



First Quarter Economic Report 2023

Government of the Hong Kong
Special Administrative Region

FIRST QUARTER ECONOMIC REPORT 2023

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

Summary

- *The Hong Kong economy improved visibly in the first quarter of 2023, led by the strong recovery of inbound tourism and domestic demand. Real Gross Domestic Product (GDP)⁽¹⁾ resumed year-on-year growth of 2.7%. On a seasonally adjusted quarter-to-quarter comparison⁽²⁾, real GDP surged by 5.3%.*
- *Hong Kong's total exports of goods plummeted further in the first quarter amid the challenging external environment, though the lifting of restrictions on cross-boundary truck movements between Hong Kong and the Mainland provided some relief. Exports to the Mainland, the US and the EU continued to fall notably. Exports to most other major Asian markets also fell sharply. On the other hand, exports of services expanded visibly. Exports of travel services leapt more than six-fold thanks to the resumption of normal travel with the Mainland and the rest of the world. Exports of transport services reverted to a moderate increase, and exports of business and other services turned to mild growth. Exports of financial services, however, declined.*
- *Domestically, private consumption expenditure surged in the first quarter, as consumption sentiment improved sharply along with the removal of anti-epidemic measures in both Hong Kong and the Mainland. Overall investment expenditure reverted to growth amid an improved economic outlook.*
- *The unemployment and underemployment situation continued to improve in the first quarter. The seasonally adjusted unemployment rate declined further from 3.5% in the preceding quarter to 3.1%, and the underemployment rate went down from 1.5% to 1.2%.*
- *The local stock market exhibited considerable volatility in the first quarter. The Hang Seng Index (HSI) was first supported by expectations of a slower pace of US monetary policy tightening and the return of economic activities to normalcy, then dampened by concerns over the global economic outlook and the banking sector stress in the US and Europe. The HSI closed the quarter at 20 400, 3.1% higher than end-2022. The residential property market revived, as market sentiment improved along with the local economic recovery. Both trading activities and flat prices rebounded.*

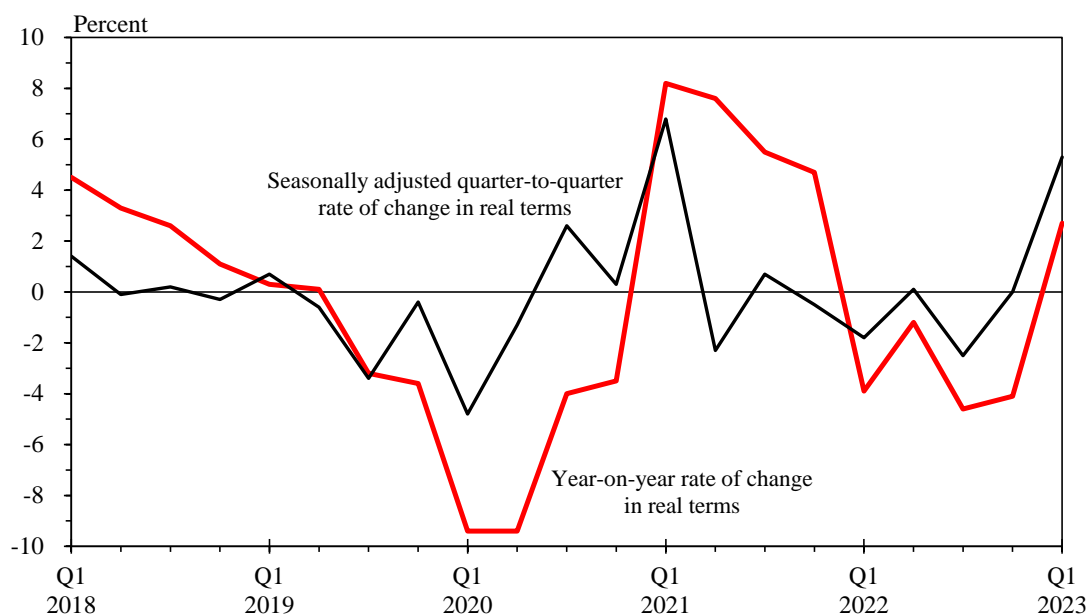
- *Consumer price inflation edged up while remaining moderate in overall terms in the first quarter. Prices of energy-related items soared further year-on-year. Prices of meals out and takeaway food, and clothing and footwear continued to increase notably. Nevertheless, price pressures on other major components were broadly in check. Private housing rentals continued to decline.*

Overall situation

1.1 The Hong Kong economy improved visibly in the first quarter of 2023. Inbound tourism and domestic demand recovered strongly, providing the main impetus to growth. However, merchandise exports stayed weak.

1.2 Real GDP grew by 2.7% year-on-year in the first quarter (same as the advance estimate), having contracted by 4.1% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP surged by 5.3% in the first quarter (same as the advance estimate), after staying virtually unchanged in the preceding quarter.

Diagram 1.1 : Real GDP resumed year-on-year growth in the first quarter of 2023



The external sector

1.3 *Total exports of goods* based on the GDP compilation framework plummeted by 18.7% year-on-year in real terms in the first quarter of 2023, despite narrowing from a decline of 24.9% in the preceding quarter. The challenging external environment posed a significant drag on export performance, though the lifting of restrictions on cross-boundary truck movements between Hong Kong and the Mainland provided some relief. Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland plunged further in the first quarter. Exports to the US and the EU continued to record notable decreases. Exports to most other major Asian markets also fell sharply.

1.4 *Exports of services* expanded visibly by 16.5% year-on-year in real terms in the first quarter, after 0.6% growth in the preceding quarter. Exports of travel services leapt more than six-fold and recovered to almost 40% of the pre-pandemic level, thanks to the resumption of normal travel with the Mainland and the rest of the world. Exports of transport services reverted to a moderate increase as visitor arrivals rebounded. Exports of businesses and other services also turned to mild growth. Meanwhile, exports of financial services declined alongside weakened cross-border financial and fund raising activities.

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

	<u>2021[#]</u>	<u>2022[#]</u>	<u>2022</u>				<u>2023</u>
			<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</u>	<u>Q4[#]</u>	<u>Q1[#]</u>
<i>Change in real terms of GDP and its main expenditure components (%)</i>							
Private consumption expenditure	5.6	-1.2	-6.2 (-8.8)	-0.2 (8.5)	-0.4 (0.6)	1.7 (2.0)	13.0 (1.4)
Government consumption expenditure	5.9	8.2	6.0 (4.7)	12.6 (5.4)	5.4 (-3.9)	9.1 (2.8)	0.9 (-3.3)
Gross domestic fixed capital formation	8.3	-7.7	-6.3	-1.2	-14.2	-8.9	5.8
Building and construction	-0.5	5.1	1.9	9.1	2.5	7.2	-4.0
Costs of ownership transfer	36.3	-41.0	-34.8	-39.5	-40.9	-50.0	24.7
Machinery, equipment and intellectual property products	15.2	-16.8	-14.8	-1.5	-28.8	-21.2	24.0
Total exports of goods ^{&}	18.7	-13.9	-4.4 (-6.9)	-8.5 (-5.4)	-15.9 (-7.7)	-24.9 (-7.8)	-18.7 (1.0)
Imports of goods ^{&}	17.2	-13.2	-5.9 (-7.4)	-6.0 (-0.1)	-16.5 (-9.7)	-22.9 (-7.8)	-14.4 (2.9)
Exports of services ^{&}	3.4	-1.4	-4.3 (0.9)	2.7 (*)	-4.0 (-2.9)	0.6 (2.7)	16.5 (16.7)
Imports of services ^{&}	2.5	-1.7	-3.5 (-3.0)	-1.5 (0.8)	-3.2 (-0.5)	1.2 (3.7)	20.4 (15.8)
Gross Domestic Product	6.4	-3.5	-3.9 (-1.8)	-1.2 (0.1)	-4.6 (-2.5)	-4.1 (*)	2.7 (5.3)
<i>Change in the main price indicators (%)</i>							
GDP deflator	0.7	1.8	1.1 (0.2)	1.0 (0.3)	3.5 (2.7)	1.7 (-1.6)	1.8 (0.5)
Composite CPI							
Headline	1.6	1.9	1.5 (0.6)	1.5 (0.2)	2.7 (0.5)	1.8 (0.6)	1.9 (0.7)
Underlying[^]	0.6	1.7	1.6 (0.5)	1.7 (0.5)	1.8 (0.4)	1.8 (0.4)	1.9 (0.7)
<i>Change in nominal GDP (%)</i>	7.2	-1.7	-2.9	-0.2	-1.3	-2.5	4.6

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

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

(#) Revised figures.

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

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

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

The domestic sector

1.5 Consumption activities expanded notably in the first quarter of 2023, as consumption sentiment improved sharply along with the removal of anti-epidemic measures in both Hong Kong and the Mainland. The improved labour market also provided support. After increasing by 1.7% in real terms in the preceding quarter, *private consumption expenditure* surged by 13.0% in the first quarter year-on-year, though a low base of comparison also contributed. On a seasonally adjusted quarter-to-quarter basis, private consumption expenditure increased by 1.4%. Meanwhile, *government consumption expenditure* rose by 0.9% year-on-year in the first quarter, further to a 9.1% increase in the preceding quarter.

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

Of which :

		Total consumer spending in the domestic market ^(a)	Food	Durables	Non- durables	Services	Residents' expenditure abroad	Visitor spending	Private consumption expenditure ^(b)
2022	Annual	-1.4	-7.3	4.0	-2.0	-0.9	55.4	57.0	-1.2
	Q1	-6.2	-8.4	-9.1	-9.8	-4.3	12.4	17.6	-6.2
	Q2	-0.2	-8.0	4.6	4.6	-0.6	24.9	42.0	-0.2
	Q3	-0.4	-7.5	7.7	0.9	-0.5	30.5	77.6	-0.4
	Q4	0.8	-5.5	12.1	-4.0	1.5	146.7	87.3	1.7
2023	Q1	14.2	7.2	24.9	32.2	9.1	328.1	489.5	13.0

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

Diagram 1.2 : Private consumption expenditure increased notably

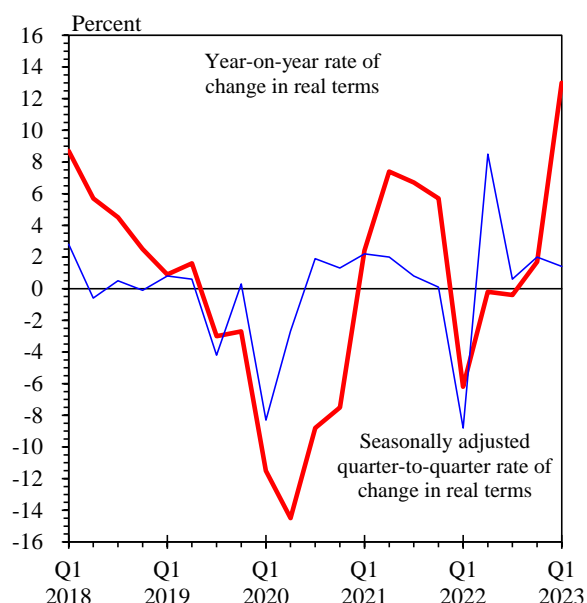
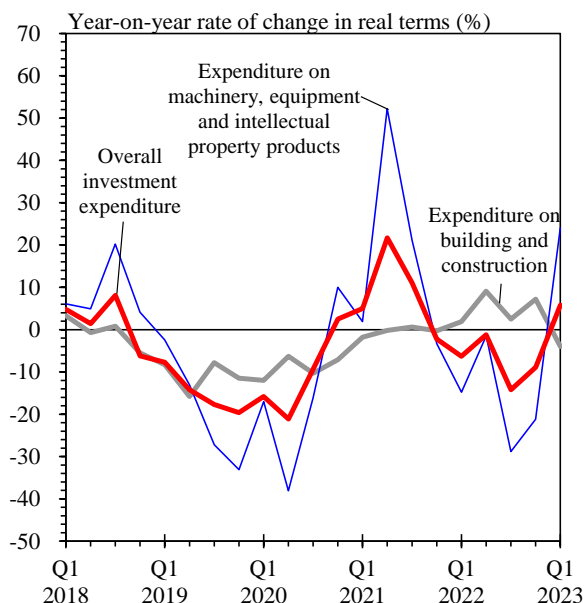


Diagram 1.3 : Overall investment expenditure reverted to growth



1.6 Overall investment spending in terms of *gross domestic fixed capital formation* increased by 5.8% in real terms in the first quarter over a year earlier, after an 8.9% decrease in the preceding quarter. Despite tight financial conditions, expenditure on acquisitions of machinery, equipment and intellectual property products rebounded sharply by 24.0% amid an improved economic outlook (see **Box 1.1**). Expenditure on building and construction fell by 4.0%, with the decline in public sector spending more than offsetting the increase in private sector spending. Separately, the costs of ownership transfer rose as property transactions increased.

Box 1.1

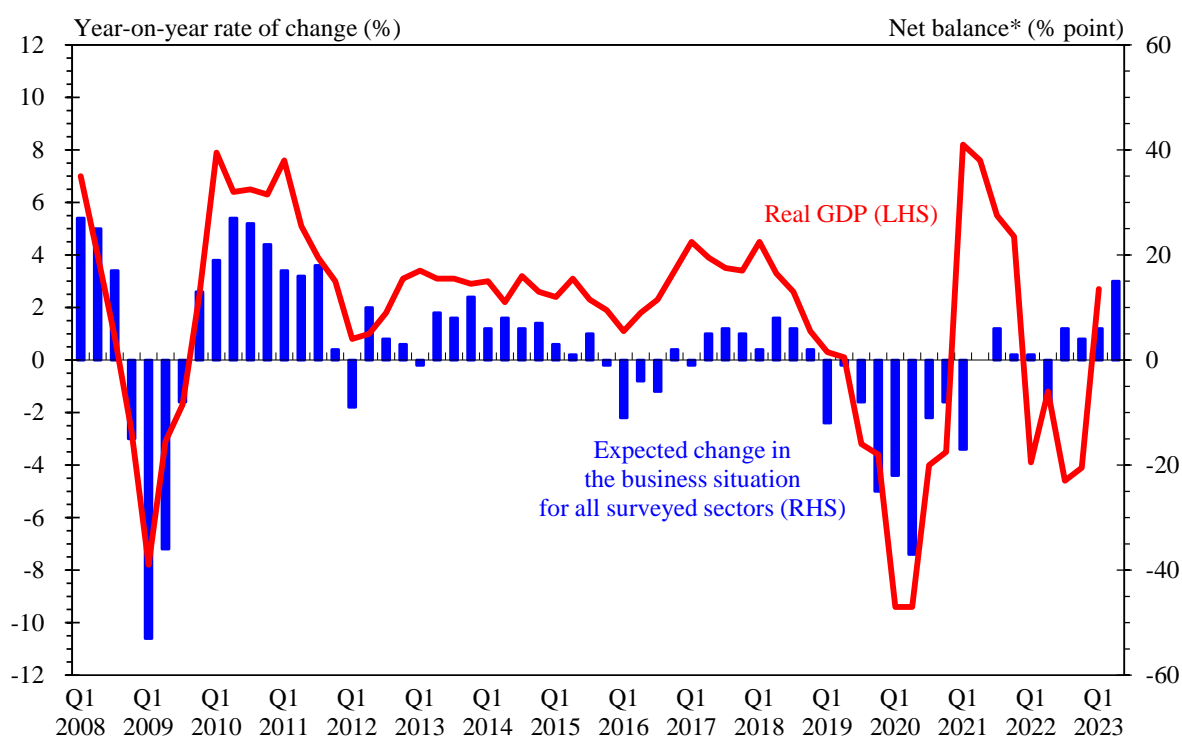
Business sentiment in Hong Kong

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Survey results indicate that business sentiment improved further in the past few months thanks to the revival of local economic activities and a visible rebound in visitor arrivals.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)⁽¹⁾ conducted during 2 March 2023 to 6 April 2023, business sentiment among large enterprises in Hong Kong improved notably as compared to three months ago (*Chart 1*). The proportion of large enterprises expecting their business situation to improve in the second quarter of 2023 over the first quarter was larger than the proportion of those expecting the situation to worsen by 15 percentage points (i.e. a net balance of +15), visibly better than the net balance of +6 in the previous round.

Large enterprises' business sentiment improved across a majority of surveyed sectors (*Table 1*). The net balances for the "accommodation and food services", "retail", "manufacturing" and "real estate" sectors improved visibly within the positive zone. Meanwhile, those for the "import/export trade and wholesale", "transportation, storage and courier services", "construction" and "information and communications" sectors rebounded sharply and turned positive, while that for the "financing and insurance" sector held steady in the positive territory. Yet, the net balance for the "professional and business services" sector worsened slightly in the negative zone. Meanwhile, large enterprises' appetite for hiring improved (*Table 2*).

Chart 1 : Business sentiment of large enterprises improved further



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 improved across a majority of sectors

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2022				2023	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	-8	-19	+24	-13	+23	+36
Construction	-17	-32	-5	-5	-7	+6
Import/export trade and wholesale	+2	-7	+6	+9	-8	+10
Retail	-11	+11	+25	+16	+12	+34
Accommodation and food services	+2	+23	+49	+37	+39	+64
Transportation, storage and courier services	-7	-12	-2	+8	-5	+13
Information and communications	-2	+1	-3	-4	-1	+6
Financing and insurance	+5	-4	+10	+4	+25	+25
Real estate	+8	-2	+10	-2	+4	+13
Professional and business services	+3	-19	-3	+2	-3	-4
All sectors above	+1	-8	+6	+4	+6	+15

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 also improved

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2022				2023	
	Q1	Q2	Q3	Q4	Q1	Q2
Manufacturing	-4	-1	+7	+18	+8	+18
Construction	+8	+3	+9	+18	+16	+6
Import/export trade and wholesale	-2	0	+1	0	-6	-1
Retail	-5	+4	+9	+5	+6	+20
Accommodation and food services	+8	-2	+36	+22	+24	+50
Transportation, storage and courier services	+3	+1	+8	+13	+9	0
Information and communications	-7	+7	-1	-8	-6	-6
Financing and insurance	+9	+4	-4	+5	+9	+13
Real estate	+9	-9	+11	0	0	+9
Professional and business services	-5	-2	0	+2	+5	+7
All sectors above	0	+1	+7	+7	+6	+11

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.

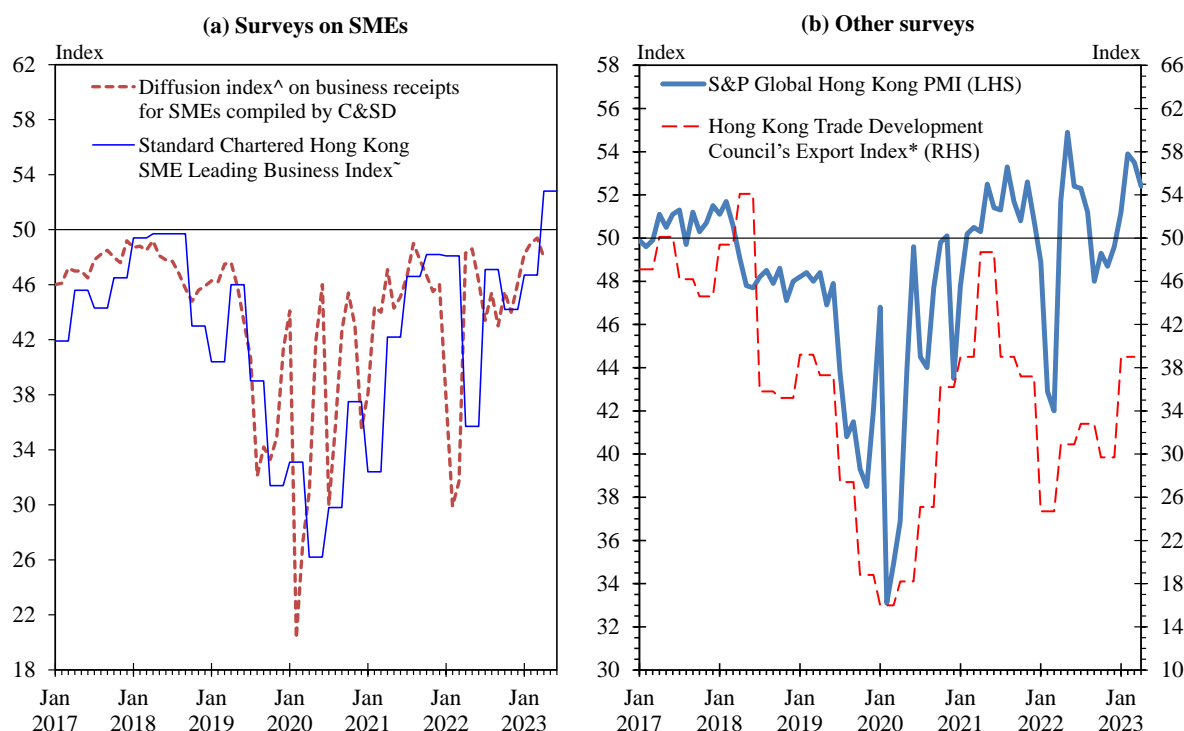
As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis⁽²⁾ to gauge the general direction of change in their views on the business situation versus the preceding month. Business sentiment among SMEs has steadily improved in the first quarter, with the overall index on the current situation rising from 48.2 in January to 49.4 in March, though it eased somewhat to 48.0 in April (**Chart 2a**). Employment sentiment among SMEs remained broadly stable, and credit conditions stayed accommodative. The Standard Chartered Hong Kong SME Leading Business Index⁽³⁾ also rose notably in the second quarter of 2023 to its highest level since 2014.

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, saw further improvement in the expansionary zone from 51.2 in January to 52.4 in April. Separately, the Hong Kong Trade Development Council’s Export Index⁽⁵⁾ rose sharply to 39.0 in the first quarter of 2023 from 29.7 in the preceding quarter, reflecting a significant improvement in exporters’ confidence on the trade outlook (**Chart 2b**). Among the exporters surveyed, an overwhelming majority (98.0%) said that the resumption of normal travel between Hong Kong and the Mainland had had a positive impact on their businesses.

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- (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 generally pointed to further improvement of business sentiment as local economic activities revived and visitor arrivals rebounded visibly



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 showed further improvement in recent months as local economic activities revived and visitor arrivals rebounded visibly. Looking ahead, business sentiment should continue to benefit from the local economic recovery. However, the tightened financial conditions and the moderation of growth in the advanced economies may 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 unemployment and underemployment situation continued to improve in the first quarter of 2023 alongside the economic recovery. The seasonally adjusted *unemployment rate*⁽²⁾ declined further from 3.5% in the fourth quarter of 2022 to 3.1% in the first quarter of 2023, and the *underemployment rate*⁽³⁾ went down from 1.5% to 1.2%. The unemployment rates of most major sectors fell in the first quarter compared with the preceding quarter. The unemployment rates of both lower-skilled and higher-skilled workers declined. Nominal wages and labour earnings saw accelerated year-on-year increases in the fourth quarter of 2022. More recent General Household Survey (GHS) data indicated that median monthly employment earnings of full-time employees (excluding foreign domestic helpers) increased further in the first quarter of 2023.

The asset markets

1.8 The *local stock market* exhibited considerable volatility in the first quarter of 2023. Supported by expectations of a slower pace of US monetary policy tightening and the return of economic activities to normalcy, the HSI extended its rally on entering the year. This was followed by a sharp correction driven by concerns over the global economic outlook and the banking sector stress in the US and Europe. The HSI then recouped some of the loss and closed the quarter at 20 400, 3.1% higher than end-2022. Trading activities remained active in general with the average daily turnover edging up by 0.5% over the preceding quarter to \$127.8 billion. Fund raising activities were extremely quiet.

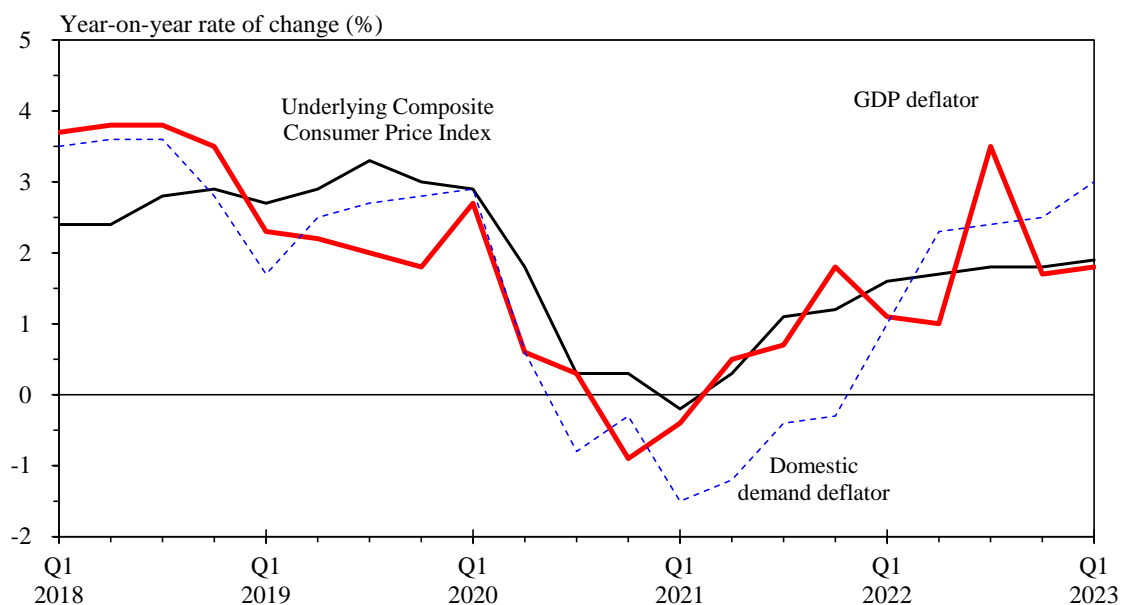
1.9 The *residential property market* revived in the first quarter after undergoing a marked correction last year. Market sentiment improved as the local economy recovered. The number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, jumped by 67% over the extremely low level in the preceding quarter or 39% over a year earlier to 14 023. Flat prices on average rose back by 5% during the first quarter. The index of home purchase affordability rose to 73% alongside the rebound in flat prices, significantly above the long-term average of 51% over 2003-2022. Meanwhile, overall flat rentals were virtually unchanged during the quarter. The *non-residential property market* stabilised somewhat. Trading activities of all major segments rebounded, particularly towards the end of the quarter, though were still at relatively low levels. Prices and rentals showed mixed performance.

Inflation

1.10 Consumer price inflation edged up while remaining moderate in overall terms in the first quarter of 2023. Netting out the effects of the Government's one-off relief measures, *underlying Composite CPI inflation* edged up from 1.8% in the preceding quarter to 1.9% in the first quarter. Prices of energy-related items soared further year-on-year. Prices of meals out and takeaway food, and clothing and footwear continued to increase notably. Nevertheless, price pressures on other major components were broadly in check. Private housing rentals continued to decline. Domestic business cost pressures stayed largely mild, as wage growth remained moderate while commercial rentals continued to be soft. External price pressures remained notable. As inflation in many major economies stayed high despite some deceleration, prices of overall merchandise imports continued to increase noticeably year-on-year. The *headline Composite CPI inflation rate* also inched up from 1.8% to 1.9%.

1.11 As a broad measure of the overall change in prices in the economy, the *GDP deflator* rose by 1.8% in the first quarter over a year earlier, after a 1.7% increase in the preceding quarter. The *terms of trade* deteriorated as import prices rose faster than export prices. Taking out the external trade components, the domestic demand deflator increased by 3.0% in the first quarter, after rising by 2.5% in the preceding quarter.

Diagram 1.4 : Consumer price inflation edged up while remaining moderate in overall terms in the first quarter of 2023



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 3.1% year-on-year in real terms in 2022, after 5.9% growth in 2021. As for the quarterly profile, the services sector recorded a 3.2% decline in the first quarter due to the fifth wave of the local epidemic. The fall moderated to 1.5% in the second quarter, but widened to 3.3% and 4.2% respectively in the third and fourth quarters as the external environment deteriorated and financial conditions tightened.

1.13 Almost all major service sectors saw contraction in the year. In particular, the net output of import and export trade recorded a double digit decline amid weakened external demand and persistent disruptions to cross-boundary truck movements. The fall in the net output of accommodation and food services and that of wholesale and retail sales were also notable, as the fifth wave of the local epidemic in early 2022 and tightened financial conditions resulting from sharp interest rate hikes by major central banks in the latter part of the year weighed on consumption demand. The net output of financing and insurance declined marginally. Meanwhile, the net output of information and communications, as well as public administration, social and personal services continued to expand for the year as a whole. As for the secondary sector, the net output of the construction sector resumed growth, while the manufacturing sector saw a sharp slowdown in growth.

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</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Manufacturing	5.5	0.2	2.6	5.6	7.6	5.8	-1.3	2.7	-0.5	-0.1
Construction	-0.6	5.8	-0.6	0.1	-0.6	-1.3	4.1	9.2	2.0	8.0
Services ^(b)	5.9	-3.1	7.0	6.7	5.4	4.8	-3.2	-1.5	-3.3	-4.2
Import/export, wholesale and retail trades	13.3	-12.1	24.4	15.6	8.4	8.2	-7.1	-6.4	-12.8	-19.7
Import and export trade	13.6	-12.9	26.3	16.0	8.4	7.4	-6.4	-7.0	-13.7	-22.0
Wholesale and retail trades	11.2	-6.8	12.5	12.6	10.9	9.9	-12.8	-1.9	-6.7	-6.5
Accommodation and food services	22.6	-10.8	-3.9	17.3	45.1	36.5	-28.4	-4.9	-7.4	-6.0
Transportation, storage, postal and courier services	7.7	-4.6	-4.1	15.6	16.8	6.4	-10.6	-3.4	-5.2	1.0
Transportation and storage	6.4	-4.5	-7.7	15.7	17.4	5.3	-10.8	-3.0	-5.9	2.0
Postal and courier services	20.6	-6.2	39.6	16.2	11.0	17.4	-6.3	-5.7	-6.9	-5.9
Information and communications	2.6	0.8	3.7	2.0	2.3	2.4	0.6	1.6	0.2	0.8
Financing and insurance	4.7	-0.1	7.2	5.9	2.8	3.1	-0.6	1.8	-1.9	0.3
Real estate, professional and business services	2.1	-2.7	1.3	2.0	2.9	2.2	-5.0	-1.0	-2.2	-2.4
Real estate	2.3	-4.6	2.7	1.9	2.7	1.8	-9.1	-2.5	-2.4	-3.9
Professional and business services	1.9	-1.3	0.1	2.0	3.0	2.5	-1.5	-0.1	-2.1	-1.4
Public administration, social and personal services	4.4	0.7	3.7	5.4	4.5	3.9	-0.3	*	1.5	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.

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

Other economic developments

1.14 In the 2023-24 Budget (the Budget), the Financial Secretary has taken a moderately liberal fiscal stance to support people in need to the best of our ability, and sustain impetus to economic recovery in moving towards high-quality development. The Budget strives to support individuals and businesses and strengthen the economy's recovery, including launching various measures to ease the burden on individuals and enterprises, and disbursing electronic consumption vouchers again this year. The first batch of vouchers valued at \$3,000 was issued to around 6.4 million eligible persons in April. A number of other one-off measures, including a reduction in salaries tax, tax under personal assessment, and profits tax for the 2022/23 assessment year, rates concessions for domestic and non-domestic properties, and electricity subsidies were also unveiled. Over 80% of the resources involved in the Budget measures are targeted at individuals and small and medium-sized enterprises.

1.15 The Budget also brings high-quality development to the fore. The government is striving to push forward the economy towards high-quality development and persistently drive development through innovation and technology; create new growth impetus through institutional and policy innovations; and progress towards green transformation by vigorously promoting the development of green and low-carbon technology and industries. To realise the ambition to become an international green technology and financial centre, the Financial Secretary is setting up a Green Technology and Finance Development Committee to formulate an action agenda which will include the building of a green technology ecosystem to attract prominent companies and start-ups, and policy support to boost the demand for green technology. Further, in-depth studies are being conducted on various elements of the digital economy by the Digital Economy Development Committee, including a feasibility study on the establishment of an Artificial Intelligence Supercomputing Centre. In addition, \$500 million has been set aside for the Hong Kong Cyberport Management Company Limited to launch a Digital Transformation Support Pilot Programme to expedite the pace of digital transformation among companies.

Notes :

- (1) The Gross Domestic Product (GDP) is an overall measure of net output produced within an economy in a specified period, such as a calendar year or a quarter, before deducting the consumption of fixed capital. In accordance with the expenditure approach to its estimation, GDP is compiled as total final expenditures on goods and services (including private consumption expenditure, government consumption expenditure, gross domestic fixed capital formation, changes in inventories, and exports of goods and services), less imports of goods and services.
- (2) The seasonally adjusted quarter-to-quarter GDP series, by removing the variations that occur at about the same time and in about the same magnitude each year, provides another perspective for discerning the trend, particularly in regard to turning points. A detailed examination reveals the presence of seasonality in the overall GDP and in some of its main components, including private consumption expenditure, government consumption expenditure, exports of goods, imports of goods, exports of services, and imports of services. However, due to the presence of considerable short-term fluctuations, no clear seasonal pattern is found in gross domestic fixed capital formation. Therefore, the seasonally adjusted series of GDP is compiled separately at the overall level, rather than summing up from its main components.
- (3) The table below presents a more detailed comparison between the growth forecasts made by the IMF in April 2023 and those three months ago.

	2022	<u>2023</u>	
	(%)	<u>January round</u>	<u>April round</u>
		(%)	(%)
World (PPP ^{##} weighted)	3.4	2.9	2.8
Advanced economies	2.7	1.2	1.3
US	2.1 [#]	1.4	1.6
Euro area	3.5 [#]	0.7	0.8
UK	4.1 [#]	-0.6	-0.3
Japan	1.0 [#]	1.8	1.3
Emerging market and developing economies	4.0	4.0	3.9
Emerging and developing Asia	4.4	5.3	5.3
Mainland China	3.0 [#]	5.2	5.2
India [^]	6.8	6.1	5.9
ASEAN-5 ^{\$}	5.5	4.3	4.5
Middle East and Central Asia	5.3	3.2	2.9

- Notes :
- (#) Actual figures.
 - (##) PPP refers to purchasing power parity.
 - (^) Fiscal year.
 - (\$)
 - Includes Indonesia, Malaysia, the Philippines, Singapore and Thailand.

CHAPTER 2 : THE EXTERNAL SECTOR

Summary

- *The external environment stayed weak in the first quarter of 2023. As inflation in the US and Europe remained high, their central banks continued to tighten monetary policies, weighing further on their economic performance. Nevertheless, the Mainland economy improved markedly along with the fading of the COVID-19 pandemic and the progressive removal of anti-epidemic measures as well as the authorities' various measures to support the economy. In April, the International Monetary Fund (IMF) forecast that global economic growth would slow further to 2.8% in 2023.*
- *The challenging external environment posed a significant drag on Hong Kong's export performance, though the lifting of restrictions on cross-boundary truck movements between Hong Kong and the Mainland provided some relief. Hong Kong's merchandise exports plummeted further by 20.9% in real terms⁽¹⁾ in the first quarter from a year earlier. Exports to the Mainland, the US and the EU continued to fall notably. Exports to most other major Asian markets also fell sharply.*
- *Exports of services expanded visibly by 16.5% year-on-year in real terms in the first quarter. Exports of travel services leapt more than six-fold thanks to the resumption of normal travel with the Mainland and the rest of the world. Exports of transport services reverted to a moderate increase, and exports of business and other services turned to mild growth. Exports of financial services, however, declined.*
- *The Financial Secretary announced in the 2023-24 Budget that additional funding of \$550 million in total would be provided to the Hong Kong Trade Development Council (HKTDC) in the next five financial years to further assist Hong Kong enterprises and investors in opening up markets, and a further \$500 million would be injected into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) to support enterprises in exploring more diversified markets. Meanwhile, the Government made concerted efforts to promote Hong Kong on all fronts. The Chief Executive and various Principal Officials led a number of delegations to promote Hong Kong overseas. The Government also launched a large-scale global promotional campaign themed "Hello Hong Kong" in February to bolster Hong Kong's economic and business advantages and promote the city's economic prospects.*

Merchandise trade

External environment

2.1 The external environment stayed weak in the first quarter of 2023. As inflation in the US and Europe remained high, their central banks continued to tighten monetary policies, weighing further on their economic performance. There have been a few bank failures in the US and Europe, raising concerns over the vulnerability of the global banking sector following the sharp rise in interest rates last year. In the meantime, the Mainland economy improved markedly along with the fading of the COVID-19 pandemic and the progressive removal of anti-epidemic measures as well as the authorities' various measures to support the economy. In April, the IMF forecast that global economic growth would slow further from 3.4% in 2022 to 2.8% in 2023, reflecting the weakness of the advanced economies. It also highlighted downside risks such as financial sector stress, sovereign debt distress, tensions in Ukraine, persistently high core inflation and geoeconomic fragmentation.

2.2 The Mainland economy improved markedly in the first quarter, registering accelerated year-on-year growth of 4.5%, along with the fading of the COVID-19 pandemic and the progressive removal of anti-epidemic measures. The authorities also rolled out further measures to support growth, including cutting the reserve requirement ratios of financial institutions by 25 basis points, granting value-added tax exemptions and extending profit tax reductions for eligible micro and small enterprises and individual businesses, and providing financial support to rental housing developments.

2.3 Among the advanced economies, the US economy grew modestly at an annualised rate of 1.1% in the first quarter on a seasonally-adjusted quarter-to-quarter basis. As core inflation stayed much higher than the target of 2%, the Federal Reserve raised the target range for the federal funds rate by 25 basis points each in February, March and May, and continued to reduce the size of its balance sheet as planned. The euro area economy grew marginally by a seasonally-adjusted 0.1% in the first quarter over the preceding quarter, as high inflation and continued monetary policy tightening dampened demand. The European Central Bank raised key interest rates by 50 basis points in both February and March, and by 25 basis points in May, and noted that inflation is projected to remain high for a long time.

2.4 In other Asian economies, external trade generally fell further in the first quarter amid sluggish global economic growth, though domestic demand was relatively resilient. Meanwhile, many central banks in the region further tightened their monetary policies to curb inflation during the quarter.

Merchandise exports

2.5 Hong Kong's *merchandise exports* plummeted by 20.9% year-on-year in real terms in the first quarter of 2023, despite narrowing from a decline of 25.3% in the preceding quarter. The challenging external environment posed a significant drag on export performance, though the lifting of restrictions on cross-boundary truck movements between Hong Kong and the Mainland provided some relief. Exports by land declined by a smaller 15.0% in the first quarter in value terms, compared to 31.2% in the preceding quarter.

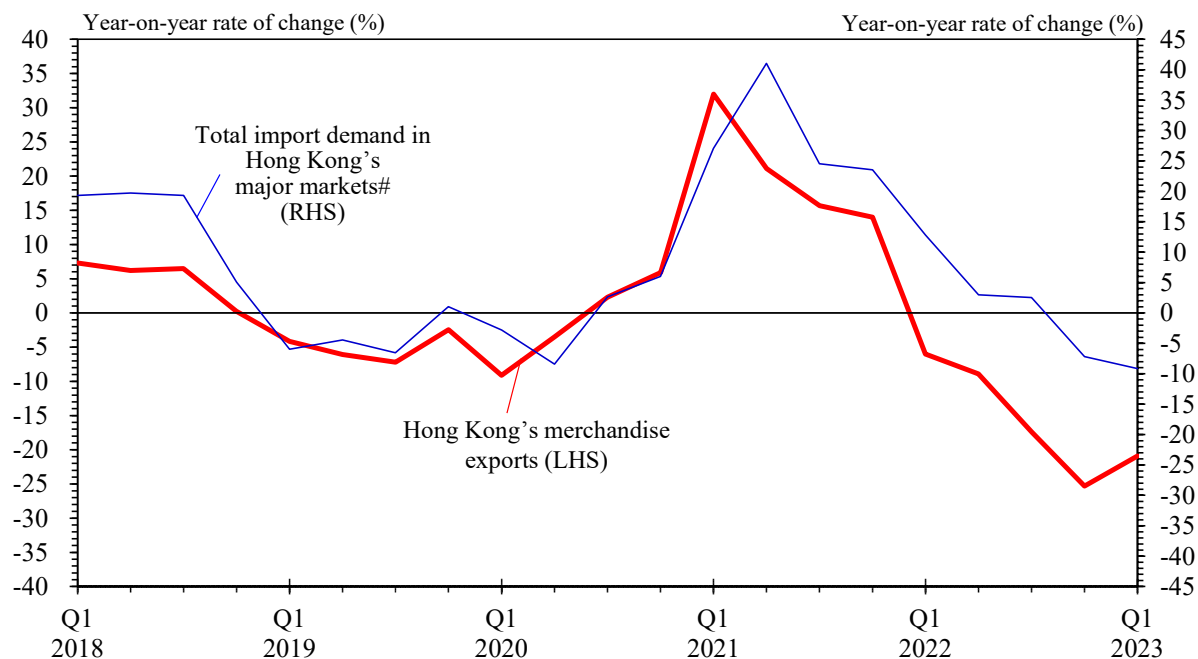
**Table 2.1 : Merchandise exports
(year-on-year rate of change (%))**

		In value terms	In real terms ^(a)	Change in prices
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
2023	Q1	-17.7	-20.9 (-0.2)	4.7

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

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

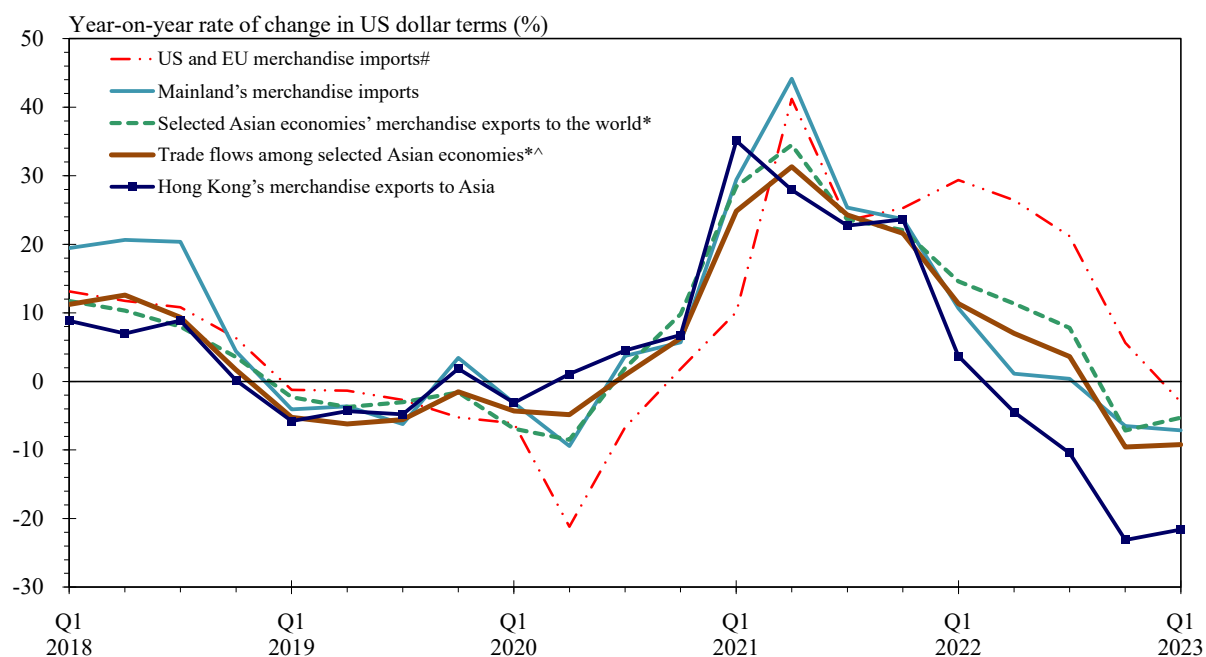
Diagram 2.1 : Merchandise exports plummeted further in the first quarter of 2023



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 first quarter of 2023 is based on information available as of early May 2023.

Diagram 2.2 : Regional trade flows declined further

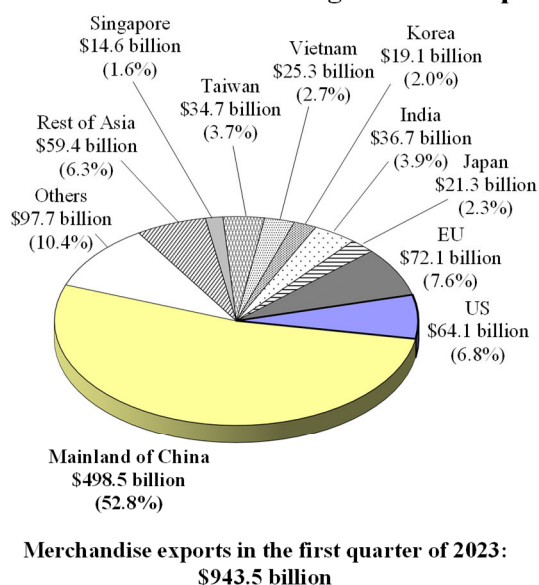


Notes : (#) EU merchandise imports for the first quarter of 2023 are based on the information available as of early May 2023.

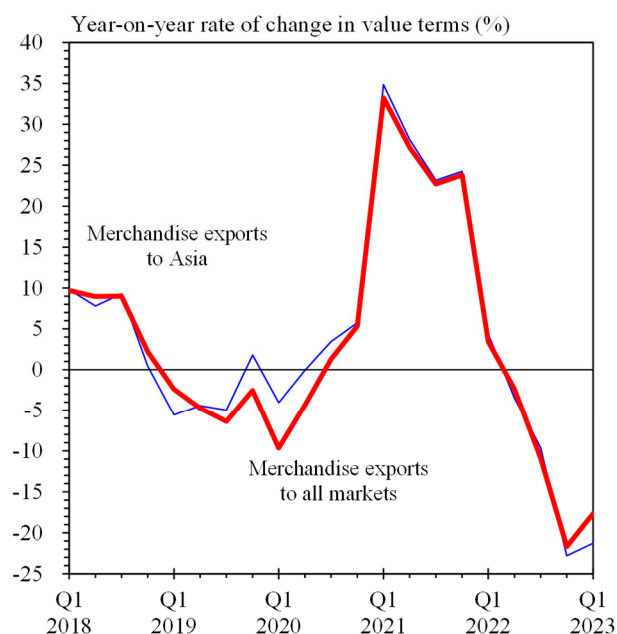
(*) "Selected Asian economies" include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.

(^) 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 2.3 : Exports to Asia generally fell sharply



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



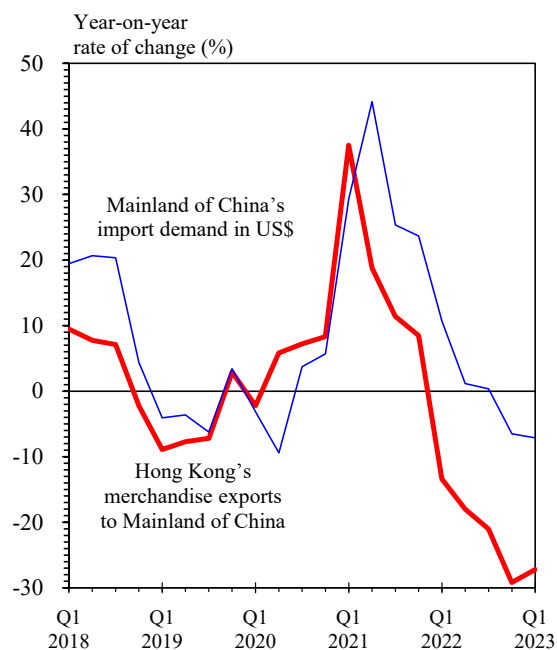
**Table 2.2 : Merchandise exports by major market
(year-on-year rate of change in real terms (%))**

	<u>Annual</u>	<u>Q1</u>	<u>2022</u> <u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2023</u> <u>Q1</u>
Mainland of China	-20.6	-13.4	-18.0	-21.0	-29.2	-27.2
US	-10.7	11.2	7.3	-22.1	-29.4	-13.3
EU	-10.5	2.1	2.0	-15.3	-25.3	-8.7
ASEAN	2.1	13.6	17.4	1.4	-18.4	-18.6
Vietnam	4.3	14.1	22.5	8.6	-22.0	-19.5
Singapore	12.4	28.0	23.0	10.5	-6.3	-30.8
India	26.0	38.0	78.4	19.1	-8.5	-17.5
Japan	-17.4	7.7	-15.2	-24.6	-33.9	-32.5
Taiwan	-0.5	23.4	5.1	-4.6	-21.5	-20.3
Korea	7.3	9.8	21.4	7.1	-5.9	0.2
Overall*	-14.8	-6.0	-8.9	-17.4	-25.3	-20.9

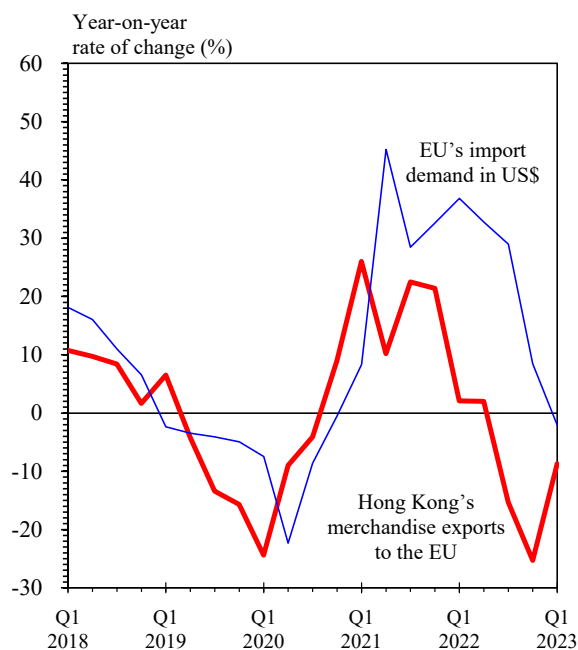
Note : (*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National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

2.6 Analysed by major market, exports to the Mainland plunged further in the first quarter. Exports to the US and the EU continued to record notable decreases. Exports to most other major Asian markets fell sharply.

**Diagram 2.4 : Exports to the Mainland
plunged further**

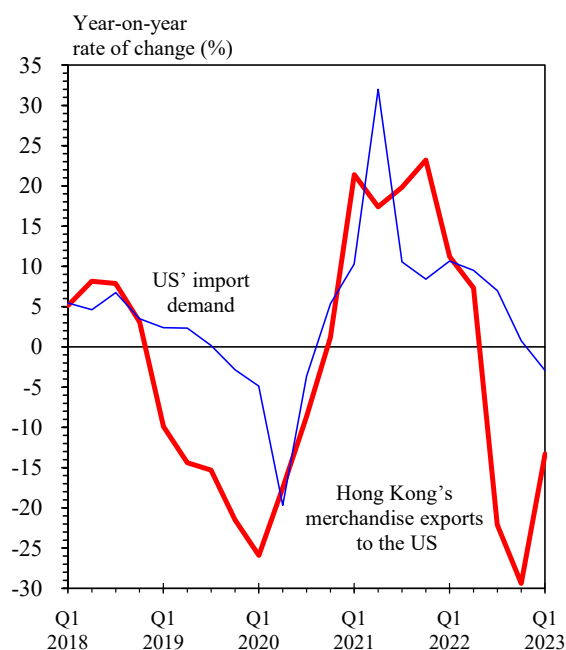


**Diagram 2.5 : Exports to the EU
declined further**

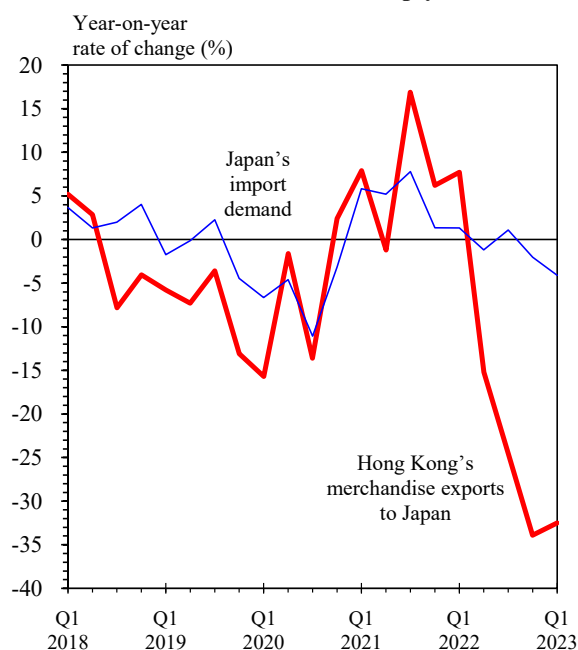


Note : The import demand figure for the EU for the first quarter of 2023 is based on the information available as of early May 2023.

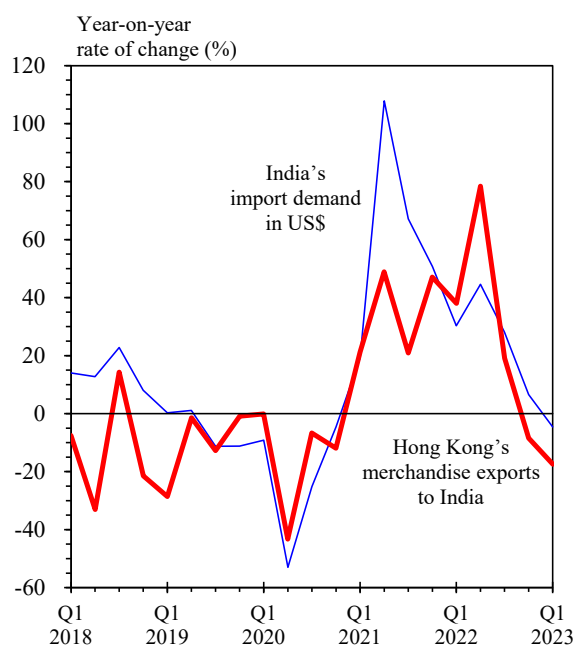
**Diagram 2.6 : Exports to the US
continued to record a notable decrease**



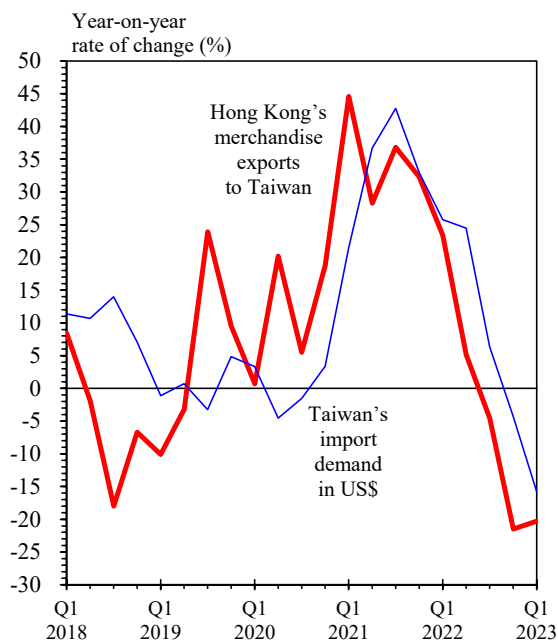
**Diagram 2.7 : Exports to Japan
continued to fall sharply**



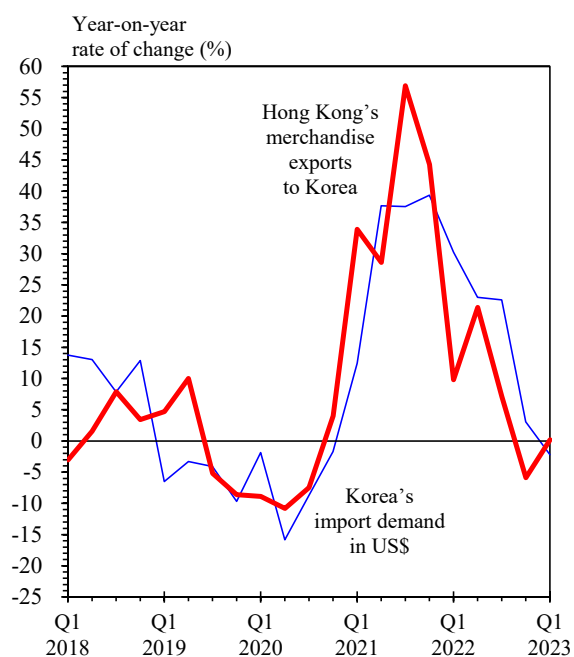
**Diagram 2.8 : Exports to India
saw a visible decline**



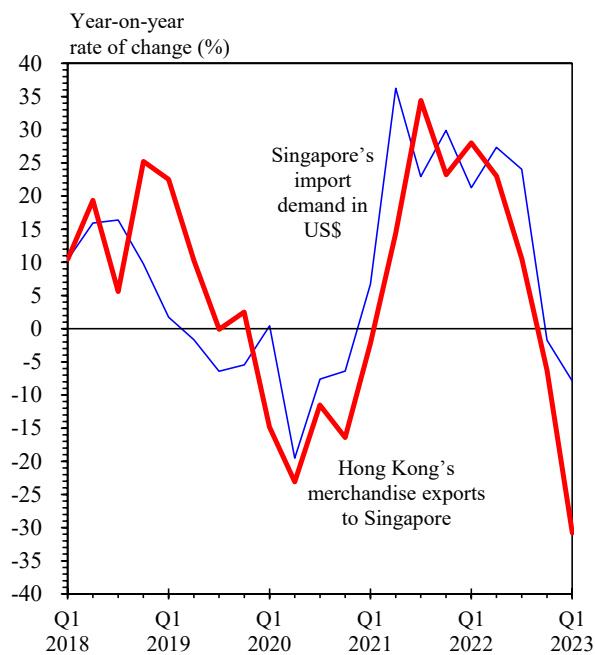
**Diagram 2.9 : Exports to Taiwan
recorded a sharp decline**



**Diagram 2.10 : Exports to Korea
posted a marginal increase**



**Diagram 2.11 : Exports to Singapore
plunged**



Merchandise imports

2.7 *Merchandise imports* shrank by 15.7% year-on-year in real terms in the first quarter of 2023, narrowing from the fall of 22.9% in the preceding quarter. *Retained imports*, which refer to imports for domestic use and accounted for around one-fifth of merchandise imports in 2022, turned to an appreciable increase of 9.6%. Imports for subsequent *re-exports*⁽²⁾ declined further.

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

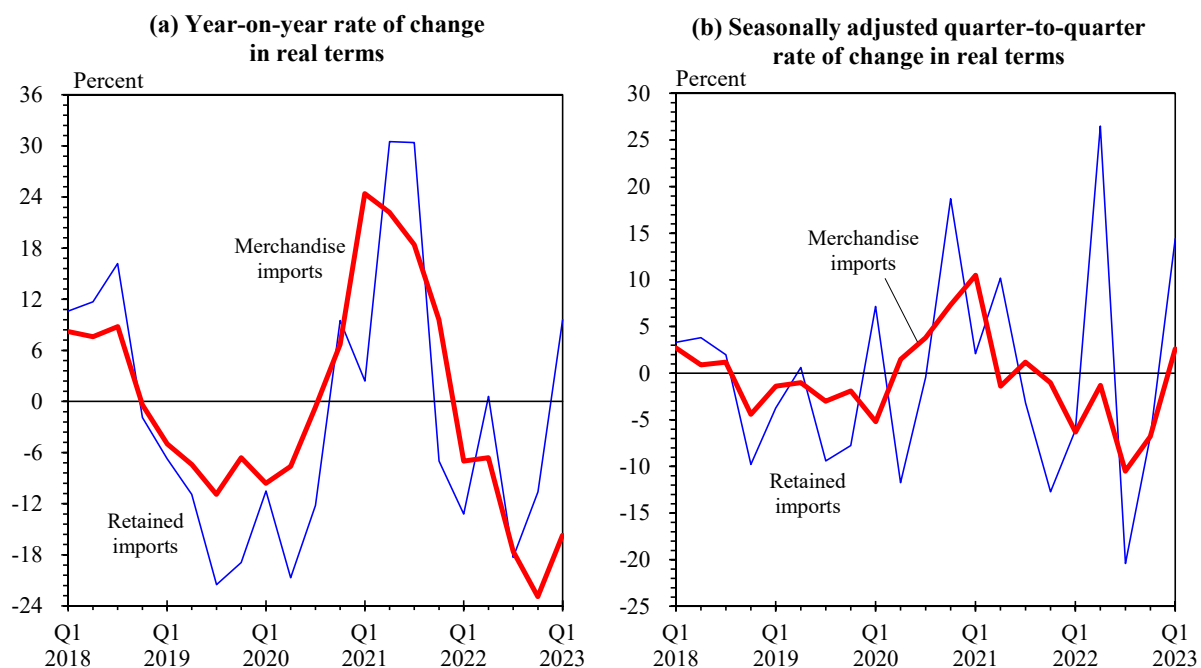
		<u>Merchandise imports</u>				<u>Retained imports</u> ^(a)			
		<u>In value terms</u>	<u>In real terms</u> ⁽⁺⁾	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>		
2022	Annual	-7.2	-13.9	8.1	-1.6	-10.2	8.9		
	Q1	2.9	-7.0	(-6.3)	10.6	-2.0	-13.2	(-6.1)	11.1
	Q2	1.3	-6.6	(-1.3)	8.8	13.6	0.6	(26.5)	11.7
	Q3	-11.3	-17.6	(-10.5)	8.1	-12.7	-18.3	(-20.4)	6.3
	Q4	-18.8	-22.9	(-6.8)	5.8	-4.7	-10.6	(-6.7)	7.1
2023	Q1	-12.7	-15.7	(2.6)	3.9	11.4	9.6	(14.4)	1.6

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

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

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

Diagram 2.12 : Merchandise imports shrank at a narrowed pace



Services trade

Exports of services

2.8 *Exports of services* expanded visibly by 16.5% year-on-year in real terms in the first quarter of 2023, after 0.6% growth in the preceding quarter. Exports of travel services leapt more than six-fold and recovered to almost 40% of the pre-pandemic level, thanks to the resumption of normal travel with the Mainland and the rest of the world. Exports of transport services reverted to a moderate increase as visitor arrivals rebounded. Exports of businesses and other services also turned to mild growth. Meanwhile, exports of financial services declined alongside weakened cross-border financial and fund raising activities.

Diagram 2.13 : The contribution from travel services to total exports of services increased, despite remaining lower than the pre-pandemic level

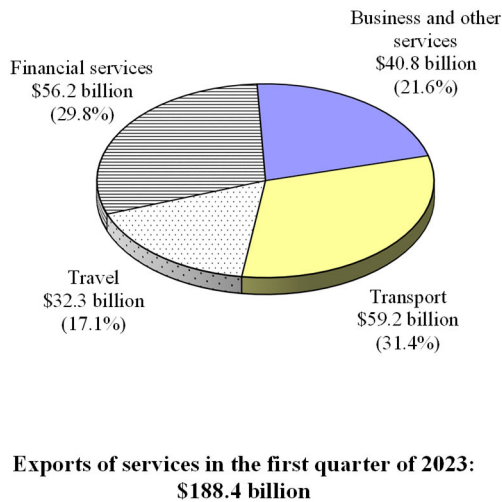


Diagram 2.14 : Exports of services expanded visibly in the first quarter of 2023

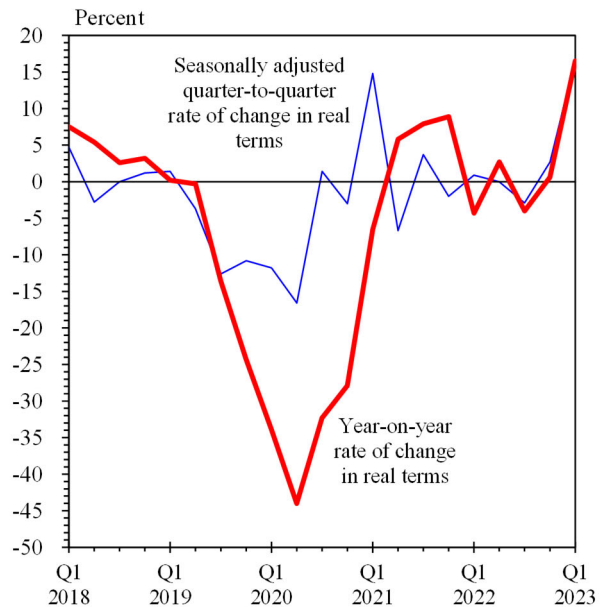


Table 2.4 : Exports of services by major service group (year-on-year rate of change in real terms (%))

		<i>Of which :</i>					
		<u>Exports of services</u>		<u>Transport</u>	<u>Travel</u> ^(a)	<u>Financial services</u>	<u>Business and other services</u>
2022	Annual	-1.4		-3.4	62.3	-1.9	-3.4
	Q1	-4.3	(0.9)	-2.1	20.2	-6.1	-4.0
	Q2	2.7	(*)	0.9	45.5	2.8	-0.4
	Q3	-4.0	(-2.9)	-5.5	87.8	-8.5	-2.9
	Q4	0.6	(2.7)	-6.8	94.3	7.8	-5.7
2023	Q1	16.5	(16.7)	2.6	504.5	-2.5	2.1

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

(a) Comprising mainly inbound tourism receipts.

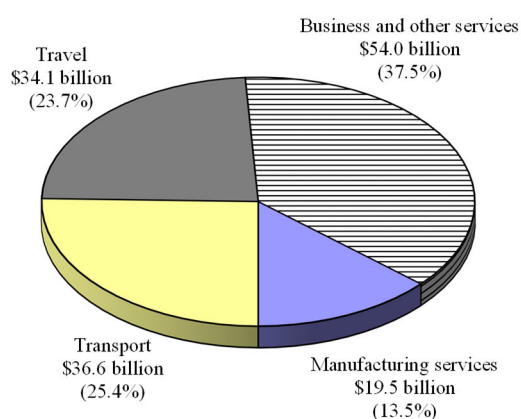
() Seasonally adjusted quarter-to-quarter rate of change.

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

Imports of services

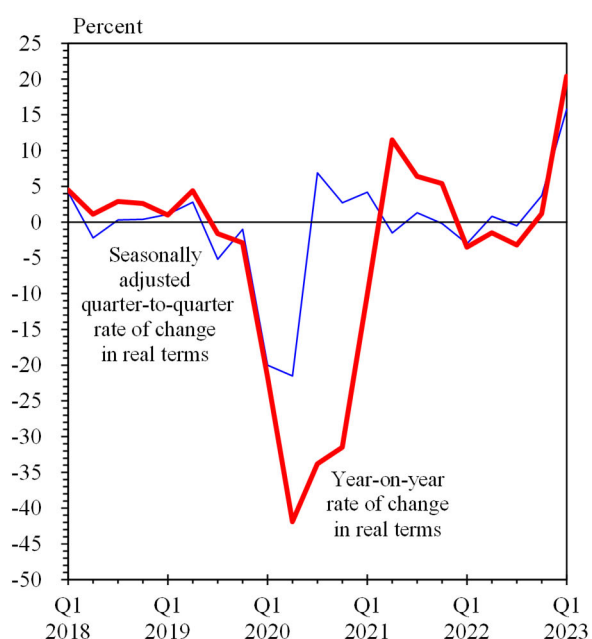
2.9 *Imports of services* rose notably by 20.4% in real terms in the first quarter of 2023 over a year earlier, having increased by 1.2% in the preceding quarter. The increase was mainly driven by imports of travel services, which surged alongside the return of economic activities to normalcy. Imports of business and other services returned to marginal growth. On the other hand, imports of manufacturing services and transport services fell further along with weak trade and cargo flows.

Diagram 2.15 : The share of travel services to overall imports of services went up



Imports of services in the first quarter of 2023:
\$144.2 billion

Diagram 2.16 : Imports of services rose notably in the first quarter of 2023



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

Of which :

		<u>Imports of services</u>	<u>Travel</u> ⁽⁺⁾	<u>Transport</u>	<u>Manufacturing services</u> ^(^)	<u>Business and other services</u>
2022	Annual	-1.7	59.7	-4.3	-8.5	-4.6
	Q1	-3.5 (-3.0)	9.7	-4.4	1.4	-5.5
	Q2	-1.5 (0.8)	25.4	-0.4	-9.5	-2.6
	Q3	-3.2 (-0.5)	31.6	-4.7	-7.4	-5.3
	Q4	1.2 (3.7)	164.4	-7.3	-15.6	-4.6
2023	Q1	20.4 (15.8)	395.5	-3.0	-7.9	0.4

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

(+) Comprising mainly outbound travel spending.

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

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

Goods and services balance

2.10 Based on the GDP compilation framework and compared to a year earlier, the goods balance turned to a deficit of \$39 billion in the first quarter of 2023, as the value of exports of goods saw a larger decline than that of imports. Meanwhile, the services surplus narrowed to \$44 billion. The combined goods and services account registered a surplus of \$6 billion in the first quarter of 2023, equivalent to 0.5% of total import value, compared to a surplus of \$66 billion or 5.0% in the first quarter of 2022.

**Table 2.6 : Goods and services balance
(\$ billion at current market prices)**

		<u>Total exports</u>		<u>Imports</u>		<u>Trade balance</u>			<u>As % of imports</u>
		<u>Goods</u>	<u>Services</u>	<u>Goods</u>	<u>Services</u>	<u>Goods</u>	<u>Services</u>	<u>Combined</u>	
2022	Annual	4,814	649	4,859	494	-45	156	111	2.1
	Q1	1,219	168	1,203	119	16	49	66	5.0
	Q2	1,212	154	1,290	116	-78	38	-40	-2.9
	Q3	1,229	163	1,213	121	15	42	57	4.3
	Q4	1,154	165	1,152	138	1	27	28	2.2
2023	Q1	1,027	188	1,066	144	-39	44	6	0.5

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

2.11 To further assist Hong Kong enterprises and investors in opening up markets, the Financial Secretary announced in the 2023-24 Budget that additional funding of \$550 million in total would be provided to the HKTDC in the next five financial years. The additional funding aims to help Hong Kong enterprises seize opportunities arising from the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area development, tap into emerging markets as well as step up Hong Kong's global promotional efforts. The Financial Secretary also announced a further injection of \$500 million into the BUD Fund to further support enterprises in exploring more diversified markets.

2.12 Along with our return to normalcy, the Government made concerted efforts to promote Hong Kong on all fronts. The Chief Executive led a delegation to visit Saudi Arabia and the United Arab Emirates (UAE) in February to promote Hong Kong's business and investment opportunities, especially Hong Kong's unique advantages under "One Country, Two Systems", and enhance collaboration between Hong Kong and Saudi Arabia and the UAE respectively on various fronts. During his visit, the Chief Executive announced that Hong Kong and Saudi Arabia would launch formal negotiations on an Investment Promotion and Protection Agreement. In addition, the Financial Secretary visited Davos, Switzerland in January and Malaysia and Singapore in March to actively explain Hong Kong's advantages and core competitiveness through engaging delegates from all over the world and leaders from different sectors. The Government also launched a large-scale global promotional campaign themed "Hello Hong Kong" in February to bolster Hong Kong's economic and business advantages and promote the city's economic prospects.

Notes :

- (1) Changes in merchandise exports and imports in real terms are derived by discounting the effect of price changes from changes in the value of the trade aggregates. Estimates of price changes for the trade aggregates are based on changes in unit values, which do not take into account changes in the composition or quality of the goods traded, except for some selected commodities for which specific price indices are available. The real growth figures reported here are based on the external trade quantum index series compiled using the chain linking approach, which were first released in March 2015 to replace the previous trade index numbers compiled using the Laspeyres method with a fixed base year. The series are not comparable with the real trade aggregates under GDP (reported in Chapter 1) which are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*. Apart from this, non-monetary gold is recorded as a separate item in the statistics of merchandise trade and not included in the trade aggregates reported in Chapter 2, but is included in the trade aggregates under GDP in accordance 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 3 : DEVELOPMENTS IN SELECTED SECTORS

Summary

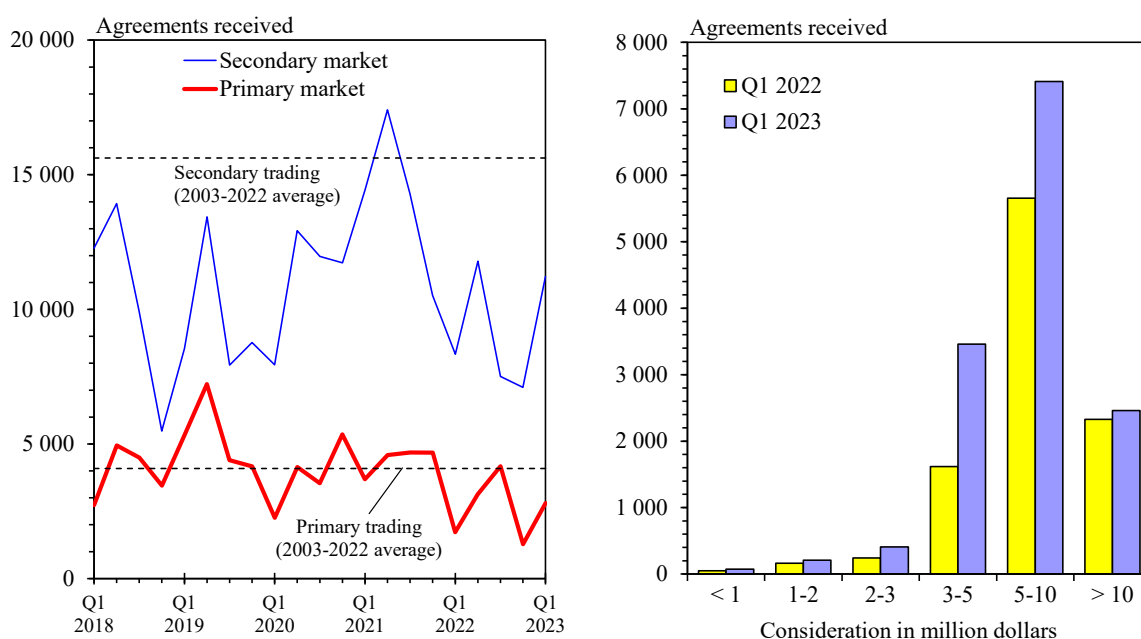
- *The residential property market revived in the first quarter of 2023. Market sentiment improved as the local economy recovered. Both trading activities and flat prices rebounded.*
- *Reflecting the Government's sustained efforts in increasing land and flat supply, total private first-hand flat supply in the coming three to four years would rise to a record high of 107 000 units as estimated at end-March 2023.*
- *The non-residential property market stabilised somewhat in the first quarter. Trading activities of all major segments rebounded, particularly towards the end of the quarter, while prices and rentals showed mixed performance.*
- *The tourism sector revived strongly in the first quarter alongside the progressive resumption of normal travel with the Mainland and the rest of the world. Visitor arrivals surged to 2.5 million in March, equivalent to 44% of the pre-recession monthly level in the second quarter of 2019.*
- *The logistics sector weakened further in the first quarter amid subdued external trade. Total container throughput fell by 7.7% from a year earlier, while air freight throughput dropped by 6.4%.*

Property

3.1 The *residential property market* revived in the first quarter of 2023 after undergoing a marked correction last year. Market sentiment improved as the local economy recovered. Both trading activities and flat prices rebounded.

3.2 The total number of sale and purchase agreements for residential property received by the Land Registry jumped by 67% over the extremely low level in the preceding quarter or 39% over a year earlier to 14 023 in the first quarter, though still somewhat below the quarterly average of around 14 800 cases in 2018-2022. Within the total, primary market transactions surged by 118% over the preceding quarter as developers resumed the launching of new projects, and secondary market transactions rose by 58%. Total consideration leapt by 62% over the preceding quarter to \$120.0 billion.

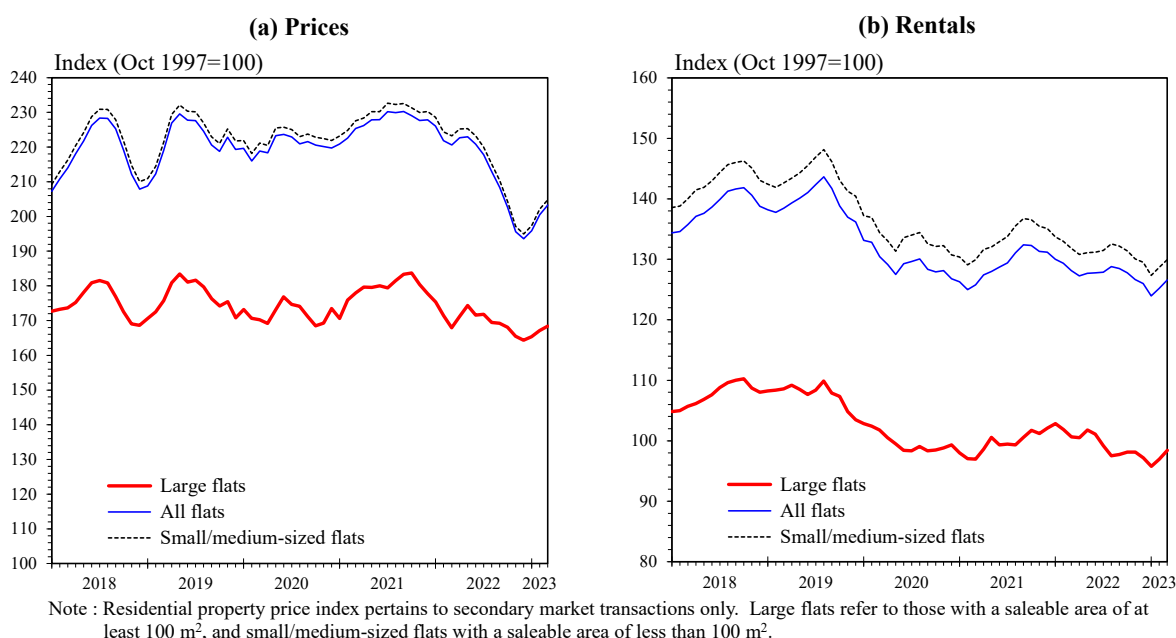
Diagram 3.1 : Trading activities rebounded in the first quarter of 2023



3.3 After a decline of 7% during the fourth quarter of 2022, overall flat prices rose back by 5% during the first quarter of 2023. Analysed by size, prices of small/medium-sized flats and large flats rose by 5% and 2% respectively. However, flat prices in March 2023 were still on average 12% below the peak in September 2021.

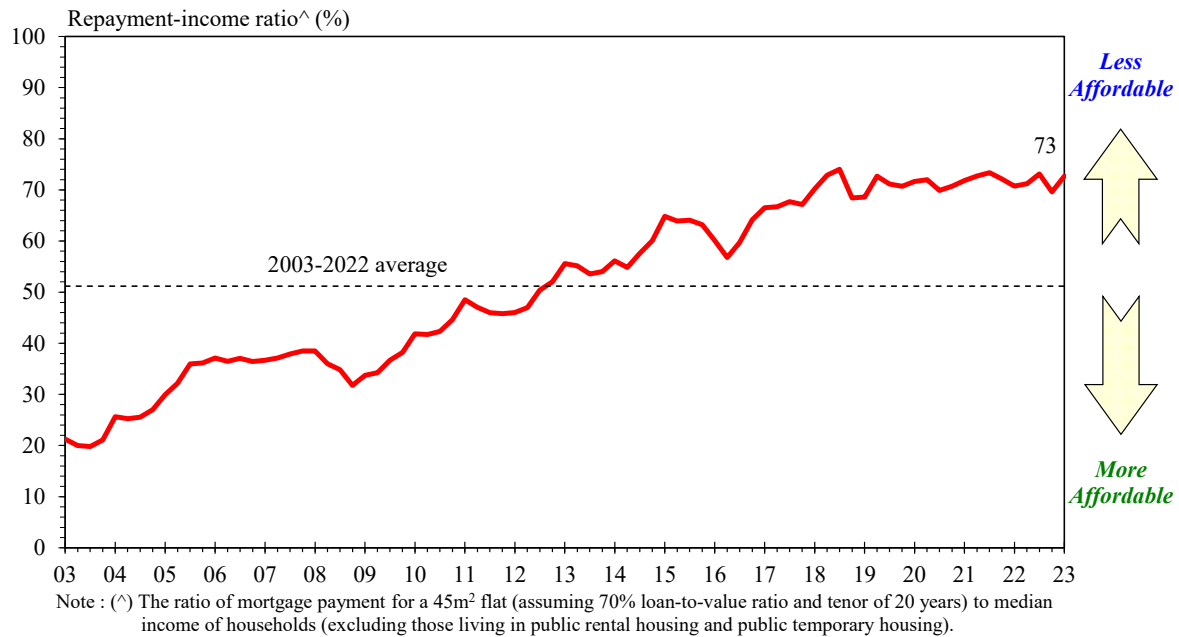
3.4 Overall flat rentals were virtually unchanged between December 2022 and March 2023, with those of small/medium-sized flats little changed and those of large flats edging up by 1% over the period. Flat rentals in March 2023 were on average 12% below the peak in August 2019. The average rental yield for residential property edged down from 2.5% in December 2022 to 2.4% in March 2023.

Diagram 3.2 : Flat prices rose back during the first quarter, while rentals were virtually unchanged



3.5 The index of home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public rental housing and public temporary housing) rose to 73% in the first quarter alongside the rebound in flat prices, significantly above the long-term average of 51% over 2003-2022⁽¹⁾. Should interest rates rise by two percentage points to a level closer to the historical standards, the ratio would reach 86%.

Diagram 3.3 : The index of home purchase affordability rose



3.6 Increasing housing land supply is a policy priority of the Government⁽²⁾. In February, the Government announced the 2023-24 Land Sale Programme, which comprises 12 residential sites capable of providing about 9 100 flats in total. Combining the various sources (including Government land sale, railway property development projects, the Urban Renewal Authority's projects, and private development and redevelopment projects), the total potential private housing land supply in 2023-24 is estimated to have a capacity to produce about 20 600 units, exceeding the private housing supply annual target of 12 900 units by almost 60%.

3.7 Reflecting the Government's sustained efforts in raising land and flat 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 107 000 units as estimated at end-March 2023. Another 3 000 units could be added to the total supply after the conversion of a number of residential sites into "disposed sites". Also, the annual average completion of private residential flats is projected at over 19 000 units in 2023-2027.

3.8 To dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market, the Government implemented a number of demand-side management and macro-prudential measures during 2009 to 2017. These measures have yielded notable results. On *speculative activities*, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) remained low at 41 cases per month or 0.8% of total transactions in the first quarter, well below the monthly average of 2 661 cases or 20.0% in January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty). Reflecting the effects of the Buyer's Stamp Duty, *purchases by non-local individuals and non-local companies* also stayed low at 37 cases per month or 0.7% of total transactions in the first quarter, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities*, purchases subject to the New Residential Stamp Duty stayed at a modest level of 177 cases per month or 3.3% of total transactions in the first quarter, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty or 26.5% in January to November 2016. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 60% in the first quarter, likewise below the average of 64% in January to October 2009 before the first round of macro-prudential measures for residential property mortgage lending was introduced by the Hong Kong Monetary Authority.

Diagram 3.4 : Speculative activities remained low

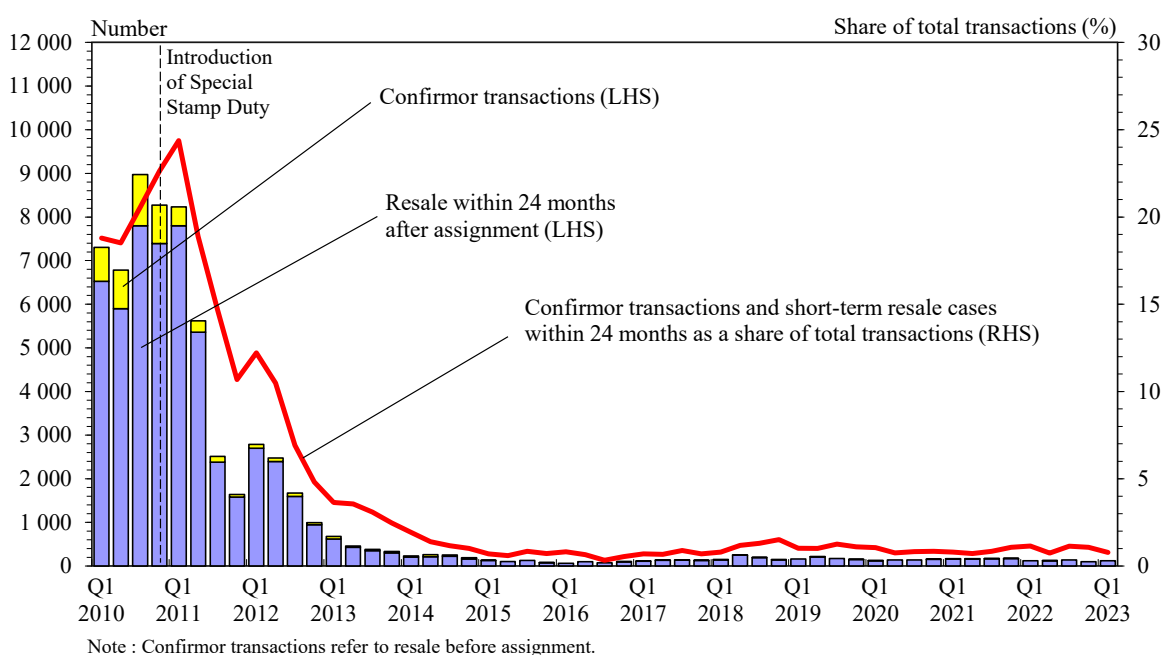


Diagram 3.5 : Purchases by non-local buyers stayed low

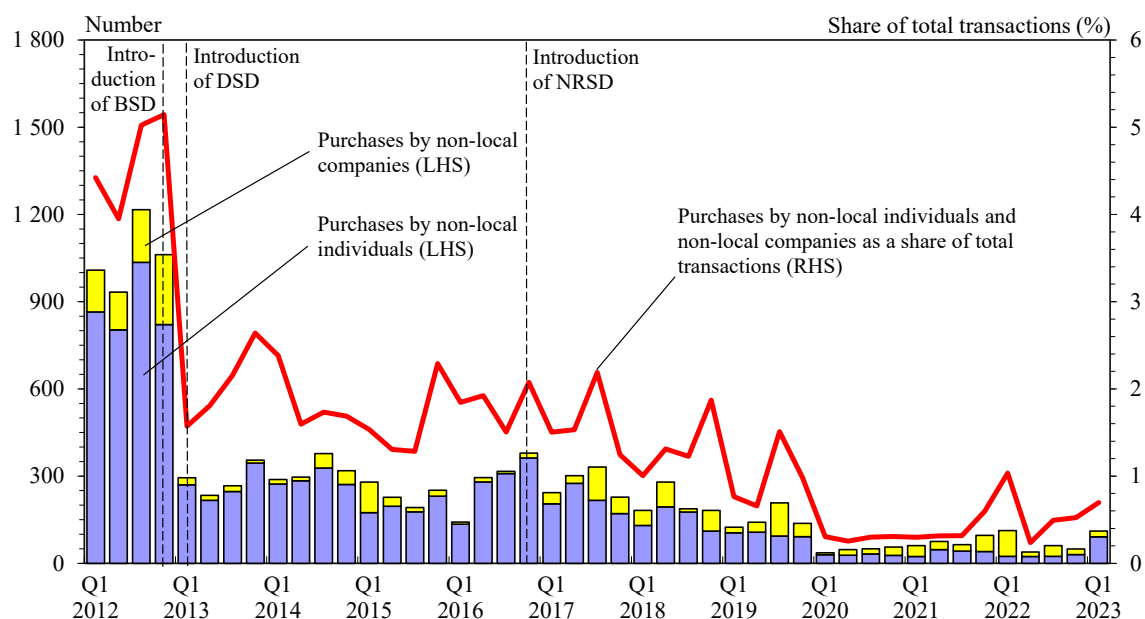
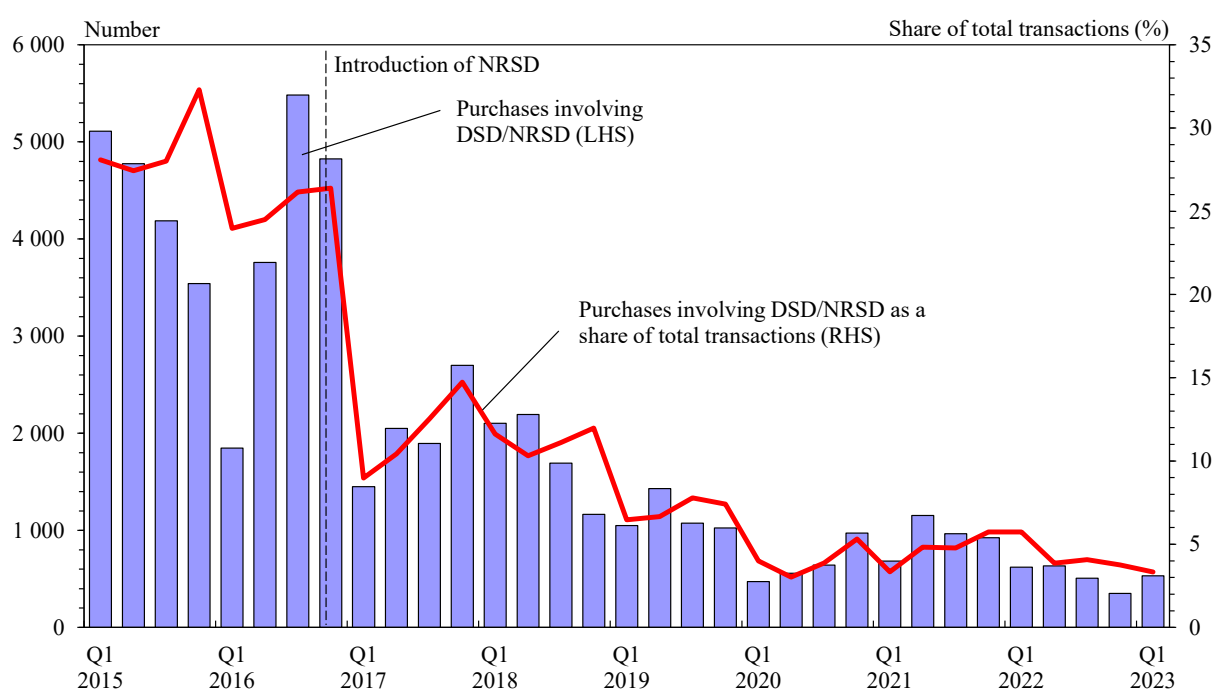


Diagram 3.6 : Investment activities were modest



3.9 In the 2023-24 Budget, the Financial Secretary announced the adjustment of the value bands of the ad valorem stamp duty payable for the sale and purchase or transfer of residential and non-residential properties, with a view to easing the burden on ordinary families of purchasing their first residential properties. The adjustment took immediate effect on 22 February 2023.

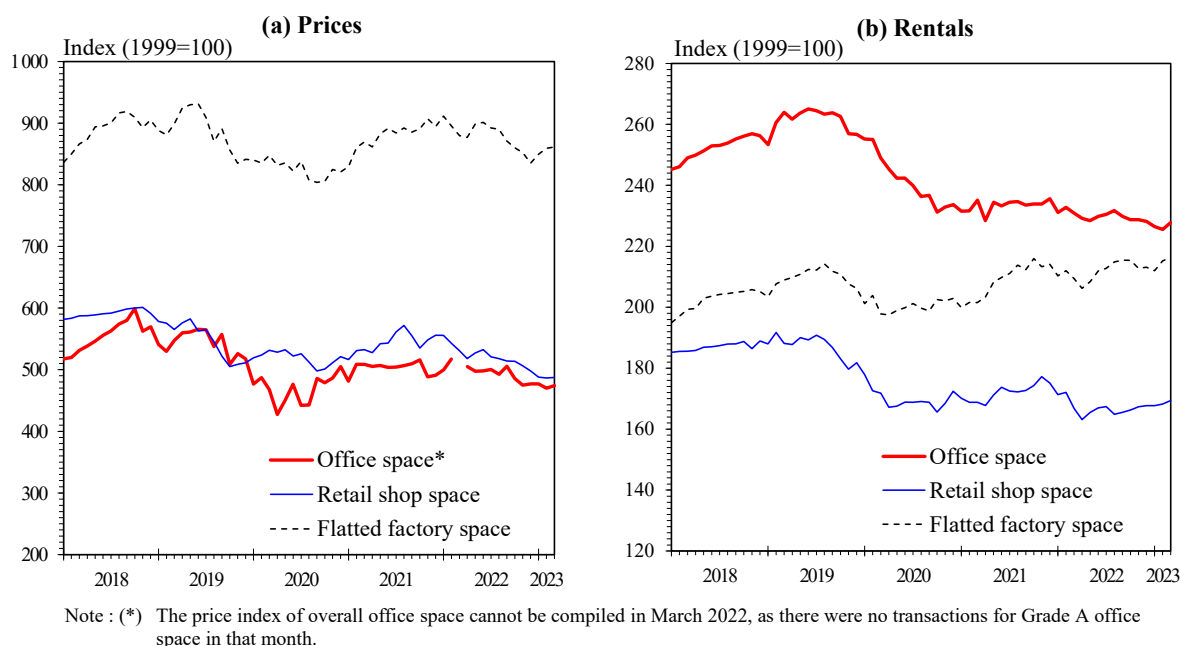
3.10 The *non-residential property market* stabilised somewhat in the first quarter. Trading activities of all major segments rebounded, particularly towards the end of the quarter, though were still at relatively low levels. Prices and rentals showed mixed performance.

3.11 Prices of *office space* on average decreased by 1% during the first quarter. Analysed by office class, prices of Grade A and Grade C office space rose by 2% and 1% respectively, while those of Grade B office space were down by 1%. Meanwhile, overall office rentals were virtually unchanged between December 2022 and March 2023. Within the total, rentals of Grade A office space fell by 1%, while those of Grade B and Grade C office space both increased by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals in March 2023 were on average 21% and 14% lower. The average rental yields of Grade A, B and C office space were 2.5%, 2.7% and 3.0% respectively in March 2023, compared with 2.6%, 2.7% and 3.0% in December 2022. Transactions for office space increased by 14% over the preceding quarter or by 32% over a year earlier to 180 cases in the first quarter, though still considerably below the quarterly average of 230 cases in 2018-2022.

3.12 Prices of *retail shop space* fell by 2% during the first quarter while rentals edged up by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals in March 2023 were 19% and 12% lower. The average rental yield edged up from 2.7% in December 2022 to 2.8% in March 2023. For all commercial spaces, transactions rose by 7% over the preceding quarter to 310 cases⁽³⁾ in the first quarter, though remained 3% lower than a year earlier and far below the quarterly average of 400 cases in 2018-2022.

3.13 Prices and rentals of *flatted factory space* rose by 3% and 2% respectively during the first quarter. Prices in March 2023 were 8% lower than the peak in 2019, while rentals were comparable to the peak in 2021. The average rental yield edged down from 3.1% in December 2022 to 3.0% in March 2023. Transactions surged by 40% over the preceding quarter or by 3% over a year earlier to 520 cases in the first quarter, but were still far below the quarterly average of 750 cases in 2018-2022.

Diagram 3.7 : Prices and rentals of non-residential properties showed mixed performance



Land

3.14 Three sites (comprising one residential site, one commercial site and one external telecommunications station site) with a total area of about 2.2 hectares were disposed of in the first quarter, fetching a land premium of about \$6.2 billion. In the first quarter, one land exchange case and lease modifications of ten sites were approved.

Tourism

3.15 The tourism sector revived strongly in the first quarter. The progressive resumption of normal travel with the Mainland and the rest of the world saw *visitor arrivals* surge from the low level of 160 600 in December 2022 to 0.5 million in January 2023, 1.5 million in February and 2.5 million in March. The figure for March has already returned to 44% of the pre-recession monthly level in the second quarter of 2019. Mainland visitors, which accounted for 76% of the total in the first quarter, leapt from 173 500 in the fourth quarter of 2022 to 3.4 million in the first quarter of 2023, and those from other short-haul markets and long-haul markets rose sharply from 103 700 and 77 600 to 779 100 and 274 400 respectively⁽⁴⁾. Analysed by length of stay, overnight and same-day visitors jumped from 329 800 and 25 100 to 2.3 million and 2.1 million respectively. Visitor spending, as measured by exports of travel services, surged by 504.5% in real terms over the low level a year earlier and recovered to 42.4% of the level in the second quarter of 2019 prior to the recession.

Table 3.1 : Number of visitor arrivals

		<u>All sources</u>	<u>Mainland China</u>	<u>Other short-haul markets*</u>	<u>Long-haul markets*</u>
2019	Q1	18 234 400	14 582 200	2 486 500	1 165 700
	Q2	16 637 500	12 991 300	2 448 200	1 198 000
	Q3	11 891 600	9 356 000	1 648 000	887 600
	Q4	9 149 200	6 845 100	1 356 900	947 100
2020	Q1	3 489 200	2 665 900	483 500	339 800
	Q2	26 900	15 300	4 800	6 700
	Q3	34 100	14 300	10 200	9 700
	Q4	18 600	10 900	5 100	2 700
2021	Q1	16 500	11 600	3 100	1 900
	Q2	17 200	12 700	2 400	2 100
	Q3	29 400	21 800	4 300	3 200
	Q4	28 300	19 700	5 200	3 500
2022	Q1	11 500	8 600	2 000	900
	Q2	64 500	53 400	5 700	5 500
	Q3	173 700	139 600	17 300	16 800
	Q4	354 900	173 500	103 700	77 600
2023	Q1	4 414 800	3 361 200	779 100	274 400

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

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

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

		<u>Overnight visitor arrivals</u>	<u>Same-day visitor arrivals</u>
2019	Q1	7 775 100	10 459 300
	Q2	7 145 100	9 492 400
	Q3	5 108 400	6 783 200
	Q4	3 723 700	5 425 500
2020	Q1	1 280 900	2 208 300
	Q2	26 500	300
	Q3	33 800	300
	Q4	18 100	500
2021	Q1	16 300	200
	Q2	16 900	300
	Q3	29 000	300
	Q4	26 900	1 400
2022	Q1	10 700	800
	Q2	62 700	1 800
	Q3	164 600	9 100
	Q4	329 800	25 100
2023	Q1	2 340 400	2 074 400

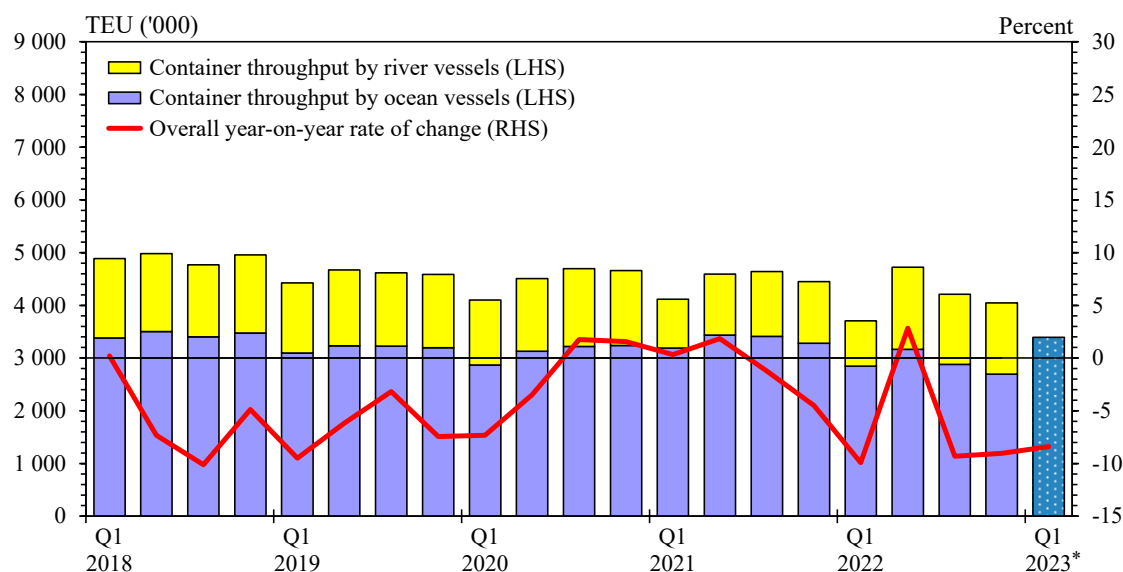
Note : Figures may not add up to total visitor arrivals due to rounding.

3.16 The hotel sector staged a visible recovery in tandem. The average hotel room occupancy rate rose from 66% in the fourth quarter of 2022 to 76% in the first quarter of 2023. Nevertheless, this was still below the occupancy rate of 88% in the second quarter of 2019 prior to the recession. The average achieved hotel room rate rose by 21.0% over a year earlier to \$1,200⁽⁵⁾.

Logistics

3.17 The logistics sector weakened further in the first quarter amid subdued external trade. *Total container throughput* fell by 7.7% from a year earlier to 3.4 million twenty-foot equivalent units (TEUs). The value of trade handled at the Hong Kong port decreased by 32.0%, and its share in total trade went down from 17.1% a year earlier to 13.7%.

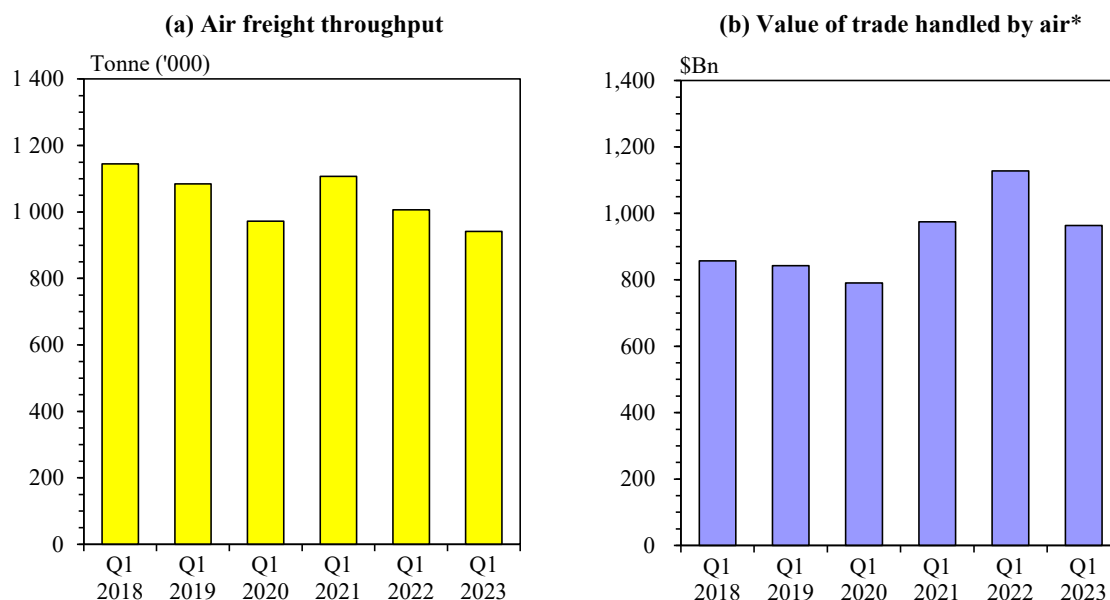
Diagram 3.8 : Container throughput fell in the first quarter



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

3.18 *Air freight throughput* likewise dropped by 6.4% from a year earlier to 0.9 million tonnes in the first quarter. The value of trade by air decreased by 14.5%, though its share in total trade edged up from 47.9% a year earlier to 48.2%.

Diagram 3.9 : Air freight throughput dropped in the first quarter and value of trade handled by air decreased



Note : (*) Not including transshipment.

Transport

3.19 Traffic flows for all modes of cross-boundary passenger transport recovered strongly in the first quarter. Air passenger traffic jumped by 105.4% from 3.4 million trips in the preceding quarter to 7.0 million trips, while water-borne and land-based cross-boundary passenger trips also surged from 9 200 and 364 600 to 1.3 million and 23.2 million respectively. The passenger trips of these three modes of transport have returned to 36.7%, 29.4% and 35.4% of their corresponding pre-recession levels in the second quarter of 2019. Meanwhile, average daily cross-boundary vehicle movements rose by 110.7% over the preceding quarter to 16 340, equivalent to 36.8% of the pre-recession level in the second quarter of 2019.

Innovation and technology

3.20 The Financial Secretary announced a number of measures to promote the development of innovation and technology, digital economy and Web3 in the 2023-24 Budget. The measures included (i) setting aside \$6 billion for universities and research institutes to set up thematic research centres related to life and health technology; (ii) earmarking \$3 billion to enhance basic research in frontier technology fields such as artificial intelligence and quantum technology; (iii) supporting the establishment of a Microelectronics Research and Development Institute to strengthen collaboration among universities, research and development centres and the industry for expediting the “1 to N” transformation; (iv) stepping up investment in technology start-ups through the Hong Kong Science and Technology Park Corporation and the Cyberport; (v) earmarking \$500 million to launch a Digital Transformation Support Pilot Programme to assist small and medium-sized enterprises in applying ready-to-use basic digital solutions; and (vi) allocating \$50 million for expediting the development of the Web3 ecosystem.

Environment

3.21 The Financial Secretary proposed various green initiatives in the 2023-24 Budget to build Hong Kong into a green city and to achieve carbon neutrality before 2050, including (i) earmarking \$200 million for commencing trials of hydrogen fuel cell electric double-deck buses and heavy vehicles; (ii) setting aside \$350 million for subsidising in-harbour ferry operators to construct and test electric ferries and related charging facilities; (iii) putting in place a 100% loan guarantee scheme for the taxi trade as an incentive for taxi

owners to replace their existing taxis with battery electric taxis; and (iv) allocating an additional \$62 million for extension of the food waste collection network to cover more premises and expanding the trial scheme on food waste collection in public rental housing estates.

3.22 Separately, the Government submitted in March 2023 the Product Eco-responsibility (Amendment) Bill 2023 (Amendment Bill) to the Legislative Council for the regulation of disposable plastic tableware and other plastic products, proposing to prohibit the local sale and provision of nine types of disposable plastic tableware for both dine-in and takeaway customers, as well as to regulate the manufacture, sale and supply of a series of disposable plastic products. The regulation would be implemented in two phases, with the first phase to commence six months after passage of the Amendment Bill (by end-2023 or early 2024 at the earliest). Meanwhile, the Amendment Bill also proposed to optimise the operation of the producer responsibility schemes on glass beverage containers and waste electrical and electronic equipment, as well as to expand the coverage of the latter.

Arts, culture and creative industries

3.23 With a view to further establishing Hong Kong's positioning as an East-meets-West centre for international cultural exchange, the Financial Secretary announced in the 2023-24 Budget to allocate a total of \$135 million in five years to facilitate Hong Kong artists in taking part in performances and productions in the Greater Bay Area (GBA), and \$20 million to organise the GBA Culture and Arts Festival in 2024. The Budget also proposed an injection of \$500 million into the CreateSmart Initiative to support the creative industries by encouraging more cross-sectoral and cross-genre collaboration, promoting co-production of television variety programmes by local television stations with Mainland or Asian production teams, as well as supporting the Hong Kong Design Centre and the Hong Kong Trade Development Council to implement flagship events and incubation programmes.

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) The figures on transaction refer to commercial space, which comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.
- (4) Other short-haul markets refer to North Asia, South and Southeast Asia, Taiwan and Macao, but excluding the Mainland, while long-haul markets refer to the Americas, Europe, Africa, the Middle East, Australia, New Zealand and South Pacific. In the first quarter of 2023, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 76%, 18% and 6% of the total.
- (5) The figures on hotel room occupancy and achieved room rate do not include guesthouses. The figures are subject to revision later as more data become available.

CHAPTER 4 : THE FINANCIAL SECTOR[#]

Summary

- *After the visible tightening in the latter part of last year, the interest rate environment in Hong Kong eased somewhat in the first quarter. Following the two 25-basis-point policy rate hikes by the US Federal Open Market Committee (FOMC) in February and March, the Hong Kong Monetary Authority (HKMA) adjusted the Base Rate under the Discount Window upward by the same magnitudes to 5.25%. Yet the Hong Kong dollar interbank interest rates generally moved lower during the quarter as the seasonal demand for Hong Kong dollar faded after the year-end. Interest rates on the retail front remained stable.*
- *The Hong Kong dollar spot exchange rate against the US dollar weakened in January and early February and then stayed close to the weak-side Convertibility Undertaking level. As the US dollar weakened against most major currencies, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices fell by 1.6% and 1.3% respectively during the first quarter.*
- *Total loans and advances increased by 0.9% during the first quarter. Within the total, loans for use in Hong Kong rose by 1.4%, while loans for use outside Hong Kong edged down by 0.4%.*
- *The local stock market exhibited considerable volatility in the first quarter. The Hang Seng Index (HSI) extended its rally on entering 2023, supported by expectations of a slower pace of US monetary policy tightening and the return of economic activities to normalcy. This was followed by a sharp correction between late January and mid-March when market sentiment was dampened by concerns over the global economic outlook and the banking sector stress in the US and Europe. The HSI closed the quarter at 20 400, 3.1% higher than end-2022. Trading activities remained active in general, while fund raising activities were extremely quiet.*

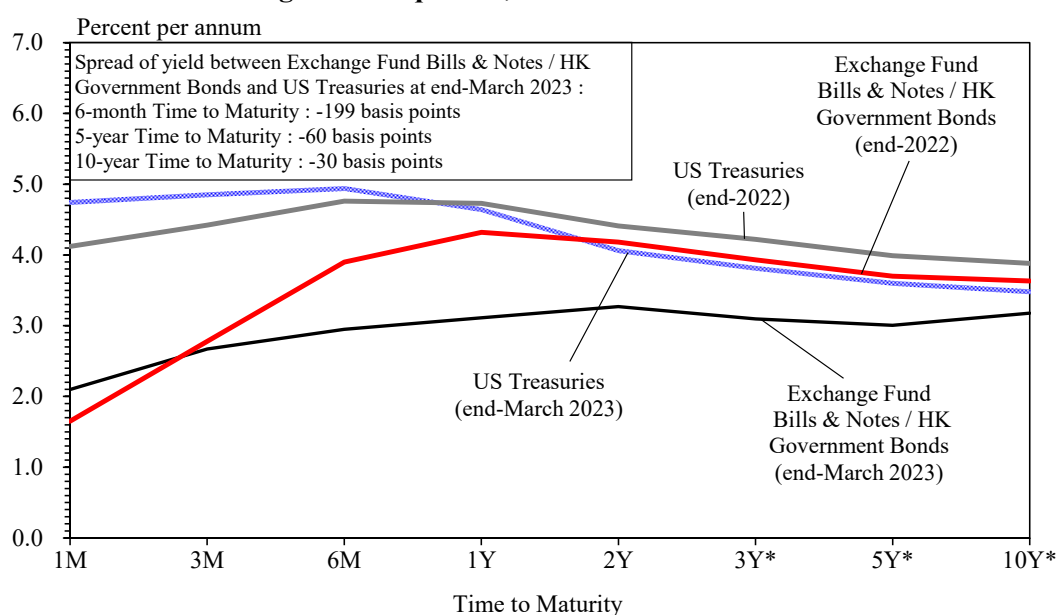
(#) This chapter is jointly prepared by the HKMA and the Office of the Government Economist.

Interest rates and exchange rates

4.1 After the visible tightening in the latter part of last year, the interest rate environment in Hong Kong eased somewhat in the first quarter. Following the two 25-basis-point policy rate hikes by the US FOMC in February and March, the HKMA adjusted the *Base Rate* under the Discount Window upward by the same magnitudes to 5.25%⁽¹⁾. Yet the *Hong Kong dollar interbank interest rates* (HIBORs) generally moved lower during the quarter as the seasonal demand for Hong Kong dollar faded after the year-end. The overnight HIBOR and the 3-month HIBOR fell from 3.23% and 4.99% at end-2022 to 1.94% and 3.71% at end-March 2023 respectively, though still visibly higher than the levels a year earlier.

4.2 Both *Hong Kong dollar* and *US dollar yields* at the medium and long tenors decreased during the first quarter, while those at the shorter tenors rose. Reflecting the relative movements of the Hong Kong dollar yields and the US dollar counterparts, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills widened notably from 86 basis points at end-2022 to 199 basis points at end-March 2023, while that between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes from 25 basis points to 30 basis points.

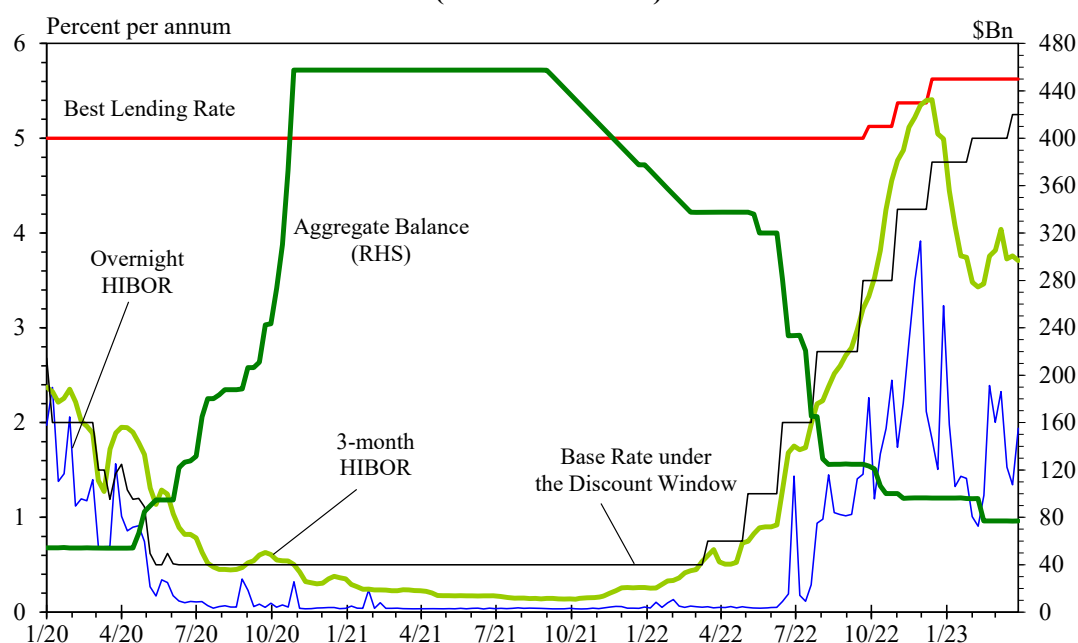
Diagram 4.1 : Both Hong Kong dollar and US dollar yields at the medium and long tenors decreased during the first quarter, while those at the shorter tenors rose



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

4.3 Interest rates on the retail front remained stable. Banks kept their *Best Lending Rates* unchanged, ranging from 5.625% to 6.125% in the first quarter. The *average savings deposit rate* for deposits of less than \$100,000 quoted by major banks stayed unchanged at 0.55% at end-March 2023, while the 1-year *time deposit rate* increased from 0.38% at end-2022 to 0.53% at end-March 2023. The *composite interest rate*⁽²⁾, which indicates the average cost of funds for retail banks, edged up from 2.11% at end-2022 to 2.13% at end-March 2023.

Diagram 4.2 : Interbank interest rates generally moved lower during the first quarter, while interest rates on the retail front remained stable (end for the week)



4.4 The *Hong Kong dollar spot exchange rate against the US dollar* weakened in January and early February and stayed close to the weak-side Convertibility Undertaking level thereafter, due to the decline in seasonal demand for Hong Kong dollar and also the selling pressure from carry trades. The weak-side Convertibility Undertaking was triggered twice during the quarter, and the HKMA purchased a total of \$19.1 billion worth of Hong Kong dollars. As a result, the Aggregate Balance declined from \$96.3 billion at end-2022 to \$76.9 billion at end-March 2023. The Hong Kong dollar closed the first quarter at 7.850 against the US dollar, compared with 7.797 at end-2022. The discounts of 3-month and 12-month *Hong Kong dollar forward rates* widened from 125 pips and 215 pips (each pip is equivalent to HK\$0.0001) at end-2022 to 326 pips and 760 pips at end-March 2023 respectively.

4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar weakened against most major currencies (including the pound sterling, euro, and renminbi (RMB)), the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*⁽³⁾ fell by 1.6% and 1.3% respectively during the first quarter.

Diagram 4.3 : The Hong Kong dollar spot exchange rate against the US dollar weakened during the first quarter (end for the week)

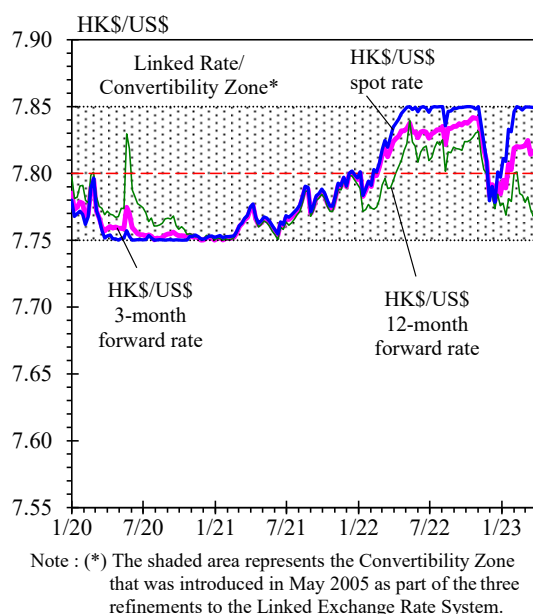
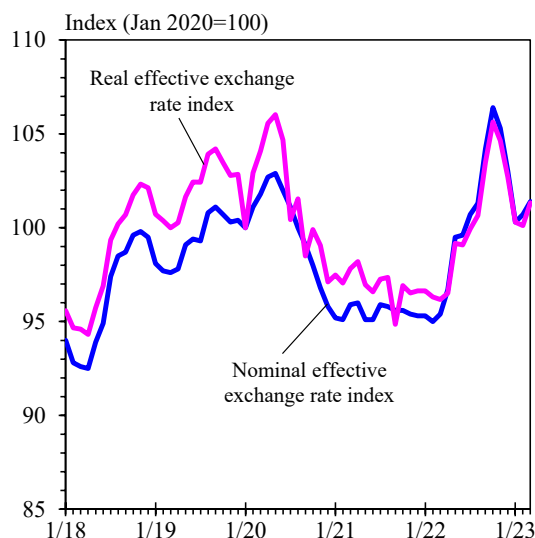


Diagram 4.4 : The trade-weighted nominal and real effective exchange rate indices fell during the first quarter (average for the month)



Money supply and banking sector

4.6 The Hong Kong dollar broad *money supply* (HK\$M3) rose by 2.3% over end-2022 to \$8,299 billion at end-March 2023, while the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) declined by 2.2% to \$1,725 billion⁽⁴⁾. Meanwhile, *total deposits* with authorized institutions (AIs)⁽⁵⁾ edged up by 0.5% to \$15,519 billion, within which Hong Kong dollar deposits increased by 2.6% while foreign currency deposits decreased by 1.4%.

Diagram 4.5 : The Hong Kong dollar broad money supply rose during the first quarter, while narrow money supply declined

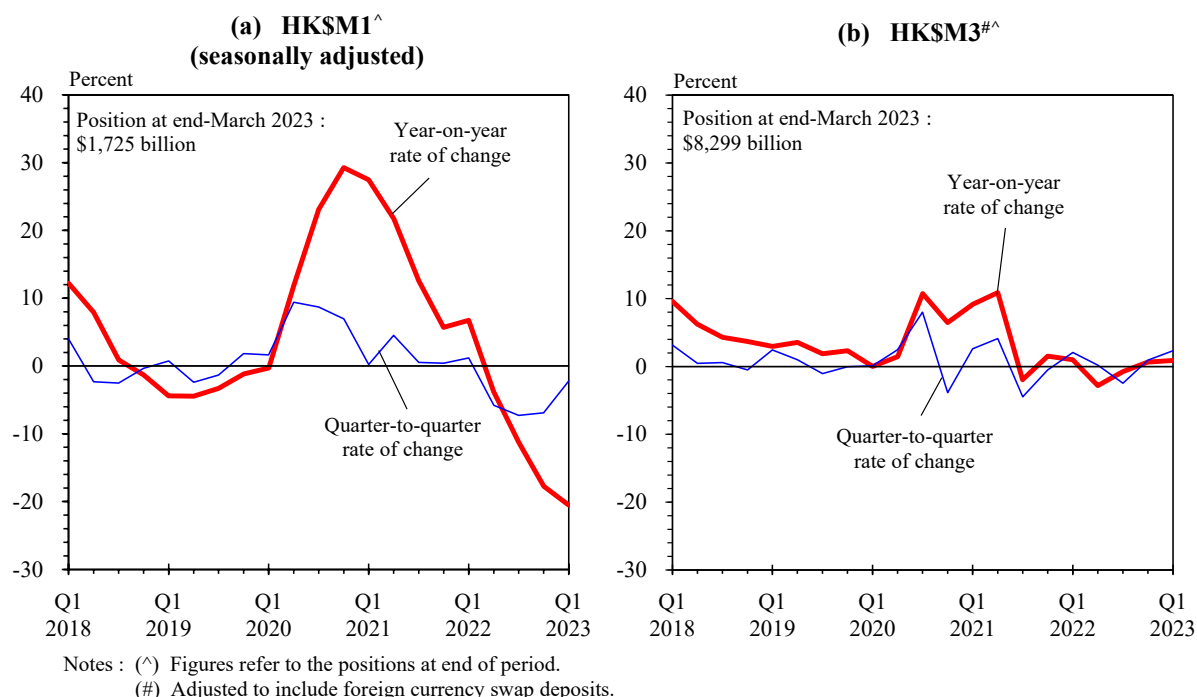


Table 4.1 : Hong Kong dollar money supply and total money supply

		<u>M1</u>		<u>M2</u>		<u>M3</u>	
% change during the quarter		<u>HK\$[^]</u>	<u>Total</u>	<u>HK\$[#]</u>	<u>Total</u>	<u>HK\$[#]</u>	<u>Total</u>
2022	Q1	1.2	2.3	2.1	0.7	2.1	0.7
	Q2	-5.8	-7.1	0.2	-0.6	0.2	-0.5
	Q3	-7.3	-8.5	-2.5	0.2	-2.5	0.2
	Q4	-6.9	-8.8	0.9	1.2	0.9	1.2
2023	Q1	-2.2	-2.0	2.3	0.5	2.3	0.5
Total amount at end-March 2023 (\$Bn)		1,725	2,713	8,286	16,620	8,299	16,654
% change over a year earlier		-20.5	-24.0	0.9	1.4	0.9	1.4

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

4.7 *Total loans and advances* increased by 0.9% over end-2022 to \$10,663 billion at end-March 2023. Within the total, Hong Kong dollar loans rose by 2.4%, while foreign currency loans decreased by 1.6%. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar edged down from 88.4% at end-2022 to 88.2% at end-March 2023, and that for foreign currency from 49.8% to 49.7% .

4.8 Loans for use in Hong Kong (including trade finance) rose by 1.4% over end-2022 to \$7,814 billion at end-March 2023, while loans for use outside Hong Kong edged down by 0.4% to \$2,849 billion. Within the former, loans to most economic segments increased. Loans to stockbrokers jumped by 14.6% along with the active trading in the local stock market. Loans to manufacturing and loans to financial concerns also rose by 3.8% and 1.2% respectively. Amid the recovery of inbound tourism and private consumption, loans to wholesale and retail trade registered a narrower decline of 1.1%. The decline in trade finance also narrowed visibly to 0.9%. As for property-related lending, loans to building, construction, property development and investment, as well as loans for purchase of residential property increased by 1.8% and 0.9% respectively.

Table 4.2 : Loans and advances

All loans and advances for use in Hong Kong

		Loans to :									
% change during the quarter		Trade finance	Manu- facturing	Whole- sale and retail trade	Building, construction, property development and investment	Purchase of residential property ^(a)	Financial concerns	Stock- brokers	Total ^(b)	All loans and advances for use outside Hong Kong ^(c)	Total loans and advances
2022	Q1	9.6	5.9	8.1	1.9	1.3	2.1	-8.8	2.0	-0.7	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	-8.9	-9.1	0.7	0.7	1.2	11.1	-1.3	-5.0	-2.3
2023	Q1	-0.9	3.8	-1.1	1.8	0.9	1.2	14.6	1.4	-0.4	0.9
Total amount at end-March 2023 (\$Bn)		416	324	308	1,743	1,933	933	62	7,814	2,849	10,663
% change over a year earlier		-21.8	-2.1	-12.3	-0.1	3.6	0.6	19.1	-0.7	-9.8	-3.3

- Notes :
- (a) Figures also include loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme, in addition to those for the purchase of private residential flats.
 - (b) Loans to individual sectors may not add up to all loans and advances for use in Hong Kong, as some sectors are not included.
 - (c) Also include loans where the place of use is not known.

4.9 The Hong Kong banking sector stayed resilient. The Hong Kong incorporated AIs were well capitalised, with the total capital adequacy ratio staying at a high level of 20.1% at end-2022. The local banking sector's overall asset quality stayed at a healthy level. The ratio of classified loans to total loans for all AIs rose from 1.19% at end-September 2022 to 1.38% at end-2022, while the delinquency ratio for credit card lending edged down from 0.24% to 0.23%. Meanwhile, the delinquency ratio for residential mortgage loans remained at a low level of 0.06% at end-March 2023, same as end-2022.

Table 4.3 : Asset quality of all AIs^{*^}
(as % of total loans)

<u>At end of period</u>		<u>Pass loans</u>	<u>Special mention loans</u>	<u>Classified loans</u> (gross)
2021	Q1	97.50	1.60	0.89
	Q2	97.66	1.48	0.86
	Q3	97.69	1.50	0.81
	Q4	97.56	1.55	0.89
2022	Q1	97.37	1.66	0.98
	Q2	97.11	1.79	1.10
	Q3	97.08	1.73	1.19
	Q4	96.59	2.03	1.38

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 96.43%, 2.16% and 1.41% respectively at end-2022.

4.10 *Offshore RMB business* remained generally active in the first quarter. RMB trade settlement transactions handled by banks in Hong Kong increased by 15.5% over a year earlier to RMB2,312.6 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) fell by 3.2% from end-2022 to RMB950.6 billion at end-March 2023. As to financing activities, RMB bond issuance amounted to RMB84.3 billion in the first quarter, higher than the RMB60.3 billion in the preceding quarter, while outstanding RMB bank loans increased by 28.0% over end-2022 to RMB245.4 billion at end-March 2023.

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

<u>At end of period</u>		<u>Interest rates on^(a)</u>					<u>Number of AIs engaged in RMB business</u>	<u>Amount of cross-border RMB trade settlement^(c)</u> (RMB Mn)
		<u>Demand and savings deposits</u> (RMB Mn)	<u>Time deposits</u> (RMB Mn)	<u>Customer deposits</u> (RMB Mn)	<u>Savings deposits^(b)</u> (%)	<u>Three-month time deposits^(b)</u> (%)		
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
2023	Q1	319,076	475,018	794,095	0.16	0.31	141	2,312,566
% change in 2023 Q1 over 2022 Q1		16.9	-8.4	0.3	N.A.	N.A.	N.A.	15.5
% change in 2023 Q1 over 2022 Q4		-6.7	-3.8	-5.0	N.A.	N.A.	N.A.	-10.1

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

(b) Period average figures.

(c) Figures during the period.

N.A. Not applicable.

The debt market

4.11 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities increased by 7.7% over the preceding quarter to \$1,253.8 billion in the first quarter, underpinned by the respective increases of 37.7% and 1.4% in private and public sector debt issuance⁽⁶⁾. The total outstanding amount of Hong Kong dollar debt securities increased by 1.7% over end-2022 to \$2,574.9 billion at end-March 2023, equivalent to 31.0% of HK\$M3 or 25.0% of Hong Kong dollar-denominated assets of the banking sector⁽⁷⁾.

4.12 As to the Hong Kong dollar bonds issued by the Government, a total of \$7.0 billion institutional Government Bonds (GBs) were issued through tenders in the first quarter under the GB Programme. Meanwhile, the inaugural tokenised green bond with an issuance size of \$800 million was issued under the Government Green Bond (GGB) Programme in February, marking the first tokenised green bond issued by a government globally. At end-March, the total outstanding amount of Hong Kong dollar bonds under the GB and GGB Programmes was \$226.9 billion, comprising 17 institutional issues totalling \$83.5 billion and five retail issues (two iBonds and three Silver Bonds) totalling \$122.6 billion under the GB Programme, as well as one retail issue of \$20.0 billion and one tokenised institutional issue of \$800 million under the GGB Programme. As for GBs denominated in other 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\$13.0 billion equivalent of institutional green bonds outstanding under the GGB Programme.

4.13 As announced in the 2023-24 Budget, the Pilot Insurance-linked Securities (ILS) Grant Scheme, which has facilitated the issuance of several catastrophe bonds in Hong Kong and promoted diversified development of the insurance market, would be extended for two more years. The extension of the Scheme would attract more issuing institutions, which would in turn support industry development and expand the channels for risk diversification and management. In relation to this, the World Bank (International Bank for Reconstruction and Development) issued ILS in the form of a catastrophe bond in Hong Kong with a size of US\$350 million in late March, offering protection against losses related to earthquake risks in Chile over the next three years. This marks the fourth issuance, as well as the inaugural listing, of ILS in Hong Kong, and is an important milestone for Hong Kong to become a vibrant ILS hub.

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

		<u>Exchange Fund paper</u>	<u>Statutory bodies/ government- owned corporations</u>	<u>Govern- ment</u>	<u>Public sector total</u>	<u>AIs^(a)</u>	<u>Local corporations</u>	<u>Non-MDBs overseas borrowers^(b)</u>	<u>Private sector total</u>	<u>MDBs^(b)</u>	<u>Total</u>
New Issuance											
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
2023	Q1	975.8	31.8	7.8	1,015.3	86.1	9.0	128.5	223.6	14.9	1,253.8
% change in 2023 Q1 over 2022 Q1		4.1	117.9	136.4	6.3	-19.0	-51.3	84.5	15.0	292.6	8.7
% change in 2023 Q1 over 2022 Q4		0.6	26.3	30.0	1.4	17.8	-39.3	72.5	37.7	2 872.0	7.7
Outstanding (at end of period)											
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
2023	Q1	1,216.7	145.5	226.9	1,589.0	305.6	133.1	499.0	937.6	48.2	2,574.9
% change in 2023 Q1 over 2022 Q1		2.3	36.9	32.4	8.3	16.4	-8.8	6.4	6.9	58.7	8.4
% change in 2023 Q1 over 2022 Q4		0.8	11.4	-4.9	0.8	0.7	-1.3	3.9	2.1	31.5	1.7

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

(a) AIs : Authorized institutions.

(b) MDBs : Multilateral Development Banks.

The stock and derivatives markets

4.14 The *local stock market* exhibited considerable volatility in the first quarter. Supported by expectations of a slower pace of US monetary policy tightening and the return of economic activities to normalcy, the HSI extended its rally on entering 2023. This was followed by a sharp correction from 22 689 on 27 January to 19 001 on 20 March when market sentiment was dampened by concerns over the global economic outlook and the banking sector stress in the US and Europe. The HSI then recouped some of the loss and closed the quarter at 20 400, 3.1% higher than end-2022. *Market capitalisation* increased by 3.5% to \$36.9 trillion during the quarter. The local stock market ranked the seventh largest in the world and the fourth largest in Asia⁽⁸⁾.

4.15 Trading activities in the local stock market remained active in general in the first quarter. *Average daily turnover* in the securities market edged up by 0.5% over the preceding quarter to \$127.8 billion, though 12.8% lower than the hectic level a year earlier. Within the total, the average daily trading value of equities rose by 1.0% over the preceding quarter, while that of derivative warrants, callable bull/bear contracts and unit trusts (including Exchange-Traded Funds)⁽⁹⁾ decreased by 6.0%, 1.3% and 0.7% respectively. As to futures and options⁽¹⁰⁾, the average daily trading volume declined by 4.4%. Within the total, trading of HSI options, HSI futures and Hang Seng China Enterprises Index futures fell by 15.3%, 11.3% and 10.7% respectively, while that of stock options increased by 3.7%.

Diagram 4.6 : The local stock market exhibited considerable volatility in the first quarter

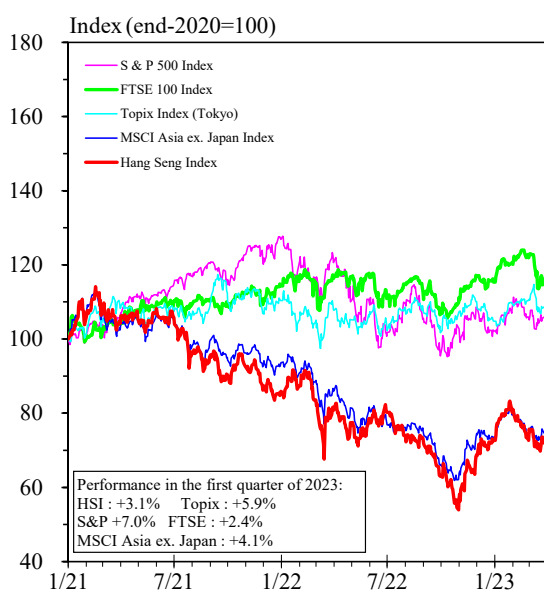
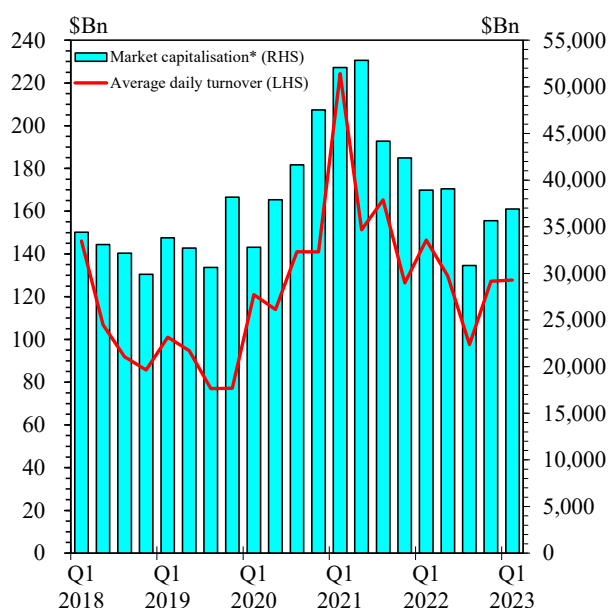


Diagram 4.7 : Market capitalisation increased while trading activities remained active in general



Note : (*) Position at end of quarter.

**Table 4.6 : 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*
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
2023	Q1	145 708	25 243	196 405	665 210	1 418 700
% change in 2023 Q1 over 2022 Q1		-8.8	-14.1	9.8	4.4	5.7
% change in 2023 Q1 over 2022 Q4		-11.3	-15.3	-10.7	3.7	-4.4

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

4.16 Fund raising activities were extremely quiet in the first quarter amid the cautious global market sentiment and the uncertain interest rate outlook. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM⁽¹¹⁾, plunged by 44.8% from the preceding quarter or 56.8% from a year earlier to \$33.7 billion in the first quarter, the lowest quarterly level since the first quarter of 2009. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) plummeted by 78.5% from the preceding quarter to \$6.7 billion. Hong Kong ranked the fifth globally in terms of the amount of funds raised through IPOs in the first quarter⁽¹²⁾.

4.17 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-March, a total of 1 423 Mainland enterprises (including 320 H-share companies, 176 “Red Chip” companies and 927 private enterprises) were listed on the Main Board and GEM, accounting for 55% of the total number of listed companies and 78% of total market capitalisation. Mainland-related stocks accounted for 87% of equity turnover and 88% of total equity fund raised in the Hong Kong stock exchange in the first quarter.

Fund management and investment funds

4.18 The fund management business⁽¹³⁾ showed some improvement in the first quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*⁽¹⁴⁾ rose by 5.5% over end-2022 to \$1,109.0 billion at end-March 2023. The monthly average gross retail sales of *mutual funds* surged by 88.9% over the preceding quarter to US\$5.3 billion in January – February⁽¹⁵⁾, though 12.7% lower than the level a year earlier.

Insurance sector

4.19 The *insurance sector*⁽¹⁶⁾ showed mixed performance in 2022. For the year as a whole, new office premium of long-term business fell by 19.1%, within which premium from non-investment linked plans (which accounted for 89% of total premium for this segment) and investment linked plans decreased by 11.9% and 51.6% respectively. As to general business, gross and net premiums rose by 4.5% and 1.6% respectively.

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

		General business			New office premium of long-term business [^]					Gross premium from long-term business and general business
		Gross premium	Net premium	Underwriting profit	Individual life and annuity (non-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	Annual	64,624	42,138	4,186	119,480	14,899	43	460	134,882	199,506
	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
	Q4	13,239	8,414	789	19,594	3,040	11	65	22,710	35,949
% change in 2022 Q4 over 2021 Q4		1.6	-3.3	7.3	-44.6	-65.8	37.5	*	-48.8	-37.3
% change in 2022 over 2021		4.5	1.6	113.8	-11.9	-51.6	43.3	24.7	-19.1	-12.7

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

([^]) Retirement scheme business is excluded.

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

Highlights of policy and market developments

4.20 In late March, the Government issued the Policy Statement on Developing Family Office Businesses in Hong Kong to set out the Government's policy stance and measures on developing a vibrant ecosystem for global family offices and asset owners, with a view to supporting asset owners in deploying and managing wealth and capturing new investment opportunities in Hong Kong.

4.21 In late January, the HKMA issued the consultation conclusion to the discussion paper on crypto-assets and stablecoins. Having considered feedback from the industry, public bodies, business and professional organisations and individuals, the HKMA proposed to bring certain activities relating to stablecoins into the regulatory perimeter, and indicated the expected regulatory scope and key regulatory requirements. The HKMA will engage with stakeholders and market participants, and expects to implement the regulatory arrangements by 2024.

4.22 In February, the Securities and Futures Commission (SFC) launched a consultation on the proposed regulatory requirements for licensed virtual asset trading platforms. This was to prepare for the new licensing regime that will come into effect on 1 June 2023 under which all centralised virtual asset trading platforms carrying on their businesses in Hong Kong or actively marketing their services to Hong Kong investors will need to be licensed and regulated by the SFC. The consultation ended at end-March, and the SFC is finalising the regulatory requirements for the implementation of the new regime having taken into account the comments received.

Notes :

- (1) Prior to 9 October 2008, the Base Rate was set at either 150 basis points above the prevailing US Federal Funds Target Rate (FFTR) or the average of the five-day moving averages of the overnight and one-month HIBORs, whichever was higher. Between 9 October 2008 and 31 March 2009, this formula for determination of the Base Rate was temporarily changed by reducing the spread of 150 basis points above the prevailing FFTR to 50 basis points and by removing the other leg relating to the moving averages of the relevant interbank interest rates. After a review of the appropriateness of the new Base Rate formula, the narrower 50 basis point spread over the FFTR was retained while the HIBOR leg was re-instated in the calculation of the Base Rate after 31 March 2009.
- (2) In December 2005, the HKMA published a new data series on composite interest rate, reflecting movements in various deposit rates, interbank and other interest rates to closely track the average cost of funds for banks. The published data enable the banks to keep track of changes in funding cost and thus help improve interest rate risk management in the banking sector. Since June 2019, the composite interest rate has been calculated based on the new local “Interest rate risk in the banking book” framework. As such, the figures are not strictly comparable with those of previous months.
- (3) The trade-weighted Nominal Effective Exchange Rate Index (EERI) is an indicator of the overall exchange value of the Hong Kong dollar against a fixed basket of other currencies. Specifically, it is a weighted average of the exchange rates of the Hong Kong dollar against 18 currencies of its major trading partners, with the weights adopted being the respective shares of these trading partners in the total value of merchandise trade for Hong Kong during 2019 and 2020.

The Real EERI of the Hong Kong dollar is obtained by adjusting the Nominal EERI for relative movements in the seasonally adjusted consumer price indices of the respective trading partners.

- (4) The various definitions of the money supply are as follows:

M1 : Notes and coins with the public, plus customers’ demand deposits with licensed banks.

M2 : M1 plus customers’ savings and time deposits with licensed banks, plus negotiable certificates of deposit (NCDs) issued by licensed banks and held outside the monetary sector, as well as short-term Exchange Fund placements of less than one month.

M3 : M2 plus customers’ deposits with restricted licence banks and deposit-taking companies, plus NCDs issued by such institutions and held outside the monetary sector.

Among the various monetary aggregates, more apparent seasonal patterns are found in HK\$M1, currency held by the public, and demand deposits. As monthly monetary statistics are subject to volatilities due to a wide range of transient factors, such as seasonal and IPO-related funding demand as well as business and investment-related activities, caution is required when interpreting the statistics.

- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-March 2023, there were 154 licenced banks, 15 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 181 AIs (excluding representative offices) from 31 countries and territories (including Hong Kong) had a presence in Hong Kong.
- (6) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.
- (7) Assets of the banking sector include notes and coins, amount due from AIs in Hong Kong as well as from banks abroad, loans and advances to customers, NCDs held, negotiable debt instruments other than NCDs held, and other assets. Certificates of indebtedness issued by Exchange Fund and the counterpart bank notes issued are nevertheless excluded.
- (8) The ranking is based on the market capitalisation figures of global stock exchange markets compiled by the World Federation of Exchanges and the London Stock Exchange Group.
- (9) Given the relatively small share (less than 0.5% of the daily turnover in the securities market), trading of debt securities and its movements were not analysed.
- (10) At end-March 2023, there were 126 classes of stock options contracts and 98 classes of stock futures contracts.
- (11) At end-March 2023, there were 2 265 and 338 companies listed on the Main Board and GEM respectively.
- (12) The ranking is based on the amount of funds raised through IPOs (including fundraising of special purpose acquisition companies) compiled by Dealogic.
- (13) At end-March 2023, there was one SFC-authorized retail hedge fund with net asset size of US\$116 million. This amount of net assets under management decreased by 8.7% from end-2022, and represented a 14.1% decrease from a year earlier, and a 27.5% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (14) At end-March 2023, there were 13 approved trustees. On MPF products, 24 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 414 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 347 000 employers, 2.67 million employees and 238 000 self-employed persons are estimated to have participated in MPF schemes.
- (15) These figures are obtained from the Sales and Redemptions Survey conducted by the Hong Kong Investment Funds Association (HKIFA) on their members, and cover only the active authorised funds that have responded to the survey. At end-February 2023, the survey covered a total of 1 761 active authorised funds.
- (16) At end-March 2023, 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 5 : THE LABOUR SECTOR

Summary

- *The unemployment and underemployment situation continued to improve in the first quarter of 2023 alongside the return of domestic economic activities to normalcy and the strong rebound in inbound tourism. The seasonally adjusted unemployment rate declined further from 3.5% in the fourth quarter of 2022 to 3.1% in the first quarter of 2023, and the underemployment rate went down from 1.5% to 1.2%.*
- *The unemployment rates of most major sectors fell in the first quarter compared with the preceding quarter, including those of the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors), the arts, entertainment and recreation sector, the transportation, storage, postal and courier services sector, the manufacturing sector, and the construction sector. The unemployment rates of both lower-skilled and higher-skilled workers declined.*
- *Establishment surveys indicated that nominal wages and labour earnings saw accelerated year-on-year increases in the fourth quarter of 2022. The average nominal wage rate rose by 2.6% year-on-year in December 2022, faster than the increase of 2.3% three months ago. Nominal payroll per person engaged increased by 2.3% year-on-year in the fourth quarter of 2022, also faster than the increase of 2.0% in the preceding quarter. More recent General Household Survey (GHS) data indicated that median monthly employment earnings of full-time employees (excluding foreign domestic helpers) increased further by 3.1% in nominal terms in the first quarter of 2023, though not as fast as the increase of 5.0% in the preceding quarter due to a higher base of comparison. Meanwhile, the median monthly household income (excluding foreign domestic helpers) increased further by 4.1% in nominal terms in the first quarter, faster than the increase of 3.3% in the preceding quarter.*

Overall labour market situation⁽¹⁾

5.1 The unemployment and underemployment situation continued to improve in the first quarter of 2023 alongside the return of domestic economic activities to normalcy and the strong rebound in inbound tourism. The seasonally adjusted *unemployment rate*⁽²⁾ declined further from 3.5% in the fourth quarter of 2022 to 3.1% in the first quarter of 2023, and the *underemployment rate*⁽³⁾ went down from 1.5% to 1.2%. The unemployment rates of most major sectors fell in the first quarter compared with the preceding quarter, including those of the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors), the arts, entertainment and recreation sector, the transportation, storage, postal and courier services sector, the manufacturing sector, and the construction sector. The unemployment rates of both lower-skilled and higher-skilled workers declined. Establishment surveys indicated that nominal wages and labour earnings saw accelerated year-on-year increases in the fourth quarter of 2022. More recent General Household Survey (GHS) data indicated that median monthly employment earnings of full-time employees (excluding foreign domestic helpers) increased further in the first quarter of 2023 despite a higher base of comparison. Meanwhile, the median monthly household income (excluding foreign domestic helpers) saw an accelerated increase in the first quarter.

Diagram 5.1 : The unemployment and underemployment situation continued to improve in the first quarter of 2023

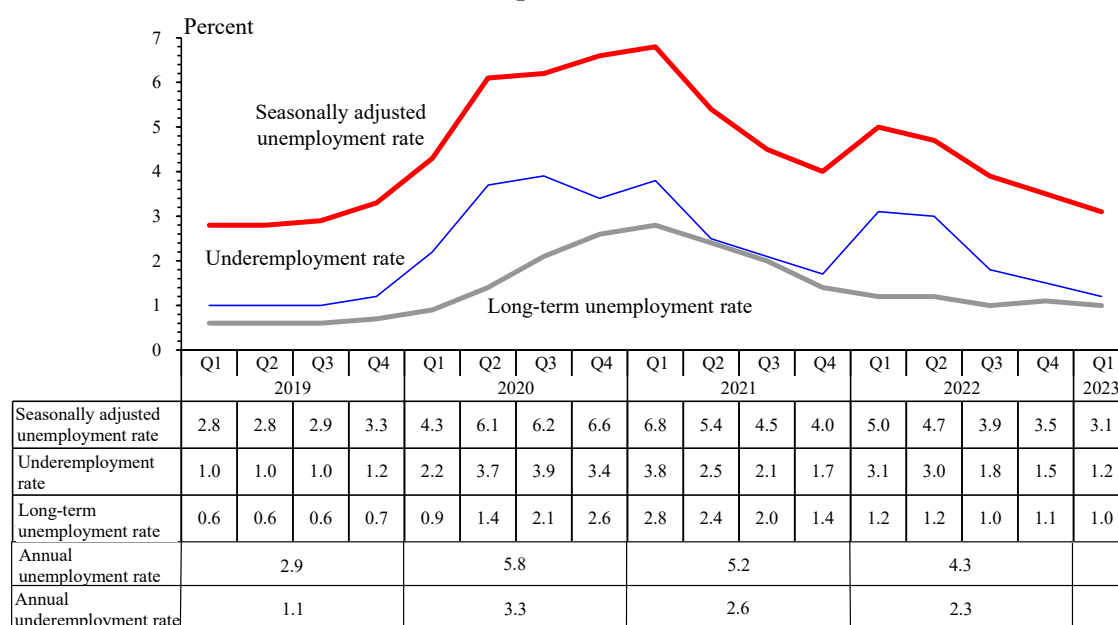


Table 5.1 : The unemployment rate (seasonally adjusted), underemployment rate and long-term unemployment rate

		<u>Unemployment rate*</u> (%)	<u>Underemployment</u> <u>rate (%)</u>	<u>Long-term</u> <u>unemployment rate (%)</u>
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
<i>Three months ending</i>				
2023	Jan	3.4	1.4	1.0
	Feb	3.3	1.3	1.0
	Mar	3.1	1.2	1.0

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

Source : General Household Survey, Census and Statistics Department.

Labour force and total employment

5.2 The *labour force*⁽⁴⁾ declined by 0.6% from the preceding quarter to 3 769 200 in the first quarter, and was 0.8% lower than the level a year ago. This reflected the lower labour force participation rate, mainly as a result of the persistent drag from population ageing. The overall labour force participation rate (LFPR) declined by 0.4 percentage point from the preceding quarter to 57.9% in the first quarter, and was 0.6 percentage point lower than the level a year ago. The labour force participation rates of various age-gender groups showed mixed movements in the first quarter when compared with the preceding quarter. Separately, the working-age population (i.e. land-based non-institutional population aged 15 and above) increased by 0.2% over the preceding quarter to 6 514 000, and was 0.3% higher than a year ago.

5.3 *Total employment*⁽⁵⁾ declined by 0.3% from the preceding quarter to 3 654 100 in the first quarter, but was 1.2% higher than a year ago. Compared with the preceding quarter, employment of different sectors showed diverse movements. Specifically, employment of the public administration sector and the human health activities sector declined, conceivably reflecting in part the reduced demand for these workers following the lifting of various COVID-related requirements. Employment of some other sectors also declined, including those of the warehousing and support activities for transportation sector, the postal and courier activities sector, the manufacturing sector, the import/export trade and wholesale sector, and the construction sector.

Nevertheless, employment of many sectors increased, including those of the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors), the transportation sector, the professional and business services sector, the information and communications sector, and the education sector.

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

		<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed^(a)</u>	<u>Persons underemployed</u>
2022	Annual	3 776 300 (-2.4)	3 613 200 (-1.6)	163 100	88 100
	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
<i>Three months ending</i>					
2023	Jan	3 780 600 (-1.5)	3 662 200 (-1.0)	118 400	52 100
	Feb	3 766 000 (-1.6)	3 650 200 (-0.4)	115 700	47 900
	Mar	3 769 200 (-0.8)	3 654 100 (1.2)	115 100	46 700
		<-0.6>	<-0.3>		

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

() % change over a year earlier.

< > Quarter-to-quarter % change for the first quarter of 2023.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : The labour force declined in the first quarter compared with the preceding quarter, mainly reflecting the persistent drag from population ageing; Total employment also declined, but employment of various sectors showed diverse movements

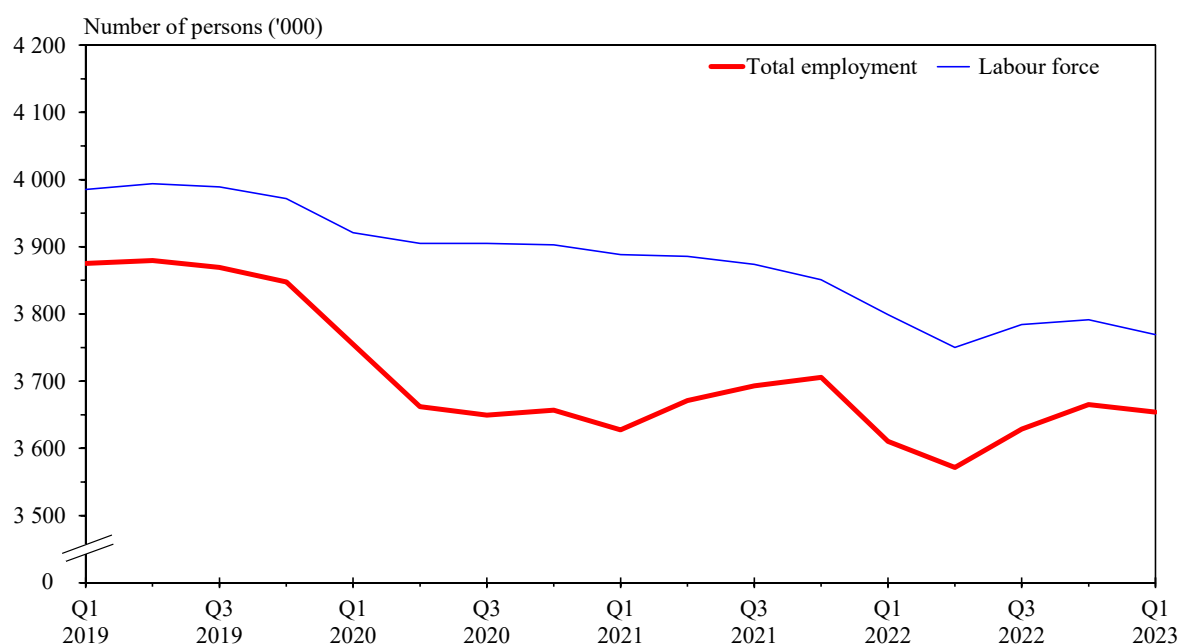


Table 5.3 : Labour force participation rates by gender and by age group (%)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022 Q4</u>	<u>2023 Q1</u>
<u>Male</u>						
15-24	39.2	35.4	34.4	31.4	31.5	29.9
<i>of which:</i>						
15-19	11.3	7.3	6.6	7.0	6.9	6.5
20-24	59.6	56.5	57.2	53.3	53.2	52.7
25-29	91.3	90.8	91.7	89.7	90.2	88.4
30-39	95.9	95.0	95.2	94.0	94.9	93.6
40-49	93.9	93.5	93.5	93.4	93.3	93.8
50-59	85.2	84.8	85.4	85.2	85.4	85.1
≥ 60	32.0	31.6	31.0	32.0	32.2	31.9
Overall	67.6	66.3	65.8	64.7	64.5	64.0
<u>Female</u>						
15-24	40.5	36.6	35.3	32.5	33.6	31.6
<i>of which:</i>						
15-19	11.6	7.2	7.8	7.7	6.9	7.0
20-24	60.1	57.8	57.5	54.2	55.4	54.4
25-29	87.5	87.5	88.2	86.2	87.3	86.1
30-39	79.3	79.1	79.3	78.9	79.4	79.5
40-49	73.7	73.6	74.3	74.0	74.8	74.4
50-59	62.3	62.9	64.0	64.6	65.0	65.1
≥ 60	15.7	15.6	16.3	16.5	17.0	17.1
Overall	55.1	54.3	54.2	52.9	53.2	52.9
<u>Both genders combined</u>						
15-24	39.8	36.0	34.9	31.9	32.5	30.8
<i>of which:</i>						
15-19	11.5	7.3	7.2	7.3	6.9	6.8
20-24	59.9	57.2	57.4	53.8	54.3	53.6
25-29	89.2	89.0	89.8	87.9	88.6	87.2
30-39	86.0	85.6	85.9	85.3	85.9	85.5
40-49	82.0	81.8	82.1	81.9	82.3	82.2
50-59	72.7	72.7	73.4	73.5	73.8	73.7
≥ 60	23.5	23.2	23.3	23.9	24.2	24.1
Overall	60.7	59.7	59.4	58.2	58.3	57.9

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

5.4 The seasonally adjusted unemployment rate declined further from 3.5% in the preceding quarter to 3.1% in the first quarter. The number of unemployed persons (not seasonally adjusted) decreased by 8.7% (or 11 000) to 115 100.

5.5 Compared with the preceding quarter, the unemployment rates of most major sectors (not seasonally adjusted) fell in the first quarter. Specifically, the unemployment rate of the retail, accommodation and food services sectors combined fell by 0.5 percentage point to 4.2%. Among these sectors, the unemployment rate of the retail sector fell by 0.8 percentage point to 3.8%, and that of the food and beverage service activities sector edged down by 0.1 percentage point to 4.9%. Other sectors that saw notable declines in unemployment rate included the arts, entertainment and recreation sector (down 0.8 percentage point to 4.3%), the transportation, storage, postal and courier services sector (down 0.7 percentage point to 3.3%), and the manufacturing sector (down 0.7 percentage point to 4.0%). The unemployment rate of the construction sector declined by 0.3 percentage point to 4.5%. For the *low-paying sectors*⁽⁶⁾ as a whole, the unemployment rate went down by 0.2 percentage point to 2.7%.

5.6 Analysed by skill segment, the unemployment rate of lower-skilled workers declined by 0.3 percentage point from the preceding quarter to 3.2% in the first quarter, and that of higher-skilled workers went down by 0.2 percentage point to 2.1%. The unemployment rate of lower-skilled workers remained visibly higher than that of higher-skilled workers.

5.7 Analysed by other socio-economic attributes, the unemployment rates of almost all age and educational attainment groups declined in the first quarter from the preceding quarter, notably for those aged 15-24 (down 1.2 percentage points to 7.9%), those aged 25-29 (down 0.6 percentage point to 4.5%), those aged 60 and above (down 0.6 percentage point to 2.2%), those with primary education and below (down 0.4 percentage point to 2.4%), and those with post-secondary education (down 0.4 percentage point to 2.9%).

Diagram 5.3 : The unemployment rates of most major sectors fell in the first quarter

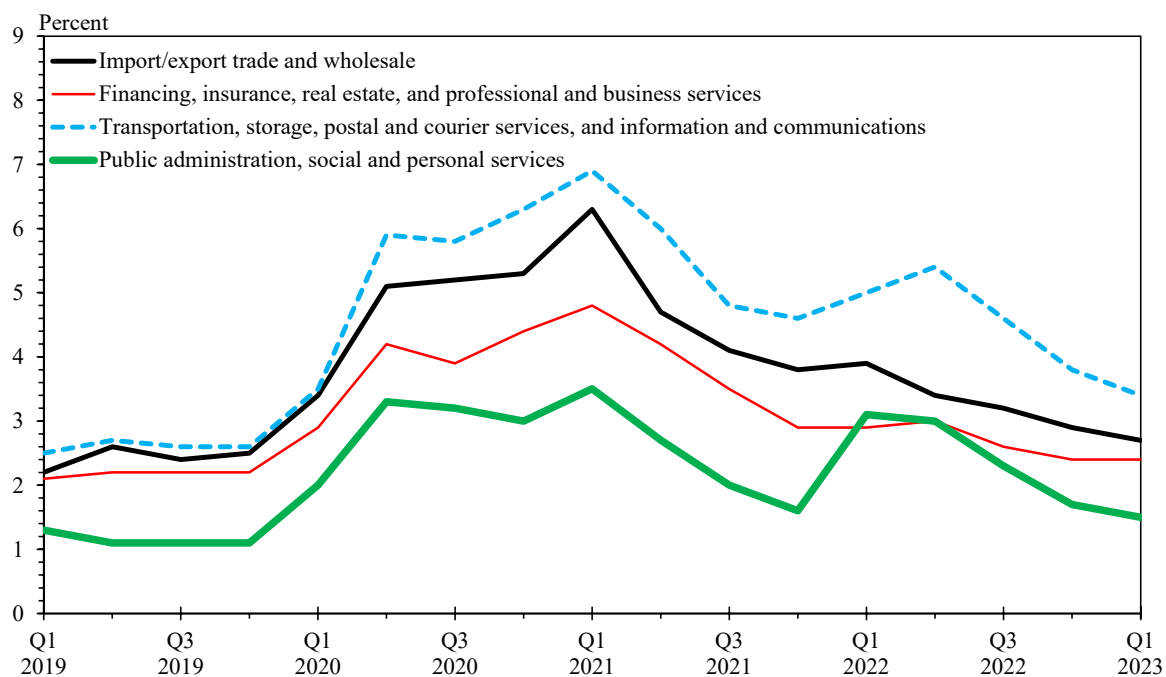
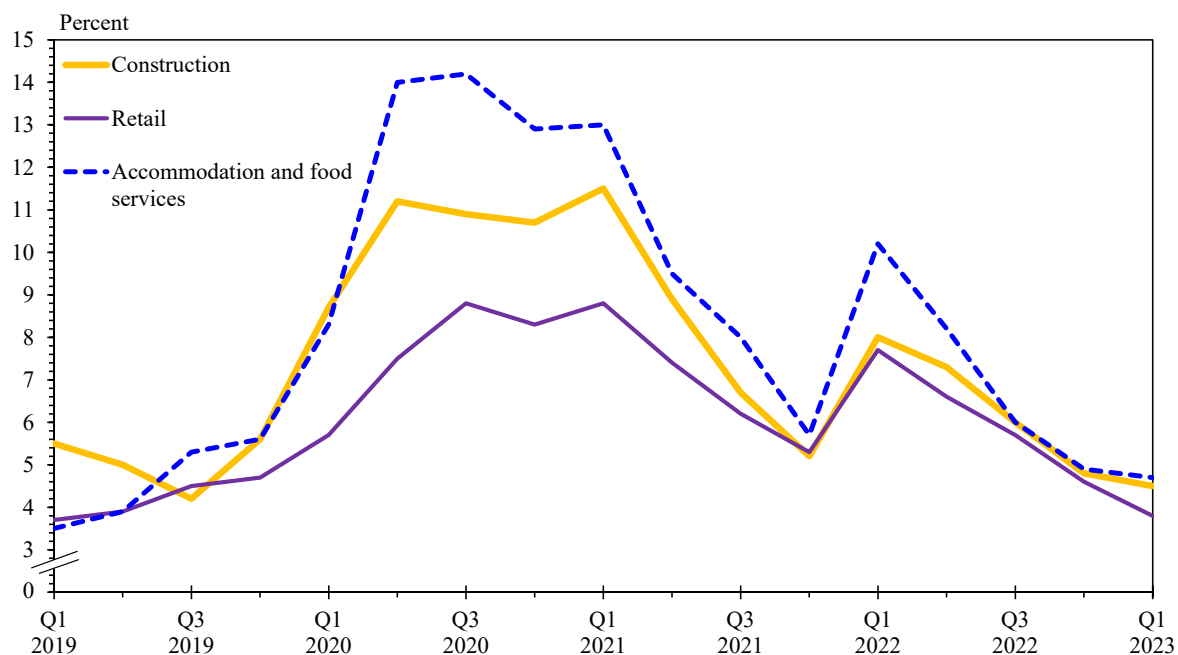


Table 5.4 : Unemployment rates by major economic sector

	<u>2022</u>				<u>2023</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Import/export trade and wholesale	3.9	3.4	3.2	2.9	2.7
Retail, accommodation and food services	8.9	7.4	5.8	4.7	4.2
of which:					
<i>Retail</i>	7.7	6.6	5.7	4.6	3.8
<i>Accommodation services</i>	5.6	5.7	4.5	3.9	3.8
<i>Food and beverage service activities</i>	11.0	8.6	6.2	5.0	4.9
Transportation, storage, postal and courier services	5.3	5.9	5.0	4.0	3.3
Information and communications	4.6	4.2	3.8	3.4	3.5
Financing and insurance	2.3	2.5	2.3	2.1	2.1
Real estate	2.4	3.0	2.7	2.6	2.6
Professional and business services	3.4	3.3	2.8	2.5	2.6
Public administration, social and personal services	3.1	3.0	2.3	1.7	1.5
of which:					
<i>Arts, entertainment and recreation</i>	11.3	8.0	5.7	5.1	4.3
Manufacturing	5.5	5.5	5.2	4.7	4.0
Construction	8.0	7.3	6.0	4.8	4.5
Overall*	5.0 (5.0)	4.8 (4.7)	4.1 (3.9)	3.3 (3.5)	3.1 (3.1)

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

() Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

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

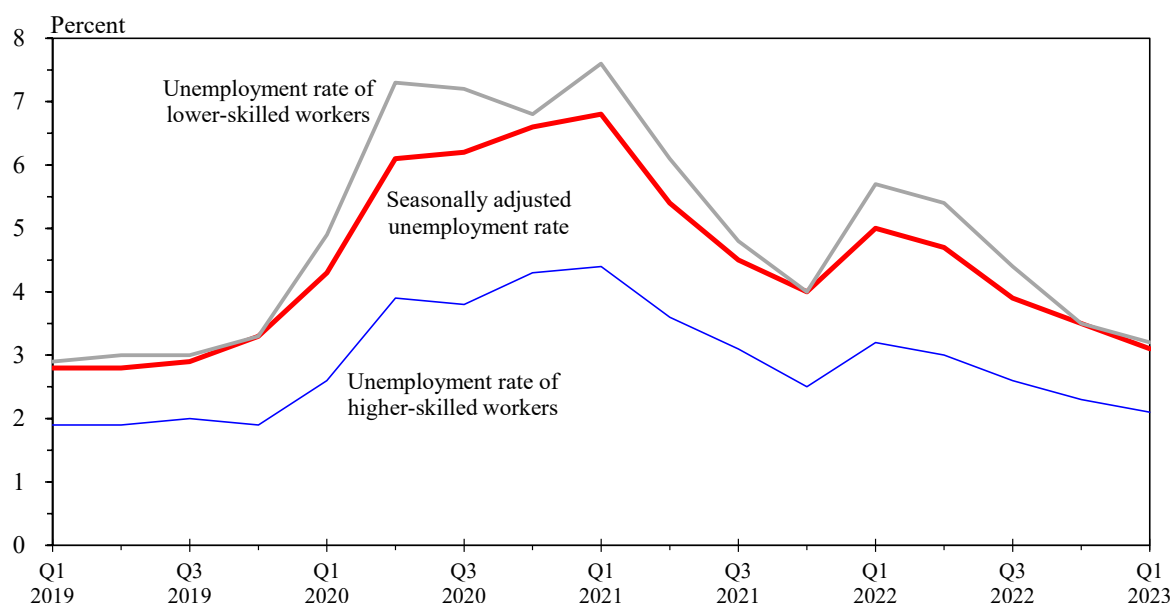


Table 5.5 : Unemployment rates* by skill segment

	<u>2022</u>				<u>2023</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Higher-skilled segment</u>	3.2	3.0	2.6	2.3	2.1
Managers	2.7	2.4	2.1	1.8	1.4
Professionals	2.0	2.0	1.9	1.6	2.0
Associate professionals	4.1	4.0	3.3	3.0	2.7
<u>Lower-skilled segment[^]</u>	5.7	5.4	4.4	3.5	3.2
Clerical support workers	4.6	4.2	4.7	3.4	3.3
Service and sales workers	7.5	6.7	4.7	4.1	3.8
Craft and related workers	8.8	7.5	6.9	4.9	4.3
Plant and machine operators and assemblers	4.1	4.5	3.7	2.7	2.4
Elementary occupations	4.0	4.4	3.2	2.7	2.5

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

[^] Including other occupations.

Source : General Household Survey, Census and Statistics Department.

Table 5.6 : Unemployment rates* by age and educational attainment

	<u>2022</u>				<u>2023</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Age</u>					
15-24	10.5	11.7	12.0	9.1	7.9
<i>of which:</i>					
15-19	14.3	18.4	16.1	11.8	9.8
20-24	10.1	11.0	11.4	8.9	7.7
25-29	5.9	5.7	5.9	5.1	4.5
30-39	3.7	3.7	3.2	2.4	2.5
40-49	4.2	4.2	2.9	2.6	2.4
50-59	5.5	4.8	4.0	3.3	3.2
≥ 60	4.9	4.4	3.6	2.8	2.2
<u>Educational attainment</u>					
Primary education and below	5.8	4.9	2.7	2.8	2.4
Lower secondary education	7.2	6.5	5.2	4.1	4.2
Upper secondary education [^]	5.4	5.2	4.2	3.2	3.0
Post-secondary education	3.7	3.9	3.9	3.3	2.9

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

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 Indicators for the intensity of unemployment generally improved in the first quarter. The long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) edged down by 0.1 percentage point from the preceding quarter to 1.0% in the first quarter, and the number of long-term unemployed persons declined by 12.6% (or 5 200) to 36 200. The share of long-term unemployed persons in total unemployment declined by 1.4 percentage points to 31.5%. The median duration of unemployment shortened by 3 days to 83 days. Yet, the proportion of dismissal or lay-offs in the total number of unemployed persons (not including first-time job-seekers and re-entrants into the labour force) went up by 0.9 percentage point to 54.8%.

Underemployment situation

5.9 The underemployment rate continued to decline, from 1.5% in the preceding quarter to 1.2% in the first quarter. The number of underemployed persons fell by 15.5% (or 8 600) to 46 700.

Profile of employment in establishments

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

5.11 Employment situation continued to improve in the fourth quarter of 2022. Total private sector employment increased further marginally by 0.1% in December 2022 over three months ago on a seasonally adjusted basis. On a year-on-year comparison, total private sector employment (not seasonally adjusted) declined by a narrowed 0.8% to 2 702 000. Analysed by sector, employment in a majority of selected industries (not seasonally adjusted) increased over three months ago, notably for accommodation services, professional and business services (excluding cleaning and similar services), and education. On a year-on-year comparison, employment in some selected industries continued to increase, notably for wholesale, human health services, and food and beverage services. As for other selected industries, many saw narrowed declines in employment.

Table 5.7 : Employment by major economic sector

	<u>2021</u>					<u>2022</u>				
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>
Import/export trade and wholesale	436 000	434 600	434 900	435 100	439 500	434 600	438 300	434 800	432 700	432 700
<i>of which:</i>	(-3.6)	(-8.6)	(-3.4)	(-2.2)	(0.1)	(-0.3)	(0.8)	(§)	(-0.6)	(-1.5)
<i>Wholesale</i>	50 500	50 600	50 900	49 800	50 700	52 600	52 700	52 200	52 800	52 700
	(-3.9)	(-8.4)	(-2.9)	(-4.1)	(0.1)	(4.2)	(4.1)	(2.6)	(6.1)	(4.0)
Retail	249 500	249 900	248 100	248 500	251 400	245 400	245 200	244 800	245 200	246 400
	(-0.6)	(-2.0)	(-0.5)	(-0.5)	(0.5)	(-1.6)	(-1.9)	(-1.3)	(-1.3)	(-2.0)
Accommodation services ^(a)	36 000	34 400	37 000	36 900	35 800	34 400	35 400	33 400	33 600	35 300
	(1.1)	(-9.4)	(3.1)	(5.0)	(7.0)	(-4.5)	(2.8)	(-9.8)	(-9.0)	(-1.3)
Food and beverage services	214 000	205 500	215 000	217 600	217 800	216 700	204 700	217 200	222 000	223 000
	(1.4)	(-7.2)	(1.0)	(5.2)	(7.4)	(1.3)	(-0.4)	(1.0)	(2.0)	(2.4)
Transportation, storage, postal and courier services	166 900	165 500	168 700	167 200	166 000	163 400	164 400	162 500	164 000	162 700
	(-4.0)	(-6.7)	(-4.2)	(-4.4)	(-0.4)	(-2.1)	(-0.6)	(-3.7)	(-1.9)	(-2.0)
Information and communications	108 600	109 300	108 800	108 400	108 100	106 300	107 200	106 100	105 300	106 400
	(-1.4)	(-0.4)	(-1.8)	(-1.7)	(-1.7)	(-2.2)	(-1.9)	(-2.4)	(-2.9)	(-1.5)
Financing, insurance, real estate, professional and business services <i>of which:</i>	767 900	761 600	765 700	772 000	772 400	756 600	766 600	750 500	751 800	757 500
	(0.8)	(0.4)	(0.8)	(1.0)	(1.2)	(-1.5)	(0.7)	(-2.0)	(-2.6)	(-1.9)
<i>Professional and business services (excluding cleaning and similar services)</i>	306 500	306 700	306 700	306 600	306 200	300 200	302 600	297 200	297 600	303 300
	(§)	(0.3)	(0.2)	(-0.3)	(-0.1)	(-2.1)	(-1.3)	(-3.1)	(-2.9)	(-0.9)
Social and personal services <i>of which:</i>	534 500	534 700	532 500	533 600	537 300	536 900	532 900	533 900	536 400	544 300
	(0.5)	(0.5)	(0.3)	(0.3)	(0.8)	(0.4)	(-0.3)	(0.3)	(0.5)	(1.3)
<i>Education</i>	204 200	205 400	203 700	202 300	205 500	206 400	205 200	205 500	205 600	209 400
	(-0.1)	(0.1)	(-0.1)	(-0.8)	(0.3)	(1.1)	(-0.1)	(0.9)	(1.7)	(1.9)
<i>Human health services</i>	145 500	145 300	145 100	145 800	146 000	149 100	148 600	148 400	149 300	150 200
	(2.9)	(4.0)	(3.3)	(2.9)	(1.6)	(2.5)	(2.3)	(2.2)	(2.4)	(2.9)
Manufacturing	78 800	81 200	79 200	78 400	76 500	74 900	75 800	74 900	74 400	74 500
	(-5.5)	(-3.6)	(-6.0)	(-5.9)	(-6.7)	(-5.0)	(-6.7)	(-5.3)	(-5.1)	(-2.6)
Construction sites (covering manual workers only)	105 400	102 700	106 100	106 300	106 600	104 700	98 300	103 400	109 700	107 300
	(8.5)	(1.6)	(8.6)	(13.2)	(10.9)	(-0.7)	(-4.3)	(-2.5)	(3.2)	(0.6)
All establishments surveyed in the private sector^(b)	2 709 100	2 690 700	2 707 300	2 715 500	2 722 900	2 685 700	2 680 500	2 673 200	2 686 900	2 702 000
	(-0.4)	(-2.7)	(-0.4)	(0.3)	(1.3)	(-0.9)	(-0.4)	(-1.3)	(-1.1)	(-0.8)
		<0.7>	<0.7>	<0.2>	<-0.2>		<-0.9>	<-0.2>	<0.3>	<0.1>
<i>Civil service^(c)</i>	176 900	177 600	176 900	176 400	176 600	174 800	176 200	175 200	174 000	173 700
	(-0.2)	(-0.1)	(-0.3)	(-0.2)	(-0.2)	(-1.2)	(-0.7)	(-1.0)	(-1.3)	(-1.7)

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

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

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

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

() % change over a year earlier.

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

§ Change within $\pm 0.05\%$.

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

Vacancies

5.12 Private sector vacancies increased further by 3.9% in December 2022 over three months ago on a seasonally adjusted basis. Compared with a year ago, private sector vacancies (not seasonally adjusted) increased by 20.0% to 73 150.

5.13 The number of vacancies in various selected industries showed diverse movements in December 2022 when compared to the levels three months ago, but almost all of them were higher than the levels a year earlier.

5.14 The manpower balance situation tightened further in December 2022. The ratio of job vacancies per 100 unemployed persons increased further to 58 in December from 48 three months ago. Manpower shortage situation were particularly acute in the residential care and social work services sector, the human health services sector, and the education sector, with their corresponding ratios exceeding 200.

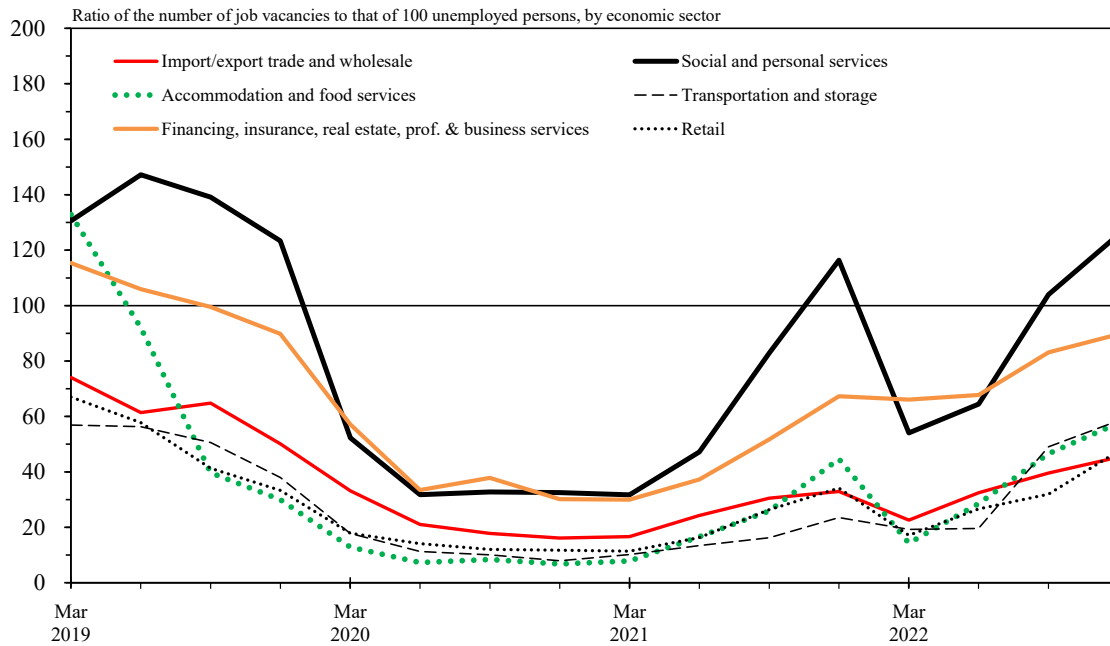
Table 5.8 : Vacancies by major economic sector

	<u>2021</u>					<u>2022</u>				
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>
Import/export trade and wholesale	3 880 (12.4)	3 510 (-13.9)	3 840 (4.8)	4 070 (27.9)	4 090 (41.9)	3 740 (-3.7)	2 920 (-16.9)	3 600 (-6.3)	4 110 (1.0)	4 310 (5.5)
<i>of which:</i>										
<i>Wholesale</i>	520 (13.1)	460 (-7.3)	500 (4.7)	610 (38.1)	510 (20.5)	600 (16.9)	320 (-31.2)	600 (21.2)	740 (22.3)	760 (49.9)
Retail	4 100 (33.9)	2 970 (-2.6)	3 450 (9.4)	4 710 (49.8)	5 270 (81.4)	4 900 (19.6)	3 710 (25.1)	4 880 (41.3)	5 000 (6.1)	6 030 (14.4)
Accommodation services ^(a)	1 200 (83.2)	700 (-0.6)	1 090 (53.9)	1 380 (94.5)	1 650 (225.5)	1 880 (56.0)	1 410 (100.7)	1 790 (63.4)	2 030 (47.9)	2 290 (38.7)
Food and beverage services	3 750 (72.3)	2 060 (-6.7)	3 230 (51.9)	4 380 (77.4)	5 310 (180.3)	4 520 (20.6)	2 410 (17.2)	4 700 (45.5)	5 540 (26.4)	5 420 (1.9)
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)	5 550 (91.5)	3 550 (41.1)	3 740 (27.5)	7 520 (191.6)	7 390 (107.4)
Information and communications	2 090 (9.5)	1 670 (-24.1)	1 930 (-5.5)	2 290 (31.8)	2 460 (49.6)	2 850 (36.8)	2 790 (67.6)	2 780 (44.2)	3 020 (31.9)	2 830 (14.8)
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)	17 590 (16.7)	16 580 (27.7)	17 020 (21.6)	18 540 (15.9)	18 210 (5.1)
<i>of which:</i>										
<i>Professional and business services (excluding cleaning and similar services)</i>	5 000 (19.6)	4 470 (-13.3)	4 460 (10.8)	5 390 (35.6)	5 690 (59.3)	6 040 (20.8)	6 010 (34.6)	5 890 (31.8)	6 100 (13.2)	6 180 (8.6)
Social and personal services	15 630 (38.3)	11 970 (5.1)	13 550 (16.3)	17 570 (52.9)	19 430 (82.3)	22 500 (44.0)	18 410 (53.8)	21 370 (57.8)	26 270 (49.5)	23 950 (23.2)
<i>of which:</i>										
<i>Education</i>	5 340 (37.2)	4 130 (12.0)	4 930 (18.9)	5 790 (47.4)	6 510 (71.3)	7 270 (36.1)	5 980 (44.7)	7 440 (51.0)	7 910 (36.5)	7 750 (19.0)
<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)	6 700 (79.4)	5 050 (109.8)	5 860 (171.7)	9 380 (94.1)	6 510 (17.4)
Manufacturing	1 030 (45.4)	690 (-9.0)	940 (24.4)	1 150 (50.7)	1 350 (139.5)	1 690 (63.8)	1 400 (103.6)	1 640 (74.8)	1 830 (59.7)	1 880 (39.4)
Construction sites (covering manual workers only)	190 (-22.0)	80 (-84.3)	250 (2.5)	160 (14.7)	260 (232.1)	520 (177.1)	270 (244.9)	630 (153.6)	640 (291.5)	540 (106.9)
All establishments surveyed in the private sector^(b)	50 080 (28.9)	39 350 (-6.9)	45 440 (16.2)	54 560 (40.2)	60 980 (74.0)	66 050 (31.9)	53 700 (36.5)	62 500 (37.5)	74 840 (37.2)	73 150 (20.0)
		<13.6>	<13.8>	<14.4>	<17.9>		<-10.9>	<14.6>	<13.3>	<3.9>
<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)	17 800 (13.7)	16 800 (10.9)	17 490 (12.5)	18 230 (14.2)	18 690 (16.9)

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

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

Diagram 5.5 : Manpower balance situation tightened further in December 2022



5.15 As an indication on the latest developments in the labour market, the number of job vacancies in the private sector received by the Labour Department (LD) rose by 1% over the preceding quarter to a monthly average of 102 100 in the first quarter of 2023. It was 71% higher than the level a year ago.

Wages and earnings

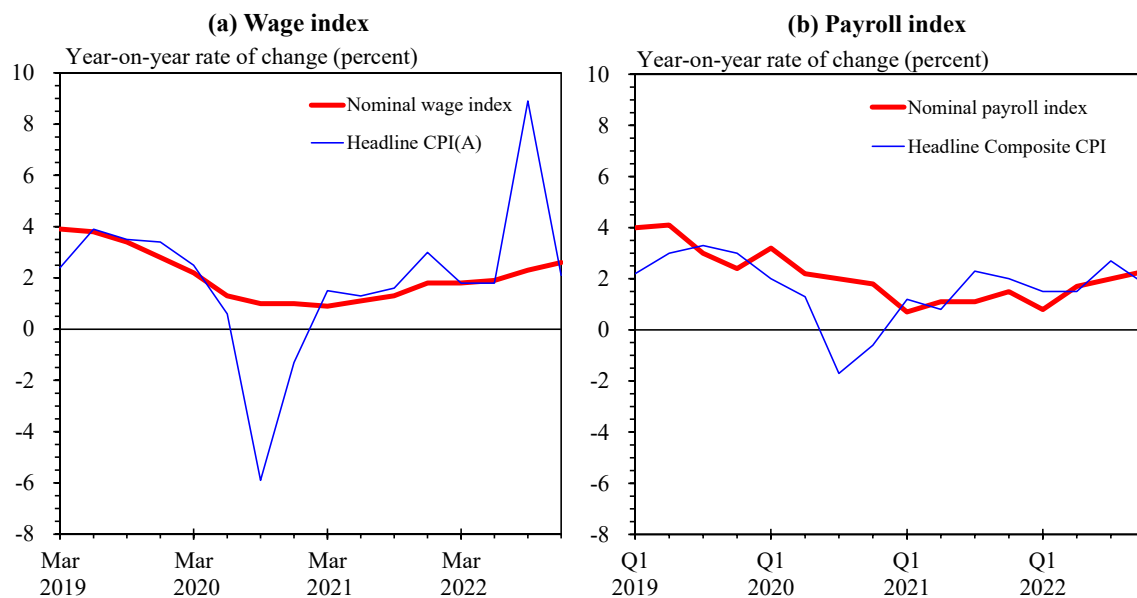
5.16 In the fourth quarter of 2022, both wages and labour earnings saw accelerated year-on-year increases in nominal terms and registered real improvement. The average nominal wage rate, as measured by the nominal wage index for all selected industry sections which covers regular payment to employees at the supervisory level or below, rose by 2.6% year-on-year in December 2022, faster than the increase of 2.3% three months ago. After discounting for *inflation*⁽⁷⁾, average wage rate increased by 0.5% in real terms in December.

5.17 The average nominal wage rates in all selected sectors and all occupations saw year-on-year increases in December 2022, notably for transportation (up 3.6%), financial and insurance activities (up 3.3%), real estate leasing and maintenance management (up 2.9%), craftsmen (up 3.2%) and clerical and secretarial workers (up 3.1%).

5.18 Nominal *labour earnings*⁽⁸⁾, as measured by the index of nominal payroll per person engaged for all selected industry sections which covers basic wage, overtime pay, discretionary bonuses and other irregular payments, increased by 2.3% year-on-year in the fourth quarter of 2022, also faster than the increase of 2.0% in the preceding quarter. After discounting for inflation, labour earnings increased by 0.5% in real terms in the fourth quarter.

5.19 Nominal payroll per person engaged in all selected sectors recorded year-on-year increases in the fourth quarter of 2022, particularly for transportation, storage, postal and courier services (up 4.1%), accommodation and food service activities (up 3.4%), professional and business services (up 3.2%), information and communications (up 3.1%), and financial and insurance activities (up 2.9%).

Diagram 5.6 : Nominal wages and labour earnings saw accelerated year-on-year increases in the fourth quarter 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.

5.20 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) increased further by 3.1% in nominal terms in the first quarter of 2023, though not as fast as the increase of 5.0% in the preceding quarter due to a higher base of comparison. The pace of increase continued to be faster than the headline inflation rate (as measured by the year-on-year rate of change in the headline Composite Consumer Price Index) of 1.9%. Meanwhile, the median monthly household income (excluding foreign domestic helpers) increased further by 4.1% in nominal terms in the first quarter, faster than the increase of 3.3% in the preceding quarter.

Highlights of labour-related measures and policy developments

5.21 To attract more talents from the Mainland and overseas to Hong Kong, the Top Talent Pass Scheme was launched on 28 December 2022. As of 18 April 2023, 24 000 applications were received and around 15 000 applications have been approved. Moreover, to further enrich the talent pool and attract more new capital to Hong Kong, the 2023-24 Budget announced that a new Capital Investment Entrant Scheme will be introduced, with details to be announced in due course.

5.22 To address the acute shortage of care workers in residential care home sector, the Government will launch a special scheme to import care workers for residential care homes in June 2023. The quota for importation under the scheme is capped at 7 000.

5.23 To incentivise employers to continue to hire mature employees, the 2023-24 Budget proposed to increase the tax deduction for the Mandatory Provident Fund (MPF) voluntary contributions made by employers for their employees aged 65 or above, from the current level of 100% to 200%.

5.24 The Chief Executive (CE) in Council adopted the recommendation of the Minimum Wage Commission (MWC) to raise the Statutory Minimum Wage (SMW) rate from \$37.5 per hour to \$40 per hour, an increase of \$2.5 or 6.7%. With the approval of the Legislative Council, the revised SMW rate came into force on 1 May 2023. LD is launching territory-wide publicity activities to enhance public awareness of the revised SMW rate. The CE also tasked MWC to conduct a study on how to enhance the review mechanism of SMW, and required MWC to submit a report on the study by end-October 2023. In this connection, MWC conducted the first-stage consultation to solicit views on the review mechanism of SMW from late March to late April.

Notes :

- (1) Labour force statistics enumerated from the General Household Survey are statistics which involve the use of the population figures in the compilation process. The statistics of the three-month periods of May – July 2021 to October – December 2021 have been revised to take into account the final end-2021 population estimates.

The classification of occupation adopted by the Census and Statistics Department follows the International Standard Classification of Occupations (ISCO), which is used to classify the occupation of an employed person or the previous occupation of an unemployed person. The occupation classification adopted in the General Household Survey has been enhanced since January – March 2022 to follow the International Standard Classification of Occupations 2008 (ISCO-08) more closely. The series has been backcasted to the quarter of January – March 2016. Starting from the reference quarter of January – March 2016, all the labour force statistics by occupation, unless otherwise specified, are compiled based on the revised classification.

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

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

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

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

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

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

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

- (6) The low-paying sectors as identified by the Minimum Wage Commission include:
- (i) retail (including supermarkets and convenience stores, and other retail stores);
 - (ii) food and beverage services (including Chinese restaurants, non-Chinese restaurants, fast food cafes, Hong Kong style tea cafes, and other food and beverage services);
 - (iii) estate management, security and cleaning services (including real estate maintenance management, security services, cleaning services and membership organisations);
 - (iv) other low-paying sectors, including
 - elderly homes;
 - laundry and dry cleaning services;
 - hairdressing and other personal services;
 - local courier services; and
 - food processing and production.
- (7) Different consumer price indices (CPIs) are used for compiling the real indices of labour earnings and wages, taking into account their relevance to the respective occupation coverage. Specifically, the headline Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for earnings received by employees at all levels of the occupational hierarchy. The headline CPI(A), being an indicator of consumer prices for the relatively low expenditure group, is taken as the price deflator for wages in respect of employees engaged in occupations up to the supervisory level.
- (8) In addition to wages, which include all regular and guaranteed payments like basic pay and stipulated bonuses and allowances, earnings also cover overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in sectoral and occupational coverage, the movements in average earnings, as measured by payroll per person engaged, do not necessarily match closely with those in wage rates.

CHAPTER 6 : PRICES

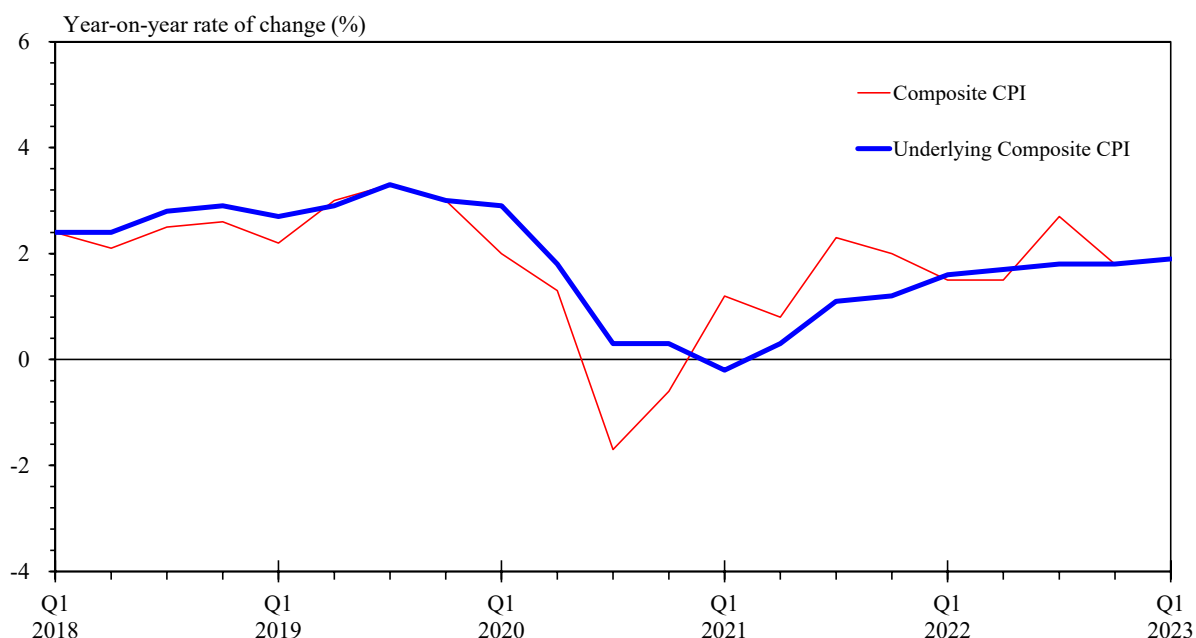
Summary

- *Consumer price inflation edged up while remaining moderate in overall terms in the first quarter of 2023. Prices of energy-related items soared further year-on-year. Prices of meals out and takeaway food, and clothing and footwear continued to increase notably. Nevertheless, price pressures on other major components were broadly in check. Private housing rentals continued to decline. The underlying Composite Consumer Price Index (Composite CPI)⁽¹⁾, which nets out the effects of the Government's one-off relief measures, rose by 1.9% year-on-year in the first quarter, slightly faster than the 1.8% increase in the preceding quarter. The increase in the headline Composite CPI also inched up from 1.8% to 1.9%.*
- *Domestic business cost pressures stayed largely mild. Wage growth remained moderate, while commercial rentals continued to be soft.*
- *External price pressures remained notable. As inflation in many major economies⁽²⁾ stayed high despite some deceleration, prices of overall merchandise imports continued to increase noticeably year-on-year.*

Consumer prices

6.1 Consumer price inflation edged up while remaining moderate in overall terms in the first quarter of 2023. Prices of energy-related items soared further year-on-year. Prices of meals out and takeaway food, and clothing and footwear continued to increase notably. Nevertheless, price pressures on other major components were broadly in check. Private housing rentals continued to decline. Domestic business cost pressures stayed largely mild, as wage growth remained moderate while commercial rentals continued to be soft. External price pressures remained notable. As inflation in many major economies stayed high despite some deceleration, prices of overall merchandise imports continued to increase noticeably year-on-year.

Diagram 6.1: Consumer price inflation edged up while remaining moderate in overall terms in the first quarter of 2023



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

6.2 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, edged up from 1.8% in the preceding quarter to 1.9% in the first quarter of 2023. The headline Composite CPI inflation rate also inched up from 1.8% to 1.9%.

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

		<u>Composite CPI</u>		<u>CPI(A)</u>	<u>CPI(B)</u>	<u>CPI(C)</u>
		<u>Underlying^(a)</u>	<u>Headline</u>			
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
2023	Q1	1.9	1.9	2.0	1.8	2.0

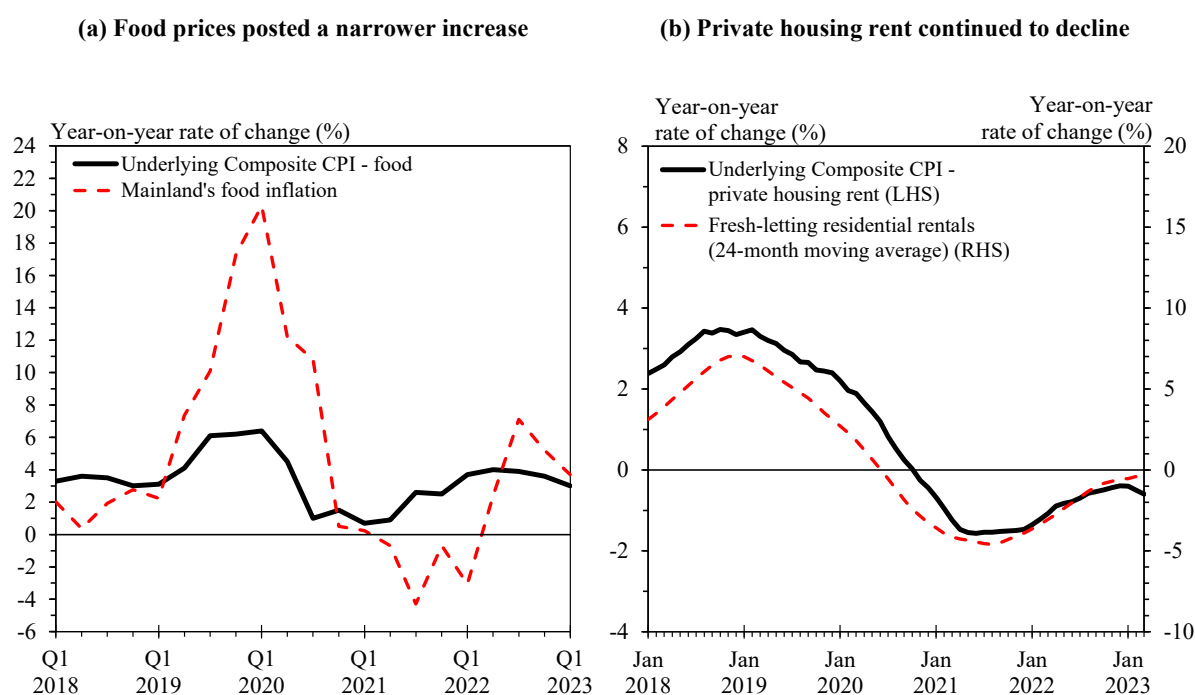
(seasonally adjusted quarter-to-quarter rate of change (%))

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
2023	Q1	0.7	0.7	0.7	0.6	0.7

Note : (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.

6.3 Analysed by major component of the underlying Composite CPI, food prices, the component with the largest weight other than housing, posted a narrower year-on-year increase of 3.0% in the first quarter of 2023, as prices of basic food rose by a meagre 0.8% against a high base of comparison caused by the epidemic-induced supply disruptions in the early part of 2022. On the other hand, the increase in prices of meals out and takeaway food accelerated to 4.4% amid the strong revival of consumer demand. Prices of electricity, gas and water soared further, reflecting the increase in electricity tariff from the start of this year. Prices of clothing and footwear continued to increase notably. Prices of alcoholic drinks and tobacco rose markedly faster alongside the increase in tobacco duty. Prices of miscellaneous services continued to increase moderately. Prices of transport saw a slower increase, while those of miscellaneous goods recorded a modest increase. Prices of durable goods fell moderately. The private housing rental component continued to decline by 0.5% as fresh-letting residential rentals remained largely soft.

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



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

Diagram 6.3 (a) : Prices of energy-related items soared further, while those of meals out and takeaway food, and clothing and footwear continued to increase notably

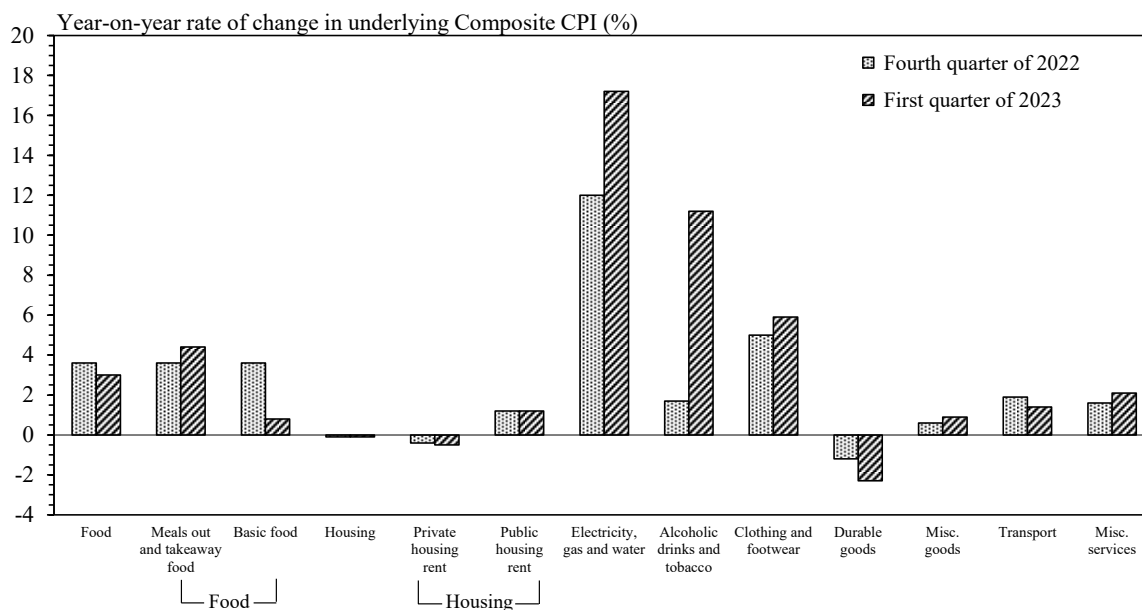
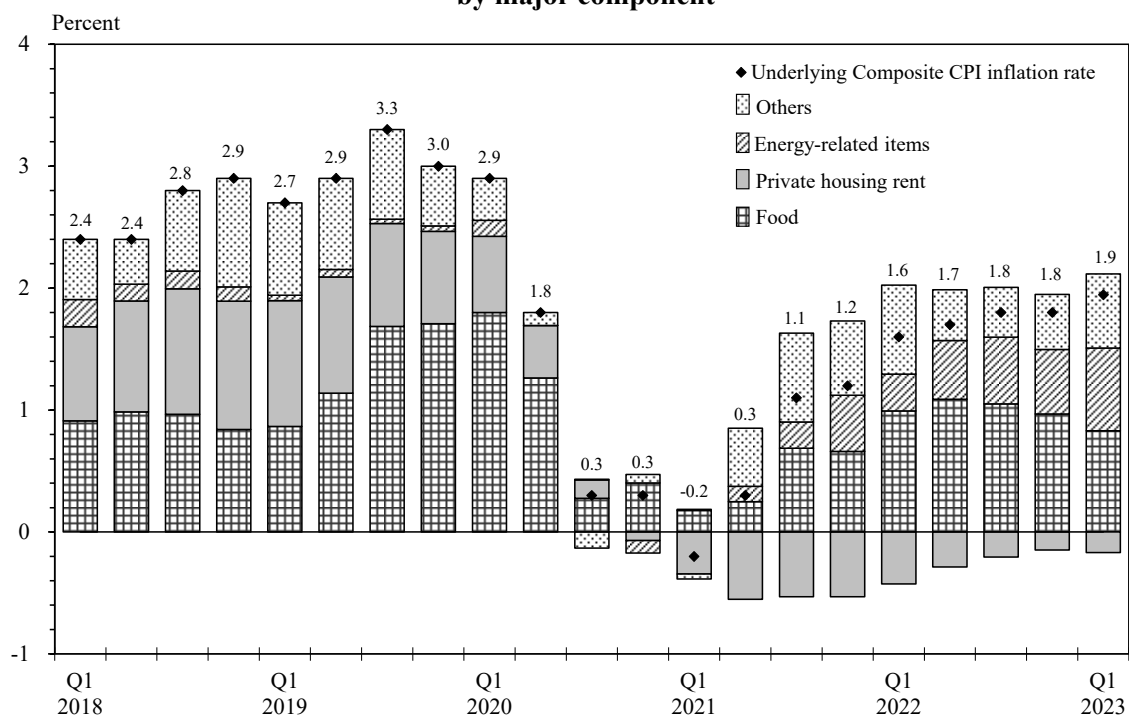


Diagram 6.3 (b) : Contribution to underlying Composite CPI inflation rate by major component



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

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

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

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>2021</u>		<u>2022</u>				<u>2023</u>
		<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Food	27.41	1.7	3.8	3.7	4.0	3.9	3.6	3.0
<i>Meals out and takeaway food</i>	17.05	1.8	3.4	3.1	3.4	3.4	3.6	4.4
<i>Basic food</i>	10.36	1.4	4.5	4.6	5.0	4.7	3.6	0.8
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 (*)	-0.1 (-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)	-0.5 (-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)	1.2 (0.7)
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)	17.2 (20.4)
Alcoholic drinks and tobacco	0.49	0.1	1.3	0.3	1.5	1.8	1.7	11.2
Clothing and footwear	2.42	3.3	5.3	6.1	4.9	5.1	5.0	5.9
Durable goods	4.00	1.0	0.6	1.7	1.6	0.4	-1.2	-2.3
Miscellaneous goods	3.32	-3.1	0.4	-0.2	0.4	0.6	0.6	0.9
Transport	6.17	2.6	2.9	6.1	1.8	1.8	1.9	1.4
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)	2.1 (2.2)
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)	1.9 (1.9)

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.

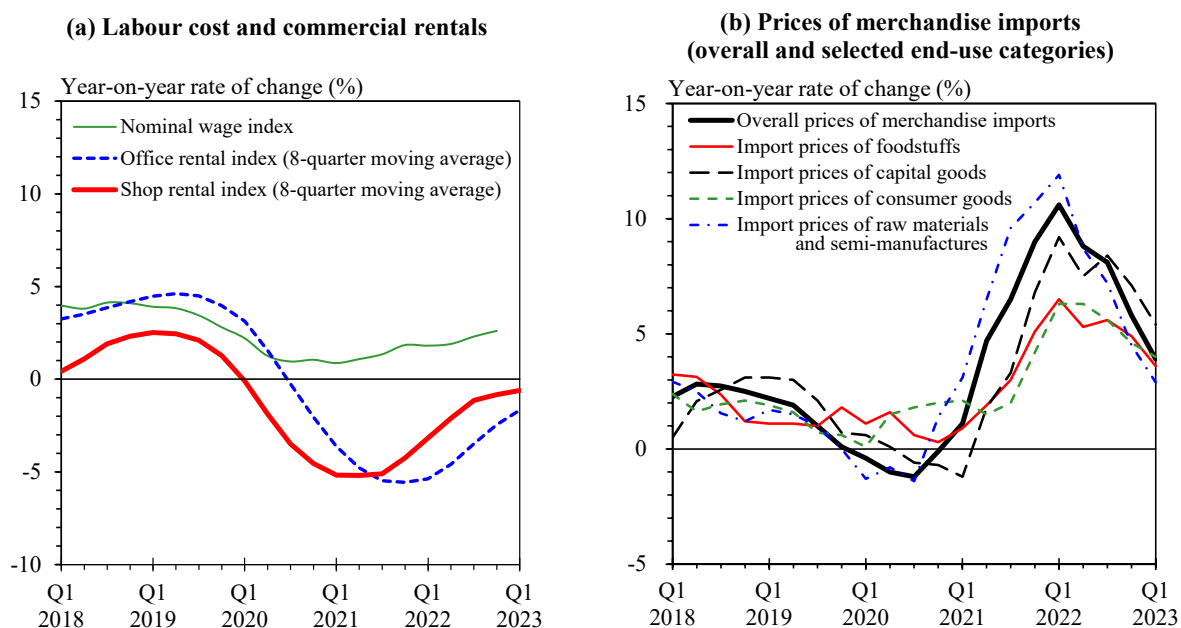
() Figures in brackets represent the headline rates of change before netting out the effects of the Government's one-off relief measures.

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

Costs of factor inputs and import prices

6.4 Domestic business cost pressures stayed largely mild in the first quarter of 2023. Wage growth remained moderate. Commercial rentals faced by businesses continued to be soft. As a proxy, the eight-quarter moving averages of office rentals and shop rentals declined by 1.7% and 0.6% in the first quarter respectively, though the decreases narrowed as business activities continued to revive.

Diagram 6.4 : Domestic cost pressures stayed largely mild, whereas external price pressures remained notable



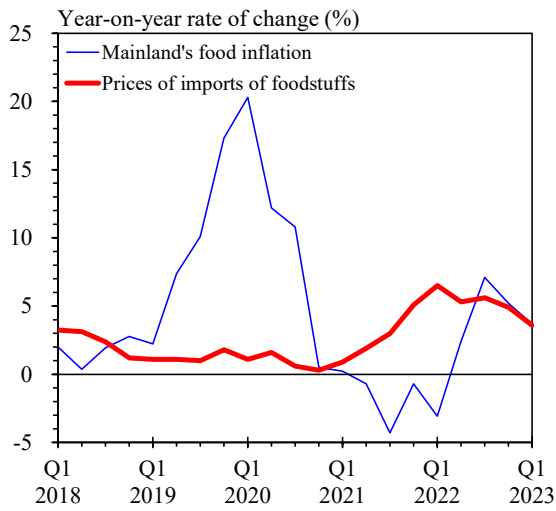
6.5 External price pressures remained notable in the first quarter of 2023. Inflation in many major economies stayed high, though it showed some deceleration amid easing international energy and commodity prices from the high levels last year. Prices of merchandise imports rose noticeably by 3.9% year-on-year, after a 5.8% increase in the preceding quarter. Import prices of fuels rose notably further by 5.4%, though much smaller than the 26.8% rise in the preceding quarter. Import prices of capital goods continued to record a notable albeit moderated increase of 5.4%. The increases in import prices of consumer goods, foodstuffs, and raw materials and semi-manufactures moderated to 4.0%, 3.6% and 2.9% respectively.

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

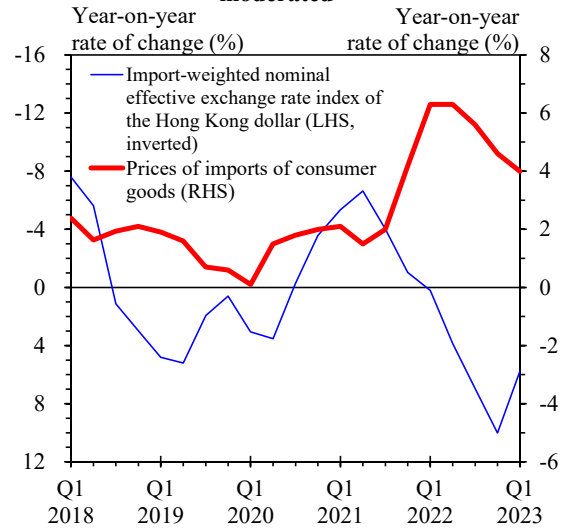
		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2022	Annual	5.6	5.6	7.9	49.8	7.8	8.1
	H1	5.9	6.3	10.2	61.9	8.3	9.7
	H2	5.2	5.0	5.9	41.1	7.7	6.9
	Q1	6.5	6.3	11.9	53.0	9.2	10.6
	Q2	5.3	6.3	8.7	71.3	7.5	8.8
	Q3	5.6	5.6	7.2	56.8	8.4	8.1
	Q4	4.9	4.6	4.5	26.8	7.1	5.8
2023	Q1	3.6	4.0	2.9	5.4	5.4	3.9

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

(a) Import prices of foodstuffs rose at a decelerated rate

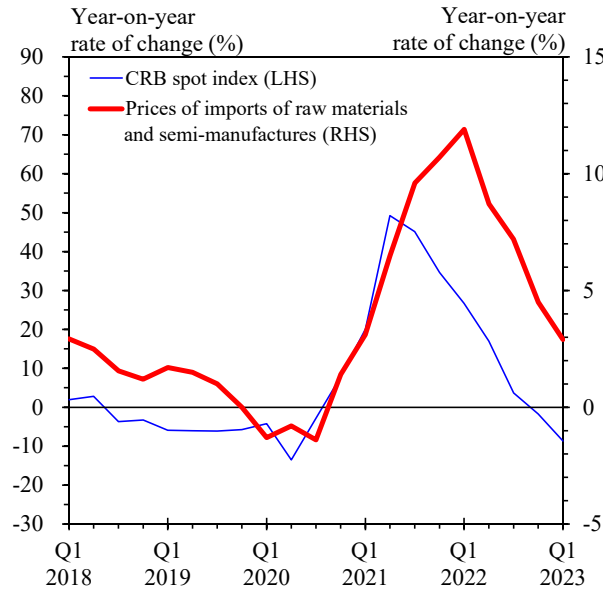


(b) Increase in import prices of consumer goods moderated

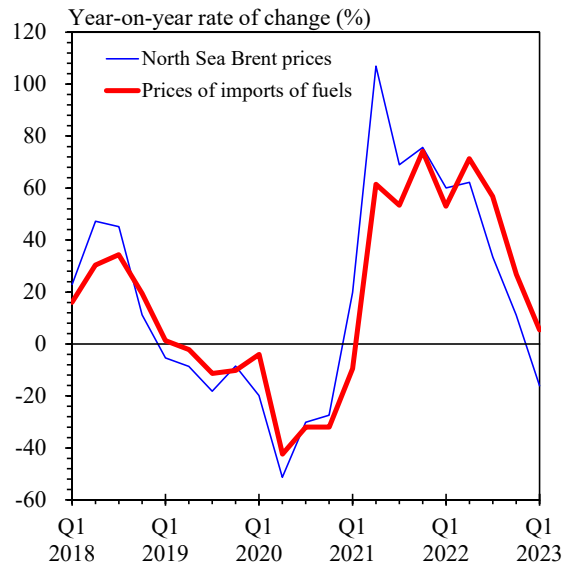


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) Import prices of raw materials and semi-manufactures saw a moderated increase



(d) Import prices of fuels rose notably further



Output prices

6.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, saw mixed movements across various sectors in 2022. Output prices for the manufacturing sector rose modestly. Among the selected service sectors, output prices for accommodation services and land transport showed accelerated increases, though the former remained below the pre-pandemic level. Increases in output prices for air transport and water transport moderated significantly amid weak trade performance. On the other hand, output prices for courier services declined further, while those for telecommunications services continued their secular downtrend.

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

<u>Industry group</u>	<u>Annual</u>	<u>2021</u>				<u>Annual</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>
Manufacturing	1.2	1.9	2.7	-0.8	1.2	0.8	2.3	0.8	0.4	-0.3
Selected service sectors										
Accommodation services	3.3	-4.0	4.1	7.2	6.6	13.0	8.9	12.2	17.2	13.6
Land transport	2.7	-5.2	1.1	7.5	7.8	9.5	9.4	10.8	9.4	8.5
Water transport	63.2	34.4	57.0	76.6	82.2	18.1	57.0	40.0	10.2	-17.0
Air transport	36.7	18.9	30.3	34.7	59.1	2.8	42.8	17.8	-1.7	-29.5
Telecommunications	-1.7	-1.7	-1.6	-2.7	-0.6	-1.3	-0.6	-0.8	-1.8	-2.2
Courier services	-1.9	2.1	-1.1	-3.7	-4.4	-4.5	-4.1	-4.1	-4.0	-5.8

GDP deflator

6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*⁽⁴⁾ rose by 1.8% in the first quarter over a year earlier, after a 1.7% increase in the preceding quarter. The *terms of trade*⁽⁵⁾ deteriorated as import prices rose faster than export prices. Taking out the external trade components, the domestic demand deflator increased by 3.0% in the first quarter, after rising by 2.5% in the preceding quarter.

Diagram 6.6: GDP deflator

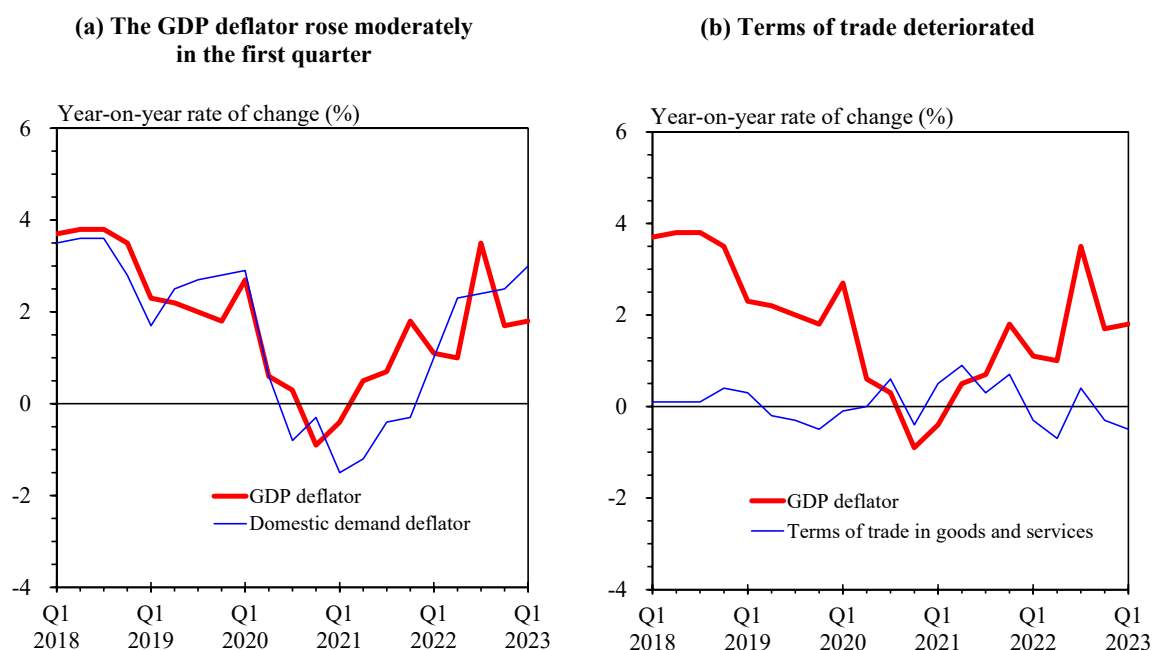


Table 6.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))

	<u>2021</u>			<u>2022</u>			<u>2023</u>
	<u>Annual</u> [#]	<u>Annual</u> [#]	<u>Q1</u> [#]	<u>Q2</u> [#]	<u>Q3</u> [#]	<u>Q4</u> [#]	<u>Q1</u> [#]
Private consumption expenditure	-0.6	2.2	0.9	2.0	2.9	3.0	4.5
Government consumption expenditure	0.7	2.7	1.7	4.0	3.2	2.0	2.6
Gross domestic fixed capital formation	-2.1	1.3	*	4.5	1.3	-0.6	-1.4
Total exports of goods ^{&}	5.1	6.8	9.3	7.0	7.1	4.6	3.7
Imports of goods ^{&}	4.9	7.4	10.2	8.3	6.9	4.8	3.6
Exports of services ^{&}	14.5	7.1	13.7	11.7	4.3	-0.1	-3.8
Imports of services ^{&}	9.9	4.7	9.4	8.1	1.6	0.6	0.8
Gross Domestic Product	0.7	1.8	1.1 <0.2>	1.0 <0.3>	3.5 <2.7>	1.7 <-1.6>	1.8 <0.5>
Total final demand ^{&}	3.7	5.2	6.9	5.8	5.3	3.3	2.5
Domestic demand	-0.8	2.1	1.0	2.3	2.4	2.5	3.0
Terms of trade in goods and services ^{&}	0.6	-0.2	-0.3	-0.7	0.4	-0.3	-0.5

Notes : Figures are derived based on the series of chain volume measures of GDP. They are subject to revision later on as more data become available.

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

(#) Revised figures.

< > Seasonally adjusted quarter-to-quarter rate of change.

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

Notes :

- (1) The Consumer Price Indices (A), (B) and (C) are compiled 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 households covered (%)	Average monthly expenditure range during Oct 2019 to Sep 2020 (\$)
CPI(A)	50	6,500 to 27,999
CPI(B)	30	28,000 to 48,499
CPI(C)	10	48,500 to 91,999

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

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

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

	<u>2021</u>					<u>2022</u>					<u>2023</u>
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Selected developed economies											
US [^]	3.6	1.4	3.7	4.1	5.0	6.2	6.3	6.0	6.3	6.0	5.6
Canada	3.4	1.4	3.3	4.1	4.7	6.8	5.8	7.5	7.2	6.7	5.1
EU	2.9	1.4	2.2	3.1	4.9	9.2	6.5	8.8	10.3	11.0	9.4
Japan	-0.2	-0.5	-0.7	-0.2	0.5	2.5	0.9	2.4	2.9	3.9	3.6
Selected major emerging economies											
Mainland China	0.9	*	1.1	0.8	1.8	2.0	1.1	2.2	2.7	1.8	1.3
Russia	6.7	5.6	6.0	6.9	8.3	13.8	11.6	17.0	14.3	12.2	8.6
India	5.1	4.9	5.6	5.1	5.0	6.7	6.3	7.3	7.0	6.1	6.2
Brazil	8.3	5.3	7.7	9.6	10.5	9.3	10.7	11.9	8.6	6.1	5.3
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	1.9
Singapore	2.3	0.8	2.3	2.5	3.7	6.1	4.6	5.9	7.3	6.6	6.1
Taiwan	2.0	0.8	2.1	2.3	2.7	2.9	2.8	3.5	2.9	2.6	2.6
Korea	2.5	1.4	2.5	2.5	3.5	5.1	3.8	5.4	5.9	5.2	4.7
Malaysia	2.5	0.5	4.2	2.1	3.2	3.4	2.2	2.8	4.5	3.9	3.6
Thailand	1.2	-0.5	2.4	0.7	2.4	6.1	4.7	6.5	7.3	5.8	3.9
Indonesia	1.6	1.4	1.5	1.6	1.8	4.2	2.3	3.8	5.2	5.5	5.2
Philippines	3.9	4.0	4.0	4.1	3.6	5.8	3.4	5.5	6.5	7.9	8.3
Vietnam	1.8	0.3	2.7	2.5	1.9	3.2	1.9	3.0	3.3	4.4	4.2
Macao	*	-1.0	-0.4	0.5	1.0	1.0	1.0	1.2	1.2	0.8	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

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**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
<i>Per capita GDP (\$)</i>	<i>297,860</i>	<i>312,609</i>	<i>328,924</i>	<i>339,476</i>	<i>359,737</i>	<i>380,462</i>
GNI	2,178,824	2,306,612	2,442,656	2,553,191	2,775,163	2,970,244
<i>Per capita GNI (\$)</i>	<i>303,504</i>	<i>319,056</i>	<i>335,010</i>	<i>348,007</i>	<i>375,367</i>	<i>398,551</i>
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>2022</u>		<u>2023</u>
					Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]
Private consumption expenditure	1,973,720	1,775,202	1,863,260	1,881,744	476,440	466,590	513,707	501,698
Government consumption expenditure	309,437	341,052	363,545	403,819	100,078	98,944	100,609	107,843
Gross domestic fixed capital formation	520,575	455,695	483,013	451,419	123,002	107,157	114,708	111,083
Building and construction	278,091	254,459	259,882	277,306	69,187	66,649	70,851	67,406
Costs of ownership transfer Machinery, equipment and intellectual property products	49,209	40,071	53,278	29,441	9,049	7,638	4,997	8,600
	193,275	161,165	169,853	144,672	44,766	32,870	38,860	35,077
Changes in inventories	-3,067	52,221	-1,909	-29,722	17,900	-8,726	-22,318	-9,539
Total exports of goods ^{&}	4,255,098	4,198,338	5,236,005	4,813,750	1,212,489	1,228,550	1,153,652	1,027,426
Imports of goods ^{&}	4,375,619	4,239,663	5,211,334	4,858,579	1,290,225	1,213,254	1,152,415	1,066,112
Exports of services ^{&}	799,121	519,205	615,069	649,345	153,805	162,629	164,782	188,407
Imports of services ^{&}	634,243	426,257	480,027	493,730	116,244	120,717	138,037	144,169
GDP	2,845,022	2,675,793	2,867,622	2,818,046	677,245	721,173	734,688	716,637
<i>Per capita GDP (\$)</i>	<i>378,937</i>	<i>357,679</i>	<i>386,832</i>	<i>383,611</i>	--	--	--	--
GNI	2,988,739	2,831,876	3,066,354	3,017,572	755,260	784,021	770,106	N.A.
<i>Per capita GNI (\$)</i>	<i>398,079</i>	<i>378,542</i>	<i>413,640</i>	<i>410,772</i>	--	--	--	--
Total final demand	7,854,884	7,341,713	8,558,983	8,170,355	2,083,714	2,055,144	2,025,140	1,926,918
Total final demand excluding re-exports ^(a)	4,602,059	4,099,539	4,454,025	4,407,055	1,118,253	1,093,349	1,142,888	1,147,093
Domestic demand	2,800,665	2,624,170	2,707,909	2,707,260	717,420	663,965	706,706	711,085
Private	2,359,687	2,147,406	2,201,837	2,133,733	578,446	529,652	562,048	555,142
Public	440,978	476,764	506,072	573,527	138,974	134,313	144,658	155,943
External demand	5,054,219	4,717,543	5,851,074	5,463,095	1,366,294	1,391,179	1,318,434	1,215,833

- 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.

**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>			<u>2023</u>	Average annual rate of change:	
					Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]	10 years 2012 to 2022 [#]	5 years 2017 to 2022 [#]
Private consumption expenditure	-0.8	-10.6	5.6	-1.2	-0.2	-0.4	1.7	13.0	1.7	-0.5
Government consumption expenditure	5.1	7.9	5.9	8.2	12.6	5.4	9.1	0.9	4.7	6.2
Gross domestic fixed capital formation	-14.9	-11.1	8.3	-7.7	-1.2	-14.2	-8.9	5.8	-2.4	-5.1
Building and construction	-10.8	-9.1	-0.5	5.1	9.1	2.5	7.2	-4.0	-0.5	-3.3
Costs of ownership transfer	-13.4	-4.0	36.3	-41.0	-39.5	-40.9	-50.0	24.7	-6.7	-9.9
Machinery, equipment and intellectual property products	-20.8	-16.0	15.2	-16.8	-1.5	-28.8	-21.2	24.0	-4.5	-7.0
Total exports of goods ^{&}	-5.5	-1.4	18.7	-13.9	-8.5	-15.9	-24.9	-18.7	1.3	-0.3
Imports of goods ^{&}	-8.2	-3.2	17.2	-13.2	-6.0	-16.5	-22.9	-14.4	1.0	-1.1
Exports of services ^{&}	-9.6	-34.8	3.4	-1.4	2.7	-4.0	0.6	16.5	-3.9	-8.9
Imports of services ^{&}	0.1	-32.2	2.5	-1.7	-1.5	-3.2	1.2	20.4	-3.0	-6.8
GDP	-1.7	-6.5	6.4	-3.5	-1.2	-4.6	-4.1	2.7	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	-3.7	-4.3	-3.3	-3.2	N.A.	2.0	0.1
Per capita RGNI	-2.4	-5.4	9.9	-2.9	--	--	--	--	1.7	0.2
Total final demand	-5.3	-6.7	12.4	-9.3	-4.2	-11.8	-15.3	-6.3	0.8	-1.3
Total final demand excluding re-exports ^(a)	-5.0	-11.1	6.0	-4.7	-0.4	-7.5	-4.5	7.0	-0.1	-2.4
Domestic demand	-3.7	-6.9	4.1	-2.1	2.7	-5.6	1.1	11.5	1.1	-0.9
Private	-4.6	-9.3	3.8	-4.9	0.1	-8.1	-1.0	15.9	0.5	-2.2
Public	1.5	6.2	5.2	10.1	15.3	5.9	10.2	-1.7	4.2	5.0
External demand	-6.1	-6.7	17.0	-12.6	-7.4	-14.6	-22.4	-14.5	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	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share
Agriculture, fishing, mining and quarrying	1,736	0.1	1,762	0.1	2,057	0.1	2,648	0.1	2,168	0.1
Manufacturing	27,299	1.1	27,571	1.0	29,366	1.1	25,525	1.0	26,175	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	36,348	1.3
Construction	129,714	5.1	120,473	4.5	114,499	4.2	104,262	4.1	109,254	4.0
Services	2,357,359	92.4	2,514,947	93.1	2,560,716	93.4	2,392,895	93.4	2,571,900	93.7
<i>Import/export, wholesale and retail trades</i>	<i>548,636</i>	<i>21.5</i>	<i>575,103</i>	<i>21.3</i>	<i>533,352</i>	<i>19.5</i>	<i>471,246</i>	<i>18.4</i>	<i>532,715</i>	<i>19.4</i>
<i>Accommodation and food services</i>	<i>83,507</i>	<i>3.3</i>	<i>91,525</i>	<i>3.4</i>	<i>75,918</i>	<i>2.8</i>	<i>36,934</i>	<i>1.4</i>	<i>45,394</i>	<i>1.7</i>
<i>Transportation, storage, postal and courier services</i>	<i>153,359</i>	<i>6.0</i>	<i>158,440</i>	<i>5.9</i>	<i>151,574</i>	<i>5.5</i>	<i>113,951</i>	<i>4.5</i>	<i>200,986</i>	<i>7.3</i>
<i>Information and communications</i>	<i>86,891</i>	<i>3.4</i>	<i>91,449</i>	<i>3.4</i>	<i>95,557</i>	<i>3.5</i>	<i>93,759</i>	<i>3.7</i>	<i>99,514</i>	<i>3.6</i>
<i>Financing and insurance</i>	<i>480,488</i>	<i>18.8</i>	<i>535,126</i>	<i>19.8</i>	<i>581,499</i>	<i>21.2</i>	<i>599,797</i>	<i>23.4</i>	<i>583,613</i>	<i>21.3</i>
<i>Real estate, professional and business services</i>	<i>274,822</i>	<i>10.8</i>	<i>280,843</i>	<i>10.4</i>	<i>276,497</i>	<i>10.1</i>	<i>244,337</i>	<i>9.5</i>	<i>250,306</i>	<i>9.1</i>
<i>Public administration, social and personal services</i>	<i>465,488</i>	<i>18.2</i>	<i>499,433</i>	<i>18.5</i>	<i>537,238</i>	<i>19.6</i>	<i>529,457</i>	<i>20.7</i>	<i>561,557</i>	<i>20.5</i>
<i>Ownership of premises</i>	<i>264,166</i>	<i>10.4</i>	<i>283,028</i>	<i>10.5</i>	<i>309,081</i>	<i>11.3</i>	<i>303,414</i>	<i>11.8</i>	<i>297,816</i>	<i>10.8</i>
GDP at basic prices	2,551,086	100.0	2,700,413	100.0	2,740,721	100.0	2,560,655	100.0	2,745,846	100.0
Taxes on products	110,698	--	117,825	--	93,623	--	102,066	--	138,757	--
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	--	2,867,622	--

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

(#) 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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>	<u>2022</u>			
							Q1 [#]	Q2 [#]	Q3 [#]	Q4 [#]
Agriculture, fishing, mining and quarrying	-5.2	-1.8	-0.8	3.8	-2.5	-6.0	-8.5	-9.0	-5.1	-0.7
Manufacturing	0.4	1.3	0.4	-5.8	5.5	0.2	-1.3	2.7	-0.5	-0.1
Electricity, gas and water supply, and waste management	0.9	0.1	-0.5	-14.2	3.7	-2.5	0.7	-6.7	-1.3	-2.2
Construction	-1.3	3.3	-9.7	-11.7	-0.6	5.8	4.1	9.2	2.0	8.0
Services	3.5	3.1	-0.6	-6.7	5.9	-3.1	-3.2	-1.5	-3.3	-4.2
<i>Import/export,</i> <i>wholesale and retail trades</i>	4.2	4.2	-7.5	-15.0	13.3	-12.1	-7.1	-6.4	-12.8	-19.7
<i>Accommodation and</i> <i>food services</i>	2.0	5.9	-11.7	-44.8	22.6	-10.8	-28.4	-4.9	-7.4	-6.0
<i>Transportation, storage,</i> <i>postal and courier services</i>	4.8	2.5	-1.7	-36.9	7.7	-4.6	-10.6	-3.4	-5.2	1.0
<i>Information and</i> <i>communications</i>	4.0	4.1	4.7	1.7	2.6	0.8	0.6	1.6	0.2	0.8
<i>Financing and insurance</i>	5.3	4.0	3.4	4.0	4.7	-0.1	-0.6	1.8	-1.9	0.3
<i>Real estate, professional and</i> <i>business services</i>	2.1	-0.4	-0.2	-4.6	2.1	-2.7	-5.0	-1.0	-2.2	-2.4
<i>Public administration, social</i> <i>and personal services</i>	3.2	3.6	3.2	-2.3	4.4	0.7	-0.3	*	1.5	1.7
<i>Ownership of premises</i>	0.9	1.0	0.6	-0.3	1.2	0.6	0.3	0.2	0.9	1.0
Taxes on products	13.7	-3.9	-11.3	17.6	22.3	-15.8	-18.4	-14.8	-25.7	-2.1
GDP in chained (2021) dollars	3.8	2.8	-1.7	-6.5	6.4	-3.5	-3.9	-1.2	-4.6	-4.1

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

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

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

	(\$Mn)								
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>	<u>2022</u>			
						Q1 [#]	Q2 [#]	Q3 [#]	Q4 [#]
Current account ^(a)	105,942	166,482	187,012	339,429	296,871	86,269	34,677	116,263	59,662
Goods	-252,997	-120,521	-41,325	24,671	-44,829	16,374	-77,736	15,296	1,237
Services	246,936	164,878	92,948	135,042	155,615	49,397	37,561	41,912	26,745
Primary income	134,815	143,717	156,083	198,732	199,526	23,246	78,015	62,848	35,418
Secondary income	-22,813	-21,592	-20,694	-19,017	-13,441	-2,748	-3,163	-3,792	-3,738
Capital and financial account ^(a)	-175,081	-237,439	-243,929	-373,593	-289,826	-48,483	-60,124	-147,863	-33,356
Capital account	-1,574	-682	-90	-10,363	1,287	935	822	-89	-382
Financial account	-173,507	-236,756	-243,839	-363,230	-291,113	-49,418	-60,946	-147,774	-32,975
Financial non-reserve assets	-165,948	-245,612	19,211	-372,371	-658,325	-101,908	-220,753	-286,160	-49,504
<i>Direct investment</i>	172,795	160,730	263,703	340,141	110,712	-101,564	62,304	25,043	124,929
<i>Portfolio investment</i>	-616,428	-215,764	-528,049	-620,493	-415,531	145,052	-177,904	-239,172	-143,507
<i>Financial derivatives</i>	33,202	1,239	18,790	45,126	138,760	16,086	14,113	56,206	52,355
<i>Other investment</i>	244,483	-191,817	264,766	-137,145	-492,266	-161,482	-119,265	-128,237	-83,281
Reserve assets	-7,559	8,855	-263,050	9,142	367,212	52,489	159,808	138,386	16,529
Net errors and omissions	69,139	70,957	56,918	34,164	-7,045	-37,786	25,447	31,600	-26,306
Overall Balance of Payments	7,559	-8,855	263,050	-9,142	-367,212	-52,489	-159,808	-138,386	-16,529

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

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

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

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

	(\$Mn)								
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>		<u>2022</u>		<u>2023</u>
						Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]
Total exports of goods	4,453,350	4,255,098	4,198,338	5,236,005	4,813,750	1,212,489	1,228,550	1,153,652	1,027,426
Imports of goods	4,706,347	4,375,619	4,239,663	5,211,334	4,858,579	1,290,225	1,213,254	1,152,415	1,066,112
Goods trade balance	-252,997 (-5.4)	-120,521 (-2.8)	-41,325 (-1.0)	24,671 (0.5)	-44,829 (-0.9)	-77,736 (-6.0)	15,296 (1.3)	1,237 (0.1)	-38,686 (-3.6)
Exports of services	886,883	799,121	519,205	615,069	649,345	153,805	162,629	164,782	188,407
Imports of services	639,947	634,243	426,257	480,027	493,730	116,244	120,717	138,037	144,169
Services trade balance	246,936 (38.6)	164,878 (26.0)	92,948 (21.8)	135,042 (28.1)	155,615 (31.5)	37,561 (32.3)	41,912 (34.7)	26,745 (19.4)	44,238 (30.7)
Exports of goods and services	5,340,233	5,054,219	4,717,543	5,851,074	5,463,095	1,366,294	1,391,179	1,318,434	1,215,833
Imports of goods and services	5,346,294	5,009,862	4,665,920	5,691,361	5,352,309	1,406,469	1,333,971	1,290,452	1,210,281
Goods and services trade balance	-6,061 <-0.1>	44,357 <0.9>	51,623 <1.1>	159,713 <2.8>	110,786 <2.1>	-40,175 <-2.9>	57,208 <4.3>	27,982 <2.2>	5,552 <0.5>

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 7 : 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>	<u>2022</u>	<u>2022</u>	<u>2023</u>
							Q2	Q3	Q4	Q1
	(% change)			(% change)		(\$Mn)	(% change over a year earlier)			
All markets	7.3	-4.1	-1.5	26.3	-8.6	4,531,650	-2.4	-10.9	-21.7	-17.7
Mainland of China	8.6	-3.3	5.1	27.0	-12.9	2,570,757	-10.1	-13.2	-25.0	-23.8
United States	8.1	-14.8	-14.9	19.6	-5.5	292,705	13.8	-16.1	-24.3	-9.4
India	-15.3	-12.0	-17.6	36.6	29.0	171,673	83.1	20.1	-7.3	-14.9
Taiwan	-3.6	2.4	11.6	46.0	7.2	154,167	14.3	3.0	-18.1	-19.7
Vietnam	4.5	-3.6	5.3	22.2	8.9	112,424	28.8	13.3	-19.6	-16.5
Japan	0.7	-6.4	-9.7	8.7	-13.8	102,488	-11.4	-18.7	-31.7	-29.1
United Arab Emirates	-7.7	7.1	-0.4	38.8	35.3	94,974	35.3	45.7	38.5	23.1
Singapore	13.3	4.1	-17.5	17.7	18.6	82,916	27.5	22.7	-1.3	-25.1
Korea	2.1	-2.3	-7.6	42.7	9.2	81,435	23.8	10.1	-4.7	1.8
Netherlands	11.5	-4.4	-5.2	22.8	0.1	79,475	12.4	-7.1	-4.6	31.2
Rest of the world	11.3	-2.0	-11.1	24.5	-13.0	788,635	-4.8	-19.2	-21.6	-8.5

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

**Table 8 : Imports of goods by source
(in value terms)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		<u>2023</u>	
							Q2	Q3	Q4	Q1
	(% change)			(% change)		(\$Mn)	(% change over a year earlier)			
All sources	8.4	-6.5	-3.3	24.3	-7.2	4,927,467	1.3	-11.3	-18.8	-12.7
Mainland of China	7.7	-5.9	-6.5	26.5	-14.6	2,077,660	-6.7	-20.0	-25.1	-10.0
Taiwan	2.7	-2.4	22.8	35.0	7.3	587,422	16.6	-0.1	-13.5	-21.4
Singapore	9.0	-7.5	8.1	31.7	-3.7	398,535	10.0	-8.1	-19.6	-27.5
Korea	10.4	-20.9	12.3	31.3	-10.7	289,773	-9.0	-15.4	-21.7	-39.9
Japan	2.6	-2.8	-5.0	12.8	-10.4	242,758	-5.6	-15.4	-16.8	-16.5
United States	8.1	-7.9	-17.9	18.3	1.3	209,351	11.3	-0.8	-14.6	-9.2
Malaysia	64.6	-14.3	1.2	1.7	6.1	176,900	15.5	15.4	-8.5	-13.0
Vietnam	7.3	18.5	28.4	16.9	22.3	143,864	28.8	45.7	9.5	-17.3
Philippines	1.1	-9.1	-0.1	25.1	7.4	94,156	7.5	-2.5	14.7	-0.5
Thailand	2.8	-7.4	1.4	18.9	-8.9	93,666	-4.0	-12.7	-26.3	-26.4
Rest of the world	6.4	-4.9	-17.0	17.0	-3.6	613,381	8.4	-6.3	-9.0	13.6

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021[#]</u>	<u>2022[#]</u>		<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
							Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]
	(% change)			(% change)	(\$Mn)		(% change over a year earlier)			
Exports of services	9.3	-9.9	-35.0	18.5	5.6	649,345	14.8	0.1	0.4	12.1
Transport	9.0	-4.7	-24.7	37.8	1.1	258,839	16.2	-8.7	-19.3	-12.8
Travel	11.2	-21.6	-90.2	-35.1	70.8	24,563	55.3	106.9	99.9	540.8
Financial services	10.9	-2.8	-0.3	10.0	12.0	207,809	21.7	7.7	23.9	-0.1
Other services	5.1	-5.1	-9.0	11.7	-0.6	158,134	2.7	0.1	-3.1	4.7
Imports of services	5.6	-0.9	-32.8	12.6	2.9	493,730	6.4	-1.7	1.8	21.4
Transport	6.6	-1.1	-19.8	35.7	0.8	157,650	10.7	-7.1	-10.4	-6.1
Travel	4.7	1.6	-79.7	-38.9	64.8	43,102	30.4	34.8	171.2	414.0
Manufacturing [^]	2.0	-5.5	-10.4	20.0	-6.1	88,986	-5.2	-5.9	-17.8	-10.2
Other services	7.6	-1.3	-1.4	7.1	0.6	203,992	5.4	-0.4	0.7	5.0

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

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

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

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

Table 10 : Incoming visitors by source

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		<u>2023</u>
						Q2	Q3	Q4	Q1
<u>(‘000)</u>									
All sources	65 147.6	55 912.6	3 568.9	91.4	604.6	64.5	173.7	354.9	4 414.8
Mainland of China	51 038.2	43 774.7	2 706.4	65.7	375.1	53.4	139.6	173.5	3 361.2
South and Southeast Asia	3 571.7	3 040.5	190.5	9.5	78.5	3.3	9.2	65.2	302.2
Taiwan	1 925.2	1 538.9	105.1	2.5	24.2	1.0	3.7	19.0	123.4
Europe	1 937.6	1 728.4	158.8	6.6	39.2	2.3	6.1	30.2	123.9
United States	1 304.2	1 107.2	80.8	1.4	26.0	1.5	5.0	19.4	62.7
Japan	1 287.8	1 078.8	50.3	0.3	7.3	0.2	0.8	6.2	35.2
Others	4 082.8	3 644.1	276.9	5.3	54.2	2.8	9.2	41.3	406.2
<u>(% change over a year earlier)</u>									
All sources	11.4	-14.2	-93.6	-97.4	561.5	274.8	491.7	1 154.3	38 322.6
Mainland of China	14.8	-14.2	-93.8	-97.6	470.8	321.3	540.7	782.5	38 992.7
South and Southeast Asia	-1.5	-14.9	-93.7	-95.0	724.1	118.7	196.6	2 167.4	38 102.5
Taiwan	-4.3	-20.1	-93.2	-97.6	852.1	91.5	822.6	2 042.5	20 507.3
Europe	1.9	-10.8	-90.8	-95.9	498.0	60.3	218.0	1 445.8	21 525.5
United States	7.3	-15.1	-92.7	-98.3	1 803.8	510.9	1 180.6	4 618.7	51 260.7
Japan	4.7	-16.2	-95.3	-99.3	2 014.5	414.9	788.3	3 388.2	117 120.0
Others	1.0	-10.7	-92.4	-98.1	915.0	255.6	461.4	1 678.5	52 178.5

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

Table 11 : 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 11 : Property market (Cont'd)

	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		<u>2023</u>
				Q2	Q3	Q4	Q1
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	3 981	4 533	4 571	6 796
Commercial property	136	111	469	27	286	134	25
<i>of which :</i>							
Office space	69	70	351	25	208	108	15
Other commercial premises ^(b)	67	42	118	2	78	27	10
Industrial property ^(c)	38	30	180	14	125	0	18
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	38	30	105	14	57	0	18
Storage premises ^(d)	0	0	75	0	67	0	0
Production of public housing							
(in units)							
Rental housing flats ^(e)	6 605	13 057	12 285	857	0	312	N.A.
Subsidised sales flats ^(e)	7 610	3 222	6 996	0	3 300	2 868	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	483.1	167.5	84.8	189.7	N.A.
Commercial property	228.1	743.0	105.5	19.5	17.5	58.2	N.A.
Industrial property ^(f)	182.6	39.8	61.2	19.4	18.5	11.1	N.A.
Other properties	409.6	187.5	242.9	221.5	7.0	7.5	N.A.
Total	1 341.7	1 836.7	892.6	427.9	127.7	266.6	N.A.
Agreements for sale and purchase of property							
(Number)							
Residential property ^(g)	59 880	74 297	45 050	14 925	11 683	8 386	14 023
Primary market	15 317	17 650	10 315	3 132	4 176	1 284	2 805
Secondary market	44 563	56 647	34 735	11 793	7 507	7 102	11 218
Selected types of non-residential properties ^(h)							
Office space	686	1 077	667	218	150	160	183
Other commercial premises	1 269	2 189	1 397	464	321	291	312
Flatted factory space	2 117	3 637	2 006	620	516	368	516

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

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

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

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

N.A. Not yet available.

Table 12 : Property prices and rentals

	<u>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 12 : Property prices and rentals (Cont'd)

	<u>2020</u>	<u>2021</u>	<u>2022[#]</u>		<u>2022</u>		<u>2023</u>
				Q2	Q3	Q4 [#]	Q1 ⁺
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats ^(a)	381.2	392.7	369.7	384.1	368.3	341.0	345.6
Office space	468.8	502.5	495.7	500.1	499.6	479.1	473.7
Shopping space	518.9	543.4	523.0	525.8	517.6	505.9	487.2
Flatted factory space	826.1	879.0	880.1	892.0	884.3	848.9	856.6
Property rental indices ^(b) :							
Residential flats	180.3	179.8	178.3	177.7	178.8	176.6	174.5
Office space	241.7	233.4	230.0	229.1	230.7	228.5	226.6
Shopping space	169.9	172.0	167.1	165.2	165.9	167.1	168.4
Flatted factory space	200.5	208.8	211.9	208.8	214.4	213.8	214.5
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats ^(a)	-0.5	3.0	-5.9	-2.3	-7.4	-13.6	-10.3
Office space	-13.7	7.2	-1.4	-1.0	-1.4	-3.9	-6.8
Shopping space	-5.6	4.7	-3.8	-2.2	-8.0	-7.4	-10.3
Flatted factory space	-7.0	6.4	0.1	1.5	-0.3	-5.4	-4.3
Property rental indices ^(b) :							
Residential flats	-7.3	-0.3	-0.8	-0.4	-2.0	-3.7	-3.0
Office space	-7.5	-3.4	-1.5	-1.3	-1.5	-2.6	-2.2
Shopping space	-9.2	1.2	-2.8	-3.3	-3.8	-4.8	-1.0
Flatted factory space	-4.4	4.1	1.5	0.8	0.9	-0.3	1.9

Table 13 : 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 13 : Monetary aggregates (Cont'd)

	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		<u>2023</u>
				Q2	Q3	Q4	Q1
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,972,719	2,078,911	1,708,421	2,077,459	1,899,723	1,708,421	1,709,591
M2 ^(a)	7,922,089	8,043,994	8,095,990	8,226,610	8,020,725	8,095,990	8,285,625
M3 ^(a)	7,937,038	8,057,408	8,108,473	8,239,057	8,034,409	8,108,473	8,298,864
Total money supply (\$Mn)							
M1	3,231,921	3,490,858	2,769,343	3,319,053	3,036,349	2,769,343	2,712,678
M2	15,606,608	16,272,650	16,536,080	16,303,463	16,332,813	16,536,080	16,619,681
M3	15,644,043	16,310,866	16,568,886	16,339,898	16,367,268	16,568,886	16,653,624
Deposits (\$Mn)							
HK\$	7,311,368	7,414,381	7,467,703	7,585,202	7,379,468	7,467,703	7,660,860
Foreign currency	7,202,247	7,771,839	7,971,437	7,654,173	7,903,234	7,971,437	7,858,581
Total	14,513,615	15,186,220	15,439,140	15,239,376	15,282,702	15,439,140	15,519,441
Loans and advances (\$Mn)							
HK\$	6,106,960	6,425,857	6,602,337	6,580,930	6,643,976	6,602,337	6,758,442
Foreign currency	4,391,617	4,467,291	3,968,295	4,400,125	4,177,058	3,968,295	3,904,735
Total	10,498,577	10,893,147	10,570,632	10,981,055	10,821,034	10,570,632	10,663,177
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) ^(b)							
Trade-weighted	100.0	95.5	100.1	98.7	102.0	104.8	100.9
Import-weighted	100.1	95.8	100.8	99.4	102.8	105.5	101.3
Export-weighted	100.0	95.1	99.3	97.9	101.1	104.1	100.3
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	28.7	5.4	-17.8	-18.6	-11.3	-17.8	-20.4
M2 ^(a)	6.5	1.5	0.6	-2.8	-0.8	0.6	0.9
M3 ^(a)	6.5	1.5	0.6	-2.8	-0.8	0.6	0.9
Total money supply							
M1	30.1	8.0	-20.7	-14.2	-15.2	-20.7	-24.0
M2	5.8	4.3	1.6	0.4	1.7	1.6	1.4
M3	5.8	4.3	1.6	0.4	1.6	1.6	1.4
Deposits							
HK\$	6.2	1.4	0.7	-3.6	-1.3	0.7	1.1
Foreign currency	4.6	7.9	2.6	4.6	5.1	2.6	1.1
Total	5.4	4.6	1.7	0.4	1.9	1.7	1.1
Loans and advances							
HK\$	-1.8	5.2	2.7	-0.6	4.9	2.7	4.7
Foreign currency	5.6	1.7	-11.2	-5.0	-11.0	-11.2	-14.6
Total	1.2	3.8	-3.0	-2.4	-1.9	-3.0	-3.3
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) ^(b)							
Trade-weighted	0.6	-4.5	4.8	3.5	6.5	9.9	6.0
Import-weighted	0.6	-4.3	5.2	3.9	7.0	10.0	5.7
Export-weighted	0.8	-4.9	4.4	3.1	6.0	9.7	6.0

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

(b) Period average.

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

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

	(%)							
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		
					Q1	Q2	Q3	Q4
Services Industry								
Import and export trade	-6.6	-3.6	23.9	-8.5	1.4	1.8	-12.0	-22.2
Wholesale	-8.3	-7.9	13.3	-5.8	-5.7	1.6	-7.7	-10.8
Retail	-11.1	-24.3	8.1	-0.8	-7.6	2.7	1.4	0.4
Transportation <i>within which:</i>	-2.3	-19.7	54.1	5.8	36.6	26.6	-1.9	-21.3
Land transport	1.3	-23.9	4.0	-3.3	-7.4	-0.4	-2.4	-3.3
Water transport	0.1	10.7	85.9	5.0	51.1	33.6	-5.1	-35.1
Air transport	-4.9	-36.2	43.3	9.7	32.8	26.8	2.4	-8.7
Warehousing and storage	-1.4	11.5	27.6	-4.6	-1.7	-3.4	-3.5	-9.4
Courier	-3.9	28.4	19.0	-9.3	-8.5	-9.4	-9.0	-10.2
Accommodation services ^(a)	-14.3	-59.1	38.3	17.3	13.5	44.3	20.7	-2.5
Food services	-5.9	-29.4	16.8	-6.3	-23.1	-5.4	-1.9	1.7
Information and communications <i>within which:</i>	1.2	-8.5	7.7	6.2	3.6	4.9	8.4	7.4
Telecommunications	-2.6	-9.0	6.1	8.7	5.1	10.3	12.0	7.7
Film entertainment	-2.3	-44.0	26.7	-10.4	-27.3	-13.7	10.2	-15.6
Banking	2.8	-8.0	-4.3	10.2	-9.8	4.4	8.9	43.6
Financing (except banking) <i>within which:</i>	1.1	12.2	17.4	-14.7	-15.6	-15.8	-18.7	-8.2
Financial markets and asset management	0.8	13.2	19.6	-17.6	-19.2	-19.1	-21.8	-9.3
<i>within which : Asset management</i>	7.3	11.6	23.3	-19.6	-7.1	-18.4	-25.4	-27.3
Insurance	8.8	6.1	2.5	-6.0	5.5	-3.1	-11.0	-15.1
Real estate	11.4	3.2	-1.9	-8.9	-13.6	-3.6	-11.5	-6.9
Professional, scientific and technical services	1.3	-2.1	6.6	3.5	3.9	0.4	3.1	6.4
Administrative and support services	0.4	-25.4	1.7	10.5	1.8	9.3	12.2	18.3
Services Domain								
Tourism, convention and exhibition services	-19.3	-86.7	-17.7	39.0 ⁺	9.8 ⁺	53.7 ⁺	39.0 ⁺	45.9 ⁺
Computer and information technology services	-7.2	-3.2	20.1	-0.4	13.8	7.3	-4.8	-13.9

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

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

(+) Provisional figures.

Table 15 : Labour force characteristics

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		<u>2023</u>
						Q2	Q3	Q4	Q1
<u>(%)</u>									
Labour force participation rate	61.3	60.7	59.7	59.4	58.2	58.3	58.6	58.3	57.9
Seasonally adjusted unemployment rate ^(a)	2.8	2.9	5.8	5.2	4.3	4.7	3.9	3.5	3.1
Underemployment rate	1.1	1.1	3.3	2.6	2.3	3.0	1.8	1.5	1.2
<u>('000)</u>									
Population of working age	6 522.6	6 572.7	6 562.2	6 518.6	6 487.0	6 434.9	6 459.1	6 504.0	6 514.0
Labour force	3 996.8	3 987.8	3 918.5	3 870.4	3 776.3	3 750.2	3 784.2	3 791.3	3 769.2
Persons employed	3 884.6	3 871.4	3 690.9	3 670.2	3 613.2	3 571.6	3 628.9	3 665.3	3 654.1
Persons unemployed	112.1	116.3	227.6	200.3	163.1	178.6	155.3	126.0	115.1
Persons underemployed	43.2	42.0	129.9	98.9	88.1	111.6	69.0	55.3	46.7
<u>(% change over a year earlier)</u>									
Population of working age	0.8	0.8	-0.2	-0.7	-0.5	-1.4	-1.1	-0.5	0.3
Labour force	1.0	-0.2	-1.7	-1.2	-2.4	-3.5	-2.3	-1.5	-0.8
Persons employed	1.4	-0.3	-4.7	-0.6	-1.6	-2.7	-1.7	-1.1	1.2
Persons unemployed	-9.3	3.7	95.6	-12.0	-18.6	-16.8	-14.2	-13.2	-38.9
Persons underemployed	-5.4	-2.8	209.6	-23.8	-10.9	16.6	-13.9	-17.1	-60.1

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

Table 16 : Employment in selected major industries

Selected major industries	2018	2019	2020	2021	2022	2022				(No.)
	(% change)					Mar	Jun	Sep	Dec	
						(% change over a year earlier)				
Manufacturing	-3.0	-3.5	-4.0	-5.5	-5.0	-6.7	-5.3	-5.1	-2.6	74 478
Construction sites (covering manual workers only)	-5.8	-9.0	-4.5	8.5	-0.7	-4.3	-2.5	3.2	0.6	107 298
Import and export trade	-0.6	-5.7	-11.0	-3.6	-0.9	0.4	-0.4	-1.4	-2.3	380 002
Wholesale	-0.9	-4.0	-8.8	-3.9	4.2	4.1	2.6	6.1	4.0	52 735
Retail	1.7	-1.7	-6.3	-0.6	-1.6	-1.9	-1.3	-1.3	-2.0	246 424
Food and beverage services	2.8	-2.3	-13.6	1.4	1.3	-0.4	1.0	2.0	2.4	222 992
Accommodation services ^(a)	4.8	1.8	-14.7	1.1	-4.5	2.8	-9.8	-9.0	-1.3	35 312
Transportation, storage, postal and courier services	0.6	0.3	-3.7	-4.0	-2.1	-0.6	-3.7	-1.9	-2.0	162 743
Information and communications	1.5	1.9	-0.3	-1.4	-2.2	-1.9	-2.4	-2.9	-1.5	106 413
Financing and insurance	2.6	2.9	0.6	0.1	-2.1	-0.1	-2.3	-3.2	-2.8	233 440
Real estate	2.0	1.2	0.4	3.6	-0.5	4.9	-0.2	-2.9	-3.4	139 581
Professional and business services (excluding cleaning and similar services)	3.2	1.5	-0.3	*	-2.1	-1.3	-3.1	-2.9	-0.9	303 298
Cleaning and similar services	-1.4	-0.3	0.3	1.3	0.8	3.1	-0.1	0.7	-0.5	81 141
Education	1.8	1.7	-1.0	-0.1	1.1	-0.1	0.9	1.7	1.9	209 448
Human health services	3.4	4.7	4.1	2.9	2.5	2.3	2.2	2.4	2.9	150 244
Residential care and social work services	1.0	2.4	0.4	0.9	0.9	2.5	-0.4	0.5	0.9	67 623
Arts, entertainment, recreation and other services	1.4	0.8	-5.4	-1.7	-3.4	-5.5	-2.8	-3.7	-1.5	116 964
Civil service ^(b)	2.1	2.2	0.7	-0.2	-1.2	-0.7	-1.0	-1.3	-1.7	173 664
Others ^(c)	*	1.5	-1.7	1.2	3.3	3.6	3.0	3.1	3.5	11 867

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

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

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

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

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		
						Mar	Jun	Sep	Dec
<u>(Number)</u>									
Building sites									
Private sector	65 700	62 903	54 957	58 385	56 160	53 006	59 677	58 275	53 681
Public sector ^(a)	21 604	19 257	22 982	23 622	22 853	21 328	20 280	23 838	25 964
Sub-total	87 303	82 160	77 939	82 006	79 012	74 334	79 957	82 113	79 645
Civil engineering sites									
Private sector	1 729	2 483	2 180	3 095	3 796	3 869	3 327	3 823	4 164
Public sector ^(a)	22 816	17 108	17 064	20 329	21 855	20 061	20 127	23 744	23 489
Sub-total	24 546	19 591	19 244	23 424	25 651	23 930	23 454	27 567	27 653
Total	111 849	101 750	97 182	105 430	104 663	98 264	103 411	109 680	107 298
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	-0.4	-4.3	-12.6	6.2	-3.8	-7.9	0.3	1.0	-8.7
Public sector ^(a)	-0.3	-10.9	19.3	2.8	-3.3	-16.2	-18.1	5.5	19.8
Sub-total	-0.4	-5.9	-5.1	5.2	-3.7	-10.4	-5.1	2.2	-1.0
Civil engineering sites									
Private sector	76.6	43.6	-12.2	42.0	22.6	90.2	14.3	-1.2	16.8
Public sector ^(a)	-24.1	-25.0	-0.3	19.1	7.5	13.5	6.3	7.3	4.0
Sub-total	-20.9	-20.2	-1.8	21.7	9.5	21.5	7.4	6.0	5.8
Total	-5.8	-9.0	-4.5	8.5	-0.7	-4.3	-2.5	3.2	0.6

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

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

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

(%)

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

Notes: The rates of change in real terms are compiled from the Real Indices of Payroll per Person Engaged. The Indices are derived by deflating the Nominal Indices of Payroll per Person Engaged by the 2019/20-based Composite CPI.

In addition to wages, which include all regular and guaranteed payments like basic pay and stipulated bonuses and allowances, payroll also covers overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in industrial and occupational coverage, the movements in payroll per person engaged do not necessarily match closely with those in wage rates.

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

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

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

	(%)								
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		
Selected industry sections						Mar	Jun	Sep	Dec
(in nominal terms)									
Manufacturing	3.6	3.5	2.0	1.6	2.0	1.8	2.0	2.0	2.3
Import/export, wholesale and retail trades	3.0	2.3	1.0	0.9	1.7	1.6	1.8	1.8	1.8
Transportation	4.7	4.4	0.1	-0.9	1.4	-0.2	-0.6	2.6	3.6
Accommodation ^(a) and food service activities	4.6	4.1	1.0	1.4	2.1	1.6	1.9	2.1	2.5
Financial and insurance activities ^(b)	3.5	3.7	2.3	2.5	3.2	3.0	3.3	3.3	3.3
Real estate leasing and maintenance management	4.4	3.9	2.7	3.0	2.9	3.0	2.9	2.9	2.9
Professional and business services	4.4	3.6	1.7	1.8	2.5	2.4	2.5	2.5	2.6
Personal services	4.1	3.3	0.7	0.3	0.6	-1.0	-0.1	0.9	1.5
All industries surveyed	4.0	3.5	1.3	1.3	2.2	1.8	1.9	2.3	2.6
(in real terms)									
Manufacturing	0.8	0.2	3.1	-0.3	-1.5	*	0.2	-6.3	0.2
Import/export, wholesale and retail trades	0.1	-1.0	2.1	-0.9	-1.9	-0.2	-0.1	-6.6	-0.3
Transportation	1.7	1.0	1.3	-2.7	-2.2	-1.9	-2.3	-5.8	1.5
Accommodation ^(a) and food service activities	1.7	0.7	2.1	-0.3	-1.5	-0.1	0.1	-6.3	0.4
Financial and insurance activities ^(b)	0.6	0.2	3.7	0.7	-0.6	1.2	1.5	-5.1	1.1
Real estate leasing and maintenance management	1.4	0.5	3.8	1.3	-0.8	1.2	1.1	-5.6	0.7
Professional and business services	1.5	0.3	2.8	0.1	-1.2	0.7	0.7	-5.9	0.5
Personal services	1.1	0.2	1.7	-1.6	-2.9	-2.7	-1.8	-7.4	-0.6
All industries surveyed	1.0	0.1	2.5	-0.5	-1.4	*	0.1	-6.0	0.5

Notes: The rates of change in real terms are compiled from the Real Wage Indices. The Indices are derived by deflating the Nominal Wage Indices by the 2019/20-based CPI(A).

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

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

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

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

(HK\$)

Industry sections	May – Jun 2021			May – Jun 2022		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing ^(a)	14,600	17,700	27,700	15,100	18,300	28,800
Electricity and gas supply; sewerage, waste management and remediation activities	21,300	28,300	42,500	21,400	29,000	42,900
Construction	18,600	23,200	30,100	19,100	23,900	30,800
Import and export trade	14,300	19,100	28,200	14,800	19,500	28,500
Wholesale	12,300	15,500	20,800	13,000	15,900	21,300
Retail trade	10,400	13,500	17,500	10,800	13,800	17,800
<i>within which:</i>						
Supermarkets and convenience stores	7,600	11,900	14,400	7,900	12,100	15,000
Other retail stores	11,500	14,000	18,100	11,700	14,300	18,500
Land transport	14,500	19,500	27,400	15,000	19,800	27,400
Other transportation, storage, postal and courier services ^(b)	13,800	18,400	24,500	14,100	18,700	24,500
Food and beverage services	11,000	13,900	18,000	10,500	14,000	18,000
<i>within which:</i>						
Hong Kong style tea cafes	12,000	13,800	18,000	12,000	14,000	18,200
Chinese restaurants	12,800	15,200	20,900	13,100	15,700	21,500
Restaurants, other than Chinese	12,300	14,500	18,000	12,400	14,900	18,600
Fast food cafes ^(c)	4,800	10,400	13,800	4,800	10,600	14,300
Other food and beverage services	8,000	13,000	16,600	8,500	13,200	17,000
Accommodation services ^(d)	13,500	16,000	21,000	14,000	16,400	21,000
Information and communications	16,700	24,300	36,000	17,000	25,100	36,500
Financing and insurance	19,200	29,300	47,500	19,700	30,500	48,000
Real estate activities ^(e)	14,300	22,100	34,400	15,000	22,800	34,500
Estate management, security and cleaning services	10,300	13,000	16,300	10,800	13,500	16,800
<i>within which:</i>						
Real estate maintenance management	12,600	14,800	17,800	12,900	15,200	18,200
Security services ^(f)	12,000	14,100	16,800	12,000	14,500	17,200
Cleaning services	8,100	10,200	11,400	8,400	10,500	11,900
Membership organisations ^(g)	11,600	14,100	22,000	12,000	14,000	23,000
Professional, scientific and technical services	16,200	25,100	37,900	16,500	26,000	38,500
Administrative and support services activities	12,600	17,400	27,600	12,600	18,000	28,000
Travel agency, reservation service and related activities	11,000	15,000	21,400	11,000	15,100	22,000
Education and public administration (excluding the Government)	14,700	30,200	52,600	15,100	31,000	52,700
Human health activities; and beauty and body prettifying treatment	14,300	19,900	42,000	14,800	20,000	40,000
Miscellaneous activities	11,000	13,300	17,100	11,000	13,900	17,100
<i>within which:</i>						
Elderly homes	13,000	14,700	17,700	13,500	15,200	18,000
Laundry and dry cleaning services	8,100	12,400	14,300	8,400	12,500	15,000
Hairdressing and other personal services	10,000	12,500	15,500	10,000	13,000	15,700
Local courier services	8,100	11,000	15,000	8,500	11,600	15,600
Food processing and production	11,200	13,400	18,600	12,000	14,000	18,700
Other activities not classified above	13,200	16,900	26,300	13,500	17,400	27,100
All industry sections above	13,400	18,700	29,500	13,700	19,100	30,200

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

(a) Excluding food processing and production.

(b) Excluding local courier services.

(c) Including takeaway shops.

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

(e) Excluding real estate maintenance management.

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

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

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

(HK\$)

Industry sections	May – Jun 2021			May – Jun 2022		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing ^(a)	56.1	72.2	106.3	57.4	74.6	109.3
Electricity and gas supply; sewerage, waste management and remediation activities	77.1	109.4	167.4	77.6	112.5	171.4
Construction	79.6	100.6	126.4	81.9	103.5	129.6
Import and export trade	59.1	81.1	118.3	60.8	82.8	119.5
Wholesale	52.8	66.1	87.5	54.2	67.8	89.8
Retail trade	46.4	53.7	66.7	47.2	55.0	66.7
<i>within which:</i>						
Supermarkets and convenience stores	43.3	48.6	53.2	44.0	49.5	58.9
Other retail stores	47.1	55.8	71.3	48.3	57.2	73.6
Land transport	57.8	79.6	106.7	58.2	81.2	107.5
Other transportation, storage, postal and courier services ^(b)	52.0	67.4	92.3	53.2	69.3	93.8
Food and beverage services	47.0	53.0	65.0	48.4	55.0	68.3
<i>within which:</i>						
Hong Kong style tea cafes	48.1	53.1	65.0	50.0	54.0	66.3
Chinese restaurants	48.1	54.4	73.8	49.9	56.1	76.6
Restaurants, other than Chinese	49.4	54.8	67.8	51.2	56.2	71.0
Fast food cafes ^(c)	43.5	48.5	55.6	44.0	49.5	58.0
Other food and beverage services	46.0	51.0	60.9	48.4	53.0	65.1
Accommodation services ^(d)	47.9	58.7	75.0	49.1	59.9	76.4
Information and communications	67.2	95.8	146.3	69.2	98.7	151.7
Financing and insurance	75.4	112.5	190.1	77.7	115.9	191.5
Real estate activities ^(e)	62.6	89.6	143.4	65.8	92.6	143.9
Estate management, security and cleaning services	41.4	47.1	58.6	43.0	48.7	60.4
<i>within which:</i>						
Real estate maintenance management	41.9	47.6	63.4	43.5	49.1	64.5
Security services ^(f)	41.9	46.6	56.9	42.5	48.0	58.4
Cleaning services	40.6	45.6	52.4	41.7	46.9	54.2
Membership organisations ^(g)	45.0	58.6	91.7	50.0	60.6	99.5
Professional, scientific and technical services	66.7	99.2	160.1	67.2	102.6	161.6
Administrative and support services activities	51.9	71.7	114.7	52.5	73.3	116.9
Travel agency, reservation service and related activities	51.1	66.0	94.7	50.0	66.1	97.4
Education and public administration (excluding the Government)	68.5	133.0	222.9	70.0	136.6	222.2
Human health activities; and beauty and body prettifying treatment	63.8	91.6	173.8	65.5	93.8	166.7
Miscellaneous activities	44.8	52.4	70.0	45.8	54.0	70.0
<i>within which:</i>						
Elderly homes	42.9	53.1	71.8	44.6	54.5	73.9
Laundry and dry cleaning services	45.8	50.5	64.5	48.4	52.0	64.5
Hairdressing and other personal services	46.1	52.4	70.0	46.7	53.6	69.9
Local courier services	45.5	52.5	66.7	44.3	53.4	70.4
Food processing and production	45.3	52.4	73.3	47.0	54.5	75.3
Other activities not classified above	55.6	70.5	107.1	56.8	73.1	110.4
All industry sections above	53.5	75.7	120.3	54.8	77.4	123.7

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

(a) Excluding food processing and production.

(b) Excluding local courier services.

(c) Including takeaway shops.

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

(e) Excluding real estate maintenance management.

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

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

Table 22 : Rates of change in prices

	(%)							
	<u>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 22 : Rates of change in prices (Cont'd)

(%)

	<u>2021</u>	<u>2022</u>	<u>2022</u>			<u>2023</u>	<u>Average annual rate of change:</u>	
			Q2	Q3	Q4	Q1	10 years 2012 to 2022	5 years 2017 to 2022
GDP deflator [#]	0.7	1.8	1.0	3.5	1.7	1.8	2.2	1.8
Domestic demand deflator [#]	-0.8	2.1	2.3	2.4	2.5	3.0	1.8	1.5
Consumer Price Indices ^(a) :								
Composite CPI	1.6	1.9	1.5	2.7	1.8	1.9	2.5	1.8
CPI(A)	2.9	2.2	1.2	4.1	1.9	2.0	2.9	2.1
CPI(B)	1.0	1.7	1.4	2.1	1.7	1.8	2.3	1.7
CPI(C)	0.9	1.8	1.8	1.9	1.9	2.0	2.1	1.6
Unit Value Indices :								
Total exports of goods	5.4	7.8	8.0	8.5	5.3	4.7	1.9	3.2
Imports of goods	5.5	8.1	8.8	8.1	5.8	3.9	1.9	3.3
Terms of Trade Index ^(b)	*	-0.3	-0.8	0.3	-0.4	0.7	*	-0.1
Producer Price Index for all manufacturing industries	1.2	0.8	0.8	0.4	-0.3	N.A.	0.5	1.5
Tender Price Indices :								
Public sector								
building projects	1.0	N.A.	6.5	6.3	N.A.	N.A.	2.0 [^]	-1.6 [~]
Public housing projects	1.8	5.3	5.7	6.8	4.2	N.A.	2.9	0.1

Table 23 : 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>	17.05	4.4	4.6	4.2	3.3	2.7	2.9	2.2
<i>Basic food</i>	10.36	4.4	3.4	3.4	3.6	1.1	4.3	9.9
Housing ^(a)	40.25	6.7	6.7	5.1	3.7	2.0	2.5	3.5
<i>Private housing rent</i>	35.46	6.3	6.0	4.7	3.4	1.8	2.2	3.1
<i>Public housing rent</i>	1.87	16.0	18.3	10.9	7.2	3.0	4.1	7.1
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 23 : Rates of change in Composite Consumer Price Index (Cont'd)

(%)										
	Weight	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>			<u>2023</u>	Average annual rate of change:	
					Q2	Q3	Q4	Q1	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 (1.7)	2.7 (1.8)	1.8 (1.8)	1.9 (1.9)	2.5 (2.4)	1.8 (2.0)
Food	27.41	3.3	1.7	3.8	4.0	3.9	3.6	3.0	3.5	3.4
<i>Meals out and takeaway food</i>	17.05	0.8	1.8	3.4	3.4	3.4	3.6	4.4	3.0	2.2
<i>Basic food</i>	10.36	7.7	1.4	4.5	5.0	4.7	3.6	0.8	4.3	5.5
Housing ^(a)	40.25	-0.1	0.3	0.2	-0.6	1.8	*	-0.1	3.0	1.3
<i>Private housing rent</i>	35.46	1.1	-1.3	-0.6	-0.8	-0.6	-0.5	-0.5	2.6	0.9
<i>Public housing rent</i>	1.87	-21.0	29.3	9.6	-0.1	45.1	2.1	0.7	7.7	4.5
Electricity, gas and water	2.82	-20.6	27.0	7.2	2.7	14.9	14.2	20.4	3.5	1.4
Alcoholic drinks and tobacco	0.49	0.5	0.1	1.3	1.5	1.8	1.7	11.2	1.6	0.9
Clothing and footwear	2.42	-5.2	3.3	5.3	4.9	5.1	5.0	5.9	*	0.6
Durable goods	4.00	-2.7	1.0	0.6	1.6	0.4	-1.2	-2.3	-2.7	-1.0
Miscellaneous goods	3.32	3.1	-3.1	0.4	0.4	0.6	0.6	0.9	1.2	0.8
Transport	6.17	-1.0	2.6	2.9	1.8	1.8	1.9	1.4	1.6	1.6
Miscellaneous services	13.12	0.8	0.7	1.3	1.3	1.4	1.7	2.2	1.8	1.4

**Table 24 : 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 24 : 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>			<u>2023</u>	Average annual rate of change:	
				Q2 [#]	Q3 [#]	Q4 [#]	Q1 [#]	10 years 2012 to 2022 [#]	5 years 2017 to 2022 [#]
Private consumption expenditure	0.6	-0.6	2.2	2.0	2.9	3.0	4.5	1.9	1.6
Government consumption expenditure	2.1	0.7	2.7	4.0	3.2	2.0	2.6	3.3	2.7
Gross domestic fixed capital formation	-1.5	-2.1	1.3	4.5	1.3	-0.6	-1.4	1.1	0.4
Total exports of goods	0.1	5.1	6.8	7.0	7.1	4.6	3.7	1.5	3.0
Imports of goods	0.1	4.9	7.4	8.3	6.9	4.8	3.6	1.5	3.2
Exports of services	-0.4	14.5	7.1	11.7	4.3	-0.1	-3.8	2.4	4.9
Imports of services	-0.9	9.9	4.7	8.1	1.6	0.6	0.8	1.2	3.0
Gross Domestic Product	0.6	0.7	1.8	1.0	3.5	1.7	1.8	2.2	1.8
Total final demand	0.2	3.7	5.2	5.8	5.3	3.3	2.5	1.7	2.7
Domestic demand	0.6	-0.8	2.1	2.3	2.4	2.5	3.0	1.8	1.5

