



Economic and Financial Monthly (Apr 2014)

Summary

The US GDP only grew 0.1% QoQ in the first quarter. However, other economic data showed positive signs recently, indicating the US economic growth is still on track. Eurozone economy continues improving slowly. China's GDP grew 7.4% in Q1, the slowest pace in one and a half year, but the growth was not far from government's target. Hong Kong's retail sector performed weak, with retail sales contracted for 2 months in a row.

■ U.S.: Economy and the labor market recovered modestly

GDP only grew 0.1% QoQ in Q1, the lowest level in last three years and surprised the market. The poor performance in Q1 was mainly due to decline in corporate investment by 5.5%, along with contraction of export by 7.6% which overweighed the drop of import by 1.4%, resulting trade deficit that dragged the overall economy continuously. However, the performance of personal consumption expenditure was relatively positive that grew 3%. Indeed, other economic data such as durable goods orders and ISM manufacturing index showed positive signs recently, indicating the US economic growth is still on track.

In the labor market, 288,000 non-farm payrolls were added in April, far above market consensus level. Unemployment rate dropped from 6.7% to 6.3%. However, participation rate hit the 35-year low of 62.8% from 63.2% a month ago, reflecting the significant decline of unemployment rate was mainly due to considerable drop of job hunters. To conclude, labor market is still improving slowly.

Eurozone: Economy continues improving slowly

Eurozone Composite PMI climbed from 53.1 in March to 54 in April and it was in expansionary zone for 10 months in a row. Meanwhile, unemployment rate held steady at 11.8% in March. Although it remained high, it decreased slightly from the peak at 12%. In summary, Eurozone economy continues improving slowly from the worst situation.

China: GDP growth was not far from government target

GDP grew 7.4% in Q1, the slowest pace in one and a half year, but slightly

upbeat market consensus. Fixed assets investment grew 17.6% YoY for the first 3 months, which was 0.3 ppt lower than that for the first 2 months. Export contracted 6.6% YoY in March. In addition, export has declined for 2 consecutive months and this was the first time since the financial crisis. Nevertheless, the sluggish export performance was partially due to fake trade last year. On the other hand, retail sales nominal growth was 12.2% YoY in March, 0.4 ppt higher than that in the first two months. Industrial production growth accelerated from 8.6% YoY in the first two month to 8.8% in March.

Hong Kong: Retail sales keeps declining

The decrease of the value of total retail sales narrowed from 2.3% in February to 1.3% in March. However, this was the first time to register contraction for 2 consecutive months since August 2009. After netting out the effect of price changes over the same period, the volume of total retail sales maintained a decline of 2.3% in March, same as that in February. The weak performance in retail sales indicated a sign of decreasing domestic demand to some extent.

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