Date: 26 September 2018

**Press Release**

**UM announces 2018-2019 macroeconomic forecast for Macao**

The University of Macau (UM) Department of Economics and Centre for Macau Studies today (26 September) released its Macroeconomic Forecast for Macao 2018-2019. Macao’s economy has recovered substantially. Real GDP grew by 9.1% and recorded MOP 395.2 billion in 2017. Macao's GDP is expected to grow by 8.3% in 2018, and is expected to grow by 7.1% in 2019. However, based on the external economic factors and policies of service exports, Macao's GDP may fluctuate in the short term, and the research team will regularly update the forecast with the latest data.

**Macao’s Recent Economy**

The following highlights the recent economic situations of the different sectors in Macao’s economy:

* External demand for services was mainly driven by mainland China. With recent stable economic growth, Chinese visitors’ spending in Macao, in particular on gaming activities, went up rapidly. The exports of services were MOP 80.3 billion, growing by 13.0% year-on-year in the second quarter of 2018. Meanwhile, the exports of services in gaming, the largest portion of the exports of services, were MOP 55.8 billion, up 13.7% year-on-year.
* In the second quarter of 2018, the nominal gross gaming revenue was MOP 73.7 billion, up 17.2% year-on-year and down 3.7% quarter-on-quarter. Revenue from the VIP baccarat was MOP 41.0 billion, increasing by 14.4% year-on-year and decreasing by 4.5% quarter-on-quarter respectively.
* In July 2018, total visitor arrivals were 3.03 millions, up 4.0% year-on-year. Visitors from mainland China recorded 2.17 millions, up 7.6% year-on-year and visitors from Hong Kong were 0.55 millions, down 2.5% year-on-year.
* Exports of goods began to recover in the first quarter of 2017. In the second quarter of 2018, the number rose by 29.9% year-on-year to MOP 3.7 billion.
* For the second quarter of 2018, the imports of goods rose by 10.0% year-on-year to MOP 23.7 billion. Amid the growing demand for gaming services, imports of services increased rapidly by 19.3% year-on-year to MOP 10.3 billion.
* Within the imports of goods, consumer goods increased by 17.9% year-on-year in the second quarter of 2018 amid a steady growth in consumer spending. Meanwhile, raw material and semi-manufactures rose by 11.5% year-on-year with the upsurge in exports of goods. Capital goods increased by 60.5% year-on-year, reflecting the growth in equipment investment.
* With rising earnings, Macao's residents showed more confidence in spending. Private consumption expenditure was MOP 25.4 billion, up 5.3% year-on-year in the second quarter of 2018. The household final consumption expenditure in domestic market and the expenditure abroad increased by 4.9% and 3.3% year-on-year respectively.
* Private gross fixed capital formation decreased by 18.9% year-on-year in the second quarter of 2018 to MOP 12.4 billion with the finishing of major hotels and casinos construction. Meanwhile, government gross fixed capital formation grew by 28.9% year-on-year. Total gross fixed capital formation decreased by 11.9% to MOP 15.7 billion. Private construction investment and private equipment investment declined by 22.0% and rose by 7.5% year-on-year respectively.
* Real estate transaction slowed down in the second quarter of 2018. The total number of resident units purchased and sold was 3,056, amounting to 19.3 billion MOP, down 15.7% and 20.8% quarter-to-quarter respectively. 345 residential units were sold for over MOP 10 million; 1,775 units for MOP 4 million to under MOP 10 million; 800 units for MOP 2 million to under MOP 4 million; and 136 units for MOP 2 million or less. As regard to the floor area of residential units, 1,402 units (45.9% of total) had an area of 50 to 99.9 square meters. The average transaction price of the residential units dropped by 4.2% quarter-to-quarter to MOP 107,571 per square meter. The average transaction price of the residential units with an area of 50 to 99.9 square meters registered a decrease of 0.6% quarter-to-quarter to MOP 103,728 per square meter respectively.
* The inflation rate was increasing steadily amid higher demand from residents. The Composite Consumer Price Index on July 2018 rose by 3.3% year-on-year. For the two largest components of the Composite Consumer Price Index, food and non-alcoholic beverages, and housing and fuel, their year-on-year growth rates were 2.7% and 2.4% respectively. For the aggregate economy, in tandem with consumer price, the GDP deflator increased by 3.5% year-on-year in the second quarter of 2018.
* The labour market continued to be tight. Unemployment rate for the second quarter of 2018 was 1.8%, down 0.1 percentage points from the first quarter of 2018. Excluding non-resident workers, the unemployment rate for residents was 2.4%, down 0.2 percentage points from the first quarter of 2018.
* The total employment and employment for residents were 385.4 thousand and 284.2 thousand in the second quarter of 2018, up 0.8% and 1.1% year-on-year respectively. By industry, employment in wholesales & retails was 45.1 thousand, down 3.8% year-on-year and employment in hotels & restaurants was 56.3 thousand, rising by 1.6% year-on-year. Employment in construction was 32.1 thousand, a decrease of 8.0% year-on-year along with the slowdown in private construction investment. Employment in the gaming industry was 85.1 thousand, up 5.3% year-on-year with the revival of gaming industry.
* Median monthly employment earnings went up again by 6.7% year-on-year to 16,000 MOP in the second quarter of 2018. For the gaming sector, which accounted for the largest share of the employed population, median monthly employment earnings were 20,000 MOP, rising by 5.3% year-on-year. The median monthly employment earnings for the other major industries such as wholesales & retails were about 14,000 MOP, up 7.7% year-on-year, while the median monthly employment earnings for hotels & restaurants were 11,200 MOP, increasing by 12.0% year-on-year.

**Macroeconomic Forecast for 2018-2019**

According to the IMF forecasts in July 2018, global growth is projected to grow at a rate of 3.8% in both 2018 and 2019, reflecting a more upswing outlook from advanced economies. The United States GDP will be expected to expand by 3.0% and 2.4% in 2018 and 2019 respectively. The GDP in the euro area is likely to grow by 1.9% and 2.0% in 2018 and 2019 respectively. For mainland China, economy continued to grow strongly at a rate of 6.7% in the second quarter of 2018. This caused Hong Kong, another major market of Macao’s service exports, to have a stronger growth. It grew by 3.5% in the second quarter of 2018. However, economic uncertainty is on the horizon. The US Federal Reserve System is expected to raise its interest rate continually. Donald Trump’s administration creates trade frictions between the US and other countries. Eurozone countries continue to face debt crisis. Mainland China’s economy would slow down and the central government tries to use accommodative monetary and fiscal policies to stabilise economic growth. These may affect Macao’s economic growth in 2019.

Macao's exports of services are expected to increase by 13.6% this year and are expected to grow slower at a rate of 8.7% next year. Exports of goods are expected to increase by 18.1% and 5.7% in 2018 and 2019 respectively. Concomitant with the recovery in local consumption, imports of goods are expected to rise by 7.5% in both 2018 and 2019. Amid the rise in exports of services, the imports of services will expand. The growth rates of imports of services are expected to increase by 17.4% and 9.5% in 2018 and 2019 respectively.

For domestic demand, private consumption spending continued to grow steadily. It is expected to grow at 5.0% in both 2018 and 2019. Total investment is expected to decline by 5.7% in 2018 and grow by 4.4% in 2019 respectively.

Inflation, as measured by the change in the Composite Consumer Price Index, is expected to be higher. Inflation rate is expected to be 3.3% in 2018 and 3.9% in 2019 respectively. For the aggregate economy, the GDP price deflator is forecast to increase by 3.4% and 4.1% in 2018 and 2019 respectively.

The labour market continues to be tight. Unemployment rate is forecast to be 2.0% and 1.9% in 2018 in 2019 respectively. Excluding non-resident workers, the unemployment rate of residents is expected to be 2.6% and 2.5% in 2018 and 2019 respectively. Median monthly employment earnings are forecast to be MOP 16,077 and MOP 16,638 in 2018 and 2019 respectively.

For the whole economy, Macao’s GDP is expected to grow by 8.3%, ranging from a pessimistic rate 5.1% to an optimistic rate 11.6% in 2018; and by 7.1%, ranging from a pessimistic rate -2.4% to an optimistic rate 16.6% in 2019. The exports of services are highly influenced by external economic conditions and government policies. They may adjust greatly throughout the year. We will update the forecast to reflect the possible adjustment regularly.

**About the Macroeconometric Structural Model of Macao**

The Macroeconometric Structural Model of Macao is a quarterly simultaneous-equations econometric model which currently covers seven blocks of the Macao economy --- consumption, investment, external sector, prices, government, labour market, and monetary sector. Time series data used starts from the first quarter of 1998 and is updated once new data are available. Its results provide the community with a timely understanding of the state of Macao’s economy and can help decision-makers to make prudent choices for the future.

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| **Table: Forecasts of Major Economic Variables** |
|  | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Level** | (Actual) | (Actual) | (Actual) | (Actual) | (Forecast) | (Forecast) |
| Gross Domestic Product (Billion of 2016 MOP) | 466.1 | 365.4 | 362.3 | 395.2 | 428.1 | 458.3 |
| Private Consumption Expenditure (Billion of 2016 MOP) | 94.6 | 96.6 | 95.5 | 97.0 | 101.9 | 107.0 |
| Gross Fixed Capital Formation (Billion of 2016 MOP) | 84.6 | 89.1 | 78.6 | 70.7 | 66.7 | 69.7 |
| Exports of Goods (Billion of 2016 MOP) | 14.1 | 15.5 | 12.3 | 13.9 | 16.4 | 17.3 |
| Exports of Services (Billion of 2016 MOP) | 369.5 | 265.8 | 263.3 | 303.9 | 345.3 | 375.4 |
| Imports of Goods (Billion of 2016 MOP) | 105.7 | 106.7 | 92.3 | 92.7 | 99.7 | 107.1 |
| Imports of Services (Billion of 2016 MOP) | 32.3 | 32.8 | 32.7 | 35.8 | 42.1 | 46.1 |
| GDP Deflator (2016 = 100) | 95.0 | 99.1 | 99.9 | 102.2 | 105.6 | 109.9 |
| CPI (Composite) (October 2013-September 2014 = 100) | 101.1 | 105.7 | 108.2 | 109.6 | 113.2 | 117.6 |
| Median Monthly Employment Earnings (MOP) | 13,300 | 15,000 | 15,000 | 15,000 | 16,077 | 16,638 |
| Employment (Thousand Persons) | 388.1 | 396.5 | 389.7 | 379.8 | 385.0 | 392.3 |

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| **Table (Continued): Forecasts of Major Economic Variables** |
| **Year-on-Year Growth Rate** | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| **(%)** | (Actual) | (Actual) | (Actual) | (Actual) | (Forecast) | (Forecast) |
|  | Lower |   |   |   |   | 5.1 | -2.4 |
| Gross Domestic | Baseline | -1.2 | -21.6 | -0.9 | 9.1 | 8.3 | 7.1 |
| Product | Upper |   |   |   |   | 11.6 | 16.6 |
|  | Lower |   |   |   |   | 3.5 | 1.0 |
| Private Consumption | Baseline | 5.9 | 2.1 | -1.1 | 1.6 | 5.0 | 5.0 |
| Expenditure | Upper |   |   |   |   | 6.5 | 9.1 |
|  | Lower |   |   |   |   | -12.6 | -19.0 |
| Gross Fixed Capital | Baseline | 37.1 | 5.4 | -11.8 | -10.0 | -5.7 | 4.4 |
| Formation | Upper |   |   |   |   | 1.2 | 27.9 |
|  | Lower |   |   |   |   | 10.0 | -9.6 |
| Exports of Goods | Baseline | 20.6 | 10.2 | -20.5 | 12.3 | 18.1 | 5.7 |
|  | Upper |   |   |   |   | 26.2 | 21.0 |
|  | Lower |   |   |   |   | 9.2 | -3.2 |
| Exports of Services | Baseline | -5.3 | -28.1 | -1.0 | 15.4 | 13.6 | 8.7 |
|  | Upper |   |   |   |   | 18.0 | 20.6 |
|  | Lower |   |   |   |   | 3.8 | -3.2 |
| Imports of Goods | Baseline | 14.3 | 1.0 | -13.5 | 0.4 | 7.5 | 7.5 |
|  | Upper |   |   |   |   | 11.2 | 18.1 |
|  | Lower |   |   |   |   | 12.4 | -2.1 |
| Imports of Services | Baseline | 6.7 | 1.6 | -0.4 | 9.6 | 17.4 | 9.5 |
|  | Upper |   |   |   |   | 22.4 | 21.2 |
|  | Lower |   |   |   |   | 2.4 | 1.0 |
| GDP Deflator | Baseline | 8.9 | 4.4 | 0.8 | 2.3 | 3.4 | 4.1 |
| Growth Rate | Upper |   |   |   |   | 4.3 | 7.2 |
|  | Lower |   |   |   |   | 2.9 | 2.1 |
| CPI (Composite) | Baseline | 6.1 | 4.5 | 2.4 | 1.2 | 3.3 | 3.9 |
| Inflation Rate | Upper |   |   |   |   | 3.7 | 5.7 |
| Median Monthly | Lower |   |   |   |   | 5.0 | -2.2 |
| Employment | Baseline | 10.8 | 12.8 | 0.0 | 0.0 | 7.2 | 3.5 |
| Earnings | Upper |   |   |   |   | 9.4 | 9.1 |
|  | Lower |   |   |   |   | 1.8 | 1.2 |
| Unemployment Rate  | Baseline | 1.7 | 1.8 | 1.9 | 2.0 | 2.0 | 1.9 |
|  | Upper |   |   |   |   | 2.1 | 2.7 |
|  | Lower |   |   |   |   | 2.4 | 1.6 |
| Unemployment Rate | Baseline | 2.3 | 2.5 | 2.7 | 2.7 | 2.6 | 2.5 |
| (Residents) | Upper |   |   |   |   | 2.8 | 3.5 |

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