

## **Hong Kong inflation to remain high at 5 pct next yr - Hang Seng Bank**

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HONG KONG (XFN-ASIA) - Hong Kong's inflation rate will stay high at 5.0 pct next year due to 'elevated' oil prices and higher cost of imported goods, Hang Seng Bank said.

'Elevated oil prices would mean that inflation could stay high in 2009, but probably not skyrocketing, as a global downturn would eventually dampen oil demand, putting a lid on oil prices and taming inflation,' the bank said in a report.

A softening currency exposes the highly import-dependent Hong Kong economy to imported inflation, it added.

Hong Kong's trade weighted real effective exchange rate has depreciated 13.7 pct since November 2005.

'The global economy seems to be on the verge of a 'synchronized slowdown' due to the surging oil price...Against this backdrop, Hong Kong's inflation looks set to climb,' the bank said.

It noted that the government's newly proposed 11 bln hkd relief package is likely to suppress headline consumer price inflation in the coming months, helping contain inflation at 5.0 pct.

Source: Rob Lau



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