

Press Release

(embargoed until 4:15 p.m. on 26 November 2004)

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

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

The Government Economist, Mr K C Kwok, described the economic situation in the third quarter of 2004 and provided updated GDP and price forecasts for the year.

MAIN POINTS

- * The upturn of the Hong Kong economy extended well into the third quarter of 2004, with GDP expanding by 7.2% in real terms over a year earlier, after a 12.1% leap in the second quarter which was partly inflated by an exceptionally low base of comparison caused by SARS a year earlier. On a seasonally adjusted quarter-to-quarter comparison, GDP expanded for the fifth consecutive quarter, by 1.9% in real terms in the third quarter, after the 2.6% growth in the second quarter.
- * External trade continued to flourish in the third quarter, as global demand stayed generally strong across many regions, and as the Mainland economy sustained strong growth momentum. This was notwithstanding the looming uncertainties in the global economic environment stemming from oil price hikes and rising interest rates. Exports of goods surged by a further 15.3% in real terms in the third quarter over a year earlier, the ninth consecutive quarter of double-digit growth. Exports of services were also strong, with a remarkable increase of 10.3% over a year earlier, with inbound tourism still resilient while offshore trade sustaining strong growth momentum.
- * Local consumer spending held firm, as employment conditions improved and sentiment remained generally positive. Private consumption expenditure grew by a solid 5.1% in real terms in the third quarter over a year earlier.
- * Reflecting an improved business outlook, overall investment spending grew further by 4.9% in real terms in the third quarter over a year earlier. Prompted by the strong growth in business activity, expenditure on machinery, equipment and computer software continued to surge. This more than offset the continued lull in construction activity upon the completion or winding down of a number of large scale building and infrastructure projects in the earlier period.

- * In tandem with the economic upturn, labour market conditions continued to improve. The seasonally adjusted unemployment rate fell further to a 2½-year low of 6.8% in the third quarter (and further to a 32-month low of 6.7% in August - October), from 6.9% in the second quarter. Total employment maintained a notable growth of 2.7% in the third quarter of 2004 over a year earlier. Vacancies surged across most sectors in June.

- * While the external environment is still beset with considerable uncertainties, the distinct easing in oil prices lately is a welcome development that should help ease somewhat the earlier concern about the negative impact of an oil shock. Also, the interest rate up-cycle in the US continues to proceed at a measured pace, just as the market expects. In addition, renewed weakening of the US dollar lately is a new positive factor, as a weak dollar would generally bode well for Hong Kong's exports. Furthermore, the weak dollar has helped to drive fund inflows into Hong Kong, leading to lower Hong Kong dollar interest rates. In the domestic sector, both consumer and investment expenditure are poised for further growth as the economic upturn continues. Against this backdrop and given the favourable outturn in the first three quarters, the economy should be on track for a 7.5% growth in real terms for 2004 as a whole, same as the forecast put out in August.

- * The 68-month long deflation that started in November 1998 was finally arrested in July 2004. For the third quarter as a whole, the Composite CPI rose by an average of 0.8% over a year earlier, reversing the 0.9% decline in the second quarter. In parallel with a much improved consumer spending, the pricing power of retailers seems to be returning. The rise in import prices since late 2003 is also progressively passing through to the retail price level. The pace of upturn in the CPI is however still being held back by the earlier fall-off in housing rentals, the effects of which have taken more time to recede than was expected earlier. The rate of change in the Composite CPI for 2004 as a whole is now forecast at -0.3%, down marginally from the forecast of zero change put out in August. This merely represents a minor technical revision to take account of the actual outturn of a 0.6% decline in the first ten months of the year.

DETAIL

GDP

According to the preliminary figure on the *Gross Domestic Product (GDP)* released today by the Census and Statistics Department, GDP attained a further notable growth at 7.2% in real terms in the third quarter of 2004 over a year earlier, after a 12.1% leap in the second quarter which was partly inflated by an exceptionally low base of comparison caused by the Severe Acute Respiratory Syndrome (SARS) last year. On a seasonally adjusted quarter-to-quarter comparison, GDP expanded for the fifth consecutive quarter, by 1.9% in real terms in the third quarter of 2004, after the 2.6% growth in the second quarter. (*Chart*)

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

External trade

3. The external sector continued to flourish in the third quarter of 2004, as global demand stayed generally strong across many regions. This notwithstanding the increasing uncertainties in the global economic environment stemming from oil price hikes and rising interest rates. *Total exports of goods* grew by 15.3% in real terms in the third quarter of 2004 over a year earlier, following an 18.7% surge in the second quarter. On a seasonally adjusted quarter-to-quarter comparison, total exports of goods fell by 0.9% in real terms in the third quarter of 2004, after a 5.8% leap in the second quarter.

4. The robust export performance was manifested in sustained double-digit growth in exports to almost all major markets in East Asia and the European Union. This was supported by the continuing intra-regional trade boom in the former and a generally firm euro and the reviving demand in the latter. Exports to the Mainland maintained strong growth, marked by soaring exports of raw materials and semi-manufactures and of capital goods. Exports to the US market also grew further.

5. *Exports of services*, after an exceptionally distinct 31.4% growth in the second quarter partly due to an abnormally low base caused by SARS, attained a still remarkable increase of 10.3% in real terms in the third quarter of 2004 over a year earlier. On a seasonally adjusted quarter-to-quarter comparison, exports of services bounced up by 7.6% in the third quarter of 2004, having fallen by 1.3% in the second quarter. Inbound tourism stayed resilient, with the number of visitor arrivals hitting record high during the third quarter. Yet signs of some fall-off in per capita tourist spending were evident in recent months. Offshore trade remained buoyant, benefitting from the vibrant trade flows involving the Mainland.

Domestic sector

6. Local consumer spending held firm as employment conditions improved and sentiment remained generally positive. *Private consumption expenditure* attained a solid increase of 5.1% year-on-year in real terms in the third quarter of 2004, after the 11.2% leap in the second quarter against an exceptionally low base of comparison due to SARS last year. On a seasonally adjusted quarter-to-quarter comparison, private consumption expenditure fell back by 2.2% in real terms in the third quarter of 2004, after a remarkable growth of 3.7% in the second quarter.

7. Reflecting the improved business outlook, overall investment spending in terms of the *gross domestic fixed capital formation* rose further, by 4.9% in real terms in the third quarter of 2004 over a year earlier, after a 12.7% surge in the second quarter which was again inflated by a low base caused by SARS last year. Investment on machinery, equipment and computer software continued to record double-digit growth, prompted by the strong growth in business activity over the past year. But construction output declined further. The setback was the combined result of the completion of a number of large private sector building projects, a further fall-off in construction output under the Public Housing Programme, as well as the winding down of works on priority railway projects.

The labour sector

8. The economic upturn over the past year has trickled down to benefit the labour sector. In the third quarter of 2004, *total employment* grew by 2.7% over a year earlier, after a 2.6% growth in the second quarter. The growth also continued to outpace labour force growth, at 1.0% in the same period. The *seasonally adjusted unemployment rate* edged down further to a 2½-year low of 6.8% in the third quarter of 2004, from 6.9% in the second quarter. The *underemployment rate* likewise fell to a near 1½-year low of 3.2% in the third quarter of 2004, from 3.5% in the second quarter. (In August-October, the seasonally adjusted unemployment rate fell slightly further to a 32-month low of 6.7%, while the underemployment rate remained unchanged at 3.2%.) Vacancies continued to increase markedly across most sectors in June. Overall labour earnings rebounded to a modest year-on-year increase in money terms in the second quarter, arresting the downtrend seen over the past two years.

Prices

9. The 68-month long deflation that started in November 1998 was finally arrested in July. The sustained pick-up in consumer demand and higher import prices contributed to increase in consumer prices. The *Composite Consumer Price Index* rose by an average of 0.8% in the third quarter of 2004 over a year earlier, reversing the 0.9% decline in the second quarter. But on a seasonally adjusted quarter-to-quarter comparison, there was a modest decline of 0.2% in the third quarter of 2004, mainly due to the continuing drag from the fall-off in housing rentals in the earlier period. As to the *GDP deflator*, the decline tapered slightly to

2.5% year-on-year in the third quarter of 2004 from 2.7% in the second quarter, along with the rebound in consumer prices and the slightly lesser decline in the price deflator for government consumption expenditure.

Updated GDP and price forecasts for 2004

10. Following regular practice, the GDP and price forecasts for 2004 have been reviewed by individual components. The updated forecasts are presented in *Table 2*.

11. The Hong Kong economy should be on track for the forecast 7.5% growth put out in the August round update for 2004. On the external front, some of the uncertainties surrounding the global economy seemed to have receded somewhat lately. Crude oil prices, albeit still at a high level, have eased back distinctly lately. There are increasingly clearer indications that the US interest rate hikes will proceed at a measured pace, and the global economy appears to be better prepared for adjustments to the current interest rate up-cycle. The Mainland's tightening measures have helped to address some of the imbalances in the economy, and the mild increase in renminbi interest rates lately is not expected to derail the growth momentum of the Mainland economy to any significant extent. Renewed weakening of the US dollar lately is another new positive factor, as a weak dollar would generally bode well for Hong Kong's competitiveness. Furthermore, the weak dollar has helped to drive fund inflows into Hong Kong, leading to lower Hong Kong dollar interest rates.

12. Against this backdrop, both *exports of goods* and *imports of goods* are expected to continue their sturdy growth in the rest of 2004. As such, the forecast growth rates in real terms for 2004 in this round, at 14.0% and 14.3% respectively, are little changed from those of 14.0% and 14.5% in the August round.

13. On invisible trade, *exports of services* are expected to maintain solid growth momentum in the rest of 2004. Offshore trade should continue its strong growth on the back of a still buoyant external environment and strong trade flows within the region. Yet with inbound tourism settling back somewhat in growth lately, the forecast rate of increase in real terms for 2004 as a whole is revised slightly downward to 14.5% in this round, from 15.0% in the August round. The forecast rate of increase in real terms for *imports of services* in 2004 nevertheless remains unchanged at 10.5% from the last update in August.

14. On the domestic front, a more active property market as well as an improved employment situation should bode well for consumption spending. With the actual outturn so far this year in line with expectations, the forecast rate of increase in real terms for *private consumption expenditure* in 2004, at 7% in the August update, is likewise kept unchanged in this round.

15. The forecast rate of increase in real terms for *government consumption expenditure* in 2004 is revised downward to 0.5%, from 1.5% in the August update, mainly on account of a lower-than-expected outturn so far this year.

16. Optimism over the near-term business outlook would continue to underscore investment demand. Reflecting this, the forecast on overall investment spending in the economy, as represented by *gross domestic fixed capital formation*, is revised slightly upward to 7.1% in real terms in 2004, from the 6.5% forecast growth in the August round. Within this total, the forecast rate of increase in real terms for *expenditure on machinery, equipment and computer software* in 2004 is revised upward to 15.0% in the November update from 14.0% in the August update, as companies continue to reinstate their productive capacity to cater for anticipated expansion in sales and production.

17. On the other hand, the forecast rate of change in real terms for *expenditure on building and construction* in 2004 is revised further down to -7.0% in this update from -6.5% in the August update. This is mainly on account of a larger-than-expected decline in both private and public sector construction activities in the third quarter following the distinct fall-off in the first half of 2004. Nevertheless, along with a more active property market, building and construction activities can be expected to regain some momentum in the fourth quarter.

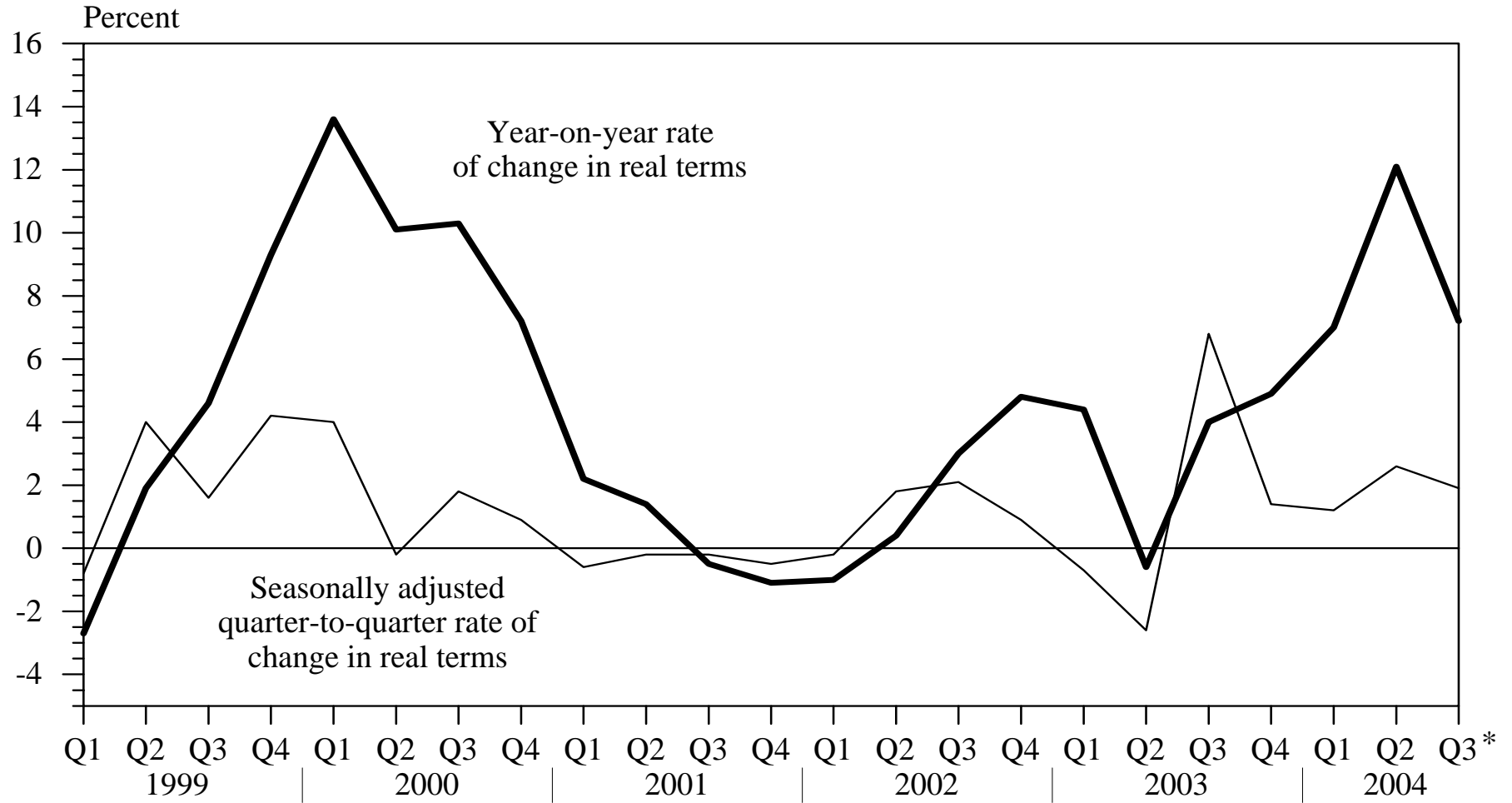
18. Taking all the components together, the forecast growth rate in real terms of GDP for 2004 is 7.5%, same as the forecast in the August update. For comparison, the forecasts of Hong Kong's GDP growth by a selection of international organisations and local analysts are summarised in **Table 3**. The latest known forecasts of GDP growth in real terms for 2004 from the private sector analysts range from 6.2% to 8%, averaging at 7.3%.

19. On the price front, the pace of upturn in the CPI is still being held back by the earlier fall-off in housing rentals, the effects of which have taken more time to recede than was expected earlier. Having regard to the actual outturn of a 0.6% decline in the first ten months and with consumer prices expected to register a small increase in the remaining two months, the rate of change in the *Composite CPI* for 2004 is now forecast at -0.3%, down marginally from the forecast of zero change put out in August. Along with the mark-down in the CPI forecast, the forecast rate of change in the *GDP deflator* is likewise revised marginally down, to -2.7% in the current round, from -2.5% in the August round.

(The Third Quarter 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 third quarter of 2004 are published in the Report of the Gross Domestic Product, Third 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>Q1</u> [#] | <u>Q2</u> [#] | <u>2003</u> <u>Q3</u> [#] | <u>Q4</u> [#] | <u>Q1</u> [#] | <u>2004</u> <u>Q2</u> [#] | <u>Q3</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) | 11.2 (3.7) | 5.1 (-2.2) |
| 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) | -0.2 (-4.8) | -1.5 (-0.2) |
| 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.) | 12.7 (N.A.) | 4.9 (N.A.) |
| <i>of which :</i> | | | | | | | | | |
| Building and construction | -1.1 | -7.0 | -3.2 | -8.5 | -6.6 | -9.9 | -11.6 | -10.1 | -8.4 |
| Machinery, equipment and computer software | -7.6 | 6.5 | 12.8 | -1.1 | 5.6 | 9.3 | 16.0 | 26.1 | 12.2 |
| 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) | 15.3 (-0.9) |
| 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) | 14.2 (-2.9) |
| 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) | 31.4 (-1.3) | 10.3 (7.6) |
| 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) | 30.3 (7.2) | 5.8 (-0.1) |
| 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) | 7.2 (1.9) |
| <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) | -2.7 (-0.8) | -2.5 (-1.3) |
| Composite Consumer Price Index ^(b) | -3.0 | -2.6 | -2.0 (-0.2) | -2.5 (-1.1) | -3.6 (-1.8) | -2.3 (0.8) | -1.8 (0.3) | -0.9 (-0.1) | 0.8 (-0.2) |
| Change in nominal GDP (%) | -1.8 | -2.2 | -0.1 | -6.3 | -2.2 | -0.2 | 2.5 | 9.1 | 4.4 |

Notes : (#) Revised figures.

(+) Preliminary figures.

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

(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) The year-on-year figures are final figures. The seasonally adjusted quarter-to-quarter figures are revised 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.

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**

| | August update of the forecasts for 2004 released on 27.8.2004 (%) | November update of the forecasts for 2004 released on 26.11.2004 (%) |
|---|--|---|
| <i>Growth rate in real terms of :</i> | | |
| Private Consumption Expenditure | 7 | 7 |
| Government Consumption Expenditure | 1.5 | 0.5 |
| Gross Domestic Fixed Capital Formation | 6.5 | 7.1 |
| <i>of which:</i> | | |
| Building and construction | -6.5 | -7.0 |
| Machinery, equipment and computer Software | 14.0 | 15.0 |
| Total Exports of Goods | 14.0 | 14.0 |
| Re-exports | 15 | 15 |
| Domestic exports | 0 | 2 |
| Imports of Goods | 14.5 | 14.3 |
| Exports of Services | 15 | 14.5 |
| Imports of Services | 10.5 | 10.5 |
| Gross Domestic Product (GDP) | 7.5 | 7.5 |
| <i>Rate of change in :</i> | | |
| GDP Deflator | -2.5 | -2.7 |
| Composite Consumer Price Index | 0 | -0.3 |
| <i>Rate of change in Nominal GDP</i> | 4.7 | 4.5 |

Table 3
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> | <u>Private consumption expenditure</u> | | <u>Gross domestic fixed capital formation</u> | | <u>Total exports of goods</u> | <u>Exports of services</u> | <u>Rate of change in consumer prices</u> | <u>Reference source</u> |
|-------------------------------------|------------------------|------------|--|------|---|------|-------------------------------|----------------------------|--|--|
| | | | (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. |
| | Sep 2004 | 7.5 | -- | -- | -- | -- | -- | -- | 0 | World Economic Outlook, Sep 2004. |
| | Nov 2004 | 7.5 | -- | -- | -- | -- | -- | -- | 0 | Concluding Remarks by IMF Mission, 16 Nov 2004. |
| ADB | Sep 2003 | 4.8 | -- | -- | -- | -- | -- | -- | 0.5 | Asian Development Outlook 2003 Update, Sep 2003. |
| | Apr 2004 | 6 | -- | -- | -- | -- | -- | -- | 1.1 | Asian Development Outlook 2004. |
| | Sep 2004 | 7.5 | -- | -- | -- | -- | -- | -- | 0.7 | Asian Development Outlook 2004 Update, Sep 2004. |
| World Bank | Oct 2003 | 4.3 | -- | -- | -- | -- | -- | -- | -- | East Asia Update, Oct 2003. |
| | Apr 2004 | 6 | -- | -- | -- | -- | -- | -- | -- | East Asia Update, Apr 2004. |
| | Nov 2004 | 7.4 | -- | -- | -- | -- | -- | -- | -- | East Asia Update, Nov 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. |
| | Aug 2004 | 7.8 | -- | -- | -- | -- | -- | -- | -- | ETNet News, 30 Aug 2004. |
| | Sep 2004 | 7.8 | 6.2 | 7.3 | 13 | 19 | -- | -- | 0 | Asian Economic Insight, 10 Sep 2004. |
| | Nov 2004 | 7.8 | 6.2 | 7.3 | -- | -- | -- | -- | 0 | Asian Economic Insight, 19 Nov 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. |
| | Sep 2004 | 7 | -- | -- | -- | -- | -- | -- | -0.5 | Asian Quarterly, Sep 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 | 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 | (%) | (%) | |
| 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. |
| | Sep 2004 | 7.2 | 6.5 | 5.6 | 13.5 | 14 | -0.5 | Economic Research Department, Sep 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. |
| | Sep 2004 | 7.6 | 7.2 | 7.0 | 13 | 14 | -0.3 | Economic and Strategy Planning Department, Sep 2004. |
| 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. |
| | Nov 2004 | 7 | -- | -- | -- | -- | -0.5 | Economic Research Department, 22 Nov 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 | Asia Vision, 20 Feb 2004. |
| | Aug 2004 | 7 | -- | -- | -- | -- | -0.2 | Asia Vision, 20 Aug 2004. |
| | Nov 2004 | 7.5 | -- | -- | -- | -- | -0.2 | Asia Vision, 12 Nov 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. |
| | Sep 2004 | 7 | -- | -- | -- | -- | -- | Hong Kong Economic Journal, 15 Sep 2004. |
| | Oct 2004 | 7 | 6.4 | 5.9 | -- | -- | -0.5 | Great China Insights, 18 Oct 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 | 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 | (%) | |
| <i>(b) Investment bank</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. |
| | Aug 2004 | 7.7 | -- | -- | -- | -- | -- | Economic Flash, 27 Aug 2004. |
| | Nov 2004 | 7.7 | -- | -- | -- | -- | -0.2 | Asia-Pacific Economics Analyst, Nov 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. |
| | Aug 2004 | 7.4 | 7.3 | 7.3 | -- | -- | -0.3 | Hong Kong Economics, 30 Aug 2004. |
| Merrill Lynch | 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. |
| | Aug 2004 | 8 | -- | -- | -- | -- | -- | ETNet News, 30 Aug 2004. |
| | Nov 2004 | 8 | -- | -- | -- | -- | -0.3 | The Asian Market Economist, 15 Nov 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 | 7 | -- | -- | -- | -- | -- | Apple Daily, 31 Aug 2004. |
| | Nov 2004 | 7 | 6 | 9 | -- | -- | 0 | Emerging Markets Economics Research, 10 Nov 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> 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. |
| | 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. |
| | Sep 2004 | 7.4 | 7.7 | 7.8 | -- | -- | -0.2 | Country Forecast, Sep 2004. |
| | Oct 2004 | 7.4 | 7.7 | 7.8 | -- | -- | -0.2 | Country Forecast, Oct 2004. |
| | Hong Kong General Chamber of Commerce | Dec 2003 | 3.8 | -- | -- | -- | -- | -1 |
| Apr 2004 | | 5 | -- | -- | -- | -- | 0.5 | Economic Comments, 21 Apr 2004. |
| Aug 2004 | | 5 | -- | -- | -- | -- | 1 | HKGCC, 24 Aug 2004. |
| Nov 2004 | | 7.5 | -- | -- | -- | -- | -0.5 | HKGCC, 22 Nov 2004. |

Observation :

The forecasts of GDP growth in real terms for 2004 from the private sector analysts listed above range from 6.2% to 8%, averaging at 7.3%.