

SM/14/171
Correction 2

July 24, 2014

To: Members of the Executive Board

From: The Secretary

Subject: **People's Republic of China—Macao Special Administrative Region—Staff Report for the 2014 Article IV Consultation**

The attached correction to SM/14/171 (6/23/14) has been provided by the staff:

Typographical Error

Page 31, Table 1, Selected Economic and Financial Indicators, row 37:
for "In millions of US dollars" read "In billions of US dollars"

This correction has also been made to the same table which appeared on page 44 as part of the draft Press Release.

Questions may be referred to Mr. Syed (telephone number 202-758-7495), Ms. Myrvoda (ext. 38150), and Mr. Sun (ext. 36239) in APD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

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Table 1. Macao SAR: Selected Economic and Financial Indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015
								Projected	
(Annual percentage change, unless otherwise specified)									
National accounts									
Real GDP	14.3	3.4	1.7	27.5	21.3	9.1	11.9	9.0	10.0
Total domestic demand	16.9	-5.0	-12.8	-0.1	13.8	11.0	6.0	6.0	13.6
Consumption	11.0	4.6	5.1	6.6	9.6	8.1	6.3	6.0	6.0
Investment	23.0	-14.1	-33.5	-12.6	23.0	16.8	5.4	6.0	27.6
Net exports 1/	2.5	7.1	10.3	27.4	15.2	4.6	9.4	6.7	4.8
Exports	22.5	9.1	-1.5	44.4	28.5	7.2	12.0	9.5	7.9
Imports	29.1	2.2	-18.7	29.1	29.9	6.4	7.2	7.6	8.2
Prices and employment									
Headline inflation (average)	5.6	8.6	1.2	2.8	5.8	6.1	5.5	5.5	5.4
Housing prices	49.3	12.5	-0.3	33.5	33.6	38.4	42.6	...	...
Median monthly employment earnings	14.3	0.0	6.3	5.9	11.1	13.0	6.2	...	...
Unemployment rate (annual average)	3.2	3.0	3.5	2.8	2.6	2.0	1.8	1.7	1.7
(In percent of total)									
Economic structure									
Secondary sector	19.1	17.2	10.9	7.3	6.5	6.2	...	...	...
Of which: manufacturing	2.9	2.1	1.5	0.8	0.7	0.7	...	...	...
Of which: construction	15.1	14.0	8.2	5.4	4.9	4.7	...	...	...
Tertiary sector	80.9	82.8	89.1	92.7	93.6	93.8	...	...	...
Of which: public administration, other community, social & personal services (including gaming)	43.7	44.3	47.8	55.1	57.6	57.7	...	...	...
(In thousands)									
Employment	293.0	317.1	311.9	314.8	327.6	343.2	361.0	...	...
Of which: foreign workers	85.2	92.2	74.9	75.8	94.0	110.6	137.8	...	...
Manufacturing	20.7	24.3	16.4	15.2	12.8	10.3	9.0	...	...
Construction	31.1	37.6	31.8	27.1	28.2	32.3	35.3	...	...
Tertiary sector	239.5	253.8	261.5	271.0	284.2	298.1	314.6	...	...
Of which: gaming	62.6	65.3	61.6	62.8	70.1	78.8	83.3	...	...
(In percent of GDP)									
Balance of payments 2/									
Current account, net	24.3	19.4	32.0	42.9	44.1	43.5	44.0	43.6	41.1
Trade balance of goods and services, net	27.6	33.8	44.5	56.1	59.2	59.7	60.9	60.8	58.6
Goods balance	-25.7	-24.4	-20.4	-19.3	-21.2	-20.5	-19.3	-19.4	-19.2
Services balance	53.3	58.1	64.9	75.4	80.4	80.2	80.3	80.2	77.8
Foreign exchange reserves 3/	73.3	76.8	86.1	83.7	92.9	38.6	31.2	...	...
(In billions of US dollars)	13.2	15.9	18.4	23.7	34.0	16.6	16.1	...	...
Saving and investment									
Gross capital formation	37.5	31.0	18.9	13.3	13.9	14.7	13.8	13.5	15.8
National saving	61.8	50.5	50.8	56.2	57.2	56.8	57.8	57.2	56.9
Central government finance									
Revenue	28.0	30.7	33.9	35.1	38.4	37.7	37.6	37.5	37.4
Expenditure	13.0	15.6	19.9	16.6	16.7	16.5	14.3	16.9	17.6
Overall balance	15.1	15.1	14.0	18.5	21.7	21.2	23.3	20.6	19.8
Fiscal reserves 4/	...	...	...	...	...	47.8	58.7	...	...
(Annual percentage change)									
Financial sector									
Loans	42.2	38.7	23.9	31.6	31.2	26.2	31.4	...	...
Resident	42.3	27.4	10.2	29.3	28.5	18.4	29.6	...	...
Mortgages	43.7	20.9	26.3	45.6	25.3	29.2	25.9	...	...
Nonresident	42.1	60.6	45.2	34.4	34.3	34.6	33.2	...	...
Interest rates									
Discount window base rate (eop)	5.8	0.5	0.5	0.5	0.5	0.5	0.5	...	...
Saving deposit rate (average)	2.1	0.1	0.0	0.0	0.0	0.0	0.0	...	...
MAIBOR 3-month (eop)	3.5	0.9	0.2	0.3	0.4	0.4	0.4	...	...
Tourism									
Visitor arrivals	...	...	-5.1	14.8	12.2	0.3	4.4	...	...
Gaming revenue	45.8	31.0	9.6	57.5	41.9	13.4	18.6	...	...
Exchange rate									
MOP/USD, period average	0.4	-0.2	-0.4	0.2	0.2	-0.4	0.0	...	...
Nominal effective exchange rate	-4.3	-5.6	1.1	-0.8	-5.0	1.7	-0.1	...	...
Real effective exchange rate	-1.7	-1.6	2.5	-0.2	-3.1	5.4	3.5	...	...
Memorandum items:									
Per capita GDP (in thousands of US dollars)	34.7	38.4	39.8	52.8	66.7	75.5	87.3	...	...

Sources: CEIC; Haver Analytics; IMF, International Financial Statistics; national authorities; and IMF staff estimates.

1/ Contribution to annual growth in percent.

2/ BPM6 methodology. Current account, net for 2013 is staff projection.

3/ Part of foreign reserves transferred to fiscal reserve fund since 2012.

4/ Balance as of January of following year, after approval by Legislative Assembly.

Table 2. Macao SAR: Medium-Term Macroeconomic Framework

	2011	2012	2013	2014	2015	2016	2017	2018	2019
						Projected			
						(Annual percentage change)			
National accounts									
Real GDP	21.3	9.1	11.9	9.0	10.0	9.0	8.0	6.0	5.0
Total domestic demand	13.8	11.0	6.0	6.0	13.6	14.7	13.7	1.1	1.4
Consumption	9.6	8.1	6.3	6.0	6.0	6.0	6.2	6.5	6.5
Investment	23.0	16.8	5.4	6.0	27.6	28.1	23.3	-4.8	-4.8
Net exports 1/	15.2	4.6	9.4	6.7	4.8	3.2	2.3	5.5	4.4
Consumer prices and employment									
Headline inflation (average)	5.8	6.1	5.5	5.5	5.4	5.2	5.1	5.0	5.0
Unemployment rate	2.6	2.0	1.8	1.7	1.7	1.7	1.7	1.7	1.7
						(In percent of GDP)			
Gross capital formation	13.9	14.7	13.8	13.5	15.8	18.6	21.2	19.1	17.3
Gross national saving	57.2	56.8	57.8	57.2	56.9	56.6	56.1	55.1	53.9
						(In millions of US dollars)			
Balance of payments 2/									
Current account, net	16,158	18,710	22,772	24,866	26,136	26,863	27,332	30,553	33,268
Current account, net (percent of GDP)	44.1	43.5	44.0	43.6	41.1	38.0	34.9	36.0	36.5
Trade balance of goods and services, net	21,669	25,664	31,537	34,665	37,263	39,421	41,412	45,929	49,883
Goods balance	-7,784	-8,795	-10,003	-11,029	-12,196	-14,103	-16,399	-17,815	-19,603
Services balance	29,453	34,459	41,540	45,693	49,459	53,524	57,811	63,744	69,486
Primary Income	-4,960	-5,819	-7,387	-8,277	-9,423	-10,657	-11,970	-13,087	-14,155
Secondary Income	-551	-1,134	-1,378	-1,522	-1,704	-1,901	-2,110	-2,289	-2,461
Capital account, net	1,329	0	250	250	250	250	250	250	250
Financial account, net	11,451	20,264	23,022	25,116	26,386	27,113	27,582	30,803	33,518
Direct investment, net	-1,689	-2,100	-2,069	-2,128	-2,164	-2,197	-2,224	-2,274	-2,329
Portfolio investment, net	1,879	748	966	1,085	1,242	1,411	1,591	1,743	1,887
Financial derivatives, net	44	-61	-73	-81	-90	-100	-111	-120	-129
Other investment, net	1,038	17,906	19,246	20,807	22,647	24,810	26,945	28,626	30,083
Reserve assets (net change) 3/	10,178	3,771	4,952	5,433	4,752	3,189	1,382	2,829	4,006
Errors and omissions, net	-6,036	1,554	0	0	0	0	0	0	0
						(In percent of GDP)			
Central government account									
Overall balance	21.7	21.2	23.3	20.6	19.8	18.6	17.4	16.2	15.0
Revenue	38.4	37.7	37.6	37.5	37.4	36.9	36.4	35.9	35.4
Expenditure	16.7	16.5	14.3	16.9	17.6	18.3	19.0	19.7	20.4
Memorandum items:									
Nominal GDP (in millions of MOP)	293,745	343,416	413,471	455,298	508,289	565,216	625,549	677,555	727,399
Exchange rate (MOP/USD, percent change)	0.2	-0.4	0.0	...	...	...	...	...	...
Nominal effective exchange rate (percent change)	-5.0	1.7	-0.1	...	...	...	...	...	...
Real effective exchange rate (percent change)	-3.1	5.4	3.5	...	...	...	...	...	...

Sources: CEIC; Haver Analytics; IMF, International Financial Statistics; national authorities; and IMF staff estimates and projections.

1/ Contribution to annual growth in percent.

2/ BPM6 methodology. Data for 2013 are staff projections.

3/ Majority of reserve asset build-up during projection period is likely to be reflected in fiscal reserves, are managed separately since 2012.