

Advance estimates on Gross Domestic Product for third quarter of 2019

The Census and Statistics Department (C&SD) released today (October 31) the advance estimates on Gross Domestic Product (GDP) for the third quarter of 2019.

According to the advance estimates, GDP decreased by 2.9% in real terms in the third quarter of 2019 from a year earlier, compared with the increase of 0.4% in the second quarter of 2019. The decline of GDP was attributable to the weak performance in both domestic and external demand.

Analysed by major GDP component, private consumption expenditure decreased by 3.5% in real terms in the third quarter of 2019 from a year earlier, as against the 1.3% growth in the second quarter.

Government consumption expenditure measured in national accounts terms grew by 5.3% in real terms in the third quarter of 2019 over a year earlier, after the increase of 4.0% in the second quarter.

Gross domestic fixed capital formation decreased significantly by 16.3% in real terms in the third quarter of 2019 from a year earlier, compared with the decrease of 10.8% in the second quarter.

Over the same period, total exports of goods measured in national accounts terms recorded a decrease of 7.0% in real terms from a year earlier, compared with the decrease of 5.4% in the second quarter. Imports of goods measured in national accounts terms fell by 11.1% in real terms in the third quarter of 2019, compared with the decline of 6.7% in the second quarter.

Exports of services dropped by 13.7% in real terms in the third quarter of 2019 from a year earlier, following the decline of 1.1% in the second quarter. Imports of services decreased by 3.8% in real terms in the third quarter of 2019, as against the increase of 1.3% in the second quarter.

On a seasonally adjusted quarter-to-quarter comparison basis, GDP decreased by 3.2% in real terms in the third quarter of 2019 when compared with the second quarter.

Commentary

A Government spokesman said that Hong Kong's economic growth has moderated progressively since last year amid a slowing global economy and US-Mainland trade tensions. The situation showed an abrupt deterioration recently due to the severe impacts of the local social incidents. According to the advance estimates, GDP contracted by 2.9% in real terms in the third quarter of 2019 from a year earlier, marking the first year-on-year contraction for an individual quarter since the Great Recession of 2009, and

also much weaker than the mild growth of 0.6% and 0.4% in the first and second quarters respectively. For the first three quarters as a whole, the economy contracted by 0.7% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison, the fall in real GDP widened to 3.2% in the third quarter from 0.5% in the preceding quarter, indicating that the Hong Kong economy has entered a technical recession.

Hong Kong's total exports of goods registered an enlarged decline in the third quarter, reflecting the further slackening of manufacturing and trading activities worldwide. With the local social incidents taking a heavy toll on inbound tourism, exports of services recorded the biggest year-on-year drop since the second quarter of 2003. Domestic demand worsened significantly. As the weakening economic conditions dampened consumer sentiment, and large-scale demonstrations caused severe disruptions to the retail, catering and other consumption-related sectors, private consumption expenditure recorded its first year-on-year decline in more than ten years. The fall in overall investment expenditure steepened amid sagging economic confidence.

Looking ahead, with global economic growth expected to remain soft in the near term, Hong Kong's exports are unlikely to show any visible improvement. Moreover, as the adverse impacts of the local social incidents have yet to show signs of abating, private consumption and investment sentiment will continue to be affected. The Hong Kong economy will still face notable downward pressures in the rest of the year. All the establishment surveys in recent months indicated that local business sentiment has turned very pessimistic. Considering the year-on-year contraction of 0.7% in the first three quarters and the lack of any signs of improvement in the near term, the economy is very likely to record a negative growth for 2019 as a whole.

The revised figures on GDP and more detailed statistics for the third quarter of 2019, as well as the revised GDP forecast for 2019 will be released on November 15, 2019.

Further information

The year-on-year percentage changes of GDP and selected major expenditure components in real terms from the third quarter of 2018 to the third quarter of 2019 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 third quarter of 2019 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 November 15, 2019.

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).