

Advance estimates on Gross Domestic Product for second quarter of 2020

The Census and Statistics Department (C&SD) released today (July 29) the advance estimates on Gross Domestic Product (GDP) for the second quarter of 2020.

According to the advance estimates, GDP decreased by 9.0% in real terms in the second quarter of 2020 from a year earlier, compared with the decrease of 9.1% in the first quarter of 2020. The decline of GDP was mainly attributable to the continued weak performance in both domestic and external demand.

Analysed by major GDP component, private consumption expenditure decreased by 14.5% in real terms in the second quarter of 2020 from a year earlier, deteriorating from the 10.6% decline in the first quarter.

Government consumption expenditure measured in national accounts terms grew by 9.6% in real terms in the second quarter of 2020 over a year earlier, after the increase of 8.8% in the first quarter.

Gross domestic fixed capital formation decreased by 20.6% in real terms in the second quarter of 2020 from a year earlier, compared with the decrease of 15.8% in the first quarter.

Over the same period, total exports of goods measured in national accounts terms recorded a decline of 2.1% in real terms from a year earlier, compared with the decrease of 9.7% in the first quarter. Imports of goods measured in national accounts terms dropped by 6.8% in real terms in the second quarter of 2020, compared with the decline of 11.1% in the first quarter.

Exports of services fell significantly by 46.6% in real terms in the second quarter of 2020 from a year earlier, compared with the decrease of 37.4% in the first quarter. Imports of services decreased by 43.5% in real terms in the second quarter of 2020, compared with the decrease of 24.5% in the first quarter.

On a seasonally adjusted quarter-to-quarter comparison basis, GDP decreased marginally by 0.1% in real terms in the second quarter of 2020 when compared with the first quarter.

Commentary

A Government spokesman said that Hong Kong's overall economic conditions remained very weak in the second quarter of 2020, as the COVID-19 pandemic continued to severely hit global and local economic activities. According to the advance estimates, on a year-on-year comparison, GDP contracted by 9.0%

in real terms in the second quarter, narrowing marginally from the 9.1% contraction in the first quarter. Yet, as the epidemic situation was largely under control in Hong Kong in May and June, and the recovery of the Mainland economy also helped partly offset the external headwinds facing Hong Kong's exports of goods, the overall economic situation showed signs of stabilisation during the quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP fell marginally by 0.1%.

Analysed by major component, Hong Kong's total exports of goods saw a visibly narrower decline in the second quarter despite the global recession, as production activities in the Mainland largely resumed. Exports of services plunged further, with inbound tourism remaining at a standstill. As regards domestic demand, private consumption expenditure recorded the steepest ever decline, as local consumption activities were severely disrupted by the threat of COVID-19 and social distancing requirements throughout the quarter, while outbound tourism came to a halt amid stringent travel restrictions. The sharp deterioration of labour market conditions also added strains on consumer sentiment. Overall investment expenditure continued to tumble amid the austere business environment and a highly uncertain economic outlook.

Looking ahead, the COVID-19 pandemic will remain a key threat to the global economic outlook. While the US and the euro area economies seem to have got out of their troughs, their recovery paths could be slow and bumpy until an effective vaccine or treatment is found. The evolving China-US relations and heightened geopolitical tensions also add to uncertainties. Thus the challenging external environment will likely constrain Hong Kong's export performance in the near term. Locally, the recent surge in COVID-19 cases has clouded the near-term outlook for domestic economic activity. Nonetheless, once the local epidemic is contained again and external environment continues to improve, the Hong Kong economy hopefully will gradually recover in the rest of the year. The Government has been implementing the relief measures under the Anti-epidemic Fund and the 2020-21 Budget at full steam, which have helped safeguard jobs, support enterprises and relieve people's financial burdens.

The revised figures on GDP and more detailed statistics for the second quarter of 2020, as well as the revised GDP forecast for 2020 will be released on August 14, 2020.

Further information

The year-on-year percentage changes of GDP and selected major expenditure components in real terms from the second quarter of 2019 to the second quarter of 2020 are shown in Table 1.

When more data become available, the C&SD will compile revised figures on GDP. The revised figures on GDP and more detailed statistics for the second quarter of 2020 will be released at the C&SD website (www.censtatd.gov.hk/hkstat/sub/sp250.jsp) and the Gross Domestic Product (Quarterly) Report (www.censtatd.gov.hk/hkstat/sub/sp250.jsp?productCode=B1030001) on August 14,

2020.

For enquiries about statistics on GDP by expenditure component, please contact the National Income Branch (1) of the C&SD (Tel: 2582 5077 or email: gdp-e@censtatd.gov.hk).