Company and its director fined for contravening Employment Ordinance

VI.D.O Productions Limited and its director were prosecuted by the Labour Department (LD) for failing to pay wages and defaulting on the sums awarded by the Labour Tribunal (LT) to two employees, contravening the Employment Ordinance (EO). The company and its director pleaded guilty at Kwun Tong Magistrates' Courts today (August 16) and were each fined $36,000 for a total of $72,000.

The company failed to pay two employees' wages of about $53,000 within seven days after the expiry of the wage period or the date of termination of employment, as required by the EO. The employer also failed to pay the employees the same awarded sum within 14 days after the date set out by the terms of the LT award. The director concerned was prosecuted and convicted for his consent, connivance or neglect in the above offences.

"The ruling helps disseminate a strong message to all employers, directors and responsible officers of companies that they have to pay wages to employees within the time limit stipulated in the EO and to pay the awarded sums according to the LT or Minor Employment Claims Adjudication Board", a spokesman for the LD said.

"The LD will not tolerate these offences and will spare no effort in enforcing the law and safeguarding employees’ statutory rights," the spokesman added.

Grading of beach water quality released

The Environmental Protection Department (EPD) today (August 16) released the latest grading of water quality for 38 gazetted beaches that are open for swimming and one non-gazetted beach (Discovery Bay*).

Twenty beaches were rated as Good (Grade 1), 15 as Fair (Grade 2) and four as Poor (Grade 3).

Grade 1 beaches are:

Cheung Chau Tung Wan Beach	Repulse Bay Beach
Chung Hom Kok Beach	Shek O Beach
Clear Water Bay First Beach	Silverstrand Beach

Clear Water Bay Second Beach
Discovery Bay
Hap Mun Bay Beach
Hung Shing Yeh Beach
Kiu Tsui Beach
Kwun Yam Beach
Lo So Shing Beach
South Bay Beach
St Stephen's Beach
Stanley Main Beach
Tong Fuk Beach
Trio Beach
Turtle Cove Beach
Upper Cheung Sha Beach

Grade 2 beaches are:

Anglers' Beach
Butterfly Beach
Cafeteria New Beach
Cafeteria Old Beach
Casam Beach
Deep Water Bay Beach
Golden Beach
Hoi Mei Wan Beach
Kadoorie Beach
Lido Beach
Lower Cheung Sha Beach
Ma Wan Tung Wan Beach
Middle Bay Beach
Pui O Beach
Ting Kau Beach

Grade 3 beaches are:

Approach Beach
Big Wave Bay Beach
Castle Peak Beach
Silver Mine Bay Beach

*: Discovery Bay is a non-gazetted beach without lifeguard service.

Compared with the grading released last week, Clear Water Bay First Beach, Shek O Beach and Silverstrand Beach have been upgraded from Grade 2 to Grade 1, and Hoi Mei Wan Beach from Grade 3 to Grade 2.

Under the present grading system, beaches are classified into four grades according to the level of E. coli in the water. Grades are calculated on the basis of the geometric mean of the E. coli counts on the five most recent sampling occasions.

While the ratings represent the general water quality at the beaches, the EPD spokesman reminded members of the public that water quality could be temporarily affected during and after periods of heavy rain. Bathers should avoid swimming at beaches for up to three days after a storm or heavy rainfall.

A summary of beach grades is published weekly before the weekend. The latest beach grades based on the most current data may be obtained from the department's website on Beach Water Quality (www.epd.gov.hk/epd/beach) or the beach hotline, 2511 6666.

Terms of non-permanent Hong Kong CFA judges extended

The following is issued on behalf of the Judiciary:

The Chief Executive has accepted the recommendations of the Chief Justice of the Court of Final Appeal to extend the terms of office of two non-permanent Hong Kong judges of the Court of Final Appeal for a period of three years:

(commencing September 1, 2019)
The Honourable Mr Justice Frank Stock, GBS

(commencing October 21, 2019)
The Honourable Mr Justice Patrick Chan Siu-oi, GBM

The Hong Kong Court of Final Appeal Ordinance provides for a list of non-permanent Hong Kong judges and a list of judges from other common law jurisdictions. The term of appointment of such judges is three years. That term may be extended for one or more periods of three years by the Chief Executive acting in accordance with the recommendation of the Chief Justice.

Appointment of Executive Director of Securities and Futures Commission

The Financial Secretary, Mr Paul Chan, under the authority delegated by the Chief Executive pursuant to the Securities and Futures Ordinance (Cap. 571), has appointed Mr Rico Leung as the Executive Director (Supervision of Markets) of the Securities and Futures Commission (SFC). The term is for three years from August 28, 2019, to August 27, 2022.

Mr Chan said, "With Mr Leung's extensive regulatory experience, we are confident that he will contribute towards the effective performance of the SFC's statutory functions, in particular in heading the Supervision of Markets Division for the supervision of exchanges and clearing houses."

Mr Leung has worked for the SFC for over 18 years. He is currently the

Senior Director (Supervision of Markets) of the SFC.

Mr Leung was selected through an open recruitment exercise led by a selection panel chaired by the Chairman of the SFC. Mr Leung will succeed Mr Keith Lui, who will retire on August 27, 2019.

"We would also like to express our sincere gratitude to Mr Lui for his dedicated service to the SFC in the past 24 years. His effort has been conducive to consolidating Hong Kong's position as an international financial centre and the orderly operation of our securities and futures markets," Mr Chan added.

Economic situation in second quarter of 2019 and latest GDP and price forecasts for 2019

The Government released today (August 16) the Half-yearly Economic Report 2019, together with the revised figures on Gross Domestic Product (GDP) for the second quarter of 2019.

The Government Economist, Mr Andrew Au, described the economic situation in the second quarter of 2019 and provided the latest GDP and price forecasts for 2019.

Main points

* The Hong Kong economy continued to face significant downward pressure, expanding only modestly by 0.5% in the second quarter of 2019 over a year earlier, slightly slower than the 0.6% growth in the preceding quarter. The economic conditions in the first half of the year were the weakest since the recession in 2009. External demand contracted in the second quarter amid softening global economic growth, intensifying US-Mainland trade and technology tensions and the resultant slowdown in manufacturing and trading activities in Asia. Domestic demand stayed sluggish as subdued economic conditions and various headwinds weighed on local economic sentiment. On a seasonally adjusted quarter-to-quarter comparison, real GDP decreased by 0.4% in the second quarter after an expansion of 1.3% in the preceding quarter.

* Total exports of goods weakened further to show an enlarged year-on-year decline of 5.6% in real terms in the second quarter, with a particularly sharp fall in June. Merchandise exports to most major markets recorded declines of varying degrees. Exports of services declined slightly by 0.2% after expanding modestly in the preceding quarter.

* Domestic demand remained sluggish. Private consumption expenditure only

grew modestly by 1.1% year-on-year in real terms in the second quarter as consumer sentiment stayed cautious in the face of various headwinds and the weakened economic outlook. Overall investment expenditure fell markedly by 11.6%, reflecting continued contraction in building and construction activities and worsening business sentiment.

* The labour market was largely stable despite weaker economic conditions. The seasonally adjusted unemployment rate and the underemployment rate held steady at low levels of 2.8% and 1.0% respectively in the second quarter. Overall wages and earnings of low-income workers saw further real improvement.

* The local stock market was volatile during the second quarter, as sentiment was swayed by the twists and turns in US-Mainland trade relations and evolving expectations of US interest rate cuts. The residential property market remained buoyant in April, but showed signs of softening in May and June. For the quarter as a whole, transactions showed a notable increase. Flat prices rose by 4% during the quarter, notwithstanding some consolidation in June.

* Looking forward, global economic growth should soften further in the near term. US-Mainland trade tensions have escalated further in August, as the US announced to impose a 10% additional tariff on the remaining US$300 billion worth of Mainland products (the additional tariffs on about half of these products will take effect on September 1 and those on the rest in mid-December) and designated the Mainland as a currency manipulator. Although the two sides agreed to resume high-level negotiations shortly, it would still be difficult for the two sides to reach a trade deal in the near future given their deep differences across a range of issues. Other prevailing external uncertainties, such as the possibility of a no-deal Brexit and geopolitical tensions in the Middle East, also warrant attention. In the face of the difficult economic environment, many major central banks have lowered interest rates or shifted to a more accommodative monetary stance, but these measures are unlikely to completely offset the impacts of various headwinds. As such, Hong Kong's export performance should remain sluggish or even weaken further in the months to come.

* Domestically, private consumption and investment sentiments will continue to be affected by subdued economic conditions and mounting headwinds. The recent local social incidents, if continued, will cause significant disruptions to inbound tourism and consumption-related economic activities, further dampen economic sentiment, and even hurt the reputation of Hong Kong as an international financial and business centre. Latest surveys for large enterprises and small-and-medium-sized enterprises all showed that local business sentiment has turned pessimistic in recent months.

* Taking into account the much worse-than-expected actual outturn of 0.5% year-on-year growth in the first half of 2019, and considering the substantial downside risks, the real GDP growth forecast for the year as a whole is revised downwards from 2-3% in the May round of review to 0-1% in the current round. The Government will continue to closely monitor developments on both the external and local fronts, and their implications

for the local economy and employment.

* Underlying consumer price inflation went up somewhat to 2.9% in the second quarter, mainly driven by surging pork prices caused by disruptions to the supply of fresh pork in May and June. Price pressures on other major consumer price index components were largely moderate. Going ahead, overall price pressures should remain largely contained in the rest of 2019 amid the earlier easing in fresh-letting residential rentals, modest global inflation and sluggish local economic growth. Yet, considering that pork prices will likely stay elevated for some time until the resumption of normal fresh pork supply, the forecast rate of underlying consumer price inflation for 2019 as a whole is revised upwards from 2.5% in the May round of review to 2.7% in the current round. Likewise, the forecast rate of headline consumer price inflation for 2019 as a whole is revised upwards from 2.5% to 2.6%.

Details

GDP

According to the revised data on the GDP released today by the Census and Statistics Department, GDP expanded only modestly by 0.5% in real terms in the second quarter of 2019 over a year earlier (revised from the advance estimate of 0.6%), slightly slower than the 0.6% growth in the preceding quarter. For the first half of 2019 as a whole, real GDP expanded by 0.5% over a year earlier. On a seasonally adjusted quarter-to-quarter comparison, real GDP decreased by 0.4% in the second quarter (revised from the advance estimate of -0.3%) after an expansion of 1.3% in the preceding quarter (Chart).

The latest figures on GDP and its major expenditure components up to the second quarter of 2019 are presented in Table 1. Developments in different segments of the economy in the second quarter of 2019 are described below.

External trade

Total exports of goods weakened further to show an enlarged year-on-year decline of 5.6% in real terms in the second quarter of 2019, after a 3.7% decrease in the preceding quarter. External merchandise trade statistics showed that the decline was particularly noticeable in June. Analysed by major market, exports to the US registered a double-digit fall in the second quarter, and those to the EU weakened markedly to record a modest decline. As the softer global economic environment and US-Mainland trade tensions continued to put strains on manufacturing and trading activities in Asia, exports to many Asian economies, including the Mainland and Japan, recorded declines of varying degrees. On a seasonally adjusted quarter-to-quarter basis, total exports of goods fell by 2.2% in real terms in the second quarter, further to the decline of 2.1% in the first quarter.

Exports of services declined slightly by 0.2% year-on-year in real terms in the second quarter after expanding modestly by 0.8% in the preceding quarter. Exports of travel services only showed moderate growth as strong growth in visitor arrivals was largely offset by weaker per capita visitor spending. Meanwhile, exports of financial services rose moderately as cross-border financial activities continued to expand. Amid an uncertain global economic environment, exports of business and other services continued to decline. Exports of transport services also fell further as a result of subdued regional trade and cargo flows. On a seasonally adjusted quarter-to-quarter basis, exports of services declined by 4.9% in real terms in the second quarter, having increased by 3.2% in the first quarter.

Domestic sector

Domestic demand stayed sluggish in the second quarter of 2019. Private consumption expenditure grew modestly by 1.1% year-on-year in real terms after a 0.4% increase in the preceding quarter. Consumer sentiment was cautious in the face of weakened economic conditions and various headwinds. Nevertheless, residents' expenditure abroad recorded strong year-on-year growth, partly supported by the late arrival of the Easter holidays (which started in mid-April this year but in late March last year). On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure decreased by 0.3% in real terms in the second quarter, after expanding by 0.9% in the first quarter. Meanwhile, government consumption expenditure continued to grow solidly by 4.2% in real terms in the second quarter over a year earlier after a 4.5% growth in the preceding quarter.

Overall investment spending in terms of gross domestic fixed capital formation fell markedly by 11.6% year-on-year in real terms in the second quarter, after a 7.0% decline in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products dropped by 12.4% as uncertainties surrounding both global and local economic prospects resulted in much weaker business sentiment. Expenditure on building and construction continued to contract, by 10.6%. Spending by both the private and public sectors shrank, with the latter reflecting the completion of some major infrastructure projects.

The labour sector

The labour market was largely stable in the second quarter of 2019 despite weaker economic conditions. The seasonally adjusted unemployment rate and the underemployment rate held steady at low levels of 2.8% and 1.0% respectively. Overall wages and earnings of low-income workers saw further real improvement. However, labour demand in some sectors, such as import/export trade, construction and retail, showed some preliminary signs of softening.

The asset markets

The local stock market was volatile during the second quarter. The Hang Seng Index (HSI) rose further in April, but fell visibly in May as sentiment was hit by the re-escalation of US-Mainland trade tensions. It recouped some lost ground in June as the market then perceived a reduced risk of further worsening of US-Mainland trade relations and increasingly expected US interest rate cuts. The HSI closed at 28 543 at end-June, 1.8% lower than at end-March. On August 15, the HSI closed at 25 495.

The residential property market remained buoyant in April, but showed signs of softening in May and June. While the tight demand-supply situation and rising expectations for US interest rate cuts provided support to the market, sentiment turned more cautious following the re-escalation of US-Mainland trade tensions in May. The number of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, increased by 49% over the preceding quarter to 20 657 in the second quarter, the highest since the third quarter of 2012. Yet, trading returned to a moderate level in June after reaching hectic levels in April and May. Flat prices rose by 4% during the quarter, but the increases in April and May were followed by a decline in June. Flat prices in June 2019 exceeded the 1997 peak by 128%. The index of home purchase affordability (i.e. ratio of mortgage payment to median income of households living in private housing, assuming 30% down payment and tenor of 20 years) remained elevated at around 73%. Meanwhile, flat rentals rose by 2% during the second quarter. As for non-residential properties, rentals for retail premises and flatted factories increased by 1% and 2% respectively, while office rentals were little changed.

Prices

Underlying consumer price inflation went up somewhat in the second quarter. Underlying consumer price inflation, which nets out the effects of the Government's one-off relief measures, climbed from 2.7% in the first quarter to 2.9% in the second quarter, mainly driven by surging pork prices caused by disruptions to the supply of fresh pork in May and June. Price pressures on other major consumer price index components were largely moderate. Locally, the private housing rental component of consumer price inflation recorded a narrower increase in the second quarter, as the earlier easing in fresh-letting residential rentals continued to feed through. On business costs, while wages and earnings went up further amid a still-tight labour market, continued labour productivity gains have helped contain the increase in unit labour costs. Commercial rental cost pressures also held largely moderate as economic growth stayed soft. External price pressures continued to ease against the backdrop of weaker global economic performance and the appreciation of the Hong Kong dollar along with the US dollar vis-à-vis other major currencies over the past year. Headline consumer price inflation went up by a larger extent from 2.2% in the first quarter to 3.0% in the second quarter. Apart from higher pork prices, the lower ceiling of the Government's rates concession in the new financial year which began in April also contributed to the faster increase.

Latest GDP and price forecasts for 2019

Looking forward, global economic growth should soften further in the near term. US-Mainland trade tensions have escalated further in August, as the US announced to impose a 10% additional tariff on the remaining US$300 billion worth of Mainland products (the additional tariffs on about half of these products will take effect on September 1 and those on the rest in mid-December) and designated the Mainland as a currency manipulator. Although the two sides agreed to resume high-level negotiations shortly, it would still be difficult for the two sides to reach a trade deal in the near future given their deep differences across a range of issues. Other prevailing external uncertainties, such as the possibility of a no-deal Brexit and geopolitical tensions in the Middle East, also warrant attention. In the face of the difficult economic environment, many major central banks have lowered interest rates or shifted to a more accommodative monetary stance, but these measures are unlikely to completely offset the impacts of various headwinds. As such, Hong Kong's export performance should remain sluggish or even weaken further in the months to come.

Domestically, private consumption and investment sentiments will continue to be affected by subdued economic conditions and mounting headwinds. The recent local social incidents, if continued, will cause significant disruptions to inbound tourism and consumption-related economic activities, further dampen economic sentiment, and even hurt the reputation of Hong Kong as an international financial and business centre. Latest surveys for large enterprises and small-and-medium-sized enterprises all showed that local business sentiment has turned pessimistic in recent months.

Taking into account the much worse-than-expected actual outturn of 0.5% year-on-year growth in the first half of 2019, and considering the substantial downside risks, the real GDP growth forecast for the year as a whole is revised downwards from 2-3% in the May round of review to 0-1% in the current round (Table 2). The Government will continue to closely monitor developments on both the external and local fronts, and their implications for the local economy and employment. For reference, the latest forecasts by private sector analysts range from 0-2.7%, averaging around 1.5%.

On the inflation outlook, overall price pressures should remain largely contained in the rest of 2019 amid the earlier easing in fresh-letting residential rentals, modest global inflation and sluggish local economic growth. Yet, considering that pork prices will likely stay elevated for some time until the resumption of normal fresh pork supply, the forecast rate of underlying consumer price inflation for 2019 as a whole is revised upwards from 2.5% in the May round of review to 2.7% in the current round (Table 2). Likewise, the forecast rate of headline consumer price inflation for 2019 as a whole is revised upwards from 2.5% to 2.6%.

(The Half-yearly Economic Report 2019 is now available for online download, free of charge at www.hkeconomy.gov.hk/en/situation/index.htm. The Report of the Gross Domestic Product, Second Quarter 2019, which contains the GDP figures up to the second quarter of 2019, is also available for online download, free of charge at the homepage of the Census and Statistics Department, www.censtatd.gov.hk.)