



# Half-yearly Economic Report 2023

Government of the Hong Kong  
Special Administrative Region

# ***HALF-YEARLY ECONOMIC REPORT 2023***

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

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## CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

### *Summary*

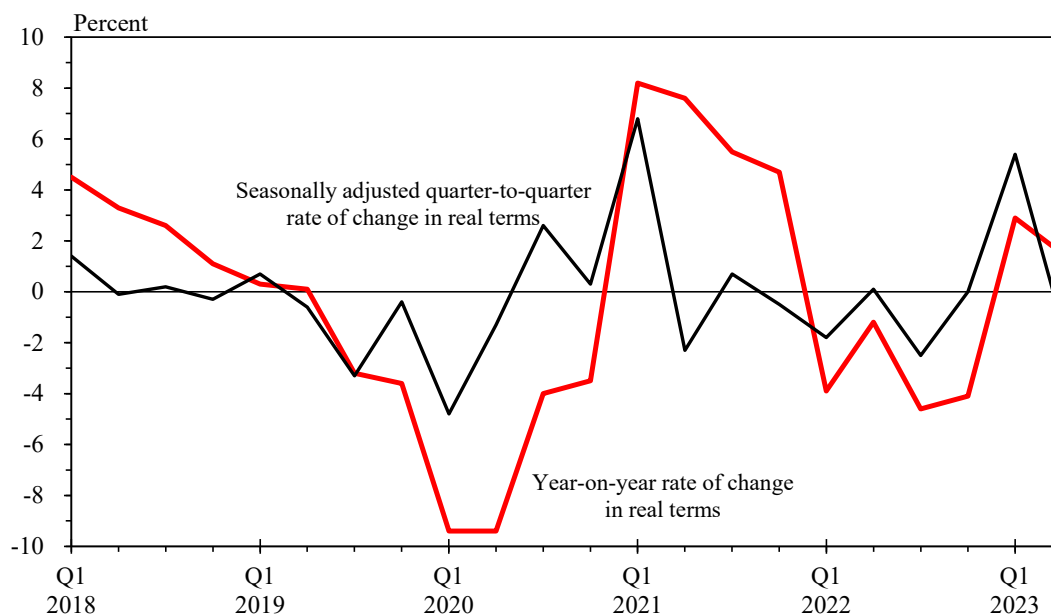
- *Led by inbound tourism and private consumption, the Hong Kong economy continued to recover in the second quarter of 2023, though the momentum softened on the back of the strong rebound in the preceding quarter. Real Gross Domestic Product (GDP)<sup>(1)</sup> grew by 1.5% year-on-year. On a seasonally adjusted quarter-to-quarter comparison<sup>(2)</sup>, real GDP fell by 1.3%.*
- *Hong Kong's total exports of goods plunged further in the second quarter amid weak external demand for goods. Exports to the Mainland, the US and the EU fell sharply. Exports to other major Asian markets recorded notable declines. However, exports of services continued to grow markedly. Exports of travel services jumped over eight-fold as visitor arrivals surged further. Exports of transport services rose further alongside the continued recovery of inbound tourism, and exports of business and other services showed modest growth. Meanwhile, exports of financial services declined further.*
- *Domestically, private consumption expenditure rose notably further in the second quarter alongside the continued economic recovery. Overall investment expenditure reverted to a mild decline amid tightened financial conditions.*
- *The labour market continued to improve in the second quarter. The seasonally adjusted unemployment rate declined further from 3.1% in the first quarter to 2.9% in the second quarter, and the underemployment rate edged down from 1.2% to 1.1%.*
- *The local stock market was under pressure in the second quarter amid concerns over the recovery momentum of the Mainland economy and expectations of further rate hikes by the US Federal Reserve (Fed). The Hang Seng Index (HSI) closed the quarter at 18 916, down by 7.3% from end-March. The residential property market showed some consolidation after the rebound in the first quarter. Market sentiment turned cautious.*
- *Consumer price inflation stayed moderate in overall terms in the second quarter. Prices of energy-related items as a whole continued to soar over a year earlier, but at a moderated pace. Prices of meals out and takeaway food, and clothing and footwear rose further visibly, but the former showed a decelerated increase. Meanwhile, price pressures on other major components were broadly in check. Private housing rentals continued to decline.*

## Overall situation

1.1 The Hong Kong economy continued to recover in the second quarter of 2023, though the momentum softened on the back of the strong rebound in the preceding quarter. Inbound tourism and private consumption remained the key drivers of growth, but merchandise exports stayed weak.

1.2 Real GDP grew by 1.5% year-on-year in the second quarter (same as the advance estimate), having increased by 2.9% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP decreased by 1.3% in the second quarter (same as the advance estimate), after a 5.4% increase in the preceding quarter.

**Diagram 1.1 : The Hong Kong economy continued to recover in the second quarter of 2023**



## **The external sector**

1.3 *Total exports of goods* based on the GDP compilation framework plunged by 15.2% in real terms in the second quarter of 2023 from a year earlier, after falling by 18.9% in the preceding quarter. The weak external demand for goods continued to put intense pressure on export performance. Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland fell sharply in the second quarter. Exports to the US and the EU plunged further. Exports to other major Asian markets continued to record notable declines.

1.4 *Exports of services* grew markedly by 22.9% year-on-year in real terms in the second quarter, further to 16.6% growth in the preceding quarter. Exports of travel services jumped over eight-fold, recovering to 48% of the pre-pandemic level, as visitor arrivals surged further. Exports of transport services rose further in tandem. Exports of business and other services showed modest growth alongside the difficult external environment. Meanwhile, exports of financial services declined further as cross-border financial and fund raising activities softened amid tightened financial conditions.

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

	<u>2021</u> <sup>#</sup>	<u>2022</u> <sup>#</sup>	<u>2022</u>				<u>2023</u>	
			<u>Q1</u> <sup>#</sup>	<u>Q2</u> <sup>#</sup>	<u>Q3</u> <sup>#</sup>	<u>Q4</u> <sup>#</sup>	<u>Q1</u> <sup>#</sup>	<u>Q2</u> <sup>#</sup>
<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)	8.2 (3.9)
Government consumption expenditure	5.9	8.2	6.0 (4.7)	12.6 (5.4)	5.4 (-3.9)	9.1 (2.8)	1.3 (-2.9)	-9.6 (-5.8)
Gross domestic fixed capital formation	8.3	-7.7	-6.3	-1.2	-14.2	-8.9	7.9	-0.9
Building and construction	-0.5	5.1	1.9	9.1	2.5	7.2	-0.8	5.6
Costs of ownership transfer	36.3	-41.0	-34.8	-39.5	-40.9	-50.0	24.3	-3.4
Machinery, equipment and intellectual property products	15.2	-16.8	-14.8	-1.5	-28.8	-21.2	24.1	-10.5
Total exports of goods <sup>&amp;</sup>	18.7	-13.9	-4.4 (-6.9)	-8.5 (-5.4)	-15.9 (-7.7)	-24.9 (-7.8)	-18.9 (0.7)	-15.2 (-0.6)
Imports of goods <sup>&amp;</sup>	17.2	-13.2	-5.9 (-7.4)	-6.0 (-0.1)	-16.5 (-9.7)	-22.9 (-7.8)	-14.6 (2.6)	-15.9 (-1.5)
Exports of services <sup>&amp;</sup>	3.4	-1.4	-4.3 (0.9)	2.7 (*)	-4.0 (-2.9)	0.6 (2.7)	16.6 (16.8)	22.9 (5.4)
Imports of services <sup>&amp;</sup>	2.5	-1.7	-3.5 (-3.0)	-1.5 (0.8)	-3.2 (-0.5)	1.2 (3.7)	20.7 (16.0)	29.0 (7.9)
<b>Gross Domestic Product</b>	<b>6.4</b>	<b>-3.5</b>	<b>-3.9</b> <b>(-1.8)</b>	<b>-1.2</b> <b>(0.1)</b>	<b>-4.6</b> <b>(-2.5)</b>	<b>-4.1</b> <b>(*)</b>	<b>2.9</b> <b>(5.4)</b>	<b>1.5</b> <b>(-1.3)</b>
<i>Change in the main price indicators (%)</i>								
<b>GDP deflator</b>	<b>0.7</b>	<b>1.8</b>	<b>1.1</b> <b>(0.2)</b>	<b>1.0</b> <b>(0.3)</b>	<b>3.5</b> <b>(2.7)</b>	<b>1.7</b> <b>(-1.6)</b>	<b>2.1</b> <b>(0.8)</b>	<b>2.9</b> <b>(1.0)</b>
<b>Composite CPI</b>								
<b>Headline</b>	<b>1.6</b>	<b>1.9</b>	<b>1.5</b> <b>(0.6)</b>	<b>1.5</b> <b>(0.2)</b>	<b>2.7</b> <b>(0.5)</b>	<b>1.8</b> <b>(0.6)</b>	<b>1.9</b> <b>(0.7)</b>	<b>2.0</b> <b>(0.3)</b>
<b>Underlying<sup>^</sup></b>	<b>0.6</b>	<b>1.7</b>	<b>1.6</b> <b>(0.5)</b>	<b>1.7</b> <b>(0.5)</b>	<b>1.8</b> <b>(0.4)</b>	<b>1.8</b> <b>(0.4)</b>	<b>1.9</b> <b>(0.7)</b>	<b>1.7</b> <b>(0.3)</b>
<i>Change in nominal GDP (%)</i>	<b>7.2</b>	<b>-1.7</b>	<b>-2.9</b>	<b>-0.2</b>	<b>-1.3</b>	<b>-2.5</b>	<b>5.1</b>	<b>4.4</b>

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

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

(#) Revised figures.

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

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

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



## The domestic sector

1.5 Consumption activities increased notably further in the second quarter of 2023 alongside the continued economic recovery. Improved labour market conditions and the Government’s various initiatives, such as the disbursement of consumption vouchers and the launch of the “Happy Hong Kong” campaign, also provided support. *Private consumption expenditure* rose by 8.2% year-on-year in real terms in the second quarter, further to the 13.0% surge in the preceding quarter. On a seasonally adjusted quarter-to-quarter basis, private consumption expenditure increased by 3.9%. Meanwhile, *government consumption expenditure* turned to a fall of 9.6% year-on-year in the second quarter, after a 1.3% increase in the preceding quarter.

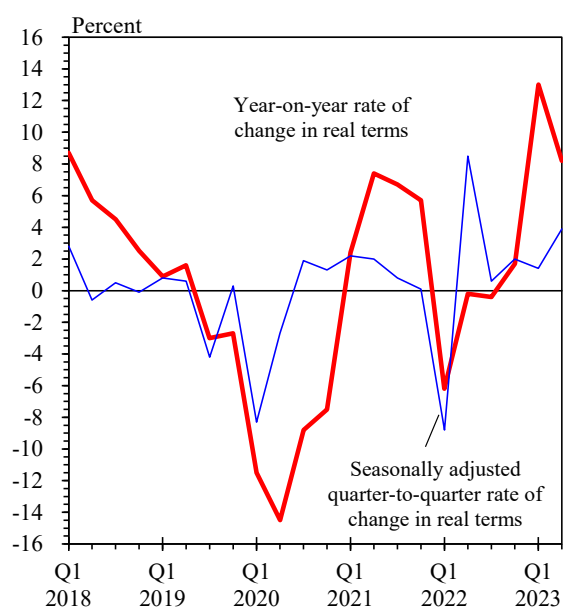
**Table 1.2 : Consumer spending by major component<sup>(a)</sup>  
(year-on-year rate of change in real terms (%))**

*Of which :*

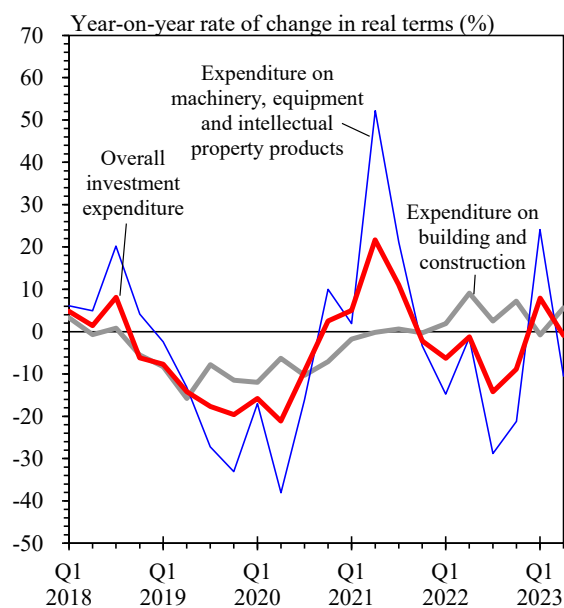
		Total consumer spending in the domestic market <sup>(a)</sup>	<u>Food</u>	<u>Durables</u>	<u>Non- durables</u>	<u>Services</u>	Residents’ expenditure <u>abroad</u>	<u>Visitor spending</u>	<u>Private consumption expenditure<sup>(b)</sup></u>
2022	Annual	-1.4	-7.3	4.0	-2.0	-0.9	55.4	57.0	-1.2
	Q1	-6.2	-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	14.3	7.2	24.9	32.2	9.3	319.4	486.0	13.0
	Q2	9.1	0.6	23.5	21.3	5.3	415.3	732.0	8.2

- 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 rose notably further**



**Diagram 1.3 : Overall investment expenditure saw a mild decline**



1.6 Overall investment spending in terms of *gross domestic fixed capital formation* saw a mild decline of 0.9% in real terms in the second quarter from a year earlier, after a 7.9% increase in the preceding quarter, as business sentiment generally eased amid tightened financial conditions and the uncertain global growth outlook (see **Box 1.1**). Expenditure on acquisitions of machinery, equipment and intellectual property products fell by 10.5%. Meanwhile, expenditure on building and construction increased by 5.6%, with increases seen in both public and private sector spending. Separately, the costs of ownership transfer fell as property transactions shrank.

## Box 1.1

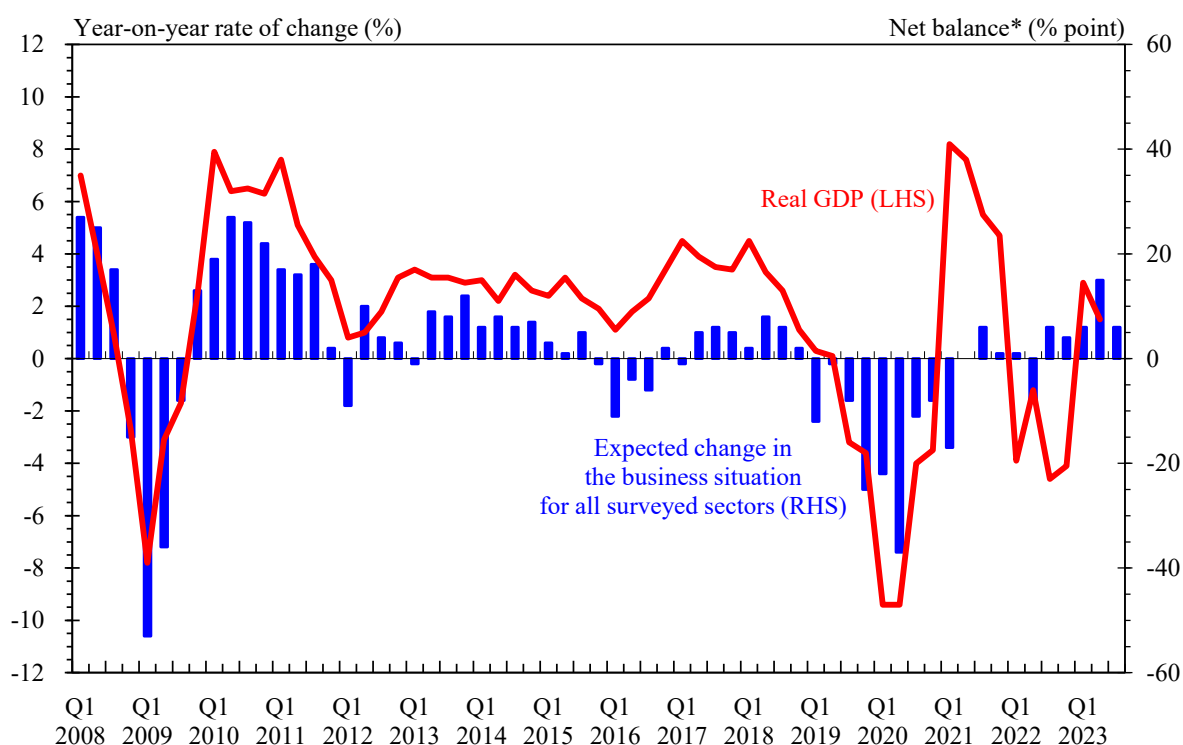
### Business sentiment in Hong Kong

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Survey results indicate that business sentiment generally eased in the past few months after improving in earlier quarters.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)<sup>(1)</sup> conducted during 2 June 2023 to 6 July 2023, business sentiment among large enterprises in Hong Kong softened as compared to three months ago, though remaining generally optimistic (*Chart 1*). The proportion of large enterprises expecting their business situation to improve in the third quarter of 2023 over the second quarter was larger than the proportion of those expecting the situation to worsen by 6 percentage points (i.e. a net balance of +6), but was smaller than the net balance of +15 in the previous round.

Large enterprises' business sentiment softened though remaining positive in a majority of surveyed sectors (*Table 1*). The net balances for the "accommodation and food services", "financing and insurance", "manufacturing", "retail", "transportation, storage and courier services", "information and communications" and "import/export trade and wholesale" sectors declined by varying degrees within the positive zone. Meanwhile, the net balance for the "construction" sector increased further in the positive zone, and that for the "professional and business services" sector turned positive. Yet, the net balance for the "real estate" sector fell and became slightly negative. Large enterprises' appetite for hiring stayed positive (*Table 2*).

**Chart 1 : Business sentiment of large enterprises softened though remaining generally optimistic**



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 softened though remaining generally optimistic**

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2022			2023		
	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	-19	+24	-13	+23	+36	+20
Construction	-32	-5	-5	-7	+6	+10
Import/export trade and wholesale	-7	+6	+9	-8	+10	+7
Retail	+11	+25	+16	+12	+34	+18
Accommodation and food services	+23	+49	+37	+39	+64	+41
Transportation, storage and courier services	-12	-2	+8	-5	+13	+4
Information and communications	+1	-3	-4	-1	+6	+2
Financing and insurance	-4	+10	+4	+25	+25	+4
Real estate	-2	+10	-2	+4	+13	-2
Professional and business services	-19	-3	+2	-3	-4	+5
All sectors above	-8	+6	+4	+6	+15	+6

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

**Table 2 : Hiring sentiment of large enterprises stayed positive**

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2022			2023		
	Q2	Q3	Q4	Q1	Q2	Q3
Manufacturing	-1	+7	+18	+8	+18	+26
Construction	+3	+9	+18	+16	+6	+6
Import/export trade and wholesale	0	+1	0	-6	-1	-2
Retail	+4	+9	+5	+6	+20	+8
Accommodation and food services	-2	+36	+22	+24	+50	+31
Transportation, storage and courier services	+1	+8	+13	+9	0	+6
Information and communications	+7	-1	-8	-6	-6	-6
Financing and insurance	+4	-4	+5	+9	+13	+8
Real estate	-9	+11	0	0	+9	+8
Professional and business services	-2	0	+2	+5	+7	+4
All sectors above	+1	+7	+7	+6	+11	+8

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

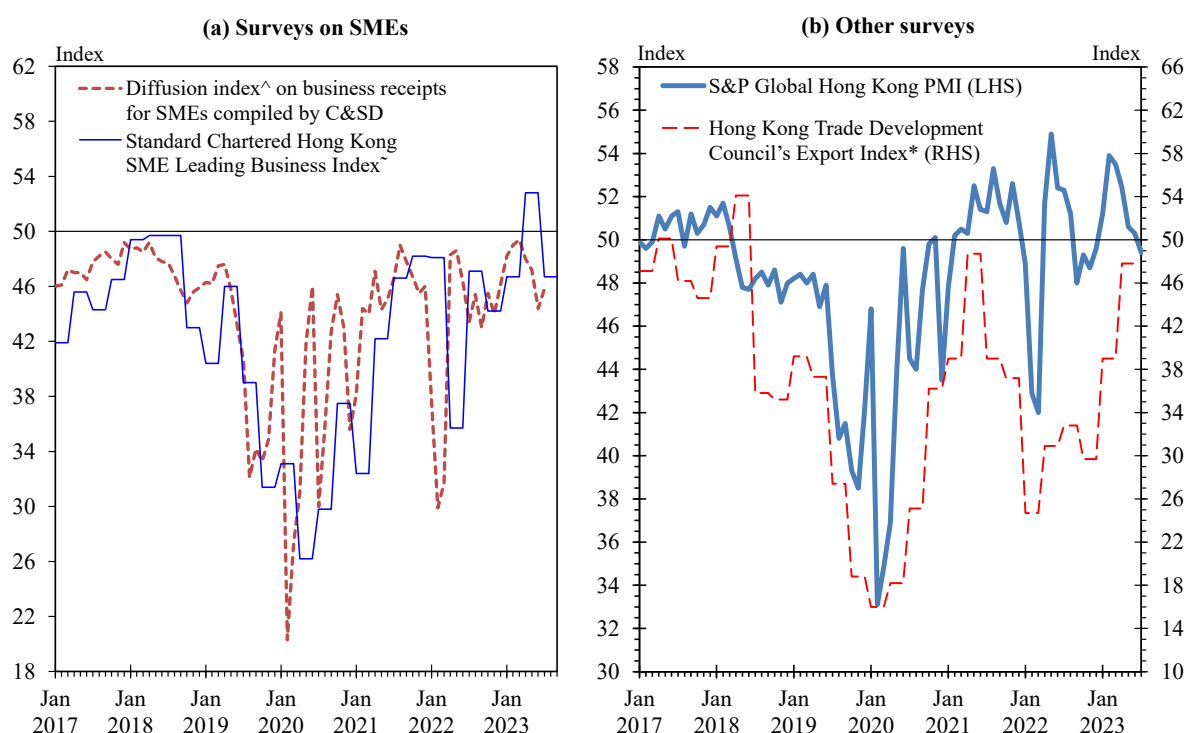
As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis<sup>(2)</sup> to gauge the general direction of change in their views on the business situation versus the preceding month. Business sentiment among SMEs eased in recent months, with the overall index on the current situation falling from 48.0 in April to 45.8 in July (*Chart 2a*). Nonetheless, employment sentiment among SMEs showed some improvement, and credit conditions remained accommodative. The Standard Chartered Hong Kong SME Leading Business Index<sup>(3)</sup> also eased in the third quarter of 2023.

As for other surveys in the public domain, the S&P Global Purchasing Managers’ Index (PMI) of Hong Kong<sup>(4)</sup>, which gauges the performance of the private sector’s business activity, declined from 52.4 in April to 49.4 in July. Separately, reflecting the earlier situation, the Hong Kong Trade Development Council’s Export Index<sup>(5)</sup> rose notably further from 39.0 in the preceding quarter to 47.8 in the second quarter of 2023, the highest level since the second quarter of 2021 (*Chart 2b*). However, a majority of the exporters surveyed (66.1%) identified economic slowdown or recession risk in overseas markets as the biggest challenge to their businesses in the coming three months, followed by the smaller-than-expected boost from the Mainland’s economic recovery (10.9%) and US-Mainland trade tensions (10.7%).

- 
- (2) It refers to the results from the Monthly Survey on the Business Situation of SMEs that solicits feedback from a panel sample of around 600 SMEs each month.
- (3) Conducted independently by Hong Kong Productivity Council, the quarterly survey enables the public and SMEs to gain insights into the forthcoming business climate for better forward planning. The Overall Index comprises five areas, including local SMEs’ outlook on “Recruitment Sentiment”, “Investment Sentiment”, “Business Condition”, “Profit Margin”, and “Global Economy” for the next quarter.

## Box 1.1 (Cont'd)

**Chart 2 : Recent surveys indicated that business sentiment generally eased of late**



Notes: (^) The diffusion index is computed by adding the percentage of SMEs reporting “up” to one half of the percentage of SMEs reporting “same”. A diffusion index reading above 50 indicates that the business condition is generally favourable, whereas an index below 50 indicates otherwise. Respondents were asked to exclude seasonal effects in reporting their views.

(~) Quarterly data.

(\*) A reading above 50 indicates an upward trend and an optimistic outlook, while a reading below 50 indicates a downward trend and a pessimistic outlook.

It is worth noting that these surveys are essentially opinion-based, thereby unavoidably subject to various limitations (e.g. results are not directly comparable) and hence the results should be interpreted with care. Still, these survey findings taken together suggest that business sentiment generally eased in recent months. Looking ahead, business sentiment will continue to be affected by the difficult external environment and tight financial conditions, but the local economic recovery, together with the various measures introduced by the Government to boost the recovery momentum, should render support.

- (4) According to the press release by S&P Global, the S&P Global Hong Kong PMI is compiled according to monthly replies to questionnaires sent to purchasing managers in around 400 private sector companies. It is a composite index based on five individual indices with the following weights: New Orders (30%); Output (25%); Employment (20%); Suppliers’ Delivery Times (15%); and Stocks of Purchases (10%), with the Suppliers’ Delivery Times index inverted so that it moves in a comparable direction. Survey responses reflect the change, if any, in the prevailing month compared to the previous month.
- (5) The Hong Kong Trade Development Council’s Export Index is designed to gauge the prospects of the near-term export performance of Hong Kong traders. The business confidence survey is conducted on a quarterly basis, with 500 participating Hong Kong traders from six major industry sectors interviewed, namely electronics, clothing, toys, jewellery, timepieces and machinery.

## **The labour sector**

1.7 The labour market continued to improve in the second quarter of 2023 along with the local economic recovery. The seasonally adjusted *unemployment rate* declined further from 3.1% in the first quarter to 2.9% in the second quarter, and the *underemployment rate* edged down from 1.2% to 1.1%. The unemployment rates of many major sectors declined, such as those of the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors), the arts, entertainment and recreation sector, the transportation and storage sector, and the construction sector. The unemployment rates of the remaining sectors stayed low in general. The unemployment rates of lower-skilled and higher-skilled workers both held steady. Year-on-year increases in wages and labour earnings accelerated in the first quarter. More recent General Household Survey (GHS) data indicated that median monthly employment earnings of full-time employees (excluding foreign domestic helpers) saw an accelerated year-on-year increase in the second quarter.

## **The asset markets**

1.8 The *local stock market* was under pressure in the second quarter of 2023. Dampened by concerns over the recovery momentum of the Mainland economy and expectations of further rate hikes by the US Fed, the HSI fell visibly in the latter part of May and hit a low of 18 217 on 1 June. It then recouped some of the loss and closed the quarter at 18 916, down by 7.3% from end-March. Trading activities turned quieter in the second quarter amid the cautious market atmosphere, with the average daily turnover contracting by 19.5% from the preceding quarter or 20.7% from a year earlier to \$102.8 billion. Fund raising activities remained tepid.

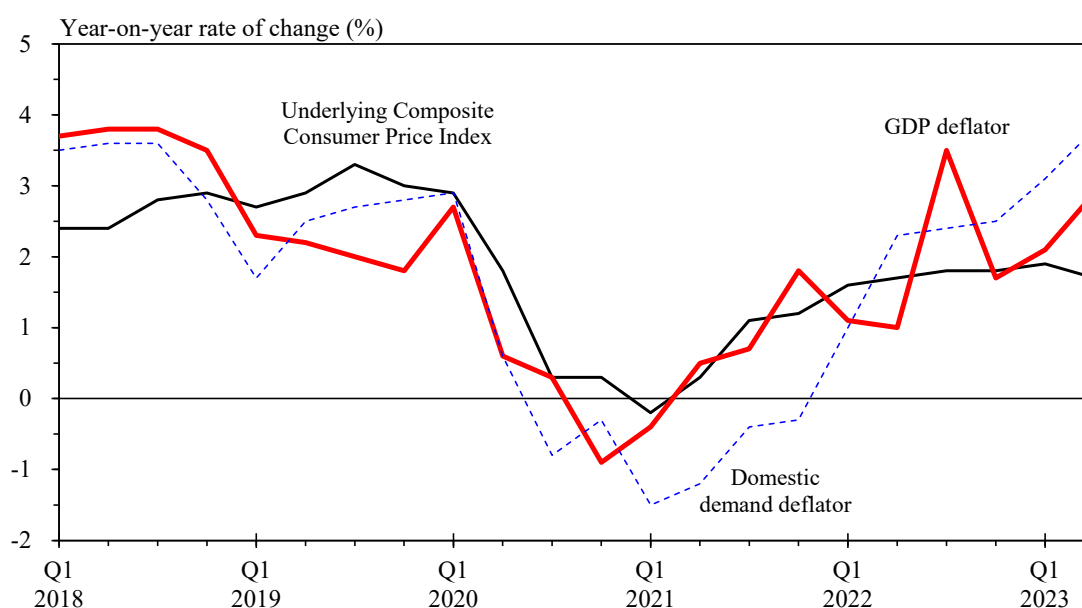
1.9 The *residential property market* showed some consolidation in the second quarter, after the rebound in the first quarter. Market sentiment turned cautious amid an uncertain global economic outlook, rising local interest rates and expectations of further rate hikes by the US Fed. The number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, declined by 13% from the preceding quarter or 18% from a year earlier to 12 199. Overall flat prices recorded a 1% decline during the second quarter. The index of home purchase affordability rose further to 75% in the second quarter along with the increase in mortgage rates, significantly above the long-term average of 51% over 2003-2022. Meanwhile, overall flat rentals increased by 3% during the second quarter. The *non-residential property market* largely held steady. While trading activities remained subdued, prices and rentals of different segments showed mixed performance.

## Inflation

1.10 Consumer price inflation stayed moderate in overall terms in the second quarter of 2023. Netting out the effects of the Government’s one-off relief measures, *underlying Composite CPI inflation* stayed moderate at 1.7% in the second quarter, compared with 1.9% in the preceding quarter. Prices of energy-related items as a whole continued to soar over a year earlier, but at a moderated pace. Prices of meals out and takeaway food, and clothing and footwear rose further visibly, but the former showed a decelerated increase. 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. As inflation in many major economies stayed high, external price pressures remained generally notable. The *headline Composite CPI inflation rate* was 2.0%, compared with 1.9% in the preceding quarter.

1.11 As a broad measure of the overall change in prices in the economy, the *GDP deflator* rose by 2.9% in the second quarter over a year earlier, after a 2.1% 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 3.8% in the second quarter, after rising by 3.1% in the preceding quarter.

**Diagram 1.4 : Consumer price inflation stayed moderate in overall terms in the second 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 increased by 3.1% year-on-year in real terms in the first quarter of 2023, having declined by 4.2% in the preceding quarter and 3.1% for 2022 as a whole. Net outputs of many major service sectors showed visible improvement and resumed growth. In particular, the net output of accommodation and food services, and wholesale and retail trades surged along with the removal of anti-epidemic measures in both Hong Kong and the Mainland as well as the resumption of normal travel with the Mainland and the rest of the world. The net output of real estate also rose amid a revival in property transactions during the quarter. However, the net output of import and export trade still saw a double-digit decline as the challenging external environment posed a significant drag on trade performance. As for the secondary sector, the net output of the manufacturing sector resumed growth, while that of the construction sector turned to a fall.



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

	<u>2022</u>	<u>2022</u>				<u>2023</u>
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Manufacturing	0.2	-1.3	2.7	-0.5	-0.1	3.8
Construction	5.8	4.1	9.2	2.0	8.0	-1.7
Services <sup>(b)</sup>	-3.1	-3.2	-1.5	-3.3	-4.2	3.1
Import/export, wholesale and retail trades	-12.1	-7.1	-6.4	-12.8	-19.7	-7.4
Import and export trade	-12.9	-6.4	-7.0	-13.7	-22.0	-13.4
Wholesale and retail trades	-6.8	-12.8	-1.9	-6.7	-6.5	43.8
Accommodation and food services	-10.8	-28.4	-4.9	-7.4	-6.0	83.8
Transportation, storage, postal and courier services	-4.6	-10.6	-3.4	-5.2	1.0	30.6
Transportation and storage	-4.5	-10.8	-3.0	-5.9	2.0	33.6
Postal and courier services	-6.2	-6.3	-5.7	-6.9	-5.9	-15.4
Information and communications	0.8	0.6	1.6	0.2	0.8	0.6
Financing and insurance	-0.1	-0.6	1.8	-1.9	0.3	-2.9
Real estate, professional and business services	-2.7	-5.0	-1.0	-2.2	-2.4	5.2
Real estate	-4.6	-9.1	-2.5	-2.4	-3.9	10.5
Professional and business services	-1.3	-1.5	-0.1	-2.1	-1.4	1.4
Public administration, social and personal services	0.7	-0.3	*	1.5	1.7	5.8

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**

1.13 The second instalment of the 2023 Consumption Voucher Scheme was disbursed to some 6.5 million eligible people starting from 16 July 2023, injecting about \$13 billion of purchasing power into the market. The vouchers are intended to further strengthen the economic recovery in tandem with the series of events launched under the “Happy Hong Kong” campaign and the spending season in the summer holidays.

1.14 In the *World Competitiveness Yearbook 2023* published by the International Institute for Management Development, Hong Kong remained one of the most competitive economies in the world, ranking seventh globally. Among the four competitiveness factors, Hong Kong continued to rank second in “Government efficiency”, and our ranking in “Infrastructure” also improved. The Government is striving to further enhance Hong Kong’s competitiveness amid the increasingly intense competition among economies. Aside from upholding Hong Kong’s institutional strengths and competitive advantages, the Government has implemented strategies to “compete for talents and enterprises” with a view to attracting strategic enterprises as well as talents and capital from around the world, stepped up investment in infrastructure as well as innovation and technology, and continued to increase land and housing supply, in order to expand capacity for the sustained growth of the Hong Kong economy and pursuit of high-quality development.

## Notes :

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

## CHAPTER 2 : THE EXTERNAL SECTOR

### *Summary*

- *The external environment remained difficult in the second quarter of 2023. Central banks in the US and Europe continued to tighten monetary policies to tame inflation during the quarter, posing further drag on demand. Meanwhile, the Mainland economy continued to recover though the momentum showed some moderation. In July, the International Monetary Fund (IMF) forecast that global economic growth would slow further to 3.0% in 2023<sup>(1)</sup>, and warned that the global outlook remains clouded by a number of downside factors.*
- *The weak external demand for goods continued to put intense pressure on Hong Kong's export performance. Hong Kong's merchandise exports plunged further by 16.6% year-on-year in real terms<sup>(2)</sup> in the second quarter. Exports to the Mainland, the US and the EU fell sharply. Exports to other major Asian markets recorded notable declines.*
- *Exports of services continued to grow markedly by 22.9% year-on-year in real terms in the second quarter. Exports of travel services jumped over eight-fold as visitor arrivals surged further. Exports of transport services rose further alongside the continued recovery of inbound tourism, and exports of business and other services showed modest growth. Meanwhile, exports of financial services declined further.*
- *The Government continued to strengthen Hong Kong's economic links with the Mainland and overseas economies. A Memorandum of Understanding (MOU) was signed with Guangdong and Macao authorities on jointly promoting the development of standards in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The Chief Executive and various Principal Officials visited different Mainland cities and overseas economies to strengthen connections and deepen collaboration in areas such as trading and commerce, investment, finance and innovation and technology.*

## **Merchandise trade**

### *External environment*

2.1 The external environment remained difficult in the second quarter of 2023. As inflation in the US and Europe stayed high despite softening from their earlier peaks, their central banks continued to tighten monetary policies during the quarter, posing further drag on demand. Meanwhile, the Mainland economy continued to recover, though the momentum showed some moderation especially in the early part of the quarter. In July, the IMF forecast that, mainly due to the deceleration of the advanced economies, global economic growth would slow further from 3.5% in 2022 to 3.0% in 2023. The IMF also warned that the global outlook remains clouded by a number of downside factors, including persistently high inflation triggering more restrictive monetary policy, financial sector turbulence, slower recovery in the Mainland, sovereign debt distress and geoeconomic fragmentation.

2.2 The Mainland economy grew by an accelerated 6.3% year-on-year in the second quarter against a low base of comparison. On a quarter-to-quarter comparison, the economy expanded only moderately by 0.8%. The authorities have introduced further measures to support the economy in recent months. On monetary policy, the People's Bank of China enhanced countercyclical policy support and lowered benchmark policy interest rates by 10 basis points. Separately, fiscal and other macroeconomic measures were adopted to bolster domestic consumption and support private enterprises. To stabilise the housing market, the authorities extended supportive measures announced last year to end-2024, and further boosted demand by lowering the down payment ratio and mortgage rates as well as relaxing restrictions on granting mortgages.

2.3 As regards the advanced economies, the US economy recorded an accelerated annualised growth of 2.4% in the second quarter on a seasonally-adjusted quarter-to-quarter basis. Yet, growth in personal consumption especially spending on goods slowed sharply. Despite some easing, core personal consumption expenditure inflation stayed well above the Federal Reserve (Fed)'s target of 2%. The Fed thus raised the target range for the federal funds rate further by 25 basis points each in May and July, and continued to reduce the size of its balance sheet as planned. In the euro area, the economy remained weak in the second quarter, growing by 0.3% on a seasonally-adjusted basis over the preceding quarter. With headline inflation staying elevated, the European Central Bank raised key interest rates by 25 basis points each in May, June and July.

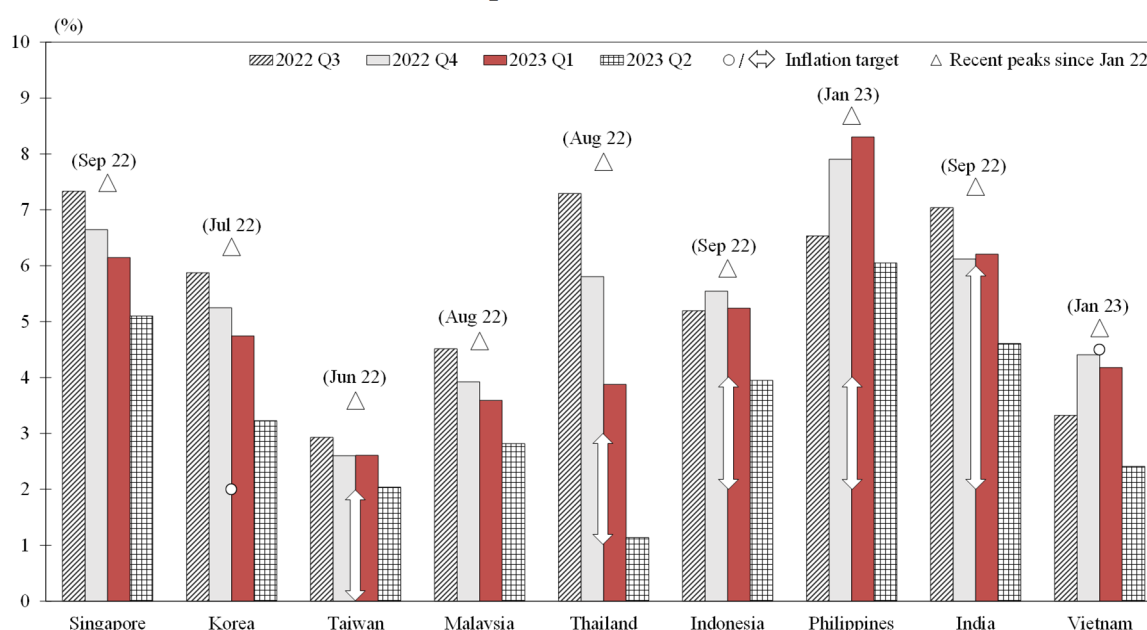
2.4 In other parts of Asia, while domestic demand remained resilient, weak exports amid the difficult global economic environment posed a drag to economic growth in the region. Intra-regional trade saw visible falls in tandem. As inflation in the region largely softened, many central banks paused monetary policy tightening or cut interest rates during the quarter (see *Box 2.1*).

## Box 2.1

### Inflation situation in selected Asian economies

Global price pressures increased notably in 2022. The rapid escalation of geopolitical tensions triggered an upsurge in international energy and commodity prices. Meanwhile, reviving global demand against lingering pandemic-related supply disruptions further fuelled inflation. Consequently, inflation soared to multi-decade highs in many advanced economies in the latter part of 2022. Many Asian economies also faced increased inflationary pressures, albeit less intense than in the advanced economies. Headline consumer price index (CPI) inflation of most selected Asian economies<sup>(1)</sup> peaked in the third quarter of 2022 before showing some easing towards the year-end (*Chart 1*).

**Chart 1: Headline consumer price inflation for selected Asian economies**



Sources : CEIC and internal estimation.

Note : Central banks of Taiwan, Thailand, Indonesia, the Philippines and India set their inflation targets in the form of ranges, while those of Korea and Vietnam adopt specific point targets. Central banks of Singapore and Malaysia do not have explicit inflation targets, though the former considers a core inflation rate (which excludes the costs of accommodation and private transport) of 2% consistent with overall price stability.

Inflation of the selected Asian economies generally continued to moderate on entering 2023, and the downtrend turned more apparent in the second quarter. In particular, the headline CPI inflation of Taiwan, Thailand, Indonesia and India have receded back within their central banks' inflation target ranges, and that of Vietnam has even slipped below the target. Inflation of the Philippines and Singapore, while still elevated at 6.0% and 5.1% respectively in the second quarter of 2023, were notably lower than their recent peaks.

The moderation of consumer price inflation in selected Asian economies can be attributed to a number of factors. First, receding food prices have substantially relieved inflationary pressures, as food is the largest CPI component in most selected Asian economies<sup>(2)</sup>. According to the Food and Agriculture Organisation for the United Nations, global food prices have recorded 15 consecutive months of declines since peaking in March 2022, leading to a

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

(2) Food is the largest CPI component for India, Thailand, the Philippines, Vietnam, Malaysia, Taiwan and Indonesia, carrying shares of 46%, 40%, 38%, 34%, 30%, 25% and 22% respectively.

## Box 2.1 (Cont'd)

cumulative 23.4% drop. Positive supply shocks including good harvests as well as the extension of Black Sea Grain Initiative<sup>(3)</sup> contributed to the continued decline in global food prices. Besides, the retreat in energy prices also played a role in containing inflation. According to the International Monetary Fund (IMF)'s energy price index, energy prices as of May 2023 have receded by 55.0% from its recent high in August 2022. As most of the selected Asian economies are net energy importers, the decline in international energy prices helped tame price pressures on their energy-related items such as transport costs.

Moreover, the selected Asian economies have implemented an array of measures to contain inflation. Many Asian economies have introduced price controls and subsidies for selected consumption items with a view to mitigating the impact of inflation on people's livelihood. For example, Thailand has placed price controls on numerous essential goods (including food items such as rice, corn, egg, etc.) and services (e.g. medical services) which will stay effective till June 2024. Korea has extended automotive fuel tax reductions to August 2023, while Malaysia has continued its fuel subsidies. Furthermore, central banks of the selected Asian economies progressively tightened their monetary policies via multiple interest rate hikes throughout 2022 and early 2023 (*Table 1*) or, in the case of Singapore, appreciation of domestic currency<sup>(4)</sup>. As inflation gradually recedes in the region, most central banks have halted their policy tightening more recently, with Vietnam even cutting its policy rates twice by a total of 1.5 percentage points in the first half of 2023.

**Table 1: Pace of interest rate hikes (as at 4 August 2023)**

	Number of rate hikes since March 2022 <sup>(*)</sup>	Cumulative increment (%-points)	Latest round of rate hike	Latest policy rates (%)
US	11	5.25	July 2023	5.25-5.5
Korea	7	2.25	January 2023	3.5
Taiwan	5	0.75	March 2023	1.875
Malaysia	5	1.25	May 2023	3.0
Thailand	7	1.75	August 2023	2.25
Indonesia	6	2.25	January 2023	5.75
Philippines	9	4.25	March 2023	6.25
India	6	2.50	February 2023	6.5
Vietnam	2	2.00	October 2022	3.0

Note : (\*) The US Federal Reserve began the current round of monetary tightening in March 2022.

Looking ahead, inflationary pressures worldwide are expected to ease further in the near term. In the latest *World Economic Outlook*, the IMF projected the global inflation to ease to 6.8% in 2023, a downward revision from the previous forecast of 7.0%. While upside risks to global food prices re-emerged lately as a result of geopolitical tensions and extreme weather-related events, central banks in the region may need to seek a balance between containing inflation and supporting growth as global economic headwinds remain.

(3) It is an agreement between Russia, Ukraine and Türkiye as proposed by the United Nations, allowing for commercial food and fertilizer to leave Ukrainian ports with effect from 22 July 2022 to ensure global food security. The agreement was subsequently renewed in November 2022 and May 2023, but suspended in July 2023.

(4) The Monetary Authority of Singapore tightened its exchange rate-based monetary policy three times during March 2022 to October 2022.



## *Merchandise exports*

2.5 Hong Kong's *merchandise exports* plunged by 16.6% year-on-year in real terms in the second quarter of 2023, after falling by 20.9% in the preceding quarter. The weak external demand for goods continued to put intense pressure on export performance.

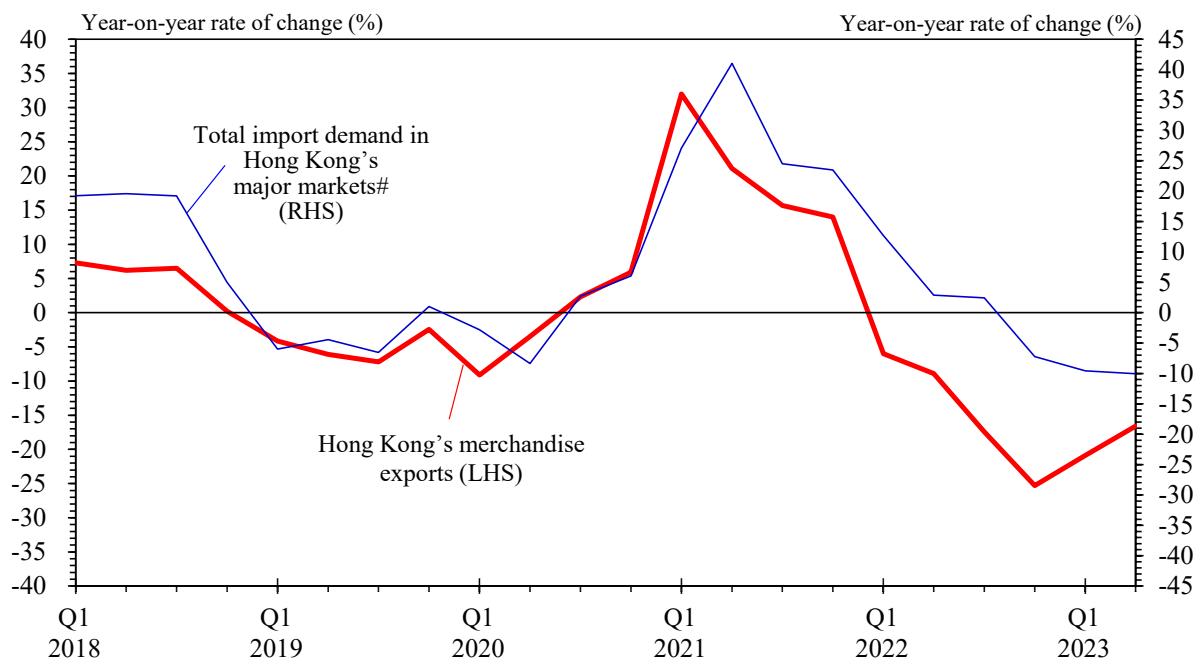
**Table 2.1 : Merchandise exports  
(year-on-year rate of change (%))**

		<u>In value terms</u>	<u>In real terms<sup>(a)</sup></u>		<u>Change in prices</u>
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
	Q2	-13.3	-16.6	(-2.5)	4.1

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*.

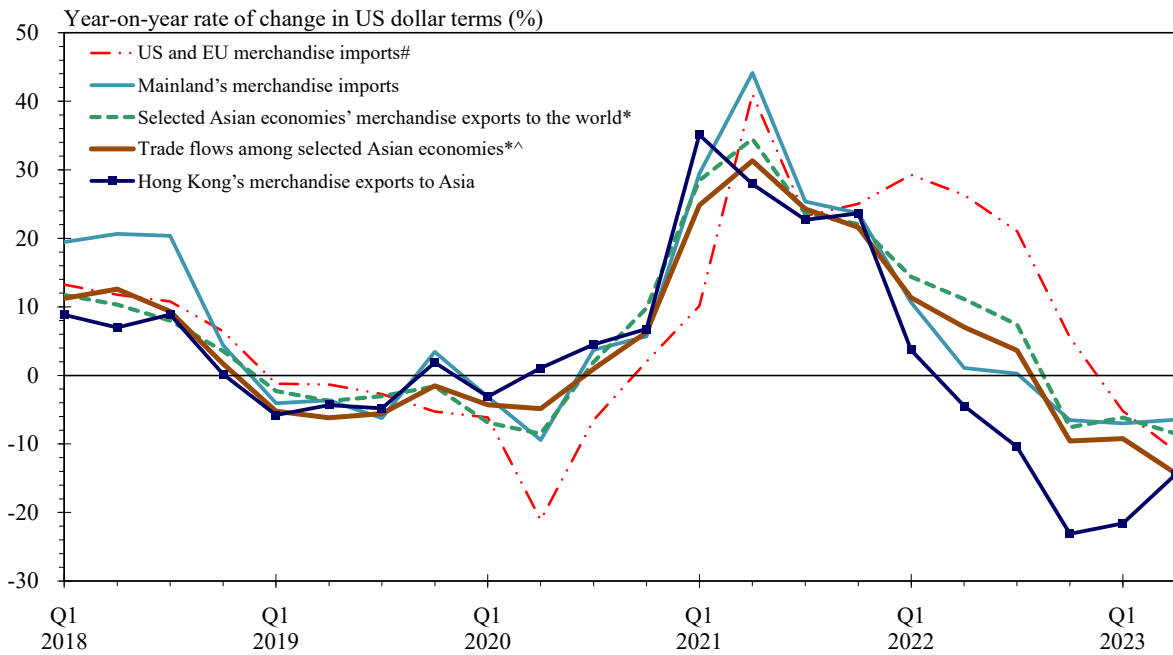
**Diagram 2.1 : Merchandise exports plunged further in the second quarter**



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.

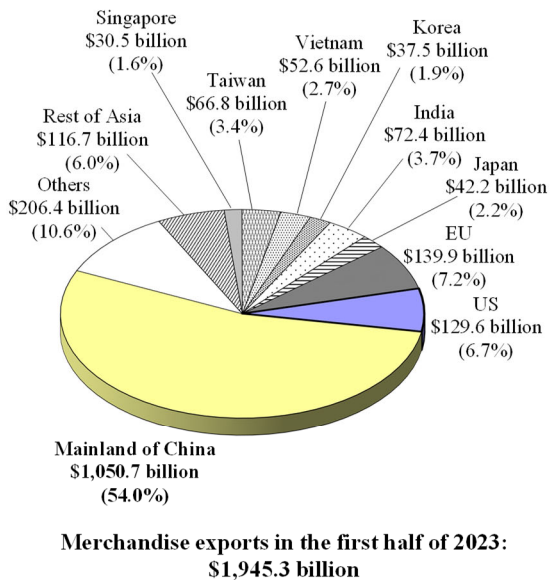
(#) Import demand for the EU for the second quarter of 2023 is based on information available as of early August 2023.

**Diagram 2.2 : Regional trade flows shrank further**

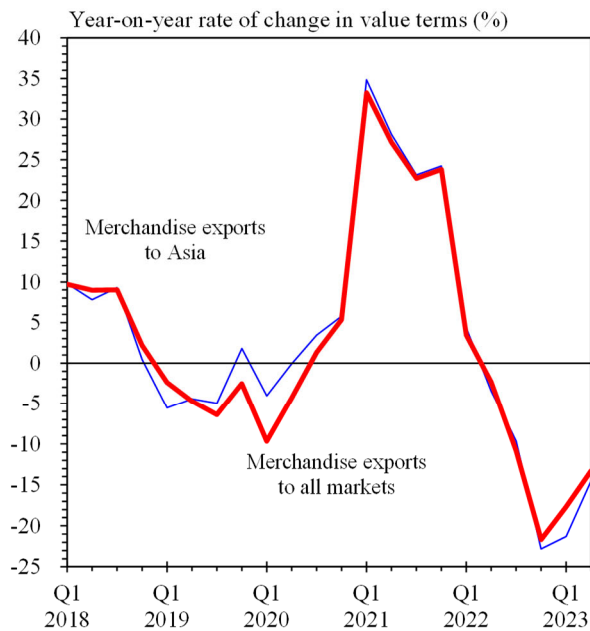


- Notes :
- (#) EU merchandise imports for the second quarter of 2023 are based on the information available as of early August 2023.
  - (\*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.
  - (^) 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 continued to plummet**



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



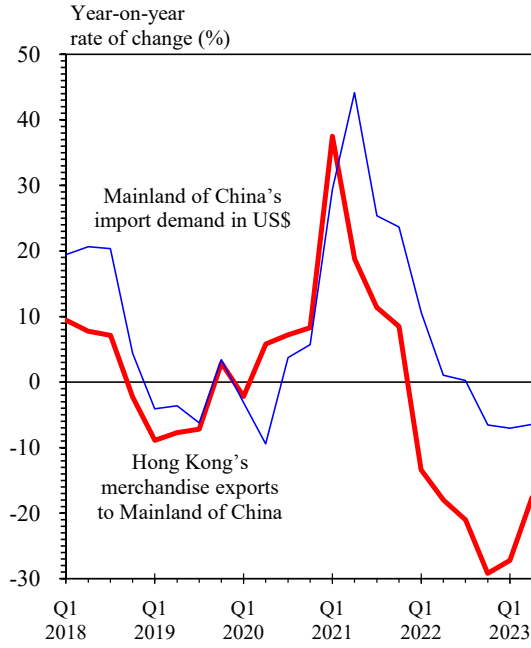
**Table 2.2 : Merchandise exports by major market  
(year-on-year rate of change in real terms (%))**

	<u>Annual</u>	<u>Q1</u>	<u>2022</u>			<u>2023</u>	
			<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Mainland of China	-20.6	-13.4	-18.0	-21.0	-29.2	-27.2	-17.6
US	-10.7	11.2	7.3	-22.1	-29.4	-13.3	-22.9
EU	-10.5	2.1	2.0	-15.3	-25.3	-8.7	-18.4
ASEAN	2.1	13.6	17.4	1.4	-18.4	-18.6	-19.2
Vietnam	4.3	14.1	22.5	8.6	-22.0	-19.5	-11.6
Singapore	12.4	28.0	23.0	10.5	-6.3	-30.8	-27.6
India	26.0	38.0	78.4	19.1	-8.5	-17.5	-25.3
Japan	-17.4	7.7	-15.2	-24.6	-33.9	-32.5	-21.2
Taiwan	-0.5	23.4	5.1	-4.6	-21.5	-20.3	-19.7
Korea	7.3	9.8	21.4	7.1	-5.9	0.2	-11.7
Overall*	-14.8	-6.0	-8.9	-17.4	-25.3	-20.9	-16.6

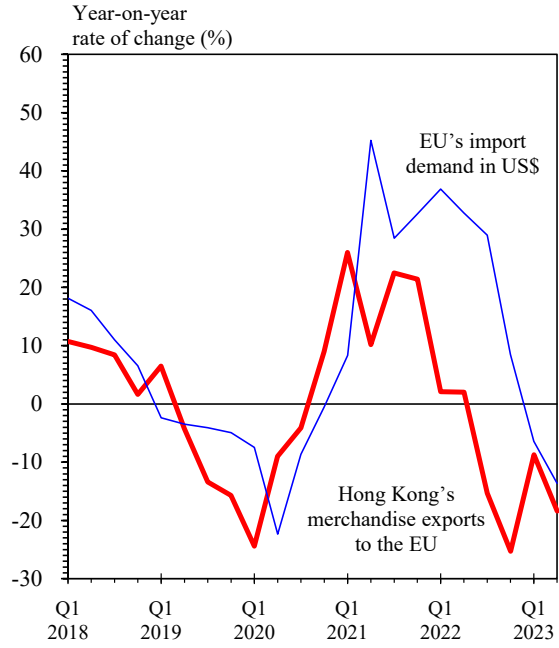
Note : (\*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National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

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

**Diagram 2.4 : Exports to the Mainland fell sharply**

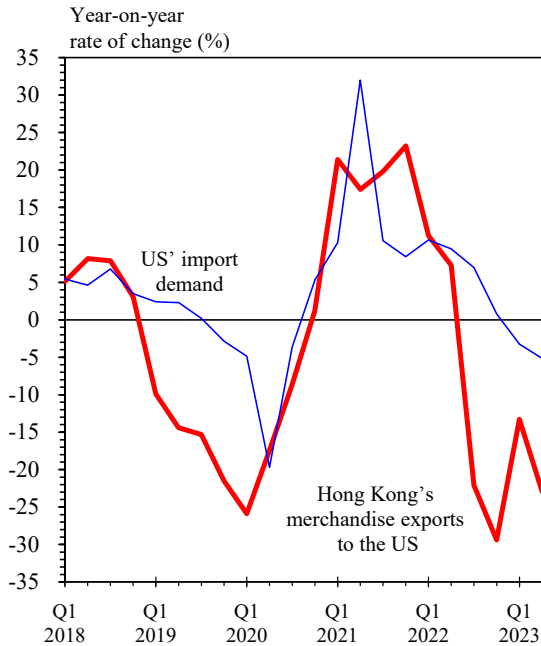


**Diagram 2.5 : Exports to the EU shrank significantly**

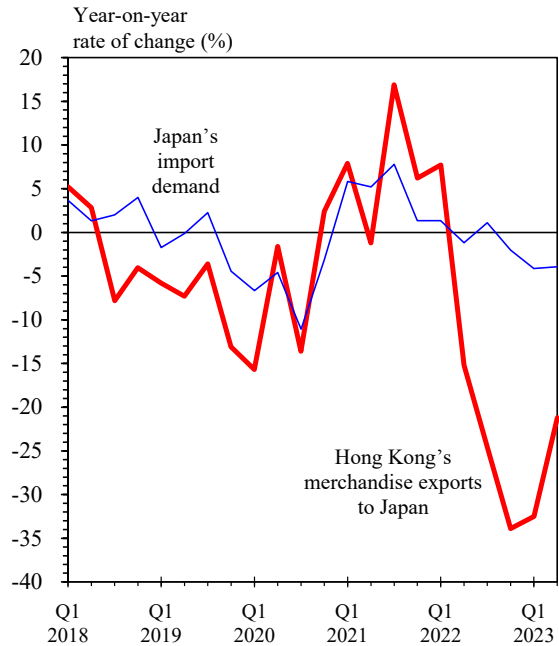


Note : The import demand figure for the EU for the second quarter of 2023 is based on the information available as of early August 2023.

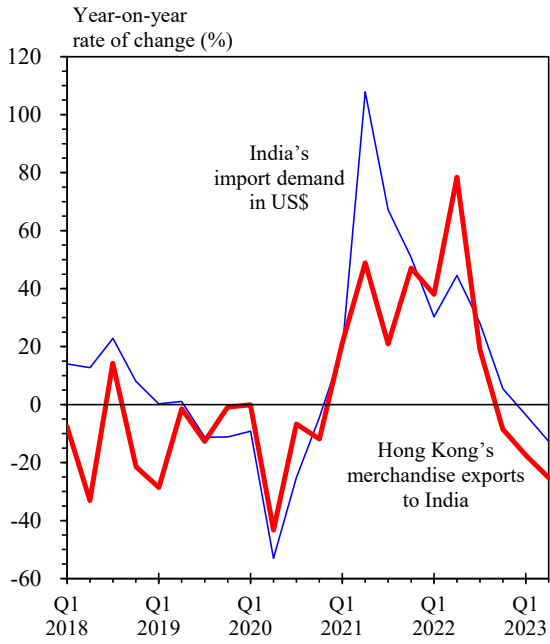
**Diagram 2.6 : Exports to the US plunged**



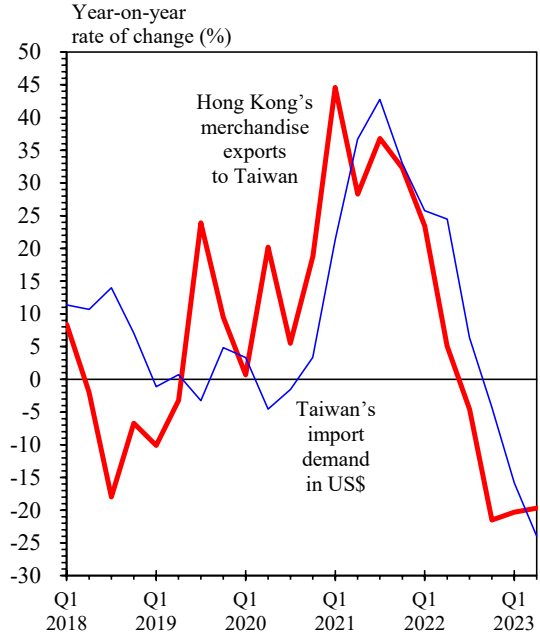
**Diagram 2.7 : Exports to Japan plummeted**



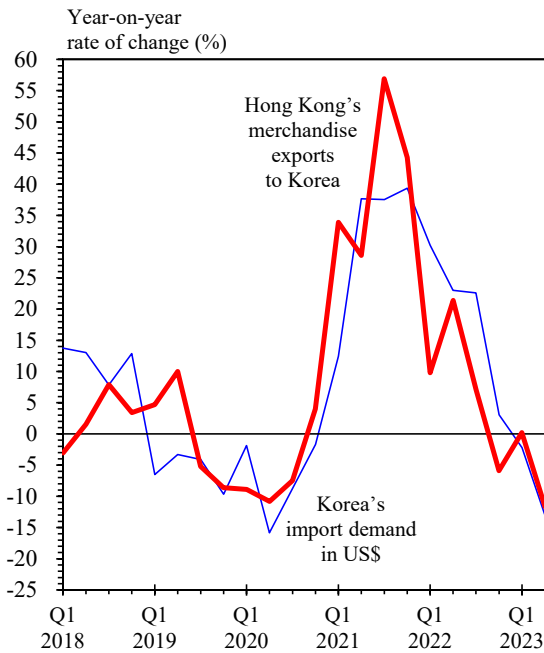
**Diagram 2.8 : Exports to India recorded a notable decline**



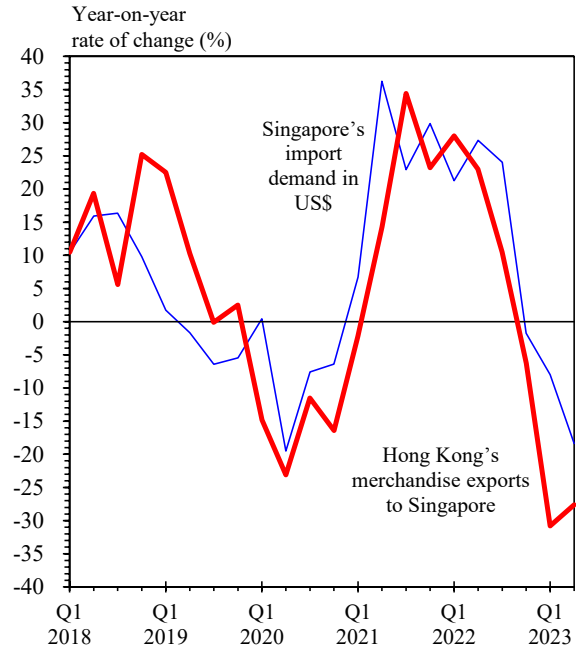
**Diagram 2.9 : Exports to Taiwan fell notably**



**Diagram 2.10 : Exports to Korea turned to a decline**



**Diagram 2.11 : Exports to Singapore tumbled**



## *Merchandise imports*

2.7 *Merchandise imports* fell further by 16.7% year-on-year in real terms in the second quarter of 2023, after declining by 15.7% 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 a 16.0% decline. Imports for subsequent *re-exports*<sup>(3)</sup> shrank further.

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

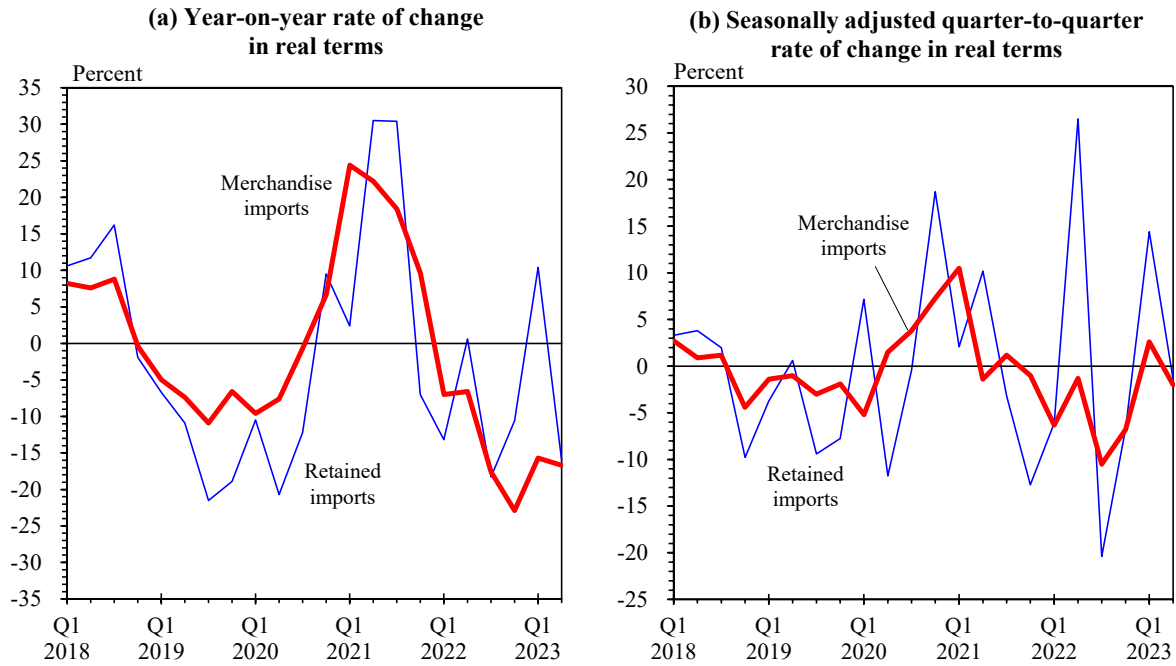
		<u>Merchandise imports</u>			<u>Retained imports</u> <sup>(a)</sup>		
		<u>In value terms</u>	<u>In real terms</u> <sup>(+)</sup>	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>
2022	Annual	-7.2	-13.9	8.1	-5.9	-10.2	4.2
	Q1	2.9	-7.0 (-6.3)	10.6	-7.1	-13.2 (-6.1)	5.4
	Q2	1.3	-6.6 (-1.3)	8.8	9.3	0.6 (26.5)	7.5
	Q3	-11.3	-17.6 (-10.5)	8.1	-16.7	-18.3 (-20.4)	1.5
	Q4	-18.8	-22.9 (-6.8)	5.8	-8.7	-10.6 (-6.7)	2.6
2023	Q1	-12.7	-15.7 (2.6)	3.9	13.0	10.4 (14.4)	2.3
	Q2	-13.6	-16.7 (-2.0)	3.7	-14.2	-16.0 (-1.4)	1.8

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 fell further**



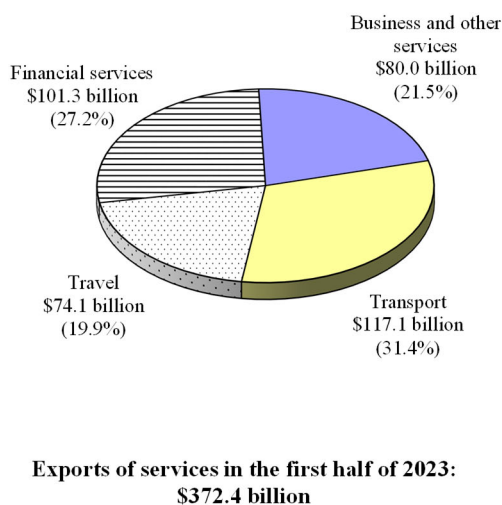
## Services trade

### *Exports of services*

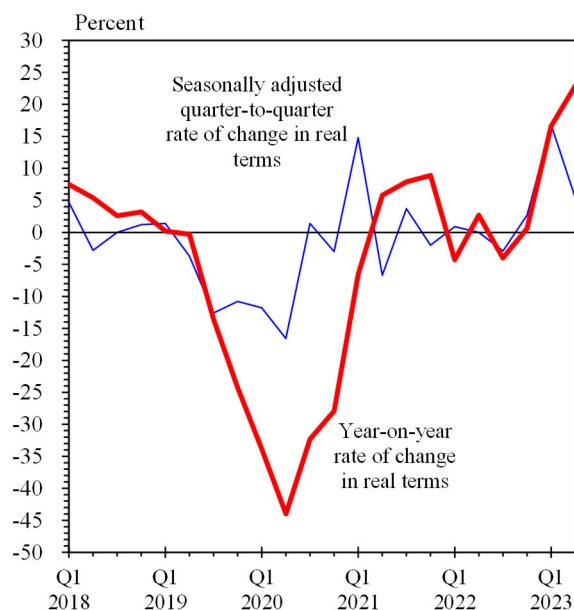
2.8 *Exports of services* grew markedly by 22.9% year-on-year in real terms in the second quarter of 2023, further to 16.6% growth in the preceding quarter. Exports of travel services jumped over eight-fold, recovering to 48% of the pre-pandemic level, as visitor arrivals surged further. Exports of transport services rose further in tandem. Exports of business and other services showed modest growth alongside the difficult external environment. Meanwhile, exports of financial services declined further as cross-border financial and fund raising activities softened amid tightened financial conditions.



**Diagram 2.13 : The contribution from travel services to total exports of services rose further, though remained below the pre-pandemic level**



**Diagram 2.14 : Exports of services grew markedly in the second quarter**



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

		<i>Of which :</i>				
		<u>Exports of services</u>	<u>Transport</u>	<u>Travel<sup>(a)</sup></u>	<u>Financial services</u>	<u>Business and other services</u>
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	16.6 (16.8)	3.3	502.6	-3.3	2.8
	Q2	22.9 (5.4)	1.3	770.7	-3.3	1.1

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

(a) Comprising mainly inbound tourism receipts.

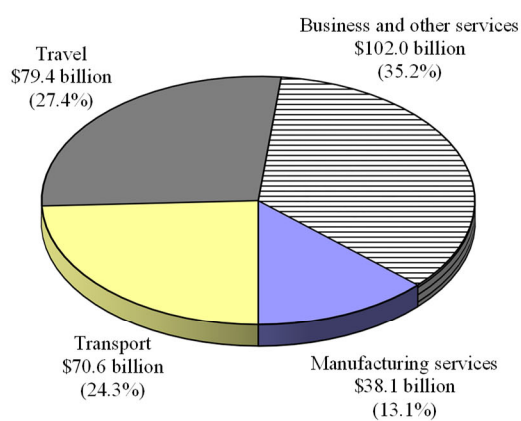
( ) Seasonally adjusted quarter-to-quarter rate of change.

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

## Imports of services

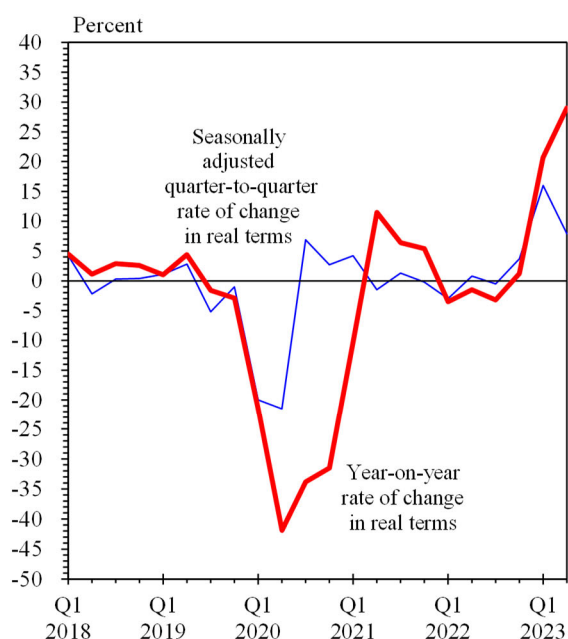
2.9 *Imports of services* expanded notably further by 29.0% in real terms in the second quarter of 2023 over a year earlier, after increasing by 20.7% in the preceding quarter. This was mainly led by the surge in imports of travel services. Imports of business and other services showed moderated growth. On the other hand, imports of manufacturing services and transport services continued to fall as trade and cargo flows remained weak.

**Diagram 2.15 : The share of travel services to overall imports of services increased further**



Imports of services in the first half of 2023:  
\$290.2 billion

**Diagram 2.16 : Imports of services expanded notably further in the second quarter**



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

*Of which :*

		<u>Imports of services</u>	<u>Travel</u> <sup>(+)</sup>	<u>Transport</u>	<u>Manufacturing services</u> <sup>(^)</sup>	<u>Business and other services</u>
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	20.7 (16.0)	379.0	-0.4	-9.1	1.6
	Q2	29.0 (7.9)	474.1	-10.5	-3.5	0.3

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 deficit narrowed to \$65 billion in the second quarter of 2023, as the value of imports of goods saw a larger decline than that of exports. Meanwhile, the services surplus narrowed to \$36 billion. The combined goods and services account registered a deficit of \$29 billion in the second quarter of 2023, equivalent to 2.2% of total import value, compared to a deficit of \$40 billion or 2.9% in the second 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	1,025	190	1,064	144	-39	46	7	0.6
	Q2	1,067	183	1,132	147	-65	36	-29	-2.2

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

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

## **Other developments**

2.11 The Government continued to strengthen Hong Kong's economic links with the Mainland. In April, the Trade and Industry Department, the Guangdong Administration for Market Regulation, and the Economic and Technological Development Bureau of the Government of the Macao Special Administrative Region signed an MOU on jointly promoting the development of standards in the GBA. In June, the Chief Secretary for Administration and the Vice Governor of the Zhejiang Provincial People's Government signed co-operation agreements on 12 mutual co-operation areas, aiming at promoting complementarity and mutual benefits, and achieving high-quality development in Hong Kong and Zhejiang.

2.12 The Chief Executive led a delegation of the Government and the Legislative Council to visit Shenzhen, Dongguan, Foshan and Guangzhou in April, the first large-scale visit by the Hong Kong Special Administrative Region to Mainland cities of the GBA after the full resumption of normal travel between the Mainland and Hong Kong. The visit facilitated the Government's work in strengthening the connection and deepening the collaboration with various GBA cities, laying a foundation for the continuous promotion of high-level co-operation in the GBA. In addition, the Financial Secretary visited Beijing in April and July, Shenzhen in June and Shanghai in July to exchange views, promote the financial services, trade and commerce and innovation and technology sectors in Hong Kong, and strengthen collaboration on attracting enterprises and investments, with a view to facilitating Hong Kong's more active integration into the national development.

2.13 Furthermore, the Chief Executive led a high-level delegation to visit three Association of Southeast Asian Nations (ASEAN) Member States, namely Singapore, Indonesia and Malaysia, in July, to further strengthen co-operation between Hong Kong and ASEAN countries with a view to creating new business opportunities, and to consolidate their support for Hong Kong's accession to the Regional Comprehensive Economic Partnership. During the trip, a total of 33 MOUs and agreements were signed with different organisations of the three countries, covering areas such as trading and commerce, investment, finance, innovation and technology, logistics, academic research and cultural exchange.

## Notes :

- (1) The table below presents a more detailed comparison between the growth forecasts made by the IMF in July 2023 and those three months ago.

	<u>2022</u>	<u>April round</u>	<u>2023</u>
	(%)	(%)	<u>July round</u> (%)
World (PPP <sup>##</sup> weighted)	3.5	2.8	3.0
Advanced economies	2.7	1.3	1.5
US	2.1 <sup>#</sup>	1.6	1.8
Euro area	3.4 <sup>#</sup>	0.8	0.9
UK	4.1 <sup>#</sup>	-0.3	0.4
Japan	1.0 <sup>#</sup>	1.3	1.4
Emerging market and developing economies	4.0	3.9	4.0
Emerging and developing Asia	4.5	5.3	5.3
Mainland China	3.0 <sup>#</sup>	5.2	5.2
India <sup>^</sup>	7.2 <sup>#</sup>	5.9	6.1
ASEAN-5 <sup>§</sup>	5.5	4.5	4.6
Middle East and Central Asia	5.4	2.9	2.5

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

- (2) 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.
- (3) Re-exports are those goods which have previously been imported into Hong Kong and are subsequently exported without having undergone in Hong Kong any manufacturing processes which change permanently the shape, nature, form or utility of the goods.

## CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

### *Summary*

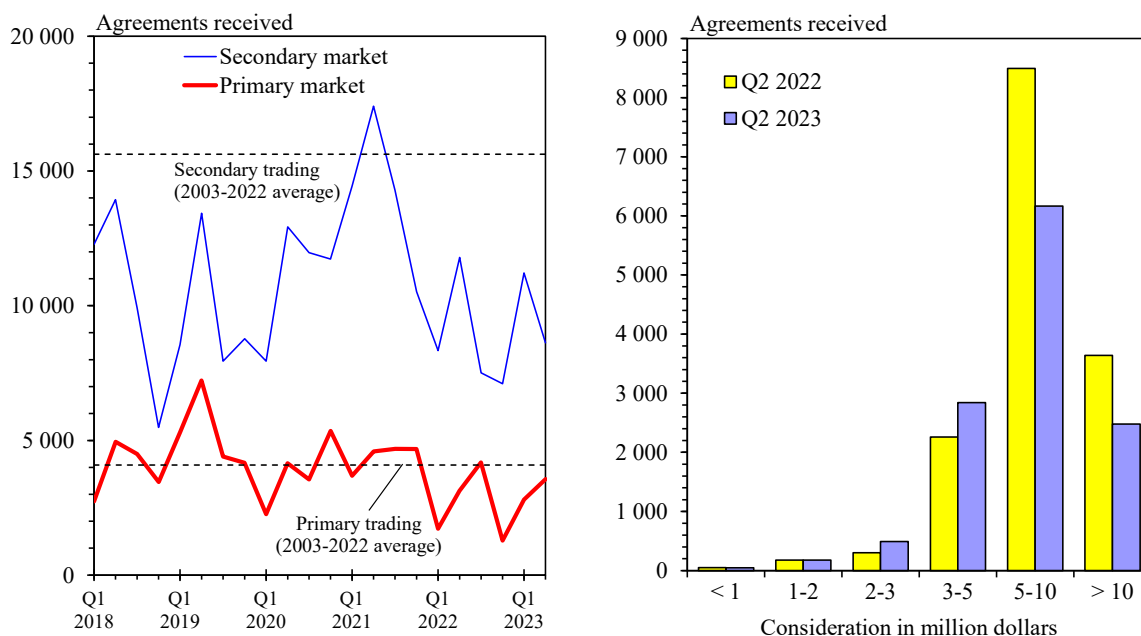
- *The residential property market showed some consolidation in the second quarter of 2023, after the rebound in the first quarter. Market sentiment turned cautious amid an uncertain global economic outlook, rising local interest rates and expectations of further rate hikes by the US Federal Reserve (Fed). Trading activities quietened visibly while flat prices retreated by 1% during the quarter.*
- *Reflecting the Government's sustained efforts in increasing land and flat supply, total private first-hand flat supply in the coming three to four years would stay at a high level of 105 000 units as estimated at end-June.*
- *The non-residential property market largely held steady in the second quarter. While trading activities remained subdued, prices and rentals of different segments showed mixed performance.*
- *The tourism sector continued to recover in the second quarter. Visitor arrivals surged further from 4.4 million in the preceding quarter to 8.5 million in the second quarter, equivalent to 52% of the quarterly average in 2018.*
- *The logistics sector remained sluggish in the second quarter amid the weak external trade performance. Total container throughput plunged by 21.8% from a year earlier, while air freight throughput fell by 4.8%.*

## Property

3.1 The *residential property market* showed some consolidation in the second quarter of 2023, after the rebound in the first quarter. Market sentiment turned cautious amid an uncertain global economic outlook, rising local interest rates and expectations of further rate hikes by the US Fed. Trading activities quietened visibly while flat prices retreated slightly during the quarter.

3.2 The total number of sale and purchase (S&P) agreements for residential property received by the Land Registry declined by 13% from the preceding quarter or 18% from a year earlier to 12 199 in the second quarter, visibly below the quarterly average of around 14 800 cases in 2018-2022. While secondary market transactions dropped by 23% from the preceding quarter, primary market transactions rose by 27% over a low base as developers paced up the launch of new projects with generally conservative pricing. Total consideration edged up by 2% over the preceding quarter to \$122.8 billion. For the first half of 2023 as a whole, the number of S&P agreements went up by 31% over the second half of 2022 to 26 222, and total consideration by 43% to \$242.7 billion.

**Diagram 3.1 : Trading activities quietened visibly in the second quarter of 2023**

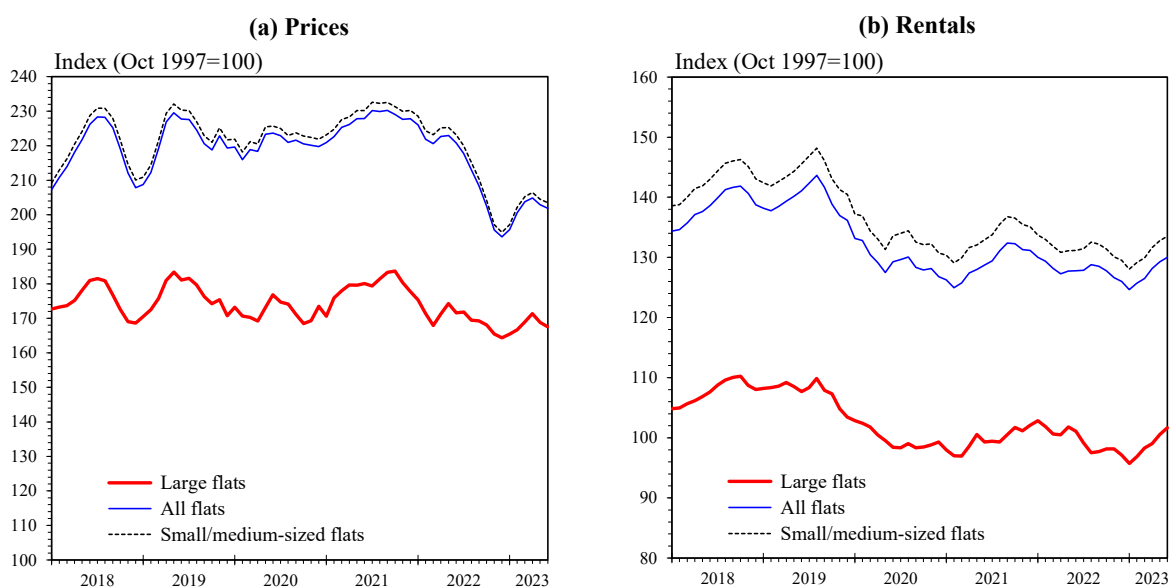




3.3 Having risen by 5% during the first quarter, overall flat prices recorded a 1% decline during the second quarter, with the small month-to-month increase in April followed by the declines in both May and June. Analysed by size, prices of small/medium-sized flats and large flats both edged down by 1% during the quarter. Flat prices in June 2023 were on average still 4% higher than in December 2022, but were 12% below the peak in September 2021.

3.4 Overall flat rentals increased by 3% during the second quarter. Analysed by size, rentals of small/medium-sized flats and large flats both rose by 3%. Flat rentals in June 2023 were on average 3% higher than in December 2022, but still 9% below the peak in August 2019. The average rental yield for residential property edged up from 2.4% in March to 2.5% in June.

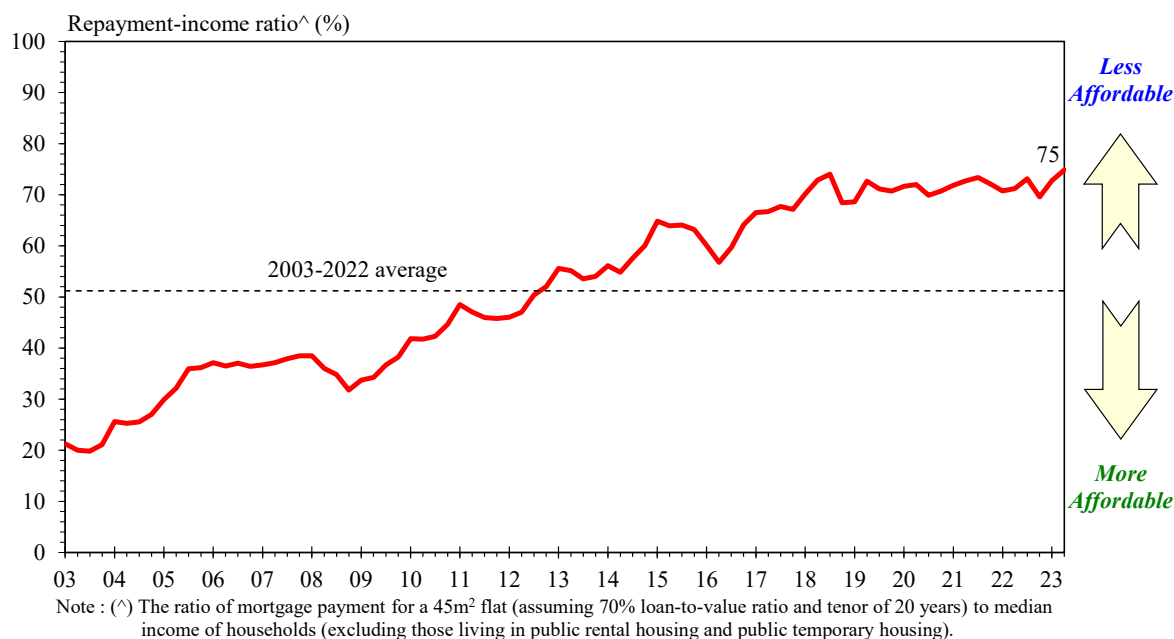
**Diagram 3.2 : Flat prices retreated slightly during the second quarter, while rentals increased**



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

3.5 The index of home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public rental housing and public temporary housing) rose further to 75% in the second quarter along with the increase in mortgage rates, significantly above the long-term average of 51% over 2003-2022<sup>(1)</sup>. Should interest rates rise by two percentage points to a level closer to the historical standards, the ratio would reach 89%.

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

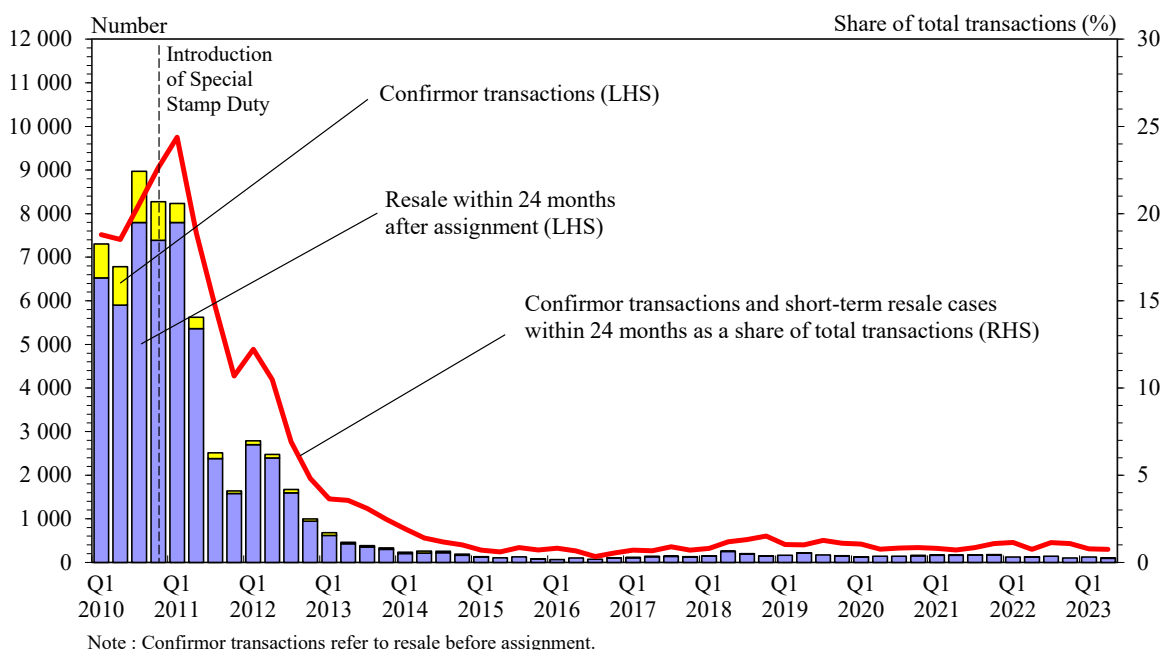


3.6 Increasing housing land supply is a policy priority of the Government<sup>(2)</sup>. In June, the Government announced to put up two residential sites for sale in the third quarter. Taking into account the Government land sale and private development and redevelopment projects, the total private housing land supply in the third quarter is expected to produce around 4 050 flats. Together with the supply in the preceding quarter, the total private housing land supply for the first half of 2023-24 is estimated to have a capacity to produce about 8 280 units, reaching around 65% of the annual target of private housing supply (12 900 units).

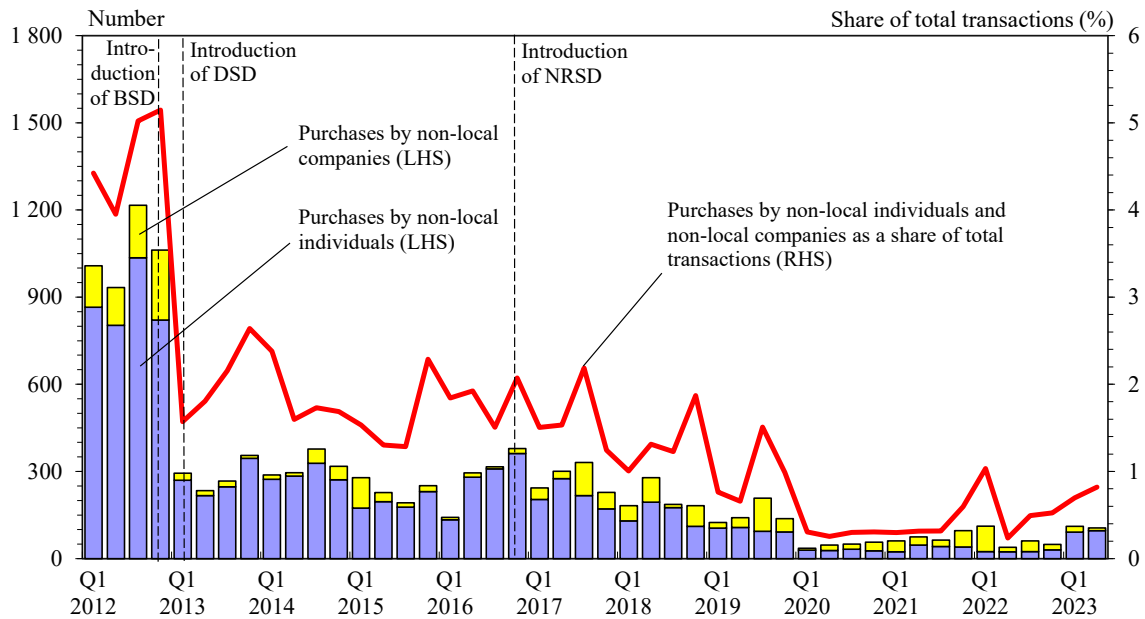
3.7 Reflecting the Government’s sustained efforts in raising land and flat supply, the *total supply of first-hand flats in the private sector* in the coming three to four years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) would stay at a high level of 105 000 units as estimated at end-June 2023. Another 6 800 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.

3.8 To dampen speculative, investment and non-local demand, the Government implemented a number of demand-side management measures during 2010 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 32 cases per month or 0.7% of total transactions in the second quarter, well below the monthly average of 2 661 cases or 20.0% in January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty). Reflecting the effects of the Buyer’s Stamp Duty, *purchases by non-local individuals and non-local companies* stayed low at 35 cases per month or 0.8% of total transactions in the second quarter, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities*, purchases subject to the New Residential Stamp Duty stayed at a modest level of 166 cases per month or 3.9% of total transactions in the second quarter, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty or 26.5% in January to November 2016.

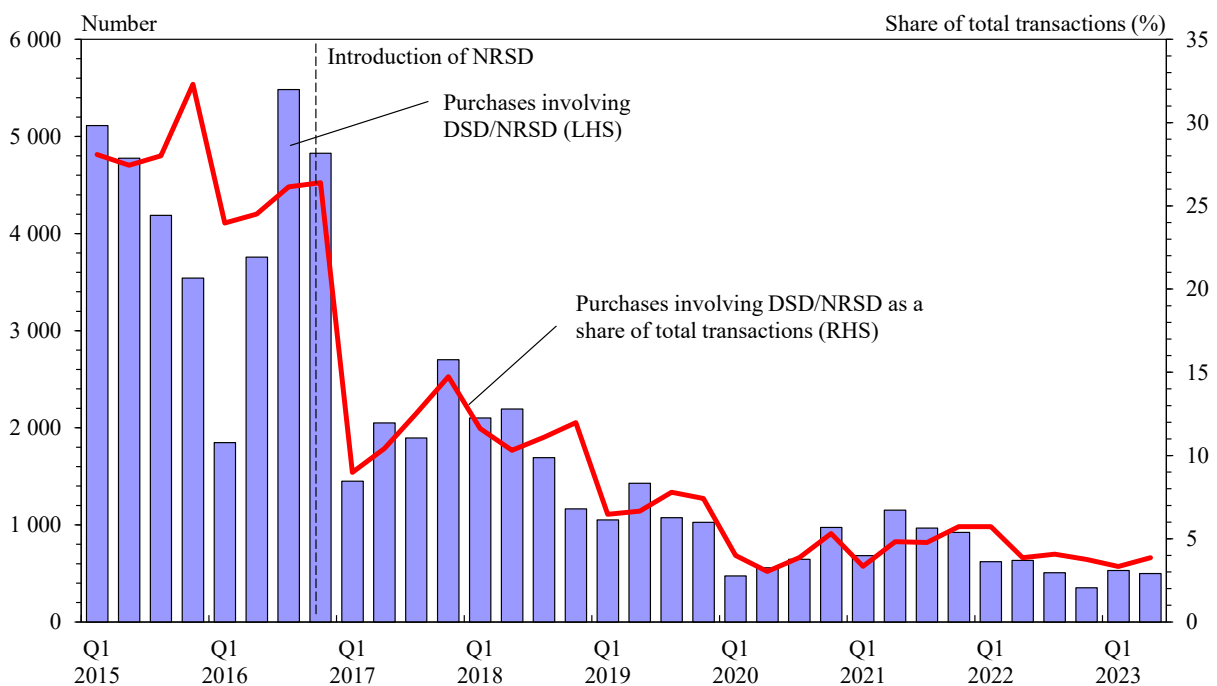
**Diagram 3.4 : Speculative activities remained low**



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



**Diagram 3.6 : Investment activities were modest**



3.9 The Hong Kong Monetary Authority (HKMA) also introduced eight rounds of counter-cyclical macro-prudential measures for property mortgage loans from 2009 to 2017 to reduce the possible risks to financial stability arising from an exuberant property market, before making several adjustments in July 2023 (see *paragraph 3.10*). The average loan-to-value (LTV) ratio of new mortgage loans was 57% in the second quarter, below the average of 64% in January to October 2009 before the first round of measures was introduced.

3.10 On 7 July, the HKMA made several adjustments to the counter-cyclical macro-prudential measures for property mortgage loans, while continuing to maintain banking stability and ensuring the proper risk management of property mortgage loans. The adjustments, which took immediate effect, included: (i) raising the maximum LTV ratio for self-occupied residential properties to 70% for properties valued at \$15 million or below, and 60% for properties valued above \$15 million and up to \$30 million; (ii) increasing the maximum LTV ratio for non-residential properties from 50% to 60%; (iii) increasing the maximum LTV ratio for mortgage loans assessed based on the net worth of mortgage applicants from 40% to 50% (applicable to both residential and non-residential properties); and (iv) lifting the requirements to lower the applicable maximum LTV ratio and debt servicing ratio (DSR) limit by 10 percentage points for mortgage applicants whose incomes are mainly derived from outside of Hong Kong, and removing the requirement to apply a 5-percentage-point knock down on applicable DSR limits when mortgage applicants' total mortgage finance exceeds HKMA's normal permissible LTV ceilings by 20 percentage points. In tandem, the HKMC Insurance Limited (HKMCI) made adjustments to the Mortgage Insurance Programme<sup>(3)</sup>.

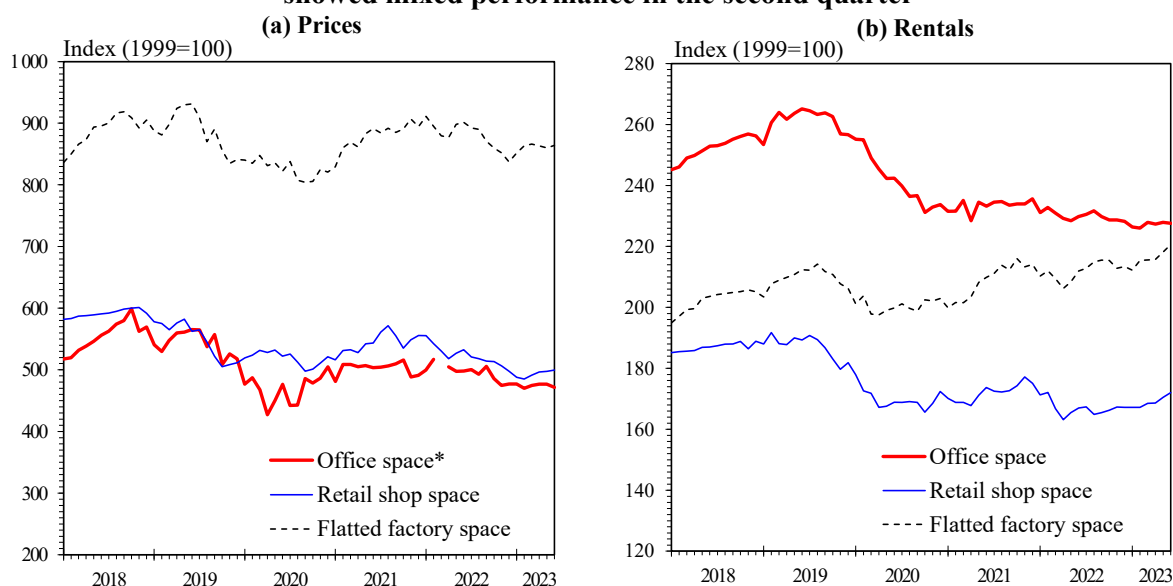
3.11 The *non-residential property market* largely held steady in the second quarter. While trading activities remained subdued, prices and rentals of different segments showed mixed performance.

3.12 Prices of *office space* on average edged down by 1% during the second quarter, with the 4% increase in prices of Grade B office space more than offset by the respective 3% and 1% declines in prices of Grade A and Grade C office space. Meanwhile, overall office rentals were virtually unchanged between March and June. Within the total, rentals of Grade C office space edged up by 1%, while those of Grade A and Grade B office space both showed little changes. Compared with the respective peaks in 2018 and 2019, prices and rentals in June were on average 21% and 14% lower. The average rental yields of Grade A, B and C office space were 2.6%, 2.6% and 3.1% respectively in June, compared with 2.5%, 2.7% and 3.0% in March. Transactions for office space increased by 5% over the preceding quarter to 190 cases in the second quarter, though remaining 12% lower than a year earlier and were considerably below the quarterly average of 230 cases in 2018-2022.

3.13 Prices and rentals of *retail shop space* both increased by 2% during the second quarter. Compared with the respective peaks in 2018 and 2019, prices and rentals in June were 17% and 10% lower. The average rental yield remained unchanged at 2.7% in June, the same as that in March. For all commercial spaces, transactions declined by 10% from the preceding quarter to 280 cases<sup>(4)</sup> in the second quarter, 39% lower than a year earlier and visibly below the quarterly average of 400 cases in 2018-2022.

3.14 Prices of *flatted factory space* showed little change between March and June, while rentals increased by 2%. Prices in June were 7% lower than the peak in 2019, while rentals were 2% higher than the peak in 2021. The average rental yield edged up from 3.0% in March to 3.1% in June. Transactions increased by 7% over the preceding quarter to 560 cases in the second quarter, though still 10% lower than a year earlier and were far below the quarterly average of 750 cases in 2018-2022.

**Diagram 3.7 : Prices and rentals of non-residential properties showed mixed performance in the second quarter**



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

## Land

3.15 No land sites were disposed of in the second quarter. In addition, the tender exercises for two residential sites in Kennedy Town and Tsuen Wan commenced in the quarter. In the second quarter, one land exchange case and lease modifications of 13 sites were approved.

## Tourism

3.16 The tourism sector continued to recover. *Visitor arrivals* surged further from 4.4 million in the preceding quarter to 8.5 million in the second quarter, recovering to 52% of the quarterly average in 2018. Mainland visitors, which accounted for 80% of the total in the second quarter, increased sharply to 6.7 million, and those from other short-haul markets and long-haul markets also rose strongly to 1.2 million and 0.5 million respectively<sup>(5)</sup>. Analysed by length of stay, overnight and same-day visitors both soared to 4.2 million. Visitor spending, as measured by exports of travel services, surged by 770.7% in real terms over the extremely low level a year earlier and returned to 48.2% of the quarterly average in 2018.

**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
	Q2	8 469 100	6 749 600	1 224 100	495 500

Notes : (\*) See note (5) at the end of this chapter for the definitions of other short-haul and long-haul markets.

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

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

		<u>Overnight visitor arrivals</u>	<u>Same-day visitor arrivals</u>
2019	Q1	7 775 100	10 459 300
	Q2	7 145 100	9 492 400
	Q3	5 108 400	6 783 200
	Q4	3 723 700	5 425 500
2020	Q1	1 280 900	2 208 300
	Q2	26 500	300
	Q3	33 800	300
	Q4	18 100	500
2021	Q1	16 300	200
	Q2	16 900	300
	Q3	29 000	300
	Q4	26 900	1 400
2022	Q1	10 700	800
	Q2	62 700	1 800
	Q3	164 600	9 100
	Q4	329 800	25 100
2023	Q1	2 340 400	2 074 400
	Q2	4 237 500	4 231 700

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

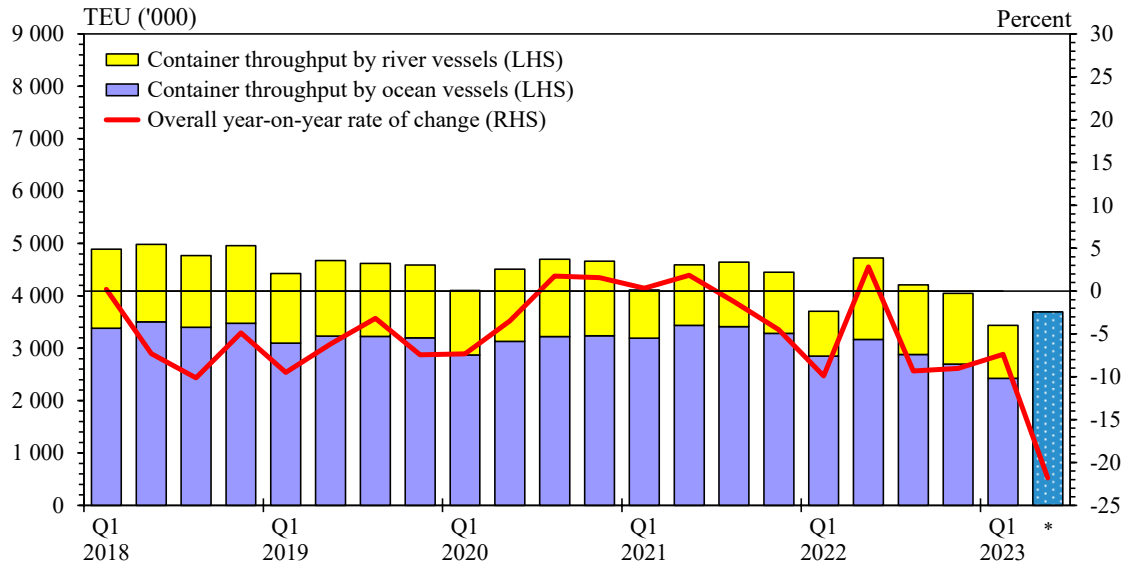
3.17 Hotel businesses showed further improvement in tandem. The average hotel room occupancy rate rose from 76% in the first quarter to 83% in the second quarter, though still below the average of 91% in 2018. The average achieved hotel room rate increased by 29.5% over a year earlier to \$1,404<sup>(6)</sup>.

## Logistics

3.18 The logistics sector remained sluggish in the second quarter amid the weak external trade performance. *Total container throughput* plunged by 21.8% from the high level a year earlier to 3.7 million twenty-foot equivalent units (TEUs). The value of trade handled at the Hong Kong port plummeted by 40.3%, and its share in total trade dropped from 18.6% a year earlier to 12.8%.



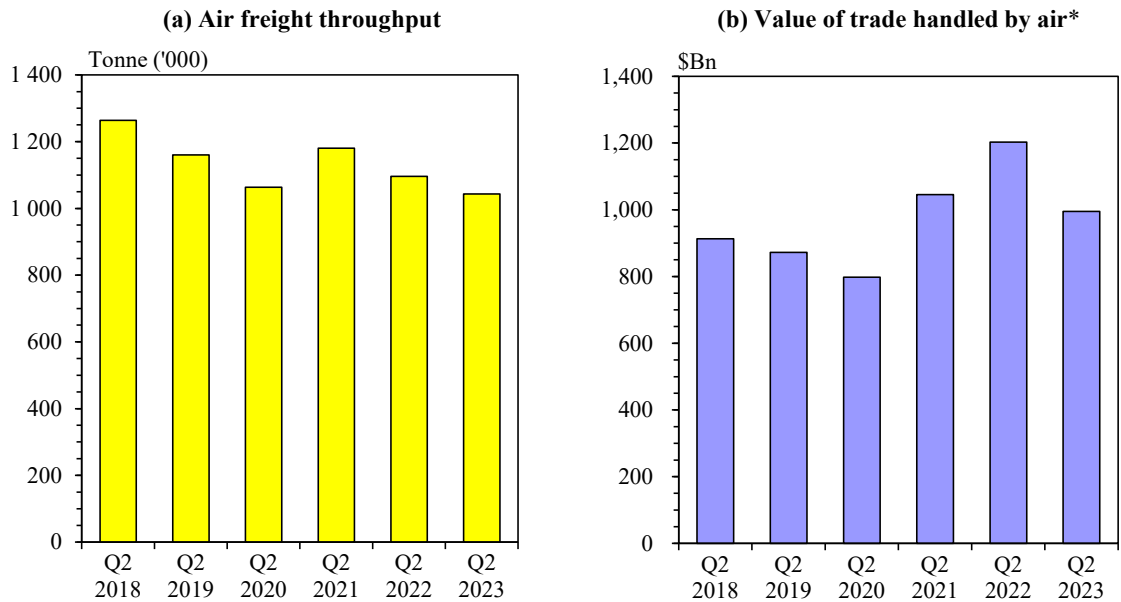
**Diagram 3.8 : Container throughput plunged in the second quarter**



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

3.19 *Air freight throughput* also fell, by 4.8% from a year earlier to 1.0 million tonnes in the second quarter. The value of trade by air shrank by 17.3%, and its share in total trade decreased from 49.0% a year earlier to 46.8%.

**Diagram 3.9 : Air freight throughput fell in the second quarter and value of trade handled by air shrank**



Note : (\*) Not including transshipment.

## **Transport**

3.20 Traffic flows for all modes of cross-boundary passenger transport continued to revive in the second quarter. Air passenger traffic increased from 7.0 million trips in the preceding quarter to 9.5 million trips, and water-borne and land-based cross-boundary passenger trips surged from 1.3 million and 23.2 million to 2.2 million and 43.1 million respectively. The passenger trips of these three modes of transport have returned to 51.4%, 34.2% and 73.1% of their corresponding quarterly averages in 2018. Meanwhile, average daily cross-boundary vehicle movements increased further from 16 340 to 27 105, equivalent to 63.1% of the daily average in 2018.

## **Innovation and technology**

3.21 In June, the Government and the Cyberspace Administration of China (CAC) signed the Memorandum of Understanding on Facilitating Cross-boundary Data Flow Within the Guangdong-Hong Kong-Macao Greater Bay Area (MoU) to jointly promote cross-boundary data flow in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). Under the MoU, the Innovation, Technology and Industry Bureau and the Office of the Government Chief Information Officer will work closely with the CAC and explore effective management measures with a view to fostering cross-boundary data flow within the GBA, which will be conducive to promoting the integrated and high-quality development of the GBA, lowering the compliance costs of enterprises, driving the development of Hong Kong's digital economy and building Hong Kong into a global data hub.

## **Environment**

3.22 The Fines and Fixed Penalties (Public Cleanliness and Obstruction) (Miscellaneous Amendments) Bill 2023 was passed by the Legislative Council in mid-July and will come into effect on 22 October 2023. The Bill mainly seeks to raise the fixed penalties for scheduled offences under the Fixed Penalty (Public Cleanliness and Obstruction) Ordinance (Cap. 570) (including display of bills or posters without permission; depositing of litter or waste and spitting in public spaces, country parks and special areas; fouling of street by dog faeces; marine littering; obstruction of public places and unlawful depositing of waste) and the maximum fines which may be imposed by the court for certain offences relating to public cleansing or obstruction, so as to enhance deterrent effect and achieve long-term and sustainable improvements in environmental hygiene.

## 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 mortgage 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) On 7 July, the HKMCI extended the coverage of the Mortgage Insurance Programme to completed residential properties with value up to \$30 million and made the following adjustments: (i) raising the cap on the value of a property eligible for a mortgage loan of a maximum cover of 80% LTV ratio from \$12 million to \$15 million; (ii) eligible properties with value above \$15 million and up to \$17.15 million will be subject to a maximum LTV ratio derived from a mortgage loan cap of \$12 million (i.e. 70%-80%); and (iii) eligible properties with value above \$17.15 million and up to \$30 million will be subject to a maximum LTV ratio of 70%. Meanwhile, the HKMCI will also provide first-time homebuyers with special premium concession for properties valued up to \$15 million, by waiving premium on insurance coverage for the mortgage loan portion not more than 5% above the maximum LTV ratio for banks.
- (4) The figures on transaction refer to commercial space, which comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.

- (5) Other short-haul markets refer to North Asia, South and Southeast Asia, Taiwan and Macao, but excluding the Mainland, while long-haul markets refer to the Americas, Europe, Africa, the Middle East, Australia, New Zealand and South Pacific. In the second quarter of 2023, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 80%, 14% and 6% of the total.
- (6) 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<sup>#</sup>

### *Summary*

- *Interest rates in Hong Kong rose visibly in the second quarter of 2023 amid tightening domestic liquidity conditions and the further policy rate hike in the US. The Hong Kong dollar interbank interest rates increased visibly across all tenors during the quarter, mainly driven by dividend payment-related demand from listed companies and half-year-end funding needs by corporates. Meanwhile, following the 25-basis-point policy rate hike by the US Federal Open Market Committee (FOMC) in early May, the Hong Kong Monetary Authority (HKMA) adjusted the Base Rate under the Discount Window upward by the same magnitude to 5.50%. Many banks also raised their Best Lending Rates by 12.5 basis points, the first hike in 2023 after the cumulative increase of 62.5 basis points last year.*
- *The Hong Kong dollar spot exchange rate against the US dollar remained generally soft during the second quarter. As the US dollar strengthened notably against some major currencies including the renminbi (RMB) and Japanese yen though weakened slightly against the euro and pound sterling, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices increased by 2.5% and 2.2% respectively during the second quarter.*
- *Total loans and advances decreased by 1.3% during the second quarter. Within the total, loans for use in and outside Hong Kong fell by 0.4% and 4.1% respectively.*
- *The local stock market was under pressure in the second quarter amid concerns over the recovery momentum of the Mainland economy and expectations of further rate hikes by the US Federal Reserve (Fed). The Hang Seng Index (HSI) closed the quarter at 18 916, down by 7.3% from end-March. Trading activities turned quieter and fund raising activities remained tepid.*

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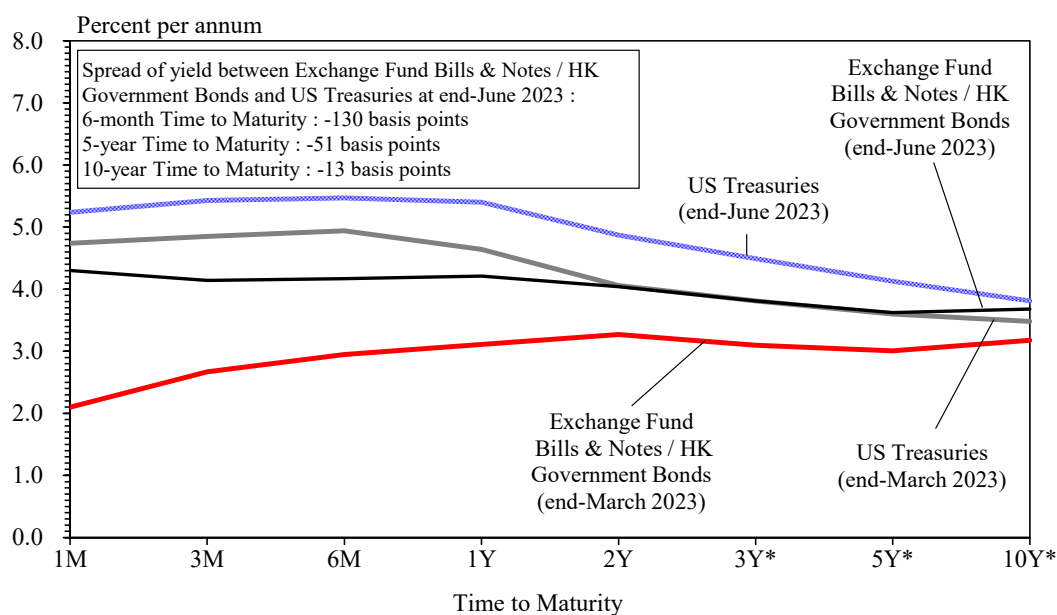
(#) This chapter is jointly prepared by the HKMA and the Office of the Government Economist.

## Interest rates and exchange rates

4.1 Interest rates in Hong Kong rose visibly in the second quarter of 2023 amid tightening domestic liquidity conditions and the further policy rate hike in the US. The *Hong Kong dollar interbank interest rates* (HIBORs) increased visibly across all tenors during the quarter, mainly driven by dividend payment-related demand from listed companies and half-year-end funding needs by corporates. The overnight HIBOR surged from 1.94% at end-March to 5.75% at end-June, and the 3-month HIBOR jumped from 3.71% to 4.97%. Meanwhile, following the 25-basis-point policy rate hike by the US FOMC in early May, the HKMA adjusted the *Base Rate* under the Discount Window upward by the same magnitude to 5.50%<sup>(1)</sup>.

4.2 Both *Hong Kong dollar* and *US dollar yield curves* shifted upward during the second quarter, with the former seeing a more notable shift in the shorter tenors. Reflecting the relative movements of the Hong Kong dollar yields and their US dollar counterparts, the negative yield spread between 6-month Exchange Fund Bills and 6-month US Treasury Bills narrowed from 199 basis points at end-March to 130 basis points at end-June, and that between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes from 30 basis points to 13 basis points.

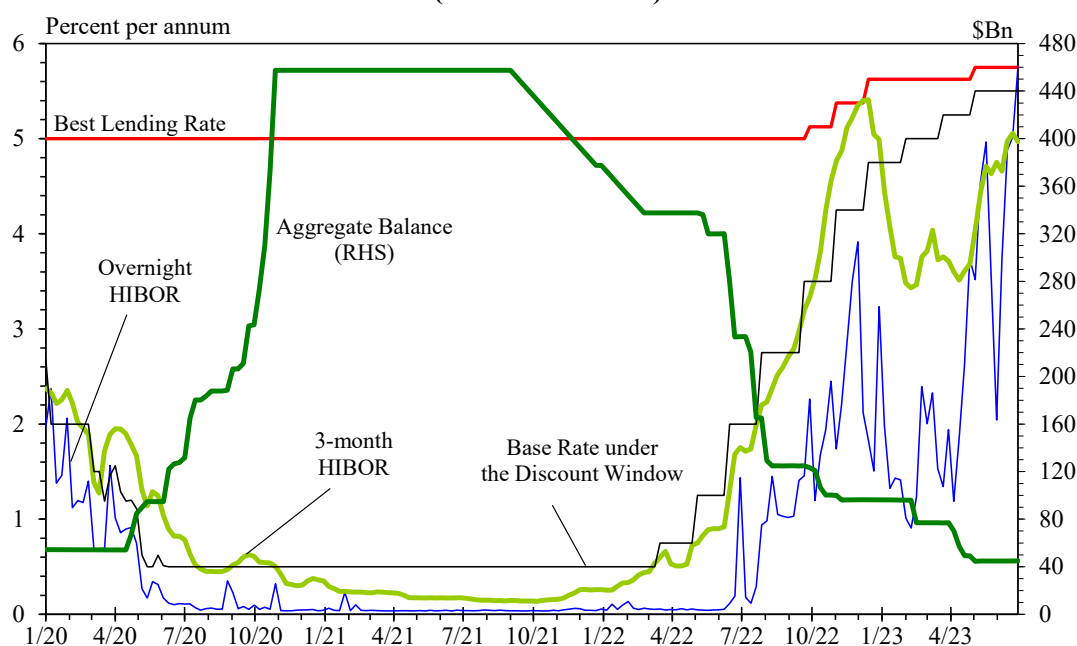
**Diagram 4.1 : Both Hong Kong dollar and US dollar yield curves shifted upward during the second quarter**



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

4.3 On the retail front, many banks raised their *Best Lending Rates* by 12.5 basis points in early May, marking the first hike in 2023 after the cumulative increase of 62.5 basis points last year. At end-June, the Best Lending Rates among banks ranged from 5.75% to 6.25%. The *average savings deposit rate* for deposits of less than \$100,000 quoted by major banks rose from 0.55% at end-March to 0.63% at end-June, and the 1-year *time deposit rate* increased from 0.53% to 0.61%. The *composite interest rate*<sup>(2)</sup>, which indicates the average cost of funds for retail banks, rose from 2.13% at end-March to 2.35% at end-June.

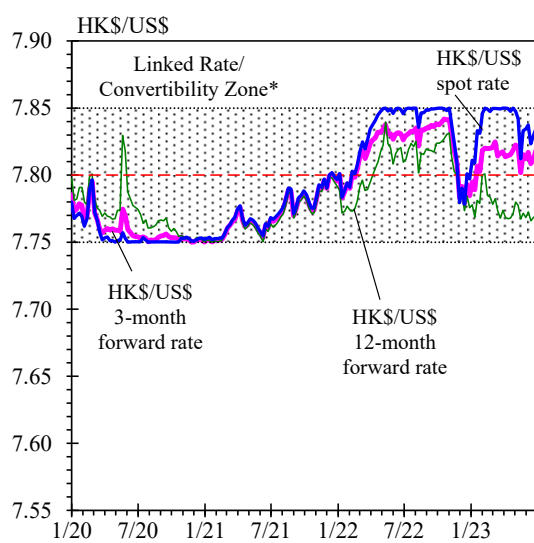
**Diagram 4.2 : Both interbank interest rates and interest rates on the retail front increased during the second quarter (end for the week)**



4.4 The *Hong Kong dollar spot exchange rate against the US dollar* remained generally soft during the second quarter. It stayed close to the weak-side Convertibility Undertaking level in April and early May, before regaining some strength mainly due to dividend payment-related demand from listed companies and half-year-end funding needs by corporates. The weak-side Convertibility Undertaking was triggered six times during the second quarter, and the HKMA purchased a total 32.5 billion of Hong Kong dollars. As a result, the Aggregate Balance declined from \$76.9 billion at end-March to \$44.9 billion at end-June. The Hong Kong dollar closed the second quarter at 7.835 against the US dollar, compared with 7.850 at end-March. The discounts of 3-month and 12-month *Hong Kong dollar forward rates* narrowed from 326 pips and 760 pips (each pip is equivalent to HK\$0.0001) to 162 pips and 654 pips respectively over the period.

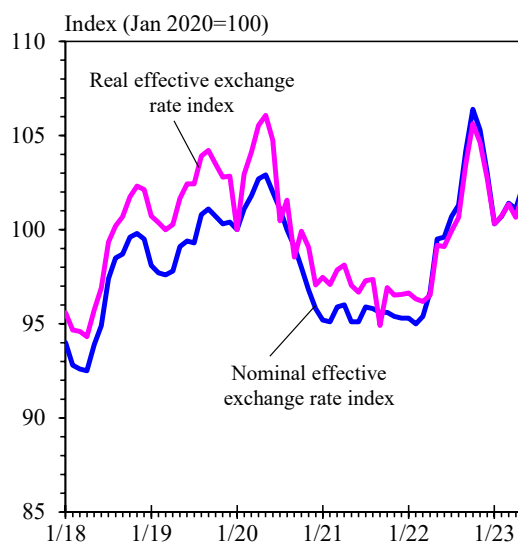
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened notably against some major currencies including the RMB and Japanese yen though weakened slightly against the euro and pound sterling, the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*<sup>(3)</sup> increased by 2.5% and 2.2% respectively during the second quarter.

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



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

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

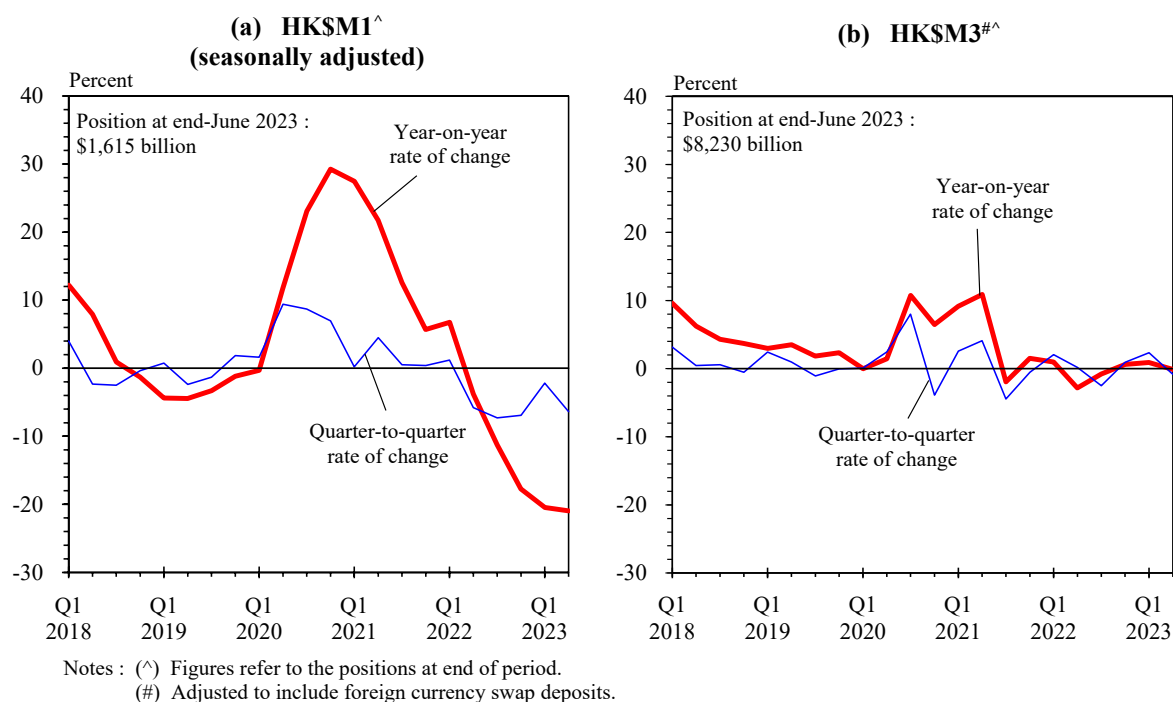


## Money supply and banking sector

4.6 The Hong Kong dollar broad *money supply* (HK\$M3) declined by 0.8% from end-March to \$8,230 billion at end-June, and the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) fell by 6.4% to \$1,615 billion<sup>(4)</sup>. Meanwhile, *total deposits* with authorized institutions (AIs)<sup>(5)</sup> decreased by 0.3% to \$15,469 billion, within which Hong Kong dollar deposits fell by 0.9% while foreign currency deposits edged up by 0.2%.



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



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

% change during the quarter		<u>M1</u>		<u>M2</u>		<u>M3</u>	
		<u>HK\$<sup>^</sup></u>	<u>Total</u>	<u>HK\$<sup>#</sup></u>	<u>Total</u>	<u>HK\$<sup>#</sup></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
	Q2	-6.4	-4.8	-0.8	-0.4	-0.8	-0.4
Total amount at end-June 2023 (\$Bn)		1,615	2,582	8,218	16,553	8,230	16,588
% change over a year earlier		-21.0	-22.2	-0.1	1.5	-0.1	1.5

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

4.7 *Total loans and advances* decreased by 1.3% from end-March to \$10,520 billion at end-June. Within the total, Hong Kong dollar loans edged down by 0.3%, and foreign currency loans decreased by 3.2%. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar rose from 88.2% at end-March to 88.7% at end-June, while that for foreign currency fell from 49.7% to 48.0%.

4.8 Loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong fell by 0.4% and 4.1% respectively from end-March to \$7,787 billion and \$2,733 billion at end-June. Within the former, loans to most economic segments decreased. Loans to stockbrokers shrank by 16.8%, as trading activities in the local stock market turned quieter. Loans to manufacturing and trade finance decreased by 3.8% and 2.4% respectively amid the weak external trade performance. The fall in loans to wholesale and retail trade narrowed to 0.4% alongside the continued recovery of inbound tourism and private consumption. Meanwhile, loans to financial concerns rose by 1.1%. As for property-related lending, loans to building, construction, property development and investment decreased by 2.1%, while loans for purchase of residential property increased by 1.6%.

**Table 4.2 : Loans and advances**

All loans and advances for use in Hong Kong

		Loans to :									
		Trade	Manu-	Whole-	Building,	Purchase	Financial	Stock-	Total <sup>(b)</sup>	All loans	Total
		finance	facturing	sale	construction,	of	concerns	brokers		and advances	loans
				and	and	residential				for use	and
				retail	property	property <sup>(a)</sup>				outside	advances
				trade	development					Hong Kong <sup>(c)</sup>	advances
					and						
% change	during				investment						
	the										
	quarter										
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
	Q2	-2.4	-3.8	-0.4	-2.1	1.6	1.1	-16.8	-0.4	-4.1	-1.3
Total amount at end-June 2023 (\$Bn)		406	312	307	1,707	1,964	943	52	7,787	2,733	10,520
% change over a year earlier		-22.6	-4.9	-13.8	-1.0	4.5	3.1	-6.7	-1.1	-12.0	-4.2

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 20.8% at end-March. The local banking sector’s overall asset quality deteriorated slightly, but remained at a healthy level. The ratio of classified loans to total loans for all AIs increased from 1.38% at end-2022 to 1.45% at end-March 2023, and the delinquency ratio for credit card lending edged up from 0.23% to 0.25%. The delinquency ratio for residential mortgage loans edged up from 0.06% at end-March to 0.07% at end-June.

**Table 4.3 : Asset quality of all AIs<sup>\*^</sup>**  
(as % of total loans)

<u>At end of period</u>		<u>Pass loans</u>	<u>Special mention loans</u>	<u>Classified loans</u> (gross)
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
2023	Q1	96.58	1.97	1.45

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 96.41%, 2.12% and 1.47% respectively at end-March 2023.

4.10 In late June, the HKMA commenced a 3-month public consultation on review of the three-tier banking system. The HKMA proposed to simplify the current three-tier banking system into two tiers by merging deposit-taking companies (DTCs) into the “second-tier institutions” (i.e. restricted licence banks) while keeping licensed banks (LBs) as the “first-tier institutions”. A transition period of 5 years is proposed to be provided for existing DTCs to upgrade to the “second-tier institutions” or LBs. The HKMA’s review aims to simplify the structure of Hong Kong’s banking system and enhance its vital role in strengthening Hong Kong’s status as an international financial centre, as well as to revitalise institutions in the category of DTCs and enhance their flexibility and efficiency in conducting business and meeting customers’ needs.

4.11 *Offshore RMB business* saw broad-based growth in the second quarter. RMB trade settlement transactions handled by banks in Hong Kong increased by 18.5% over a year earlier to RMB2,791.7 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) increased by 12.9% over end-March to RMB1,073.3 billion at end-June. As to financing activities, RMB bond issuance amounted to RMB94.6 billion in the second quarter (including the issuance of RMB12.0 billion by the Ministry of Finance), higher than the RMB84.3 billion in the preceding quarter, while outstanding RMB bank loans rose by 20.9% over end-March to RMB296.6 billion at end-June.

**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<sup>(a),(b)</sup></u>					<u>Number of AIs engaged in RMB business</u>	<u>Amount of cross-border RMB trade settlement<sup>(c)</sup></u> (RMB Mn)
		<u>Demand and savings deposits</u> (RMB Mn)	<u>Time deposits</u> (RMB Mn)	<u>Customer deposits</u> (RMB Mn)	<u>Savings deposits</u> (%)	<u>Three-month time deposits</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
	Q2	399,974	507,327	907,302	0.16	0.31	141	2,791,750
% change in 2023 Q2 over 2022 Q2		33.3	-1.5	11.3	N.A.	N.A.	N.A.	18.5
% change in 2023 Q2 over 2023 Q1		25.4	6.8	14.3	N.A.	N.A.	N.A.	20.7

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

(b) Period average figures.

(c) Figures during the period.

N.A. Not applicable.

## The debt market

4.12 As to the Hong Kong dollar *debt market*, total gross issuance of Hong Kong dollar debt securities decreased by 3.4% from the preceding quarter to \$1,211.5 billion in the second quarter. Within the total, the public sector debt issuance increased by 1.1%, while the debt securities issued by the private sector and multilateral development banks declined by 18.8% and 74.8% respectively<sup>(6)</sup>. The total outstanding amount of Hong Kong dollar debt securities rose by 2.3% over end-March to \$2,635.2 billion at end-June, equivalent to 32.0% of HK\$M3 or 25.3% of Hong Kong dollar-denominated assets of the banking sector<sup>(7)</sup>.

4.13 As to the Hong Kong dollar bonds issued by the Government, a total of \$9.5 billion institutional Government Bonds (GBs) were issued through tenders in the second quarter under the GB Programme. At end-June, the total outstanding amount of Hong Kong dollar bonds under the GB and Government Green Bond (GGB) Programmes was \$234.5 billion, comprising 17 institutional issues totalling \$91.5 billion and five retail issues (two iBonds and three Silver Bonds) totalling \$122.2 billion under the GB Programme, as well as one retail issue of \$20.0 billion and one tokenised institutional issue of \$0.8 billion under the GGB Programme. As for GBs denominated in other currencies, a total of around US\$6.0 billion equivalent of institutional green bonds were issued under the GGB Programme in the second quarter. At end-June, there was one US dollar sukuk with an issuance size of US\$1.0 billion outstanding under the GB Programme, as well as around US\$19.0 billion equivalent of institutional green bonds outstanding under the GGB Programme.

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

		Exchange Fund paper	Statutory bodies/ government- owned corporations	Govern- ment	Public sector total	AIs <sup>(a)</sup>	Local corporations	Non-MDBs overseas borrowers <sup>(b)</sup>	Private sector total	MDBs <sup>(b)</sup>	Total
<b>New Issuance</b>											
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
	Q2	997.2	19.4	9.5	1,026.2	65.2	10.4	106.0	181.6	3.7	1,211.5
% change in 2023 Q2 over 2022 Q2		5.1	-12.9	-66.7	2.6	-41.4	53.1	34.1	-7.9	102.2	1.1
% change in 2023 Q2 over 2023 Q1		2.2	-38.8	21.8	1.1	-24.3	15.2	-17.5	-18.8	-74.8	-3.4
<b>Outstanding (at end of period)</b>											
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
	Q2	1,227.1	148.8	234.5	1,610.4	296.0	136.5	541.8	974.3	50.4	2,635.2
% change in 2023 Q2 over 2022 Q2		3.1	27.5	22.9	7.5	-0.1	0.4	15.6	8.2	68.7	8.5
% change in 2023 Q2 over 2023 Q1		0.9	2.3	3.3	1.3	-3.1	2.6	8.6	3.9	4.5	2.3

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

(a) AIs : Authorized institutions.

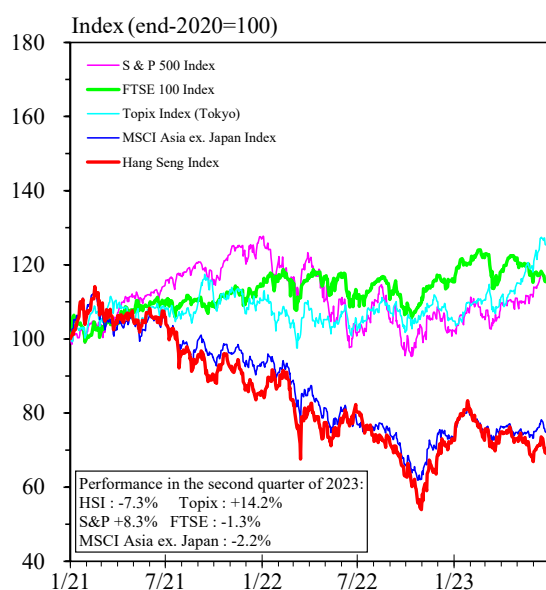
(b) MDBs : Multilateral Development Banks.

## The stock and derivatives markets

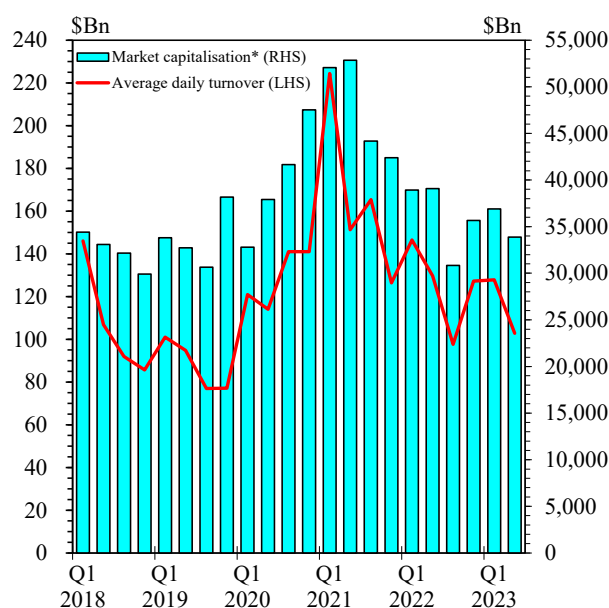
4.14 The *local stock market* was under pressure in the second quarter. Dampened by concerns over the recovery momentum of the Mainland economy and expectations of further rate hikes by the US Fed, the HSI fell visibly in the latter part of May and hit a low of 18 217 on 1 June. It then recouped some of the loss and closed the quarter at 18 916, down by 7.3% from end-March. *Market capitalisation* shrank by 8.2% to \$33.9 trillion during the quarter. The local stock market ranked the seventh largest in the world and the fourth largest in Asia<sup>(8)</sup>.

4.15 Trading activities in the local stock market turned quieter in the second quarter amid the cautious market atmosphere. *Average daily turnover* in the securities market contracted by 19.5% from the preceding quarter or 20.7% from a year earlier to \$102.8 billion. Within the total, the average daily trading value of equities, callable bull/bear contracts, unit trusts (including Exchange-Traded Funds), and derivative warrants<sup>(9)</sup> all fell, by 22.3%, 12.2%, 9.7% and 5.0% respectively from the preceding quarter. As to futures and options<sup>(10)</sup>, the average daily trading volume declined by 7.3%. Within the total, trading of stock options, HSI options, HSI futures and Hang Seng China Enterprises Index futures all decreased, by 10.0%, 8.3%, 4.8% and 3.8% respectively.

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



**Diagram 4.7 : Market capitalisation shrank and trading activities turned quieter**



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
	Q2	138 717	23 143	188 933	598 988	1 315 783
	% change in 2023 Q2 over 2022 Q2	-7.8	-0.6	5.0	5.1	3.3
	% change in 2023 Q2 over 2023 Q1	-4.8	-8.3	-3.8	-10.0	-7.3

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 remained tepid in the second quarter, though rising back from the extremely low level in the preceding quarter. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM<sup>(11)</sup>, rebounded by 22.7% over the preceding quarter or 11.4% over a year earlier to \$41.3 billion in the second quarter. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) jumped by 68.1% over the preceding quarter to \$11.2 billion. Hong Kong ranked the sixth globally in terms of the amount of funds raised through IPOs in the first half of the year<sup>(12)</sup>.

4.17 In late June, Hong Kong Exchanges and Clearing Limited (HKEX) announced that the Fast Interface for New Issuance (FINI), which is an innovative IPO settlement platform, will be launched in October. FINI will shorten the time between the pricing of an IPO and the trading of shares from five business days to two business days, and also introduce a new public offer pre-funding model to help alleviate the scale of funds that are locked up in over-subscribed IPOs. The new platform will modernise and digitalise Hong Kong's IPO settlement process, enhance market efficiency and strengthen the competitiveness and attractiveness of Hong Kong's IPO market.



4.18 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-June, a total of 1 429 Mainland enterprises (including 321 H-share companies, 176 “Red Chip” companies and 932 private enterprises) were listed on the Main Board and GEM, accounting for 55% of the total number of listed companies and 77% of total market capitalisation. Mainland-related stocks accounted for 88% of equity turnover and 90% of total equity fund raised in the Hong Kong stock exchange in the second quarter.

### **Fund management and investment funds**

4.19 Performance of fund management business<sup>(13)</sup> was mixed in the second quarter. The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*<sup>(14)</sup> edged up by 0.2% over end-March to \$1,111.7 billion at end-June. Meanwhile, the monthly average gross retail sales of *mutual funds* fell by 14.0% from the preceding quarter to US\$4.5 billion in April – May<sup>(15)</sup>, though was 8.8% higher than the level a year earlier.

### **Insurance sector**

4.20 The *insurance sector*<sup>(16)</sup> recorded solid growth in the first quarter. New office premium of long-term business rose by 10.7% over a year earlier, within which premium from non-investment linked plans (which accounted for 93% of total premium for this segment) increased by 15.2%, while that from investment linked plans fell by 25.2%. As to general business, gross and net premiums grew by 6.9% and 4.1% respectively.

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

		General business			New office premium of long-term business <sup>^</sup>					Gross premium from long-term business and general business
		Gross premium	Net premium	Underwriting profit	Individual life and annuity (non-investment linked)	Individual life and annuity (investment linked)	Other individual business	Non-retirement scheme group business	All long-term business	
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
2023	Q1	20,660	12,460	513	43,476	3,419	13	71	46,979	67,639
% change in 2023 Q1 over 2022 Q1		6.9	4.1	-51.7	15.2	-25.2	8.3	-37.7	10.7	9.5

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

(<sup>^</sup>) Retirement scheme business is excluded.

## Highlights of policy and market developments

4.21 In mid-May, the Northbound Trading of Swap Connect was launched, which provides a convenient and secure channel for investors from Hong Kong and other jurisdictions to trade interest rate swap products in the Mainland. At the initial stage, the quotation, transaction and settlement currency would be in RMB and the daily net notional principal amounts of the interest rate swap contracts traded by all overseas investors were set at no more than RMB20 billion. The scheme will facilitate global investors' management of interest rate risks arising from their allocation to Mainland bonds, and is conducive to creating favourable conditions for global investors to increase their participation in the onshore bond market. It will provide new opportunities for Hong Kong's financial institutions and strengthen Hong Kong's position as a global risk management centre and offshore RMB hub.

4.22 Separately, the HKMA commenced the e-HKD Pilot Programme in the same month. Under the Pilot Programme, the HKMA will conduct a series of pilots in close collaboration with various stakeholders to examine potential use cases in six categories (i.e. full-fledged payments, programmable payments, offline payments, tokenised deposits, settlement of Web3 transactions and settlement of tokenised assets), as well as implementation and design issues relating to e-HKD. While the HKMA has not yet made a decision on whether and when to introduce e-HKD, the outcomes and insights gained through this Pilot Programme will help enrich the HKMA's perspective and refine the HKMA's approach to the possible implementation of e-HKD.

4.23 In late May, the Securities and Futures Commission (SFC) released the consultation conclusion on regulation of virtual asset trading platforms, and modified some of the proposed regulatory requirements. A significant majority of respondents agreed to allow licensed trading platform operators to serve retail investors, and the SFC will implement a number of measures to protect these investors, including ensuring suitability in the onboarding process, good governance, enhanced token due diligence, admission criteria and disclosures. The licensing regime has come into effect on 1 June 2023, under which operators of centralised virtual asset trading platforms carrying on their businesses in Hong Kong or actively marketing their services to Hong Kong investors have to be licensed and regulated by the SFC.

4.24 In late May, the Hong Kong Mortgage Corporation Limited completed its first issuance of infrastructure loan-backed securities under its pilot scheme on infrastructure financing securitisation through a special purpose vehicle, Bauhinia ILBS 1 Limited (Bauhinia 1). Bauhinia 1 has a portfolio of 35 project and infrastructure loans in 25 individual projects spreading across 12 countries and nine sectors, with a total value of approximately US\$404.8 million. It offers institutional investors exposure to a diversified portfolio of project finance, infrastructure and corporate loans across multiple geographies and sectors. This marks an important step towards developing an infrastructure financing securitisation platform in Hong Kong.

4.25 In mid-June, the HKEX launched its new HKD - RMB Dual Counter Model and the “Dual Counter Market Maker” (DCMM) regime. Under the new model, designated shares listed in both HKD and RMB counters can be traded and settled in HKD or RMB. DCMMs for eligible shares offer continuous buy and sell quotes for securities in the RMB counter, providing liquidity for HKD-RMB Dual Counter securities trading and minimising any possible price discrepancies between the two counters. The new model will provide investors with more choice and companies with another channel to tap Hong Kong’s offshore RMB pool, thereby reinforcing Hong Kong’s role as the global offshore RMB hub.

4.26 Following the announcement in the 2023-24 Budget, the Green Technology and Finance Development Committee was established and convened its first meeting in late June. The Committee, which comprises leaders from finance, technology, academic, professional services sectors and government officials, provides an important platform for discussing how to promote faster and greater development of green technology and finance and to showcase Hong Kong’s advantages in these areas to the world.

## Notes :

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

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

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

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

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

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

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

- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-June 2023, there were 152 licenced banks, 15 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 179 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-June 2023, there were 126 classes of stock options contracts and 98 classes of stock futures contracts.
- (11) At end-June 2023, there were 2 271 and 333 companies listed on the Main Board and GEM respectively.
- (12) The ranking is based on the amount of funds raised through IPOs (including fund raising of special purpose acquisition companies) compiled by Dealogic.
- (13) At end-June 2023, there was one SFC-authorized retail hedge fund with net asset size of US\$121 million. This amount of net assets under management increased by 4.3% over end-March 2023, and represented a 15.4% decrease from a year earlier, and a 24.4% decrease from end-2002, the year when the hedge funds guidelines were first issued.
- (14) At end-June 2023, there were 13 approved trustees. On MPF products, 24 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 415 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 353 000 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. As HKIFA has made some reclassification to its funds statistics, the figures for April – May 2023 may not be comparable with those contained in previous issues of this report.
- (16) At end-June 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

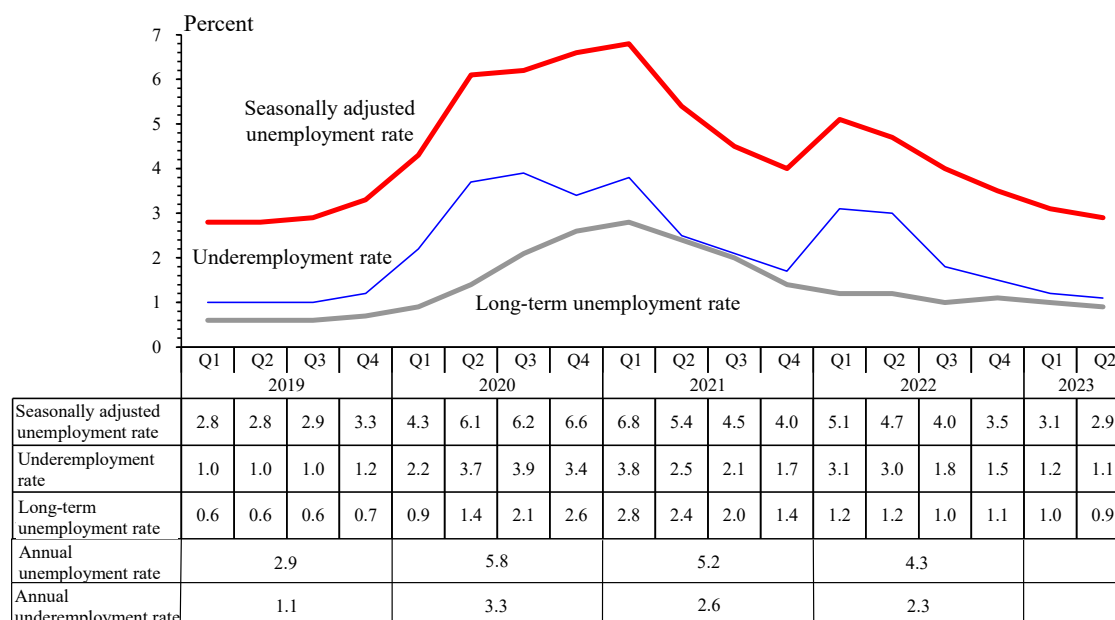
### *Summary*

- *The labour market continued to improve in the second quarter of 2023 along with the local economic recovery. The seasonally adjusted unemployment rate declined further from 3.1% in the first quarter to 2.9% in the second quarter, and the underemployment rate edged down from 1.2% to 1.1%. Both the labour force and total employment turned to increases on a quarter-to-quarter basis, and were higher than the levels a year earlier.*
- *The unemployment rates of many major sectors declined in the second quarter compared with the preceding quarter, such as those of the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors), the arts, entertainment and recreation sector, the transportation and storage sector, and the construction sector. The unemployment rates of the remaining sectors either showed little change or increased, but stayed low in general.*
- *Establishment surveys indicated that the year-on-year increases in nominal wages and labour earnings accelerated further in the first quarter. The average nominal wage rate rose by 3.2% year-on-year in March, faster than the increase of 2.6% three months ago. Nominal payroll per person engaged increased by 3.0% year-on-year in the first quarter, also faster than the increase of 2.3% 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) rose by 5.4% in nominal terms in the second quarter, faster than the increase of 3.7% in the preceding quarter. Meanwhile, the median monthly household income (excluding foreign domestic helpers) increased by 8.0% in nominal terms in the second quarter, also faster than the increase of 4.6% in the preceding quarter.*

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

5.1 The labour market continued to improve in the second quarter of 2023 along with the local economic recovery. The seasonally adjusted *unemployment rate*<sup>(2)</sup> declined further from 3.1% in the first quarter to 2.9% in the second quarter, and the *underemployment rate*<sup>(3)</sup> edged down from 1.2% to 1.1%. The unemployment rates of many major sectors declined, such as those of the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors), the arts, entertainment and recreation sector, the transportation and storage sector, and the construction sector. The unemployment rates of the remaining sectors either showed little change or increased, but stayed low in general. Establishment surveys indicated that the year-on-year increases in nominal wages and labour earnings accelerated further in the first quarter. More recent General Household Survey (GHS) data indicated that the median monthly employment earnings of full-time employees (excluding foreign domestic helpers) saw an accelerated year-on-year increase in nominal terms in the second quarter, and so did the median monthly household income (excluding foreign domestic helpers).

**Diagram 5.1 : The labour market continued to improve in the second quarter along with the local economic recovery**





**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	5.1	3.1	1.2
Q2	4.7	3.0	1.2
Q3	4.0	1.8	1.0
Q4	3.5	1.5	1.1
2023 Q1	3.1	1.2	1.0
<i>Three months ending</i>			
2023 Apr	3.0	1.2	0.9
May	3.0	1.2	0.9
Jun	2.9	1.1	0.9

Notes : The quarterly statistics in 2022 have been revised to take into account the final end-2022 population estimates.

\* Seasonally adjusted (except for annual figures).

Source : General Household Survey, Census and Statistics Department.

## Labour force and total employment

5.2 The *labour force*<sup>(4)</sup> rose back by 0.9% over the preceding quarter to 3 802 400 in the second quarter, and was 1.3% higher than a year ago. The rebound was driven by a bounce-back in working-age population (i.e. land-based non-institutional population aged 15 and above), which increased by 1.5% over the preceding quarter to 6 611 400 in the second quarter, and was 2.2% higher than a year ago. Separately, owing to the persistent drag from population ageing, the overall labour force participation rate continued to decline by 0.4 percentage point from the preceding quarter to 57.5% in the second quarter, and was 0.5 percentage point lower than a year ago.

5.3 *Total employment*<sup>(5)</sup> rebounded by 0.9% over the preceding quarter to 3 688 800 in the second quarter, and was 3.2% higher than a year ago. Employment of most major sectors increased over the preceding quarter along with the local economic recovery, and were higher than a year earlier. A notable exception was employment of import/export trade and wholesale sector, which declined on both quarter-to-quarter and year-on-year bases amid the weak external trade performance.

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

	<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed<sup>(a)</sup></u>	<u>Persons underemployed</u>
2022 Annual	3 776 300 (-2.4)	3 613 200 (-1.6)	163 100	88 100
Q1	3 793 600 (-2.4)	3 604 500 (-0.6)	189 100	117 100
Q2	3 754 300 (-3.4)	3 574 000 (-2.6)	180 200	112 100
Q3	3 808 100 (-1.7)	3 649 700 (-1.2)	158 400	69 900
Q4	3 847 300 (-0.1)	3 720 000 (0.4)	127 200	55 900
2023 Q1	3 769 200 (-0.6)	3 654 100 (1.4)	115 100	46 700
<i>Three months ending</i>				
2023 Apr	3 770 300 (0.2)	3 655 900 (2.9)	114 400	44 500
May	3 787 000 (1.1)	3 673 800 (3.4)	113 100	44 400
Jun	3 802 400 (1.3)	3 688 800 (3.2)	113 600	41 500
	<0.9>	<0.9>		

Notes : The quarterly statistics in 2022 have been revised to take into account the final end-2022 population estimates.

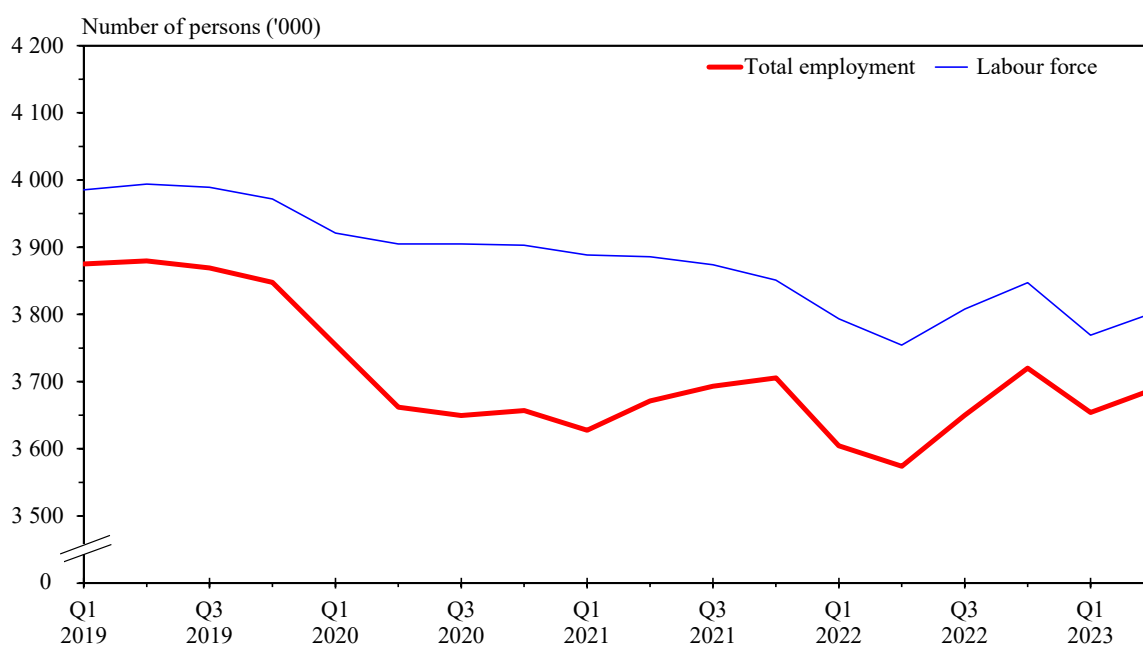
(a) These include first-time job-seekers and re-entrants into the labour force.

( ) % change over a year earlier.

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

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : Both the labour force and total employment rose back over the preceding quarter, and were higher than a year earlier**



**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>2023 Q1</u>	<u>2023 Q2</u>
<u>Male</u>						
15-24	39.2	35.4	34.4	31.4	29.9	29.8
<i>of which:</i>						
15-19	11.3	7.3	6.6	7.0	6.5	6.3
20-24	59.6	56.5	57.2	53.3	52.7	52.2
25-29	91.3	90.8	91.7	89.7	88.4	87.4
30-39	95.9	95.0	95.2	94.0	93.6	93.9
40-49	93.9	93.5	93.5	93.4	93.8	94.2
50-59	85.2	84.8	85.4	85.2	85.1	85.2
≥ 60	32.0	31.6	31.0	32.0	31.9	31.2
Overall	67.6	66.3	65.8	64.7	64.0	63.6
<u>Female</u>						
15-24	40.5	36.6	35.3	32.5	31.6	30.0
<i>of which:</i>						
15-19	11.6	7.2	7.8	7.7	7.0	6.6
20-24	60.1	57.8	57.5	54.2	54.4	50.9
25-29	87.5	87.5	88.2	86.2	86.1	85.4
30-39	79.3	79.1	79.3	78.9	79.5	80.1
40-49	73.7	73.6	74.3	74.0	74.4	74.5
50-59	62.3	62.9	64.0	64.6	65.1	64.3
≥ 60	15.7	15.6	16.3	16.5	17.1	17.2
Overall	55.1	54.3	54.2	52.9	52.9	52.5
<u>Both genders combined</u>						
15-24	39.8	36.0	34.9	31.9	30.8	29.9
<i>of which:</i>						
15-19	11.5	7.3	7.2	7.3	6.8	6.4
20-24	59.9	57.2	57.4	53.8	53.6	51.5
25-29	89.2	89.0	89.8	87.9	87.2	86.3
30-39	86.0	85.6	85.9	85.3	85.5	86.0
40-49	82.0	81.8	82.1	81.9	82.2	82.5
50-59	72.7	72.7	73.4	73.5	73.7	73.3
≥ 60	23.5	23.2	23.3	23.9	24.1	23.8
Overall	60.7	59.7	59.4	58.2	57.9	57.5

Source : General Household Survey, Census and Statistics Department.

## Profile of unemployment

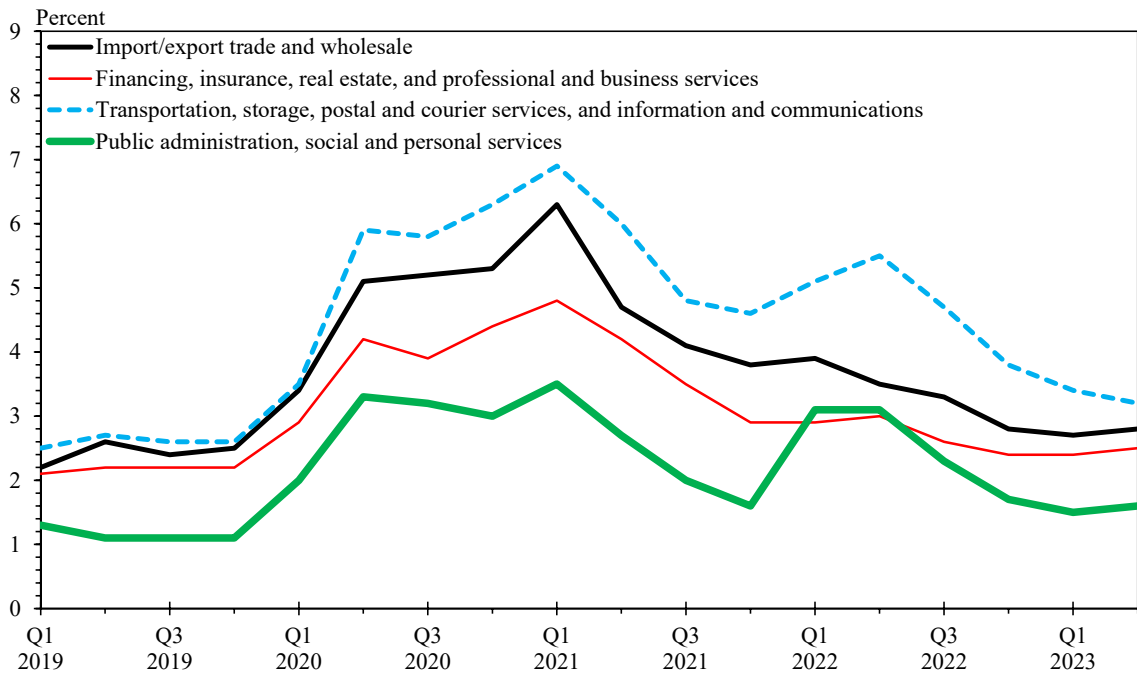
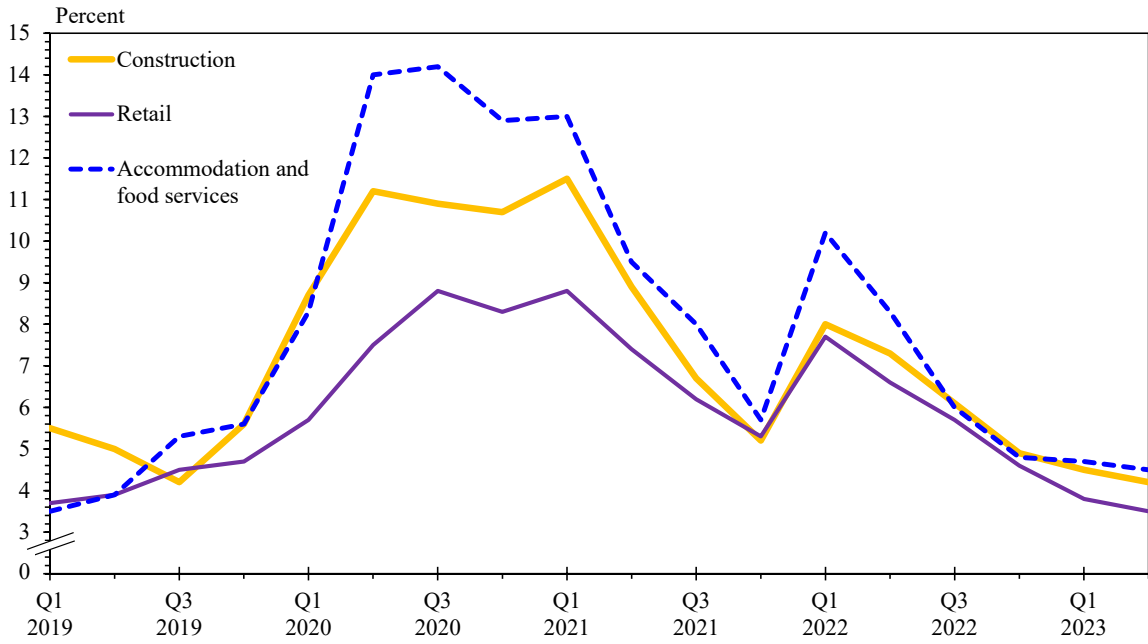
5.4 The seasonally adjusted unemployment rate declined further from 3.1% in the first quarter to 2.9% in the second quarter. The number of unemployed persons (not seasonally adjusted) decreased by 1.3% (or 1 400) to 113 600.

5.5 The unemployment rates of many major sectors (not seasonally adjusted) declined in the second quarter compared with the preceding quarter. Specifically, the unemployment rate of the retail, accommodation and food services sectors combined declined by 0.2 percentage point to 4.0%. Among these sectors, the unemployment rate of the retail sector fell by 0.3 percentage point to 3.5%, and those of the accommodation services sector and the food and beverage service activities sector went down by 0.8 and 0.1 percentage point to 3.0% and 4.8% respectively. Many other sectors also saw declines in unemployment rates, such as the arts, entertainment and recreation sector (down 1.0 percentage point to 3.3%), the transportation and storage sector (down 0.3 percentage point to 3.1%), and the construction sector (down 0.3 percentage point to 4.2%). The unemployment rates of the remaining sectors either showed little change or increased, but stayed low in general. For the *low-paying sectors*<sup>(6)</sup> as a whole, the unemployment rate remained low at 2.7%.

5.6 Analysed by skill segment and compared with the preceding quarter, the unemployment rates of lower-skilled workers and higher-skilled workers both held steady at 3.2% and 2.1% respectively in the second quarter.

5.7 Analysed by other socio-economic attributes, the unemployment rates of many age and educational attainment groups declined in the second quarter compared with the preceding quarter, notably for those aged 25-29 (down 0.5 percentage point to 4.0%), those aged 50-59 (down 0.3 percentage point to 2.9%) and those with lower secondary education (down 0.3 percentage point to 3.9%). On the other hand, the unemployment rate of those aged 15-24 rose visibly (up 1.4 percentage points to 9.3%), mainly reflecting a seasonal increase caused by the entry of a new batch of graduates and school leavers into the labour market.

**Diagram 5.3 : The unemployment rates of many major sectors declined in the second quarter; those of other sectors either showed little change or increased, but stayed low in general**



**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>	<u>Q2</u>
Import/export trade and wholesale	3.9	3.5	3.3	2.8	2.7	2.8
Retail, accommodation and food services	8.9	7.4	5.9	4.7	4.2	4.0
<i>of which:</i>						
<i>Retail</i>	7.7	6.6	5.7	4.6	3.8	3.5
<i>Accommodation services</i>	5.6	5.8	4.6	3.6	3.8	3.0
<i>Food and beverage service activities</i>	11.0	8.7	6.3	5.0	4.9	4.8
Transportation, storage, postal and courier services	5.3	6.0	5.0	4.0	3.3	3.1
<i>of which:</i>						
<i>Transportation and storage</i>	5.6	6.3	5.1	4.1	3.4	3.1
Information and communications	4.6	4.2	4.0	3.3	3.5	3.4
Financing and insurance	2.4	2.5	2.4	2.0	2.1	2.0
Real estate	2.4	2.9	2.7	2.5	2.6	2.6
Professional and business services	3.4	3.4	2.8	2.5	2.6	2.8
Public administration, social and personal services	3.1	3.1	2.3	1.7	1.5	1.6
<i>of which:</i>						
<i>Arts, entertainment and recreation</i>	11.4	8.0	5.8	5.2	4.3	3.3
Manufacturing	5.5	5.7	5.1	4.4	4.0	4.1
Construction	8.0	7.3	6.1	4.9	4.5	4.2
Overall*	5.0 (5.1)	4.8 (4.7)	4.2 (4.0)	3.3 (3.5)	3.1 (3.1)	3.0 (2.9)

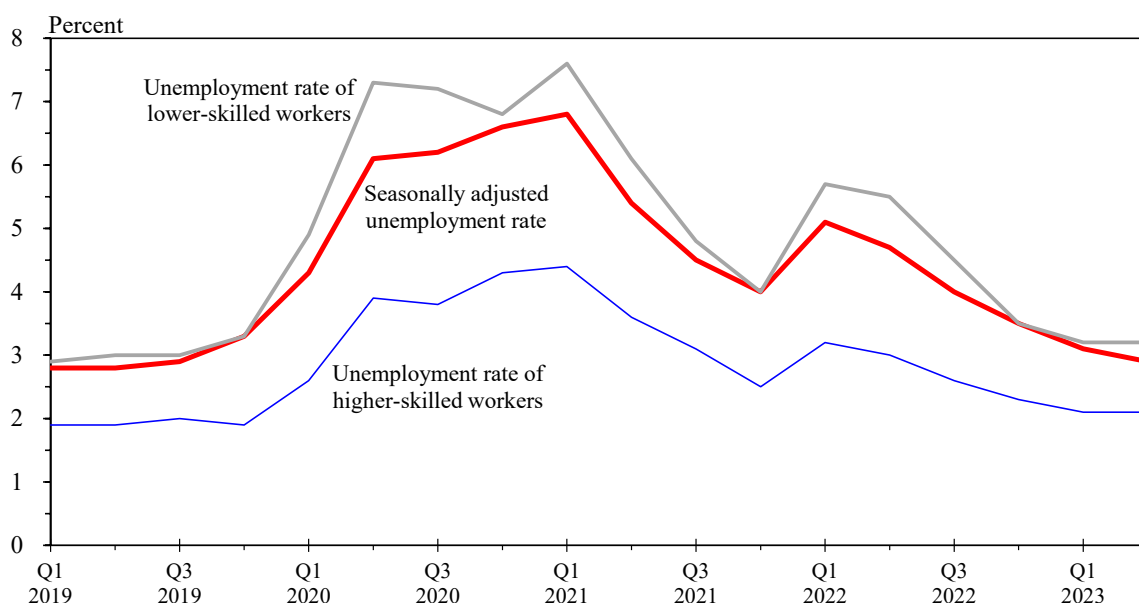
Notes : The quarterly statistics in 2022 have been revised to take into account the final end-2022 population estimates.

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

( ) Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.4 : The unemployment rates of lower-skilled workers and higher-skilled workers both held steady in the second quarter compared with the preceding 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>Q2</u>
<u>Higher-skilled segment</u>	3.2	3.0	2.6	2.3	2.1	2.1
Managers	2.7	2.4	2.1	1.7	1.4	1.5
Professionals	2.0	2.0	1.9	1.6	2.0	1.6
Associate professionals	4.1	4.1	3.3	3.0	2.7	2.9
<u>Lower-skilled segment</u> <sup>^</sup>	5.7	5.5	4.5	3.5	3.2	3.2
Clerical support workers	4.6	4.2	4.8	3.3	3.3	3.1
Service and sales workers	7.4	6.7	4.8	4.1	3.8	3.6
Craft and related workers	8.8	7.5	6.9	4.9	4.3	4.1
Plant and machine operators and assemblers	4.2	4.6	3.7	2.7	2.4	2.2
Elementary occupations	4.1	4.5	3.2	2.7	2.5	2.6

Notes : The quarterly statistics in 2022 have been revised to take into account the final end-2022 population estimates.

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

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

Source : General Household Survey, Census and Statistics Department.

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

	<u>2022</u>				<u>2023</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
<u>Age</u>						
15-24	10.6	11.9	12.2	9.1	7.9	9.3
<i>of which:</i>						
15-19	14.4	18.5	16.4	11.7	9.8	11.2
20-24	10.2	11.2	11.6	8.8	7.7	9.1
25-29	6.0	5.7	6.1	5.2	4.5	4.0
30-39	3.7	3.7	3.3	2.4	2.5	2.3
40-49	4.2	4.2	2.9	2.6	2.4	2.5
50-59	5.6	4.9	4.0	3.3	3.2	2.9
≥ 60	4.9	4.5	3.6	2.8	2.2	2.4
<u>Educational attainment</u>						
Primary education and below	5.8	5.0	2.7	2.8	2.4	2.3
Lower secondary education	7.2	6.5	5.2	4.1	4.2	3.9
Upper secondary education <sup>^</sup>	5.5	5.2	4.2	3.1	3.0	3.1
Post-secondary education	3.8	3.9	4.0	3.3	2.9	2.7

Notes : The quarterly statistics in 2022 have been revised to take into account the final end-2022 population estimates.

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

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

Source : General Household Survey, Census and Statistics Department.



5.8 The situation on unemployment duration improved in the second 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 0.9% in the second quarter, and the number of long-term unemployed persons declined by 10.4% (or 3 800) to 32 500. The median duration of unemployment shortened by 3 days to 80 days.

### **Underemployment situation**

5.9 The underemployment rate edged down from 1.2% in the first quarter to 1.1% in the second quarter. The number of underemployed persons fell by 11.1% (or 5 200) to 41 500.

### **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 March. 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 first quarter. Total private sector employment showed an accelerated increase of 1.0% in March over three months ago on a seasonally adjusted basis. On a year-on-year comparison, total private sector employment (not seasonally adjusted) turned to an increase of 1.5% to 2 719 800. Employment in most selected industries (not seasonally adjusted) increased over three months ago, notably for arts, entertainment, recreation and other services, residential care and social work services, cleaning and similar services, and education. On a year-on-year comparison, employment in many selected industries increased, notably for construction sites (covering manual workers only), food and beverage services, arts, entertainment, recreation and other services, and education. Among those selected industries which saw declines in employment, the rates of decline in many of them narrowed.

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

	<u>2022</u>					<u>2023</u>
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>
Import/export trade and wholesale	434 600 (-0.3)	438 300 (0.8)	434 800 (§)	432 700 (-0.6)	432 700 (-1.5)	430 100 (-1.9)
Retail	245 400 (-1.6)	245 200 (-1.9)	244 800 (-1.3)	245 200 (-1.3)	246 400 (-2.0)	248 500 (1.4)
Accommodation services <sup>(a)</sup>	34 400 (-4.5)	35 400 (2.8)	33 400 (-9.8)	33 600 (-9.0)	35 300 (-1.3)	35 600 (0.6)
Food and beverage services	216 700 (1.3)	204 700 (-0.4)	217 200 (1.0)	222 000 (2.0)	223 000 (2.4)	223 900 (9.4)
Transportation, storage, postal and courier services	163 400 (-2.1)	164 400 (-0.6)	162 500 (-3.7)	164 000 (-1.9)	162 700 (-2.0)	161 900 (-1.5)
Information and communications	106 300 (-2.2)	107 200 (-1.9)	106 100 (-2.4)	105 300 (-2.9)	106 400 (-1.5)	107 400 (0.2)
Financing, insurance, real estate, professional and business services	756 600 (-1.5)	766 600 (0.7)	750 500 (-2.0)	751 800 (-2.6)	757 500 (-1.9)	763 400 (-0.4)
<i>of which:</i>						
<i>Cleaning and similar services</i>	82 600 (0.8)	84 300 (3.1)	81 700 (-0.1)	83 200 (0.7)	81 100 (-0.5)	82 600 (-2.0)
Social and personal services	536 900 (0.4)	532 900 (-0.3)	533 900 (0.3)	536 400 (0.5)	544 300 (1.3)	553 900 (3.9)
<i>of which:</i>						
<i>Education</i>	206 400 (1.1)	205 200 (-0.1)	205 500 (0.9)	205 600 (1.7)	209 400 (1.9)	212 900 (3.8)
<i>Residential care and social work services</i>	66 800 (0.9)	67 300 (2.5)	65 700 (-0.4)	66 500 (0.5)	67 600 (0.9)	68 900 (2.4)
<i>Arts, entertainment, recreation and other services</i>	114 500 (-3.4)	111 900 (-5.5)	114 300 (-2.8)	115 000 (-3.7)	117 000 (-1.5)	119 800 (7.1)
Manufacturing	74 900 (-5.0)	75 800 (-6.7)	74 900 (-5.3)	74 400 (-5.1)	74 500 (-2.6)	74 900 (-1.2)
Construction sites (covering manual workers only)	104 700 (-0.7)	98 300 (-4.3)	103 400 (-2.5)	109 700 (3.2)	107 300 (0.6)	108 400 (10.3)
<b>All establishments surveyed in the private sector<sup>(b)</sup></b>	<b>2 685 700</b> <b>(-0.9)</b>	<b>2 680 500</b> <b>(-0.4)</b>	<b>2 673 200</b> <b>(-1.3)</b>	<b>2 686 900</b> <b>(-1.1)</b>	<b>2 702 000</b> <b>(-0.8)</b>	<b>2 719 800</b> <b>(1.5)</b>
		<-1.2>	<-0.2>	<0.3>	<0.4>	<1.0>
<i>Civil service<sup>(c)</sup></i>	174 800 (-1.2)	176 200 (-0.7)	175 200 (-1.0)	174 000 (-1.3)	173 700 (-1.7)	173 600 (-1.5)

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 saw an accelerated increase of 7.6% in March over three months ago on a seasonally adjusted basis. Compared with a year ago, private sector vacancies (not seasonally adjusted) surged by 44.8% to 77 750.

5.13 The number of vacancies in most selected industries increased in March over three months ago, and all of them were higher than the levels a year earlier.

5.14 The manpower balance situation tightened further in March. The ratio of job vacancies per 100 unemployed persons increased further to 68 in March from 57 three months ago. Manpower shortage situation continued to be particularly acute in the education sector, the residential care and social work services sector, and the human health services sector, with their corresponding ratios exceeding 200.

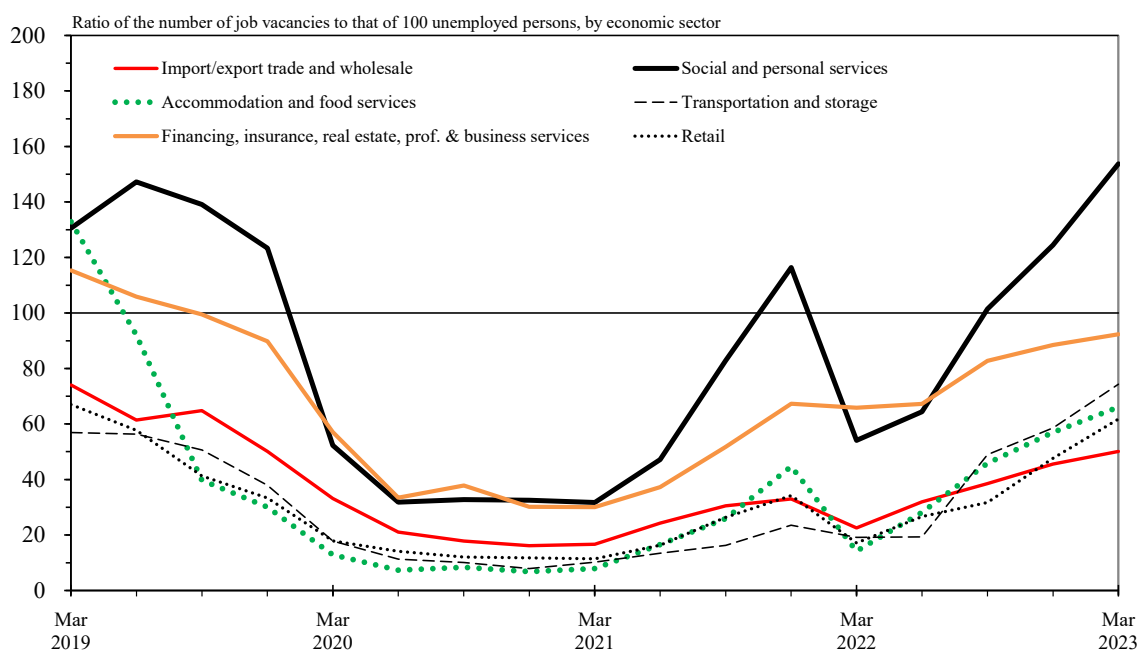
**Table 5.8 : Vacancies by major economic sector**

	<u>2022</u>					<u>2023</u>
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>
Import/export trade and wholesale	3 740 (-3.7)	2 920 (-16.9)	3 600 (-6.3)	4 110 (1.0)	4 310 (5.5)	4 250 (45.8)
Retail	4 900 (19.6)	3 710 (25.1)	4 880 (41.3)	5 000 (6.1)	6 030 (14.4)	6 410 (72.5)
Accommodation services <sup>(a)</sup>	1 880 (56.0)	1 410 (100.7)	1 790 (63.4)	2 030 (47.9)	2 290 (38.7)	2 830 (100.7)
Food and beverage services	4 520 (20.6)	2 410 (17.2)	4 700 (45.5)	5 540 (26.4)	5 420 (1.9)	5 810 (140.8)
Transportation, storage, postal and courier services	5 550 (91.5)	3 550 (41.1)	3 740 (27.5)	7 520 (191.6)	7 390 (107.4)	7 440 (109.7)
Information and communications	2 850 (36.8)	2 790 (67.6)	2 780 (44.2)	3 020 (31.9)	2 830 (14.8)	3 020 (8.3)
Financing, insurance, real estate, professional and business services	17 590 (16.7)	16 580 (27.7)	17 020 (21.6)	18 540 (15.9)	18 210 (5.1)	19 410 (17.1)
<i>of which:</i>						
<i>Cleaning and similar services</i>	1 440 (6.7)	1 210 (4.1)	1 180 (-14.8)	1 510 (11.1)	1 870 (24.7)	1 780 (47.6)
Social and personal services	22 500 (44.0)	18 410 (53.8)	21 370 (57.8)	26 270 (49.5)	23 950 (23.2)	25 290 (37.4)
<i>of which:</i>						
<i>Education</i>	7 270 (36.1)	5 980 (44.7)	7 440 (51.0)	7 910 (36.5)	7 750 (19.0)	7 990 (33.6)
<i>Residential care and social work services</i>	4 930 (22.6)	4 650 (25.3)	4 810 (18.8)	5 180 (23.2)	5 080 (23.3)	5 260 (13.1)
<i>Arts, entertainment, recreation and other services</i>	3 600 (42.2)	2 740 (58.5)	3 260 (35.2)	3 800 (38.9)	4 600 (41.6)	5 450 (99.1)
Manufacturing	1 690 (63.8)	1 400 (103.6)	1 640 (74.8)	1 830 (59.7)	1 880 (39.4)	2 380 (69.5)
Construction sites (covering manual workers only)	520 (177.1)	270 (244.9)	630 (153.6)	640 (291.5)	540 (106.9)	640 (139.4)
<b>All establishments surveyed in the private sector<sup>(b)</sup></b>	<b>66 050 (31.9)</b>	<b>53 700 (36.5)</b>	<b>62 500 (37.5)</b>	<b>74 840 (37.2)</b>	<b>73 150 (20.0)</b>	<b>77 750 (44.8)</b>
		<b>&lt;-10.8&gt;</b>	<b>&lt;14.2&gt;</b>	<b>&lt;12.9&gt;</b>	<b>&lt;4.5&gt;</b>	<b>&lt;7.6&gt;</b>
<i>Civil service<sup>(c)</sup></i>	17 800 (13.7)	16 800 (10.9)	17 490 (12.5)	18 230 (14.2)	18 690 (16.9)	19 170 (14.1)

- 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 March**



5.15 As to the number of job vacancies in the private sector received by the Labour Department, it decreased by 1% from the preceding quarter to a monthly average of 101 400 in the second quarter, but was still 12% higher than a year ago.

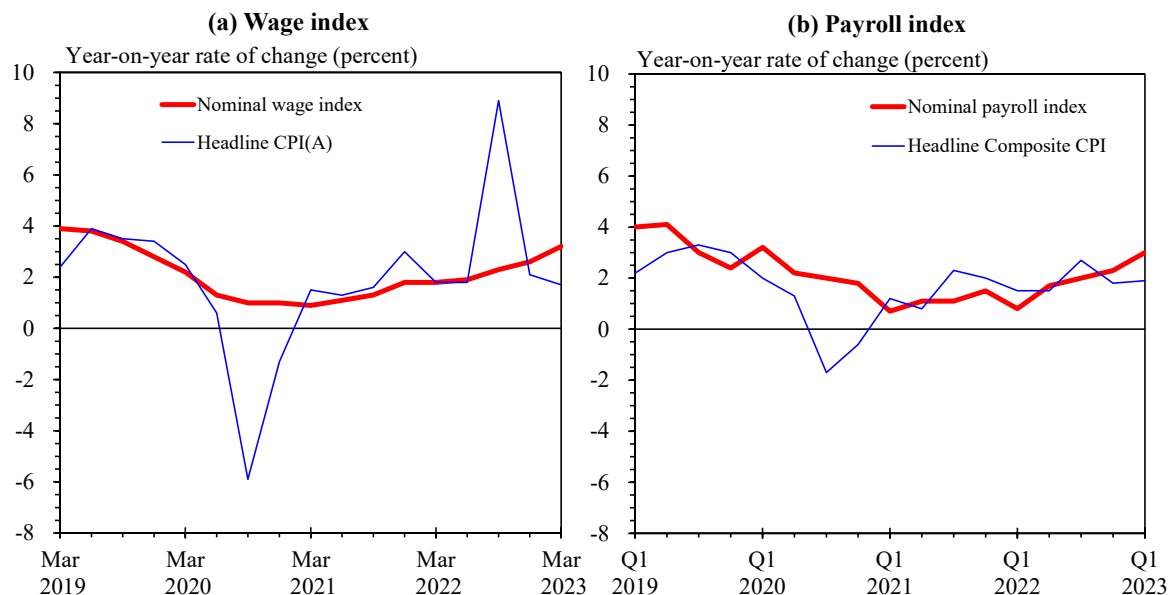
## Wages and earnings

5.16 The year-on-year increases in nominal wages and labour earnings accelerated further in the first quarter. The average nominal wage rate, as measured by the nominal wage index for all selected industry sections which covers regular payment to employees at the supervisory level or below, rose by 3.2% year-on-year in March, faster than the increase of 2.6% three months ago. After discounting for *inflation*<sup>(7)</sup>, the average wage rate showed an accelerated increase of 1.5% in real terms.

5.17 Nominal *labour earnings*<sup>(8)</sup>, 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 3.0% year-on-year in the first quarter, faster than the increase of 2.3% in the preceding quarter. After discounting for inflation, labour earnings saw an accelerated increase of 1.1% in real terms.

5.18 Nominal payroll per person engaged in all selected industries recorded year-on-year increases in the first quarter, particularly for transportation, storage, postal and courier services (up 6.7%), accommodation and food service activities (up 4.9%), manufacturing (up 4.0%) and information and communications (up 3.9%). The gains in almost all selected industries were faster than the preceding quarter.

**Diagram 5.6 : The year-on-year increases in nominal wages and labour earnings accelerated further in the first quarter**



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

5.19 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 by 5.4% in nominal terms in the second quarter, faster than the 3.7% increase in the preceding quarter. The pace of increase continued to be faster than the headline inflation rate (as measured by the year-on-year rate of change in the headline Composite Consumer Price Index) of 2.0%. Meanwhile, the median monthly household income (excluding foreign domestic helpers) increased by 8.0% in the second quarter, also faster than the increase of 4.6% in the preceding quarter.

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

5.20 To attract more high-quality talents from the Mainland and overseas to Hong Kong, the Top Talent Pass Scheme was launched on 28 December 2022. As of end-June 2023, over 36 000 applications were received, and around 26 000 were approved. Moreover, the expanded Talent List was announced on 16 May 2023, with the coverage extended from 13 professions to 51, spanning across 9 industry segments.

5.21 On the premise of ensuring employment priority for local workers, the Government implemented various measures on labour importation in order to address the labour shortage issue. Specifically, in June 2023, the Government launched the Special Scheme to Import Care Workers for Residential Care Homes, subject to a quota of 7 000. Moreover, in July 2023, the Government launched labour importation schemes for the construction and transport sectors, subject to a total quota of 20 000 which comprises 12 000 for the construction sector and 8 000 for the transport sector. Separately, the Government will enhance the coverage and operation of the Supplementary Labour Scheme (SLS). The enhanced SLS will be launched in the third quarter of 2023.

5.22 The Statutory Minimum Wage (SMW) rate was raised to \$40 per hour with effect from 1 May 2023, 6.7% above the previous SMW rate of \$37.5 per hour. Separately, taking into account the views received during the two stages of public consultations in April and June 2023, the Minimum Wage Commission is studying on how to enhance the review mechanism of SMW, with a view to putting forth recommendation(s) to the Government by end-October 2023.

## 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 from November 2021 – January 2022 to October – December 2022 have been revised to take into account the final end-2022 population estimates.

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

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

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

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

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

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

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

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



formal job attachment during the reference period (i.e. seven days before enumeration).

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

## CHAPTER 6 : PRICES

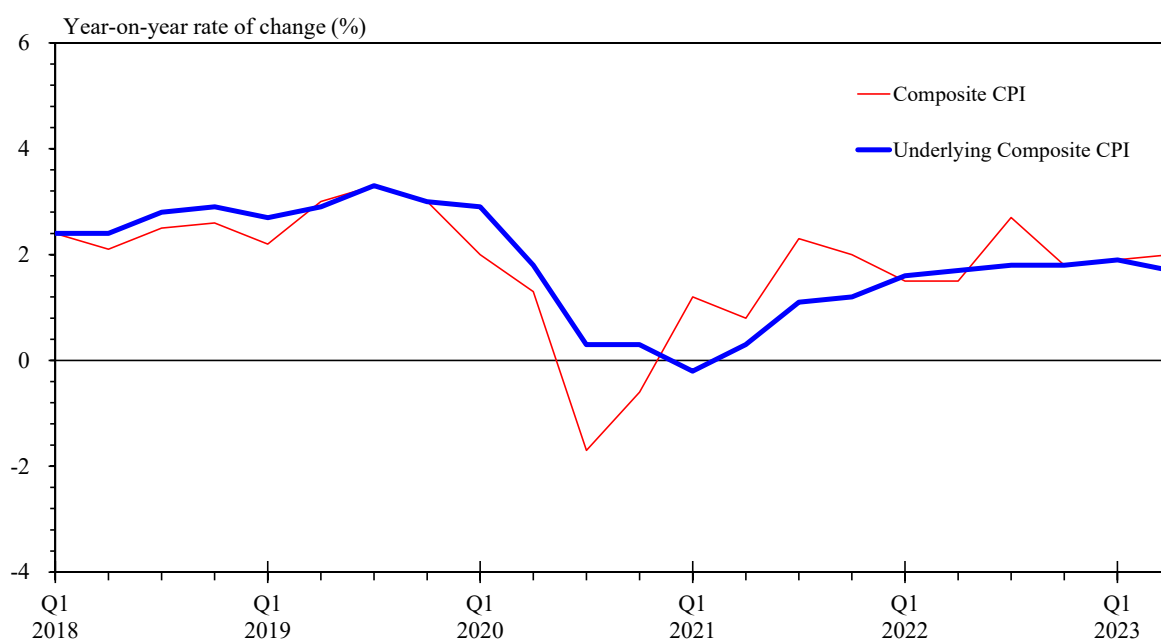
### *Summary*

- *Underlying consumer price inflation stayed moderate in overall terms in the second quarter of 2023. Prices of energy-related items as a whole continued to soar over a year earlier, but at a moderated pace. Prices of meals out and takeaway food, and clothing and footwear rose further visibly, but the former showed a decelerated increase. Price pressures on other major components were broadly in check. Private housing rentals continued to decline. The underlying Composite Consumer Price Index (Composite CPI)<sup>(1)</sup>, which nets out the effects of the Government's one-off relief measures, rose by 1.7% year-on-year in the second quarter, after increasing by 1.9% in the preceding quarter. Meanwhile, the headline Composite CPI rose by 2.0%, compared with 1.9% increase in the preceding quarter.*
- *Domestic business cost pressures stayed largely mild. Wage growth remained moderate, while commercial rentals continued to be soft.*
- *External price pressures remained generally notable. As inflation in many major economies<sup>(2)</sup> remained high, import prices of all end-use categories continued to increase, except import prices of fuels.*

## Consumer prices

6.1 Underlying consumer price inflation stayed moderate in overall terms in the second quarter of 2023. Prices of energy-related items as a whole continued to soar over a year earlier, but at a moderated pace. Prices of meals out and takeaway food, and clothing and footwear rose further visibly, but the former showed a decelerated increase. Price pressures on other major components were broadly in check. Private housing rentals continued to decline. Domestic business cost pressures stayed largely mild. Wage growth remained moderate, while commercial rentals continued to be soft. External price pressures remained generally notable. As inflation in many major economies remained high, import prices of all end-use categories continued to increase, except import prices of fuels.

**Diagram 6.1: Underlying consumer price inflation stayed moderate in overall terms in the second 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, stayed moderate at 1.7% in the second quarter of 2023, compared with 1.9% in the preceding quarter. Meanwhile, the headline Composite CPI inflation rate was 2.0%, compared with 1.9% in the preceding quarter. The headline inflation rate was higher than its underlying counterpart as the ceiling of rates concession was lowered to \$1,000 for each rateable tenement in the second quarter from \$1,500 a year earlier.

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

		<u>Composite CPI</u>		<u>CPI(A)</u>	<u>CPI(B)</u>	<u>CPI(C)</u>
		<u>Underlying<sup>(a)</sup></u>	<u>Headline</u>			
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	H1	1.8	2.0	2.1	1.9
Q1		1.9	1.9	2.0	1.8	2.0
Q2		1.7	2.0	2.2	1.9	2.0

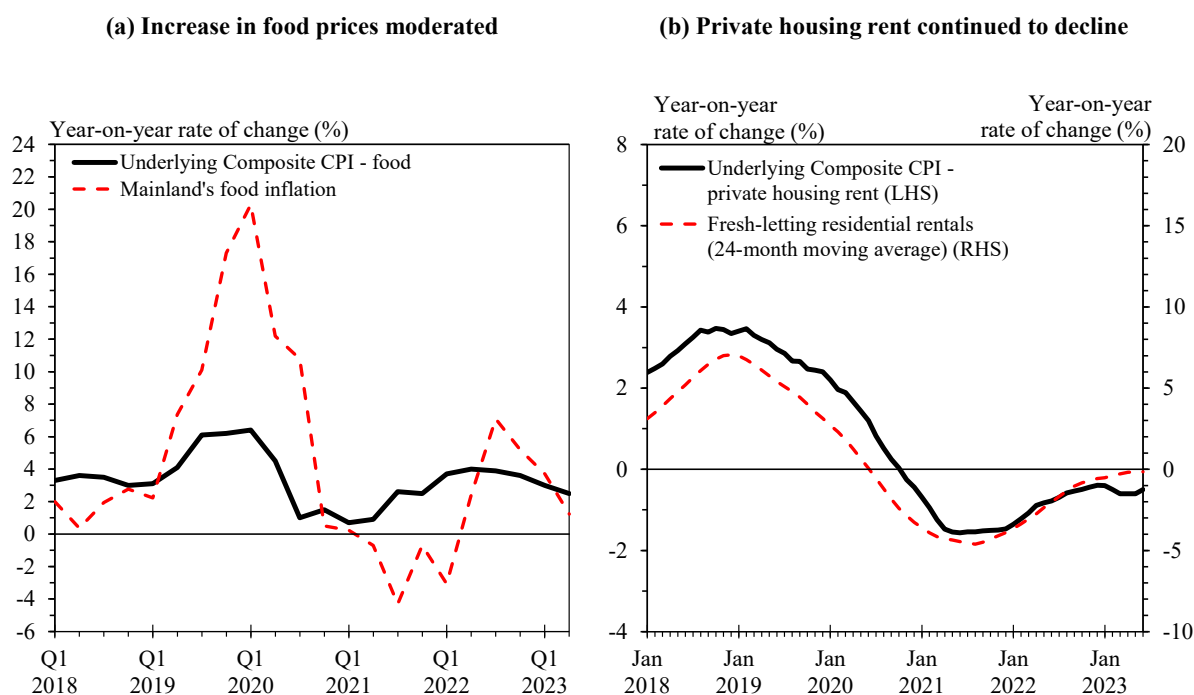
**(seasonally adjusted quarter-to-quarter rate of change (%))**

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
	Q2	0.3	0.3	0.2	0.3	0.3

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.

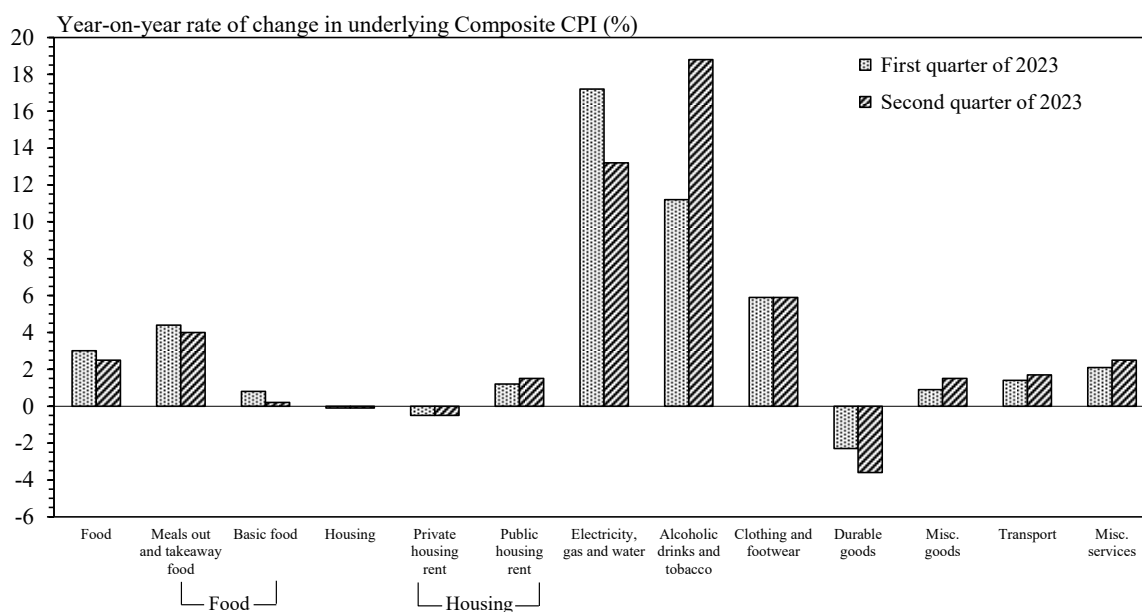
6.3 Analysed by major component of the underlying Composite CPI, food prices, the component with the largest weight other than housing, rose by a moderated 2.5% year-on-year in the second quarter of 2023. While prices of meals out and takeaway food increased visibly by 4.0%, those of basic food only edged up by 0.2%. Prices of electricity, gas and water soared further, but at a moderated pace. Prices of clothing and footwear continued to rise notably. Prices of alcoholic drinks and tobacco surged alongside the increase in tobacco duty effective late February this year. Prices of miscellaneous services continued to increase moderately. Prices of transport and miscellaneous goods picked up slightly. The decline in prices of durable goods widened. 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**

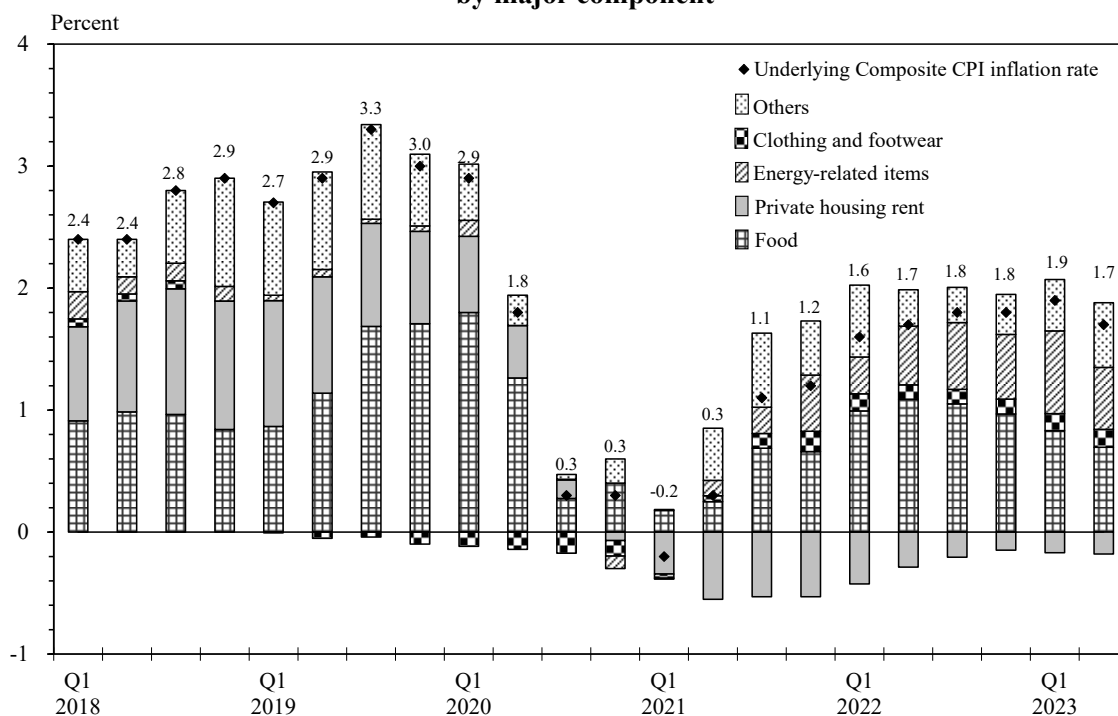


Note : The year-on-year rates of change of the CPI from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

**Diagram 6.3 (a) : Prices of energy-related items as a whole continued to soar, while those of meals out and takeaway food, and clothing and footwear rose further visibly**



**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>	<u>Q2</u>
Food	27.41	1.7	3.8	3.7	4.0	3.9	3.6	3.0	2.5
<i>Meals out and takeaway food</i>	17.05	1.8	3.4	3.1	3.4	3.4	3.6	4.4	4.0
<i>Basic food</i>	10.36	1.4	4.5	4.6	5.0	4.7	3.6	0.8	0.2
Housing <sup>(a)</sup>	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)	-0.1 (0.6)
<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)	-0.5 (0.2)
<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)	1.5 (1.7)
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)	13.2 (15.9)
Alcoholic drinks and tobacco	0.49	0.1	1.3	0.3	1.5	1.8	1.7	11.2	18.8
Clothing and footwear	2.42	3.3	5.3	6.1	4.9	5.1	5.0	5.9	5.9
Durable goods	4.00	1.0	0.6	1.7	1.6	0.4	-1.2	-2.3	-3.6
Miscellaneous goods	3.32	-3.1	0.4	-0.2	0.4	0.6	0.6	0.9	1.5
Transport	6.17	2.6	2.9	6.1	1.8	1.8	1.9	1.4	1.7
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)	2.5 (2.5)
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)	1.7 (2.0)

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.

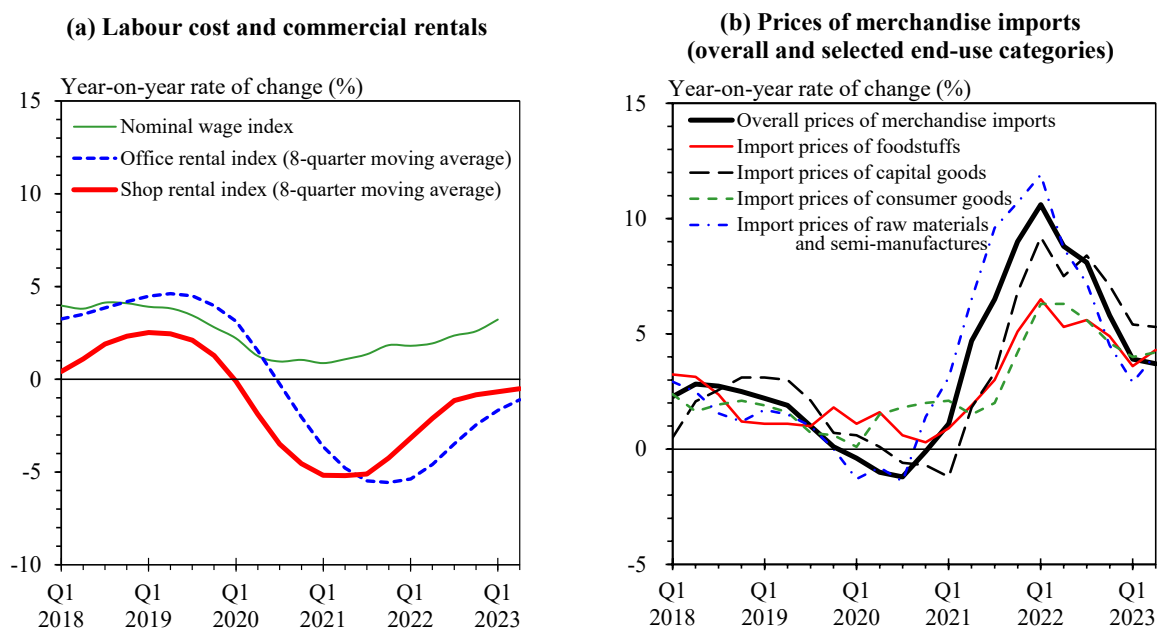
( ) Figures in brackets represent the headline rates of change before netting out the effects of the Government's one-off relief measures.

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

## Costs of factor inputs and import prices

6.4 Domestic business cost pressures stayed largely mild in the second quarter of 2023. While wage growth accelerated further, it 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 1.1% and 0.5% in the second quarter respectively, though the decreases narrowed further as business activities continued to revive.

**Diagram 6.4 : Domestic cost pressures stayed largely mild, while external price pressures remained generally notable in overall terms**





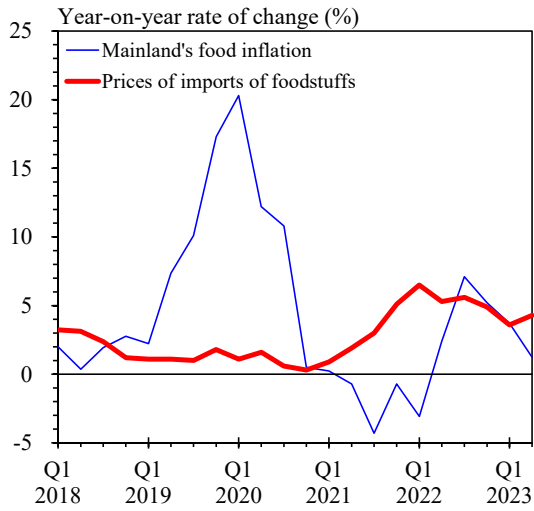
6.5 External price pressures remained generally notable in the second quarter of 2023. As inflation in many major economies remained high, prices of overall merchandise imports rose visibly by 3.7% over a year earlier, though the pace moderated from 3.9% in the preceding quarter due to the fall in import prices of fuels. Import prices of capital goods continued to rise notably by 5.3%. Those of foodstuffs, consumer goods, and raw materials and semi-manufactures increased at an accelerated pace of 4.3%, 4.2% and 4.1% respectively. Meanwhile, import prices of fuels plunged by 26.7% as international energy prices continued to retreat from the high level caused by geopolitical events last year.

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

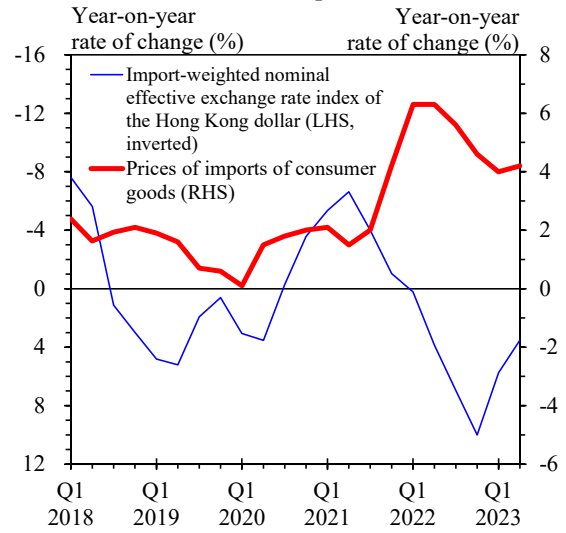
		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2022	Annual	5.6	5.6	7.9	49.8	7.8	8.1
	H1	5.9	6.3	10.2	61.9	8.3	9.7
	H2	5.2	5.0	5.9	41.1	7.7	6.9
	Q1	6.5	6.3	11.9	53.0	9.2	10.6
	Q2	5.3	6.3	8.7	71.3	7.5	8.8
	Q3	5.6	5.6	7.2	56.8	8.4	8.1
	Q4	4.9	4.6	4.5	26.8	7.1	5.8
2023	H1	4.0	4.1	3.6	-12.4	5.3	3.8
	Q1	3.6	4.0	2.9	5.4	5.4	3.9
	Q2	4.3	4.2	4.1	-26.7	5.3	3.7

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

**(a) Increase in import prices of foodstuffs picked up**

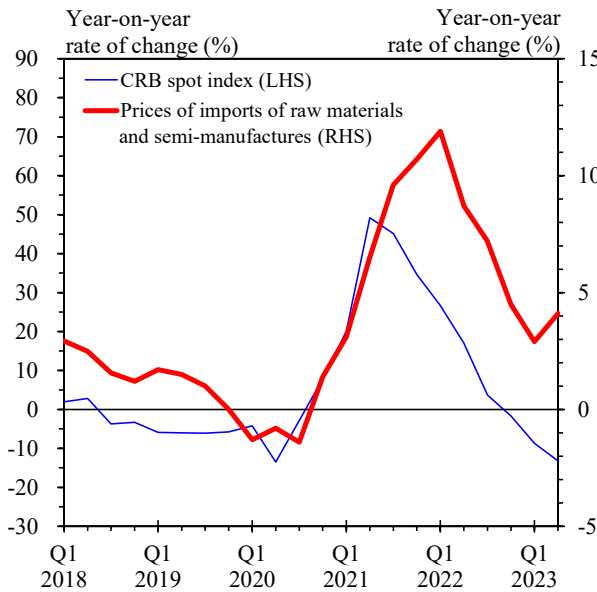


**(b) Import prices of consumer goods increased at an accelerated pace**

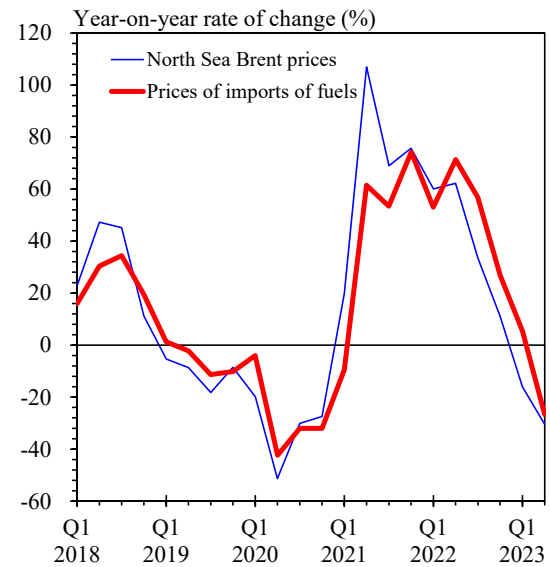


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

**(c) Increase in import prices of raw materials and semi-manufactures widened**



**(d) Import prices of fuels plunged**



## Output prices

6.6 Output prices, as measured by the *Producer Price Indices*<sup>(3)</sup>, continued to see mixed movements across various sectors in the first quarter of 2023. Output prices for the manufacturing sector rose modestly. Among the selected service sectors, output prices for accommodation services surged further, but remained slightly below the pre-pandemic level. Output prices for land transport increased moderately, while those of courier services turned to a modest increase. On the other hand, output prices for air transport and water transport continued to fall sharply from the high levels during the pandemic-induced disruptions last year, 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 (%))**

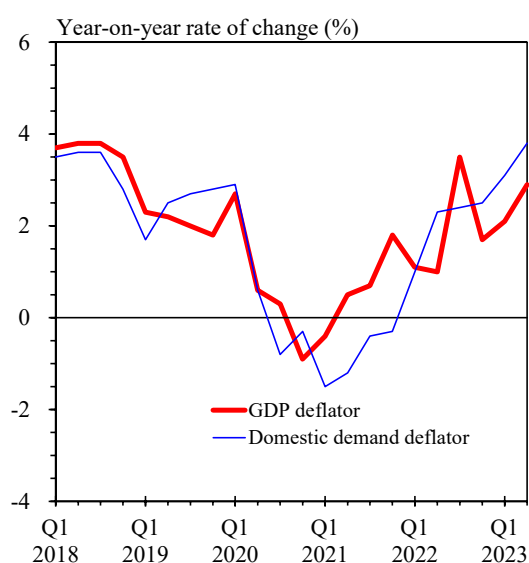
<u>Industry group</u>	<u>2021</u>		<u>2022</u>				<u>2023</u>
	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Manufacturing	1.2	0.8	2.3	0.8	0.4	-0.3	0.9
Selected service sectors							
Accommodation services	3.3	13.0	8.9	12.2	17.2	13.6	21.1
Land transport	2.7	9.5	9.4	10.8	9.4	8.5	4.4
Water transport	63.2	18.1	57.0	40.0	10.2	-17.0	-38.7
Air transport	36.7	2.8	42.8	17.8	-1.7	-29.5	-28.9
Telecommunications	-1.7	-1.3	-0.6	-0.8	-1.8	-2.2	-1.1
Courier services	-1.9	-4.5	-4.1	-4.1	-4.0	-5.8	1.4

## GDP deflator

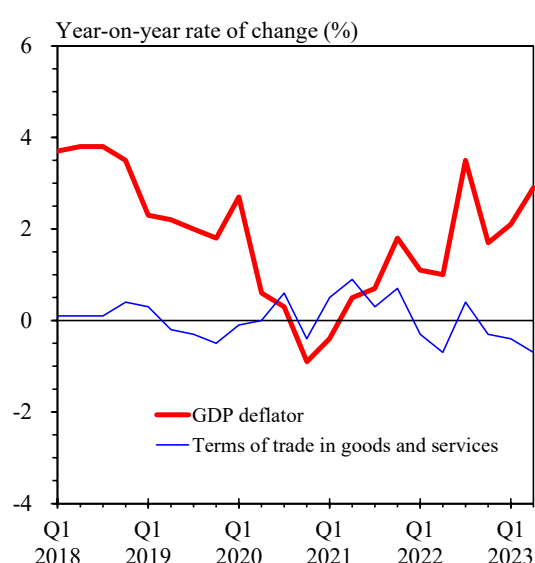
6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*<sup>(4)</sup> rose by 2.9% in the second quarter over a year earlier, after a 2.1% increase in the preceding quarter. The *terms of trade*<sup>(5)</sup> deteriorated as import prices rose faster than export prices. Taking out the external trade components, the domestic demand deflator increased by 3.8% in the second quarter, after rising by 3.1% in the preceding quarter.

Diagram 6.6: GDP deflator

(a) The GDP deflator rose in the second quarter



(b) Terms of trade deteriorated



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

	2021		Q1 <sup>#</sup>	2022			2023	
	Annual <sup>#</sup>	Annual <sup>#</sup>		Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Private consumption expenditure	-0.6	2.2	0.9	2.0	2.9	3.0	4.5	4.6
Government consumption expenditure	0.7	2.7	1.7	4.0	3.2	2.0	2.8	3.2
Gross domestic fixed capital formation	-2.1	1.3	*	4.5	1.3	-0.6	-1.2	-0.6
Total exports of goods <sup>&amp;</sup>	5.1	6.8	9.3	7.0	7.1	4.6	3.7	3.7
Imports of goods <sup>&amp;</sup>	4.9	7.4	10.2	8.3	6.9	4.8	3.6	4.3
Exports of services <sup>&amp;</sup>	14.5	7.1	13.7	11.7	4.3	-0.1	-3.3	-3.3
Imports of services <sup>&amp;</sup>	9.9	4.7	9.4	8.1	1.6	0.6	0.3	-2.3
<b>Gross Domestic Product</b>	<b>0.7</b>	<b>1.8</b>	<b>1.1</b> <b>&lt;0.2&gt;</b>	<b>1.0</b> <b>&lt;0.3&gt;</b>	<b>3.5</b> <b>&lt;2.7&gt;</b>	<b>1.7</b> <b>&lt;-1.6&gt;</b>	<b>2.1</b> <b>&lt;0.8&gt;</b>	<b>2.9</b> <b>&lt;1.0&gt;</b>
Total final demand <sup>&amp;</sup>	3.7	5.2	6.9	5.8	5.3	3.3	2.5	3.0
Domestic demand	-0.8	2.1	1.0	2.3	2.4	2.5	3.1	3.8
Terms of trade in goods and services <sup>&amp;</sup>	0.6	-0.2	-0.3	-0.7	0.4	-0.3	-0.4	-0.7

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 merchandising 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:

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

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

<u>Expenditure component</u>	<u>Composite CPI</u> (%)	<u>CPI(A)</u> (%)	<u>CPI(B)</u> (%)	<u>CPI(C)</u> (%)
Food	27.41	32.71	26.76	21.89
<i>Meals out and takeaway food</i>	17.05	18.87	17.27	14.55
<i>Basic food</i>	10.36	13.84	9.49	7.34
Housing	40.25	40.46	40.77	39.24
<i>Private housing rent</i>	35.46	33.43	37.22	35.44
<i>Public housing rent</i>	1.87	4.95	0.55	--
<i>Management fees and other housing charges</i>	2.92	2.08	3.00	3.80
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>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Selected developed economies								
US	4.7	8.0	8.0	8.6	8.3	7.1	5.8	4.0
Canada	3.4	6.8	5.8	7.5	7.2	6.7	5.1	3.5
EU	2.9	9.2	6.5	8.8	10.3	11.0	9.4	7.2
Japan	-0.2	2.5	0.9	2.4	2.9	3.9	3.6	3.4
Selected major emerging economies								
Mainland China	0.9	2.0	1.1	2.2	2.7	1.8	1.3	0.1
Russia	6.7	13.8	11.6	17.0	14.3	12.2	8.6	2.7
India	5.1	6.7	6.3	7.3	7.0	6.1	6.2	4.6
Brazil	8.3	9.3	10.7	11.9	8.6	6.1	5.3	3.8
Selected Asian economies								
Hong Kong	1.6	1.9	1.5	1.5	2.7	1.8	1.9	2.0
Singapore	2.3	6.1	4.6	5.9	7.3	6.6	6.1	5.1
Taiwan	2.0	2.9	2.8	3.5	2.9	2.6	2.6	2.0
Korea	2.5	5.1	3.8	5.4	5.9	5.2	4.7	3.2
Malaysia	2.5	3.4	2.2	2.8	4.5	3.9	3.6	2.8
Thailand	1.2	6.1	4.7	6.5	7.3	5.8	3.9	1.1
Indonesia	1.6	4.2	2.3	3.8	5.2	5.5	5.2	3.9
Philippines	3.9	5.8	3.4	5.5	6.5	7.9	8.3	6.0
Vietnam	1.8	3.2	1.9	3.0	3.3	4.4	4.2	2.4
Macao	*	1.0	1.0	1.2	1.2	0.8	0.8	0.8

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

- (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)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(\$Mn)					
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 <sup>&amp;</sup>	3,926,059	3,986,769	3,889,225	3,892,886	4,212,774	4,453,350
Imports of goods <sup>&amp;</sup>	4,142,651	4,237,700	4,066,527	4,022,579	4,391,306	4,706,347
Exports of services <sup>&amp;</sup>	812,640	829,085	808,948	764,660	811,295	886,883
Imports of services <sup>&amp;</sup>	583,216	573,522	574,345	578,106	605,924	639,947
<b>GDP</b>	<b>2,138,305</b>	<b>2,260,005</b>	<b>2,398,280</b>	<b>2,490,598</b>	<b>2,659,611</b>	<b>2,835,429</b>
<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>
<b>GNI</b>	<b>2,178,824</b>	<b>2,306,612</b>	<b>2,442,656</b>	<b>2,553,191</b>	<b>2,775,163</b>	<b>2,970,244</b>
<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 <sup>(a)</sup>	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<sup>#</sup></u>	<u>2022<sup>#</sup></u>	<u>2022</u>		<u>2023</u>	
					Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Private consumption expenditure	1,973,720	1,775,202	1,863,260	1,881,744	466,590	513,707	501,669	539,216
Government consumption expenditure	309,437	341,052	363,545	403,819	98,944	100,609	108,517	93,333
Gross domestic fixed capital formation	520,575	455,695	483,013	451,419	107,157	114,708	113,520	121,105
Building and construction	278,091	254,459	259,882	277,306	66,649	70,851	69,797	71,994
Costs of ownership transfer	49,209	40,071	53,278	29,441	7,638	4,997	8,587	8,154
Machinery, equipment and intellectual property products	193,275	161,165	169,853	144,672	32,870	38,860	35,136	40,957
Changes in inventories	-3,067	52,221	-1,909	-29,722	-8,726	-22,318	-10,993	-17,975
Total exports of goods <sup>&amp;</sup>	4,255,098	4,198,338	5,236,005	4,813,750	1,228,550	1,153,652	1,024,756	1,066,908
Imports of goods <sup>&amp;</sup>	4,375,619	4,239,663	5,211,334	4,858,579	1,213,254	1,152,415	1,063,834	1,131,694
Exports of services <sup>&amp;</sup>	799,121	519,205	615,069	649,345	162,629	164,782	189,635	182,752
Imports of services <sup>&amp;</sup>	634,243	426,257	480,027	493,730	120,717	138,037	143,641	146,547
<b>GDP</b>	<b>2,845,022</b>	<b>2,675,793</b>	<b>2,867,622</b>	<b>2,818,046</b>	<b>721,173</b>	<b>734,688</b>	<b>719,629</b>	<b>707,098</b>
<i>Per capita GDP (\$)</i>	<i>378,937</i>	<i>357,679</i>	<i>386,832</i>	<i>383,611</i>	--	--	--	--
<b>GNI</b>	<b>2,988,739</b>	<b>2,831,876</b>	<b>3,066,354</b>	<b>3,017,572</b>	<b>784,021</b>	<b>770,106</b>	<b>759,049</b>	<b>N.A.</b>
<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	2,055,144	2,025,140	1,927,104	1,985,339
Total final demand excluding re-exports <sup>(a)</sup>	4,602,059	4,099,539	4,454,025	4,407,055	1,093,349	1,142,888	1,148,047	1,150,623
Domestic demand	2,800,665	2,624,170	2,707,909	2,707,260	663,965	706,706	712,713	735,679
Private	2,359,687	2,147,406	2,201,837	2,133,733	529,652	562,048	555,407	600,502
Public	440,978	476,764	506,072	573,527	134,313	144,658	157,306	135,177
External demand	5,054,219	4,717,543	5,851,074	5,463,095	1,391,179	1,318,434	1,214,391	1,249,660

- 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 <sup>&amp;</sup>	8.2	0.8	-1.7	1.6	6.5	3.5
Imports of goods <sup>&amp;</sup>	9.9	1.5	-2.7	0.7	7.3	4.7
Exports of services <sup>&amp;</sup>	6.0	1.6	0.3	-3.5	2.8	4.6
Imports of services <sup>&amp;</sup>	-2.1	-2.2	5.0	2.0	2.0	2.8
<b>GDP</b>	<b>3.1</b>	<b>2.8</b>	<b>2.4</b>	<b>2.2</b>	<b>3.8</b>	<b>2.8</b>
<b>Per capita GDP</b>	<b>2.7</b>	<b>2.0</b>	<b>1.5</b>	<b>1.5</b>	<b>3.0</b>	<b>2.0</b>
<b>RGNI</b>	<b>4.0</b>	<b>2.7</b>	<b>3.8</b>	<b>3.2</b>	<b>5.7</b>	<b>3.5</b>
<b>Per capita RGNI</b>	<b>3.6</b>	<b>1.9</b>	<b>2.9</b>	<b>2.6</b>	<b>4.9</b>	<b>2.7</b>
Total final demand	6.6	1.6	-0.4	1.3	5.6	3.9
Total final demand excluding re-exports <sup>(a)</sup>	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<sup>#</sup></u>	<u>2022<sup>#</sup></u>	<u>2022</u>				<u>2023</u>		Average annual rate of change:	
					Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	10 years 2012 to 2022 <sup>#</sup>	5 years 2017 to 2022 <sup>#</sup>		
Private consumption expenditure	-0.8	-10.6	5.6	-1.2	-0.4	1.7	13.0	8.2	1.7	-0.5		
Government consumption expenditure	5.1	7.9	5.9	8.2	5.4	9.1	1.3	-9.6	4.7	6.2		
Gross domestic fixed capital formation	-14.9	-11.1	8.3	-7.7	-14.2	-8.9	7.9	-0.9	-2.4	-5.1		
Building and construction	-10.8	-9.1	-0.5	5.1	2.5	7.2	-0.8	5.6	-0.5	-3.3		
Costs of ownership transfer	-13.4	-4.0	36.3	-41.0	-40.9	-50.0	24.3	-3.4	-6.7	-9.9		
Machinery, equipment and intellectual property products	-20.8	-16.0	15.2	-16.8	-28.8	-21.2	24.1	-10.5	-4.5	-7.0		
Total exports of goods <sup>&amp;</sup>	-5.5	-1.4	18.7	-13.9	-15.9	-24.9	-18.9	-15.2	1.3	-0.3		
Imports of goods <sup>&amp;</sup>	-8.2	-3.2	17.2	-13.2	-16.5	-22.9	-14.6	-15.9	1.0	-1.1		
Exports of services <sup>&amp;</sup>	-9.6	-34.8	3.4	-1.4	-4.0	0.6	16.6	22.9	-3.9	-8.9		
Imports of services <sup>&amp;</sup>	0.1	-32.2	2.5	-1.7	-3.2	1.2	20.7	29.0	-3.0	-6.8		
<b>GDP</b>	<b>-1.7</b>	<b>-6.5</b>	<b>6.4</b>	<b>-3.5</b>	<b>-4.6</b>	<b>-4.1</b>	<b>2.9</b>	<b>1.5</b>	<b>1.1</b>	<b>-0.6</b>		
<b>Per capita GDP</b>	<b>-2.4</b>	<b>-6.2</b>	<b>7.4</b>	<b>-2.6</b>	--	--	--	--	<b>0.8</b>	<b>-0.5</b>		
<b>RGNI</b>	<b>-1.7</b>	<b>-5.8</b>	<b>8.9</b>	<b>-3.7</b>	<b>-3.3</b>	<b>-3.2</b>	<b>4.4</b>	<b>N.A.</b>	<b>2.0</b>	<b>0.1</b>		
<b>Per capita RGNI</b>	<b>-2.4</b>	<b>-5.4</b>	<b>9.9</b>	<b>-2.9</b>	--	--	--	--	<b>1.7</b>	<b>0.2</b>		
Total final demand	-5.3	-6.7	12.4	-9.3	-11.8	-15.3	-6.3	-7.5	0.8	-1.3		
Total final demand excluding re-exports <sup>(a)</sup>	-5.0	-11.1	6.0	-4.7	-7.5	-4.5	7.0	0.2	-0.1	-2.4		
Domestic demand	-3.7	-6.9	4.1	-2.1	-5.6	1.1	11.7	-1.3	1.1	-0.9		
Private	-4.6	-9.3	3.8	-4.9	-8.1	-1.0	15.9	-0.4	0.5	-2.2		
Public	1.5	6.2	5.2	10.1	5.9	10.2	-1.0	-4.8	4.2	5.0		
External demand	-6.1	-6.7	17.0	-12.6	-14.6	-22.4	-14.7	-11.0	0.6	-1.5		

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

	2017		2018		2019		2020		2021 <sup>#</sup>	
	\$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>
<b>GDP at basic prices</b>	<b>2,551,086</b>	<b>100.0</b>	<b>2,700,413</b>	<b>100.0</b>	<b>2,740,721</b>	<b>100.0</b>	<b>2,560,655</b>	<b>100.0</b>	<b>2,745,846</b>	<b>100.0</b>
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	--
<b>GDP at current market prices</b>	<b>2,659,611</b>	<b>--</b>	<b>2,835,429</b>	<b>--</b>	<b>2,845,022</b>	<b>--</b>	<b>2,675,793</b>	<b>--</b>	<b>2,867,622</b>	<b>--</b>

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<sup>#</sup></u>	<u>2022<sup>#</sup></u>	<u>2022</u>			<u>2023</u>
							Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
Agriculture, fishing, mining and quarrying	-5.2	-1.8	-0.8	3.8	-2.5	-6.0	-9.0	-5.1	-0.7	-0.8
Manufacturing	0.4	1.3	0.4	-5.8	5.5	0.2	2.7	-0.5	-0.1	3.8
Electricity, gas and water supply, and waste management	0.9	0.1	-0.5	-14.2	3.7	-2.5	-6.7	-1.3	-2.2	0.9
Construction	-1.3	3.3	-9.7	-11.7	-0.6	5.8	9.2	2.0	8.0	-1.7
Services	3.5	3.1	-0.6	-6.7	5.9	-3.1	-1.5	-3.3	-4.2	3.1
<i>Import/export, wholesale and retail trades</i>	4.2	4.2	-7.5	-15.0	13.3	-12.1	-6.4	-12.8	-19.7	-7.4
<i>Accommodation and food services</i>	2.0	5.9	-11.7	-44.8	22.6	-10.8	-4.9	-7.4	-6.0	83.8
<i>Transportation, storage, postal and courier services</i>	4.8	2.5	-1.7	-36.9	7.7	-4.6	-3.4	-5.2	1.0	30.6
<i>Information and communications</i>	4.0	4.1	4.7	1.7	2.6	0.8	1.6	0.2	0.8	0.6
<i>Financing and insurance</i>	5.3	4.0	3.4	4.0	4.7	-0.1	1.8	-1.9	0.3	-2.9
<i>Real estate, professional and business services</i>	2.1	-0.4	-0.2	-4.6	2.1	-2.7	-1.0	-2.2	-2.4	5.2
<i>Public administration, social and personal services</i>	3.2	3.6	3.2	-2.3	4.4	0.7	*	1.5	1.7	5.8
<i>Ownership of premises</i>	0.9	1.0	0.6	-0.3	1.2	0.6	0.2	0.9	1.0	1.0
Taxes on products	13.7	-3.9	-11.3	17.6	22.3	-15.8	-14.8	-25.7	-2.1	4.6
<b>GDP in chained (2021) dollars</b>	<b>3.8</b>	<b>2.8</b>	<b>-1.7</b>	<b>-6.5</b>	<b>6.4</b>	<b>-3.5</b>	<b>-1.2</b>	<b>-4.6</b>	<b>-4.1</b>	<b>2.9</b>

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<sup>#</sup></u>	<u>2022<sup>#</sup></u>	<u>2022</u>		<u>2023</u>	
						Q2 <sup>#</sup>	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>
Current account <sup>(a)</sup>	105,942	166,482	187,012	339,429	296,871	34,677	116,263	59,662	42,620
Goods	-252,997	-120,521	-41,325	24,671	-44,829	-77,736	15,296	1,237	-39,078
Services	246,936	164,878	92,948	135,042	155,615	37,561	41,912	26,745	45,994
Primary income	134,815	143,717	156,083	198,732	199,526	78,015	62,848	35,418	39,420
Secondary income	-22,813	-21,592	-20,694	-19,017	-13,441	-3,163	-3,792	-3,738	-3,717
Capital account <sup>(a)</sup>	-1,574	-682	-90	-10,363	1,287	822	-89	-382	-93
Financial account <sup>(b)</sup>	173,507	236,756	243,839	363,230	291,113	60,946	147,774	32,975	8,265
Financial non-reserve assets	165,948	245,612	-19,211	372,371	658,325	220,753	286,160	49,504	4,627
<i>Direct investment</i>	-172,795	-160,730	-263,703	-340,141	-110,712	-62,304	-25,043	-124,929	88,402
<i>Portfolio investment</i>	616,428	215,764	528,049	620,493	415,531	177,904	239,172	143,507	-22,654
<i>Financial derivatives</i>	-33,202	-1,239	-18,790	-45,126	-138,760	-14,113	-56,206	-52,355	-8,795
<i>Other investment</i>	-244,483	191,817	-264,766	137,145	492,266	119,265	128,237	83,281	-52,325
Reserve assets	7,559	-8,855	263,050	-9,142	-367,212	-159,808	-138,386	-16,529	3,638
Net errors and omissions	69,139	70,957	56,918	34,164	-7,045	25,447	31,600	-26,306	-34,261
<b>Overall Balance of Payments</b>	<b>7,559</b>	<b>-8,855</b>	<b>263,050</b>	<b>-9,142</b>	<b>-367,212</b>	<b>-159,808</b>	<b>-138,386</b>	<b>-16,529</b>	<b>3,638</b>

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

- (a) In accordance with the accounting rules adopted in compiling Balance of Payments, a positive value for the balance figure in the current account and capital account represents a surplus whereas a negative value represents a deficit.
- (b) A new sign convention has been adopted for the entire series of the financial account since June 2023. A positive value indicates an increase in net assets (a net financial outflow) while a negative value indicates a decrease in net assets (a net inflow). A positive value for the reserve assets represents an increase while a negative value represents a 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<sup>#</sup></u>	<u>2022<sup>#</sup></u>	<u>2022</u>		<u>2023</u>	
						Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Total exports of goods	4,453,350	4,255,098	4,198,338	5,236,005	4,813,750	1,228,550	1,153,652	1,024,756	1,066,908
Imports of goods	4,706,347	4,375,619	4,239,663	5,211,334	4,858,579	1,213,254	1,152,415	1,063,834	1,131,694
<b>Goods trade balance</b>	<b>-252,997</b> <b>(-5.4)</b>	<b>-120,521</b> <b>(-2.8)</b>	<b>-41,325</b> <b>(-1.0)</b>	<b>24,671</b> <b>(0.5)</b>	<b>-44,829</b> <b>(-0.9)</b>	<b>15,296</b> <b>(1.3)</b>	<b>1,237</b> <b>(0.1)</b>	<b>-39,078</b> <b>(-3.7)</b>	<b>-64,786</b> <b>(-5.7)</b>
Exports of services	886,883	799,121	519,205	615,069	649,345	162,629	164,782	189,635	182,752
Imports of services	639,947	634,243	426,257	480,027	493,730	120,717	138,037	143,641	146,547
<b>Services trade balance</b>	<b>246,936</b> <b>(38.6)</b>	<b>164,878</b> <b>(26.0)</b>	<b>92,948</b> <b>(21.8)</b>	<b>135,042</b> <b>(28.1)</b>	<b>155,615</b> <b>(31.5)</b>	<b>41,912</b> <b>(34.7)</b>	<b>26,745</b> <b>(19.4)</b>	<b>45,994</b> <b>(32.0)</b>	<b>36,205</b> <b>(24.7)</b>
Exports of goods and services	5,340,233	5,054,219	4,717,543	5,851,074	5,463,095	1,391,179	1,318,434	1,214,391	1,249,660
Imports of goods and services	5,346,294	5,009,862	4,665,920	5,691,361	5,352,309	1,333,971	1,290,452	1,207,475	1,278,241
<b>Goods and services trade balance</b>	<b>-6,061</b> <b>&lt;-0.1&gt;</b>	<b>44,357</b> <b>&lt;0.9&gt;</b>	<b>51,623</b> <b>&lt;1.1&gt;</b>	<b>159,713</b> <b>&lt;2.8&gt;</b>	<b>110,786</b> <b>&lt;2.1&gt;</b>	<b>57,208</b> <b>&lt;4.3&gt;</b>	<b>27,982</b> <b>&lt;2.2&gt;</b>	<b>6,916</b> <b>&lt;0.6&gt;</b>	<b>-28,581</b> <b>&lt;-2.2&gt;</b>

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

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

() As a percentage of the total value of imports of goods/services.

< > As a percentage of the total value of imports of goods and services.



**Table 7 : Total exports of goods by market  
(in value terms)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		<u>2023</u>	
	(% change)				(% change)	(\$Mn)	Q3	Q4	Q1	Q2
							(% change over a year earlier)			
<b>All markets</b>	<b>7.3</b>	<b>-4.1</b>	<b>-1.5</b>	<b>26.3</b>	<b>-8.6</b>	<b>4,531,650</b>	<b>-10.9</b>	<b>-21.7</b>	<b>-17.7</b>	<b>-13.3</b>
Mainland of China	8.6	-3.3	5.1	27.0	-12.9	2,570,757	-13.2	-25.0	-23.8	-14.5
United States	8.1	-14.8	-14.9	19.6	-5.5	292,705	-16.1	-24.3	-9.4	-19.5
India	-15.3	-12.0	-17.6	36.6	29.0	171,673	20.1	-7.3	-14.9	-19.8
Taiwan	-3.6	2.4	11.6	46.0	7.2	154,167	3.0	-18.1	-19.7	-18.8
Vietnam	4.5	-3.6	5.3	22.2	8.9	112,424	13.3	-19.6	-16.5	-6.8
Japan	0.7	-6.4	-9.7	8.7	-13.8	102,488	-18.7	-31.7	-29.1	-18.0
United Arab Emirates	-7.7	7.1	-0.4	38.8	35.3	94,974	45.7	38.5	23.1	-3.7
Singapore	13.3	4.1	-17.5	17.7	18.6	82,916	22.7	-1.3	-25.1	-21.9
Korea	2.1	-2.3	-7.6	42.7	9.2	81,435	10.1	-4.7	1.8	-10.8
Netherlands	11.5	-4.4	-5.2	22.8	0.1	79,475	-7.1	-4.6	31.2	-7.5
Rest of the world	11.3	-2.0	-11.1	24.5	-13.0	788,635	-19.2	-21.6	-8.5	-6.1

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>	
	(% change)				(% change)		(\$Mn)	Q3	Q4	Q1
							(% change over a year earlier)			
<b>All sources</b>	<b>8.4</b>	<b>-6.5</b>	<b>-3.3</b>	<b>24.3</b>	<b>-7.2</b>	<b>4,927,467</b>	<b>-11.3</b>	<b>-18.8</b>	<b>-12.7</b>	<b>-13.6</b>
Mainland of China	7.7	-5.9	-6.5	26.5	-14.6	2,077,660	-20.0	-25.1	-10.0	-9.2
Taiwan	2.7	-2.4	22.8	35.0	7.3	587,422	-0.1	-13.5	-21.4	-13.9
Singapore	9.0	-7.5	8.1	31.7	-3.7	398,535	-8.1	-19.6	-27.5	-34.1
Korea	10.4	-20.9	12.3	31.3	-10.7	289,773	-15.4	-21.7	-39.9	-30.5
Japan	2.6	-2.8	-5.0	12.8	-10.4	242,758	-15.4	-16.8	-16.5	-12.5
United States	8.1	-7.9	-17.9	18.3	1.3	209,351	-0.8	-14.6	-9.2	-13.9
Malaysia	64.6	-14.3	1.2	1.7	6.1	176,900	15.4	-8.5	-13.0	-21.0
Vietnam	7.3	18.5	28.4	16.9	22.3	143,864	45.7	9.5	-17.3	-23.6
Philippines	1.1	-9.1	-0.1	25.1	7.4	94,156	-2.5	14.7	-0.5	-13.2
Thailand	2.8	-7.4	1.4	18.9	-8.9	93,666	-12.7	-26.3	-26.4	-22.0
Rest of the world	6.4	-4.9	-17.0	17.0	-3.6	613,381	-6.3	-9.0	13.6	-1.4

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021<sup>#</sup></u>	<u>2022<sup>#</sup></u>		<u>2022</u>		<u>2023</u>	
		(% change)			(% change)	(\$Mn)	Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
							(% change over a year earlier)			
<b>Exports of services</b>	<b>9.3</b>	<b>-9.9</b>	<b>-35.0</b>	<b>18.5</b>	<b>5.6</b>	<b>649,345</b>	<b>0.1</b>	<b>0.4</b>	<b>12.8</b>	<b>18.8</b>
Transport	9.0	-4.7	-24.7	37.8	1.1	258,839	-8.7	-19.3	-14.0	-15.1
Travel	11.2	-21.6	-90.2	-35.1	70.8	24,563	106.9	99.9	541.7	843.4
Financial services	10.9	-2.8	-0.3	10.0	12.0	207,809	7.7	23.9	2.7	1.5
Other services	5.1	-5.1	-9.0	11.7	-0.6	158,134	0.1	-3.1	5.7	3.8
<b>Imports of services</b>	<b>5.6</b>	<b>-0.9</b>	<b>-32.8</b>	<b>12.6</b>	<b>2.9</b>	<b>493,730</b>	<b>-1.7</b>	<b>1.8</b>	<b>21.0</b>	<b>26.1</b>
Transport	6.6	-1.1	-19.8	35.7	0.8	157,650	-7.1	-10.4	-4.4	-16.6
Travel	4.7	1.6	-79.7	-38.9	64.8	43,102	34.8	171.2	397.9	485.4
Manufacturing <sup>^</sup>	2.0	-5.5	-10.4	20.0	-6.1	88,986	-5.9	-17.8	-11.4	-7.9
Other services	7.6	-1.3	-1.4	7.1	0.6	203,992	-0.4	0.7	5.2	0.1

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>	
						Q3	Q4	Q1	Q2
<u>(’000)</u>									
<b>All sources</b>	<b>65 147.6</b>	<b>55 912.6</b>	<b>3 568.9</b>	<b>91.4</b>	<b>604.6</b>	<b>173.7</b>	<b>354.9</b>	<b>4 414.8</b>	<b>8 469.1</b>
Mainland of China	51 038.2	43 774.7	2 706.4	65.7	375.1	139.6	173.5	3 361.2	6 749.6
South and Southeast Asia	3 571.7	3 040.5	190.5	9.5	78.5	9.2	65.2	302.2	603.0
Taiwan	1 925.2	1 538.9	105.1	2.5	24.2	3.7	19.0	123.4	187.9
Europe	1 937.6	1 728.4	158.8	6.6	39.2	6.1	30.2	123.9	183.8
United States	1 304.2	1 107.2	80.8	1.4	26.0	5.0	19.4	62.7	147.2
Japan	1 287.8	1 078.8	50.3	0.3	7.3	0.8	6.2	35.2	70.6
Others	4 082.8	3 644.1	276.9	5.3	54.2	9.2	41.3	406.2	527.1
<u>(% change over a year earlier)</u>									
<b>All sources</b>	<b>11.4</b>	<b>-14.2</b>	<b>-93.6</b>	<b>-97.4</b>	<b>561.5</b>	<b>491.7</b>	<b>1 154.3</b>	<b>38 322.6</b>	<b>13 027.6</b>
Mainland of China	14.8	-14.2	-93.8	-97.6	470.8	540.7	782.5	38 992.7	12 549.3
South and Southeast Asia	-1.5	-14.9	-93.7	-95.0	724.1	196.6	2 167.4	38 102.5	18 358.0
Taiwan	-4.3	-20.1	-93.2	-97.6	852.1	822.6	2 042.5	20 507.3	19 373.8
Europe	1.9	-10.8	-90.8	-95.9	498.0	218.0	1 445.8	21 525.5	7 780.1
United States	7.3	-15.1	-92.7	-98.3	1 803.8	1 180.6	4 618.7	51 260.7	9 614.9
Japan	4.7	-16.2	-95.3	-99.3	2 014.5	788.3	3 388.2	117 120.0	29 061.2
Others	1.0	-10.7	-92.4	-98.1	915.0	461.4	1 678.5	52 178.5	18 499.3

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>
<b>Completion of new property by the private sector</b>							
('000 m <sup>2</sup> of internal floor area)							
Residential property <sup>(a)</sup> (in units)	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 <sup>(b)</sup>	39	57	69	123	105	125	118
Industrial property <sup>(c)</sup>	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 <sup>(d)</sup>	0	80	0	73	83	3	0
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	20 898	5 634	10 147	21 755	11 268	20 137	9 634
Subsidised sales flats <sup>(e)</sup>	0	0	1 310	229	2 788	4 863	7 027
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> 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 <sup>(f)</sup>	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
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	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 <sup>(h)</sup>							
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>	
				Q3	Q4	Q1	Q2
<b>Completion of new property by the private sector</b>							
('000 m <sup>2</sup> of internal floor area)							
Residential property <sup>(a)</sup> (in units)	20 888	14 386	21 168	4 533	4 571	6 796	760
Commercial property	136	111	469	286	134	25	74
<i>of which :</i>							
Office space	69	70	351	208	108	15	29
Other commercial premises <sup>(b)</sup>	67	42	118	78	27	10	45
Industrial property <sup>(c)</sup>	38	30	180	125	0	18	0
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	38	30	105	57	0	18	0
Storage premises <sup>(d)</sup>	0	0	75	67	0	0	0
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	6 605	13 057	12 285	0	312	0	N.A.
Subsidised sales flats <sup>(e)</sup>	7 610	3 222	6 996	3 300	2 868	3 562	N.A.
<b>Building plans with consent to commence work in the private sector</b>							
('000 m <sup>2</sup> of usable floor area)							
Residential property	521.5	866.4	483.1	84.8	189.7	142.2	N.A.
Commercial property	228.1	743.0	105.5	17.5	58.2	79.5	N.A.
Industrial property <sup>(f)</sup>	182.6	39.8	61.2	18.5	11.1	16.6	N.A.
Other properties	409.6	187.5	242.9	7.0	7.5	47.0	N.A.
Total	1 341.7	1 836.7	892.6	127.7	266.6	285.3	N.A.
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	59 880	74 297	45 050	11 683	8 386	14 023	12 199
Primary market	15 317	17 650	10 315	4 176	1 284	2 805	3 569
Secondary market	44 563	56 647	34 735	7 507	7 102	11 218	8 630
Selected types of non-residential properties <sup>(h)</sup>							
Office space	686	1 077	667	150	160	183	192
Other commercial premises	1 269	2 189	1 397	321	291	314	283
Flatted factory space	2 117	3 637	2 006	516	368	522	556

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 <sup>(a)</sup>	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 <sup>(b)</sup> :							
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 <sup>(a)</sup>	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 <sup>(b)</sup> :							
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>	
				Q3	Q4	Q1 <sup>#</sup>	Q2 <sup>+</sup>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	381.2	392.7	369.7	368.3	341.0	345.8	351.4
Office space	468.8	502.5	495.7	499.6	479.1	473.9	475.0
Shopping space	518.9	543.4	523.0	517.6	505.9	488.0	497.8
Flatted factory space	826.1	879.0	880.3	884.3	849.6	860.3	862.4
Property rental indices <sup>(b)</sup> :							
Residential flats	180.3	179.8	178.3	178.8	176.6	175.0	179.9
Office space	241.7	233.4	230.0	230.7	228.5	226.8	227.6
Shopping space	169.9	172.0	167.0	165.9	166.9	167.6	170.4
Flatted factory space	200.5	208.8	211.9	214.4	213.9	214.4	218.2
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	-0.5	3.0	-5.9	-7.4	-13.6	-10.3	-8.5
Office space	-13.7	7.2	-1.4	-1.4	-3.9	-6.8	-5.0
Shopping space	-5.6	4.7	-3.8	-8.0	-7.4	-10.1	-5.3
Flatted factory space	-7.0	6.4	0.1	-0.3	-5.3	-3.9	-3.3
Property rental indices <sup>(b)</sup> :							
Residential flats	-7.3	-0.3	-0.8	-2.0	-3.7	-2.7	1.2
Office space	-7.5	-3.4	-1.5	-1.5	-2.6	-2.1	-0.7
Shopping space	-9.2	1.2	-2.9	-3.8	-4.9	-1.5	3.1
Flatted factory space	-4.4	4.1	1.5	0.9	-0.3	1.8	4.5



**Table 13 : Monetary aggregates**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<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 <sup>(a)</sup>	4,795,130	5,225,773	5,765,549	6,280,230	7,010,345	7,262,451	7,438,789
M3 <sup>(a)</sup>	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							
<u>(Jan 2020 =100)<sup>(b)</sup></u>							
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 <sup>(a)</sup>	5.7	9.0	10.3	8.9	11.6	3.6	2.4
M3 <sup>(a)</sup>	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							
<u>(Jan 2020 =100)<sup>(b)</sup></u>							
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>	
				Q3	Q4	Q1	Q2
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,972,719	2,078,911	1,708,421	1,899,723	1,708,421	1,709,591	1,625,680
M2 <sup>(a)</sup>	7,922,089	8,043,994	8,095,990	8,020,725	8,095,990	8,285,625	8,217,612
M3 <sup>(a)</sup>	7,937,038	8,057,408	8,108,473	8,034,409	8,108,473	8,298,864	8,230,408
Total money supply (\$Mn)							
M1	3,231,921	3,490,858	2,769,343	3,036,349	2,769,343	2,712,678	2,582,312
M2	15,606,608	16,272,650	16,536,080	16,332,813	16,536,080	16,619,681	16,552,573
M3	15,644,043	16,310,866	16,568,886	16,367,268	16,568,886	16,653,624	16,587,509
Deposits (\$Mn)							
HK\$	7,311,368	7,414,381	7,467,703	7,379,468	7,467,703	7,660,860	7,594,580
Foreign currency	7,202,247	7,771,839	7,971,437	7,903,234	7,971,437	7,858,581	7,874,008
Total	14,513,615	15,186,220	15,439,140	15,282,702	15,439,140	15,519,441	15,468,588
Loans and advances (\$Mn)							
HK\$	6,106,960	6,425,857	6,602,337	6,643,976	6,602,337	6,758,442	6,739,319
Foreign currency	4,391,617	4,467,291	3,968,295	4,177,058	3,968,295	3,904,735	3,780,573
Total	10,498,577	10,893,147	10,570,632	10,821,034	10,570,632	10,663,177	10,519,891
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) <sup>(b)</sup>							
Trade-weighted	100.0	95.5	100.1	102.0	104.8	100.9	102.5
Import-weighted	100.1	95.8	100.8	102.8	105.5	101.3	102.9
Export-weighted	100.0	95.1	99.3	101.1	104.1	100.3	102.0
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	28.7	5.4	-17.8	-11.3	-17.8	-20.4	-21.7
M2 <sup>(a)</sup>	6.5	1.5	0.6	-0.8	0.6	0.9	-0.1
M3 <sup>(a)</sup>	6.5	1.5	0.6	-0.8	0.6	0.9	-0.1
Total money supply							
M1	30.1	8.0	-20.7	-15.2	-20.7	-24.0	-22.2
M2	5.8	4.3	1.6	1.7	1.6	1.4	1.5
M3	5.8	4.3	1.6	1.6	1.6	1.4	1.5
Deposits							
HK\$	6.2	1.4	0.7	-1.3	0.7	1.1	0.1
Foreign currency	4.6	7.9	2.6	5.1	2.6	1.1	2.9
Total	5.4	4.6	1.7	1.9	1.7	1.1	1.5
Loans and advances							
HK\$	-1.8	5.2	2.7	4.9	2.7	4.7	2.4
Foreign currency	5.6	1.7	-11.2	-11.0	-11.2	-14.6	-14.1
Total	1.2	3.8	-3.0	-1.9	-3.0	-3.3	-4.2
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) <sup>(b)</sup>							
Trade-weighted	0.6	-4.5	4.8	6.5	9.9	6.0	3.9
Import-weighted	0.6	-4.3	5.2	7.0	10.0	5.7	3.5
Export-weighted	0.8	-4.9	4.4	6.0	9.7	6.0	4.2

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>			<u>2023</u>
					Q2	Q3	Q4	Q1
<b>Services Industry</b>								
Import and export trade	-6.6	-3.6	23.9	-8.5	1.8	-12.0	-22.2	-17.5
Wholesale	-8.3	-7.9	13.3	-5.8	1.6	-7.7	-10.8	3.8
Retail	-11.1	-24.3	8.1	-0.8	2.7	1.4	0.4	24.1
Transportation	-2.3	-19.7	54.1	5.8	26.6	-1.9	-21.3	-20.0
<i>within which:</i>								
Land transport	1.3	-23.9	4.0	-3.3	-0.4	-2.4	-3.3	29.7
Water transport	0.1	10.7	85.9	5.0	33.6	-5.1	-35.1	-47.1
Air transport	-4.9	-36.2	43.3	9.7	26.8	2.4	-8.7	10.6
Warehousing and storage	-1.4	11.5	27.6	-4.6	-3.4	-3.5	-9.4	0.5
Courier	-3.9	28.4	19.0	-9.3	-9.4	-9.0	-10.2	-12.5
Accommodation services <sup>(a)</sup>	-14.3	-59.1	38.3	17.3	44.3	20.7	-2.5	84.7
Food services	-5.9	-29.4	16.8	-6.3	-5.4	-1.9	1.7	81.8
Information and communications	1.2	-8.5	7.7	6.2	4.9	8.4	7.4	6.8
<i>within which:</i>								
Telecommunications	-2.6	-9.0	6.1	8.7	10.3	12.0	7.7	5.4
Film entertainment	-2.3	-44.0	26.7	-10.4	-13.7	10.2	-15.6	131.8
Banking	2.8	-8.0	-4.3	10.2	4.4	8.9	43.6	30.6
Financing (except banking)	1.1	12.2	17.4	-14.7	-15.8	-18.7	-8.2	-1.3
<i>within which:</i>								
Financial markets and asset management	0.8	13.2	19.6	-17.6	-19.1	-21.8	-9.3	-5.2
<i>within which : Asset management</i>	7.3	11.6	23.3	-19.6	-18.4	-25.4	-27.3	-12.7
Insurance	8.8	6.1	2.5	-6.0	-3.1	-11.0	-15.1	-10.0
Real estate	11.4	3.2	-1.9	-8.9	-3.6	-11.5	-6.9	6.3
Professional, scientific and technical services	1.3	-2.1	6.6	3.5	0.4	3.1	6.4	5.1
Administrative and support services	0.4	-25.4	1.7	10.5	9.3	12.2	18.3	21.5
<b>Services Domain</b>								
Tourism, convention and exhibition services	-19.3	-86.7	-17.7	36.8	49.3	37.4	42.9	402.7 <sup>+</sup>
Computer and information technology services	-7.2	-3.2	20.1	-0.4	7.3	-4.8	-13.9	-9.1

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>	
						Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1	Q2
<u>(%)</u>									
Labour force participation rate	61.3	60.7	59.7	59.4	58.2	58.2	58.0	57.9	57.5
Seasonally adjusted unemployment rate <sup>(a)</sup>	2.8	2.9	5.8	5.2	4.3	4.0	3.5	3.1	2.9
Underemployment rate	1.1	1.1	3.3	2.6	2.3	1.8	1.5	1.2	1.1
<u>('000)</u>									
Population of working age	6 522.6	6 572.7	6 562.2	6 518.6	6 487.0	6 540.4	6 631.9	6 514.0	6 611.4
Labour force	3 996.8	3 987.8	3 918.5	3 870.4	3 776.3	3 808.1	3 847.3	3 769.2	3 802.4
Persons employed	3 884.6	3 871.4	3 690.9	3 670.2	3 613.2	3 649.7	3 720.0	3 654.1	3 688.8
Persons unemployed	112.1	116.3	227.6	200.3	163.1	158.4	127.2	115.1	113.6
Persons underemployed	43.2	42.0	129.9	98.9	88.1	69.9	55.9	46.7	41.5
<u>(% change over a year earlier)</u>									
Population of working age	0.8	0.8	-0.2	-0.7	-0.5	0.1	1.4	0.3	2.2
Labour force	1.0	-0.2	-1.7	-1.2	-2.4	-1.7	-0.1	-0.6	1.3
Persons employed	1.4	-0.3	-4.7	-0.6	-1.6	-1.2	0.4	1.4	3.2
Persons unemployed	-9.3	3.7	95.6	-12.0	-18.6	-12.5	-12.4	-39.2	-37.0
Persons underemployed	-5.4	-2.8	209.6	-23.8	-10.9	-12.9	-16.1	-60.1	-62.9

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

(#) Figures have been revised to take into account the final 2022 population estimates.

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

Selected major industries	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>			<u>2023</u>	(No.)
	(% change)					Jun	Sep	Dec	Mar	
						(% change over a year earlier)				
Manufacturing	-3.0	-3.5	-4.0	-5.5	-5.0	-5.3	-5.1	-2.6	-1.2	74 874
Construction sites (covering manual workers only)	-5.8	-9.0	-4.5	8.5	-0.7	-2.5	3.2	0.6	10.3	108 398
Import and export trade	-0.6	-5.7	-11.0	-3.6	-0.9	-0.4	-1.4	-2.3	-1.9	378 104
Wholesale	-0.9	-4.0	-8.8	-3.9	4.2	2.6	6.1	4.0	-1.4	51 986
Retail	1.7	-1.7	-6.3	-0.6	-1.6	-1.3	-1.3	-2.0	1.4	248 545
Food and beverage services	2.8	-2.3	-13.6	1.4	1.3	1.0	2.0	2.4	9.4	223 913
Accommodation services <sup>(a)</sup>	4.8	1.8	-14.7	1.1	-4.5	-9.8	-9.0	-1.3	0.6	35 603
Transportation, storage, postal and courier services	0.6	0.3	-3.7	-4.0	-2.1	-3.7	-1.9	-2.0	-1.5	161 895
Information and communications	1.5	1.9	-0.3	-1.4	-2.2	-2.4	-2.9	-1.5	0.2	107 390
Financing and insurance	2.6	2.9	0.6	0.1	-2.1	-2.3	-3.2	-2.8	-1.3	232 981
Real estate	2.0	1.2	0.4	3.6	-0.5	-0.2	-2.9	-3.4	-1.3	141 763
Professional and business services (excluding cleaning and similar services)	3.2	1.5	-0.3	*	-2.1	-3.1	-2.9	-0.9	1.1	306 125
Cleaning and similar services	-1.4	-0.3	0.3	1.3	0.8	-0.1	0.7	-0.5	-2.0	82 555
Education	1.8	1.7	-1.0	-0.1	1.1	0.9	1.7	1.9	3.8	212 942
Human health services	3.4	4.7	4.1	2.9	2.5	2.2	2.4	2.9	2.4	152 199
Residential care and social work services	1.0	2.4	0.4	0.9	0.9	-0.4	0.5	0.9	2.4	68 916
Arts, entertainment, recreation and other services	1.4	0.8	-5.4	-1.7	-3.4	-2.8	-3.7	-1.5	7.1	119 803
Civil service <sup>(b)</sup>	2.1	2.2	0.7	-0.2	-1.2	-1.0	-1.3	-1.7	-1.5	173 643
Others <sup>(c)</sup>	*	1.5	-1.7	1.2	3.3	3.0	3.1	3.5	0.9	11 824

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>		<u>2023</u>
						Jun	Sep	Dec	Mar
<u>(Number)</u>									
Building sites									
Private sector	65 700	62 903	54 957	58 385	56 160	59 677	58 275	53 681	54 940
Public sector <sup>(a)</sup>	21 604	19 257	22 982	23 622	22 853	20 280	23 838	25 964	25 319
Sub-total	87 303	82 160	77 939	82 006	79 012	79 957	82 113	79 645	80 259
Civil engineering sites									
Private sector	1 729	2 483	2 180	3 095	3 796	3 327	3 823	4 164	3 953
Public sector <sup>(a)</sup>	22 816	17 108	17 064	20 329	21 855	20 127	23 744	23 489	24 186
Sub-total	24 546	19 591	19 244	23 424	25 651	23 454	27 567	27 653	28 139
<b>Total</b>	<b>111 849</b>	<b>101 750</b>	<b>97 182</b>	<b>105 430</b>	<b>104 663</b>	<b>103 411</b>	<b>109 680</b>	<b>107 298</b>	<b>108 398</b>
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	-0.4	-4.3	-12.6	6.2	-3.8	0.3	1.0	-8.7	3.6
Public sector <sup>(a)</sup>	-0.3	-10.9	19.3	2.8	-3.3	-18.1	5.5	19.8	18.7
Sub-total	-0.4	-5.9	-5.1	5.2	-3.7	-5.1	2.2	-1.0	8.0
Civil engineering sites									
Private sector	76.6	43.6	-12.2	42.0	22.6	14.3	-1.2	16.8	2.2
Public sector <sup>(a)</sup>	-24.1	-25.0	-0.3	19.1	7.5	6.3	7.3	4.0	20.6
Sub-total	-20.9	-20.2	-1.8	21.7	9.5	7.4	6.0	5.8	17.6
<b>Total</b>	<b>-5.8</b>	<b>-9.0</b>	<b>-4.5</b>	<b>8.5</b>	<b>-0.7</b>	<b>-2.5</b>	<b>3.2</b>	<b>0.6</b>	<b>10.3</b>

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

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

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

	(%)								
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>			<u>2023</u>
Selected industry sections						Q2	Q3	Q4	Q1
<b>(in nominal terms)</b>									
Manufacturing	4.0	3.8	-0.1	-0.6	1.0	0.8	1.4	2.1	4.0
Import/export and wholesale trades	3.2	2.3	0.5	0.1	0.9	1.1	0.9	1.3	2.2
Retail trade	3.0	2.3	0.1	0.2	1.1	1.1	1.9	2.0	2.1
Transportation, storage, postal and courier services	4.1	3.9	-5.4	-3.8	1.9	0.2	2.4	4.1	6.7
Accommodation <sup>(a)</sup> and food service activities	5.3	4.7	-2.9	-1.0	2.2	2.8	3.1	3.4	4.9
Information and communications	3.3	3.9	2.3	1.8	2.8	2.9	2.9	3.1	3.9
Financial and insurance activities	3.1	3.0	1.7	1.7	2.7	2.5	2.9	2.9	3.2
Real estate activities	4.3	4.1	1.5	1.4	2.1	2.0	2.2	2.3	2.9
Professional and business services	4.6	3.8	1.6	1.5	2.7	2.4	2.9	3.2	3.6
Social and personal services	4.3	2.3	6.2	0.1	1.3	2.3	1.4	2.2	1.7
<b>All selected industry sections surveyed</b>	<b>3.9</b>	<b>3.4</b>	<b>2.4</b>	<b>1.0</b>	<b>1.7</b>	<b>1.7</b>	<b>2.0</b>	<b>2.3</b>	<b>3.0</b>
<b>(in real terms)</b>									
Manufacturing	1.6	0.9	-0.4	-2.1	-0.9	-0.7	-1.3	0.2	2.0
Import/export and wholesale trades	0.8	-0.5	0.2	-1.4	-1.0	-0.4	-1.8	-0.5	0.2
Retail trade	0.6	-0.5	-0.1	-1.4	-0.7	-0.4	-0.8	0.1	0.2
Transportation, storage, postal and courier services	1.6	1.0	-5.6	-5.3	*	-1.3	-0.3	2.2	4.7
Accommodation <sup>(a)</sup> and food service activities	2.8	1.8	-3.2	-2.6	0.3	1.3	0.3	1.5	2.9
Information and communications	0.8	0.9	2.0	0.2	0.9	1.4	0.2	1.2	1.9
Financial and insurance activities	0.7	0.2	1.2	0.2	0.8	1.0	0.2	1.0	1.2
Real estate activities	1.9	1.1	1.3	-0.1	0.2	0.5	-0.5	0.5	0.9
Professional and business services	2.2	0.9	1.4	-0.1	0.8	0.9	0.2	1.3	1.6
Social and personal services	1.8	-0.6	6.0	-1.5	-0.6	0.9	-1.2	0.4	-0.3
<b>All selected industry sections surveyed</b>	<b>1.5</b>	<b>0.5</b>	<b>2.1</b>	<b>-0.5</b>	<b>-0.2</b>	<b>0.3</b>	<b>-0.7</b>	<b>0.5</b>	<b>1.1</b>

Notes: The rates of change in real terms are compiled from the Real Indices of Payroll per Person Engaged. The Indices are derived by deflating the Nominal Indices of Payroll per Person Engaged by the 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>		<u>2023</u>
Selected industry sections						Jun	Sep	Dec	Mar
<b>(in nominal terms)</b>									
Manufacturing	3.6	3.5	2.0	1.6	2.0	2.0	2.0	2.3	3.9
Import/export, wholesale and retail trades	3.0	2.3	1.0	0.9	1.7	1.8	1.8	1.8	2.3
Transportation	4.7	4.4	0.1	-0.9	1.4	-0.6	2.6	3.6	5.3
Accommodation <sup>(a)</sup> and food service activities	4.6	4.1	1.0	1.4	2.1	1.9	2.1	2.5	3.9
Financial and insurance activities <sup>(b)</sup>	3.5	3.7	2.3	2.5	3.2	3.3	3.3	3.3	3.5
Real estate leasing and maintenance management	4.4	3.9	2.7	3.0	2.9	2.9	2.9	2.9	3.0
Professional and business services	4.4	3.6	1.7	1.8	2.5	2.5	2.5	2.6	2.8
Personal services	4.1	3.3	0.7	0.3	0.6	-0.1	0.9	1.5	3.3
<b>All industries surveyed</b>	<b>4.0</b>	<b>3.5</b>	<b>1.3</b>	<b>1.3</b>	<b>2.2</b>	<b>1.9</b>	<b>2.3</b>	<b>2.6</b>	<b>3.2</b>
<b>(in real terms)</b>									
Manufacturing	0.8	0.2	3.1	-0.3	-1.5	0.2	-6.3	0.2	2.2
Import/export, wholesale and retail trades	0.1	-1.0	2.1	-0.9	-1.9	-0.1	-6.6	-0.3	0.6
Transportation	1.7	1.0	1.3	-2.7	-2.2	-2.3	-5.8	1.5	3.5
Accommodation <sup>(a)</sup> and food service activities	1.7	0.7	2.1	-0.3	-1.5	0.1	-6.3	0.4	2.1
Financial and insurance activities <sup>(b)</sup>	0.6	0.2	3.7	0.7	-0.6	1.5	-5.1	1.1	1.8
Real estate leasing and maintenance management	1.4	0.5	3.8	1.3	-0.8	1.1	-5.6	0.7	1.4
Professional and business services	1.5	0.3	2.8	0.1	-1.2	0.7	-5.9	0.5	1.1
Personal services	1.1	0.2	1.7	-1.6	-2.9	-1.8	-7.4	-0.6	1.6
<b>All industries surveyed</b>	<b>1.0</b>	<b>0.1</b>	<b>2.5</b>	<b>-0.5</b>	<b>-1.4</b>	<b>0.1</b>	<b>-6.0</b>	<b>0.5</b>	<b>1.5</b>

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

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

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



**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 <sup>(a)</sup>	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 <sup>(b)</sup>	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 <sup>(c)</sup>	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 <sup>(d)</sup>	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 <sup>(e)</sup>	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 <sup>(f)</sup>	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 <sup>(g)</sup>	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
<b>All industry sections above</b>	<b>13,400</b>	<b>18,700</b>	<b>29,500</b>	<b>13,700</b>	<b>19,100</b>	<b>30,200</b>

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

- (a) Excluding food processing and production.
- (b) Excluding local courier services.
- (c) Including takeaway shops.
- (d) Including hotels, guesthouses, boarding houses and other establishments providing short term accommodation.
- (e) Excluding real estate maintenance management.
- (f) Including investigation activities and services to buildings and landscape care activities.
- (g) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

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

(HK\$)

Industry sections	May – Jun 2021			May – Jun 2022		
	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
Manufacturing <sup>(a)</sup>	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 <sup>(b)</sup>	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 <sup>(c)</sup>	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 <sup>(d)</sup>	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 <sup>(e)</sup>	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 <sup>(f)</sup>	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 <sup>(g)</sup>	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
<b>All industry sections above</b>	<b>53.5</b>	<b>75.7</b>	<b>120.3</b>	<b>54.8</b>	<b>77.4</b>	<b>123.7</b>

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

- (a) Excluding food processing and production.
- (b) Excluding local courier services.
- (c) Including takeaway shops.
- (d) Including hotels, guesthouses, boarding houses and other establishments providing short term accommodation.
- (e) Excluding real estate maintenance management.
- (f) Including investigation activities and services to buildings and landscape care activities.
- (g) Including incorporated owners/tenants committees, kaifong welfare associations, etc.

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

(%)

	<u>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 <sup>(a)</sup> :								
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 <sup>(b)</sup>	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.

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

(%)

	<u>2021</u>	<u>2022</u>	<u>2022</u>		<u>2023</u>		Average annual rate of change:	
			Q3	Q4	Q1	Q2	10 years	5 years
							2012 to 2022	2017 to 2022
GDP deflator <sup>#</sup>	0.7	1.8	3.5	1.7	2.1	2.9	2.2	1.8
Domestic demand deflator <sup>#</sup>	-0.8	2.1	2.4	2.5	3.1	3.8	1.8	1.5
Consumer Price Indices <sup>(a)</sup> :								
Composite CPI	1.6	1.9	2.7	1.8	1.9	2.0	2.5	1.8
CPI(A)	2.9	2.2	4.1	1.9	2.0	2.2	2.9	2.1
CPI(B)	1.0	1.7	2.1	1.7	1.8	1.9	2.3	1.7
CPI(C)	0.9	1.8	1.9	1.9	2.0	2.0	2.1	1.6
Unit Value Indices :								
Total exports of goods	5.4	7.8	8.5	5.3	4.7	4.1	1.9	3.2
Imports of goods	5.5	8.1	8.1	5.8	3.9	3.7	1.9	3.3
Terms of Trade Index <sup>(b)</sup>	*	-0.3	0.3	-0.4	0.7	0.4	*	-0.1
Producer Price Index for all manufacturing industries	1.2	0.8	0.4	-0.3	0.9	N.A.	0.5	1.5
Tender Price Indices :								
Public sector								
building projects	1.0	5.5	6.3	5.0	5.2	N.A.	1.8	-0.5
Public housing projects	1.8	5.3	6.8	4.2	5.7	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>
<b>All items</b>	<b>100.00</b>	<b>4.3</b> <b>(4.0)</b>	<b>4.4</b> <b>(3.5)</b>	<b>3.0</b> <b>(2.5)</b>	<b>2.4</b> <b>(2.3)</b>	<b>1.5</b> <b>(1.7)</b>	<b>2.4</b> <b>(2.6)</b>	<b>2.9</b> <b>(3.0)</b>
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 <sup>(a)</sup>	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	2020	2021	2022	2022		2023		Average annual rate of change:	
					Q3	Q4	Q1	Q2	10 years 2012 to 2022	5 years 2017 to 2022
<b>All items</b>	<b>100.00</b>	<b>0.3</b> <b>(1.3)</b>	<b>1.6</b> <b>(0.6)</b>	<b>1.9</b> <b>(1.7)</b>	<b>2.7</b> <b>(1.8)</b>	<b>1.8</b> <b>(1.8)</b>	<b>1.9</b> <b>(1.9)</b>	<b>2.0</b> <b>(1.7)</b>	<b>2.5</b> <b>(2.4)</b>	<b>1.8</b> <b>(2.0)</b>
Food	27.41	3.3	1.7	3.8	3.9	3.6	3.0	2.5	3.5	3.4
<i>Meals out and takeaway food</i>	17.05	0.8	1.8	3.4	3.4	3.6	4.4	4.0	3.0	2.2
<i>Basic food</i>	10.36	7.7	1.4	4.5	4.7	3.6	0.8	0.2	4.3	5.5
Housing <sup>(a)</sup>	40.25	-0.1	0.3	0.2	1.8	*	-0.1	0.6	3.0	1.3
<i>Private housing rent</i>	35.46	1.1	-1.3	-0.6	-0.6	-0.5	-0.5	0.2	2.6	0.9
<i>Public housing rent</i>	1.87	-21.0	29.3	9.6	45.1	2.1	0.7	1.7	7.7	4.5
Electricity, gas and water	2.82	-20.6	27.0	7.2	14.9	14.2	20.4	15.9	3.5	1.4
Alcoholic drinks and tobacco	0.49	0.5	0.1	1.3	1.8	1.7	11.2	18.8	1.6	0.9
Clothing and footwear	2.42	-5.2	3.3	5.3	5.1	5.0	5.9	5.9	*	0.6
Durable goods	4.00	-2.7	1.0	0.6	0.4	-1.2	-2.3	-3.6	-2.7	-1.0
Miscellaneous goods	3.32	3.1	-3.1	0.4	0.6	0.6	0.9	1.5	1.2	0.8
Transport	6.17	-1.0	2.6	2.9	1.8	1.9	1.4	1.7	1.6	1.6
Miscellaneous services	13.12	0.8	0.7	1.3	1.4	1.7	2.2	2.5	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
<b>Gross Domestic Product</b>	<b>1.8</b>	<b>2.9</b>	<b>3.6</b>	<b>1.6</b>	<b>2.9</b>	<b>3.7</b>	<b>2.0</b>
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<sup>#</sup></u>	<u>2022<sup>#</sup></u>	<u>2022</u>		<u>2023</u>		Average annual rate of change:		
				Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	10 years 2012 to 2022 <sup>#</sup>	5 years 2017 to 2022 <sup>#</sup>	
Private consumption expenditure	0.6	-0.6	2.2	2.9	3.0	4.5	4.6	1.9	1.6	
Government consumption expenditure	2.1	0.7	2.7	3.2	2.0	2.8	3.2	3.3	2.7	
Gross domestic fixed capital formation	-1.5	-2.1	1.3	1.3	-0.6	-1.2	-0.6	1.1	0.4	
Total exports of goods	0.1	5.1	6.8	7.1	4.6	3.7	3.7	1.5	3.0	
Imports of goods	0.1	4.9	7.4	6.9	4.8	3.6	4.3	1.5	3.2	
Exports of services	-0.4	14.5	7.1	4.3	-0.1	-3.3	-3.3	2.4	4.9	
Imports of services	-0.9	9.9	4.7	1.6	0.6	0.3	-2.3	1.2	3.0	
<b>Gross Domestic Product</b>	<b>0.6</b>	<b>0.7</b>	<b>1.8</b>	<b>3.5</b>	<b>1.7</b>	<b>2.1</b>	<b>2.9</b>	<b>2.2</b>	<b>1.8</b>	
Total final demand	0.2	3.7	5.2	5.3	3.3	2.5	3.0	1.7	2.7	
Domestic demand	0.6	-0.8	2.1	2.4	2.5	3.1	3.8	1.8	1.5	



