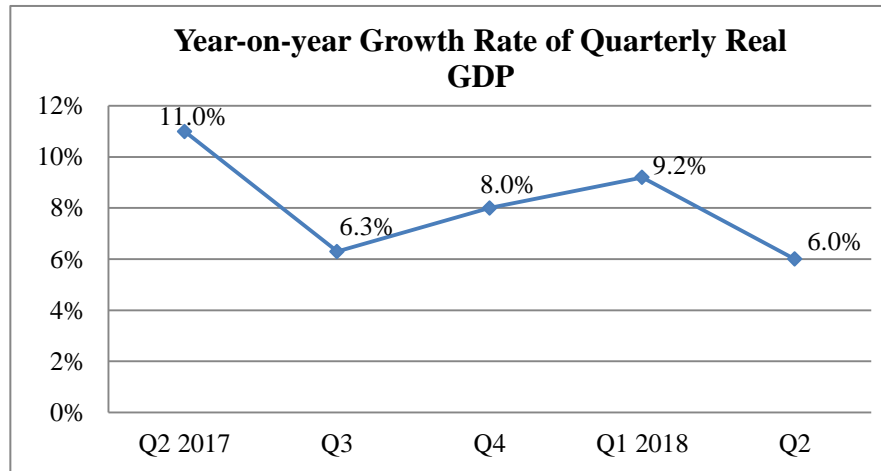


Economic Outlook of Macao

2018 First Half

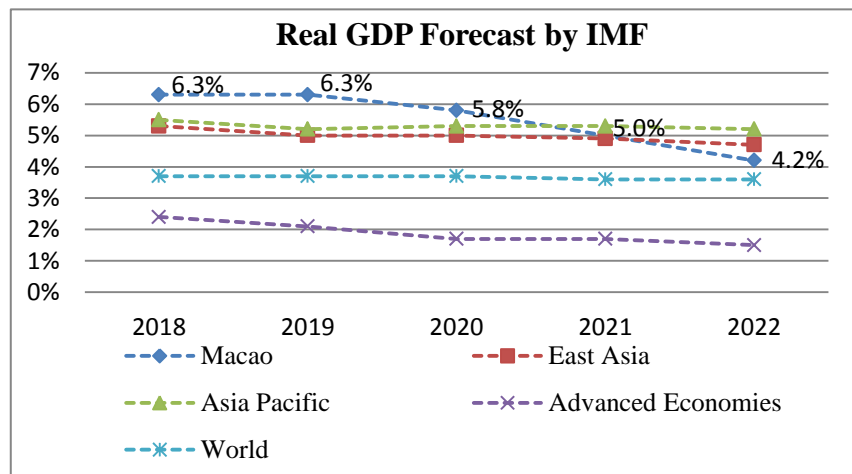
Overall Economy

In the first half of 2018, the economy of Macao maintained a fast pace of growth. Driven by the rapid expansion of external demand,



the Gross Domestic Product (GDP) was MOP212.27 billion¹, expanded by 7.6%² in real terms. Export of services rose by 14.5% year-on-year in real terms to MOP170.33 billion. Private consumption expenditure and government final consumption expenditure registered MOP51.83 billion and MOP17.84 billion respectively, increased by 5.1% and 3.7% year-on-year in real terms. Gross fixed capital formation amounted to MOP34.82 billion, down by 7.1% year-on-year in real terms. Merchandise exports recorded MOP7.88 billion, up by 20.3% year-on-year in real terms; while merchandise and service imports were MOP47.95 billion and MOP22.44 billion respectively, increased by 8.5% and 26.5%.

According to the World Economic Outlook published by the International Monetary Fund (IMF) in October 2018, the real economic growth

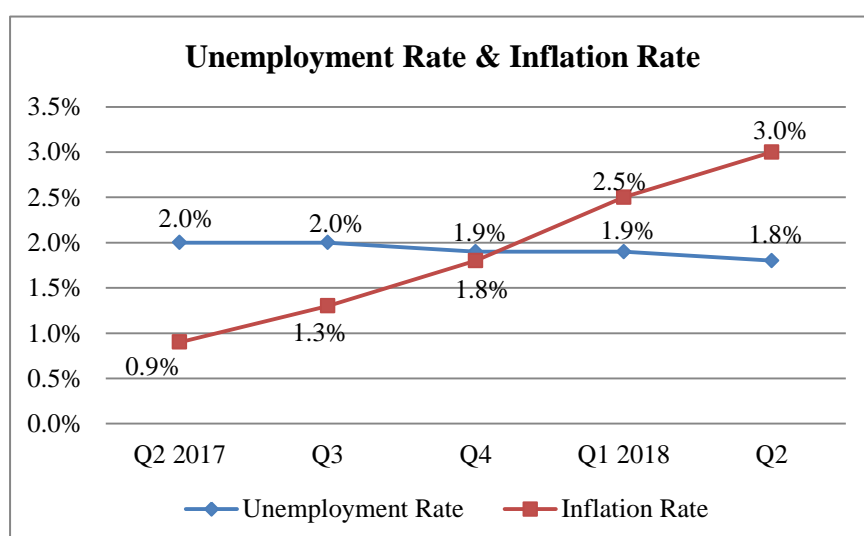


of Macao in 2018 is projected at 6.3%, which is 0.7 percentage points lower than the projection in April; the projected growth for 2019 is 6.3%, which is 0.2 percentage points higher than the projection in April. The latest projections for the two years mentioned above are both higher than the projections of 2.1% and 1.8% for the group “Advanced Asian Economies” to which Macao belongs, and are the highest among those for the economies in the group.

Employment and Inflation

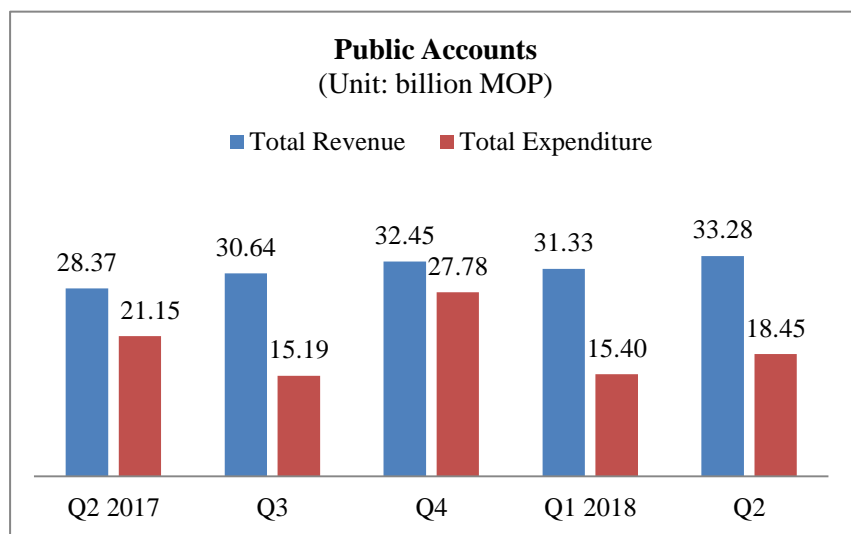
The labour market remained a stable growth amid the expansion of the overall economy. In the second quarter of 2018, the labour force totalled 392 thousand, with an employed population of 385 thousand and a labour force participation rate of 71.0%. Unemployment rate was 1.8%, a drop of 0.2 percentage points year-on-year, while under-employment rate went slightly up by 0.1 percentage points year-on-year to 0.5%. Median monthly employment earnings of the overall employed population went up by 6.7% year-on-year to MOP16,000.

Inflation remained mild with the composite CPI in the first half of 2018 rose by 2.8% year-on-year, with categories of clothing and footwear, medical services and transportation services recorded relatively large price increases.



Public Finance

The public finance position is sound, with public revenue in the first half of 2018 amounted to MOP64.61 billion, up by 17.5% year-on-year, while public expenditure

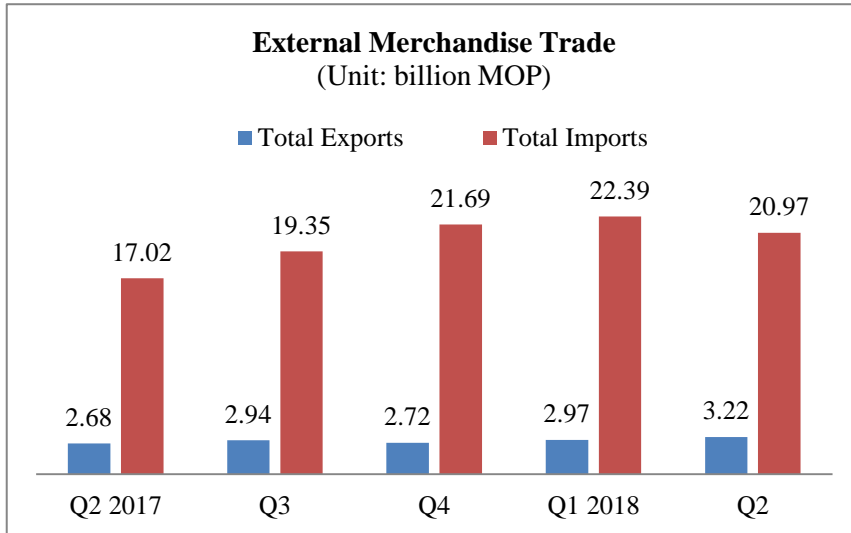


was MOP33.85 billion, down by 2.6% year-on-year. The preliminary estimated fiscal reserve as at the end of June 2018 increased by 7.4% year-on-year to MOP513.26 billion, composed of the basic reserve of MOP147.55 billion and the excess reserve of MOP365.71 billion.

External Merchandise Trade

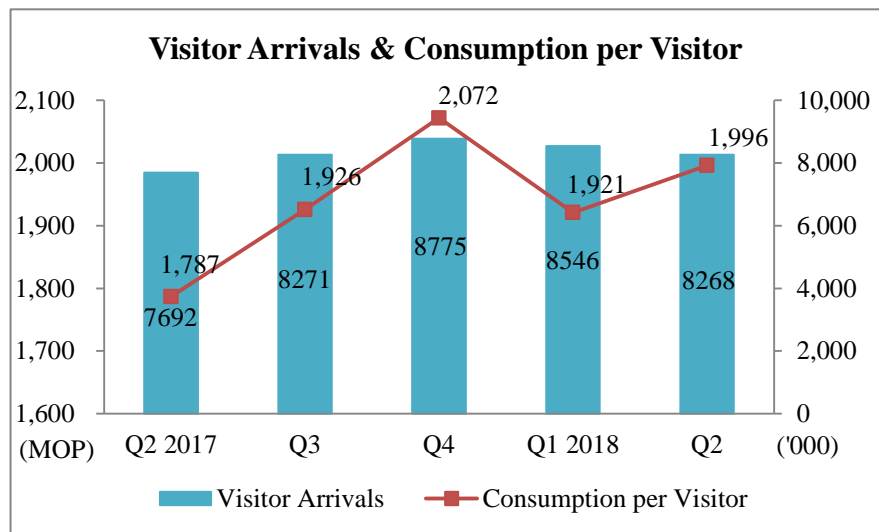
External merchandise trade continued to grow. In respect of merchandise exports, the total value of exports in the first half of 2018 rose by 10.2% year-on-year to MOP6.20 billion as driven by the growth of export of machines and apparatus, parts and accessories thereof. On the side of merchandise imports, total value of imports rose by 24.5% year-on-year to MOP43.35 billion following steady expansions of visitor expenditure and internal demand. During the period, trade deficit amounted to MOP37.16 billion, expanded by 27.3% year-on-year. Macao's major trading partners include Mainland China, the European Union, the United States, Hong Kong and so forth.

The total value of merchandise exported under CEPA in the first half of 2018 amounted to MOP46.33 million, up by 8.9% year-on-year, with tariffs of MOP2.62 million exempted, which is 17.8% higher than the previous year.



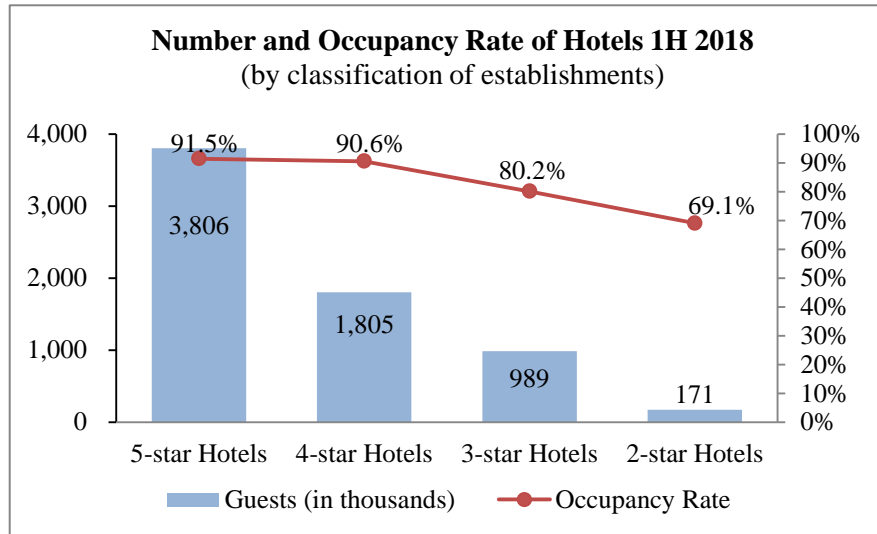
Tourism and Gaming

The tourism sector maintained a stable development. Total visitor arrivals in the first half of 2018 rose by 8.0% year-on-year to 16.81 million. Making up 69.6%



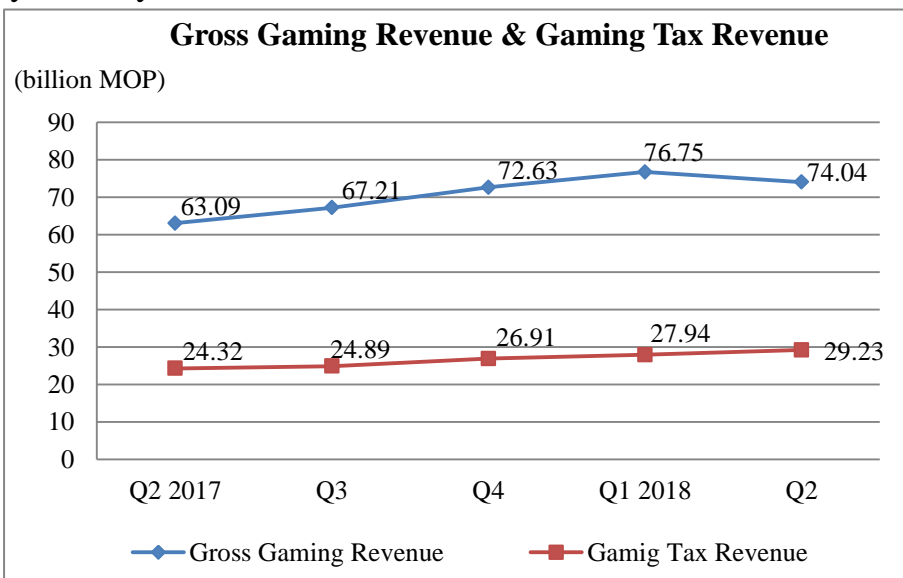
of total visitor arrivals, visitors from Mainland China went up by 13.3% to 11.71 million, of which 5.78 million travelled to Macao under the Individual Traveller Scheme, increased by 13.9% year-on-year. Visitors from Hong Kong decreased by 3.7% to 3.00 million, accounted for 17.8% of total visitor arrivals. In the second quarter of 2018, per capita spending of visitors increased by 11.7% year-on-year to MOP1,996.

The hotel sector continued to grow, with the number of hotels as at the end of June 2018 increased by 6 year-on-year to 82, providing 38.7 thousand guest rooms, up by 7.6%



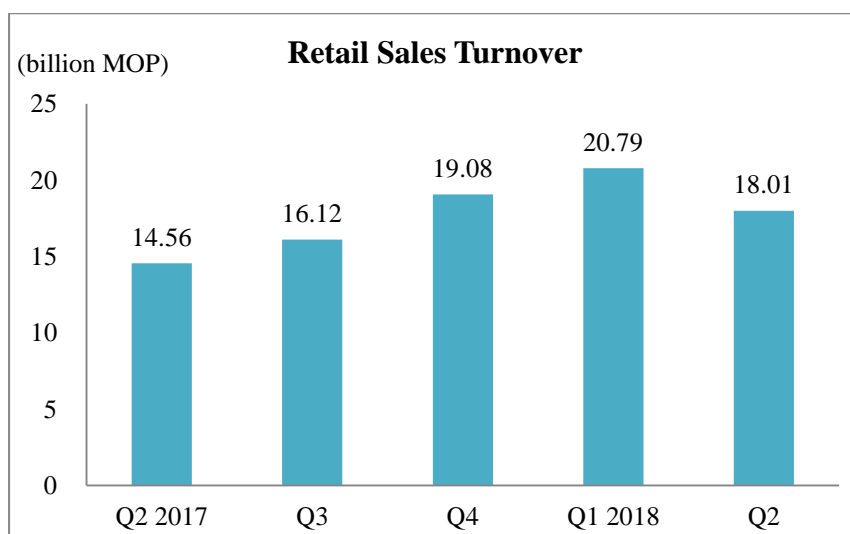
year-on-year. Among the hotels, 35 were five-star hotels, increased by 2 year-on-year, providing 24.5 thousand guest rooms, an increase of 10.8% year-on-year. Hotel occupancy rate in the first half of 2018 was 89.1%, increased by 4.1 percentage points year-on-year. Number of guests amounted to 6.77 million, representing a rise of 7.7% year-on-year. Average length of stay was 1.5 nights, which was 0.1 nights longer year-on-year. The occupancy rate of five-star hotels was 91.5%, up by 6.4 percentage points year-on-year, with number of guests rose by 11.2% year-on-year to 3.81 million and average length of stay increased by 0.1 nights year-on-year to 1.7 nights.

Recovery of gaming services accelerated significantly, with gross gaming revenue in the first half of 2018 increased by 18.9% year-on-year to MOP150.79 billion, while tax revenue from gaming rose by 19.0% year-on-year to MOP57.17 billion.



Retailing

The retail market grew rapidly as driven by both internal and external demands. The total value of retail sales in the first half of 2018 rose by 24.9% year-on-year to MOP 38.79 billion, of which the retail sales of watches, clocks and jewellery, and goods in department stores expanded by 18.4% and 34.0% respectively to MOP 8.18 billion and MOP6.16 billion respectively, whereas retail sales of adults' clothing and leather goods increased by 31.8% and 37.0% to MOP5.13 billion and MOP5.09 billion respectively.

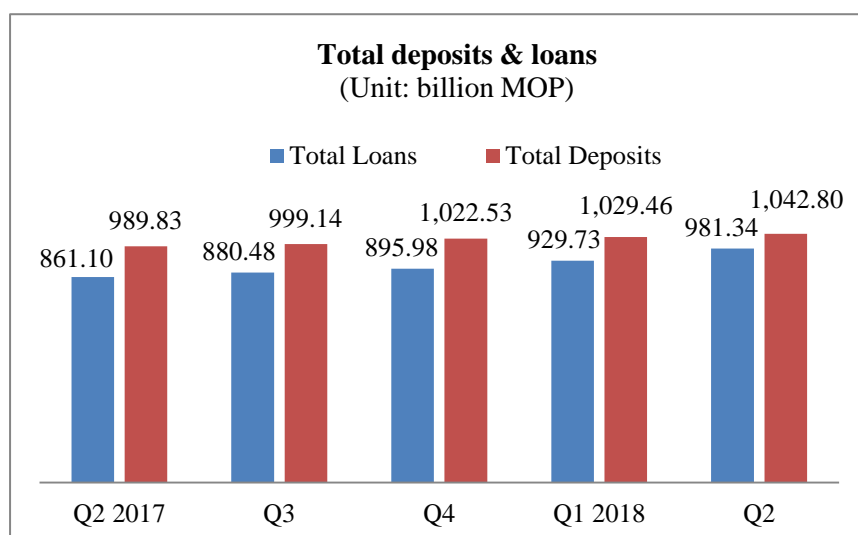


Financial Sector

The growth of financial sector accelerated. The banking profits in the first half of 2018 expanded by 15.9% year-on-year to MOP8.36 billion. As of June 2018, total deposits reached MOP1,042.80 billion, up by 5.4%, and total loans valued at MOP981.34 billion, up by 14.0%. Non-performing loans rose by 28.1% year-on-year to MOP2.15 billion; newly-approved housing mortgage loans for the period increased by 18.7% year-on-year to MOP28.68 billion. Newly-approved commercial real estate loans rose by 78.9% year-on-year to MOP43.41 billion. Newly-approved small and medium-size enterprise loans fell by 16.1% year-on-year to MOP10.58 billion.

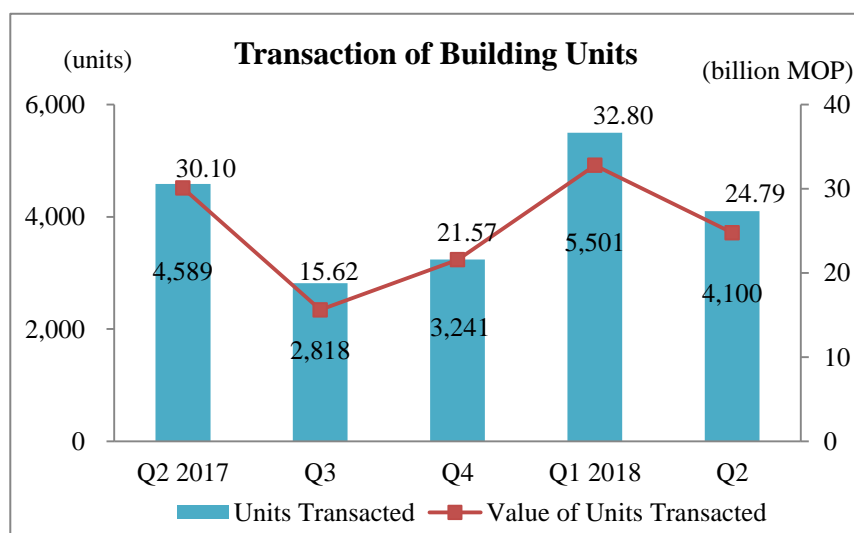
The insurance sector showed stability, with gross premium income in the first half of 2018 shrank by 2.5% to MOP10.02 billion, while gross claims paid

expanded by 57.9% year-on-year to MOP3.38 billion. Among which, gross premium income of life insurance went down by 4.3% year-on-year to MOP8.67 billion as gross claim paid increased by 103.8% year-on-year to MOP3.35 billion; gross premium income of non-life insurance expanded by 10.3% year-on-year to MOP1.35 billion, while gross claims paid dropped by 93.9% year-on-year to MOP30.11 million.



Construction and Real Estate Sector

In the first half of 2018, gross floor area of newly started private building construction projects declined by 29.1% to 286 thousand m², providing 1,036 units, down by

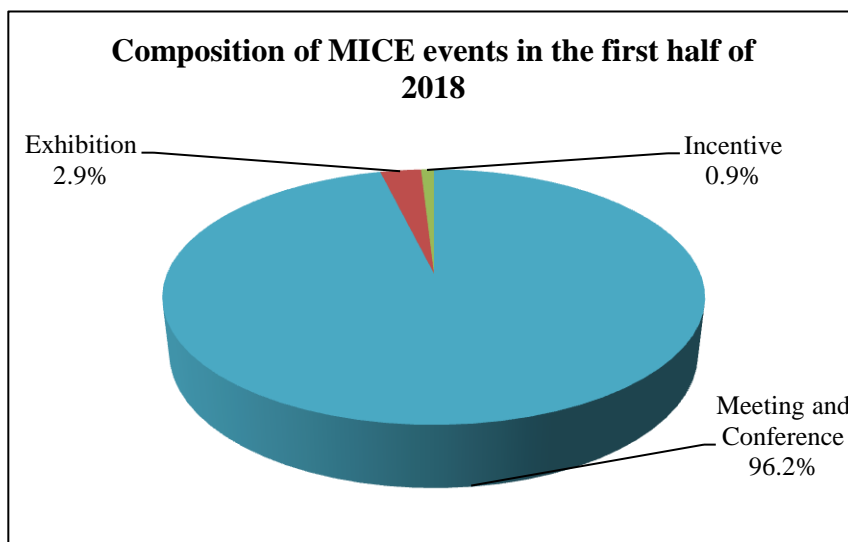


67.3% year-on-year. During the period, gross floor area of completed private building construction projects rose by 28.0% to 730 thousand m², and the number of units provided dropped by 63.1% to 1,292. Gross area of housing completed decreased by 43.0% to 138 thousand m², and number of units provided decreased by 63.2% to 1,251. In respect of the real estate market, a

total of 9,601 units were transacted with the total value of transaction amounted to MOP57.59 billion, up by 21.1% and 19.9% respectively. Among all transacted units, the number of residential units went up by 13.8% to 6,683, with transaction value increased by 11.0% to MOP43.57 billion.

Convention and Exhibition

The development of convention and exhibition sector was steady, with a total of 655 MICE events being held in the first half of 2018. Among them, 630 meetings and conferences were held, down by 22 over the same period of last year. Number of participants and attendees increased by 71.8% to 169 thousand, and the average duration was 1.5 days. Meanwhile, 19 exhibitions were held during the same period, with 1 event more than the same period last year. Number of participants and attendees decreased by 2.7% to 501 thousand, and the average duration was 3.7 days. 6 incentive events were held during the period, 23 less than the same period last year. Number of participants and attendees increased by 44.4% to 19 thousand, and the average duration was 3.0 days.



¹ Unless otherwise specified, the figures of GDP mentioned in this article are evaluated at current prices.

² Unless otherwise specified, the rates of change mentioned in this article refer to those from 2017 to 2018.

Data Source: Statistics and Census Service, Macao Monetary Authority, Financial Services Bureau, Macao Economic Bureau and IMF.