

## Economic and Financial Monthly (Apr, 2017)

### Summary

The U.S. President Trump announced the Tax Reform Plan. The first quarter GDP growth in the U.S. slowed down slightly; The French election results boosted the confidence in the Eurozone. The U.K. called an early election in June; The first quarter China GDP growth reached 6.9% with a broad-base growing momentum; the Hong Kong Government adjusted stamp duty coverage. Economic performance continued to stabilize.

#### ■ U.S.: Trump announced the Tax Reform Plan. The first quarter GDP growth slowed down slightly

President Trump unveiled his tax reform plan, including a cut in corporate tax rate to 15%, a one-time tax on overseas money, and a simplified individual tax system with double deduction. As details on how the tax cut would be financed were not mentioned, uncertainties remained regarding whether the original plan would be approved by the Congress. The first quarter GDP grew by 0.7% quarterly and 1.9% yearly. Private investment became the primary driver for economic growth. Consumer sentiment still hovered at high level. Manufacturing Purchasing Manager Index retreated a bit, but it was still in expansionary trajectory. These indicators suggested a modest growth for the U.S. economy in the second quarter.

#### Europe: The French election results boosted the confidence in the Eurozone. The U.K. called an early election in June

Preliminary results of the final round of the French election showed that the centrist candidate Emmanuel Macron would win, which helped ease the uncertainties over the future of the Eurozone. Since the start of April, the Euro went through a sharp rebound. Meanwhile, the Eurozone economy further stabilized with the first quarter GDP up by 0.5% quarterly and 1.7% yearly. The Composite Purchasing Manager and Consumer Sentiment Indices continued to rise, reflecting a sustained economic recovery. Besides, the U.K. called for an early election in June. Polls suggested that it would result with a wider majority advantage for the Conservative Party, which would reduce the internal obstacles of the Brexit negotiations and help drive other national policies.

Sterling leapt to the highest level within the year after the election announcement.

**Mainland China: The first quarter GDP growth reached 6.9% with a broad-base growing momentum**

The Mainland economy grew by 6.9% in the first quarter, in which a faster growth was achieved for two consecutive quarters. Better-than-expected performance can also be seen in major sectors including trade, industries, investment, and retail sales. It indicated a broad-base foundation for economic growth. Consumer price pressure remained modest, and producer price index stayed high due to the base effects. Over the past month, the RMB stood stably with foreign reserve stabilizing at US\$ 3 trillion. Moreover, economic transformation kept moving forward with consumption being the major driving force. Both high-tech industries and equipment manufacturing grew at a faster pace than the overall industry. Besides, the Central Government announced the Xiongan New Area development. The area would share part of the Beijing's 'non-capital' functions and set forth seven strategically important missions, which would serve to be a testing ground for the national reform development in future.

**Hong Kong: The Government adjusted stamp duty coverage. Economic performance continued to stabilize**

The Government adjusted the stamp duty mechanism in an effort to curb the transactions of "purchasing multiple homes under a single contract" that previously evaded the 15% stamp duty. As the relevant transactions mainly concentrated on the primary home market with small share in the overall house market, its impact is expected to be limited. The economic performance in the first quarter continued to improve. External trade and tourist arrivals returned to positive growth. Unemployment rate slightly reduced to 3.2%. These developments pointed to a gradual progression of the Hong Kong economy along with the global recovery. Business sentiment for the second quarter also improved from the first quarter, suggesting a positive economic outlook from the private sector.

David Wong