

Global Economy in the Third Quarter of 2014

Global economic recovery was mild and uneven in the third quarter of 2014. Despite further expansion in the US economy and steady increase in the Asian region, the Euro area was at risk of deflation and stagnant growth while the economy of Japan saw a downward turn, posing continuous threats to sustained global recovery. The World Economic Outlook (WEO) of the International Monetary Fund (IMF) in October 2014 indicated that the world economy slipped into “mediocre” growth. With countries facing the legacies of the global financial crisis (including debt overhangs, high unemployment, etc.) and lower potential growth, the evolution of the global economy had become more differentiated and the downside risks were clear. The world economy is projected to grow by 3.3% in 2014, down by 0.1 percentage point from the July forecast; the growth projection for 2015 is lowered by 0.2 percentage points to 3.8%.

The US economy continued to improve in the third quarter, with Gross Domestic Product (GDP) rising by 2.4% year-on-year and 3.9% quarter-to-quarter. The expansion was mainly spurred by the increase in private consumption expenditure and fixed investment, contributing 1.5 and 1.0 percentage points to economic growth; government expenditure and exports also added 0.8 and 0.7 percentage points respectively to the increase. The unemployment rate showed no significant change amid satisfactory economic performance, up modestly by 0.1 percentage point quarter-to-quarter to 6.2%; the seasonal adjusted unemployment rate stood at 6.1%.

Economic growth in the Euro area remained weak with sluggish growth in Germany and France; the third quarter GDP increased by 0.8% year-on-year and 0.2% quarter-to-quarter. Consumption expenditure of households and non-profit institutions as well as exports contributed 0.3 percentage points each to economic growth while government final consumption expenditure also added 0.1 percentage point to the increase; however, imports dragged down the economic growth by 0.5 percentage points. The unemployment rate dropped further by 0.3 percentage points quarter-to-quarter to 11.1%.

Growth of the UK economy slowed slightly, with GDP for the third quarter rising by 3.0% year-on-year and 0.7% quarter-to-quarter. Service and construction sectors expanded further, both up by 0.8% quarter-to-quarter. Household final consumption expenditure and gross capital formation were the main drivers of economic growth, with a contribution of 0.5 percentage points each; meanwhile, net exports dragged down the increase by 0.5 percentage points. Given the continuous economic growth, the unemployment rate improved further, down by 0.3 percentage points quarter-to-quarter to 6.0%.

Economic growth in the Asian region was stable on the back of a mild global economic

recovery. The October WEO of IMF indicated that the ASEAN 5^a economies are projected to expand by 4.7% in 2014, up by 0.1 percentage point from the July forecast; the projection for the Middle East, North Africa, Afghanistan and Pakistan is lowered by 0.4 percentage points to 2.7%; China is projected to maintain growth at 7.4% while the projection for India is 5.6%, up by 0.2 percentage points.

In Japan, GDP for the third quarter decreased by 1.2% year-on-year and 0.4% quarter-to-quarter, representing two consecutive quarters of negative growth. Lingering impact of consumption tax hike stifled domestic demand, which dragged down economic growth by 0.5 percentage points; exports saw slight improvement, contributing 0.2 percentage points to the increase. In spite of the renewed economic contraction, the unemployment rate edged down by 0.1 percentage point to 3.6%; the seasonal adjusted rate also stood at 3.6%.

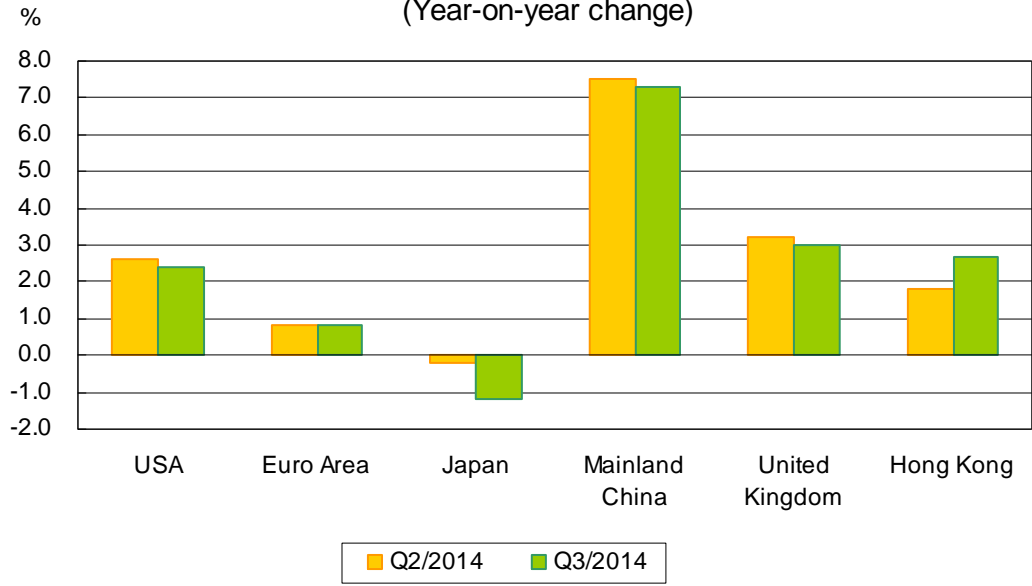
The economy of the Republic of Korea showed signs of slowdown, with the third quarter GDP rising by 3.2% year-on-year and 0.9% quarter-to-quarter. Gross capital formation and final consumption expenditure contributed 1.0 and 0.9 percentage points respectively to economic growth whereas exports dragged down the increase by 1.4 percentage points. The unemployment rate, not being affected by the economic slowdown, declined by 0.4 percentage points quarter-to-quarter to 3.3%.

In Mainland China, GDP for the third quarter expanded by 7.3% year-on-year, down by 0.2 percentage points from the previous quarter. In the first three quarters of 2014, value added of the above-scale industries rose by 8.5% year-on-year, down by 0.3 percentage points compared with the first half year; fixed asset investment increased by 16.1% year-on-year, down by 1.2 percentage points. Retail sales of consumer goods rose by 12.0% year-on-year, down by 0.1 percentage point, of which sales of communication equipment increased by 24.3%, Chinese and Western medicine by 15.1% and furniture by 14.5%. Total value of external trade for the first three quarters increased by 3.4% year-on-year and the trade surplus amounted to USD231.7 billion. Inflation went down slightly as the Consumer Price Index (CPI) growth fell from 2.3% in the second quarter to 2.1% in the third quarter, with the CPI for September rising by 1.6% year-on-year.

The Hong Kong economy picked up in growth momentum in the third quarter of 2014, expanding by 2.7% year-on-year and 1.7% quarter-to-quarter, underpinned by both domestic and external demand. Private consumption expenditure strengthened, up by 3.2% year-on-year; government consumption expenditure maintained steady growth at 3.5%; gross fixed capital formation declined by 4.7% year-on-year upon subdued machinery and equipment acquisition; merchandise exports grew marginally by 1.3% year-on-year while exports of services reverted to growth at 2.0%. The unemployment rate edged up by 0.1 percentage point quarter-to-quarter to 3.4%, and the seasonal adjusted rate was 3.3%.

^a Indonesia, Malaysia, the Philippines, Thailand and Vietnam

GDP of major economies
(Year-on-year change)



1. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD (YEAR-ON-YEAR COMPARISON)

	2011	2012	2013	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	%
USA									
Gross Domestic Product	1.6	2.3	2.2	2.3	3.1	1.9	2.6 ^f	2.4	
Exports of goods	15.8	4.4	2.2	2.7	4.0	2.5	3.3	4.2	
Imports of goods	15.4	3.1	-0.4	1.6	1.0	1.9	4.5	3.6	
Consumer Price Index	3.1	2.1	1.5	1.6	1.2	1.4	2.1	1.8	
Unemployment rate	8.9	8.1	7.4	7.3	6.7	6.9	6.1	6.2	
Euro area ^a									
Gross Domestic Product	1.6	-0.7	-0.4	-0.3	0.4 ^f	1.1 ^f	0.8 ^f	0.8	
Exports of goods	13.0	7.6	1.0	0.2	1.0 ^f	1.2	0.7 ^f	2.9	
Imports of goods	13.3	1.8	-2.9 ^f	-1.6 ^f	-2.1 ^f	0.1 ^f	0.1 ^f	0.1	
Consumer Price Index	2.7	2.5	1.3	1.3	0.8	0.6	0.6	0.4	
Unemployment rate	10.1	11.3	12.0	11.6	11.9	12.3	11.4	11.1	
Germany									
Gross Domestic Product	3.6	0.4	0.1	0.8	1.0	2.6 ^f	1.0 ^f	1.2	
Exports of goods	11.5	3.3	-0.2	-0.9 ^f	1.7 ^f	2.9 ^f	1.8 ^f	5.7	
Imports of goods	13.2	0.4	-0.9 ^f	-0.5	0.1 ^f	3.8 ^f	0.7 ^f	2.3	
Consumer Price Index	2.1	2.0	1.5	1.6	1.3	1.2	1.1	0.8	
Unemployment rate	7.1	6.8	6.9	6.7	6.6	7.2	6.6	6.6	
French									
Gross Domestic Product	2.1	0.4	0.4	0.3	0.8	0.8	- ^f	0.4	
Exports of goods	9.2 ^f	3.9	-1.5 ^f	-2.3 ^f	-1.9 ^f	0.4	-1.5 ^f	-0.8	
Imports of goods	13.1	1.9 ^f	-2.3	-1.9 ^f	-1.5	-0.9	-1.7 ^f	-0.8	
Consumer Price Index	2.1	2.0	0.9	0.9	0.6	0.7	0.6	0.4	
Unemployment rate	9.2	9.8	10.3	9.7	10.4	10.6	9.9	10.1	
United Kingdom									
Gross Domestic Product	1.6 ^f	0.7 ^f	1.7	1.7 ^f	2.7	2.9 ^f	3.2	3.0	
Exports of goods	14.2 ^f	-1.3 ^f	0.5 ^f	-0.4	-1.0 ^f	-4.9 ^f	-10.9 ^f	-7.2	
Imports of goods	10.2 ^f	2.1 ^f	0.7 ^f	2.6 ^f	-0.3 ^f	-3.3 ^f	-6.1 ^f	-5.9	
Consumer Price Index	4.5	2.8	2.5	2.8	2.1	1.7	1.7	1.4	
Unemployment rate	8.1	8.0 ^f	7.6	7.6	7.2	6.8	6.3 ^f	6.0	

^a Consists 18 member states since 2014.

Source : U.S. Bureau of Economic Analysis, U.S. Census Bureau, U.S. Bureau of Labor Statistics

Eurostat

Federal Statistical Office of Germany

National Institute of Statistics and Economic Studies of France; French Customs

Office for National Statistics of United Kingdom

1. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD (YEAR-ON-YEAR COMPARISON) (Cont'd)

	%							
	2011	2012	2013	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3
Mainland China								
Gross Domestic Product	9.2	7.8	7.7	7.8	7.7	7.4	7.5	7.3
Exports of goods	20.3	7.9	7.8	3.8	7.3	-3.5 ^f	5.0	13.0
Imports of goods	25.0	4.3	7.3	8.5	7.2	1.6	1.5	1.1
Consumer Price Index ^a	5.4	2.6	2.6	2.5	2.6	2.3	2.3	2.1
Hong Kong								
Gross Domestic Product	4.9	1.5	2.9	3.0	2.9	2.6	1.8	2.7
Exports of goods	10.1	2.9	3.6	3.3	4.8	0.7	4.8	5.8
Imports of goods	11.9	3.9	3.8	2.6	4.3	2.1	4.5	5.7
Consumer Price Index	5.3	4.1	4.3	5.3	4.3	4.2	3.6	4.8
Unemployment rate	3.4	3.3	3.4	3.5	3.1	3.1	3.3	3.4
Taiwan								
Gross Domestic Product	3.8 ^f	2.1 ^f	2.2 ^f	1.5 ^f	3.4 ^f	3.4 ^f	3.9 ^f	3.6
Exports of goods	12.3	-2.3	1.4	-0.8	1.8	1.0	2.9	6.7
Imports of goods	12.0	-3.9	-0.2	-3.4	2.1	-1.6	3.8	7.7
Consumer Price Index	1.4	1.9	0.8	-	0.6	0.8	1.6	1.5
Unemployment rate	4.4	4.2	4.2	4.3	4.2	4.0	3.9	4.0
Japan								
Gross Domestic Product	-0.5	1.5	1.5	2.3	2.5	2.9 ^f	-0.2 ^f	-1.2
Exports of goods	-2.7	-2.7	9.5	12.7	17.4	6.6	0.1	3.2
Imports of goods	12.1	3.8	14.9	17.5	24.1	17.6	2.7 ^f	2.4
Consumer Price Index	-0.3	-	0.3	0.9	1.4	1.5	3.6	3.3
Unemployment rate	4.6	4.3	4.0	4.0	3.7	3.7	3.7	3.6
Republic of Korea								
Gross Domestic Product	3.7	2.3	3.0	3.4	3.7	3.9	3.5 ^f	3.2
Exports of goods	19.0	-1.3	2.1	2.8	4.7	1.7	3.2 ^f	3.9
Imports of goods	23.3	-0.9	-0.8	0.3	2.5	2.0	3.2	5.6
Consumer Price Index	4.0	2.2	1.3	1.4	1.1	1.1	1.6	1.4
Unemployment rate	3.4	3.2	3.1	3.0	2.8	4.0	3.7	3.3
Singapore								
Gross Domestic Product	6.1	2.5	3.9	5.0	4.9	4.8	2.3 ^f	2.8
Exports of goods	7.5	-0.9	0.6	5.8	6.0	7.4 ^f	2.7	-1.4
Imports of goods	8.6	3.2	-1.6	5.9	1.4	6.8	3.0	-5.7
Consumer Price Index	5.2	4.6	2.4	1.8	2.0	1.0	2.4	0.9
Unemployment rate	2.0	2.0	1.9	1.6	1.6	1.9	2.6	1.7

a Accumulated year-on-year comparison.

Source : China National Bureau of Statistics

Hong Kong SAR Census and Statistics Department

Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan; Ministry of Economic Affairs, Taiwan

Economic and Social Research Institute of Japan; Ministry of Finance of Japan; Statistics Bureau of Japan

National Statistics Office of Republic of Korea; Bank of Korea

The Singapore Department of Statistics

2. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD (QUARTER-TO-QUARTER COMPARISON)

	%							
	2011	2012	2013	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3
USA								
Gross Domestic Product	1.6	2.3	2.2	4.5	3.5	-2.1	4.6 ^f	3.9
Exports of goods	15.8	4.4	2.2	0.5	2.4	-1.8	2.1	1.5
Imports of goods	15.4	3.1	-0.4	0.6	-	0.9	2.9	-0.3
Consumer Price Index	3.1	2.1	1.5	0.5	0.3	0.5	0.7	0.3
Unemployment rate ^a	8.9	8.1	7.4	7.2	7.0	6.7	6.2	6.1
Japan								
Gross Domestic Product	-0.5	1.5	1.5	0.6 ^f	-0.4 ^f	1.6 ^f	-1.9 ^f	-0.4
Exports of goods	-2.7	-3.0	9.6	1.4 ^f	1.4 ^f	-1.4 ^f	-0.8 ^f	4.0
Imports of goods	12.3	3.3	15.2	4.9	4.9 ^f	2.2	-8.2 ^f	4.4
Consumer Price Index	-0.3	-	0.3	0.7	0.5	0.1	2.3	0.5
Unemployment rate ^a	4.6	4.3	4.0	4.0	3.9	3.6	3.6	3.6
Hong Kong								
Gross Domestic Product	4.9	1.5	2.9	0.8	0.9	0.3	-0.1	1.7
Exports of goods	10.1	2.9	3.6	2.2	3.6	-4.9	3.7	2.6
Imports of goods	11.9	3.9	3.8	1.9	3.6	-3.2	1.6	2.3
Consumer Price Index	5.3	4.1	4.3	-0.8	2.7	1.0	0.7	0.4
Unemployment rate ^a	3.4	3.3	3.4	3.4	3.2	3.1	3.2	3.3

a After seasonal adjustment.

Source : U.S. Bureau of Economic Analysis, U.S. Census Bureau, U.S. Bureau of Labor Statistics

Economic and Social Research Institute of Japan; Ministry of Finance of Japan; Statistics Bureau of Japan

Hong Kong SAR Census and Statistics Department