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## **Hong Kong unemployment climbed to highest since September-end period amidst Covid-19 fifth wave**

Omicron outbreak pushed the city's unemployment rate in 'retail, accommodation and food services' to rise the most across eight industries as social distancing policies remains operating.

By Molpasorn Shoowong  
JMSC Reporter  
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HONG KONG - Hong Kong's latest unemployment rate rises to 4.5%, highest since the past five consecutive periods, as the Omicron outbreak hit the city.

In the recent three-month period ending in February, the unemployment number jumped 0.6 percentage point from 3.9%, the Census and Statistics Department reported Thursday. The number of unemployed persons increased by 22,700 to 157,900 from the previous period.

Meanwhile, the underemployment rate, measuring employed persons who involuntarily work in the labour force, also rose 0.5 percentage points to 2.3%.

"The labour market deteriorated sharply due to the fifth wave of local epidemic," said Law Chi-kwong, the Secretary for Labour and Welfare in the press release. Hong Kong had been facing the worst Covid-19 surges from the Omicron variant since February.

Infection rates reached its peak in early March, with almost 77,000 cases on March 3. Fatalities among unvaccinated elderly also pushed Hong Kong to have the highest death rate from COVID-19 in the world. Financial Times reported Hong Kong's Covid-19 fatality rates at 4.7% by mid-March, compared to New Zealand's at only 0.1%.

In response to the rising death toll, the government had been tightening up restrictions. They include requiring vaccine passes for customers to dine-in restaurants, limiting public gatherings to two people, and having 'scheduled premises,' such as gym and theater to remain closed down.

Unemployment in the combined consumption-and tourism-related sectors, including retail, accommodation and food, soared 1.4 percentage points to the highest rate among eight sectors at 6.9%, where 38,300 people are unemployed. Among its three sub-categories, 'food and beverage services' unemployment rate climbed the most to 8.1%, leaving 18,700 people jobless.

Meanwhile, the second in rank across eight industries is the construction sector with 6.2%, increasing by 1.5 percentage points.

On March 18, the Hong Kong government announced two sets of wage supporting schemes to residents. First, the Employment Support Scheme (ESS) aims to provide subsidies to small

businesses affected by this fifth outbreak, maximum HK\$8,000 per eligible person for three months. Another program, the Temporary Unemployment Relief Scheme, will subsidize HK\$10,000 one time to each resident who lost a job in the fifth wave of Covid-19, including employees of restaurants and scheduled premises.

Law said in the press conference on the same day that the success of the first round of ESS in 2020 can be seen in a quick economic recovery in 2021. He gave an example of a ten-month unemployment drop from 7.2% to 3.9% by the last period, ending January.

“The labour market will continue to face pressure in the near term, as the acute local epidemic is weighing heavily on consumption-related activities and causing disruptions to a wide range of economic activities,” said Law in the press release.

Charlotte Man, an economist from Daiwa Capital Markets Hong Kong, said on phone she believed that the unemployment rate will increase 0.3 percentage points to 4.8% in the next three months, measuring from January to March.

“We believe that actually February is the most affected month in the fifth wave in terms of unemployment rate,” said Man. She added that it is due to Covid-19 disruptions across four sectors - construction, retail, food and beverage services, and transportation. While retail and food were affected by opening hours restrictions, construction sector had faced sites lockdown. At the same time, transportation was impacted by Hong Kong-China’s cross-border restrictions.

Man also said although she agreed with the ESS program, she thought the Temporary Unemployment Relief Scheme won’t reduce the unemployment rate, because it only “alleviates the financial pressure of the unemployed.”

On the other hand, John Klopfer, an economics professor at the University of Hong Kong has an opposite view. He said on email that the unemployment rate will likely fall over the coming months as job vacancies by December 2021 increased to pre-pandemic levels.

“It’s clear from just taking a walk outside that people are going places and spending money, so hiring should bounce back,” said Klopfer.

## JMSC Global Financial Journalism – Hong Kong Economic Story

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