

Global Economy in the Third Quarter of 2018

In the third quarter of 2018, the global economy maintained positive growth momentum but the growth in some major economies slowed down as the US interest rate normalisation continued to proceed and the Euro area and Japan, the two major economies, intended to exit from loose monetary policy gradually; meanwhile, some developing economies experienced currency depreciation and debt problems. Trade protectionism and unilateralism continued to interfere with global trade and exacerbate geopolitical tensions. Moreover, the persistent Sino-US trade dispute escalated in the third quarter of this year and its impact on global trade and economic growth gradually emerged, with fluctuations in capital markets of many regions and investment sentiment turning more bearish. In addition, factors such as rising geopolitical risks in the Middle East and the deteriorating debt problems of Turkey, Argentina and Pakistan hinder global economic development and increase the risk of instability.

The World Economic Outlook (WEO) of the International Monetary Fund (IMF) in October 2018 projected the global growth for 2018 and 2019 at 3.7%, both being revised down by 0.2 percentage points, and indicated that the expansion has become less balanced and may have peaked in some major economies. Risks to global growth skew to the downside amid elevated policy uncertainty. The growth projections for the US and China in 2018 remained at 2.9% and 6.6% respectively and the projections for 2019 are revised down to 2.5% and 6.2% respectively for both economies, lower than the forecast in April by 0.2 percentage points. The growth projection for the Euro area in 2018 was 2.0%, 0.2 percentage points lower than the projection in April, and the forecast for 2019 stayed at 1.9%. Meanwhile, the growth projection for Japan in 2018 was revised up by 0.1 percentage point from the forecast in April to 1.1%, while the projection for 2019 remained at 0.9%.

The US economy maintained relatively rapid growth, with the third-quarter Gross Domestic Product (GDP) rising by 3.0% year-on-year and 3.5% quarter-to-quarter. Private consumption expenditure and domestic private investment each added 2.5 percentage points to economic growth, government expenditure contributed 0.4 percentage points, whereas net exports dragged down the growth by 1.9 percentage points. Economic development was steady and the unemployment rate increased slightly by 0.1 percentage point quarter-to-quarter to 3.9%; the seasonally adjusted unemployment rate edged down to 3.8%.

The economy of the Euro area slowed down, with the GDP in the third quarter growing by 1.6% year-on-year and 0.2% quarter-to-quarter; the growth in Germany slowed significantly with a mere increase of 1.1% year-on-year, while that in France slowed continuously to 1.5%. Final consumption expenditure of households and non-profit institutions in the Euro area contributed 0.1 percentage point to the growth, inventory added 0.3 percentage points, while net exports dragged down the growth by 0.2 percentage points. Employment situation continued to improve, with the unemployment rate dropping by 0.4 percentage points quarter-to-quarter to 7.8%.

The UK economy grew steadily, with the GDP in the third quarter growing by 1.5% year-on-year and 0.6% quarter-to-quarter. Household and government final consumption expenditure drove up the growth by 0.3 and 0.1 percentage points respectively, and net exports added 0.8 percentage points; meanwhile, capital formation dragged down the growth by 0.6 percentage points. Economic growth remained modest, and the unemployment rate edged up by 0.1 percentage point from the previous quarter to 4.1%.

Economies in the Asian region showed sustained growth. The WEO of IMF in October 2018 indicated that the projected growth rates for China, India and the ASEAN-5 economies¹ in 2018 remained at 6.6%, 7.3% and 5.3% respectively. Growth projections for the Middle East, North Africa, Afghanistan and Pakistan have been revised down by 1.1 percentage points to 2.4% as compared to the forecast in April 2018.

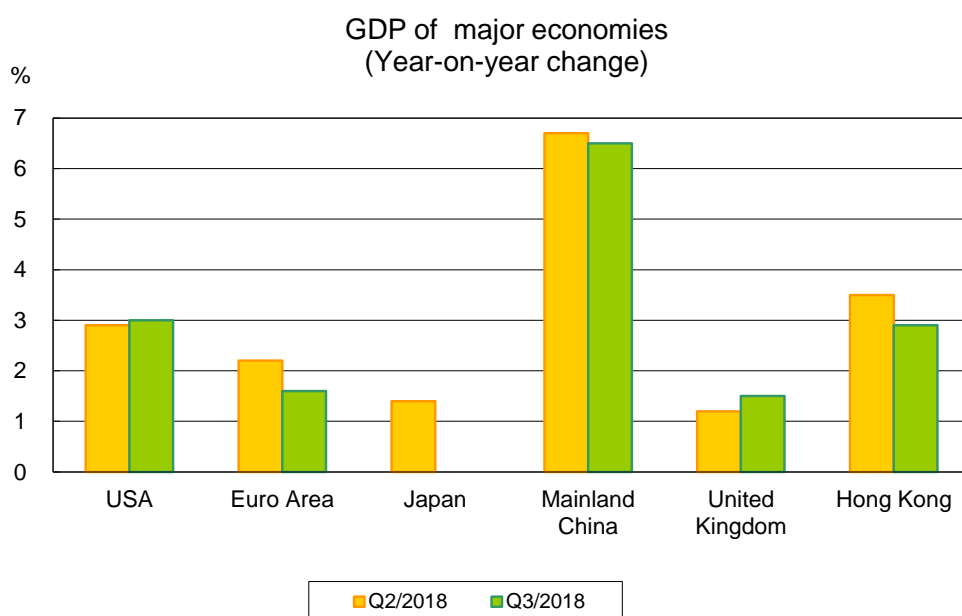
The third-quarter GDP of Japan held stable year-on-year but decreased by 0.6% quarter-to-quarter. Private demand and net exports of goods and services dragged down the economic growth by 0.5 and 0.1 percentage points respectively. Meanwhile, employment situation was stable, with the unemployment rate staying at 2.5% for three consecutive quarters; the seasonally adjusted unemployment rate remained unchanged from the previous quarter, at 2.4%.

The third-quarter GDP of the Republic of Korea increased by 2.0% year-on-year and 0.6% quarter-to-quarter. Exports and final consumption expenditure drove up the growth by 1.7 and 0.5 percentage points respectively, while fixed capital formation hampered the growth by 1.7 percentage points. The unemployment rate decreased slightly by 0.1 percentage point from the previous quarter to 3.8% amid continued economic growth.

¹ Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

The economy of Mainland China maintained rapid growth, with the GDP for the third quarter expanding by 6.5% year-on-year. In the first three quarters of 2018, value added of the above-scale industries grew by 6.4% year-on-year in real terms; fixed asset investment (excluding farmers) rose by 5.4% year-on-year; total retail sales of consumer goods went up by 9.3%, with sales of petroleum & related products, daily necessities, cosmetics and communication equipment rising by 14.4%, 13.4%, 12.0% and 10.7% respectively. As regards external trade, total value of external trade for the first three quarters of 2018 grew by 9.9% year-on-year. Inflation rose, with the Consumer Price Index (CPI) for the first three quarters of 2018 increasing by 2.1% year-on-year.

The Hong Kong economy continued to rise despite a slowdown in growth in the third quarter, with increases of 2.9% year-on-year and 0.1% quarter-to-quarter. Domestic demand stayed sound. Private consumption expenditure and government consumption expenditure went up by 5.2% and 3.3% respectively year-on-year, and gross fixed capital formation rose by 8.2%. Exports of goods and services maintained steady growth, up by 5.0% and 3.1% respectively year-on-year. The seasonally adjusted unemployment rate remained at 2.8%.



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

	2015	2016	2017	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	%
USA									
Gross Domestic Product	2.9	1.6	2.2	2.3	2.5	2.6	2.9	3.0	
Exports of goods	-7.3	-3.5	6.6	5.2	7.9	8.0	11.2	8.1	
Imports of goods	-4.6	-2.7	7.1	4.8	9.2	9.1	8.5 ^f	10.7	
Consumer Price Index	0.1	1.3	2.1	2.0	2.1	2.2	2.7	2.6	
Unemployment rate	5.3	4.9	4.4	4.4	3.9	4.3	3.8	3.9	
Euro area ^a									
Gross Domestic Product	2.1	1.9 ^f	2.4	2.8	2.7	2.4	2.2 ^f	1.6	
Exports of goods	5.3	0.3	7.1	6.0	6.2 ^f	2.0 ^f	4.3 ^f	4.6	
Imports of goods	2.6	-1.2 ^f	10.0	7.9 ^f	8.1 ^f	2.3 ^f	5.8 ^f	9.6	
Consumer Price Index	-	0.2	1.5	1.4	1.4	1.3	1.7	2.1	
Unemployment rate	10.9	10.0	9.1	8.7	8.7	8.9	8.2	7.8	
Germany									
Gross Domestic Product	1.7	2.2	2.2	2.2	2.2	1.4	2.3	1.1	
Exports of goods	6.2	0.9	6.2	6.4	6.2	2.7 ^f	5.1	2.9	
Imports of goods	4.3	0.6	8.0 ^f	7.4 ^f	6.8 ^f	3.6 ^f	6.3 ^f	8.2	
Consumer Price Index	0.2	0.5	1.7	1.7	1.7	1.5	2.0	2.1	
Unemployment rate	6.4	6.1	5.7	5.6	5.3	5.7	5.1	5.1	
France									
Gross Domestic Product	1.0	1.1	2.3	2.7	2.8	2.1	1.7	1.5	
Exports of goods	4.3	-0.6 ^f	4.5	6.4 ^f	4.6 ^f	4.4 ^f	4.2 ^f	2.8	
Imports of goods	1.1	0.2	7.0	7.2 ^f	4.9 ^f	1.3 ^f	5.8 ^f	2.2	
Consumer Price Index	-	0.2	1.0	0.9	1.1	1.4	1.9	2.2	
Unemployment rate	10.4	10.1	9.4	9.3	9.2	9.6	8.7	9.1	
United Kingdom									
Gross Domestic Product	2.3	1.8	1.7	1.8 ^f	1.4 ^f	1.1 ^f	1.2 ^f	1.5	
Exports of goods	-2.2	4.3	13.3	16.0 ^f	5.7 ^f	3.7 ^f	1.9 ^f	5.7	
Imports of goods	-2.6	6.7	10.2 ^f	6.4	6.2 ^f	0.9 ^f	1.8 ^f	2.4	
Consumer Price Index	-	0.7	2.7	2.8	3.1	2.6	2.4	2.5	
Unemployment rate	5.4	4.9	4.4	4.3	4.4	4.2	4.0	4.1	

^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

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

	%							
	2015	2016	2017	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Mainland China								
Gross Domestic Product	6.9	6.7	6.9	6.8	6.8	6.8	6.7	6.5
Exports of goods	-3.0	-7.7	7.9	6.4	9.6 ^f	13.7 ^f	11.5 ^f	11.7
Imports of goods	-14.3	-5.5	16.1 ^f	14.9 ^f	12.8 ^f	19.4 ^f	20.5	20.1
Consumer Price Index ^a	1.4	2.0	1.6	1.5	1.6	2.1	2.0	2.1
Hong Kong								
Gross Domestic Product	2.4	2.2	3.8	3.6	3.4	4.6	3.5	2.9
Exports of goods	-1.8	-0.5	8.0	8.0	6.8	9.7	9.0	9.0
Imports of goods	-4.1	-0.9	8.7	7.7	8.5	10.6	10.4	11.5
Consumer Price Index	3.0	2.4	1.5	1.8	1.6	2.4	2.1	2.5
Unemployment rate	3.3	3.4	3.1	3.3 ^f	2.8	2.8	2.8	3.0
Taiwan								
Gross Domestic Product	0.8	1.4	2.9	3.2	3.4	3.1	3.3	2.3
Exports of goods ^b	-10.9	-1.8	13.2	17.4	10.4	10.6	11.2	3.0
Imports of goods ^b	-15.8	-2.8	12.4	11.3	6.9	11.0	10.7	14.0
Consumer Price Index	-0.3	1.4	0.6	0.7	0.4	1.6	1.7	1.7
Unemployment rate	3.8	3.9	3.8	3.8	3.7	3.7	3.7	3.8
Japan								
Gross Domestic Product ^c	1.4	1.0	1.7	2.1 ^f	2.4 ^f	1.2 ^f	1.4 ^f	-
Exports of goods	3.4	-7.4	11.8	15.1	13.0	4.9	7.5	2.9
Imports of goods	-8.7	-15.8	14.1	14.8	17.0	7.5	7.5	12.4
Consumer Price Index	0.8	-0.1	0.5	0.6	0.6	1.3	0.6	1.1
Unemployment rate	3.4	3.1	2.8	2.8	2.6	2.5	2.5	2.5
Republic of Korea								
Gross Domestic Product	2.8	2.9	3.1	3.8	2.8	2.8	2.8	2.0
Exports of goods	-8.0	-5.9	15.8	24.0	8.4	9.9 ^f	3.1 ^f	1.7
Imports of goods	-16.9	-6.9	17.8	17.9	11.6	13.7 ^f	12.9 ^f	7.8
Consumer Price Index	0.7	1.0	1.9	2.3	1.5	1.3	1.5	1.6
Unemployment rate	3.6	3.7	3.7	3.4	3.2	4.3	3.9	3.8
Singapore								
Gross Domestic Product	2.2	2.4	3.6	5.5	3.6	4.6 ^f	4.1 ^f	2.2
Exports of goods	-6.5	-5.1	10.3	10.1	6.6	2.3	9.3 ^f	12.7
Imports of goods	-11.5	-4.7	12.1	13.4	9.1	2.8	11.1	17.0
Consumer Price Index	-0.5	-0.5	0.6	0.4	0.5	0.2	0.3	0.7
Unemployment rate	1.9	2.1	2.2	1.9	1.8	1.9	2.7 ^f	1.8

a Accumulated year-on-year comparison.

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

c Refer to annualised growth rates.

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

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

	%							
	2015	2016	2017	2017	2017	2018	2018	2018
				Q3	Q4	Q1	Q2	Q3
USA								
Gross Domestic Product	2.9	1.6 ^f	2.2 ^f	2.8 ^f	2.3 ^f	2.2	4.2	3.5
Exports of goods	-7.3	-3.1 ^f	6.6	1.4	3.6	2.4 ^f	4.3 ^f	-1.8
Imports of goods	-4.6	-1.8 ^f	6.9 ^f	0.4	5.1	2.9	- ^f	2.6
Consumer Price Index	0.1	1.3	2.1	0.5	0.8	0.9	0.4	0.5
Unemployment rate ^a	5.3	4.9	4.4	4.3	4.1	4.1	3.9	3.8
Japan								
Gross Domestic Product	1.4	1.0	1.7	0.7 ^f	0.4 ^f	-0.3 ^f	0.7	-0.6
Exports of goods	3.5	-7.8	12.4 ^f	3.8 ^f	2.7 ^f	-1.8 ^f	2.8 ^f	0.1
Imports of goods	-8.6 ^f	-15.8	14.4 ^f	-0.5 ^f	4.6 ^f	1.0 ^f	2.4 ^f	3.6
Consumer Price Index	0.8	-0.1	0.5	0.2	0.5	0.6	-0.6 ^f	0.7
Unemployment rate ^a	3.4	3.1	2.8	2.8	2.7	2.5	2.4	2.4
Hong Kong								
Gross Domestic Product	2.4	2.2	3.8	0.7	0.8	2.1	-0.2	0.1
Exports of goods	-1.8	-0.5	8.0	0.5	2.6	2.2	0.8	1.2
Imports of goods	-4.1	-0.9	8.7	0.5	3.5	2.9	0.7	2.1
Consumer Price Index	3.0	2.4	1.5	0.3	0.6	0.9	0.4	0.5
Unemployment rate ^a	3.3	3.4	3.1	3.1	3.0	2.9	2.8	2.8

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