



Half-yearly Economic Report 2005

Government of the Hong Kong
Special Administrative Region

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Press Release

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Economic Situation in the Second Quarter of 2004 and Updated GDP and Price Forecasts for 2004

The Government released today (Friday) the Half-yearly Economic Report 2004, together with the preliminary figure on Gross Domestic Product for the second quarter of 2004.

The Acting Government Economist, Miss Elley Mao, described the economic situation in the second quarter of 2004 and provided updated GDP and price forecasts for the year.

MAIN POINTS

- * The recovery of the Hong Kong economy broadened to a full-fledged upturn in the second quarter of 2004, with GDP soaring by 12.1% in real terms against an exceptionally low base of comparison caused by SARS a year earlier. This was significantly up from the 7.0% growth in the first quarter, and was the fastest growth in four years. On a seasonally adjusted quarter-to-quarter comparison, GDP grew by 2.6% in real terms, faster than the 1.2% growth in the first quarter.
- * External trade was even more vibrant in the second quarter than in the first quarter, helped by a generally sanguine global economic environment. Exports of goods grew by 18.0% in real terms in the second quarter over a year earlier, up from an already robust growth of 14.8% in the first quarter.
- * Exports of services leaped by 31.3% in real terms over a year earlier, after a 12.6% growth in the first quarter. Offshore trade and the related freight service exports continued to surge. Inbound tourism recorded a phenomenal growth of over 100% in the quarter, although the year-on-year growth should have been inflated at least partly by the low base effect caused by SARS a year earlier.
- * Locally, consumer spending remained brisk as sentiment returned amid a steadily improving labour market. Private consumption expenditure surged by 11.0% in real terms in the second quarter over a year earlier. This was up from the 6.0% growth in the first quarter and was the fastest in almost 13 years, signifying a continued upturn in local consumer spending.
- * As business outlook improved, machinery and equipment acquisition picked up substantially in the second quarter, and more than offset the continued fall-off in construction activity. Overall investment expenditure leaped by 13.2% in real terms in the second quarter of 2004 over a year earlier, further up from the 5.5% growth in the first quarter. This was the fastest growth in 3½ years.

- * In parallel with a broad-based strengthening in labour demand, the seasonally adjusted unemployment rate fell from 7.2% in the first quarter to a 28-month low of 6.9% in the second quarter (and stayed at this level in May - July). Total employment picked up further to a 2.6% growth in the second quarter over a year earlier, up from the 0.8% growth in the first quarter. Vacancies also surged across all the major economic sectors.
- * Deflation has by now subsided. The generally improved economic conditions, revived consumer demand and higher import prices have prompted many retailers to reduce the earlier price discounts or even to raise the prices of some consumer items. The Composite CPI reverted to a 0.9% increase in July 2004 over a year earlier, signifying the end of a 68-month long deflation.
- * On the near-term outlook, the external environment is still overshadowed by surging oil prices, rising US interest rates, and the macroeconomic adjustment in the Mainland. Yet so far, these risk factors have not reversed or severely dampened the global growth momentum. The Mainland economy stays strong as trade surges ahead, notwithstanding the concurrent slow-down in overall investment. Demand in the industrialised economies also remains firm with industrial production rising and exports staying buoyant. The decline in oil dependency over the years should have rendered these economies less vulnerable to the oil price hike. Moreover, the overall monetary stance in the US remains largely accommodative, despite recent rise in US interest rates. Also worth-noting is that local interest rates have managed to stay at a low level so far, with the 3-month HIBOR still around 100 basis points below their Euro-dollar counterpart.
- * Hence, the global economy maintains a generally positive tone. The widely held view is that even allowing for some moderation in global demand in the latter part of 2004 upon rising interest rates and surging oil price, global economic growth for the year as a whole is still likely to stay healthy and will be the fastest since 2000. If this is so, the export-dependent Asian economies, including the Mainland and Hong Kong, should continue to benefit from the sturdy demand in the industrialised economies in the rest of the year. Exports of goods are thus expected to continue to fare well in the months ahead, even though growth may not be as rapid as in early 2004. Exports of services are also expected to maintain strong growth momentum in the rest of the year.
- * In the domestic sector, consumer spending is poised for further solid growth in the rest of 2004. Machinery and equipment investment should remain intensive, as companies reinstate their capacity to cater for the anticipated growth in business as profits improve and as deflation ends. Construction activity may also turn around towards the end of 2004. But for the year as a whole, there would still be a rather large decline, in face of the distinct fall-off so far this year.

- * With the outturn so far this year well exceeding earlier expectations, and with both external and local demand likely to hold up well throughout the rest of the year, GDP for 2004 as a whole is now forecast to grow by 7.5%, 1.5 percentage points up from 6% in the May round.
- * The forecast rate of change in the Composite CPI for 2004 is likewise revised upwards to zero change in the August update, from -1% in the May round. As domestic demand strengthens further and as the uptrend in world commodity prices and higher inflation in the major supplier economies including the Mainland filters through, consumer price inflation can be expected to remain positive in the remaining part of the year after registering a 0.9% increase in July.
- * Similarly, the forecast rate of change for GDP deflator in 2004 is revised upwards to -2.5% in the August update, from -3% in the May update. It is expected that the rate of price decline will continue to taper, as consumer prices bounce back along with the activity upturn, and as the drag on the terms of trade from the earlier weakness in the US dollar gradually dissipates.

DETAIL

GDP

According to the preliminary figure on the *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, GDP soared by 12.1% in real terms in the second quarter of 2004 over a year earlier, significantly up from the 7.0% growth in the first quarter (latter figure revised upwards from the estimate of 6.8% released in May). This was also the fastest growth since the first quarter of 2000. Apart from the underlying strength, the year-on-year growth was likely to be at least partly magnified by an exceptionally low base of comparison caused by the spread of Severe Acute Respiratory Syndrome (SARS) in the same quarter last year. On a seasonally adjusted quarter-to-quarter comparison, GDP grew by 2.6% in real terms in the second quarter of 2004, faster than the growth of 1.2% in the first quarter (latter figure also revised upwards from the estimate of 1.0% released in May). (*Chart*)

2. The latest figures on GDP and its major expenditure components up to the second quarter of 2004 are presented in *Table 1*. Developments in different segments of the economy in the second quarter of 2004 are described below.

External trade

3. With global demand staying firm and benefitting from the lagged effect of a soft US dollar in early 2004, the external sector gathered even more vibrancy in the second quarter than in the first quarter. According to the merchandise trade statistics, *total exports of goods* accelerated further to an 18.0% growth in real terms in the second quarter of 2004 over a year earlier, comprising a 19.0% leap in *re-exports* and a 5.1% growth in *domestic exports*. They were all up from the corresponding increases of 14.8%, 15.9% and 0.7% in the first quarter.

4. The remarkable export performance in the second quarter was characterised by continued surge in exports to the East Asian and European markets with growth well exceeding 10%, as well as a further pick-up in exports to the US market. Particularly worth-noting was a further large increase in exports to the Mainland, marked by soaring exports of raw materials and semi-manufactures in tandem with the Mainland's vibrant trade flows. So far, the negative impact of the Mainland's economic tightening measures for Hong Kong's trade has been relatively contained.

5. With inbound tourism, offshore trade and exports of transportation services all thriving, and magnified at least in part by a low base of comparison caused by SARS, *exports of services* attained an even faster increase, by 31.3% in real terms in the second quarter over a year earlier. This followed a 12.6% growth in the first quarter. More specifically on inbound tourism, Mainland visitors continued on a strong uptrend along with the further extension of the Individual Visit Scheme. Also, the numbers of visitors from most of the other major sources were already back to or have even surpassed the pre-SARS level lately.

Domestic sector

6. Local consumer spending remained brisk as consumer sentiment picked up and employment opportunities improved steadily. *Private consumption expenditure* recorded an 11.0% year-on-year growth in real terms in the second quarter, well above the 6.0% growth in the first quarter and the fastest in almost 13 years. The upsurge in consumer spending in the first and second quarters was manifested in almost all major categories of consumer goods and services, although the exceptionally strong growth in the second quarter was also likely to be inflated at least partly by a low base of comparison due to SARS last year. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure leaped by 4.2% in real terms in the second quarter, faster than the 1.0% increase in the first quarter.

7. In tandem with the economic upturn, investment sentiment has clearly revived. Overall *investment spending*, as represented by gross domestic fixed capital formation, rose by 13.2% in real terms in the second quarter of 2004 over a year earlier, accelerating further from the 5.5% growth in the first quarter. Expenditure on machinery, equipment and computer software was particularly strong, attaining sustained double-digit growth of 26.1% in real terms in the second quarter over a year earlier, after a 16.0% increase in the first quarter. But expenditure on building and construction was weak throughout the first half of 2004, down by 11.6% in real terms in the first quarter and then by 9.4% in the second quarter over a year earlier. This owed much to the continued slack in private sector building activity, as some prominent projects were successively completed or were winding down, while new projects had yet to generate sufficient output to render an offset. Meanwhile, construction output in the public sector fell back in the second quarter, along with the fall in output under the Public Housing Programme and completion of the West Rail.

The labour sector

8. As the economic recovery gathered strength, there was a broad-based strengthening in labour demand in recent period. In the second quarter of 2004, *total employment* grew by 2.6% over a year earlier, outpacing the 0.8% growth in labour supply. Vacancies also surged across all major economic sectors. The *seasonally adjusted unemployment rate* fell from 7.4% in the fourth quarter of 2003 to 7.2% in the first quarter of 2004, and then to a 28-month low of 6.9% in the second quarter. The *underemployment rate* hovered at around 3.3-3.5% over the same periods. (Both the seasonally adjusted unemployment rate and the underemployment rate stood at 6.9% and 3.5% respectively in May - July.) Overall labour earnings remained soft in money terms, but they still registered marginal increase in real terms in the first quarter.

The property market

9. Following the sharp rebound in late 2003 and early 2004, trading activities in the *property market* consolidated in the second quarter, albeit still well above the quarterly average in 2003. Flat prices, after the appreciable increases in the earlier months, eased back by an average of 7% between April and June 2004. Yet they were still 25% above the trough in July 2003. Notwithstanding the recent consolidation and concern about US interest rate rise, the general market sentiment remained cautiously optimistic. Meanwhile, flat rentals continued to firm up in line with the reviving leasing demand. Leasing demand for office space also strengthened further amid the economic upturn. The market for shopping space stayed active, as inbound tourism remained buoyant and local consumer spending picked up further.

The stock market

10. The local *stock market* consolidated in tandem with the overseas stock markets during the second quarter, as sentiment worldwide turned more cautious amid concerns over an imminent rise in US interest rates, the hike in international oil price, and the stepping up of economic tightening measures in the Mainland. The Hang Seng Index plummeted to a near 8-month low at 10 968 on 17 May, but recouped some of the loss afterwards. It closed the month of June at 12 286, still down by 3.1% over end-March this year and 2.3% over end-2003. (The Hang Seng Index stood at 12 784 on 26 August.)

Prices

11. Deflationary pressures have largely subsided. With import prices rising and consumer demand strengthening, the prices of many consumer items, including foodstuffs, clothing and footwear, travel and sports goods, and home appliances are progressively rising back. The year-on-year decline in the *Composite Consumer Price Index* tapered steadily, from 1.8% in the first quarter to 0.9% in the second quarter. By June 2004, the year-on-year rate of decline was a mere 0.1%. (The index then reversed to a 0.9% increase in July 2004, for the first time since October 1998, signifying the end of the 68-month long deflation.) Likewise, the *GDP deflator* recorded a smaller year-on-year decline, at 2.9% in the second quarter of 2004 as against 4.0% in the first quarter. The larger decline in the GDP deflator than in the Composite CPI was mainly due to the downward drag on the terms of trade caused by weakness of the US dollar earlier in the year.

Updated GDP and price forecasts for 2004

12. Following regular practice, the GDP and price forecasts for 2004 have been reviewed by individual components whilst reckoning the better-than-expected outturn in the first half. The updated forecasts are presented in *Table 2*.

13. On external trade, both the global and regional economic sentiment seemed to have turned more cautious in the second quarter. Several external risk factors continue to overcast the near-term global economic outlook. The stepping up of tightening measures in the Mainland since April to curb excessive investment in the overheated sectors has aroused concern about the Mainland's growth potential and its ensuing repercussions on the regional economy. There is also concern that the successive rise in international oil prices to new record highs lately would dampen global demand. In the US, the Fed Funds target rate was raised by 25 basis points on 30 June, and again by another 25 basis points on 10 August, marking the beginning of an interest rate up-cycle.

14. Nevertheless, so far these developments have not unduly undermined the global and regional economic activities. The Mainland economy stays strong as trade surges ahead, notwithstanding the concurrent slow-down in overall investment. Demand in the industrialised economies also remains firm, supported by rising industrial production and buoyant exports. The decline in oil dependency over the years should have rendered these economies less vulnerable to the oil price hike. The widely held view is that even with an envisaged moderation in demand in the latter part of 2004 affected by the recent interest rate rise and oil price hike, global economic growth for the year as a whole is still likely to maintain its momentum. The impact of the macroeconomic adjustment in the Mainland on the Hong Kong economy has been relatively contained. It is noteworthy that a considerable proportion of our exports to Mainland are for export processing. So long as the Mainland can sustain buoyant trade growth, the impact on Hong Kong is likely to be cushioned to a large extent. The general tone for the year as a whole is thus still positive.

15. With demand in the industrialised economies likely to hold up well in the rest of the year, *exports of goods* are expected to continue to fare well in the months ahead, even though growth may not be as rapid as in the early part of 2004. Coupled with the much better-than-expected outturn so far this year, the forecast growth rate in real terms for exports of goods in 2004 is revised further up, from 10.1% in the May update to 14.0% in the August update. Within total exports, the forecast rates of increase in real terms for *re-exports* and *domestic exports* are both revised up, to 15% and 0% respectively in the August update, from 11% and -2% in the May round.

16. In parallel with the faster growth now expected for re-exports and the continuing robust intake of retained imports, the forecast growth rate in real terms for *imports of goods* for 2004 is also revised upwards to 14.5% in real terms, from 11.4% in the May round.

17. On invisible trade, the forecast growth rate in real terms for *exports of services* in 2004 is maintained at 15% in the August update, with the robust outturn in the first half of this year largely in line with expectation. Looking ahead, inbound tourism is expected to remain vibrant in the rest of the year, supported on the one hand by the Individual Visit Scheme for Mainland visitors and on the other hand by

a further rebound in visitors from the other major sources. Offshore trade should continue on an uptrend on the back of a still positive external environment and strong trade flows within the region.

18. With a better-than-expected outturn in the second quarter and an envisaged stronger growth in aggregate demand, the forecast rate of increase in real terms for *imports of services* in 2004 is revised up to 10.5% in the August update, from 7.5% in the May update.

19. In the domestic sector, the forecast rate of increase in real terms for *private consumption expenditure* in 2004 is revised up to 7% in the August update, from 6% in the May update. This is mainly on account of the strong outturn in the first half of this year. Looking ahead, local consumer spending is poised for a further notable growth in the ensuing months, as the economy picks up further and employment situation improves.

20. The forecast rate of increase in real terms for *government consumption expenditure* in 2004 is maintained at 1.5% in the August update.

21. Overall investment spending in the economy, as represented by *gross domestic fixed capital formation*, is forecast to grow by 6.5% in real terms in 2004, not much changed from the 6.8% forecast growth in the May round. Within this total, the forecast rate of increase in real terms for *expenditure on machinery, equipment and computer software* in 2004 is revised upwards, from 11% in the May update to 14% in the August update. This stream of investment spending is expected to show further notable growth in the rest of 2004, as companies need to reinstate their capacity to cater for the growth in business. Also, the outturn in the second quarter is better than expected.

22. However, the forecast rate of change in real terms for *expenditure on building and construction* in 2004 is revised down from 0% in the May update to -6.5% in the August update. This is mainly on account of a further significant decline in private sector building activity in the second quarter. Despite the rebound in building consents in 2003, output from newly commenced projects in the near term is still not sufficient to render much offset to the fall-off in many of the existing projects which are near completion. Even if construction activity may pick up towards the end of 2004, there would still be a rather large decline for the year as a whole, given the distinct fall-off by 10.6% in the first half of this year.

23. Taking all the components together, the forecast growth rate in real terms of GDP for 2004 is revised upwards by 1.5 percentage points to 7.5% in the August update, from 6% in the May update. For comparison, the forecasts of Hong Kong's GDP growth by a selection of international organisations and local analysts are summarised in **Table 3**. The latest known forecasts of GDP growth in real terms for 2004 from the private sector analysts range from 5% to 7%, averaging at 6.4%.

24. On the price front, the forecast rate of change in the *Composite CPI* for 2004 is revised upwards to zero change in the August update, from -1% in the May update. As domestic demand strengthens further and as the uptrend in world commodity prices and higher inflation in the major supplier economies including the Mainland filters through, consumer price inflation can be expected to remain positive throughout the second half of the year.

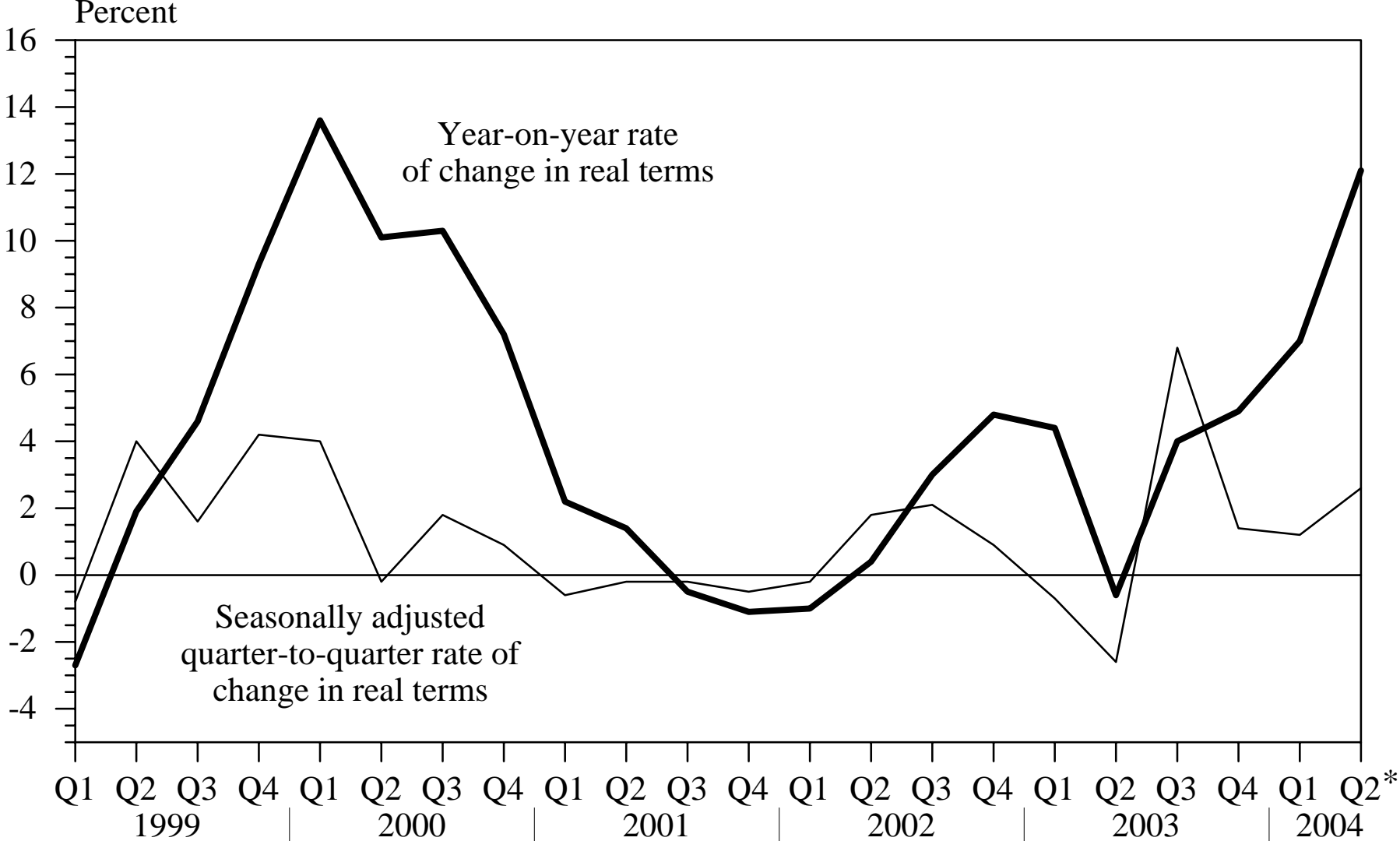
25. Likewise, the forecast rate of change in the *GDP deflator* is revised upwards to -2.5% in the present round, from -3% in the May round. It is expected that the rate of price decline will taper further in the second half of the year, as consumer prices bounce back along with the activity upturn, and as the drag on the terms of trade from the earlier weakness in the US dollar gradually dissipates.

(The Half-yearly Economic Report 2004 can now be purchased on-line at http://www.statisticalbookstore.gov.hk/desc_eng.htm, or by calling the Publications Sales Section of the Information Services Department (ISD) at 2537 1910. Both the hard and soft copies of the report are available for sale at \$80 a copy, yet with a postage charge for the hard copy.)

(The GDP figures up to the second quarter of 2004 are published in the Report of the Gross Domestic Product, Second Quarter 2004, which can also be purchased on-line at http://www.statisticalbookstore.gov.hk/desc_eng.htm, or by calling the Publications Sales Section of ISD. Both the hard and soft copies of the report are available for sale at \$28 per copy, yet with a postage charge for the hard copy.)



Hong Kong's Gross Domestic Product



Note : (*) Preliminary figures.

Table 1

**Gross Domestic Product and its main expenditure components
and the main price indicators
(year-on-year rate of change (%))**

	<u>2002</u> [#]	<u>2003</u> [#]	<u>2003</u>				<u>2004</u>	
			<u>Q1</u> [#]	<u>Q2</u> [#]	<u>Q3</u> [#]	<u>Q4</u> [#]	<u>Q1</u> [#]	<u>Q2</u> ⁺
<i>Change in real terms of GDP and its main expenditure components (%)</i>								
Private consumption expenditure	-1.2	-0.9	-3.2 (-1.1)	-4.1 (-0.8)	0.1 (2.8)	3.7 (2.9)	6.0 (1.0)	11.0 (4.2)
Government consumption expenditure	2.5	1.9	1.0 (0.6)	0.5 (0.5)	0.5 (1.2)	5.5 (3.0)	5.4 (0.5)	* (-4.6)
Gross domestic fixed capital formation	-4.5	0.1	4.2 (N.A.)	-5.3 (N.A.)	* (N.A.)	1.9 (N.A.)	5.5 (N.A.)	13.2 (N.A.)
<i>of which :</i>								
Building and construction	-1.1	-7.0	-3.2	-8.5	-6.6	-9.9	-11.6	-9.4
Machinery, equipment and computer software	-7.6	6.5	12.8	-1.1	5.6	9.3	16.0	26.1
Total exports of goods	8.7	14.2	19.1 (3.4)	14.3 (1.9)	10.0 (1.7)	14.7 (6.5)	15.0 (3.3)	18.7 (5.8)
Imports of goods ^(a)	7.9	13.1	18.8 (3.0)	10.9 (1.1)	8.2 (2.4)	15.7 (7.5)	16.3 (3.4)	20.3 (5.5)
Exports of services	11.7	7.1	14.3 (2.3)	-9.5 (-18.4)	10.4 (33.8)	11.8 (-1.0)	12.6 (1.8)	31.3 (-1.3)
Imports of services	3.7	-4.6	-5.4 (-5.8)	-16.8 (-14.3)	-0.3 (23.2)	3.1 (3.4)	4.1 (-4.8)	30.1 (7.0)
Gross Domestic Product	1.9	3.2	4.4 (-0.7)	-0.6 (-2.6)	4.0 (6.8)	4.9 (1.4)	7.0 (1.2)	12.1 (2.6)
<i>Change in the main price indicators (%)</i>								
GDP deflator	-3.6	-5.3	-4.4 (-1.0)	-5.8 (-2.2)	-6.1 (-1.4)	-4.8 (-0.3)	-4.0 (-0.1)	-2.9 (-1.0)
Composite Consumer Price Index ^(b)	-3.0	-2.6	-2.0 (-0.1)	-2.5 (-1.1)	-3.6 (-1.9)	-2.3 (0.8)	-1.8 (0.3)	-0.9 (*)
<u>Change in nominal GDP (%)</u>	-1.8	-2.2	-0.1	-6.3	-2.2	-0.2	2.5	8.9

Notes : (#) Revised figures.

(+) Preliminary figures.

() Figures in parentheses denote seasonally adjusted quarter-to-quarter percentage rate of change.

N.A. Not applicable, as no clear seasonal pattern is found in gross domestic fixed capital formation, due to the presence of considerable short-term fluctuations.

(a) Here imports of goods are valued on f.o.b. basis, instead of on c.i.f. basis as is the on-going practice for the merchandise trade statistics.

(b) Final figures.

(*) Change of less than 0.05%.

Table 2**Forecast growth rates of the Gross Domestic Product
and its main expenditure components and forecast rates of change
in the main price indicators for 2004**

	May update of the forecasts for 2004 released on 28.5.2004 (%)	August update of the forecasts for 2004 released on 27.8.2004 (%)
<i>Growth rate in real terms of :</i>		
Private Consumption Expenditure	6	7
Government Consumption Expenditure	1.5	1.5
Gross Domestic Fixed Capital Formation	6.8	6.5
<i>of which:</i>		
Building and construction	0	-6.5
Machinery, equipment and computer software	11.0	14.0
Total Exports of Goods	10.1	14.0
Re-exports	11	15
Domestic exports	-2	0
Imports of Goods	11.4	14.5
Exports of Services	15	15
Imports of Services	7.5	10.5
Gross Domestic Product (GDP)	6	7.5
<i>Rate of change in :</i>		
GDP Deflator	-3	-2.5
Composite Consumer Price Index	-1	0
<i>Rate of change in Nominal GDP</i>	2.8	4.7

Table 3
2004 GDP and price forecasts for Hong Kong put out by
selected international organisations and private sector analysts

	Date of release	GDP	Private consumption expenditure		Gross domestic fixed capital formation		Total exports of goods and services	Exports of services (%)	Rate of change in consumer prices (%)	Reference source
			(growth	rate	in	real				
International organisations:										
IMF	Dec 2003	4.5-5	--	--	--	--	--	--	-1	Concluding Remarks by IMF Mission, 15 Dec 2003.
	Apr 2004	5.5	--	--	--	--	--	--	-0.5	World Economic Outlook, Apr 2004.
ADB	Sep 2003	4.8	--	--	--	--	--	--	0.5	Asian Development Outlook, 2003 Update, Sep 2003.
	Apr 2004	6	--	--	--	--	--	--	1.1	Asian Development Outlook 2004.
World Bank	Oct 2003	4.3	--	--	--	--	--	--	--	East Asia Update, Oct 2003.
	Apr 2004	6	--	--	--	--	--	--	--	East Asia Update, Apr 2004.
Private sector analysts:										
<i>(a) Major local banks</i>										
Hongkong Bank	Dec 2003	6.5	3		2.1	--	--	--	-0.8	Asian Economic Insight, 12 Dec 2003.
	Jan 2004	6.5	3		2.1	--	--	--	0	Asian Economic Insight, 30 Jan 2004.
	Aug 2004	6.5	--		--	--	--	--	0	Asian Local Bond Radar, 20 Aug 2004.
Standard Chartered Bank	Nov 2003	4.5	--		--	--	--	--	-0.5	Asian Economic Focus, Dec 2003.
	Jan 2004	6	--		--	--	--	--	-0.5	Wen Wei Po, 30 Jan 2004.
	Apr 2004	6	--		--	--	--	--	-0.5	Asian Quarterly, April 2004.
	Aug 2004	7	--		--	--	--	--	-0.5	On the ground, 24 Aug 2004.
Hang Seng Bank	Dec 2003	4	1		0.4	10.9	13.6	--	-0.8	Hang Seng Economic Monthly, Nov/Dec 2003.
	Mar 2004	5.5	4		4.1	10.4	11.9	--	-0.8	Economic Research Department, Mar 2004.
	Jun 2004	6	4.5		3	12	13.9	--	-0.8	Hang Seng Economic Monthly, Jun 2004.
	Aug 2004	6	--		--	--	--	--	-0.5	Economic Research Department, 25 Aug 2004.
Bank of China (HK)	Dec 2003	5	3		3.7	10	11	--	-1	Economic and Strategy Planning Department, Dec 2003.
	Jun 2004	6.5	5		6	10.5	13.5	--	-0.5	Economic Review, Jun 2004.

Table 3 (cont'd)

2004 GDP and price forecasts for Hong Kong put out by selected international organisations and private sector analysts

	<u>Date of release</u>	<u>GDP</u> (growth	<u>Private consumption expenditure</u> rate	<u>Gross domestic fixed capital formation</u>		<u>Total exports of goods</u> terms	<u>Exports of services</u> (%)	<u>Rate of change in consumer prices</u> (%)	<u>Reference Source</u>
				in	real				
Bank of East Asia	Nov 2003	4.5	--	--	--	--	0	Economic Research Department, 25 Nov 2003.	
	Jan 2004	4.5	4	2.2	8.3	14.5	0	Ta Kung Pao, 13 Jan 2004.	
	May 2004	5.5	5	5	8.4	14.5	-0.5	Economic Research Department, 21 May 2004.	
	Aug 2004	7	--	--	--	--	--	Economic Analysis, Aug 2004.	
ABN Amro Bank	Nov 2003	7	4.5	5.5	7.1	20	-0.5	Asian Anchor, Nov 2003.	
	Feb 2004	7	--	--	--	--	-0.5	Asian Vision, 20 Feb 2004.	
	Aug 2004	7	--	--	--	--	-0.2	Asia Vision, 20 Aug 2004.	
Citibank	Jan 2004	5.8	--	--	--	--	-1.4	The Standard, 9 Jan 2004.	
	Feb 2004	6.5	2.6	4.5	--	--	-1	Citigroup Global Markets, 3 Feb 2004.	
	Apr 2004	6.5	3.9	3.8	--	--	-1	Citigroup Global Markets, 29 Apr 2004.	
	Aug 2004	6.5	--	--	--	--	-0.5	Citibank, 24 Aug 2004.	
<i>(b) Investment banks</i>									
JP Morgan Chase	Jan 2004	5.6	--	--	--	--	0.6	Wen Wei Po, 30 Jan 2004.	
	May 2004	6.2	--	--	--	--	1.5	JP Morgan, 24 May 2004.	
	Jul 2004	6.2	--	--	--	--	0.5	The Standard, 29 Jul 2004.	
Goldman Sachs Asia	Jan 2004	6	--	--	--	--	--	ETNet News, 13 Jan 2004.	
	May 2004	7	--	--	--	--	--	Economic Flash, 14 May 2004.	
Morgan Stanley Asia	Dec 2003	4.5	3.7	3.5	--	--	-1	Hong Kong Economics, 1 Dec 2003.	
	Mar 2004	4.5	4	3.5	--	--	-1	Hong Kong Data Releases, 10 Mar 2004.	
	May 2004	5.2	4.4	4.6	--	--	-1	Hong Kong Economics, 31 May 2004.	
	Aug 2004	5.2	--	--	--	--	-0.3	Hong Kong Economics, 24 Aug 2004.	

Table 3 (cont'd)

2004 GDP and price forecasts for Hong Kong put out by selected international organisations and private sector analysts

	Date of release	GDP (growth	Private consumption expenditure rate	in	Gross domestic fixed capital formation real	Total Exports Of goods	Exports of services (%))	Rate of change in consumer prices (%)	Reference Source
Merrill Lynch	Nov 2003	5.4	--	--	--	--	--	0.2	The Asian Equity Economist, 12 Nov 2003.
	Jan 2004	6.3	--	--	--	--	--	-0.5	Wen Wei Po, 30 Jan 2004.
	Feb 2004	7.8	6.2		2.5	7	16.5	0.8	The Asian Equity Economist, 10 Feb 2004.
	May 2004	7.8	--	--	--	--	--	0.4	The Asian Market Economist, 11 May 2004.
	Aug 2004	7	--	--	--	--	--	0.3	The Asian Market Economist, 9 Aug 2004.
Credit Suisse First Boston	Jan 2004	5.5	--	--	--	--	--	-0.8	Hong Kong Economic Times, 16 Jan 2004.
	Feb 2004	6.6	--	--	--	--	--	1	Emerging Markets Data and Calendar, 20 Feb 2004.
	May 2004	5.9	5.5		5	--	--	-0.6	Emerging Markets Economics Research, 3 May 2004.
	Aug 2004	5.9	--	--	--	--	--	-0.2	The Sun, 25 Aug 2004.
<i>(c) Others</i>									
Economist Intelligence Unit	Dec 2003	6.2	4.6		7.2	--	--	-0.5	Country Forecast, Dec 2003.
	Feb 2004	6.5	5.3		7.2	--	--	-0.5	Country Forecast, Feb 2004.
	Jun 2004	6.5	5.3		7.2	--	--	-0.4	Country Forecast, Jun 2004.
	Jul 2004	6.5	5.4		7.2	--	--	-0.4	Country Forecast, Jul 2004.
	Aug 2004	6.5	5.5		7.2	--	--	-0.5	Country Forecast, Aug 2004.
Hong Kong General Chamber of Commerce	Dec 2003	3.8	--	--	--	--	--	-1	Hong Kong Business Summit, 10 Dec 2003.
	Apr 2004	5	--	--	--	--	--	0.5	Economic Comments, 21 Apr 2004.
	Aug 2004	5	--	--	--	--	--	1	HKGCC, 24 Aug 2004.

Observation :

The forecasts of GDP growth in real terms for 2004 from the private sector analysts listed above range from 5% to 7%, averaging at 6.4%.