



GLOBAL ECONOMIC OUTLOOK

	GDP growth	GDP growth forecasts	
	latest available quarter	2003	2004
	% yoy	% yoy	% yoy
Mainland China	9.1 (Q3)	8.1	7.8
US	3.3 (Q3)	2.7	4.0
Eurozone	0.2 (Q2)	0.5	1.7
Japan	3.0 (Q2)	2.4	1.3
Hong Kong	-0.5 (Q2)	3.0*	4.5

Source: Bloomberg, Consensus Forecasts (October 2003)

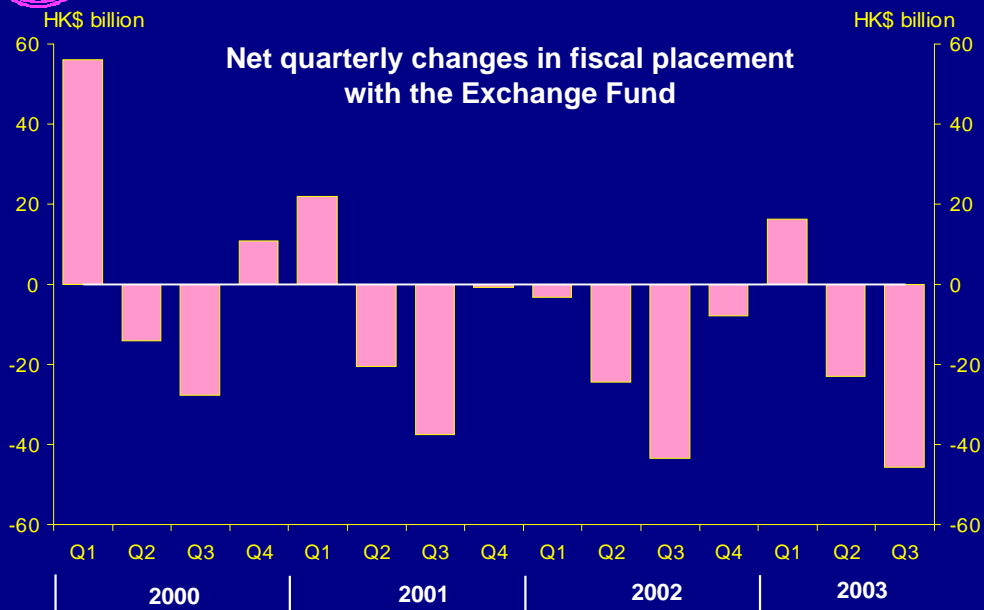
* Forecast by HKSAR Government

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- Consensus forecasts project an acceleration of economic growth in the US as well as the euro area. The pace of recovery in Japan is likely to remain moderate. Mainland China is expected to sustain robust growth.



FISCAL DRAWDOWNS

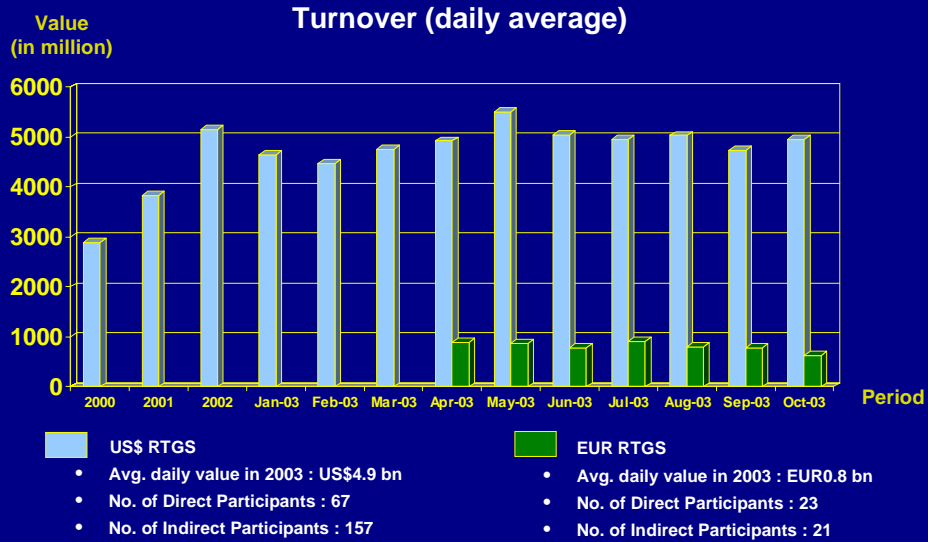


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- Fiscal drawdowns increased in the face of budget deficits. Some of the fiscal drawdowns were accommodated by the sale of foreign currency assets, thus providing some support to the HK dollar.



US DOLLAR & EURO RTGS CLEARING SYSTEMS IN HONG KONG



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- In the first ten months of 2003, the US dollar and euro RTGS clearing systems handled on average US\$4.9 billion and 0.8 billion euro daily respectively.



EXCHANGE FUND ABRIDGED BALANCE SHEET

(HK\$ billion)	30 Sep 03 ²	30 Jun 03 ²	31 Dec 02 ¹
ASSETS			
Deposits	63.8	67.2	51.5
Debt securities	745.8	760.0	764.8
Hong Kong equities	62.9	53.1	50.9
Other equities	83.5	70.7	63.1
Other assets	<u>23.9</u>	<u>28.9</u>	<u>24.8</u>
Total assets	979.9	979.9	955.1
LIABILITIES AND ACCUMULATED SURPLUS			
Certificates of Indebtedness	127.5	124.4	118.5
Government-issued currency notes & coins in circulation	6.0	6.1	5.9
Balance of the banking system	1.0	0.9	0.5
Exchange Fund Bills and Notes	126.4	126.1	122.9
Placements by other HKSAR government funds	249.6	295.2	301.7
Other liabilities	<u>107.2</u>	<u>70.1</u>	<u>78.4</u>
Total liabilities	617.7	622.8	627.9
Accumulated Surplus	<u>362.2</u>	<u>357.1</u>	<u>327.2</u>
Total liabilities and Accumulated Surplus	979.9	979.9	955.1

1 Audited figures; 2 Unaudited figures

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- The Accumulated Surplus of the Exchange Fund increased by HK\$29.9 billion, from HK\$327.2 billion at the end of December 2002 to HK\$357.1 billion at the end of June 2003. The total assets of the Exchange Fund increased by HK\$24.8 billion, from HK\$955.1 billion at the end of December 2002 to HK\$979.9 billion at the end of June 2003.
- Between end-December 2002 and end-June 2003, the fiscal reserves placed with the Exchange Fund declined by HK\$6.5 billion.
- *Figures as at end-September will be tabled at the briefing on 6 November.*



EXCHANGE FUND PERFORMANCE

	2003 Jan-Sep ²	2003 Jul-Sep ²	2003 Jan-Jun ²	2002 Full year ¹
(HK\$ billion)				
Gain / (Loss) on HK equities*	13.0	10.1	2.9	(11.8)
Gain / (Loss) on other equities*	13.6	2.8	10.8	(22.7)
Exchange gain / (loss)	11.3	(3.6)	14.9	27.2
Total return from bonds, etc	<u>18.3</u>	<u>(0.9)</u>	<u>19.2</u>	<u>54.3</u>
Investment income	56.2	8.4	47.8	47.0

* including dividends

1 Audited figures; 2 Unaudited figures

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- The Exchange Fund recorded investment income of HK\$47.8 billion in the first half of 2003. The main components of this income were:
 - a profit of HK\$19.2 billion from bonds and other investments
 - an exchange gain of HK\$14.9 billion, mainly due to the appreciation of the euro against the US dollar
 - a gain of HK\$2.9 billion on the Hong Kong equities portfolio
 - a gain of HK\$10.8 billion on other equities.
- *Figures for the third quarter of 2003 will be tabled at the briefing on 6 November.*



EXCHANGE FUND CHANGE IN ACCUMULATED SURPLUS

	2003 Jan-Sep ²	2003 Jul-Sep ²	2003 Jan-Jun ²	2002 Full year ¹
(HK\$ billion)				
Investment income/(loss)	56.2	8.4	47.8	47.0
Other income	0.1	0.0	0.1	0.2
Interest and expenses	<u>(4.2)</u>	<u>(1.3)</u>	<u>(2.9)</u>	<u>(7.0)</u>
Net investment income/(loss)	52.1	7.1	45.0	40.2
Treasury's share	<u>(17.1)</u>	<u>(2.0)</u>	<u>(15.1)</u>	<u>(15.6)</u>
Increase/(Decrease) in EF accumulated surplus	35.0	5.1	29.9	24.6

1 Audited figures; 2 Unaudited figures

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- After deducting HK\$2.8 billion of interest and other costs and HK\$15.1 billion representing the sharing of investment income with the fiscal reserves placed with the Exchange Fund, the Accumulated Surplus registered an increase of HK\$29.9 billion.
- The investment return accruing to the fiscal reserves placed with the Exchange Fund, under the profit-sharing arrangement, amounts to HK\$15.1 billion in the first half of the calendar year. This already exceeds the budget figure of HK\$12.1 billion by HK\$3 billion.
- *Figures for the third quarter of 2003 will be tabled at the briefing on 6 November.*