

**HONG KONG'S ECONOMY IN 2017
AND OUTLOOK FOR 2018**

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Executive Summary

1. Hong Kong's economy is expected to grow by 3.7% in 2017, sharply reversing the downward trend of the previous three years to register the fastest expansion since 2011.
2. Regionally, Hong Kong's economy in 2017 was similar to that of Singapore, while outperforming South Korea, Japan and Taiwan, but lagging considerably behind Chinese mainland.
3. Robust economic performance in 2017 was sustained mainly by strong domestic demand, especially by solid private consumption. Buoyant property and stock markets helped spur consumer spending, while low unemployment rate ensured gains in real wages and earnings.
4. Economic tie with the Mainland continued to strengthen in terms of trade in goods and services. Mainland visitors to Hong Kong made up over three quarters of the total in 2016 and the numbers are set to continue to climb. In June 2017, the two sides signed the Investment Agreement and the Agreement on Economic and Technical Cooperation.
5. The financial markets of Hong Kong and Mainland are becoming increasingly integrated. After the launch of the Shanghai – Hong Kong Stock Connect in 2014 and Shenzhen – Hong Kong Stock Connect in 2016, the Bond Connect between Hong Kong and the Mainland was launched in July 2017.
6. Under the Greater Bay Area development initiative, with the central government's scheme to link the cities of Hong Kong and Macau, and nine cities in Guangdong province into an integrated economic and business hub, the economic tie between Hong Kong and the Mainland is expected to further strengthen.

7. To support the economy, the government rolled out various measures, many similar to those in the previous year, including tax reductions for businesses and individual, measures to support small and medium-sized enterprises and tourist industries. More focus has also been placed on youth development, education, and innovation and technology.
8. Hong Kong's economy in 2018 is estimated to grow by between 1.5% and 2.6% by various forecast. Facing growing competition from other regional and global financial hubs, Hong Kong has to work doubly hard to reinvigorate its economy and capitalise on the opportunities brought about by policy initiatives of the central government such as the Belt and Road Initiatives.