



2022 Economic Background and 2023 Prospects

Government of the Hong Kong
Special Administrative Region

***2022 ECONOMIC BACKGROUND
AND
2023 PROSPECTS***

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

February 2023

CONTENTS

Paragraphs

CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE IN 2022

Overall situation	1.1
The external sector	1.2 - 1.4
The domestic sector	1.5 - 1.6
The labour sector	1.7
The asset markets	1.8 - 1.9
Inflation	1.10 - 1.11
GDP by major economic sector	1.12 - 1.14
Other economic developments	1.15 - 1.18
Box 1.1 Business sentiment in Hong Kong	

CHAPTER 2 : ECONOMIC OUTLOOK FOR 2023 AND THE MEDIUM TERM

Global economic outlook	2.1 - 2.4
World inflation and global commodity prices	2.5 - 2.6
Exchange rate movements	2.7
Outlook for the Hong Kong economy in 2023	2.8 - 2.12
Medium-term outlook for the Hong Kong economy	2.13 - 2.17

CHAPTER 3 : THE EXTERNAL SECTOR

Merchandise trade	
External environment	3.1 - 3.4
Merchandise exports	3.5 - 3.6
Merchandise imports	3.7
Services trade	
Exports of services	3.8
Imports of services	3.9
Goods and services balance	3.10
Other developments	3.11 - 3.12
Box 3.1 Export performance of selected Asian economies	

CHAPTER 4 : DEVELOPMENTS IN SELECTED SECTORS

Property	4.1 - 4.13
Land	4.14
Tourism	4.15 - 4.16
Logistics	4.17 - 4.18
Transport	4.19
Innovation and technology	4.20
Environment	4.21 - 4.22

CHAPTER 5 : THE FINANCIAL SECTOR

Interest rates and exchange rates	5.1 - 5.5
Money supply and banking sector	5.6 - 5.10
The debt market	5.11 - 5.12
The stock and derivatives markets	5.13 - 5.17
Fund management and investment funds	5.18
Insurance sector	5.19
Highlights of policy and market developments	5.20 - 5.22

CHAPTER 6 : THE LABOUR SECTOR

Overall labour market situation	6.1
Labour force and total employment	6.2 - 6.3
Profile of unemployment	6.4 - 6.8
Profile of underemployment	6.9
Profile of employment in establishments	6.10 - 6.11
Vacancies	6.12 - 6.15
Wages and earnings	6.16 - 6.20
Highlights of labour-related measures and policy developments in 2022	6.21 - 6.26

CHAPTER 7 : PRICES

Consumer prices	7.1 - 7.3
Costs of factor inputs and import prices	7.4 - 7.5
Output prices	7.6
GDP deflator	7.7

STATISTICAL APPENDIX

CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE IN 2022

Summary

- *The Hong Kong economy weakened notably in 2022 after a visible expansion in 2021. Economic activities were first dampened by the fifth wave of the local epidemic and subsequently by the deteriorated external environment and tightened financial conditions. For 2022 as a whole, real Gross Domestic Product (GDP) contracted by 3.5%.*
- *Hong Kong's total exports of goods plunged in 2022. Moderated global economic growth, coupled with disruptions to cross-boundary truck movements between Hong Kong and the Mainland, posed a significant drag. Exports to the Mainland, the US and the EU turned to visible declines. Exports to other major markets in Asia saw worsened performance.*
- *Exports of services declined slightly in 2022. Exports of transport services declined alongside the weak trade performance. Exports of financial services and business and other services also fell amid the deteriorated external environment. On the other hand, with testing and quarantine arrangements for inbound visitors progressively relaxed, exports of travel services surged but were still far below the pre-pandemic level.*
- *After plunging in the first quarter of 2022 due to the fifth wave of the local epidemic, private consumption expenditure saw improvement in the rest of the year alongside the stabilised local epidemic situation and relaxed social distancing measures, improved labour market conditions, and disbursement of consumption vouchers. For the year as a whole there was still a mild decline. Overall investment expenditure fell notably in 2022 amid the subdued business outlook and rising borrowing costs.*
- *The labour market was under pressure in the early months of 2022, but improved subsequently in the rest of the year. After rising notably to a high of 5.4% in February – April 2022, the seasonally adjusted unemployment rate fell successively to 3.5% in the fourth quarter. The underemployment rate also rose to a high of 3.8% in February – April, before declining to 1.5% in the fourth quarter.*
- *The local stock market exhibited substantial volatility in 2022. The Hang Seng Index (HSI) trended down to reach a low of 14 687 on 31 October, the lowest level since April 2009. It then rebounded strongly to close the year at 19 781 amid the expectation of slower US interest rate hikes and the optimisation of anti-epidemic measures in the Mainland. For the year as a whole, the HSI went down by 15.5%. The residential property market underwent a marked correction. Trading activities were moderate in the first half of the year, and then quietened visibly in the second half. Flat*

prices fell by a cumulative 16% during the year.

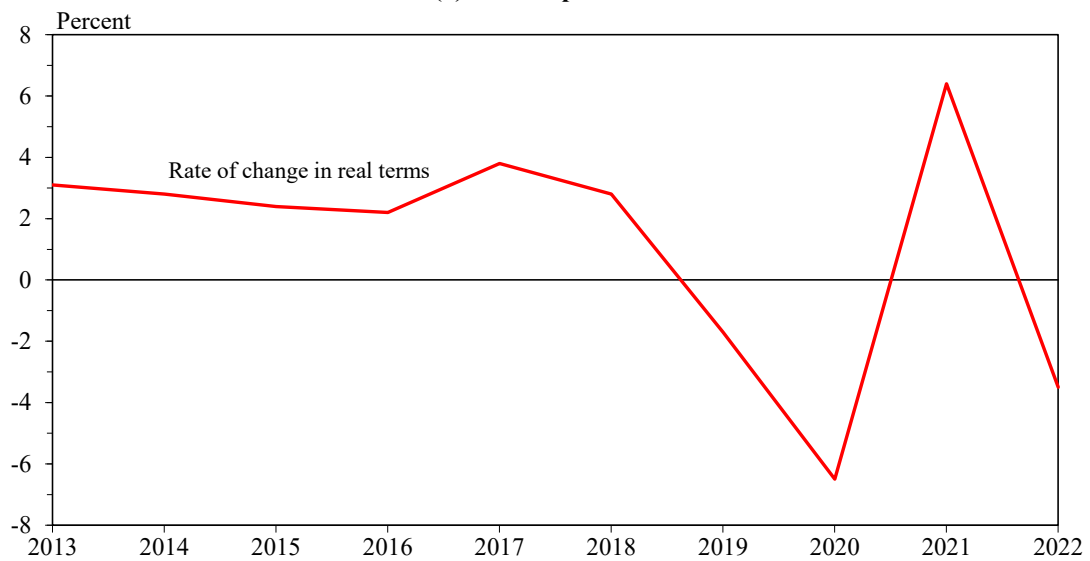
- *Underlying consumer price inflation, though showing some increase, remained moderate in overall terms in 2022. Prices of food and clothing and footwear increased notably, while prices of energy-related items soared. Nonetheless, price pressures on other major components remained largely contained. Private housing rentals continued to fall, albeit at a narrowed rate. For 2022 as a whole, underlying Composite Consumer Price Index (Composite CPI) inflation averaged 1.7%, up from 0.6% in 2021.*

Overall situation

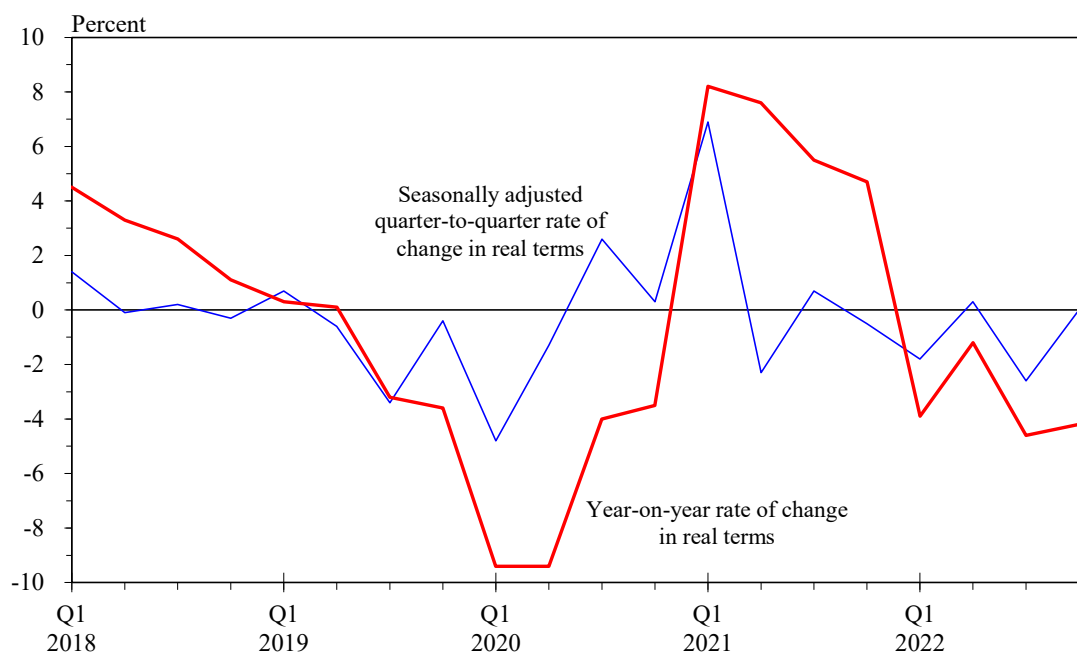
1.1 The Hong Kong economy weakened notably in 2022. GDP⁽¹⁾ contracted by 3.5% in real terms, having expanded visibly by 6.4% in the preceding year. As private consumption plunged due to the fifth wave of the local epidemic, real GDP contracted by 3.9% year-on-year in the first quarter. The fall moderated to 1.2% in the second quarter as the epidemic stabilised, but widened to 4.6% and 4.2% in the third and fourth quarters respectively as the deteriorated external environment and tightened financial conditions weighed on exports of goods and fixed asset investment. The labour market was under pressure in the early months of 2022, but improved subsequently in the rest of the year. Underlying consumer price inflation, though showing some increase, remained moderate in overall terms.

Diagram 1.1 : The Hong Kong economy weakened notably in 2022

(a) Annual profile



(b) Quarterly profile



The external sector

1.2 *Total exports of goods* based on the GDP compilation framework plunged by 13.9% in real terms in 2022, after surging by 18.7% in the preceding year. Moderated global economic growth, coupled with disruptions to cross-boundary truck movements between Hong Kong and the Mainland, posed a significant drag on Hong Kong's export performance.

1.3 Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland, the US and the EU turned to visible declines in 2022 alongside the slower growth of these economies. Exports to Japan recorded a double-digit decline, while those to most other major markets in Asia grew at decelerated pace. The worsening of performance was particularly obvious in the latter part of the year for most of the markets.

1.4 *Exports of services* declined slightly by 0.9% in real terms in 2022, after increasing by 3.4% in 2021. Exports of transport services declined alongside the weak trade performance. Exports of financial services and business and other services fell amid the deteriorated external environment. On the other hand, with testing and quarantine arrangements for inbound visitors progressively relaxed, particularly towards the end of the year, exports of travel services surged but were still 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>2021[#]</u>	<u>2022[#]</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>	<u>Q4[#]</u>
<i>Change in real terms of GDP and its main expenditure components (%)</i>										
Private consumption expenditure	5.6	-1.0	2.4 (1.9)	7.5 (2.2)	6.7 (1.1)	5.7 (0.2)	-5.8 (-8.9)	-0.2 (8.3)	-0.4 (0.9)	1.9 (2.3)
Government consumption expenditure	5.9	8.1	8.1 (3.8)	4.2 (-1.1)	6.7 (2.7)	4.4 (-0.7)	6.0 (4.7)	12.5 (5.4)	5.3 (-3.9)	9.1 (2.9)
Gross domestic fixed capital formation	8.3	-8.5	5.0	21.7	11.1	-2.2	-7.2	-1.2	-14.4	-10.9
Building and construction	-0.5	4.3	-1.8	-0.2	0.6	-0.3	1.9	9.2	2.1	4.1
Costs of ownership transfer	36.3	-41.4	77.6	58.8	34.6	-4.6	-34.9	-39.4	-41.6	-50.8
Machinery, equipment and intellectual property products	15.2	-16.1	1.9	52.2	21.1	-3.3	-14.0	-1.8	-27.0	-20.7
Total exports of goods ^{&}	18.7	-13.9	30.4 (11.0)	20.4 (-1.2)	13.9 (-0.1)	13.2 (3.2)	-4.5 (-6.9)	-8.5 (-5.4)	-15.8 (-7.6)	-24.9 (-7.8)
Imports of goods ^{&}	17.2	-13.2	23.0 (8.0)	21.6 (0.2)	16.4 (1.3)	9.6 (-0.2)	-5.9 (-7.4)	-6.0 (-0.1)	-16.4 (-9.7)	-22.9 (-7.8)
Exports of services ^{&}	3.4	-0.9	-6.5 (14.2)	5.8 (-5.9)	7.9 (3.5)	8.9 (-2.3)	-3.0 (1.7)	2.4 (-0.7)	-4.2 (-3.0)	2.0 (4.0)
Imports of services ^{&}	2.5	-1.0	-10.2 (4.1)	11.5 (-1.3)	6.4 (1.4)	5.4 (-0.6)	-3.0 (-2.5)	-1.5 (0.6)	-3.2 (-0.4)	3.3 (5.4)
Gross Domestic Product	6.4	-3.5	8.2 (6.9)	7.6 (-2.3)	5.5 (0.7)	4.7 (-0.5)	-3.9 (-1.8)	-1.2 (0.3)	-4.6 (-2.6)	-4.2 (*)
<i>Change in the main price indicators (%)</i>										
GDP deflator	0.7	2.2	-0.4 (0.8)	0.5 (0.4)	0.7 (-0.2)	1.8 (0.8)	1.4 (0.3)	0.9 (0.1)	4.0 (2.6)	2.3 (-0.6)
Composite CPI										
Headline	1.6	1.9	1.2 (1.1)	0.8 (0.3)	2.3 (-0.8)	2.0 (1.5)	1.5 (0.6)	1.5 (0.2)	2.7 (0.5)	1.8 (0.6)
Underlying[^]	0.6	1.7	-0.2 (0.2)	0.3 (0.4)	1.1 (0.3)	1.2 (0.4)	1.6 (0.5)	1.7 (0.5)	1.8 (0.4)	1.8 (0.4)
<i>Change in nominal GDP (%)</i>	7.2	-1.4	7.8	8.2	6.3	6.6	-2.6	-0.2	-0.8	-1.9

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

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchandising 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 $\pm 0.05\%$.

The domestic sector

1.5 Consumption activities were seriously disrupted by the fifth wave of the local epidemic in the first quarter of 2022. With the local epidemic situation stabilising and social distancing measures progressively relaxed, improvement has been seen since the second quarter. The improved labour market and disbursement of consumption vouchers have also provided support. For 2022 as a whole, private consumption expenditure recorded a mild decline of 1.0% in real terms, after a 5.6% increase in 2021. Meanwhile, *government consumption expenditure* rose by 8.1% in real terms in 2022, further to a 5.9% increase in 2021.

**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	5.9	-2.4	19.3	14.5	3.8	-40.6	-38.2	5.6
	H1	5.4	-6.3	28.2	17.6	2.5	-59.8	-61.1	4.9
	H2	6.4	1.9	12.7	11.7	5.1	2.5	36.6	6.2
	Q1	3.6	-7.3	35.6	14.1	-0.3	-76.5	-73.9	2.4
	Q2	7.3	-5.5	19.2	20.9	5.4	37.3	21.9	7.5
	Q3	6.9	1.1	12.7	12.3	6.0	2.2	38.0	6.7
	Q4	6.0	2.8	12.7	11.2	4.3	2.7	36.0	5.7
2022	Annual	-1.2	-7.3	4.0	-2.0	-0.6	53.9	59.3	-1.0
	H1	-2.9	-8.2	-3.4	-2.2	-2.1	17.4	30.6	-3.0
	H2	0.4	-6.5	10.2	-1.8	0.9	86.0	85.9	0.8
	Q1	-5.8	-8.4	-9.1	-9.8	-3.8	10.9	16.9	-5.8
	Q2	-0.2	-8.0	4.6	4.6	-0.5	23.9	49.7	-0.2
	Q3	-0.3	-7.5	7.7	0.9	-0.3	26.9	81.9	-0.4
	Q4	1.1	-5.5	12.1	-4.0	2.0	146.8	87.8	1.9

- Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending.
(b) Private consumption expenditure is obtained by deducting visitor spending from total consumer spending in the domestic market, and adding back residents' expenditure abroad.

Diagram 1.2 : Private consumption expenditure has seen improvement since the second quarter of 2022

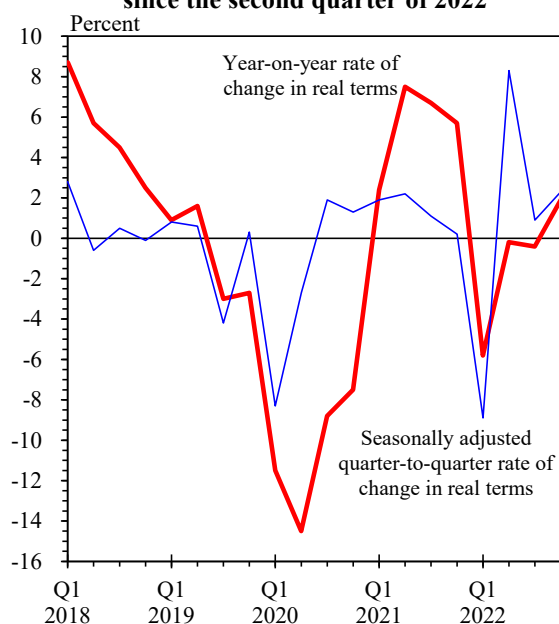
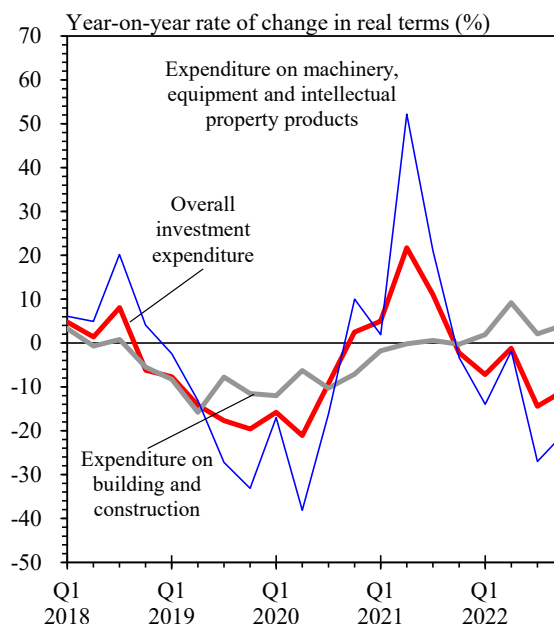


Diagram 1.3 : Overall investment expenditure fell notably in 2022



1.6 Overall investment spending in terms of *gross domestic fixed capital formation* fell notably by 8.5% in real terms in 2022 after increasing by 8.3% in 2021. Expenditure on acquisitions of machinery, equipment and intellectual property products plunged by 16.1% amid the subdued business outlook and rising borrowing costs (see **Box 1.1**). Expenditure on building and construction rose by 4.3%, with the increase in public sector spending more than offsetting the decline in private sector spending. Separately, the costs of ownership transfer plummeted as property transactions fell sharply from the hectic level in 2021.

Box 1.1

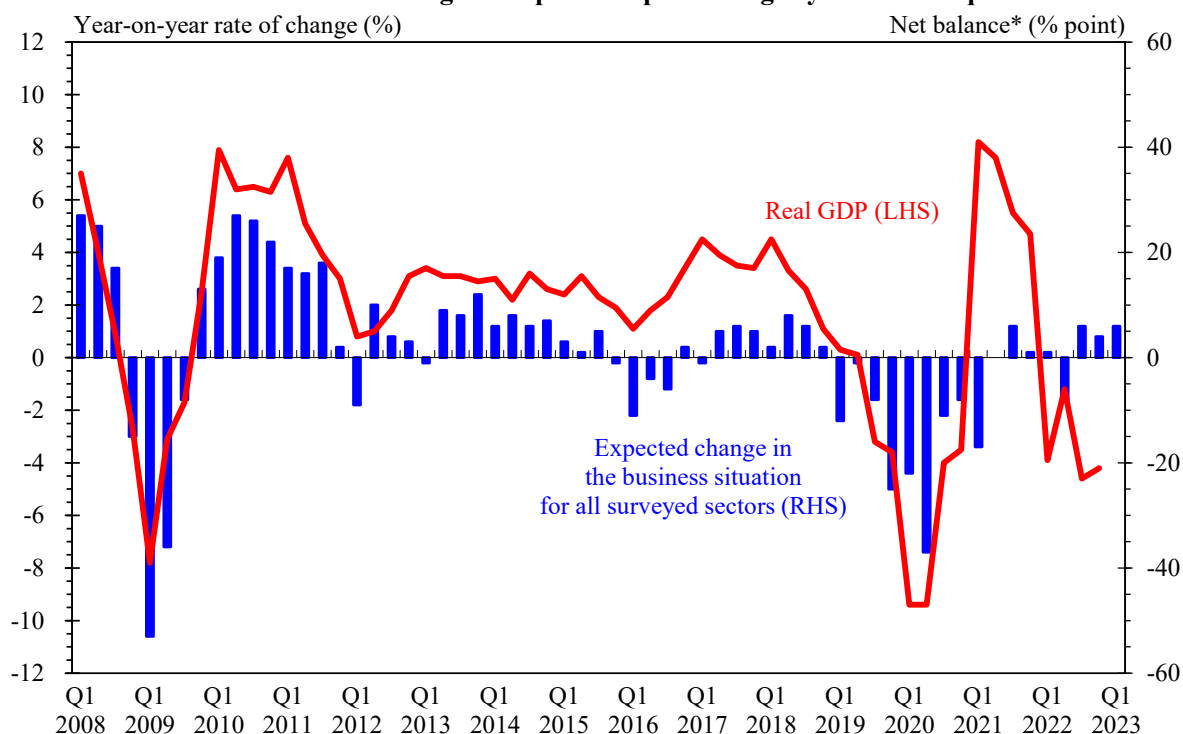
Business sentiment in Hong Kong

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 remained largely soft in October and November 2022 amid the deteriorating global economic outlook and tightened financial conditions, but saw some improvement at the turn of the year alongside the further relaxation of epidemic-related measures and expected resumption of quarantine-free travel between Hong Kong and the Mainland.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during 2 December 2022 to 9 January 2023, business sentiment among large enterprises in Hong Kong improved slightly as compared to three months ago (*Chart 1*). The proportion of large enterprises expecting their business situation to improve in the first quarter of 2023 over the fourth quarter of 2022 was larger than the proportion of those expecting the situation to worsen by 6 percentage points (i.e. a net balance of +6), slightly better than the +4 in the previous round.

Business sentiment of large enterprises in different sectors was mixed (*Table 1*). The net balances for the “financing and insurance” and “accommodation and food services” sectors improved within the positive zone. Meanwhile, that for the “manufacturing” sector rebounded sharply into the positive territory, while that for the “real estate” sector turned slightly positive. The net balance for the “information and communications” sector improved though remaining slightly negative. On the other hand, the net balance for the “retail” sector declined but remained positive. The net balances for the “import/export trade and wholesale”, “transportation, storage, and courier services” and “professional and business services” sectors turned negative, while that for the “construction” sector worsened slightly in the negative zone. Large enterprises' appetite for hiring stayed largely positive (*Table 2*).

Chart 1 : Business sentiment of large enterprises improved slightly in the first quarter of 2023



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

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

Box 1.1 (Cont'd)

Table 1 : Business sentiment of large enterprises in different sectors was mixed

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2021	2022				2023
	Q4	Q1	Q2	Q3	Q4	Q1
Manufacturing	+14	-8	-19	+24	-13	+23
Construction	-6	-17	-32	-5	-5	-7
Import/export trade and wholesale	0	+2	-7	+6	+9	-8
Retail	+9	-11	+11	+25	+16	+12
Accommodation and food services	+29	+2	+23	+49	+37	+39
Transportation, storage and courier services	-2	-7	-12	-2	+8	-5
Information and communications	+5	-2	+1	-3	-4	-1
Financing and insurance	-2	+5	-4	+10	+4	+25
Real estate	+7	+8	-2	+10	-2	+4
Professional and business services	-1	+3	-19	-3	+2	-3
All sectors above	+1	+1	-8	+6	+4	+6

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

Table 2 : Hiring sentiment of large enterprises stayed largely positive

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2021	2022				2023
	Q4	Q1	Q2	Q3	Q4	Q1
Manufacturing	+8	-4	-1	+7	+18	+8
Construction	+11	+8	+3	+9	+18	+16
Import/export trade and wholesale	-4	-2	0	+1	0	-6
Retail	-12	-5	+4	+9	+5	+6
Accommodation and food services	+18	+8	-2	+36	+22	+24
Transportation, storage and courier services	-3	+3	+1	+8	+13	+9
Information and communications	+6	-7	+7	-1	-8	-6
Financing and insurance	+5	+9	+4	-4	+5	+9
Real estate	+5	+9	-9	+11	0	0
Professional and business services	-2	-5	-2	0	+2	+5
All sectors above	+1	0	+1	+7	+7	+6

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. Business sentiment among SMEs, while remaining relatively cautious, has shown some improvement since late 2022. The overall index on the current situation, having softened to 44.0 in November 2022, rose back to 46.1 in December 2022 and 48.2 in January 2023 (*Chart 2a*). Employment sentiment among SMEs also saw improvement, and credit conditions remained accommodative. The Standard Chartered Hong Kong SME Leading Business Index⁽³⁾ likewise improved in the first quarter of 2023, though it remained in the contractionary zone.

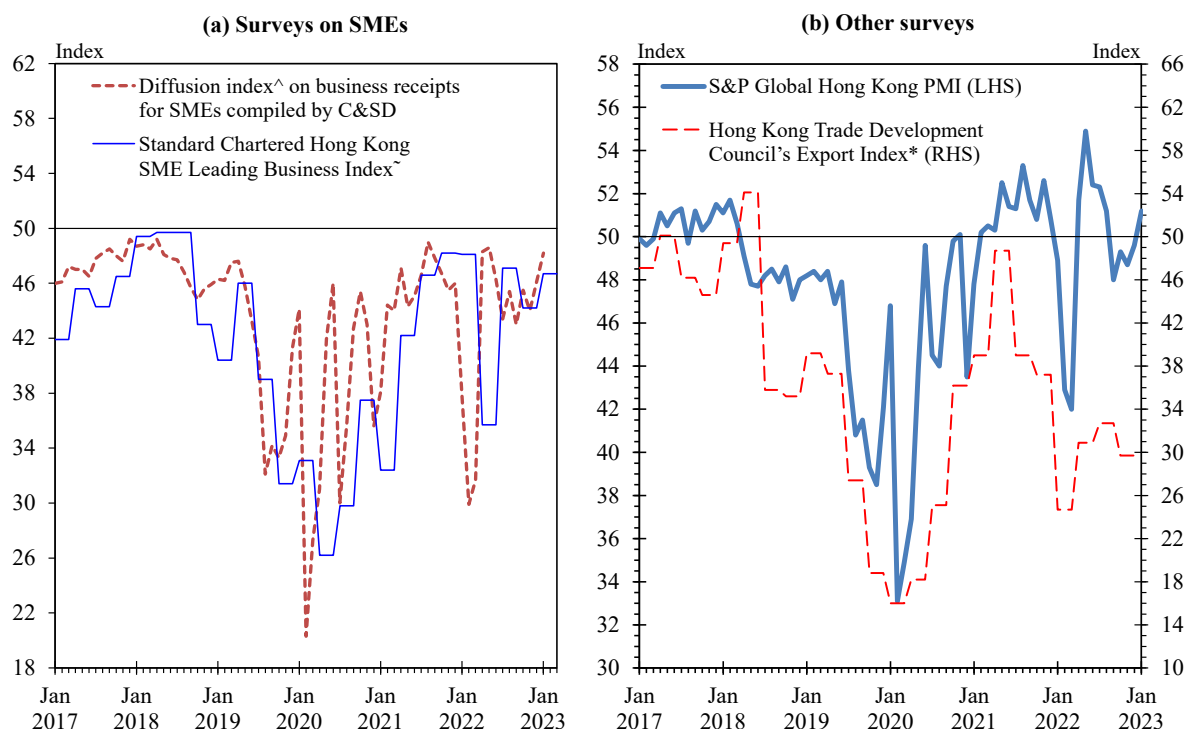
As for other surveys in the public domain, the S&P Global Purchasing Managers' Index (PMI) of Hong Kong⁽⁴⁾, which gauges the performance of the private sector's business activity, also improved from 48.7 in November to 49.6 in December 2022 and 51.2 in January 2023, the first expansionary reading since August 2022. Nonetheless, the Hong Kong Trade Development Council's Export Index⁽⁵⁾ eased to 29.7 in the fourth quarter of 2022 from 32.8 in the preceding quarter, as the weak global economic outlook weighed on exporters' confidence (*Chart 2b*). Among the exporters surveyed, 36.2% indicated risks of an economic slowdown or recession in major markets as the biggest threat to their businesses in the near term, followed by difficulties in cross-border travel (21.1%) and the persistence of the COVID-19 pandemic (18.3%).

(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 suggested that business sentiment generally improved at the turn of the year



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.

(~) 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 remained generally soft in October and November 2022, but subsequently showed some improvement as epidemic-related measures were further relaxed. Looking ahead, with most local social distancing measures already removed and following the full resumption of normal travel between Hong Kong and the Mainland, business sentiment should improve further, though tightened financial conditions and slower global economic growth will continue to bring uncertainties.

- (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

1.7 The labour market was under pressure in the early months of 2022 amid the fifth wave of the local epidemic, but improved subsequently in the rest of the year as domestic economic activities gradually revived alongside the generally stable local epidemic situation. The seasonally adjusted *unemployment rate*⁽²⁾ rose notably to a high of 5.4% in February – April 2022, and then fell successively to 3.5% in the fourth quarter. The *underemployment rate*⁽³⁾ also rose to a high of 3.8% in February – April, before declining to 1.5% in the fourth quarter. The seasonally adjusted unemployment rate and the underemployment rate in the fourth quarter of 2022 were lower than their respective levels of 4.0% and 1.7% a year earlier. The unemployment rates of most major sectors fell in the fourth quarter compared with February – April. The unemployment rates of both the lower-skilled and higher-skilled workers declined notably, with the former being still visibly higher than the latter. Growth in nominal wages and labour earnings generally accelerated in the first three quarters of 2022. Median monthly employment earnings of full-time employees (excluding foreign domestic helpers) recorded steady growth through 2022, increasing by 5.0% in nominal terms in the fourth quarter.

The asset markets

1.8 The *local stock market* exhibited substantial volatility in 2022. Since the early part of the year, market sentiment has been dampened by a series of adverse developments including tensions in Ukraine, occasional increases in COVID-19 cases in the Mainland, the stepping up of monetary policy tightening by the US Federal Reserve (Fed) and slackening global growth momentum. The HSI trended down to reach a low of 14 687 on 31 October, the lowest level since April 2009. It then rebounded strongly to close the year at 19 781 amid the expectation of slower US interest rate hikes and the optimisation of anti-epidemic measures in the Mainland. For the year as a whole, the HSI went down by 15.5%. Trading activities moderated from the hectic level in the preceding year with the average daily turnover contracting by 25.1% from the record high in 2021 to \$124.9 billion. Fund raising activities were extremely quiet. For the year as a whole, total equity capital raised plunged by 67.2% to \$253.3 billion, the lowest level since 2003. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) shrank by 68.4% to \$104.6 billion. Hong Kong ranked fourth among stock exchange markets globally in terms of the amount of funds raised through IPOs in 2022.

1.9 The *residential property market* underwent a marked correction in 2022. Market sentiment turned increasingly cautious over the course of the year

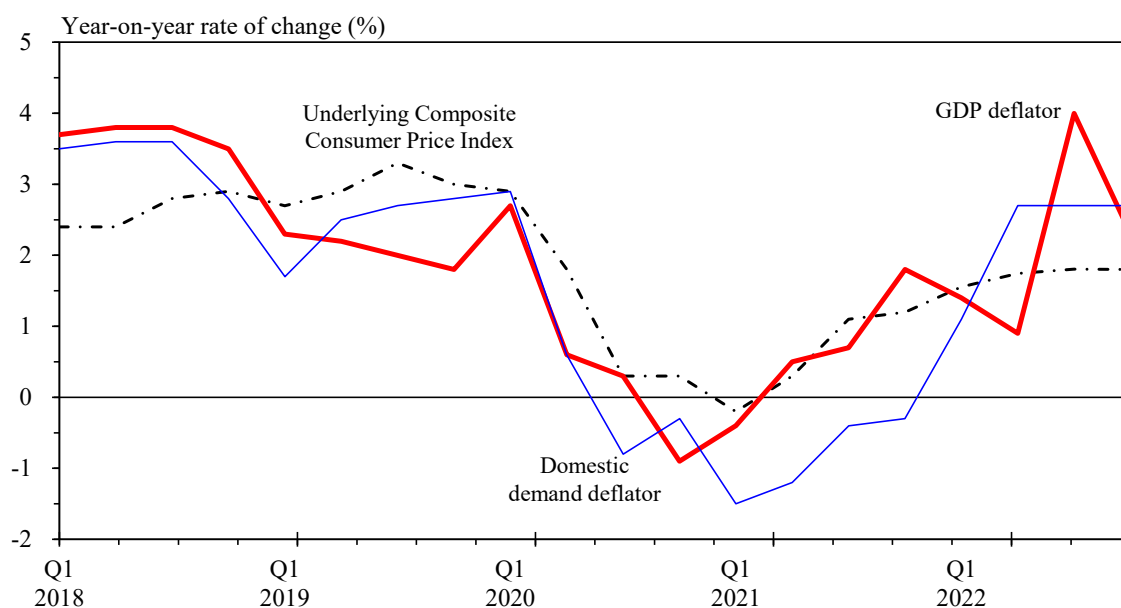
as financial conditions tightened amid the sharp monetary policy tightening by the Fed and the global and local economic outlook worsened. The number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, plunged by 39% to 45 050, the lowest level since figures are available. Flat prices fell by a cumulative 16% during the year. The index of home purchase affordability remained elevated at around 70% in the fourth quarter of 2022, significantly above the long-term average of 49% over 2002-2021. Meanwhile, flat rentals in December 2022 were on average 4% lower than in December 2021, and 12% below the peak in August 2019. The *non-residential property market* weakened during 2022 amid subdued economic conditions. Prices and rentals for most major market segments declined. Trading activities fell to very low levels.

Inflation

1.10 Underlying consumer price inflation, though showing some increase, remained moderate in overall terms in 2022. Prices of food and clothing and footwear increased notably, while prices of energy-related items soared. Nonetheless, price pressures on other major components remained largely contained. Private housing rentals continued to fall, albeit at a narrowed rate. Netting out the effects of the Government's one-off relief measures, *underlying Composite CPI inflation* rose from 0.6% in 2021 to 1.7% in 2022. Domestic business cost pressures were largely mild, as wage growth remained moderate and commercial rentals stayed soft. External price pressures were intensive. Inflation in many major economies surged to very high levels as pandemic-induced supply chain bottlenecks and tensions in Ukraine pushed up international energy, commodity and food prices. While the stronger Hong Kong dollar vis-à-vis many major currencies provided some offset against rising inflation in our major trading partners, prices of overall merchandise imports still rose markedly. Meanwhile, *headline Composite CPI inflation* averaged 1.9% in 2022, up from 1.6% in 2021. The slightly higher headline inflation rate than its underlying counterpart in 2022 mainly reflected the lower base of comparison for the former due to the rent waiver for tenants provided by the Hong Kong Housing Authority in 2021.

1.11 As a broad measure of the overall change in prices in the economy, the increase in the *GDP deflator* picked up from 0.7% in 2021 to 2.2% in 2022. The *terms of trade* edged down by 0.1% in 2022. Taking out the external trade components, the domestic demand deflator increased by 2.3% in 2022.

Diagram 1.4 : Underlying consumer price inflation remained moderate overall in 2022



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

1.12 The net output of the services sector declined by 3.3% year-on-year in real terms in the third quarter of 2022, after a 1.3% decrease in the preceding quarter. For the first three quarters of 2022 combined, the services sector contracted by 2.6%, having expanded by 5.9% in 2021.

1.13 Almost all major service sectors saw contraction in the third quarter. In particular, as external demand weakened further and disruptions to cross-boundary truck movements continued, the net output of import and export trade recorded an enlarged decline. The decline in the net output of wholesale and retail trades and that of accommodation and food services also widened, as tightened financial conditions resulting from sharp interest rate hikes by major central banks dealt a blow to consumption demand. The net output of financing and insurance turned to a decline. Meanwhile, the net output of public administration, social and personal services reverted to an increase. As for the secondary sector, the net output of the construction sector increased at a much slower pace, while that of the manufacturing sector turned to a mild decline.

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

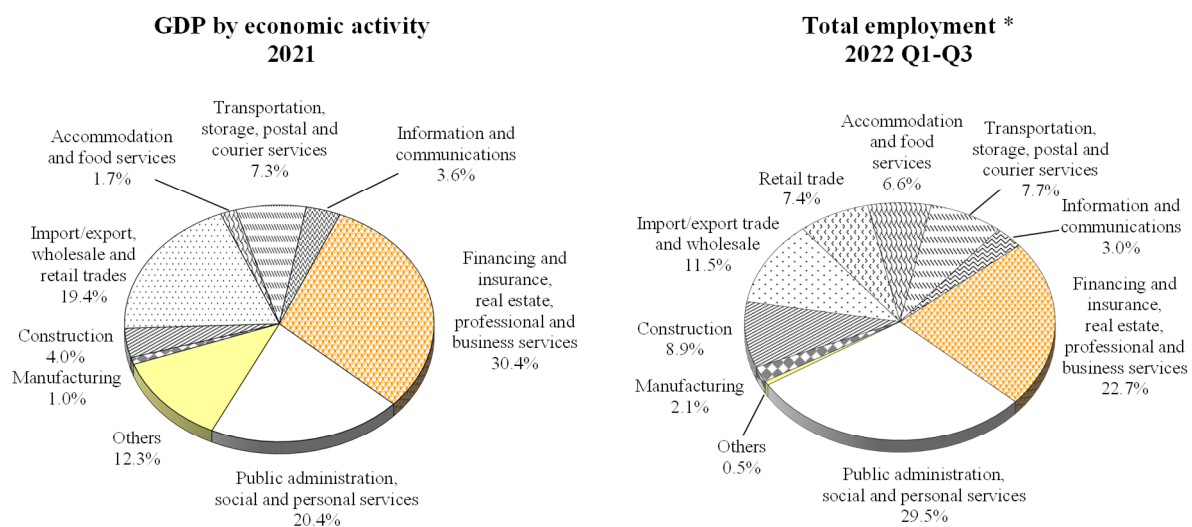
	<u>2021</u>	<u>2022</u>	<u>2021</u>				<u>2022</u>		
		<u>Q1-Q3</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Manufacturing	5.5	0.3	2.6	5.6	7.6	5.8	-1.3	2.7	-0.5
Construction	-0.6	4.9	-0.6	0.1	-0.6	-1.3	4.0	9.3	1.7
Services ^(b)	5.9	-2.6	7.0	6.6	5.4	4.8	-3.1	-1.3	-3.3
Import/export, wholesale and retail trades	13.3	-9.0	24.4	15.6	8.4	8.2	-7.1	-6.8	-12.5
Import and export trade	13.6	-9.3	26.3	16.0	8.4	7.4	-6.4	-7.5	-13.3
Wholesale and retail trades	11.2	-7.1	12.5	12.6	10.9	9.9	-12.6	-2.1	-6.9
Accommodation ^(c) and food services	22.6	-13.0	-3.9	17.3	45.1	36.5	-28.6	-5.8	-7.1
Transportation, storage, postal and courier services	7.7	-7.2	-4.1	15.6	16.8	6.4	-11.6	-3.6	-5.7
Transportation and storage	6.4	-7.3	-7.7	15.7	17.4	5.3	-12.2	-3.4	-5.6
Postal and courier services	20.6	-6.3	39.6	16.2	11.0	17.4	-6.4	-5.7	-6.8
Information and communications	2.6	0.7	3.7	2.0	2.3	2.4	0.8	1.1	0.3
Financing and insurance	4.7	-0.3	7.2	5.9	2.8	3.1	-0.2	1.4	-1.9
Real estate, professional and business services	2.1	-3.0	1.3	2.0	2.9	2.2	-5.2	-1.5	-2.1
Real estate	2.3	-4.9	2.7	1.9	2.7	1.8	-9.2	-2.6	-2.2
Professional and business services	1.9	-1.4	0.1	2.0	3.0	2.5	-1.7	-0.6	-2.0
Public administration, social and personal services	4.4	0.5	3.7	5.4	4.4	3.9	-0.3	-0.1	1.7

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.

1.14 The services sector is the mainstay of the Hong Kong economy, making up 93.6% of GDP in 2021 and providing 88.4% of total employment in the first three quarters of 2022. Hong Kong is a global centre for world trade, finance, transportation and business, located strategically at the doorstep of the Mainland's huge and vibrant economy, with free flows of capital, people, goods and information, open and fair competition, a simple tax system with low tax rates, superb networks and infrastructure, the rule of law and judicial independence, and a flexible labour market with a well-educated workforce and a pool of efficient and innovative entrepreneurs.

Diagram 1.5 : The services sector continued to be the key driver of the economy



Note : (*) Figures refer to the Composite Employment Estimates, which are compiled based on results of the General Household Survey and the Quarterly Survey of Employment and Vacancies. Figures are averages of the first three quarters of 2022.

Other economic developments

1.15 The Chief Executive delivered his 2022 Policy Address in October 2022. Among other initiatives, the Office for Attracting Strategic Enterprises commenced full operation in December 2022 to attract high-potential and representative strategic enterprises from the Mainland and overseas through offering special facilitation measures and one-stop services. A \$30 billion Co-Investment Fund was also established to attract enterprises to set up operations in Hong Kong and invest in their businesses. Separately, a Talents Service Unit (TSU) will formulate strategies to recruit talents from the Mainland and overseas, as well as provide one-stop support for incoming talents. The online platform of the TSU has commenced operation and the Government is making preparations at full steam to set up a physical entity for the TSU. The Government also launched the Top Talent Pass Scheme to entice talents to pursue their careers in Hong Kong.

1.16 In the 2022-23 Budget (the Budget), the Financial Secretary continued to adopt an expansionary fiscal policy, focusing on supporting an all-out effort to win the fight against the epidemic, relieving the hardship of people and SMEs, rendering support to the struggling economy, and fostering a post-epidemic economic revival. Measures to support businesses included enhancing the Special 100% Loan Guarantee product under the SME Financing Guarantee Scheme, introducing a rental enforcement moratorium for tenants of specific sectors through legislation, and various reductions in taxes and fees. The Budget announced a new round of the Consumption Voucher Scheme, under which electronic consumption vouchers with a total value of \$10,000 per eligible person would be disbursed by instalment. The Budget also set out the medium- and long-term development directions of Hong Kong in accordance with the 14th Five-Year Plan.

1.17 Hong Kong's economic fundamentals and competitiveness have been well recognised internationally. The Fraser Institute continued to rank Hong Kong as the world's freest economy in the *Economic Freedom of the World 2022 Annual Report*. Meanwhile, Hong Kong was ranked fifth globally in the *World Competitiveness Yearbook 2022* published by the International Institute for Management Development (IMD), up two places from the preceding year. On innovation and digital development, Hong Kong was ranked ninth globally in the IMD's *World Digital Competitiveness Ranking 2022*, and 14th globally in the *Global Innovation Index 2022* by the World Intellectual Property Organization. Hong Kong was also ranked 14th globally and second amongst Asian economies in the IMD's *World Talent Ranking 2022*. The Government is committed to further enhancing Hong Kong's competitiveness amid keen global competition.

1.18 The Government promulgated the Hong Kong Innovation and Technology Development Blueprint to establish a clear development path and formulate systematic strategic planning for Hong Kong's innovation and technology (I&T) development over the next five to ten years, charting the path for Hong Kong to move full steam towards the vision of an international I&T centre. The Government has formulated the Blueprint from the perspective of top-level planning and design, and will take forward the Blueprint under four broad development directions, namely “to enhance the I&T ecosystem and promote ‘new industrialisation’ in Hong Kong”; “to enlarge the I&T talent pool to create strong impetus for growth”; “to promote digital economy development and develop Hong Kong into a smart city”; and “to proactively integrate into the overall development of the country and consolidate our role as a bridge connecting the Mainland and the world”.

Notes :

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

CHAPTER 2 : ECONOMIC OUTLOOK FOR 2023 AND THE MEDIUM TERM

Summary

- *Global economic growth will likely slow further in 2023 as central banks in the advanced economies are expected to continue to raise interest rates then keep them high for some time. In late January, the International Monetary Fund (IMF) projected that the global economy would grow by 2.9% in 2023, lower than the 3.4% growth in 2022. It also warned of downside risks including tensions in Ukraine, debt distress in emerging market and developing economies amid tighter global financial conditions, and persistent inflationary pressures.*
- *While demand from the advanced economies will likely weaken further and weigh on Hong Kong's exports of goods in 2023, the expected faster growth of the Mainland economy and the lifting of cross-boundary truck movement restrictions between Hong Kong and the Mainland should provide some support. With the removal of quarantine arrangements for inbound visitors and the resumption of normal travel between Hong Kong and the Mainland, visitor arrivals should stage a strong rebound and constitute a main driver of economic growth in 2023.*
- *Domestically, an improved economic outlook in tandem with the return of economic activities from the epidemic to normalcy should render a boost to private consumption in 2023, with the expected further improvement of the labour market providing additional support. Private investment will also benefit despite the tight financial conditions. This, coupled with the Government's continued efforts in pursuing infrastructure development and increasing housing supply, should help support fixed asset investment.*
- *In sum, the Hong Kong economy is expected to stage a visible rebound in 2023. Real GDP is forecast to grow by 3.5% to 5.5% in 2023, after a 3.5% contraction in 2022.*
- *Underlying consumer price inflation will likely pick up further, though remaining largely moderate in 2023. Domestic cost pressures may increase alongside the expected economic recovery. External price pressures will likely remain notable though moderating somewhat. Underlying Composite Consumer Price Index (Composite CPI) inflation is forecast at 2.5% in 2023, up from 1.7% in 2022.*

- *The medium-term outlook for the Hong Kong economy is bright. The Mainland will pursue high-quality development and maintain reasonable growth in the years to come. This, coupled with the huge growth potential of other emerging market economies in Asia, will provide ample opportunities for Hong Kong.*
- *The Government has adopted a more proactive approach to economic management, integrating a capable government and an efficient market. The Government will endeavour to build capacity for economic development through creating land, investing in infrastructure, and competing for enterprises and talents. It will also push forward the development of the innovation and technology industry to create new growth impetus for the economy. Moreover, the Government is striving to integrate further with the national development, strengthen economic relations with other Asian economies, and proactively promote high-quality co-operation with Belt and Road economies. All these efforts will yield results over time, and the Hong Kong economy is projected to grow at a trend rate of 3.7% per annum from 2024 to 2027. The trend rate of underlying Composite CPI inflation is projected at 2.5% per annum over the same period.*

Global economic outlook

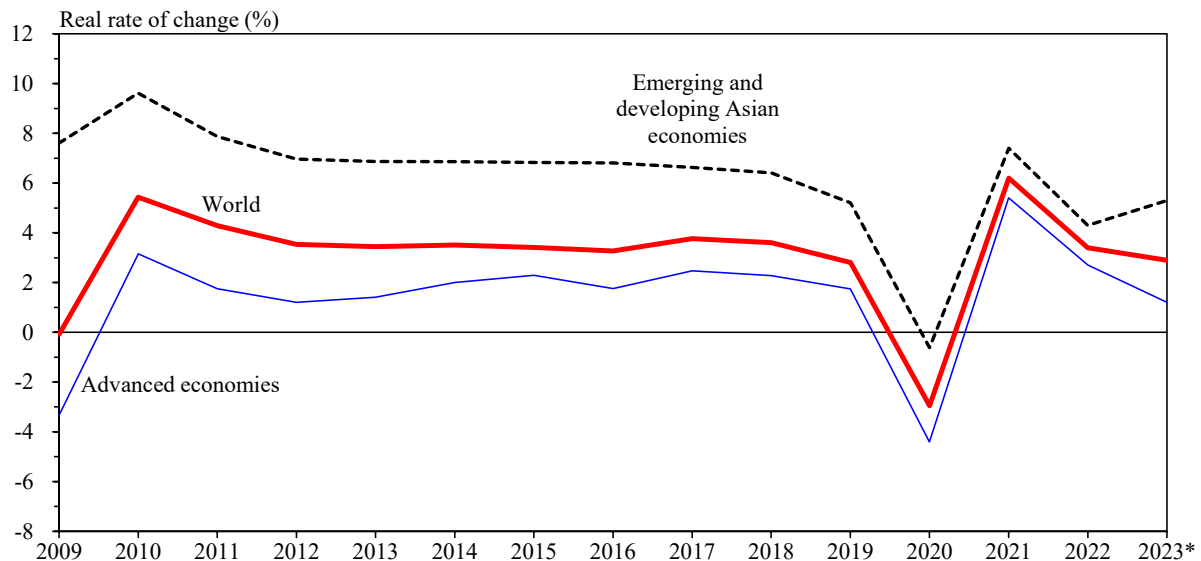
2.1 Global economic growth will likely slow further in 2023. With inflation in the advanced economies remaining high, their central banks are expected to continue to raise interest rates then keep them high for some time, further dampening demand growth. Nonetheless, the Mainland economy is expected to record faster growth with activities returning from the epidemic to normal. In late January, the IMF forecast that the global economy would grow by 2.9% in 2023 after expanding by an estimated 3.4% in 2022. It also warned of downside risks including tensions in Ukraine, debt distress in emerging market and developing economies amid tighter global financial conditions, and persistent inflationary pressures.

2.2 The Mainland's economic growth decelerated to 3.0% in 2022, dampened by slackened global economic growth and occasional increases in COVID-19 cases. Looking ahead into 2023, the deteriorating external environment will pile further pressure on the Mainland's exports. Nonetheless, with the removal of almost all anti-epidemic measures and economic activities returning to normal, domestic demand will provide impetus for growth. The annual Central Economic Work Conference in late 2022 emphasised that expanding domestic demand would be the primary focus in 2023, with priority on restoring and expanding consumption. The various measures to support the economy introduced over the past year should increasingly yield results as the threat of the epidemic fades. The IMF forecast that the Mainland's economic growth would accelerate to 5.2% in 2023.

2.3 Regarding the advanced economies, the US economy posted visibly decelerated growth of 2.1% in 2022 mainly due to weakened private consumption. As the labour market stayed largely resilient and inflation remained high, the Federal Reserve (Fed) indicated that it would raise interest rates further, and maintain a sufficiently restrictive policy stance to return inflation to 2% over time. This would continue to weigh on consumption and investment. The IMF forecast the US' economic growth in 2023 at 1.4%. In Europe, the euro area economy grew by a moderated 3.5% in 2022 as high inflation and subsequent monetary policy tightening by the European Central Bank and concerns about energy supply amid geopolitical tensions dampened both economic activities and sentiment. Looking forward, the prevailing negative factors are expected to continue, and the IMF forecast that growth in the euro area economy would decelerate visibly to 0.7% in 2023.

2.4 Many other major Asian economies also saw softened growth in 2022. Looking ahead, the economic growth momentum in the region will likely moderate further in 2023, though the extent will vary among economies. Generally speaking, trading activities of most Asian economies will likely be constrained by weak demand from the advanced economies, though the expected faster growth of the Mainland economy should offset some of the negative effects. On the other hand, domestic demand should remain resilient.

Diagram 2.1 : Global economic growth will likely slow further in 2023



Source : IMF World Economic Outlook Update, January 2023.

Note : (*) Forecasts from the IMF.

Table 2.1 : Growth forecasts for major economies in 2023

	2023			
	<u>2022</u>[*] (%)	<u>IMF</u>[*] (%)	<u>UN</u>[@] (%)	Private sector <u>forecast</u>[^] (%)
World (PPP ^{##} weighted)	3.4	2.9	2.3	-
Advanced economies	2.7	1.2	-	-
US	2.1 [#]	1.4	0.4	0.6
Euro area	3.5 [#]	0.7	0.1	0.3
UK	4.0 [#]	-0.6	-0.8	-0.7
Japan	1.1 [#]	1.8	1.5	1.3
Emerging market and developing economies	3.9	4.0	-	-
Emerging and developing Asia	4.3	5.3	-	-
Mainland China	3.0 [#]	5.2	4.8	5.1
India [~]	6.8	6.1	6.0	7.0
ASEAN-5 ^{\$}	5.2	4.3	-	-
Middle East and Central Asia	5.3	3.2	-	-

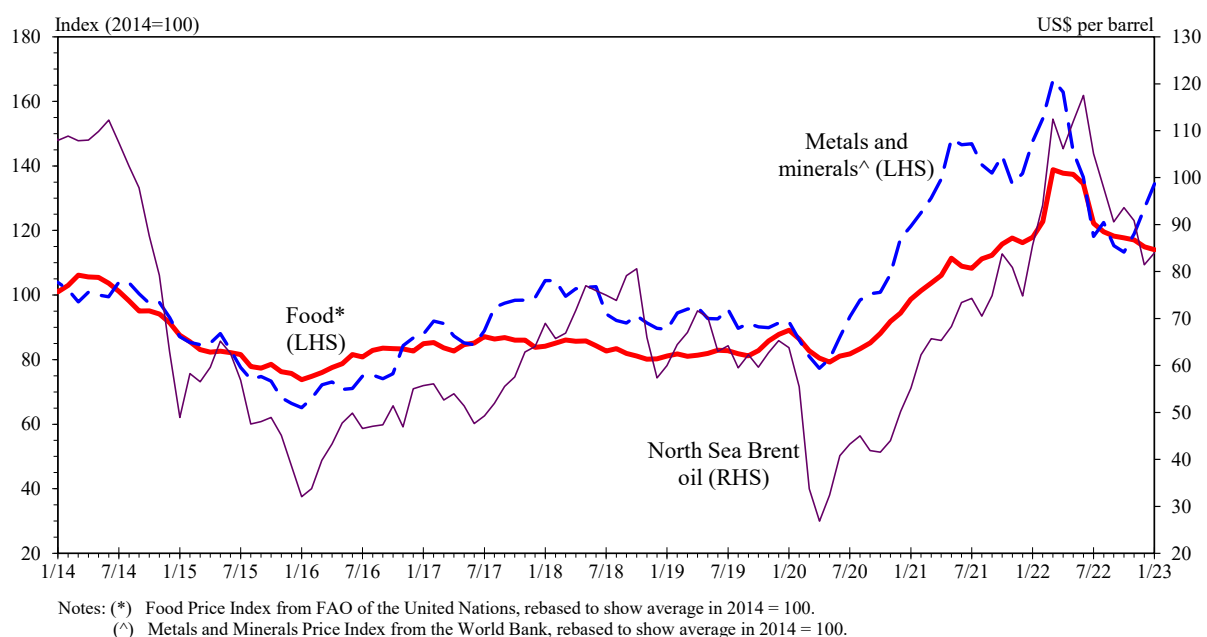
Notes : (*) IMF World Economic Outlook Update, January 2023.
 (@) United Nations World Economic Situation and Prospects, January 2023.
 (^) Average forecasts as at 14 February 2023.
 (-) Not available.
 (#) Actual figures.
 (##) PPP refers to purchasing power parity.
 (~) India's GDP growth refers to fiscal year.
 (\$) Includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.

World inflation and global commodity prices

2.5 Global inflation soared in 2022, and is expected to stay high in 2023 despite some likely moderation as a result of the sharp monetary policy tightening by major central banks and the easing of supply chain bottlenecks. In late January, the IMF forecast that global inflation would ease from 8.8% in 2022 to 6.6% in 2023, within which inflation in advanced economies from 7.3% to 4.6%.

2.6 International prices of energy, selected metals and food surged in 2022 upon the onset of conflicts in Ukraine, but their prices have generally come down to levels prior to the conflicts by early 2023. Looking ahead, while the slackening global growth momentum will pose downward pressure on commodity prices, uncertainties surrounding their outlook remain high. The continued tensions in Ukraine may affect energy and food supply in the region while the weather conditions in Europe may affect energy demand and thus their prices. The production decisions by oil-producing economies will also have a bearing on international oil prices.

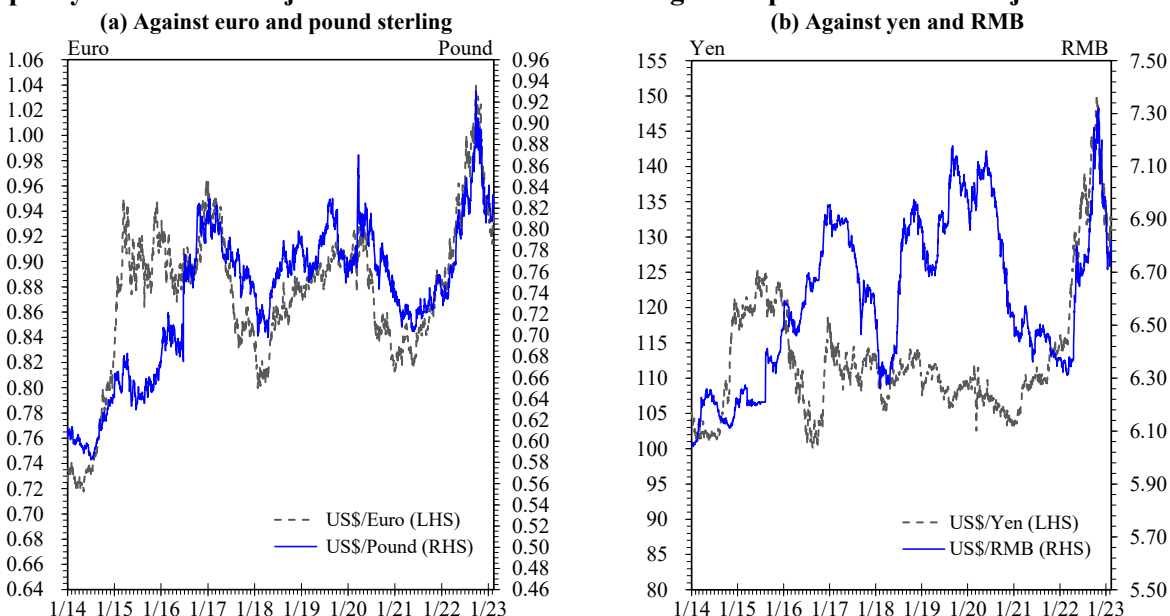
Diagram 2.2 : The uncertainties about the outlook for international commodity prices remain high in 2023



Exchange rate movements

2.7 Amid the aggressive monetary policy tightening by the Fed, the US dollar strengthened visibly against most currencies in 2022. Under the Linked Exchange Rate System, the Hong Kong dollar also appreciated sharply against the currencies of Hong Kong's major trading partners as measured by the nominal trade-weighted effective exchange rate index. The direction of exchange rate movements in 2023 will, as always, be subject to various uncertainties, including the monetary policy decisions of major central banks, relative economic growth performance among major economies, and the geopolitical developments. Envisaging a slower pace of US interest rate hikes, the market expects that the US dollar will likely ease against other major currencies in 2023.

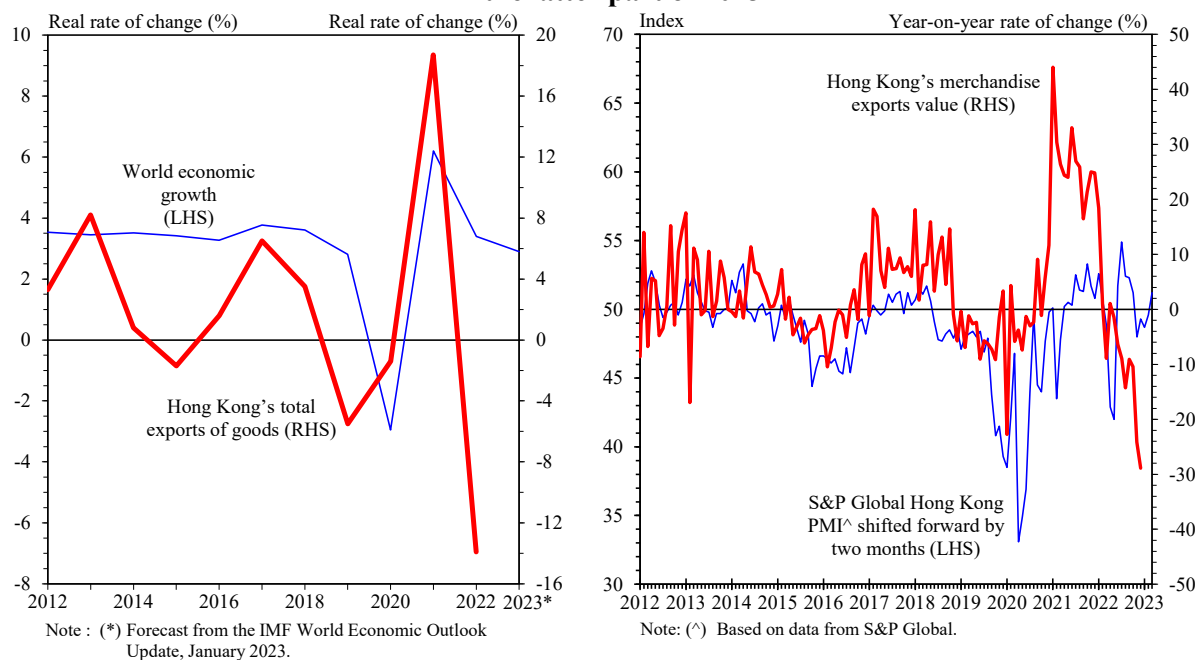
Diagram 2.3 : Exchange rate movement in 2023 will depend on such factors as monetary policy decisions of major central banks and relative growth performance of major economies



Outlook for the Hong Kong economy in 2023

2.8 The sharply deteriorated external environment and the disruptions to cross-boundary truck movements between Hong Kong and the Mainland dealt a heavy blow to Hong Kong's goods exports in 2022. While demand from the advanced economies will likely weaken further and weigh on Hong Kong's goods exports in 2023, the expected faster growth of the Mainland economy will provide some offset. The lifting of cross-boundary truck movement restrictions between Hong Kong and the Mainland should also help. Hong Kong's exports of goods may see better performance in the latter part of the year as the recovery of the Mainland economy takes hold and interest rates in the advanced economies stabilise.

Diagram 2.4 : Hong Kong's exports of goods may see better performance in the latter part of 2023



2.9 Exports of services declined slightly in 2022 alongside the difficult external environment, though inbound tourism showed some revival towards the end of the year. With the removal of quarantine arrangements for inbound visitors and the resumption of normal travel between Hong Kong and the Mainland, visitor arrivals should stage a strong rebound and constitute a main driver of economic growth in 2023. The expected faster growth of the Mainland economy should lend support to cross-border financial and business activities. Exports of trade-related services should also regain some momentum alongside the expected better performance of merchandise exports in the latter part of the year.

2.10 Domestic demand was dampened first by the fifth wave of the local epidemic and then the tightened financial conditions in 2022. Nonetheless, private consumption has seen improvement since the second quarter alongside the stabilised local epidemic situation, improved labour market conditions and disbursement of consumption vouchers. As for 2023, an improved economic outlook in tandem with the return of economic activities from the epidemic to normalcy should render a boost to private consumption. The expected further improvement of the labour market will provide additional support. Private investment will also benefit though tight financial conditions may impose some constraints. This, coupled with the Government's continued efforts in pursuing infrastructure development and increasing housing supply, should help support fixed asset investment. The Government's policy initiatives and relief measures as unveiled in the 2023-24 Budget will give further support to the local economy.

Diagram 2.5 : The expected further improvement of the labour market should provide additional support to private consumption expenditure in 2023

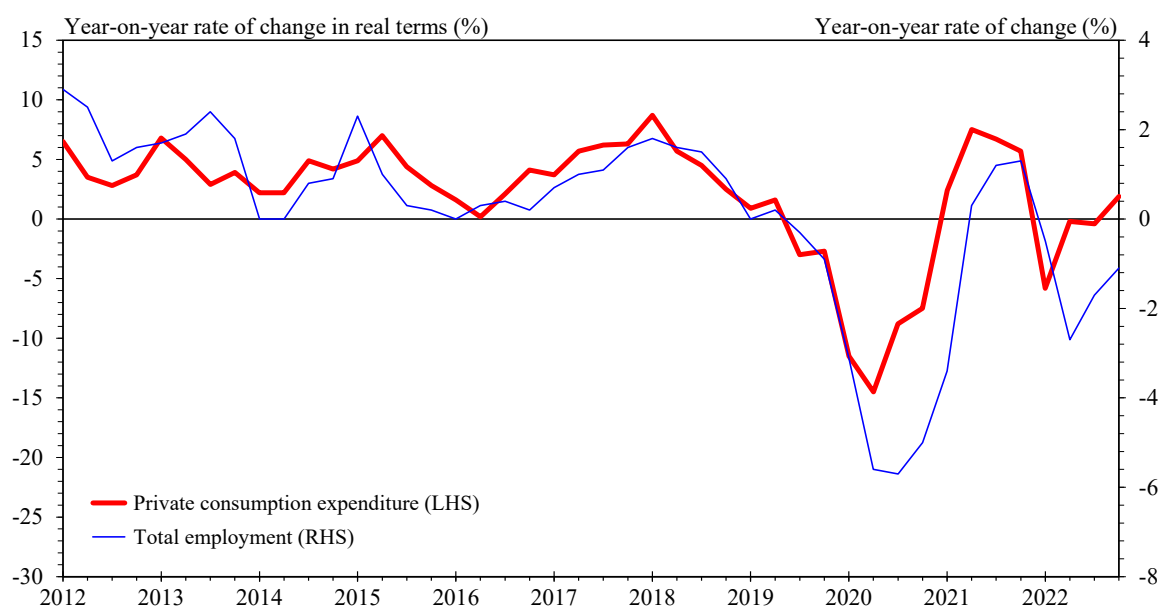


Diagram 2.6 : The tight financial conditions in 2023 may impose some constraints on the asset markets

(a) Housing wealth

(b) Equity wealth

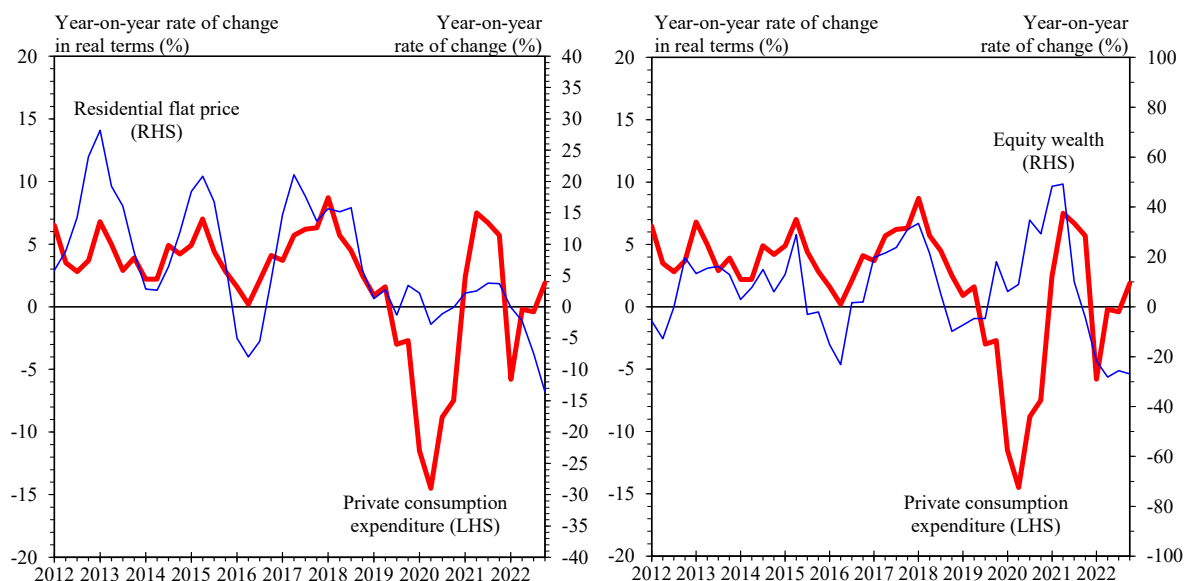
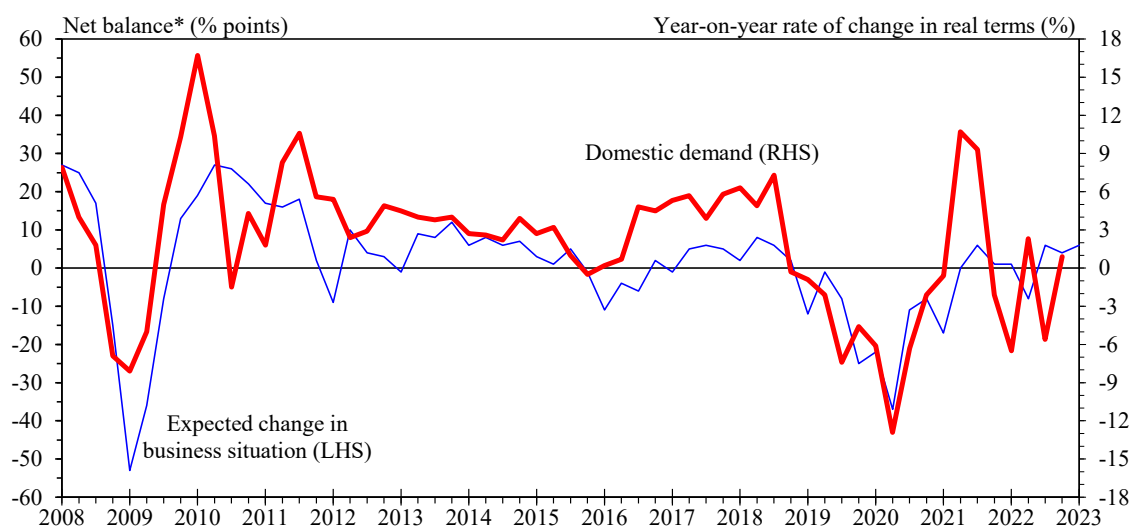
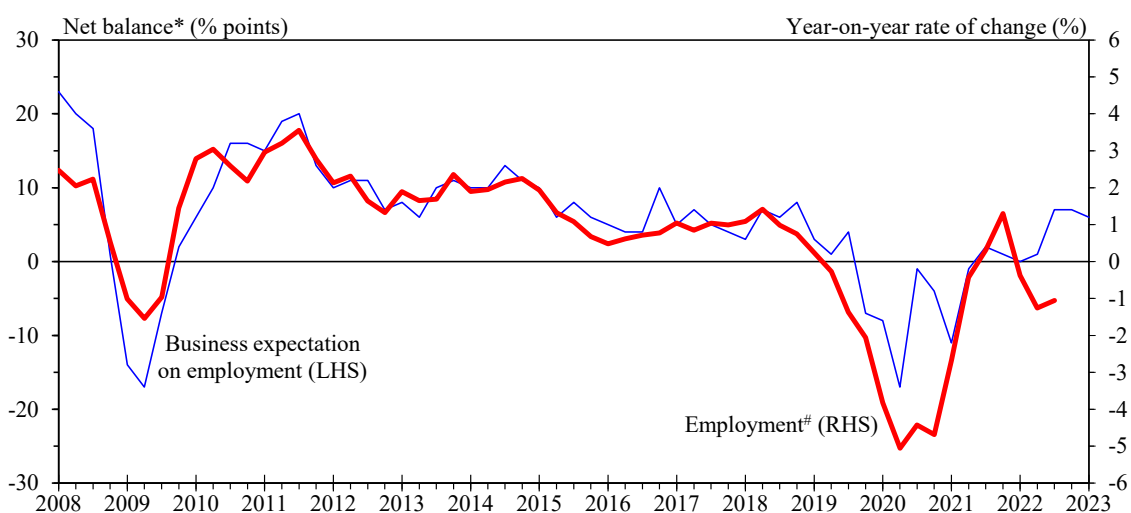


Diagram 2.7 : Business sentiment saw some improvement on entering 2023



Note : (*) Net balance indicates the direction of expected change in 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.

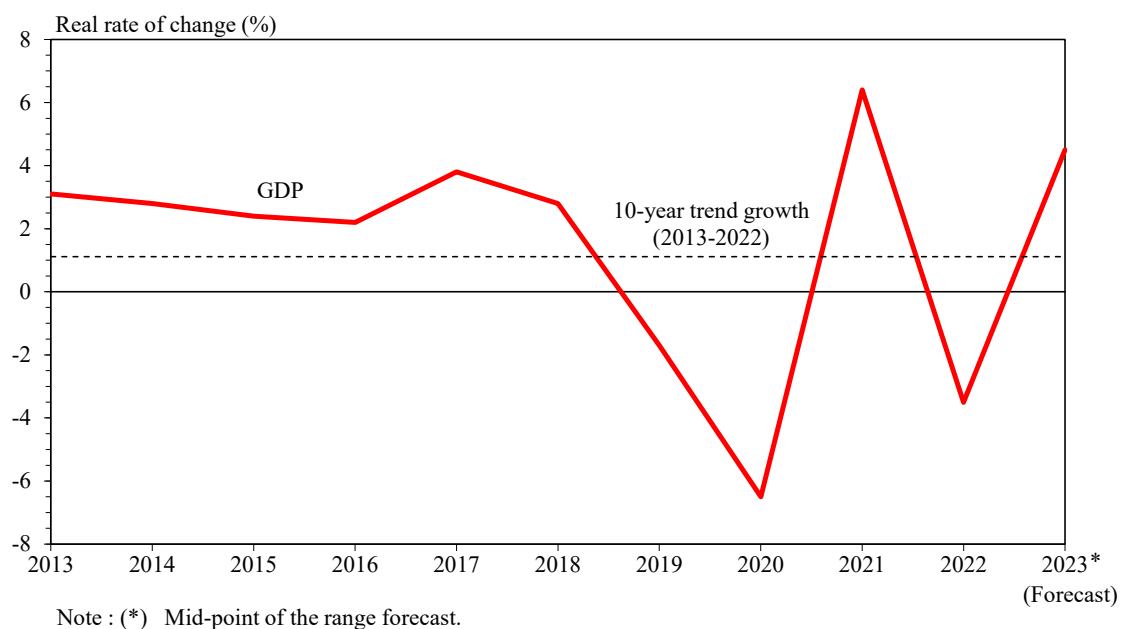
Diagram 2.8 : Overall hiring sentiment stayed positive on entering 2023



Notes : (*) Net balance indicates the direction of expected change in 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.
(#) Employment in the private sector.

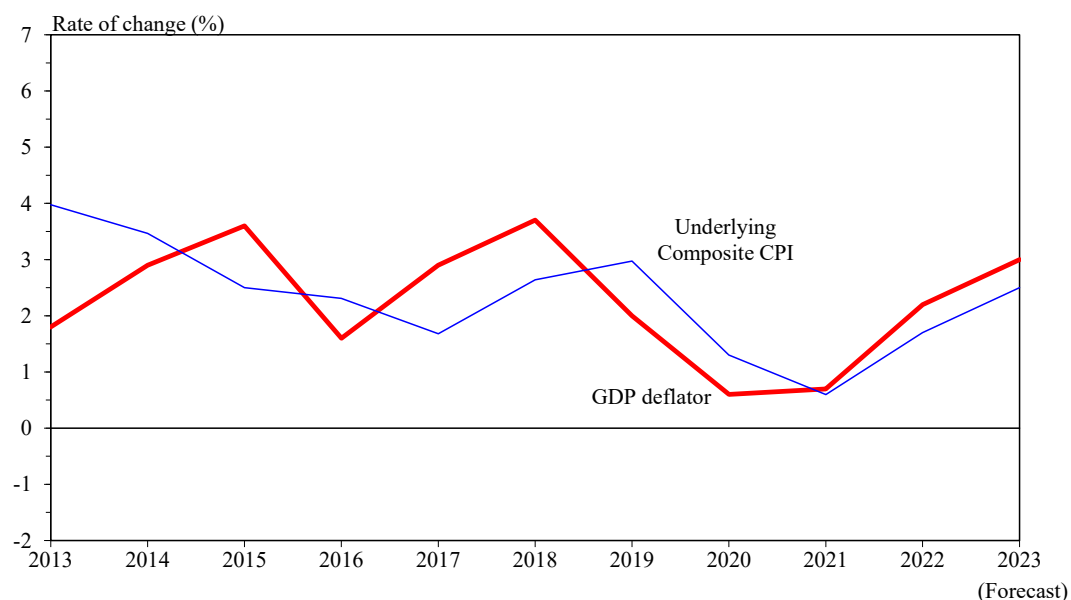
2.11 In sum, the Hong Kong economy is expected to stage a visible rebound in 2023, though substantial uncertainties remain. Real GDP is forecast to grow by 3.5% to 5.5% in 2023, after a 3.5% contraction in 2022. The forecast is predicated on the assumptions that economic activities in Hong Kong and the Mainland as well as economic exchanges between the two places will return from the epidemic to normal in a steady and progressive manner, US interest rates will stabilise by around mid-2023, and tensions in Ukraine will not escalate. For comparison, the latest forecasts by private sector analysts for Hong Kong's economic growth in 2023 range from 1.4% to 6.5%, averaging 3.2%. The IMF forecast made in October 2022 is 3.9%.

Diagram 2.9 : Real GDP is forecast to grow by 3.5-5.5% in 2023



2.12 Underlying consumer price inflation in Hong Kong was largely moderate in overall terms in 2022. Looking ahead, it will likely pick up further, though remaining largely moderate in 2023. Domestically, commercial rentals and labour costs may increase alongside the expected economic recovery. The year-on-year decline in the private residential rental component of the CPI is expected to narrow further. While external price pressures are likely to see some moderation alongside the decelerating inflation in the major economies, they should remain notable for some time. Overall, underlying Composite CPI inflation is forecast at 2.5% in 2023, up from 1.7% in 2022. The GDP deflator is forecast to rise by 3% in 2023. For reference, the latest forecasts for consumer price inflation in 2023 by private sector analysts average 2.3%, and the IMF forecast made in October 2022 is 2.4%.

Diagram 2.10 : Underlying Composite CPI inflation is forecast to pick up to 2.5% in 2023



Forecast rate of change in 2023 (%)

Gross Domestic Product (GDP)

<i>Real GDP</i>	3.5 to 5.5
<i>Nominal GDP</i>	6.5 to 8.5
<i>Per capita GDP in real terms</i>	2.9 to 4.9
<i>Per capita GDP at current market prices</i>	HK\$407,300 – 415,000 (US\$52,200 – 53,200)

Underlying Composite CPI **2.5**

GDP Deflator **3**

Forecast on Hong Kong's real GDP growth in 2023 recently made by other selected parties

	(%)
Asian Development Bank (December 2022)	2.9
IMF (October 2022)	3.9
Average forecast by private sector analysts [#]	3.2

Note : (#) Real GDP growth forecasts by private sector analysts fall between 1.4% and 6.5%.

Medium-term outlook for the Hong Kong economy

2.13 The medium-term outlook for the Hong Kong economy is bright. Global economic gravity will continue to shift eastward. The Mainland will pursue high-quality development through deepening reforms and opening-up, and maintain reasonable growth in the years to come. This, coupled with the huge growth potential of other emerging market economies in Asia, will provide ample opportunities for Hong Kong. While prospects of the advanced economies may not be as bright given their stage of economic development and various structural issues, growth is expected to gradually return to its long-run potential after the current downturn. The US economy should return to moderate growth in the medium term, with the exact pace dependent in part on the implementation and effect of its infrastructure investment plan. The euro area economy should converge back to a modest growth path given the high public debts in some member states and the threat of energy supply disruptions. The potential growth rate of Japan will continue to be constrained by population ageing and high government debts. Meanwhile, geopolitical tensions, in particular the evolving relationships between our country and some Western economies, will remain an issue that warrants attention.

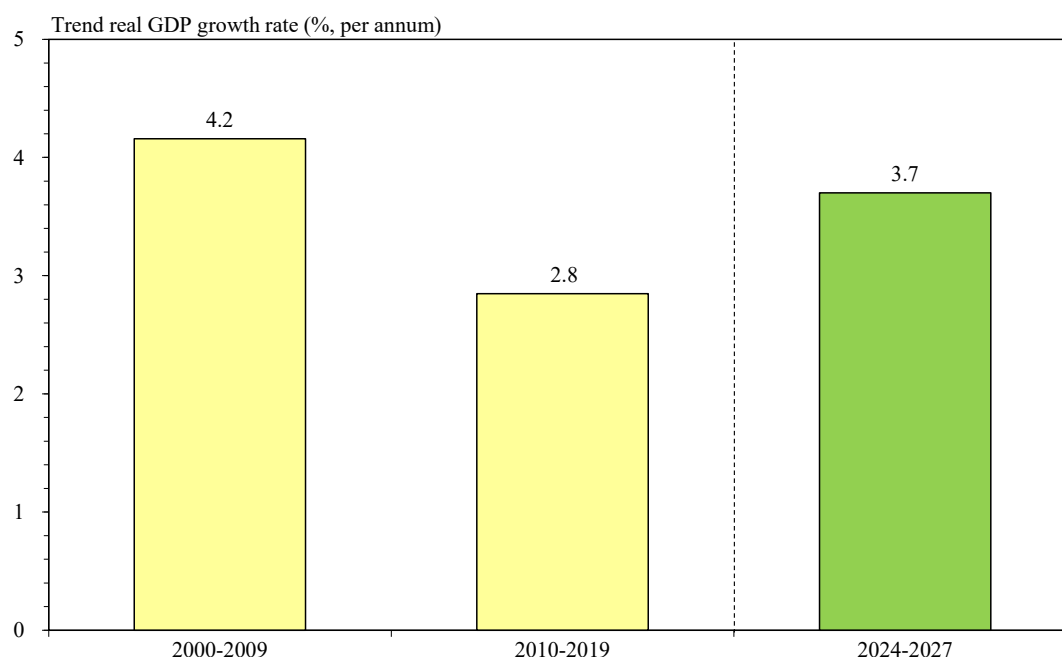
2.14 The Government has adopted a more proactive approach to economic management, integrating a capable government and an efficient market. With a view to improving the longer-term growth prospects, the Government will endeavour to build capacity for economic development through creating land, investing in infrastructure, and competing for enterprises and talents. On top of reinforcing our traditional edges such as financial services, it will also push forward the development of the innovation and technology industry to create new growth impetus for the economy.

2.15 The Report to the 20th National Congress of the Communist Party of China fully demonstrates the Central Government's support to Hong Kong, and gives full play to the strengths of Hong Kong for better integration into the national development. To grasp the ample opportunities that arise, Hong Kong will continue to play the role of an important node in the international circulation of our country while participating in the domestic circulation of the national economy. Moreover, the Hong Kong Special Administrative Region Government is striving to strengthen economic relations with other Asian economies, and proactively promote high-quality co-operation with Belt and Road economies in trade and commerce, professional services and cultural exchanges. Hong Kong is also actively pursuing accession to the Regional Comprehensive Economic Partnership.

2.16 The efforts mentioned above will yield results over time. Taking all the factors into account, the Hong Kong economy is expected to grow by 3.7% per annum from 2024 to 2027, faster than the forecast trend growth of 3% per annum for 2023 to 2026 as put out in the 2022-23 Budget. Apart from the secular developments, the continued return of economic activities to normalcy will also enable the Hong Kong economy to record above-trend growth in the early part of the medium-term period.

2.17 The inflation outlook for Hong Kong in the medium term will depend on various factors. Externally, inflationary pressures are expected to gradually subside from the current elevated level subsequent to the sharp tightening of monetary policy by major central banks. Yet, the rising trend of protectionism and de-globalisation, as well as geopolitical tensions may pose upside risks. Locally, while the expected faster economic growth in the coming years may put pressure on prices, the Government's persistent efforts in promoting innovation and technology, nurturing human capital, attracting talents from around the world, and stepping up land and housing supply should expand our productive capacity, thereby helping keep cost pressures contained. Taking all these factors into account, the trend rate of underlying Composite CPI inflation in Hong Kong from 2024 to 2027 is forecast at 2.5% per annum.

Diagram 2.11 : Medium-term trend growth forecast at 3.7% per annum



Note : The Hong Kong economy recorded the largest ever contraction amid the outbreak of the COVID-19 pandemic in 2020, rebounded sharply in 2021 and shrank again in 2022, in stark contrast to the growth trend in the pre-pandemic years. Hence, the 10-year trend growth for the period 2010 – 2019, instead of 2011 – 2020, 2012 – 2021, or 2013 – 2022, is used to better illustrate the underlying growth trajectory in recent years.

CHAPTER 3 : THE EXTERNAL SECTOR

Summary

- *The external environment deteriorated sharply in 2022. Economic growth in the advanced economies slowed, as inflation soared to very high levels due to the disruptions to supply chains and geopolitical tensions in Ukraine, and major central banks tightened monetary policy significantly. Meanwhile, the Mainland economy was dampened by slackened global economic growth and occasional increases in COVID-19 cases. According to the International Monetary Fund (IMF), global economic growth slowed from 6.2% in 2021 to 3.4% in 2022.*
- *Moderated global economic growth, coupled with disruptions to cross-boundary truck movements between Hong Kong and the Mainland, posed a significant drag on Hong Kong's export performance. Hong Kong's merchandise exports plunged by 14.8% in real terms⁽¹⁾ in 2022. Exports to the Mainland, the US and the EU turned to visible declines. Exports to other major markets in Asia saw worsened performance.*
- *Exports of services declined slightly by 0.9% in real terms in 2022. Exports of transport services declined alongside the weak trade performance. Exports of financial services and business and other services also fell amid the deteriorated external environment. On the other hand, with testing and quarantine arrangements for inbound visitors progressively relaxed, exports of travel services surged but were still far below the pre-pandemic level.*
- *As the epidemic generally stabilised over the course of the year, the Government made huge efforts to strengthen Hong Kong's international exposure and promote Hong Kong's strengths. The Chief Executive and the Principal Officials led a number of overseas delegations. The Government also continued to strengthen Hong Kong's economic links with the Mainland and overseas economies, including signing Memorandums of Understanding (MOUs) with Shenzhen and Shandong and announcing the launch of bilateral free trade agreement negotiations with Peru.*

Merchandise trade

External environment

3.1 The external environment deteriorated sharply. According to the IMF, global economic growth slowed from 6.2% in 2021 to 3.4% in 2022, with all the major economies recording moderated growth.

3.2 The Mainland's economic growth decelerated to 3.0% in 2022, dampened by slackened global economic growth and occasional increases in COVID-19 cases. To bolster the economy, the Mainland authorities rolled out a number of measures to strengthen investment and consumption, support the steady and healthy development of the property market, and alleviate the cost burden of enterprises. The People's Bank of China cut the reserve requirement ratios of financial institutions in April and December by 50 basis points in total. The one-year and five-year loan prime rates were lowered by 15 and 35 basis points respectively during the year.

3.3 Major central banks tightened monetary policy significantly during 2022 as inflation in the advanced economies soared to very high levels due to the disruptions to supply chains and geopolitical tensions in Ukraine. In the US, the Federal Reserve raised the target range for the federal funds rate seven times by 425 basis points in total, and started to reduce the size of its balance sheet in the middle of the year. Private consumption weakened and as a result real GDP growth decelerated visibly to 2.1%, though the labour market remained resilient. In Europe, the European Central bank raised key interest rates by a total of 250 basis points between July and December. As the record-high inflation and subsequent monetary policy tightening and concerns about energy supply amid geopolitical tensions dampened both economic activities and sentiment, the euro area economy grew by a moderated 3.5%.

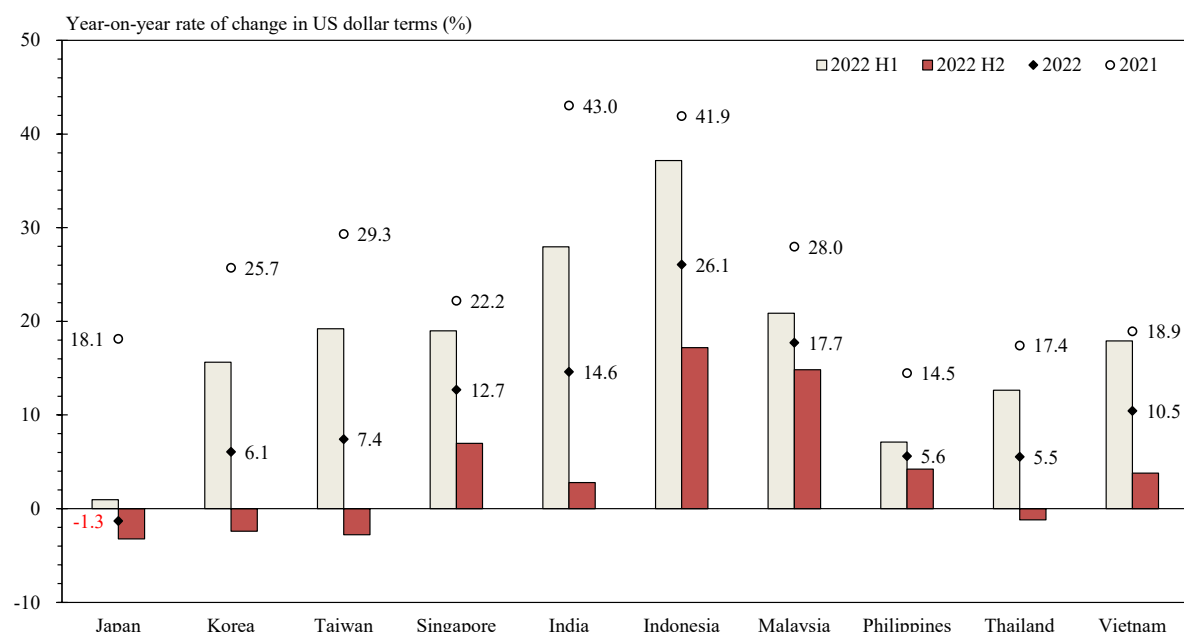
3.4 Meanwhile, many other major Asian economies saw softened growth in 2022. Manufacturing and trading activities generally moderated due to the weaknesses in the latter half of the year (see **Box 3.1**). Many Asian economies including Singapore, Korea and Taiwan tightened their monetary policies to combat inflation during the year, while the Bank of Japan kept its policy rates at record lows.

Box 3.1

Export performance of selected Asian economies

Merchandise exports of Asian economies stayed largely robust in the first half of 2022, extending the uptrend seen in the preceding year. Most of the selected Asian economies⁽¹⁾ saw their exports in US dollar terms expanding at double-digit paces in the first half of 2022 over a year earlier (*Chart 1*), while those of Japan only showed meagre growth reflecting the initial effect of the visible depreciation of the Japanese Yen⁽²⁾. While advanced economies such as the US and the EU began to show signs of softening over the period, their imports from the Asian economies was still broadly solid. The robust economic performance of the Mainland in early 2022 also rendered further support to regional trade.

Chart 1: Exports of Asian economies generally worsened in the second half of 2022



Sources : CEIC and internal estimation.

Yet the regional trade scene deteriorated progressively over the course of the year as multiple headwinds including the continued tensions in Ukraine, soaring inflation in the advanced economies and the resulting sharp monetary policy tightening by major central banks gusted across the global economy, leading to significant weakening of demand for Asia's exports and regional trade flows. Consequently, merchandise exports of the selected Asian economies generally worsened in the second half of 2022, with some of them even turning to year-on-year declines. Exports to major markets including the Mainland, the US, the EU and the ASEAN all showed varying degree of deterioration, indicating that the moderation in external demand was rather broad-based (*Chart 2*). For 2022 as a whole, all of the selected Asian economies recorded deteriorated export performance as compared to the preceding year, though energy and food exporters such as Indonesia and Malaysia held up better on the back of elevated commodity prices.

(1) Include Japan, Korea, Taiwan, Singapore, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

(2) In the first half of 2022, the Japanese Yen depreciated by over 10% against the US dollar from a year earlier, steeper than other major Asian currencies. In Japanese Yen terms, merchandise exports of Japan actually expanded visibly by 15.2% year-on-year in the first half of 2022.

Box 3.1 (Cont'd)

Chart 2a: Mainland, US, EU and ASEAN are major export markets of the selected Asian economies

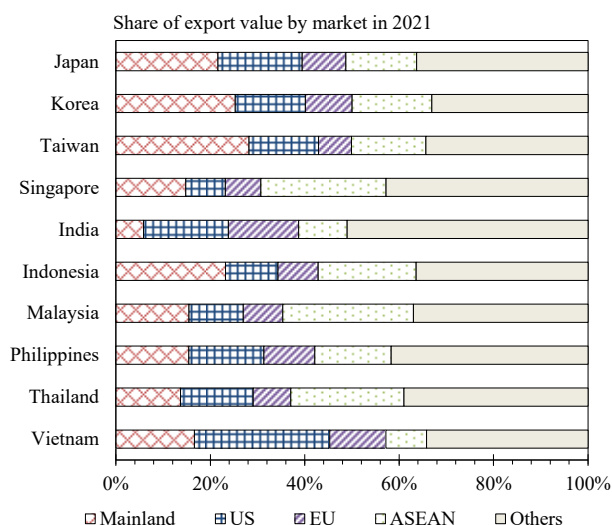
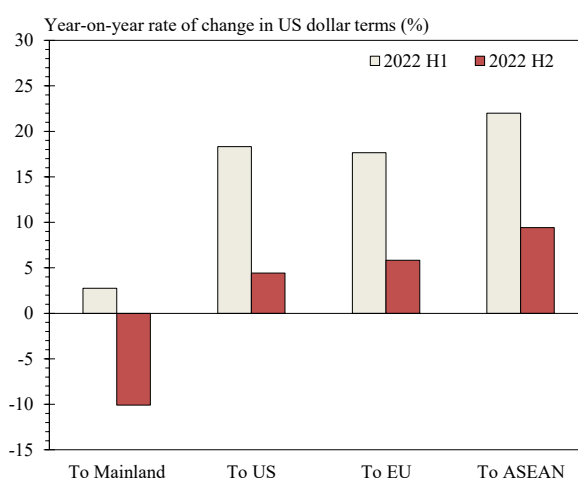


Chart 2b: Exports of selected Asian economies to all major markets worsened visibly in the second half of 2022



Note : The Philippines' exports to the ASEAN exclude those to Cambodia and Myanmar due to data availability.
Sources : CEIC and internal estimation.

Looking ahead, the regional trade performance will likely remain constrained by the weak demand from the advanced economies. In its latest *World Economic Outlook*, the IMF projected the global economic growth to slow further from 3.4% in 2022 to 2.9% in 2023, noting that the rise in central bank policy rates to fight inflation and sustained geopolitical tensions would continue to weigh on economic activities. Earlier in October 2022, the World Trade Organization (WTO) trimmed its growth forecast for global merchandise trade to 1.0% in volume terms in 2023, down from the previous estimate of 3.4%. Yet, the forecast by the WTO has not taken into account the much improved outlook of the Mainland economy on entering 2023. Considering the close trade linkages between the Mainland and other Asian economies, an expected faster growth of the Mainland economy should help offset some of the external headwinds facing the region this year.

Merchandise exports

3.5 Hong Kong's *merchandise exports* plunged by 14.8% in real terms in 2022, after surging by 19.9% in 2021. On top of the moderated global economic growth, disruptions to cross-boundary truck movements between Hong Kong and the Mainland also posed a significant drag on exports to the Mainland and *re-exports*⁽²⁾ of Mainland origin to other parts of the world. Merchandise exports turned to a year-on-year decline of 6.0% in real terms in the first quarter, and recorded widened declines of 8.9%, 17.4% and 25.3% in the subsequent quarters.

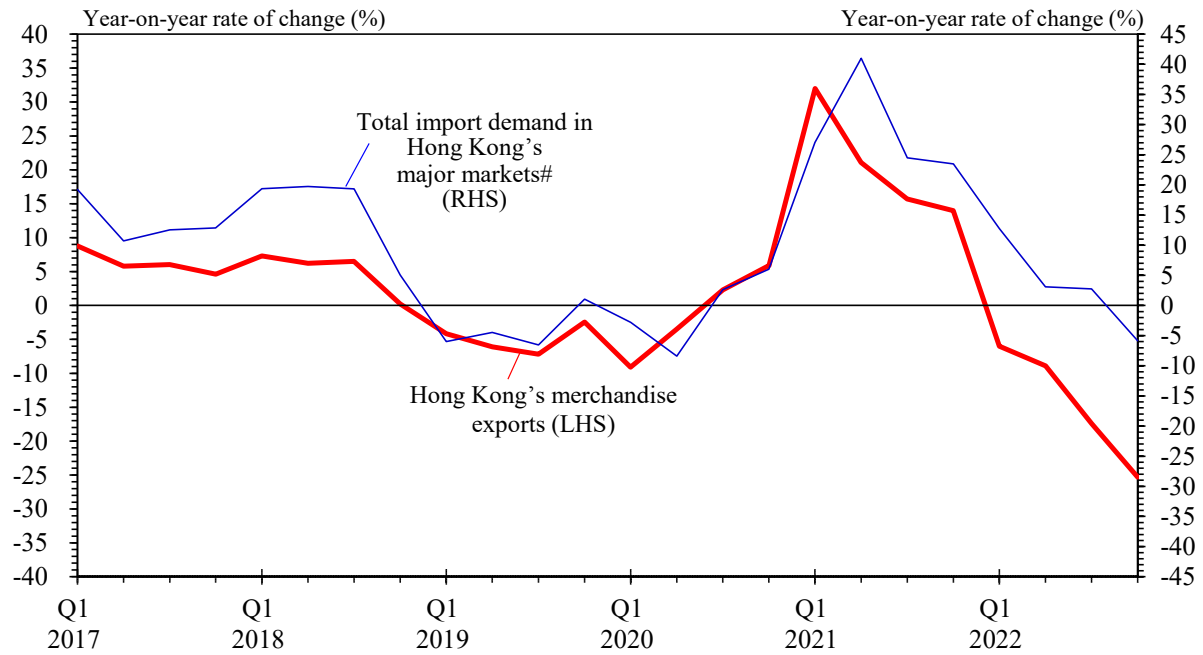
**Table 3.1 : Merchandise exports
(year-on-year rate of change (%))**

		In value terms	In real terms ^(a)	Change in prices
2021	Annual	26.3	19.9	5.4
	Q1	33.2	32.0 (13.3)	1.0
	Q2	27.2	21.1 (-4.2)	5.0
	Q3	22.7	15.7 (2.0)	6.1
	Q4	23.8	14.0 (2.0)	9.0
2022	Annual	-8.6	-14.8	7.8
	Q1	3.4	-6.0 (-6.3)	10.3
	Q2	-2.4	-8.9 (-7.4)	8.0
	Q3	-10.9	-17.4 (-7.5)	8.5
	Q4	-21.7	-25.3 (-6.6)	5.3

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*.

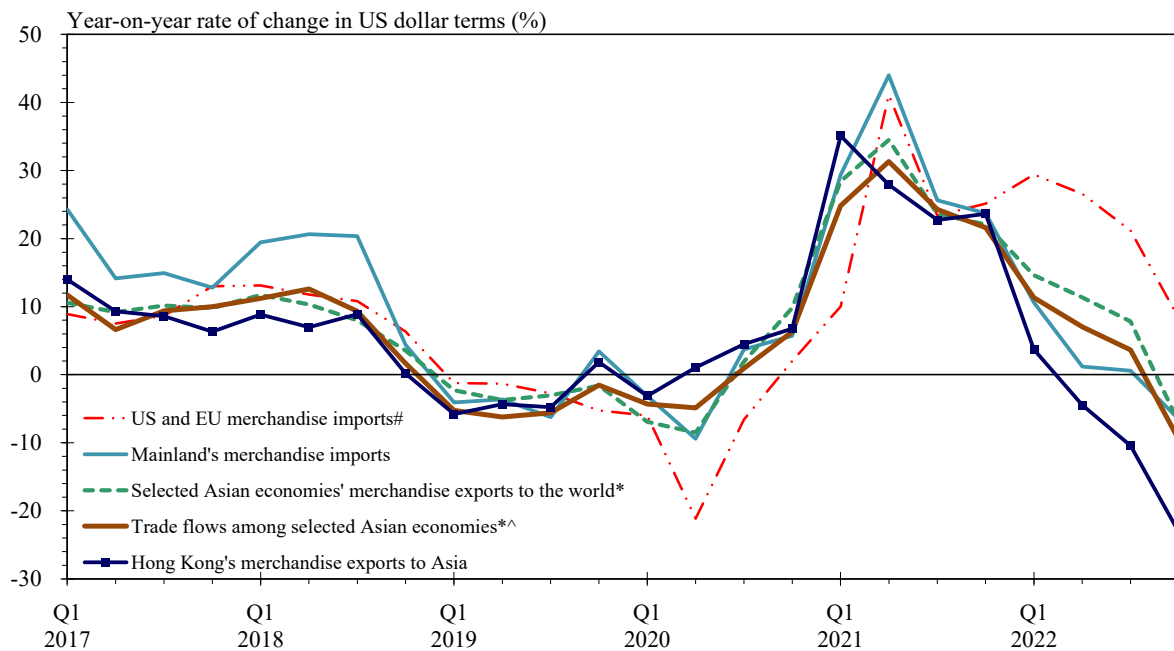
Diagram 3.1 : Merchandise exports plunged in 2022



Notes : Merchandise exports 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 US and the EU taken together.

(#) Import demand for the EU for the fourth quarter of 2022 is based on information available as of early February 2023.

Diagram 3.2 : Regional trade flows weakened in 2022

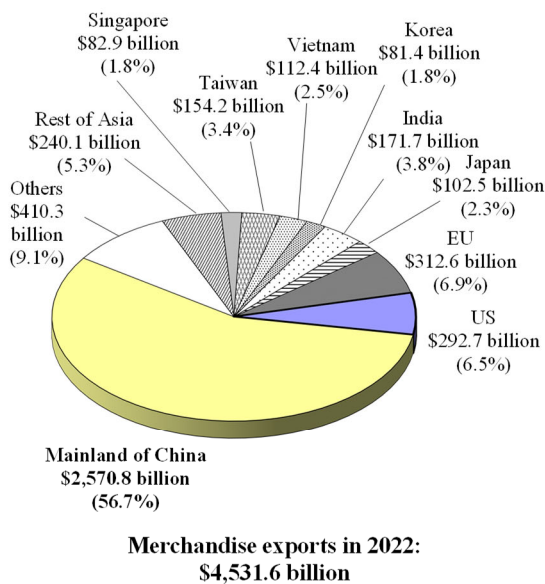


Notes : (#) EU merchandise imports for the fourth quarter of 2022 are based on the information available as of early February 2023.

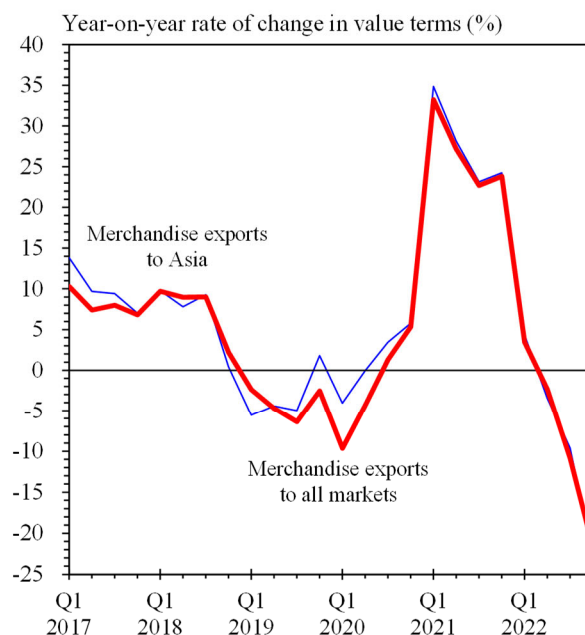
(*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.

(^) The trade flows were measured by the sum of the individual economies’ merchandise exports to the other nine economies within the “selected Asian economies”.

Diagram 3.3 : Exports to Asia recorded a visible decline in 2022



Note : Figures in brackets are individual markets' percentage shares in merchandise exports.



**Table 3.2 : Merchandise exports 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>Annual</u>	<u>Q1</u>	<u>2022</u> <u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Mainland of China	17.7	37.5	18.8	11.4	8.5	-20.6	-13.4	-18.0	-21.0	-29.2
US	20.5	21.4	17.4	19.8	23.2	-10.7	11.2	7.3	-22.1	-29.4
EU	19.9	26.0	10.2	22.5	21.4	-10.5	2.1	2.0	-15.3	-25.3
ASEAN	18.4	11.4	18.6	17.0	26.0	2.1	13.6	17.4	1.4	-18.4
Vietnam	19.7	32.9	22.8	3.5	23.1	4.3	14.1	22.5	8.6	-22.0
Singapore	17.4	-2.2	14.3	34.4	23.2	12.4	28.0	23.0	10.5	-6.3
India	32.6	21.3	48.9	20.9	47.1	26.0	38.0	78.4	19.1	-8.5
Japan	7.2	7.9	-1.2	16.9	6.2	-17.4	7.7	-15.2	-24.6	-33.9
Taiwan	35.0	44.6	28.3	36.8	32.3	-0.5	23.4	5.1	-4.6	-21.5
Korea	41.0	33.9	28.6	56.9	44.3	7.3	9.8	21.4	7.1	-5.9
Overall*	19.9	32.0	21.1	15.7	14.0	-14.8	-6.0	-8.9	-17.4	-25.3

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*.

3.6 Analysed by major market, exports to the Mainland, the US and the EU turned to visible declines in 2022. Exports to Japan recorded a double-digit decline, while those to most other major markets in Asia grew at decelerated pace. The worsening of performance was particularly obvious in the latter part of the year for most of the markets.

Diagram 3.4 : Exports to the Mainland turned to a visible decline in 2022

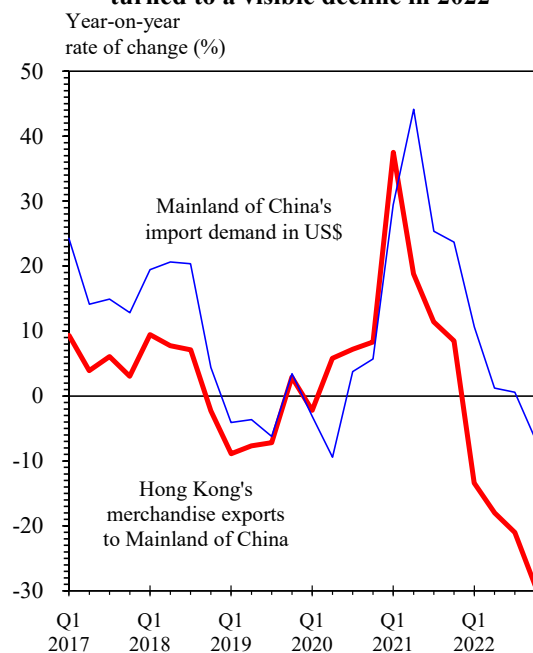
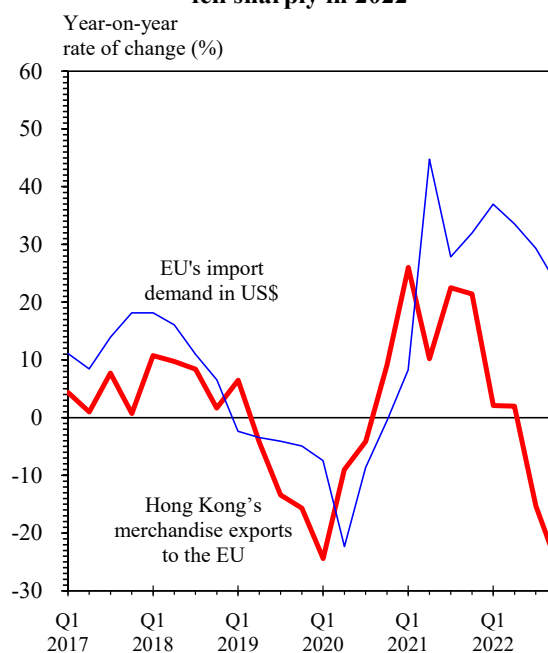


Diagram 3.5 : Exports to the EU fell sharply in 2022



Note : The import demand figure for the EU for the fourth quarter of 2022 is based on the information available as of early February 2023.

Diagram 3.6 : Exports to the US plunged in 2022

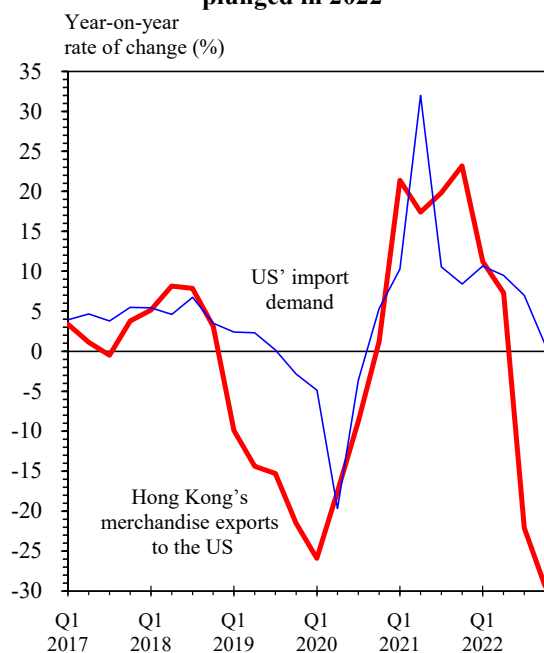


Diagram 3.7 : Exports to Japan recorded a double-digit decline in 2022

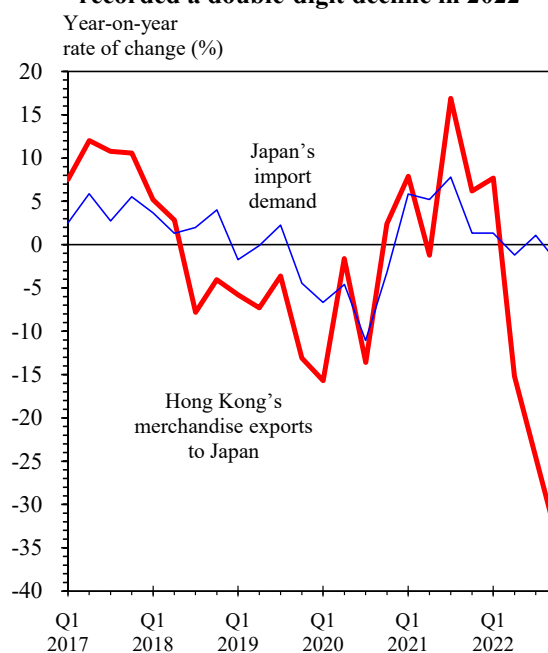


Diagram 3.8 : Exports to India softened towards the end of 2022

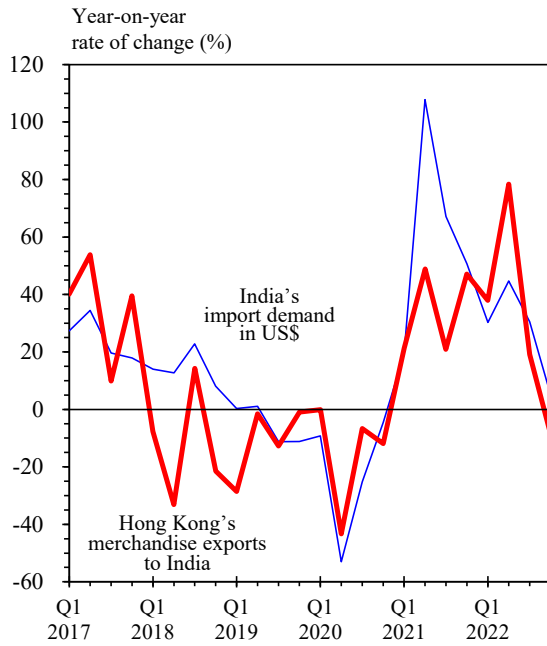


Diagram 3.9 : Exports to Taiwan started to contract from the third quarter of 2022

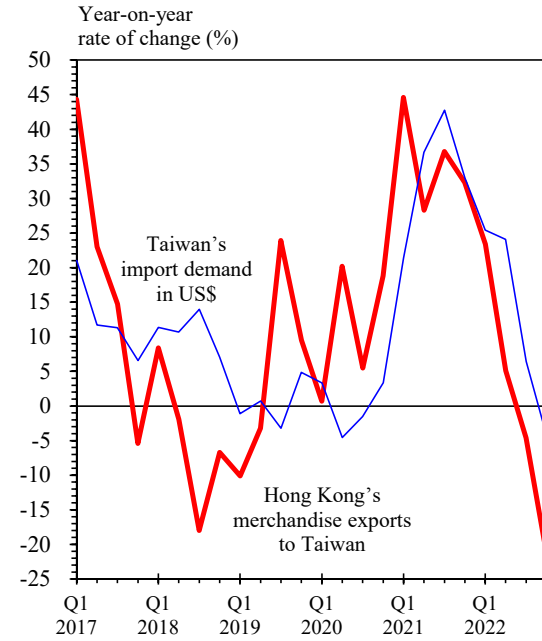


Diagram 3.10 : Exports to Korea turned to a decline in the fourth quarter of 2022

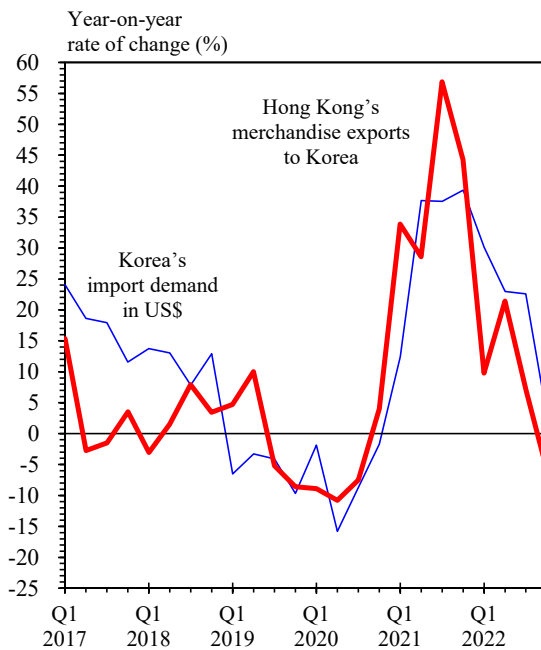
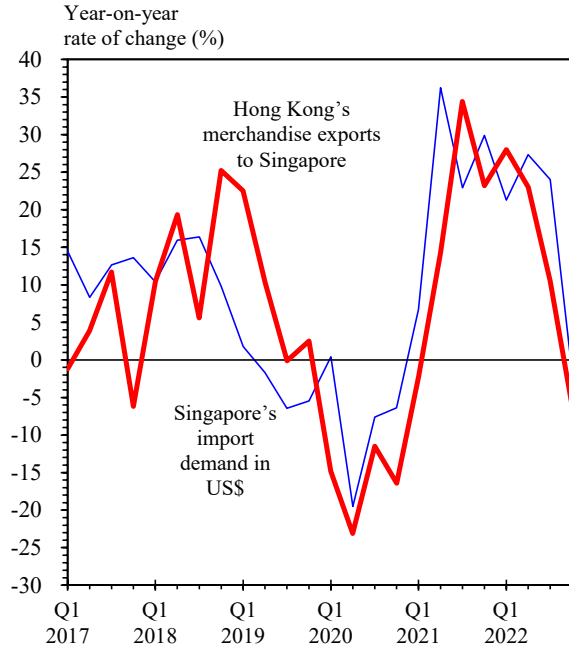


Diagram 3.11 : Exports to Singapore posted moderated growth in 2022



Merchandise imports

3.7 *Merchandise imports* shrank markedly by 13.9% in real terms in 2022, after increasing by 18.1% in 2021. *Retained imports*, which refer to imports for domestic use and accounted for around one-fifth of merchandise imports in 2022, declined by 10.2%. Imports for subsequent re-exports turned to a decline along with deteriorated export performance.

**Table 3.3 : Merchandise imports and retained imports
(year-on-year rate of change (%))**

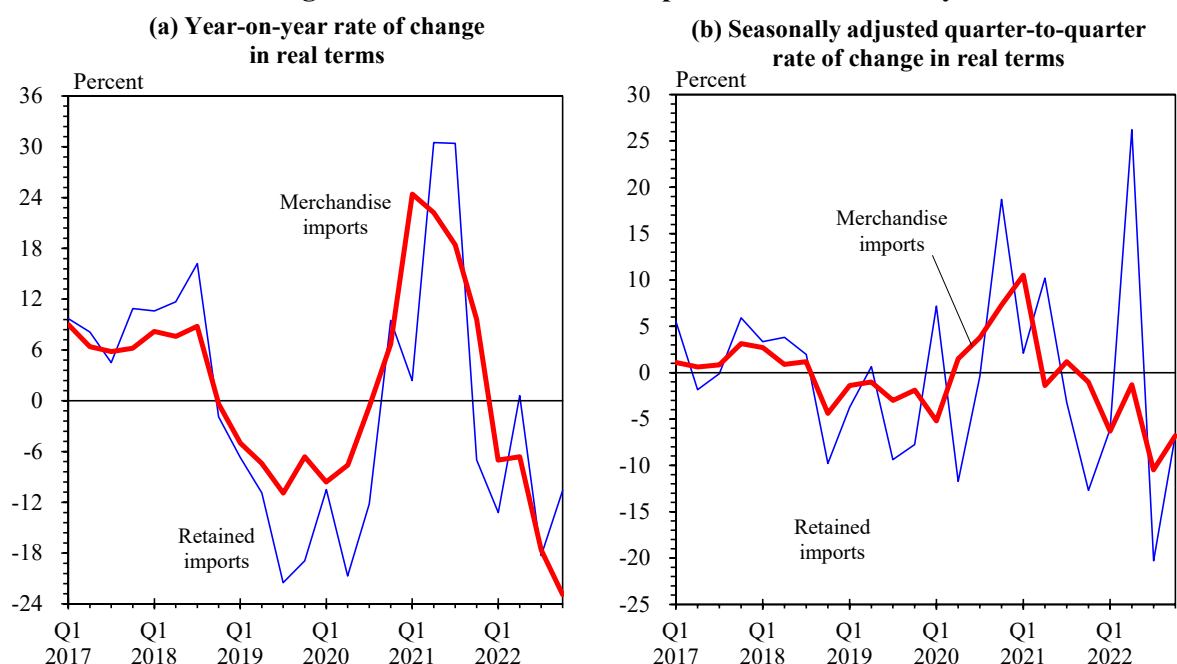
		<u>Merchandise imports</u>				<u>Retained imports</u> ^(a)			
		<u>In value terms</u>	<u>In real terms</u> ⁽⁺⁾		<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>		<u>Change in prices</u>
2021	Annual	24.3	18.1		5.5	17.6	12.6		5.1
	Q1	25.6	24.4	(10.5)	1.1	2.5	2.4	(2.1)	0.7
	Q2	27.9	22.2	(-1.4)	4.7	34.8	30.5	(10.2)	3.4
	Q3	25.8	18.4	(1.2)	6.5	39.5	30.4	(-3.2)	7.8
	Q4	19.0	9.6	(-1.0)	9.0	0.4	-7.0	(-12.7)	8.4
2022	Annual	-7.2	-13.9		8.1	-1.6	-10.2		8.9
	Q1	2.9	-7.0	(-6.3)	10.6	-2.0	-13.2	(-6.1)	11.1
	Q2	1.3	-6.6	(-1.3)	8.8	13.6	0.6	(26.2)	11.7
	Q3	-11.3	-17.6	(-10.5)	8.1	-12.7	-18.3	(-20.3)	6.3
	Q4	-18.8	-22.9	(-6.8)	5.8	-4.7	-10.6	(-6.7)	7.1

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 3.12 : Merchandise imports shrank markedly



Services trade

Exports of services

3.8 *Exports of services* declined slightly by 0.9% in real terms in 2022, after increasing by 3.4% in 2021. Exports of transport services declined alongside the weak trade performance. Exports of financial services and business and other services also fell amid the deteriorated external environment. On the other hand, with testing and quarantine arrangements for inbound visitors progressively relaxed, particularly towards the end of the year, exports of travel services surged but were still far below the pre-pandemic level.

Diagram 3.13 : The contribution from travel services to total exports of services stayed low

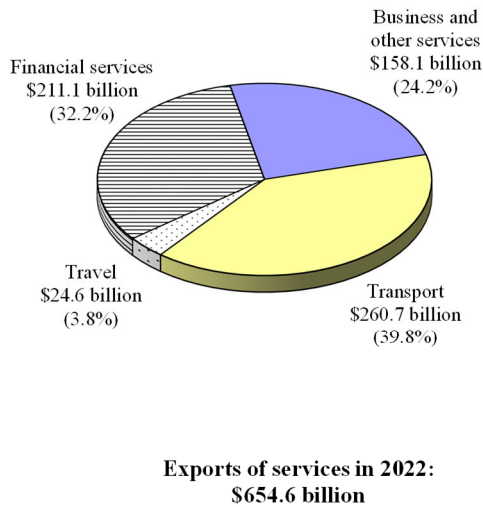


Diagram 3.14 : Exports of services declined slightly in 2022

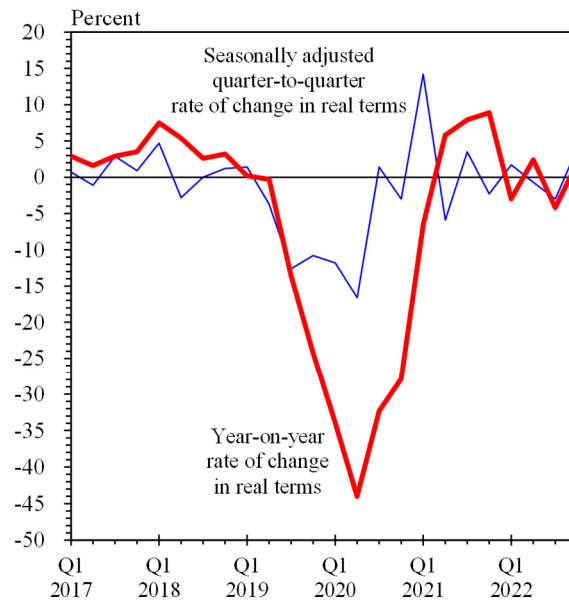


Table 3.4 : Exports of services by major service group (year-on-year rate of change in real terms (%))

Of which :

		Exports of services	Transport	Travel ^(a)	Financial services	Business and other services
2021	Annual	3.4	5.6	-38.3	2.0	8.8
	Q1	-6.5 (14.2)	-6.6	-74.3	4.6	6.5
	Q2	5.8 (-5.9)	6.6	31.4	0.6	7.8
	Q3	7.9 (3.5)	11.2	56.9	3.4	7.3
	Q4	8.9 (-2.3)	11.9	40.5	-1.8	13.4
2022	Annual	-0.9	-3.1	64.8	-1.4	-3.3
	Q1	-3.0 (1.7)	-2.1	19.5	-4.8	-3.7
	Q2	2.4 (-0.7)	0.7	53.9	3.4	-0.2
	Q3	-4.2 (-3.0)	-4.9	92.7	-8.8	-2.9
	Q4	2.0 (4.0)	-5.7	95.0	8.3	-5.7

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

(a) Comprising mainly inbound tourism receipts.

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

Imports of services

3.9 *Imports of services* decreased by 1.0% in real terms in 2022, after rising by 2.5% in 2021. Imports of manufacturing services and transport services turned to falls as trade and cargo flows plunged. Imports of business and other services also dropped against the backdrop of a weakened global economy. On the other hand, imports of travel services recorded visible growth as outbound tourism revived particularly in the fourth quarter following the adjustments to travel restrictions in other places and quarantine arrangements on arriving Hong Kong, but the level remained meagre.

Diagram 3.15 : The share of travel services to overall imports of services remained small

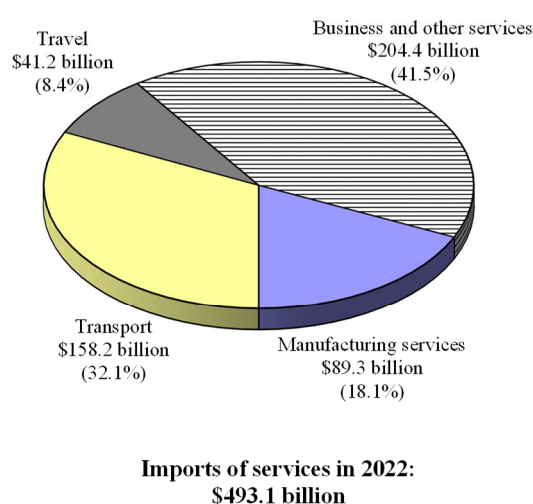
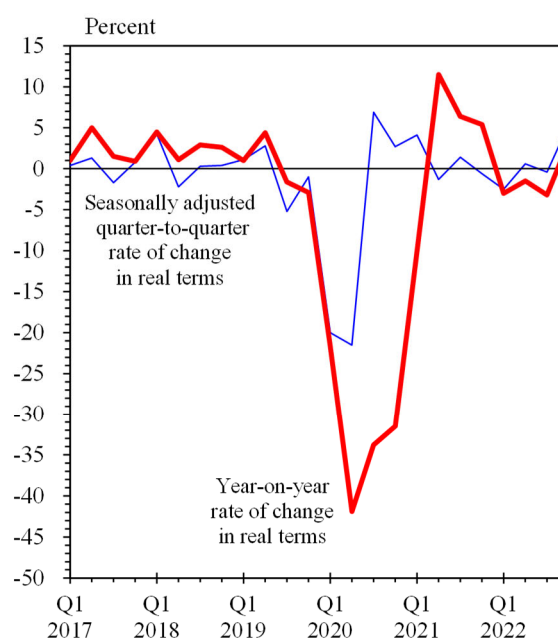


Diagram 3.16 : Imports of services decreased in 2022



**Table 3.5 : 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	2.5	-42.1	10.8	11.0	3.9
	Q1	-10.2 (4.1)	-77.9	9.4	12.2	5.9
	Q2	11.5 (-1.3)	40.4	16.6	11.3	5.7
	Q3	6.4 (1.4)	4.8	10.0	10.7	2.2
	Q4	5.4 (-0.6)	2.1	8.1	10.3	2.1
2022	Annual	-1.0	60.4	-3.6	-8.2	-4.0
	Q1	-3.0 (-2.5)	8.3	-4.1	1.1	-4.8
	Q2	-1.5 (0.6)	24.6	-0.8	-9.4	-1.9
	Q3	-3.2 (-0.4)	28.5	-4.3	-7.3	-4.9
	Q4	3.3 (5.4)	172.5	-5.0	-14.4	-4.1

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

(+) Comprising mainly outbound travel spending.

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

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

Goods and services balance

3.10 Based on the GDP compilation framework, the goods balance turned to a deficit of \$45 billion in 2022, as the value of exports of goods saw a larger decline than that of imports. Meanwhile, the services surplus widened to \$161 billion. The combined goods and services account registered a surplus of \$116 billion in 2022, equivalent to 2.2% of total import value, compared to a surplus of \$160 billion or 2.8% in 2021.

**Table 3.6 : 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	5,236	615	5,211	480	25	135	160	2.8
	Q1	1,167	155	1,160	112	7	42	49	3.9
	Q2	1,238	134	1,267	109	-29	25	-4	-0.3
	Q3	1,363	162	1,359	123	4	40	44	2.9
	Q4	1,468	164	1,426	136	43	28	71	4.6
2022	Annual	4,814	655	4,859	493	-45	161	116	2.2
	Q1	1,219	168	1,203	119	16	50	66	5.0
	Q2	1,212	154	1,290	116	-78	38	-40	-2.8
	Q3	1,229	163	1,213	120	15	43	58	4.4
	Q4	1,154	169	1,153	138	1	31	32	2.5

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

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

Other developments

3.11 As the epidemic generally stabilised over the course of the year, the Government has made huge efforts to strengthen Hong Kong's international exposure and promote Hong Kong's strengths. The Chief Executive attended the 29th Asia-Pacific Economic Cooperation Economic Leaders' Meeting in Bangkok in November. The Financial Secretary visited Bahrain and Saudi Arabia in late October to strengthen the financial and commercial ties and co-operation between Hong Kong and the Middle East, and update Middle Eastern markets on Hong Kong's latest economic and financial developments. Various large-scale events were also launched in Hong Kong, with the Global Financial Leaders' Investment Summit receiving over 200 international and regional leaders from around 120 global financial institutions.

3.12 The Government also continued to strengthen Hong Kong's economic links with the Mainland and overseas economies in 2022. In June, Invest Hong Kong and the Commerce Bureau of Shenzhen Municipality signed an MOU to continually strengthen mutual co-operation on inward investment promotion. In October, an MOU was signed between Invest Hong Kong and the Department of Commerce of Shandong Province pledging deeper co-operation on investment promotion between the two places. As for overseas economies, in November, Hong Kong and Peru announced the launch of negotiations for a bilateral free trade agreement, with a view to further enhancing trade and investment ties between the two economies. In May, Hong Kong and New Zealand conducted the fourth Joint Commission meeting under the Closer Economic Partnership Agreement, and signed three implementing arrangements to facilitate the ongoing co-operation and communication in the areas of rules of origin, sanitary and phytosanitary measures, and government procurement.

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 3, but is included in the trade aggregates under GDP in accordance with 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 4 : DEVELOPMENTS IN SELECTED SECTORS

Summary

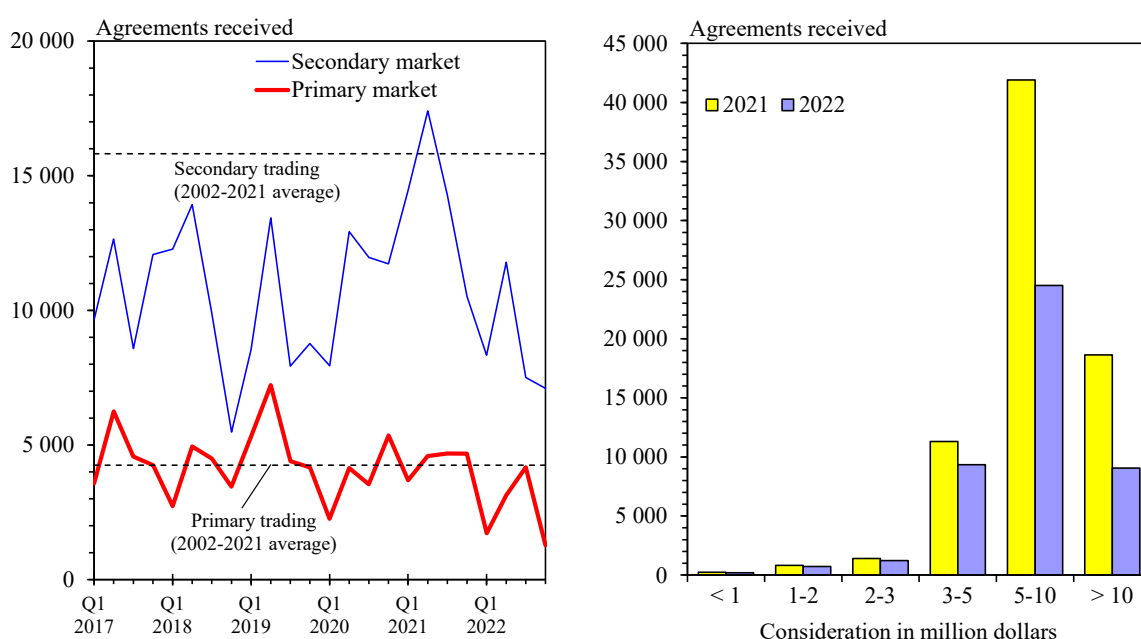
- *The residential property market underwent a marked correction in 2022 amid tightened financial conditions and worsened global and local economic outlook. Trading activities were moderate in the first half of the year, and then quietened visibly in the second half. Flat prices fell by a cumulative 16% during the year.*
- *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 rise to a record high of 105 000 units as estimated at end-2022. Reflecting the impacts of the various demand-side management measures, speculative activities and non-local demand stayed low in 2022 while investment activities remained modest.*
- *The non-residential property market weakened during 2022 amid subdued economic conditions. Prices and rentals for most major market segments declined. Trading activities fell to very low levels.*
- *The tourism sector remained very weak in 2022, though steady improvement has been seen since the second quarter following the gradual relaxation of control arrangements for inbound visitors. There were 604 600 visitor arrivals in 2022, markedly higher than the 91 400 recorded in 2021, but still only amounted to 0.9% of the pre-recession level of 65.1 million in 2018.*
- *The logistics sector was sluggish in 2022 amid the deteriorating trade performance. Total container throughput declined by 6.5%, and air freight throughput fell by 16.4% from the high level in the preceding year.*

Property

4.1 The *residential property market* underwent a marked correction in 2022. Market sentiment turned increasingly cautious over the course of the year as financial conditions tightened amid the sharp monetary policy tightening by the US Federal Reserve and the global and local economic outlook worsened.

4.2 Trading activities were moderate in the first half of 2022, and then quietened visibly in the second half. For the year as a whole, the total number of sale and purchase agreements for residential property received by the Land Registry plunged by 39% to 45 050, the lowest level since figures are available and well below the five-year average of 62 562 from 2017 to 2021. Within the total, primary and secondary market transactions plummeted by 42% and 39% respectively to 10 315 and 34 735. Total consideration fell sharply by 44% to \$407.7 billion.

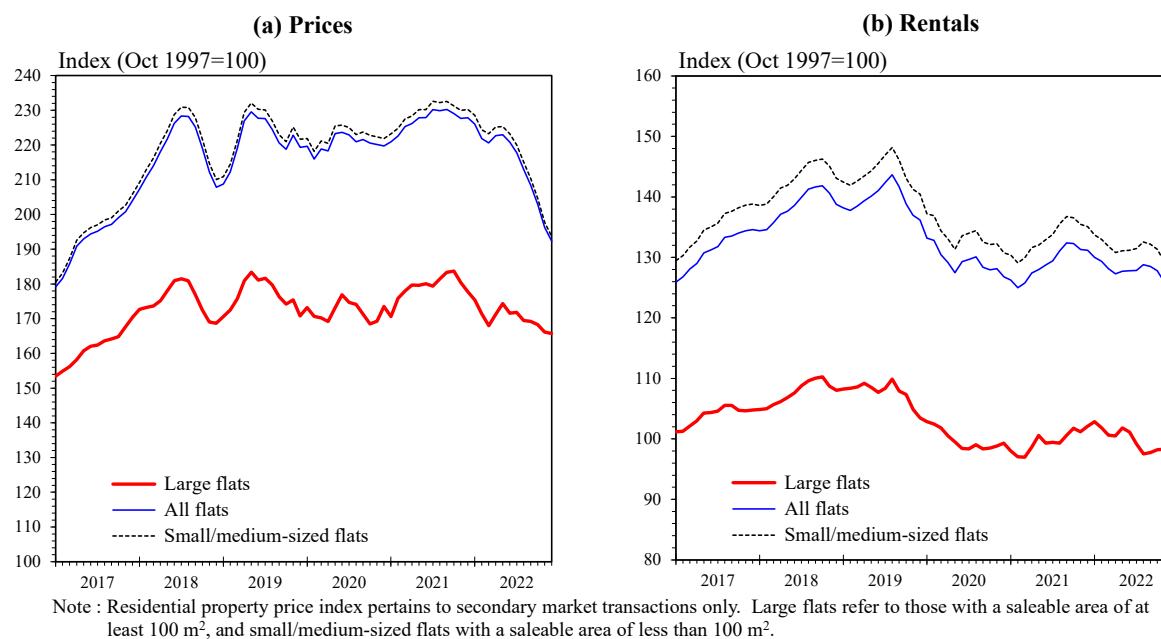
Diagram 4.1 : Trading activities were moderate in the first half of 2022, and then quietened visibly in the second half



4.3 Overall flat prices declined by 3% during the first half of the year, and then visibly faster by 13% during the second half despite some signs of stabilisation towards the end of the year. Flat prices in December 2022 were on average 16% lower than both a year earlier and the peak in September 2021. Analysed by size, comparing December 2022 with December 2021, prices of small/medium-sized flats and large flats fell by 16% and 7% respectively.

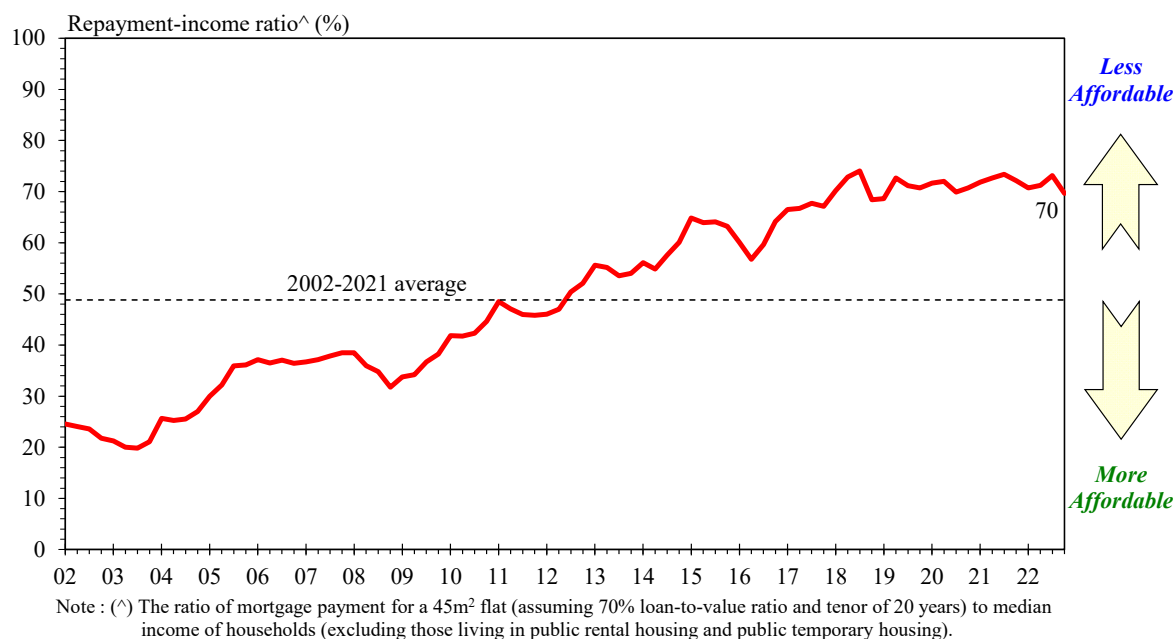
4.4 The leasing market for residential property also weakened. Flat rentals in December 2022 were on average 4% lower than in December 2021, and 12% below the peak in August 2019. Analysed by size, rentals of small/medium-sized flats and large flats fell by 4% and 3% respectively during the year. Reflecting the movements of prices and rentals, the average rental yield for residential property rose from 2.2% a year earlier to 2.5% in December 2022.

Diagram 4.2 : Flat prices and rentals declined during 2022



4.5 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 rental housing and public temporary housing) remained elevated at around 70% in the fourth quarter of 2022. This was significantly above the long-term average of 49% over 2002-2021⁽¹⁾, though slightly lower than the 72% a year earlier as the effect of rising mortgage rates was more than offset by the decline in flat prices. Should interest rates rise by two percentage points to a level closer to the historical standards, the ratio would reach 83%.

Diagram 4.3 : The index of home purchase affordability remained elevated in the fourth quarter of 2022, though slightly lower than a year earlier



4.6 Increasing housing land supply is a policy priority of the Government⁽²⁾. For the 2022-23 financial year, a total of eight residential sites were sold or would be put up for sale by the Government under the Land Sale Programme, capable of providing about 5 180 units in total. Combining the various sources (including Government land sale, railway property development projects, the Urban Renewal Authority's projects, and private development and redevelopment projects), the total private housing land supply in 2022-23 is estimated to have a capacity to produce about 16 000 units, exceeding the private housing supply annual target (12 900 units) by more than 20%.

4.7 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 rise to a record high of 105 000 units as estimated at end-2022. Another 5 700 units could be added to the total supply after the conversion of a number of residential sites into "disposed sites".

4.8 The demand-supply balance of private flats showed some improvement during 2022. The gross completions of private flats surged by 47% to 21 200 units in 2022. After netting off demolition of 2 400 units, the net completions of 18 800 units were higher than the take-up of 14 000 units⁽³⁾. As a result, the vacancy rate rose from 4.1% at end-2021 to 4.4% at end-2022, slightly below the long-term average of 4.7% over 2002-2021. The Rating and Valuation Department forecasts gross completions at 19 900 units in 2023 and 27 000 units in 2024⁽⁴⁾, compared with the average of 15 900 units per annum in the past ten years (2013-2022).

4.9 To dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market, the Government implemented a number of demand-side management and macro-prudential measures during 2009 to 2017. These measures have yielded notable results. On *speculative activities*, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) remained low at 41 cases per month or 1.0% of total transactions in 2022, 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 22 cases per month or 0.5% of total transactions in 2022, 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 176 cases per month or 4.3% of total transactions in 2022, 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 56% in 2022, below the average of 64% in January to October 2009 before the first round of macro-prudential measures for residential property mortgage lending was introduced by the Hong Kong Monetary Authority.

Diagram 4.4 : Speculative activities remained low

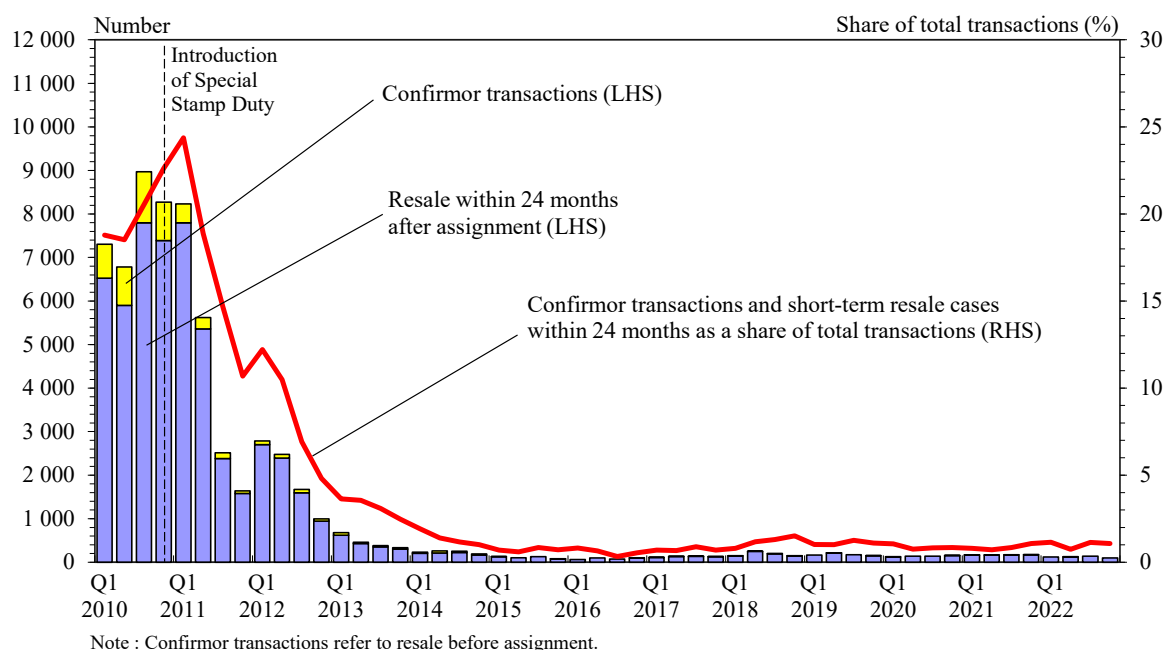


Diagram 4.5 : Purchases by non-local buyers stayed low

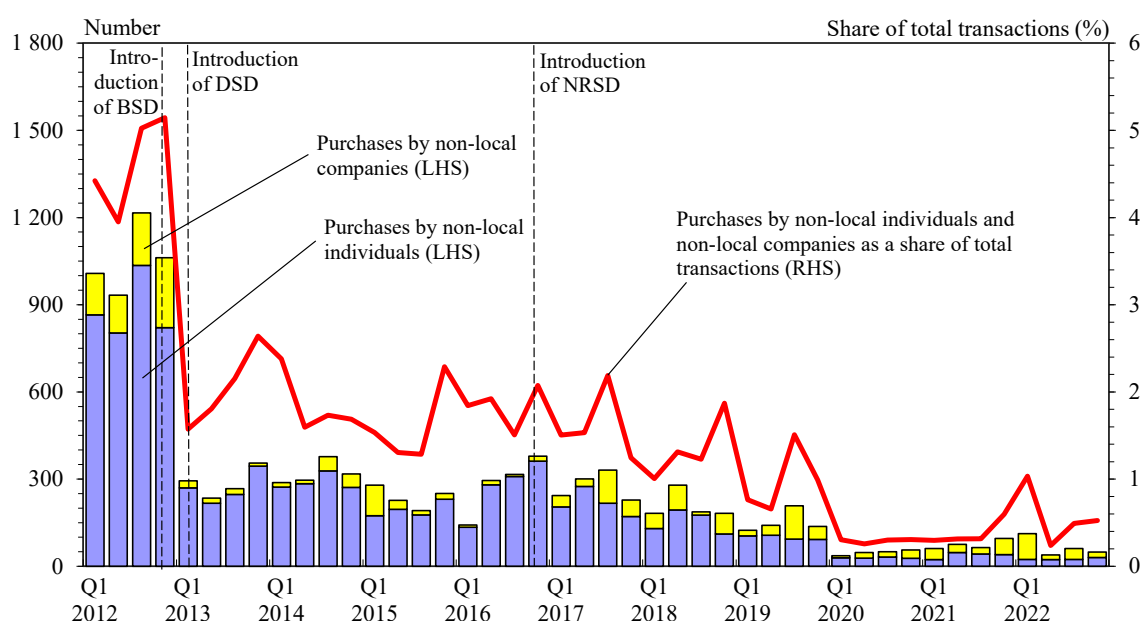
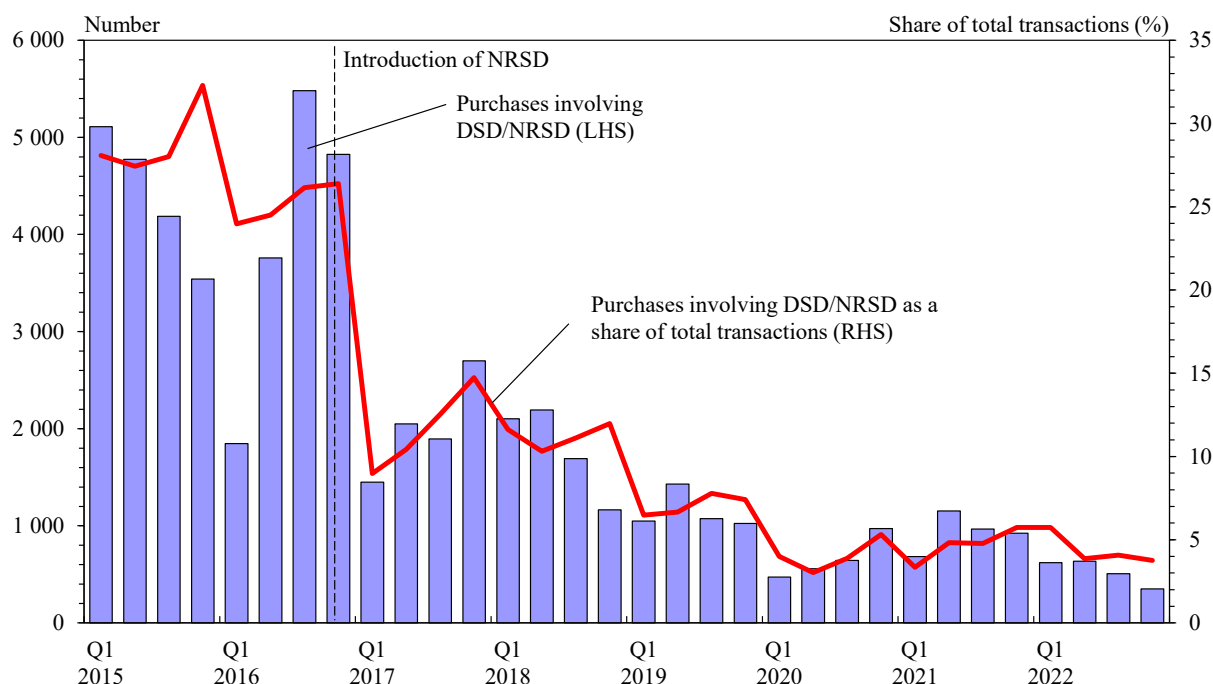


Diagram 4.6 : Investment activities were modest



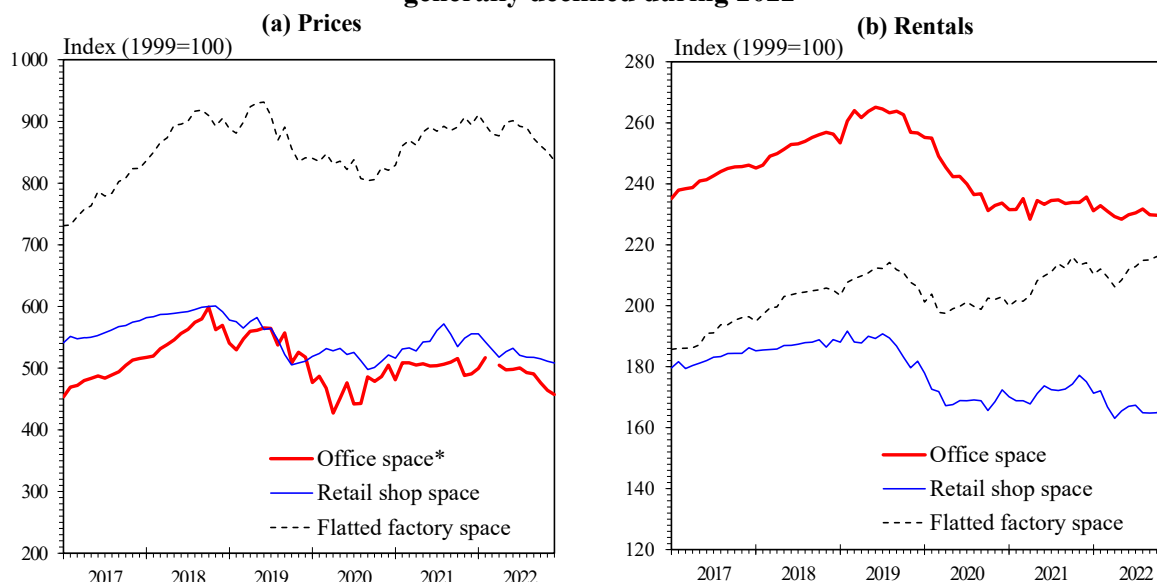
4.10 The *non-residential property market* weakened during 2022 amid subdued economic conditions. Prices and rentals for most major market segments declined. Trading activities fell to very low levels.

4.11 Prices for *office space* on average dropped by 7% between December 2021 and December 2022. Analysed by office class, prices of Grade A, B and C office space declined by 10%, 10% and 7% respectively. Over the same period, office rentals on average fell by 3%. Within the total, rentals of Grade A, B and C office space retreated by 2%, 4% and 3% respectively. Compared with the respective peaks in 2018 and 2019, prices and rentals of office space in December 2022 on average were 24% and 14% lower. The average rental yields of Grade A, B and C office space rose to 2.8%, 2.9% and 3.1% respectively in December 2022, from 2.5%, 2.7% and 2.9% a year earlier. Transactions for office space shrank by 38% to a record low of 670 cases in 2022, significantly below the annual average of 1 180 cases in 2017-2021. As to the demand-supply balance, as the take-up of 19 300 m² was much lower than the completion of 351 300 m², the vacancy rate rose from 12.3% at end-2021 to 14.4% at end-2022, staying above the long-term average of 9.2% over 2002-2021.

4.12 Prices and rentals of *retail shop space* fell by 9% and 4% respectively between December 2021 and December 2022. Compared with the respective peaks in 2018 and 2019, prices and rentals in December 2022 were 15% and 13% lower. The average rental yield edged up from 2.5% in December 2021 to 2.6% in December 2022. For all commercial spaces, transactions plunged by 36% to 1 400 cases⁽⁵⁾ in 2022, considerably below the annual average of 1 780 cases in 2017-2021. As the take-up of 52 200 m² was lower than the completion of 117 700 m², the vacancy rate rose from 10.2% at end-2021 to 10.5% at end-2022, above the long-term average of 9.1% over 2002-2021.

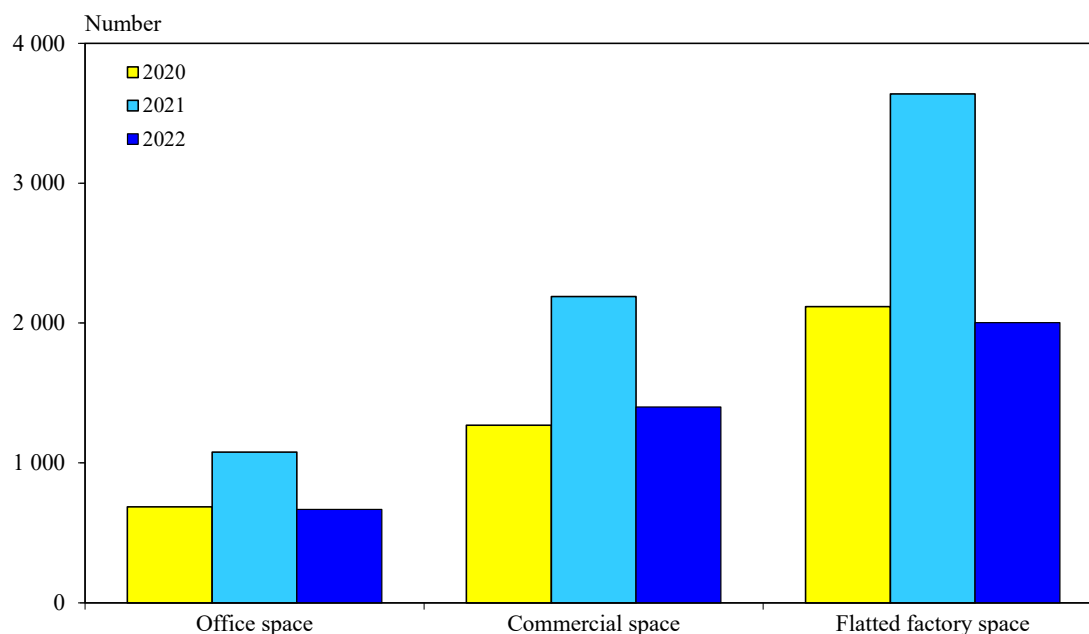
4.13 Prices of *flatted factory space* in December 2022 were 6% lower than in December 2021 and 10% below the peak in 2019. Rentals moved within a narrow range during the year, ending little changed from a year earlier and 1% lower than the peak in 2021. The average rental yield rose from 2.9% in December 2021 to 3.1% in December 2022. Transactions fell by 45% to a record low of 2 000 cases in 2022, well below the annual average of 3 630 cases in 2017-2021. As the take-up of 148 700 m² exceeded the completion of 105 000 m², the vacancy rate went down from 5.7% at end-2021 to 5.3% at end-2022, below the long-term average of 6.8% over 2002-2021.

Diagram 4.7 : Prices and rentals of non-residential properties generally declined during 2022



Note : (*) The price index of overall office space cannot be compiled in March 2022, as there were no transactions for Grade A office space in that month.

Diagram 4.8 : Transactions of non-residential properties fell to very low levels in 2022



Land

4.14 Fifteen sites with a total area of about 14.8 hectares were disposed of in 2022, fetching a land premium of about \$29.3 billion. Among these sites, there were eight residential sites, three commercial sites, one industrial site, one site for logistics services and public vehicle park and two sites for external telecommunications station. In addition, the tender exercise for one residential site in Stanley and one external telecommunications station site in Chung Hom Kok commenced in the fourth quarter. Regarding exchange of land, 12 sites with a total area of about 99.8 hectares were approved in 2022. As to lease modifications, a total of 89 sites were approved.

Tourism

4.15 The tourism sector remained very weak in 2022, though steady improvement has been seen since the second quarter following the gradual relaxation of control arrangements for inbound visitors (including the lift of the ban on non-Hong Kong residents entering Hong Kong from overseas places in the beginning of May, adjustments to the quarantine arrangements for inbound travellers in mid-August and the lift of the inbound compulsory quarantine requirement in late September). *Visitor arrivals* rose progressively from 11 500 in the first quarter to 354 900 in the fourth quarter. For 2022 as a whole, there were 604 600 visitor arrivals, markedly higher than the 91 400 recorded in 2021, but still only amounted to 0.9% of the pre-recession level of 65.1 million in 2018. Visitors from the Mainland, other short-haul markets and long-haul markets all recorded visible increases in 2022⁽⁶⁾. Visitor spending, as measured by exports of travel services, increased by 64.8% in real terms over the low level in the preceding year, but was still only 7.8% of the level in 2018.

Table 4.1 : Number of visitor arrivals

		<u>All sources</u>	<u>Mainland China</u>	<u>Other short-haul markets*</u>	<u>Long-haul markets*</u>
2019	Annual	55 912 600	43 774 700	7 939 600	4 198 300
	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	Annual	3 568 900	2 706 400	503 600	358 900
	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	Annual	91 400	65 700	15 000	10 700
	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	Annual	604 600	375 100	128 600	100 800
	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
	Q4	354 900	173 500	103 700	77 600

Notes : (*) See note (6) 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 4.2 : Number of overnight and same-day visitor arrivals

		<u>Overnight visitor arrivals</u>	<u>Same-day visitor arrivals</u>
2019	Annual	23 752 400	32 160 300
	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	Annual	1 359 400	2 209 500
	Q1	1 280 900	2 208 300
	Q2	26 500	300
	Q3	33 800	300
	Q4	18 100	500
2021	Annual	89 200	2 200
	Q1	16 300	200
	Q2	16 900	300
	Q3	29 000	300
	Q4	26 900	1 400
2022	Annual	567 800	36 800
	Q1	10 700	800
	Q2	62 700	1 800
	Q3	164 600	9 100
	Q4	329 800	25 100

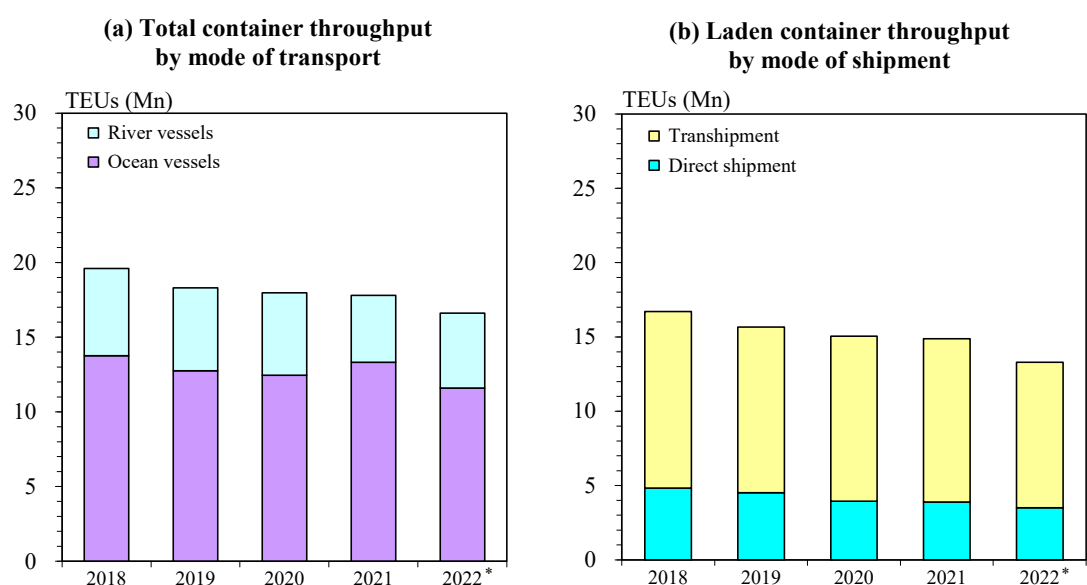
Note : Figures may not add up to total visitor arrivals due to rounding.

4.16 The hotel sector continued to operate much below capacity in 2022. The average hotel room occupancy rate increased slightly from 63% in 2021 to 66% in 2022, remaining considerably below the average of 91% in 2018 prior to the recession. As regards the quarterly movements, the average hotel room occupancy rate rose from 57% in the first quarter to 70% and 71% respectively in the second and third quarters, before falling back to 66% in the fourth quarter following the lift of the compulsory quarantine requirement for inbound travellers. Nonetheless, the average achieved hotel room rate increased notably by 23.8% to \$1,065⁽⁷⁾ in 2022.

Logistics

4.17 The logistics sector was sluggish in 2022 amid the deteriorating trade performance. *Total container throughput* declined by 6.5% to about 16.6 million twenty-foot equivalent units (TEUs). Within the laden container throughput, direct shipment and transshipment fell by 9.7% and 10.8% respectively. Yet the value of trade handled at the Hong Kong port rose by 13.2% and its share in total trade increased from 13.4% in 2021 to 16.4% in 2022, conceivably reflecting the temporary diversion of some cross-boundary freight from road to water amid the disruptions to cross-boundary land transportation.

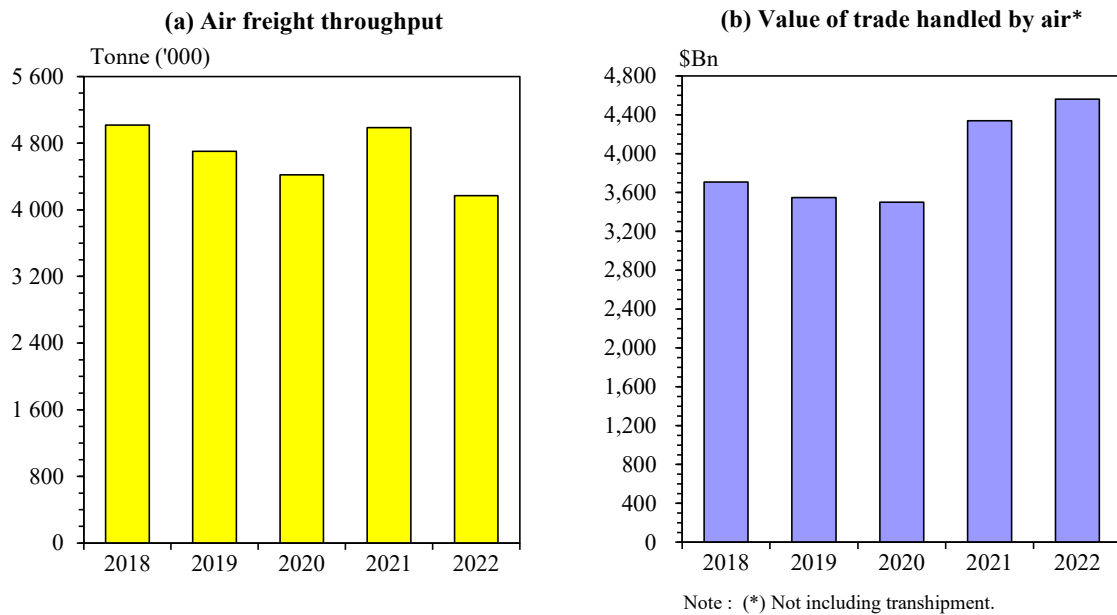
Diagram 4.9 : Container throughput declined in 2022



Note : (*) Total container throughput for 2022 is the preliminary estimate by Hong Kong Maritime and Port Board. Its breakdown by mode of transport and the laden container throughput by mode of shipment are crudely estimated from the profile in the first eleven months of 2022.

4.18 *Air freight throughput* fell by 16.4% from the high level in 2021 to 4.2 million tonnes in 2022. Yet the value of trade by air rose by 5.2% and its share in total trade increased from 42.2% to 48.2%, conceivably due to the higher unit value of goods carried by air amid tight capacity and elevated air freight charges.

**Diagram 4.10 : Air freight throughput fell in 2022,
while the value of trade handled by air rose**



Transport

4.19 Traffic flows for different modes of cross-boundary passenger transport showed mixed performance in 2022. Along with the multiple rounds of relaxation of quarantine arrangement for inbound travellers during the year, air passenger trips increased visibly from 1.4 million in 2021 to 5.7 million in 2022, but were still only 7.6% of the pre-recession level of 74.7 million in 2018. Meanwhile, as the compulsory quarantine arrangement in the Mainland remained in place throughout the year, land-based cross-boundary passenger trips only increased mildly from 1.0 million to 1.1 million. On the other hand, the number of water-borne cross-boundary passenger trips plummeted from 280 600 to 33 300, attributable to the suspension of “cruise-to-nowhere” itineraries. Average daily cross-boundary vehicle movements also declined sharply by 53.7% to 7 761 mainly due to the tightening of anti-epidemic measures for cross-boundary goods vehicles.

Innovation and technology

4.20 In late December 2022, the Government promulgated the Hong Kong Innovation and Technology (I&T) Development Blueprint to establish a clear development path and formulate systematic strategic planning for Hong Kong's I&T development in the coming five to 10 years, charting Hong Kong in moving full steam towards the vision of an international I&T centre. The Government formulated the Blueprint from the perspective of top-level planning and design and will take forward the Blueprint under four broad development directions, namely "to enhance the I&T ecosystem and promote 'new industrialisation' in Hong Kong"; "to enlarge the I&T talent pool to create strong impetus for growth"; "to promote digital economy development and develop Hong Kong into a smart city"; and "to proactively integrate into the overall development of the country and consolidate our role as a bridge connecting the Mainland and the world". Under the four broad development directions, the Blueprint further sets out eight major strategies, which are:

- to enhance the I&T ecosystem and promote interactive development of the upstream, midstream and downstream sectors;
- to promote technology industry development and achieve "new industrialisation" in Hong Kong;
- to diversify venture financing channels and support the development of start-ups and industries;
- to promote I&T culture for all and enhance the overall I&T atmosphere in the community;
- to enrich I&T talent resources and develop an international talent hub;
- to accelerate the development of digital economy and smart city to enhance citizens' quality of life;
- to deepen I&T co-operation with the Mainland for better integration into the overall national development; and
- to leverage Hong Kong's advantages as an international city to foster global I&T collaboration.

The Blueprint also sets out the macro I&T development targets for Hong Kong which cover reference development indicators over four areas, namely R&D, startups, talent and industry development, to facilitate the review of the implementation of the Blueprint.

Environment

4.21 The enhanced Plastic Shopping Bag (PSB) Charging Scheme was implemented on 31 December 2022. The enhancement includes (i) increasing the charging level per PSB from at least 50 cents to at least \$1; (ii) removing the exemption for PSBs carrying frozen/chilled foodstuff items; and (iii) tightening the scope of exemption and limiting the number of exempted PSB to one per sale transaction as a basic principle. The enhanced scheme would help further reduce the use of PSBs and mark a step forward towards waste reduction and recycling, which would be conducive to the protection of Hong Kong's environment.

4.22 In November 2022, the Government published in the Gazette the commencement notices for the full implementation of the producer responsibility scheme on glass beverage containers in 2023. The scheme aims to put in place a system for the proper management and recycling of waste glass beverage containers generated in Hong Kong, in line with the polluter-pays principle and the vision of shared eco-responsibility. Starting from 1 May 2023, any person who distributes glass-bottled beverages in Hong Kong must first register with the Environmental Protection Department as a registered supplier. A registered supplier must fulfil its statutory obligations, including submission of returns, keeping records relating to the returns, payment of container recycling levies, and submission of annual audit reports.

Notes :

- (1) Starting from the third quarter of 2019, the index of home purchase affordability is calculated based on, among others, the mortgage rates of new mortgage loans with reference to both the Best Lending Rate (BLR) and the Hong Kong Interbank Offered Rate (HIBOR). As such, the data from the third quarter of 2019 onwards may not be strictly comparable with those in previous quarters, which were based on the mortgage rates of new mortgages loans with reference to the BLR only.

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

- (2) For details of the measures promulgated in 2010, see Box 3.1 in the First Quarter Economic Report 2010, Box 3.1 in the Third Quarter Economic Report 2010 and note (2) at the end of Chapter 4 in the 2010 Economic Background and 2011 Prospects. For details of the measures promulgated in 2011, see note (2) at the end of Chapter 3 in the Half-yearly Economic Report 2011 and Box 3.1 in the Third Quarter Economic Report 2011. For details of the measures promulgated in 2012, see Box 3.1 in the Third Quarter Economic Report 2012 and Box 4.1 in the 2012 Economic Background and 2013 Prospects. For details of the measures promulgated in 2013, see Box 4.2 in the 2012 Economic Background and 2013 Prospects and Box 3.1 in the First Quarter Economic Report 2013. For details of the measures promulgated in 2014, see Box 4.1 in the 2013 Economic Background and 2014 Prospects. For details of the measures promulgated in 2015, see Box 3.1 of the First Quarter Economic Report 2015. For details of the measures promulgated in 2016, see note (1) at the end of Chapter 4 in the 2016 Economic Background and 2017 Prospects. For details of the measures promulgated in 2017, see note (3) at the end of Chapter 3 in the First Quarter Economic Report 2017, note (2) at the end of Chapter 3 in the Half-yearly Economic Report 2017 and Box 3.1 of the Third Quarter Economic Report 2017. For details of the measures promulgated in 2018, see Box 3.1 in the Half-yearly Economic Report 2018 and Box 3.1 of the Third Quarter Economic Report 2018. For details of the measures promulgated in 2019, see Box 3.1 of the Third Quarter Economic Report 2019. For details of the measures promulgated in 2020, see Box 4.1 of the 2020 Economic Background and 2021 Prospects. For details of the measures promulgated in 2021, see Box 3.1 of the Third Quarter Economic Report 2021. For details of the measures promulgated in 2022, see Box 3.1 of the Third Quarter Economic Report 2022.
- (3) Take-up figures represent the net increase in the number of units occupied. The figures are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. Take-up should not be confused with the sales of new developments, and it bears no direct relationship to the number of units sold by developers. Negative take-up means that there is a decrease in the number of units occupied (i.e. property previously occupied was released during the year and remained vacant at the year-end). Also, take-up, demolition, completion and vacancy figures on residential and non-residential properties are preliminary figures from the Rating and Valuation Department, and are subject to revision.
- (4) Forecast completions in 2023 and 2024 are preliminary figures only, and are subject to revision upon the availability of more data.
- (5) The figures on transaction refer to commercial space, which comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.

- (6) 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 2022, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 62%, 21% and 17% of the total.
- (7) The figures on hotel room occupancy and achieved room rate do not include guesthouses.

CHAPTER 5 : THE FINANCIAL SECTOR[#]

Summary

- *The interest rate environment in Hong Kong has tightened since the second quarter of 2022 alongside the sharp monetary policy tightening in the US. Following the successive rate hikes by the US Federal Open Market Committee (FOMC) in 2022, the Hong Kong Monetary Authority (HKMA) adjusted the Base Rate upward multiple times by a total of 425 basis points, from 0.50% at end-2021 to 4.75% at end-2022. Hong Kong dollar interbank interest rates rose visibly across all tenors, particularly in the second half of the year. Many banks raised their Best Lending Rates three times by a cumulative 62.5 basis points in the latter part of the year.*
- *The Hong Kong dollar spot exchange rate against the US dollar softened in early 2022 and stayed weak from May to early November, before strengthening towards the end of the year amid stronger local equity market activities. The weak-side Convertibility Undertaking (CU) was triggered 41 times during the year. As the US dollar strengthened sharply against all major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices rose visibly by 8.1% and 6.3% respectively during 2022.*
- *Total loans and advances decreased by 3.0% during 2022. Within the total, loans for use in Hong Kong remained virtually unchanged while loans for use outside Hong Kong fell by 10.2%.*
- *The local stock market exhibited substantial volatility in 2022. Since the early part of the year, market sentiment has been dampened by a series of adverse developments including tensions in Ukraine, occasional increases in COVID-19 cases in the Mainland, the stepping up of monetary policy tightening by the US Federal Reserve (Fed) and slackening global growth momentum. The Hang Seng Index (HSI) trended down to reach a low of 14 687 on 31 October, the lowest level since April 2009. It then rebounded strongly to close the year at 19 781 amid the expectation of slower US interest rate hikes and the optimisation of anti-epidemic measures in the Mainland. For the year as a whole, the HSI went down by 15.5%. Trading activities moderated from the hectic level in the preceding year, while fund raising activities were extremely quiet amid the sluggish investment sentiment globally and the volatile local stock market.*

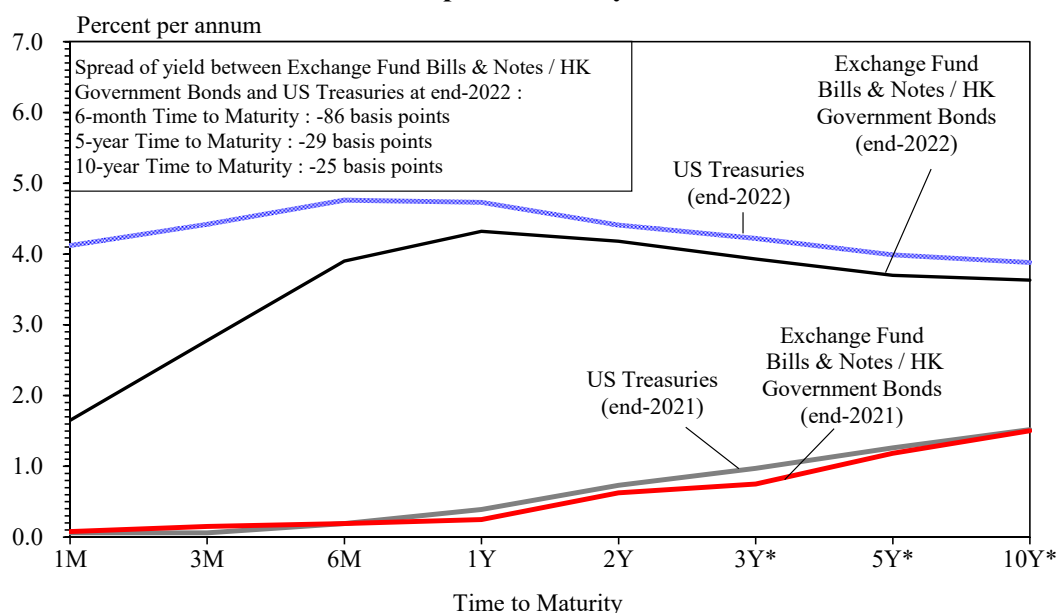
(#) This chapter is jointly prepared by the HKMA and the Office of the Government Economist.

Interest rates and exchange rates

5.1 The interest rate environment in Hong Kong has tightened since the second quarter of 2022 alongside the sharp monetary policy tightening in the US. The US FOMC raised the target range for the federal funds rate by a total of 425 basis points during the year, from the record low level of 0.00-0.25% to 4.25-4.50%. Consequently, the HKMA adjusted the *Base Rate*⁽¹⁾ under the Discount Window upward multiple times, from 0.50% at end-2021 to 4.75% at end-2022. *Hong Kong dollar interbank interest rates* (HIBORs) rose visibly across all tenors, particularly in the second half of the year. The overnight HIBOR surged from 0.06% at end-2021 to 3.23% at end-2022 and the 3-month HIBOR from 0.26% to 4.99%.

5.2 Both *Hong Kong dollar* and *US dollar yield curves* shifted upward notably in 2022, with the latter by a larger extent particularly at the shorter tenors. Reflecting the relative movements, the yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills moved from zero at end-2021 to negative 86 basis points at end-2022, and the negative yield spread between the 10-year Hong Kong Government Bonds and 10-year US Treasury Notes widened from 2 basis points to 25 basis points.

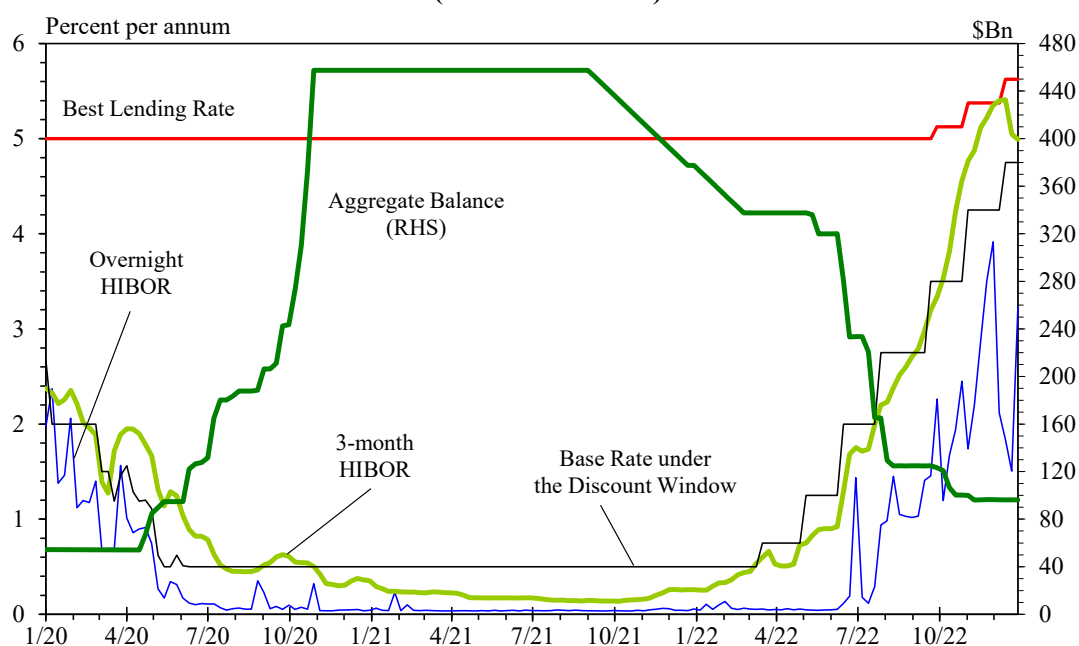
Diagram 5.1 : Both Hong Kong dollar and US dollar yield curves shifted upward notably in 2022



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.

5.3 On the retail front, many banks raised their *Best Lending Rates* three times by a cumulative 62.5 basis points in the latter part of the year. At end-2022, the Best Lending Rates among banks ranged from 5.625% to 6.125%, up from 5.00% to 5.50% at end-2021. The *average savings deposit rate* for deposits of less than \$100,000 quoted by major banks increased from 0.001% at end-2021 to 0.55% at end-2022, and the 1-year *time deposit rate* from 0.08% to 0.38%. The *composite interest rate*⁽²⁾, which indicates the average cost of funds for retail banks, rose from 0.21% to 2.11%.

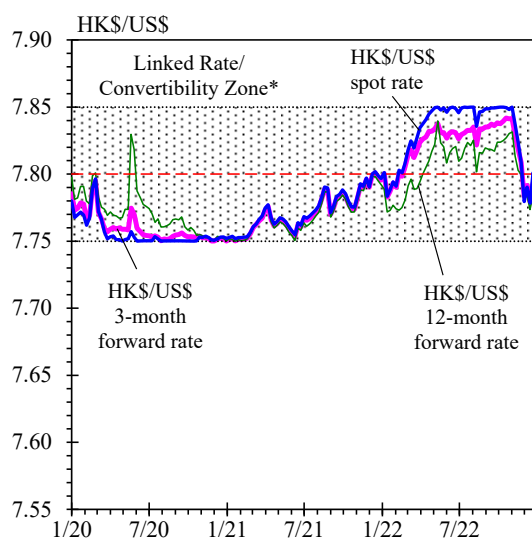
Diagram 5.2 : Interbank interest rates and interest rates on the retail front increased during 2022, and many banks raised their Best Lending Rates three times (end for the week)



5.4 Against the interest rate hikes by the US Fed and the correction of the local stock market, the *Hong Kong dollar spot exchange rate against the US dollar* softened in early 2022 and stayed weak from May to early November. The Hong Kong dollar then regained strength towards the end of the year amid stronger local equity market activities, and closed at 7.797 against the US dollar at end-2022, the same as a year earlier. The weak-side CU was triggered 41 times during the year, and the HKMA purchased a total of \$242.1 billion worth of Hong Kong dollars. Together with the additional issuance of Exchange Fund papers in early 2022, the Aggregate Balance declined from \$377.5 billion at end-2021 to \$96.3 billion at end-2022⁽³⁾. The discount of 3-month *Hong Kong dollar forward rate* widened from 12 pips (each pip is equivalent to HK\$0.0001) at end-2021 to 125 pips at end-2022, and that of 12-month forward rate from 48 pips to 215 pips.

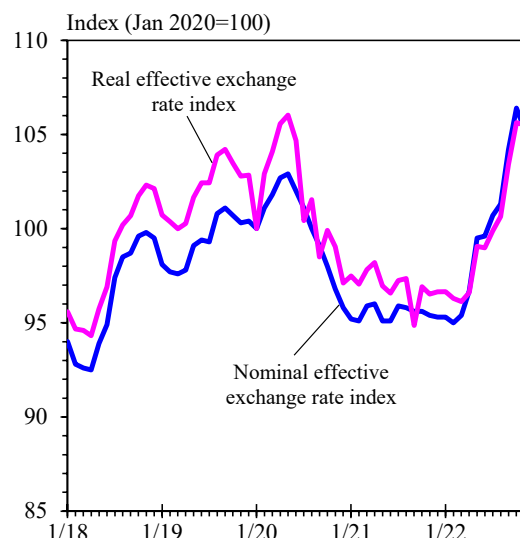
5.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened sharply against all major currencies (including the pound sterling, euro, Japanese yen and renminbi (RMB)), the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*⁽⁴⁾ rose visibly by 8.1% and 6.3% respectively during 2022.

Diagram 5.3 : The Hong Kong dollar spot exchange rate against the US dollar stayed soft in most of 2022 but strengthened towards the end of the year (end for the week)



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

Diagram 5.4 : The trade-weighted nominal and real effective exchange rate indices rose visibly during 2022 (average for the month)



Money supply and banking sector

5.6 The Hong Kong dollar broad *money supply* (HK\$M3) edged up by 0.6% over a year earlier to \$8,108 billion at end-2022, while the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) fell by 17.8% to \$1,720 billion⁽⁵⁾ amid a notable shift of funds from demand deposits to time deposits in the latter part of the year. Meanwhile, *total deposits* with authorized institutions (AIs)⁽⁶⁾ rose moderately by 1.7% to \$15,439 billion, within which Hong Kong dollar deposits and foreign currency deposits increased by 0.7% and 2.6% respectively.

Diagram 5.5 : The Hong Kong dollar broad money supply edged up during 2022, while narrow money supply declined

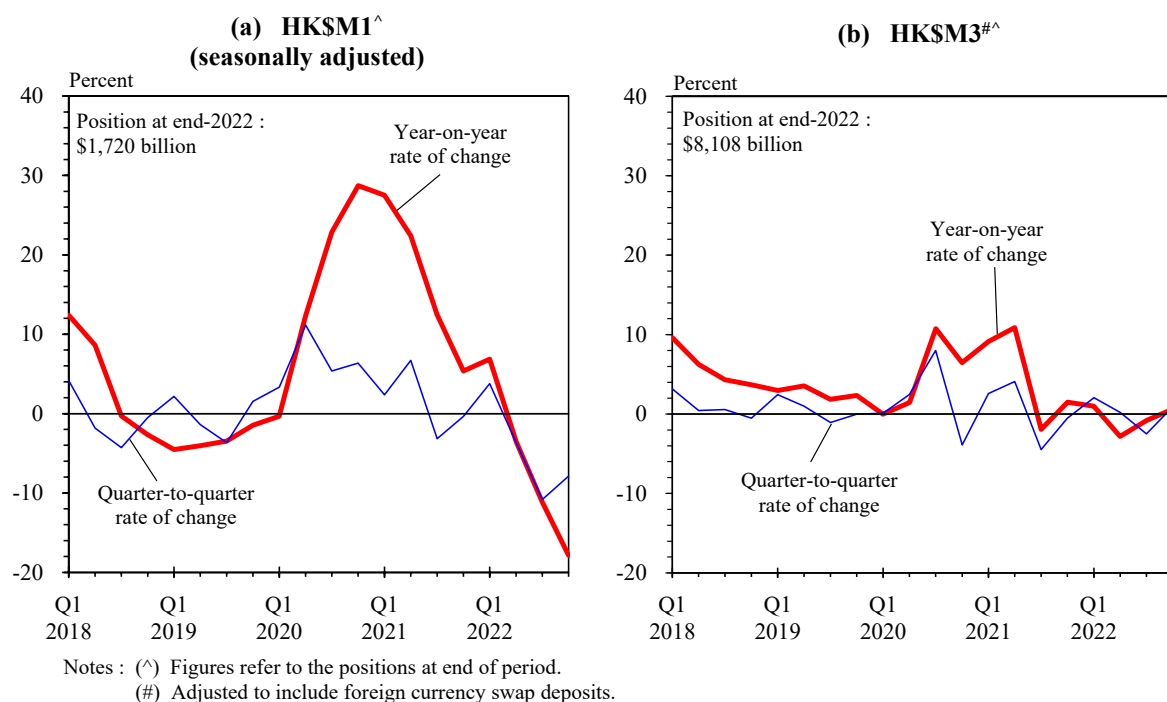


Table 5.1 : Hong Kong dollar money supply and total money supply

		<u>M1</u>		<u>M2</u>		<u>M3</u>	
% change during the quarter		<u>HK\$[^]</u>	<u>Total</u>	<u>HK\$[#]</u>	<u>Total</u>	<u>HK\$[#]</u>	<u>Total</u>
2021	Q1	2.3	4.8	2.6	1.0	2.6	1.0
	Q2	6.7	14.2	4.1	3.0	4.1	3.0
	Q3	-3.2	-7.4	-4.5	-1.0	-4.5	-1.0
	Q4	-0.4	-2.5	-0.5	1.3	-0.5	1.3
2022	Q1	3.8	2.3	2.1	0.7	2.1	0.7
	Q2	-3.6	-7.1	0.2	-0.6	0.2	-0.5
	Q3	-10.8	-8.5	-2.5	0.2	-2.5	0.2
	Q4	-7.9	-8.8	0.9	1.2	0.9	1.2
Total amount at end-2022 (\$Bn)		1,720	2,769	8,096	16,536	8,108	16,569
% change over a year earlier		-17.8	-20.7	0.6	1.6	0.6	1.6

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

5.7 *Total loans and advances* decreased by 3.0% from a year earlier to \$10,571 billion at end-2022. Within the total, Hong Kong dollar loans rose by 2.7%, while foreign currency loans went down by 11.2%. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar rose from 86.7% a year earlier to 88.4% at end-2022, while that for foreign currencies fell from 57.5% to 49.8%.

5.8 Comparing the end-2022 positions with those of end-2021, loans for use in Hong Kong (including trade finance) remained virtually unchanged at \$7,710 billion, while loans for use outside Hong Kong declined by 10.2% to \$2,860 billion. Within the former, loans to various economic segments showed mixed performance during the year. Affected by the weak external trade performance, trade finance went down by 13.5% while loans to manufacturing turned to a marginal decline of 0.1%. Loans to wholesale and retail trade and loans to stockbrokers shrank further by 4.1% and 5.2% respectively. Meanwhile, loans to financial concerns increased by 1.6%. As for property-related lending, loans to building, construction, property development and investment edged up by 0.1% and loans for purchase of residential property increased by 4.0%.

Table 5.2 : 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	-3.0	-2.6	2.9	2.6	-0.6	-10.2	-0.8	-2.1	-1.2
2022	Q1	9.6	5.9	8.1	1.9	1.3	2.1	-8.8	2.0	-0.6	1.2
	Q2	-1.3	-0.9	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
	Q4	-14.0	-9.0	-9.1	0.8	0.7	1.2	11.1	-1.3	-5.2	-2.4
Total amount at end-2022 (\$Bn)		420	312	312	1,712	1,915	923	54	7,710	2,860	10,571
% change over a year earlier		-13.5	-0.1	-4.1	0.1	4.0	1.6	-5.2	*	-10.2	-3.0

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

5.9 The Hong Kong banking sector stayed resilient despite the challenging macro-environment and heightened volatilities in the financial markets. Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying at a high level of 19.9% at end-September 2022. The local banking sector's overall asset quality deteriorated but remained at a healthy level. The ratio of classified loans to total loans for all AIs rose from 0.88% at end-2021 to 1.19% at end-September 2022 and the delinquency ratio for credit card lending edged up from 0.20% to 0.24%. The delinquency ratio for residential mortgage loans edged up from 0.04% at end-2021 to 0.06% at end-2022.

Table 5.3 : 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
	Q3	97.08	1.73	1.19

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”.
- (^) This table presents the asset quality of all AIs. For retail banks, the pass loans, special mention loans and classified loans (gross) as percentages of total loans were 97.03%, 1.80% and 1.17% respectively at end-September 2022.

5.10 *Offshore RMB business* witnessed broad-based growth in 2022. RMB trade settlement transactions handled by banks in Hong Kong rose by 31.9% to RMB9,342.1 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) increased by 3.9% over a year earlier to RMB981.7 billion at end-2022. As to financing activities, RMB bond issuance totalled RMB143.4 billion in 2022, 30.8% higher than in 2021, and outstanding RMB bank loans rose by 17.2% over a year earlier to RMB191.7 billion at end-2022.

Table 5.4 : Renminbi customer deposits and cross-border renminbi trade settlement in Hong Kong

		<u>Interest rates on^(a)</u>					Number of AIs engaged in RMB <u>business</u>	Amount of cross-border RMB <u>trade settlement^(c)</u> (RMB Mn)
<u>At end of period</u>		Demand and savings <u>deposits</u> (RMB Mn)	Time <u>deposits</u> (RMB Mn)	Customer <u>deposits</u> (RMB Mn)	Savings <u>deposits^(b)</u> (%)	Three-month <u>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
	Q4	342,034	493,869	835,903	0.16	0.31	142	2,571,442
% change over a year earlier		19.3	-22.8	-9.8	N.A.	N.A.	N.A.	41.8

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

5.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities increased by 8.9% to \$4,720.4 billion in 2022, with the increase of 12.5% in public sector issuance more than offsetting the decrease of 7.3% in private sector issuance⁽⁷⁾. The total outstanding amount of Hong Kong dollar debt securities rose by 7.4% over a year earlier to \$2,531.9 billion at end-2022, equivalent to 31.2% of HK\$M3 or 25.0% of Hong Kong dollar-denominated assets of the banking sector⁽⁸⁾.

5.12 As to the Hong Kong dollar bonds issued by the Government, a total of \$21.8 billion institutional Government Bonds (GBs) were issued through tenders in 2022, and \$45.0 billion Silver Bond was issued under the retail part of the GB Programme in September. Besides, the inaugural retail green bond with an issuance size of \$20.0 billion was issued in May under the Government Green Bond (GGB) Programme. At end-2022, the total outstanding amount of Hong Kong dollar bonds under the GB and GGB Programmes was \$238.6 billion, comprising 17 GB institutional issues totalling \$95.3 billion, five GB retail issues (two iBonds and three Silver Bonds) totalling \$123.3 billion, and the inaugural retail GGB of \$20.0 billion. 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 institutional green bonds outstanding under the GGB Programme.

Table 5.5 : 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	Annual	3,818.7	75.3	86.8	3,980.8	379.8	46.0	296.9	722.7	16.9	4,720.4
	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
	Q4	969.9	25.2	6.0	1,001.1	73.1	14.8	74.5	162.4	0.5	1,164.0
% change in 2022 over 2021		12.2	16.9	25.1	12.5	0.9	-22.3	-13.6	-7.3	-0.7	8.9
Outstanding (at end of period)											
2021	Q1	1,068.3	89.9	119.2	1,277.4	353.5	135.2	532.9	1,021.6	27.5	2,326.5
	Q2	1,068.4	92.3	147.3	1,308.0	309.9	132.0	504.8	946.7	24.9	2,279.6
	Q3	1,088.5	95.8	163.7	1,347.9	278.4	136.6	474.2	889.1	27.8	2,264.9
	Q4	1,148.6	98.0	168.2	1,414.8	274.6	144.7	493.4	912.7	29.3	2,356.8
2022	Q1	1,189.2	106.3	171.4	1,466.9	262.5	146.0	469.0	877.5	30.4	2,374.8
	Q2	1,190.4	116.8	190.7	1,497.9	296.3	135.9	468.6	900.8	29.9	2,428.6
	Q3	1,196.3	118.3	236.5	1,551.1	313.7	129.8	479.2	922.6	38.0	2,511.8
	Q4	1,207.5	130.6	238.6	1,576.7	303.5	134.8	480.2	918.5	36.7	2,531.9
% change at end-2022 over end-2021		5.1	33.3	41.9	11.4	10.5	-6.8	-2.7	0.6	25.3	7.4

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

5.13 The *local stock market* exhibited substantial volatility in 2022. Since the early part of the year, market sentiment has been dampened by a series of adverse developments including tensions in Ukraine, occasional increases in COVID-19 cases in the Mainland, the stepping up of monetary policy tightening by the US Fed and slackening global growth momentum. The HSI trended down to reach a low of 14 687 on 31 October, the lowest level since April 2009. It then rebounded strongly to close the year at 19 781 amid the expectation of slower US interest rate hikes and the optimisation of anti-epidemic measures in the Mainland. For the year as a whole, the HSI went down by 15.5%. *Market capitalisation* shrank by 15.8% from a year earlier to \$35.7 trillion at end-2022. The local stock market ranked the seventh largest in the world and the fourth largest in Asia⁽⁹⁾.

5.14 Trading activities in the local stock market moderated from the hectic level in the preceding year. For the year as a whole, *average daily turnover* in the securities market contracted by 25.1% from the record high in 2021 to \$124.9 billion. Within the total, the average daily trading value of equities, derivative warrants, and callable bull/bear contracts fell by 30.4%, 28.3% and 11.0% respectively, while that of unit trusts (including Exchange-Traded Funds (ETFs))⁽¹⁰⁾ surged by 51.6%. As to futures and options⁽¹¹⁾, the average daily trading volume expanded by 10.9%. Within the total, trading of Hang Seng China Enterprises Index futures and HSI futures rose by 43.4% and 10.0% respectively, while that of stock options and HSI options fell by 7.8% and 2.4% respectively.

Diagram 5.6 : The local stock market exhibited substantial volatility in 2022

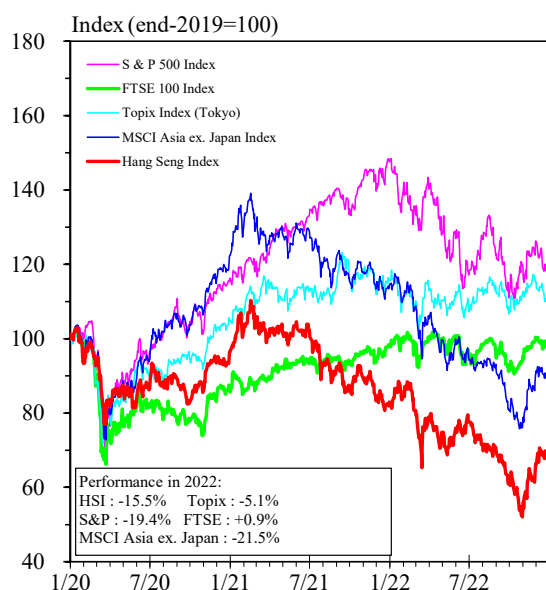
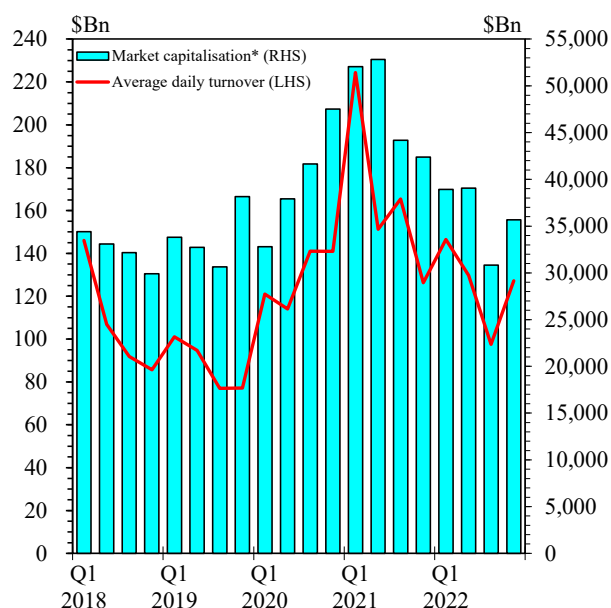


Diagram 5.7 : Market capitalisation shrank while trading activities moderated from the hectic level in the preceding year



Note : (*) Position at end of quarter.

Table 5.6 : Average daily turnover of futures and options of the Hong Kong market

		Hang Seng Index futures	Hang Seng Index options	Hang Seng China Enterprises Index futures	Stock options	Total futures and options traded*
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	Annual	152 374	25 832	183 068	587 749	1 302 889
	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
	Q4	164 291	29 803	219 906	641 220	1 483 708
% change in 2022 Q4 over 2021 Q4		28.2	30.6	70.9	25.7	46.0
% change in 2022 over 2021		10.0	-2.4	43.4	-7.8	10.9

Note : (*) Turnover figures for individual futures and options are in number of contracts, and may not add up to the total futures and options traded as some products are not included. The Hong Kong Exchanges and Clearing Limited (HKEX) has revised the methodology for compiling the average daily turnover of total futures and options traded in the fourth quarter of 2021. The figures for earlier quarters have been revised accordingly.

5.15 Fund raising activities in Hong Kong were extremely quiet in 2022, dampened by the sluggish investment sentiment globally amid sharp monetary policy tightening by many major central banks and the volatile local stock market. For the year as a whole, *total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM⁽¹²⁾, plunged by 67.2% to \$253.3 billion, the lowest level since 2003. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) shrank by 68.4% to \$104.6 billion. Hong Kong ranked fourth among stock exchange markets globally in terms of the amount of funds raised through IPOs in 2022⁽¹³⁾.

5.16 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-2022 a total of 1 409 Mainland enterprises (including 316 H-share companies, 174 “Red Chip” companies and 919 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 equity turnover and 89% of total equity fund raised in the Hong Kong stock exchange in 2022.

5.17 The Securities and Futures Commission and the China Securities Regulatory Commission jointly announced the in-principle agreement for the further expansion of the scope of stocks eligible for trading under Stock Connect in December 2022. After the expansion, Stock Connect is expected to include stocks that account for more than 80% of the equity trading in each market. This will provide Mainland investors with more opportunities to invest in offshore markets and enable international investors to enjoy wider access to the Mainland market, thereby significantly enhancing the attractiveness of Hong Kong as a world-leading listing venue and fostering the healthy development of the two financial markets. Preparatory works would take about three months and the official launch date would be announced in due course.

Fund management and investment funds

5.18 Performance of fund management business⁽¹⁴⁾ was rather weak in 2022, in tandem with the local stock market correction during most of the year. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*⁽¹⁵⁾ fell by 11.1% from a year earlier to \$1,051.1 billion at end-2022. The gross retail sales of *mutual funds* fell by 51.8% from a year earlier to US\$46.9 billion in 2022⁽¹⁶⁾.

Insurance sector

5.19 The *insurance sector*⁽¹⁷⁾ showed subdued performance in the third quarter of 2022. New office premium of long-term business fell by 27.8% from a year earlier, within which premium from non-investment linked plans (which accounted for 89% of total premium for this segment) and investment linked plans fell by 19.3% and 60.9% respectively. As to general business, gross and net premiums increased by 4.9% and 5.1% respectively.

Table 5.7 : Insurance business in Hong Kong[@] (\$Mn)

		General business			New office premium for long-term business [^]					Gross premium from long-term business and general business
		Gross premium	Net premium	Underwriting profit	Individual life and annuity (non-investment linked)	Individual life and annuity (investment 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
	Q3	16,183	11,230	852	26,855	3,345	11	72	30,283	46,466
% change in 2022 Q3 over 2021 Q3		4.9	5.1	98.6	-19.3	-60.9	57.1	-21.7	-27.8	-19.0

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

(^) Retirement scheme business is excluded.

Highlights of policy and market developments

5.20 To further promote the issuance and trading of RMB securities, HKEX announced in December the introduction of a new Hong Kong Dollar (HKD)-RMB Dual Counter Model and an inaugural Dual Counter Market Making Programme in its securities market. Under the proposed model, investors will be able to interchange securities listed in both HKD and RMB counters. Participation of market makers will promote the liquidity and price efficiency of RMB-denominated stocks, thereby enhancing the use of RMB in Hong Kong for investment purposes and contributing to the RMB internationalisation process. Subject to regulatory approval and market readiness, these initiatives were expected to be implemented in the first half of 2023.

5.21 The Government issued a policy statement on the development of Virtual Assets (VA) in Hong Kong in late October, setting out the Government's policy stance and approach towards developing a vibrant sector and ecosystem for VA in Hong Kong. The policy statement explains in detail the vision and approach, regulatory regimes, thoughts on investors' exposures, and pilot projects to embrace the technological benefits and financial innovations brought by VA. This demonstrates Hong Kong's commitment and determination to exploring financial innovations together with the global VA community.

5.22 In October, the HKEX launched Core Climate, a new international carbon marketplace that seeks to connect capital with climate-related products and opportunities in Hong Kong, the Mainland, Asia and beyond. Through the Core Climate platform, participants will be able to source, hold, trade, settle and retire voluntary carbon credits from internationally-certified carbon projects from around the world, including carbon avoidance, reduction and removal projects. Through matching investment capital with new climate projects, technologies and business models, Core Climate will support the global transition to Net Zero and help secure a sustainable future for coming generations.

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) To meet the ongoing demand for Exchange Fund paper by banks amid the abundance of liquidity in the banking system, the HKMA increased the issuance size of 91-day Exchange Fund Bills by \$40 billion in January and February 2022, and the Aggregate Balance decreased by the same amount. The increase in the supply of Exchange Fund Bills is consistent with the Currency Board principles, since the additional issuance simply represents a change in the composition of the Monetary Base.
- (4) 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.

- (5) 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.

- (6) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-2022, there were 155 licensed banks, 15 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 182 AIs (excluding representative offices) from 31 countries and territories (including Hong Kong) had a presence in Hong Kong.
- (7) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (8) Assets of the banking sector include notes and coins, amount due from AIs in Hong Kong as well as from banks abroad, loans and advances to customers, NCDs held, negotiable debt instruments other than NCDs held, and other assets. Certificates of indebtedness issued by Exchange Fund and the counterpart bank notes issued are nevertheless excluded.
- (9) The ranking is based on the market capitalisation figures of global stock exchange markets and compiled by the World Federation of Exchanges and the London Stock Exchange Group.
- (10) 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.
- (11) At end-2022, there were 123 classes of stock options contracts and 98 classes of stock futures contracts.
- (12) At end-2022, there were 2 257 and 340 companies listed on the Main Board and GEM respectively.
- (13) The ranking is based on the amount of funds raised through IPOs (including fundraising of special purpose acquisition companies) compiled by Dealogic.
- (14) At end-2022, there was one SFC-authorized retail hedge fund with net asset size of US\$127 million. The amount of net assets under management decreased by 12.4% from end-September 2022, and represented a 7.6% increase over a year earlier and a 20.6% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (15) At end-2022, there were 13 approved trustees. On MPF products, 24 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 413 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 344 000 employers, 2.72 million employees and 238 000 self-employed persons are estimated to have participated in MPF schemes.
- (16) 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-2022, the survey covered a total of 1 350 active authorised funds.

- (17) At end-2022, there were 164 authorized insurers in Hong Kong. Within this total, 53 were engaged in long-term insurance business, 89 in general insurance business, 19 in composite insurance business, and three in special purpose business. These authorized insurers come from 22 countries and territories (including Hong Kong).

CHAPTER 6 : THE LABOUR SECTOR

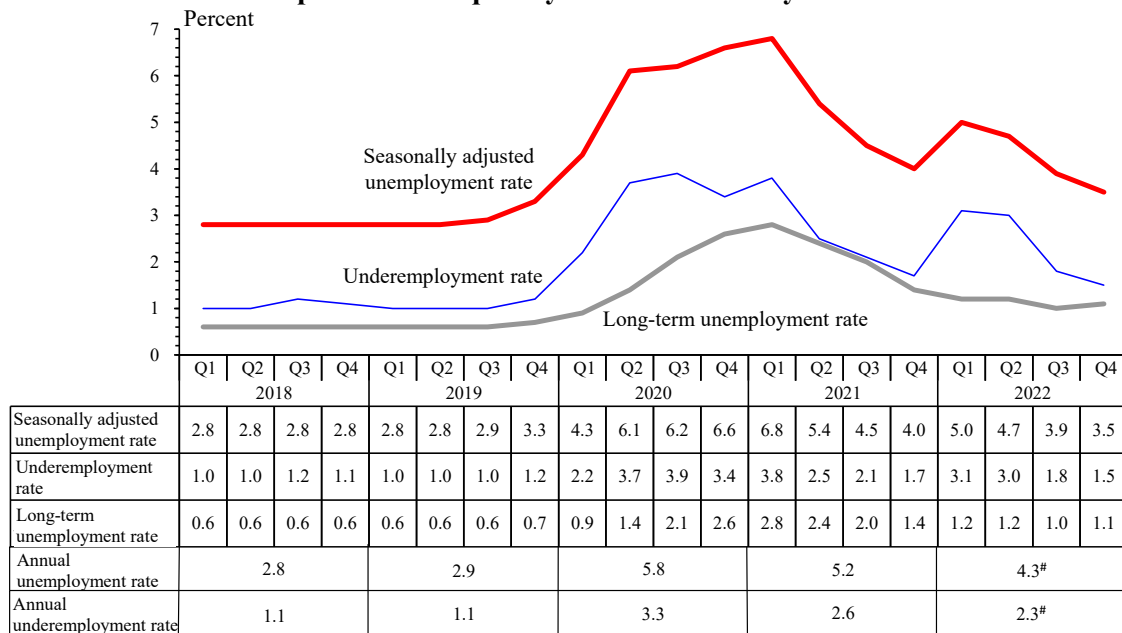
Summary

- *The labour market was under pressure in the early months of 2022 amid the fifth wave of the local epidemic, but improved subsequently in the rest of the year as domestic economic activities gradually revived alongside the generally stable local epidemic situation. The Government's support measures rolled out during the year also helped. The seasonally adjusted unemployment rate rose notably to a high of 5.4% in February – April 2022, and then fell successively to 3.5% in the fourth quarter. The underemployment rate also rose to a high of 3.8% in February – April, before declining to 1.5% in the fourth quarter.*
- *The unemployment rates of most major sectors fell in the fourth quarter compared with February – April, 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 the lower-skilled and higher-skilled workers declined notably.*
- *Establishment surveys indicated that growth in nominal wages and labour earnings generally accelerated in the first three quarters of 2022. The year-on-year increase in average nominal wage rate accelerated from 1.8% in March to 2.3% in September, while that in payroll per person engaged picked up from 0.8% in the first quarter to 2.0% in the third quarter. More recent General Household Survey (GHS) data indicated that median monthly employment earnings of full-time employees (excluding foreign domestic helpers) recorded steady growth through 2022, increasing by 5.0% in the fourth quarter. Meanwhile, the median monthly household income (excluding foreign domestic helpers) increased by 3.3% in the fourth quarter.*

Overall labour market situation⁽¹⁾

6.1 The labour market was under pressure in the early months of 2022 amid the fifth wave of the local epidemic, but improved subsequently in the rest of the year as domestic economic activities gradually revived alongside the generally stable local epidemic situation. The Government's support measures rolled out during the year also helped. The seasonally adjusted *unemployment rate*⁽²⁾ rose notably to a high of 5.4% in February – April 2022, and then fell successively to 3.5% in the fourth quarter. The *underemployment rate*⁽³⁾ also rose to a high of 3.8% in February – April, before declining to 1.5% in the fourth quarter. The seasonally adjusted unemployment rate and the underemployment rate in the fourth quarter of 2022 were lower than their respective levels of 4.0% and 1.7% a year earlier. The unemployment rates of most major sectors fell in the fourth quarter compared with February – April, 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 the lower-skilled and higher-skilled workers declined notably, with the former being still visibly higher than the latter. Establishment surveys indicated that growth in nominal wages and labour earnings generally accelerated in the first three quarters of 2022. The year-on-year increase in average nominal wage rate accelerated from 1.8% in March to 2.3% in September, while that in payroll per person engaged picked up from 0.8% in the first quarter to 2.0% in the third quarter. More recent statistics compiled from the GHS indicated that median monthly employment earnings of full-time employees (excluding foreign domestic helpers) recorded steady growth through 2022, increasing by 5.0% in nominal terms in the fourth quarter. Meanwhile, the median monthly household income (excluding foreign domestic helpers) showed a year-on-year increase of 3.3% in the fourth quarter of 2022.

Diagram 6.1 : The labour market was under pressure in the early months of 2022, but improved subsequently in the rest of the year



Note : # Provisional figures.

Table 6.1 : 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	Annual [#]	4.3	2.3	1.1
	Q1	5.0	3.1	1.2
	Q2	4.7	3.0	1.2
	Q3	3.9	1.8	1.0
	Q4	3.5	1.5	1.1

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

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Labour force and total employment

6.2 The *labour force*⁽⁴⁾ continued to decline entering 2022, to a low of 3 745 200 in March – May. This reflected partly a decline in labour force participation rate as a result of some people choosing to leave the labour force and the persistent drag from population ageing, and partly a fall in the working-age population (i.e. land-based non-institutionalised population aged 15 and above). The labour force then rose back in the rest of the year to 3 791 300 in the fourth quarter, partly because improved employment conditions attracted more people to enter or re-join the labour market. Analysed by contributing factor, the labour force participation rate rose back from the record low of 58.1% in March – May to 58.3% in the fourth quarter. The working-age population also increased from 6 444 300 to 6 504 000 over the same period.

6.3 *Total employment*⁽⁵⁾ also reached a low of 3 553 800 in March – May, before rising back to 3 665 300 in the fourth quarter. Most major sectors saw increases in employment in the fourth quarter compared with March – May, particularly for the arts, entertainment and recreation sector, the food and beverage service activities sector, and the decoration, repair and maintenance for buildings sector.

**Table 6.2 : 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	Annual [#]	3 781 200 (-2.3)	3 619 100 (-1.4)	162 100	88 200
	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
	Q3	3 784 200 (-2.3)	3 628 900 (-1.7)	155 300	69 000
	Q4	3 791 300 (-1.5)	3 665 300 (-1.1)	126 000	55 300
		<0.2>	<1.0>		

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 fourth quarter of 2022.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.2 : Both labour force and total employment declined to the low levels in March – May, then rose back in the rest of 2022

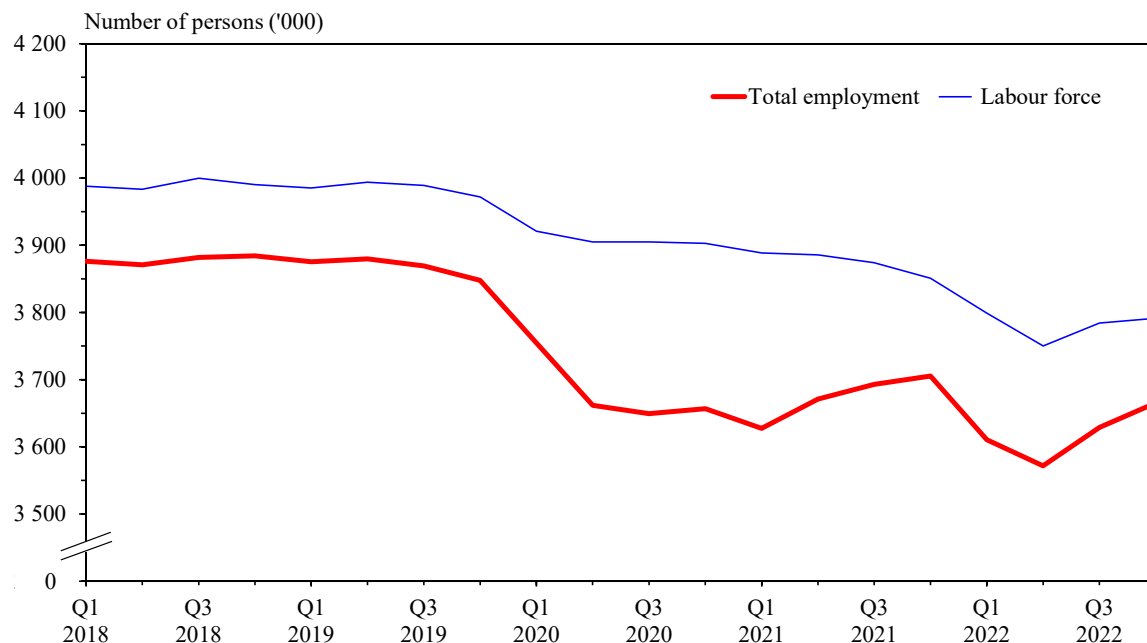


Table 6.3 : Labour force participation rates by gender and by age group (%)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022[#]</u>	<u>2022 Q4</u>
<u>Male</u>						
15-24	39.2	39.2	35.4	34.4	32.3	31.5
<i>of which:</i>						
15-19	10.3	11.3	7.3	6.6	7.2	6.9
20-24	60.1	59.6	56.5	57.2	54.5	53.2
25-29	92.9	91.3	90.8	91.7	89.8	90.2
30-39	96.4	95.9	95.0	95.2	94.3	94.9
40-49	95.2	93.9	93.5	93.5	93.4	93.3
50-59	86.9	85.2	84.8	85.4	85.3	85.4
≥ 60	32.2	32.0	31.6	31.0	31.9	32.2
Overall	68.6	67.6	66.3	65.8	64.8	64.5
<u>Female</u>						
15-24	40.9	40.5	36.6	35.3	33.6	33.6
<i>of which:</i>						
15-19	11.9	11.6	7.2	7.8	7.8	6.9
20-24	60.4	60.1	57.8	57.5	55.5	55.4
25-29	86.8	87.5	87.5	88.2	86.7	87.3
30-39	79.6	79.3	79.1	79.3	79.3	79.4
40-49	74.3	73.7	73.6	74.3	74.1	74.8
50-59	61.6	62.3	62.9	64.0	64.9	65.0
≥ 60	14.7	15.7	15.6	16.3	16.5	17.0
Overall	55.3	55.1	54.3	54.2	53.2	53.2
<u>Both genders combined</u>						
15-24	40.0	39.8	36.0	34.9	32.9	32.5
<i>of which:</i>						
15-19	11.1	11.5	7.3	7.2	7.5	6.9
20-24	60.3	59.9	57.2	57.4	55.0	54.3
25-29	89.6	89.2	89.0	89.8	88.2	88.6
30-39	86.3	86.0	85.6	85.9	85.6	85.9
40-49	82.8	82.0	81.8	82.1	82.0	82.3
50-59	73.3	72.7	72.7	73.4	73.7	73.8
≥ 60	23.0	23.5	23.2	23.3	23.8	24.2
Overall	61.3	60.7	59.7	59.4	58.4	58.3

Note : # Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

6.4 The seasonally adjusted unemployment rate rose to a high of 5.4% in February – April, and then fell successively to 3.5% in the fourth quarter. Compared with a high level of 206 100 in February – April, the number of unemployed persons (not seasonally adjusted) decreased notably by 38.8% (or 80 000) to 126 000 in the fourth quarter.

6.5 The unemployment rates of most major sectors declined notably in the fourth quarter as compared with February – April, particularly for those sectors that saw notable increases in early 2022, such as the decoration, repair and maintenance for buildings sector (down 8.5 percentage points to 7.3%), the food and beverage service activities sector (down 7.9 percentage points to 5.0%), and the arts, entertainment and recreation sector (down 6.6 percentage points to 5.1%). For the *low-paying sectors*⁽⁶⁾ as a whole, the unemployment rate went down by 3.0 percentage points to 2.9%.

6.6 Analysed by skill segment, the unemployment rate of the lower-skilled workers fell by 3.0 percentage points from February – April to 3.5% in the fourth quarter, and that of the higher-skilled workers declined by 1.1 percentage points to 2.3%. The unemployment rate of the lower-skilled workers was still visibly higher than that of the higher-skilled workers.

6.7 Analysed by other socio-economic attributes, persons of all age groups and all levels of educational attainment saw lower unemployment rates in the fourth quarter compared with February – April, notably for those aged 15-19 (down 5.4 percentage points to 11.8%), and those with lower secondary education (down 4.3 percentage points to 4.1%) and primary and below education (down 3.6 percentage points to 2.8%).

Diagram 6.3 : The unemployment rates of most major sectors declined notably in the fourth quarter as compared with February – April

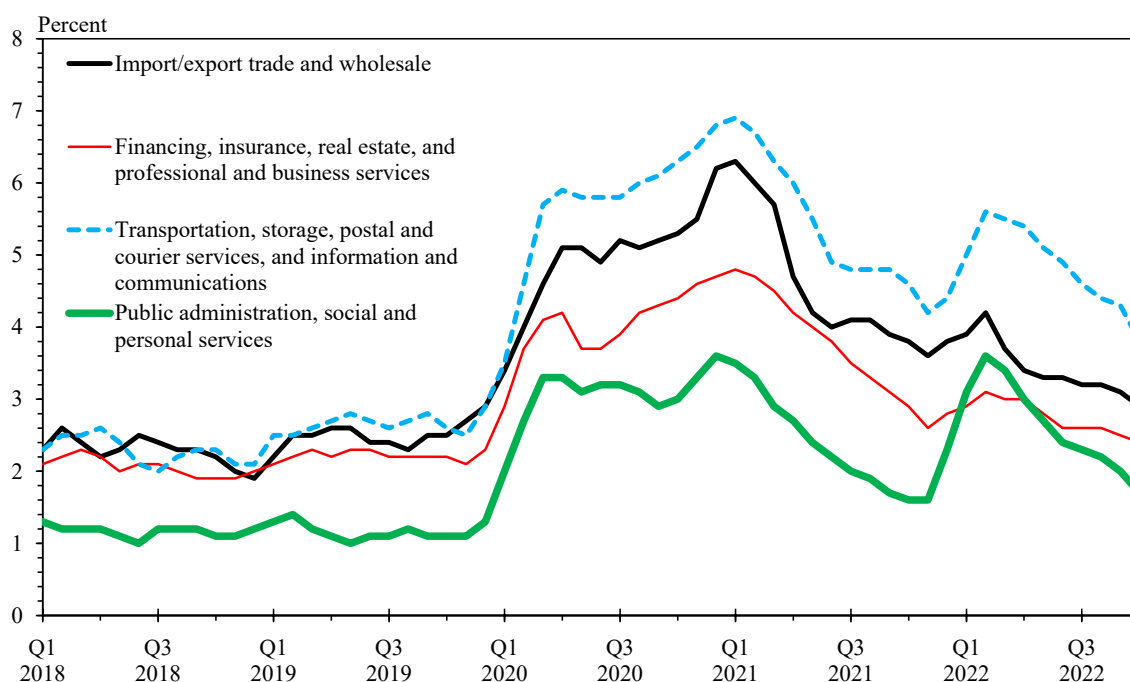
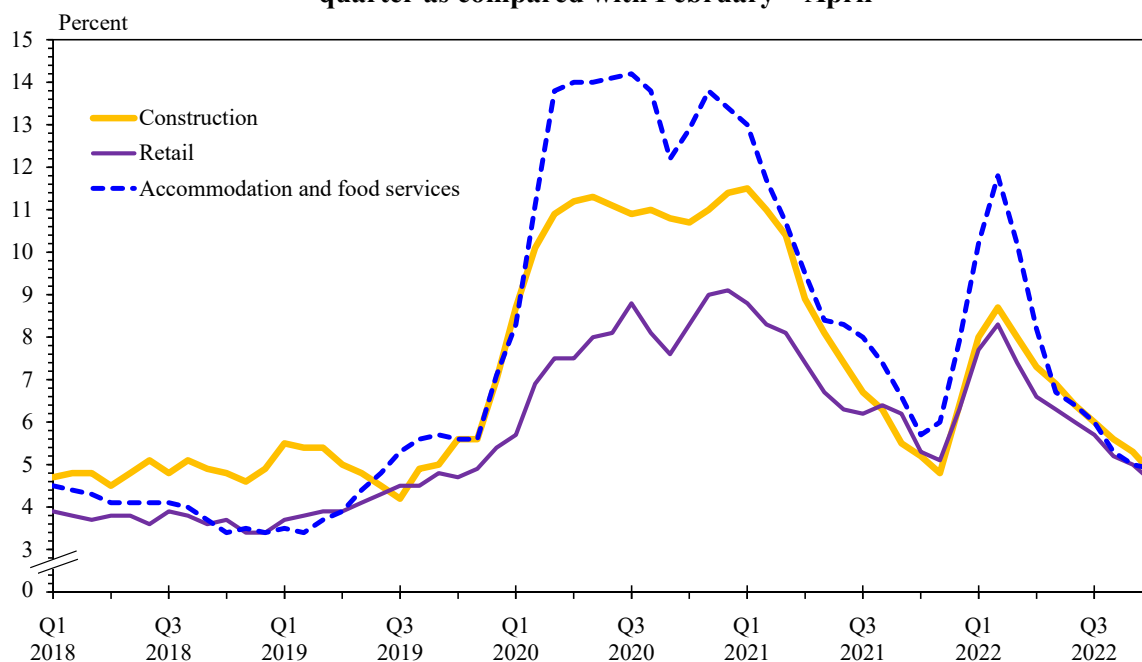


Table 6.4 : Unemployment rates by major economic sector

	<u>2021</u>					<u>2022</u>				
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u> [#]	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Import/export trade and wholesale	4.8	6.3	4.7	4.1	3.8	3.4	3.9	3.4	3.2	2.9
Retail, accommodation and food services	8.0	10.8	8.4	7.1	5.5	6.7	8.9	7.4	5.8	4.7
of which:										
<i>Retail</i>	6.9	8.8	7.4	6.2	5.3	6.2	7.7	6.6	5.7	4.6
<i>Accommodation services</i>	7.0	10.2	7.4	5.7	4.1	4.9	5.6	5.7	4.5	3.9
<i>Food and beverage service activities</i>	9.5	13.4	9.9	8.5	6.0	7.7	11.0	8.6	6.2	5.0
Transportation, storage, postal and courier services	6.0	7.3	6.6	5.0	4.9	5.1	5.3	5.9	5.0	4.0
Information and communications	4.7	5.9	4.8	4.3	4.0	4.0	4.6	4.2	3.8	3.4
Financing and insurance	3.0	3.9	3.1	2.7	2.2	2.3	2.3	2.5	2.3	2.1
Real estate	3.0	4.2	3.0	2.6	2.0	2.6	2.4	3.0	2.7	2.6
Professional and business services	4.7	5.7	5.3	4.3	3.8	3.0	3.4	3.3	2.8	2.5
Public administration, social and personal services	2.4	3.5	2.7	2.0	1.6	2.5	3.1	3.0	2.3	1.7
of which:										
<i>Education</i>	3.5	5.2	3.8	3.0	2.3	3.0	3.8	3.9	2.6	1.6
<i>Arts, entertainment and recreation</i>	8.5	12.6	10.8	6.8	4.0	7.4	11.3	8.0	5.7	5.1
Manufacturing	6.5	6.6	6.9	6.8	5.6	5.2	5.5	5.5	5.2	4.7
Construction	8.1	11.5	8.9	6.7	5.2	6.5	8.0	7.3	6.0	4.8
of which:										
<i>Decoration, repair and maintenance for buildings</i>	11.4	16.2	12.7	10.0	5.9	10.7	13.4	13.0	9.1	7.3
Overall*	5.2	6.7	5.5	4.7	3.8	4.3	5.0	4.8	4.1	3.3
		(6.8)	(5.4)	(4.5)	(4.0)		(5.0)	(4.7)	(3.9)	(3.5)

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

() Seasonally adjusted unemployment rates.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.4 : The unemployment rates of both lower-skilled and higher-skilled workers declined notably in the fourth quarter from the high levels in February – April

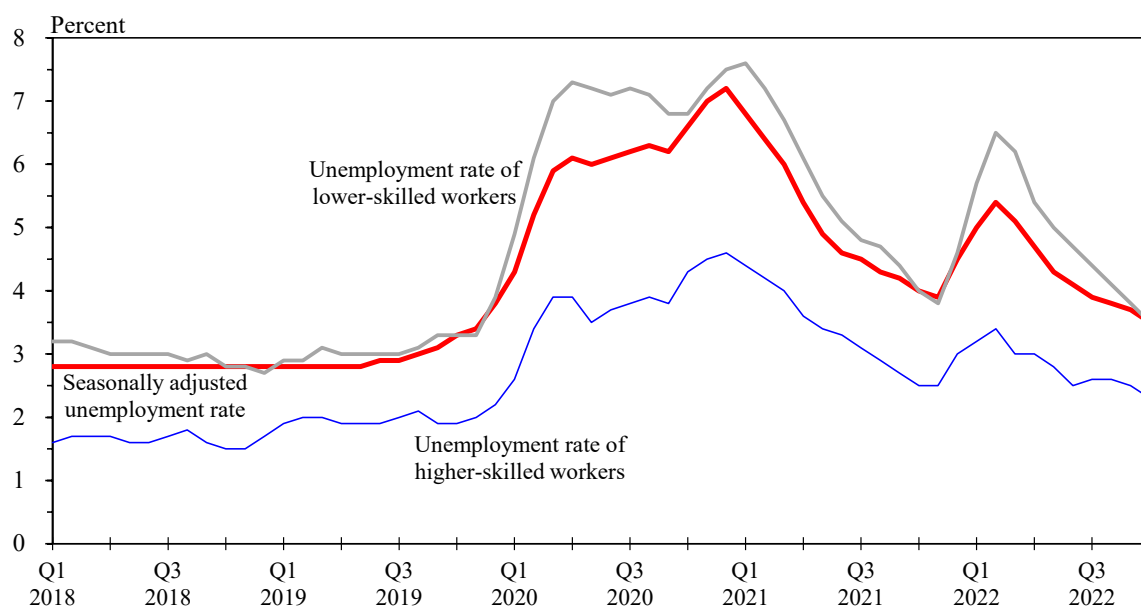


Table 6.5 : Unemployment rates* by skill segment

		<u>2021</u>					<u>2022</u>			
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual[#]</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
<u>Higher-skilled segment</u>	3.4	4.4	3.6	3.1	2.5	2.8	3.2	3.0	2.6	2.3
Managers	2.7	3.5	3.1	2.0	2.1	2.2	2.7	2.4	2.1	1.8
Professionals	2.4	3.0	2.6	2.3	1.7	1.9	2.0	2.0	1.9	1.6
Associate professionals	4.5	5.7	4.5	4.1	3.3	3.6	4.1	4.0	3.3	3.0
<u>Lower-skilled segment[^]</u>	5.7	7.6	6.1	4.8	4.0	4.8	5.7	5.4	4.4	3.5
Clerical support workers	5.1	6.1	5.2	4.4	4.3	4.2	4.6	4.2	4.7	3.4
Service and sales workers	7.0	10.0	7.1	6.2	4.7	5.7	7.5	6.7	4.7	4.1
Craft and related workers	7.5	10.5	8.4	6.1	4.8	7.0	8.8	7.5	6.9	4.9
Plant and machine operators and assemblers	4.5	5.9	4.9	3.5	3.3	3.8	4.1	4.5	3.7	2.7
Elementary occupations	4.3	5.7	5.1	3.5	3.1	3.6	4.0	4.4	3.2	2.7

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

^ Including other occupations.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Table 6.6 : Unemployment rates* by age and educational attainment

	<u>2021</u>					<u>2022</u>				
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual[#]</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
<u>Age</u>										
15-24	12.8	13.5	13.7	15.2	8.8	10.8	10.5	11.7	12.0	9.1
<i>of which:</i>										
15-19	15.6	16.3	18.1	16.5	11.9	15.2	14.3	18.4	16.1	11.8
20-24	12.5	13.3	13.3	15.0	8.5	10.3	10.1	11.0	11.4	8.9
25-29	6.1	7.4	6.3	6.2	5.0	5.7	5.9	5.7	5.9	5.1
30-39	3.9	5.2	4.2	3.5	3.0	3.2	3.7	3.7	3.2	2.4
40-49	4.3	5.5	4.7	3.6	3.2	3.5	4.2	4.2	2.9	2.6
50-59	5.5	7.7	5.9	4.3	3.7	4.4	5.5	4.8	4.0	3.3
≥ 60	4.6	6.7	4.9	3.6	3.2	3.9	4.9	4.4	3.6	2.8
<u>Educational attainment</u>										
Primary education and below	5.4	8.5	5.6	4.2	3.0	4.1	5.8	4.9	2.7	2.8
Lower secondary education	6.6	8.7	7.1	5.7	4.7	5.7	7.2	6.5	5.2	4.1
Upper secondary education [^]	5.4	7.2	5.9	4.5	3.9	4.5	5.4	5.2	4.2	3.2
Post-secondary education	4.5	5.4	4.6	4.6	3.5	3.7	3.7	3.9	3.9	3.3

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

^ Including craft courses.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

6.8 Indicators for the intensity of unemployment showed diverse performance in the fourth quarter as compared with February – April. The long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) fell by 0.2 percentage point from February – April to 1.1% in the fourth quarter, and the number of long-term unemployed persons declined by 16.9% (or 8 400) to 41 500. Yet, the share of long-term unemployed persons in total unemployment rose by 8.7 percentage points to 32.9%. The median duration of unemployment lengthened by 13 days to 86 days. The proportion of dismissal or lay-offs in the total number of unemployed persons (not including first-time job-seekers and re-entrants into the labour force) rose by 3.0 percentage points to 53.9%.

Profile of underemployment

6.9 The underemployment rate went up markedly to 3.8% in February – April, and then declined successively to 1.5% in the fourth quarter. Compared with a high level of 142 000 in February – April, the number of underemployed persons fell markedly by 61.1% (or 86 700) to 55 300 in the fourth quarter. Analysed by sector, the underemployment rates of all major sectors declined during the period, notably for the arts, entertainment and recreation sector (down 10.5 percentage points to 2.3%) and the food and beverage service activities sector (down 10.3 percentage points to 1.4%). Analysed by skill segment, the underemployment rate of the lower-skilled workers fell by 3.1 percentage points to 1.9%, and that of the higher-skilled workers declined by 1.2 percentage points to 0.8%.

Profile of employment in establishments

6.10 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available up to September 2022. Attempts have been made to bring the analysis more up-to-date by drawing reference to information from supplementary sources wherever possible.

6.11 Employment situation improved in the third quarter of 2022 as domestic economic activities gradually revived. Compared with three months ago on a seasonally adjusted basis, total private sector employment resumed an increase of 0.2% in September after decreasing by 1.0% and 0.3% in March and June respectively. On a year-on-year comparison, total private sector employment (not seasonally adjusted) declined by a narrowed 1.1% to 2 686 900 in September. Analysed by sector, employment in a majority of selected industries (not seasonally adjusted) increased over three months ago, notably for construction sites (covering manual workers only), and food and beverage services. On a year-on-year comparison, employment in around half of the selected industries increased in September, more notably for wholesale, construction sites (covering manual workers only) and human health services. Some other selected industries saw narrowed declines in employment, though the declines in accommodation services and manufacturing were still notable.

Table 6.7 : Employment by major economic sector

	<u>2021</u>					<u>2022</u>		
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>
Import/export trade and wholesale	436 000 (-3.6)	434 600 (-8.6)	434 900 (-3.4)	435 100 (-2.2)	439 500 (0.1)	438 300 (0.8)	434 800 (§)	432 700 (-0.6)
<i>of which:</i>								
<i>Wholesale</i>	50 500 (-3.9)	50 600 (-8.4)	50 900 (-2.9)	49 800 (-4.1)	50 700 (0.1)	52 700 (4.1)	52 200 (2.6)	52 800 (6.1)
Retail	249 500 (-0.6)	249 900 (-2.0)	248 100 (-0.5)	248 500 (-0.5)	251 400 (0.5)	245 200 (-1.9)	244 800 (-1.3)	245 200 (-1.3)
Accommodation services ^(a)	36 000 (1.1)	34 400 (-9.4)	37 000 (3.1)	36 900 (5.0)	35 800 (7.0)	35 400 (2.8)	33 400 (-9.8)	33 600 (-9.0)
Food and beverage services	214 000 (1.4)	205 500 (-7.2)	215 000 (1.0)	217 600 (5.2)	217 800 (7.4)	204 700 (-0.4)	217 200 (1.0)	222 000 (2.0)
Transportation, storage, postal and courier services	166 900 (-4.0)	165 500 (-6.7)	168 700 (-4.2)	167 200 (-4.4)	166 000 (-0.4)	164 400 (-0.6)	162 500 (-3.7)	164 000 (-1.9)
Information and communications	108 600 (-1.4)	109 300 (-0.4)	108 800 (-1.8)	108 400 (-1.7)	108 100 (-1.7)	107 200 (-1.9)	106 100 (-2.4)	105 300 (-2.9)
Financing, insurance, real estate, professional and business services	767 900 (0.8)	761 600 (0.4)	765 700 (0.8)	772 000 (1.0)	772 400 (1.2)	766 600 (0.7)	750 500 (-2.0)	751 800 (-2.6)
Social and personal services	534 500 (0.5)	534 700 (0.5)	532 500 (0.3)	533 600 (0.3)	537 300 (0.8)	532 900 (-0.3)	533 900 (0.3)	536 400 (0.5)
<i>of which:</i>								
<i>Human health services</i>	145 500 (2.9)	145 300 (4.0)	145 100 (3.3)	145 800 (2.9)	146 000 (1.6)	148 600 (2.3)	148 400 (2.2)	149 300 (2.4)
Manufacturing	78 800 (-5.5)	81 200 (-3.6)	79 200 (-6.0)	78 400 (-5.9)	76 500 (-6.7)	75 800 (-6.7)	74 900 (-5.3)	74 400 (-5.1)
Construction sites (covering manual workers only)	105 400 (8.5)	102 700 (1.6)	106 100 (8.6)	106 300 (13.2)	106 600 (10.9)	98 300 (-4.3)	103 400 (-2.5)	109 700 (3.2)
All establishments surveyed in the private sector^(b)	2 709 100 (-0.4)	2 690 700 (-2.7) <0.6>	2 707 300 (-0.4) <0.6>	2 715 500 (0.3) <0.1>	2 722 900 (1.3) <-0.1>	2 680 500 (-0.4) <-1.0>	2 673 200 (-1.3) <-0.3>	2 686 900 (-1.1) <0.2>
<i>Civil service^(c)</i>	176 900 (-0.2)	177 600 (-0.1)	176 900 (-0.3)	176 400 (-0.2)	176 600 (-0.2)	176 200 (-0.7)	175 200 (-1.0)	174 000 (-1.3)

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

6.12 Compared with three months ago on a seasonally adjusted basis, the number of private sector vacancies decreased by 10.1% in March 2022 before increasing by 14.6% and 14.7% in June and September. On a year-on-year comparison, the number of private sector vacancies continued to register a visible increase of 37.2% to 74 840 in September 2022.

6.13 In September 2022, the numbers of vacancies in almost all selected sectors increased as compared to the levels three months ago and a year earlier. Analysed by occupational category, the numbers of vacancies in the lower-skilled and higher skilled segments rose further by 20.5% and 18.7% respectively over three months ago, and were 43.1% and 30.2% higher than the corresponding levels a year earlier.

6.14 The manpower balance situation has tightened since March 2022. The ratio of job vacancies per 100 unemployed persons increased from 28 in March to 35 in June and further to 48 in September. Analysed by skill segment, the ratio in the higher-skilled segment went up from 49 in March to 60 in June and 83 in September, while the ratio in the lower-skilled segment increased from 23 to 29 and 43 during the same period. Manpower shortage situation remained acute in the human health services sector, and the residential care and social work services sector, with the ratios increasing further to 270 and 202 in September respectively.

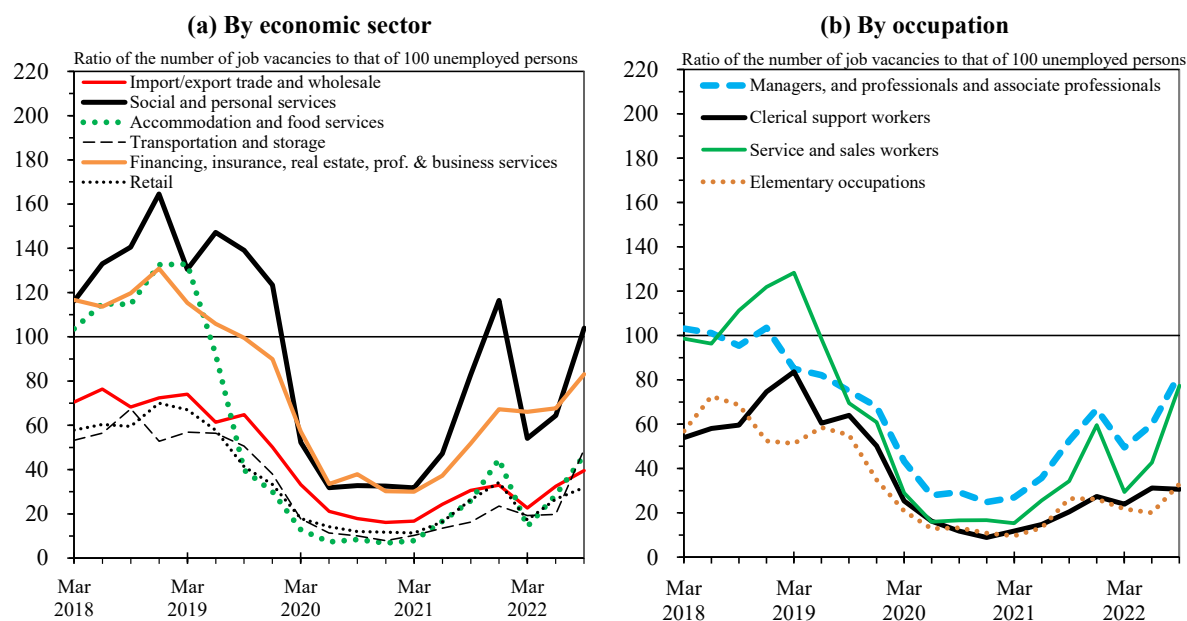
Table 6.8 : Vacancies by major economic sector

	Annual average	2021				2022		
		Mar	Jun	Sep	Dec	Mar	Jun	Sep
Import/export trade and wholesale	3 880 (12.4)	3 510 (-13.9)	3 840 (4.8)	4 070 (27.9)	4 090 (41.9)	2 920 (-16.9)	3 600 (-6.3)	4 110 (1.0)
<i>of which:</i>								
<i>Wholesale</i>	520 (13.1)	460 (-7.3)	500 (4.7)	610 (38.1)	510 (20.5)	320 (-31.2)	600 (21.2)	740 (22.3)
Retail	4 100 (33.9)	2 970 (-2.6)	3 450 (9.4)	4 710 (49.8)	5 270 (81.4)	3 710 (25.1)	4 880 (41.3)	5 000 (6.1)
Accommodation services ^(a)	1 200 (83.2)	700 (-0.6)	1 090 (53.9)	1 380 (94.5)	1 650 (225.5)	1 410 (100.7)	1 790 (63.4)	2 030 (47.9)
Food and beverage services	3 750 (72.3)	2 060 (-6.7)	3 230 (51.9)	4 380 (77.4)	5 310 (180.3)	2 410 (17.2)	4 700 (45.5)	5 540 (26.4)
Transportation, storage, postal and courier services	2 900 (32.8)	2 520 (-2.9)	2 930 (28.5)	2 580 (23.4)	3 560 (101.9)	3 550 (41.1)	3 740 (27.5)	7 520 (191.6)
Information and communications	2 090 (9.5)	1 670 (-24.1)	1 930 (-5.5)	2 290 (31.8)	2 460 (49.6)	2 790 (67.6)	2 780 (44.2)	3 020 (31.9)
Financing, insurance, real estate, professional and business services	15 080 (15.9)	12 980 (-11.4)	14 000 (13.3)	16 000 (22.5)	17 330 (45.0)	16 580 (27.7)	17 020 (21.6)	18 540 (15.9)
Social and personal services	15 630 (38.3)	11 970 (5.1)	13 550 (16.3)	17 570 (52.9)	19 430 (82.3)	18 410 (53.8)	21 370 (57.8)	26 270 (49.5)
<i>of which:</i>								
<i>Human health services</i>	3 740 (68.4)	2 410 (3.0)	2 160 (3.6)	4 840 (113.8)	5 540 (152.9)	5 050 (109.8)	5 860 (171.7)	9 380 (94.1)
Manufacturing	1 030 (45.4)	690 (-9.0)	940 (24.4)	1 150 (50.7)	1 350 (139.5)	1 400 (103.6)	1 640 (74.8)	1 830 (59.7)
Construction sites (covering manual workers only)	190 (-22.0)	80 (-84.3)	250 (2.5)	160 (14.7)	260 (232.1)	270 (244.9)	630 (153.6)	640 (291.5)
All establishments surveyed in the private sector^(b)	50 080 (28.9)	39 350 (-6.9) <14.2>	45 440 (16.2) <13.9>	54 560 (40.2) <15.7>	60 980 (74.0) <15.6>	53 700 (36.5) <-10.1>	62 500 (37.5) <14.6>	74 840 (37.2) <14.7>
<i>Civil service^(c)</i>	15 660 (24.6)	15 140 (42.0)	15 540 (37.3)	15 960 (20.6)	15 980 (6.3)	16 800 (10.9)	17 490 (12.5)	18 230 (14.2)

- 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 6.5 : Manpower balance situation has tightened since March 2022



6.15 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. The number of such vacancies decreased by 8% from the preceding quarter to a monthly average of 101 200 in the fourth quarter of 2022, and was 6% lower than the level a year earlier.

Wages and earnings

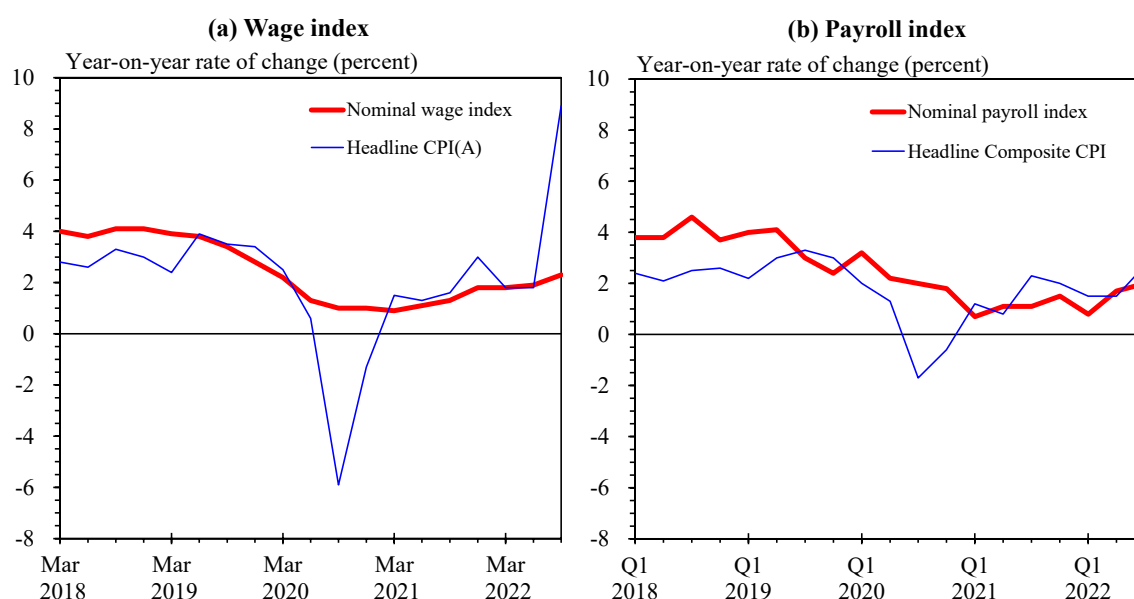
6.16 Growth in nominal wages and labour earnings generally accelerated in the first three quarters of 2022. The year-on-year increase in average nominal wage rate, as measured by the nominal wage index for all selected industry sections which covers regular payment to employees at the supervisory level or below, accelerated from 1.8% in March to 1.9% in June and further to 2.3% in September. After discounting for headline *inflation*⁽⁷⁾, wages fell by 6.0% in real terms in September 2022, as the year-on-year increase in the headline Consumer Price Index (A) in the respective period was enlarged by the low base of comparison caused by the Government's one-off relief measures implemented a year earlier.

6.17 The average nominal wage rates in all selected sectors saw year-on-year increases in September 2022, particularly for financial and insurance activities (up 3.3%), real estate leasing and maintenance management (up 2.9%), transportation (up 2.6%) and professional and business services (up 2.5%). Analysed by occupation, all occupations recorded increases in average nominal wage rates, more visibly for clerical and secretarial workers (up 3.0%), operatives (up 2.9%) and miscellaneous non-production workers (up 2.8%).

6.18 *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, showed an accelerated nominal year-on-year increase of 2.0% in the third quarter of 2022 after the increases of 0.8% in the first quarter and 1.7% in the second quarter. After discounting for headline inflation, labour earnings decreased by 0.7% in real terms in the third quarter, as the year-on-year increase in the headline Composite Consumer Price Index (CCPI) in the respective period was enlarged by the low base of comparison caused by the Government's one-off relief measures implemented a year earlier.

6.19 Nominal payroll per person engaged in all selected sectors recorded year-on-year growth in the third quarter of 2022, particularly for accommodation and food service activities (up 3.1%), information and communications (up 2.9%), financial and insurance activities (up 2.9%), professional and business services (up 2.9%), and sewerage, waste management and remediation activities (up 2.9%).

Diagram 6.6 : Growth in nominal wages and labour earnings generally accelerated in the first three quarters of 2022



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.

6.20 More recent statistics compiled from the GHS, though not strictly comparable to those from the business establishment surveys, indicated that median monthly employment earnings of full-time employees (excluding foreign domestic helpers) recorded steady growth through 2022, increasing by 5.0% in nominal terms in the fourth 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 CCPI) of 1.8%. Meanwhile, the median monthly household income (excluding foreign domestic helpers) increased by 3.3% in the fourth quarter.

Highlights of labour-related measures and policy developments in 2022

6.21 In response to the fifth wave of the local epidemic, the Government implemented various measures in 2022 to support the labour market and help the unemployed. Specifically, under the sixth round of the Anti-epidemic Fund, the Government launched the third round of Job Creation Scheme in February 2022. By the end of 2022, around 30 000 jobs were created, comprising around 20 000 jobs in the government sector and around 10 000 jobs in the non-governmental sector. Separately, the Temporary Unemployment Relief (TUR) Scheme was launched in March 2022 to provide a one-off subsidy of \$10,000 to people who have lost their jobs due to the fifth wave of the local epidemic. The TUR Scheme was concluded in July 2022, having disbursed \$3.5 billion to about 350 000 persons. Moreover, the 2022 Employment Support Scheme (ESS) was launched to provide wage subsidies to eligible employers for three months from May to July 2022. By the end of 2022, about 170 000 employers received wage subsidies for May to July 2022 totalling \$36.6 billion, benefitting 1.57 million employees. Meanwhile, one-off subsidy was granted to 98 000 eligible self-employed persons, involving a total subsidy of over \$780 million. Separately, the fifth and sixth tranches of the Love Upgrading Special Scheme were launched by the Employees Retraining Board in January and July 2022 respectively. Each tranche lasted for six months and provided 20 000 training places with allowance.

6.22 To enhance the economy's competitiveness, the Chief Executive (CE) announced in his 2022 Policy Address an array of measures to proactively attract talents and enterprises from the Mainland and overseas to Hong Kong. Many of these measures have already been put into implementation. In so far as talent attraction is concerned, the online platform of the Hong Kong Talent Engage (HKTE) was launched in December 2022, providing one-stop electronic services for talents from around the world. Dedicated Teams for Attracting Businesses and Talents were also set up in the Government's Mainland Offices and overseas Economic and Trade Offices to proactively reach out to target enterprises and talents. The Top Talent Pass Scheme was launched on 28 December 2022 to attract talents of high salary and graduates of the world's top 100 universities to pursue careers in Hong Kong, and various enhancements to the existing talents admission schemes became effective on the same day. Separately, 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, subject to the passage of amendments to the Stamp Duty Ordinance.

6.23 The Government will also continue to groom local talents. Specifically, the Government will step up STEAM (Science, Technology, Engineering, the Arts and Mathematics) education in primary and secondary schools. Also, 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.

6.24 In early 2022 when the local epidemic situation was severe, LD organised online job fairs and continued to provide employment and recruitment services through telephone and online platforms such as the Interactive Employment Service website. As the situation stabilised, LD gradually resumed the organisation of district-based job fairs in LD's job centres, recruitment activities in industry-based recruitment centres and large-scale job fairs. In 2022, LD organised 10 large-scale physical job fairs and three online job fairs. A total of 241 organisations participated in the physical job fairs, offering more than 15 000 vacancies. Separately, over 8 000 vacancies were provided by 161 organisations joining the online job fairs. The job opportunities were from various industries including retail, property management, catering, transport, etc. LD also organised in 2022 more than 600 district-based job fairs at its job centres offering more than 125 000 vacancies.

6.25 The CE in Council adopted the recommendation of the Minimum Wage Commission (MWC) to raise the Statutory Minimum Wage (SMW) rate from its prevailing level of \$37.5 per hour to \$40 per hour, an increase of \$2.5 or 6.7%. Subject to the approval of the Legislative Council, the revised SMW rate will come into force on 1 May 2023. The CE also tasked MWC to conduct a study on how to enhance the SMW review mechanism, and required MWC to submit a report on the study by end-October 2023.

6.26 The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 to abolish the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund System to offset severance payment and long service payment (the offsetting arrangement) was passed by the Legislative Council in June 2022. The Government will implement the abolition of the offsetting arrangement not later than 2025 in tandem with the full operation of the eMPF Platform of the Mandatory Provident Fund Schemes Authority.

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 7 : PRICES

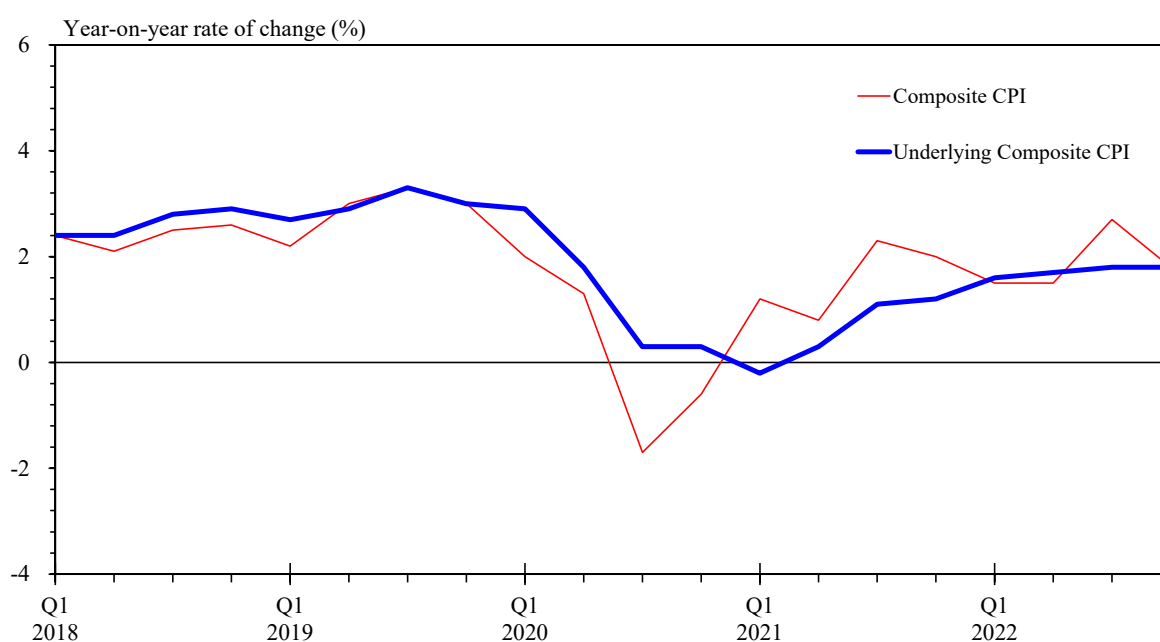
Summary

- *Underlying consumer price inflation, though showing some increase, remained moderate in overall terms in 2022. Prices of food and clothing and footwear increased notably, while prices of energy-related items soared. Nonetheless, price pressures on other major components remained largely contained. Private housing rentals continued to fall, albeit at a narrowed rate. 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 1.7% in 2022, up from the 0.6% increase in 2021.*
- *The headline Composite CPI inflation rate averaged 1.9% in 2022, up from 1.6% in 2021. The slightly higher headline inflation rate than its underlying counterpart in 2022 mainly reflected the lower base of comparison for the former due to the rent waiver for tenants provided by the Hong Kong Housing Authority in 2021.*
- *Domestic business cost pressures were largely mild in 2022, as wage growth remained moderate and commercial rentals stayed soft.*
- *External price pressures were intensive in 2022. Inflation in many major economies⁽²⁾ surged to very high levels as pandemic-induced supply chain bottlenecks and tensions in Ukraine pushed up international energy, commodity and food prices. While the stronger Hong Kong dollar vis-à-vis many major currencies provided some offset against rising inflation in our major trading partners, prices of overall merchandise imports still rose markedly.*

Consumer prices

7.1 Underlying consumer price inflation, though showing some increase, remained moderate in overall terms in 2022. Prices of food and clothing and footwear increased notably, while prices of energy-related items soared. Nonetheless, price pressures on other major components remained largely contained. Private housing rentals continued to fall, albeit at a narrowed rate. Domestic business cost pressures were largely mild, as wage growth remained moderate and commercial rentals stayed soft. External price pressures were intensive. Inflation in many major economies surged to very high levels as pandemic-induced supply chain bottlenecks and tensions in Ukraine pushed up international energy, commodity and food prices. While the stronger Hong Kong dollar vis-à-vis many major currencies provided some offset against rising inflation in our major trading partners, prices of overall merchandise imports still rose markedly.

Diagram 7.1: Underlying consumer price inflation, though showing some increase, remained moderate in overall terms in 2022



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.

7.2 Underlying consumer price inflation, in terms of the year-on-year rate of change in the underlying Composite CPI which nets out the effects of the Government's one-off relief measures to reflect the underlying inflation trend, rose from 0.6% in 2021 to 1.7% in 2022, with the quarterly figures moving within a narrow range of 1.6% to 1.8%. Meanwhile, the headline Composite CPI rose by 1.9% in 2022, up from a 1.6% rise in 2021. The slightly higher headline inflation rate than its underlying counterpart in 2022 mainly reflected the lower base of comparison for the former due to the rent waiver for tenants provided by the Hong Kong Housing Authority in 2021, and to a lesser extent a lower rates concession cap for domestic tenements in the first quarter of 2022. These factors together outweighed the effect of the Government's provision of additional electricity charge subsidies in the year.

Table 7.1 : 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	Annual	1.7	1.9	2.2	1.7	1.8
	H1	1.6	1.5	1.4	1.5	1.7
	H2	1.8	2.3	3.0	1.9	1.9
	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
	Q4	1.8	1.8	1.9	1.7	1.9

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

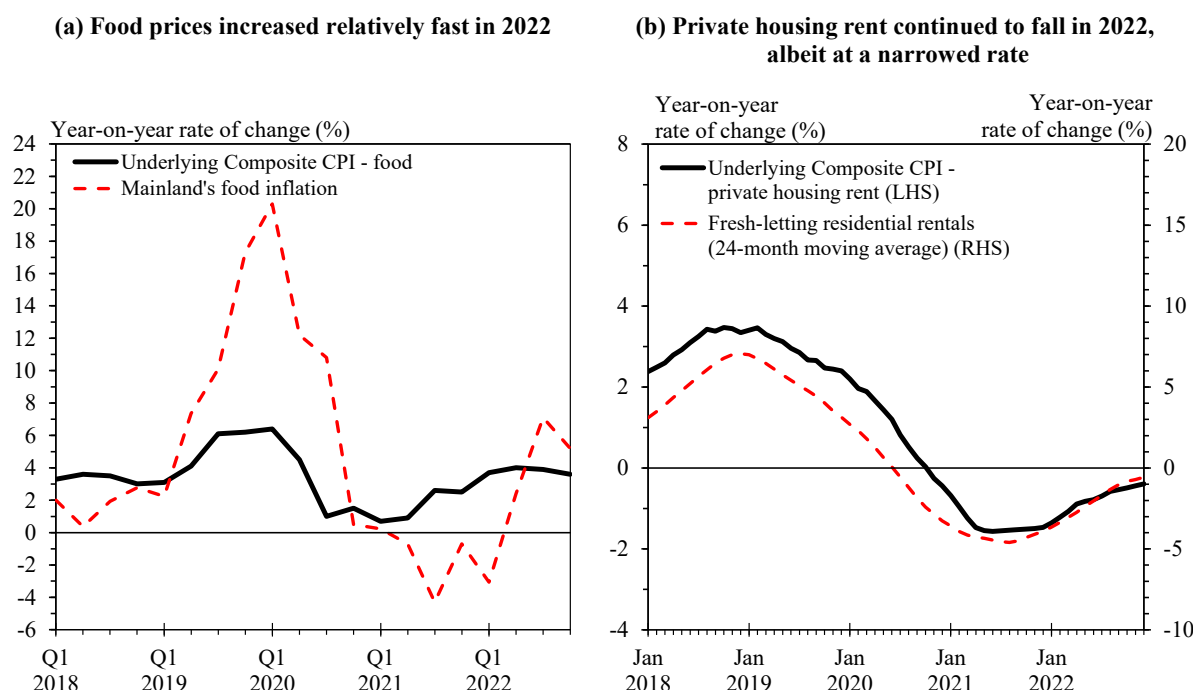
2021	Q1	0.2	1.1	1.6	0.8	0.5
	Q2	0.4	0.3	0.3	0.2	0.3
	Q3	0.3	-0.8	-2.2	-0.1	0.2
	Q4	0.4	1.5	2.8	0.9	0.6
2022	Q1	0.5	0.6	0.6	0.5	0.5
	Q2	0.5	0.2	0.1	0.2	0.4
	Q3	0.4	0.5	0.6	0.4	0.4
	Q4	0.4	0.6	0.6	0.7	0.5

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

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

7.3 Analysed by major component of the underlying Composite CPI, food prices, the component with the largest weight other than housing, increased relatively fast by 3.8% in 2022. Within food prices, prices of basic food rose by 4.5%, as the supply of certain food items from the Mainland was hit by a transportation disruption in the early part of the year. Prices of meals out and takeaway food rose by 3.4% in tandem with the generally stabilised local epidemic situation and relaxed social distancing measures since the second quarter. Prices of electricity, gas and water soared amid elevated international energy prices, and those of clothing and footwear increased notably. But price pressures on other major components remained broadly in check. Prices of transport picked up moderately as the effects of higher motor fuel prices were partly offset by the extension of the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities to those aged between 60 and 64 from late February. Meanwhile, prices of miscellaneous services increased mildly, while those of durable goods and miscellaneous goods rose modestly. As for housing, the private housing rental component continued to fall, albeit at a narrowed rate alongside the feed-through of the earlier increase in fresh-letting residential rentals.

Diagram 7.2 : 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 7.3 (a) : Prices of energy-related items soared in 2022, while those of clothing and footwear increased notably

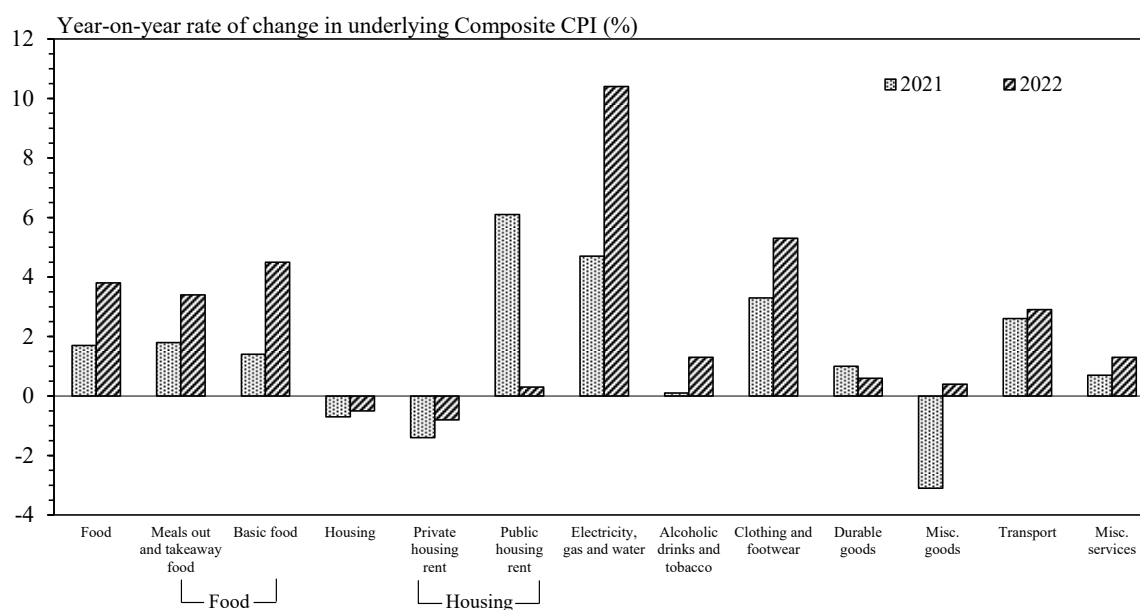
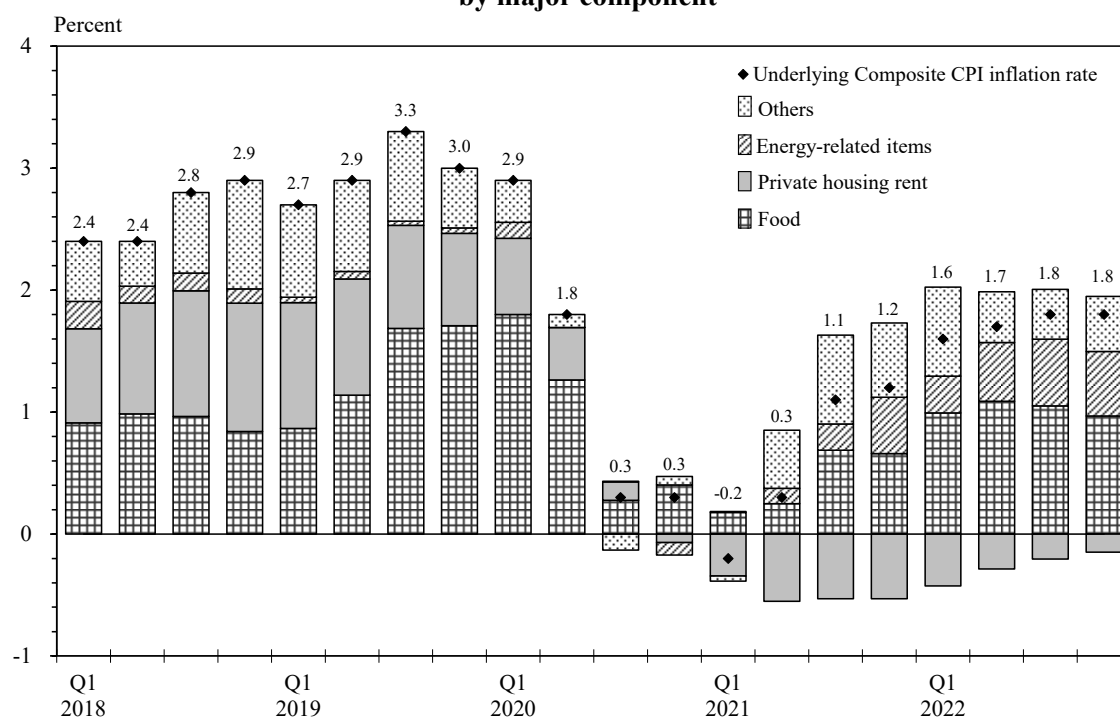


Diagram 7.3 (b) : Contribution to underlying Composite CPI inflation rate by major component



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 7.2 : Underlying Composite CPI by component
(year-on-year rate of change (%))

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>2021</u>	<u>Annual</u>	<u>2022</u>			
				<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Food	27.41	1.7	3.8	3.7	4.0	3.9	3.6
<i>Meals out and takeaway food</i>	17.05	1.8	3.4	3.1	3.4	3.4	3.6
<i>Basic food</i>	10.36	1.4	4.5	4.6	5.0	4.7	3.6
Housing ^(a)	40.25	-0.7 (0.3)	-0.5 (0.2)	-1.0 (-0.3)	-0.5 (-0.6)	-0.3 (1.8)	-0.1 (*)
<i>Private housing rent</i>	35.46	-1.4 (-1.3)	-0.8 (-0.6)	-1.2 (-0.5)	-0.8 (-0.8)	-0.6 (-0.6)	-0.4 (-0.5)
<i>Public housing rent</i>	1.87	6.1 (29.3)	0.3 (9.6)	-0.1 (2.0)	-0.1 (-0.1)	-0.1 (45.1)	1.2 (2.1)
Electricity, gas and water	2.82	4.7 (27.0)	10.4 (7.2)	6.5 (-2.4)	10.7 (2.7)	12.5 (14.9)	12.0 (14.2)
Alcoholic drinks and tobacco	0.49	0.1	1.3	0.3	1.5	1.8	1.7
Clothing and footwear	2.42	3.3	5.3	6.1	4.9	5.1	5.0
Durable goods	4.00	1.0	0.6	1.7	1.6	0.4	-1.2
Miscellaneous goods	3.32	-3.1	0.4	-0.2	0.4	0.6	0.6
Transport	6.17	2.6	2.9	6.1	1.8	1.8	1.9
Miscellaneous services	13.12	0.7 (0.7)	1.3 (1.3)	1.1 (1.0)	1.3 (1.3)	1.3 (1.4)	1.6 (1.7)
All items	100.00	0.6 (1.6)	1.7 (1.9)	1.6 (1.5)	1.7 (1.5)	1.8 (2.7)	1.8 (1.8)

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.

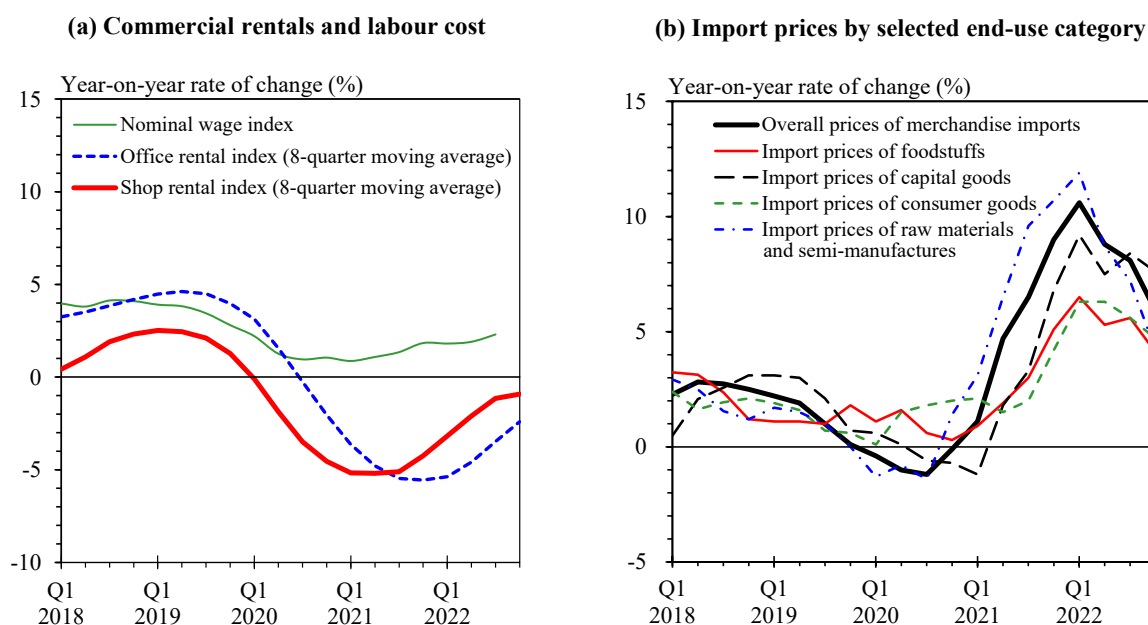
() Figures in brackets represent the headline rates of change before netting out the effects of the Government's one-off relief measures.

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

Costs of factor inputs and import prices

7.4 Domestic cost pressures were largely mild in 2022. Nominal wage growth remained moderate, though the pace of increase picked up gradually over the course of the year amid improved labour market conditions. Commercial rentals faced by businesses stayed soft. As a proxy, the eight-quarter moving averages of office rentals and shop rentals continued to fall by 2.4% and 0.9% respectively in 2022, despite showing narrowing declines during the year alongside the gradual revival of domestic economic activity.

Diagram 7.4 : Domestic cost pressures were largely mild, whereas external price pressures were intensive



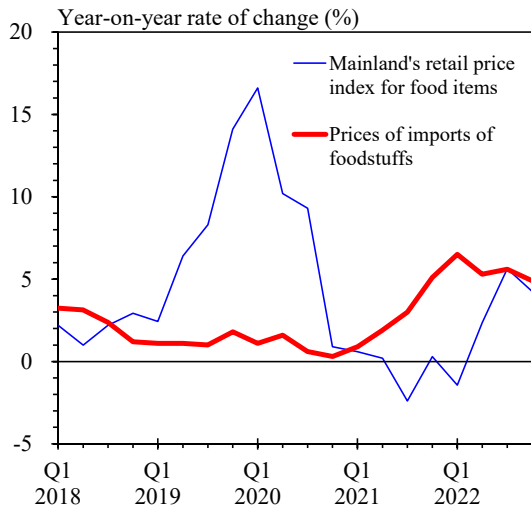
7.5 External price pressures were intensive in 2022, with inflation in many major economies surging to very high levels. Pandemic-induced supply chain bottlenecks particularly in the first half of the year and tensions in Ukraine pushed up international energy, commodity and food prices. While the stronger Hong Kong dollar vis-à-vis many major currencies provided some offset against rising inflation in our major trading partners, import prices of all major end-use categories still saw notable increases. For 2022 as a whole, prices of overall merchandise imports rose markedly by 8.1%, accelerating from the 5.5% increase in the preceding year. Import prices of fuels soared by 49.8%. Import prices of raw materials and semi-manufactures and those of capital goods registered sharp increases of 7.9% and 7.8% respectively. Import prices of consumer goods and foodstuffs both recorded visible increases of 5.6%.

Table 7.3 : Prices of imports by end-use category
(year-on-year rate of change (%))

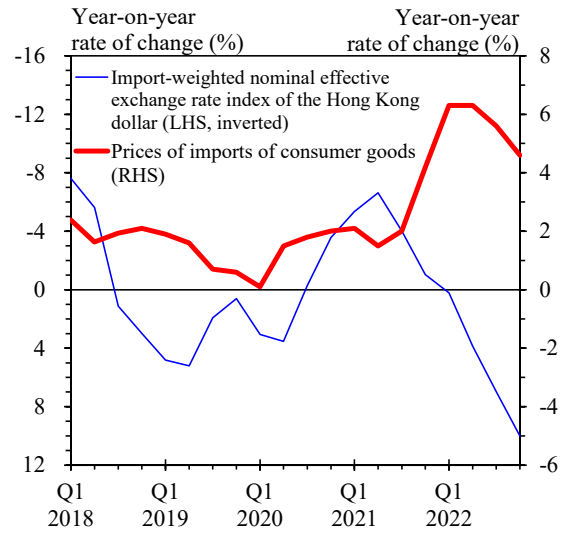
		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2021	Annual	2.6	2.5	7.6	39.8	2.9	5.5
	H1	1.3	1.9	4.8	18.1	0.4	2.9
	H2	4.1	3.1	10.1	63.7	5.1	7.8
	Q1	0.9	2.1	3.1	-9.5	-1.2	1.1
	Q2	1.9	1.5	6.5	61.5	1.8	4.7
	Q3	3.0	2.0	9.6	53.4	3.3	6.5
	Q4	5.1	4.2	10.7	74.2	6.8	9.0
2022	Annual	5.6	5.6	7.9	49.8	7.8	8.1
	H1	5.9	6.3	10.2	61.9	8.3	9.7
	H2	5.2	5.0	5.9	41.1	7.7	6.9
	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
	Q4	4.9	4.6	4.5	26.8	7.1	5.8

Diagram 7.5: Prices of merchandise imports by end-use category

(a) Import prices of foodstuffs recorded a visible increase in 2022

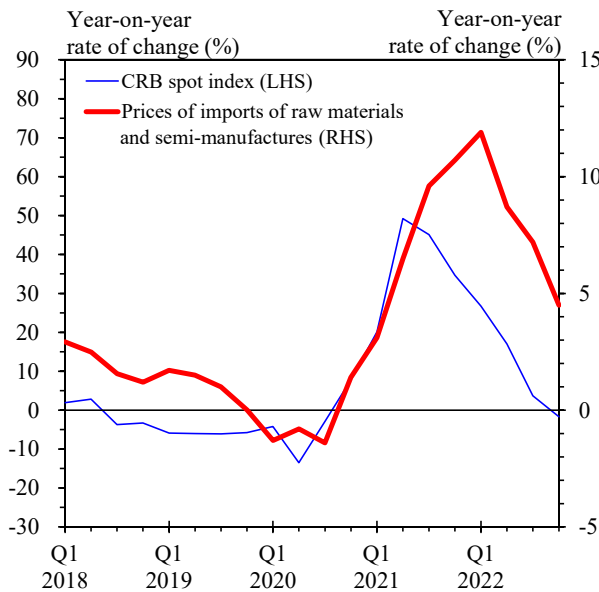


(b) Import prices of consumer goods recorded a stronger increase in 2022

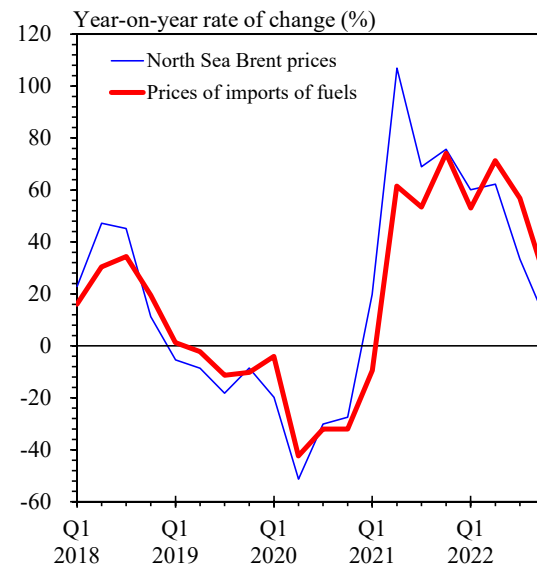


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) Import prices of raw materials and semi-manufactures increased sharply



(d) Import prices of fuels soared



Output prices

7.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, showed mixed movements across various sectors in the first three quarters of 2022. Output prices for the manufacturing sector continued to increase modestly. Among the selected service sectors, output prices for accommodation services picked up visibly and exhibited accelerated increases over the course of the year, but remained below the pre-pandemic level. Output prices for water transport and air transport continued to surge for the first three quarters combined, but the former increased at a notably moderated pace and the latter turned to a slight decline in the third quarter alongside easing demand. Output prices for land transport posted a visibly faster increase. Meanwhile, output prices for courier services declined further, while those for telecommunications services continued its secular downtrend.

**Table 7.4 : Producer Price Indices for the manufacturing sector
and selected service sectors
(year-on-year rate of change (%))**

<u>Industry group</u>	<u>Annual</u>	<u>2021</u>					<u>2022</u>		
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1-Q3</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Manufacturing	1.2	1.9	2.7	-0.8	1.2	1.2	2.3	0.8	0.4
Selected service sectors									
Accommodation services	3.3	-4.0	4.1	7.2	6.6	12.8	8.9	12.2	17.2
Land transport	2.7	-5.2	1.1	7.5	7.8	9.8	9.4	10.8	9.4
Water transport	63.2	34.4	57.0	76.6	82.2	33.5	57.0	40.0	10.2
Air transport	36.7	18.9	30.3	34.7	59.1	18.0	42.8	17.8	-1.7
Telecommunications	-1.7	-1.7	-1.6	-2.7	-0.6	-1.0	-0.6	-0.8	-1.8
Courier services	-1.9	2.1	-1.1	-3.7	-4.4	-4.0	-4.1	-4.1	-4.0

GDP deflator

7.7 As a broad measure of the overall change in prices in the economy, the increase in the *GDP deflator*⁽⁴⁾ picked up to 2.2% in 2022 from 0.7% in 2021. The *terms of trade*⁽⁵⁾ edged down by 0.1% for 2022 as a whole. Taking out the external trade components, the domestic demand deflator increased by 2.3% in 2022.

Diagram 7.6: GDP deflator

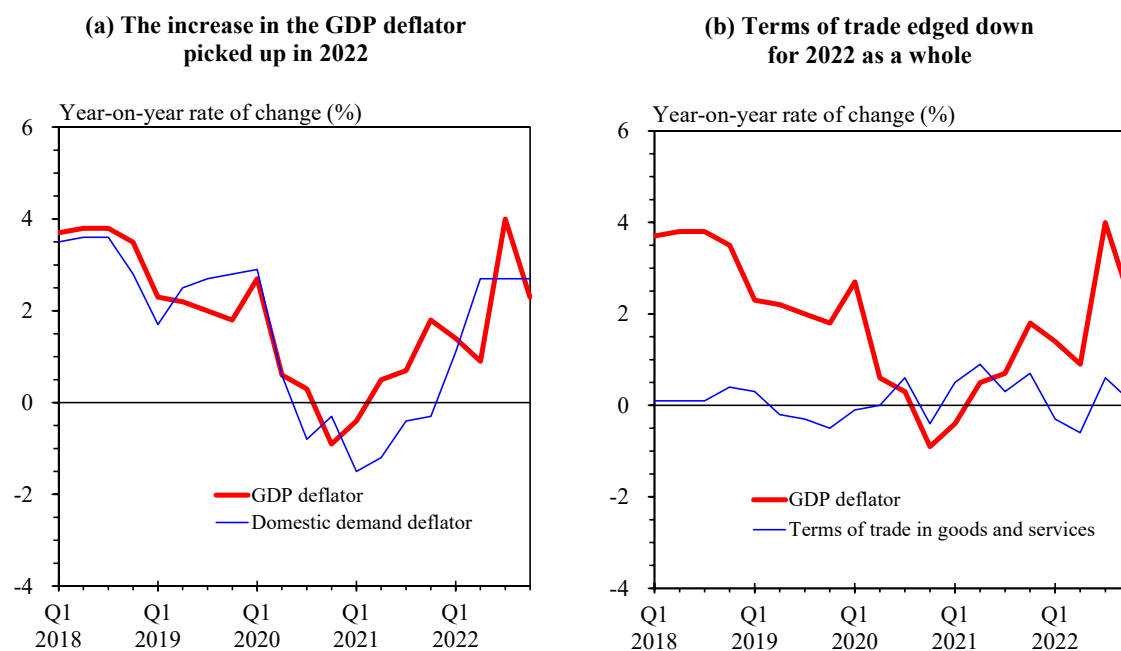


Table 7.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))

		<u>2021</u>					<u>2022</u>			
	<u>Annual</u> [#]	<u>Q1</u> [#]	<u>Q2</u> [#]	<u>Q3</u> [#]	<u>Q4</u> [#]	<u>Annual</u> [#]	<u>Q1</u> [#]	<u>Q2</u> [#]	<u>Q3</u> [#]	<u>Q4</u> [#]
Private consumption expenditure	-0.6	-1.6	-0.6	-0.5	0.4	2.1	0.5	2.0	2.8	2.9
Government consumption expenditure	0.6	-0.1	*	0.6	2.1	2.8	1.7	3.9	3.3	2.6
Gross domestic fixed capital formation	-2.1	-5.2	-3.7	-1.4	1.9	2.4	1.5	4.6	2.7	0.9
Total exports of goods ^{&}	5.1	1.4	4.9	5.2	8.1	6.8	9.3	7.1	7.1	4.6
Imports of goods ^{&}	4.9	1.3	4.3	5.6	8.0	7.4	10.2	8.3	6.8	4.9
Exports of services ^{&}	14.5	8.3	15.3	17.9	17.0	7.3	12.3	12.1	4.7	1.3
Imports of services ^{&}	9.9	4.8	11.6	11.4	11.4	3.8	8.9	7.7	1.3	-1.4
Gross Domestic Product	0.7	-0.4 <0.8>	0.5 <0.4>	0.7 <-0.2>	1.8 <0.8>	2.2	1.4 <0.3>	0.9 <0.1>	4.0 <2.6>	2.3 <-0.6>
Total final demand ^{&}	3.7	0.9	3.4	4.2	6.1	5.2	6.9	5.7	5.4	3.3
Domestic demand	-0.8	-1.5	-1.2	-0.4	-0.3	2.3	1.1	2.7	2.7	2.7
Terms of trade in goods and services ^{&}	0.6	0.5	0.9	0.3	0.7	-0.1	-0.3	-0.6	0.6	0.1

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 with 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 updated the base period and expenditure weights for compiling the CPIs. CPI figures quoted in this report refer to the 2019/20-based series unless otherwise stated.

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

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

The weightings of the various components in the 2019/20-based CPIs are as follows:

<u>Expenditure component</u>	<u>Composite CPI</u> (%)	<u>CPI(A)</u> (%)	<u>CPI(B)</u> (%)	<u>CPI(C)</u> (%)
Food	27.41	32.71	26.76	21.89
<i>Meals out and takeaway food</i>	<i>17.05</i>	<i>18.87</i>	<i>17.27</i>	<i>14.55</i>
<i>Basic food</i>	<i>10.36</i>	<i>13.84</i>	<i>9.49</i>	<i>7.34</i>
Housing	40.25	40.46	40.77	39.24
<i>Private housing rent</i>	<i>35.46</i>	<i>33.43</i>	<i>37.22</i>	<i>35.44</i>
<i>Public housing rent</i>	<i>1.87</i>	<i>4.95</i>	<i>0.55</i>	--
<i>Management fees and other housing charges</i>	<i>2.92</i>	<i>2.08</i>	<i>3.00</i>	<i>3.80</i>
Electricity, gas and water	2.82	3.85	2.57	1.92
Alcoholic drinks and tobacco	0.49	0.76	0.41	0.27
Clothing and footwear	2.42	1.78	2.51	3.08
Durable goods	4.00	3.29	3.94	4.97
Miscellaneous goods	3.32	3.31	3.48	3.10
Transport	6.17	4.52	6.38	7.89
Miscellaneous services	13.12	9.32	13.18	17.64
All items	100.00	100.00	100.00	100.00

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

	<u>2021</u>					<u>2022</u>				
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Selected developed economies										
US [^]	3.6	1.4	3.7	4.1	5.0	6.2	6.3	6.0	6.3	6.0
Canada	3.4	1.4	3.3	4.1	4.7	6.8	5.8	7.5	7.2	6.7
EU	2.9	1.4	2.2	3.1	4.9	9.2	6.5	8.8	10.3	11.0
Japan	-0.2	-0.5	-0.7	-0.2	0.5	2.5	0.9	2.4	2.9	3.9
Selected major emerging economies										
Mainland China	0.9	*	1.1	0.8	1.8	2.0	1.1	2.2	2.7	1.8
Russia	6.7	5.6	6.0	6.9	8.3	13.8	11.6	17.0	14.3	12.2
India	5.1	4.9	5.6	5.1	5.0	6.7	6.3	7.3	7.0	6.1
Brazil	8.3	5.3	7.7	9.6	10.5	9.3	10.7	11.9	8.6	6.1
Selected Asian economies										
Hong Kong	1.6	1.2	0.8	2.3	2.0	1.9	1.5	1.5	2.7	1.8
Singapore	2.3	0.8	2.3	2.5	3.7	6.1	4.6	5.9	7.3	6.6
Taiwan	2.0	0.8	2.1	2.3	2.7	2.9	2.8	3.5	2.9	2.6
Korea	2.5	1.4	2.5	2.5	3.5	5.1	3.8	5.4	5.9	5.2
Malaysia	2.5	0.5	4.2	2.1	3.2	3.4	2.2	2.8	4.5	3.9
Thailand	1.2	-0.5	2.4	0.7	2.4	6.1	4.7	6.5	7.3	5.8
Indonesia	1.6	1.4	1.5	1.6	1.8	4.2	2.3	3.8	5.2	5.5
Philippines	3.9	4.0	4.0	4.1	3.6	5.8	3.4	5.5	6.5	7.9
Vietnam	1.8	0.3	2.7	2.5	1.9	3.2	1.9	3.0	3.3	4.4
Macao	*	-1.0	-0.4	0.5	1.0	1.0	1.0	1.2	1.2	0.8

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

([^]) Refers to core CPI inflation.

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

Statistical Appendix

<u>Table</u>	<u>Page</u>
1. Gross Domestic Product by expenditure component (at current market prices)	128-129
2. Rates of change in chain volume measures of Gross Domestic Product by expenditure component (in real terms)	130-131
3. Gross Domestic Product by economic activity (at current prices)	132
4. Rates of change in chain volume measures of Gross Domestic Product by economic activity (in real terms)	133
5. Value added and employment statistics of the Four Key Industries and other selected industries	134-135
6. Balance of Payments by major component (at current prices)	136
7. Goods and services trade (at current market prices)	137
8. Total exports of goods by market (in value terms)	138
9. Imports of goods by source (in value terms)	139
10. Exports and imports of services by component (at current market prices)	140
11. Incoming visitors by source	141
12. Property market	142-143
13. Property prices and rentals	144-145
14. Monetary aggregates	146-147
15. Rates of change in business receipts indices for services industries/domains	148
16. Labour force characteristics	149
17. Employment in selected major industries	150
18. Number of manual workers engaged at building and construction sites	151
19. Rates of change in indices of payroll per person engaged by selected industry section	152
20. Rates of change in wage indices by selected industry section	153
21. Monthly wage level and distribution analysed by industry section : all employees	154
22. Hourly wage level and distribution analysed by industry section : all employees	155
23. Rates of change in prices	156-157
24. Rates of change in Composite Consumer Price Index	158-159
25. Rates of change in implicit price deflators of GDP and its main expenditure components	160-161

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

	(\$Mn)					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Private consumption expenditure	1,413,058	1,502,768	1,593,091	1,650,101	1,784,375	1,936,427
Government consumption expenditure	198,572	214,216	231,263	247,973	261,447	281,420
Gross domestic fixed capital formation	515,516	530,916	537,205	535,216	575,977	612,439
Building and construction	211,130	244,047	262,780	283,447	297,306	308,596
Costs of ownership transfer	39,389	43,967	45,846	44,517	65,810	67,482
Machinery, equipment and intellectual property products	264,997	242,902	228,579	207,252	212,861	236,361
Changes in inventories	-1,673	7,473	-20,580	447	10,973	11,204
Total exports of goods ^{&}	3,926,059	3,986,769	3,889,225	3,892,886	4,212,774	4,453,350
Imports of goods ^{&}	4,142,651	4,237,700	4,066,527	4,022,579	4,391,306	4,706,347
Exports of services ^{&}	812,640	829,085	808,948	764,660	811,295	886,883
Imports of services ^{&}	583,216	573,522	574,345	578,106	605,924	639,947
GDP	2,138,305	2,260,005	2,398,280	2,490,598	2,659,611	2,835,429
Per capita GDP (\$)	297,860	312,609	328,924	339,476	359,737	380,462
GNI	2,178,824	2,306,612	2,442,656	2,553,191	2,775,163	2,970,244
Per capita GNI (\$)	303,504	319,056	335,010	348,007	375,367	398,551
Total final demand	6,864,172	7,071,227	7,039,152	7,091,283	7,656,841	8,181,723
Total final demand excluding re-exports ^(a)	4,025,243	4,116,670	4,139,786	4,190,686	4,496,472	4,819,554
Domestic demand	2,125,473	2,255,373	2,340,979	2,433,737	2,632,772	2,841,490
Private	1,827,460	1,929,514	1,991,436	2,062,216	2,240,487	2,425,554
Public	298,013	325,859	349,543	371,521	392,285	415,936
External demand	4,738,699	4,815,854	4,698,173	4,657,546	5,024,069	5,340,233

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>2019</u>	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>	<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</u>	<u>Q4[#]</u>
Private consumption expenditure	1,973,720	1,775,202	1,863,394	1,882,407	424,889	476,726	466,510	514,282
Government consumption expenditure	309,437	341,052	363,530	404,294	104,105	100,044	98,963	101,182
Gross domestic fixed capital formation	520,575	455,695	483,012	452,771	107,303	123,092	108,499	113,877
Building and construction	278,091	254,459	259,882	276,449	70,623	69,210	66,627	69,989
Costs of ownership transfer Machinery, equipment and intellectual property products	49,209	40,071	53,278	29,440	7,757	9,049	7,638	4,996
Changes in inventories	-3,067	52,221	-1,909	-28,683	-15,744	17,241	-7,620	-22,560
Total exports of goods ^{&}	4,255,098	4,198,338	5,236,005	4,814,050	1,219,055	1,212,487	1,228,546	1,153,962
Imports of goods ^{&}	4,375,619	4,239,663	5,211,334	4,859,272	1,202,685	1,290,225	1,213,254	1,153,108
Exports of services ^{&}	799,121	519,205	615,069	654,576	168,371	153,744	163,085	169,376
Imports of services ^{&}	634,243	426,257	480,027	493,134	118,827	115,920	120,317	138,070
GDP	2,845,022	2,675,793	2,867,740	2,827,009	686,467	677,189	724,412	738,941
Per capita GDP (\$)	378,937	357,679	386,848	384,831	--	--	--	--
GNI	2,988,739	2,831,876	3,066,472	N.A.	709,713	755,204	787,260	N.A.
Per capita GNI (\$)	398,079	378,542	413,656	N.A.	--	--	--	--
Total final demand	7,854,884	7,341,713	8,559,101	8,179,415	2,007,979	2,083,334	2,057,983	2,030,119
Total final demand excluding re-exports ^(a)	4,602,059	4,099,539	4,454,143	4,417,726	1,054,191	1,117,875	1,096,191	1,149,469
Domestic demand	2,800,665	2,624,170	2,708,027	2,710,789	620,553	717,103	666,352	706,781
Private	2,359,687	2,147,406	2,201,972	2,136,442	464,988	578,133	531,986	561,335
Public	440,978	476,764	506,055	574,347	155,565	138,970	134,366	145,446
External demand	5,054,219	4,717,543	5,851,074	5,468,626	1,387,426	1,366,231	1,391,631	1,323,338

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Private consumption expenditure	4.6	3.3	4.8	2.0	5.5	5.3
Government consumption expenditure	2.7	3.1	3.4	3.4	2.8	4.2
Gross domestic fixed capital formation	2.6	-0.1	-3.2	-0.1	3.1	1.7
Building and construction	-4.3	9.3	2.2	5.9	-0.5	-0.5
Costs of ownership transfer	-28.1	6.9	-8.3	-2.9	23.2	-11.2
Machinery, equipment and intellectual property products	11.3	-8.7	-7.7	-6.4	3.8	8.8
Total exports of goods ^{&}	8.2	0.8	-1.7	1.6	6.5	3.5
Imports of goods ^{&}	9.9	1.5	-2.7	0.7	7.3	4.7
Exports of services ^{&}	6.0	1.6	0.3	-3.5	2.8	4.6
Imports of services ^{&}	-2.1	-2.2	5.0	2.0	2.0	2.8
GDP	3.1	2.8	2.4	2.2	3.8	2.8
Per capita GDP	2.7	2.0	1.5	1.5	3.0	2.0
RGNI	4.0	2.7	3.8	3.2	5.7	3.5
Per capita RGNI	3.6	1.9	2.9	2.6	4.9	2.7
Total final demand	6.6	1.6	-0.4	1.3	5.6	3.9
Total final demand excluding re-exports ^(a)	4.2	0.6	0.1	1.5	4.5	4.0
Domestic demand	4.1	2.9	1.6	2.6	5.2	4.4
Private	4.1	2.6	1.3	2.5	5.7	4.8
Public	3.7	4.6	2.9	3.1	2.2	2.4
External demand	7.8	1.0	-1.4	0.7	5.8	3.7

- Notes:
- (a) Re-export margin is nevertheless retained in the total final demand.
 - (#) Figures are subject to revision later on as more data become available.
 - (&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.
 - (--) Not applicable.
 - N.A. Not yet available.
 - (^) Average annual rate of change for the 10-year period 2011-2021.
 - (~) Average annual rate of change for the 5-year period 2016-2021.

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

(%)

	<u>2019</u>	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>	<u>2022</u>				Average annual rate of change:	
					<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</u>	<u>Q4[#]</u>	10 years 2012 to 2022 [#]	5 years 2017 to 2022 [#]
Private consumption expenditure	-0.8	-10.6	5.6	-1.0	-5.8	-0.2	-0.4	1.9	1.7	-0.5
Government consumption expenditure	5.1	7.9	5.9	8.1	6.0	12.5	5.3	9.1	4.7	6.2
Gross domestic fixed capital formation	-14.9	-11.1	8.3	-8.5	-7.2	-1.2	-14.4	-10.9	-2.5	-5.3
Building and construction	-10.8	-9.1	-0.5	4.3	1.9	9.2	2.1	4.1	-0.6	-3.5
Costs of ownership transfer Machinery, equipment and intellectual property products	-13.4	-4.0	36.3	-41.4	-34.9	-39.4	-41.6	-50.8	-6.8	-10.0
Total exports of goods ^{&}	-5.5	-1.4	18.7	-13.9	-4.5	-8.5	-15.8	-24.9	1.3	-0.3
Imports of goods ^{&}	-8.2	-3.2	17.2	-13.2	-5.9	-6.0	-16.4	-22.9	1.0	-1.1
Exports of services ^{&}	-9.6	-34.8	3.4	-0.9	-3.0	2.4	-4.2	2.0	-3.8	-8.8
Imports of services ^{&}	0.1	-32.2	2.5	-1.0	-3.0	-1.5	-3.2	3.3	-3.0	-6.7
GDP	-1.7	-6.5	6.4	-3.5	-3.9	-1.2	-4.6	-4.2	1.1	-0.6
Per capita GDP	-2.4	-6.2	7.4	-2.6	--	--	--	--	0.8	-0.5
RGNI	-1.7	-5.8	8.9	N.A.	-4.4	-4.1	-3.2	N.A.	2.3[^]	2.0[~]
Per capita RGNI	-2.4	-5.4	9.9	N.A.	--	--	--	--	1.8[^]	1.8[~]
Total final demand	-5.3	-6.7	12.4	-9.2	-5.0	-4.1	-11.7	-15.1	0.8	-1.3
Total final demand excluding re-exports ^(a)	-5.0	-11.1	6.0	-4.6	-6.1	-0.4	-7.5	-4.2	-0.1	-2.3
Domestic demand	-3.7	-6.9	4.1	-2.2	-6.5	2.3	-5.6	0.9	1.1	-1.0
Private	-4.6	-9.3	3.8	-4.9	-10.8	-0.3	-8.0	-1.0	0.5	-2.2
Public	1.5	6.2	5.2	9.9	9.7	15.2	5.7	9.5	4.1	5.0
External demand	-6.1	-6.7	17.0	-12.6	-4.3	-7.5	-14.7	-22.4	0.6	-1.5

**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	%	\$Mn	%	\$Mn	%	\$Mn	%	\$Mn	%
	share		share		share		share		share	
Agriculture, fishing, mining and quarrying	1,736	0.1	1,762	0.1	2,057	0.1	2,648	0.1	2,168	0.1
Manufacturing	27,299	1.1	27,571	1.0	29,366	1.1	25,525	1.0	26,195	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	36,357	1.3
Construction	129,714	5.1	120,473	4.5	114,499	4.2	104,262	4.1	109,649	4.0
Services	2,357,359	92.4	2,514,947	93.1	2,560,716	93.4	2,392,591	93.4	2,570,446	93.6
<i>Import/export,</i>										
<i>wholesale and retail trades</i>	548,636	21.5	575,103	21.3	533,352	19.5	471,246	18.4	533,051	19.4
<i>Accommodation^(a) and</i>										
<i>food services</i>	83,507	3.3	91,525	3.4	75,918	2.8	36,934	1.4	45,408	1.7
<i>Transportation, storage,</i>										
<i>postal and courier services</i>	153,359	6.0	158,440	5.9	151,574	5.5	113,951	4.5	201,029	7.3
<i>Information and</i>										
<i>communications</i>	86,891	3.4	91,449	3.4	95,557	3.5	93,759	3.7	99,503	3.6
<i>Financing and insurance</i>	480,488	18.8	535,126	19.8	581,499	21.2	599,797	23.4	583,550	21.3
<i>Real estate, professional and</i>										
<i>business services</i>	274,822	10.8	280,843	10.4	276,497	10.1	244,337	9.5	250,348	9.1
<i>Public administration, social</i>										
<i>and personal services</i>	465,488	18.2	499,433	18.5	537,238	19.6	529,153	20.7	559,126	20.4
<i>Ownership of premises</i>	264,166	10.4	283,028	10.5	309,081	11.3	303,414	11.9	298,430	10.9
GDP at basic prices	2,551,086	100.0	2,700,413	100.0	2,740,721	100.0	2,560,351	100.0	2,744,815	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	--	-0.6	--
GDP at current market prices	2,659,611	--	2,835,429	--	2,845,022	--	2,675,793	--	2,867,740	--

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>		
							Q4 [#]	Q1 [#]	Q2 [#]	Q3 [#]
Agriculture, fishing, mining and quarrying	-2.0	-5.2	-1.8	-0.8	3.8	-2.5	-4.5	-7.6	-9.0	-3.8
Manufacturing	-0.4	0.4	1.3	0.4	-5.8	5.5	5.8	-1.3	2.7	-0.5
Electricity, gas and water supply, and waste management	-0.8	0.9	0.1	-0.5	-14.2	3.7	4.4	0.6	-7.3	-1.0
Construction	5.1	-1.3	3.3	-9.7	-11.7	-0.6	-1.3	4.0	9.3	1.7
Services	2.3	3.5	3.1	-0.6	-6.7	5.9	4.8	-3.1	-1.3	-3.3
<i>Import/export, wholesale and retail trades</i>	0.6	4.2	4.2	-7.5	-15.0	13.3	8.2	-7.1	-6.8	-12.5
<i>Accommodation^(a) and food services</i>	0.5	2.0	5.9	-11.7	-44.8	22.6	36.5	-28.6	-5.8	-7.1
<i>Transportation, storage, postal and courier services</i>	3.0	4.8	2.5	-1.7	-36.9	7.7	6.4	-11.6	-3.6	-5.7
<i>Information and communications</i>	4.1	4.0	4.1	4.7	1.7	2.6	2.4	0.8	1.1	0.3
<i>Financing and insurance</i>	4.2	5.3	4.0	3.4	4.0	4.7	3.1	-0.2	1.4	-1.9
<i>Real estate, professional and business services</i>	2.8	2.1	-0.4	-0.2	-4.6	2.1	2.2	-5.2	-1.5	-2.1
<i>Public administration, social and personal services</i>	3.0	3.2	3.6	3.2	-2.3	4.4	3.9	-0.3	-0.1	1.7
<i>Ownership of premises</i>	0.5	0.9	1.0	0.6	-0.3	1.2	1.1	0.5	0.4	0.9
Taxes on products	-9.1	13.7	-3.9	-11.3	17.6	22.3	-1.8	-20.2	-16.1	-27.5
GDP in chained (2020) dollars	2.2	3.8	2.8	-1.7	-6.5	6.4	4.7	-3.9	-1.2	-4.6

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 : Value added and employment statistics of the Four Key Industries and other selected industries

	<u>2018</u>		<u>2019</u>		<u>2020</u>		<u>2021[#]</u>		<u>Annual percentage change (%)</u>		
	% share		% share		% share		% share				
	\$Bn in total ⁽¹⁾		\$Bn in total ⁽¹⁾		\$Bn in total ⁽¹⁾		\$Bn in total ⁽¹⁾		2019	2020	2021 [#]
<u>Value added at current prices</u>											
<i>Four Key Industries</i> ⁽²⁾	1,548.7	57.3	1,546.1	56.4	1,410.7	55.1	1,548.9	56.4	-0.2	-8.8	9.8
Financial services	535.1	19.8	581.5	21.2	599.8	23.4	583.5	21.3	8.7	3.1	-2.7
Tourism	120.5	4.5	98.6	3.6	9.2	0.4	2.1	0.1	-18.2	-90.7	-76.8
Trading and logistics	571.6	21.2	541.2	19.7	507.0	19.8	651.0	23.7	-5.3	-6.3	28.4
Professional services and other producer services ⁽³⁾	321.4	11.9	324.8	11.9	294.7	11.5	312.2	11.4	1.1	-9.3	5.9
<i>Other selected industries</i>											
Cultural and creative industries ⁽⁴⁾	130.5	4.8	129.3	4.7	115.6	4.5	124.3	4.5	-0.9	-10.7	7.6
Medical services ⁽⁴⁾	49.4	1.8	51.4	1.9	47.3	1.8	54.2	2.0	4.0	-7.9	14.7
Education services ⁽⁴⁾	35.2	1.3	36.7	1.3	34.9	1.4	35.8	1.3	4.3	-4.9	2.3
Innovation and technology ⁽⁴⁾	21.0	0.8	23.5	0.9	24.4	1.0	24.4	0.9	12.0	3.8	*
Testing and certification services ⁽⁴⁾	7.7	0.3	7.3	0.3	6.7	0.3	9.3	0.3	-4.4	-8.5	38.3
Environmental industries ⁽⁴⁾	9.9	0.4	9.9	0.4	10.0	0.4	10.1	0.4	*	1.0	1.7
Air transport	75.1	2.8	68.8	2.5	37.3	1.5	42.7	1.6	-8.3	-45.8	14.6
Sports and related activities	37.0	1.4	39.0	1.4	31.0	1.2	N.A.	N.A.	5.8	-19.9	N.A.
Nominal GDP at basic prices	2,700.4	100.0	2,740.7	100.0	2,560.4	100.0	2,744.8	100.0	1.5	-6.6	7.2

Notes: For sports and related activities, value added figures are rounded to the nearest billion and employment figures are rounded to the nearest thousand. Percentage share in total and annual percentage change for each industry are derived from unrounded figures.

- (1) Refers to percentage share in nominal GDP at basic prices. Such GDP figure is slightly different from the commonly used one, i.e. valued at current market prices, in which taxes on products are included.
- (2) Individual figures may not add up exactly to the total due to rounding.
- (3) Other producer services refer to producer services other than financial services, tourism, trading and logistics and professional services.
- (4) The other selected industries reflect the direct contribution of these industries in the private sector only. Some of them are service domains straddling across different industries. For example, "innovation and technology" activities may exist in any industry and organisation. The term "industry" is used to denote the aggregate of the economic activities concerned for easy general understanding.
- (5) Since innovation and technology involves significant non-routine activities, persons engaged in these activities are measured by the volume of labour input to innovation and technology in full-time equivalent terms (in terms of man-years).
- (6) Figures refer to Composite Employment Estimates.
- (#) Figures are subject to revision later on as more data become available.
- (*) Change within $\pm 0.05\%$.
- N.A. Not yet available.

**Table 5 : Value added and employment statistics of the Four Key Industries
and other selected industries (Cont'd)**

	<u>2018</u>		<u>2019</u>		<u>2020</u>		<u>2021[#]</u>		<u>Annual percentage change (%)</u>		
	Number	% share	Number	% share	Number	% share	Number	% share			
	('000)	in total	('000)	in total	('000)	in total	('000)	in total	2019	2020	2021 [#]
<u>Employment</u>											
<i>Four Key Industries</i> ⁽²⁾	1 798.6	46.3	1 756.7	45.4	1 512.7	41.0	1 473.0	40.1	-2.3	-13.9	-2.6
Financial services	264.3	6.8	274.4	7.1	276.2	7.5	277.5	7.6	3.8	0.6	0.5
Tourism	258.3	6.6	232.7	6.0	49.0	1.3	21.5	0.6	-9.9	-78.9	-56.1
Trading and logistics	722.2	18.6	678.4	17.5	622.6	16.9	606.6	16.5	-6.1	-8.2	-2.6
Professional services and other producer services ⁽³⁾	553.8	14.3	571.2	14.8	564.9	15.3	567.3	15.5	3.1	-1.1	0.4
<i>Other selected industries</i>											
Cultural and creative industries ⁽⁴⁾	234.7	6.0	237.2	6.1	228.6	6.2	225.9	6.2	1.0	-3.6	-1.2
Medical services ⁽⁴⁾	99.9	2.6	102.5	2.6	103.2	2.8	102.2	2.8	2.6	0.6	-1.0
Education services ⁽⁴⁾	87.0	2.2	89.3	2.3	88.5	2.4	87.5	2.4	2.6	-1.0	-1.0
Innovation and technology ^{(4) (5)}	41.6	1.1	44.6	1.2	45.3	1.2	46.7	1.3	7.2	1.6	3.1
Testing and certification services ⁽⁴⁾	14.6	0.4	14.8	0.4	15.1	0.4	15.3	0.4	1.2	2.2	1.1
Environmental industries ⁽⁴⁾	44.1	1.1	44.7	1.2	47.4	1.3	45.5	1.2	1.2	6.1	-4.0
Air transport	62.7	1.6	62.4	1.6	57.2	1.6	48.9	1.3	-0.5	-8.3	-14.5
Sports and related activities	81.0	2.1	83.0	2.2	75.0	2.0	N.A.	N.A.	3.4	-10.1	N.A.
Total employment⁽⁶⁾	3 885.4	100.0	3 872.2	100.0	3 691.7	100.0	3 671.1	100.0	-0.3	-4.7	-0.6

**Table 6 : 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>	
						Q4 [#]	Q1 [#]	Q2 [#]	Q3 [#]
Current account ^(a)	121,840	105,942	166,482	187,012	339,429	91,885	86,370	34,934	117,115
Goods	-178,532	-252,997	-120,521	-41,325	24,671	42,608	16,370	-77,738	15,292
Services	205,371	246,936	164,878	92,948	135,042	28,445	49,544	37,824	42,768
Primary income	115,552	134,815	143,717	156,083	198,732	25,215	23,246	78,015	62,848
Secondary income	-20,551	-22,813	-21,592	-20,694	-19,017	-4,383	-2,790	-3,167	-3,792
Capital and financial account ^(a)	-76,488	-175,081	-237,439	-244,344	-373,723	-117,822	-49,515	-61,142	-148,430
Capital account	-645	-1,574	-682	-505	-10,494	-130	-97	-196	-89
Financial account	-75,843	-173,507	-236,756	-243,839	-363,230	-117,693	-49,418	-60,946	-148,341
Financial non-reserve assets	174,666	-165,948	-245,612	19,211	-372,371	-124,714	-101,908	-220,753	-286,727
<i>Direct investment</i>	186,887	172,795	160,730	263,703	340,141	140,483	-101,564	62,304	25,043
<i>Portfolio investment</i>	264,159	-616,428	-215,764	-528,049	-620,493	-127,844	145,052	-177,904	-239,172
<i>Financial derivatives</i>	61,763	33,202	1,239	18,790	45,126	26,270	16,086	14,113	56,206
<i>Other investment</i>	-338,144	244,483	-191,817	264,766	-137,145	-163,622	-161,482	-119,265	-128,804
Reserve assets	-250,509	-7,559	8,855	-263,050	9,142	7,021	52,489	159,808	138,386
Net errors and omissions	-45,353	69,139	70,957	57,332	34,295	25,937	-36,855	26,208	31,315
Overall Balance of Payments	250,509	7,559	-8,855	263,050	-9,142	-7,021	-52,489	-159,808	-138,386

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 7 : Goods and services trade
(at current market prices)

(\$Mn)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>		<u>2022</u>		
						Q1 [#]	Q2 [#]	Q3 [#]	Q4 [#]
Total exports of goods	4,453,350	4,255,098	4,198,338	5,236,005	4,814,050	1,219,055	1,212,487	1,228,546	1,153,962
Imports of goods	4,706,347	4,375,619	4,239,663	5,211,334	4,859,272	1,202,685	1,290,225	1,213,254	1,153,108
Goods trade balance	-252,997 (-5.4)	-120,521 (-2.8)	-41,325 (-1.0)	24,671 (0.5)	-45,222 (-0.9)	16,370 (1.4)	-77,738 (-6.0)	15,292 (1.3)	854 (0.1)
Exports of services	886,883	799,121	519,205	615,069	654,576	168,371	153,744	163,085	169,376
Imports of services	639,947	634,243	426,257	480,027	493,134	118,827	115,920	120,317	138,070
Services trade balance	246,936 (38.6)	164,878 (26.0)	92,948 (21.8)	135,042 (28.1)	161,442 (32.7)	49,544 (41.7)	37,824 (32.6)	42,768 (35.5)	31,306 (22.7)
Exports of goods and services	5,340,233	5,054,219	4,717,543	5,851,074	5,468,626	1,387,426	1,366,231	1,391,631	1,323,338
Imports of goods and services	5,346,294	5,009,862	4,665,920	5,691,361	5,352,406	1,321,512	1,406,145	1,333,571	1,291,178
Goods and services trade balance	-6,061 <-0.1>	44,357 <0.9>	51,623 <1.1>	159,713 <2.8>	116,220 <2.2>	65,914 <5.0>	-39,914 <-2.8>	58,060 <4.4>	32,160 <2.5>

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>			<u>2022</u>		
							Q1	Q2	Q3	Q4
	(% change)				(% change)	(\$Mn)	(% change over a year earlier)			
All markets	7.3	-4.1	-1.5	26.3	-8.6	4,531,650	3.4	-2.4	-10.9	-21.7
Mainland of China	8.6	-3.3	5.1	27.0	-12.9	2,570,757	-0.9	-10.1	-13.2	-25.0
United States	8.1	-14.8	-14.9	19.6	-5.5	292,705	14.6	13.8	-16.1	-24.3
India	-15.3	-12.0	-17.6	36.6	29.0	171,673	45.8	83.1	20.1	-7.3
Taiwan	-3.6	2.4	11.6	46.0	7.2	154,167	37.0	14.3	3.0	-18.1
Vietnam	4.5	-3.6	5.3	22.2	8.9	112,424	20.4	28.8	13.3	-19.6
Japan	0.7	-6.4	-9.7	8.7	-13.8	102,488	10.7	-11.4	-18.7	-31.7
United Arab Emirates	-7.7	7.1	-0.4	38.8	35.3	94,974	20.7	35.3	45.7	38.5
Singapore	13.3	4.1	-17.5	17.7	18.6	82,916	30.9	27.5	22.7	-1.3
Korea	2.1	-2.3	-7.6	42.7	9.2	81,435	10.8	23.8	10.1	-4.7
Netherlands	11.5	-4.4	-5.2	22.8	0.1	79,475	2.3	12.4	-7.1	-4.6
Rest of the world	11.3	-2.0	-11.1	24.5	-13.0	788,635	-4.0	-4.8	-19.2	-21.6

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

**Table 9 : Imports of goods by source
(in value terms)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>			
							Q1	Q2	Q3	Q4
	(% change)				(% change)	(\$Mn)	(% change over a year earlier)			
All sources	8.4	-6.5	-3.3	24.3	-7.2	4,927,467	2.9	1.3	-11.3	-18.8
Mainland of China	7.7	-5.9	-6.5	26.5	-14.6	2,077,660	-2.5	-6.7	-20.0	-25.1
Taiwan	2.7	-2.4	22.8	35.0	7.3	587,422	32.4	16.6	-0.1	-13.5
Singapore	9.0	-7.5	8.1	31.7	-3.7	398,535	4.1	10.0	-8.1	-19.6
Korea	10.4	-20.9	12.3	31.3	-10.7	289,773	6.9	-9.0	-15.4	-21.7
Japan	2.6	-2.8	-5.0	12.8	-10.4	242,758	-2.7	-5.6	-15.4	-16.8
United States	8.1	-7.9	-17.9	18.3	1.3	209,351	10.7	11.3	-0.8	-14.6
Malaysia	64.6	-14.3	1.2	1.7	6.1	176,900	3.0	15.5	15.4	-8.5
Vietnam	7.3	18.5	28.4	16.9	22.3	143,864	6.9	28.8	45.7	9.5
Philippines	1.1	-9.1	-0.1	25.1	7.4	94,156	10.8	7.5	-2.5	14.7
Thailand	2.8	-7.4	1.4	18.9	-8.9	93,666	10.5	-4.0	-12.7	-26.3
Rest of the world	6.4	-4.9	-17.0	17.0	-3.6	613,381	-6.7	8.4	-6.3	-9.0

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>		<u>2022</u>			
	(% change)			(% change)	(\$Mn)		Q1 [#]	Q2 [#]	Q3 [#]	Q4 [#]
							(% change over a year earlier)			
Exports of services	9.3	-9.9	-35.0	18.5	6.4	654,576	8.9	14.7	0.4	3.2
Transport	9.0	-4.7	-24.7	37.8	1.8	260,737	21.6	16.4	-8.0	-16.0
Travel	11.2	-21.6	-90.2	-35.1	71.4	24,648	24.0	63.2	106.5	97.5
Financial services	10.9	-2.8	-0.3	10.0	13.8	211,092	2.7	20.4	7.7	29.5
Other services	5.1	-5.1	-9.0	11.7	-0.6	158,099	-1.3	2.7	0.1	-3.2
Imports of services	5.6	-0.9	-32.8	12.6	2.7	493,134	5.7	6.1	-2.0	1.8
Transport	6.6	-1.1	-19.8	35.7	1.2	158,191	14.5	10.7	-6.5	-9.5
Travel	4.7	1.6	-79.7	-38.9	57.5	41,193	10.7	25.3	26.1	159.7
Manufacturing [^]	2.0	-5.5	-10.4	20.0	-5.8	89,310	9.4	-5.2	-5.9	-16.6
Other services	7.6	-1.3	-1.4	7.1	0.8	204,440	-2.0	5.3	-0.4	0.9

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

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

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

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

Table 11 : Incoming visitors by source

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		
						Q1	Q2	Q3	Q4
<u>('000)</u>									
All sources	65 147.6	55 912.6	3 568.9	91.4	604.6	11.5	64.5	173.7	354.9
Mainland of China	51 038.2	43 774.7	2 706.4	65.7	375.1	8.6	53.4	139.6	173.5
South and Southeast Asia	3 571.7	3 040.5	190.5	9.5	78.5	0.8	3.3	9.2	65.2
Taiwan	1 925.2	1 538.9	105.1	2.5	24.2	0.6	1.0	3.7	19.0
Europe	1 937.6	1 728.4	158.8	6.6	39.2	0.6	2.3	6.1	30.2
United States	1 304.2	1 107.2	80.8	1.4	26.0	0.1	1.5	5.0	19.4
Japan	1 287.8	1 078.8	50.3	0.3	7.3	#	0.2	0.8	6.2
Others	4 082.8	3 644.1	276.9	5.3	54.2	0.8	2.8	9.2	41.3
<u>(% change over a year earlier)</u>									
All sources	11.4	-14.2	-93.6	-97.4	561.5	-30.5	274.8	491.7	1 154.3
Mainland of China	14.8	-14.2	-93.8	-97.6	470.8	-25.9	321.3	540.7	782.5
South and Southeast Asia	-1.5	-14.9	-93.7	-95.0	724.1	-61.3	118.7	196.6	2 167.4
Taiwan	-4.3	-20.1	-93.2	-97.6	852.1	-20.9	91.5	822.6	2 042.5
Europe	1.9	-10.8	-90.8	-95.9	498.0	-53.2	60.3	218.0	1 445.8
United States	7.3	-15.1	-92.7	-98.3	1 803.8	-61.8	510.9	1 180.6	4 618.7
Japan	4.7	-16.2	-95.3	-99.3	2 014.5	11.1	414.9	788.3	3 388.2
Others	1.0	-10.7	-92.4	-98.1	915.0	36.3	255.6	461.4	1 678.5

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

(#) Less than 0.05.

Table 12 : Property market

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (in units)	8 254	15 719	11 280	14 595	17 791	20 968	13 643
Commercial property	161	161	233	276	303	304	384
<i>of which :</i>							
Office space	123	104	164	153	198	179	267
Other commercial premises ^(b)	39	57	69	123	105	125	118
Industrial property ^(c)	85	116	30	78	105	44	56
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	85	36	30	5	23	41	56
Storage premises ^(d)	0	80	0	73	83	3	0
Production of public housing							
(in units)							
Rental housing flats ^(e)	20 898	5 634	10 147	21 755	11 268	20 137	9 634
Subsidised sales flats ^(e)	0	0	1 310	229	2 788	4 863	7 027
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	816.0	647.1	893.3	645.8	872.8	704.5	796.5
Commercial property	309.5	290.3	319.0	312.4	488.6	131.5	844.9
Industrial property ^(f)	138.1	105.9	225.3	76.2	62.5	105.2	177.7
Other properties	136.4	217.1	555.4	235.1	241.2	101.2	236.7
Total	1 400.1	1 260.4	1 993.0	1 269.4	1 665.2	1 042.4	2 055.9
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	50 676	63 807	55 982	54 701	61 591	57 247	59 797
Primary market	11 046	16 857	16 826	16 793	18 645	15 633	21 108
Secondary market	39 630	46 950	39 156	37 908	42 946	41 614	38 689
Selected types of non-residential properties ^(h)							
Office space	1 685	1 271	1 470	1 105	1 955	1 331	861
Other commercial premises	4 305	3 092	2 067	1 523	2 198	1 926	1 300
Flatted factory space	4 271	3 016	3 407	2 727	5 135	4 852	2 426

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

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

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

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

Table 12 : Property market (Cont'd)

	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		
				Q1	Q2	Q3	Q4
Completion of new property by the private sector							
('000 m ² of internal floor area)							
Residential property ^(a) (in units)	20 888	14 386	21 168	8 083	3 981	4 533	4 571
Commercial property	136	111	469	22	27	286	134
<i>of which :</i>							
Office space	69	70	351	11	25	208	108
Other commercial premises ^(b)	67	42	118	11	2	78	27
Industrial property ^(c)	38	30	180	41	14	125	0
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	38	30	105	34	14	57	0
Storage premises ^(d)	0	0	75	7	0	67	0
Production of public housing							
(in units)							
Rental housing flats ^(e)	6 605	13 057	N.A.	11 116	857	0	N.A.
Subsidised sales flats ^(e)	7 610	3 222	N.A.	828	0	3 300	N.A.
Building plans with consent to commence work in the private sector							
('000 m ² of usable floor area)							
Residential property	521.5	866.4	N.A.	41.1	167.5	84.8	N.A.
Commercial property	228.1	743.0	N.A.	10.3	19.5	17.5	N.A.
Industrial property ^(f)	182.6	39.8	N.A.	12.2	19.4	18.5	N.A.
Other properties	409.6	187.5	N.A.	6.9	221.5	7.0	N.A.
Total	1 341.7	1 836.7	N.A.	70.4	427.9	127.7	N.A.
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	59 880	74 297	45 050	10 056	14 925	11 683	8 386
Primary market	15 317	17 650	10 315	1 723	3 132	4 176	1 284
Secondary market	44 563	56 647	34 735	8 333	11 793	7 507	7 102
Selected types of non-residential properties ^(h)							
Office space	686	1 077	667	139	218	150	160
Other commercial premises	1 269	2 189	1 399	321	464	323	291
Flatted factory space	2 117	3 637	2 003	502	620	516	365

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

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

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

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

N.A. Not yet available.

Table 13 : Property prices and rentals

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	242.4	256.9	296.8	286.1	333.9	377.3	383.0
Office space	409.8	423.0	448.9	426.9	487.1	554.7	543.0
Shopping space	506.8	521.2	559.2	526.9	558.4	591.4	549.7
Flatted factory space	655.4	668.0	723.9	692.7	778.1	888.1	887.9
Property rental indices ^(b) :							
Residential flats	154.5	159.5	172.8	168.2	182.6	193.0	194.4
Office space	204.1	213.7	226.7	232.3	241.8	252.2	261.4
Shopping space	165.5	173.1	182.5	178.6	182.5	187.0	187.2
Flatted factory space	147.3	160.1	174.4	181.4	190.7	202.3	209.7
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	17.6	6.0	15.5	-3.6	16.7	13.0	1.5
Office space	22.4	3.2	6.1	-4.9	14.1	13.9	-2.1
Shopping space	20.5	2.8	7.3	-5.8	6.0	5.9	-7.1
Flatted factory space	33.8	1.9	8.4	-4.3	12.3	14.1	*
Property rental indices ^(b) :							
Residential flats	8.3	3.2	8.3	-2.7	8.6	5.7	0.7
Office space	8.4	4.7	6.1	2.5	4.1	4.3	3.6
Shopping space	9.4	4.6	5.4	-2.1	2.2	2.5	0.1
Flatted factory space	11.7	8.7	8.9	4.0	5.1	6.1	3.7

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 13 : Property prices and rentals (Cont'd)

	<u>2020</u>	<u>2021</u>	<u>2022⁺</u>		<u>2022</u>		
				Q1	Q2	Q3 [#]	Q4 ⁺
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	381.2	392.7	369.7	385.3	384.1	368.3	340.9
Office space	468.8	502.5	490.8	508.4	500.1	494.7	466.0
Shopping space	518.9	543.4	524.8	542.9	525.8	518.7	511.7
Flatted factory space	826.1	879.0	880.4	895.2	892.0	884.8	849.5
Property rental indices ^(b) :							
Residential flats	180.3	179.8	178.2	179.9	177.7	178.8	176.4
Office space	241.7	233.4	230.2	231.6	229.1	230.7	229.5
Shopping space	169.9	172.0	166.8	170.1	165.2	165.7	166.2
Flatted factory space	200.5	208.8	212.2	210.6	208.8	214.2	215.2
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	-0.5	3.0	-5.9	-0.1	-2.3	-7.4	-13.6
Office space	-13.7	7.2	-2.3	1.8	-1.0	-2.4	-6.5
Shopping space	-5.6	4.7	-3.4	3.1	-2.2	-7.8	-6.4
Flatted factory space	-7.0	6.4	0.2	5.0	1.5	-0.3	-5.3
Property rental indices ^(b) :							
Residential flats	-7.3	-0.3	-0.9	2.7	-0.4	-2.0	-3.8
Office space	-7.5	-3.4	-1.4	-0.5	-1.3	-1.5	-2.1
Shopping space	-9.2	1.2	-3.0	0.5	-3.3	-3.9	-5.3
Flatted factory space	-4.4	4.1	1.6	4.8	0.8	0.8	0.3

Table 14 : Monetary aggregates

	2013	2014	2015	2016	2017	2018	2019
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,000,344	1,116,675	1,253,380	1,428,775	1,598,014	1,555,731	1,533,104
M2 ^(a)	4,795,130	5,225,773	5,765,549	6,280,230	7,010,345	7,262,451	7,438,789
M3 ^(a)	4,806,012	5,236,188	5,778,772	6,292,666	7,024,514	7,284,322	7,454,655
Total money supply (\$Mn)							
M1	1,510,895	1,708,724	1,971,146	2,213,970	2,431,461	2,421,598	2,484,738
M2	10,056,437	11,011,372	11,618,441	12,508,127	13,755,255	14,348,059	14,745,872
M3	10,085,243	11,048,944	11,655,019	12,551,331	13,803,837	14,403,688	14,786,375
Deposits (\$Mn)							
HK\$	4,390,953	4,800,330	5,312,403	5,809,060	6,484,616	6,715,262	6,884,143
Foreign currency	4,789,109	5,272,804	5,437,346	5,918,240	6,267,872	6,671,119	6,887,444
Total	9,180,062	10,073,135	10,749,749	11,727,300	12,752,488	13,386,381	13,771,586
Loans and advances (\$Mn)							
HK\$	3,606,018	4,000,361	4,152,589	4,479,107	5,359,983	5,836,238	6,219,377
Foreign currency	2,850,795	3,275,910	3,381,951	3,544,284	3,953,686	3,886,385	4,157,325
Total	6,456,813	7,276,271	7,534,540	8,023,390	9,313,668	9,722,623	10,376,701
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) ^(b)							
Trade-weighted	89.6	90.7	95.7	98.4	98.4	96.2	99.4
Import-weighted	89.8	91.1	96.5	98.8	98.8	96.5	99.5
Export-weighted	89.4	90.2	94.8	97.9	98.0	95.8	99.2
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	8.6	11.6	12.2	14.0	11.8	-2.6	-1.5
M2 ^(a)	5.7	9.0	10.3	8.9	11.6	3.6	2.4
M3 ^(a)	5.7	9.0	10.4	8.9	11.6	3.7	2.3
Total money supply							
M1	9.7	13.1	15.4	12.3	9.8	-0.4	2.6
M2	12.4	9.5	5.5	7.7	10.0	4.3	2.8
M3	12.4	9.6	5.5	7.7	10.0	4.3	2.7
Deposits							
HK\$	5.1	9.3	10.7	9.3	11.6	3.6	2.5
Foreign currency	16.2	10.1	3.1	8.8	5.9	6.4	3.2
Total	10.7	9.7	6.7	9.1	8.7	5.0	2.9
Loans and advances							
HK\$	8.2	10.9	3.8	7.9	19.7	8.9	6.6
Foreign currency	27.6	14.9	3.2	4.8	11.6	-1.7	7.0
Total	16.0	12.7	3.5	6.5	16.1	4.4	6.7
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) ^(b)							
Trade-weighted	*	1.2	5.5	2.8	*	-2.2	3.3
Import-weighted	0.6	1.4	5.9	2.4	*	-2.3	3.1
Export-weighted	-0.6	0.9	5.1	3.3	0.1	-2.2	3.5

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 14 : Monetary aggregates (Cont'd)

	2020	2021	2022	Q1	Q2	Q3	Q4
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,972,719	2,078,911	1,708,418	2,147,571	2,077,459	1,899,723	1,708,418
M2 ^(a)	7,922,089	8,043,994	8,095,987	8,210,310	8,226,610	8,020,725	8,095,987
M3 ^(a)	7,937,038	8,057,408	8,108,471	8,223,237	8,239,057	8,034,409	8,108,471
Total money supply (\$Mn)							
M1	3,231,921	3,490,858	2,769,340	3,570,957	3,319,053	3,036,349	2,769,340
M2	15,606,608	16,272,650	16,536,077	16,393,669	16,303,463	16,332,813	16,536,077
M3	15,644,043	16,310,866	16,568,883	16,428,066	16,339,898	16,367,268	16,568,883
Deposits (\$Mn)							
HK\$	7,311,368	7,414,381	7,467,701	7,577,074	7,585,202	7,379,468	7,467,701
Foreign currency	7,202,247	7,771,839	7,971,437	7,772,255	7,654,173	7,903,234	7,971,437
Total	14,513,615	15,186,220	15,439,137	15,349,329	15,239,376	15,282,702	15,439,137
Loans and advances (\$Mn)							
HK\$	6,106,960	6,425,857	6,602,337	6,454,563	6,580,930	6,643,976	6,602,337
Foreign currency	4,391,617	4,470,799	3,968,295	4,577,740	4,405,684	4,182,356	3,968,295
Total	10,498,577	10,896,656	10,570,632	11,032,303	10,986,614	10,826,332	10,570,632
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) ^(b)							
Trade-weighted	100.0	95.5	100.1	95.2	98.7	102.0	104.8
Import-weighted	100.1	95.8	100.8	95.8	99.4	102.8	105.5
Export-weighted	100.0	95.1	99.3	94.6	97.9	101.1	104.1
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	28.7	5.4	-17.8	3.3	-18.6	-11.3	-17.8
M2 ^(a)	6.5	1.5	0.6	1.0	-2.8	-0.8	0.6
M3 ^(a)	6.5	1.5	0.6	1.0	-2.8	-0.8	0.6
Total money supply							
M1	30.1	8.0	-20.7	5.4	-14.2	-15.2	-20.7
M2	5.8	4.3	1.6	4.0	0.4	1.7	1.6
M3	5.8	4.3	1.6	4.0	0.4	1.6	1.6
Deposits							
HK\$	6.2	1.4	0.7	0.9	-3.6	-1.3	0.7
Foreign currency	4.6	7.9	2.6	8.3	4.6	5.1	2.6
Total	5.4	4.6	1.7	4.5	0.4	1.9	1.7
Loans and advances							
HK\$	-1.8	5.2	2.7	3.2	-0.6	4.9	2.7
Foreign currency	5.6	1.8	-11.2	0.9	-4.9	-10.9	-11.2
Total	1.2	3.8	-3.0	2.2	-2.3	-1.8	-3.0
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) ^(b)							
Trade-weighted	0.6	-4.5	4.8	-0.2	3.5	6.5	9.9
Import-weighted	0.6	-4.3	5.2	0.2	3.9	7.0	10.0
Export-weighted	0.8	-4.9	4.4	-0.6	3.1	6.0	9.7

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

(b) Period average.

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

Table 15 : 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>		
					Q4	Q1	Q2	Q3
Services Industry								
Import and export trade	3.7	-6.6	-3.6	23.9	19.7	1.4	1.8	-12.0
Wholesale	4.3	-8.3	-7.9	13.3	13.7	-5.7	1.6	-7.7
Retail	8.7	-11.1	-24.3	8.1	8.3	-7.6	2.7	1.4
Transportation	8.0	-2.3	-19.7	54.1	66.6	36.6	26.6	-1.9
<i>within which:</i>								
Land transport	5.3	1.3	-23.9	4.0	1.2	-7.4	-0.4	-2.4
Water transport	4.4	0.1	10.7	85.9	89.3	51.1	33.6	-5.1
Air transport	11.3	-4.9	-36.2	43.3	69.2	32.8	26.8	2.4
Warehousing and storage	12.7	-1.4	11.5	27.6	19.4	-1.7	-3.4	-3.5
Courier	-0.7	-3.9	28.4	19.0	14.6	-8.5	-9.4	-9.0
Accommodation services ^(a)	10.8	-14.3	-59.1	38.3	35.7	13.5	44.3	20.7
Food services	6.0	-5.9	-29.4	16.8	29.0	-23.1	-5.4	-1.9
Information and communications	3.1	1.2	-8.5	7.7	7.8	3.6	4.9	8.4
<i>within which:</i>								
Telecommunications	2.2	-2.6	-9.0	6.1	6.9	5.1	10.3	12.0
Film entertainment	3.1	-2.3	-44.0	26.7	43.3	-27.3	-13.7	10.2
Banking	6.8	2.8	-8.0	-4.3	-7.6	-9.8	4.4	8.9
Financing (except banking)	10.3	1.1	12.2	17.4	2.2	-15.6	-15.8	-18.7
<i>within which:</i>								
Financial markets and asset management	11.6	0.8	13.2	19.6	-2.3	-19.2	-19.1	-21.8
<i>within which : Asset management</i>	3.7	7.3	11.6	23.3	7.7	-7.1	-18.4	-25.4
Insurance	8.7	8.8	6.1	2.5	5.0	5.5	-3.1	-11.0
Real estate	5.4	11.4	3.2	-1.9	-16.7	-13.6	-3.6	-11.5
Professional, scientific and technical services	3.3	1.3	-2.1	6.6	7.2	3.9	0.4	3.1
Administrative and support services	3.5	0.4	-25.4	1.7	5.3	1.8	9.3	12.2
Services Domain								
Tourism, convention and exhibition services	11.0	-19.3	-86.7	-17.7	35.7	9.8 ⁺	53.7 ⁺	39.0 ⁺
Computer and information technology services	2.9	-7.2	-3.2	20.1	20.9	13.8	7.3	-4.8

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

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

(+) Provisional figures.

Table 16 : Labour force characteristics

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022⁺</u>	<u>2022</u>			
						Q1	Q2	Q3	Q4
<u>(%)</u>									
Labour force participation rate	61.3	60.7	59.7	59.4	58.4	58.5	58.3	58.6	58.3
Seasonally adjusted unemployment rate ^(a)	2.8	2.9	5.8	5.2	4.3	5.0	4.7	3.9	3.5
Underemployment rate	1.1	1.1	3.3	2.6	2.3	3.1	3.0	1.8	1.5
<u>('000)</u>									
Population of working age	6 522.6	6 572.7	6 562.2	6 518.6	6 472.7	6 492.8	6 434.9	6 459.1	6 504.0
Labour force	3 996.8	3 987.8	3 918.5	3 870.4	3 781.2	3 799.0	3 750.2	3 784.2	3 791.3
Persons employed	3 884.6	3 871.4	3 690.9	3 670.2	3 619.1	3 610.5	3 571.6	3 628.9	3 665.3
Persons unemployed	112.1	116.3	227.6	200.3	162.1	188.5	178.6	155.3	126.0
Persons underemployed	43.2	42.0	129.9	98.9	88.2	117.0	111.6	69.0	55.3
<u>(% change over a year earlier)</u>									
Population of working age	0.8	0.8	-0.2	-0.7	-0.7	-0.3	-1.4	-1.1	-0.5
Labour force	1.0	-0.2	-1.7	-1.2	-2.3	-2.3	-3.5	-2.3	-1.5
Persons employed	1.4	-0.3	-4.7	-0.6	-1.4	-0.5	-2.7	-1.7	-1.1
Persons unemployed	-9.3	3.7	95.6	-12.0	-19.1	-27.8	-16.8	-14.2	-13.2
Persons underemployed	-5.4	-2.8	209.6	-23.8	-10.8	-21.2	16.6	-13.9	-17.1

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

Table 17 : 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>			
	(% change)					Dec	Mar	Jun	Sep	(No.)
						(% change over a year earlier)				
Manufacturing	-3.3	-3.0	-3.5	-4.0	-5.5	-6.7	-6.7	-5.3	-5.1	74 391
Construction sites (covering manual workers only)	10.1	-5.8	-9.0	-4.5	8.5	10.9	-4.3	-2.5	3.2	109 680
Import and export trade	-0.4	-0.6	-5.7	-11.0	-3.6	0.1	0.4	-0.4	-1.4	379 888
Wholesale	-0.6	-0.9	-4.0	-8.8	-3.9	0.1	4.1	2.6	6.1	52 792
Retail	0.5	1.7	-1.7	-6.3	-0.6	0.5	-1.9	-1.3	-1.3	245 223
Food and beverage services	0.3	2.8	-2.3	-13.6	1.4	7.4	-0.4	1.0	2.0	222 014
Accommodation services ^(a)	0.3	4.8	1.8	-14.7	1.1	7.0	2.8	-9.8	-9.0	33 576
Transportation, storage, postal and courier services	0.2	0.6	0.3	-3.7	-4.0	-0.4	-0.6	-3.7	-1.9	164 026
Information and communications	0.9	1.5	1.9	-0.3	-1.4	-1.7	-1.9	-2.4	-2.9	105 299
Financing and insurance	1.5	2.6	2.9	0.6	0.1	0.7	-0.1	-2.3	-3.2	232 506
Real estate	1.3	2.0	1.2	0.4	3.6	5.7	4.9	-0.2	-2.9	138 490
Professional and business services (excluding cleaning and similar services)	2.1	3.2	1.5	-0.3	*	-0.1	-1.3	-3.1	-2.9	297 570
Cleaning and similar services	0.7	-1.4	-0.3	0.3	1.3	-0.1	3.1	-0.1	0.7	83 191
Education	1.6	1.8	1.7	-1.0	-0.1	0.3	-0.1	0.9	1.7	205 608
Human health services	3.5	3.4	4.7	4.1	2.9	1.6	2.3	2.2	2.4	149 279
Residential care and social work services	1.0	1.0	2.4	0.4	0.9	2.4	2.5	-0.4	0.5	66 531
Arts, entertainment, recreation and other services	-0.6	1.4	0.8	-5.4	-1.7	-0.1	-5.5	-2.8	-3.7	115 011
Civil service ^(b)	1.6	2.1	2.2	0.7	-0.2	-0.2	-0.7	-1.0	-1.3	174 044
Others ^(c)	2.1	*	1.5	-1.7	1.2	0.7	3.6	3.0	3.1	11 784

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 18 : 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> Dec	Mar	<u>2022</u> Jun	Sep
<u>(Number)</u>									
Building sites									
Private sector	65 985	65 700	62 903	54 957	58 385	58 813	53 006	59 677	58 275
Public sector ^(a)	21 660	21 604	19 257	22 982	23 622	21 671	21 328	20 280	23 838
Sub-total	87 645	87 303	82 160	77 939	82 006	80 484	74 334	79 957	82 113
Civil engineering sites									
Private sector	979	1 729	2 483	2 180	3 095	3 565	3 869	3 327	3 823
Public sector ^(a)	30 050	22 816	17 108	17 064	20 329	22 581	20 061	20 127	23 744
Sub-total	31 029	24 546	19 591	19 244	23 424	26 146	23 930	23 454	27 567
Total	118 674	111 849	101 750	97 182	105 430	106 630	98 264	103 411	109 680
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	9.5	-0.4	-4.3	-12.6	6.2	11.3	-7.9	0.3	1.0
Public sector ^(a)	35.1	-0.3	-10.9	19.3	2.8	-9.5	-16.2	-18.1	5.5
Sub-total	14.9	-0.4	-5.9	-5.1	5.2	4.8	-10.4	-5.1	2.2
Civil engineering sites									
Private sector	-29.3	76.6	43.6	-12.2	42.0	71.5	90.2	14.3	-1.2
Public sector ^(a)	-0.3	-24.1	-25.0	-0.3	19.1	30.8	13.5	6.3	7.3
Sub-total	-1.6	-20.9	-20.2	-1.8	21.7	35.2	21.5	7.4	6.0
Total	10.1	-5.8	-9.0	-4.5	8.5	10.9	-4.3	-2.5	3.2

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

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>
Selected industry sections						Q4	Q1	Q2	Q3
(in nominal terms)									
Manufacturing	3.4	4.0	3.8	-0.1	-0.6	0.5	0.2	0.8	1.4
Import/export and wholesale trades	2.9	3.2	2.3	0.5	0.1	1.2	0.1	1.1	0.9
Retail trade	3.3	3.0	2.3	0.1	0.2	1.2	-0.2	1.1	1.9
Transportation, storage, postal and courier services	3.4	4.1	3.9	-5.4	-3.8	-0.3	0.2	0.2	2.4
Accommodation ^(a) and food service activities	4.7	5.3	4.7	-2.9	-1.0	3.0	-0.7	2.8	3.1
Information and communications	3.3	3.3	3.9	2.3	1.8	2.5	2.3	2.9	2.9
Financial and insurance activities	3.0	3.1	3.0	1.7	1.7	2.2	2.3	2.5	2.9
Real estate activities	4.3	4.3	4.1	1.5	1.4	1.8	1.9	2.0	2.2
Professional and business services	4.2	4.6	3.8	1.6	1.5	1.9	2.0	2.4	2.9
Social and personal services	3.1	4.3	2.3	6.2	0.1	-0.2	-0.7	2.3	1.4
All selected industry sections surveyed	3.7	3.9	3.4	2.4	1.0	1.5	0.8	1.7	2.0
(in real terms)									
Manufacturing	2.0	1.6	0.9	-0.4	-2.1	-1.4	-1.3	-0.7	-1.3
Import/export and wholesale trades	1.4	0.8	-0.5	0.2	-1.4	-0.8	-1.4	-0.4	-1.8
Retail trade	1.8	0.6	-0.5	-0.1	-1.4	-0.8	-1.7	-0.4	-0.8
Transportation, storage, postal and courier services	1.9	1.6	1.0	-5.6	-5.3	-2.2	-1.3	-1.3	-0.3
Accommodation ^(a) and food service activities	3.2	2.8	1.8	-3.2	-2.6	1.0	-2.2	1.3	0.3
Information and communications	1.9	0.8	0.9	2.0	0.2	0.5	0.7	1.4	0.2
Financial and insurance activities	1.6	0.7	0.2	1.2	0.2	0.2	0.8	1.0	0.2
Real estate activities	2.8	1.9	1.1	1.3	-0.1	-0.2	0.4	0.5	-0.5
Professional and business services	2.7	2.2	0.9	1.4	-0.1	*	0.5	0.9	0.2
Social and personal services	1.6	1.8	-0.6	6.0	-1.5	-2.2	-2.2	0.9	-1.2
All selected industry sections surveyed	2.3	1.5	0.5	2.1	-0.5	-0.4	-0.7	0.3	-0.7

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 20 : 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						Dec	Mar	Jun	Sep
(in nominal terms)									
Manufacturing	3.7	3.6	3.5	2.0	1.6	1.8	1.8	2.0	2.0
Import/export, wholesale and retail trades	3.0	3.0	2.3	1.0	0.9	1.7	1.6	1.8	1.8
Transportation	2.9	4.7	4.4	0.1	-0.9	-0.2	-0.2	-0.6	2.6
Accommodation ^(a) and food service activities	4.7	4.6	4.1	1.0	1.4	2.1	1.6	1.9	2.1
Financial and insurance activities ^(b)	3.5	3.5	3.7	2.3	2.5	2.8	3.0	3.3	3.3
Real estate leasing and maintenance management	4.1	4.4	3.9	2.7	3.0	3.1	3.0	2.9	2.9
Professional and business services	4.7	4.4	3.6	1.7	1.8	2.1	2.4	2.5	2.5
Personal services	4.2	4.1	3.3	0.7	0.3	0.9	-1.0	-0.1	0.9
All industries surveyed	3.8	4.0	3.5	1.3	1.3	1.8	1.8	1.9	2.3
(in real terms)									
Manufacturing	2.2	0.8	0.2	3.1	-0.3	-1.1	*	0.2	-6.3
Import/export, wholesale and retail trades	1.6	0.1	-1.0	2.1	-0.9	-1.3	-0.2	-0.1	-6.6
Transportation	1.5	1.7	1.0	1.3	-2.7	-3.1	-1.9	-2.3	-5.8
Accommodation ^(a) and food service activities	3.3	1.7	0.7	2.1	-0.3	-0.9	-0.1	0.1	-6.3
Financial and insurance activities ^(b)	2.1	0.6	0.2	3.7	0.7	-0.2	1.2	1.5	-5.1
Real estate leasing and maintenance management	2.6	1.4	0.5	3.8	1.3	0.1	1.2	1.1	-5.6
Professional and business services	3.2	1.5	0.3	2.8	0.1	-0.9	0.7	0.7	-5.9
Personal services	2.7	1.1	0.2	1.7	-1.6	-2.0	-2.7	-1.8	-7.4
All industries surveyed	2.3	1.0	0.1	2.5	-0.5	-1.1	*	0.1	-6.0

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 21 : 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 22 : 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 23 : Rates of change in prices

	(%)							
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
GDP deflator	1.8	2.9	3.6	1.6	2.9	3.7	2.0	0.6
Domestic demand deflator	1.4	3.1	2.2	1.4	2.8	3.4	2.4	0.6
Consumer Price Indices ^(a) :								
Composite CPI	4.3	4.4	3.0	2.4	1.5	2.4	2.9	0.3
CPI(A)	5.1	5.6	4.0	2.8	1.5	2.7	3.3	-0.6
CPI(B)	4.1	4.2	2.9	2.3	1.4	2.3	2.7	0.6
CPI(C)	3.8	3.5	2.1	2.1	1.5	2.2	2.6	0.8
Unit Value Indices :								
Total exports of goods	1.3	2.0	0.1	-1.7	1.8	2.4	1.1	-0.6
Imports of goods	0.9	1.9	-0.4	-1.7	1.9	2.6	1.3	-0.7
Terms of Trade Index ^(b)	0.4	0.1	0.5	*	-0.1	-0.1	-0.1	*
Producer Price Index for all manufacturing industries	-3.1	-1.7	-2.7	1.3	3.8	2.0	1.0	2.3
Tender Price Indices :								
Public sector								
building projects	6.6	7.3	5.9	1.0	-0.3	-2.9	-2.6	-3.0
Public housing projects	9.3	8.0	12.5	-0.7	0.3	-1.9	-1.8	-2.7

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.

(^) Average annual rate of change for the 10-year period 2011-2021.

(~) Average annual rate of change for the 5-year period 2016-2021.

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

	(%)							
	<u>2021</u>	<u>2022</u>	<u>2022</u>				<u>Average annual rate of change:</u>	
			Q1	Q2	Q3	Q4	10 years 2012 to 2022	5 years 2017 to 2022
GDP deflator [#]	0.7	2.2	1.4	0.9	4.0	2.3	2.2	1.8
Domestic demand deflator [#]	-0.8	2.3	1.1	2.7	2.7	2.7	1.9	1.6
Consumer Price Indices ^(a) :								
Composite CPI	1.6	1.9	1.5	1.5	2.7	1.8	2.5	1.8
CPI(A)	2.9	2.2	1.5	1.2	4.1	1.9	2.9	2.1
CPI(B)	1.0	1.7	1.5	1.4	2.1	1.7	2.3	1.7
CPI(C)	0.9	1.8	1.6	1.8	1.9	1.9	2.1	1.6
Unit Value Indices :								
Total exports of goods	5.4	7.8	10.3	8.0	8.5	5.3	1.9	3.2
Imports of goods	5.5	8.1	10.6	8.8	8.1	5.8	1.9	3.3
Terms of Trade Index ^(b)	*	-0.3	-0.2	-0.8	0.3	-0.4	*	-0.1
Producer Price Index for all manufacturing industries	1.2	N.A.	2.3	0.8	0.4	N.A.	0.4 [^]	2.0 [~]
Tender Price Indices :								
Public sector								
building projects	1.0	N.A.	4.0	6.5	6.3	N.A.	2.0 [^]	-1.6 [~]
Public housing projects	1.8	N.A.	4.6	5.7	N.A.	N.A.	3.0 [^]	-0.9 [~]

Table 24 : Rates of change in Composite Consumer Price Index

(%)

	Weight	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
All items	100.00	4.3 (4.0)	4.4 (3.5)	3.0 (2.5)	2.4 (2.3)	1.5 (1.7)	2.4 (2.6)	2.9 (3.0)
Food	27.41	4.4	4.1	4.0	3.4	2.2	3.4	4.9
<i>Meals out and takeaway food</i>	<i>17.05</i>	<i>4.4</i>	<i>4.6</i>	<i>4.2</i>	<i>3.3</i>	<i>2.7</i>	<i>2.9</i>	<i>2.2</i>
<i>Basic food</i>	<i>10.36</i>	<i>4.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.6</i>	<i>1.1</i>	<i>4.3</i>	<i>9.9</i>
Housing ^(a)	40.25	6.7	6.7	5.1	3.7	2.0	2.5	3.5
<i>Private housing rent</i>	<i>35.46</i>	<i>6.3</i>	<i>6.0</i>	<i>4.7</i>	<i>3.4</i>	<i>1.8</i>	<i>2.2</i>	<i>3.1</i>
<i>Public housing rent</i>	<i>1.87</i>	<i>16.0</i>	<i>18.3</i>	<i>10.9</i>	<i>7.2</i>	<i>3.0</i>	<i>4.1</i>	<i>7.1</i>
Electricity, gas and water	2.82	6.9	14.9	8.4	1.0	-1.7	4.9	-5.4
Alcoholic drinks and tobacco	0.49	1.5	6.5	1.3	1.5	0.6	1.3	1.2
Clothing and footwear	2.42	1.7	0.9	-1.8	-3.4	-0.4	1.6	-1.7
Durable goods	4.00	-4.3	-3.4	-5.6	-5.4	-3.2	-2.0	-1.9
Miscellaneous goods	3.32	2.2	2.3	0.9	1.5	1.4	1.3	2.5
Transport	6.17	2.3	2.0	-0.3	1.6	2.3	1.6	2.0
Miscellaneous services	13.12	3.7	3.0	1.1	2.3	0.9	2.1	2.0

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".

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

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

(%)										
	Weight	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>				Average annual rate of change:	
					Q1	Q2	Q3	Q4	10 years 2012 to 2022	5 years 2017 to 2022
All items	100.00	0.3 (1.3)	1.6 (0.6)	1.9 (1.7)	1.5 (1.6)	1.5 (1.7)	2.7 (1.8)	1.8 (1.8)	2.5 (2.4)	1.8 (2.0)
Food	27.41	3.3	1.7	3.8	3.7	4.0	3.9	3.6	3.5	3.4
<i>Meals out and takeaway food</i>	17.05	0.8	1.8	3.4	3.1	3.4	3.4	3.6	3.0	2.2
<i>Basic food</i>	10.36	7.7	1.4	4.5	4.6	5.0	4.7	3.6	4.3	5.5
Housing ^(a)	40.25	-0.1	0.3	0.2	-0.3	-0.6	1.8	*	3.0	1.3
<i>Private housing rent</i>	35.46	1.1	-1.3	-0.6	-0.5	-0.8	-0.6	-0.5	2.6	0.9
<i>Public housing rent</i>	1.87	-21.0	29.3	9.6	2.0	-0.1	45.1	2.1	7.7	4.5
Electricity, gas and water	2.82	-20.6	27.0	7.2	-2.4	2.7	14.9	14.2	3.5	1.4
Alcoholic drinks and tobacco	0.49	0.5	0.1	1.3	0.3	1.5	1.8	1.7	1.6	0.9
Clothing and footwear	2.42	-5.2	3.3	5.3	6.1	4.9	5.1	5.0	*	0.6
Durable goods	4.00	-2.7	1.0	0.6	1.7	1.6	0.4	-1.2	-2.7	-1.0
Miscellaneous goods	3.32	3.1	-3.1	0.4	-0.2	0.4	0.6	0.6	1.2	0.8
Transport	6.17	-1.0	2.6	2.9	6.1	1.8	1.8	1.9	1.6	1.6
Miscellaneous services	13.12	0.8	0.7	1.3	1.0	1.3	1.4	1.7	1.8	1.4

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

(%)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Private consumption expenditure	2.7	2.9	1.2	1.5	2.5	3.1	2.7
Government consumption expenditure	4.3	4.7	4.4	3.7	2.5	3.3	4.7
Gross domestic fixed capital formation	-2.9	3.1	4.5	-0.3	4.4	4.6	-0.1
Total exports of goods	-0.1	0.7	-0.7	-1.4	1.7	2.2	1.1
Imports of goods	-0.3	0.8	-1.4	-1.8	1.8	2.3	1.3
Exports of services	0.4	0.4	-2.8	-2.0	3.2	4.5	-0.3
Imports of services	0.3	0.5	-4.6	-1.3	2.7	2.8	-1.0
Gross Domestic Product	1.8	2.9	3.6	1.6	2.9	3.7	2.0
Total final demand	0.4	1.4	*	-0.6	2.2	2.8	1.4
Domestic demand	1.4	3.1	2.2	1.4	2.8	3.4	2.4

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

	(%)								
	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>	<u>2022</u>				Average annual rate of change:	
				Q1 [#]	Q2 [#]	Q3 [#]	Q4 [#]	10 years 2012 to 2022 [#]	5 years 2017 to 2022 [#]
Private consumption expenditure	0.6	-0.6	2.1	0.5	2.0	2.8	2.9	1.9	1.6
Government consumption expenditure	2.1	0.6	2.8	1.7	3.9	3.3	2.6	3.3	2.7
Gross domestic fixed capital formation	-1.5	-2.1	2.4	1.5	4.6	2.7	0.9	1.2	0.6
Total exports of goods	0.1	5.1	6.8	9.3	7.1	7.1	4.6	1.5	3.0
Imports of goods	0.1	4.9	7.4	10.2	8.3	6.8	4.9	1.5	3.2
Exports of services	-0.4	14.5	7.3	12.3	12.1	4.7	1.3	2.4	5.0
Imports of services	-0.9	9.9	3.8	8.9	7.7	1.3	-1.4	1.2	2.8
Gross Domestic Product	0.6	0.7	2.2	1.4	0.9	4.0	2.3	2.2	1.8
Total final demand	0.2	3.7	5.2	6.9	5.7	5.4	3.3	1.7	2.7
Domestic demand	0.6	-0.8	2.3	1.1	2.7	2.7	2.7	1.9	1.6

