

Global Economy in the Second Quarter of 2016

Global economic growth slowed with increased downside risks in the second quarter of 2016. The US economy was stable, the Euro area expanded modestly, and the economy of Japan experienced sluggish rise. Stable financial market brought the global economy out of the uncertain situation in the beginning of the year. Nevertheless, the result of the UK's referendum in late June showed that the majority of the citizens voted to leave the EU, and this unexpected outcome has brought about uncertainty not only to the European region but also to the global economy. The World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) in July 2016 indicated that growth in advanced economies remained stable while developing economies turned in steady performance. Affected by the referendum result, the global growth forecast for 2016 was marked down by 0.1 percentage point from the April WEO, to 3.1%; the growth projection for 2017 was also revised down by 0.1 percentage point to 3.4%.

The US economy saw steady growth in the second quarter, with Gross Domestic Product (GDP) rising by 1.2% year-on-year and 1.1% quarter-to-quarter. Private consumption expenditure was the major impetus for growth, adding 2.9 percentage points to the increase, of which the service sector contributed 1.4 percentage points. Net exports, underpinned by a rebound in merchandise exports, pushed up the economic growth by 0.1 percentage point. Meanwhile, gross fixed capital formation dropped along with declining equipment investment, lowering the rate of economic increase by 0.4 percentage points. Change in inventory also dragged down the economic growth by 1.3 percentage points. The unemployment rate dropped by 0.4 percentage points quarter-to-quarter to 4.8%; the seasonally adjusted unemployment rate stood at 4.9%.

The German economy showed steady rise while growth in the French economy eased. As the French and Spanish economies lost momentum, and Britain's vote to leave the EU created uncertainty to the European recovery, economic growth in the Euro area slowed slightly, with the second quarter GDP rising by 1.6% year-on-year. Exports contributed 0.5 percentage points to the economic growth. Consumption expenditure of households and non-profit institutions added 0.1 percentage point to the increase. Meanwhile, imports lowered the rate of economic growth by 0.1 percentage point. Change in inventory and gross capital formation each dragged down the economic increase by 0.2 percentage points. The unemployment rate declined by 0.7 percentage points quarter-to-quarter to 10.0%.

The outcome of the referendum has no immediate impact on the UK. Economic growth in the UK continued, with the second quarter GDP rising by 2.2% year-on-year and 0.6% quarter-to-quarter. Household final consumption expenditure was the main driver of economic growth, contributing 0.6 percentage points to the increase. Capital formation added 0.4 percentage points to the economic growth, while net exports dragged down the increase by 0.3 percentage points. The unemployment rate decreased by 0.2 percentage points quarter-to quarter to 4.9%.

As commodity prices stabilised and export decline decelerated, the Asian region was generally back to stability; yet, emerging markets and developing economies in other regions remained weak. The July 2016 WEO Update of IMF indicated that the ASEAN 5 economies¹ were projected to grow by 4.8% in 2016, same as the April forecast; the projection for the Middle East, North Africa, Afghanistan and Pakistan was revised upward by 0.3 percentage points to 3.4%; the projection for India was marked downward by 0.1 percentage point from the April forecast to 7.4%, while that for China was revised upward by 0.1 percentage point to 6.6%.

The second quarter GDP of Japan rose by 0.8% year-on-year and 0.2% quarter-to-quarter. With robust growth in residential sales and increased government investment in infrastructure, government consumption expenditure contributed 0.4 percentage points to the economic growth. Private consumption expenditure added 0.2 percentage points to the increase. The unemployment rate remained stable at 3.2%; the seasonally adjusted rate was also 3.2%.

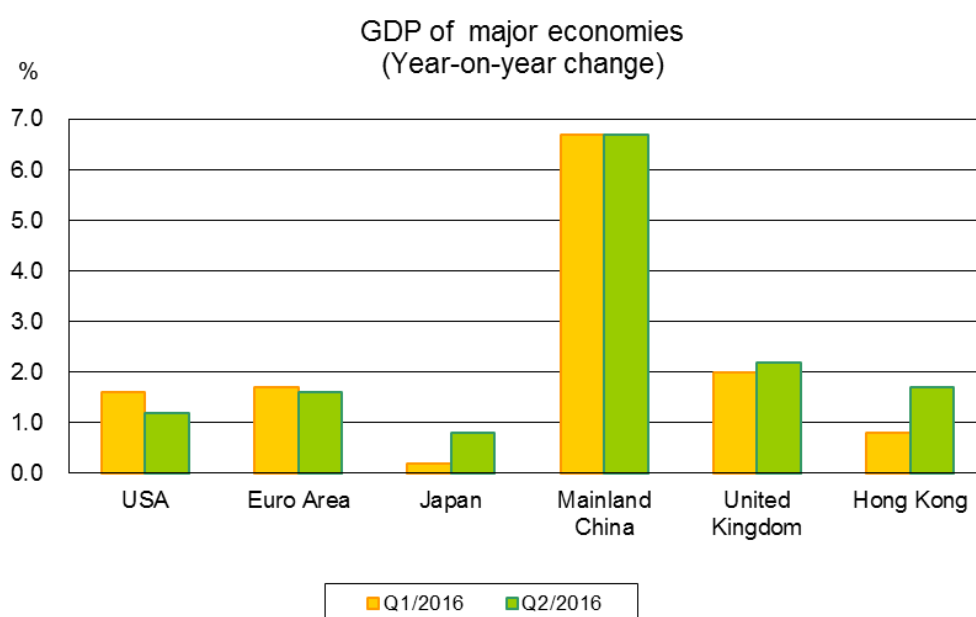
The economy of the Republic of Korea grew faster than in the previous quarter owing to increases in private consumption and enterprise investment. The second quarter GDP expanded by 3.2% year-on-year and 0.7% quarter-to-quarter. Gross capital formation and final consumption expenditure added 0.7 and 0.5 percentage points respectively to the economic growth. Rebound in exports pushed up the rate of economic growth by 0.5 percentage points. Meanwhile, change in inventory offset the rate of economic increase by 0.1 percentage point. The unemployment rate held stable from a year earlier, at 3.8%.

In Mainland China, GDP for the second quarter expanded by 6.7% year-on-year. In the first half year of 2016, value added of the above-scale industries rose by 6.0% year-on-year; fixed asset investment increased by 9.0% year-on-year, down by 1.7

¹ Indonesia, Malaysia, the Philippines, Thailand and Vietnam

percentage points from the first quarter of 2016; retail sales of consumer goods rose by 10.3% year-on-year, same as in the first quarter, of which sales of construction and decoration materials increased by 15.6%, communication equipment by 14.9%, and foodstuff, oils & grains by 12.3%. External merchandise trade improved compared with the previous quarter. Total value of external trade for the second quarter of 2016 decreased by 5.7% year-on-year, with exports and imports of goods falling by 4.8% and 6.8% respectively, smaller than the corresponding decreases in the first quarter of 2016. The Consumer Price Index (CPI) for the second quarter increased by 2.1% year-on-year amid moderate price growth.

The Hong Kong economy regained moderate growth on account of a pick-up in exports of goods. The second quarter GDP rose by 1.7% year-on-year and 1.6% quarter-to-quarter. Total exports of goods increased by 2.0% year-on-year. As building and construction works grew at a faster pace, gross fixed capital formation declined to a much lesser extent from the first quarter, shrinking by 4.9% year-on-year. Exports of services showed a smaller year-on-year decline of 4.6%, owing to slower decrease in visitor arrivals, coupled with a slight rise in exports of trade related services. The Consumer Price Index (CPI) rose by 2.6% year-on-year but shrank by 0.7% quarter-to-quarter in the second quarter of 2016. The unemployment rate rose by 0.2 percentage points quarter-to-quarter to 3.5%, and the seasonally adjusted rate remained stable at 3.4%.



I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	%							
	2013	2014	2015	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2
USA								
Gross Domestic Product	1.7 ^f	2.4	2.6 ^f	3.0 ^f	2.2 ^f	1.9 ^f	1.6 ^f	1.2
Exports of goods	2.1	2.7	-7.3	-5.6	-8.1	-10.5	-6.8	-6.1
Imports of goods	-0.3	3.9	-4.6	-4.4	-5.1	-6.9	-5.5	-4.7
Consumer Price Index	1.5	1.6	0.1	-	0.1	0.5	1.1	1.1
Unemployment rate	7.4	6.2	5.3	5.3	5.2	4.8	5.2	4.8
Euro area ^a								
Gross Domestic Product	-0.3	1.1 ^f	2.0 ^f	2.0 ^f	2.0 ^f	2.0 ^f	1.7	1.6
Exports of goods	1.0	2.2	5.4	8.2	4.4 ^f	3.6 ^f	-1.1 ^f	-0.4
Imports of goods	-3.0	0.7	2.2 ^f	4.2	0.8 ^f	2.2 ^f	-2.6 ^f	-4.2
Consumer Price Index	1.3	0.4	-	0.2	0.1	0.2	-	-0.1
Unemployment rate	12.0	11.6	10.9	10.9	10.3	10.6	10.7	10.0
Germany								
Gross Domestic Product	0.5 ^f	1.6	1.7	1.8 ^f	1.8 ^f	2.1	1.5 ^f	3.1
Exports of goods	-0.4	3.3	6.5	9.1	5.7	4.9	0.6 ^f	2.2
Imports of goods	-1.0	2.2	4.2	4.8	5.2	4.2	0.4 ^f	0.1
Consumer Price Index	1.5	0.9	0.2	0.5	0.1	0.3	0.3	0.1
Unemployment rate	6.9	6.7	6.4	6.3	6.3	6.0	6.6	6.1
French								
Gross Domestic Product	0.6 ^f	0.7 ^f	1.2	1.1	1.1 ^f	1.3 ^f	1.3	1.4
Exports of goods	-1.6	0.2 ^f	3.9	7.1	4.1	1.6	0.1 ^f	-4.0
Imports of goods	-2.3	-0.7 ^f	0.8 ^f	2.4 ^f	-1.3 ^f	2.4 ^f	0.7 ^f	-3.0
Consumer Price Index	0.9	0.5	-	0.2	0.1	0.1	-	-
Unemployment rate	10.3	10.3	10.4	10.1	10.0	10.6	10.7 ^f	9.6
United Kingdom								
Gross Domestic Product	1.9 ^f	3.1 ^f	2.2 ^f	2.3 ^f	2.0 ^f	1.8 ^f	2.0	2.2
Exports of goods	0.5 ^f	-3.4 ^f	-2.7 ^f	1.0 ^f	-3.0	-6.7	-2.2	-0.3
Imports of goods	2.7 ^f	-2.0 ^f	-1.0 ^f	-2.3 ^f	-1.5 ^f	-3.4 ^f	-1.0 ^f	7.8
Consumer Price Index	2.5	1.5	-	-	-	0.1	0.3	0.3
Unemployment rate	7.6	6.2	5.4	5.6	5.3	5.1	5.1	4.9

a Consists 19 member states since 2015.

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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	2013	2014	2015	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	%
Mainland China									
Gross Domestic Product	7.7	7.4	6.9	7.0	6.9	6.8	6.7	6.7	
Exports of goods	7.8	6.0	-2.9	-2.9	-6.4	-5.2	-11.3 ^f	-4.8	
Imports of goods	7.3	0.5	-14.3	-13.5	-14.4	-11.8 ^f	-13.7 ^f	-6.8	
Consumer Price Index ^a	2.6	2.0	1.4	1.3	1.4	1.4	2.1	2.1	
Hong Kong									
Gross Domestic Product	3.1	2.7	2.4	3.1	2.3	1.9	0.8	1.7	
Exports of goods	3.6	3.2	-1.8	-1.9	-4.1	-2.9	-6.8	-1.2	
Imports of goods	3.8	3.9	-4.1	-3.2	-6.7	-7.0	-8.2	-3.2	
Consumer Price Index	4.3	4.4	3.0	3.0	2.3	2.3 ^f	2.8 ^f	2.6	
Unemployment rate	3.4	3.3	3.3	3.3	3.5	3.2 ^f	3.3	3.5	
Taiwan									
Gross Domestic Product	2.2	3.9	0.7	0.6	-0.8	-0.9	-0.3 ^f	0.7	
Exports of goods ^b	1.6	2.8	-10.9	-10.5	-14.0	-13.9	-12.1	-6.2	
Imports of goods ^b	0.2	1.4	-15.8	-15.1	-18.5	-15.1	-14.0	-7.6	
Consumer Price Index	0.8	1.2	-0.3	-0.7	-0.3	0.3	1.8	1.3	
Unemployment rate	4.2	4.0	3.8	3.7	3.9	3.9	3.9	3.9	
Japan									
Gross Domestic Product	1.4	-	0.5	0.7	1.8	0.7	0.2 ^f	0.8	
Exports of goods	9.5	4.8	3.4	6.7	3.7	-4.6	-7.9	-9.5	
Imports of goods	14.9	5.7	-8.7	-5.3	-5.9	-13.9	-15.7	-18.8	
Consumer Price Index	0.3	2.8	0.8	0.5	0.2	0.3	0.1	-0.4	
Unemployment rate	4.0	3.6	3.4	3.5	3.4	3.1	3.2	3.2	
Republic of Korea									
Gross Domestic Product	2.9	3.3	2.6	2.2	2.8	3.1	2.8 ^f	3.2	
Exports of goods	2.1	2.3	-8.0	-7.3	-9.5	-12.0	-13.3	-6.6	
Imports of goods	-0.8	1.9	-16.9	-15.6	-18.7	-17.8	-16.2 ^f	-10.5	
Consumer Price Index	1.3	1.3	0.7	0.5	0.7	1.1	1.0	0.9	
Unemployment rate	3.1	3.5	3.6	3.8	3.4	3.1	4.3	3.8	
Singapore									
Gross Domestic Product	4.7	3.3	2.0	1.7	1.8	1.8	2.1 ^f	2.1	
Exports of goods	-	0.8	-7.2	-9.0	-8.0	-5.7	-11.6	-4.7	
Imports of goods	-1.6	-0.6	-12.1	-13.0	-9.1	-9.9	-7.4	-6.7	
Consumer Price Index	2.4	1.0	-0.5	-0.4	-0.6	-0.7	-0.8	-0.9	
Unemployment rate	1.9	2.0	1.9	2.6	1.7	1.6	1.8	2.8	

a Accumulated year-on-year comparison.

b Imports and exports of goods are compiled according to the general trade system.

Source : National Bureau of Statistics of China

Census and Statistics Department of Hong Kong SAR

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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	2013	2014	2015	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	%
USA									
Gross Domestic Product	1.7 ^f	2.4	2.6 ^f	2.6 ^f	2.0	0.9 ^f	0.8	1.1	
Exports of goods	2.1	2.7	-7.3	0.2	-1.7	-3.3	-2.9	1.7	
Imports of goods	-0.3	3.9	-4.6	-0.5	-1.3	-2.3	-2.3	1.2	
Consumer Price Index	1.5	1.6	0.1	0.6	0.3	0.2	-0.1	0.6	
Unemployment rate ^a	7.4	6.2	5.3	5.4	5.2	5.0	4.9	4.9	
Japan									
Gross Domestic Product	1.4	-	0.5	-0.5 ^f	0.5 ^f	-0.4	0.5	0.2	
Exports of goods	9.6	4.6	3.5 ^f	-2.1 ^f	-0.5 ^f	-2.6 ^f	-4.1	-2.4	
Imports of goods	15.2	5.6	-8.6	-3.4 ^f	-0.3 ^f	-6.9 ^f	-7.1 ^f	-5.3	
Consumer Price Index	0.3	2.8	0.8	0.3	-	-	-0.2	-0.2	
Unemployment rate ^a	4.0	3.6	3.4	3.4	3.4	3.3	3.2	3.2	
Hong Kong									
Gross Domestic Product	3.1	2.7	2.4	0.6	0.5	0.2	-0.5 ^f	1.6	
Exports of goods	3.6	3.2	-1.8	-1.2	-0.1	1.1	-5.9	6.8	
Imports of goods	3.8	3.9	-4.1	-2.3	-1.7	0.9	-4.2	4.8	
Consumer Price Index	4.3	4.4	3.0	-0.6	-0.1 ^f	2.7 ^f	0.7 ^f	-0.7	
Unemployment rate ^a	3.4	3.3	3.3	3.3 ^f	3.3	3.3	3.4	3.4	

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