

Global Economy in the Fourth Quarter of 2016

Global economic growth remained low in the fourth quarter of 2016. The US economy showed signs of recovery and economic growth in Japan was back on track; meanwhile, the Euro area continued to grow at a relatively low rate. Yet, clouds gathered over the global economy, as the policy direction of the new US administration remained unclear, where protectionist policies and the pace of normalisation of interest rates were the most critical issues. On the other hand, uncertainty of the Brexit process and poor performance of global trade continued to pose downside risks to global economic growth. The World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) in January 2017 indicated that economic activity is expected to accelerate in 2017 and 2018 after the downturn in 2016; the outlook for advanced economies has improved, while growth in emerging markets and developing economies has worsened slightly. Global growth for 2016 was 3.1% and economic projection for 2017 was 3.4%, staying unchanged from the WEO forecast in October 2016.

The US economy maintained steady growth with a slight upward trend in the fourth quarter, with Gross Domestic Product (GDP) rising by 1.9% year-on-year and 1.9% quarter-to-quarter. Private consumption expenditure was the major impetus for growth, contributing 2.1 percentage points to the increase; inventories and fixed investment also added 0.9 and 0.5 percentage points respectively to the growth; meanwhile, rising imports dragged down economic growth by 1.2 percentage points. The unemployment rate dropped by 0.5 percentage points quarter-to-quarter to 4.5% amid steady economic growth; the seasonally adjusted unemployment rate was 4.7%.

As the German economy showed signs of slowing and the French economy remained weak, the economy of the Euro area continued to grow at a relatively low rate, with the fourth quarter GDP rising by 1.7% year-on-year and 0.4% quarter-to-quarter. Consumption expenditure of households and non-profit institutions added 0.2 percentage points to the increase. Gross fixed capital formation, government final consumption expenditure and inventories each contributed 0.1 percentage point to the economic growth. Meanwhile, exports added 0.7 percentage points to the increase while imports lowered the rate of growth by 0.8 percentage points. Economic recovery remained slow, bringing the unemployment rate up by 0.2 percentage points quarter-to-quarter to 9.8%.

The UK economy has not yet been affected by the Brexit, with the fourth quarter

GDP rising by 2.0% year-on-year and 0.7% quarter-to-quarter. Services industry was the main driver of economic growth, increasing by 0.8% quarter-to-quarter. Net exports contributed 1.3 percentage points to the increase. Household final consumption expenditure added 0.4 percentage points to the economic growth, while gross capital formation dragged down the increase by 1.1 percentage points. The unemployment rate held stable as in the previous quarter at 4.8% amid stable economic growth.

Export growth in the Asian region has improved, and overall, the region has outperformed the global economy. The January 2017 WEO Update of IMF indicated that the ASEAN 5 economies¹ grew by 4.8% in 2016, same as the forecast in October 2016; the economic growth for the Middle East, North Africa, Afghanistan and Pakistan increased by 0.4 percentage points to 3.8%; while that for China and India decreased by 0.2 and 1.0 percentage points to 6.7% and 6.6% respectively.

The economy of Japan showed gradual growth, with the fourth quarter GDP rising by 1.7% year-on-year and 0.2% quarter-to-quarter. The depreciation of the yen stimulated exports which contributed 0.5 percentage points to the economic growth. Domestic demand remained weak and failed to contribute to economic growth. The unemployment rate dropped by 0.2 percentage points to 2.9% amid economic revival; the seasonally adjusted rate was 3.1%.

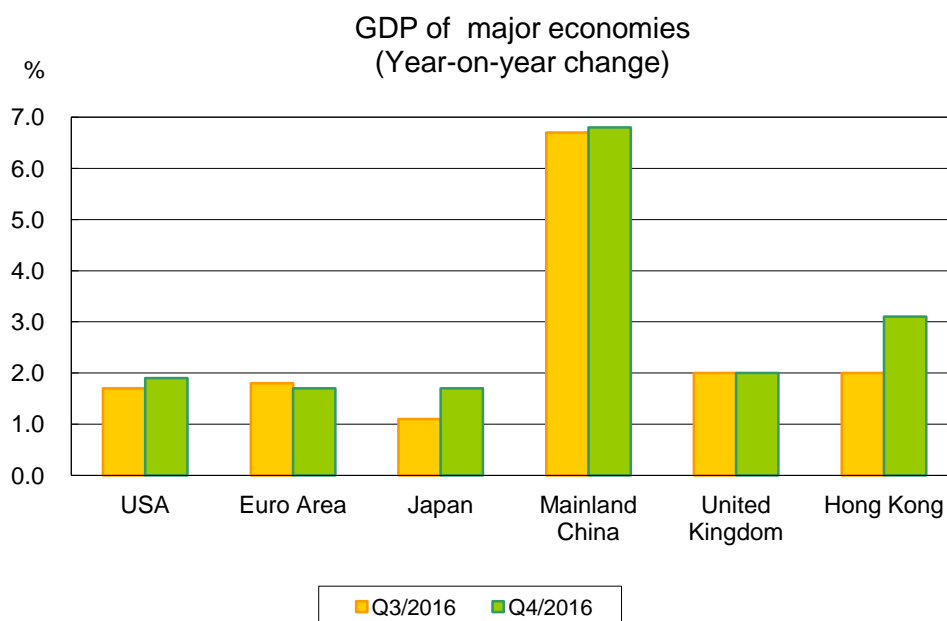
Despite an improvement in export trade, domestic demand remained weak in the Republic of Korea. Economic growth continued to slow, with the fourth quarter GDP increasing by 2.3% year-on-year and 0.4% quarter-to-quarter. Gross capital formation and final consumption expenditure contributed 0.4 and 0.2 percentage points respectively to the economic growth. Imports lowered the rate of growth by 0.1 percentage point. In spite of slower economic growth, the unemployment rate fell by 0.4 percentage points from the previous quarter, at 3.2%.

In Mainland China, GDP for the fourth quarter expanded by 6.8% year-on-year, up by 0.1 percentage point compared with the previous quarter. For the whole year of 2016, value added of the above-scale industries increased by 6.0% year-on-year, down by 0.1 percentage point from the previous year; fixed asset investment grew by 8.1% year-on-year, down by 1.9 percentage points; retail sales of consumer goods rose by 10.4% year-on-year, down by 0.3 percentage points, of which sales of construction and decoration materials increased by 14.0%, furniture by 12.7% and

¹ Indonesia, Malaysia, the Philippines, Thailand and Vietnam

Chinese and Western medicines by 12.0%. Total value of external trade for 2016 decreased by 6.8% year-on-year and the trade surplus amounted to USD 510.8 billion. Inflation remained stable as Consumer Price Index (CPI) for the fourth quarter increased by 2.0% year-on-year, with the CPI for December rising by 2.1% year-on-year.

The Hong Kong economy grew at a faster pace, expanding by 3.1% year-on-year and 1.2% quarter-to-quarter. Private consumption expenditure growth strengthened gradually from 1.2% in the third quarter to 3.2% in the fourth quarter. Government final consumption expenditure increased by 3.3% year-on-year while the gross fixed capital formation rose by 5.2% year-on-year. Growth in exports of goods accelerated, rising by 5.1% year-on-year; exports of services rebounded and rose by 1.4% year-on-year. The unemployment rate edged down by 0.5 percentage points to 3.1% amid stronger economic growth, and the seasonally adjusted rate was 3.3%.



I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	2014	2015	2016	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	%
USA									
Gross Domestic Product	2.4	2.6	1.6	1.9	1.6	1.3	1.7 ^f	1.9	
Exports of goods	2.6 ^f	-7.3	-3.2	-10.5	-6.8	-6.1	-2.0 ^f	2.2	
Imports of goods	3.9	-4.6	-2.6	-6.9	-5.5	-4.7	-2.3	1.9	
Consumer Price Index	1.6	0.1	1.3	0.5	1.1	1.0	1.1	1.8	
Unemployment rate	6.2	5.3	4.9	4.8	5.2	4.8	5.0	4.5	
Euro area ^a									
Gross Domestic Product	1.2	2.0	1.7	2.0	1.7	1.6 ^f	1.8 ^f	1.7	
Exports of goods	2.2	5.3	0.3	3.4	-0.9	- ^f	-0.2 ^f	2.2	
Imports of goods	0.7	2.6 ^f	-1.6	2.8 ^f	-2.5 ^f	-3.7 ^f	-2.2 ^f	1.9	
Consumer Price Index	0.4	-	0.2	0.2	-	-0.1	0.3 ^f	0.7	
Unemployment rate	11.6	10.9	10.0	10.6	10.7	10.0	9.6	9.8	
Germany									
Gross Domestic Product	1.6	1.7	1.9	2.1	1.5	3.2 ^f	1.5	1.2	
Exports of goods	3.3	6.2	1.1	4.6	0.6	2.2	-0.6 ^f	2.3	
Imports of goods	2.2	4.3	0.6	4.4	0.4	0.1	-1.2	3.0	
Consumer Price Index	0.9	0.2	0.5	0.3	0.3	0.1	0.5	1.1	
Unemployment rate	6.7	6.4	6.1	6.0	6.6	6.1	6.0	5.8	
France									
Gross Domestic Product	0.7	1.2	1.1	1.2 ^f	1.2 ^f	1.1 ^f	1.0 ^f	1.2	
Exports of goods	0.2	3.9 ^f	-0.6	1.6 ^f	0.1 ^f	-3.9	-0.8 ^f	2.5	
Imports of goods	-0.7 ^f	0.8	0.3	2.3	0.4 ^f	-3.4 ^f	1.8 ^f	2.6	
Consumer Price Index	0.5	-	0.2	0.1	-	-	0.3	0.5	
Unemployment rate	10.3	10.4	9.9	10.6	10.7	9.6	9.6 ^f	9.9	
United Kingdom									
Gross Domestic Product	3.1	2.2	1.8	1.7	1.6 ^f	1.7 ^f	2.0 ^f	2.0	
Exports of goods	-3.4	-1.8 ^f	4.9	-4.2 ^f	-2.0 ^f	0.7 ^f	5.4 ^f	15.9	
Imports of goods	-2.0	-2.0 ^f	7.2	-6.5 ^f	-3.6 ^f	4.2 ^f	14.3 ^f	14.6	
Consumer Price Index	1.5	-	0.7	0.1	0.3	0.3	0.8	1.2	
Unemployment rate	6.2	5.4	4.9	5.1	5.1	4.9	4.8	4.8	

^a Euro area consists of 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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	%							
	2014	2015	2016	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
Mainland China								
Gross Domestic Product	7.4	6.9	6.7	6.8	6.7	6.7	6.7	6.8
Exports of goods	6.0	-3.0 ^f	-7.7	-5.3 ^f	-13.0 ^f	-6.4 ^f	-6.9 ^f	-5.2
Imports of goods	0.5	-14.3	-5.5	-11.9 ^f	-13.9 ^f	-7.1 ^f	-4.4 ^f	2.5
Consumer Price Index ^a	2.0	1.4	2.0	1.4	2.1	2.1	2.0	2.0
Hong Kong								
Gross Domestic Product	2.7	2.4	1.9	1.9	1.0 ^f	1.7	2.0 ^f	3.1
Exports of goods	3.2	-1.8	-0.5	-2.9	-6.8	-1.2	-0.2 ^f	5.5
Imports of goods	3.9	-4.1	-0.9	-7.0	-8.2	-3.2	1.2	5.6
Consumer Price Index	4.4	3.0	2.4	2.3	2.8	2.6	3.1	1.2
Unemployment rate	3.3	3.3	3.4	3.2	3.3	3.5	3.6	3.1
Taiwan								
Gross Domestic Product	4.0	0.7	1.5	-0.8	-0.2	1.1	2.1 ^f	2.9
Exports of goods ^b	2.8	-10.9	-1.7	-13.9	-12.1	-6.2	0.1	11.7
Imports of goods ^b	1.4	-15.8	-2.7	-15.1	-14.0	-7.6	-0.1	11.5
Consumer Price Index	1.2	-0.3	1.4	0.3	1.8	1.3	0.7	1.8
Unemployment rate	4.0	3.8	3.9	3.9	3.9	3.9	4.0	3.9
Japan								
Gross Domestic Product	0.3	1.2	1.0	1.1	0.3 ^f	0.9	1.1	1.7
Exports of goods	4.8	3.4	-7.4	-4.6	-7.9	-9.5	-10.2	-1.9
Imports of goods	5.7	-8.7	-15.9	-13.9	-15.7	-18.8	-19.5	-9.3
Consumer Price Index	2.7 ^f	0.8	-0.1	0.2	-	-0.3	-0.5	0.3
Unemployment rate	3.6	3.4	3.1	3.1	3.2	3.2	3.1	2.9
Republic of Korea								
Gross Domestic Product	3.3	2.6	2.7	3.1	2.8	3.3	2.6	2.3
Exports of goods	2.3	-8.0	-5.9	-12.0	-13.6	-6.7	-5.0	1.9
Imports of goods	1.9	-16.9	-7.1	-17.8	-16.1	-10.2 ^f	-5.2	3.8
Consumer Price Index	1.3 ^f	0.7 ^f	1.0	0.9 ^f	0.9 ^f	0.8 ^f	0.7 ^f	1.5
Unemployment rate	3.5	3.6	3.7	3.1	4.3	3.8	3.6	3.2
Singapore								
Gross Domestic Product	3.6 ^f	1.9 ^f	2.0	1.3 ^f	1.9 ^f	1.9 ^f	1.2 ^f	2.9
Exports of goods	0.1 ^f	-6.5 ^f	-5.1	-4.4 ^f	-13.1 ^f	-4.8 ^f	-4.5 ^f	2.1
Imports of goods	-1.4 ^f	-11.5 ^f	-4.7	-9.4 ^f	-8.5 ^f	-7.4 ^f	-9.1 ^f	6.1
Consumer Price Index	1.0	-0.5	-0.5	-0.7	-0.8	-0.9	-0.4	-
Unemployment rate	2.0	1.9	2.1	1.6	1.8	2.8	1.8	1.9

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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	2014	2015	2016	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	%
USA									
Gross Domestic Product	2.4	2.6	1.6	0.9	0.8	1.4	3.5 ^f	1.9	
Exports of goods	2.6 ^f	-7.3	-3.2	-3.3	-3.2 ^f	1.7	4.4 ^f	-0.8	
Imports of goods	3.9	-4.6	-2.6	-2.3	-2.3	1.2	1.3 ^f	2.6	
Consumer Price Index	1.6	0.1	1.3	0.1 ^f	- ^f	0.6	0.4	0.8	
Unemployment rate ^a	6.2	5.3	4.9	5.0	4.9	4.9	4.9	4.7	
Japan									
Gross Domestic Product	0.3	1.2	1.0	-0.3 ^f	0.6 ^f	0.4 ^f	0.3	0.2	
Exports of goods	4.6	3.5	-7.8	-3.2 ^f	-4.8 ^f	-2.3 ^f	-0.4 ^f	5.7	
Imports of goods	5.5	-8.6	-15.9	-7.7 ^f	-8.6 ^f	-4.4 ^f	0.1 ^f	4.8	
Consumer Price Index	2.7 ^f	0.8	-0.1	-0.1 ^f	-0.1	-0.1	-0.1 ^f	0.6	
Unemployment rate ^a	3.6	3.4	3.1	3.3	3.2	3.2	3.0	3.1	
Hong Kong									
Gross Domestic Product	2.7	2.4	1.9	0.1 ^f	-0.3 ^f	1.4 ^f	0.8 ^f	1.2	
Exports of goods	3.2	-1.8	-0.5	1.3 ^f	-4.7 ^f	6.1 ^f	1.0 ^f	3.8	
Imports of goods	3.9	-4.1	-0.9	1.1 ^f	-2.4 ^f	3.6 ^f	2.6 ^f	2.4	
Consumer Price Index	4.4	3.0	2.4	2.7	0.7	-0.6 ^f	0.4	0.7	
Unemployment rate ^a	3.3	3.3	3.4	3.3	3.4	3.4	3.4	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