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ECONOMY

GROWTH AT TWO-YEAR LOW AMID TRADE WOES

Domestic consumption and commodity exports are weak, as finance chief says rate for 2018 is expected to be 3pc, with momentum slowing

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Hong Kong's economy expanded at its slowest pace in two years as the US-China trade war and weak domestic consumption dragged growth down to an estimated 3 per cent last year, Financial Secretary Paul Chan Mo-po revealed yesterday.

Economic growth for the fourth quarter of 2018 would be lower than 1.5 per cent – the weakest since the first quarter of 2016, he said.

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>
> FINANCE MINISTER PAUL CHAN

The latest figures pale in comparison with a higher-than-forecast expansion of 3.8 per cent in 2017, which was greater than the average rate of 2.9 per cent from 2007 to 2016.

In his official blog, Chan said he expected growth this year to be lower than the decade trend.

"From what we see now, I would not rule out such a possibility," he wrote. "It would show that the momentum behind our economic growth has slowed down quite quickly. We estimate that the growth rate for 2018 will be around 3 per cent, on the lower end of our projection when we rolled out our last budget."

In his next budget address on February 27, Chan will pledge to focus on supporting businesses, employment and livelihood.

The growth rates for the first three quarters of last year were 4.6 per cent, 3.5 per cent, and 2.8 per cent respectively. Chan said the numbers showed an obvious trend of economic slowdown.

"The impact of the US-China trade war has started to emerge ... and it was almost zero growth for commodities exports in the last quarter. This was a sharp drop from the 6 per cent average growth in the first three quarters," he wrote.

"Consumption was also affected – retail volume only grew by 2.1 per cent in the fourth quarter, much lower than the 12 per cent growth in the first half of the year."

The last time Hong Kong's economic growth rate dropped below 3 per cent was in 2013, when the city recorded 2.9 per cent growth. From 2012 to 2016, Hong Kong's GDP growth rates ranged from 1.4 to 2.9 per cent.

Business sector lawmakers and experts yesterday urged Chan to roll out measures to help Hong Kong's small- and medium-sized enterprises (SMEs) and residents deal with the economic slowdown.

Economist Andy Kwan Cheuk-chiu, director of the ACE Centre for Business and Economic Research, called on Chan to be generous with his relief measures. "Hong Kong's economy depends a lot on consumption ... Chan should consider waiving people's rates, electricity bills and salaries tax, as well as increasing their tax allowances," he said.

Kwan urged Chan to also help companies borrow money, as banks could tighten lending amid unfavourable and uncertain economic conditions.

Under a special lending scheme launched from 2008 to 2010, the government provided 80 per cent guaranteed coverage to 30 banks so they could lend to SMEs lacking sufficient assets to secure loans. The maximum amount each enterprise could borrow is HK$12 million.

Kwan and industrial sector lawmaker Jimmy Ng Wing-ka, vice-chairman of the Business and Professionals Alliance, agreed it was time for the government to relaunch the scheme.