



# Third Quarter Economic Report 2023

Government of the Hong Kong  
Special Administrative Region

# ***THIRD QUARTER 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*

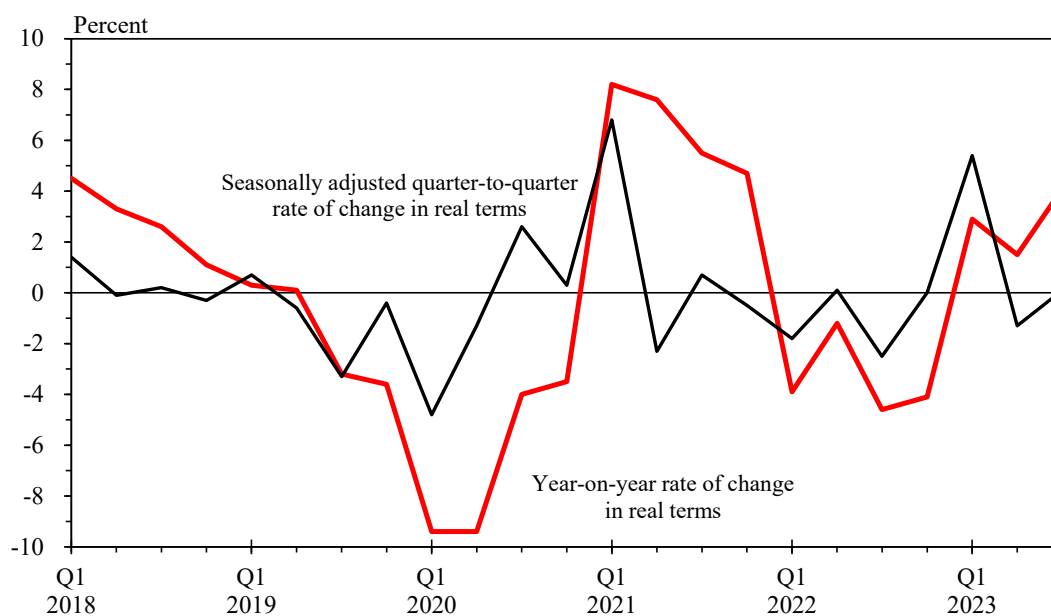
- *The Hong Kong economy continued to revive in the third quarter of 2023, supported by inbound tourism and private consumption. Real Gross Domestic Product (GDP)<sup>(1)</sup> grew by 4.1% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison<sup>(2)</sup>, real GDP increased by 0.1%.*
- *Hong Kong's total exports of goods declined further in the third quarter from a year earlier amid weak external demand for goods. Exports to the Mainland fell further. Exports to the US recorded a further decline, and those to the EU continued to fall visibly. Exports to most other major Asian markets shrank by varying degrees. However, exports of services expanded notably further. Exports of travel services leapt almost nine-fold thanks to the continued revival of visitor arrivals. Exports of transport services rose further in tandem. Exports of business and other services grew modestly, while exports of financial services fell further.*
- *Domestically, private consumption expenditure rose further in the third quarter over a year earlier alongside rising household income and the Government's various support initiatives, though the rate of increase moderated somewhat. Overall investment expenditure rebounded sharply against a low base of comparison a year ago.*
- *The labour market improved further in the third quarter. The seasonally adjusted unemployment rate declined slightly further from 2.9% in the second quarter to 2.8% in the third quarter, and the underemployment rate edged down from 1.1% to 1.0%.*
- *The local stock market remained under pressure in the third quarter, as concerns over the Mainland's economic outlook and expectations of a prolonged period of high interest rates continued to dampen investment sentiment. The Hang Seng Index (HSI) closed the quarter at 17 810, down by 5.9% from end-June. The residential property market turned more sluggish in the third quarter. Market sentiment stayed cautious amid rising local interest rates and the challenging external environment.*
- *Consumer price inflation stayed moderate in overall terms in the third quarter. Prices of meals out and takeaway food recorded a visible but softened increase over a year earlier, while prices of basic food continued to show a modest increase. The increase in prices of electricity remained notable despite a sharp deceleration. Prices of clothing and footwear continued to rise visibly. Price pressures on other major components stayed largely in check. Private housing rentals continued to decline.*

## Overall situation

1.1 The Hong Kong economy continued to revive in the third quarter of 2023. Inbound tourism and private consumption remained the key drivers of growth, while merchandise exports stayed weak.

1.2 Real GDP grew by 4.1% year-on-year in the third quarter (same as the advance estimate), having increased by 1.5% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP increased by 0.1% in the third quarter (same as the advance estimate), after a 1.3% decrease in the preceding quarter.

**Diagram 1.1 : The Hong Kong economy continued to revive in the third quarter of 2023**



## **The external sector**

1.3 *Total exports of goods* based on the GDP compilation framework declined by 8.6% year-on-year in real terms in the third quarter of 2023, further to the fall of 15.1% in the preceding quarter. The weak external demand for goods continued to weigh on export performance. Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland fell further in the third quarter. Exports to the US recorded a further decline, and those to the EU continued to fall visibly. Exports to most other major Asian markets shrank by varying degrees.

1.4 *Exports of services* expanded notably by 23.9% year-on-year in real terms in the third quarter, after growing by 22.8% in the preceding quarter. Exports of travel services leapt almost nine-fold and recovered to 53% of the level in the same quarter in 2018, thanks to the continued revival of visitor arrivals during the quarter. Exports of transport services rose further in tandem. Exports of business and other services grew only modestly amid the difficult external environment. Meanwhile, exports of financial services fell further alongside subdued cross-border financial and fund raising activities.

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

	<u>2021</u> <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>	<u>Q3</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)	7.7 (3.4)	6.3 (-0.8)
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)	-9.8 (-5.9)	-4.5 (1.7)
Gross domestic fixed capital formation	8.3	-7.7	-6.3	-1.2	-14.2	-8.9	7.9	-0.5	18.4
Building and construction	-0.5	5.1	1.9	9.1	2.5	7.2	-0.8	8.0	12.5
Costs of ownership transfer	36.3	-41.0	-34.8	-39.5	-40.9	-50.0	24.3	-5.0	-20.4
Machinery, equipment and intellectual property products	15.2	-16.8	-14.8	-1.5	-28.8	-21.2	24.1	-12.8	39.9
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)	-15.1 (-0.5)	-8.6 (-0.3)
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)	-15.8 (-1.3)	-5.9 (1.1)
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)	22.8 (5.3)	23.9 (-1.8)
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)	25.4 (4.9)	28.3 (1.7)
<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>	<b>4.1</b> <b>(0.1)</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>(0.9)</b>	<b>2.2</b> <b>(2.1)</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>1.9</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>	<b>1.6</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>	<b>6.4</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 stayed strong in the third quarter of 2023, supported by rising household income and the Government's various support initiatives. *Private consumption expenditure* rose further by 6.3% year-on-year in real terms in the third quarter, though the growth rate narrowed from 7.7% in the preceding quarter as the difficult global economic environment dampened consumer sentiment. On a seasonally adjusted quarter-to-quarter basis, private consumption expenditure fell slightly by 0.8%. Meanwhile, *government consumption expenditure* fell by 4.5% year-on-year in the third quarter, after a 9.8% decrease in the preceding quarter.

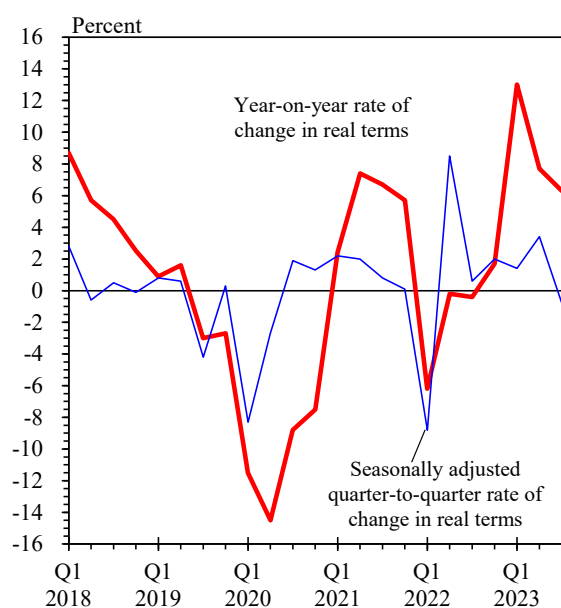
**Table 1.2 : Consumer spending by major component<sup>(a)</sup>  
(year-on-year rate of change in real terms (%))**

*Of which :*

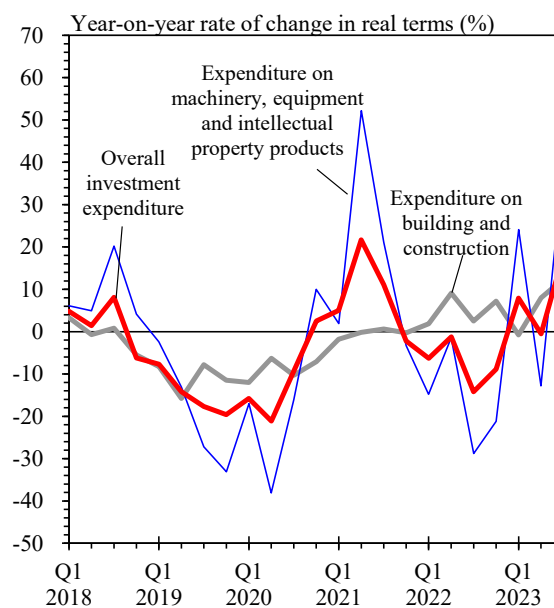
		Total consumer spending in the domestic market <sup>(a)</sup>	<u>Food</u>	<u>Durables</u>	<u>Non- durables</u>	<u>Services</u>	<u>Residents' expenditure abroad</u>	<u>Visitor spending</u>	<u>Private consumption expenditure<sup>(b)</sup></u>
2022	Annual	-1.4	-7.3	4.0	-2.0	-0.9	55.4	57.0	-1.2
	Q1	-6.2	-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	5.2	387.6	731.1	7.7
	Q3	7.2	-1.3	9.7	21.7	4.4	359.2	741.6	6.3

- 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 further**



**Diagram 1.3 : Overall investment expenditure rebounded sharply**



1.6 Having declined by 0.5% in the preceding quarter, overall investment spending in terms of *gross domestic fixed capital formation* rebounded sharply by 18.4% in real terms in the third quarter over a year earlier against a low base of comparison despite the eased business sentiment (**Box 1.1**). Expenditure on acquisitions of machinery, equipment and intellectual property products surged by 39.9%. Expenditure on building and construction rose notably by 12.5%, with increases seen in both public and private sector spending. Separately, the costs of ownership transfer fell as property transactions shrank.

## Box 1.1

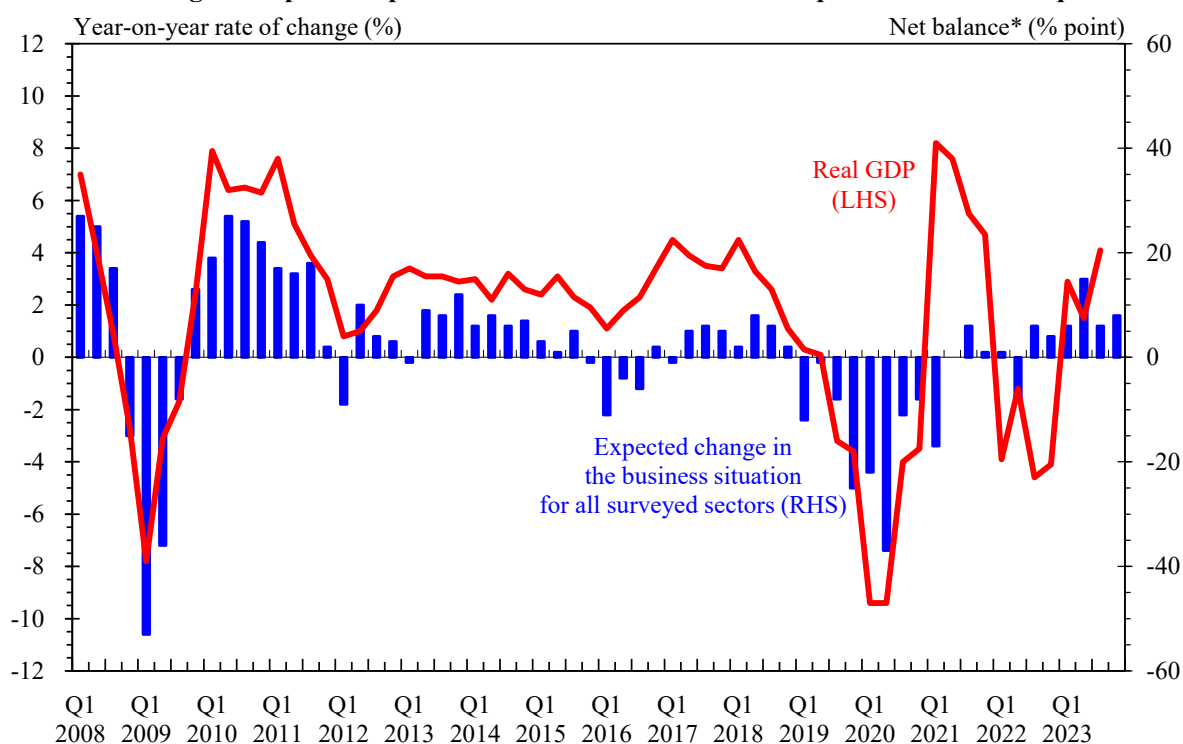
### Business sentiment in Hong Kong

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 third quarter amid the difficult external environment, before showing initial signs of stabilisation most recently.

According to the results of the Census and Statistics Department (C&SD)'s Quarterly Business Tendency Survey (QBTS)<sup>(1)</sup> conducted during 2 September 2023 to 10 October 2023, business sentiment among large enterprises in Hong Kong improved slightly as compared to three months ago (*Chart 1*). The proportion of large enterprises expecting their business situation to improve in the fourth quarter of 2023 over the third quarter was larger than the proportion of those expecting the situation to worsen by 8 percentage points (i.e. a net balance of +8), better than the net balance of +6 in the previous round.

Business sentiment of large enterprises in different sectors stayed positive in general (*Table 1*). The net balances for the “retail”, “information and communications”, “transportation, storage and courier services”, and “financing and insurance” sectors improved within the positive zone, and that for the “real estate” sector turned positive. Meanwhile, the net balances for the “construction”, “accommodation and food services”, “professional and business services”, and “import/export trade and wholesale” sectors declined but remained positive. Yet, the net balance for the “manufacturing” sector fell and became slightly negative. Large enterprises’ appetite for hiring was also positive (*Table 2*).

**Chart 1 : Large enterprises expected their business situation to improve in the fourth quarter**



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

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

## Box 1.1 (Cont'd)

**Table 1 : Business sentiment of large enterprises in different sectors stayed positive in general**

QBTS: Expected changes in business situation						
	Net balance* (% point)					
	2022		2023			
	Q3	Q4	Q1	Q2	Q3	Q4
Manufacturing	+24	-13	+23	+36	+20	-2
Construction	-5	-5	-7	+6	+10	+1
Import/export trade and wholesale	+6	+9	-8	+10	+7	+5
Retail	+25	+16	+12	+34	+18	+32
Accommodation and food services	+49	+37	+39	+64	+41	+33
Transportation, storage and courier services	-2	+8	-5	+13	+4	+11
Information and communications	-3	-4	-1	+6	+2	+9
Financing and insurance	+10	+4	+25	+25	+4	+10
Real estate	+10	-2	+4	+13	-2	+6
Professional and business services	-3	+2	-3	-4	+5	+1
All sectors above	+6	+4	+6	+15	+6	+8

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 was positive**

QBTS: Expected changes in number of persons engaged						
	Net balance* (% point)					
	2022		2023			
	Q3	Q4	Q1	Q2	Q3	Q4
Manufacturing	+7	+18	+8	+18	+26	+11
Construction	+9	+18	+16	+6	+6	+2
Import/export trade and wholesale	+1	0	-6	-1	-2	+1
Retail	+9	+5	+6	+20	+8	+14
Accommodation and food services	+36	+22	+24	+50	+31	+23
Transportation, storage and courier services	+8	+13	+9	0	+6	+8
Information and communications	-1	-8	-6	-6	-6	-2
Financing and insurance	-4	+5	+9	+13	+8	+10
Real estate	+11	0	0	+9	+8	+19
Professional and business services	0	+2	+5	+7	+4	+6
All sectors above	+7	+7	+6	+11	+8	+9

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.

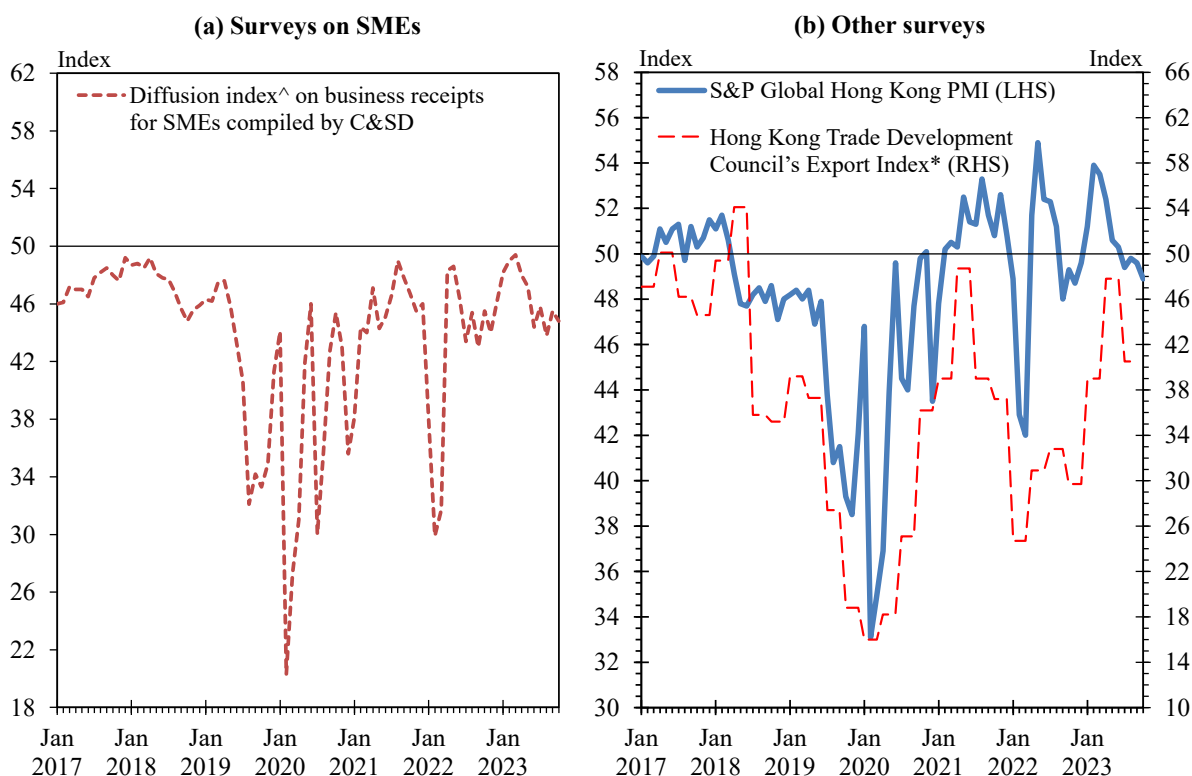
As for SMEs, C&SD compiles a set of diffusion indices on a monthly basis<sup>(2)</sup> to gauge the general direction of change in their views on the business situation versus the preceding month. Business sentiment among SMEs was generally weak in the past few months, before showing initial signs of stabilisation most recently. The overall index on the current situation, having softened to 43.8 in August, rose back to 45.5 and 44.8 in September and October respectively (*Chart 2a*). Employment sentiment among SMEs stayed broadly stable, and credit conditions remained accommodative.

As for other surveys in the public domain, the S&P Global Purchasing Managers’ Index (PMI) of Hong Kong<sup>(3)</sup>, which gauges the performance of the private sector’s business activity, remained in the contractionary zone in the third quarter. Separately, the Hong Kong Trade Development Council’s Export Index<sup>(4)</sup> went down to 40.5 in the third quarter of 2023 from 47.8 in the preceding quarter (*Chart 2b*). Export confidence softened across all sectors from the relatively high levels in the preceding quarter. Among the exporters surveyed, 48.6% indicated that the economic slowdown or recession risk in overseas markets as the biggest challenge to their businesses in the coming three months, followed by ongoing geopolitical tensions (17.9%) and a smaller-than-expected boost from the Mainland’s economic recovery (16.5%).

(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.

## Box 1.1 (Cont'd)

**Chart 2 : Business sentiment showed initial signs of stabilisation most recently after some easing in earlier months**



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.

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

It is worth noting that these surveys are essentially opinion-based, thereby unavoidably subject to various limitations (e.g. results are not directly comparable) and hence the results should be interpreted with care. Still, these survey findings taken together suggest that business sentiment generally eased in the third quarter amid the difficult external environment, before showing initial signs of stabilisation most recently. Looking ahead, while the continued growth of consumption- and tourism-related activities and the Government’s measures to boost the momentum of the recovery should provide some support, business sentiment will continue to be dampened by the challenging external economic environment and tight financial conditions.

(3) 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.

(4) 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 improved further in the third quarter of 2023. The seasonally adjusted *unemployment rate* declined slightly further from 2.9% in the second quarter to 2.8% in the third quarter, and the *underemployment rate* edged down from 1.1% to 1.0%. The unemployment rates of the various major sectors stayed low in general, with those of many major sectors recording falls. Analysed by skill segment, the unemployment rate of lower-skilled workers declined by 0.4 percentage point from the preceding quarter to 2.8% in the third quarter. The unemployment rate of higher-skilled workers edged up by 0.1 percentage point to a still-low level of 2.2%. Wages and labour earnings saw accelerated year-on-year growth in nominal terms in the second quarter, and continued to show increases in real terms after discounting for inflation. More recent General Household Survey (GHS) data indicated that the median monthly employment earnings and the median monthly household income continued to attain decent growth in the third quarter over a year earlier.

## **The asset markets**

1.8 The *local stock market* remained under pressure in the third quarter of 2023, as concerns over the Mainland's economic outlook and expectations of a prolonged period of high interest rates continued to dampen investment sentiment. The HSI was range-bounded in July, and trended down in the ensuing two months. It closed the quarter at 17 810, 5.9% lower than end-June. Trading activities contracted further in the third quarter amid the cautious market atmosphere, with the average daily turnover shrinking by 4.3% from the preceding quarter to \$98.4 billion, and being only 0.9% higher than the low level a year earlier. Fund raising activities were extremely quiet.

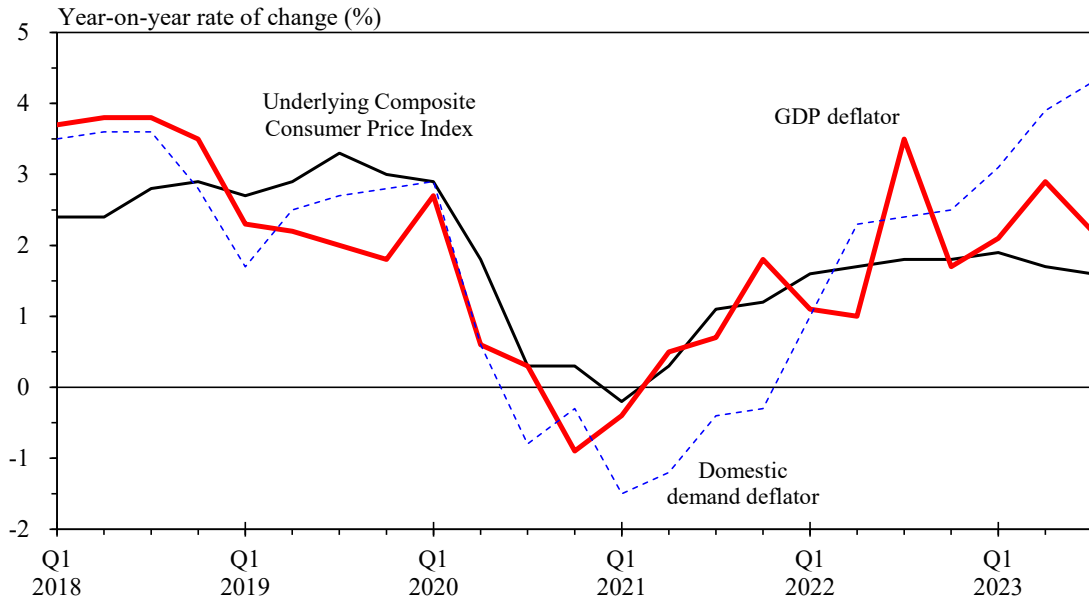
1.9 The *residential property market* turned more sluggish in the third quarter. Market sentiment stayed cautious amid rising local interest rates and the challenging external environment. The number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, fell visibly by 25% from the preceding quarter or 21% from a year earlier to a low level of 9 174. Overall flat prices fell further by 4% between June and September. The index of home purchase affordability edged down to around 72% in the third quarter alongside the decline in overall flat prices, though the effect was partially offset by higher mortgage rates. Meanwhile, overall flat rentals rose further by 3% during the third quarter. The *non-residential property market* was quiet in the third quarter. Trading activities for all major market segments stayed subdued, while prices and rentals generally showed only small changes.

## **Inflation**

1.10 Consumer price inflation stayed moderate in overall terms in the third quarter of 2023. Netting out the effects of the Government's one-off relief measures, *underlying Composite CPI inflation* stayed moderate at 1.6% in the third quarter, compared with 1.7% in the preceding quarter. Prices of meals out and takeaway food recorded a visible but softened increase over a year earlier, while prices of basic food continued to show a modest increase. The increase in prices of electricity remained notable despite a sharp deceleration. Prices of clothing and footwear continued to rise visibly. Price pressures on other major components stayed largely in check. Private housing rentals continued to decline. Domestic business cost pressures remained contained. Wage growth accelerated further on the back of the continued improvement in labour market conditions, but was still largely moderate. Commercial rentals stayed soft. External price pressures showed some moderation, alongside easing inflation in many major economies from earlier peaks. The *headline Composite CPI inflation rate* was 1.9% in the third quarter, compared with 2.0% in the preceding quarter.

1.11 As a broad measure of the overall change in prices in the economy, the *GDP deflator* rose by 2.2% in the third quarter over a year earlier, following an increase of 2.9% 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 4.3% in the third quarter, after rising by 3.9% in the preceding quarter.

**Diagram 1.4 : Consumer price inflation stayed moderate in overall terms in the third 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 1.8% year-on-year in real terms in the second quarter of 2023, after an increase of 3.1% in the preceding quarter. Net outputs of many major service sectors continued to recover, though at a moderated pace. In particular, the net output of transportation and storage, accommodation and food services, and wholesale and retail trades grew notably further as inbound tourism continued to revive. However, the net output of real estate recorded decelerated growth as property market sentiment turned cautious, and that of import and export trade declined further amid the weak external demand for goods. As for the secondary sector, the net output of the manufacturing sector continued to increase, and that of the construction sector resumed growth.

**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>	<u>Q2</u>
Manufacturing	0.2	-1.3	2.7	-0.5	-0.1	3.8	2.7
Construction	5.8	4.1	9.2	2.0	8.0	-1.7	7.3
Services <sup>(b)</sup>	-3.1	-3.2	-1.5	-3.3	-4.2	3.1	1.8
Import/export, wholesale and retail trades	-12.1	-7.1	-6.4	-12.8	-19.7	-7.4	-4.0
Import and export trade	-12.9	-6.4	-7.0	-13.7	-22.0	-13.4	-8.1
Wholesale and retail trades	-6.8	-12.8	-1.9	-6.7	-6.5	43.8	21.7
Accommodation and food services	-10.8	-28.4	-4.9	-7.4	-6.0	83.8	23.1
Transportation, storage, postal and courier services	-4.6	-10.6	-3.4	-5.2	1.0	30.6	27.4
Transportation and storage	-4.5	-10.8	-3.0	-5.9	2.0	33.6	30.5
Postal and courier services	-6.2	-6.3	-5.7	-6.9	-5.9	-15.4	-19.5
Information and communications	0.8	0.6	1.6	0.2	0.8	0.6	-0.3
Financing and insurance	-0.1	-0.6	1.8	-1.9	0.3	-2.9	-1.5
Real estate, professional and business services	-2.7	-5.0	-1.0	-2.2	-2.4	5.2	-1.0
Real estate	-4.6	-9.1	-2.5	-2.4	-3.9	10.5	1.5
Professional and business services	-1.3	-1.5	-0.1	-2.1	-1.4	1.4	-2.7
Public administration, social and personal services	0.7	-0.3	*	1.5	1.7	5.8	2.4

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 2023 Policy Address outlined a series of further initiatives to create strong impetus for growth and raise competitiveness. These include promoting Hong Kong as a “headquarters economy” to attract more outside enterprises and talents; introducing a mechanism to attract Asia-Pacific-focused businesses to re-domicile in Hong Kong; implementing the Capital Investment Entrant Scheme for eligible investors who make investments of \$30 million and above; and setting up a New Industrialisation Development Office together with a \$10 billion New Industrialisation Acceleration Scheme. Besides, there are initiatives for consolidating and enhancing Hong Kong’s development of “eight centres” as outlined in the 14<sup>th</sup> Five-Year Plan.

1.14 In the *Economic Freedom of the World 2023 Annual Report* published by the Fraser Institute, Hong Kong continued to rank among the top of world’s freest economies, second globally. Among the five areas of assessment, Hong Kong continued to rank first in “Freedom to trade internationally”, and third in “Regulation”. The scores and rankings in “Size of government” and “Sound money” also improved from those of last year. Separately, Hong Kong was ranked fifth in Asia and 17<sup>th</sup> globally in the *Global Innovation Index 2023* published by the World Intellectual Property Organization.

## Notes :

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

## CHAPTER 2 : THE EXTERNAL SECTOR

### *Summary*

- *The external environment continued to be challenging in the third quarter of 2023. Import demand for goods in the US and Europe remained weak as their central banks continued to tighten monetary policies to tame inflation. Meanwhile, the Mainland economy has picked up speed since August after the temporary softening earlier on. In October, the International Monetary Fund (IMF) forecast that global economic growth would slow further to 3.0% in 2023<sup>(1)</sup>, with a more pronounced slowdown in the advanced economies.*
- *Hong Kong's merchandise exports declined further by 9.2% year-on-year in real terms<sup>(2)</sup> in the third quarter. Exports to the Mainland fell further. Exports to the US recorded a further decline, and those to the EU continued to fall visibly. Exports to most other major Asian markets shrank by varying degrees.*
- *Exports of services expanded notably further by 23.9% year-on-year in real terms in the third quarter. Exports of travel services leapt almost nine-fold thanks to the continued revival of visitor arrivals. Exports of transport services rose further in tandem. Exports of business and other services grew modestly, while exports of financial services fell further.*
- *In October, the Office for Attracting Strategy Enterprises (OASES) signed an agreement with the first batch of twenty strategic enterprises from the Mainland and overseas which are setting up or expanding their businesses in Hong Kong. Meanwhile, the Government continued to strengthen Hong Kong's economic links with the Mainland and overseas economies. A Memorandum of Understanding (MOU) was signed with the Arab Republic of Egypt on mutual co-operation in investment promotion exchanges and support, and an Investment Promotion and Protection Agreement (IPPA) was signed with Türkiye to expand investment flows and strengthen the economic and trade ties between the two places. The Chief Executive and various Principal Officials visited different Mainland cities and overseas economies to strengthen bilateral economic ties and mutual co-operation and promote Hong Kong's strengths.*

## Merchandise trade

### *External environment*

2.1 The external environment continued to be challenging in the third quarter of 2023. Despite some easing, inflation in the US and Europe remained well above their central banks' targets. Their central banks continued to tighten monetary policies during the quarter, dampening import demand for goods. Meanwhile, the Mainland economy has picked up speed since August after the temporary softening earlier on. In October, the IMF forecast that global economic growth would slow further from 3.5% in 2022 to 3.0% in 2023, with a more pronounced slowdown in the advanced economies. The IMF also warned of various downside risks to the global economic outlook, including slower economic growth in the Mainland, more volatile commodity prices amid climate and geopolitical shocks, persisting underlying inflation, financial sector turbulence, increasing sovereign debt distress and intensifying geoeconomic fragmentation. The IMF's Managing Director also noted that the latest conflict in Israel and Gaza will add another source of uncertainty to the global economy.

2.2 The Mainland economy grew further by 4.9% over a year earlier in the third quarter. On a quarter-to-quarter comparison, the economy recorded an accelerated growth of 1.3%. The growth momentum continued to weaken in the early part of the quarter, but has picked up since August as the authorities stepped up macro-policy support to bolster the economy and confidence. On monetary policy, the People's Bank of China lowered benchmark policy interest rates by 10 to 15 basis points in August and reduced the reserve requirement ratio of financial institutions by 25 basis points in September. On the fiscal front, the authorities extended or enhanced tax and fee reductions for small and micro enterprises and individuals, and rolled out policy measures to stimulate consumption and investment. The Central Government also announced that an additional RMB 1 trillion of treasury bond would be issued in the fourth quarter, lifting the budget deficit for 2023 to around 3.8% of GDP. For the property sector, the authorities lowered mortgage rate floors and eased rules regarding the identification of first-home buyers, while some cities relaxed home purchases and resale restrictions.

2.3 As regards the advanced economies, the US economy grew by an accelerated 4.9% in the third quarter on an annualised seasonally-adjusted quarter-to-quarter basis, but imports of goods stayed weak. Core personal consumption expenditure inflation softened further during the quarter, but remained well above the Federal Reserve (Fed)'s target. The Fed raised the

target range for the federal funds rate further by 25 basis points in July, and continued to reduce the size of its balance sheet as planned. In the euro area, the economy weakened in the third quarter, contracting by 0.1% from the preceding quarter on a seasonally-adjusted basis. With headline inflation easing but remaining elevated, the European Central Bank raised key interest rates by 25 basis points each in July and September.

2.4 As for other Asian economies, while overall economic growth was supported by the broadly stable domestic demand in the third quarter, external trade remained dragged by the weak import demand from the major economies. Intra-regional trade continued to decline in tandem.

### *Merchandise exports*

2.5 Hong Kong's *merchandise exports* declined by 9.2% year-on-year in real terms in the third quarter of 2023, further to the fall of 16.6% in the preceding quarter. The weak external demand for goods continued to weigh on export performance.

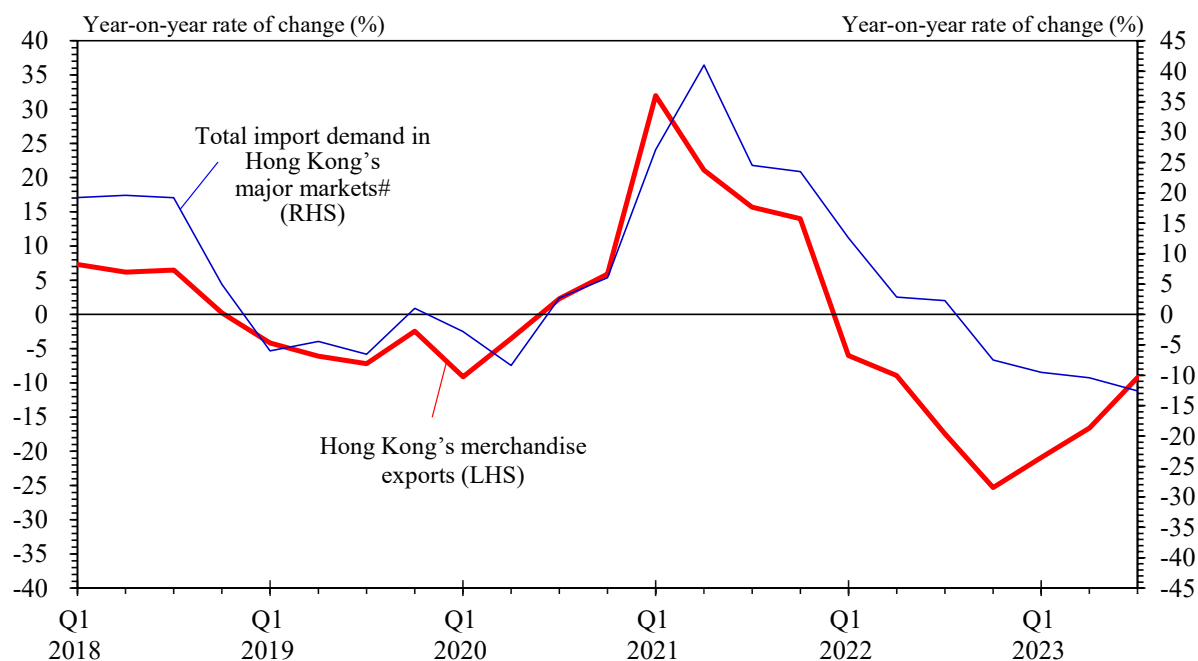
**Table 2.1 : Merchandise exports  
(year-on-year rate of change (%))**

		In value <u>terms</u>	In real <u>terms</u> <sup>(a)</sup>		Change <u>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
	Q3	-6.0	-9.2	(1.6)	3.7

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

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

**Diagram 2.1 : Merchandise exports declined further**

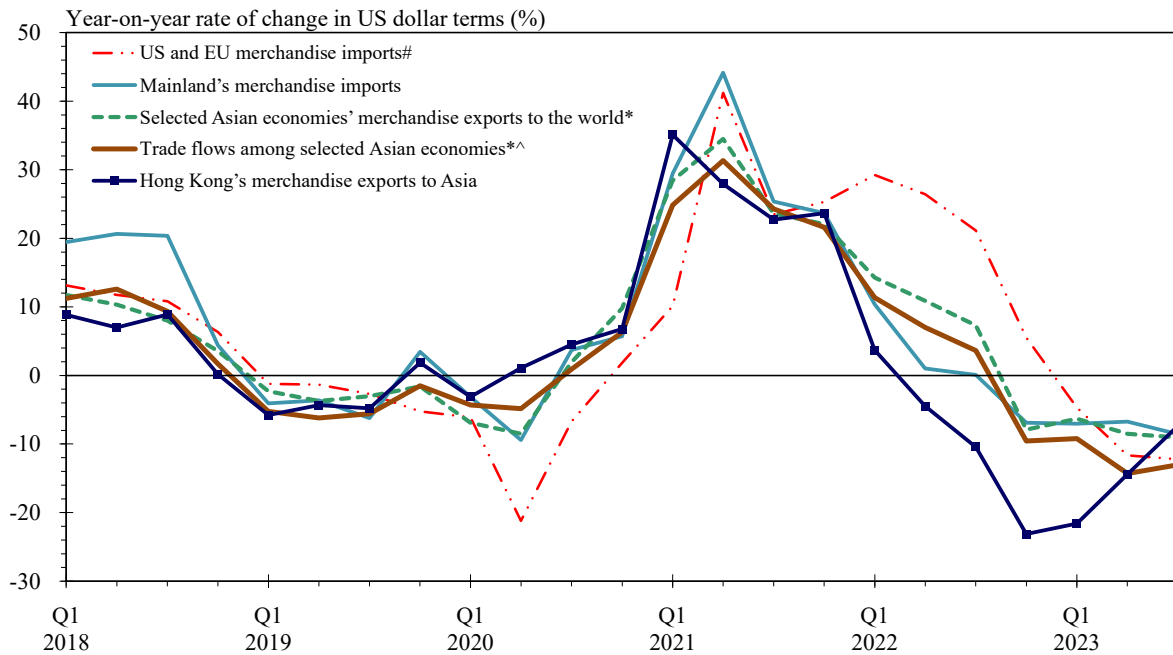


Notes : Merchandise exports as depicted refer to the year-on-year rate of change in real terms, while total import demand in Hong Kong's major markets as depicted refers to the year-on-year rate of change in US dollar terms in the aggregate import demand in Asia, the US and the EU taken together.

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

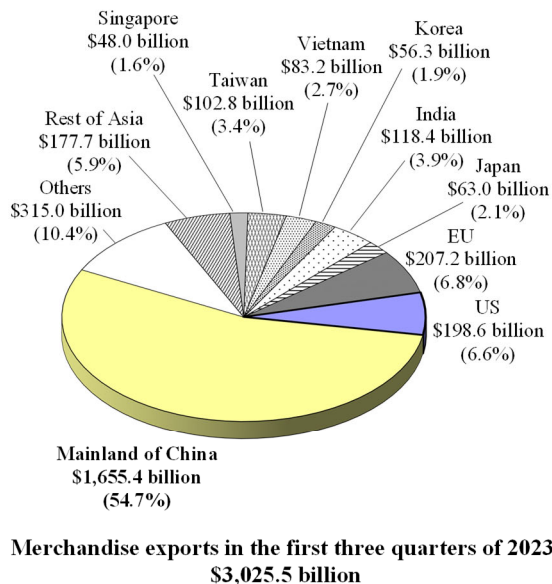


**Diagram 2.2 : Regional trade flows continued to decline**

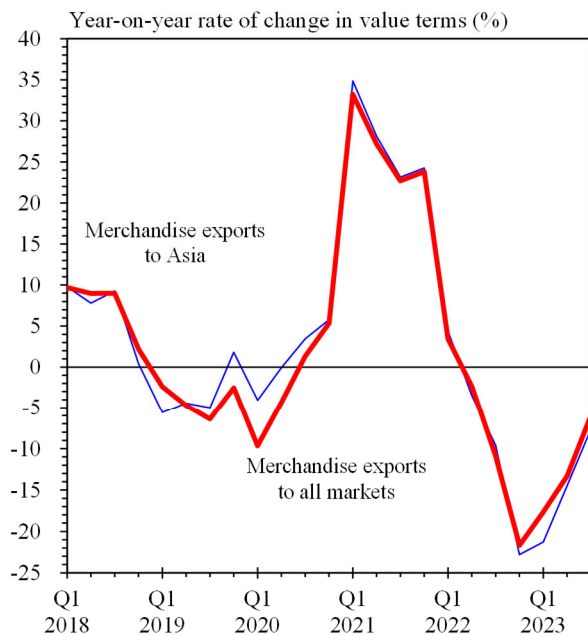


- Notes :
- (#) EU merchandise imports for the third quarter of 2023 are based on the information available as of early November 2023.
  - (\*) “Selected Asian economies” include the Mainland of China, Hong Kong, Singapore, Korea, Taiwan, Japan, Indonesia, Malaysia, Thailand and the Philippines.
  -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



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



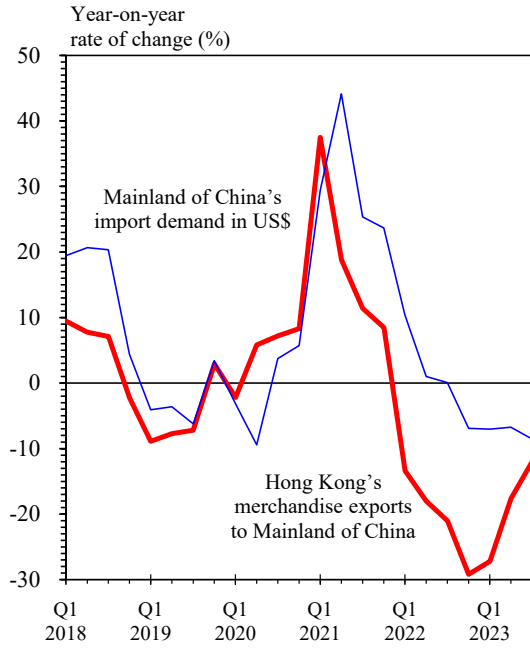
**Table 2.2 : Merchandise exports by major market  
(year-on-year rate of change in real terms (%))**

	<u>Annual</u>	<u>Q1</u>	<u>2022</u> <u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>2023</u> <u>Q2</u>	<u>Q3</u>
Mainland of China	-20.6	-13.4	-18.0	-21.0	-29.2	-27.2	-17.6	-12.0
US	-10.7	11.2	7.3	-22.1	-29.4	-13.3	-22.9	-8.5
EU	-10.5	2.1	2.0	-15.3	-25.3	-8.7	-18.4	-15.5
ASEAN	2.1	13.6	17.4	1.4	-18.4	-18.6	-19.2	-9.0
Vietnam	4.3	14.1	22.5	8.6	-22.0	-19.5	-11.6	2.5
Singapore	12.4	28.0	23.0	10.5	-6.3	-30.8	-27.6	-27.9
India	26.0	38.0	78.4	19.1	-8.5	-17.5	-25.3	-9.7
Japan	-17.4	7.7	-15.2	-24.6	-33.9	-32.5	-21.2	-17.4
Taiwan	-0.5	23.4	5.1	-4.6	-21.5	-20.3	-19.7	-8.2
Korea	7.3	9.8	21.4	7.1	-5.9	0.2	-11.7	-15.3
Overall*	-14.8	-6.0	-8.9	-17.4	-25.3	-20.9	-16.6	-9.2

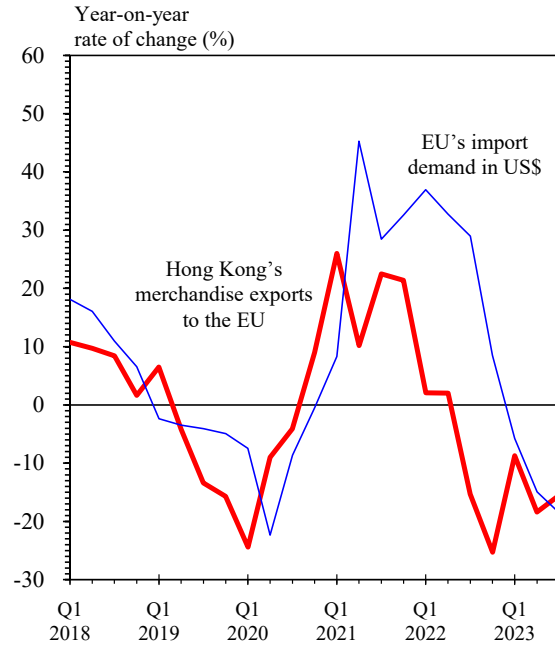
Note : (\*) The growth rates here are not strictly comparable with those in the GDP accounts in Table 1.1. Figures in Table 1.1 are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchandising under the standards stipulated in the *System of National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

2.6 Analysed by major market, exports to the Mainland fell further in the third quarter. Exports to the US recorded a further decline, and those to the EU continued to fall visibly. Exports to most other major Asian markets shrank by varying degrees.

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

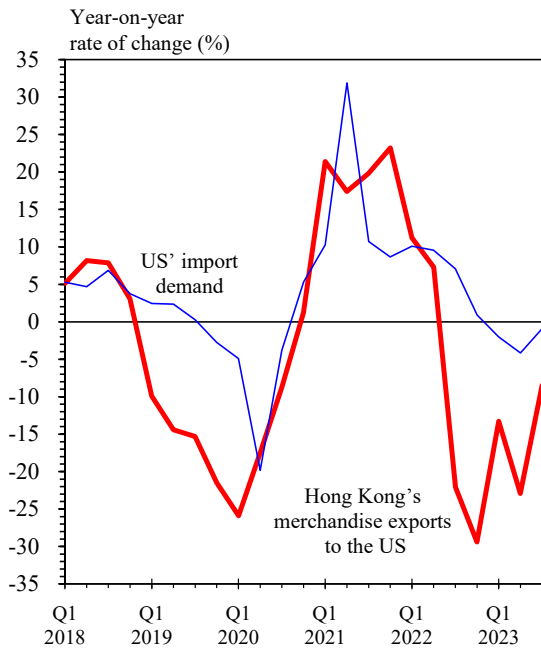


**Diagram 2.5 : Exports to the EU continued to fall visibly**

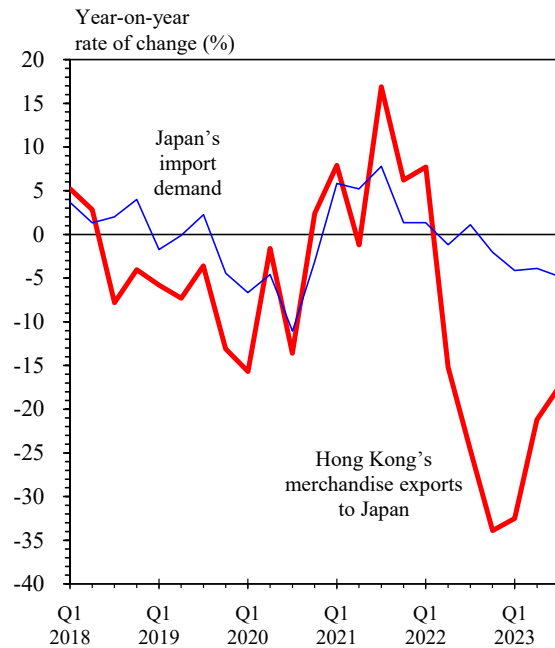


Note : The import demand figure for the EU for the third quarter of 2023 is based on the information available as of early November 2023.

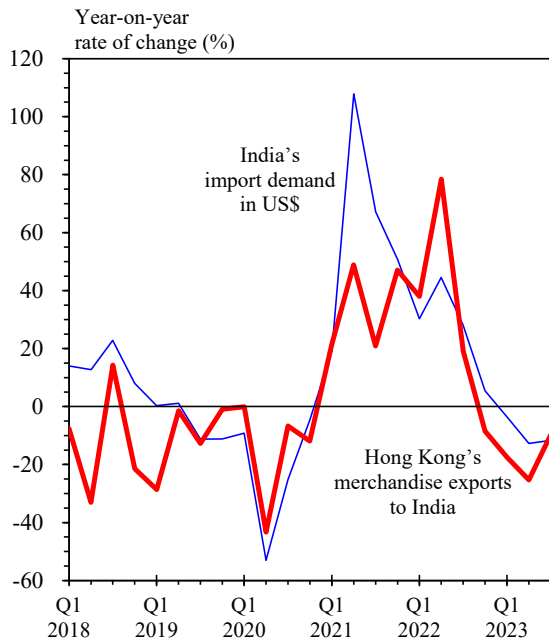
**Diagram 2.6 : Exports to the US recorded a further decline**



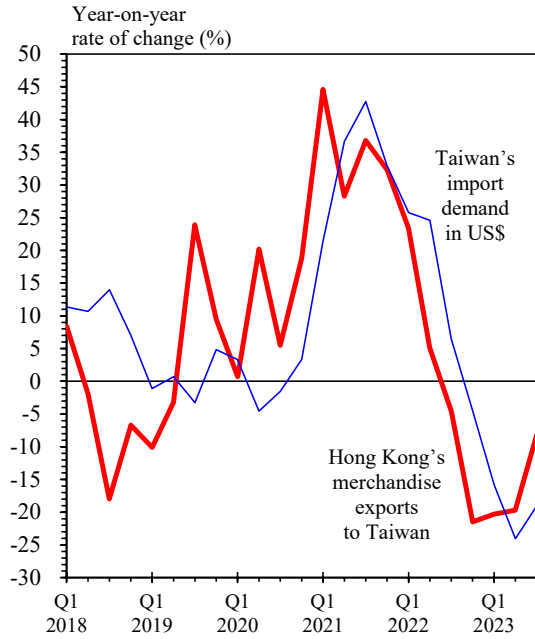
**Diagram 2.7 : Exports to Japan fell notably**



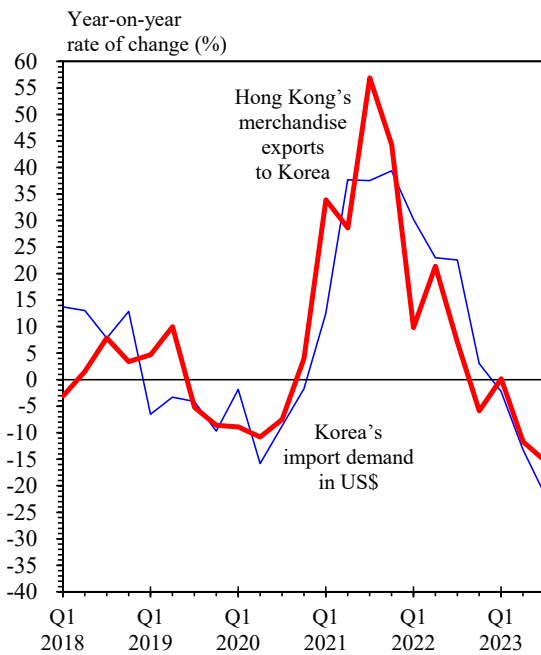
**Diagram 2.8 : Exports to India declined further**



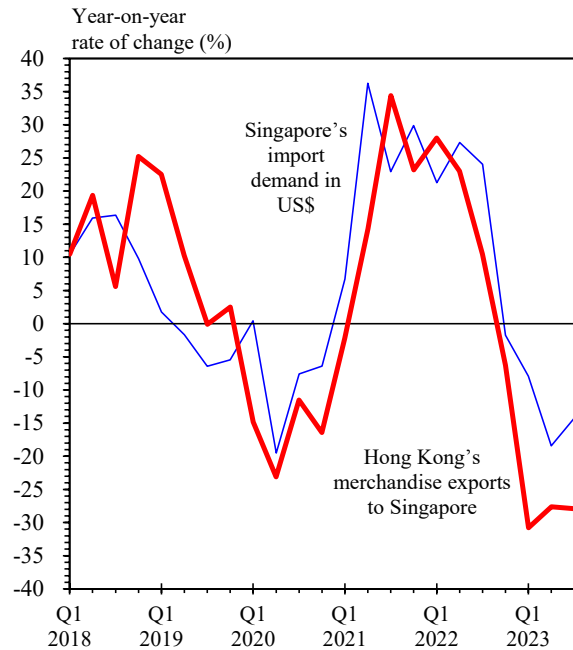
**Diagram 2.9 : Exports to Taiwan continued to decline**



**Diagram 2.10 : Exports to Korea fell visibly further**



**Diagram 2.11 : Exports to Singapore plummeted further**



## *Merchandise imports*

2.7 *Merchandise imports* shrank by 6.1% year-on-year in real terms in the third quarter of 2023, after falling by 16.7% in the preceding quarter. *Retained imports*, which refer to imports for domestic use and accounted for around one-fifth of merchandise imports in 2022, reverted to an increase of 7.7%. Imports for subsequent *re-exports*<sup>(3)</sup> declined further.

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

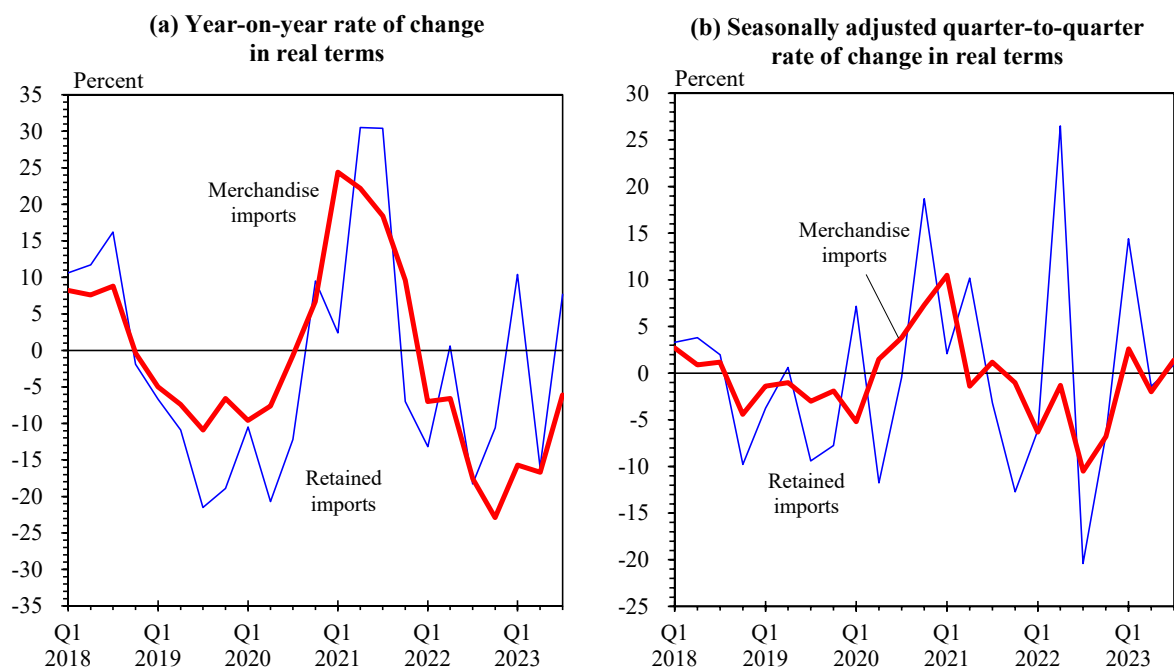
		<u>Merchandise imports</u>			<u>Retained imports</u> <sup>(a)</sup>				
		<u>In value terms</u>	<u>In real terms</u> <sup>(+)</sup>	<u>Change in prices</u>	<u>In value terms</u>	<u>In real terms</u>	<u>Change in prices</u>		
2022	Annual	-7.2	-13.9	8.1	-5.9	-10.2	4.2		
	Q1	2.9	-7.0 (-6.3)	10.6	-7.1	-13.2 (-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		
	Q3	-2.8	-6.1 (1.4)	3.5	11.5	7.7 (0.9)	3.2		

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

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

**Diagram 2.12 : Merchandise imports shrank further**

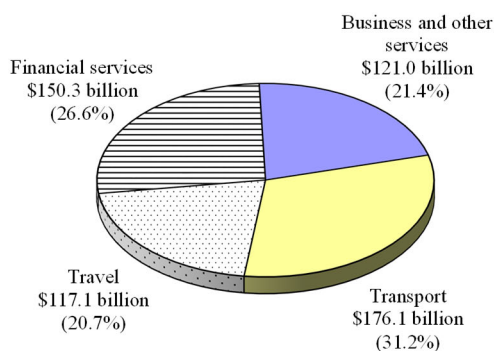


## Services trade

### *Exports of services*

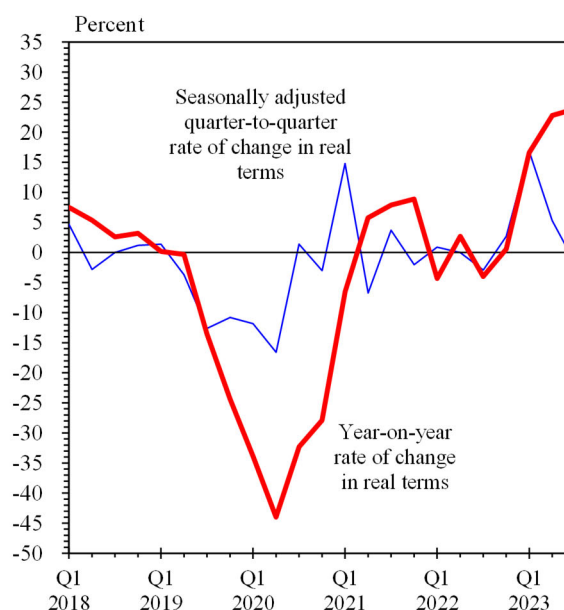
2.8 *Exports of services* expanded notably by 23.9% year-on-year in real terms in the third quarter of 2023, after growing by 22.8% in the preceding quarter. Exports of travel services leapt almost nine-fold and recovered to 53% of the level in the same quarter in 2018, thanks to the continued revival of visitor arrivals during the quarter. Exports of transport services rose further in tandem. Exports of business and other services grew only modestly amid the difficult external environment. Meanwhile, exports of financial services fell further alongside subdued cross-border financial and fund raising activities.

**Diagram 2.13 : The contribution from travel services to total exports of services continued to rise**



Exports of services in the first three quarters of 2023: \$564.4 billion

**Diagram 2.14 : Exports of services expanded notably further year-on-year**



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

		<i>Of which :</i>					
		Exports of services		Transport	Travel <sup>(a)</sup>	Financial services	Business and other services
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	22.8	(5.3)	1.1	771.0	-3.1	0.7
	Q3	23.9	(-1.8)	6.3	791.2	-4.0	2.7

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

(a) Comprising mainly inbound tourism receipts.

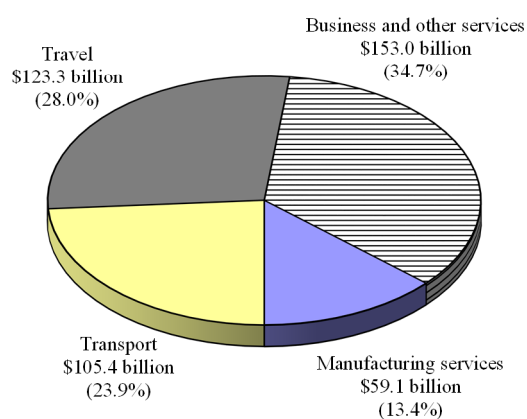
( ) Seasonally adjusted quarter-to-quarter rate of change.

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

## Imports of services

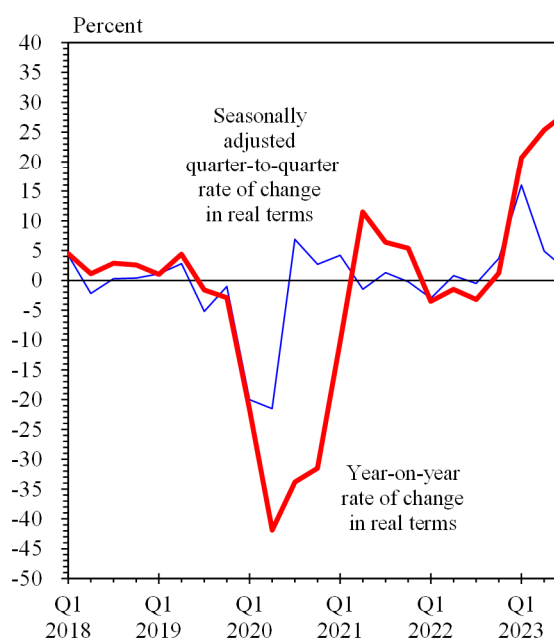
2.9 *Imports of services* grew visibly by 28.3% in real terms in the third quarter of 2023 over a year earlier, further to 25.4% growth in the preceding quarter. The increase was mainly driven by the strong growth in imports of travel services. Imports of business and other services recorded further expansion. On the other hand, imports of manufacturing services and transport services fell further amid weak trade and cargo flows.

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



Imports of services in the first three quarters of 2023:  
\$440.9 billion

**Diagram 2.16 : Imports of services grew visibly**





**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	25.4 (4.9)	430.8	-10.3	-6.5	*
	Q3	28.3 (1.7)	373.1	-4.6	-4.0	1.8

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.

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

## Goods and services balance

2.10 Based on the GDP compilation framework and compared to a year earlier, the goods balance turned to a deficit of \$24 billion in the third quarter of 2023, as the value of exports of goods saw a larger decline than that of imports. Meanwhile, the services surplus narrowed to \$38 billion. The combined goods and services account registered a surplus of \$14 billion in the third quarter of 2023, equivalent to 1.1% of total import value, compared to a surplus of \$57 billion or 4.3% in the third 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	1,068	181	1,133	142	-65	39	-26	-2.0
	Q3	1,164	194	1,188	155	-24	38	14	1.1

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

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

## **Other developments**

2.11 The OASES held the Launching Ceremony of OASES Partnership in October. An agreement was signed with the first batch of twenty strategic enterprises from the Mainland and overseas which are setting up or expanding their businesses in Hong Kong. Most of them will set up research and development centres or regional business headquarters in Hong Kong. In addition to bringing investment and employment, these enterprises will assist in gathering upstream, midstream and downstream enterprises and thus promote vibrant development of the innovation and technology ecosystem in Hong Kong.

2.12 To assist Hong Kong enterprises in developing e-commerce business in the Mainland, the Chief Executive announced in the 2023 Policy Address the launching of “E-commerce Easy” under the Dedicated Fund on Branding, Upgrading and Domestic Sales, to enable enterprises to make use of \$1 million flexibly for the implementation of e-commerce projects within the cumulative funding ceiling of \$7 million.

2.13 The Government also continued to strengthen Hong Kong’s economic links with the Mainland and overseas economies. In September, Invest Hong Kong and the General Authority for Investment and Free Zones of the Arab Republic of Egypt signed an MOU, pledging mutual co-operation on investment promotion exchanges and support, in particular, in promoting both inward and outward investments in the two places. Hong Kong and Türkiye signed an IPPA in October, marking the first IPPA signed by this term of Government. The Agreement seeks to enhance investor confidence with a view to expanding investment flows and strengthening the economic and trade ties between the two places. Continuing its efforts to strengthen Hong Kong’s investment relations with other economic partners, the Government also announced in October that, in addition to Bahrain and Saudi Arabia, Hong Kong is negotiating an IPPA with Bangladesh.

2.14 In October, the Chief Executive led a high-level delegation to participate in the third Belt and Road Forum for International Cooperation in Beijing, to proactively share with the international community on Hong Kong’s various strengths, including Hong Kong’s role as the prime functional platform in promoting the high-quality development of the Belt and Road Initiative. In the same month, the Financial Secretary attended the 2023 Annual Meetings of the IMF and the World Bank Group in Morocco as a member of the Chinese delegation, and introduced Hong Kong’s new opportunities brought about by the development of finance and innovative technology to representatives of central

banks and international financial institutions. Earlier in September, the Financial Secretary also visited four cities in Europe, namely Paris, London, Berlin and Frankfurt, to meet with their respective political, business and financial communities to introduce to them the new advantages of Hong Kong and the new business opportunities that Hong Kong provides, with a view to strengthening bilateral economic ties and mutual co-operation.

## Notes :

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

	<u>2022</u>	<u>July round</u>	<u>2023</u>
	(%)	(%)	<u>October round</u> (%)
World (PPP <sup>##</sup> weighted)	3.5	3.0	3.0
Advanced economies	2.6	1.5	1.5
US	1.9 <sup>#</sup>	1.8	2.1
Euro area	3.4 <sup>#</sup>	0.9	0.7
UK	4.1 <sup>#</sup>	0.4	0.5
Japan	1.0 <sup>#</sup>	1.4	2.0
Emerging market and developing economies	4.1	4.0	4.0
Emerging and developing Asia	4.5	5.3	5.2
Mainland China	3.0 <sup>#</sup>	5.2	5.0
India <sup>^</sup>	7.2 <sup>#</sup>	6.1	6.3
ASEAN-5 <sup>§</sup>	5.5	4.6	4.2
Middle East and Central Asia	5.6	2.5	2.0

- 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*

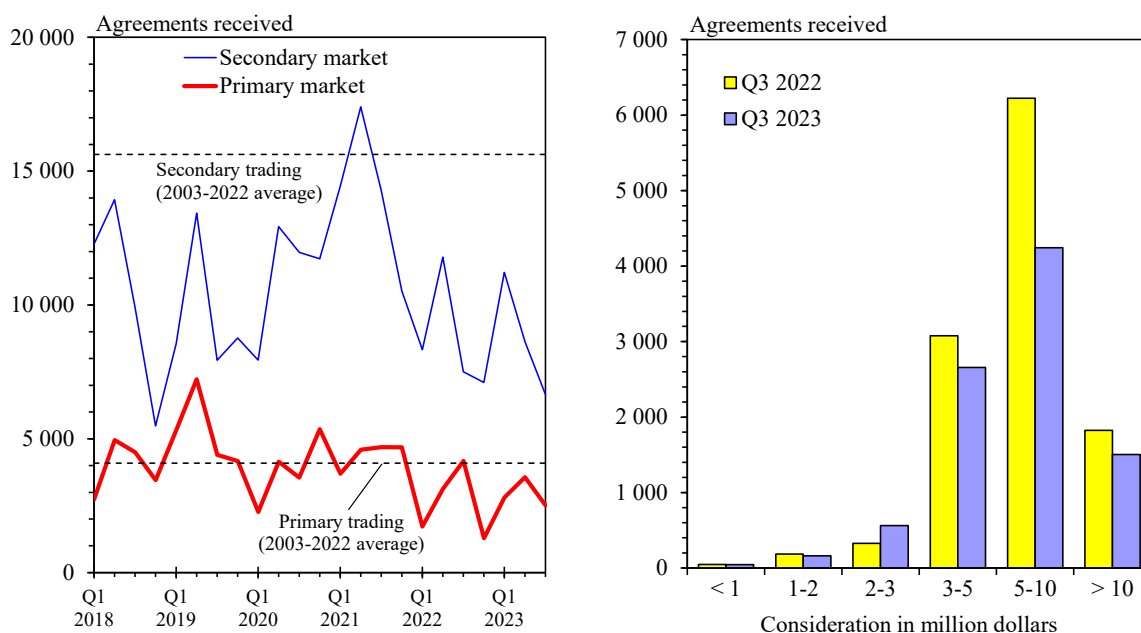
- *The residential property market turned more sluggish in the third quarter of 2023. Market sentiment stayed cautious amid rising local interest rates and the challenging external environment. Trading activities quietened further and flat prices declined by 4% during the quarter.*
- *Reflecting the Government's sustained efforts in increasing land and flat supply, total private first-hand flat supply in the coming three to four years would rise to a high level of 107 000 units as estimated at end-September.*
- *The non-residential property market was quiet in the third quarter. Trading activities for all major market segments stayed subdued, while prices and rentals generally showed only small changes.*
- *The tourism sector continued to improve in the third quarter. Visitor arrivals rose further from 8.47 million in the preceding quarter to 10.44 million in the third quarter, equivalent to 65% of the level in the same quarter in 2018.*
- *The logistics sector remained rather sluggish in the third quarter amid the weak external trade performance. Total container throughput fell further by 13.1% from a year earlier, though air freight throughput rose back by 7.4% against a low base of comparison.*

## Property

3.1 The *residential property market* turned more sluggish in the third quarter of 2023. Market sentiment stayed cautious amid rising local interest rates and the challenging external environment. Trading activities quietened further and flat prices declined during the quarter.

3.2 The total number of sale and purchase agreements for residential property received by the Land Registry fell visibly by 25% from the preceding quarter or 21% from a year earlier to a low level of 9 174 in the third quarter, well below the quarterly average of around 14 800 cases in 2018-2022. Within the total, secondary market transaction dropped by 23% from the preceding quarter as more buyers and sellers adopted a “wait-and-see” attitude, while primary market transactions plunged by 30% as developers slowed down the launch of new projects. In parallel, total consideration decreased by 36% from the preceding quarter to \$78.0 billion.

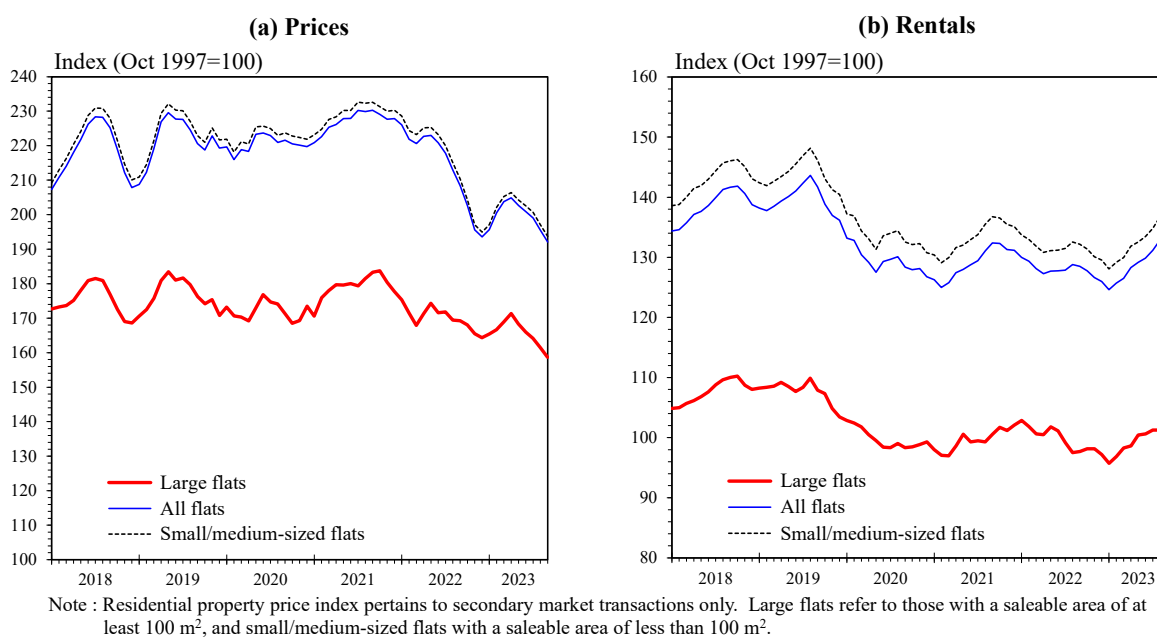
**Diagram 3.1 : Trading activities quietened further in the third quarter of 2023**



3.3 Overall flat prices fell further by 4% between June and September. The month-to-month decline in flat prices widened from 1% in July to 2% in both August and September as sentiment turned more cautious in the latter half of the quarter amid another round of local rate hike and the developers' increasingly cautious pricing strategy for primary projects. Analysed by size, prices of small/medium-sized flats and large flats both dropped by 4% during the quarter. Flat prices in September 2023 were on average 1% below that in December 2022, and 17% below the recent peak in September 2021.

3.4 Meanwhile, overall flat rentals rose further by 3% during the third quarter. Analysed by size, rentals of small/medium-sized flats and large flats rose by 3% and 2% respectively. Flat rentals in September 2023 were on average 6% higher than in December 2022, but still 7% below the recent peak in August 2019. The average rental yield for residential property rose from 2.5% in June to 2.7% in September.

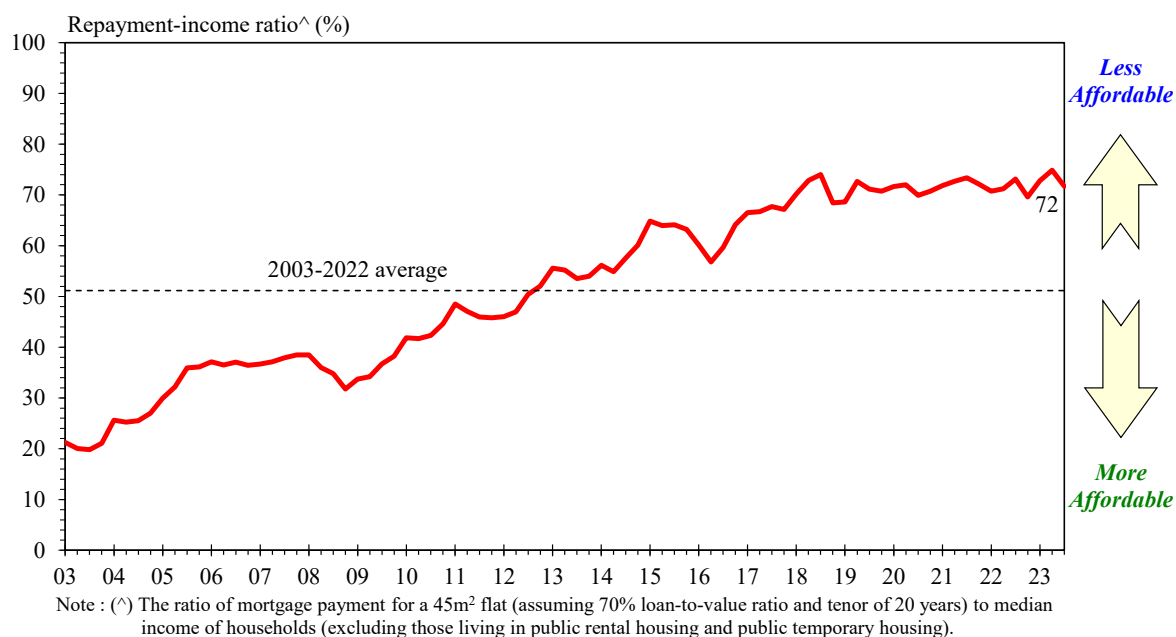
**Diagram 3.2 : Flat prices declined during the third quarter, while rentals rose further**



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) edged down to around 72% in the third quarter alongside the decline in flat prices, though the effect was partially offset by higher mortgage rates. The latest figure remained 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 be 85%.



**Diagram 3.3 : The index of home purchase affordability edged down**



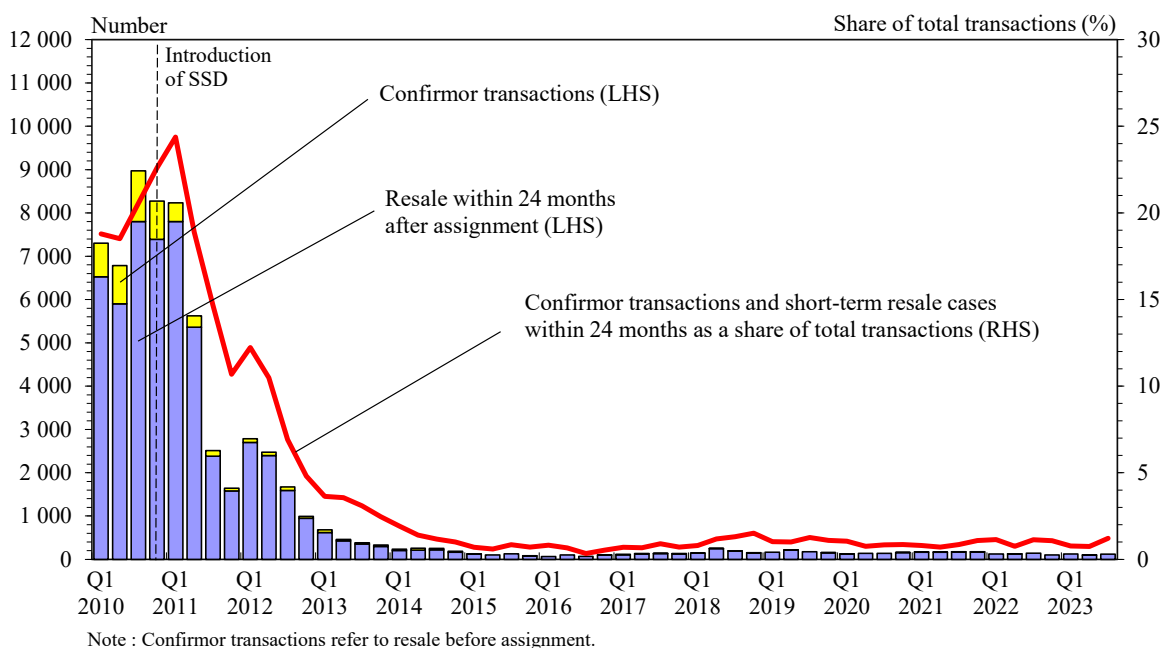
3.6 Increasing housing land supply is a policy priority of the Government<sup>(2)</sup>. In October, the Government announced to put up one residential site for sale in the fourth quarter. Combining the various sources (including Government land sale, railway property development project, the Urban Renewal Authority’s projects, and private development and redevelopment projects), the total private housing land supply in the fourth quarter is expected to produce around 3 200 flats. Together with the supply in the previous two quarters, the total private housing land supply for the first three quarters of this financial year is estimated to have a capacity to produce about 9 740 units, which is around 76% of the annual private housing supply target of 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 rise to a high level of 107 000 units as estimated at end-September. Another 3 700 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.

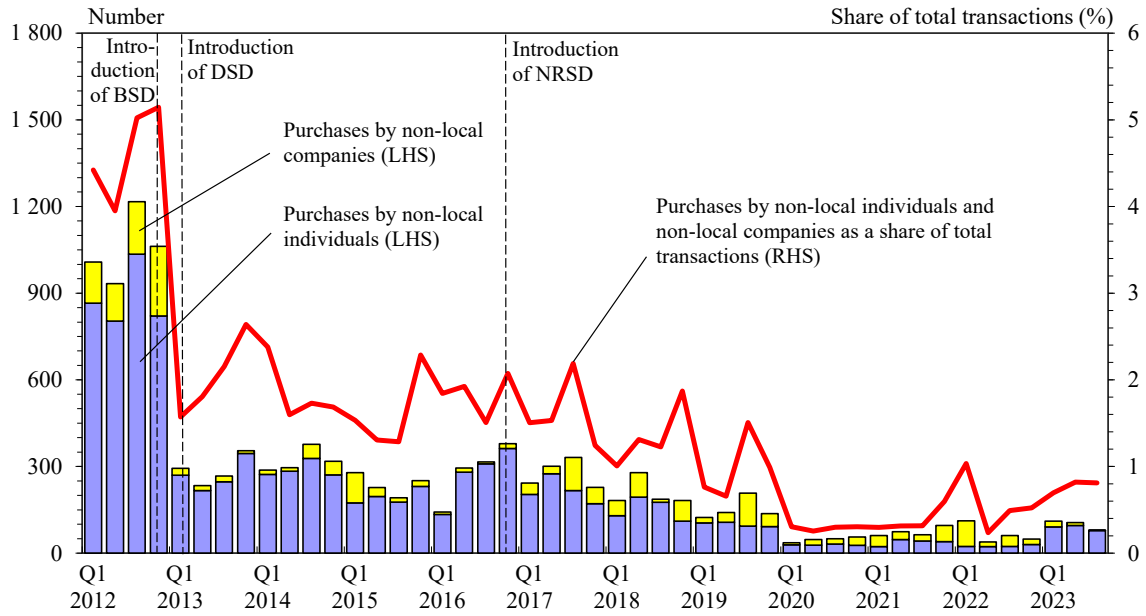
3.8 To dampen speculative activities as well as investment and non-local demand against the backdrop of a tight housing demand-supply balance, the Government implemented a number of demand-side management measures during 2010 to 2017 to facilitate a healthy and steady development of the property market. 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 40 cases per month or 1.2% of total transactions in the third quarter, well below the monthly average of 2 661 cases or 20.0% in January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty). Reflecting the effects of the Buyer’s Stamp Duty, *purchases by non-local individuals and non-local companies* stayed low at 27 cases per month or 0.8% of total transactions in the third quarter, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities*, purchases subject to the New Residential Stamp Duty stayed at a modest level of 113 cases per month or 3.4% of total transactions in the third quarter, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty or 26.5% in January to November 2016.

3.9 In view of the increasing housing supply in the coming years and having considered the overall situation, the Chief Executive announced on 25 October several adjustments to the demand-side management measures for residential properties with immediate effect. For details of the adjustments and other measures on housing and land supply announced in the 2023 Policy Address, see **Box 3.1**.

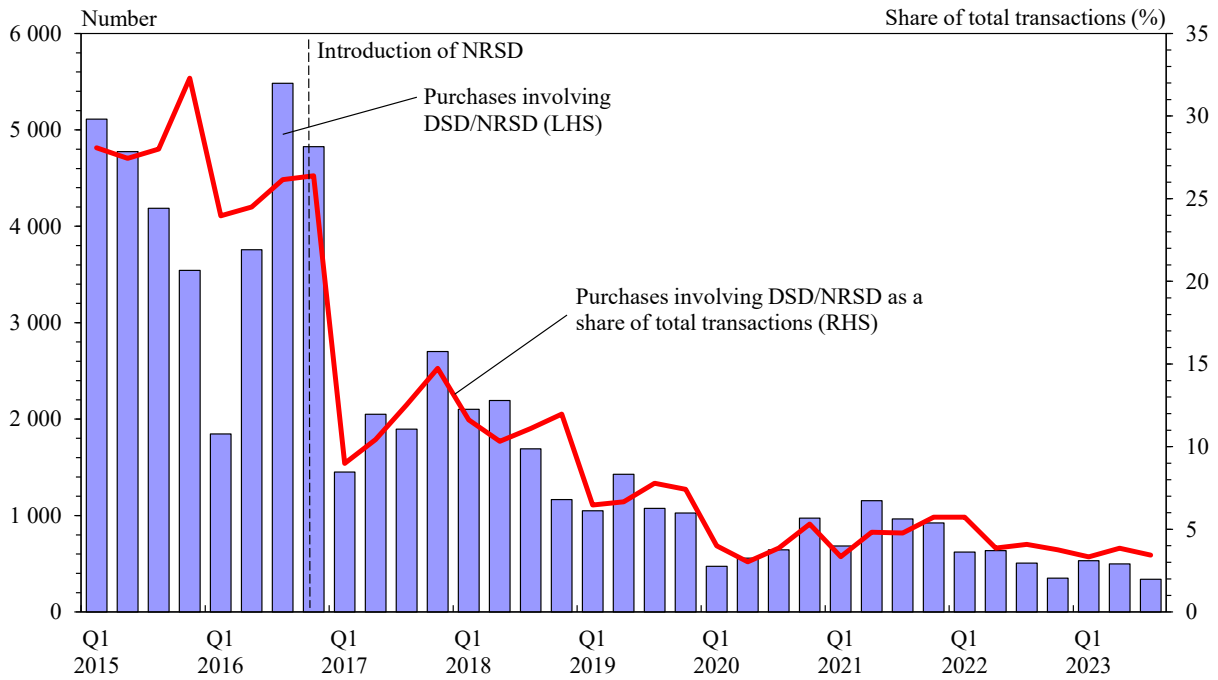
**Diagram 3.4 : Speculative activities remained low**



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



**Diagram 3.6 : Investment activities were modest**



## **Box 3.1**

### **Latest Government measures on housing and land supply (October 2023)**

In the 2023 Policy Address, the Chief Executive announced various measures and plans on housing and land supply, as well as some adjustments to the demand-side management measures for residential properties, as summarised below.

#### *Public Housing Supply*

- The Government has identified sufficient land for developing about 410 000 public housing units for the next ten years (2024-25 to 2033-34), about 100 000 units above the public housing supply target of 308 000 units. Separately, about 30 000 Light Public Housing units will be completed by 2027-28.
- The Government will continue to advance the completion of 14 000 public rental housing units in phases, making them available about 3 to 18 months ahead of the completion date of the whole development project and enabling applicants to move in earlier than scheduled.
- The Government will continue to make full efforts to take forward Transitional Housing. As at the end of September 2023, about 8 000 units are already in operation and another 13 000 new units are expected to be completed and commissioned in the coming two years.
- The Hong Kong Housing Authority will relax the arrangements on mortgage default guarantee for subsidised sale flats, including extending the current maximum mortgage default guarantee period of the secondary market from 30 years to 50 years to allow purchasers to have mortgage loans of longer tenor and help the circulation of flats.

#### *Private Housing Supply*

- Sufficient land will be made available for the production of about 80 000 private housing units through land sale or railway property development in the next five years (2024-25 to 2028-29).

#### *Adjustments to the Demand-side Management Measures for Residential Properties*

- From 25 October 2023 onwards, the applicable period of the Special Stamp Duty is shortened from three to two years. The respective rates of the Buyer's Stamp Duty (BSD) and the New Residential Stamp Duty (NRSD) are reduced by half, from 15% to 7.5%.
- From 25 October 2023 onwards, a stamp duty suspension arrangement for incoming talents' acquisition of residential properties is introduced, where the BSD and NRSD payment is suspended at the time of property acquisition and such payment is required only if the talents are subsequently unable to become a Hong Kong Permanent Resident.

#### *Establishing a Task Force on Tackling the Issue of Subdivided Units (SDUs)*

- An in-depth study will be conducted on options for tackling the issue of SDUs in the long run, which include setting the minimum standards of living conditions for SDUs, measures to eradicate substandard SDUs and prevent their resurgence, and solutions to address the problem in an orderly manner, with a view to submitting a report to the Chief Executive in ten months.

### **Box 3.1 (Cont'd)**

#### *Land Supply*

- More than 7 000 hectares of land supply will be available in the 30-year period up to 2048. Netting the projected land demand, there will be a land reserve of at least 1 000 hectares. For the coming ten year in particular (2024-25 to 2033-34), the supply of developable land (“spade-ready sites”) will reach 3 370 hectares, including no less than 1 400 hectares in the Northern Metropolis and about 400 hectares in the Kau Yi Chau Artificial Islands.
- The Government targets to complete the formulation of all land use and development proposals of the Northern Metropolis in 2024, commence land resumption by 2027, and form 40% of the new development land and complete 40% of the new flats by 2032.
- The Government will regularise the arrangement for charging land premium at standard rates for redevelopment of old industrial buildings and extend the arrangement to agricultural land in the New Territories in phases by end-2023.
- The Government plans to adopt a more target-oriented approach in lowering the compulsory sale application thresholds by adopting lower thresholds for older buildings in districts with more pressing need for redevelopment. An amendment bill will be introduced into the Legislative Council by end-2023.
- The Government will continue to streamline statutory and administrative procedures to expedite land production.

The Government is taking all possible steps to spearhead land production, and there have been signs of improvement in housing supply. The measures and plans put forward will enhance the quantity, speed, efficiency and quality in land and housing production and help solve the longstanding land supply issue.

3.10 In order to contain the possible risks to financial stability arising from the property market, the Hong Kong Monetary Authority has introduced multiple rounds of macro-prudential measures since 2009 and adjusted the measures in accordance with the evolving market situation. Further adjustment was made to the Mortgage Insurance Programme (MIP) for residential properties under construction on 22 September, to align the eligibility criteria with those for completed residential properties<sup>(3)</sup>. The average loan-to-value (LTV) ratio of new *mortgages loans* stood at 54% in the third quarter. This was slightly lower than the 57% in the second quarter and well below the average of 64% in January to October 2009 before the first round of macro-prudential measures for residential property mortgage lending was introduced.

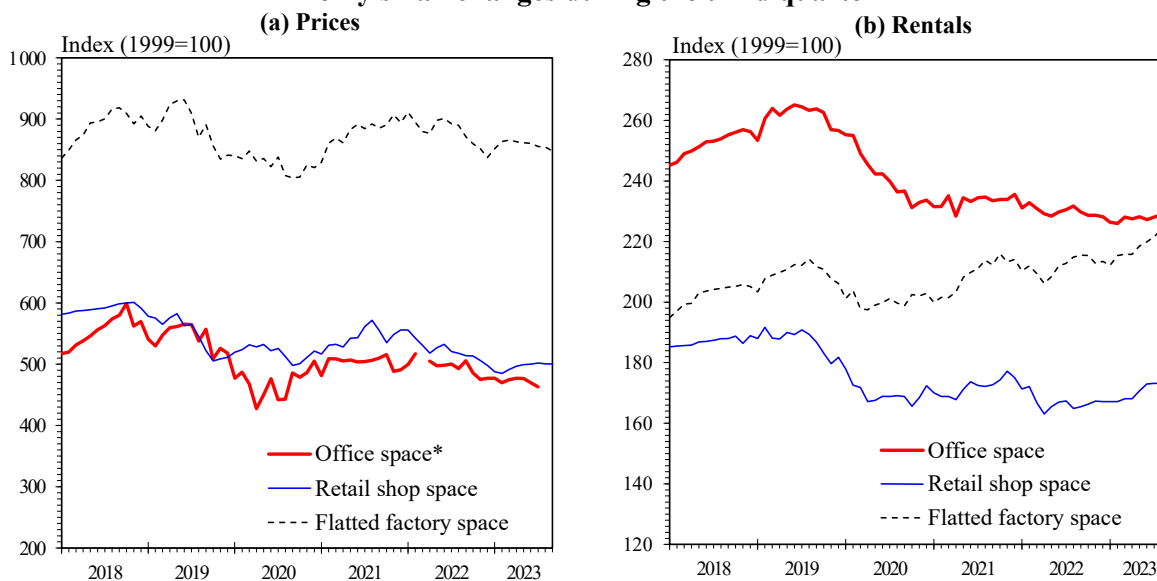
3.11 The *non-residential property market* was quiet in the third quarter. Trading activities for all major market segments stayed subdued, while prices and rentals generally showed only small changes.

3.12 Price index for overall *office space* was not available in both August and September, as there were insufficient transactions for Grade A office space in those months. Comparing the latest available data in July with that in June, prices of office space on average edged down by 1%. Analysed by office grade, prices of Grade A and Grade B office space declined by 1% and 4% respectively, while that for Grade C office space was virtually unchanged. Office rentals in September were on average virtually unchanged from 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 in July and rentals in September were on average 23% and 14% lower. The average rental yields of Grade A, B and C office space were 2.6%, 2.8% and 3.1% respectively in July, compared with 2.6%, 2.7% and 3.1% in June. Transactions for office space plunged by 30% from the preceding quarter to 140 cases in the third quarter, 10% lower than the level a year earlier and considerably below the quarterly average of 230 cases in 2018-2022.

3.13 Prices and rentals of *retail shop space* both stayed virtually unchanged between June and September. Compared with the respective peaks in 2018 and 2019, prices and rentals in September were 17% and 10% lower. The average rental yield remained unchanged at 2.8% in September as compared with that in June. For all commercial spaces, transactions rose by 5% over the preceding quarter to 300 cases<sup>(4)</sup> in the third quarter, but were still 7% lower than a year earlier and below the quarterly average of 400 cases in 2018-2022.

3.14 Prices of *flatted factory space* edged down by 1% during the third quarter, while rentals rose by 2%. Prices in September were 9% lower than the peak in 2019, while rentals were 4% higher than the peak in 2021. The average rental yield edged up from 3.1% in June to 3.2% in September. Transactions retreated by 23% from the preceding quarter to 420 cases in the third quarter, 18% lower than a year earlier and significantly below the quarterly average of 750 cases in 2018-2022.

**Diagram 3.7 : Prices and rentals of non-residential properties generally showed only small changes during the third quarter**



Note : (\*) The price index of overall office space cannot be compiled in March 2022, August and September 2023, as there were insufficient transactions for Grade A office space in those months.

## Land

3.15 Two residential sites with a total area of about 1.6 hectares were disposed of in the third quarter, fetching a land premium of about \$7.1 billion. In the third quarter, four land exchange cases and lease modifications of 20 sites were approved.

## Tourism

3.16 The tourism sector continued to improve. *Visitor arrivals* rose further from 8.47 million in the preceding quarter to 10.44 million in the third quarter, recovering to 65% of the level in the same quarter in 2018. Mainland visitors, which accounted for 82% of the total in the third quarter, increased further to 8.57 million. Those from other short-haul markets and long-haul markets also continued to rise, to 1.33 million and 0.53 million respectively<sup>(5)</sup>. Analysed by length of stay, overnight and same-day visitors rose to 5.27 million and 5.17 million respectively. Visitor spending, as measured by exports of travel services, surged by 791.2% in real terms over the extremely low level a year earlier and returned to 52.8% of the level in the same quarter 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
	Q3	10 438 100	8 574 500	1 331 700	531 800

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

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



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

		<u>Overnight visitor arrivals</u>	<u>Same-day visitor arrivals</u>
2019	Q1	7 775 100	10 459 300
	Q2	7 145 100	9 492 400
	Q3	5 108 400	6 783 200
	Q4	3 723 700	5 425 500
2020	Q1	1 280 900	2 208 300
	Q2	26 500	300
	Q3	33 800	300
	Q4	18 100	500
2021	Q1	16 300	200
	Q2	16 900	300
	Q3	29 000	300
	Q4	26 900	1 400
2022	Q1	10 700	800
	Q2	62 700	1 800
	Q3	164 600	9 100
	Q4	329 800	25 100
2023	Q1	2 340 400	2 074 400
	Q2	4 237 500	4 231 700
	Q3	5 267 600	5 170 500

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

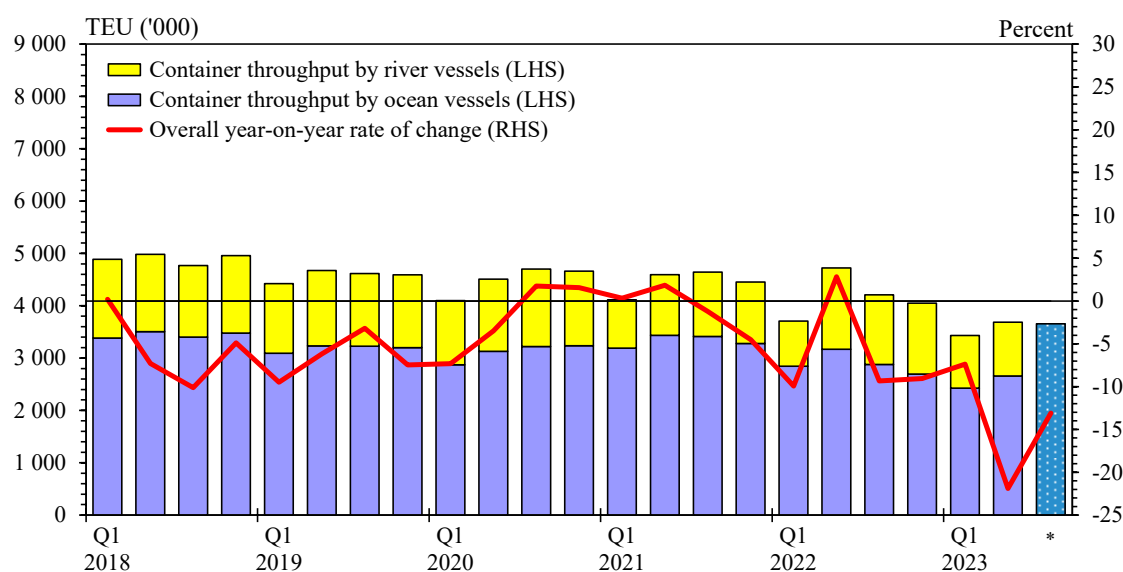
3.17 Hotel businesses showed further improvement in tandem. The average hotel room occupancy rate edged up from 83% in the second quarter to 84% in the third quarter, but was still below the average of 91% in the same quarter in 2018. The average achieved hotel room rate increased by 23.9% over a year earlier to \$1,419<sup>(6)</sup>.

3.18 The Chief Executive announced in the 2023 Policy Address that the Government will take forward impact initiatives to set up its efforts in promoting the long-term and sustainable development of the tourism industry. Key initiatives include consulting the trade on updating projects and initiatives under the Development Blueprint for Hong Kong's Tourism Industry, continuing to join hands with the Hong Kong Tourism Board to actively liaise with different event organisers and support their hosting of mega events with visitor appeal in Hong Kong, enhancing the development of cruise tourism and formulate an action plan, establishing an inter-departmental Working Group on Smart Tourism to promote smart tourism and exploring with the Shenzhen Municipal Government the feasibility of establishing a Hong Kong Sha Tau Kok and Shenzhen Shatoujiao cultural tourism zone.

## Logistics

3.19 The logistics sector remained rather sluggish in the third quarter amid the weak external trade performance. *Total container throughput* fell further by 13.1% from a year earlier in the third quarter to 3.7 million twenty-foot equivalent units (TEUs). The value of trade handled at the Hong Kong port plummeted by 26.4%, and its share in total trade dropped from 15.4% a year earlier to 11.8%.

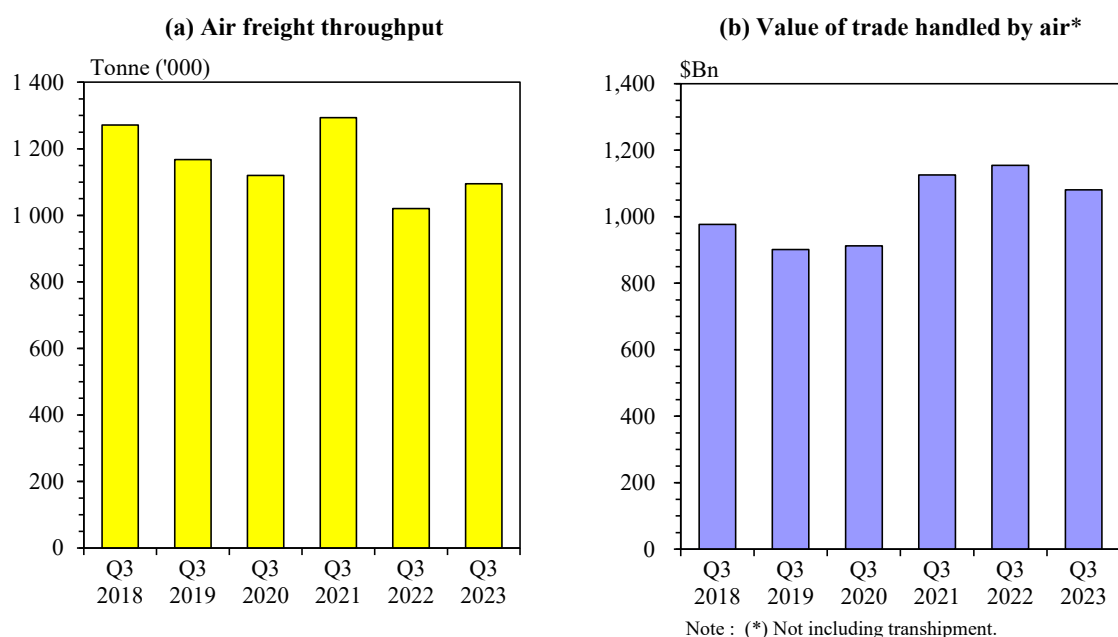
**Diagram 3.8 : Container throughput fell further in the third quarter**



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

3.20 *Air freight throughput* rose back by 7.4% in the third quarter over a year earlier to 1.1 million tonnes, partly due to a low base of comparison. Yet, the value of trade by air fell by 6.4% and its share in total trade decreased from 48.4% a year earlier to 47.3%.

**Diagram 3.9 : Air freight throughput rose back in the third quarter, yet value of trade handled by air fell**



## Transport

3.21 Traffic flows for all modes of cross-boundary passenger transport continued to recover in the third quarter. Air passenger traffic and land-based cross-boundary passenger trips rose visibly further from 9.5 million and 43.1 million trips in the preceding quarter to 11.1 million and 49.9 million trips respectively, while water-borne passenger trips increased from 2.2 million to 2.3 million. The passenger trips of these three modes of transport returned to 58.3%, 87.1% and 33.8% of their corresponding levels in the same quarter in 2018. Meanwhile, average daily cross-boundary vehicle movements also increased further from 27 105 to 31 872, equivalent to 74.6% of the daily average in the same quarter in 2018.

## Innovation and technology

3.22 In the 2023 Policy Address, the Chief Executive announced the setting up of the Digital Policy Office, by merging the existing Office of the Government Chief Information Officer and the Efficiency Office, to consolidate and leverage on the resources and know-how within the Government so as to formulate policies on digital government, data governance and information technology, promote the opening up of data and offer more digital services, thereby advancing the development of the digital government and digital economy.

## **Arts, Cultural and Creative Industries**

3.23 In his 2023 Policy Address, the Chief Executive announced a host of measures to support the development of arts, culture and creative industries. Among these measures, the Chief Executive highlighted that the Government would inject a total of \$4.3 billion to the Film Development Fund and the CreateSmart Initiative to provide incentives for attracting private sector capital and expanding new markets. Other measures include establishing the Cultural and Creative Industries Development Agency, strengthening the efforts of Economic and Trade Offices on cultural promotion, developing the film market, launching the Signature Performing Arts Programme Scheme, increasing the provision for cultural exchanges, organising Hong Kong Fashion Design Week and launching the Pilot Scheme on the Use of School Venues by Arts Groups.

## **Environment**

3.24 The Chief Executive reiterated in the 2023 Policy Address that the Government is striving to achieve carbon neutrality before 2050 and reduce Hong Kong's carbon emissions by 50% before 2035 as compared to the 2005 level. Among the various measures, the Government will enhance energy conservation and decarbonisation in buildings and extend the recovery and recycling schemes to more products. Meanwhile, the Government will make every effort to promote the use and supply of new energy in sea, land and air transport so as to spearhead green transformation of the relevant trades. The Government will also explore the development of new energy industrial chains to promote green economy. Initiatives include developing a green maritime fuel bunkering centre, promoting the supply of sustainable aviation fuel, supporting green transformation of public land transport, promoting the use of electric private cars and formulating the Strategy of Hydrogen Development in Hong Kong.

3.25 Separately, Municipal Solid Waste (MSW) charging sits at the centre of the overall waste reduction strategy of the Government and it encourages the community to reduce waste at source and practise clean recycling with financial disincentives. The Government has gazetted the notice to implement MSW charging on 1 April 2024.

## 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. For details of the measures promulgated in 2023, see Box 3.1 of this report.
- (3) On 22 September, the HKMC Insurance Limited made adjustments to the MIP for residential properties under construction so that the applicable eligibility criteria aligned with those for completed residential properties, i.e. (i) eligible properties under construction with property value up to \$10 million will be subject to a maximum LTV ratio of 90%; (ii) eligible properties under construction with property value above \$10 million and up to \$15 million will be subject to a maximum LTV ratio of 80% or that derived from a mortgage loan cap of \$9 million, whichever the higher; and (iii) eligible properties under construction with property value above \$15 million and up to \$30 million will be subject to a maximum LTV ratio of 70% or that derived from a mortgage loan cap of \$12 million, whichever the higher.
- (4) The figures on transaction refer to commercial space, which comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.

- (5) Other short-haul markets refer to North Asia, South and Southeast Asia, Taiwan and Macao, but excluding the Mainland, while long-haul markets refer to the Americas, Europe, Africa, the Middle East, Australia, New Zealand and South Pacific. In the third quarter of 2023, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 82%, 13% and 5% 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 in the third quarter of 2023 alongside the further monetary policy tightening in the US. Following the 25-basis-point rate hike by the US Federal Open Market Committee (FOMC) in late July, the Hong Kong Monetary Authority (HKMA) adjusted the Base Rate under the Discount Window upward by the same magnitude to 5.75%. The Hong Kong dollar interbank interest rates generally remained at high levels during the quarter. Many banks raised their Best Lending Rates by another 12.5 basis points in late July, the second rate hike this year.*
- *The Hong Kong dollar spot exchange rate against the US dollar stayed at the weak side of the Convertibility Zone during most of the third quarter. As the US dollar strengthened against major currencies including the pound sterling, Japanese yen, euro and renminbi (RMB), the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices both increased further by 1.9% during the third quarter.*
- *Total loans and advances decreased by 2.2% during the third quarter. Within the total, loans for use in and outside Hong Kong declined by 1.9% and 2.8% respectively.*
- *The local stock market remained under pressure in the third quarter, as concerns over the Mainland's economic outlook and expectations of a prolonged period of high interest rates continued to dampen investment sentiment. The Hang Seng Index (HSI) closed the quarter at 17 810, down by 5.9% from end-June. Trading activities contracted further and fund raising activities were extremely quiet.*

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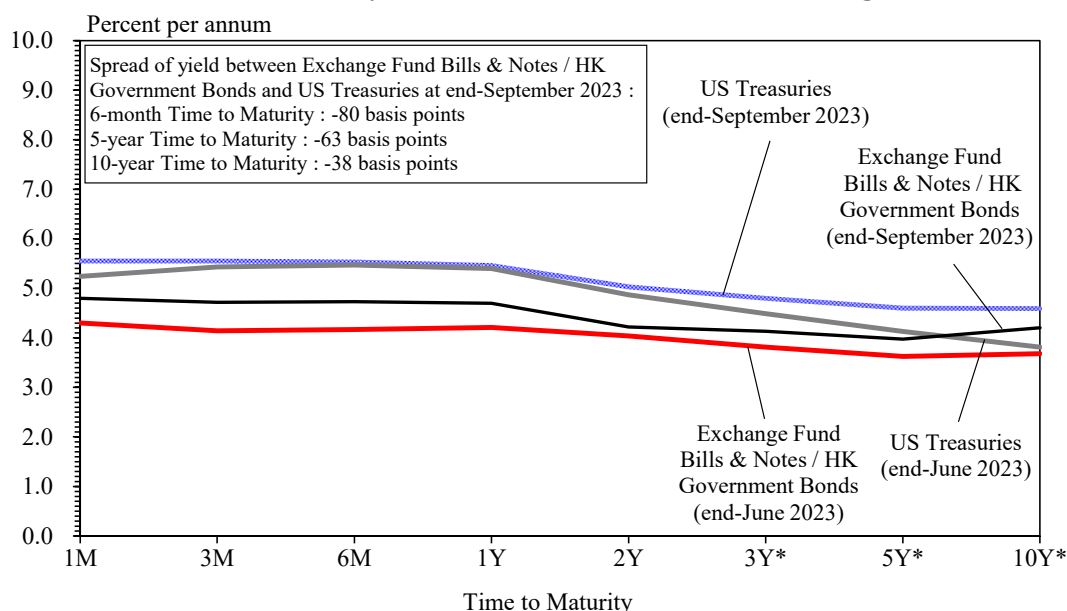
(#) This chapter is jointly prepared by the HKMA and the Office of the Government Economist.

## Interest rates and exchange rates

4.1 Interest rates in Hong Kong rose in the third quarter of 2023 alongside the further monetary policy tightening in the US. Following the 25-basis-point rate hike by the US FOMC in late July, the HKMA adjusted the *Base Rate* under the Discount Window upward by the same magnitude to 5.75%<sup>(1)</sup>. The *Hong Kong dollar interbank interest rates* (HIBORs) generally remained at high levels during the quarter. The overnight HIBOR edged down from 5.75% at end-June to 5.68% at end-September, while the 3-month HIBOR rose from 4.97% to 5.27%.

4.2 *Hong Kong dollar yield curve* shifted upward during the third quarter, while the *US dollar yields* increased at the medium and long 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 130 basis points at end-June to 80 basis points at end-September, while that between 10-year Hong Kong Government Bonds and 10-year US Treasury Notes widened from 13 basis points to 38 basis points.

**Diagram 4.1 : Hong Kong dollar yield curve shifted upward during the third quarter, while the US dollar yields increased at the medium and long tenors**

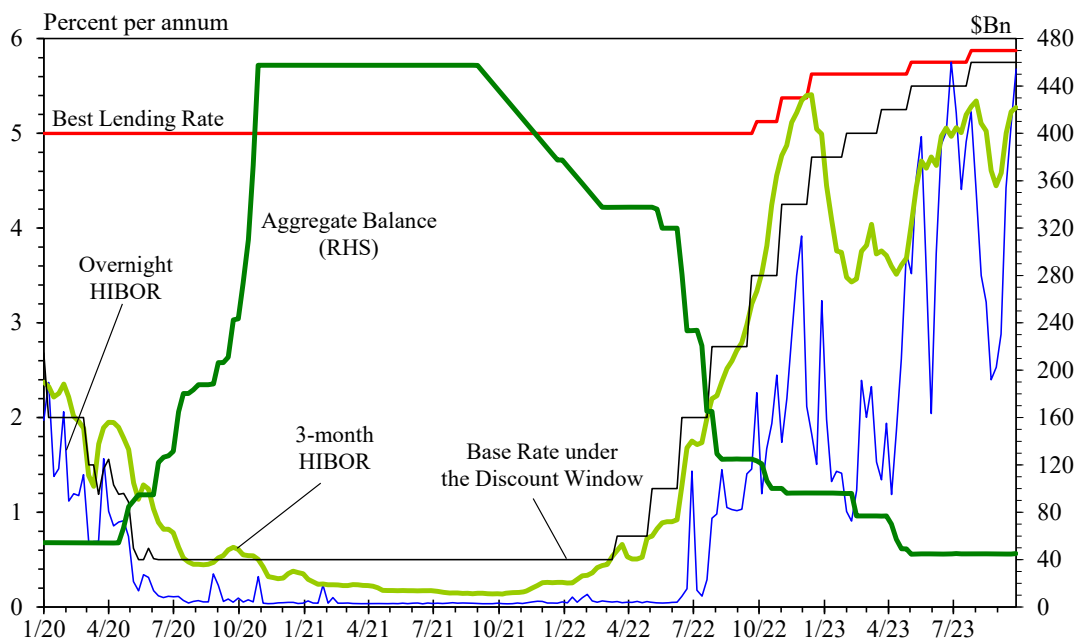


Note : (\*) With the HKMA stopping new issuance of Exchange Fund Notes of tenors of 3 years or above since January 2015, the Hong Kong dollar yields for tenor of 3 years and above refer to those for Hong Kong Government Bonds.



4.3 On the retail front, many banks raised their *Best Lending Rates* by another 12.5 basis points in late July, the second rate hike this year. At end-September, the Best Lending Rates among banks ranged from 5.875% to 6.375%. The *average savings deposit rate* for deposits of less than \$100,000 quoted by major banks increased from 0.63% at end-June to 0.77% at end-September, and the 1-year *time deposit rate* rose from 0.61% to 0.67%. The *composite interest rate*<sup>(2)</sup>, which indicates the average cost of funds for retail banks, increased from 2.35% at end-June to 2.68% at end-September.

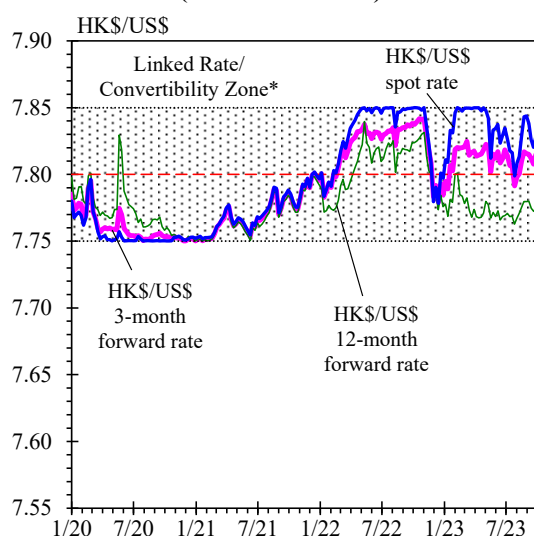
**Diagram 4.2 : Interbank interest rates generally remained at high levels during the third quarter, while interest rates on the retail front increased (end for the week)**



4.4 The *Hong Kong dollar spot exchange rate against the US dollar* stayed at the weak side of the Convertibility Zone during most of the third quarter, except for a brief period in late July to early August amid half-year-end corporate funding needs. The Aggregate Balance stayed at around \$45 billion during the quarter as the weak-side Convertibility Undertaking was not triggered. The Hong Kong dollar closed the third quarter at 7.829 against the US dollar, compared with 7.835 at end-June. The discounts of 3-month and 12-month *Hong Kong dollar forward rates* narrowed from 162 pips and 654 pips (each pip is equivalent to HK\$0.0001) to 137 pips and 539 pips respectively over the period.

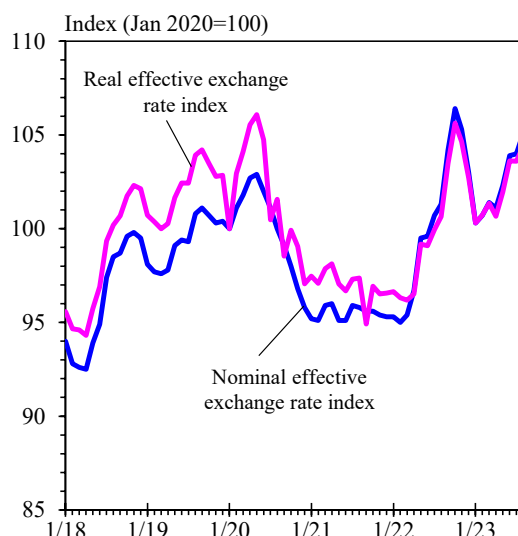
4.5 Under the Linked Exchange Rate System, movements in the Hong Kong dollar exchange rate against other currencies closely followed those of the US dollar. As the US dollar strengthened against major currencies including the pound sterling, Japanese yen, euro and RMB, the *trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices*<sup>(3)</sup> both increased further by 1.9% during the third quarter.

**Diagram 4.3 : The Hong Kong dollar spot exchange rate against the US dollar stayed at the weak side of the Convertibility Zone during most of the third 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.

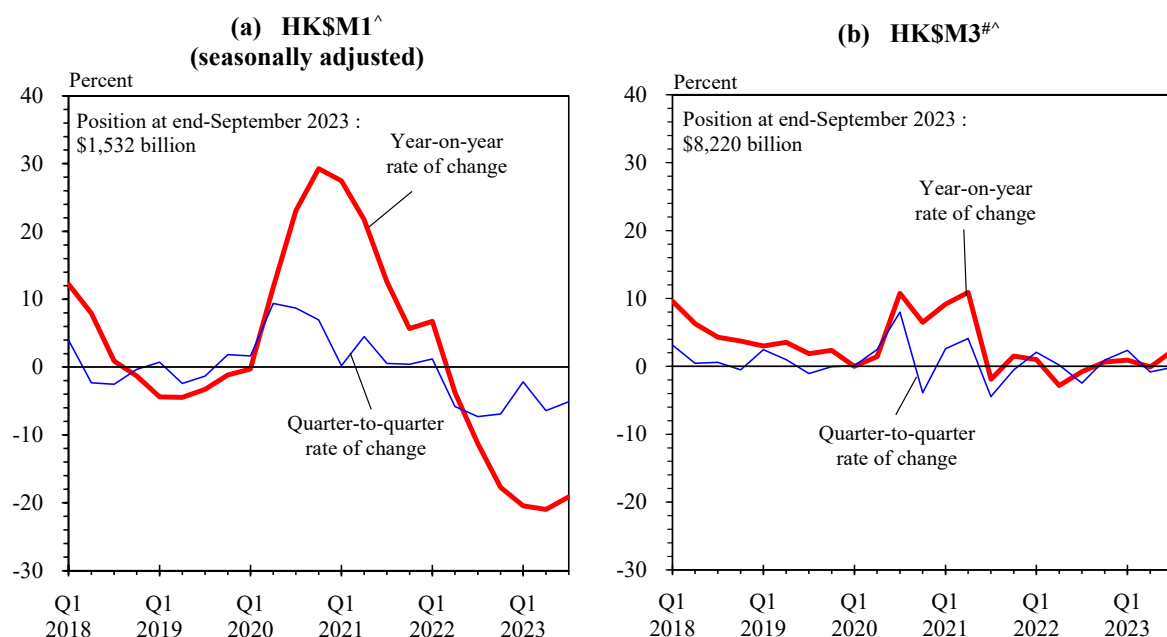
**Diagram 4.4 : The trade-weighted nominal and real effective exchange rate indices both increased further during the third quarter (average for the month)**



## Money supply and banking sector

4.6 The Hong Kong dollar broad *money supply* (HK\$M3) edged down by 0.1% from end-June to \$8,220 billion at end-September, and the seasonally adjusted Hong Kong dollar narrow money supply (HK\$M1) fell by 5.1% to \$1,532 billion<sup>(4)</sup>. Meanwhile, *total deposits* with authorized institutions (AIs)<sup>(5)</sup> increased by 2.1% to \$15,788 billion, within which Hong Kong dollar deposits edged down by 0.1%, while foreign currency deposits rose by 4.2%.

**Diagram 4.5 : The Hong Kong dollar broad money supply edged down during the third quarter, and the narrow money supply declined**



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

		<u>M1</u>		<u>M2</u>		<u>M3</u>	
% change during the quarter		<u>HK\$<sup>^</sup></u>	<u>Total</u>	<u>HK\$<sup>#</sup></u>	<u>Total</u>	<u>HK\$<sup>#</sup></u>	<u>Total</u>
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
	Q3	-5.1	-3.1	-0.1	1.4	-0.1	1.4
Total amount at end-September 2023 (\$Bn)		1,532	2,502	8,206	16,786	8,220	16,820
% change over a year earlier		-19.1	-17.6	2.3	2.8	2.3	2.8

Notes : (^) Seasonally adjusted.

(#) Adjusted to include foreign currency swap deposits.

4.7 In mid-July, the Hong Kong Deposit Protection Board (the Board) launched a three-month public consultation on enhancements to the Deposit Protection Scheme (DPS). The Board proposed to (i) raise the protection limit of the DPS from the current \$500,000 to \$800,000; (ii) switch back to the build-up levy to be charged against scheme members to cater for a higher protection limit while keeping the build-up levy rates unchanged; (iii) provide enhanced coverage to affected depositors for six months upon a bank merger; and (iv) require the display of the DPS membership sign on the digital channel of scheme members and streamline negative disclosure requirements on non-protected deposits for private banking customers. The proposed enhancements will help ensure that the DPS continues to protect small depositors and contributes towards maintaining the stability of Hong Kong's banking system.

4.8 *Total loans and advances* decreased by 2.2% from end-June to \$10,292 billion at end-September. Within the total, Hong Kong dollar loans and foreign currency loans fell by 2.9% and 0.9% respectively. Reflecting the relative movements in loans and deposits, the loan-to-deposit ratio for Hong Kong dollar decreased from 88.7% at end-June to 86.3% at end-September, and that for foreign currency from 48.0% to 45.7%.

4.9 Loans for use in Hong Kong (including trade finance) and loans for use outside Hong Kong declined by 1.9% and 2.8% respectively from end-June to \$7,636 billion and \$2,656 billion at end-September. Within the former, loans to most economic segments decreased amid rising interest rates. Affected by the weak external trade performance, loans to manufacturing and trade finance fell by 3.5% and 2.9% respectively. Loans to financial concerns and loans to wholesale and retail trade also decreased by 5.4% and 3.0% respectively. Meanwhile, loans to stockbrokers rose back moderately by 1.5%, after the sharp decline in the preceding quarter. As for property-related lending, loans to building, construction, property development and investment decreased by 2.5%, while loans for purchase of residential property rose by 0.9%.

**Table 4.2 : Loans and advances**

All loans and advances for use in Hong Kong

		Loans to :								All loans and advances for use outside Hong Kong <sup>(c)</sup>	Total loans and advances
		Trade finance	Manu- facturing	Whole- sale and retail trade	Building, construction, property development and investment	Purchase of residential property <sup>(a)</sup>	Financial concerns	Stock- brokers	Total <sup>(b)</sup>		
% change during 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	-2.0	1.6	1.1	-16.8	-0.4	-4.1	-1.3
	Q3	-2.9	-3.5	-3.0	-2.5	0.9	-5.4	1.5	-1.9	-2.8	-2.2
Total amount at end-September 2023 (\$Bn)		394	301	298	1,666	1,982	892	53	7,636	2,656	10,292
% change over a year earlier		-19.2	-12.3	-13.1	-1.9	4.2	-2.1	7.7	-2.2	-11.8	-4.9

- 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.

4.10 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 21.0% at end-June. 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 rose from 1.45% at end-March to 1.50% at end-June, and the delinquency ratio for credit card lending edged up from 0.25% to 0.26%. The delinquency ratio for residential mortgage loans remained at a low level of 0.07% at end-September, same as 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	2.02	1.39
2023	Q1	96.57	1.98	1.45
	Q2	96.58	1.92	1.50

Notes : Due to rounding, figures may not add up to 100. Figures may be subject to revisions.

(\*) 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 96.46%, 2.00% and 1.55% respectively at end-June 2023.

4.11 *Offshore RMB business* was generally active in the third quarter. RMB trade settlement transactions handled by banks in Hong Kong surged by 30.4% over a year earlier to RMB3,145.8 billion. Total RMB deposits (including customer deposits and outstanding certificates of deposit) edged down by 0.1% from end-June to RMB1,071.8 billion at end-September. As to financing activities, RMB bond issuance amounted to RMB65.3 billion in the third quarter (including the issuance of RMB12.0 billion by the Ministry of Finance), as compared to the RMB94.6 billion in the preceding quarter, while outstanding RMB bank loans jumped by 29.1% over end-June to RMB383.0 billion at end-September.

**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
	Q3	361,994	590,571	952,565	0.16	0.31	139	3,145,772
% change in 2023 Q3 over 2022 Q3		9.2	12.2	11.1	N.A.	N.A.	N.A.	30.4
% change in 2023 Q3 over 2023 Q2		-9.5	16.4	5.0	N.A.	N.A.	N.A.	12.7

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 rose by 3.8% over the preceding quarter to \$1,257.8 billion in the third quarter, underpinned by the respective increases of 4.2% and 0.4% in public and private sector debt issuance<sup>(6)</sup>. The total outstanding amount of Hong Kong dollar debt securities increased by 3.5% over end-June to \$2,726.6 billion at end-September, equivalent to 33.2% of HK\$M3 or 26.4% 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 \$3.5 billion institutional Government Bonds (GBs) were issued through tenders in the third quarter under the GB Programme, and a total of \$55.0 billion Silver Bond was issued under the retail part of the GB Programme in August. At end-September, the total outstanding amount of Hong Kong dollar bonds under the GB and Government Green Bond (GGB) Programmes was \$288.9 billion, comprising 17 institutional issues totalling \$93.5 billion and six retail issues (two iBonds and four Silver Bonds) totalling \$174.6 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, there was one US dollar sukuk with an issuance size of US\$1.0 billion outstanding under the GB Programme at end-September, 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 <sup>(c)</sup>	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
	Q3	994.5	16.4	58.5	1,069.4	80.3	7.1	95.0	182.3	6.1	1,257.8
% change in 2023 Q3 over 2022 Q3		3.3	24.2	19.4	4.4	-9.8	20.1	28.9	8.2	-43.6	4.5
% change in 2023 Q3 over 2023 Q2		-0.3	-15.7	515.8	4.2	23.1	-31.5	-10.4	0.4	63.0	3.8
<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
	Q3	1,240.4	158.7	288.9	1,688.0	288.6	133.5	563.3	985.4	53.3	2,726.6
% change in 2023 Q3 over 2022 Q3		3.7	34.1	22.2	8.8	-8.0	2.9	17.6	6.8	40.1	8.6
% change in 2023 Q3 over 2023 Q2		1.1	6.6	23.2	4.8	-2.5	-2.2	4.0	1.1	5.6	3.5

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.

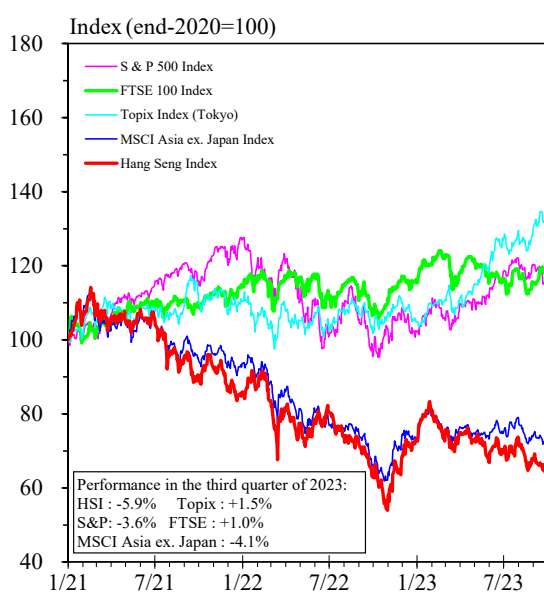
(c) The figures for private sector debt may not represent a full coverage of all the Hong Kong dollar debt paper issued.

## The stock and derivatives markets

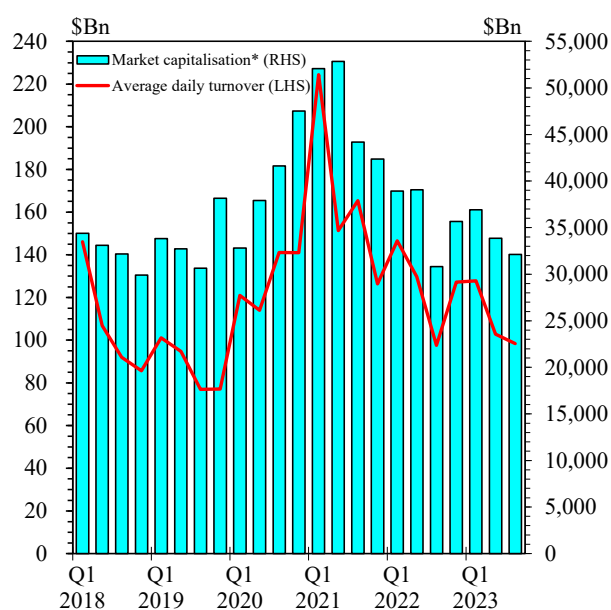
4.14 The *local stock market* remained under pressure in the third quarter, as concerns over the Mainland’s economic outlook and expectations of a prolonged period of high interest rates continued to dampen investment sentiment. The HSI was range-bounded in July, and trended down in the ensuing two months. It closed the quarter at 17 810, 5.9% lower than end-June. *Market capitalisation* shrank by 5.1% during the quarter to \$32.1 trillion. 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 contracted further in the third quarter amid the cautious market atmosphere. *Average daily turnover* in the securities market shrank by 4.3% from the preceding quarter to \$98.4 billion, and was only 0.9% higher than the low level a year earlier. Within the total, the average daily trading value of callable bull/bear contracts and equities fell by 13.8% and 7.0% from the preceding quarter respectively, while that of unit trusts (including Exchange-Traded Funds) and derivative warrants<sup>(9)</sup> increased by 10.9% and 5.1% respectively. As to futures and options<sup>(10)</sup>, the average daily trading volume rose by 1.6%. The increase was due entirely to a 223% surge in trading of RMB Currency Futures, as trading of Hang Seng China Enterprises Index futures, HSI options, HSI futures and stock options fell by 5.1%, 1.9%, 1.5% and 1.3% respectively.

**Diagram 4.6 : The local stock market remained under pressure in the third quarter**



**Diagram 4.7 : Market capitalisation shrank and trading activities contracted further**



**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
	Q3	136 670	22 706	179 322	590 969	1 336 408
	% change in 2023 Q3 over 2022 Q3	0.8	8.4	16.2	17.0	19.8
	% change in 2023 Q3 over 2023 Q2	-1.5	-1.9	-5.1	-1.3	1.6

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

4.16 Fund raising activities were extremely quiet in the third quarter alongside the subdued global fund raising demand and the weak local stock market performance. *Total equity capital raised*, comprising new share floatation and post-listing arrangements on the Main Board and GEM<sup>(11)</sup>, plunged by 40.4% from the preceding quarter or 68.5% from a year earlier to \$24.6 billion in the third quarter. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) shrank by 39.5% from the preceding quarter to \$6.8 billion. Taking the first three quarters together, total equity capital raised fell notably by 48.4% from a year earlier to \$99.6 billion, within which the amount of funds raised through IPOs plummeted by 66.6% to \$24.6 billion. Hong Kong ranked the sixth globally in terms of the amount of funds raised through IPOs in the first nine months of the year<sup>(12)</sup>.

4.17 Mainland enterprises continued to play an important role in the Hong Kong stock market. At end-September, a total of 1 435 Mainland enterprises (including 325 H-share companies, 176 “Red Chip” companies and 934 private enterprises) were listed on the Main Board and GEM, accounting for 55% of the total number of listed companies and 78% of total market capitalisation. Mainland-related stocks accounted for 86% of equity turnover and 77% of total equity fund raised in the Hong Kong stock exchange in the third quarter.

4.18 Having accepted the recommendations of the Task Force on Enhancing Stock Market Liquidity (the Task Force), the Chief Executive announced in the 2023 Policy Address various measures to strengthen the competitiveness of the stock market. Key measures include (i) reducing the rate of Stamp Duty on Stock Transfer from the current 0.13% to 0.1% of the consideration or value of each transaction payable by buyers and sellers respectively with the legislative procedures targeting to be completed by the end of November; (ii) reviewing stock trading spread to facilitate the market prices of those liquid but spread-constrained stocks to better reflect market circumstances and reduce bid-ask spreads; (iii) reducing market data fees to facilitate investors obtaining real-time market data; and (iv) reforming GEM (see *paragraph 4.19* for details). The Government will work with the Hong Kong Exchanges and Clearing Limited and financial regulators to implement the above measures and other short-term proposals put forward by the Task Force, and explore medium to long-term measures to further promote sustainable development of the stock market.

4.19 The Stock Exchange of Hong Kong Limited launched a six-week public consultation in late September on GEM listing reforms, aiming to enhance GEM's attractiveness while maintaining high standards of investor protection. The proposed reform measures include introducing a new streamlined transfer mechanism for eligible GEM companies to transfer to the Main Board; adding a new alternative eligibility test targeting high growth enterprises that are heavily engaged in research and development activities; and reducing the continuing obligations of GEM issuers.

### **Fund management and investment funds<sup>(13)</sup>**

4.20 The aggregate net asset value of the approved constituent funds under the *Mandatory Provident Fund (MPF) schemes*<sup>(14)</sup> decreased by 2.2% from end-June to \$1,087.5 billion at end-September.

## Insurance sector

4.21 The *insurance sector*<sup>(15)</sup> showed solid expansion in the second quarter. New office premium of long-term business soared by 42.4% over a year earlier, within which premium from non-investment linked plans (which accounted for 94% of total premium for this segment) surged by 49.9%, though that from investment linked plans decreased by 19.5%. As to general business, gross and net premiums increased by 2.8% and 2.6% 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
	Q2	16,324	10,803	940	52,890	3,171	11	87	56,159	72,483
% change in 2023 Q2 over 2022 Q2		2.8	2.6	-36.6	49.9	-19.5	22.2	-58.4	42.4	31.0

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

(^) Retirement scheme business is excluded.

## Highlights of policy and market developments

4.22 On promoting mutual access of the financial markets in the Mainland and Hong Kong, the China Securities Regulatory Commission and the Securities and Futures Commission (SFC) reached a consensus in August on the introduction of block trading (manual trades) under the mutual market access programme. The block trading arrangement will enhance the certainty and transparency in the transaction price and timing for large-sized securities transactions, thereby allowing investors to manage their asset allocation more efficiently at lower costs, while reducing the potential price impact of relevant transactions through auto-matching. The measure will further facilitate the concerted development of the capital markets in both the Mainland and Hong Kong, as well as strengthen Hong Kong's position and function as an international financial centre and global offshore RMB business hub.

4.23 Furthermore, in September, the People's Bank of China, the National Administration of Financial Regulation, the China Securities Regulatory Commission, the State Administration of Foreign Exchange, the HKMA, the SFC and the Monetary Authority of Macao jointly announced enhancements to the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Cross-boundary Wealth Management Connect Pilot Scheme. They include (i) refining the eligibility criteria of investors to support more GBA residents to participate in the Scheme; (ii) expanding the scope of participating institutions to include eligible securities firms; (iii) expanding the scope of eligible investment products; (iv) increasing the individual investor quota as appropriate; and (v) further enhancing the promotion and sales arrangements. The enhancements will be conducive for the industry to explore business opportunities in the GBA, and can further realise the potential of the Wealth Management Connect while enhancing Hong Kong's position as an international asset and management centre.

4.24 On promoting green finance and fintech development in Hong Kong, in August, the Green and Sustainable Finance Cross-Agency Steering Group announced its key priorities to further promote and consolidate Hong Kong's role as a leading sustainable finance hub, including (i) establishing world-class regulation through alignment with global standards; (ii) boosting Hong Kong's vibrancy and competitiveness through capacity building, data enhancement and technology innovation of the finance ecosystem to support net-zero transition across the economy; and (iii) growing dynamic, trusted markets with diverse products to mobilise capital at larger scale to support the net-zero transition. Meanwhile, the HKMA, the SFC and the Insurance Authority published a new Fintech Promotion Roadmap in the same month, outlining the key initiatives that

they would undertake over the next 12 months to give further impetus to fintech adoption in the financial services industry. The new Roadmap focuses on the fintech business areas of Wealthtech, Insurtech and Greentech as well as the technology types of Artificial Intelligence and Distributed Ledger Technology, and demonstrates the commitment to building a sustainable and inclusive fintech ecosystem in Hong Kong.

## Notes :

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

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

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

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

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

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

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



- (5) AIs include licensed banks, restricted licence banks and deposit-taking companies. At end-September 2023, there were 151 licenced banks, 15 restricted licence banks and 12 deposit-taking companies in Hong Kong. Altogether, 178 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-September 2023, there were 126 classes of stock options contracts and 98 classes of stock futures contracts.
- (11) At end-September 2023, there were 2 274 and 329 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-September 2023, there was one SFC-authorized retail hedge fund with net asset size of US\$117 million. This amount of net assets under management decreased by 3.3% from end-June 2023, and represented a 19.3% decrease from a year earlier, and a 26.9% decrease from end-2002, the year when the hedge funds guidelines were first issued.

Hong Kong Investment Funds Association is temporarily unable to provide the gross retail sales of mutual funds for the third quarter of 2023.

- (14) At end-September 2023, there were 13 approved trustees. On MPF products, 23 master trust schemes, two industry schemes and one employer sponsored scheme, comprising altogether 404 constituent funds, were approved by the Mandatory Provident Fund Schemes Authority. A total of 357 000 employers, 2.67 million employees and 237 000 self-employed persons are estimated to have participated in MPF schemes.
- (15) At end-September 2023, there were 163 authorized insurers in Hong Kong. Within this total, 53 were engaged in long term insurance business, 88 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

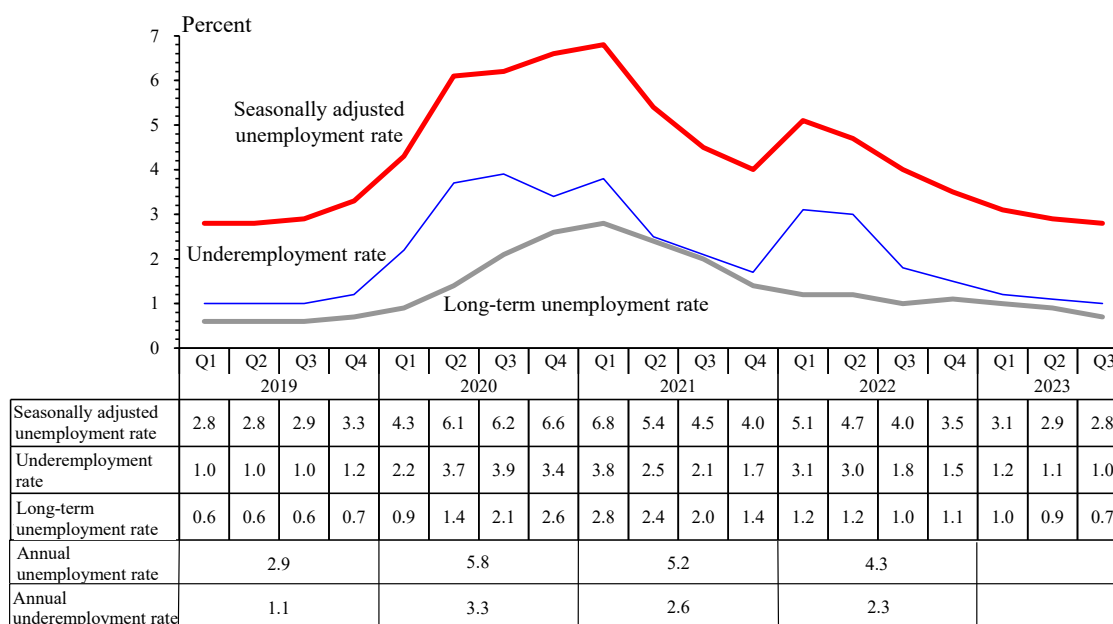
### *Summary*

- *The labour market improved further in the third quarter of 2023. The seasonally adjusted unemployment rate declined slightly further from 2.9% in the second quarter to 2.8% in the third quarter, and the underemployment rate edged down from 1.1% to 1.0%. Both the labour force and total employment continued to increase.*
- *The unemployment rates of the various major sectors stayed low in general in the third quarter, with those of many major sectors recording falls. More notable declines were seen in the food and beverage service activities sector, the transportation sector, the accommodation services sector, and the real estate sector.*
- *Establishment surveys indicated that wages and labour earnings saw accelerated year-on-year growth in nominal terms in the second quarter, and continued to show increases in real terms after discounting for inflation. More recent General Household Survey (GHS) data indicated that the median monthly employment earnings and the median monthly household income continued to attain decent growth in the third quarter over a year earlier.*

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

5.1 The labour market improved further in the third quarter of 2023. The seasonally adjusted *unemployment rate*<sup>(2)</sup> declined slightly further from 2.9% in the second quarter to 2.8% in the third quarter, and the *underemployment rate*<sup>(3)</sup> edged down from 1.1% to 1.0%. The unemployment rates of the various major sectors stayed low in general, with those of many major sectors recording falls. More notable declines were seen in the food and beverage service activities sector, the transportation sector, the accommodation services sector, and the real estate sector. Establishment surveys indicated that wages and labour earnings saw accelerated year-on-year growth in nominal terms in the second quarter, and continued to show increases in real terms after discounting for inflation. More recent General Household Survey (GHS) data indicated that the median monthly employment earnings and the median monthly household income continued to attain decent growth in the third quarter over a year earlier.

**Diagram 5.1 : The labour market improved further in the third quarter of 2023**



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

		<u>Unemployment rate*</u> (%)	<u>Underemployment</u> <u>rate (%)</u>	<u>Long-term</u> <u>unemployment rate (%)</u>
2022	Annual	4.3	2.3	1.1
	Q1	5.1	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
	Q2	2.9	1.1	0.9
<i>Three months ending</i>				
2023	Jul	2.8	1.1	0.8
	Aug	2.8	1.0	0.7
	Sep	2.8	1.0	0.7

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

Source : General Household Survey, Census and Statistics Department.

## Labour force and total employment

5.2 The *labour force*<sup>(4)</sup> increased further by 0.8% over the preceding quarter to 3 834 300 in the third quarter, and was 0.7% higher than a year ago. Analysed by contributing factor, the working-age population (i.e. land-based non-institutional population aged 15 and above) increased further by 0.4% over the preceding quarter to 6 635 700 in the third quarter, and was 1.5% higher than a year ago. The overall labour force participation rate bounced back by 0.3 percentage point over the preceding quarter to 57.8% in the third quarter, with the labour force participation rates in almost all age groups showing increases. However, reflecting the persistent drag from population ageing, the overall labour force participation rate in the third quarter was 0.4 percentage point lower than a year ago.

5.3 *Total employment*<sup>(5)</sup> increased further by 0.9% over the preceding quarter to 3 720 300 in the third quarter, and was 1.9% higher than a year ago. Employment of many major sectors increased over the preceding quarter, notably for the postal and courier activities sector, the professional and business services sector (excluding cleaning and similar activities), the public administration, social and personal services sectors, the retail, accommodation and food services sectors, and the construction sector. Employment of most of these sectors was also higher than a year earlier.

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

	<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed<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
Q2	3 802 400 (1.3)	3 688 800 (3.2)	113 600	41 500
<i>Three months ending</i>				
2023 Jul	3 819 700 (1.3)	3 708 000 (3.0)	111 700	40 500
Aug	3 826 600 (0.9)	3 714 500 (2.4)	112 100	38 900
Sep	3 834 300 (0.7)	3 720 300 (1.9)	114 000	37 900
	<0.8>	<0.9>		

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

( ) % change over a year earlier.

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

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : Both the labour force and total employment increased further 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>2023 Q3</u>
<u>Male</u>							
15-24	39.2	35.4	34.4	31.4	29.9	29.8	32.0
<i>of which:</i>							
15-19	11.3	7.3	6.6	7.0	6.5	6.3	9.2
20-24	59.6	56.5	57.2	53.3	52.7	52.2	53.9
25-29	91.3	90.8	91.7	89.7	88.4	87.4	87.1
30-39	95.9	95.0	95.2	94.0	93.6	93.9	94.6
40-49	93.9	93.5	93.5	93.4	93.8	94.2	93.8
50-59	85.2	84.8	85.4	85.2	85.1	85.2	85.2
≥ 60	32.0	31.6	31.0	32.0	31.9	31.2	31.9
Overall	67.6	66.3	65.8	64.7	64.0	63.6	64.0
<u>Female</u>							
15-24	40.5	36.6	35.3	32.5	31.6	30.0	32.6
<i>of which:</i>							
15-19	11.6	7.2	7.8	7.7	7.0	6.6	9.7
20-24	60.1	57.8	57.5	54.2	54.4	50.9	53.1
25-29	87.5	87.5	88.2	86.2	86.1	85.4	85.6
30-39	79.3	79.1	79.3	78.9	79.5	80.1	80.1
40-49	73.7	73.6	74.3	74.0	74.4	74.5	75.2
50-59	62.3	62.9	64.0	64.6	65.1	64.3	65.1
≥ 60	15.7	15.6	16.3	16.5	17.1	17.2	16.9
Overall	55.1	54.3	54.2	52.9	52.9	52.5	52.7
<u>Both genders combined</u>							
15-24	39.8	36.0	34.9	31.9	30.8	29.9	32.3
<i>of which:</i>							
15-19	11.5	7.3	7.2	7.3	6.8	6.4	9.4
20-24	59.9	57.2	57.4	53.8	53.6	51.5	53.5
25-29	89.2	89.0	89.8	87.9	87.2	86.3	86.3
30-39	86.0	85.6	85.9	85.3	85.5	86.0	86.2
40-49	82.0	81.8	82.1	81.9	82.2	82.5	82.8
50-59	72.7	72.7	73.4	73.5	73.7	73.3	73.8
≥ 60	23.5	23.2	23.3	23.9	24.1	23.8	24.0
Overall	60.7	59.7	59.4	58.2	57.9	57.5	57.8

Source : General Household Survey, Census and Statistics Department.

## Profile of unemployment

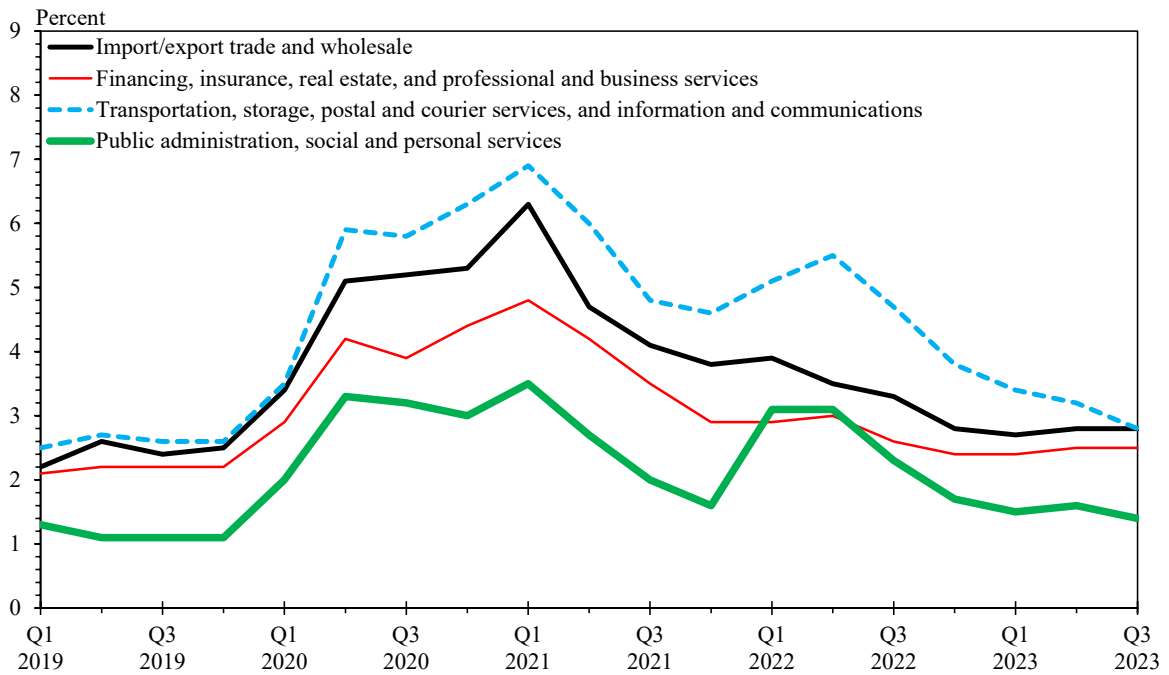
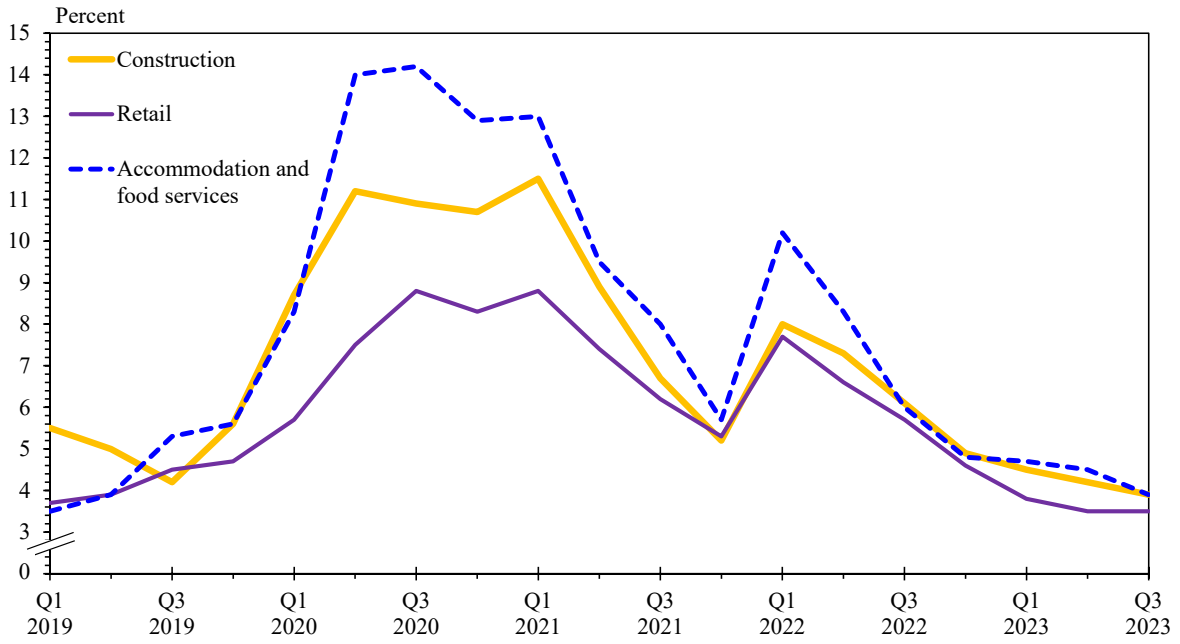
5.4 The seasonally adjusted unemployment rate declined slightly further from 2.9% in the second quarter to 2.8% in the third quarter. The number of unemployed persons (not seasonally adjusted) stayed low at 114 000, though marginally higher than the level of 113 600 in the preceding quarter.

5.5 The unemployment rates of the various major sectors (not seasonally adjusted) stayed low in general, with those of many major sectors recording falls. More notable declines were seen in the food and beverage service activities sector (down 0.6 percentage point to 4.2%), the transportation sector (down 0.6 percentage point to 2.2%), the accommodation services sector (down 0.5 percentage point to 2.5%), and the real estate sector (down 0.5 percentage point to 2.1%). The unemployment rate of the construction sector declined by 0.3 percentage point to 3.9%. The unemployment rate of the retail sector stayed unchanged at 3.5%. For the *low-paying sectors*<sup>(6)</sup> as a whole, the unemployment rate declined by 0.3 percentage point to 2.4%.

5.6 Analysed by skill segment, the unemployment rate of lower-skilled workers declined by 0.4 percentage point from the preceding quarter to 2.8% in the third quarter. The unemployment rate of higher-skilled workers edged up by 0.1 percentage point to a still-low level of 2.2%.

5.7 Analysed by other socio-economic attributes, the unemployment rates of various age and educational attainment groups showed diverse movements in the third quarter compared with the preceding quarter. The unemployment rates of persons aged 30 or above and those with upper secondary education or below declined, whereas the unemployment rates of those aged 15-29 and those with post-secondary education increased. Among these groups, the unemployment rate of those aged 15-24 rose by a relatively large 0.9 percentage point to 10.2% amid the seasonal entry of graduates and school leavers into the labour market, but it was 2.0 percentage points lower than a year ago.

**Diagram 5.3 : The unemployment rates of the various major sectors stayed low in general, with those of many major sectors recording falls**





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

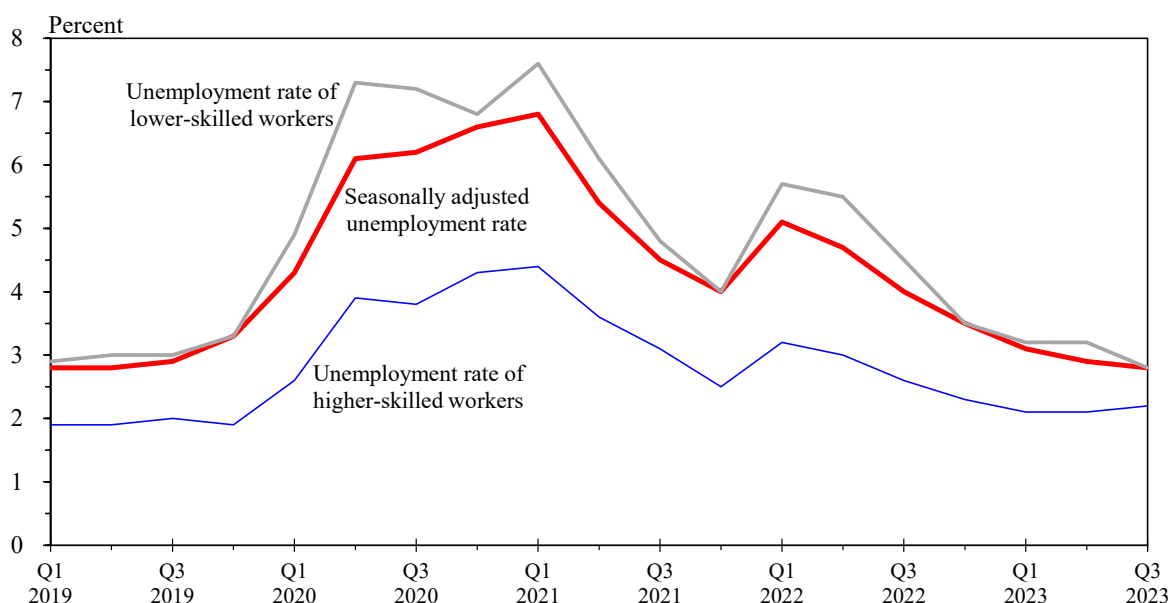
	<u>2022</u>				<u>2023</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Import/export trade and wholesale	3.9	3.5	3.3	2.8	2.7	2.8	2.8
Retail, accommodation and food services	8.9	7.4	5.9	4.7	4.2	4.0	3.7
<i>of which:</i>							
<i>Retail</i>	7.7	6.6	5.7	4.6	3.8	3.5	3.5
<i>Accommodation services</i>	5.6	5.8	4.6	3.6	3.8	3.0	2.5
<i>Food and beverage service activities</i>	11.0	8.7	6.3	5.0	4.9	4.8	4.2
Transportation, storage, postal and courier services	5.3	6.0	5.0	4.0	3.3	3.1	2.6
<i>of which:</i>							
<i>Transportation</i>	5.1	6.0	4.7	3.6	3.1	2.8	2.2
Information and communications	4.6	4.2	4.0	3.3	3.5	3.4	3.4
Financing and insurance	2.4	2.5	2.4	2.0	2.1	2.0	2.3
Real estate	2.4	2.9	2.7	2.5	2.6	2.6	2.1
Professional and business services	3.4	3.4	2.8	2.5	2.6	2.8	2.8
Public administration, social and personal services	3.1	3.1	2.3	1.7	1.5	1.6	1.4
Manufacturing	5.5	5.7	5.1	4.4	4.0	4.1	4.1
Construction	8.0	7.3	6.1	4.9	4.5	4.2	3.9
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)	3.0 (2.8)

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

( ) Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.4 : The unemployment rate of lower-skilled workers declined in the third quarter, while that of higher-skilled workers edged up, but it was still at a low level**



**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>Q3</u>
<u>Higher-skilled segment</u>	3.2	3.0	2.6	2.3	2.1	2.1	2.2
Managers	2.7	2.4	2.1	1.7	1.4	1.5	1.7
Professionals	2.0	2.0	1.9	1.6	2.0	1.6	1.9
Associate professionals	4.1	4.1	3.3	3.0	2.7	2.9	2.8
<u>Lower-skilled segment</u> <sup>^</sup>	5.7	5.5	4.5	3.5	3.2	3.2	2.8
Clerical support workers	4.6	4.2	4.8	3.3	3.3	3.1	3.0
Service and sales workers	7.4	6.7	4.8	4.1	3.8	3.6	3.1
Craft and related workers	8.8	7.5	6.9	4.9	4.3	4.1	3.9
Plant and machine operators and assemblers	4.2	4.6	3.7	2.7	2.4	2.2	1.9
Elementary occupations	4.1	4.5	3.2	2.7	2.5	2.6	2.3

Notes : \* Not seasonally adjusted, but 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>Q3</u>
<u>Age</u>							
15-24	10.6	11.9	12.2	9.1	7.9	9.3	10.2
<i>of which:</i>							
15-19	14.4	18.5	16.4	11.7	9.8	11.2	11.4
20-24	10.2	11.2	11.6	8.8	7.7	9.1	10.0
25-29	6.0	5.7	6.1	5.2	4.5	4.0	4.4
30-39	3.7	3.7	3.3	2.4	2.5	2.3	2.2
40-49	4.2	4.2	2.9	2.6	2.4	2.5	2.3
50-59	5.6	4.9	4.0	3.3	3.2	2.9	2.8
≥ 60	4.9	4.5	3.6	2.8	2.2	2.4	2.2
<u>Educational attainment</u>							
Primary education and below	5.8	5.0	2.7	2.8	2.4	2.3	1.9
Lower secondary education	7.2	6.5	5.2	4.1	4.2	3.9	3.3
Upper secondary education <sup>^</sup>	5.5	5.2	4.2	3.1	3.0	3.1	2.6
Post-secondary education	3.8	3.9	4.0	3.3	2.9	2.7	3.3

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

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 The situation on unemployment duration improved further in the third quarter. The long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force) declined further by 0.2 percentage point from the preceding quarter to 0.7% in the third quarter, and the number of long-term unemployed persons decreased by 12.9% (or 4 200) to 28 300. The median duration of unemployment shortened by 14 days to 66 days.

### **Underemployment situation**

5.9 The underemployment rate edged down further from 1.1% in the second quarter to 1.0% in the third quarter. The number of underemployed persons decreased by 8.8% (or 3 700) to 37 900.

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

5.11 Employment situation continued to improve in the second quarter. Total private sector employment increased further by 0.6% in June over three months ago on a seasonally adjusted basis. On a year-on-year comparison, total private sector employment (not seasonally adjusted) showed a widened increase of 2.4% to 2 738 300. Employment in a majority of the selected industries (not seasonally adjusted) increased both over three months ago and over a year earlier. In particular, employment in the industries of arts, entertainment, recreation and other services, construction sites (covering manual workers only), cleaning and similar services, retail, and information and communications increased visibly over three months ago. On a year-on-year comparison, employment in the industries of arts, entertainment, recreation and other services, construction sites (covering manual workers only), residential care and social work services, and accommodation services saw visible increases.

**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>	<u>Jun</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)	427 600 (-1.7)
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)	251 900 (2.9)
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)	35 200 (5.5)
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)	224 600 (3.4)
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)	163 000 (0.3)
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)	108 800 (2.5)
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)	769 700 (2.6)
<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)	83 900 (2.7)
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)	559 700 (4.8)
<i>of which:</i>							
<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)	69 600 (5.9)
<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)	123 000 (7.6)
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)	74 800 (-0.2)
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)	111 000 (7.4)
<b>All establishments surveyed in the private sector<sup>(b)</sup></b>	<b>2 685 700 (-0.9)</b>	<b>2 680 500 (-0.4)</b>	<b>2 673 200 (-1.3)</b>	<b>2 686 900 (-1.1)</b>	<b>2 702 000 (-0.8)</b>	<b>2 719 800 (1.5)</b>	<b>2 738 300 (2.4)</b>
		<b>&lt;-1.2&gt;</b>	<b>&lt;-0.3&gt;</b>	<b>&lt;0.3&gt;</b>	<b>&lt;-0.4&gt;</b>	<b>&lt;-1.0&gt;</b>	<b>&lt;0.6&gt;</b>
<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)	172 700 (-1.4)

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

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

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

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

( ) % change over a year earlier.

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

§ Change within  $\pm 0.05\%$ .

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

## **Vacancies**

5.12 Private sector vacancies increased further by 4.0% in June over three months ago on a seasonally adjusted basis. Compared with a year ago, private sector vacancies (not seasonally adjusted) surged by 30.3% to 81 460.

5.13 The number of vacancies in a majority of the selected industries increased in June over three months ago. On a year-on-year comparison, all selected major industries recorded notable increases in vacancy.

5.14 The manpower balance situation tightened further in June. The ratio of job vacancies per 100 unemployed persons increased further to 72 in June from 68 three months ago. Manpower shortage situation was acute in the education sector, the residential care and social work services sector, the accommodation services sector and the human health services sector, with their corresponding ratios exceeding 200.

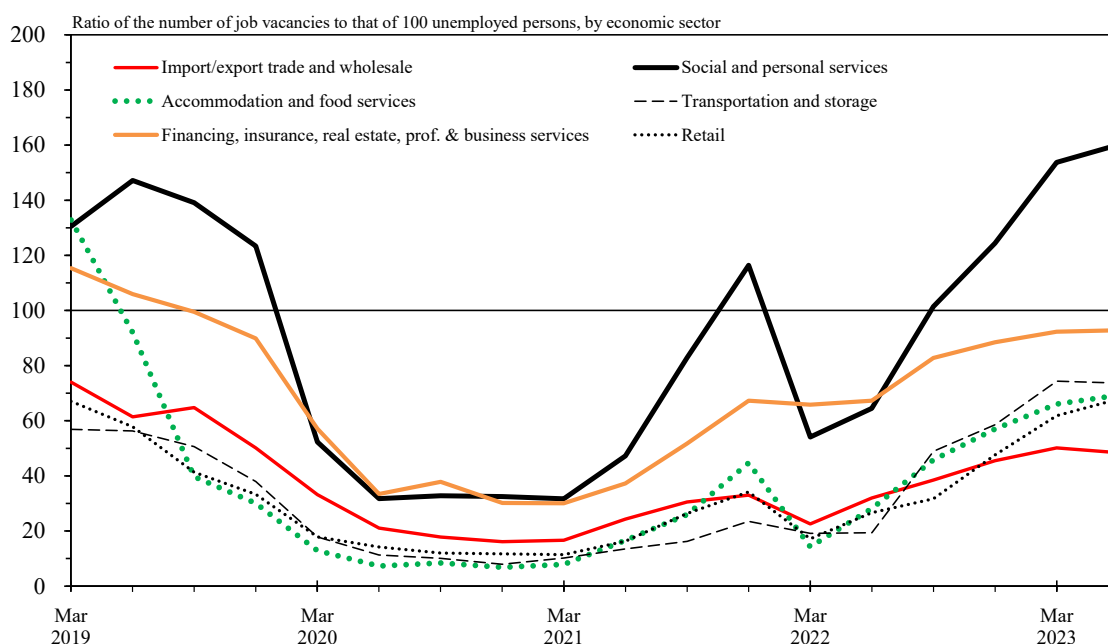
**Table 5.8 : Vacancies by major economic sector**

	Annual average	2022				2023	
		Mar	Jun	Sep	Dec	Mar	Jun
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)	4 220 (17.0)
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)	6 600 (35.2)
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)	2 620 (46.5)
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)	6 050 (28.7)
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)	7 020 (87.7)
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)	3 040 (9.2)
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)	20 370 (19.7)
<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)	1 920 (62.0)
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)	26 040 (21.8)
<i>of which:</i>							
<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)	5 460 (13.6)
<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)	5 510 (68.9)
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)	2 480 (51.1)
Construction sites (covering manual workers only)	520 (177.1)	270 (244.9)	630 (153.6)	640 (291.5)	540 (106.9)	640 (139.4)	2 760 (335.8)
<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>81 460 (30.3)</b>
		<b>&lt;-11.1&gt;</b>	<b>&lt;15.4&gt;</b>	<b>&lt;12.4&gt;</b>	<b>&lt;4.1&gt;</b>	<b>&lt;7.2&gt;</b>	<b>&lt;4.0&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)	19 700 (12.7)

- 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 June**



5.15 As to the number of job vacancies in the private sector received by the Labour Department, its monthly average was 101 400 in the third quarter, broadly on par with the level in the preceding quarter, and 12% above the monthly average in 2022.

## Wages and earnings

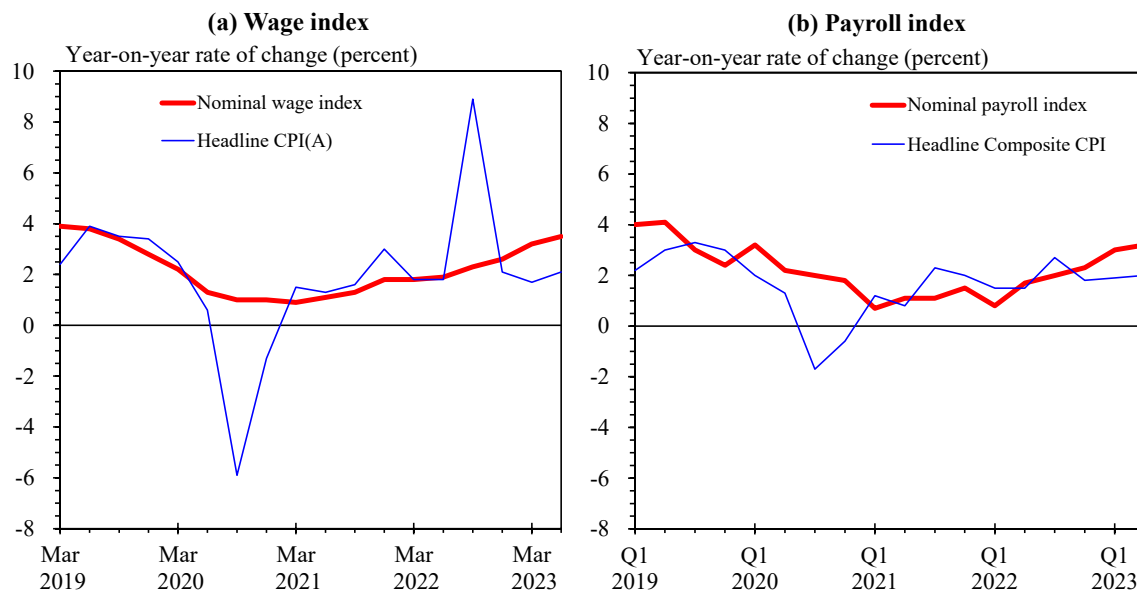
5.16 Wages and labour earnings saw accelerated year-on-year growth in nominal terms in the second quarter, and continued to show increases in real terms after discounting for inflation<sup>(7)</sup>. The average nominal wage rate, as measured by the nominal wage index for all selected industry sections which covers regular payment to employees at the supervisory level or below, rose by 3.5% year-on-year in June, faster than the increase of 3.2% three months ago. In real terms, the average wage rate increased by 1.4%.

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 3.2% year-on-year in the second quarter, also faster than the increase of 3.0% in the preceding quarter. In real terms, labour earnings increased by 1.1%.



5.18 Nominal payroll per person engaged in all selected industries recorded year-on-year increases in the second quarter, particularly for transportation, storage, postal and courier services (up 9.9%), accommodation and food service activities (up 5.2%) and sewerage, waste management and remediation activities (up 4.6%). The gains in many 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 second quarter**



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

5.19 More recent statistics compiled from the GHS, though not strictly comparable to those from the business establishment surveys, indicated that the median monthly employment earnings and the median monthly household income continued to attain decent growth in the third quarter over a year earlier. The median monthly employment earnings of full-time employees (excluding foreign domestic helpers) increased by 7.1% in nominal terms or 5.2% in real terms<sup>(9)</sup>. The median monthly household income (excluding foreign domestic helpers) increased by 6.3% in nominal terms or 4.3% in real terms<sup>(10)</sup>.

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

5.20 The Government launched a series of measures in the end of 2022 to attract more high-quality talents from all around the world. These included the introduction of the Top Talent Pass Scheme (TTPS) and enhancements to the existing talent admission schemes. Response thus far has been positive. In the first nine months of 2023, some 160 000 applications were received under the various talent admission schemes, with over 100 000 approved (including about 39 000 under TTPS). Around 60 000 talents came to Hong Kong, far exceeding the Government's key performance indicator of drawing at least 35 000 talents per year.

5.21 In the 2023 Policy Address, the Chief Executive (CE) announced a number of further new measures to attract and retain talents. The physical office of the Hong Kong Talent Engage was established in late October to provide support for incoming talents and follow up with their development and needs after arrival. Besides, the list of eligible universities under the TTPS was expanded on 1 November to add eight top institutions from the Mainland and overseas, making a total of 184 institutions. Moreover, the Government will implement the Capital Investment Entrant Scheme, under which eligible investors who make investments of \$30 million or above in assets such as stocks, funds, bonds, etc. (excluding real estate) can apply for entry into Hong Kong. Separately, the Government will launch the Vocational Professionals Admission Scheme on a pilot basis for two years. Starting from the 2024/25 admission cohort, non-local students of designated full-time professional Higher Diploma programme of the Vocational Training Council will be allowed to stay in Hong Kong for one year after graduation to seek jobs relevant to their disciplines. Furthermore, from 1 November 2023, full-time non-local postgraduate students are temporarily exempted from the restrictions on taking up part-time jobs to enhance their experience and understanding of working in Hong Kong and increase their incentive to stay for development after graduation.

5.22 The Policy Address also unveiled measures to encourage more locals to join the labour market. First, the Government will strengthen support for working families in childbearing and unleash their labour force. Among these measures, starting from April 2024, the rates of the household and child allowances under the Working Family Allowance Scheme will be increased by 15%. Over the next three years starting from 2024, 10 more aided standalone child care centres will be set up in phases, and the After-School Care Programme for Pre-primary Children will be extended in phases to cover all districts in Hong Kong. Second, the Government will strengthen re-training and promote re-

employment. Among these measures, the maximum monthly retraining allowance will be increased from \$5,800 to \$8,000 after the relevant legislative amendments in early 2024. A three-year Re-employment Allowance Pilot Scheme will be launched to encourage the elderly and middle-aged persons aged 40 or above who have not been in paid employment for three consecutive months or more to rejoin the labour market.

5.23 To address the labour shortage issue, the Government also implemented various measures on labour importation on the premise of safeguarding the employment priority for local workers. The approval process for the first round of applications under each sector-specific labour importation scheme was completed from August to October 2023. Specifically, around 1 000 quotas were approved under the scheme to import care workers for residential care homes. Moreover, 4 680, 2 841 and 969 quotas were approved under the labour importation schemes for the construction sector, the aviation industry, and the public light bus/coach trade respectively. Separately, the Enhanced Supplementary Labour Scheme was launched on 4 September 2023.

5.24 The Minimum Wage Commission (MWC) completed the study on enhancing the review mechanism of Statutory Minimum Wage and submitted a report to the Chief Executive on 31 October 2023. The Government will examine and consider the recommendations made by MWC, and decide on the way forward of the review mechanism in six months' time.

## 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.
- (9) The headline Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for the median monthly employment earnings of full-time employees (excluding foreign domestic helpers).
- (10) The headline Composite CPI is also taken as the price deflator for the median monthly household income (excluding foreign domestic helpers).

## CHAPTER 6 : PRICES

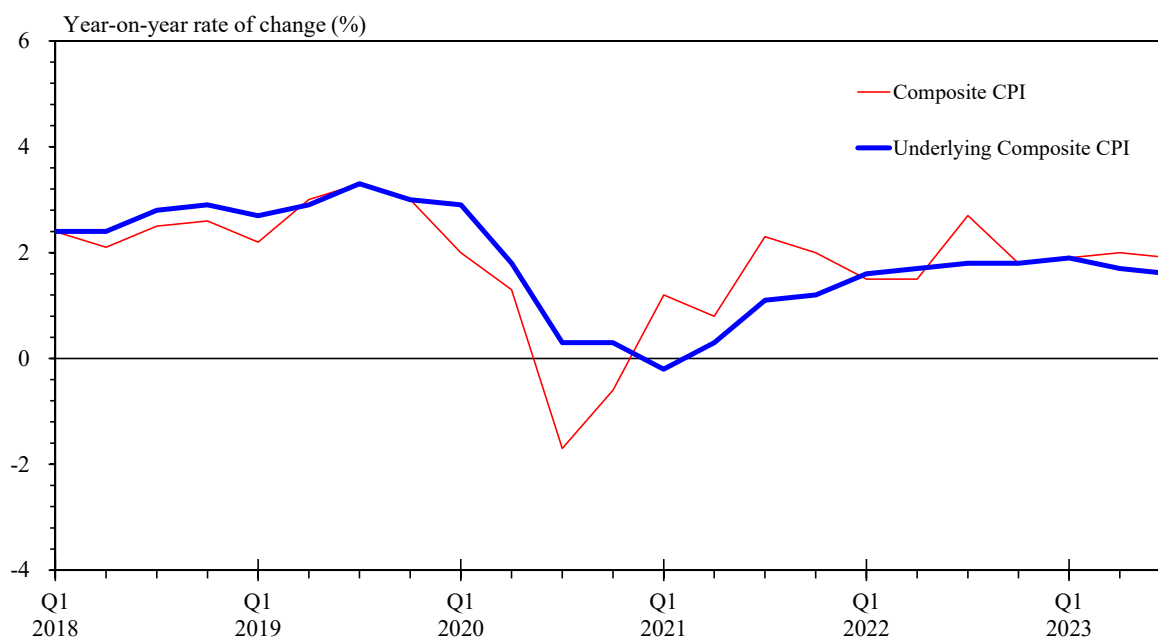
### *Summary*

- *Underlying consumer price inflation stayed moderate in overall terms in the third quarter of 2023. Prices of meals out and takeaway food recorded a visible but softened increase over a year earlier, while prices of basic food continued to show a modest increase. The increase in prices of electricity remained notable despite a sharp deceleration. Prices of clothing and footwear continued to rise visibly. Price pressures on other major components stayed largely 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 1.6% year-on-year in the third quarter, after increasing by 1.7% in the preceding quarter. The headline Composite CPI rose by 1.9% in the third quarter, compared with 2.0% increase in the preceding quarter.*
- *Domestic business cost pressures remained contained. Wage growth accelerated further on the back of the continued improvement in labour market conditions, but was still largely moderate. Commercial rentals stayed soft.*
- *External price pressures showed some moderation, alongside easing inflation in many major economies<sup>(2)</sup> from earlier peaks. Import prices of most end-use categories recorded narrowed increases, while those of fuels plunged further from a high base of comparison.*

## Consumer prices

6.1 Underlying consumer price inflation stayed moderate in overall terms in the third quarter of 2023. Prices of meals out and takeaway food recorded a visible but softened increase over a year earlier, while prices of basic food continued to show a modest increase. The increase in prices of electricity remained notable despite a sharp deceleration. Prices of clothing and footwear continued to rise visibly. Price pressures on other major components stayed largely in check. Private housing rentals continued to decline. Domestic business cost pressures remained contained. Wage growth accelerated further on the back of the continued improvement in labour market conditions, but was still largely moderate. Commercial rentals stayed soft. External price pressures showed some moderation, alongside easing inflation in many major economies from earlier peaks. Import prices of most end-use categories recorded narrowed increases, while those of fuels plunged further from a high base of comparison.

**Diagram 6.1: Underlying consumer price inflation stayed moderate in overall terms in the third 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 1.6% in the third quarter of 2023, compared with 1.7% in the preceding quarter. The headline Composite CPI inflation rate was 1.9% in the third quarter, compared with 2.0% in the preceding quarter. The headline inflation rate was higher than its underlying counterpart as the ceiling of rates concession for each rateable tenement, at \$1,000 in the third quarter of 2023, was lower than the \$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	2.0
	Q1	1.9	1.9	2.0	1.8	2.0
	Q2	1.7	2.0	2.2	1.9	2.0
	Q3	1.6	1.9	1.9	1.8	1.9

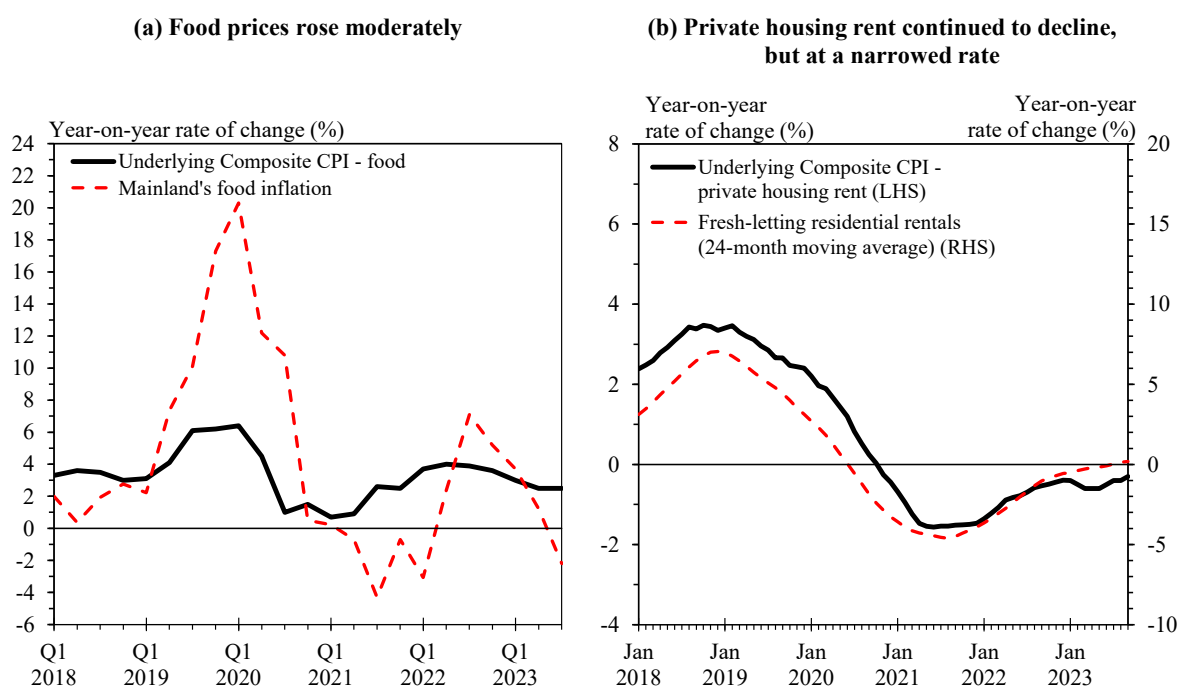
**(seasonally adjusted quarter-to-quarter rate of change (%))**

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
	Q3	0.3	0.3	0.4	0.4	0.4

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

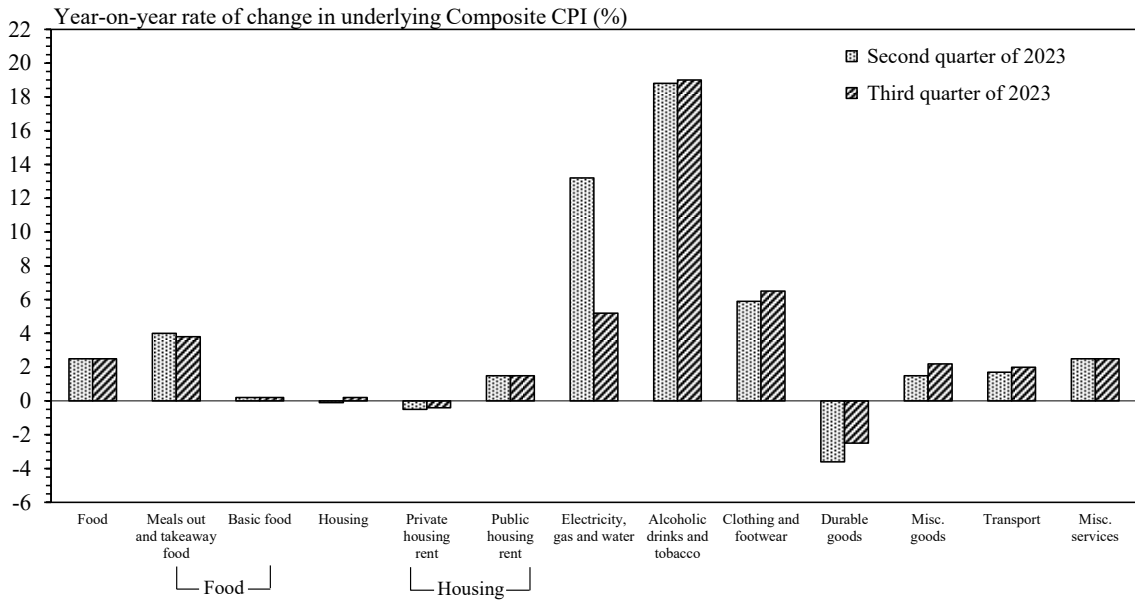
6.3 Analysed by major component of the underlying Composite CPI, food prices, the component with the largest weight other than housing, rose by a moderate 2.5% year-on-year in the third quarter of 2023. Prices of meals out and takeaway food recorded a visible but softened increase of 3.8%, whereas the increase in prices of basic food remained at a modest 0.2%. Prices of electricity, gas and water rose notably, but the pace moderated sharply. Prices of clothing and footwear continued to rise visibly. Prices of alcoholic drinks and tobacco continued to register a double-digit increase alongside the tobacco duty hike effective late February this year. Increases in prices of transport, miscellaneous services and miscellaneous goods remained moderate. The decline in prices of durable goods narrowed. The private housing rental component continued to decline, but the rate narrowed to 0.4% as the effect of rising fresh-letting residential rentals since early 2023 gradually fed through.

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

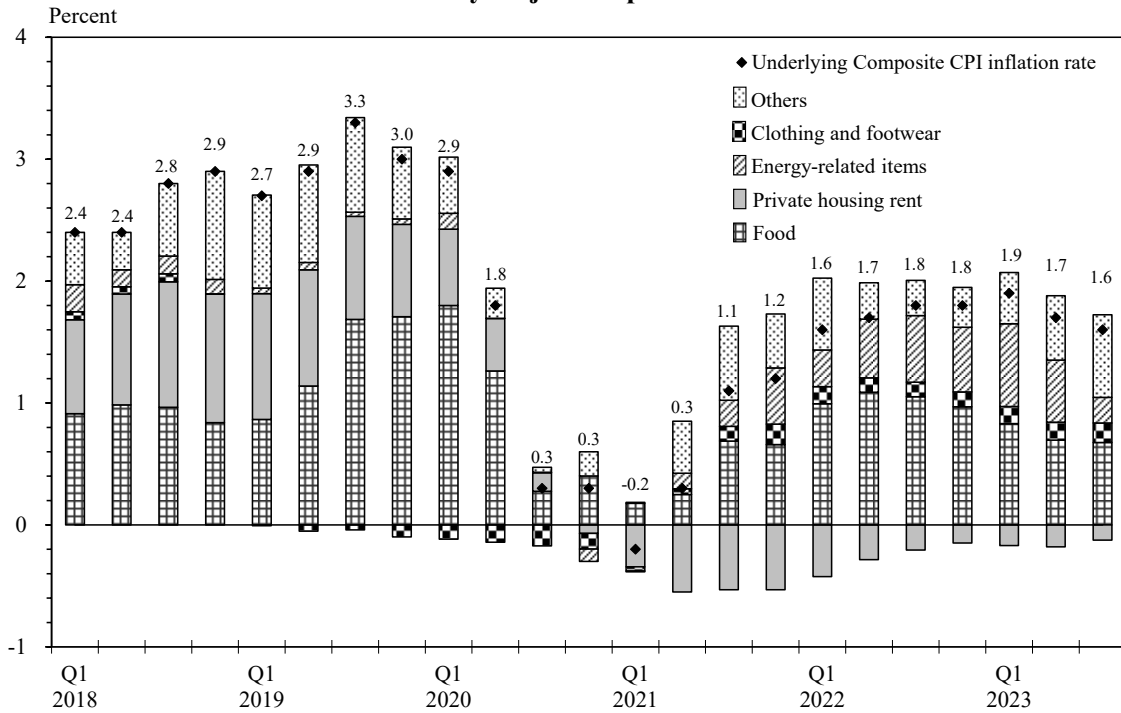


Note : The year-on-year rates of change of the CPI from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15-based series.

**Diagram 6.3 (a) : Prices of meals out and takeaway food recorded a visible but softened increase, while those of clothing and footwear, and electricity, gas and water rose 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 CPI by component  
(year-on-year rate of change (%))**

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>Annual</u>	<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>Q3</u>
Food	27.41	3.8	3.7	4.0	3.9	3.6	3.0	2.5	2.5
<i>Meals out and takeaway food</i>	17.05	3.4	3.1	3.4	3.4	3.6	4.4	4.0	3.8
<i>Basic food</i>	10.36	4.5	4.6	5.0	4.7	3.6	0.8	0.2	0.2
Housing <sup>(a)</sup>	40.25	-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)	0.2 (0.8)
<i>Private housing rent</i>	35.46	-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)	-0.4 (0.4)
<i>Public housing rent</i>	1.87	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)	1.5 (1.7)
Electricity, gas and water	2.82	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)	5.2 (6.1)
Alcoholic drinks and tobacco	0.49	1.3	0.3	1.5	1.8	1.7	11.2	18.8	19.0
Clothing and footwear	2.42	5.3	6.1	4.9	5.1	5.0	5.9	5.9	6.5
Durable goods	4.00	0.6	1.7	1.6	0.4	-1.2	-2.3	-3.6	-2.5
Miscellaneous goods	3.32	0.4	-0.2	0.4	0.6	0.6	0.9	1.5	2.2
Transport	6.17	2.9	6.1	1.8	1.8	1.9	1.4	1.7	2.0
Miscellaneous services	13.12	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)	2.5 (2.5)
All items	100.00	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)	1.6 (1.9)

Notes : (a) The housing component covers rents, rates, Government rent, management fees and other housing charges. Its sub-components on private and public housing rents as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public housing rents is slightly less than the weighting of the entire housing component.

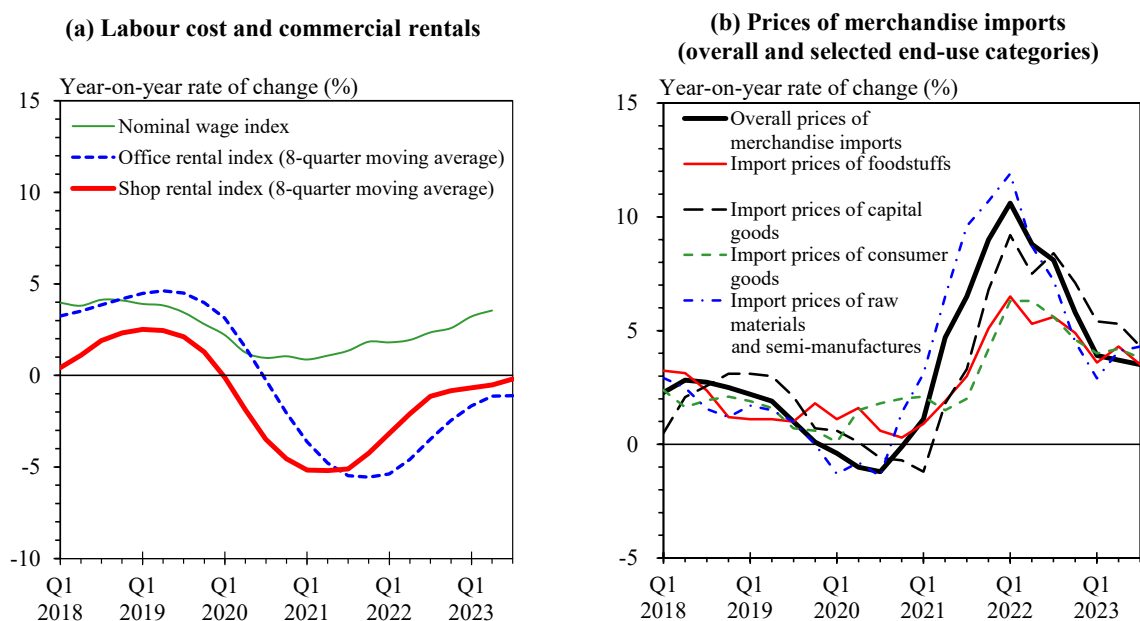
( ) Figures in brackets represent the headline rates of change before netting out the effects of Government's one-off relief measures.

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

## Costs of factor inputs and import prices

6.4 Domestic business cost pressures remained contained in the third quarter of 2023. As labour market conditions continued to improve, the year-on-year increase in nominal wages accelerated further, but was still largely moderate. Commercial rentals faced by businesses stayed soft. As a proxy, the eight-quarter moving average of office rentals and shop rentals fell further by 1.1% and 0.2% respectively in the third quarter.

**Diagram 6.4 : Domestic business cost remained contained, while external price pressures showed some moderation in overall terms**



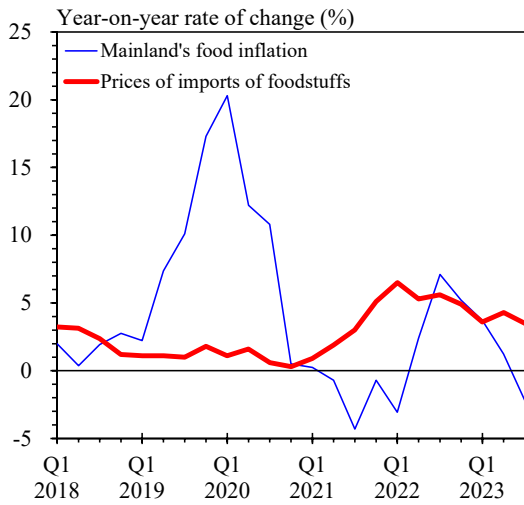
6.5 External price pressures showed some moderation in the third quarter. While remained high, inflation in many major economies have eased from earlier peaks. Against this backdrop, the year-on-year increase in prices of overall merchandise imports narrowed slightly to 3.5%. Import prices of capital goods, consumer goods and foodstuffs rose at slower rates of 4.3%, 3.8% and 3.5% respectively, though those of raw materials and semi-manufactures rose further by 4.3%. Import prices of fuels plunged further by 21.7% from the high base a year earlier despite a renewed spike in international oil prices during the quarter.

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

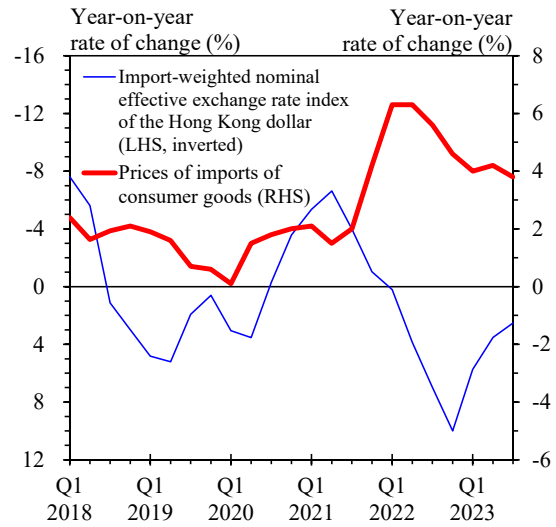
		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials and semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2022	Annual	5.6	5.6	7.9	49.8	7.8	8.1
	H1	5.9	6.3	10.2	61.9	8.3	9.7
	H2	5.2	5.0	5.9	41.1	7.7	6.9
	Q1	6.5	6.3	11.9	53.0	9.2	10.6
	Q2	5.3	6.3	8.7	71.3	7.5	8.8
	Q3	5.6	5.6	7.2	56.8	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
	Q3	3.5	3.8	4.3	-21.7	4.3	3.5

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

**(a) Increase in import prices of foodstuffs moderated**

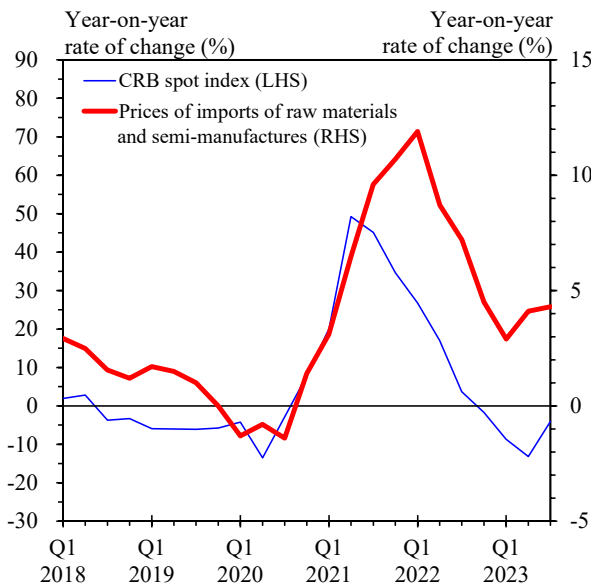


**(b) Import prices of consumer goods increased at a decelerated rate**

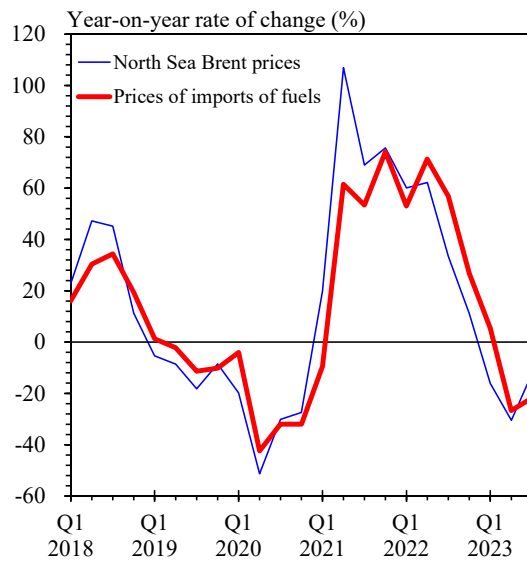


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

**(c) Import prices of raw materials and semi-manufactures rose further**



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



## Output prices

6.6 Output prices, as measured by the *Producer Price Indices*<sup>(3)</sup>, continued to exhibit mixed movements across various sectors in the second quarter of 2023. Output prices for the manufacturing sector turned to a marginal decline. Among the selected service sectors, output prices for accommodation services surged further and surpassed the pre-pandemic level. Output prices for courier services increased at an accelerated rate. On the other hand, output prices for both air transport and water transport fell sharply further from the high levels caused by the pandemic-induced disruption a year ago. Output prices for land transport declined moderately, 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>	<u>Q2</u>
Manufacturing	1.2	0.8	2.3	0.8	0.4	-0.3	0.9	-0.2
Selected service sectors								
Accommodation services	3.3	13.0	8.9	12.2	17.2	13.6	21.1	29.7
Land transport	2.7	9.5	9.4	10.8	9.4	8.5	4.4	-2.3
Water transport	63.2	18.1	57.0	40.0	10.2	-17.0	-38.7	-42.2
Air transport	36.7	2.8	42.8	17.8	-1.7	-29.5	-28.9	-30.0
Telecommunications	-1.7	-1.3	-0.6	-0.8	-1.8	-2.2	-1.1	-1.3
Courier services	-1.9	-4.5	-4.1	-4.1	-4.0	-5.8	1.4	4.1

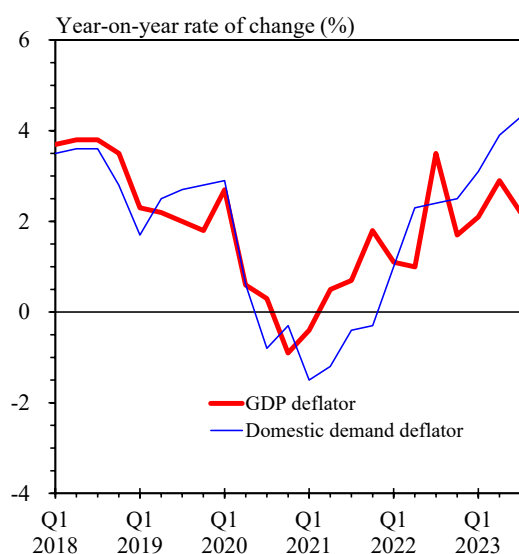


## GDP deflator

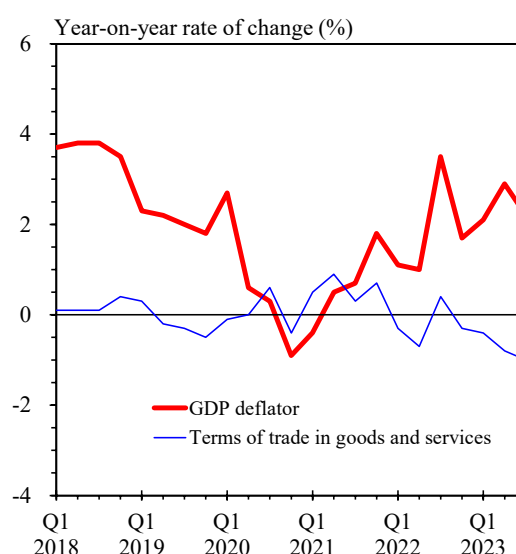
6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*<sup>(4)</sup> rose by 2.2% in the third quarter over a year earlier, following an increase of 2.9% in the preceding quarter. The *terms of trade*<sup>(5)</sup> deteriorated as import prices rose faster than export prices. Taking out the external trade components, the domestic demand deflator increased by 4.3% in the third quarter, after rising by 3.9% in the preceding quarter.

**Diagram 6.6: GDP deflator**

**(a) The GDP deflator rose in the third 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>	Q3 <sup>#</sup>	
Private consumption expenditure	-0.6	2.2	0.9	2.0	2.9	3.0	4.5	4.7	5.6	
Government consumption expenditure	0.7	2.7	1.7	4.0	3.2	2.0	2.8	3.2	2.7	
Gross domestic fixed capital formation	-2.1	1.3	*	4.5	1.3	-0.6	-1.2	-0.6	0.1	
Total exports of goods <sup>&amp;</sup>	5.1	6.8	9.3	7.0	7.1	4.6	3.7	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	4.1	
Exports of services <sup>&amp;</sup>	14.5	7.1	13.7	11.7	4.3	-0.1	-3.3	-4.1	-3.9	
Imports of services <sup>&amp;</sup>	9.9	4.7	9.4	8.1	1.6	0.6	0.3	-2.8	0.4	
<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;0.9&gt;</b>	<b>2.2</b> <b>&lt;2.1&gt;</b>	
Total final demand <sup>&amp;</sup>	3.7	5.2	6.9	5.8	5.3	3.3	2.5	3.0	3.0	
Domestic demand	-0.8	2.1	1.0	2.3	2.4	2.5	3.1	3.9	4.3	
Terms of trade in goods and services <sup>&amp;</sup>	0.6	-0.2	-0.3	-0.7	0.4	-0.3	-0.4	-0.8	-1.0	

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

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

(#) Revised figures.

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

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

## Notes :

- (1) The Consumer Price Indices (A), (B) and (C) are compiled with reference to the average expenditure patterns for different groups of households as obtained from the Household Expenditure Survey. Then, by aggregating the expenditure patterns of all the households covered by the above three indices, a Composite CPI is compiled.

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

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

	<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>	<u>Q3</u>
Selected developed economies									
US	4.7	8.0	8.0	8.6	8.3	7.1	5.8	4.0	3.5
Canada	3.4	6.8	5.8	7.5	7.2	6.7	5.1	3.5	3.7
EU	2.9	9.2	6.5	8.8	10.3	11.0	9.4	7.2	5.7
Japan	-0.2	2.5	0.9	2.4	2.9	3.9	3.6	3.4	3.1
Selected major emerging economies									
Mainland China	0.9	2.0	1.1	2.2	2.7	1.8	1.3	0.1	-0.1
Russia	6.7	13.8	11.6	17.0	14.3	12.2	8.6	2.7	5.2
India	5.1	6.7	6.3	7.3	7.0	6.1	6.2	4.6	6.4
Brazil	8.3	9.3	10.7	11.9	8.6	6.1	5.3	3.8	4.6
Selected Asian economies									
Hong Kong	1.6	1.9	1.5	1.5	2.7	1.8	1.9	2.0	1.9
Singapore	2.3	6.1	4.6	5.9	7.3	6.6	6.1	5.1	4.1
Taiwan	2.0	2.9	2.8	3.5	2.9	2.6	2.6	2.0	2.4
Korea	2.5	5.1	3.8	5.4	5.9	5.2	4.7	3.2	3.1
Malaysia	2.5	3.4	2.2	2.8	4.5	3.9	3.6	2.8	2.0
Thailand	1.2	6.1	4.7	6.5	7.3	5.8	3.9	1.1	0.5
Indonesia	1.6	4.2	2.3	3.8	5.2	5.5	5.2	3.9	2.9
Philippines	3.9	5.8	3.4	5.5	6.5	7.9	8.3	6.0	5.4
Vietnam	1.8	3.2	1.9	3.0	3.3	4.4	4.2	2.4	2.9
Macao	*	1.0	1.0	1.2	1.2	0.8	0.8	0.8	0.9

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.

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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> Q4 <sup>#</sup>	Q1 <sup>#</sup>	<u>2023</u> Q2 <sup>#</sup>	Q3 <sup>#</sup>
Private consumption expenditure	1,973,720	1,775,202	1,863,260	1,881,744	513,707	501,669	537,162	523,565
Government consumption expenditure	309,437	341,052	363,545	403,819	100,609	108,517	93,216	97,052
Gross domestic fixed capital formation	520,575	455,695	483,013	451,419	114,708	113,520	121,556	127,072
Building and construction	278,091	254,459	259,882	277,306	70,851	69,797	73,753	74,202
Costs of ownership transfer	49,209	40,071	53,278	29,441	4,997	8,587	7,883	5,300
Machinery, equipment and intellectual property products	193,275	161,165	169,853	144,672	38,860	35,136	39,920	47,570
Changes in inventories	-3,067	52,221	-1,909	-29,722	-22,318	-10,993	-19,092	5,096
Total exports of goods <sup>&amp;</sup>	4,255,098	4,198,338	5,236,005	4,813,750	1,153,652	1,024,756	1,067,889	1,164,229
Imports of goods <sup>&amp;</sup>	4,375,619	4,239,663	5,211,334	4,858,579	1,152,415	1,063,834	1,133,375	1,188,075
Exports of services <sup>&amp;</sup>	799,121	519,205	615,069	649,345	164,782	189,635	181,181	193,633
Imports of services <sup>&amp;</sup>	634,243	426,257	480,027	493,730	138,037	143,641	141,757	155,471
<b>GDP</b>	<b>2,845,022</b>	<b>2,675,793</b>	<b>2,867,622</b>	<b>2,818,046</b>	<b>734,688</b>	<b>719,629</b>	<b>706,780</b>	<b>767,101</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>770,106</b>	<b>759,049</b>	<b>786,613</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	2,025,140	1,927,104	1,981,912	2,110,647
Total final demand excluding re-exports <sup>(a)</sup>	4,602,059	4,099,539	4,454,025	4,407,055	1,142,888	1,148,047	1,146,069	1,209,814
Domestic demand	2,800,665	2,624,170	2,707,909	2,707,260	706,706	712,713	732,842	752,785
Private	2,359,687	2,147,406	2,201,837	2,133,733	562,048	555,407	599,191	618,666
Public	440,978	476,764	506,072	573,527	144,658	157,306	133,651	134,119
External demand	5,054,219	4,717,543	5,851,074	5,463,095	1,318,434	1,214,391	1,249,070	1,357,862

- 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:	
					Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <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	1.7	13.0	7.7	6.3	1.7	-0.5		
Government consumption expenditure	5.1	7.9	5.9	8.2	9.1	1.3	-9.8	-4.5	4.7	6.2		
Gross domestic fixed capital formation	-14.9	-11.1	8.3	-7.7	-8.9	7.9	-0.5	18.4	-2.4	-5.1		
Building and construction	-10.8	-9.1	-0.5	5.1	7.2	-0.8	8.0	12.5	-0.5	-3.3		
Costs of ownership transfer	-13.4	-4.0	36.3	-41.0	-50.0	24.3	-5.0	-20.4	-6.7	-9.9		
Machinery, equipment and intellectual property products	-20.8	-16.0	15.2	-16.8	-21.2	24.1	-12.8	39.9	-4.5	-7.0		
Total exports of goods <sup>&amp;</sup>	-5.5	-1.4	18.7	-13.9	-24.9	-18.9	-15.1	-8.6	1.3	-0.3		
Imports of goods <sup>&amp;</sup>	-8.2	-3.2	17.2	-13.2	-22.9	-14.6	-15.8	-5.9	1.0	-1.1		
Exports of services <sup>&amp;</sup>	-9.6	-34.8	3.4	-1.4	0.6	16.6	22.8	23.9	-3.9	-8.9		
Imports of services <sup>&amp;</sup>	0.1	-32.2	2.5	-1.7	1.2	20.7	25.4	28.3	-3.0	-6.8		
<b>GDP</b>	<b>-1.7</b>	<b>-6.5</b>	<b>6.4</b>	<b>-3.5</b>	<b>-4.1</b>	<b>2.9</b>	<b>1.5</b>	<b>4.1</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>-3.2</b>	<b>4.4</b>	<b>0.1</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	-15.3	-6.3	-7.6	-0.3	0.8	-1.3		
Total final demand excluding re-exports <sup>(a)</sup>	-5.0	-11.1	6.0	-4.7	-4.5	7.0	-0.1	7.8	-0.1	-2.4		
Domestic demand	-3.7	-6.9	4.1	-2.1	1.1	11.7	-1.7	8.7	1.1	-0.9		
Private	-4.6	-9.3	3.8	-4.9	-1.0	15.9	-0.7	11.4	0.5	-2.2		
Public	1.5	6.2	5.2	10.1	10.2	-1.0	-6.0	-2.0	4.2	5.0		
External demand	-6.1	-6.7	17.0	-12.6	-22.4	-14.7	-10.9	-4.8	0.6	-1.5		

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

	2018		2019		2020		2021 <sup>#</sup>		2022 <sup>#</sup>	
	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share	\$Mn	% share
Agriculture, fishing, mining and quarrying	1,762	0.1	2,057	0.1	2,648	0.1	2,168	0.1	1,474	0.1
Manufacturing	27,571	1.0	29,366	1.1	25,525	1.0	26,175	1.0	26,628	1.0
Electricity, gas and water supply, and waste management	35,660	1.3	34,083	1.2	35,325	1.4	36,348	1.3	33,815	1.2
Construction	120,473	4.5	114,499	4.2	104,262	4.1	109,254	4.0	117,160	4.3
Services	2,514,947	93.1	2,560,716	93.4	2,392,895	93.4	2,571,900	93.7	2,559,956	93.5
<i>Import/export, wholesale and retail trades</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>493,958</i>	<i>18.0</i>
<i>Accommodation and food services</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>45,164</i>	<i>1.6</i>
<i>Transportation, storage, postal and courier services</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>205,312</i>	<i>7.5</i>
<i>Information and communications</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>100,085</i>	<i>3.7</i>
<i>Financing and insurance</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>614,611</i>	<i>22.4</i>
<i>Real estate, professional and business services</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>232,547</i>	<i>8.5</i>
<i>Public administration, social and personal services</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>583,168</i>	<i>21.3</i>
<i>Ownership of premises</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>	<i>285,111</i>	<i>10.4</i>
<b>GDP at basic prices</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>	<b>2,739,033</b>	<b>100.0</b>
Taxes on products	117,825	--	93,623	--	102,066	--	138,757	--	105,301	--
Statistical discrepancy (%)	0.6	--	0.4	--	0.5	--	-0.6	--	-0.9	--
<b>GDP at current market prices</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>	<b>2,818,046</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>	
							Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Agriculture, fishing, mining and quarrying	-5.2	-1.8	-0.8	3.8	-2.5	-6.0	-5.1	-0.7	-0.8	4.3
Manufacturing	0.4	1.3	0.4	-5.8	5.5	0.2	-0.5	-0.1	3.8	2.7
Electricity, gas and water supply, and waste management	0.9	0.1	-0.5	-14.2	3.7	-2.5	-1.3	-2.2	0.9	3.1
Construction	-1.3	3.3	-9.7	-11.7	-0.6	5.8	2.0	8.0	-1.7	7.3
Services	3.5	3.1	-0.6	-6.7	5.9	-3.1	-3.3	-4.2	3.1	1.8
<i>Import/export, wholesale and retail trades</i>	4.2	4.2	-7.5	-15.0	13.3	-12.1	-12.8	-19.7	-7.4	-4.0
<i>Accommodation and food services</i>	2.0	5.9	-11.7	-44.8	22.6	-10.8	-7.4	-6.0	83.8	23.1
<i>Transportation, storage, postal and courier services</i>	4.8	2.5	-1.7	-36.9	7.7	-4.6	-5.2	1.0	30.6	27.4
<i>Information and communications</i>	4.0	4.1	4.7	1.7	2.6	0.8	0.2	0.8	0.6	-0.3
<i>Financing and insurance</i>	5.3	4.0	3.4	4.0	4.7	-0.1	-1.9	0.3	-2.9	-1.5
<i>Real estate, professional and business services</i>	2.1	-0.4	-0.2	-4.6	2.1	-2.7	-2.2	-2.4	5.2	-1.0
<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	2.4
<i>Ownership of premises</i>	0.9	1.0	0.6	-0.3	1.2	0.6	0.9	1.0	1.0	1.1
Taxes on products	13.7	-3.9	-11.3	17.6	22.3	-15.8	-25.7	-2.1	4.6	-11.7
<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>-4.6</b>	<b>-4.1</b>	<b>2.9</b>	<b>1.5</b>

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

**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>	
						Q3 <sup>#</sup>	Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>
Current account <sup>(a)</sup>	105,942	166,482	187,012	339,429	296,871	116,263	59,662	42,620	50,024
Goods	-252,997	-120,521	-41,325	24,671	-44,829	15,296	1,237	-39,078	-65,486
Services	246,936	164,878	92,948	135,042	155,615	41,912	26,745	45,994	39,424
Primary income	134,815	143,717	156,083	198,732	199,526	62,848	35,418	39,420	79,833
Secondary income	-22,813	-21,592	-20,694	-19,017	-13,441	-3,792	-3,738	-3,717	-3,746
Capital account <sup>(a)</sup>	-1,574	-682	-90	-10,363	1,287	-89	-382	-93	-109
Financial account <sup>(b)</sup>	173,507	236,756	243,839	363,230	291,113	147,774	32,975	8,265	79,285
Financial non-reserve assets	165,948	245,612	-19,211	372,371	658,325	286,160	49,504	4,627	169,793
Direct investment	-172,795	-160,730	-263,703	-340,141	-110,712	-25,043	-124,929	88,402	-65,760
Portfolio investment	616,428	215,764	528,049	620,493	415,531	239,172	143,507	-22,654	295,262
Financial derivatives	-33,202	-1,239	-18,790	-45,126	-138,760	-56,206	-52,355	-8,795	-10,181
Other investment	-244,483	191,817	-264,766	137,145	492,266	128,237	83,281	-52,325	-49,527
Reserve assets	7,559	-8,855	263,050	-9,142	-367,212	-138,386	-16,529	3,638	-90,508
Net errors and omissions	69,139	70,957	56,918	34,164	-7,045	31,600	-26,306	-34,261	29,370
<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>-138,386</b>	<b>-16,529</b>	<b>3,638</b>	<b>-90,508</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>2022</u>	<u>2023</u>	<u>2023</u>
						Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>
Total exports of goods	4,453,350	4,255,098	4,198,338	5,236,005	4,813,750	1,153,652	1,024,756	1,067,889	1,164,229
Imports of goods	4,706,347	4,375,619	4,239,663	5,211,334	4,858,579	1,152,415	1,063,834	1,133,375	1,188,075
<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>1,237</b> <b>(0.1)</b>	<b>-39,078</b> <b>(-3.7)</b>	<b>-65,486</b> <b>(-5.8)</b>	<b>-23,846</b> <b>(-2.0)</b>
Exports of services	886,883	799,121	519,205	615,069	649,345	164,782	189,635	181,181	193,633
Imports of services	639,947	634,243	426,257	480,027	493,730	138,037	143,641	141,757	155,471
<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>26,745</b> <b>(19.4)</b>	<b>45,994</b> <b>(32.0)</b>	<b>39,424</b> <b>(27.8)</b>	<b>38,162</b> <b>(24.5)</b>
Exports of goods and services	5,340,233	5,054,219	4,717,543	5,851,074	5,463,095	1,318,434	1,214,391	1,249,070	1,357,862
Imports of goods and services	5,346,294	5,009,862	4,665,920	5,691,361	5,352,309	1,290,452	1,207,475	1,275,132	1,343,546
<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>27,982</b> <b>&lt;2.2&gt;</b>	<b>6,916</b> <b>&lt;0.6&gt;</b>	<b>-26,062</b> <b>&lt;-2.0&gt;</b>	<b>14,316</b> <b>&lt;1.1&gt;</b>

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

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

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

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>		<u>2023</u>	
	(% change)				(% change)	(\$Mn)	Q4	Q1	Q2	Q3
							(% 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>-21.7</b>	<b>-17.7</b>	<b>-13.3</b>	<b>-6.0</b>
Mainland of China	8.6	-3.3	5.1	27.0	-12.9	2,570,757	-25.0	-23.8	-14.5	-9.1
United States	8.1	-14.8	-14.9	19.6	-5.5	292,705	-24.3	-9.4	-19.5	-5.3
India	-15.3	-12.0	-17.6	36.6	29.0	171,673	-7.3	-14.9	-19.8	-1.8
Taiwan	-3.6	2.4	11.6	46.0	7.2	154,167	-18.1	-19.7	-18.8	-5.1
Vietnam	4.5	-3.6	5.3	22.2	8.9	112,424	-19.6	-16.5	-6.8	6.8
Japan	0.7	-6.4	-9.7	8.7	-13.8	102,488	-31.7	-29.1	-18.0	-16.0
United Arab Emirates	-7.7	7.1	-0.4	38.8	35.3	94,974	38.5	23.1	-3.7	15.2
Singapore	13.3	4.1	-17.5	17.7	18.6	82,916	-1.3	-25.1	-21.9	-24.5
Korea	2.1	-2.3	-7.6	42.7	9.2	81,435	-4.7	1.8	-10.8	-16.1
Netherlands	11.5	-4.4	-5.2	22.8	0.1	79,475	-4.6	31.2	-7.5	-4.6
Rest of the world	11.3	-2.0	-11.1	24.5	-13.0	788,635	-21.6	-8.5	-6.1	3.4

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>
	(% change)				(% change)	(\$Mn)	Q4	Q1	Q2	Q3
							(% 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>-18.8</b>	<b>-12.7</b>	<b>-13.6</b>	<b>-2.8</b>
Mainland of China	7.7	-5.9	-6.5	26.5	-14.6	2,077,660	-25.1	-10.0	-9.2	0.2
Taiwan	2.7	-2.4	22.8	35.0	7.3	587,422	-13.5	-21.4	-13.9	-5.5
Singapore	9.0	-7.5	8.1	31.7	-3.7	398,535	-19.6	-27.5	-34.1	-7.2
Korea	10.4	-20.9	12.3	31.3	-10.7	289,773	-21.7	-39.9	-30.5	-21.8
Japan	2.6	-2.8	-5.0	12.8	-10.4	242,758	-16.8	-16.5	-12.5	-5.8
United States	8.1	-7.9	-17.9	18.3	1.3	209,351	-14.6	-9.2	-13.9	2.1
Malaysia	64.6	-14.3	1.2	1.7	6.1	176,900	-8.5	-13.0	-21.0	-20.8
Vietnam	7.3	18.5	28.4	16.9	22.3	143,864	9.5	-17.3	-23.6	-17.5
Philippines	1.1	-9.1	-0.1	25.1	7.4	94,156	14.7	-0.5	-13.2	-15.1
Thailand	2.8	-7.4	1.4	18.9	-8.9	93,666	-26.3	-26.4	-22.0	8.1
Rest of the world	6.4	-4.9	-17.0	17.0	-3.6	613,381	-9.0	13.6	-1.4	10.5

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>2022</u>	<u>2023</u>	<u>2023</u>	<u>2023</u>
						Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <sup>#</sup>	
	(% change)			(% change)		(\$Mn)	(% 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>0.4</b>	<b>12.8</b>	<b>17.8</b>	<b>19.1</b>
Transport	9.0	-4.7	-24.7	37.8	1.1	258,839	-19.3	-14.0	-15.6	-8.4
Travel	11.2	-21.6	-90.2	-35.1	70.8	24,563	99.9	541.7	842.5	824.6
Financial services	10.9	-2.8	-0.3	10.0	12.0	207,809	23.9	2.7	-1.2	-7.7
Other services	5.1	-5.1	-9.0	11.7	-0.6	158,134	-3.1	5.7	3.8	5.8
<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>1.8</b>	<b>21.0</b>	<b>21.9</b>	<b>28.8</b>
Transport	6.6	-1.1	-19.8	35.7	0.8	157,650	-10.4	-4.4	-16.8	-9.9
Travel	4.7	1.6	-79.7	-38.9	64.8	43,102	171.2	397.9	436.6	381.5
Manufacturing <sup>^</sup>	2.0	-5.5	-10.4	20.0	-6.1	88,986	-17.8	-11.4	-10.8	-7.3
Other services	7.6	-1.3	-1.4	7.1	0.6	203,992	0.7	5.2	-0.3	5.0

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

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

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

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



**Table 10 : Incoming visitors by source**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u> Q4	Q1	<u>2023</u> Q2	Q3
<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>354.9</b>	<b>4 414.8</b>	<b>8 469.1</b>	<b>10 438.1</b>
Mainland of China	51 038.2	43 774.7	2 706.4	65.7	375.1	173.5	3 361.2	6 749.6	8 574.5
South and Southeast Asia	3 571.7	3 040.5	190.5	9.5	78.5	65.2	302.2	603.0	561.3
Taiwan	1 925.2	1 538.9	105.1	2.5	24.2	19.0	123.4	187.9	226.6
Europe	1 937.6	1 728.4	158.8	6.6	39.2	30.2	123.9	183.8	179.0
United States	1 304.2	1 107.2	80.8	1.4	26.0	19.4	62.7	147.2	167.9
Japan	1 287.8	1 078.8	50.3	0.3	7.3	6.2	35.2	70.6	108.0
Others	4 082.8	3 644.1	276.9	5.3	54.2	41.3	406.2	527.1	620.6
<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>1 154.3</b>	<b>38 322.6</b>	<b>13 027.6</b>	<b>5 909.4</b>
Mainland of China	14.8	-14.2	-93.8	-97.6	470.8	782.5	38 992.7	12 549.3	6 041.0
South and Southeast Asia	-1.5	-14.9	-93.7	-95.0	724.1	2 167.4	38 102.5	18 358.0	5 985.5
Taiwan	-4.3	-20.1	-93.2	-97.6	852.1	2 042.5	20 507.3	19 373.8	6 055.8
Europe	1.9	-10.8	-90.8	-95.9	498.0	1 445.8	21 525.5	7 780.1	2 823.2
United States	7.3	-15.1	-92.7	-98.3	1 803.8	4 618.7	51 260.7	9 614.9	3 288.8
Japan	4.7	-16.2	-95.3	-99.3	2 014.5	3 388.2	117 120.0	29 061.2	12 837.1
Others	1.0	-10.7	-92.4	-98.1	915.0	1 678.5	52 178.5	18 499.3	6 612.5

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

**Table 11 : Property market**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<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> Q4	Q1	<u>2023</u> Q2	Q3
<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	4 571	6 796	760	2 534
Commercial property	136	111	469	134	25	74	37
<i>of which :</i>							
Office space	69	70	351	108	15	29	9
Other commercial premises <sup>(b)</sup>	67	42	118	27	10	45	28
Industrial property <sup>(c)</sup>	38	30	180	0	18	0	0
<i>of which :</i>							
Industrial-cum-office premises	0	0	0	0	0	0	0
Conventional flatted factory space	38	30	105	0	18	0	0
Storage premises <sup>(d)</sup>	0	0	75	0	0	0	0
<b>Production of public housing</b>							
(in units)							
Rental housing flats <sup>(e)</sup>	6 605	13 057	12 285	312	0	819	N.A.
Subsidised sales flats <sup>(e)</sup>	7 610	3 222	6 996	2 868	3 562	0	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	189.7	123.9	139.9	N.A.
Commercial property	228.1	743.0	105.5	58.2	79.5	47.2	N.A.
Industrial property <sup>(f)</sup>	182.6	39.8	61.2	11.1	16.6	0.0	N.A.
Other properties	409.6	187.5	242.9	7.5	47.0	25.9	N.A.
Total	1 341.7	1 836.7	892.6	266.6	267.0	213.0	N.A.
<b>Agreements for sale and purchase of property</b>							
(Number)							
Residential property <sup>(g)</sup>	59 880	74 297	45 050	8 386	14 023	12 199	9 174
Primary market	15 317	17 650	10 315	1 284	2 805	3 569	2 516
Secondary market	44 563	56 647	34 735	7 102	11 218	8 630	6 658
Selected types of non-residential properties <sup>(h)</sup>							
Office space	686	1 077	667	160	183	192	135
Other commercial premises	1 269	2 189	1 397	291	314	284	297
Flatted factory space	2 117	3 637	2 006	368	521	551	422

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> Q4	Q1	<u>2023</u> Q2 <sup>#</sup>	Q3 <sup>+</sup>
<u>(Index (1999=100))</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	381.2	392.7	369.7	341.0	345.8	350.6	338.1
Office space	468.8	502.5	495.7	479.1	473.9	474.4	462.8
Shopping space	518.9	543.4	523.0	505.9	488.0	498.6	501.0
Flatted factory space	826.1	879.0	880.3	849.6	860.1	861.6	852.6
Property rental indices <sup>(b)</sup> :							
Residential flats	180.3	179.8	178.3	176.6	175.0	179.8	184.7
Office space	241.7	233.4	230.0	228.5	226.8	227.6	228.3
Shopping space	169.9	172.0	167.0	166.9	167.5	170.6	173.2
Flatted factory space	200.5	208.8	211.9	213.9	214.5	218.1	223.2
<u>(% change over a year earlier)</u>							
Property price indices :							
Residential flats <sup>(a)</sup>	-0.5	3.0	-5.9	-13.6	-10.3	-8.7	-8.2
Office space	-13.7	7.2	-1.4	-3.9	-6.8	-5.1	-7.4
Shopping space	-5.6	4.7	-3.8	-7.4	-10.1	-5.2	-3.2
Flatted factory space	-7.0	6.4	0.1	-5.3	-3.9	-3.4	-3.6
Property rental indices <sup>(b)</sup> :							
Residential flats	-7.3	-0.3	-0.8	-3.7	-2.7	1.2	3.3
Office space	-7.5	-3.4	-1.5	-2.6	-2.1	-0.7	-1.0
Shopping space	-9.2	1.2	-2.9	-4.9	-1.5	3.3	4.4
Flatted factory space	-4.4	4.1	1.5	-0.3	1.9	4.5	4.1

**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 (Jan 2020 =100) <sup>(b)</sup>							
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 (Jan 2020 =100) <sup>(b)</sup>							
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> Q4	Q1	<u>2023</u> Q2	Q3
<u>(at end of period)</u>							
Hong Kong dollar money supply (\$Mn)							
M1	1,972,719	2,078,911	1,708,421	1,708,421	1,709,591	1,625,680	1,535,901
M2 <sup>(a)</sup>	7,922,089	8,043,994	8,095,990	8,095,990	8,285,625	8,217,612	8,206,059
M3 <sup>(a)</sup>	7,937,038	8,057,408	8,108,473	8,108,473	8,298,864	8,230,408	8,219,643
Total money supply (\$Mn)							
M1	3,231,921	3,490,858	2,769,343	2,769,343	2,712,678	2,582,312	2,502,111
M2	15,606,608	16,272,650	16,536,080	16,536,080	16,619,681	16,552,573	16,785,739
M3	15,644,043	16,310,866	16,568,886	16,568,886	16,653,624	16,587,509	16,820,252
Deposits (\$Mn)							
HK\$	7,311,368	7,414,381	7,467,703	7,467,703	7,660,860	7,594,580	7,585,828
Foreign currency	7,202,247	7,771,839	7,971,437	7,971,437	7,858,581	7,874,008	8,201,780
Total	14,513,615	15,186,220	15,439,140	15,439,140	15,519,441	15,468,588	15,787,608
Loans and advances (\$Mn)							
HK\$	6,106,960	6,425,857	6,602,337	6,602,337	6,758,442	6,739,319	6,546,102
Foreign currency	4,391,617	4,467,291	3,968,295	3,968,295	3,904,735	3,780,573	3,746,042
Total	10,498,577	10,893,147	10,570,632	10,570,632	10,663,177	10,519,891	10,292,144
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) <sup>(b)</sup>							
Trade-weighted	100.0	95.5	100.1	104.8	100.9	102.5	105.0
Import-weighted	100.1	95.8	100.8	105.5	101.3	102.9	105.4
Export-weighted	100.0	95.1	99.3	104.1	100.3	102.0	104.5
<u>(% change over a year earlier)</u>							
Hong Kong dollar money supply							
M1	28.7	5.4	-17.8	-17.8	-20.4	-21.7	-19.2
M2 <sup>(a)</sup>	6.5	1.5	0.6	0.6	0.9	-0.1	2.3
M3 <sup>(a)</sup>	6.5	1.5	0.6	0.6	0.9	-0.1	2.3
Total money supply							
M1	30.1	8.0	-20.7	-20.7	-24.0	-22.2	-17.6
M2	5.8	4.3	1.6	1.6	1.4	1.5	2.8
M3	5.8	4.3	1.6	1.6	1.4	1.5	2.8
Deposits							
HK\$	6.2	1.4	0.7	0.7	1.1	0.1	2.8
Foreign currency	4.6	7.9	2.6	2.6	1.1	2.9	3.8
Total	5.4	4.6	1.7	1.7	1.1	1.5	3.3
Loans and advances							
HK\$	-1.8	5.2	2.7	2.7	4.7	2.4	-1.5
Foreign currency	5.6	1.7	-11.2	-11.2	-14.6	-14.1	-10.3
Total	1.2	3.8	-3.0	-3.0	-3.3	-4.2	-4.9
Nominal Effective Exchange Rate Indices							
(Jan 2020 =100) <sup>(b)</sup>							
Trade-weighted	0.6	-4.5	4.8	9.9	6.0	3.9	2.9
Import-weighted	0.6	-4.3	5.2	10.0	5.7	3.5	2.5
Export-weighted	0.8	-4.9	4.4	9.7	6.0	4.2	3.4

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>	
					Q3	Q4	Q1	Q2
<b>Services Industry</b>								
Import and export trade	-6.6	-3.6	23.9	-8.5	-12.0	-22.2	-17.5	-14.4
Wholesale	-8.3	-7.9	13.3	-5.8	-7.7	-10.8	3.8	-12.0
Retail	-11.1	-24.3	8.1	-0.8	1.4	0.4	24.1	17.5
Transportation	-2.3	-19.7	54.1	5.8	-1.9	-21.3	-20.0	-25.1
<i>within which:</i>								
Land transport	1.3	-23.9	4.0	-3.3	-2.4	-3.3	29.7	18.9
Water transport	0.1	10.7	85.9	5.0	-5.1	-35.1	-47.1	-50.7
Air transport	-4.9	-36.2	43.3	9.7	2.4	-8.7	10.6	-2.7
Warehousing and storage	-1.4	11.5	27.6	-4.6	-3.5	-9.4	0.5	-1.4
Courier	-3.9	28.4	19.0	-9.3	-9.0	-10.2	-12.5	-13.4
Accommodation services <sup>(a)</sup>	-14.3	-59.1	38.3	17.3	20.7	-2.5	84.7	45.5
Food services	-5.9	-29.4	16.8	-6.3	-1.9	1.7	81.8	24.3
Information and communications	1.2	-8.5	7.7	6.2	8.4	7.4	6.8	4.2
<i>within which:</i>								
Telecommunications	-2.6	-9.0	6.1	8.7	12.0	7.7	5.4	2.6
Film entertainment	-2.3	-44.0	26.7	-10.4	10.2	-15.6	131.8	33.1
Banking	2.8	-8.0	-4.3	10.2	8.9	43.6	30.6	31.0
Financing (except banking)	1.1	12.2	17.4	-14.7	-18.7	-8.2	-1.3	3.2
<i>within which:</i>								
Financial markets and asset management	0.8	13.2	19.6	-17.6	-21.8	-9.3	-5.2	-0.3
<i>within which : Asset management</i>	7.3	11.6	23.3	-19.6	-25.4	-27.3	-12.7	-5.4
Insurance	8.8	6.1	2.5	-6.0	-11.0	-15.1	-10.0	1.2
Real estate	11.4	3.2	-1.9	-8.9	-11.5	-6.9	6.3	-0.9
Professional, scientific and technical services	1.3	-2.1	6.6	3.5	3.1	6.4	5.1	4.0
Administrative and support services	0.4	-25.4	1.7	10.5	12.2	18.3	21.5	16.1
<b>Services Domain</b>								
Tourism, convention and exhibition services	-19.3	-86.7	-17.7	36.8	37.4	42.9	402.7 <sup>+</sup>	385.5 <sup>+</sup>
Computer and information technology services	-7.2	-3.2	20.1	-0.4	-4.8	-13.9	-9.1	5.9

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

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

(+) Provisional figures.



**Table 15 : Labour force characteristics**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>		<u>2023</u>	
						Q4	Q1	Q2	Q3
<u>(%)</u>									
Labour force participation rate	61.3	60.7	59.7	59.4	58.2	58.0	57.9	57.5	57.8
Seasonally adjusted unemployment rate <sup>(a)</sup>	2.8	2.9	5.8	5.2	4.3	3.5	3.1	2.9	2.8
Underemployment rate	1.1	1.1	3.3	2.6	2.3	1.5	1.2	1.1	1.0
<u>('000)</u>									
Population of working age	6 522.6	6 572.7	6 562.2	6 518.6	6 487.0	6 631.9	6 514.0	6 611.4	6 635.7
Labour force	3 996.8	3 987.8	3 918.5	3 870.4	3 776.3	3 847.3	3 769.2	3 802.4	3 834.3
Persons employed	3 884.6	3 871.4	3 690.9	3 670.2	3 613.2	3 720.0	3 654.1	3 688.8	3 720.3
Persons unemployed	112.1	116.3	227.6	200.3	163.1	127.2	115.1	113.6	114.0
Persons underemployed	43.2	42.0	129.9	98.9	88.1	55.9	46.7	41.5	37.9
<u>(% change over a year earlier)</u>									
Population of working age	0.8	0.8	-0.2	-0.7	-0.5	1.4	0.3	2.2	1.5
Labour force	1.0	-0.2	-1.7	-1.2	-2.4	-0.1	-0.6	1.3	0.7
Persons employed	1.4	-0.3	-4.7	-0.6	-1.6	0.4	1.4	3.2	1.9
Persons unemployed	-9.3	3.7	95.6	-12.0	-18.6	-12.4	-39.2	-37.0	-28.0
Persons underemployed	-5.4	-2.8	209.6	-23.8	-10.9	-16.1	-60.1	-62.9	-45.8

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

**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>		
	(% change)					Sep	Dec	Mar	Jun		
						(% change over a year earlier)					(No.)
Manufacturing	-3.0	-3.5	-4.0	-5.5	-5.0	-5.1	-2.6	-1.2	-0.2	74 785	
Construction sites (covering manual workers only)	-5.8	-9.0	-4.5	8.5	-0.7	3.2	0.6	10.3	7.4	111 049	
Import and export trade	-0.6	-5.7	-11.0	-3.6	-0.9	-1.4	-2.3	-1.9	-1.7	376 115	
Wholesale	-0.9	-4.0	-8.8	-3.9	4.2	6.1	4.0	-1.4	-1.5	51 440	
Retail	1.7	-1.7	-6.3	-0.6	-1.6	-1.3	-2.0	1.4	2.9	251 926	
Food and beverage services	2.8	-2.3	-13.6	1.4	1.3	2.0	2.4	9.4	3.4	224 606	
Accommodation services <sup>(a)</sup>	4.8	1.8	-14.7	1.1	-4.5	-9.0	-1.3	0.6	5.5	35 192	
Transportation, storage, postal and courier services	0.6	0.3	-3.7	-4.0	-2.1	-1.9	-2.0	-1.5	0.3	162 993	
Information and communications	1.5	1.9	-0.3	-1.4	-2.2	-2.9	-1.5	0.2	2.5	108 765	
Financing and insurance	2.6	2.9	0.6	0.1	-2.1	-3.2	-2.8	-1.3	0.6	234 886	
Real estate	2.0	1.2	0.4	3.6	-0.5	-2.9	-3.4	-1.3	2.7	141 958	
Professional and business services (excluding cleaning and similar services)	3.2	1.5	-0.3	*	-2.1	-2.9	-0.9	1.1	3.9	308 913	
Cleaning and similar services	-1.4	-0.3	0.3	1.3	0.8	0.7	-0.5	-2.0	2.7	83 913	
Education	1.8	1.7	-1.0	-0.1	1.1	1.7	1.9	3.8	4.2	214 189	
Human health services	3.4	4.7	4.1	2.9	2.5	2.4	2.9	2.4	3.0	152 869	
Residential care and social work services	1.0	2.4	0.4	0.9	0.9	0.5	0.9	2.4	5.9	69 645	
Arts, entertainment, recreation and other services	1.4	0.8	-5.4	-1.7	-3.4	-3.7	-1.5	7.1	7.6	123 038	
Civil service <sup>(b)</sup>	2.1	2.2	0.7	-0.2	-1.2	-1.3	-1.7	-1.5	-1.4	172 735	
Others <sup>(c)</sup>	*	1.5	-1.7	1.2	3.3	3.1	3.5	0.9	2.0	11 998	

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>	
						Sep	Dec	Mar	Jun
<u>(Number)</u>									
Building sites									
Private sector	65 700	62 903	54 957	58 385	56 160	58 275	53 681	54 940	57 591
Public sector <sup>(a)</sup>	21 604	19 257	22 982	23 622	22 853	23 838	25 964	25 319	25 365
Sub-total	87 303	82 160	77 939	82 006	79 012	82 113	79 645	80 259	82 956
Civil engineering sites									
Private sector	1 729	2 483	2 180	3 095	3 796	3 823	4 164	3 953	2 214
Public sector <sup>(a)</sup>	22 816	17 108	17 064	20 329	21 855	23 744	23 489	24 186	25 879
Sub-total	24 546	19 591	19 244	23 424	25 651	27 567	27 653	28 139	28 093
<b>Total</b>	<b>111 849</b>	<b>101 750</b>	<b>97 182</b>	<b>105 430</b>	<b>104 663</b>	<b>109 680</b>	<b>107 298</b>	<b>108 398</b>	<b>111 049</b>
<u>(% change over a year earlier)</u>									
Building sites									
Private sector	-0.4	-4.3	-12.6	6.2	-3.8	1.0	-8.7	3.6	-3.5
Public sector <sup>(a)</sup>	-0.3	-10.9	19.3	2.8	-3.3	5.5	19.8	18.7	25.1
Sub-total	-0.4	-5.9	-5.1	5.2	-3.7	2.2	-1.0	8.0	3.8
Civil engineering sites									
Private sector	76.6	43.6	-12.2	42.0	22.6	-1.2	16.8	2.2	-33.5
Public sector <sup>(a)</sup>	-24.1	-25.0	-0.3	19.1	7.5	7.3	4.0	20.6	28.6
Sub-total	-20.9	-20.2	-1.8	21.7	9.5	6.0	5.8	17.6	19.8
<b>Total</b>	<b>-5.8</b>	<b>-9.0</b>	<b>-4.5</b>	<b>8.5</b>	<b>-0.7</b>	<b>3.2</b>	<b>0.6</b>	<b>10.3</b>	<b>7.4</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**

(%)

Selected industry sections	2018	2019	2020	2021	2022	2022		2023	
						Q3	Q4	Q1	Q2
<b>(in nominal terms)</b>									
Manufacturing	4.0	3.8	-0.1	-0.6	1.0	1.4	2.1	4.0	3.7
Import/export and wholesale trades	3.2	2.3	0.5	0.1	0.9	0.9	1.3	2.2	2.6
Retail trade	3.0	2.3	0.1	0.2	1.1	1.9	2.0	2.1	2.9
Transportation, storage, postal and courier services	4.1	3.9	-5.4	-3.8	1.9	2.4	4.1	6.7	9.9
Accommodation <sup>(a)</sup> and food service activities	5.3	4.7	-2.9	-1.0	2.2	3.1	3.4	4.9	5.2
Information and communications	3.3	3.9	2.3	1.8	2.8	2.9	3.1	3.9	3.7
Financial and insurance activities	3.1	3.0	1.7	1.7	2.7	2.9	2.9	3.2	3.6
Real estate activities	4.3	4.1	1.5	1.4	2.1	2.2	2.3	2.9	2.9
Professional and business services	4.6	3.8	1.6	1.5	2.7	2.9	3.2	3.6	3.3
Social and personal services	4.3	2.3	6.2	0.1	1.3	1.4	2.2	1.7	0.1
<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>2.0</b>	<b>2.3</b>	<b>3.0</b>	<b>3.2</b>
<b>(in real terms)</b>									
Manufacturing	1.6	0.9	-0.4	-2.1	-0.9	-1.3	0.2	2.0	1.6
Import/export and wholesale trades	0.8	-0.5	0.2	-1.4	-1.0	-1.8	-0.5	0.2	0.5
Retail trade	0.6	-0.5	-0.1	-1.4	-0.7	-0.8	0.1	0.2	0.9
Transportation, storage, postal and courier services	1.6	1.0	-5.6	-5.3	*	-0.3	2.2	4.7	7.7
Accommodation <sup>(a)</sup> and food service activities	2.8	1.8	-3.2	-2.6	0.3	0.3	1.5	2.9	3.1
Information and communications	0.8	0.9	2.0	0.2	0.9	0.2	1.2	1.9	1.7
Financial and insurance activities	0.7	0.2	1.2	0.2	0.8	0.2	1.0	1.2	1.6
Real estate activities	1.9	1.1	1.3	-0.1	0.2	-0.5	0.5	0.9	0.8
Professional and business services	2.2	0.9	1.4	-0.1	0.8	0.2	1.3	1.6	1.2
Social and personal services	1.8	-0.6	6.0	-1.5	-0.6	-1.2	0.4	-0.3	-1.9
<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>-0.7</b>	<b>0.5</b>	<b>1.1</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**

(%)

Selected industry sections	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>		<u>2023</u>	
						Sep	Dec	Mar	Jun
<b>(in nominal terms)</b>									
Manufacturing	3.6	3.5	2.0	1.6	2.0	2.0	2.3	3.9	3.9
Import/export, wholesale and retail trades	3.0	2.3	1.0	0.9	1.7	1.8	1.8	2.3	2.5
Transportation	4.7	4.4	0.1	-0.9	1.4	2.6	3.6	5.3	6.0
Accommodation <sup>(a)</sup> and food service activities	4.6	4.1	1.0	1.4	2.1	2.1	2.5	3.9	4.1
Financial and insurance activities <sup>(b)</sup>	3.5	3.7	2.3	2.5	3.2	3.3	3.3	3.5	3.8
Real estate leasing and maintenance management	4.4	3.9	2.7	3.0	2.9	2.9	2.9	3.0	3.1
Professional and business services	4.4	3.6	1.7	1.8	2.5	2.5	2.6	2.8	3.3
Personal services	4.1	3.3	0.7	0.3	0.6	0.9	1.5	3.3	3.6
<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>2.3</b>	<b>2.6</b>	<b>3.2</b>	<b>3.5</b>
<b>(in real terms)</b>									
Manufacturing	0.8	0.2	3.1	-0.3	-1.5	-6.3	0.2	2.2	1.8
Import/export, wholesale and retail trades	0.1	-1.0	2.1	-0.9	-1.9	-6.6	-0.3	0.6	0.3
Transportation	1.7	1.0	1.3	-2.7	-2.2	-5.8	1.5	3.5	3.8
Accommodation <sup>(a)</sup> and food service activities	1.7	0.7	2.1	-0.3	-1.5	-6.3	0.4	2.1	1.9
Financial and insurance activities <sup>(b)</sup>	0.6	0.2	3.7	0.7	-0.6	-5.1	1.1	1.8	1.6
Real estate leasing and maintenance management	1.4	0.5	3.8	1.3	-0.8	-5.6	0.7	1.4	1.0
Professional and business services	1.5	0.3	2.8	0.1	-1.2	-5.9	0.5	1.1	1.2
Personal services	1.1	0.2	1.7	-1.6	-2.9	-7.4	-0.6	1.6	1.4
<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>-6.0</b>	<b>0.5</b>	<b>1.5</b>	<b>1.4</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:	
			Q4	Q1	Q2	Q3	10 years	5 years	
							2012 to 2022	2017 to 2022	
GDP deflator <sup>#</sup>	0.7	1.8	1.7	2.1	2.9	2.2	2.2	1.8	
Domestic demand deflator <sup>#</sup>	-0.8	2.1	2.5	3.1	3.9	4.3	1.8	1.5	
Consumer Price Indices <sup>(a)</sup> :									
Composite CPI	1.6	1.9	1.8	1.9	2.0	1.9	2.5	1.8	
CPI(A)	2.9	2.2	1.9	2.0	2.2	1.9	2.9	2.1	
CPI(B)	1.0	1.7	1.7	1.8	1.9	1.8	2.3	1.7	
CPI(C)	0.9	1.8	1.9	2.0	2.0	1.9	2.1	1.6	
Unit Value Indices :									
Total exports of goods	5.4	7.8	5.3	4.7	4.1	3.7	1.9	3.2	
Imports of goods	5.5	8.1	5.8	3.9	3.7	3.5	1.9	3.3	
Terms of Trade Index <sup>(b)</sup>	*	-0.3	-0.4	0.7	0.4	0.1	*	-0.1	
Producer Price Index for all manufacturing industries	1.2	0.8	-0.3	0.9	-0.2	N.A.	0.5	1.5	
Tender Price Indices :									
Public sector									
building projects	1.0	5.5	5.0	5.2	4.6	N.A.	1.8	-0.5	
Public housing projects	1.8	5.3	4.2	5.7	N.A.	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	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>			Average annual rate of change:	
					Q4	Q1	Q2	Q3	10 years 2012 to 2022	5 years 2017 to 2022
<b>All items</b>	<b>100.00</b>	<b>0.3</b>	<b>1.6</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>1.9</b>	<b>2.5</b>	<b>1.8</b>
		<b>(1.3)</b>	<b>(0.6)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(1.9)</b>	<b>(1.7)</b>	<b>(1.6)</b>	<b>(2.4)</b>	<b>(2.0)</b>
Food	27.41	3.3	1.7	3.8	3.6	3.0	2.5	2.5	3.5	3.4
<i>Meals out and takeaway food</i>	17.05	0.8	1.8	3.4	3.6	4.4	4.0	3.8	3.0	2.2
<i>Basic food</i>	10.36	7.7	1.4	4.5	3.6	0.8	0.2	0.2	4.3	5.5
Housing <sup>(a)</sup>	40.25	-0.1	0.3	0.2	*	-0.1	0.6	0.8	3.0	1.3
<i>Private housing rent</i>	35.46	1.1	-1.3	-0.6	-0.5	-0.5	0.2	0.4	2.6	0.9
<i>Public housing rent</i>	1.87	-21.0	29.3	9.6	2.1	0.7	1.7	1.7	7.7	4.5
Electricity, gas and water	2.82	-20.6	27.0	7.2	14.2	20.4	15.9	6.1	3.5	1.4
Alcoholic drinks and tobacco	0.49	0.5	0.1	1.3	1.7	11.2	18.8	19.0	1.6	0.9
Clothing and footwear	2.42	-5.2	3.3	5.3	5.0	5.9	5.9	6.5	*	0.6
Durable goods	4.00	-2.7	1.0	0.6	-1.2	-2.3	-3.6	-2.5	-2.7	-1.0
Miscellaneous goods	3.32	3.1	-3.1	0.4	0.6	0.9	1.5	2.2	1.2	0.8
Transport	6.17	-1.0	2.6	2.9	1.9	1.4	1.7	2.0	1.6	1.6
Miscellaneous services	13.12	0.8	0.7	1.3	1.7	2.2	2.5	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 merchandising 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:	
				Q4 <sup>#</sup>	Q1 <sup>#</sup>	Q2 <sup>#</sup>	Q3 <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	3.0	4.5	4.7	5.6	1.9	1.6
Government consumption expenditure	2.1	0.7	2.7	2.0	2.8	3.2	2.7	3.3	2.7
Gross domestic fixed capital formation	-1.5	-2.1	1.3	-0.6	-1.2	-0.6	0.1	1.1	0.4
Total exports of goods	0.1	5.1	6.8	4.6	3.7	3.7	3.7	1.5	3.0
Imports of goods	0.1	4.9	7.4	4.8	3.6	4.3	4.1	1.5	3.2
Exports of services	-0.4	14.5	7.1	-0.1	-3.3	-4.1	-3.9	2.4	4.9
Imports of services	-0.9	9.9	4.7	0.6	0.3	-2.8	0.4	1.2	3.0
<b>Gross Domestic Product</b>	<b>0.6</b>	<b>0.7</b>	<b>1.8</b>	<b>1.7</b>	<b>2.1</b>	<b>2.9</b>	<b>2.2</b>	<b>2.2</b>	<b>1.8</b>
Total final demand	0.2	3.7	5.2	3.3	2.5	3.0	3.0	1.7	2.7
Domestic demand	0.6	-0.8	2.1	2.5	3.1	3.9	4.3	1.8	1.5

