

Employer fined for violation of safety legislation

Hing Fat Nursery was fined \$40,000 at Eastern Magistrates' Courts today (July 17) for violation of the Occupational Safety and Health Ordinance. The prosecution was launched by the Labour Department.

The case involved a fatal accident that occurred on December 20, 2019, at a residential estate in Sai Ying Pun. A female worker, while carrying out plant pruning work on a concrete planter, fell a distance of about 3 metres to the ground and died.

Business expectations for third quarter of 2020

The Census and Statistics Department (C&SD) released today (July 17) the results of the Quarterly Business Tendency Survey for the third quarter (Q3) of 2020.

Business situation

For all surveyed sectors taken together, the proportion of respondents expecting their business situation to be worse (28%) in Q3 2020 over Q2 2020 is higher than that expecting it to be better (17%).

When compared with the results of the Q2 2020 survey round, the proportion of respondents expecting a worse business situation in Q3 2020 as compared with the preceding quarter has decreased to 28%, against the corresponding proportion of 44% in Q2 2020.

Analysed by sector, respondents in quite a number of the surveyed sectors expect their business situation to be worse on balance in Q3 2020 as compared with Q2 2020. In particular, significantly more respondents in the real estate sector expect their business situation to be worse in Q3 2020 as compared with Q2 2020, relative to those expecting a better business situation. On the other hand, significantly more respondents in the accommodation and food services sector expect their business situation to be better in Q3 2020 as compared with Q2 2020, relative to those expecting a worse business situation.

It should be noted that the results of the survey should be interpreted

with care. In this type of survey on expectations, the views collected in the survey are affected by the events in the community occurring around the time of enumeration, and it is difficult to establish precisely the extent to which respondents' perception of the future accords with the underlying trends. The enumeration period for this survey round was from June 1, 2020, to July 9, 2020.

Volume of business/output

Respondents in quite a number of the surveyed sectors expect their volume of business/output to decrease on balance in Q3 2020 as compared with Q2 2020. In particular, more respondents in the information and communications; real estate; professional and business services; transportation, storage and courier services; financing and insurance; construction; and import/export trade and wholesale sectors expect their volume of business/construction output/sales to decrease in Q3 2020 over Q2 2020. On the other hand, significantly more respondents in the accommodation and food services; and manufacturing sectors expect their volume of business/production to increase, as compared to those expecting it to decrease.

Employment

Respondents in quite a number of the surveyed sectors expect their employment to remain broadly unchanged in Q3 2020 as compared with Q2 2020. More respondents in the manufacturing sector expect their employment to increase in Q3 2020 over Q2 2020. On the other hand, more respondents in the construction sector expect their employment to decrease, as compared to those expecting it to increase.

Selling price/service charge

Respondents in quite a number of the surveyed sectors expect their selling prices/service charges to remain broadly unchanged in Q3 2020 as compared with Q2 2020. In the construction sector, however, significantly more respondents expect their tender prices to go down in Q3 2020.

Commentary

A government spokesman said that overall business sentiment remained negative on entering the third quarter, but has shown visible improvement compared to the preceding quarter as the local epidemic situation stabilised in May and June. Yet, it should be noted that the latest survey results have not reflected the recent spike in local infection cases and the resultant tightening of social distancing measures, which have added uncertainties to the near-term economic outlook.

The spokesman added that the Government has rolled out relief measures of unprecedented scale to support enterprises, safeguard jobs and relieve people's financial burden. The two rounds of measures under the Anti-epidemic Fund and the one-off measures in the 2020-21 Budget amounted to \$287.5

billion (around 10% of GDP). These measures have helped preserve the vitality of the economy, and should facilitate a swift recovery once the epidemic is under control and the external economic environment improves.

Further information

The survey gathers views on short-term business performance from the senior management of about 550 prominent establishments in various sectors in Hong Kong with a view to providing a quick reference, with minimum time lag, for predicting the short-term future economic performance of the local economy.

The survey covers 10 major sectors in Hong Kong, namely manufacturing; construction; import/export trade and wholesale; retail; accommodation and food services (mainly covering services rendered by hotels and restaurants); transportation, storage and courier services; information and communications; financing and insurance; real estate; and professional and business services sectors.

Views collected in the survey refer only to those of respondents on their own establishments rather than those on the respective sectors they are engaged in, and are limited to the expected direction of quarter-to-quarter change (e.g. "up", "same" or "down") but not the magnitude of change. In collecting views on the quarter-to-quarter changes, if the variable in question is subject to seasonal variations, respondents are asked to provide the expected changes after excluding the normal seasonal variations.

Survey results are generally presented as "net balance", i.e. the difference between the percentage of respondents choosing "up" and that choosing "down". The percentage distribution of respondents among various response categories (e.g. "up", "same" and "down") reflects how varied their business expectations are. The "net balance", with its appropriate sign, indicates the direction of expected change in the variable concerned. A positive sign indicates a likely upward trend while a negative sign indicates a likely downward trend. However, the magnitude of the "net balance" reflects only the prevalence of optimism or pessimism, but not the magnitude of expected change, since information relating to such magnitude is not collected in the survey.

Furthermore, owing to sample size constraint, care should be taken in interpreting survey results involving a small percentage (e.g. less than 10%) of respondents in individual sectors.

Chart 1 shows the views on expected changes in business situation for the period Q3 2019 to Q3 2020.

Table 1 shows the net balances of views on expectations in respect of different variables for Q3 2020.

The survey results are published in greater detail in the "Report on Quarterly Business Tendency Survey, Q3 2020". Users can download the

publication free of charge at the website of the C&SD
(www.censtatd.gov.hk/hkstat/sub/sp300.jsp?productCode=B1110008).

Users who have enquiries about the survey results may contact the Business Expectation Statistics Section of the C&SD (Tel: 3903 7263 or email: business-prospects@censtatd.gov.hk).

Composite Interest Rate: End of June 2020

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) announced today (July 17) the composite interest rate at the end of June 2020. (Note 1)

The composite interest rate, which is a measure of the average cost of funds of banks, decreased by 10 basis points to 0.71 per cent at the end of June 2020, from 0.81 per cent at the end of May 2020 (see Chart 1 in the Annex). The decrease in composite interest rate reflected decreases in the weighted funding cost for deposits and interbank funds during the month (see Chart 2 in the Annex). (Note 2)

The historical data of the composite interest rate from the end of the fourth quarter of 2003 to the end of June 2020 are available in the Monthly Statistical Bulletin on the HKMA website (www.hkma.gov.hk).

Note 1: The composite interest rate is a weighted average interest rate of all Hong Kong dollar interest-rate-sensitive liabilities, which include deposits from customers, amounts due to banks, negotiable certificates of deposit and other debt instruments, and all other liabilities that do not involve any formal payment of interest but the values of which are sensitive to interest rate movements (such as Hong Kong dollar non-interest bearing demand deposits) on the books of banks. Data from retail banks, which account for about 90 per cent of the total customers' deposits in the banking sector, are used in the calculation. It should be noted that the composite interest rate represents only average interest expenses. There are various other costs involved in the making of a loan, such as operating costs (e.g. staff and rental expenses), credit cost and hedging cost, which are not covered by the composite interest rate.

Note 2: Since June 2019, the composite interest rate and weighted deposit rate have been calculated based on the new local "Interest rate risk in the banking book" (IRRBB) framework. As such, these figures are not strictly comparable with those of previous months.

Senior appointment at Hong Kong Monetary Authority

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) announced today (July 17) that the Financial Secretary, on the advice of the Governance Sub-Committee of the Exchange Fund Advisory Committee, has approved the appointment of Ms Clara Chan as Executive Director (Monetary Management) with effect from October 17, 2020. Ms Chan will take over from Mr Clement Lau, who will leave the HKMA on resignation for personal reason with effect from the same date.

As Executive Director (Monetary Management), Ms Chan will be responsible for the HKMA's work relating to the maintenance of financial and monetary stability through macro-financial surveillance and market operations. She will also be in charge of the regulatory regime on the licensing and supervision of Stored Value Facilities and the designation and oversight of Retail Payment Systems in Hong Kong. Ms Chan's CV is attached at Annex.

Commenting on Mr Lau's departure, the Chief Executive of the HKMA, Mr Eddie Yue, said, "I would like to thank Clement for his contributions to the work of the HKMA. I wish him the very best in his future endeavours."

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Friday, July 17, 2020 is 107 (same as yesterday's index).