



# First Quarter Economic Report 2021

Government of the Hong Kong  
Special Administrative Region

# ***FIRST QUARTER ECONOMIC REPORT 2021***

OFFICE OF THE GOVERNMENT ECONOMIST  
FINANCIAL SECRETARY'S OFFICE  
GOVERNMENT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION

*May 2021*

# CONTENTS

## *Paragraphs*

### CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

Overall situation	1.1	-	1.3
The external sector	1.4	-	1.5
The domestic sector	1.6	-	1.7
The labour sector			1.8
The asset markets	1.9	-	1.10
Inflation	1.11	-	1.12
GDP by major economic sector			1.13
Other economic developments	1.14	-	1.16
Box 1.1 Business sentiment in Hong Kong			
Box 1.2 The 14th Five-Year Plan and Economic Development of Hong Kong			

### CHAPTER 2 : THE EXTERNAL SECTOR

Goods trade			
Total exports of goods	2.1	-	2.7
Imports of goods			2.8
Services trade			
Exports of services			2.9
Imports of services			2.10
Goods and services balance			2.11
Other developments	2.12	-	2.13
Box 2.1 Comparison of economic situations in the US and Europe during the first and second waves of COVID-19 epidemic			
Box 2.2 Eastward shift of global economic gravity			

### CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

Property	3.1	-	3.12
Land			3.13
Tourism	3.14	-	3.15
Logistics	3.16	-	3.17
Transport			3.18
Innovation and technology			3.19
Environment	3.20	-	3.22

### CHAPTER 4 : THE FINANCIAL SECTOR

Interest rates and exchange rates	4.1	-	4.5
Money supply and banking sector	4.6	-	4.10
The debt market	4.11	-	4.12
The stock and derivatives markets	4.13	-	4.16
Fund management and investment funds	4.17	-	4.18
Insurance sector			4.19
Highlights of policy and market developments	4.20	-	4.22

## CHAPTER 5 : THE LABOUR SECTOR

Overall labour market situation	5.1
Labour force and total employment	5.2 - 5.3
Profile of unemployment	5.4 - 5.8
Profile of underemployment	5.9
Profile of employment in establishments	5.10 - 5.11
Vacancies	5.12 - 5.16
Wages and earnings	5.17 - 5.21
Highlights of labour-related measures and policy developments	5.22 - 5.23
Box 5.1 An updated review on the decline in employment as compared with the pre-recession level	

## CHAPTER 6 : PRICES

Consumer prices	6.1 - 6.3
Costs of factor inputs and import prices	6.4 - 6.5
Output prices	6.6
GDP deflator	6.7
Box 6.1 Inflation expectations in Hong Kong's major import sources for 2021	

## STATISTICAL APPENDIX

## CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

### *Summary*

- *The Hong Kong economy recovered visibly in the first quarter of 2021, led by very strong growth of exports of goods alongside a sharp rebound in global demand. Real Gross Domestic Product (GDP)<sup>(1)</sup> resumed appreciable year-on-year growth of 7.9%, ending six consecutive quarters of contraction. On a seasonally adjusted quarter-to-quarter comparison<sup>(2)</sup>, real GDP grew notably by 5.4%, increasing for three quarters in a row. However, the economic recovery was uneven and overall economic activity remained below the pre-recession level. To attain a broader-based economic recovery, it is essential for the community to work together to keep the epidemic under control and to actively participate in the COVID-19 vaccination programme.*
- *Total exports of goods surged in the first quarter, thanks to the pick-up of import demand in many major markets. Exports to the Mainland soared, and those to the US and the EU registered strong increases. Those to other major markets in Asia also picked up visibly. Exports of services saw a visibly narrowed decline. Although inbound tourism remained in the doldrums, cross-boundary transport and business services improved alongside the global economic recovery and vibrant regional trade flows, and exports of financial services continued to expand.*
- *Domestic demand revived further but stayed relatively subdued. Private consumption expenditure grew only modestly in the first quarter even against an exceptionally low base of comparison, as the fourth wave of the local epidemic disrupted consumption activities especially in the early part of the quarter, and outbound tourism was severely hindered. Overall investment expenditure sustained moderate growth amid the less gloomy business outlook.*
- *The labour market was under notable pressure in the first quarter, though it stabilised in the latter part of the quarter as the epidemic receded. It may take some time before the economic recovery is translated into a more visible labour market recovery. The seasonally adjusted unemployment rate went up from 6.6% in the fourth quarter of 2020 to a 17-year high of 7.2% in the three-month period ending February 2021, before declining to 6.8% in the first quarter of 2021. Likewise, the underemployment rate increased from 3.4% in the fourth quarter of 2020 to a post-SARS high of 4.0% in the three-month period ending February 2021, and then edged down to 3.8% in the first quarter of 2021.*
- *The local stock market showed some volatility in the first quarter. It*

*extended its rally in early 2021 amid hopes for a sustained global economic recovery with the rollout of mass COVID-19 vaccination programmes in many economies, but retreated somewhat alongside rising inflation expectations in the US and concerns over possible monetary tightening in the Mainland. The residential property market was buoyant in the first quarter. Trading activities picked up further, while flat prices reverted to an increase of 2%.*

- *Consumer price pressures eased further in the first quarter. This was mainly attributable to easing food inflation and an enlarged fall in private housing rentals. Price pressures on other major CPI components stayed very mild as overall economic activity remained below the pre-recession level.*

## **Overall situation**

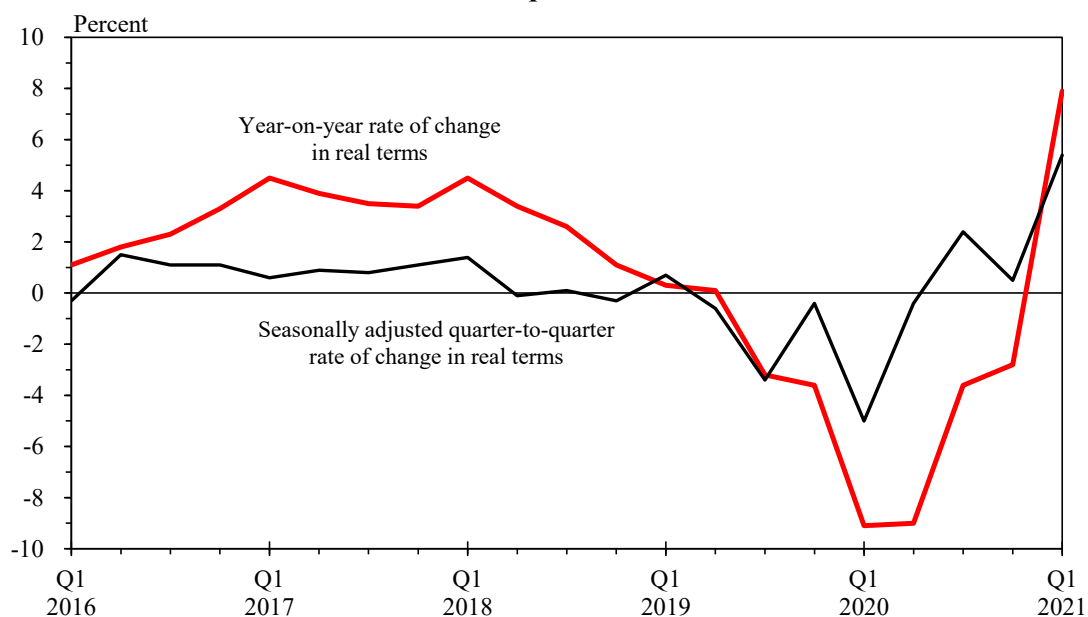
1.1 The Hong Kong economy saw a visible recovery in the first quarter thanks to very strong growth of exports of goods alongside a sharp rebound in global demand. Real GDP grew appreciably by 7.9% year-on-year, arresting the declines in the preceding six consecutive quarters. However, the economic recovery is uneven and overall economic activity remained below the pre-recession level, as the pandemic, social distancing requirements and travel restrictions continued to weigh on certain economic segments. Total exports of goods soared, powered by the pick-up of import demand in many major markets. The fall in exports of services narrowed visibly despite frozen inbound tourism, as cross-boundary transport and business services improved alongside the global economic recovery and vibrant regional trade flows. As regards domestic demand, private consumption expenditure posted only modest growth even against an exceptionally low base of comparison, as the fourth wave of the local epidemic disrupted consumption activities especially in the early part of the quarter, and outbound tourism was severely hindered. Overall investment expenditure continued to grow moderately amid the less gloomy business outlook. The labour market was under notable pressure in the first quarter, and consumer price pressures eased further.

1.2 The global economy gathered further momentum in the first quarter, amid strong fiscal and monetary support in many major economies and the rollout of mass vaccinations. Governments around the world also became more experienced in responding to the pandemic and people adapted their daily lives much better. However, economic recoveries in some places were constrained by the resurgence of COVID-19 infections in the latter part of the quarter, while cross-border travel remained at a standstill as strict travel restrictions were still

generally in place. In the first quarter, the Mainland economy posted impressive growth of 18.3% year-on-year. The US economy sustained its recovery and resumed modest year-on-year growth, while the performance of the euro area economy was constrained by the surge of COVID-19 infections in March. Many Asian economies improved further amid vibrant regional production and trading activities. In early April, the International Monetary Fund (IMF) forecast that the global economy would rebound by 6.0%<sup>(3)</sup> in 2021, but pointed out that the recovery would be uneven across economies and subject to high uncertainty primarily related to the path of the pandemic.

1.3 In the first quarter of 2021, real GDP rebounded by 7.9% upon a low base of comparison a year earlier (revised from the advance estimate of 7.8%), having declined by 2.8% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP grew notably by 5.4% in the first quarter (revised from the advance estimate of 5.3%), a marked acceleration from the 0.5% increase in the preceding quarter.

**Diagram 1.1 : Real GDP resumed appreciable year-on-year growth in the first quarter of 2021**



## **The external sector**

1.4 *Total exports of goods* compiled under the GDP accounting framework surged by 30.2% in real terms in the first quarter of 2021 over a year earlier, much faster than the 5.5% increase in the preceding quarter. The strong performance was driven by the visible revival of global trading and production activities along with the pick-up of demand in many major markets, especially the Mainland. Analysed by market, exports to the Mainland soared, and those to the US and the EU registered strong increases. Those to other major markets in Asia also picked up visibly.

1.5 *Exports of services* saw a visibly narrowed decline of 8.1% year-on-year in real terms in the first quarter partly due to a low base of comparison a year earlier, having plunged by 28.8% in the preceding quarter. Exports of travel services remained in the doldrums amid continued travel restrictions worldwide. Nonetheless, exports of transport services resumed growth thanks to vibrant regional trade and cargo flows. Exports of business and other services saw some improvement along with the recovery of the global economy. Exports of financial services continued to expand, supported by 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>2019<sup>#</sup></u>	<u>2020<sup>#</sup></u>	<u>2020</u>				<u>2021</u>
			<u>Q1<sup>#</sup></u>	<u>Q2<sup>#</sup></u>	<u>Q3<sup>#</sup></u>	<u>Q4<sup>#</sup></u>	<u>Q1<sup>#</sup></u>
<i>Change in real terms of GDP and its main expenditure components (%)</i>							
Private consumption expenditure	-0.8	-9.9	-10.8 (-7.6)	-13.9 (-2.9)	-7.9 (2.2)	-6.9 (1.4)	1.6 (0.9)
Government consumption expenditure	5.1	8.1	9.0 (3.0)	10.0 (1.8)	7.5 (0.5)	6.1 (0.8)	6.8 (3.5)
Gross domestic fixed capital formation	-14.9	-11.2	-15.0	-22.0	-10.4	3.6	4.5
Building and construction	-10.8	-7.7	-11.0	-4.7	-9.5	-4.9	-5.0
Costs of ownership transfer	-13.4	-4.0	-33.6	-22.9	27.3	27.3	85.8
Machinery, equipment and intellectual property products	-20.8	-18.0	-16.5	-42.4	-20.1	10.1	3.4
Total exports of goods <sup>&amp;</sup>	-5.5	-0.3	-9.6 (-7.3)	-2.2 (6.5)	3.9 (4.0)	5.5 (2.9)	30.2 (14.4)
Imports of goods <sup>&amp;</sup>	-8.2	-2.1	-11.0 (-4.0)	-6.7 (2.6)	1.9 (5.0)	6.7 (3.2)	22.7 (10.4)
Exports of services <sup>&amp;</sup>	-9.6	-36.1	-36.6 (-15.3)	-44.7 (-16.2)	-32.9 (6.4)	-28.8 (-5.5)	-8.1 (9.2)
Imports of services <sup>&amp;</sup>	0.1	-34.1	-23.7 (-21.0)	-43.9 (-24.2)	-35.0 (9.5)	-33.9 (0.9)	-12.9 (4.0)
<b>Gross Domestic Product</b>	<b>-1.7</b>	<b>-6.1</b>	<b>-9.1 (-5.0)</b>	<b>-9.0 (-0.4)</b>	<b>-3.6 (2.4)</b>	<b>-2.8 (0.5)</b>	<b>7.9 (5.4)</b>
<i>Change in the main price indicators (%)</i>							
<b>GDP deflator</b>	<b>2.0</b>	<b>0.6</b>	<b>2.7 (0.5)</b>	<b>0.6 (-0.8)</b>	<b>0.6 (0.3)</b>	<b>-1.2 (-1.0)</b>	<b>-1.1 (0.5)</b>
<b>Composite CPI</b>							
<b>Headline</b>	<b>2.9</b>	<b>0.3</b>	<b>2.0 (-0.7)</b>	<b>1.3 (0.6)</b>	<b>-1.7 (-2.0)</b>	<b>-0.3 (1.7)</b>	<b>0.9 (0.6)</b>
<b>Underlying<sup>^</sup></b>	<b>3.0</b>	<b>1.3</b>	<b>2.9 (0.5)</b>	<b>1.8 (-0.1)</b>	<b>0.3 (-0.6)</b>	<b>0.2 (0.5)</b>	<b>-0.1 (0.1)</b>
<i>Change in nominal GDP (%)</i>	<b>0.3</b>	<b>-5.5</b>	<b>-6.6</b>	<b>-8.5</b>	<b>-3.0</b>	<b>-4.0</b>	<b>6.8</b>

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 the Government's one-off relief measures.

## The domestic sector

1.6 Domestic demand continued to revive but stayed relatively subdued in the first quarter. *Private consumption expenditure* grew only modestly by 1.6% in real terms even against an exceptionally low base of comparison due to the COVID-19 outbreak a year earlier, having declined by 6.9% in the preceding quarter. Consumption activities were disrupted by the fourth wave of the local epidemic, especially in the early part of the quarter. The austere labour market situation also affected consumer sentiment. Meanwhile, outbound tourism was severely hindered through the quarter. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure grew by 0.9% in real terms in the first quarter. Meanwhile, *government consumption expenditure* rose by 6.8% year-on-year in real terms in the first quarter, after 6.1% growth in the preceding quarter.

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

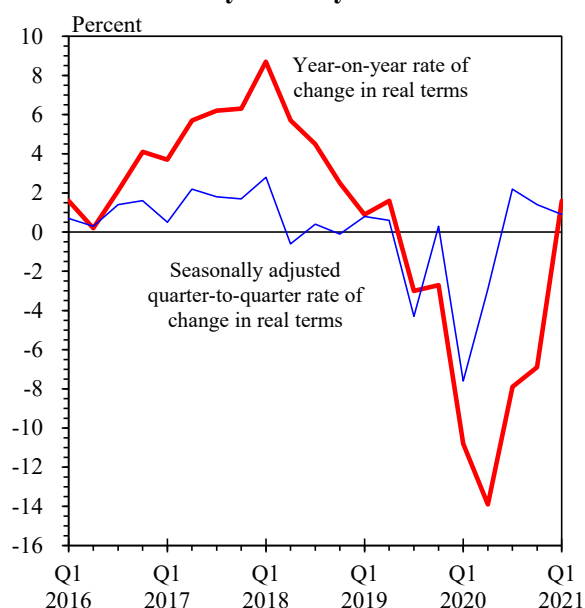
*Of which :*

		Total consumer spending in the domestic market <sup>(a)</sup>	Food	Durables	Non- durables	Services	Residents' expenditure abroad	Visitor spending	Private consumption expenditure <sup>(b)</sup>
2020	Annual	-13.3	-14.3	-20.7	-27.8	-7.3	-78.6	-89.8	-9.9
	Q1	-18.3	-16.1	-41.1	-40.2	-6.7	-46.5	-79.6	-10.8
	Q2	-18.1	-16.6	-33.4	-36.4	-10.1	-91.5	-96.5	-13.9
	Q3	-9.7	-12.2	-12.3	-16.8	-7.0	-86.5	-96.5	-7.9
	Q4	-6.1	-11.5	5.3	-11.4	-5.1	-87.5	-90.3	-6.9
2021	Q1	2.6	-9.3	35.8	12.3	-0.8	-76.9	-76.7	1.6

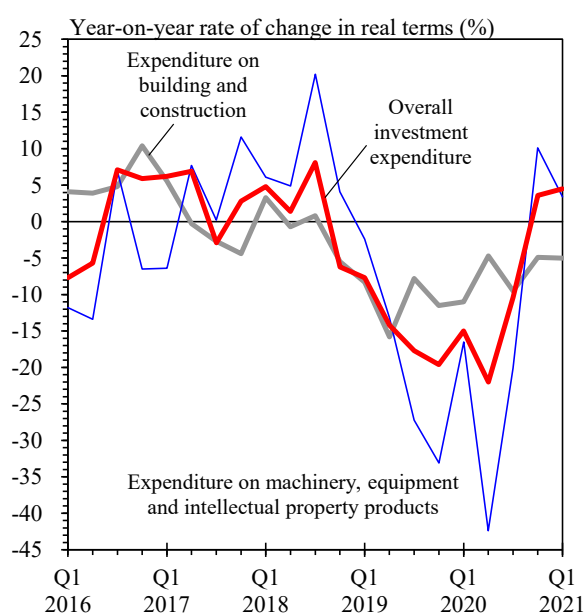
Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending.

(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 grew only modestly year-on-year**



**Diagram 1.3 : Overall investment expenditure sustained moderate growth**



1.7 Overall investment spending in terms of *gross domestic fixed capital formation* grew moderately by 4.5% in real terms in the first quarter over a year earlier, following a 3.6% increase in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products increased further by 3.4%, as the business outlook turned less gloomy amid a more benign external environment and the receding local epidemic (see **Box 1.1**). Expenditure on building and construction continued to decline by 5.0%, as the noticeable fall in private sector spending more than offset the increase in public sector spending. Meanwhile, the costs of ownership transfer surged, as the volumes of both residential and non-residential property transactions were much higher than a year earlier.

## Box 1.1

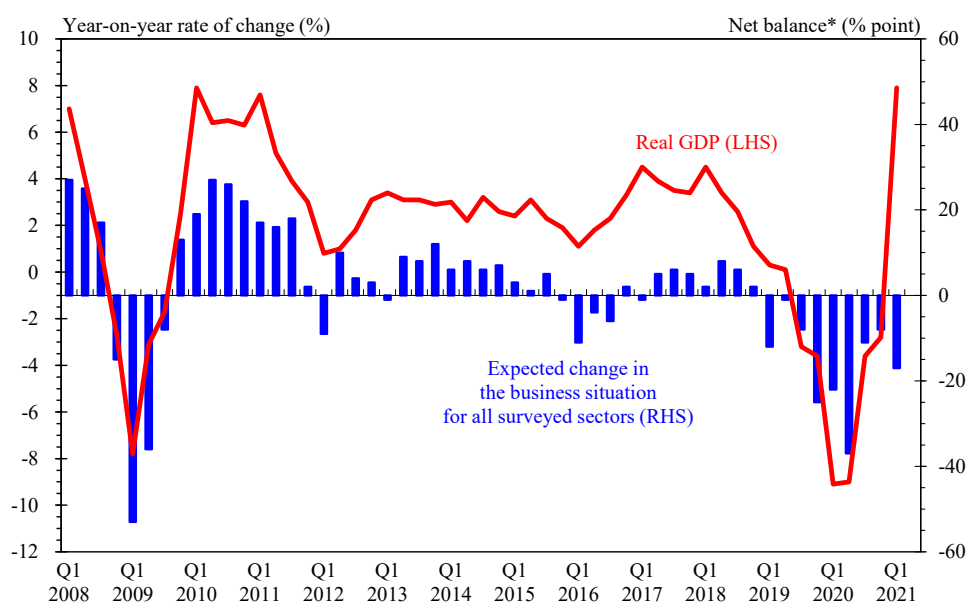
### Business sentiment in Hong Kong

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 indicated that business sentiment improved of late alongside the receding local epidemic situation and the continued global economic recovery.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)<sup>(1)</sup> conducted during 2 March to 13 April 2021, business sentiment among large enterprises in Hong Kong improved notably compared to three months ago (**Chart 1**). The proportion of large enterprises expecting business situation to improve in the second quarter of 2021 over the first quarter increased and was on par with the proportion of those expecting the situation to worsen (i.e. a net balance of 0), much better than the net balance of -17 in the previous round. This also marked the end of nine consecutive quarters of negative readings.

Business sentiment among large enterprises recorded improvement across all surveyed sectors (**Table 1**). In particular, the net balance for “accommodation and food services” sector jumped significantly and returned to the positive territory thanks to the less stringent social distancing measures since mid-February. That for the “retail”, “manufacturing”, “information and communications” and “real estate” sectors also turned positive, while that for the “import/export trade and wholesale” and “financing and insurance” sectors became neutral (i.e. zero net balances). Yet, despite showing improvement over the preceding quarter, business sentiment of the “construction”, “transportation, storage and courier services” and “professional and business services” sectors remained negative. Hiring sentiment among large enterprises in most sectors showed signs of stabilisation in tandem (**Table 2**).

**Chart 1 : Business sentiment among large enterprises improved notably**



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 : Large enterprises in all sectors reported improved business sentiment in Q2**

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	-27	-23	+9	-8	-5	+14
Construction	-28	-20	-21	-19	-28	-13
Import/export trade and wholesale	-23	-42	-8	-7	-13	0
Retail	-39	-42	+21	-5	-18	+5
Accommodation and food services	-42	-63	+25	+19	-44	+20
Transportation, storage and courier services	-33	-47	-22	-13	-39	-13
Information and communications	-2	-15	-21	0	-18	+5
Financing and insurance	-16	-32	-14	-13	-10	0
Real estate	-18	-29	-26	-12	-16	+4
Professional and business services	-13	-37	-18	+4	-13	-7
All sectors above	-22	-37	-11	-8	-17	0

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 showed signs of stabilisation in most sectors**

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	+3	-18	+10	-11	-3	+9
Construction	-25	-22	-10	-10	-16	-2
Import/export trade and wholesale	-10	-13	-3	-2	-16	-1
Retail	-19	-25	-4	-10	-20	-13
Accommodation and food services	-9	-35	+7	-2	-18	+11
Transportation, storage and courier services	+1	-17	-2	-8	-21	-12
Information and communications	0	-2	-2	+8	-3	+2
Financing and insurance	+4	-9	+7	0	+6	+5
Real estate	-13	-5	+4	+5	-13	+9
Professional and business services	-8	-12	-4	-5	-4	-1
All sectors above	-8	-17	-1	-4	-11	-1

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<sup>(2)</sup> to gauge the general direction of change in their views on business situation versus the preceding month. The overall index on current situation rose from 38.1 in January to a two-year high of 47.1 in April, though still below the boom-bust threshold (**Chart 2a**). Employment situation of the SMEs surveyed remained under pressure but showed relative improvement in April, while credit conditions stayed largely accommodative. Separately, the Standard Chartered Hong Kong SME Leading Business Index<sup>(3)</sup> jumped to a two-year high in the second quarter, though still remaining in the contractionary zone.

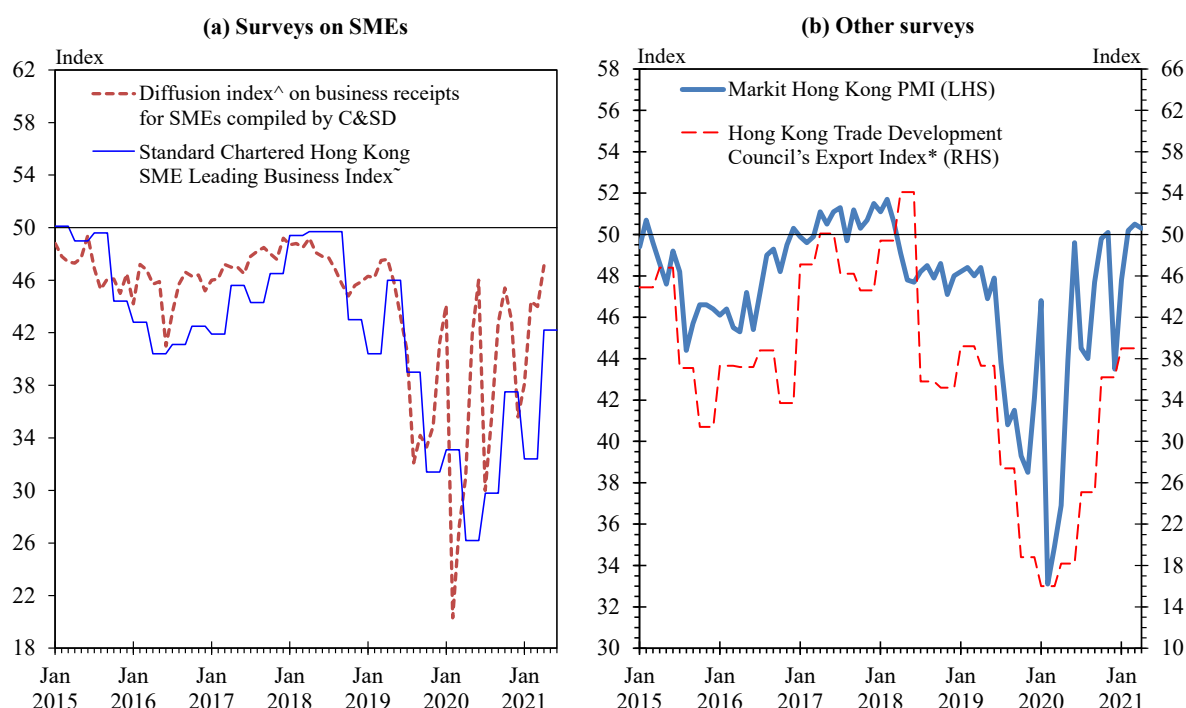
As for other surveys in the public domain, the Markit Purchasing Managers’ Index (PMI) of Hong Kong<sup>(4)</sup>, which gauges the performance of the private sector’s business activity, went up to 50.3 in April from 47.8 in January. Separately, the Hong Kong Trade Development Council’s Export Index<sup>(5)</sup> rose for the fourth consecutive quarter to 39.0 in the first quarter, suggesting further recovery in exporters’ sentiment alongside the continued revival in global economic activity (**Chart 2b**). The pandemic remained the top concern with 46.0% of the traders surveyed identifying it as the biggest threat to their businesses, followed by softening global demand (28.4%) and US-Mainland trade tensions (10.3%).

(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 : Recent surveys pointed to improved business sentiment amid the abating local epidemic and continued global economic recovery**



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 generally improved recently. The counter-cyclical measures totalling over \$120 billion unveiled in the 2021-22 Budget should help alleviate the economic pressure faced by enterprises. If the local epidemic remains well-contained and cross-border people flows can gradually resume, business sentiment will likely see a broader based improvement down the road. It is thus essential for the community as a whole to spare no effort to keep the epidemic under control. 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.

- (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 was under notable pressure in the first quarter as the epidemic continued to weigh on certain economic segments, particularly those involving consumer-facing activities. The situation stabilised in the latter part of the quarter as the fourth wave of the local epidemic receded. Nonetheless, it may take some time before the economic recovery turns more broadly based and leads to a more visible labour market recovery. The *seasonally adjusted unemployment rate* went up from 6.6% in the fourth quarter of 2020 to a 17-year high of 7.2% in the three-month period ending February 2021, before declining to 6.8% in the first quarter of 2021. The unemployment rates of the consumption- and tourism-related as well as construction sectors stayed elevated. The unemployment rate of lower-skilled workers remained visibly higher than that of higher-skilled workers. Likewise, the *underemployment rate* increased from 3.4% in the fourth quarter of 2020 to a post-SARS high of 4.0% in the three-month period ending February 2021, and then edged down to 3.8% in the first quarter of 2021. Overall wages and labour earnings continued to show year-on-year increases in nominal terms in the fourth quarter of 2020, but the rates of increase were the slowest in over a decade.

## **The asset markets**

1.9 The *local stock market* showed some volatility in the first quarter of 2021. After reaching a high of 31 085 on 17 February amid hopes for a sustained global economic recovery with the rollout of mass COVID-19 vaccination programmes worldwide, the Hang Seng Index (HSI) retreated to 27 900 on 25 March as market sentiment was dampened by rising inflation expectations in the US and concerns over possible monetary tightening in the Mainland. The HSI closed the quarter at 28 378, 4.2% higher than end-2020. Trading activities were very active, with average daily turnover in the securities market surging by 59.1% over the preceding quarter or 85.5% over a year earlier to a record high of \$224.4 billion. Fund raising activities remained buoyant.

1.10 The *residential property market* turned more active in the first quarter of 2021 amid more upbeat sentiment. The low interest rate environment and firm end-user demand continued to render support to the market, and the abating local epidemic situation towards the end of the quarter also helped. Trading activities picked up further. 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, rose by 6% from the preceding quarter or 78% over the low base a year earlier to 18 131 in the first quarter. Flat prices reverted

to an increase of 2% during the first quarter. The index of home purchase affordability rose to about 73%. Meanwhile, flat rentals edged down by 1% during the quarter. The commercial and industrial property markets continued to revive, following the abolition of the Double Stamp Duty on non-residential property transactions in late November 2020. Trading activities for all major market segments recorded further increases over the preceding quarter, though remaining at relatively low levels by historical standards. Prices for major market segments rose during the quarter, while rentals declined.

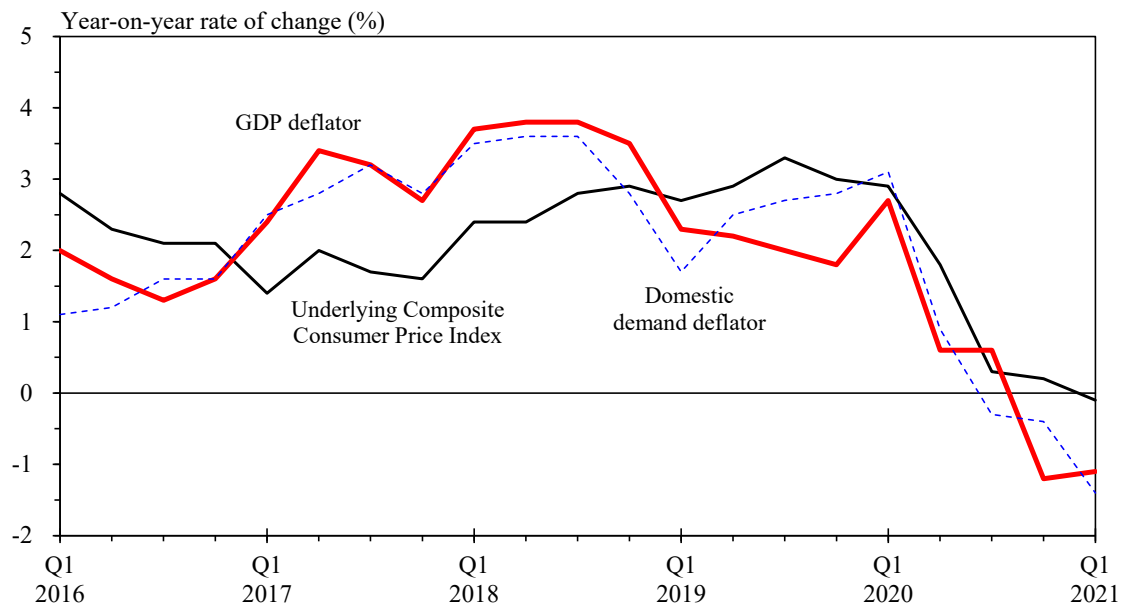
## **Inflation**

1.11 Consumer price pressures eased further in the first quarter. Netting out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, the *underlying Composite CPI* fell mildly by 0.1% year-on-year in the first quarter after rising by 0.2% in the preceding quarter. The decline was mainly attributable to easing food inflation and an enlarged fall in private housing rentals. Price pressures on other major CPI components stayed very mild as the economy was still operating below its capacity. Domestically, the decline in private housing rentals widened as the effect of softening fresh-letting residential rentals in the past year or so turned more apparent. Business cost pressures continued to abate, with wages rising at the slowest pace in nearly 11 years and commercial rentals falling further. Meanwhile, external price pressures remained tame. While inflation rates in some import sources rose slightly alongside the revival in economic activities and the recent surge of international commodity and energy prices, the substantial slack in the global economy kept a lid on imported inflation. Overall prices of merchandise imports thus only saw a modest year-on-year increase. The *headline Composite CPI* went up by 0.9% year-on-year in the first quarter, after posting a modest decline of 0.3% in the preceding quarter, reflecting the low base of comparison arising from the Government's one-off relief measures in January last year.

1.12 The *GDP deflator* fell by 1.1% in the first quarter from a year earlier, following the 1.2% decline in the preceding quarter. The terms of trade improved slightly from a year earlier as export prices rose faster than import prices. Taking out the external trade components, the domestic demand deflator fell by 1.4% in the first quarter, further to the 0.4% decrease in the preceding quarter.



**Diagram 1.4 : Consumer price pressures eased further in the first quarter**



Note : The year-on-year rates of change of the Composite Consumer Price Index are computed from the 2014/15-based series.

## **GDP by major economic sector**

1.13 The net output of the services sector shrank sharply by 6.6% in real terms in 2020, having declined by 0.7% in 2019. As for the quarterly profile, the year-on-year declines enlarged visibly to 9.1% and 8.7% in the first and second quarters respectively as the COVID-19 pandemic dealt a heavy blow to the economy, before narrowing to 5.1% and 3.8% respectively in the third and fourth quarters partly thanks to the gradual revival of external trade and active financial market activity. Analysed by major service sector, the net output of import and export trade fell further for the year as a whole, and that of transportation and storage plummeted as cross-border passenger flows diminished drastically during the pandemic. The net outputs of wholesale and retail trades as well as accommodation and food services plunged amid the threat of COVID-19 and the resultant social distancing measures. Meanwhile, the net outputs of professional and business services as well as public administration, social and personal services turned to declines. On the other hand, the net output of postal and courier services grew appreciably, while those of financing and insurance as well as information and communications continued to increase. The net output of real estate, which covers activities of private sector developers and property agencies, declined further for the year as a whole. As for the secondary sector, the net output of the construction sector saw a narrowed decline for the year as a whole, while that of the manufacturing sector reverted to a fall.

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

	<u>2019</u>	<u>2020</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>	<u>Q4</u>
Manufacturing	0.4	-5.8	1.4	0.4	0.5	-0.5	-4.6	-5.1	-7.4	-6.1
Construction	-9.7	-5.7	-6.7	-15.2	-6.4	-10.8	-10.6	-2.4	-7.4	-1.4
Services <sup>(b)</sup>	-0.7	-6.6	1.4	1.1	-2.0	-2.9	-9.1	-8.7	-5.1	-3.8
Import/export, wholesale and retail trades	-7.5	-13.7	-2.3	-4.8	-10.9	-10.2	-22.1	-19.3	-9.2	-6.4
Import and export trade	-5.6	-7.1	-1.8	-4.1	-8.7	-6.7	-13.4	-10.6	-3.8	-2.4
Wholesale and retail trades	-15.3	-45.1	-4.2	-7.5	-21.5	-25.2	-58.8	-54.3	-39.3	-27.3
Accommodation <sup>(c)</sup> and food services	-11.7	-42.0	0.6	-4.0	-17.2	-25.6	-45.9	-42.7	-44.9	-32.9
Transportation, storage, postal and courier services	-1.7	-39.5	2.5	1.7	-2.2	-8.2	-32.5	-49.6	-41.7	-35.2
Transportation and storage	-1.5	-42.7	3.0	2.0	-2.5	-8.2	-34.2	-53.3	-45.1	-39.0
Postal and courier services	-3.9	11.9	-5.4	-3.4	2.1	-7.1	-3.3	14.0	19.9	17.7
Information and communications	4.7	1.6	5.0	5.8	5.4	2.9	1.1	0.5	2.2	2.3
Financing and insurance	3.4	3.7	2.8	3.9	4.0	2.9	2.4	2.8	4.8	4.8
Real estate, professional and business services	-0.2	-5.3	0.6	0.8	-1.1	-1.0	-5.8	-6.9	-4.9	-3.7
Real estate	-1.6	-5.1	-0.8	-1.6	-2.8	-1.5	-9.3	-6.4	-3.1	-1.2
Professional and business services	1.0	-5.5	1.9	2.6	0.3	-0.6	-2.7	-7.3	-6.3	-5.6
Public administration, social and personal services	3.0	-2.1	3.6	3.7	2.3	2.6	-3.3	-2.9	-0.6	-1.6

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 the 2021-22 Budget (the Budget) released on 24 February 2021, the Financial Secretary rolled out large-scale counter-cyclical measures totalling over \$120 billion to alleviate the pressure caused by the economic downturn and the epidemic. Measures to support businesses included reducing profits tax for 2020/21 assessment year, providing rates concessions for non-domestic properties for 2021-22, waiving business registration fees for 2021-22, and reducing various government fees and charges. As regards small and medium-sized enterprises (SMEs), the Budget extended the application period for the Special 100% Guarantee Product under the SME Financing Guarantee Scheme, raised the maximum loan amount per enterprise, extended the maximum repayment period and extended the maximum duration of principal moratorium in order to further ease their cash flow pressures. To boost local consumption, the Government will issue electronic consumption vouchers worth \$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above. A range of one-off measures were also unveiled to relieve people's hardship, including a reduction in salaries tax and tax under personal assessment for the 2020/21 assessment year, rates concessions for domestic properties for 2021-22, electricity subsidy, etc. On employment support, the Government plans to launch the fourth tranche of Love Upgrading Special Scheme to provide more training options and online courses for trainees to engage in distance learning during the epidemic, and to further allocate \$6.6 billion to create around 30 000 time-limited jobs. It is estimated that the Budget would have a stimulus effect on the Hong Kong economy of around 2% of GDP.

1.15 The Budget also set out measures to help enterprises adapt to the economic 'new normal' after the epidemic. The pandemic has accelerated changes in people's living habits and the application of technology in the business operations. The Government will continue to support enterprises or manufacturers in realising and commercialising their research and development outcomes, using technological services to improve their productivity or business processes, and setting up smart production lines in Hong Kong, with a view to enabling enterprises to better grasp the opportunities brought by the increasingly digital economy. To support tourism, the Budget earmarked funding to take forward local cultural, heritage and creative tourism projects, to improve the facilities along hiking trails to develop more green tourism resources, and to support the Hong Kong Tourism Board in reviving the tourism industry. Moreover, the Budget put forward initiatives to capture the huge development opportunities in areas including financial services, innovation and technology, air cargo sector, cultural and creative industries, and infrastructure investment and construction industry.

1.16 The “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035” (the 14th Five-Year Plan) was approved in March (see **Box 1.2**). The 14th Five-Year Plan continues to support Hong Kong to enhance its status as an international financial, transportation and trade centre; strengthen its status as a global offshore Renminbi business hub, an international asset management centre and a risk management centre; establish itself as a centre for international legal and dispute resolution services in the Asia-Pacific region; and promote service industries for high-end and high value-added development. Furthermore, it raises for the first time support for Hong Kong to enhance its status as an international aviation hub, to develop into an international innovation and technology hub and a regional intellectual property trading centre, and to develop into a hub for arts and cultural exchanges between China and the rest of the world. On high-quality Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development, the 14th Five-Year Plan mentions the deepening and widening of mutual access between the financial markets of Hong Kong and the Mainland and strengthening exchanges and co-operation between Hong Kong and the Mainland on different fronts, and, for the first time, includes the Shenzhen-Hong Kong Loop as a major platform of co-operation in the GBA.

## Box 1.2

### **The 14th Five-Year Plan and Economic Development of Hong Kong**

Endorsed by the fourth session of the 13th National People's Congress in March 2021, the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" (14th FYP) sets out our country's main development targets, philosophy and key missions from 2021 to 2025 while specifying the basic realisation of socialist modernisation by 2035 as a long-range objective. This box article outlines some major topics mentioned in the 14th FYP and the content related to our economic development, as well as the opportunities that the 14th FYP can bring to Hong Kong.

First, the 14th FYP takes the promotion of high-quality development as its main theme. After building a moderately prosperous society in all respects, our country has ushered in a new stage of development in the 14th FYP era, the first five-year period during which our country embarks on a new journey towards a modern socialist nation. At the same time, the world is facing profound changes unseen in a century, with increasingly complicated politico-economic landscapes. All these have brought new challenges to our country's development. The key to success in meeting these new challenges and achieving the development targets hinges on the promotion of high-quality development. Hence, the 14th FYP highlights the importance of ongoing application of new development concepts, namely innovation, co-ordination, green, openness and sharing. While reforms and innovation serve as the fundamental driving forces, the development mode should be overhauled, with a view to improving the quality and efficiency of development.

The 14th FYP puts forward the idea of expediting the establishment of a new development pattern featuring "dual circulation", which takes the domestic market as the mainstay while enabling domestic and foreign markets to interact positively with each other. Like other big economies, the Mainland's economy has been increasingly driven by domestic demand. Given a huge domestic market with promising potential, the future economic development of our country will rely more heavily on domestic demand to cope with the global political and economic instability. To promote domestic circulation, our country needs to persist in expanding domestic demand to make production, distribution, circulation and consumption be more supported by its huge domestic market. Also, the supply-side structural reform should be deepened to improve the compatibility of the supply system with the changing demand as well as enhancing the integrity of the industrial chains and supply chains. This domestic circulation, however, is by no means a closed one. Rather, the 14th FYP calls for opening up our country to the world in a wider scope, across a broader spectrum and at a deeper level, leveraging the domestic economic circulation system to attract global essential resources, and enhancing the efficiency and level of domestic circulation through international circulation. This will not only satisfy domestic demand, but also advance our country's technological development, and create new advantages for our country's participation in international economic co-operation and competition.

Besides, in the face of a new round of scientific and technological revolution and industrial transformation across the world, the 14th FYP highlights the core role of innovation in our country's modernisation in all respects, and takes scientific and technological self-reliance as a strategic support for our country's development. The 14th FYP calls for the formulation of an action plan to develop our country into a scientific and technological power, and a boost in basic research by increasing the share of relevant expenses in the total research and development expenditure to over 8%. The primary role of enterprises in the innovation system should also be reinforced to foster an in-depth integration of industries, academia, research institutes and users under a market-oriented mechanism. On industries, the 14th FYP

### Box 1.2 (Cont'd)

stresses the need for raising the share of strategic emerging industries' value added in GDP to over 17%<sup>(1)</sup>. The 14th FYP devotes a separate whole chapter to digital economy with the emphasis on the creation of new edges in this area, the empowerment of traditional industries in transformation and upgrading as well as the fostering of new industries and new types and models of business, through which the new engines for economic development can be strengthened.

In the part on Hong Kong, the 14th FYP states that to maintain the long-term prosperity and stability of Hong Kong and Macao, it is imperative to fully and faithfully implement the "One Country, Two Systems" principle. The 14th FYP also clearly ascertains Hong Kong's role in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), demonstrating the Central Government's unwavering support for Hong Kong's development.

On economic development, the 14th FYP continues to support Hong Kong to enhance its status as an international financial, transportation and trade centre; strengthen its position as a global offshore Renminbi business hub, an international asset management centre and a risk management centre; establish itself as a centre for international legal and dispute resolution services in the Asia-Pacific region; promote our service industries for high-end and high value-added development; establish a functional platform for the Belt and Road Initiative; foster our co-operation and exchanges with countries and regions around the world; deepen our co-operation with the Mainland in the areas of trade, innovation and technology; deepen and widen the mutual access between the financial markets of the Mainland and Hong Kong; strengthen the exchanges and co-operation between Hong Kong and the Mainland on different fronts, and improve policy measures to make it more convenient for Hong Kong residents to live and pursue development opportunities in the Mainland. Furthermore, the 14th FYP raises the support for Hong Kong to enhance its status as an international aviation hub, to develop into an international innovation and technology (I&T) hub and a regional intellectual property trading centre, as well as to develop into a hub for arts and cultural exchanges between China and the rest of the world.

On high-quality GBA development, the 14th FYP mentions the deepening of Guangdong-Hong Kong-Macao co-operation as well as Pan-Pearl River Delta regional co-operation, and, for the first time, includes the Shenzhen-Hong Kong Loop as a major platform of co-operation in the GBA. Moreover, the 14th FYP calls for the furtherance of co-ordinated development of industries, academia and research institutes in Guangdong, Hong Kong and Macao to facilitate cross-boundary flows of production factors related to innovation; expedition of the construction of inter-city railways; co-ordinated planning for the positioning of ports and airports; optimisation of the allocation of maritime and aviation resources; deepening of the customs clearance reforms; facilitation of the effective and convenient flow of people, goods and vehicles; expansion of the scope of mutual recognition of professional qualifications among the Mainland, Hong Kong and Macao; and further strengthening of the regulatory interface and connectivity in key areas.

Hong Kong's economy has always been closely connected with the development and demand in the Mainland. The 14th FYP renders support to Hong Kong in various areas, helping us further capitalise on our advantages and realise our potential, and bringing new opportunities to the industries concerned. On I&T, Hong Kong enjoys various advantages, including top-notch capabilities in basic scientific research, robust regime on intellectual property rights protection, attractiveness to research talent from all over the world, and first-class financial support services. Hong Kong should make good use of these advantages and achieve complementarity with other GBA cities that have advanced manufacturing industries, so as to

---

(1) According to the latest figures, the share of strategic emerging industries' value added in the Mainland's GDP was 11.5% in 2019.

**Box 1.2 (Cont'd)**

form an I&T upstream, midstream and downstream industrial chain and attain the goal of developing the GBA into an international I&T centre, thereby contributing to the I&T development in our country and at the same time expanding the development scope for our own I&T industry.

The building of a new development pattern by our country will catalyse a new economic landscape in Hong Kong. Over the years, Hong Kong has been riding on our advantages in respect of institutions, talent and external connections to serve the development needs of our country. In the future, Hong Kong will proactively become a “participant” in domestic circulation and a “facilitator” in international circulation. We should grasp the opportunities arising from the expanding Mainland market which has increasing demand for better quality goods and services. By taking the GBA as the best entry point, Hong Kong will strengthen its roles and functions as a springboard, an intermediary, a high value-added services platform, an international talent and fund pool, a testing ground and a firewall, with a view to promoting the interaction between the Mainland and international markets, as well as aligning Mainland standards with international standards. Hong Kong will continue to leverage the unique advantages under “One Country, Two Systems” and integrate into the overall development of our country, thereby creating new impetus for our economic development and sustaining our economic prosperity in the new era.



## 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 April 2021 and those three months ago.

	<u>2020</u>	<u>January round</u>	<u>2021</u> <u>April round</u>
	(%)	(%)	(%)
World (PPP <sup>##</sup> weighted)	-3.3	5.5	6.0
Advanced economies	-4.7	4.3	5.1
US	-3.5 <sup>#</sup>	5.1	6.4
Euro area	-6.6 <sup>#</sup>	4.2	4.4
UK	-9.8 <sup>#</sup>	4.5	5.3
Japan	-4.8 <sup>#</sup>	3.1	3.3
Emerging market and developing economies	-2.2	6.3	6.7
Emerging and developing Asia	-1.0	8.3	8.6
Mainland China	2.3 <sup>#</sup>	8.1	8.4
India <sup>^</sup>	-8.0	11.5	12.5
ASEAN-5 <sup>§</sup>	-3.4	5.2	4.9
Middle East and Central Asia	-2.9	3.0	3.7

- Notes :
- (#) 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 continued to recover in the first quarter of 2021, led by the strong economic performance of the Mainland and the US. Many Asian economies improved further amid vibrant regional production and trading activities. Meanwhile, the performance of the euro area economy was constrained by the surge of COVID-19 infections in March. In early April, the International Monetary Fund (IMF) forecast that the global economy would rebound by 6.0% in 2021, but pointed out that the recovery would be uneven across economies and subject to high uncertainty primarily related to the path of the pandemic.*
- *Hong Kong's merchandise exports surged by 32.0% year-on-year in real terms<sup>(1)</sup> in the first quarter, thanks to the pick-up of import demand in many major markets. Exports to the Mainland soared, those to the US and the EU registered strong increases, and those to other major markets in Asia also picked up visibly.*
- *Exports of services saw a visibly narrowed decline of 8.1% in the first quarter. Exports of travel services remained in the doldrums amid continued travel restrictions worldwide. Nonetheless, exports of transport services resumed growth thanks to vibrant regional trade and cargo flows. Exports of business and other services saw some improvement along with the recovery of the global economy. Exports of financial services continued to expand, supported by cross-border financial and fund-raising activities.*
- *To support enterprises in exploring more diversified markets, the 2021-22 Budget announced an extra \$1.5 billion injection into the Dedicated Fund on Branding, Upgrading and Domestic Sales. The geographical coverage would be substantially further extended in phases from 20 to 37 economies to include all those with which Hong Kong has signed Investment Promotion and Protection Agreements (IPPAs), so as to allow enterprises to fully utilise the better protection offered by IPPAs. The Government signed a memorandum of understanding with the Asia-Pacific Economic Cooperation (APEC) Secretariat to support the creation of the Strengthening Economic Legal Infrastructure (SELI) sub-fund, further enhancing Hong Kong's economic ties with economies in the Asia-Pacific region.*

## Goods trade

### *Total exports of goods*

2.1 Hong Kong's *merchandise exports* surged by 32.0% year-on-year in real terms in the first quarter of 2021, a marked acceleration from the 5.9% increase in the preceding quarter. The strong performance was powered by the visible revival of global trading and production activities along with the pick-up of import demand in many major markets, especially the Mainland. While the drastic increase in the first quarter partly reflected a low base of comparison in 2020 due to the COVID-19 outbreak, merchandise exports had already surpassed the previous first-quarter high in 2018 by 15.0% in real terms.

2.2 The global economy gathered further momentum in the first quarter, amid strong fiscal and monetary support in many major economies and the rollout of mass vaccinations. Governments around the world became more experienced in responding to the pandemic and people adapted their daily lives much better (see **Box 2.1**). However, economic recoveries in some places were constrained by the resurgence of COVID-19 infections in the latter part of the quarter, while cross-border travel remained at a standstill as strict travel restrictions were still generally in place.

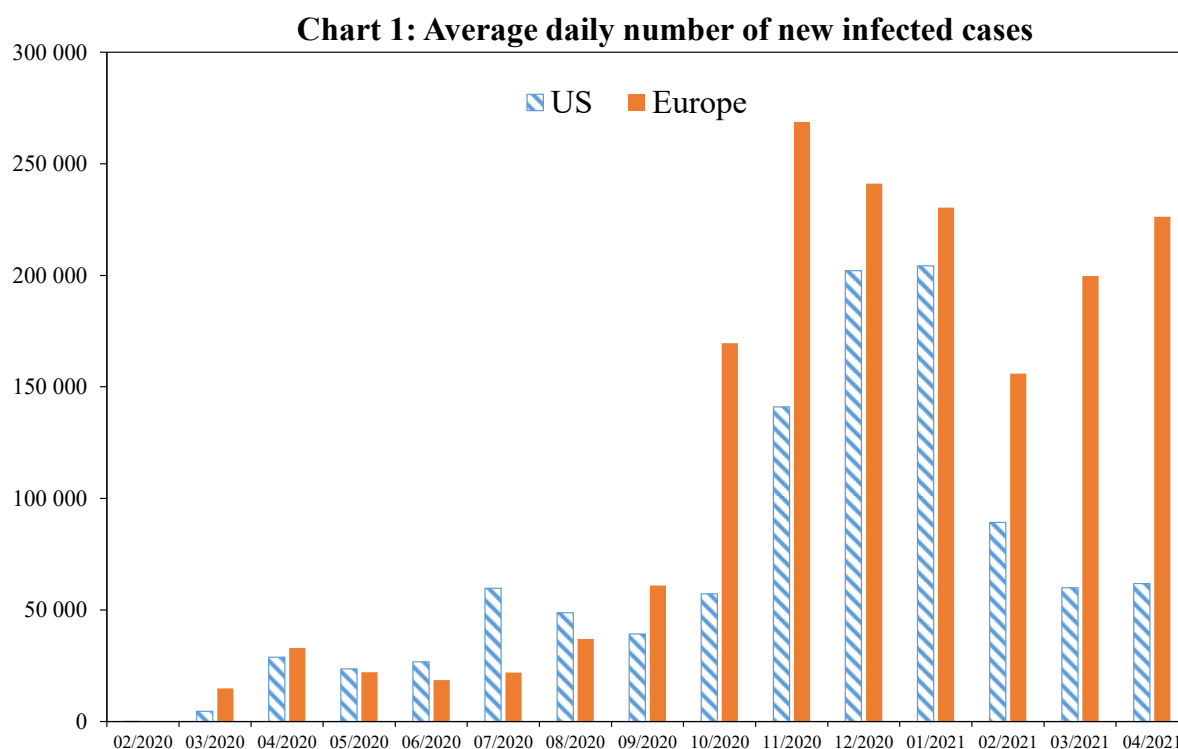
2.3 Among the major economies, the Mainland economy posted impressive growth of 18.3% year-on-year in the first quarter as the epidemic remained well contained, though a low base of comparison also contributed. The US economy sustained its recovery and resumed modest year-on-year growth alongside the rollout of mass vaccinations. Meanwhile, the performance of the euro area economy was still constrained by the resurgence of COVID-19 infections in March. Japan's economic activity saw some revival, while other Asian economies generally recovered further thanks to vibrant regional production and trading activities. In early April, the IMF forecast that the global economy would rebound by 6.0% in 2021, 0.5 percentage point higher than its January forecast. Yet, the IMF pointed out that the recovery would be uneven across economies and subject to high uncertainty primarily related to the path of the pandemic.

## Box 2.1

### Comparison of economic situations in the US and Europe during the first and second waves of COVID-19 epidemic

It has been more than a year since the World Health Organization declared the COVID-19 outbreak a pandemic. After the rapid spread of the disease in March and April 2020 (the first wave), the epidemic situation in major economies including the US and Europe showed signs of stabilisation in the Summer. Yet, there was a resurgence of COVID-19 cases towards the end of last year (the second wave). This box article compares the economic situations in the US and Europe during the first and second waves of the epidemic, and discusses some potential factors contributing to the difference.

Judging from the number of new infections, the second wave of epidemic in the US and Europe is arguably more severe than that in last Spring. As shown in **Chart 1**, the average daily number of new infected cases in the US increased notably in the latter part of 2020 and reached its height of 204 000 in January 2021, which was much higher than the corresponding numbers in March and April 2020. The situation in Europe was broadly similar, though the average daily number of new infections peaked earlier in November 2020 before experiencing another uptick in recent months.



Source: World Health Organization

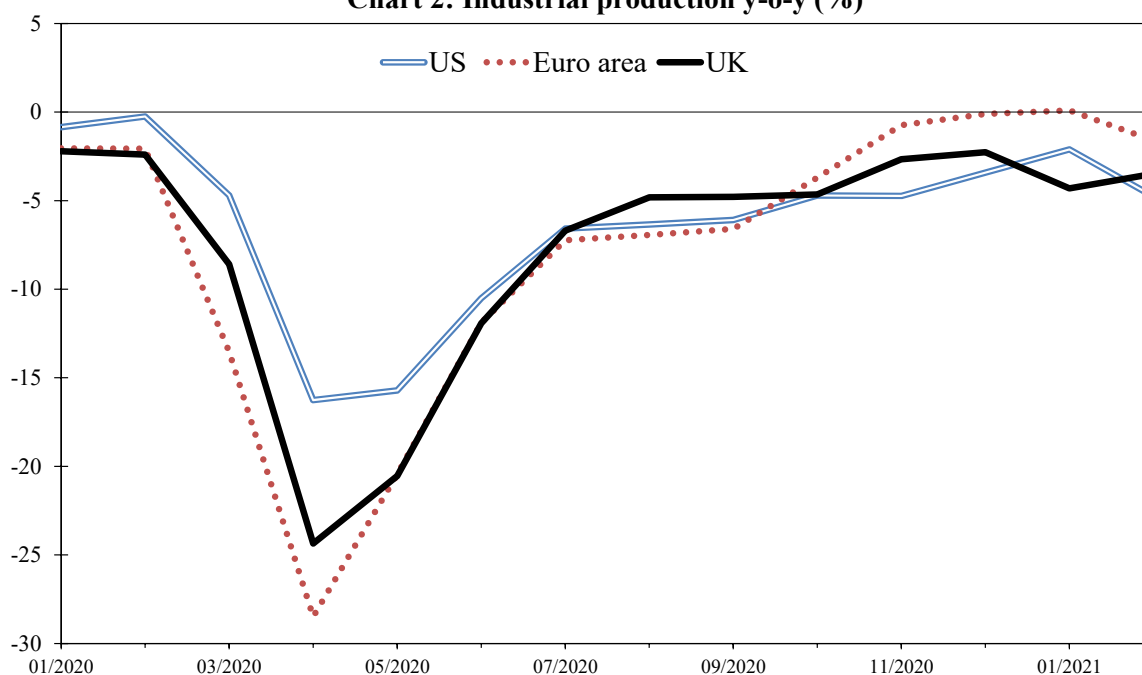
Despite the severity of the second wave of infections, its negative impact on the US and European economies seemed to be less pronounced as compared to the first wave. In the second quarter of 2020, the economies of the US, the euro area and the UK underwent unprecedented contractions of 9.0%, 14.6% and 21.4% year-on-year respectively. The corresponding contractions in the fourth quarter were much milder, at 2.4%, 4.9% and 7.3% respectively. With that said, the second wave of epidemic did weaken or even reverse the recovery trajectory of the major economies. On a quarter-to-quarter basis, real GDP growth in the US and the UK slowed markedly to 1.1% and 1.3% in the fourth quarter of 2020, while the euro area economy relapsed into a contraction of 0.7%.

## Box 2.1 (Cont'd)

There are various factors contributing to the milder impact of the second wave of COVID-19 infections on these economies relative to that of the first wave. Importantly, anti-epidemic measures imposed by governments have turned more targeted and overall less restrictive, thereby causing fewer disruptions to economic activities. For instance, some economies (e.g. Italy and some states in the US) adopted night curfews in lieu of full lockdowns. Even if lockdowns were imposed, commuting to work would typically be allowed. Measures were also more region-specific, as some governments applied different levels of restrictions in different regions in accordance with their epidemic situation, avoiding the need of nationwide lockdowns as seen in last Spring.

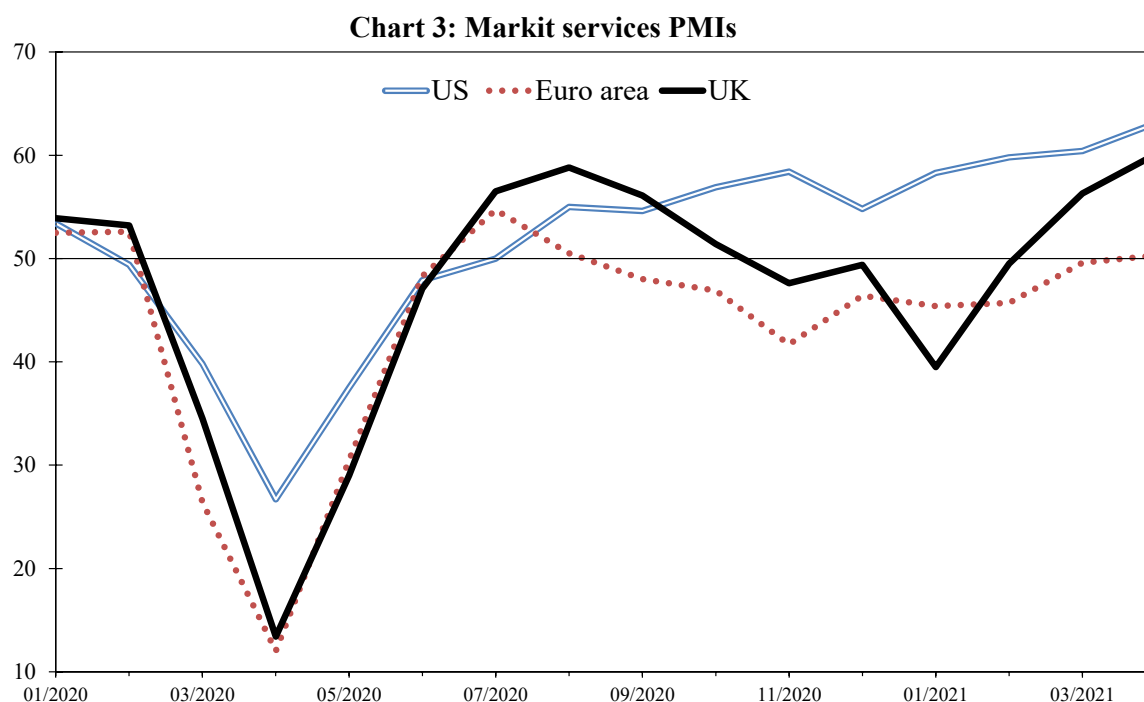
Specifically, many factories in the US and Europe were shut down in last Spring, leading to a halt in manufacturing production and disrupted the downstream supply chain. Yet government restrictive measures were more focused on the services sector during the second wave of the epidemic, and manufacturing activities were much less affected. Industrial production plunged by 14.2%, 20.2% and 18.9% year-on-year respectively in the US, the euro area and the UK in the second quarter of 2020. The corresponding declines in the fourth quarter of 2020 were visibly narrower, at 4.3%, 1.6% and 3.3% (*Chart 2*).

Chart 2: Industrial production y-o-y (%)



Even restrictions in the services sectors have been generally less restrictive during the second wave. For example, restaurants were allowed to open before 6pm and shopping malls were allowed to open on weekdays in some areas of Italy, instead of an outright closure as in last Spring. Moreover, after experiencing the first wave of infections, enterprises and individuals were generally better prepared to operate under the epidemic situation by way of better work-from-home arrangements, improved online platforms / channels for provision of services, enhanced delivery services, etc. Markit services PMIs indicated that the situation of the services sector in these economies during the second wave was not as austere as in last Spring (*Chart 3*). Yet, the recovery of the services sector has been much weaker than the manufacturing sector, and the hospitality sectors in particular remained in dire condition.

## Box 2.1 (Cont'd)



The pandemic's drag on domestic consumption demand had also eased. Retail sales in the US, the euro area and the UK registered year-on-year growth of 3.9%, 1.3% and 3.8% in the fourth quarter of 2020 respectively, compared to declines of 7.8%, 6.5% and 12.7% in the second quarter. Seemingly, individuals have started to adapt their way of life under the epidemic. This, together with the less stringent lockdown, has rendered some support to domestic consumption.

Last but not least, governments across the world have rolled out massive supportive measures throughout 2020. For instance, the US' Paycheck Protection Program offered forgivable loans to small businesses to cover payroll expenses, while the UK introduced Coronavirus Job Retention Scheme allowing employers to claim 80% of furloughed employees' usual monthly wage costs. Other support measures include loan schemes, tax deferrals and grants to the most affected sectors. These measures have helped keep businesses afloat and workers employed, providing a cushion to the economy during the second wave.

While the US and European economies faced less significant drags from the second wave of COVID-19 infections, their pace of economic recovery would remain constrained and uneven until the pandemic is fully contained. If the threat of the pandemic could be gradually alleviated alongside the progress of mass vaccination campaigns, global economic conditions should improve over the course of 2021. Various economies have also floated the idea of "vaccination passport" (e.g. Digital Green Certificate proposed by the European Commission) to facilitate the resumption of cross-border travel and allow more economic activities to revive, paving way for a broader based global economic recovery.

2.4 Major central banks maintained highly accommodative monetary policies in the first quarter. Specifically, the Federal Reserve (Fed) kept the target range for the federal funds rate at record low of 0-0.25% and would keep purchasing assets at least at the current pace until seeing substantial progress towards its employment and inflation goals. The European Central Bank decided to keep the envelope of its €1.85 trillion pandemic emergency purchase programme (PEPP) unchanged, but expected that bond purchases under the PEPP would be conducted at a significantly faster pace in the second quarter. The Bank of Japan and many central banks in the Asian emerging markets maintained their policy rates at record lows. On the fiscal front, the US rolled out another round of economic stimuli worth around US\$1.9 trillion in March, and unveiled an eight-year infrastructure investment plan totalling over US\$2 trillion. Some European economies provided further support to individuals and businesses hard hit by the pandemic.

2.5 China-US relations remained tense during the first quarter. Specifically on the trade front, the US Trade Representative indicated that the US did not plan to lift tariffs on Chinese imports in the near future, but would be open to further trade negotiations. Separately, the World Trade Organization (WTO) Dispute Settlement Body agreed to Hong Kong's request to establish a panel to consider the dispute raised by Hong Kong with respect to the violation of WTO rules by the US' new requirement on origin marking for Hong Kong products. On Brexit, the EU and the UK made some progress on furthering their financial services cooperation, but issues on the implementation of the Northern Ireland Protocol gave rise to renewed uncertainty.

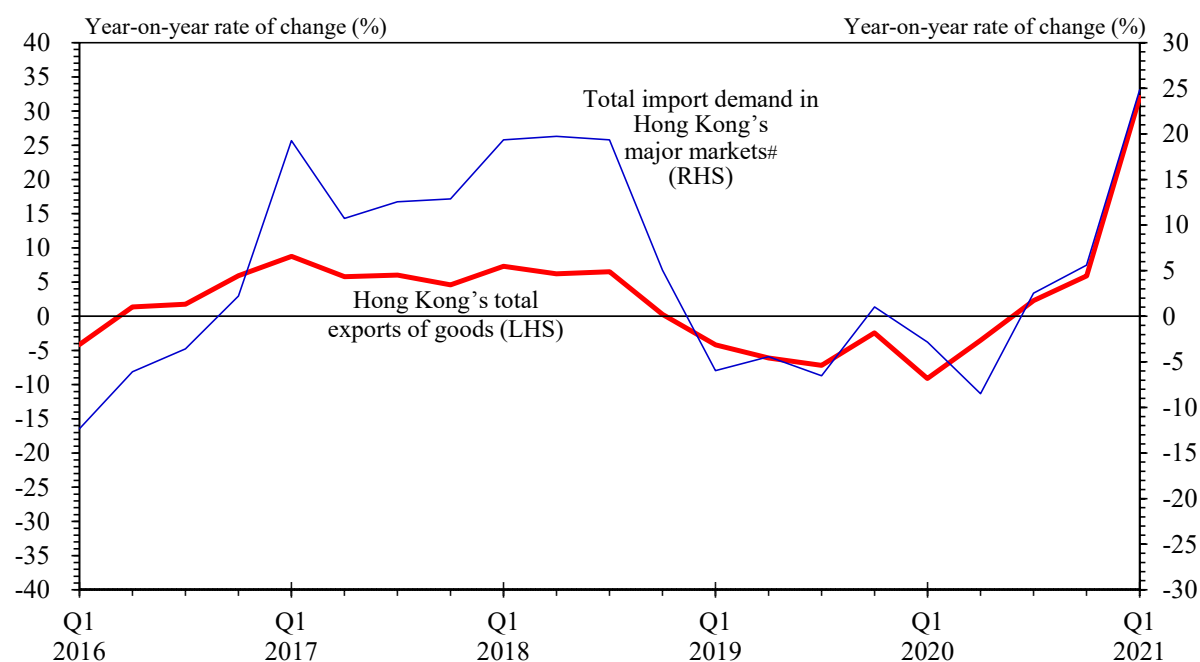
**Table 2.1 : Total exports of goods  
(year-on-year rate of change (%))**

	In value terms	In real terms <sup>(a)</sup>	Change in prices
2020 Annual	-1.5	-0.8	-0.6
Q1	-9.7	-9.1	(-6.1)
Q2	-4.3	-3.5	(4.4)
Q3	1.3	2.3	(3.3)
Q4	5.3	5.9	(4.8)
2021 Q1	33.2	32.0	(17.9)
			1.0

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 surged in the first quarter of 2021**

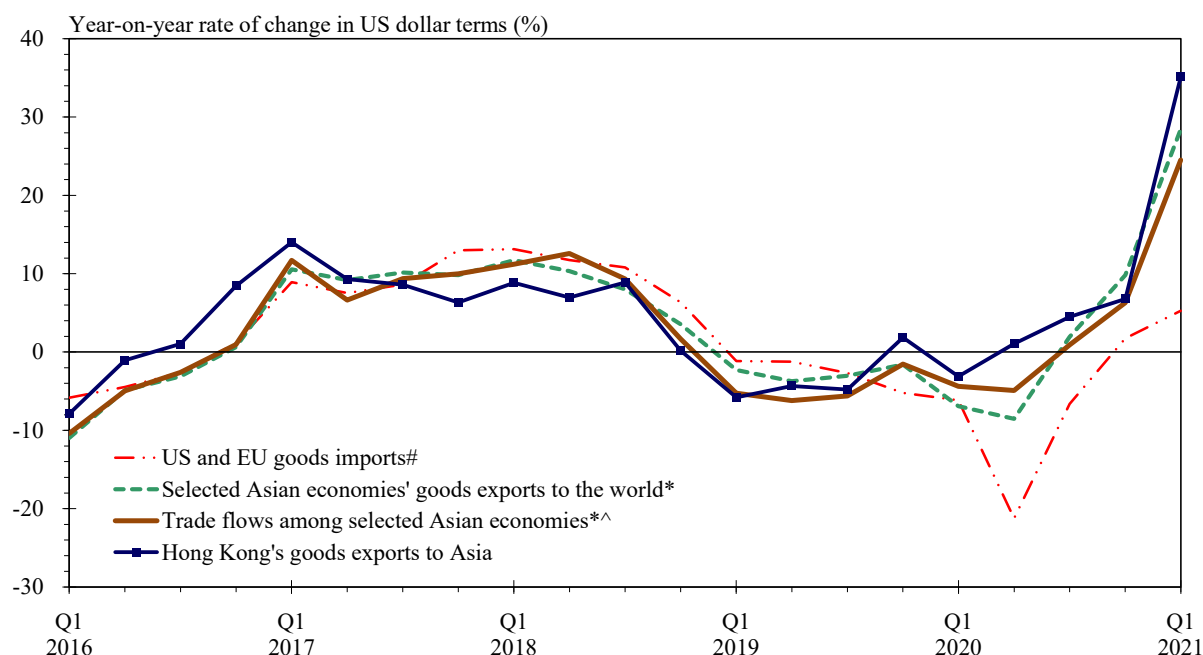


Notes : Total exports of goods as depicted refer to the year-on-year rate of change in real terms, while total import demand in Hong Kong's major markets as depicted refers to the year-on-year rate of change in US dollar terms in the aggregate import demand in Asia, the United States and the European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

- (#) Import demand figure for the EU for the first quarter of 2021 is based on information available as of early May 2021.

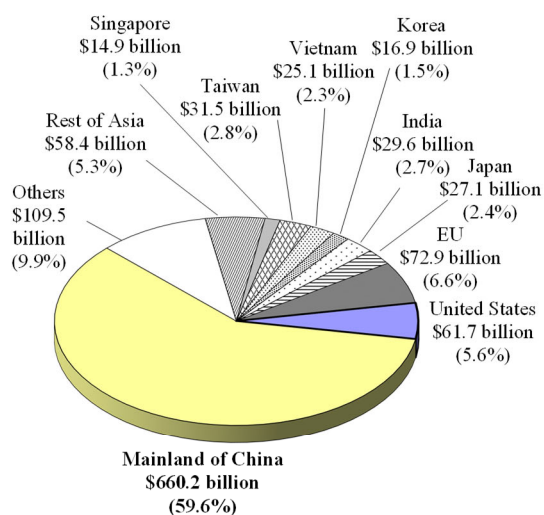


**Diagram 2.2 : Regional trade flows were vibrant in the first quarter thanks to the global economic recovery led by the Mainland and the US**



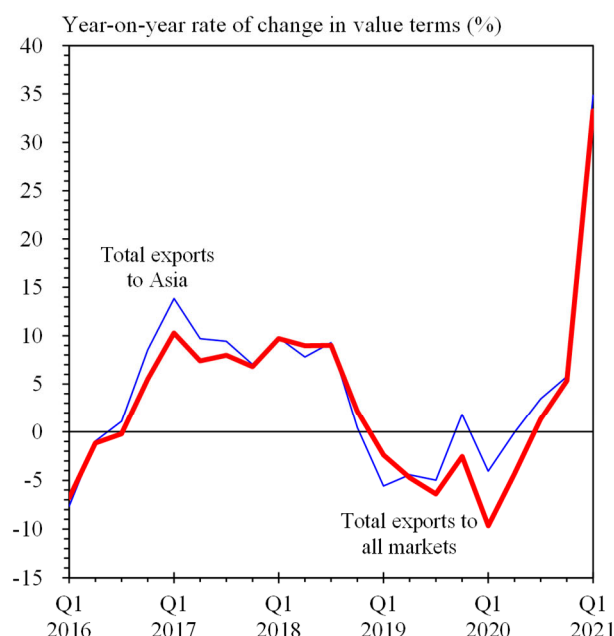
- Notes :
- (\*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.
  - (^) The trade flows were measured by the sum of the individual economies’ exports of goods to the other nine economies within the “selected Asian economies”.
  - (#) EU goods imports for the first quarter of 2021 are based on the information available as of early May 2021.

**Diagram 2.3 : Exports to most key markets in Asia picked up visibly**



**Total exports of goods in the first quarter of 2021:**  
**\$1,107.8 billion**

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>Annual</u>	<u>Q1</u>	<u>2020</u> <u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2021</u> <u>Q1</u>
Mainland of China	5.1	-2.2	5.8	7.2	8.3	37.5
United States	-12.5	-25.9	-17.5	-8.7	1.2	21.4
European Union <sup>#</sup>	-7.3	-24.4	-9.0	-4.1	9.0	26.0
India	-15.5	-0.1	-43.3	-6.7	-11.9	21.3
Japan	-7.2	-15.7	-1.6	-13.6	2.4	7.9
Taiwan	11.3	0.7	20.2	5.5	18.8	44.6
Vietnam	9.8	5.4	-1.2	13.5	20.3	32.9
Singapore	-16.6	-14.8	-23.1	-11.5	-16.4	-2.2
Korea	-5.9	-8.9	-10.8	-7.5	4.0	33.9
Overall*	-0.8	-9.1	-3.5	2.3	5.9	32.0

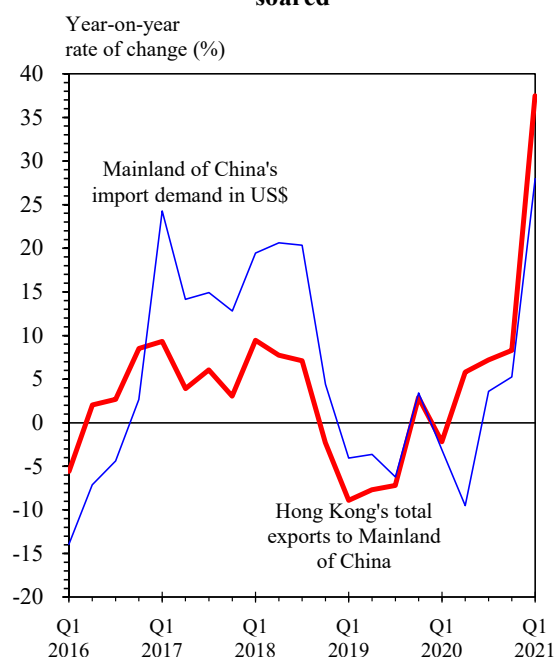
Notes : (\*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National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

(<sup>#</sup>) 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 increased by 39.3% in real terms in the first quarter of 2021 over a year earlier.

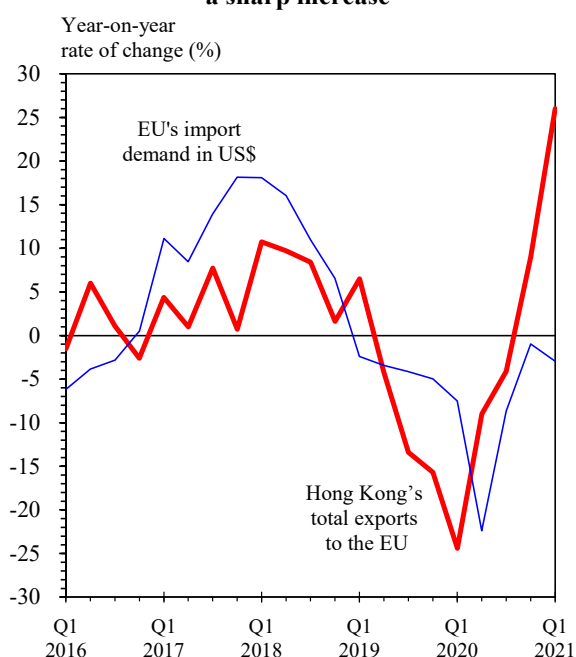
2.6 Analysed by major market, merchandise exports to the US and the EU increased strongly in the first quarter, with exports of capital goods to both markets showing particularly distinct growth. Re-exports of Mainland origin to the US and the EU, including those affected by US additional tariff<sup>(2)</sup>, rose sharply along with the marked expansion of production activities in the Mainland.

2.7 Exports to most key markets in Asia picked up visibly as regional trading and production activities gained momentum (see **Box 2.2** for detailed discussion on the Eastward shift of global economic gravity). Exports to the Mainland soared in the first quarter, mainly driven by the surge in exports of raw materials and semi-manufactures as well as capital goods. Exports to Japan, Korea, Taiwan and Vietnam also accelerated noticeably thanks to strength in exports of capital goods. Exports to India reverted to growth after recording notable declines in 2020. Exports to Singapore showed a narrowed decline.

**Diagram 2.4 : Exports to the Mainland soared**

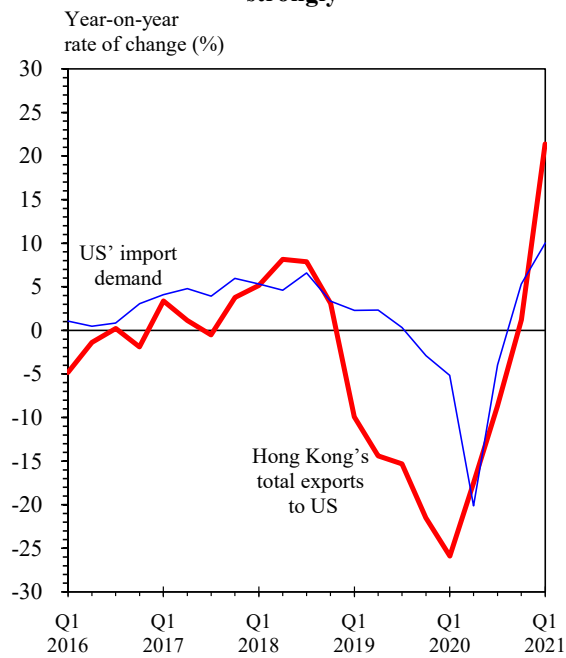


**Diagram 2.5 : Exports to the EU posted a sharp increase**

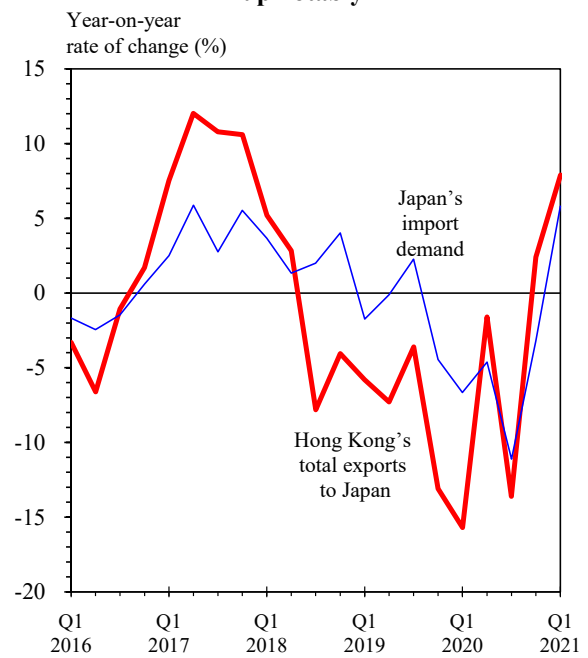


Note: Import demand figure for the EU for the first quarter of 2021 is based on the information available as of early May 2021.

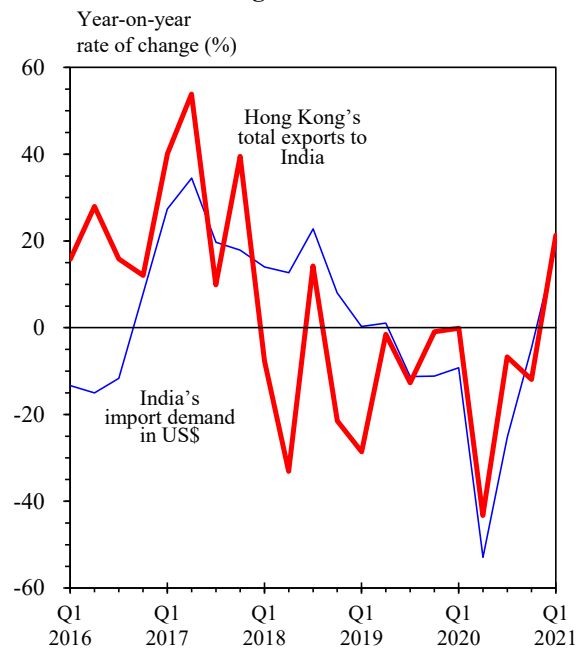
**Diagram 2.6 : Exports to the US increased strongly**



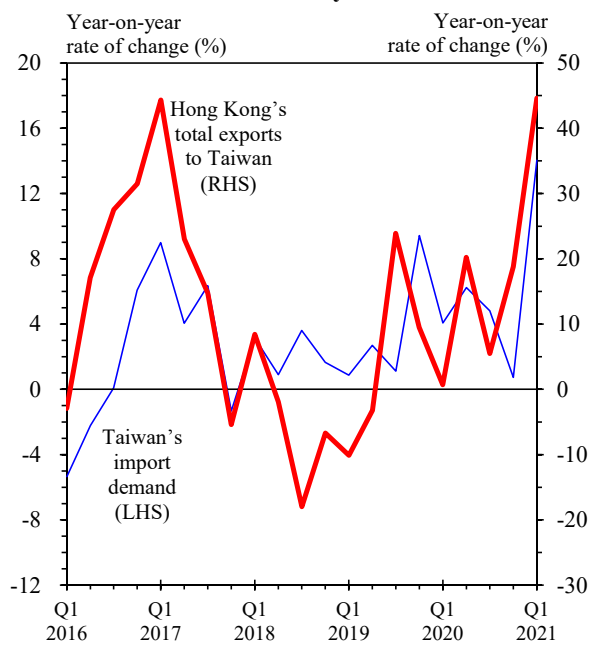
**Diagram 2.7 : Exports to Japan picked up notably**



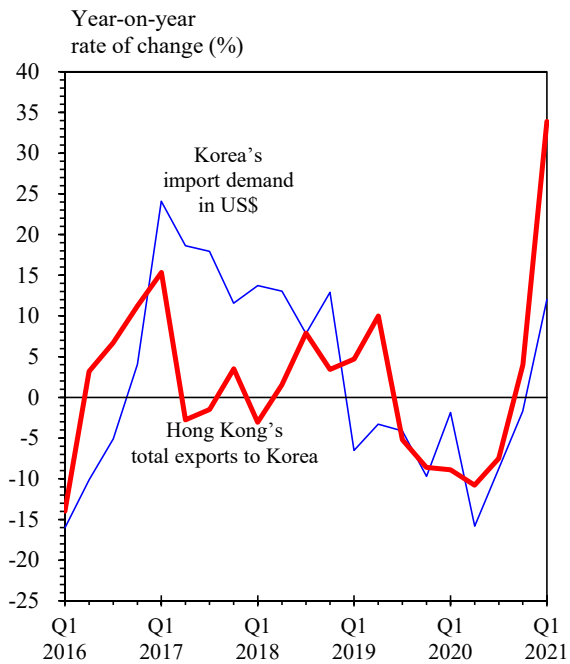
**Diagram 2.8 : Exports to India reverted to growth**



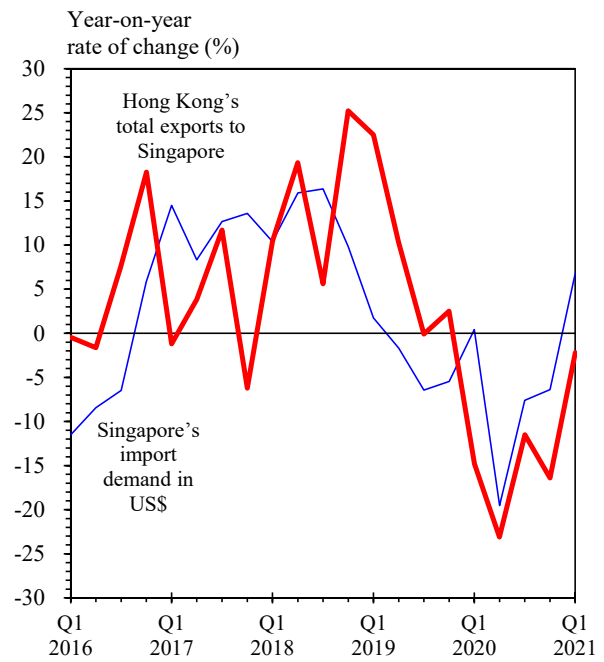
**Diagram 2.9 : Exports to Taiwan accelerated visibly**



**Diagram 2.10 : Exports to Korea saw a marked acceleration**



**Diagram 2.11 : Exports to Singapore showed a narrowed decline**



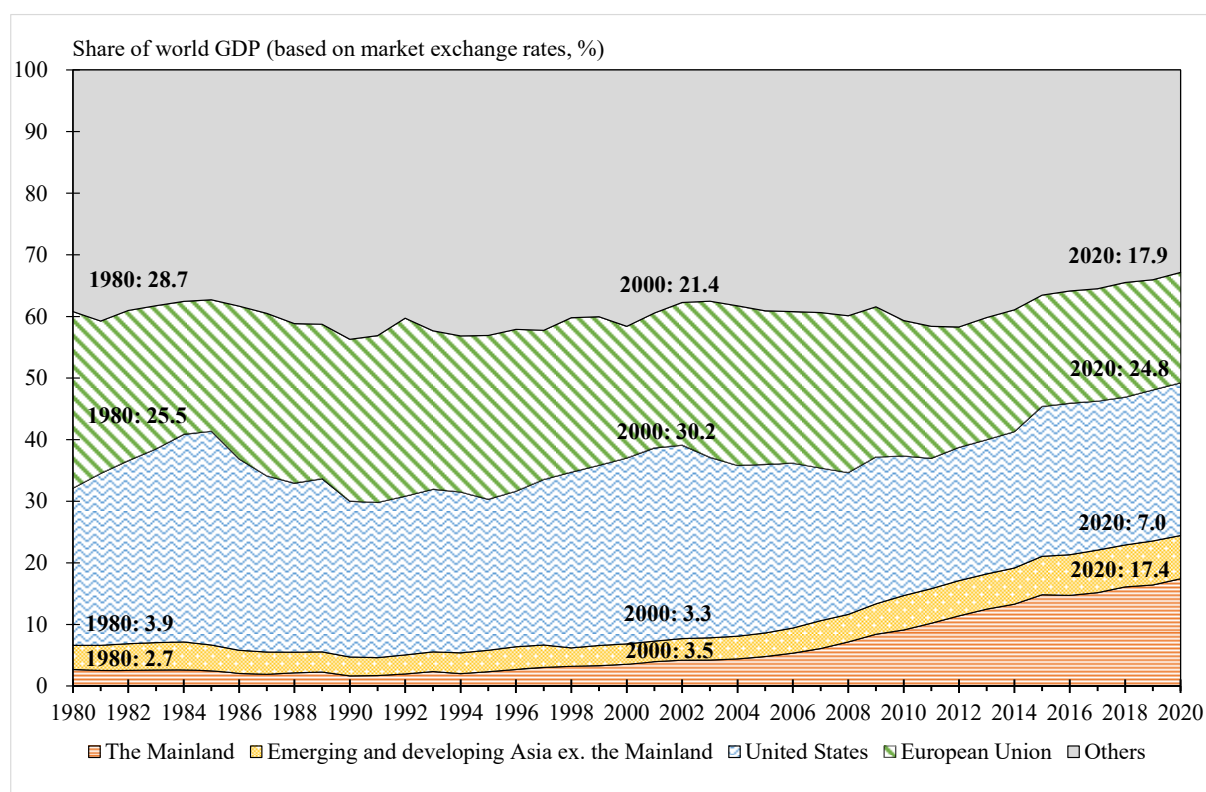
## Box 2.2

### Eastward shift of global economic gravity

It is widely recognised that global economic gravity has been shifting to the East, reflected via attributes such as GDP, trade and investment. This box article charts the rising importance of emerging and developing Asian<sup>(1)</sup> economies, especially the Mainland, over the past four decades.

Since the 1980s, the global economic landscape has indisputably shifted, with emerging and developing Asia constituting an increasing share of world GDP (*Chart 1*). The region was able to sustain significant economic growth by embracing globalisation, inducing tighter regional cooperation and improving productivity, notably through investing in innovation and technology. Reforms were also undertaken across the region to shape a more business-friendly environment. In the Mainland, domestic reforms together with a steady rise in domestic demand and deeper integration with the world trading system resulted in notable economic growth and lifted its share of world GDP, based on market exchange rates, from 2.7% in 1980 to 17.4% in 2020. In other emerging and developing Asian economies, structural policy reforms to attract capital flows and foster closer regional economic co-operation were implemented to stimulate growth. In synergy with the Mainland's vast and growing market, these economies' combined share of world GDP rose from 3.9% to 7.0% over the same period. Meanwhile, advanced economies such as the United States and the European Union had relatively moderate growth amid a different development stage and saw declines in their share of world GDP.

**Chart 1: Selected economies' shares of world GDP**



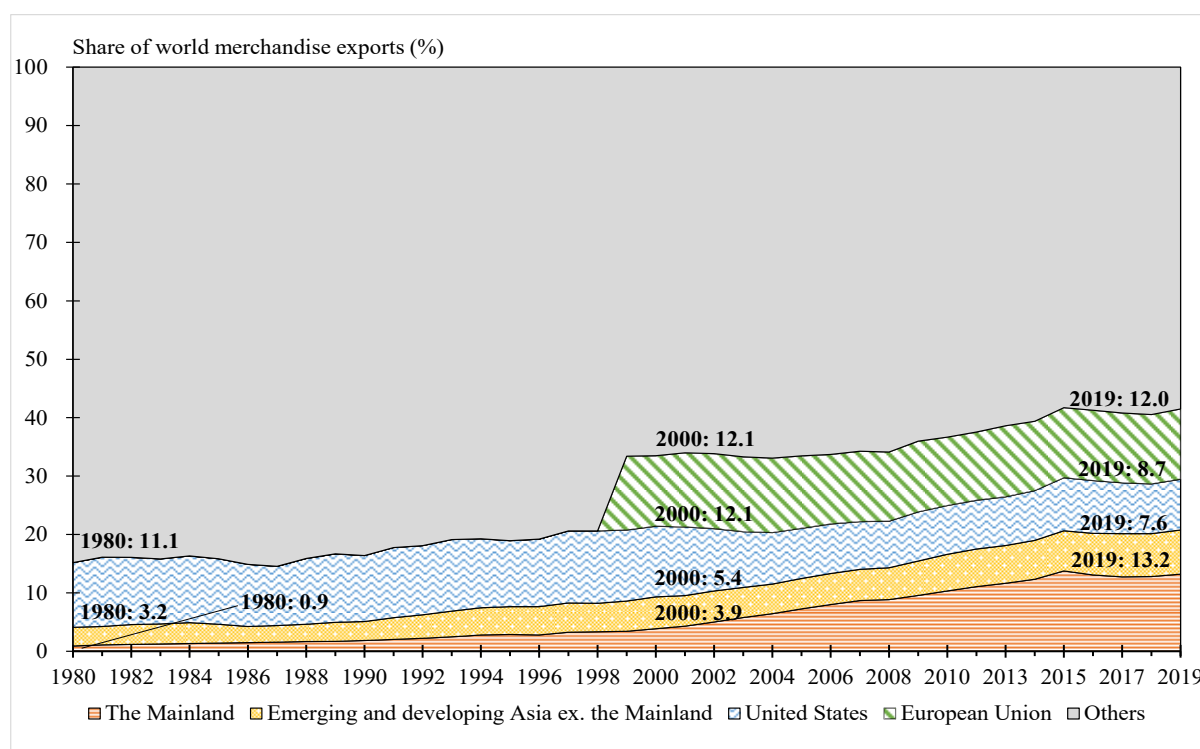
Sources : IMF World Economic Outlook database and internal calculations.

(1) Emerging and developing Asia as defined by the IMF includes the Mainland, India, and ASEAN (excluding Singapore) as well as other smaller Asian economies.

## Box 2.2 (Cont'd)

Having become more integrated into the world economy, emerging and developing Asia has naturally taken up a greater role in international trade. For the Mainland in particular, its share of world merchandise exports rose visibly from 0.9% in 1980 to 13.2% in 2019 (**Chart 2**). The Mainland's accession to the World Trade Organization in 2001 was a pivotal moment, which coincided with the growing globalisation wave. Technological advancements in transportation and communication linkages facilitated deeper global cooperation and cross-regional trading. The Mainland was able to capture this opportunity in these early days with cheap labour and vast production resources, and later cemented its position as the “world's factory” with a holistic business ecosystem formed from sprawling supply chain networks. Overall, the Mainland's merchandise exports to regions other than Asia out of its total merchandise exports rose from 31.1% in 1985 to 51.2% in 2019. At the same time, other emerging and developing Asian economies were able to enjoy spillover effects as foreign companies moved their production lines to the East.

**Chart 2: Selected economies' shares of world merchandise exports**



Sources : World Trade Organization database, Eurostat and internal calculations.

Note : Export figures for the European Union are available starting in 1999 and refer to exports from the EU 28 (i.e. including the United Kingdom) to the rest of the world.

In tandem with the abovementioned shift of production lines, emerging and developing Asia has attracted a significant amount of foreign direct investment (FDI) over the past few decades. Comparing the five-year period 2015-2019 with 20 years ago, FDI flows into the Mainland and the rest of emerging and developing Asia showed cumulative growth of 226% and 429% respectively, higher than the corresponding figures of 144% and 115% for FDI flows into the United States and the European Union. As a result, the share of Mainland's inward FDI flows in the world's total increased from 7.1% in 1995-1999 to 7.8% in 2015-2019. Meanwhile, the share of FDI flows to emerging and developing Asia excluding the Mainland rose by a larger extent from 3.5% to 6.2%. In the other direction, investment originating from Asian economies was also on the rise in recent years as they sought investment opportunities and business cooperation abroad, with the share of Mainland's outward FDI flows in the world's total jumping significantly from 0.4% in 1995-1999 to 10.6% in 2015-2019.

## Box 2.2 (Cont'd)

Looking ahead, the shifting of global economic gravity from the West to the East is set to continue. The Mainland serves as a vital node in regional supply chains, and its continued growth should bring positive spillover effects to other regional economies. The rise of a larger and richer middle class in emerging and developing Asia will also continue to create higher consumption demand for both goods and services. For example, the OECD's Bilateral Trade in Goods by Industry and End-use database shows that among the Mainland's imports, the share of household consumption goods rose steadily from 2.4% in 2005 to 6.8% in 2019, suggesting that the country is gaining importance in final demand. All in all, the IMF forecast that the Mainland's share of world GDP will rise further from 17.4% in 2020 to 19.3% in 2025, and that for other emerging and developing Asian economies combined will rise from 7.0% to 7.7%. In comparison, the United States' and the European Union's combined share will edge down by about two percentage points to around 41%. By 2025, emerging and developing Asia is expected to contribute around three-fifths of global economic growth (*Table 1*).

**Table 1: Economic growth of selected economies**

	2020	2021*	2022*	2023*	2024*	2025*
<b>GDP growth (%)</b>						
The Mainland	2.3	8.4	5.6	5.4	5.3	5.1
Emerging and developing Asia ex. the Mainland	-9.2	8.9	7.0	6.7	6.6	6.6
United States	-3.5	6.4	3.5	1.4	1.5	1.6
European Union	-6.1	4.4	3.9	2.3	1.9	1.6
<b>Contributions to world GDP growth (based on purchasing power parity, % share)^</b>						
The Mainland	12.7	26.3	24.0	30.0	30.8	30.8
Emerging and developing Asia ex. the Mainland	-22.8	20.6	21.2	26.6	27.8	28.5
United States	-17.1	16.9	12.6	6.2	6.7	7.2
European Union	-28.0	10.7	13.1	9.4	8.1	6.9
<b>Shares of world GDP (based on market exchange rates, %)&amp;</b>						
The Mainland	17.4	17.7	18.0	18.4	18.9	19.3
Emerging and developing Asia ex. the Mainland	7.0	7.0	7.1	7.3	7.5	7.7
United States	24.8	24.2	24.0	23.6	23.3	22.9
European Union	17.9	18.2	18.3	18.0	17.8	17.6

Sources : IMF World Economic Outlook database and internal calculations.

Notes : (\*) Forecast figures by IMF.

(^) All the selected economies are labelled with negative contributions to world GDP in 2020, except the Mainland which attained positive economic growth in the year.

(&) Shares of world GDP of the Mainland and rest of emerging and developing Asia would be higher if estimated on a purchasing power parity basis, at 20.1% and 15.7% respectively in 2025.

As a small and outward looking economy, Hong Kong will as in the past stay tuned to the evolving international economic landscape, getting prepared for any challenges while looking for greater development opportunities. With our unique advantages under “One Country, Two Systems”, strong competitive edges in financial services and high value-added professional and business services, as well as deep and extensive connections with the world, Hong Kong will stand to benefit from the ongoing Eastward shift of global economic gravity and the further advancement of the Mainland economy. Under our country's new dual circulation development strategy, Hong Kong will be able to proactively integrate into the national development and achieve greater success in the future as long as we can give full play to our unique roles as a gateway, a springboard and an intermediary. The Government will also play the role of a “facilitator” and “promoter” for our enterprises and people, assisting them to explore new opportunities.



## *Imports of goods*

2.8 *Imports of goods* rose notably by 24.4% in real terms in the first quarter of 2021, after a 6.7% increase in the preceding quarter. *Retained imports*, which refer to imports for domestic use and accounted for around one-fifth of total imports in 2020, increased only moderately by 2.5% in real terms. On the other hand, imports for subsequent *re-exports*<sup>(3)</sup> grew visibly alongside the strong export performance.

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

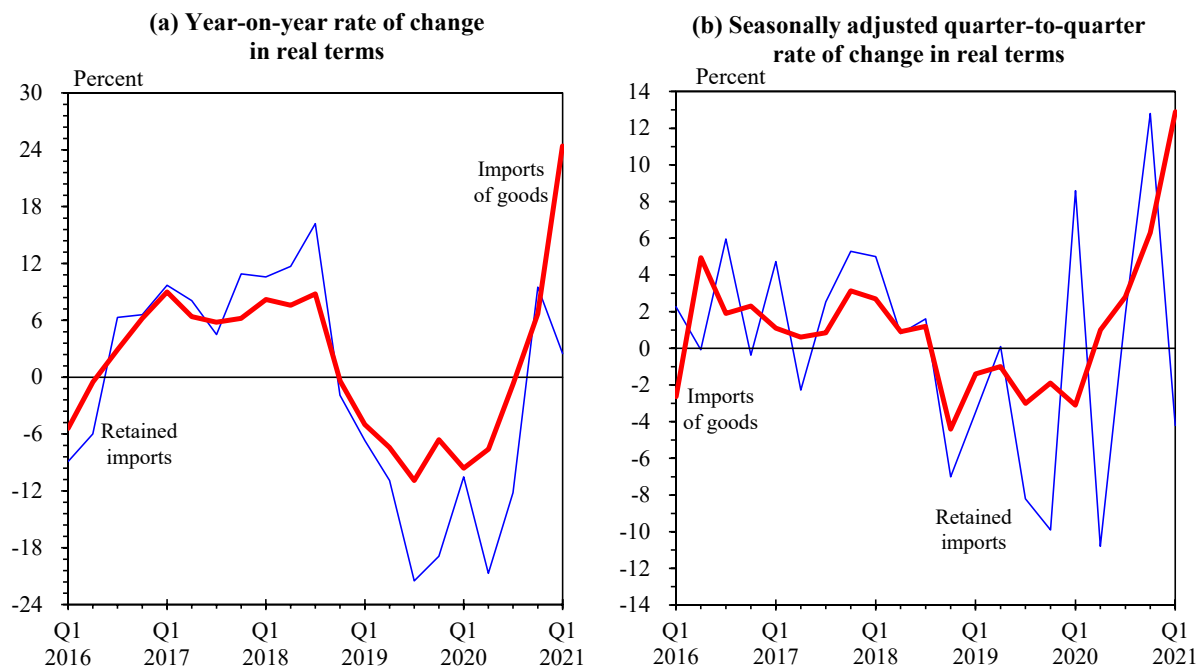
		<u>Imports of goods</u>				<u>Retained imports</u> <sup>(a)</sup>			
		<u>In value terms</u>	<u>In real terms</u> <sup>(+)</sup>		<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>		<u>Change in prices</u>
2020	Annual	-3.3	-2.6		-0.7	-9.3	-8.8		-0.8
	Q1	-10.0	-9.6	(-3.1)	-0.4	-10.9	-10.5	(8.6)	0.1
	Q2	-8.8	-7.6	(1.0)	-1.0	-23.2	-20.7	(-10.8)	-1.9
	Q3	-1.9	-0.7	(2.8)	-1.2	-13.6	-12.2	(1.9)	-2.3
	Q4	6.6	6.7	(6.3)	-0.1	12.0	9.5	(12.8)	0.5
2021	Q1	25.6	24.4	(12.9)	1.1	3.5	2.5	(-4.2)	1.4

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 rose notably**

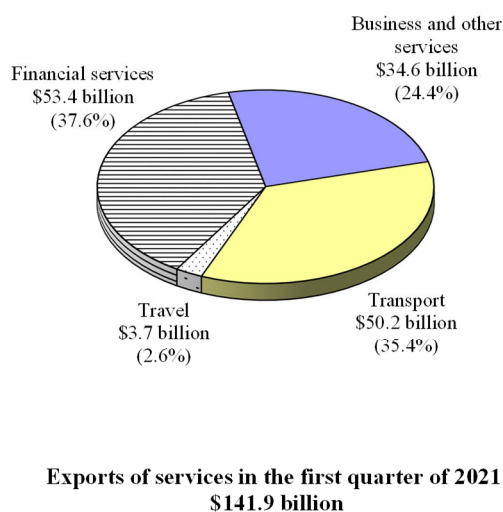


## Services trade

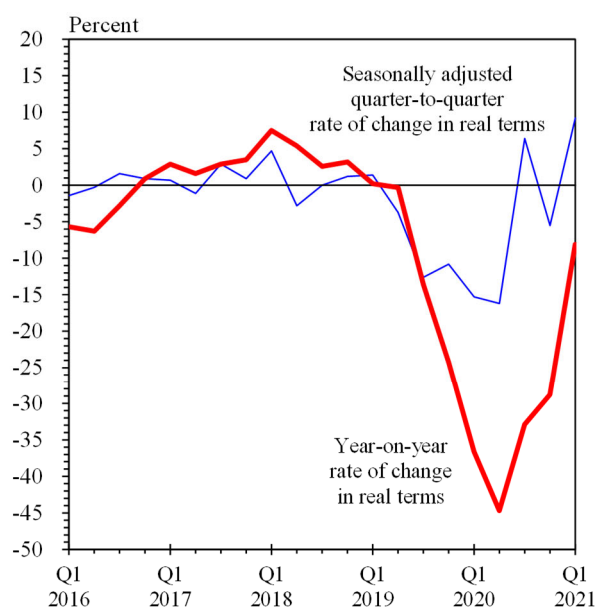
### *Exports of services*

2.9 After plunging by 28.8% year-on-year in real terms in the preceding quarter, *exports of services* saw a visibly narrowed decline of 8.1% in the first quarter partly due to a low base of comparison a year earlier. Exports of travel services remained in the doldrums as inbound tourism was halted by continued travel restrictions worldwide. Meanwhile, exports of transport services resumed growth thanks to vibrant regional trade and cargo flows. Exports of business and other services saw some improvement amid the recovery of the global economy. Exports of financial services continued to expand, supported by cross-border financial and fund-raising activities.

**Diagram 2.13 : The contribution from travel services to total exports of services remained meagre as inbound tourism was halted**



**Diagram 2.14 : Exports of services saw a visibly narrowed decline**



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

		<i>Of which :</i>				
		Exports of services	Transport	Travel <sup>(a)</sup>	Financial services	Business and other services
2020	Annual	-36.1	-28.5	-90.3	3.0	-11.9
	Q1	-36.6 (-15.3)	-31.2	-80.2	2.8	-13.2
	Q2	-44.7 (-16.2)	-33.5	-96.9	2.6	-13.3
	Q3	-32.9 (6.4)	-24.9	-97.1	3.6	-11.4
	Q4	-28.8 (-5.5)	-23.6	-90.8	3.1	-9.8
2021	Q1	-8.1 (9.2)	1.7	-77.5	0.8	-3.5

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*.

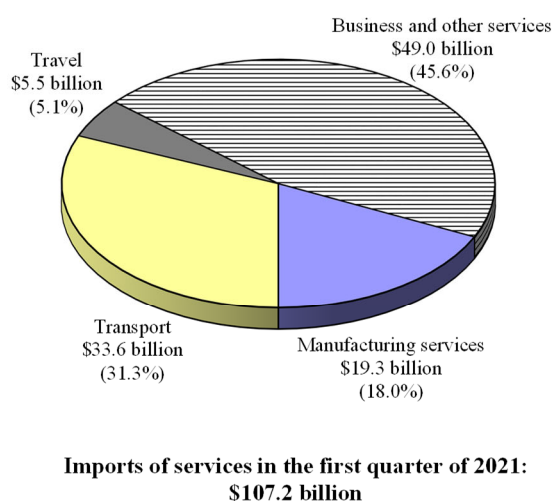
(a) Comprising mainly inbound tourism receipts.

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

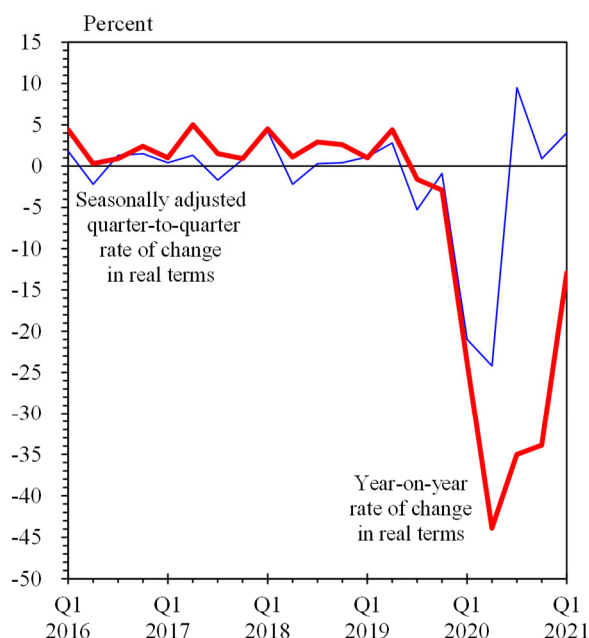
## *Imports of services*

2.10 *Imports of services* showed a smaller decline of 12.9% year-on-year in real terms in the first quarter against a low base of comparison, having plunged by 33.9% in the preceding quarter. Imports of travel services continued to fall drastically as outbound tourism was severely hindered by strict travel restrictions and quarantine measures around the world. Imports of transport services revived visibly and posted an increase as trade and cargo flows in the region turned more vibrant. Imports of business and other services resumed modest growth as the global economic situation improved. Meanwhile, imports of manufacturing services reverted to an increase as outward processing activities picked up in tandem with the notable revival of regional trade performance.

**Diagram 2.15 : The share of travel services to overall imports of services remained low amid strict travel restrictions and quarantine measures worldwide**



**Diagram 2.16 : Imports of services showed a smaller decline**



**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> <sup>(+)</sup>	<u>Transport</u>	<u>Manufacturing services</u> <sup>(^)</sup>	<u>Business and other services</u>
2020	Annual	-34.1	-80.3	-20.1	-13.6	-3.4
	Q1	-23.7 (-21.0)	-48.9	-18.7	-21.9	-3.7
	Q2	-43.9 (-24.2)	-92.8	-29.4	-23.3	-4.6
	Q3	-35.0 (9.5)	-88.2	-17.6	-10.9	-2.0
	Q4	-33.9 (0.9)	-89.0	-14.1	-0.1	-3.4
2021	Q1	-12.9 (4.0)	-79.1	5.4	14.3	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 turned to a surplus in the first quarter of 2021, as the year-on-year increase in goods exports was larger than that in goods imports. Over the same period, the services surplus widened. The combined surplus from the goods and services accounts amounted to \$43 billion in the first quarter of 2021, equivalent to 3.4% of total import value, as compared to the deficit of \$19 billion (or 1.8% of total import value) in the first quarter of 2020.

**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>	
2020	Annual	4,245	507	4,287	416	-42	91	49	1.0
	Q1	894	146	942	117	-48	29	-19	-1.8
	Q2	991	107	1,011	85	-20	22	2	0.2
	Q3	1,149	126	1,116	102	33	24	57	4.7
	Q4	1,212	127	1,217	112	-6	15	9	0.7
2021	Q1	1,178	142	1,170	107	9	35	43	3.4

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.

## Other developments

2.12 To support enterprises in exploring more diversified markets by fully utilising the better protection offered by the IPPAs, the Financial Secretary announced in the 2021-22 Budget an extra \$1.5 billion injection into the Dedicated Fund on Branding, Upgrading and Domestic Sales. While the cumulative funding ceiling per enterprise would be increased, the geographical coverage would also be substantially further extended in phases from 20 to 37 economies to include all those with which Hong Kong has signed IPPAs. Moreover, the Government will launch a large-scale publicity and promotional campaign at home and abroad when the pandemic further subsides, with a view to attracting enterprises, investors and talent to Hong Kong.

2.13 Economic ties with economies in the Asia-Pacific region have been enhanced further. In March, the Government signed a memorandum of understanding with the APEC Secretariat to support the creation of the SELI sub-fund. The SELI sub-fund under the APEC Economic Committee will provide funding for capacity building work to assist APEC economies to strengthen their economic and legal infrastructure with a view to fostering economic development in the Asia-Pacific region. The establishment of the sub-fund demonstrates the Government's commitment and contribution to strengthening economic and legal infrastructure in the region, and charts the course for a stronger, closer and more longstanding partnership with APEC.

## 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 further by 21.8% in 2020, before bouncing back notably by 12.6% in the first quarter of 2021. The performance of these affected re-exports were still worse than Hong Kong's total exports to all markets, which surged by 33.2% in the first quarter of 2021.
- (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 turned more active in the first quarter of 2021 amid more upbeat sentiment. The low interest rate environment and firm end-user demand continued to render support to the market, and the abating local epidemic situation towards the end of the quarter also helped. Trading activities picked up further, and flat prices reverted to an increase of 2%.*
- *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 93 000 units as estimated at end-March 2021.*
- *The commercial and industrial property markets continued to revive in the first quarter of 2021. Trading activities for all major market segments recorded further increases over the preceding quarter, following the abolition of the DSD on non-residential property transactions in late November 2020, though remaining at relatively low levels by historical standards. Prices for major market segments rose during the quarter, while rentals declined.*
- *The tourism sector remained at a standstill in the first quarter, alongside the ongoing threat of COVID-19 pandemic and associated stringent travel restrictions imposed by governments worldwide. Overall visitor arrivals plunged by 99.5% from a year earlier to an extremely low level.*
- *The logistics sector saw a further pick-up in growth in the first quarter amid a strong revival in trade flows. Total container throughput rose by 1.9% over a year earlier, while air freight throughput jumped by 13.9%.*

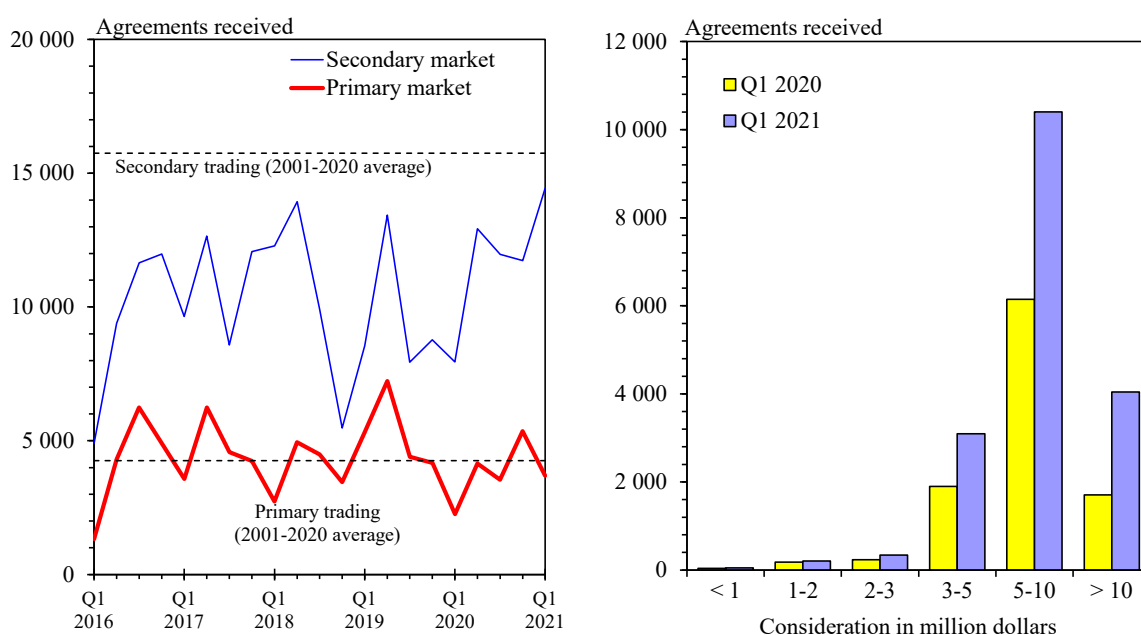


## Property

3.1 The *residential property market* turned more active in the first quarter of 2021 amid more upbeat sentiment. The low interest rate environment and firm end-user demand continued to render support to the market, and the abating local epidemic situation towards the end of the quarter also helped. Trading activities picked up further, and flat prices reverted to an increase.

3.2 The total number of sale and purchase agreements for residential property received by the Land Registry increased by 6% over the preceding quarter or 78% over the low base a year earlier to 18 131 in the first quarter. Within the total, secondary market transactions jumped by 23% over the preceding quarter, while primary market transactions fell by 31%. Meanwhile, total consideration edged down by 1% to \$166.0 billion.

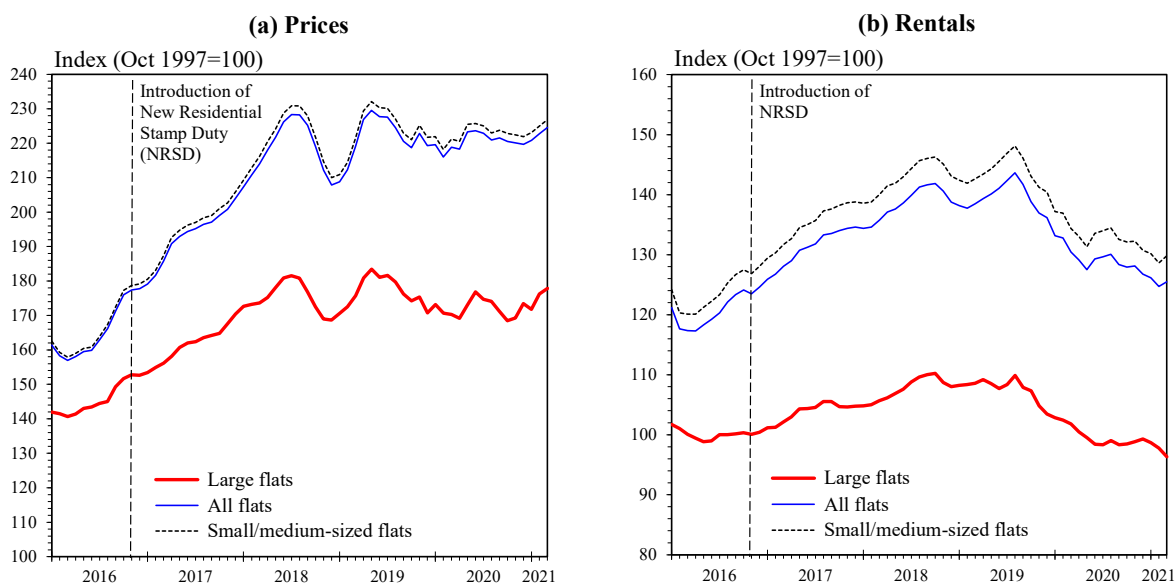
**Diagram 3.1 : Trading activities picked up further in the first quarter**



3.3 After recording a slight decline during the second half of 2020, flat prices on average reverted to an increase of 2% during the first quarter of 2021. Analysed by size, prices of small/medium-sized flats and large flats rose by 2% and 3% respectively. Flat prices in March 2021 were on average still 2% lower than the historic high in May 2019.

3.4 With the declines in January and February partially offset by the increase in March, flat rentals on average edged down by 1% during the first quarter. Analysed by size, rentals of small/medium-sized flats and large flats went down by 1% and 3% respectively. Flat rentals on average in March 2021 were 13% below the recent peak in August 2019. The average rental yield for residential property stayed at 2.2% in March 2021, virtually unchanged from December 2020.

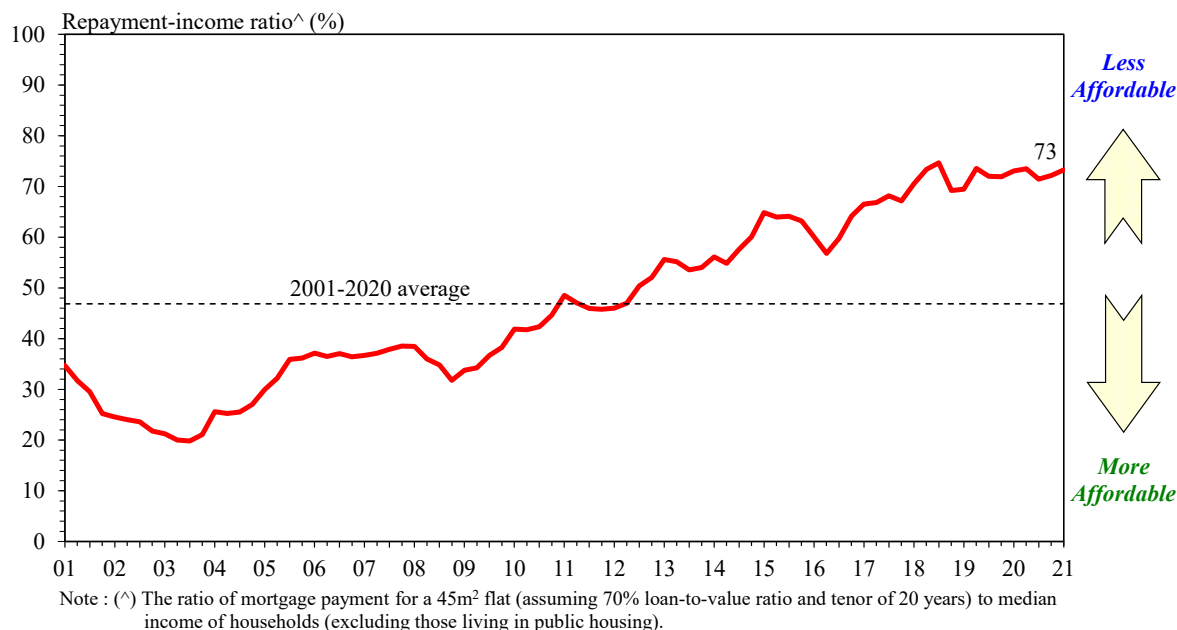
**Diagram 3.2 : Flat prices reverted to an increase during the first quarter, while rentals edged down**



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

3.5 Flat prices in March 2021 exceeded the 1997 peak by 125%. 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) rose to around 73% in the first quarter, significantly above the long-term average of 47% over 2001-2020<sup>(1)</sup>. Should interest rates rise by three percentage points to a more normal level, the ratio would soar to 96%.

**Diagram 3.3 : The index of home purchase affordability rose**



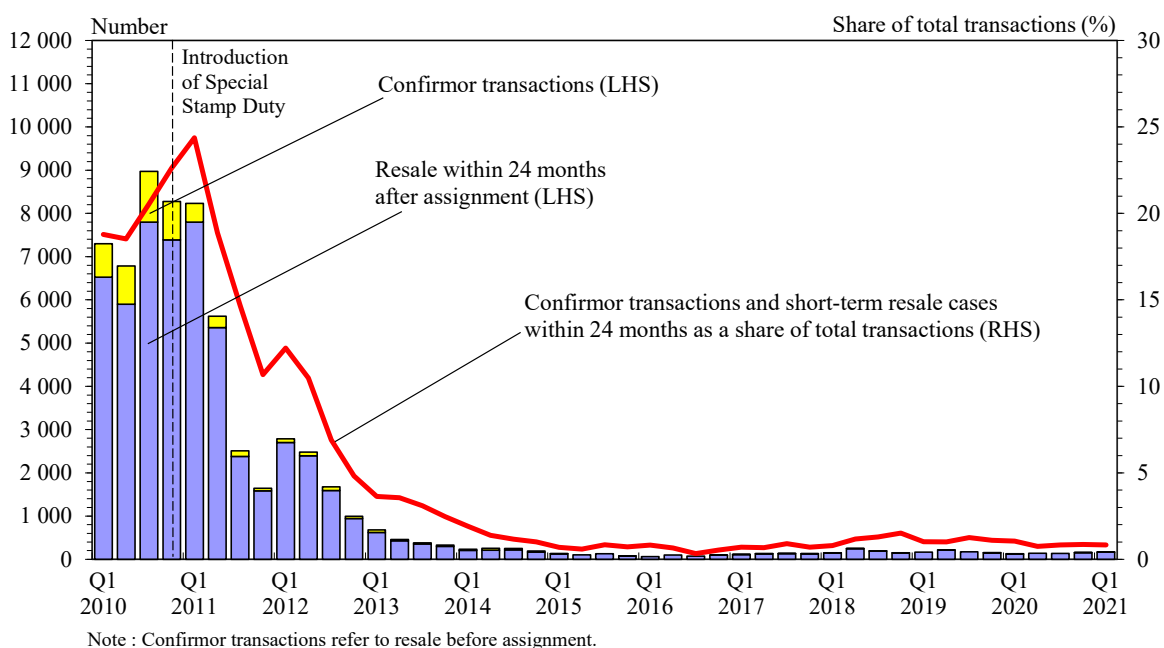
3.6 Raising flat supply through increasing land supply is a policy priority of the Government. In February, the Government announced the 2021-22 Land Sale Programme, which comprises 15 residential sites capable of providing about 6 000 flats in total. Combining the various sources (including Government land sale, railway property development projects, the Urban Renewal Authority's projects, and private development and redevelopment projects), the total potential private housing land supply in 2021-22 is estimated to have a capacity to produce about 16 500 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 93 000 units as estimated at end-March 2021. Another 3 400 units could be added to the total supply after the conversion of a number of residential sites into "disposed sites". Also, the annual average completions of private residential flats are projected at over 18 000 units in 2021-2025, an increase of about 5% over the annual average of the past five years.

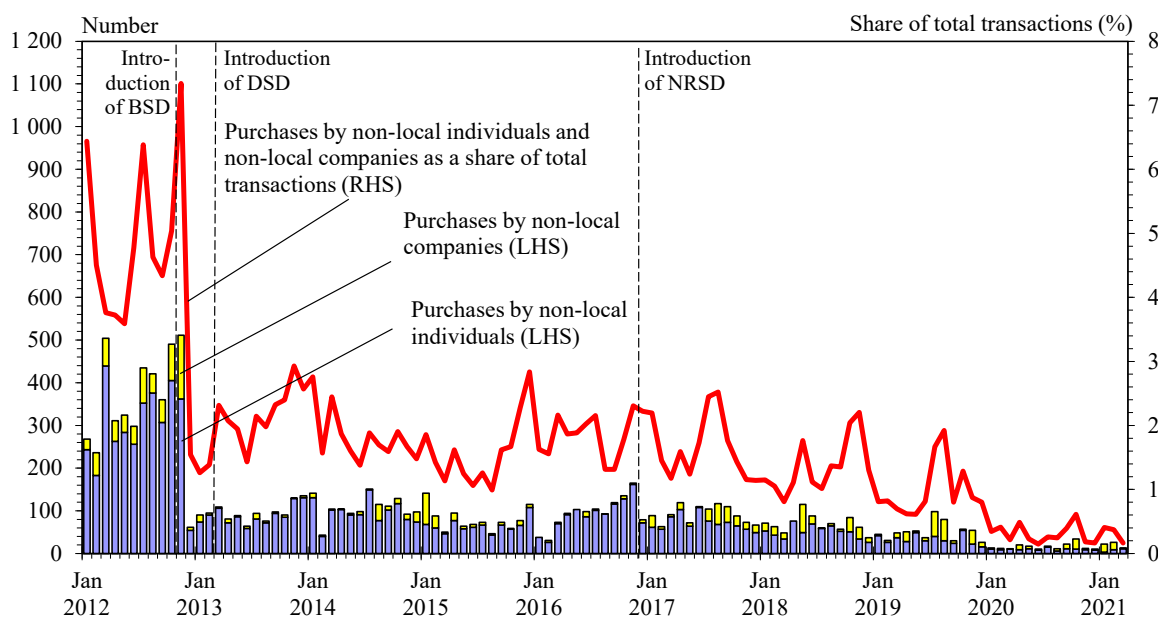
3.8 Over the past several years, the Government has also implemented demand-side management and macro-prudential measures to dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market<sup>(2)</sup>. These measures have yielded notable results. On *speculative activities*, the number of short-term resale (comprising confirmor transactions and resale within 24

months after assignment) remained low at 55 cases per month or 0.8% of total transactions in the first 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 20 cases per month or 0.3% of total transactions in the first 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 228 cases per month or 3.3% of total transactions in the first quarter, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty (DSD) or 26.5% in January to November 2016. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 58% in the first 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 Hong Kong Monetary Authority.

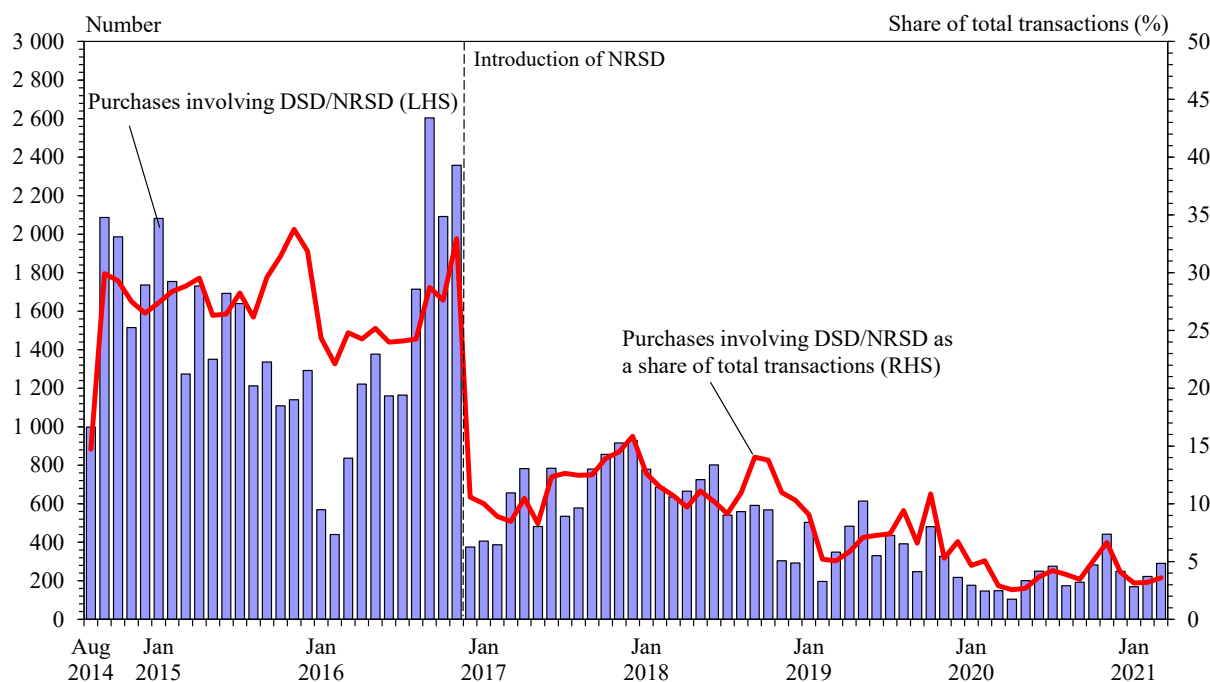
**Diagram 3.4 : Speculative activities stayed subdued**



**Diagram 3.5 : Purchases by non-local buyers stayed low**



**Diagram 3.6 : Investment activities were modest**



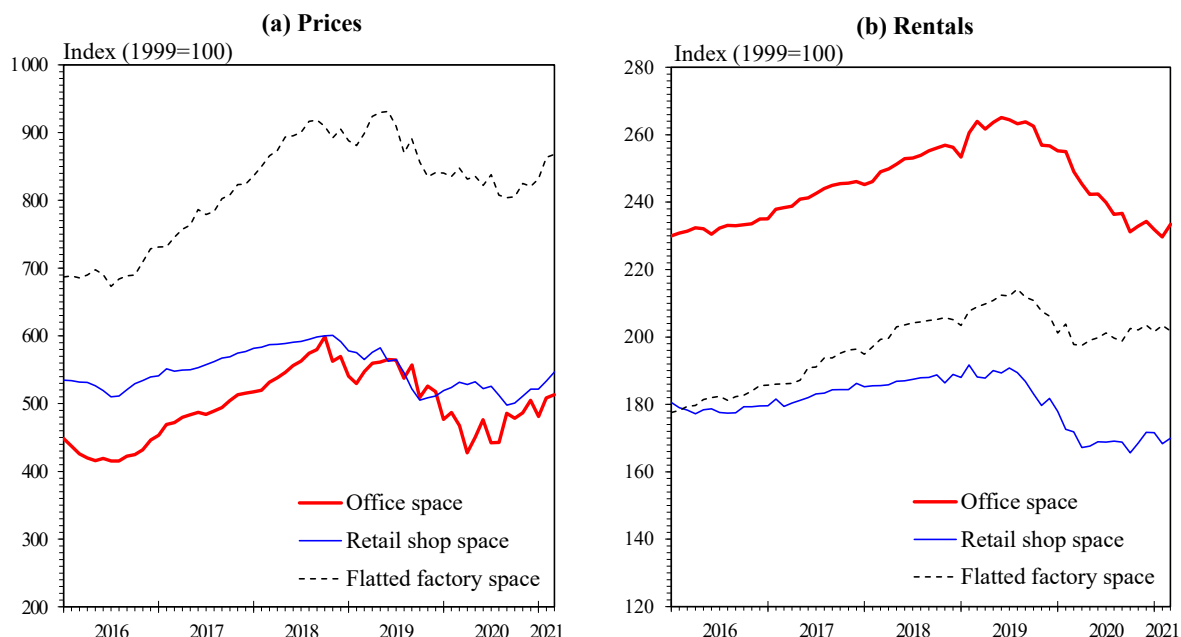
3.9 The *commercial* and *industrial property markets* continued to revive in the first quarter of 2021. Trading activities for all major market segments recorded further increases over the preceding quarter, following the abolition of the DSD on non-residential property transactions in late November 2020, though still at relatively low levels by historical standards. Prices for major market segments rose during the quarter, while rentals declined.

3.10 Prices of *office space* on average increased by 2% during the first quarter. Analysed by office class, prices of Grade C office space rose by 4%, those of Grade A office space were virtually unchanged, while those of Grade B office space edged down by 1%. Over the same period, office rentals on average were little changed. Within the total, rentals of Grade A office space went down by 1%, those of Grade B office space stayed virtually unchanged, while those of Grade C office space increased by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals of office space on average in March 2021 were 14% and 12% lower respectively. The average rental yields of Grade A, B and C office space were 2.5%, 2.6% and 2.7% respectively in March 2021, compared with 2.5%, 2.5% and 2.8% in December 2020. Transactions for office space rose by 8% from the preceding quarter to 240 cases in the first quarter or by 141% over the record low a year earlier.

3.11 Prices of *retail shop space* rose by 5% between December 2020 and March 2021, while rentals edged down by 1%. Prices in March 2021 were still 9% lower than the peak in 2018, while rentals were 11% below the peak in 2019. Reflecting the relative movements of prices and rentals during the period, the average rental yield edged down from 2.6% in December 2020 to 2.4% in March 2021. For all commercial spaces, sales transactions jumped by 30% over the preceding quarter or by 168% over a year earlier to 530 cases in the first quarter<sup>(3)</sup>.

3.12 Prices of *flatted factory space* rose by 6% between December 2020 and March 2021, while rentals edged down by 1%. Prices and rentals in March 2021 were 7% and 6% lower than their respective peaks in 2019. The average rental yield therefore declined from 3.0% in December 2020 to 2.8% in March 2021. Sales transactions surged by 27% over the preceding quarter or by 182% over a year earlier to 880 cases in the first quarter.

**Diagram 3.7 : Prices of non-residential properties rose during the first quarter, while rentals declined**



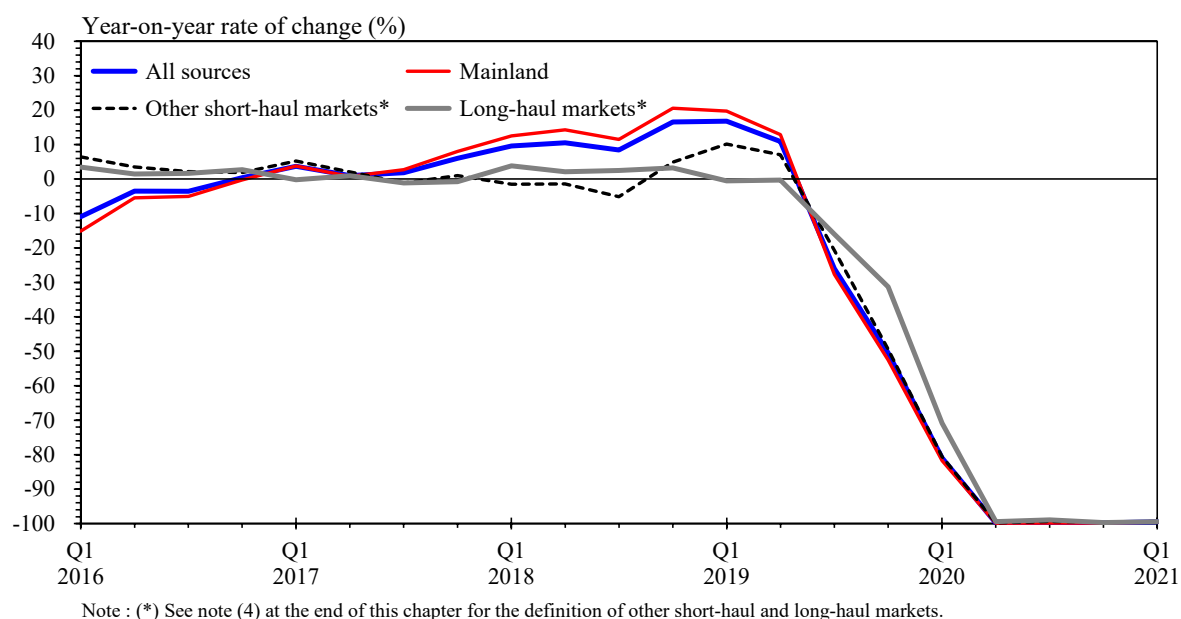
## Land

3.13 Two residential sites and one industrial site, with a total area of about 2.0 hectares, were disposed of in the first quarter, fetching a land premium of about \$18.3 billion. In addition, the tender exercises for one residential site in Kwu Tung and one commercial site in Causeway Bay commenced in the quarter. In the first quarter, three land exchange cases and lease modifications of 11 sites were approved.

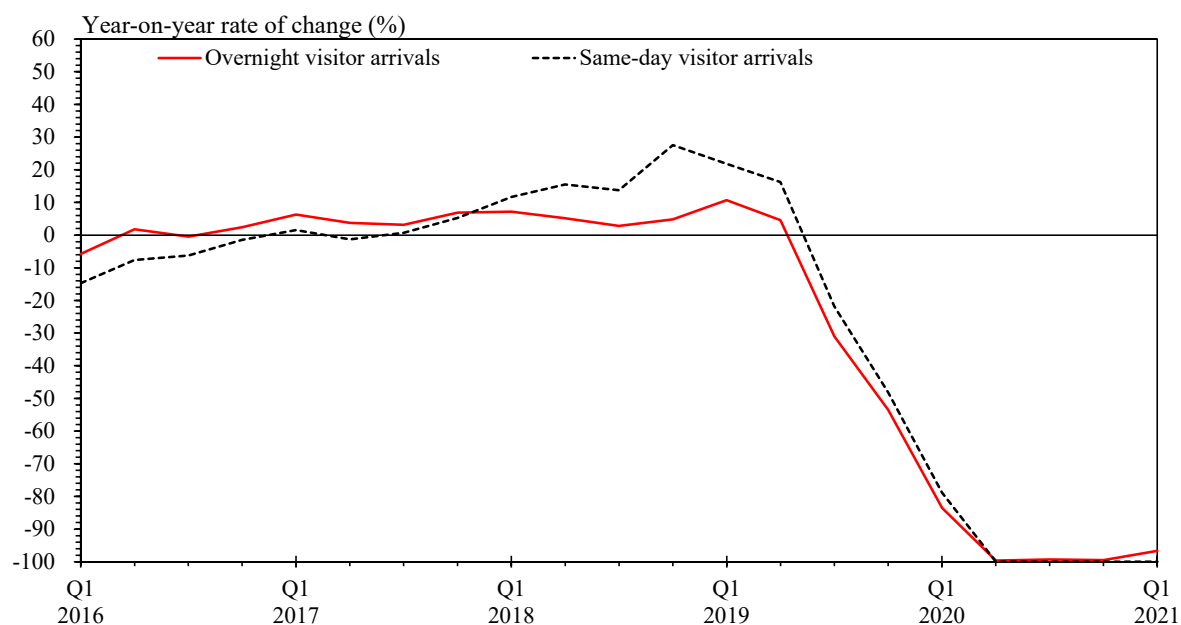
## Tourism

3.14 The tourism sector remained at a standstill in the first quarter, alongside the ongoing threat of COVID-19 pandemic and associated stringent travel restrictions imposed by governments worldwide. Overall *visitor arrivals* plunged by 99.5% from a year earlier to an extremely low level of 16 500 in the first quarter. This compared with 18 million visitor arrivals in the first quarter of 2019, prior to the recession. Mainland visitors and visitors from other short-haul and long-haul markets all recorded declines of around 99%<sup>(4)</sup>, and similarly for overnight and same-day visitors. Visitor spending, as measured by exports of travel services, declined sharply by 77.5% year-on-year in real terms.

**Diagram 3.8 : The tourism sector remained a standstill in the first quarter**



**Diagram 3.9 : Both overnight visitor arrivals and same-day visitor plummeted from a year earlier in the first quarter**



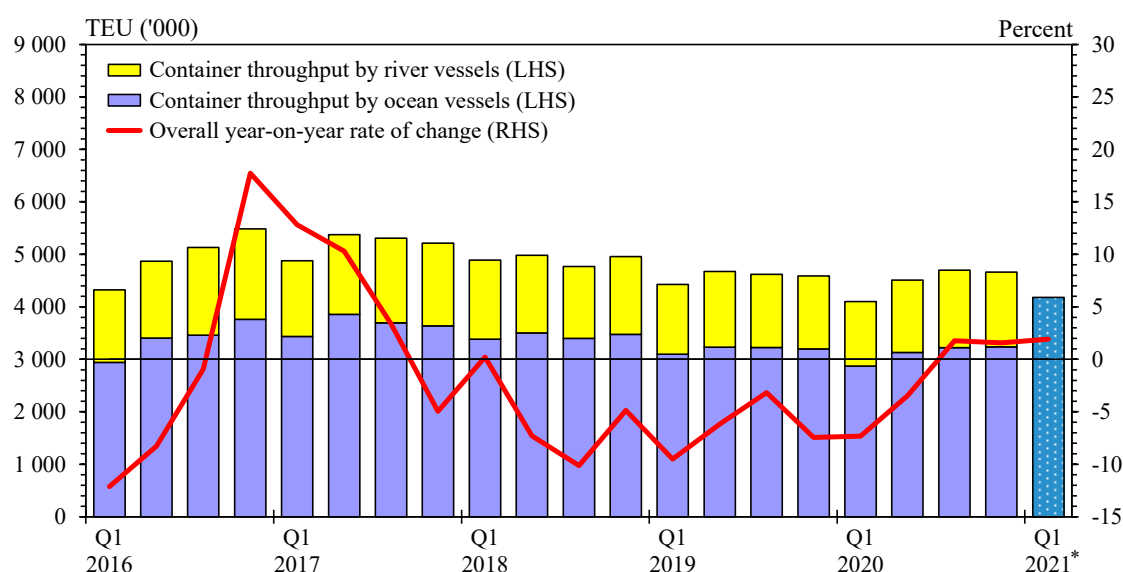
3.15 The hotel sector remained under immense pressure, though the “staycation activities” by local residents and individuals undergoing compulsory quarantine at hotels provided some support. The average hotel room occupancy rate stood at 52% in the first quarter, down slightly from 56% in the preceding quarter though still represented some improvement from the low of 40% a year earlier when the epidemic first hit Hong Kong. The average achieved hotel room rate declined by 11.9% from a year earlier to \$847<sup>(5)</sup>.



## Logistics

3.16 The logistics sector saw a further pick-up in growth in the first quarter amid a strong revival in trade flows. *Total container throughput* rose by 1.9% over a year earlier to 4.2 million twenty-foot equivalent units (TEUs), after increasing by 1.6% in the preceding quarter. The value of trade handled at the Hong Kong port rose by 22.4%, but its share in total trade edged down from 14.8% a year earlier to 14.1%.

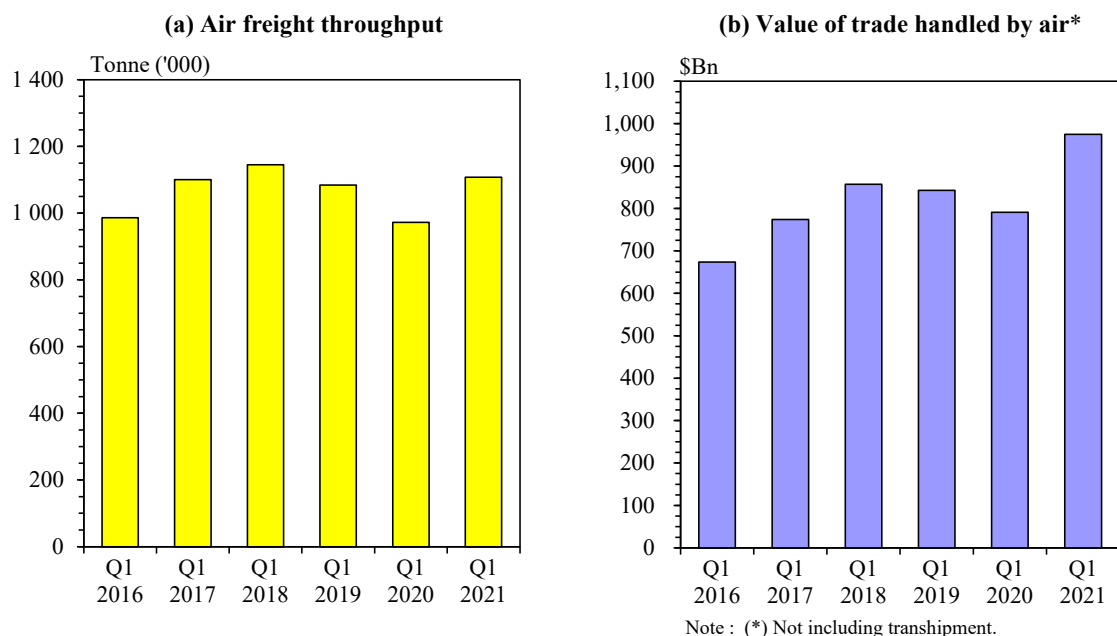
**Diagram 3.10 : Container throughput rose further in the first quarter**



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.

3.17 *Air freight throughput* jumped by 13.9% over a year earlier to 1.1 million tonnes in the first quarter, partly bolstered by a low base of comparison last year. The value of trade by air surged by 23.3%, but its share in total trade decreased somewhat from 44.8% a year earlier to 42.7%.

**Diagram 3.11 : Air freight throughput and value of trade handled by air jumped in the first quarter**



## Transport

3.18 Traffic flows for all modes of cross-boundary passenger transport stayed at extremely low levels in the first quarter as the travel restrictions and boundary control measures in response to the COVID-19 pandemic remained in place. Air passenger traffic plunged by 97.8% from a year earlier to 176 000 trips. Water-borne and land-based cross-boundary passenger trips plummeted by 99.5% and 98.6% to around 5 000 and 243 000 respectively. Meanwhile, average daily cross-boundary vehicle movements dropped by 31.3% to 15 648.

## Innovation and technology

3.19 The Financial Secretary announced a number of measures to promote the development of innovation and technology (I&T) in the 2021-22 Budget. The Government will inject \$4,750 million per year to the Innovation and Technology Fund for two years in a row to sustain 17 funding schemes as well as the work of over 50 R&D centres/laboratories in the next three years. In addition, \$350 million and \$200 million have been injected into the Corporate Venture Fund under the Hong Kong Science and Technology Parks Corporation (HKSTPC) and Cyberport Macro Fund respectively to encourage private investment in the I&T sector. At the same time, the HKSTPC has launched the Data Technology Hub in the Tseung Kwan O Industrial Estate, providing a dedicated base for information and communication technology and data-centric

businesses. The Government obtained funding approval from the Legislative Council in February 2021 to commence Batch 1 development of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop. The Hong Kong-Shenzhen Innovation and Technology Park Limited is currently pressing ahead with the relevant works projects at full steam with a view to completing the eight buildings in Batch 1 in phases from 2024 to 2027.

## **Environment**

3.20 To facilitate the attainment of carbon neutrality before 2050, the Government announced the first “Hong Kong Roadmap on Popularisation of Electric Vehicles”, with a target to achieve zero vehicular emissions within the same time frame.

3.21 The Roadmap sets out long-term policy objectives and plans to promote wider adoption of electric vehicles (EVs) and provision of the associated supporting facilities in Hong Kong. The key measures include no new registration of fuel-propelled private cars from 2035 or earlier, trials for electric public transport and commercial vehicles with a view to setting a concrete way forward and a timetable for electrification around 2025, expanding and marketising EV charging network, training EV technicians and mechanics, formulating a Producer Responsibility Scheme for retired EV batteries, etc.

3.22 The Government also announced various environmental protection measures in the 2021-22 Budget, including setting aside \$1 billion for more than 80 projects to install additional small-scale renewable energy systems at government buildings and infrastructure, and earmarking \$150 million to conduct energy audits and install energy-saving appliances for NGOs free of charge.

Notes :

- (1) Starting from the third 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). 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. For details of the measures promulgated in 2020, see Box 4.1 of the 2020 Economic Background and 2021 Prospects.
- (3) 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.
- (4) Other 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 first quarter of 2021, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 70%, 19% and 11% of the total.
- (5) The figures on hotel room occupancy and achieved room rate do not include guesthouses.

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

### *Summary*

- *The low interest rate environment in Hong Kong continued in the first quarter of 2021, as the US Federal Open Market Committee (FOMC) kept the target range for the Federal Funds Rate unchanged at the record low level of 0.00-0.25%. Hong Kong dollar interbank interest rates and interest rates on the retail front stayed at low levels.*
- *The Hong Kong dollar spot exchange rate against the US dollar stayed close to the strong-side Convertibility Undertaking level in January and February, before softening slightly in March. Meanwhile, as the US dollar strengthened against most major currencies by varying degrees, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices edged up by 0.3% and 0.4% respectively during the first quarter.*
- *Total loans and advances increased by 2.8% during the first quarter. Within the total, loans for use in and outside Hong Kong rose by 3.6% and 0.9% respectively.*
- *The local stock market showed some volatilities in the first quarter. After reaching a high of 31 085 on 17 February amid hopes for a sustained global economic recovery with the rollout of mass COVID-19 vaccination programmes worldwide, the Hang Seng Index (HSI) retreated to 27 900 on 25 March as market sentiment was dampened by rising inflation expectations in the US and concerns over possible monetary tightening in the Mainland. It closed the quarter at 28 378, 4.2% higher than end-2020. Trading activities were very active and fund raising activities remained buoyant.*

---

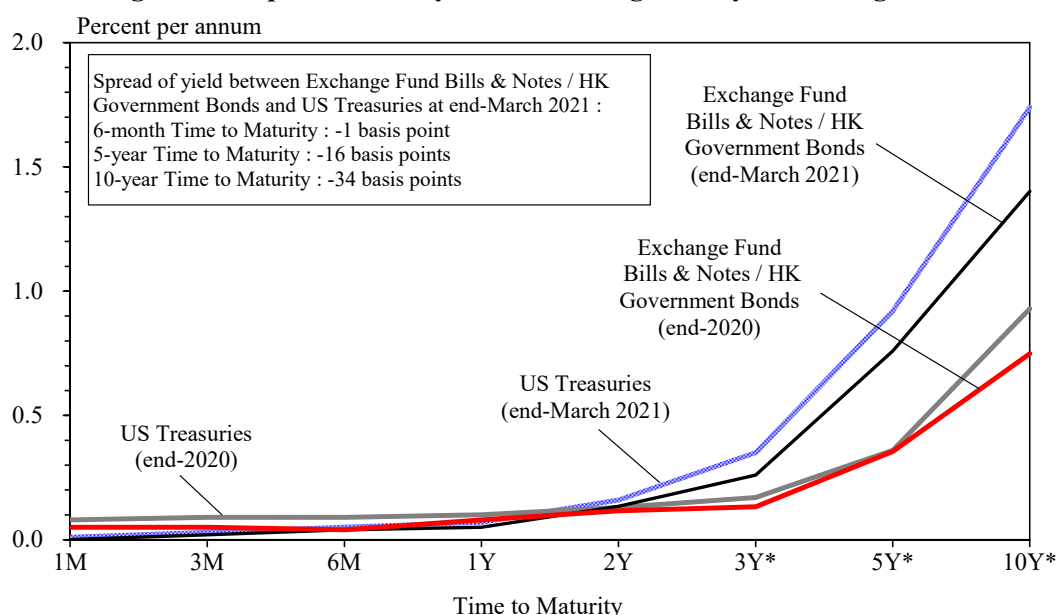
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Office of the Government Economist.*

## Interest rates and exchange rates

4.1 The low interest rate environment in Hong Kong continued in the first quarter of 2021, as the US FOMC kept the target range for the Federal Funds Rate unchanged at the record low level of 0.00-0.25%. The overnight *Hong Kong dollar interbank interest rate* (HIBOR) edged down from 0.04% at end-2020 to 0.03% at end-March 2021, and the 3-month HIBOR declined from 0.35% to 0.23%. Consequently, the *Base Rate*<sup>(1)</sup> under the Discount Window operated by the HKMA remained unchanged at 0.50% at end-March.

4.2 The *US dollar yield curve* steepened during the first quarter, with yields increasing notably at the longer tenors amid rising inflation expectations in the US and concerns over a sooner-than-expected tightening in monetary policy by the US FOMC. The *Hong Kong dollar yield curve* steepened in tandem. Reflecting the relative movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills narrowed from 5 basis points at end-2020 to 1 basis point at end-March 2021. The negative yield spread between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes widened from 18 basis points to 34 basis points.

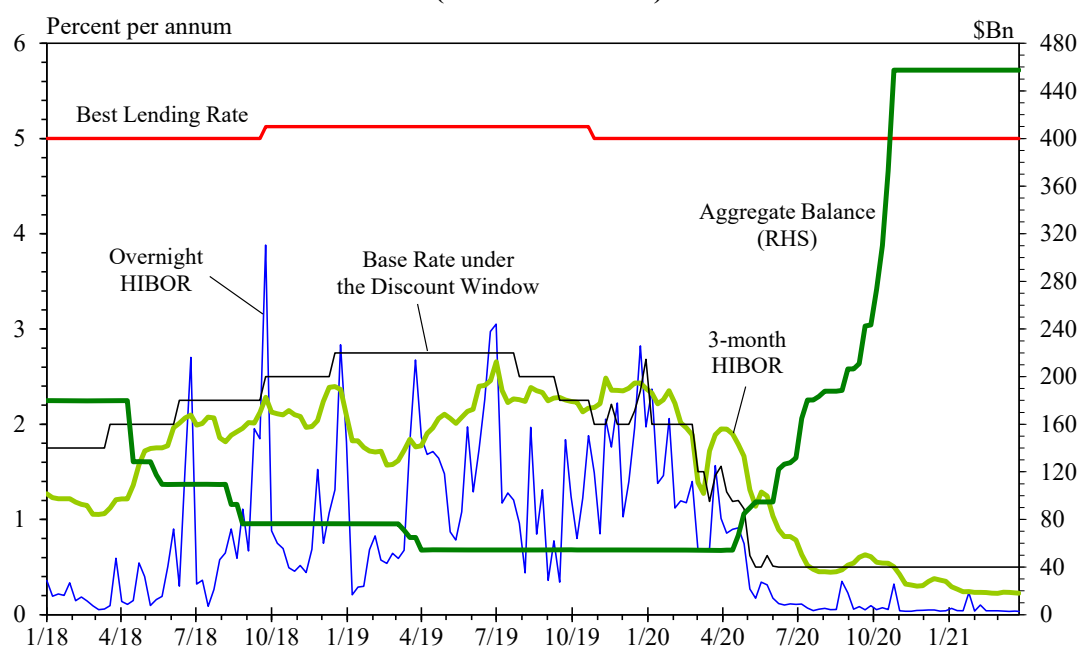
**Diagram 4.1 : Both the Hong Kong dollar and US dollar yield curves steepened during the first quarter, with yields increasing notably at the longer tenors**



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 first quarter. The *average savings deposit rate* for deposits of less than \$100,000 quoted by major banks stayed unchanged at 0.001%, while the 1-year *time deposit rate* edged down from 0.14% at end-2020 to 0.11% at end-March 2021. The *composite interest rate*<sup>(2)</sup>, which indicates the average cost of funds for retail banks, decreased from 0.28% at end-2020 to 0.22% at end-March 2021.

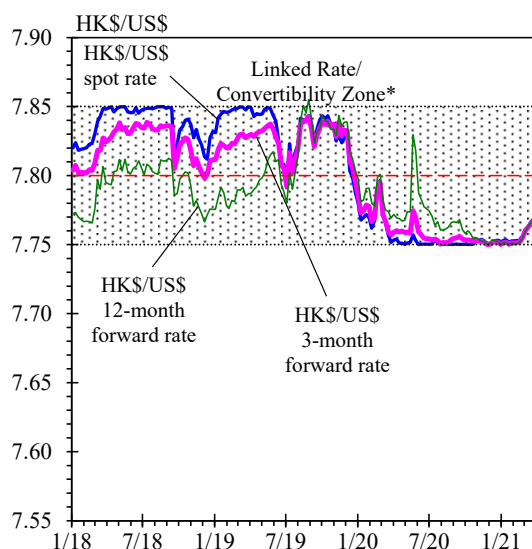
**Diagram 4.2 : Interbank interest rates and interest rates on the retail front stayed at low levels during the first quarter  
(end for the week)**



4.4 The *Hong Kong dollar spot exchange rate* against the US dollar stayed close to the strong-side Convertibility Undertaking level in January and February, mainly driven by equity-related demand for Hong Kong dollars from fund raising activities and the southbound Stock Connect. It then softened slightly in March amid some retreat in southbound buying flows and repatriation of proceeds raised in Initial Public Offerings (IPOs). The Hong Kong dollar spot exchange rate closed the first quarter at 7.774, compared with 7.752 at end-2020. Meanwhile, the *Hong Kong dollar forward rates* registered smaller discounts to the spot rate, with the discount of 3-month forward rate narrowing from 21 pips (each pip is equivalent to HK\$0.0001) at end-2020 to 18 pips at end-March 2021, and that of 12-month forward rate from 20 pips to 12 pips.

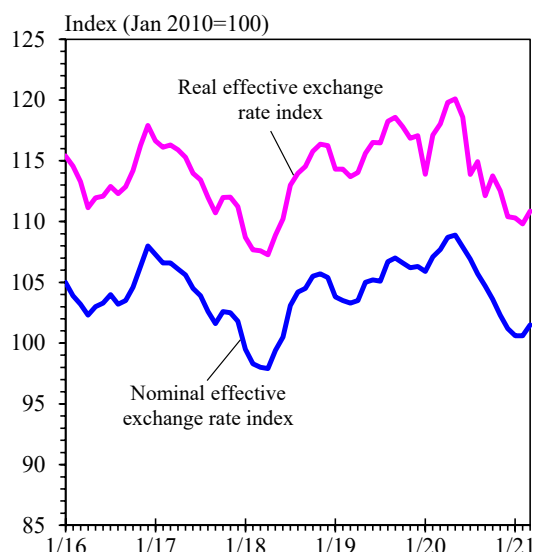
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened against most major currencies (including the Japanese yen, euro and renminbi (RMB)) by varying degrees, the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*<sup>(3)</sup> edged up by 0.3% and 0.4% respectively during the first quarter.

**Diagram 4.3 : The Hong Kong dollar stayed close to 7.75 per US dollar in January and February before softening slightly in March (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 edged up during the first quarter (average for the month)**

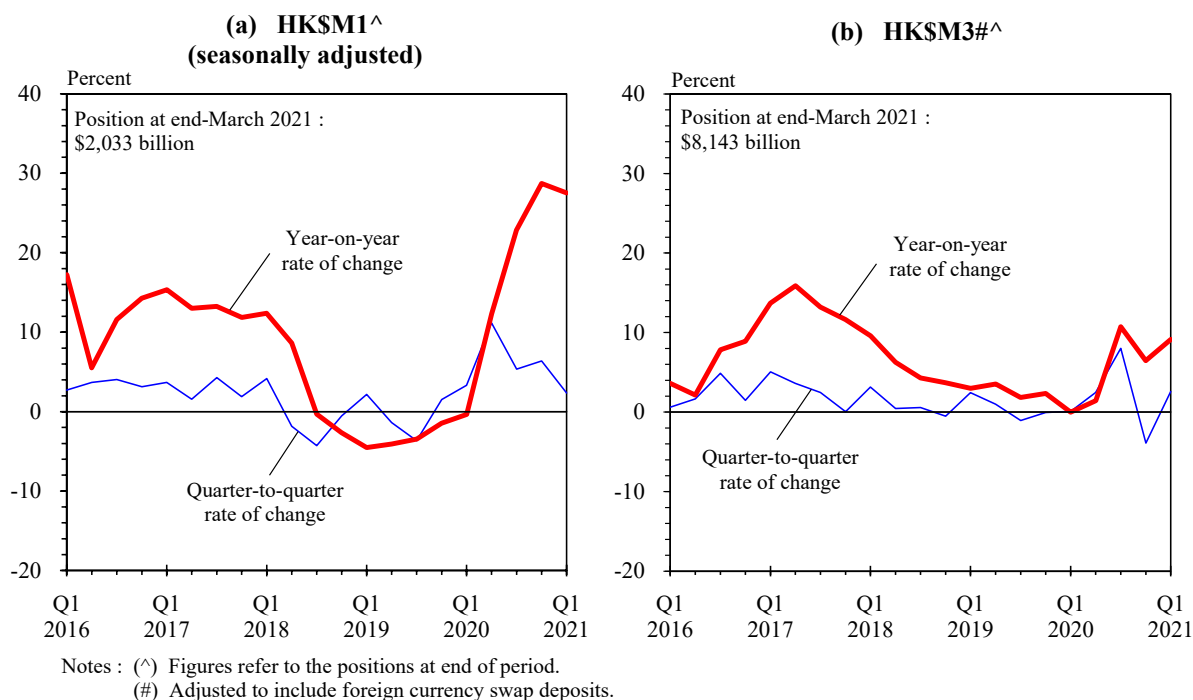


## Money supply and banking sector

4.6 The monetary aggregates rose further in the first quarter. The Hong Kong dollar broad *money supply* (HK\$M3) increased by 2.6% over end-2020 to \$8,143 billion at end-March 2021, and the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) rose by 2.3% to \$2,033 billion<sup>(4)</sup>. Meanwhile, *total deposits* with authorized institutions (AIs)<sup>(5)</sup> went up by 1.2% to \$14,682 billion, within which Hong Kong dollar deposits rose by 2.7% while foreign currency deposits edged down by 0.4%.



**Diagram 4.5 : The monetary aggregates rose further in the first quarter**



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

		<u>M1</u>		<u>M2</u>		<u>M3</u>	
% change during the quarter		<u>HK\$<sup>^</sup></u>	<u>Total</u>	<u>HK\$<sup>#</sup></u>	<u>Total</u>	<u>HK\$<sup>#</sup></u>	<u>Total</u>
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
	Q4	6.4	-9.6	-3.9	-1.5	-3.9	-1.5
2021	Q1	2.3	4.8	2.6	1.0	2.6	1.0
Total amount at end-March 2021 (\$Bn)		2,033	3,387	8,128	15,760	8,143	15,797
% change over a year earlier		27.5	29.5	9.2	6.5	9.1	6.4

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

4.7 *Total loans and advances* increased by 2.8% over end-2020 to \$10,790 billion at end-March 2021. Within the total, Hong Kong dollar loans and foreign currency loans went up by 2.4% and 3.3% respectively. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar edged down from 83.5% at end-2020 to 83.3% at end-March 2021, while that for foreign currency increased from 61.0% to 63.2%.

4.8 Loans for use in Hong Kong (including trade finance) rose by 3.6% over end-2020 to \$7,639 billion at end-March 2021, and loans for use outside Hong Kong by 0.9% to \$3,151 billion. Within the former, loans to most economic segments increased. Loans to stockbrokers leapt by 50.8% on the back of the active trading and buoyant fund raising activities in the stock market. Meanwhile, trade finance rebounded by 8.5% and loans to manufacturing went up by 4.3% as regional trade flows turned more vibrant during the quarter. Loans to wholesale and retail trade edged up by 0.2% while loans to financial concerns rose by 2.4%. As for property-related lending, loans to building and construction, property development and investment and loans for purchase of residential property recorded further increases of 3.4% and 1.4% respectively amid an active property market.

**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 and construction, property development and investment	Purchase of residential property <sup>(a)</sup>	Financial concerns	Stock- brokers	Total <sup>(b)</sup>	All loans and advances for use outside Hong Kong <sup>(c)</sup>	Total loans and advances
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
	Q4	-7.1	0.4	-2.7	1.6	2.0	-2.8	-77.9	-5.4	-3.5	-4.8
2021	Q1	8.5	4.3	0.2	3.4	1.4	2.4	50.8	3.6	0.9	2.8
Total amount at end-March 2021 (\$Bn)		461	322	351	1,690	1,697	939	113	7,639	3,151	10,790
% change over a year earlier		-4.1	-0.3	-6.2	1.1	8.0	-3.9	53.8	1.8	-0.6	1.1

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-2020. Asset quality of the local banking sector also remained sound. While the ratio of classified loans to total loans for retail banks went up slightly from 0.75% at end-September 2020 to 0.82% at end-2020, this was still low by historical standards. Meanwhile, the delinquency ratio for credit card lending edged down from 0.33% at end-September 2020 to 0.27% at end-2020. The delinquency ratio for residential mortgage loans stayed at a low level of 0.04% at end-March 2021.

**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	97.62	1.67	0.71
	Q3	97.64	1.61	0.75
	Q4	97.45	1.73	0.82

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 *Offshore RMB business* recorded moderate growth in the first quarter. RMB trade settlement transactions handled by banks in Hong Kong rose by 10.9% over a year earlier to RMB1,698.7 billion in the first quarter. Total RMB deposits (including customer deposits and outstanding certificates of deposit) also went up by 6.8% over end-2020 to RMB808.5 billion at end-March 2021. As to financing activities, RMB bond issuance rose from RMB15.4 billion in the preceding quarter (excluding the issuance of RMB5.0 billion by the Ministry of Finance) to RMB24.1 billion in the first quarter, and outstanding RMB bank loans increased by 8.9% over end-2020 to RMB165.7 billion at end-March 2021.

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

<u>At end of period</u>		<u>Interest rates on<sup>(a)</sup></u>					<u>Number of AIs engaged in RMB business</u>	<u>Amount of cross-border RMB trade settlement<sup>(c)</sup></u> (RMB Mn)
		<u>Demand and savings deposits</u> (RMB Mn)	<u>Time deposits</u> (RMB Mn)	<u>Total deposits</u> (RMB Mn)	<u>Savings deposits<sup>(b)</sup></u> (%)	<u>Three-month time deposits<sup>(b)</sup></u> (%)		
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
	Q4	260,024	461,626	721,650	0.16	0.31	141	1,476,247
2021	Q1	265,396	507,084	772,481	0.16	0.31	143	1,698,745
% change in								
2021 Q1 over		1.8	25.7	16.3	N.A.	N.A.	N.A.	10.9
2020 Q1								
% change in								
2021 Q1 over		2.1	9.8	7.0	N.A.	N.A.	N.A.	15.1
2020 Q4								

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 1.0% over the preceding quarter to \$1,110.0 billion in the first quarter, as the 21.8% rise in private sector debt issuance<sup>(6)</sup> more than offset the 4.4% decline in public sector debt issuance. The total outstanding amount of Hong Kong dollar debt securities increased by 1.7% over end-2020 to \$2,326.5 billion at end-March 2021, equivalent to 28.6% of HK\$M3 or 24.1% of Hong Kong dollar-denominated assets of the banking sector<sup>(7)</sup>.

4.12 As to the Government Bond (GB) Programme, a total of \$2.7 billion institutional GBs were issued through tenders in the first quarter. At end-March 2021, the total outstanding amount of Hong Kong dollar bonds under the GB Programme was \$119.2 billion, comprising 12 institutional issues totaling \$83.3 billion and four retail issues (one iBond and three Silver Bonds) totaling \$35.9 billion. In addition, one US dollar sukuk with an issuance size of US\$1.0 billion was outstanding under the GB 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 <sup>(a)</sup>	Local corporations	Non-MDBs overseas borrowers <sup>(b)</sup>	Private sector total	MDBs <sup>(b)</sup>	Total
<b>New Issuance</b>											
2020	Annual	3,392.7	54.6	48.2	3,495.5	390.2	36.3	392.4	818.9	11.3	4,325.8
	Q1	834.8	6.7	2.5	844.0	83.9	6.9	112.6	203.4	1.1	1,048.4
	Q2	823.0	22.9	8.2	854.1	76.0	16.9	109.2	202.1	2.4	1,058.5
	Q3	905.1	8.8	1.0	914.9	91.1	6.3	102.5	199.9	5.5	1,120.3
	Q4	829.7	16.4	36.5	882.6	139.2	6.3	68.1	213.6	2.4	1,098.5
2021	Q1	815.2	25.6	2.7	843.5	119.9	20.0	120.2	260.1	6.5	1,110.0
% change in 2021 Q1 over 2020 Q1		-2.3	284.5	8.0	-0.1	42.9	190.0	6.8	27.9	516.2	5.9
% change in 2021 Q1 over 2020 Q4		-1.7	56.3	-92.6	-4.4	-13.9	219.0	76.6	21.8	169.6	1.0
<b>Outstanding (at end of period)</b>											
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	487.0	931.6	20.2	2,180.1
	Q3	1,068.1	71.5	89.5	1,229.0	318.3	123.6	502.9	944.9	24.6	2,198.5
	Q4	1,068.1	81.6	116.5	1,266.2	376.6	124.9	493.9	995.5	26.5	2,288.2
2021	Q1	1,068.3	93.6	119.2	1,281.1	355.0	135.1	527.8	1,018.0	27.5	2,326.5
% change in 2021 Q1 over 2020 Q1		-1.7	61.3	43.2	4.4	6.6	17.4	10.8	10.1	34.4	7.1
% change in 2021 Q1 over 2020 Q4		*	14.7	2.3	1.2	-5.7	8.2	6.9	2.3	3.7	1.7

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.

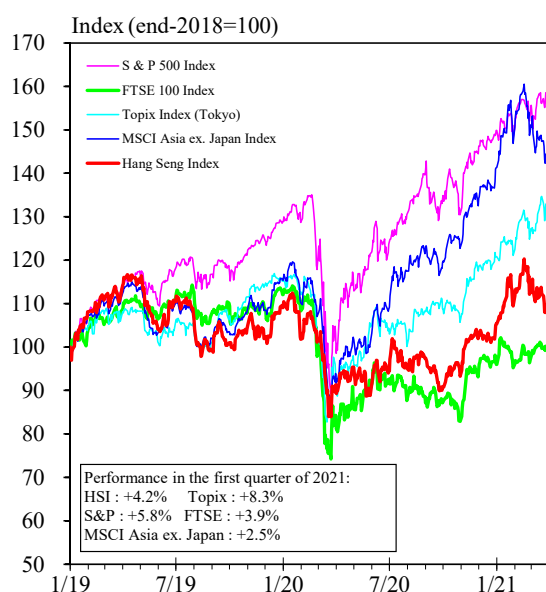
(\*) Change of less than  $\pm 0.05\%$ .

## The stock and derivatives markets

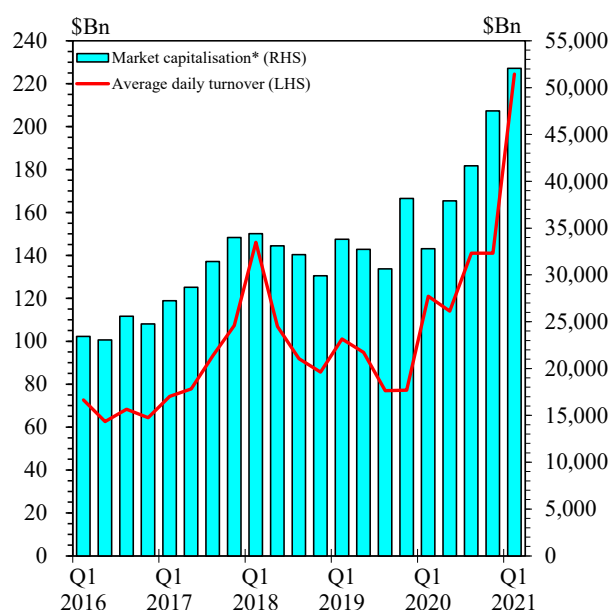
4.13 The *local stock market* showed some volatilities in the first quarter. Fuelled by hopes for a sustained global economic recovery with the rollout of mass COVID-19 vaccination programmes worldwide, the HSI extended its rally in early 2021 in tandem with major overseas stock markets and reached a high of 31 085 on 17 February. Yet market sentiment was subsequently dampened by rising inflation expectations in the US and concerns over possible monetary tightening in the Mainland. The HSI retreated to 27 900 on 25 March before closing the quarter at 28 378, 4.2% higher than end-2020. Also bolstered by the buoyant fund raising activities, *market capitalisation* expanded further by 9.6% during the quarter to \$52.1 trillion, ranking the fifth largest in the world and the third largest in Asia<sup>(8)</sup> at end-March.

4.14 Trading activities were very active in the first quarter. *Average daily turnover* in the securities market surged by 59.1% over the preceding quarter or 85.5% over a year earlier to a record high of \$224.4 billion. Within the total, the average daily trading value of equities, derivative warrants, unit trusts (including Exchange-Traded Funds) and callable bull/bear contracts<sup>(9)</sup> soared by 60.6%, 56.9%, 56.4% and 43.7% respectively over the preceding quarter. As to futures and options<sup>(10)</sup>, the average daily trading volume increased sharply by 36.7%. Within the total, trading of stock options, HSI futures, HSI options and Hang Seng China Enterprises Index futures rose by 54.1%, 25.1%, 16.2% and 5.9% respectively.

**Diagram 4.6 : The local stock market showed some volatilities in the first quarter**



**Diagram 4.7 : Market capitalisation expanded further, while trading stayed very 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 options traded*
2020	Annual	167 209	39 405	145 608	526 191	1 133 435
	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
	Q4	131 196	29 237	125 993	536 318	1 031 547
2021	Q1	164 096	33 963	133 426	826 689	1 410 460
	% change in 2021 Q1 over 2020 Q1	-22.0	-37.8	-26.9	53.9	8.6
	% change in 2021 Q1 over 2020 Q4	25.1	16.2	5.9	54.1	36.7

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 remained buoyant in the first quarter. While *total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM<sup>(11)</sup>, edged down by 3.3% from the hectic level in the preceding quarter to \$259.1 billion in the first quarter, it was 172.4% higher than a year earlier. Within the total, the amount of funds raised through IPOs fell by 27.9% from the preceding quarter to \$132.8 billion, yet still a high level by historical standards. Hong Kong ranked the 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-March, a total of 1 332 Mainland enterprises (including 292 H-share companies, 176 “Red Chip” companies and 864 private enterprises) were listed on the Main Board and GEM, accounting for 52% of the total number of listed companies and 80% of total market capitalisation. Mainland-related stocks accounted for 88% of equity turnover and 87% of total equity fund raised in the Hong Kong stock exchange in the first quarter.

#### **Fund management and investment funds<sup>(12)</sup>**

4.17 The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*<sup>(13)</sup> increased by 2.6% over end-2020 to \$1,169.3 billion at end-March 2021.

4.18 With the approval of the Financial Secretary, the Mandatory Provident Fund Schemes Authority established a wholly owned subsidiary (the eMPF Platform Company Limited) in March to take forward the eMPF Platform Project. As the most important reform initiative of the MPF System since its inception in 2000, the eMPF Platform will standardise, streamline and automate the administration processes of MPF schemes, so as to improve operational efficiency and create room for fee reduction. The target is to complete the development work of the eMPF Platform by the end of 2022 at the earliest. Subject to orderly transition by trustees in batches starting from 2023, the eMPF Platform would come into full operation in around 2025.

## Insurance sector

4.19 The *insurance sector*<sup>(14)</sup> showed mixed performance in 2020. For 2020 as a whole, gross premium income from long-term business decreased by 22.8%, within which premium income from non-investment linked plans (which accounted for 90% of total premium for this segment) fell by 25.0%, while that from investment linked plans increased by 8.8%. As to general business, gross and net premium rose by 8.3% and 8.7% respectively.

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

		General business			Premium for long-term business <sup>^</sup>					Gross premium from long-term business and general business
		Gross premium	Net premium	Underwriting profit	Individual life and annuity (non-linked)	Individual life and annuity (linked)	Other individual business	Non-retirement scheme group business	All long-term business	
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	Annual	60,297	40,932	2,232	120,224	12,794	26	367	133,411	193,708
	Q1	18,264	12,221	329	32,453	2,481	23 <sup>#</sup>	128	35,085	53,349
	Q2	15,219	10,579	295	28,259	2,089	23 <sup>#</sup>	67	30,438	45,657
	Q3	15,014	10,045	811	29,822	3,264	22 <sup>#</sup>	99	33,207	48,221
	Q4	11,800	8,087	797	29,690	4,960	N.A.	73	34,681	46,481
% change in 2020 Q4 over 2019 Q4		4.4	9.9	194.1	0.3	53.6	N.A.	12.3	5.3	5.1
% change in 2020 over 2019		8.3	8.7	98.0	-25.0	8.8	-85.9 <sup>@</sup>	-5.2	-22.8	-15.2

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

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

(#) The quarterly breakdowns of 2020 do not tally with the annual figure as premiums have been reclassified in the fourth quarter of 2020.

N.A. Not applicable.

(@) The sharp fall was mainly due to a reclassification of premium by an insurance company.

## **Highlights of policy and market developments**

4.20 In the 2021-22 Budget, the Financial Secretary proposed to increase the rate of Stamp Duty on Stock Transfers from 0.1% to 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively. The proposal seeks to strike a balance between increasing government revenue and the need to sustain our financial market development, in order to maintain Hong Kong's status as an international financial centre.

4.21 The Hong Kong Exchanges and Clearing Limited implemented the second phase enhancement of the Volatility Control Mechanism (VCM) in its securities market on 29 March. It will allow multiple triggers of the VCM per applicable security in the same trading session and will help prevent extreme stock price volatility, avoid systemic risks caused by interlinked products, and maintain a fair and orderly market.

4.22 In February, it was announced that the relevant authorities in Hong Kong, the Mainland and Macao signed a Memorandum of Understanding (MoU) on the principles of supervisory cooperation under the Cross-boundary Wealth Management Connect Pilot Scheme (the Scheme) in Guangdong-Hong Kong-Macao Greater Bay Area. Under the Scheme, residents in the three places can carry out cross-boundary investment in wealth management products distributed by banks, which is conducive to promoting mutual access of financial markets in the Greater Bay Area. The MoU aims to establish sound supervisory cooperation arrangements and liaison mechanism for the smooth operation of the Scheme and the protection of investors' interest.

## 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” 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-March 2021, there were 162 licensed banks, 17 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 191 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 Exchanges 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-March 2021, there were 110 classes of stock options contracts and 83 classes of stock futures contracts.
- (11) At end-March 2021, there were 2 187 and 366 companies listed on the Main Board and GEM respectively.
- (12) At end-March 2021, there was one SFC-authorised retail hedge fund with net asset size of US\$128 million. The amount of net assets under management remained the same as that of end-2020, and represented a 9.9% decrease from a year earlier and a 20.0% decrease from end-2002, the year when the hedge funds guidelines were first issued.

Hong Kong Investment Funds Association is temporarily unable to provide the gross retail sales of mutual funds for the first quarter of 2021.

- (13) At end-March 2021, there were 14 approved trustees. On MPF products, 24 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 407 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 307 000 employers, 2.70 million employees and 230 000 self-employed persons have participated in MPF schemes.
- (14) At end-March 2021, there were 165 authorised insurers in Hong Kong. Within this total, 53 were engaged in long-term insurance business, 92 in general insurance business, and 20 in composite insurance business. These authorised insurers come from 22 countries and territories (including Hong Kong).

## CHAPTER 5 : THE LABOUR SECTOR

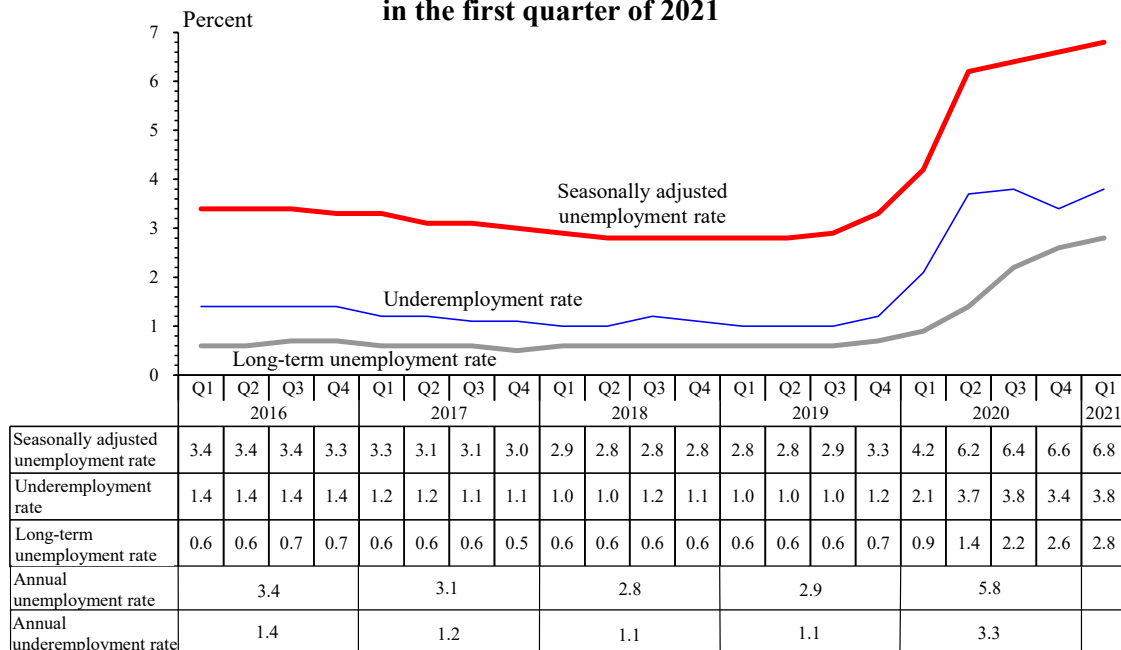
### *Summary*

- *The labour market was under notable pressure in the first quarter of 2021 as the epidemic continued to weigh on economic activities involving more frequent people contact. Nonetheless, the situation stabilised in the latter part of the quarter as the fourth wave of the local epidemic receded. Moreover, it will take time for the economic recovery to translate into a more visible recovery in the labour market.*
- *The seasonally adjusted unemployment rate went up from 6.6% in the fourth quarter of 2020 to a 17-year high of 7.2% in the three-month period ending February 2021, but then declined to 6.8% in the first quarter of 2021. Likewise, the underemployment rate increased from 3.4% in the fourth quarter of 2020 to a post-SARS high of 4.0% in the three-month period ending February 2021, and then edged down to 3.8% in the first quarter of 2021.*
- *Analysed by sector, the unemployment rate of the consumption- and tourism-related sectors combined stayed elevated in the first quarter of 2021. The unemployment situation in many other major sectors deteriorated, particularly in arts, entertainment and recreation, postal and courier activities, education, import/export trade and wholesale, and construction. Analysed by skill segment, the unemployment rate of the lower-skilled workers remained notably higher than that of the higher-skilled workers.*
- *Overall labour demand stayed weak given the various economic uncertainties and the cautious hiring sentiment of the employers. Results of establishment surveys indicated that private sector employment declined visibly on a year-on-year comparison in December 2020, and vacancies were far below year-ago levels. More recent statistics from the General Household Survey (GHS) suggested that total employment declined further from a year earlier in the first quarter of 2021, albeit at a decelerating pace.*
- *Overall wages and labour earnings continued to show year-on-year increases in nominal terms in the fourth quarter of 2020, but the rates of increase were the slowest in over a decade. GHS data showed that the median household income was sharply lower than a year earlier in the first quarter of 2021.*

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

5.1 The labour market was under notable pressure in the first quarter of 2021 as the epidemic continued to weigh on economic activities involving more frequent people contact. Nonetheless, the situation stabilised in the latter part of the quarter as the fourth wave of the local epidemic receded. The seasonally adjusted *unemployment rate*<sup>(2)</sup> went up from 6.6% in the fourth quarter of 2020 to a 17-year high of 7.2% in the three-month period ending February 2021, but then declined to 6.8% in the first quarter of 2021. Likewise, the *underemployment rate*<sup>(3)</sup> increased from 3.4% in the fourth quarter of 2020 to a post-SARS high of 4.0% in the three-month period ending February 2021, and then edged down to 3.8% in the first quarter of 2021. Analysed by sector, the unemployment rate of the consumption- and tourism-related sectors (viz., retail, accommodation and food services sectors) combined stayed elevated in the first quarter of 2021. The unemployment situation in many other major sectors deteriorated, particularly in arts, entertainment and recreation, postal and courier activities, education, import/export trade and wholesale, and construction. Analysed by skill segment, the unemployment rate of the lower-skilled workers remained notably higher than that of the higher-skilled workers. Overall labour demand stayed weak. Private sector employment declined visibly on a year-on-year comparison in December 2020, and vacancies were far below year-ago levels. Though not strictly comparable, more recent statistics from the General Household Survey (GHS) suggested that total employment declined further from a year earlier in the first quarter of 2021, albeit at a decelerating pace. Overall wages and labour earnings continued to show year-on-year increases in nominal terms in the fourth quarter of 2020, but at the slowest rates in over a decade. GHS data showed that the median household income was sharply lower than a year earlier in the first quarter of 2021.

**Diagram 5.1 : The labour market was under notable pressure in the first quarter of 2021**



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

		Unemployment rate* (%)	Underemployment rate (%)	Long-term unemployment rate (%)
2020	Annual	5.8	3.3	1.7
	Q1	4.2	2.1	0.9
	Q2	6.2	3.7	1.4
	Q3	6.4	3.8	2.2
	Q4	6.6	3.4	2.6
<i>Three months ending</i>				
2021	Jan	7.0	3.8	2.7
	Feb	7.2	4.0	2.8
	Mar	6.8	3.8	2.8

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*<sup>(4)</sup> edged down by 0.2% from a year earlier to 3 873 900 in the first quarter of 2021. The rate of decline was narrower than that of 1.4% in the preceding quarter, mainly due to a lower base of comparison. Notwithstanding the ageing population, the overall labour force participation rate (LFPR) edged up by 0.1 percentage point over a year earlier to 59.6%. The LFPRs of many individual age groups increased year-on-year, in particular for persons aged 20-24, and 50 and above, suggesting that some people who left the labour force earlier on had re-entered the labour market.

5.3 *Total employment*<sup>(5)</sup> fell by 2.8% year-on-year to 3 614 100 in the first quarter of 2021, though owing to a lower base of comparison, the rate of decline narrowed from that of 4.6% in the preceding quarter. Analysed by sector and on a year-on-year comparison, employment of the consumption- and tourism-related sectors contracted as the business situation in these sectors remained challenging. Employment of the import/export trade and wholesale sector fell markedly, continuing its longer-term downtrend. Employment of the arts, entertainment and recreation sector, the transportation sector and the education sector also saw notable declines. On the other hand, employment of some sectors increased, particularly in postal and courier activities, public administration, human health activities, and professional and business services. For an updated review on the decline in employment as compared with the pre-recession level, see **Box 5.1**.

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

		<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed<sup>(a)</sup></u>	<u>Persons underemployed</u>
2020	Annual	3 888 200 (-2.0)	3 661 600 (-4.9)	226 600	129 500
	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
	Q3	3 884 600 (-2.1)	3 624 800 (-5.8)	259 800	149 100
	Q4	3 893 400 (-1.4)	3 647 700 (-4.6)	245 800	133 800

*Three months ending*

2021	Jan	3 884 000 (-1.1)	3 630 600 (-4.5)	253 300	148 200
	Feb	3 871 700 (-0.8)	3 610 100 (-4.2)	261 600	154 600
	Mar	3 873 900 (-0.2)	3 614 100 (-2.8)	259 800	148 400
		<-0.5>	<-0.9>		

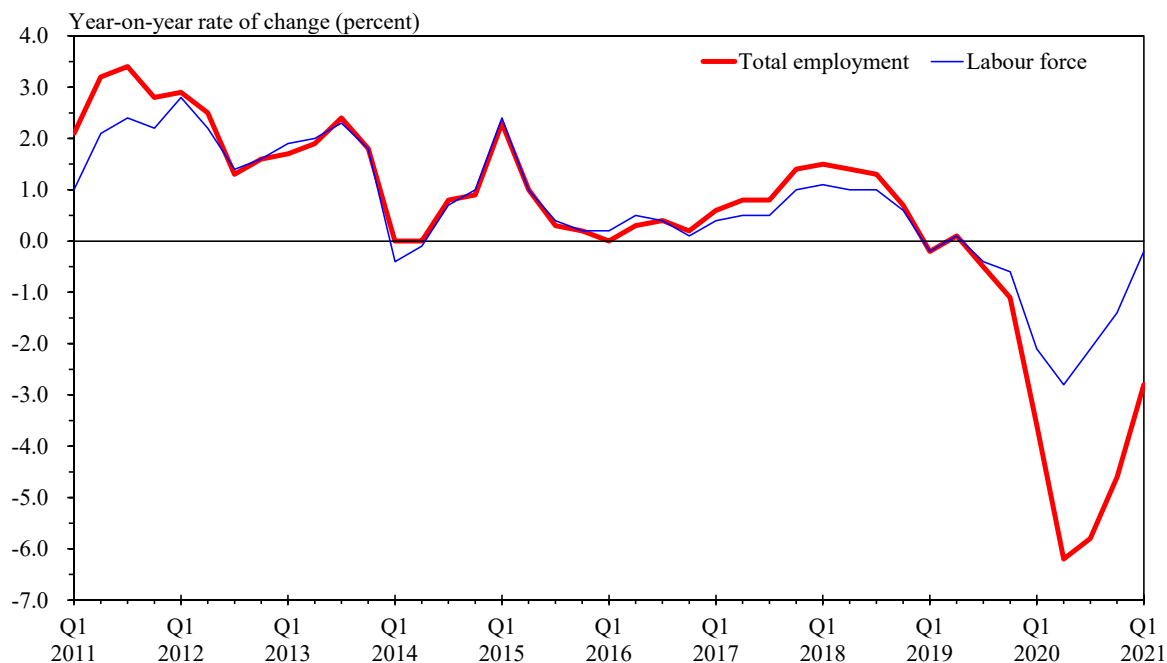
Notes : (a) These include first-time job-seekers and re-entrants into the labour force.

( ) % change over a year earlier.

< > Quarter-to-quarter % change for the first quarter of 2021.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : The year-on-year declines in total employment and labour force narrowed in the first quarter of 2021**



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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020 Q1</u>	<u>2021 Q1</u>
<u>Male</u>							
15-24	39.5	38.1	39.2	39.6	35.9	36.4	35.3
<i>of which:</i>							
15-19	12.9	9.9	10.4	11.4	7.3	7.1	5.7
20-24	60.7	59.2	60.2	59.8	56.7	58.0	57.0
25-29	92.9	92.6	92.9	91.4	90.7	90.4	91.4
30-39	96.4	96.6	96.4	95.9	95.0	94.9	95.1
40-49	95.0	95.2	95.1	93.9	93.5	93.1	93.6
50-59	86.0	86.7	86.9	85.1	84.7	84.4	85.6
≥ 60	29.9	30.4	32.1	31.9	31.4	30.5	32.1
Overall	68.6	68.3	68.5	67.5	66.2	65.9	66.2
<u>Female</u>							
15-24	41.9	41.5	41.1	40.8	37.1	37.2	37.5
<i>of which:</i>							
15-19	12.3	11.8	12.0	11.7	7.2	7.5	5.3
20-24	63.6	61.8	60.4	60.2	57.9	57.6	60.4
25-29	86.2	86.5	86.6	87.2	87.2	87.4	87.1
30-39	78.0	79.0	79.3	78.9	78.7	78.4	78.8
40-49	73.4	73.8	74.1	73.4	73.2	74.4	73.2
50-59	59.7	60.4	61.5	62.2	62.7	61.8	64.5
≥ 60	12.3	13.7	14.5	15.5	15.3	15.2	15.9
Overall	54.8	55.1	55.1	55.0	54.2	54.3	54.3
<u>Both genders combined</u>							
15-24	40.7	39.8	40.2	40.2	36.5	36.8	36.4
<i>of which:</i>							
15-19	12.6	10.8	11.2	11.6	7.3	7.3	5.5
20-24	62.2	60.5	60.3	60.0	57.3	57.8	58.7
25-29	89.2	89.3	89.5	89.1	88.8	88.8	89.1
30-39	85.4	86.0	86.1	85.7	85.3	85.0	85.4
40-49	82.4	82.6	82.7	81.8	81.4	82.0	81.4
50-59	72.2	72.7	73.2	72.7	72.6	71.9	73.9
≥ 60	20.7	21.7	22.9	23.3	23.0	22.5	23.6
Overall	61.1	61.1	61.2	60.6	59.6	59.5	59.6

Source : General Household Survey, Census and Statistics Department.

## Box 5.1

### An updated review on the decline in employment as compared with the pre-recession level <sup>(1)</sup>

In **Box 5.1** in the *Half-yearly Economic Report 2020*, the decline in employment in the second quarter of 2020 as compared to the pre-recession level (i.e. the second quarter of 2019) was analysed by economic sector and by occupation. After that, the Hong Kong economy began to recover. This article gives an updated review of the employment situation, based on the latest available figures for the first quarter of 2021.

#### Decline in employment when the economy hit the trough in the second quarter of 2020: A recap

Total employment declined by a near-record of 237 900 or 6.7% in the second quarter of 2020 as compared with the pre-recession level (**Row (a) in Table 1**). Analysed by economic sector, declines in employment were particularly visible in the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors), the import/export trade and wholesale sector and the construction sector. Analysed by occupation, the decrease was concentrated in the lower-skilled segment, accounting for 82% of the decline in overall employment, as lower-skilled occupations took up proportionately larger shares of employment in the aforementioned hard-hit sectors.

**Table 1: Changes in employment during the downturn and subsequent recovery in recent quarters**

Time frame of comparison	Change in overall employment <sup>(*)</sup>	Economic sectors that recorded more visible changes in employment <sup>(^)</sup>	Major occupations that recorded more visible changes in employment <sup>(^)</sup>
<b>(a) Downturn</b>			
Q2 2020 vs Q2 2019	-237 900 [-6.7%]	<ul style="list-style-type: none"><li>• Consumption- and tourism-related sectors (-118 000)</li><li>• Import / export trade and wholesale (-67 500)</li><li>• Construction (-35 000)</li></ul>	<ul style="list-style-type: none"><li>• Lower-skilled workers (-193 900)<ul style="list-style-type: none"><li>- <i>Service and sales workers</i> (-94 600)</li><li>- <i>Elementary occupations</i> (-54 500)</li><li>- <i>Clerical support workers</i> (-39 400)</li></ul></li><li>• Higher-skilled workers (-44 000)</li></ul>
<b>(b) Subsequent recovery</b>			
Q1 2021 vs Q2 2020	+2 900 [+0.1%]	<ul style="list-style-type: none"><li>• Financing, insurance, real estate, professional and business services (+15 700)</li><li>• Construction (+9 800)</li><li>• Import / export trade and wholesale (-14 900)</li><li>• Manufacturing (-10 100)</li><li>• Education (-7 600)</li></ul>	<ul style="list-style-type: none"><li>• Lower-skilled workers (+51 700)<ul style="list-style-type: none"><li>- <i>Elementary occupations</i> (+28 200)</li><li>- <i>Clerical support workers</i> (+27 100)</li></ul></li><li>• Higher-skilled workers (-48 700)<ul style="list-style-type: none"><li>- <i>Associate professionals</i> (-31 400)</li></ul></li></ul>
<b>(c) Latest situation as compared to that before recession</b>			
Q1 2021 vs Q2 2019	-235 000 [-6.7%]	<ul style="list-style-type: none"><li>• Consumption- and tourism-related sectors (-116 900)</li><li>• Import / export trade and wholesale (-82 400)</li></ul>	<ul style="list-style-type: none"><li>• Lower-skilled workers (-142 200)<ul style="list-style-type: none"><li>- <i>Service and sales workers</i> (-100 500)</li></ul></li><li>• Higher-skilled workers (-92 700)<ul style="list-style-type: none"><li>- <i>Managers and administrators</i> (-49 000)</li><li>- <i>Associate professionals</i> (-28 700)</li></ul></li></ul>

Notes: (\*) Figures in square brackets refer to the rates of change in employment during the time frame of comparison.

(^ ) Figures in parentheses refer to the changes in employment in the respective sector / occupational category during the time frame of comparison.

(1) All employment figures are compiled from the General Household Survey conducted by the Census and Statistics Department and exclude foreign domestic helpers. Individual figures may not add up to total due to rounding.

## Box 5.1 (Cont'd)

### Employment situation in the subsequent recovery

Hong Kong's real GDP resumed increases on a quarter-to-quarter comparison in the second half of 2020, and improved visibly in the first quarter of 2021. However, total employment stayed largely the same in the first quarter of 2021 as compared with the second quarter of 2020, increasing only marginally by 2 900 (or up 0.1%).

Changes in employment were diverse across economic sectors and occupations. Analysed by economic sector, noticeable increases in employment were recorded in the financing, insurance, real estate, professional and business services sector (up 15 700) and the construction sector (up 9 800), but employment fell in the import/export trade and wholesale sector (down 14 900), the manufacturing sector (down 10 100) and the education sector (down 7 600) (*Row (b) in Table 1*). Analysed by occupation, employment in the lower-skilled segment rebounded by 51 700. The increase was concentrated in elementary occupations (up 28 200) and clerical support workers (up 27 100) (*Row (b) in Table 1*). A two-way breakdown of employment by occupation and by economic sector confirmed that these increases mainly came from the financing, insurance, real estate, professional and business services sector. In particular, the rise in employment in elementary occupations was conceivably thanks to the increase in demand for cleaners, security guards, watchmen etc. as the epidemic continued. On the other hand, employment in the higher-skilled segment declined further by 48 700, with a disproportionately large share coming from associate professionals<sup>(2)</sup> (down 31 400). A closer look at the data suggest that many sectors saw declines in employment in this lower strata of the higher-skilled segment.

As compared to the pre-recession situation in the second quarter of 2019, total employment remained sizably lower in the first quarter of 2021, by 235 000 or 6.7%. Employment in most economic sectors and occupations still fell below the pre-recession levels, especially in the retail, accommodation and food services sectors, the import/export trade and wholesale sector, and for service and sales workers (*Row (c) in Table 1*). Nevertheless, employment in some sectors surpassed the pre-recession levels, particularly in professional and business services (up 23 600 or 6.1%), human health and social work activities (up 17 100 or 7.8%), and financing (up 11 800 or 5.7%).

### Outlook

Total employment has only increased marginally so far at the initial stage of economic recovery, as hiring sentiment is still cautious amid the various uncertainties and the slack in the economy. Yet, past experiences suggest that total employment would see a more visible increase should the economy continue to revive in the period ahead. However, improvements in employment could be uneven across sectors and occupations. Specifically, the employment recovery of tourism-related sectors could be slow as tourism will take time to return to normal. Meanwhile, the epidemic has expedited the adoption of innovation and technology in people's daily lives and companies' operations, which could affect the post-pandemic employment patterns of different industries. The Government will monitor the developments closely and provide more support and assistance as necessary, including more training and re-training opportunities, and job-matching assistance.

---

(2) The share of associate professionals in the higher-skilled segment was only 54% in the second quarter of 2020, but they accounted for 65% of the decline in employment of the whole segment between the second quarter of 2020 and the first quarter of 2021.

## Profile of unemployment

5.4 The *seasonally adjusted unemployment rate*<sup>(6)</sup> went up from 6.6% in the fourth quarter of 2020 to a 17-year high of 7.2% in the three-month period ending February 2021, but then declined to 6.8% in the first quarter of 2021. Similarly, the number of unemployed persons (not seasonally adjusted) rose by 15 900 over the fourth quarter of 2020 to a high of 261 600 in the three-month period ending February 2021, before declining slightly by 1 800 to 259 800 in the first quarter of 2021.

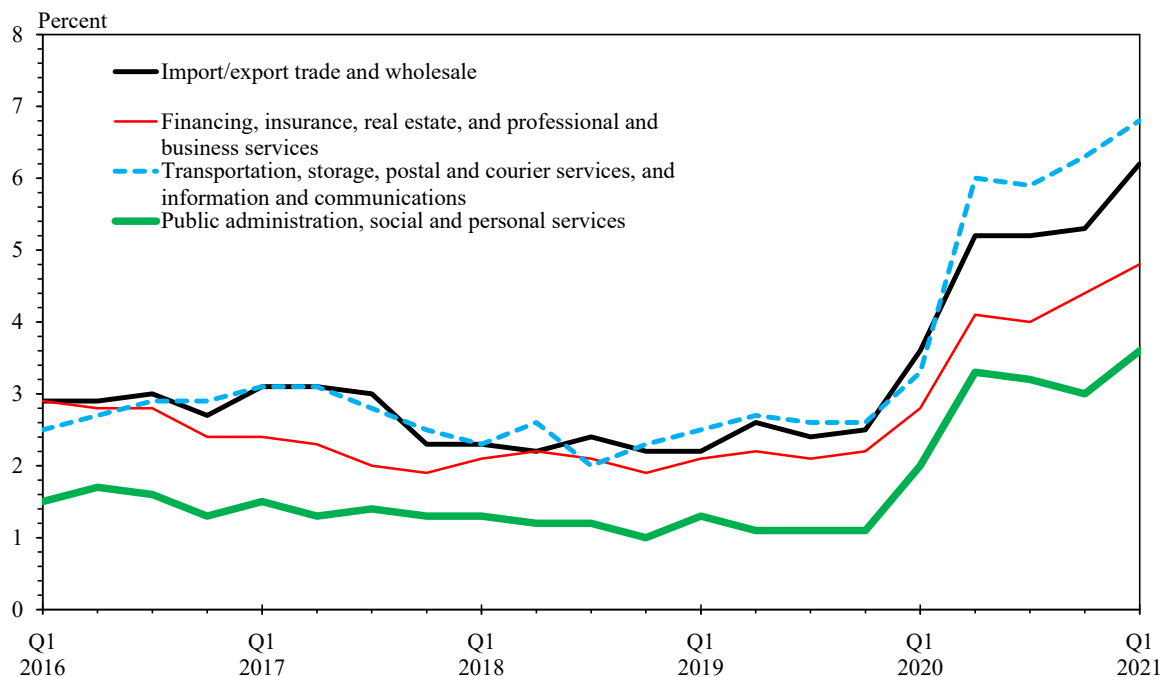
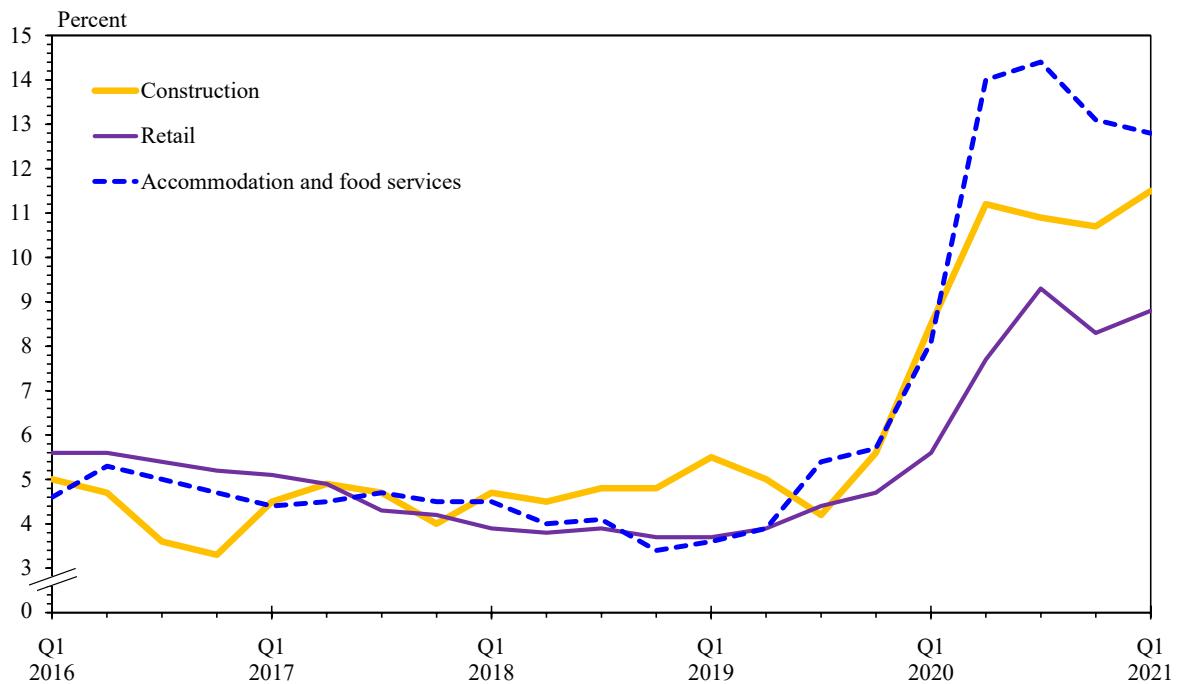
5.5 Analysed by sector, the unemployment rate of the retail, accommodation and food services sectors combined (not seasonally adjusted) stayed elevated at 10.7% in the first quarter of 2021, being 0.1 percentage point higher than the preceding quarter. Among these sectors, the unemployment rate for food and beverage service activities decreased by 0.5 percentage point to 13.3%, while the unemployment rates for the retail and accommodation service sectors went up by 0.5 and 1.0 percentage points to 8.8% and 9.8% respectively. The unemployment rates in many other sectors went up, particularly in arts, entertainment and recreation (up by 4.1 percentage points over the preceding quarter to 13.1%), postal and courier activities (up by 2.0 percentage points to 6.9%), education (up by 1.0 percentage point to 5.2%), import/export trade and wholesale (up by 0.9 percentage point to 6.2%), and construction (up by 0.8 percentage point to 11.5%). For the *low-paying sectors*<sup>(7)</sup> (LPS) as a whole, the unemployment rate went up by 0.5 percentage point over the preceding quarter to 6.5%. Within the LPS, the unemployment rates of the retail sector, the estate management, security and cleaning services sector and other LPS increased by 0.5, 0.7 and 1.0 percentage points to 8.8%, 4.4% and 3.1% respectively, though the food and beverage services sector, another major LPS, saw a lower unemployment rate.

5.6 Analysed by skill segment, the unemployment rate of the lower-skilled workers rose by 0.7 percentage point over the preceding quarter to 7.6%, and that of the higher-skilled workers edged up by 0.1 percentage point to 4.4%.

5.7 The unemployment rates by other socio-economic attributes showed diverse movements on a quarter-to-quarter comparison. Analysed by age, the unemployment rates in many age groups increased, more visibly among persons aged 60 and over (up by 1.4 percentage points to 6.8%) and persons aged 50-59 (up by 1.0 percentage point to 7.7%), whereas the unemployment rate among persons aged 15-24 decreased notably by 3.7 percentage points to 13.5%. Analysed by level of educational attainment, the unemployment rates for those with primary and below education (up by 2.7 percentage points to 8.6%) and

those with upper secondary education (up by 0.9 percentage point to 7.2%) increased distinctively, but those for persons with lower secondary education (down by 0.3 percentage point to 8.7%) and post-secondary education (down by 0.3 percentage point to 5.3%) decreased.

**Diagram 5.3 : The unemployment rates of retail, accommodation and food services stayed elevated in the first quarter of 2021**



**Table 5.4 : Unemployment rates by major economic sector**

	<u>2020</u>				<u>2021</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Import/export trade and wholesale	3.6	5.2	5.2	5.3	6.2
Retail	5.6	7.7	9.3	8.3	8.8
Accommodation and food services	8.1	14.0	14.4	13.1	12.8
Transportation, storage, postal and courier services	3.3	6.1	6.1	6.8	7.2
Information and communications	3.5	5.8	5.5	5.4	5.8
Financing and insurance	2.4	3.0	2.8	3.2	3.7
Real estate	2.4	3.2	4.0	3.8	4.2
Professional and business services	3.3	5.2	4.9	5.5	5.7
Public administration, social and personal services	2.0	3.3	3.2	3.0	3.6
Manufacturing	5.8	6.3	6.5	6.0	6.5
Construction	8.5	11.2	10.9	10.7	11.5
Overall*	4.2 (4.2)	6.2 (6.2)	6.7 (6.4)	6.3 (6.6)	6.7 (6.8)

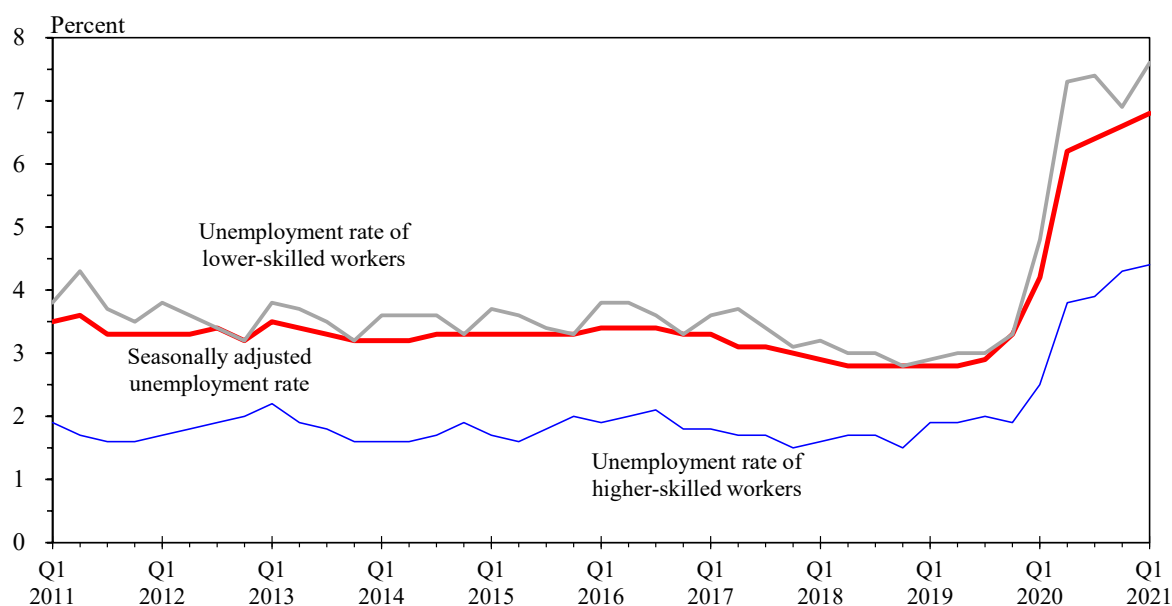
Notes : \* Including first-time job-seekers and re-entrants into the labour force.

( ) Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.



**Diagram 5.4 : The unemployment rate of lower-skilled workers remained notably higher than that of higher-skilled workers**



**Table 5.5 : Unemployment rates\* by skill segment**

	<u>2020</u>				<u>2021</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Higher-skilled segment</u>	2.5	3.8	3.9	4.3	4.4
Managers and administrators	1.7	3.0	2.5	3.5	3.2
Professionals	1.5	2.1	2.7	2.7	2.6
Associate professionals	3.3	4.8	4.9	5.2	5.5
<u>Lower-skilled segment</u> <sup>^</sup>	4.8	7.3	7.4	6.9	7.6
Clerical support workers	3.8	5.8	6.5	5.7	5.8
Service and sales workers	6.5	10.7	10.4	9.7	11.3
Craft and related workers	9.3	11.2	10.0	10.6	10.4
Plant and machine operators and assemblers	3.7	5.7	5.7	5.4	5.8
Elementary occupations	3.1	4.7	5.2	4.7	5.6

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

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

Source : General Household Survey, Census and Statistics Department.

**Table 5.6 : Unemployment rates\* by age and educational attainment**

	<u>2020</u>				<u>2021</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Age</u>					
15-24	10.0	14.6	20.6	17.2	13.5
<i>Of which:</i>					
15-19	12.9	18.8	25.2	17.6	16.5
20-24	9.8	14.3	20.1	17.1	13.3
25-29	5.1	7.8	7.9	7.8	7.3
30-39	3.0	4.6	4.7	4.4	5.0
40-49	3.8	4.9	5.0	5.0	5.5
50-59	4.0	6.8	6.9	6.7	7.7
≥ 60	3.8	5.9	5.3	5.4	6.8
<u>Educational attainment</u>					
Primary education and below	4.2	7.4	7.1	5.9	8.6
Lower secondary education	5.8	8.8	8.1	9.0	8.7
Upper secondary education <sup>^</sup>	4.3	6.5	6.6	6.3	7.2
Post-secondary education	3.6	5.0	6.3	5.6	5.3

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 Various indicators for the intensity of unemployment reflected that the labour market remained under notable pressure in the first quarter of 2021. 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) rose by 0.2 percentage point to 2.8%, the highest on record. The number of long-term unemployed persons increased by 6 800 to 108 200, and its share in total unemployment rose by 0.5 percentage point to 41.7%. The median duration of unemployment remained at the record high of 136 days, unchanged from the preceding quarter. 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) went up by 3.0 percentage points to 56.3%, and it was 7.4 percentage points higher than a year earlier.

### **Profile of underemployment**

5.9 The underemployment rate rose from 3.4% in the fourth quarter of 2020 to a post-SARS high of 4.0% in the three-month period ending February 2021, and then edged down to 3.8% in the first quarter of 2021. Similarly, the number of underemployed persons rose by 20 800 over the fourth quarter of 2020 to 154 600 in the three-month period ending February 2021, before declining to 148 400 in the first quarter of 2021. Analysed by sector and compared with the fourth quarter of 2020, the underemployment rate of the retail, accommodation and food services sectors combined increased by 1.0 percentage point to 6.7% in the first quarter of 2021. Among these sectors, the underemployment rate for food and beverage service activities rose by 1.2 percentage points to 9.0%, and the underemployment rate of the retail sector went up by 1.0 percentage point to 5.1%. The underemployment rates of many other sectors also went up over the preceding quarter, particularly in arts, entertainment and recreation (up by 3.8 percentage points to 10.3%) and postal and courier activities (up by 2.8 percentage points to 5.9%). Analysed by skill segment, the underemployment rate of the lower-skilled segment increased by 0.4 percentage point over the preceding quarter to 5.0%, and that of the higher-skilled segment rose by 0.3 percentage point to 2.1%.

## 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 December 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 stayed weak in December 2020 amid the fourth wave of local epidemic which started in the latter part of November 2020. After falling by 4.4% year-on-year in September 2020, total private sector employment declined further by 4.7% in December 2020 to 2 687 900. Looking at individual sectors, employment in the consumption- and tourism-related sectors continued to fall markedly by 9.4% as business situation in these sectors remained challenging. Employment in the import/export trade and wholesale sector also declined sharply by 11.4%, continuing its longer-term downward trend. Employment in many other sectors fell by varying degrees. Nonetheless, employment in some sectors continued to increase, notably in human health services (up by 3.4% year-on-year), cleaning and similar services (up by 1.2% year-on-year), and real estate sectors (up by 1.2% year-on-year). Analysed by establishment size, employment in *small and medium-sized enterprises (SMEs)*<sup>(8)</sup> decreased by 4.2% in December 2020 from a year earlier, smaller than the decline of 5.1% in large enterprises. For 2020 as a whole, private sector employment decreased by 4.5%, larger than the 0.9% decline in 2019.

**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>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</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)	452 300 (-10.8)	475 400 (-8.5)	450 200 (-12.0)	444 700 (-11.3)	439 000 (-11.4)
Retail	268 000 (-1.7)	272 600 (0.6)	271 200 (-0.3)	267 000 (-2.2)	261 100 (-4.8)	251 100 (-6.3)	254 900 (-6.5)	249 400 (-8.1)	249 800 (-6.5)	250 300 (-4.1)
Accommodation <sup>(a)</sup> and food services	286 000 (-1.7)	294 000 (2.7)	293 500 (1.0)	280 800 (-4.2)	275 800 (-6.3)	246 600 (-13.8)	259 500 (-11.7)	248 700 (-15.3)	242 000 (-13.8)	236 100 (-14.4)
Transportation, storage, postal and courier services	180 400 (0.3)	180 700 (0.8)	180 300 (0.3)	180 400 (0.2)	180 200 (§)	173 800 (-3.7)	177 300 (-1.9)	176 100 (-2.3)	175 000 (-3.0)	166 800 (-7.5)
Information and communications	110 600 (1.9)	110 600 (3.4)	110 900 (2.5)	110 400 (1.2)	110 300 (0.3)	110 200 (-0.3)	109 700 (-0.8)	110 800 (-0.2)	110 300 (-0.1)	109 900 (-0.3)
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)	761 700 (0.2)	758 800 (§)	759 900 (-0.1)	764 600 (0.5)	763 500 (0.4)
Social and personal services	535 100 (2.3)	530 900 (2.1)	533 400 (2.3)	536 600 (2.6)	539 700 (2.3)	532 000 (-0.6)	532 300 (0.3)	531 000 (-0.5)	531 800 (-0.9)	532 900 (-1.3)
Manufacturing	86 900 (-3.5)	88 500 (-2.6)	87 400 (-2.7)	86 300 (-3.5)	85 400 (-5.2)	83 400 (-4.0)	84 200 (-4.8)	84 200 (-3.7)	83 300 (-3.5)	81 900 (-4.1)
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)	97 200 (-4.5)	101 100 (-5.9)	97 600 (-4.9)	93 900 (-3.1)	96 100 (-3.8)
<i>All establishments surveyed in the private sector<sup>(b)</sup></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>2 719 500 (-4.5)</i>	<i>2 764 300 (-3.8)</i>	<i>2 719 000 (-5.1)</i>	<i>2 706 900 (-4.4)</i>	<i>2 687 900 (-4.7)</i>
		<§>	<-0.2>	<-1.2>	<-0.7>		<-1.8>	<-1.5>	<-0.6>	<-0.9>

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.

( ) % 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 slackened labour demand, the number of job vacancies in the private sector plunged by 35.6% from a year earlier to 35 060 in December 2020, after a fall of 38.3% in September 2020. For 2020 as a whole, the number of vacancies plummeted by 42.6% to an average of 38 840.

5.13 All major economic sectors saw year-on-year declines in the number of vacancies in December 2020, especially for construction sites (covering manual workers only) (down 84.3%), arts, entertainment and recreation (down 73.5%), manufacturing (down 68.5%), retail, accommodation and food services (down 45.4%), and professional and business services (excluding cleaning and similar services) (down 41.5%). In respect of occupational category, the numbers of vacancies in the lower-skilled and higher-skilled segments both went down markedly, by 43.9% and 22.6% respectively. Analysed by establishment size, the numbers of vacancies in large enterprises and SMEs dropped by 32.5% and 42.4% respectively.

5.14 Reflecting a weak labour market, the ratio of job vacancies per 100 unemployed persons in December 2020, at 14, was substantially lower than the year-ago level of 44. Analysed by skill segment, the ratio in the higher-skilled segment declined sizably from 69 a year earlier to 25 in December 2020, and that in the lower-skilled segment from 43 to 12. Yet manpower shortage remained acute in the residential care and social work services sector, where the ratio was still above 100. For the 2020 as a whole, the overall ratio decreased markedly from 58 in the preceding year to 17. The corresponding ratios in the higher- and lower-skilled segments both plummeted, from 78 to 31 and from 61 to 14 respectively.

**Table 5.8 : Vacancies by major economic sector**

	Number of vacancies										Vacancy rate in Dec 2020 (%)
	2019					2020					
	Annual average	Mar	Jun	Sep	Dec	Annual average	Mar	Jun	Sep	Dec	
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)	3 450 (-42.9)	4 080 (-40.1)	3 670 (-43.3)	3 180 (-48.4)	2 880 (-39.4)	0.7
Retail	6 710 (-18.4)	8 350 (2.9)	7 650 (-4.1)	5 970 (-25.5)	4 870 (-44.5)	3 060 (-54.3)	3 050 (-63.5)	3 160 (-58.8)	3 140 (-47.3)	2 910 (-40.2)	1.1
Accommodation <sup>(a)</sup> and food services	9 250 (-35.0)	14 700 (2.3)	11 190 (-22.1)	6 240 (-56.2)	4 860 (-65.0)	2 830 (-69.4)	2 910 (-80.2)	2 840 (-74.6)	3 180 (-49.1)	2 400 (-50.6)	1.0
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)	2 180 (-43.6)	2 590 (-45.8)	2 280 (-44.2)	2 090 (-45.0)	1 760 (-37.4)	1.0
Information and communications	2 850 (-4.4)	2 950 (-5.4)	3 040 (-6.3)	2 860 (2.6)	2 560 (-8.0)	1 900 (-33.2)	2 190 (-25.6)	2 040 (-32.9)	1 740 (-39.4)	1 650 (-35.6)	1.5
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)	13 010 (-31.8)	14 660 (-28.7)	12 360 (-38.6)	13 060 (-29.6)	11 950 (-29.7)	1.5
Social and personal services	16 710 (-1.6)	17 860 (10.6)	17 220 (-0.2)	16 720 (-2.0)	15 060 (-13.9)	11 300 (-32.4)	11 400 (-36.2)	11 650 (-32.3)	11 490 (-31.3)	10 660 (-29.2)	2.0
Manufacturing	2 210 (-22.3)	2 490 (-4.6)	2 660 (-9.7)	1 910 (-34.0)	1 790 (-39.0)	710 (-68.0)	760 (-69.6)	750 (-71.7)	760 (-60.3)	560 (-68.5)	0.7
Construction sites (covering manual workers only)	680 (-2.9)	870 (2.0)	780 (33.6)	580 (12.0)	500 (-41.6)	240 (-64.6)	500 (-42.6)	240 (-68.5)	140 (-75.2)	80 (-84.3)	0.1
<i>All establishments surveyed in the private sector<sup>(b)</sup></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>38 840 (-42.6)</i>	<i>42 270 (-46.9)</i>	<i>39 120 (-46.7)</i>	<i>38 910 (-38.3)</i>	<i>35 060 (-35.6)</i>	<i>1.3</i>
		<-0.6>	<-7.2>	<-13.8>	<-12.6>		<-24.0>	<-7.0>	<§>	<-8.9>	

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.

( ) % change over a year earlier.

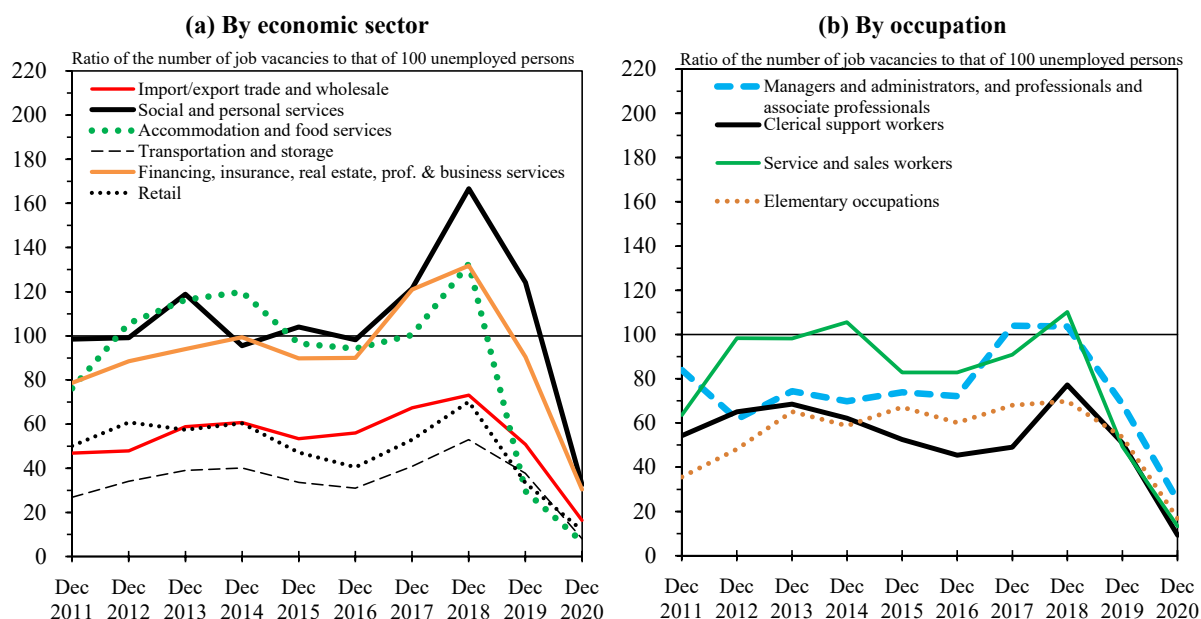
< > Seasonally adjusted quarter-to-quarter % change.

§ 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.

**Diagram 5.5 : Manpower balance continued to slacken across major economic sectors and occupations in December 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 by 0.6 percentage point from a year earlier to 1.3% in December 2020. All major sectors recorded lower vacancy rates compared with a year earlier, with visible declines observed in arts, entertainment and recreation, and manufacturing. For 2020 as a whole, the private sector vacancy rate decreased further from 2.3% in the preceding year to 1.4%.

5.16 Information on job vacancies in the private sector received by the Labour Department (LD) may provide some hints on the latest developments in the labour market. Such vacancies, at an average of 61 500 per month in the first quarter of 2021, went up by 20% over the same period a year ago, but it was still 1% below the monthly average in the preceding quarter.



## Wages and earnings

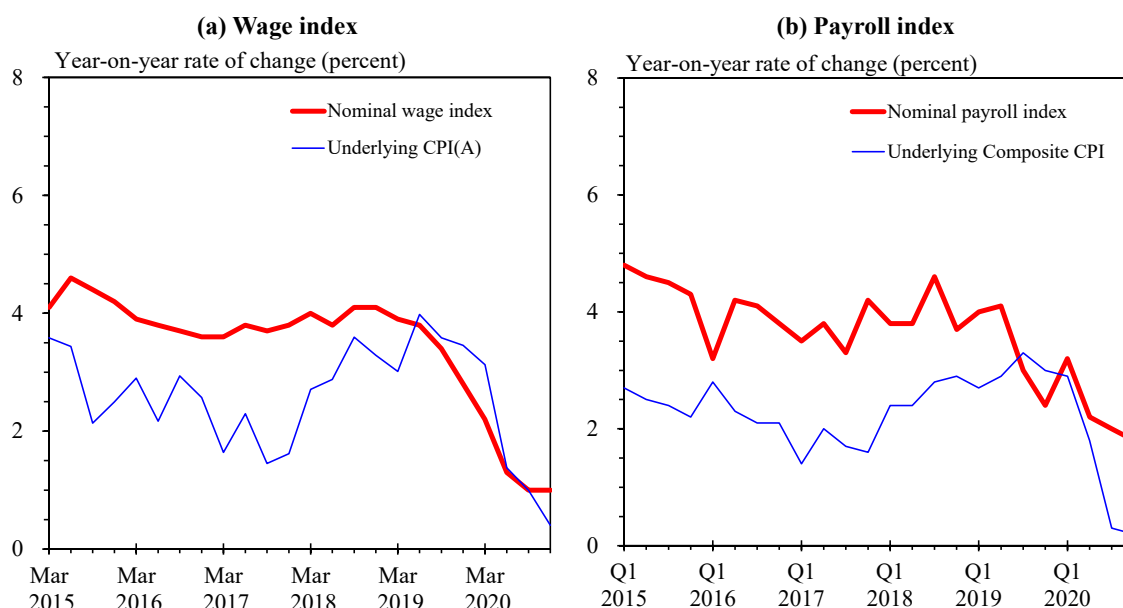
5.17 In the fourth quarter of 2020, overall nominal wages and labour earnings showed the slowest year-on-year increases in over a decade. The nominal *wage index* for all selected industry sections, which covers regular payment to employees at the supervisory level or below, increased by 1.0% year-on-year in December 2020. The rate of increase, the same as that in September 2020, was the slowest in nearly 11 years. After discounting for headline inflation<sup>(9)</sup>, overall wages showed a larger increase of 1.7% in real terms over a year earlier, due to the decline in the headline Consumer Price Index (A) (CPI(A)) that reflected the effect of the Government's one-off relief measures in that month. For 2020 as a whole, overall nominal wages grew by 1.3% year-on-year, slower than the 3.5% growth in 2019. After adjusting for headline inflation, wages rose by 2.3% in real terms in 2020 as compared to a 0.2% increase in 2019.

5.18 Nominal wages showed varied performance across different selected sectors in December 2020. In particular, nominal wages of the transportation sector declined further by 1.5% from a year earlier. Nominal wages in other selected sectors continued to increase, more noticeably in real estate leasing and maintenance management (up 2.7%), financial and insurance activities (up 2.3%) and professional and business services (up 1.5%). Analysis by occupation, nominal wages for craftsmen declined further by 1.3%, and those for other selected occupations continued to record increases, notably for miscellaneous non-production workers (up 2.2%).

5.19 *Labour earnings*<sup>(10)</sup>, 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, saw its year-on-year increase decelerate from 2.0% in the third quarter to 1.8% in the fourth quarter, the slowest in over a decade. For 2020 as a whole, labour earnings grew by 2.4%, slower than the 3.4% gain in 2019. After adjusting for headline inflation, labour earnings rose by 2.0% in real terms in 2020 as compared to a 0.5% increase in 2019.

5.20 On a year-on-year comparison, labour earnings in major sectors showed diverse movements in nominal terms. Specifically, labour earnings in transportation, storage, postal and courier services, and accommodation and food service activities continued to decline visibly by 10.5% and 4.2% respectively in the fourth quarter of 2020. On the other hand, those in many other major sectors continued to increase, particularly in social and personal services (up 5.6%).

**Diagram 5.6 : Wages rose at the slowest rate in nearly 11 years in December 2020; labour earnings also grew at the slowest pace in over a decade in the fourth 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.

5.21 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 stayed on the rise in the first quarter of 2021. *Average monthly employment earnings*<sup>(11)</sup> of full-time employees (excluding foreign domestic helpers) of the lowest three decile groups combined increased by 2.0% year-on-year in nominal terms in the first quarter of 2021, faster than the inflation rate of 0.3% as measured by the underlying CPI(A). However, caution should be exercised when interpreting these earnings growth figures, as the severe job loss in the lower-paid segment over the past year distorted 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) fell sharply by 7.9% from a year earlier in the first quarter of 2021, partly reflecting the decreased number of working members in households amid the fall in total employment.

## Highlights of labour-related measures and policy developments

5.22 To counter the impacts of the epidemic, the Government rolled out further relief measures in *the 2021-22 Budget*, which included measures to create and stabilise employment. In particular, the Government announced to further allocate \$6.6 billion to create around 30 000 time-limited jobs in the public and private sectors for a period up to 12 months. Also, following the launch of the third tranche of the Love Upgrading Special Scheme in January 2021 which will provide 20 000 training places with allowance, the Employees Retraining Board will launch the fourth tranche in July 2021 for six months until the end of 2021, providing another 20 000 places. Separately, further to the announcement in *the Chief Executive's 2020 Policy Address*, the Greater Bay Area Youth Employment Scheme was launched in January 2021. As at 30 April 2021, about 2 400 on-the-job training places were provided by 321 enterprises under the Scheme for graduates who were awarded bachelor's degrees or above from 2019 to 2021.

5.23 LD cancelled its physical job fairs from January to mid-February 2021 to reduce the risk of cross infections posed by the congregation of people during the epidemic. Nevertheless, LD introduced online job fairs and resumed full-scale recruitment activities in between the waves of outbreak to help job seekers look for jobs. Moreover, LD continued to provide employment and recruitment services through telephone and online platforms such as the Interactive Employment Service website throughout the epidemic. As the epidemic situation stabilised, LD had gradually resumed the organisation of large-scale job fairs, district-based job fairs in LD's job centres and recruitment activities in industry-based recruitment centres since mid-February 2021.

## 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) Caution should be exercised when reading the seasonally adjusted unemployment rate, as the changes in the labour demand and supply patterns during the current public health crisis may not be adequately captured by the internationally accepted standard adjustment method. On an unadjusted basis, the overall unemployment rate increased from 6.3% in the fourth quarter of 2020 to 6.8% in the three-month period ending February 2021, then edged down to 6.7% in the first quarter of 2021.
- (7) 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.
- (8) Manufacturing enterprises which employ fewer than 100 persons and non-manufacturing enterprises which employ fewer than 50 persons are regarded as small and medium-sized enterprises (SMEs) in Hong Kong. Yet, establishments with the same business registration number and engaged in the same industry/services group are combined into one business unit (enterprise) 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 persons will be considered as a single large enterprise, instead of separate SMEs. An establishment is an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location (e.g. a branch or an outlet of a company).
- (9) 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.
- (10) 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.
- (11) 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

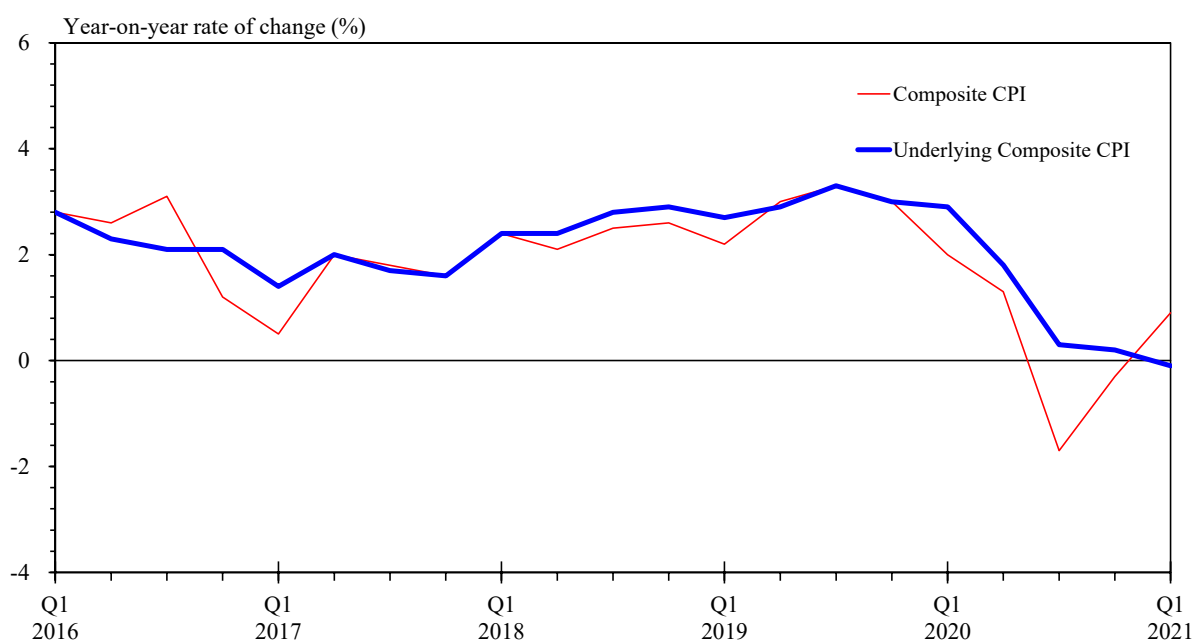
### *Summary*

- *Consumer price pressures eased further. The underlying Composite Consumer Price Index (Composite CPI)<sup>(1)</sup>, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, fell mildly by 0.1% year-on-year in the first quarter of 2021 after rising by 0.2% in the preceding quarter. The decline was mainly attributable to easing food inflation and an enlarged fall in private housing rentals. Price pressures on other major CPI components stayed very mild as overall economic activity remained below the pre-recession level. Meanwhile, the headline Composite CPI went up by 0.9%, reflecting the low base of comparison arising from the Government's one-off relief measures in January last year.*
- *Domestically, the decline in private housing rentals widened as the effect of softening fresh-letting residential rentals in the past year or so turned more apparent. Business cost pressures continued to abate, with wages rising at the slowest pace in nearly 11 years and commercial rentals falling further.*
- *External price pressures remained tame. While inflation rates in some import sources<sup>(2)</sup> rose slightly alongside the revival in economic activities and the recent surge of international commodity and energy prices, the substantial slack in the global economy kept a lid on imported inflation. Overall prices of merchandise imports thus only posted a modest year-on-year rise.*

## Consumer prices

6.1 Consumer price pressures eased further in the first quarter of 2021. Prices of basic foodstuffs posted a smaller year-on-year increase against a high base of comparison, while prices of meals bought away from home softened amid the fourth wave of the local epidemic. Price pressures on other major CPI components remained very mild as overall economic activity was still below the pre-recession level. Domestically, private housing rentals registered an enlarged decline as the effect of easing fresh-letting residential rentals in the past year or so turned more apparent. As to business costs, wages recorded the slowest growth in nearly 11 years while commercial rentals fell further. Reportedly, some landlords of commercial properties continued to provide temporary rental relief to alleviate the financial stress of their tenants. Meanwhile, external price pressures stayed tame. Although inflation in some import sources went up slightly alongside the revival in economic activities and the recent surge of international commodity and energy prices, the substantial slack in the global economy resulted from the earlier deep recession kept a lid on external price pressures. As a result, overall prices of merchandise imports only increased modestly over a year earlier.

**Diagram 6.1: Consumer price pressures eased further in the first quarter**



Note : The year-on-year rates of change of the CPIs are computed from the 2014/15-based series.

6.2 The underlying Composite CPI, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, posted a small year-on-year decline of 0.1% in the first quarter, after increasing by 0.2% in the preceding quarter. This was mainly attributable to easing food inflation and an enlarged fall in private housing rentals. In particular, the increase in prices of basic foodstuffs narrowed further as pork prices saw a larger decline against a high base of comparison, while prices of meals bought away from home were constrained by the fourth wave of the local epidemic. The headline Composite CPI went up by 0.9% over a year earlier, after posting a modest decline of 0.3% in the preceding quarter. The higher headline inflation rate was due to the low base of comparison arising from the Government's payment of public housing rentals and waiver of two-thirds of rent for tenants of Group B estates by Hong Kong Housing Society in January last year, as well as the smaller amount of electricity charge subsidy provided by the Government starting from January 2021.



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

		<u>Composite CPI</u>		<u>CPI(A)</u>	<u>CPI(B)</u>	<u>CPI(C)</u>
		<u>Underlying<sup>(a)</sup></u>	<u>Headline</u>			
2020	Annual	1.3	0.3	-0.5	0.7	0.8
	H1	2.4	1.6	1.3	1.9	1.8
	H2	0.3	-1.0	-2.3	-0.5	-0.2
	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
	Q4	0.2	-0.3	-0.3	-0.5	-0.2
2021	Q1	-0.1	0.9	2.8	0.1	*

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

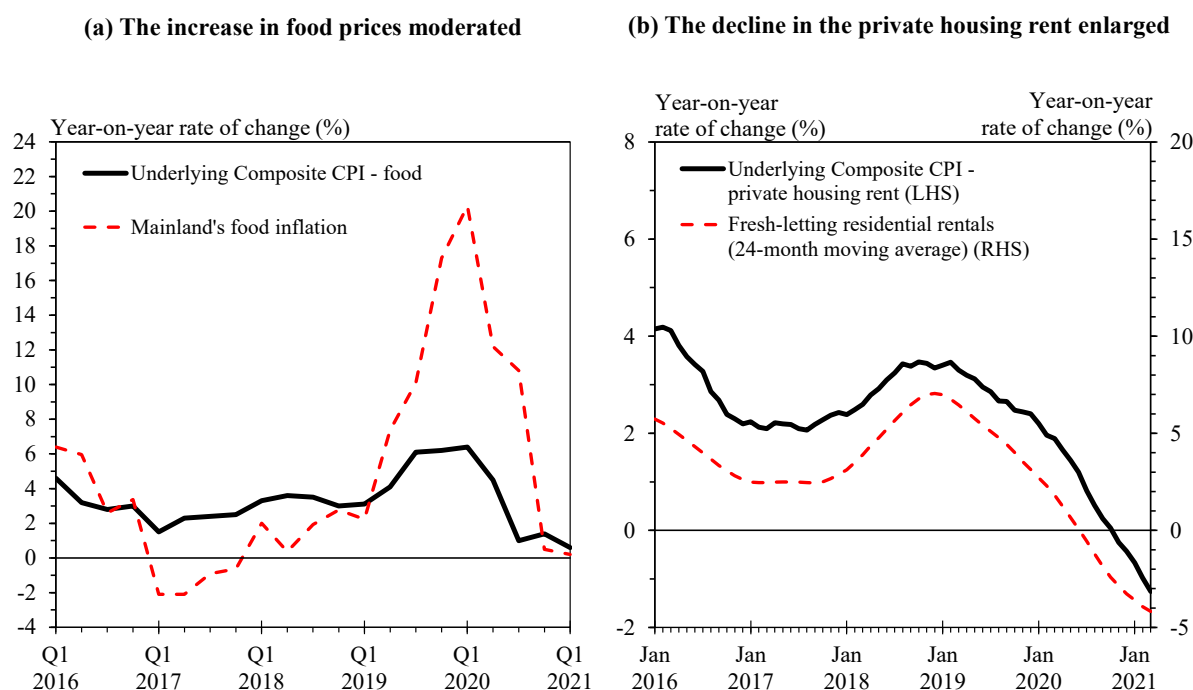
2020	Q1	0.5	-0.7	-2.0	-0.1	0.2
	Q2	-0.1	0.6	1.7	0.1	-0.2
	Q3	-0.6	-2.0	-4.3	-1.1	-0.5
	Q4	0.5	1.7	4.5	0.6	0.4
2021	Q1	0.1	0.6	1.1	0.5	0.3

Notes : (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, allowances for household electricity charges, and waiver of examination fees.

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

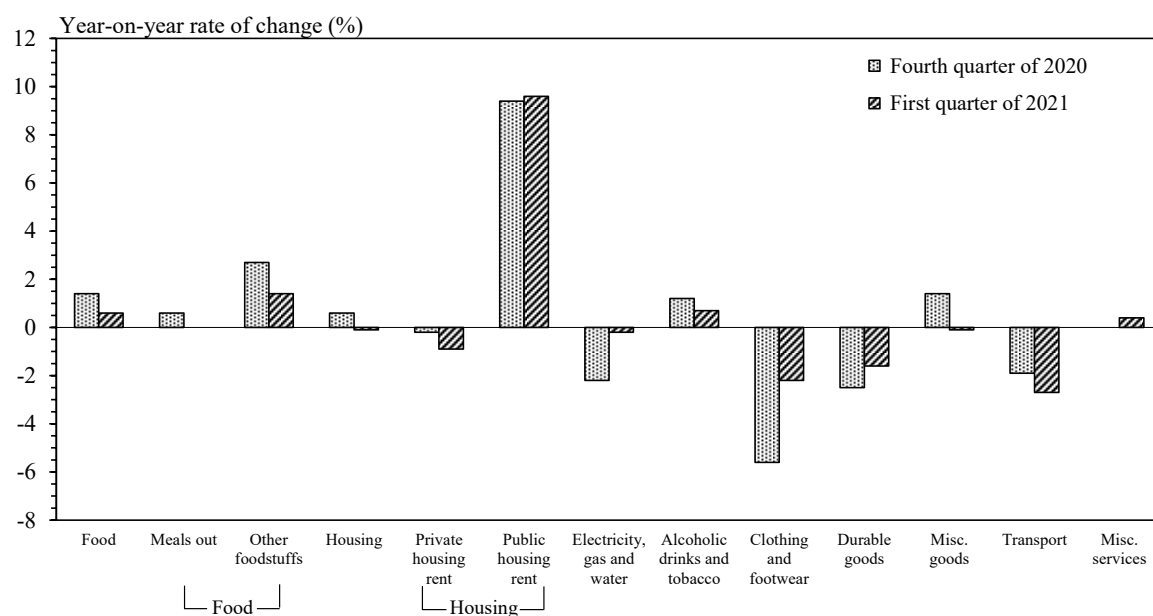
6.3 Analysed by major component of the underlying Composite CPI, the year-on-year rate of increase in food prices, the component with the largest weight other than housing, moderated to 0.6% in the first quarter. Within food prices, the rise in prices of basic foodstuffs eased to 1.4% amid a widened decline in pork prices. Meanwhile, prices of meals bought away from home showed little change, as the fourth wave of the local epidemic and the resultant social distancing measures weighed on the business of restaurants, particularly so in the early part of the quarter. Meanwhile, the decline in the private housing rental component widened to 0.9%, as the effect of softening fresh-letting residential rentals in the past year or so became more apparent. The public housing rental component registered an increase, reflecting the upward adjustment in public housing rentals in September 2020. As for other components, prices of transport continued to recede, thanks mainly to the extra MTR fare rebate starting from July 2020. Prices of miscellaneous services increased modestly. Prices of miscellaneous goods turned to a mild decline, while those of clothing and footwear saw a further albeit narrowed decline. The fall in prices of electricity, gas and water moderated, while the prices of durable goods stayed on its secular downtrend.

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

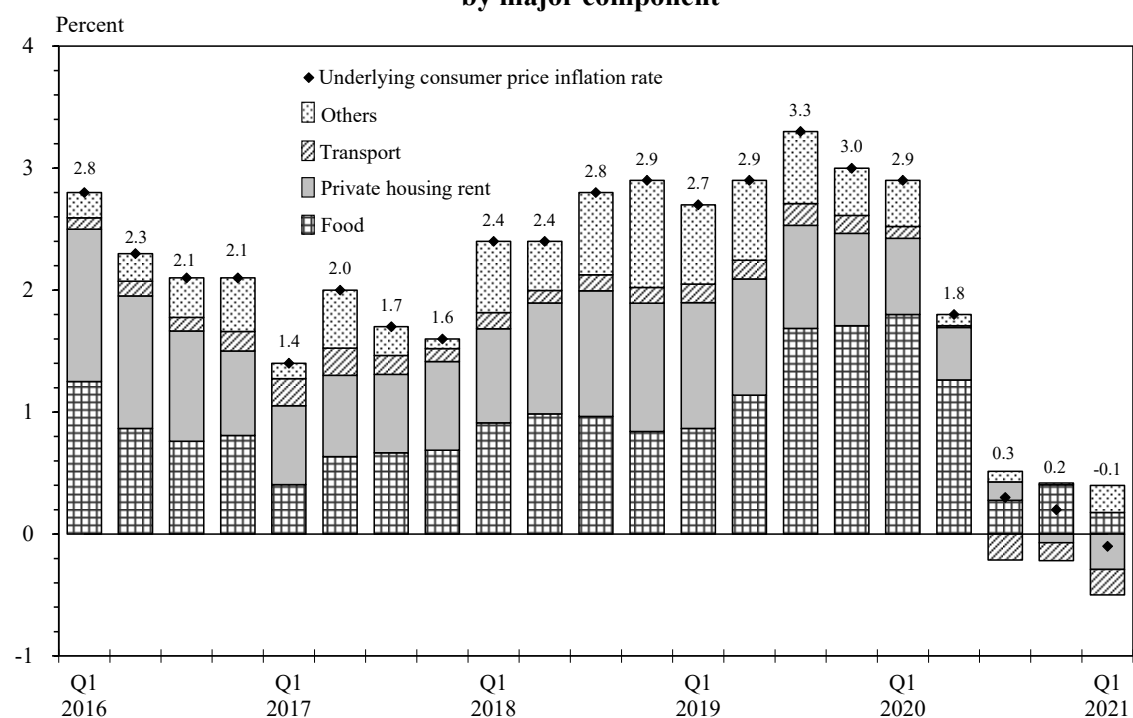


Note : The year-on-year rates of change of the CPIs are computed from the 2014/15-based series.

**Diagram 6.3 (a) : Price pressures on most major components of underlying CPI remained muted in the first 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 CPIs are computed from the 2014/15-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>2019</u>	<u>Annual</u>	<u>2020</u>				<u>2021</u>
				<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Food	27.29	4.9	3.3	6.4	4.5	1.0	1.4	0.6
<i>Meals bought away from home</i>	17.74	2.2	0.8	1.8	1.5	-0.6	0.6	*
<i>Other foodstuffs</i>	9.55	9.9	7.5	14.9	9.9	3.5	2.7	1.4
Housing <sup>(a)</sup>	34.29	3.2 (3.5)	1.3 (-0.1)	2.2 (0.7)	1.6 (1.6)	0.9 (-3.2)	0.6 (0.5)	-0.1 (1.8)
<i>Private housing rent</i>	29.92	2.9 (3.1)	0.9 (1.1)	2.0 (2.7)	1.4 (1.4)	0.5 (0.5)	-0.2 (-0.2)	-0.9 (-1.0)
<i>Public housing rent</i>	1.94	6.5 (7.1)	3.3 (-21.0)	0.4 (-31.1)	0.2 (0.4)	3.3 (-61.7)	9.4 (8.3)	9.6 (59.2)
Electricity, gas and water	2.67	1.0 (-5.4)	0.7 (-19.6)	3.7 (-16.0)	0.8 (-19.0)	0.4 (-19.2)	-2.2 (-24.3)	-0.2 (19.9)
Alcoholic drinks and tobacco	0.54	1.2	0.6	-0.3	0.3	1.1	1.2	0.7
Clothing and footwear	3.21	-1.7	-5.3	-4.2	-5.0	-6.4	-5.6	-2.2
Durable goods	4.65	-1.9	-2.9	-2.5	-3.1	-3.5	-2.5	-1.6
Miscellaneous goods	3.56	2.5	2.6	3.8	2.8	2.3	1.4	-0.1
Transport	7.98	2.0	-0.8	1.2	0.2	-2.8	-1.9	-2.7
Miscellaneous services	15.81	2.0 (2.0)	0.7 (0.7)	1.5 (1.5)	0.8 (0.8)	0.6 (0.6)	* (0.1)	0.4 (0.4)
All items	100.00	3.0 (2.9)	1.3 (0.3)	2.9 (2.0)	1.8 (1.3)	0.3 (-1.7)	0.2 (-0.3)	-0.1 (0.9)

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.

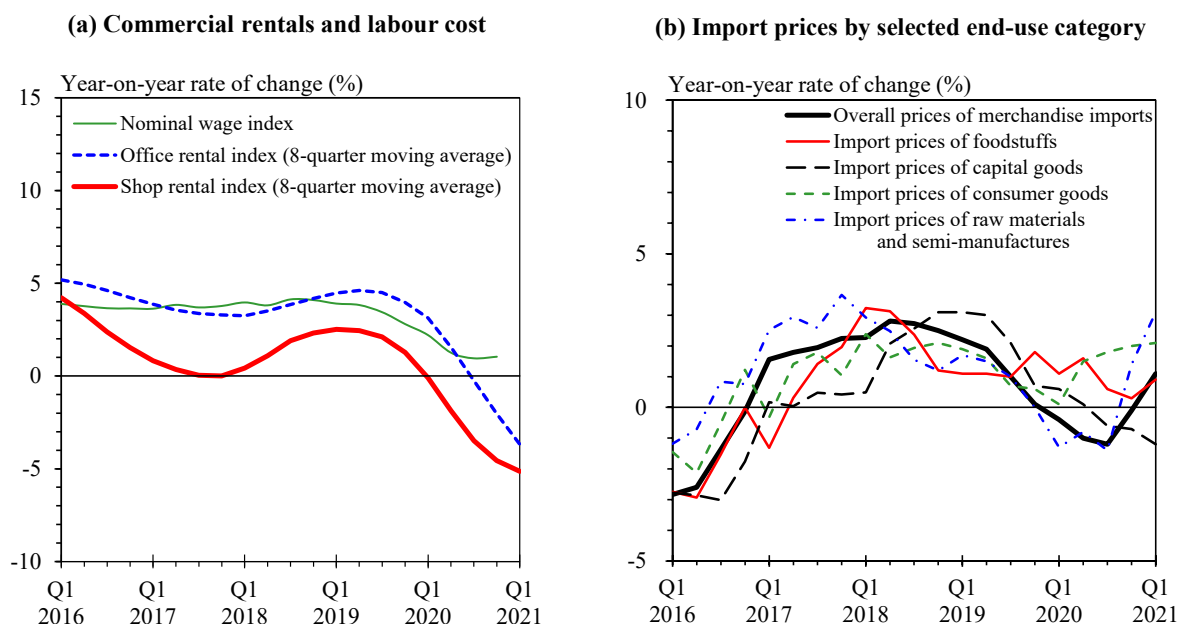
( ) Figures in brackets represent the headline rates of change before netting out the effects of Government's one-off relief measures.

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

## Costs of factor inputs and import prices

6.4 Domestic cost pressures continued to abate in the first quarter of 2021. The pace of increase in nominal wages was the slowest in nearly 11 years amid austere labour market conditions. Commercial rentals softened further as overall economic activity has yet to return to the pre-recession level. As a proxy for the rental costs faced by businesses, the eight-quarter moving average of office rentals fell further by 3.7% in the first quarter, and that of shop rentals posted an enlarged decline of 5.1%. Reportedly, some landlords of commercial properties continued to provide temporary rental relief to their tenants in view of the epidemic-induced disruptions to business.

**Diagram 6.4 : Domestic cost pressures abated further;  
external price pressures remained tame**



6.5 External price pressures remained tame in the first quarter of 2021. While inflation in some import sources went up slightly alongside the revival in economic activities and the recent surge of international commodity and energy prices, the substantial slack in the global economy resulted from the earlier deep recession continued to keep imported inflation at bay (see **Box 6.1**). Overall prices of merchandise imports posted a modest year-on-year increase of 1.1% in the first quarter, compared to the 0.1% decline in the preceding quarter. Analysed by major end-use categories, the decline in import prices of fuels narrowed to 9.5% alongside the rebound in international oil prices. Import prices of foodstuffs registered a modest increase of 0.9%, and those of consumer goods and raw materials and semi-manufactures rose by 2.1% and 3.1% respectively. Meanwhile, import prices of capital goods fell further by 1.2%.

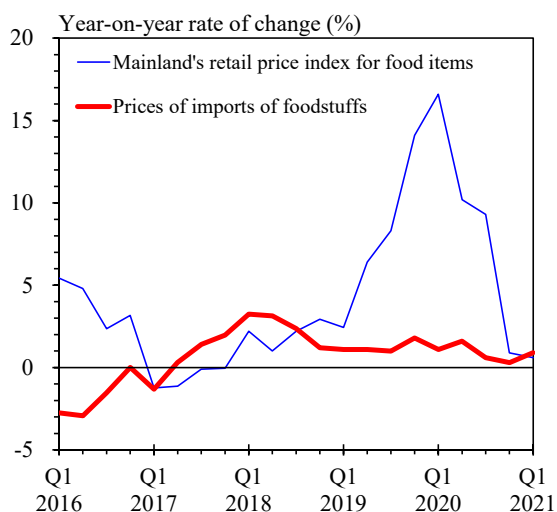
**Table 6.3 : Prices of imports by end-use category**  
(year-on-year rate of change (%))

		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2020	Annual	0.9	1.5	-0.5	-27.7	-0.2	-0.7
	H1	1.4	0.8	-1.0	-23.8	0.3	-0.7
	H2	0.4	1.9	*	-32.0	-0.7	-0.6
	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
	Q4	0.3	2.0	1.4	-32.0	-0.7	-0.1
2021	Q1	0.9	2.1	3.1	-9.5	-1.2	1.1

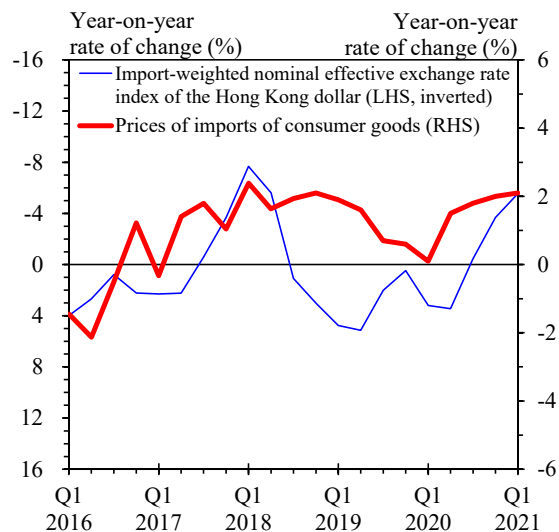
Note : (\*) Change within  $\pm 0.05\%$ .

**Diagram 6.5: Prices of merchandise imports by end-use category**

**(a) Import prices of foodstuffs registered a modest increase**

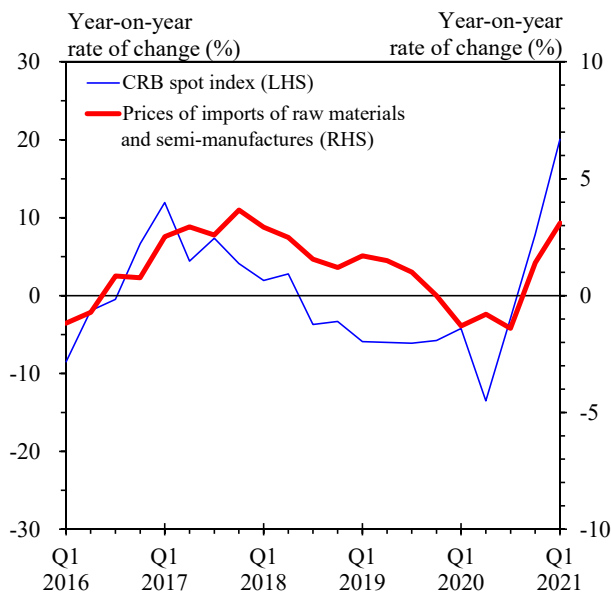


**(b) Import prices of consumer goods stayed on the rise**

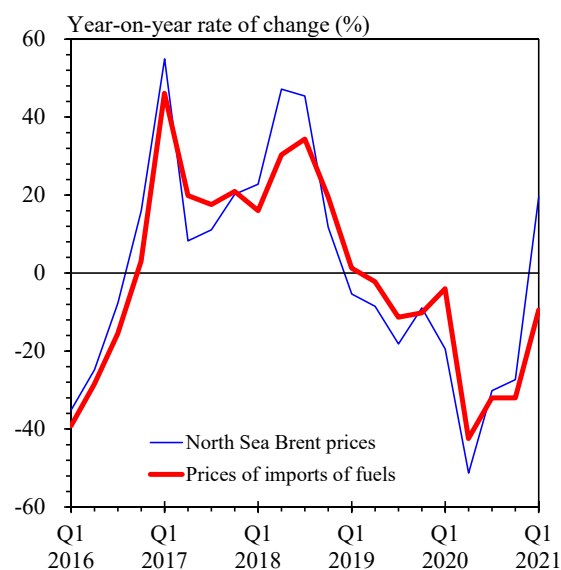


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

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



**(d) The decline in import prices of fuels narrowed**



## Box 6.1

### Inflation expectations in Hong Kong's major import sources for 2021

Consumer price inflation in many major economies eased visibly in 2020, mainly reflecting the plunge in global demand caused by the COVID-19 pandemic and ensuing social distancing measures. Thanks to the gradual roll-out of mass vaccination campaigns across the globe as well as the large-scale fiscal and monetary support from the governments and central banks in major economies, global economic activities are expected to rebound over the course of 2021. There are thus concerns that inflation may pick up during the year. In fact, international commodity and food prices have rebounded since mid-2020 and already notably surpassed their pre-pandemic levels. This box article takes a look on the recent inflation situation and inflation expectations in Hong Kong's major import sources for 2021.

#### Inflation expectation in the US

In the US, core personal consumption expenditure (PCE) inflation, the Federal Reserve (Fed)'s preferred measure of inflation after excluding the food and energy components, edged up to 1.5% in the first quarter of 2021, after receding to 1.4% in 2020. Going forward, according to the median projection by the Federal Open Market Committee's (FOMC) members in March, core PCE inflation would rise moderately to 2.2% in the fourth quarter of 2021, slightly above the Fed's 2% target. Separately, based on the First Quarter 2021 Survey of Professional Forecasters conducted by the Federal Reserve Bank of Philadelphia, private sector forecasters generally expected that core PCE inflation in 2021 would hover around 2% (*Chart 1*).

#### Inflation expectation in the euro area

In the euro area, core consumer price inflation picked up somewhat to 1.1% in the first quarter of 2021 from 0.7% in 2020. According to the European Central Bank (ECB)'s staff macroeconomic projections in March, while core inflation was expected to experience strong quarterly volatility in 2021 owing to ad hoc factors such as the end of the temporary value-added tax rate reduction in Germany which lasted from July to December 2020, underlying inflationary pressure should gradually pick up throughout the year amid the envisaged economic rebound. That said, for 2021 as a whole, the ECB only expected a modest core inflation of 1.0%. Meanwhile, respondents to the ECB's Survey of Professional Forecasters for the second quarter of 2021 on average expected that core inflation would be 1.1% in 2021 (*Chart 2*). On balance, inflation pressure in the euro area should stay tame this year.

Chart 1: Inflation forecast in the US

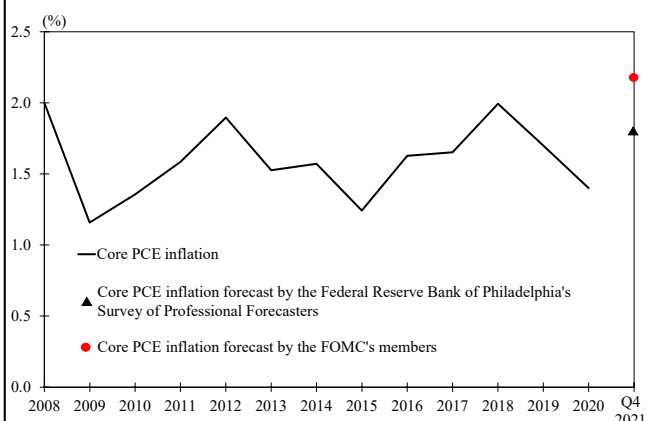
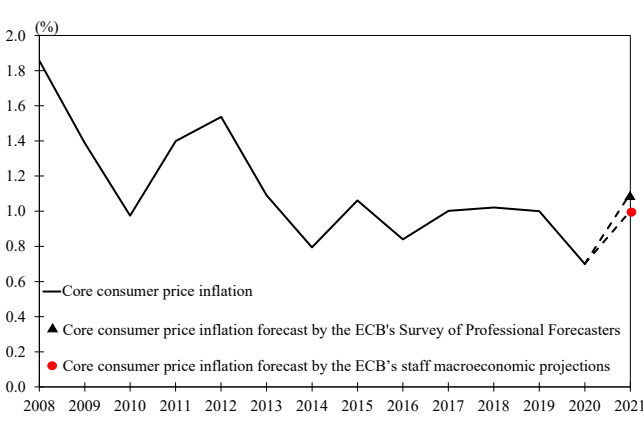


Chart 2: Inflation forecast in the euro area



Sources: The Federal Reserves, the Federal Reserve Bank of Philadelphia, the European Central Bank.



## Box 6.1 (Cont'd)

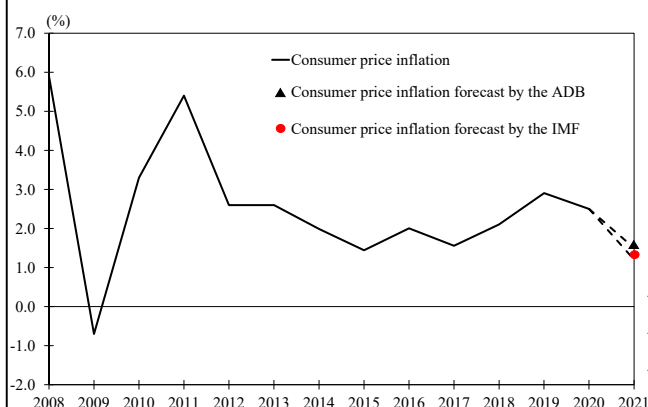
### Inflation expectation in the Mainland

In the Mainland, consumer price inflation went down successively from 4.9% in the first quarter of 2020 to 0.1% in the fourth quarter and further to -0.3% in the first two months of 2021 combined, partly reflecting the high base of comparison<sup>(1)</sup> caused by the surge in pork prices since mid-2019 amid the impact of swine fever on the supply of live pigs. In March, consumer price index resumed a year-on-year increase of 0.4%. Looking forward, while price pressures are likely to increase over the course of 2021 alongside strong economic growth<sup>(2)</sup>, the International Monetary Fund (IMF) and Asian Development Bank (ADB) in April forecast that consumer price inflation in the Mainland would be only 1.2% and 1.5% respectively in 2021 (**Chart 3**). The latest forecasts by private sector analysts also pointed to modest consumer price inflation in the Mainland for 2021 as a whole, at around 1.5%.

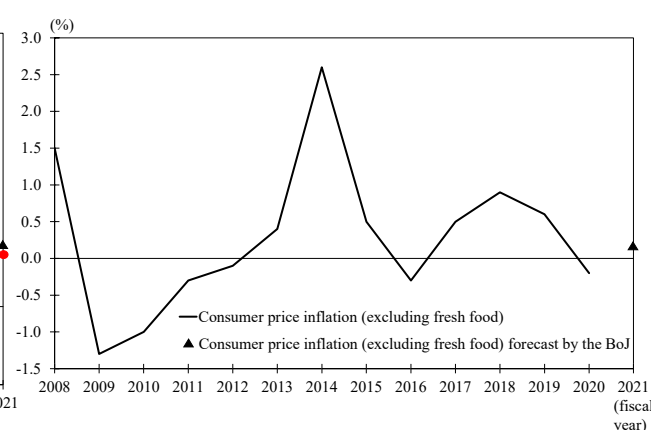
### Inflation expectation in Japan

In Japan, consumer prices (excluding fresh food) relapsed to a mild decline of 0.2% in 2020, reflecting the impact of COVID-19 pandemic and one-off factors such as the launch of the “Go To Travel” campaign<sup>(3)</sup> by the Japanese government. In the first quarter of 2021, consumer prices (excluding fresh food) continued to fall by 0.4% from a year earlier. Looking ahead, the Bank of Japan (BoJ) in April projected consumer prices (excluding fresh food) to rise back marginally by 0.1% for the fiscal year 2021 (**Chart 4**). Meanwhile, enterprises generally projected a modest annual increase of 0.4% in general prices for the coming 12 months according to the Tankan survey conducted by the BoJ in April. In sum, inflation pressures in Japan should remain muted in the near term.

**Chart 3: Inflation forecast in the Mainland**



**Chart 4: Inflation forecast in Japan**



Sources: The International Monetary Fund, the Asian Development Bank, the Bank of Japan.

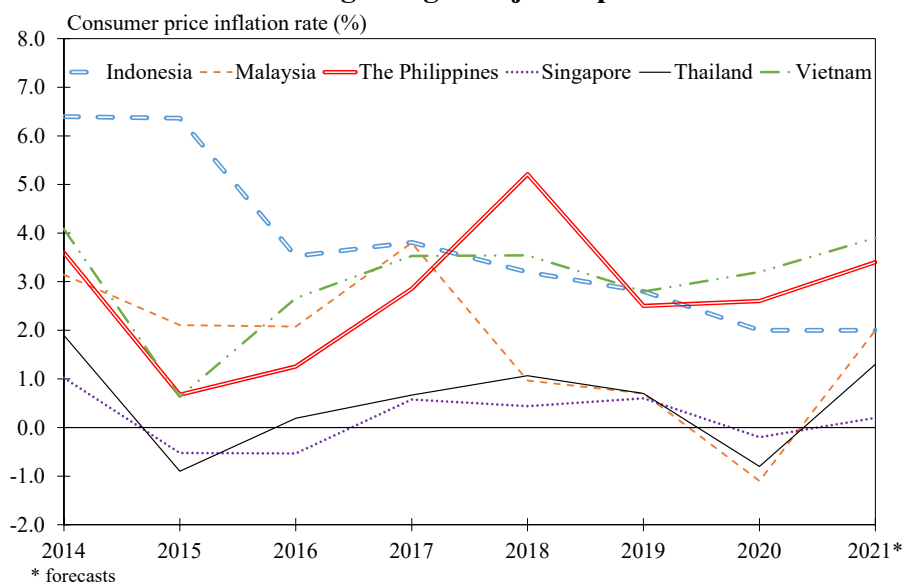
- (1) Using simple average of inflation in each month to estimate the quarterly inflation, pork inflation surged to around 123% in the first quarter of 2020, before easing to about 87% and 55% respectively in the second and third quarters. In the fourth quarter of 2020, pork prices relapsed to a year-on-year decline of about 6%.
- (2) The IMF in early April forecast the Mainland economy to expand strongly by 8.4% in 2021.
- (3) The “Go To Travel” campaign has significantly reduced the domestic travel costs in 2020. According to the BoJ, the direct effect of the campaign on the year-on-year rate of change in CPI (excluding fresh food) was estimated to be -0.2 percentage point for the fiscal year 2020.

## Box 6.1 (Cont'd)

### Inflation expectation in ASEAN economies

Consumer price inflation in many ASEAN economies likewise receded in 2020<sup>(4)</sup>. Looking forward into 2021, the IMF in early April forecast that inflation in these economies would generally rise alongside the economic recovery<sup>(5)</sup>. The rates of consumer price inflation in Singapore, Thailand, Indonesia and Malaysia were projected at modest-to-moderate levels of 0.2%, 1.3%, 2.0% and 2.0% respectively in 2021, while those in the Philippines and Vietnam were forecast at 3.4% and 3.9% respectively in 2021 (*Chart 5*).

**Chart 5: Inflation forecast in selected ASEAN economies which are Hong Kong's major import sources**



Source: The International Monetary Fund.

### Conclusion

While the revival in global economic activity may lead to firmer price pressures, inflation in major economies should remain moderate in 2021. Latest inflation forecasts by international organisations and private sector analysts suggest that inflation expectations in our major import sources are still anchored at modest or moderate levels. However, the ultra-loose monetary policy stance of major central banks, coupled with the possibility of stronger-than-expected global growth in the period ahead, has recently led to some concern about the risk of higher global inflation over the medium term.

Given that Hong Kong relies predominantly on imports from outside sources for its domestic consumption, the expected modest global inflation in the near term should help contain our external price pressures in 2021. Yet, movements of exchange rates and international food and commodity prices could also affect Hong Kong's imported inflation. The Government will continue to closely monitor the various external developments and their possible impacts on inflation in Hong Kong.

(4) These economies include Singapore, Thailand, Vietnam, Indonesia, Malaysia and the Philippines, which are Hong Kong's major import sources of foodstuffs and consumer goods.

(5) The IMF forecast the ASEAN-5 group economies (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) would rebound by 4.9% in 2021. As for Singapore, the IMF forecast the economy would grow by 5.2% in 2021.

## Output prices

6.6 Output prices, as measured by the *Producer Price Indices*<sup>(3)</sup>, showed mixed movements across various sectors in 2020. For the manufacturing sector, output prices picked up in the second half of 2020 but still registered a moderate increase for the year as a whole. Among the selected service sectors, output prices for accommodation services plummeted in 2020, as inbound tourism came to a halt amid travel restrictions worldwide. On the other hand, output prices for air transport surged, mainly due to the severe fall in air cargo capacity caused by pandemic-induced disruptions. Output prices for courier services and water transport also recorded increases, while those for land transport fell. Output prices for telecommunications services continued its secular downtrend for the year as a whole, due to keen competition and technological advancement in the sector.

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

<u>Industry group</u>	<u>2019</u>					<u>2020</u>				
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Manufacturing	1.0	0.7	0.8	1.3	1.1	2.3	1.3	1.3	3.8	2.9
Selected service sectors <sup>(a)</sup>										
Accommodation services	-8.0	1.0	-1.5	-9.9	-20.4	-20.2	-23.4	-23.2	-17.7	-15.8
Land transport	1.6	2.0	1.6	1.4	1.3	-5.0	-2.6	-3.0	-7.3	-7.2
Water transport	-0.8	2.1	-1.4	0.6	-4.4	5.6	1.3	1.7	2.5	17.0
Air transport	-3.2	-0.7	-2.9	-3.8	-5.3	15.9	7.5	10.1	18.3	27.7
Telecommunications	-1.9	-2.6	-3.8	-2.2	0.9	-1.8	-2.4	-1.9	-0.6	-2.4
Courier services	0.5	-4.9	0.5	3.1	3.7	5.1	1.8	-0.7	10.3	9.6

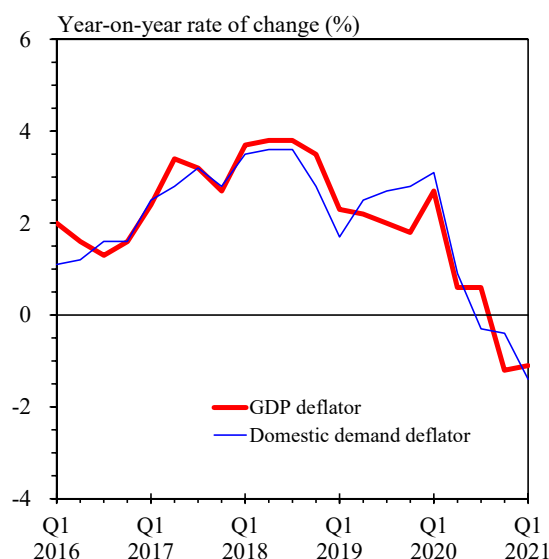
Note : (a) Producer Price Indices for other service sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the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

## GDP deflator

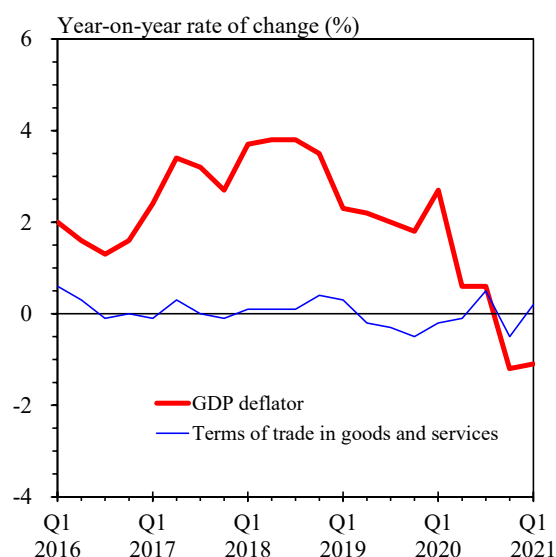
6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*<sup>(4)</sup> fell by 1.1% in the first quarter of 2021 from a year earlier, after decreasing by 1.2% in the preceding quarter. The *terms of trade*<sup>(5)</sup> improved slightly from a year earlier as export prices rose faster than import prices. Taking out the external trade components, the domestic demand deflator fell further by 1.4% in the first quarter, after decreasing by 0.4% in the preceding quarter.

**Diagram 6.6: GDP deflator**

(a) The GDP deflator fell further in the first quarter



(b) Terms of trade improved slightly from a year earlier



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

	<u>2019</u>			<u>2020</u>			<u>2021</u>
	<u>Annual</u> <sup>#</sup>	<u>Annual</u> <sup>#</sup>	<u>Q1</u> <sup>#</sup>	<u>Q2</u> <sup>#</sup>	<u>Q3</u> <sup>#</sup>	<u>Q4</u> <sup>#</sup>	<u>Q1</u> <sup>#</sup>
Private consumption expenditure	2.7	0.6	3.1	0.8	-0.4	-1.0	-1.4
Government consumption expenditure	4.7	2.1	5.6	1.9	1.0	0.1	-0.3
Gross domestic fixed capital formation	-0.1	-0.5	3.2	-1.3	-1.5	-2.3	-3.9
Total exports of goods <sup>&amp;</sup>	1.1	0.1	*	-0.1	0.1	0.1	1.3
Imports of goods <sup>&amp;</sup>	1.3	0.1	0.5	-0.2	-0.6	0.6	1.2
Exports of services <sup>&amp;</sup>	-0.3	-0.8	-0.5	-4.5	-1.7	3.2	5.7
Imports of services <sup>&amp;</sup>	-1.0	-0.4	-2.1	-3.1	-1.2	4.4	5.3
<b>Gross Domestic Product</b>	<b>2.0</b>	<b>0.6</b>	<b>2.7</b> <b>&lt;0.5&gt;</b>	<b>0.6</b> <b>&lt;-0.8&gt;</b>	<b>0.6</b> <b>&lt;0.3&gt;</b>	<b>-1.2</b> <b>&lt;-1.0&gt;</b>	<b>-1.1</b> <b>&lt;0.5&gt;</b>
Total final demand <sup>&amp;</sup>	1.4	0.3	1.1	*	-0.1	0.1	0.6
Domestic demand	2.4	0.8	3.1	0.9	-0.3	-0.4	-1.4
Terms of trade in goods and services <sup>&amp;</sup>	-0.2	-0.1	-0.2	-0.1	0.5	-0.5	0.2

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>2019</u>					<u>2020</u>					<u>2021</u>
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Selected developed economies											
US <sup>^</sup>	2.2	2.1	2.1	2.3	2.3	1.7	2.2	1.3	1.7	1.6	1.4
Canada	1.9	1.6	2.1	1.9	2.1	0.7	1.8	*	0.3	0.8	1.4
EU	1.4	1.5	1.6	1.2	1.3	0.7	1.5	0.6	0.5	0.2	1.4
Japan	0.5	0.3	0.8	0.3	0.5	*	0.5	0.1	0.2	-0.8	-0.4
Selected major emerging economies											
Mainland China	2.9	1.8	2.6	2.9	4.3	2.5	5.0	2.7	2.3	0.1	*
Russia	4.5	5.2	5.0	4.3	3.4	3.4	2.4	3.1	3.5	4.4	5.6
India	3.7	2.5	3.1	3.5	5.8	6.6	6.7	6.6	6.9	6.4	4.9
Brazil	3.7	4.1	4.3	3.2	3.4	3.2	3.8	2.1	2.6	4.3	5.3
Selected Asian economies											
Hong Kong	2.9	2.2	3.0	3.3	3.0	0.3	2.0	1.3	-1.7	-0.3	0.9
Singapore	0.6	0.5	0.8	0.4	0.6	-0.2	0.4	-0.7	-0.3	-0.1	0.8
Taiwan	0.6	0.3	0.8	0.4	0.7	-0.2	0.5	-1.0	-0.5	*	0.8
Korea	0.4	0.5	0.7	*	0.3	0.5	1.2	-0.1	0.6	0.4	1.1
Malaysia	0.7	-0.3	0.6	1.3	1.0	-1.1	0.9	-2.6	-1.4	-1.5	0.5
Thailand	0.7	0.7	1.1	0.6	0.4	-0.8	0.4	-2.7	-0.7	-0.4	-0.5
Indonesia	2.8	2.7	2.9	3.0	2.7	2.0	2.9	2.3	1.4	1.6	1.4
Philippines	2.5	3.8	3.0	1.7	1.5	2.6	2.7	2.3	2.5	3.1	4.5
Vietnam	2.8	2.6	2.7	2.2	3.7	3.2	5.6	2.8	3.2	1.4	0.3
Macao	2.8	2.9	2.7	2.7	2.7	0.8	2.6	1.6	*	-0.8	-1.0

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

(<sup>^</sup>) 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

<u>Table</u>	<u>Page</u>
1. Gross Domestic Product by expenditure component (at current market prices)	118-119
2. Rates of change in chain volume measures of Gross Domestic Product by expenditure component (in real terms)	120-121
3. Gross Domestic Product by economic activity (at current prices)	122
4. Rates of change in chain volume measures of Gross Domestic Product by economic activity (in real terms)	123
5. Balance of Payments by major component (at current prices)	124
6. Goods and services trade (at current market prices)	125
7. Total exports of goods by market (in value terms)	126
8. Imports of goods by source (in value terms)	127
9. Exports and imports of services by component (at current market prices)	128
10. Incoming visitors by source	129
11. Property market	130-131
12. Property prices and rentals	132-133
13. Monetary aggregates	134-135
14. Rates of change in business receipts indices for services industries/domains	136
15. Labour force characteristics	137
16. Employment in selected major industries	138
17. Number of manual workers engaged at building and construction sites	139
18. Rates of change in indices of payroll per person engaged by selected industry section	140
19. Rates of change in wage indices by selected industry section	141
20. Monthly wage level and distribution analysed by industry section : all employees	142
21. Hourly wage level and distribution analysed by industry section : all employees	143
22. Rates of change in prices	144-145
23. Rates of change in Composite Consumer Price Index	146-147
24. Rates of change in implicit price deflators of GDP and its main expenditure components	148-149

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

	(\$Mn)					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Private consumption expenditure	1,224,402	1,314,969	1,413,058	1,502,768	1,593,091	1,649,941
Government consumption expenditure	168,517	185,310	198,572	214,216	231,263	247,973
Gross domestic fixed capital formation	455,294	517,411	515,516	530,916	537,205	535,216
Building and construction	179,341	204,860	211,130	244,047	262,780	283,447
Costs of ownership transfer	36,099	34,074	39,389	43,967	45,846	44,517
Machinery, equipment and intellectual property products	239,854	278,477	264,997	242,902	228,579	207,252
Changes in inventories	11,739	-3,662	-1,673	7,473	-20,580	447
Total exports of goods <sup>&amp;</sup>	3,406,765	3,632,957	3,926,059	3,986,769	3,889,225	3,892,886
Imports of goods <sup>&amp;</sup>	3,464,968	3,779,686	4,142,651	4,237,700	4,066,527	4,022,579
Exports of services <sup>&amp;</sup>	710,716	764,026	812,640	829,085	808,948	764,660
Imports of services <sup>&amp;</sup>	578,035	594,266	583,216	573,522	574,345	578,106
<b>GDP</b>	<b>1,934,430</b>	<b>2,037,059</b>	<b>2,138,305</b>	<b>2,260,005</b>	<b>2,398,280</b>	<b>2,490,438</b>
<i>Per capita GDP (\$)</i>	<i>273,549</i>	<i>284,899</i>	<i>297,860</i>	<i>312,609</i>	<i>328,924</i>	<i>339,454</i>
<b>GNI</b>	<b>1,987,256</b>	<b>2,066,514</b>	<b>2,178,824</b>	<b>2,306,612</b>	<b>2,442,656</b>	<b>2,553,031</b>
<i>Per capita GNI (\$)</i>	<i>281,019</i>	<i>289,019</i>	<i>303,504</i>	<i>319,056</i>	<i>335,010</i>	<i>347,986</i>
Total final demand	5,977,433	6,411,011	6,864,172	7,071,227	7,039,152	7,091,123
Total final demand excluding re-exports <sup>(a)</sup>	3,604,705	3,828,055	4,025,243	4,116,670	4,139,786	4,190,526
Domestic demand	1,859,952	2,014,028	2,125,473	2,255,373	2,340,979	2,433,577
Private	1,614,010	1,737,274	1,827,460	1,929,514	1,991,436	2,062,056
Public	245,942	276,754	298,013	325,859	349,543	371,521
External demand	4,117,481	4,396,983	4,738,699	4,815,854	4,698,173	4,657,546

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>2017</u>	<u>2018</u>	<u>2019<sup>#</sup></u>	<u>2020<sup>#</sup></u>		<u>2020</u>		<u>2021</u>
					Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
Private consumption expenditure	1,784,148	1,936,117	1,973,438	1,788,293	442,076	432,865	464,481	449,414
Government consumption expenditure	261,447	281,420	309,437	341,745	82,211	85,172	84,749	95,445
Gross domestic fixed capital formation	575,977	612,439	520,574	460,307	101,382	114,146	128,451	116,775
Building and construction	297,306	308,596	278,091	258,442	61,463	62,274	65,227	65,717
Costs of ownership transfer	65,810	67,482	49,209	41,484	10,384	11,623	12,412	12,179
Machinery, equipment and intellectual property products	212,861	236,361	193,274	160,381	29,535	40,249	50,812	38,879
Changes in inventories	10,973	11,204	-3,067	49,202	2,305	3,255	23,135	-4,353
Total exports of goods <sup>&amp;</sup>	4,212,774	4,453,350	4,255,098	4,245,242	990,772	1,149,115	1,211,626	1,178,210
Imports of goods <sup>&amp;</sup>	4,391,306	4,706,347	4,375,619	4,286,753	1,010,814	1,116,429	1,217,339	1,169,533
Exports of services <sup>&amp;</sup>	811,295	886,883	798,942	506,559	107,419	126,119	127,012	141,858
Imports of services <sup>&amp;</sup>	605,924	639,947	634,243	416,059	85,298	101,631	112,244	107,248
<b>GDP</b>	<b>2,659,384</b>	<b>2,835,119</b>	<b>2,844,560</b>	<b>2,688,536</b>	<b>630,053</b>	<b>692,612</b>	<b>709,871</b>	<b>700,568</b>
<i>Per capita GDP (\$)</i>	<i>359,780</i>	<i>380,502</i>	<i>378,901</i>	<i>359,343</i>	--	--	--	--
<b>GNI</b>	<b>2,774,936</b>	<b>2,969,934</b>	<b>2,988,277</b>	<b>2,836,957</b>	<b>690,882</b>	<b>737,370</b>	<b>736,692</b>	<b>N.A.</b>
<i>Per capita GNI (\$)</i>	<i>375,412</i>	<i>398,595</i>	<i>398,044</i>	<i>379,181</i>	--	--	--	--
Total final demand	7,656,614	8,181,413	7,854,422	7,391,348	1,726,165	1,910,672	2,039,454	1,977,349
Total final demand excluding re-exports <sup>(a)</sup>	4,496,245	4,819,244	4,601,597	4,137,493	949,558	1,033,982	1,116,763	1,075,195
Domestic demand	2,632,545	2,841,180	2,800,382	2,639,547	627,974	635,438	700,816	657,281
Private	2,240,260	2,425,244	2,359,405	2,153,532	514,851	516,647	577,302	516,843
Public	392,285	415,936	440,977	486,015	113,123	118,791	123,514	140,438
External demand	5,024,069	5,340,233	5,054,040	4,751,801	1,098,191	1,275,234	1,338,638	1,320,068

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Private consumption expenditure	8.4	4.1	4.6	3.3	4.8	2.0
Government consumption expenditure	2.5	3.6	2.7	3.1	3.4	3.4
Gross domestic fixed capital formation	10.2	6.8	2.6	-0.1	-3.2	-0.1
Building and construction	15.7	7.2	-4.3	9.3	2.2	5.9
Costs of ownership transfer	-20.9	-17.8	-28.1	6.9	-8.3	-2.9
Machinery, equipment and intellectual property products	12.3	10.2	11.3	-8.7	-7.7	-6.4
Total exports of goods <sup>&amp;</sup>	4.6	3.3	8.2	0.8	-1.7	1.6
Imports of goods <sup>&amp;</sup>	6.7	4.6	9.9	1.5	-2.7	0.7
Exports of services <sup>&amp;</sup>	5.7	2.7	6.0	1.6	0.3	-3.5
Imports of services <sup>&amp;</sup>	-0.2	2.2	-2.1	-2.2	5.0	2.0
<b>GDP</b>	<b>4.8</b>	<b>1.7</b>	<b>3.1</b>	<b>2.8</b>	<b>2.4</b>	<b>2.2</b>
<b>Per capita GDP</b>	<b>4.1</b>	<b>0.6</b>	<b>2.7</b>	<b>2.0</b>	<b>1.5</b>	<b>1.5</b>
<b>RGNI</b>	<b>4.8</b>	<b>-0.2</b>	<b>4.0</b>	<b>2.7</b>	<b>3.8</b>	<b>3.2</b>
<b>Per capita RGNI</b>	<b>4.1</b>	<b>-1.3</b>	<b>3.6</b>	<b>1.9</b>	<b>2.9</b>	<b>2.6</b>
Total final demand	5.3	3.4	6.6	1.6	-0.4	1.3
Total final demand excluding re-exports <sup>(a)</sup>	4.7	3.2	4.2	0.6	0.1	1.5
Domestic demand	6.5	3.9	4.1	2.9	1.6	2.6
Private	6.7	3.6	4.1	2.6	1.3	2.5
Public	5.5	5.8	3.7	4.6	2.9	3.1
External demand	4.8	3.2	7.8	1.0	-1.4	0.7

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>2017</u>	<u>2018</u>	<u>2019<sup>#</sup></u>	<u>2020<sup>#</sup></u>	<u>2020</u>			<u>2021</u>	Average annual rate of change:	
					Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	10 years 2010 to 2020 <sup>#</sup>	5 years 2015 to 2020 <sup>#</sup>
Private consumption expenditure	5.5	5.3	-0.8	-9.9	-13.9	-7.9	-6.9	1.6	2.6	0.2
Government consumption expenditure	2.8	4.2	5.1	8.1	10.0	7.5	6.1	6.8	3.9	4.7
Gross domestic fixed capital formation	3.1	1.7	-14.9	-11.2	-22.0	-10.4	3.6	4.5	-0.8	-4.6
Building and construction	-0.5	-0.5	-10.8	-7.7	-4.7	-9.5	-4.9	-5.0	1.4	-2.9
Costs of ownership transfer	23.2	-11.2	-13.4	-4.0	-22.9	27.3	27.3	85.8	-8.7	-2.5
Machinery, equipment and intellectual property products	3.8	8.8	-20.8	-18.0	-42.4	-20.1	10.1	3.4	-2.2	-7.2
Total exports of goods <sup>&amp;</sup>	6.5	3.5	-5.5	-0.3	-2.2	3.9	5.5	30.2	2.0	1.1
Imports of goods <sup>&amp;</sup>	7.3	4.7	-8.2	-2.1	-6.7	1.9	6.7	22.7	2.1	0.3
Exports of services <sup>&amp;</sup>	2.8	4.6	-9.6	-36.1	-44.7	-32.9	-28.8	-8.1	-3.5	-9.7
Imports of services <sup>&amp;</sup>	2.0	2.8	0.1	-34.1	-43.9	-35.0	-33.9	-12.9	-3.2	-6.7
<b>GDP</b>	<b>3.8</b>	<b>2.8</b>	<b>-1.7</b>	<b>-6.1</b>	<b>-9.0</b>	<b>-3.6</b>	<b>-2.8</b>	<b>7.9</b>	<b>1.5</b>	<b>0.1</b>
<b><i>Per capita GDP</i></b>	<b>3.0</b>	<b>2.0</b>	<b>-2.4</b>	<b>-5.8</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>0.9</b>	<b>-0.4</b>
<b>RGNI</b>	<b>5.7</b>	<b>3.5</b>	<b>-1.7</b>	<b>-5.8</b>	<b>-8.4</b>	<b>-1.7</b>	<b>-3.3</b>	<b>N.A.</b>	<b>1.9</b>	<b>0.9</b>
<b><i>Per capita RGNI</i></b>	<b>4.9</b>	<b>2.7</b>	<b>-2.5</b>	<b>-5.4</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1.3</b>	<b>0.4</b>
Total final demand	5.6	3.9	-5.3	-6.1	-10.6	-3.1	0.1	14.6	1.5	-0.2
Total final demand excluding re-exports <sup>(a)</sup>	4.5	4.0	-5.0	-10.7	-17.0	-8.7	-4.5	3.2	0.6	-1.3
Domestic demand	5.2	4.4	-3.8	-6.5	-12.6	-6.1	-1.7	-1.3	2.0	0.3
Private	5.7	4.8	-4.6	-9.2	-16.6	-8.6	-4.1	-3.5	1.6	-0.3
Public	2.2	2.4	1.5	7.9	12.4	6.6	11.6	8.4	3.9	3.4
External demand	5.8	3.7	-6.1	-5.9	-9.4	-1.5	1.1	24.8	1.3	-0.5

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

	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019<sup>#</sup></u>	
	\$Mn	%	\$Mn	%	\$Mn	%	\$Mn	%	\$Mn	%
	share		share		share		share		share	
Agriculture, fishing, mining and quarrying	1,630	0.1	1,898	0.1	1,736	0.1	1,762	0.1	2,057	0.1
Manufacturing	26,716	1.1	26,844	1.1	27,299	1.1	27,571	1.0	29,366	1.1
Electricity, gas and water supply, and waste management	34,653	1.5	34,414	1.4	34,978	1.4	35,660	1.3	34,083	1.2
Construction	107,902	4.6	124,932	5.2	129,714	5.1	120,473	4.5	114,499	4.2
Services	2,154,541	92.7	2,229,760	92.2	2,357,359	92.4	2,514,947	93.1	2,559,558	93.4
<i>Import/export,</i>										
<i>wholesale and retail trades</i>	527,822	22.7	525,526	21.7	548,636	21.5	575,103	21.3	533,352	19.5
<i>Accommodation<sup>(a)</sup> and</i>										
<i>food services</i>	78,134	3.4	79,682	3.3	83,507	3.3	91,525	3.4	75,918	2.8
<i>Transportation, storage,</i>										
<i>postal and courier services</i>	150,073	6.5	149,742	6.2	153,359	6.0	158,440	5.9	151,574	5.5
<i>Information and</i>										
<i>communications</i>	80,813	3.5	84,208	3.5	86,891	3.4	91,449	3.4	95,557	3.5
<i>Financing and insurance</i>	409,933	17.6	428,903	17.7	480,488	18.8	535,126	19.8	581,319	21.2
<i>Real estate, professional and</i>										
<i>business services</i>	252,714	10.9	266,139	11.0	274,822	10.8	280,843	10.4	276,497	10.1
<i>Public administration, social</i>										
<i>and personal services</i>	407,405	17.5	436,912	18.1	465,488	18.2	499,433	18.5	536,259	19.6
<i>Ownership of premises</i>	247,648	10.6	258,649	10.7	264,166	10.4	283,028	10.5	309,081	11.3
<b>GDP at basic prices</b>	<b>2,325,443</b>	<b>100.0</b>	<b>2,417,849</b>	<b>100.0</b>	<b>2,551,086</b>	<b>100.0</b>	<b>2,700,413</b>	<b>100.0</b>	<b>2,739,563</b>	<b>100.0</b>
Taxes on products	95,433	--	83,743	--	110,698	--	117,825	--	93,623	--
Statistical discrepancy (%)	-0.9	--	-0.4	--	-0.1	--	0.6	--	0.4	--
<b>GDP at current market prices</b>	<b>2,398,280</b>	<b>--</b>	<b>2,490,438</b>	<b>--</b>	<b>2,659,384</b>	<b>--</b>	<b>2,835,119</b>	<b>--</b>	<b>2,844,560</b>	<b>--</b>

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

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

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

(--) Not applicable.

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

(%)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019<sup>#</sup></u>	<u>2020<sup>#</sup></u>	<u>2020</u>			
							Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>
Agriculture, fishing, mining and quarrying	-6.8	-2.0	-5.2	-1.8	-0.8	4.8	3.9	6.1	12.4	-2.8
Manufacturing	-1.5	-0.4	0.4	1.3	0.4	-5.8	-4.6	-5.1	-7.4	-6.1
Electricity, gas and water supply, and waste management	-2.6	-0.8	0.9	0.1	-0.5	-12.7	-15.2	-13.2	-11.0	-11.9
Construction	5.4	5.1	-1.3	3.3	-9.7	-5.7	-10.6	-2.4	-7.4	-1.4
Services	1.7	2.3	3.5	3.1	-0.7	-6.6	-9.1	-8.7	-5.1	-3.8
<i>Import/export,</i> <i>wholesale and retail trades</i>	-1.1	0.6	4.2	4.2	-7.5	-13.7	-22.1	-19.3	-9.2	-6.4
<i>Accommodation<sup>(a)</sup> and</i> <i>food services</i>	-1.9	0.5	2.0	5.9	-11.7	-42.0	-45.9	-42.7	-44.9	-32.9
<i>Transportation, storage,</i> <i>postal and courier services</i>	3.3	3.0	4.8	2.5	-1.7	-39.5	-32.5	-49.6	-41.7	-35.2
<i>Information and</i> <i>communications</i>	4.0	4.1	4.0	4.1	4.7	1.6	1.1	0.5	2.2	2.3
<i>Financing and insurance</i>	6.1	4.2	5.3	4.0	3.4	3.7	2.4	2.8	4.8	4.8
<i>Real estate, professional and</i> <i>business services</i>	0.7	2.8	2.1	-0.4	-0.2	-5.3	-5.8	-6.9	-4.9	-3.7
<i>Public administration, social</i> <i>and personal services</i>	2.5	3.0	3.2	3.6	3.0	-2.1	-3.3	-2.9	-0.6	-1.6
<i>Ownership of premises</i>	0.6	0.5	0.9	1.0	0.6	-0.3	-0.3	-0.3	-0.5	-0.3
Taxes on products	7.1	-9.1	13.7	-3.9	-11.3	17.6	-0.9	-8.7	52.3	37.1
<b>GDP in chained (2019) dollars</b>	<b>2.4</b>	<b>2.2</b>	<b>3.8</b>	<b>2.8</b>	<b>-1.7</b>	<b>-6.1</b>	<b>-9.1</b>	<b>-9.0</b>	<b>-3.6</b>	<b>-2.8</b>

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

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

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

	(\$Mn)								
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019<sup>#</sup></u>	<u>2020<sup>#</sup></u>		<u>2020</u>		
						Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>
Current account <sup>(a)</sup>	98,485	121,840	105,942	166,303	175,691	-10,313	57,959	96,863	31,181
Goods	-129,693	-178,532	-252,997	-120,521	-41,511	-48,442	-20,042	32,686	-5,713
Services	186,554	205,371	246,936	164,699	90,500	29,123	22,121	24,488	14,768
Primary income	62,593	115,552	134,815	143,717	148,421	16,013	60,829	44,758	26,821
Secondary income	-20,969	-20,551	-22,813	-21,592	-21,719	-7,007	-4,949	-5,069	-4,695
Capital and financial account <sup>(a)</sup>	-101,104	-76,488	-175,081	-237,439	-240,657	38,249	-88,805	-127,321	-62,781
Capital account	-374	-645	-1,574	-682	-508	-132	-127	-108	-140
Financial account	-100,730	-75,843	-173,507	-236,756	-240,149	38,381	-88,677	-127,212	-62,641
Financial non-reserve assets	-91,874	174,666	-165,948	-245,612	22,900	64,188	-104,184	-107,962	170,859
<i>Direct investment</i>	<i>447,758</i>	<i>186,887</i>	<i>172,795</i>	<i>160,730</i>	<i>131,913</i>	<i>-87,715</i>	<i>1,405</i>	<i>64,819</i>	<i>153,405</i>
<i>Portfolio investment</i>	<i>-469,591</i>	<i>264,159</i>	<i>-616,428</i>	<i>-215,764</i>	<i>-430,610</i>	<i>114,307</i>	<i>-231,339</i>	<i>7,434</i>	<i>-321,012</i>
<i>Financial derivatives</i>	<i>36,327</i>	<i>61,763</i>	<i>33,202</i>	<i>1,239</i>	<i>13,831</i>	<i>-10,888</i>	<i>20,360</i>	<i>2,436</i>	<i>1,924</i>
<i>Other investment</i>	<i>-106,368</i>	<i>-338,144</i>	<i>244,483</i>	<i>-191,817</i>	<i>307,765</i>	<i>48,485</i>	<i>105,390</i>	<i>-182,651</i>	<i>336,541</i>
Reserve assets	-8,856	-250,509	-7,559	8,855	-263,050	-25,807	15,507	-19,250	-233,499
Net errors and omissions	2,619	-45,353	69,139	71,136	64,966	-27,936	30,846	30,457	31,600
<b>Overall Balance of Payments</b>	<b>8,856</b>	<b>250,509</b>	<b>7,559</b>	<b>-8,855</b>	<b>263,050</b>	<b>25,807</b>	<b>-15,507</b>	<b>19,250</b>	<b>233,499</b>

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

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

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



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

	(\$Mn)								
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019<sup>#</sup></u>	<u>2020<sup>#</sup></u>		<u>2020</u>		<u>2021</u>
						Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
Total exports of goods	3,892,886	4,212,774	4,453,350	4,255,098	4,245,242	990,772	1,149,115	1,211,626	1,178,210
Imports of goods	4,022,579	4,391,306	4,706,347	4,375,619	4,286,753	1,010,814	1,116,429	1,217,339	1,169,533
<b>Goods trade balance</b>	<b>-129,693</b> <b>(-3.2)</b>	<b>-178,532</b> <b>(-4.1)</b>	<b>-252,997</b> <b>(-5.4)</b>	<b>-120,521</b> <b>(-2.8)</b>	<b>-41,511</b> <b>(-1.0)</b>	<b>-20,042</b> <b>(-2.0)</b>	<b>32,686</b> <b>(2.9)</b>	<b>-5,713</b> <b>(-0.5)</b>	<b>8,677</b> <b>(0.7)</b>
Exports of services	764,660	811,295	886,883	798,942	506,559	107,419	126,119	127,012	141,858
Imports of services	578,106	605,924	639,947	634,243	416,059	85,298	101,631	112,244	107,248
<b>Services trade balance</b>	<b>186,554</b> <b>(32.3)</b>	<b>205,371</b> <b>(33.9)</b>	<b>246,936</b> <b>(38.6)</b>	<b>164,699</b> <b>(26.0)</b>	<b>90,500</b> <b>(21.8)</b>	<b>22,121</b> <b>(25.9)</b>	<b>24,488</b> <b>(24.1)</b>	<b>14,768</b> <b>(13.2)</b>	<b>34,610</b> <b>(32.3)</b>
Exports of goods and services	4,657,546	5,024,069	5,340,233	5,054,040	4,751,801	1,098,191	1,275,234	1,338,638	1,320,068
Imports of goods and services	4,600,685	4,997,230	5,346,294	5,009,862	4,702,812	1,096,112	1,218,060	1,329,583	1,276,781
<b>Goods and services trade balance</b>	<b>56,861</b> <b>&lt;1.2&gt;</b>	<b>26,839</b> <b>&lt;0.5&gt;</b>	<b>-6,061</b> <b>&lt;-0.1&gt;</b>	<b>44,178</b> <b>&lt;0.9&gt;</b>	<b>48,989</b> <b>&lt;1.0&gt;</b>	<b>2,079</b> <b>&lt;0.2&gt;</b>	<b>57,174</b> <b>&lt;4.7&gt;</b>	<b>9,055</b> <b>&lt;0.7&gt;</b>	<b>43,287</b> <b>&lt;3.4&gt;</b>

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>			<u>2021</u>
							Q2	Q3	Q4	Q1
	(% change)			(% change)		(\$Mn)	(% change over a year earlier)			
<b>All markets</b>	<b>-0.5</b>	<b>8.0</b>	<b>7.3</b>	<b>-4.1</b>	<b>-1.5</b>	<b>3,927,517</b>	<b>-4.3</b>	<b>1.3</b>	<b>5.3</b>	<b>33.2</b>
Mainland of China	0.4	8.4	8.6	-3.3	5.1	2,324,511	6.0	7.0	8.1	39.8
United States	-5.3	1.9	8.1	-14.8	-14.9	258,842	-20.7	-10.7	-0.9	19.5
Japan	-4.9	10.0	0.7	-6.4	-9.7	109,326	-4.4	-16.4	0.5	8.1
Taiwan	14.6	19.9	-3.6	2.4	11.6	98,507	19.9	3.9	21.1	49.1
India	14.6	35.9	-15.3	-12.0	-17.6	97,392	-44.7	-9.1	-12.2	22.9
Vietnam	-5.8	10.3	4.5	-3.6	5.3	84,484	-6.1	7.6	16.0	29.8
Netherlands	10.3	11.5	11.5	-4.4	-5.2	64,643	1.1	-5.4	5.4	44.0
Singapore	4.8	-0.4	13.3	4.1	-17.5	59,371	-23.2	-12.4	-18.6	-2.9
Germany	-5.1	10.8	3.0	-8.9	-14.5	59,277	-16.8	-14.4	0.6	19.4
Korea	-0.6	4.9	2.1	-2.3	-7.6	52,260	-13.8	-8.7	4.1	34.6
Rest of the world	-3.3	3.8	10.8	-0.8	-10.1	718,905	-19.0	-3.3	2.5	26.0

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		<u>2021</u>	
							Q2	Q3	Q4	Q1
	(% change)			(% change)		(\$Mn)	(% change over a year earlier)			
<b>All sources</b>	<b>-0.9</b>	<b>8.7</b>	<b>8.4</b>	<b>-6.5</b>	<b>-3.3</b>	<b>4,269,752</b>	<b>-8.8</b>	<b>-1.9</b>	<b>6.6</b>	<b>25.6</b>
Mainland of China	-3.4	5.9	7.7	-5.9	-6.5	1,923,535	-10.5	-5.0	4.9	30.5
Taiwan	6.4	12.9	2.7	-2.4	22.8	405,695	16.6	34.2	23.5	40.6
Singapore	6.4	10.1	9.0	-7.5	8.1	314,144	1.1	9.1	14.2	35.0
Korea	14.0	28.5	10.4	-20.9	12.3	247,170	3.2	4.8	27.9	26.6
Japan	-5.2	2.7	2.6	-2.8	-5.0	239,984	-10.9	-10.8	1.5	12.0
United States	-2.0	3.4	8.1	-7.9	-17.9	174,706	-22.5	-24.6	-5.5	6.0
Malaysia	-3.7	26.8	64.6	-14.3	1.2	163,904	6.1	14.1	-5.6	5.9
Vietnam	6.6	13.6	7.3	18.5	28.4	100,642	60.3	17.7	14.8	45.6
Thailand	-2.7	8.5	2.8	-7.4	1.4	86,458	0.2	4.2	6.2	23.6
Philippines	5.8	27.6	1.1	-9.1	-0.1	70,094	-3.9	2.9	0.7	21.6
Rest of the world	-1.9	7.7	6.4	-4.9	-17.0	543,421	-30.9	-14.7	-0.5	13.0

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019<sup>#</sup></u>	<u>2020<sup>#</sup></u>		<u>2020</u>		<u>2021</u>	
							Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
	(% change)			(% change)		(\$Mn)	(% change over a year earlier)			
<b>Exports of services</b>	<b>-5.5</b>	<b>6.1</b>	<b>9.3</b>	<b>-9.9</b>	<b>-36.6</b>	<b>506,559</b>	<b>-47.2</b>	<b>-34.0</b>	<b>-26.5</b>	<b>-2.8</b>
Transport	-5.3	8.6	9.0	-4.7	-28.0	177,708	-37.1	-27.5	-15.6	13.8
Travel	-9.0	1.9	11.2	-21.6	-90.3	22,046	-96.9	-96.9	-89.9	-75.1
Financial services	-6.9	13.5	10.9	-2.9	-0.6	168,128	-4.3	0.5	-1.4	3.5
Other services	2.3	2.9	5.1	-5.1	-11.4	138,677	-12.9	-11.0	-9.1	-2.5
<b>Imports of services</b>	<b>0.7</b>	<b>4.8</b>	<b>5.6</b>	<b>-0.9</b>	<b>-34.4</b>	<b>416,059</b>	<b>-45.6</b>	<b>-35.8</b>	<b>-31.0</b>	<b>-8.2</b>
Transport	-2.1	3.7	6.6	-1.1	-17.5	118,518	-31.4	-16.4	-2.7	19.3
Travel	4.8	5.6	4.7	1.6	-80.3	41,395	-93.0	-88.0	-88.6	-78.3
Manufacturing <sup>^</sup>	-2.0	3.5	2.0	-5.5	-15.4	74,524	-25.7	-12.7	-1.3	16.9
Other services	-0.1	5.5	7.6	-1.3	-5.3	181,622	-6.8	-2.8	-3.6	3.9

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.

**Table 10 : Incoming visitors by source**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		<u>2021</u>
						Q2	Q3	Q4	Q1
<u>(’000)</u>									
<b>All sources</b>	<b>56 654.9</b>	<b>58 472.2</b>	<b>65 147.6</b>	<b>55 912.6</b>	<b>3 568.9</b>	<b>26.9</b>	<b>34.1</b>	<b>18.6</b>	<b>16.5</b>
Mainland of China	42 778.1	44 445.3	51 038.2	43 774.7	2 706.4	15.3	14.3	10.9	11.6
South and Southeast Asia	3 701.8	3 626.2	3 571.7	3 040.5	190.5	3.1	8.3	3.5	2.0
Taiwan	2 011.4	2 010.8	1 925.2	1 538.9	105.1	1.2	1.2	1.1	0.8
Europe	1 904.9	1 901.5	1 937.6	1 728.4	158.8	4.8	7.4	1.7	1.2
United States	1 211.5	1 215.6	1 304.2	1 107.2	80.8	0.8	0.8	0.4	0.3
Japan	1 092.3	1 230.0	1 287.8	1 078.8	50.3	0.1	0.1	0.1	#
Others	3 954.8	4 042.9	4 082.8	3 644.1	276.9	1.5	2.0	1.1	0.6
<u>(% change over a year earlier)</u>									
<b>All sources</b>	<b>-4.5</b>	<b>3.2</b>	<b>11.4</b>	<b>-14.2</b>	<b>-93.6</b>	<b>-99.8</b>	<b>-99.7</b>	<b>-99.8</b>	<b>-99.5</b>
Mainland of China	-6.7	3.9	14.8	-14.2	-93.8	-99.9	-99.8	-99.8	-99.6
South and Southeast Asia	4.0	-2.0	-1.5	-14.9	-93.7	-99.7	-98.5	-99.4	-98.8
Taiwan	-0.2	*	-4.3	-20.1	-93.2	-99.7	-99.7	-99.6	-99.3
Europe	4.1	-0.2	1.9	-10.8	-90.8	-99.0	-97.9	-99.6	-99.2
United States	2.6	0.3	7.3	-15.1	-92.7	-99.8	-99.7	-99.8	-99.6
Japan	4.1	12.6	4.7	-16.2	-95.3	-100.0	-100.0	-100.0	-99.9
Others	3.2	2.2	1.0	-10.7	-92.4	-99.9	-99.7	-99.8	-99.8

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

(#) Less than 0.05.

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

**Table 11 : Property market**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Completion of new property by the private sector</b>							
('000 m <sup>2</sup> of internal floor area)							
Residential property <sup>(a)</sup> (in units)	9 449	10 149	8 254	15 719	11 280	14 595	17 791
Commercial property	197	226	161	161	233	276	303
<i>of which :</i>							
Office space	155	136	123	104	164	153	198
Other commercial premises <sup>(b)</sup>	42	90	39	57	69	123	105
Industrial property <sup>(c)</sup>	105	170	85	116	30	78	105
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	32	46	85	36	30	5	23
Storage premises <sup>(d)</sup>	73	123	0	80	0	73	83
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	17 787	9 778	20 898	5 634	10 147	21 755	11 268
Subsidised sales flats <sup>(e)</sup>	0	0	0	0	1 310	229	2 788
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> of usable floor area)							
Residential property	580.6	796.4	816.0	647.1	893.3	645.8	872.8
Commercial property	133.6	210.2	309.5	290.3	319.0	312.4	488.6
Industrial property <sup>(f)</sup>	109.3	70.7	138.1	105.9	225.3	76.2	62.5
Other properties	232.7	428.9	136.4	217.1	555.4	235.1	227.1
Total	1 056.2	1 506.1	1 400.1	1 260.4	1 993.0	1 269.4	1 651.1
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	84 462	81 333	50 676	63 807	55 982	54 701	61 591
Primary market	10 880	12 968	11 046	16 857	16 826	16 793	18 645
Secondary market	73 582	68 365	39 630	46 950	39 156	37 908	42 946
Selected types of non-residential properties <sup>(h)</sup>							
Office space	3 071	3 269	1 685	1 271	1 470	1 105	1 955
Other commercial premises	5 980	7 282	4 305	3 092	2 067	1 523	2 198
Flatted factory space	7 619	9 731	4 271	3 016	3 407	2 727	5 135

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>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		<u>2021</u>
				Q2	Q3	Q4	Q1
<b>Completion of new property by the private sector</b>							
('000 m <sup>2</sup> of internal floor area)							
Residential property <sup>(a)</sup> (in units)	20 968	13 643	20 888	7 645	2 313	7 204	2 249
Commercial property	304	384	136	14	20	30	11
<i>of which :</i>							
Office space	179	267	69	2	14	12	8
Other commercial premises <sup>(b)</sup>	125	118	67	13	6	18	3
Industrial property <sup>(c)</sup>	44	56	38	12	2	23	0
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	41	56	38	12	2	23	0
Storage premises <sup>(d)</sup>	3	0	0	0	0	0	0
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	20 137	9 634	6 605	1 678	0	3 140	N.A.
Subsidised sales flats <sup>(e)</sup>	4 863	7 027	7 610	5 000	0	0	N.A.
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> of usable floor area)							
Residential property	703.0	765.0	520.1	252.2	118.1	109.9	N.A.
Commercial property	109.2	763.0	228.1	50.0	78.4	26.9	N.A.
Industrial property <sup>(f)</sup>	98.4	177.7	182.6	0.0	39.2	121.0	N.A.
Other properties	91.9	234.6	410.8	49.9	263.8	73.8	N.A.
Total	1 002.5	1 940.3	1 341.5	352.0	499.5	331.6	N.A.
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	57 247	59 797	59 880	17 073	15 515	17 088	18 131
Primary market	15 633	21 108	15 317	4 149	3 549	5 358	3 692
Secondary market	41 614	38 689	44 563	12 924	11 966	11 730	14 439
Selected types of non-residential properties <sup>(h)</sup>							
Office space	1 331	861	686	173	186	226	243
Other commercial premises	1 926	1 300	1 269	285	375	410	534
Flatted factory space	4 852	2 426	2 117	478	630	695	884

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	182.1	206.2	242.4	256.9	296.8	286.1	333.9
Office space	297.9	334.7	409.8	423.0	448.9	426.9	487.1
Shopping space	327.4	420.5	506.8	521.2	559.2	526.9	558.4
Flatted factory space	385.0	489.8	655.4	668.0	723.9	692.7	778.1
Property rental indices <sup>(b)</sup> :							
Residential flats	134.0	142.6	154.5	159.5	172.8	168.2	182.6
Office space	169.9	188.3	204.1	213.7	226.7	232.3	241.8
Shopping space	134.3	151.3	165.5	173.1	182.5	178.6	182.5
Flatted factory space	118.6	131.9	147.3	160.1	174.4	181.4	190.7
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	20.7	13.2	17.6	6.0	15.5	-3.6	16.7
Office space	29.3	12.4	22.4	3.2	6.1	-4.9	14.1
Shopping space	27.3	28.4	20.5	2.8	7.3	-5.8	6.0
Flatted factory space	35.4	27.2	33.8	1.9	8.4	-4.3	12.3
Property rental indices <sup>(b)</sup> :							
Residential flats	11.9	6.4	8.3	3.2	8.3	-2.7	8.6
Office space	15.1	10.8	8.4	4.7	6.1	2.5	4.1
Shopping space	9.3	12.7	9.4	4.6	5.4	-2.1	2.2
Flatted factory space	8.9	11.2	11.7	8.7	8.9	4.0	5.1

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>2018</u>	<u>2019</u>	<u>2020<sup>#</sup></u>		<u>2020</u>		<u>2021</u>
				Q2	Q3	Q4 <sup>#</sup>	Q1 <sup>+</sup>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	377.3	383.0	381.2	383.4	383.5	380.6	385.1
Office space	554.7	543.0	468.8	451.4	456.8	490.0	501.0
Shopping space	591.4	549.7	518.9	527.5	512.0	511.1	533.8
Flatted factory space	888.1	887.9	826.1	829.7	816.5	817.1	854.3
Property rental indices <sup>(b)</sup> :							
Residential flats	193.0	194.4	180.3	179.2	180.2	177.8	174.7
Office space	252.2	261.4	241.7	243.4	237.7	232.8	231.7
Shopping space	187.0	187.2	169.9	167.9	168.9	168.6	169.9
Flatted factory space	202.3	209.7	200.6	198.8	199.9	202.7	202.3
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	13.0	1.5	-0.5	-2.8	-1.1	-0.1	2.1
Office space	13.9	-2.1	-13.7	-19.7	-17.4	-5.3	5.0
Shopping space	5.9	-7.1	-5.6	-8.0	-5.9	0.6	1.7
Flatted factory space	14.1	*	-7.0	-10.6	-8.3	-3.2	1.6
Property rental indices <sup>(b)</sup> :							
Residential flats	5.7	0.7	-7.3	-8.2	-9.3	-7.1	-5.1
Office space	4.3	3.6	-7.5	-7.6	-9.9	-10.0	-8.5
Shopping space	2.5	0.1	-9.2	-11.2	-10.6	-7.1	-2.4
Flatted factory space	6.1	3.7	-4.3	-5.8	-6.0	-2.6	0.7

**Table 13 : Monetary aggregates**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	794,726	920,920	1,000,344	1,116,675	1,253,380	1,428,775	1,598,014
M2 <sup>(a)</sup>	4,046,216	4,537,384	4,795,130	5,225,773	5,765,549	6,280,230	7,010,345
M3 <sup>(a)</sup>	4,055,404	4,545,590	4,806,012	5,236,188	5,778,772	6,292,666	7,024,514
Total money supply (\$Mn)							
M1	1,127,320	1,377,359	1,510,895	1,708,724	1,971,146	2,213,970	2,431,461
M2	8,057,530	8,950,005	10,056,437	11,011,372	11,618,441	12,508,127	13,755,255
M3	8,081,079	8,970,396	10,085,243	11,048,944	11,655,019	12,551,331	13,803,837
Deposit (\$Mn)							
HK\$	3,740,240	4,176,200	4,390,953	4,800,330	5,312,403	5,809,060	6,484,616
Foreign currency	3,851,020	4,120,234	4,789,109	5,272,804	5,437,346	5,918,240	6,267,872
Total	7,591,260	8,296,434	9,180,062	10,073,135	10,749,749	11,727,300	12,752,488
Loans and advances (\$Mn)							
HK\$	3,160,002	3,333,059	3,606,018	4,000,361	4,152,589	4,479,107	5,359,983
Foreign currency	1,920,659	2,233,751	2,850,795	3,275,910	3,381,951	3,544,284	3,953,686
Total	5,080,661	5,566,810	6,456,813	7,276,271	7,534,540	8,023,390	9,313,668
Nominal Effective Exchange Rate Indices							
<u>(Jan 2010 = 100)<sup>(b)</sup></u>							
Trade-weighted	94.6	94.9	94.9	96.0	101.3	104.1	104.2
Import-weighted	93.9	94.2	94.7	96.0	101.7	104.2	104.2
Export-weighted	95.4	95.6	95.1	95.9	100.9	104.1	104.3
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	8.9	15.9	8.6	11.6	12.2	14.0	11.8
M2 <sup>(a)</sup>	4.6	12.1	5.7	9.0	10.3	8.9	11.6
M3 <sup>(a)</sup>	4.6	12.1	5.7	9.0	10.4	8.9	11.6
Total money supply							
M1	10.8	22.2	9.7	13.1	15.4	12.3	9.8
M2	12.9	11.1	12.4	9.5	5.5	7.7	10.0
M3	12.9	11.0	12.4	9.6	5.5	7.7	10.0
Deposit							
HK\$	3.4	11.7	5.1	9.3	10.7	9.3	11.6
Foreign currency	18.7	7.0	16.2	10.1	3.1	8.8	5.9
Total	10.6	9.3	10.7	9.7	6.7	9.1	8.7
Loans and advances							
HK\$	11.9	5.5	8.2	10.9	3.8	7.9	19.7
Foreign currency	36.9	16.3	27.6	14.9	3.2	4.8	11.6
Total	20.2	9.6	16.0	12.7	3.5	6.5	16.1
Nominal Effective Exchange Rate Indices							
<u>(Jan 2010 = 100)<sup>(b)</sup></u>							
Trade-weighted	-4.9	0.3	*	1.2	5.5	2.8	0.1
Import-weighted	-5.3	0.3	0.5	1.4	5.9	2.5	*
Export-weighted	-4.4	0.2	-0.5	0.8	5.2	3.2	0.2

**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)**

	2018	2019	2020	Q2	2020 Q3	Q4	2021 Q1
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,555,731	1,533,104	1,972,719	1,759,032	2,406,597	1,972,719	2,079,446
M2 <sup>(a)</sup>	7,262,451	7,438,789	7,922,089	7,629,436	8,243,060	7,922,089	8,128,388
M3 <sup>(a)</sup>	7,284,322	7,454,655	7,937,038	7,645,848	8,258,067	7,937,038	8,143,300
Total money supply (\$Mn)							
M1	2,421,598	2,484,738	3,231,921	2,838,473	3,576,701	3,231,921	3,386,579
M2	14,348,059	14,745,872	15,606,608	15,102,579	15,845,097	15,606,608	15,760,021
M3	14,403,688	14,786,375	15,644,043	15,142,575	15,883,405	15,644,043	15,797,352
Deposit (\$Mn)							
HK\$	6,715,262	6,884,143	7,311,368	7,057,201	7,649,305	7,311,368	7,508,711
Foreign currency	6,671,119	6,887,444	7,202,247	7,020,328	7,122,830	7,202,247	7,173,630
Total	13,386,381	13,771,586	14,513,615	14,077,528	14,772,135	14,513,615	14,682,341
Loans and advances (\$Mn)							
HK\$	5,836,238	6,219,377	6,106,960	6,096,505	6,517,104	6,106,960	6,254,914
Foreign currency	3,886,385	4,157,325	4,391,617	4,596,189	4,514,395	4,391,617	4,535,055
Total	9,722,623	10,376,701	10,498,577	10,692,694	11,031,500	10,498,577	10,789,969
Nominal Effective Exchange Rate Indices							
(Jan 2010 =100) <sup>(b)</sup>							
Trade-weighted	101.8	105.2	105.8	108.5	105.8	102.3	100.9
Import-weighted	101.7	104.9	105.4	108.0	105.4	102.0	100.7
Export-weighted	101.9	105.5	106.2	108.9	106.1	102.7	101.2
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	-2.6	-1.5	28.7	12.3	55.6	28.7	31.7
M2 <sup>(a)</sup>	3.6	2.4	6.5	1.5	10.8	6.5	9.2
M3 <sup>(a)</sup>	3.7	2.3	6.5	1.4	10.7	6.5	9.1
Total money supply							
M1	-0.4	2.6	30.1	16.9	44.9	30.1	29.5
M2	4.3	2.8	5.8	3.9	9.2	5.8	6.5
M3	4.3	2.7	5.8	3.8	9.2	5.8	6.4
Deposit							
HK\$	3.6	2.5	6.2	1.5	11.1	6.2	9.2
Foreign currency	6.4	3.2	4.6	5.5	6.2	4.6	4.0
Total	5.0	2.9	5.4	3.5	8.7	5.4	6.6
Loans and advances							
HK\$	8.9	6.6	-1.8	-1.8	4.5	-1.8	1.0
Foreign currency	-1.7	7.0	5.6	17.2	10.9	5.6	1.2
Total	4.4	6.7	1.2	5.5	7.0	1.2	1.1
Nominal Effective Exchange Rate Indices							
(Jan 2010 =100) <sup>(b)</sup>							
Trade-weighted	-2.3	3.3	0.6	3.7	-0.5	-3.9	-5.6
Import-weighted	-2.4	3.1	0.5	3.4	-0.5	-3.7	-5.5
Export-weighted	-2.3	3.5	0.7	3.9	-0.6	-3.8	-5.8

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		
					Q1	Q2	Q3	Q4
<b>Services Industry</b>								
Import and export trade	2.3	3.7	-6.6	-3.6	-12.2	-8.9	-0.4	6.1
Wholesale	2.8	4.3	-8.3	-7.9	-14.1	-12.6	-4.5	-0.3
Retail	2.2	8.7	-11.1	-24.3	-35.0	-31.4	-16.7	-9.0
Transportation	7.1	8.0	-2.3	-19.7	-18.8	-29.0	-23.7	-6.8
<i>within which:</i>								
Land transport	1.8	5.3	1.3	-23.9	-26.7	-31.2	-24.1	-13.0
Water transport	5.6	4.4	0.1	10.7	-0.3	-0.1	7.2	35.7
Air transport	10.0	11.3	-4.9	-36.2	-26.6	-45.2	-42.3	-30.1
Warehousing and storage	14.1	12.7	-1.4	11.5	-1.6	0.9	19.7	27.0
Courier	19.1	-0.7	-3.9	28.4	2.8	30.2	42.5	36.2
Accommodation services <sup>(a)</sup>	6.0	10.8	-14.3	-59.1	-71.7	-70.4	-50.9	-33.2
Food services	5.0	6.0	-5.9	-29.4	-31.3	-26.0	-35.2	-25.2
Information and communications	2.9	3.1	1.2	-8.5	-10.2	-14.4	-8.6	-0.5
<i>within which:</i>								
Telecommunications	-3.5	2.2	-2.6	-9.0	-13.5	-15.0	-9.0	2.0
Film entertainment	4.3	3.1	-2.3	-44.0	-39.5	-53.7	-49.1	-32.2
Banking	-0.1	6.8	2.8	-8.0	1.9	-8.1	-13.8	-12.2
Financing (except banking)	7.2	10.3	1.1	12.2	6.0	9.4	15.7	17.7
<i>within which:</i>								
Financial markets and asset management	1.6	11.6	0.8	13.2	3.9	8.8	19.2	21.4
<i>within which : Asset management</i>	4.4	3.7	7.3	11.6	4.4	5.9	18.4	17.9
Insurance	11.8	8.7	8.8	6.1	10.5	0.7	4.5	8.9
Real estate	10.2	5.4	11.4	3.2	-12.8	-5.6	8.1	26.9
Professional, scientific and technical services	1.9	3.3	1.3	-2.1	-1.8	-3.2	-2.6	-0.7
Administrative and support services	1.5	3.5	0.4	-25.4	-12.9	-34.5	-27.4	-25.9
<b>Services Domain</b>								
Tourism, convention and exhibition services	0.8	11.0	-18.9	-87.1 <sup>+</sup>	-78.6 <sup>+</sup>	-94.8 <sup>+</sup>	-90.7 <sup>+</sup>	-85.2 <sup>+</sup>
Computer and information technology services	1.4	2.9	-7.2	-3.2	-12.0	-3.7	-0.1	2.4

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		<u>2021</u>
						Q2	Q3	Q4	Q1
<u>(%)</u>									
Labour force participation rate	61.1	61.1	61.2	60.6	59.6	59.4	59.6	59.6	59.6
Seasonally adjusted unemployment rate <sup>(a)</sup>	3.4	3.1	2.8	2.9	5.8	6.2	6.4	6.6	6.8
Underemployment rate	1.4	1.2	1.1	1.1	3.3	3.7	3.8	3.4	3.8
<u>('000)</u>									
Population of working age	6 420.9	6 463.3	6 506.4	6 549.1	6 528.3	6 498.8	6 520.9	6 531.3	6 498.9
Labour force	3 920.1	3 946.6	3 979.0	3 966.2	3 888.2	3 861.1	3 884.6	3 893.4	3 873.9
Persons employed	3 787.1	3 823.2	3 867.0	3 849.9	3 661.6	3 620.4	3 624.8	3 647.7	3 614.1
Persons unemployed	133.0	123.4	112.0	116.3	226.6	240.7	259.8	245.8	259.8
Persons underemployed	54.7	45.6	43.2	42.0	129.5	142.9	149.1	133.8	148.4
<u>(% change over a year earlier)</u>									
Population of working age	0.6	0.7	0.7	0.7	-0.3	-0.8	-0.6	-0.6	-0.5
Labour force	0.4	0.7	0.8	-0.3	-2.0	-2.8	-2.1	-1.4	-0.2
Persons employed	0.4	1.0	1.1	-0.4	-4.9	-6.2	-5.8	-4.6	-2.8
Persons unemployed	2.8	-7.2	-9.2	3.8	94.9	111.0	116.5	97.9	60.2
Persons underemployed	2.5	-16.5	-5.3	-2.8	208.3	247.3	260.3	181.7	79.2

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

**Table 16 : Employment in selected major industries**

Selected major industries	2016	2017	2018	2019	2020	2020				(No.)
	(% change)					Mar	Jun	Sep	Dec	
						(% change over a year earlier)				
Manufacturing	-3.6	-3.3	-3.0	-3.5	-4.0	-4.8	-3.7	-3.5	-4.1	81 912
Construction sites (covering manual workers only)	13.3	10.1	-5.8	-9.0	-4.5	-5.9	-4.9	-3.1	-3.8	96 117
Import and export trade	-0.7	-0.4	-0.6	-5.7	-11.0	-8.7	-12.3	-11.6	-11.6	388 281
Wholesale	-0.8	-0.6	-0.9	-4.0	-8.8	-6.6	-10.0	-8.6	-10.1	50 683
Retail	-1.1	0.5	1.7	-1.7	-6.3	-6.5	-8.1	-6.5	-4.1	250 277
Food and beverage services	-0.2	0.3	2.8	-2.3	-13.6	-12.0	-15.4	-13.5	-13.6	202 680
Accommodation services <sup>(a)</sup>	-2.1	0.3	4.8	1.8	-14.7	-10.0	-14.4	-15.4	-19.1	33 441
Transportation, storage, postal and courier services	0.5	0.2	0.6	0.3	-3.7	-1.9	-2.3	-3.0	-7.5	166 775
Information and communications	0.7	0.9	1.5	1.9	-0.3	-0.8	-0.2	-0.1	-0.3	109 938
Financing and insurance	0.8	1.5	2.6	2.9	0.6	0.9	0.7	0.7	0.1	238 710
Real estate	-0.1	1.3	2.0	1.2	0.4	-0.8	*	1.1	1.2	136 657
Professional and business services (excluding cleaning and similar services)	1.9	2.1	3.2	1.5	-0.3	-0.5	-0.6	*	*	306 559
Cleaning and similar services	0.5	0.7	-1.4	-0.3	0.3	0.1	-0.6	0.5	1.2	81 615
Education	2.3	1.6	1.8	1.7	-1.0	-0.5	-1.1	-1.1	-1.3	204 848
Human health services	4.3	3.5	3.4	4.7	4.1	4.3	4.6	4.1	3.4	143 711
Residential care and social work services	3.0	1.0	1.0	2.4	0.4	2.6	0.6	-0.1	-1.6	65 466
Arts, entertainment, recreation and other services	-2.2	-0.6	1.4	0.8	-5.4	-3.9	-5.2	-6.2	-6.1	118 876
Others <sup>(b)</sup>	0.8	2.1	*	1.5	-1.7	-2.4	-4.6	-0.4	0.5	11 386

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) 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>		
						Mar	Jun	Sep	Dec
<u>(Number)</u>									
Building sites									
Private sector	60 243	65 985	65 700	62 903	54 957	59 450	55 329	52 209	52 839
Public sector <sup>(a)</sup>	16 030	21 660	21 604	19 257	22 982	21 823	23 155	23 016	23 933
Sub-total	76 273	87 645	87 303	82 160	77 939	81 273	78 484	75 225	76 772
Civil engineering sites									
Private sector	1 386	979	1 729	2 483	2 180	2 598	2 178	1 866	2 079
Public sector <sup>(a)</sup>	30 141	30 050	22 816	17 108	17 064	17 189	16 980	16 819	17 266
Sub-total	31 526	31 029	24 546	19 591	19 244	19 787	19 158	18 685	19 345
<b>Total</b>	<b>107 799</b>	<b>118 674</b>	<b>111 849</b>	<b>101 750</b>	<b>97 182</b>	<b>101 060</b>	<b>97 642</b>	<b>93 910</b>	<b>96 117</b>
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	19.6	9.5	-0.4	-4.3	-12.6	-11.8	-13.8	-13.1	-11.8
Public sector <sup>(a)</sup>	3.6	35.1	-0.3	-10.9	19.3	13.9	27.1	26.4	11.7
Sub-total	15.8	14.9	-0.4	-5.9	-5.1	-6.1	-4.7	-3.9	-5.6
Civil engineering sites									
Private sector	-13.9	-29.3	76.6	43.6	-12.2	4.4	-16.6	-24.7	-11.6
Public sector <sup>(a)</sup>	9.0	-0.3	-24.1	-25.0	-0.3	-6.4	-4.1	4.4	6.3
Sub-total	7.7	-1.6	-20.9	-20.2	-1.8	-5.1	-5.8	0.5	4.1
<b>Total</b>	<b>13.3</b>	<b>10.1</b>	<b>-5.8</b>	<b>-9.0</b>	<b>-4.5</b>	<b>-5.9</b>	<b>-4.9</b>	<b>-3.1</b>	<b>-3.8</b>

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

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

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

	(%)								
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>			
Selected industry sections						Q1	Q2	Q3	Q4
<b>(in nominal terms)</b>									
Manufacturing	3.5	3.4	4.0	3.8	-0.1	1.8	-0.9	-1.3	-1.1
Import/export and wholesale trades	2.3	2.9	3.2	2.3	0.5	1.2	0.6	*	-0.1
Retail trade	2.4	3.3	3.0	2.3	0.1	0.5	0.2	-0.3	-0.4
Transportation, storage, postal and courier services	3.3	3.4	4.1	3.9	-5.4	-1.1	-3.9	-5.4	-10.5
Accommodation <sup>(a)</sup> and food service activities	5.1	4.7	5.3	4.7	-2.9	-1.4	-2.7	-4.1	-4.2
Information and communications	3.4	3.3	3.3	3.9	2.3	3.2	2.3	1.7	1.7
Financial and insurance activities	2.7	3.0	3.1	3.0	1.7	1.8	1.7	1.6	1.6
Real estate activities	4.2	4.3	4.3	4.1	1.5	2.3	1.6	1.2	1.1
Professional and business services	5.1	4.2	4.6	3.8	1.6	2.7	1.3	1.3	1.2
Social and personal services	2.5	3.1	4.3	2.3	6.2	10.2	4.6	4.6	5.6
<b>All selected industry sections surveyed</b>	<b>3.7</b>	<b>3.7</b>	<b>3.9</b>	<b>3.4</b>	<b>2.4</b>	<b>3.2</b>	<b>2.2</b>	<b>2.0</b>	<b>1.8</b>
<b>(in real terms)</b>									
Manufacturing	1.0	2.0	1.6	0.9	-0.5	-0.2	-2.2	0.4	-0.7
Import/export and wholesale trades	-0.1	1.4	0.8	-0.5	0.1	-0.7	-0.7	1.6	0.2
Retail trade	*	1.8	0.6	-0.5	-0.3	-1.4	-1.2	1.4	-0.1
Transportation, storage, postal and courier services	0.9	1.9	1.6	1.0	-5.7	-3.0	-5.2	-3.9	-10.2
Accommodation <sup>(a)</sup> and food service activities	2.6	3.2	2.8	1.8	-3.3	-3.3	-4.0	-2.5	-3.9
Information and communications	1.0	1.9	0.8	0.9	1.9	1.2	0.9	3.4	2.1
Financial and insurance activities	0.3	1.6	0.7	0.3	1.1	-0.1	0.3	3.3	2.0
Real estate activities	1.7	2.8	1.9	1.2	1.2	0.3	0.3	2.9	1.5
Professional and business services	2.6	2.7	2.2	0.9	1.3	0.7	*	3.0	1.6
Social and personal services	0.1	1.6	1.8	-0.5	5.9	8.1	3.2	6.3	6.0
<b>All selected industry sections surveyed</b>	<b>1.3</b>	<b>2.3</b>	<b>1.5</b>	<b>0.5</b>	<b>2.0</b>	<b>1.2</b>	<b>0.8</b>	<b>3.6</b>	<b>2.1</b>

Notes: The rates of change in real terms are compiled from the Real Indices of Payroll per Person Engaged. The Indices are derived by deflating the Nominal Indices of Payroll per Person Engaged by the 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>			
Selected industry sections						Mar	Jun	Sep	Dec
<b>(in nominal terms)</b>									
Manufacturing	4.0	3.7	3.6	3.5	2.0	2.5	2.0	1.7	1.6
Import/export, wholesale and retail trades	2.7	3.0	3.0	2.3	1.0	1.3	1.0	0.8	0.7
Transportation	3.5	2.9	4.7	4.4	0.1	3.2	0.6	-1.7	-1.5
Accommodation <sup>(a)</sup> and food service activities	4.9	4.7	4.6	4.1	1.0	1.6	0.9	0.9	0.9
Financial and insurance activities <sup>(b)</sup>	3.4	3.5	3.5	3.7	2.3	2.7	2.4	2.2	2.3
Real estate leasing and maintenance management	3.7	4.1	4.4	3.9	2.7	3.2	2.6	2.5	2.7
Professional and business services	4.7	4.7	4.4	3.6	1.7	2.7	1.2	1.4	1.5
Personal services	5.5	4.2	4.1	3.3	0.7	1.1	0.6	0.6	0.4
<b>All industries surveyed</b>	<b>3.7</b>	<b>3.8</b>	<b>4.0</b>	<b>3.5</b>	<b>1.3</b>	<b>2.2</b>	<b>1.3</b>	<b>1.0</b>	<b>1.0</b>
<b>(in real terms)</b>									
Manufacturing	1.4	2.2	0.8	0.2	2.9	*	1.3	8.1	2.3
Import/export, wholesale and retail trades	0.3	1.6	0.1	-0.9	2.0	-1.2	0.4	7.2	1.4
Transportation	1.0	1.5	1.7	1.1	1.1	0.6	*	4.5	-0.8
Accommodation <sup>(a)</sup> and food service activities	2.3	3.3	1.7	0.8	1.9	-0.9	0.3	7.3	1.6
Financial and insurance activities <sup>(b)</sup>	0.9	2.1	0.6	0.3	3.4	0.2	1.8	8.6	3.0
Real estate leasing and maintenance management	1.1	2.6	1.4	0.6	3.6	0.7	2.0	9.0	3.4
Professional and business services	2.3	3.2	1.5	0.3	2.6	0.2	0.5	7.8	2.2
Personal services	3.0	2.7	1.1	0.2	1.5	-1.4	*	7.0	1.1
<b>All industries surveyed</b>	<b>1.2</b>	<b>2.3</b>	<b>1.0</b>	<b>0.2</b>	<b>2.3</b>	<b>-0.3</b>	<b>0.6</b>	<b>7.3</b>	<b>1.7</b>

Notes: The rates of change in real terms are compiled from the Real Wage Indices. The Indices are derived by deflating the Nominal Wage Indices by the 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	May – Jun 2019			May – Jun 2020		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(a)</sup>	14,800	17,800	27,700	14,500	17,500	27,100
Electricity and gas supply; sewerage, waste management and remediation activities	21,600	28,200	42,400	21,100	28,000	43,100
Construction	18,500	23,500	29,500	18,400	23,000	29,800
Import and export trade	14,000	18,800	28,000	14,200	18,900	28,200
Wholesale	12,000	15,100	20,500	12,200	15,200	20,600
Retail trade	11,000	14,000	18,100	10,500	13,700	18,000
<i>within which:</i>						
Supermarkets and convenience stores	7,400	11,900	14,400	7,600	11,700	14,200
Other retail stores	11,500	14,200	18,500	11,500	14,300	18,800
Land transport	14,700	19,800	29,100	14,500	19,400	28,700
Other transportation, storage, postal and courier services <sup>(b)</sup>	14,300	19,000	25,000	14,000	18,500	24,800
Food and beverage services	11,000	13,800	18,000	10,000	13,600	17,500
<i>within which:</i>						
Hong Kong style tea cafes	12,100	13,700	17,600	12,000	13,700	17,700
Chinese restaurants	12,800	15,000	20,200	12,800	15,100	20,500
Restaurants, other than Chinese	12,000	14,200	18,000	11,800	14,300	18,000
Fast food cafes <sup>(c)</sup>	4,900	10,100	13,500	4,900	10,200	13,700
Other food and beverage services	9,000	13,400	16,800	6,300	13,000	16,800
Accommodation services <sup>(d)</sup>	13,500	16,200	21,000	13,400	15,700	21,000
Information and communications	16,000	23,700	36,200	16,500	23,700	36,000
Financing and insurance	18,600	28,300	47,200	19,000	28,600	47,500
Real estate activities <sup>(e)</sup>	14,800	23,000	34,600	14,200	21,800	34,200
Estate management, security and cleaning services	10,100	13,000	15,900	10,200	13,000	15,700
<i>within which:</i>						
Real estate maintenance management	12,500	14,100	17,100	12,500	14,500	17,400
Security services <sup>(f)</sup>	11,800	13,600	16,400	11,800	13,800	16,500
Cleaning services	7,900	9,800	11,000	8,000	10,000	11,100
Membership organisations <sup>(g)</sup>	10,800	13,700	21,800	11,400	14,000	22,000
Professional, scientific and technical services	15,500	24,300	37,100	16,000	25,000	37,500
Administrative and support services activities	13,000	17,000	26,800	13,000	17,300	27,200
Travel agency, reservation service and related activities	12,400	15,300	21,900	11,000	15,200	21,500
Education and public administration (excluding the Government)	14,100	29,200	51,600	14,500	30,000	52,000
Human health activities; and beauty and body prettifying treatment	14,100	19,500	42,700	14,200	19,600	42,400
Miscellaneous activities	11,000	13,100	17,000	10,800	13,000	17,000
<i>within which:</i>						
Elderly homes	12,800	14,500	17,300	12,800	14,500	17,500
Laundry and dry cleaning services	9,400	12,000	16,300	8,400	12,000	13,900
Hairdressing and other personal services	10,500	12,600	16,800	10,300	12,300	17,000
Local courier services	8,000	11,000	15,000	8,100	11,000	15,000
Food processing and production	10,600	13,000	18,000	11,000	13,200	18,400
Other activities not classified above	12,600	16,300	25,400	12,900	16,600	25,500
<b>All industry sections above</b>	<b>13,100</b>	<b>18,200</b>	<b>28,200</b>	<b>13,200</b>	<b>18,400</b>	<b>28,800</b>

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

(a) Excluding food processing and production.

(b) Excluding local courier services.

(c) Including takeaway shops.

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

(e) Excluding real estate maintenance management.

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

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

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

(HK\$)

Industry sections	May – Jun 2019			May – Jun 2020		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(a)</sup>	55.8	72.6	107.3	55.6	71.5	103.9
Electricity and gas supply; sewerage, waste management and remediation activities	78.6	111.1	168.7	76.3	108.9	166.7
Construction	78.4	99.9	124.4	78.9	100.0	125.5
Import and export trade	58.2	80.3	118.3	58.7	80.5	118.3
Wholesale	51.9	65.2	86.5	52.5	65.6	86.5
Retail trade	45.6	53.8	67.9	45.0	53.4	67.0
<i>within which:</i>						
Supermarkets and convenience stores	42.9	47.5	52.5	42.4	47.6	52.0
Other retail stores	46.3	55.9	72.6	46.6	56.6	73.1
Land transport	57.1	79.6	116.8	57.6	80.0	113.5
Other transportation, storage, postal and courier services <sup>(b)</sup>	52.7	69.1	95.2	52.4	68.0	94.6
Food and beverage services	46.6	52.2	64.8	46.7	52.6	66.0
<i>within which:</i>						
Hong Kong style tea cafes	47.6	52.5	63.3	47.6	52.5	64.2
Chinese restaurants	46.9	53.3	71.6	47.1	53.8	72.3
Restaurants, other than Chinese	48.3	54.2	67.3	48.5	54.1	67.1
Fast food cafes <sup>(c)</sup>	44.4	48.3	53.8	44.0	48.1	55.0
Other food and beverage services	45.2	51.2	61.5	45.2	51.1	61.0
Accommodation services <sup>(d)</sup>	47.3	58.1	74.4	47.3	58.1	74.3
Information and communications	64.5	93.8	141.2	66.1	93.9	143.4
Financing and insurance	74.6	111.0	191.2	75.4	110.4	190.2
Real estate activities <sup>(e)</sup>	62.5	90.0	142.9	61.7	88.0	140.7
Estate management, security and cleaning services	41.1	45.9	58.7	41.2	46.4	58.2
<i>within which:</i>						
Real estate maintenance management	41.2	46.3	62.2	41.3	46.9	62.8
Security services <sup>(f)</sup>	41.2	45.5	55.6	41.4	46.1	56.3
Cleaning services	40.0	45.1	51.7	40.2	45.2	51.9
Membership organisations <sup>(g)</sup>	44.8	56.7	90.9	44.6	58.0	91.7
Professional, scientific and technical services	65.6	95.8	157.6	66.7	97.6	159.5
Administrative and support services activities	51.4	71.0	110.5	52.1	71.7	112.5
Travel agency, reservation service and related activities	50.7	66.5	90.3	51.6	66.4	94.1
Education and public administration (excluding the Government)	67.5	131.8	220.0	67.4	133.0	222.2
Human health activities; and beauty and body prettifying treatment	63.6	89.6	174.9	63.2	90.4	173.8
Miscellaneous activities	44.4	51.6	68.3	44.9	51.6	69.0
<i>within which:</i>						
Elderly homes	42.4	52.7	69.8	42.5	52.6	70.4
Laundry and dry cleaning services	43.1	49.5	65.2	45.9	49.5	59.4
Hairdressing and other personal services	47.2	51.9	70.5	46.9	52.0	71.7
Local courier services	47.0	52.2	62.6	46.7	52.2	63.0
Food processing and production	44.0	50.9	69.8	44.4	51.4	69.7
Other activities not classified above	53.8	67.9	103.6	54.4	69.2	104.5
<b>All industry sections above</b>	<b>52.2</b>	<b>73.0</b>	<b>114.9</b>	<b>52.8</b>	<b>74.4</b>	<b>117.6</b>

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

(a) Excluding food processing and production.

(b) Excluding local courier services.

(c) Including takeaway shops.

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

(e) Excluding real estate maintenance management.

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

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

**Table 22 : Rates of change in prices**

	(%)							
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
GDP deflator	3.9	3.5	1.8	2.9	3.6	1.6	2.9	3.7
Domestic demand deflator	4.5	4.2	1.4	3.1	2.2	1.4	2.8	3.4
Consumer Price Indices <sup>(a)</sup> :								
Composite CPI	5.3	4.1	4.3	4.4	3.0	2.4	1.5	2.4
CPI(A)	5.6	3.6	5.1	5.6	4.0	2.8	1.5	2.7
CPI(B)	5.2	4.3	4.1	4.2	2.9	2.3	1.4	2.3
CPI(C)	5.1	4.1	3.8	3.5	2.1	2.1	1.5	2.2
Unit Value Indices :								
Total exports of goods	8.0	3.4	1.3	2.0	0.1	-1.7	1.8	2.4
Imports of goods	8.1	3.3	0.9	1.9	-0.4	-1.7	1.9	2.6
Terms of Trade Index <sup>(b)</sup>	-0.1	0.1	0.4	0.1	0.5	*	-0.1	-0.1
Producer Price Index for all manufacturing industries	8.3	0.1	-3.1	-1.7	-2.7	1.3	3.8	2.0
Tender Price Indices :								
Public sector building projects	11.6	8.3	6.6	7.3	5.9	1.0	-0.3	-2.9
Public housing projects	10.1	6.4	9.3	8.0	12.5	-0.7	0.3	-1.9

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.

(^) Average annual rate of change for the 10-year period 2009-2019.

(~) Average annual rate of change for the 5-year period 2014-2019.

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

(%)

	<u>2019</u>	<u>2020</u>	<u>2020</u>			<u>2021</u>	Average annual rate of change:	
			Q2	Q3	Q4	Q1	10 years 2010 to 2020	5 years 2015 to 2020
GDP deflator <sup>#</sup>	2.0	0.6	0.6	0.6	-1.2	-1.1	2.7	2.2
Domestic demand deflator <sup>#</sup>	2.4	0.8	0.9	-0.3	-0.4	-1.4	2.6	2.1
Consumer Price Indices <sup>(a)</sup> :								
Composite CPI	2.9	0.3	1.3	-1.7	-0.3	0.9	3.1	1.9
CPI(A)	3.3	-0.5	1.6	-4.2	-0.3	2.8	3.4	2.0
CPI(B)	2.7	0.7	1.4	-0.6	-0.5	0.1	3.0	1.9
CPI(C)	2.6	0.8	1.1	-0.1	-0.2	*	2.8	1.8
Unit Value Indices :								
Total exports of goods	1.1	-0.6	-1.0	-0.7	-0.1	1.0	1.8	0.6
Imports of goods	1.3	-0.7	-1.0	-1.2	-0.1	1.1	1.7	0.7
Terms of Trade Index <sup>(b)</sup>	-0.1	*	0.1	0.5	*	-0.1	0.1	-0.1
Producer Price Index for all manufacturing industries	1.0	2.3	1.3	3.8	2.9	N.A.	1.1	2.1
Tender Price Indices :								
Public sector								
building projects	-2.6	N.A.	-3.7	-3.4	N.A.	N.A.	4.6 <sup>^</sup>	0.2 <sup>~</sup>
Public housing projects	-1.8	-2.7	-2.5	-2.8	-3.3	N.A.	3.8	-1.4

**Table 23 : Rates of change in Composite Consumer Price Index**

(%)

	Weight	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>All items</b>	<b>100.00</b>	<b>5.3</b> <b>(5.3)</b>	<b>4.1</b> <b>(4.7)</b>	<b>4.3</b> <b>(4.0)</b>	<b>4.4</b> <b>(3.5)</b>	<b>3.0</b> <b>(2.5)</b>	<b>2.4</b> <b>(2.3)</b>	<b>1.5</b> <b>(1.7)</b>
Food	27.29	7.0	5.8	4.4	4.1	4.0	3.4	2.2
<i>Meals bought away from home</i>	17.74	5.2	5.4	4.4	4.6	4.2	3.3	2.7
<i>Food, excluding meals bought away from home</i>	9.55	9.9	6.5	4.4	3.4	3.4	3.6	1.1
Housing <sup>(a)</sup>	34.29	7.2	5.6	6.7	6.7	5.1	3.7	2.0
<i>Private housing rent</i>	29.92	7.2	6.8	6.3	6.0	4.7	3.4	1.8
<i>Public housing rent</i>	1.94	11.9	-7.1	16.0	18.3	10.9	7.2	3.0
Electricity, gas and water	2.67	-4.2	-8.2	6.9	14.9	8.4	1.0	-1.7
Alcoholic drinks and tobacco	0.54	17.1	3.0	1.5	6.5	1.3	1.5	0.6
Clothing and footwear	3.21	6.8	3.1	1.7	0.9	-1.8	-3.4	-0.4
Durable goods	4.65	-3.8	-1.4	-4.3	-3.4	-5.6	-5.4	-3.2
Miscellaneous goods	3.56	3.8	2.2	2.2	2.3	0.9	1.5	1.4
Transport	7.98	4.4	3.0	2.3	2.0	-0.3	1.6	2.3
Miscellaneous services	15.81	3.5	2.8	3.7	3.0	1.1	2.3	0.9

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".

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

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

(%)										
	Weight	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>			<u>2021</u>	Average annual rate of change:	
					Q2	Q3	Q4	Q1	10 years 2010 to 2020	5 years 2015 to 2020
<b>All items</b>	<b>100.00</b>	<b>2.4</b> <b>(2.6)</b>	<b>2.9</b> <b>(3.0)</b>	<b>0.3</b> <b>(1.3)</b>	<b>1.3</b> <b>(1.8)</b>	<b>-1.7</b> <b>(0.3)</b>	<b>-0.3</b> <b>(0.2)</b>	<b>0.9</b> <b>(-0.1)</b>	<b>3.1</b> <b>(3.1)</b>	<b>1.9</b> <b>(2.2)</b>
Food	27.29	3.4	4.9	3.3	4.5	1.0	1.4	0.6	4.2	3.4
<i>Meals bought away from home</i>	17.74	2.9	2.2	0.8	1.5	-0.6	0.6	*	3.6	2.4
<i>Food, excluding meals bought away from home</i>	9.55	4.3	9.9	7.5	9.9	3.5	2.7	1.4	5.4	5.2
Housing <sup>(a)</sup>	34.29	2.5	3.5	-0.1	1.6	-3.2	0.5	1.8	4.3	2.3
<i>Private housing rent</i>	29.92	2.2	3.1	1.1	1.4	0.5	-0.2	-1.0	4.2	2.3
<i>Public housing rent</i>	1.94	4.1	7.1	-21.0	0.4	-61.7	8.3	59.2	4.4	-0.6
Electricity, gas and water	2.67	4.9	-5.4	-19.6	-19.0	-19.2	-24.3	19.9	-0.7	-4.5
Alcoholic drinks and tobacco	0.54	1.3	1.2	0.6	0.3	1.1	1.2	0.7	3.4	1.0
Clothing and footwear	3.21	1.6	-1.7	-5.3	-5.0	-6.4	-5.6	-2.2	0.1	-1.9
Durable goods	4.65	-2.0	-1.9	-2.9	-3.1	-3.5	-2.5	-1.6	-3.4	-3.1
Miscellaneous goods	3.56	1.3	2.5	2.6	2.8	2.3	1.4	-0.1	2.1	1.8
Transport	7.98	1.6	2.0	-0.8	0.2	-2.8	-1.9	-2.7	1.8	1.3
Miscellaneous services	15.81	2.1	2.0	0.7	0.8	0.6	0.1	0.4	2.2	1.6

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

(%)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Private consumption expenditure	3.6	3.2	2.7	2.9	1.2	1.5	2.5
Government consumption expenditure	4.5	6.2	4.3	4.7	4.4	3.7	2.5
Gross domestic fixed capital formation	6.8	6.4	-2.9	3.1	4.5	-0.3	4.4
Total exports of goods	7.8	3.2	-0.1	0.7	-0.7	-1.4	1.7
Imports of goods	8.4	4.3	-0.3	0.8	-1.4	-1.8	1.8
Exports of services	7.5	4.7	0.4	0.4	-2.8	-2.0	3.2
Imports of services	5.9	0.6	0.3	0.5	-4.6	-1.3	2.7
<b>Gross Domestic Product</b>	<b>3.9</b>	<b>3.5</b>	<b>1.8</b>	<b>2.9</b>	<b>3.6</b>	<b>1.6</b>	<b>2.9</b>
Total final demand	6.7	3.7	0.4	1.4	*	-0.6	2.2
Domestic demand	4.5	4.2	1.4	3.1	2.2	1.4	2.8

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>2018</u>	<u>2019<sup>#</sup></u>	<u>2020<sup>#</sup></u>	<u>2020</u>			<u>2021</u>	Average annual rate of change:	
				Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	10 years 2010 to 2020 <sup>#</sup>	5 years 2015 to 2020 <sup>#</sup>
Private consumption expenditure	3.1	2.7	0.6	0.8	-0.4	-1.0	-1.4	2.4	2.1
Government consumption expenditure	3.3	4.7	2.1	1.9	1.0	0.1	-0.3	4.0	3.2
Gross domestic fixed capital formation	4.6	-0.1	-0.5	-1.3	-1.5	-2.3	-3.9	2.6	1.6
Total exports of goods	2.2	1.1	0.1	-0.1	0.1	0.1	1.3	1.4	0.7
Imports of goods	2.3	1.3	0.1	-0.2	-0.6	0.6	1.2	1.5	0.7
Exports of services	4.5	-0.3	-0.8	-4.5	-1.7	3.2	5.7	1.4	0.9
Imports of services	2.8	-1.0	-0.4	-3.1	-1.2	4.4	5.3	0.5	0.5
<b>Gross Domestic Product</b>	<b>3.7</b>	<b>2.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>-1.2</b>	<b>-1.1</b>	<b>2.7</b>	<b>2.2</b>
Total final demand	2.8	1.4	0.3	*	-0.1	0.1	0.6	1.8	1.2
Domestic demand	3.4	2.4	0.8	0.9	-0.3	-0.4	-1.4	2.6	2.1

