

Global Economy in the Fourth Quarter of 2017

In the fourth quarter of 2017, the global economy maintained relatively strong growth momentum. The US economy continued to expand, Mainland China sustained its rapid growth and the economies of the Euro area and Japan showed steady rise; the prospect for global economic development was generally good at the present stage. Nevertheless, unstable factors that affect the economic growth still existed, which included trade protectionism, the start of the rate-hike cycle in the US, the Brexit negotiations, and the rising geopolitical tensions in the Middle East and Northeast Asia. The World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) in January 2018 indicated that the global upswing in economic activity was strengthening, the economic growth in advanced economies accelerated, and the growth in emerging markets and developing economies continued to expand. Global economic growth is expected to rise further in 2018 and 2019. Risks to the outlook are broadly balanced in the short term and remain skewed to the downside in the medium term. A significant threat to global economic growth is the tightening of global financing conditions. The global economic growth projection for 2017 was 3.7%, 0.1 percentage point higher than the estimate in October 2017. The global economic growth projections for 2018 and 2019 were both revised upwards by 0.2 percentage points from October 2017 to 3.9%.

Economic growth in the US economy continued to expand, with the fourth quarter Gross Domestic Product (GDP) rising by 2.5% year-on-year and quarter-to-quarter. Private consumption expenditure was still the major impetus for economic growth, contributing 2.6 percentage points to the increase. Fixed investment added 1.3 percentage points to the growth. Moreover, exports and government expenditure contributed 0.8 and 0.5 percentage points respectively. Economic growth was steady and the unemployment rate declined by 0.5 percentage points quarter-to-quarter to 3.9%; the seasonally adjusted unemployment rate was 4.1%.

The economy of the Euro area continued to grow, with the economies of Germany and France improving. GDP of the Euro area in the fourth quarter expanded by 2.7% year-on-year and 0.6% quarter-to-quarter. Net exports and gross fixed capital formation contributed 0.4 and 0.2 percentage points to the economic growth respectively; final consumption expenditure of households and non-profit institutions and that of the government each added 0.1 percentage point to the increase, whereas inventory dragged down the growth by 0.2 percentage points. The economy

maintained growth and the unemployment rate edged up by 0.1 percentage point quarter-to-quarter to 8.8%.

The UK economy continued to be affected by the Brexit uncertainty, with the GDP in the fourth quarter growing by 1.4% year-on-year and 0.4% quarter-to-quarter. The manufacturing and service industries maintained growth, expanding by 0.5% and 0.6% quarter-to-quarter respectively. Gross capital formation and household final consumption expenditure contributed 0.6 and 0.2 percentage points to the increase respectively, while net exports dragged down the growth by 0.5 percentage points. Economic growth remained modest, and the unemployment rate rose by 0.1 percentage point from the previous quarter to 4.4%.

Economy in the Asian region showed significant growth. The WEO Update of IMF for January 2018 indicated that the projected economic growth for China and India in 2017 stayed unchanged at 6.8% and 6.7% respectively. The ASEAN-5 economies¹ are projected to grow by 5.3%, which is 0.1 percentage point higher than its forecast in October 2017. The projected economic growth for the Middle East, North Africa, Afghanistan and Pakistan decreased by 0.1 percentage point to 2.5%.

The economy of Japan continued to grow, with the fourth quarter GDP rising by 1.5% year-on-year and inching up by 0.1% quarter-to-quarter. Domestic demand increased slightly, with private consumption expenditure, the major impetus for economic growth, contributing 0.3 percentage points to the increase. Employment situation was stable amid continuous economic growth; the unemployment rate fell by 0.2 percentage points quarter-to-quarter to 2.6%; the seasonally adjusted unemployment rate was 2.8%.

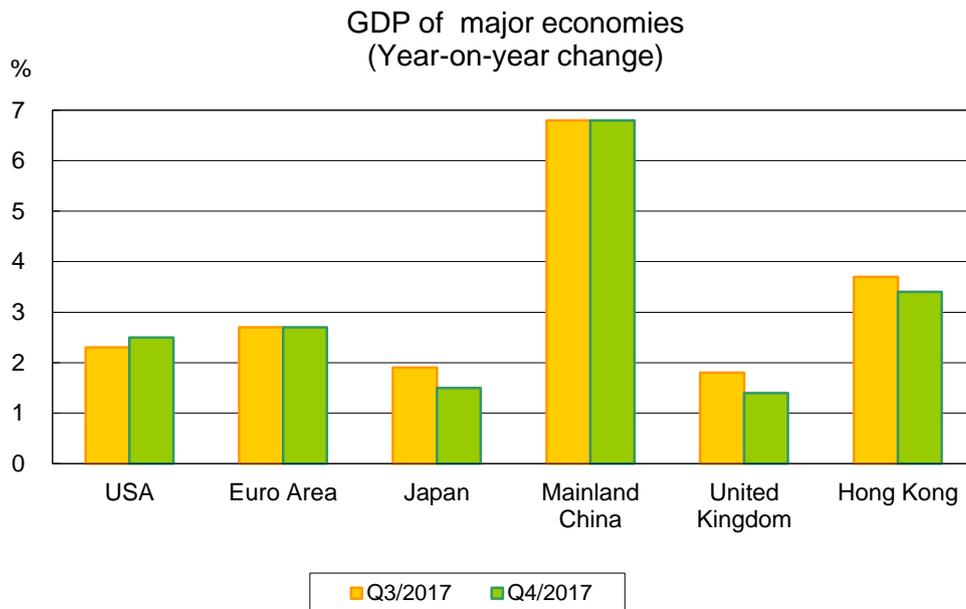
The fourth quarter GDP of the Republic of Korea increased by 3.0% year-on-year, underpinned by consumption expenditure, but decreased marginally by 0.2% quarter-to-quarter. Final consumption expenditure added 0.6 percentage points to the growth. The unemployment rate dropped by 0.2 percentage points from the previous quarter to 3.2% amid the rebound in economic growth.

The economy of Mainland China maintained a rapid growth, with the GDP for the fourth quarter expanding by 6.8% year-on-year, the same as in the previous quarter. In 2017, value added of the above-scale industries and fixed asset investment grew by 6.6% and 7.0% respectively year-on-year; total retail sales of consumer goods went up by 10.2% year-on-year, with sales of furniture, Chinese and Western

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

medicines and construction & decoration materials rising by 12.8%, 12.4% and 10.3% respectively. As regards external trade, total value of external trade for 2017 grew by 11.4% year-on-year and the trade surplus amounted to USD 422.5 billion. Inflation rose slightly, with the Consumer Price Index (CPI) for 2017 increasing by 1.6%.

The Hong Kong economy continued to expand in the fourth quarter, up by 3.4% year-on-year and 0.8% quarter-to-quarter. Domestic demand stayed sound. Private consumption expenditure and government consumption expenditure increased by 6.3% and 3.1% respectively year-on-year, and gross fixed capital formation rose by 4.7%. Exports of goods and services continued to strengthen, rising by 3.4% and 4.0% respectively year-on-year. The unemployment rate decreased by 0.4 percentage points quarter-to-quarter to 2.8% amid satisfactory economic performance, and the seasonally adjusted rate was 2.9%.



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

	%							
	2015	2016	2017	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
USA								
Gross Domestic Product	2.9	1.5	2.3	1.8	2.0	2.2	2.3	2.5
Exports of goods	-7.3	-3.5	6.6	1.9	7.5	6.0	5.1 ^f	7.8
Imports of goods	-4.6	-2.7	7.1	1.8	7.3	7.2	4.8	9.1
Consumer Price Index	0.1	1.3	2.1	1.8	2.5	1.9	2.0	2.1
Unemployment rate	5.3	4.9	4.4	4.5	4.9	4.2	4.4	3.9
Euro area ^a								
Gross Domestic Product	2.1	1.8	2.3	2.0 ^f	2.1	2.4	2.7 ^f	2.7
Exports of goods	5.3	0.3	7.1	2.2 ^f	11.0 ^f	5.4 ^f	6.0 ^f	6.2
Imports of goods	2.6	-1.2	9.7	2.5	13.9 ^f	9.9 ^f	7.8 ^f	7.2
Consumer Price Index	-	0.2	1.5	0.7	1.8	1.5	1.4	1.4
Unemployment rate	10.9	10.0	9.1	9.8	9.9	9.0	8.7	8.8
Germany								
Gross Domestic Product	1.7	1.9	2.2	1.3	3.4	1.0	2.2 ^f	2.3
Exports of goods	6.2	0.9	6.2	1.9	8.6	3.8	6.4 ^f	6.3
Imports of goods	4.3	0.6	8.3	3.0	10.1	8.3	7.8 ^f	7.2
Consumer Price Index	0.2	0.5	1.7	1.1	1.9	1.7	1.7	1.7
Unemployment rate	6.4	6.1	5.7	5.8	6.2	5.6	5.6	5.3
France								
Gross Domestic Product	1.0	1.1	2.0	1.2	1.2 ^f	1.9 ^f	2.3 ^f	2.5
Exports of goods	4.3 ^f	-0.6 ^f	4.5	2.2 ^f	1.8 ^f	5.1 ^f	6.3 ^f	4.9
Imports of goods	1.1 ^f	0.1 ^f	6.8	2.6	7.5	7.8	6.8 ^f	4.8
Consumer Price Index	-	0.2	1.0	0.5	1.2	0.9	0.9	1.1
Unemployment rate	10.4	10.1	9.5	10.4	10.1	9.1	9.3	9.6
United Kingdom								
Gross Domestic Product	2.3	1.9 ^f	1.7	2.0 ^f	2.0 ^f	1.8 ^f	1.8 ^f	1.4
Exports of goods	-2.9	4.6	13.4	15.6 ^f	19.3 ^f	14.5 ^f	15.4 ^f	5.5
Imports of goods	-3.1	7.4	9.8	14.2 ^f	15.6 ^f	12.0 ^f	4.9 ^f	7.5
Consumer Price Index	-	0.7	2.7	1.2	2.2	2.8	2.8	3.1
Unemployment rate	5.4	4.9	4.4	4.8	4.6	4.4	4.3	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)

	%							
	2015	2016	2017	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Mainland China								
Gross Domestic Product	6.9	6.7	6.9	6.8	6.9	6.9	6.8	6.8
Exports of goods	-3.0	-7.7	7.9	-5.3	7.2 ^f	8.2 ^f	6.4 ^f	9.7
Imports of goods	-14.3	-5.5	15.9	2.7	24.3 ^f	14.1 ^f	14.6 ^f	12.5
Consumer Price Index ^a	1.4	2.0	1.6	2.0	1.4	1.4	1.5	1.6
Hong Kong								
Gross Domestic Product	2.4	2.1 ^f	3.8	3.3 ^f	4.3	3.9	3.7 ^f	3.4
Exports of goods	-1.8	-0.5	8.0	5.5	10.3	7.4	8.0	6.8
Imports of goods	-4.1	-0.9	8.7	5.6	10.7	8.2	7.7	8.5
Consumer Price Index	3.0	2.4	1.5	1.2	0.5	2.0	1.8	1.6
Unemployment rate	3.3	3.4	3.1	3.1	3.2	3.2	3.2	2.8
Taiwan								
Gross Domestic Product	0.8	1.4	2.9	2.8	2.6	2.3	3.2 ^f	3.3
Exports of goods ^b	-10.9	-1.8	13.2	11.7	15.0 ^f	10.2	17.4 ^f	10.4
Imports of goods ^b	-15.8	-2.8	12.4	11.5	21.5 ^f	11.9 ^f	11.3 ^f	6.9
Consumer Price Index	-0.3	1.4	0.6	1.8	0.8	0.6	0.7 ^f	0.4
Unemployment rate	3.8	3.9	3.8	3.9	3.8	3.7	3.8	3.7
Japan								
Gross Domestic Product	1.4 ^f	0.9 ^f	1.6	1.5 ^f	1.4 ^f	1.5 ^f	1.9 ^f	1.5
Exports of goods	3.4	-7.4	11.8	-1.9	8.5	10.5	15.1	13.0
Imports of goods	-8.7	-15.8	14.0	-9.3	8.6	16.2	14.5	17.0
Consumer Price Index	0.8	-0.1	0.5	0.3	0.3	0.4	0.6	0.6
Unemployment rate	3.4	3.1	2.8	2.9	2.9	2.9	2.8	2.6
Republic of Korea								
Gross Domestic Product	2.8	2.8	3.1	2.4	2.9	2.7	3.8 ^f	3.0
Exports of goods	-8.0	-5.9	15.8	1.8	14.7	16.7 ^f	24.0	8.5
Imports of goods	-16.9	-6.9	17.8	4.1	24.0 ^f	18.7 ^f	17.9 ^f	11.6
Consumer Price Index	0.7	1.0	1.9	1.5	2.1	1.9	2.3	1.5
Unemployment rate	3.6	3.7	3.7	3.2	4.3	3.8 ^f	3.4 ^f	3.2
Singapore								
Gross Domestic Product	2.2 ^f	2.4 ^f	3.6	3.7 ^f	2.5	2.8 ^f	5.5 ^f	3.6
Exports of goods	-6.5	-5.1	10.3	2.1	16.9	8.3	10.1	6.6
Imports of goods	-11.5	-4.7	12.1	6.1	15.5	11.0 ^f	13.4 ^f	9.1
Consumer Price Index	-0.5	-0.5	0.6	-	0.6	0.8	0.4	0.5
Unemployment rate	1.9	2.1	2.2	1.9	2.1	2.9	1.9 ^f	1.8

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)

	%							
	2015	2016	2017	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
USA								
Gross Domestic Product	2.9	1.5	2.3	1.8	1.2	3.1	3.2 ^f	2.5
Exports of goods	-7.3	-3.5	6.6	-0.1	2.8 ^f	0.2	1.3 ^f	3.6
Imports of goods	-4.6	-2.7	7.1	2.1	3.0 ^f	0.1	-0.2	5.7
Consumer Price Index	0.1	1.3	2.1	0.7 ^f	0.7 ^f	- ^f	0.5	0.8
Unemployment rate ^a	5.3	4.9	4.4	4.7	4.7	4.3 ^f	4.3	4.1
Japan								
Gross Domestic Product	1.4 ^f	0.9 ^f	1.6	0.4	0.3	0.6	0.6	0.1
Exports of goods	3.5	-7.8	12.4	5.2 ^f	6.8 ^f	-1.0 ^f	3.4	4.1
Imports of goods	-8.6	-15.8	14.3	4.6	8.4 ^f	1.8 ^f	0.4 ^f	5.1
Consumer Price Index	0.8	-0.1	0.5	0.5 ^f	-0.1 ^f	- ^f	0.2 ^f	0.5
Unemployment rate ^a	3.4	3.1	2.8	3.1	2.9	2.9	2.8	2.8
Hong Kong								
Gross Domestic Product	2.4	2.1 ^f	3.8	1.1 ^f	0.9 ^f	0.9 ^f	0.8 ^f	0.8
Exports of goods	-1.8	-0.5	8.0	3.0 ^f	0.2 ^f	1.0	0.5 ^f	2.6
Imports of goods	-4.1	-0.9	8.7	2.0 ^f	1.8 ^f	0.1 ^f	0.5 ^f	3.5
Consumer Price Index	3.0	2.4	1.5	0.7	0.1	0.6 ^f	0.3 ^f	0.6
Unemployment rate ^a	3.3	3.4	3.1	3.3	3.2	3.1	3.1	2.9

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