

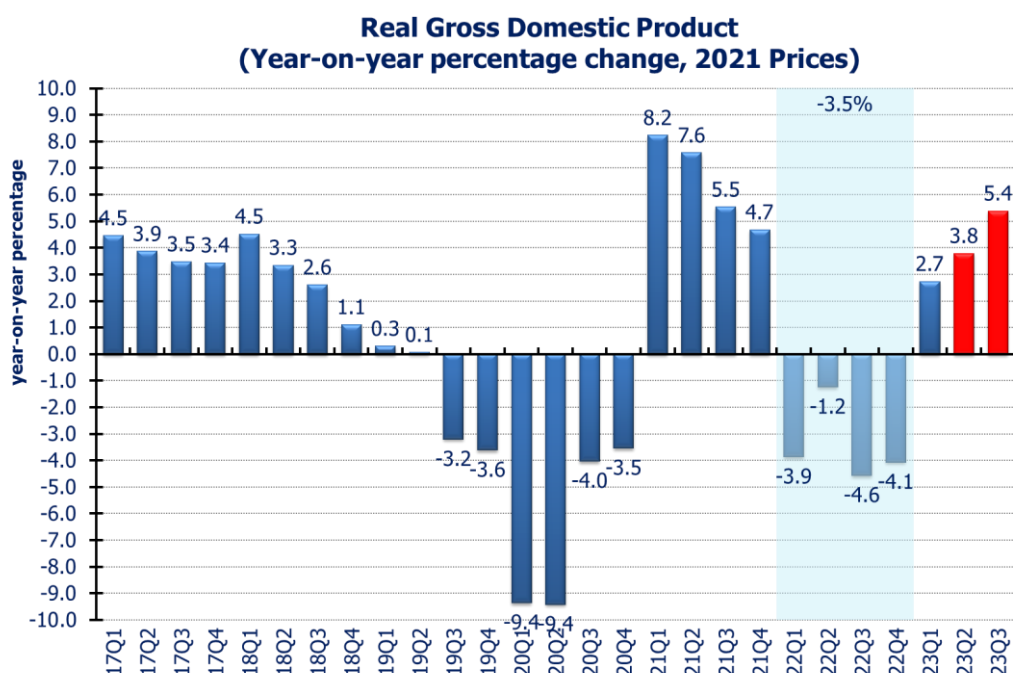


HKU announces 2023 Q3 HK Macroeconomic Forecast

July 5, 2023

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 5). Hong Kong's economy dropped by 3.5% in 2022, but the negative trend was arrested and reverted to grow by 2.7% in 23Q1, reflecting the positive impact of the resumption of cross-border activities between Hong Kong and Mainland China. Hong Kong's economy is expected to accelerate and rise by 3.8% in 23Q2.

Strong local consumer sentiment and the rebound in the number of visitors have driven Hong Kong's total retail sales volume to increase by 16.5% in May 2023, registering double-digit growth for four consecutive months. The job market has already recovered to pre-pandemic levels. With a tight labor supply, the unemployment rate is expected to decline slightly from 3.0% in 23Q2 to 2.9% in 23Q3. Persisted tight foreign contractionary monetary policies have led to high interest rates, causing the global economic slowdown and dampening Hong Kong's external demand. Hong Kong's real GDP is expected to grow by 5.4% in 23Q3, reflecting strong domestic demand and partly due to the lower base of comparison. Hong Kong's economy is projected to rise by 4.6% for the year 2023 as a whole, an upward adjustment of 1 percentage point compared to our 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 well-timed information useful for tracking the short-term fluctuations of the economy. The current quarter macroeconomic 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 2021 HK Dollar)

	2022					2023		
	Q1	Q2	Q3	Q4	Annual	Q1	Q2 (Estimate)	Q3 (Forecast)
Gross Domestic Product	679,434	672,980	694,880	720,640	2,767,934	698,038	698,510	732,337
Private Consumption Expenditure	420,234	465,769	454,545	500,164	1,840,712	474,803	497,008	487,045
Government Consumption Expenditure	102,960	97,131	96,115	96,972	393,178	103,911	98,102	97,076
Exports of Goods	1,158,189	1,134,507	1,146,096	1,068,124	4,506,916	941,163	955,057	1,054,582
Imports of Goods	1,130,726	1,196,797	1,135,409	1,062,820	4,525,752	967,581	999,730	1,054,415
Exports of Services	156,191	141,470	154,024	154,599	606,284	182,008	166,531	177,598
Imports of Services	115,932	109,071	119,059	127,574	471,636	139,633	134,250	140,019
Gross Fixed Capital Formation	107,449	120,849	106,889	110,569	445,756	113,629	125,497	118,454
GFCF in Land & Construction	78,358	77,035	73,952	75,163	304,508	77,543	78,774	76,695
GFCF in Mach., Equip. & Comp. Soft.	29,091	43,814	32,937	35,406	141,248	36,086	46,723	41,759
Changes in Inventories	-18,931	19,122	-8,321	-19,394	-27,524	-10,262	-9,705	-7,985

Date of Forecast: July 5, 2023

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

	2022					2023		
	Q1	Q2	Q3	Q4	Annual	Q1	Q2 (Estimate)	Q3 (Forecast)
Gross Domestic Product	-3.9	-1.2	-4.6	-4.1	-3.5	2.7	3.8	5.4
Private Consumption Expenditure	-6.2	-0.2	-0.4	1.7	-1.2	13.0	6.7	7.2
Government Consumption Expenditure	6.0	12.6	5.4	9.1	8.2	0.9	1.0	1.0
Exports of Goods	-4.4	-8.5	-15.9	-24.9	-13.9	-18.7	-15.8	-8.0
Imports of Goods	-5.9	-6.0	-16.5	-22.9	-13.2	-14.4	-16.5	-7.1
Exports of Services	-4.3	2.7	-4.0	0.6	-1.4	16.5	17.7	15.3
Imports of Services	-3.5	-1.5	-3.2	1.2	-1.7	20.4	23.1	17.6
Gross Fixed Capital Formation	-6.3	-1.2	-14.2	-8.9	-7.7	5.8	3.8	10.8
GFCF in Land & Construction	-3.7	-0.6	-5.2	-1.4	-2.8	-1.0	2.3	3.7
GFCF in Machinery, Equip. & Computer Software	-14.8	-1.5	-28.8	-21.2	-16.8	24.0	6.6	26.8
GDP Deflator Growth Rate	1.1	1.0	3.5	1.7	1.7	1.8	2.0	1.2
CPI (Composite) Inflation Rate	1.5	1.5	2.7	1.8	1.9	1.9	2.0	1.8
Unemployment Rate	5.0	4.7	3.9	3.5	4.3	3.1	3.0	2.9
Date of Forecast: July 5, 2023								

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

	2022			2023								
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Unit Value Trade Index (Total Exports)	6.6	4.2	5.6	5.4	3.9	4.4	4.8	4.0	4.6	3.5	4.1	4.3
Unit Value Trade Index (Imports of Foodstuffs)	5.1	4.8	4.7	3.1	4.0	3.6	5.2	1.4	4.7	4.5	4.3	4.2
Unit Value Trade Index (Imports of Consumer Goods)	5.7	5.1	2.9	3.9	4.2	3.7	4.6	2.3	4.2	4.6	4.2	3.3
Unit Value Trade Index (Imports of Raw Materials & Semi-Manufactures)	6.2	3.8	4.0	4.6	1.7	2.4	3.3	-4.4	3.4	3.2	3.5	1.7
Unit Value Trade Index (Imports of Fuels)	33.4	26.4	21.4	23.4	9.8	-14.2	-18.9	-44.9	-26.6	-23.9	-16.0	-12.4
Unit Value Trade Index (Imports of Capital Goods)	7.5	7.2	6.5	8.0	3.4	4.1	6.6	1.7	5.6	4.5	4.2	2.1
Real Retained Imports of Foodstuffs	-15.8	-11.6	-18.1	-21.8	21.8	17.6	-11.6	-5.0	-7.6	-8.5	-5.9	-8.9
Real Retained Imports of Consumer Goods	12.5	-6.9	-14.2	-5.6	75.0	28.1	-14.6	12.4	-13.4	21.4	22.8	-10.6
Real Retained Imports of Raw Materials & Semi-Manufactures	-31.8	4.0	15.0	29.3	-44.8	-7.6	-7.4	-31.0	-31.2	6.1	-7.2	-23.1
Real Retained Imports of Fuels	-21.3	-30.8	8.4	-2.3	1.7	11.1	23.8	51.2	13.1	0.3	3.4	4.5
Real Retained Imports of Capital Goods	-51.2	-48.6	-22.2	-21.4	197.6	-10.8	-15.2	2.5	-39.7	-20.1	217.4	8.4
Total Motor Vehicles Newly Registered	40.3	2.4	0.6	-1.7	68.5	9.2	13.8	26.1	7.0	18.3	-3.7	-8.2
Private Cars Newly Registered	61.5	7.7	16.1	22.3	100.5	22.9	48.4	58.6	25.1	39.4	3.3	-3.2
Money Supply (M2)	1.2	1.3	1.6	0.5	0.0	1.4	1.7	1.5	2.1	2.5	3.0	3.8
Loans and Advances	-2.7	-3.1	-3.0	-2.5	-3.2	-3.3	-3.3	-4.3	-3.8	-3.7	-3.3	-3.1
Volume Index of Retail Sales	4.0	-4.1	1.2	6.8	31.3	40.7	14.9	18.4	20.3	16.9	19.6	19.2
Visitors Arrivals	760.9	1098.5	1599.6	6959.6	55573	136239	61542	15017	6693	6578	5158	4027
Hong Kong Resident Departures	193.2	328.2	367.2	2224.2	4074.4	6406.8	9428	7011	4876	4905	4746	4315
Electricity Consumption	-2.2	4.5	0.4	1.0	1.7	5.0	1.3	8.2	1.5	-1.7	-0.3	-0.9
Gas Consumption	2.1	-11.0	-5.0	-3.7	0.4	-1.5	3.0	-0.8	1.4	-4.3	-1.0	1.3

Date of Forecast: July 5, 2023