

Global Economy in the Second Quarter of 2017

In the second quarter of 2017, the global economy continued to maintain the momentum of recovery. The pace of growth in the US, the Euro area and Japan accelerated, total world trade volume showed significant expansion, and the global economic recovery remained on track. Nevertheless, factors such as the policy stance and monetary policy normalization process of the US government, the uncertainty of the Brexit negotiation, and the intensifying tensions on the Korean Peninsula in recent period continued to bring volatility to the global economic recovery or the future economic development. The World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) in July 2017 indicated that the risks around the global growth forecast appear broadly balanced in the near term and remain skewed to the downside over the medium term; monetary policy normalization in some advanced economies could trigger a faster-than-anticipated tightening in global financial conditions while economic activity in both emerging and developing economies is forecast to accelerate. The global economic growth projections for 2017 and 2018 remained unchanged as in April, at 3.5% and 3.6% respectively.

Economic growth in the US economy accelerated in the second quarter, with Gross Domestic Product (GDP) rising by 2.2% year-on-year and 3.0% quarter-to-quarter. Private consumption expenditure was the major impetus for economic growth, contributing 2.3 percentage points to the increase. Fixed investment and exports added 0.6 and 0.5 percentage points to the growth respectively. Meanwhile, imports and government expenditure dragged down the economic growth by 0.2 and 0.1 percentage points respectively. The unemployment rate decreased significantly by 0.7 percentage points quarter-to-quarter to 4.2% amid faster economic growth; the seasonally adjusted unemployment rate was 4.4%.

The economy of the Euro area picked up gradually as the countries within the area broadly returned to growth. GDP of the Euro area in the second quarter expanded by 2.3% year-on-year and 0.6% quarter-to-quarter. Consumption expenditure of households and non-profit institutions contributed 0.3 percentage points to the increase, and gross fixed capital formation and government final consumption expenditure added 0.2 and 0.1 percentage points to the growth respectively. Exports contributed 0.5 percentage points to the economic growth while imports offset the increase by 0.4 percentage points; meanwhile, inventory also dragged down the growth by 0.1 percentage point. With an improving economy, the unemployment rate dropped notably by 0.9 percentage points to 9.0%.

The UK economy continued to slow down due to Brexit uncertainty. GDP in the second quarter grew by 1.7% year-on-year and merely 0.3% quarter-to-quarter. Economic growth was underpinned by the service industry, which expanded by 0.5% quarter-to-quarter. Household final consumption expenditure, government final consumption expenditure and gross capital formation each contributed 0.1 percentage point to the increase. Imports and exports offset each other, and thus failed to contribute to the economic growth. Despite the lingering effects to the economy, the unemployment rate went down by 0.2 percentage points from the previous quarter to 4.4%.

Trade performance in the Asian region continued to pick up as the global economic environment generally improved. The WEO of IMF for July 2017 indicated that the ASEAN-5 economies¹ are projected to grow by 5.1% in 2017, which is 0.1 percentage point higher than its forecast in April 2017. The projected economic growth for the Middle East, North Africa, Afghanistan and Pakistan remained the same at 2.6%; the projection for China increased by 0.1 percentage point to 6.7% while that for India remained unchanged at 7.2%.

The economy of Japan showed satisfactory growth, with the second quarter GDP rising by 2.0% year-on-year and 1.0% quarter-to-quarter. Domestic demand was the major impetus for economic growth in the second quarter, contributing 1.3 percentage points to the increase. However, net exports dragged down the growth by 0.3 percentage points. The unemployment rate remained stable as in the previous quarter at 2.9% amid sustained economic expansion; the seasonally adjusted unemployment rate was also 2.9%.

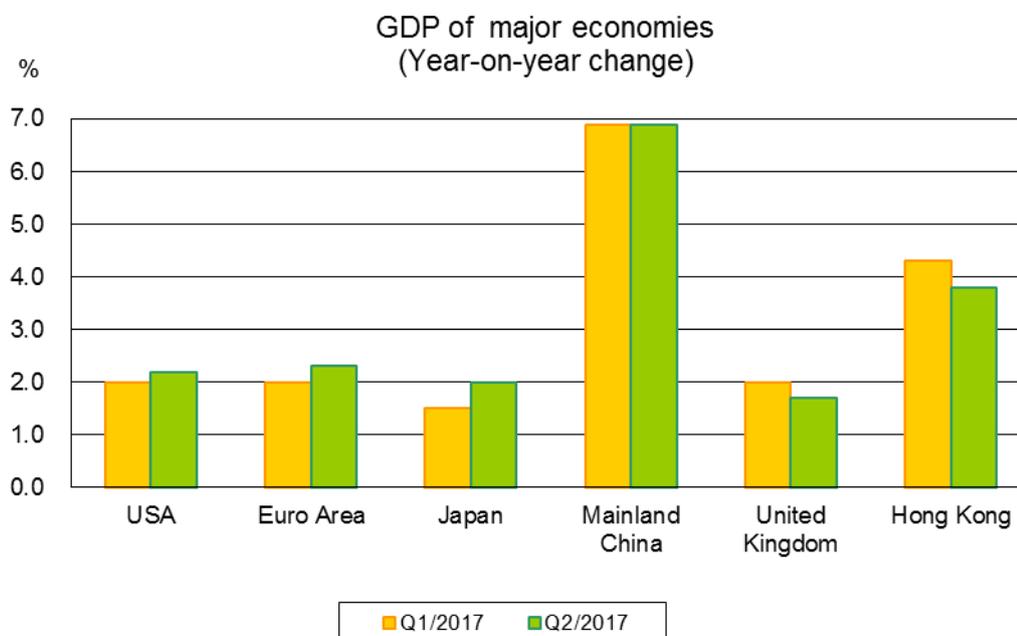
The economy of the Republic of Korea slowed due to weakened exports. The second quarter GDP increased by 2.7% year-on-year and just 0.6% quarter-to-quarter. Gross capital formation and final consumption expenditure added 0.9 and 0.6 percentage points respectively to the economic growth; however, sluggish exports lowered the growth rate by 1.3 percentage points. Despite slower pace of economic growth, the unemployment rate dropped by 0.4 percentage points from the previous quarter to 3.9%.

Mainland China showed steady economic growth, with the GDP for the second quarter expanding by 6.9% year-on-year and staying the same as in the previous

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

quarter. In the first half year of 2017, value added of the above-scale industries increased by 6.9% year-on-year, up by 0.1 percentage point from the first quarter. Fixed asset investment grew by 8.6% year-on-year, a decrease of 0.6 percentage points. Retail sales of consumer goods rose by 10.4% year-on-year, up by 0.4 percentage points; sales of construction & decoration materials increased by 13.9%, furniture by 13.4% and beverages by 12.7%. As regards external trade, total value of external trade for the first half of 2017 grew by 12.9% year-on-year and the trade surplus amounted to USD 184.9 billion. Inflation stayed steady, with the Consumer Price Index (CPI) for the second quarter increasing by 1.4%, and that for June rising by 1.5% year-on-year.

The Hong Kong economy continued to perform well in the second quarter, expanding by 3.8% year-on-year and 1.0% quarter-to-quarter. Domestic demand stayed strong. Gross fixed capital formation rose by 8.0% year-on-year in the second quarter. Private consumption expenditure and government final consumption expenditure increased by 5.3% and 3.2% respectively year-on-year. Exports of goods and exports of services continued to strengthen, rising by 5.6% and 2.3% respectively year-on-year. The unemployment rate remained the same as in the previous quarter at 3.2% amid satisfactory economic performance, and the seasonally adjusted rate was 3.1%.



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

	%							
	2014	2015	2016	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
USA								
Gross Domestic Product	2.6 ^f	2.9 ^f	1.5 ^f	1.2 ^f	1.5 ^f	1.8 ^f	2.0	2.2
Exports of goods	2.6	-7.3	-3.5 ^f	-6.3 ^f	-2.4 ^f	1.9 ^f	7.5 ^f	5.9
Imports of goods	3.9	-4.6	-2.7 ^f	-4.8 ^f	-2.3	1.8 ^f	7.3	7.1
Consumer Price Index	1.6	0.1	1.3	1.0	1.1	1.8	2.5	1.9
Unemployment rate	6.2	5.3	4.9	4.8	5.0	4.5	4.9	4.2
Euro area ^a								
Gross Domestic Product	1.3 ^f	2.0	1.8	1.7 ^f	1.7 ^f	1.9 ^f	2.0 ^f	2.3
Exports of goods	2.3 ^f	5.3	0.3	-0.2 ^f	-0.2 ^f	2.3 ^f	10.9 ^f	5.2
Imports of goods	0.7	2.6	-1.3	-3.5 ^f	-1.7	2.4 ^f	13.8 ^f	9.4
Consumer Price Index	0.4	-	0.2	-0.1	0.3	0.7	1.8	1.5
Unemployment rate	11.6	10.9	10.0	10.0	9.6	9.8	9.9 ^f	9.0
Germany								
Gross Domestic Product	1.9 ^f	1.7	1.9	3.3 ^f	1.7 ^f	1.3	3.2 ^f	0.8
Exports of goods	3.3	6.2	1.1	2.2	-0.6	2.2	8.5	3.8
Imports of goods	2.2	4.3	0.6	0.1	-1.2	3.1	10.1 ^f	8.3
Consumer Price Index	0.9	0.2	0.5	0.1	0.5	1.1	1.9	1.7
Unemployment rate	6.7	6.4	6.1	6.1	6.0	5.8	6.2	5.6
France								
Gross Domestic Product	1.0	1.0	1.1	1.2 ^f	0.9	1.2	1.1 ^f	1.7
Exports of goods	0.3 ^f	3.9	-0.5	-3.8 ^f	-0.8 ^f	2.3	1.7 ^f	5.0
Imports of goods	-0.7	0.8 ^f	0.4	-3.2 ^f	1.7	2.7 ^f	7.6	7.7
Consumer Price Index	0.5	-	0.2	-	0.3	0.5	1.2	0.9
Unemployment rate	10.3	10.4	10.1	9.6	9.6	10.4	10.1	9.1
United Kingdom								
Gross Domestic Product	3.1	2.2	1.8	1.7	2.0	1.9	2.0	1.7
Exports of goods	-3.4	-1.8	4.8	0.7	5.4	15.7	19.5 ^f	12.2
Imports of goods	-2.0	-2.0	6.9	4.0	14.3	13.6	15.2 ^f	11.9
Consumer Price Index	1.5	-	0.7	0.3	0.8	1.2	2.2	2.8
Unemployment rate	6.2	5.4	4.9	4.9	4.8	4.8	4.6	4.4

^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 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	%
Mainland China									
Gross Domestic Product	7.4	6.9	6.7	6.7	6.7	6.8	6.9	6.9	
Exports of goods	6.0	-3.0	-7.7	-6.4	-7.0	-5.3	7.8 ^f	9.1	
Imports of goods	0.5	-14.3	-5.5	-7.1	-4.4	2.7	24.0 ^f	14.4	
Consumer Price Index ^a	2.0	1.4	2.0	2.1	2.0	2.0	1.4	1.4	
Hong Kong									
Gross Domestic Product	2.7	2.4	2.0	1.8	2.0	3.2	4.3	3.8	
Exports of goods	3.2	-1.8	-0.5	-1.2	-0.2	5.5	10.3	7.4	
Imports of goods	3.9	-4.1	-0.9	-3.2	1.2	5.6	10.7	8.2	
Consumer Price Index	4.4	3.0	2.4	2.6	3.1	1.2	0.5	2.0	
Unemployment rate	3.3	3.3	3.4	3.5	3.6	3.1	3.2	3.2	
Taiwan									
Gross Domestic Product	4.0	0.7	1.5	1.1	2.1	2.8	2.7 ^f	2.1	
Exports of goods ^b	2.8	-10.9	-1.8	-6.3	0.1	11.7	15.1	10.2	
Imports of goods ^b	1.4	-15.8	-2.8	-7.7	-0.4	11.5	21.6	12.0	
Consumer Price Index	1.2	-0.3	1.4	1.3	0.7	1.8	0.8	0.6	
Unemployment rate	4.0	3.8	3.9	3.9	4.0	3.9	3.8	3.7	
Japan									
Gross Domestic Product	0.3	1.1	1.0	0.9	1.1	1.7	1.5 ^f	2.0	
Exports of goods	4.8	3.4	-7.4	-9.5	-10.2	-1.9	8.5	10.5	
Imports of goods	5.7	-8.7	-15.8	-18.7	-19.3	-9.3	8.6	16.2	
Consumer Price Index	2.7	0.8	-0.1	-0.3	-0.5	0.3	0.3	0.4	
Unemployment rate	3.6	3.4	3.1	3.2	3.1	2.9	2.9	2.9	
Republic of Korea									
Gross Domestic Product	3.3	2.8	2.8	3.4	2.6	2.4	2.9 ^f	2.7	
Exports of goods	2.3	-8.0	-5.9	-6.7	-5.0	1.8	14.7 ^f	16.9	
Imports of goods	1.9	-16.9	-6.9	-10.1	-5.1	4.1	23.9	18.2	
Consumer Price Index	1.3	0.7	1.0	0.8	0.7	1.5	2.1	1.9	
Unemployment rate	3.5	3.6	3.7	3.8	3.6	3.2	4.3	3.9	
Singapore									
Gross Domestic Product	3.6	1.9	2.0	1.9	1.2	2.9	2.5 ^f	2.9	
Exports of goods	0.1	-6.5	-5.1	-4.8	-4.5	2.1	17.1 ^f	8.3	
Imports of goods	-1.4	-11.5	-4.7	-7.4	-9.1	6.1	15.7 ^f	11.0	
Consumer Price Index	1.0	-0.5	-0.5	-0.9	-0.4	-	0.6	0.8	
Unemployment rate	2.0	1.9	2.1	2.8	1.8	1.9	2.1	2.9	

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 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	%
USA									
Gross Domestic Product	2.6 ^f	2.9 ^f	1.5 ^f	2.2 ^f	2.8 ^f	1.8 ^f	1.2	3.0	
Exports of goods	2.6	-7.3	-3.5 ^f	1.9 ^f	3.0 ^f	-0.1 ^f	3.2 ^f	0.2	
Imports of goods	3.9	-4.6	-2.7 ^f	0.9 ^f	1.5 ^f	2.1 ^f	3.3 ^f	0.1	
Consumer Price Index	1.6	0.1	1.3	0.6	0.4	0.8	0.8	-0.1	
Unemployment rate ^a	6.2	5.3	4.9	4.9	4.9	4.7	4.7	4.4	
Japan									
Gross Domestic Product	0.3	1.1	1.0	0.3 ^f	0.3 ^f	0.4 ^f	0.4 ^f	1.0	
Exports of goods	4.6	3.5	-7.8	-2.2 ^f	-0.6 ^f	5.8 ^f	6.7 ^f	-1.3	
Imports of goods	5.5	-8.6	-13.8	-4.8 ^f	0.9 ^f	5.0 ^f	7.7 ^f	1.8	
Consumer Price Index	2.7	0.8	-0.1	-0.1	-0.1	0.6	-	-0.1	
Unemployment rate ^a	3.6	3.4	3.1	3.2	3.0	3.1	2.9	2.9	
Hong Kong									
Gross Domestic Product	2.7	2.4	2.0	1.5	0.8	1.2	0.7	1.0	
Exports of goods	3.2	-1.8	-0.5	6.1	1.0	3.8	-0.4	1.0	
Imports of goods	3.9	-4.1	-0.9	3.6	2.6	2.4	2.2	-1.1	
Consumer Price Index	4.4	3.0	2.4	-0.6	0.4	0.7	0.1	0.7	
Unemployment rate ^a	3.3	3.3	3.4	3.4	3.4	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