

Global Economy in the Fourth Quarter of 2014

The global economy continued to stage a moderate recovery in the fourth quarter of 2014. The US economy maintained steady growth and ended the quantitative easing monetary policy implemented since 2008; nevertheless, the Euro area and Japan saw subdued economic performance and continued to pursue a loose monetary policy. On the other hand, oil prices have fallen by about 55% since September last year; despite lower oil prices being conducive to economic growth, considerable fluctuations of oil prices in the short-term added uncertainty to global economic recovery. The World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) in January 2015 indicated that global growth will receive a boost from lower oil prices, but this boost is projected to be more than offset by negative factors, including investment weakness as adjustment to diminished expectations about medium-term growth continues in many advanced and emerging market economies. The world economy grew by 3.3% in 2014, same as the October forecast; the growth projection for 2015 is lowered by 0.3 percentage points to 3.5%.

The US economy maintained steady growth in the fourth quarter, with Gross Domestic Product (GDP) rising by 2.4% year-on-year and 2.2% quarter-to-quarter. The expansion was mainly spurred by the increase in private consumption expenditure, contributing 2.8 percentage points to economic growth; fixed investment and exports also added 0.7 and 0.4 percentage points respectively to the increase. However, rising imports offset 1.6 percentage points in the economic growth; government expenditure also dragged down the economic growth by 0.3 percentage points. The unemployment rate showed significant change amid sustained economic growth, down by 0.7 percentage points quarter-to-quarter to 5.5%; the seasonally adjusted unemployment rate stood at 5.7%.

Economic growth in the Euro area remained low as the German economy turned stable while France remained weak; the fourth quarter GDP increased by 0.9% year-on-year and 0.3% quarter-to-quarter. Exports and consumption expenditure of households and non-profit institutions contributed 0.4 and 0.2 percentage points respectively to economic growth while fixed capital formation also added 0.1 percentage point to the increase; however, inventory and imports dragged down the economic growth by 0.2 percentage points each. The unemployment rate went up amid the sluggish economy, up by 0.4 percentage points quarter-to-quarter to 11.5%.

The UK economy saw steady growth, with GDP for the fourth quarter rising by 2.7% year-on-year and 0.5% quarter-to-quarter. Service sector was the main driver of economic growth, up by 0.8% quarter-to-quarter. Net exports contributed 0.6 percentage points to economic growth while household final consumption expenditure also added 0.3 percentage points to the increase; however, gross capital formation dragged down the increase by 0.2 percentage points. With steady economic growth, the unemployment rate declined further by 0.3 percentage points quarter-to-quarter to 5.7%.

The Asian region continued to contribute to global economic growth; yet, growth in individual economies in the region slowed broadly. The January 2015 WEO Update of IMF indicated that the ASEAN 5^a economies expanded by 4.5% in 2014, down by 0.2 percentage points from the October 2014 forecast; the Middle East, North Africa, Afghanistan and Pakistan grew by 2.8%, up by 0.1 percentage point; China expanded at the projected growth rate, at 7.4%, while India grew by 5.8%, up by 0.2 percentage points.

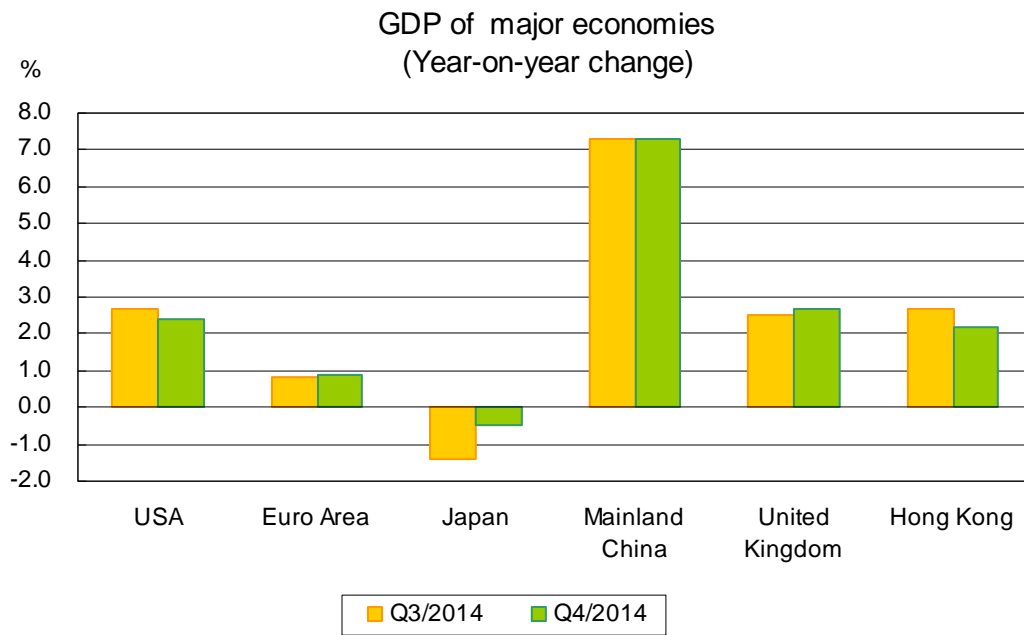
The economy of Japan improved slightly, with the fourth quarter GDP declining by 0.5% year-on-year but rising by 0.6% quarter-to-quarter. With the impact of yen depreciation and the consumption tax hike gradually fading, exports and domestic demand contributed 0.5 and 0.3 percentage points respectively to the economic growth. The economy showed signs of recovery; the unemployment rate edged down by 0.3 percentage points to 3.3%; the seasonally adjusted rate was 3.5%.

Economic growth in the Republic of Korea continued to slow upon sluggish domestic demand and exports. GDP for the fourth quarter increased by 2.7% year-on-year and 0.4% quarter-to-quarter. Final consumption expenditure contributed 0.3 percentage points to economic growth; meanwhile, gross capital formation and exports dragged down the increase by 0.1 percentage point each. Despite a slowdown in economic growth, the unemployment rate dropped marginally by 0.1 percentage point quarter-to-quarter to 3.2%.

In Mainland China, GDP for the fourth quarter expanded by 7.3% year-on-year, same as the previous quarter. In 2014, value added of the above-scale industries rose by 8.3% year-on-year, down by 1.4 percentage points compared with the previous year; fixed asset investment increased by 15.7% year-on-year, down by 3.9 percentage points. Retail sales of consumer goods rose by 12.0% year-on-year, down by 1.1 percentage points, of which sales of communication equipment increased by 32.7%, Chinese and Western medicine by 15.0% and furniture by 13.9%. Total value of external trade for 2014 increased by 3.5% year-on-year and the trade surplus amounted to USD382.6 billion. Inflation continued to slow; the Consumer Price Index (CPI) grew by 2.0% in the fourth quarter, with the CPI for December rising by 1.5% year-on-year.

The Hong Kong economy grew modestly in the fourth quarter of 2014, expanding by 2.2% year-on-year and only 0.4% quarter-to-quarter, mainly underpinned by domestic demand. Private consumption expenditure and government consumption expenditure increased by 3.8% and 3.3% year-on-year; gross fixed capital formation rose by 4.0% year-on-year upon a rebound in machinery and equipment acquisition. Merchandise exports slowed further due to sluggish external demand, rising by only 0.6% year-on-year; exports of services fell again by 0.7% year-on-year. The unemployment rate edged down by 0.3 percentage points quarter-to-quarter to 3.1%, and the

seasonally adjusted rate stayed at 3.3%.



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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	2012	2013	2014	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
%								
USA								
Gross Domestic Product	2.3	2.2	2.4	3.1	1.9	2.6	2.7 ^f	2.4
Exports of goods	4.4	2.2	2.8	4.0	2.5	3.3	4.2	1.1
Imports of goods	3.1	-0.4	3.4	1.0	1.9	4.5	3.6	3.5
Consumer Price Index	2.1	1.5	1.6	1.2	1.4	2.1	1.8	1.2
Unemployment rate	8.1	7.4	6.2	6.7	6.9	6.1	6.2	5.5
Euro area ^a								
Gross Domestic Product	-0.8 ^f	-0.5 ^f	0.9	0.4	1.1	0.8	0.8	0.9
Exports of goods	7.6	1.0	2.3	1.0	1.3 ^f	0.8 ^f	3.0 ^f	4.3
Imports of goods	1.8	-2.9	0.1	-2.1	0.2 ^f	0.3 ^f	0.4 ^f	-0.5
Consumer Price Index	2.5	1.3	0.4	0.8	0.6	0.6	0.4	0.2
Unemployment rate	11.3	12.0	11.6	11.9	12.3	11.4	11.1	11.5
Germany								
Gross Domestic Product	0.4	0.1	1.6	1.0	2.6	1.0	1.2	1.6
Exports of goods	3.3	-0.2	3.7	1.7	2.6 ^f	1.5 ^f	5.4 ^f	5.3
Imports of goods	0.4	-0.9	2.1	0.1	3.5 ^f	0.5 ^f	2.1 ^f	2.2
Consumer Price Index	2.0	1.5	0.9	1.3	1.2	1.1	0.8	0.5
Unemployment rate	6.8	6.9	6.7	6.6	7.2	6.6	6.6	6.3
French								
Gross Domestic Product	0.4	0.4	0.4	0.8	0.8	-	0.4	0.2
Exports of goods	3.9	-1.4 ^f	0.3	-1.9	0.5 ^f	-1.6 ^f	-0.8	3.1
Imports of goods	1.8 ^f	-2.3	-1.4	-1.4 ^f	-1.1 ^f	-1.8 ^f	-1.2 ^f	-1.4
Consumer Price Index	2.0	0.9	0.5	0.6	0.7	0.6	0.4	0.3
Unemployment rate	9.8	10.3	10.2	10.5 ^f	10.6	9.8 ^f	9.8 ^f	10.5
United Kingdom								
Gross Domestic Product	0.7	1.7	2.6	2.4 ^f	2.5 ^f	2.6 ^f	2.5 ^f	2.7
Exports of goods	-1.3	0.5	-4.8	-1.2 ^f	-2.9 ^f	-8.4 ^f	-6.2 ^f	-1.3
Imports of goods	2.1	1.3 ^f	-1.7	0.7 ^f	-0.2 ^f	-2.7 ^f	-3.6 ^f	-0.4
Consumer Price Index	2.8	2.5	1.5	2.1	1.7	1.7	1.4	0.9
Unemployment rate	8.0	7.6	6.2	7.2	6.8	6.3	6.0	5.7

^a Consists 18 member states since 2014.

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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	2012	2013	2014	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	%
Mainland China									
Gross Domestic Product	7.8	7.7	7.4	7.7	7.4	7.5	7.3	7.3	
Exports of goods	7.9	7.8	6.0	7.3	-3.5	5.0	13.0	8.6	
Imports of goods	4.3	7.3	0.5	7.2	1.5 ^f	1.4 ^f	1.1	-1.8	
Consumer Price Index ^a	2.6	2.6	2.0	2.6	2.3	2.3	2.1	2.0	
Hong Kong									
Gross Domestic Product	1.5	2.9	2.3	2.8 ^f	2.6	1.8	2.7	2.2	
Exports of goods	2.9	3.6	3.2	4.8	0.7	4.8	5.8	1.2	
Imports of goods	3.9	3.8	3.9	4.3	2.1	4.5	5.7	3.2	
Consumer Price Index	4.1	4.3	4.4	4.3	4.2	3.6	4.8	5.1	
Unemployment rate	3.3	3.4	3.2	3.1	3.1	3.3	3.4	3.1	
Taiwan									
Gross Domestic Product	2.1	2.2	3.7	3.4	3.4	3.9	4.3 ^f	3.4	
Exports of goods	-2.3	1.4	2.7	1.8	1.0	2.9	6.7	0.4	
Imports of goods	-3.9	-0.2	1.6	2.1	-1.6	3.8	7.7	-3.2	
Consumer Price Index	1.9	0.8	1.2	0.6	0.8	1.6	1.5	0.9	
Unemployment rate	4.2	4.2	4.0	4.2	4.0	3.9	4.0	3.9	
Japan									
Gross Domestic Product	1.8 ^f	1.6 ^f	-	2.3 ^f	2.4 ^f	-0.4 ^f	-1.4 ^f	-0.5	
Exports of goods	-2.7	9.5	4.8	17.4	6.6	0.1	3.2	9.2	
Imports of goods	3.8	14.9	5.7	24.1	17.6	2.7	2.4	1.2	
Consumer Price Index	-	0.3	2.8	1.4	1.5	3.6	3.3	2.5	
Unemployment rate	4.3	4.0	3.6	3.7	3.7	3.7	3.6	3.3	
Republic of Korea									
Gross Domestic Product	2.3	3.0	3.3	3.7	3.9	3.5	3.2	2.7	
Exports of goods	-1.3	2.1	2.4	4.7	1.6 ^f	3.2	3.6 ^f	1.2	
Imports of goods	-0.9	-0.8	1.9	2.5	2.0	3.3 ^f	5.4 ^f	-2.7	
Consumer Price Index	2.2	1.3	1.3	1.1	1.1	1.6	1.4	1.0	
Unemployment rate	3.2	3.1	3.5	2.8	4.0	3.7	3.3	3.2	
Singapore									
Gross Domestic Product	3.4 ^f	4.4 ^f	2.9	5.4 ^f	4.6 ^f	2.3	2.8	2.1	
Exports of goods	-0.9	0.6	1.1	6.0	7.4	2.7	-1.4	-3.8	
Imports of goods	3.2	-1.6	-0.6	1.4	6.8	3.0	-5.7	-6.0	
Consumer Price Index	4.6	2.4	1.0	2.0	1.0	2.4	0.9	-0.1	
Unemployment rate	2.0	1.9	2.0	1.6	1.9	2.6	1.7	1.6	

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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	2012	2013	2014	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
%								
USA								
Gross Domestic Product	2.3	2.2	2.4	3.5	-2.1	4.6	5.0 ^f	2.2
Exports of goods	4.4	2.2	2.8	2.4	-1.6 ^f	2.1	1.5	-1.1
Imports of goods	3.1	-0.4	3.4	-	0.9	2.9	-0.3	-
Consumer Price Index	2.1	1.5	1.6	0.4 ^f	0.5	0.6 ^f	0.3	-0.2
Unemployment rate ^a	8.1	7.4	6.2	7.0	6.6 ^f	6.2	6.1	5.7
Japan								
Gross Domestic Product	1.8 ^f	1.6 ^f	-	-0.4	1.3 ^f	-1.7 ^f	-0.6 ^f	0.6
Exports of goods	-3.0	9.6	4.6	1.9 ^f	-2.9 ^f	-0.1 ^f	4.5 ^f	6.3
Imports of goods	3.2 ^f	15.3 ^f	5.5	4.9	2.9 ^f	-8.7 ^f	4.3 ^f	2.6
Consumer Price Index	-	0.3	2.8	0.6 ^f	0.2 ^f	2.2 ^f	0.3 ^f	-0.2
Unemployment rate ^a	4.3	4.0	3.6	3.9	3.6	3.6	3.6	3.5
Hong Kong								
Gross Domestic Product	1.5	2.9	2.3	1.0 ^f	0.5 ^f	-0.2 ^f	1.4 ^f	0.4
Exports of goods	2.9	3.6	3.2	3.1 ^f	-4.0 ^f	3.8 ^f	2.4 ^f	-3.2
Imports of goods	3.9	3.8	3.9	3.1 ^f	-2.7 ^f	2.4 ^f	1.9 ^f	-0.3
Consumer Price Index	4.1	4.3	4.4	2.7	0.9 ^f	0.7	0.5 ^f	2.9
Unemployment rate ^a	3.3	3.4	3.2	3.2	3.1	3.2	3.3	3.3

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