



Economic and Financial Monthly (Aug 2014)

Summary

The US jobs growth slows. The European Central Bank loosened monetary policy with all benchmark interest rates cut by 10 basis points. China's major macro indicators slightly weakened in July. Hong Kong's retail sector is still in doldrums.

■ U.S.: Jobs growth slows

In August, non-farm payroll grew by 142,000, the slowest increase in 2014. In contrast, the U.S. labor market generated over 200,000 jobs per month from February to July. Meanwhile, the unemployment rate dropped from 6.2% to 6.1%. Unfortunately, the decline was again due to a shrinking workforce. In August, 268,000 people dropped out of the labor market, and the number of people not in the labor force reached another record high. The labor force participation rate fell 0.1 percentage point to 62.8%, matching a 36-year high.

Europe: ECB loosens monetary policy

The European Central Bank continued to loosen monetary policy, with the benchmark interest rate dropping by 10 basis points from 0.15% to 0.05%, a record low. As it stands, the benchmark interest rate has dropped to the lower bound. In the meantime, the ECB increased the interest it charged banks for depositing money there by 10 basis points from 0.1% to 0.2%. Mario Draghi announced that the ECB would purchase asset-backed securities. The goal of ABS purchases is to increase the size of the ECB's balance sheet back to its level in early 2012, or about 2.7 trillion euros. For the time being, assets held by the ECB amounted to about 2 trillion euros. In other words, the scale of future ABS purchases would be at least 700 billion euros.

China: Macro indicators soften

China's major macro indicators slightly weakened in July. Industrial production grew 9.0% compared to the same period last year, 0.2 percentage point slower than the pace of growth in June. Fixed asset investment, meanwhile, grew 17% from January to July year-over-year, 0.3 percentage point weaker than the expansion from January to June. Growth of fixed asset

investment has trended downwards since early 2013, but consumption has not benefited much. In July, retail sales increased 12.2% compared with the same period last year, a three-month low.

Hong Kong: Retail sector still in doldrums

Hong Kong's retail sales declined compared to year-ago levels for a sixth consecutive month, but the sector showed preliminary signs of stabilizing. In July, retail sales contracted by 3.1%, 3.8 percentage points less than the decline in June. Adjusted for price changes, retail volume in the month fell 4.5% year-over-year. As for the labor market, the unemployment rate rose two months in a row, rising to 3.3% for the May to July period.

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