

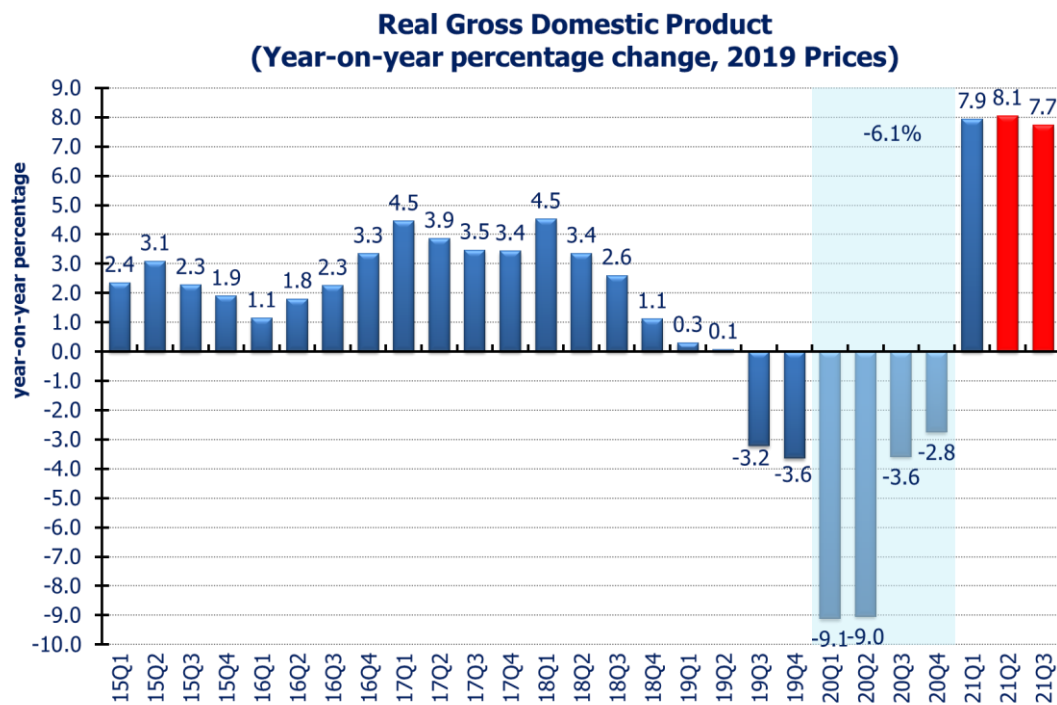


HKU announces 2021 Q3 HK Macroeconomic Forecast

July 7, 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 (July 7). Hong Kong's economy was disrupted by the COVID-19 pandemic, with GDP shrinking by 6.1% in the year of 2020. The economy has improved markedly in 2021. Boosted by the vibrant external demand, economy has bounced back with real GDP growing by 7.9% in 21Q1. Starting from 21Q2, economic recovery will be broad-based. Driven by the growth of domestic demand, Hong Kong's real GDP is forecast to grow by 8.1% in 21Q2, slightly faster than 21Q1.

Along with the widespread vaccination programme and the global economic recovery, strong rebound is expected to continue. Unemployment is expected to go down rapidly to 5.1% in 21Q3 from the 7.2% peak in February 2021. Together with the introduction of consumption voucher scheme in the third quarter, local demand is likely to hike, providing the impetus for continuous robust output growth. Hong Kong's GDP is expected to grow by 7.7% in 21Q3, and by 6.5 to 7.5% for the year 2021 as a whole.



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 2019 HK Dollar)

	2020					2021		
	Q1	Q2	Q3	Q4	Annual	Q1	Q2 (Estimate)	Q3 (Forecast)
Gross Domestic Product	646,180	627,771	683,846	713,772	2,671,569	697,474	678,322	736,703
Private Consumption Expenditure	440,772	437,592	431,297	468,052	1,777,713	447,785	467,827	466,390
Government Consumption Expenditure	87,019	80,606	83,700	83,235	334,560	92,971	83,024	86,211
Exports of Goods	895,657	990,406	1,149,700	1,207,253	4,243,016	1,165,745	1,197,229	1,374,692
Imports of Goods	941,254	1,009,510	1,122,948	1,209,798	4,283,510	1,155,071	1,225,470	1,347,448
Exports of Services	146,689	112,493	129,169	122,222	510,573	134,838	107,728	128,790
Imports of Services	119,437	88,122	104,169	106,022	417,750	104,036	86,791	103,562
Gross Fixed Capital Formation	114,399	103,066	114,862	130,160	462,487	119,510	115,153	126,083
GFCF in Land & Construction	77,225	73,065	74,774	78,905	303,969	81,057	79,717	81,699
GFCF in Mach., Equip. & Comp. Soft.	37,174	30,001	40,088	51,255	158,518	38,453	35,436	44,384
Changes in Inventories	22,335	1,240	2,235	18,670	44,480	-4,268	19,621	5,548

Date of Forecast: July 7, 2021

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

	2020					2021		
	Q1	Q2	Q3	Q4	Annual	Q1	Q2 (Estimate)	Q3 (Forecast)
Gross Domestic Product	-9.1	-9.0	-3.6	-2.8	-6.1	7.9	8.1	7.7
Private Consumption Expenditure	-10.8	-13.9	-7.9	-6.9	-9.9	1.6	6.9	8.1
Government Consumption Expenditure	9.0	10.0	7.5	6.1	8.1	6.8	3.0	3.0
Exports of Goods	-9.6	-2.2	3.9	5.5	-0.3	30.2	20.9	19.6
Imports of Goods	-11.0	-6.7	1.9	6.7	-2.1	22.7	21.4	20.0
Exports of Services	-36.6	-44.7	-32.9	-28.8	-36.1	-8.1	-4.2	-0.3
Imports of Services	-23.7	-43.9	-35.0	-33.9	-34.1	-12.9	-1.5	-0.6
Gross Fixed Capital Formation	-15.0	-22.0	-10.4	3.6	-11.2	4.5	11.7	9.8
GFCF in Land & Construction	-14.2	-8.2	-4.9	-0.3	-7.1	5.0	9.1	9.3
GFCF in Machinery, Equip. & Computer Software	-16.4	-42.4	-20.1	10.1	-18.0	3.4	18.1	10.7
GDP Deflator Growth Rate	2.7	0.6	0.6	-1.2	0.6	-1.1	-1.1	-0.4
CPI (Composite) Inflation Rate	2.0	1.3	-1.7	-0.3	0.3	0.9	1.0	2.1
Unemployment Rate	4.2	6.2	6.4	6.6	5.9	6.8	5.8	5.1
Date of Forecast: July 7, 2021								

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

	2020			2021								
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Unit Value Trade Index (Domestic Exports)	-0.6	-0.2	0.4	-0.5	0.7	2.4	4.1	4.4	4.8	5.6	6.1	6.6
Unit Value Trade Index (Imports of Foodstuffs)	0.4	0.4	0.1	0.9	0.9	0.8	1.5	1.7	2.3	2.9	2.6	3.2
Unit Value Trade Index (Imports of Consumer Goods)	2.1	2.2	1.6	2.4	1.8	2.0	1.9	1.1	1.0	0.4	1.0	0.8
Unit Value Trade Index (Imports of Raw Materials & Semi-Manufactures)	0.7	0.9	2.4	2.5	2.6	4.0	5.8	5.5	6.4	8.0	8.0	7.8
Unit Value Trade Index (Imports of Fuels)	-35.8	-33.0	-26.6	-17.4	-14.8	6.6	66.0	81.8	63.0	54.0	46.7	63.9
Unit Value Trade Index (Imports of Capital Goods)	-1.1	-0.4	-0.7	-1.5	-0.8	-1.1	0.4	-0.2	0.3	0.0	0.3	0.7
Real Retained Imports of Foodstuffs	3.3	-7.2	-15.4	41.5	-11.8	9.2	12.2	3.0	-4.3	-1.3	-0.5	6.5
Real Retained Imports of Consumer Goods	-6.4	1.3	21.8	42.4	14.7	-8.9	48.1	32.8	83.2	25.4	41.1	23.7
Real Retained Imports of Raw Materials & Semi-Manufactures	12.5	3.9	11.0	-7.6	-14.5	0.8	13.0	26.2	7.3	1.5	24.1	19.9
Real Retained Imports of Fuels	-18.7	-18.7	-21.8	-18.6	-20.3	-8.3	-30.6	-33.5	-18.9	-31.9	-17.6	3.0
Real Retained Imports of Capital Goods	35.2	21.8	91.6	34.8	-54.0	72.2	158.8	172.1	9.5	15.8	22.1	34.4
Total Motor Vehicles Newly Registered	8.5	26.1	11.6	12.1	36.7	23.8	34.6	18.2	18.6	6.7	7.5	1.9
Private Cars Newly Registered	19.5	34.0	20.4	12.9	30.4	22.0	34.8	18.1	26.0	10.8	4.2	-0.6
Money Supply (M2)	14.4	6.6	5.8	15.2	7.6	6.5	5.6	7.1	6.1	3.9	2.3	3.2
Loans and Advances	11.6	1.7	1.2	12.4	3.2	1.1	0.2	0.9	1.5	-0.8	-2.5	-1.6
Volume Index of Retail Sales	-12.3	-7.8	-17.0	-17.6	28.5	17.0	8.1	4.7	-2.5	-3.7	-10.7	-10.7
Visitors Arrivals	-99.8	-99.8	-99.8	-99.9	-97.2	-91.9	38.3	-34.8	-64.4	-70.7	19.7	-48.6
Hong Kong Resident Departures	-99.3	-99.3	-98.8	-98.9	-94.8	-84.2	170.0	226.7	72.0	7.6	13.4	33.1
Electricity Consumption	-8.0	2.5	-1.3	0.5	-4.5	4.7	13.4	10.1	0.8	-2.2	3.3	-0.1
Gas Consumption	6.5	4.8	6.2	0.0	-1.6	-4.1	0.0	-2.3	-3.0	-1.0	2.4	1.2

Date of Forecast: July 7, 2021