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Economic Forecast on Hong Kong in 2009

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Outline

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- **Economic Prospects in Hong Kong in 2009**
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United Nations Project LINK World Outlook

- The present financial crisis has posed challenges for global economic growth. The country forecasts in the [United Nations LINK Project](#) have been revised downwards for 2008 and 2009 (see [Table 1](#)).
- Table 1 shows that the growth of the [world gross product \(WGP\)](#) is estimated to be at **2.6** per cent in 2008, sharply down from the 3.7 percent growth in 2007, to be followed by another year of sluggish pace of about **1.6** per cent in 2009.

Table 1. Gross domestic product and world trade
(Annual percentage change)

	Observed			October 2008 forecast ^a		Change from May 2008 for	
	2005 ^b	2006 ^b	2007 ^b	2008	2009	2008	2009
	Gross World Product (GWP)	3.4	3.9	3.7	2.6	1.6	-0.2
GWP - PPP weighted	4.9	5.3	5.4	4.2	3.3	-0.3	-1.2
Developed economies	2.4	2.8	2.5	1.2	0.2	-0.2	-1.4
Canada	2.9	2.7	2.7	0.4	0.8	-0.5	-1.4
Japan	1.9	2.2	2.0	0.7	0.5	-0.6	-1.0
United States	2.9	2.8	2.0	1.0	-0.5	0.0	-1.7
European Union (EU27)	1.9	3.1	2.9	1.4	0.5	-0.6	-1.5
France	1.9	2.2	2.2	0.9	0.7	-1.0	-1.3
Germany	0.8	3.0	2.5	1.8	0.2	0.1	-1.6
Italy	0.6	1.8	1.5	-0.1	-0.2	-0.6	-1.4
United Kingdom	1.8	2.9	3.1	1.0	-0.7	-0.9	-2.9
<i>Memo item: Euro Zone</i>	1.7	2.8	2.6	1.3	0.3	-0.4	-1.5
Economies in transition	6.5	7.8	8.3	7.1	5.8	-0.3	-0.8
Russia	6.4	7.4	8.1	7.3	5.8	-0.1	-0.8

	Observed			October 2008 forecast ^a		Change from May 2008 for	
	2005 ^b	2006 ^b	2007 ^b	2008	2009	2008	2009
Developing countries and regions	6.7	7.0	7.1	6.1	5.0	-0.1	-1.0
<i>Latin America and the Caribbean</i>	4.5	5.4	5.5	4.4	2.7	0.2	-1.3
Argentina	9.2	8.5	8.7	6.5	3.0	0.5	-1.5
Brazil	2.9	3.7	5.4	5.1	3.0	0.9	-1.0
Mexico	3.0	4.8	3.3	2.0	1.5	-0.5	-1.2
<i>Africa</i>	5.7	5.7	5.9	5.0	4.6	-1.2	-1.5
North Africa	5.0	5.2	5.3	4.9	4.5	-1.1	-1.6
Sub-Saharan Africa ^c	6.1	6.0	6.2	5.1	4.7	-2.5	-2.2
Nigeria	7.1	5.2	6.0	6.1	5.9	-1.4	-1.3
South Africa	5.0	5.4	5.1	3.2	3.0	-0.9	-1.8
<i>East and South Asia</i>	8.0	8.1	8.5	7.3	6.4	0.1	-0.5
China	10.2	11.1	11.4	9.8	8.9	-0.2	-0.5
India	11.5	7.3	8.9	7.5	7.1	-0.1	-0.3
Indonesia	5.7	5.5	6.3	5.9	4.2	0.0	-2.1
Korea, Republic of	4.2	5.0	5.0	4.5	3.4	-0.2	-1.1
Malaysia	5.3	5.8	6.3	5.9	4.5	0.7	-1.2
Philippines	5.0	5.4	7.2	4.4	3.5	-0.8	-1.8
Thailand	4.5	5.1	4.8	4.6	3.2	0.3	-1.2
<i>Western Asia</i>	6.5	5.9	4.7	5.0	3.2	-0.4	-1.9
<i>Memo: World Export volume</i>	7.4	9.3	6.4	4.3	3.2	-1.7	-2.9

Source: LINK Global Forecast.

^a Pre-Meeting forecasts.

^b Actual or most recent estimates.

^c Excluding Nigeria and South Africa.

- Given the very large uncertainties caused by the financial turmoil, the **baseline outlook** in **Table 1** could turn out to be too optimistic. The unprecedented severity and complexity of this crisis could send the world economy into a much deeper and prolonged recession.
- An alternative **pessimistic scenario** is given in Table 3 and Figure 1.

Figure 1: World GDP Growth, 2003-2009

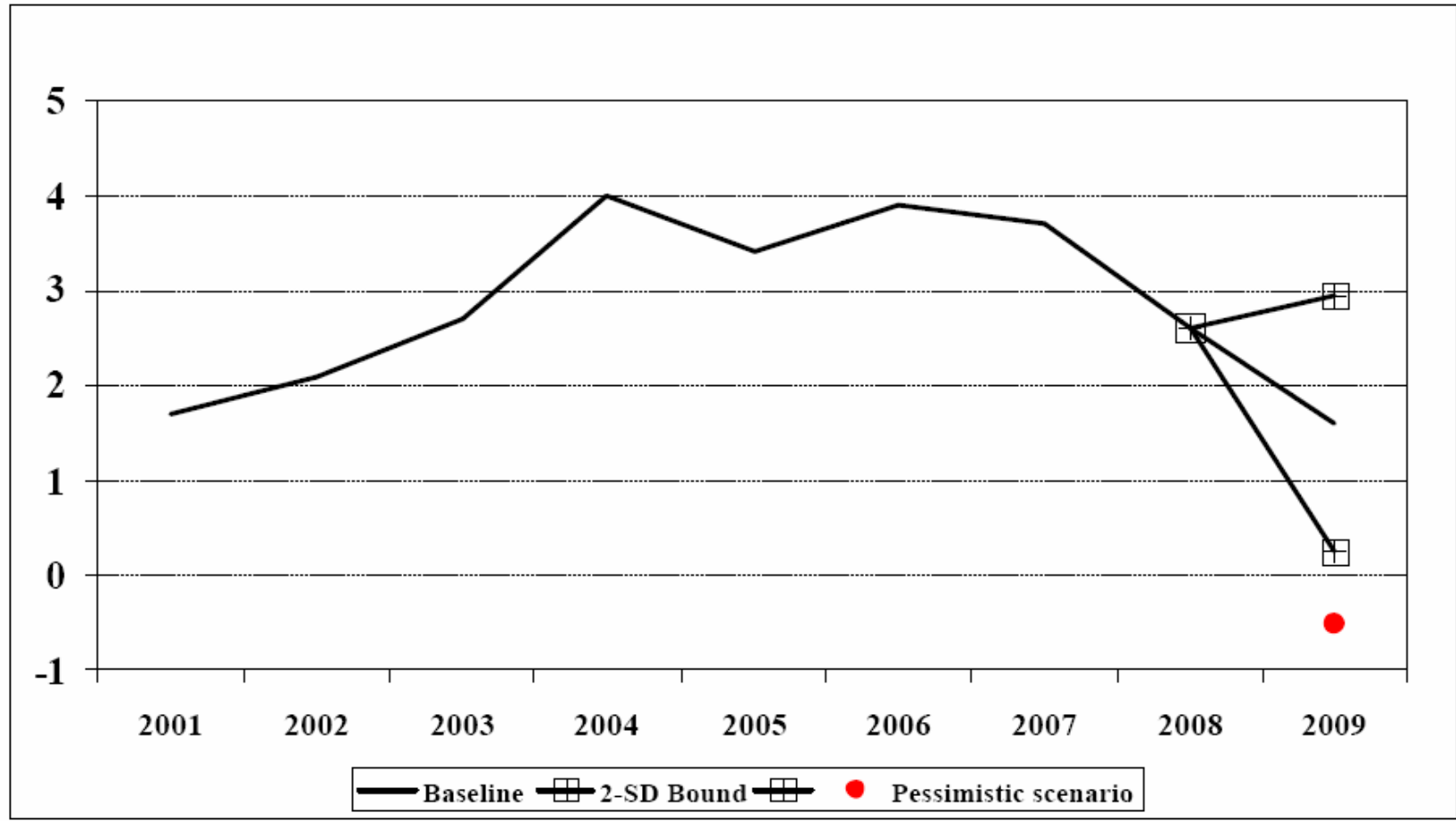


Table 3: A more pessimistic scenario

	2008	2009
World	1.9	-0.5
U.S.A.	0.8	-1.8
Western		
EUROPE	1.0	-1.5
Japan	0.5	-1.5
Other Developed	1.0	-0.1
Economies in transition (former USSR)	5.2	1.9
Africa Middle Income (North + South Africa)	4.5	1.4
Africal Low Income (Sub-Saharan Africa excl. SouthAfrica)	4.4	1.0
China	8.2	4.9
India	6.5	2.3
East Asia High Income (HongK+Korea+Taiwan+Singapore)	3.2	2.5
Other East Asia Middle Income	4.1	2.2
South Asia excl. India	4.7	2.4
Other Asia Low Income	4.9	1.9
Western Asia excl. Israel	3.6	2.0
South America	4.5	-0.8
Central America, Mexico and Caribbean	2.0	-1.2

ECONOMIC OUTLOOK FOR HONG KONG IN 2009

I. The Current Trends

- Real GDP increased **1.7** percent in the third quarter after increasing **5.8** percent in the first half (**Table 4** and **Figures 2-6**).
- Component contributions to real GDP growth (**Table 5** and **Figure 7**).
- Performance in the **external sector** in the first nine months of 2008 (**Tables 6-8**).
- Current trend in Inflation rate and unemployment rate (**Figures 7-8**).

Table 4: Hong Kong real GDP by major component, 2006Q1-2008Q3
Year-on-Year percentage changes

	Gross domestic product	Private consumption expenditure	Government consumption expenditure	Gross domestic fixed capital	Total exports of goods and services	Total exports of goods	Domestic exports	Re-exports	Exports of services
2006 Q1	9.02	6.11	1.45	6.37	13.24	13.75	45.21	12.09	10.95
Q2	6.18	7.25	-1.53	4.01	6.42	5.52	27.64	4.36	11.01
Q3	6.44	4.60	-0.95	10.00	8.17	7.93	-3.14	8.71	9.32
Q4	6.60	6.05	1.30	7.47	10.39	10.62	-30.19	13.80	9.31
2007 Q1	5.49	4.46	2.31	0.83	7.46	6.49	-34.04	9.24	11.32
Q2	6.22	6.63	3.00	8.09	10.25	9.97	-17.23	11.71	11.62
Q3	6.75	10.59	1.52	-0.50	7.54	6.18	-23.03	8.00	13.65
Q4	6.90	9.51	2.31	8.22	7.10	5.72	-0.10	5.98	13.13
2008 Q1	7.34	7.87	0.29	9.93	8.68	8.29	-1.86	8.70	10.23
Q2	4.23	3.22	3.00	3.46	5.08	4.39	-22.30	5.65	8.14
Q3	1.73	0.22	2.27	2.99	2.17	1.42	-22.78	2.49	5.29
2008 H1	5.78	5.47	1.55	6.55	6.80	6.23	-13.34	7.10	9.19
2008 Q1-Q3	4.35	3.68	1.78	5.34	5.11	4.47	-16.79	5.42	7.76

Table 4 (continued...)

	Imports of goods and services	Imports of goods	Imports of services	Changes in inventories (HK\$Mn.)	%
2006 Q1	12.42	13.31	5.57	-997	
Q2	6.51	6.00	11.17	-374	
Q3	7.41	7.48	6.82	-2,303	
Q4	10.47	10.64	8.96	1,545	
2007 Q1	7.09	7.15	6.64	2,224	
Q2	11.24	11.50	8.87	3,797	
Q3	8.15	8.09	8.68	1,672	
Q4	8.63	8.51	9.68	8,015	
2008 Q1	8.62	8.45	10.14	735	-66.95
Q2	4.75	4.89	3.46	4,614	21.52
Q3	2.18	2.22	1.79	3,794	126.91
2008 H1	6.58	6.56	6.71		-11.16
2008 Q1-Q3	5.00	5.00	4.94		18.85

Figure 2 Real GDP Year-on-year rate of change

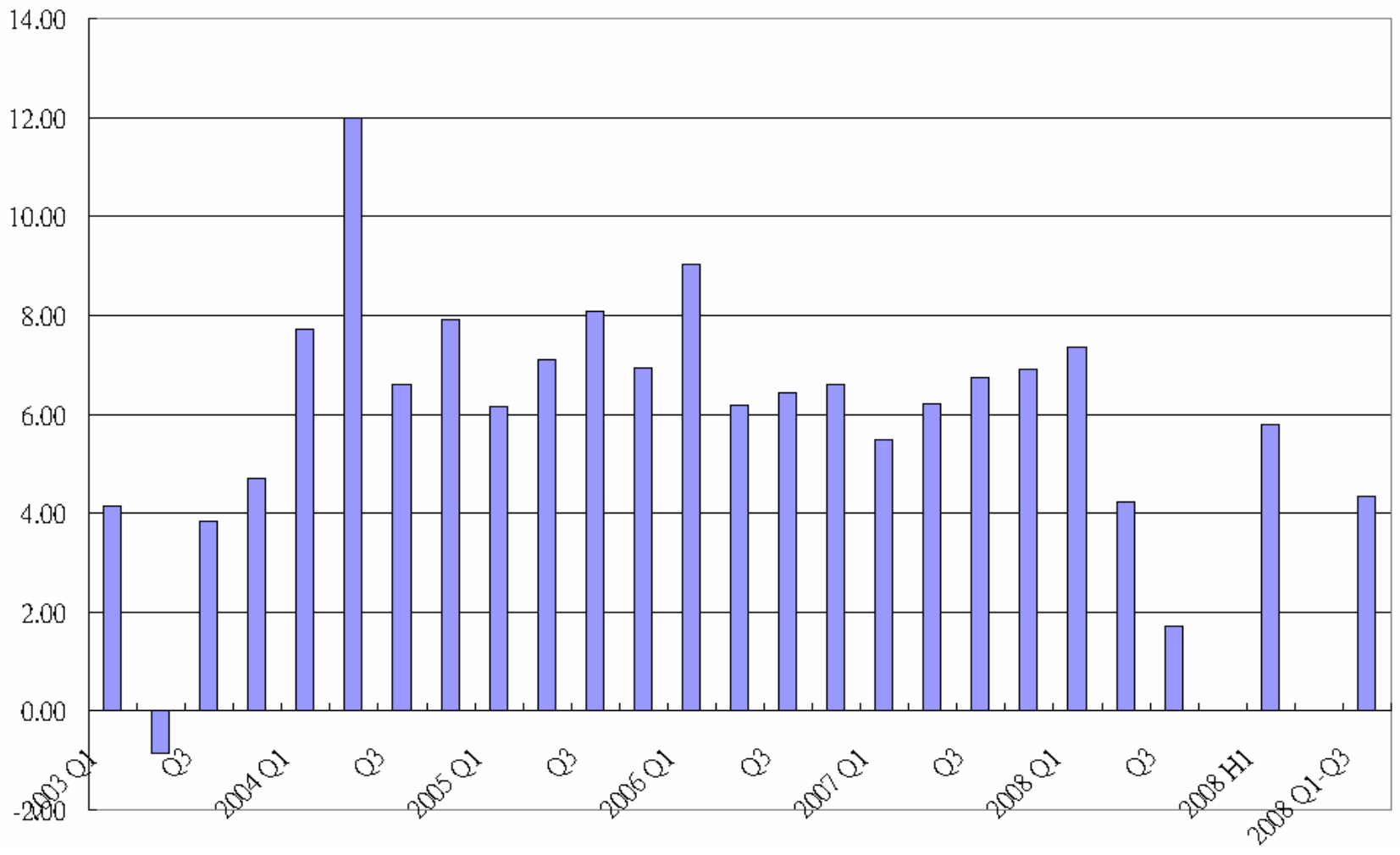


Figure 3 Private consumption expenditure: Year-on-year rate of change

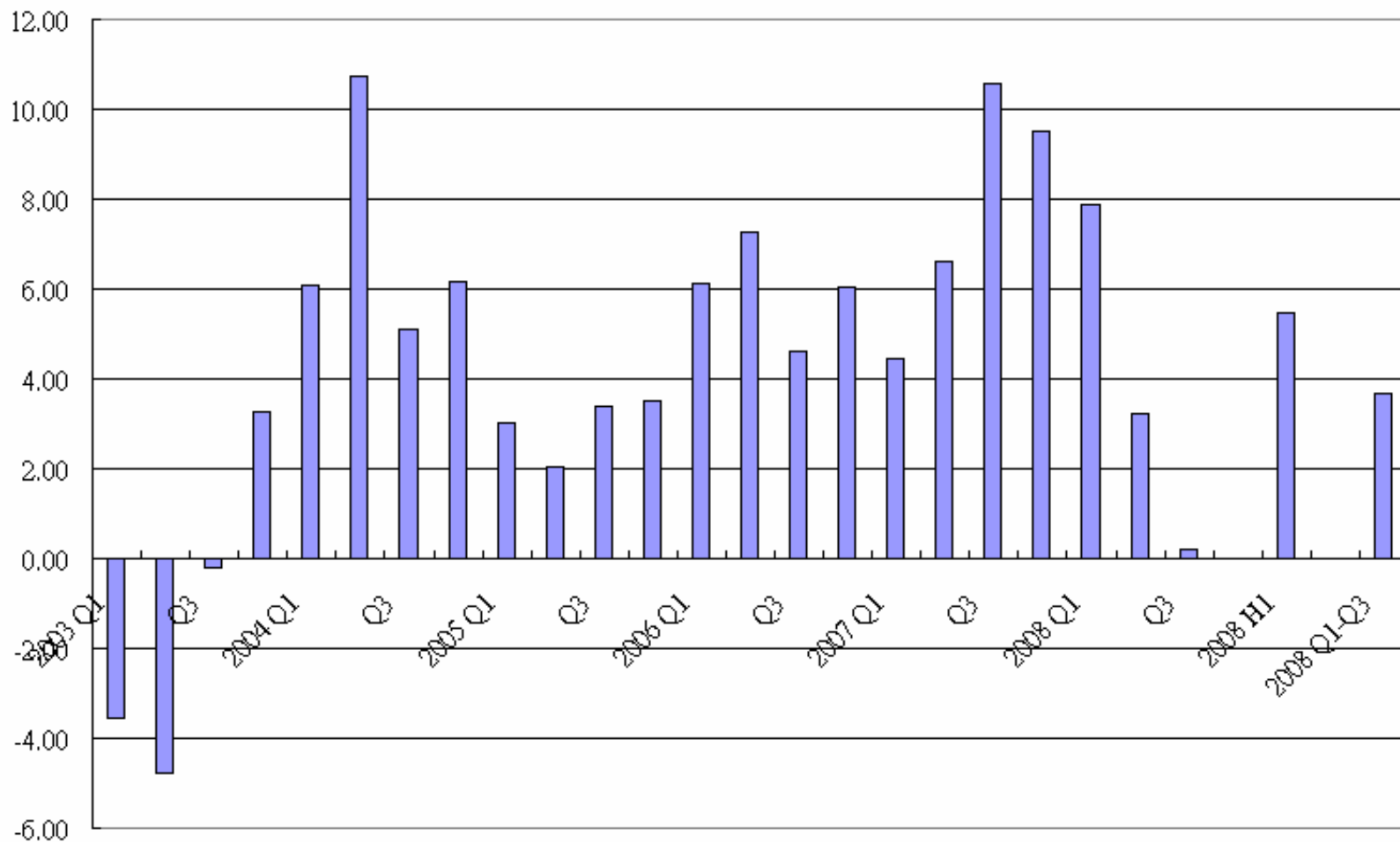


Figure 4 Gross domestic fixed investment: Year-on-year rate of change

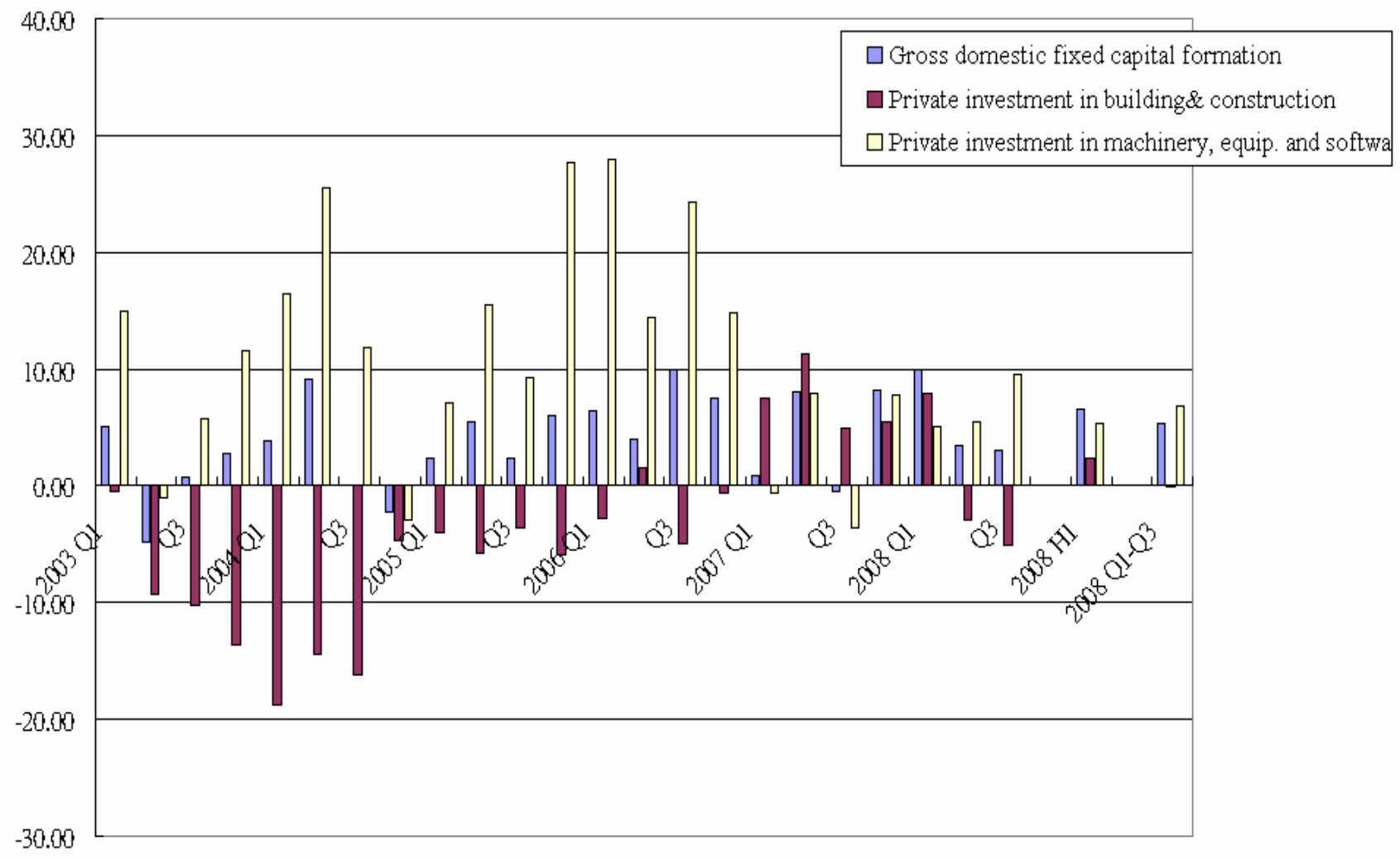


Figure 5 Total exports and imports: Year-on-year rate of change

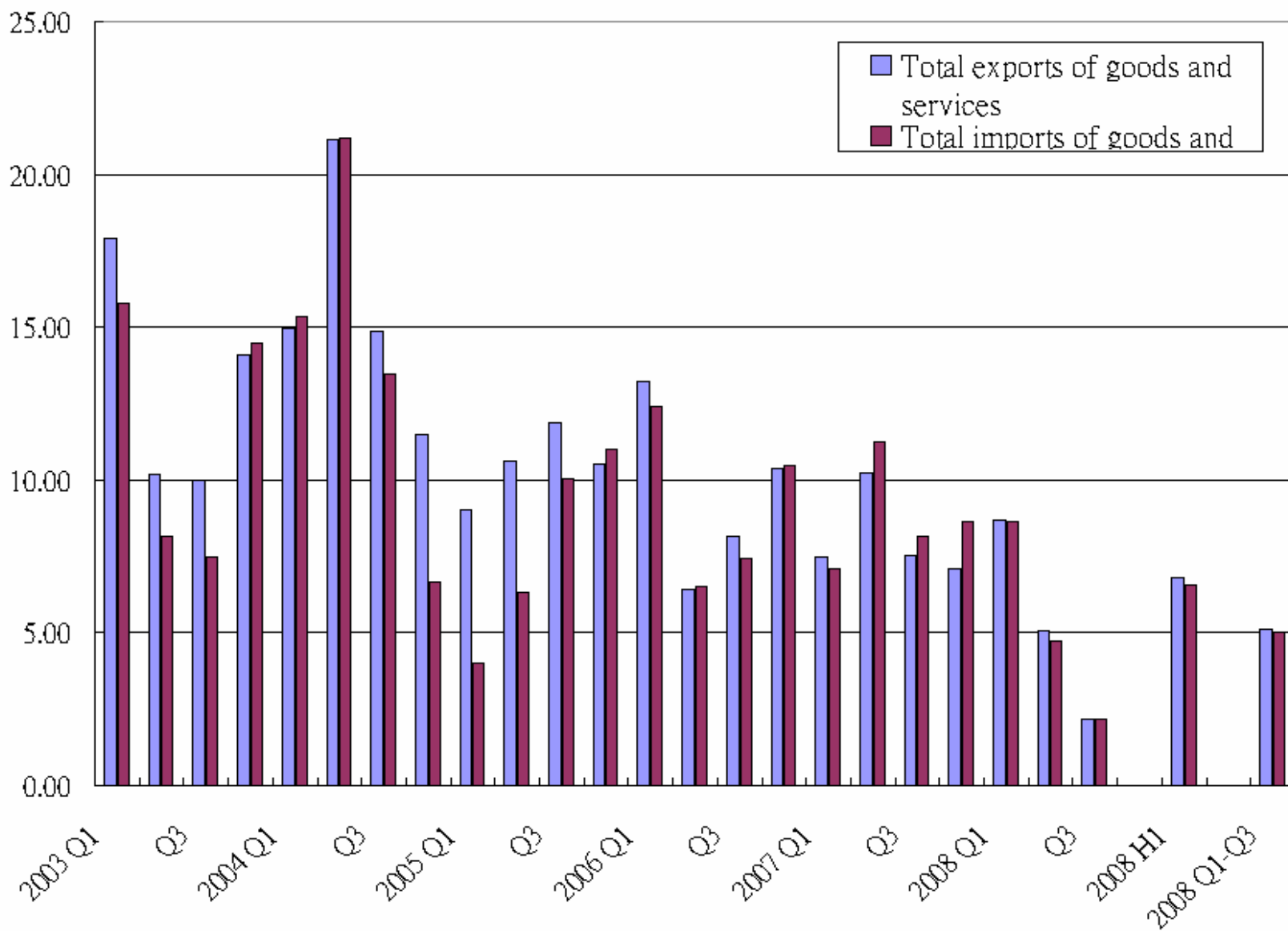


Figure 6 Domestic exports and re-exports: Year-on-year rate of change

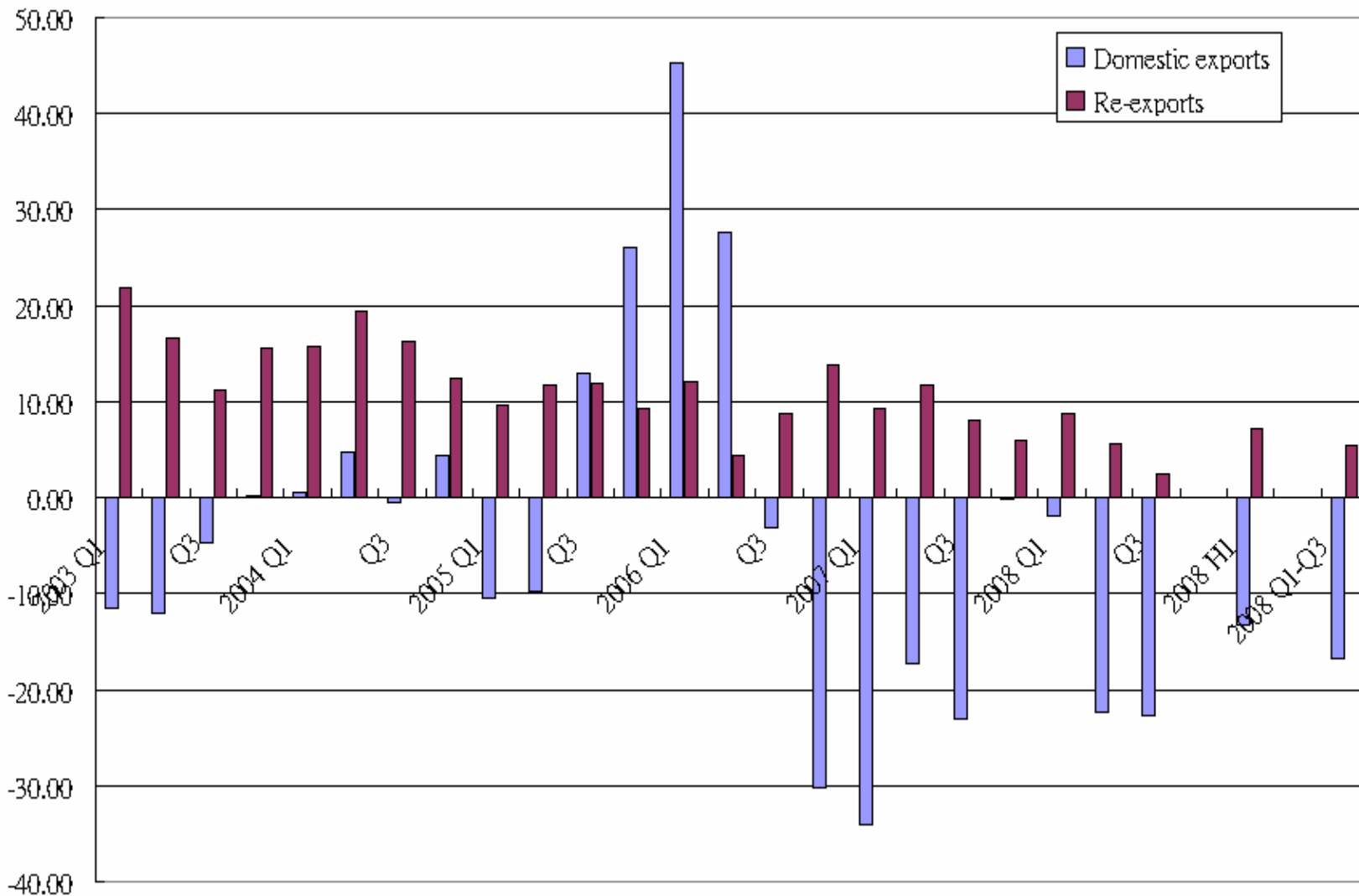
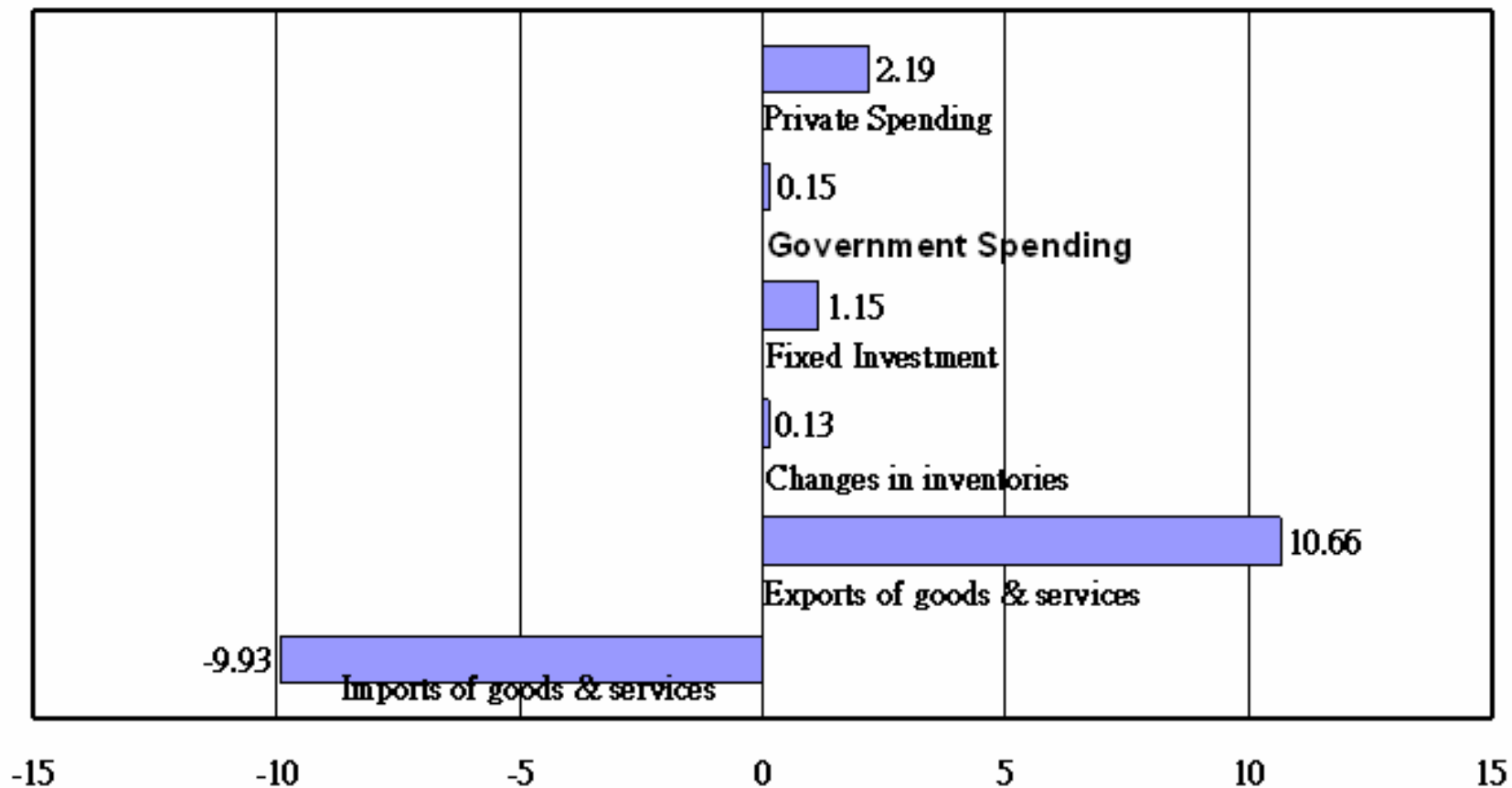


Table 5: Component contributions to Real GDP growth in 2006- 2008

	2006 (Actual)	2007 (Actual)	2008 Q1 to Q3	2008Q1 (Actual)	2008Q2 (Actual)	2008Q3 (Actual)
Real GDP growth rate (%)	7.0	6.37	4.35	7.34	4.23	1.73
Private consumption expenditure	3.5	4.59	2.19	4.64	2.01	0.13
Government consumption expenditure	--	0.19	0.15	0.03	0.24	0.17
Gross domestic fixed capital formation	1.5	0.91	1.15	2.09	0.79	0.62
Changes in inventories	0.2	1.21	0.13	-0.40	0.22	0.52
Net exports of goods & services	1.8	-0.52	0.73	0.99	0.97	0.29
Exports of goods & services	18.7	16.53	10.66	17.07	10.80	4.69
Imports of goods & services	-16.9	-17.05	-9.93	-16.08	-9.83	-4.40
Net exports of goods	-0.3	-3.65	-1.40	-1.10	-1.51	-1.57
Exports of goods	15.1	11.75	7.54	13.01	7.62	2.47
Imports of goods	-15.4	-15.39	-8.94	-14.11	-9.13	-4.04
Net exports of services	2.1	3.13	2.13	2.09	2.48	1.85
Exports of services	3.6	4.78	3.12	4.06	3.18	2.22
Imports of services	-1.5	-1.66	-0.99	-1.97	-0.70	-0.37

Figure 7: Component Contributions to real GDP growth in 2008Q1-Q3



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Table 6: Real growth rates of Hong Kong total exports by main destination

	China	USA	Japan	UK	Germany	Singapore			
2005Q1	9.90	5.14	11.55	11.92	18.24	15.75			
Q2	13.31	7.62	10.86	9.35	15.11	14.52			
Q3	14.89	8.44	11.15	2.00	12.93	0.75			
Q4	17.90	0.87	5.59	1.12	13.54	6.56			
2006Q1	23.06	3.56	8.24	2.26	10.81	2.27			
Q2	11.45	-2.38	2.95	5.50	2.49	-5.33			
Q3	15.75	-1.08	0.60	10.93	-0.79	12.79			
Q4	17.52	7.06	-1.42	9.31	1.50	8.29			
2007Q1	13.08	0.72	0.55	9.90	-2.44	0.65			
Q2	15.45	1.02	4.03	-1.87	10.82	3.87			
Q3	12.93	-3.93	-5.90	-10.28	12.59	0.14			
Q4	10.65	-6.59	-1.59	-3.00	5.13	-0.22			
2008Q1	12.16	-5.81	-3.22	-3.23	13.49	21.56			
Q2	8.60	-7.41	-4.15	-4.04	8.78	13.80			
Q3	3.94	-7.11	-1.16	-1.85	15.00	-0.49			
Q1-Q3	7.93	-6.83	-2.86	-2.98	12.44	11.16			

Table 7: Real growth rates of Hong Kong re-exports by main destination

	China	USA	Japan	UK	Germany	Singapore
2005Q1	10.21	7.74	11.34	19.16	25.12	15.15
Q2	13.71	11.50	9.85	15.92	21.01	11.94
Q3	14.46	8.57	9.39	2.51	13.64	-1.69
Q4	17.65	-0.12	3.32	-5.40	10.65	4.36
2006Q1	23.22	1.09	6.44	-5.81	5.51	1.06
Q2	11.80	-4.92	2.63	-0.82	-2.66	-5.30
Q3	17.48	1.28	-0.33	12.16	-0.59	11.32
Q4	19.71	13.30	-0.64	22.33	7.90	9.17
2007Q1	14.06	6.17	2.77	20.96	2.19	4.63
Q2	16.05	4.24	5.01	4.83	16.37	8.72
Q3	13.48	-1.40	-3.79	-9.21	16.17	6.00
Q4	10.71	-6.78	0.02	-4.73	5.12	2.64
2008Q1	12.58	-5.98	-2.96	-2.06	13.80	22.80
Q2	9.53	-6.40	-3.44	-0.67	10.05	13.82
Q3	4.67	-6.03	-0.32	5.30	18.01	0.42
Q1-Q3	6.19	-9.19	-0.33	-0.73	8.41	12.67

Table 8: Real growth rates of Hong Kong imports by main supplier

		China	USA	Japan	UK	Taiwan
2004	Q1	14.04	19.91	17.91	-1.25	23.86
	Q2	17.79	16.63	26.61	6.11	29.98
	Q3	16.59	12.42	18.28	32.95	20.58
	Q4	15.24	1.93	5.20	33.26	6.70
2005	Q1	12.23	3.24	-4.14	12.41	-1.47
	Q2	12.76	12.97	-3.12	24.86	4.90
	Q3	14.36	10.03	-1.73	-1.48	11.80
	Q4	11.86	-1.80	3.74	-7.55	27.47
2006	Q1	16.38	-1.29	8.22	13.10	26.68
	Q2	8.91	-6.76	0.97	-12.45	15.22
	Q3	8.20	3.04	6.80	-8.36	15.64
	Q4	14.63	12.16	9.16	2.58	1.55
2007	Q1	9.16	18.35	7.75	-11.17	-4.05
	Q2	16.85	13.62	10.44	-15.10	5.28
	Q3	9.21	10.65	6.58	2.50	6.57
	Q4	11.54	14.51	6.81	6.20	7.84
2008	Q1	9.62	6.01	5.81	16.39	9.34
	Q2	2.95	16.83	3.69	57.39	-4.07
	Q3	6.94	12.73	-0.96	22.75	-11.06
	Q1-Q3	6.35	11.93	2.71	31	-2.93

Figure 8: Inflation rate in Hong Kong, 1982-Oct 2008

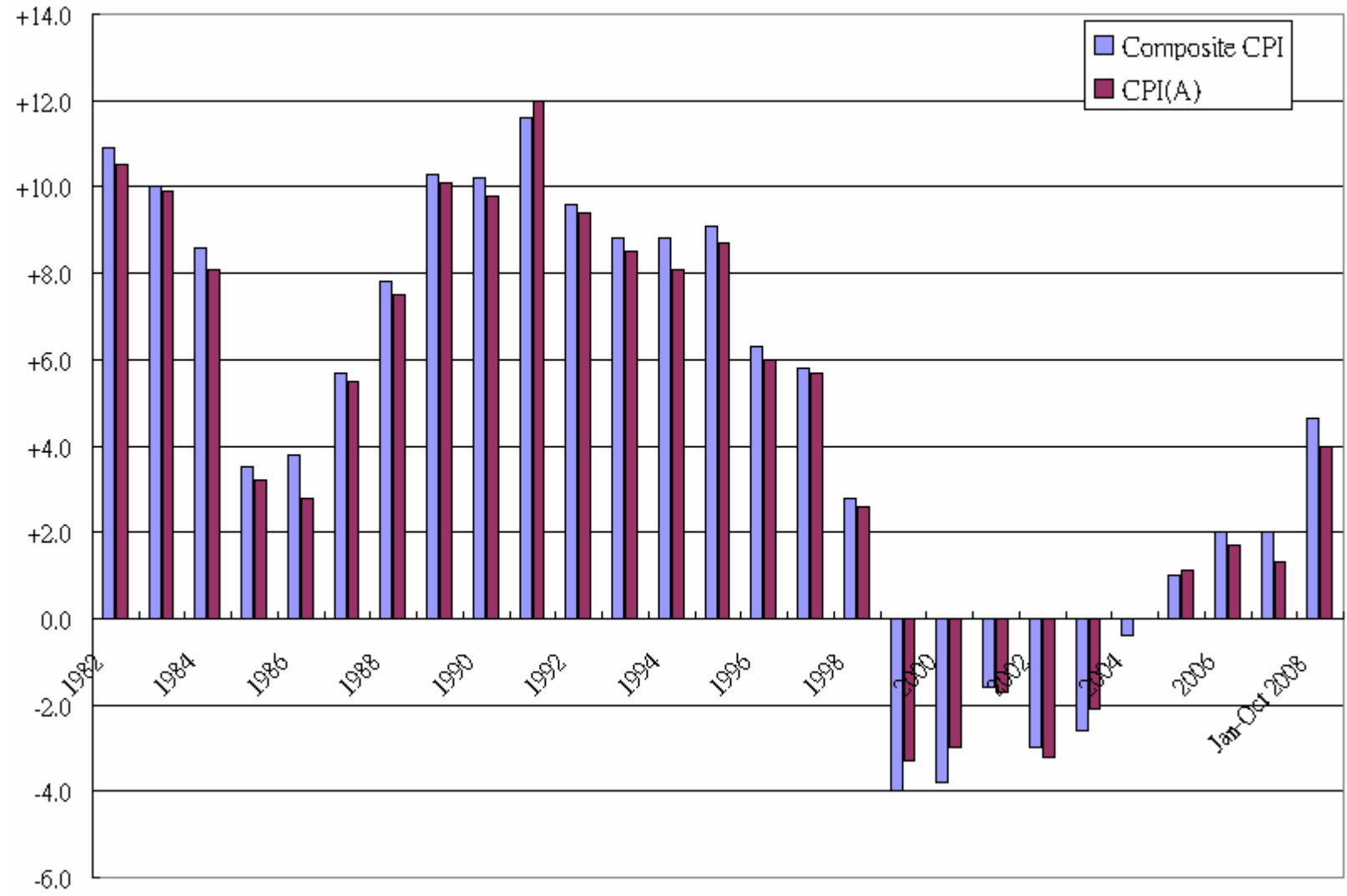
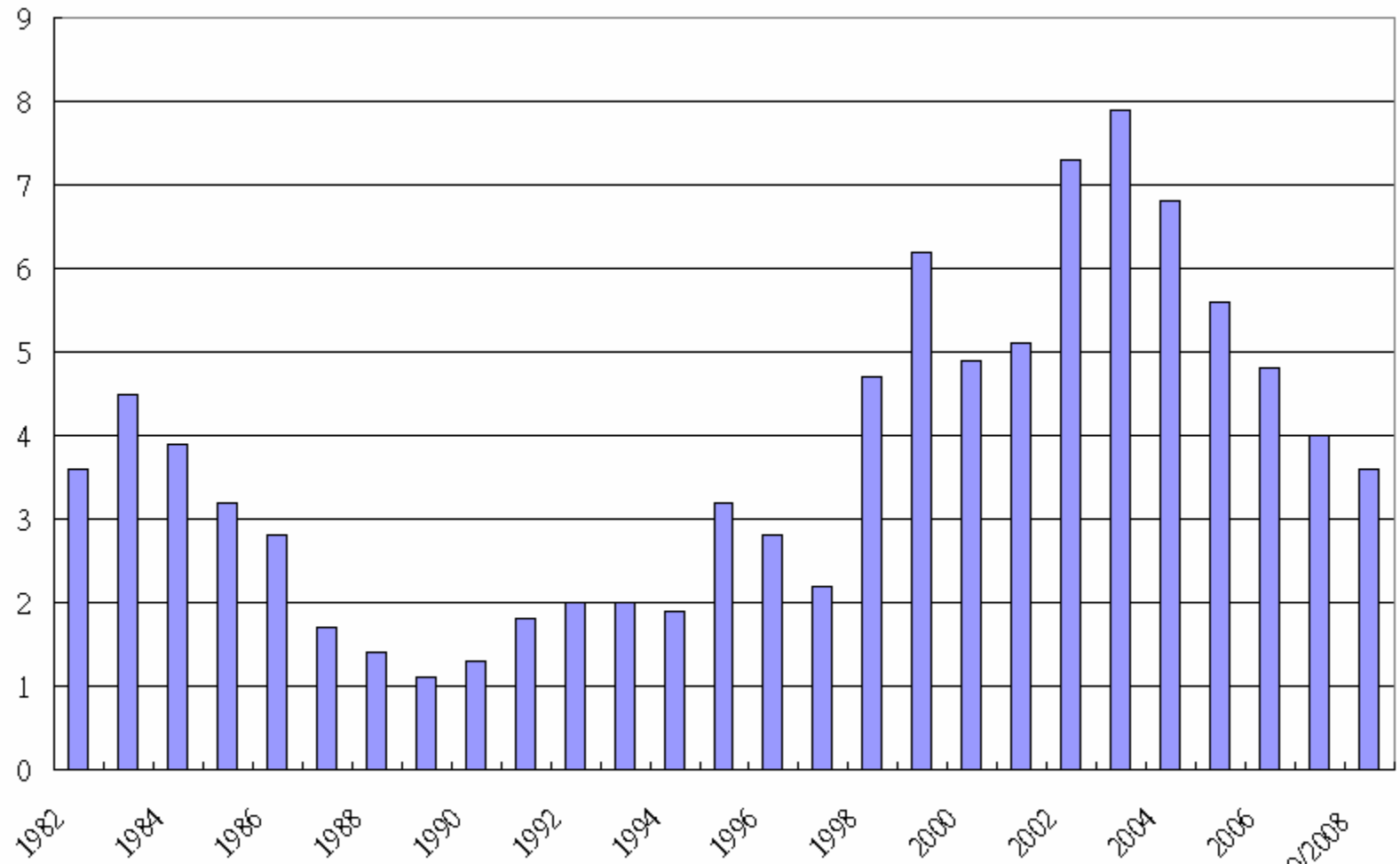


Figure 9 Unemployment rate: Year-on-year rate of change



II. The Hong Kong Model

Some Features of the Model

- A constituent model of the UN LINK Project since 1986
- Stationarity analysis is used to justify the use of the ordinary least squares (**OLS**) method, and to avoid the problem of spurious regression (Granger and Newbold, 1974).
- **Error-correction specification** is widely used in the Hong Kong Model (see examples in **Table 9**).

Table 9: Examples on the error-correction specification in Hong Kong Model**

$$1. \Delta \ln(\text{CPDFO}/N) = 0.0236 + 0.8428 \Delta \ln(\text{GDPMP}/N) - 0.0594 \text{DMCPDFO} \\ (1.0206) (2.4215) \quad (-1.77692)$$

$$R^2 = 0.2318 \quad \text{adj-}R^2 = 0.1914 \quad s_e = 0.0867 \quad \text{DW} = 2.0103$$

Error-correction specification

$$2. \Delta \ln(\text{CPN}/N) = 0.0093 - 0.0697 [\ln(\text{CPN}/N) - 0.5452 \ln(\text{GDPMP}/N)]_{-1} \\ (0.4635) (-1.1178) \\ + 1.0092 \Delta \ln(\text{GDPMP}/N) - 0.0442 \text{DMCPN} \\ (3.6136) \quad (-1.5324)$$

$$R^2 = 0.4329 \quad \text{adj-}R^2 = 0.3856 \quad s_e = 0.0674 \quad \text{DW} = 1.9973$$

Error-correction specification

$$3. \Delta \ln(\text{CPS}/N) = 0.0172 - 0.0530 [\ln(\text{CPS}/N) - 0.8735 \ln(\text{YD}/N)]_{-1} \\ (1.3197) (-2.0145) \\ + 0.3457 \Delta \ln(\text{YD}/N) - 0.0039 \text{DMCPS} * \ln(\text{YD}/N)_{-1} \\ (4.3880) \quad (-2.2433)$$

$$R^2 = 0.5654 \quad \text{adj-}R^2 = 0.5302 \quad s_e = 0.0190 \quad \text{DW} = 2.2323$$

$$4. \text{CP} = \text{CPDFO} + \text{CPN} + \text{CPS}$$

$$5. \Delta \ln(\text{IPBC}) = -0.0610 + 0.2830 \Delta \ln(\text{IPBC})_{-1} - 0.2714 \Delta \ln(\text{IPBC})_{-2} \\ (-2.1623) (2.0078) \quad (-2.2320) \\ + 0.7453 \Delta \ln(\text{GDPMP}) + 1.0131 \Delta \ln(\text{GDPMP})_{-1} - 0.1030 \text{DMIIPBC} \\ (2.2204) \quad (2.8917) \quad (-2.7164)$$

$$R^2 = 0.5110 \quad \text{adj-}R^2 = 0.4368 \quad s_e = 0.0817 \quad \text{DW} = 2.1896$$

III. Interval Forecasting

- It is often desirable to have some measure of the uncertainty attached to the point forecasts. This is achieved through interval forecasting.
- In constructing the interval forecast, the “variation” of some point forecasts comes from the autoregressive conditionally heteroscedastic (ARCH) model (see Table 10 for examples on the estimated variance equations).

Table 10 : Examples on estimated ARCH Equations for Interval Forecasting

1.	<p>Private consumption in consumer durables, food, and others</p> <p>Mean equation: $\Delta \ln(\text{CPDFO}/N) = 0.0236 + 0.8428 \Delta \ln(\text{GDP}/N) - 0.0594 \text{DMCPDFO}$ <div style="display: flex; justify-content: space-around; font-size: small;"> (1.0206) (2.4215) (-1.7692) </div> $R^2 = 0.2318 \quad \text{adj-}R^2 = 0.1914 \quad S_e = 0.0867 \quad \text{DW} = 2.0103$ <p>Variance equation: $h_t^2 = 0.0024 + 0.6460 a_{t-1}^2$ <div style="display: flex; justify-content: space-around; font-size: small;"> (3.4329) (1.8500) </div> $R^2 = 0.2305 \quad \text{adj-}R^2 = 0.2108 \quad \text{ARCH LM}(1) = 0.6909 \quad [p=0.4059]$ </p></p>
2.	<p>Private sector investment in plant, machinery and equipment</p> <p>Mean equation: $\Delta \ln(\text{IPPD}) = -0.0492 + 1.0615 \Delta \ln(\text{TDD}) + 0.6974 \Delta \ln(\text{EC}) + 0.0742 \text{DMIPPD}$ <div style="display: flex; justify-content: space-around; font-size: small;"> (-2.2407) (3.8837) (3.8007) (1.6194) </div> $R^2 = 0.6204 \quad \text{adj-}R^2 = 0.5896 \quad S_e = 0.0759 \quad \text{DW} = 1.8596$ <p>Variance equation: $h_t^2 = 0.0002 + 0.9942 h_{t-1}^2$ <div style="display: flex; justify-content: space-around; font-size: small;"> (0.2472) (7.0532) </div> $R^2 = 0.6182 \quad \text{adj-}R^2 = 0.6084 \quad \text{ARCH LM}(1) = 1.5998 \quad [p=0.2059]$ </p></p>
3.	<p>Retained imports of goods under SITC 5 to 9 from China including re-export margin</p> <p>Mean equation: $\Delta \ln(\text{RMM59C}/N) = -0.0315 - 0.3562 [\ln(\text{RMM59C}/N) - 0.6983 \ln(\text{TDD}/N) + 1.6282]_{-1}$ <div style="display: flex; justify-content: space-around; font-size: small;"> (-0.7090) (-2.8036) </div> $+ 1.0326 \Delta \ln(\text{TDD}/N)$ <div style="display: flex; justify-content: space-around; font-size: small;"> (1.5295) </div> $R^2 = 0.2172 \quad \text{adj-}R^2 = 0.1760 \quad S_e = 0.2092 \quad \text{DW} = 1.3396$ <p>Variance equation: $h_t^2 = 0.0290 + 0.2908 a_{t-1}^2$ <div style="display: flex; justify-content: space-around; font-size: small;"> (5.2533) (0.9481) </div> $R^2 = 0.2124 \quad \text{adj-}R^2 = 0.1922 \quad \text{ARCH LM}(1) = 0.0591 \quad [p=0.8079]$ </p></p>

The **Interval forecasts (baseline and pessimistic scenarios)** for Hong Kong GDP, and its major components in 2009 are shown in **Tables 11 and 12**.

Table 11: Interval Forecast for GDP and its Major Components

1. Gross domestic product (GDP)							
Growth Rate							
	Mean (m)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Mean	Lower bound	Upper bound
	(in HK\$Bn.)		Lower bound	Upper bound	%	%	%
2007 (Actual)	1572.24		1572.24	1572.24			
2008	1636.46		1618.27	1654.64	4.08	2.93	5.24
2009	1657.08		1619.30	1694.86	1.26	0.06	2.43
2. Private consumption expenditure (CP)							
Growth Rate							
	Mean (m)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Mean	Lower bound	Upper bound
	(in HK\$Bn.)		Lower bound	Upper bound	%	%	%
2007 (Actual)	919.41		919.41	919.41			
2008	954.49		909.96	999.03	3.82	-1.03	8.66
2009	975.93		909.81	1042.05	2.25	-0.02	4.31
3. Gross domestic fixed capital formation (CF)							
Growth Rate							
	Mean (m)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Mean	Lower bound	Upper bound
	(in HK\$Bn.)		Lower bound	Upper bound	%	%	%
2007 (Actual)	322.46		322.46	322.46			
2008	330.59		299.27	361.91	2.52	-7.19	12.24
2009	323.33		278.52	368.15	-2.20	-6.93	1.72

Table 11 (continued...)

4. Total exports of goods and services (E)							
Growth Rate							
	Mean (m)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Mean	Lower bound	Upper bound
	(in HK\$Bn.)		Lower bound	Upper bound	%	%	%
2007 (Actual)	3249.47		3249.47	3249.47			
2008	3438.82		3284.66	3592.98	5.83	1.08	10.57
2009	3611.81		3414.62	3809.00	5.03	3.96	6.01
5. Total imports of goods and services (M)							
Growth Rate							
	Mean (m)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Mean	Lower bound	Upper bound
	(in HK\$Bn.)		Lower bound	Upper bound	%	%	%
2007 (Actual)	3059.14		3059.14	3059.14			
2008	3220.21		3008.38	3432.04	5.27	-1.66	12.19
2009	3388.04		3117.69	3668.38	5.21	3.63	6.59

Notes: the interval considered here is the 90% confidence interval. The number 1.282 comes with the assumption of normally-distributed errors. Figures are in HK\$Billion.

Table 12: Interval Forecast for GDP and its Major Components (pessimistic scenario)

1. Gross domestic product (GDP)							
	Mean (m) (in HK\$Bn.)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Growth Rate		
			Lower bound	Upper bound	Mean	Lower bound	Upper bound
2007 (Actual)	1572.24		1572.24	1572.24			
2008	1634.73		1613.45	1649.28	3.97	2.62	4.90
2009	1611.34		1586.53	1660.01	-1.43	-1.67	0.65
2. Private consumption expenditure (CP)							
	Mean (m) (in HK\$Bn.)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Growth Rate		
			Lower bound	Upper bound	Mean	Lower bound	Upper bound
2007 (Actual)	919.41		919.41	919.41			
2008	953.92		909.41	998.43	3.75	-1.09	8.60
2009	960.15		894.70	1025.59	0.65	-1.62	2.72
3. Gross domestic fixed capital formation (CF)							
	Mean (m) (in HK\$Bn.)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Growth Rate		
			Lower bound	Upper bound	Mean	Lower bound	Upper bound
2007 (Actual)	322.46		322.46	322.46			
2008	328.17		297.04	369.29	1.77	-7.88	11.42
2009	306.18		263.84	348.51	-6.70	-11.18	-3.00

Table 12 (pessimistic scenario continued...)

4. Total exports of goods and services (E)							
	Mean (m) (in HK\$Bn.)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Growth Rate		
			Lower bound	Upper bound	Mean	Lower bound	Upper bound
2007 (Actual)	3249.47		3249.47	3249.47			
2008	3363.53		3205.29	3515.02	3.51	-1.36	8.17
2009	3329.73		3151.85	3531.49	-1.00	-1.67	0.47
5. Total imports of goods and services (M)							
	Mean (m) (in HK\$Bn.)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Growth Rate		
			Lower bound	Upper bound	Mean	Lower bound	Upper bound
2007 (Actual)	3059.14		3059.14	3059.14			
2008	3153.27		2940.69	3365.85	3.08	-3.87	10.03
2009	3128.48		2867.62	3389.34	-0.79	-2.49	0.70
6. Inflation rate							
	Mean (m)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)		Growth Rate		
			Lower bound	Upper bound	Mean	Lower bound	Upper bound
2007 (Actual)	0.99		0.99	0.99			
2008	1.03		1.00	1.06	4.38	1.34	7.38
2009	1.08		1.01	1.14	4.43	1.27	7.17
7. Unemployment rate							
	Mean (m)	Standard error (s.e.)	Interval forecast (=m +/- 1.282 s.e.)				
			Lower bound	Upper bound	Mean	Lower bound	Upper bound
2007 (Actual)	4.00		4.00	4.00			
2008	3.38	0.48	2.77	3.99			
2009	4.48	0.58	3.73	5.23			

Notes: the interval considered here is the 90% confidence interval. The number 1.282 comes with the assumption of normally-distributed errors. Figures are in HK\$Billion.