

April 2008

Hong Kong economy likely to grow 4.5% in 2008

HONG KONG, April 2 (Xinhua) -- Hong Kong is most likely to record an economic growth of 4.5 percent in 2008, with an inflation rate of 3.4 percent, the Asian Development Bank said in its annual forecasts on Asian developing economies Wednesday.

"The support from the Chinese mainland is good for Hong Kong," the bank's chief economist Ifzal Ali said on the release of the Asian Development Outlook 2008.

The report said domestic demand is expected to remain strong in 2008 whereas merchandise exports are likely to weaken because of slower growth on the Chinese mainland, decline in the United States and a strong yuan. "However, in line with a weaker U.S. dollar, the Hong Kong dollar is projected to depreciate against many other currencies, supporting exports to Asian and other markets," the report said.

Economic growth of the southern Chinese special administrative region will edge up to 4.8 percent in 2009, with inflation moving down to 2.8 percent, it said. Ifzal said the global environment was unfavorable.

"A global slowdown is now under way," he said, citing the coincident slowing of growth expected in the United States, the eurozone and Japan, instead of a slowdown only in the United States, as "one of the fundamental changes." Rising food prices and rents will underpin inflation in 2008, the report said.

The weaker U.S. dollar and firmer yuan will add to the upward pressure. But the recently announced waiver on property rates and public housing rents, and a one-off grant to subsidize electricity costs, will help moderate the price increases.

The report also identified two key development challenges, shortage of skilled labor and an aging population.

- Mu Xuequan, China.View.com