Economic and Financial Monthly (QCT 2015)

Summary

In the US, GDP annualized growth rate for the third quarter slowed to 1.5%. Although the Fed maintained the Fed Funds rate at 0-0.25% in October, market expectation on the rate hike increased as the Fed will discuss the matter in December meeting. On the other hand, the European Central Bank also hinted it will make decision on whether expanding the scale of QE in December meeting. China's economic data softened, implying a downward pressure on economic growth momentum. The People's Bank of China cut the benchmark rates and the reserve requirement ratio again. Retail sector in Hong Kong remains sluggish, which would constrain overall economic growth.

■ U.S.: Economic growth slowdown in 3Q, the Fed will discuss interest rate liftoff in December

The US economy was losing steam. GDP only grew 1.5% at annualized rate for 3Q, compared with 3.9% for 2Q. Personal expenditure remained stable and grew 3.2%, contributing 2.2 percentage points of GDP growth. However, poor performances in corporate inventory and private investments drag overall growth rate by 1.4 percentage points and 1 percentage, respectively, constraining overall economic growth.

The Fed maintained the Fed Funds rate at 0-0.25% in October. However, the latest statement revealed that the Fed was less to worry about the global economic slowdown. In addition, the Fed will discuss interest rate liftoff in December, and market expectation surged accordingly.

Eurozone: ECB hinted monetary policy to loose further

Mario Draghi, the president of the European Central Bank (ECB), revealed that some member of the governing council had favored taking more action to stimulate the economy immediately. Mr. Draghi said the ECB could also step up the scale of QE, and a decision is likely to be made at the December meeting.

China: Economic growth is still facing downward pressure

China's GDP grew 6.9% in 3Q from a year earlier, versus the growth rate of 7.0% for 2Q, showing the growth momentum is still facing downward pressure. Retail sales is relatively stable with annual growth of 10.9% in September, a 0.1 percentage point higher than the previous month. The growth rate of fixed assets investment continued to slow as overcapacity remained a serious problem. Fixed assets investment grew 10.3% YoY for the first nine months, hitting the lowest level since 2001. Industrial production remained stagnant which only grew 5.7% from a year ago. Annual growth of CPI decreased by 0.4 percentage points to 1.6%, and it was still far below the 3% target for this year. Subdued inflation provides room for monetary policy to ease further. In late October, the People's Bank of China (PBOC) cut the benchmark rates and reserve requirement ratio (RRR) again. 1-year lending rate and deposit rate each be cut by 0.25 percentage points to 4.35% and 1.5%, respectively. Moreover, the PBOC remove interest rate cap on deposits. RRR also be cut by 0.5 percentage points.

Hong Kong: Sluggish retail sector would constrain overall economic growth

Although the sales of food items surged in September due to the difference in timing of the Mid-Autumn Festival between this year and year, such positive factor was offset by the weakening of inbound tourism, and negative impact on consumer sentiment because of volatile stock market performance earlier. As a result, the value of total retail sales registered contraction for 7 months in a row and it dropped further by 6.4% YoY in September. Retail sales growth slowdown is the result of structural adjustment, which would expect to continue for a period and constrain overall economic growth.

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