

Economic and Financial Monthly (April 2015)

Summary

The US economic growth slowed in the first quarter. The Federal Open Market Committee opted to leave the federal funds rate unchanged at 0-0.25% and suggested that economic growth slowed, but in part due to some transitory factors. It is expected that growth will pick up to a moderate pace in the second quarter. The Eurozone economy kept improving modestly after the ECB started the QE program. European Commission has forecasted that Eurozone may achieve a 1.5% GDP growth this year. Chinese economy still faces strong headwinds as domestic demand remained weak and the risk of deflation has not eliminated. It is expected that more easing measures will be launched in the near future. Hong Kong's retail sales continued to decline in March.

■ US: Low interest rate environment continues due to sluggish recovery

The US real GDP grew at an annual rate of 0.2% in the first quarter of 2015, which was far less than the consensus estimate and the prior quarter. Together with the declining manufacturing and service PMI figures, the Federal Open Market Committee suggested that economic growth slowed during the winter months and opted to leave the federal funds rate unchanged at 0-0.25%. The Fed also noted that the sluggish GDP is in part due to some transitory factors such as bad weather, the West Coast port disruptions, strong dollars and oil price slump. On the other hand, the GDP has actually witnessed a yoy 3% increase. It is expected that growth will pick up to a moderate pace in the second quarter.

Eurozone: QE facilitates economic improvement

The Eurozone economy kept improving after the ECB started the bond buying program. Although composite PMI in April pulled back from the previous month, the index remained above the average of the first quarter and it was above 50 for 22 consecutive months. Eurozone CPI registered zero growth in April, marking an improvement from the previous month's 0.1% YoY decline as well as a halt of deflationary trend in the last four months. The steady improvement of the Eurozone economy has given a positive signal that the Eurozone may

achieve a 1.5% GDP growth this year, as forecasted by European Commission.

China: More easing measures will be launched given the struggle of the economy

China's official manufacturing PMI remained flat at 50.1 in April. Non-manufacturing PMI slipped by 0.3 percentage points to 53.4 in April from March. Meanwhile, HSBC China manufacturing PMI for April dropped to 48.9 from the flash figure of 49.2 and March's final reading of 49.6, achieving a 12-month low. Although the official PMI suggested that the economy maintained modest growth momentum, other economic indicators reflected that the economy still faces strong headwinds as domestic demand remained weak and the risk of deflation has not eliminated. It is expected that more easing measures will be launched in the near future.

Hong Kong: Retail sales continued to decline in March

Hong Kong's value of total retail sales fell 2.9% YoY to HKD 38.4 billion in March, defying economists' expectations for a growth of 5%. The value of sales of jewellery, watches and clocks, and valuable gifts lost 18.6% in March from a year ago. The retail sales performance in the near term is likely to be constrained by the weaker performance of inbound tourism, although the stable labor market conditions should still support local consumption.

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