

Hong Kong faces slowdown as Western economic contagion spreads

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Hong Kong - Hong Kong's economy could slow in the second half of this year as the impact of a slump in the United States and economic woes in Western Europe spread to Asia, the head of Hong Kong government's banking body said Thursday.

Economic growth could be lower than expected because there are signs Asia is being affected by the downturn in Western economies, Monetary Authority Chief Executive Joseph Yam warned. The authority is responsible for managing Hong Kong's official reserves and keeping the Hong Kong dollar stable.

The government has forecast growth in the gross domestic product (GDP) of 4 to 5 per cent this year and said "it is likely that GDP growth in 2008 should be close to the upper end of the range forecast," barring "any unforeseen shocks."

The forecast compared with 6.3 per cent growth in 2007.

Yam said Hong Kong's sound financial system would provide support for all sectors of the local economy, but he echoed recent comments made by other financial experts who thought Asia would be next in line to suffer economic weakness caused by falling demand and inflation in the West.

Speaking on August 4, HSBC Holdings PLC chairman Stephen Green said: "I don't believe the emerging markets have completely decoupled. There is no way a serious downturn in the US will leave Asia immune."

Green, who was commenting after announcing a 28-per-cent fall in HSBC's interim pre-tax profits in the first half of the year to 10.3 billion dollars, said Asia would grow but "with less momentum than in the recent past."

The Asian Development Bank last month forecast Hong Kong's economy would grow by 4.9 per cent this year, slightly lower than previously predicted, after slower growth in the second quarter and rising inflation as a result of higher oil and food prices. (dpa)

Source: Mohit Joshi