

Global Economy in the Second Quarter of 2014

Global economic recovery remained sluggish in the second quarter of 2014. Albeit the economic rebound in the US and mild pickup in exports in the Asian region, the Euro area posted only feeble growth and the tension between Europe and Russia might be influential to the global recovery. The World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) in July 2014 indicated that global growth could be weaker for longer, given the lack of robust momentum in advanced economies despite very low interest rates and the easing of other brakes to the recovery; meanwhile, the negative growth effects in emerging market economies could be more protracted; thus, downside risks remain a concern. The world economy is projected to grow by 3.4% in 2014, down by 0.3 percentage points from the April forecast; the growth projection for 2015 remains at 4.0%.

The US economy saw satisfactory growth in the second quarter, with Gross Domestic Product (GDP) expanding by 2.5% year-on-year and 4.2% quarter-to-quarter. The expansion was mainly spurred by the increase in private consumption expenditure and inventory, contributing 1.7 and 1.4 percentage points to growth when exports and fixed investment also contributed 1.3 percentage points each; however, rising imports tapered off 1.7 percentage points of growth. The unemployment rate decreased by 0.8 percentage points quarter-to-quarter to 6.1% amid the economic rebound; the seasonal adjusted unemployment rate stood at 6.2%.

The German and French economies slowed down again, and the Euro area posted only feeble growth; the second quarter GDP rising modestly by 0.7% year-on-year and zero growth quarter-to-quarter. Consumption expenditure of households and non-profit institutions, as well as exports contributed 0.2 percentage points each to growth; however, inventory and gross fixed capital formation dragged down the increase by 0.2 and 0.1 percentage point respectively. The unemployment rate dropped to 11.4%, down by 0.9 percentage points quarter-to-quarter.

The UK^a economy saw favourable growth, while GDP for the second quarter increased by 3.2% year-on-year and 0.8% quarter-to-quarter. Service and manufacturing sectors expanded continuously by 1.0% and 0.3% quarter-to-quarter, but construction sector stayed unchanged. Service sector was the main driver of growth, adding 0.8 percentage points, whereas manufacturing and construction sectors

^aIn UK, expenditure-based GDP for the second quarter is not released due de the revision of GDP-related data.

failed to contribute. Given the economic upturn, the unemployment rate dropped by 0.4 percentage points quarter-to-quarter, at 6.4%.

Despite slow recovery in advanced economies, exports in Asian economies showed general improvement. The July WEO Update of IMF indicated that the ASEAN 5^b economies are projected to expand by 4.6% in 2014; the Middle East, North Africa, Afghanistan and Pakistan by 3.1%; China and India by 7.4% and 5.4% respectively. Economic forecast for these economies is marked down compared with the April forecast, except India that is projected to stay unchanged.

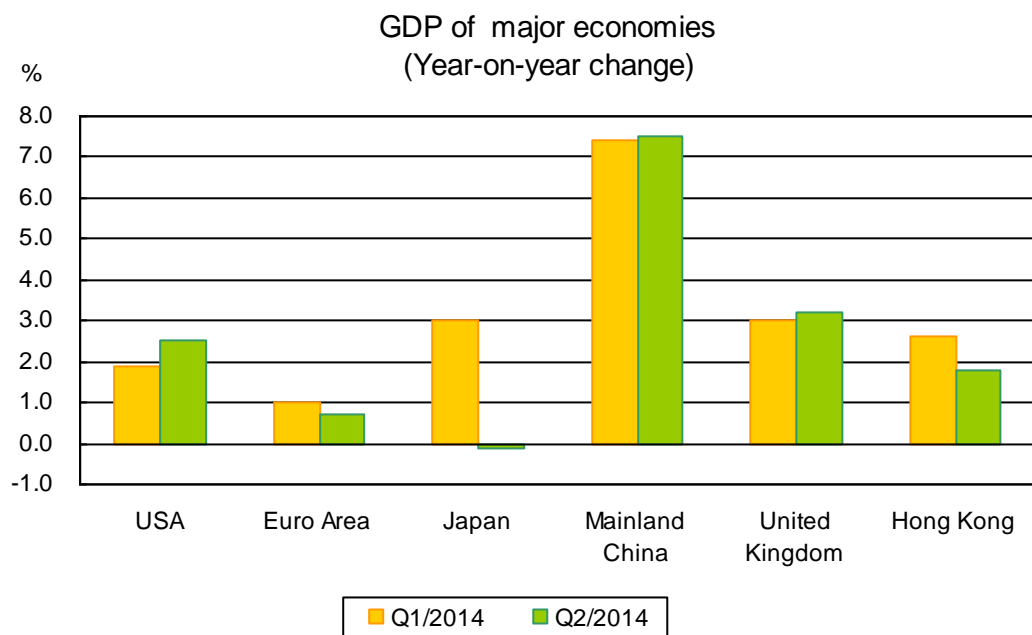
In Japan, GDP for the second quarter decreased by 0.1% year-on-year and 1.7% quarter-to-quarter, after the record high increase in the first quarter. Negative impact of the consumption tax hike emerged as spending shrank rapidly; domestic demand dragged down economic growth by 2.8 percentage points, while exports failed to contribute as well. Yet the unemployment rate was unaffected by the economic contraction and held stable at 3.7% quarter-to-quarter; the seasonal adjusted rate was 3.6%.

The Republic of Korea maintained steady growth, with the second quarter GDP rising by 3.6% year-on-year and 0.6% quarter-to-quarter. The main economic driver was exports that contributed 1.0 percentage point to growth whereas final consumption expenditure dwindled 0.1 percentage point. The unemployment rate declined by 0.3 percentage points quarter-to-quarter to 3.7% amid stable economic growth.

In Mainland China, GDP for the second quarter expanded by 7.5% year-on-year, up by 0.1 percentage point quarter-to-quarter. In the first half year of 2014, value added of the above-scale industries rose by 8.8% year-on-year, up by 0.1 percentage point compared with the first quarter; fixed asset investment increased by 17.3% year-on-year, down by 0.3 percentage points. Retail of consumer goods rose by 12.1% year-on-year, up by 0.1 percentage point, of which sales of communication equipment increased by 22.1%, furniture by 14.9%, and construction & decoration materials by 14.8%. Total value of external trade for the first half year increased by 1.2% year-on-year and the trade surplus amounted to USD103.3 billion. Inflation rate was stable as Consumer Price Index (CPI) for the second quarter increased by 2.3%, for which CPI for June rose by 2.3% year-on-year.

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

The Hong Kong economy slowed down in the second quarter of 2014, expanding by 1.8% year-on-year but down by 0.1% quarter-to-quarter, which was mainly weighed down by a decrease in visitor spending and moderation in domestic demand. Gross fixed capital formation shrank by 5.6% year-on-year, and private consumption expenditure weakened to rise marginally by 1.2%. Modest improvement in merchandise exports was insufficient to offset the decreasing exports of services and slowing domestic demand. The unemployment rate rose by 0.2 percentage points to 3.3%, and the seasonal adjusted rate stood at 3.2%.



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

%

	2011	2012	2013	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2
USA								
Gross Domestic Product	1.6 ^f	2.3 ^f	2.2 ^f	1.8 ^f	2.3 ^f	3.1 ^f	1.9 ^f	2.5
Exports of goods	15.8	4.4	2.2	1.6	2.7 ^f	4.0 ^f	2.5 ^f	3.3
Imports of goods	15.4	3.1 ^f	-0.4 ^f	-1.3	1.6 ^f	1.0	1.9 ^f	4.5
Consumer Price Index	3.1	2.1	1.5	1.4	1.6	1.2	1.4	2.1
Unemployment rate	8.9	8.1	7.4	7.4	7.3	6.7	6.9	6.1
Euro area ^a								
Gross Domestic Product	1.6	-0.7	-0.4	-0.6	-0.3	0.5	1.0 ^f	0.7
Exports of goods	13.0	7.6	1.0	1.8	0.2 ^f	1.1 ^f	1.2 ^f	0.6
Imports of goods	13.3	1.8 ^f	-3.1 ^f	-3.0 ^f	-1.8 ^f	-2.2 ^f	0.2 ^f	-
Consumer Price Index	2.7	2.5	1.3	1.4	1.3	0.8	0.6	0.6
Unemployment rate	10.1	11.3	12.0	11.9	11.6	11.9	12.3	11.4
Germany								
Gross Domestic Product	3.6 ^f	0.4 ^f	0.1 ^f	0.5 ^f	0.8 ^f	1.0 ^f	2.5	0.8
Exports of goods	11.5	3.3	-0.2	0.2	-0.8	1.9	3.1	1.7
Imports of goods	13.2	0.4	-1.1	-0.1	-0.5	-	4.4	0.8
Consumer Price Index	2.1	2.0	1.5	1.5	1.6	1.3	1.2	1.1
Unemployment rate	7.1	6.8	6.9	6.8	6.7	6.6	7.2	6.6
French								
Gross Domestic Product	2.1	0.4	0.4	0.7	0.3	0.8	0.8	0.1
Exports of goods	9.1	3.9 ^f	-1.6	-0.5 ^f	-2.4	-2.1 ^f	0.4 ^f	-1.4
Imports of goods	13.1 ^f	1.8 ^f	-2.3 ^f	-2.6 ^f	-2.0 ^f	-1.5	-0.9 ^f	-1.2
Consumer Price Index	2.1	2.0	0.9	0.8	0.9	0.6	0.7	0.6
Unemployment rate	9.2	9.8	10.3	10.0 ^f	9.7 ^f	10.4 ^f	10.6 ^f	9.9
United Kingdom								
Gross Domestic Product	1.1	0.3	1.7	1.8 ^f	1.8	2.7	3.0 ^f	3.2
Exports of goods	12.5	0.7	1.4	6.5 ^f	-0.4 ^f	-0.1 ^f	-6.0 ^f	-9.3
Imports of goods	9.5	2.7	0.9 ^f	2.1 ^f	2.8 ^f	-1.3 ^f	-4.0 ^f	-5.2
Consumer Price Index	4.5	2.8	2.5	2.7	2.8	2.1	1.7	1.7
Unemployment rate	8.1	7.9	7.6	7.8	7.6	7.2	6.8	6.4

a Consists 17 member states since 2011.

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 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2
Mainland China								
Gross Domestic Product	9.2	7.8	7.7	7.5	7.8	7.7	7.4	7.5
Exports of goods	20.3	7.9	7.8 ^f	3.8	3.8 ^f	7.3 ^f	-3.4	5.0
Imports of goods	25.0	4.3	7.3	4.8	8.5	7.2	1.6 ^f	1.5
Consumer Price Index ^a	5.4	2.6	2.6	2.4	2.5	2.6	2.3	2.3
Hong Kong								
Gross Domestic Product	4.9	1.5	2.9	3.0	3.0	2.9	2.6 ^f	1.8
Exports of goods	10.1	2.9	3.6	2.4	3.3	4.8	0.7	4.8
Imports of goods	11.9	3.9	3.8	3.5	2.6	4.3	2.1	4.5
Consumer Price Index	5.3	4.1	4.3	4.0	5.3	4.3	4.2	3.6
Unemployment rate	3.4	3.3	3.4	3.4	3.5	3.1	3.1	3.3
Taiwan								
Gross Domestic Product	4.2	1.5	2.1	2.7	1.3	2.9	3.2 ^f	3.7
Exports of goods	12.3	-2.3	1.4	2.4	-0.8	1.8	1.0	2.9
Imports of goods	12.0	-3.9	-0.2	-3.6	-3.4	2.1	-1.6	3.8
Consumer Price Index	1.4	1.9	0.8	0.8	-	0.6	0.8	1.6
Unemployment rate	4.4	4.2	4.2	4.1	4.3	4.2	4.0	3.9
Japan								
Gross Domestic Product	-0.5	1.5 ^f	1.5 ^f	1.2 ^f	2.3 ^f	2.5	3.0	-0.1
Exports of goods	-2.7	-2.7	9.5	7.0	12.7	17.4	6.6	0.1
Imports of goods	12.1	3.8	14.9	10.3	17.5	24.1	17.6	2.6
Consumer Price Index	-0.3	-	0.3	-0.3	0.9	1.4	1.5	3.6
Unemployment rate	4.6	4.3	4.0	4.2	4.0	3.7	3.7	3.7
Republic of Korea								
Gross Domestic Product	3.7	2.3	3.0	2.7	3.4	3.7	3.9	3.6
Exports of goods	19.0	-1.3	2.1	0.7	2.8	4.7	1.7	3.3
Imports of goods	23.3	-0.9	-0.8	-2.8	0.3	2.5	2.0 ^f	3.2
Consumer Price Index	4.0	2.2	1.3	1.2	1.4	1.1	1.1	1.6
Unemployment rate	3.4	3.2	3.1	3.1	3.0	2.8	4.0	3.7
Singapore								
Gross Domestic Product	6.1	2.5	3.9	4.0	5.0	4.9	4.8 ^f	2.4
Exports of goods	7.5	-0.9	0.6	-0.2	5.8	6.0	7.6	2.7
Imports of goods	8.6	3.2	-1.6	-4.0	5.9	1.4	6.8	3.0
Consumer Price Index	5.2	4.6	2.4	1.6	1.8	2.0	1.0	2.4
Unemployment rate	2.0	2.0	1.9	2.6	1.6	1.6	1.9 ^f	2.6

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	2013	2013	2014	2014
				Q2	Q3	Q4	Q1	Q2
USA								
Gross Domestic Product	1.6 ^f	2.3 ^f	2.2 ^f	1.8 ^f	4.5 ^f	3.5 ^f	-2.1 ^f	4.2
Exports of goods	15.8	4.4	2.2	0.9 ^f	0.5	2.4 ^f	-1.8 ^f	2.1
Imports of goods	15.4	3.1 ^f	-0.4 ^f	0.4 ^f	0.6 ^f	- ^f	0.9 ^f	2.9
Consumer Price Index	3.1	2.1	1.5	0.1	0.5	0.3	0.5	0.7
Unemployment rate ^a	8.9	8.1	7.4	7.5	7.2	7.0	6.7	6.2
Japan								
Gross Domestic Product	-0.5	1.5 ^f	1.5 ^f	0.9	0.4 ^f	- ^f	1.5	-1.7
Exports of goods	-2.7 ^f	-3.0 ^f	9.6	5.3 ^f	1.3 ^f	2.1	-1.5 ^f	-1.2
Imports of goods	12.3	3.3	15.2	3.4 ^f	4.9 ^f	5.1 ^f	2.2 ^f	-8.5
Consumer Price Index	-0.3	-	0.3	0.2	0.7	0.5	0.1	2.3
Unemployment rate ^a	4.6	4.3	4.0	4.0	4.0	3.9	3.6	3.6
Hong Kong								
Gross Domestic Product	4.9	1.5	2.9	0.5	0.8	0.9	0.3 ^f	-0.1
Exports of goods	10.1	2.9	3.6	-1.2	2.2	3.6	-4.9	3.7
Imports of goods	11.9	3.9	3.8	-0.6	1.9	3.6	-3.2	1.6
Consumer Price Index	5.3	4.1	4.3	1.3	-0.8	2.7	1.0	0.7
Unemployment rate ^a	3.4	3.3	3.4	3.3	3.4 ^f	3.2	3.1	3.2

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