



香港特別行政區政府
Hong Kong SAR Government

2008年經濟概況及2009年展望
2008 Economic Background and 2009 Prospects

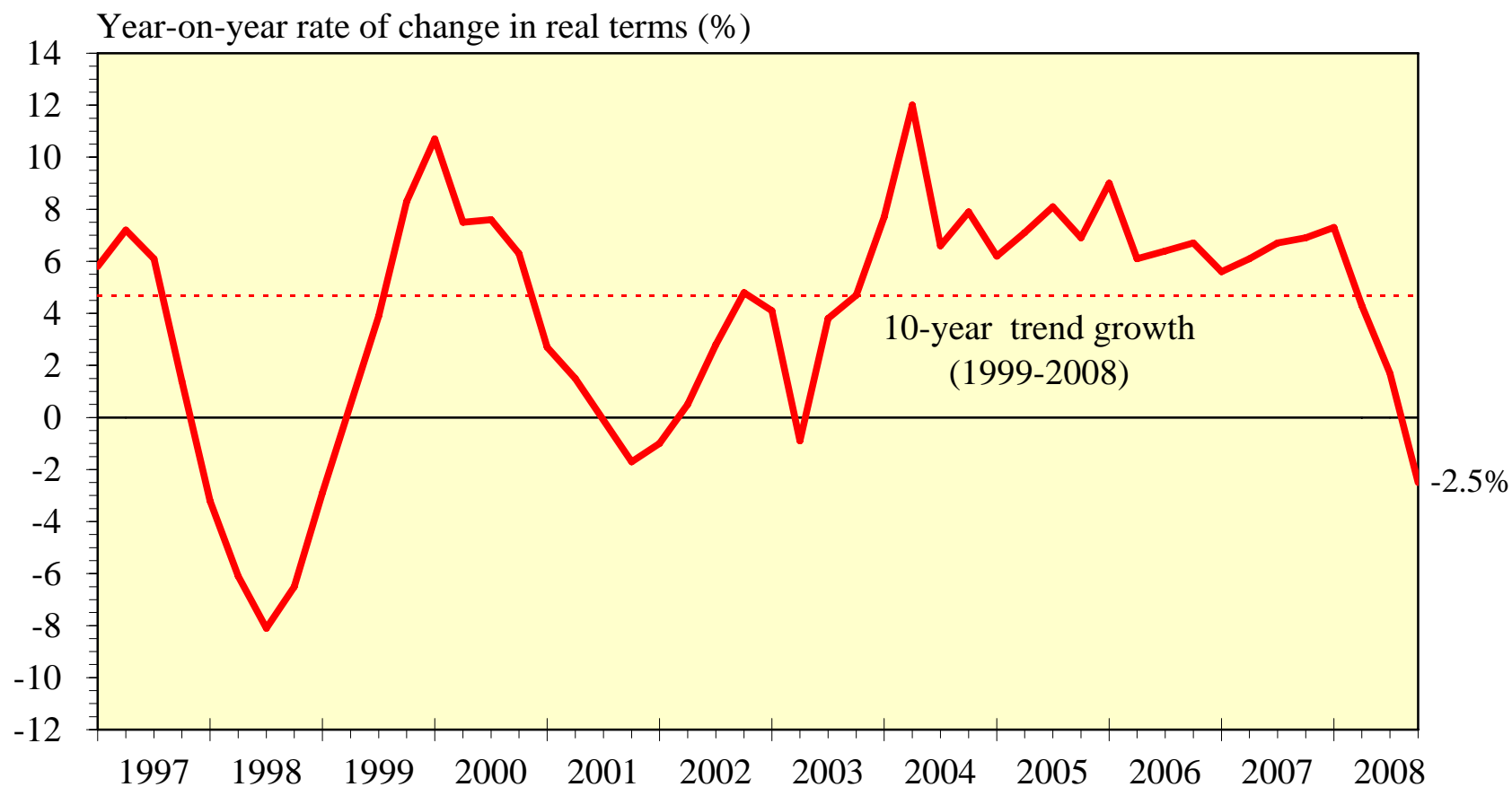
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25 February 2009

2008 Performance

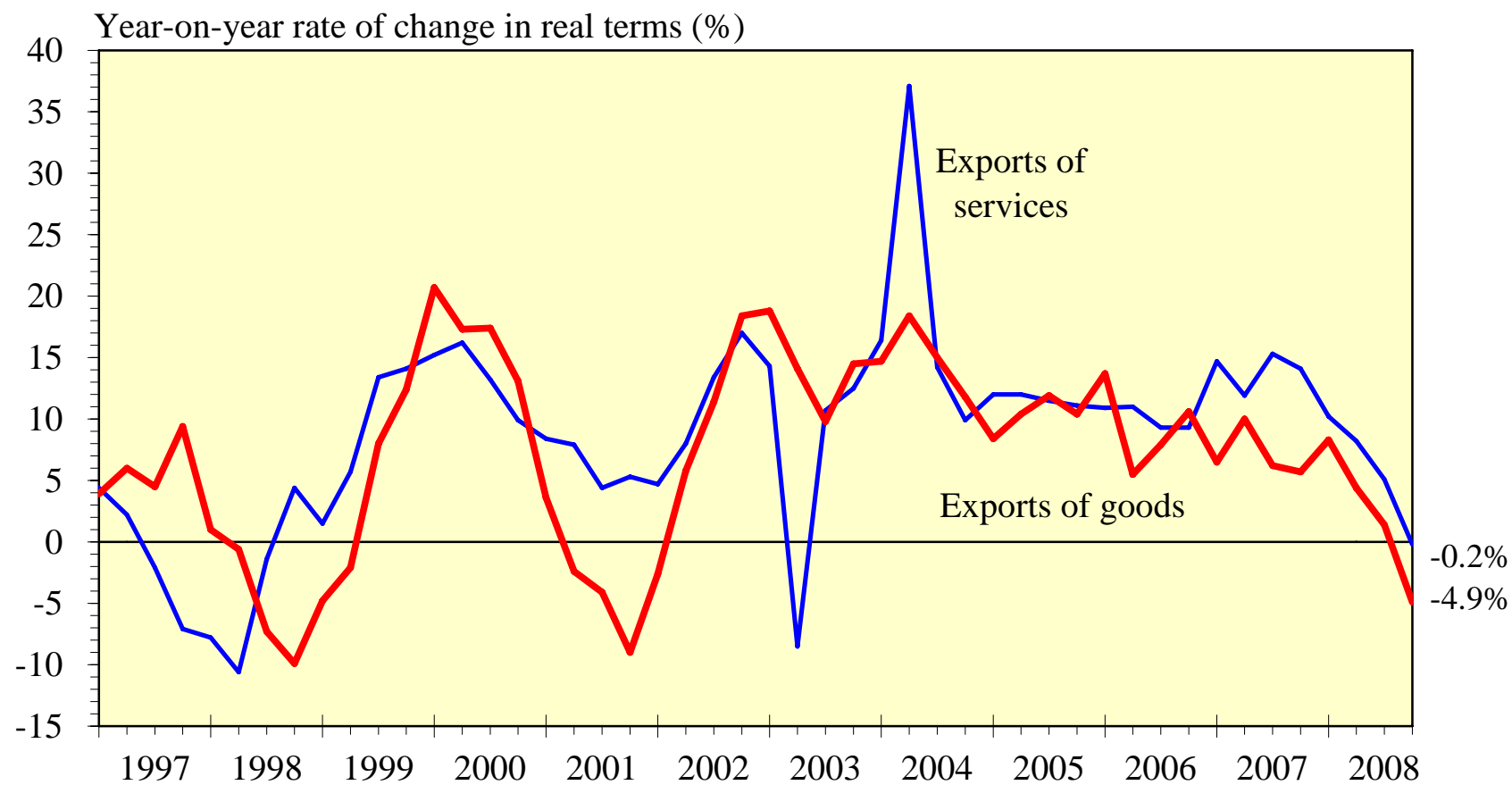
Salient features of economic performance in 2008

- Outbreak of global financial turmoil completely derailed the economic upturn since mid 2003, causing economy to contract in the fourth quarter
- Economic growth for 2008 slowed to 2.5%
- External trade was severely hit as advanced economies were mired in recession and Asian economies deteriorated rapidly
- Domestic demand also slackened amidst asset price fall-off and weakened local sentiment
- Unemployment rose and inflation eased visibly towards the end of the year

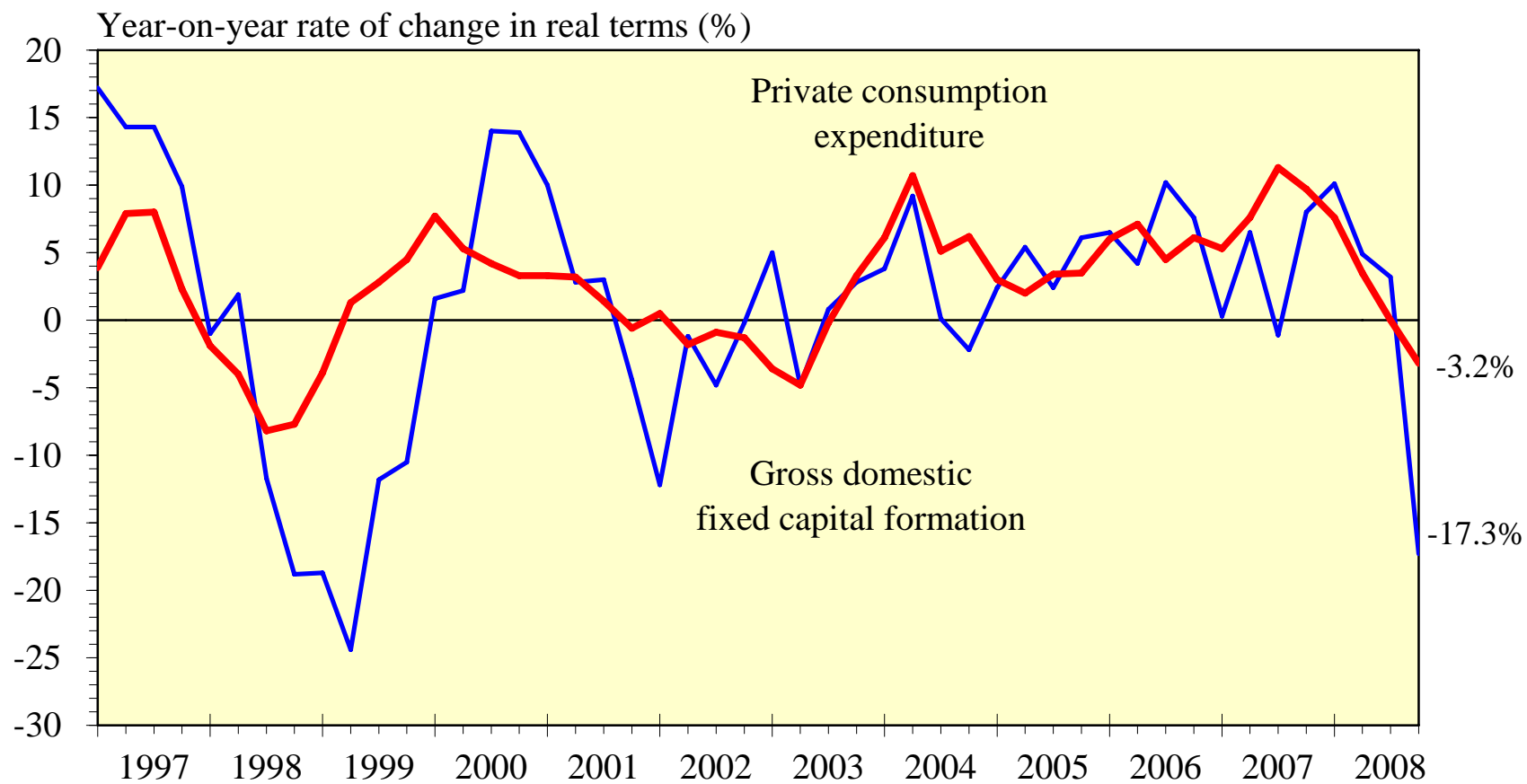
Economic growth decelerated distinctly in 2008



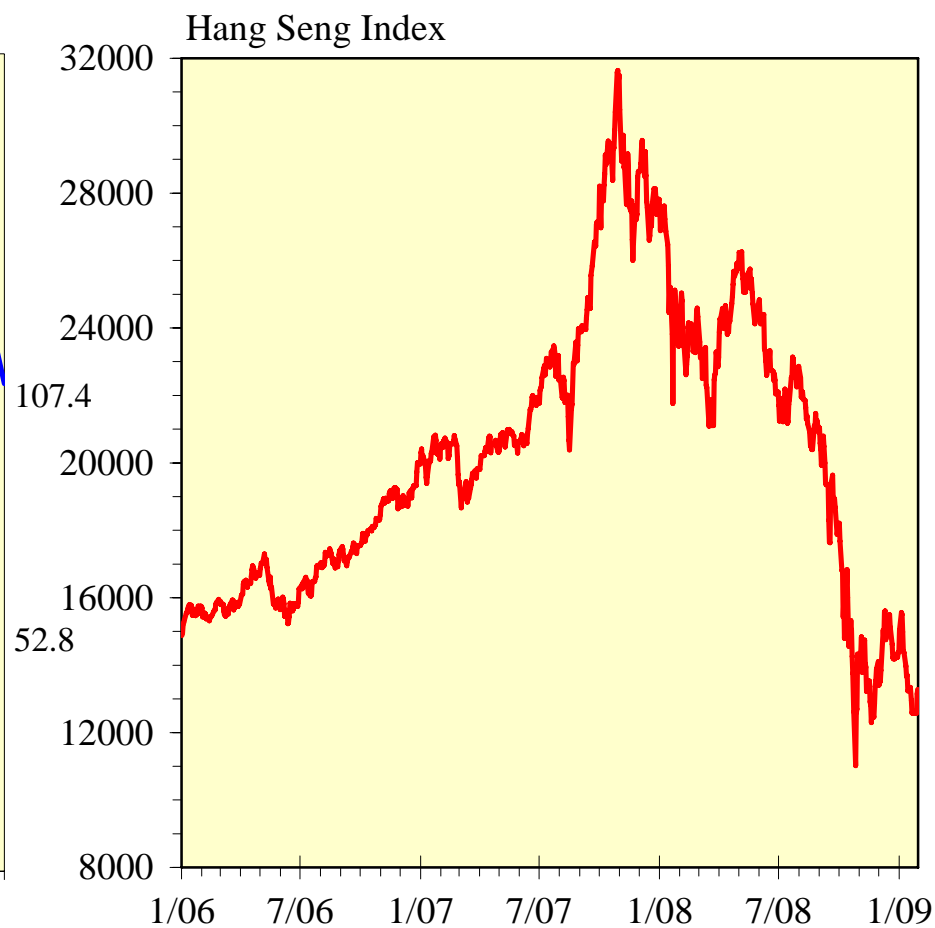
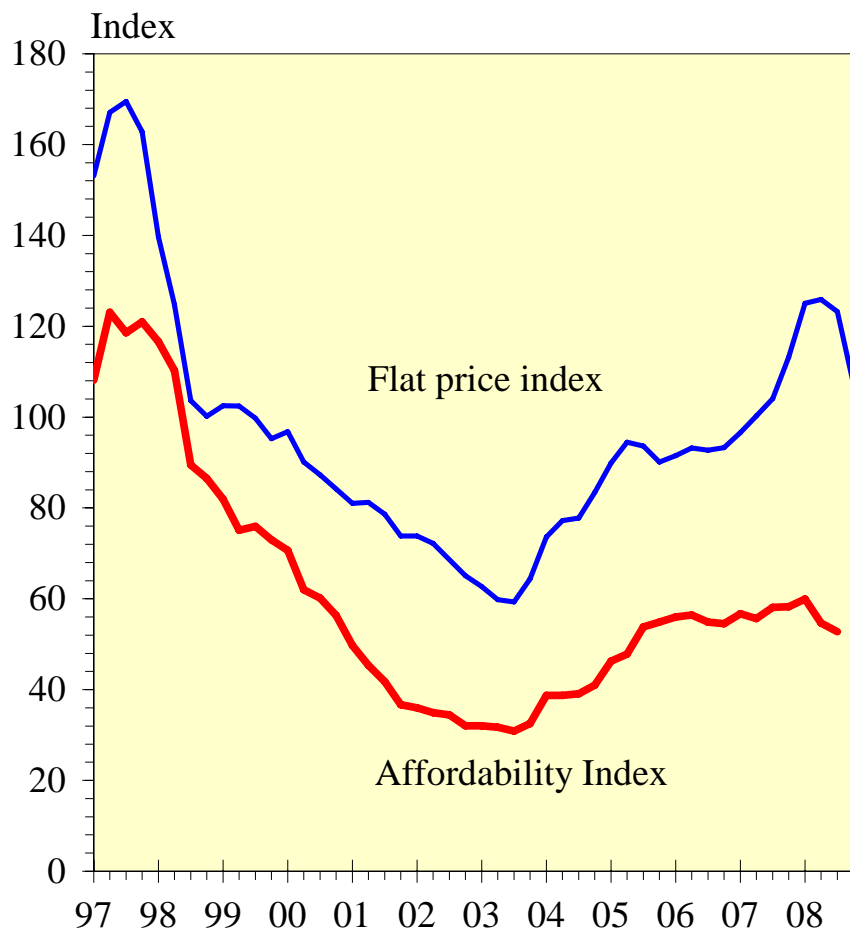
External trade severely hit towards the end of 2008



Consumer and investment sentiments weakened



Housing prices took a breather recently after the earlier sharp decline, but stock market still volatile

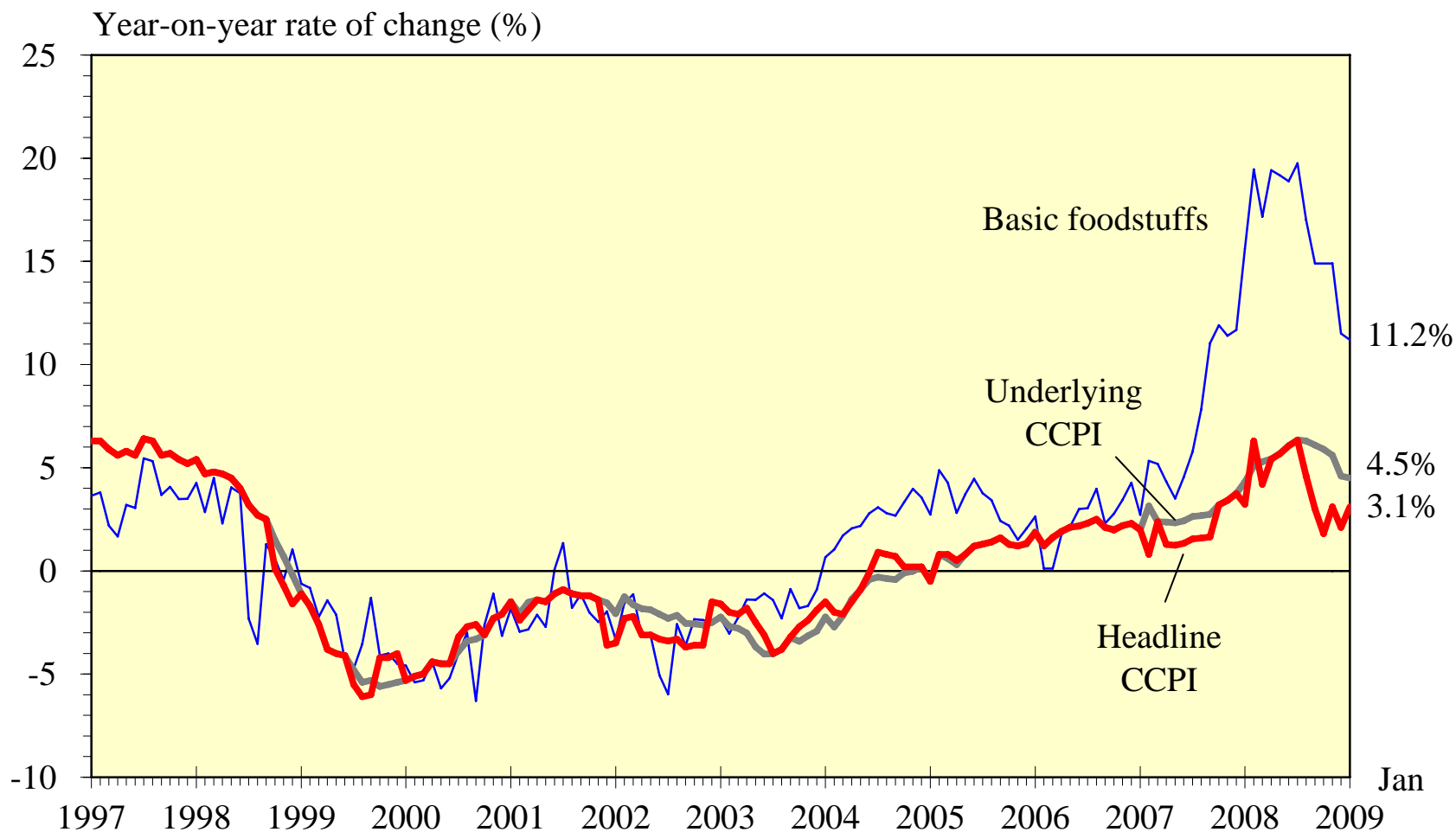


Value added by major economic sectors

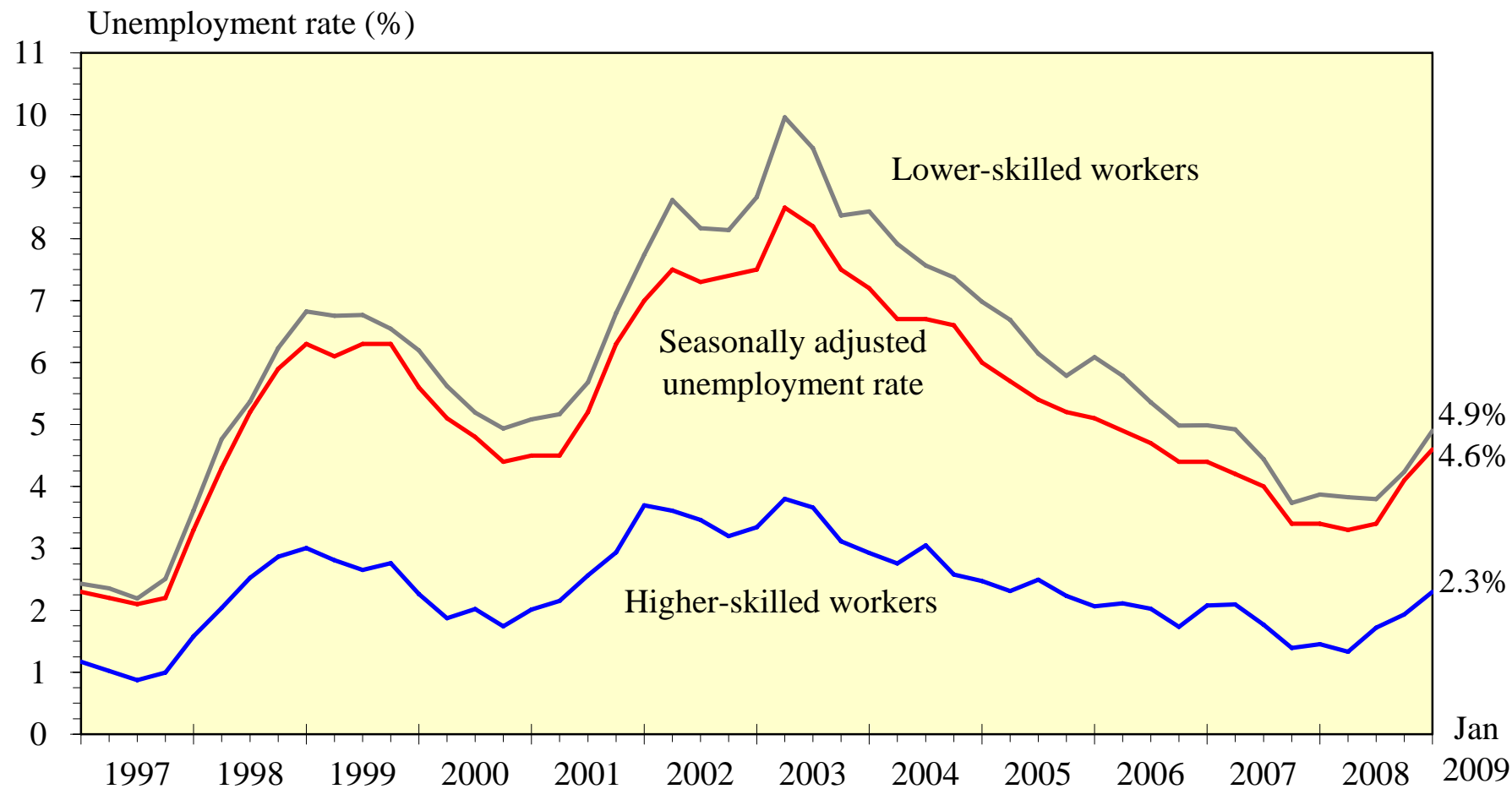
Year-on-year rate of increase in value added in real terms

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>
					<u>H1</u>	<u>Q3</u>
	%	%	%	%	%	%
Services	9.9	7.5	7.1	7.0	5.4	1.9
Wholesale and retail	6.9	8.3	7.1	6.8	7.4	2.6
Import and export trades	15.4	15.9	9.0	6.0	8.7	4.9
Restaurants and hotels	23.0	6.8	9.4	11.0	4.2	2.0
Transport and storage	13.7	6.9	6.6	5.1	6.1	1.4
Communications	14.6	9.4	7.7	5.3	4.4	4.5
Financing and insurance	21.0	11.9	19.7	17.6	7.4	-0.8
Real estate and business services	2.6	4.2	1.9	6.4	5.6	-0.2
Community, social and personal services	2.6	-0.1	1.3	1.7	1.1	1.6

Inflationary pressures receded visibly towards end-2008 due to lower food inflation and weak demand

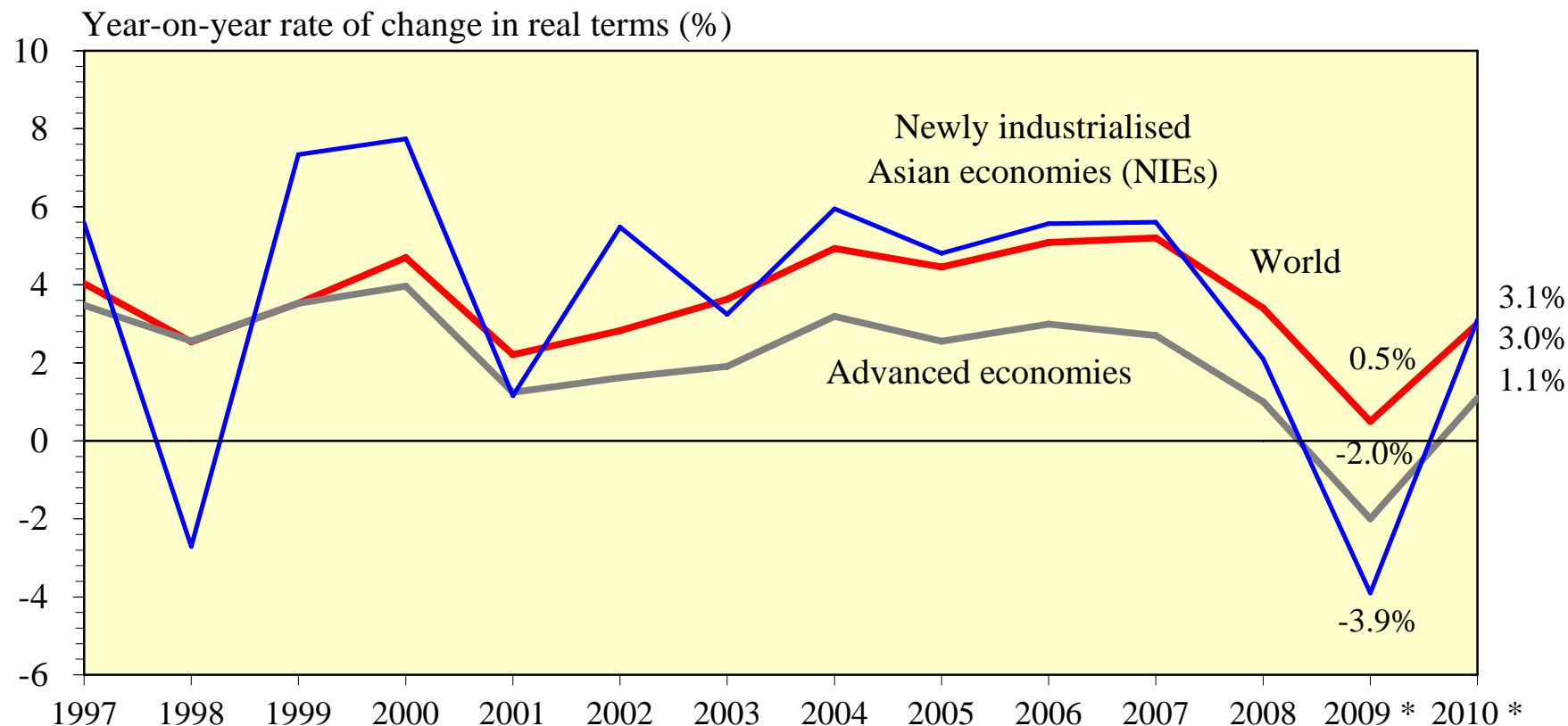


Employment conditions worsened amid slower economic activities



2009 Economic Outlook

Global economy mired in recession, worst in 60 years

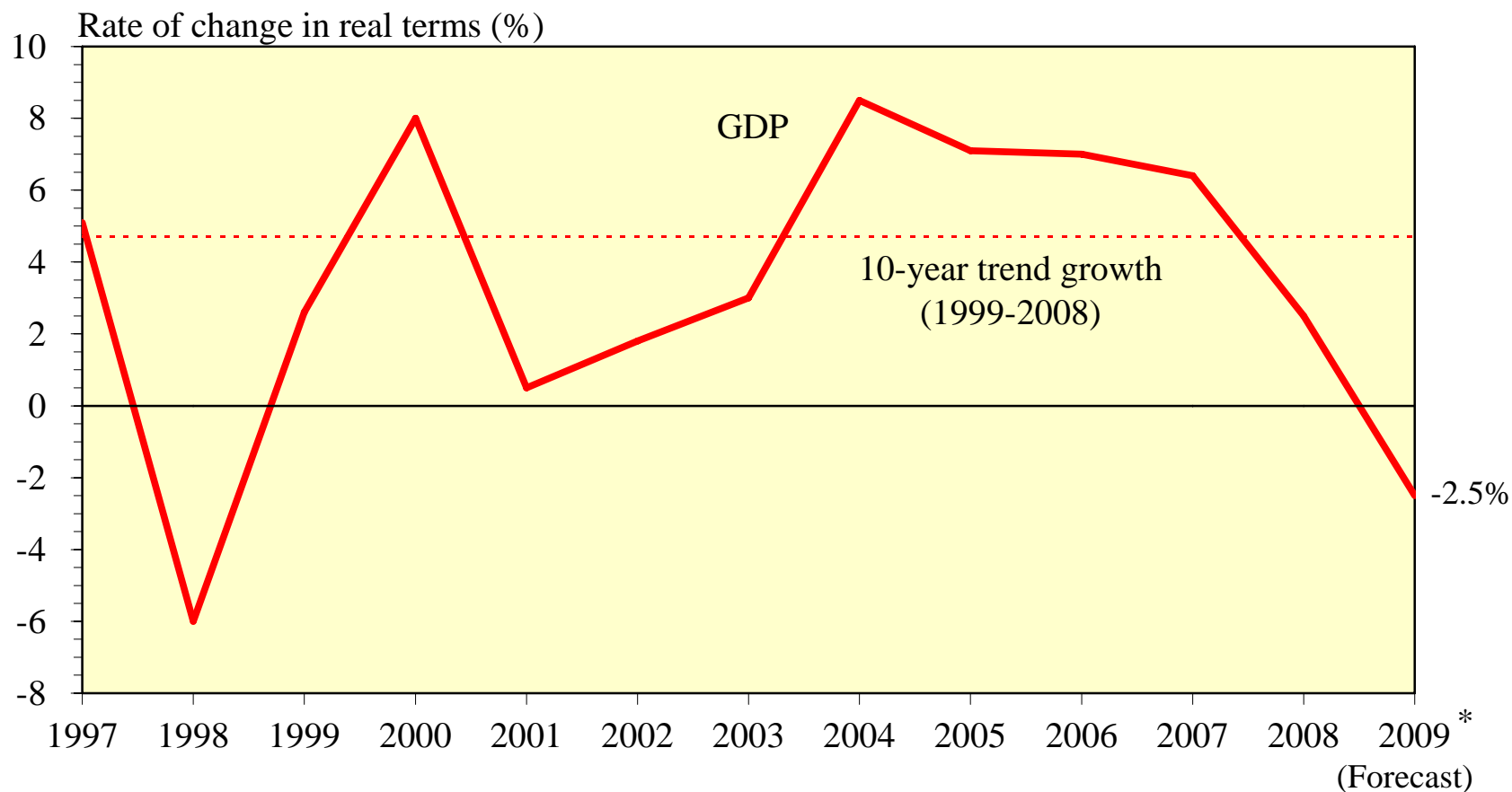


Sources: IMF World Economic Outlook October 2008 database.

Notes: (*) Forecasts from the IMF World Economic Outlook Update January 2009.

NIEs include Hong Kong, Singapore, South Korea and Taiwan.

Recession inevitable for Hong Kong in midst of synchronised global downturn in 2009

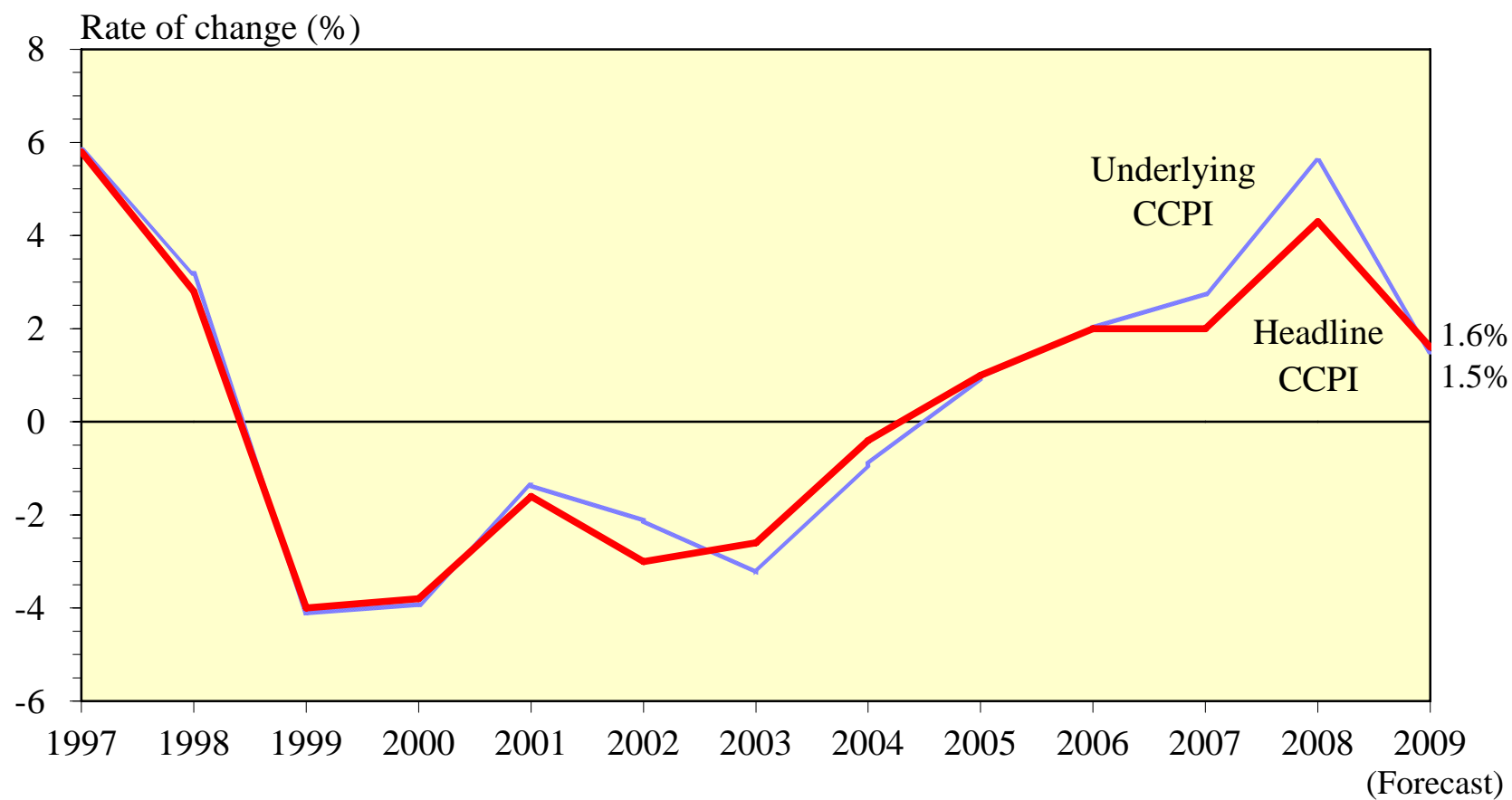


Note : (*) Mid-point of -2% to -3% of forecast.

2009 Economic outlook

- Global financial turmoil mutated into synchronised global downturn; many Asian economies now in recession
- Recession seems inevitable for trade-dependent Hong Kong
- Economy expected to contract by 2 - 3%, under the drag from shrinking external demand and dented sentiment
- Timing of turnaround critically depends on global situation
- Headline inflation to come down visibly to 1.6% this year

Inflationary pressures to recede notably further in 2009



Downside risks

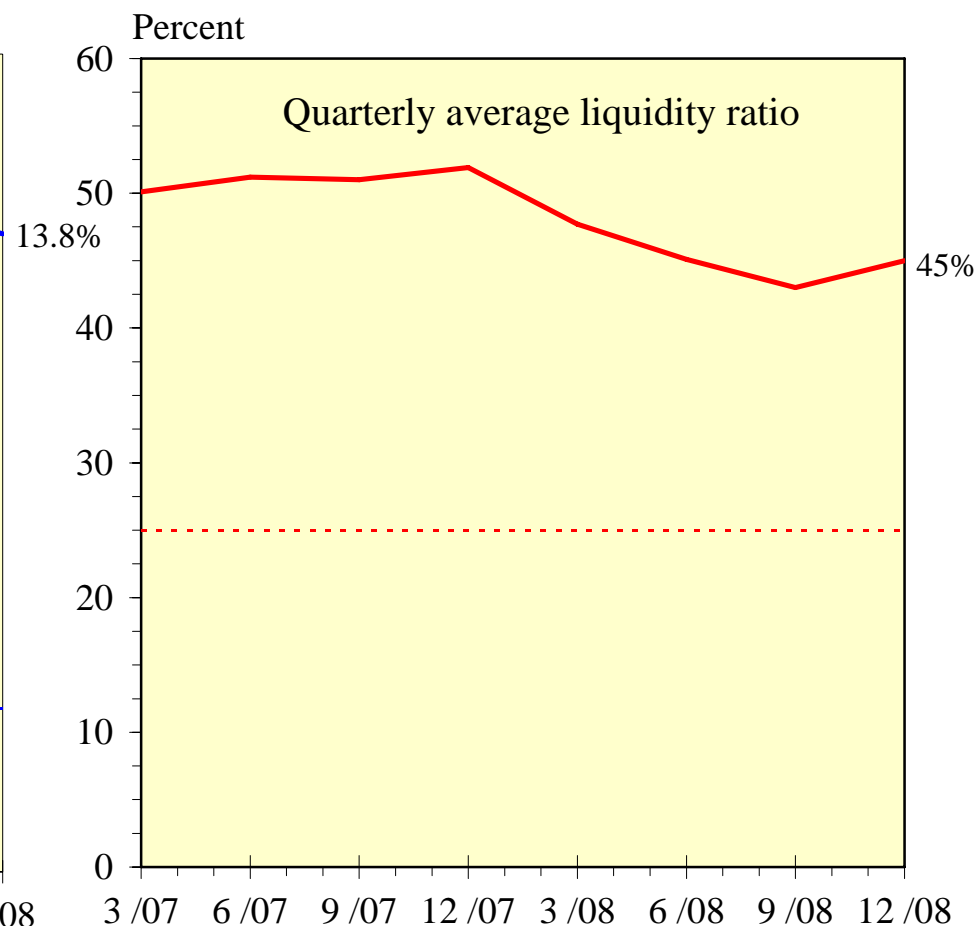
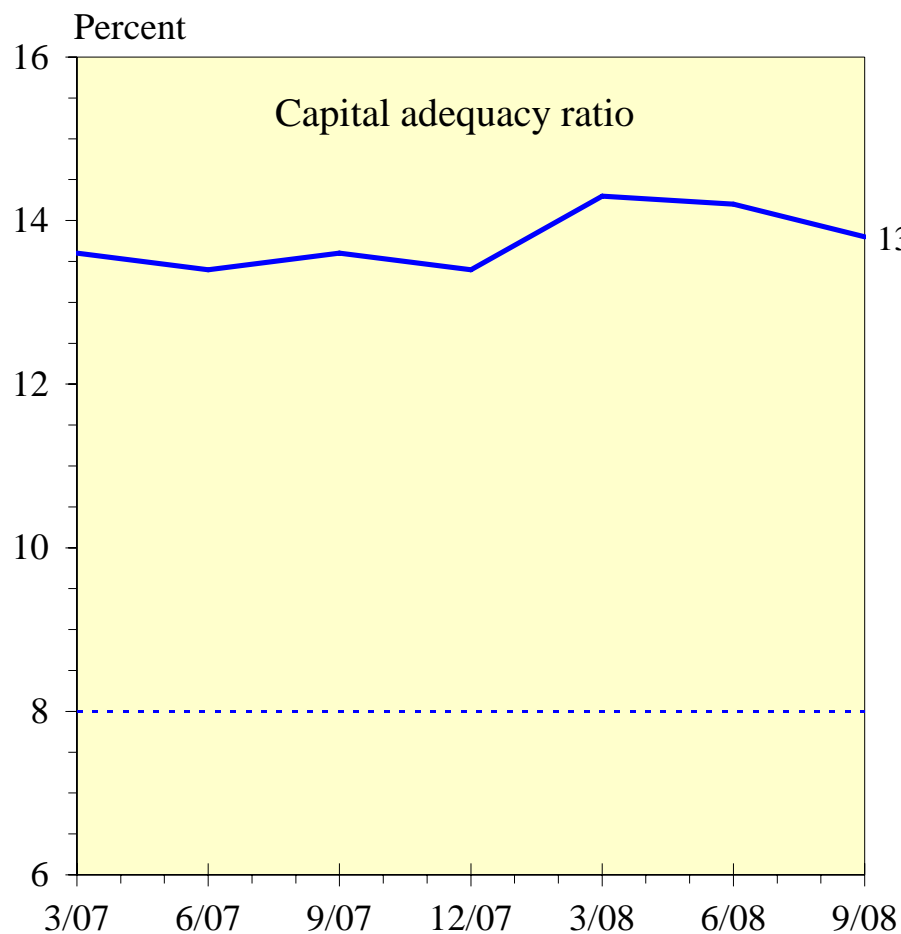
- Deeper and more protracted global recession
- Negative feedback loop between economic downturn, credit crunch and financial market stress
- Concerns about the aftermaths of various aggressive policy measures
- Disorderly unwinding of the global trade imbalances
- Rising protectionism

Hong Kong's sound economic fundamentals

HK's fundamentals better than many other economies to withstand the crisis

- High capital adequacy ratio in local banking sector
- Sizeable current account surplus
- Strong net external international investment position
- Fiscal prudence
- 3rd most competitive economy in the world
- Flexible prices and wages

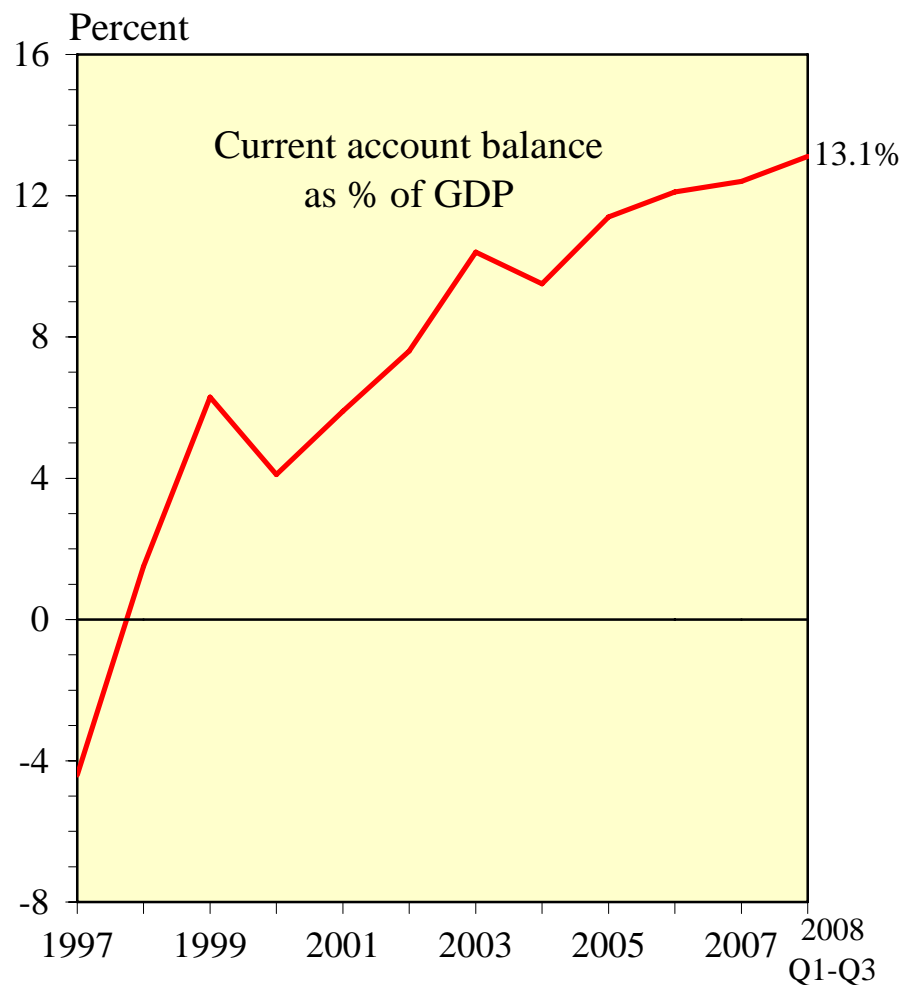
High capital adequacy and liquidity ratios of the local banking sector



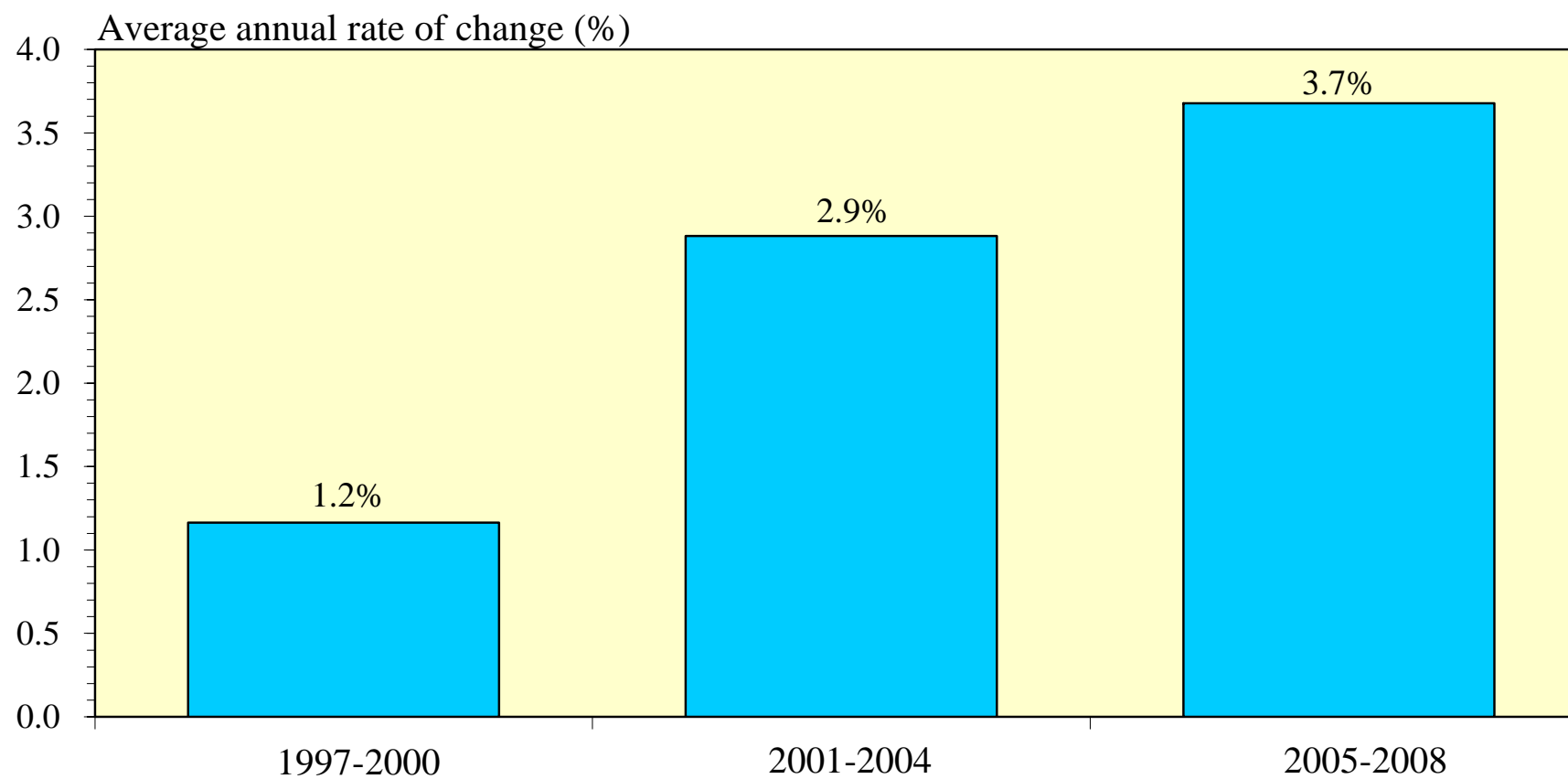
HK's external positions are strong

	<u>Net Total IIP</u>	
	<u>(USD bn)</u>	<u>(% of GDP)</u>
China	1,022	31
Hong Kong	522	252
India	-53	-5
Indonesia	-150	-35
Korea	-155	-16
Malaysia	-18	-10
Philippines	-27	-19
Singapore	223	138
Taiwan	467	122
Thailand	-58	-23

Note: End-2007 figures. Korea and India refer to September and March 2008 figures respectively.



Hong Kong's productivity growth

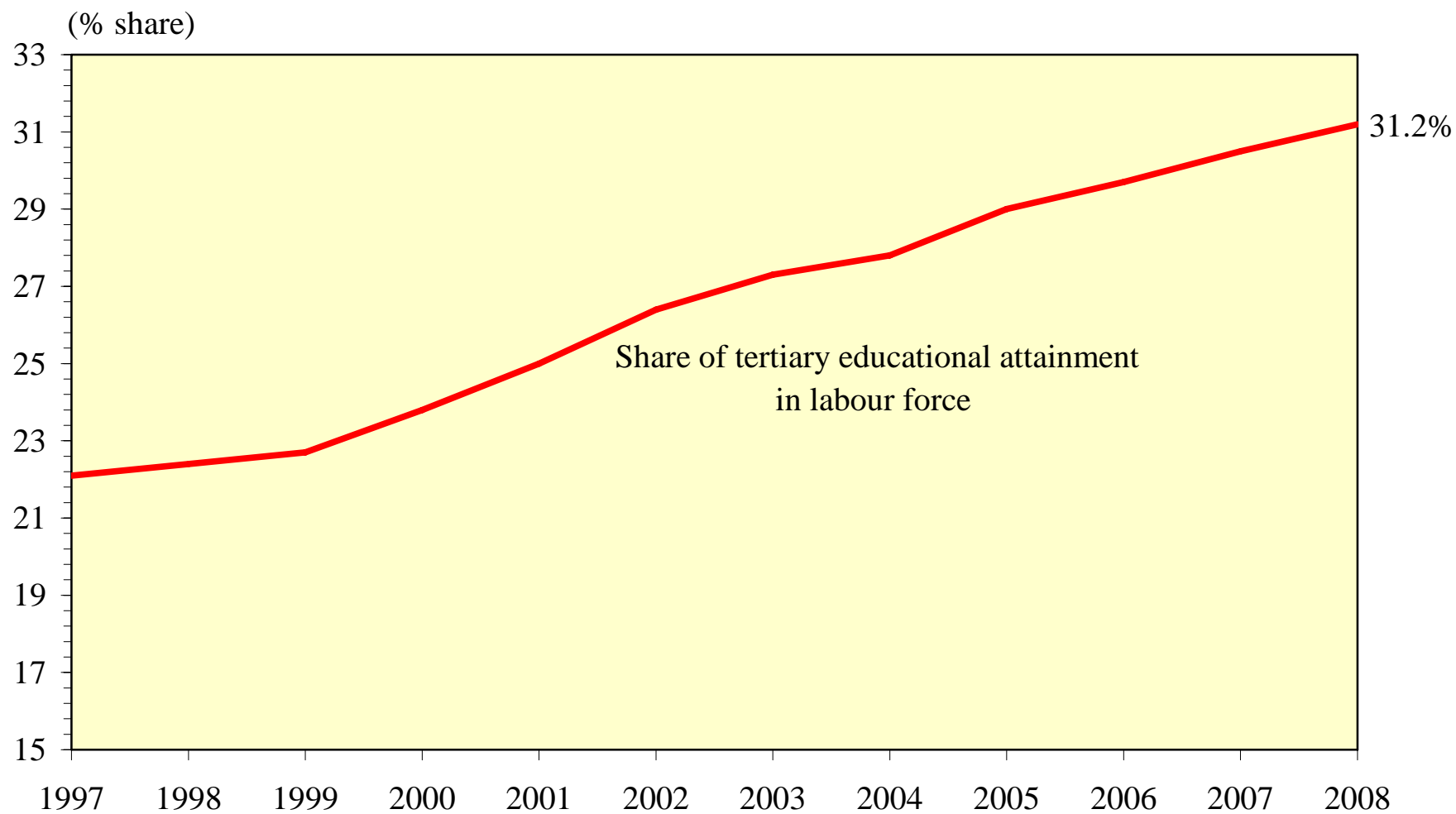


**Hong Kong as a knowledge-based economy
– proportion of managerial and professional
staff in the workforce on the rise**

	<u>Managers, administrators and professionals</u>	<u>% share to total employment*</u>
1998	903 600	30%
2003	1 057 800	35%
2008	1 279 600	39%

* Excluding foreign domestic helpers.

Upgrading human capital is key to future success



Looking beyond the financial crisis

- Further integration with the vibrant Mainland economy and positioning ourselves strategically in the PRD
- Strengthen the roles of HK as an international financial centre and a leading business hub
- Move towards higher value-added and knowledge-based activities
- Invest heavily in infrastructure
- Continue to upgrade the quality of our human capital

Thank you

25 February 2009