



# Half-yearly Economic Report 2022

Government of the Hong Kong  
Special Administrative Region

# ***HALF-YEARLY ECONOMIC REPORT 2022***

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

*August 2022*

# CONTENTS

## *Paragraphs*

### CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

Overall situation	1.1 - 1.2
The external sector	1.3 - 1.6
The domestic sector	1.7 - 1.8
The labour sector	1.9
The asset markets	1.10 - 1.11
Inflation	1.12 - 1.15
GDP by major economic sector	1.16
Other economic developments	1.17 - 1.18
Box 1.1 Business sentiment in Hong Kong	

### CHAPTER 2 : THE EXTERNAL SECTOR

Goods trade	
External environment	2.1 - 2.3
Total exports of goods	2.4 - 2.5
Imports of goods	2.6
Services trade	
Exports of services	2.7
Imports of services	2.8
Goods and services balance	2.9
Other developments	2.10 - 2.11

### 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

### 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
Insurance sector	4.18
Highlights of policy and market developments	4.19

## 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 - 5.15
Wages and earnings	5.16 - 5.20
Highlights of labour-related measures and policy developments	5.21 - 5.25

## 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 Recent situation of basic food inflation in Hong Kong	

## STATISTICAL APPENDIX

## CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

### **Summary**

- *The Hong Kong economy improved in overall terms in the second quarter of 2022, but the extent of improvement was weaker than expected. Domestic activities saw some revival but the momentum softened in the latter part of the quarter. Meanwhile, weakened global demand and cross-boundary disruptions weighed heavily on export performance. Real Gross Domestic Product (GDP)<sup>(1)</sup> decreased at a moderated pace of 1.3% from a year earlier, after contracting by 3.9% in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis<sup>(2)</sup>, real GDP reverted to an increase of 1.0%.*
- *Total exports of goods recorded a widened fall in the second quarter. Exports to the Mainland fell visibly further. Exports to the US and the EU showed moderated growth. Meanwhile, exports to most other major markets in Asia continued to increase. Exports of services reverted to a mild increase. Exports of travel services grew visibly, but were still very subdued, and cross-border financial activities recovered somewhat.*
- *Domestic activities showed some improvement. Private consumption expenditure regained lost ground in the second quarter thanks to the generally improved local epidemic situation and relaxed social distancing measures in tandem, as well as the Government's various support measures. Overall investment expenditure saw a narrowed year-on-year decline along with visibly improved business sentiment.*
- *The labour market improved in the second quarter. After rising from 5.0% in the first quarter to 5.4% in February – April, the seasonally adjusted unemployment rate fell successively to 4.7% in the second quarter. Meanwhile, the underemployment rate also increased from 3.1% to 3.8%, before declining to 3.0% over the same period.*
- *The local stock market was lacklustre in the second quarter after a sharp correction in the preceding quarter. The Hang Seng Index (HSI) moved within a range of 19 380 to 22 502 and closed at 21 860 at end-June, down by 0.6% from end-March. Market sentiment remained cautious amid concerns over more aggressive tightening in US monetary policy, poor performance of global stock markets, continued conflict in Ukraine, and the epidemic situation in the Mainland in the earlier part of the quarter. The residential property market showed some revival on entering the second quarter along with the moderation of the local epidemic, but quietened thereafter. Flat prices showed little change. Trading activities surged over the low base in the preceding quarter, but were lower than a year earlier.*

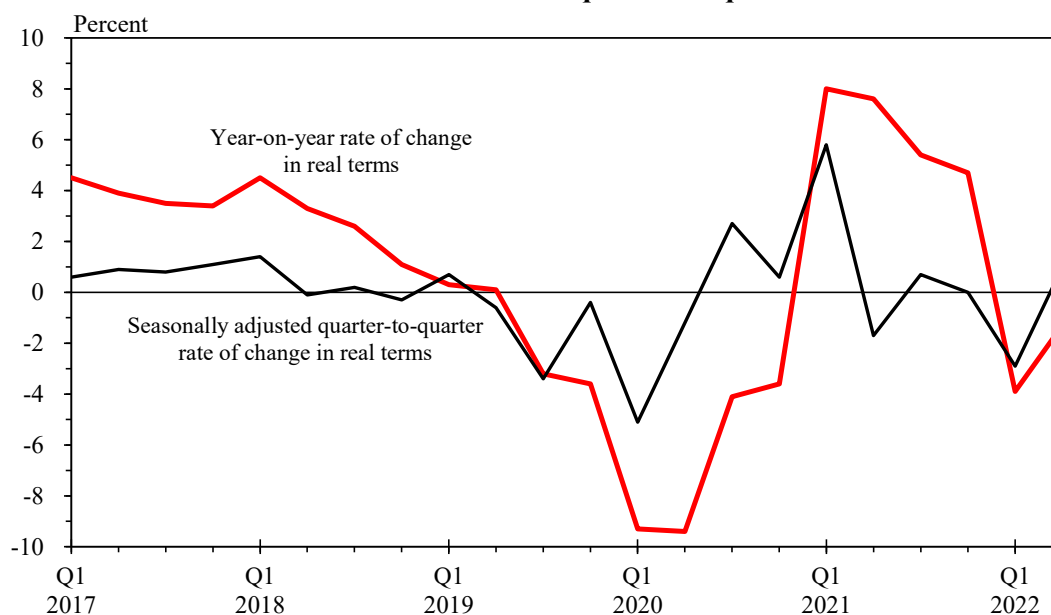
- *Consumer price inflation remained moderate in overall terms. Prices of meals out and takeaway food showed an accelerated increase amid the generally moderated local epidemic situation and relaxed social distancing measures. Prices of energy-related items soared, while those of basic food and clothing and footwear continued to see visible increases. Nonetheless, price pressures on other major components stayed broadly in check. Private housing rentals continued to decline, albeit at a narrowed rate.*

## Overall situation

1.1 The Hong Kong economy improved in the second quarter of 2022, but the extent of improvement was weaker than expected. As the local epidemic situation generally improved and social distancing measures were relaxed in tandem, and aided by the Government's various support measures, there was some revival in domestic activities. Yet, the momentum softened in the latter part of the quarter amid the increase in the number of COVID-19 cases and tightened financial conditions. Externally, weakened global demand and continued disruptions to cross-boundary land cargo flows weighed heavily on Hong Kong's exports.

1.2 In the second quarter, real GDP decreased at a moderated pace of 1.3% year-on-year (revised from the advance estimate of -1.4%), after contracting by 3.9% in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis, real GDP reverted to an increase of 1.0% (revised from the advance estimate of 0.9%), having declined by 2.9% in the preceding quarter.

**Diagram 1.1 : Real GDP decreased at a moderated pace year-on-year and reverted to an increase quarter-to-quarter**





## The external sector

1.3 The external environment worsened sharply in the second quarter of 2022. Soaring inflation in many advanced economies, which was partly caused by supply-side disruptions and elevated international commodity and energy prices amid the continued tension in Ukraine, weighed heavily on consumption demand. The stepping up of monetary policy tightening by many major central banks in response further dampened growth momentum of the global economy.

1.4 Economic growth of the Mainland decelerated sharply to 0.4% year-on-year for the second quarter as a whole amid the relapse of the epidemic situation in some major cities in April, but activities improved visibly in May and June after it was largely brought under control. The US economy contracted further from the preceding quarter amid rampant inflation and sharp monetary policy tightening by the US Federal Reserve (Fed). The euro area economy registered modest quarter-to-quarter growth as the tension in Ukraine continued to disrupt supply, raise energy and commodity prices, and hurt confidence. Meanwhile, most other major Asian economies continued to grow over a year earlier.

1.5 *Total exports of goods* compiled under the GDP accounting framework fell by 8.6% year-on-year in real terms in the second quarter, widened from a 4.5% decline in the preceding quarter. In addition to the weakened external demand, disruption to cross-boundary land cargo flows between the Mainland and Hong Kong, despite the gradual improvement from the very severe situation in March, continued to constrain both exports to the Mainland and re-exports of Mainland origin to other parts of the world. Analysed by major market, exports to the Mainland fell visibly further in the second quarter. Exports to the US and the EU showed moderated growth. Exports to most other major markets in Asia continued to increase, but those to Japan fell visibly.

1.6 *Exports of services* reverted to a mild year-on-year increase of 2.3% in real terms in the second quarter, from a fall of 2.9% in the preceding quarter. Exports of travel services grew visibly as the number of inbound visitors rebounded alongside the relaxation of some travel restrictions, but remained far below the pre-pandemic level. Exports of financial services improved as cross-border financial activities recovered somewhat. Exports of transport services fell amid weakened trade flows, while exports of business and other services continued to decline alongside the worsening external environment.

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

	<u>2020<sup>#</sup></u>	<u>2021<sup>#</sup></u>	<u>2021</u>				<u>2022</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>	<u>Q2<sup>#</sup></u>
<i>Change in real terms of GDP and its main expenditure components (%)</i>								
Private consumption expenditure	-10.5	5.4	2.3 (1.5)	7.3 (1.7)	6.5 (1.2)	5.3 (0.7)	-5.8 (-9.1)	0.1 (8.0)
Government consumption expenditure	7.9	4.6	6.3 (2.7)	2.8 (-0.9)	5.1 (2.0)	4.1 (0.4)	6.7 (4.9)	13.0 (5.2)
Gross domestic fixed capital formation	-11.5	9.8	5.4	23.8	13.0	-0.6	-7.8	-3.0
Building and construction	-9.8	0.7	-2.3	1.1	2.6	1.5	1.1	5.2
Costs of ownership transfer	-4.0	39.2	82.0	61.7	37.3	-2.2	-34.1	-36.8
Machinery, equipment and intellectual property products	-16.0	16.8	3.2	55.3	22.5	-2.3	-14.5	-2.1
Total exports of goods <sup>&amp;</sup>	-1.4	18.9	30.6 (11.2)	20.5 (-1.2)	14.2 (-0.1)	13.5 (3.1)	-4.5 (-6.3)	-8.6 (-5.2)
Imports of goods <sup>&amp;</sup>	-3.2	17.4	23.3 (7.2)	21.7 (1.7)	16.7 (1.0)	9.9 (-0.4)	-5.9 (-8.2)	-6.2 (1.6)
Exports of services <sup>&amp;</sup>	-34.8	1.5	-8.3 (12.6)	3.9 (-5.4)	5.8 (1.4)	6.9 (-1.3)	-2.9 (2.5)	2.3 (-0.5)
Imports of services <sup>&amp;</sup>	-32.2	1.7	-11.1 (2.8)	10.8 (-1.5)	5.9 (1.7)	4.5 (1.3)	-3.8 (-5.5)	-0.5 (2.4)
<b>Gross Domestic Product</b>	<b>-6.5</b>	<b>6.3</b>	<b>8.0 (5.8)</b>	<b>7.6 (-1.7)</b>	<b>5.4 (0.7)</b>	<b>4.7 (*)</b>	<b>-3.9 (-2.9)</b>	<b>-1.3 (1.0)</b>
<i>Change in the main price indicators (%)</i>								
<b>GDP deflator</b>	<b>0.6</b>	<b>0.9</b>	<b>-0.4 (0.8)</b>	<b>0.7 (0.3)</b>	<b>1.0 (0.4)</b>	<b>2.0 (0.5)</b>	<b>1.0 (-0.4)</b>	<b>0.9 (0.3)</b>
<b>Composite CPI</b>								
<b>Headline</b>	<b>0.3<sup>@</sup></b>	<b>1.6</b>	<b>1.2 (1.1)</b>	<b>0.8 (0.3)</b>	<b>2.3 (-0.8)</b>	<b>2.0 (1.4)</b>	<b>1.5 (0.7)</b>	<b>1.5 (0.3)</b>
<b>Underlying<sup>^</sup></b>	<b>1.3<sup>@</sup></b>	<b>0.6</b>	<b>-0.2 (0.3)</b>	<b>0.3 (0.4)</b>	<b>1.1 (0.3)</b>	<b>1.2 (0.3)</b>	<b>1.6 (0.6)</b>	<b>1.7 (0.5)</b>
<i>Change in nominal GDP (%)</i>	<b>-5.9</b>	<b>7.2</b>	<b>7.5</b>	<b>8.4</b>	<b>6.5</b>	<b>6.8</b>	<b>-3.0</b>	<b>-0.4</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.

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

(@) Splicing has been applied to the indices in order to obtain better estimates of the rates of change for the year 2020.



## The domestic sector

1.7 Domestic activities showed some improvement in the second quarter of 2022. Local consumption activities revived thanks to the generally improved local epidemic situation and relaxed social distancing measures in tandem. The Government's various support measures also helped support demand. However, the momentum in the latter part of the quarter was constrained by the increase in the number of COVID-19 cases and tightened financial conditions. After falling by 5.8% in real terms in the preceding quarter, *private consumption expenditure* increased marginally by 0.1% in the second quarter over a year earlier. On a seasonally adjusted quarter-to-quarter basis, there was an increase of 8.0%. Meanwhile, *government consumption expenditure* expanded further by 13.0% year-on-year in real terms in the second quarter, after a 6.7% increase in the preceding quarter.

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

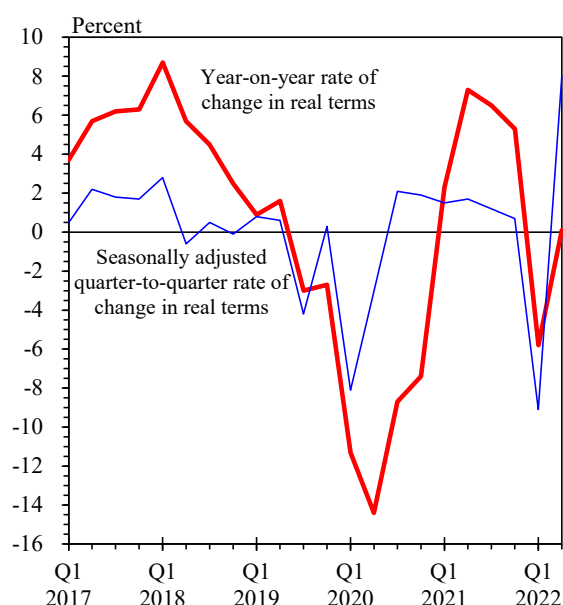
*Of which :*

		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>
2021	Annual	5.7	-4.5	18.9	12.7	4.3	-40.3	-40.8	5.4
	Q1	3.5	-9.3	35.8	12.3	0.2	-76.5	-74.9	2.3
	Q2	7.1	-7.5	20.1	19.1	5.9	40.6	13.4	7.3
	Q3	6.6	-1.1	11.9	10.6	6.4	1.9	22.7	6.5
	Q4	5.6	0.7	11.4	9.4	4.7	2.8	36.4	5.3
2022	Q1	-5.8	-8.4	-9.1	-9.8	-3.8	12.7	22.0	-5.8
	Q2	0.2	-8.0	4.6	4.6	0.1	24.2	62.9	0.1

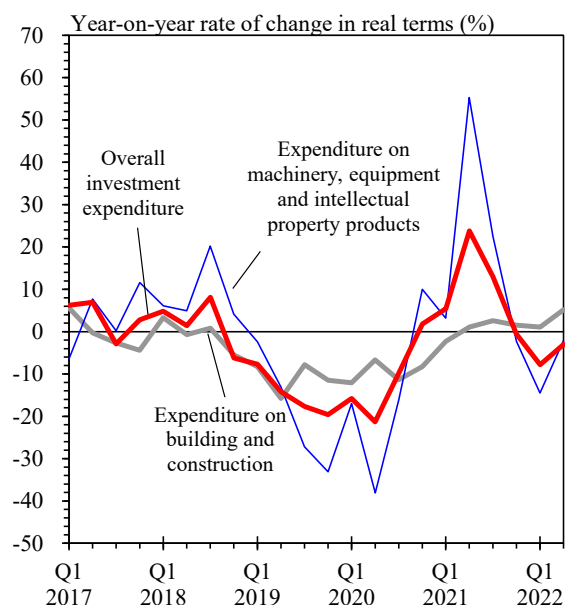
Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending.

(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 regained lost ground**



**Diagram 1.3 : Overall investment expenditure saw a narrowed year-on-year decline**



1.8 Overall investment spending as measured by *gross domestic fixed capital formation* declined by 3.0% in real terms in the second quarter from a year earlier, narrowed from the 7.8% decrease in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products saw a much narrowed decline of 2.1% along with visibly improved business sentiment (see **Box 1.1**). Expenditure on building and construction rose by an accelerated 5.2% as the increase in public sector spending more than offset the decrease in private sector spending. The costs of ownership transfer continued to plunge as transactions of property dwindled from the hectic level a year earlier.

## Box 1.1

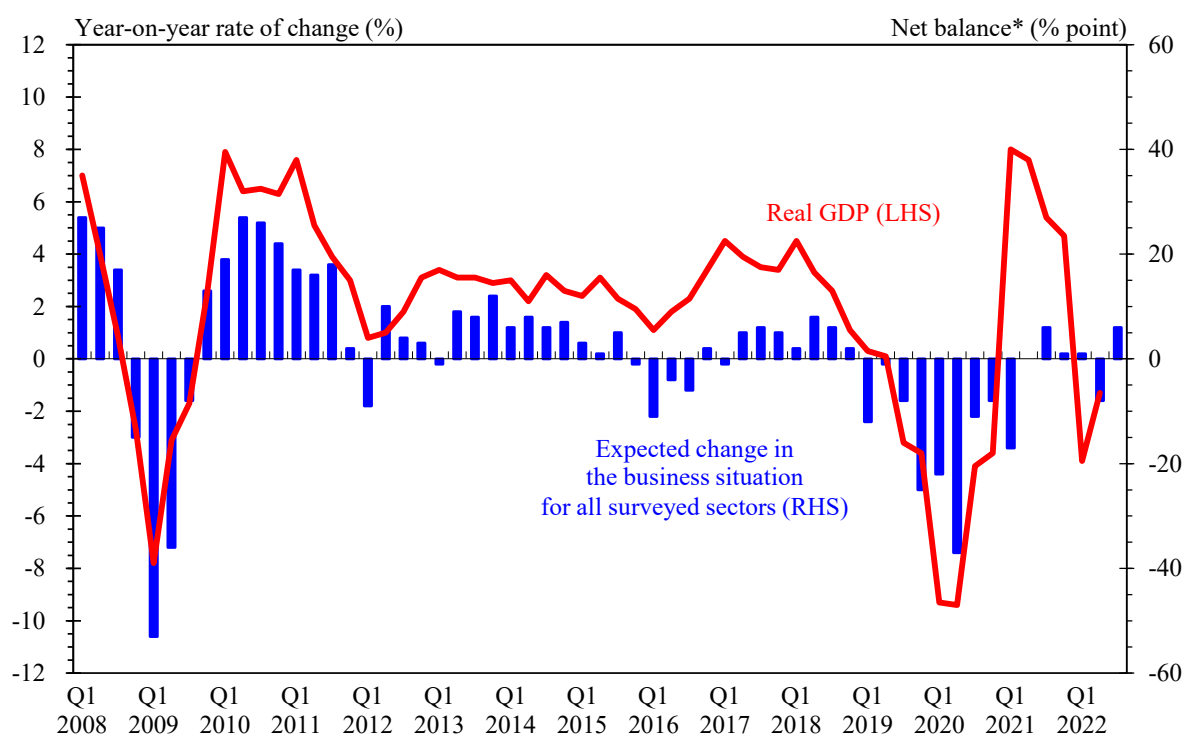
### Business sentiment in Hong Kong

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 indicate that business sentiment improved visibly in the second quarter thanks to the generally moderated epidemic situation and gradual relaxation of social distancing measures, though some softening was seen of late amid the worsening external environment and the increase in COVID-19 infection cases.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)<sup>(1)</sup> conducted during 2 June 2022 to 6 July 2022, business sentiment among large enterprises in Hong Kong improved compared to three months ago (**Chart 1**). The proportion of large enterprises expecting their business situation to improve in the third quarter of 2022 over the second quarter was larger than the proportion of those expecting the situation to worsen by 6 percentage points (i.e. a net balance of +6), visibly higher than -8 in the previous round.

Large enterprises' business sentiment turned better across a majority of sectors (**Table 1**). The net balances for the "retail" and "accommodation and food services" sectors turned even more positive, while those for the "manufacturing", "import/export trade and wholesale", "financing and insurance" and "real estate" sectors rebounded into positive territory. Those for the "construction", "transportation, storage, and courier services" and "professional and business services" sectors improved within the negative territory. Yet, the net balance for the "information and communications" sector dipped from slightly positive to slightly negative. Large enterprises' appetite for hiring generally increased (**Table 2**).

**Chart 1 : Large enterprises' business sentiment improved visibly thanks to the generally moderated epidemic situation and the gradual relaxation of social distancing measures**



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

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

## Box 1.1 (Cont'd)

**Table 1 : Business sentiment of large enterprises turned better across a majority of sectors**

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2021			2022		
	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	+14	+23	+14	-8	-19	+24
Construction	-13	-21	-6	-17	-32	-5
Import/export trade and wholesale	0	+8	0	+2	-7	+6
Retail	+5	+18	+9	-11	+11	+25
Accommodation and food services	+20	+33	+29	+2	+23	+49
Transportation, storage and courier services	-13	-18	-2	-7	-12	-2
Information and communications	+5	+5	+5	-2	+1	-3
Financing and insurance	0	+6	-2	+5	-4	+10
Real estate	+4	+14	+7	+8	-2	+10
Professional and business services	-7	+7	-1	+3	-19	-3
All sectors above	0	+6	+1	+1	-8	+6

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 : Large enterprises’ appetite for hiring increased**

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2021			2022		
	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	+9	+10	+8	-4	-1	+7
Construction	-2	-11	+11	+8	+3	+9
Import/export trade and wholesale	-1	+2	-4	-2	0	+1
Retail	-13	-5	-12	-5	+4	+9
Accommodation and food services	+11	+19	+18	+8	-2	+36
Transportation, storage and courier services	-12	-2	-3	+3	+1	+8
Information and communications	+2	-3	+6	-7	+7	-1
Financing and insurance	+5	+10	+5	+9	+4	-4
Real estate	+9	+4	+5	+9	-9	+11
Professional and business services	-1	-2	-2	-5	-2	0
All sectors above	-1	+2	+1	0	+1	+7

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 the business situation versus the preceding month. The overall index on the current situation rose back sharply to 48.3 in April and 48.6 in May, before softening to 46.3 in June and 43.4 in July amid the deteriorating external environment and the increase in COVID-19 infection cases. The latest figure was nonetheless still visibly better than that in the first quarter (**Chart 2a**). The employment situation also improved, and credit conditions stayed largely accommodative. Separately, the Standard Chartered Hong Kong SME Leading Business Index<sup>(3)</sup> for the third quarter, which was based on a survey conducted during June to July, bounced back notably.

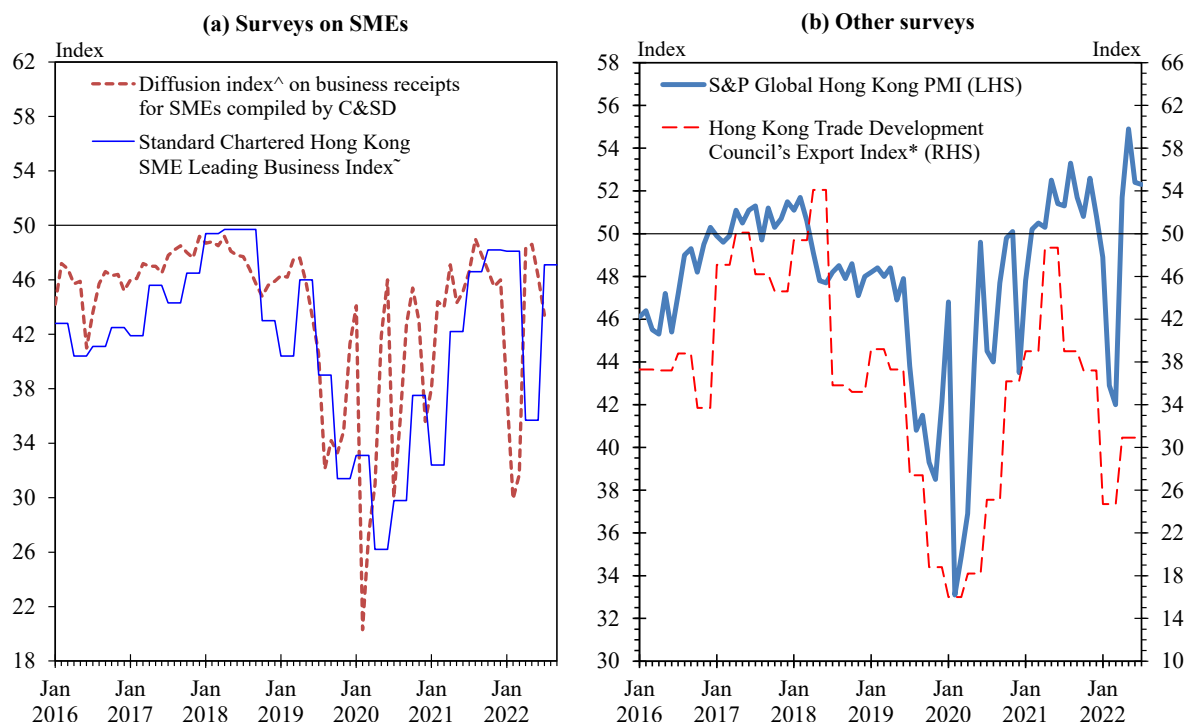
As for other surveys in the public domain, the S&P Global Purchasing Managers’ Index (PMI) of Hong Kong<sup>(4)</sup>, which gauges the performance of the private sector’s business activity, rose to 54.9 in May, before easing slightly to 52.4 in June and 52.3 in July. Separately, the Hong Kong Trade Development Council’s Export Index<sup>(5)</sup> rose from 24.7 in the first quarter to 30.9 in the second quarter against the backdrop of the receding pandemic (**Chart 2b**). Among the exporters surveyed, 35.8% indicated the persistence of the pandemic as the biggest threat to their businesses in the near term (down from 53.5% in the first quarter), followed by the slowdown of economic growth (14.8%) and continued border closures (12.0%).

(2) It refers to the results from the Monthly Survey on the Business Situation of SMEs that solicits feedback 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 “Recruitment Sentiment”, “Investment Sentiment”, “Business Condition”, “Profit Margin”, and “Global Economy” for the next quarter.

## Box 1.1 (Cont'd)

**Chart 2 : Business sentiment improved visibly in the second quarter, despite some softening more recently**



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 asked 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 improved in the second quarter from the preceding quarter. The improvement was visible in April and May when the epidemic situation moderated and the various social distancing measures were relaxed, though some softening was seen more recently. Looking forward, the worsening global economic environment would weigh on business sentiment, especially in the externally-oriented sectors. Domestic economic activities are likely to revive further, but the extent would be dependent on the local epidemic situation and financial conditions. The various support measures rolled out by the Government should also help.

(4) According to the press release by S&P Global, the S&P Global Hong Kong PMI is compiled according to monthly replies to questionnaires sent to purchasing managers in around 400 private sector 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, toys, jewellery, timepieces and machinery.

## **The labour sector**

1.9        The labour market improved in the second quarter of 2022. After rising from 5.0% in the first quarter of 2022 to 5.4% in February – April, the *seasonally adjusted unemployment rate* fell successively to 4.7% in the second quarter of 2022. The unemployment rates of most major sectors decreased in the second quarter from the high levels in February – April, particularly those of the food and beverage service activities sector, the retail sector, the construction sector, and the arts, entertainment and recreation sector. The unemployment rates of both lower-skilled and higher-skilled workers declined from the earlier high levels, with the former still visibly higher than the latter. The *underemployment rate* increased from 3.1% in the first quarter to 3.8% in February – April, before declining to 3.0% in the second quarter. Overall wages and labour earnings continued to register year-on-year increases in the first quarter of 2022, and more recent statistics from the General Household Survey indicated that the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) grew further year-on-year in nominal terms in the second quarter.

## **The asset markets**

1.10        The *local stock market* was lacklustre in the second quarter after a sharp correction in the first quarter. The HSI moved within a range of 19 380 to 22 502 and closed at 21 860 at end-June, down by 0.6% from end-March. Market sentiment remained cautious amid concerns over more aggressive tightening in US monetary policy, poor performance of global stock markets, continued conflict in Ukraine, and the epidemic situation in the Mainland in the earlier part of the quarter. Trading activities showed some contraction. Average daily turnover in the securities market dropped by 11.5% from the preceding quarter to \$129.7 billion, and was 14.3% lower than a year earlier. Fund raising activities quietened notably.

1.11        The *residential property market* showed some revival on entering the second quarter along with the moderation of the local epidemic, but quietened thereafter. Market sentiment turned more cautious as the US Fed and many major central banks stepped up the tightening of monetary policy and the global economic outlook worsened. 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, surged by 48% over the low base in the preceding quarter to 14 925 in the second quarter, but was still 32% lower than the hectic level a year earlier. Flat prices showed little change for the quarter as

a whole. The index of home purchase affordability remained elevated at around 71%. Meanwhile, overall flat rentals remained virtually unchanged between March and June. The *non-residential property market* stayed generally lacklustre in the second quarter. Trading activities rebounded from the low levels in the preceding quarter, but remained largely subdued. Prices and rentals of office space softened further, while those of retail shop space and flatted factory space stabilised.

## **Inflation**

1.12 Underlying consumer price inflation, though edging up further, remained moderate in overall terms in the second quarter of 2022. Netting out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, underlying Composite CPI inflation edged up to 1.7% year-on-year in the second quarter from 1.6% in the preceding quarter. Prices of meals out and takeaway food showed an accelerated increase amid the generally moderated local epidemic situation and relaxed social distancing measures. The increase in basic food prices was still visible despite the gradual moderation from the peak in March. Prices of energy-related items soared, while those of clothing and footwear continued to see visible increases. Nonetheless, price pressures on other major components stayed broadly in check. Private housing rentals continued to decline, albeit at a narrowed rate as the earlier increase in fresh-letting residential rentals gradually fed through.

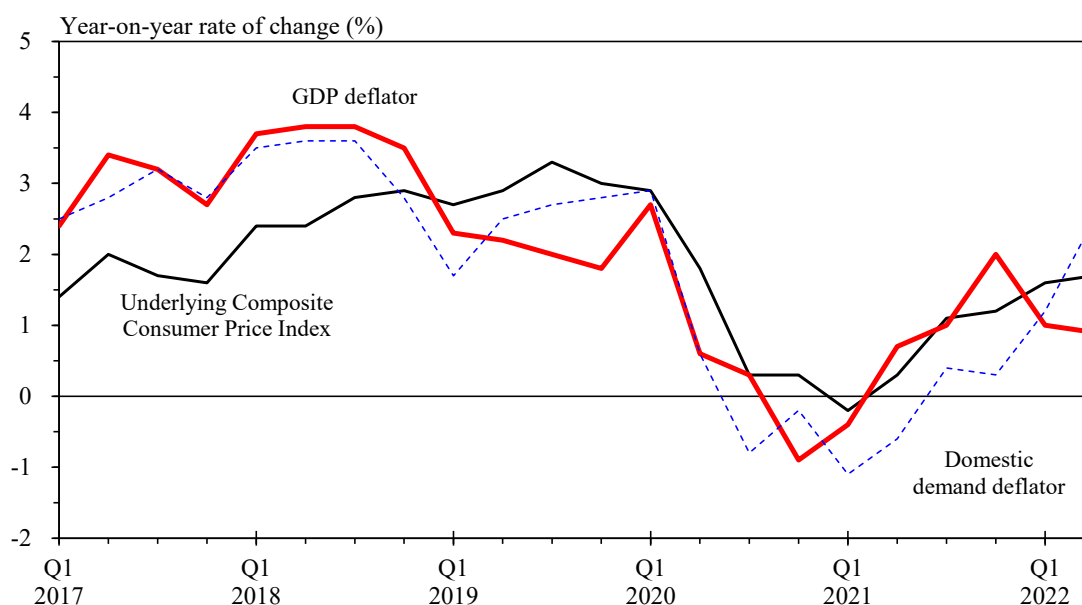
1.13 Domestic business cost pressures stayed largely mild, with commercial rentals staying soft and wage growth remaining moderate. External price pressures remained intensive. Inflation in many major economies climbed further alongside continued supply bottlenecks and elevated international commodity and energy prices caused by the persisting tension in Ukraine.

1.14 The *headline Composite CPI* rose by 1.5% year-on-year in the second quarter, same as in the preceding quarter. The lower headline inflation rate than the underlying inflation rate in the second quarter was due to the additional electricity charge subsidy provided by the Government.

1.15 The *GDP deflator* rose by 0.9% in the second quarter over a year earlier, following an increase of 1.0% in the preceding quarter. The terms of trade deteriorated further as import prices rose faster than export prices. Taking out the external trade components, the domestic demand deflator increased by 2.5% in the second quarter, after rising by 1.2% in the preceding quarter.



**Diagram 1.4 : Consumer price inflation remained moderate in the second quarter**



Note : The year-on-year rates of change of the Composite Consumer Price Index from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

## GDP by major economic sector

1.16 The net output of the services sector turned to a decline of 3.1% year-on-year in real terms in the first quarter of 2022, having increased by 4.8% in the preceding quarter and 5.8% for 2021 as a whole. While the performance varied across major service sectors, most saw deterioration and recorded contraction amid slower global demand growth and the fifth wave of the local epidemic. In particular, the net output of import and export trade and that of transportation and storage were hit by slower growth in external demand as well as disruptions to cross-boundary cargo flows in the latter part of the quarter. The net output of wholesale and retail trades and that of accommodation and food services registered double-digit falls amid the austere epidemic situation and various social distancing measures. As for the secondary sector, the net output of the construction sector increased further, while that of the manufacturing sector turned to a fall.

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

	<u>2021</u>	<u>2021</u>				<u>2022</u>
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Manufacturing	5.5	2.6	5.6	7.6	5.8	-1.3
Construction	0.7	-1.2	1.6	1.7	0.8	3.3
Services <sup>(b)</sup>	5.8	6.7	6.4	5.3	4.8	-3.1
Import/export, wholesale and retail trades	12.9	23.9	15.1	8.3	7.7	-7.1
Import and export trade	13.2	25.9	15.6	8.3	6.8	-6.4
Wholesale and retail trades	11.0	12.1	12.1	10.4	10.1	-12.4
Accommodation <sup>(c)</sup> and food services	22.0	-5.2	16.4	44.4	36.8	-29.0
Transportation, storage, postal and courier services	8.6	-3.0	16.6	17.6	7.4	-12.0
Transportation and storage	7.6	-6.4	17.1	18.5	6.5	-12.7
Postal and courier services	19.1	38.0	14.7	9.5	16.0	-5.8
Information and communications	2.6	3.6	2.0	2.3	2.4	0.9
Financing and insurance	4.8	7.3	5.9	2.8	3.4	0.1
Real estate, professional and business services	2.4	1.4	2.4	3.3	2.4	-5.4
Real estate	2.4	2.7	2.2	3.1	1.7	-9.6
Professional and business services	2.3	0.4	2.4	3.5	3.0	-1.7
Public administration, social and personal services	3.5	2.3	4.4	3.7	3.6	-0.6

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

1.17 Consumption vouchers under Phase II of the 2022 Consumption Voucher Scheme (the Scheme) were disbursed to eligible people by instalments starting from 7 August 2022. Apart from the previous four Stored Value Facility operators, two more operators were selected to assist in implementing the Scheme. The Scheme has also included additional categories of non-permanent resident as eligible persons, including people who have come to live in Hong Kong through different admission schemes for talents, professionals and entrepreneurs, and to study in Hong Kong. These people will receive the vouchers in half value (i.e. \$5,000). The Government hopes the Scheme could inject impetus into the market and extend the stimulating effect on local consumption, thereby accelerating economic recovery, and at the same time further consolidate the habit of merchants and people in using electronic payment and facilitate the development of the digital economy.

1.18 Hong Kong was ranked fifth globally in the *World Competitiveness Yearbook 2022* published by the International Institute for Management Development, up from seventh last year. Among the four competitiveness factors, Hong Kong continued to rank favourably in “Government efficiency” and “Business efficiency”, and our rankings in “Economic performance” and “Infrastructure” also improved. The Government is committed to further enhancing Hong Kong’s competitiveness amid keen global competition. Aside from upholding Hong Kong’s institutional strengths and competitive advantages, we will step up investment in infrastructure, innovation and technology, nurturing talents and increasing land supply, in order to provide a favourable environment for Hong Kong’s long-term economic development.

## 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 July 2022 and those three months ago.

	<u>2021</u>	<u>April round</u>	<u>2022</u> <u>July round</u>
	(%)	(%)	(%)
World (PPP <sup>##</sup> weighted)	6.1	3.6	3.2
Advanced economies	5.2	3.3	2.5
US	5.7 <sup>#</sup>	3.7	2.3
Euro area	5.3 <sup>#</sup>	2.8	2.6
UK	7.4 <sup>#</sup>	3.7	3.2
Japan	1.7 <sup>#</sup>	2.4	1.7
Emerging market and developing economies	6.8	3.8	3.6
Emerging and developing Asia	7.3	5.4	4.6
Mainland China	8.1 <sup>#</sup>	4.4	3.3
India <sup>^</sup>	8.3 <sup>#</sup>	8.2	7.4
ASEAN-5 <sup>§</sup>	3.4	5.3	5.3
Middle East and Central Asia	5.8	4.6	4.8

- 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 external environment worsened sharply in the second quarter of 2022 as many major central banks stepped up monetary policy tightening. Soaring inflation in many advanced economies, which was partly caused by supply-side disruptions and elevated international commodity and energy prices amid the continued tension in Ukraine, weighed heavily on consumption demand. The stepping up of monetary policy tightening by many major central banks in response further dampened growth momentum of the global economy. In the Mainland, economic growth weakened sharply amid the relapse of epidemic situation in some major cities, though activities showed a visible rebound in the latter part of the quarter. In July, the International Monetary Fund (IMF) further downgraded its global economic growth projection for 2022 to 3.2%.*
- *Hong Kong's merchandise exports fell further by 8.9% year-on-year in real terms<sup>(1)</sup> in the second quarter. In addition to the weakened external demand, disruption to cross-boundary land cargo flows between the Mainland and Hong Kong continued to constrain export performance. Exports to the Mainland fell visibly further. Exports to the US and the EU showed moderated growth. Meanwhile, exports to most other major markets in Asia continued to increase.*
- *Exports of services reverted to a mild increase of 2.3% year-on-year in real terms in the second quarter, from a fall of 2.9% in the preceding quarter. Exports of travel services grew visibly over a year earlier, though were still at a very subdued level. Exports of financial services improved as cross-border financial and fund-raising activities recovered somewhat. Exports of transport services and exports of business and other services declined alongside the worsening external environment.*
- *The Government continued with its efforts to strengthen Hong Kong's economic links with the Mainland, signing a memorandum of understanding (MOU) with Shenzhen to continually strengthen mutual co-operation on inward investment promotion in June. As to our connections to other parts of the world, Hong Kong and New Zealand conducted the fourth Joint Commission meeting under the Closer Economic Partnership Agreement in May. Three implementing arrangements were signed to facilitate ongoing co-operation and communication in various areas.*

## Goods trade

### *External environment*

2.1 The external environment worsened sharply in the second quarter of 2022. Soaring inflation in many advanced economies, which was partly caused by supply-side disruptions and elevated international commodity and energy prices amid the continued tension in Ukraine, weighed heavily on consumption demand. The stepping up of monetary policy tightening by many major central banks in response further dampened growth momentum of the global economy. In the Mainland, economic activities were severely disrupted in the early part of the quarter as some major cities saw a relapse in epidemic situation. In July, the IMF further revised down its global economic forecast for 2022 by 0.4 percentage point to 3.2%, and warned that risks to the outlook are overwhelmingly tilted to the downside.

2.2 Among the major economies, economic growth of the Mainland decelerated sharply to 0.4% year-on-year for the second quarter as a whole amid the relapse of epidemic situation in some major cities in April, but activities improved visibly in May and June after the epidemic situation was largely brought under control. The US economy contracted further from the preceding quarter amid rampant inflation and sharp monetary policy tightening by the US Federal Reserve (Fed). The euro area economy registered modest quarter-to-quarter growth as the tension in Ukraine continued to disrupt supply, raise energy and commodity prices, and hurt confidence. Meanwhile, most other major Asian economies continued to grow over a year earlier.

2.3 Many central banks in the advanced economies stepped up monetary policy tightening to curb soaring inflation. The Fed raised the target range for the federal funds rate by 75 basis points in June, the first hike of this magnitude since 1994. This was followed by another 75 basis-point hike in July. The Fed also started to reduce the size of its balance sheet in June as planned. In Europe, the European Central Bank ended net asset purchases and raised its key interest rates by 50 basis points in July, the first hike since 2011. The Bank of England continued to raise its policy rate, by a total of 75 basis points during June to August. On the other hand, the Bank of Japan continued to keep its policy rates at record lows. Meanwhile, the Mainland authorities stepped up policy support to the economy. On the monetary side, the five-year loan prime rate was lowered by 15 basis points in May, and the People's Bank of China strengthened credit support to small and micro enterprises. On the fiscal front, further to the support measures in March, a series of additional measures were rolled out,

including expediting the issuance of local government special bonds and speeding up infrastructure investment. Total tax cuts and refunds for 2022 were also increased to RMB 2.64 trillion.

### ***Total exports of goods***

2.4 Hong Kong's *merchandise exports* fell by 8.9% year-on-year in real terms in the second quarter of 2022, widened from a 6.0% decline in the preceding quarter. In addition to the weakened external demand, disruption to cross-boundary land cargo flows between the Mainland and Hong Kong, despite the gradual improvement from the very severe situation in March, continued to constrain both exports to the Mainland and re-exports of Mainland origin to other parts of the world.

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

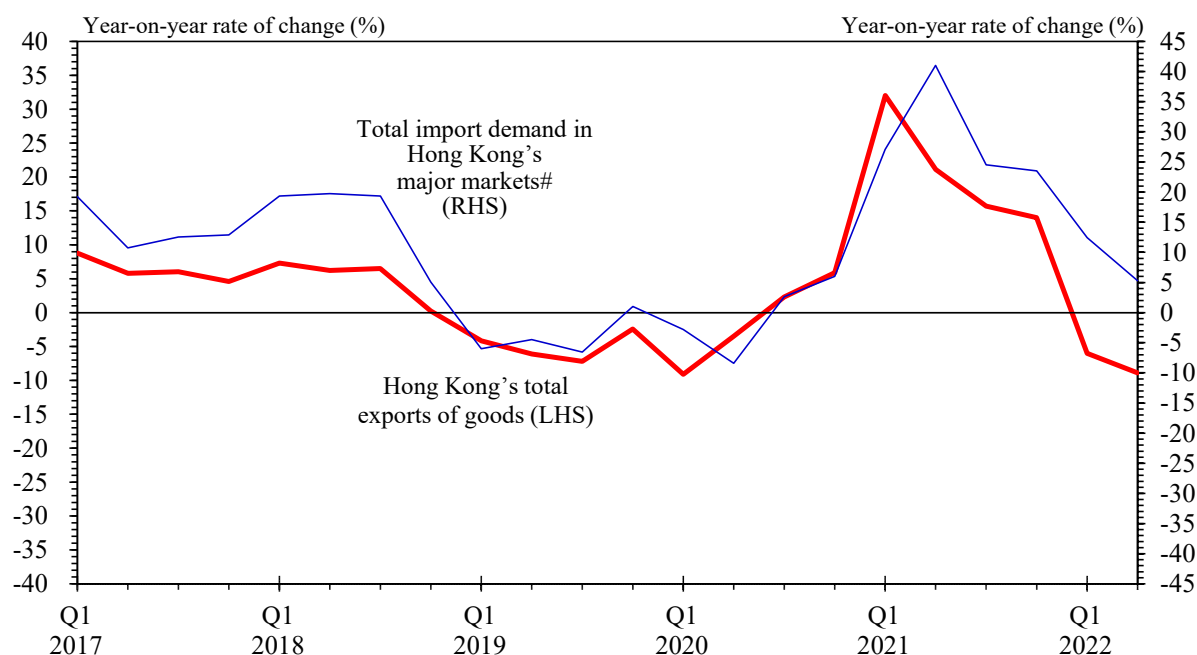
	In value terms	In real terms <sup>(a)</sup>		Change in prices
2021 Annual	26.3	19.9		5.4
Q1	33.2	32.0	(14.3)	1.0
Q2	27.2	21.1	(-4.2)	5.0
Q3	22.7	15.7	(1.0)	6.1
Q4	23.8	14.0	(1.9)	9.0
2022 Q1	3.4	-6.0	(-4.2)	10.3
Q2	-2.4	-8.9	(-7.3)	8.0

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*.



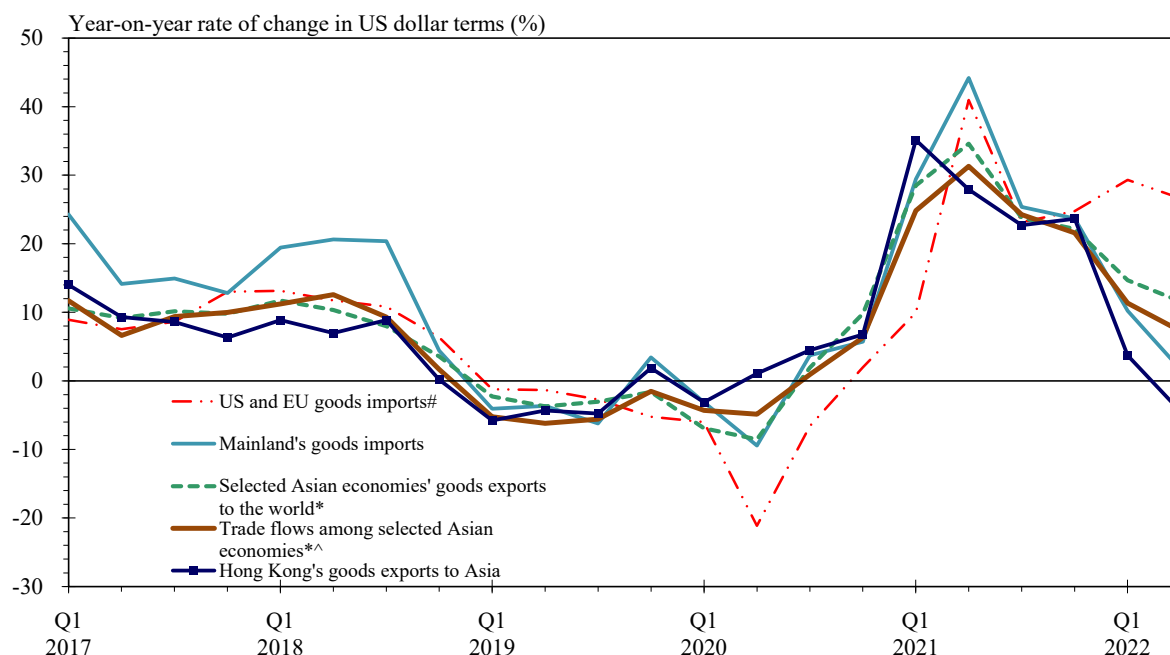
**Diagram 2.1 : Merchandise exports recorded a widened decline in the second quarter**



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 second quarter of 2022 is based on information available as of early August 2022.

**Diagram 2.2 : Regional trade flows maintained decent growth despite some moderation**

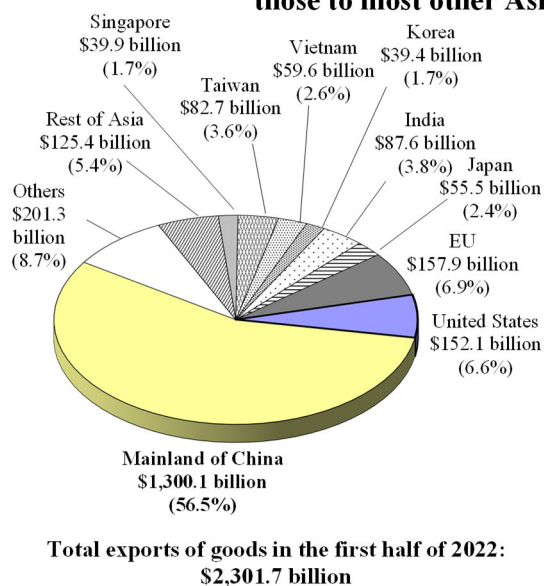


Notes : (#) EU goods imports for the second quarter of 2022 are based on the information available as of early August 2022.

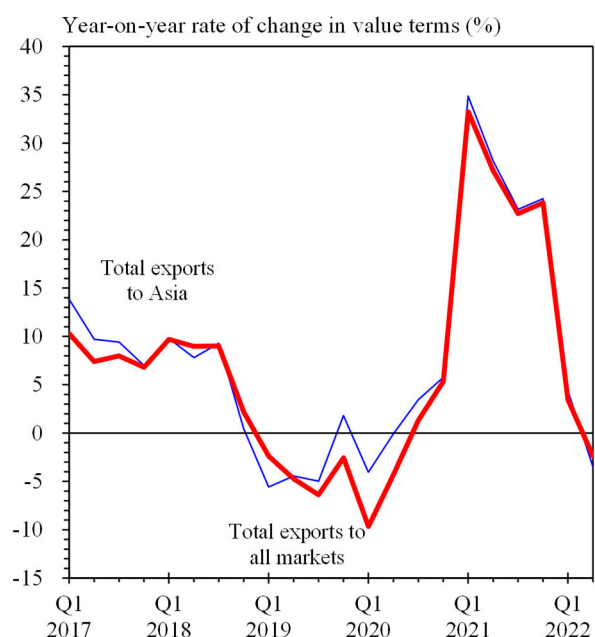
(\*) "Selected Asian economies" include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.

(^) 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".

**Diagram 2.3 : Exports to the Mainland fell visibly further;  
those to most other Asian markets continued to increase**



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



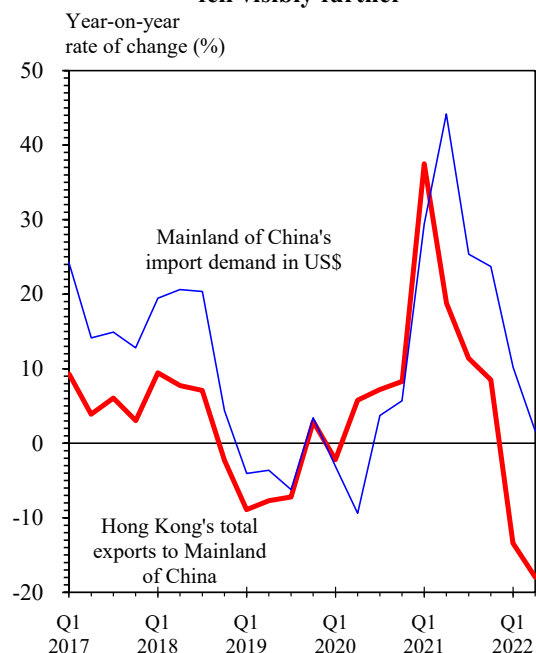
**Table 2.2 : Total exports of goods by major market  
(year-on-year rate of change in real terms (%))**

		<u>2021</u>				<u>2022</u>	
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Mainland of China	17.7	37.5	18.8	11.4	8.5	-13.4	-18.0
United States	20.5	21.4	17.4	19.8	23.2	11.2	7.3
European Union	19.9	26.0	10.2	22.5	21.4	2.1	2.0
ASEAN	18.4	11.4	18.6	17.0	26.0	13.6	17.4
Vietnam	19.7	32.9	22.8	3.5	23.1	14.1	22.5
Singapore	17.4	-2.2	14.3	34.4	23.2	28.0	23.0
India	32.6	21.3	48.9	20.9	47.1	38.0	78.4
Japan	7.2	7.9	-1.2	16.9	6.2	7.7	-15.2
Taiwan	35.0	44.6	28.3	36.8	32.3	23.4	5.1
Korea	41.0	33.9	28.6	56.9	44.3	9.8	21.4
Overall*	19.9	32.0	21.1	15.7	14.0	-6.0	-8.9

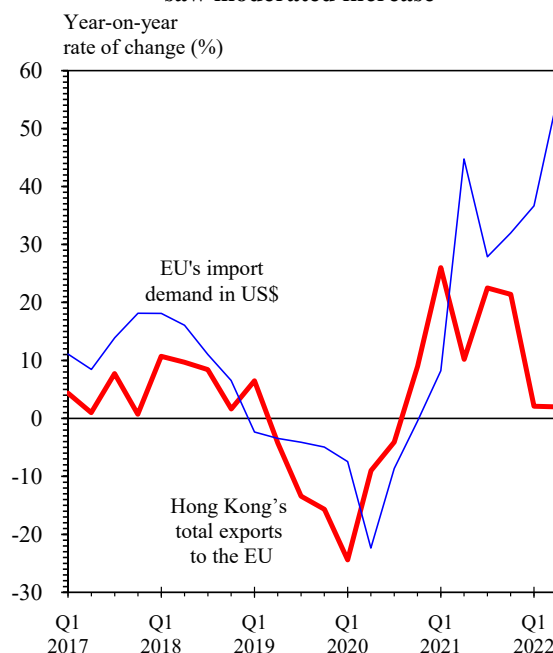
Note : (\*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchandising under the standards stipulated in the *System of National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

2.5 Analysed by major market, exports to the Mainland fell visibly further in the second quarter. Exports to the US and the EU showed moderated growth. Exports to most other major markets in Asia continued to increase, but those to Japan fell visibly.

**Diagram 2.4 : Exports to the Mainland  
fell visibly further**

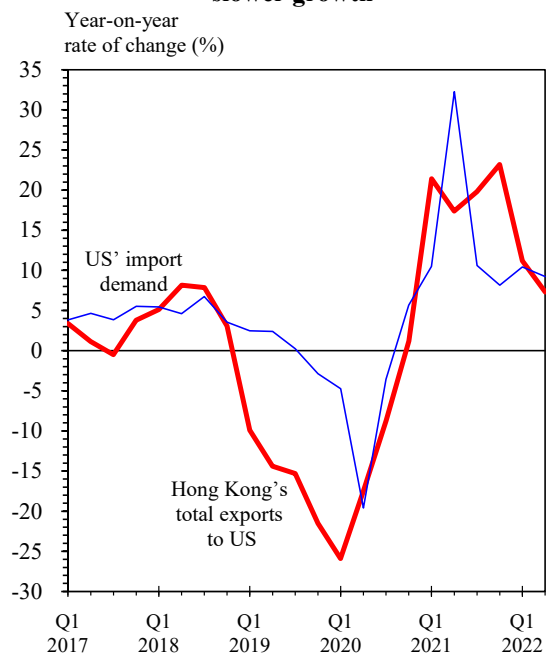


**Diagram 2.5 : Exports to the EU  
saw moderated increase**

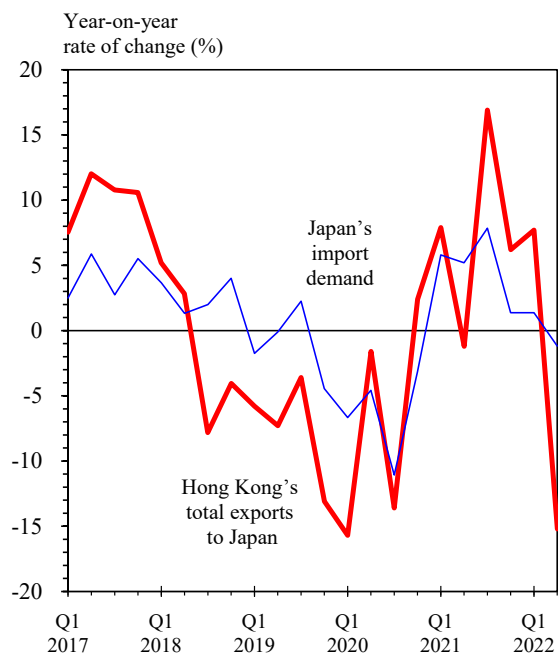


Note : Import demand figure for the EU for the second quarter of 2022 is based on the information available as of early August 2022.

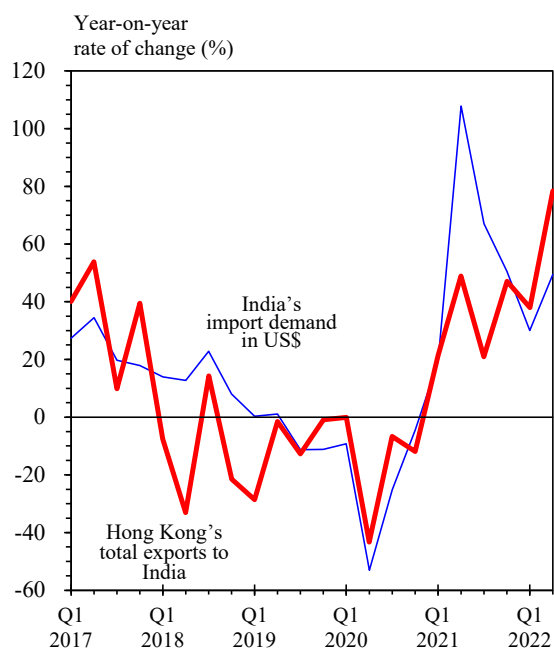
**Diagram 2.6 : Exports to the US showed slower growth**



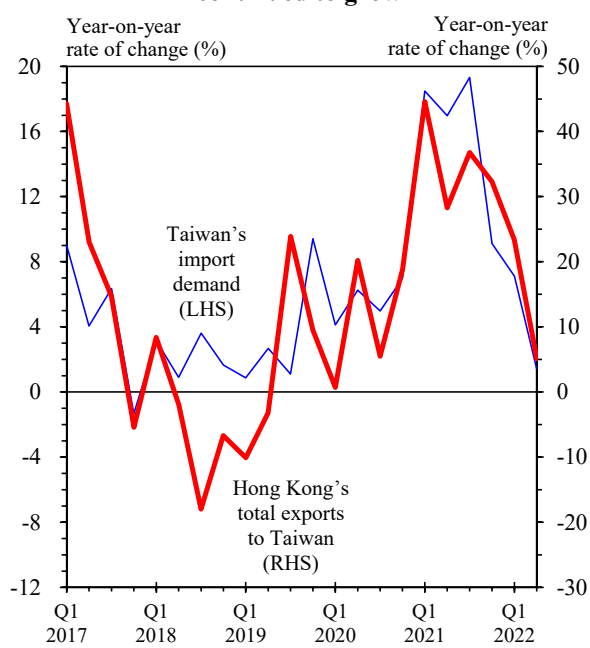
**Diagram 2.7 : Exports to Japan fell visibly**



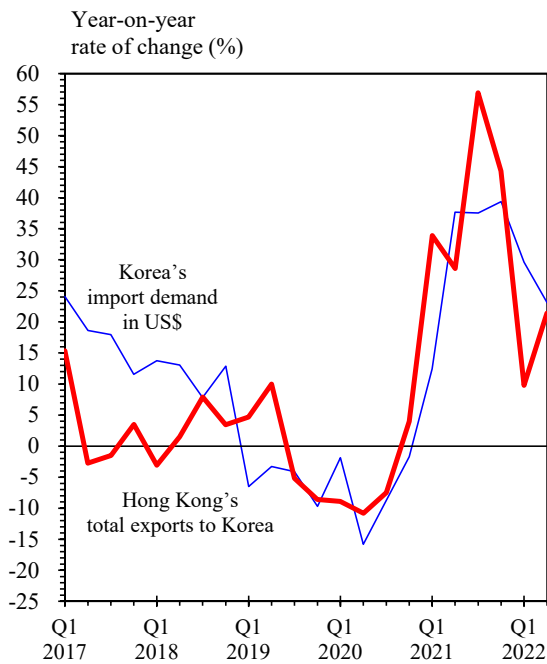
**Diagram 2.8 : Exports to India surged further**



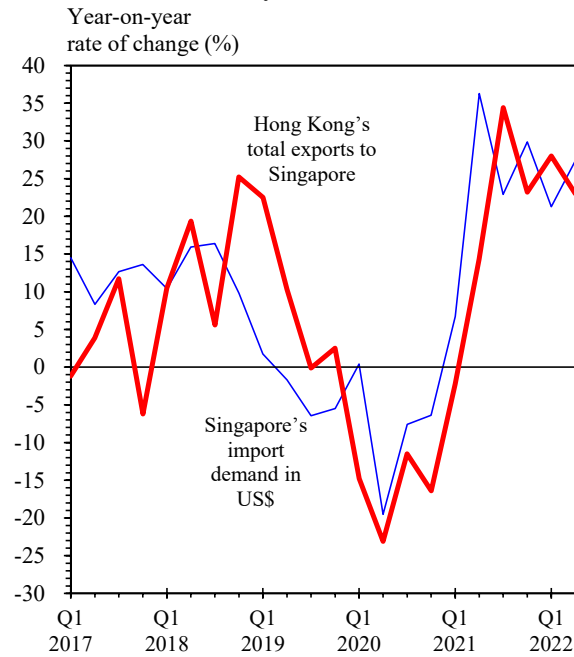
**Diagram 2.9 : Exports to Taiwan continued to grow**



**Diagram 2.10 : Exports to Korea rose notably**



**Diagram 2.11 : Exports to Singapore stayed robust**



### *Imports of goods*

2.6 *Imports of goods* fell by 6.6% year-on-year in real terms in the second quarter of 2022, following a 7.0% decrease in the preceding quarter. *Retained imports*, which refer to imports for domestic use and accounted for around one-fifth of total imports in 2021, turned to a marginal increase of 0.6% as domestic demand picked up amid the moderated local epidemic situation. Imports for subsequent *re-exports*<sup>(2)</sup> decreased further along with deteriorated export performance.

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

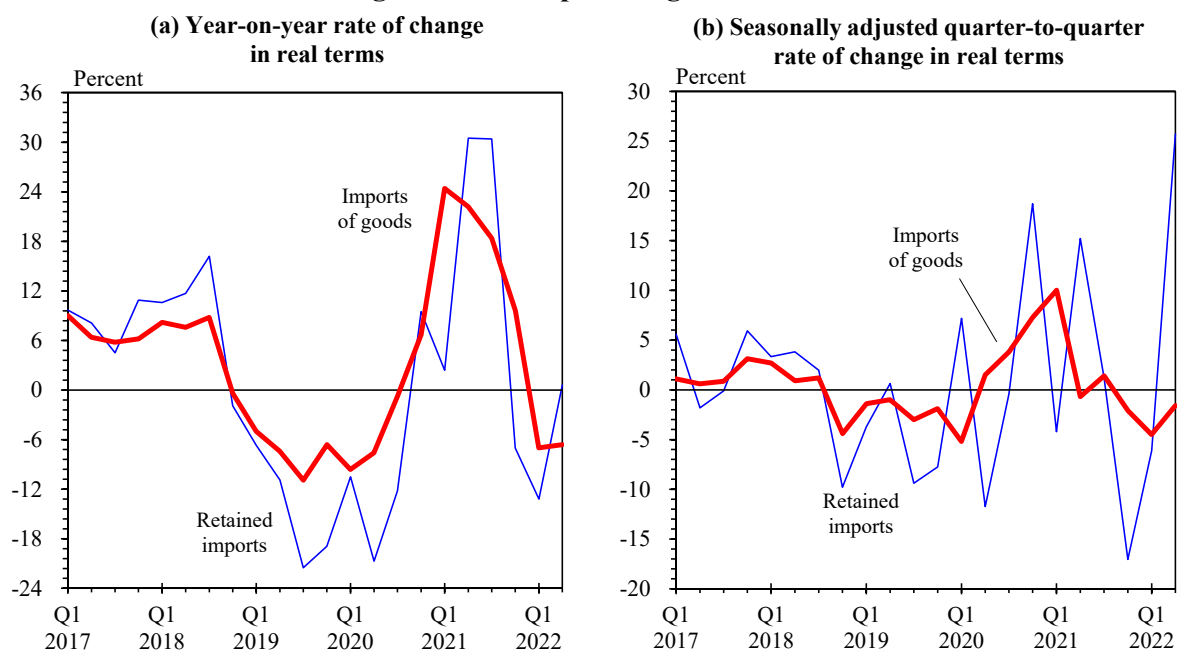
		<u>Imports of goods</u>			<u>Retained imports<sup>(a)</sup></u>		
		<u>In value terms</u>	<u>In real terms<sup>(+)</sup></u>	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>
2021	Annual	24.3	18.1	5.5	17.6	12.6	5.1
	Q1	25.6	24.4	(10.0)	2.5	2.4	(-4.2)
	Q2	27.9	22.2	(-0.7)	34.8	30.5	(15.2)
	Q3	25.8	18.4	(1.4)	39.5	30.4	(1.2)
	Q4	19.0	9.6	(-2.1)	0.4	-7.0	(-17.0)
2022	Q1	2.9	-7.0	(-4.5)	-2.0	-13.2	(-6.1)
	Q2	1.3	-6.6	(-1.6)	13.6	0.6	(25.7)

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

(+) 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 fell further**

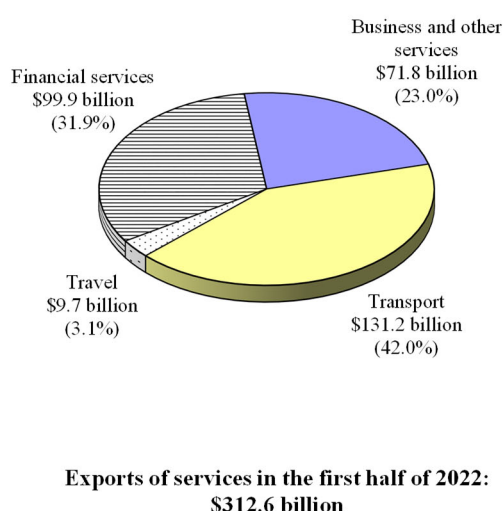


## Services trade

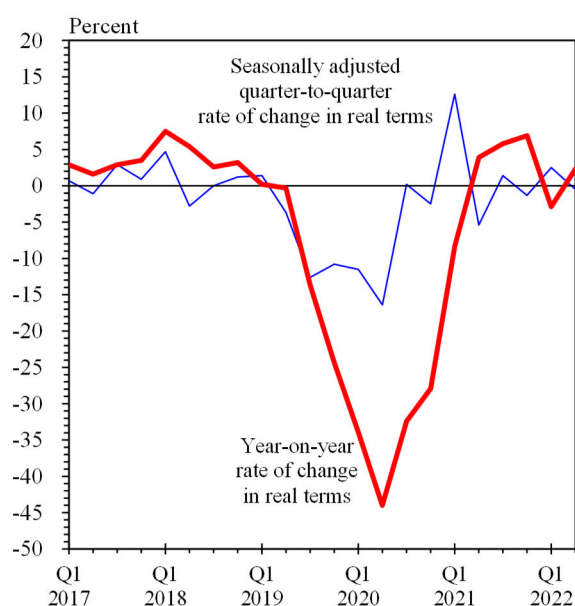
### *Exports of services*

2.7 *Exports of services* reverted to a mild year-on-year increase of 2.3% in real terms in the second quarter of 2022, from a fall of 2.9% in the preceding quarter. Exports of travel services grew visibly as the number of inbound visitors rebounded alongside the relaxation of some travel restrictions, but remained far below the pre-pandemic level. Exports of financial services improved as cross-border financial and fund-raising activities recovered somewhat. Exports of transport services fell amid weakened trade flows, while exports of business and other services continued to decline alongside the worsening external environment.

**Diagram 2.13 : The contribution from travel services to total exports of services stayed very low**



**Diagram 2.14 : Exports of services reverted to mild growth in the second quarter**





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

		<i>Of which :</i>				
		<u>Exports of services</u>	<u>Transport</u>	<u>Travel<sup>(a)</sup></u>	<u>Financial services</u>	<u>Business and other services</u>
2021	Annual	1.5	5.4	-41.1	1.5	2.9
	Q1	-8.3 (12.6)	-6.6	-75.4	3.9	0.2
	Q2	3.9 (-5.4)	6.9	21.3	0.3	1.9
	Q3	5.8 (1.4)	10.9	36.9	2.7	1.5
	Q4	6.9 (-1.3)	11.4	40.9	-2.1	7.7
2022	Q1	-2.9 (2.5)	-3.1	24.8	-4.7	-3.0
	Q2	2.3 (-0.5)	-0.5	67.8	4.4	-0.7

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

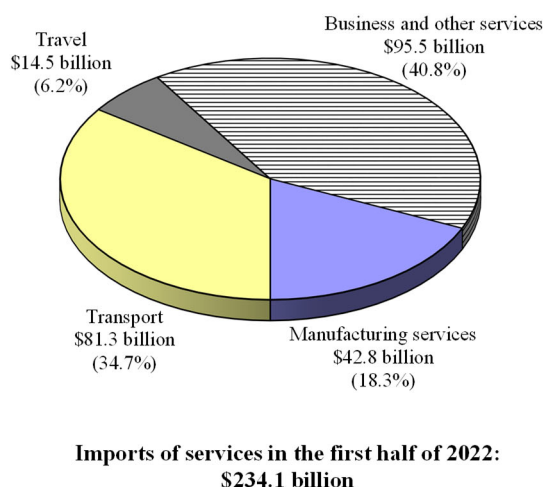
(a) Comprising mainly inbound tourism receipts.

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

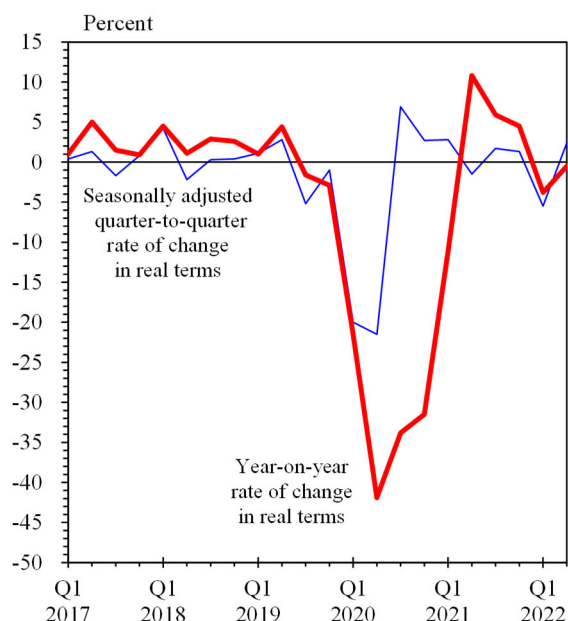
### ***Imports of services***

2.8 *Imports of services* edged down by 0.5% year-on-year in real terms in the second quarter of 2022, after declining by 3.8% in the previous quarter. Imports of business and other services fell further alongside the worsening global economic situation. Imports of manufacturing services declined amid production and logistics disruptions induced by the pandemic. Imports of transport services decreased slightly as trade flows weakened. Imports of travel services, while still meagre, surged alongside the relaxation of some travel restrictions.

**Diagram 2.15 : The share of travel services to overall imports of services remained meagre**



**Diagram 2.16 : Imports of services edged down**



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

*Of which :*

		Imports of services	Travel <sup>(+)</sup>	Transport	Manufacturing services <sup>(^)</sup>	Business and other services
2021	Annual	1.7	-42.3	12.3	9.5	2.0
	Q1	-11.1 (2.8)	-77.9	9.8	10.5	4.0
	Q2	10.8 (-1.5)	43.1	18.8	9.3	3.4
	Q3	5.9 (1.7)	2.5	12.2	9.5	0.5
	Q4	4.5 (1.3)	1.6	9.1	9.0	0.1
2022	Q1	-3.8 (-5.5)	8.9	-3.6	-1.2	-6.2
	Q2	-0.5 (2.4)	28.4	-0.5	-2.1	-3.7

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

(+) 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

2.9 Based on the GDP accounting framework, the goods deficit widened over a year earlier to \$78 billion in the second quarter of 2022, as the value of exports of goods fell while that of imports rose. The services surplus meanwhile widened to \$34 billion. The combined goods and services account registered a deficit of \$44 billion in the second quarter of 2022, equivalent to 3.1% of total import value, compared to the deficit of \$9 billion or 0.6% in the second quarter of 2021.

**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>	
2021	Annual	5,244	597	5,222	480	21	117	138	2.4
	Q1	1,169	149	1,162	112	6	38	44	3.5
	Q2	1,239	130	1,268	109	-30	21	-9	-0.6
	Q3	1,366	157	1,363	123	3	34	37	2.5
	Q4	1,471	160	1,429	136	41	24	66	4.2
2022	Q1	1,219	162	1,205	117	14	45	59	4.4
	Q2	1,211	151	1,289	117	-78	34	-44	-3.1

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*.

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

## Other developments

2.10 The Government continued with its efforts to strengthen Hong Kong's economic links with the Mainland. In June, Invest Hong Kong and the Commerce Bureau of Shenzhen Municipality signed an MOU to continually strengthen mutual co-operation on inward investment promotion. The MOU aims to facilitate collaboration between Hong Kong and Shenzhen on overseas inward investment promotion work in order to fully capitalise the advantages of both places to enhance work efficiency and cement their respective core roles in the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

2.11 In parallel, the Government continued to enhance economic co-operation with overseas economies. Hong Kong and New Zealand conducted the fourth Joint Commission meeting under the Closer Economic Partnership (CEP) Agreement in May. Three implementing arrangements were signed to facilitate the ongoing co-operation and communication in the areas of rules of origin, sanitary and phytosanitary measures, and government procurement. Both sides also agreed in principle to update commitments on trade in services pursuant to the most favoured nation treatment provision under the CEP Agreement.

### 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) 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*

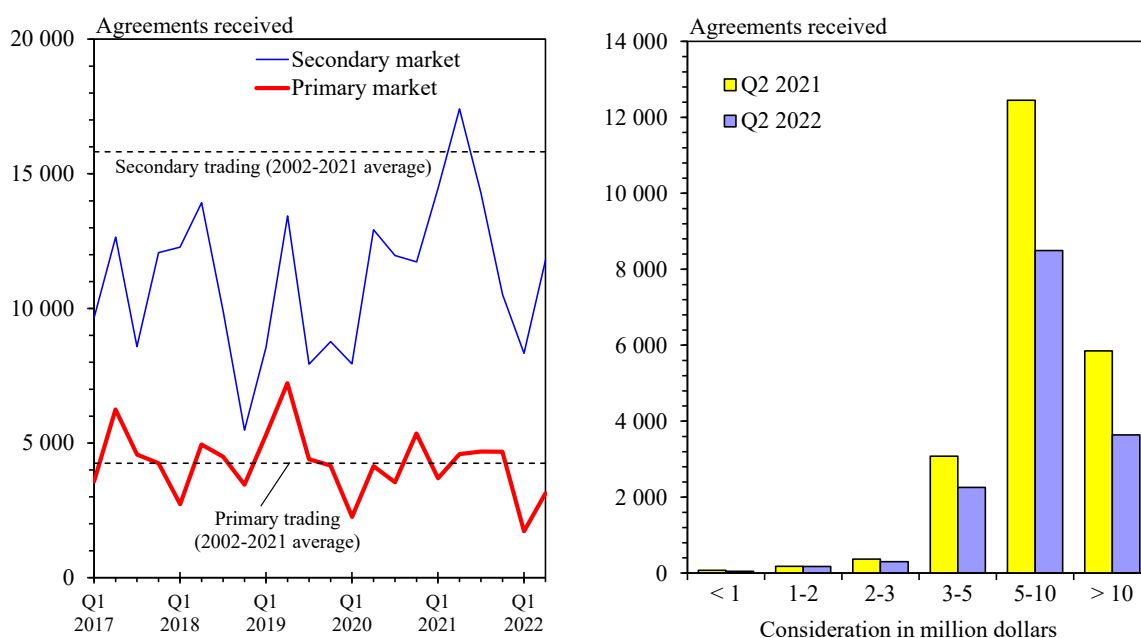
- *The residential property market showed some revival on entering the second quarter of 2022 along with the moderation of the local epidemic, but quietened thereafter. Market sentiment turned more cautious as the US Federal Reserve (Fed) and many major central banks stepped up the tightening of monetary policy and the global economic outlook worsened. Flat prices showed little change for the quarter as a whole.*
- *Reflecting the Government's sustained efforts in increasing land and flat supply, total private first-hand flat supply in the coming three to four years would remain at a high level of 98 000 units as estimated at end-June.*
- *The non-residential property market stayed generally lacklustre in the second quarter. Trading activities rebounded from the low levels in the preceding quarter, but remained largely subdued. Prices and rentals of office space softened further, while those of retail shop space and flatted factory space stabilised.*
- *The tourism sector remained at a standstill, as the boundary control measures and quarantine requirements in response to the COVID-19 pandemic were still mostly in place. There were 64 500 visitor arrivals in the second quarter, only 0.4% of the pre-recession level of 17 million in the second quarter of 2019. This was notwithstanding some increase over the preceding quarter following the lift of the ban on non-Hong Kong residents entering Hong Kong from overseas places in the beginning of May.*
- *The logistics sector showed mixed performance in the second quarter. Total container throughput reverted to a mild increase of 1.9% over a year earlier, while air freight throughput fell by another 7.1%.*

## Property

3.1 The *residential property market* showed some revival on entering the second quarter of 2022 along with the moderation of the local epidemic, but quietened thereafter. Market sentiment turned more cautious as the US Fed and many major central banks stepped up the tightening of monetary policy and the global economic outlook worsened. Flat prices showed little change for the quarter as a whole.

3.2 The total number of sale and purchase agreements for residential property received by the Land Registry surged by 48% over the low base in the preceding quarter to 14 925 in the second quarter, but was still 32% lower than the hectic level a year earlier. Trading slowed down to a moderate level in June after picking up in April and May. Within the total, primary and secondary market transactions leapt by 82% and 42% respectively in the second quarter over the preceding quarter. In parallel, total consideration increased notably by 39% to \$138.3 billion. For the first half of 2022 as a whole, the number of S&P agreements fell by 27% from the second half of 2021 to 24 981, and total consideration by 30% to \$238.2 billion.

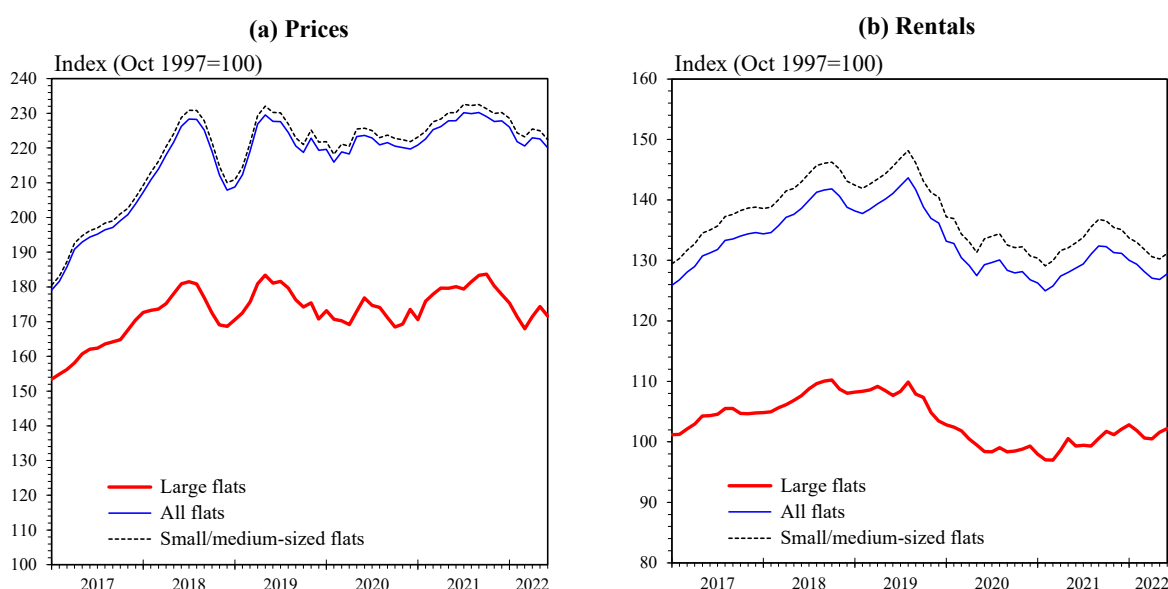
**Diagram 3.1 : Trading activities rebounded in the second quarter from the low base in the preceding quarter**



3.3 With the month-to-month increase in April offset by the decreases in May and June, overall flat prices showed little change during the second quarter. Analysed by size, prices of small/medium-sized flats were virtually unchanged during the quarter, while prices of large flats rose by 2%. Flat prices in June were on average 3% lower than in December 2021, and 4% below the recent peak in September 2021.

3.4 Overall flat rentals remained virtually unchanged between March and June. Analysed by size, rentals of small/medium-sized flats showed little change, while those of large flats rose by 2%. Flat rentals in June were on average 3% lower than in December 2021, and 11% below the recent peak in August 2019. The average rental yield for residential property edged up from 2.2% in March to 2.3% in June.

**Diagram 3.2 : Flat prices and rentals showed little change during the second quarter**

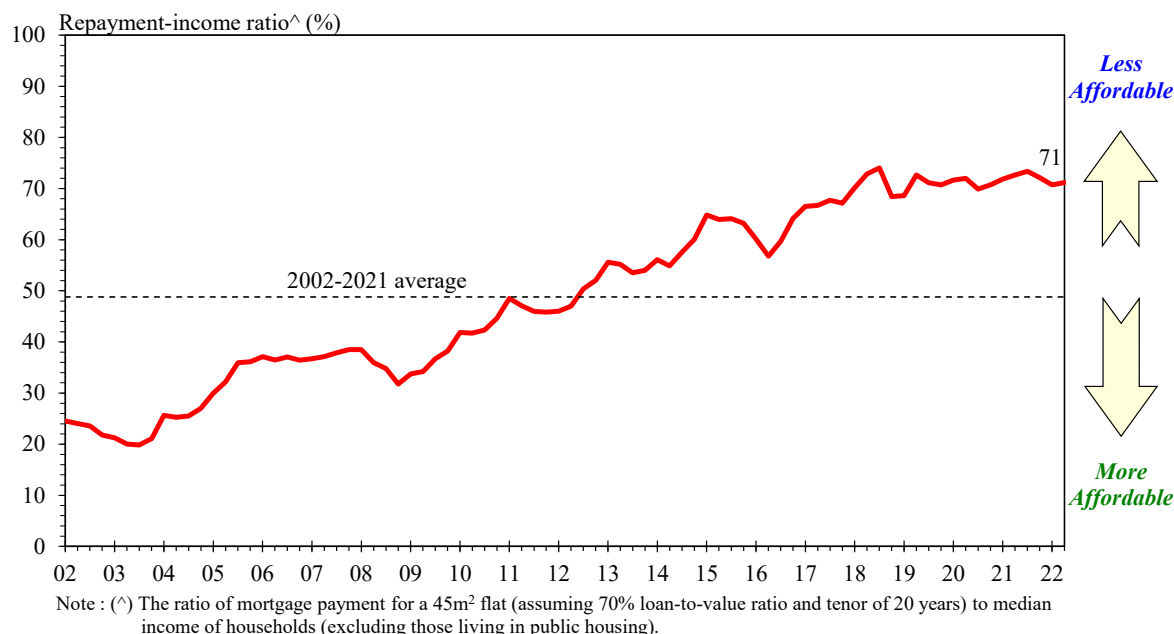


Note : Residential property price index pertains to secondary market transactions only. Large flats refer to those with a saleable area of at least 100 m<sup>2</sup>, and small/medium-sized flats with a saleable area of less than 100 m<sup>2</sup>.

3.5 The index of home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public housing) remained elevated at around 71% in the second quarter, significantly above the long-term average of 49% over 2002-2021<sup>(1)</sup>. Should interest rates rise by three percentage points to a level closer to the historical standards, the ratio would soar to 93%.



**Diagram 3.3 : The index of home purchase affordability remained elevated**

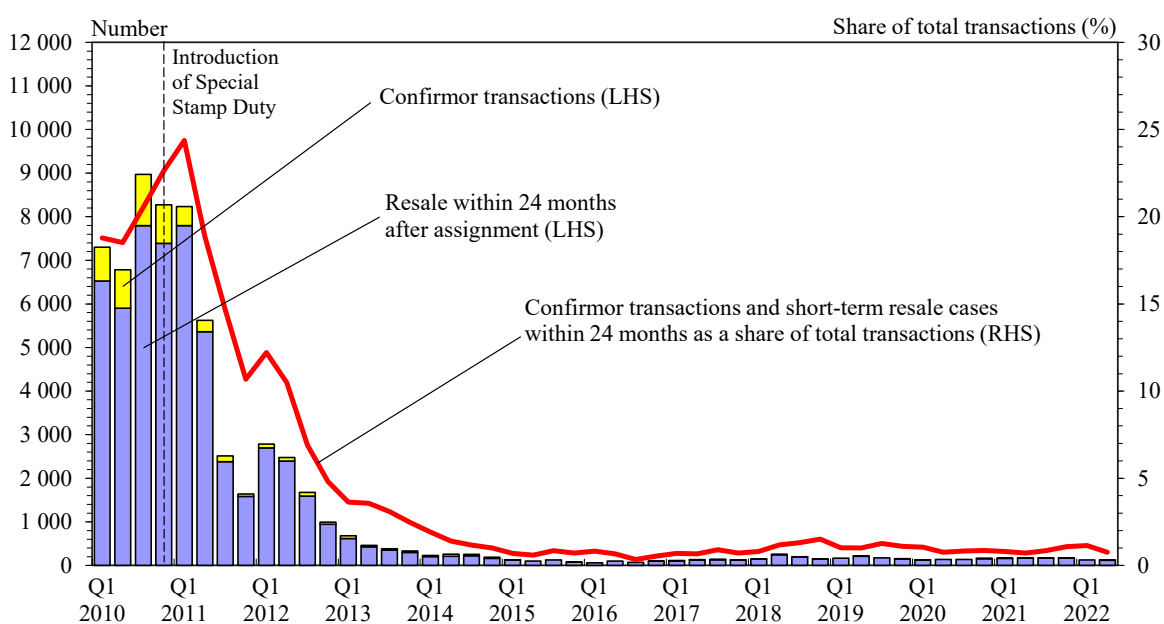


3.6 Raising flat supply through increasing land supply is a policy priority of the Government<sup>(2)</sup>. In July, the Government announced to put up three residential sites for sale in the third quarter. Combining the various sources (including Government land sale, the Urban Renewal Authority's projects, and private development and redevelopment projects), the private housing land supply in the third quarter is expected to produce around 3 210 flats. Together with the supply in the preceding quarter, the total private housing land supply for the first half of 2022-23 is estimated to have a capacity to produce about 5 350 units.

3.7 Reflecting the Government's sustained efforts in raising land supply, the *total supply of first-hand 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 remain at a high level of 98 000 units as estimated at end-June. Another 5 600 units could be added to the total supply after the conversion of a number of residential sites into "disposed sites".

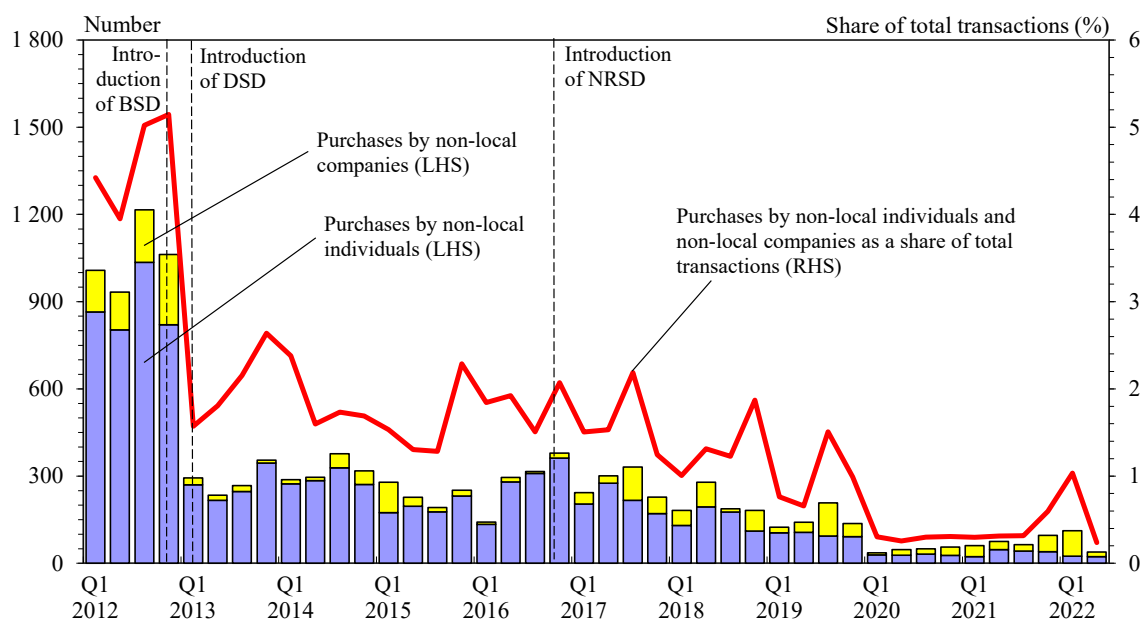
3.8 To dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market, the Government implemented a number of demand-side management and macro-prudential measures during 2009 to 2017. These measures have yielded notable results. On *speculative activities*, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) remained low at 41 cases per month or 0.7% of total transactions in the second 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* stayed low at 13 cases per month or 0.2% of total transactions in the second 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 212 cases per month or 3.9% of total transactions in the second quarter, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty or 26.5% in January to November 2016. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 59% in the second quarter, 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 remained low**

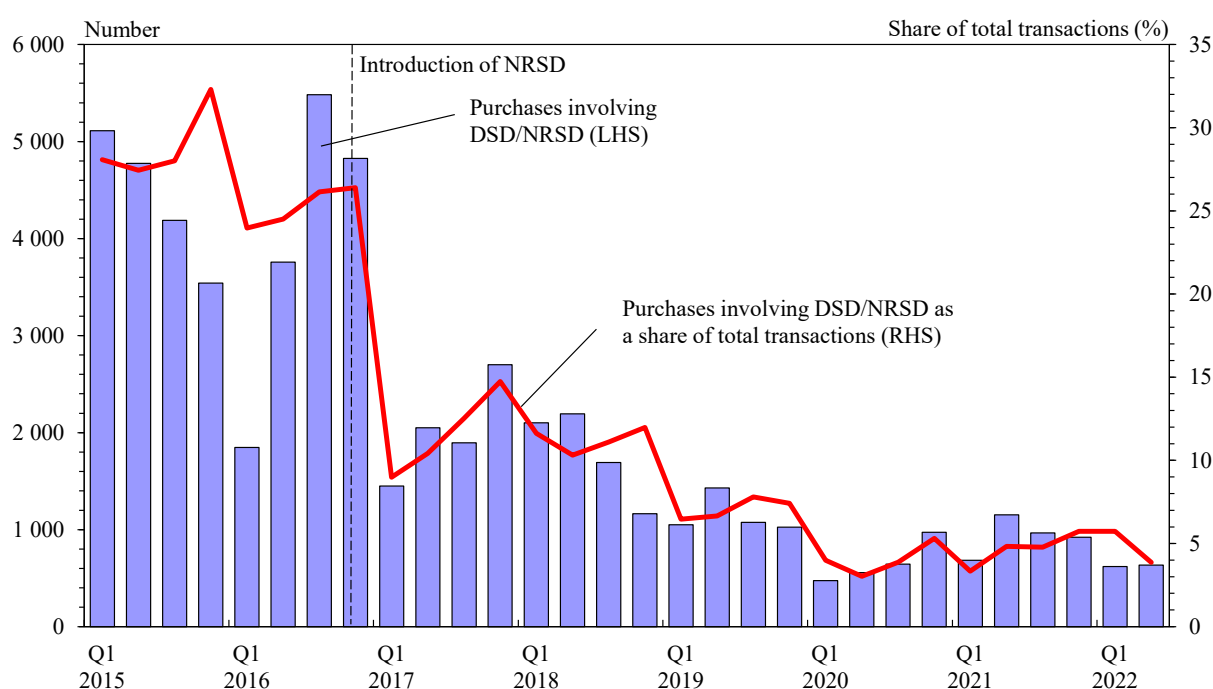


Note : Confirmor transactions refer to resale before assignment.

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



**Diagram 3.6 : Investment activities were modest**



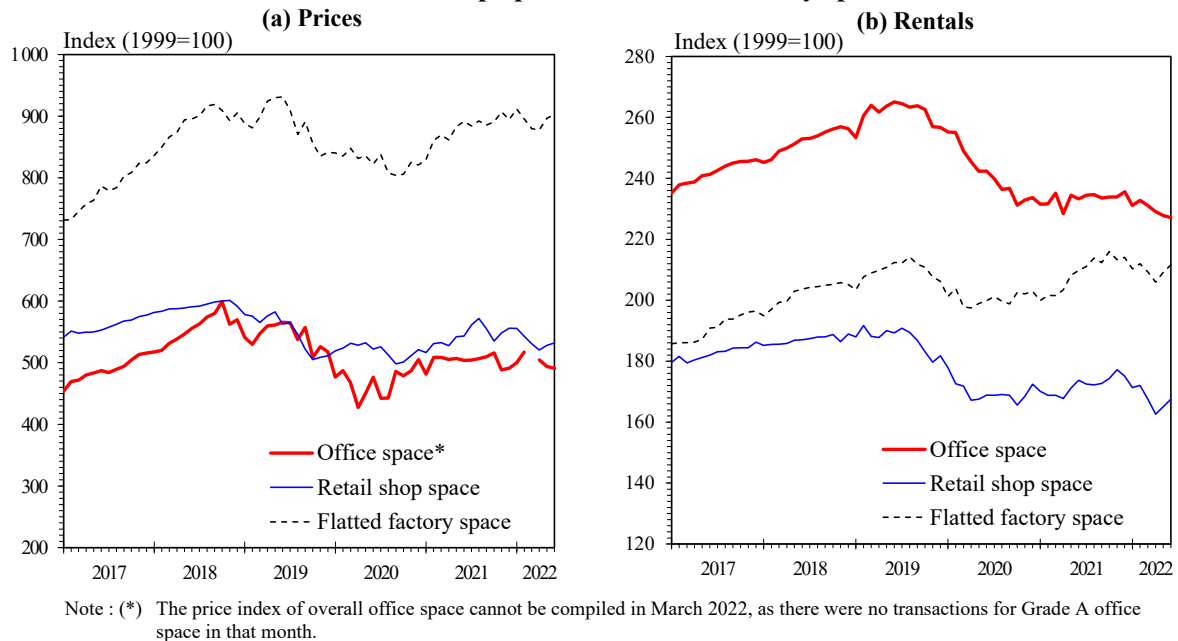
3.9 The *non-residential property market* stayed generally lacklustre in the second quarter. Trading activities rebounded from the low levels in the preceding quarter, but remained largely subdued. Prices and rentals of office space softened further, while those of retail shop space and flatted factory space stabilised.

3.10 Price index for overall *office space*, which is compiled based on the weighted average of the price indices for different office grades, was not available in March 2022, as there were no transactions for Grade A office space in that month and hence the price index for this particular office grade cannot be compiled. Comparing the data in June with that in February, prices of office space on average fell by 5%. Analysed by office grade, prices of Grade A, B and C office space decreased by 8%, 1% and 6% respectively during the same period. Meanwhile, office rentals on average went down by 2% between March and June. Within the total, rentals of Grade A and C office space both declined by 2%, and that of Grade B office space by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals of overall office space in June were 18% and 14% lower. The average rental yields of Grade A, B and C office space were 2.4%, 2.7% and 2.8% respectively in June, compared with 2.3%, 2.7% and 2.7% in February. Transactions for office space rebounded by 57% over the low level in the preceding quarter to 220 cases in the second quarter, but were still 35% lower than a year earlier and considerably below the quarterly average of 300 cases in 2017-2021.

3.11 Prices and rentals of *retail shop space* both stayed virtually unchanged between March and June. Compared with the respective peaks in 2018 and 2019, prices and rentals in June were 12% and 13% lower. The average rental yield edged up from 2.4% in March to 2.5% in June. For all commercial spaces, transactions rebounded by 45% over the low level in the preceding quarter to 470 cases<sup>(3)</sup> in the second quarter, comparable with the quarterly average of 440 cases in 2017-2021, but were 24% lower than a year earlier.

3.12 After recording declines in the preceding quarter, prices and rentals of *flatted factory space* increased by 3% and 1% respectively during the second quarter. Compared with the respective peaks in 2019 and 2021, prices and rentals in June were 3% and 2% lower. The average rental yield edged down from 2.9% in March to 2.8% in June. Transactions rose back by 24% over the low level in the preceding quarter to 620 cases in the second quarter, yet were still 40% lower than a year earlier and significantly below the quarterly average of 910 cases in 2017-2021.

**Diagram 3.7 : Prices and rentals of office space softened further during the second quarter, while those of retail shop space and flatted factory space stabilised**



## Land

3.13 One residential site in Wan Chai, with an area of about 0.1 hectare, was disposed of in the second quarter, fetching a land premium of about \$2.0 billion. In addition, the tender exercise for one residential site in Sai Ying Pun commenced in the quarter. In the second quarter, one land exchange case and lease modifications of 19 sites were approved.

## Tourism

3.14 The tourism sector remained at a standstill, as the boundary control measures and quarantine requirements in response to the COVID-19 pandemic were still mostly in place. While *visitor arrivals* rose to 64 500 in the second quarter following the lift of the ban on non-Hong Kong residents entering Hong Kong from overseas places in the beginning of May, this was only 0.4% of the pre-recession level of 17 million in the second quarter of 2019. Visitors from the Mainland, other short-haul markets and long-haul markets<sup>(4)</sup> increased over the preceding quarter, but all remained at extremely low levels. Visitor spending, as measured by exports of travel services, was only 6.4% of the level in the second quarter of 2019 in real terms.

**Table 3.1 : Number of visitor arrivals**

		<u>All sources</u>	<u>Mainland China</u>	<u>Other short-haul markets*</u>	<u>Long-haul markets*</u>
2019	Q1	18 234 400	14 582 200	2 486 500	1 165 700
	Q2	16 637 500	12 991 300	2 448 200	1 198 000
	Q3	11 891 600	9 356 000	1 648 000	887 600
	Q4	9 149 200	6 845 100	1 356 900	947 100
2020	Q1	3 489 200	2 665 900	483 500	339 800
	Q2	26 900	15 300	4 800	6 700
	Q3	34 100	14 300	10 200	9 700
	Q4	18 600	10 900	5 100	2 700
2021	Q1	16 500	11 600	3 100	1 900
	Q2	17 200	12 700	2 400	2 100
	Q3	29 400	21 800	4 300	3 200
	Q4	28 300	19 700	5 200	3 500
2022	Q1	11 500	8 600	2 000	900
	Q2	64 500	53 400	5 700	5 500

Notes : (\*) See note (4) at the end of this chapter for the definitions of other short-haul and long-haul markets.

Figures may not add up to the corresponding totals due to rounding.

**Table 3.2 : Number of overnight and same-day visitor arrivals**

		<u>Overnight visitor arrivals</u>	<u>Same-day visitor arrivals</u>
2019	Q1	7 775 100	10 459 300
	Q2	7 145 100	9 492 400
	Q3	5 108 400	6 783 200
	Q4	3 723 700	5 425 500
2020	Q1	1 280 900	2 208 300
	Q2	26 500	300
	Q3	33 800	300
	Q4	18 100	500
2021	Q1	16 300	200
	Q2	16 900	300
	Q3	29 000	300
	Q4	26 900	1 400
2022	Q1	10 700	800
	Q2	62 700	1 800

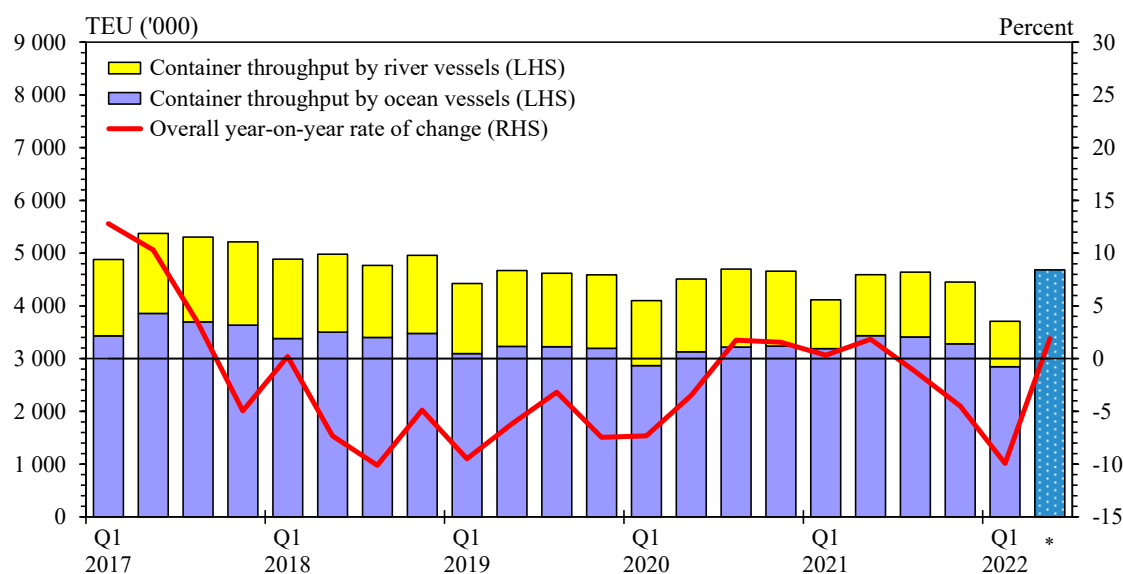
Note : Figures may not add up to total visitor arrivals due to rounding.

3.15 The hotel sector was still operating much below capacity. While the average hotel room occupancy rate rose from 57% in the first quarter to 70% in the second quarter amid an increase in the number of incoming visitors, it was still considerably below the average of 88% in the second quarter of 2019 prior to the recession. The average achieved hotel room rate rose by 31.0% over a year earlier to \$1,082<sup>(5)</sup>.

## Logistics

3.16 The logistics sector showed mixed performance in the second quarter. Following three consecutive quarters of decline, *total container throughput* reverted to a mild increase of 1.9% over a year earlier to 4.7 million twenty-foot equivalent units (TEUs). The value of trade handled at the Hong Kong port increased notably by 36.1% and its share in total trade rose from 13.6% a year earlier to 18.6%, conceivably reflecting the temporary diversion of some cross-boundary freight from road to water transport resulting from the local epidemic situation earlier on.

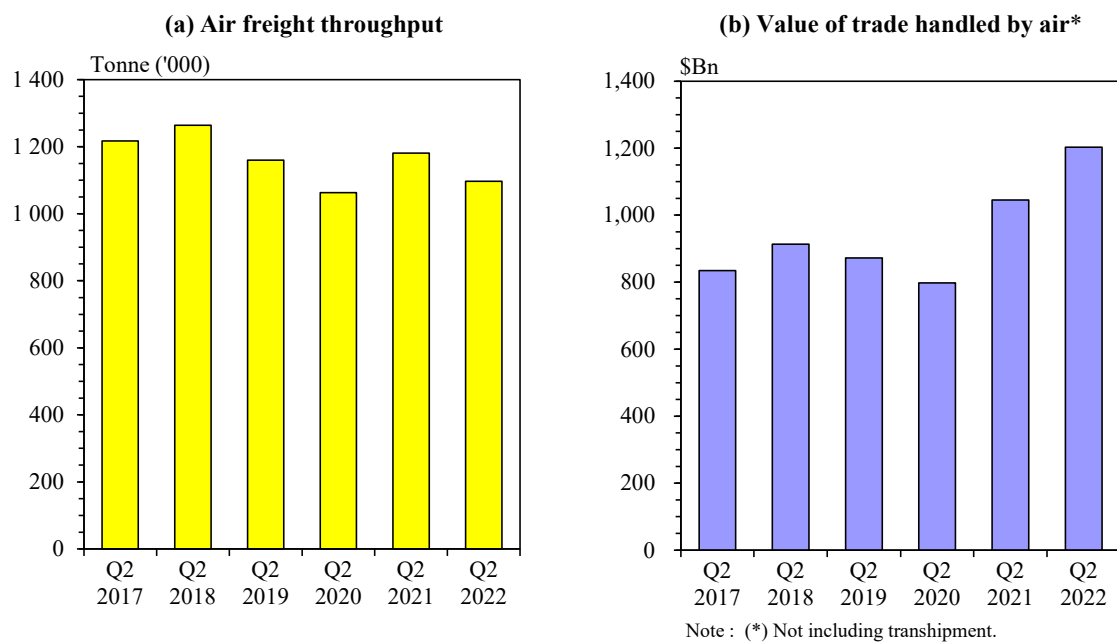
**Diagram 3.8 : Container throughput reverted to a mild increase in the second quarter**



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 Meanwhile, *air freight throughput* fell by another 7.1% from a year earlier to 1.1 million tonnes in the second quarter. Yet the value of trade by air increased by 15.1% and its share in total trade rose from 42.4% a year earlier to 49.0%, conceivably reflecting the higher unit value of goods carried by air amid tight capacity and elevated air freight charges.

**Diagram 3.9 : Air freight throughput fell further in the second quarter, while value of trade handled by air increased**



## Transport

3.18 Along with the increase in incoming visitors, traffic flows for most modes of cross-boundary passenger transport showed some increases in the second quarter over the preceding quarter. However, they remained significantly below the pre-recession levels, as the boundary control measures and quarantine requirements in response to the COVID-19 pandemic stayed mostly in place. Some 591 000 air passenger trips, 184 700 land-based cross-boundary passenger trips and 4 700 water-borne cross-boundary passenger trips were made in the second quarter, compared to the respective 251 000, 157 400 and 15 100 in the preceding quarter. They were only 3.1%, 0.3% and 0.1% of their corresponding pre-recession levels in the second quarter of 2019. Meanwhile, affected by the earlier local epidemic situation, average daily cross-boundary vehicle movements plunged by 39.9% from the preceding quarter to merely 6 051, far below the pre-recession level of 44 412 in the second quarter of 2019.



## **Innovation and technology**

3.19 In June, the Government established the Digital Economy Development Committee (the Committee) to accelerate the development of the digital economy in Hong Kong, which would help lay a good foundation for continuous economic upgrade and transformation. In particular, the Committee will advise the Government on the development of the digital economy with a focus on: (i) identifying key development trends, main drivers, key success factors and development initiatives; (ii) setting directions, strategies, focus areas, priorities and key performance indicators; (iii) formulating strategies and measures to enhance co-operation and co-ordination with key stakeholders; (iv) driving the growth of data services as an industry; (v) formulating strategies and measures to encourage the adoption of digitalisation by different industries; and (vi) promoting digital government.

## 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.

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

- (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. For details of the measures promulgated in 2021, see Box 3.1 of the Third Quarter Economic Report 2021.
- (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 second quarter of 2022, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 83%, 9% and 8% 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*

- *In tandem with the US monetary policy tightening, interest rates in Hong Kong generally picked up in the second quarter of 2022, though still at low levels by historical standards. The US Federal Open Market Committee (FOMC) raised the target range for the Federal Funds Rate twice in the second quarter, by 50 basis points in early May and another 75 basis points in mid-June, bringing the target range to 1.50-1.75%. Meanwhile, the Hong Kong dollar interbank interest rates went up across all tenors, particularly towards the end of the quarter, as the weak-side Convertibility Undertaking was repeatedly triggered. Yet interest rates on the retail front stayed at low levels.*
- *The Hong Kong dollar spot exchange rate against the US dollar stayed weak during the second quarter. As the US dollar strengthened sharply against all major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices increased by 4.4% and 3.5% respectively.*
- *Total loans and advances decreased by 0.4% during the second quarter. Within the total, loans for use in Hong Kong edged up by 0.1%, while loans for use outside Hong Kong declined by 1.7%.*
- *The local stock market was lacklustre in the second quarter after a sharp correction in the preceding quarter. Market sentiment remained cautious amid concerns over more aggressive tightening in US monetary policy, poor performance of global stock markets, continued conflict in Ukraine, and the epidemic situation in the Mainland in the earlier part of the quarter. The Hang Seng Index (HSI) moved within a range of 19 380 to 22 502 and closed at 21 860 at end-June, down by 0.6% from end-March. Trading activities showed some contraction, and fund raising activities quietened notably.*

---

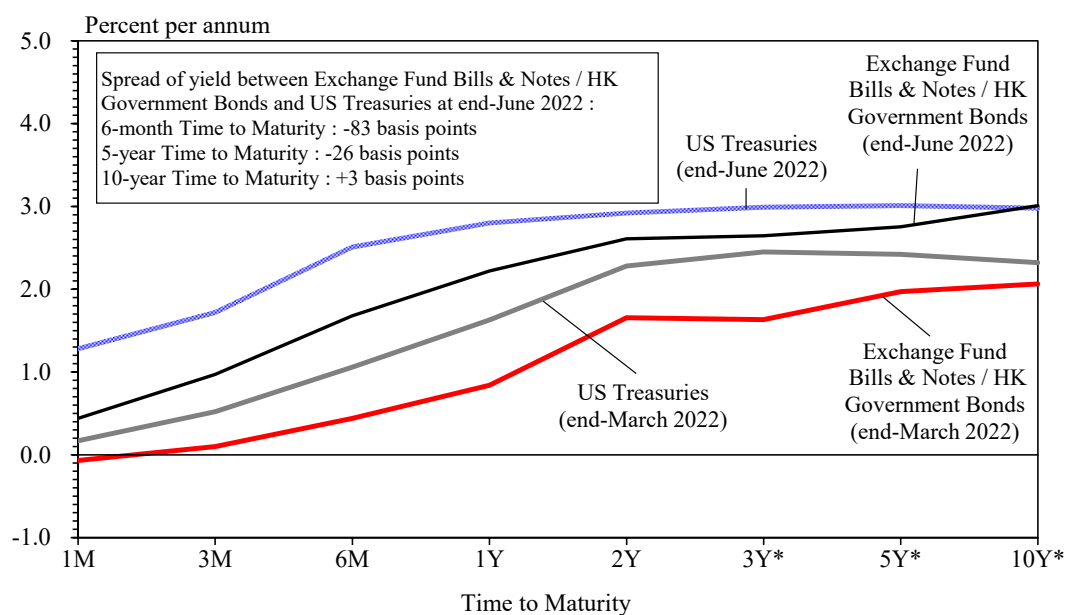
(#) *This chapter is jointly prepared by the Hong Kong Monetary Authority (HKMA) and the Office of the Government Economist.*

## Interest rates and exchange rates

4.1 In tandem with the US monetary policy tightening, interest rates in Hong Kong generally picked up in the second quarter of 2022, though still at low levels by historical standards. The US FOMC raised the target range for the Federal Funds Rate twice in the second quarter, by 50 basis points in early May and another 75 basis points in mid-June, bringing the target range to 1.50-1.75%. Consequently, the HKMA adjusted the *Base Rate* under the Discount Window upward twice, from 0.75% to 2.00%<sup>(1)</sup>. The *Hong Kong dollar interbank interest rates* (HIBORs) went up across all tenors, particularly towards the end of the quarter, as the weak-side Convertibility Undertaking was repeatedly triggered. The overnight HIBOR surged from 0.09% at end-March to 1.43% at end-June, to a large extent attributable to the half-year end funding demand, and the 3-month HIBOR increased from 0.55% to 1.75%.

4.2 Both *Hong Kong dollar* and *US dollar* yield curves shifted upward during the second quarter. Reflecting the relative movements, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened from 62 basis points at end-March to 83 basis points at end-June, while the yield spread between the 10-year Hong Kong Government Bonds and 10-year US Treasury Notes turned from -26 basis points to 3 basis points.

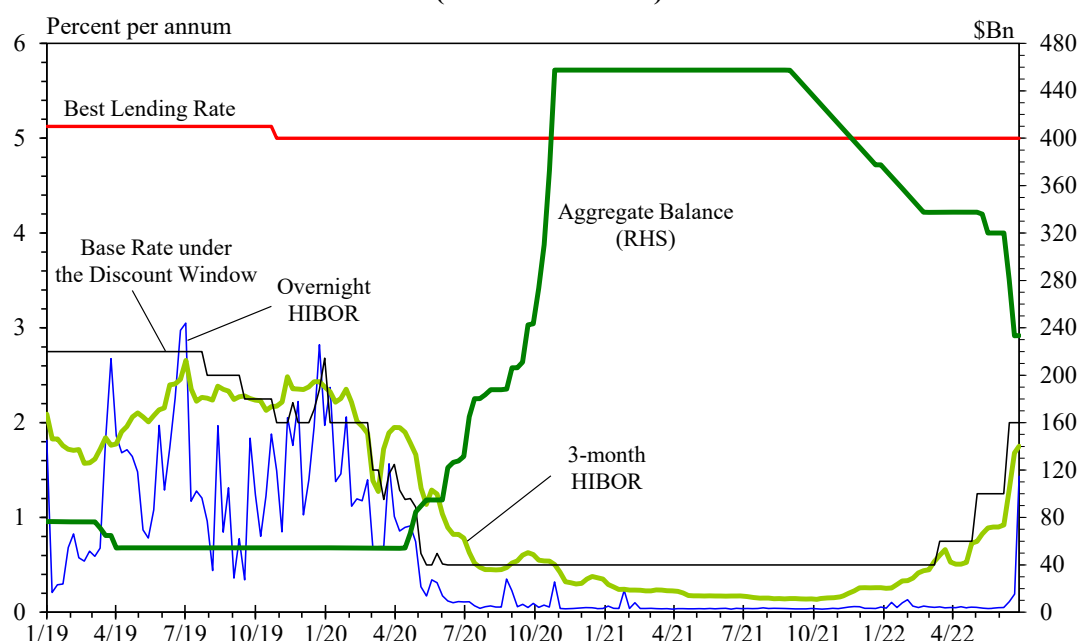
**Diagram 4.1 : Both Hong Kong dollar and US dollar yield curves shifted upward during the second quarter**



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 stayed at low levels. The *Best Lending Rates* in the market remained unchanged, ranging from 5.00% to 5.50% in the second 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 up from 0.08% at end-March to 0.11% at end-June. The *composite interest rate*<sup>(2)</sup>, which indicates the average cost of funds for retail banks, rose from 0.24% at end-March to 0.47% at end-June.

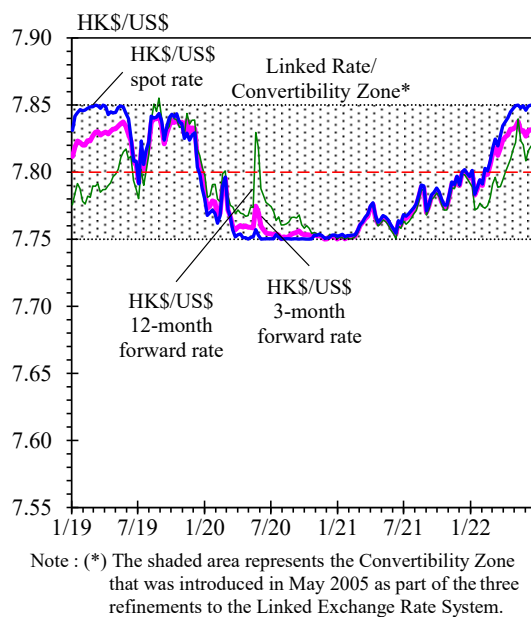
**Diagram 4.2 : Interbank interest rates went up across all tenors, particularly towards the end of the quarter, while those on the retail front stayed at low levels (end for the week)**



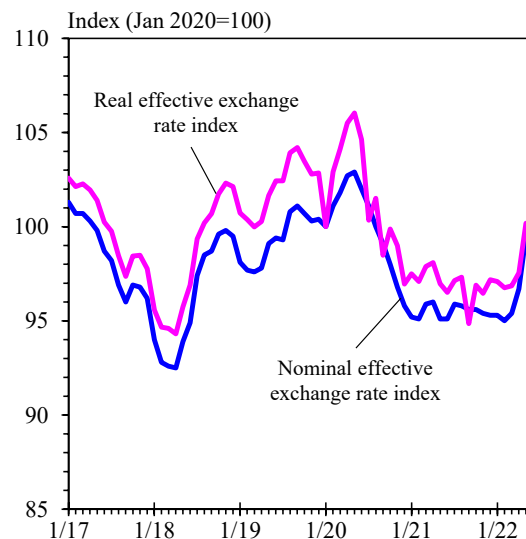
4.4 The *Hong Kong dollar spot exchange rate against the US dollar* stayed weak during the second quarter and traded within a narrow range of 7.835 and 7.850 amid aggressive tightening in US monetary policy. The weak-side Convertibility Undertaking was triggered 14 times during the second quarter and the HKMA purchased a total of \$104.3 billion Hong Kong dollars in response, bringing the Aggregate Balance down from \$337.6 billion at end-March to \$233.5 billion at end-June. The Hong Kong dollar closed at 7.845 at end-June, compared with 7.830 at end-March. The discount of 3-month *Hong Kong dollar forward rates* widened from 116 pips (each pip is equivalent to HK\$0.0001) at end-March to 195 pips at end-June, while the discount of 12-month forward rate narrowed from 432 pips to 362 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 sharply against all major currencies (including renminbi (RMB), the euro, pound sterling and Japanese yen), the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*<sup>(3)</sup> increased by 4.4% and 3.5% respectively during the second quarter.

**Diagram 4.3 : The Hong Kong dollar spot exchange rate against the US dollar stayed weak during the second quarter (end for the week)**



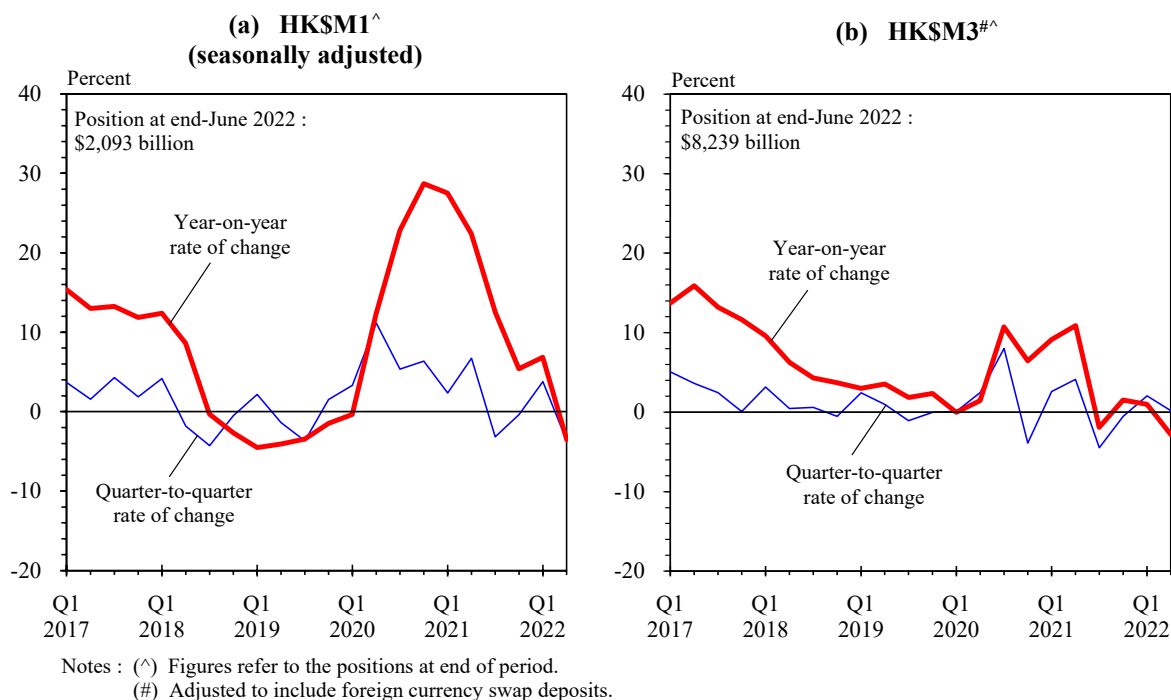
**Diagram 4.4 : The trade-weighted nominal and real effective exchange rate indices increased during the second quarter (average for the month)**



## Money supply and banking sector

4.6 The Hong Kong dollar broad *money supply* (HK\$M3) edged up by 0.2% over end-March to \$8,239 billion at end-June, while the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) declined by 3.6% to \$2,093 billion<sup>(4)</sup>. Meanwhile, *total deposits* with authorized institutions (AIs)<sup>(5)</sup> decreased by 0.7% to \$15,239 billion, within which Hong Kong dollar deposits edged up by 0.1%, while foreign currency deposits decreased by 1.5%.

**Diagram 4.5 : The Hong Kong dollar broad money supply edged up during the second quarter, while the seasonally adjusted Hong Kong dollar narrow money supply declined**



**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>
2021	Q1	2.3	4.8	2.6	1.0	2.6	1.0
	Q2	6.7	14.2	4.1	3.0	4.1	3.0
	Q3	-3.2	-7.4	-4.5	-1.0	-4.5	-1.0
	Q4	-0.4	-2.5	-0.5	1.3	-0.5	1.3
2022	Q1	3.8	2.3	2.1	0.7	2.1	0.7
	Q2	-3.6	-7.1	0.2	-0.6	0.2	-0.5
Total amount at end-June 2022 (\$Bn)		2,093	3,319	8,227	16,303	8,239	16,340
% change over a year earlier		-3.5	-14.2	-2.8	0.4	-2.8	0.4

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

4.7 *Total loans and advances* decreased by 0.4% from end-March to \$10,987 billion at end-June. Within the total, Hong Kong dollar loans rose by 2.0%, while foreign currency loans declined by 3.8%. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar rose from 85.2% at end-March to 86.8% at end-June, while that for foreign currency decreased from 58.9% to 57.6%.

4.8 Loans for use in Hong Kong (including trade finance) edged up by 0.1% over end-March to \$7,877 billion at end-June, while loans for use outside Hong Kong declined by 1.7% to \$3,109 billion. Within the former, loans to different economic sectors showed a mixed performance. Trade finance and loans to manufacturing reverted to declines of 1.3% and 1.0% respectively amid the worsened external trade environment. Loans to wholesale and retail trade rose further by 1.4% alongside the generally moderated local epidemic situation and recovering local consumption. Meanwhile, loans to stockbrokers rebounded by 6.2% after shrinking for three consecutive quarters, but still remained at a low level amid the lacklustre local stock market, while loans to financial concerns fell by 1.3%. As for property-related lending, loans for purchase of residential property increased by 0.7%, while loans to building, construction, property development and investment decreased by 1.2%.



**Table 4.2 : Loans and advances**

All loans and advances for use in Hong Kong

		Loans to :									
% change during the quarter		Trade finance	Manu- facturing	Whole- sale and retail trade	Building, construction, property development and investment	Purchase of residential property <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
2021	Q1	8.5	4.2	0.1	3.4	1.4	2.3	50.8	3.5	1.0	2.8
	Q2	17.8	-1.7	-1.9	0.4	2.6	0.5	152.0	5.9	0.3	4.3
	Q3	5.5	2.7	-2.5	-1.1	3.1	-3.2	-77.6	-3.6	2.2	-2.0
	Q4	-15.4	-2.2	-2.5	2.9	2.6	-0.6	-10.2	-0.8	-2.1	-1.2
2022	Q1	9.6	5.7	8.1	2.0	1.3	2.1	-8.8	2.0	-0.6	1.2
	Q2	-1.3	-1.0	1.4	-1.2	0.7	-1.3	6.2	0.1	-1.7	-0.4
Total amount at end-June 2022 (\$Bn)		524	330	357	1,723	1,879	915	56	7,877	3,109	10,987
% change over a year earlier		-3.5	5.2	4.1	2.5	7.9	-3.0	-80.5	-2.4	-2.3	-2.3

- Notes :
- (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 19.7% at end-March. Asset quality of the local banking sector remained sound. While the ratio of classified loans to total loans for retail banks went up slightly from 0.83% at end-2021 to 0.93% at end-March 2022, this was still low by historical standards. Meanwhile, the delinquency ratio for credit card lending edged up from 0.20% at end-2021 to 0.26% at end-March 2022. The delinquency ratio for residential mortgage loans edged up from 0.04% at end-March to 0.05% at end-June.

**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)
2021	Q1	97.57	1.60	0.82
	Q2	97.78	1.42	0.81
	Q3	97.73	1.48	0.78
	Q4	97.57	1.60	0.83
2022	Q1	97.34	1.72	0.93

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* showed solid performance in overall terms in the second quarter. RMB trade settlement transactions handled by banks in Hong Kong rose by 39.1% over a year earlier to RMB2,355.7 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) went up by 12.1% over end-March to RMB906.3 billion at end-June. As to financing activities, RMB bond issuance amounted to RMB25.4 billion in the second quarter, comparable to RMB25.8 billion in the preceding quarter, while outstanding RMB bank loans edged down by 1.7% from end-March to RMB175.0 billion at end-June.

**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> (%)		
2021	Q1	265,396	507,084	772,481	0.16	0.31	143	1,698,745
	Q2	286,607	534,585	821,192	0.16	0.31	142	1,694,123
	Q3	281,073	574,858	855,931	0.16	0.31	144	1,876,862
	Q4	286,728	640,070	926,797	0.16	0.31	146	1,813,844
2022	Q1	272,981	518,361	791,342	0.16	0.31	146	2,001,669
	Q2	300,012	515,017	815,029	0.16	0.31	142	2,355,747
% change in 2022 Q2 over 2021 Q2		4.7	-3.7	-0.8	N.A.	N.A.	N.A.	39.1
% change in 2022 Q2 over 2022 Q1		9.9	-0.6	3.0	N.A.	N.A.	N.A.	17.7

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

(b) Period average figures.

(c) Figures during the period.

N.A. Not applicable.

## The debt market

4.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities increased by 3.9% over the preceding quarter to \$1,198.8 billion in the second quarter, underpinned by the respective increases of 4.6% and 1.4% in public and private sector debt issuance<sup>(6)</sup>. The total outstanding amount of Hong Kong dollar debt securities increased by 2.3% over end-March to \$2,428.6 billion at end-June, equivalent to 29.5% of HK\$M3 or 24.1% of Hong Kong dollar-denominated assets of the banking sector<sup>(7)</sup>.

4.12 As to the Hong Kong dollar bonds issued by the Government, a total of \$8.5 billion institutional Government Bonds (GBs) were issued through tenders in the second quarter under the GB Programme, while the inaugural retail green bond with an issuance size of \$20.0 billion was issued under the Government Green Bond (GGB) Programme in May. At end-June, the total outstanding amount of Hong Kong dollar bonds under the GB and GGB Programmes was \$190.7 billion, comprising 16 institutional issues totalling \$88.3 billion and five retail issues (two iBonds and three Silver Bonds) totalling \$82.4 billion under the GB Programme, and one retail issue of \$20.0 billion under the GGB Programme. In addition, there were one US dollar sukuk with an issuance size of US\$1.0 billion outstanding under the GB Programme, as well as over US\$7.0 billion equivalent of institutional green bonds denominated in foreign currencies outstanding under the GGB Programme.

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

		<u>Exchange Fund paper</u>	<u>Statutory bodies/ government- owned corporations</u>	<u>Govern- ment</u>	<u>Public sector total</u>	<u>AIs<sup>(a)</sup></u>	<u>Local corporations</u>	<u>Non-MDBs overseas borrowers<sup>(b)</sup></u>	<u>Private sector total</u>	<u>MDBs<sup>(b)</sup></u>	<u>Total</u>
<b>New Issuance</b>											
2021	Annual	3,403.9	64.4	69.4	3,537.7	376.5	59.1	343.6	779.3	17.1	4,334.0
	Q1	815.2	25.6	2.7	843.5	118.4	20.0	121.7	260.1	6.5	1,110.0
	Q2	826.9	15.0	28.2	870.1	97.1	10.0	81.7	188.8	1.6	1,060.5
	Q3	851.6	11.8	31.0	894.3	71.9	11.4	64.1	147.4	6.6	1,048.3
	Q4	910.2	12.0	7.5	929.7	89.1	17.7	76.1	183.0	2.5	1,115.1
2022	Q1	937.7	14.6	3.3	955.6	106.3	18.5	69.7	194.4	3.8	1,153.8
	Q2	948.9	22.3	28.5	999.7	111.4	6.8	79.1	197.2	1.9	1,198.8
% change in 2022 Q2 over 2021 Q2		14.8	48.4	1.1	14.9	14.7	-32.5	-3.2	4.5	19.4	13.0
% change in 2022 Q2 over 2022 Q1		1.2	53.0	763.6	4.6	4.7	-63.3	13.5	1.4	-51.1	3.9
<b>Outstanding (at end of period)</b>											
2021	Q1	1,068.3	93.6	119.2	1,281.1	353.5	135.1	529.3	1,018.0	27.5	2,326.5
	Q2	1,068.4	96.0	147.3	1,311.7	309.9	132.0	501.1	943.0	24.9	2,279.6
	Q3	1,088.5	99.5	163.7	1,351.6	278.4	136.6	470.5	885.5	27.8	2,264.9
	Q4	1,148.6	101.6	168.2	1,418.4	274.6	144.7	489.8	909.1	29.3	2,356.8
2022	Q1	1,189.2	110.0	171.4	1,470.6	262.5	146.0	465.4	873.8	30.4	2,374.8
	Q2	1,190.4	120.5	190.7	1,501.6	296.3	135.9	465.0	897.2	29.9	2,428.6
% change in 2022 Q2 over 2021 Q2		11.4	25.5	29.5	14.5	-4.4	3.0	-7.2	-4.9	20.0	6.5
% change in 2022 Q2 over 2022 Q1		0.1	9.6	11.3	2.1	12.9	-6.9	-0.1	2.7	-1.6	2.3

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

(a) AIs : Authorized institutions.

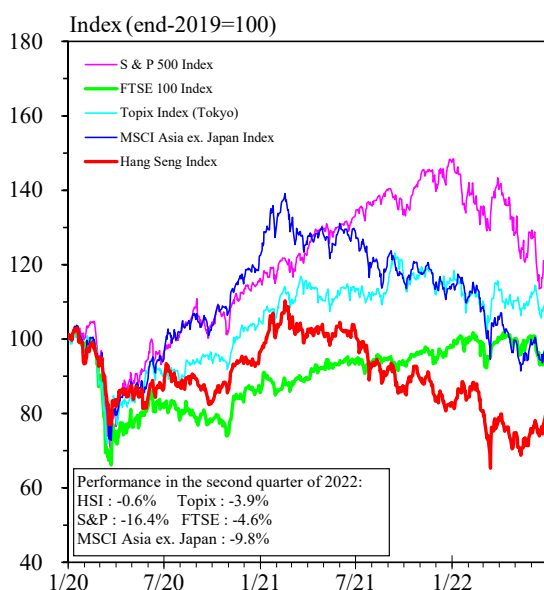
(b) MDBs : Multilateral Development Banks.

## The stock and derivatives markets

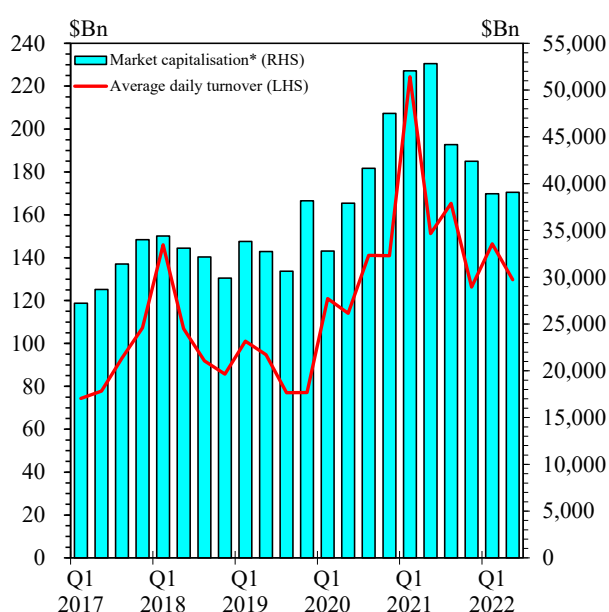
4.13 The *local stock market* was lacklustre in the second quarter after a sharp correction in the preceding quarter. Market sentiment remained cautious amid concerns over more aggressive tightening in US monetary policy, poor performance of global stock markets, continued conflict in Ukraine, and the epidemic situation in the Mainland in the earlier part of the quarter. The HSI moved within a range of 19 380 to 22 502 and closed at 21 860 at end-June, down by 0.6% from end-March. *Market capitalisation* edged up by 0.3% to \$39.1 trillion over the period. The local stock market ranked the seventh largest in the world and the fourth largest in Asia<sup>(8)</sup>.

4.14 Trading activities in the local stock market showed some contraction in the second quarter. *Average daily turnover* in the securities market dropped by 11.5% from the preceding quarter to \$129.7 billion, and was 14.3% lower than a year earlier. Within the total, the average daily trading value of bull/bear contracts, derivative warrants and equities decreased by 26.4%, 16.0% and 12.0% respectively from the preceding quarter, while that of unit trusts<sup>(9)</sup> (including Exchange-Traded Funds (ETFs)) rose by 10.8%. As to futures and options<sup>(10)</sup>, the average daily trading volume declined by 5.1% from the high level in the preceding quarter. Within the total, trading of HSI options, stock options and HSI futures fell by 20.8%, 10.6% and 5.8% respectively, while that of Hang Seng China Enterprises Index futures rose by 0.7%.

**Diagram 4.6 : The local stock market was lacklustre in the second quarter**



**Diagram 4.7 : Market capitalisation showed little change, while trading activities contracted**



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

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

		Hang Seng Index <u>futures</u>	Hang Seng Index <u>options</u>	Hang Seng China Enterprises <u>Index futures</u>	Stock <u>options</u>	Total futures and <u>options traded*</u>
2021	Annual	138 582	26 456	127 649	637 246	1 174 889
	Q1	164 096	33 963	133 426	826 689	1 410 544
	Q2	123 166	22 138	107 831	545 936	997 372
	Q3	138 989	26 926	139 745	667 391	1 225 576
	Q4	128 147	22 823	128 641	510 155	1 016 537
2022	Q1	159 738	29 387	178 800	637 181	1 342 258
	Q2	150 505	23 286	179 989	569 933	1 274 278
% change in 2022 Q2 over 2021 Q2		22.2	5.2	66.9	4.4	27.8
% change in 2022 Q2 over 2022 Q1		-5.8	-20.8	0.7	-10.6	-5.1

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

4.15 Fund raising activities quietened notably in the second quarter amid the cautious market sentiment. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM<sup>(11)</sup>, shrank further by 52.4% from the preceding quarter or 83.4% from a year earlier to a low level of \$37.1 billion in the second quarter. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) plunged by 67.2% from the preceding quarter to \$4.9 billion. Hong Kong ranked the tenth globally in terms of the amount of funds raised through IPOs in the first half of the year<sup>(12)</sup>.

4.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-June, a total of 1 372 Mainland enterprises (including 300 H-share companies, 175 “Red Chip” companies and 897 private enterprises) were listed on the Main Board and GEM, accounting for 53% of the total number of listed companies and 78% of total market capitalisation. Mainland-related stocks accounted for 88% of equity turnover and 83% of total equity fund raised in the Hong Kong stock exchange in the second quarter.

## Fund management and investment funds

4.17 Performance of fund management business<sup>(13)</sup> was weak in the second quarter. Along with the general decline in financial asset prices, the aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*<sup>(14)</sup> decreased by 5.6% from end-March to \$1,058.1 billion at end-June. Meanwhile, the gross retail sales of *mutual funds* fell by 29.6% from the preceding quarter to US\$11.5 billion in the second quarter<sup>(15)</sup>, and was 54.6% lower than the level a year earlier.

## Insurance sector

4.18 The *insurance sector*<sup>(16)</sup> recorded mild growth in the first quarter. New office premium of long-term business grew by 4.2% over a year earlier, within which premium from non-investment linked plans (which accounted for 89% of total premium for this segment) increased by 10.1% while investment linked plans decreased by 27.2%. As to general business, gross premium rose by 5.8% while net premium recorded little change.

**Table 4.7 : Insurance business in Hong Kong<sup>@</sup> (\$Mn)**

		General business			New office premium of 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	
2021	Annual	61,835	41,490	1,958	135,605	30,796	30	369	166,800	228,635
	Q1	18,267	11,950	512	34,291	6,283	6	140	40,720	58,987
	Q2	15,114	10,158	282	32,674	7,072	9	72	39,827	54,941
	Q3	15,427	10,685	429	33,272	8,548	7	92	41,919	57,346
	Q4	13,027	8,697	735	35,368	8,893	8	65	44,334	57,361
2022	Q1	19,327	11,966	1,063	37,744	4,573	12	114	42,443	61,770
% change in 2022 Q1 over 2021 Q1		5.8	0.1	107.6	10.1	-27.2	100.0	-18.6	4.2	4.7

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

(^) Retirement scheme business is excluded.



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

4.19 In late June, the Securities and Futures Commission and the China Securities Regulatory Commission jointly announced the launch of ETF Connect on 4 July 2022, which would enable the trading of eligible ETFs under the Stock Connect. The ETF Connect will further deepen the interaction and the integration of the capital markets in the Mainland and Hong Kong, offer more diverse asset allocation choices to Mainland and overseas investors, and promote liquidity as well as sustainable development of ETF markets in the two places. The initiative will also consolidate Hong Kong's role as a gateway and the bridge for flows of international and Mainland capital.

## 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 18 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 2019 and 2020.

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-June 2022, there were 157 licensed banks, 15 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 184 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 of global stock exchange markets compiled by the World Federation of Exchanges.
- (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-June 2022, there were 124 classes of stock options contracts and 98 classes of stock futures contracts.
- (11) At end-June 2022, there were 2 223 and 345 companies listed on the Main Board and GEM respectively.
- (12) The ranking is based on the amount of funds raised through IPOs (excluding fundraising of special purpose acquisition companies) compiled by Dealogic.
- (13) At end-June 2022, there was one SFC-authorised retail hedge fund with net asset size of US\$143 million. The amount of net assets under management increased by 5.9% over end-March 2022, and represented an 8.3% increase over a year earlier and a 10.6% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (14) At end-June 2022, there were 13 approved trustees. On MPF products, 24 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 412 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 334 000 employers, 2.68 million employees and 235 000 self-employed persons are estimated to have participated in MPF schemes.
- (15) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association (HKIFA) on their members, and cover only the active authorised funds that have responded to the survey. At end-June 2022, the survey covered a total of 1 359 active authorised funds.
- (16) At end-June 2022, there were 164 authorised insurers in Hong Kong. Within this total, 53 were engaged in long-term insurance business, 90 in general insurance business, 19 in composite insurance business, and two in special purpose business. These authorised insurers come from 22 countries and territories (including Hong Kong).

## CHAPTER 5 : THE LABOUR SECTOR

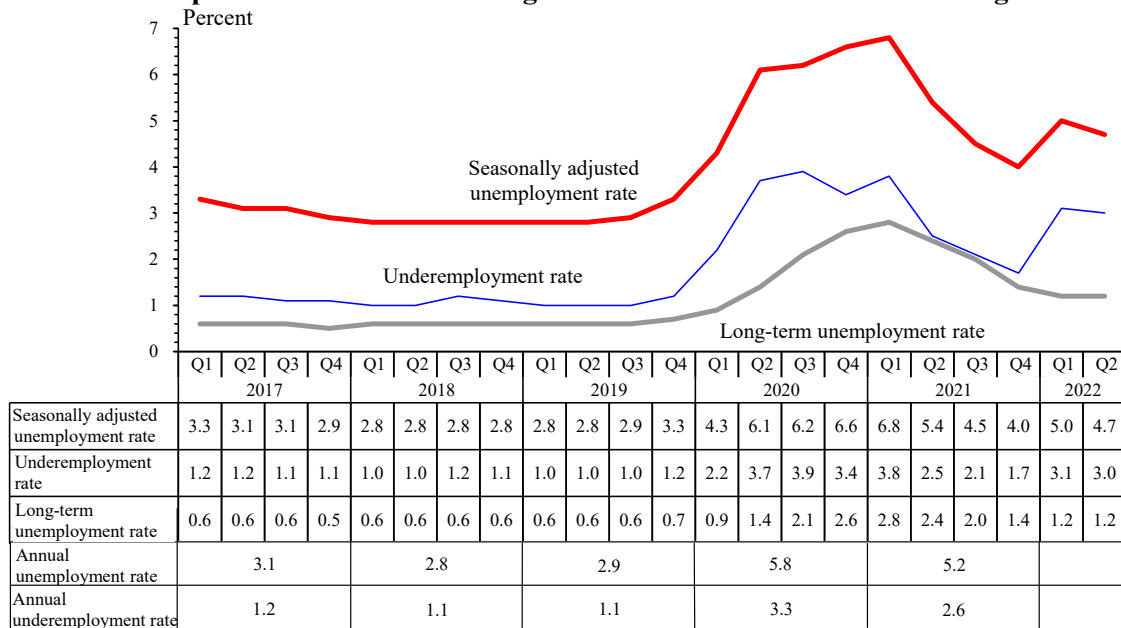
### *Summary*

- *The labour market improved in the second quarter of 2022 amid the generally moderated local epidemic situation and the gradual relaxation of social distancing measures. After rising from 5.0% in the first quarter to 5.4% in February – April, the seasonally adjusted unemployment rate fell successively to 4.7% in the second quarter. The underemployment rate also increased from 3.1% to 3.8%, before declining to 3.0% over the same period. Total employment increased in the second quarter over the trough in March – May, though still lower than the levels in the preceding quarter and a year ago.*
- *The unemployment rates of most major sectors decreased in the second quarter from the high levels in February – April, particularly those of the food and beverage service activities sector, the retail sector, the construction sector, and the arts, entertainment and recreation sector. The unemployment rates of both lower-skilled and higher-skilled workers declined from the earlier high levels, with the former still visibly higher than the latter.*
- *Establishment surveys indicated that the average nominal wage rate rose by 1.8% year-on-year earlier in March, the same pace of increase as three months ago. Payroll per person engaged, which includes basic wage, discretionary bonuses and other irregular payment, recorded a decelerated year-on-year increase of 0.8% in nominal terms in the first quarter. More recent General Household Survey (GHS) data showed that the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) grew further by 5.0% year-on-year in nominal terms in the second quarter. However, the median monthly household income increased only modestly in nominal terms over a year earlier amid the decline in the number of working members per household.*

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

5.1 The labour market improved in the second quarter of 2022 amid the generally moderated local epidemic situation and the gradual relaxation of social distancing measures. After rising from 5.0% in the first quarter of 2022 to 5.4% in February – April, the seasonally adjusted *unemployment rate*<sup>(2)</sup> fell successively to 4.7% in the second quarter. The *underemployment rate*<sup>(3)</sup> also increased from 3.1% in the first quarter to 3.8% in February – April, before declining to 3.0% in the second quarter. Total employment increased in the second quarter over the trough in March – May, though still lower than the levels in the preceding quarter and a year ago. The unemployment rates of most major sectors decreased in the second quarter from the high levels in February – April, particularly those of the food and beverage service activities sector, the retail sector, the construction sector, and the arts, entertainment and recreation sector. The unemployment rates of both lower-skilled and higher-skilled workers declined from the earlier high levels, with the former still visibly higher than the latter. Establishment surveys on the situation earlier indicated that the average nominal wage rate rose by 1.8% year-on-year in March, the same pace of increase as three months ago. Payroll per person engaged, which includes basic wage, discretionary bonuses and other irregular payment, recorded a decelerated year-on-year increase of 0.8% in nominal terms in the first quarter. More recent GHS data showed that the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) grew further by 5.0% year-on-year in nominal terms in the second quarter. However, the median monthly household income increased only modestly in nominal terms over a year earlier amid the decline in the number of working members per household.

**Diagram 5.1 : The labour market improved in the second quarter of 2022 amid the generally moderated local epidemic situation and the gradual relaxation of social distancing measures**



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

		Unemployment rate* (%)	Underemployment rate (%)	Long-term unemployment rate (%)
2021	Annual	5.2	2.6	2.2
	Q1	6.8	3.8	2.8
	Q2	5.4	2.5	2.4
	Q3	4.5	2.1	2.0
	Q4	4.0	1.7	1.4
2022	Q1	5.0	3.1	1.2
<i>Three months ending</i>				
2022	Apr	5.4	3.8	1.3
	May	5.1	3.5	1.3
	Jun	4.7	3.0	1.2

Notes : Statistics in the third quarter and fourth quarter of 2021 have been revised to take into account the final end-2021 population estimates.

\* 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> increased slightly by 0.1% over March – May to 3 750 200 in the second quarter, as the overall labour force participation rate (LFPR) rose back from the record low of 58.1% to 58.3%. Yet, the labour force was still 1.3% below the preceding quarter or 3.5% below a year ago. Analysed by the contributing factor, the working-age population (i.e. land-based non-institutional population aged 15 and above) declined by 0.9% from the preceding quarter or 1.4% from a year earlier, while the overall LFPR decreased by 0.2 percentage point or 1.3 percentage points amid the persistent drag from population ageing.

5.3 Thanks to the gradual revival in domestic economic activities, *total employment*<sup>(5)</sup> increased by 0.5% over the trough in March – May to 3 571 600 in the second quarter. Employment of the food and beverage service activities sector, the arts, entertainment and recreation sector, the education sector, and the construction sector increased visibly from the earlier low levels. Yet, total employment was still 1.1% lower than the preceding quarter or 2.7% lower than a year ago.

**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>
2021	Annual	3 870 400 (-1.2)	3 670 200 (-0.6)	200 300	98 900
	Q1	3 888 500 (-0.8)	3 627 600 (-3.4)	260 900	148 600
	Q2	3 885 700 (-0.5)	3 671 100 (0.3)	214 500	95 800
	Q3	3 874 000 (-0.8)	3 693 100 (1.2)	181 000	80 200
	Q4	3 850 900 (-1.3)	3 705 600 (1.3)	145 200	66 700
2022	Q1	3 799 000 (-2.3)	3 610 500 (-0.5)	188 500	117 000
<i>Three months ending</i>					
2022	Apr	3 765 300 (-3.2)	3 559 200 (-2.2)	206 100	142 000
	May	3 745 200 (-3.8)	3 553 800 (-2.8)	191 400	130 400
	Jun	3 750 200 (-3.5) <-1.3>	3 571 600 (-2.7) <-1.1>	178 600	111 600

Notes : Statistics in the third quarter and fourth quarter of 2021 have been revised to take into account the final end-2021 population estimates.

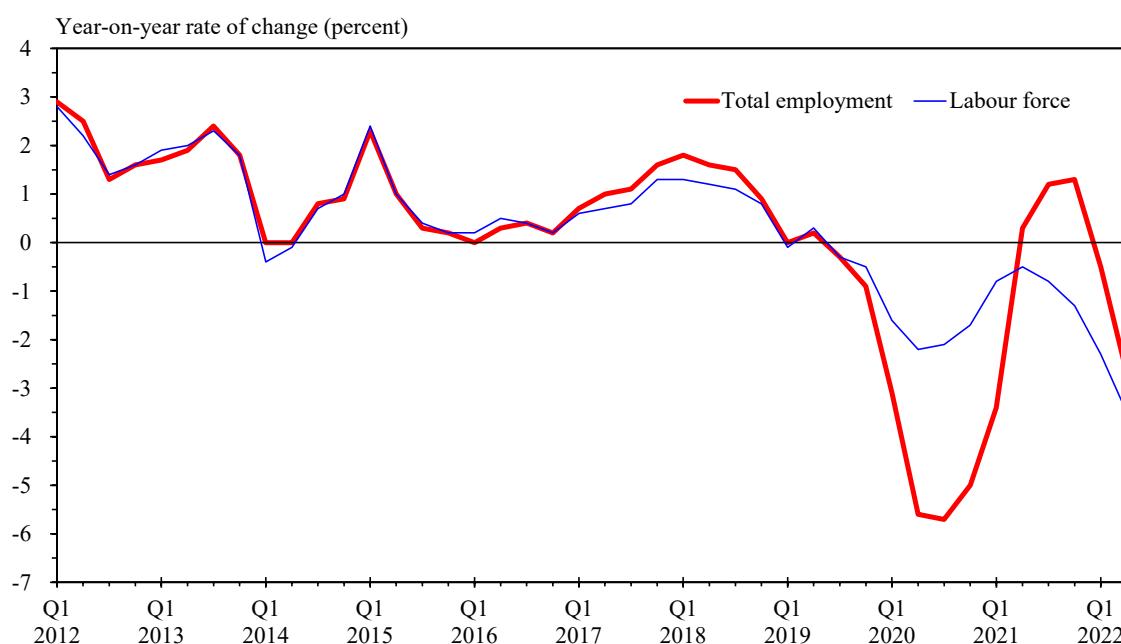
(a) These include first-time job-seekers and re-entrants into the labour force.

( ) % change over a year earlier.

< > Quarter-to-quarter % change for the second quarter of 2022.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : Both labour force and total employment increased slightly in the second quarter over Mar – May, yet they were still lower than the levels a year ago**





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

	<u>2021</u>				<u>2022</u>			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Feb- Apr</u>	<u>Mar- May</u>	<u>Q2</u>
<u>Male</u>								
15-24	33.9	33.1	36.7	34.7	32.3	31.0	30.6	31.2
<i>of which:</i>								
15-19	5.6	6.0	8.8	6.2	6.5	5.9	5.9	7.1
20-24	56.1	55.0	59.1	57.7	54.8	53.1	52.4	52.8
25-29	91.4	91.4	91.2	92.4	91.0	90.6	88.9	87.9
30-39	95.0	95.5	95.2	94.7	93.4	93.2	93.0	94.2
40-49	93.6	93.1	93.8	93.8	93.1	93.1	93.1	93.9
50-59	85.6	85.7	85.4	85.2	85.6	85.6	85.7	85.4
≥ 60	32.1	31.2	30.3	30.4	31.1	31.1	31.4	32.0
Overall	66.2	65.7	65.6	65.2	64.7	64.5	64.5	64.9
<u>Female</u>								
15-24	36.1	34.4	38.5	34.7	32.6	31.9	31.2	32.1
<i>of which:</i>								
15-19	5.3	6.9	10.6	8.8	7.2	5.9	4.7	6.7
20-24	59.5	56.1	60.4	54.8	53.9	54.0	54.0	54.2
25-29	87.5	89.0	89.1	87.3	87.0	86.6	86.3	86.1
30-39	79.5	79.7	79.1	79.0	79.5	79.5	79.1	78.8
40-49	73.9	74.4	74.1	74.9	75.1	74.8	74.4	73.5
50-59	64.7	63.9	63.6	64.4	64.2	64.2	64.5	65.0
≥ 60	16.1	16.9	16.1	15.9	16.2	15.8	15.8	16.0
Overall	54.4	54.5	54.2	53.7	53.5	53.1	52.9	52.9
<u>Both genders combined</u>								
15-24	35.0	33.7	37.6	34.7	32.4	31.4	30.9	31.6
<i>of which:</i>								
15-19	5.5	6.4	9.7	7.5	6.8	5.9	5.3	6.9
20-24	57.8	55.5	59.8	56.2	54.3	53.6	53.2	53.5
25-29	89.3	90.1	90.1	89.7	88.9	88.5	87.5	87.0
30-39	85.9	86.2	85.8	85.6	85.3	85.2	85.0	85.3
40-49	81.9	82.0	82.1	82.6	82.4	82.2	82.0	81.8
50-59	73.9	73.5	73.1	73.5	73.5	73.5	73.7	73.8
≥ 60	23.8	23.8	22.9	22.8	23.3	23.1	23.3	23.6
Overall	59.7	59.6	59.3	58.9	58.5	58.2	58.1	58.3

Source : General Household Survey, Census and Statistics Department.

## Profile of unemployment

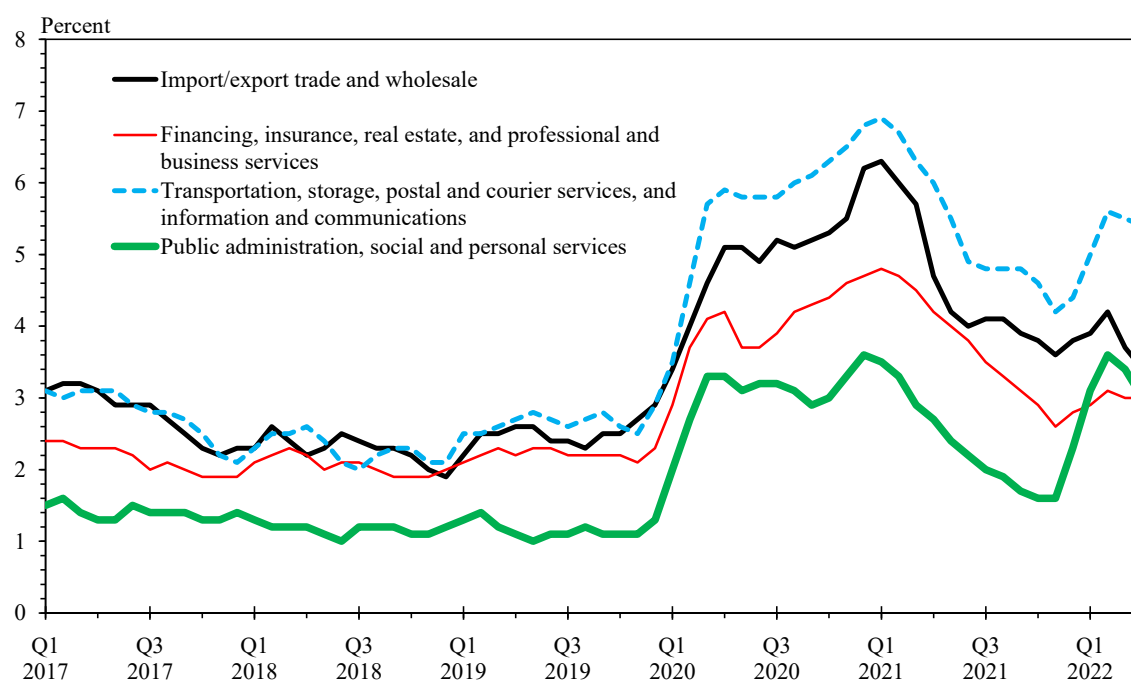
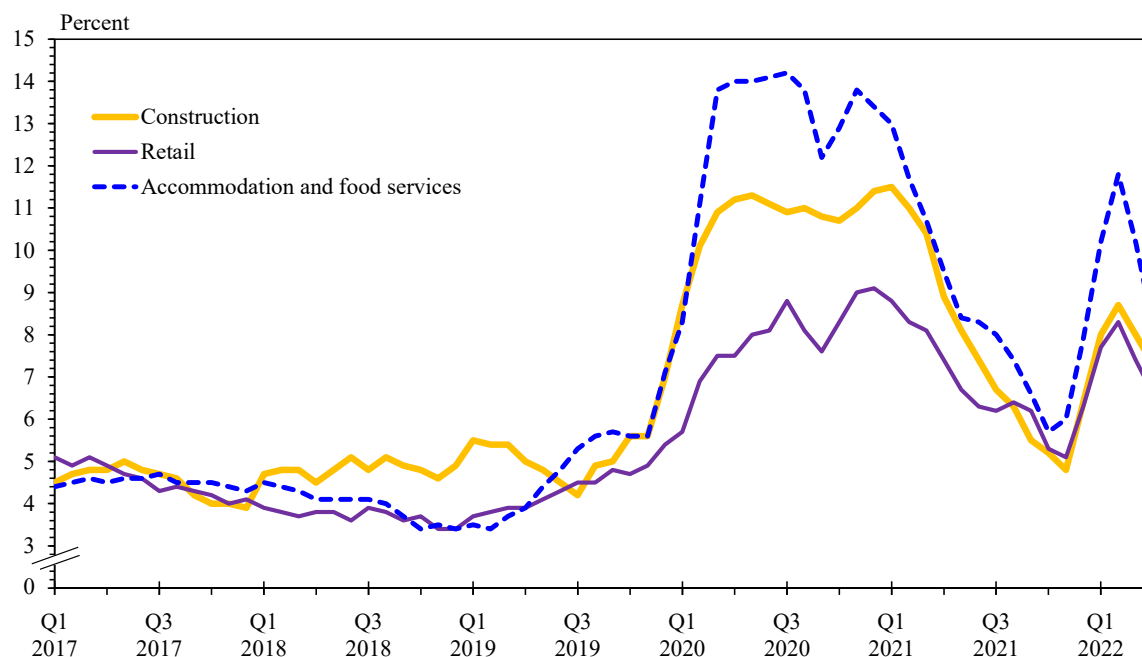
5.4 After rising from 5.0% in the first quarter to 5.4% in February – April, the seasonally adjusted unemployment rate fell successively to 4.7% in the second quarter. The number of unemployed persons (not seasonally adjusted) increased from 188 500 in the first quarter to 206 100 in February – April, and then declined visibly to 178 600 in the second quarter.

5.5 The unemployment rates of most major sectors decreased in the second quarter from the high levels in February – April. Specifically, the unemployment rate of the retail, accommodation and food services sectors combined (not seasonally adjusted) fell notably by 2.6 percentage points from February – April to 7.4% in the second quarter. Among these sectors, the unemployment rates of the food and beverage service activities sector and the retail sector fell by 4.3 and 1.7 percentage points to 8.6% and 6.6% respectively. Other sectors that saw visible decreases in unemployment rates included the arts, entertainment and recreation sector (down 3.7 percentage points to 8.0%), and the construction sector (down 1.4 percentage points to 7.3%). For the *low-paying sectors*<sup>(6)</sup> (LPS) as a whole, the unemployment rate went down by 1.2 percentage points to 4.7%.

5.6 The unemployment rate of lower-skilled workers declined by 1.1 percentage points from the high level in February – April to 5.4% in the second quarter, and the unemployment rate of higher-skilled workers declined by 0.4 percentage point to 3.0%. The unemployment rate of lower-skilled workers was still visibly higher than that of higher-skilled workers.

5.7 Analysed by other socio-economic attributes, the unemployment rates of most age groups decreased in the second quarter as compared to February – April. An exception was the unemployment rate of those aged 15-19, as the fresh batch of school leavers began to join the labour market. The unemployment rates across all levels of educational attainment declined.

**Diagram 5.3 : The unemployment rates of most major sectors decreased in the second quarter**



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

	<u>2021</u>				<u>2022</u>			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Feb- Apr</u>	<u>Mar- May</u>	<u>Q2</u>
Import/export trade and wholesale	6.3	4.7	4.1	3.8	3.9	4.2	3.7	3.4
Retail, accommodation and food services	10.8	8.4	7.1	5.5	8.9	10.0	8.8	7.4
<i>of which:</i>								
<i>Retail</i>	8.8	7.4	6.2	5.3	7.7	8.3	7.4	6.6
<i>Accommodation services</i>	10.2	7.4	5.7	4.1	5.6	5.8	5.7	5.7
<i>Food and beverage service activities</i>	13.4	9.9	8.5	6.0	11.0	12.9	11.0	8.6
Transportation, storage, postal and courier services	7.3	6.6	5.0	4.9	5.3	5.8	5.8	5.9
Information and communications	5.9	4.8	4.3	4.0	4.6	5.0	4.8	4.2
Financing and insurance	3.9	3.1	2.7	2.2	2.3	2.4	2.3	2.5
Real estate	4.2	3.0	2.6	2.0	2.4	2.8	2.8	3.0
Professional and business services	5.7	5.3	4.3	3.8	3.4	3.6	3.6	3.3
Public administration, social and personal services	3.5	2.7	2.0	1.6	3.1	3.6	3.4	3.0
<i>of which:</i>								
<i>Education</i>	5.2	3.8	3.0	2.3	3.8	4.6	4.3	3.9
<i>Arts, entertainment and recreation</i>	12.6	10.8	6.8	4.0	11.3	11.7	10.1	8.0
Manufacturing	6.6	6.9	6.8	5.6	5.5	6.1	5.8	5.5
Construction	11.5	8.9	6.7	5.2	8.0	8.7	8.0	7.3
Overall*	6.7 (6.8)	5.5 (5.4)	4.7 (4.5)	3.8 (4.0)	5.0 (5.0)	5.5 (5.4)	5.1 (5.1)	4.8 (4.7)

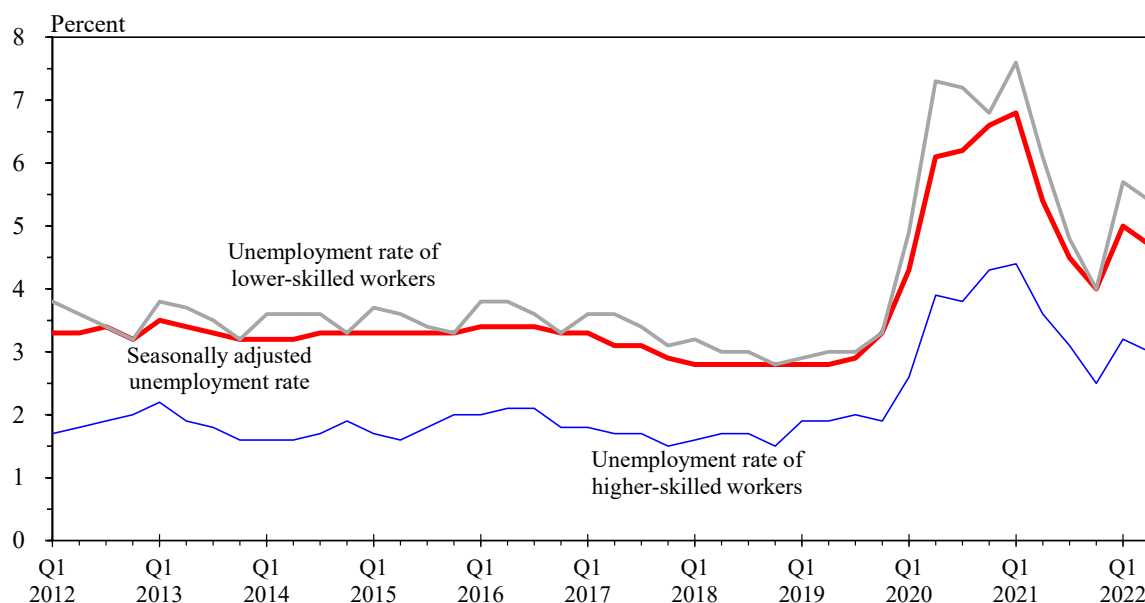
Notes : Statistics in the third quarter and fourth quarter of 2021 have been revised to take into account the final end-2021 population estimates.

\* 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 rates of both lower-skilled and higher-skilled workers declined in the second quarter**



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

	<u>2021</u>				<u>2022</u>			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Feb-Apr</u>	<u>Mar-May</u>	<u>Q2</u>
<u>Higher-skilled segment</u>	4.4	3.6	3.1	2.5	3.2	3.4	3.0	3.0
Managers	3.5	3.1	2.0	2.1	2.7	2.8	2.4	2.4
Professionals	3.0	2.6	2.3	1.7	2.0	2.3	2.2	2.0
Associate professionals	5.7	4.5	4.1	3.3	4.1	4.4	3.8	4.0
<u>Lower-skilled segment</u> <sup>^</sup>	7.6	6.1	4.8	4.0	5.7	6.5	6.2	5.4
Clerical support workers	6.1	5.2	4.4	4.3	4.6	4.8	4.8	4.2
Service and sales workers	10.0	7.1	6.2	4.7	7.5	8.5	7.8	6.7
Craft and related workers	10.5	8.4	6.1	4.8	8.8	9.9	9.3	7.5
Plant and machine operators and assemblers	5.9	4.9	3.5	3.3	4.1	5.0	4.9	4.5
Elementary occupations	5.7	5.1	3.5	3.1	4.0	4.7	4.7	4.4

Notes : Statistics in the third quarter and fourth quarter of 2021 have been revised to take into account the final end-2021 population estimates.

\* 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>2021</u>				<u>2022</u>			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Feb- Apr</u>	<u>Mar- May</u>	<u>Q2</u>
<u>Age</u>								
15-24	13.5	13.7	15.2	8.8	10.5	11.7	11.5	11.7
<i>Of which:</i>								
15-19	16.3	18.1	16.5	11.9	14.3	17.2	12.8	18.4
20-24	13.3	13.3	15.0	8.5	10.1	11.2	11.4	11.0
25-29	7.4	6.3	6.2	5.0	5.9	6.2	6.2	5.7
30-39	5.2	4.2	3.5	3.0	3.7	4.3	4.0	3.7
40-49	5.5	4.7	3.6	3.2	4.2	4.8	4.3	4.2
50-59	7.7	5.9	4.3	3.7	5.5	6.0	5.5	4.8
≥ 60	6.7	4.9	3.6	3.2	4.9	5.1	4.9	4.4
<u>Educational attainment</u>								
Primary education and below	8.5	5.6	4.2	3.0	5.8	6.4	5.7	4.9
Lower secondary education	8.7	7.1	5.7	4.7	7.2	8.4	7.7	6.5
Upper secondary education <sup>^</sup>	7.2	5.9	4.5	3.9	5.4	6.0	5.6	5.2
Post-secondary education	5.4	4.6	4.6	3.5	3.7	4.0	3.8	3.9

Notes : Statistics in the third quarter and fourth quarter of 2021 have been revised to take into account the final end-2021 population estimates.

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

<sup>^</sup> Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 Indicators for the intensity of unemployment generally deteriorated in the second quarter. Compared with the preceding quarter, the long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) held stable at 1.2% in the second quarter, and the number of long-term unemployed persons increased slightly by 1.2% (or 600) to 46 600. The share of long-term unemployed persons in total unemployment increased from 24.4% to 26.1%. The median duration of unemployment lengthened from 69 days to 86 days. 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) increased by 7.8 percentage points to 57.9%.

### **Profile of underemployment**

5.9 The underemployment rate rose from 3.1% in the first quarter to 3.8% in February – April, and then fell successively to 3.0% in the second quarter. The number of underemployed persons went up from 117 000 in the first quarter to 142 000 in February – April, and then decreased sharply to 111 600 in the second quarter. The underemployment rates of most sectors declined in the second quarter from the high levels in February – April. Specifically, the underemployment rate of the retail, accommodation and food services sectors combined dropped by 2.8 percentage points to 4.5%. Among these sectors, the underemployment rates of the food and beverage service activities sector and the retail sector fell by 5.5 and 1.0 percentage points to 6.2% and 3.3% respectively. Other sectors that saw visible declines in underemployment rates included the arts, entertainment and recreation sector (down 4.3 percentage points to 8.5%), and the transportation sector (down 1.1 percentage points to 4.9%). Analysed by skill segment, the underemployment rate of the lower-skilled segment fell by 1.2 percentage points from February – April to 3.8% in the second quarter, while that of the higher-skilled segment edged down by 0.2 percentage point to 1.8%.

## **Profile of employment in establishments**

5.10 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available only up to March, which were yet to reflect the more recent improvement of labour market. Attempts have been made to bring the analysis more up-to-date by drawing reference to information from supplementary sources wherever possible.

5.11 Overall labour market conditions weakened earlier in the first quarter when the economy was hard hit by the fifth wave of local epidemic. Total private sector employment decreased by 1.0% from three months ago on a seasonally adjusted basis, resulting in a modest decline of 0.4% from a year earlier to 2 680 500 in March. Analysing by sector, employment in more than half of the selected industries declined from a year earlier, more notably for manufacturing (down 6.7%), arts, entertainment, recreation and other services (down 5.5%), and manual workers at construction sites (down 4.3%). As for the selected industries that saw increases in employment, the increases in some of them were due to low bases of comparison, such as accommodation services (up 2.8%), and import and export trade (up 0.4%). For some other industries such as cleaning and similar services (up 3.1%), and human health services (up 2.3%), the increases in employment conceivably reflected increased labour demand in these particular services amid the epidemic.



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

		<u>2021</u>				<u>2022</u>
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>
Import/export trade and wholesale	436 000 (-3.6)	434 600 (-8.6)	434 900 (-3.4)	435 100 (-2.2)	439 500 (0.1)	438 300 (0.8)
Retail	249 500 (-0.6)	249 900 (-2.0)	248 100 (-0.5)	248 500 (-0.5)	251 400 (0.5)	245 200 (-1.9)
Accommodation <sup>(a)</sup> and food services	250 000 (1.4)	239 900 (-7.5)	252 000 (1.3)	254 500 (5.1)	253 500 (7.4)	240 100 (0.1)
Transportation, storage, postal and courier services	166 900 (-4.0)	165 500 (-6.7)	168 700 (-4.2)	167 200 (-4.4)	166 000 (-0.4)	164 400 (-0.6)
Information and communications	108 600 (-1.4)	109 300 (-0.4)	108 800 (-1.8)	108 400 (-1.7)	108 100 (-1.7)	107 200 (-1.9)
Financing, insurance, real estate, professional and business services	767 900 (0.8)	761 600 (0.4)	765 700 (0.8)	772 000 (1.0)	772 400 (1.2)	766 600 (0.7)
Social and personal services	534 500 (0.5)	534 700 (0.5)	532 500 (0.3)	533 600 (0.3)	537 300 (0.8)	532 900 (-0.3)
Manufacturing	78 800 (-5.5)	81 200 (-3.6)	79 200 (-6.0)	78 400 (-5.9)	76 500 (-6.7)	75 800 (-6.7)
Construction sites (covering manual workers only)	105 400 (8.5)	102 700 (1.6)	106 100 (8.6)	106 300 (13.2)	106 600 (10.9)	98 300 (-4.3)
<i>All establishments surveyed in the private sector<sup>(b)</sup></i>	<i>2 709 100 (-0.4)</i>	<i>2 690 700 (-2.7) &lt;0.6&gt;</i>	<i>2 707 300 (-0.4) &lt;0.6&gt;</i>	<i>2 715 500 (0.3) &lt;0.2&gt;</i>	<i>2 722 900 (1.3) &lt;-0.2&gt;</i>	<i>2 680 500 (-0.4) &lt;-1.0&gt;</i>
<i>Civil service<sup>(c)</sup></i>	<i>176 900 (-0.2)</i>	<i>177 600 (-0.1)</i>	<i>176 900 (-0.3)</i>	<i>176 400 (-0.2)</i>	<i>176 600 (-0.2)</i>	<i>176 200 (-0.7)</i>

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

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

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

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

( ) % change over a year earlier.

<> Seasonally adjusted % change compared with the level three months ago.

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

## **Vacancies**

5.12 Also reflecting the weakened labour demand then, the number of private sector vacancies fell by 9.4% in March from three months ago on a seasonally adjusted basis. Nonetheless, there was still a notable year-on-year increase of 36.5% to 53 700 due to the low base of comparison.

5.13 The numbers of vacancies in almost all selected sectors increased in March over a year earlier against low bases of comparison, but most of them declined from three months ago. The numbers of vacancies in the lower-skilled and higher-skilled segments increased visibly by 44.1% and 28.0% respectively over a year earlier, but declined by 15.0% and 7.8% respectively from three months ago.

5.14 Reflecting the general slackening in manpower balance, the ratio of job vacancies per 100 unemployed persons declined from 42 three months ago to 28 in March. Specifically, the ratio in the higher-skilled segment decreased from 67 to 49, and that in the lower-skilled segment from 38 to 23. The ratios of most selected sectors declined, but those of the residential care and social work services sector (from 205 to 239), and the cleaning and similar services sector (from 77 to 109) increased. Meanwhile, manpower shortage situation remained acute in the human health services sector, with the ratio staying high at 201.

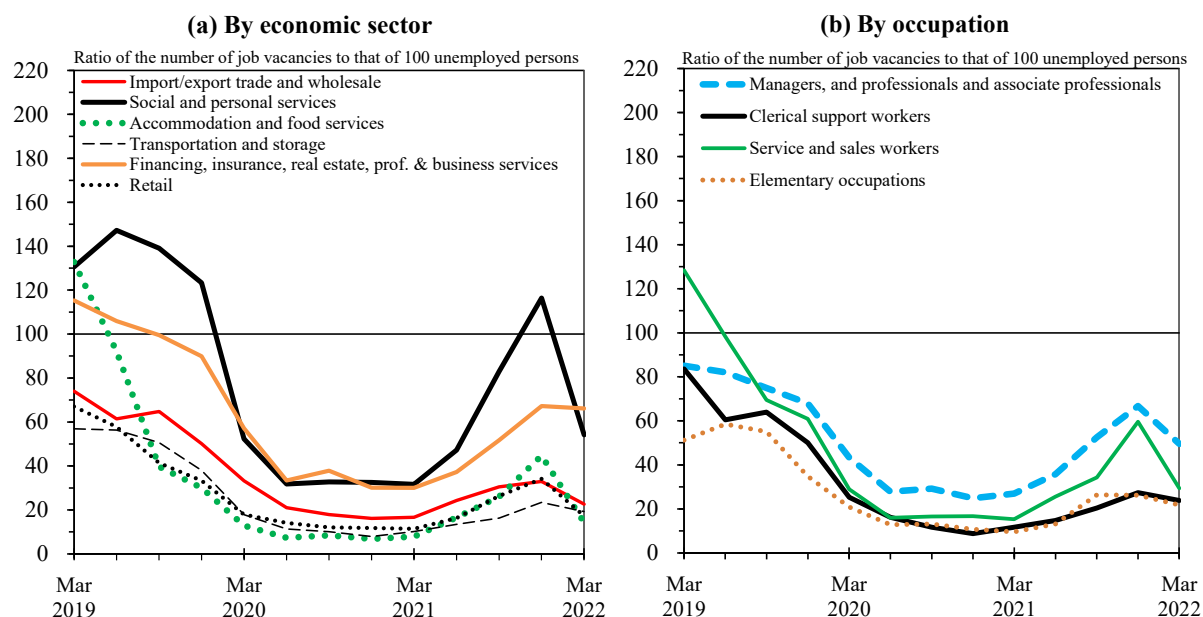
**Table 5.8 : Vacancies by major economic sector**

	<u>Number of vacancies</u>					
	<u>Annual average</u>	<u>2021</u>				<u>2022</u>
		<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>
Import/export trade and wholesale	3 880 (12.4)	3 510 (-13.9)	3 840 (4.8)	4 070 (27.9)	4 090 (41.9)	2 920 (-16.9)
Retail	4 100 (33.9)	2 970 (-2.6)	3 450 (9.4)	4 710 (49.8)	5 270 (81.4)	3 710 (25.1)
Accommodation <sup>(a)</sup> and food services	4 950 (74.8)	2 760 (-5.2)	4 330 (52.4)	5 760 (81.2)	6 960 (189.8)	3 820 (38.4)
Transportation, storage, postal and courier services	2 900 (32.8)	2 520 (-2.9)	2 930 (28.5)	2 580 (23.4)	3 560 (101.9)	3 550 (41.1)
Information and communications	2 090 (9.5)	1 670 (-24.1)	1 930 (-5.5)	2 290 (31.8)	2 460 (49.6)	2 790 (67.6)
Financing, insurance, real estate, professional and business services	15 080 (15.9)	12 980 (-11.4)	14 000 (13.3)	16 000 (22.5)	17 330 (45.0)	16 580 (27.7)
Social and personal services	15 630 (38.3)	11 970 (5.1)	13 550 (16.3)	17 570 (52.9)	19 430 (82.3)	18 410 (53.8)
Manufacturing	1 030 (45.4)	690 (-9.0)	940 (24.4)	1 150 (50.7)	1 350 (139.5)	1 400 (103.6)
Construction sites (covering manual workers only)	190 (-22.0)	80 (-84.3)	250 (2.5)	160 (14.7)	260 (232.1)	270 (244.9)
<i>All establishments surveyed in the private sector<sup>(b)</sup></i>	<i>50 080 (28.9)</i>	<i>39 350 (-6.9)</i> <i>&lt;15.0&gt;</i>	<i>45 440 (16.2)</i> <i>&lt;12.2&gt;</i>	<i>54 560 (40.2)</i> <i>&lt;19.0&gt;</i>	<i>60 980 (74.0)</i> <i>&lt;13.2&gt;</i>	<i>53 700 (36.5)</i> <i>&lt;-9.4&gt;</i>
<i>Civil service<sup>(c)</sup></i>	<i>15 660 (24.6)</i>	<i>15 140 (42.0)</i>	<i>15 540 (37.3)</i>	<i>15 960 (20.6)</i>	<i>15 980 (6.3)</i>	<i>16 800 (10.9)</i>

- Notes :
- (a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.
  - (b) The total figures on private sector vacancies cover also vacancies in mining and quarrying; and in electricity and gas supply, and waste management, besides vacancies in the major sectors indicated above.
  - (c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.
  - ( ) % change over a year earlier.
  - <> Seasonally adjusted % change compared with the level three months ago.

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 slackened across major economic sectors and occupations**



5.15 Information on job vacancies in the private sector received by the Labour Department (LD) could provide some indications on the latest developments in the labour market in the second quarter. The number of such vacancies increased markedly by 52% over the preceding quarter to a monthly average of 90 600 in the second quarter of 2022, and was 10% higher than the level a year ago.

## Wages and earnings

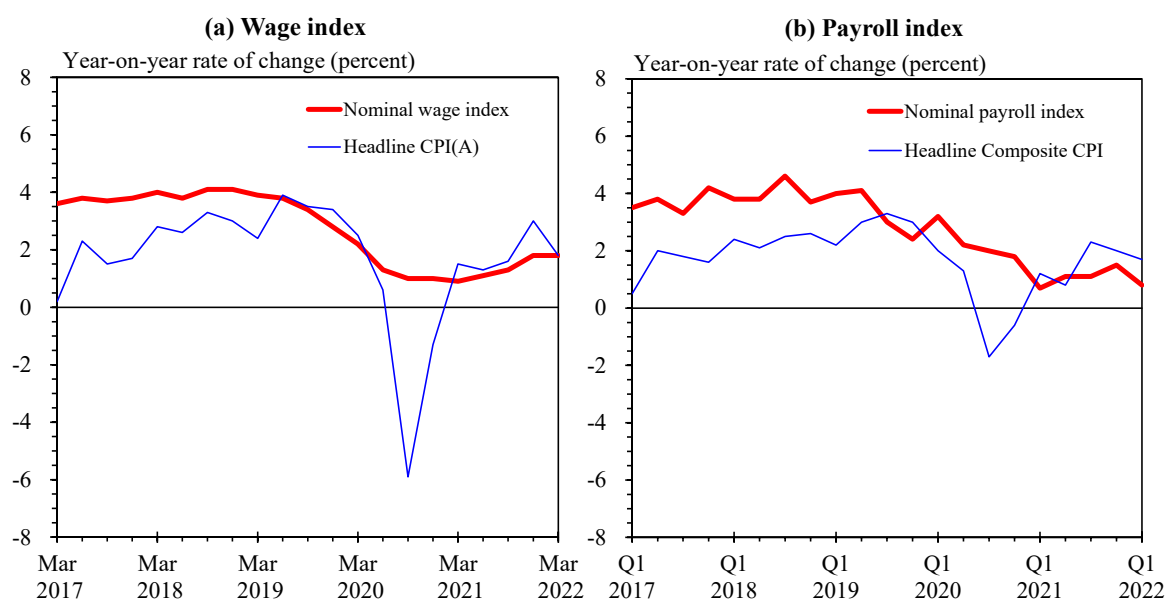
5.16 Both nominal wages and labour earnings continued to register year-on-year increases in the first quarter. The average nominal wage rate, as measured by the nominal wage index for all selected industry sections which covers regular payment to employees at the supervisory level or below, rose by 1.8% in March, the same pace of increase as three months ago. After discounting for headline *inflation*<sup>(7)</sup>, the average wage rate was virtually unchanged in real terms from a year earlier.

5.17 The average nominal wage rates in most selected sectors saw year-on-year increases in March, particularly for those in financial and insurance activities (up 3.0%), real estate leasing and maintenance management (up 3.0%), and professional and business services (up 2.4%). The exceptions were the personal services sector (down 1.0%) and the transportation sector (down 0.2%). Analysed by occupation, most occupations recorded increases in average nominal wage rates, more visibly for miscellaneous non-production workers (up 2.9%). The exception was operatives (down 0.1%).

5.18 *Labour earnings*<sup>(8)</sup>, as measured by the index of payroll per person engaged for all selected industry sections which covers basic wage, overtime pay, discretionary bonuses and other irregular payments, recorded a decelerated year-on-year increase of 0.8% in nominal terms in the first quarter. After adjusting for inflation, labour earnings declined by 0.7% year-on-year in real terms.

5.19 With business severely disrupted by the fifth wave of local epidemic, nominal payroll per person engaged in the accommodation and food service activities, and retail trade switched to declines of 0.7% and 0.2% respectively. That in the social and personal services industry showed a somewhat wider decrease of 0.7%. On the other hand, nominal payroll per person engaged in other industries posted modest to moderate increases, but the increases in some of these industries (such as transportation, storage, postal and courier services, and manufacturing) were due to low bases of comparison.

**Diagram 5.6: Both nominal wage and labour earning continued to increase, but the pace of increase in the latter decelerated**



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

5.20 More recent statistics from the GHS, though not strictly comparable to those from the business establishment surveys, indicated that the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) grew further by 5.0% year-on-year in nominal terms in the second quarter, compared with the 5.5% increase in the preceding quarter. The pace of increase was faster than the headline inflation rate (as measured by the year-on-year rate of change in the headline Composite Consumer Price Index (CCPI)) of 1.5% in the same quarter. However, the median monthly household income (excluding foreign domestic helpers) increased only modestly by 0.5% amid the decline in the number of working members per household.

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

5.21 The Government continued to implement various measures to support enterprises and preserve employment. Following the Government's further allocation of \$6.6 billion for another round of the Job Creation Scheme under the sixth round of the Anti-epidemic Fund earlier this year, around 28 800 jobs were created as at the end of June 2022, comprising around 18 300 jobs in the government sector and some 10 500 jobs in the non-governmental sector. Separately, the Temporary Unemployment Relief (TUR) Scheme was launched in March 2022 to provide a one-off subsidy of \$10,000 to people who have lost their jobs due to the fifth wave of local epidemic. As at late July 2022, the TUR Scheme disbursed \$3.5 billion to about 350 000 persons. Moreover, the 2022 Employment Support Scheme (ESS) was launched to provide wage subsidies to employers for three months from May to July 2022. So far, about 169 000 employers were approved with wage subsidies for May totalling \$11.8 billion and benefitting about 1.5 million employees. Moreover, about 136 000 employers received wage subsidies for June, involving a total of about \$8.6 billion for around 1.1 million employees. Meanwhile, a sum of about \$760 million was distributed to about 95 000 self-employed persons. Separately, the sixth tranche of the Love Upgrading Special Scheme was launched by the Employees Retraining Board in July 2022 for six months until end-December, providing another 20 000 training places with allowance.

5.22 In view of the fifth wave of local epidemic, LD organised online job fairs instead of large-scale physical ones in the first half of 2022 to reduce the risk of cross infection posed by the congregation of people. Over 110 organisations participated in the online job fairs, offering more than 6 400 vacancies from various industries including property management, catering, retail, manufacturing, etc. Moreover, LD continued to provide employment and recruitment services through telephone and online platforms such as the Interactive Employment Service website. As the local epidemic situation stabilised, LD had gradually resumed the organisation of physical district-based and industry-based job fairs in LD's job centres and recruitment centres in the second quarter of 2022.

5.23 The Employment (Amendment) Ordinance 2022, which aims at better protecting the employment rights and benefits of employees under the backdrop of local epidemic, took effect on 17 June 2022. Since then, the absence from work of employees for compliance with an isolation order or a quarantine order, among other specific anti-epidemic requirements, is deemed as sickness day(s) under the Employment Ordinance (Cap.57) (EO) and that sickness allowance is

payable to eligible employees fulfilling other prerequisites under EO. The amended Ordinance also offers employment protection for employees who are absent from work due to compliance with specific anti-epidemic requirements and makes clear the rights and responsibilities of employers and employees on the COVID-19 vaccination.

5.24 The Minimum Wage Commission (MWC) is conducting the current round of review on the Statutory Minimum Wage (SMW) rate. MWC completed a six-week public consultation in May 2022 and held 14 consultation meeting sessions with stakeholder groups in June 2022. Taking into consideration views received, MWC is undertaking an evidence-based approach in reviewing the SMW rate, with a view to submitting a recommendation report to the Chief Executive in Council by end-October 2022 pursuant to the Minimum Wage Ordinance.

5.25 The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 to abolish the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund System to offset severance payment and long service payment (the offsetting arrangement) was passed by the Legislative Council in June 2022. The Government will implement the abolition of the offsetting arrangement in tandem with the expected full implementation of the eMPF Platform of the Mandatory Provident Fund Schemes Authority in 2025.



## 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 May – July 2021 to October – December 2021 have been revised to take into account the final end-2021 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. The occupation classification adopted in the General Household Survey has been enhanced since January – March 2022 to follow the International Standard Classification of Occupations 2008 (ISCO-08) more closely. The series has been backcasted to the quarter of January – March 2016. Starting from the reference quarter of January – March 2016, all the labour force statistics by occupation, unless otherwise specified, are compiled based on the revised classification.

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

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

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

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

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

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

- (4) The labour force, or the economically active population, is defined to include all persons aged 15 or above who either were engaged in productive work during the reference period (i.e. seven days before enumeration) or would otherwise have been engaged in productive work but were unemployed.
- (5) Figures enumerated from household data. The employed population is defined here to include those persons aged 15 or above who performed work for pay or profit or had a formal job attachment during the reference period (i.e. seven days before enumeration).

- (6) The low-paying sectors as identified by the Minimum Wage Commission include:
- (i) retail (including supermarkets and convenience stores, and other retail stores);
  - (ii) food and beverage services (including Chinese restaurants, non-Chinese restaurants, fast food cafes, Hong Kong style tea cafes, and other food and beverage services);
  - (iii) estate management, security and cleaning services (including real estate maintenance management, security services, cleaning services and membership organisations);
  - (iv) other low-paying sectors, including
    - elderly homes;
    - laundry and dry cleaning services;
    - hairdressing and other personal services;
    - local courier services; and
    - food processing and production.
- (7) 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 headline 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 headline 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.
- (8) 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.

## CHAPTER 6 : PRICES

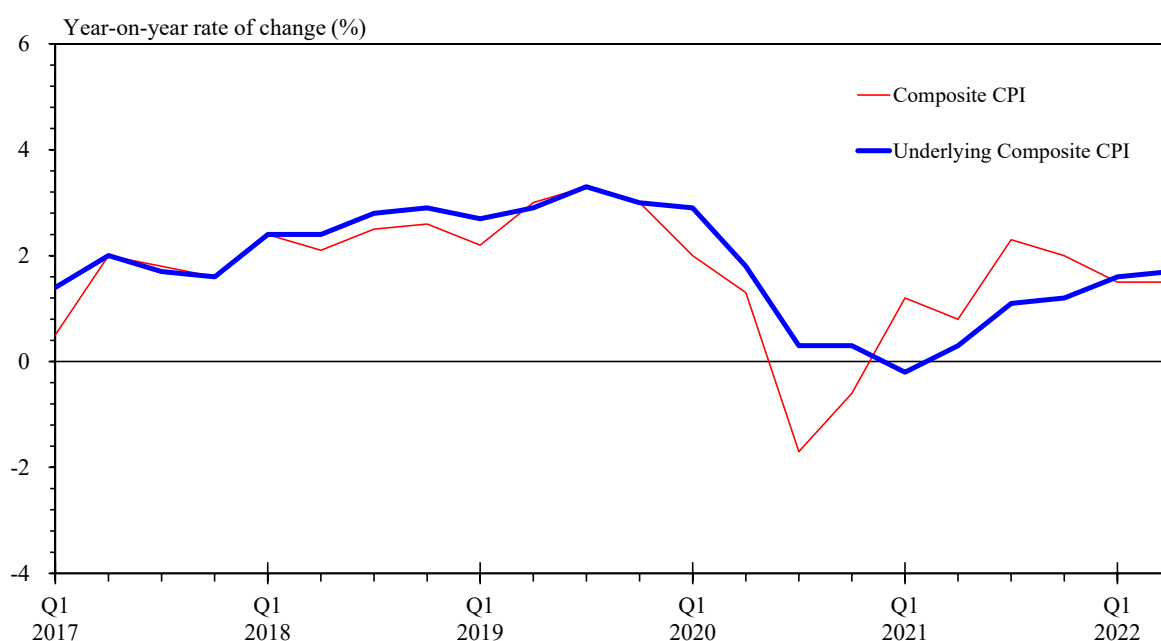
### *Summary*

- *Underlying consumer price inflation remained moderate in overall terms. The year-on-year increase in 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, edged up to 1.7% in the second quarter of 2022 from 1.6% in the preceding quarter. Prices of meals out and takeaway food showed an accelerated increase amid the generally moderated local epidemic situation and relaxed social distancing measures. Prices of energy-related items soared, while those of basic food and clothing and footwear continued to see visible increases. Nonetheless, price pressures on other major components stayed broadly in check. Private housing rentals continued to decline, albeit at a narrowed rate.*
- *The headline Composite CPI rose by 1.5% year-on-year in the second quarter, same as that in the preceding quarter. The headline inflation rate was lower than the underlying inflation rate in the second quarter due to the additional electricity charge subsidy provided by the Government.*
- *Domestic business cost pressures stayed largely mild, with commercial rentals staying soft and wage growth remaining moderate.*
- *External price pressures remained intensive. Inflation in many major economies<sup>(2)</sup> climbed further as supply bottlenecks continued and international commodity and energy prices stayed elevated amid the persisting tension in Ukraine. Against this backdrop, prices of overall merchandise imports continued to register a notable year-on-year increase.*

## Consumer prices

6.1 Underlying consumer price inflation, though edging up further, remained moderate in overall terms in the second quarter of 2022. Prices of meals out and takeaway food showed an accelerated increase amid the generally moderated local epidemic situation and relaxed social distancing measures. The increase in basic food prices was still visible despite the gradual moderation from the peak in March. Prices of energy-related items soared, while those of clothing and footwear continued to see visible increases. Nonetheless, price pressures on other major components stayed broadly in check. Private housing rentals continued to decline, albeit at a narrowed rate as the earlier increase in fresh-letting residential rentals gradually fed through. Domestic business cost pressures stayed largely mild, with commercial rentals staying soft and wage growth remaining moderate. External price pressures remained intensive. Inflation in many major economies climbed further alongside continued supply bottlenecks and elevated international commodity and energy prices caused by the persisting tension in Ukraine. Against this backdrop, prices of overall merchandise imports continued to register notable year-on-year increase.

**Diagram 6.1: Underlying consumer price inflation, though edging up further, remained moderate in overall terms in the second quarter**



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

6.2 The underlying Composite CPI inflation, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, edged up to 1.7% year-on-year in the second quarter from 1.6% in the preceding quarter. Meanwhile, the headline Composite CPI rose by 1.5% year-on-year in the second quarter, same as that in the preceding quarter. The lower headline inflation rate than the underlying inflation rate in the second quarter was due to the additional electricity charge subsidy provided by the Government.

**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>			
2021	Annual	0.6	1.6	2.9	1.0	0.9
	H1	*	1.0	2.5	0.3	0.2
	H2	1.2	2.1	3.2	1.6	1.5
	Q1	-0.2	1.2	3.3	0.3	*
	Q2	0.3	0.8	1.6	0.4	0.4
	Q3	1.1	2.3	4.0	1.4	1.3
	Q4	1.2	2.0	2.5	1.8	1.7
2022	H1	1.6	1.5	1.4	1.5	1.7
	Q1	1.6	1.5	1.5	1.5	1.6
	Q2	1.7	1.5	1.2	1.4	1.8

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

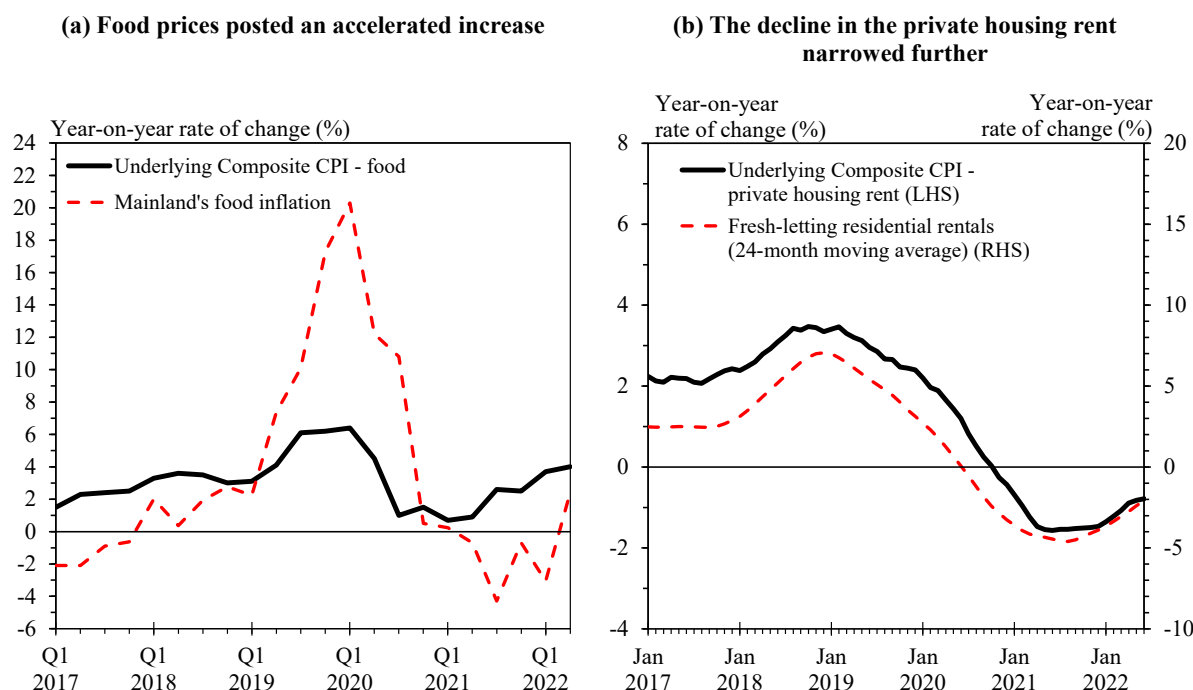
2021	Q1	0.3	1.1	1.6	0.9	0.6
	Q2	0.4	0.3	0.3	0.2	0.4
	Q3	0.3	-0.8	-2.2	-0.2	0.2
	Q4	0.3	1.4	2.7	0.9	0.5
2022	Q1	0.6	0.7	0.7	0.6	0.5
	Q2	0.5	0.3	0.1	0.1	0.5

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  $\pm 0.05\%$ .

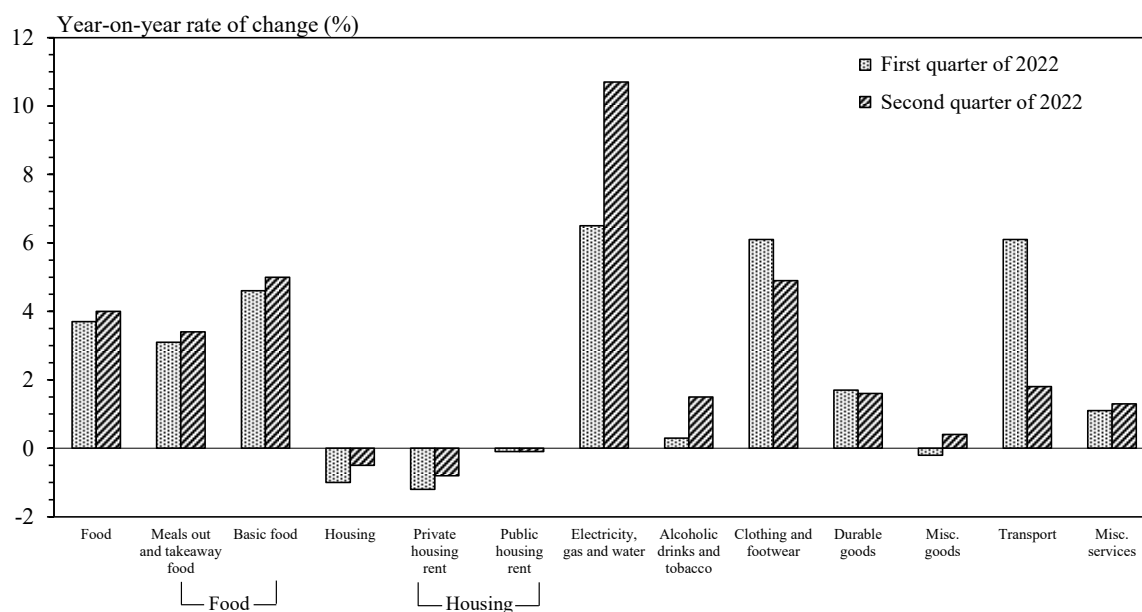
6.3 Analysed by major component of the underlying Composite CPI, the year-on-year rate of increase in food prices, the component with the largest weight other than housing, accelerated to 4.0% in the second quarter from 3.7% in the preceding quarter. Within food prices, prices of meals out and takeaway food posted a faster increase of 3.4% amid the generally moderated local epidemic situation and relaxed social distancing measures. Prices of basic food rose visibly further by 5.0% (see **Box 6.1** for recent situation of basic food inflation), but the pace of increase moderated gradually from the peak in March alongside the stabilisation of fresh food supply from the Mainland. The year-on-year decline in the private housing rental component narrowed further to 0.8%, reflecting the gradual feed-through of the earlier increase in fresh-letting residential rentals. Prices of electricity, gas and water registered a double-digit increase alongside the surge in international energy prices. Prices of clothing and footwear continued to see a visible increase. Meanwhile, prices of transport posted a significantly moderated increase, as the effects of a higher base of comparison and the extension of Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities to those aged between 60 and 64 offset that of higher motor fuel prices. Prices of durable goods and miscellaneous services continued to record moderate increases, while those of miscellaneous goods turned to a modest rise.

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

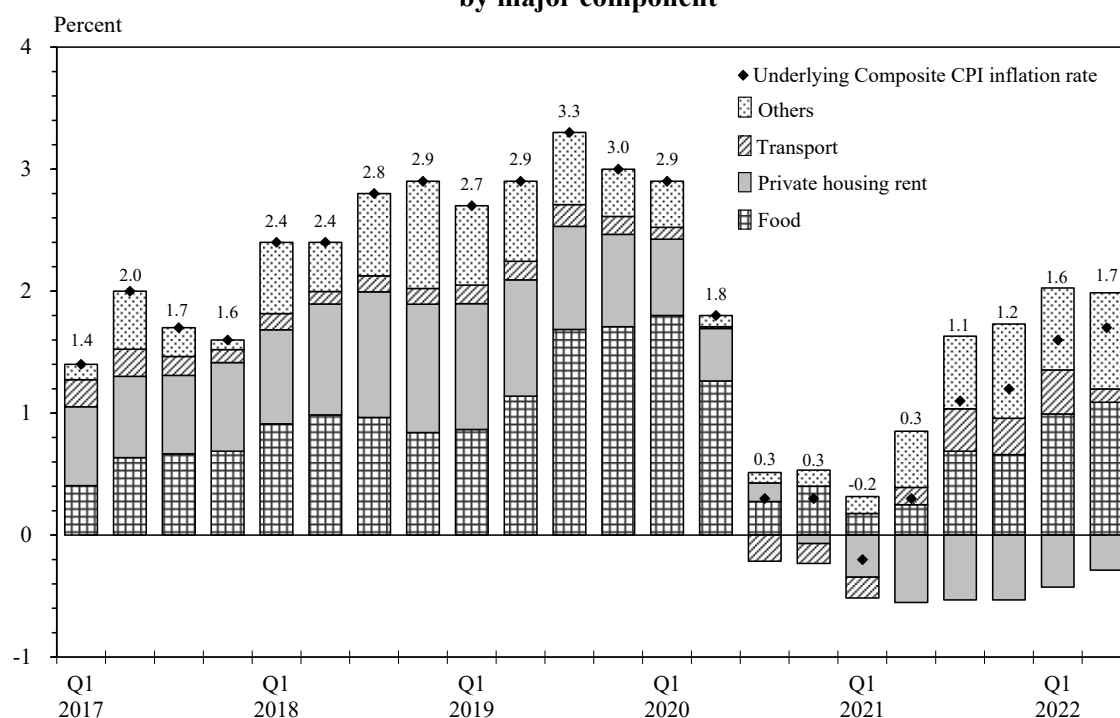


Note : The year-on-year rates of change of the CPI from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

**Diagram 6.3 (a) : Prices of energy-related items soared, while those of basic food and clothing and footwear continued to see visible increases**



**Diagram 6.3 (b) : Contribution to underlying Composite CPI inflation rate by major component**



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

**Table 6.2 : Underlying Composite CPI by component**  
(year-on-year rate of change (%))

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>2020<sup>(b)</sup></u>		<u>2021</u>				<u>2022</u>	
		<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Food	27.41	3.3	1.7	0.7	0.9	2.6	2.5	3.7	4.0
<i>Meals out and takeaway food</i>	17.05	0.8	1.8	*	1.0	3.6	2.8	3.1	3.4
<i>Basic food</i>	10.36	7.7	1.4	1.8	1.1	1.0	1.9	4.6	5.0
Housing <sup>(a)</sup>	40.25	1.3 (-0.1)	-0.7 (0.3)	-0.1 (1.7)	-0.7 (-0.7)	-0.9 (1.0)	-1.2 (-0.6)	-1.0 (-0.3)	-0.5 (-0.6)
<i>Private housing rent</i>	35.46	0.9 (1.1)	-1.4 (-1.3)	-1.0 (-1.0)	-1.6 (-1.6)	-1.5 (-1.6)	-1.5 (-0.8)	-1.2 (-0.5)	-0.8 (-0.8)
<i>Public housing rent</i>	1.87	3.3 (-21.0)	6.1 (29.3)	9.6 (59.2)	9.4 (11.0)	6.1 (100.3)	-0.1 (2.0)	-0.1 (2.0)	-0.1 (-0.1)
Electricity, gas and water	2.82	0.6 (-20.6)	4.7 (27.0)	* (25.4)	2.2 (26.0)	4.8 (20.5)	12.3 (37.0)	6.5 (-2.4)	10.7 (2.7)
Alcoholic drinks and tobacco	0.49	0.5	0.1	0.6	-0.1	-0.4	0.2	0.3	1.5
Clothing and footwear	2.42	-5.2	3.3	-1.5	2.1	5.4	7.1	6.1	4.9
Durable goods	4.00	-2.7	1.0	-0.5	0.7	2.1	2.0	1.7	1.6
Miscellaneous goods	3.32	3.1	-3.1	-4.2	-4.1	-2.8	-1.2	-0.2	0.4
Transport	6.17	-1.0	2.6	-2.8	2.4	5.9	5.1	6.1	1.8
Miscellaneous services	13.12	0.8 (0.8)	0.7 (0.7)	0.5 (0.5)	0.6 (0.6)	0.9 (0.8)	1.1 (1.0)	1.1 (1.0)	1.3 (1.3)
All items	100.00	1.3 (0.3)	0.6 (1.6)	-0.2 (1.2)	0.3 (0.8)	1.1 (2.3)	1.2 (2.0)	1.6 (1.5)	1.7 (1.5)

- Notes : (a) The housing component covers rents, rates, Government rent, management fees 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.
- (b) Splicing has been applied to the indices in order to obtain better estimates of the rates of change for the year 2020.
- (c) Figures in brackets represent the headline rates of change before netting out the effects of Government's one-off relief measures.
- (\*) Change within  $\pm 0.05\%$ .



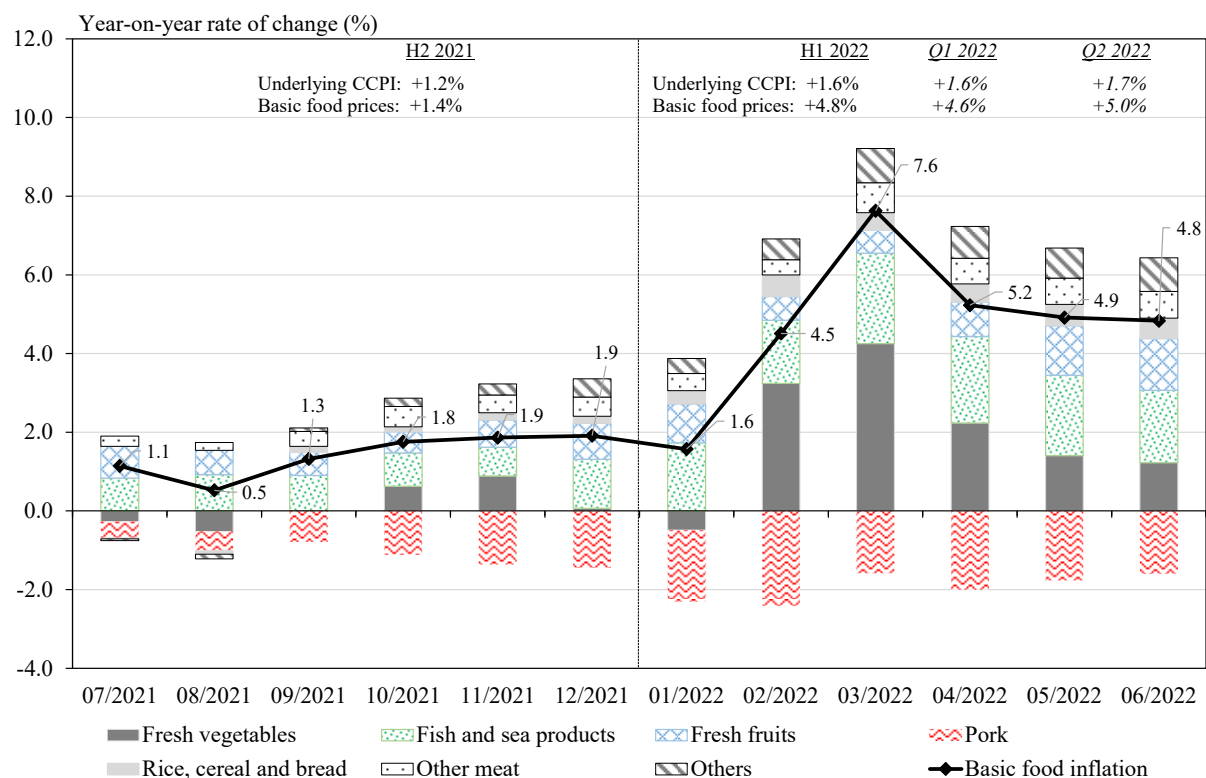
## Box 6.1

### Recent situation of basic food inflation in Hong Kong

Underlying Composite Consumer Price Index (CCPI) inflation picked up to 1.6% in the first half of 2022 from 1.2% in the second half of 2021. While inflation remained moderate in overall terms, the increase in basic food prices accelerated visibly to 4.6% in the first quarter of 2022 and 5.0% in the second quarter, from 1.4% in the second half of 2021. This box article examines the food items contributing to the recent pick-up in basic food inflation, as well as their supply situation.

Analysed by broad food items, **the key contributors to the visibly faster basic food inflation in the first half of 2022 were fresh vegetables, fish and sea products<sup>(1)</sup>, and fresh fruits (Chart 1).** During the period, these items combined accounted for over 90% of the increase in basic food inflation, while the decline in pork price<sup>(2)</sup> provided some offset. It is also noted that the price increase of fresh vegetables was particularly sharp in February and March, while that of fresh fruits was more notable in May and June.

**Chart 1: Contribution to basic food inflation rate by major food item**



(1) Including salt-water fish, fresh-water fish, other fresh sea products and processed sea products.

(2) Pork price trended downward as the supply of live pigs from the Mainland continued to recover after the outbreak of African Swine Fever in the first half of 2019. Specifically, the number of live pigs imported from the Mainland increased by 46.3% in the first half of 2022 from a year ago.

### Box 6.1 (Cont'd)

Price of *fresh vegetables* soared by 24.9% and 34.1% year-on-year in February and March respectively and continued to register notable increases of 10.7% - 18.6% in April to June. On top of the impact stemming from the Lunar New Year for a brief period in February, the surge in price was mainly attributable to the reduced supply of fresh vegetables amid the cross-boundary land transportation disruptions since the outbreak of the fifth wave of the local epidemic. According to Census and Statistics Department's merchandise trade statistics, over 90% of imported vegetables<sup>(3)</sup> in terms of weight were sourced from the Mainland in 2021, and nearly all of them were transported by land. The volume of vegetables imported in February - March 2022 was 26% lower than a year earlier, with almost all of the decline attributable to those imported by land. Thanks to the concerted effort of the Mainland and Hong Kong authorities and the generally improved local epidemic situation, the supply has been picking up broadly since then. The price of fresh vegetables fell successively by a total of 25.9% from the peak of March to June, but remained 10.7% above that a year earlier.

The notable price increase in *fish and sea products* was also related to the cross-boundary land transportation disruptions, to a large extent. Similar to fresh vegetables, the Mainland has been an important source of supply for fish and sea products. In 2021, nearly 60% of the imported fish and sea products in terms of weight was imported from the Mainland and over 80% of which was transported by land. The volume of fish and sea products imported in February - March 2022 declined by 28% from a year earlier, and nearly 70% of the reduction was accounted for by those imported by land. The volume of imported fish and sea products has rebounded in the second quarter, but was still 6% lower than a year ago. During the period, price of fish and sea products registered year-on-year increases of 8.2% - 11.8% in February to June. Their price did not rise as much as that of fresh vegetables, conceivably due to the wider source of imports apart from the Mainland, availability of more substitutes like other types of meat, and possible cushion provided by the inventory of frozen fish.

*Fresh fruits*, nonetheless, were imported from more diversified sources around the world. Only around one-tenth of imported fresh fruits in terms of weight were sourced from the Mainland. In this connection, the impact on the overall supply of fresh fruits in Hong Kong posed by land transportation disruptions should be much smaller. That said, the year-on-year increase in price of fresh fruits was still visible at 8.9% in the first quarter, followed by 14.1% in the second quarter. This could be related to the higher production costs driven up in part by the higher prices of fertilizers and fuel, and the elevated international freight cost arising from supply chain bottlenecks in many places around the world.

Prices of most other food items also registered faster year-on-year increases in the first half of 2022 as compared to the second half of 2021, contributing to the higher basic food inflation. Basic food inflation may remain high for some time amid continued land transportation disruptions, supply chain bottlenecks, and elevated global commodity prices. The grassroots would be harder hit as a larger part of their income is spent on food. It is also difficult for them to accommodate the higher basic food prices within their tight budget. The Government is aware of the pressure of high food inflation on citizens, and will work to ensure a stable food supply.

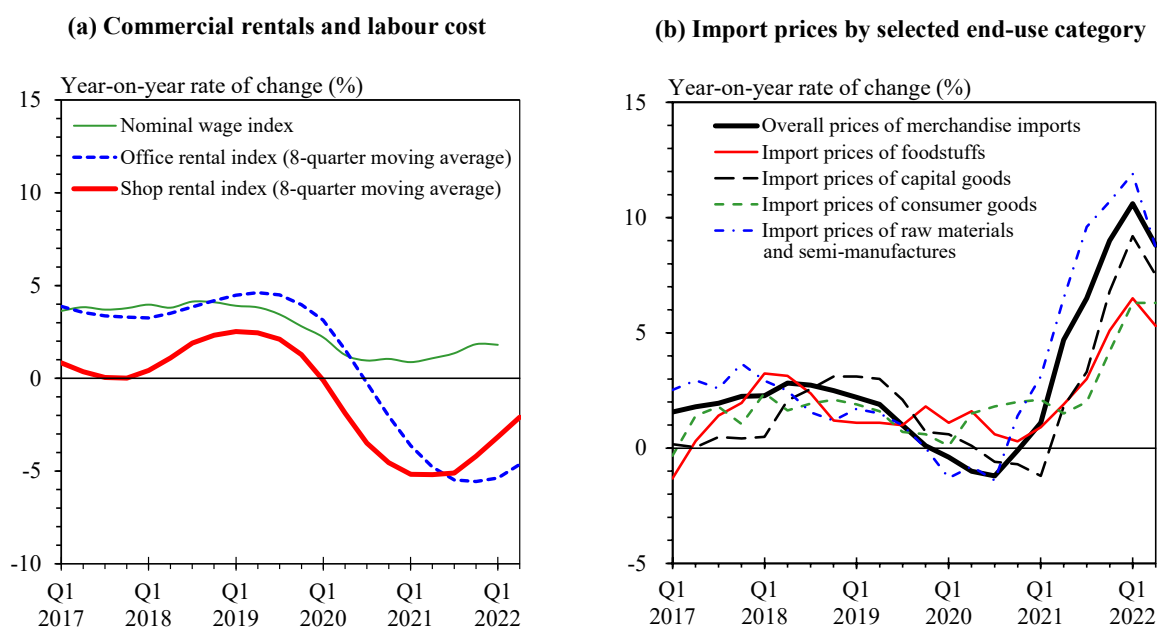
---

(3) Referring to fresh or chilled vegetables in trade statistics.

## Costs of factor inputs and import prices

6.4 Domestic cost pressures stayed largely mild in the second quarter of 2022. Nominal wage continued to grow moderately. Commercial rentals faced by businesses stayed soft. As a proxy, the eight-quarter moving average of office rentals and shop rentals declined by 4.6% and 2.1% respectively in the second quarter. Reportedly, some landlords of commercial properties provided temporary rental relief to tenants whose business was affected by the local epidemic.

**Diagram 6.4 : Domestic cost pressures stayed largely mild;  
external price pressures remained intensive**



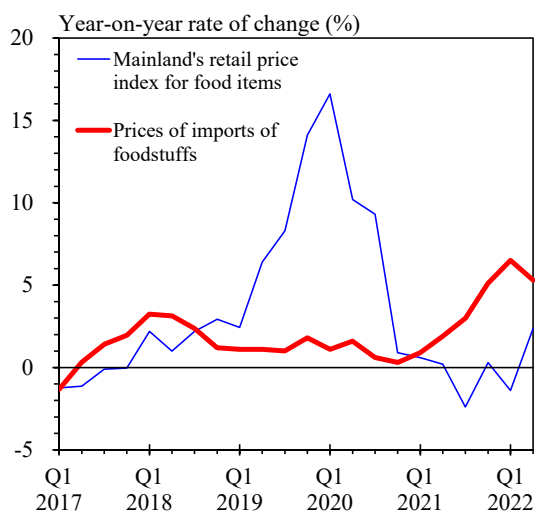
6.5 External price pressures remained intensive. Continued supply bottlenecks around the world and elevated international commodity and energy prices caused by the tension in Ukraine saw inflation in many major economies intensify further. While the stronger Hong Kong dollar vis-à-vis other major currencies provided some offset against the external price pressures, prices of merchandise imports rose notably further by 8.8% in the second quarter, after the 10.6% increase in the preceding quarter. Prices of imports of all major end-use categories showed visible increases. Import prices of fuels surged further by 71.3%. Import prices of raw materials and semi-manufactures, capital goods, consumer goods and foodstuffs went up by 8.7%, 7.5%, 6.3% and 5.3% respectively.

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

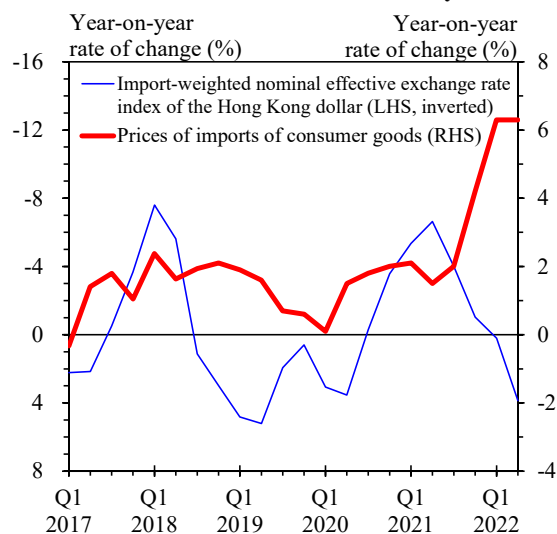
		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2021	Annual	2.6	2.5	7.6	39.8	2.9	5.5
	H1	1.3	1.9	4.8	18.1	0.4	2.9
	H2	4.1	3.1	10.1	63.7	5.1	7.8
	Q1	0.9	2.1	3.1	-9.5	-1.2	1.1
	Q2	1.9	1.5	6.5	61.5	1.8	4.7
	Q3	3.0	2.0	9.6	53.4	3.3	6.5
	Q4	5.1	4.2	10.7	74.2	6.8	9.0
2022	H1	5.9	6.3	10.2	61.9	8.3	9.7
	Q1	6.5	6.3	11.9	53.0	9.2	10.6
	Q2	5.3	6.3	8.7	71.3	7.5	8.8

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

**(a) Import prices of foodstuffs increased further**

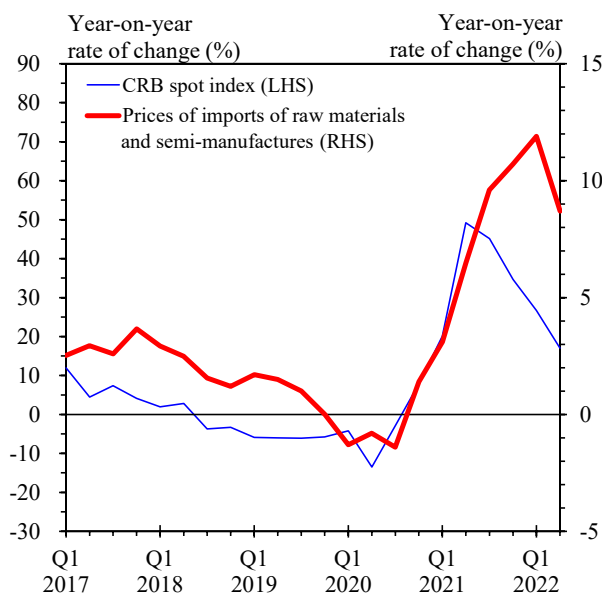


**(b) Import prices of consumer goods continued to increase notably**

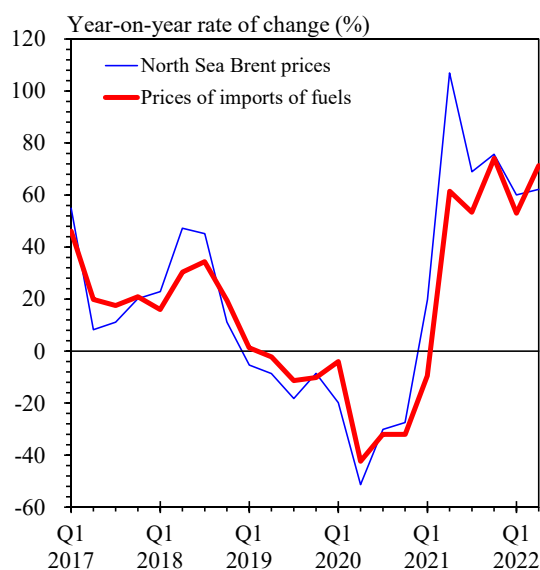


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

**(c) Import prices of raw materials and semi-manufactures continued to see visible increase**



**(d) Import prices of fuels surged further**



## Output prices

6.6 Output prices, as measured by the *Producer Price Indices*<sup>(3)</sup>, continued to record increases in most sectors in the first quarter of 2022. Output prices for the manufacturing sector picked up moderately. Among the selected service sectors, output prices for accommodation services and land transport saw accelerated increases, though the former remained far below the pre-recession level. Output prices for both air transport and water transport continued to surge amid severe capacity constraints. On the other hand, output prices for courier services declined further, while those for telecommunications services continued its secular downtrend.

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

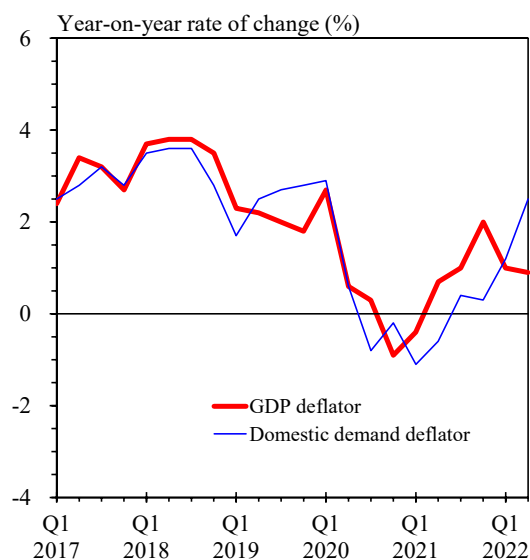
<u>Industry group</u>	<u>2020</u>		<u>2021</u>				<u>2022</u>
	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Manufacturing	2.3	1.2	1.9	2.7	-0.8	1.2	2.3
Selected service sectors							
Accommodation services	-20.2	3.3	-4.0	4.1	7.2	6.6	8.9
Land transport	-5.0	2.7	-5.2	1.1	7.5	7.8	9.4
Water transport	5.6	63.2	34.4	57.0	76.6	82.2	57.0
Air transport	15.9	36.7	18.9	30.3	34.7	59.1	42.8
Telecommunications	-1.8	-1.7	-1.7	-1.6	-2.7	-0.6	-0.6
Courier services	5.1	-1.9	2.1	-1.1	-3.7	-4.4	-4.1

## GDP deflator

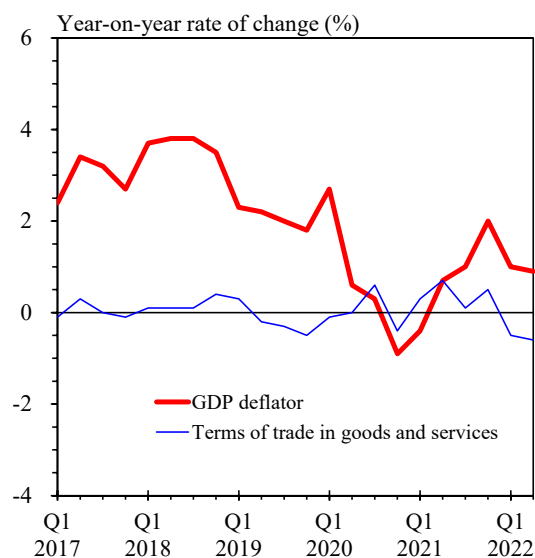
6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*<sup>(4)</sup> rose by 0.9% in the second quarter over a year earlier, following an increase of 1.0% in the preceding quarter. The *terms of trade*<sup>(5)</sup> deteriorated further as import prices rose faster than export prices. Taking out the external trade components, the domestic demand deflator increased by 2.5% in the second quarter, after rising by 1.2% in the preceding quarter.

**Diagram 6.6: GDP deflator**

(a) GDP deflator rose further in the second quarter



(b) Terms of trade continued to deteriorate



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

	<u>2020</u>			<u>2021</u>			<u>2022</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>	<u>Q2</u> <sup>#</sup>
Private consumption expenditure	0.6	-0.3	-1.4	-0.5	-0.2	0.7	0.5	2.0
Government consumption expenditure	2.1	0.8	0.1	0.1	0.8	2.2	2.3	3.9
Gross domestic fixed capital formation	-1.5	0.4	-3.1	-1.3	1.3	4.7	3.5	3.1
Total exports of goods <sup>&amp;</sup>	0.1	5.0	1.4	4.9	5.2	8.1	9.2	7.0
Imports of goods <sup>&amp;</sup>	0.1	4.9	1.3	4.3	5.6	7.9	10.2	8.3
Exports of services <sup>&amp;</sup>	-0.4	13.3	6.7	13.7	16.3	16.6	11.6	13.6
Imports of services <sup>&amp;</sup>	-0.9	10.6	5.0	12.2	12.2	12.6	9.1	7.9
<b>Gross Domestic Product</b>	<b>0.6</b>	<b>0.9</b>	<b>-0.4</b> <b>&lt;0.8&gt;</b>	<b>0.7</b> <b>&lt;0.3&gt;</b>	<b>1.0</b> <b>&lt;0.4&gt;</b>	<b>2.0</b> <b>&lt;0.5&gt;</b>	<b>1.0</b> <b>&lt;-0.4&gt;</b>	<b>0.9</b> <b>&lt;0.3&gt;</b>
Total final demand <sup>&amp;</sup>	0.2	3.8	0.9	3.5	4.3	6.2	6.8	5.7
Domestic demand	0.6	-0.2	-1.1	-0.6	0.4	0.3	1.2	2.5
Terms of trade in goods and services <sup>&amp;</sup>	*	0.4	0.3	0.7	0.1	0.5	-0.5	-0.6

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.

In May 2021, the Census and Statistics Department had updated the base period and expenditure weights for compiling the CPIs. CPI figures quoted in this report refer to the 2019/20-based series unless otherwise stated.

The expenditure ranges of the households covered in the 2019/20-based CPIs are shown below:

	Approximate proportion of <u>households covered</u> (%)	Average monthly expenditure range <u>during Oct 2019 to Sep 2020</u> (%)
CPI(A)	50	6,500 to 27,999
CPI(B)	30	28,000 to 48,499
CPI(C)	10	48,500 to 91,999

The weightings of the various components in the 2019/20-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	27.41	32.71	26.76	21.89
<i>Meals out and takeaway     food</i>	<i>17.05</i>	<i>18.87</i>	<i>17.27</i>	<i>14.55</i>
<i>Basic food</i>	<i>10.36</i>	<i>13.84</i>	<i>9.49</i>	<i>7.34</i>
Housing	40.25	40.46	40.77	39.24
<i>Private housing rent</i>	<i>35.46</i>	<i>33.43</i>	<i>37.22</i>	<i>35.44</i>
<i>Public housing rent</i>	<i>1.87</i>	<i>4.95</i>	<i>0.55</i>	--
<i>Management fees and     other housing charges</i>	<i>2.92</i>	<i>2.08</i>	<i>3.00</i>	<i>3.80</i>
Electricity, gas and water	2.82	3.85	2.57	1.92
Alcoholic drinks and tobacco	0.49	0.76	0.41	0.27
Clothing and footwear	2.42	1.78	2.51	3.08
Durable goods	4.00	3.29	3.94	4.97
Miscellaneous goods	3.32	3.31	3.48	3.10
Transport	6.17	4.52	6.38	7.89
Miscellaneous services	13.12	9.32	13.18	17.64
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>2020</u>		<u>2021</u>				<u>2022</u>	
	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Selected developed economies								
US <sup>^</sup>	1.7	3.6	1.4	3.7	4.1	5.0	6.3	6.0
Canada	0.7	3.4	1.4	3.3	4.1	4.7	5.8	7.5
EU	0.7	2.9	1.4	2.2	3.1	4.9	6.5	8.8
Japan	*	-0.2	-0.5	-0.7	-0.2	0.5	0.9	2.4
Selected major emerging economies								
Mainland China	2.5	0.9	*	1.1	0.8	1.8	1.1	2.2
Russia	3.4	6.7	5.6	6.0	6.9	8.3	11.6	17.0
India	6.6	5.1	4.9	5.6	5.1	5.0	6.3	7.3
Brazil	3.2	8.3	5.3	7.7	9.6	10.5	10.7	11.9
Selected Asian economies								
Hong Kong	0.3	1.6	1.2	0.8	2.3	2.0	1.5	1.5
Singapore	-0.2	2.3	0.8	2.3	2.5	3.7	4.6	5.9
Taiwan	-0.2	2.0	0.8	2.1	2.3	2.7	2.8	3.5
Korea	0.5	2.5	1.4	2.5	2.5	3.5	3.8	5.4
Malaysia	-1.1	2.5	0.5	4.2	2.1	3.2	2.2	2.8
Thailand	-0.8	1.2	-0.5	2.4	0.7	2.4	4.7	6.5
Indonesia	2.0	1.6	1.4	1.5	1.6	1.8	2.3	3.8
Philippines	2.4	3.9	4.0	4.0	4.1	3.6	3.4	5.5
Vietnam	3.2	1.8	0.3	2.7	2.5	1.9	1.9	3.0
Macao	0.8	*	-1.0	-0.4	0.5	1.0	1.0	1.2

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)	100-101
2. Rates of change in chain volume measures of Gross Domestic Product by expenditure component (in real terms)	102-103
3. Gross Domestic Product by economic activity (at current prices)	104
4. Rates of change in chain volume measures of Gross Domestic Product by economic activity (in real terms)	105
5. Balance of Payments by major component (at current prices)	106
6. Goods and services trade (at current market prices)	107
7. Total exports of goods by market (in value terms)	108
8. Imports of goods by source (in value terms)	109
9. Exports and imports of services by component (at current market prices)	110
10. Incoming visitors by source	111
11. Property market	112-113
12. Property prices and rentals	114-115
13. Monetary aggregates	116-117
14. Rates of change in business receipts indices for services industries/domains	118
15. Labour force characteristics	119
16. Employment in selected major industries	120
17. Number of manual workers engaged at building and construction sites	121
18. Rates of change in indices of payroll per person engaged by selected industry section	122
19. Rates of change in wage indices by selected industry section	123
20. Monthly wage level and distribution analysed by industry section : all employees	124
21. Hourly wage level and distribution analysed by industry section : all employees	125
22. Rates of change in prices	126-127
23. Rates of change in Composite Consumer Price Index	128-129
24. Rates of change in implicit price deflators of GDP and its main expenditure components	130-131

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

	(\$Mn)					
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Private consumption expenditure	1,314,969	1,413,058	1,502,768	1,593,091	1,650,101	1,784,375
Government consumption expenditure	185,310	198,572	214,216	231,263	247,973	261,447
Gross domestic fixed capital formation	517,411	515,516	530,916	537,205	535,216	575,977
Building and construction	204,860	211,130	244,047	262,780	283,447	297,306
Costs of ownership transfer	34,074	39,389	43,967	45,846	44,517	65,810
Machinery, equipment and intellectual property products	278,477	264,997	242,902	228,579	207,252	212,861
Changes in inventories	-3,662	-1,673	7,473	-20,580	447	10,973
Total exports of goods <sup>&amp;</sup>	3,632,957	3,926,059	3,986,769	3,889,225	3,892,886	4,212,774
Imports of goods <sup>&amp;</sup>	3,779,686	4,142,651	4,237,700	4,066,527	4,022,579	4,391,306
Exports of services <sup>&amp;</sup>	764,026	812,640	829,085	808,948	764,660	811,295
Imports of services <sup>&amp;</sup>	594,266	583,216	573,522	574,345	578,106	605,924
<b>GDP</b>	<b>2,037,059</b>	<b>2,138,305</b>	<b>2,260,005</b>	<b>2,398,280</b>	<b>2,490,598</b>	<b>2,659,611</b>
<b>Per capita GDP (\$)</b>	<b>284,899</b>	<b>297,860</b>	<b>312,609</b>	<b>328,924</b>	<b>339,476</b>	<b>359,737</b>
<b>GNI</b>	<b>2,066,514</b>	<b>2,178,824</b>	<b>2,306,612</b>	<b>2,442,656</b>	<b>2,553,191</b>	<b>2,775,163</b>
<b>Per capita GNI (\$)</b>	<b>289,019</b>	<b>303,504</b>	<b>319,056</b>	<b>335,010</b>	<b>348,007</b>	<b>375,367</b>
Total final demand	6,411,011	6,864,172	7,071,227	7,039,152	7,091,283	7,656,841
Total final demand excluding re-exports <sup>(a)</sup>	3,828,055	4,025,243	4,116,670	4,139,786	4,190,686	4,496,472
Domestic demand	2,014,028	2,125,473	2,255,373	2,340,979	2,433,737	2,632,772
Private	1,737,274	1,827,460	1,929,514	1,991,436	2,062,216	2,240,487
Public	276,754	298,013	325,859	349,543	371,521	392,285
External demand	4,396,983	4,738,699	4,815,854	4,698,173	4,657,546	5,024,069

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>2018</u>	<u>2019</u>	<u>2020<sup>#</sup></u>	<u>2021<sup>#</sup></u>	<u>2021</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>
					Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Private consumption expenditure	1,936,427	1,973,720	1,777,537	1,866,195	456,433	490,753	425,731	478,847
Government consumption expenditure	281,420	309,437	340,931	359,625	89,926	90,041	103,941	99,133
Gross domestic fixed capital formation	612,439	520,575	453,867	500,150	127,993	131,416	111,357	123,941
Building and construction	308,596	278,091	252,636	259,951	64,514	67,439	69,489	66,869
Costs of ownership transfer	67,482	49,209	40,071	54,194	14,322	12,394	8,003	9,478
Machinery, equipment and intellectual property products	236,361	193,275	161,160	186,005	49,157	51,583	33,865	47,594
Changes in inventories	11,204	-3,067	52,008	5,252	20,053	-23,668	-17,148	19,199
Total exports of goods <sup>&amp;</sup>	4,453,350	4,255,098	4,198,338	5,243,795	1,365,691	1,470,806	1,218,829	1,211,115
Imports of goods <sup>&amp;</sup>	4,706,347	4,375,619	4,239,663	5,222,467	1,362,533	1,429,378	1,205,008	1,288,864
Exports of services <sup>&amp;</sup>	886,883	798,942	518,947	596,699	157,104	160,382	161,772	150,860
Imports of services <sup>&amp;</sup>	639,947	634,243	426,257	479,567	123,111	135,895	117,020	117,058
<b>GDP</b>	<b>2,835,429</b>	<b>2,844,843</b>	<b>2,675,708</b>	<b>2,869,682</b>	<b>731,556</b>	<b>754,457</b>	<b>682,454</b>	<b>677,173</b>
<b>Per capita GDP (\$)</b>	<b>380,462</b>	<b>378,913</b>	<b>357,667</b>	<b>387,110</b>	--	--	--	--
<b>GNI</b>	<b>2,970,244</b>	<b>2,988,560</b>	<b>2,831,791</b>	<b>3,074,650</b>	<b>795,348</b>	<b>789,937</b>	<b>705,700</b>	<b>N.A.</b>
<b>Per capita GNI (\$)</b>	<b>398,551</b>	<b>398,055</b>	<b>378,531</b>	<b>414,759</b>	--	--	--	--
Total final demand	8,181,723	7,854,705	7,341,628	8,571,716	2,217,200	2,319,730	2,004,482	2,083,095
Total final demand excluding re-exports <sup>(a)</sup>	4,819,554	4,601,880	4,099,454	4,466,423	1,145,003	1,173,797	1,051,756	1,121,514
Domestic demand	2,841,490	2,800,665	2,624,343	2,731,222	694,405	688,542	623,881	721,120
Private	2,425,554	2,359,687	2,149,534	2,228,823	572,592	559,596	468,914	583,631
Public	415,936	440,978	474,809	502,399	121,813	128,946	154,967	137,489
External demand	5,340,233	5,054,040	4,717,285	5,840,494	1,522,795	1,631,188	1,380,601	1,361,975

- 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Private consumption expenditure	4.1	4.6	3.3	4.8	2.0	5.5
Government consumption expenditure	3.6	2.7	3.1	3.4	3.4	2.8
Gross domestic fixed capital formation	6.8	2.6	-0.1	-3.2	-0.1	3.1
Building and construction	7.2	-4.3	9.3	2.2	5.9	-0.5
Costs of ownership transfer	-17.8	-28.1	6.9	-8.3	-2.9	23.2
Machinery, equipment and intellectual property products	10.2	11.3	-8.7	-7.7	-6.4	3.8
Total exports of goods <sup>&amp;</sup>	3.3	8.2	0.8	-1.7	1.6	6.5
Imports of goods <sup>&amp;</sup>	4.6	9.9	1.5	-2.7	0.7	7.3
Exports of services <sup>&amp;</sup>	2.7	6.0	1.6	0.3	-3.5	2.8
Imports of services <sup>&amp;</sup>	2.2	-2.1	-2.2	5.0	2.0	2.0
<b>GDP</b>	<b>1.7</b>	<b>3.1</b>	<b>2.8</b>	<b>2.4</b>	<b>2.2</b>	<b>3.8</b>
<b>Per capita GDP</b>	<b>0.6</b>	<b>2.7</b>	<b>2.0</b>	<b>1.5</b>	<b>1.5</b>	<b>3.0</b>
<b>RGNI</b>	<b>-0.2</b>	<b>4.0</b>	<b>2.7</b>	<b>3.8</b>	<b>3.2</b>	<b>5.7</b>
<b>Per capita RGNI</b>	<b>-1.3</b>	<b>3.6</b>	<b>1.9</b>	<b>2.9</b>	<b>2.6</b>	<b>4.9</b>
Total final demand	3.4	6.6	1.6	-0.4	1.3	5.6
Total final demand excluding re-exports <sup>(a)</sup>	3.2	4.2	0.6	0.1	1.5	4.5
Domestic demand	3.9	4.1	2.9	1.6	2.6	5.2
Private	3.6	4.1	2.6	1.3	2.5	5.7
Public	5.8	3.7	4.6	2.9	3.1	2.2
External demand	3.2	7.8	1.0	-1.4	0.7	5.8

- 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.  
 (\*) Change within  $\pm 0.05\%$ .  
 N.A. Not yet available.

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

	(%)									
	<u>2018</u>	<u>2019</u>	<u>2020<sup>#</sup></u>	<u>2021<sup>#</sup></u>	<u>2021</u>		<u>2022</u>		Average annual rate of change:	
					Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	10 years 2011 to 2021 <sup>#</sup>	5 years 2016 to 2021 <sup>#</sup>
Private consumption expenditure	5.3	-0.8	-10.5	5.4	6.5	5.3	-5.8	0.1	2.3	0.8
Government consumption expenditure	4.2	5.1	7.9	4.6	5.1	4.1	6.7	13.0	4.1	4.9
Gross domestic fixed capital formation	1.7	-14.9	-11.5	9.8	13.0	-0.6	-7.8	-3.0	-0.9	-2.8
Building and construction	-0.5	-10.8	-9.8	0.7	2.6	1.5	1.1	5.2	-0.3	-4.3
Costs of ownership transfer Machinery, equipment and intellectual property products	-11.2	-13.4	-4.0	39.2	37.3	-2.2	-34.1	-36.8	-3.3	4.8
Total exports of goods <sup>&amp;</sup>	3.5	-5.5	-1.4	18.9	14.2	13.5	-4.5	-8.6	3.2	4.1
Imports of goods <sup>&amp;</sup>	4.7	-8.2	-3.2	17.4	16.7	9.9	-5.9	-6.2	3.0	3.2
Exports of services <sup>&amp;</sup>	4.6	-9.6	-34.8	1.5	5.8	6.9	-2.9	2.3	-3.7	-8.5
Imports of services <sup>&amp;</sup>	2.8	0.1	-32.2	1.7	5.9	4.5	-3.8	-0.5	-2.7	-6.3
<b>GDP</b>	<b>2.8</b>	<b>-1.7</b>	<b>-6.5</b>	<b>6.3</b>	<b>5.4</b>	<b>4.7</b>	<b>-3.9</b>	<b>-1.3</b>	<b>1.6</b>	<b>0.8</b>
<b>Per capita GDP</b>	<b>2.0</b>	<b>-2.4</b>	<b>-6.2</b>	<b>7.3</b>	--	--	--	--	<b>1.2</b>	<b>0.6</b>
<b>RGNI</b>	<b>3.5</b>	<b>-1.7</b>	<b>-5.8</b>	<b>8.6</b>	<b>7.6</b>	<b>6.2</b>	<b>-4.5</b>	<b>N.A.</b>	<b>2.3</b>	<b>1.9</b>
<b>Per capita RGNI</b>	<b>2.7</b>	<b>-2.5</b>	<b>-5.4</b>	<b>9.5</b>	--	--	--	--	<b>1.8</b>	<b>1.7</b>
Total final demand	3.9	-5.3	-6.7	12.5	12.1	7.8	-5.1	-4.2	2.1	1.7
Total final demand excluding re-exports <sup>(a)</sup>	4.0	-5.0	-11.1	6.0	8.2	1.5	-6.1	-0.4	0.7	-0.6
Domestic demand	4.4	-3.7	-6.9	4.3	9.6	-1.8	-6.5	2.1	1.8	0.5
Private	4.8	-4.6	-9.2	4.3	11.0	-2.9	-10.7	-0.5	1.4	*
Public	2.4	1.5	5.7	4.4	3.6	3.7	9.5	15.2	3.6	3.2
External demand	3.7	-6.1	-6.7	17.0	13.3	12.9	-4.4	-7.6	2.3	2.4

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

	<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020<sup>#</sup></u>	
	\$Mn	%	\$Mn	%	\$Mn	%	\$Mn	%	\$Mn	%
	share		share		share		share		share	
Agriculture, fishing, mining and quarrying	1,898	0.1	1,736	0.1	1,762	0.1	2,057	0.1	2,648	0.1
Manufacturing	26,844	1.1	27,299	1.1	27,571	1.0	29,366	1.1	25,525	1.0
Electricity, gas and water supply, and waste management	34,414	1.4	34,978	1.4	35,660	1.3	34,083	1.2	35,325	1.4
Construction	124,932	5.2	129,714	5.1	120,473	4.5	114,499	4.2	104,262	4.1
Services	2,229,760	92.2	2,357,359	92.4	2,514,947	93.1	2,560,536	93.4	2,392,333	93.4
<i>Import/export, wholesale and retail trades</i>	525,526	21.7	548,636	21.5	575,103	21.3	533,352	19.5	471,246	18.4
<i>Accommodation<sup>(a)</sup> and food services</i>	79,682	3.3	83,507	3.3	91,525	3.4	75,918	2.8	36,934	1.4
<i>Transportation, storage, postal and courier services</i>	149,742	6.2	153,359	6.0	158,440	5.9	151,574	5.5	113,951	4.5
<i>Information and communications</i>	84,208	3.5	86,891	3.4	91,449	3.4	95,557	3.5	93,759	3.7
<i>Financing and insurance</i>	428,903	17.7	480,488	18.8	535,126	19.8	581,319	21.2	599,539	23.4
<i>Real estate, professional and business services</i>	266,139	11.0	274,822	10.8	280,843	10.4	276,497	10.1	244,337	9.5
<i>Public administration, social and personal services</i>	436,912	18.1	465,488	18.2	499,433	18.5	537,238	19.6	529,153	20.7
<i>Ownership of premises</i>	258,649	10.7	264,166	10.4	283,028	10.5	309,081	11.3	303,414	11.9
<b>GDP at basic prices</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>2,740,541</b>	<b>100.0</b>	<b>2,560,093</b>	<b>100.0</b>
Taxes on products	83,743	--	110,698	--	117,825	--	93,623	--	102,066	--
Statistical discrepancy (%)	-0.4	--	-0.1	--	0.6	--	0.4	--	0.5	--
<b>GDP at current market prices</b>	<b>2,490,598</b>	<b>--</b>	<b>2,659,611</b>	<b>--</b>	<b>2,835,429</b>	<b>--</b>	<b>2,844,843</b>	<b>--</b>	<b>2,675,708</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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020<sup>#</sup></u>	<u>2021<sup>#</sup></u>	<u>2021</u>			<u>2022</u>
							Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
Agriculture, fishing, mining and quarrying	-2.0	-5.2	-1.8	-0.8	3.8	-2.8	-4.2	-6.3	-4.9	-7.5
Manufacturing	-0.4	0.4	1.3	0.4	-5.8	5.5	5.6	7.6	5.8	-1.3
Electricity, gas and water supply, and waste management	-0.8	0.9	0.1	-0.5	-14.2	3.7	5.9	4.0	4.4	0.8
Construction	5.1	-1.3	3.3	-9.7	-12.5	0.7	1.6	1.7	0.8	3.3
Services	2.3	3.5	3.1	-0.7	-6.7	5.8	6.4	5.3	4.8	-3.1
<i>Import/export,</i>										
<i>wholesale and retail trades</i>	0.6	4.2	4.2	-7.5	-15.0	12.9	15.1	8.3	7.7	-7.1
<i>Accommodation<sup>(a)</sup> and</i>										
<i>food services</i>	0.5	2.0	5.9	-11.7	-44.8	22.0	16.4	44.4	36.8	-29.0
<i>Transportation, storage,</i>										
<i>postal and courier services</i>	3.0	4.8	2.5	-1.7	-36.9	8.6	16.6	17.6	7.4	-12.0
<i>Information and</i>										
<i>communications</i>	4.1	4.0	4.1	4.7	1.7	2.6	2.0	2.3	2.4	0.9
<i>Financing and insurance</i>	4.2	5.3	4.0	3.4	4.0	4.8	5.9	2.8	3.4	0.1
<i>Real estate, professional and</i>										
<i>business services</i>	2.8	2.1	-0.4	-0.2	-4.6	2.4	2.4	3.3	2.4	-5.4
<i>Public administration, social</i>										
<i>and personal services</i>	3.0	3.2	3.6	3.2	-2.3	3.5	4.4	3.7	3.6	-0.6
<i>Ownership of premises</i>	0.5	0.9	1.0	0.6	-0.3	1.2	1.2	1.3	1.2	0.5
Taxes on products	-9.1	13.7	-3.9	-11.3	17.6	23.5	39.0	16.9	-0.8	-20.1
<b>GDP in chained (2020) dollars</b>	<b>2.2</b>	<b>3.8</b>	<b>2.8</b>	<b>-1.7</b>	<b>-6.5</b>	<b>6.3</b>	<b>7.6</b>	<b>5.4</b>	<b>4.7</b>	<b>-3.9</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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020<sup>#</sup></u>	<u>2021<sup>#</sup></u>		<u>2021</u>		<u>2022</u>
						Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
Current account <sup>(a)</sup>	121,840	105,942	166,303	186,754	324,333	70,431	96,161	97,038	79,029
Goods	-178,532	-252,997	-120,521	-41,325	21,328	-29,586	3,158	41,428	13,821
Services	205,371	246,936	164,699	92,690	117,132	20,830	33,993	24,487	44,752
Primary income	115,552	134,815	143,717	156,083	204,968	84,160	63,792	35,480	23,246
Secondary income	-20,551	-22,813	-21,592	-20,694	-19,095	-4,973	-4,783	-4,358	-2,790
Capital and financial account <sup>(a)</sup>	-76,488	-175,081	-237,439	-244,344	-380,406	-97,917	-64,426	-128,804	-49,515
Capital account	-645	-1,574	-682	-505	-10,470	-10,140	-91	-113	-97
Financial account	-75,843	-173,507	-236,756	-243,839	-369,936	-87,777	-64,335	-128,691	-49,418
Financial non-reserve assets	174,666	-165,948	-245,612	19,211	-379,078	-125,333	-37,116	-135,712	-101,908
<i>Direct investment</i>	<i>186,887</i>	<i>172,795</i>	<i>160,730</i>	<i>263,703</i>	<i>413,892</i>	<i>129,978</i>	<i>101,503</i>	<i>182,209</i>	<i>-101,564</i>
<i>Portfolio investment</i>	<i>264,159</i>	<i>-616,428</i>	<i>-215,764</i>	<i>-528,049</i>	<i>-817,269</i>	<i>-292,487</i>	<i>-283,864</i>	<i>-224,482</i>	<i>145,052</i>
<i>Financial derivatives</i>	<i>61,763</i>	<i>33,202</i>	<i>1,239</i>	<i>18,790</i>	<i>41,760</i>	<i>17,131</i>	<i>5,268</i>	<i>25,018</i>	<i>16,086</i>
<i>Other investment</i>	<i>-338,144</i>	<i>244,483</i>	<i>-191,817</i>	<i>264,766</i>	<i>-17,460</i>	<i>20,045</i>	<i>139,977</i>	<i>-118,456</i>	<i>-161,482</i>
Reserve assets	-250,509	-7,559	8,855	-263,050	9,142	37,556	-27,219	7,021	52,489
Net errors and omissions	-45,353	69,139	71,136	57,590	56,073	27,486	-31,735	31,766	-29,514
<b>Overall Balance of Payments</b>	<b>250,509</b>	<b>7,559</b>	<b>-8,855</b>	<b>263,050</b>	<b>-9,142</b>	<b>-37,556</b>	<b>27,219</b>	<b>-7,021</b>	<b>-52,489</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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020<sup>#</sup></u>	<u>2021<sup>#</sup></u>	<u>2021</u>		<u>2022</u>	
						Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Total exports of goods	4,212,774	4,453,350	4,255,098	4,198,338	5,243,795	1,365,691	1,470,806	1,218,829	1,211,115
Imports of goods	4,391,306	4,706,347	4,375,619	4,239,663	5,222,467	1,362,533	1,429,378	1,205,008	1,288,864
<b>Goods trade balance</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>-41,325</b> <b>(-1.0)</b>	<b>21,328</b> <b>(0.4)</b>	<b>3,158</b> <b>(0.2)</b>	<b>41,428</b> <b>(2.9)</b>	<b>13,821</b> <b>(1.1)</b>	<b>-77,749</b> <b>(-6.0)</b>
Exports of services	811,295	886,883	798,942	518,947	596,699	157,104	160,382	161,772	150,860
Imports of services	605,924	639,947	634,243	426,257	479,567	123,111	135,895	117,020	117,058
<b>Services trade balance</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>92,690</b> <b>(21.7)</b>	<b>117,132</b> <b>(24.4)</b>	<b>33,993</b> <b>(27.6)</b>	<b>24,487</b> <b>(18.0)</b>	<b>44,752</b> <b>(38.2)</b>	<b>33,802</b> <b>(28.9)</b>
Exports of goods and services	5,024,069	5,340,233	5,054,040	4,717,285	5,840,494	1,522,795	1,631,188	1,380,601	1,361,975
Imports of goods and services	4,997,230	5,346,294	5,009,862	4,665,920	5,702,034	1,485,644	1,565,273	1,322,028	1,405,922
<b>Goods and services trade balance</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>51,365</b> <b>&lt;1.1&gt;</b>	<b>138,460</b> <b>&lt;2.4&gt;</b>	<b>37,151</b> <b>&lt;2.5&gt;</b>	<b>65,915</b> <b>&lt;4.2&gt;</b>	<b>58,573</b> <b>&lt;4.4&gt;</b>	<b>-43,947</b> <b>&lt;-3.1&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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2021</u>		<u>2022</u>	
							Q3	Q4	Q1	Q2
	(% change)				(% change)	(\$Mn)	(% change over a year earlier)			
<b>All markets</b>	<b>8.0</b>	<b>7.3</b>	<b>-4.1</b>	<b>-1.5</b>	<b>26.3</b>	<b>4,960,656</b>	<b>22.7</b>	<b>23.8</b>	<b>3.4</b>	<b>-2.4</b>
Mainland of China	8.4	8.6	-3.3	5.1	27.0	2,951,973	21.8	22.1	-0.9	-10.1
United States	1.9	8.1	-14.8	-14.9	19.6	309,619	17.0	25.7	14.6	13.8
Taiwan	19.9	-3.6	2.4	11.6	46.0	143,816	50.8	46.4	37.0	14.3
India	35.9	-15.3	-12.0	-17.6	36.6	133,057	25.1	52.6	45.8	83.1
Japan	10.0	0.7	-6.4	-9.7	8.7	118,849	17.9	10.0	10.7	-11.4
Vietnam	10.3	4.5	-3.6	5.3	22.2	103,277	8.0	28.2	20.4	28.8
Netherlands	11.5	11.5	-4.4	-5.2	22.8	79,412	28.5	26.0	2.3	12.4
Korea	4.9	2.1	-2.3	-7.6	42.7	74,556	58.4	46.1	10.8	23.8
Germany	10.8	3.0	-8.9	-14.5	24.1	73,585	33.1	31.0	11.5	7.7
United Kingdom	-2.8	2.0	3.7	-9.4	57.5	73,438	45.2	-7.2	-44.7	-32.3
Rest of the world	3.9	11.5	-0.7	-10.8	22.9	899,075	21.3	23.4	3.3	2.5

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2021</u>		<u>2022</u>	
							Q3	Q4	Q1	Q2
	(% change)			(% change)		(\$Mn)	(% change over a year earlier)			
<b>All sources</b>	<b>8.7</b>	<b>8.4</b>	<b>-6.5</b>	<b>-3.3</b>	<b>24.3</b>	<b>5,307,792</b>	<b>25.8</b>	<b>19.0</b>	<b>2.9</b>	<b>1.3</b>
Mainland of China	5.9	7.7	-5.9	-6.5	26.5	2,433,474	27.6	24.2	-2.5	-6.7
Taiwan	12.9	2.7	-2.4	22.8	35.0	547,531	27.6	30.7	32.4	16.6
Singapore	10.1	9.0	-7.5	8.1	31.7	413,813	30.5	22.7	4.1	10.0
Korea	28.5	10.4	-20.9	12.3	31.3	324,618	42.5	16.7	6.9	-9.0
Japan	2.7	2.6	-2.8	-5.0	12.8	270,787	18.2	2.4	-2.7	-5.6
United States	3.4	8.1	-7.9	-17.9	18.3	206,687	29.7	12.0	10.7	11.3
Malaysia	26.8	64.6	-14.3	1.2	1.7	166,718	2.0	7.1	3.0	15.5
Vietnam	13.6	7.3	18.5	28.4	16.9	117,652	15.4	8.7	6.9	28.8
Thailand	8.5	2.8	-7.4	1.4	18.9	102,819	16.4	13.0	10.5	-4.0
Philippines	27.6	1.1	-9.1	-0.1	25.1	87,702	24.4	22.6	10.8	7.5
Rest of the world	7.7	6.4	-4.9	-17.0	17.0	635,991	20.7	5.6	-6.7	8.4

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020<sup>#</sup></u>	<u>2021<sup>#</sup></u>		<u>2021</u>	<u>2022</u>		
							Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
	(% change)				(% change)	(\$Mn)	(% change over a year earlier)			
<b>Exports of services</b>	<b>6.1</b>	<b>9.3</b>	<b>-9.9</b>	<b>-35.0</b>	<b>15.0</b>	<b>596,699</b>	<b>23.0</b>	<b>24.6</b>	<b>8.3</b>	<b>16.2</b>
Transport	8.6	9.0	-4.7	-24.7	34.1	249,307	46.7	48.3	19.5	17.2
Travel	1.9	11.2	-21.6	-90.2	-38.1	13,736	38.1	40.0	29.3	76.9
Financial services	13.5	10.9	-2.9	-0.4	9.0	183,687	12.5	7.5	2.1	23.6
Other services	2.9	5.1	-5.1	-9.0	5.3	149,969	4.2	11.8	-0.5	2.1
<b>Imports of services</b>	<b>4.8</b>	<b>5.6</b>	<b>-0.9</b>	<b>-32.8</b>	<b>12.5</b>	<b>479,567</b>	<b>18.9</b>	<b>17.7</b>	<b>4.9</b>	<b>7.3</b>
Transport	3.7	6.6	-1.1	-19.8	39.6	160,913	44.7	39.5	15.8	12.2
Travel	5.6	4.7	1.6	-79.7	-39.1	26,084	6.9	4.7	11.2	29.2
Manufacturing <sup>^</sup>	3.5	2.0	-5.5	-10.4	18.4	93,468	19.3	21.5	6.8	3.1
Other services	5.5	7.6	-1.3	-1.4	5.2	199,102	3.8	3.8	-3.7	2.3

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>		<u>2022</u>	
						Q3	Q4	Q1	Q2
<u>('000)</u>									
<b>All sources</b>	<b>58 472.2</b>	<b>65 147.6</b>	<b>55 912.6</b>	<b>3 568.9</b>	<b>91.4</b>	<b>29.4</b>	<b>28.3</b>	<b>11.5</b>	<b>64.5</b>
Mainland of China	44 445.3	51 038.2	43 774.7	2 706.4	65.7	21.8	19.7	8.6	53.4
South and Southeast Asia	3 626.2	3 571.7	3 040.5	190.5	9.5	3.1	2.9	0.8	3.3
Taiwan	2 010.8	1 925.2	1 538.9	105.1	2.5	0.4	0.9	0.6	1.0
Europe	1 901.5	1 937.6	1 728.4	158.8	6.6	1.9	2.0	0.6	2.3
United States	1 215.6	1 304.2	1 107.2	80.8	1.4	0.4	0.4	0.1	1.5
Japan	1 230.0	1 287.8	1 078.8	50.3	0.3	0.1	0.2	#	0.2
Others	4 042.9	4 082.8	3 644.1	276.9	5.3	1.6	2.3	0.8	2.8
<u>(% change over a year earlier)</u>									
<b>All sources</b>	<b>3.2</b>	<b>11.4</b>	<b>-14.2</b>	<b>-93.6</b>	<b>-97.4</b>	<b>-14.0</b>	<b>51.7</b>	<b>-30.5</b>	<b>274.8</b>
Mainland of China	3.9	14.8	-14.2	-93.8	-97.6	52.4	81.1	-25.9	321.3
South and Southeast Asia	-2.0	-1.5	-14.9	-93.7	-95.0	-62.7	-16.7	-61.3	118.7
Taiwan	*	-4.3	-20.1	-93.2	-97.6	-67.3	-20.2	-20.9	91.5
Europe	-0.2	1.9	-10.8	-90.8	-95.9	-74.1	15.8	-53.2	60.3
United States	0.3	7.3	-15.1	-92.7	-98.3	-48.5	1.0	-61.8	510.9
Japan	12.6	4.7	-16.2	-95.3	-99.3	-4.1	128.2	11.1	414.9
Others	2.2	1.0	-10.7	-92.4	-98.1	-18.2	120.8	36.3	255.6

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</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)	10 149	8 254	15 719	11 280	14 595	17 791	20 968
Commercial property	226	161	161	233	276	303	304
<i>of which :</i>							
Office space	136	123	104	164	153	198	179
Other commercial premises <sup>(b)</sup>	90	39	57	69	123	105	125
Industrial property <sup>(c)</sup>	170	85	116	30	78	105	44
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	46	85	36	30	5	23	41
Storage premises <sup>(d)</sup>	123	0	80	0	73	83	3
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	9 778	20 898	5 634	10 147	21 755	11 268	20 137
Subsidised sales flats <sup>(e)</sup>	0	0	0	1 310	229	2 788	4 863
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> of usable floor area)							
Residential property	796.4	816.0	647.1	893.3	645.8	872.8	703.0
Commercial property	210.2	309.5	290.3	319.0	312.4	488.6	109.2
Industrial property <sup>(f)</sup>	70.7	138.1	105.9	225.3	76.2	62.5	98.4
Other properties	428.9	136.4	217.1	555.4	235.1	227.1	91.9
Total	1 506.1	1 400.1	1 260.4	1 993.0	1 269.4	1 651.1	1 002.5
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	81 333	50 676	63 807	55 982	54 701	61 591	57 247
Primary market	12 968	11 046	16 857	16 826	16 793	18 645	15 633
Secondary market	68 365	39 630	46 950	39 156	37 908	42 946	41 614
Selected types of non-residential properties <sup>(h)</sup>							
Office space	3 269	1 685	1 271	1 470	1 105	1 955	1 331
Other commercial premises	7 282	4 305	3 092	2 067	1 523	2 198	1 926
Flatted factory space	9 731	4 271	3 016	3 407	2 727	5 135	4 852

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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>	
				Q3	Q4	Q1	Q2
<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)	13 643	20 888	14 386	2 208	3 218	8 083	3 981
Commercial property	384	136	111	14	61	21	27
<i>of which :</i>							
Office space	267	69	70	0	49	10	25
Other commercial premises <sup>(b)</sup>	118	67	42	14	12	11	2
Industrial property <sup>(c)</sup>	56	38	30	0	15	41	40
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	56	38	30	0	15	34	40
Storage premises <sup>(d)</sup>	0	0	0	0	0	7	0
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	9 634	6 605	13 057	3 813	4 074	11 116	N.A.
Subsidised sales flats <sup>(e)</sup>	7 027	7 610	3 222	0	0	828	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	765.0	520.1	796.8	439.5	135.3	39.5	N.A.
Commercial property	763.0	228.1	741.8	271.9	40.2	10.0	N.A.
Industrial property <sup>(f)</sup>	177.7	182.6	39.8	7.5	22.9	12.2	N.A.
Other properties	234.6	410.8	186.2	92.1	27.8	6.9	N.A.
Total	1 940.3	1 341.5	1 764.6	811.0	226.3	68.5	N.A.
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	59 797	59 880	74 297	18 969	15 197	10 056	14 925
Primary market	21 108	15 317	17 650	4 686	4 679	1 723	3 132
Secondary market	38 689	44 563	56 647	14 283	10 518	8 333	11 793
Selected types of non-residential properties <sup>(h)</sup>							
Office space	861	686	1 077	283	217	138	217
Other commercial premises	1 300	1 269	2 189	546	493	321	466
Flatted factory space	2 426	2 117	3 637	903	814	502	621

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	206.2	242.4	256.9	296.8	286.1	333.9	377.3
Office space	334.7	409.8	423.0	448.9	426.9	487.1	554.7
Shopping space	420.5	506.8	521.2	559.2	526.9	558.4	591.4
Flatted factory space	489.8	655.4	668.0	723.9	692.7	778.1	888.1
Property rental indices <sup>(b)</sup> :							
Residential flats	142.6	154.5	159.5	172.8	168.2	182.6	193.0
Office space	188.3	204.1	213.7	226.7	232.3	241.8	252.2
Shopping space	151.3	165.5	173.1	182.5	178.6	182.5	187.0
Flatted factory space	131.9	147.3	160.1	174.4	181.4	190.7	202.3
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	13.2	17.6	6.0	15.5	-3.6	16.7	13.0
Office space	12.4	22.4	3.2	6.1	-4.9	14.1	13.9
Shopping space	28.4	20.5	2.8	7.3	-5.8	6.0	5.9
Flatted factory space	27.2	33.8	1.9	8.4	-4.3	12.3	14.1
Property rental indices <sup>(b)</sup> :							
Residential flats	6.4	8.3	3.2	8.3	-2.7	8.6	5.7
Office space	10.8	8.4	4.7	6.1	2.5	4.1	4.3
Shopping space	12.7	9.4	4.6	5.4	-2.1	2.2	2.5
Flatted factory space	11.2	11.7	8.7	8.9	4.0	5.1	6.1

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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>		<u>2022</u>	
				Q3	Q4	Q1 <sup>#</sup>	Q2 <sup>+</sup>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	383.0	381.2	392.7	397.9	394.5	385.3	383.6
Office space	543.0	468.8	502.5	506.7	498.3	508.4	496.3
Shopping space	549.7	518.9	543.4	562.7	546.4	542.9	526.7
Flatted factory space	887.9	826.1	879.0	887.2	897.3	895.2	892.2
Property rental indices <sup>(b)</sup> :							
Residential flats	194.4	180.3	179.8	182.4	183.3	179.9	177.2
Office space	261.4	241.7	233.4	234.2	234.5	231.7	228.0
Shopping space	187.2	169.9	172.0	172.5	175.5	170.3	165.1
Flatted factory space	209.7	200.5	208.8	212.4	214.5	210.5	208.9
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	1.5	-0.5	3.0	3.8	3.7	-0.1	-2.4
Office space	-2.1	-13.7	7.2	10.9	1.7	1.8	-1.8
Shopping space	-7.1	-5.6	4.7	9.9	6.9	3.1	-2.1
Flatted factory space	*	-7.0	6.4	8.7	9.8	5.0	1.6
Property rental indices <sup>(b)</sup> :							
Residential flats	0.7	-7.3	-0.3	1.2	3.1	2.7	-0.7
Office space	3.6	-7.5	-3.4	-1.5	0.8	-0.4	-1.7
Shopping space	0.1	-9.2	1.2	2.1	4.0	0.7	-3.4
Flatted factory space	3.7	-4.4	4.1	6.3	5.9	4.7	0.9

**Table 13 : Monetary aggregates**

	2012	2013	2014	2015	2016	2017	2018
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	920,920	1,000,344	1,116,675	1,253,380	1,428,775	1,598,014	1,555,731
M2 <sup>(a)</sup>	4,537,384	4,795,130	5,225,773	5,765,549	6,280,230	7,010,345	7,262,451
M3 <sup>(a)</sup>	4,545,590	4,806,012	5,236,188	5,778,772	6,292,666	7,024,514	7,284,322
Total money supply (\$Mn)							
M1	1,377,359	1,510,895	1,708,724	1,971,146	2,213,970	2,431,461	2,421,598
M2	8,950,005	10,056,437	11,011,372	11,618,441	12,508,127	13,755,255	14,348,059
M3	8,970,396	10,085,243	11,048,944	11,655,019	12,551,331	13,803,837	14,403,688
Deposit (\$Mn)							
HK\$	4,176,200	4,390,953	4,800,330	5,312,403	5,809,060	6,484,616	6,715,262
Foreign currency	4,120,234	4,789,109	5,272,804	5,437,346	5,918,240	6,267,872	6,671,119
Total	8,296,434	9,180,062	10,073,135	10,749,749	11,727,300	12,752,488	13,386,381
Loans and advances (\$Mn)							
HK\$	3,333,059	3,606,018	4,000,361	4,152,589	4,479,107	5,359,983	5,836,238
Foreign currency	2,233,751	2,850,795	3,275,910	3,381,951	3,544,284	3,953,686	3,886,385
Total	5,566,810	6,456,813	7,276,271	7,534,540	8,023,390	9,313,668	9,722,623
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) <sup>(b)</sup>							
Trade-weighted	89.6	89.6	90.7	95.7	98.4	98.4	96.2
Import-weighted	89.3	89.8	91.1	96.5	98.8	98.8	96.5
Export-weighted	89.9	89.4	90.2	94.8	97.9	98.0	95.8
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	15.9	8.6	11.6	12.2	14.0	11.8	-2.6
M2 <sup>(a)</sup>	12.1	5.7	9.0	10.3	8.9	11.6	3.6
M3 <sup>(a)</sup>	12.1	5.7	9.0	10.4	8.9	11.6	3.7
Total money supply							
M1	22.2	9.7	13.1	15.4	12.3	9.8	-0.4
M2	11.1	12.4	9.5	5.5	7.7	10.0	4.3
M3	11.0	12.4	9.6	5.5	7.7	10.0	4.3
Deposit							
HK\$	11.7	5.1	9.3	10.7	9.3	11.6	3.6
Foreign currency	7.0	16.2	10.1	3.1	8.8	5.9	6.4
Total	9.3	10.7	9.7	6.7	9.1	8.7	5.0
Loans and advances							
HK\$	5.5	8.2	10.9	3.8	7.9	19.7	8.9
Foreign currency	16.3	27.6	14.9	3.2	4.8	11.6	-1.7
Total	9.6	16.0	12.7	3.5	6.5	16.1	4.4
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) <sup>(b)</sup>							
Trade-weighted	0.3	*	1.2	5.5	2.8	*	-2.2
Import-weighted	0.2	0.6	1.4	5.9	2.4	*	-2.3
Export-weighted	0.2	-0.6	0.9	5.1	3.3	0.1	-2.2

**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)**

	2019	2020	2021	2021	2021	2022	2022
				Q3	Q4	Q1	Q2
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,533,104	1,972,719	2,078,911	2,141,722	2,078,911	2,147,571	2,077,459
M2 <sup>(a)</sup>	7,438,789	7,922,089	8,043,994	8,085,088	8,043,994	8,210,310	8,226,610
M3 <sup>(a)</sup>	7,454,655	7,937,038	8,057,408	8,098,753	8,057,408	8,223,237	8,239,057
Total money supply (\$Mn)							
M1	2,484,738	3,231,921	3,490,858	3,579,632	3,490,858	3,570,957	3,319,053
M2	14,745,872	15,606,608	16,272,650	16,065,611	16,272,650	16,393,669	16,303,463
M3	14,786,375	15,644,043	16,310,866	16,104,828	16,310,866	16,428,066	16,339,898
Deposit (\$Mn)							
HK\$	6,884,143	7,311,368	7,414,381	7,480,315	7,414,381	7,577,074	7,585,202
Foreign currency	6,887,444	7,202,247	7,771,839	7,520,132	7,771,839	7,772,255	7,654,173
Total	13,771,586	14,513,615	15,186,220	15,000,447	15,186,220	15,349,329	15,239,376
Loans and advances (\$Mn)							
HK\$	6,219,377	6,106,960	6,425,857	6,332,428	6,425,857	6,454,563	6,580,930
Foreign currency	4,157,325	4,391,617	4,470,799	4,693,781	4,470,799	4,577,740	4,405,684
Total	10,376,701	10,498,577	10,896,656	11,026,209	10,896,656	11,032,303	10,986,614
Nominal Effective Exchange Rate Indices							
(Jan 2020 = 100) <sup>(b)</sup>							
Trade-weighted	99.4	100.0	95.5	95.8	95.4	95.2	98.7
Import-weighted	99.5	100.1	95.8	96.1	95.9	95.8	99.4
Export-weighted	99.2	100.0	95.1	95.4	94.9	94.6	97.9
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	-1.5	28.7	5.4	-11.0	5.4	3.3	-18.6
M2 <sup>(a)</sup>	2.4	6.5	1.5	-1.9	1.5	1.0	-2.8
M3 <sup>(a)</sup>	2.3	6.5	1.5	-1.9	1.5	1.0	-2.8
Total money supply							
M1	2.6	30.1	8.0	0.1	8.0	5.4	-14.2
M2	2.8	5.8	4.3	1.4	4.3	4.0	0.4
M3	2.7	5.8	4.3	1.4	4.3	4.0	0.4
Deposit							
HK\$	2.5	6.2	1.4	-2.2	1.4	0.9	-3.6
Foreign currency	3.2	4.6	7.9	5.6	7.9	8.3	4.6
Total	2.9	5.4	4.6	1.5	4.6	4.5	0.4
Loans and advances							
HK\$	6.6	-1.8	5.2	-2.8	5.2	3.2	-0.6
Foreign currency	7.0	5.6	1.8	4.0	1.8	0.9	-4.9
Total	6.7	1.2	3.8	*	3.8	2.2	-2.3
Nominal Effective Exchange Rate Indices							
(Jan 2020 = 100) <sup>(b)</sup>							
Trade-weighted	3.3	0.6	-4.5	-4.3	-1.4	-0.2	3.5
Import-weighted	3.1	0.6	-4.3	-4.0	-1.0	0.2	3.9
Export-weighted	3.5	0.8	-4.9	-4.6	-1.9	-0.6	3.1

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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>		<u>2022</u>	
					Q2	Q3	Q4	Q1
<b>Services Industry</b>								
Import and export trade	3.7	-6.6	-3.6	23.9	27.5	22.3	19.7	1.4
Wholesale	4.3	-8.3	-7.9	13.3	12.7	15.4	13.7	-5.7
Retail	8.7	-11.1	-24.3	8.1	9.3	7.3	8.3	-7.6
Transportation	8.0	-2.3	-19.7	54.1	52.4	76.7	66.6	36.6
<i>within which:</i>								
Land transport	5.3	1.3	-23.9	4.0	9.3	10.7	1.2	-7.4
Water transport	4.4	0.1	10.7	85.9	78.2	105.0	89.3	51.1
Air transport	11.3	-4.9	-36.2	43.3	44.9	76.1	69.2	32.8
Warehousing and storage	12.7	-1.4	11.5	27.6	37.7	18.5	19.4	-1.7
Courier	-0.7	-3.9	28.4	19.0	13.3	9.4	14.6	-8.5
Accommodation services <sup>(a)</sup>	10.8	-14.3	-59.1	38.3	58.2	45.0	35.7	13.5
Food services	6.0	-5.9	-29.4	16.8	10.0	43.9	29.0	-23.1
Information and communications	3.1	1.2	-8.5	7.7	9.6	7.2	7.8	3.6
<i>within which:</i>								
Telecommunications	2.2	-2.6	-9.0	6.1	5.4	4.4	6.9	5.1
Film entertainment	3.1	-2.3	-44.0	26.7	35.2	54.1	43.3	-27.3
Banking	6.8	2.8	-8.0	-4.3	-8.6	2.8	-7.6	-9.8
Financing (except banking)	10.3	1.1	12.2	17.4	21.3	19.2	2.2	-15.6
<i>within which:</i>								
Financial markets and asset management	11.6	0.8	13.2	19.6	25.9	21.7	-2.3	-19.2
<i>within which : Asset management</i>	3.7	7.3	11.6	23.3	31.5	30.5	7.7	-7.1
Insurance	8.7	8.8	6.1	2.5	3.8	3.0	5.0	5.5
Real estate	5.4	11.4	3.2	-1.9	0.2	1.9	-16.7	-13.6
Professional, scientific and technical services	3.3	1.3	-2.1	6.6	8.2	8.2	7.2	3.9
Administrative and support services	3.5	0.4	-25.4	1.7	11.0	3.4	5.3	1.8
<b>Services Domain</b>								
Tourism, convention and exhibition services	11.0	-19.3	-86.7	-17.7	56.6	48.9	35.7	9.8 <sup>+</sup>
Computer and information technology services	2.9	-7.2	-3.2	20.1	15.2	21.6	20.9	13.8

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>		<u>2022</u>	
						Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1	Q2
<u>(%)</u>									
Labour force participation rate	61.1	61.3	60.7	59.7	59.4	59.3	58.9	58.5	58.3
Seasonally adjusted unemployment rate <sup>(a)</sup>	3.1	2.8	2.9	5.8	5.2	4.5	4.0	5.0	4.7
Underemployment rate	1.2	1.1	1.1	3.3	2.6	2.1	1.7	3.1	3.0
<u>('000)</u>									
Population of working age	6 472.5	6 522.6	6 572.7	6 562.2	6 518.6	6 530.9	6 539.9	6 492.8	6 434.9
Labour force	3 956.0	3 996.8	3 987.8	3 918.5	3 870.4	3 874.0	3 850.9	3 799.0	3 750.2
Persons employed	3 832.4	3 884.6	3 871.4	3 690.9	3 670.2	3 693.1	3 705.6	3 610.5	3 571.6
Persons unemployed	123.6	112.1	116.3	227.6	200.3	181.0	145.2	188.5	178.6
Persons underemployed	45.7	43.2	42.0	129.9	98.9	80.2	66.7	117.0	111.6
<u>(% change over a year earlier)</u>									
Population of working age	0.8	0.8	0.8	-0.2	-0.7	0.1	0.1	-0.3	-1.4
Labour force	0.9	1.0	-0.2	-1.7	-1.2	-0.8	-1.3	-2.3	-3.5
Persons employed	1.2	1.4	-0.3	-4.7	-0.6	1.2	1.3	-0.5	-2.7
Persons unemployed	-7.0	-9.3	3.7	95.6	-12.0	-29.2	-40.9	-27.8	-16.8
Persons underemployed	-16.5	-5.4	-2.8	209.6	-23.8	-47.5	-50.3	-21.2	16.6

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

(#) Figures have been revised to take into account the final 2021 population estimates.

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

Selected major industries	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>			<u>2022</u>	(No.)
	(% change)					Jun	Sep	Dec	Mar	
						(% change over a year earlier)				
Manufacturing	-3.3	-3.0	-3.5	-4.0	-5.5	-6.0	-5.9	-6.7	-6.7	75 758
Construction sites (covering manual workers only)	10.1	-5.8	-9.0	-4.5	8.5	8.6	13.2	10.9	-4.3	98 264
Import and export trade	-0.4	-0.6	-5.7	-11.0	-3.6	-3.5	-1.9	0.1	0.4	385 570
Wholesale	-0.6	-0.9	-4.0	-8.8	-3.9	-2.9	-4.1	0.1	4.1	52 715
Retail	0.5	1.7	-1.7	-6.3	-0.6	-0.5	-0.5	0.5	-1.9	245 234
Food and beverage services	0.3	2.8	-2.3	-13.6	1.4	1.0	5.2	7.4	-0.4	204 713
Accommodation services <sup>(a)</sup>	0.3	4.8	1.8	-14.7	1.1	3.1	5.0	7.0	2.8	35 395
Transportation, storage, postal and courier services	0.2	0.6	0.3	-3.7	-4.0	-4.2	-4.4	-0.4	-0.6	164 405
Information and communications	0.9	1.5	1.9	-0.3	-1.4	-1.8	-1.7	-1.7	-1.9	107 217
Financing and insurance	1.5	2.6	2.9	0.6	0.1	0.1	0.4	0.7	-0.1	235 988
Real estate	1.3	2.0	1.2	0.4	3.6	2.4	4.3	5.7	4.9	143 684
Professional and business services (excluding cleaning and similar services)	2.1	3.2	1.5	-0.3	*	0.2	-0.3	-0.1	-1.3	302 648
Cleaning and similar services	0.7	-1.4	-0.3	0.3	1.3	2.1	1.4	-0.1	3.1	84 280
Education	1.6	1.8	1.7	-1.0	-0.1	-0.1	-0.8	0.3	-0.1	205 157
Human health services	3.5	3.4	4.7	4.1	2.9	3.3	2.9	1.6	2.3	148 579
Residential care and social work services	1.0	1.0	2.4	0.4	0.9	0.4	1.0	2.4	2.5	67 329
Arts, entertainment, recreation and other services	-0.6	1.4	0.8	-5.4	-1.7	-2.7	-1.1	-0.1	-5.5	111 876
Civil service <sup>(b)</sup>	1.6	2.1	2.2	0.7	-0.2	-0.3	-0.2	-0.2	-0.7	176 244
Others <sup>(c)</sup>	2.1	*	1.5	-1.7	1.2	2.2	-0.5	0.7	3.6	11 716

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

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

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

(c) Include employment in mining and quarrying; and in electricity and gas supply, and waste management.

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



**Table 17 : Number of manual workers engaged at building and construction sites**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2021</u>		<u>2022</u>
						Jun	Sep	Dec	Mar
<u>(Number)</u>									
Building sites									
Private sector	65 985	65 700	62 903	54 957	58 385	59 480	57 706	58 813	53 006
Public sector <sup>(a)</sup>	21 660	21 604	19 257	22 982	23 622	24 750	22 605	21 671	21 328
Sub-total	87 645	87 303	82 160	77 939	82 006	84 230	80 311	80 484	74 334
Civil engineering sites									
Private sector	979	1 729	2 483	2 180	3 095	2 911	3 871	3 565	3 869
Public sector <sup>(a)</sup>	30 050	22 816	17 108	17 064	20 329	18 928	22 138	22 581	20 061
Sub-total	31 029	24 546	19 591	19 244	23 424	21 839	26 009	26 146	23 930
<b>Total</b>	<b>118 674</b>	<b>111 849</b>	<b>101 750</b>	<b>97 182</b>	<b>105 430</b>	<b>106 069</b>	<b>106 320</b>	<b>106 630</b>	<b>98 264</b>
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	9.5	-0.4	-4.3	-12.6	6.2	7.5	10.5	11.3	-7.9
Public sector <sup>(a)</sup>	35.1	-0.3	-10.9	19.3	2.8	6.9	-1.8	-9.5	-16.2
Sub-total	14.9	-0.4	-5.9	-5.1	5.2	7.3	6.8	4.8	-10.4
Civil engineering sites									
Private sector	-29.3	76.6	43.6	-12.2	42.0	33.7	107.4	71.5	90.2
Public sector <sup>(a)</sup>	-0.3	-24.1	-25.0	-0.3	19.1	11.5	31.6	30.8	13.5
Sub-total	-1.6	-20.9	-20.2	-1.8	21.7	14.0	39.2	35.2	21.5
<b>Total</b>	<b>10.1</b>	<b>-5.8</b>	<b>-9.0</b>	<b>-4.5</b>	<b>8.5</b>	<b>8.6</b>	<b>13.2</b>	<b>10.9</b>	<b>-4.3</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**

									(%)
	2017	2018	2019	2020	2021		2021		2022
Selected industry sections						Q2	Q3	Q4	Q1
<b>(in nominal terms)</b>									
Manufacturing	3.4	4.0	3.8	-0.1	-0.6	-0.8	*	0.5	0.2
Import/export and wholesale trades	2.9	3.2	2.3	0.5	0.1	-0.1	0.1	1.2	0.1
Retail trade	3.3	3.0	2.3	0.1	0.2	-0.1	0.2	1.2	-0.2
Transportation, storage, postal and courier services	3.4	4.1	3.9	-5.4	-3.8	-4.2	-2.1	-0.3	0.2
Accommodation <sup>(a)</sup> and food service activities	4.7	5.3	4.7	-2.9	-1.0	-2.1	0.9	3.0	-0.7
Information and communications	3.3	3.3	3.9	2.3	1.8	1.8	1.8	2.5	2.3
Financial and insurance activities	3.0	3.1	3.0	1.7	1.7	1.7	1.9	2.2	2.3
Real estate activities	4.3	4.3	4.1	1.5	1.4	1.3	1.4	1.8	1.9
Professional and business services	4.2	4.6	3.8	1.6	1.5	1.3	1.5	1.9	2.0
Social and personal services	3.1	4.3	2.3	6.2	0.1	1.5	0.8	-0.2	-0.7
<b>All selected industry sections surveyed</b>	<b>3.7</b>	<b>3.9</b>	<b>3.4</b>	<b>2.4</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.5</b>	<b>0.8</b>
<b>(in real terms)</b>									
Manufacturing	2.0	1.6	0.9	-0.4	-2.1	-1.6	-2.1	-1.4	-1.3
Import/export and wholesale trades	1.4	0.8	-0.5	0.2	-1.4	-0.9	-2.1	-0.8	-1.4
Retail trade	1.8	0.6	-0.5	-0.1	-1.4	-0.9	-1.9	-0.8	-1.7
Transportation, storage, postal and courier services	1.9	1.6	1.0	-5.6	-5.3	-5.0	-4.2	-2.2	-1.3
Accommodation <sup>(a)</sup> and food service activities	3.2	2.8	1.8	-3.2	-2.6	-2.9	-1.3	1.0	-2.2
Information and communications	1.9	0.8	0.9	2.0	0.2	0.9	-0.4	0.5	0.7
Financial and insurance activities	1.6	0.7	0.2	1.2	0.2	0.8	-0.3	0.2	0.8
Real estate activities	2.8	1.9	1.1	1.3	-0.1	0.5	-0.8	-0.2	0.4
Professional and business services	2.7	2.2	0.9	1.4	-0.1	0.5	-0.8	*	0.5
Social and personal services	1.6	1.8	-0.6	6.0	-1.5	0.7	-1.4	-2.2	-2.2
<b>All selected industry sections surveyed</b>	<b>2.3</b>	<b>1.5</b>	<b>0.5</b>	<b>2.1</b>	<b>-0.5</b>	<b>0.2</b>	<b>-1.1</b>	<b>-0.4</b>	<b>-0.7</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 2019/20-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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2021</u>		<u>2022</u>
Selected industry sections						Jun	Sep	Dec	Mar
<b>(in nominal terms)</b>									
Manufacturing	3.7	3.6	3.5	2.0	1.6	1.4	1.4	1.8	1.8
Import/export, wholesale and retail trades	3.0	3.0	2.3	1.0	0.9	0.7	0.8	1.7	1.6
Transportation	2.9	4.7	4.4	0.1	-0.9	-0.8	-0.5	-0.2	-0.2
Accommodation <sup>(a)</sup> and food service activities	4.7	4.6	4.1	1.0	1.4	0.8	1.4	2.1	1.6
Financial and insurance activities <sup>(b)</sup>	3.5	3.5	3.7	2.3	2.5	2.4	2.5	2.8	3.0
Real estate leasing and maintenance management	4.1	4.4	3.9	2.7	3.0	2.8	2.9	3.1	3.0
Professional and business services	4.7	4.4	3.6	1.7	1.8	1.5	1.8	2.1	2.4
Personal services	4.2	4.1	3.3	0.7	0.3	0.1	0.4	0.9	-1.0
<b>All industries surveyed</b>	<b>3.8</b>	<b>4.0</b>	<b>3.5</b>	<b>1.3</b>	<b>1.3</b>	<b>1.1</b>	<b>1.3</b>	<b>1.8</b>	<b>1.8</b>
<b>(in real terms)</b>									
Manufacturing	2.2	0.8	0.2	3.1	-0.3	*	-0.2	-1.1	*
Import/export, wholesale and retail trades	1.6	0.1	-1.0	2.1	-0.9	-0.7	-0.7	-1.3	-0.2
Transportation	1.5	1.7	1.0	1.3	-2.7	-2.2	-2.0	-3.1	-1.9
Accommodation <sup>(a)</sup> and food service activities	3.3	1.7	0.7	2.1	-0.3	-0.5	-0.2	-0.9	-0.1
Financial and insurance activities <sup>(b)</sup>	2.1	0.6	0.2	3.7	0.7	1.0	0.9	-0.2	1.2
Real estate leasing and maintenance management	2.6	1.4	0.5	3.8	1.3	1.4	1.3	0.1	1.2
Professional and business services	3.2	1.5	0.3	2.8	0.1	0.2	0.2	-0.9	0.7
Personal services	2.7	1.1	0.2	1.7	-1.6	-1.2	-1.2	-2.0	-2.7
<b>All industries surveyed</b>	<b>2.3</b>	<b>1.0</b>	<b>0.1</b>	<b>2.5</b>	<b>-0.5</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-1.1</b>	<b>*</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 2019/20-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 2020			May – Jun 2021		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(a)</sup>	14,500	17,500	27,100	14,600	17,700	27,700
Electricity and gas supply; sewerage, waste management and remediation activities	21,100	28,000	43,100	21,300	28,300	42,500
Construction	18,400	23,000	29,800	18,600	23,200	30,100
Import and export trade	14,200	18,900	28,200	14,300	19,100	28,200
Wholesale	12,200	15,200	20,600	12,300	15,500	20,800
Retail trade	10,500	13,700	18,000	10,400	13,500	17,500
<i>within which:</i>						
Supermarkets and convenience stores	7,600	11,700	14,200	7,600	11,900	14,400
Other retail stores	11,500	14,300	18,800	11,500	14,000	18,100
Land transport	14,500	19,400	28,700	14,500	19,500	27,400
Other transportation, storage, postal and courier services <sup>(b)</sup>	14,000	18,500	24,800	13,800	18,400	24,500
Food and beverage services	10,000	13,600	17,500	11,000	13,900	18,000
<i>within which:</i>						
Hong Kong style tea cafes	12,000	13,700	17,700	12,000	13,800	18,000
Chinese restaurants	12,800	15,100	20,500	12,800	15,200	20,900
Restaurants, other than Chinese	11,800	14,300	18,000	12,300	14,500	18,000
Fast food cafes <sup>(c)</sup>	4,900	10,200	13,700	4,800	10,400	13,800
Other food and beverage services	6,300	13,000	16,800	8,000	13,000	16,600
Accommodation services <sup>(d)</sup>	13,400	15,700	21,000	13,500	16,000	21,000
Information and communications	16,500	23,700	36,000	16,700	24,300	36,000
Financing and insurance	19,000	28,600	47,500	19,200	29,300	47,500
Real estate activities <sup>(e)</sup>	14,200	21,800	34,200	14,300	22,100	34,400
Estate management, security and cleaning services	10,200	13,000	15,700	10,300	13,000	16,300
<i>within which:</i>						
Real estate maintenance management	12,500	14,500	17,400	12,600	14,800	17,800
Security services <sup>(f)</sup>	11,800	13,800	16,500	12,000	14,100	16,800
Cleaning services	8,000	10,000	11,100	8,100	10,200	11,400
Membership organisations <sup>(g)</sup>	11,400	14,000	22,000	11,600	14,100	22,000
Professional, scientific and technical services	16,000	25,000	37,500	16,200	25,100	37,900
Administrative and support services activities	13,000	17,300	27,200	12,600	17,400	27,600
Travel agency, reservation service and related activities	11,000	15,200	21,500	11,000	15,000	21,400
Education and public administration (excluding the Government)	14,500	30,000	52,000	14,700	30,200	52,600
Human health activities; and beauty and body prettifying treatment	14,200	19,600	42,400	14,300	19,900	42,000
Miscellaneous activities	10,800	13,000	17,000	11,000	13,300	17,100
<i>within which:</i>						
Elderly homes	12,800	14,500	17,500	13,000	14,700	17,700
Laundry and dry cleaning services	8,400	12,000	13,900	8,100	12,400	14,300
Hairdressing and other personal services	10,300	12,300	17,000	10,000	12,500	15,500
Local courier services	8,100	11,000	15,000	8,100	11,000	15,000
Food processing and production	11,000	13,200	18,400	11,200	13,400	18,600
Other activities not classified above	12,900	16,600	25,500	13,200	16,900	26,300
<b>All industry sections above</b>	<b>13,200</b>	<b>18,400</b>	<b>28,800</b>	<b>13,400</b>	<b>18,700</b>	<b>29,500</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 2020			May – Jun 2021		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(a)</sup>	55.6	71.5	103.9	56.1	72.2	106.3
Electricity and gas supply; sewerage, waste management and remediation activities	76.3	108.9	166.7	77.1	109.4	167.4
Construction	78.9	100.0	125.5	79.6	100.6	126.4
Import and export trade	58.7	80.5	118.3	59.1	81.1	118.3
Wholesale	52.5	65.6	86.5	52.8	66.1	87.5
Retail trade	45.0	53.4	67.0	46.4	53.7	66.7
<i>within which:</i>						
Supermarkets and convenience stores	42.4	47.6	52.0	43.3	48.6	53.2
Other retail stores	46.6	56.6	73.1	47.1	55.8	71.3
Land transport	57.6	80.0	113.5	57.8	79.6	106.7
Other transportation, storage, postal and courier services <sup>(b)</sup>	52.4	68.0	94.6	52.0	67.4	92.3
Food and beverage services	46.7	52.6	66.0	47.0	53.0	65.0
<i>within which:</i>						
Hong Kong style tea cafes	47.6	52.5	64.2	48.1	53.1	65.0
Chinese restaurants	47.1	53.8	72.3	48.1	54.4	73.8
Restaurants, other than Chinese	48.5	54.1	67.1	49.4	54.8	67.8
Fast food cafes <sup>(c)</sup>	44.0	48.1	55.0	43.5	48.5	55.6
Other food and beverage services	45.2	51.1	61.0	46.0	51.0	60.9
Accommodation services <sup>(d)</sup>	47.3	58.1	74.3	47.9	58.7	75.0
Information and communications	66.1	93.9	143.4	67.2	95.8	146.3
Financing and insurance	75.4	110.4	190.2	75.4	112.5	190.1
Real estate activities <sup>(e)</sup>	61.7	88.0	140.7	62.6	89.6	143.4
Estate management, security and cleaning services	41.2	46.4	58.2	41.4	47.1	58.6
<i>within which:</i>						
Real estate maintenance management	41.3	46.9	62.8	41.9	47.6	63.4
Security services <sup>(f)</sup>	41.4	46.1	56.3	41.9	46.6	56.9
Cleaning services	40.2	45.2	51.9	40.6	45.6	52.4
Membership organisations <sup>(g)</sup>	44.6	58.0	91.7	45.0	58.6	91.7
Professional, scientific and technical services	66.7	97.6	159.5	66.7	99.2	160.1
Administrative and support services activities	52.1	71.7	112.5	51.9	71.7	114.7
Travel agency, reservation service and related activities	51.6	66.4	94.1	51.1	66.0	94.7
Education and public administration (excluding the Government)	67.4	133.0	222.2	68.5	133.0	222.9
Human health activities; and beauty and body prettifying treatment	63.2	90.4	173.8	63.8	91.6	173.8
Miscellaneous activities	44.9	51.6	69.0	44.8	52.4	70.0
<i>within which:</i>						
Elderly homes	42.5	52.6	70.4	42.9	53.1	71.8
Laundry and dry cleaning services	45.9	49.5	59.4	45.8	50.5	64.5
Hairdressing and other personal services	46.9	52.0	71.7	46.1	52.4	70.0
Local courier services	46.7	52.2	63.0	45.5	52.5	66.7
Food processing and production	44.4	51.4	69.7	45.3	52.4	73.3
Other activities not classified above	54.4	69.2	104.5	55.6	70.5	107.1
<b>All industry sections above</b>	<b>52.8</b>	<b>74.4</b>	<b>117.6</b>	<b>53.5</b>	<b>75.7</b>	<b>120.3</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
GDP deflator	3.5	1.8	2.9	3.6	1.6	2.9	3.7	2.0
Domestic demand deflator	4.2	1.4	3.1	2.2	1.4	2.8	3.4	2.4
Consumer Price Indices <sup>(a)</sup> :								
Composite CPI	4.1	4.3	4.4	3.0	2.4	1.5	2.4	2.9
CPI(A)	3.6	5.1	5.6	4.0	2.8	1.5	2.7	3.3
CPI(B)	4.3	4.1	4.2	2.9	2.3	1.4	2.3	2.7
CPI(C)	4.1	3.8	3.5	2.1	2.1	1.5	2.2	2.6
Unit Value Indices :								
Total exports of goods	3.4	1.3	2.0	0.1	-1.7	1.8	2.4	1.1
Imports of goods	3.3	0.9	1.9	-0.4	-1.7	1.9	2.6	1.3
Terms of Trade Index <sup>(b)</sup>	0.1	0.4	0.1	0.5	*	-0.1	-0.1	-0.1
Producer Price Index for all manufacturing industries	0.1	-3.1	-1.7	-2.7	1.3	3.8	2.0	1.0
Tender Price Indices :								
Public sector								
building projects	8.3	6.6	7.3	5.9	1.0	-0.3	-2.9	-2.6
Public housing projects	6.4	9.3	8.0	12.5	-0.7	0.3	-1.9	-1.8

Notes: (a) The year-on-year rates of change before October 2020 were derived using the index series in the base periods at that time (for instance the 2014/15-based index series), compared with the index a year earlier in the same base period.

(b) Derived from merchandise trade index numbers.

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

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

N.A. Not yet available.

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

(%)

	<u>2020</u>	<u>2021</u>	<u>2021</u>		<u>2022</u>		Average annual rate of change:	
			Q3	Q4	Q1	Q2	10 years 2011 to 2021	5 years 2016 to 2021
GDP deflator <sup>#</sup>	0.6	0.9	1.0	2.0	1.0	0.9	2.4	2.0
Domestic demand deflator <sup>#</sup>	0.6	-0.2	0.4	0.3	1.2	2.5	2.1	1.8
Consumer Price Indices <sup>(a)</sup> :								
Composite CPI	0.3	1.6	2.3	2.0	1.5	1.5	2.7	1.7
CPI(A)	-0.6	2.9	4.0	2.5	1.5	1.2	3.1	2.0
CPI(B)	0.6	1.0	1.4	1.8	1.5	1.4	2.6	1.6
CPI(C)	0.8	0.9	1.3	1.7	1.6	1.8	2.4	1.6
Unit Value Indices :								
Total exports of goods	-0.6	5.4	6.1	9.0	10.3	8.0	1.5	2.0
Imports of goods	-0.7	5.5	6.5	9.0	10.6	8.8	1.4	2.1
Terms of Trade Index <sup>(b)</sup>	*	*	-0.4	*	-0.2	-0.8	0.1	-0.1
Producer Price Index for all manufacturing industries	2.3	1.2	-0.8	1.2	2.3	N.A.	0.4	2.0
Tender Price Indices :								
Public sector								
building projects	-3.0	1.0	1.4	3.3	4.0	N.A.	2.0	-1.6
Public housing projects	-2.7	1.8	1.9	5.7	4.6	N.A.	3.0	-0.9

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

(%)

	Weight	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>All items</b>	<b>100.00</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>	<b>2.4</b> <b>(2.6)</b>
Food	27.41	5.8	4.4	4.1	4.0	3.4	2.2	3.4
<i>Meals out and takeaway food</i>	<i>17.05</i>	<i>5.4</i>	<i>4.4</i>	<i>4.6</i>	<i>4.2</i>	<i>3.3</i>	<i>2.7</i>	<i>2.9</i>
<i>Basic food</i>	<i>10.36</i>	<i>6.5</i>	<i>4.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.6</i>	<i>1.1</i>	<i>4.3</i>
Housing <sup>(a)</sup>	40.25	5.6	6.7	6.7	5.1	3.7	2.0	2.5
<i>Private housing rent</i>	<i>35.46</i>	<i>6.8</i>	<i>6.3</i>	<i>6.0</i>	<i>4.7</i>	<i>3.4</i>	<i>1.8</i>	<i>2.2</i>
<i>Public housing rent</i>	<i>1.87</i>	<i>-7.1</i>	<i>16.0</i>	<i>18.3</i>	<i>10.9</i>	<i>7.2</i>	<i>3.0</i>	<i>4.1</i>
Electricity, gas and water	2.82	-8.2	6.9	14.9	8.4	1.0	-1.7	4.9
Alcoholic drinks and tobacco	0.49	3.0	1.5	6.5	1.3	1.5	0.6	1.3
Clothing and footwear	2.42	3.1	1.7	0.9	-1.8	-3.4	-0.4	1.6
Durable goods	4.00	-1.4	-4.3	-3.4	-5.6	-5.4	-3.2	-2.0
Miscellaneous goods	3.32	2.2	2.2	2.3	0.9	1.5	1.4	1.3
Transport	6.17	3.0	2.3	2.0	-0.3	1.6	2.3	1.6
Miscellaneous services	13.12	2.8	3.7	3.0	1.1	2.3	0.9	2.1

Notes: The year-on-year rates of change before October 2020 were derived using the index series in the base periods at that time (for instance the 2014/15-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 2019/20-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".



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

(%)										
	Weight	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>		<u>2022</u>		Average annual rate of change:	
					Q3	Q4	Q1	Q2	10 years 2011 to 2021	5 years 2016 to 2021
<b>All items</b>	<b>100.00</b>	<b>2.9</b> <b>(3.0)</b>	<b>0.3</b> <b>(1.3)</b>	<b>1.6</b> <b>(0.6)</b>	<b>2.3</b> <b>(1.1)</b>	<b>2.0</b> <b>(1.2)</b>	<b>1.5</b> <b>(1.6)</b>	<b>1.5</b> <b>(1.7)</b>	<b>2.7</b> <b>(2.7)</b>	<b>1.7</b> <b>(2.0)</b>
Food	27.41	4.9	3.3	1.7	2.6	2.5	3.7	4.0	3.7	3.1
<i>Meals out and takeaway food</i>	17.05	2.2	0.8	1.8	3.6	2.8	3.1	3.4	3.2	2.1
<i>Basic food</i>	10.36	9.9	7.7	1.4	1.0	1.9	4.6	5.0	4.5	4.8
Housing <sup>(a)</sup>	40.25	3.5	-0.1	0.3	1.0	-0.6	-0.3	-0.6	3.6	1.6
<i>Private housing rent</i>	35.46	3.1	1.1	-1.3	-1.6	-0.8	-0.5	-0.8	3.4	1.4
<i>Public housing rent</i>	1.87	7.1	-21.0	29.3	100.3	2.0	2.0	-0.1	5.9	3.2
Electricity, gas and water	2.82	-5.4	-20.6	27.0	20.5	37.0	-2.4	2.7	2.0	-0.4
Alcoholic drinks and tobacco	0.49	1.2	0.5	0.1	-0.4	0.2	0.3	1.5	1.7	0.7
Clothing and footwear	2.42	-1.7	-5.2	3.3	5.4	7.1	6.1	4.9	-0.2	-0.5
Durable goods	4.00	-1.9	-2.7	1.0	2.1	2.0	1.7	1.6	-2.9	-1.8
Miscellaneous goods	3.32	2.5	3.1	-3.1	-2.8	-1.2	-0.2	0.4	1.4	1.0
Transport	6.17	2.0	-1.0	2.6	5.9	5.1	6.1	1.8	1.6	1.5
Miscellaneous services	13.12	2.0	0.8	0.7	0.8	1.0	1.0	1.3	1.9	1.3

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

(%)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Private consumption expenditure	3.2	2.7	2.9	1.2	1.5	2.5	3.1
Government consumption expenditure	6.2	4.3	4.7	4.4	3.7	2.5	3.3
Gross domestic fixed capital formation	6.4	-2.9	3.1	4.5	-0.3	4.4	4.6
Total exports of goods	3.2	-0.1	0.7	-0.7	-1.4	1.7	2.2
Imports of goods	4.3	-0.3	0.8	-1.4	-1.8	1.8	2.3
Exports of services	4.7	0.4	0.4	-2.8	-2.0	3.2	4.5
Imports of services	0.6	0.3	0.5	-4.6	-1.3	2.7	2.8
<b>Gross Domestic Product</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>	<b>3.7</b>
Total final demand	3.7	0.4	1.4	*	-0.6	2.2	2.8
Domestic demand	4.2	1.4	3.1	2.2	1.4	2.8	3.4

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

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

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

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

	(%)								
	<u>2019</u>	<u>2020<sup>#</sup></u>	<u>2021<sup>#</sup></u>	<u>2021</u>		<u>2022</u>		Average annual rate of change:	
				Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	10 years 2011 to 2021 <sup>#</sup>	5 years 2016 to 2021 <sup>#</sup>
Private consumption expenditure	2.7	0.6	-0.3	-0.2	0.7	0.5	2.0	2.0	1.7
Government consumption expenditure	4.7	2.1	0.8	0.8	2.2	2.3	3.9	3.7	2.7
Gross domestic fixed capital formation	-0.1	-1.5	0.4	1.3	4.7	3.5	3.1	1.8	1.5
Total exports of goods	1.1	0.1	5.0	5.2	8.1	9.2	7.0	1.1	2.0
Imports of goods	1.3	0.1	4.9	5.6	7.9	10.2	8.3	1.2	2.1
Exports of services	-0.3	-0.4	13.3	16.3	16.6	11.6	13.6	2.0	4.0
Imports of services	-1.0	-0.9	10.6	12.2	12.6	9.1	7.9	0.9	2.8
<b>Gross Domestic Product</b>	<b>2.0</b>	<b>0.6</b>	<b>0.9</b>	<b>1.0</b>	<b>2.0</b>	<b>1.0</b>	<b>0.9</b>	<b>2.4</b>	<b>2.0</b>
Total final demand	1.4	0.2	3.8	4.3	6.2	6.8	5.7	1.5	2.1
Domestic demand	2.4	0.6	-0.2	0.4	0.3	1.2	2.5	2.1	1.8

