

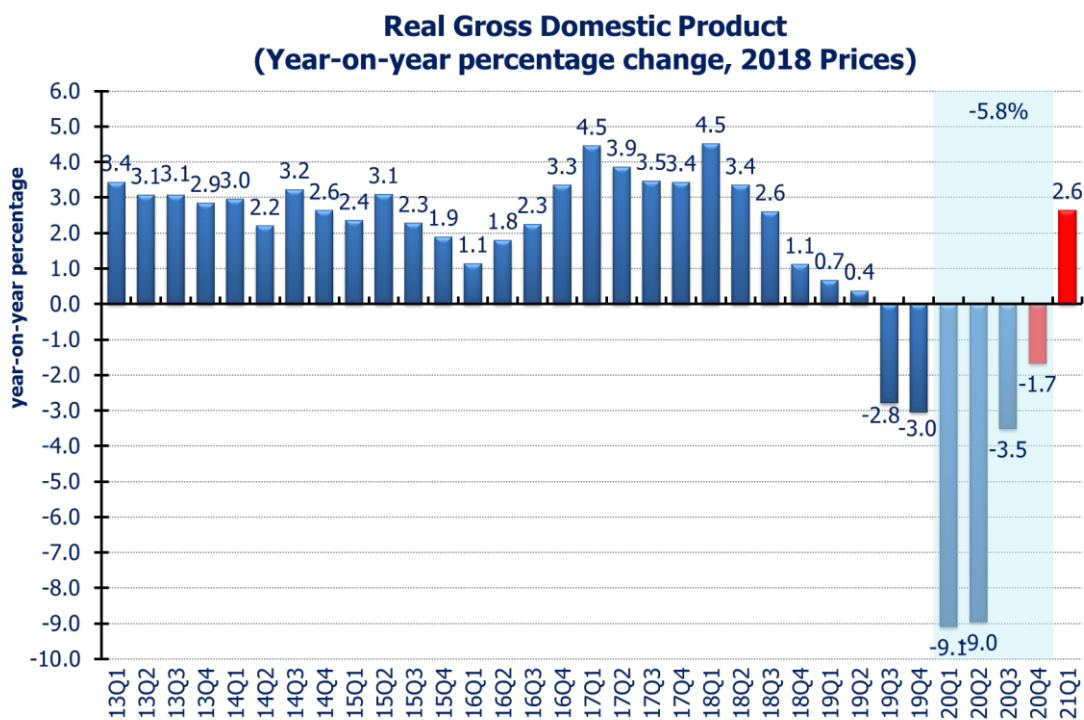


HKU announces 2021 Q1 HK Macroeconomic Forecast

January 6, 2021

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 (January 6). Ravaged by the COVID-19 pandemic, Hong Kong's economy contracted by 9% in the first half of 2020. Hong Kong's real GDP is estimated to drop by 2.6% in the second half of 2020. Hong Kong's real GDP is forecast to drop by 1.7% in 20Q4, a lesser drop compared to the 3.5% drop in 20Q3.

With increasing expectation that vaccines will be made available and continued government stimulus packages, Hong Kong's economy is on its way to recovery. Hong Kong economy is estimated to revert to grow by 2.6% in 21Q1. Unemployment rate is expected to improve to 6.0% in 21Q1, from the estimated 6.3% in 20Q4. Hong Kong's GDP is expected to shrink by 5.8% for the year 2020 as a whole, representing a 1.4 percentage points upward revision from the previous forecast.



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 the HKU Business School. 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 HKU Business School. 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:

<https://www.hiebs.hku.hk/macroeconomic-forecasts/>

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 2018 HK Dollar)

| | 2019 | | | 2020 | | | | | 2021 |
|-------------------------------------|-----------|-----------|-----------|---------|-----------|-----------|------------------|----------------------|------------------|
| | Q3 | Q4 | Annual | Q1 | Q2 | Q3 | Q4 (Estimate) | Annual (Estimate) | Q1 (Forecast) |
| Gross Domestic Product | 698,211 | 723,789 | 2,799,736 | 635,722 | 617,623 | 673,627 | 711,672 | 2,638,644 | 652,566 |
| Private Consumption Expenditure | 454,709 | 487,831 | 1,915,037 | 428,786 | 423,094 | 417,334 | 465,844 | 1,735,058 | 439,315 |
| Government Consumption Expenditure | 74,092 | 75,319 | 295,685 | 82,908 | 76,878 | 79,257 | 80,779 | 319,822 | 88,595 |
| Exports of Goods | 1,104,194 | 1,140,991 | 4,247,430 | 894,251 | 989,439 | 1,147,173 | 1,189,725 | 4,220,588 | 973,531 |
| Imports of Goods | 1,099,541 | 1,128,553 | 4,360,826 | 937,370 | 1,006,312 | 1,119,423 | 1,174,047 | 4,237,152 | 1,013,088 |
| Exports of Services | 191,644 | 172,194 | 796,413 | 144,405 | 110,026 | 125,418 | 121,527 | 501,376 | 117,817 |
| Imports of Services | 157,131 | 158,008 | 624,533 | 116,800 | 85,838 | 99,260 | 80,241 | 382,139 | 65,285 |
| Gross Fixed Capital Formation | 132,500 | 130,077 | 537,048 | 116,386 | 107,019 | 117,834 | 117,770 | 459,009 | 110,045 |
| GFCF in Land & Construction | 83,406 | 84,452 | 348,067 | 80,860 | 78,251 | 79,006 | 79,100 | 317,217 | 78,803 |
| GFCF in Mach., Equip. & Comp. Soft. | 49,094 | 45,625 | 188,981 | 35,526 | 28,768 | 38,828 | 33,670 | 136,792 | 26,242 |
| Changes in Inventories | -2,256 | 3,938 | -6,518 | 23,156 | 3,317 | 5,294 | -4,685 | 27,082 | 6,637 |
| Date of Forecast: January 6, 2021 | | | | | | | | | |

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

| | 2019 | | | 2020 | | | | | 2021 |
|---|-------|-------|--------|-------|-------|-------|-------------------|-----------------------|------------------|
| | Q3 | Q4 | Annual | Q1 | Q2 | Q3 | Q4 (Estimates) | Annual (Estimates) | Q1 (Forecast) |
| Gross Domestic Product | -2.8 | -3.0 | -1.2 | -9.1 | -9.0 | -3.5 | -1.7 | -5.8 | 2.6 |
| Private Consumption Expenditure | -3.3 | -2.9 | -1.1 | -10.6 | -14.2 | -8.2 | -4.5 | -9.4 | 2.5 |
| Government Consumption Expenditure | 5.9 | 6.1 | 5.1 | 8.8 | 9.7 | 7.0 | 7.2 | 8.2 | 6.9 |
| Exports of Goods | -6.9 | -2.5 | -4.6 | -9.7 | -2.2 | 3.9 | 4.3 | -0.6 | 8.9 |
| Imports of Goods | -11.0 | -7.0 | -7.3 | -11.1 | -6.7 | 1.8 | 4.0 | -2.8 | 8.1 |
| Exports of Services | -14.2 | -24.2 | -10.2 | -37.4 | -45.6 | -34.6 | -29.4 | -37.0 | -18.4 |
| Imports of Services | -4.5 | -5.2 | -2.4 | -24.5 | -44.5 | -36.8 | -49.2 | -38.8 | -44.1 |
| Gross Fixed Capital Formation | -15.1 | -16.8 | -12.3 | -15.8 | -21.4 | -11.1 | -9.5 | -14.5 | -5.4 |
| GFCF in Land & Construction | -6.1 | -4.5 | -7.5 | -14.8 | -8.2 | -5.3 | -6.3 | -8.9 | -2.5 |
| GFCF in Machinery, Equip. & Computer Software | -26.5 | -32.3 | -20.0 | -17.9 | -43.6 | -20.9 | -26.2 | -27.6 | -26.1 |
| | | | | | | | | | |
| GDP Deflator Growth Rate | 2.3 | 1.8 | 2.4 | 2.9 | 0.8 | 0.7 | -1.1 | 0.8 | -2.6 |
| CPI (Composite) Inflation Rate | 3.3 | 3.0 | 2.9 | 2.0 | 1.3 | -1.7 | 0.0 | 0.4 | 0.6 |
| | | | | | | | | | |
| Unemployment Rate | 2.9 | 3.3 | 3.0 | 4.2 | 6.2 | 6.4 | 6.3 | 5.8 | 6.0 |
| | | | | | | | | | |
| Date of Forecast: January 6, 2021 | | | | | | | | | |

High Frequency Macroeconomic Forecasts

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

| | 2020 | | | | | | | | | 2021 | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR |
| Unit Value Trade Index (Domestic Exports) | -1.4 | -0.8 | -0.8 | -0.5 | -0.9 | -0.8 | -0.7 | -0.7 | -0.6 | -1.4 | -0.7 | -0.6 |
| Unit Value Trade Index (Imports of Foodstuffs) | 2.0 | 1.8 | 1.2 | 0.3 | 0.8 | 0.8 | 0.4 | -0.1 | -0.3 | 0.3 | 0.5 | 0.5 |
| Unit Value Trade Index (Imports of Consumer Goods) | 0.6 | 1.7 | 2.1 | 2.2 | 1.5 | 1.8 | 2.1 | 2.4 | 2.5 | 3.1 | 3.0 | 2.8 |
| Unit Value Trade Index (Imports of Raw Materials & Semi-Manufactures) | -1.3 | -0.1 | -0.9 | -1.8 | -2.0 | -0.6 | 0.6 | 0.9 | 1.3 | 2.3 | 2.0 | 2.0 |
| Unit Value Trade Index (Imports of Fuels) | -42.7 | -47.1 | -36.1 | -31.9 | -28.5 | -36.2 | -35.7 | -33.5 | -32.1 | -33.0 | -32.8 | -19.7 |
| Unit Value Trade Index (Imports of Capital Goods) | 0.2 | 0.1 | -0.1 | 0.2 | -0.4 | -1.6 | -1.1 | 0.2 | -1.0 | -0.7 | 0.2 | -0.9 |
| Real Retained Imports of Foodstuffs | -14.5 | -1.9 | 6.0 | 0.5 | -2.4 | -4.2 | 3.4 | 5.0 | 5.6 | 5.2 | -10.0 | 4.1 |
| Real Retained Imports of Consumer Goods | -27.9 | -40.0 | -50.4 | -29.4 | -28.3 | -16.1 | -6.4 | -19.1 | -19.0 | -5.4 | 19.6 | -29.7 |
| Real Retained Imports of Raw Materials & Semi-Manufactures | 17.1 | -22.7 | -18.8 | 2.0 | -21.6 | -7.2 | 13.0 | 3.2 | 14.1 | -28.1 | -15.2 | 36.8 |
| Real Retained Imports of Fuels | -29.5 | 17.0 | -13.8 | 14.3 | -20.6 | -42.8 | -18.9 | -9.0 | -12.1 | -12.8 | -9.8 | -4.5 |
| Real Retained Imports of Capital Goods | -61.5 | -69.6 | -6.4 | 43.9 | 24.3 | -15.6 | 39.4 | -6.7 | 9.2 | -27.2 | -32.9 | 6.2 |
| Total Motor Vehicles Newly Registered | -21.1 | -19.0 | -9.9 | -4.2 | 2.5 | 17.0 | 8.5 | 9.8 | 4.2 | 28.7 | 33.2 | 27.3 |
| Private Cars Newly Registered | -22.7 | -20.4 | -20.0 | -9.3 | 9.0 | 23.2 | 19.5 | 9.8 | 4.5 | 27.3 | 34.3 | 17.6 |
| Money Supply (M2) | 2.0 | 2.4 | 3.9 | 6.7 | 9.2 | 9.2 | 14.4 | 6.6 | 8.7 | 10.7 | 10.2 | 11.1 |
| Loans and Advances | 7.2 | 6.9 | 5.5 | 7.4 | 9.1 | 7.0 | 11.6 | 1.7 | 4.7 | 5.2 | 4.1 | 2.0 |
| Volume Index of Retail Sales | -40.5 | -37.0 | -28.3 | -26.8 | -16.3 | -16.3 | -12.3 | -7.7 | -12.9 | -11.8 | 5.6 | 3.1 |
| Visitors Arrivals | -98.2 | -98.3 | -98.1 | -98.1 | -97.2 | -96.8 | -97.0 | -96.2 | -96.9 | -96.9 | -49.8 | 0.0 |
| Hong Kong Resident Departures | -98.9 | -98.8 | -98.8 | -98.7 | -98.7 | -98.7 | -98.7 | -98.6 | -98.8 | -98.5 | -85.5 | -64.9 |
| Electricity Consumption | -16.1 | 6.9 | 2.5 | 2.7 | -4.4 | 0.8 | -8.0 | 2.5 | 1.0 | 0.4 | -1.4 | 1.0 |
| Gas Consumption | -6.0 | -6.3 | -3.7 | -4.9 | -12.2 | -9.3 | 6.5 | 4.8 | -1.2 | -1.5 | -0.6 | -0.7 |

Date of Forecast: January 6, 2021