High Frequency Macroeconomic Forecast

Fourth Quarter 2013

APEC Studies Programme

HK Institute of Economics & Business Strategy

The University of Hong Kong

October 8, 2013

http://www.hiebs.hku.hk/apec/

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

	2012			2013				
	Q3	Q4	Annual	Q1	Q2	Q3 (Estimate)	Q4 (Forecast)	Annual (Forecast)
Gross Domestic Product	1.5	2.8	1.5	2.9	3.3	3.6	3.7	3.4
Private Consumption Expenditure	1.5	2.7	3.0	6.3	4.2	4.0	4.1	4.6
Government Consumption Expenditure	4.0	3.3	3.7	2.1	3.1	3.0	3.0	2.8
Exports of Goods	4.6	6.7	1.8	8.8	6.2	6.1	5.4	6.5
Imports of Goods	4.7	7.6	3.0	9.6	7.6	7.2	6.2	7.6
Exports of Services	0.2	3.0	2.0	5.3	8.1	7.4	6.7	6.9
Imports of Services	-1.5	-0.7	0.4	0.5	-1.4	-0.3	1.7	0.1
Gross Fixed Capital Formation	8.2	11.4	9.4	-3.3	6.9	0.9	-1.4	0.8
GFCF in Land & Construction	6.7	14.8	8.0	-2.6	-7.9	-6.2	-7.9	-6.2
GFCF in Machinery , Equip. & Computer Software	10.1	9.2	10.7	-4.0	19.4	6.4	4.5	6.9
GDP Deflator Growth Rate	4.3	4.3	3.9	1.4	0.7	-0.2	0.4	0.5
CPI (Composite) Inflation Rate	3.1	3.8	4.1	3.7	4.0	5.3	4.1	4.3
Unemployment Rate	3.3	3.3	3.3	3.5	3.3	3.3	3.3	3.3

Date of Forecast: October 2, 2013

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

3.1%

3.7%

	2012			2013				
	Q3	Q4	Annual	Q1	Q2	Q3 (Estimate)	Q4 (Forecast)	Annual (Forecast)
Gross Domestic Product	1.5	2.8	1.5	2.9	3.3	3.6	3.7	3.4
Private Consumption Expenditure	1.5	2.7	3.0	6.3	4.2	4.0	4.1	4.6
Government Consumption Expenditure	4.0	3.3	3.7	2.1	3.1	3.0	3.0	2.8
Exports of Goods	4.6	6.7	1.8	8.8	6.2	6.1	5.4	6.5
Imports of Goods	4.7	7.6	3.0	9.6	7.6	7.2	6.2	7.6
Exports of Services	0.2	3.0	2.0	5.3	8.1	7.4	6.7	6.9
Imports of Services	-1.5	-0.7	0.4	0.5	-1.4	-0.3	1.7	0.1
Gross Fixed Capital Formation	8.2	11.4	9.4	-3.3	6.9	0.9	-1.4	0.8
GFCF in Land & Construction	6.7	14.8	8.0	-2.6	-7.9	-6.2	-7.9	-6.2
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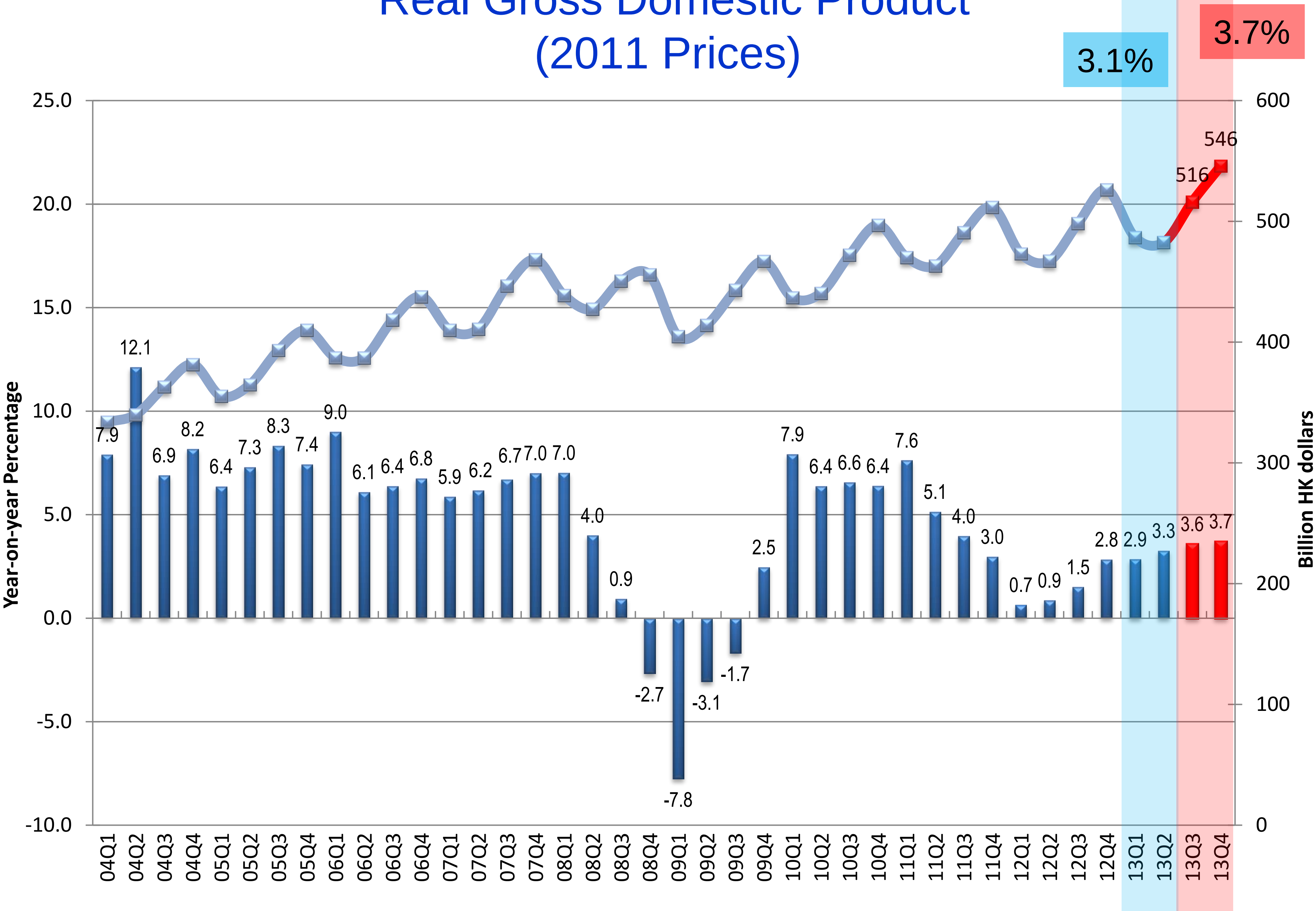
CPI (Composite) Inflation Rate	3.1	3.8	4.1	3.7	4.0	5.3	4.1	4.3
Unemployment Rate	3.3	3.3	3.3	3.5	3.3	3.3	3.3	3.3

Date of Forecast: October 2, 2013

Real Gross Domestic Product (2011 Prices)



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

	2012			2013				
	Q3	Q4	Annual	Q1	Q2	Q3 (Estimate)	Q4 (Forecast)	Annual (Forecast)
Gross Domestic Product	1.5	2.8	1.5	2.9	3.3	3.6	3.7	3.4
Private Consumption Expenditure	1.5	2.7	3.0	6.3	4.2	4.0	4.1	4.6
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GFCF in Land & Construction	6.7	14.8	8.0	-2.6	-7.9	-6.2	-7.9	-6.2
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CPI (Composite) Inflation Rate	3.1	3.8	4.1	3.7	4.0	5.3	4.1	4.3
Unemployment Rate	3.3	3.3	3.3	3.5	3.3	3.3	3.3	3.3
Date of Forecast: October 2, 2013								

3.9%

4.7%

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

	2012			2013				
	Q3	Q4	Annual	Q1	Q2	Q3 (Estimate)	Q4 (Forecast)	Annual (Forecast)
Gross Domestic Product	1.5	2.8	1.5	2.9	3.3	3.6	3.7	3.4
Private Consumption Expenditure	1.5	2.7	3.0	6.3	4.2	4.0	4.1	4.6
Government Consumption Expenditure	4.0	3.3	3.7	2.1	3.1	3.0	3.0	2.8
Exports of Goods	4.6	6.7	1.8	8.8	6.2	6.1	5.4	6.5
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GFCF in Land & Construction	6.7	14.8	8.0	-2.6	-7.9	-6.2	-7.9	-6.2
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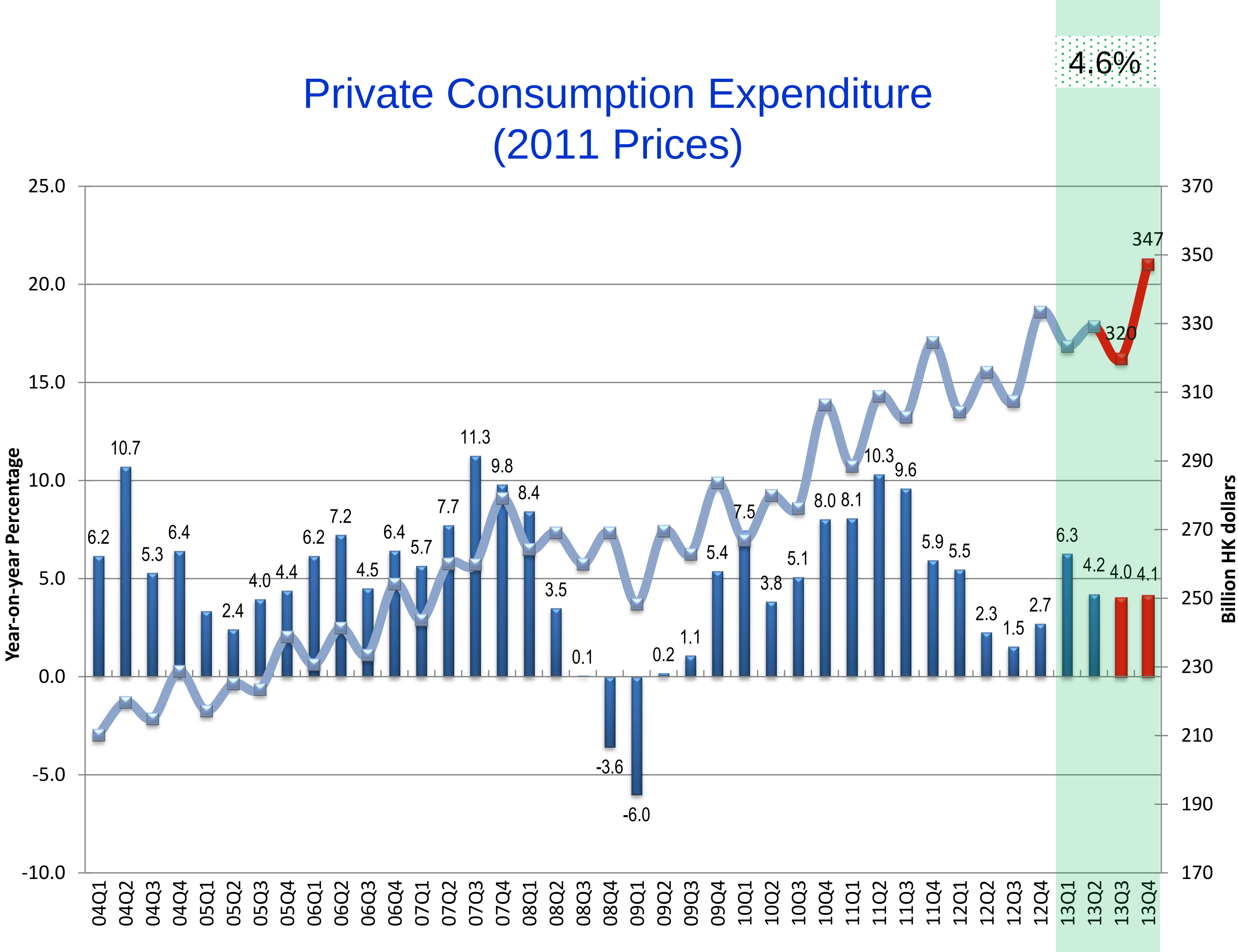
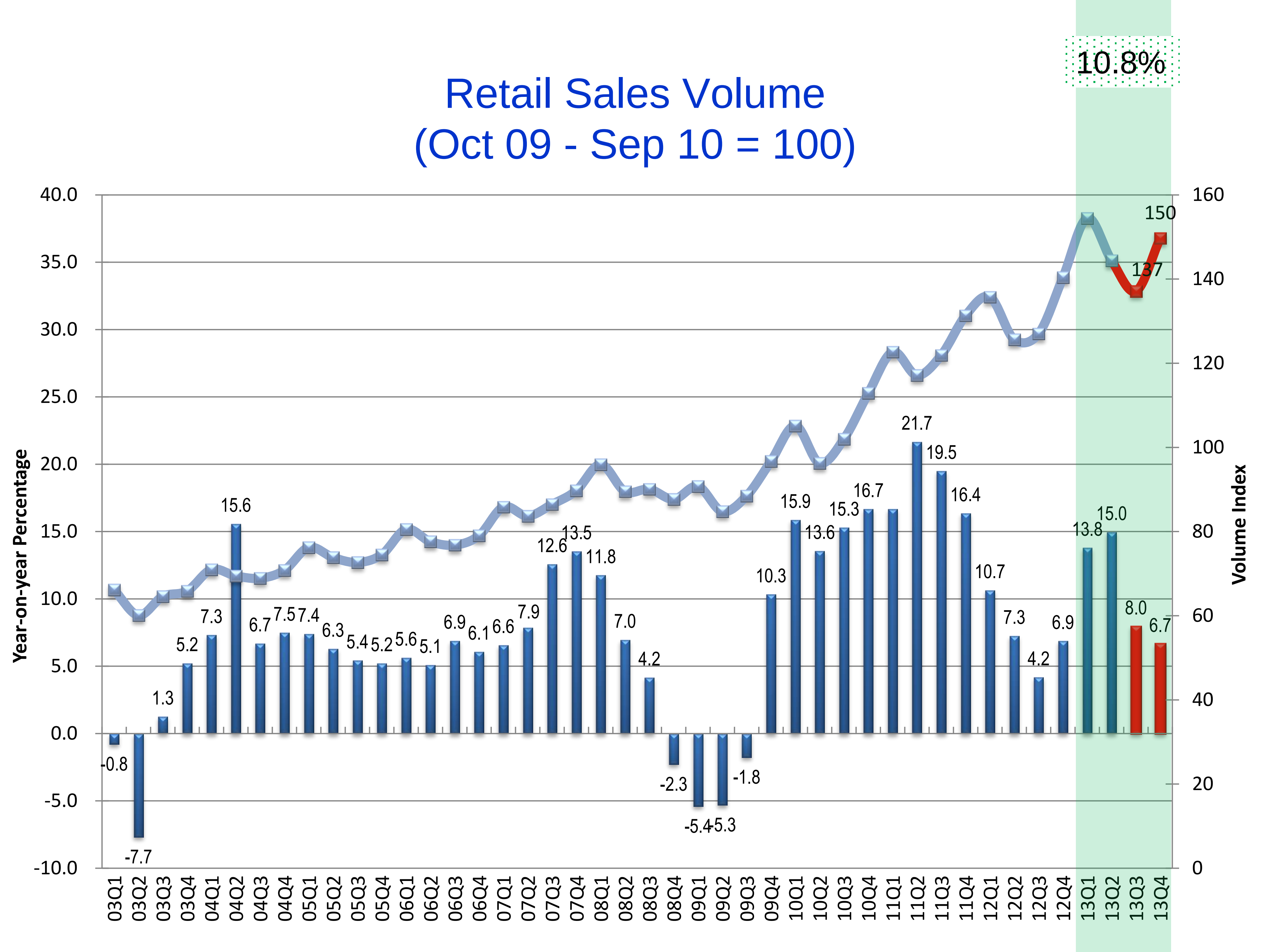
GDP Deflator Growth Rate	4.3	4.3	3.9	1.4	0.7	-0.2	0.4	0.5
CPI (Composite) Inflation Rate	3.1	3.8	4.1	3.7	4.0	5.3	4.1	4.3
Unemployment Rate	3.3	3.3	3.3	3.5	3.3	3.3	3.3	3.3

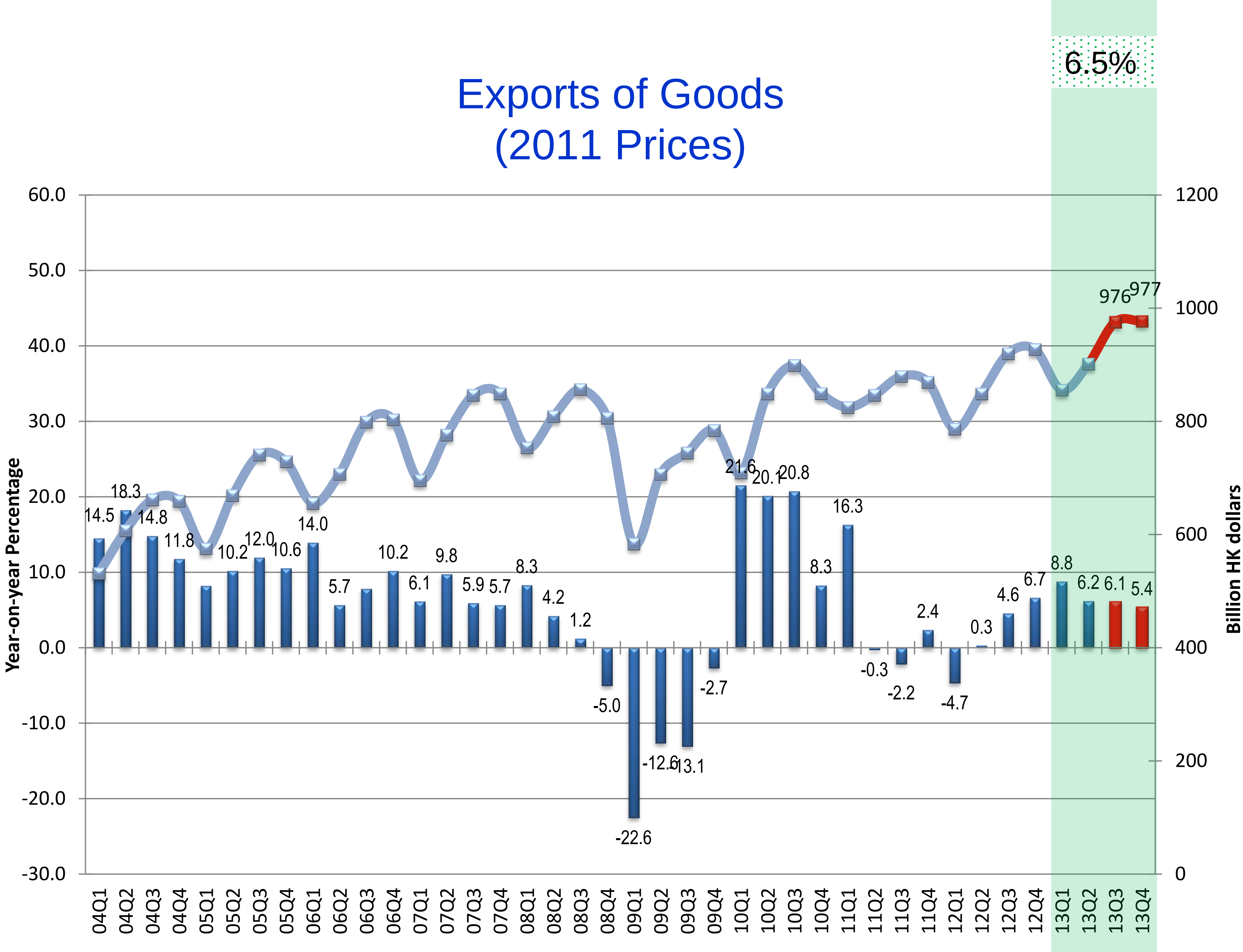
Date of Forecast: October 2, 2013

Private Consumption Expenditure (2011 Prices)

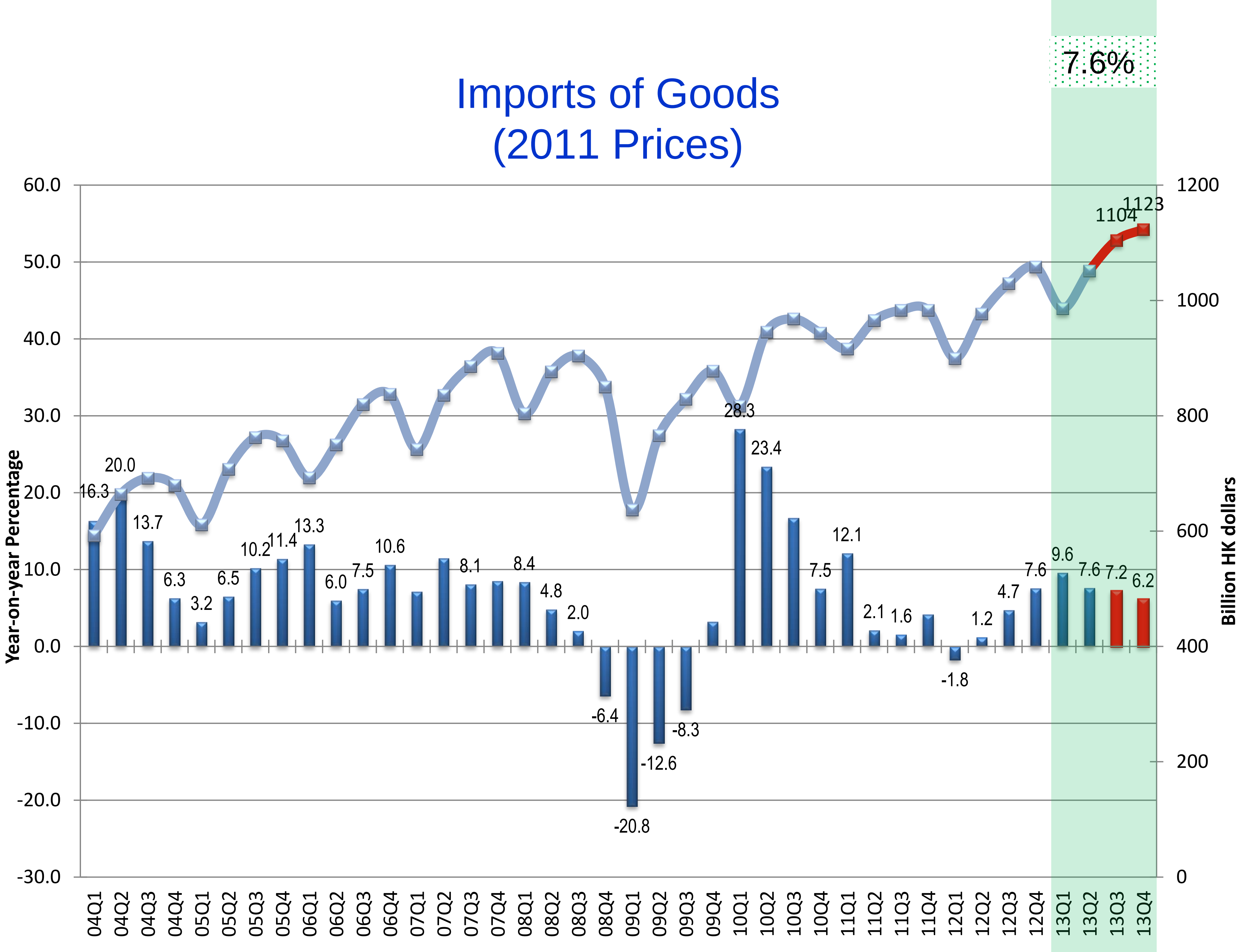


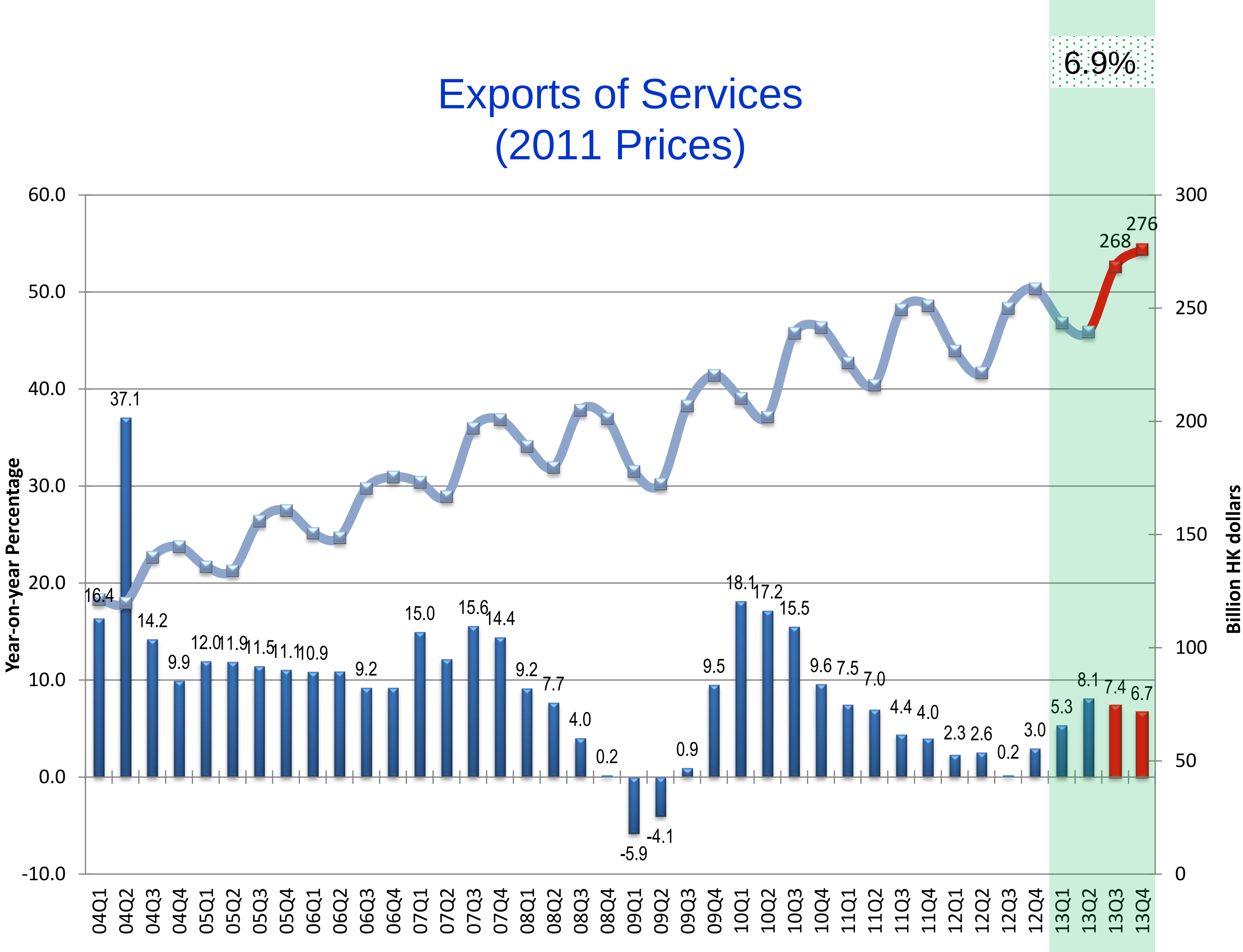

10.8%
Retail Sales Volume
(Oct 09 - Sep 10 = 100)
Year-on-year Percentage
Volume Index
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
160
140
120
100
80
60
40
20
0
-0.8
-7.7
1.3
5.2
7.3
15.6
6.7
7.5
7.4
6.3
5.4
5.2
5.6
5.1
6.9
6.1
6.6
7.9
12.6
13.5
11.8
7.0
4.2
-2.3
-5.4
-5.3
-1.8
10.3
15.9
13.6
15.3
16.7
21.7
19.5
16.4
10.7
7.3
4.2
6.9
13.8
15.0
8.0
6.7
150
137
03Q1
03Q2
03Q3
03Q4
04Q1
04Q2
04Q3
04Q4
05Q1
05Q2
05Q3
05Q4
06Q1
06Q2
06Q3
06Q4
07Q1
07Q2
07Q3
07Q4
08Q1
08Q2
08Q3
08Q4
09Q1
09Q2
09Q3
09Q4
10Q1
10Q2
10Q3
10Q4
11Q1
11Q2
11Q3
11Q4
12Q1
12Q2
12Q3
12Q4
13Q1
13Q2
13Q3
13Q4

Exports of Goods (2011 Prices)



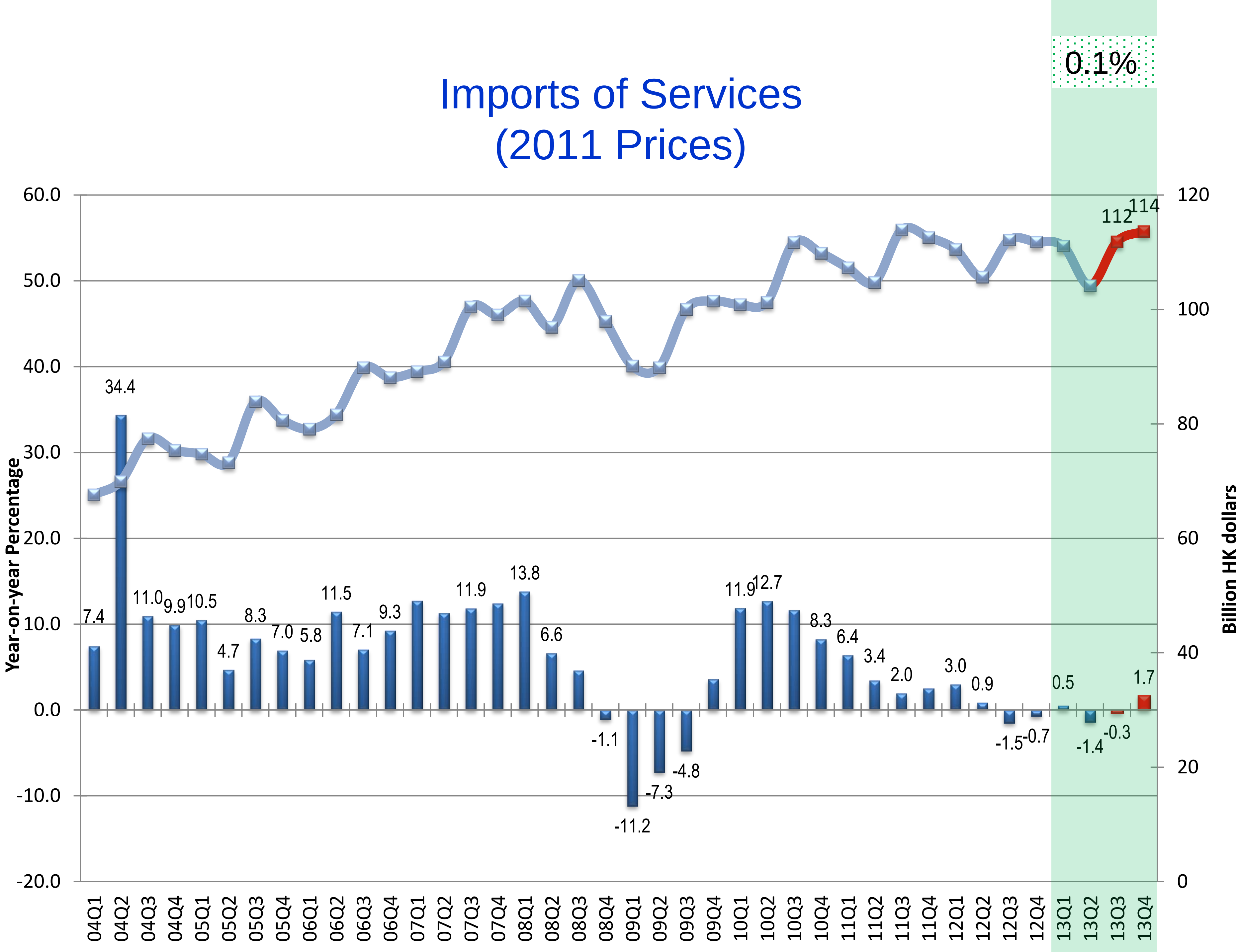
Imports of Goods
(2011 Prices)



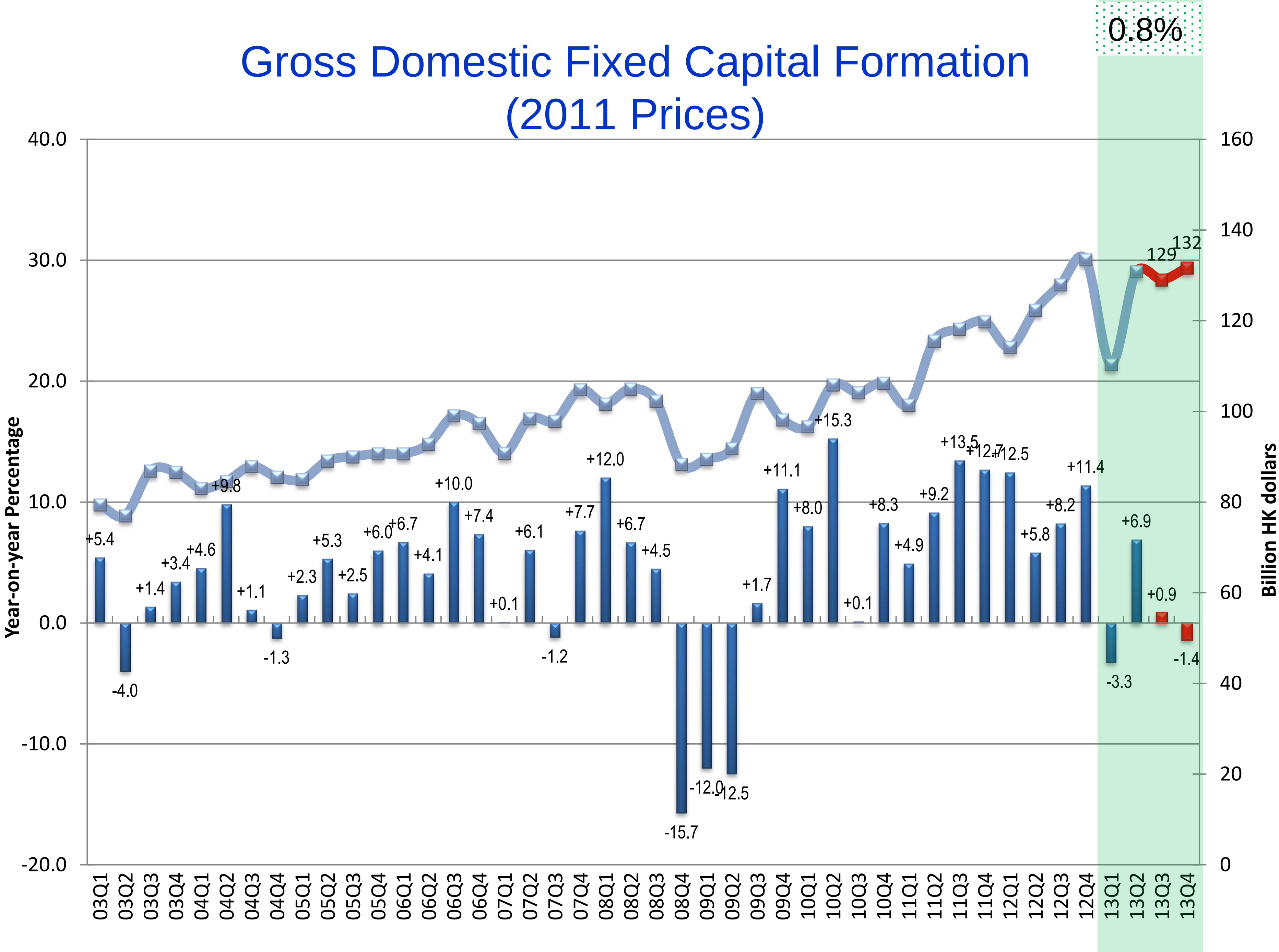


Exports of Services
(2011 Prices)
6.9%
Year-on-year Percentage
Billion HK dollars
60.0
50.0
40.0
30.0
20.0
10.0
0.0
-10.0
300
250
200
150
100
50
0
276
268
16.4
37.1
14.2
9.9
12.0
11.9
11.5
11.1
10.9
9.2
15.0
15.6
14.4
9.2
7.7
4.0
0.2
-5.9
-4.1
0.9
9.5
18.1
17.2
15.5
9.6
7.5
7.0
4.4
4.0
2.3
2.6
0.2
3.0
5.3
8.1
7.4
6.7
04Q1
04Q2
04Q3
04Q4
05Q1
05Q2
05Q3
05Q4
06Q1
06Q2
06Q3
06Q4
07Q1
07Q2
07Q3
07Q4
08Q1
08Q2
08Q3
08Q4
09Q1
09Q2
09Q3
09Q4
10Q1
10Q2
10Q3
10Q4
11Q1
11Q2
11Q3
11Q4
12Q1
12Q2
12Q3
12Q4
13Q1
13Q2
13Q3
13Q4

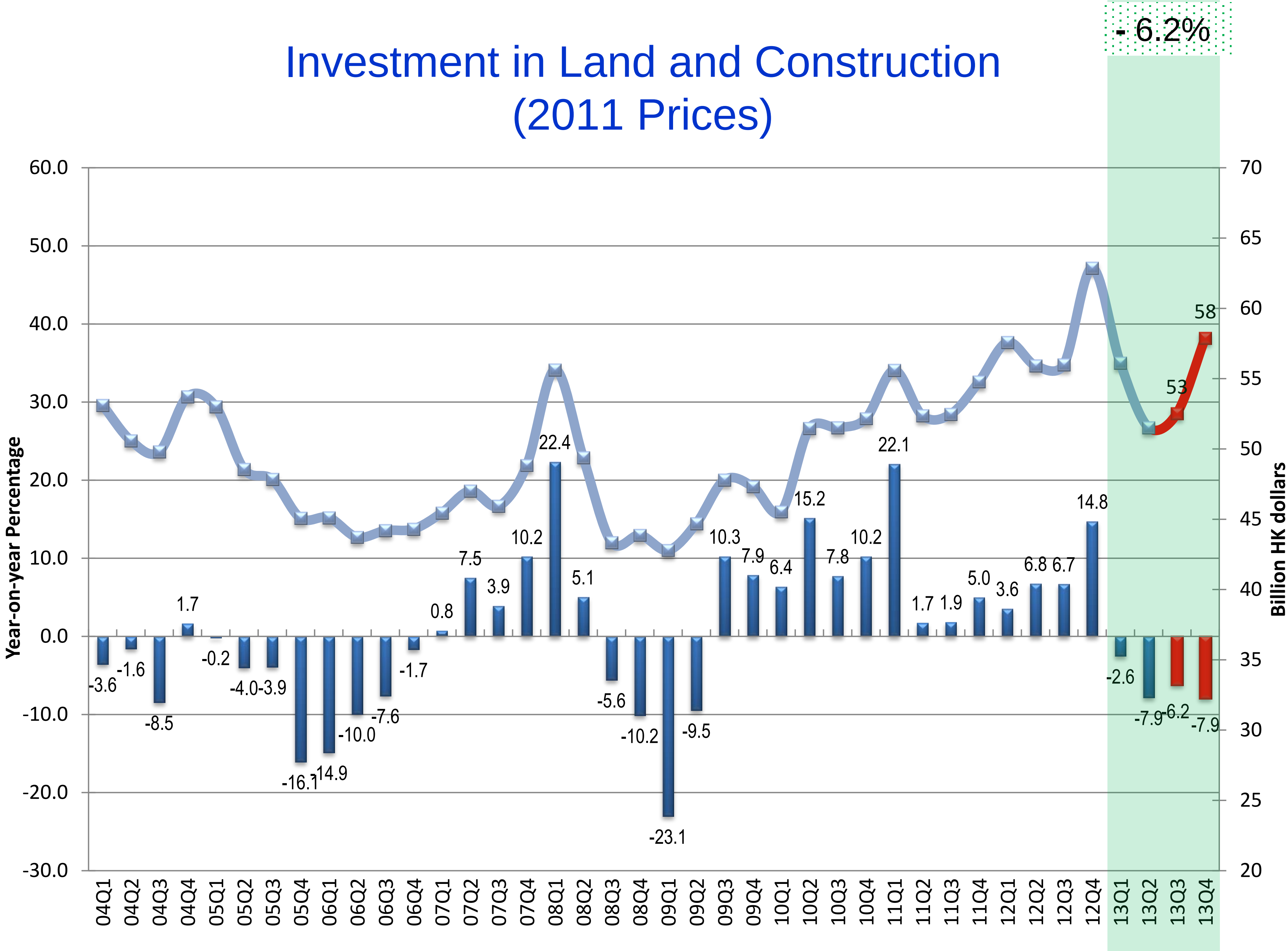
Imports of Services
(2011 Prices)



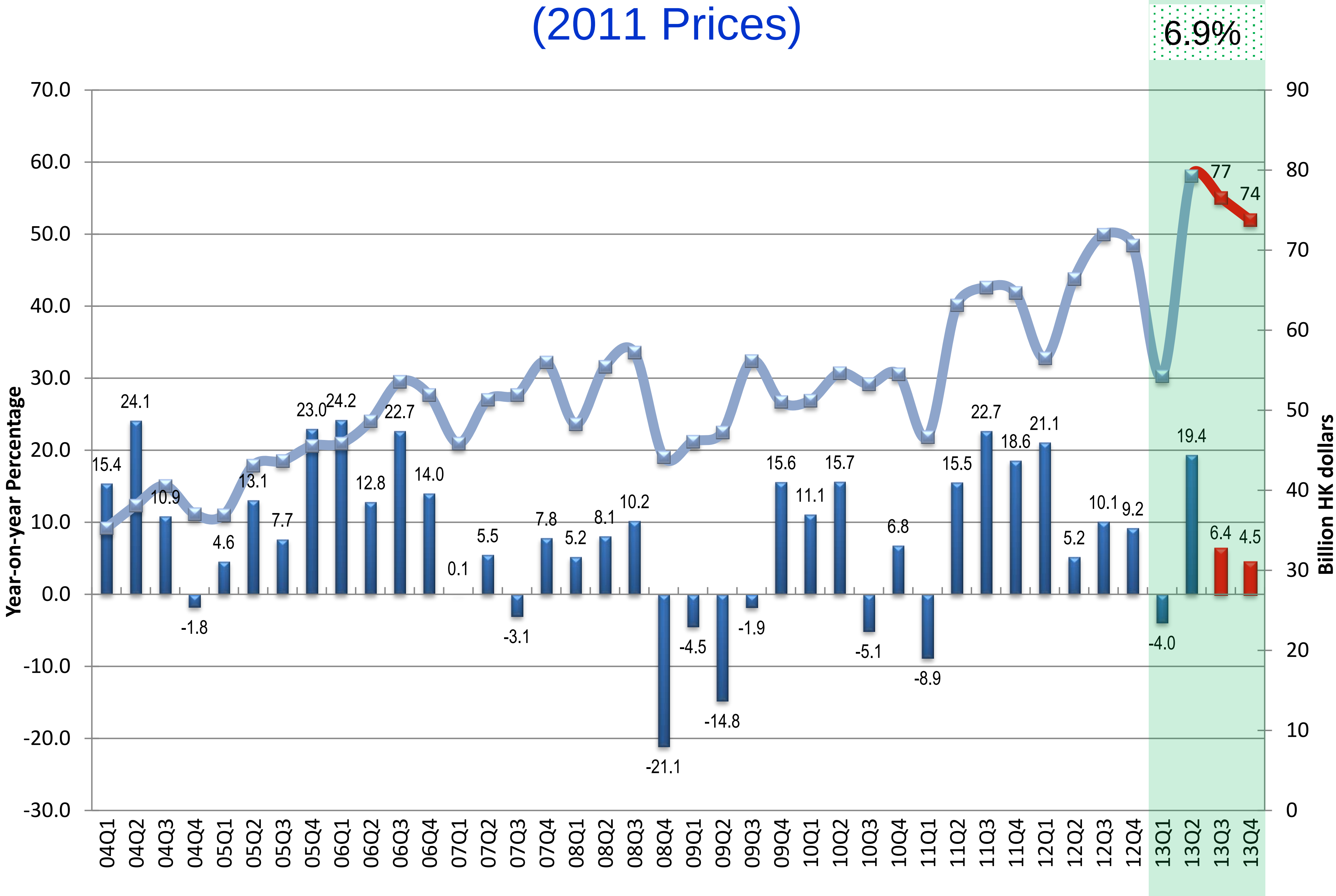
Gross Domestic Fixed Capital Formation (2011 Prices)



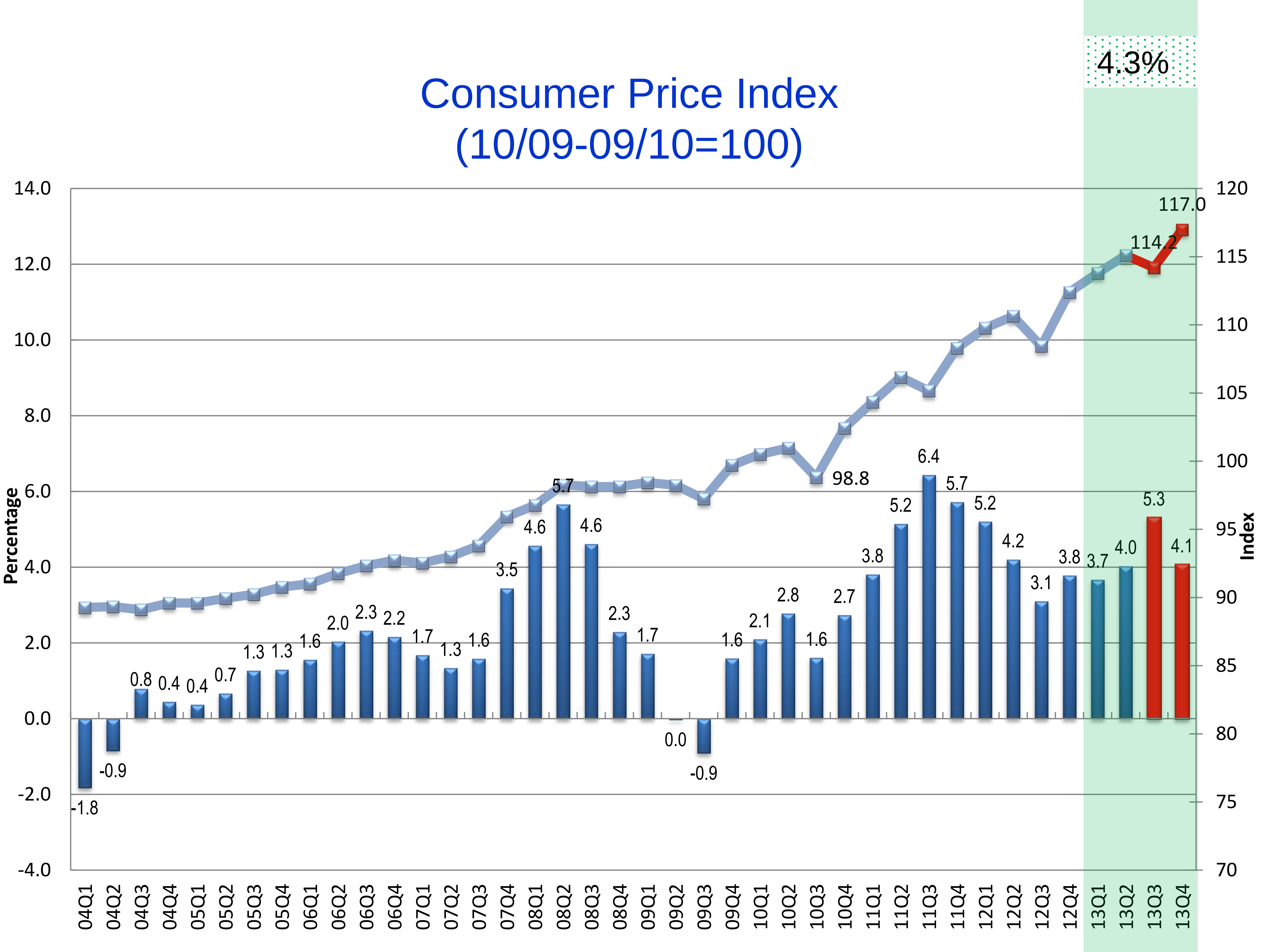
Investment in Land and Construction (2011 Prices)

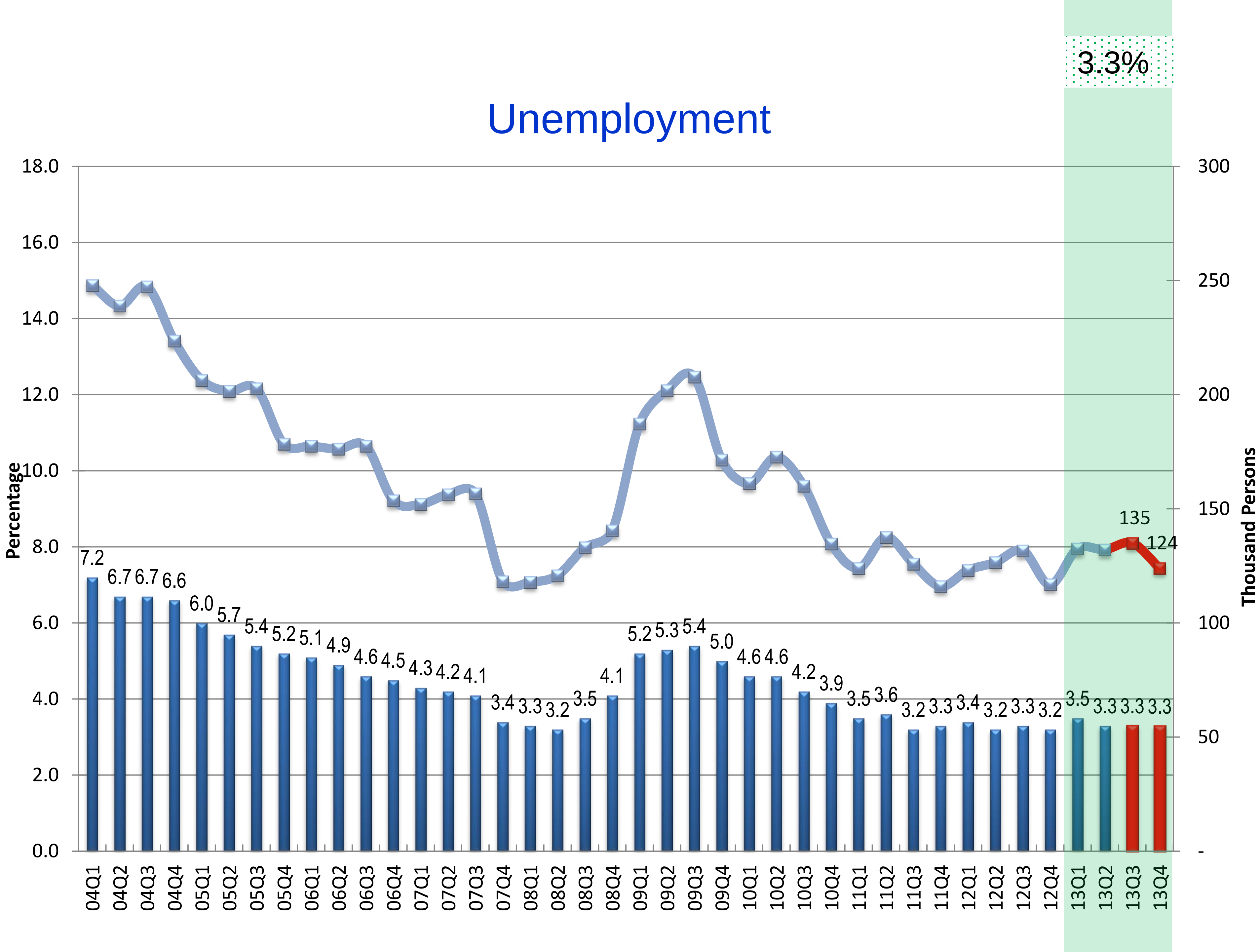


Investment in Machinery, Equipment & Computer Software (2011 Prices)



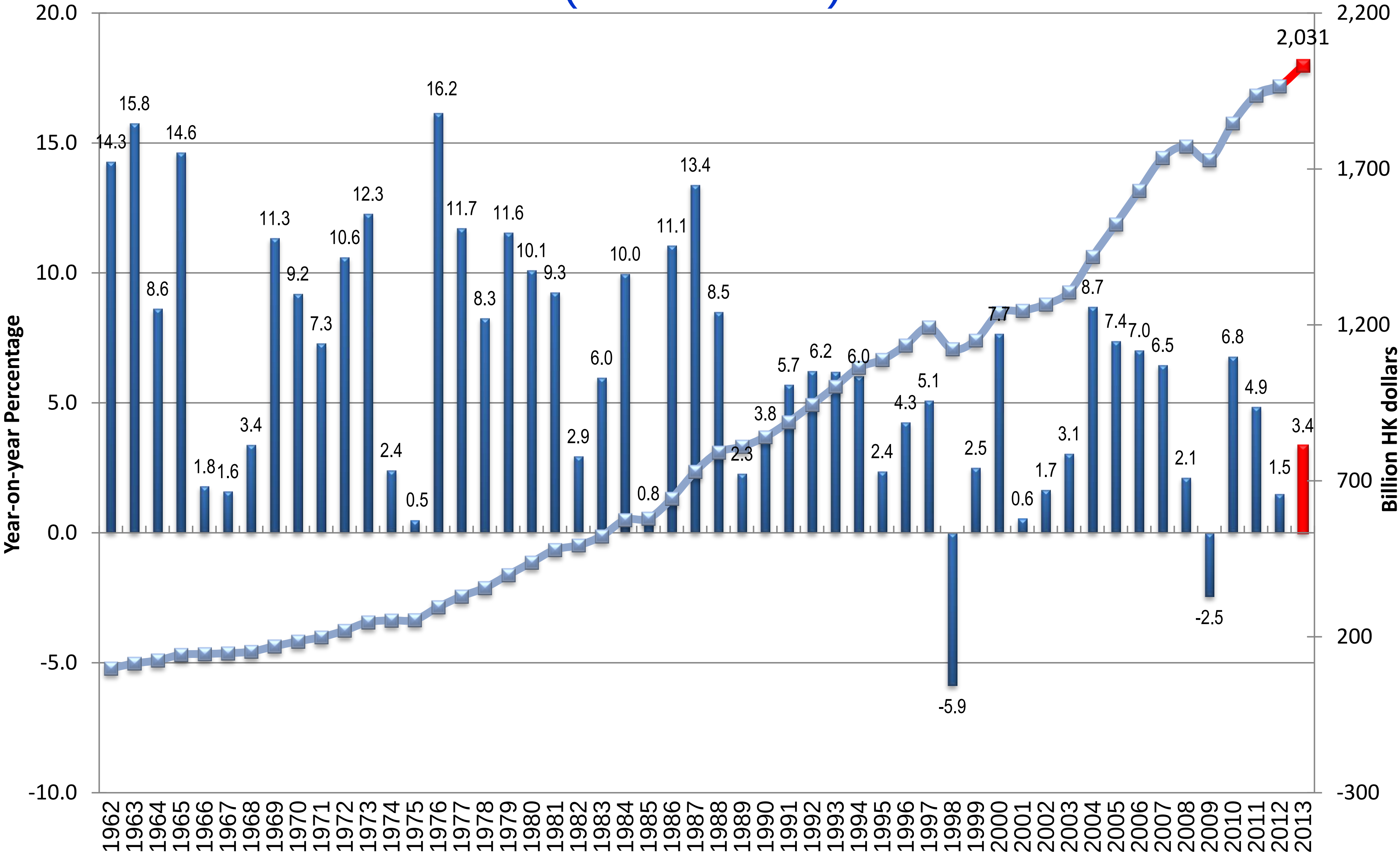
Consumer Price Index
(10/09-09/10=100)





3.3%
Unemployment
Percentage
Thousand Persons
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
300
250
200
150
100
50
-
135
124
7.2 6.7 6.7 6.6 6.0 5.7 5.4 5.2 5.1 4.9 4.6 4.5 4.3 4.2 4.1 3.4 3.3 3.2 3.5 4.1 5.2 5.3 5.4 5.0 4.6 4.6 4.2 3.9 3.5 3.6 3.2 3.3 3.4 3.2 3.3 3.2 3.5 3.3 3.3 3.3
04Q1 04Q2 04Q3 04Q4 05Q1 05Q2 05Q3 05Q4 06Q1 06Q2 06Q3 06Q4 07Q1 07Q2 07Q3 07Q4 08Q1 08Q2 08Q3 08Q4 09Q1 09Q2 09Q3 09Q4 10Q1 10Q2 10Q3 10Q4 11Q1 11Q2 11Q3 11Q4 12Q1 12Q2 12Q3 12Q4 13Q1 13Q2 13Q3 13Q4

Real Gross Domestic Product
(2011 Prices)



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

	2012			2013				
	Q3	Q4	Annual	Q1	Q2	Q3 (Estimate)	Q4 (Forecast)	Annual (Forecast)
Gross Domestic Product	1.5	2.8	1.5	2.9	3.3	3.6	3.7	3.4
Private Consumption Expenditure	1.5	2.7	3.0	6.3	4.2	4.0	4.1	4.6
Government Consumption Expenditure	4.0	3.3	3.7	2.1	3.1	3.0	3.0	2.8
Exports of Goods	4.6	6.7	1.8	8.8	6.2	6.1	5.4	6.5
Imports of Goods	4.7	7.6	3.0	9.6	7.6	7.2	6.2	7.6
Exports of Services	0.2	3.0	2.0	5.3	8.1	7.4	6.7	6.9
Imports of Services	-1.5	-0.7	0.4	0.5	-1.4	-0.3	1.7	0.1
Gross Fixed Capital Formation	8.2	11.4	9.4	-3.3	6.9	0.9	-1.4	0.8
GFCF in Land & Construction	6.7	14.8	8.0	-2.6	-7.9	-6.2	-7.9	-6.2
GFCF in Machinery, Equip. & Computer Software	10.1	9.2	10.7	-4.0	19.4	6.4	4.5	6.9
GDP Deflator Growth Rate	4.3	4.3	3.9	1.4	0.7	-0.2	0.4	0.5
CPI (Composite) Inflation Rate	3.1	3.8	4.1	3.7	4.0	5.3	4.1	4.3
Unemployment Rate	3.3	3.3	3.3	3.5	3.3	3.3	3.3	3.3

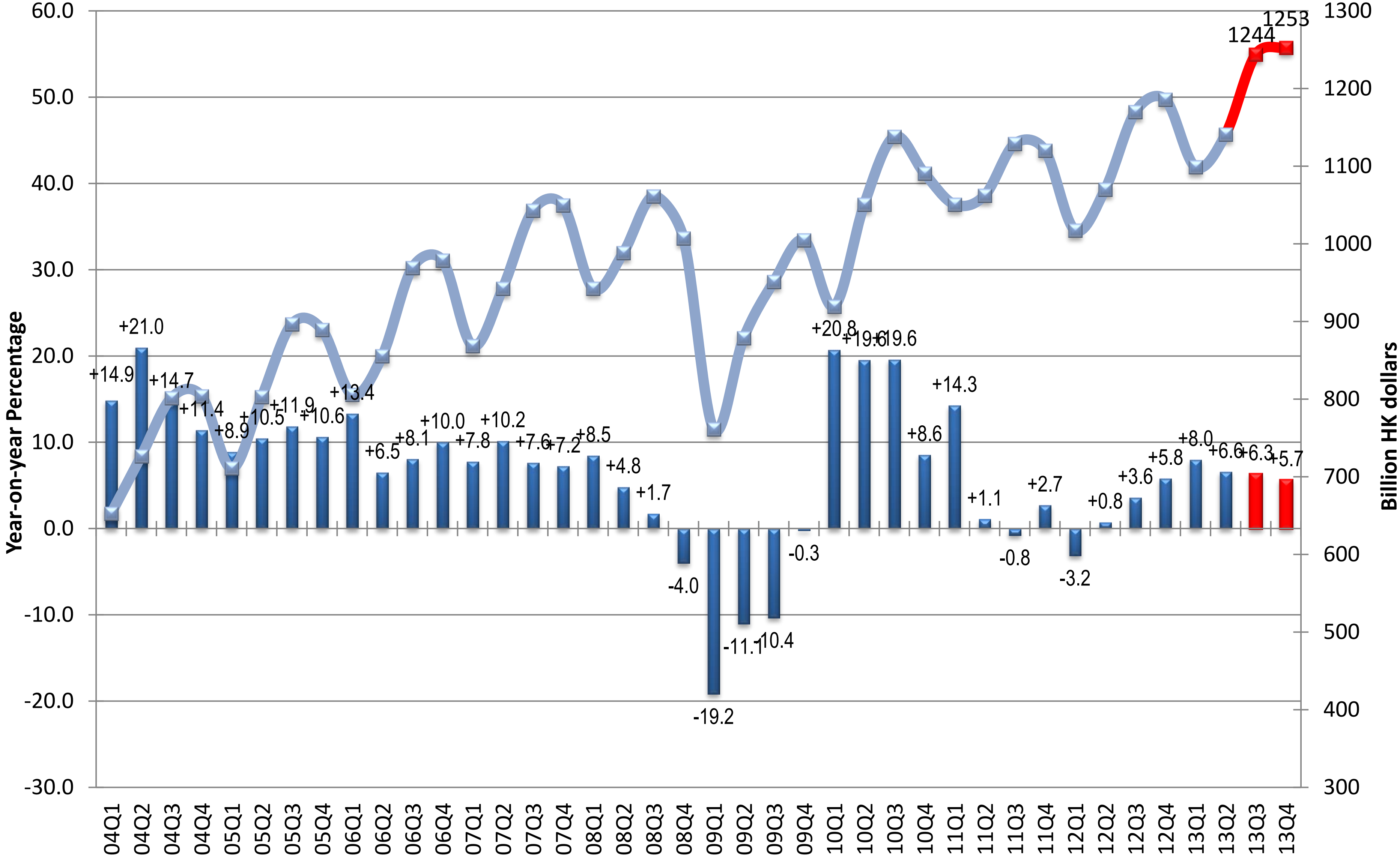
Date of Forecast: October 2, 2013

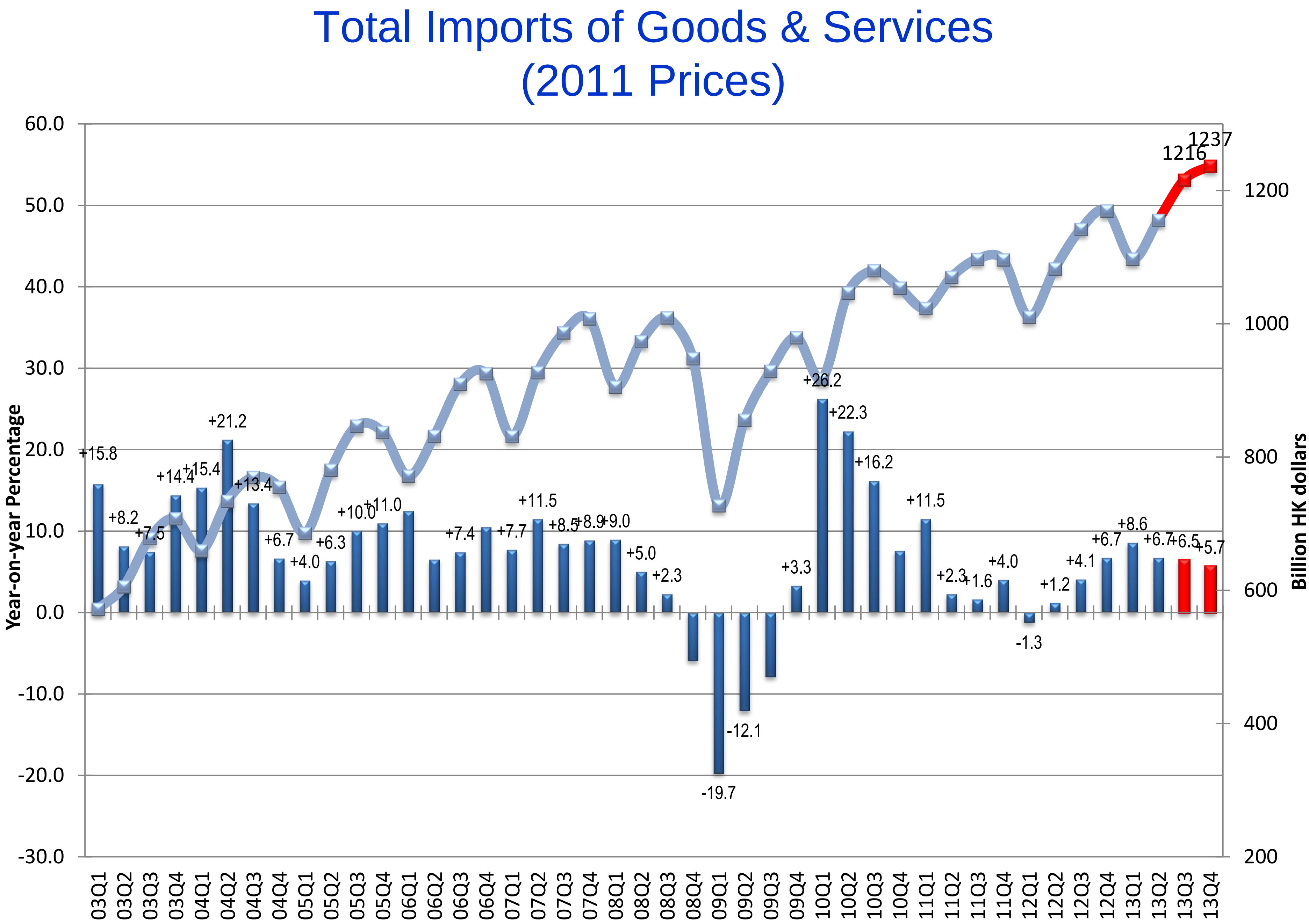
Hong Kong Macroeconomic Forecast Project

Our quarterly forecasts
can be accessed at

http://www.hiebs.hku.hk/apec/macroforecast.htm

Total Exports of Goods & Services
(2011 Prices)




Total Imports of Goods & Services
(2011 Prices)
Year-on-year Percentage
Billion HK dollars
60.0
50.0
40.0
30.0
20.0
10.0
0.0
-10.0
-20.0
-30.0
1200
1000
800
600
400
200
1216
1237
+15.8
+8.2
+7.5
+14.4
+15.4
+21.2
+13.4
+6.7
+4.0
+6.3
+10.0
+11.0
+7.4
+7.7
+11.5
+8.5
+8.9
+9.0
+5.0
+2.3
-19.7
-12.1
+3.3
+26.2
+22.3
+16.2
+11.5
+2.3
+1.6
+4.0
-1.3
+1.2
+4.1
+6.7
+8.6
+6.7
+6.5
+5.7
03Q1
03Q2
03Q3
03Q4
04Q1
04Q2
04Q3
04Q4
05Q1
05Q2
05Q3
05Q4
06Q1
06Q2
06Q3
06Q4
07Q1
07Q2
07Q3
07Q4
08Q1
08Q2
08Q3
08Q4
09Q1
09Q2
09Q3
09Q4
10Q1
10Q2
10Q3
10Q4
11Q1
11Q2
11Q3
11Q4
12Q1
12Q2
12Q3
12Q4
13Q1
13Q2
13Q3
13Q4

Current Quarter Model Forecast
(Millions of 2011 HK Dollar)

	2012			2013				
	Q3	Q4	Annual	Q1	Q2	Q3 (Estimate)	Q4 (Forecast)	Annual (Forecast)
Gross Domestic Product	498,333	526,324	1,965,153	486,681	482,563	516,225	545,904	2,031,374
Private Consumption Expenditure	307,466	333,426	1,261,151	323,441	329,241	319,825	347,223	1,319,730
Government Consumption Expenditure	43,445	43,868	174,645	46,848	42,748	44,748	45,184	179,528
Exports of Goods	919,875	927,222	3,482,180	855,447	901,416	975,655	976,950	3,709,468
Imports of Goods	1,029,803	1,058,115	3,964,957	986,293	1,051,676	1,104,328	1,123,289	4,265,587
Exports of Services	249,970	258,628	961,406	243,587	239,593	268,415	276,001	1,027,595
Imports of Services	112,151	111,806	440,160	111,096	104,183	111,832	113,668	440,779
Gross Fixed Capital Formation	127,966	133,481	497,881	110,373	130,804	129,067	131,657	501,901
GFCF in Land & Construction	55,997	62,864	232,361	56,106	51,521	52,525	57,882	218,034
GFCF in Mach., Equip. & Comp. Soft	71,969	70,617	265,520	54,267	79,283	76,542	73,775	283,867
Changes in Inventories	-8,435	-380	-6,993	4,374	-5,380	-5,324	5,847	-483

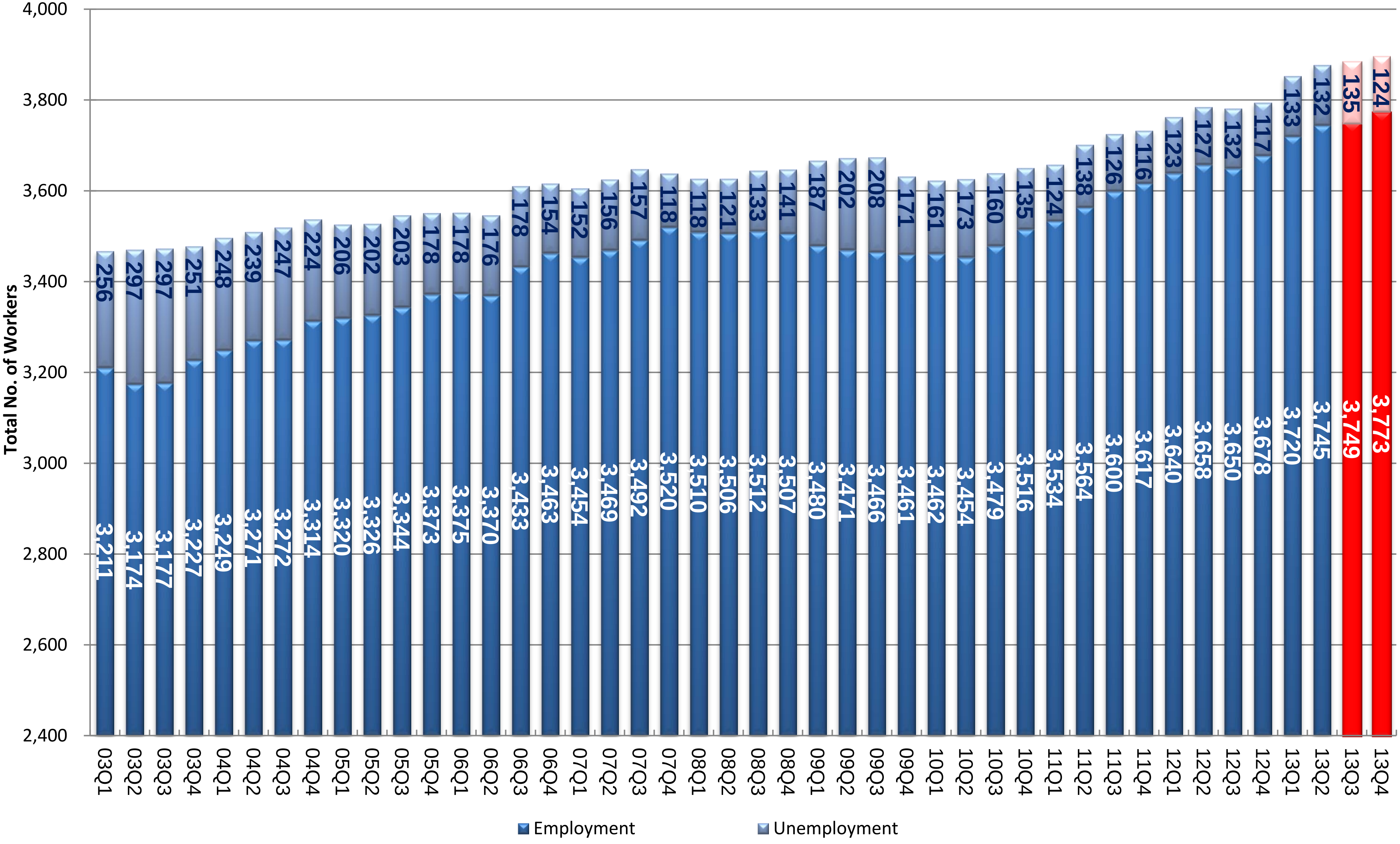
Date of Forecast: October 2, 2013

Current Quarter Model Forecast
(Contribution to Total Growth)

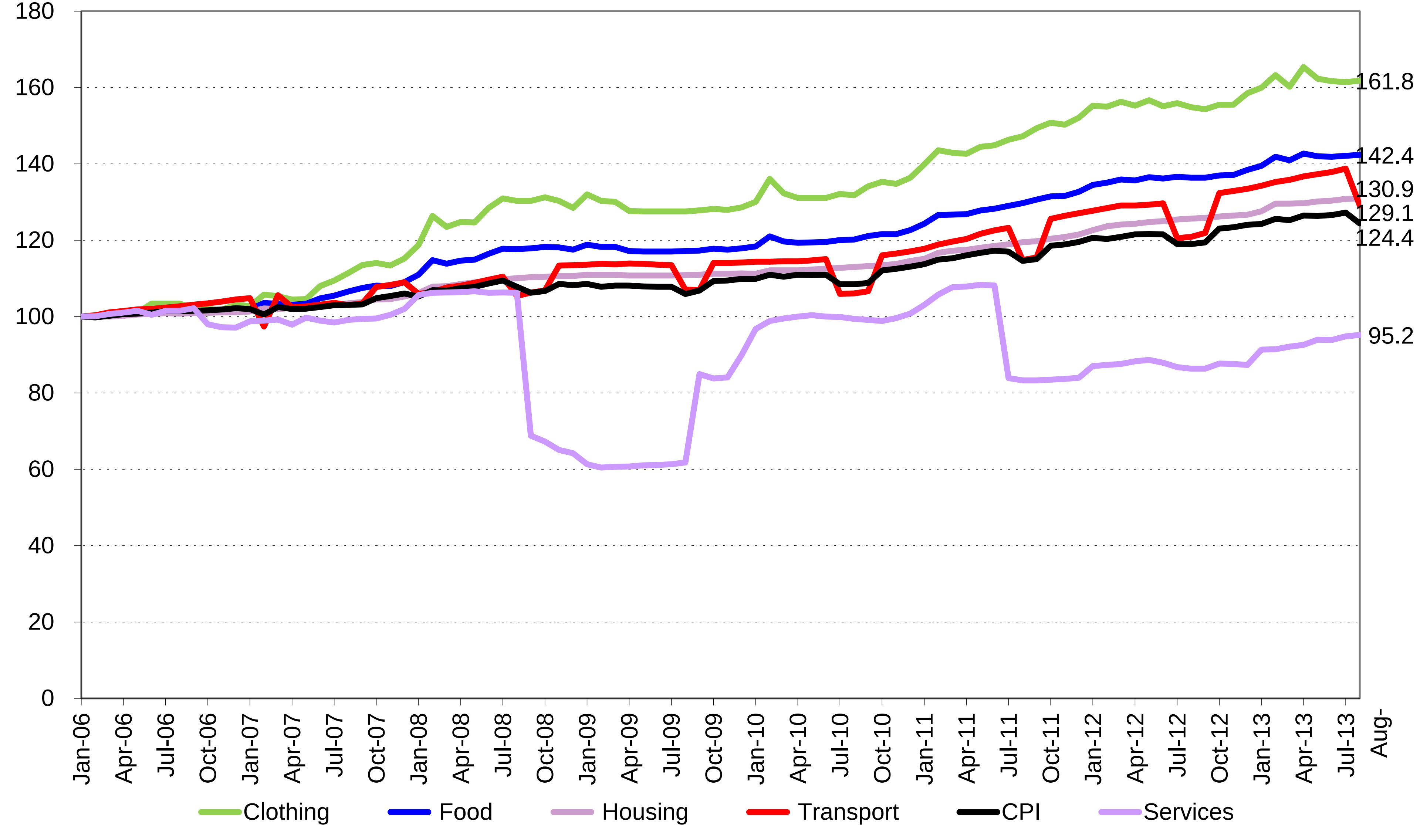
	2012			2013				
	Q3	Q4	Annual	Q1	Q2	Q3 (estimate)	Q4 (forecast)	Annual (forecast)
Gross Domestic Product	**1.5**	**2.8**	**1.5**	**2.9**	**3.3**	**3.6**	**3.7**	**3.4**
Private Consumption Expenditure	**1.0**	**1.7**	**1.9**	**4.0**	**2.8**	**2.5**	**2.6**	**3.0**
Government Consumption Expenditu	**0.3**	**0.3**	**0.3**	**0.2**	**0.3**	**0.3**	**0.3**	**0.2**
Exports of Goods	8.2	11.3	3.2	14.6	11.3	11.2	9.4	11.6
Domestic Exports of Goods	0.8	0.4	0.5	1.5	-1.1	-0.3	-0.2	0.0
Re-exports of Goods	7.4	10.9	2.8	13.1	12.4	11.5	9.6	11.6
Imports of Goods	-9.5	-14.6	-6.0	-18.3	-16.0	-15.0	-12.4	-15.3
Exports of Services	0.1	1.5	1.0	2.6	3.9	3.7	3.3	3.4
Imports of Services	0.4	0.2	-0.1	-0.1	0.3	0.1	-0.4	0.0
Net Exports of Goods & Services	**-0.8**	**-1.7**	**-1.9**	**-1.2**	**-0.5**	**0.0**	**0.0**	**-0.4**
Gross Investment	**2.0**	**2.7**	**2.2**	**-0.8**	**1.8**	**0.2**	**-0.3**	**0.2**
Investment in Land & Construction	0.7	1.6	0.9	-0.3	-0.9	-0.7	-0.9	-0.7
Investment in Machinery & Equip.	1.3	1.2	1.3	-0.5	2.8	0.9	0.6	0.9
Changes in Inventories	**-1.0**	**-0.2**	**-1.0**	**0.6**	**-1.2**	**0.6**	**1.2**	**0.3**

Date of Forecast: October 2, 2013

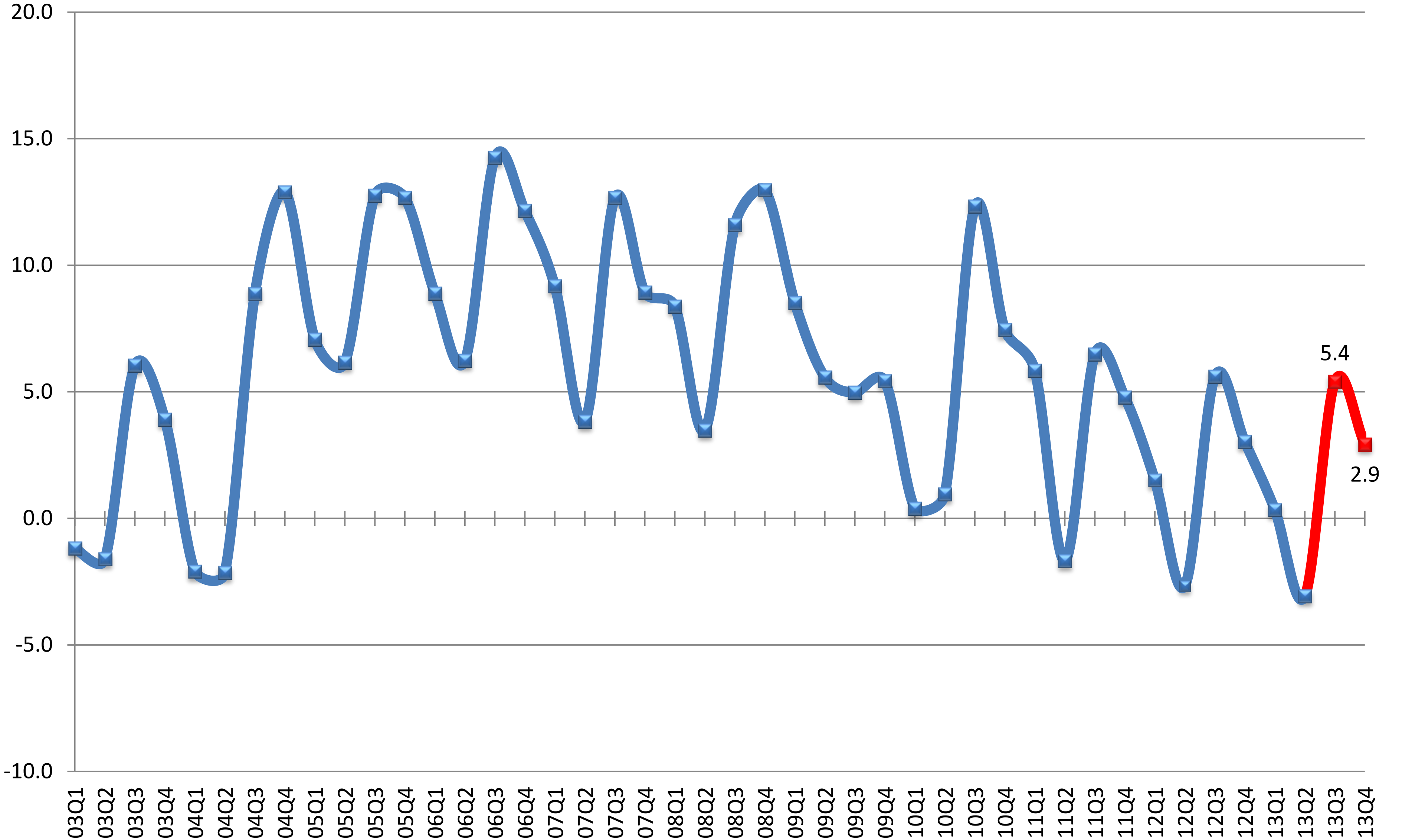
Workers Vs Jobs
(in thousands)



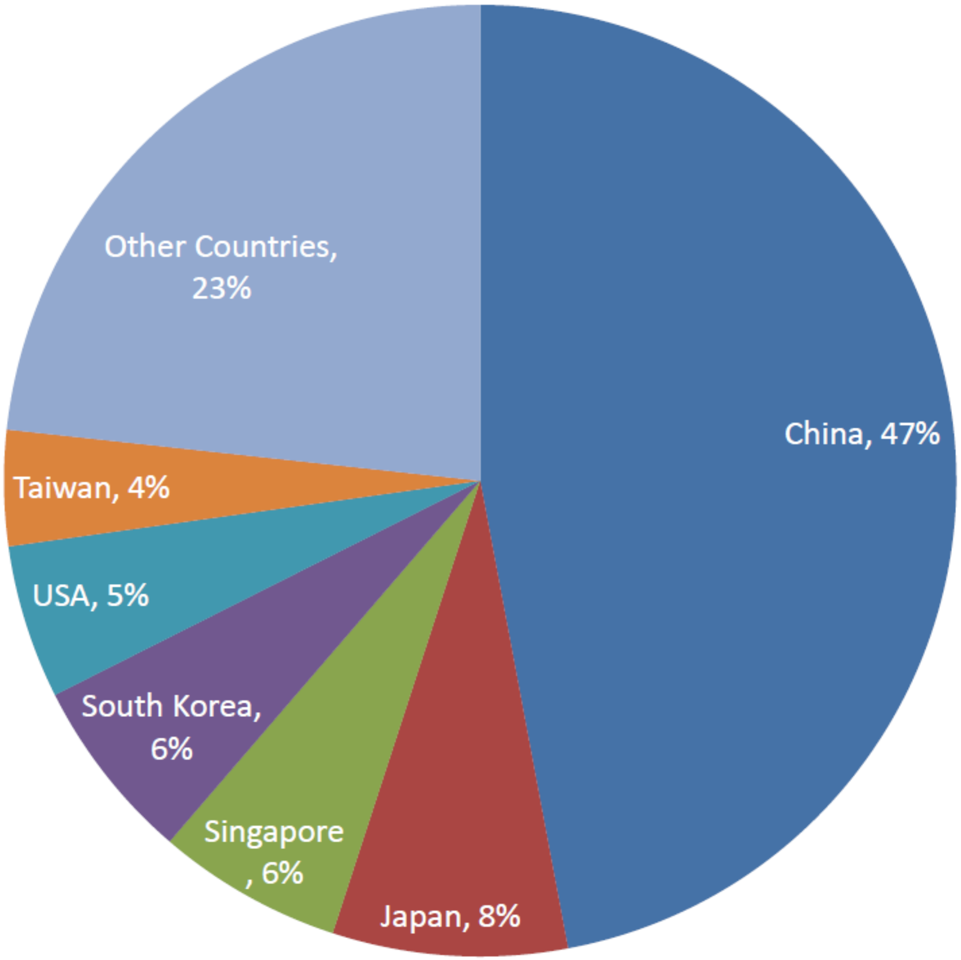
Composite Consumer Price Index
(Jan 2006= 100)



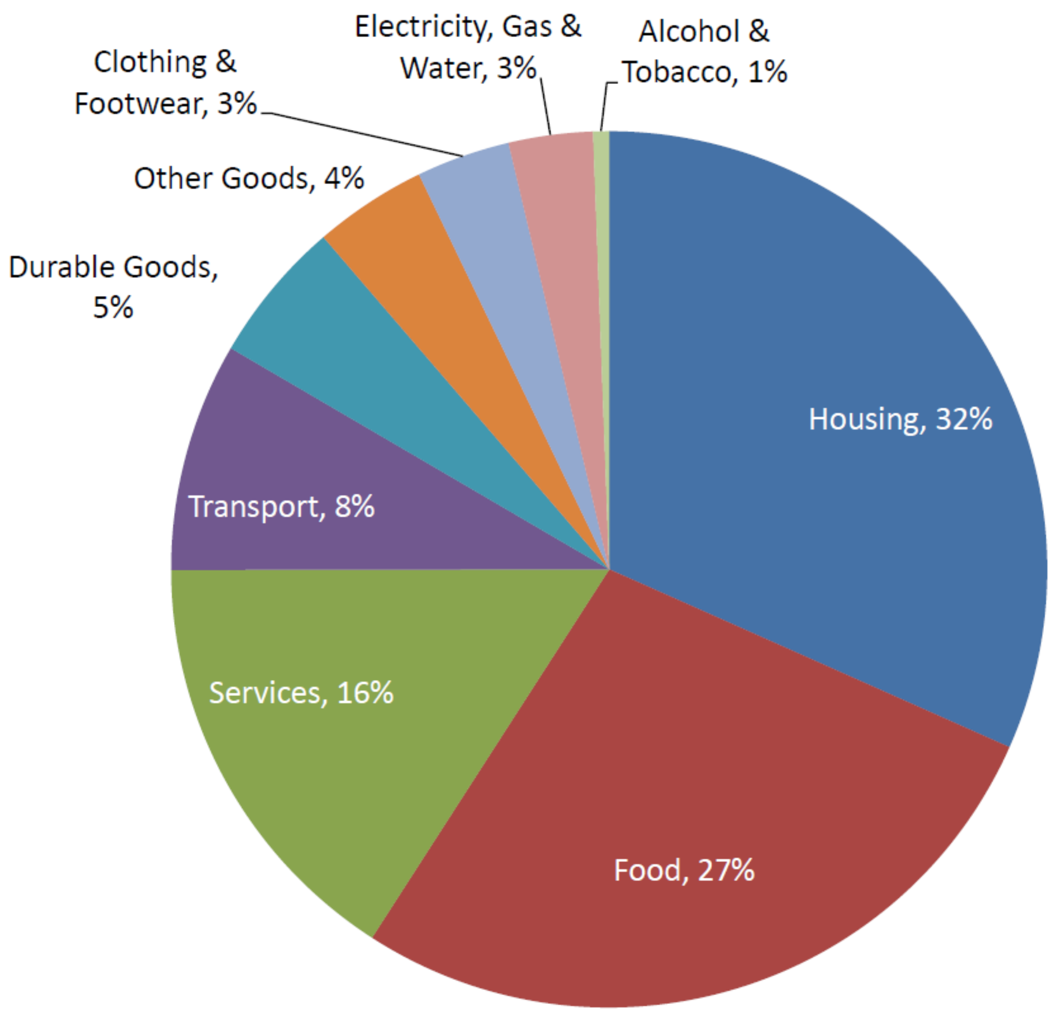
External Trade Balance of Goods and Services (Percentage of GDP, 2011 HK Dollars)



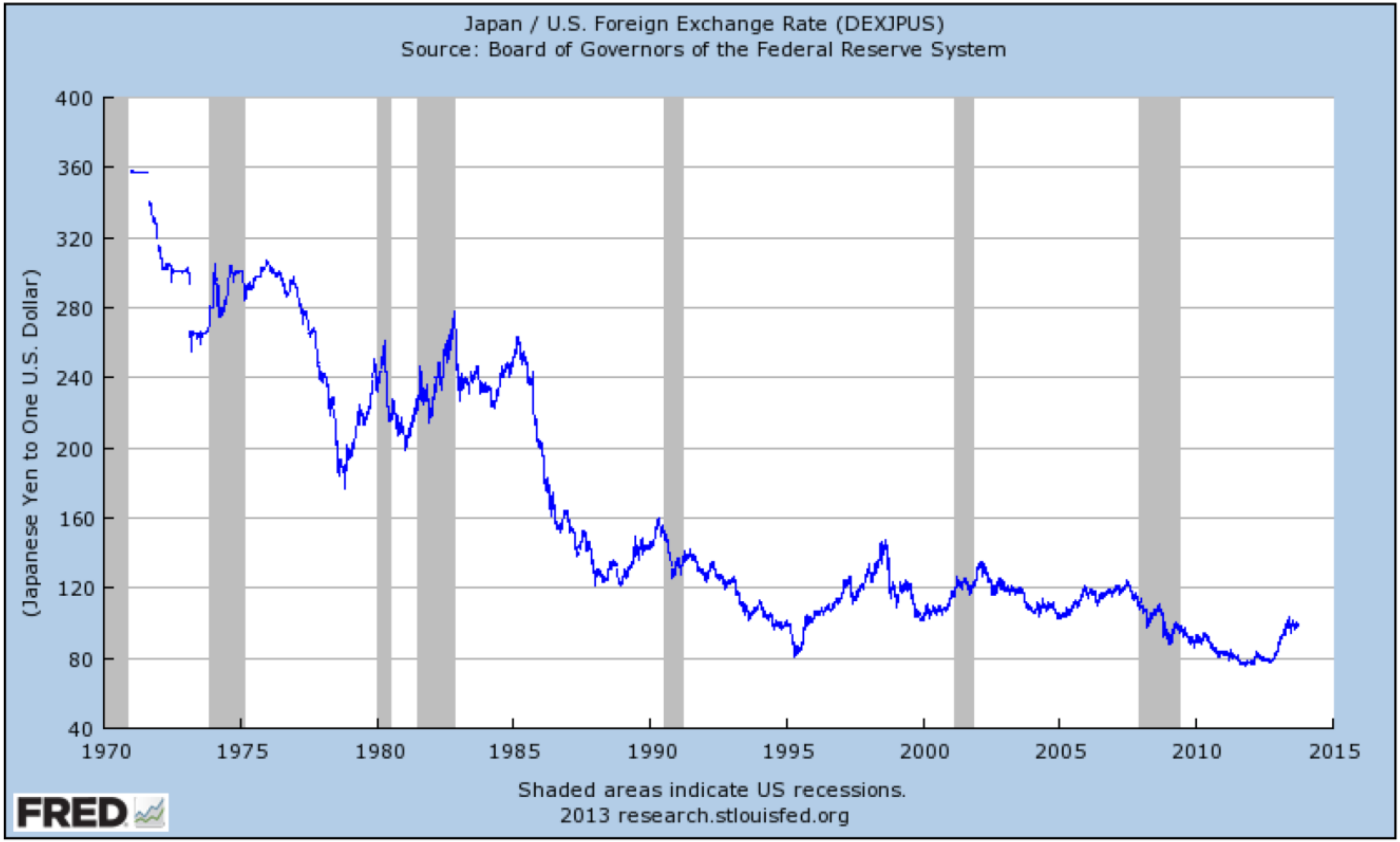
Shares of Imports by Country of Origin (2012 current prices)



Consumer Price Index: Weights

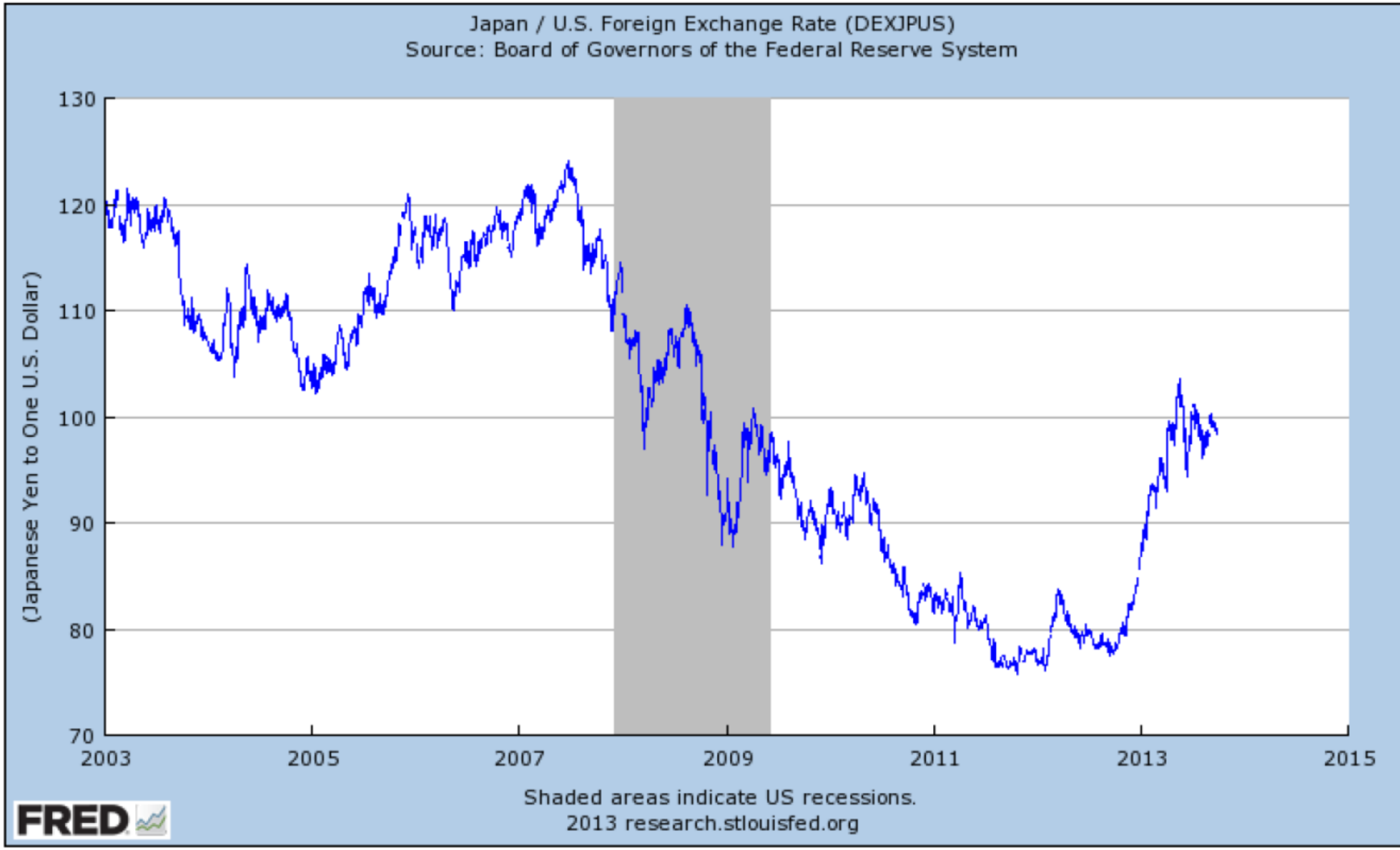


Yen/USD

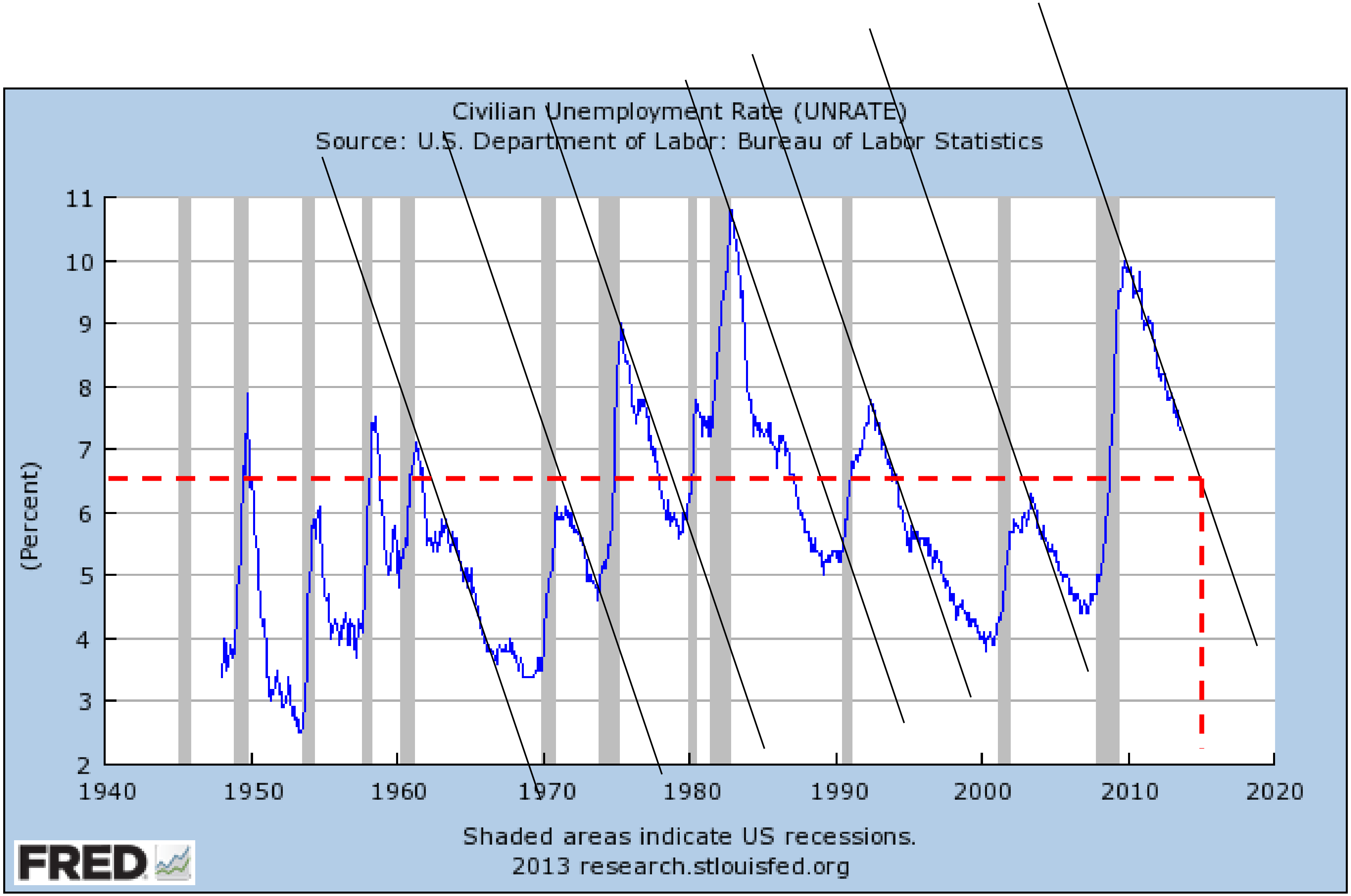


Japan / U.S. Foreign Exchange Rate (DEXJPUS)
Source: Board of Governors of the Federal Reserve System
(Japanese Yen to One U.S. Dollar)
400
360
320
280
240
200
160
120
80
40
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Shaded areas indicate US recessions.
2013 research.stlouisfed.org
FRED

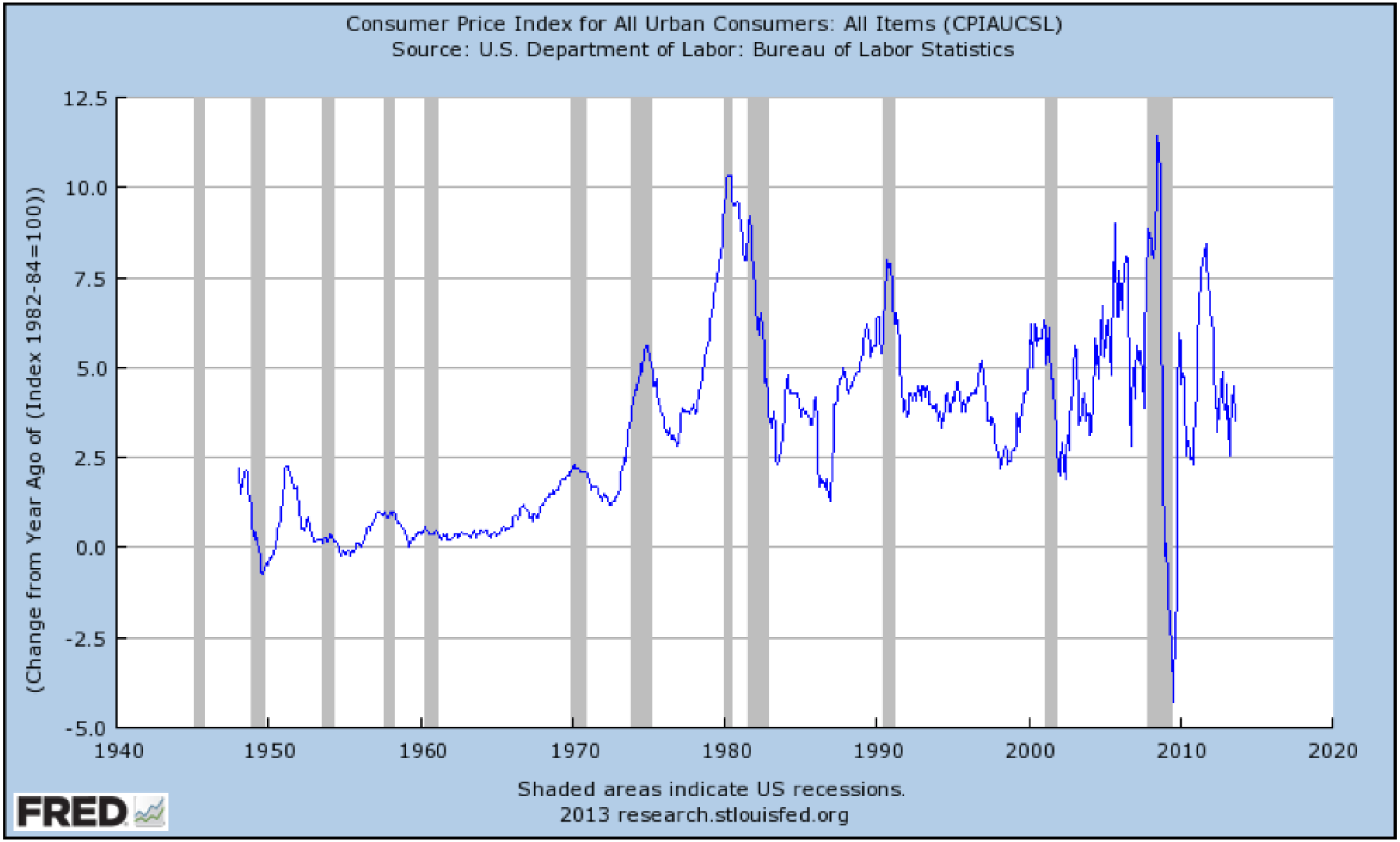
Yen/USD


Japan / U.S. Foreign Exchange Rate (DEXJPUS)
Source: Board of Governors of the Federal Reserve System
(Japanese Yen to One U.S. Dollar)
130
120
110
100
90
80
70
2003
2005
2007
2009
2011
2013
2015
Shaded areas indicate US recessions.
2013 research.stlouisfed.org
FRED

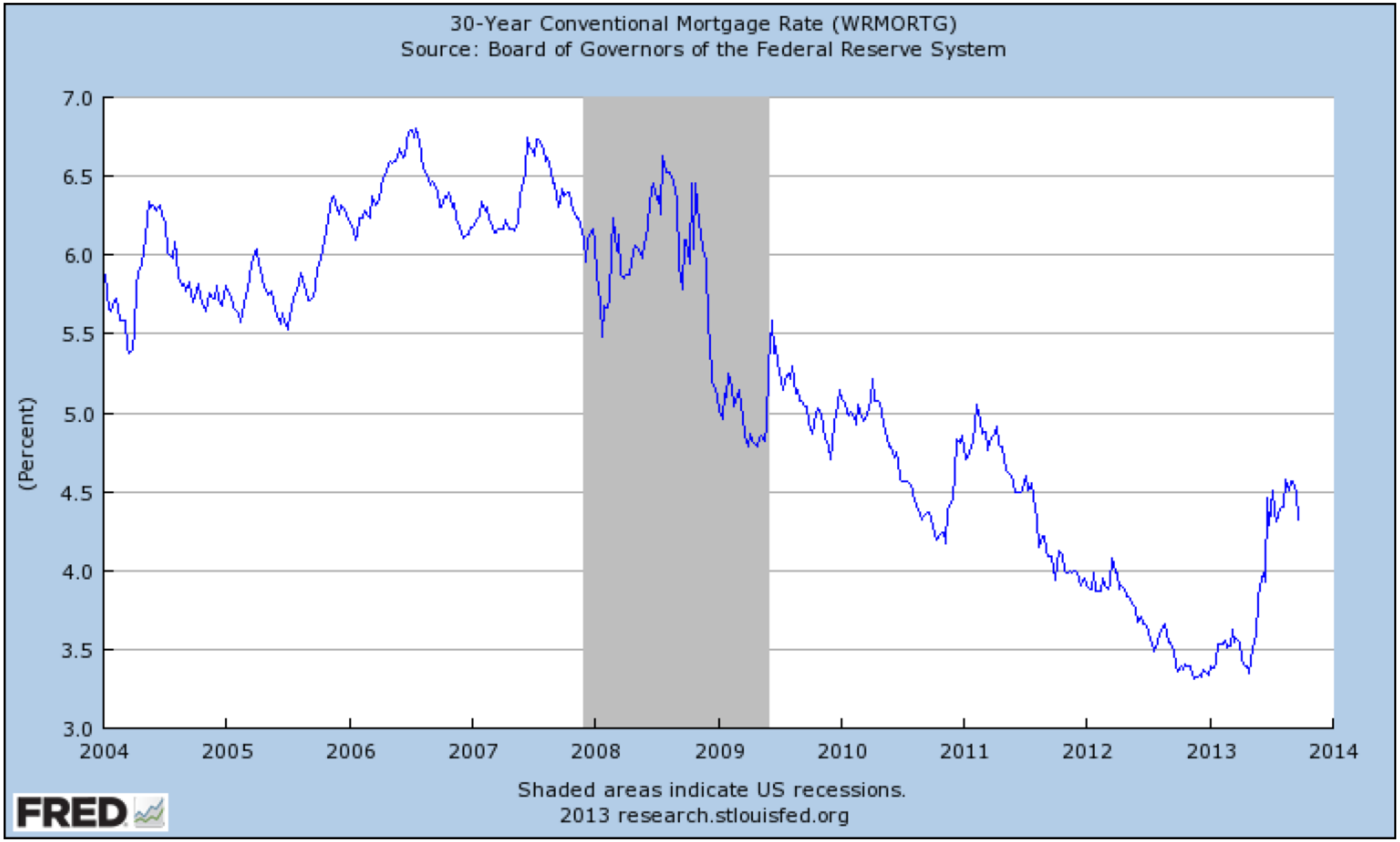
US unemployment rate



US CPI-based inflation



US 30-year conventional mortgage rate



EU Unemployment Rate

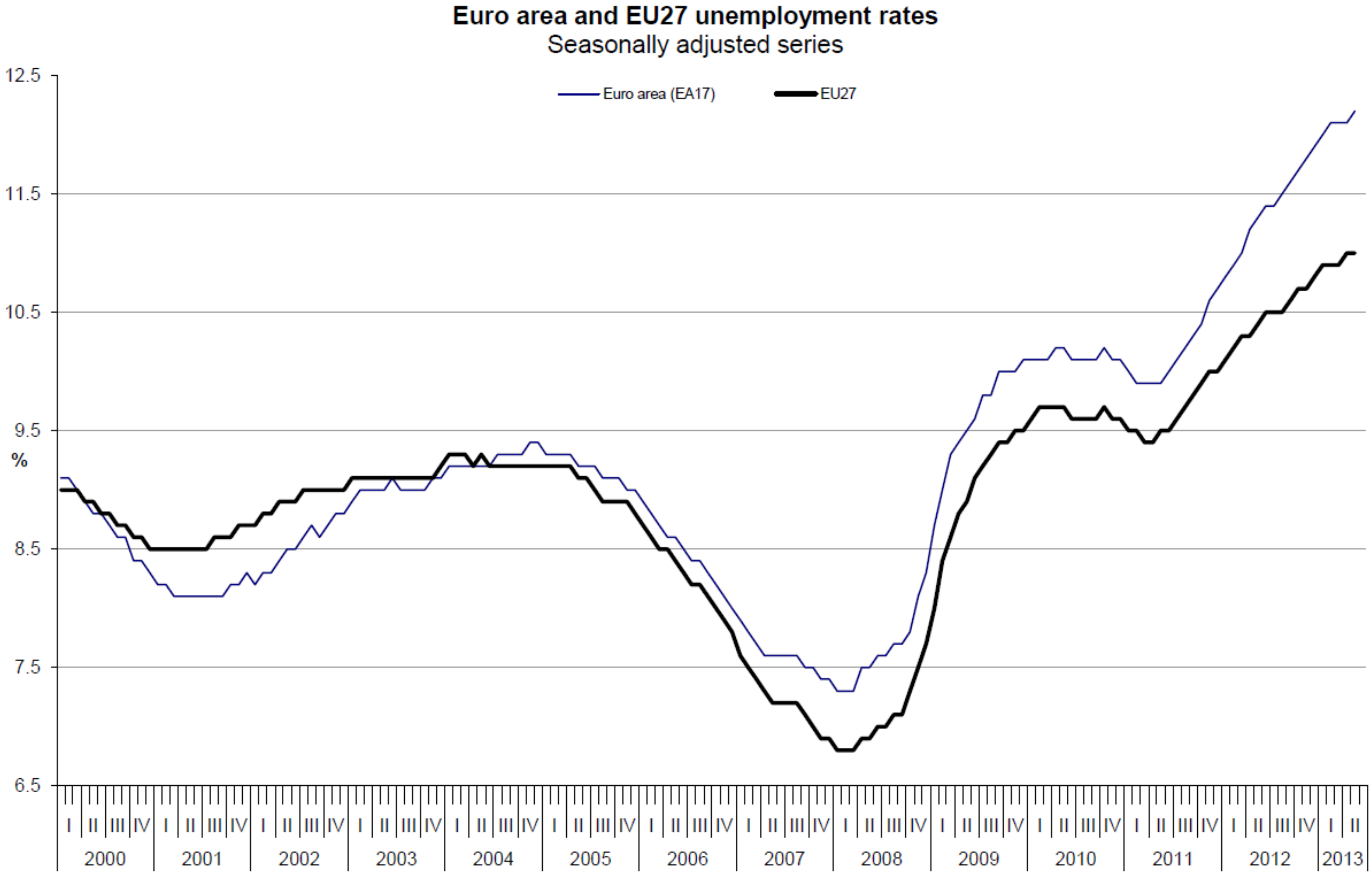


Table 1 : Changes in total exports of goods by main destination (C&S)

	Comparing Jul 2013 with Jul 2012		Comparing Jan-Jul 2013 with Jan-Jul 2012	
	% change		% change	
Main destination	Unit value	Volume	Unit value	Volume
The mainland of China	1.4	13.1	-0.2	8.2
USA	1.8	1.8	1.1	-5.3
Japan	-0.3	-8.6	0.8	-5.7
India	0.7	0.1	0.3	3.5
Germany	2.1	0.6	1.2	-7.3
All destinations	1.6	8.8	0.2	4.0

Table 2 : Changes in imports of goods by main supplier (C & S)

	Comparing Jul 2013 with Jul 2012		Comparing Jan-Jul 2013 with Jan-Jul 2012	
	% change		% change	
Main supplier	Unit value	Volume	Unit value	Volume
The mainland of China	-0.2	10.7	0.3	8.8
Japan	-2.3	-1.5	-1.8	-7.9
Taiwan	3.9	1.3	2.2	7.2
Singapore	-1.0	2.3	-1.2	3.7
USA	1.8	-3.3	2.5	-1.8
All suppliers	0.1	8.5	0.6	5.1

Impact of a 0.25 percent increase in interest rate on property value
(percentage decrease in property value at a given interest rate)