

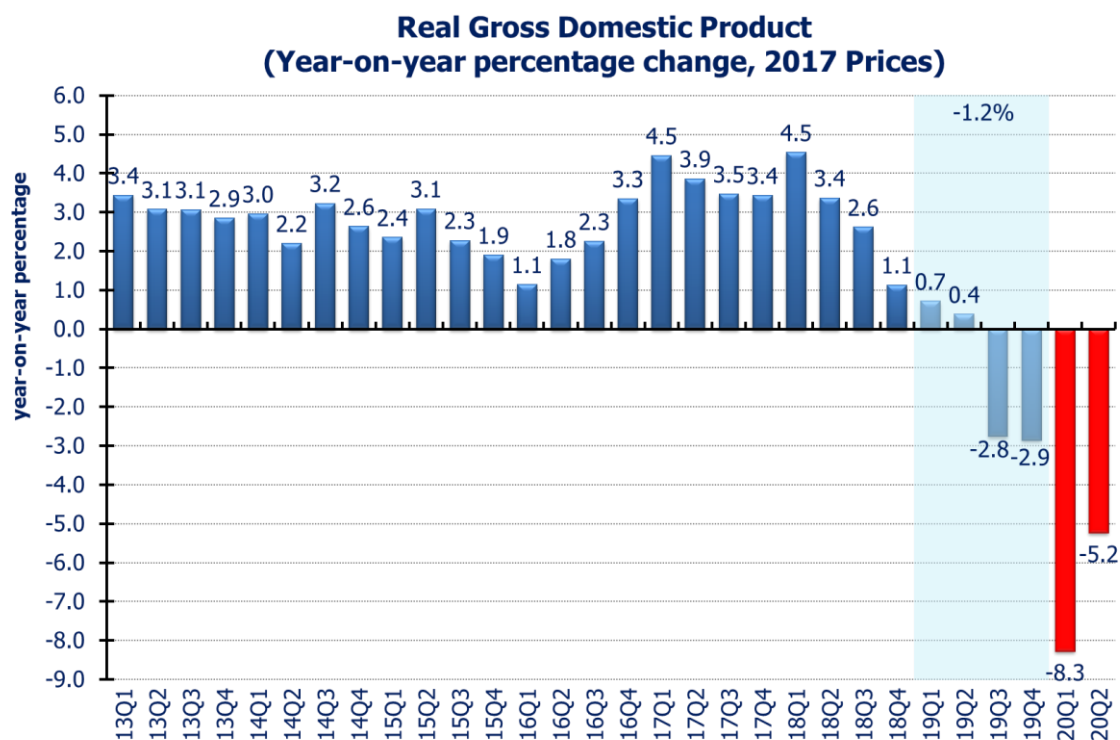


HKU announces 2020 Q2 HK Macroeconomic Forecast

April 2, 2020

The APEC Studies Programme of the Hong Kong Institute of Economics and Business Strategy at the University of Hong Kong (HKU) released its quarterly Hong Kong Macroeconomic Forecast today (April 2). Ravaged by the COVID-19 outbreak, Hong Kong's domestic and external demand is expected to collapse in 20Q1. Hong Kong's real GDP is estimated to plunge by 8.3% in 20Q1 when compared with the same period in 2019.

The instant spread of the pandemic disease likely drags developed economies into recession. Clouded by the coronavirus, trade tension and oil-price war, the output decline is expected to continue and drop by 5.2% in 20Q2, when compared with the same period in 2019. Unemployment rate is expected to worsen to 4.5% in 20Q2. Hong Kong will confront with difficult challenges amid the adverse economic condition in 2020. Hong Kong's GDP is expected to shrink by 3% for the year 2020 as a whole, representing a 3.4 percentage points downward revision from our previous forecast, and is the largest decline since the 1998 Asian Financial Crisis.



About Hong Kong Macroeconomic Forecast Project

The Hong Kong Macroeconomic Forecast is based on research conducted by the APEC Studies Programme of the Hong Kong Institute of Economics and Business Strategy at HKU in the Faculty of Business and Economics. It aims to provide the community with timely information useful for tracking the short-term fluctuations of the economy. The current quarter macro forecasts have been released on a quarterly basis since 1999.

The high frequency forecasting system was originally developed in collaboration with Professor Lawrence Klein of the University of Pennsylvania in 1999-2000. Since then, the system has been maintained and further refined by the APEC Study Center which is now a research programme area of the Hong Kong Institute of Economics and Business Strategy.

The project is sponsored by the Faculty of Business and Economics. The Hong Kong Centre for Economic Research at HKU provides administrative support to the project. Researchers at the Hong Kong Institute of Economics and Business Strategy are solely responsible for the accuracy and interpretation of the forecasts. Our quarterly forecasts can be accessed at:

<http://www.hiebs.hku.hk/apec/macroforecasts>

For media enquiries, please contact the HKU Hong Kong Institute of Economics & Business Strategy, tel: 2547 8313, email: info@hiebs.hku.hk.

High Frequency Macroeconomic Forecasts
APEC Studies Programme
Hong Kong Institute of Economics & Business Strategy
The University of Hong Kong

Table 1: Current Quarter Model Forecast
(Millions of 2017 HK Dollar)

	2019					2020	
	Q1	Q2	Q3	Q4	Annual	Q1 (Estimate)	Q2 (Forecast)
Gross Domestic Product	674,999	654,602	673,762	699,616	2,702,979	619,088	620,291
Private Consumption Expenditure	465,350	478,009	440,905	473,730	1,857,994	429,263	451,684
Government Consumption Expenditure	73,915	67,872	71,802	72,889	286,478	78,632	72,408
Exports of Goods	969,401	990,053	1,080,192	1,115,171	4,154,817	868,829	919,745
Imports of Goods	1,030,147	1,053,537	1,074,447	1,099,502	4,257,633	891,076	955,825
Exports of Services	220,639	193,542	182,987	163,694	760,862	147,615	135,846
Imports of Services	150,706	150,269	153,031	154,287	608,293	111,566	104,277
Gross Fixed Capital Formation	132,017	130,566	126,499	124,572	513,654	111,258	114,105
GFCF in Land & Construction	89,574	80,616	78,336	79,806	328,332	79,927	73,419
GFCF in Mach., Equip. & Comp. Soft.	42,443	49,950	48,163	44,766	185,322	31,331	40,686
Changes in Inventories	-5,470	-1,634	-1,145	3,349	-4,900	-13,867	-13,394

Date of Forecast: Apr 2, 2020

High Frequency Macroeconomic Forecasts
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Table 2: Current Quarter Model Forecast
Year-on-Year Growth Rate (%)

	2019					2020	
	Q1	Q2	Q3	Q4	Annual	Q1 (Estimates)	Q2 (Forecast)
Gross Domestic Product	0.7	0.4	-2.8	-2.9	-1.2	-8.3	-5.2
Private Consumption Expenditure	0.6	1.2	-3.3	-2.9	-1.1	-7.8	-5.5
Government Consumption Expenditure	4.5	3.9	5.9	6.0	5.1	6.4	6.7
Exports of Goods	-3.7	-5.3	-6.9	-2.7	-4.7	-10.4	-7.1
Imports of Goods	-4.2	-6.7	-11.0	-7.3	-7.4	-13.5	-9.3
Exports of Services	-0.4	-1.3	-14.4	-24.7	-10.4	-33.1	-29.8
Imports of Services	-1.1	1.7	-4.4	-4.9	-2.3	-26.0	-30.6
Gross Fixed Capital Formation	-5.4	-11.4	-15.2	-16.7	-12.3	-15.7	-12.6
GFCF in Land & Construction	-7.0	-10.9	-6.5	-4.5	-7.3	-10.8	-8.9
GFCF in Machinery, Equip. & Computer Software	-1.9	-12.2	-26.4	-32.2	-20.0	-26.2	-18.5
GDP Deflator Growth Rate	2.8	2.9	2.3	1.7	2.4	1.5	1.3
CPI (Composite) Inflation Rate	2.2	3.0	3.3	3.0	2.9	2.1	1.5
Unemployment Rate	2.8	2.8	2.9	3.3	3.0	3.9	4.5
Date of Forecast: Apr 2, 2020							

High Frequency Macroeconomic Forecasts

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Table 3: Selected Monthly Indicators
Year-on-Year Growth Rate (%)

	2019						2020					
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Unit Value Trade Index (Domestic Exports)	1.1	1.1	0.6	0.0	-0.2	-0.5	0.4	-1.1	-1.3	-1.3	-1.1	-0.9
Unit Value Trade Index (Imports of Foodstuffs)	0.9	1.1	0.9	1.8	2.0	1.7	1.2	1.0	1.4	1.7	1.6	1.5
Unit Value Trade Index (Imports of Consumer Goods)	0.5	0.6	0.9	0.2	0.5	1.1	0.6	-0.3	0.2	0.7	0.6	0.6
Unit Value Trade Index (Imports of Raw Materials & Semi-Manufactures)	1.4	1.4	0.3	0.1	0.4	-0.4	-0.5	-1.3	-2.4	-1.3	-1.2	-1.4
Unit Value Trade Index (Imports of Fuels)	-9.6	-11.8	-12.3	-16.9	-12.1	-1.0	7.3	-4.9	-10.7	-11.7	-12.3	-5.9
Unit Value Trade Index (Imports of Capital Goods)	2.2	1.7	2.3	1.3	0.4	0.3	1.7	-0.5	0.8	1.2	0.6	0.9
Real Retained Imports of Foodstuffs	-1.0	-3.0	-8.6	-9.1	-8.2	-7.8	-10.6	-7.0	-3.0	-11.0	-4.6	-7.2
Real Retained Imports of Consumer Goods	-12.3	-31.0	-19.3	-23.1	-24.9	-25.4	-38.1	-22.7	-23.6	-19.7	-18.9	-11.8
Real Retained Imports of Raw Materials & Semi-Manufactures	-16.5	-14.2	-18.2	2.9	-16.5	-5.6	144.4	-27.1	-17.1	17.9	-0.6	-11.3
Real Retained Imports of Fuels	-4.2	4.7	-4.3	8.7	-18.0	-5.8	-5.1	-7.4	-15.0	-2.4	-2.5	3.8
Real Retained Imports of Capital Goods	-49.8	-57.7	-34.9	-57.7	-28.6	-38.1	-16.2	-19.5	-22.3	-8.2	-6.4	-20.4
Total Motor Vehicles Newly Registered	2.3	-15.4	-8.6	-18.8	-14.0	-3.9	-29.9	-34.8	-40.1	-42.6	-45.9	-13.6
Private Cars Newly Registered	0.5	-16.2	-0.6	-27.1	-18.5	-13.2	-33.2	-35.5	-38.2	-42.0	-46.1	-16.3
Money Supply (M2)	3.8	3.3	2.8	4.1	4.4	2.8	2.3	2.9	3.2	2.9	4.6	5.2
Loans and Advances	3.6	5.1	6.3	7.0	7.0	6.7	6.4	6.6	6.0	5.8	5.8	5.3
Volume Index of Retail Sales	-13.1	-25.3	-20.3	-26.4	-25.4	-21.1	-23.1	-46.7	-49.2	-45.5	-32.9	-31.0
Visitors Arrivals	-4.8	-39.1	-34.2	-43.7	-55.9	-51.5	-52.7	-96.4	-97.3	-96.9	-95.6	-93.3
Hong Kong Resident Departures	2.3	-0.1	3.0	-4.1	-9.3	-2.8	-12.4	-90.3	-94.4	-97.1	-94.3	-92.0
Electricity Consumption	3.5	2.8	3.1	9.2	-3.5	-2.9	-2.4	0.6	-1.5	-3.8	4.3	0.2
Gas Consumption	-2.6	-3.8	-4.1	-4.9	-4.3	-0.9	-5.2	-1.2	-1.8	-1.1	-0.9	-2.8
Date of Forecast: Apr 2, 2020												