CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE

***Summary***

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

**Overall situation**

* 1. The Hong Kong economy improved visibly in the first quarter of 2023. Inbound tourism and domestic demand recovered strongly, providing the main impetus to growth. However, merchandise exports stayed weak.
  2. Real GDP grew by 2.7% year-on-year in the first quarter (same as the advance estimate), having contracted by 4.1% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP surged by 5.3% in the first quarter (same as the advance estimate), after staying virtually unchanged in the preceding quarter.



**The external sector**

* 1. *Total exports of goods* based on the GDP compilation framework plummeted by 18.7% year-on-year in real terms in the first quarter of 2023, despite narrowing from a decline of 24.9% in the preceding quarter. The challenging external environment posed a significant drag on export performance, though the lifting of restrictions on cross-boundary truck movements between Hong Kong and the Mainland provided some relief. Analysed by major market and by reference to external merchandise trade statistics, exports to the Mainland plunged further in the first quarter. Exports to the US and the EU continued to record notable decreases. Exports to most other major Asian markets also fell sharply.
  2. *Exports of services* expanded visibly by 16.5% year-on-year in real terms in the first quarter, after 0.6% growth in the preceding quarter. Exports of travel services leapt more than six-fold and recovered to almost 40% of the pre-pandemic level, thanks to the resumption of normal travel with the Mainland and the rest of the world. Exports of transport services reverted to a moderate increase as visitor arrivals rebounded. Exports of businesses and other services also turned to mild growth. Meanwhile, exports of financial services declined alongside weakened cross-border financial and fund raising activities.

**Table 1.1 : Gross Domestic Product, its main expenditure components**

**and the main price indicators**

**(year-on-year rate of change (%))**

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

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

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

(#) Revised figures.

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

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

(\*) Change within ± 0.05%.

**The domestic sector**

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

**Table 1.2 : Consumer spending by major component(a)**

**(year-on-year rate of change in real terms (%))**

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

Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending.

(b) Private consumption expenditure is obtained by deducting visitor spending from total consumer spending in the domestic market, and adding back residents’ expenditure abroad.



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

**Box 1.1**

**Business sentiment in Hong Kong**

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Chart 1 : Business sentiment of large enterprises improved further** | | | |
| The Quarterly Business Tendency Survey collected views from around 500-600 large establishments on their near-term business outlook. Respondents were asked to exclude seasonal influences in their responses.  **Box 1.1 (Cont’d)** | | | |
| **Table 1 : Business sentiment of large enterprises improved across a majority of sectors** | | **Table 2 : Hiring sentiment of large enterprises also improved** | | |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **QBTS: Expected changes in business situation** | | | | | | | |  | Net balance\* (% point) | | | | | | | 2022 | | | | 2023 | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | | Manufacturing | -8 | -19 | +24 | -13 | +23 | +36 | | Construction | -17 | -32 | -5 | -5 | -7 | +6 | | Import/export trade and wholesale | +2 | -7 | +6 | +9 | -8 | +10 | | Retail | -11 | +11 | +25 | +16 | +12 | +34 | | Accommodation and food services | +2 | +23 | +49 | +37 | +39 | +64 | | Transportation, storage and courier services | -7 | -12 | -2 | +8 | -5 | +13 | | Information and communications | -2 | +1 | -3 | -4 | -1 | +6 | | Financing and insurance | +5 | -4 | +10 | +4 | +25 | +25 | | Real estate | +8 | -2 | +10 | -2 | +4 | +13 | | Professional and business services | +3 | -19 | -3 | +2 | -3 | -4 | | All sectors above | +1 | -8 | +6 | +4 | +6 | +15 | | | |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **QBTS: Expected changes in number of persons engaged** | | | | | | | | |  | Net balance\* (% point) | | | | | | | | 2022 | | | | 2023 | | | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | | Manufacturing | -4 | -1 | +7 | +18 | | +8 | +18 | | Construction | +8 | +3 | +9 | +18 | | +16 | +6 | | Import/export trade and wholesale | -2 | 0 | +1 | 0 | | -6 | -1 | | Retail | -5 | +4 | +9 | +5 | | +6 | +20 | | Accommodation and food services | +8 | -2 | +36 | +22 | | +24 | +50 | | Transportation, storage and courier services | +3 | +1 | +8 | +13 | | +9 | 0 | | Information and communications | -7 | +7 | -1 | -8 | | -6 | -6 | | Financing and insurance | +9 | +4 | -4 | +5 | | +9 | +13 | | Real estate | +9 | -9 | +11 | 0 | | 0 | +9 | | Professional and business services | -5 | -2 | 0 | +2 | | +5 | +7 | | All sectors above | 0 | +1 | +7 | +7 | | +6 | +11 | | | |
| Note: (\*) | Net balance indicates the direction of expected change in the 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. | Note: (\*) | Net balance indicates the direction of expected change in the number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “up” over that choosing “down”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend. | |

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

As for other surveys in the public domain, the S&P Global Purchasing Managers’ Index (PMI) of Hong Kong(4), which gauges the performance of the private sector’s business activity, saw further improvement in the expansionary zone from 51.2 in January to 52.4 in April. Separately, the Hong Kong Trade Development Council’s Export Index(5) rose sharply to 39.0 in the first quarter of 2023 from 29.7 in the preceding quarter, reflecting a significant improvement in exporters’ confidence on the trade outlook (***Chart 2b***). Among the exporters surveyed, an overwhelming majority (98.0%) said that the resumption of normal travel between Hong Kong and the Mainland had had a positive impact on their businesses.

1. 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.
2. Conducted independently by Hong Kong Productivity Council, the quarterly survey enables the public and SMEs to gain insights into the forthcoming business climate for better forward planning. The Overall Index comprises five areas, including local SMEs’ outlook on “Recruitment Sentiment”, “Investment Sentiment”, “Business Condition”, “Profit Margin”, and “Global Economy” for the next quarter.

**Box 1.1 (Cont’d)**

**Chart 2 : Recent surveys generally pointed to further improvement of business sentiment   
as local economic activities revived and visitor arrivals rebounded visibly** 

|  |  |  |
| --- | --- | --- |
| Notes: | (^) | The diffusion index is computed by adding the percentage of SMEs reporting “up” to one half of the percentage of SMEs reporting “same”. A diffusion index reading above 50 indicates that the business condition is generally favourable, whereas an index below 50 indicates otherwise. Respondents were asked to exclude seasonal effects in reporting their views. |
|  | (~)  (\*) | Quarterly data.  A reading above 50 indicates an upward trend and an optimistic outlook, while a reading below 50 indicates a downward trend and a pessimistic outlook. |

It is worth noting that these surveys are essentially opinion-based, thereby unavoidably subject to various limitations (e.g. results are not directly comparable) and hence the results should be interpreted with care. Still, these survey findings taken together suggest that business sentiment showed further improvement in recent months as local economic activities revived and visitor arrivals rebounded visibly. Looking ahead, business sentiment should continue to benefit from the local economic recovery. However, the tightened financial conditions and the moderation of growth in the advanced economies may bring uncertainties.

1. 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.
2. 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. The unemployment and underemployment situation continued to improve in the first quarter of 2023 alongside the economic recovery. The seasonally adjusted *unemployment rate*(2) declined further from 3.5% in the fourth quarter of 2022 to 3.1% in the first quarter of 2023, and the *underemployment rate*(3) went down from 1.5% to 1.2%. The unemployment rates of most major sectors fell in the first quarter compared with the preceding quarter. The unemployment rates of both lower-skilled and higher-skilled workers declined. Nominal wages and labour earnings saw accelerated year-on-year increases in the fourth quarter of 2022. More recent General Household Survey (GHS) data indicated that median monthly employment earnings of full-time employees (excluding foreign domestic helpers) increased further in the first quarter of 2023.

**The asset markets**

* 1. The *local stock market* exhibited considerable volatility in the first quarter of 2023. Supported by expectations of a slower pace of US monetary policy tightening and the return of economic activities to normalcy, the HSI extended its rally on entering the year. This was followed by a sharp correction driven by concerns over the global economic outlook and the banking sector stress in the US and Europe. The HSI then recouped some of the loss and closed the quarter at 20 400, 3.1% higher than end-2022. Trading activities remained active in general with the average daily turnover edging up by 0.5% over the preceding quarter to $127.8 billion. Fund raising activities were extremely quiet.
  2. The *residential property market* revived in the first quarter after undergoing a marked correction last year. Market sentiment improved as the local economy recovered. The number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, jumped by 67% over the extremely low level in the preceding quarter or 39% over a year earlier to 14 023. Flat prices on average rose back by 5% during the first quarter. The index of home purchase affordability rose to 73% alongside the rebound in flat prices, significantly above the long-term average of 51% over 2003‑2022. Meanwhile, overall flat rentals were virtually unchanged during the quarter. The *non-residential property market* stabilised somewhat. Trading activities of all major segments rebounded, particularly towards the end of the quarter, though were still at relatively low levels. Prices and rentals showed mixed performance.

**Inflation**

* 1. Consumer price inflation edged up while remaining moderate in overall terms in the first quarter of 2023. Netting out the effects of the Government’s one-off relief measures, *underlying Composite CPI inflation* edged up from 1.8% in the preceding quarter to 1.9% in the first quarter. Prices of energy-related items soared further year-on-year. Prices of meals out and takeaway food, and clothing and footwear continued to increase notably. Nevertheless, price pressures on other major components were broadly in check. Private housing rentals continued to decline. Domestic business cost pressures stayed largely mild, as wage growth remained moderate while commercial rentals continued to be soft.External price pressures remained notable. As inflation in many major economies stayed high despite some deceleration, prices of overall merchandise imports continued to increase noticeably year-on-year. The *headline Composite CPI inflation rate* also inched up from 1.8% to 1.9%.
  2. As a broad measure of the overall change in prices in the economy, the *GDP deflator* rose by 1.8% in the first quarter over a year earlier, after a 1.7% increase in the preceding quarter. The *terms of trade* deteriorated as import prices rose faster than export prices. Taking out the external trade components, the domestic demand deflator increased by 3.0% in the first quarter, after rising by 2.5% in the preceding quarter.



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. The net output of the services sector declined by 3.1% year‑on‑year in real terms in 2022, after 5.9% growth in 2021. As for the quarterly profile, the services sector recorded a 3.2% decline in the first quarter due to the fifth wave of the local epidemic. The fall moderated to 1.5% in the second quarter, but widened to 3.3% and 4.2% respectively in the third and fourth quarters as the external environment deteriorated and financial conditions tightened.
  2. Almost all major service sectors saw contraction in the year. In particular, the net output of import and export trade recorded a double digit decline amid weakened external demand and persistent disruptions to cross-boundary truck movements. The fall in the net output of accommodation and food services and that of wholesale and retail sales were also notable, as the fifth wave of the local epidemic in early 2022 and tightened financial conditions resulting from sharp interest rate hikes by major central banks in the latter part of the year weighed on consumption demand. The net output of financing and insurance declined marginally. Meanwhile, the net output of information and communications, as well as public administration, social and personal services continued to expand for the year as a whole. As for the secondary sector, the net output of the construction sector resumed growth, while the manufacturing sector saw a sharp slowdown in growth.

**Table 1.3 : GDP by economic activity(a)**

**(year-on-year rate of change in real terms (%))**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2021 | 2022 | 2021 | | | | 2022 | | | |
|  |  |  | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Manufacturing | 5.5 | 0.2 | 2.6 | 5.6 | 7.6 | 5.8 | -1.3 | 2.7 | -0.5 | -0.1 |
| Construction | -0.6 | 5.8 | -0.6 | 0.1 | -0.6 | -1.3 | 4.1 | 9.2 | 2.0 | 8.0 |
| Services(b) | 5.9 | -3.1 | 7.0 | 6.7 | 5.4 | 4.8 | -3.2 | -1.5 | -3.3 | -4.2 |
| Import/export, wholesale and retail trades | 13.3 | -12.1 | 24.4 | 15.6 | 8.4 | 8.2 | -7.1 | -6.4 | -12.8 | -19.7 |
| Import and export trade | 13.6 | -12.9 | 26.3 | 16.0 | 8.4 | 7.4 | -6.4 | -7.0 | -13.7 | -22.0 |
| Wholesale and retail trades | 11.2 | -6.8 | 12.5 | 12.6 | 10.9 | 9.9 | -12.8 | -1.9 | -6.7 | -6.5 |
| Accommodation and food services | 22.6 | -10.8 | -3.9 | 17.3 | 45.1 | 36.5 | -28.4 | -4.9 | -7.4 | -6.0 |
| Transportation, storage, postal and courier services | 7.7 | -4.6 | -4.1 | 15.6 | 16.8 | 6.4 | -10.6 | -3.4 | -5.2 | 1.0 |
| Transportation and storage | 6.4 | -4.5 | -7.7 | 15.7 | 17.4 | 5.3 | -10.8 | -3.0 | -5.9 | 2.0 |
| Postal and courier services | 20.6 | -6.2 | 39.6 | 16.2 | 11.0 | 17.4 | -6.3 | -5.7 | -6.9 | -5.9 |
| Information and communications | 2.6 | 0.8 | 3.7 | 2.0 | 2.3 | 2.4 | 0.6 | 1.6 | 0.2 | 0.8 |
| Financing and insurance | 4.7 | -0.1 | 7.2 | 5.9 | 2.8 | 3.1 | -0.6 | 1.8 | -1.9 | 0.3 |
| Real estate, professional and business services | 2.1 | -2.7 | 1.3 | 2.0 | 2.9 | 2.2 | -5.0 | -1.0 | -2.2 | -2.4 |
| Real estate | 2.3 | -4.6 | 2.7 | 1.9 | 2.7 | 1.8 | -9.1 | -2.5 | -2.4 | -3.9 |
| Professional and business services | 1.9 | -1.3 | 0.1 | 2.0 | 3.0 | 2.5 | -1.5 | -0.1 | -2.1 | -1.4 |
| Public administration, social and personal services | 4.4 | 0.7 | 3.7 | 5.4 | 4.5 | 3.9 | -0.3 | \* | 1.5 | 1.7 |

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

(a) The GDP figures shown in this table are compiled from the production approach, while those shown in Table 1.1 are compiled from the expenditure approach. For details, see Note (1) to this chapter.

1. 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 ± 0.05%.

**Other economic developments**

* 1. In the 2023-24 Budget (the Budget), the Financial Secretary has taken a moderately liberal fiscal stance to support people in need to the best of our ability, and sustain impetus to economic recovery in moving towards high-quality development. The Budget strives to support individuals and businesses and strengthen the economy’s recovery, including launching various measures to ease the burden on individuals and enterprises, and disbursing electronic consumption vouchers again this year. The first batch of vouchers valued at $3,000 was issued to around 6.4 million eligible persons in April. A number of other one-off measures, including a reduction in salaries tax, tax under personal assessment, and profits tax for the 2022/23 assessment year, rates concessions for domestic and non-domestic properties, and electricity subsidies were also unveiled. Over 80% of the resources involved in the Budget measures are targeted at individuals and small and medium-sized enterprises.
  2. The Budget also brings high-quality development to the fore. The government is striving to push forward the economy towards high-quality development and persistently drive development through innovation and technology; create new growth impetus through institutional and policy innovations; and progress towards green transformation by vigorously promoting the development of green and low-carbon technology and industries. To realise the ambition to become an international green technology and financial centre, the Financial Secretary is setting up a Green Technology and Finance Development Committee to formulate an action agenda which will include the building of a green technology ecosystem to attract prominent companies and start-ups, and policy support to boost the demand for green technology. Further, in-depth studies are being conducted on various elements of the digital economy by the Digital Economy Development Committee, including a feasibility study on the establishment of an Artificial Intelligence Supercomputing Centre. In addition, $500 million has been set aside for the Hong Kong Cyberport Management Company Limited to launch a Digital Transformation Support Pilot Programme to expedite the pace of digital transformation among companies.

**Notes :**

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

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

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