



Third Quarter Economic Report 2022

Government of the Hong Kong
Special Administrative Region

THIRD QUARTER ECONOMIC REPORT 2022

OFFICE OF THE GOVERNMENT ECONOMIST
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CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

Summary

- *The Hong Kong economy showed a widened year-on-year contraction in the third quarter of 2022. The worsened external environment and continued disruptions to cross-boundary land cargo flows dealt a serious blow to Hong Kong's exports. Tightened financial conditions resulting from the sharp interest rate hikes by the major central banks weighed heavily on domestic demand, though improved labour market conditions and the disbursement of consumption vouchers in August rendered support to private consumption. In the third quarter, real Gross Domestic Product (GDP)⁽¹⁾ fell by 4.5% from a year earlier, further to a 1.3% decline in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis⁽²⁾, real GDP decreased by 2.6%.*
- *Total exports of goods plummeted in the third quarter. Exports to the Mainland saw a widened decline. Exports to the US and the EU turned to visible falls. Growth in exports to most other major markets in Asia decelerated. Exports of services turned to a decline. Exports of financial services fell visibly due to weakened cross-border financial and fund-raising activities. Exports of transport services declined amid deteriorated trade performance, while exports of business and other services dropped alongside the worsened external environment. Exports of travel services surged thanks to the relaxation of testing and quarantine arrangements for visitors, but remained far below the pre-pandemic level.*
- *Domestically, private consumption expenditure was virtually unchanged from a year ago in the third quarter, but continued to increase on a seasonally adjusted quarter-to-quarter basis. Yet, overall investment expenditure saw a widened fall from a year earlier.*
- *The labour market continued to improve in the third quarter. The seasonally adjusted unemployment rate fell further from 4.7% in the second quarter to 3.9% in the third quarter, and the underemployment rate from 3.0% to 1.8%.*
- *The local stock market underwent a marked correction in the third quarter in tandem with the downslides in many stock markets across the globe. The Hang Seng Index (HSI) plunged by 21.2% from end-June to 17 223 at end-September. Market sentiment was hard hit by the sharp tightening of monetary policy by the US Federal Reserve (Fed) and other major central banks as well as slackening global growth momentum. The residential property market softened amid tightened financial conditions as well as weakened global and local economic outlooks. Trading activities quietened visibly. Flat prices declined during the quarter.*

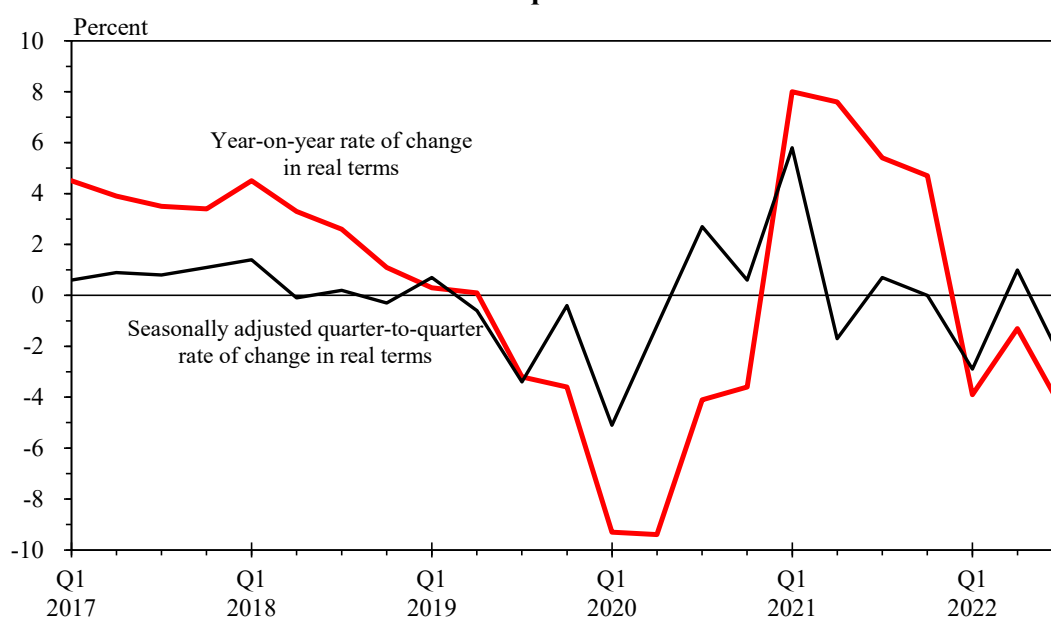
- *Consumer price inflation remained moderate in overall terms in the third quarter. Prices of food as well as clothing and footwear continued to register visible increases. Prices of energy-related items surged further. Nonetheless, price pressures on other major components remained contained. Private housing rentals fell further albeit at a narrowed rate.*

Overall situation

1.1 The Hong Kong economy showed a widened year-on-year contraction in the third quarter of 2022. The worsened external environment and continued disruptions to cross-boundary land cargo flows dealt a serious blow to Hong Kong's exports. Tightened financial conditions resulting from the sharp interest rate hikes by the major central banks weighed heavily on domestic demand, though improved labour market conditions and the disbursement of consumption vouchers in August rendered support to private consumption.

1.2 In the third quarter, real GDP fell by 4.5% year-on-year (same as the advance estimate), after contracting by 1.3% in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis, real GDP decreased by 2.6% (same as the advance estimate), having increased by 1.0% in the preceding quarter.

Diagram 1.1 : Real GDP showed a widened year-on-year contraction in the third quarter of 2022



The external sector

1.3 The external environment deteriorated further in the third quarter of 2022. Economic growth in the major advanced economies remained modest amid elevated inflation and further stepping up of monetary policy tightening by respective central banks in response. The Mainland economy showed a moderate revival with economic activities constrained by weak global demand and occasional increases in COVID-19 cases in various localities. Against such a background, import demand from many major markets fell or registered decelerated growth. In many other Asian economies, manufacturing and trading activities recorded moderated growth in face of weakening global demand for goods.

1.4 *Total exports of goods* compiled under the GDP accounting framework plummeted by 15.6% year-on-year in real terms in the third quarter of 2022, widening notably from the 8.4% decline in the preceding quarter. The worsened external environment posed a visible drag on Hong Kong's export performance. In addition, disruptions to cross-boundary land transportation continued to affect exports to the Mainland and re-exports of Mainland origin to other parts of the world. Analysed by major market, exports to the Mainland saw a widened decline in the third quarter. Exports to the US and the EU turned to visible falls. Growth in exports to most other major markets in Asia decelerated.

1.5 *Exports of services* turned to a year-on-year decline of 3.8% in real terms in the third quarter, after a 2.2% increase in the preceding quarter. Exports of financial services fell visibly due to weakened cross-border financial and fund-raising activities. Exports of transport services declined amid deteriorated trade performance, while exports of business and other services dropped alongside the worsened external environment. On the other hand, exports of travel services surged thanks to the relaxation of testing and quarantine arrangements for visitors, but remained far below the pre-pandemic level.

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

	<u>2020[#]</u>	<u>2021[#]</u>	<u>2021</u>				<u>2022</u>		
			<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</u>	<u>Q4[#]</u>	<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</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)	* (8.0)	* (1.1)
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)	5.1 (-5.2)
Gross domestic fixed capital formation	-11.5	9.8	5.4	23.8	13.0	-0.6	-7.8	-2.1	-14.3
Building and construction	-9.8	0.7	-2.3	1.1	2.6	1.5	1.1	7.0	2.5
Costs of ownership transfer	-4.0	39.2	82.0	61.7	37.3	-2.2	-34.1	-36.8	-42.6
Machinery, equipment and intellectual property products	-16.0	16.8	3.2	55.3	22.5	-2.3	-14.5	-2.2	-26.9
Total exports of goods ^{&}	-1.4	18.9	30.6 (11.2)	20.5 (-1.2)	14.2 (-0.1)	13.5 (3.1)	-4.5 (-6.3)	-8.4 (-5.1)	-15.6 (-7.7)
Imports of goods ^{&}	-3.2	17.4	23.3 (7.2)	21.7 (1.7)	16.7 (1.0)	9.9 (-0.4)	-5.9 (-8.2)	-5.9 (1.9)	-16.1 (-9.9)
Exports of services ^{&}	-34.8	1.5	-8.3 (12.6)	3.9 (-5.4)	5.8 (1.4)	6.9 (-1.3)	-2.9 (2.5)	2.2 (-0.5)	-3.8 (-4.7)
Imports of services ^{&}	-32.2	1.7	-11.1 (2.8)	10.8 (-1.5)	5.9 (1.7)	4.5 (1.3)	-3.8 (-5.5)	-2.4 (0.5)	-3.6 (0.2)
Gross Domestic Product	-6.5	6.3	8.0 (5.8)	7.6 (-1.7)	5.4 (0.7)	4.7 (*)	-3.9 (-2.9)	-1.3 (1.0)	-4.5 (-2.6)
<i>Change in the main price indicators (%)</i>									
GDP deflator	0.6	0.9	-0.4 (0.8)	0.7 (0.3)	1.0 (0.4)	2.0 (0.5)	1.0 (-0.4)	0.5 (-0.1)	4.5 (4.4)
Composite CPI									
Headline	0.3[@]	1.6	1.2 (1.1)	0.8 (0.3)	2.3 (-0.8)	2.0 (1.4)	1.5 (0.7)	1.5 (0.3)	2.7 (0.4)
Underlying[^]	1.3[@]	0.6	-0.2 (0.3)	0.3 (0.4)	1.1 (0.3)	1.2 (0.3)	1.6 (0.6)	1.7 (0.5)	1.8 (0.3)
<i>Change in nominal GDP (%)</i>	-5.9	7.2	7.5	8.4	6.5	6.8	-3.0	-0.8	-0.2

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

1.6 In the third quarter of 2022, local consumption was supported by the generally stable epidemic situation, improved labour market conditions and the disbursement of consumption vouchers in August, though the positive effects were partly offset by tightened financial conditions and the consequential weak asset market performance. *Private consumption expenditure* was virtually unchanged from a year earlier in the third quarter, the same as in the preceding quarter. But it continued to increase on a seasonally adjusted quarter-to-quarter basis, by 1.1%. Meanwhile, *government consumption expenditure* expanded by a moderated 5.1% year-on-year in real terms in the third quarter, after a 13.0% increase in the preceding quarter.

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

Of which :

		Total consumer spending in the domestic market ^(a)	Food	Durables	Non- durables	Services	Residents' expenditure abroad	Visitor spending	Private consumption expenditure ^(b)
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	0.1	-8.0	4.6	4.6	-0.1	20.2	54.8	*
	Q3	*	-7.5	7.7	0.9	0.1	30.9	94.0	*

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.

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

Diagram 1.2 : Private consumption expenditure continued to increase over the preceding quarter

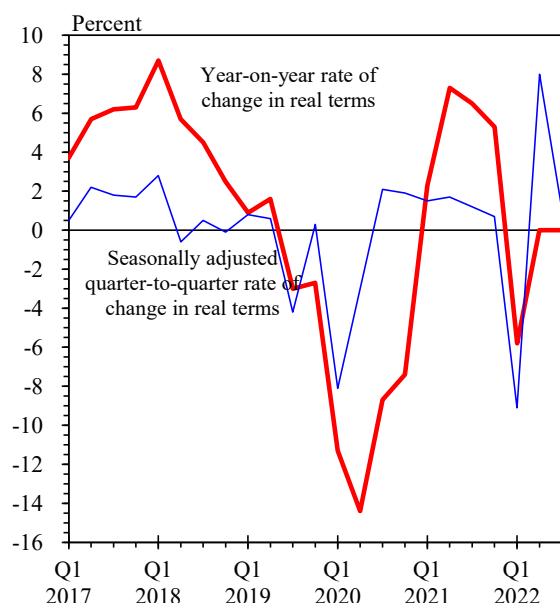
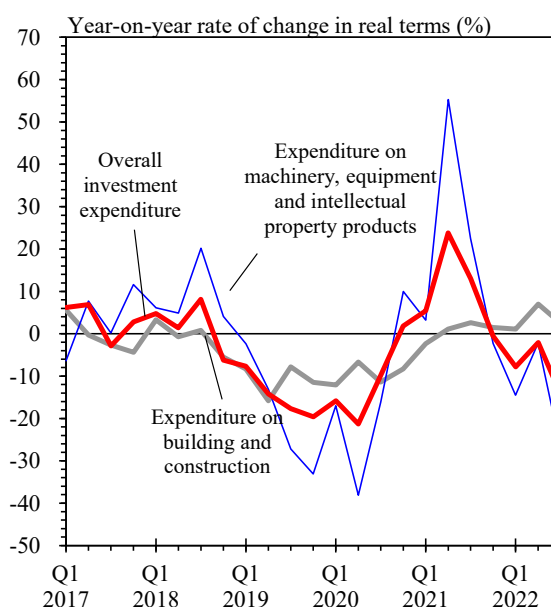


Diagram 1.3 : Overall investment expenditure saw a widened year-on-year fall



1.7 Overall investment spending as measured by *gross domestic fixed capital formation* saw a widened fall of 14.3% in real terms in the third quarter from a year earlier, compared to a 2.1% decrease in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products fell sharply by 26.9% as business sentiment generally eased amid higher borrowing costs and the deteriorated economic outlook (see **Box 1.1**). Expenditure on building and construction rose by 2.5% 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 fell sharply from the hectic level a year earlier.

Box 1.1

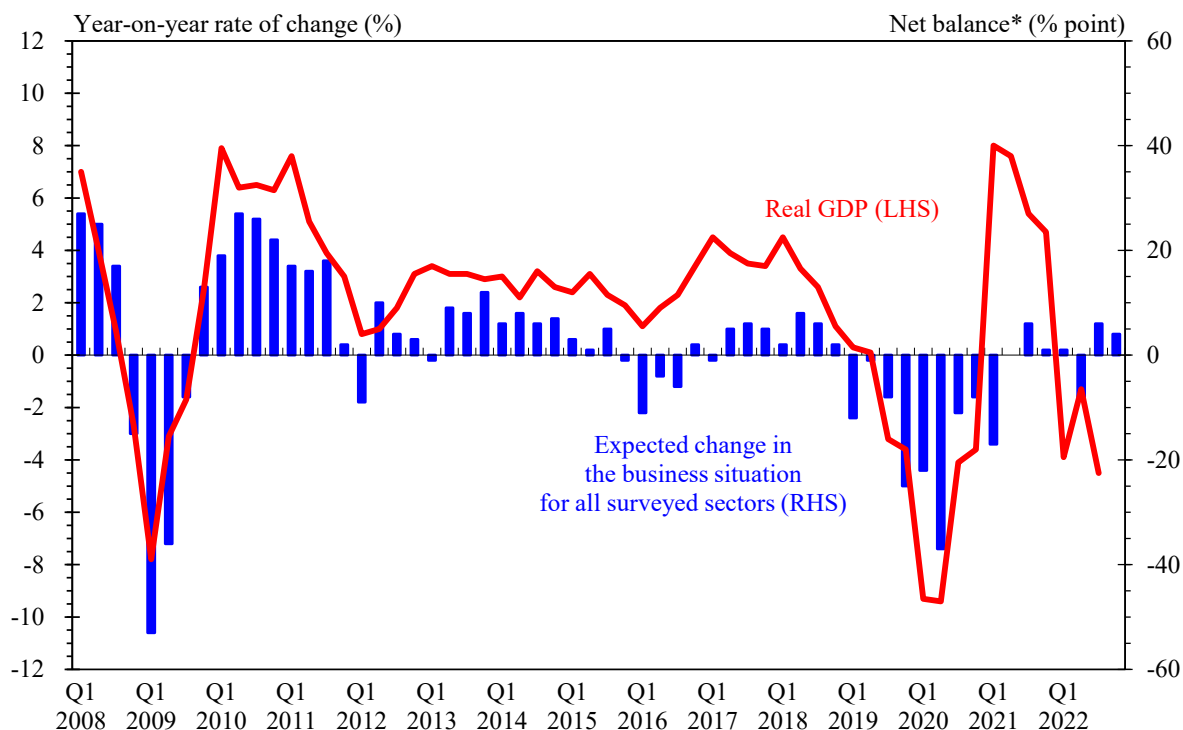
Business sentiment in Hong Kong

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 generally eased in the third quarter amid worsening global economic prospects and tightening financial conditions.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during 2 September 2022 to 12 October 2022, business sentiment among large enterprises in Hong Kong remained largely stable as compared to three months ago (*Chart 1*). The proportion of large enterprises expecting their business situation to improve in the fourth quarter of 2022 over the third quarter was larger than the proportion of those expecting the situation to worsen by 4 percentage points (i.e. a net balance of +4), slightly lower than +6 in the previous round.

Large enterprises' business sentiment varied across different sectors (*Table 1*). The net balances for the "manufacturing" and "real estate" sectors turned negative. Those of the "information and communications" and "construction" sectors held steady in the negative territory. Meanwhile, the net balances for the "accommodation and food services" and "retail" sectors receded from very high levels and that for the "financing and insurance" sector decreased in the positive zone. On the other hand, the net balances for the "transportation, storage, and courier services" and "professional and business services" sectors rebounded into positive territory, while that for the "import/export trade and wholesale" sector increased in the positive zone. Large enterprises' appetite for hiring remained largely positive (*Table 2*).

Chart 1 : Business sentiment of large enterprises remained largely stable



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

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

Box 1.1 (Cont'd)

Table 1 : Large enterprises' business sentiment varied across different sectors

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2021		2022			
	Q3	Q4	Q1	Q2	Q3	Q4
Manufacturing	+23	+14	-8	-19	+24	-13
Construction	-21	-6	-17	-32	-5	-5
Import/export trade and wholesale	+8	0	+2	-7	+6	+9
Retail	+18	+9	-11	+11	+25	+16
Accommodation and food services	+33	+29	+2	+23	+49	+37
Transportation, storage and courier services	-18	-2	-7	-12	-2	+8
Information and communications	+5	+5	-2	+1	-3	-4
Financing and insurance	+6	-2	+5	-4	+10	+4
Real estate	+14	+7	+8	-2	+10	-2
Professional and business services	+7	-1	+3	-19	-3	+2
All sectors above	+6	+1	+1	-8	+6	+4

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

Table 2 : Hiring sentiment of large enterprises remained largely positive

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2021		2022			
	Q3	Q4	Q1	Q2	Q3	Q4
Manufacturing	+10	+8	-4	-1	+7	+18
Construction	-11	+11	+8	+3	+9	+18
Import/export trade and wholesale	+2	-4	-2	0	+1	0
Retail	-5	-12	-5	+4	+9	+5
Accommodation and food services	+19	+18	+8	-2	+36	+22
Transportation, storage and courier services	-2	-3	+3	+1	+8	+13
Information and communications	-3	+6	-7	+7	-1	-8
Financing and insurance	+10	+5	+9	+4	-4	+5
Real estate	+4	+5	+9	-9	+11	0
Professional and business services	-2	-2	-5	-2	0	+2
All sectors above	+2	+1	0	+1	+7	+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⁽²⁾ 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 moved in a range of 43.0 to 45.5 during July – October, lower than the levels in the second quarter. (*Chart 2a*). Yet, employment sentiment among SMEs remained generally stable, and credit conditions were largely accommodative. Separately, the Standard Chartered Hong Kong SME Leading Business Index⁽³⁾ for the fourth quarter, which was based on a survey conducted in September, dropped.

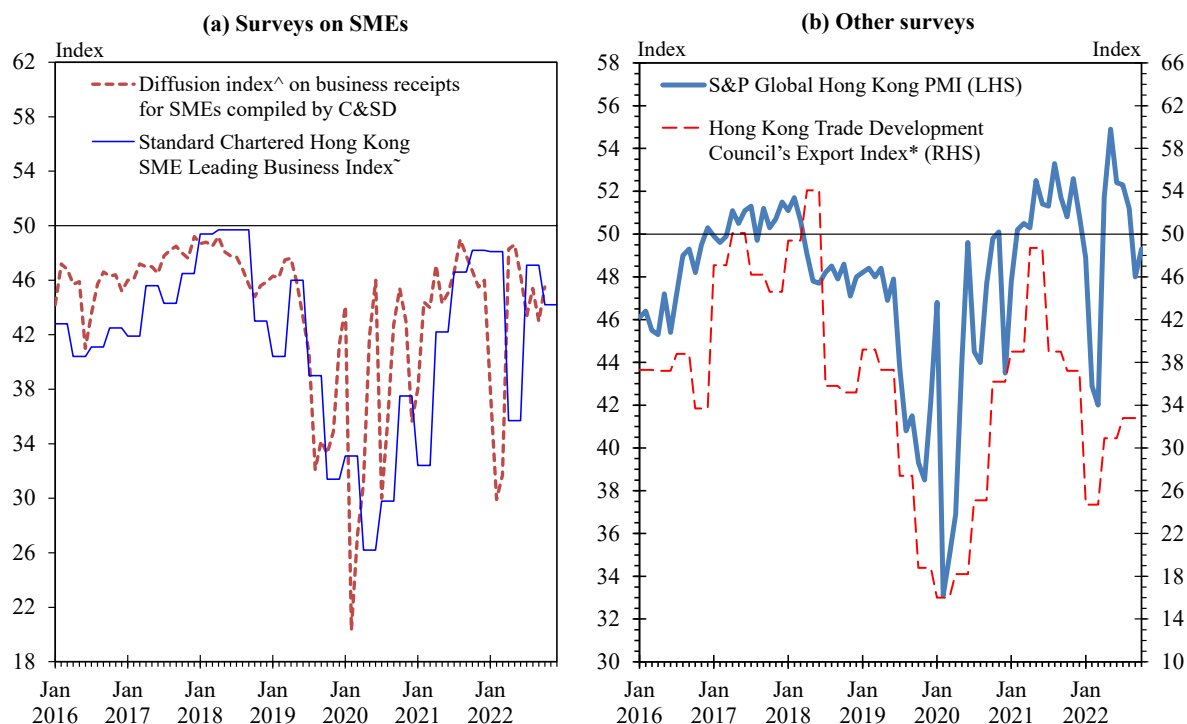
As for other surveys in the public domain, the S&P Global Purchasing Managers' Index (PMI) of Hong Kong⁽⁴⁾, which gauges the performance of the private sector's business activity, declined to 48.0 in September, and stayed in the contractionary zone in October (49.3). Separately, the Hong Kong Trade Development Council's Export Index⁽⁵⁾ posted a mild increase from 30.9 in the second quarter to 32.8 in the third quarter (*Chart 2b*). Among the exporters surveyed, 40.2% indicated the persistence of the pandemic as the biggest threat to their businesses in the near term, followed by the continued border closures (22.6%) and China-US trade tensions (15.7%).

(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 : Recent surveys pointed to generally easing business sentiment of late



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 generally eased in the third quarter from the preceding quarter, amid worsening global economic prospects as many major central banks raised interest rates sharply in response to elevated inflation. Looking ahead, the deteriorating economic environment and tightening financial conditions would continue to weigh on business sentiment, though the generally stable local epidemic situation and the Consumption Voucher Scheme should provide support.

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- (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

1.8 The labour market continued to improve in the third quarter of 2022. The seasonally adjusted *unemployment rate* fell further from 4.7% in the second quarter to 3.9% in the third quarter. The unemployment rates of most major sectors decreased in the third quarter from the preceding quarter, particularly those of the decoration, repair and maintenance for buildings sector, the food and beverage service activities sector, and the arts, entertainment and recreation sector. The unemployment rates of both lower-skilled and higher-skilled workers declined, with the former still visibly higher than the latter. The *underemployment rate* fell from 3.0% in the second quarter to 1.8% in the third quarter. Overall wages and labour earnings showed accelerated year-on-year growth in the second quarter, and more recent statistics from the General Household Survey showed that the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) grew by 5.0% year-on-year in nominal terms in the third quarter.

The asset markets

1.9 The *local stock market* underwent a marked correction in the third quarter of 2022 in tandem with the downslides in many stock markets across the globe. The HSI plunged by 21.2% from end-June to 17 223 at end-September. Market sentiment was hard hit by the sharp tightening of monetary policy by the US Fed and other major central banks as well as slackening global growth momentum. Trading activities quietened. Average daily turnover in the securities market contracted by 24.8% from the preceding quarter or 41.0% from a year earlier to \$97.6 billion. Fund raising activities remained tepid.

1.10 The *residential property market* softened in the third quarter of 2022 amid tightened financial conditions as well as weakened global and local economic outlooks. The number of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, declined by 22% from the preceding quarter to a low level of 11 683 in the third quarter, 38% lower than a year earlier. Flat prices declined during the quarter as sentiment turned increasingly cautious. The index of home purchase affordability rose to around 73% due to rising mortgage rates. Meanwhile, flat rentals on average edged up by 1% between June and September. The *non-residential property market* turned quieter in the third quarter amid subdued economic conditions. Trading activities for all major market segments retreated from the preceding quarter. Prices fell, while rentals largely held steady.

Inflation

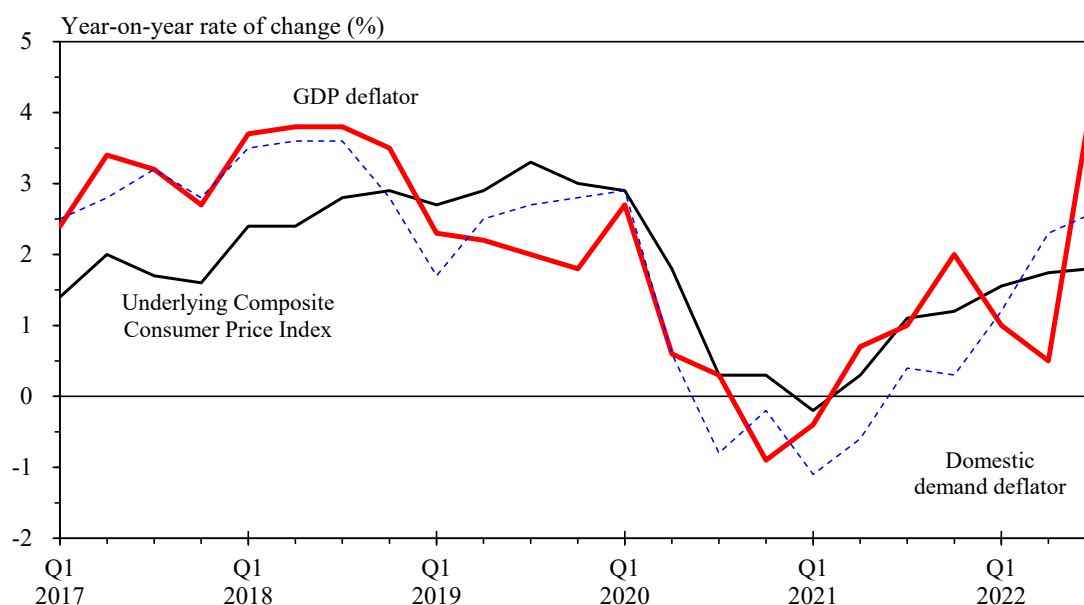
1.11 Consumer price inflation remained moderate in overall terms in the third quarter of 2022. Netting out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, the underlying Composite CPI rose by 1.8% year-on-year in the third quarter, similar to the 1.7% increase in the preceding quarter. Prices of food as well as clothing and footwear continued to register visible increases. Prices of energy-related items surged further. Nonetheless, price pressures on other major components remained contained. Private housing rentals fell further, albeit at a narrowed rate as the earlier increase in fresh-letting residential rentals continued to feed through.

1.12 Domestic business cost pressures remained largely mild, as wage growth continued to be moderate and commercial rentals stayed soft in the third quarter. External price pressures were still intensive. As inflation in many major economies stayed high amid elevated global energy and food prices, prices of overall merchandise imports rose markedly further.

1.13 The *headline Composite CPI* rose by 2.7% year-on-year in the third quarter, up from 1.5% in the preceding quarter. The much higher headline inflation rate than its underlying counterpart in the third quarter mainly reflected the low base of comparison for the former due to the rent waiver for tenants provided by the Hong Kong Housing Authority in September last year.

1.14 The *GDP deflator* rose by 4.5% in the third quarter over a year earlier, following an increase of 0.5% in the preceding quarter. The terms of trade improved as export prices rose faster than import prices. Taking out the external trade components, the domestic demand deflator increased by 2.6% in the third quarter, after rising by 2.3% in the preceding quarter.

Diagram 1.4 : Underlying consumer price inflation remained moderate in overall terms in the third 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

1.15 The net output of the services sector declined by 1.2% year-on-year in real terms in the second quarter of 2022, narrowed from a 3.1% decrease in the preceding quarter. While many major service sectors contracted further, most showed relative improvements as domestic activities revived somewhat amid the generally improved local epidemic situation and various Government support measures. In particular, the net output of wholesale and retail trades and that of accommodation and food services saw much narrowed declines. The net outputs of financing and insurance and information and communications increased at a faster pace. However as external demand weakened and disruptions to cross-boundary land cargo flows continued, the net output of import and export trade recorded an enlarged decline. As for the secondary sector, the net output of the construction sector increased further, while that of the manufacturing sector reverted to growth.

**Table 1.3 : GDP by economic activity^(a)
(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>	<u>Q2</u>
Manufacturing	5.5	2.6	5.6	7.6	5.8	-1.3	2.7
Construction	0.7	-1.2	1.6	1.7	0.8	3.3	7.4
Services ^(b)	5.8	6.7	6.4	5.3	4.8	-3.1	-1.2
Import/export, wholesale and retail trades	12.9	23.9	15.1	8.3	7.7	-7.1	-6.7
Import and export trade	13.2	25.9	15.6	8.3	6.8	-6.4	-7.5
Wholesale and retail trades	11.0	12.1	12.1	10.4	10.1	-12.4	-2.0
Accommodation ^(c) and food services	22.0	-5.2	16.4	44.4	36.8	-29.0	-6.2
Transportation, storage, postal and courier services	8.6	-3.0	16.6	17.6	7.4	-12.0	-3.3
Transportation and storage	7.6	-6.4	17.1	18.5	6.5	-12.7	-3.1
Postal and courier services	19.1	38.0	14.7	9.5	16.0	-5.8	-5.2
Information and communications	2.6	3.6	2.0	2.3	2.4	0.9	1.1
Financing and insurance	4.8	7.3	5.9	2.8	3.4	0.1	1.6
Real estate, professional and business services	2.4	1.4	2.4	3.3	2.4	-5.4	-1.8
Real estate	2.4	2.7	2.2	3.1	1.7	-9.6	-3.5
Professional and business services	2.3	0.4	2.4	3.5	3.0	-1.7	-0.6
Public administration, social and personal services	3.5	2.3	4.4	3.7	3.6	-0.6	-0.1

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

1.16 The Chief Executive delivered the 2022 Policy Address in October. The more salient initiatives are highlighted below.

- To attract enterprises with a view to enhancing the city's competitiveness, the Government will set up an Office for Attracting Strategic Enterprises (OASES) to attract high-potential and representative enterprises from the Mainland and overseas through offering special facilitation measures and one-stop services. A \$30 billion Co-Investment Fund would be established for attracting enterprises to set up operations in Hong Kong and investing in their businesses. Separately, a Talents Service Unit would be established for formulating strategies to recruit talents from the Mainland and overseas, as well as providing one-stop support for incoming talents. The Government would also launch the Top Talent Pass Scheme to entice talents to pursue their careers in Hong Kong.
- A four-pronged strategy was set out for taking Hong Kong's innovation and technology (I&T) development to the next level. It includes enhancing the city's I&T ecosystem, enlarging the pool of local and non-local I&T talents, developing Hong Kong into a smart city and proactively integrating into the overall development of the country. A \$10 billion "Research, Academic and Industry Sectors One-plus Scheme" would be launched to provide funding on a matching basis for at least 100 research teams in universities which have good potential to become start-ups. It is the Government's goal to attract not less than 100 high-potential or representative I&T enterprises to set up or expand their businesses in Hong Kong in the coming five years, including at least 20 top-notch I&T enterprises, bringing more than \$10 billion of investment to Hong Kong and creating thousands of local job opportunities.

1.17 The second batch of consumption vouchers under Phase II of the 2022 Consumption Voucher Scheme was disbursed to about 6.36 million eligible persons on 1 October 2022, injecting about \$15 billion worth of spending power into the local consumption market. Another policy objective of the Consumption Voucher Schemes is to promote and broaden the use of electronic payments. A total of six stored value platforms have participated in the two Schemes introduced in the past couple of years and acquired some additional 8 million consumer accounts and 150 000 merchant accounts.

1.18 The Fraser Institute continued to rank Hong Kong as the world's freest economy in the *Economic Freedom of the World 2022 Annual Report*. Among the five areas of assessment, Hong Kong continued to rank first in "Freedom to Trade Internationally" and "Regulation". Separately, Hong Kong was ranked ninth globally in the International Institute for Management Development's *World Digital Competitiveness Ranking 2022*, and 14th globally in the *Global Innovation Index 2022* by the World Intellectual Property Organization.

Notes :

- (1) The Gross Domestic Product (GDP) is an overall measure of net output produced within an economy in a specified period, such as a calendar year or a quarter, before deducting the consumption of fixed capital. In accordance with the expenditure approach to its estimation, GDP is compiled as total final expenditures on goods and services (including private consumption expenditure, government consumption expenditure, gross domestic fixed capital formation, changes in inventories, and exports of goods and services), less imports of goods and services.
- (2) The seasonally adjusted quarter-to-quarter GDP series, by removing the variations that occur at about the same time and in about the same magnitude each year, provides another perspective for discerning the trend, particularly in regard to turning points. A detailed examination reveals the presence of seasonality in the overall GDP and in some of its main components, including private consumption expenditure, government consumption expenditure, exports of goods, imports of goods, exports of services, and imports of services. However, due to the presence of considerable short-term fluctuations, no clear seasonal pattern is found in gross domestic fixed capital formation. Therefore, the seasonally adjusted series of GDP is compiled separately at the overall level, rather than summing up from its main components.
- (3) The table below presents a more detailed comparison between the growth forecasts made by the IMF in October 2022 and those three months ago.

	<u>2021</u>	<u>July round</u>	<u>2022</u> <u>October round</u>
	(%)	(%)	(%)
World (PPP ^{##} weighted)	6.0	3.2	3.2
Advanced economies	5.2	2.5	2.4
US	5.9 [#]	2.3	1.6
Euro area	5.3 [#]	2.6	3.1
UK	7.5 [#]	3.2	3.6
Japan	1.7 [#]	1.7	1.7
Emerging market and developing economies	6.6	3.6	3.7
Emerging and developing Asia	7.2	4.6	4.4
Mainland China	8.1 [#]	3.3	3.2
India [^]	8.3 [#]	7.4	6.8
ASEAN-5 [§]	3.4	5.3	5.3
Middle East and Central Asia	4.5	4.8	5.0

- 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 deteriorated further in the third quarter of 2022. Economic growth in the major advanced economies remained modest amid elevated inflation and further stepping up of monetary policy tightening by respective central banks in response. The Mainland economy showed a moderate revival with economic activities constrained by weak global demand and occasional increases in COVID-19 cases in various localities. Against such a background, import demand from many major markets fell or registered decelerated growth. In many other Asian economies, manufacturing and trading activities recorded moderated growth in face of weakening global demand for goods.*
- *Hong Kong's merchandise exports plummeted by 17.4% year-on-year in real terms⁽¹⁾ in the third quarter. In addition to the worsened external environment, continued disruptions to cross-boundary land transportation also posed a drag to Hong Kong's export performance. Exports to the Mainland saw a widened decline. Exports to the US and the EU turned to visible falls. Growth in exports to most other major markets in Asia decelerated.*
- *Exports of services turned to a year-on-year decline of 3.8% in real terms in the third quarter, after a 2.2% increase in the preceding quarter. Exports of financial services fell visibly due to weakened cross-border financial and fund-raising activities. Exports of transport services declined amid deteriorated trade performance, while exports of business and other services dropped alongside the worsened external environment. On the other hand, exports of travel services surged thanks to the relaxation of testing and quarantine arrangements for visitors, but remained far below the pre-pandemic level.*
- *The Government will continue to strengthen Hong Kong's international exposure and promote Hong Kong's strengths. The Chief Executive and the Principal Officials will lead overseas delegations to present the true picture of Hong Kong to the world and rebuild the image and branding of Hong Kong. A global marketing campaign will be launched to present Hong Kong's prospects and opportunities.*

Goods trade

External environment

2.1 The external environment deteriorated further in the third quarter of 2022. Economic growth in the major advanced economies remained modest amid elevated inflation and further stepping up of monetary policy tightening by respective central banks in response. While the US economy expanded modestly over a year earlier, growth in personal consumption softened. In the euro area, economic growth decelerated visibly amid high inflation, tightened financial conditions and energy supply disruptions. Against such a background, import demand from advanced economies recorded decelerated growth in the third quarter.

2.2 In Asia, the Mainland economy showed a moderate revival in the third quarter from the earlier slowdown, but the pace was constrained by weak global demand and occasional increases in COVID-19 cases in various localities. Import demand fell in tandem. In many other Asian economies, manufacturing and trading activities recorded moderated growth in face of weakening global demand for goods.

2.3 On the policy front, central banks in many advanced economies further tightened their monetary policies sharply. The US Federal Reserve (Fed) raised the target range for the federal funds rate by 75 basis points each in September and November, and further reduced the size of its balance sheet as planned. In Europe, after a 50-basis-point hike in July, the European Central Bank raised key interest rates by 75 basis points both in September and in October. The Bank of England raised its policy rate by a total of 125 basis points in September and November. Nonetheless, the Bank of Japan kept policy rates at record lows, and said that it would not hesitate to take additional easing measures if necessary to support firms and maintain stability in financial markets. In the Mainland, the authorities rolled out further supportive measures to bolster the economy. On the monetary side, the five-year loan prime rate was further lowered by 15 basis points in August, the third cut this year. To support enterprises, the authorities deferred a number of government fees and provided interest subsidies to loans and tax incentives for equipment purchases and upgrades as well as research and development expenditure. To support infrastructure investment, the authorities also allocated an additional quota of over RMB 500 billion for the issuance of local government special-purpose bonds before end-October.

Total exports of goods

2.4 Hong Kong's *merchandise exports* plummeted by 17.4% year-on-year in real terms in the third quarter of 2022, widening notably from the 8.9% decline in the preceding quarter. The worsened external environment posed a visible drag on Hong Kong's export performance. In addition, disruptions to cross-boundary land transportation continued to affect exports to the Mainland and *re-exports*⁽²⁾ of Mainland origin to other parts of the world.

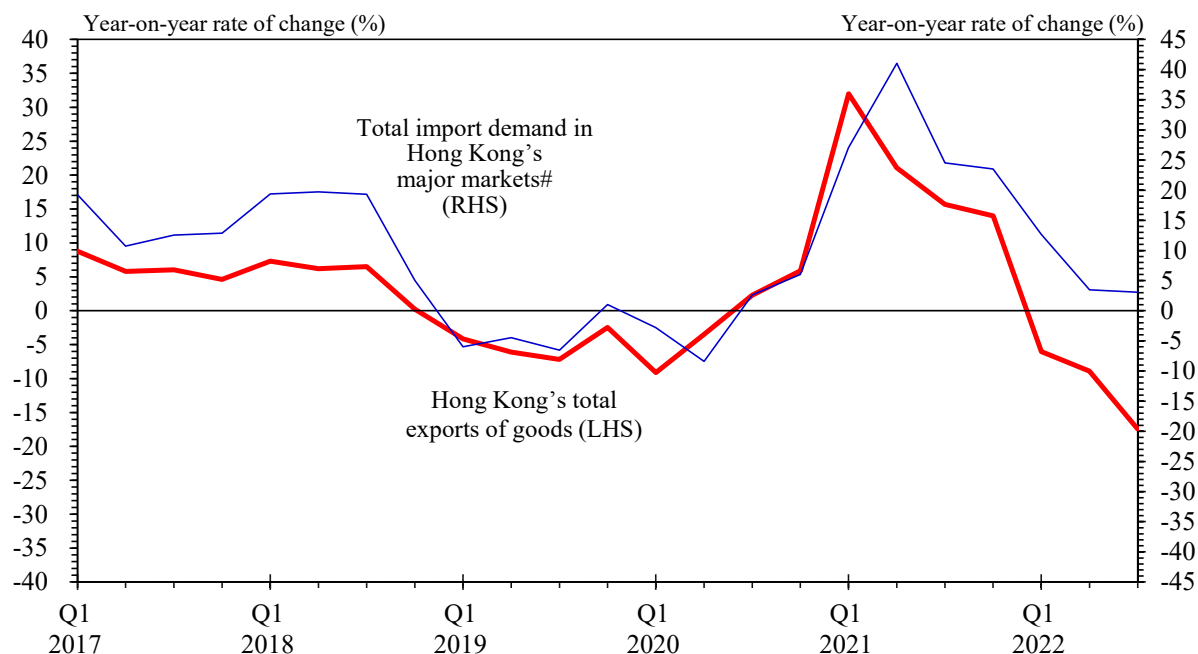
**Table 2.1 : Total exports of goods
(year-on-year rate of change (%))**

	<u>In value terms</u>	<u>In real terms</u> ^(a)		<u>Change in prices</u>
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
Q3	-10.9	-17.4	(-8.7)	8.5

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*.

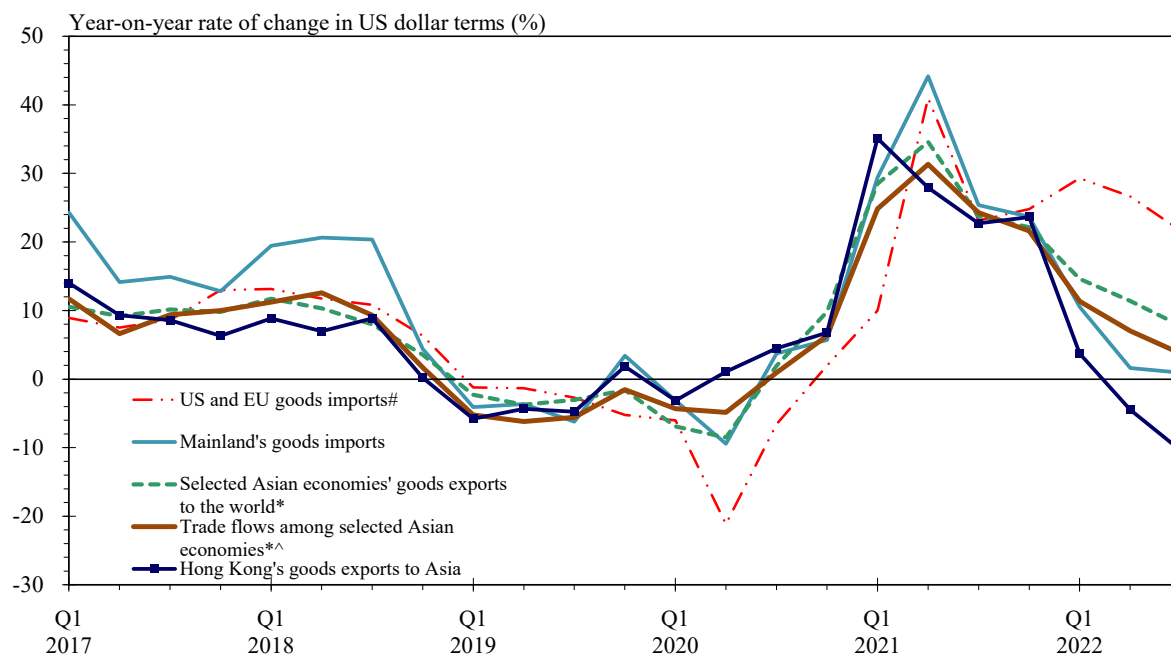
Diagram 2.1 : Merchandise exports plummeted in the third quarter



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.

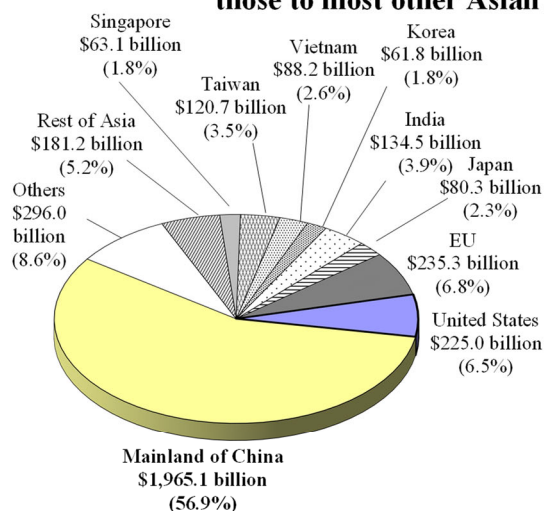
(#) Import demand figure for the EU for the third quarter of 2022 is based on information available as of early November 2022.

Diagram 2.2 : Growth in regional trade flows moderated further



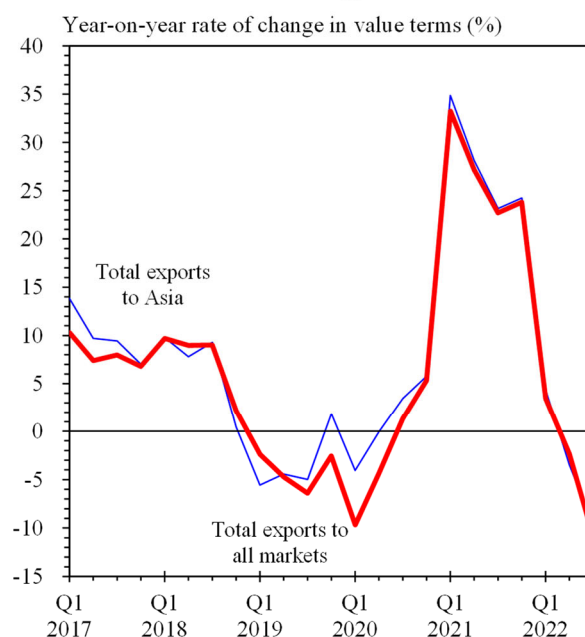
- Notes : (#) EU goods imports for the third quarter of 2022 are based on the information available as of early November 2022.
- (*) "Selected Asian economies" include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.
- (^) The trade 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 saw a widened decline; those to most other Asian markets showed decelerated growth



Total exports of goods in the first three quarters of 2022: \$3,451.1 billion

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



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

	<u>Annual</u>	<u>Q1</u>	<u>2021</u> <u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>2022</u> <u>Q2</u>	<u>Q3</u>
Mainland of China	17.7	37.5	18.8	11.4	8.5	-13.4	-18.0	-21.0
United States	20.5	21.4	17.4	19.8	23.2	11.2	7.3	-22.1
European Union	19.9	26.0	10.2	22.5	21.4	2.1	2.0	-15.3
ASEAN	18.4	11.4	18.6	17.0	26.0	13.6	17.4	1.4
Vietnam	19.7	32.9	22.8	3.5	23.1	14.1	22.5	8.6
Singapore	17.4	-2.2	14.3	34.4	23.2	28.0	23.0	10.5
India	32.6	21.3	48.9	20.9	47.1	38.0	78.4	19.1
Japan	7.2	7.9	-1.2	16.9	6.2	7.7	-15.2	-24.6
Taiwan	35.0	44.6	28.3	36.8	32.3	23.4	5.1	-4.6
Korea	41.0	33.9	28.6	56.9	44.3	9.8	21.4	7.1
Overall*	19.9	32.0	21.1	15.7	14.0	-6.0	-8.9	-17.4

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 merchanting under the standards stipulated in the *System of National Accounts 2008*.

2.5 Analysed by major market, exports to the Mainland saw a widened decline in the third quarter. Exports to the US and the EU turned to visible falls. Growth in exports to most other major markets in Asia decelerated, and those to Japan and Taiwan fell.

Diagram 2.4 : Exports to the Mainland saw a widened decline

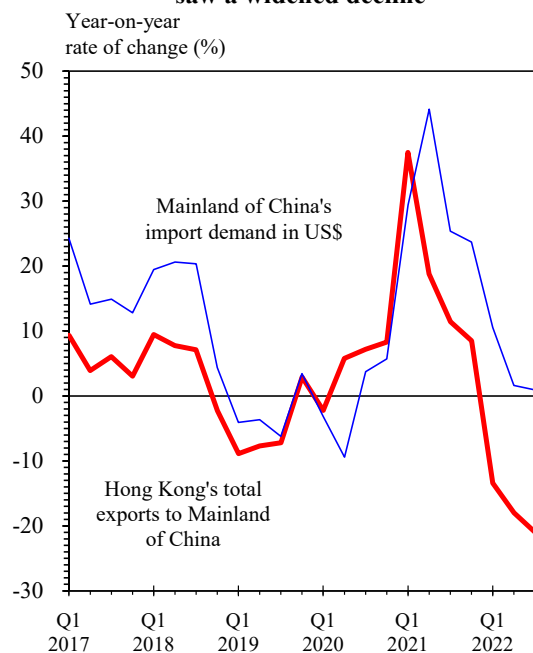
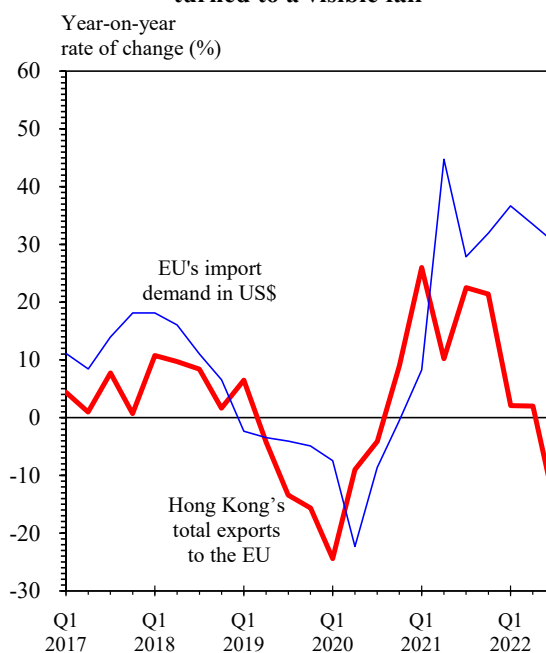


Diagram 2.5 : Exports to the EU turned to a visible fall



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

Diagram 2.6 : Exports to the US fell sharply

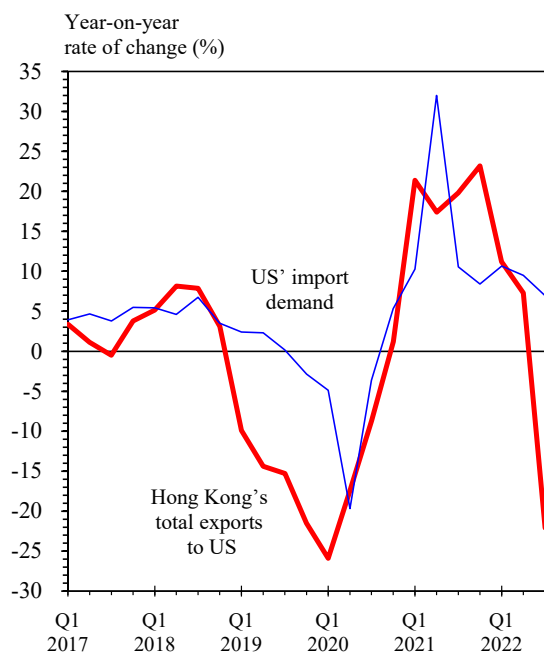
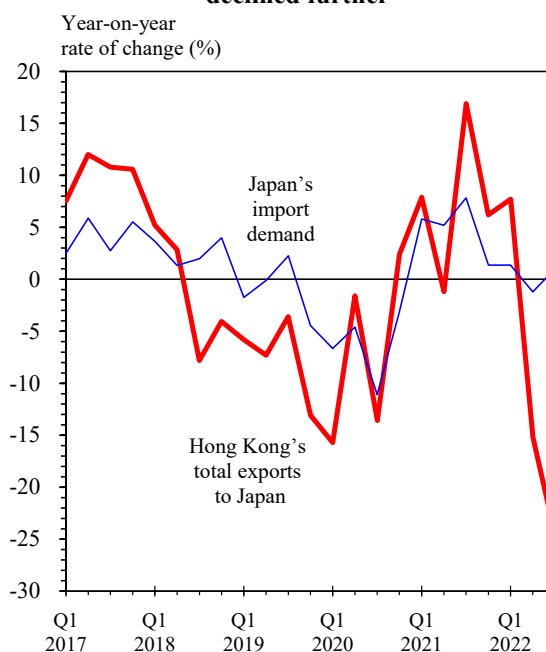
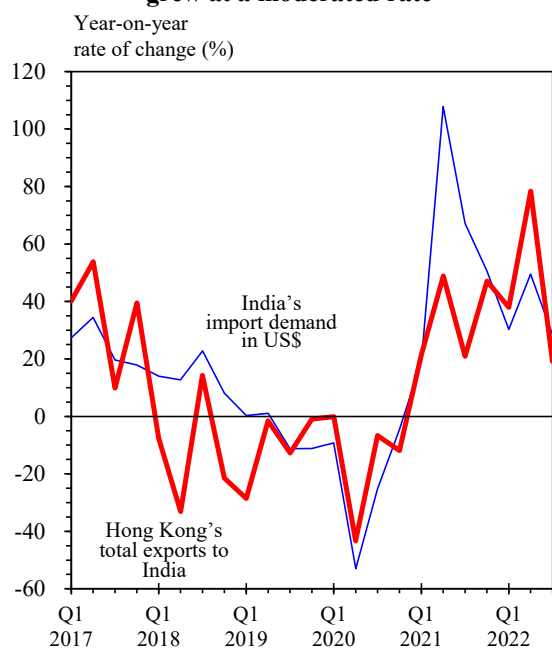


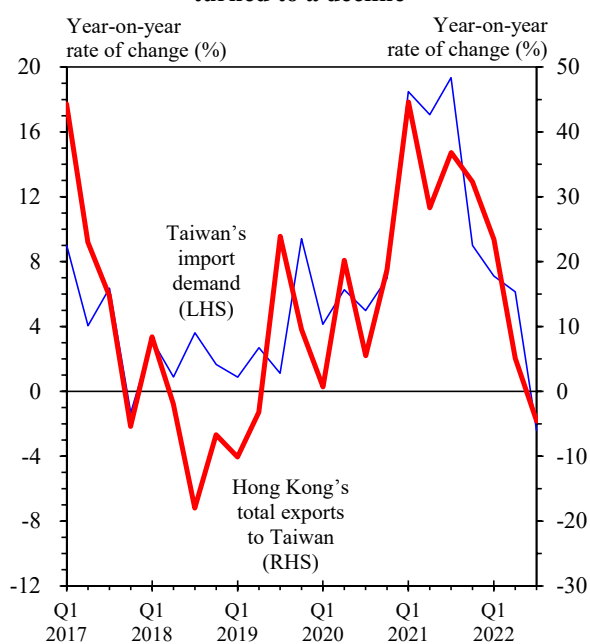
Diagram 2.7 : Exports to Japan declined further



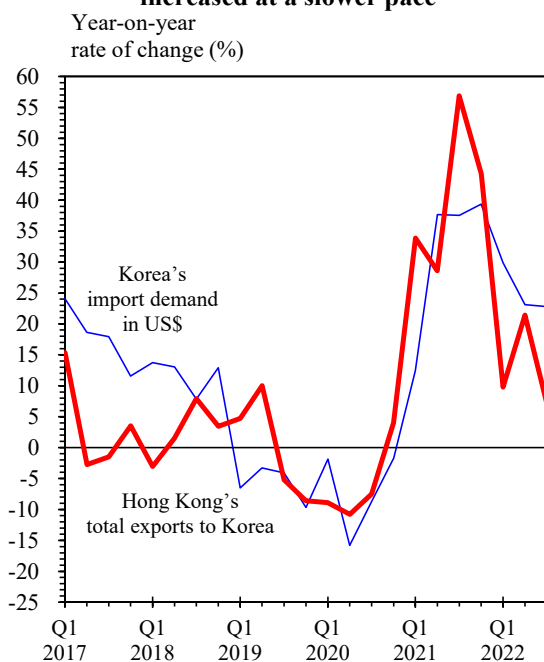
**Diagram 2.8 : Exports to India
grew at a moderated rate**



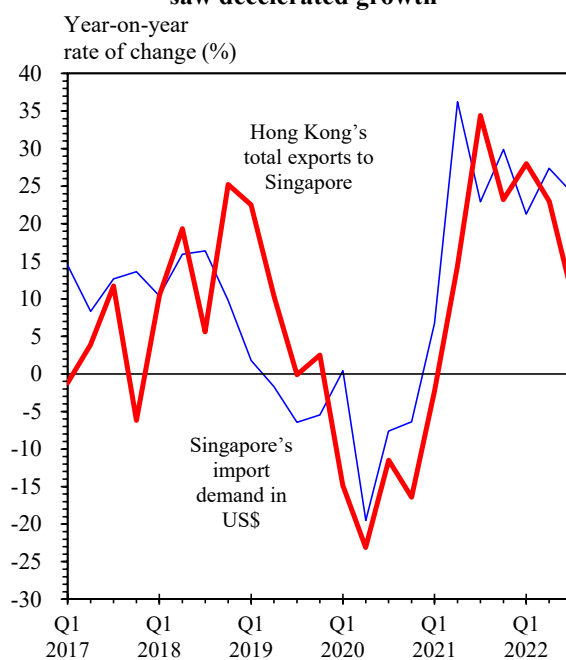
**Diagram 2.9 : Exports to Taiwan
turned to a decline**



**Diagram 2.10 : Exports to Korea
increased at a slower pace**



**Diagram 2.11 : Exports to Singapore
saw decelerated growth**



Imports of goods

2.6 *Imports of goods* shrank markedly by 17.6% year-on-year in real terms in the third quarter of 2022, after a 6.6% 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 notable decline of 18.3%. The fall in imports for subsequent re-exports widened along with deteriorated export performance.

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

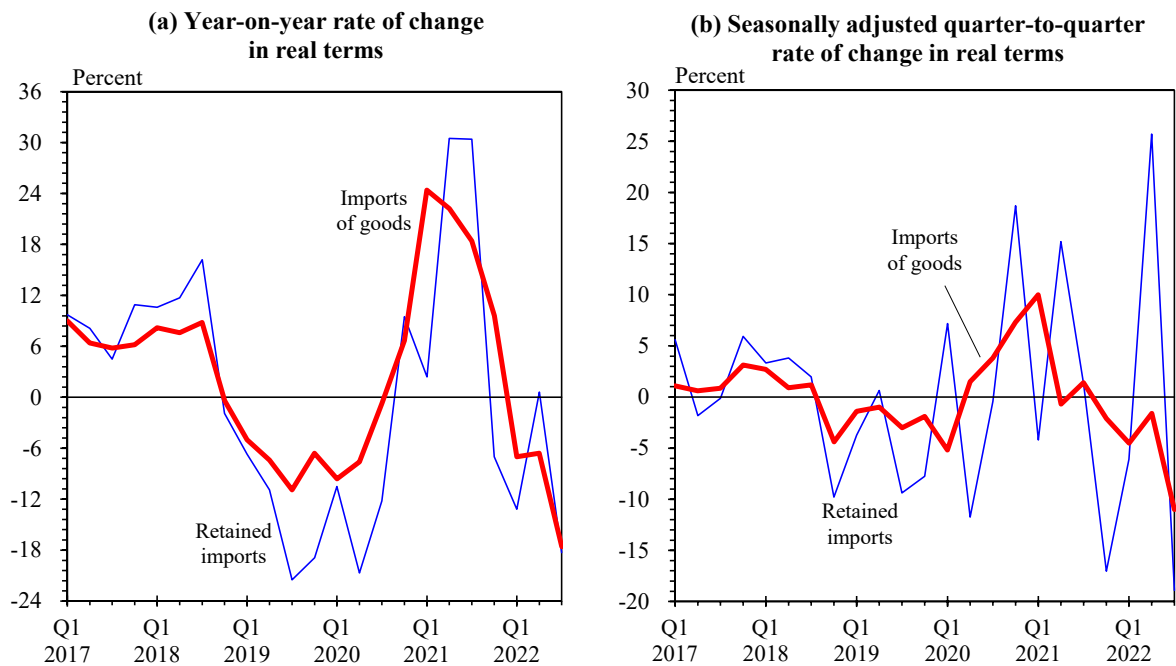
		<u>Imports of goods</u>				<u>Retained imports^(a)</u>			
		<u>In value terms</u>	<u>In real terms⁽⁺⁾</u>		<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>		<u>Change in prices</u>
2021	Annual	24.3	18.1		5.5	17.6	12.6		5.1
	Q1	25.6	24.4	(10.0)	1.1	2.5	2.4	(-4.2)	0.7
	Q2	27.9	22.2	(-0.7)	4.7	34.8	30.5	(15.2)	3.4
	Q3	25.8	18.4	(1.4)	6.5	39.5	30.4	(1.2)	7.8
	Q4	19.0	9.6	(-2.1)	9.0	0.4	-7.0	(-17.0)	8.4
2022	Q1	2.9	-7.0	(-4.5)	10.6	-2.0	-13.2	(-6.1)	11.1
	Q2	1.3	-6.6	(-1.6)	8.8	13.6	0.6	(25.7)	11.7
	Q3	-11.3	-17.6	(-11.0)	8.1	-12.7	-18.3	(-18.9)	6.3

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

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

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

Diagram 2.12 : Imports of goods shrank markedly

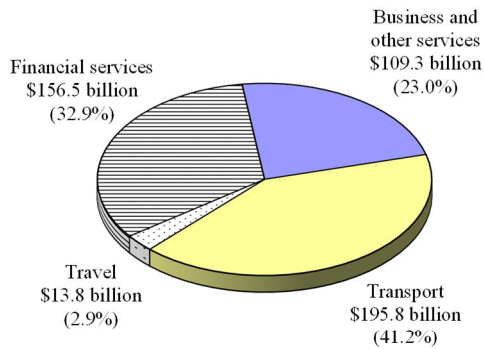


Services trade

Exports of services

2.7 *Exports of services* turned to a year-on-year decline of 3.8% in real terms in the third quarter of 2022, after a 2.2% increase in the preceding quarter. Exports of financial services fell visibly due to weakened cross-border financial and fund-raising activities. Exports of transport services declined amid deteriorated trade performance, while exports of business and other services dropped alongside the worsened external environment. On the other hand, exports of travel services surged thanks to the relaxation of testing and quarantine arrangements for visitors, but remained far below the pre-pandemic level.

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



Exports of services in the first three quarters of 2022:
\$475.4 billion

Diagram 2.14 : Exports of services turned to a year-on-year decline

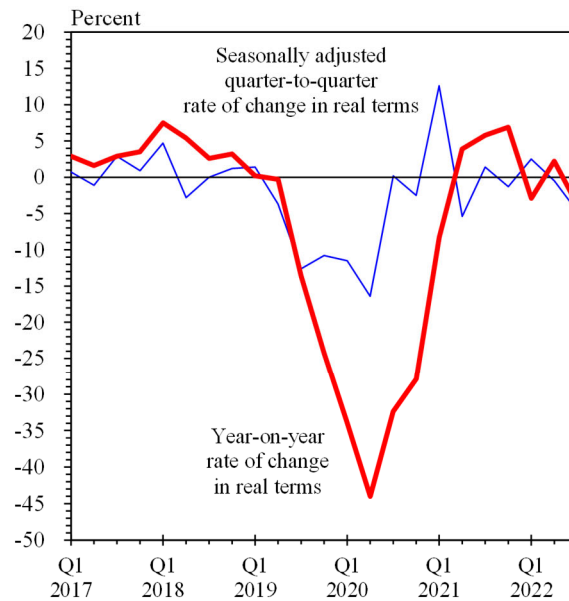


Table 2.4 : Exports of services by major service group (year-on-year rate of change in real terms (%))

		Of which :				
		Exports of services	Transport	Travel ^(a)	Financial services	Business and other services
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	2.2 (-0.5)	*	59.5	3.1	0.4
	Q3	-3.8 (-4.7)	-5.3	108.4	-8.0	-1.9

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.

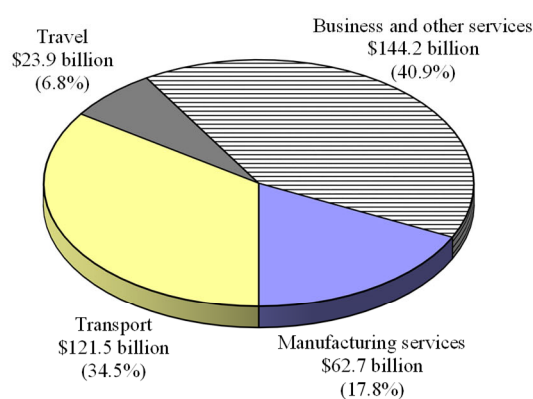
(*) Change within $\pm 0.05\%$.

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

Imports of services

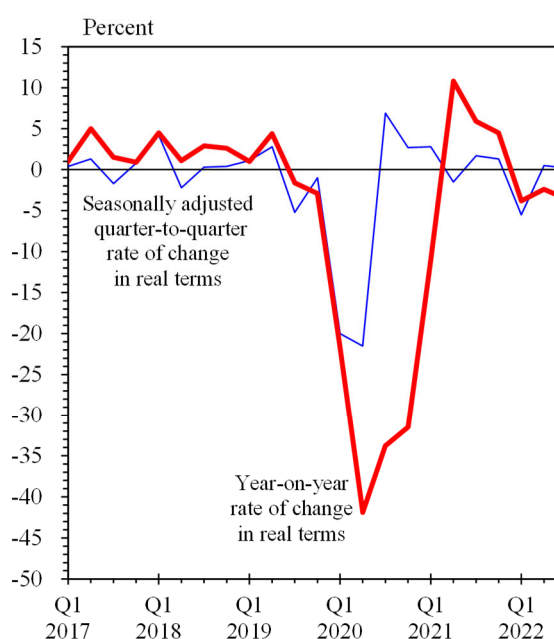
2.8 *Imports of services* fell further by 3.6% year-on-year in real terms in the third quarter of 2022, after declining by 2.4% in the previous quarter. Imports of manufacturing services and transport services declined alongside the weakened trade and cargo flows. Imports of business and other services dropped amid the deteriorated external situation. Imports of travel services, though remaining meagre, rose notably as more residents travelled overseas.

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



Imports of services in the first three quarters of 2022:
\$352.2 billion

Diagram 2.16 : Imports of services fell further



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

Of which :

		<u>Imports of services</u>	<u>Travel</u> ⁽⁺⁾	<u>Transport</u>	<u>Manufacturing services</u> ^(^)	<u>Business and other services</u>
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	-2.4 (0.5)	21.4	-0.6	-9.7	-3.5
	Q3	-3.6 (0.2)	38.7	-4.4	-12.0	-4.9

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 surplus widened over a year earlier to \$13 billion in the third quarter of 2022, as the value of exports of goods fell less rapidly than that of imports. Meanwhile, the services surplus widened to \$44 billion. The combined goods and services account registered a surplus of \$57 billion in the third quarter of 2022, equivalent to 4.2% of total import value, compared to a surplus of \$37 billion or 2.5% in the third 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	1,213	150	1,293	115	-80	35	-45	-3.2
	Q3	1,235	163	1,221	120	13	44	57	4.2

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 will continue to strengthen Hong Kong's international exposure and promote Hong Kong's strengths through diversified activities. The Chief Executive and the Principal Officials will lead overseas delegations to present the true picture of Hong Kong. The Financial Secretary will lead a task force, together with business leaders and related statutory bodies such as the Hong Kong Trade Development Council and the Hong Kong Tourism Board, to visit traditional and emerging markets to rebuild the image and branding of Hong Kong through proactively establishing multilateral ties. The Financial Services Development Council and Invest Hong Kong will launch a global marketing campaign, presenting Hong Kong's prospects and opportunities as a bridge connecting the Mainland and the rest of the world.

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

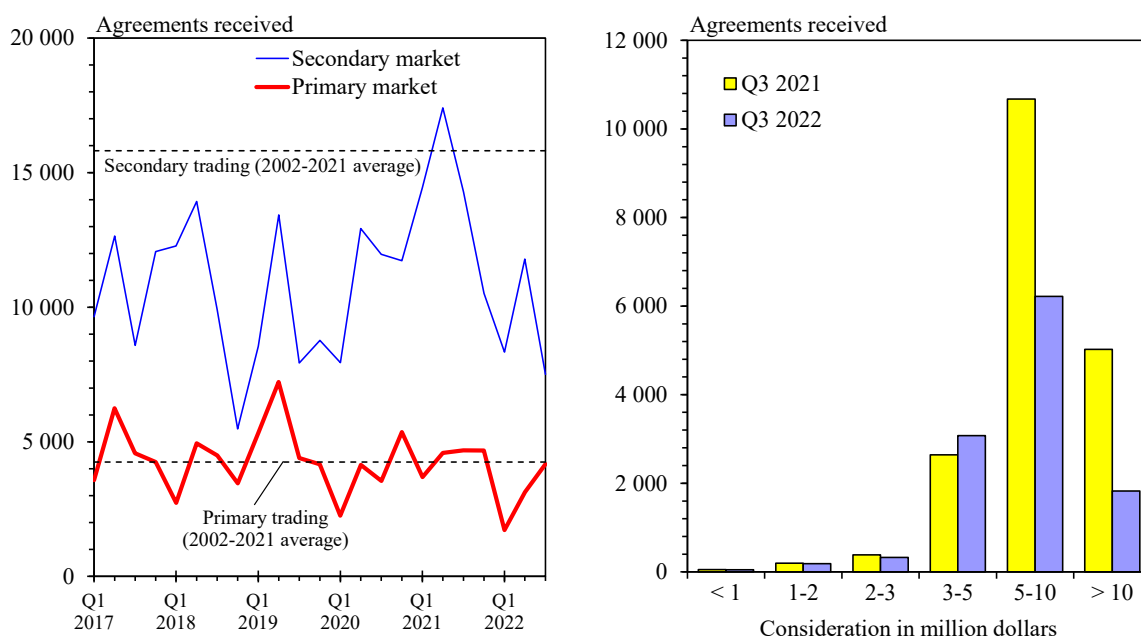
- *The residential property market softened in the third quarter of 2022 amid tightened financial conditions resulting from the sharp interest rate hikes by the US Federal Reserve (Fed) as well as weakened global and local economic outlooks. Trading activities quietened visibly. Flat prices declined during the quarter.*
- *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 95 000 units as estimated at end-September.*
- *The non-residential property market turned quieter in the third quarter amid subdued economic conditions. Trading activities for all major market segments retreated from the preceding quarter. Prices fell, while rentals largely held steady.*
- *The tourism sector remained extremely weak, though showing some improvement following adjustments to the quarantine arrangements of inbound travellers in mid-August and the lifting of the compulsory quarantine requirement in late September. Visitor arrivals picked up to 173 700 in the third quarter, but were only 1.0% of the pre-recession level of 17 million in the second quarter of 2019.*
- *The logistics sector slackened in the third quarter alongside the weak external trade performance. Total container throughput reverted to a year-on-year decline of 9.5%, and air freight throughput fell by 21.1% from the high level a year earlier.*

Property

3.1 The *residential property market* softened in the third quarter of 2022 amid tightened financial conditions resulting from the sharp interest rate hikes by the US Fed as well as weakened global and local economic outlooks. Trading activities quietened visibly. Flat prices declined during the quarter.

3.2 The total number of sale and purchase agreements for residential property received by the Land Registry declined by 22% from the preceding quarter to a low level of 11 683 in the third quarter, 38% lower than a year earlier and well below the quarterly average of around 15 600 in 2017-2021. The quarter-to-quarter fall in trading was entirely due to a 36% drop in secondary market transactions. Primary market transactions increased by 33% as developers paced up the launch of new projects with generally conservative pricing. In parallel, total consideration decreased by 31% from the preceding quarter to \$95.5 billion.

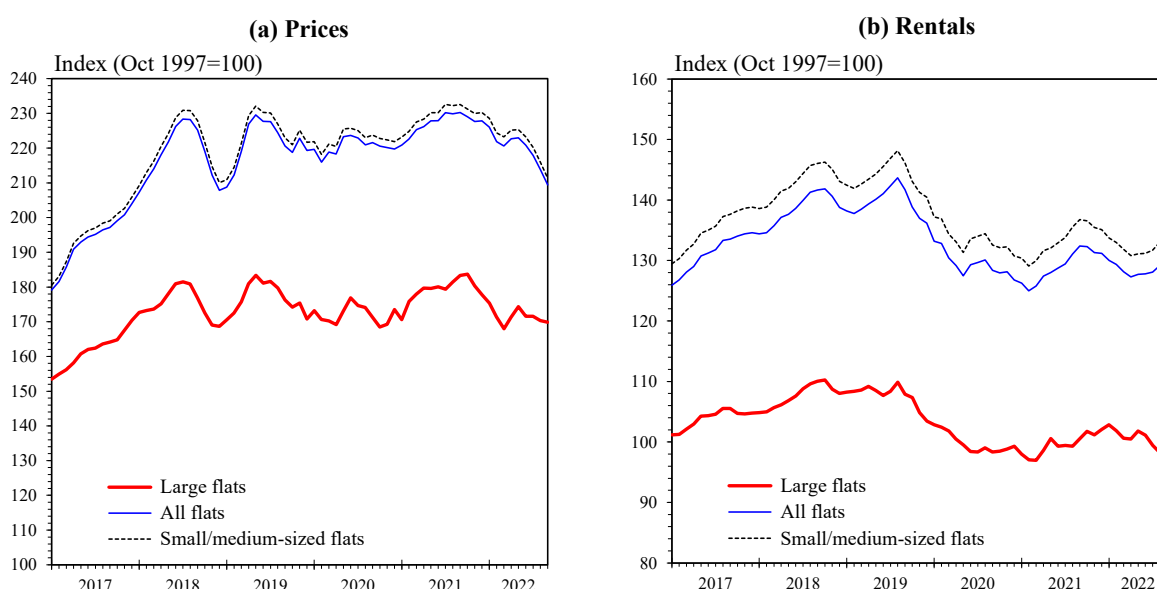
Diagram 3.1 : Trading activities quietened visibly in the third quarter



3.3 Flat prices on average fell by 5% between June and September. As sentiment turned increasingly cautious during the quarter, the decline in flat prices widened from 1% in July to 2% in both August and September. Analysed by size, prices of small/medium-sized flats and large flats dropped by 5% and 1% respectively during the quarter. Flat prices in September were on average 8% lower than in December 2021, and 9% below the recent peak in September 2021.

3.4 Flat rentals on average edged up by 1% between June and September. Analysed by size, rentals of small/medium-sized flats increased by 2%, while those of large flats fell by 3%. Flat rentals in September were on average 1% lower than in December 2021, and 10% below the recent peak in August 2019. The average rental yield for residential property edged up from 2.2% in June to 2.4% in September.

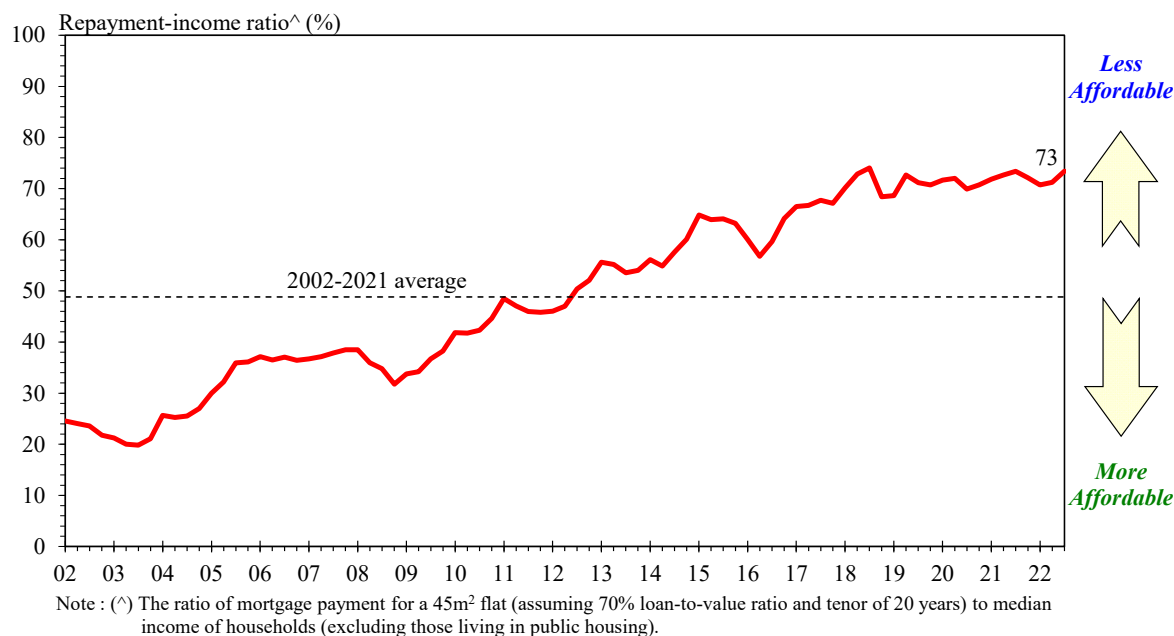
Diagram 3.2 : Flat prices fell during the third quarter, while rentals edged up



Note : Residential property price index pertains to secondary market transactions only. Large flats refer to those with a saleable area of at least 100 m², and small/medium-sized flats with a saleable area of less than 100 m².

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) rose to around 73% in the third quarter due to rising mortgage rates, and was significantly above the long-term average of 49% over 2002-2021⁽¹⁾. Should interest rates rise by two percentage points⁽²⁾ to a level closer to the historical standards, the ratio would soar to 88%.

Diagram 3.3 : The index of home purchase affordability deteriorated in the third quarter



3.6 Increasing housing land supply is a policy priority of the Government⁽³⁾. In September, the Government announced to put up three residential sites for sale in the fourth quarter. Combining the various sources (including Government land sale, MTRCL’s railway property development project, the Urban Renewal Authority’s project, and private development and redevelopment projects), the private housing land supply in the fourth quarter is expected to produce around 5 900 flats. Together with the supply in the first half of 2022-23, the total private housing land supply for the first three quarters of this financial year is estimated to have a capacity to produce about 11 900 units, compared with the private housing supply annual target of 12 900 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 95 000 units as estimated at end-September. Another 10 600 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”. In October, the Chief Executive announced a number of measures on housing and land supply in the 2022 Policy Address (**Box 3.1**).

Box 3.1

Latest Government measures on housing and land supply (October 2022)

In the 2022 Policy Address, the Chief Executive announced a number of measures and plans on housing and land supply, as summarised below.

Public Housing Supply

- Public housing production in the coming five-year period (2023-24 to 2027-28) will increase to about 158 000 units, a significant increase of about 50% as compared to the about 105 000 units in the previous five-year period (2022-23 to 2026-27), with the introduction of the “Light Public Housing (LPH)” and “Public Rental Housing (PRH) Advance Allocation Scheme” :
 - To build about 30 000 LPH units in the coming five years by making use of government and private land with no development plan in the near future as well as adopting standardised simple design and the Modular Integrated Construction approach. They will be provided mainly to applicants who have been waiting for PRH for not less than three years, with priority for families.
 - To implement the PRH Advance Allocation Scheme by advancing the completion of around 12 000 PRH units by phases in the next five years (2023-24 to 2027-28) and doubling the time of advance allocation to eligible PRH applicants from currently about three months before the Occupation Permit is issued to six months before, for PRH applicants to move in earlier-than-scheduled.
- A new index of Composite Waiting Time for Subsidised Rental Housing will be introduced, which reflects the applicants’ waiting time for PRH or LPH. The target is to reduce the composite waiting time from about 6 years to about 4.5 years in four years’ time (in 2026-27).
- A new Pilot Scheme on Private Developer Participation in Subsidised Housing Development will be introduced. Three sites will be put up for tender in batches from the next financial year for developers to build subsidised sale flats. Developers are also encouraged to apply for rezoning of their own private land for subsidised sale flat development.
- A 10-year forecast of supply of public housing will be published on a regular basis.

Private Housing Supply

- Sufficient land will be made ready for providing no less than 72 000 residential units in the next five years (2023-24 to 2027-28).
- Dedicated Processing Units will be established in the Buildings Department to expedite the approval process of general building plans submitted for high-yield private residential projects (500 units or more), with the target of approving about 80% of the plans on their first or second submission.

Housing for Young People

- Starter Homes projects will be launched again in the Land Sale Programme in the next financial year.

Box 3.1 (Cont'd)

- Youth Hostel Scheme (YHS) will be expanded with the target of providing about 3 000 additional hostel places within five years. Suitable land sale sites will also be identified, on which developers will be required to set aside a certain number of flats to support the YHS on a pilot basis.

Land Supply

- Land resumption procedures for all development projects in the Northern Metropolis are targeted to commence within five years, and 40% of the new development land (around 1 300 hectares) are targeted to be formed and 40% of the new flats to be completed within ten years. As a guideline, a higher maximum plot ratio of 6.5 for residential sites and 9.5 for commercial sites will be adopted for land resources in the Northern Metropolis.
- Development proposals on the Kau Yi Chau Artificial Islands, which will provide 1 000 hectares of new land, will be put forward within this year. To enhance accommodation and living space, the average flat size of public and private housing will be increased by a range of 10% to 20% as the assumption when planning land development, and the ratios of land for open space and land for community facilities to population will also be raised.
- In the new round of study on “Green Belt” zone, about 255 hectares of “Green Belt” sites with potential for housing development, which can provide 70 000 units, have been shortlisted to meet the land demand and build up the land reserve.
- Development proposal for Tseung Kwan O Area 137, which is expected to provide 50 000 residential units with the first population intake in 2030 at the earliest, will be put forward this year.
- Various statutory procedures with respect to planning, environmental impact assessment, land resumption and infrastructure will be streamlined through legislative amendments to reduce the time required for turning “primitive land” into “spade-ready sites” by one-third to half.
- Regularisation of the arrangement for charging land premium at standard rates for redevelopment of industrial buildings, and extension of the standard rates approach to cover agricultural land in the New Territories located outside New Development Areas will be considered, with specific implementation plan put forward by mid-2023.
- The compulsory sale application thresholds for private buildings aged 50 or above and industrial buildings in non-industrial zoning aged 30 or above are proposed to be lowered to speed up the consolidation of property interests to facilitate urban renewal of old areas. Meanwhile, the requirements on compulsory sale applications covering abutting lots will be relaxed; the legal procedures for compulsory sale will be streamlined; and a dedicated office will be set up to provide additional support to affected minority owners.
- The Steering Committee on Land and Housing Supply will formulate and publish a 10-year forecast of supply of developable land on a yearly basis.

These measures and plans will address short-term public housing shortage and ensure a steady private housing supply while enhancing the quantity, speed, efficiency and quality in land production, thereby putting in place a long-term plan to steadily increase supply.

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 47 cases per month or 1.1% of total transactions in the third quarter, well below the monthly average of 2 661 cases or 20.0% in January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty). Reflecting the effects of the Buyer's Stamp Duty, *purchases by non-local individuals and non-local companies* stayed low at 20 cases per month or 0.5% of total transactions in the third quarter, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities*, purchases subject to the New Residential Stamp Duty stayed at a modest level of 169 cases per month or 4.1% of total transactions in the third 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 55% in the third 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 (HKMA).

Diagram 3.4 : Speculative activities remained low

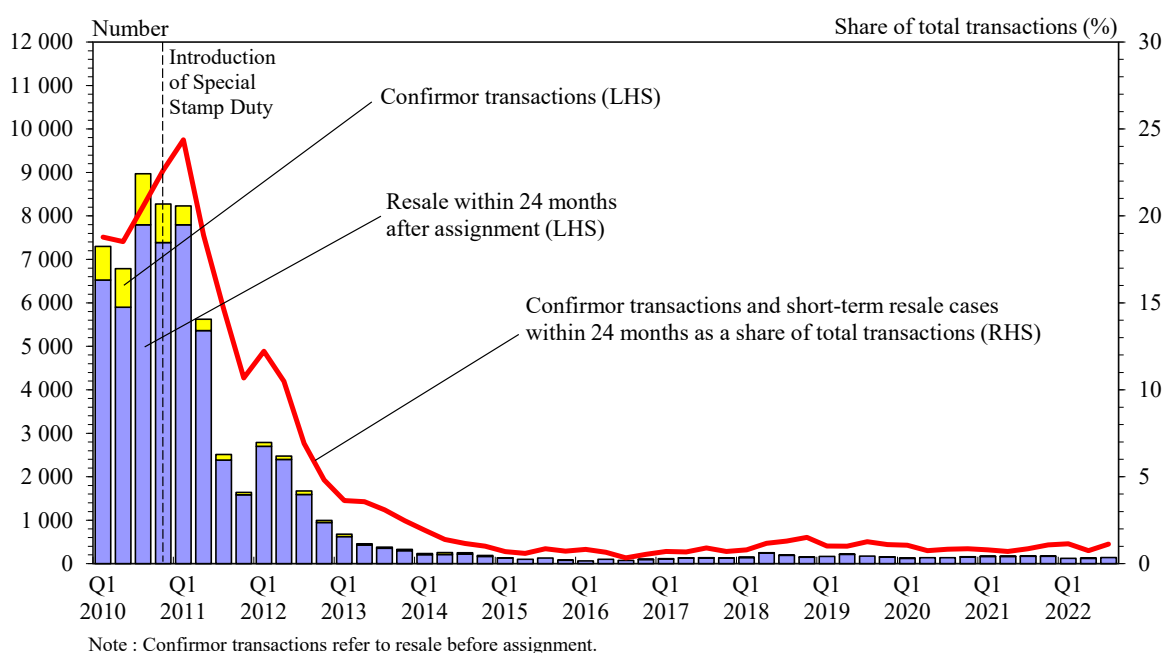


Diagram 3.5 : Purchases by non-local buyers stayed low

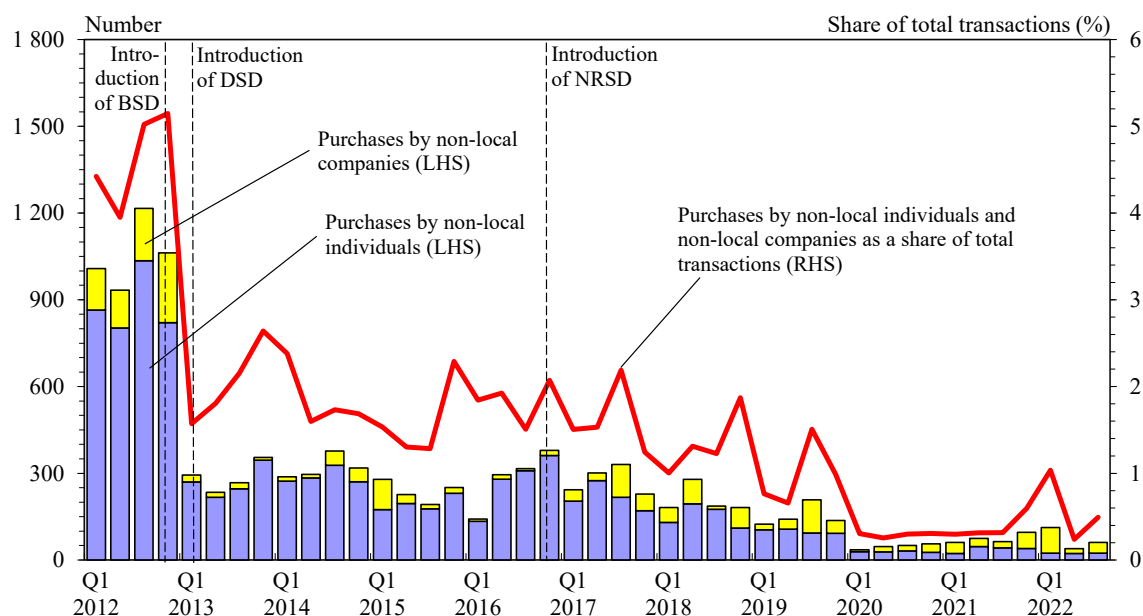
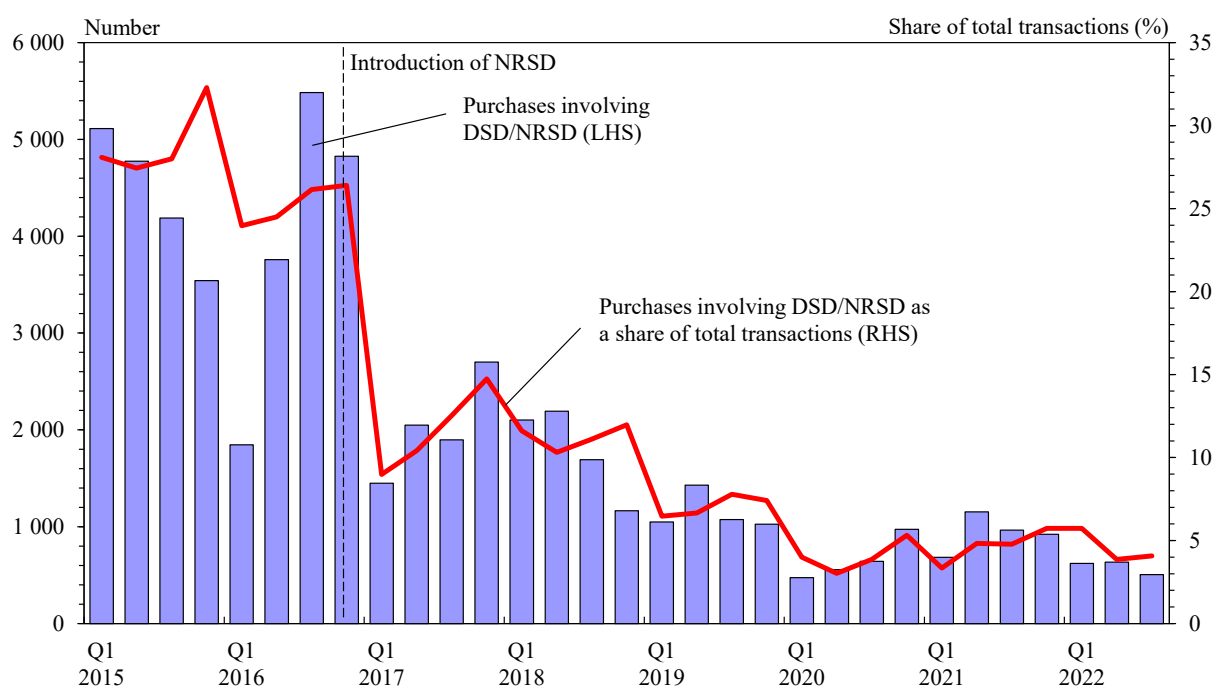


Diagram 3.6 : Investment activities were modest



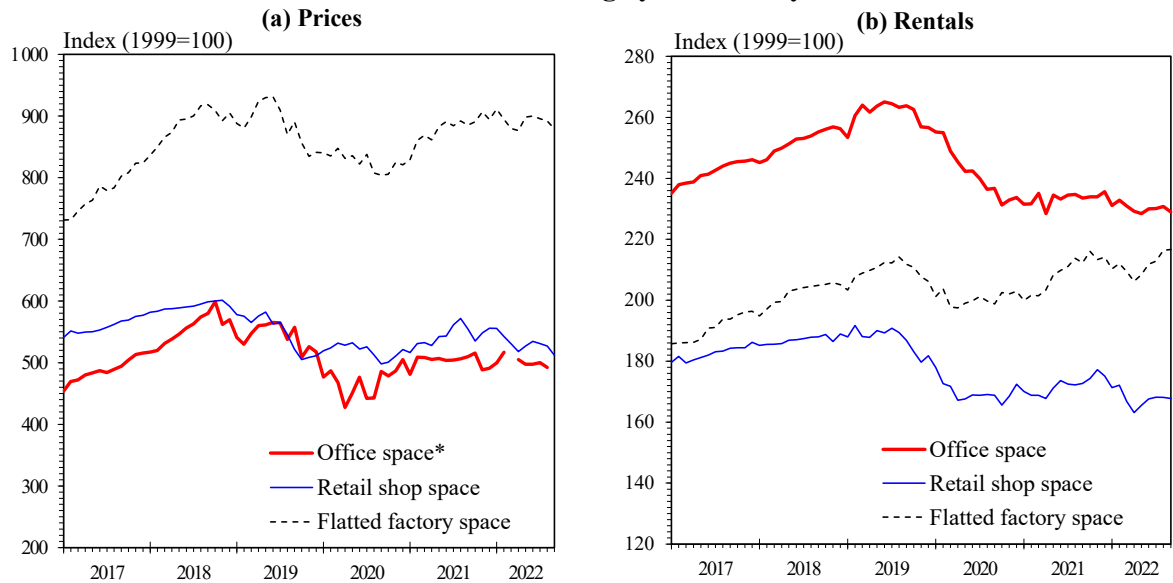
3.9 The *non-residential property market* turned quieter in the third quarter amid subdued economic conditions. Trading activities for all major market segments retreated from the preceding quarter. Prices fell, while rentals largely held steady.

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 September, 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 latest available data in August with that in June, prices of office space on average edged down by 1%. Analysed by office grade, prices of Grade A, B and C office space decreased by 1%, 4% and 1% respectively. Meanwhile, office rentals on average remained virtually unchanged between June and September. Within the total, rentals of Grade A and C office space declined by 2% and 1% respectively, while that of Grade B office space increased by 2%. Compared with the respective peaks in 2018 and 2019, prices of overall office space in August and rentals in September were 18% and 14% lower. The average rental yields of Grade A, B and C office space were 2.5%, 2.7% and 2.9% respectively in August, compared with 2.5%, 2.6% and 2.8% in June. Transactions for office space fell by 31% from the preceding quarter to 150 cases in the third quarter, 47% lower than a year earlier and considerably below the quarterly average of 300 cases in 2017-2021.

3.11 Prices of *retail shop space* declined by 4% during the third quarter, while rentals were virtually unchanged. Compared with the respective peaks in 2018 and 2019, prices and rentals in September were 15% and 12% lower. The average rental yield edged up from 2.5% in June to 2.6% in September. For all commercial spaces, transactions dropped by 31% from the preceding quarter to 320 cases⁽⁴⁾ in the third quarter, 41% lower than a year earlier and below the quarterly average of 440 cases in 2017-2021.

3.12 Prices of *flatted factory space* fell by 2% during the third quarter, while rentals rose by 2%. Prices in September were 6% lower than the peak in 2019, while rentals were virtually the same as the peak in 2021. The average rental yield edged up from 2.8% in June to 3.0% in September. Transactions retreated by 16% from the preceding quarter to 520 cases in the third quarter, 42% lower than a year earlier and significantly below the quarterly average of 910 cases in 2017-2021.

Diagram 3.7 : Prices of non-residential properties fell during the third quarter, while rentals largely held steady



Note : (*) The price index of overall office space cannot be compiled in both March and September 2022, as there were no transactions for Grade A office space in those two months.

Land

3.13 Five sites (comprising two residential sites, one commercial site, one site for logistics services and public vehicle park and one site for external telecommunications station) with a total area of about 6.5 hectare were disposed of in the third quarter, fetching a land premium of about \$7.5 billion. In addition, the tender exercises for two residential sites commenced in the quarter. In the third quarter, three land exchange cases and lease modifications of sixteen sites were approved.

Tourism

3.14 The tourism sector remained extremely weak, though showing some improvement following adjustments to the quarantine arrangements of inbound travellers in mid-August and the lifting of the compulsory quarantine requirement in late September. *Visitor arrivals* picked up to 173 700 in the third quarter, but were only 1.0% 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⁽⁵⁾ all showed increases over the preceding quarter. Visitor spending, as measured by exports of travel services, increased by 108.4% in real terms over the low level a year earlier, but was only 5.8% of the level in the second quarter of 2019.

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
	Q3	173 700	139 600	17 300	16 800

Notes : (*) See note (5) 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
	Q3	164 600	9 100

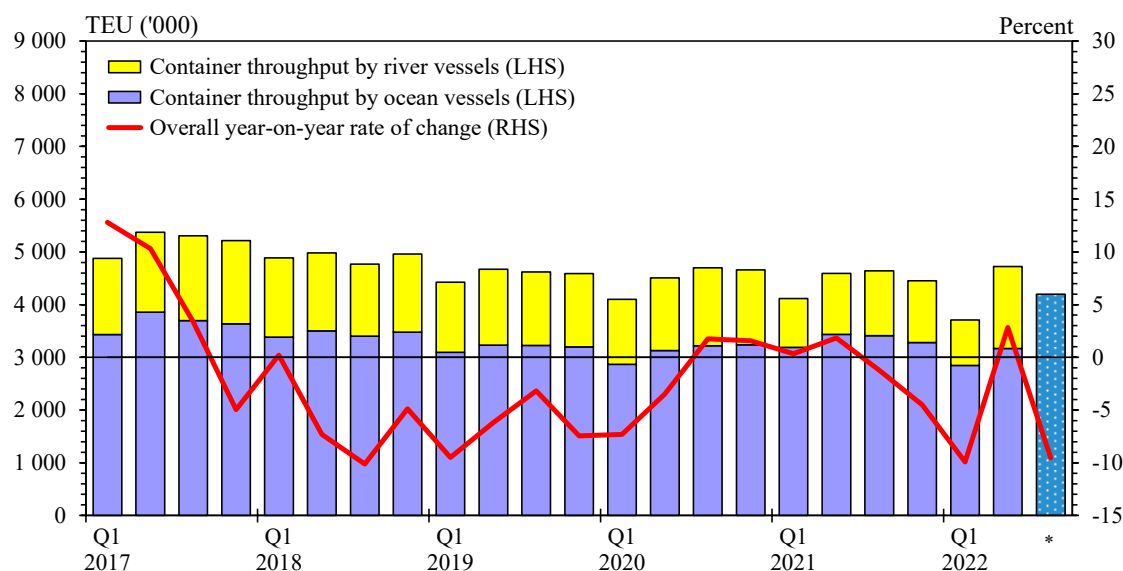
Note : Figures may not add up to total visitor arrivals due to rounding.

3.15 The hotel sector still operated much below capacity. The average hotel room occupancy rate declined somewhat through the third quarter alongside adjustments to the quarantine arrangements of inbound travellers and averaged 71% for the quarter as a whole, slightly higher than 70% in the second quarter but 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 31.3% over a year earlier to \$1,116⁽⁶⁾.

Logistics

3.16 The logistics sector slackened in the third quarter alongside the weak external trade performance. *Total container throughput* reverted to a year-on-year decline of 9.5% to 4.2 million twenty-foot equivalent units (TEUs). Yet the value of trade handled at the Hong Kong port increased by 2.1% and its share in total trade rose from 13.4% a year earlier to 15.4%, conceivably reflecting the temporary diversion of some cross-boundary freight from road to water amid the continued disruptions to cross-boundary land transportation.

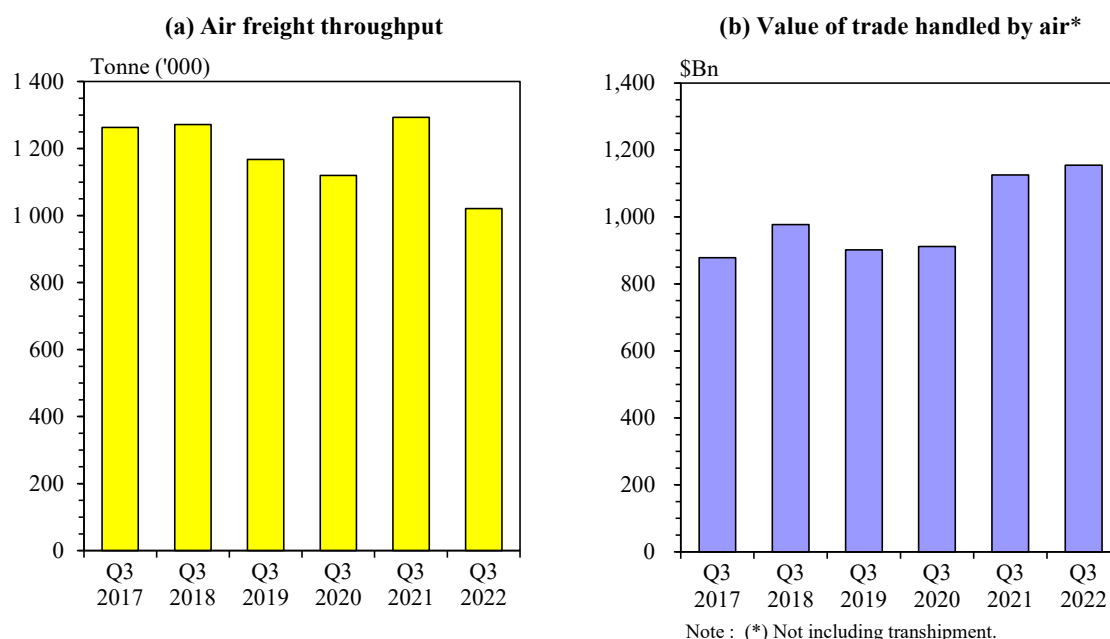
Diagram 3.8 : Container throughput reverted to a decline in the third quarter



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

3.17 Meanwhile, *air freight throughput* fell by 21.1% from the high level a year earlier to 1.0 million tonnes in the third quarter. Yet the value of trade by air increased by 2.5% and its share in total trade rose from 41.9% a year earlier to 48.4%, 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 in the third quarter, while value of trade handled by air increased



Transport

3.18 Traffic flows for most modes of cross-boundary passenger transport recorded increases in the third quarter over the preceding quarter. Some 1 405 000 air passenger trips and 414 000 land-based cross-boundary passenger trips were made in the third quarter, compared to the corresponding 592 000 and 184 700 in the preceding quarter. They were, however, only 7.4% and 0.6% of their corresponding levels in the second quarter of 2019 prior to the recession. On the other hand, the number of water-borne cross-boundary passenger trips edged down from 4 700 to 4 300, 0.1% of the pre-recession level. Meanwhile, average daily cross-boundary vehicle movements rebounded somewhat by 19.0% over the preceding quarter to 7 199, but remained far below the pre-recession level of 44 412.

Innovation and technology

3.19 In the 2022 Policy Address, the Chief Executive announced that the Hong Kong Innovation and Technology (I&T) Development Blueprint will be promulgated within this year to set out major policies to develop Hong Kong into an international I&T centre. The Government will work towards four broad development directions, namely: (i) to enhance the I&T ecosystem and achieve re-industrialisation in Hong Kong; (ii) to enlarge the I&T talent pool to create strong impetus for growth; (iii) to develop Hong Kong into a smart city to improve the quality of life of our people; and (iv) to proactively integrate into the overall development of the country and consolidate Hong Kong's advantages as an international city. Development goals were set to monitor the progress of attracting I&T enterprises and talents, nurturing I&T start-ups, promoting commercialisation of research and development outcomes, and promoting re-industrialisation.

Arts, Cultural and Creative Industries

3.20 In the 2022 Policy Address, the Chief Executive highlighted that the current-term Government is committed to fostering the cultural development of Hong Kong to expedite its development into an East-meets-West centre for international cultural exchange. The Secretary for Culture, Sports and Tourism will chair the Culture Commission comprising industry leaders to map out a Blueprint for Arts and Culture and Creative Industries Development and enhance the ecosystem for the industries. The Policy Address also announced measures to nurture a diversified talent pool, plans to upgrade cultural infrastructure, initiatives to enrich arts, cultural and creative contents, and measures to promote platforms for enhancing the ecosystem for the industries.

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) Separately, on 23 September 2022, the HKMA lowered the interest rate stress testing requirement for property mortgage lending from 300 basis points to 200 basis points with immediate effect.
- (3) 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. For details of the measures promulgated in 2022, see Box 3.1 of this report.
- (4) 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.
- (5) 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 third quarter of 2022, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 80%, 10% and 10% of the total.
- (6) The figures on hotel room occupancy and achieved room rate do not include guesthouses.

CHAPTER 4 : THE FINANCIAL SECTOR[#]

Summary

- *Interest rates in Hong Kong rose further in the third quarter of 2022 alongside the continued monetary policy tightening in the US. Following the two 75 basis points policy rate hikes by the US Federal Open Market Committee (FOMC) in July and September, the Hong Kong Monetary Authority (HKMA) adjusted the Base Rate under the Discount Window upward by a total of 150 basis points to 3.50%. Meanwhile, the Hong Kong dollar interbank interest rates increased across the board. Many banks raised their Best Lending Rates by 12.5 basis points in late September, marking the first increase since 2018.*
- *The Hong Kong dollar spot exchange rate stayed weak against the US dollar throughout the third quarter, with the weak-side Convertibility Undertaking repeatedly triggered. As the US dollar strengthened sharply further against all major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices rose by 4.6% and 3.8% respectively.*
- *Total loans and advances decreased by 1.5% during the third quarter. Within the total, loans for use in and outside Hong Kong decreased by 0.8% and 3.0% respectively.*
- *The local stock market underwent a marked correction in the third quarter in tandem with the downslides in many stock markets across the globe. Market sentiment was hard hit by the sharp tightening of monetary policy by the US Federal Reserve (Fed) and other major central banks as well as the slackening global growth momentum. The Hang Seng Index (HSI) plunged by 21.2% from end-June to 17 223 at end-September. Trading activities quietened, while fund raising activities remained tepid.*

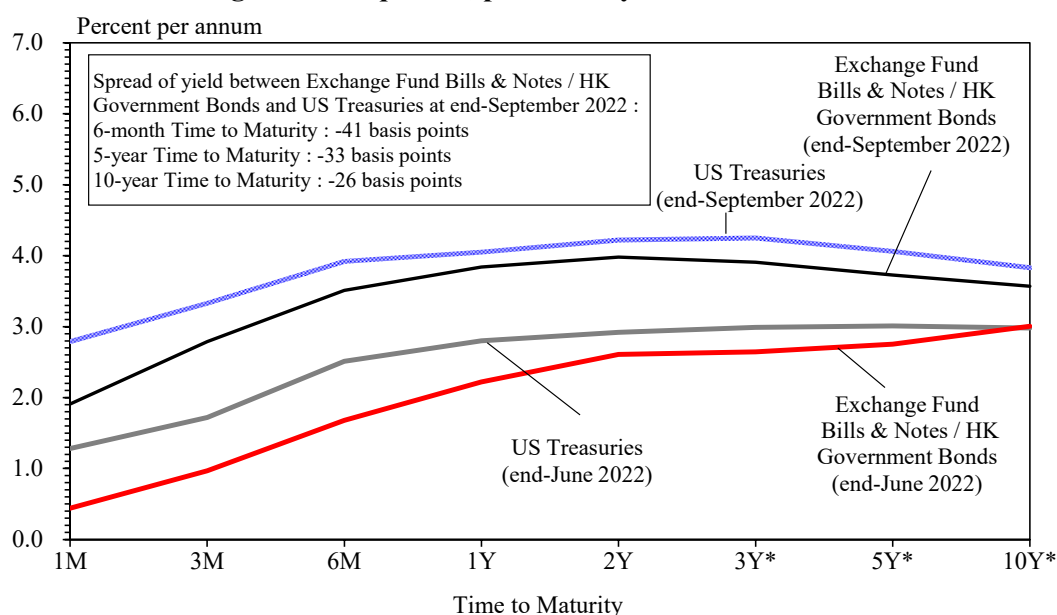
(#) This chapter is jointly prepared by the HKMA and the Office of the Government Economist.

Interest rates and exchange rates

4.1 Interest rates in Hong Kong rose further in the third quarter of 2022 alongside the continued monetary policy tightening in the US. Following the two 75 basis points policy rate hikes by the US FOMC in July and September, the HKMA adjusted the *Base Rate* under the Discount Window upward by a total of 150 basis points to 3.50%⁽¹⁾. The *Hong Kong dollar interbank interest rates* (HIBORs) increased across the board. The overnight HIBOR surged from 1.43% at end-June to 2.26% at end-September, and the 3-month HIBOR jumped from 1.75% to 3.33%.

4.2 Both *Hong Kong dollar* and *US dollar* yield curves shifted upward notably during the third quarter, particularly at the shorter tenors. Reflecting the relative movements of the Hong Kong dollar yields and the US dollar counterparts, the yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills narrowed from negative 83 basis points at end-June to negative 41 basis points at end-September. Meanwhile, the yield spread between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes turned from positive 3 basis points to negative 26 basis points.

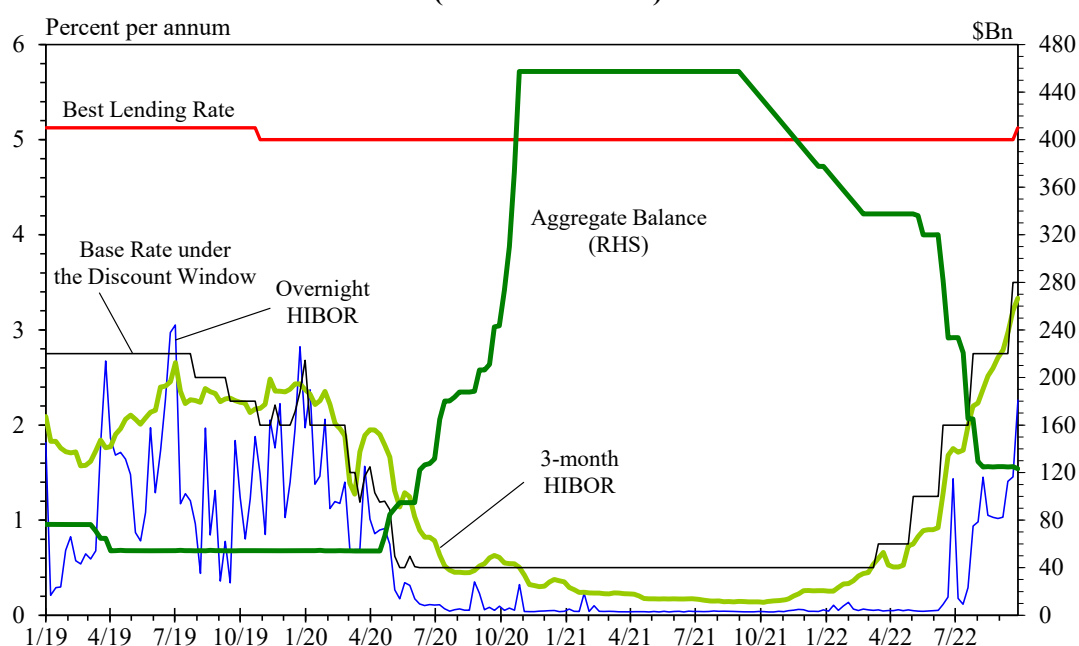
Diagram 4.1 : Both Hong Kong dollar and US dollar yield curves shifted upward notably during the third quarter, particularly at the shorter tenors



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

4.3 On the retail front, following the increase in the target range for the US federal funds rate in September, many banks raised their *Best Lending Rates* by 12.5 basis points, marking the first increase since 2018. At end-September, the Best Lending Rates among banks ranged from 5.125% to 5.500%. The *average savings deposit rate* for deposits of less than \$100,000 quoted by major banks rose from 0.001% at end-June to 0.11% at end-September, while the 1-year *time deposit rate* edged up from 0.11% to 0.12%. The *composite interest rate*⁽²⁾, which indicates the average cost of funds for retail banks, increased from 0.47% at end-June to 0.99% at end-September.

Diagram 4.2 : Interbank interest rates and interest rates on the retail front increased during the third quarter (end for the week)



4.4 The *Hong Kong dollar spot exchange rate against the US dollar* stayed weak throughout the third quarter and traded within a narrow range of 7.836 and 7.850. The weak-side Convertibility Undertaking was triggered 18 times during the quarter, and the HKMA purchased a total of \$110.8 billion worth of Hong Kong dollars. As a result, the Aggregate Balance declined from \$233.5 billion at end-June to \$123.3 billion at end-September. The Hong Kong dollar closed at 7.850 against the US dollar at end-September, compared with 7.845 at end-June. The discounts of 3-month and 12-month *Hong Kong dollar forward rates* narrowed from 195 pips and 362 pips (each pip is equivalent to HK\$0.0001) at end-June to 115 pips and 260 pips at end-September respectively.

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 further against all major currencies (including the pound sterling, euro, Japanese yen and renminbi (RMB)), the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*⁽³⁾ rose by 4.6% and 3.8% respectively during the third quarter.

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

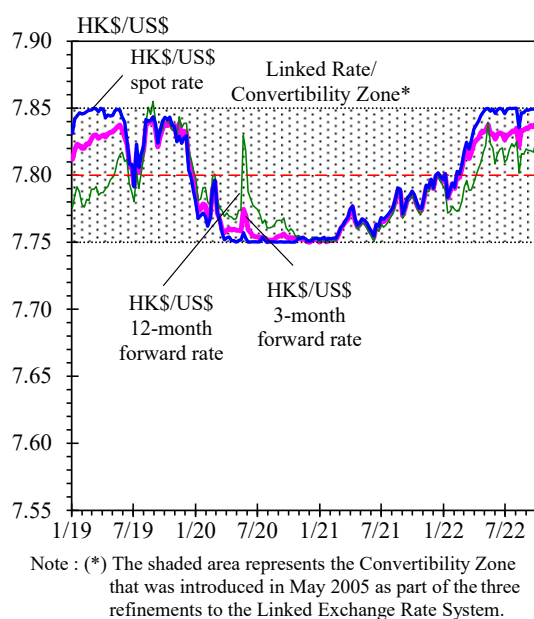
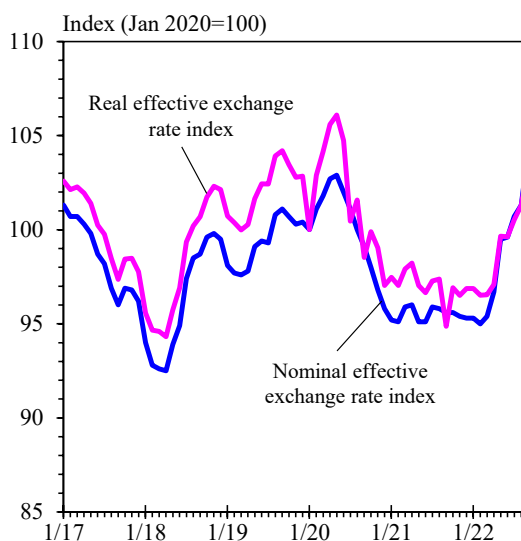


Diagram 4.4 : The trade-weighted nominal and real effective exchange rate indices rose during the third quarter (average for the month)



Money supply and banking sector

4.6 The Hong Kong dollar broad *money supply* (HK\$M3) decreased by 2.5% from end-June to \$8,032 billion at end-September, and the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) fell by 10.9% to \$1,864 billion⁽⁴⁾. Meanwhile, *total deposits* with authorized institutions (AIs)⁽⁵⁾ edged up by 0.3% to \$15,280 billion, within which Hong Kong dollar deposits decreased by 2.7% while foreign currency deposits increased by 3.2%.

Diagram 4.5 : The Hong Kong dollar money supply declined during the third quarter

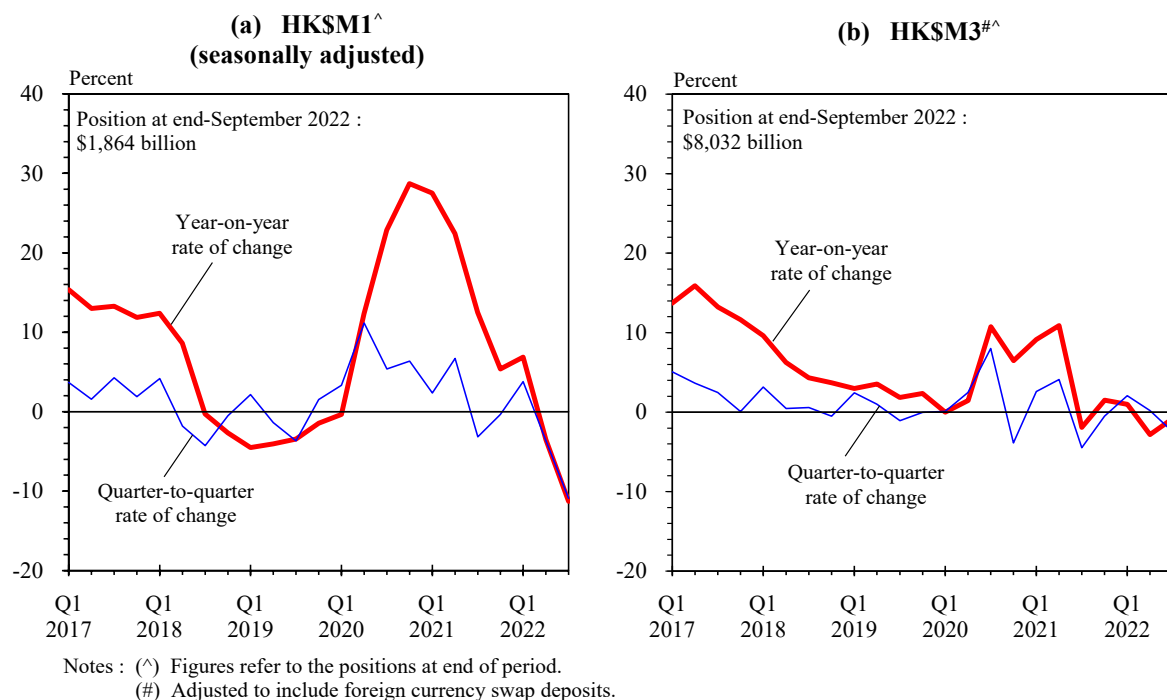


Table 4.1 : Hong Kong dollar money supply and total money supply

% change during the quarter		<u>M1</u>		<u>M2</u>		<u>M3</u>	
		HK\$ [^]	Total	HK\$ [#]	Total	HK\$ [#]	Total
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
	Q3	-10.9	-8.6	-2.5	0.2	-2.5	0.1
Total amount at end-September 2022 (\$Bn)		1,864	3,033	8,018	16,330	8,032	16,364
% change over a year earlier		-11.3	-15.3	-0.8	1.6	-0.8	1.6

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

4.7 *Total loans and advances* decreased by 1.5% from end-June to \$10,826 billion at end-September. Within the total, Hong Kong dollar loans increased by 1.0%, while foreign currency loans declined by 5.1%. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar rose from 86.8% at end-June to 90.1% at end-September, while that for foreign currency decreased from 57.6% to 52.9 %.

4.8 Loans for use in Hong Kong (including trade finance) edged down by 0.8% from end-June to \$7,811 billion at end-September, and loans for use outside Hong Kong declined by 3.0% to \$3,016 billion. Within the former, loans to different economic sectors showed a mixed performance. Trade finance declined further by 7.0% amid the weak external trade performance. Loans to stockbrokers fell by 12.0%, dampened by the marked local stock market correction. Loans to wholesale and retail trade and loans to financial concerns also fell by 3.8% and 0.4% respectively. Meanwhile, loans to manufacturing increased by 4.6%. As for property-related lending, loans to building, construction, property development and investment decreased by 1.5% while loans for purchase of residential property increased by 1.2%.

Table 4.2 : Loans and advances

All loans and advances for use in Hong Kong

		Loans to :									
% change during the quarter		Trade finance	Manu- facturing	Whole- sale and retail trade	Building, construction, property development and investment	Purchase of residential property ^(a)	Financial concerns	Stock- brokers	Total ^(b)	All loans and advances for use outside Hong Kong ^(c)	Total loans and advances
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	-1.1	0.7	-1.3	6.2	0.1	-1.7	-0.4
	Q3	-7.0	4.6	-3.8	-1.5	1.2	-0.4	-12.0	-0.8	-3.0	-1.5
Total amount at end-September 2022 (\$Bn)		488	345	343	1,699	1,902	911	49	7,811	3,016	10,826
% change over a year earlier		-14.9	7.1	2.8	2.3	5.9	-0.3	-23.4	0.5	-7.2	-1.8

- 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 19.8% at end-June. Asset quality of the local banking sector remained sound. While the ratio of classified loans to total loans for all AIs rose slightly from 0.98% at end-March to 1.10% at end-June, this was still low by historical standards. Meanwhile, the delinquency ratio for credit card lending edged down from 0.26% at end-March to 0.25% at end-June. The delinquency ratio for residential mortgage loans edged down from 0.05% at end-June to 0.04% at end-September.

Table 4.3 : Asset quality of all AIs^{*^}
(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	97.50	1.60	0.89
	Q2	97.66	1.48	0.86
	Q3	97.69	1.50	0.81
	Q4	97.57	1.55	0.88
2022	Q1	97.37	1.66	0.98
	Q2	97.11	1.79	1.10

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

- (*) Period-end figures cover 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”.
- (^) Starting from this issue, this table will present the asset quality of all AIs, rather than the related figures of all retail banks in previous issues. For retail banks, the pass loans, special mention loans and classified loans (gross) as percentages of total loans were 97.05%, 1.91% and 1.05% respectively at end-June 2022.

4.10 *Offshore RMB business* saw broad-based growth in the third quarter. RMB trade settlement transactions handled by banks in Hong Kong jumped by 28.6% over a year earlier to RMB2,413.3 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) went up by 11.3% over end-June to RMB1,008.9 billion at end-September. As to financing activities, RMB bond issuance amounted to RMB31.9 billion in the third quarter, higher than the RMB25.4 billion in the preceding quarter, while outstanding RMB bank loans increased by 1.7% over end-June to RMB177.9 billion at end-September.

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

<u>At end of period</u>		<u>Interest rates on^(a)</u>					<u>Number of AIs engaged in RMB business</u>	<u>Amount of cross- border RMB trade settlement^(c)</u> (RMB Mn)
		<u>Demand and savings deposits</u> (RMB Mn)	<u>Time deposits</u> (RMB Mn)	<u>Total deposits</u> (RMB Mn)	<u>Savings deposits^(b)</u> (%)	<u>Three-month time deposits^(b)</u> (%)		
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
	Q3	331,577	526,128	857,706	0.16	0.31	143	2,413,273
% change in 2022 Q3 over 2021 Q3		18.0	-8.5	0.2	N.A.	N.A.	N.A.	28.6
% change in 2022 Q3 over 2022 Q2		10.5	2.2	5.2	N.A.	N.A.	N.A.	2.4

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 edged up by 0.4% over the preceding quarter to \$1,203.8 billion in the third quarter, with the increase in new debts issued by the public sector and multilateral development banks more than offsetting the reduction in private sector debt issuance⁽⁶⁾. The total outstanding amount of Hong Kong dollar debt securities increased by 3.4% over end-June to \$2,511.8 billion at end-September, equivalent to 31.3% of HK\$M3 or 24.4% of Hong Kong dollar-denominated assets of the banking sector⁽⁷⁾.

4.12 As to the Hong Kong dollar bonds issued by the Government, a total of \$4.0 billion institutional Government Bonds (GBs) were issued through tenders in the third quarter under the GB Programme, and a total of \$45.0 billion Silver Bond was issued under the retail part of the GB Programme in September. At end-September, the total outstanding amount of Hong Kong dollar bonds under the GB and Government Green Bond (GGB) Programmes was \$236.5 billion, comprising 17 institutional issues totalling \$92.3 billion, five retail issues (two iBonds and three Silver Bonds) totalling \$124.2 billion under the GB Programme, and one retail issue of \$20.0 billion under the GGB Programme. As for GBs denominated in foreign currencies, there was 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)**

		Exchange Fund paper	Statutory bodies/ government- owned corporations	Govern- ment	Public sector total	AIs ^(a)	Local corporations	Non-MDBs overseas borrowers ^(b)	Private sector total	MDBs ^(b)	Total
New Issuance											
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
	Q3	962.2	13.2	49.0	1,024.4	89.0	5.9	73.7	168.6	10.8	1,203.8
% change in 2022 Q3 over 2021 Q3		13.0	12.0	58.1	14.5	23.8	-48.2	14.9	14.4	64.4	14.8
% change in 2022 Q3 over 2022 Q2		1.4	-40.8	71.9	2.5	-20.1	-12.7	-6.8	-14.5	484.0	0.4
Outstanding (at end of period)											
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
	Q3	1,196.3	122.0	236.5	1,554.8	313.7	129.8	475.5	918.9	38.0	2,511.8
% change in 2022 Q3 over 2021 Q3		9.9	22.7	44.5	15.0	12.7	-5.0	1.1	3.8	36.9	10.9
% change in 2022 Q3 over 2022 Q2		0.5	1.3	24.0	3.5	5.9	-4.5	2.3	2.4	27.1	3.4

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* underwent a marked correction in the third quarter in tandem with the downslides in many stock markets across the globe. Market sentiment was hard hit by the sharp tightening of monetary policy by the US Fed and other major central banks as well as the slackening global growth momentum. The HSI plunged by 21.2% from end-June to 17 223 at end-September. *Market capitalisation* shrank by 21.1% during the quarter to \$30.8 trillion. The local stock market ranked the seventh largest in the world and the fourth largest in Asia⁽⁸⁾.

4.14 Trading activities in the local stock market quietened in the third quarter amid the cautious market atmosphere. *Average daily turnover* in the securities market contracted by 24.8% from the preceding quarter or 41.0% from a year earlier to \$97.6 billion. Within the total, the average daily trading value of equities, unit trusts (including Exchange-Traded Funds), derivative warrants and callable bull/bear contracts⁽⁹⁾ decreased by 26.8%, 21.9%, 18.8% and 12.7% respectively from the preceding quarter. As to futures and options⁽¹⁰⁾, the average daily trading volume declined by 12.5% from the preceding quarter. Within the total, trading of Hang Seng China Enterprises Index futures, stock options, HSI options and HSI futures fell by 14.3%, 11.3%, 10.1% and 9.9% respectively.

Diagram 4.6 : The local stock market underwent a marked correction in the third quarter

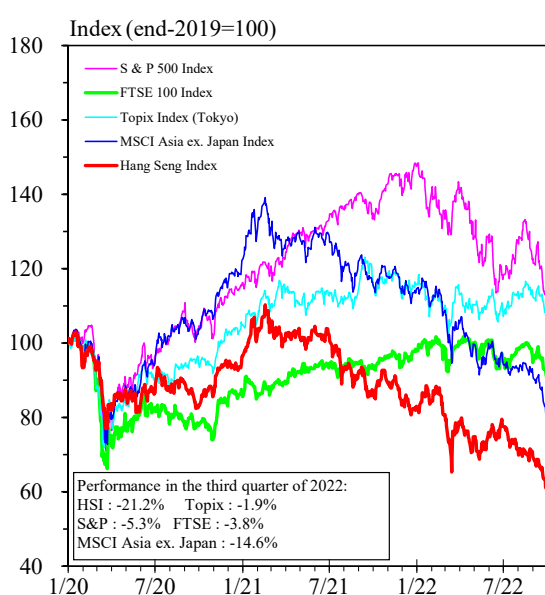
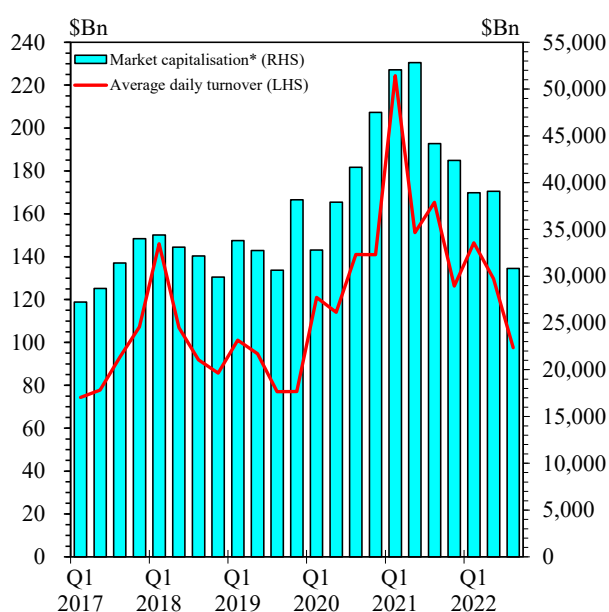


Diagram 4.7 : Market capitalisation shrank while trading activities quietened



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
	Q3	135 534	20 944	154 286	505 258	1 115 403
% change in 2022 Q3 over 2021 Q3		-2.5	-22.2	10.4	-24.3	-9.0
% change in 2022 Q3 over 2022 Q2		-9.9	-10.1	-14.3	-11.3	-12.5

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 remained tepid in the third quarter alongside the local stock market correction, though rising back from the extremely low level in the preceding quarter. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM⁽¹¹⁾, rebounded by 108.7% over the preceding quarter to \$77.4 billion in the third quarter, but was still 34.0% lower than a year earlier. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) increased from the low level of \$4.9 billion in the preceding quarter to \$53.4 billion, but remained 28.0% lower than a year earlier. Taking the first three quarters together, total equity capital raised plummeted by 68.2% from a year earlier to \$192.4 billion, within which the amount of funds raised through IPOs shrank by 74.4% to \$73.2 billion. Hong Kong ranked the fifth globally in terms of the amount of funds raised through IPOs in the first nine months of the year⁽¹²⁾.

4.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-September, a total of 1 387 Mainland enterprises (including 308 H-share companies, 174 “Red Chip” companies and 905 private enterprises) were listed on the Main Board and GEM, accounting for 54% of the total number of listed companies and 77% of total market capitalisation. Mainland-related stocks accounted for 87% of both equity turnover and total equity fund raised in the Hong Kong stock exchange in the third quarter.

Fund management and investment funds

4.17 Performance of fund management business⁽¹³⁾ remained weak in the third quarter. Along with the local stock market correction, the aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*⁽¹⁴⁾ decreased by 8.8% from end-June to \$965.0 billion at end-September. Meanwhile, the gross retail sales of *mutual funds* fell by 8.5% from the preceding quarter to US\$10.5 billion in the third quarter⁽¹⁵⁾, and was 54.2% lower than a year earlier.

Insurance sector

4.18 The *insurance sector*⁽¹⁶⁾ showed mixed performance in the second quarter. New office premium of long-term business edged down by 1.0% from a year earlier, within which premium from non-investment linked plans (which accounted for 89% of total premium for this segment) increased by 8.0% while investment linked plans plunged by 44.3%. As to general business, gross and net premium rose by 5.0% and 3.6% respectively.

Table 4.7 : Insurance business in Hong Kong[@] (\$Mn)

		General business			New office premium of long-term business [^]					Gross premium from long-term business and general business
		Gross premium	Net premium	Underwriting profit	Individual life and annuity (non-linked)	Individual life and annuity (linked)	Other individual business	Non-retirement scheme group business	All long-term business	
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
	Q2	15,875	10,528	1,482	35,287	3,941	9	209	39,446	55,321
% change in 2022 Q2 over 2021 Q2		5.0	3.6	425.5	8.0	-44.3	*	190.3	-1.0	0.7

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

(^) Retirement scheme business is excluded.

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

Highlights of policy and market developments

4.19 In early July, The People's Bank of China, the Securities and Futures Commission and the HKMA announced a new initiative in establishing mutual access between the interest rate swap markets of the Mainland and Hong Kong (Swap Connect). It will, for the first time, extend mutual access arrangements to the realm of financial derivatives products, providing a more comprehensive product suite for investors. The Swap Connect will help drive forward the development of derivatives markets in the Mainland and Hong Kong, offer more diverse risk management tool options to investors and enhance the ecosystem for derivatives products of the two places. It will also be conducive to the development of Hong Kong's offshore RMB market, and further consolidate Hong Kong's status as an international financial centre and a global offshore RMB business hub. The Northbound trading of Swap Connect will be launched as soon as possible after completion of the necessary preparation.

4.20 In September, the Government and the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen Municipality (Qianhai Authority) jointly promulgated measures for supporting the linked development of Shenzhen and Hong Kong venture capital investments in Qianhai, which will provide facilitation and preferential policies for the Hong Kong private equity industry and promote the development of a mechanism that links venture capital in Shenzhen and Hong Kong. Among the various measures, the Qianhai Authority will support eligible Hong Kong limited partnership funds to set up qualified investment entities in Qianhai to commence onshore investment, enhance the Qualified Foreign Limited Partnerships pilot scheme, and collaborate with Hong Kong to promote financial and technological development and talents exchange through providing rewards and subsidies. In addition, Qianhai and Hong Kong will explore making use of a cross-boundary supervisory sandbox mechanism to promote the linked development of Shenzhen and Hong Kong private equity markets.

4.21 As announced in the 2022 Policy Address, the Hong Kong Exchanges and Clearing Limited (HKEX) will revise the Main Board Listing Rules next year to facilitate fundraising of advanced technology enterprises that have yet to meet the profit and trading record requirements. In this connection, HKEX launched a consultation in October on the detailed recommendations to provide a new channel for companies from five specialist technology industries (i.e. next-generation information technology, advanced hardware, advanced materials, new energy and environmental protection, and new food and agriculture technologies) to list in Hong Kong. The proposed regime will expand the range of companies that can access Hong Kong's deep and liquid market and further elevate our position as a global fundraising platform.

4.22 Also announced in the 2022 Policy Address, the Government will introduce a bill this year to offer tax concession for eligible family-owned investment holding vehicles managed by single family offices, with the goal of attracting no less than 200 family offices to establish or expand their operations in Hong Kong by end-2025. This will enhance Hong Kong's attractiveness as a family office hub, deepen its pool of liquidity and create more business opportunities for the financial sector and other professional sectors. The relevant tax concession is expected to come into effect in the year of assessment 2022/23.

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-September 2022, there were 156 licenced banks, 15 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 183 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-September 2022, there were 123 classes of stock options contracts and 98 classes of stock futures contracts.
- (11) At end-September 2022, there were 2 238 and 343 companies listed on the Main Board and GEM respectively.
- (12) The ranking is based on the amount of funds raised through IPOs (including fundraising of special purpose acquisition companies) compiled by Dealogic.
- (13) At end-September 2022, there was one SFC-authorized retail hedge fund with net asset size of US\$145 million. The amount of net assets under management increased by 1.4% over end-June 2022, and represented a 16.0% increase over a year earlier and a 9.4% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (14) At end-September 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 339 000 employers, 2.73 million employees and 238 000 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-September 2022, the survey covered a total of 1 353 active authorised funds.
- (16) At end-September 2022, there were 164 authorized 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 authorized insurers come from 22 countries and territories (including Hong Kong).

CHAPTER 5 : THE LABOUR SECTOR

Summary

- *The labour market continued to improve in the third quarter of 2022 alongside the revival of domestic economic activities. The seasonally adjusted unemployment rate fell further from 4.7% in the second quarter to 3.9% in the third quarter, and the underemployment rate from 3.0% to 1.8%. Both were visibly lower than their respective highs of 5.4% and 3.8% in February – April. Total employment rose back in the third quarter on a quarter-to-quarter basis, leading to a narrowed year-on-year decline.*
- *The unemployment rates of most major sectors decreased in the third quarter from the preceding quarter, particularly those of the decoration, repair and maintenance for buildings sector, the food and beverage service activities sector, and the arts, entertainment and recreation sector. The unemployment rates of both lower-skilled and higher-skilled workers declined, with the former still visibly higher than the latter.*
- *Establishment surveys indicated that nominal wages and labour earnings showed accelerated year-on-year growth in the second quarter. The average nominal wage rate rose by 1.9% year-on-year in June, slightly faster than the increase three months ago. Payroll per person engaged, which includes basic wage, discretionary bonuses and other irregular payments, recorded a visibly faster increase of 1.7% in the second quarter. More recent General Household Survey (GHS) data showed that the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) grew by 5.0% year-on-year in nominal terms in the third quarter. The median monthly household income also increased by 5.0%.*

Overall labour market situation⁽¹⁾

5.1 The labour market continued to improve in the third quarter of 2022 alongside the revival of domestic economic activities. The seasonally adjusted *unemployment rate*⁽²⁾ fell further from 4.7% in the second quarter to 3.9% in the third quarter, and the *underemployment rate*⁽³⁾ from 3.0% to 1.8%. Both were visibly lower than their respective highs of 5.4% and 3.8% in February – April. Total employment rose back in the third quarter on a quarter-to-quarter basis, leading to a narrowed year-on-year decline. The unemployment rates of most major sectors decreased in the third quarter from the preceding quarter, particularly those of the decoration, repair and maintenance for buildings sector, the food and beverage service activities sector, and the arts, entertainment and recreation sector. The unemployment rates of both lower-skilled and higher-skilled workers declined, with the former still visibly higher than the latter. Establishment surveys indicated that nominal wages and labour earnings showed accelerated year-on-year growth in the second quarter. The average nominal wage rate rose by 1.9% year-on-year in June, slightly faster than the increase three months ago. Payroll per person engaged, which includes basic wage, discretionary bonuses and other irregular payments, recorded a visibly faster increase of 1.7% in the second quarter. More recent GHS data showed that the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) grew by 5.0% year-on-year in nominal terms in the third quarter. The median monthly household income also increased by 5.0%.

Diagram 5.1 : The labour market continued to improve in the third quarter of 2022 alongside the revival of domestic economic activities

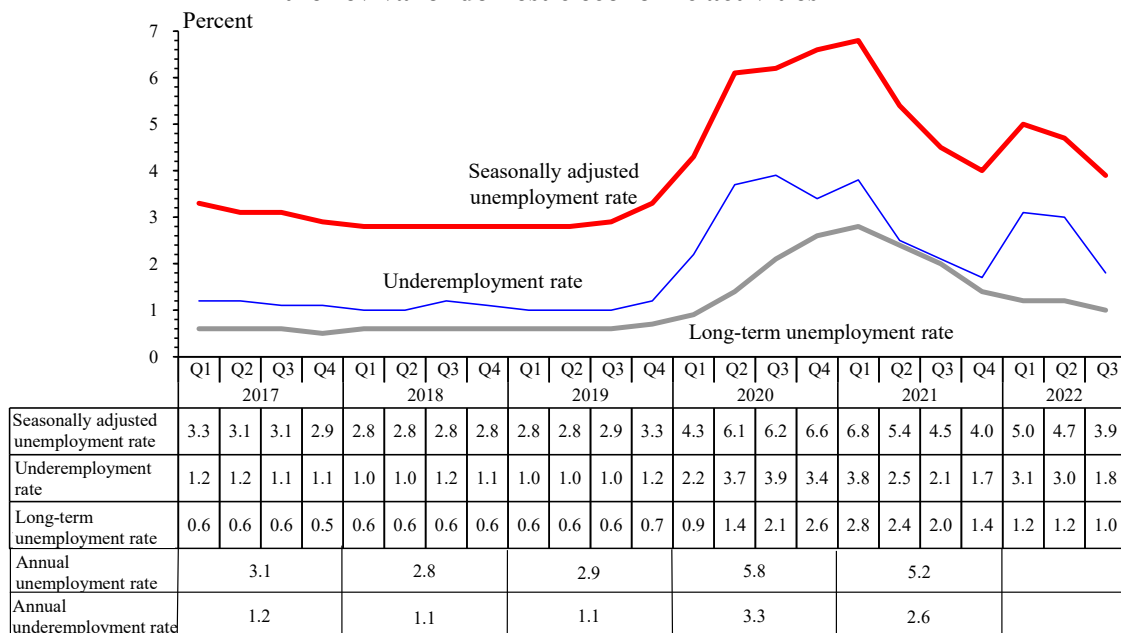


Table 5.1 : The unemployment rate (seasonally adjusted), underemployment rate and long-term unemployment rate

		<u>Unemployment rate*</u> (%)	<u>Underemployment</u> <u>rate (%)</u>	<u>Long-term</u> <u>unemployment rate (%)</u>
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
	Q2	4.7	3.0	1.2
<i>Three months ending</i>				
2022	Jul	4.3	2.2	1.2
	Aug	4.1	2.0	1.2
	Sep	3.9	1.8	1.0

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

Source : General Household Survey, Census and Statistics Department.

Labour force and total employment

5.2 The *labour force*⁽⁴⁾ rebounded by 0.9% over the preceding quarter to 3 784 200 in the third quarter, resulting in a narrowed year-on-year decline of 2.3%. Analysed by the contributing factor, the overall labour force participation rate (LFPR) rose by 0.3 percentage point over the preceding quarter to 58.6% notwithstanding the persistent drag from population ageing, and posted a moderated year-on-year decline of 0.7 percentage point. The working-age population (i.e. land-based non-institutional population aged 15 and above) increased by 0.4% over the preceding quarter and registered a narrowed year-on-year decline of 1.1%.

5.3 *Total employment*⁽⁵⁾ rose back by 1.6% over the preceding quarter to 3 628 900 in the third quarter and saw a narrowed year-on-year decline of 1.7%. As domestic economic activities continued to revive, employment of most sectors increased over the preceding quarter. For some of these sectors, such as wholesale, social work activities, human health activities, construction, education, and food and beverage service activities, employment increased both over the preceding quarter and over a year earlier.

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

		<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed^(a)</u>	<u>Persons underemployed</u>
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
	Q2	3 750 200 (-3.5)	3 571 600 (-2.7)	178 600	111 600
<i>Three months ending</i>					
2022	Jul	3 761 300 (-3.2)	3 593 100 (-2.5)	168 200	84 300
	Aug	3 771 200 (-2.8)	3 609 300 (-2.2)	161 900	76 400
	Sep	3 784 200 (-2.3)	3 628 900 (-1.7)	155 300	69 000
		<0.9>	<1.6>		

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

() % change over a year earlier.

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

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Both labour force and total employment increased in the third quarter on a quarter-to-quarter basis, leading to narrowed year-on-year declines

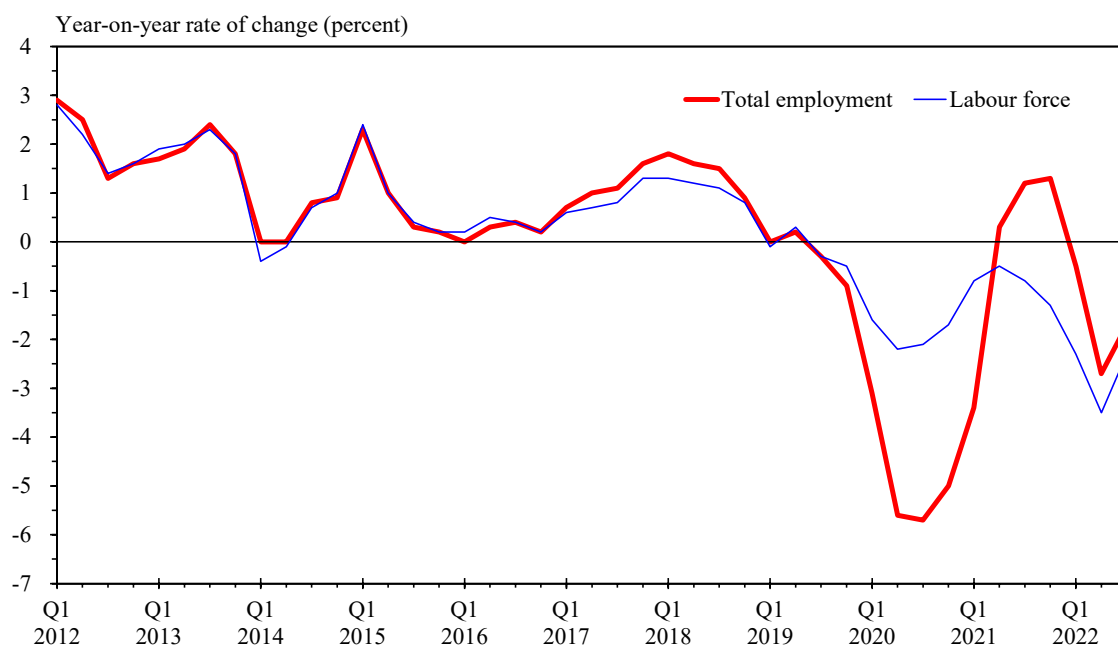


Table 5.3 : Labour force participation rates by gender and by age group (%)

	<u>2021</u>				<u>2022</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<u>Male</u>							
15-24	33.9	33.1	36.7	34.7	32.3	31.2	34.1
<i>of which:</i>							
15-19	5.6	6.0	8.8	6.2	6.5	7.1	8.4
20-24	56.1	55.0	59.1	57.7	54.8	52.8	57.2
25-29	91.4	91.4	91.2	92.4	91.0	87.9	89.9
30-39	95.0	95.5	95.2	94.7	93.4	94.2	94.5
40-49	93.6	93.1	93.8	93.8	93.1	93.9	93.3
50-59	85.6	85.7	85.4	85.2	85.6	85.4	84.8
≥ 60	32.1	31.2	30.3	30.4	31.1	32.0	32.3
Overall	66.2	65.7	65.6	65.2	64.7	64.9	65.0
<u>Female</u>							
15-24	36.1	34.4	38.5	34.7	32.6	32.1	36.1
<i>of which:</i>							
15-19	5.3	6.9	10.6	8.8	7.2	6.7	10.3
20-24	59.5	56.1	60.4	54.8	53.9	54.2	58.4
25-29	87.5	89.0	89.1	87.3	87.0	86.1	86.4
30-39	79.5	79.7	79.1	79.0	79.5	78.8	79.5
40-49	73.9	74.4	74.1	74.9	75.1	73.5	73.2
50-59	64.7	63.9	63.6	64.4	64.2	65.0	65.3
≥ 60	16.1	16.9	16.1	15.9	16.2	16.0	17.0
Overall	54.4	54.5	54.2	53.7	53.5	52.9	53.4
<u>Both genders combined</u>							
15-24	35.0	33.7	37.6	34.7	32.4	31.6	35.1
<i>of which:</i>							
15-19	5.5	6.4	9.7	7.5	6.8	6.9	9.3
20-24	57.8	55.5	59.8	56.2	54.3	53.5	57.8
25-29	89.3	90.1	90.1	89.7	88.9	87.0	88.1
30-39	85.9	86.2	85.8	85.6	85.3	85.3	85.8
40-49	81.9	82.0	82.1	82.6	82.4	81.8	81.3
50-59	73.9	73.5	73.1	73.5	73.5	73.8	73.7
≥ 60	23.8	23.8	22.9	22.8	23.3	23.6	24.2
Overall	59.7	59.6	59.3	58.9	58.5	58.3	58.6

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

5.4 The seasonally adjusted unemployment rate fell further from 4.7% in the second quarter to 3.9% in the third quarter, and was visibly lower than the high of 5.4% in February – April. The number of unemployed persons (not seasonally adjusted) decreased further, from 178 600 in the second quarter to 155 300 in the third quarter.

5.5 The unemployment rates of most major sectors decreased in the third quarter from the preceding quarter. Specifically, the unemployment rate of the retail, accommodation and food services sectors combined (not seasonally adjusted) fell by 1.6 percentage points to 5.8% in the third quarter. Among these sectors, the unemployment rates of the food and beverage service activities sector and the retail sector fell by 2.4 percentage points and 0.9 percentage point to 6.2% and 5.7% respectively. Other sectors that saw visible decreases in unemployment rates included the decoration, repair and maintenance for buildings sector (down 3.9 percentage points to 9.1%), and the arts, entertainment and recreation sector (down 2.3 percentage points to 5.7%). For the *low-paying sectors*⁽⁶⁾ as a whole, the unemployment rate declined by 1.0 percentage point to 3.7%.

5.6 Analysed by skill segment, the unemployment rate of lower-skilled workers declined by 1.0 percentage point from the preceding quarter to 4.4% in the third quarter, and that of higher-skilled workers decreased by 0.4 percentage point to 2.6%. The unemployment rate of lower-skilled workers remained visibly higher than that of higher-skilled workers.

5.7 Analysed by other socio-economic attributes, the unemployment rates of most age groups declined in the third quarter from the preceding quarter, though the unemployment rates of those aged 20-24 (up 0.4 percentage point to 11.4%) and 25-29 (up 0.2 percentage point to 5.9%) increased. The unemployment rates declined across all levels of educational attainment, except for the unemployment rate of those with post-secondary education which stayed virtually unchanged.

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

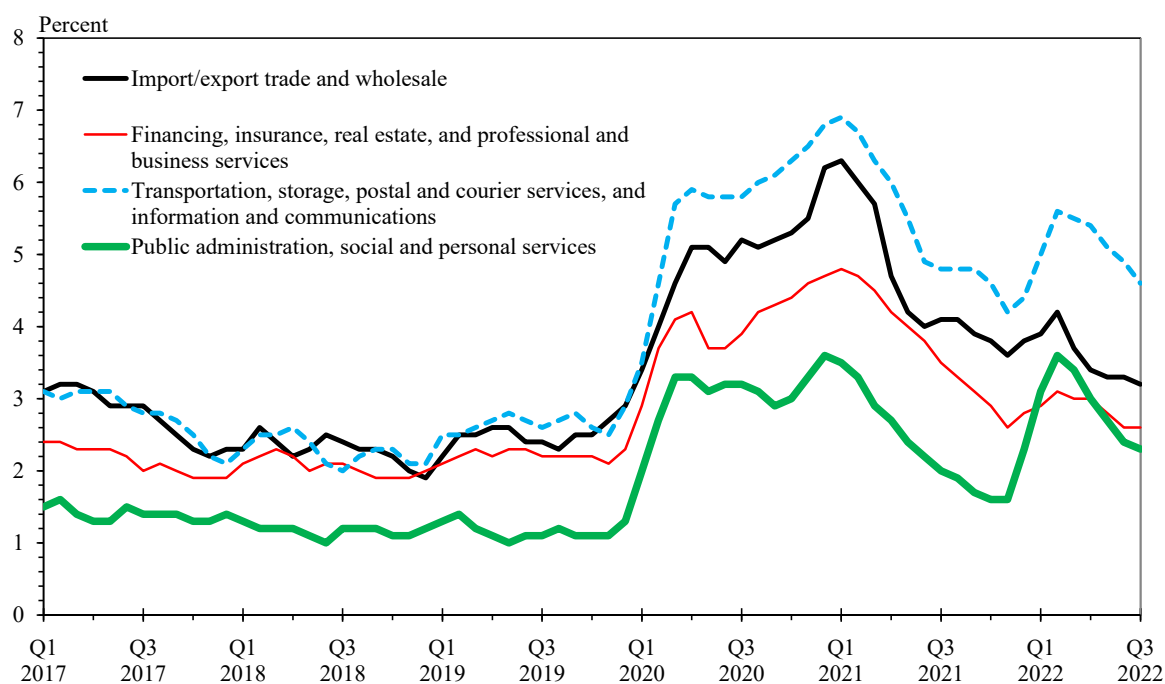
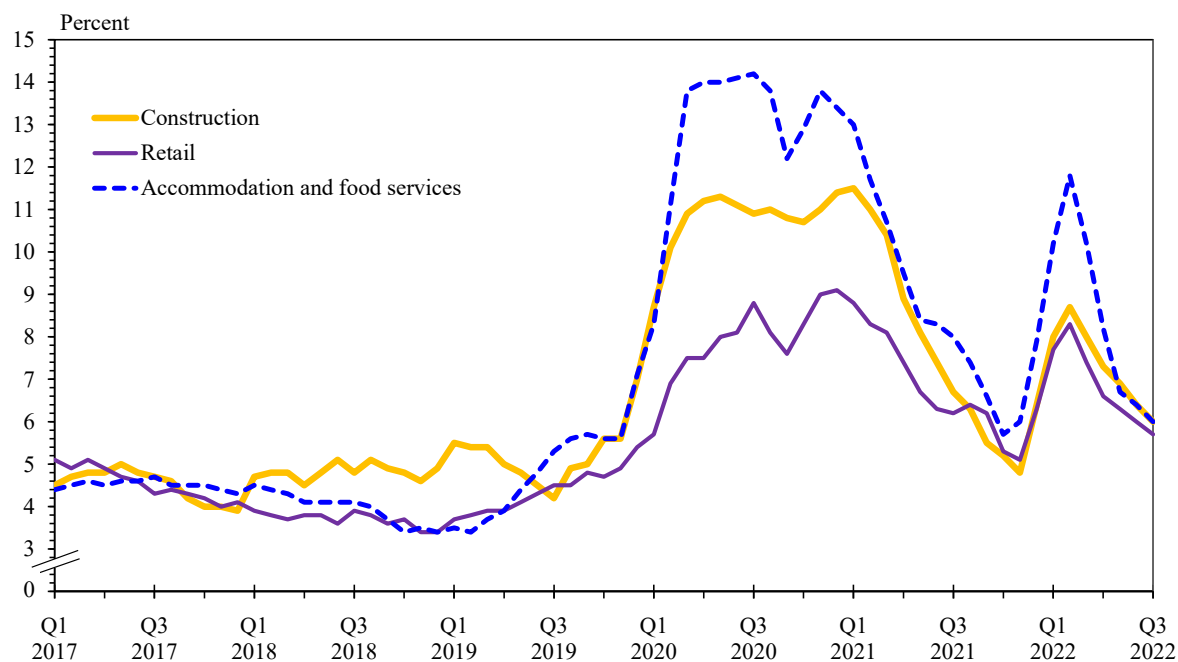


Table 5.4 : Unemployment rates by major economic sector

	<u>2021</u>				<u>2022</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Import/export trade and wholesale	6.3	4.7	4.1	3.8	3.9	3.4	3.2
Retail, accommodation and food services	10.8	8.4	7.1	5.5	8.9	7.4	5.8
of which:							
<i>Retail</i>	8.8	7.4	6.2	5.3	7.7	6.6	5.7
<i>Accommodation services</i>	10.2	7.4	5.7	4.1	5.6	5.7	4.5
<i>Food and beverage service activities</i>	13.4	9.9	8.5	6.0	11.0	8.6	6.2
Transportation, storage, postal and courier services	7.3	6.6	5.0	4.9	5.3	5.9	5.0
Information and communications	5.9	4.8	4.3	4.0	4.6	4.2	3.8
Financing and insurance	3.9	3.1	2.7	2.2	2.3	2.5	2.3
Real estate	4.2	3.0	2.6	2.0	2.4	3.0	2.7
Professional and business services	5.7	5.3	4.3	3.8	3.4	3.3	2.8
Public administration, social and personal services	3.5	2.7	2.0	1.6	3.1	3.0	2.3
of which:							
<i>Education</i>	5.2	3.8	3.0	2.3	3.8	3.9	2.6
<i>Arts, entertainment and recreation</i>	12.6	10.8	6.8	4.0	11.3	8.0	5.7
Manufacturing	6.6	6.9	6.8	5.6	5.5	5.5	5.2
Construction	11.5	8.9	6.7	5.2	8.0	7.3	6.0
of which:							
<i>Decoration, repair and maintenance for buildings</i>	16.2	12.7	10.0	5.9	13.4	13.0	9.1
Overall*	6.7 (6.8)	5.5 (5.4)	4.7 (4.5)	3.8 (4.0)	5.0 (5.0)	4.8 (4.7)	4.1 (3.9)

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

() Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.4 : The unemployment rates of both lower-skilled and higher-skilled workers declined in the third quarter

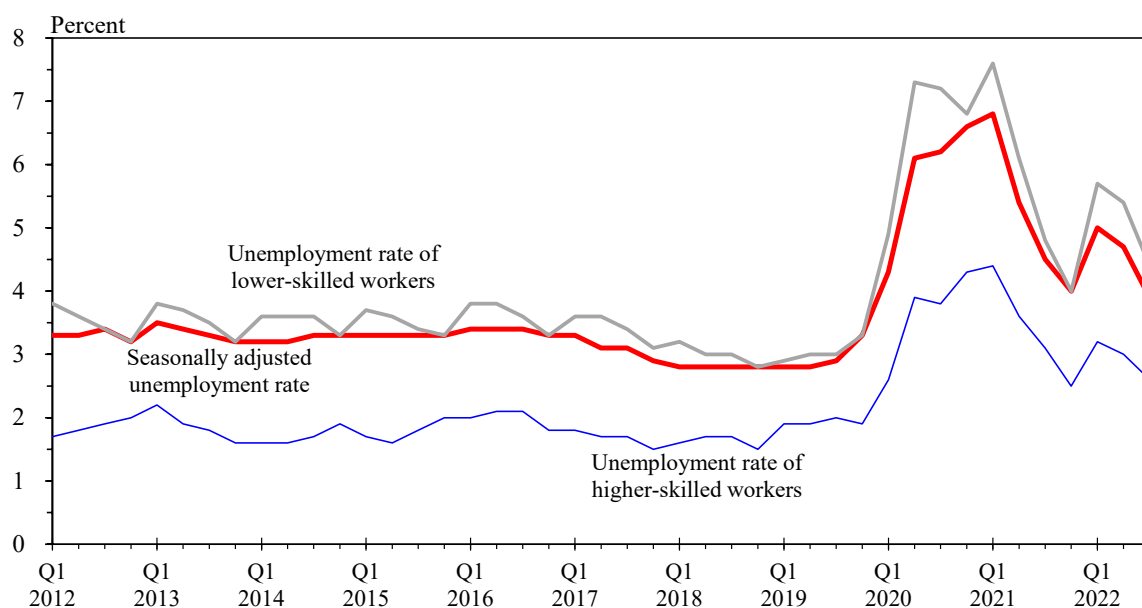


Table 5.5 : Unemployment rates* by skill segment

	<u>2021</u>				<u>2022</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<u>Higher-skilled segment</u>	4.4	3.6	3.1	2.5	3.2	3.0	2.6
Managers	3.5	3.1	2.0	2.1	2.7	2.4	2.1
Professionals	3.0	2.6	2.3	1.7	2.0	2.0	1.9
Associate professionals	5.7	4.5	4.1	3.3	4.1	4.0	3.3
<u>Lower-skilled segment</u> [^]	7.6	6.1	4.8	4.0	5.7	5.4	4.4
Clerical support workers	6.1	5.2	4.4	4.3	4.6	4.2	4.7
Service and sales workers	10.0	7.1	6.2	4.7	7.5	6.7	4.7
Craft and related workers	10.5	8.4	6.1	4.8	8.8	7.5	6.9
Plant and machine operators and assemblers	5.9	4.9	3.5	3.3	4.1	4.5	3.7
Elementary occupations	5.7	5.1	3.5	3.1	4.0	4.4	3.2

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

[^] Including other occupations.

Source : General Household Survey, Census and Statistics Department.

Table 5.6 : Unemployment rates* by age and educational attainment

	<u>2021</u>				<u>2022</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<u>Age</u>							
15-24	13.5	13.7	15.2	8.8	10.5	11.7	12.0
<i>of which:</i>							
15-19	16.3	18.1	16.5	11.9	14.3	18.4	16.1
20-24	13.3	13.3	15.0	8.5	10.1	11.0	11.4
25-29	7.4	6.3	6.2	5.0	5.9	5.7	5.9
30-39	5.2	4.2	3.5	3.0	3.7	3.7	3.2
40-49	5.5	4.7	3.6	3.2	4.2	4.2	2.9
50-59	7.7	5.9	4.3	3.7	5.5	4.8	4.0
≥ 60	6.7	4.9	3.6	3.2	4.9	4.4	3.6
<u>Educational attainment</u>							
Primary education and below	8.5	5.6	4.2	3.0	5.8	4.9	2.7
Lower secondary education	8.7	7.1	5.7	4.7	7.2	6.5	5.2
Upper secondary education^	7.2	5.9	4.5	3.9	5.4	5.2	4.2
Post-secondary education	5.4	4.6	4.6	3.5	3.7	3.9	3.9

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

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 Indicators for the intensity of unemployment improved in the third quarter. Compared with the preceding quarter, the number of long-term unemployed persons (those unemployed for six months or longer) declined by 15.1% to 39 500 in the third quarter, and the long-term unemployment rate (i.e. the proportion of long-term unemployed persons in the labour force) fell from 1.2% to 1.0%. The share of long-term unemployed persons in total unemployment decreased from 26.1% to 25.4%, and the median duration of unemployment shortened from 86 days to 77 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) declined by 4.6 percentage points to 53.3%.

Profile of underemployment

5.9 The underemployment rate fell further from 3.0% in the second quarter to 1.8% in the third quarter, visibly lower than the high of 3.8% in February – April. The number of underemployed persons decreased further, from 111 600 in the second quarter to 69 000 in the third quarter. The underemployment rates of all major sectors decreased. Specifically, the underemployment rate of the retail, accommodation and food services sectors combined declined by 2.2 percentage points to 2.3%. Among these sectors, the underemployment rates of the food and beverage service activities sector and the retail sector fell by 3.5 and 1.2 percentage points to 2.7% and 2.1% respectively. Other sectors that saw visible declines in underemployment rates included the arts, entertainment and recreation sector (down 4.6 percentage points to 3.9%), the decoration, repair and maintenance for buildings sector (down 3.5 percentage points to 9.2%), and the education sector (down 2.6 percentage points to 1.7%). Analysed by skill segment, the underemployment rate of lower-skilled workers fell by 1.4 percentage points to 2.4% in the third quarter, and that of higher-skilled workers went down by 0.8 percentage point to 1.0%.

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

5.11 Labour demand stabilised during the second quarter as domestic economic activities revived. In June, total private sector employment saw a narrowed decline of 0.3% from three months ago on a seasonally adjusted basis, though it registered a somewhat wider year-on-year decline of 1.3% to 2 673 200 against a higher base of comparison. Analysed by sector (not seasonally adjusted), food and beverage services, construction sites (covering manual workers only), arts, entertainment, recreation and other services, and education, saw increases in employment over three months ago, though other selected industries still registered declines. On a year-on-year comparison, employment in many selected industries declined, but that in food and beverage services, and education increased.

Table 5.7 : Employment by major economic sector

	<u>2021</u>				<u>2022</u>	
	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>
Import/export trade and wholesale	434 600 (-8.6)	434 900 (-3.4)	435 100 (-2.2)	439 500 (0.1)	438 300 (0.8)	434 800 (§)
Retail	249 900 (-2.0)	248 100 (-0.5)	248 500 (-0.5)	251 400 (0.5)	245 200 (-1.9)	244 800 (-1.3)
Accommodation services ^(a)	34 400 (-9.4)	37 000 (3.1)	36 900 (5.0)	35 800 (7.0)	35 400 (2.8)	33 400 (-9.8)
Food and beverage services	205 500 (-7.2)	215 000 (1.0)	217 600 (5.2)	217 800 (7.4)	204 700 (-0.4)	217 200 (1.0)
Transportation, storage, postal and courier services	165 500 (-6.7)	168 700 (-4.2)	167 200 (-4.4)	166 000 (-0.4)	164 400 (-0.6)	162 500 (-3.7)
Information and communications	109 300 (-0.4)	108 800 (-1.8)	108 400 (-1.7)	108 100 (-1.7)	107 200 (-1.9)	106 100 (-2.4)
Financing, insurance, real estate, professional and business services	761 600 (0.4)	765 700 (0.8)	772 000 (1.0)	772 400 (1.2)	766 600 (0.7)	750 500 (-2.0)
Social and personal services	534 700 (0.5)	532 500 (0.3)	533 600 (0.3)	537 300 (0.8)	532 900 (-0.3)	533 900 (0.3)
<i>of which:</i>						
<i>Education</i>	205 400 (0.1)	203 700 (-0.1)	202 300 (-0.8)	205 500 (0.3)	205 200 (-0.1)	205 500 (0.9)
<i>Arts, entertainment, recreation and other services</i>	118 300 (-2.6)	117 600 (-2.7)	119 400 (-1.1)	118 700 (-0.1)	111 900 (-5.5)	114 300 (-2.8)
Manufacturing	81 200 (-3.6)	79 200 (-6.0)	78 400 (-5.9)	76 500 (-6.7)	75 800 (-6.7)	74 900 (-5.3)
Construction sites (covering manual workers only)	102 700 (1.6)	106 100 (8.6)	106 300 (13.2)	106 600 (10.9)	98 300 (-4.3)	103 400 (-2.5)
All establishments surveyed in the private sector^(b)	2 690 700 (-2.7) <0.6>	2 707 300 (-0.4) <0.6>	2 715 500 (0.3) <0.2>	2 722 900 (1.3) <-0.2>	2 680 500 (-0.4) <-1.0>	2 673 200 (-1.3) <-0.3>
<i>Civil service^(c)</i>	177 600 (-0.1)	176 900 (-0.3)	176 400 (-0.2)	176 600 (-0.2)	176 200 (-0.7)	175 200 (-1.0)

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.

§ Change within $\pm 0.05\%$.

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

Vacancies

5.12 Meanwhile, the number of private sector vacancies rebounded by 13.7% in June over three months ago on a seasonally adjusted basis, giving rise to a visible year-on-year increase of 37.5% to 62 500.

5.13 The number of vacancies in almost all selected sectors increased in June over three months ago, and were notably higher than the levels a year earlier. The number of vacancies in the lower-skilled and higher-skilled segments bounced back by 17.3% and 15.3% respectively over three months ago, and were 39.3% and 35.4% higher than the corresponding levels a year earlier.

5.14 The manpower balance situation improved somewhat in June compared with March. The ratio of job vacancies per 100 unemployed persons rose back from a low of 28 in March to 35 in June. Specifically, the ratio in the higher-skilled segment increased from 49 to 60, and that in the lower-skilled segment from 23 to 29. Manpower shortage situation remained acute in the residential care and social work services sector, and the human health services sector, with the ratios (at 185 and 142 respectively) staying well above 100.

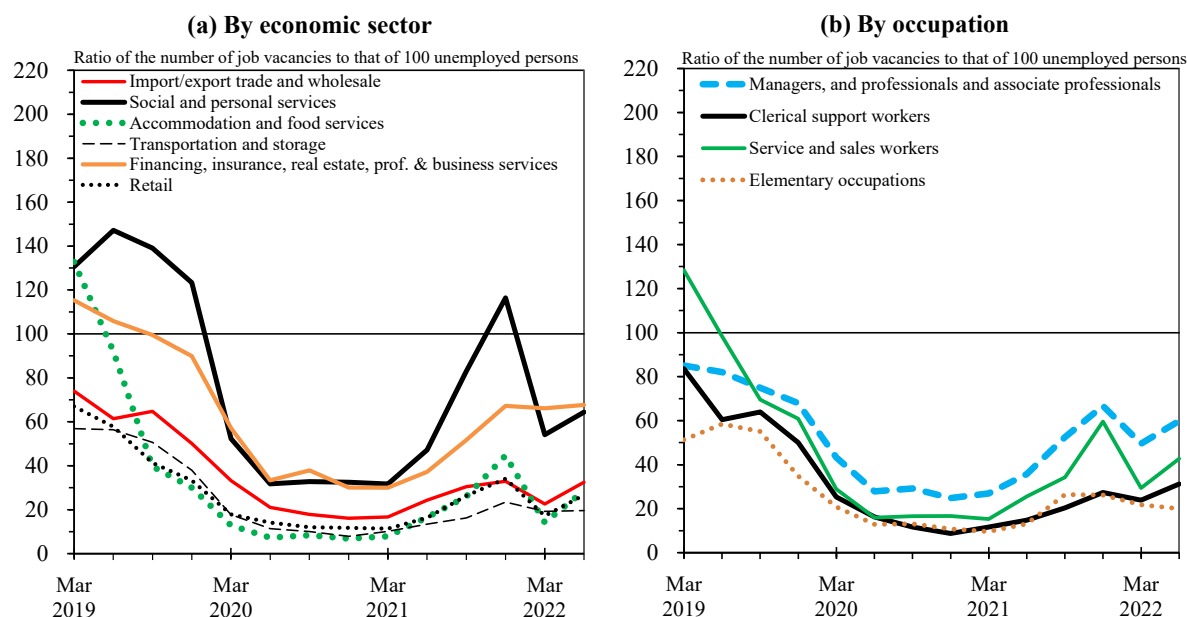
Table 5.8 : Vacancies by major economic sector

	<u>2021</u>				<u>2022</u>	
	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>
Import/export trade and wholesale	3 510 (-13.9)	3 840 (4.8)	4 070 (27.9)	4 090 (41.9)	2 920 (-16.9)	3 600 (-6.3)
Retail	2 970 (-2.6)	3 450 (9.4)	4 710 (49.8)	5 270 (81.4)	3 710 (25.1)	4 880 (41.3)
Accommodation services ^(a)	700 (-0.6)	1 090 (53.9)	1 380 (94.5)	1 650 (225.5)	1 410 (100.7)	1 790 (63.4)
Food and beverage services	2 060 (-6.7)	3 230 (51.9)	4 380 (77.4)	5 310 (180.3)	2 410 (17.2)	4 700 (45.5)
Transportation, storage, postal and courier services	2 520 (-2.9)	2 930 (28.5)	2 580 (23.4)	3 560 (101.9)	3 550 (41.1)	3 740 (27.5)
Information and communications	1 670 (-24.1)	1 930 (-5.5)	2 290 (31.8)	2 460 (49.6)	2 790 (67.6)	2 780 (44.2)
Financing, insurance, real estate, professional and business services	12 980 (-11.4)	14 000 (13.3)	16 000 (22.5)	17 330 (45.0)	16 580 (27.7)	17 020 (21.6)
Social and personal services	11 970 (5.1)	13 550 (16.3)	17 570 (52.9)	19 430 (82.3)	18 410 (53.8)	21 370 (57.8)
<i>of which:</i>						
<i>Education</i>	4 130 (12.0)	4 930 (18.9)	5 790 (47.4)	6 510 (71.3)	5 980 (44.7)	7 440 (51.0)
<i>Arts, entertainment, recreation and other services</i>	1 730 (31.5)	2 410 (72.8)	2 740 (72.8)	3 250 (206.5)	2 740 (58.5)	3 260 (35.2)
Manufacturing	690 (-9.0)	940 (24.4)	1 150 (50.7)	1 350 (139.5)	1 400 (103.6)	1 640 (74.8)
Construction sites (covering manual workers only)	80 (-84.3)	250 (2.5)	160 (14.7)	260 (232.1)	270 (244.9)	630 (153.6)
All establishments surveyed in the private sector^(b)	39 350 (-6.9) <13.6>	45 440 (16.2) <13.1>	54 560 (40.2) <18.7>	60 980 (74.0) <13.9>	53 700 (36.5) <-10.6>	62 500 (37.5) <13.7>
<i>Civil service^(c)</i>	15 140 (42.0)	15 540 (37.3)	15 960 (20.6)	15 980 (6.3)	16 800 (10.9)	17 490 (12.5)

- 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 : The manpower balance situation improved somewhat in June



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 third quarter. The number of such vacancies increased markedly by 22% over the preceding quarter to a monthly average of 110 500 in the third quarter, and was 8% higher than the level a year ago.

Wages and earnings

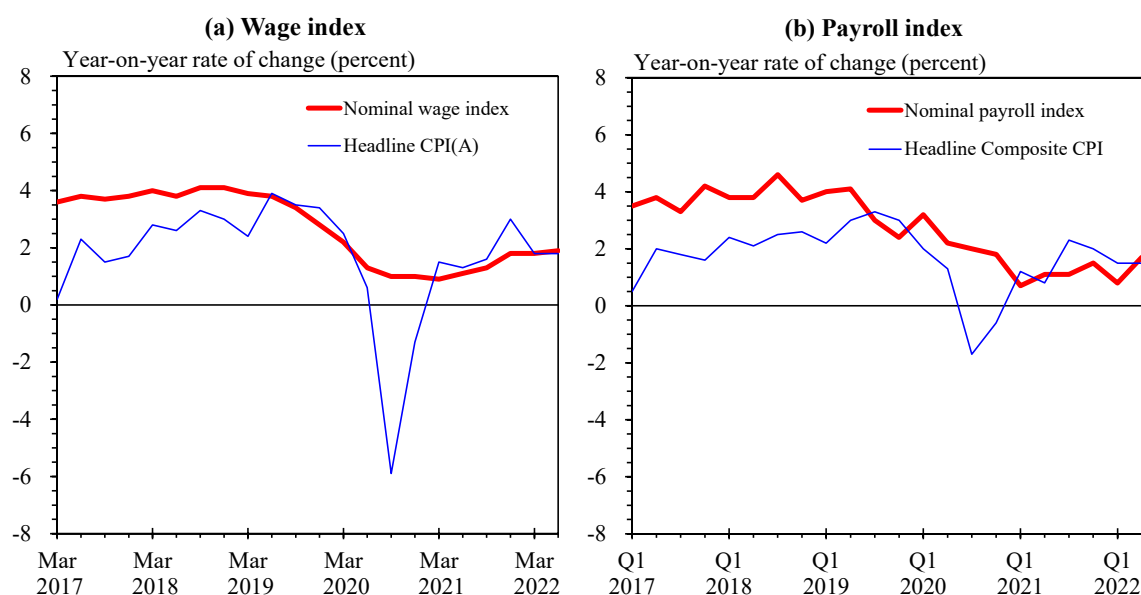
5.16 Nominal wages and labour earnings showed accelerated year-on-year growth in the second quarter. The average nominal wage rate, as measured by the nominal wage index for all selected industry sections which covers regular payment to employees at the supervisory level or below, rose by 1.9% in June, slightly faster than the increase of 1.8% three months ago. After discounting for headline *inflation*⁽⁷⁾, the average wage rate edged up by 0.1% in real terms over a year earlier.

5.17 The average nominal wage rates in most selected sectors saw year-on-year increases in June, particularly for those in financial and insurance activities (up 3.3%), real estate leasing and maintenance management (up 2.9%) and professional and business services (up 2.5%). The exceptions were the transportation sector (down 0.6%) and the personal services sector (down 0.1%). Analysed by occupation, most occupations recorded increases in average nominal wage rates, more visibly for clerical and secretarial workers (up 3.0%) and miscellaneous non-production workers (up 2.9%). The exception was craftsmen and operatives (down 0.6%).

5.18 *Labour earnings*⁽⁸⁾, 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 visibly faster year-on-year increase of 1.7% in nominal terms in the second quarter after the 0.8% increase in the preceding quarter. After adjusting for inflation, labour earnings increased by 0.3% year-on-year in real terms.

5.19 Nominal payroll per person engaged in all selected sectors recorded year-on-year gains in the second quarter. Specifically, nominal payroll per person engaged in accommodation and food service activities (up 2.8%), retail trade (up 1.1%), and social and personal services (up 2.3%) resumed increases, and those in many other industries posted accelerated growth.

Diagram 5.6: The year-on-year increases in nominal wages and labour earnings accelerated 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.

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 by 5.0% year-on-year in nominal terms in the third quarter, same as the increase in the preceding quarter. The pace of increase continued to be 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 2.7%. Meanwhile, the median monthly household income (excluding foreign domestic helpers) increased by 5.0%.

Highlights of labour-related measures and policy developments

5.21 To enhance the economy's competitiveness, the Chief Executive (CE) announced in his 2022 Policy Address an array of measures to attract talents and enterprises from the Mainland and overseas to Hong Kong. In so far as talent attraction is concerned, a Talents Service Unit will be established for formulating strategies to recruit talents and co-ordinating relevant work, as well as providing one-stop support and assistance to talents coming to Hong Kong. Dedicated Teams for Attracting Businesses and Talents will also be set up in the Government's Mainland Offices and overseas Economic and Trade Offices to proactively reach out to target enterprises and talents. A Top Talent Pass Scheme will be launched to attract talents of high salary and graduates of the world's top 100 universities to pursue careers in Hong Kong, and the existing talents admission schemes will be enhanced. Furthermore, eligible incoming talents will be allowed to, upon becoming Hong Kong Permanent Residents, apply for a refund of the extra stamp duty paid for purchasing residential property in Hong Kong.

5.22 The CE also unveiled measures to groom local talents. Among these measures, the Government will step up STEAM (Science, Technology, Engineering, the Arts and Mathematics) education in primary and secondary schools. Separately, the number of University Grants Committee-funded research postgraduate places will be increased by about 1 600 to 7 200 in the 2024/25 academic year. Moreover, the number of subsidised places for self-financing higher-diploma and undergraduate programmes will be increased by 3 000, from 5 000 to 8 000.

5.23 The Minimum Wage Commission (MWC) submitted its recommendation report on the Statutory Minimum Wage (SMW) rate to the CE in Council on 31 October 2022, pursuant to the Minimum Wage Ordinance. The CE in Council will at an appropriate time announce its decision after considering the recommendation report. In his 2022 Policy Address, the CE announced that the Government will invite the MWC to study how to enhance the review mechanism of the SMW.

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

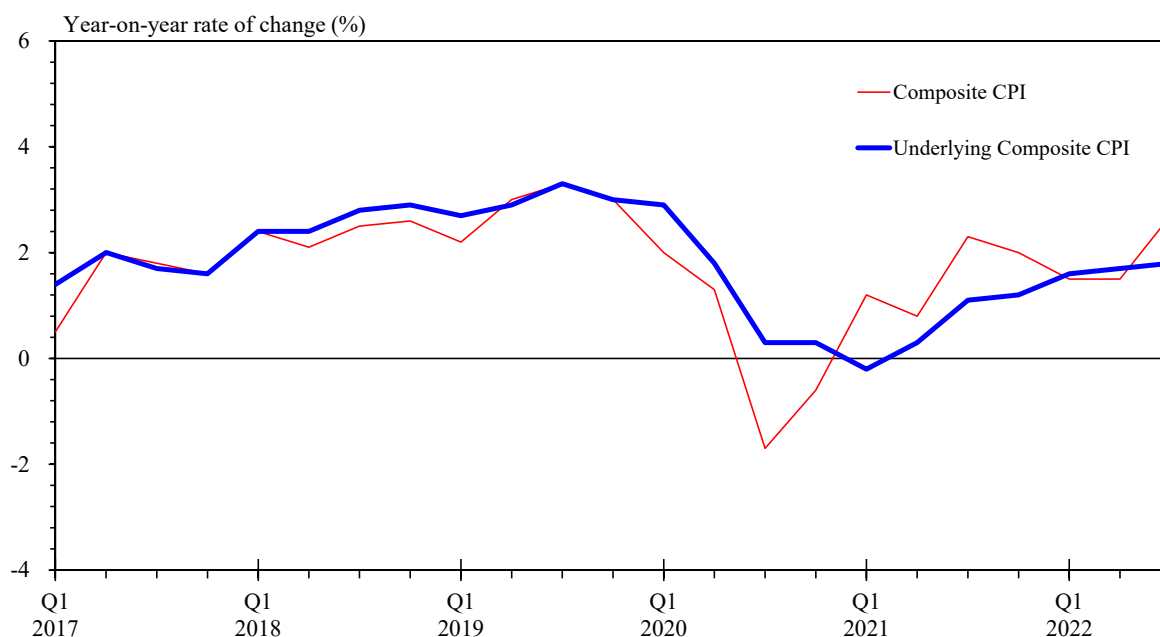
Summary

- *Consumer price inflation remained moderate in overall terms. The underlying Composite Consumer Price Index (Composite CPI)⁽¹⁾, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, rose by 1.8% year-on-year in the third quarter of 2022, similar to the 1.7% increase in the preceding quarter. Prices of food as well as clothing and footwear continued to register visible increases. Prices of energy-related items surged further. Nonetheless, price pressures on other major components remained contained. Private housing rentals fell further albeit at a narrowed rate.*
- *The headline Composite CPI rose by 2.7% year-on-year in the third quarter, up from 1.5% in the preceding quarter. The much higher headline inflation rate than its underlying counterpart mainly reflected the low base of comparison for the former due to the rent waiver for tenants provided by the Hong Kong Housing Authority in September last year.*
- *Domestic business cost pressures remained largely mild, as wage growth continued to be moderate and commercial rentals stayed soft.*
- *External price pressures were still intensive. As inflation in many major economies⁽²⁾ stayed high amid elevated global energy and food prices, prices of overall merchandise imports rose markedly further despite the offset provided by the stronger Hong Kong dollar vis-à-vis many other major currencies.*

Consumer prices

6.1 Underlying consumer price inflation remained moderate in overall terms in the third quarter of 2022. Prices of food as well as clothing and footwear continued to register visible increases. Prices of energy-related items surged further. Nonetheless, price pressures on other major components remained contained. Private housing rentals fell further, albeit at a narrowed rate as the earlier increase in fresh-letting residential rentals continued to feed through. Domestic business cost pressures remained largely mild, as wage growth continued to be moderate and commercial rentals stayed soft. External price pressures were still intensive. As inflation in many major economies stayed high amid elevated global energy and food prices, prices of overall merchandise imports rose markedly further despite the offset provided by the stronger Hong Kong dollar vis-à-vis many other major currencies.

Diagram 6.1: Underlying consumer price inflation remained moderate in overall terms in the third 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, which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, rose by 1.8% year-on-year in the third quarter, similar to the 1.7% increase in the preceding quarter. The headline Composite CPI rose by 2.7% year-on-year in the third quarter, up from 1.5% in the preceding quarter. The much higher headline inflation rate than its underlying counterpart in the third quarter mainly reflected the low base of comparison for the former due to the rent waiver for tenants provided by the Hong Kong Housing Authority in September last year.

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

		<u>Composite CPI</u>		<u>CPI(A)</u>	<u>CPI(B)</u>	<u>CPI(C)</u>
		<u>Underlying^(a)</u>	<u>Headline</u>			
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
	Q3	1.8	2.7	4.1	2.1	1.9

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

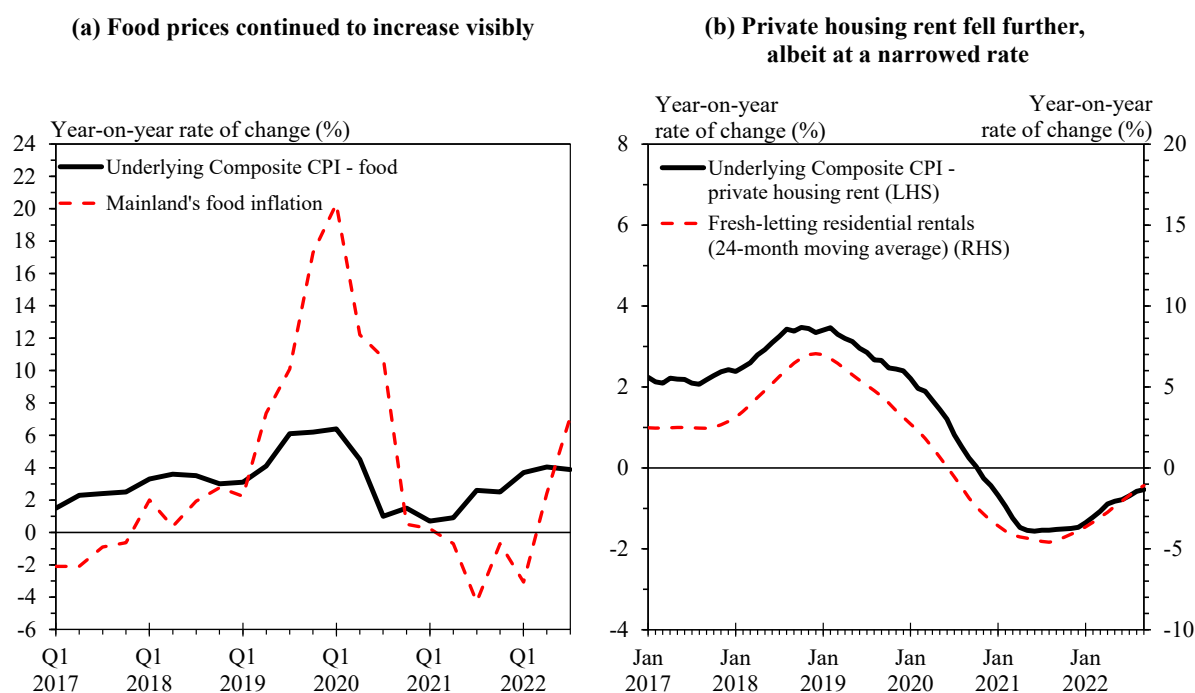
2021	Q1	0.3	1.1	1.6	0.9	0.6
	Q2	0.4	0.3	0.3	0.2	0.4
	Q3	0.3	-0.8	-2.2	-0.2	0.2
	Q4	0.3	1.4	2.7	0.9	0.5
2022	Q1	0.6	0.7	0.7	0.6	0.5
	Q2	0.5	0.3	0.1	0.1	0.5
	Q3	0.3	0.4	0.6	0.4	0.4

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, food prices, the component with the largest weight other than housing, continued to increase visibly by 3.9% year-on-year in the third quarter. Within food prices, the increase in prices of basic food remained visible at 4.7%, but saw some moderation amid stable supply of fresh food from the Mainland, whereas that of meals out and takeaway food, at 3.4%, held broadly steady. The private housing rental component fell further by 0.6% from a year earlier, albeit at a narrowed rate alongside the continued feed-through of the earlier increase in fresh-letting residential rentals. Prices of electricity, gas and water registered a double-digit increase for the second consecutive quarter amid elevated international energy prices. Prices of clothing and footwear continued to register a visible increase. Meanwhile, prices of transport and miscellaneous services continued to record moderate increases, while those of miscellaneous goods and durable goods rose modestly.

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 further, while those of clothing and footwear continued to register a visible increase

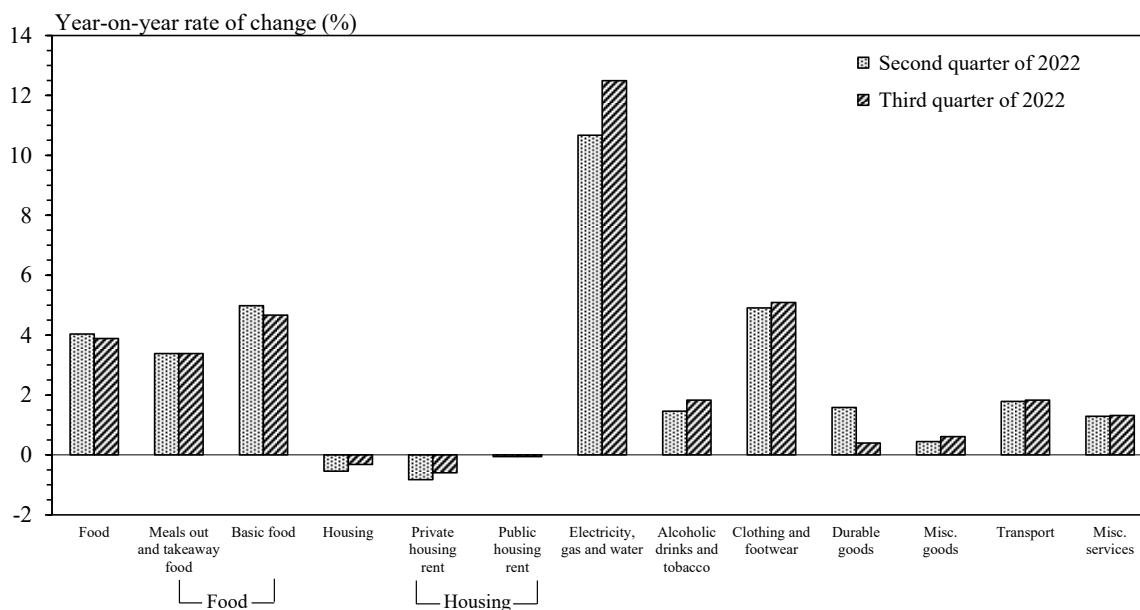
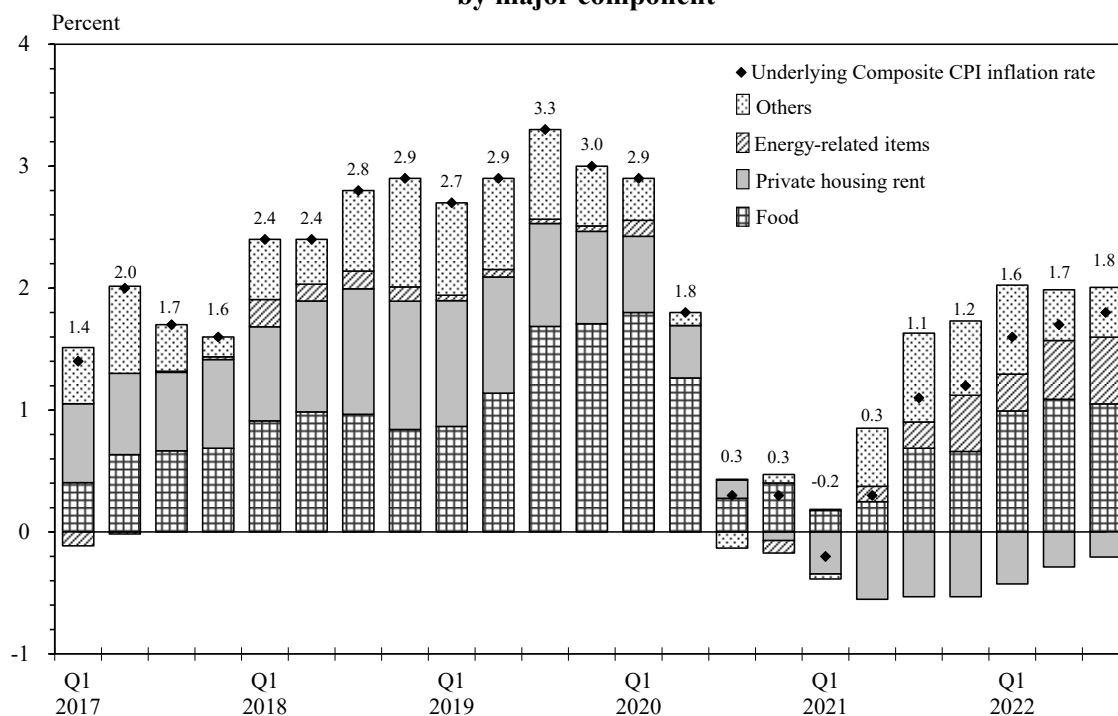


Diagram 6.3 (b) : Contribution to underlying Composite CPI inflation rate by major component



Notes : Energy-related items include electricity, town gas, liquefied petroleum gas and other fuel, and motor fuel.

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>Annual</u>	<u>Q1</u>	<u>2021</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>2022</u>	<u>Q3</u>
				<u>Q2</u>				<u>Q2</u>	
Food	27.41	1.7	0.7	0.9	2.6	2.5	3.7	4.0	3.9
<i>Meals out and takeaway food</i>	17.05	1.8	*	1.0	3.6	2.8	3.1	3.4	3.4
<i>Basic food</i>	10.36	1.4	1.8	1.1	1.0	1.9	4.6	5.0	4.7
Housing ^(a)	40.25	-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)	-0.3 (1.8)
<i>Private housing rent</i>	35.46	-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)	-0.6 (-0.6)
<i>Public housing rent</i>	1.87	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)	-0.1 (45.1)
Electricity, gas and water	2.82	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)	12.5 (14.9)
Alcoholic drinks and tobacco	0.49	0.1	0.6	-0.1	-0.4	0.2	0.3	1.5	1.8
Clothing and footwear	2.42	3.3	-1.5	2.1	5.4	7.1	6.1	4.9	5.1
Durable goods	4.00	1.0	-0.5	0.7	2.1	2.0	1.7	1.6	0.4
Miscellaneous goods	3.32	-3.1	-4.2	-4.1	-2.8	-1.2	-0.2	0.4	0.6
Transport	6.17	2.6	-2.8	2.4	5.9	5.1	6.1	1.8	1.8
Miscellaneous services	13.12	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)	1.3 (1.4)
All items	100.00	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)	1.8 (2.7)

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.

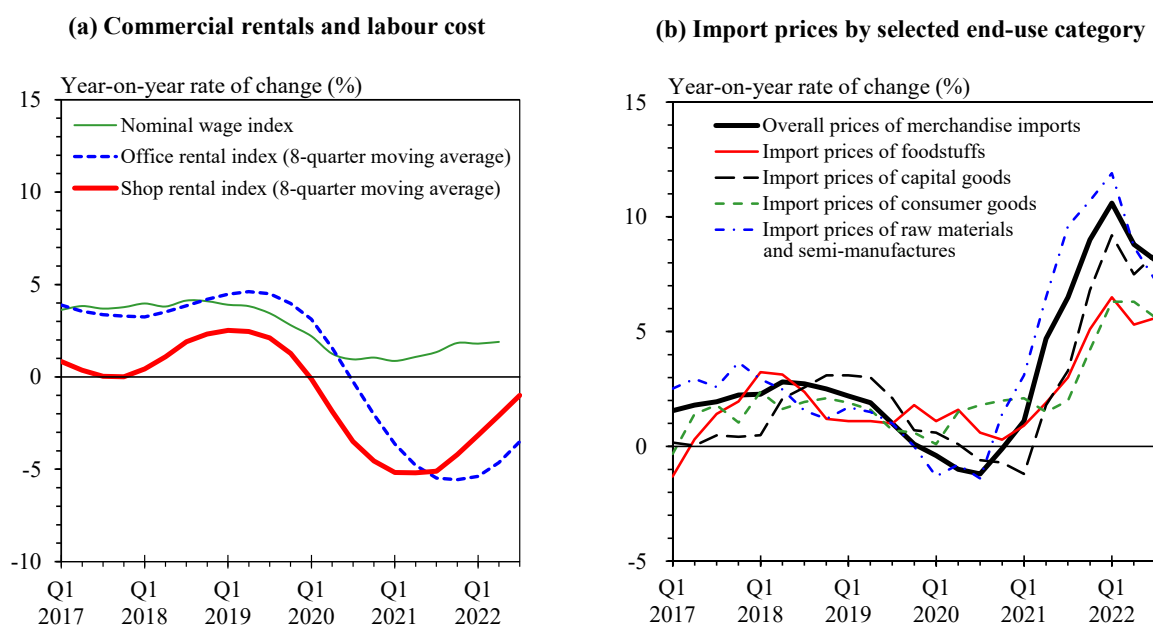
() Figures in brackets represent the headline rates of change before netting out the effects of Government's one-off relief measures.

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

Costs of factor inputs and import prices

6.4 Domestic cost pressures remained largely mild in the third quarter of 2022. Nominal wages continued to grow moderately, though at a slightly faster pace than in the preceding quarter. Commercial rentals faced by businesses stayed soft. As a proxy, the eight-quarter moving average of office rentals and shop rentals continued to fall by 3.5% and 1.0% respectively in the third quarter, though the rates were smaller than in the preceding quarter.

Diagram 6.4 : Domestic cost pressures remained largely mild, whereas external price pressures were still intensive



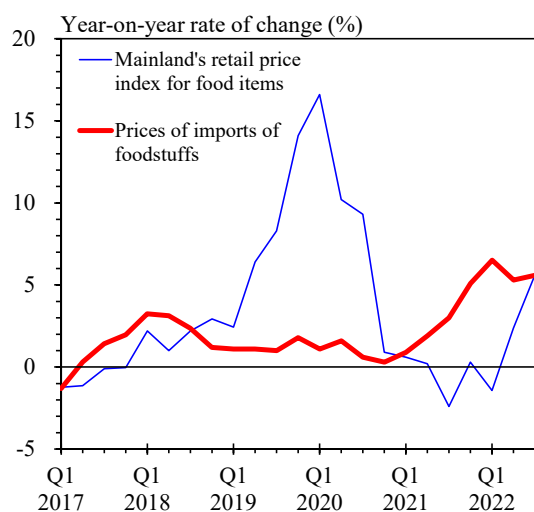
6.5 External price pressures were still intensive in the third quarter. Inflation in many major economies remained high amid elevated global energy and food prices. While the appreciation of the Hong Kong dollar vis-à-vis other major currencies provided some offset against the external price pressures, prices of merchandise imports rose markedly further by 8.1% year-on-year in the third quarter, after the 8.8% increase in the preceding quarter. Import prices of all major end-use categories continued to see notable increases. Import prices of fuels surged further by 56.8%. Import prices of capital goods and foodstuffs recorded larger increases of 8.4% and 5.6% respectively. Import prices of raw materials and semi-manufactures as well as consumer goods continued to register notable, though decelerated, increases of 7.2% and 5.6% respectively.

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

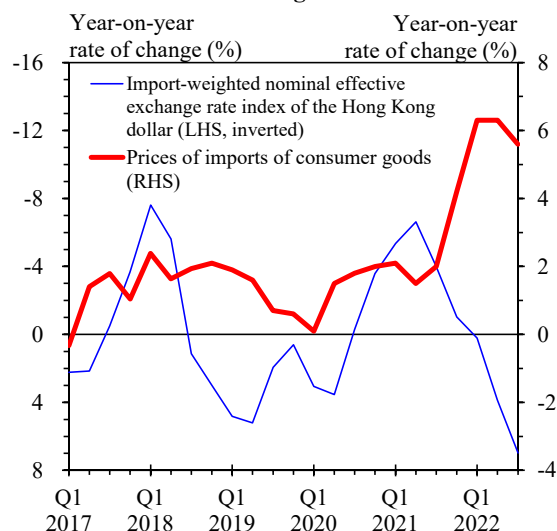
		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2021	Annual	2.6	2.5	7.6	39.8	2.9	5.5
	H1	1.3	1.9	4.8	18.1	0.4	2.9
	H2	4.1	3.1	10.1	63.7	5.1	7.8
	Q1	0.9	2.1	3.1	-9.5	-1.2	1.1
	Q2	1.9	1.5	6.5	61.5	1.8	4.7
	Q3	3.0	2.0	9.6	53.4	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
	Q3	5.6	5.6	7.2	56.8	8.4	8.1

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

(a) Import prices of foodstuffs recorded a larger increase

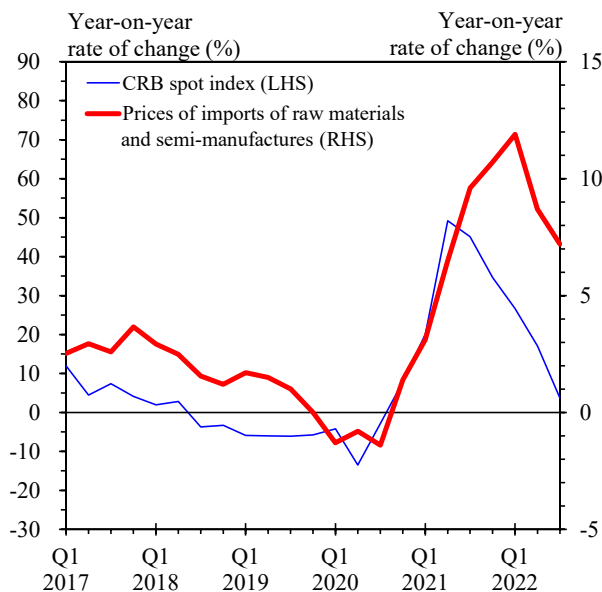


(b) Import prices of consumer goods continued to record a notable though decelerated increase

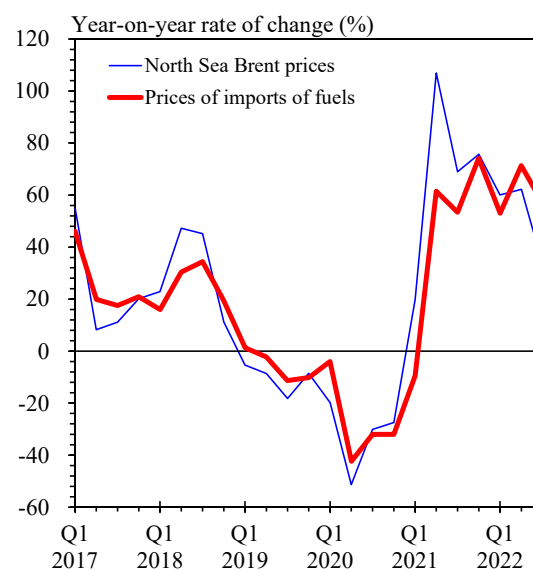


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) The increase in import prices of raw materials and semi-manufactures remained notable despite the moderation



(d) Import prices of fuels surged further



Output prices

6.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, continued to trend upward in most sectors in the second quarter of 2022. Output prices for the manufacturing sector saw modest growth. Among the selected service sectors, output prices for accommodation services and land transport showed accelerated increases, though the former remained far below the pre-recession level. Alongside the continued capacity constraints, output prices for both air transport and water transport soared further over a year earlier. Nonetheless, 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 (%))

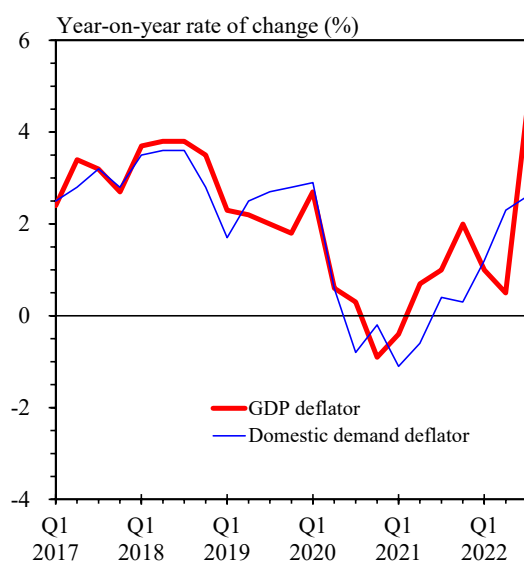
<u>Industry group</u>	<u>2020</u>		<u>2021</u>				<u>2022</u>	
	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Manufacturing	2.3	1.2	1.9	2.7	-0.8	1.2	2.3	0.8
Selected service sectors								
Accommodation services	-20.2	3.3	-4.0	4.1	7.2	6.6	8.9	12.2
Land transport	-5.0	2.7	-5.2	1.1	7.5	7.8	9.4	10.8
Water transport	5.6	63.2	34.4	57.0	76.6	82.2	57.0	40.0
Air transport	15.9	36.7	18.9	30.3	34.7	59.1	42.8	17.8
Telecommunications	-1.8	-1.7	-1.7	-1.6	-2.7	-0.6	-0.6	-0.8
Courier services	5.1	-1.9	2.1	-1.1	-3.7	-4.4	-4.1	-4.1

GDP deflator

6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*⁽⁴⁾ rose by 4.5% in the third quarter over a year earlier, following an increase of 0.5% in the preceding quarter. The *terms of trade*⁽⁵⁾ improved as export prices rose faster than import prices. Taking out the external trade components, the domestic demand deflator increased by 2.6% in the third quarter, after rising by 2.3% in the preceding quarter.

Diagram 6.6: GDP deflator

(a) GDP deflator rose further in the third quarter



(b) Terms of trade improved as export prices rose faster than import prices

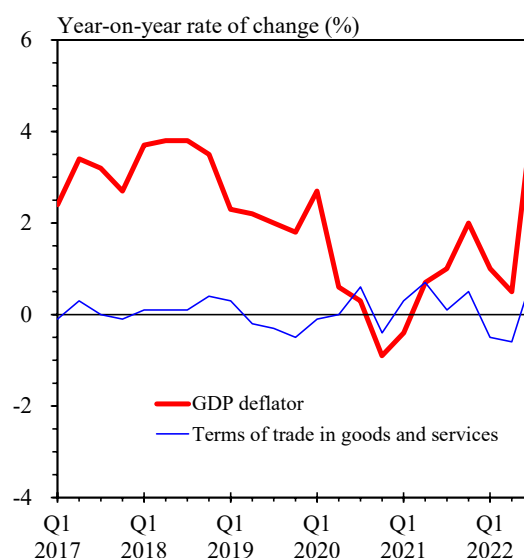


Table 6.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))

	<u>2020</u>			<u>2021</u>				<u>2022</u>	
	<u>Annual</u> [#]	<u>Annual</u> [#]	<u>Q1</u> [#]	<u>Q2</u> [#]	<u>Q3</u> [#]	<u>Q4</u> [#]	<u>Q1</u> [#]	<u>Q2</u> [#]	<u>Q3</u> [#]
Private consumption expenditure	0.6	-0.3	-1.4	-0.5	-0.2	0.7	0.5	1.8	2.7
Government consumption expenditure	2.1	0.8	0.1	0.1	0.8	2.2	2.3	4.1	3.4
Gross domestic fixed capital formation	-1.5	0.4	-3.1	-1.3	1.3	4.7	3.5	3.3	1.5
Total exports of goods ^{&}	0.1	5.0	1.4	4.9	5.2	8.1	9.2	7.0	7.1
Imports of goods ^{&}	0.1	4.9	1.3	4.3	5.6	7.9	10.2	8.3	6.9
Exports of services ^{&}	-0.4	13.3	6.7	13.7	16.3	16.6	11.6	13.1	8.2
Imports of services ^{&}	-0.9	10.6	5.0	12.2	12.2	12.6	9.1	8.3	1.1
Gross Domestic Product	0.6	0.9	-0.4 <0.8>	0.7 <0.3>	1.0 <0.4>	2.0 <0.5>	1.0 <-0.4>	0.5 <-0.1>	4.5 <4.4>
Total final demand ^{&}	0.2	3.8	0.9	3.5	4.3	6.2	6.8	5.6	5.6
Domestic demand	0.6	-0.2	-1.1	-0.6	0.4	0.3	1.2	2.3	2.6
Terms of trade in goods and services ^{&}	*	0.4	0.3	0.7	0.1	0.5	-0.5	-0.6	0.9

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 households covered (%)	Average monthly expenditure range during Oct 2019 to Sep 2020 (\$)
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>	<u>Q3</u>
Selected developed economies									
US [^]	1.7	3.6	1.4	3.7	4.1	5.0	6.3	6.0	6.3
Canada	0.7	3.4	1.4	3.3	4.1	4.7	5.8	7.5	7.2
EU	0.7	2.9	1.4	2.2	3.1	4.9	6.5	8.8	10.3
Japan	*	-0.2	-0.5	-0.7	-0.2	0.5	0.9	2.4	2.9
Selected major emerging economies									
Mainland China	2.5	0.9	*	1.1	0.8	1.8	1.1	2.2	2.7
Russia	3.4	6.7	5.6	6.0	6.9	8.3	11.6	17.0	14.5
India	6.6	5.1	4.9	5.6	5.1	5.0	6.3	7.3	7.0
Brazil	3.2	8.3	5.3	7.7	9.6	10.5	10.7	11.9	8.6
Selected Asian economies									
Hong Kong	0.3	1.6	1.2	0.8	2.3	2.0	1.5	1.5	2.7
Singapore	-0.2	2.3	0.8	2.3	2.5	3.7	4.6	5.9	7.3
Taiwan	-0.2	2.0	0.8	2.1	2.3	2.7	2.8	3.5	2.9
Korea	0.5	2.5	1.4	2.5	2.5	3.5	3.8	5.4	5.9
Malaysia	-1.1	2.5	0.5	4.2	2.1	3.2	2.2	2.8	4.5
Thailand	-0.8	1.2	-0.5	2.4	0.7	2.4	4.7	6.5	7.3
Indonesia	2.0	1.6	1.4	1.5	1.6	1.8	2.3	3.8	5.2
Philippines	2.4	3.9	4.0	4.0	4.1	3.6	3.4	5.5	6.5
Vietnam	3.2	1.8	0.3	2.7	2.5	1.9	1.9	3.0	3.3
Macao	0.8	*	-1.0	-0.4	0.5	1.0	1.0	1.2	1.2

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

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

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

Statistical Appendix

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

	(\$Mn)					
	<u>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 ^{&}	3,632,957	3,926,059	3,986,769	3,889,225	3,892,886	4,212,774
Imports of goods ^{&}	3,779,686	4,142,651	4,237,700	4,066,527	4,022,579	4,391,306
Exports of services ^{&}	764,026	812,640	829,085	808,948	764,660	811,295
Imports of services ^{&}	594,266	583,216	573,522	574,345	578,106	605,924
GDP	2,037,059	2,138,305	2,260,005	2,398,280	2,490,598	2,659,611
Per capita GDP (\$)	284,899	297,860	312,609	328,924	339,476	359,737
GNI	2,066,514	2,178,824	2,306,612	2,442,656	2,553,191	2,775,163
Per capita GNI (\$)	289,019	303,504	319,056	335,010	348,007	375,367
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 ^(a)	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[#]</u>	<u>2021[#]</u>	<u>2021</u> Q4 [#]	Q1 [#]	<u>2022</u> Q2 [#]	Q3 [#]
Private consumption expenditure	1,936,427	1,973,720	1,777,537	1,866,195	490,753	425,731	477,821	468,416
Government consumption expenditure	281,420	309,437	340,931	359,625	90,041	103,941	99,333	97,749
Gross domestic fixed capital formation	612,439	520,575	453,867	500,150	131,416	111,357	125,318	111,284
Building and construction	308,596	278,091	252,636	259,951	67,439	69,489	68,250	66,799
Costs of ownership transfer	67,482	49,209	40,071	54,194	12,394	8,003	9,476	7,643
Machinery, equipment and intellectual property products	236,361	193,275	161,160	186,005	51,583	33,865	47,592	36,842
Changes in inventories	11,204	-3,067	52,008	5,252	-23,668	-17,148	16,798	-4,416
Total exports of goods ^{&}	4,453,350	4,255,098	4,198,338	5,243,795	1,470,806	1,218,829	1,213,428	1,234,602
Imports of goods ^{&}	4,706,347	4,375,619	4,239,663	5,222,467	1,429,378	1,205,008	1,293,078	1,221,437
Exports of services ^{&}	886,883	798,942	518,947	596,699	160,382	161,772	150,164	163,499
Imports of services ^{&}	639,947	634,243	426,257	479,567	135,895	117,020	115,323	119,880
GDP	2,835,429	2,844,843	2,675,708	2,869,682	754,457	682,454	674,461	729,817
Per capita GDP (\$)	380,462	378,913	357,667	387,110	--	--	--	--
GNI	2,970,244	2,988,560	2,831,791	3,074,650	789,937	705,700	752,476	N.A.
Per capita GNI (\$)	398,551	398,055	378,531	414,759	--	--	--	--
Total final demand	8,181,723	7,854,705	7,341,628	8,571,716	2,319,730	2,004,482	2,082,862	2,071,134
Total final demand excluding re-exports ^(a)	4,819,554	4,601,880	4,099,454	4,466,423	1,173,797	1,051,756	1,118,976	1,107,240
Domestic demand	2,841,490	2,800,665	2,624,343	2,731,222	688,542	623,881	719,270	673,033
Private	2,425,554	2,359,687	2,149,534	2,228,823	559,596	468,914	581,624	538,924
Public	415,936	440,978	474,809	502,399	128,946	154,967	137,646	134,109
External demand	5,340,233	5,054,040	4,717,285	5,840,494	1,631,188	1,380,601	1,363,592	1,398,101

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 ^{&}	3.3	8.2	0.8	-1.7	1.6	6.5
Imports of goods ^{&}	4.6	9.9	1.5	-2.7	0.7	7.3
Exports of services ^{&}	2.7	6.0	1.6	0.3	-3.5	2.8
Imports of services ^{&}	2.2	-2.1	-2.2	5.0	2.0	2.0
GDP	1.7	3.1	2.8	2.4	2.2	3.8
Per capita GDP	0.6	2.7	2.0	1.5	1.5	3.0
RGNI	-0.2	4.0	2.7	3.8	3.2	5.7
Per capita RGNI	-1.3	3.6	1.9	2.9	2.6	4.9
Total final demand	3.4	6.6	1.6	-0.4	1.3	5.6
Total final demand excluding re-exports ^(a)	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[#]</u>	<u>2021[#]</u>	<u>2021</u>	<u>2022</u>			Average annual rate of change:	
					Q4 [#]	Q1 [#]	Q2 [#]	Q3 [#]	10 years 2011 to 2021 [#]	5 years 2016 to 2021 [#]
Private consumption expenditure	5.3	-0.8	-10.5	5.4	5.3	-5.8	*	*	2.3	0.8
Government consumption expenditure	4.2	5.1	7.9	4.6	4.1	6.7	13.0	5.1	4.1	4.9
Gross domestic fixed capital formation	1.7	-14.9	-11.5	9.8	-0.6	-7.8	-2.1	-14.3	-0.9	-2.8
Building and construction	-0.5	-10.8	-9.8	0.7	1.5	1.1	7.0	2.5	-0.3	-4.3
Costs of ownership transfer	-11.2	-13.4	-4.0	39.2	-2.2	-34.1	-36.8	-42.6	-3.3	4.8
Machinery, equipment and intellectual property products	8.8	-20.8	-16.0	16.8	-2.3	-14.5	-2.2	-26.9	-1.6	-2.6
Total exports of goods ^{&}	3.5	-5.5	-1.4	18.9	13.5	-4.5	-8.4	-15.6	3.2	4.1
Imports of goods ^{&}	4.7	-8.2	-3.2	17.4	9.9	-5.9	-5.9	-16.1	3.0	3.2
Exports of services ^{&}	4.6	-9.6	-34.8	1.5	6.9	-2.9	2.2	-3.8	-3.7	-8.5
Imports of services ^{&}	2.8	0.1	-32.2	1.7	4.5	-3.8	-2.4	-3.6	-2.7	-6.3
GDP	2.8	-1.7	-6.5	6.3	4.7	-3.9	-1.3	-4.5	1.6	0.8
Per capita GDP	2.0	-2.4	-6.2	7.3	--	--	--	--	1.2	0.6
RGNI	3.5	-1.7	-5.8	8.6	6.2	-4.5	-3.2	N.A.	2.3	1.9
Per capita RGNI	2.7	-2.5	-5.4	9.5	--	--	--	--	1.8	1.7
Total final demand	3.9	-5.3	-6.7	12.5	7.8	-5.1	-4.1	-11.5	2.1	1.7
Total final demand excluding re-exports ^(a)	4.0	-5.0	-11.1	6.0	1.5	-6.1	-0.5	-7.3	0.7	-0.6
Domestic demand	4.4	-3.7	-6.9	4.3	-1.8	-6.5	2.0	-5.5	1.8	0.5
Private	4.8	-4.6	-9.2	4.3	-2.9	-10.7	-0.5	-8.0	1.4	*
Public	2.4	1.5	5.7	4.4	3.7	9.5	14.8	6.3	3.6	3.2
External demand	3.7	-6.1	-6.7	17.0	12.9	-4.4	-7.4	-14.4	2.3	2.4

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

	<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020[#]</u>		<u>2021[#]</u>	
	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share
Agriculture, fishing, mining and quarrying	1,736	0.1	1,762	0.1	2,057	0.1	2,648	0.1	2,166	0.1
Manufacturing	27,299	1.1	27,571	1.0	29,366	1.1	25,525	1.0	26,315	1.0
Electricity, gas and water supply, and waste management	34,978	1.4	35,660	1.3	34,083	1.2	35,325	1.4	36,368	1.3
Construction	129,714	5.1	120,473	4.5	114,499	4.2	104,262	4.1	109,092	4.0
Services	2,357,359	92.4	2,514,947	93.1	2,560,536	93.4	2,392,333	93.4	2,571,029	93.7
<i>Import/export, wholesale and retail trades</i>	<i>548,636</i>	<i>21.5</i>	<i>575,103</i>	<i>21.3</i>	<i>533,352</i>	<i>19.5</i>	<i>471,246</i>	<i>18.4</i>	<i>533,575</i>	<i>19.4</i>
<i>Accommodation^(a) and food services</i>	<i>83,507</i>	<i>3.3</i>	<i>91,525</i>	<i>3.4</i>	<i>75,918</i>	<i>2.8</i>	<i>36,934</i>	<i>1.4</i>	<i>45,362</i>	<i>1.7</i>
<i>Transportation, storage, postal and courier services</i>	<i>153,359</i>	<i>6.0</i>	<i>158,440</i>	<i>5.9</i>	<i>151,574</i>	<i>5.5</i>	<i>113,951</i>	<i>4.5</i>	<i>198,021</i>	<i>7.2</i>
<i>Information and communications</i>	<i>86,891</i>	<i>3.4</i>	<i>91,449</i>	<i>3.4</i>	<i>95,557</i>	<i>3.5</i>	<i>93,759</i>	<i>3.7</i>	<i>100,072</i>	<i>3.6</i>
<i>Financing and insurance</i>	<i>480,488</i>	<i>18.8</i>	<i>535,126</i>	<i>19.8</i>	<i>581,319</i>	<i>21.2</i>	<i>599,539</i>	<i>23.4</i>	<i>585,987</i>	<i>21.3</i>
<i>Real estate, professional and business services</i>	<i>274,822</i>	<i>10.8</i>	<i>280,843</i>	<i>10.4</i>	<i>276,497</i>	<i>10.1</i>	<i>244,337</i>	<i>9.5</i>	<i>249,374</i>	<i>9.1</i>
<i>Public administration, social and personal services</i>	<i>465,488</i>	<i>18.2</i>	<i>499,433</i>	<i>18.5</i>	<i>537,238</i>	<i>19.6</i>	<i>529,153</i>	<i>20.7</i>	<i>559,528</i>	<i>20.4</i>
<i>Ownership of premises</i>	<i>264,166</i>	<i>10.4</i>	<i>283,028</i>	<i>10.5</i>	<i>309,081</i>	<i>11.3</i>	<i>303,414</i>	<i>11.9</i>	<i>299,110</i>	<i>10.9</i>
GDP at basic prices	2,551,086	100.0	2,700,413	100.0	2,740,541	100.0	2,560,093	100.0	2,744,970	100.0
Taxes on products	110,698	--	117,825	--	93,623	--	102,066	--	139,297	--
Statistical discrepancy (%)	-0.1	--	0.6	--	0.4	--	0.5	--	-0.5	--
GDP at current market prices	2,659,611	--	2,835,429	--	2,844,843	--	2,675,708	--	2,869,682	--

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[#]</u>	<u>2021[#]</u>	<u>2021</u>		<u>2022</u>	
							Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Agriculture, fishing, mining and quarrying	-2.0	-5.2	-1.8	-0.8	3.8	-2.8	-6.3	-4.9	-7.5	-9.0
Manufacturing	-0.4	0.4	1.3	0.4	-5.8	5.5	7.6	5.8	-1.3	2.7
Electricity, gas and water supply, and waste management	-0.8	0.9	0.1	-0.5	-14.2	3.7	4.0	4.4	0.8	-7.2
Construction	5.1	-1.3	3.3	-9.7	-12.5	0.7	1.7	0.8	3.3	7.4
Services	2.3	3.5	3.1	-0.7	-6.7	5.8	5.3	4.8	-3.1	-1.2
<i>Import/export, wholesale and retail trades</i>	0.6	4.2	4.2	-7.5	-15.0	12.9	8.3	7.7	-7.1	-6.7
<i>Accommodation^(a) and food services</i>	0.5	2.0	5.9	-11.7	-44.8	22.0	44.4	36.8	-29.0	-6.2
<i>Transportation, storage, postal and courier services</i>	3.0	4.8	2.5	-1.7	-36.9	8.6	17.6	7.4	-12.0	-3.3
<i>Information and communications</i>	4.1	4.0	4.1	4.7	1.7	2.6	2.3	2.4	0.9	1.1
<i>Financing and insurance</i>	4.2	5.3	4.0	3.4	4.0	4.8	2.8	3.4	0.1	1.6
<i>Real estate, professional and business services</i>	2.8	2.1	-0.4	-0.2	-4.6	2.4	3.3	2.4	-5.4	-1.8
<i>Public administration, social and personal services</i>	3.0	3.2	3.6	3.2	-2.3	3.5	3.7	3.6	-0.6	-0.1
<i>Ownership of premises</i>	0.5	0.9	1.0	0.6	-0.3	1.2	1.3	1.2	0.5	0.4
Taxes on products	-9.1	13.7	-3.9	-11.3	17.6	23.5	16.9	-0.8	-20.1	-14.9
GDP in chained (2020) dollars	2.2	3.8	2.8	-1.7	-6.5	6.3	5.4	4.7	-3.9	-1.3

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[#]</u>	<u>2021[#]</u>	<u>2021</u>		<u>2022</u>	
						Q3 [#]	Q4 [#]	Q1 [#]	Q2 [#]
Current account ^(a)	121,840	105,942	166,303	186,754	324,333	96,161	97,038	79,029	30,039
Goods	-178,532	-252,997	-120,521	-41,325	21,328	3,158	41,428	13,821	-79,650
Services	205,371	246,936	164,699	92,690	117,132	33,993	24,487	44,752	34,841
Primary income	115,552	134,815	143,717	156,083	204,968	63,792	35,480	23,246	78,015
Secondary income	-20,551	-22,813	-21,592	-20,694	-19,095	-4,783	-4,358	-2,790	-3,167
Capital and financial account ^(a)	-76,488	-175,081	-237,439	-244,344	-380,406	-64,426	-128,804	-49,515	-61,142
Capital account	-645	-1,574	-682	-505	-10,470	-91	-113	-97	-196
Financial account	-75,843	-173,507	-236,756	-243,839	-369,936	-64,335	-128,691	-49,418	-60,946
Financial non-reserve assets	174,666	-165,948	-245,612	19,211	-379,078	-37,116	-135,712	-101,908	-220,753
<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>101,503</i>	<i>182,209</i>	<i>-101,564</i>	<i>62,304</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>-283,864</i>	<i>-224,482</i>	<i>145,052</i>	<i>-177,904</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>5,268</i>	<i>25,018</i>	<i>16,086</i>	<i>14,113</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>139,977</i>	<i>-118,456</i>	<i>-161,482</i>	<i>-119,265</i>
Reserve assets	-250,509	-7,559	8,855	-263,050	9,142	-27,219	7,021	52,489	159,808
Net errors and omissions	-45,353	69,139	71,136	57,590	56,073	-31,735	31,766	-29,514	31,103
Overall Balance of Payments	250,509	7,559	-8,855	263,050	-9,142	27,219	-7,021	-52,489	-159,808

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[#]</u>	<u>2021[#]</u>	<u>2021</u> Q4 [#]	Q1 [#]	<u>2022</u> Q2 [#]	Q3 [#]
Total exports of goods	4,212,774	4,453,350	4,255,098	4,198,338	5,243,795	1,470,806	1,218,829	1,213,428	1,234,602
Imports of goods	4,391,306	4,706,347	4,375,619	4,239,663	5,222,467	1,429,378	1,205,008	1,293,078	1,221,437
Goods trade balance	-178,532 (-4.1)	-252,997 (-5.4)	-120,521 (-2.8)	-41,325 (-1.0)	21,328 (0.4)	41,428 (2.9)	13,821 (1.1)	-79,650 (-6.2)	13,165 (1.1)
Exports of services	811,295	886,883	798,942	518,947	596,699	160,382	161,772	150,164	163,499
Imports of services	605,924	639,947	634,243	426,257	479,567	135,895	117,020	115,323	119,880
Services trade balance	205,371 (33.9)	246,936 (38.6)	164,699 (26.0)	92,690 (21.7)	117,132 (24.4)	24,487 (18.0)	44,752 (38.2)	34,841 (30.2)	43,619 (36.4)
Exports of goods and services	5,024,069	5,340,233	5,054,040	4,717,285	5,840,494	1,631,188	1,380,601	1,363,592	1,398,101
Imports of goods and services	4,997,230	5,346,294	5,009,862	4,665,920	5,702,034	1,565,273	1,322,028	1,408,401	1,341,317
Goods and services trade balance	26,839 <0.5>	-6,061 <-0.1>	44,178 <0.9>	51,365 <1.1>	138,460 <2.4>	65,915 <4.2>	58,573 <4.4>	-44,809 <-3.2>	56,784 <4.2>

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>	
							Q4	Q1	Q2	Q3
	(% change)				(% change)		(% change over a year earlier)			
					(\$Mn)					
All markets	8.0	7.3	-4.1	-1.5	26.3	4,960,656	23.8	3.4	-2.4	-10.9
Mainland of China	8.4	8.6	-3.3	5.1	27.0	2,951,973	22.1	-0.9	-10.1	-13.2
United States	1.9	8.1	-14.8	-14.9	19.6	309,619	25.7	14.6	13.8	-16.1
Taiwan	19.9	-3.6	2.4	11.6	46.0	143,816	46.4	37.0	14.3	3.0
India	35.9	-15.3	-12.0	-17.6	36.6	133,057	52.6	45.8	83.1	20.1
Japan	10.0	0.7	-6.4	-9.7	8.7	118,849	10.0	10.7	-11.4	-18.7
Vietnam	10.3	4.5	-3.6	5.3	22.2	103,277	28.2	20.4	28.8	13.3
Netherlands	11.5	11.5	-4.4	-5.2	22.8	79,412	26.0	2.3	12.4	-7.1
Korea	4.9	2.1	-2.3	-7.6	42.7	74,556	46.1	10.8	23.8	10.1
Germany	10.8	3.0	-8.9	-14.5	24.1	73,585	31.0	11.5	7.7	-16.4
United Kingdom	-2.8	2.0	3.7	-9.4	57.5	73,438	-7.2	-44.7	-32.3	-45.5
Rest of the world	3.9	11.5	-0.7	-10.8	22.9	899,075	23.4	3.3	2.5	-9.4

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>	
							Q4	Q1	Q2	Q3
	(% change)				(% change)		(% change over a year earlier)			
					(\$Mn)					
All sources	8.7	8.4	-6.5	-3.3	24.3	5,307,792	19.0	2.9	1.3	-11.3
Mainland of China	5.9	7.7	-5.9	-6.5	26.5	2,433,474	24.2	-2.5	-6.7	-20.0
Taiwan	12.9	2.7	-2.4	22.8	35.0	547,531	30.7	32.4	16.6	-0.1
Singapore	10.1	9.0	-7.5	8.1	31.7	413,813	22.7	4.1	10.0	-8.1
Korea	28.5	10.4	-20.9	12.3	31.3	324,618	16.7	6.9	-9.0	-15.4
Japan	2.7	2.6	-2.8	-5.0	12.8	270,787	2.4	-2.7	-5.6	-15.4
United States	3.4	8.1	-7.9	-17.9	18.3	206,687	12.0	10.7	11.3	-0.8
Malaysia	26.8	64.6	-14.3	1.2	1.7	166,718	7.1	3.0	15.5	15.4
Vietnam	13.6	7.3	18.5	28.4	16.9	117,652	8.7	6.9	28.8	45.7
Thailand	8.5	2.8	-7.4	1.4	18.9	102,819	13.0	10.5	-4.0	-12.7
Philippines	27.6	1.1	-9.1	-0.1	25.1	87,702	22.6	10.8	7.5	-2.5
Rest of the world	7.7	6.4	-4.9	-17.0	17.0	635,991	5.6	-6.7	8.4	-6.3

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[#]</u>	<u>2021[#]</u>		<u>2021</u>		<u>2022</u>	
							Q4 [#]	Q1 [#]	Q2 [#]	Q3 [#]
	(% change)			(% change)		(\$Mn)	(% change over a year earlier)			
Exports of services	6.1	9.3	-9.9	-35.0	15.0	596,699	24.6	8.3	15.6	4.1
Transport	8.6	9.0	-4.7	-24.7	34.1	249,307	48.3	19.5	17.6	-6.4
Travel	1.9	11.2	-21.6	-90.2	-38.1	13,736	40.0	29.3	68.0	120.5
Financial services	13.5	10.9	-2.9	-0.4	9.0	183,687	7.5	2.1	20.4	16.0
Other services	2.9	5.1	-5.1	-9.0	5.3	149,969	11.8	-0.5	3.3	1.1
Imports of services	4.8	5.6	-0.9	-32.8	12.5	479,567	17.7	4.9	5.8	-2.6
Transport	3.7	6.6	-1.1	-19.8	39.6	160,913	39.5	15.8	12.0	-6.9
Travel	5.6	4.7	1.6	-79.7	-39.1	26,084	4.7	11.2	22.0	35.9
Manufacturing [^]	3.5	2.0	-5.5	-10.4	18.4	93,468	21.5	6.8	-5.4	-11.2
Other services	5.5	7.6	-1.3	-1.4	5.2	199,102	3.8	-3.7	3.7	-0.2

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> Q4	Q1	<u>2022</u> Q2	Q3
<u>('000)</u>									
All sources	58 472.2	65 147.6	55 912.6	3 568.9	91.4	28.3	11.5	64.5	173.7
Mainland of China	44 445.3	51 038.2	43 774.7	2 706.4	65.7	19.7	8.6	53.4	139.6
South and Southeast Asia	3 626.2	3 571.7	3 040.5	190.5	9.5	2.9	0.8	3.3	9.2
Taiwan	2 010.8	1 925.2	1 538.9	105.1	2.5	0.9	0.6	1.0	3.7
Europe	1 901.5	1 937.6	1 728.4	158.8	6.6	2.0	0.6	2.3	6.1
United States	1 215.6	1 304.2	1 107.2	80.8	1.4	0.4	0.1	1.5	5.0
Japan	1 230.0	1 287.8	1 078.8	50.3	0.3	0.2	#	0.2	0.8
Others	4 042.9	4 082.8	3 644.1	276.9	5.3	2.3	0.8	2.8	9.2
<u>(% change over a year earlier)</u>									
All sources	3.2	11.4	-14.2	-93.6	-97.4	51.7	-30.5	274.8	491.7
Mainland of China	3.9	14.8	-14.2	-93.8	-97.6	81.1	-25.9	321.3	540.7
South and Southeast Asia	-2.0	-1.5	-14.9	-93.7	-95.0	-16.7	-61.3	118.7	196.6
Taiwan	*	-4.3	-20.1	-93.2	-97.6	-20.2	-20.9	91.5	822.6
Europe	-0.2	1.9	-10.8	-90.8	-95.9	15.8	-53.2	60.3	218.0
United States	0.3	7.3	-15.1	-92.7	-98.3	1.0	-61.8	510.9	1 180.6
Japan	12.6	4.7	-16.2	-95.3	-99.3	128.2	11.1	414.9	788.3
Others	2.2	1.0	-10.7	-92.4	-98.1	120.8	36.3	255.6	461.4

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

(#) Less than 0.05.

(*) Change within ±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>
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (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 ^(b)	90	39	57	69	123	105	125
Industrial property ^(c)	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 ^(d)	123	0	80	0	73	83	3
Production of public housing							
(in units)							
Rental housing flats ^(e)	9 778	20 898	5 634	10 147	21 755	11 268	20 137
Subsidised sales flats ^(e)	0	0	0	1 310	229	2 788	4 863
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	796.4	816.0	647.1	893.3	645.8	872.8	704.5
Commercial property	210.2	309.5	290.3	319.0	312.4	488.6	131.5
Industrial property ^(f)	70.7	138.1	105.9	225.3	76.2	62.5	105.2
Other properties	428.9	136.4	217.1	555.4	235.1	241.2	101.2
Total	1 506.1	1 400.1	1 260.4	1 993.0	1 269.4	1 665.2	1 042.4
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	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 ^(h)							
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> Q4	Q1	<u>2022</u> Q2	Q3
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (in units)	13 643	20 888	14 386	3 218	8 083	3 981	4 533
Commercial property	384	136	111	61	22	26	288
<i>of which :</i>							
Office space	267	69	70	49	11	24	210
Other commercial premises ^(b)	118	67	42	12	11	2	78
Industrial property ^(c)	56	38	30	15	41	14	125
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	56	38	30	15	34	14	57
Storage premises ^(d)	0	0	0	0	7	0	67
Production of public housing							
(in units)							
Rental housing flats ^(e)	9 634	6 605	13 057	4 074	11 116	857	N.A.
Subsidised sales flats ^(e)	7 027	7 610	3 222	0	828	0	N.A.
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	796.5	521.5	866.4	135.3	41.1	167.5	N.A.
Commercial property	844.9	228.1	743.0	40.2	10.3	19.5	N.A.
Industrial property ^(f)	177.7	182.6	39.8	22.9	12.2	19.4	N.A.
Other properties	236.7	409.6	187.5	27.8	6.9	221.5	N.A.
Total	2 055.9	1 341.7	1 836.7	226.3	70.4	427.9	N.A.
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	59 797	59 880	74 297	15 197	10 056	14 925	11 683
Primary market	21 108	15 317	17 650	4 679	1 723	3 132	4 176
Secondary market	38 689	44 563	56 647	10 518	8 333	11 793	7 507
Selected types of non-residential properties ^(h)							
Office space	861	686	1 077	217	139	218	151
Other commercial premises	1 300	1 269	2 189	493	321	464	322
Flatted factory space	2 426	2 117	3 637	814	502	620	521

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 ^(a)	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 ^(b) :							
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 ^(a)	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 ^(b) :							
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> Q4	Q1	<u>2022</u> Q2 [#]	Q3 ⁺
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	383.0	381.2	392.7	394.5	385.3	384.1	369.5
Office space	543.0	468.8	502.5	498.3	508.4	499.9	496.3
Shopping space	549.7	518.9	543.4	546.4	542.9	526.4	523.3
Flatted factory space	887.9	826.1	879.0	897.3	895.2	891.7	888.9
Property rental indices ^(b) :							
Residential flats	194.4	180.3	179.8	183.3	179.9	177.7	179.6
Office space	261.4	241.7	233.4	234.5	231.6	229.2	230.0
Shopping space	187.2	169.9	172.0	175.5	170.1	165.4	168.0
Flatted factory space	209.7	200.5	208.8	214.5	210.6	208.8	215.3
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	1.5	-0.5	3.0	3.7	-0.1	-2.3	-7.1
Office space	-2.1	-13.7	7.2	1.7	1.8	-1.0	-2.1
Shopping space	-7.1	-5.6	4.7	6.9	3.1	-2.1	-7.0
Flatted factory space	*	-7.0	6.4	9.8	5.0	1.5	0.2
Property rental indices ^(b) :							
Residential flats	0.7	-7.3	-0.3	3.1	2.7	-0.4	-1.5
Office space	3.6	-7.5	-3.4	0.8	-0.5	-1.2	-1.8
Shopping space	0.1	-9.2	1.2	4.0	0.5	-3.2	-2.6
Flatted factory space	3.7	-4.4	4.1	5.9	4.8	0.8	1.4

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 ^(a)	4,537,384	4,795,130	5,225,773	5,765,549	6,280,230	7,010,345	7,262,451
M3 ^(a)	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) ^(b)							
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 ^(a)	12.1	5.7	9.0	10.3	8.9	11.6	3.6
M3 ^(a)	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) ^(b)							
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 Q4	Q1	2022 Q2	Q3
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,533,104	1,972,719	2,078,911	2,078,911	2,147,571	2,077,459	1,897,331
M2 ^(a)	7,438,789	7,922,089	8,043,994	8,043,994	8,210,310	8,226,610	8,018,332
M3 ^(a)	7,454,655	7,937,038	8,057,408	8,057,408	8,223,237	8,239,057	8,032,016
Total money supply (\$Mn)							
M1	2,484,738	3,231,921	3,490,858	3,490,858	3,570,957	3,319,053	3,033,337
M2	14,745,872	15,606,608	16,272,650	16,272,650	16,393,669	16,303,463	16,329,801
M3	14,786,375	15,644,043	16,310,866	16,310,866	16,428,066	16,339,898	16,364,256
Deposit (\$Mn)							
HK\$	6,884,143	7,311,368	7,414,381	7,414,381	7,577,074	7,585,202	7,377,076
Foreign currency	6,887,444	7,202,247	7,771,839	7,771,839	7,772,255	7,654,173	7,902,615
Total	13,771,586	14,513,615	15,186,220	15,186,220	15,349,329	15,239,376	15,279,690
Loans and advances (\$Mn)							
HK\$	6,219,377	6,106,960	6,425,857	6,425,857	6,454,563	6,580,930	6,643,976
Foreign currency	4,157,325	4,391,617	4,470,799	4,470,799	4,577,740	4,405,684	4,182,488
Total	10,376,701	10,498,577	10,896,656	10,896,656	11,032,303	10,986,614	10,826,464
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) ^(b)							
Trade-weighted	99.4	100.0	95.5	95.4	95.2	98.7	102.0
Import-weighted	99.5	100.1	95.8	95.9	95.8	99.4	102.8
Export-weighted	99.2	100.0	95.1	94.9	94.6	97.9	101.1
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	-1.5	28.7	5.4	5.4	3.3	-18.6	-11.4
M2 ^(a)	2.4	6.5	1.5	1.5	1.0	-2.8	-0.8
M3 ^(a)	2.3	6.5	1.5	1.5	1.0	-2.8	-0.8
Total money supply							
M1	2.6	30.1	8.0	8.0	5.4	-14.2	-15.3
M2	2.8	5.8	4.3	4.3	4.0	0.4	1.6
M3	2.7	5.8	4.3	4.3	4.0	0.4	1.6
Deposit							
HK\$	2.5	6.2	1.4	1.4	0.9	-3.6	-1.4
Foreign currency	3.2	4.6	7.9	7.9	8.3	4.6	5.1
Total	2.9	5.4	4.6	4.6	4.5	0.4	1.9
Loans and advances							
HK\$	6.6	-1.8	5.2	5.2	3.2	-0.6	4.9
Foreign currency	7.0	5.6	1.8	1.8	0.9	-4.9	-10.9
Total	6.7	1.2	3.8	3.8	2.2	-2.3	-1.8
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) ^(b)							
Trade-weighted	3.3	0.6	-4.5	-1.4	-0.2	3.5	6.5
Import-weighted	3.1	0.6	-4.3	-1.0	0.2	3.9	7.0
Export-weighted	3.5	0.8	-4.9	-1.9	-0.6	3.1	6.0

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>	
					Q3	Q4	Q1	Q2
Services Industry								
Import and export trade	3.7	-6.6	-3.6	23.9	22.3	19.7	1.4	1.8
Wholesale	4.3	-8.3	-7.9	13.3	15.4	13.7	-5.7	1.6
Retail	8.7	-11.1	-24.3	8.1	7.3	8.3	-7.6	2.7
Transportation	8.0	-2.3	-19.7	54.1	76.7	66.6	36.6	26.6
<i>within which:</i>								
Land transport	5.3	1.3	-23.9	4.0	10.7	1.2	-7.4	-0.4
Water transport	4.4	0.1	10.7	85.9	105.0	89.3	51.1	33.6
Air transport	11.3	-4.9	-36.2	43.3	76.1	69.2	32.8	26.8
Warehousing and storage	12.7	-1.4	11.5	27.6	18.5	19.4	-1.7	-3.4
Courier	-0.7	-3.9	28.4	19.0	9.4	14.6	-8.5	-9.4
Accommodation services ^(a)	10.8	-14.3	-59.1	38.3	45.0	35.7	13.5	44.3
Food services	6.0	-5.9	-29.4	16.8	43.9	29.0	-23.1	-5.4
Information and communications	3.1	1.2	-8.5	7.7	7.2	7.8	3.6	4.9
<i>within which:</i>								
Telecommunications	2.2	-2.6	-9.0	6.1	4.4	6.9	5.1	10.3
Film entertainment	3.1	-2.3	-44.0	26.7	54.1	43.3	-27.3	-13.7
Banking	6.8	2.8	-8.0	-4.3	2.8	-7.6	-9.8	4.4
Financing (except banking)	10.3	1.1	12.2	17.4	19.2	2.2	-15.6	-15.8
<i>within which:</i>								
Financial markets and asset management	11.6	0.8	13.2	19.6	21.7	-2.3	-19.2	-19.1
<i>within which : Asset management</i>	3.7	7.3	11.6	23.3	30.5	7.7	-7.1	-18.4
Insurance	8.7	8.8	6.1	2.5	3.0	5.0	5.5	-3.1
Real estate	5.4	11.4	3.2	-1.9	1.9	-16.7	-13.6	-3.6
Professional, scientific and technical services	3.3	1.3	-2.1	6.6	8.2	7.2	3.9	0.4
Administrative and support services	3.5	0.4	-25.4	1.7	3.4	5.3	1.8	9.3
Services Domain								
Tourism, convention and exhibition services	11.0	-19.3	-86.7	-17.7	48.9	35.7	9.8 ⁺	53.7 ⁺
Computer and information technology services	2.9	-7.2	-3.2	20.1	21.6	20.9	13.8	7.3

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> Q4	Q1	<u>2022</u> Q2	Q3
<u>(%)</u>									
Labour force participation rate	61.1	61.3	60.7	59.7	59.4	58.9	58.5	58.3	58.6
Seasonally adjusted unemployment rate ^(a)	3.1	2.8	2.9	5.8	5.2	4.0	5.0	4.7	3.9
Underemployment rate	1.2	1.1	1.1	3.3	2.6	1.7	3.1	3.0	1.8
<u>('000)</u>									
Population of working age	6 472.5	6 522.6	6 572.7	6 562.2	6 518.6	6 539.9	6 492.8	6 434.9	6 459.1
Labour force	3 956.0	3 996.8	3 987.8	3 918.5	3 870.4	3 850.9	3 799.0	3 750.2	3 784.2
Persons employed	3 832.4	3 884.6	3 871.4	3 690.9	3 670.2	3 705.6	3 610.5	3 571.6	3 628.9
Persons unemployed	123.6	112.1	116.3	227.6	200.3	145.2	188.5	178.6	155.3
Persons underemployed	45.7	43.2	42.0	129.9	98.9	66.7	117.0	111.6	69.0
<u>(% change over a year earlier)</u>									
Population of working age	0.8	0.8	0.8	-0.2	-0.7	0.1	-0.3	-1.4	-1.1
Labour force	0.9	1.0	-0.2	-1.7	-1.2	-1.3	-2.3	-3.5	-2.3
Persons employed	1.2	1.4	-0.3	-4.7	-0.6	1.3	-0.5	-2.7	-1.7
Persons unemployed	-7.0	-9.3	3.7	95.6	-12.0	-40.9	-27.8	-16.8	-14.2
Persons underemployed	-16.5	-5.4	-2.8	209.6	-23.8	-50.3	-21.2	16.6	-13.9

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

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)					Sep	Dec	Mar	Jun	
						(% change over a year earlier)				
Manufacturing	-3.3	-3.0	-3.5	-4.0	-5.5	-5.9	-6.7	-6.7	-5.3	74 933
Construction sites (covering manual workers only)	10.1	-5.8	-9.0	-4.5	8.5	13.2	10.9	-4.3	-2.5	103 411
Import and export trade	-0.4	-0.6	-5.7	-11.0	-3.6	-1.9	0.1	0.4	-0.4	382 502
Wholesale	-0.6	-0.9	-4.0	-8.8	-3.9	-4.1	0.1	4.1	2.6	52 249
Retail	0.5	1.7	-1.7	-6.3	-0.6	-0.5	0.5	-1.9	-1.3	244 796
Food and beverage services	0.3	2.8	-2.3	-13.6	1.4	5.2	7.4	-0.4	1.0	217 164
Accommodation services ^(a)	0.3	4.8	1.8	-14.7	1.1	5.0	7.0	2.8	-9.8	33 368
Transportation, storage, postal and courier services	0.2	0.6	0.3	-3.7	-4.0	-4.4	-0.4	-0.6	-3.7	162 470
Information and communications	0.9	1.5	1.9	-0.3	-1.4	-1.7	-1.7	-1.9	-2.4	106 135
Financing and insurance	1.5	2.6	2.9	0.6	0.1	0.4	0.7	-0.1	-2.3	233 431
Real estate	1.3	2.0	1.2	0.4	3.6	4.3	5.7	4.9	-0.2	138 207
Professional and business services (excluding cleaning and similar services)	2.1	3.2	1.5	-0.3	*	-0.3	-0.1	-1.3	-3.1	297 194
Cleaning and similar services	0.7	-1.4	-0.3	0.3	1.3	1.4	-0.1	3.1	-0.1	81 671
Education	1.6	1.8	1.7	-1.0	-0.1	-0.8	0.3	-0.1	0.9	205 532
Human health services	3.5	3.4	4.7	4.1	2.9	2.9	1.6	2.3	2.2	148 350
Residential care and social work services	1.0	1.0	2.4	0.4	0.9	1.0	2.4	2.5	-0.4	65 741
Arts, entertainment, recreation and other services	-0.6	1.4	0.8	-5.4	-1.7	-1.1	-0.1	-5.5	-2.8	114 300
Civil service ^(b)	1.6	2.1	2.2	0.7	-0.2	-0.2	-0.2	-0.7	-1.0	175 150
Others ^(c)	2.1	*	1.5	-1.7	1.2	-0.5	0.7	3.6	3.0	11 768

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>	
						Sep	Dec	Mar	Jun
<u>(Number)</u>									
Building sites									
Private sector	65 985	65 700	62 903	54 957	58 385	57 706	58 813	53 006	59 677
Public sector ^(a)	21 660	21 604	19 257	22 982	23 622	22 605	21 671	21 328	20 280
Sub-total	87 645	87 303	82 160	77 939	82 006	80 311	80 484	74 334	79 957
Civil engineering sites									
Private sector	979	1 729	2 483	2 180	3 095	3 871	3 565	3 869	3 327
Public sector ^(a)	30 050	22 816	17 108	17 064	20 329	22 138	22 581	20 061	20 127
Sub-total	31 029	24 546	19 591	19 244	23 424	26 009	26 146	23 930	23 454
Total	118 674	111 849	101 750	97 182	105 430	106 320	106 630	98 264	103 411
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	9.5	-0.4	-4.3	-12.6	6.2	10.5	11.3	-7.9	0.3
Public sector ^(a)	35.1	-0.3	-10.9	19.3	2.8	-1.8	-9.5	-16.2	-18.1
Sub-total	14.9	-0.4	-5.9	-5.1	5.2	6.8	4.8	-10.4	-5.1
Civil engineering sites									
Private sector	-29.3	76.6	43.6	-12.2	42.0	107.4	71.5	90.2	14.3
Public sector ^(a)	-0.3	-24.1	-25.0	-0.3	19.1	31.6	30.8	13.5	6.3
Sub-total	-1.6	-20.9	-20.2	-1.8	21.7	39.2	35.2	21.5	7.4
Total	10.1	-5.8	-9.0	-4.5	8.5	13.2	10.9	-4.3	-2.5

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

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						Sep	Dec	Mar	Jun
(in nominal terms)									
Manufacturing	3.7	3.6	3.5	2.0	1.6	1.4	1.8	1.8	2.0
Import/export, wholesale and retail trades	3.0	3.0	2.3	1.0	0.9	0.8	1.7	1.6	1.8
Transportation	2.9	4.7	4.4	0.1	-0.9	-0.5	-0.2	-0.2	-0.6
Accommodation ^(a) and food service activities	4.7	4.6	4.1	1.0	1.4	1.4	2.1	1.6	1.9
Financial and insurance activities ^(b)	3.5	3.5	3.7	2.3	2.5	2.5	2.8	3.0	3.3
Real estate leasing and maintenance management	4.1	4.4	3.9	2.7	3.0	2.9	3.1	3.0	2.9
Professional and business services	4.7	4.4	3.6	1.7	1.8	1.8	2.1	2.4	2.5
Personal services	4.2	4.1	3.3	0.7	0.3	0.4	0.9	-1.0	-0.1
All industries surveyed	3.8	4.0	3.5	1.3	1.3	1.3	1.8	1.8	1.9
(in real terms)									
Manufacturing	2.2	0.8	0.2	3.1	-0.3	-0.2	-1.1	*	0.2
Import/export, wholesale and retail trades	1.6	0.1	-1.0	2.1	-0.9	-0.7	-1.3	-0.2	-0.1
Transportation	1.5	1.7	1.0	1.3	-2.7	-2.0	-3.1	-1.9	-2.3
Accommodation ^(a) and food service activities	3.3	1.7	0.7	2.1	-0.3	-0.2	-0.9	-0.1	0.1
Financial and insurance activities ^(b)	2.1	0.6	0.2	3.7	0.7	0.9	-0.2	1.2	1.5
Real estate leasing and maintenance management	2.6	1.4	0.5	3.8	1.3	1.3	0.1	1.2	1.1
Professional and business services	3.2	1.5	0.3	2.8	0.1	0.2	-0.9	0.7	0.7
Personal services	2.7	1.1	0.2	1.7	-1.6	-1.2	-2.0	-2.7	-1.8
All industries surveyed	2.3	1.0	0.1	2.5	-0.5	-0.2	-1.1	*	0.1

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 ^(a)	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 ^(b)	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 ^(c)	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 ^(d)	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 ^(e)	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 ^(f)	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 ^(g)	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
All industry sections above	13,200	18,400	28,800	13,400	18,700	29,500

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 ^(a)	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 ^(b)	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 ^(c)	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 ^(d)	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 ^(e)	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 ^(f)	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 ^(g)	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
All industry sections above	52.8	74.4	117.6	53.5	75.7	120.3

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 ^(a) :								
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 ^(b)	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:		
			Q4	Q1	Q2	Q3	10 years 2011 to 2021	5 years 2016 to 2021
GDP deflator [#]	0.6	0.9	2.0	1.0	0.5	4.5	2.4	2.0
Domestic demand deflator [#]	0.6	-0.2	0.3	1.2	2.3	2.6	2.1	1.8
Consumer Price Indices ^(a) :								
Composite CPI	0.3	1.6	2.0	1.5	1.5	2.7	2.7	1.7
CPI(A)	-0.6	2.9	2.5	1.5	1.2	4.1	3.1	2.0
CPI(B)	0.6	1.0	1.8	1.5	1.4	2.1	2.6	1.6
CPI(C)	0.8	0.9	1.7	1.6	1.8	1.9	2.4	1.6
Unit Value Indices :								
Total exports of goods	-0.6	5.4	9.0	10.3	8.0	8.5	1.5	2.0
Imports of goods	-0.7	5.5	9.0	10.6	8.8	8.1	1.4	2.1
Terms of Trade Index ^(b)	*	*	*	-0.2	-0.8	0.3	0.1	-0.1
Producer Price Index for all manufacturing industries	2.3	1.2	1.2	2.3	0.8	N.A.	0.4	2.0
Tender Price Indices :								
Public sector								
building projects	-3.0	1.0	3.3	4.0	6.5	N.A.	2.0	-1.6
Public housing projects	-2.7	1.8	5.7	4.6	N.A.	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>
All items	100.00	4.1 (4.7)	4.3 (4.0)	4.4 (3.5)	3.0 (2.5)	2.4 (2.3)	1.5 (1.7)	2.4 (2.6)
Food	27.41	5.8	4.4	4.1	4.0	3.4	2.2	3.4
<i>Meals out and takeaway food</i>	17.05	5.4	4.4	4.6	4.2	3.3	2.7	2.9
<i>Basic food</i>	10.36	6.5	4.4	3.4	3.4	3.6	1.1	4.3
Housing ^(a)	40.25	5.6	6.7	6.7	5.1	3.7	2.0	2.5
<i>Private housing rent</i>	35.46	6.8	6.3	6.0	4.7	3.4	1.8	2.2
<i>Public housing rent</i>	1.87	-7.1	16.0	18.3	10.9	7.2	3.0	4.1
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:
										10 years 2011 to 2021
					Q4	Q1	Q2	Q3		5 years 2016 to 2021
All items	100.00	2.9 (3.0)	0.3 (1.3)	1.6 (0.6)	2.0 (1.2)	1.5 (1.6)	1.5 (1.7)	2.7 (1.8)	2.7 (2.7)	1.7 (2.0)
Food	27.41	4.9	3.3	1.7	2.5	3.7	4.0	3.9	3.7	3.1
<i>Meals out and takeaway food</i>	17.05	2.2	0.8	1.8	2.8	3.1	3.4	3.4	3.2	2.1
<i>Basic food</i>	10.36	9.9	7.7	1.4	1.9	4.6	5.0	4.7	4.5	4.8
Housing ^(a)	40.25	3.5	-0.1	0.3	-0.6	-0.3	-0.6	1.8	3.6	1.6
<i>Private housing rent</i>	35.46	3.1	1.1	-1.3	-0.8	-0.5	-0.8	-0.6	3.4	1.4
<i>Public housing rent</i>	1.87	7.1	-21.0	29.3	2.0	2.0	-0.1	45.1	5.9	3.2
Electricity, gas and water	2.82	-5.4	-20.6	27.0	37.0	-2.4	2.7	14.9	2.0	-0.4
Alcoholic drinks and tobacco	0.49	1.2	0.5	0.1	0.2	0.3	1.5	1.8	1.7	0.7
Clothing and footwear	2.42	-1.7	-5.2	3.3	7.1	6.1	4.9	5.1	-0.2	-0.5
Durable goods	4.00	-1.9	-2.7	1.0	2.0	1.7	1.6	0.4	-2.9	-1.8
Miscellaneous goods	3.32	2.5	3.1	-3.1	-1.2	-0.2	0.4	0.6	1.4	1.0
Transport	6.17	2.0	-1.0	2.6	5.1	6.1	1.8	1.8	1.6	1.5
Miscellaneous services	13.12	2.0	0.8	0.7	1.0	1.0	1.3	1.4	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
Gross Domestic Product	3.5	1.8	2.9	3.6	1.6	2.9	3.7
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[#]</u>	<u>2021[#]</u>	<u>2021</u>	<u>2022</u>			Average annual rate of change:	
				Q4 [#]	Q1 [#]	Q2 [#]	Q3 [#]	10 years 2011 to 2021 [#]	5 years 2016 to 2021 [#]
Private consumption expenditure	2.7	0.6	-0.3	0.7	0.5	1.8	2.7	2.0	1.7
Government consumption expenditure	4.7	2.1	0.8	2.2	2.3	4.1	3.4	3.7	2.7
Gross domestic fixed capital formation	-0.1	-1.5	0.4	4.7	3.5	3.3	1.5	1.8	1.5
Total exports of goods	1.1	0.1	5.0	8.1	9.2	7.0	7.1	1.1	2.0
Imports of goods	1.3	0.1	4.9	7.9	10.2	8.3	6.9	1.2	2.1
Exports of services	-0.3	-0.4	13.3	16.6	11.6	13.1	8.2	2.0	4.0
Imports of services	-1.0	-0.9	10.6	12.6	9.1	8.3	1.1	0.9	2.8
Gross Domestic Product	2.0	0.6	0.9	2.0	1.0	0.5	4.5	2.4	2.0
Total final demand	1.4	0.2	3.8	6.2	6.8	5.6	5.6	1.5	2.1
Domestic demand	2.4	0.6	-0.2	0.3	1.2	2.3	2.6	2.1	1.8

