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HK GROWTH 'SET TO FALL SHORT' OF ESTIMATES

External factors, such as high interest rates and financial market performance, have constrained rebound in local consumption, Paul Chan says

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Hong Kong's economic growth this year will be lower than previously expected as the city's performance in the first three quarters fell slightly short of official estimates, Financial Secretary Paul Chan Mo-po said.

Chan, who is in Shanghai attending the China International Import Expo, wrote in his weekly blog yesterday that external factors, such as high interest rates and the performance of financial markets, had constrained the strength of the rebound in local consumption.

Official figures showed Hong Kong's gross domestic product (GDP) grew by 4.1 per cent year on year between July and September, but only by 0.1 per cent compared with the previous quarter.

"As for the fourth quarter, the tourism industry and private consumption are expected to continue to be the main drivers of economic growth in Hong Kong," Chan said.

"However, due to the slightly weaker-than-expected economic recovery in the first three quarters overall, the annual growth forecast range to be announced this week will be lower than the initial estimate at the beginning of the year."

In August, authorities revised Hong Kong's GDP growth forecast for this year from between 3.5 and 5.5 per cent to between 4 and 5 per cent.

The finance chief noted that the International Monetary Fund (IMF) last month revised its global economic growth forecast from 3.5 per cent to 3 per cent and projected a further slowdown to 2.9 per cent next year.

"The global economic recovery has been weak this year, with the ongoing escalation of unilateralism and protectionism, coupled with tense geopolitical situations," Chan said.

Gary Ng Cheuk-yan, a senior economist for Asia-Pacific at Natixis Corporate and Investment Bank, said local economic growth this year was not likely to reach the previous forecast even with the slow recovery.

"Net outflows [of residents] are the main reason for a weaker-than-expected growth rate as they are not favourable for consumption," Ng said.

"Domestic residents prefer to spend elsewhere, but [spending by] visitors into Hong Kong cannot catch up. Together with weak export demand and high interest rates, Hong Kong's GDP is likely to only grow at 3.4 per cent this year."

Immigration figures show 862,772 people left the city on Friday and Saturday including 630,377 residents, with most locals exiting via land checkpoints. Over the two days, 715,674 people arrived in Hong Kong.

Chan said local consumption would be partially bolstered by improvements in household incomes and various government support measures.

Authorities in September rolled out the "Night Vibes Hong Kong" campaign to help boost public spending and fuel growth, hosting three markets at Kwun Tong, Kennedy Town and Wan Chai.

The government is holding mega events to help attract more tourists, including the Hong Kong Tourism Board's four-day Wine and Dine Festival. It attracted about 140,000 visitors.

The city will also host the Global Financial Leaders' Investment Summit from today to Wednesday. The theme for the event's second edition will be "Living with Complexity", with 300 executives from top financial institutions, including 90 chairmen or CEOs from multinational groups, set to take part.

Chan said the summit would show attendees how they could capitalise on Hong Kong's position as a high-value platform to support the development of their businesses in mainland China and the rest of Asia.

"Apart from gaining first-hand knowledge of how Hong Kong has fully returned to normality and our new advantages and opportunities, they will also have the opportunity to meet with investors and clients, establish new business connections and meet with our local employees," he said.