

## **Press Release**

(embargoed until 4:15 p.m. on 28 May 2004)

### **Economic Situation in the First Quarter of 2004 and Updated GDP and Price Forecasts for 2004**

The Government released today (Friday) the First Quarter Economic Report 2004, together with the preliminary figure on Gross Domestic Product for the first quarter of 2004.

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

#### **MAIN POINTS**

- \* The Hong Kong economy gathered further growth momentum in the first quarter of 2004, continuing the robust and broad-based recovery in the second half of 2003. GDP leaped by 6.8% in real terms in the first quarter of 2004 over a year earlier, further up from the 4.9% growth in the fourth quarter of 2003. On a seasonally adjusted quarter-to-quarter comparison, GDP grew by 1.0% in real terms in the first quarter of 2004, after a 1.5% growth in the fourth quarter of 2003.
- \* Externally, exports of goods surged by 14.8% in real terms in the first quarter of 2004 over a year earlier, on the back of brisk global and regional demand. Enhanced competitiveness from the weakness of the US dollar in the early part of the year also contributed. Exports of services attained a further distinct growth of 13.7% in real terms in the first quarter of 2004 over a year earlier, underpinned by thriving offshore trade and further growth in inbound tourism.
- \* Locally, buoyed by improved employment conditions and a reviving property market, private consumption expenditure accelerated to a 5.0% growth in real terms in the first quarter of 2004 over a year earlier, the fastest quarterly growth in 3½ years. Overall investment spending leaped by 5.8% in real terms in the first quarter of 2004 over a year earlier, as the acquisition of machinery and equipment surged amidst improved business situation. But overall building and construction output was still weak.
- \* In the labour market, there was a broad-based strengthening in labour demand in the service sectors along with the economic upturn. By the first quarter of 2004, total employment has gone up by 1.9% from the trough in the third quarter of 2003. The seasonally adjusted unemployment rate continued to edge down, from 7.3% in the fourth quarter of 2003 to 7.2% in the first quarter of 2004 (and further to 7.1% in February - April). The underemployment rate hovered at around 3.3% to 3.4% in the last two quarters (and stayed at 3.4% in February - April).

- \* Compared with the trough in July 2003, the seasonally adjusted Composite Consumer Price Index in April 2004 showed a cumulative increase of 1.2%. Along with the rise in import prices and the upturn in the retail market, the prices of some consumer items such as foodstuffs, alcoholic drinks and tobacco, clothing and footwear, and home appliances have ceased to decline and recorded increases by various magnitude. However, when compared with the same time last year, the Composite Consumer Price Index still registered a decline of 1.8% in the first quarter of 2004, though much narrower than the corresponding decline of 2.3% in the fourth quarter of 2003. This trend continued into April, with an even smaller year-on-year decline of 1.5% being recorded. The main drag comes from housing rental that reflects mainly the lag effect of earlier falls in private housing rent. With the revival in property demand, private residential rentals have stabilised with signs of edging up in recent months.
- \* On the outlook for 2004, compared with two months ago, there are apparently more concerns about the latest external environment. More prominently, there are talks about a more imminent increase in US interest rate; the recent hike in international crude oil prices; and the stepping up of economic tightening measures though largely sectoral in the Mainland. Nevertheless, at this juncture, these external factors are not expected to impose significant downward pressure on the growth prospects for the rest of the year. Even though sentiment in the global and regional economy may have turned more cautious lately, the general tone for the year as a whole is still very positive.
- \* On weighing the external uncertainties against the upside potential from the strong external trade performance and thriving inbound tourism, and even allowing for a possible moderation in GDP growth in the latter part of the year, the earlier forecast of a 6% growth is still considered reasonable and attainable. Hence, in the May update of the economic forecasts for 2004, the forecast growth rate in real terms of GDP is kept unchanged at 6%, same as the forecast first released in March.
- \* Looking ahead, exports of goods and services should continue to hold up well. Notwithstanding the external uncertainties, latest economic data indicates that the US economy is on an upswing, the EU economy continues to recover, Japan's economy is picking up, and the Mainland economy is likely to remain robust.
- \* Locally, consumer spending is poised for a further solid growth along with the economic upturn. Overall investment spending on machinery and equipment should continue to expand, as improved business conditions raise the need for capacity upgrade, replenishment and expansion. But construction activity may still be weak in the near term, as new building projects have yet to gather momentum to offset the successive winding down or completion of projects started some years ago.

- \* On the price front, the forecast rate of change in the Composite CPI for 2004 is kept unchanged, at -1% in the May update. This is mainly on account of the actual outturn in the first four months of the year. Compared with the same time last year, the Composite Consumer Price Index registered a smaller-than-expected decline of 1.7% in the first four months. Looking ahead, as domestic demand strengthens further and as the uptrend in world commodity prices and higher inflation in the Mainland feed through, consumer prices can be expected to return to positive later in the year.
  
- \* The forecast rate of change for GDP deflator in 2004 is likewise kept unchanged, at -3%. The actual outturn in the first quarter is in line with earlier expectation. The decline in the GDP deflator is expected to taper in the course of 2004 along with the economic upturn, and as the adverse effect of the earlier weakness of the US dollar on the terms of trade fully dissipates.

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## DETAIL

### GDP

According to the preliminary figure on the *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, GDP leaped by 6.8% in real terms in the first quarter of 2004 over a year earlier, further up from the 4.9% growth in the fourth quarter of 2003 (latter figure revised from the estimate of 5.0% released earlier). On a seasonally adjusted quarter-to-quarter comparison, GDP grew by 1.0% in real terms in the first quarter of 2004, after a 1.5% growth in the fourth quarter of 2003 (latter figure unchanged from the estimate released earlier). (*Chart*)

2. The latest figures on GDP and its major expenditure components up to the first quarter of 2004 including year-on-year changes are presented in *Table 1* (quarter-to-quarter changes in the seasonally adjusted series presented in *Table 2*). Developments in different segments of the economy in the first quarter of 2004 are described below.

### External trade

3. According to the merchandise trade statistics, *total exports of goods* remained buoyant in the first quarter of 2004, surging by 14.8% in real terms over a year earlier, amidst a broad-based revival in global demand. The generally soft US dollar in the early part of the year gave additional support. Within total exports, *re-exports* maintained a strong growth momentum and rose by 15.9% in real terms in the first quarter of 2004, while *domestic exports* reverted from earlier declines to register a 0.7% increase.

4. The robust export performance in the first quarter was characterised by an across-the-board rise in exports to *East Asia* alongside the export boom in the region, a further double-digit growth in exports to the *European Union* amidst a strong euro and firmer demand there, and resumed growth in exports to *North America*. However, compared to East Asia and European Union, the growth in exports to North America was much less distinct, conceivably weighed down by the on-going shift from re-exports to offshore trade.

5. *Imports of goods* continued to grow strongly in the first quarter of 2004, by 15.5% in real terms over a year earlier. As to *imports retained* for local use, an increase of 14.8% in real terms was recorded in the first quarter of 2004 over a year earlier, reflecting a strong recovery in domestic demand.

6. On invisible trade, *exports of services* attained a distinct growth of 13.7% in real terms in the first quarter of 2004 over a year earlier. The continued strong growth was underlied by the robust inbound tourism and vibrant offshore trade. *Imports of services* rose by 4.0% in real terms in the first quarter of 2004 over a year earlier. Of these, imports of trade-related services and transportation services registered particularly sharp increases in the first quarter, bolstered by surging trade flows within the region.

## **Domestic demand**

7. The recovery in local consumer demand gathered further strength, as consumer confidence revived amidst a brighter economic outlook, improved employment and a steadily reviving property market. *Private consumption expenditure* accelerated to a 5.0% growth in real terms in the first quarter of 2004 over a year earlier. The pick-up was almost across-the-board, with spending on consumer durables particularly robust.

8. Overall investment spending, as represented by *gross domestic fixed capital formation*, leaped by 5.8% in real terms in the first quarter of 2004 over a year earlier. This was largely propelled by a 15.9% rise in real terms in *expenditure on machinery, equipment and computer software*. Yet *expenditure on building and construction* remained soft, falling by 10.5% in real terms in the first quarter of 2004 over a year earlier. New building works have yet to gather momentum to offset the successive winding down of projects commenced some years ago. In the meantime, public sector construction showed further growth, upon the intensification of work on the Deep Bay Link, Route 9 and the Hong Kong Section of Hong Kong-Shenzhen Western Corridor.

9. *Inventories* increased significantly further in the first quarter of 2004, concurrent with a strong intake of imports to meet the robust recovery in domestic demand.

## **The property market**

10. The sales market for *residential property* was upbeat in the first quarter of 2004, continuing the rally from the latter part of last year. Trading activities in both the primary and secondary markets increased markedly. Prices, particularly at the luxury end, showed considerable increases. As to the rental market for residential property, the situation was relatively steady with rentals showing some milder increases in overall terms.

## **The labour market**

11. In the *labour market*, there was a broad-based strengthening in labour demand in the service sectors along with the economic upturn. By the first quarter of 2004, total employment has gone up by 1.9% from the trough in the third quarter of 2003. Labour force also went up, by 0.4 % from that in the third quarter of 2003. With total employment growing at a faster pace than labour force over the past few months, the seasonally adjusted unemployment rate fell steadily from the peak of 8.7% in the three months ending July 2003 (immediately after SARS) to 7.2% in the first quarter of 2004 (and further to 7.1% in February - April 2004). The underemployment rate also came down steadily, from the peak of 4.3% in the second quarter of 2003 to around 3.3-3.4% in the past two quarters (and remained at 3.4% in February - April).

12. On a quarter-to-quarter comparison, *total employment* as enumerated from the household survey rose by 0.7% in the first quarter of 2004, further to the 1.3% gain in the fourth quarter of 2003. The increase was most apparent amongst persons aged 40-59 and those engaged in the distributive and catering trades, finance, insurance, and amusement and recreational services sectors. Yet *total labour force*, having contracted by 0.1% in the fourth quarter of 2003, expanded again by 0.5% in the first quarter of 2004. This was mainly due to a rise in the female labour force participation rate, particularly that for married women aged 40-59.

## **Prices**

13. Compared with the same time last year, the *Composite Consumer Price Index* still registered a decline of 1.8% in the first quarter of 2004, though much narrower than the corresponding decline of 2.3% in the fourth quarter of 2003. This trend continued into April, with an even smaller year-on-year decline of 1.5% being recorded. However, when compared with the trough in July 2003, the seasonally adjusted Composite Consumer Price Index in April 2004 showed a cumulative increase of 1.2%. This was attributable to the stronger demand brought about by the sustained pick-up in local consumer spending and vibrant inbound tourism, thereby prompting more retailers and service providers to cut back earlier price discounts and other concessions on their goods and services. Some have even adjusted prices up modestly. Higher input costs were another contributory factor. Within the local economy, the downtrend in labour wages and property rentals appeared to have tapered or turned around in the more recent months, along with improvement in the labour market and rebound in the property market. Externally, the prices of retained imports kept moving higher, under the combined influence of a generally weaker US dollar and surge in world commodity prices.

14. The *GDP deflator*, as a broad measure of overall price change in the economy, showed a moderated decline in the first quarter of 2004. On a year-on-year comparison, the GDP deflator fell by 4.3% in the first quarter of 2004, narrower than the 4.8% decrease in the fourth quarter of 2003. Notwithstanding a deterioration in the terms of trade in goods and an enlarged decline in the price deflator for government consumption expenditure, this was more than offset by the combined effect of a renewed rise in the price deflator for gross domestic fixed capital formation, a reduced fall in the price deflator for private consumption expenditure, and improved terms of trade in services. On a seasonally adjusted quarter-to-quarter comparison, GDP deflator fell by 0.3% in the first quarter of 2004, same as in the fourth quarter of 2003.

## The financial sector

15. The spot *exchange rate of the Hong Kong dollar* against the US dollar eased back closer to the linked rate during the first quarter of 2004, from 7.763 to 7.796. Yet amidst strong inflow of funds and upward pressure from the strengthening of regional currencies, the discount of the twelve-month Hong Kong dollar forward rate over the spot rate narrowed only slightly from 595 pips (each pip equivalent to HK\$0.0001) at end-2003 to 560 pips at end-March 2004.

16. Under the linked exchange rate system, movements in the exchange rates of the Hong Kong dollar against other major currencies follow closely those in the US dollar. In the first two months of 2004, the US dollar weakened further against most of the other major currencies, before regaining some ground in March. Taking the various currency movements together, the trade-weighted *Nominal Effective Exchange Rate Index of the Hong Kong dollar* fell by 0.5% from an average of 99.0 in December 2003 to that of 98.5 in March 2004.

17. *Hong Kong dollar deposits* shrank by 2.3% during the first quarter of 2004, having expanded for three quarters in a row. This partly reflected a shift out of Hong Kong dollar related to the IPO-proceeds. *Hong Kong dollar loans* went down only marginally, by 0.1% during the first quarter of 2004, after the 0.3% rise during the fourth quarter of 2003. As a result, the Hong Kong dollar loan-to-deposit ratio moved up from 81.5% at end-2003 to 83.3% at end-March 2004.

18. The local *stock market* advanced sharply in the first two months of 2004, buoyed by further fund inflow into Hong Kong and rallies in the major overseas stock markets. Yet local share prices receded considerably during March. Apart from profit-taking, market sentiment was hit by heightened global security concern after the terrorist attack in Madrid on 11 March and then by the political row in Taiwan after its presidential election on 20 March. Having soared to a 35-month peak at 13 928 on 18 February, the Hang Seng Index eased back to close the month of March 2004 at 12 682, still marginally up by 0.8% over end-2003. The average daily turnover in the local stock market nevertheless went up significantly further, from \$15.3 billion in the fourth quarter of 2003 to \$19.7 billion in the first quarter of 2004. (The Hang Seng Index went further down in mid-May, falling to a near 8-month low at 10 968 on 17 May, along with the slide in global stock markets amidst heightened worry about the oil price hike and a possibly more immediate rise in US interest rate. It then rebounded in the ensuing days to close at 11 984 on 27 May.)

## Updated GDP and price forecasts for 2004

19. Following regular practice and in recognition of the better-than-expected outturn in the first quarter, the GDP and price forecasts for 2004 have been reviewed by individual components. The updated forecasts are presented in **Table 3**.

20. On visible trade, the forecast growth rate in real terms of *total exports of goods* in 2004 is revised from 7.7% in the Budget round to 10.1% in the May update. This is merely on account of a better-than-expected outturn in the early part of the year. With exports growing by around 16% in real terms in the first four months, the revised forecast has already factored in a possible moderation in growth in the subsequent period, in the light of increased uncertainties in the global and regional economic environment. Within total exports, the forecast increase in real terms in *re-exports* is lifted from 8.5% to 11%, while the forecast decline in real terms in *domestic exports* is maintained at 2%.

21. In parallel with the faster growth now expected for re-exports and also with the robust intake of retained imports so far, *imports of goods* for 2004 are now forecast to increase by 11.4% in real terms, up from the earlier 9.1% forecast rise put out in the Budget round.

22. On invisible trade, *exports of services* are forecast to surge by 15% in real terms in 2004 in the May update, same as in the Budget round. Inbound tourism is expected to sustain strong growth in the rest of the year, with continuing surge in Mainland visitors brought about by the further extension of the Individual Visit Scheme, and the progressive return of visitor arrivals from the other major sources. Offshore trade should also continue to thrive, fuelled by the revival in global trade and boosted by the on-going shift of Hong Kong's re-exports to offshore trade.

23. Mainly due to a slower-than-expected rebound in the first quarter, the forecast rate of increase in real terms in *imports of services* in 2004 is trimmed down to 7.5% in the May update, from 9.5% in the Budget round.

24. In the domestic sector, the forecast rate of increase in real terms in *private consumption expenditure* for 2004 is maintained at 6% in the May update. The actual outturn in the first quarter accords well with earlier expectation. Looking ahead, local consumer spending is poised for a further solid growth, upon the economic upturn.

25. The forecast increase in real terms in *government consumption expenditure* in 2004 is also kept unchanged at 1.5% in the May update.

26. Overall investment spending in the economy, as represented by *gross domestic fixed capital formation*, is revised slightly down to a 6.8% growth in real terms in 2004, from 7.1% growth in the Budget round. This is due to the downward revision to the forecast rate of change in *expenditure on building and construction*, from a 1.5% increase in the Budget round to 0% in the May update. The downward revision mainly reflects the fact that many of the new projects commenced last year have yet to gather momentum to offset the lull caused by the successive winding down or completion of those projects started some years ago. The forecast rate of increase in real terms for *expenditure on machinery, equipment and computer software* in 2004 is nevertheless kept unchanged at 11%, in the light of the strong growth so far and the expected further expansion in the quarters ahead.



27. Taking all the components together, the forecast growth rate in real terms of *GDP* for 2004 is maintained at 6% in the May update, same as the forecast released in March.

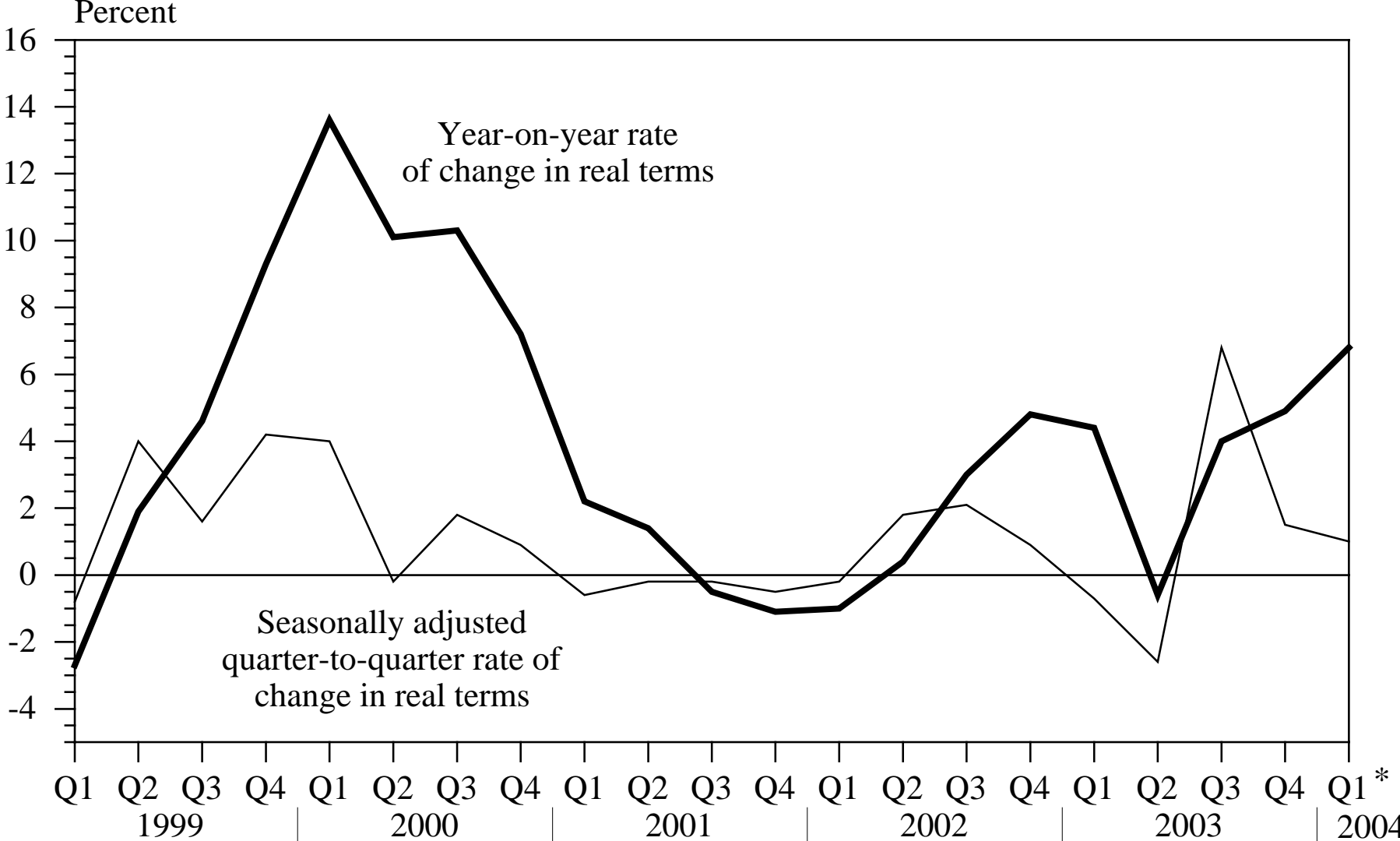
28. For comparison, the forecasts of Hong Kong's *GDP* growth by a selection of international organisations and local analysts are summarised in **Table 4**. The latest known forecasts of *GDP* growth in real terms for 2004 from the private sector analysts range from 4.5% to 7.8%, averaging at 6.1%.

29. On the price front, the forecast rate of change in the *Composite CPI* for 2004 is kept unchanged, at -1% in the May update. The forecast rate of change for the *GDP deflator* in 2004 is likewise kept unchanged at -3%.

(The First Quarter Economic Report 2004 can now be purchased on-line at [http://www.statisticalbookstore.gov.hk/desc\\_eng.htm](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 first quarter of 2004 are published in the Report of the Gross Domestic Product, First Quarter 2004, which can also be purchased on-line at [http://www.statisticalbookstore.gov.hk/desc\\_eng.htm](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<sup>#</sup></u>	<u>2003<sup>#</sup></u>	<u>2003</u>				<u>2004</u>
			<u>Q1<sup>#</sup></u>	<u>Q2<sup>#</sup></u>	<u>Q3<sup>#</sup></u>	<u>Q4<sup>#</sup></u>	<u>Q1<sup>+</sup></u>
<i>Change in real terms of GDP and its main expenditure components (%)</i>							
Private consumption expenditure	-1.2	-0.2	-2.5	-3.6	1.5	3.6	5.0
Government consumption expenditure	2.5	1.9	1.0	0.5	0.5	5.5	5.1
Gross domestic fixed capital formation	-4.5	0.1	4.2	-5.3	*	1.9	5.8
<i>of which :</i>							
Building and construction	-1.1	-7.0	-3.2	-8.5	-6.6	-9.9	-10.5
Machinery, equipment and computer software	-7.6	6.5	12.8	-1.1	5.6	9.3	15.9
Total exports of goods	8.7	14.2	19.1	14.3	10.0	14.7	15.0
Re-exports	11.0	16.3	22.3	17.0	11.5	16.0	16.1
Domestic exports	-11.2	-7.3	-12.0	-12.6	-5.2	-0.2	0.8
Imports of goods <sup>(a)</sup>	7.9	13.1	18.8	10.9	8.2	15.7	16.3
Exports of services	11.7	5.7	12.6	-10.8	7.6	12.0	13.7
Imports of services	3.7	-4.6	-5.4	-16.8	-0.3	3.1	4.0
<b>Gross Domestic Product</b>	<b>1.9</b>	<b>3.2</b>	<b>4.4</b>	<b>-0.6</b>	<b>4.0</b>	<b>4.9</b>	<b>6.8</b>
<i>Change in the main price indicators (%)</i>							
<b>GDP deflator</b>	<b>-3.6</b>	<b>-5.3</b>	<b>-4.4</b>	<b>-5.8</b>	<b>-6.1</b>	<b>-4.8</b>	<b>-4.3</b>
<b>Composite Consumer Price Index<sup>(b)</sup></b>	<b>-3.0</b>	<b>-2.6</b>	<b>-2.0</b>	<b>-2.5</b>	<b>-3.6</b>	<b>-2.3</b>	<b>-1.8</b>
Consumer Price Index (A) <sup>(b)</sup>	-3.2	-2.1	-1.8	-1.8	-3.3	-1.7	-1.2
<i>Change in nominal GDP (%)</i>							
<u>GDP at current market prices (\$ billion)</u>	1,247	1,220	295	284	314	327	302
<u>GDP at constant (2000) market prices (\$ billion)</u>	1,319	1,361	322	315	355	369	344
<u>Changes in inventories at constant (2000) market prices (\$ billion)</u>	7	11	3	2	-2	7	8

Notes : (#) Revised figures.

(+) Preliminary figures.

(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**

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

	<u>2003</u>				<u>2004</u>
	<u>Q1</u> <sup>#</sup>	<u>Q2</u> <sup>#</sup>	<u>Q3</u> <sup>#</sup>	<u>Q4</u> <sup>#</sup>	<u>Q1</u> <sup>+</sup>
<i>Change in real terms of GDP and its main expenditure components (%)</i>					
Private consumption expenditure	-0.5	-1.0	3.6	1.4	0.9
Government consumption expenditure	0.6	0.5	1.2	3.0	0.3
Gross domestic fixed capital formation	N.A.	N.A.	N.A.	N.A.	N.A.
Total exports of goods	3.4	1.9	1.7	6.5	3.3
Re-exports	4.0	2.3	1.4	7.0	3.8
Domestic exports	-3.0	-2.5	5.8	-0.3	-2.7
Imports of goods <sup>(a)</sup>	3.0	1.1	2.4	7.5	3.4
Exports of services	0.7	-18.4	32.4	1.8	3.4
Imports of services	-5.8	-14.3	23.2	3.4	-4.9
<b>Gross Domestic Product<sup>(b)</sup></b>	<b>-0.7</b>	<b>-2.6</b>	<b>6.8</b>	<b>1.5</b>	<b>1.0</b>
<i>Change in the main price indicators (%)</i>					
<b>GDP deflator</b>	<b>-1.0</b>	<b>-2.2</b>	<b>-1.4</b>	<b>-0.3</b>	<b>-0.3</b>
<b>Composite Consumer Price Index<sup>(c)</sup></b>	<b>-0.1</b>	<b>-1.1</b>	<b>-1.9</b>	<b>0.8</b>	<b>0.3</b>
Consumer Price Index (A) <sup>(c)</sup>	*	-0.5	-2.3	1.1	0.4

Notes : (#) Revised figures.

(+) Preliminary figures.

(\*) Change of less than 0.05%.

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) 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.

(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 2004**

	Forecasts for 2004 as released on <u>10.3.2004</u> (%)	May update of the forecasts for 2004 released on <u>28.5.2004</u> (%)
<i>Growth rate in real terms of :</i>		
Private Consumption Expenditure	6	6
Government Consumption Expenditure	1.5	1.5
Gross Domestic Fixed Capital Formation	7.1	6.8
<i>of which:</i>		
Building and construction	1.5	0
Machinery, equipment and computer software	11.0	11.0
Total Exports of Goods	7.7	10.1
Re-exports	8.5	11
Domestic exports	-2	-2
Imports of Goods	9.1	11.4
Exports of Services	15	15
Imports of Services	9.5	7.5
<b>Gross Domestic Product (GDP)</b>	<b>6</b>	<b>6</b>
<i>Rate of change in :</i>		
<b>GDP Deflator</b>	<b>-3</b>	<b>-3</b>
<b>Composite Consumer Price Index</b>	<b>-1</b>	<b>-1</b>
<i>Rate of change in Nominal GDP</i>	<b>2.8</b>	<b>2.8</b>

**Table 4**

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

	Date of release	GDP ( growth rate	Private consumption expenditure rate	Gross domestic fixed capital formation in real	Total exports of goods terms	Exports of services (% )	Rate of change in consumer prices (%)	Reference source
<b>International organisations:</b>								
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.
<b>Private sector analysts:</b>								
<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.
	May 2004	6.5	3	2.1	--	--	0	Asian Economic Insight, 27 May 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.
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.
Bank of China (HK)	Dec 2003	5	3	3.7	10	11	-1	Economic and Strategy Planning Department, Dec 2003.
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.

**Table 4 (cont'd)**

**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	Exports of services	Rate of change in consumer prices	Reference Source
		( growth	rate	in	real	terms	(% )	
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.
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.
<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.
Goldman Sachs Asia	Sep 2003	5.4	--	--	--	--	--	Hong Kong Economic Journal, 2 Sep 2003.
	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.
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.
Credit Suisse First Boston	Sep 2003	5.3	--	--	--	--	--	Hong Kong Economic Journal, 2 Sep 2003.
	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.

**Table 4 (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> in real	<u>Total Exports Of goods</u> terms	<u>Exports of services</u> (% )	<u>Rate of change in consumer prices</u> (%)	<u>Reference Source</u>
<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.
	May 2004	6.5	5.3	7.2	--	--	-0.5	Country Forecast, May 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.

**Observation :**

The forecasts of GDP growth in real terms for 2004 from the private sector analysts listed above range from 4.5% to 7.8%, averaging at 6.1%.