



Economic and Financial Monthly (Jun 2014)

Summary

The U.S. GDP in the first quarter was revised down from a contraction of 1.0% QoQ to 2.9%, which was the largest adjustment on record. Federal Reserve cut U.S. growth forecast for this year. In the euro zone, the economic growth has subdued. China's key macroeconomic indicators in May were consistent with or even upbeat market consensus level, indicating that the economic growth momentum was strengthened. Hong Kong's export performance improved.

■ U.S.: Federal Reserve cut U.S. growth forecast

The U.S. real GDP in the first quarter was revised down from a contraction of 1.0% QoQ to 2.9%, which was the largest adjustment on record. It was largely due to a revision of increase in personal consumption from 3.1% to 1.0%. Due to the contraction of the U.S. economy in the first quarter, the Federal Open Markets Committee (FOMC) cut its U.S. GDP growth forecast to 2.2% in 2014.

Euro zone: The economic growth has subdued

Euro zone composite PMI in June retreated to 51.8 from 53.5, the final reading of May. Despite hovering above 50, the index was sluggish for 2 consecutive months, which reflected that the economic growth of Euro zone has subdued. With regard to individual countries' performance, France manufacturing PMI reached 6-month low to 48.2 in June. Germany manufacturing PMI also decreased to 52.0, which was the lowest level over the past 8 months.

China: Economic growth stabilized gradually

Key macroeconomic indicators in May were consistent with or even upbeat market consensus level, indicating that the economic growth momentum was strengthened. In May, the real added value of industries above a designated scale increased by 8.8% YoY, 0.1 ppt higher than that in April. The total value of retail sales in May was 2,125 billion yuan. The nominal retail sales grew 12.5% YoY in May, or 0.5 ppt more than expected. It was the fastest growth since 2014. The real growth rate was 10.7% after deducting price factors. The growth of fixed assets investment continued to decrease but at slower pace, slightly upbeat market consensus. The nominal national fixed assets investments grew 17.2% from January to May in 2014, 0.1 ppt less than that

from January to April.

Hong Kong: Export performance improved

The value of total export grew 4.9% YoY in May compared with a contraction of 1.6% in April. Hong Kong's export to mainland China grew 3.5% YoY in May compared with a contraction of 1.1% in April for several reasons. First, the negative effect of last year's fake trade mitigated. Second, the mini-stimulus took effect. China's economic growth stabilized and the demand increased. Moreover, Hong Kong's exports to EU and the U.S. continued to improve modestly. The exports to Germany and the U.S. in May grew 9.4% and 4.5% YoY, respectively. Import grew 3.7% YoY in May, 1.3 ppt more than the growth rate of previous month.

Annie Cheung