

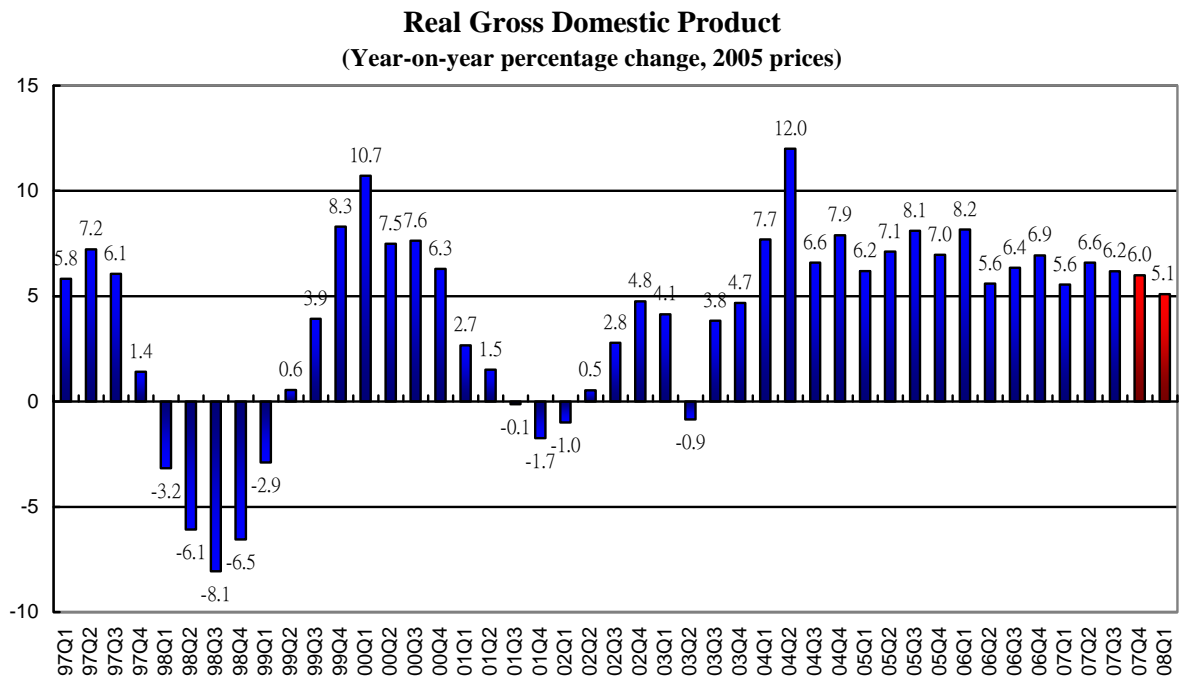


For Immediate Release

HKU Announced 2008 Q1 HK Macroeconomic Forecast

Hong Kong Economic Outlook

The APEC Study Center of the University of Hong Kong (HKU) released its quarterly Hong Kong Macroeconomic Forecast today (January 3). According to its High Frequency Macroeconomic Forecast, real GDP growth in Q4 of 2007 is estimated to be 6.0% on a year-on-year basis. This growth estimate is an upward revision of the 5.5% forecast released on October 3, 2007 due to the stronger growth in private consumption spending. In the first quarter of 2008, real GDP growth is forecast to moderate to 5.1% when compared with the same period last year.



Professor Richard Wong Yue-Chim, Professor of Economics at HKU said that, "Hong Kong's economy is projected to expand with real GDP growing by 6.1% in the year of 2007, moderating from the 6.8% growth in 2006. Private consumption spending is the primary growth driver and accounts for 4.1 percentage points of the overall growth of 2007. The credit market turmoil will bring down the pace of global economic growth. Given a weaker external economic environment, Hong Kong's real GDP is expected to slow down to 5.1% in the current quarter."

"Despite the projected slowdown of global economic growth, local domestic demand is expected to continue growing, with further improvement in the job market. Unemployment rate is forecast to drop further to 3.6% in the current quarter. Headline consumer Inflation rate is forecast to decelerate to 2.4% in the current quarter due to the rates concession. Excluding this effect, the year-on-year percentage change in the consumer price level would be 3.5%," according to Dr. Alan Siu, Director of the APEC Study Center at HKU.

The forecast details are in Table 1 and Table 2, and the forecasts of selected monthly indicators are in Table 3. All growth rates reported are on a year-on-year basis.

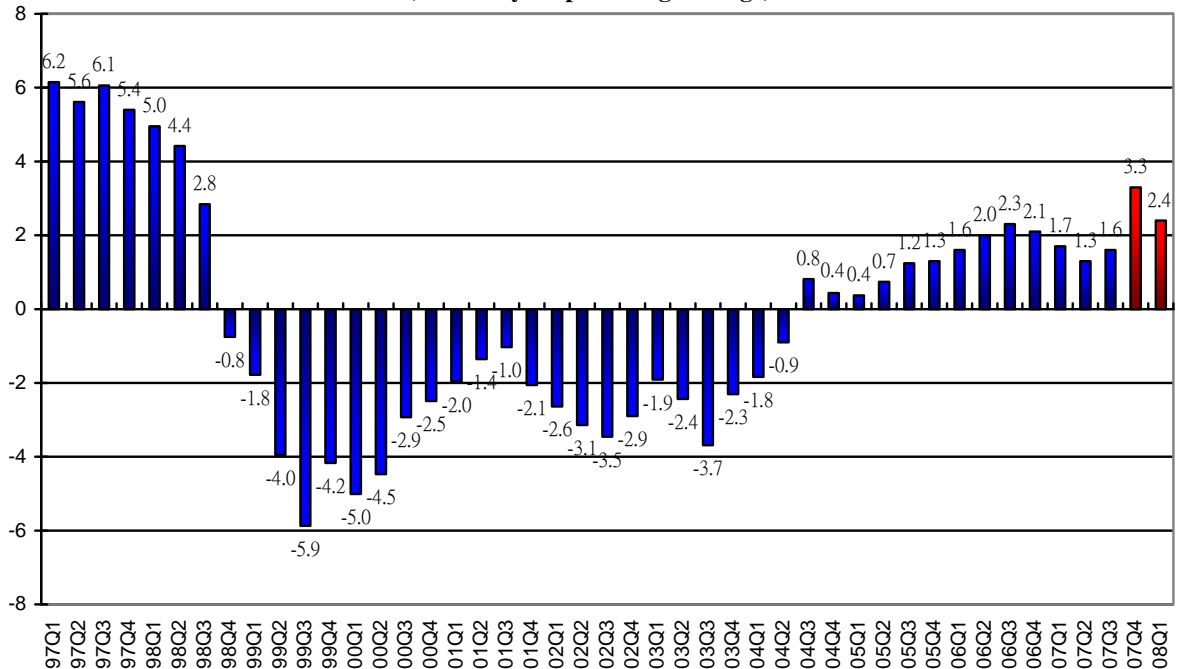
Forecast Highlights

- Private consumption spending surged by 9.7% in Q3 of 2007, up from the 5.7% growth in Q2 of 2007. This strong consumption growth was reflected by the robust growth in labour earnings and rising consumer sentiment as underpinned by the booming property and stock markets. Private consumption expenditure is estimated to grow by 8.2% in Q4 of 2007 and 7.1% for the year of 2007. In the current quarter, private consumption spending is forecast to grow by 6.5%.
- The volume of retail sales in October 2007 registered a broad-based increase of 12.9% when compared with same period last year. Buoyed by positive consumer sentiment, retail sales of jewellery, consumer durables and clothing rose by 27.3%, 26.8% and 14.7%, respectively. The volume of retail sales is forecast to grow by 11.4% in Q4 of 2007 and 9.6% for 2007 as a whole. It is projected to rise by 9.1% in Q1 of 2008
- Total exports of goods grew by 6.4% in Q3, down from the 10.1% growth in Q2. The growth in total exports of goods is estimated to be 6.4% in Q4 of 2007 and 7.3% for 2007 as a whole. Total exports of goods are projected to grow by 8.0% in Q1 of 2008.

- Domestic exports declined by 22.9% in Q3. The contraction is expected to reduce to 2.6% in Q4 of 2007. It is forecast to fall by 20.3% in 2007 for the year as a whole. In Q1 of 2008, domestic exports is projected to grow by 0.5%.
- The weakening of the external demand decelerated the growth of re-exports to 8.2% in Q3 of 2007 from the 11.9% in Q2 of 2007. Moderate growth is expected in the upcoming quarters. It is estimated to grow by 6.8% in Q4 of 2007 and 9.0% in year of 2007. It is projected to grow by 8.3% in Q1 of 2008.
- Service exports grew by 12.3% in Q3 of 2007. The number of visitor arrivals increased by 17.6% in November 2007, when compared with the same period in 2006. This growth was mostly contributed by Mainland visitors who accounted for 11.9% point of the total growth. Continued growth in export of goods also lifted the export growth of trade-related services. Service exports is forecast to expand by 10.3% in Q4 of 2007 and 10.8% for the year of 2007. The growth in Q1 of 2008 is estimated to be 9.2%.
- The imports of goods grew by 8.3% in Q3 of 2007. Reflecting a weakening in external demand, the growth of imports of goods is forecast to moderate to 7.4% in Q4 of 2007 and 8.6% for the year of 2007. The growth is projected to be 9.2% in Q1 of 2008.
- Import of services increased by 8.9% in Q3 of 2007. Service imports is forecast to grow by 8.0% in Q4 of 2007 and 7.4% for the year of 2007. It is estimated to grow by 7.4% in Q1 of 2008.
- The trade balance, as measured by the net exports of goods and services in real terms, is estimated to be 15.2% of GDP in Q3 of 2007. It is forecast to be 14.9% of GDP in Q4 of 2007, 12.4% of GDP for the year of 2007 and 10.3% of GDP in Q1 of 2008.
- Gross fixed capital formation rose by 2.0% in Q3 of 2007. Robust corporate earnings and lower cost of borrowing provided underpinned further growth in capital expenditure. It is estimated to grow by 3.2% in Q4 of 2007 and 4.5% for the year of 2007 as a whole. It is expected to grow by 4.0% in Q1 of 2008.
- Investment in land and construction increased by 4.6% in Q3 of 2007. The investment in land and construction is forecast to go up by 1.9% in Q4 of 2007 and by 3.7% for the year as a whole of 2007. The increase in Q1 of 2008 is estimated to be 3.1%.

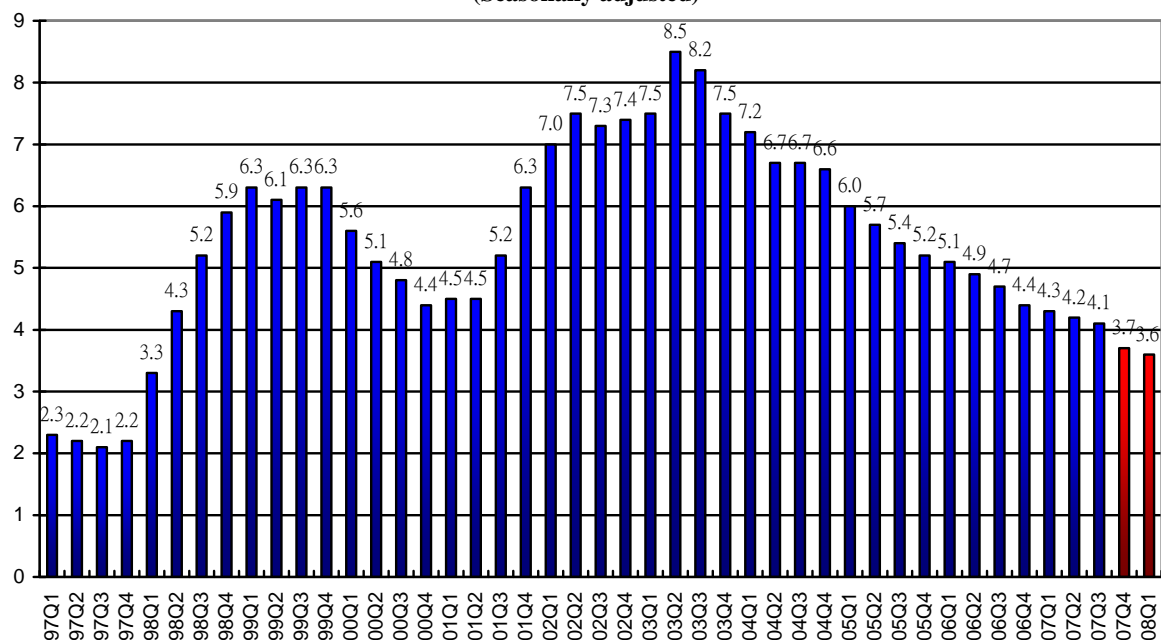
- Investment spending in machinery, equipment and computer software rose by 0.6% in Q3 of 2007. Underpinned by the expectation of continued economic growth, machinery and equipment investment growth is expected to remain. It is estimated to grow by 4.0% in Q4 of 2007 and 4.9% for the year of 2007 as a whole. In the current quarter, the growth estimate is 4.5%.

Composite Consumer Price Index
(Year-on-year percentage change)



- Inflation, as measured by the year-on-year percentage change of the Composite CPI, grew by 3.4% in November 2007, greater than the 3.2% increase in October 2007. Most of the increase was fueled by 1.7 percentage point in food and 1.3 percentage point in housing categories. In the absence of any rates concession in Q4 of 2007, the consumer inflation rate is estimated to be 3.3%. For the year as a whole, inflation is estimated to be 2.0%. The rates waiver in the current quarter will reduce the measured headline consumer inflation rate by about 1 percentage point, with the inflation rate estimated to be 2.4%. Excluding the rates concession, consumer price level would increase by 3.5% when compared with the same period last year.

Unemployment Rate (Seasonally adjusted)



- The provisional seasonally adjusted unemployment rate improved further from 3.9% in the three months average ending in October 2007 to 3.6% for the three months ending in November 2007. Employment environment is ideal currently. The number of unemployed dropped to 127,700 persons in November, lowest since June 1998, while the employment reached the historical high of 3,508,800 persons. The unemployment rate forecast to be 3.7% in Q4 of 2007, and drop slightly to 3.6% in the current quarter.

Concluding Remarks

Global economic growth and the continued integration with the rapidly growing Mainland economy have provided impetus for the continued expansion of the Hong Kong's economy in the past 4 years, with real GDP growing by 8.5% in 2004, 7.1% in 2005, 6.8% in 2006 and an estimated 6.1% in 2007. The economic climate will be less sanguine in 2008. With its economy operating at high gear, continued weakening of the US dollar and lower interest rates, both consumer and asset prices are expected to rise further. Without any fiscal measures, consumer price inflation is forecast to be around 4% this year. Despite the slowdown in the United States, but buoyed by the expected continued strong growth in the Mainland, the Hong Kong economy is forecast to keep on expanding, albeit at a slower rate. Real GDP is estimated to grow by 5.6% in 2008.

About Hong Kong Macroeconomic Forecast Project

The Hong Kong Macroeconomic Forecast is based on research conducted by the APEC Study Center of the HKU's Faculty of Business and Economics. It aims to provide the community with timely information useful for tracking the short-term fluctuations of the economy. The current quarter macro forecasts have been released on a quarterly basis since 1999.

The high frequency forecasting system was originally developed in collaboration with Professor Lawrence Klein of the University of Pennsylvania in 1999-2000. Since then, the system has been maintained and further refined by the HKU APEC Study Center.

The project is sponsored by the Faculty of Business and Economics. The Hong Kong Centre for Economic Research at HKU provides administrative support to the project. Researchers at the APEC Study Center are solely responsible for the accuracy and interpretation of the forecasts. Our quarterly forecasts can be accessed at <http://www.hku.hk/apec/>

For media enquiries, please contact Ms. Cherry Cheung Senior Manager (Media) (Tel: 2859 2606 / 8208 1686) or Ms Denise Wong, Manager (Media) (Tel: 2859 2600 / 9842 6002) of External Relations Office, HKU.

January 3, 2008

High Frequency Macroeconomic Forecasts
APEC Study Center
The University of Hong Kong

Table 1: Current Quarter Model Forecast
(Million of 2005 Dollar)

	2006			2007					2008
	Q3	Q4	Annual	Q1	Q2	Q3	Q4 (forecast)	Annual (forecast)	Q1 (forecast)
Gross Domestic Product	380,031	398,563	1,476,430	367,985	372,456	403,502	422,664	1,566,607	386,820
Private Consumption Expenditure	208,083	224,309	852,163	214,921	226,833	228,343	242,604	912,701	228,846
Government Consumption Expenditure	29,919	30,935	121,764	33,551	28,896	30,264	31,863	124,574	34,558
Total Export of Goods	662,461	669,499	2,461,008	579,114	644,777	704,646	712,100	2,640,637	625,327
Domestic Export of Goods	39,294	30,616	140,367	22,790	28,940	30,299	29,829	111,858	22,904
Re-export of Goods	623,167	638,883	2,320,641	556,324	615,837	674,347	682,271	2,528,779	602,423
Import of Goods	667,208	682,172	2,523,907	604,736	680,772	722,907	732,806	2,741,221	660,453
Export of Services	143,230	147,604	539,907	136,433	138,232	160,789	162,756	598,210	148,975
Import of Services	74,739	73,254	281,806	68,901	73,311	81,393	79,115	302,720	74,008
Gross Fixed Capital Formation	80,083	78,580	307,506	75,488	82,906	81,724	81,117	321,235	78,476
GFCF in Land & Construction	28,500	28,684	114,774	29,630	30,374	29,809	29,239	119,052	30,552
GFCF in Machinery & Equip.	51,583	49,896	192,732	45,858	52,532	51,915	51,878	202,183	47,924
Changes in Inventories	-1,798	3,062	-205	2,115	4,895	2,036	4,144	13,190	5,100
Date of Forecast: Dec 27, 2007									

High Frequency Macroeconomic Forecasts
APEC Study Center
The University of Hong Kong

Table 2: Current Quarter Model Forecast
Year-on-Year Growth Rate (%)

	2006			2007					2008
	Q3	Q4	Annual	Q1	Q2	Q3	Q4 (forecast)	Annual (forecast)	Q1 (forecast)
Gross Domestic Product	6.4	6.9	6.8	5.6	6.6	6.2	6.0	6.1	5.1
Private Consumption Expenditure	4.5	6.2	5.9	4.8	5.7	9.7	8.2	7.1	6.5
Government Consumption Expenditure	-1.1	2.3	0.3	2.4	2.7	1.2	3.0	2.3	3.0
Total Export of Goods	7.9	10.6	9.3	6.6	10.1	6.4	6.4	7.3	8.0
Domestic Export of Goods	-3.1	-30.2	3.0	-34.6	-18.7	-22.9	-2.6	-20.3	0.5
Re-export of Goods	8.7	13.8	9.7	9.4	11.9	8.2	6.8	9.0	8.3
Import of Goods	7.5	10.6	9.2	7.1	11.6	8.3	7.4	8.6	9.2
Export of Services	8.6	8.7	8.9	9.0	11.6	12.3	10.3	10.8	9.2
Import of Services	5.3	7.5	6.6	4.5	8.0	8.9	8.0	7.4	7.4
Gross Fixed Capital Formation	9.7	6.9	6.3	2.8	10.0	2.0	3.2	4.5	4.0
GFCF in Land & Construction	-8.3	-2.4	-8.8	1.0	7.5	4.6	1.9	3.7	3.1
GFCF in Machinery, Equip. & Computer Software	22.9	13.2	18.0	3.9	11.5	0.6	4.0	4.9	4.5
GDP Deflator Growth Rate	-0.6	0.8	-0.1	1.2	1.9	3.4	4.1	2.7	5.6
CPI (Composite) Inflation Rate	2.3	2.1	2.0	1.7	1.3	1.6	3.3	2.0	2.4
Unemployment Rate	4.7	4.4	4.8	4.3	4.2	4.1	3.7	4.1	3.6

Date of Forecast: Dec 27, 2007

High Frequency Macroeconomic Forecasts

APEC Study Center

The University of Hong Kong

Table 3: Selected Monthly Indicators
Year-on-Year Growth Rate (%)

	2007									2008		
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
Unit Value Trade Index (Domestic Exports)	0.8	0.8	0.4	0.7	0.8	0.8	1.3	1.0	0.9	0.8	0.8	1.3
Unit Value Trade Index (Imports of Foodstuffs)	6.5	5.5	6.2	6.7	7.0	6.7	7.1	6.3	5.9	5.3	5.1	5.1
Unit Value Trade Index (Imports of Consumer Goods)	3.3	3.2	3.1	3.7	2.6	4.0	3.8	4.4	4.1	3.8	3.2	3.2
Unit Value Trade Index (Imports of Raw Materials & Semi-Manufactures)	3.7	2.4	1.8	1.1	1.8	1.4	1.2	0.8	0.6	1.1	2.1	2.8
Unit Value Trade Index (Imports of Fuels)	-0.5	-0.9	-3.9	4.2	8.1	12.1	19.1	30.5	41.0	33.2	28.7	20.8
Unit Value Trade Index (Imports of Capital Goods)	-0.1	0.2	-0.6	-0.2	0.0	0.1	0.0	0.7	0.8	1.6	1.7	1.6
Real Retained Imports of Foodstuffs	2.1	0.4	11.0	8.7	17.3	2.2	7.2	3.5	15.7	-1.1	9.6	6.4
Real Retained Imports of Consumer Goods	-3.8	6.3	3.2	2.9	17.5	9.3	27.4	9.2	20.0	-2.7	69.1	-1.9
Real Retained Imports of Raw Materials & Semi-Manufactures	15.2	20.2	26.5	37.8	17.8	30.3	30.1	12.7	7.2	10.2	18.6	4.1
Real Retained Imports of Fuels	44.2	-9.8	45.3	8.2	-8.3	-2.3	17.1	-18.5	23.5	-7.1	-8.4	-6.7
Real Retained Imports of Capital Goods	20.8	-17.4	-1.3	-22.1	-8.2	-7.6	-1.6	-8.6	-16.9	-3.3	28.7	-7.3
Total Motor Vehicles Newly Registered	6.1	17.9	20.4	31.0	6.3	-0.7	34.5	25.8	24.0	15.3	34.6	26.1
Private Cars Newly Registered	2.1	21.1	24.1	46.8	15.9	2.7	38.2	28.7	33.7	22.7	52.0	34.9
Volume Index of Retail Sales	1.7	9.4	12.8	12.1	12.7	12.9	12.9	13.3	8.7	15.7	1.6	9.9
Money Supply (M2)	13.1	9.6	20.6	17.3	17.0	22.4	31.7	22.0	25.3	22.5	20.5	23.1
Loans and Advances	9.3	3.3	18.3	12.4	12.8	21.8	30.1	19.4	32.7	28.5	24.0	27.7
Visitors Arrivals	2.3	12.6	7.7	12.3	16.9	15.9	17.0	17.6	11.4	15.9	3.8	15.7
Hong Kong Resident Departures	2.6	5.3	8.7	6.8	5.6	12.4	4.4	9.7	7.7	13.8	3.8	9.2
Electricity Consumption	-4.4	2.1	11.0	5.0	-10.9	-4.3	-1.0	-2.5	-3.8	-7.2	-0.8	-10.4
Gas Consumption	1.7	4.0	0.2	-1.4	-1.0	-2.0	-0.2	0.8	1.3	0.7	-0.7	1.6

Date of Forecast: Dec 27, 2007