

Global Economy in the First Quarter of 2017

Global economic growth gained momentum in the first quarter of 2017. The economic growth of the US was steady and the growth prospects for the Euro area and Japan improved. However, the policy orientation of the US government, the expectation for an interest-rate hike in the US, the progress of Brexit negotiations and the awakening of trade protectionism have all brought uncertainties to the global economy. The World Economic Outlook (WEO) of the International Monetary Fund (IMF) in April 2017 indicated that economic activity in advanced economies was driven mainly by higher projected growth in the US, while growth in emerging and developing economies is expected to pick up significantly. The world economy is projected to grow by 3.5% in 2017, an upward revision of 0.1 percentage point relative to the January WEO; the growth projection for 2018 remains the same at 3.6%.

The US economy maintained moderate growth, with Gross Domestic Product (GDP) rising by 2.0% year-on-year and 1.2% quarter-to-quarter. Fixed investment was the major impetus for economic growth, contributing 1.9 percentage points to the increase. Private consumption expenditure weakened, adding only 0.4 percentage points to the growth. Imports and exports offset each other, with net exports contributing only 0.1 percentage point to the growth. Meanwhile, inventories dragged down economic growth by 1.1 percentage point. The unemployment rate increased by 0.4 percentage points quarter-to-quarter to 4.9% in spite of steady economic performance; the seasonally adjusted unemployment rate was 4.7%.

As the German economy showed signs of acceleration, the economy of the Euro area continued to grow, with the GDP of the first quarter rising by 1.9% year-on-year and 0.6% quarter-to-quarter. Gross fixed capital formation, consumption expenditure of households and non-profit institutions, and government final consumption expenditure contributed 0.3, 0.2 and 0.1 percentage points to the increase respectively. Meanwhile, imports and exports offset each other, which failed to contribute to economic growth. The economy maintained moderate growth, with the unemployment rate staying at 9.8% as in the previous quarter.

The impact of Brexit on the UK economy began to emerge, which included devaluation and inflation. The GDP of the first quarter grew by 2.0% year-on-year and only 0.2% quarter-to-quarter. The service industry has always been the main driver of the UK economic growth, however, the growth began to slow down and

increased merely by 0.2% quarter-to-quarter. Gross capital formation contributed 1.2 percentage points to the increase, while household final consumption expenditure and government final consumption expenditure added only 0.2 and 0.1 percentage points respectively to the economic growth. Meanwhile, net exports dragged down the growth rate by 1.4 percentage points. Although the economy was affected, the unemployment rate held stable and decreased by 0.2 percentage points from the previous quarter to 4.6%.

Thanks to the improvement of the global economy, the export growth in the Asian region had been outstanding. The April 2017 WEO of IMF indicated that the ASEAN-5 economies¹ are projected to grow by 5.0% in 2017, 0.1 percentage point higher than its forecast in January 2017. The projected economic growth for the Middle East, North Africa, Afghanistan and Pakistan decreased by 0.5 percentage points to 2.6%, while that for China increased by 0.1 percentage point to 6.6%. The projection for India remained the same at 7.2%.

The economy of Japan continued to maintain low growth rates, with the first-quarter GDP rising by 1.6% year-on-year and 0.5% quarter-to-quarter. Exports and domestic demand rebounded and each contributed 0.4 percentage points to the economic growth. The unemployment rate remained stable at 2.9% amid sustained economic growth; the seasonally adjusted unemployment rate stayed the same at 2.9%.

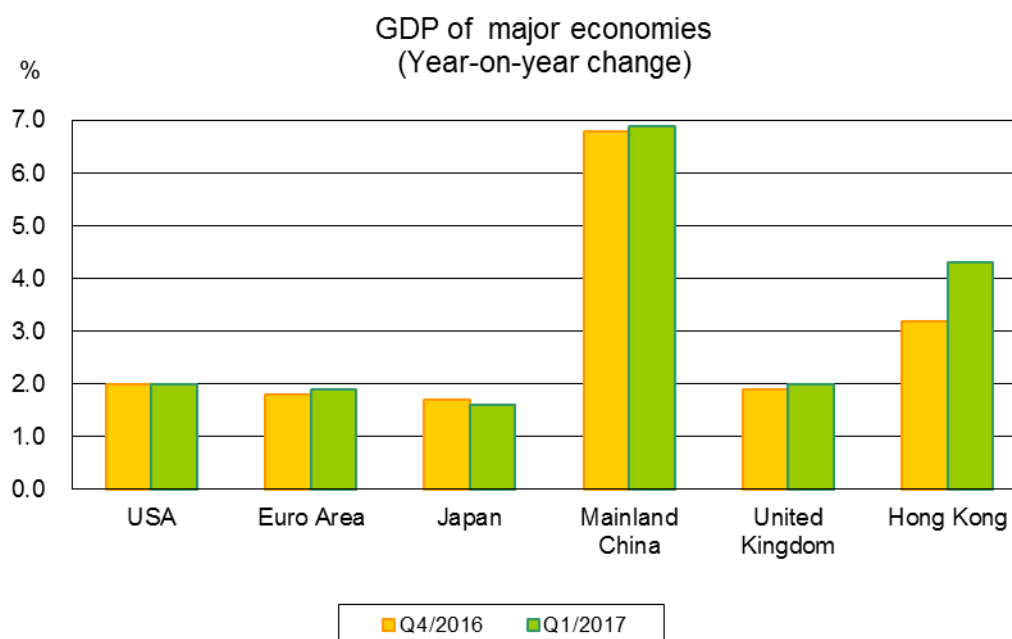
The first-quarter GDP of the Republic of Korea increased by 2.7% year-on-year and just 0.9% quarter-to-quarter. Gross capital formation and exports added 1.5 and 0.8 percentage points respectively to the economic growth, but imports lowered the growth rate by 1.5 percentage points. Despite the pick-up in economic growth, the unemployment rate rose by 1.1 percentage point from the previous quarter to 4.3%.

Mainland China showed steady economic progress, with the GDP for the first quarter expanding by 6.9% year-on-year, up by 0.1 percentage point over the previous quarter. In the first quarter of 2017, value added of the above-scale industries increased by 6.8% year-on-year, up by 0.8 percentage points from the previous year. Fixed asset investment grew by 9.2% year-on-year, an increase of 1.1 percentage point. Retail sales of consumer goods rose by 10.0% year-on-year, down by 0.4 percentage points; sales of construction & decoration materials and cultural & office supplies both increased by 14.8%, and sales of petroleum and products grew by

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

13.0%. As regards external trade, total value of external trade for the first quarter of 2017 increased by 15.0% year-on-year and the trade surplus amounted to USD 65.3 billion. The Consumer Price Index (CPI) for the first quarter was 1.4% amid a significant drop in inflation.

The Hong Kong economy continued to perform well in the first quarter, expanding by 4.3% year-on-year and 0.7% quarter-to-quarter. With strong domestic demand, gross fixed capital formation rose by 6.4% year-on-year. Private consumption expenditure and government final consumption expenditure both increased by 3.7% year-on-year. Exports of goods and exports of services continued to strengthen, rising by 9.2% and 2.6% year-on-year respectively. The unemployment rate edged up by 0.1 percentage point to 3.2% amid satisfactory economic performance, and the seasonally adjusted rate remained unchanged at 3.2%.



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

	%							
	2014	2015	2016	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
USA								
Gross Domestic Product	2.4	2.6	1.6	1.6	1.3	1.7	2.0 ^f	2.0
Exports of goods	2.6	-7.3	-3.2	-6.8	-6.1	-2.0	2.2	7.3
Imports of goods	3.9	-4.6	-2.6	-5.5	-4.7	-2.3	1.9	7.3
Consumer Price Index	1.6	0.1	1.3	1.1	1.0	1.1	1.8	2.5
Unemployment rate	6.2	5.3	4.9	5.2	4.8	5.0	4.5	4.9
Euro area ^a								
Gross Domestic Product	1.2	2.0	1.8 ^f	1.7	1.6	1.8	1.8 ^f	1.9
Exports of goods	2.2	5.3	0.3	-1.0 ^f	-	-0.1 ^f	2.2	10.2
Imports of goods	0.7	2.6	-1.3 ^f	-2.5	-3.4 ^f	-1.7 ^f	2.3 ^f	12.4
Consumer Price Index	0.4	-	0.2	-	-0.1	0.3	0.7	1.8
Unemployment rate	11.6	10.9	10.0	10.7	10.0	9.6	9.8	9.8
Germany								
Gross Domestic Product	1.6	1.7	1.9	1.5	3.2	1.6 ^f	1.3 ^f	2.9
Exports of goods	3.3	6.2	1.1	0.6	2.2	-0.6	2.2 ^f	8.5
Imports of goods	2.2	4.3	0.6	0.4	0.1	-1.2	3.1 ^f	10.0
Consumer Price Index	0.9	0.2	0.5	0.3	0.1	0.5	1.1	1.9
Unemployment rate	6.7	6.4	6.1	6.6	6.1	6.0	5.8	6.2
French								
Gross Domestic Product	1.0 ^f	1.0 ^f	1.1	1.2	1.1	0.9 ^f	1.2	1.0
Exports of goods	0.2	3.9	-0.5 ^f	0.2 ^f	-3.9	-0.7 ^f	2.3 ^f	1.9
Imports of goods	-0.7	0.9 ^f	0.4 ^f	0.5 ^f	-3.4	1.7 ^f	2.6	7.6
Consumer Price Index	0.5	-	0.2	-	-	0.3	0.5	1.2
Unemployment rate	10.3	10.4	10.1 ^f	10.7	9.6	9.6	10.4 ^f	10.1
United Kingdom								
Gross Domestic Product	3.1	2.2	1.8	1.6	1.7	2.0	1.9 ^f	2.0
Exports of goods	-3.4	-1.8	4.8 ^f	-2.3 ^f	0.7	5.4	15.7 ^f	17.8
Imports of goods	-2.0	-2.0	6.9 ^f	-3.6	4.0 ^f	14.3	13.6 ^f	16.6
Consumer Price Index	1.5	-	0.7	0.3	0.3	0.8	1.2	2.2
Unemployment rate	6.2	5.4	4.9	5.1	4.9	4.8	4.8	4.6

^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)

	2014	2015	2016	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	%
Mainland China									
Gross Domestic Product	7.4	6.9	6.7	6.7	6.7	6.7	6.8	6.9	
Exports of goods	6.0	-3.0	-7.7	-13.0	-6.4	-7.0 ^f	-5.3 ^f	8.2	
Imports of goods	0.5	-14.3	-5.5	-13.9	-7.1	-4.4	2.7 ^f	24.1	
Consumer Price Index ^a	2.0	1.4	2.0	2.1	2.1	2.0	2.0	1.4	
Hong Kong									
Gross Domestic Product	2.7	2.4	2.0 ^f	1.0	1.8 ^f	2.0	3.2 ^f	4.3	
Exports of goods	3.2	-1.8	-0.5	-6.8	-1.2	-0.2	5.5	10.3	
Imports of goods	3.9	-4.1	-0.9	-8.2	-3.2	1.2	5.6	10.7	
Consumer Price Index	4.4	3.0	2.4	2.8	2.6	3.1	1.2	0.5	
Unemployment rate	3.3	3.3	3.4	3.3	3.5	3.6	3.1	3.2	
Taiwan									
Gross Domestic Product	4.0	0.7	1.5	-0.2	1.1	2.1	2.8 ^f	2.6	
Exports of goods ^b	2.8	-10.9	-1.8 ^f	-12.1	-6.3 ^f	0.1	11.7	15.1	
Imports of goods ^b	1.4	-15.8	-2.8 ^f	-14.2 ^f	-7.7 ^f	-0.4 ^f	11.5	21.6	
Consumer Price Index	1.2	-0.3	1.4	1.8	1.3	0.7	1.8	0.8	
Unemployment rate	4.0	3.8	3.9	3.9	3.9	4.0	3.9	3.8	
Japan									
Gross Domestic Product	0.3	1.1 ^f	1.0	0.5 ^f	0.9	1.1	1.7	1.6	
Exports of goods	4.8	3.4	-7.4	-7.9	-9.5	-10.2	-1.9	8.5	
Imports of goods	5.7	-8.7	-15.8 ^f	-15.6 ^f	-18.7 ^f	-19.3 ^f	-9.3	8.6	
Consumer Price Index	2.7	0.8	-0.1	-	-0.3	-0.5	0.3	0.3	
Unemployment rate	3.6	3.4	3.1	3.2	3.2	3.1	2.9	2.9	
Republic of Korea									
Gross Domestic Product	3.3	2.8 ^f	2.8 ^f	2.9 ^f	3.4 ^f	2.6	2.4 ^f	2.7	
Exports of goods	2.3	-8.0	-5.9	-13.7 ^f	-6.7	-5.0	1.8 ^f	14.9	
Imports of goods	1.9	-16.9	-6.9 ^f	-16.0 ^f	-10.1 ^f	-5.1 ^f	4.1 ^f	23.9	
Consumer Price Index	1.3	0.7	1.0	0.9	0.8	0.7	1.5	2.1	
Unemployment rate	3.5	3.6	3.7	4.3	3.8	3.6	3.2	4.3	
Singapore									
Gross Domestic Product	3.6	1.9	2.0	1.9	1.9	1.2	2.9	2.7	
Exports of goods	0.1	-6.5	-5.1	-13.1	-4.8	-4.5	2.1	17.0	
Imports of goods	-1.4	-11.5	-4.7	-8.5	-7.4	-9.1	6.1	15.6	
Consumer Price Index	1.0	-0.5	-0.5	-0.8	-0.9	-0.4	-	0.6	
Unemployment rate	2.0	1.9	2.1	1.8	2.8	1.8	1.9	2.1	

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

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

	2014	2015	2016	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	%
USA									
Gross Domestic Product	2.4	2.6	1.6	0.8	1.4	3.5	2.1 ^f	1.2	
Exports of goods	2.6	-7.3	-3.2	-3.2	1.7	4.4	-0.8	2.7	
Imports of goods	3.9	-4.6	-2.6	-2.3	1.2	1.3	2.6	2.6	
Consumer Price Index	1.6	0.1	1.3	-	0.6	0.4	0.8	0.8	
Unemployment rate ^a	6.2	5.3	4.9	4.9	4.9	4.9	4.7	4.7	
Japan									
Gross Domestic Product	0.3	1.1 ^f	1.0	0.6	0.4	0.2 ^f	0.3 ^f	0.5	
Exports of goods	4.6	3.5	-7.8	-5.1 ^f	-1.9 ^f	-0.4	5.6 ^f	6.2	
Imports of goods	5.5	-8.6	-15.8 ^f	-8.6	-5.1 ^f	0.5 ^f	5.3 ^f	8.2	
Consumer Price Index	2.7	0.8	-0.1	-0.1	-0.1	-0.1	0.6	-	
Unemployment rate ^a	3.6	3.4	3.1	3.2	3.2	3.0	3.1	2.9	
Hong Kong									
Gross Domestic Product	2.7	2.4	2.0 ^f	-0.3	1.5 ^f	0.8	1.2	0.7	
Exports of goods	3.2	-1.8	-0.5	-4.7	6.1	1.0	3.8	-0.4	
Imports of goods	3.9	-4.1	-0.9	-2.4	3.6	2.6	2.4	2.2	
Consumer Price Index	4.4	3.0	2.4	0.7	-0.6	0.4	0.7	0.1	
Unemployment rate ^a	3.3	3.3	3.4	3.4	3.4	3.4	3.3	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