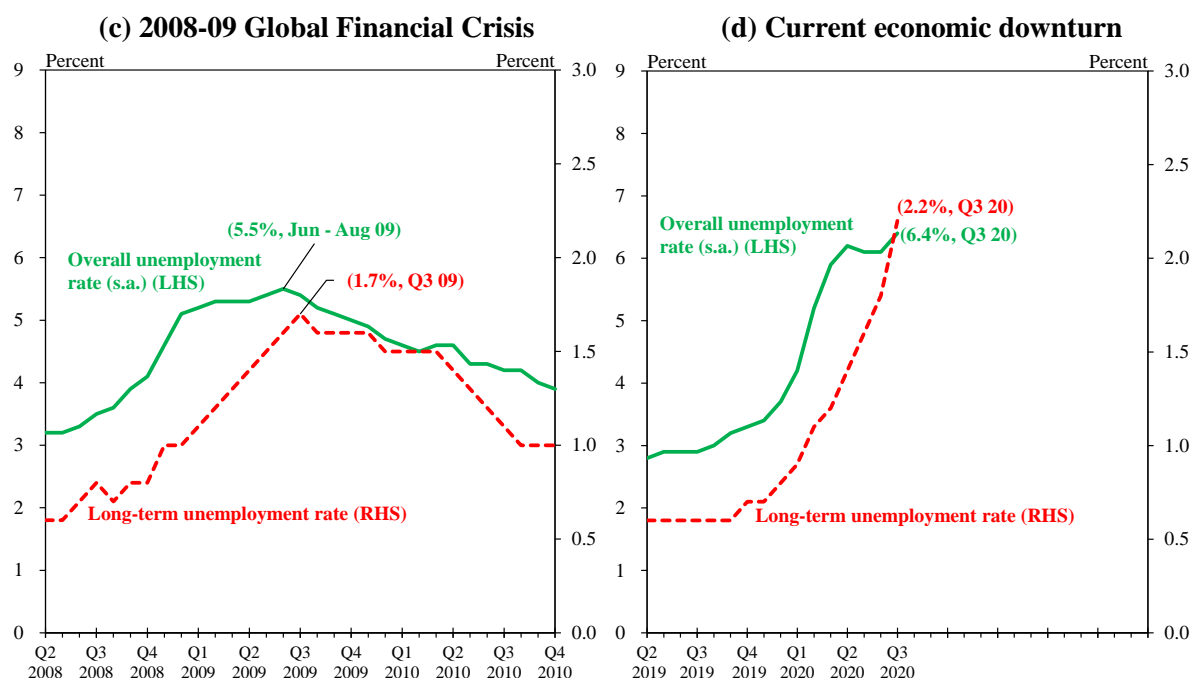


(b) 2001 global economic slowdown and 2003 SARS



Box 5.1 (Cont'd)

Chart 1: Overall unemployment rate and long-term unemployment rate in downturns (Cont'd)



Duration distribution of unemployment in the current downturn

Table 1 provides a further analysis on the unemployment duration in the current economic downturn. The number of unemployed persons more than doubled from 114 100 in the second quarter of 2019 to 259 800 in the third quarter of 2020. The number of unemployed persons across all selected duration groups increased. The increase in those unemployed for 6 months or longer but shorter than 12 months was particularly drastic, more than five-fold from 10 100 to 51 200. Separately, those unemployed for 3 months or longer but shorter than 6 months also increased sizably, by 175% from 20 700 to 57 000.

Table 1: Duration distribution of unemployment

	Q2 2019	Q3 2020
Median duration of all unemployed	65 days	108 days
No. of unemployed persons by duration		
Less than 3 months	69 500	119 200
3 months or longer but shorter than 6 months	20 700	57 000
6 months or longer (i.e. long-term unemployment)	23 900	83 600
6 months or longer but shorter than 12 months	10 100	51 200
12 months or longer but shorter than 18 months	5 000	13 400
18 months or longer	8 700	19 100
Total	114 100	259 800
Proportion of unemployed persons by duration^(*)		
Less than 3 months	60.9%	45.9%
3 months or longer but shorter than 6 months	18.2%	22.0%
6 months or longer (i.e. long-term unemployment)	20.9%	32.2%
6 months or longer but shorter than 12 months	8.9%	19.7%
12 months or longer but shorter than 18 months	4.4%	5.1%
18 months or longer	7.6%	7.3%
Total	100.0%	100.0%

Note: (*) Calculated based on unrounded figures.

Box 5.1 (Cont'd)

As a result, the proportions of those unemployed for 3 months or longer but shorter than 12 months increased visibly in the current downturn. These are people who became unemployed during the period from the third quarter of 2019 to the second quarter of 2020 (i.e. 3 to 12 months before the third quarter of 2020). This period is also the time when the number of unemployed persons surged. It is also worthwhile to note that the increase in unemployed persons during the period, at 120 700, was only slightly higher than the number of persons unemployed for 3 months or longer but shorter than 12 months in the third quarter of 2020 (i.e. 108 200⁽¹⁾), suggesting that many of those who lost their jobs during the period failed to get back to employment so far.

As the proportions of those unemployed for longer periods increased, the median duration of unemployment lengthened visibly from 65 days in the second quarter of 2019 to 108 days in the third quarter of 2020. This was longer than that of 103 days reached during the Asian Financial Crisis episode (Mar – May 1999), on par with that reached during the Global Financial Crisis episode (108 days in Nov 2009 – Jan 2010), and near the record 114 days registered in the aftermath of SARS in Nov 2003 – Jan 2004.

Outlook

The job market has been hit hard during the current downturn, with a record decline in total employment and sharp increases in unemployment rate and long-term unemployment rate. While the overall economic situation saw some improvement in recent months, hiring sentiments among employers would probably remain cautious in the near term, especially when the COVID-19 pandemic is still evolving. People who have lost their jobs in the current downturn would face difficulty in getting back to employment. This would be particularly so for those who were previously employed in industries that have been severely disrupted by the pandemic and are expected to undergo some structural adjustments in the period ahead. If past experience is anything to go by, the duration of unemployment might lengthen further and the long-term unemployment rate might continue to rise in the coming months, even if the pressure on the overall unemployment rate shows further stabilisation.

(1) The sum of the number of persons unemployed for 3 months or longer but shorter than 6 months (57 000) and the number of persons unemployed for 6 months or longer but shorter than 12 months (51 200).

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 2020. Attempts have been made to bring the analysis more up-to-date by drawing reference to information from supplementary sources wherever possible.

5.11 Labour demand slackened further in June 2020 as the COVID-19 pandemic continued to weigh on a wide range of economic activities, though the Employment Support Scheme provided some support. After falling by 3.8% year-on-year in March 2020, private sector employment recorded an enlarged decline of 5.1% in June 2020, the largest since December 1998, to 2 719 000. Looking at individual sectors, the declines in employment in food and beverage services, accommodation services and retail widened to 15.4%, 14.4% and 8.1% respectively as business environment stayed austere. Employment in import/export trade and wholesale saw an accelerated decline of 12.0% amid the uncertain trading environment. Employment at construction sites (covering manual workers only) showed a visible decline of 4.9% along with subdued construction activities. Nonetheless, employment in human health services, financing and insurance, and residential care and social work services continued to increase in June 2020, by 4.6%, 0.7% and 0.6% respectively. Analysed by establishment size, employment in *small and medium-sized enterprises (SMEs)*⁽⁷⁾ and large enterprises fell by 5.4% and 4.8% respectively in June 2020 from a year earlier. In contrast, employment in civil service increased by 1.2% over the same period.

Table 5.7 : Employment by major economic sector

		<u>2019</u>				<u>2020</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	507 000 (-5.5)	519 300 (-3.6)	511 700 (-4.8)	501 400 (-6.4)	495 400 (-7.3)	475 400 (-8.5)	450 200 (-12.0)
Retail	268 000 (-1.7)	272 600 (0.6)	271 200 (-0.3)	267 000 (-2.2)	261 100 (-4.8)	254 900 (-6.5)	249 400 (-8.1)
Accommodation ^(a) and food services	286 000 (-1.7)	294 000 (2.7)	293 500 (1.0)	280 800 (-4.2)	275 800 (-6.3)	259 500 (-11.7)	248 700 (-15.3)
Transportation, storage, postal and courier services	180 400 (0.3)	180 700 (0.8)	180 300 (0.3)	180 400 (0.2)	180 200 (§)	177 300 (-1.9)	176 100 (-2.3)
Information and communications	110 600 (1.9)	110 600 (3.4)	110 900 (2.5)	110 400 (1.2)	110 300 (0.3)	109 700 (-0.8)	110 800 (-0.2)
Financing, insurance, real estate, professional and business services	760 400 (1.7)	759 000 (2.2)	760 700 (2.2)	761 000 (1.6)	760 800 (0.9)	758 800 (§)	759 900 (-0.1)
Social and personal services	535 100 (2.3)	530 900 (2.1)	533 400 (2.3)	536 600 (2.6)	539 700 (2.3)	532 300 (0.3)	531 000 (-0.5)
Manufacturing	86 900 (-3.5)	88 500 (-2.6)	87 400 (-2.7)	86 300 (-3.5)	85 400 (-5.2)	84 200 (-4.8)	84 200 (-3.7)
Construction sites (covering manual workers only)	101 800 (-9.0)	107 400 (-11.0)	102 700 (-11.5)	96 900 (-10.0)	99 900 (-3.0)	101 100 (-5.9)	97 600 (-4.9)
<i>All establishments surveyed in the private sector^(b)</i>	<i>2 847 600 (-0.9)</i>	<i>2 874 300 (0.2)</i>	<i>2 863 700 (-0.3)</i>	<i>2 832 300 (-1.4)</i>	<i>2 820 000 (-2.1)</i>	<i>2 764 300 (-3.8)</i>	<i>2 719 000 (-5.1)</i>
		<i><§></i>	<i><-0.1></i>	<i><-1.1></i>	<i><-0.8></i>	<i><-1.8></i>	<i><-1.4></i>
<i>Civil service^(c)</i>	<i>176 000 (2.2)</i>	<i>174 900 (2.0)</i>	<i>175 300 (2.3)</i>	<i>176 700 (2.3)</i>	<i>177 300 (2.0)</i>	<i>177 700 (1.6)</i>	<i>177 300 (1.2)</i>

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 the 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.

§ Change less than 0.05%.

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

Vacancies

5.12 Amid notably weakened labour demand, the number of private sector job vacancies plunged by 46.7% from a year earlier to 39 120 in June 2020, after a fall of 46.9% in March 2020.

5.13 All major economic sectors saw year-on-year falls in the number of vacancies in June 2020, especially for food and beverage services (down 76.7%), arts, entertainment and recreation (down 73.6%), manufacturing (down 71.7%), construction sites (covering manual workers only) (down 68.5%), accommodation services (down 65.3%), retail (down 58.8%), and professional and business services (excluding cleaning and similar services) (down 50.5%). In terms of occupational category, the numbers of vacancies in the lower-skilled and higher-skilled segments both went down sizably, by 54.4% and 32.3% respectively. Analysed by establishment size, the numbers of vacancies in large enterprises and SMEs dropped by 43.4% and 52.8% respectively. In contrast, the number of job openings in the civil service increased by 10.3% to 11 320.

5.14 Reflecting a weak labour market, the ratio of job vacancies per 100 unemployed persons in June 2020, at 16, was substantially lower than the level of 64 a year earlier. Analysed by skill segment, the ratio in the higher-skilled segment declined markedly from the year-ago level of 82 to 28 in June 2020, and that in the lower-skilled segment from 68 to 13. Yet manpower shortage remained acute in the residential care and social work services sector, where the ratio still remained well above 100.

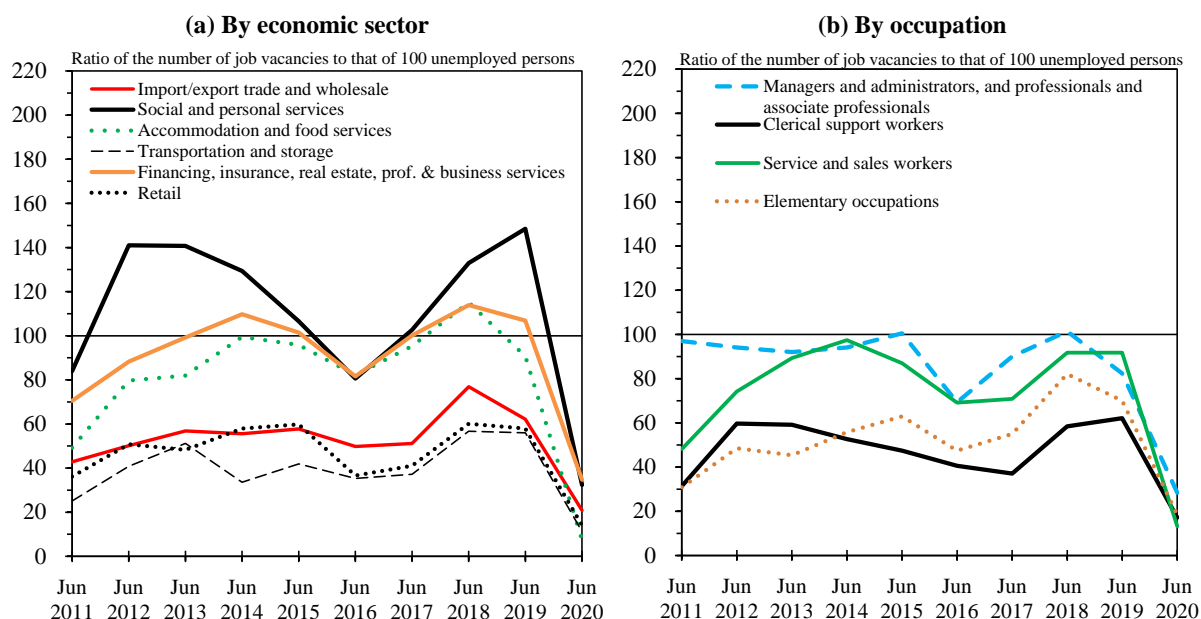
Table 5.8 : Vacancies by major economic sector

	<u>Number of vacancies</u>							Vacancy rate in Jun 2020 (%)
	<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	6 050 (-19.3)	6 800 (-10.5)	6 470 (-16.9)	6 170 (-18.5)	4 760 (-32.3)	4 080 (-40.1)	3 670 (-43.3)	0.8
Retail	6 710 (-18.4)	8 350 (2.9)	7 650 (-4.1)	5 970 (-25.5)	4 870 (-44.5)	3 050 (-63.5)	3 160 (-58.8)	1.2
Accommodation ^(a) and food services	9 250 (-35.0)	14 700 (2.3)	11 190 (-22.1)	6 240 (-56.2)	4 860 (-65.0)	2 910 (-80.2)	2 840 (-74.6)	1.1
Transportation, storage, postal and courier services	3 870 (-11.2)	4 780 (18.2)	4 090 (-12.2)	3 800 (-15.2)	2 820 (-33.8)	2 590 (-45.8)	2 280 (-44.2)	1.3
Information and communications	2 850 (-4.4)	2 950 (-5.4)	3 040 (-6.3)	2 860 (2.6)	2 560 (-8.0)	2 190 (-25.6)	2 040 (-32.9)	1.8
Financing, insurance, real estate, professional and business services	19 060 (-5.3)	20 570 (3.7)	20 130 (-0.1)	18 560 (-9.6)	16 990 (-14.9)	14 660 (-28.7)	12 360 (-38.6)	1.6
Social and personal services	16 710 (-1.6)	17 860 (10.6)	17 220 (-0.2)	16 720 (-2.0)	15 060 (-13.9)	11 400 (-36.2)	11 650 (-32.3)	2.1
Manufacturing	2 210 (-22.3)	2 490 (-4.6)	2 660 (-9.7)	1 910 (-34.0)	1 790 (-39.0)	760 (-69.6)	750 (-71.7)	0.9
Construction sites (covering manual workers only)	680 (-2.9)	870 (2.0)	780 (33.6)	580 (12.0)	500 (-41.6)	500 (-42.6)	240 (-68.5)	0.2
<i>All establishments surveyed in the private sector^(b)</i>	<i>67 630 (-13.5)</i>	<i>79 580 (3.5)</i>	<i>73 460 (-7.2)</i>	<i>63 030 (-19.5)</i>	<i>54 430 (-30.4)</i>	<i>42 270 (-46.9)</i>	<i>39 120 (-46.7)</i>	<i>1.4</i>
		<-1.2>	<-7.5>	<-12.5>	<-13.0>	<-24.5>	<-7.4>	
<i>Civil service^(c)</i>	<i>10 060 (12.3)</i>	<i>9 820 (30.2)</i>	<i>10 260 (15.0)</i>	<i>9 970 (5.5)</i>	<i>10 210 (2.6)</i>	<i>10 660 (8.6)</i>	<i>11 320 (10.3)</i>	<i>6.0</i>

- 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 balance continued to slacken across major economic sectors and occupations in June 2020



5.15 The vacancy rate for private sector establishments, measured in terms of the number of job vacancies as a percentage of total employment opportunities, dropped visibly by 1.1 percentage points from a year earlier to 1.4% in June 2020, the lowest in over ten years. All major sectors recorded lower vacancy rates compared with a year earlier, with visible declines observed in accommodation services, food and beverage services, arts, entertainment and recreation, manufacturing, retail, and professional and business services (excluding cleaning and similar services).

5.16 Information on private sector job vacancies received by the Labour Department (LD) may provide some hints on the latest developments in the labour market. Such vacancies, at an average of 61 100 per month in the third quarter of 2020, plunged by 46% from a year earlier but went up by 12% over the second quarter. Sharp year-on-year falls in vacancies were observed in most sectors.

Wages and earnings

5.17 Overall nominal wages continued to increase in June 2020 over a year earlier, but the rate of increase decelerated further. After increasing by 2.2% year-on-year in March 2020, the nominal *wage index* for all selected industry sections, which covers regular payment to employees at the supervisory level or below, went up by 1.3% in June 2020, the slowest in more than a decade. After adjusting for inflation⁽⁸⁾, wages rose by 0.6% in real terms.

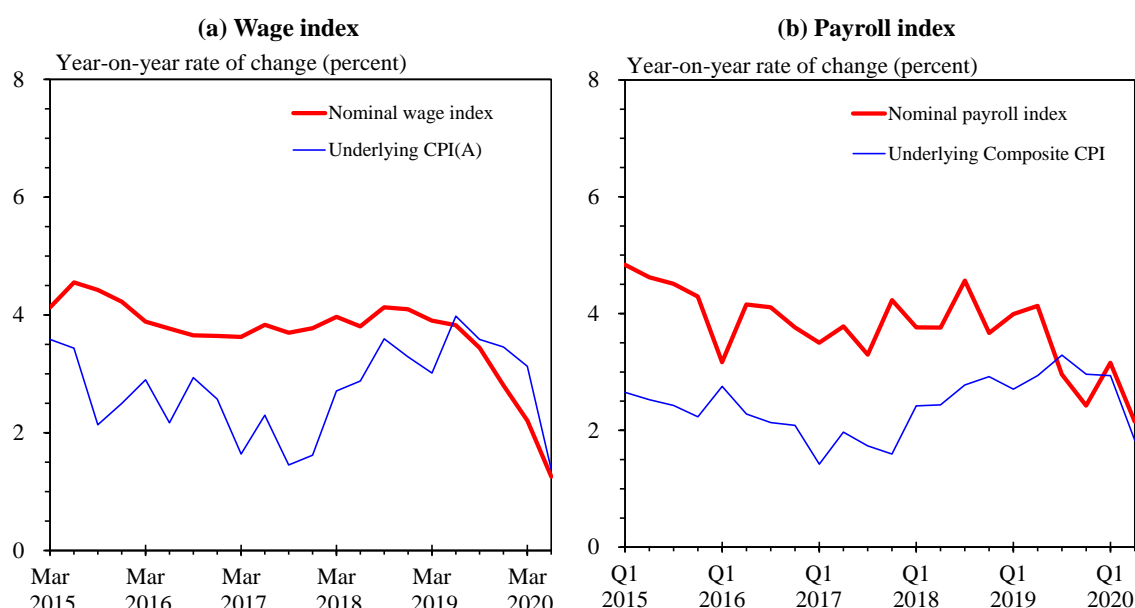
5.18 Nominal wages continued to increase across all selected sectors in June 2020, yet the paces of increase slowed by varying degrees. In particular, visible deceleration in wage growth was seen in transportation (up 0.6%, slower than that of 3.2% in March 2020), and professional and business services (up 1.2%, slower than that of 2.7% in March 2020). Analysis by occupation, nominal wages for craftsmen switched to a marginal decline of 0.1% (from a 3.4% increase in March 2020). Nominal wages for all other selected occupations saw moderated growth, notably for miscellaneous non-production workers (up 2.1%, slower than that of 3.2% in March 2020), and service workers (up 1.4%, slower than that of 2.4% in March 2020).

5.19 According to the Salary Indices for Managerial and Professional Employees, average salaries of the middle-level managerial and professional employees likewise saw slower year-on-year growth in nominal terms in June 2020. The Salary Index (A), which measures the average monthly salaries for middle-level managerial and professional employees for all selected industry sections, increased by 1.1% in nominal terms, the slowest in 11 years. The Salary Index (B), which excludes newly recruited and promoted employees and covers only those remaining in the same occupation and the same company in two consecutive years, increased by 2.8% in nominal terms, also the slowest in 11 years. After discounting for inflation, the two Salary Indices went up by 0.3% and 2.0% respectively in real terms over a year earlier.

5.20 *Labour earnings*⁽⁹⁾, as measured by the index of payroll per person engaged for all selected industry sections, which also covers overtime pay, discretionary bonuses and other irregular payments, likewise saw a slower year-on-year increase of 2.2% in nominal terms in the second quarter of 2020 after increasing by 3.2% in the first quarter. The pace of increase was the slowest in close to a decade. After adjusting for inflation, labour earnings grew by 0.8% in real terms.

5.21 Analysed by selected sectors, labour earnings in transportation, storage, postal and courier services, and accommodation and food service activities saw enlarged declines of 3.9% and 2.7% respectively in the second quarter of 2020 (as compared with the corresponding declines of 1.1% and 1.4% in the first quarter of 2020), and those in other major sectors either switched to decline or saw decelerated growth.

Diagram 5.6 : Wages grew at the slowest rate in more than a decade in June 2020; labour earnings also saw the slowest growth in close to a decade in the second quarter of 2020



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

5.22 More recent statistics compiled from the GHS, though not strictly comparable to those from the business establishment surveys, suggested that earnings of low-income workers recorded a slower increase in the third quarter of 2020. *Average monthly employment earnings*⁽¹⁰⁾ of full-time employees (excluding foreign domestic helpers) of the lowest three decile groups combined increased by 3.2% year-on-year in nominal terms in the third quarter of 2020, slower than the 3.7% increase in the second quarter, though still faster than the inflation rate of 0.5% as measured by the underlying Consumer Price Index (A). However, caution should be exercised when interpreting these earnings growth figures, as the job loss over the past year was more concentrated in the lower-paid segment, thereby distorting the year-on-year comparison of the average monthly employment earnings of the lower decile groups. Meanwhile, the median monthly household income (excluding foreign domestic helpers) continued to fall sharply by 8.2% year-on-year in nominal terms, partly reflecting the decreased number of working members in the households amid the sharp fall in total employment.

Highlights of labour-related measures and policy developments

5.23 The Government has rolled out relief measures of unprecedented scale, including a series of measures on job retention and job creation, which have helped keep workers in employment. In particular, the Government continued to provide wage subsidies to qualified employers through the Employment Support Scheme. Under the first tranche of the scheme which provided wage subsidies for June to August 2020, \$45.0 billion were disbursed to about 150 800 qualified employers, benefitting more than 1.95 million employees. As for the second tranche which covered September to November 2020, as of early November, wage subsidies amounting to \$39.4 billion were disbursed to about 142 000 qualified employers, covering about 1.67 million employees.

5.24 In view of the local outbreak of the third wave of COVID-19, LD cancelled its job fairs since late July 2020 to reduce the risk of cross infection posed by the congregation of people. Nevertheless, LD launched a virtual job fair in August with 34 participating organisations offering more than 1 200 vacancies in the property management, catering and other industries. Moreover, LD continued to provide employment and recruitment services through telephone and online platforms such as the Interactive Employment Service website. As the local epidemic situation stabilised, LD had gradually resumed the organisation of district-based job fairs in LD's job centres and recruitment activities in industry-based recruitment centres since early September.

5.25 Adopting an evidence-based approach, the Minimum Wage Commission (MWC) completed the review on the Statutory Minimum Wage (SMW) rate after conducting comprehensive analyses and assessment of the relevant socio-economic and employment data. MWC also considered other relevant factors that could not be fully quantified, including the public views collected during an eight-week consultation completed in June 2020. MWC submitted its recommendation report to the Chief Executive in Council in October.

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. The statistics of the three-month periods of November 2018 – January 2019 to October – December 2019 have been revised to take into account the final end-2019 population estimates.

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 – March 2011. Starting from the reference quarter of January – 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); (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 fifth-term Minimum Wage Commission include:
- (i) retail (including supermarkets and convenience stores, and other retail stores);
 - (ii) food and beverage services (including Chinese restaurants, non-Chinese restaurants, fast food cafes, Hong Kong style tea cafes, and other food and beverage services);
 - (iii) estate management, security and cleaning services (including real estate maintenance management, security services, cleaning services and membership organisations);
 - (iv) other low-paying sectors, including
 - 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 (CPIs) 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 sectoral 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

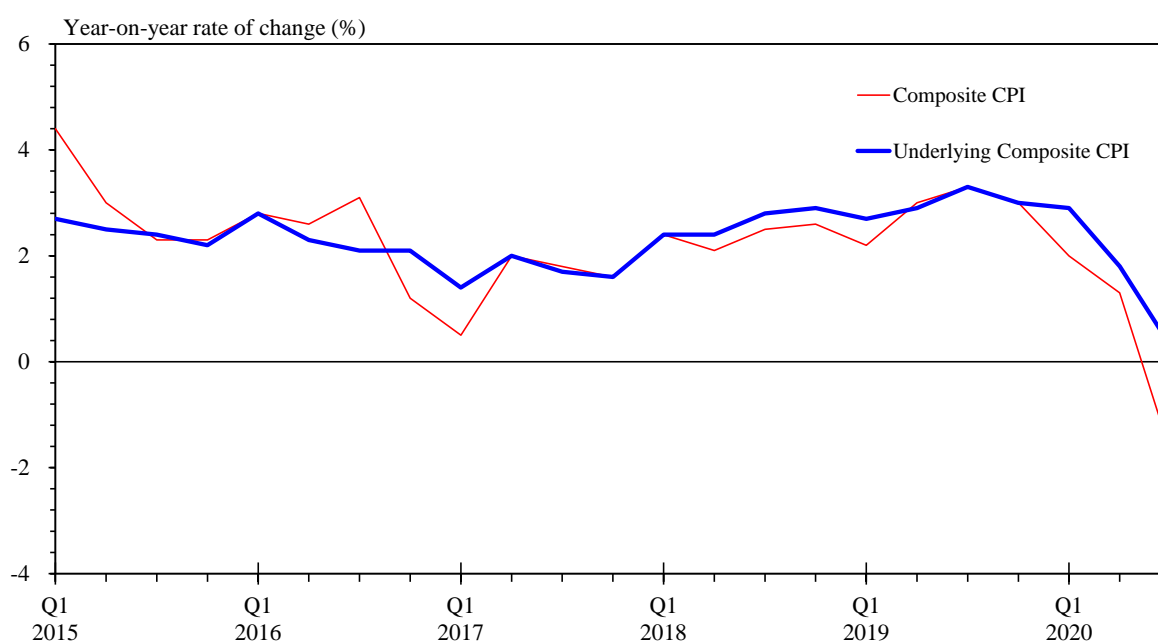
Summary

- *Consumer price inflation eased visibly in the third quarter of 2020. The year-on-year rate of increase in the underlying Composite Consumer Price Index (Composite CPI)⁽¹⁾, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, went down from 1.8% in the second quarter to 0.3% in the third quarter. The sharp deceleration was attributed to a notably smaller year-on-year rise in prices of basic foodstuffs, particularly pork, due mainly to the high base effects, the fall in charges for meals-out, as well as softening price pressures on many other major CPI components amid austere economic conditions. Meanwhile, the headline Composite CPI turned from a 1.3% increase to a 1.7% decline over the same period, reflecting to certain extent the public housing rental relief in the third quarter.*
- *Domestic price pressures receded further amid the weak economy. The year-on-year increase in private housing rentals continued to moderate in the third quarter. Commercial rentals softened further while wages recorded the slowest growth in more than a decade.*
- *External price pressures continued to abate. As global demand stayed sluggish, inflation in many major import sources⁽²⁾ eased in the third quarter, and world energy prices were still sharply lower than their year-ago levels even after some rebound since May. Against this backdrop, import prices continued to record a modest year-on-year decline.*

Consumer prices

6.1 Underlying consumer price inflation eased visibly in the third quarter of 2020. Prices of basic foodstuffs recorded a notably smaller year-on-year increase as the effect of the surge in pork prices since May last year faded, while prices of meals bought away from home turned to a decline amid the third wave of the local epidemic. Prices pressures on many other major CPI components continued to ease amid subdued economic conditions. Locally, the softening in fresh-letting residential rentals in the past year or so has further contained the rise in the private housing rental component. Commercial rentals softened further while wages recorded the slowest growth in more than a decade. Reportedly, some landlords of commercial properties continued to provide tenants with short-term rental relief. Likewise external price pressures abated further. As the global economy stayed weak, inflation in many major import sources eased further in the third quarter and world energy prices were still sharply lower than their year-ago levels even after some rebound since May. As a result, import prices continued to register a modest year-on-year decline.

Diagram 6.1: Underlying consumer price inflation eased visibly in the third quarter



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

6.2 Underlying consumer price inflation, in terms of the year-on-year rate of change in the underlying Composite CPI, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, eased further to 0.3% in the third quarter from 1.8% in the second quarter. The sharp deceleration reflected a notably smaller year-on-year increase in prices of basic foodstuffs, particularly pork, against a high base of comparison, as well as receding price pressures on many other major CPI components particularly meals bought away from home amid the resurgence of local COVID-19 infections in July and August. Over the same period, the headline Composite CPI turned to a decline of 1.7% from an increase of 1.3%. The visibly lower headline inflation rate than the underlying inflation rate in the third quarter was mainly attributable to the payment of one-month rentals for public housing tenants by the Government and the waiver of two-thirds of rent for tenants of Group B estates by the Hong Kong Housing Society in July, and the rent waiver for public housing tenants by the Hong Kong Housing Authority in September.

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^(a)</u>	<u>Headline</u>			
2019	Annual	3.0	2.9	3.3	2.7	2.6
	Q1	2.7	2.2	2.6	2.1	2.0
	Q2	2.9	3.0	3.3	2.8	2.8
	Q3	3.3	3.3	3.9	3.1	3.0
	Q4	3.0	3.0	3.4	2.9	2.6
2020	Q1	2.9	2.0	1.1	2.4	2.4
	Q2	1.8	1.3	1.6	1.4	1.1
	Q3	0.3	-1.7	-4.2	-0.6	-0.1

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

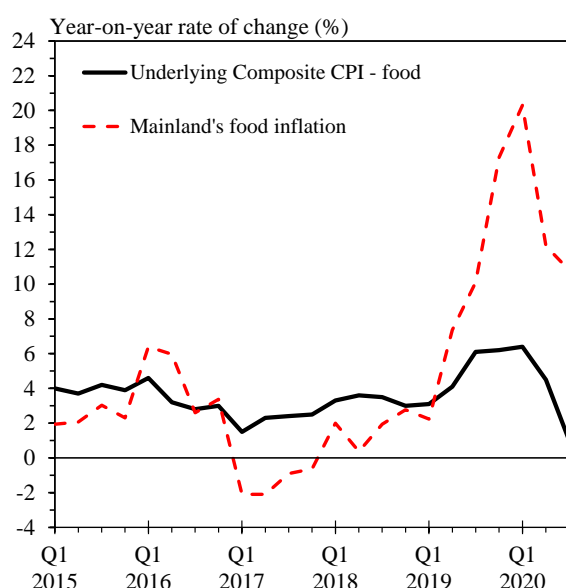
2019	Q1	0.6	0.4	0.4	0.5	0.4
	Q2	1.0	1.2	1.2	1.1	1.1
	Q3	1.0	0.9	1.3	0.9	0.6
	Q4	0.4	0.5	0.5	0.5	0.5
2020	Q1	0.5	-0.6	-1.9	-0.1	0.2
	Q2	-0.1	0.6	1.7	0.1	-0.2
	Q3	-0.6	-2.0	-4.3	-1.1	-0.5

Note : (a) Underlying consumer price inflation is calculated by netting out the effects of all Government's one-off relief 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, subsidies for household electricity charges, and waiver of examination fees.

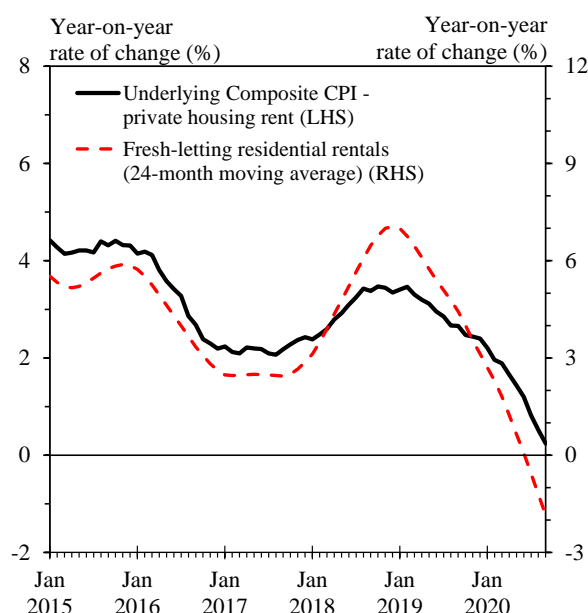
6.3 Analysed by major component of the underlying Composite CPI, the year-on-year rate of increase in food prices, the component with the largest weight other than housing, eased notably from 4.5% in the second quarter to 1.0% in the third quarter. Within this, prices of basic foodstuffs increased moderately by 3.5%, as the impact of the surge in pork prices which started in May last year dissipated further against a high base of comparison. Prices of meals bought away from home turned to a 0.6% decline, the first time since early 2004, as the third wave of the local epidemic severely hit the business of restaurants. Meanwhile, the rise in the private housing rental component narrowed further to 0.5%, as the softening in fresh-letting residential rentals in the past year or so continued to feed through. Public housing rental component showed a larger increase, due to the upward adjustment in public housing rentals in September. Meanwhile, as consumption-related activities remained weak, prices of miscellaneous goods and miscellaneous services rose at a slower pace, while those of clothing and footwear registered an enlarged decline. Prices of transport fell mainly due to the extra MTR fare rebate starting from July. The increase in prices of electricity, gas and water eased further, thanks to the plunge in international energy prices. Meanwhile, prices of durable goods stayed on its secular downtrend.

Diagram 6.2 : Food and private housing rental components of the underlying Composite CPI

(a) The year-on-year increase in food prices eased notably in the third quarter



(b) The increase in the private housing rental component narrowed further



Note : The year-on-year rates of change of the CPIs from October 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

Diagram 6.3 (a) : Price pressures on most major CPI components receded further in the third quarter

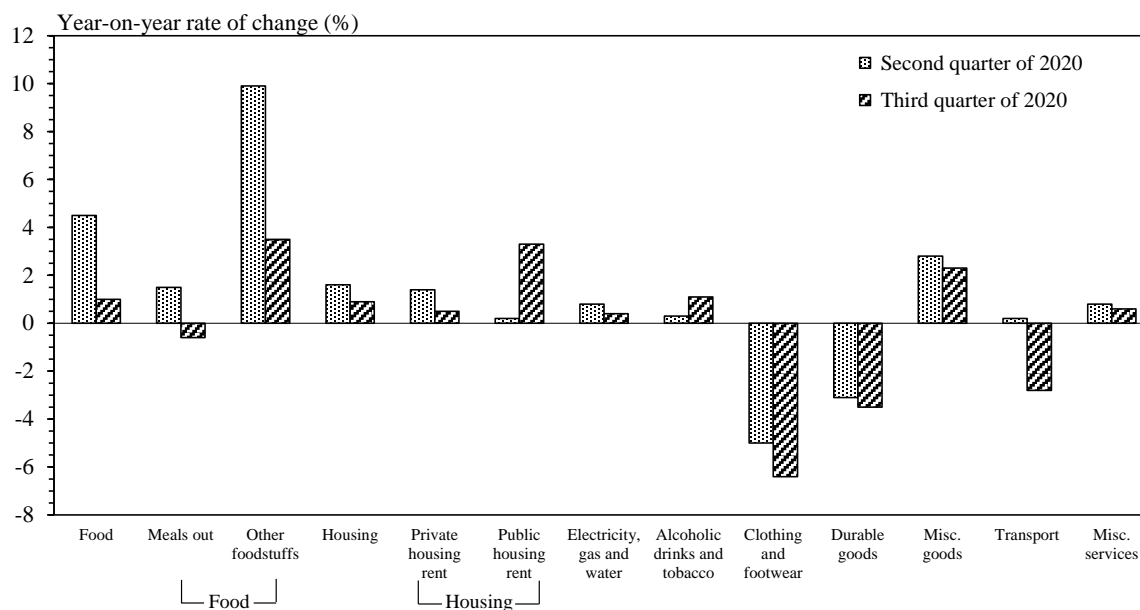
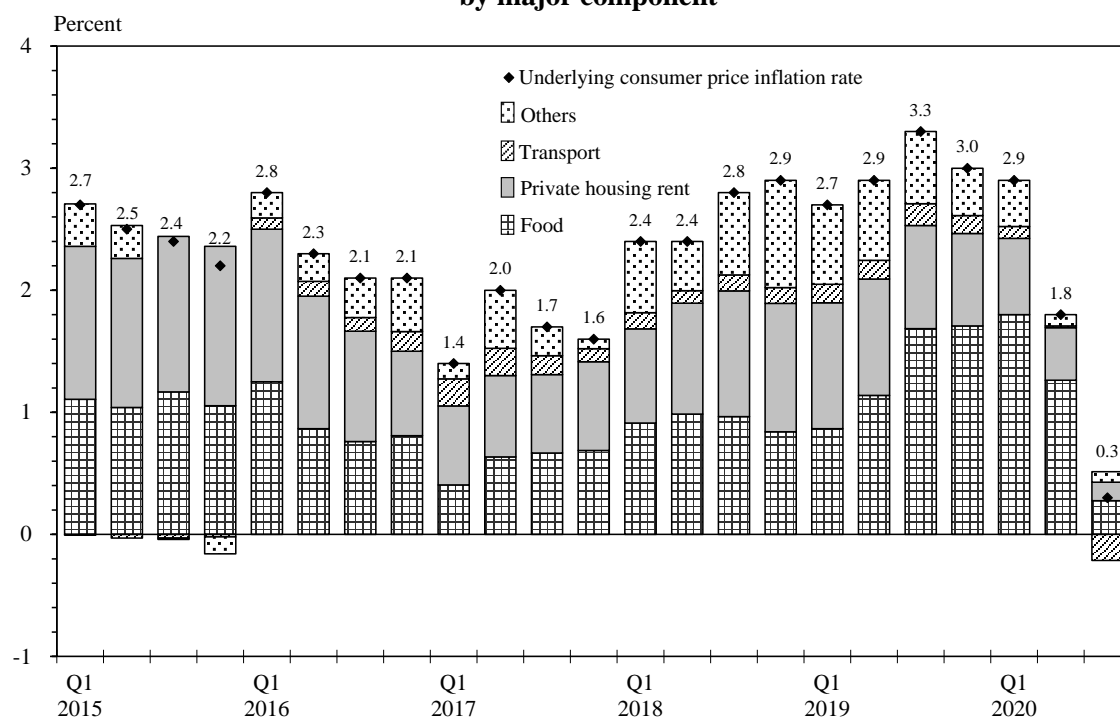


Diagram 6.3 (b) : Contribution to underlying consumer price inflation rate by major component



Note : The year-on-year rates of change of the Composite CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

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

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>Annual</u>	<u>2019</u>				<u>2020</u>		
			<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Food	27.29	4.9	3.1	4.1	6.1	6.2	6.4	4.5	1.0
<i>Meals bought away from home</i>	17.74	2.2	2.3	2.1	2.1	2.1	1.8	1.5	-0.6
<i>Other foodstuffs</i>	9.55	9.9	4.6	7.7	13.4	13.7	14.9	9.9	3.5
Housing ^(a)	34.29	3.2 (3.5)	3.9 (2.9)	3.6 (4.2)	3.1 (3.7)	2.4 (3.1)	2.2 (0.7)	1.6 (1.6)	0.9 (-3.2)
<i>Private housing rent</i>	29.92	2.9 (3.1)	3.4 (2.3)	3.1 (3.8)	2.7 (3.4)	2.5 (3.1)	2.0 (2.7)	1.4 (1.4)	0.5 (0.5)
<i>Public housing rent</i>	1.94	6.5 (7.1)	10.1 (11.6)	9.8 (10.9)	6.5 (6.9)	0.4 (-0.2)	0.4 (-31.1)	0.2 (0.4)	3.3 (-61.7)
Electricity, gas and water	2.67	1.0 (-5.4)	1.4 (-4.9)	1.5 (-4.8)	0.8 (-5.6)	0.2 (-6.3)	3.7 (-16.0)	0.8 (-19.0)	0.4 (-19.2)
Alcoholic drinks and tobacco	0.54	1.2	2.7	2.4	0.5	-0.7	-0.3	0.3	1.1
Clothing and footwear	3.21	-1.7	-0.2	-1.7	-1.5	-3.4	-4.2	-5.0	-6.4
Durable goods	4.65	-1.9	-2.1	-2.0	-1.5	-2.0	-2.5	-3.1	-3.5
Miscellaneous goods	3.56	2.5	1.6	2.0	2.9	3.3	3.8	2.8	2.3
Transport	7.98	2.0	1.9	2.0	2.3	1.9	1.2	0.2	-2.8
Miscellaneous services	15.81	2.0 (2.0)	1.9 (1.8)	2.5 (2.5)	1.8 (1.7)	1.9 (1.9)	1.5 (1.5)	0.8 (0.8)	0.6 (0.6)
All items	100.00	3.0 (2.9)	2.7 (2.2)	2.9 (3.0)	3.3 (3.3)	3.0 (3.0)	2.9 (2.0)	1.8 (1.3)	0.3 (-1.7)

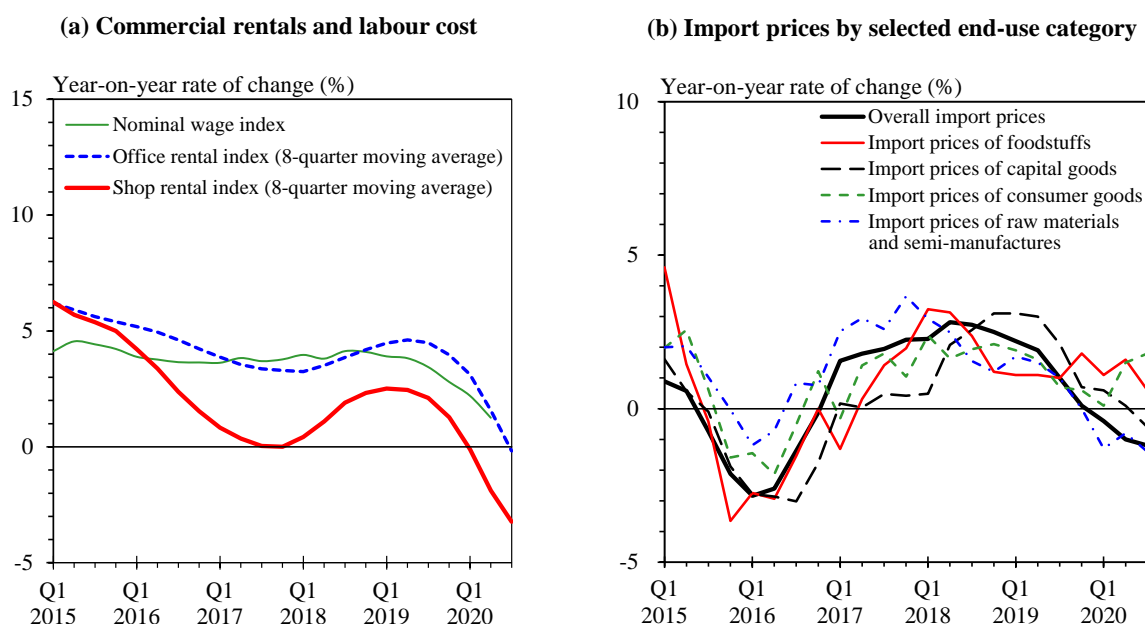
Notes : (a) The housing component covers rents, rates, Government rent, maintenance costs and other housing charges. Its sub-components on private and public housing rents as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public housing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

() Figures in brackets represent the headline rates of change before netting out the effects of Government's one-off relief measures.

Costs of factor inputs and import prices

6.4 Domestic cost pressures waned further in the third quarter of 2020. Nominal wages posted the slowest growth in more than a decade as labour market conditions remained austere. Commercial rentals softened further amid subdued local economic conditions and weak business sentiment. As a proxy for the rental costs faced by businesses, the eight-quarter moving average of office rentals turned to a modest fall of 0.2% in the third quarter, whereas that of shop rentals declined further by 3.2%. Moreover, some landlords of commercial properties reportedly continued to provide short-term rental relief to their tenants.

**Diagram 6.4 : Domestic cost pressures waned further;
external price pressures continued to abate**



6.5 External price pressures continued to abate in the third quarter. As global demand stayed sluggish amid the continued threat of COVID-19, inflation in many major import sources eased further while world energy prices remained sharply below their year-ago levels even after some rebound since May. As a result, overall prices of merchandise imports continued to record a year-on-year decline of 1.2% in the third quarter. Among major end-use categories, the year-on-year decrease in import prices of fuels remained notable at 32.0% along with the sharp decline in international oil prices. Import prices of raw materials and semi-manufactures also fell further by 1.4%, while those of capital goods turned to a mild decrease of 0.6%. Meanwhile, import prices foodstuffs increased modestly, and those of consumer goods rose at a faster but still moderate pace.

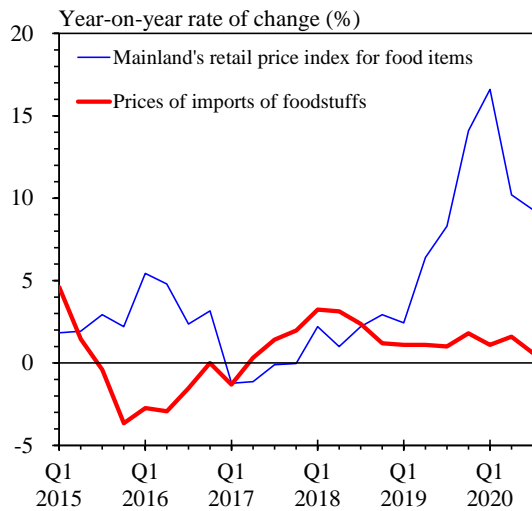
Table 6.3 : Prices of imports by end-use category
(year-on-year rate of change (%))

		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2019	Annual	1.3	1.1	1.0	-5.9	2.1	1.3
	Q1	1.1	1.9	1.7	1.3	3.1	2.2
	Q2	1.1	1.6	1.5	-2.2	3.0	1.9
	Q3	1.0	0.7	1.0	-11.3	2.1	1.0
	Q4	1.8	0.6	*	-10.2	0.7	0.1
2020	Q1	1.1	0.1	-1.3	-4.0	0.6	-0.4
	Q2	1.6	1.5	-0.8	-42.4	0.1	-1.0
	Q3	0.6	1.8	-1.4	-32.0	-0.6	-1.2

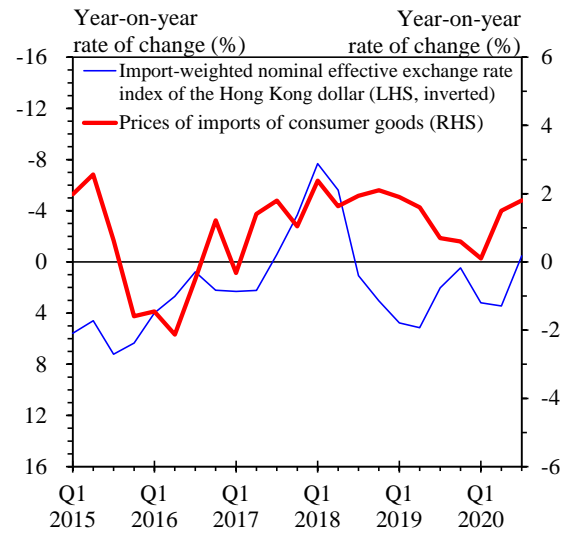
Note : (*) Change within $\pm 0.05\%$.

Diagram 6.5: Import prices by end-use category

(a) Import prices of foodstuffs recorded a modest increase

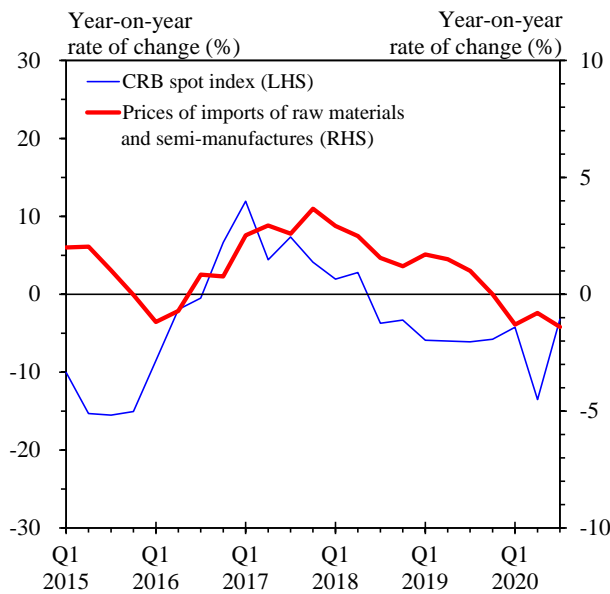


(b) Import prices of consumer goods increased at a faster but still moderate pace

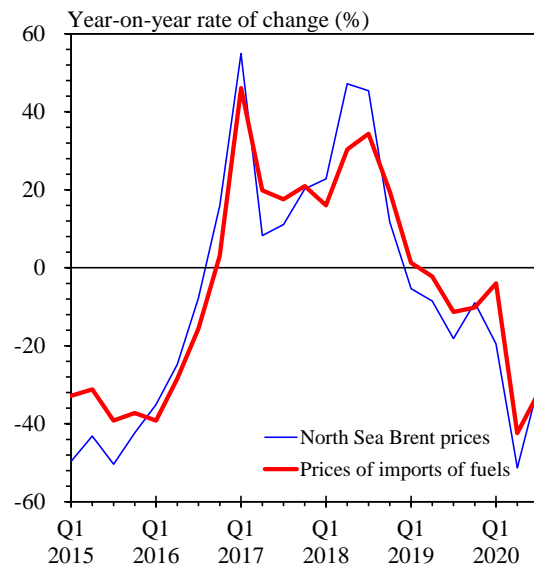


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) Import prices of raw materials and semi-manufactures fell further



(d) The decline in import prices of fuels remained notable



Output prices

6.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, showed diverse movements across various sectors in the second quarter of 2020. For the manufacturing sector, output prices continued to rise modestly over a year earlier. Among the selected service sectors, the year-on-year fall in output prices for accommodation services remained notable, as inbound tourism remained frozen with widespread travel restrictions in place. On the other hand, output prices for air transport rose visibly, as the air freight capacity was still severely constrained by pandemic-induced disruptions. Meanwhile, output prices for water transport continued to increase moderately, while those for land transport and courier services registered declines. Output prices for telecommunications services continued to fall, reflecting fierce competition and technological progress in the sector.

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

	<u>2018</u>		<u>2019</u>				<u>2020</u>	
<u>Industry group</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>
Manufacturing	2.0	1.0	0.7	0.8	1.3	1.1	1.3	1.3
Selected service sectors ^(a)								
Accommodation services	4.4	-8.0	1.0	-1.5	-9.9	-20.4	-23.4	-23.2
Land transport	1.4	1.6	2.0	1.6	1.4	1.3	-2.6	-3.0
Water transport	2.5	-0.8	2.1	-1.4	0.6	-4.4	1.3	1.7
Air transport	8.1	-3.2	-0.7	-2.9	-3.8	-5.3	7.5	10.1
Telecommunications	-3.4	-1.9	-2.6	-3.8	-2.2	0.9	-2.4	-1.9
Courier services	-2.5	0.5	-4.9	0.5	3.1	3.7	1.8	-0.7

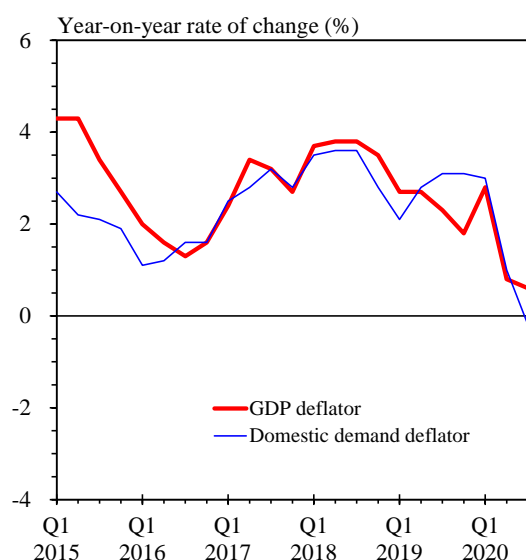
Note : (a) Producer Price Indices for other service sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the 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 year-on-year rise in *GDP deflator*⁽⁴⁾ eased to 0.6% in the third quarter, 0.2 percentage point lower than in the preceding quarter. The *terms of trade*⁽⁵⁾ improved from a year earlier as export prices recorded virtually no change while import prices registered a decline. Taking out the external trade components, the domestic demand deflator fell marginally by 0.2% in the third quarter amid subdued local economic conditions, after rising by 1.0% in the preceding quarter.

Diagram 6.6: GDP deflator

(a) The year-on-year increase in the GDP deflator eased further in the third quarter



(b) Terms of trade improved from a year earlier

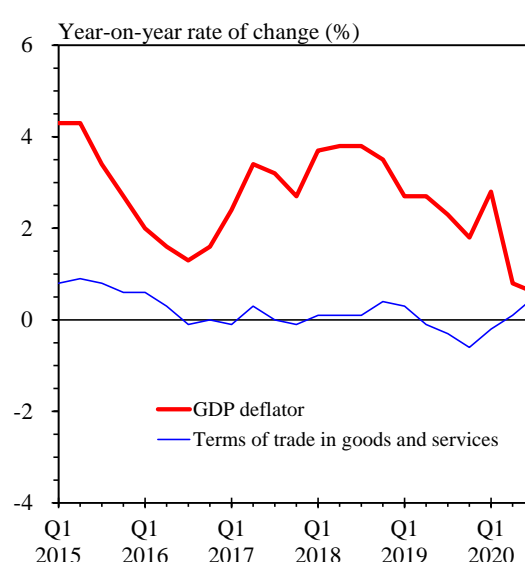


Table 6.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))

	<u>2018</u>		<u>2019</u>				<u>2020</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>
Private consumption expenditure	3.1	2.7	2.0	2.7	3.1	3.2	2.9	1.0	-0.3
Government consumption expenditure	3.3	4.5	4.2	4.6	4.7	4.4	5.6	2.1	1.7
Gross domestic fixed capital formation	4.6	1.9	1.4	2.5	2.2	1.7	3.4	-1.5	-1.5
Total exports of goods ^{&}	2.2	1.1	1.8	1.4	1.0	0.2	*	-0.1	0.1
Imports of goods ^{&}	2.3	1.3	1.6	1.7	1.3	0.7	0.5	-0.2	-0.6
Exports of services ^{&}	4.5	-0.4	1.0	-0.1	-1.1	-1.6	-0.2	-4.0	-2.1
Imports of services ^{&}	2.8	-1.0	-1.5	-1.8	-0.9	0.1	-2.2	-3.4	-1.2
Gross Domestic Product	3.7	2.4	2.7 <0.6>	2.7 <0.9>	2.3 <0.3>	1.8 <0.2>	2.8 <1.4>	0.8 <-1.2>	0.6 <0.3>
Total final demand ^{&}	2.8	1.5	1.8	1.7	1.5	1.1	1.2	0.1	-0.1
Domestic demand	3.4	2.8	2.1	2.8	3.1	3.1	3.0	1.0	-0.2
Terms of trade in goods and services ^{&}	0.2	-0.2	0.3	-0.1	-0.3	-0.6	-0.2	-0.1	0.5

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.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) Revised 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 2014/15-based CPIs are shown below:

	Approximate proportion of <u>households covered</u> (%)	Average monthly expenditure range <u>during Oct 2014 to Sep 2015</u> (\$)
CPI(A)	50	5,500 to 24,499
CPI(B)	30	24,500 to 44,499
CPI(C)	10	44,500 to 89,999

The weightings of the various components in the 2014/15-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	27.29	34.37	26.26	20.85
<i>Meals bought away from home</i>	17.74	20.99	17.88	13.98
<i>Other foodstuffs</i>	9.55	13.38	8.38	6.87
Housing	34.29	33.77	35.24	33.60
<i>Private housing rent</i>	29.92	26.51	32.15	30.72
<i>Public housing rent</i>	1.94	5.44	0.49	--
<i>Maintenance costs and other housing charges</i>	2.43	1.82	2.60	2.88
Electricity, gas and water	2.67	3.85	2.38	1.76
Alcoholic drinks and tobacco	0.54	0.75	0.57	0.26
Clothing and footwear	3.21	2.57	3.26	3.88
Durable goods	4.65	3.41	5.03	5.53
Miscellaneous goods	3.56	3.28	3.64	3.77
Transport	7.98	6.75	7.60	9.84
Miscellaneous services	15.81	11.25	16.02	20.51
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>2018</u>		<u>2019</u>				<u>2020</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	2.2	2.1	2.1	2.3	2.3	2.2	1.3	1.7
Canada	2.3	1.9	1.6	2.1	1.9	2.1	1.8	*	0.3
EU	1.8	1.4	1.5	1.6	1.2	1.3	1.5	0.6	0.5
Japan	1.0	0.5	0.3	0.8	0.3	0.5	0.5	0.1	0.2
Selected major emerging economies									
Mainland China	2.1	2.9	1.8	2.6	2.9	4.3	5.0	2.7	2.3
Russia	2.9	4.5	5.2	5.0	4.3	3.4	2.4	3.1	3.5
India	3.9	3.7	2.5	3.1	3.5	5.8	6.7	6.6	6.9
Brazil	3.7	3.7	4.1	4.3	3.2	3.4	3.8	2.1	2.6
Selected Asian economies									
Hong Kong	2.4	2.9	2.2	3.0	3.3	3.0	2.0	1.3	-1.7
Singapore	0.4	0.6	0.5	0.8	0.4	0.6	0.4	-0.7	-0.3
Taiwan	1.3	0.6	0.3	0.8	0.4	0.7	0.5	-1.0	-0.5
Korea	1.5	0.4	0.5	0.7	*	0.3	1.2	-0.1	0.6
Malaysia	1.0	0.7	-0.3	0.6	1.3	1.0	0.9	-2.6	-1.4
Thailand	1.1	0.7	0.7	1.1	0.6	0.4	0.4	-2.7	-0.7
Indonesia	3.2	2.8	2.7	2.9	3.0	2.7	2.9	2.3	1.4
Philippines	5.2	2.5	3.8	3.0	1.7	1.5	2.7	2.3	2.5
Vietnam	3.5	2.8	2.6	2.7	2.2	3.7	5.6	2.8	3.2
Macao	3.0	2.8	2.9	2.7	2.7	2.7	2.6	1.6	*

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

([^]) Refer to the core CPI inflation.

- (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)**

	(\$Mn)					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Private consumption expenditure	1,090,234	1,224,402	1,314,969	1,413,058	1,502,768	1,593,091
Government consumption expenditure	157,371	168,517	185,310	198,572	214,216	231,263
Gross domestic fixed capital formation	386,852	455,294	517,411	515,516	530,916	537,205
Building and construction	139,249	179,341	204,860	211,130	244,047	262,780
Costs of ownership transfer	38,035	36,099	34,074	39,389	43,967	45,846
Machinery, equipment and intellectual property products	209,568	239,854	278,477	264,997	242,902	228,579
Changes in inventories	37,522	11,739	-3,662	-1,673	7,473	-20,580
Total exports of goods ^{&}	3,021,492	3,406,765	3,632,957	3,926,059	3,986,769	3,889,225
Imports of goods ^{&}	2,995,928	3,464,968	3,779,686	4,142,651	4,237,700	4,066,527
Exports of services ^{&}	625,719	710,716	764,026	812,640	829,085	808,948
Imports of services ^{&}	546,930	578,035	594,266	583,216	573,522	574,345
GDP	1,776,332	1,934,430	2,037,059	2,138,305	2,260,005	2,398,280
<i>Per capita GDP (\$)</i>	<i>252,887</i>	<i>273,549</i>	<i>284,899</i>	<i>297,860</i>	<i>312,609</i>	<i>328,924</i>
GNI	1,813,928	1,987,256	2,066,514	2,178,824	2,306,612	2,442,656
<i>Per capita GNI (\$)</i>	<i>258,240</i>	<i>281,019</i>	<i>289,019</i>	<i>303,504</i>	<i>319,056</i>	<i>335,010</i>
Total final demand	5,319,190	5,977,433	6,411,011	6,864,172	7,071,227	7,039,152
Total final demand excluding re-exports ^(a)	3,235,971	3,604,705	3,828,055	4,025,243	4,116,670	4,139,786
Domestic demand	1,671,979	1,859,952	2,014,028	2,125,473	2,255,373	2,340,979
Private	1,449,592	1,614,010	1,737,274	1,827,460	1,929,514	1,991,436
Public	222,387	245,942	276,754	298,013	325,859	349,543
External demand	3,647,211	4,117,481	4,396,983	4,738,699	4,815,854	4,698,173

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>2016</u>	<u>2017</u>	<u>2018[#]</u>	<u>2019[#]</u>	<u>2019</u> <u>Q4[#]</u>	<u>Q1[#]</u>	<u>2020</u> <u>Q2[#]</u>	<u>Q3[#]</u>
Private consumption expenditure	1,649,941	1,784,148	1,936,122	1,967,322	502,263	447,890	440,237	430,541
Government consumption expenditure	247,973	261,447	281,438	308,924	79,659	89,334	82,282	84,925
Gross domestic fixed capital formation	535,216	575,977	612,458	547,167	134,402	120,441	106,663	119,575
Building and construction	283,447	297,306	308,615	294,794	73,790	72,124	65,441	65,928
Costs of ownership transfer	44,517	65,810	67,482	50,020	10,524	7,469	10,384	11,629
Machinery, equipment and intellectual property products	207,252	212,861	236,361	202,353	50,088	40,848	30,838	42,018
Changes in inventories	447	10,973	11,204	-6,434	3,777	21,795	4,132	6,428
Total exports of goods ^{&}	3,892,886	4,212,774	4,453,350	4,292,589	1,155,796	901,776	1,000,437	1,158,925
Imports of goods ^{&}	4,022,579	4,391,306	4,706,347	4,418,627	1,143,857	950,767	1,020,663	1,127,459
Exports of services ^{&}	764,660	811,295	886,883	792,916	171,019	143,891	105,596	121,471
Imports of services ^{&}	578,106	605,924	639,947	618,178	158,852	112,770	81,824	96,089
GDP	2,490,438	2,659,384	2,835,161	2,865,679	744,207	661,590	636,860	698,317
<i>Per capita GDP (\$)</i>	<i>339,454</i>	<i>359,780</i>	<i>380,507</i>	<i>381,714</i>	--	--	--	--
GNI	2,553,031	2,774,936	2,969,976	3,013,848	767,077	677,603	697,689	N.A.
<i>Per capita GNI (\$)</i>	<i>347,986</i>	<i>375,412</i>	<i>398,601</i>	<i>401,450</i>	--	--	--	--
Total final demand	7,091,123	7,656,614	8,181,455	7,902,484	2,046,916	1,725,127	1,739,347	1,921,865
Total final demand excluding re-exports ^(a)	4,190,526	4,496,245	4,819,286	4,671,080	1,183,323	1,050,954	967,637	1,050,440
Domestic demand	2,433,577	2,632,545	2,841,222	2,816,979	720,101	679,460	633,314	641,469
Private	2,062,056	2,240,260	2,425,246	2,375,351	608,643	551,109	522,294	525,852
Public	371,521	392,285	415,976	441,628	111,458	128,351	111,020	115,617
External demand	4,657,546	5,024,069	5,340,233	5,085,505	1,326,815	1,045,667	1,106,033	1,280,396

- 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 compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.
 (--) 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Private consumption expenditure	6.1	8.4	4.1	4.6	3.3	4.8
Government consumption expenditure	3.4	2.5	3.6	2.7	3.1	3.4
Gross domestic fixed capital formation	7.7	10.2	6.8	2.6	-0.1	-3.2
Building and construction	5.7	15.7	7.2	-4.3	9.3	2.2
Costs of ownership transfer	27.2	-20.9	-17.8	-28.1	6.9	-8.3
Machinery, equipment and intellectual property products	6.5	12.3	10.2	11.3	-8.7	-7.7
Total exports of goods ^{&}	18.0	4.6	3.3	8.2	0.8	-1.7
Imports of goods ^{&}	19.9	6.7	4.6	9.9	1.5	-2.7
Exports of services ^{&}	15.3	5.7	2.7	6.0	1.6	0.3
Imports of services ^{&}	10.0	-0.2	2.2	-2.1	-2.2	5.0
GDP	6.8	4.8	1.7	3.1	2.8	2.4
Per capita GDP	6.0	4.1	0.6	2.7	2.0	1.5
RGNI	3.7	4.8	-0.2	4.0	2.7	3.8
Per capita RGNI	2.9	4.1	-1.3	3.6	1.9	2.9
Total final demand	14.0	5.3	3.4	6.6	1.6	-0.4
Total final demand excluding re-exports ^(a)	11.0	4.7	3.2	4.2	0.6	0.1
Domestic demand	7.1	6.5	3.9	4.1	2.9	1.6
Private	6.6	6.7	3.6	4.1	2.6	1.3
Public	10.2	5.5	5.8	3.7	4.6	2.9
External demand	17.6	4.8	3.2	7.8	1.0	-1.4

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 compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.
 (--) 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) (Cont'd)**

										(%)
	<u>2016</u>	<u>2017</u>	<u>2018[#]</u>	<u>2019[#]</u>	<u>2019</u>	<u>2020</u>			Average annual rate of change:	
					Q4 [#]	Q1 [#]	Q2 [#]	Q3 [#]	10 years 2009 to 2019 [#]	5 years 2014 to 2019 [#]
Private consumption expenditure	2.0	5.5	5.3	-1.1	-2.9	-10.6	-14.2	-8.2	4.3	3.3
Government consumption expenditure	3.4	2.8	4.2	5.1	6.1	8.8	9.7	7.0	3.4	3.8
Gross domestic fixed capital formation	-0.1	3.1	1.7	-12.3	-16.8	-15.8	-21.4	-11.1	1.5	-2.3
Building and construction	5.9	-0.5	-0.5	-6.2	-6.5	-11.5	-4.0	-10.4	3.3	0.1
Costs of ownership transfer	-2.9	23.2	-11.2	-13.4	7.6	-32.4	-23.8	26.3	-6.0	-3.3
Machinery, equipment and intellectual property products	-6.4	3.8	8.8	-20.0	-32.3	-17.9	-43.6	-20.9	0.4	-4.8
Total exports of goods ^{&}	1.6	6.5	3.5	-4.6	-2.5	-9.7	-2.2	3.9	3.9	1.0
Imports of goods ^{&}	0.7	7.3	4.7	-7.3	-7.0	-11.1	-6.7	1.8	4.3	0.4
Exports of services ^{&}	-3.5	2.8	4.6	-10.2	-24.2	-37.4	-45.6	-34.6	2.3	-1.3
Imports of services ^{&}	2.0	2.0	2.8	-2.4	-5.2	-24.5	-44.5	-36.8	1.6	1.8
GDP	2.2	3.8	2.8	-1.2	-3.0	-9.1	-9.0	-3.5	2.9	2.0
Per capita GDP	1.5	3.0	2.0	-2.0	--	--	--	--	2.1	1.2
RGNI	3.2	5.7	3.5	-1.2	-3.5	-10.1	-8.4	N.A.	3.0	3.0
Per capita RGNI	2.6	4.9	2.7	-2.0	--	--	--	--	2.2	2.2
Total final demand	1.3	5.6	3.9	-4.8	-5.5	-11.5	-10.5	-3.2	3.5	1.0
Total final demand excluding re-exports ^(a)	1.5	4.5	4.0	-4.8	-8.0	-12.8	-16.9	-8.8	2.8	1.0
Domestic demand	2.6	5.2	4.4	-3.5	-4.3	-5.3	-12.5	-6.0	3.4	2.0
Private	2.5	5.7	4.8	-4.4	-5.4	-6.6	-16.0	-7.6	3.3	1.9
Public	3.1	2.2	2.4	1.7	2.3	0.9	9.9	2.8	4.2	2.5
External demand	0.7	5.8	3.7	-5.6	-6.1	-14.9	-9.4	-1.8	3.6	0.6

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

	<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018[#]</u>	
	\$Mn	%	\$Mn	%	\$Mn	%	\$Mn	%	\$Mn	%
	share		share		share		share		share	
Agriculture, fishing, mining and quarrying	1,496	0.1	1,630	0.1	1,898	0.1	1,736	0.1	1,762	0.1
Manufacturing	27,885	1.3	26,716	1.1	26,844	1.1	27,299	1.1	27,571	1.0
Electricity, gas and water supply, and waste management	35,636	1.6	34,653	1.5	34,414	1.4	34,978	1.4	35,660	1.3
Construction	96,205	4.4	107,902	4.6	124,932	5.2	129,714	5.1	120,473	4.5
Services	2,044,750	92.7	2,154,541	92.7	2,229,760	92.2	2,357,359	92.4	2,514,960	93.1
<i>Import/export,</i>										
<i>wholesale and retail trades</i>	531,541	24.1	527,822	22.7	525,526	21.7	548,636	21.5	575,103	21.3
<i>Accommodation^(a) and</i>										
<i>food services</i>	78,725	3.6	78,134	3.4	79,682	3.3	83,507	3.3	91,525	3.4
<i>Transportation, storage,</i>										
<i>postal and courier services</i>	137,658	6.2	150,073	6.5	149,742	6.2	153,359	6.0	158,440	5.9
<i>Information and</i>										
<i>communications</i>	77,761	3.5	80,813	3.5	84,208	3.5	86,891	3.4	91,449	3.4
<i>Financing and insurance</i>	367,989	16.7	409,933	17.6	428,903	17.7	480,488	18.8	535,126	19.8
<i>Real estate, professional and</i>										
<i>business services</i>	239,434	10.9	252,714	10.9	266,139	11.0	274,822	10.8	280,843	10.4
<i>Public administration, social</i>										
<i>and personal services</i>	379,588	17.2	407,405	17.5	436,912	18.1	465,488	18.2	499,446	18.5
<i>Ownership of premises</i>	232,053	10.5	247,648	10.6	258,649	10.7	264,166	10.4	283,028	10.5
GDP at basic prices	2,205,972	100.0	2,325,443	100.0	2,417,849	100.0	2,551,086	100.0	2,700,426	100.0
Taxes on products	83,236	--	95,433	--	83,743	--	110,698	--	117,825	--
Statistical discrepancy (%)	-1.3	--	-0.9	--	-0.4	--	-0.1	--	0.6	--
GDP at current market prices	2,260,005	--	2,398,280	--	2,490,438	--	2,659,384	--	2,835,161	--

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.

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

(%)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018[#]</u>	<u>2019[#]</u>	<u>2019</u>		<u>2020</u>	
							Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Agriculture, fishing, mining and quarrying	-6.0	-6.8	-2.0	-5.2	-1.8	-0.4	-3.5	0.9	2.3	7.7
Manufacturing	-0.4	-1.5	-0.4	0.4	1.3	0.4	0.5	-0.5	-4.6	-5.1
Electricity, gas and water supply, and waste management	0.8	-2.6	-0.8	0.9	0.1	-0.2	1.5	-1.1	-14.3	-12.2
Construction	13.0	5.4	5.1	-1.3	3.3	-6.0	-2.5	-6.6	-12.1	-3.5
Services	2.5	1.7	2.3	3.5	3.1	-0.3	-1.7	-2.4	-9.0	-9.0
<i>Import/export,</i> <i>wholesale and retail trades</i>	1.2	-1.1	0.6	4.2	4.2	-6.2	-9.7	-8.4	-21.5	-18.7
<i>Accommodation^(a) and</i> <i>food services</i>	2.2	-1.9	0.5	2.0	5.9	-9.2	-14.1	-23.2	-47.6	-44.5
<i>Transportation, storage,</i> <i>postal and courier services</i>	2.9	3.3	3.0	4.8	2.5	-1.6	-2.2	-8.1	-32.3	-49.4
<i>Information and</i> <i>communications</i>	3.9	4.0	4.1	4.0	4.1	4.7	5.4	2.8	1.6	0.9
<i>Financing and insurance</i>	5.3	6.1	4.2	5.3	4.0	2.8	3.3	2.4	2.7	3.0
<i>Real estate, professional and</i> <i>business services</i>	1.9	0.7	2.8	2.1	-0.4	1.0	0.5	0.2	-4.6	-5.9
<i>Public administration, social</i> <i>and personal services</i>	2.4	2.5	3.0	3.2	3.6	2.9	2.0	2.5	-3.2	-3.0
<i>Ownership of premises</i>	0.8	0.6	0.5	1.0	0.9	0.6	0.5	0.1	-0.2	-0.2
Taxes on products	6.7	7.1	-9.1	13.7	-3.9	-11.3	-16.4	-1.4	-2.8	-9.2
GDP in chained (2018) dollars	2.8	2.4	2.2	3.8	2.8	-1.2	-2.8	-3.0	-9.1	-9.0

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018[#]</u>	<u>2019[#]</u>	<u>2019</u>		<u>2020</u>	
						Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Current account ^(a)	79,553	98,485	121,840	105,942	176,005	71,757	41,702	-8,864	59,426
Goods	-177,302	-129,693	-178,532	-252,997	-126,038	162	11,939	-48,991	-20,226
Services	234,603	186,554	205,371	246,936	174,738	35,657	12,167	31,121	23,772
Primary income	44,376	62,593	115,552	134,815	148,169	41,274	22,870	16,013	60,829
Secondary income	-22,124	-20,969	-20,551	-22,813	-20,864	-5,336	-5,273	-7,007	-4,949
Capital and financial account ^(a)	-128,642	-101,104	-76,488	-175,081	-247,001	-103,753	-71,658	38,249	-88,805
Capital account	-216	-374	-645	-1,574	-657	-115	-146	-132	-127
Financial account	-128,426	-100,730	-75,843	-173,507	-246,344	-103,638	-71,512	38,381	-88,677
Financial non-reserve assets	153,570	-91,874	174,666	-165,948	-255,199	-163,484	-81,796	64,188	-104,184
<i>Direct investment</i>	<i>794,800</i>	<i>447,758</i>	<i>186,887</i>	<i>172,795</i>	<i>71,307</i>	<i>5,613</i>	<i>62,184</i>	<i>-87,715</i>	<i>1,405</i>
<i>Portfolio investment</i>	<i>-970,938</i>	<i>-469,591</i>	<i>264,159</i>	<i>-616,428</i>	<i>-318,748</i>	<i>-89,970</i>	<i>28,334</i>	<i>114,307</i>	<i>-231,339</i>
<i>Financial derivatives</i>	<i>99,178</i>	<i>36,327</i>	<i>61,763</i>	<i>33,202</i>	<i>8,805</i>	<i>-4,089</i>	<i>3,741</i>	<i>-10,888</i>	<i>20,360</i>
<i>Other investment</i>	<i>230,531</i>	<i>-106,368</i>	<i>-338,144</i>	<i>244,483</i>	<i>-16,564</i>	<i>-75,037</i>	<i>-176,055</i>	<i>48,485</i>	<i>105,390</i>
Reserve assets	-281,996	-8,856	-250,509	-7,559	8,855	59,846	10,284	-25,807	15,507
Net errors and omissions	49,089	2,619	-45,353	69,139	70,996	31,997	29,956	-29,385	29,379
Overall Balance of Payments	281,996	8,856	250,509	7,559	-8,855	-59,846	-10,284	25,807	-15,507

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018[#]</u>	<u>2019[#]</u>	<u>2019</u> Q4 [#]	<u>2019</u> Q1 [#]	<u>2020</u> Q2 [#]	<u>2020</u> Q3 [#]
Total exports of goods	3,889,225	3,892,886	4,212,774	4,453,350	4,292,589	1,155,796	901,776	1,000,437	1,158,925
Imports of goods	4,066,527	4,022,579	4,391,306	4,706,347	4,418,627	1,143,857	950,767	1,020,663	1,127,459
Goods trade balance	-177,302 (-4.4)	-129,693 (-3.2)	-178,532 (-4.1)	-252,997 (-5.4)	-126,038 (-2.9)	11,939 (1.0)	-48,991 (-5.2)	-20,226 (-2.0)	31,466 (2.8)
Exports of services	808,948	764,660	811,295	886,883	792,916	171,019	143,891	105,596	121,471
Imports of services	574,345	578,106	605,924	639,947	618,178	158,852	112,770	81,824	96,089
Services trade balance	234,603 (40.8)	186,554 (32.3)	205,371 (33.9)	246,936 (38.6)	174,738 (28.3)	12,167 (7.7)	31,121 (27.6)	23,772 (29.1)	25,382 (26.4)
Exports of goods and services	4,698,173	4,657,546	5,024,069	5,340,233	5,085,505	1,326,815	1,045,667	1,106,033	1,280,396
Imports of goods and services	4,640,872	4,600,685	4,997,230	5,346,294	5,036,805	1,302,709	1,063,537	1,102,487	1,223,548
Goods and services trade balance	57,301 <1.2>	56,861 <1.2>	26,839 <0.5>	-6,061 <-0.1>	48,700 <1.0>	24,106 <1.9>	-17,870 <-1.7>	3,546 <0.3>	56,848 <4.6>

Notes: Figures in this table are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) 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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>		<u>2019</u>		<u>2020</u>	
							Q4	Q1	Q2	Q3
	(% change)			(% change)		(\$Mn)	(% change over a year earlier)			
All markets	-1.8	-0.5	8.0	7.3	-4.1	3,988,685	-2.5	-9.7	-4.3	1.3
Mainland of China	-2.1	0.4	8.4	8.6	-3.3	2,210,854	3.9	-1.8	6.0	7.0
United States	0.2	-5.3	1.9	8.1	-14.8	304,004	-22.3	-27.4	-20.7	-10.7
Japan	-6.6	-4.9	10.0	0.7	-6.4	121,012	-13.4	-17.9	-4.4	-16.4
India	8.1	14.6	35.9	-15.3	-12.0	118,186	-1.0	-4.8	-44.7	-9.1
Taiwan	-18.0	14.6	19.9	-3.6	2.4	88,275	8.3	1.5	19.9	3.9
Vietnam	14.7	-5.8	10.3	4.5	-3.6	80,213	-5.5	3.0	-6.1	7.6
Singapore	-2.3	4.8	-0.4	13.3	4.1	71,999	-0.7	-15.5	-23.2	-12.4
Germany	-3.2	-5.1	10.8	3.0	-8.9	69,340	-15.5	-26.4	-16.8	-14.4
Netherlands	10.2	10.3	11.5	11.5	-4.4	68,169	-11.2	-24.2	1.1	-5.4
Korea	-12.8	-0.6	4.9	2.1	-2.3	56,555	-11.7	-11.2	-13.8	-8.7
Rest of the world	-1.8	-3.3	3.8	10.8	-0.8	800,079	-8.2	-20.3	-19.0	-3.3

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>			
	(% change)				(% change)	(\$Mn)	Q4 (% change over a year earlier)	Q1	Q2	Q3
All sources	-4.1	-0.9	8.7	8.4	-6.5	4,415,440	-6.5	-10.0	-8.8	-1.9
Mainland of China	-0.1	-3.4	5.9	7.7	-5.9	2,058,091	-9.2	-16.9	-10.5	-5.0
Taiwan	-8.6	6.4	12.9	2.7	-2.4	330,454	13.4	15.0	16.6	34.2
Singapore	-5.7	6.4	10.1	9.0	-7.5	290,657	-3.9	7.5	1.1	9.1
Japan	-9.9	-5.2	2.7	2.6	-2.8	252,601	*	0.8	-10.9	-10.8
Korea	-2.0	14.0	28.5	10.4	-20.9	220,071	-6.9	12.1	3.2	4.8
United States	-3.9	-2.0	3.4	8.1	-7.9	212,902	-19.2	-19.0	-22.5	-24.6
Malaysia	-7.9	-3.7	26.8	64.6	-14.3	162,002	-9.0	-7.8	6.1	14.1
Thailand	-3.7	-2.7	8.5	2.8	-7.4	85,267	0.5	-6.0	0.2	4.2
Vietnam	19.8	6.6	13.6	7.3	18.5	78,373	44.3	34.4	60.3	17.7
India	-13.7	11.9	15.8	-14.0	-19.0	74,805	-17.4	-36.5	-33.4	-25.8
Rest of the world	-11.0	-3.1	8.5	9.3	-3.4	650,218	-9.7	-16.7	-27.9	-11.3

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

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

**Table 9 : Exports and imports of services by component
(at current market prices)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018[#]</u>	<u>2019[#]</u>		<u>2019</u>		<u>2020</u>	
							Q4 [#]	Q1 [#]	Q2 [#]	Q3 [#]
	(% change)				(% change)	(\$Mn)	(% change over a year earlier)			
Exports of services	-2.4	-5.5	6.1	9.3	-10.6	792,916	-25.4	-37.5	-47.8	-35.9
Transport	-6.8	-5.3	8.6	9.0	-8.9	235,869	-18.5	-30.6	-39.2	-32.6
Travel	-5.8	-9.0	1.9	11.2	-21.2	227,576	-54.2	-81.1	-97.0	-97.1
Financial services	8.5	-6.9	13.5	10.9	-3.8	167,405	-2.2	0.7	-4.1	*
Other services	1.6	2.3	2.9	5.1	-1.8	162,066	-3.8	-13.2	-12.6	-10.5
Imports of services	0.1	0.7	4.8	5.6	-3.4	618,178	-5.1	-26.2	-46.4	-37.6
Transport	-5.9	-2.1	3.7	6.6	-5.0	138,003	-8.6	-20.5	-31.7	-18.3
Travel	4.7	4.8	5.6	4.7	1.6	210,626	2.8	-49.0	-93.0	-87.9
Manufacturing [^]	-2.7	-2.0	3.5	2.0	-13.7	80,375	-16.7	-23.1	-27.5	-17.8
Other services	2.2	-0.1	5.5	7.6	-2.6	189,174	-5.1	-8.7	-6.6	-2.9

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

Figures in this table are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

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

([^]) This includes the value of processing fees paid by Hong Kong to the processing units outside Hong Kong and raw materials / semi-manufactures directly procured by these processing units.

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

Table 10 : Incoming visitors by source

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u> Q4	Q1	<u>2020</u> Q2	Q3
<u>('000)</u>									
All sources	59 307.6	56 654.9	58 472.2	65 147.6	55 912.6	9 149.2	3 489.2	26.9	34.1
Mainland of China	45 842.4	42 778.1	44 445.3	51 038.2	43 774.7	6 845.1	2 665.9	15.3	14.3
South and Southeast Asia	3 559.1	3 701.8	3 626.2	3 571.7	3 040.5	585.2	175.6	3.1	8.3
Taiwan	2 015.8	2 011.4	2 010.8	1 925.2	1 538.9	260.2	101.6	1.2	1.2
Europe	1 829.4	1 904.9	1 901.5	1 937.6	1 728.4	419.7	144.9	4.8	7.4
United States	1 181.0	1 211.5	1 215.6	1 304.2	1 107.2	227.5	78.9	0.8	0.8
Japan	1 049.3	1 092.3	1 230.0	1 287.8	1 078.8	160.7	50.1	0.1	0.1
Others	3 830.7	3 954.8	4 042.9	4 082.8	3 644.1	650.9	272.3	1.5	2.0
<u>(% change over a year earlier)</u>									
All sources	-2.5	-4.5	3.2	11.4	-14.2	-50.5	-80.9	-99.8	-99.7
Mainland of China	-3.0	-6.7	3.9	14.8	-14.2	-52.5	-81.7	-99.9	-99.8
South and Southeast Asia	-1.5	4.0	-2.0	-1.5	-14.9	-46.1	-79.9	-99.7	-98.5
Taiwan	-0.8	-0.2	*	-4.3	-20.1	-46.4	-78.1	-99.7	-99.7
Europe	-1.8	4.1	-0.2	1.9	-10.8	-24.9	-70.2	-99.0	-97.9
United States	4.5	2.6	0.3	7.3	-15.1	-39.8	-74.6	-99.8	-99.7
Japan	-2.7	4.1	12.6	4.7	-16.2	-55.2	-86.1	-100.0	-100.0
Others	-1.1	3.2	2.2	1.0	-10.7	-45.4	-76.5	-99.9	-99.7

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

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

Table 11 : Property market

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (in units)	13 405	9 449	10 149	8 254	15 719	11 280	14 595
Commercial property	189	197	226	161	161	233	276
<i>of which :</i>							
Office space	124	155	136	123	104	164	153
Other commercial premises ^(b)	65	42	90	39	57	69	123
Industrial property ^(c)	21	105	170	85	116	30	78
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	21	32	46	85	36	30	5
Storage premises ^(d)	0	73	123	0	80	0	73
Production of public housing							
(in units)							
Rental housing flats ^(e)	6 385	17 787	9 778	20 898	5 634	10 147	21 755
Subsidised sales flats ^(e)	1 110	0	0	0	0	1 310	229
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	570.5	580.6	796.4	816.0	647.1	893.3	645.8
Commercial property	158.4	133.6	210.2	309.5	290.3	319.0	312.4
Industrial property ^(f)	34.3	109.3	70.7	138.1	105.9	225.3	76.2
Other properties	459.2	232.7	428.9	136.4	217.1	555.4	235.1
Total	1 222.4	1 056.2	1 506.1	1 400.1	1 260.4	1 993.0	1 269.4
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	135 778	84 462	81 333	50 676	63 807	55 982	54 701
Primary market	13 646	10 880	12 968	11 046	16 857	16 826	16 793
Secondary market	122 132	73 582	68 365	39 630	46 950	39 156	37 908
Selected types of non-residential properties ^(h)							
Office space	3 591	3 071	3 269	1 685	1 271	1 470	1 105
Other commercial premises	7 639	5 980	7 282	4 305	3 092	2 067	1 523
Flatted factory space	8 206	7 619	9 731	4 271	3 016	3 407	2 727

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 11 : Property market (Cont'd)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u> Q4	Q1	<u>2020</u> Q2	Q3
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (in units)	17 791	20 968	13 643	3 543	3 726	7 645	2 313
Commercial property	303	304	384	51	72	14	20
<i>of which :</i>							
Office space	198	179	267	11	42	2	14
Other commercial premises ^(b)	105	125	118	40	30	13	6
Industrial property ^(c)	105	44	56	29	0	12	2
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	23	41	56	29	0	12	2
Storage premises ^(d)	83	3	0	0	0	0	0
Production of public housing							
(in units)							
Rental housing flats ^(e)	11 268	20 137	9 634	5 798	1 787	1 678	N.A.
Subsidised sales flats ^(e)	2 788	4 863	7 027	330	2 610	5 000	N.A.
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	872.8	703.0	766.0	151.2	39.9	252.2	N.A.
Commercial property	488.6	109.2	763.0	24.3	69.9	12.3	N.A.
Industrial property ^(f)	62.5	98.4	177.7	83.5	22.4	0.0	N.A.
Other properties	227.1	91.9	234.6	7.7	23.4	49.9	N.A.
Total	1 651.1	1 002.5	1 941.3	266.7	155.5	314.4	N.A.
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	61 591	57 247	59 797	12 941	10 204	17 073	15 515
Primary market	18 645	15 633	21 108	4 169	2 261	4 149	3 549
Secondary market	42 946	41 614	38 689	8 772	7 943	12 924	11 966
Selected types of non-residential properties ^(h)							
Office space	1 955	1 331	861	124	101	173	186
Other commercial premises	2 198	1 926	1 300	284	199	285	375
Flatted factory space	5 135	4 852	2 426	387	314	478	627

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 12 : Property prices and rentals

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	150.9	182.1	206.2	242.4	256.9	296.8	286.1
Office space	230.4	297.9	334.7	409.8	423.0	448.9	426.9
Shopping space	257.2	327.4	420.5	506.8	521.2	559.2	526.9
Flatted factory space	284.4	385.0	489.8	655.4	668.0	723.9	692.7
Property rental indices ^(b) :							
Residential flats	119.7	134.0	142.6	154.5	159.5	172.8	168.2
Office space	147.6	169.9	188.3	204.1	213.7	226.7	232.3
Shopping space	122.9	134.3	151.3	165.5	173.1	182.5	178.6
Flatted factory space	108.9	118.6	131.9	147.3	160.1	174.4	181.4
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	24.4	20.7	13.2	17.6	6.0	15.5	-3.6
Office space	28.1	29.3	12.4	22.4	3.2	6.1	-4.9
Shopping space	33.2	27.3	28.4	20.5	2.8	7.3	-5.8
Flatted factory space	31.5	35.4	27.2	33.8	1.9	8.4	-4.3
Property rental indices ^(b) :							
Residential flats	19.2	11.9	6.4	8.3	3.2	8.3	-2.7
Office space	8.8	15.1	10.8	8.4	4.7	6.1	2.5
Shopping space	10.8	9.3	12.7	9.4	4.6	5.4	-2.1
Flatted factory space	9.6	8.9	11.2	11.7	8.7	8.9	4.0

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.

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

Table 12 : Property prices and rentals (Cont'd)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u> Q4	Q1	<u>2020</u> Q2 [#]	Q3 ⁺
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	333.9	377.3	383.0	380.9	377.2	383.4	382.9
Office space	487.1	554.7	543.0	517.4	477.1	451.5	456.8
Shopping space	558.4	591.4	549.7	508.3	524.9	528.3	514.7
Flatted factory space	778.1	888.1	887.9	844.1	841.0	830.0	820.9
Property rental indices ^(b) :							
Residential flats	182.6	193.0	194.4	191.3	184.1	179.2	180.3
Office space	241.8	252.2	261.4	258.7	253.1	243.8	238.7
Shopping space	182.5	187.0	187.2	181.5	174.1	167.7	173.0
Flatted factory space	190.7	202.3	209.7	208.2	200.9	198.9	202.5
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	16.7	13.0	1.5	3.4	2.2	-2.8	-1.2
Office space	14.1	13.9	-2.1	-10.3	-11.5	-19.7	-17.4
Shopping space	6.0	5.9	-7.1	-14.9	-8.4	-7.9	-5.4
Flatted factory space	12.3	14.1	*	-6.4	-5.4	-10.6	-7.8
Property rental indices ^(b) :							
Residential flats	8.6	5.7	0.7	-2.2	-4.3	-8.2	-9.2
Office space	4.1	4.3	3.6	0.9	-2.4	-7.5	-9.5
Shopping space	2.2	2.5	0.1	-3.5	-8.0	-11.3	-8.5
Flatted factory space	5.1	6.1	3.7	1.4	-2.8	-5.7	-4.8

Table 13 : Monetary aggregates

	2010	2011	2012	2013	2014	2015	2016
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	730,093	794,726	920,920	1,000,344	1,116,675	1,253,380	1,428,775
M2 ^(a)	3,866,788	4,046,216	4,537,384	4,795,130	5,225,773	5,765,549	6,280,230
M3 ^(a)	3,878,193	4,055,404	4,545,590	4,806,012	5,236,188	5,778,772	6,292,666
Total money supply (\$Mn)							
M1	1,017,227	1,127,320	1,377,359	1,510,895	1,708,724	1,971,146	2,213,970
M2	7,136,271	8,057,530	8,950,005	10,056,437	11,011,372	11,618,441	12,508,127
M3	7,156,260	8,081,079	8,970,396	10,085,243	11,048,944	11,655,019	12,551,331
Deposit (\$Mn)							
HK\$	3,617,183	3,740,240	4,176,200	4,390,953	4,800,330	5,312,403	5,809,060
Foreign currency	3,245,081	3,851,020	4,120,234	4,789,109	5,272,804	5,437,346	5,918,240
Total	6,862,265	7,591,260	8,296,434	9,180,062	10,073,135	10,749,749	11,727,300
Loans and advances (\$Mn)							
HK\$	2,824,445	3,160,002	3,333,059	3,606,018	4,000,361	4,152,589	4,479,107
Foreign currency	1,403,281	1,920,659	2,233,751	2,850,795	3,275,910	3,381,951	3,544,284
Total	4,227,726	5,080,661	5,566,810	6,456,813	7,276,271	7,534,540	8,023,390
Nominal Effective Exchange Rate Indices							
(Jan 2010 = 100) ^(b)							
Trade-weighted	99.5	94.6	94.9	94.9	96.0	101.3	104.1
Import-weighted	99.2	93.9	94.2	94.7	96.0	101.7	104.2
Export-weighted	99.8	95.4	95.6	95.1	95.9	100.9	104.1
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	8.8	8.9	15.9	8.6	11.6	12.2	14.0
M2 ^(a)	7.8	4.6	12.1	5.7	9.0	10.3	8.9
M3 ^(a)	7.6	4.6	12.1	5.7	9.0	10.4	8.9
Total money supply							
M1	12.8	10.8	22.2	9.7	13.1	15.4	12.3
M2	8.1	12.9	11.1	12.4	9.5	5.5	7.7
M3	8.0	12.9	11.0	12.4	9.6	5.5	7.7
Deposit							
HK\$	7.2	3.4	11.7	5.1	9.3	10.7	9.3
Foreign currency	7.9	18.7	7.0	16.2	10.1	3.1	8.8
Total	7.5	10.6	9.3	10.7	9.7	6.7	9.1
Loans and advances							
HK\$	17.6	11.9	5.5	8.2	10.9	3.8	7.9
Foreign currency	58.2	36.9	16.3	27.6	14.9	3.2	4.8
Total	28.6	20.2	9.6	16.0	12.7	3.5	6.5
Nominal Effective Exchange Rate Indices							
(Jan 2010 = 100) ^(b)							
Trade-weighted	-2.4	-4.9	0.3	*	1.2	5.5	2.8
Import-weighted	-2.9	-5.3	0.3	0.5	1.4	5.9	2.5
Export-weighted	-1.8	-4.4	0.2	-0.5	0.8	5.2	3.2

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, 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 negotiable certificates of deposit issued by such institutions and held outside the monetary sector.

Table 13 : Monetary aggregates (Cont'd)

	2017	2018	2019	2019 Q4	Q1	2020 Q2	Q3
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,598,014	1,555,731	1,533,104	1,533,104	1,578,352	1,759,032	2,406,597
M2 ^(a)	7,010,345	7,262,451	7,438,789	7,438,789	7,444,053	7,629,436	8,243,060
M3 ^(a)	7,024,514	7,284,322	7,454,655	7,454,655	7,461,444	7,645,848	8,258,067
Total money supply (\$Mn)							
M1	2,431,461	2,421,598	2,484,738	2,484,738	2,614,612	2,838,473	3,576,701
M2	13,755,255	14,348,059	14,745,872	14,745,872	14,803,474	15,102,579	15,845,097
M3	13,803,837	14,403,688	14,786,375	14,786,375	14,845,663	15,142,575	15,883,405
Deposit (\$Mn)							
HK\$	6,484,616	6,715,262	6,884,143	6,884,143	6,875,008	7,057,201	7,649,305
Foreign currency	6,267,872	6,671,119	6,887,444	6,887,444	6,899,514	7,020,328	7,122,830
Total	12,752,488	13,386,381	13,771,586	13,771,586	13,774,522	14,077,528	14,772,135
Loans and advances (\$Mn)							
HK\$	5,359,983	5,836,238	6,219,377	6,219,377	6,192,059	6,096,505	6,517,104
Foreign currency	3,953,686	3,886,385	4,157,325	4,157,325	4,479,705	4,596,189	4,514,395
Total	9,313,668	9,722,623	10,376,701	10,376,701	10,671,764	10,692,694	11,031,500
Nominal Effective Exchange Rate Indices							
(Jan 2010 =100) ^(b)							
Trade-weighted	104.2	101.8	105.2	106.4	106.9	108.5	105.8
Import-weighted	104.2	101.7	104.9	105.9	106.6	108.0	105.4
Export-weighted	104.3	101.9	105.5	106.8	107.4	108.9	106.1
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	11.8	-2.6	-1.5	-1.5	-0.3	12.3	55.6
M2 ^(a)	11.6	3.6	2.4	2.4	*	1.5	10.8
M3 ^(a)	11.6	3.7	2.3	2.3	*	1.4	10.7
Total money supply							
M1	9.8	-0.4	2.6	2.6	8.1	16.9	44.9
M2	10.0	4.3	2.8	2.8	2.2	3.9	9.2
M3	10.0	4.3	2.7	2.7	2.1	3.8	9.2
Deposit							
HK\$	11.6	3.6	2.5	2.5	-0.1	1.5	11.1
Foreign currency	5.9	6.4	3.2	3.2	3.3	5.5	6.2
Total	8.7	5.0	2.9	2.9	1.6	3.5	8.7
Loans and advances							
HK\$	19.7	8.9	6.6	6.6	2.5	-1.8	4.5
Foreign currency	11.6	-1.7	7.0	7.0	14.6	17.2	10.9
Total	16.1	4.4	6.7	6.7	7.3	5.5	7.0
Nominal Effective Exchange Rate Indices							
(Jan 2010 =100) ^(b)							
Trade-weighted	0.1	-2.3	3.3	0.9	3.3	3.7	-0.5
Import-weighted	*	-2.4	3.1	0.5	3.2	3.4	-0.5
Export-weighted	0.2	-2.3	3.5	1.0	3.6	3.9	-0.6

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

(b) Period average.

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

Table 14 : Rates of change in business receipts indices for services industries/domains

	(%)							
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>		<u>2020</u>	
					Q3	Q4	Q1	Q2
Services Industry								
Import and export trade	-2.5	2.3	3.7	-6.6	-8.0	-8.7	-12.2	-8.9
Wholesale	-1.0	2.8	4.3	-8.3	-11.2	-10.6	-14.1	-12.6
Retail	-8.1	2.2	8.7	-11.1	-17.5	-22.4	-35.0	-31.4
Transportation	-6.5	7.1	8.0	-2.3	-2.3	-8.7	-18.8	-29.0
<i>within which:</i>								
Land transport	3.6	1.8	5.3	1.3	2.3	-8.9	-26.7	-31.2
Water transport	-11.2	5.6	4.4	0.1	-0.3	-5.1	-0.3	-0.1
Air transport	-7.0	10.0	11.3	-4.9	-4.8	-10.6	-26.6	-45.2
Warehousing and storage	12.1	14.1	12.7	-1.4	-0.7	-12.3	-1.6	0.9
Courier	5.5	19.1	-0.7	-3.9	5.0	-5.2	2.8	30.2
Accommodation services ^(a)	-1.1	6.0	10.8	-14.3	-19.3	-41.1	-71.7	-70.4
Food services	2.9	5.0	6.0	-5.9	-11.8	-14.4	-31.3	-26.0
Information and communications	0.6	2.9	3.1	1.2	2.9	-1.4	-10.2	-14.4
<i>within which:</i>								
Telecommunications	-0.8	-3.5	2.2	-2.6	0.9	-6.2	-13.5	-15.0
Film entertainment	-4.5	4.3	3.1	-2.3	-6.3	-11.2	-39.5	-53.7
Banking	8.1	-0.1	6.8	2.8	5.5	0.8	1.9	-8.1
Financing (except banking)	-6.0	7.2	10.3	1.1	-1.8	9.9	6.0	9.4
<i>within which:</i>								
Financial markets and asset management	-8.7	1.6	11.6	0.8	-4.8	13.7	3.9	8.8
<i>within which : Asset management</i>	4.1	4.4	3.7	7.3	6.7	17.2	4.4	5.9
Insurance	21.8	11.8	8.7	8.8	6.8	-2.7	10.5	0.7
Real estate	10.4	10.2	5.4	11.4	2.3	5.8	-12.8	-5.6
Professional, scientific and technical services	3.3	1.9	3.3	1.3	1.3	-0.7	-1.8	-3.2
Administrative and support services	0.9	1.5	3.5	0.4	-2.1	-3.5	-12.9	-34.5
Services Domain								
Tourism, convention and exhibition services	-8.1	0.8	11.0	-18.9	-26.8	-49.3	-78.6 ⁺	-94.8 ⁺
Computer and information technology services	-3.5	1.4	2.9	-7.2	-8.8	-9.7	-12.0	-3.7

Notes: Upon the implementation of the new Hong Kong Standard Industrial Classification (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 sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(+) Provisional figures.

Table 15 : Labour force characteristics

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u> Q4	Q1	<u>2020</u> Q2	Q3
<u>(%)</u>									
Labour force participation rate	61.1	61.1	61.1	61.2	60.6	60.1	59.5	59.4	59.6
Seasonally adjusted unemployment rate ^(a)	3.3	3.4	3.1	2.8	2.9	3.3	4.2	6.2	6.4
Underemployment rate	1.4	1.4	1.2	1.1	1.1	1.2	2.1	3.7	3.8
<u>('000)</u>									
Population of working age	6 383.7	6 420.9	6 463.3	6 506.4	6 549.1	6 570.9	6 529.0	6 498.8	6 520.9
Labour force	3 903.2	3 920.1	3 946.6	3 979.0	3 966.2	3 948.7	3 882.2	3 861.1	3 884.6
Persons employed	3 773.8	3 787.1	3 823.2	3 867.0	3 849.9	3 824.6	3 720.0	3 620.4	3 624.8
Persons unemployed	129.4	133.0	123.4	112.0	116.3	124.2	162.2	240.7	259.8
Persons underemployed	53.3	54.7	45.6	43.2	42.0	47.5	82.8	142.9	149.1
<u>(% change over a year earlier)</u>									
Population of working age	0.7	0.6	0.7	0.7	0.7	0.5	-0.2	-0.8	-0.6
Labour force	0.8	0.4	0.7	0.8	-0.3	-0.6	-2.1	-2.8	-2.1
Persons employed	0.8	0.4	1.0	1.1	-0.4	-1.1	-3.6	-6.2	-5.8
Persons unemployed	1.4	2.8	-7.2	-9.2	3.8	17.5	47.0	111.0	116.5
Persons underemployed	-6.1	2.5	-16.5	-5.3	-2.8	6.8	112.7	247.3	260.3

Note: (a) Seasonal adjustment is not applicable to annual unemployment rates.

Table 16 : Employment in selected major industries

	2015	2016	2017	2018	2019	2019		2020		
						Sep	Dec	Mar	Jun	
Selected major industries	(% change)					(% change over a year earlier)				(No.)
Manufacturing	-2.8	-3.6	-3.3	-3.0	-3.5	-3.5	-5.2	-4.8	-3.7	84 187
Construction sites (covering manual workers only)	14.9	13.3	10.1	-5.8	-9.0	-10.0	-3.0	-5.9	-4.9	97 642
Import and export trade	-1.4	-0.7	-0.4	-0.6	-5.7	-6.6	-7.5	-8.7	-12.3	397 761
Wholesale	-1.4	-0.8	-0.6	-0.9	-4.0	-5.2	-5.6	-6.6	-10.0	52 430
Retail	-0.5	-1.1	0.5	1.7	-1.7	-2.2	-4.8	-6.5	-8.1	249 359
Food and beverage services	0.1	-0.2	0.3	2.8	-2.3	-4.9	-7.0	-12.0	-15.4	212 817
Accommodation services ^(a)	-1.1	-2.1	0.3	4.8	1.8	*	-2.1	-10.0	-14.4	35 897
Transportation, storage, postal and courier services	1.6	0.5	0.2	0.6	0.3	0.2	*	-1.9	-2.3	176 134
Information and communications	1.1	0.7	0.9	1.5	1.9	1.2	0.3	-0.8	-0.2	110 765
Financing and insurance	2.3	0.8	1.5	2.6	2.9	2.7	2.2	0.9	0.7	238 689
Real estate	1.7	-0.1	1.3	2.0	1.2	0.9	*	-0.8	*	135 223
Professional and business services (excluding cleaning and similar services)	2.4	1.9	2.1	3.2	1.5	1.4	0.3	-0.5	-0.6	305 929
Cleaning and similar services	2.4	0.5	0.7	-1.4	-0.3	0.2	0.4	0.1	-0.6	80 017
Education	3.9	2.3	1.6	1.8	1.7	1.9	1.4	-0.5	-1.1	203 879
Human health services	4.5	4.3	3.5	3.4	4.7	4.8	5.3	4.3	4.6	140 475
Residential care and social work services	2.8	3.0	1.0	1.0	2.4	2.7	4.1	2.6	0.6	65 718
Arts, entertainment, recreation and other services	0.9	-2.2	-0.6	1.4	0.8	1.4	-0.3	-3.9	-5.2	120 887
Civil service ^(b)	0.7	1.2	1.6	2.1	2.2	2.3	2.0	1.6	1.2	177 327
Others ^(c)	-1.0	0.8	2.1	*	1.5	1.0	-0.2	-2.4	-4.6	11 176

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 (HSIC) 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 sector covers 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 17 : Number of manual workers engaged at building and construction sites

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u> Sep	<u>2019</u> Dec	<u>2020</u> Mar	<u>2020</u> Jun
<u>(Number)</u>									
Building sites									
Private sector	50 372	60 243	65 985	65 700	62 903	60 083	59 923	59 450	55 329
Public sector ^(a)	15 470	16 030	21 660	21 604	19 257	18 215	21 424	21 823	23 155
Sub-total	65 842	76 273	87 645	87 303	82 160	78 298	81 347	81 273	78 484
Civil engineering sites									
Private sector	1 609	1 386	979	1 729	2 483	2 477	2 353	2 598	2 178
Public sector ^(a)	27 652	30 141	30 050	22 816	17 108	16 116	16 238	17 189	16 980
Sub-total	29 261	31 526	31 029	24 546	19 591	18 593	18 591	19 787	19 158
Total	95 103	107 799	118 674	111 849	101 750	96 891	99 938	101 060	97 642
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	14.4	19.6	9.5	-0.4	-4.3	-5.5	-5.2	-11.8	-13.8
Public sector ^(a)	38.0	3.6	35.1	-0.3	-10.9	-14.3	4.2	13.9	27.1
Sub-total	19.2	15.8	14.9	-0.4	-5.9	-7.7	-2.9	-6.1	-4.7
Civil engineering sites									
Private sector	13.8	-13.9	-29.3	76.6	43.6	31.1	13.0	4.4	-16.6
Public sector ^(a)	5.8	9.0	-0.3	-24.1	-25.0	-22.7	-5.4	-6.4	-4.1
Sub-total	6.2	7.7	-1.6	-20.9	-20.2	-18.2	-3.4	-5.1	-5.8
Total	14.9	13.3	10.1	-5.8	-9.0	-10.0	-3.0	-5.9	-4.9

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

	(%)								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>		<u>2020</u>	
Selected industry sections						Q3	Q4	Q1	Q2
(in nominal terms)									
Manufacturing	5.2	3.5	3.4	4.0	3.8	4.2	3.0	1.8	-0.9
Import/export and wholesale trades	3.7	2.3	2.9	3.2	2.3	2.3	1.6	1.2	0.6
Retail trade	3.5	2.4	3.3	3.0	2.3	2.2	1.7	0.5	0.2
Transportation, storage, postal and courier services	4.3	3.3	3.4	4.1	3.9	3.5	2.9	-1.1	-3.9
Accommodation ^(a) and food service activities	5.8	5.1	4.7	5.3	4.7	4.9	3.4	-1.4	-2.7
Information and communications	4.4	3.4	3.3	3.3	3.9	3.9	3.3	3.2	2.3
Financial and insurance activities	4.0	2.7	3.0	3.1	3.0	3.0	2.2	1.8	1.7
Real estate activities	5.1	4.2	4.3	4.3	4.1	4.1	3.6	2.3	1.6
Professional and business services	5.8	5.1	4.2	4.6	3.8	3.8	2.9	2.7	1.3
Social and personal services	6.7	2.5	3.1	4.3	2.3	0.1	1.6	10.2	4.6
All selected industry sections surveyed	4.6	3.7	3.7	3.9	3.4	3.0	2.4	3.2	2.2
(in real terms)									
Manufacturing	2.1	1.0	2.0	1.6	0.9	0.8	*	-0.2	-2.2
Import/export and wholesale trades	0.7	-0.1	1.4	0.8	-0.5	-1.0	-1.4	-0.7	-0.7
Retail trade	0.5	*	1.8	0.6	-0.5	-1.1	-1.3	-1.4	-1.2
Transportation, storage, postal and courier services	1.3	0.9	1.9	1.6	1.0	0.1	-0.1	-3.0	-5.2
Accommodation ^(a) and food service activities	2.7	2.6	3.2	2.8	1.8	1.5	0.4	-3.3	-4.0
Information and communications	1.4	1.0	1.9	0.8	0.9	0.6	0.3	1.2	0.9
Financial and insurance activities	0.7	0.3	1.6	0.7	0.3	-0.3	-0.8	-0.1	0.3
Real estate activities	2.0	1.7	2.8	1.9	1.2	0.7	0.6	0.3	0.3
Professional and business services	2.8	2.6	2.7	2.2	0.9	0.5	-0.1	0.7	*
Social and personal services	3.6	0.1	1.6	1.8	-0.5	-3.1	-1.4	8.1	3.2
All selected industry sections surveyed	1.5	1.3	2.3	1.5	0.5	-0.3	-0.6	1.2	0.8

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 2014/15-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 sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

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

**Table 19 : Rates of change in wage indices
by selected industry section**

(%)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>		
Selected industry sections						Sep	Dec	Mar	Jun
(in nominal terms)									
Manufacturing	4.0	4.0	3.7	3.6	3.5	3.4	2.8	2.5	2.0
Import/export, wholesale and retail trades	3.1	2.7	3.0	3.0	2.3	2.3	1.6	1.3	1.0
Transportation	4.4	3.5	2.9	4.7	4.4	3.9	3.4	3.2	0.6
Accommodation ^(a) and food service activities	5.4	4.9	4.7	4.6	4.1	4.1	3.3	1.6	0.9
Financial and insurance activities ^(b)	3.2	3.4	3.5	3.5	3.7	3.6	3.0	2.7	2.4
Real estate leasing and maintenance management	3.4	3.7	4.1	4.4	3.9	3.9	3.5	3.2	2.6
Professional and business services	6.9	4.7	4.7	4.4	3.6	3.6	3.0	2.7	1.2
Personal services	6.5	5.5	4.2	4.1	3.3	3.7	2.9	1.1	0.6
All industries surveyed	4.4	3.7	3.8	4.0	3.5	3.4	2.8	2.2	1.3
(in real terms)									
Manufacturing	0.2	1.4	2.2	0.8	0.2	-0.1	-0.5	*	1.3
Import/export, wholesale and retail trades	-0.6	0.3	1.6	0.1	-0.9	-1.1	-1.7	-1.2	0.4
Transportation	0.6	1.0	1.5	1.7	1.1	0.4	0.1	0.6	*
Accommodation ^(a) and food service activities	1.5	2.3	3.3	1.7	0.8	0.6	-0.1	-0.9	0.3
Financial and insurance activities ^(b)	-0.5	0.9	2.1	0.6	0.3	0.1	-0.3	0.2	1.8
Real estate leasing and maintenance management	-0.4	1.1	2.6	1.4	0.6	0.4	0.2	0.7	2.0
Professional and business services	2.9	2.3	3.2	1.5	0.3	0.1	-0.3	0.2	0.5
Personal services	2.6	3.0	2.7	1.1	0.2	0.2	-0.5	-1.4	*
All industries surveyed	0.6	1.2	2.3	1.0	0.2	*	-0.5	-0.3	0.6

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 2014/15-based CPI(A).

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

(b) Excluding stock, commodity and bullion brokers; and exchanges and services companies.

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

**Table 20 : Monthly wage level and distribution analysed
by industry section : all employees**

(HK\$)

Industry sections ^(a)	May – Jun 2018			May – Jun 2019		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing ^(b)	13,900	16,900	26,000	14,800	17,800	27,700
Electricity and gas supply; sewerage, waste management and remediation activities	21,000	27,800	45,300	21,600	28,200	42,400
Construction	18,000	22,800	28,400	18,500	23,500	29,500
Import and export trade	13,500	18,300	27,500	14,000	18,800	28,000
Wholesale	11,500	14,900	19,700	12,000	15,100	20,500
Retail trade	10,600	13,500	17,600	11,000	14,000	18,100
<i>within which:</i>						
Supermarkets and convenience stores	7,400	11,500	14,400	7,400	11,900	14,400
Other retail stores	11,300	13,800	18,200	11,500	14,200	18,500
Land transport	14,000	18,900	28,500	14,700	19,800	29,100
Other transportation, storage, postal and courier services ^(c)	14,000	18,400	24,700	14,300	19,000	25,000
Food and beverage services	10,500	13,000	17,000	11,000	13,800	18,000
<i>within which:</i>						
Hong Kong style tea cafes	11,400	13,000	16,900	12,100	13,700	17,600
Chinese restaurants	12,300	14,400	19,400	12,800	15,000	20,200
Restaurants, other than Chinese	11,500	13,500	17,000	12,000	14,200	18,000
Fast food cafes ^(d)	4,800	9,700	13,100	4,900	10,100	13,500
Other food and beverage services	8,500	12,800	16,000	9,000	13,400	16,800
Accommodation services ^(e)	13,000	15,700	20,600	13,500	16,200	21,000
Information and communications	15,400	22,800	35,000	16,000	23,700	36,200
Financing and insurance	18,000	27,500	45,500	18,600	28,300	47,200
Real estate activities ^(f)	14,500	22,300	34,000	14,800	23,000	34,600
Estate management, security and cleaning services	9,600	12,400	15,200	10,100	13,000	15,900
<i>within which:</i>						
Real estate maintenance management	12,000	13,500	16,500	12,500	14,100	17,100
Security services ^(g)	11,100	12,800	15,600	11,800	13,600	16,400
Cleaning services	7,500	9,200	10,400	7,900	9,800	11,000
Membership organisations ^(h)	10,200	13,100	21,000	10,800	13,700	21,800
Professional, scientific and technical services	15,200	23,300	36,000	15,500	24,300	37,100
Administrative and support services activities	12,500	16,500	26,300	13,000	17,000	26,800
Travel agency, reservation service and related activities	11,800	14,800	21,000	12,400	15,300	21,900
Education and public administration (excluding the Government)	14,000	28,400	50,900	14,100	29,200	51,600
Human health activities; and beauty and body prettifying treatment	13,500	18,800	41,100	14,100	19,500	42,700
Miscellaneous activities	10,400	12,400	16,300	11,000	13,100	17,000
<i>within which:</i>						
Elderly homes	12,000	13,700	16,600	12,800	14,500	17,300
Laundry and dry cleaning services	8,900	11,500	15,500	9,400	12,000	16,300
Hairdressing and other personal services	10,200	12,000	16,300	10,500	12,600	16,800
Local courier services	8,100	10,600	14,300	8,000	11,000	15,000
Food processing and production	10,000	12,400	17,800	10,600	13,000	18,000
Other activities not classified above	11,900	15,600	24,500	12,600	16,300	25,400
All industry sections above	12,600	17,500	27,300	13,100	18,200	28,200

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

- (a) Starting from the 2019 survey round, the industry section previously named as “Restaurants” in this table has been expanded to cover also “Other food service activities” which was previously classified under the industry section “Accommodation and other food service activities”. For the sake of clarity and consistency, the “Restaurants” industry section has been renamed as “Food and beverage services” after the expansion of coverage while “Other food service activities” has also been renamed as “Other food and beverage services”. As a result of this reclassification, statistics for “Accommodation services” can be separately provided. To facilitate year-on-year comparison, the 2018 statistics published in this table are compiled using the most up-to-date industry classification.
- (b) Excluding food processing and production.
- (c) Excluding local courier services.
- (d) Including takeaway shops.
- (e) Including hotels, guesthouses, boarding houses and other establishments providing short term accommodation, i.e. all industries covered under the previous “Accommodation and other food service activities” industry section, except “Other food service activities”.
- (f) Excluding real estate maintenance management.
- (g) Including investigation activities and services to buildings and landscape care activities.
- (h) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

**Table 21 : Hourly wage level and distribution analysed
by industry section : all employees**

(HK\$)

Industry sections ^(a)	May – Jun 2018			May – Jun 2019		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing ^(b)	52.8	68.8	101.7	55.8	72.6	107.3
Electricity and gas supply; sewerage, waste management and remediation activities	76.0	107.3	169.1	78.6	111.1	168.7
Construction	75.5	96.7	118.8	78.4	99.9	124.4
Import and export trade	56.5	78.9	116.3	58.2	80.3	118.3
Wholesale	50.2	63.5	84.3	51.9	65.2	86.5
Retail trade	44.1	51.3	66.2	45.6	53.8	67.9
<i>within which:</i>						
Supermarkets and convenience stores	41.2	45.8	50.3	42.9	47.5	52.5
Other retail stores	44.8	54.0	69.7	46.3	55.9	72.6
Land transport	54.6	77.6	120.0	57.1	79.6	116.8
Other transportation, storage, postal and courier services ^(c)	51.6	67.9	93.4	52.7	69.1	95.2
Food and beverage services	44.4	49.7	62.1	46.6	52.2	64.8
<i>within which:</i>						
Hong Kong style tea cafes	45.0	49.2	60.0	47.6	52.5	63.3
Chinese restaurants	44.8	50.9	68.7	46.9	53.3	71.6
Restaurants, other than Chinese	45.2	50.1	63.3	48.3	54.2	67.3
Fast food cafes ^(d)	43.0	46.5	51.7	44.4	48.3	53.8
Other food and beverage services	43.0	48.9	58.5	45.2	51.2	61.5
Accommodation services ^(e)	45.5	56.3	72.1	47.3	58.1	74.4
Information and communications	62.1	90.2	134.4	64.5	93.8	141.2
Financing and insurance	72.2	107.5	185.2	74.6	111.0	191.2
Real estate activities ^(f)	61.3	88.2	141.4	62.5	90.0	142.9
Estate management, security and cleaning services	38.6	43.6	54.0	41.1	45.9	58.7
<i>within which:</i>						
Real estate maintenance management	39.4	44.1	59.7	41.2	46.3	62.2
Security services ^(g)	39.3	43.0	52.6	41.2	45.5	55.6
Cleaning services	37.8	42.7	48.7	40.0	45.1	51.7
Membership organisations ^(h)	42.6	53.8	87.5	44.8	56.7	90.9
Professional, scientific and technical services	64.2	94.0	155.6	65.6	95.8	157.6
Administrative and support services activities	48.4	68.0	106.3	51.4	71.0	110.5
Travel agency, reservation service and related activities	48.4	64.1	87.8	50.7	66.5	90.3
Education and public administration (excluding the Government)	65.7	130.5	220.0	67.5	131.8	220.0
Human health activities; and beauty and body prettifying treatment	61.9	86.0	168.5	63.6	89.6	174.9
Miscellaneous activities	42.5	49.4	67.2	44.4	51.6	68.3
<i>within which:</i>						
Elderly homes	40.1	50.0	66.3	42.4	52.7	69.8
Laundry and dry cleaning services	40.9	47.1	62.9	43.1	49.5	65.2
Hairdressing and other personal services	45.6	50.0	68.4	47.2	51.9	70.5
Local courier services	42.0	49.9	60.0	47.0	52.2	62.6
Food processing and production	41.9	48.4	69.5	44.0	50.9	69.8
Other activities not classified above	51.0	64.3	99.7	53.8	67.9	103.6
All industry sections above	50.0	70.5	111.1	52.2	73.0	114.9

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

- (a) Starting from the 2019 survey round, the industry section previously named as “Restaurants” in this table has been expanded to cover also “Other food service activities” which was previously classified under the industry section “Accommodation and other food service activities”. For the sake of clarity and consistency, the “Restaurants” industry section has been renamed as “Food and beverage services” after the expansion of coverage while “Other food service activities” has also been renamed as “Other food and beverage services”. As a result of this reclassification, statistics for “Accommodation services” can be separately provided. To facilitate year-on-year comparison, the 2018 statistics published in this table are compiled using the most up-to-date industry classification.
- (b) Excluding food processing and production.
- (c) Excluding local courier services.
- (d) Including takeaway shops.
- (e) Including hotels, guesthouses, boarding houses and other establishments providing short term accommodation, i.e. all industries covered under the previous “Accommodation and other food service activities” industry section, except “Other food service activities”.
- (f) Excluding real estate maintenance management.
- (g) Including investigation activities and services to buildings and landscape care activities.
- (h) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

Table 22 : Rates of change in prices

	(%)							
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
GDP deflator	0.3	3.9	3.5	1.8	2.9	3.6	1.6	2.9
Domestic demand deflator	2.2	4.5	4.2	1.4	3.1	2.2	1.4	2.8
Consumer Price Indices ^(a) :								
Composite CPI	2.4	5.3	4.1	4.3	4.4	3.0	2.4	1.5
CPI(A)	2.7	5.6	3.6	5.1	5.6	4.0	2.8	1.5
CPI(B)	2.3	5.2	4.3	4.1	4.2	2.9	2.3	1.4
CPI(C)	2.1	5.1	4.1	3.8	3.5	2.1	2.1	1.5
Unit Value Indices :								
Total exports of goods	4.7	8.0	3.4	1.3	2.0	0.1	-1.7	1.8
Imports of goods	6.4	8.1	3.3	0.9	1.9	-0.4	-1.7	1.9
Terms of Trade Index ^(b)	-1.7	-0.1	0.1	0.4	0.1	0.5	*	-0.1
Producer Price Index for all manufacturing industries	6.0	8.3	0.1	-3.1	-1.7	-2.7	1.3	3.8
Tender Price Indices :								
Public sector								
building projects	12.5	11.6	8.3	6.6	7.3	5.9	1.0	-0.3
Public housing projects	6.7	10.1	6.4	9.3	8.0	12.5	-0.7	0.3

Notes: (a) The year-on-year rates of change before October 2015 were derived using the index series in the base periods at that time (for instance the 2009/10-based index series), compared with the index a year earlier in the same base period.

(b) Derived from merchandise trade index numbers.

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

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

N.A. Not yet available.

Table 22 : Rates of change in prices (Cont'd)

	(%)							
	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>			Average annual rate of change:	
			Q4	Q1	Q2	Q3	10 years 2009 to 2019	5 years 2014 to 2019
GDP deflator [#]	3.7	2.4	1.8	2.8	0.8	0.6	2.6	2.8
Domestic demand deflator [#]	3.4	2.8	3.1	3.0	1.0	-0.2	2.8	2.5
Consumer Price Indices ^(a) :								
Composite CPI	2.4	2.9	3.0	2.0	1.3	-1.7	3.3	2.4
CPI(A)	2.7	3.3	3.4	1.1	1.6	-4.2	3.7	2.9
CPI(B)	2.3	2.7	2.9	2.4	1.4	-0.6	3.2	2.3
CPI(C)	2.2	2.6	2.6	2.4	1.1	-0.1	2.9	2.1
Unit Value Indices :								
Total exports of goods	2.4	1.1	-0.2	-0.7	-1.0	-0.7	2.3	0.7
Imports of goods	2.6	1.3	0.1	-0.4	-1.0	-1.2	2.4	0.7
Terms of Trade Index ^(b)	-0.1	-0.1	-0.3	-0.3	0.1	0.5	-0.1	*
Producer Price Index for all manufacturing industries	2.0	1.0	1.1	1.3	1.3	N.A.	1.4	1.0
Tender Price Indices :								
Public sector								
building projects	-2.9	-2.6	-2.7	-3.2	-3.7	N.A.	4.6	0.2
Public housing projects	-1.9	-1.8	-1.7	-2.4	-2.5	N.A.	4.8	1.5

Table 23 : Rates of change in Composite Consumer Price Index

(%)

	Weight	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
All items	100.00	2.4 (1.7)	5.3 (5.3)	4.1 (4.7)	4.3 (4.0)	4.4 (3.5)	3.0 (2.5)	2.4 (2.3)
Food	27.29	2.4	7.0	5.8	4.4	4.1	4.0	3.4
<i>Meals bought away from home</i>	17.74	1.7	5.2	5.4	4.4	4.6	4.2	3.3
<i>Food, excluding meals bought away from home</i>	9.55	3.5	9.9	6.5	4.4	3.4	3.4	3.6
Housing ^(a)	34.29	0.4	7.2	5.6	6.7	6.7	5.1	3.7
<i>Private housing rent</i>	29.92	0.9	7.2	6.8	6.3	6.0	4.7	3.4
<i>Public housing rent</i>	1.94	-7.8	11.9	-7.1	16.0	18.3	10.9	7.2
Electricity, gas and water	2.67	43.3	-4.2	-8.2	6.9	14.9	8.4	1.0
Alcoholic drinks and tobacco	0.54	3.4	17.1	3.0	1.5	6.5	1.3	1.5
Clothing and footwear	3.21	1.8	6.8	3.1	1.7	0.9	-1.8	-3.4
Durable goods	4.65	-2.7	-3.8	-1.4	-4.3	-3.4	-5.6	-5.4
Miscellaneous goods	3.56	2.4	3.8	2.2	2.2	2.3	0.9	1.5
Transport	7.98	2.0	4.4	3.0	2.3	2.0	-0.3	1.6
Miscellaneous services	15.81	2.0	3.5	2.8	3.7	3.0	1.1	2.3

Notes: The year-on-year rates of change before October 2015 were derived using the index series in the base periods at that time (for instance the 2009/10-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 2014/15-based index series.

Figures in brackets represent the underlying rates 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".

Table 23 : Rates of change in Composite Consumer Price Index (Cont'd)

(%)										
	Weight	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>			Average annual rate of change:	
					Q4	Q1	Q2	Q3	10 years 2009 to 2019	5 years 2014 to 2019
All items	100.00	1.5 (1.7)	2.4 (2.6)	2.9 (3.0)	3.0 (3.0)	2.0 (2.9)	1.3 (1.8)	-1.7 (0.3)	3.3 (3.1)	2.4 (2.4)
Food	27.29	2.2	3.4	4.9	6.2	6.4	4.5	1.0	4.1	3.5
<i>Meals bought away from home</i>	17.74	2.7	2.9	2.2	2.1	1.8	1.5	-0.6	3.6	3.1
<i>Food, excluding meals bought away from home</i>	9.55	1.1	4.3	9.9	13.7	14.9	9.9	3.5	5.0	4.4
Housing ^(a)	34.29	2.0	2.5	3.5	3.1	0.7	1.6	-3.2	4.3	3.4
<i>Private housing rent</i>	29.92	1.8	2.2	3.1	3.1	2.7	1.4	0.5	4.2	3.0
<i>Public housing rent</i>	1.94	3.0	4.1	7.1	-0.2	-31.1	0.4	-61.7	6.0	6.4
Electricity, gas and water	2.67	-1.7	4.9	-5.4	-6.3	-16.0	-19.0	-19.2	5.2	1.3
Alcoholic drinks and tobacco	0.54	0.6	1.3	1.2	-0.7	-0.3	0.3	1.1	3.6	1.2
Clothing and footwear	3.21	-0.4	1.6	-1.7	-3.4	-4.2	-5.0	-6.4	0.8	-1.2
Durable goods	4.65	-3.2	-2.0	-1.9	-2.0	-2.5	-3.1	-3.5	-3.4	-3.6
Miscellaneous goods	3.56	1.4	1.3	2.5	3.3	3.8	2.8	2.3	2.0	1.5
Transport	7.98	2.3	1.6	2.0	1.9	1.2	0.2	-2.8	2.1	1.4
Miscellaneous services	15.81	0.9	2.1	2.0	1.9	1.5	0.8	0.6	2.3	1.7

**Table 24 : Rates of change in implicit price deflators of GDP
and its main expenditure components**

(%)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Private consumption expenditure	1.4	3.6	3.2	2.7	2.9	1.2	1.5
Government consumption expenditure	-0.2	4.5	6.2	4.3	4.7	4.4	3.7
Gross domestic fixed capital formation	5.8	6.8	6.4	-2.9	3.1	4.5	-0.3
Total exports of goods	4.3	7.8	3.2	-0.1	0.7	-0.7	-1.4
Imports of goods	6.3	8.4	4.3	-0.3	0.8	-1.4	-1.8
Exports of services	8.2	7.5	4.7	0.4	0.4	-2.8	-2.0
Imports of services	4.9	5.9	0.6	0.3	0.5	-4.6	-1.3
Gross Domestic Product	0.3	3.9	3.5	1.8	2.9	3.6	1.6
Total final demand	4.1	6.7	3.7	0.4	1.4	*	-0.6
Domestic demand	2.2	4.5	4.2	1.4	3.1	2.2	1.4

Notes: Figures in this table are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

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

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

**Table 24 : Rates of change in implicit price deflators of GDP
and its main expenditure components (Cont'd)**

	(%)								
	<u>2017</u>	<u>2018[#]</u>	<u>2019[#]</u>	<u>2019</u>	<u>2020</u>			Average annual rate of change:	
				Q4 [#]	Q1 [#]	Q2 [#]	Q3 [#]	10 years 2009 to 2019 [#]	5 years 2014 to 2019 [#]
Private consumption expenditure	2.5	3.1	2.7	3.2	2.9	1.0	-0.3	2.5	2.2
Government consumption expenditure	2.5	3.3	4.5	4.4	5.6	2.1	1.7	3.8	3.7
Gross domestic fixed capital formation	4.4	4.6	1.9	1.7	3.4	-1.5	-1.5	3.4	3.0
Total exports of goods	1.7	2.2	1.1	0.2	*	-0.1	0.1	1.8	0.5
Imports of goods	1.8	2.3	1.3	0.7	0.5	-0.2	-0.6	2.1	0.4
Exports of services	3.2	4.5	-0.4	-1.6	-0.2	-4.0	-2.1	2.3	0.5
Imports of services	2.7	2.8	-1.0	0.1	-2.2	-3.4	-1.2	1.0	-0.3
Gross Domestic Product	2.9	3.7	2.4	1.8	2.8	0.8	0.6	2.6	2.8
Total final demand	2.2	2.8	1.5	1.1	1.2	0.1	-0.1	2.2	1.2
Domestic demand	2.8	3.4	2.8	3.1	3.0	1.0	-0.2	2.8	2.5

