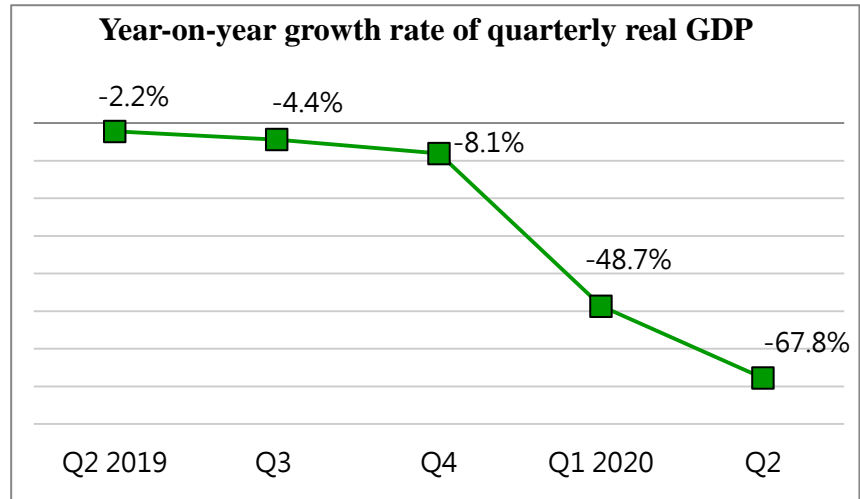


Economic Outlook of Macao

2020 First Half

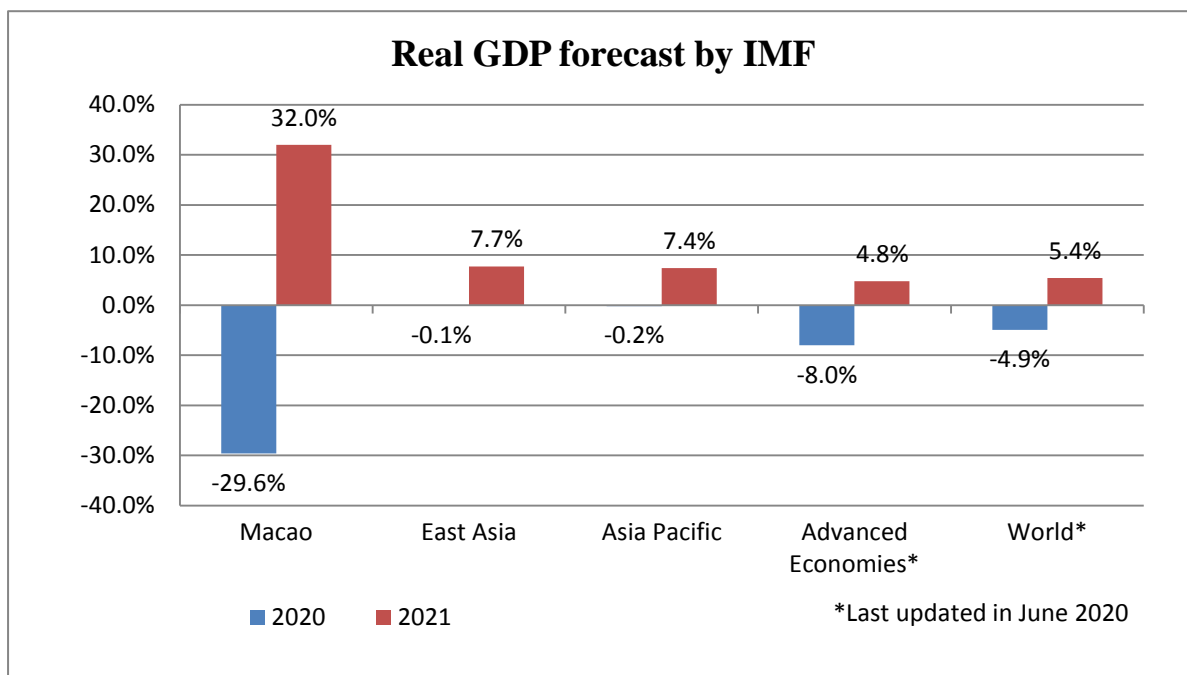
Overall Economy

Under the impact of the pandemic, the economy of Macao in the first half of 2020 contracted with a significant decline in services exports, private consumption expenditure and gross fixed capital formation.



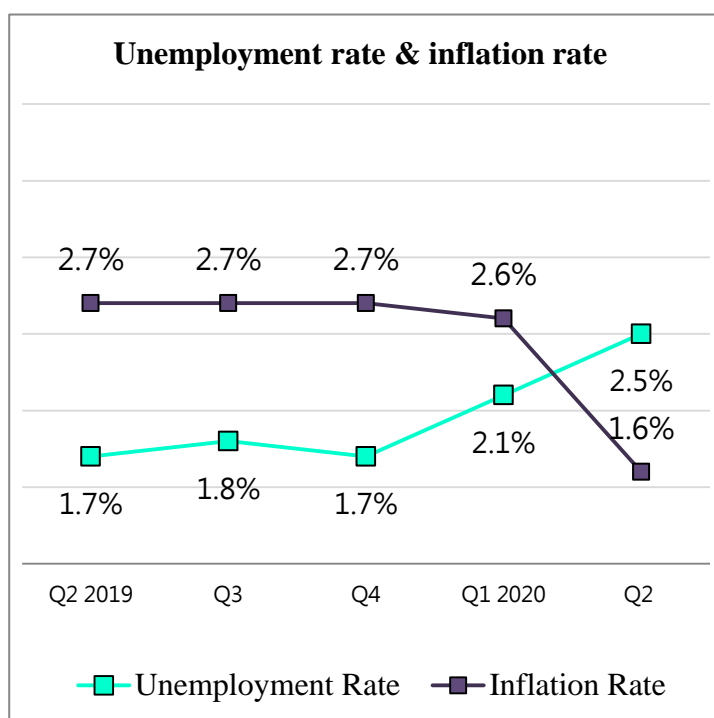
The Macao's economy shrank by 58.2% year-on-year in real terms, recording a Gross Domestic Product (GDP) of MOP91.27 billion for the first half of 2020. Visitor arrivals to Macao decrease amidst the ongoing travel restriction. Total exports of services went down by 75.8%, in which exports of gaming services slump by 78.9% year-on-year in the first half of 2020. The disease prevention expenditures and economic stimulus measures of the SAR government drove up government final consumption expenditure by 9.9% year-on-year in real terms, whereby private consumption expenditure and gross fixed capital formation plunged by 15.8% and 22.5% year-on-year in real terms respectively. External demand was weak, with exports of goods falling by 24.7% year-on-year in real terms. Imports of goods dropped by 30.2% year-on-year in real terms due to reduction in private consumption, investment and visitor spending. Likewise, imports of services decreased by 38.9% year-on-year in real terms.

According to the World Economic Outlook published by the International Monetary Fund (IMF) in April 2020, the real economic growth of Macao in 2020 is projected at -29.6%, which is 28.5 percentage points lower than the projection in October 2019. This projection is lower than the projection of -4.5% for the group “Advanced Asian Economies” to which Macao belongs.



Employment and Inflation

The unemployment rate was on the rise. In the second quarter of 2020, the labour force totalled 412,000, with an employed population of 402,000 and a labour force participation rate of 70.8%. Unemployment rate was 2.5%, which increased by 0.8 percentage point year-on-year, with under-employment rate also up 3.0 percentage point year-on-year to 3.4%. Median

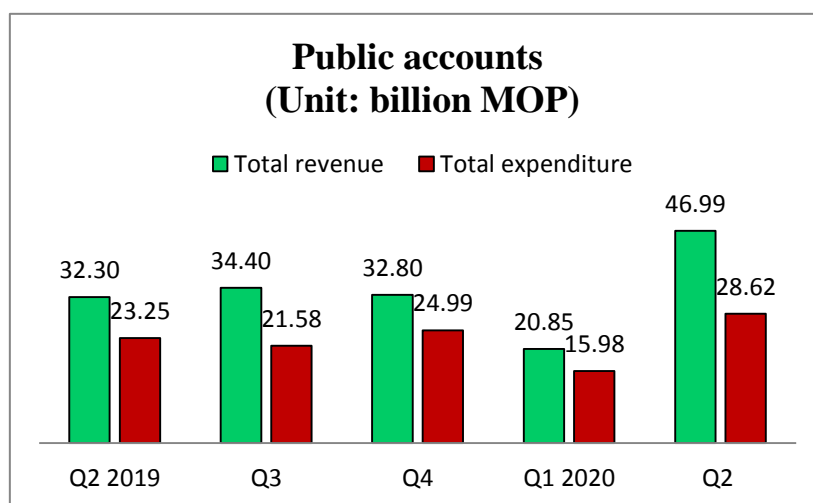


monthly employment earnings of the overall employed population went down by 8.0% year-on-year to MOP15,000.

Inflation slowed down with the composite CPI in the first half of 2020 rose by 2.07% year-on-year, attributable to higher prices of fresh pork, rising charges for eating out and outpatient services, as well as dearer rentals for dwellings.

Public Finance

The public finance position remained sound, with public revenue in the first half of 2020 amounted to MOP67.84 billion, up 2.3% year-on-year, while public expenditure was MOP44.60 billion, up



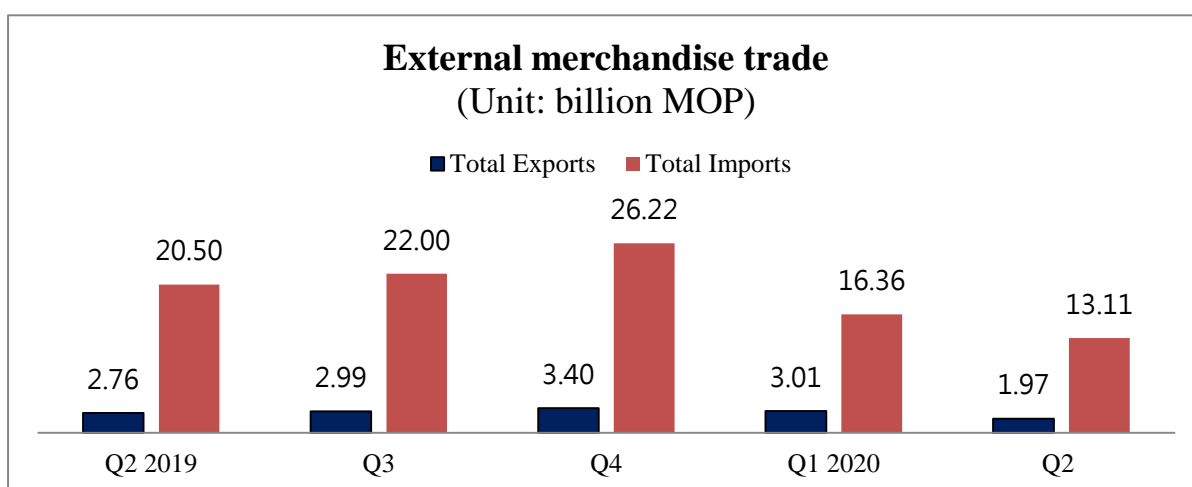
25.5% year-on-year. The preliminary estimated fiscal reserve as at the end of June 2020 increased by 5.0% year-on-year to MOP597.85 billion, composed of the basic reserve of MOP164.47 billion and the excess reserve of MOP428.24 billion.

External Merchandise Trade

External merchandise trade recorded a significant decline. On the side of merchandise exports, despite the increment in the export of textiles and garments, the total value of exports in the first half of 2020 dropped by 22.2% year-on-year to MOP4.98 billion, accounted by the decline in export of machines, apparatus & parts, watches, diamond & diamond jewellery. On the side of merchandise imports, total value of imports fell by 29.7% year-on-year

to MOP29.46 billion against the decline in visitor expenditure and weakening internal demand. During the period, trade deficit was MOP24.48 billion. Macao's major trading partners include Mainland China, the European Union, Hong Kong, Switzerland and so forth.

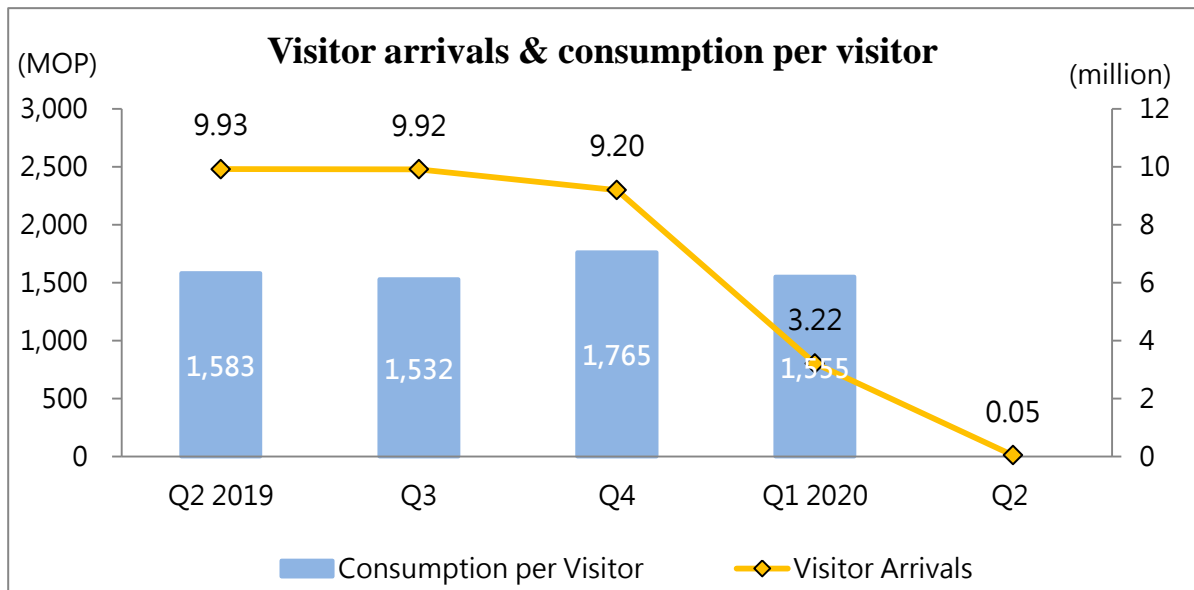
The total value of merchandise exported under CEPA in the first half of 2020 amounted to MOP37.27 million, down 1.9% year-on-year with an amount of MOP1.70 million tariffs being exempted, which was 10.0% lower than the same period in previous year.



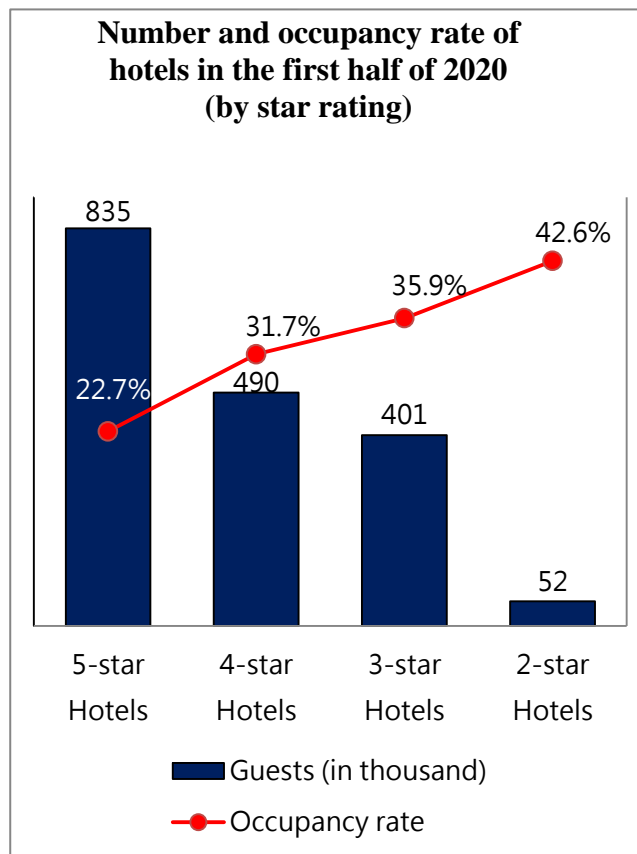
Tourism and Gaming

Visitor arrivals to Macao showed a notably decrease amidst the ongoing pandemic. Total visitor arrivals in the first half of 2020 fell by 83.9% year-on-year to 3.27 million. Accounting for 71.6% of total visitor arrivals, the number of visitors from Mainland China went down by 83.7% to 2.34 million, of which 1.13 million travelled to Macao under the Individual Traveller Scheme, which was 83.5% lower year-on-year. The number of visitors from Hong Kong decreased by 82.3% to 653,000, accounted for 20.0% of total visitor arrivals. In the first quarter¹ of 2020, total spending of visitors dropped by 70.4% to MOP5.01 billion. Per capita spending of visitors shrank by 4.8% year-on-year to MOP1,555.

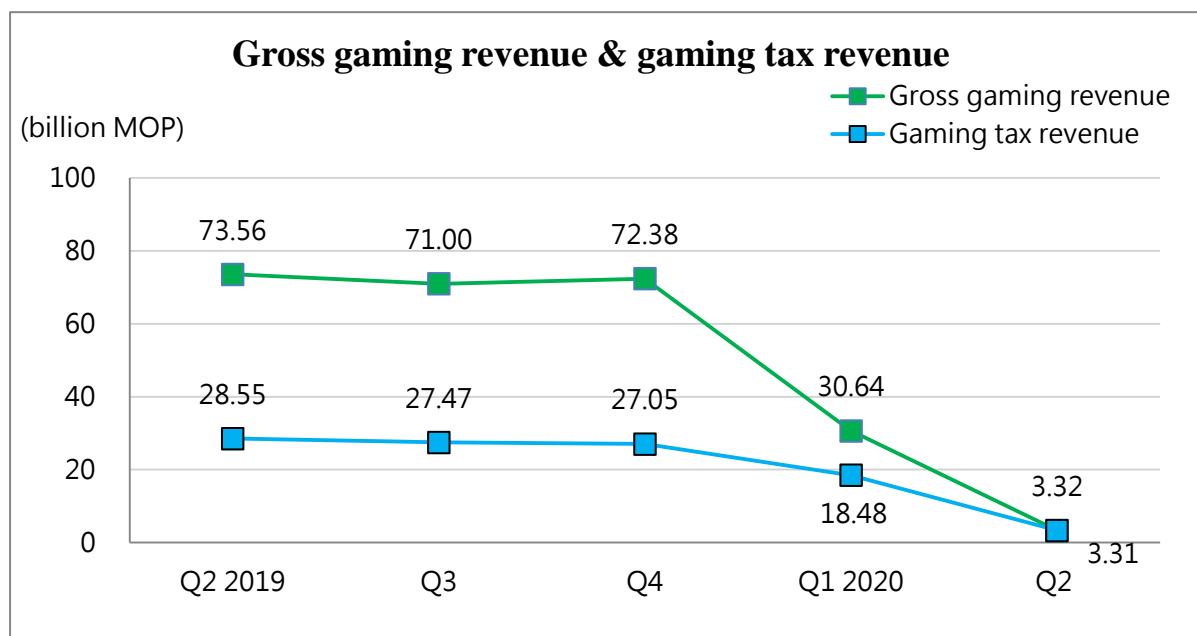
¹ Owing to the coronavirus disease (COVID-19), Visitor Expenditure Survey was suspended in the second quarter of 2020.



The hotel sector was also affected by the decline in visitor arrivals. The number of hotels as at the end of June 2020 decreased by 6 year-on-year to 77, providing 34,000 guest rooms, dropped by 4,000 year-on-year. Among them, 34 were five-star hotels, decreased by 2 year-on-year, providing 22,000 guest rooms. Hotel occupancy rate in the first half of 2020 was 26.7%, decreased by 64.9 percentage point year-on-year. Number of guests amounted to 1.78 million, representing a decline of 73.9% year-on-year. Average length of stay increased by 0.2 night year-on-year to 1.7 night. The occupancy rate of five-star hotels was 22.7%, down 69.7 percentage points year-on-year, with number of guests dropped by 78.2% year-on-year to 835,000 and average length of stay increased by 0.2 night year-on-year to 1.9 night.

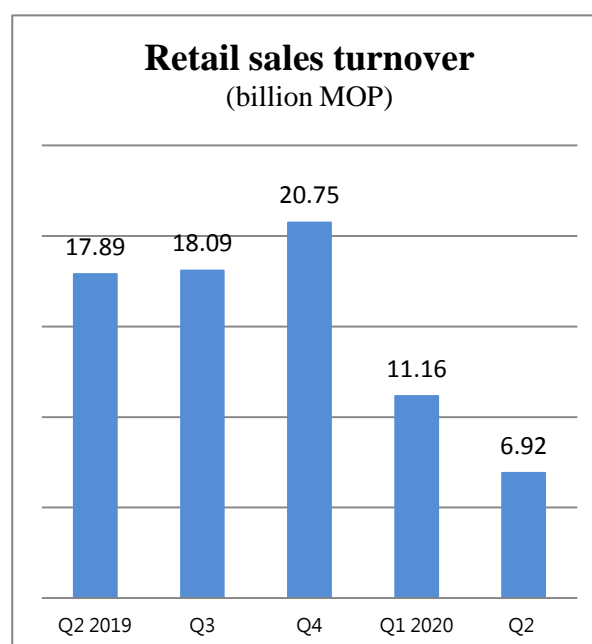


Gaming services contracted with gross gaming revenue in the first half of 2020 slump 77.4% year-on-year to MOP33.95 billion, while tax revenue from gaming dropped by 62.6% year-on-year to MOP21.79 billion.



Retailing

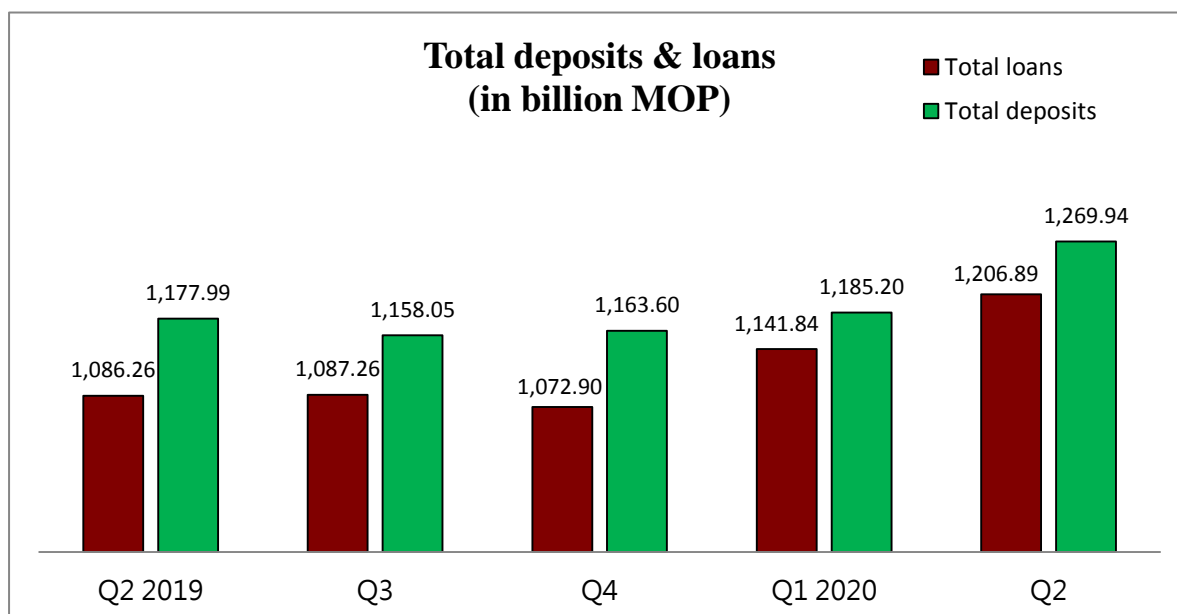
Retail market displayed a sharp decline. Total value of retail sales in the first half of 2020 dropped by 52.8% year-on-year to MOP18.08 billion, of which retail sales of goods in department stores decreased by 63.1% to MOP2.44 billion, those of watches, clocks and jewellery as well as leather goods decreased by 71.5% and 61.0% to MOP2.25 billion and MOP2.00 billion respectively. Meanwhile, retail sales of goods in supermarkets rose by 14.3% to MOP2.74 billion.



Financial Sector

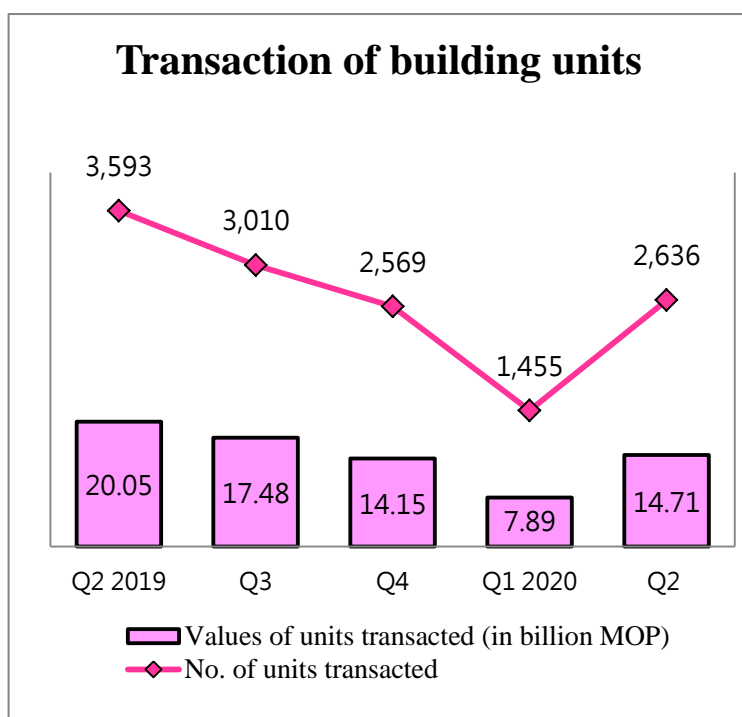
The financial sector remained stable. The banking profits in the first half of 2020 rose by 7.6% year-on-year to MOP8.33 billion. Total deposits reached MOP1,269.94 billion, up 7.8% and total loans recorded an increase of 11.1% at MOP1,206.89 billion. Non-performing loans rose by 53.4% year-on-year to MOP4.22 billion. During the period, newly-approved housing mortgage loans decreased by 23.6% to MOP16.91 billion; newly-approved commercial real estate loans went down by 39.7% to MOP18.07 billion; newly-approved small and medium-size enterprise loans dropped by 7.2% year-on-year to MOP15.38 billion. For renminbi (RMB) business, total RMB savings reached 63.03 billion with a year-on-year increase of 41.7%, while total cross-border RMB settlement amount decreased 34.9% year-on-year to 11.96 billion.

In the insurance sector, gross premium income in the first half of 2020 rose by 14.8% to MOP16.53 billion, while gross claims paid increased by 87.2% year-on-year to MOP7.30 billion. Among which, gross premium income of life insurance went up by 16.0% year-on-year to MOP15.01 billion as gross claim paid increased by 79.0% year-on-year to MOP7.02 billion; gross premium income of non-life insurance expanded by 3.4% year-on-year to MOP1.52 billion, while gross claims paid reached MOP280 million.



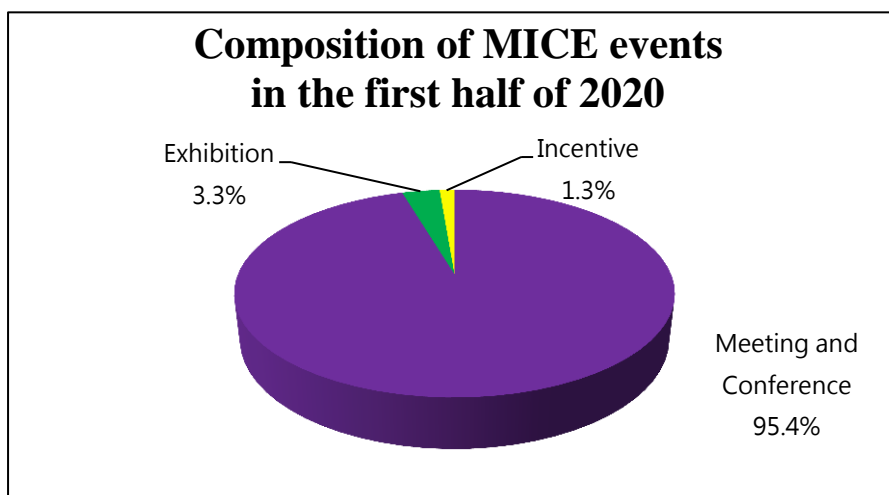
Construction and Real Estate Sector

In the first half of 2020, gross floor area of newly started private building construction projects dropped by 73.5% to 83,000m², providing 82 units, down by 53.4% year-on-year. During the period, gross floor area of completed private building construction projects increased by 552.6% to 128,000m², and the number of units provided rose by 906.1% to 1,318. Gross floor area of residential units completed increased by 822.6% to 85,000m² with number of units provided up 1,093.3% to 1,241. In the real estate market, the total number of units transacted went down by 24.8% to 4,091, with the total value of transaction dropped by 26.1% to MOP22.60 billion. Among all transacted units, the number of residential units went down by 28.1% to 2,952, with transaction value fell by 25.3% to MOP18.83 billion.



Convention and Exhibition

The convention and exhibition sector shrank significantly due to the pandemic, with a total of 152 MICE events being held in the first half of 2020. Among them, 145 were meetings and conferences, down 562 year-on-year. Number of participants and attendees decreased by 86.6% to 19,000, and the average duration was 1.2 days. Meanwhile, 5 exhibitions were held during the same period, decreased by 15 year-on-year. Number of participants and attendees dropped by 84.6% to 82,000, and the average duration was 3.0 days; 2 incentive events were held, decreased by 5 year-on-year. Number of participants and attendees fell by 95.8% to 600, and the average duration was 1.5 days.



Remarks:

1. Data Source: Statistics and Census Service, Macao Monetary Authority, Financial Services Bureau, Macao Economic Bureau and IMF.
2. Unless otherwise specified, the figures of GDP mentioned in this article are evaluated at current prices.
3. Unless otherwise specified, the rates of change mentioned in this article refer to those from the first half of 2019 to the first half of 2020.