

Press Release

(embargoed until 4:15 p.m. on 25 May 2001)

Economic Situation in the First Quarter of 2001 and Updated GDP and Price Forecasts for 2001

The Government released today (Friday) the First Quarter Economic Report 2001, together with the preliminary figure on expenditure-based Gross Domestic Product for the first quarter of 2001.

The Government Economist, Mr K Y Tang, described the economic situation in the first quarter of 2001 and provided updated GDP and price forecasts for the year.

MAIN POINTS

- * The Hong Kong economy slowed down further in the first quarter of 2001, mainly affected by deterioration in the external environment. On a year-on-year comparison, GDP growth decelerated further to 2.5% in real terms in the first quarter of 2001, from 6.9% in the fourth quarter of 2000. Yet this was also influenced in part by a distinctly higher base of comparison in the first quarter of 2000, when GDP attained its fastest growth in the past 13 years.
- * On a seasonally adjusted quarter-to-quarter comparison, GDP still had a mild increase of 0.3% in real terms in the first quarter of 2001, following a similar increase of 0.3% in the fourth quarter of 2000.
- * Externally, merchandise exports were hit by the fall-off in global demand upon the distinct setback in demand in the United States. Total exports of goods grew by only 4.2% in real terms in the first quarter of 2001 over a year earlier, as exports to the United States and the European Union both fell slightly, and exports to East Asia decelerated considerably in growth. Yet exports of services still held up relatively well, on the back of continued surge in offshore trade and further growth in inbound tourism, with a 6.4% growth in real terms in the first quarter of 2001 over a year earlier.
- * Locally, consumer spending maintained a modest growth of 2.8% in real terms in the first quarter of 2001 over a year earlier, supported by some increase in labour income but also affected by the weakness in the asset markets. With the intake of machinery and equipment remaining intensive and building and construction output also resuming increase, overall investment spending put up a double-digit growth for the third consecutive quarter, at 13.8% in real terms in the first quarter of 2001 over a year earlier. Yet the pace of inventory build-up had slowed down somewhat, after the substantial accumulation last year.
- * The labour market eased slightly, along with the slow-down in overall economic activity. The seasonally adjusted unemployment rate edged up to 4.6% in the first quarter of 2001 (held stable at 4.6% in the three months ending April 2001), from 4.4% in the fourth quarter of 2000. The underemployment rate nevertheless fell,

from 2.7% to 2.4% in these two quarters (further down to 2.3% in the three months ending April 2001).

- * In view of the bleak performance of merchandise exports upon a sharper-than-expected slow-down in global demand, the forecast growth rate in real terms of GDP for 2001 as a whole is revised downwards to 3%, from 4% in the earlier forecast.
- * Externally, exports of goods would continue to be affected by modest import absorption in the major overseas markets, with prospect for improvement only later in the year. Yet exports of services should be better sustained, along with the continued growth in offshore trade.
- * Locally, consumer spending would probably grow mildly further. Investment spending could however lose some of its growth momentum, in face of a more subdued business outlook in the near term.
- * A number of downside risks and uncertainties are prevalent. On the external front, the evolving financial market developments, inventory adjustment and employment situation in the United States warrant a close monitoring. The tempo in the US economy can be expected to have considerable ramifications for the global economy at large. Also, the protracted slump in the Japanese economy, when coupled with any tendency for further weakening in the yen, would be destabilising, particularly as many of the other East Asian economies are likewise suffering slow-down and have their currencies depreciated recently. On the domestic front, how the major asset markets would fare amidst the current economic slow-down, albeit after the interest rate cuts, could influence spending propensity in the coming months.
- * Yet against these, sustained robust growth and continuing reform in the Mainland and China's upcoming accession to the World Trade Organisation are a positive factor for the Hong Kong economy. Locally, the resource situation and credit availability are both conducive to business, which should enable the economy to readily meet the revival in external demand as it subsequently emerges.
- * On the price front, the rate of decline in the Composite Consumer Price Index narrowed further in the first quarter of 2001, as the effect of the earlier fall in rentals dissipated further and as wages had reverted to a small increase. Looking ahead, price pressure from external sources is expected to recede, granting the relative strength of the US dollar. Import prices have already gone back to a decline in recent months. Moreover, with a more moderate growth for the year, cost pressure from domestic sources is expected to be contained. Taking into account the actual outturn of a 1.8% year-on-year decline in the first four months of 2001, and incorporating the slightly larger decline shown up in the new CPI series than in the old series, the forecast rate of change in the Composite CPI for 2001 as a whole is revised downwards to -1%, from zero change in the earlier forecast. The forecast rate of change in the GDP deflator for 2001 is nevertheless maintained at -1%.

DETAILS

GDP

According to the preliminary figure on expenditure-based *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, the economy slowed down further to a 2.5% growth in the first quarter of 2001 over a year earlier, from a 6.9% growth in the fourth quarter of 2000. Yet on a seasonally adjusted quarter-to-quarter comparison, GDP still had a mild increase of 0.3% in real terms in the first quarter of 2001, following a similar increase of 0.3% in the fourth quarter of 2000 (*Chart*).

2. The latest figures on GDP and its major expenditure components up to the first quarter of 2001, including the year-on-year changes in the original series and the quarter-to-quarter changes in the seasonally adjusted series, are presented in *Tables 1 and 2*. Developments in different segments of the economy in the first quarter of 2001 are described below.

External trade

3. Along with a fall-off in global demand and a relative weakening in Hong Kong's price competitiveness, merchandise exports continued to slacken in the first quarter of 2001. Yet a higher base of comparison was also relevant. *Total exports of goods* (comprising re-exports and domestic exports) rose by 4.2% in real terms in the first quarter of 2001 over a year earlier, significantly down from the 13.3% increase in the fourth quarter of 2000. On a seasonally adjusted quarter-to-quarter comparison, total exports of goods fell by 2.1% in real terms in the first quarter of 2001, having already eased to a mere 0.7% increase in the fourth quarter of 2000.

4. Analysed by region, upon weaker growth in many of the East Asian economies and with the currency depreciation also curbing their purchasing power, total exports of goods to East Asia rose by 8.1% in real terms in the first quarter of 2001 over a year earlier, considerably slower than the 17.0% increase in the fourth quarter of 2000. Total exports of goods to the United States came down distinctly along with the fall-off in its own demand, with a 0.4% decline in real terms in the first quarter of 2001 over a year earlier, after a 10.4% growth in the fourth quarter of 2000. Total exports of goods to the European Union likewise slackened sharply amidst a weak euro, with a 1.2% decline in real terms in the first quarter of 2001 over a year earlier, following a 6.9% rise in the fourth quarter of 2000.

5. As both re-exports and intake of imports for local use slowed, *imports of goods* also recorded a more moderate growth, at 5.3% in real terms in the first quarter of 2001 over a year earlier, considerably slower than the 13.4% rise in the fourth quarter of 2000. On a seasonally adjusted quarter-to-quarter comparison, imports of goods were down by 0.8% in real terms in the first quarter of 2001, after a 0.5% increase in the fourth quarter of 2000.

6. On invisible trade, *exports of services* still held up relatively well, rising by 6.4% in real terms in the first quarter of 2001 over a year earlier, albeit also slower than the 9.5% growth in the fourth quarter of 2000. This was on the back of a continued surge in offshore trade and a further growth in inbound tourism. On a seasonally adjusted quarter-to-quarter comparison, exports of services rose back by 0.9% in real terms in the first quarter of 2001, after a 4.9% decline in the fourth quarter of 2000.

7. *Imports of services* picked up to a 5.5% growth in real terms in the first quarter of 2001 over a year earlier, from a 2.7% increase in the fourth quarter of 2000. Travel-related spending by Hong Kong residents bounced back strongly in the first quarter, boosted in part by the surge in outbound trips around the Population Census period. Yet imports of trade-related and of professional, business and other services eased considerably. On a seasonally adjusted quarter-to-quarter comparison, imports of services rebounded to a 2.4% increase in real terms in the first quarter of 2001, after a 2.1% fall in the fourth quarter of 2000.

8. On the trade balance, as total imports of goods grew slightly faster than total exports of goods, the *visible trade deficit* widened, to \$29 billion or 7.7% of the value of imports of goods in the first quarter of 2001. But the *invisible trade surplus* rose further, to \$32 billion in the first quarter of 2001. Overall, the combined visible and invisible trade account (including an estimate of imports of gold for industrial use) remained in surplus, at \$2 billion in the first quarter of 2001, equivalent to 0.5% of the total value of imports of goods and services in that quarter. Yet these were smaller than the corresponding figures of \$5 billion and 1.3% in the same quarter in 2000.

Domestic demand

9. *Private consumption expenditure (PCE)* maintained a modest growth of 2.8% in real terms in the first quarter of 2001 over a year earlier, supported by some increase in labour income, but with the slack property market and the plummeted stock market both hitting the propensity to spend. This followed a 2.5% increase in the fourth quarter of 2000. On a seasonally adjusted quarter-to-quarter comparison, PCE rebounded to a 5.2% rise in real terms in the first quarter of 2001, having fallen by 3.3% in the fourth quarter of 2000.

10. *Government consumption expenditure (GCE)* reckoned on a national accounts basis rose by 4.0% in real terms in the first quarter of 2001 over a year earlier, reversing the 0.6% decline in the fourth quarter of 2000. On a seasonally adjusted quarter-to-quarter comparison, GCE increased further by 5.6% in real terms in the first quarter of 2001, after a 0.6% rise in the fourth quarter of 2000.

11. Overall investment spending, as represented by *gross domestic fixed capital formation*, attained a further double-digit growth of 13.8% in real terms in the first quarter of 2001 over a year earlier, after a 13.0% increase in the fourth quarter of 2000.

12. The continued robust growth in investment spending was mainly driven by *expenditure on machinery and equipment*, which surged by 22.5% in real terms in the first quarter of 2001 over a year earlier. It was underpinned by an on-going desire to enhance productivity, with the easing in interest rates also rendering some support.

13. As regards building and construction activity, output from the private sector, which had already resumed increase in the fourth quarter of 2000, picked up further in the first quarter of 2001, as several major building and civil engineering projects having commenced last year generated more sizeable output. As to output from the public sector, it also resumed a small rise, upon a distinct pick-up in activity in several major Government projects and accelerated work under the Priority Railway Projects, which more than offset the scale-back in the Public Housing Programme. Taken together, *expenditure on building and construction* rebounded to a 2.7% growth in real terms in the first quarter of 2001 over a year earlier.

14. In tandem with improved building activity in the private sector, *real estate developers' margin* went up further, by 3.8% in real terms in the first quarter of 2001 over a year earlier.

15. After the substantial accumulation over the course of 2000, the pace of build-up in *inventories* had slowed down in the first quarter of 2001.

The property market

16. The sales market for *residential property* remained generally slack in the first quarter of 2001. Market sentiment was overshadowed by concern over the sharp correction in the local stock market, likely impact of the distinct slow-down in the US economy, and abundant supply of new flats coming on stream. The successive cuts in interest rates, whilst contributing to a brief pick-up in trading activity, soon receded into the background, upon worries about a further slide in the global stock markets. Meanwhile, the rental market for residential property held steady during the first quarter of 2001. Comparing March 2001 with December 2000, flat prices generally showed little change. As to flat rentals, there was on average virtually nil change in the first quarter of 2001, after a meagre 1% rise in the fourth quarter of 2000.

17. On *commercial property*, the rental market for *office space* held generally firm in the early part of the first quarter of 2001. Prime office space in the Central Business District remained in greater demand than that in secondary locations. Yet leasing activity tended to ease in the latter part of the quarter, affected by the slow-down in economic activity and reduced demand for space from information technology firms. As to the sales market for office space, trading was subdued for most of the time in the first quarter, as investors generally stayed on the sideline amidst an uncertain economic outlook. The rental market for *shopping space* slackened in the first quarter of 2001, on the back of a more moderate

performance of the retail sector. The sales market for shopping space was likewise sluggish in the quarter. On *industrial property*, the rental market in overall terms also turned quieter in the first quarter of 2001, while the sales market remained stagnant.

The labour market

18. The labour market eased slightly in the first quarter of 2001, along with the slow-down in overall economic activity. The *seasonally adjusted unemployment rate*, having been on a decline over the past year or so, edged up from 4.4% in the fourth quarter of 2000 to 4.6% in the first quarter of 2001. The *underemployment rate* nevertheless fell, from 2.7% in the fourth quarter of 2000 to 2.4% in the first quarter of 2001.

19. On a year-on-year comparison, *total employment* as enumerated from households grew by 3.4% in the first quarter of 2001, same as the increase in the fourth quarter of 2000. Yet *total labour force* showed an accelerated growth, from 1.4% to 2.3%. This was mainly due to a faster growth in the population of working age, and to a lesser extent, also due to a rise in the labour force participation rate, predominantly that for females. On a quarter-to-quarter comparison, employment growth moderated somewhat in the first quarter of 2001, but labour force growth accelerated, leading to a rise in the unemployment rate in that quarter.

20. Labour income continued on a modest rise. Compared with a year earlier, *labour earnings* edged up by 2% in money terms in the fourth quarter of 2000, and *labour wages* by 1% in money terms in December 2000. These nominal increases were virtually the same as those recorded in the preceding two rounds. Netting out the decline in consumer prices, earnings were higher by 4% in real terms in the fourth quarter of 2000, while wages were up by 2% in real terms in December 2000.

Prices

21. The overall decline in consumer prices narrowed further in the first quarter of 2001, as the earlier falls in wage and rental costs in the domestic economy were largely washed out. Also, there were upward adjustments in some of the Government fees and public utility charges. Yet concurrently, price pressure from external sources was subdued. The prices of retained imports edged lower, as the US dollar strengthened against the currencies of most of the supplier economies and as world commodity prices also came down in recent months.

22. Comparing the first quarter of 2001 with a year earlier, the *Composite Consumer Price Index* fell by 2.0% by reference to the new 1999/2000-based series. This was smaller than the decrease of 2.5% in the fourth quarter of 2000. On a seasonally adjusted quarter-to-quarter comparison, the Composite CPI by reference to the new series declined by 0.6% in the first quarter of 2001, following a decrease of 0.1% in the fourth quarter of 2000.

23. The *GDP deflator*, as a broad measure of overall price change in the economy, declined by 1.7% in the first quarter of 2001 over a year earlier, much milder than the 5.6% fall in the fourth quarter of 2000. This was mainly attributable to smaller decreases in the price deflators for private consumption expenditure and government consumption expenditure, and also to a relative improvement in the terms of trade. On a seasonally adjusted quarter-to-quarter comparison, the GDP deflator rebounded to a 2.1% increase in the first quarter of 2001, after a 0.9% decrease in the fourth quarter of 2000, reversing the decline in the past 11 quarters.

The financial sector

24. In the first quarter of 2001, the Hong Kong dollar exchange and money markets remained broadly stable, on the back of successive cuts in US interest rates and notwithstanding deterioration in the external economic environment. The local stock market was however more volatile.

25. The spot exchange rate of the Hong Kong dollar against the US dollar stayed close to the linked rate, moving within a narrow range of 7.7988 to 7.7999 during the first quarter of 2001. Yet the spread between the twelve-month Hong Kong dollar forward rate and the spot rate reversed from a discount of 167 pips (each pip equivalent to HK\$0.0001) at end-2000 to a premium of 250 pips at end-March 2001, as the spread between the one-year Hong Kong dollar inter-bank interest rate and its US dollar counterpart also turned slightly positive. Against the major currencies, the *trade-weighted Nominal Effective Exchange Rate Index* of the Hong Kong dollar rose by 3.0% during the first quarter to 140.1 at end-March 2001, from 136.0 at end-2000.

26. Local money market *interest rates* were on a general downtrend during the first quarter of 2001, following closely the cuts in US interest rates. The savings deposit rate set by the Hong Kong Association of Banks and the best lending rate of the major commercial banks were also successively cut, by 50 basis points each in January, February and March 2001, to 3.25% and 8.0% respectively at end-March (with two further cuts by 50 basis points each in April and May, to 2.25% and 7.0% respectively on 21 May).

27. Hong Kong dollar deposits fell by 0.4% during the first quarter, mainly attributable to the decline in time deposits along with the easing in local interest rates. Hong Kong dollar loans nevertheless rose, by 1.9% during the first quarter. The *Hong Kong dollar loan-to-deposit ratio* thus went higher, from 89.4% at end-2000 to 91.5% at end-March 2001.

28. The local stock market bounced back at the beginning of 2001, upon an unexpected cut in US interest rates on 3 January. Expectations for further interest rate cuts pushed the *Hang Seng Index* to a high of 16 164 on 1 February. Yet the market lost momentum soon after, along with the slides in the US and Tokyo stock markets, the heavy plunge in telecom and technology shares worldwide, and also the setback in financial shares. The Hang Seng Index fell back to a 17-month low

of 12 583 on 23 March, before recovering slightly to stand at 12 761 at end-March 2001, 15% lower than at end-2000. (The Hang Seng Index recovered further thereafter, to 13 811 on 24 May.)

Updated GDP and price forecasts for 2001

29. The world economic scene has worsened since the beginning of this year, especially in March, upon the distinct slow-down in the US economy, increased pessimism in the Japanese economy, and less robust growth in the EU economies. With the US and Japanese economies both weakening at the same time, many of the other East Asian economies have lost their earlier export-led growth momentum, and their domestic demand is also waning. On the financial market front, notwithstanding the US economic downturn, the US dollar has remained strong against the yen and the euro. Many of the other East Asian currencies have likewise come under downward pressure. All these are likely to dampen Hong Kong's export performance in the near term. In general, the short-term outlook for the Hong Kong economy has moderated further from three months earlier.

30. Following regular practice, the GDP and price forecasts for 2001 have been reviewed by individual components in the light of the actual outturn in the first quarter and possible external and domestic developments in the ensuing period. The updated forecasts are presented in *Table 3*.

31. In the external sector, the forecast growth rate in real terms of *total exports of goods* in 2001 is adjusted downwards to 3.1%, from 5.5% in the earlier forecast. This is mainly on account of the sharper-than-expected fall-off in global demand, spanning not only the conventional overseas markets but also the East Asian markets. Also, the weakness in the Japanese yen and in many of the other East Asian currencies is likely to impair the price competitiveness of Hong Kong's exports. Within the total exports of goods, *domestic exports* are now forecast to decline by 8% in real terms and *re-exports* to rise by 4.5% in real terms in 2001, both down from the respective earlier forecasts of a 6% decline and a 7% rise.

32. Along with the slower growth in re-exports and the lesser inventory build-up envisaged for the year, the forecast growth rate in real terms of *imports of goods* in 2001 is likewise revised downwards, to 3.3%, from 5.1% in the earlier forecast.

33. As to invisible trade, the forecast growth rate in real terms of *exports of services* in 2001 is kept unchanged at 6.5%, with the growth pace so far remaining generally firm. On the other hand, with a larger-than-expected growth in the first quarter, though boosted in part by the Census Holidays, the forecast growth rate in real terms of *imports of services* in 2001 is now raised to 2%, from the earlier forecast of 1.5%.

34. In the domestic sector, the forecast growth rate in real terms of *private consumption expenditure* in 2001 is kept unchanged at 2.5%. In the coming months, consumer spending may be expected to grow mildly further, upon improved income and the distinctly lower interest rates. Yet consumer sentiment in general may still be restrained.

35. The forecast growth rate in real terms of *government consumption expenditure* in 2001 is maintained at 2.5%.

36. Overall investment spending in the economy, as represented by *gross domestic fixed capital formation*, is now forecast to grow by 4.5% in real terms in 2001, up from the 3.6% growth forecast earlier.

37. Within the overall investment spending, *expenditure on machinery and equipment* is now forecast to grow by 8.0% in real terms in 2001, up from the 7.0% growth in the earlier forecast. Machinery and equipment acquisition in the private sector has proceeded at a highly robust pace in the first quarter. Yet this is likely to slow down in the ensuing quarters, in face of a more subdued business outlook in the near term.

38. *Expenditure on building and construction* is now forecast at a 0.3% decline in real terms in 2001, slightly smaller than the 0.8% decline forecast earlier. This is mainly in recognition of the visible improvement in private sector building output in the first quarter, but also allowing for some possible ease-back in the ensuing quarters given the distinct decline in building consents in recent time. As to the public sector, output is expected to be curbed by the scale-back in the Public Housing Programme, but largely counter-balanced by the surge in output from other Government projects and from the Priority Railway Projects.

39. In line with a lesser decline envisaged for private sector building output, *real estate developers' margin* is now forecast to decline by 1.5% in real terms in 2001, smaller than the 3.5% decrease forecast earlier.

40. *Inventories* are expected to rise only modestly in 2001, after the strong upsurge in 2000.

41. Taking the above component forecasts together, the forecast growth rate in real terms of *GDP* for 2001 as a whole is revised downwards to 3%, from 4% in the earlier forecast.

42. A number of downside risks and uncertainties are prevalent. On the external front, the evolving financial market developments, inventory adjustment and employment situation in the United States warrant a close monitoring. The tempo in the US economy can be expected to have considerable ramifications for the global economy at large. Also, the protracted slump in the Japanese economy, when coupled with any tendency for further weakening in the yen, would be destabilising, particularly as many of the other East Asian economies are likewise

suffering slow-down and have their currencies depreciated recently. On the domestic front, how the major asset markets would fare amidst the current economic slow-down, albeit after the interest rate cuts, could influence spending propensity in the coming months.

43. Yet against these, sustained robust growth and continuing reform in the Mainland and China's upcoming accession to the World Trade Organisation are a positive factor for the Hong Kong economy. Locally, the resource situation and credit availability are both conducive to business, which should enable the economy to readily meet the revival in external demand as it subsequently emerges.

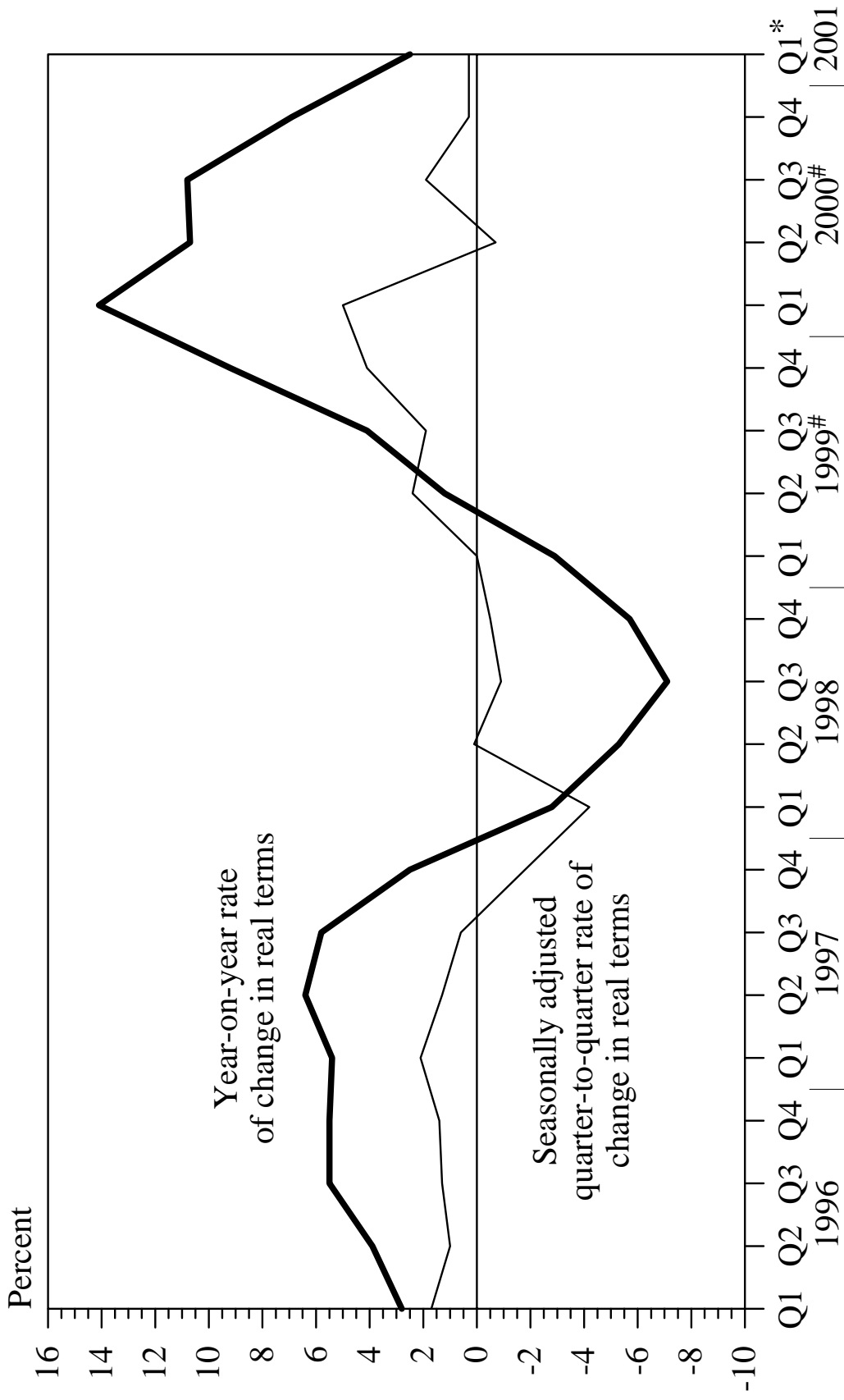
44. For comparison, the forecasts for 2001 made by a selection of international organisations and local analysts are depicted in *Table 4*. All of them expect the Hong Kong economy to grow further though at a much milder pace in 2001, after attaining double-digit growth in 2000. For the private sector analysts, their latest forecasts of GDP growth in real terms for 2001 range from 2.2% to 3.3%, averaging at 2.9%.

45. On the price front, the rate of decline in the *Composite Consumer Price Index* narrowed further in the first quarter of 2001, as the effect of the earlier fall in rentals dissipated further and as wages had reverted to a small increase. Looking ahead, price pressure from external sources is expected to recede, granting the relative strength of the US dollar. Import prices have already gone back to a decline in recent months. Moreover, with a more moderate growth for the year, cost pressure from domestic sources is expected to be contained. Taking into account the actual outturn of a 1.8% year-on-year decline in the first four months of 2001, and incorporating the slightly larger decline shown up in the new CPI series than in the old series, the forecast rate of change in the Composite CPI for 2001 as a whole is revised downwards to -1%, from zero change in the earlier forecast. The forecast rate of change in the *GDP deflator* for 2001 is nevertheless maintained at -1%.

(The First Quarter Economic Report 2001 is now on sale at the Government Publications Centre on Ground Floor, Low Block, Queensway Government Offices, at \$70 a copy.)

(The expenditure-based GDP figures up to the first quarter of 2001 are published in the report of the Gross Domestic Product, First Quarter 2001, which is now also on sale at the Government Publications Centre at Queensway, at \$22 per copy.)

Gross Domestic Product



Notes : (#) Revised figures.

(*) Preliminary figures.

Table 1

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

| | <u>1999</u> [#] | <u>2000</u> [#] | <u>Q1</u> [#] | <u>2000</u> | | | <u>2001</u> |
|--|--------------------------|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | | | | <u>Q2</u> [#] | <u>Q3</u> [#] | <u>Q4</u> [#] | <u>Q1</u> ⁺ |
| <i>Change in real terms of GDP and its main expenditure components (%)</i> | | | | | | | |
| Private consumption expenditure | 0.7 | 5.4 | 8.7 | 5.1 | 5.6 | 2.5 | 2.8 |
| Government consumption expenditure | 3.3 | 2.1 | 3.7 | 2.7 | 2.5 | -0.6 | 4.0 |
| Gross domestic fixed capital formation | -17.5 | 9.8 | 5.7 | 5.4 | 14.8 | 13.0 | 13.8 |
| <i>of which :</i> | | | | | | | |
| Building and construction | -11.0 | -7.8 | -14.9 | -10.8 | -1.3 | -2.8 | 2.7 |
| Real estate developers' margin | -25.2 | -9.4 | -19.5 | -17.5 | -2.4 | 4.0 | 3.8 |
| Machinery and equipment | -19.4 | 25.8 | 32.9 | 21.2 | 27.3 | 23.4 | 22.5 |
| Total exports of goods | 3.7 | 17.1 | 20.7 | 17.7 | 17.7 | 13.3 | 4.2 |
| Domestic exports | -7.2 | 7.5 | 16.2 | 8.3 | 8.2 | -0.8 | -12.8 |
| Re-exports | 5.4 | 18.5 | 21.4 | 19.1 | 19.0 | 15.2 | 6.5 |
| Imports of goods ^(a) | 0.1 | 18.1 | 22.9 | 18.8 | 18.4 | 13.4 | 5.3 |
| Exports of services | 5.7 | 14.1 | 15.8 | 18.2 | 14.0 | 9.5 | 6.4 |
| Imports of services | -3.1 | 2.1 | -0.9 | 3.3 | 3.4 | 2.7 | 5.5 |
| Gross Domestic Product | 3.0 | 10.5 | 14.1 | 10.7 | 10.8 | 6.9 | 2.5 |
| <u>GDP at current market prices (\$ billion)</u> | 1,228 | 1,267 | 302 | 308 | 327 | 330 | 305 |
| <u>GDP at constant (1990) market prices (\$ billion)</u> | 809 | 893 | 209 | 213 | 235 | 236 | 214 |
| <u>Change in inventories at constant (1990) market prices (\$ billion)</u> | -11 | 15 | 5 | 4 | 4 | 2 | 1 |
| <i>Change in the main price indicators (%)</i> | | | | | | | |
| GDP deflator | -5.4 | -6.6 | -7.1 | -7.5 | -6.3 | -5.6 | -1.7 |
| Composite Consumer Price Index ^{(b)(c)} | -4.0 | -3.8 | -5.1 | -4.5 | -2.8 | -2.5 | -2.0 |
| Consumer Price Index (A) ^{(b)(c)} | -3.3 | -3.0 | -4.1 | -3.4 | -2.0 | -2.2 | -2.0 |

Notes : (#) Revised figures.

(+) Preliminary figures.

(a) Including an estimate of imports of gold for industrial use.

(b) From the fourth quarter of 2000 onwards, the year-on-year rates of change in the Consumer Price Indices are computed from the 1999/2000-based CPI series. Before then, the year-on-year rates of change are computed from the 1994/95-based CPI series. Splicing has been applied to the indices to maintain continuity.

(c) Final figures.

Table 2

**Gross Domestic Product and its main expenditure components
and the main price indicators
(seasonally adjusted quarter-to-quarter rate of change (%))**

| | <u>2000</u> | | | | <u>2001</u> |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>Q1</u> [#] | <u>Q2</u> [#] | <u>Q3</u> [#] | <u>Q4</u> [#] | <u>Q1</u> ⁺ |
| <i>Change in real terms of GDP and its main expenditure components (%)</i> | | | | | |
| Private consumption expenditure | 4.9 | -0.1 | 0.7 | -3.3 | 5.2 |
| Government consumption expenditure | 0.9 | -2.8 | 0.7 | 0.6 | 5.6 |
| Gross domestic fixed capital formation | N.A. | N.A. | N.A. | N.A. | N.A. |
| Total exports of goods | 6.1 | 2.0 | 4.9 | 0.7 | -2.1 |
| Domestic exports | 9.9 | -4.8 | 0.9 | -4.7 | -3.4 |
| Re-exports | 5.6 | 3.0 | 5.4 | 1.3 | -2.0 |
| Imports of goods ^(a) | 6.3 | 0.7 | 6.3 | 0.5 | -0.8 |
| Exports of services | 3.4 | 4.2 | 6.3 | -4.9 | 0.9 |
| Imports of services | -0.5 | 4.4 | 0.8 | -2.1 | 2.4 |
| Gross Domestic Product[^] | 5.0 | -0.7 | 1.9 | 0.3 | 0.3 |
| <i>Change in the main price indicators (%)</i> | | | | | |
| GDP deflator | -2.0 | -2.4 | -0.4 | -0.9 | 2.1 |
| Composite Consumer Price Index^{(b)(c)} | -1.3 | -0.6 | -0.4 | -0.1 | -0.6 |
| Consumer Price Index (A) ^{(b)(c)} | -1.1 | -0.6 | -0.3 | * | -0.8 |

Notes : (#) Revised figures.

(+) Preliminary figures.

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.

(^) As gross domestic fixed capital formation does not exhibit a clear seasonal pattern, the seasonally adjusted series of GDP is compiled separately at the overall level.

(*) Change of less than 0.05%.

(a) Including an estimate of imports of gold for industrial use.

(b) From the fourth quarter of 2000 onwards, the quarter-to-quarter rates of change in the seasonally adjusted Consumer Price Indices are computed from the 1999/2000-based CPI series. Before then, the quarter-to-quarter rates of change are computed from the 1994/95-based CPI series.

(c) Final figures.

Table 3**Forecast growth rates of the Gross Domestic Product
and its main expenditure components and forecast rates of change
in the main price indicators for 2001**

| | Forecast for 2001 as released <u>on 7.3.2001</u> (%) | May update of the forecast for 2001 released <u>on 25.5.2001</u> (%) |
|--|--|--|
| <i>Growth rate in real terms of :</i> | | |
| Private Consumption Expenditure | 2.5 | 2.5 |
| Government Consumption Expenditure | 2.5 | 2.5 |
| Gross Domestic Fixed Capital Formation | 3.6 | 4.5 |
| <i>of which:</i> | | |
| Building and construction | -0.8 | -0.3 |
| Real estate developers' margin | -3.5 | -1.5 |
| Machinery and equipment | 7.0 | 8.0 |
| Total Exports of Goods | 5.5 | 3.1 |
| Domestic exports | -6 | -8 |
| Re-exports | 7 | 4.5 |
| Imports of Goods | 5.1 | 3.3 |
| Exports of Services | 6.5 | 6.5 |
| Imports of Services | 1.5 | 2 |
| Gross Domestic Product (GDP) | 4 | 3 |
| <i>Rate of change in :</i> | | |
| GDP Deflator | -1 | -1 |
| Composite Consumer Price Index | 0 | -1 |

Table 4
2001 GDP and price forecasts
by selected international organisations and private sector analysts

| | Date of release | GDP | Private consumption expenditure (growth rate in | Gross domestic fixed capital formation in real terms | Total exports of goods (%) | Exports of services | Rate of change in consumer prices (%) | Reference source |
|---------------------------------------|-----------------|-------|---|--|----------------------------|---------------------|---------------------------------------|---|
| International organisations: | | | | | | | | |
| IMF | Nov 2000 | 4 | -- | -- | -- | -- | 1 | IMF's Concluding Statement for the Article IV Consultation, Nov 2000. |
| | May 2001 | 3.5 | -- | -- | -- | -- | 0.5 | World Economic Outlook, May 2001. |
| ADB | Sep 2000 | 8.8 | -- | -- | 10 | -- | 2.1 | Asian Development Outlook, 2000 Update. |
| | Apr 2001 | 4 | -- | -- | 5.3 | -- | 1 | Asian Development Outlook, 2001. |
| World Bank | Mar 2001 | 4.1 | -- | -- | -- | -- | -- | East Asia Update, March 2001. |
| Private sector analysts: | | | | | | | | |
| Hongkong Bank | Jan 2001 | 3.4 | -- | -- | -- | -- | -- | Sing Tao Daily, 19 Jan 2001. |
| | Mar 2001 | 2.2 | 0.7 | 4.6 | 2.7 | 2.5 | 0 | Asian Economic Insight, 15 Mar 2001. |
| Standard Chartered Bank | Dec 2000 | 4.5 | -- | -- | -- | -- | 1 | Hong Kong Globe, 28 Dec 2000. |
| | May 2001 | 3 | -- | -- | -- | -- | -1 | Economics Department, Standard Chartered Bank, May 2001. |
| Bank of East Asia | Mar 2001 | 4 | -- | -- | -- | -- | -- | Hong Kong Economic Times, 22 Mar 2001. |
| | May 2001 | 2.8 | -- | -- | -- | -- | 0 | Economic Research Department, Bank of East Asia, May 2001. |
| Bank of China | Mar 2001 | 3-3.5 | -- | -- | -- | -- | -- | Hong Kong Economic Times, 22 Mar 2001. |
| | May 2001 | 3.2 | -- | -- | -- | -- | -0.5 | Ming Pao, 23 May 2001. |
| Hang Seng Bank | Dec 2000 | 4 | 3 | -- | 6.5 | -- | 1.5 | Hang Seng Economic Monthly, Dec 2000. |
| | May 2001 | 3 | -- | -- | -- | -- | -0.5 | Economic Research Department, Hang Seng Bank, May 2001. |
| Dao Heng Bank | Dec 2000 | 3.8 | -- | -- | -- | -- | 2 | Hong Kong Economic Journal, 29 Dec 2000. |
| | May 2001 | 2.6 | 2.4 | 9.8 | 3 | 2.8 | -1 | Economic Research Department, Dao Heng Bank, May 2001. |
| Hong Kong General Chamber of Commerce | Jan 2001 | 4.8 | -- | -- | -- | -- | 2 | The Bulletin, Jan 2001. |
| Chinese General Chamber of Commerce | Jan 2001 | 5 | -- | -- | -- | -- | -- | Ta Kung Pao, 12 Jan 2001. |
| Credit Suisse First Boston | Jan 2001 | 4.7 | -- | -- | -- | -- | -- | Hong Kong Economic Times, 6 Jan 2001. |
| | May 2001 | 3.3 | 2 | 8 | -- | -- | -1.2 | Credit Suisse First Boston, May 2001. |
| Merrill Lynch | Mar 2001 | 4 | -- | -- | -- | -- | -- | Asian Wall Street Journal, 22 Mar 2001. |
| | May 2001 | 3.1 | -- | -- | -- | -- | -- | Apple Daily, 12 May 2001. |

Observation:

Both the international organisations and the local analysts expect the Hong Kong economy to grow further though at a much milder pace in 2001, after attaining double-digit growth in 2000. For the private sector analysts, their latest forecasts of GDP growth in real terms for 2001 range from 2.2% to 3.3%, averaging at 2.9%.