



香港特別行政區政府
Hong Kong SAR Government

2009年經濟概況及2010年展望
2009 Economic Background and 2010 Prospects

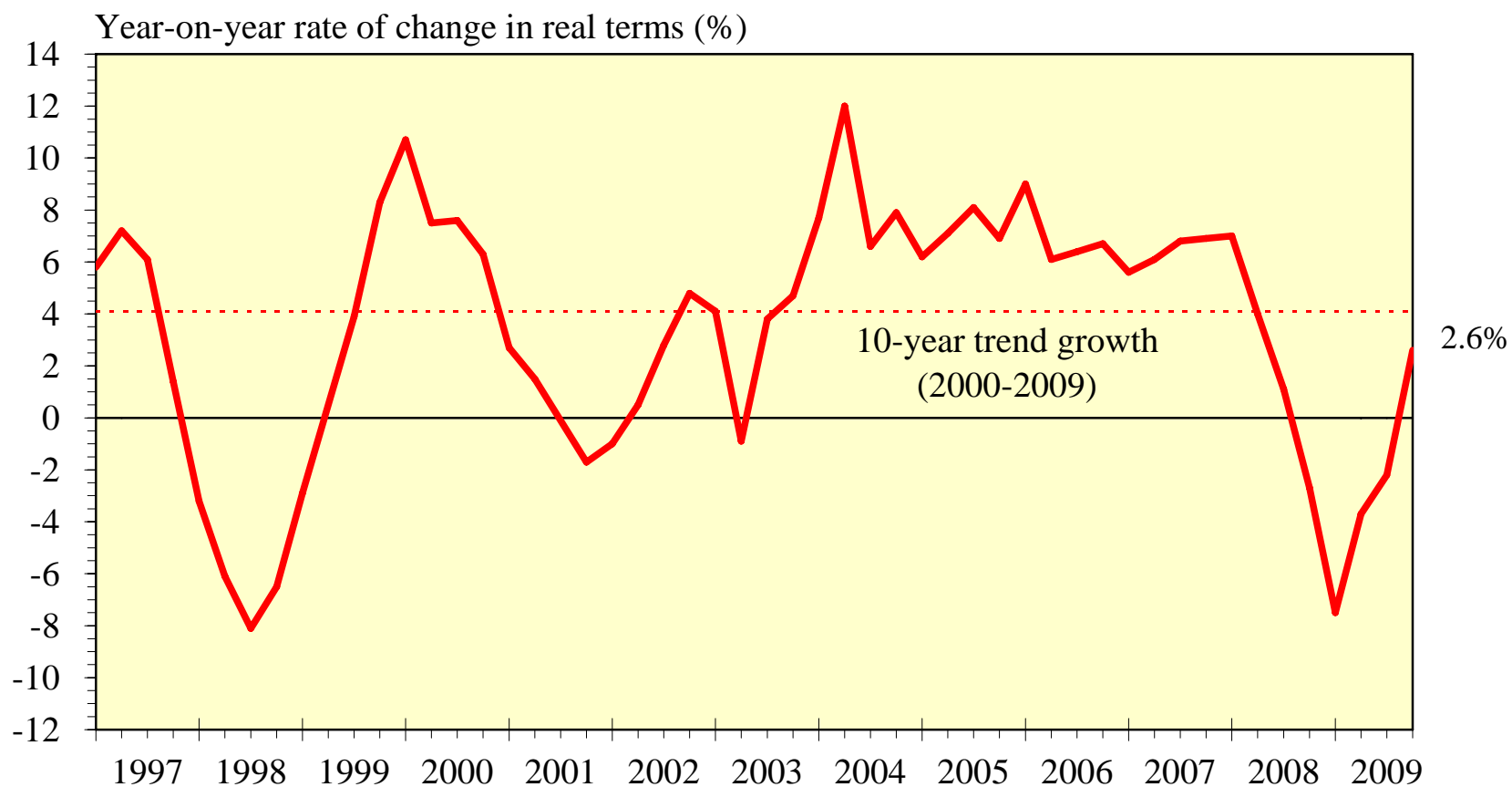
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2009 Performance

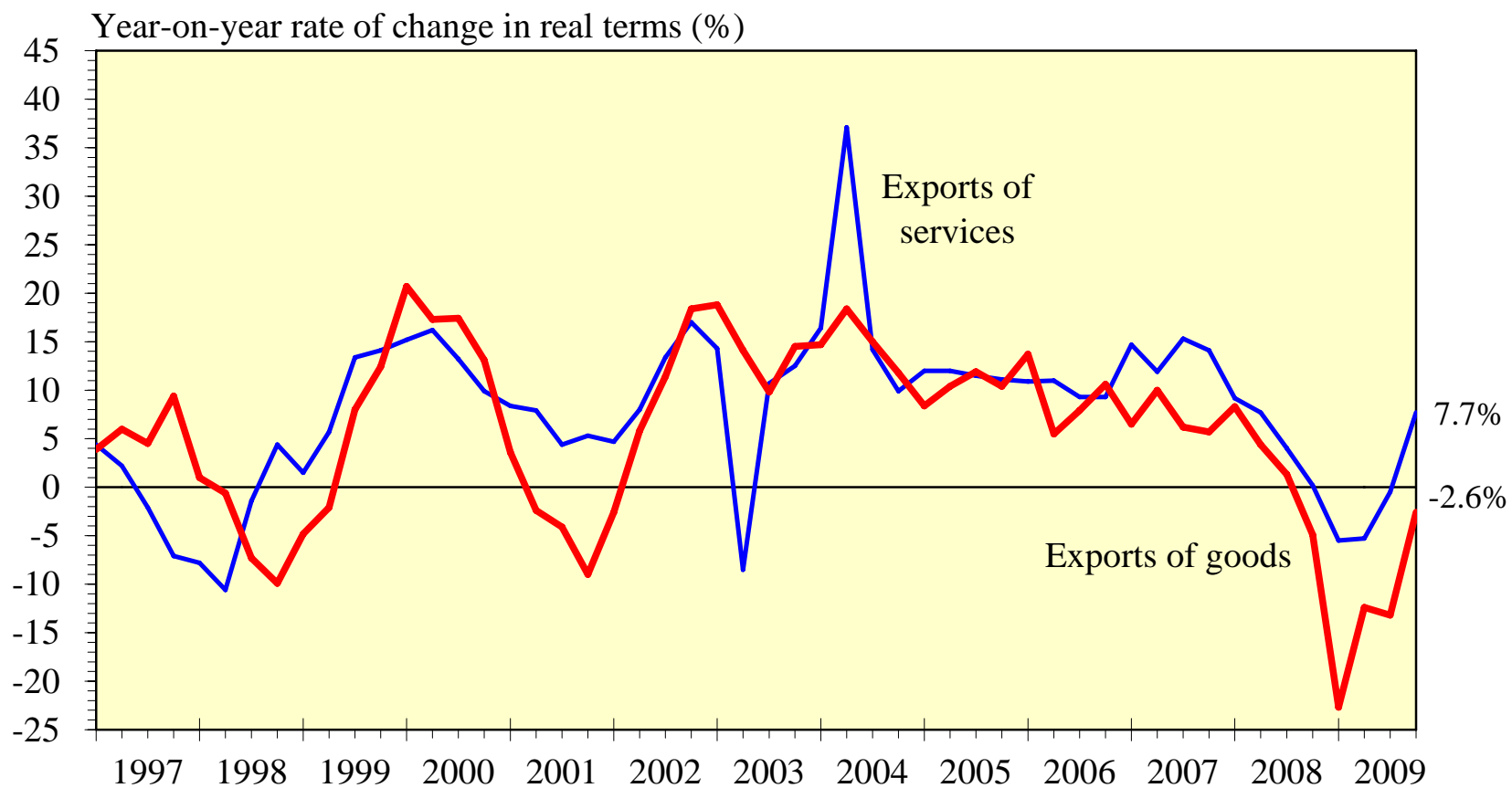
Salient features of economic performance in 2009

- Severe contraction in the first quarter, followed by quick rebound in the second quarter and further improvement in the rest of the year
- Economy contracted by 2.7% for the year as a whole
- Merchandise trade most severely hit, improved only towards the year-end; service trade persistently better
- Local segment quickly stabilised after a weak start, recovered more notably in the latter half of the year
- Unemployment rose notably in early-2009 but came down gradually in the second half of the year
- Mild deflation emerged after July finally gave way to slight inflation in December

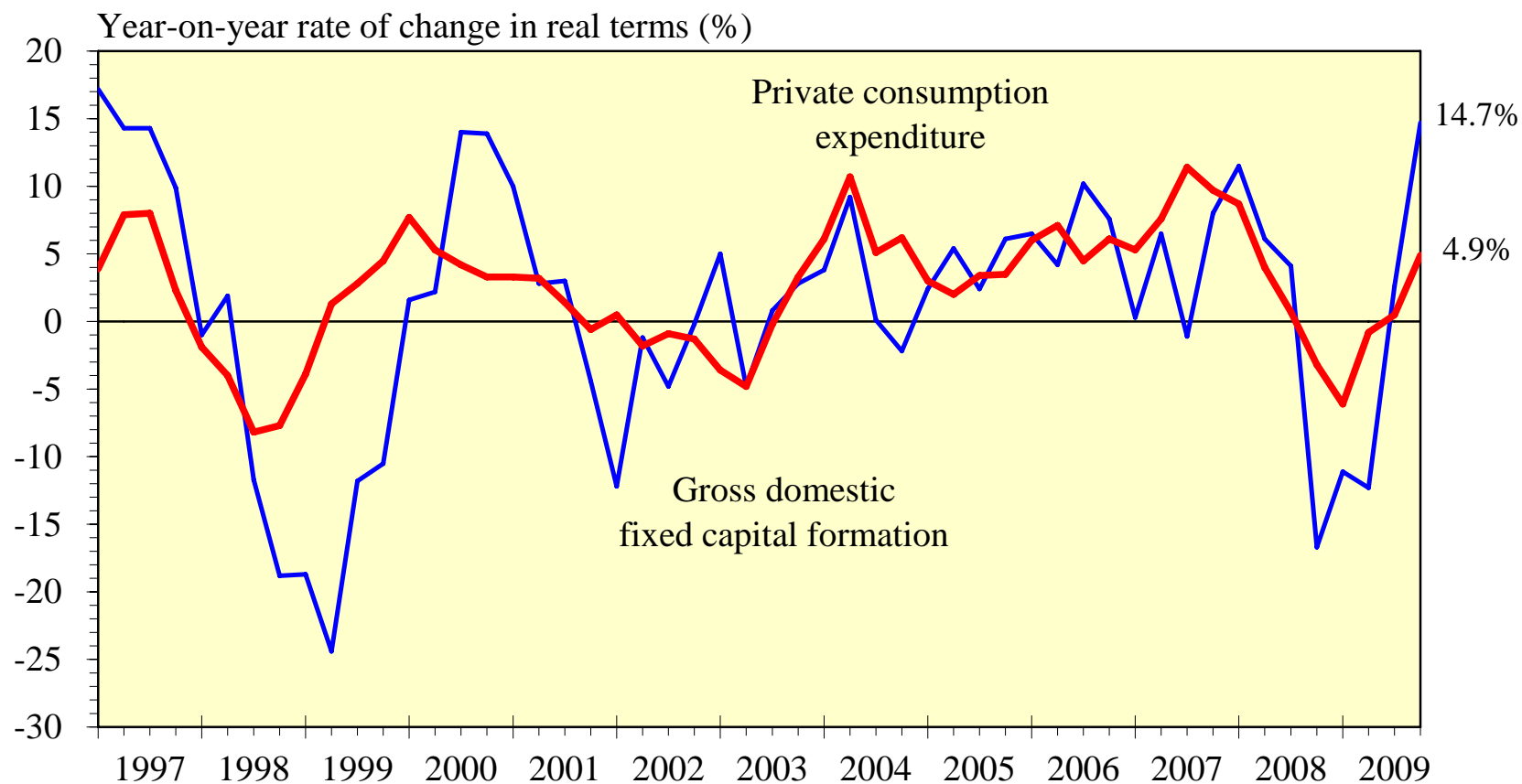
Economic recovery gathered pace since the second quarter of 2009



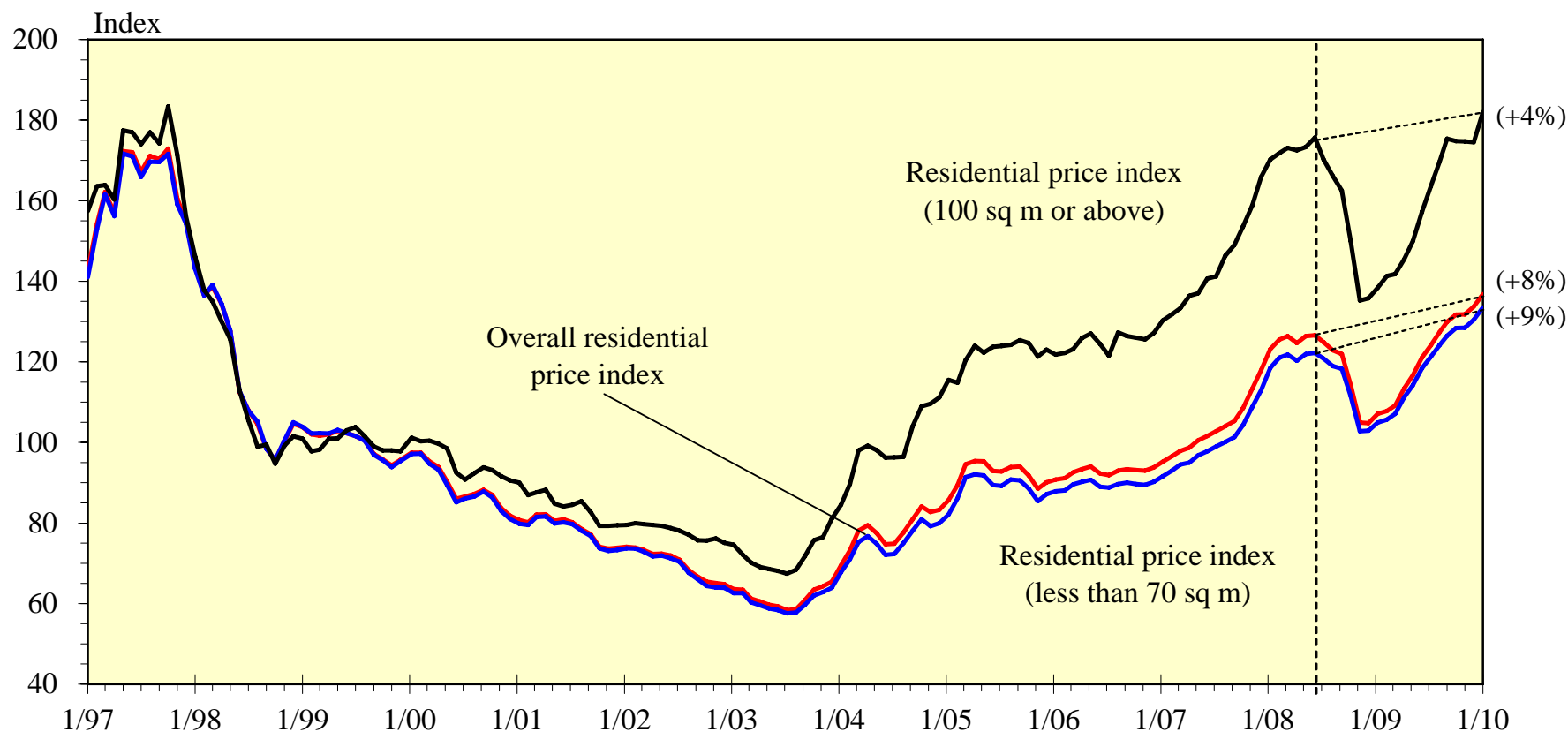
Merchandise trade took a severe setback; Service trade fared persistently better



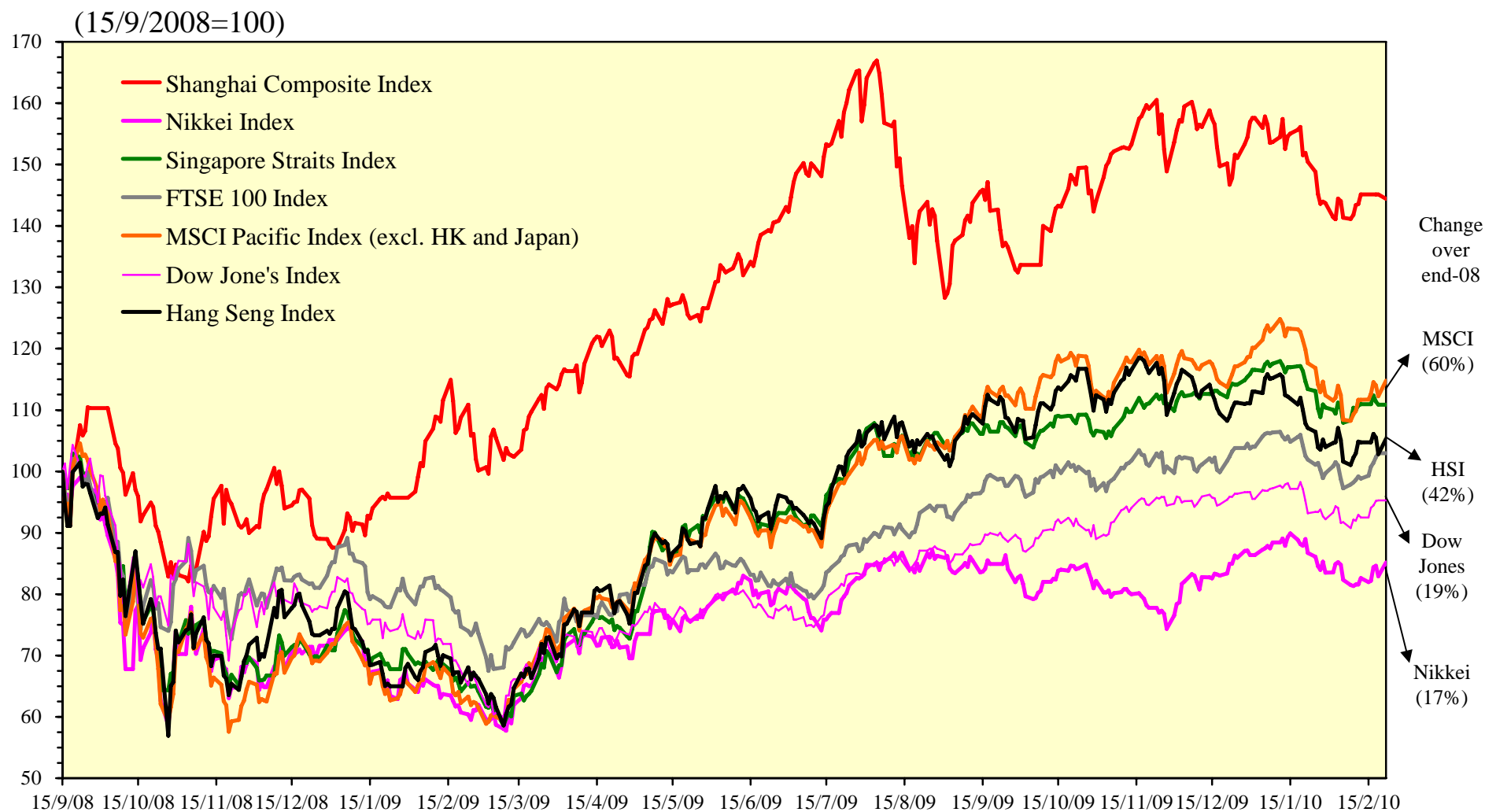
Domestic sector stabilised quickly after a weak start in 2009 and recovered over the course of the year



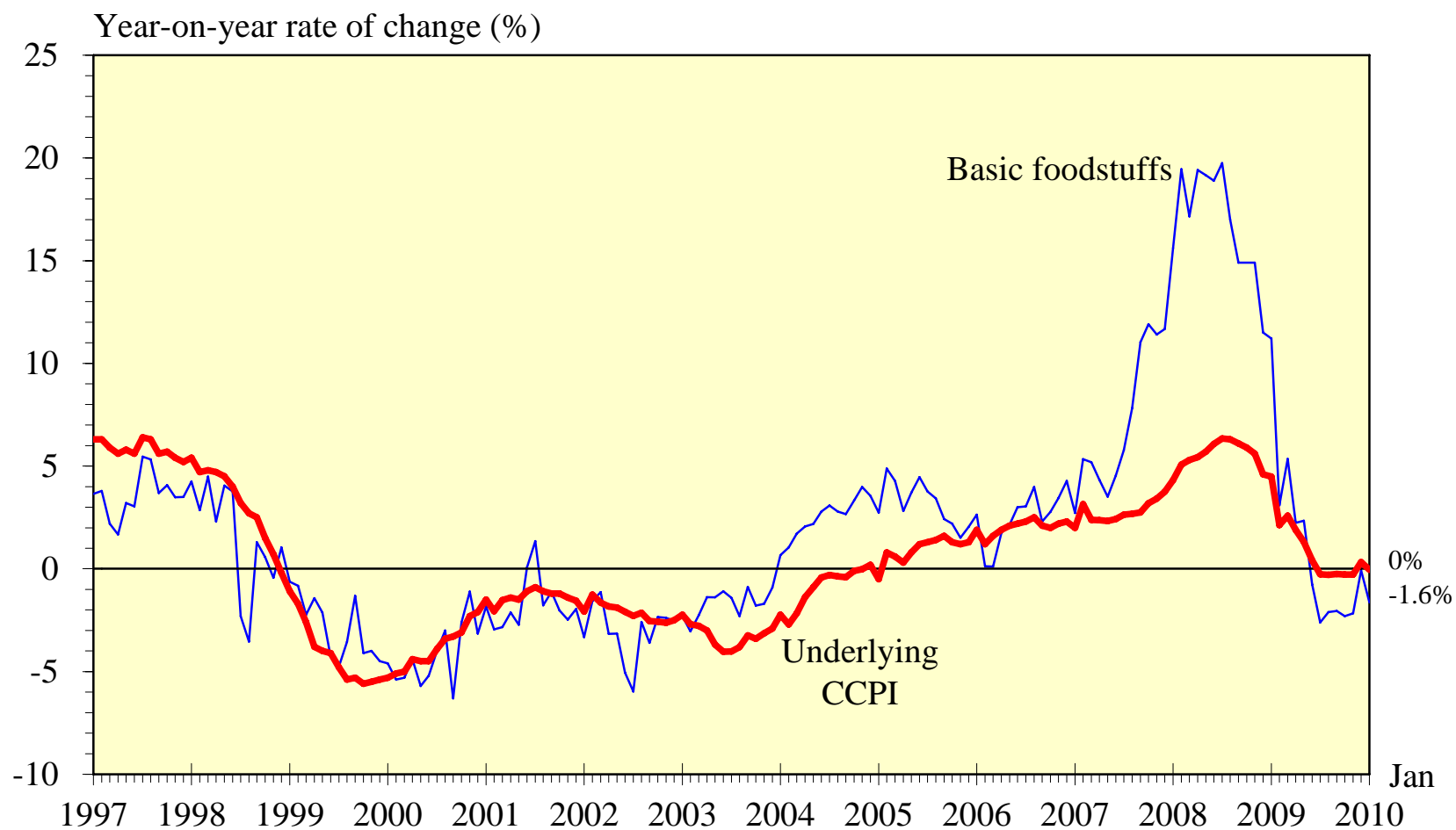
Property market stabilised in early 2009, followed by an almost uninterrupted uptrend in the rest of the year



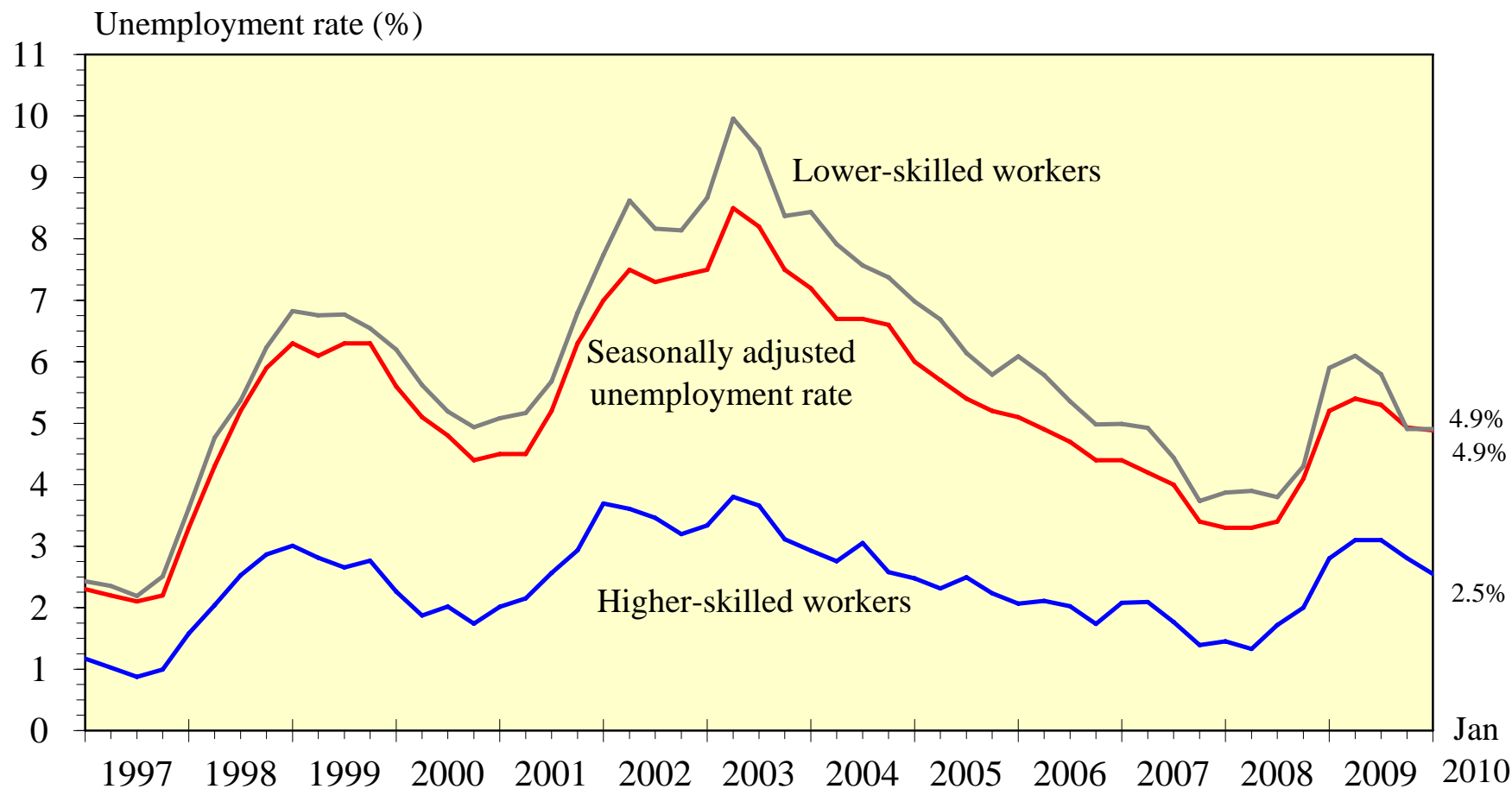
Stock markets overshadowed by recession in early 2009, but rebounded since mid-March



Inflationary pressures receded visibly to modest deflation since July, but finally gave way to inflation in December

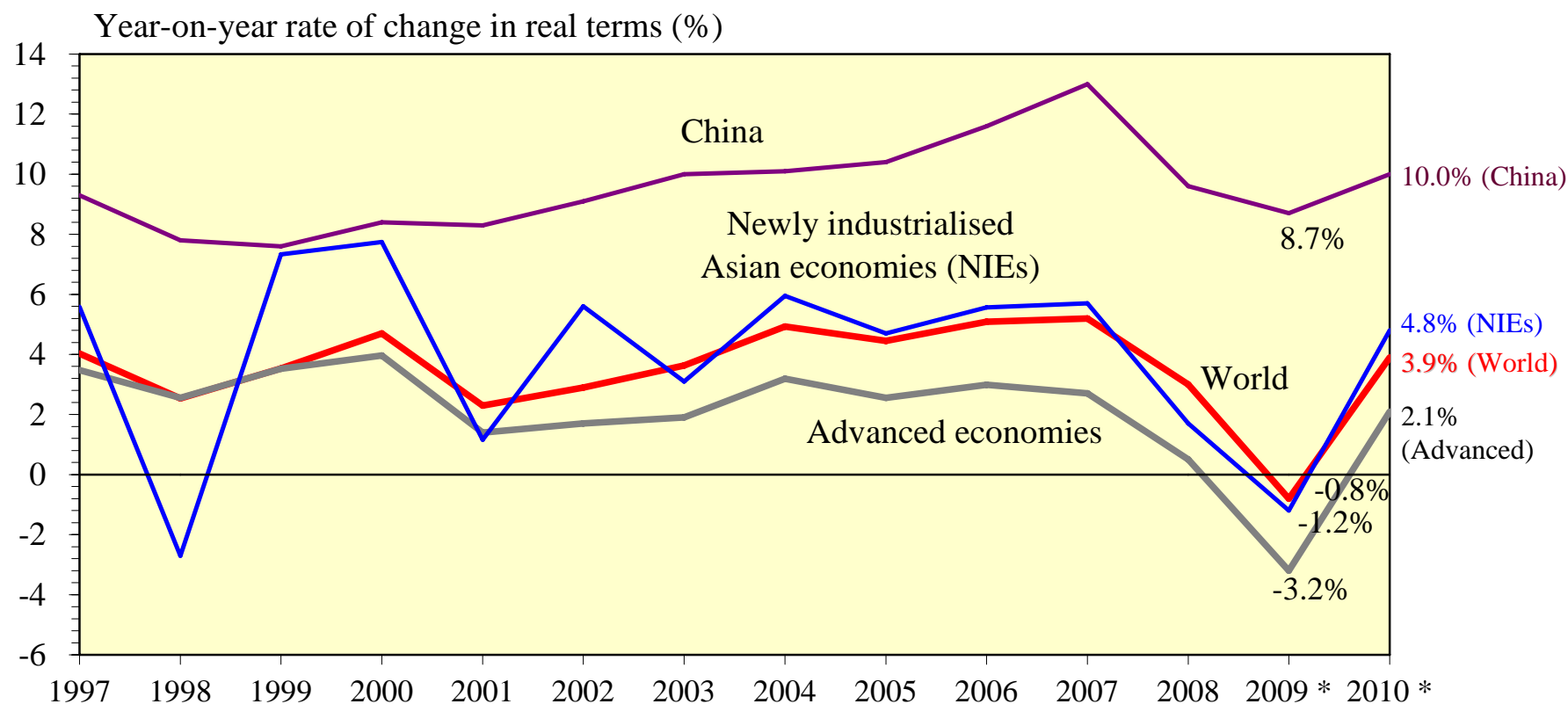


Labour market improved faster than expected after the notable deterioration in early 2009



2010 Economic Outlook

Developing and emerging market economies will take the lead in the recovery process

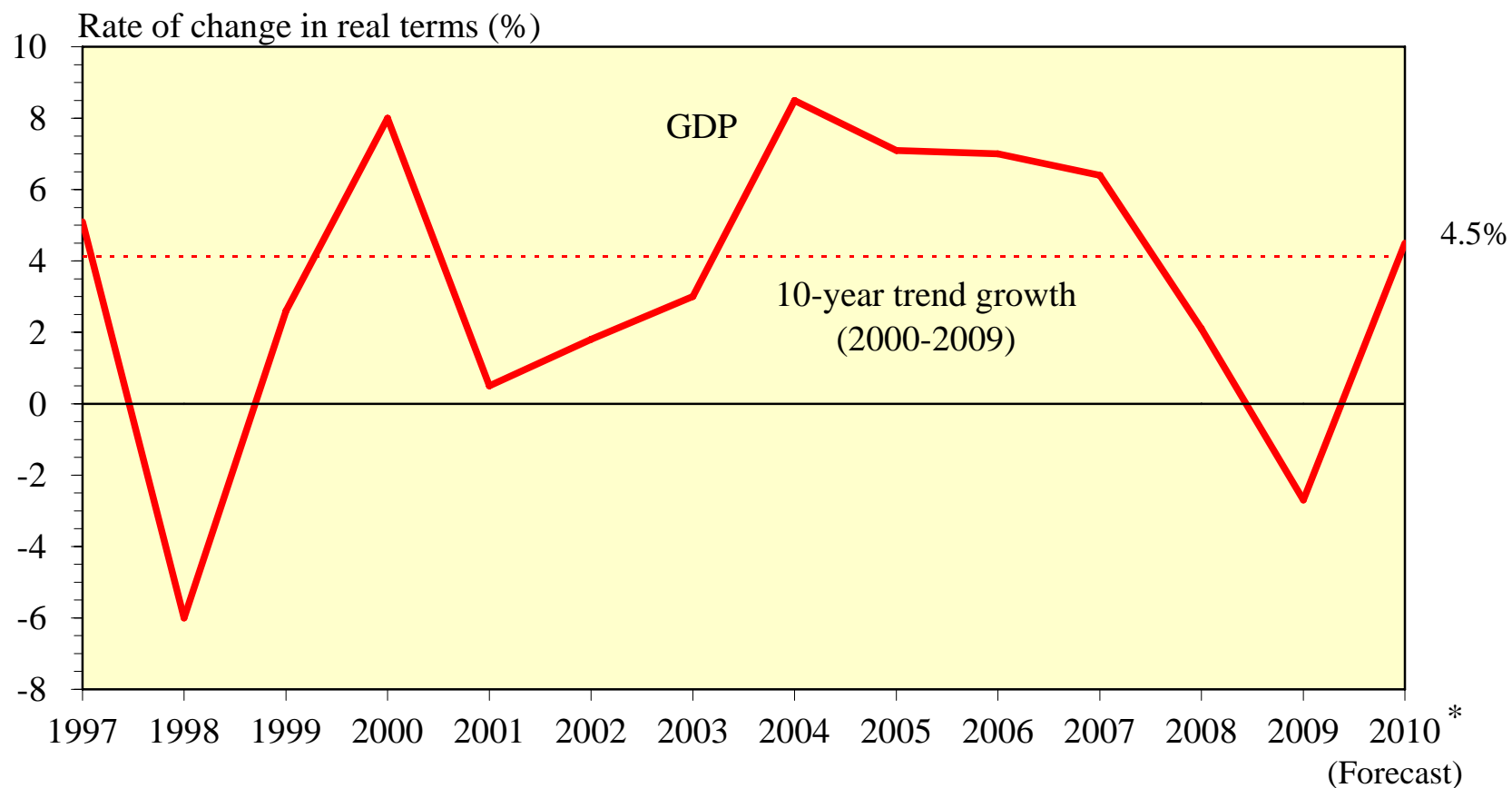


Sources: IMF World Economic Outlook October 2009 database.

Notes: (*) Forecasts from the IMF World Economic Outlook Update January 2010.

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

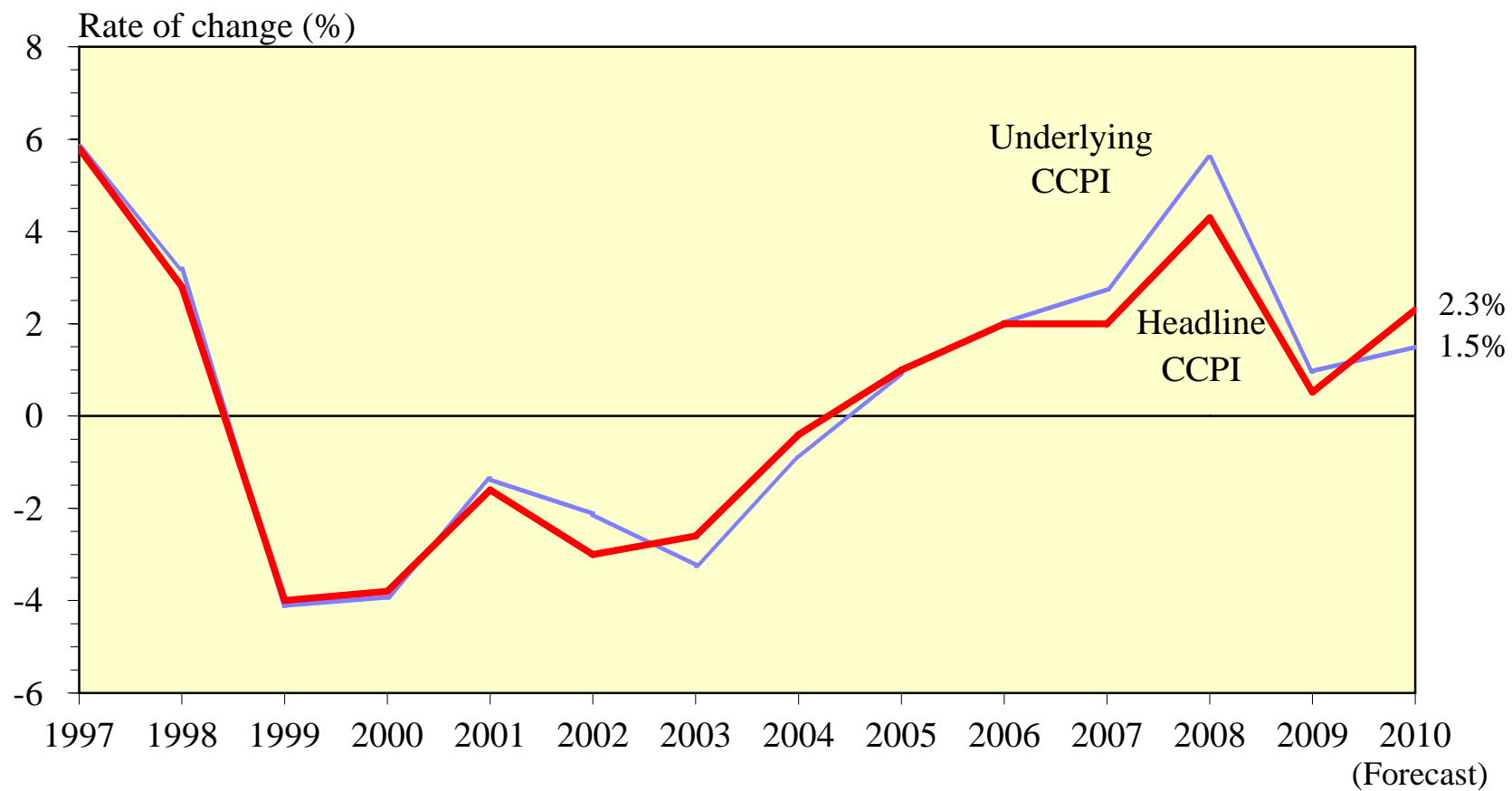
Economy set to return to positive annual growth in 2010



2010 Economic outlook

- Global recovery should continue in 2010, though the pace is likely to be uneven and also vary across regions
- Emerging Asian economies expected to be forerunners in the recovery process
- Hong Kong set to recover further and revert to positive annual growth of 4% to 5% in 2010
- But more uncertain outlook in the second half this year as the exceptional fiscal boosts in major advanced economies are phased out
- Some price pressures likely to return as recovery takes hold. Underlying inflation expected at 1.5% this year

Modest inflation will return as economic recovery takes hold



Major sources of risks

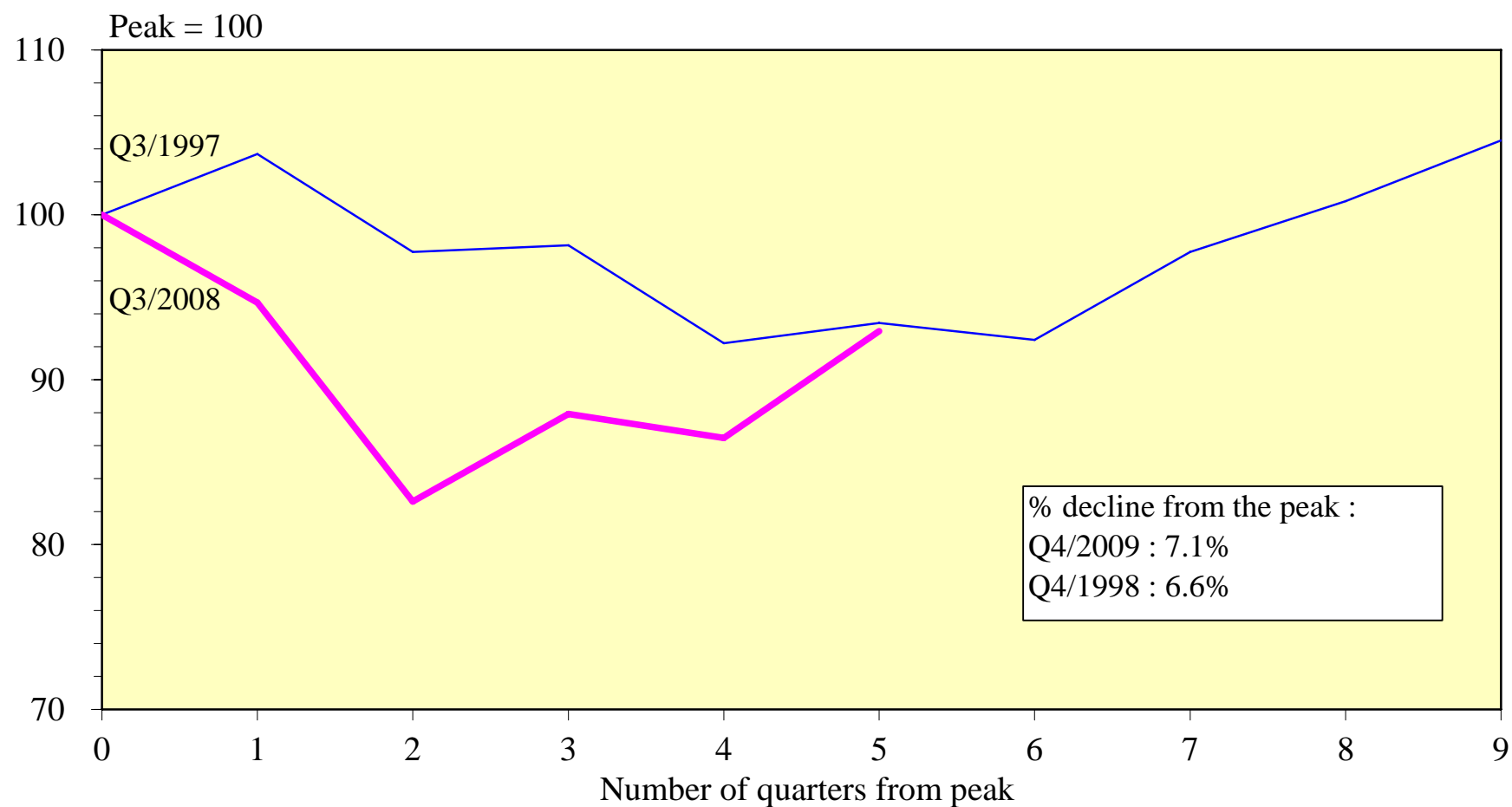
- Shaky fundamentals of the advanced economies
- Timing and pace of the implementation of exit strategies in major economies
- Headwinds from rising protectionist sentiments in the US and Europe
- Financial crisis may not be fully over yet
- Flush of liquidity into emerging economies in Asia could be sources of macroeconomic vulnerabilities in the region

**Hong Kong's economy:
2008-09 Global financial crisis
versus
1997-98 Asian financial crisis**

HK has been much more resilient in countering external shocks as compared to 1997-98 AFC

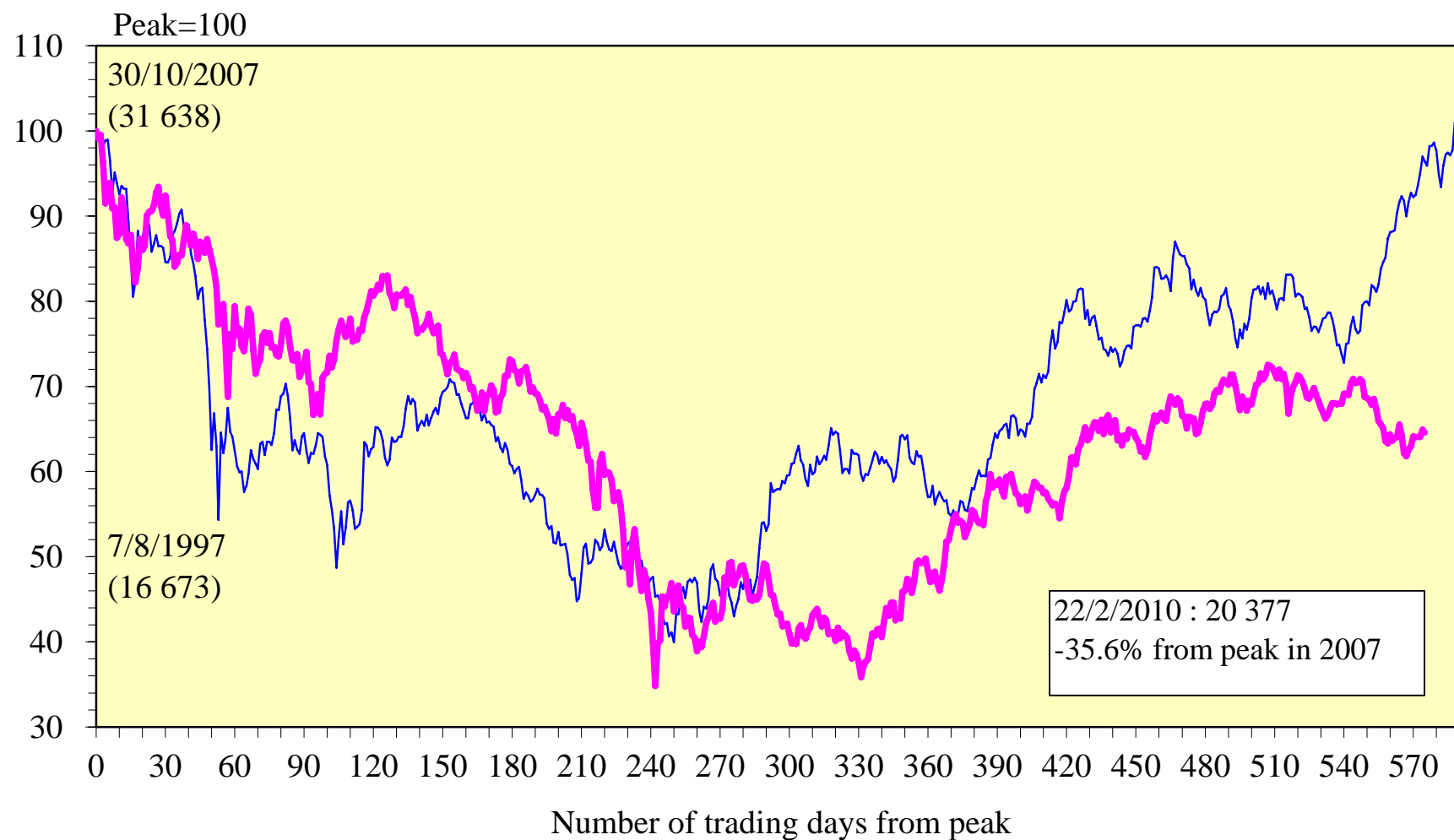
- Global financial crisis in 2008-09 was of a much larger scale than Asian financial crisis in 1997-98
- Global recession most severe since WWII; HK's exports of goods also fell the sharpest since 1954
- Yet housing market held up better this time; credit conditions much more supportive to growth
- Domestic sectors fell less; labour market more resilient with significantly fewer job losses
- Government has acted promptly with the strategy of “stabilising the financial sector, supporting enterprises and preserving employment”

Hong Kong's exports plunged more severely this time

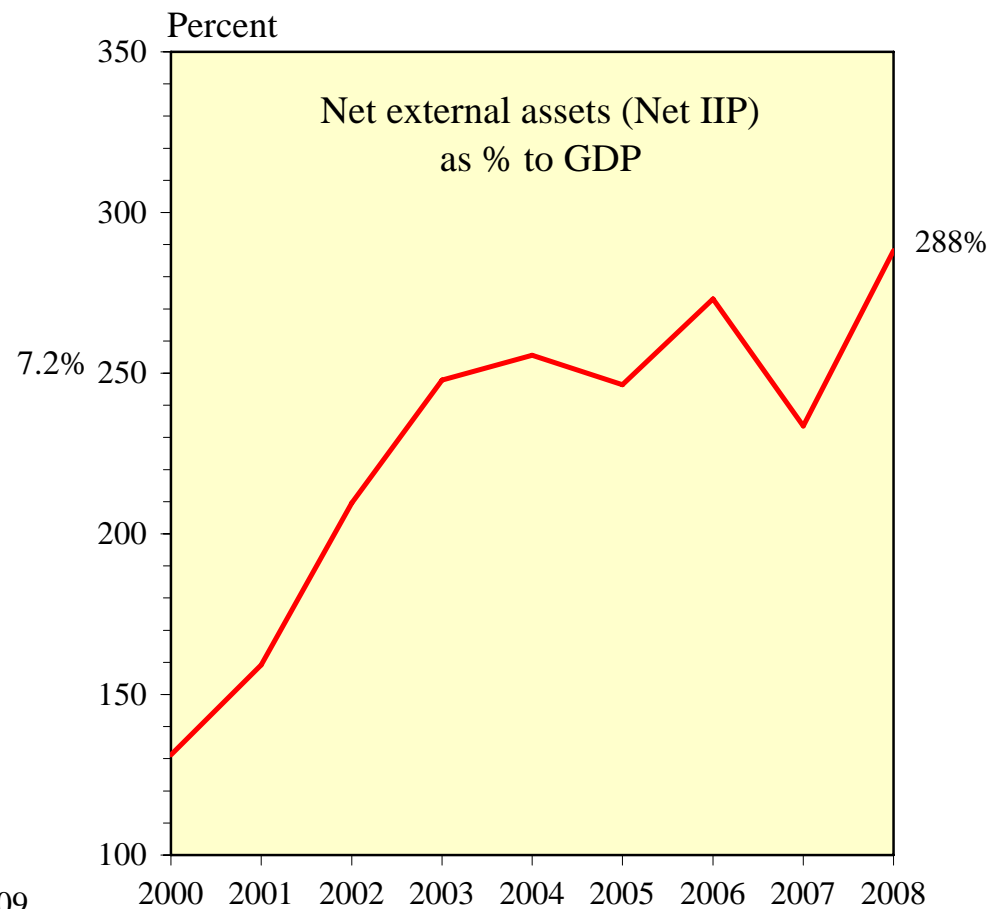
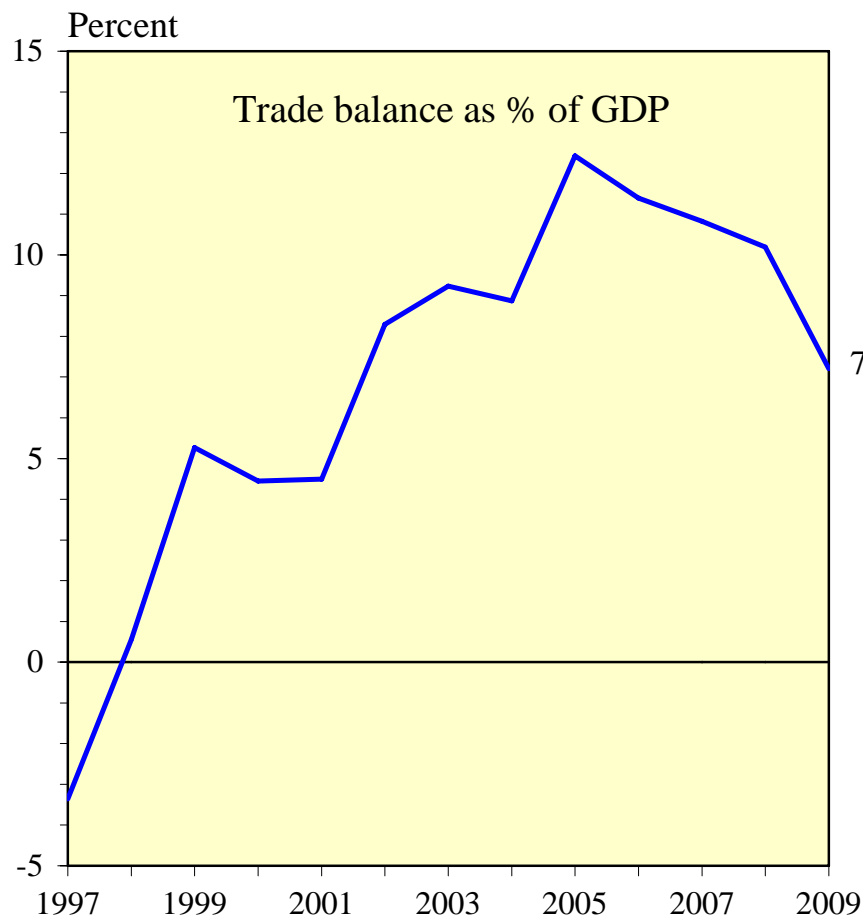


Stock market likewise sharply down

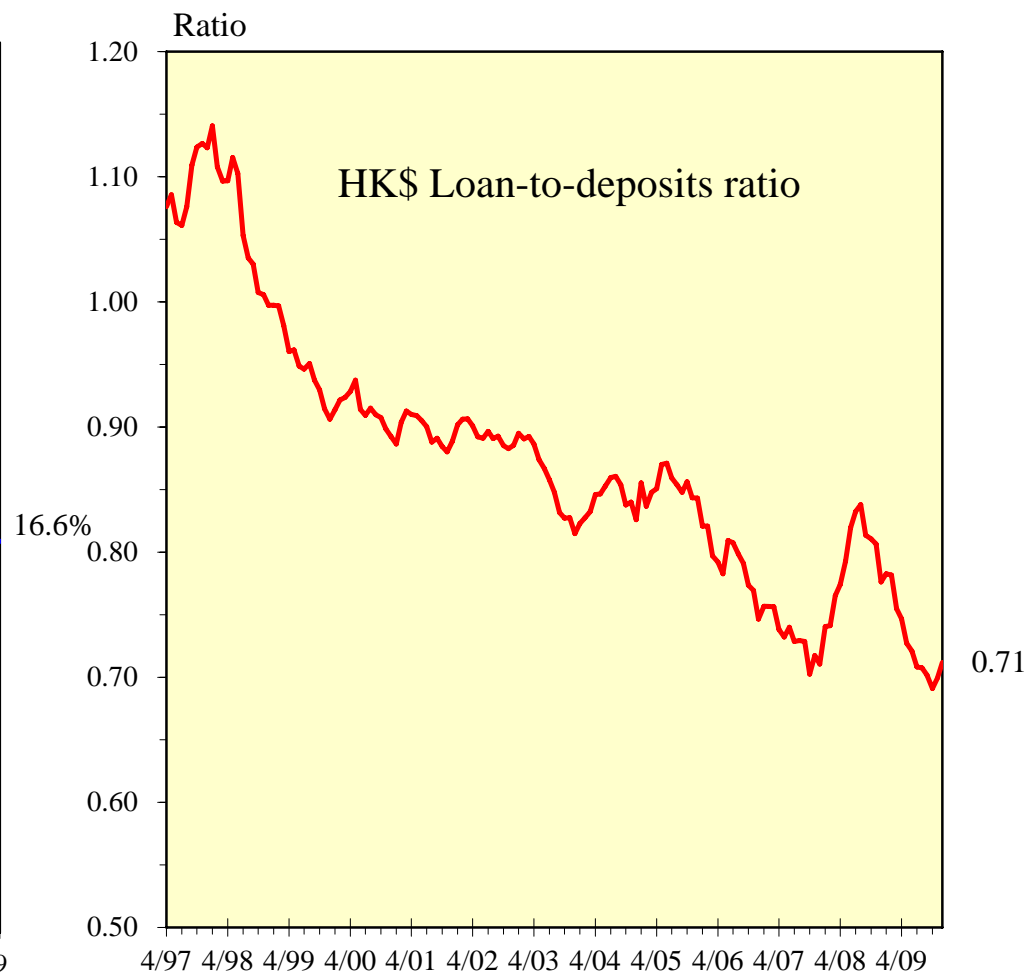
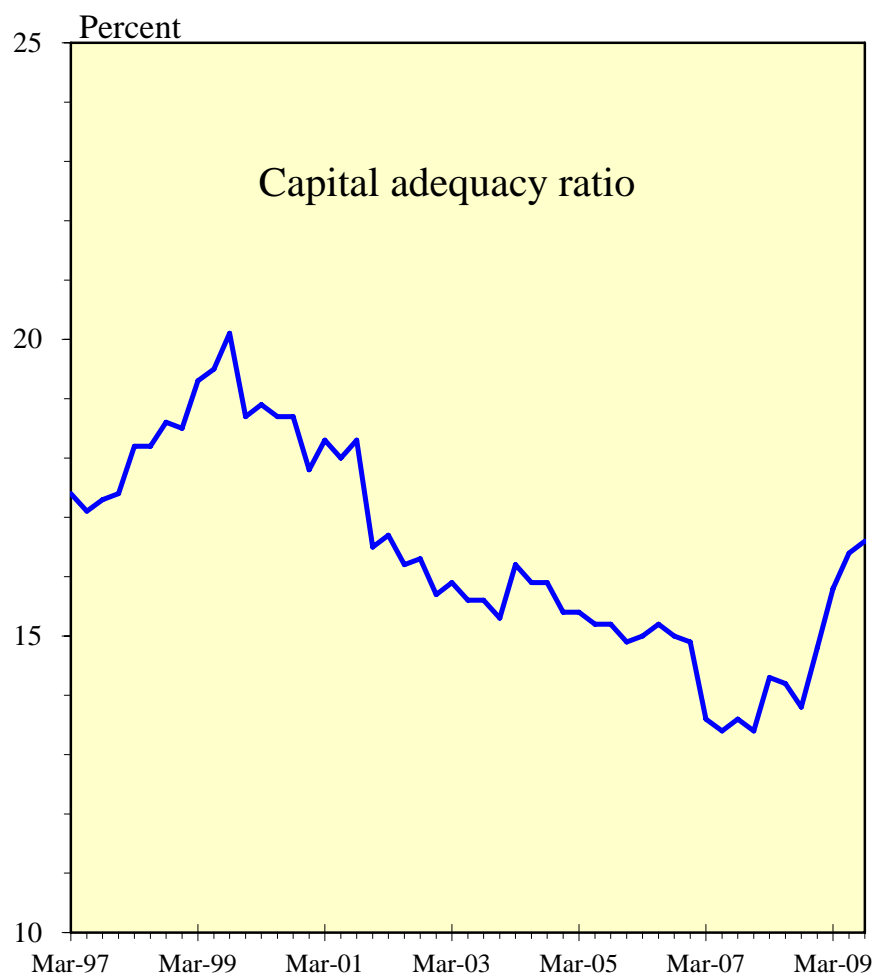
Movements of Hang Seng Index



But fundamentals are much sounder than before

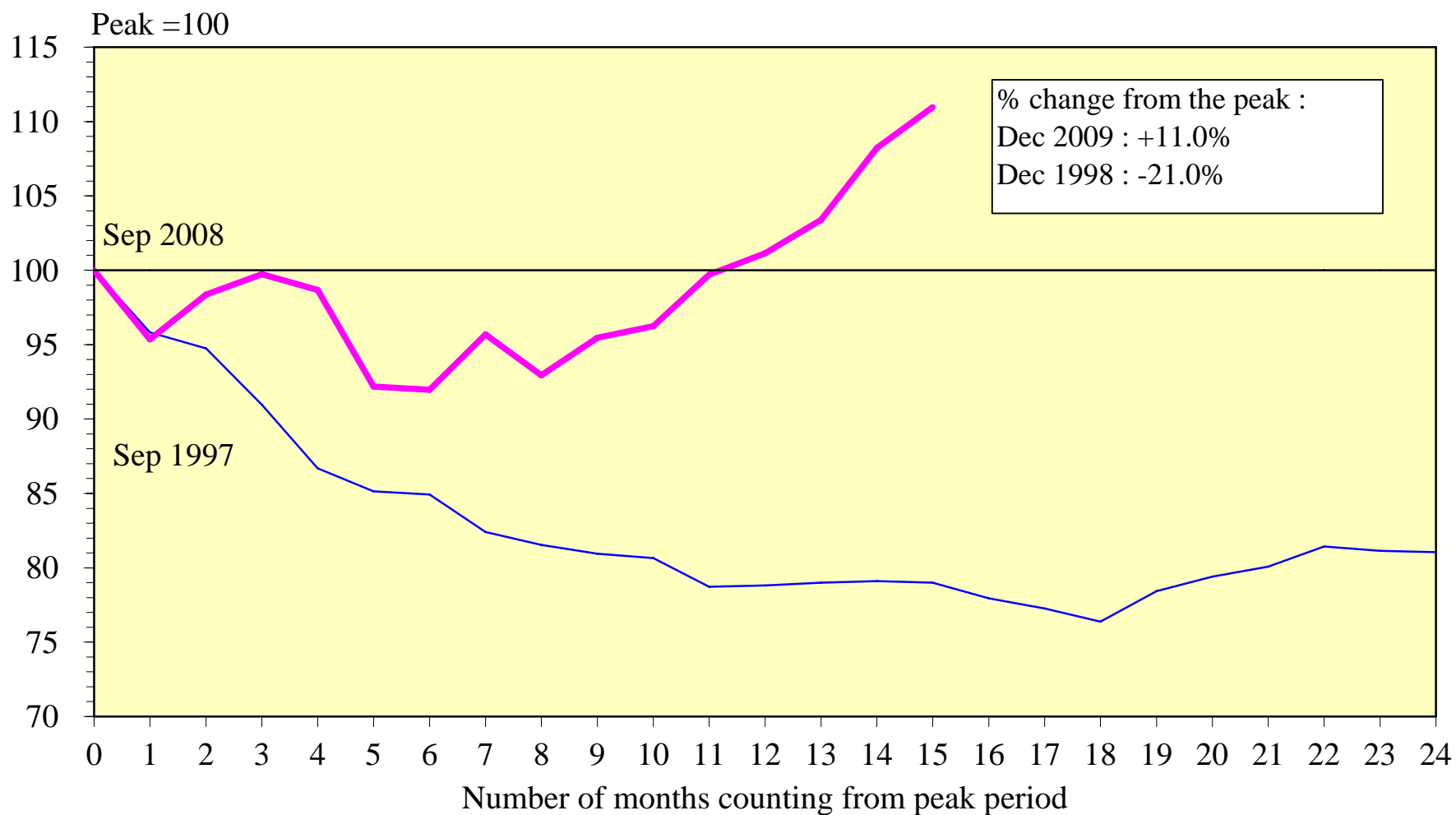


Capital adequacy ratio is very high; loan-to-deposit ratio remained below pre-crisis level



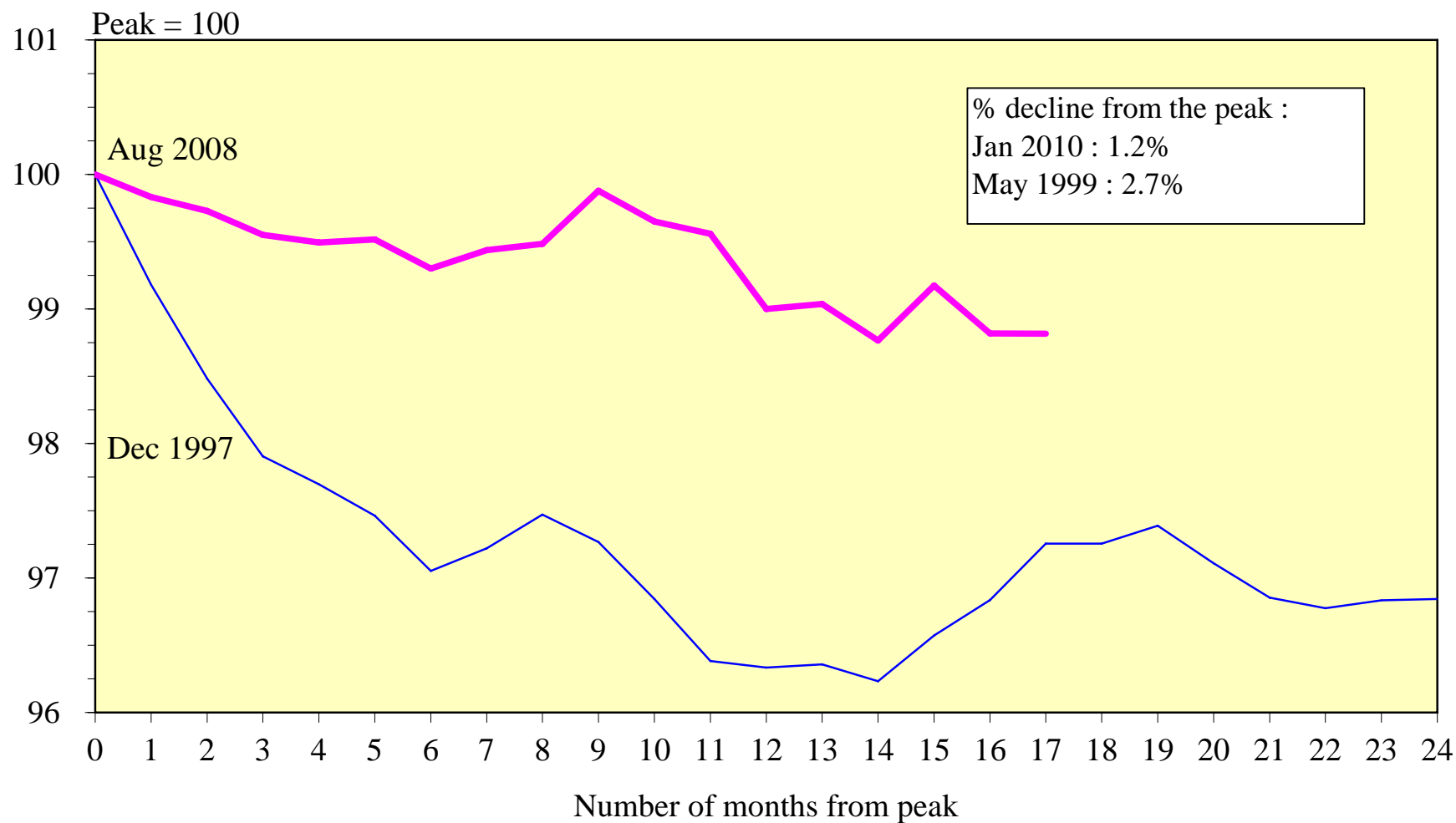
Hence, domestic sector was more resilient

Retail sales volume index (s.a.)



Labour market turned in significantly fewer job losses this time

Employment
(seasonally adjusted)



Several rounds of relief measures have rendered some support to the economy

- Discretionary relief measures since 2008 helped boost GDP in 2009 by around 2 percentage points
- Some 16 900 firms obtained over \$74.2 billion credit under the Loan Guarantee Schemes, helping to secure 290 000 jobs
- 2010/11 Budget measures of \$20 billion, together with increase in capital works expenditure, will boost GDP by 1.3 percentage points

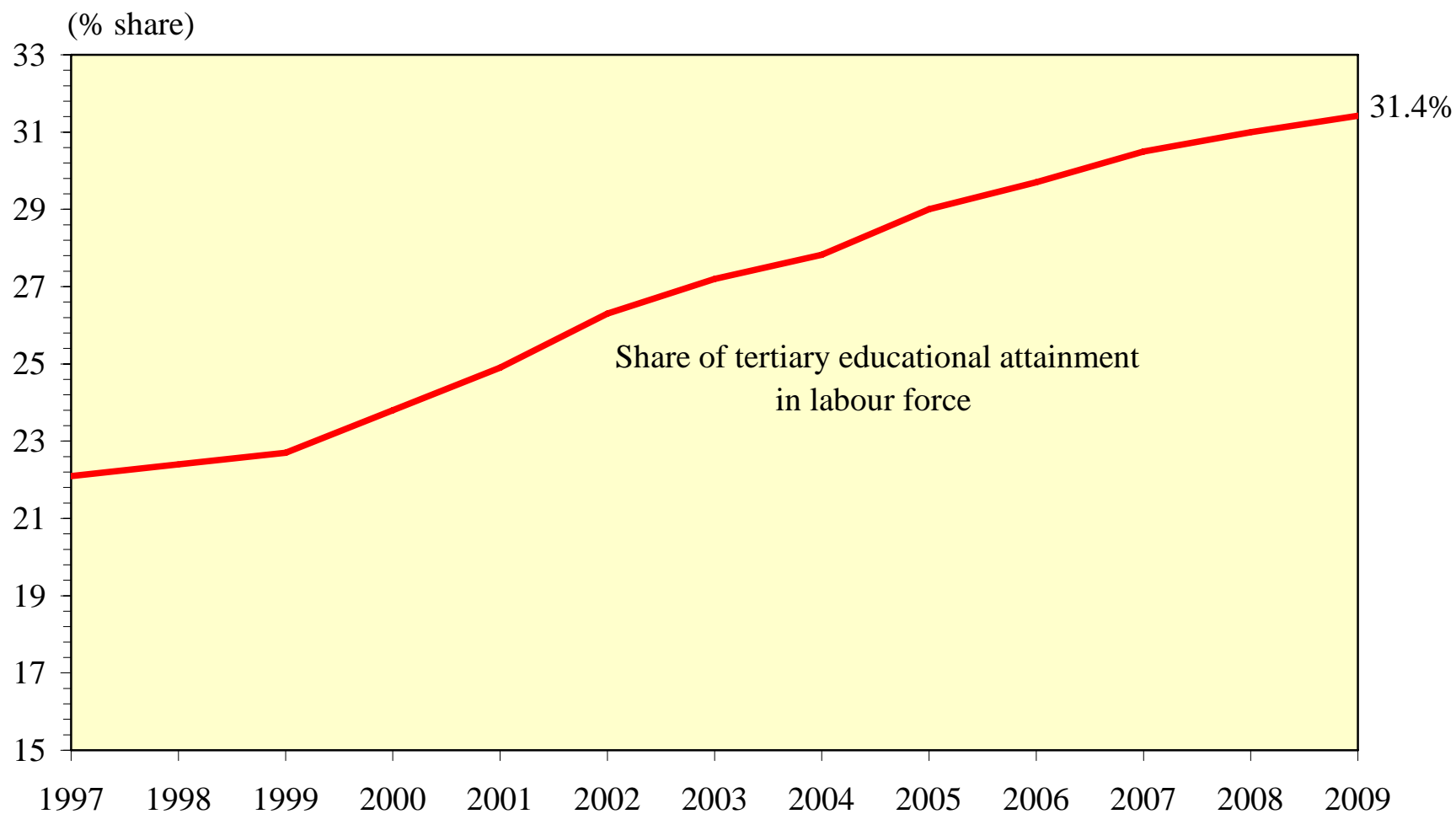
Medium term prospects for Hong Kong economy are bright

- Uphold Hong Kong's status as international financial centre and regional business hub
- Continued enhancement in competitiveness
- Move towards higher value-added and knowledge-based activities
- Strengthening economic relations with the Mainland
- Six economic areas to complement the four traditional pillar industries
- Large-scale infrastructural projects entering peak construction period

Hong Kong highly competitive in the global arena

	Economic Freedom		Competitiveness		Business Facilitation	Financial Development
Organization	Fraser Institute	Heritage Foundation	World Economic Forum		World Bank	City of London
Index	Economic Freedom of the World	Index of Economic Freedom	Global Competitiveness Index	The World Competitiveness Scoreboard	Ease of Doing Business	Global Financial Centres Index (GFCI)
Year	2009	2010	2009-2010	2009	2010	2009
Ranking	1	1	11	2	3	3

Upgrading human capital is key to future success



2010-11 Budget

Thank you

24 February 2010