

Global Economy in the Second Quarter of 2018

In the second quarter of 2018, the global economy maintained positive growth momentum, but encountered increasing risks and difficulties due to rising inflation, slower economic growth and the start of monetary policy tightening cycle in the major economies. At the same time, the recovery of the global economy was hindered by the escalating trade tensions between regions caused by trade protectionism. Moreover, the Sino-US trade talks following their trade disputes are of concern; if the situation deteriorates or expands, it will be a significant blow to global trade and economy, including direct impacts on resource allocation and productivity, as well as growing uncertainty and a shock to investment. In addition, factors such as rising geopolitical tensions in the Middle East, the US sanctions on Iran and Turkey's currency crisis have added vulnerability to the global economy.

The World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) in July 2018 maintained the projections of the global economy at 3.9% for both 2018 and 2019, but indicated that the expansion is becoming less even and risks to the outlook are mounting. For some major economies, the expansion rates have reached a peak and growth has become less synchronized. Growth projections have been revised down for the Euro area, Japan, and the United Kingdom as economic activity in early 2018 was weaker than expected. Among emerging markets and developing economies, growth prospects are also becoming more uneven, amid rising oil prices which adversely affected domestic demand, heightened trade tensions, and market pressures on the currencies of some economies with weaker fundamentals. Growth projections have been revised down for Argentina, Brazil and India, while the outlook for some oil exporters has strengthened.

The US economy accelerated, with the second-quarter Gross Domestic Product (GDP) rising by 2.9% year-on-year and 4.2% quarter-to-quarter. Private consumption expenditure added 2.6 percentage points to economic growth and both fixed investment and exports contributed 1.1 percentage points. Government expenditure added 0.4 percentage points to the growth. Economic development was steady and the unemployment rate decreased by 0.5 percentage points quarter-to-quarter to 3.8%; the seasonally adjusted unemployment rate edged down to 3.9%.

The economy of the Euro area continued to grow. The GDP of the Euro area in the second quarter expanded by 2.1% year-on-year and 0.4% quarter-to-quarter, with the economic growth of Germany recovering by 2.3% year-on-year, while that of

France slowing to 1.7%. Gross fixed capital formation and exports of the Euro area added 0.3 percentage points each to the increase. Final consumption expenditure of households and non-profit institutions and government final consumption expenditure contributed 0.1 percentage point each. Employment situation improved, with the unemployment rate dropping by 0.7 percentage points quarter-to-quarter to 8.2%.

The UK economy remained stable, with the GDP in the second quarter growing by 1.3% year-on-year and 0.4% quarter-to-quarter. Gross capital formation and service industry contributed 0.9 and 0.4 percentage points to the increase respectively, and household and government final consumption expenditure drove up the growth by 0.2 and 0.1 percentage points respectively; meanwhile, net exports dragged down the growth by 0.8 percentage points. Economic growth remained modest, and the unemployment rate fell by 0.2 percentage points from the previous quarter to 4.0%.

Economies in the Asian region showed sustained growth. The WEO Update of IMF in July 2018 indicated that the projected growth rates for China, India and the ASEAN-5 economies¹ in 2018 were 6.6%, 7.3% and 5.3% respectively. Growth projections for the Middle East, North Africa, Afghanistan and Pakistan have been revised up by 0.1 percentage point to 3.5% as compared to the projections in April 2018.

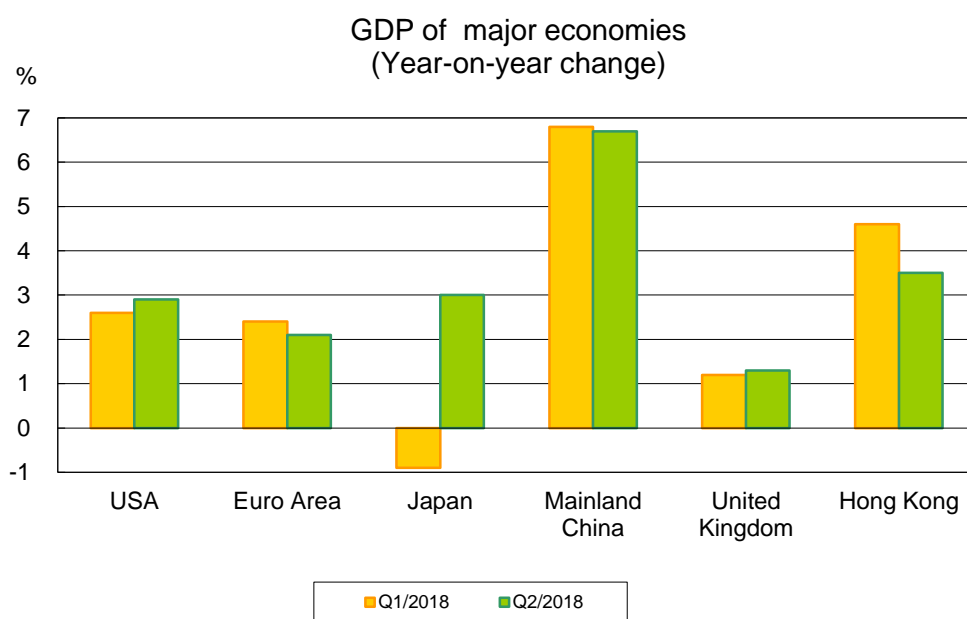
The economy of Japan recovered, with the annualised growth rate of the second-quarter GDP rising by 3.0% year-on-year and 0.7% quarter-to-quarter. Domestic demand improved, with private demand contributing 0.8 percentage points to the growth. Investment of enterprises increased, with fixed capital formation driving up the growth by 0.4 percentage points. Meanwhile, net exports of goods and services dragged down the growth by 0.1 percentage point. Employment situation was stable, with the unemployment rate remaining unchanged at 2.5%; the seasonally adjusted unemployment rate decreased by 0.1 percentage point to 2.4%.

The second-quarter GDP of the Republic of Korea increased by 2.8% year-on-year and 0.6% quarter-to-quarter. Exports and final consumption expenditure added 0.3 and 0.2 percentage points to the growth respectively, while fixed capital formation dragged down the growth by 0.8 percentage points. The unemployment rate decreased by 0.4 percentage points from the previous quarter to 3.9% 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 second quarter expanding by 6.7% year-on-year and 6.8% for the first half year of 2018. In the first half year of 2018, value added of the above-scale industries grew by 6.7% year-on-year in real terms; fixed asset investment (excluding farmers) rose by 6.0% year-on-year; total retail sales of consumer goods went up by 9.4%, with sales of cosmetics, daily necessities, petroleum & related products and household appliances & audio-visual equipment rising by 14.2%, 12.6%, 11.9% and 10.6% respectively. As regards external trade, total value of external trade for the first half year of 2018 grew by 7.9% year-on-year. Inflation rose, with the Consumer Price Index (CPI) for the first half year of 2018 increasing by 2.0% year-on-year.

The Hong Kong economy showed sustained growth in the second quarter, rising by 3.5% year-on-year yet declining by 0.2% quarter-to-quarter. Domestic demand stayed sound. Private consumption expenditure and government consumption expenditure increased by 6.1% and 4.4% respectively year-on-year, and gross fixed capital formation rose by 0.4%. Exports of goods and services continued to strengthen, up by 4.6% and 6.1% respectively year-on-year. The seasonally adjusted unemployment rate inched down to 2.8%.



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

	%							
	2015	2016	2017	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
USA								
Gross Domestic Product	2.9	1.6	2.2	2.1	2.3	2.5	2.6 ^f	2.9
Exports of goods	-7.3	-3.5	6.6	5.8 ^f	5.2 ^f	7.9 ^f	8.0 ^f	11.2
Imports of goods	-4.6	-2.7	7.1	7.1 ^f	4.8	9.2 ^f	9.1 ^f	8.4
Consumer Price Index	0.1	1.3	2.1	1.9	2.0	2.1	2.2	2.7
Unemployment rate	5.3	4.9	4.4	4.2	4.4	3.9	4.3	3.8
Euro area ^a								
Gross Domestic Product	2.1	1.8	2.4	2.5	2.8	2.7 ^f	2.4 ^f	2.1
Exports of goods	5.3	0.3	7.1	5.4	6.0	6.1	2.1 ^f	4.2
Imports of goods	2.6	-1.1	10.0	10.1 ^f	8.0 ^f	7.7 ^f	1.9 ^f	5.7
Consumer Price Index	-	0.2	1.5	1.5	1.4	1.4	1.3	1.7
Unemployment rate	10.9	10.0	9.1	9.0	8.7	8.7	8.9	8.2
Germany								
Gross Domestic Product	1.7	2.2 ^f	2.2	1.0	2.2	2.2 ^f	1.4 ^f	2.3
Exports of goods	6.2	0.9	6.2	3.8	6.4	6.2	2.8	5.1
Imports of goods	4.3	0.6	8.3	8.3	7.8	7.2	3.2 ^f	6.5
Consumer Price Index	0.2	0.5	1.7	1.7	1.7	1.7	1.5	2.0
Unemployment rate	6.4	6.1	5.7	5.6	5.6	5.3	5.7	5.1
France								
Gross Domestic Product	1.0	1.1	2.3	2.3	2.7	2.8	2.1	1.7
Exports of goods	4.3	-0.5	4.5	5.1	6.3	4.7	4.3	4.4
Imports of goods	1.1	0.2	7.0	8.0	7.0	4.8	1.2	6.0
Consumer Price Index	-	0.2	1.0	0.9	0.9	1.1	1.4	1.9
Unemployment rate	10.4	10.1	9.4	9.1	9.3	9.2 ^f	9.6 ^f	8.7
United Kingdom								
Gross Domestic Product	2.3	1.8 ^f	1.7 ^f	1.8 ^f	1.7 ^f	1.3 ^f	1.2	1.3
Exports of goods	-2.2 ^f	4.3 ^f	13.3 ^f	14.3 ^f	15.9 ^f	6.1 ^f	4.9 ^f	-0.5
Imports of goods	-2.6 ^f	6.7 ^f	10.3 ^f	13.4 ^f	6.4 ^f	6.4 ^f	0.6 ^f	1.9
Consumer Price Index	-	0.7	2.7	2.8	2.8	3.1	2.6	2.4
Unemployment rate	5.4	4.9	4.4	4.4	4.3	4.4	4.2	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)

	%							
	2015	2016	2017	2017	2017	2017	2018	2018
				Q2	Q3	Q4	Q1	Q2
Mainland China								
Gross Domestic Product	6.9	6.7	6.9	6.9	6.8	6.8	6.8	6.7
Exports of goods	-3.0	-7.7	7.9	8.2	6.4	9.7	14.2	11.8
Imports of goods	-14.3	-5.5	15.9	14.1	14.6	12.5	19.0	20.5
Consumer Price Index ^a	1.4	2.0	1.6	1.4	1.5	1.6	2.1	2.0
Hong Kong								
Gross Domestic Product	2.4	2.2	3.8	3.9	3.6	3.4	4.6 ^f	3.5
Exports of goods	-1.8	-0.5	8.0	7.4	8.0	6.8	9.7	9.0
Imports of goods	-4.1	-0.9	8.7	8.2	7.7	8.5	10.6	10.4
Consumer Price Index	3.0	2.4	1.5	2.0	1.8	1.6	2.4	2.1
Unemployment rate	3.3	3.4	3.1	3.2	3.2	2.8	2.8	2.8
Taiwan								
Gross Domestic Product	0.8	1.4	2.9	2.3	3.2	3.4	3.1 ^f	3.3
Exports of goods ^b	-10.9	-1.8	13.2	10.2	17.4	10.4	10.6	11.2
Imports of goods ^b	-15.8	-2.8	12.4	11.9	11.3	6.9	11.0	10.7
Consumer Price Index	-0.3	1.4	0.6	0.6	0.7	0.4	1.6	1.7
Unemployment rate	3.8	3.9	3.8	3.7	3.8	3.7	3.7	3.7
Japan								
Gross Domestic Product ^c	1.4	1.0	1.7	2.0	2.3	0.9	-0.9	3.0
Exports of goods	3.4	-7.4	11.8	10.5	15.1	13.0	4.9	7.5
Imports of goods	-8.7	-15.8	14.1	16.2	14.8	17.0	7.5	7.5
Consumer Price Index	0.8	-0.1	0.5	0.4	0.6	0.6	1.3	0.6
Unemployment rate	3.4	3.1	2.8	2.9	2.8	2.6	2.5	2.5
Republic of Korea								
Gross Domestic Product	2.8	2.9	3.1	2.8	3.8	2.8	2.8	2.8
Exports of goods	-8.0	-5.9	15.8	16.7	24.0	8.4	10.1	3.5
Imports of goods	-16.9	-6.9	17.8	18.6	17.9 ^f	11.6	13.6 ^f	12.7
Consumer Price Index	0.7	1.0	1.9	1.9	2.3	1.5	1.3	1.5
Unemployment rate	3.6	3.7	3.7	3.8	3.4	3.2	4.3	3.9
Singapore								
Gross Domestic Product	2.2	2.4	3.6	2.8	5.5	3.6	4.5 ^f	3.9
Exports of goods	-6.5	-5.1	10.3	8.3	10.1	6.6	2.3	9.4
Imports of goods	-11.5	-4.7	12.1	11.0	13.4	9.1	2.8	11.1
Consumer Price Index	-0.5	-0.5	0.6	0.8	0.4	0.5	0.2	0.3
Unemployment rate	1.9	2.1	2.2	2.9	1.9	1.8	1.9	2.8

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 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	%
USA									
Gross Domestic Product	2.9	1.5	2.3	3.1	3.2	2.9	2.2	4.2	
Exports of goods	-7.3	-3.5	6.6	0.4 ^f	1.4 ^f	3.6	2.3 ^f	12.2	
Imports of goods	-4.6	-2.7	7.1	0.6 ^f	0.4 ^f	5.1 ^f	2.9 ^f	8.6	
Consumer Price Index	0.1	1.3	2.1	-	0.5	0.8	0.9	0.4	
Unemployment rate ^a	5.3	4.9	4.4	4.3	4.3	4.1	4.1	3.9	
Japan									
Gross Domestic Product	1.4	1.0	1.7	0.5	0.6 ^f	0.2 ^f	-0.2	0.7	
Exports of goods	3.5	-7.8	12.3	-1.1	3.4	4.0	-1.5	1.4	
Imports of goods	-8.5	-15.8	14.3	3.8	0.6	3.7	-0.2	3.1	
Consumer Price Index	0.8	-0.1	0.5	-	0.2	0.5	0.6	-0.5	
Unemployment rate ^a	3.4	3.1	2.8	2.9	2.8	2.7	2.5	2.4	
Hong Kong									
Gross Domestic Product	2.4	2.2	3.8	0.9	0.7	0.8	2.1 ^f	-0.2	
Exports of goods	-1.8	-0.5	8.0	1.0	0.5	2.6	2.2	0.8	
Imports of goods	-4.1	-0.9	8.7	0.1	0.5	3.5	2.9	0.7	
Consumer Price Index	3.0	2.4	1.5	0.6	0.3	0.6	0.9	0.4	
Unemployment rate ^a	3.3	3.4	3.1	3.1	3.1	3.0 ^f	2.9	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