

## **Global Economy in the First Quarter of 2014**

The global economic recovery remained fragile in the first quarter of 2014. Slowdown in economic growth and scaling back of the quantitative easing measures in the US, weak recovery in the Euro area, and softened exports growth in the Asia area contributed to the slow revival of the World economy. The World Economic Outlook (WEO) of the International Monetary Fund (IMF) in April 2014 indicated that global activity has broadly strengthened, with the impetus coming from advanced economies, while activity in emerging market economies was disappointing. Overall, the balance of risks remained on the downside. The world economy is projected to grow by 3.6% in 2014 and 3.9% in 2015, both down by 0.1 percentage point from the January forecast.

In the US, economic growth for the first quarter slowed down due to severe cold weather; Gross Domestic Product (GDP) expanded by 2.0% year-on-year but contracted by 1.0% quarter-to-quarter. Decrease in inventory and exports tapered off the economic growth by 1.6 and 0.8 percentage points; fixed investment also dragged down the increase by 0.4 percentage points; however, rising private consumption expenditure contributed 2.1 percentage points to the rate of increase. The unemployment rate rose by 0.2 percentage points quarter-to-quarter to 6.9% amid slow economic recovery; the seasonal adjusted unemployment rate stood at 6.7%.

The growth momentum strengthened in the German economy and stable in France, yet recovery in the Euro area was still weak, with the first quarter GDP rising by 0.9% year-on-year and 0.2% quarter-to-quarter. Inventory contributed 0.2 percentage points to economic growth; consumption expenditure of households and non-profit institutions, government final consumption expenditure, gross fixed capital formation and exports added 0.1 percentage point each to the increase. The unemployment rate remained high at 12.3%, up by 0.4 percentage points quarter-to-quarter.

The UK economy maintained steady growth up continuous rise in services, as well as the manufacturing and construction sectors. The first quarter GDP increased by 3.1% year-on-year and 0.8% quarter-to-quarter. Household final consumption expenditure and gross capital formation added 0.5 and 0.3 percentage points respectively to growth, while net exports failed to contribute the same. Economic growth accelerated, the unemployment rate dropped by 0.4 percentage points from the previous quarter, at 6.8%.

In view of the slow recovery in advanced economies, exports softened broadly in most Asian economies. The April WEO of IMF indicated that the ASEAN 5<sup>1</sup> economies are projected to expand by 4.9%, and the Middle East, North Africa, Afghanistan and Pakistan by 3.2% in 2014, lower than the January forecast; forecast for China and India held stable at 7.5% and 5.4% respectively.

In Japan, the first quarter GDP growth posted record high in recent years, rising by 3.0% year-on-year and 1.5% quarter-to-quarter. In anticipation of the April consumption tax hike, advance consumption spending spurred strong domestic demand that contributed 1.7 percentage points to economic growth; exports added another 1.0 percentage point to the increase. The unemployment rate held stable as the previous quarter at 3.7% amid continuous growth, and the seasonal adjusted rate stood at 3.6%.

Economic growth of the Republic of Korea reached three-year high as the first quarter GDP expanded by 3.9% year-on-year and 0.9% quarter-to-quarter. Exports and final consumption expenditure contributed 0.9 and 0.1 percentage points to growth, while gross capital formation dragged down the increase by 0.3 percentage points. Despite steady growth, the unemployment rate increased by 1.2 percentage points quarter-to-quarter to 4.0%.

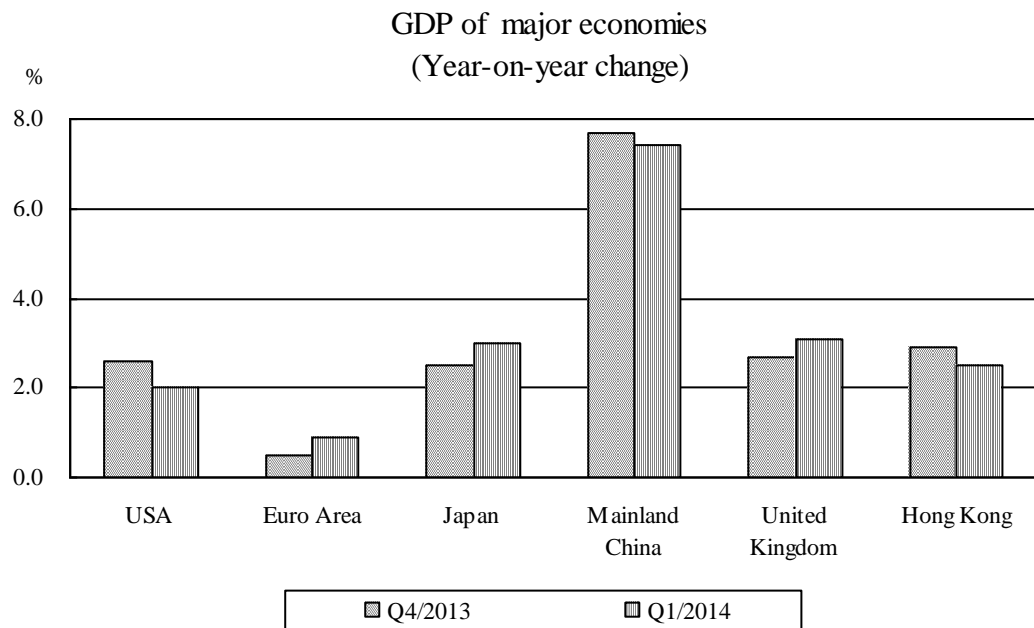
The first quarter GDP of Mainland China expanded by 7.4% year-on-year, down by 0.3 percentage points compared with the increase quarter-to-quarter. In the first quarter of 2014, value added of the above-scale industries rose by 8.7% year-on-year, lower by 0.8 percentage points compared with the increase a year earlier; fixed asset investment increased by 17.6% year-on-year, down by 3.3 percentage points; retail sales of consumer goods rose by 12.0% year-on-year, down by 0.4 percentage points, with sales of Chinese and Western medicine rising by 16.8%, communication equipment by 14.7% and furniture by 14.2%. Total value of external trade for the first quarter decreased by 1.0% year-on-year and the trade surplus amounted to USD16.7 billion. Inflation eased back as Consumer Price Index (CPI) for the first quarter increased by 2.3%, for which the March CPI rose by 2.4% year-on-year.

The economy of Hong Kong maintained moderate growth in the first quarter of 2014, rising by 2.5% year-on-year and 0.2% quarter-to-quarter. Domestic demand showed signs of slowdown, of which gross fixed capital formation increased by 3.0%

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

year-on-year, and both government final consumption expenditure and private consumption expenditure rose by 2.4% and 2.0% respectively. External trade performance was sluggish; merchandise imports and exports increased by 2.1% and 0.7% year-on-year, but fell by 3.2% and 4.9% quarter-to-quarter. The unemployment rate held stable at 3.1%, and the seasonal adjusted rate was also 3.1%.



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

	%							
	2011	2012	2013	2013	2013	2013	2013	2014
				Q1	Q2	Q3	Q4	Q1
<b>USA</b>								
Gross Domestic Product	1.8	2.8	1.9	1.3	1.6	2.0	2.6 <sup>f</sup>	2.0
Exports of goods	15.8	4.4	2.2 <sup>f</sup>	0.5	1.6	2.8	3.8 <sup>f</sup>	2.6
Imports of goods	15.4	3.0	-0.3	-2.8	-1.3	1.7	1.0	1.8
Consumer Price Index	3.1	2.1	1.5	1.7	1.4	1.6	1.2	1.4
Unemployment rate	8.9	8.1	7.4	8.1	7.4	7.3	6.7	6.9
<b>Euro area <sup>a</sup></b>								
Gross Domestic Product	1.6	-0.7	-0.4 <sup>f</sup>	-1.1 <sup>f</sup>	-0.6	-0.3	0.5	0.9
Exports of goods	13.0	7.6 <sup>f</sup>	1.0 <sup>f</sup>	1.0 <sup>f</sup>	1.8 <sup>f</sup>	0.3 <sup>f</sup>	1.0 <sup>f</sup>	1.0
Imports of goods	13.3	1.9	-3.3 <sup>f</sup>	-5.4 <sup>f</sup>	-3.2 <sup>f</sup>	-2.0 <sup>f</sup>	-2.6	-0.1
Consumer Price Index	2.7	2.5	1.3 <sup>f</sup>	1.9	1.4	1.3	0.8	0.6
Unemployment rate	10.1	11.3 <sup>f</sup>	12.0 <sup>f</sup>	12.5 <sup>f</sup>	11.9	11.6 <sup>f</sup>	11.9 <sup>f</sup>	12.3
<b>Germany</b>								
Gross Domestic Product	3.3	0.7	0.4	-1.6	0.9	1.1	1.3	2.5
Exports of goods	11.5	3.3	-0.2	-1.9	0.2	-0.8	1.9	3.1
Imports of goods	13.2	0.4	-1.1	-3.7	-0.1	-0.5	-	4.4
Consumer Price Index	2.1	2.0	1.5	1.5	1.5	1.6	1.3	1.2
Unemployment rate	7.1	6.8	6.9	7.4	6.8	6.7	6.6	7.2
<b>French</b>								
Gross Domestic Product	2.1 <sup>f</sup>	0.4 <sup>f</sup>	0.4 <sup>f</sup>	-0.2 <sup>f</sup>	0.7 <sup>f</sup>	0.3	0.8	0.8
Exports of goods	9.1 <sup>f</sup>	4.0 <sup>f</sup>	-1.6	-1.5 <sup>f</sup>	-0.4	-2.4	-1.9 <sup>f</sup>	0.2
Imports of goods	13.0 <sup>f</sup>	1.9	-2.5 <sup>f</sup>	-3.2	-2.9 <sup>f</sup>	-2.2 <sup>f</sup>	-1.5	-0.8
Consumer Price Index	2.1	2.0	0.9	1.1	0.8	0.9	0.6	0.7
Unemployment rate	9.2 <sup>f</sup>	9.8 <sup>f</sup>	10.3 <sup>f</sup>	10.8 <sup>f</sup>	10.1 <sup>f</sup>	9.8 <sup>f</sup>	10.5 <sup>f</sup>	10.9
<b>United Kingdom</b>								
Gross Domestic Product	1.1	0.3	1.7 <sup>f</sup>	0.5 <sup>f</sup>	1.7 <sup>f</sup>	1.8 <sup>f</sup>	2.7	3.1
Exports of goods	12.5	0.7	1.4 <sup>f</sup>	-0.4	6.2 <sup>f</sup>	-0.2 <sup>f</sup>	0.2 <sup>f</sup>	-5.4
Imports of goods	9.5	2.7	0.8	-0.5 <sup>f</sup>	2.0	3.0 <sup>f</sup>	-1.1 <sup>f</sup>	-3.3
Consumer Price Index	4.5	2.8	2.5	2.8	2.7	2.8	2.1	1.7
Unemployment rate	8.1	7.9	7.6	7.8	7.8	7.6	7.2	6.8

<sup>a</sup> 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	2013	2013	2013	2014
				Q1	Q2	Q3	Q4	Q1
Mainland China								
Gross Domestic Product	9.2	7.8	7.7	7.7	7.5	7.8	7.7	7.4
Exports of goods	20.3	7.9	7.9	18.3	3.8	3.9	7.4	-3.4
Imports of goods	25.0	4.3	7.3	8.6	4.8	8.5	7.2	1.7
Consumer Price Index <sup>a</sup>	5.4	2.6	2.6	2.4	2.4	2.5	2.6	2.3
Hong Kong								
Gross Domestic Product	4.9	1.5	2.9	2.9	3.0 <sup>f</sup>	3.0 <sup>f</sup>	2.9 <sup>f</sup>	2.5
Exports of goods	10.1	2.9	3.6	4.0	2.4	3.3	4.8	0.7
Imports of goods	11.9	3.9	3.8	4.9	3.5	2.6	4.3	2.1
Consumer Price Index	5.3	4.1	4.3	3.7	4.0	5.3	4.3	4.2
Unemployment rate	3.4	3.3	3.4 <sup>f</sup>	3.4	3.4	3.5	3.1	3.1
Taiwan								
Gross Domestic Product	4.2	1.5	2.1	1.4	2.7	1.3	2.9 <sup>f</sup>	3.1
Exports of goods	12.3	-2.3	1.4	2.4	2.4	-0.8	1.8	1.0
Imports of goods	12.0	-3.9	-0.2 <sup>f</sup>	4.4	-3.6 <sup>f</sup>	-3.4 <sup>f</sup>	2.1 <sup>f</sup>	-1.6
Consumer Price Index	1.4	1.9	0.8	1.8	0.8	-	0.6	0.8
Unemployment rate	4.4	4.2	4.2	4.2	4.1	4.3	4.2	4.0
Japan								
Gross Domestic Product	-0.5	1.4	1.6	0.1 <sup>f</sup>	1.3 <sup>f</sup>	2.4 <sup>f</sup>	2.5 <sup>f</sup>	3.0
Exports of goods	-2.7	-2.7	9.5	1.2	7.0 <sup>f</sup>	12.7	17.4	6.6
Imports of goods	12.1	3.8	14.9 <sup>f</sup>	8.0 <sup>f</sup>	10.3 <sup>f</sup>	17.5	24.1 <sup>f</sup>	17.6
Consumer Price Index	-0.3	-	0.3	-0.6	-0.3	0.9	1.4	1.5
Unemployment rate	4.6	4.3	4.0	4.2	4.2	4.0	3.7	3.7
Republic of Korea								
Gross Domestic Product	3.7	2.3 <sup>f</sup>	3.0 <sup>f</sup>	2.1 <sup>f</sup>	2.7 <sup>f</sup>	3.4 <sup>f</sup>	3.7 <sup>f</sup>	3.9
Exports of goods	19.0	-1.3	2.1	0.3 <sup>f</sup>	0.7	2.8 <sup>f</sup>	4.7	1.7
Imports of goods	23.3	-0.9	-0.8	-2.9 <sup>f</sup>	-2.8	0.3	2.5	2.1
Consumer Price Index	4.0	2.2	1.3	1.6	1.2	1.4	1.1	1.1
Unemployment rate	3.4	3.2	3.1	3.6	3.1	3.0	2.8	4.0
Singapore								
Gross Domestic Product	6.1 <sup>f</sup>	2.5 <sup>f</sup>	3.9 <sup>f</sup>	1.5 <sup>f</sup>	4.0 <sup>f</sup>	5.0 <sup>f</sup>	4.9 <sup>f</sup>	4.9
Exports of goods	7.5	-0.9	0.6	-8.7	-0.2	5.8	6.0	7.6
Imports of goods	8.6	3.2	-1.6	-9.3	-4.0	5.9	1.4	6.8
Consumer Price Index	5.2	4.6	2.4	4.0	1.6	1.8	2.0	1.0
Unemployment rate	2.0	2.0	1.9	1.8	2.6	1.6	1.6	2.0

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	2013	2014
				Q1	Q2	Q3	Q4	Q1
<b>USA</b>								
Gross Domestic Product	1.8	2.8	1.9	1.1	2.5	4.1	2.6 <sup>f</sup>	-1.0
Exports of goods	15.8	4.4	2.2 <sup>f</sup>	0.5	1.0	0.5	2.0	-1.4
Imports of goods	15.4	3.0	-0.3	-0.5	0.1	1.0	0.1 <sup>f</sup>	0.6
Consumer Price Index	3.1	2.1	1.5	0.3	0.1	0.5	0.3	0.5
Unemployment rate <sup>a</sup>	8.9	8.1	7.4	7.7	7.5	7.2	7.0	6.7
<b>Japan</b>								
Gross Domestic Product	-0.5	1.4	1.6	1.2	0.9 <sup>f</sup>	0.3	0.1 <sup>f</sup>	1.5
Exports of goods	-2.6 <sup>f</sup>	-2.9 <sup>f</sup>	9.6	7.9 <sup>f</sup>	5.0 <sup>f</sup>	1.1 <sup>f</sup>	2.1	-1.2
Imports of goods	12.3 <sup>f</sup>	3.3 <sup>f</sup>	15.2 <sup>f</sup>	9.1 <sup>f</sup>	2.9 <sup>f</sup>	4.8 <sup>f</sup>	5.4 <sup>f</sup>	2.6
Consumer Price Index	-0.3	-	0.3	-	0.2	0.7	0.5	0.1
Unemployment rate <sup>a</sup>	4.6	4.3	4.0	4.2	4.0	4.0	3.9	3.6
<b>Hong Kong</b>								
Gross Domestic Product	4.9	1.5	2.9	0.5	0.5 <sup>f</sup>	0.8 <sup>f</sup>	0.9 <sup>f</sup>	0.2
Exports of goods	10.1	2.9	3.6	-1.9	-1.2	2.2	3.6	-4.9
Imports of goods	11.9	3.9	3.8	-1.1	-0.6	1.9	3.6	-3.2
Consumer Price Index	5.3	4.1	4.3	1.1	1.3	-0.8	2.7	1.0
Unemployment rate <sup>a</sup>	3.4	3.3	3.4 <sup>f</sup>	3.5	3.3	3.3	3.2	3.1

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