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)(1) grew by 4.1% over a year earlier.* *On a seasonally adjusted quarter-to-quarter comparison(2), 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. 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.
  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.



**The external sector**

* 1. *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.
  2. *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 (%))**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2021# | 2022# | 2022 | | | | 2023 | | |
|  |  |  | Q1# | Q2# | Q3# | Q4# | Q1# | Q2# | Q3# |
| *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) | 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& | 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& | 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& | 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& | 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) |
| **Gross Domestic Product** | **6.4** | **-3.5** | **-3.9**  **(-1.8)** | **-1.2**  **(0.1)** | **-4.6**  **(-2.5)** | **-4.1**  **(**\***)** | **2.9**  **(5.4)** | **1.5**  **(-1.3)** | **4.1**  **(0.1)** |
| *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)** | **2.1**  **(0.8)** | **2.9**  **(0.9)** | **2.2**  **(2.1)** |
| **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)** | **2.0**  **(0.3)** | **1.9**  **(0.3)** |
| **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)** | **1.7**  **(0.3)** | **1.6**  **(0.3)** |
| *Change in* **nominal GDP** *(%)* | **7.2** | **-1.7** | **-2.9** | **-0.2** | **-1.3** | **-2.5** | **5.1** | **4.4** | **6.4** |

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 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(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 | 14.3 | 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.



* 1. 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)(1) 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** | | | |
| 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** | | **Table 2 : Hiring sentiment of large enterprises was positive** | | |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **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 | | | |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **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 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 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 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(3), 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(4) 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%).

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.

**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.

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 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. 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.
  2. 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. 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.
  2. 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.



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 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(a)**

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2022 | 2022 | | | | 2023 | |
|  |  | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| 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(b) | -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.

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. 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 14th Five-Year Plan.
  2. 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 17th 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.