

Advance estimates on Gross Domestic Product for third quarter of 2020

The Census and Statistics Department (C&SD) released today (October 30) the advance estimates on Gross Domestic Product (GDP) for the third quarter of 2020.

According to the advance estimates, GDP decreased by 3.4% in real terms in the third quarter of 2020 from a year earlier, compared with the decrease of 9.0% in the second quarter of 2020. The moderation in the decline was in part due to the low base of comparison and was also attributable to the gradual improvement in both domestic and external demand.

Analysed by major GDP component, private consumption expenditure decreased by 7.7% in real terms in the third quarter of 2020 from a year earlier, improving from the 14.2% decline in the second quarter.

Government consumption expenditure measured in national accounts terms grew by 6.4% in real terms in the third quarter of 2020 over a year earlier, after the increase of 9.7% in the second quarter.

Gross domestic fixed capital formation decreased by 11.2% in real terms in the third quarter of 2020 from a year earlier, compared with the decrease of 21.4% in the second quarter.

Over the same period, total exports of goods measured in national accounts terms recorded an increase of 3.8% in real terms over a year earlier, as against the decrease of 2.2% in the second quarter. Imports of goods measured in national accounts terms grew by 1.9% in real terms in the third quarter of 2020, as against the decline of 6.7% in the second quarter.

Exports of services fell by 34.8% in real terms in the third quarter of 2020 from a year earlier, compared with the decrease of 45.6% in the second quarter. Imports of services decreased by 37.8% in real terms in the third quarter of 2020, compared with the decrease of 44.5% in the second quarter.

On a seasonally adjusted quarter-to-quarter comparison basis, GDP increased by 3.0% in real terms in the third quarter of 2020 when compared with the second quarter.

Commentary

A Government spokesman said that Hong Kong's overall economic performance, measured in terms of the real gross domestic product, saw some improvement in the third quarter of 2020, having hit bottom in the second quarter. An improved external environment led by the solid expansion of the Mainland economy, some revival in sentiment in the latter part of the quarter amid the stabilisation of the local epidemic situation, and stronger

financial market activity all contributed. However, the level of economic activity in the third quarter was still notably below the level before the recession. According to the advance estimates, GDP fell by 3.4% in real terms in the third quarter from a year earlier, visibly narrower than the 9.0% contraction in the second quarter. On a seasonally adjusted quarter-to-quarter comparison, GDP rose notably by 3.0% in real terms in the third quarter, ending five consecutive quarters of contraction.

Analysed by major component, and on a year-on-year basis, total exports of goods resumed growth in the third quarter thanks to revived import demand of many major markets especially the Mainland. Yet, exports of services continued to plummet as inbound tourism remained frozen. Private consumption expenditure posted a smaller though still notable decline, as sentiment revived in the latter part of the quarter after being dampened by the third wave of the local epidemic in July and August. Overall investment expenditure continued to fall visibly amid the difficult business environment, though displaying some relative improvement from the preceding quarter.

Looking ahead, the continued solid recovery of the Mainland economy should render support to Hong Kong's exports in the coming few months. Also, global demand and trade flows will further improve if the recovery of the major advanced economies sustains. Locally, barring any sharp resurgence of local COVID-19 infections, domestic economic activities should continue to recover in the rest of the year. That said, COVID-19 will remain a major downside risk to the global and local economy until effective vaccines are widely available. The tourism industry is unlikely to see a swift rebound with widespread travel restrictions in place. The evolving China-US relations, heightened geopolitical tensions, and the possibility of a disorderly Brexit also add to uncertainties. To preserve the vitality of the economy, the Government has been implementing the relief measures under the Anti-epidemic Fund and the 2020-21 Budget at full steam, providing some cushioning effects to the economy and paving way for continued recovery.

The revised figures on GDP and more detailed statistics for the third quarter of 2020, as well as the revised GDP forecast for 2020 will be released on November 13, 2020.

Further information

The year-on-year percentage changes of GDP and selected major expenditure components in real terms from the third quarter of 2019 to the third 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 third 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 November 13, 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).