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A

1996 forecast is 'just fine'

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The Government stood by its economic projections yesterday – holding steady on the official 1996 forecasts of 7.5 per cent inflation and 5 per cent economic growth – despite a continuing slowdown to 3 per cent growth in the first quarter.

"We take a very cautious approach in making amendments [to the forecast]," KY Tang, the government economist, explained. "We only have information for one quarter. We are awaiting information for three quarters. Do we need to be in such haste to revise?"

Other observers felt the time was right to revise, with

many economists predicting the territory's gross domestic product would post inflation-adjusted growth closer to 4 per cent this year.

Tang declined to offer a firm projection of how fast the economy would need to grow for the remainder of the year to remain on target for the full-year projection. The 3 per cent figure for first-quarter growth was only a tentative estimate, he said, with the actual number becoming available in August. Then the Government would be able to "add a decimal point after the 5".

In the meantime, Tang predicted, stronger domestic growth – particularly in the construction sector, as the proper-

ty market continues to rebound and the new airport's first phase peaks in the second and third quarters – would offset slower-than-expected growth in external trade.

The Government revised its estimate of 1996 growth in construction spending to 8.8 per cent, up substantially from the 6.6 per cent forecast announced in the March budget speech. Meanwhile, official goods-trade projections were revised marginally downwards.

Stronger consumer spending would also boost the domestic sector, Tang said, noting recent improvements in retail-sales figures and increasing demand for consumer services. He was especially inter-

ested to see a pick up in motor vehicle sales, volume of which jumped 9 per cent in March, ending a precipitous 19-month slide. Inflation was the one area in which Tang conceded the possibility of an eventual downward revision in the official forecast – although possible interest rate rises in the United States tempered his optimism.

The consumer price index (A), which tracks the 50 per cent of Hong Kong households spending \$4,000-\$15,999 per month, rose an average of 6.5 per cent in the first four months of 1996. This was well below the 8.7 per cent rate of 1995 and 7.5 per cent projected for this year.