

Data and Profiles - Market Profiles

Economic and Trade Information on Hong Kong

29 March 2021

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1. Latest Development

- Hong Kong's economy contracted by 3.0% year-on-year in real terms in the fourth quarter of 2020, after a fall of 3.6% (year-on-year) in the preceding quarter. For 2020 as a whole, GDP decreased by 6.1% in real terms from 2019. Considering the latest internal and external situations as well as the stimulus effect of the fiscal measures, the real GDP growth forecast for 2021 as a whole is 3.5% - 5.5%.
- Overall consumer prices rose by 0.3% in February 2021 over the same month a year earlier, smaller than the corresponding increase (1.9%) in January 2021. Considering overall economic activities will remain below the pre-recession level, the Government forecasts Hong Kong's underlying consumer price inflation at 1.0% for 2021.
- The value of retail sales, in nominal terms, decreased by 13.6% year-on-year in January 2021 over the same month a year earlier, compared with a year-on-year decrease of 13.3% in December 2020.
- The labour market conditions remain under significant pressure. The seasonally adjusted unemployment rate increased from 7.0% in November 2020 – January 2021 to 7.2% in December 2020 – February 2021.
- Merchandise exports increased by 30.4% in February 2021 over the same month a year earlier, after a year-on-year increase of 44.0% in January 2021.

	2019	2020	Latest
Population, Year-end (mn)	7.52	7.47	--
Gross Domestic Product (US\$ bn)	367.4	349.4	--
GDP Per Capita (US\$)	48,938	46,701	--
Real GDP Growth (%)	-1.2	-6.1	--
Inflation (% Change in Composite CPI)	+2.9	+0.3	+1.1 ^c
Unemployment Rate (%)	2.9	--	7.2 ^d
Retail Sales Growth (%)	-11.1	-24.3	-13.6 ^b
Number of Visitors (mn)	55.9	3.6	0.004 ^a
Visitor Arrivals Growth (%)	-14.2	-93.6	-99.9 ^b

^a January 2021; ^b year-on-year change, January 2021; ^c year-on-year change, January – February 2021; ^d seasonally adjusted, December 2020 – February 2021

Source: Census and Statistics Department, HKSAR

2. Strategic Position

- Hong Kong is the world's freest economy. It is one of the most services-oriented economy in the world, with services sectors accounting for 93.4% of the GDP in 2019.
- According to *World Trade Organization (WTO)*, Hong Kong is the world's 8th largest exporter of merchandise trade and the world's 17th largest exporter of commercial services in 2019.
- According to the *UNCTAD World Investment Report 2020*, global FDI inflows to Hong Kong amounted to US\$68.4 billion in 2019, ranked 7th globally, behind Mainland China (US\$141.2 billion) and Singapore (US\$92.1 billion) in Asia.
- In terms of FDI outflows, Hong Kong ranked 3rd in Asia with US\$59.3 billion, after Japan (US\$226.6 billion) and Mainland China (US\$117.1 billion).
- In terms of FDI stock, Hong Kong was the world's 3rd largest host with US\$1,867.9 billion, after the United States and the United Kingdom, and the world's 6th largest investor with US\$1,794 billion in 2019.

- According to a triennial survey conducted by the *Bank for International Settlements*, Hong Kong is the 2nd largest foreign exchange market in Asia and the 4th largest in the world in 2019, with the average daily turnover of forex transactions increasing by 44.8% from US\$436.6 billion in April 2016 to US\$632.1 billion in April 2019.
- Hong Kong is a global offshore RMB business hub. According to *SWIFT*, Hong Kong is the largest offshore RMB clearing centre in 2019, sharing about 75% of the world's RMB payments.
- As at the end of 2020, Hong Kong's stock market ranked the 3rd largest in Asia and the 5th largest in the world in terms of market capitalisation. There were 2,538 companies listed on HKEx and the total market capitalisation of Hong Kong's stock market reached US\$6.1 trillion.
- Hong Kong is an important banking and financial centre in the Asia Pacific. Hong Kong is the 4th leading global financial centre, according to the *Global Financial Centre Index*.
- The *Hong Kong International Airport* is the world's busiest airport for international air cargo since 2010. Hong Kong is also one of the world's busiest container ports. In 2019, Hong Kong ranked 8th in the world in terms of container throughput.
- Supported by excellent connectivity with Mainland China and the rest of the world, strong research and development capability, world-class universities, Hong Kong is fast becoming an innovation and technology hub. According to the *Global Innovation Index*, Hong Kong ranked 11th globally in 2020.

3. Recent Government Initiatives

2020 Policy Address

The Chief Executive, Mrs Carrie Lam, unveiled her *2020 Policy Address* on 25 November 2019. Below are some highlights:

- Release the Smart City Blueprint for Hong Kong 2.0 in December 2020.
- Conduct a comprehensive traffic and transport strategy study and the "Strategic Studies on Railway and Major Roads beyond 2030" to complement land development planning and housing supply, and to support sustainable development.
- Expand the scope of subsidy under the Small and Medium Enterprises Export Marketing Fund for two years.
- HKTDC will launch a one-stop "GoGBA" platform in collaboration with the Guangdong Province and relevant chambers of commerce to assist Hong Kong enterprises to explore opportunities in the Mainland's domestic market.
- Allow the use of Hong Kong-registered drugs and medical devices used in Hong Kong public hospitals at The University of Hong Kong – Shenzhen Hospital on a trial basis.
- Allow traditional proprietary Chinese medicine products for external use registered in Hong Kong to be registered and sold in the GBA through a streamlined approval process.
- Launch a five-year Global STEM Professorship Scheme at a cost of \$2 billion.
- Launch the Funding Scheme for Youth Entrepreneurship in the GBA, and earmark \$100 million under the Youth Development Fund for this purpose.
- Launch the GBA Youth Employment Scheme under which enterprises operating business in both Hong Kong and the GBA Mainland cities will be provided with subsidies to recruit and deploy local university graduates to work in the GBA Mainland cities.

The full text of the *2020 Policy Address* can be found [here](#).

2021-22 Budget

The Financial Secretary, Mr Paul Chan, unveiled his *2021-22 Budget* on 24 February 2021. Below are some highlights:

- Introduce a counter-cyclical measures of a massive scale involving above HK\$120 billion, including HK\$9.5 billion to support enterprises, and HK\$36 billion to issue electronic consumption vouchers with a total value of HK\$5,000 to each eligible Hong Kong residents.
- Allocate HK\$375 million to HKTDC to enhance its capability to organise online activities and to proceed with digitalization.
- Inject HK\$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales, increase funding ceiling per enterprise to HK\$6 million and extend its geographical coverage.
- Issue green bonds totalling HK\$175.5 billion within the next 5 years, and plan to issue retail green bonds.
- Provide subsidy for Real Estate Investment Trusts to list in Hong Kong.
- Promote various GBA policies and measures through the Guangdong-Hong Kong-Macao Greater Bay Area Development Office.

The full text of the *2021-22 Budget* can be found [here](#).

Guangdong-Hong Kong-Macao Greater Bay Area

The Central Government unveiled the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (Outline Development Plan)* on 18 February 2019. With the full support of the Central Government, Hong Kong will proactively integrate into the overall national development. Along with Macao, Guangzhou and Shenzhen, Hong Kong will be one of the core engines for development in the region.

The *Outline Development Plan* supports Hong Kong in consolidating and enhancing its status as international financial, transportation and trade centres, as well as an aviation hub and a global offshore Renminbi (RMB) business hub, and strengthening its role as an international asset management centre and a risk management centre.

The full text of the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* can be found [here](#).

4. Major Economic Indicators

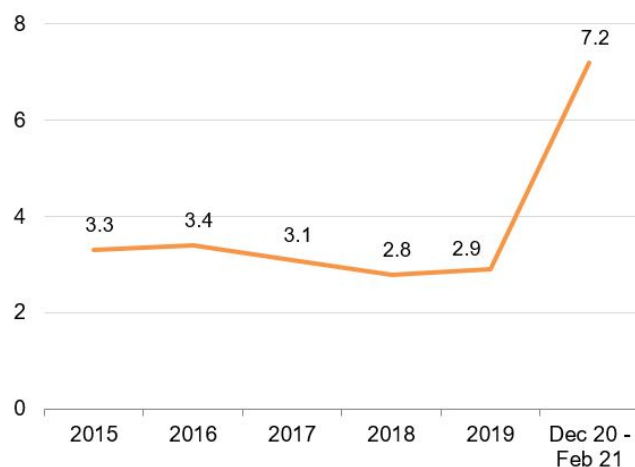
Real GDP Growth

Year-on-year % change



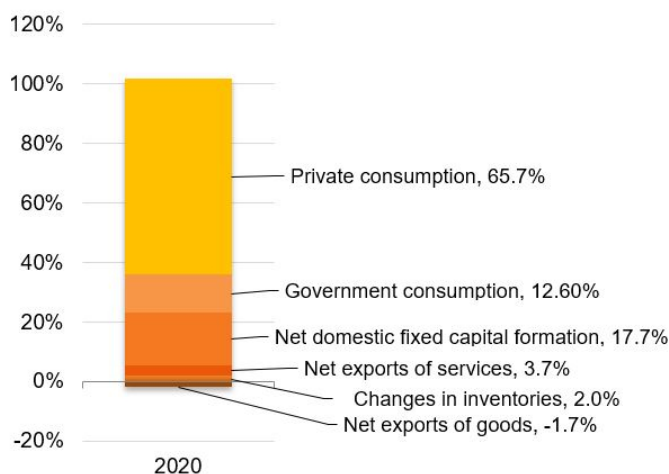
Unemployment Rate

Seasonally adjusted (%)



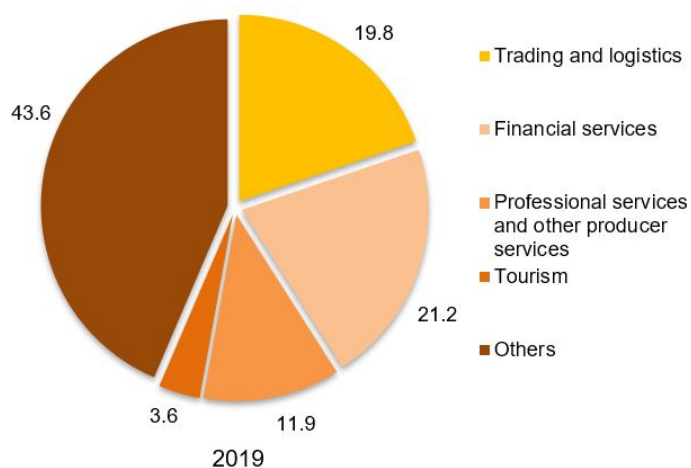
GDP Composition

% share of GDP



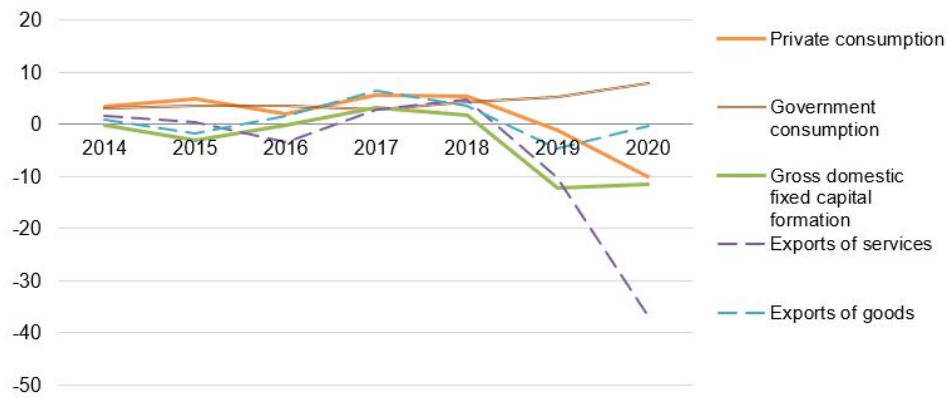
The Four Key Industries

% share of value added in GDP



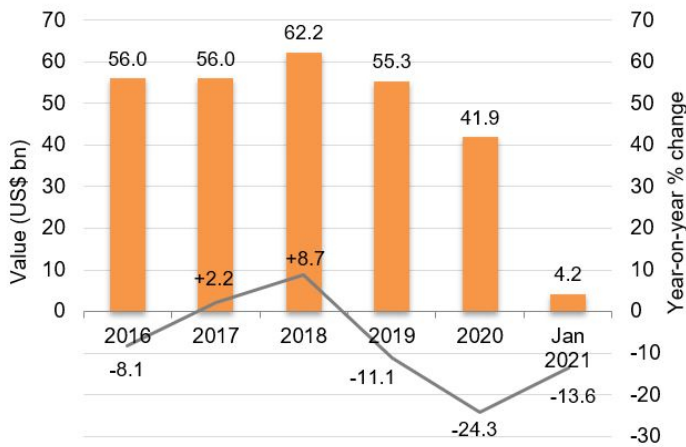
Real GDP Growth by Selected Components

Year-on-year % change



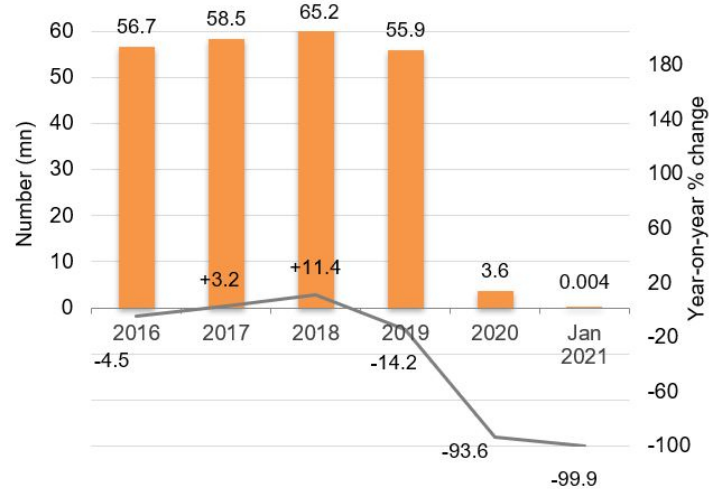
Retail Sales

Value and growth



Visitors Arrivals

Number and growth



Sources: Census and Statistics Department, HKSAR

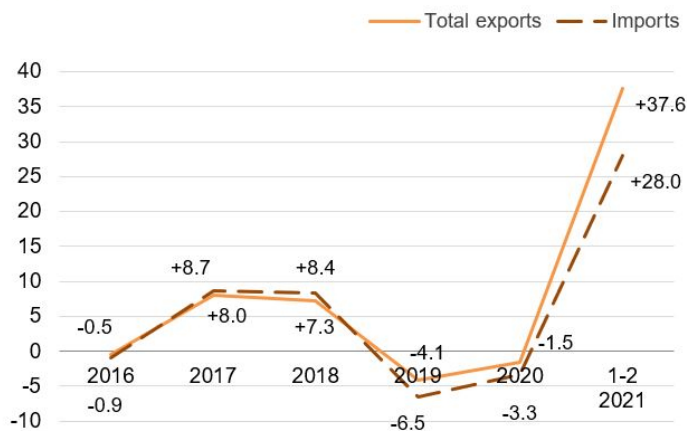
5. External Trade

Merchandise Trade

(in nominal terms)	2019		2020		Jan - Feb 2021	
	US\$ bn	Growth %	US\$ bn	Growth %	US\$ bn	Growth %
Total Exports	511.4	-4.1	503.5	-1.5	89.6	+37.6
Domestic Exports	6.1	+3.1	6.1	-0.6	1.6	+84.2
Re-exports	505.2	-4.2	497.4	-1.5	88.0	+37.0
Imports	566.1	-6.5	547.4	-3.3	94.7	+28.0
Total Trade	1,077.5	-5.4	1,050.9	-2.5	184.3	+32.5
Trade Balance	-54.7		-43.9		-5.1	

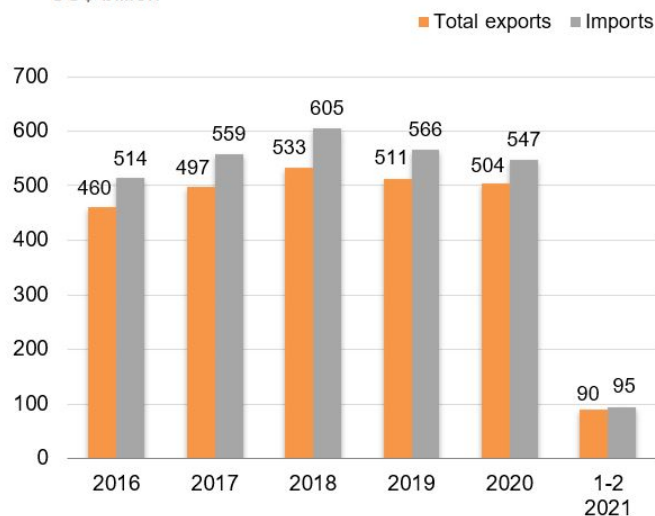
Merchandise Trade Growth

Year-on-year % change



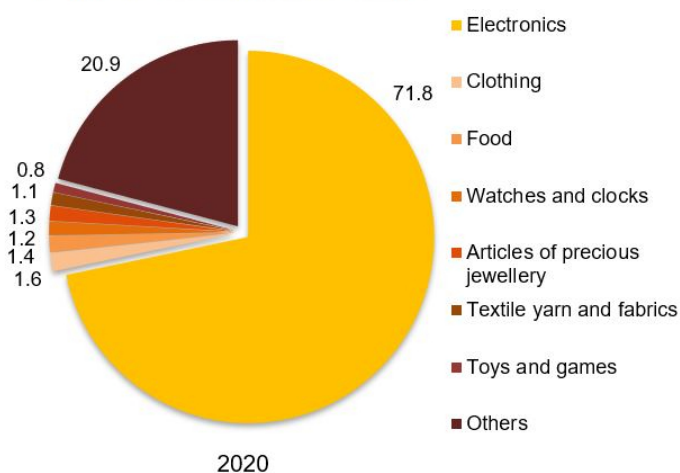
Merchandise Trade Value

US\$ billion



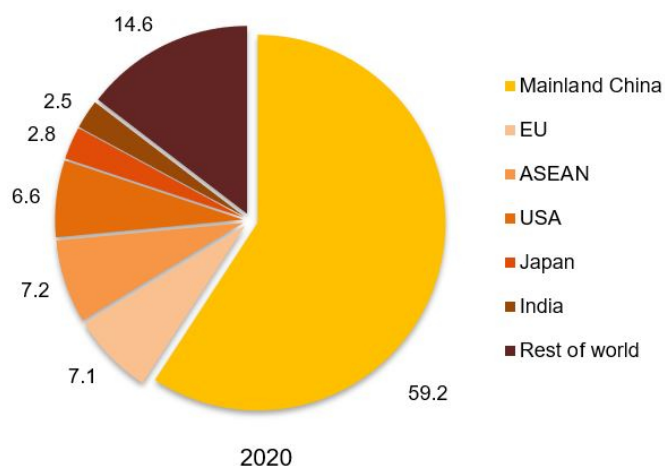
Major Export Commodities

% share of total merchandise exports



Major Export Markets for Goods

% share of total merchandise exports

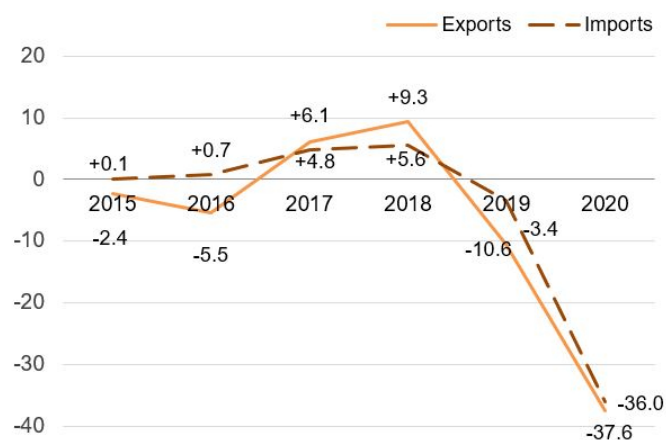


Sources: Census and Statistics Department, HKSAR

Trade in Service

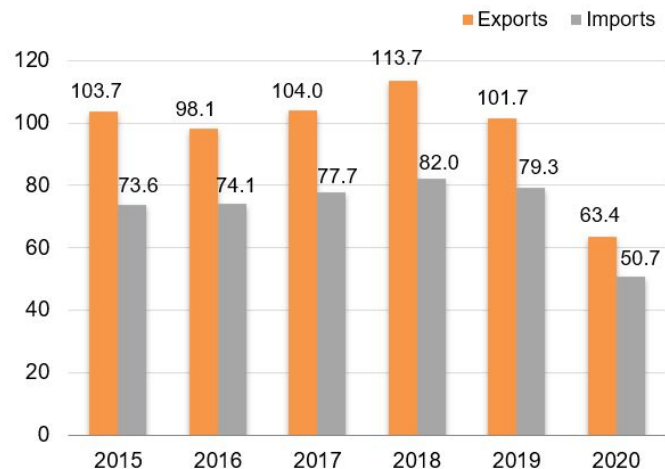
Services Trade Growth

Year-on-year % change



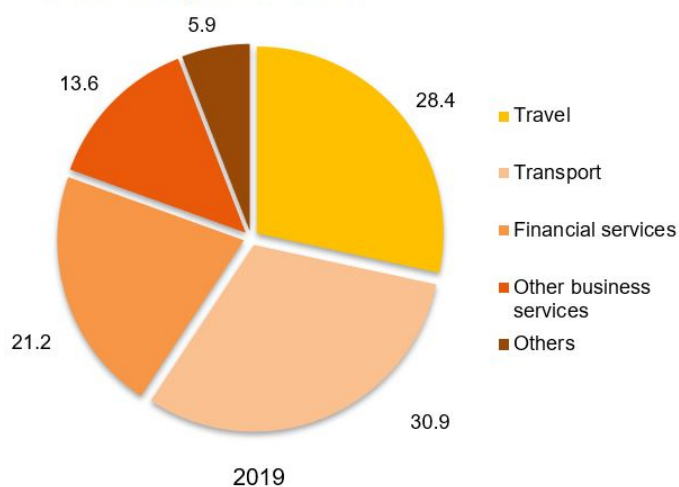
Services Trade Value

US\$ billion



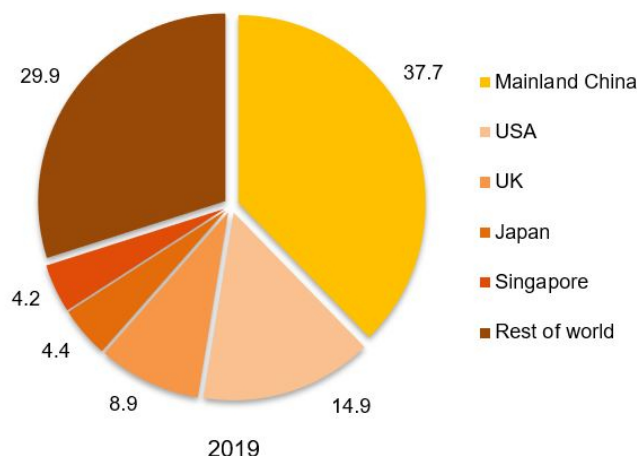
Major Export Services

% share of exports of services



Major Export Markets for Services

% share of exports of services



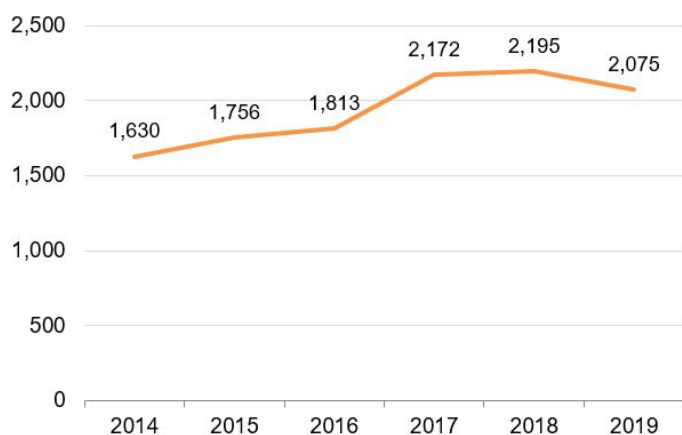
Sources: Census and Statistics Department, HKSAR

6. Investment Flows

- According to a HKSAR Government survey, Hong Kong's total stock of inward direct investment was estimated at US\$2,075 billion at the end of 2019.
- One distinct feature of such direct investment was the indirect channelling of capitals from non-operating companies in tax haven economies.

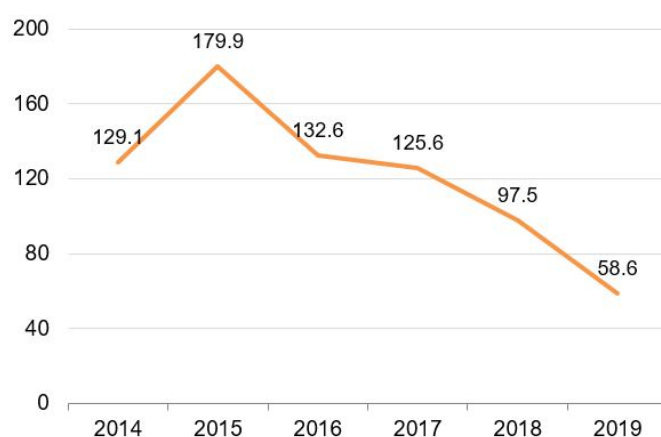
FDI Stock

At end of year, US\$ billion



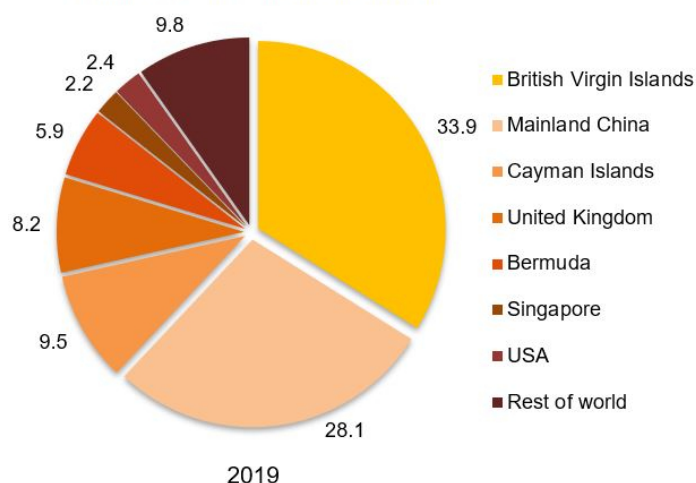
FDI Inflow

US\$ billion



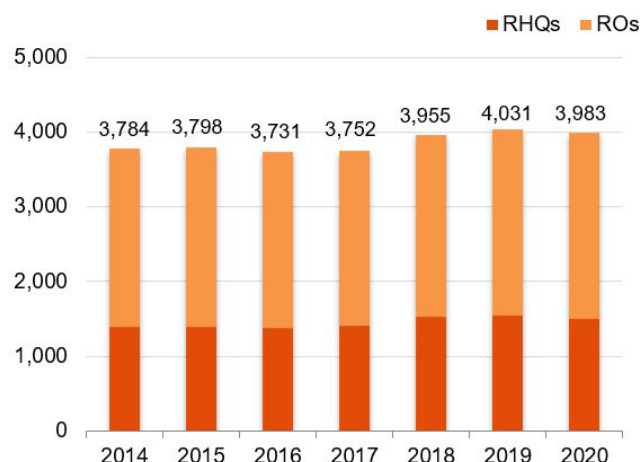
Major Investors

% share of FDI stock at end of year



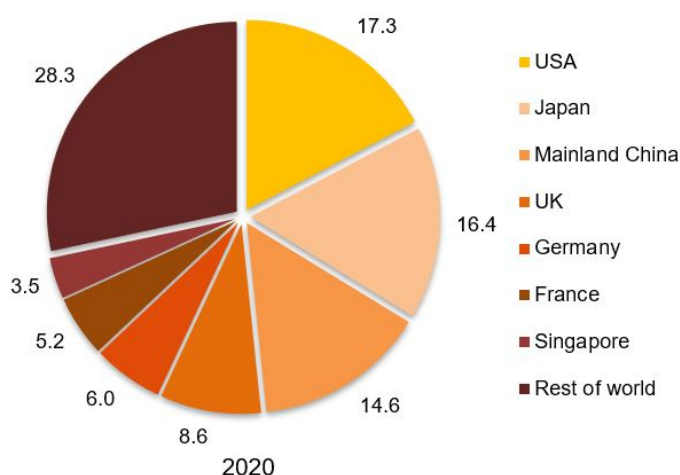
Regional Headquarters & Offices

Number as at the first working day of June of the year



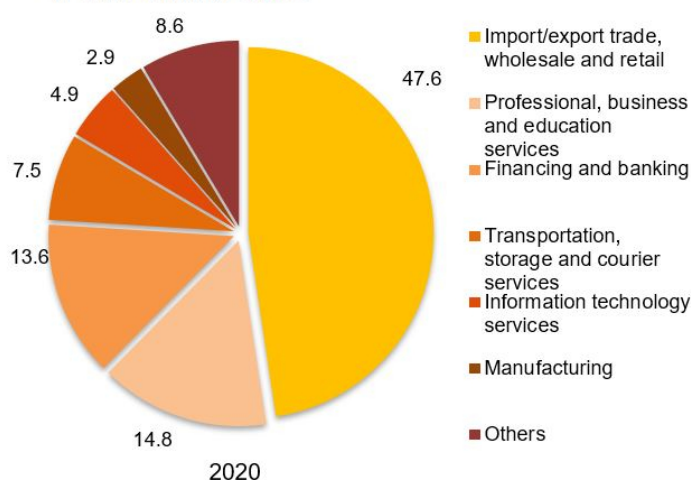
Location of Parent Companies

% share of RHQs & ROs



Major Line of Business

% share of RHQs & ROs



Sources: Census and Statistics Department, HKSAR

7. Trade Policies, Trade Relations and Tax Treaties

Trade Relations

- Founding member of the *World Trade Organization (WTO)*
- Member of the *Asia-Pacific Economic Cooperation (APEC)*
- Member of the *Pacific Economic Cooperation Council (PECC)*
- Member of the *Asian Development Bank (ADB)*
- Member of the *Asian Infrastructure Investment Bank (AIIB)*
- Associate member of the *United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)*
- Observer of the Trade Committee of the *Organization for Economic Cooperation and Development (OECD)*

Trade Policies

- Hong Kong is a free port and does not levy any Customs tariff on imports or exports, except there are four types of dutiable commodities which are liquors, tobacco, hydrocarbon oil and methyl alcohol.

- The certification system in Hong Kong is to facilitate local products to be exported outside Hong Kong by certifying their origins. Imports do not require origin certification.
- Any persons who import or export any goods (other than exempted articles) are required to lodge accurate and complete import/export declarations to Hong Kong Customs within 14 days after the import/export of goods.
- Subject to certain conditions, shipping companies, airlines and freight companies which have registered with the Trade and Industry Department are exempted from the import/export licensing requirements for their transshipment cargoes.

Details of Hong Kong's policies on import and export of goods can be found [here](#).

Free Trade Agreements (FTAs)

FTAs in Force:

- Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)
- Hong Kong, China – New Zealand Closer Economic Partnership Agreement
- FTA between Hong Kong, China and the Member States of the European Free Trade Association
- FTA between Hong Kong, China and Chile
- Hong Kong and Macao Closer Economic Partnership Agreement (HK-Macao CEPA)
- Hong Kong, China – Georgia FTA
- Hong Kong, China – ASEAN FTA
- FTA between Hong Kong, China and Australia

FTA Negotiation Concluded:

- Hong Kong, China – Maldives FTA

Details of the FTAs can be found [here](#).

CEPA

CEPA is a free trade agreement concluded by the Mainland and Hong Kong. The main text of *CEPA* was signed on 29 June 2003. The two sides continue to introduce further liberalization measures thereafter. *CEPA* covers 4 broad areas:

i. Trade in Goods

- Starting from 1 January 2006, the Mainland agreed to fully implement zero tariff on imported goods of Hong Kong origin that fulfil the Product Specific Rules of Origin (PSRs) under *CEPA*.
- In December 2018, the *Agreement on Trade in Goods* was signed. It introduced a general rule of origin based on the calculation of the value added to the products in Hong Kong in addition to the PSRs.
- Through the enhanced arrangement for rules of origin, all products of Hong Kong origin, except for a few prohibited articles, are covered under *CEPA* and eligible for zero tariff when entering into the Mainland market.

ii. Trade in Services

- Under *CEPA*, Hong Kong service suppliers enjoy preferential treatment in entering into the Mainland market in various service areas.
- In December 2014, the *Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong (Guangdong Agreement)* was signed, enabling early realisation of basic liberalisation of trade in services with Hong Kong in Guangdong.
- The *Agreement on Trade in Services* signed in November 2015 further enhances the liberalisation in both breadth and depth, including extending the implementation of the majority of Guangdong pilot liberalisation measures to the whole Mainland.
- The *Agreement Concerning Amendment to the CEPA Agreement on Trade in Services (Amendment Agreement)* implemented on 1 June 2020 introduces more liberalisation measures, including the removal of a minimum capital input ratio requirement and the relaxation of qualification requirements in a number of important services sectors.

iii. Investment

- In June 2017, the *Investment Agreement* was signed under the framework of *CEPA*. It expands the market access commitments to non-services sectors outside the scope of the *Agreement on Trade in Services* and introduces obligations on investment protection to both services and non-services sectors.

iv. Economic and Technical Cooperation

- In June 2017, the *Agreement on Economic and Technical Cooperation (Ecotech Agreement)* was signed under the framework of *CEPA*. It consolidates and updates the economic and technical co-operation activities between Hong Kong and Mainland China in 22 areas.

Details of *CEPA* can be found [here](#).

Apart from *FTAs*, Hong Kong has signed *Investment Promotion and Protection Agreements (IPPs)* with [21 economies](#), and concluded the negotiations with Bahrain, Mexico, Myanmar and the UAE, respectively; the *IPPs* with Iran and Russia, respectively, are under negotiation. On the other hand, Hong Kong has concluded comprehensive double taxation agreements (*CDTAs*) with [some 43 jurisdictions](#) while those with [another 14 countries/territories](#) are still under negotiation.

For more information and assistance in establishing an operation in Hong Kong, please read the [Guide to Doing Business in Hong Kong](#), or contact [InvestHK](#).

8. Economic Relations with Mainland China

- Hong Kong is an important entrepôt for Mainland China. According to the HKSAR Government statistics, in 2020, 53% of re-exports were of Mainland origin and 59% were destined for Mainland China.
- According to China Customs statistics, Hong Kong is the 4th largest trading partner of Mainland China after the US, Japan and South Korea, accounting for 6.1% of its total trade in 2020.
- Hong Kong is the largest source of overseas direct investment in Mainland China. By the end of 2019, among all the overseas-funded projects approved in Mainland China, 47.4% were tied to Hong Kong interests. Cumulative utilised capital inflow from Hong Kong amounted to US\$1,195.5 billion, accounting for 52.2% of the national total.
- Hong Kong is also the leading destination for Mainland China's FDI outflow. According to Chinese statistics, by 2019, the stock of FDI going to Hong Kong accumulated to US\$1,275.4 billion, or 58% of the total outflow of FDI.
- Mainland China, on the other hand, is a leading investor in Hong Kong. According to the HKSAR Government statistics, the stock of Hong Kong's inward investment from Mainland China amounted to US\$523 billion at market value or 28.1% of the total at the end of 2019.
- Hong Kong is a key offshore capital raising centre for Chinese enterprises. As of the end of 2020, 1,431 Mainland companies were listed in Hong Kong, comprising H-share, red-chip and private companies, with total market capitalisation of around US\$4.9 trillion, or 80% of the market total. Since 1993, Mainland companies have raised more than US\$935 billion via stock offerings in Hong Kong.
- As of December 2019, there were 14 licensed banks and 5 local representative offices, incorporated in Mainland China, operating in Hong Kong.
- In November 2014, Shanghai-Hong Kong Stock Connect was launched to establish mutual stock market access between Hong Kong and Mainland China, a significant breakthrough in the opening of China's capital markets.

- In December 2016, Shenzhen-Hong Kong Stock Connect, with similar programme principles and design, was launched to further facilitate two-way investment flows and consolidate Hong Kong's development as the global offshore RMB business hub.
- In July 2017, the mutual bond market access between Hong Kong and Mainland China (Bond Connect) was launched to promote the development of the bond markets in the two places.
- In June 2020, the People's Bank of China, the Hong Kong Monetary Authority and the Monetary Authority of Macao announced the implementation of the two-way cross-boundary wealth management connect pilot scheme (Wealth Management Connect) in the Greater Bay Area, under which residents in Hong Kong, Macao and nine cities in Guangdong Province could carry out cross-boundary investment in wealth management products distributed by banks in the area.

9. HK Trade Statistical Highlight

- [HK Trade Performance Highlight](#)
- [HK Ranking in World Merchandise Trade](#)
- [HK Ranking in World Commercial Services Trade](#)

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