

Economic and Financial Monthly (Dec 2014)

Summary

In the United States, solid growth in the labor market pushed up consumer spending. The ECB is poised to embark on large-scale asset purchases in early 2015, as the central bank grapples with a weak economy and low inflation. China's Industrial production slowed down further while the manufacturing sector remained stagnant. Retail sales in Hong Kong regained momentum.

■ United States: Solid growth in the labor market pushed up consumer spending

Real gross domestic product (GDP) growth was revised up to 5.0% annually in the third quarter of 2014, much higher than the projected rate of 4.3%. Personal consumption expenditures and business investment rose by 3.2 % and 4.1% respectively at an annual rate, implying their role as internal drivers of economic recovery in the United States. Total nonfarm payroll employment increased by 321,000 in November, the most significant rise since January, 2012, led by growth in professional and business services, retail trade, health care, and manufacturing. The number of initial jobless claims has been hovering around all-time lows of 300,000 and the unemployment rate was unchanged at 5.8 percent. Against the backdrop of falling gasoline price and an improved labor market, personal income and spending in November accelerated at 0.4% and 0.6%. December consumer confidence from the University of Michigan came in at 93.8, the highest reading for the index since January 2007, crushing expectations.

Europe: ECB poised to embark on large-scale asset purchases

The ECB is poised to embark on large-scale asset purchases early 2015, as the bank grapples with a weak economy and low inflation. Euro area annual inflation was 0.3% in November, down from 0.4% in October. A year earlier the rate was 0.9%. Fuels for transport, telecommunications and heating oil had the biggest downward impacts. In response to the report, Germany's bonds advanced, pushing 10-year yields down to a record low, supporting the case for additional monetary stimulus.

China: Industrial production slowed further

China's major macro indicators continually weakened in November. Industrial production declined 4.1% compared to the same period last year, 2.1 percentage point faster than the pace of slowdown in October. Fixed asset investment, meanwhile, grew 15.8% from January to November year-over-year, 0.1 percentage point weaker than the expansion from January to October. Growth of fixed asset investment has trended downwards since early 2013, but consumption has turned positive. In November, retail sales increased 11.7% compared with the same period last year, a three-month high. In December 2014, China's manufacturing purchasing managers index (PMI) was 50.1 percent, 0.2 percentage points lower over last month, slightly higher than the threshold, indicating that the basic trend of China's manufacturing sector maintained steady, while the growth momentum was still insufficient. Non-manufacturing purchasing manager index was 54.1 percent, having slightly risen for 2 consecutive months, indicating that the development trend of China's non-manufacturing sector remained rising steadily.

Hong Kong: Retail sales regained momentum

The year-on-year growth of retail sales bounced back in November. After netting out the effect of price changes over the same period, the volume of total retail sales in November 2014 increased 7.5% year on year. Compared with November 2013, the value of sales of commodities in department stores rose 4.9% but the value of sales of jewelry, watches and clocks, and valuable gifts decreased 2.0% in November 2014. In general, consumer sentiment appeared to have turned more stable, and the notable growth in inbound tourism in that month also provided support. After excluding the boost from the surge in sales of consumer durable goods as a result of the launch of new smartphone models, retail sales ended the decline in October and resumed a modest growth.

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