

## **Global Economy in the Fourth Quarter of 2018**

In the fourth quarter of 2018, the global economy maintained growth, but the pace has slowed significantly owing to the sharp fluctuations in the international financial markets resulting from the continued US monetary policy normalisation and the persistent Sino-US trade dispute. Trade protectionism and unilateralism continue to pose a threat to global investment and trade while exacerbating geopolitical tensions. At the same time, the form of Britain's withdrawal from the EU remains uncertain and the outflow of capital from emerging markets continues, all of which give rise to obstacles to and uncertainties about global economic development.

The World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) in January 2019 indicated that the global expansion has weakened and risks to the global growth are skewed to the downside amid rising trade tensions and tightened financial conditions. The global economy is projected to grow by 3.5% in 2019 and 3.6% in 2020, down by 0.2 percentage points and 0.1 percentage point from the forecast in October 2018 respectively. Economic growth projections for the US remained at 2.5% for 2019 and 1.8% for 2020. Growth forecast for China held stable at 6.2% for both 2019 and 2020. Meanwhile, the projected growth rate for the Euro area in 2019 was marked down by 0.3 percentage points from the forecast in October 2018 to 1.6%, whereas the growth rate in 2020 is projected to stay at 1.7%. Growth projections for Japan in 2019 and 2020 were both revised upwards by 0.2 percentage points to 1.1% and 0.5% respectively.

The US economy maintained relatively rapid growth, with the fourth-quarter Gross Domestic Product (GDP) rising by 3.1% year-on-year and 2.6% quarter-to-quarter. Private consumption expenditure and domestic private investment added 1.9 percentage points and 0.8 percentage points to economic growth respectively; government expenditure and investment contributed 0.1 percentage point to the increase, whereas net exports dragged down the growth by 0.2 percentage points. Economic development was steady and the unemployment rate decreased by 0.3 percentage points quarter-to-quarter to 3.6%; the seasonally adjusted unemployment rate was 3.8%.

The economy of the Euro area continued to slow down, with the GDP in the fourth quarter growing by 1.1% year-on-year and 0.2% quarter-to-quarter; the growth in Germany slowed significantly with a mere increase of 0.9% year-on-year, and that

in France slowed continuously to 0.9%. Final consumption expenditure of households and non-profit institutions in the Euro area, government final consumption expenditure and gross fixed capital formation each contributed 0.1 percentage point to the growth; net exports added 0.2 percentage points to the increase while inventory hampered the growth by 0.4 percentage points. The unemployment rate edged up by 0.1 percentage point quarter-to-quarter to 7.9% amid stable employment situation.

The UK economy maintained growth, with the GDP in the fourth quarter climbing by 1.3% year-on-year and 0.2% quarter-to-quarter. Household and government final consumption expenditure each drove up the growth by 0.3 percentage points; meanwhile, net exports and capital formation dragged down the growth by 0.1 percentage point and 0.3 percentage points respectively. Economic growth remained modest, and the unemployment rate fell slightly by 0.1 percentage point from the previous quarter to 4.0%.

Economies in the Asian region showed sustained growth. The WEO Update of IMF in January 2019 indicated that the projected growth rate for India in 2019 was revised upwards by 0.1 percentage point from the forecast in October 2018 to 7.5%, whereas the projection for 2020 remained at 7.7%. The growth projection for the ASEAN-5 economies<sup>1</sup> in 2019 was marked down by 0.1 percentage point to 5.1%, while the projected rate for 2020 stayed at 5.2%. The growth forecast for the Middle East, North Africa, Afghanistan and Pakistan in 2019 was 2.4%, 0.3 percentage points lower than the projection in October 2018, whereas the projected growth rate in 2020 remained at 3.0%.

The fourth-quarter GDP of Japan held stable year-on-year but increased by 0.3% quarter-to-quarter. Private and public demand added 0.5 percentage points and 0.1 percentage point to the economic growth respectively, but net exports of goods and services dragged down the growth by 0.3 percentage points. Meanwhile, employment situation was stable, with the unemployment rate edging down by 0.1 percentage point to 2.4%; the seasonally adjusted unemployment rate remained unchanged from the previous quarter, at 2.4%.

The fourth-quarter GDP of the Republic of Korea increased by 3.1% year-on-year and 1.0% quarter-to-quarter. Final consumption expenditure and fixed capital formation drove up the growth by 1.0 percentage point and 1.2 percentage points respectively, while net exports hampered the growth by 1.2 percentage points.

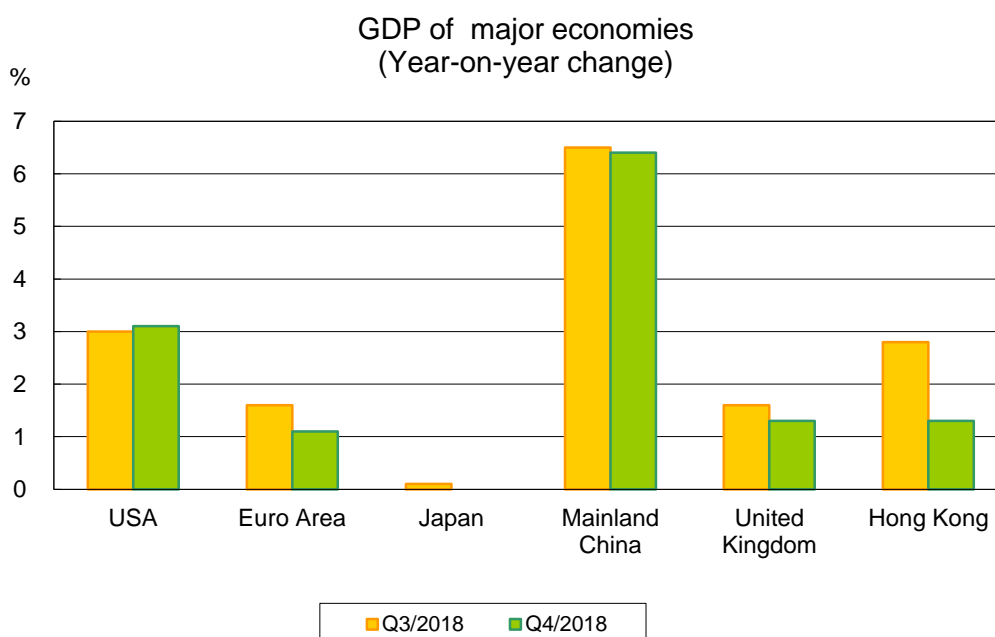
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<sup>1</sup> Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

The unemployment rate decreased slightly by 0.4 percentage points from the previous quarter to 3.4% amid continued economic growth.

The economy of Mainland China maintained rapid growth, with the GDP for the fourth quarter expanding by 6.4% year-on-year. In 2018, value added of the above-scale industries grew by 6.2% year-on-year in real terms; fixed asset investment (excluding farmers) rose by 5.9% year-on-year; total retail sales of consumer goods went up by 9.0%, with sales of petroleum & related products, daily necessities, cosmetics and communication equipment rising by 13.3%, 13.7%, 9.6% and 7.1% respectively. As regards external trade, total value of external trade for 2018 grew by 9.7% year-on-year. Inflation rose, with the Consumer Price Index (CPI) for 2018 increasing by 2.1% year-on-year.

The Hong Kong economy continued to grow but at a much slower pace in the fourth quarter, up by 1.3% year-on-year but down by 0.3% quarter-to-quarter. Domestic demand stayed sound. Private consumption expenditure, government consumption expenditure and exports of services went up by 3.1%, 5.0% and 2.9% respectively year-on-year; meanwhile, gross fixed capital formation and exports of goods decreased by 5.4% and 0.2% respectively. The seasonally adjusted unemployment rate remained at 2.8%.



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

|                               | 2016              | 2017             | 2018 | 2017<br>Q4       | 2018<br>Q1       | 2018<br>Q2        | 2018<br>Q3        | 2018<br>Q4 | % |
|-------------------------------|-------------------|------------------|------|------------------|------------------|-------------------|-------------------|------------|---|
| <b>USA</b>                    |                   |                  |      |                  |                  |                   |                   |            |   |
| Gross Domestic Product        | 1.6               | 2.2              | 2.9  | 2.5              | 2.6              | 2.9               | 3.0               | 3.1        |   |
| Exports of goods              | -3.1 <sup>f</sup> | 6.6              | 7.6  | 7.9              | 8.0              | 11.3 <sup>f</sup> | 8.1               | 3.4        |   |
| Imports of goods              | -1.8 <sup>f</sup> | 6.9 <sup>f</sup> | 8.6  | 9.0 <sup>f</sup> | 9.0 <sup>f</sup> | 8.5               | 10.7              | 6.3        |   |
| Consumer Price Index          | 1.3               | 2.1              | 2.4  | 2.1              | 2.2              | 2.7               | 2.6               | 2.2        |   |
| Unemployment rate             | 4.9               | 4.4              | 3.9  | 3.9              | 4.3              | 3.8               | 3.9               | 3.6        |   |
| <b>Euro area <sup>a</sup></b> |                   |                  |      |                  |                  |                   |                   |            |   |
| Gross Domestic Product        | 2.0 <sup>f</sup>  | 2.4              | 1.8  | 2.7              | 2.4              | 2.1 <sup>f</sup>  | 1.6               | 1.1        |   |
| Exports of goods              | 0.3               | 7.1              | 3.7  | 6.2              | 2.1 <sup>f</sup> | 4.3               | 4.7 <sup>f</sup>  | 3.7        |   |
| Imports of goods              | -1.2              | 10.0             | 6.2  | 8.1              | 2.1 <sup>f</sup> | 5.8               | 10.0 <sup>f</sup> | 7.0        |   |
| Consumer Price Index          | 0.2               | 1.5              | 1.8  | 1.4              | 1.3              | 1.7               | 2.1               | 1.9        |   |
| Unemployment rate             | 10.0              | 9.1              | 8.2  | 8.7              | 8.9              | 8.2               | 7.8               | 7.9        |   |
| <b>Germany</b>                |                   |                  |      |                  |                  |                   |                   |            |   |
| Gross Domestic Product        | 2.2               | 2.2              | 1.5  | 2.2              | 1.4              | 2.3               | 1.1               | 0.9        |   |
| Exports of goods              | 0.9               | 6.2              | 3.0  | 6.2              | 2.7              | 5.1               | 2.9               | 1.6        |   |
| Imports of goods              | 0.6               | 8.0              | 5.7  | 6.8              | 3.6              | 6.3               | 8.1 <sup>f</sup>  | 4.9        |   |
| Consumer Price Index          | 0.5               | 1.5 <sup>f</sup> | 1.7  | 1.4 <sup>f</sup> | 1.3 <sup>f</sup> | 1.7 <sup>f</sup>  | 1.9 <sup>f</sup>  | 2.0        |   |
| Unemployment rate             | 6.1               | 5.7              | 5.2  | 5.3              | 5.7              | 5.1               | 5.1               | 4.9        |   |
| <b>France</b>                 |                   |                  |      |                  |                  |                   |                   |            |   |
| Gross Domestic Product        | 1.1               | 2.3              | 1.5  | 2.8              | 2.2 <sup>f</sup> | 1.7               | 1.3 <sup>f</sup>  | 0.9        |   |
| Exports of goods              | -0.6              | 4.5              | 3.8  | 4.6              | 4.4              | 4.2               | 3.0 <sup>f</sup>  | 5.2        |   |
| Imports of goods              | -0.2 <sup>f</sup> | 6.8 <sup>f</sup> | 3.8  | 4.9              | 1.7 <sup>f</sup> | 6.6 <sup>f</sup>  | 3.5 <sup>f</sup>  | 4.6        |   |
| Consumer Price Index          | 0.2               | 1.0              | 1.9  | 1.1              | 1.4              | 1.9               | 2.2               | 1.9        |   |
| Unemployment rate             | 10.1              | 9.4              | 9.1  | 9.2              | 9.6              | 8.7               | 8.8 <sup>f</sup>  | 9.1        |   |
| <b>United Kingdom</b>         |                   |                  |      |                  |                  |                   |                   |            |   |
| Gross Domestic Product        | 1.8               | 1.8 <sup>f</sup> | 1.4  | 1.6 <sup>f</sup> | 1.3 <sup>f</sup> | 1.4 <sup>f</sup>  | 1.6 <sup>f</sup>  | 1.3        |   |
| Exports of goods              | 4.3               | 13.3             | 3.3  | 5.8 <sup>f</sup> | 3.9 <sup>f</sup> | 2.2 <sup>f</sup>  | 3.2 <sup>f</sup>  | 4.0        |   |
| Imports of goods              | 6.7               | 10.2             | 2.7  | 6.0 <sup>f</sup> | 1.1 <sup>f</sup> | 1.8               | 3.4 <sup>f</sup>  | 4.6        |   |
| Consumer Price Index          | 0.7               | 2.7              | 2.4  | 3.1              | 2.6              | 2.4               | 2.5               | 2.2        |   |
| Unemployment rate             | 4.9               | 4.4              | 4.1  | 4.4              | 4.2              | 4.0               | 4.1               | 4.0        |   |

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)

|                                     | %                |                  |                  |                  |                  |                   |                   |            |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|------------|
|                                     | 2016             | 2017             | 2018             | 2017<br>Q4       | 2018<br>Q1       | 2018<br>Q2        | 2018<br>Q3        | 2018<br>Q4 |
| <b>Mainland China</b>               |                  |                  |                  |                  |                  |                   |                   |            |
| Gross Domestic Product              | 6.7              | 6.9              | 6.6              | 6.8              | 6.8              | 6.7               | 6.5               | 6.4        |
| Exports of goods                    | -7.7             | 7.9              | 9.9              | 9.6              | 13.7             | 11.5              | 11.7              | 3.9        |
| Imports of goods                    | -5.5             | 16.1             | 15.8             | 12.8             | 19.4             | 20.6 <sup>f</sup> | 20.4 <sup>f</sup> | 4.4        |
| Consumer Price Index <sup>a</sup>   | 2.0              | 1.6              | 2.1              | 1.6              | 2.1              | 2.0               | 2.1               | 2.1        |
| <b>Hong Kong</b>                    |                  |                  |                  |                  |                  |                   |                   |            |
| Gross Domestic Product              | 2.2              | 3.8              | 3.0              | 3.5 <sup>f</sup> | 4.6              | 3.5               | 2.8 <sup>f</sup>  | 1.3        |
| Exports of goods                    | -0.5             | 8.0              | 7.3              | 6.8              | 9.7              | 9.0               | 9.0               | 2.2        |
| Imports of goods                    | -0.9             | 8.7              | 8.4              | 8.5              | 10.6             | 10.4              | 11.5              | 1.8        |
| Consumer Price Index                | 2.4              | 1.5              | 2.4              | 1.6              | 2.4              | 2.1               | 2.5               | 2.6        |
| Unemployment rate                   | 3.4              | 3.1              | 2.8              | 2.8              | 2.8              | 2.8               | 3.0               | 2.7        |
| <b>Taiwan</b>                       |                  |                  |                  |                  |                  |                   |                   |            |
| Gross Domestic Product              | 1.5 <sup>f</sup> | 3.1 <sup>f</sup> | 2.6              | 3.5 <sup>f</sup> | 3.2 <sup>f</sup> | 3.3               | 2.4 <sup>f</sup>  | 1.8        |
| Exports of goods <sup>b</sup>       | -1.8             | 13.2             | 5.9              | 10.4             | 10.6             | 11.2              | 3.0               | 0.1        |
| Imports of goods <sup>b</sup>       | -2.8             | 12.4             | 10.4             | 6.9              | 11.0             | 10.6 <sup>f</sup> | 13.7 <sup>f</sup> | 6.7        |
| Consumer Price Index                | 1.4              | 0.6              | 1.4              | 0.4              | 1.6              | 1.7               | 1.7               | 0.5        |
| Unemployment rate                   | 3.9              | 3.8              | 3.7              | 3.7              | 3.7              | 3.7               | 3.8               | 3.7        |
| <b>Japan</b>                        |                  |                  |                  |                  |                  |                   |                   |            |
| Gross Domestic Product <sup>c</sup> | 0.6 <sup>f</sup> | 1.9 <sup>f</sup> | 0.7 <sup>f</sup> | 2.4              | 1.3 <sup>f</sup> | 1.5 <sup>f</sup>  | 0.1 <sup>f</sup>  | -          |
| Exports of goods                    | -7.4             | 11.8             | 4.1              | 13.0             | 4.9              | 7.5               | 2.9               | 1.3        |
| Imports of goods                    | -15.8            | 14.1             | 9.7              | 17.0             | 7.5              | 7.5               | 12.4              | 11.2       |
| Consumer Price Index                | -0.1             | 0.5              | 1.0              | 0.6              | 1.3              | 0.6               | 1.1               | 0.9        |
| Unemployment rate                   | 3.1              | 2.8              | 2.4              | 2.6              | 2.5              | 2.5               | 2.5               | 2.4        |
| <b>Republic of Korea</b>            |                  |                  |                  |                  |                  |                   |                   |            |
| Gross Domestic Product              | 2.9              | 3.1              | 2.7              | 2.8              | 2.8              | 2.8               | 2.0               | 3.1        |
| Exports of goods                    | -5.9             | 15.8             | 5.5              | 8.4              | 9.8 <sup>f</sup> | 3.1               | 1.7               | 7.9        |
| Imports of goods                    | -6.9             | 17.8             | 11.8             | 11.6             | 13.7             | 13.0 <sup>f</sup> | 7.8               | 12.9       |
| Consumer Price Index                | 1.0              | 1.9              | 1.5              | 1.4 <sup>f</sup> | 1.1 <sup>f</sup> | 1.5               | 1.6               | 1.8        |
| Unemployment rate                   | 3.7              | 3.7              | 3.8              | 3.2              | 4.3              | 3.9               | 3.8               | 3.4        |
| <b>Singapore</b>                    |                  |                  |                  |                  |                  |                   |                   |            |
| Gross Domestic Product              | 2.8 <sup>f</sup> | 3.9 <sup>f</sup> | 3.2              | 3.7 <sup>f</sup> | 4.7 <sup>f</sup> | 4.2 <sup>f</sup>  | 2.4 <sup>f</sup>  | 1.9        |
| Exports of goods                    | -5.1             | 10.3             | 7.9              | 6.6              | 2.3              | 9.3               | 12.7              | 7.2        |
| Imports of goods                    | -4.7             | 12.1             | 10.6             | 9.1              | 2.8              | 11.1              | 17.0              | 11.5       |
| Consumer Price Index                | -0.5             | 0.6              | 0.4              | 0.5              | 0.2              | 0.3               | 0.7               | 0.5        |
| Unemployment rate                   | 2.1              | 2.2              | 2.1              | 1.8              | 1.9              | 2.7               | 1.9 <sup>f</sup>  | 2.0        |

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)

|                                | %                |                   |                  |                  |                   |                   |                   |            |
|--------------------------------|------------------|-------------------|------------------|------------------|-------------------|-------------------|-------------------|------------|
|                                | 2016             | 2017              | 2018             | 2017<br>Q4       | 2018<br>Q1        | 2018<br>Q2        | 2018<br>Q3        | 2018<br>Q4 |
| <b>USA</b>                     |                  |                   |                  |                  |                   |                   |                   |            |
| Gross Domestic Product         | 1.6              | 2.2               | 2.9              | 2.3              | 2.2               | 4.2               | 3.4 <sup>f</sup>  | 2.6        |
| Exports of goods               | -3.1             | 6.6               | 7.6              | 3.6              | 1.8 <sup>f</sup>  | 4.4 <sup>f</sup>  | -1.8              | -0.9       |
| Imports of goods               | -1.8             | 6.9               | 8.6              | 5.1              | 3.0 <sup>f</sup>  | -                 | 2.6               | -          |
| Consumer Price Index           | 1.3              | 2.1               | 2.4              | 0.8              | 0.8 <sup>f</sup>  | 0.5 <sup>f</sup>  | 0.5               | 0.4        |
| Unemployment rate <sup>a</sup> | 4.9              | 4.4               | 3.9              | 4.1              | 4.1               | 3.9               | 3.8               | 3.8        |
| <b>Japan</b>                   |                  |                   |                  |                  |                   |                   |                   |            |
| Gross Domestic Product         | 0.6 <sup>f</sup> | 1.9 <sup>f</sup>  | 0.7 <sup>f</sup> | 0.5 <sup>f</sup> | -0.2 <sup>f</sup> | 0.6 <sup>f</sup>  | -0.7 <sup>f</sup> | 0.3        |
| Exports of goods               | -7.8             | 12.4              | 4.1              | 2.0 <sup>f</sup> | 0.1 <sup>f</sup>  | 2.7 <sup>f</sup>  | -1.2 <sup>f</sup> | -1.1       |
| Imports of goods               | -15.8            | 14.3 <sup>f</sup> | 9.3              | 4.4 <sup>f</sup> | 2.8 <sup>f</sup>  | 1.1 <sup>f</sup>  | 3.1 <sup>f</sup>  | 2.0        |
| Consumer Price Index           | -0.1             | 0.5               | 1.0              | 0.4 <sup>f</sup> | 0.7 <sup>f</sup>  | -0.4 <sup>f</sup> | 0.5 <sup>f</sup>  | -          |
| Unemployment rate <sup>a</sup> | 3.1              | 2.8               | 2.4              | 2.7              | 2.5               | 2.4               | 2.4               | 2.4        |
| <b>Hong Kong</b>               |                  |                   |                  |                  |                   |                   |                   |            |
| Gross Domestic Product         | 2.2              | 3.8               | 3.0              | 1.1 <sup>f</sup> | 1.9 <sup>f</sup>  | -0.3 <sup>f</sup> | 0.1               | -0.3       |
| Exports of goods               | -0.5             | 8.0               | 7.3              | 2.4 <sup>f</sup> | 2.1 <sup>f</sup>  | 1.2 <sup>f</sup>  | 1.0 <sup>f</sup>  | -3.9       |
| Imports of goods               | -0.9             | 8.7               | 8.4              | 3.1 <sup>f</sup> | 2.4 <sup>f</sup>  | 1.1 <sup>f</sup>  | 2.1               | -5.4       |
| Consumer Price Index           | 2.4              | 1.5               | 2.4              | 0.6              | 0.8 <sup>f</sup>  | 0.4               | 0.6 <sup>f</sup>  | 0.7        |
| Unemployment rate <sup>a</sup> | 3.4              | 3.1               | 2.8              | 3.0              | 2.9               | 2.8               | 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