

【Local】Economic and Trade Information on Hong Kong

2018/08/01

Source: HKTDC

Latest Development

- Hong Kong's economy expanded notably by 4.7% year-on-year in real terms in the first quarter of 2018, up from 3.4% growth in the preceding quarter, marking the sixth consecutive quarter of growth above the trend growth rate of 2.7% per annum in the past ten years.
- With the continued momentum in global economic expansion and strength in domestic demand, the Government maintained its forecast for Hong Kong's real GDP growth at 3-4% in 2018.
- Overall consumer prices rose by 2.4% in June 2018 over the same month a year earlier. Looking ahead, consumer price pressures are expected to increase somewhat. The Government forecasts Hong Kong's consumer price to increase by 2.2% in 2018.
- The value of retail sales, in nominal terms, increased by 12.9% year-on-year in May 2018, slightly quickened from 12.2% in April 2018.
- The labour market conditions remain tight, with the seasonally adjusted unemployment rate stood at 2.8% for the three months ending June 2018.
- Merchandise exports increased by 3.3% in June 2018 over the same month a year earlier, compared to 15.9% in May.

Major Economic Indicators

	2016	2017	Latest
Population, Mid-year (mn)	7.34	7.39	
Gross Domestic Product (US\$ bn)	319.3	341.2	88.2 ^a
GDP Per Capita (US\$)	43,500	46,200	
Real GDP Growth (%)	+2.2	+3.8	+4.7 ^b
Inflation (% Change in Composite CPI)	+2.4	+1.5	+2.3 ^c
Unemployment Rate (%)	3.4	3.1	2.8 ^d
Retail Sales Growth (%)	-8.1	+2.2	+13.7 ^e
Number of Visitors (mn)	56.7	58.5	30.6 ^f
Visitor Arrivals Growth (%)	-4.5	+3.2	+10.1 ^c

^a January-March 2018; ^b year-on-year change, January-March 2018; ^c year-on-year change, January-June 2018;

^d seasonally adjusted, April-June 2018; ^e year-on-year change, January-May 2018; ^f January-June 2018.

Source: Census and Statistics Department, HKSAR

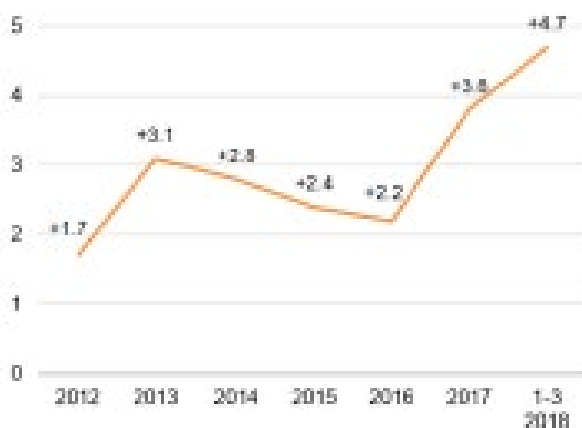
Strategic Position

- Hong Kong is the world's freest economy. It is the world's most services-oriented economy, with services sectors accounting for more than 90% of GDP.
- According to World Trade Organization (WTO), Hong Kong is the world's 7th largest exporter of merchandise trade and the world's 15th largest exporter of commercial services in 2017.
- According to the UNCTAD World Investment Report 2018, global FDI inflows to Hong Kong amounted to US\$104 billion in 2017, ranked 3rd globally, behind only the Chinese mainland (US\$136 billion) in Asia. In terms of outflows, Hong Kong ranked 3rd in Asia with US\$83 billion, after Japan (US\$160 billion) and the Chinese mainland (US\$125 billion).
- In terms of FDI stock, Hong Kong was the world's 2nd largest investor and host, after the United States, in 2017.
- According to the Bank for International Settlements, Hong Kong is the 2nd largest foreign exchange market in Asia and the 4th largest in the world in 2016, with the net daily average turnover of forex transactions reaching US\$437 billion.
- Hong Kong is a global offshore RMB business hub. According to SWIFT, Hong Kong is the largest RMB clearing centre in 2017, sharing about 76% of the world's RMB clearing activities.
- As at the end of December 2017, Hong Kong's stock market ranked the 3rd largest in Asia and the 6th largest in the world in terms of market capitalisation. There were 2,118 companies listed on HKEx and the total market capitalisation of Hong Kong's stock market reached US\$4.35 trillion.
- Hong Kong is an important banking and financial centre in the Asia Pacific. Hong Kong is the 3rd leading global financial centre, only after London and New York, according to the Global Financial Centre Index.
- The Hong Kong International Airport is the world's busiest airport for international cargoes since 2011. Hong Kong is also one of the world's busiest container ports. In 2017, Hong Kong ranked 5th in the world in terms of container throughput.

Major Economic Indicators

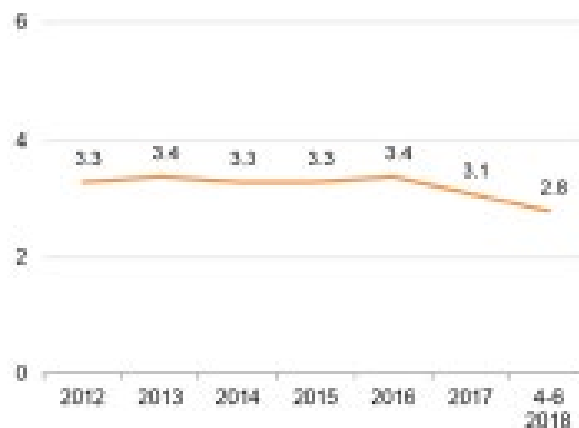
Real GDP Growth

Year-on-year % change



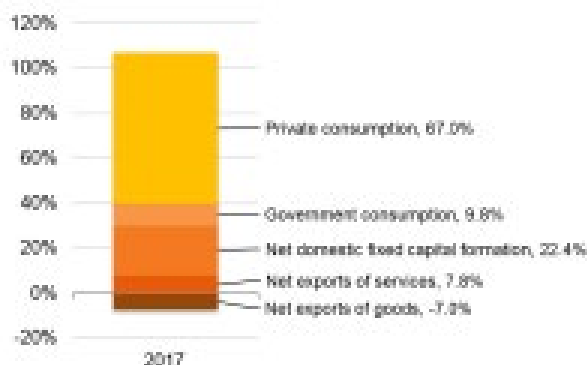
Unemployment Rate

Seasonally adjusted (%)



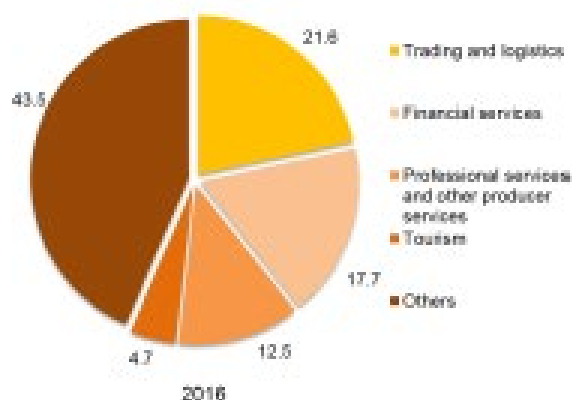
GDP Composition

% share of GDP



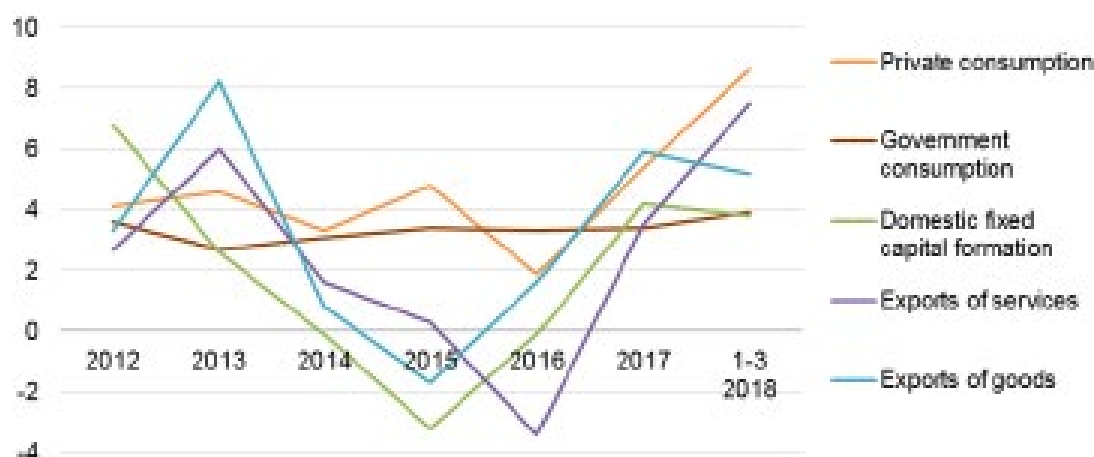
The Four Key Industries

% share of value added in GDP



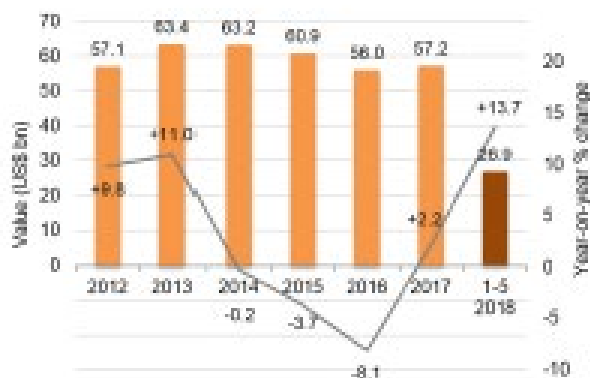
Real GDP Growth by Selected Components

Year-on-year % change



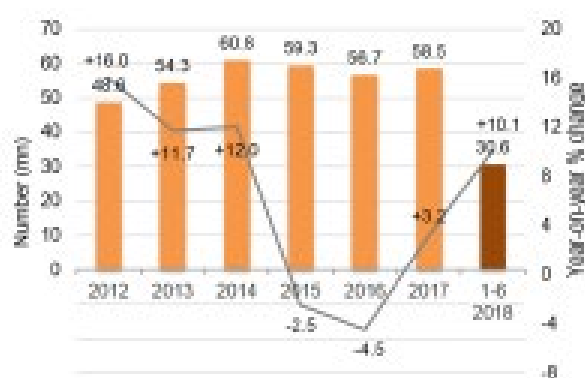
Retail Sales

Value and growth



Visitors Arrivals

Number and growth



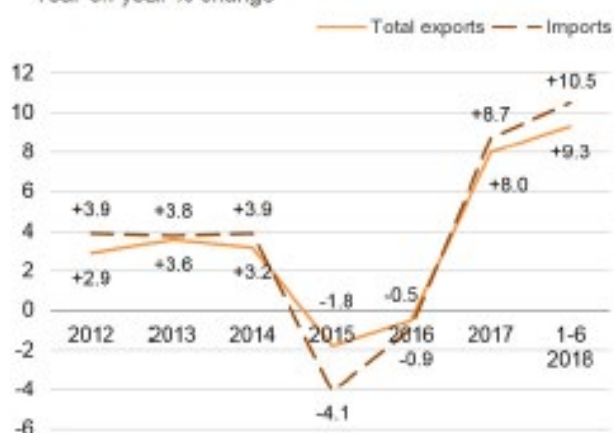
External Trade

Merchandise Trade

(in nominal terms)	2016		2017		January-June 2018	
	US\$ bn	Growth %	US\$ bn	Growth %	US\$ bn	Growth %
Total Exports	460.0	-0.5	496.9	+8.0	251.8	+9.3
Domestic Exports	5.5	-8.5	5.6	+1.4	2.8	+4.2
Re-exports	545.5	-0.4	491.3	+8.1	249.1	+9.4
Imports	513.9	-0.9	558.6	+8.7	286.9	+10.5
Total Trade	973.9	-0.7	1,055.5	+8.4	538.8	+9.9
Trade Balance	-53.9		-61.7		-35.1	

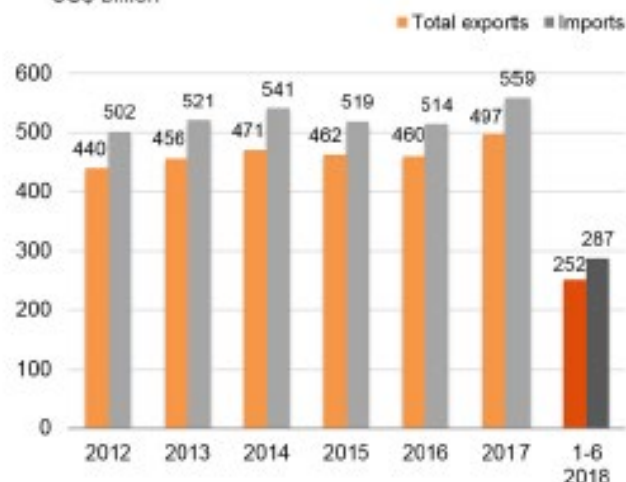
Merchandise Trade Growth

Year-on-year % change



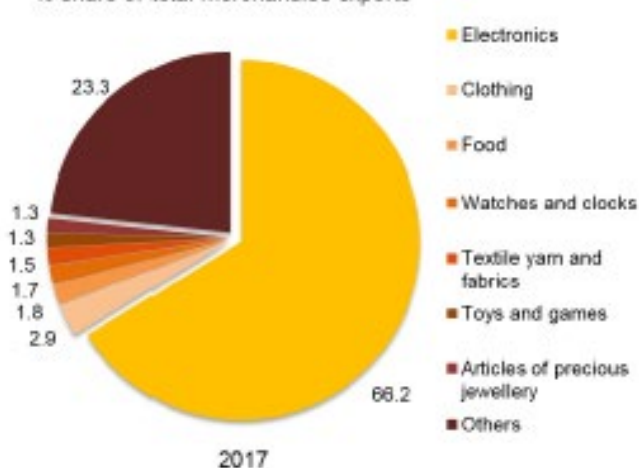
Merchandise Trade Value

US\$ billion



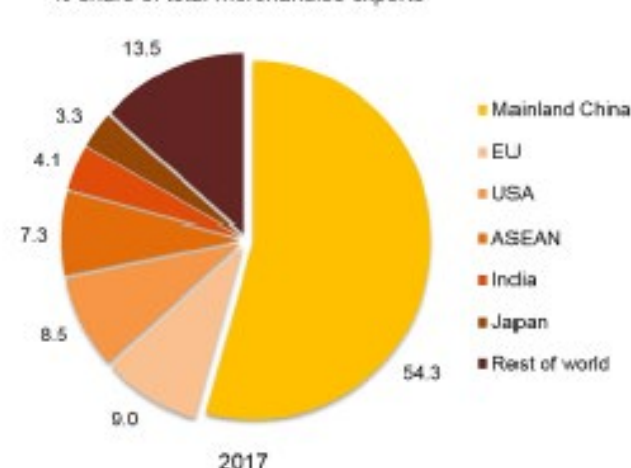
Major Export Commodities

% share of total merchandise exports



Major Export Markets for Goods

% share of total merchandise exports



Economic Relations with the Chinese Mainland

- Hong Kong is an important entrepôt for the Chinese mainland. According to the HKSAR Government statistics, in 2017, 58% of re-exports were of China origin and 54% were destined for the Chinese mainland.
- According to China Customs statistics, Hong Kong is the third largest trading partner of the Chinese mainland after the US and Japan, accounting for 7% of its total trade in 2017.
- Hong Kong is the largest source of overseas direct investment in the Chinese mainland. By the end of 2017, among all the overseas-funded projects approved in the Chinese Mainland, 44.9% were tied to Hong Kong interests. Cumulative utilised capital inflow from Hong Kong amounted to US\$1,008.2 billion, accounting for 53.2% of the national total.
- Hong Kong is also the leading destination for China's FDI outflow. According to Chinese statistics, by 2016, the stock of FDI going to Hong Kong accumulated to US\$780.7 billion, or 57.5% of the total outflow of FDI.
- The Chinese mainland, on the other hand, is a leading investor in Hong Kong. According to the HKSAR Government statistics, the stock of Hong Kong's inward investment from the Chinese mainland amounted to US\$418 billion at market value or 25.7% of the total at the end of 2016.
- Hong Kong is a technology marketplace for the mainland China. According to the Ministry of Science and Technology, in 2016, Hong Kong was the 7th largest source of technology imports for the Chinese mainland in terms of contract value (US\$879 million), accounting for 2.9% of the total.
- Hong Kong is a key offshore capital raising centre for Chinese enterprises. As of December 2017, 1,051 mainland companies were listed in Hong Kong, comprising H-share, red-chip and private companies, with total market capitalisation of around US\$2.9 trillion, or 66% of the market total. Since 1993, mainland companies have raised more than US\$700 billion via stock offerings in Hong Kong.
- As of January 2018, there were 12 licensed banks and 7 representative offices, incorporated in the Chinese mainland, operating in Hong Kong.
- In November 2014, Shanghai-Hong Kong Stock Connect was launched to establish mutual stock market access between Hong Kong and Chinese mainland, a significant breakthrough in the opening of China's capital markets.
- In December 2016, Shenzhen-Hong Kong Stock Connect, with similar programme principles and design, was launched to further facilitate two-way investment flows and consolidate Hong Kong's development as the global offshore RMB business hub.
- In July 2017, the mutual bond market access between Hong Kong and the Chinese mainland (Bond Connect) was launched to promote the development of the bond markets in the two places.
- In December 2017, the Arrangement between the National Development and Reform Commission (NDRC) and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative (the Arrangement) was signed. The Arrangement serves as a blueprint for Hong Kong's further participation in the Belt and Road Initiative.