



Economic and Financial Monthly (Oct, 2018)

Summary

The US GDP growth in Q3 beat expectations by growing at 3.5% (QoQ) and 3.0% (YoY), but the sharp slowing down of business investment activities hinted at diminishing stimulus effect from the tax reform. The Eurozone GDP growth in Q3 slowed to the lowest yearly reading since 2015. China GDP growth in Q3 moderated slightly to 6.5%. In view of the uncertain economic outlook, the Chinese Government announced a series of stimulus policies to support growth. In the 2018 Policy Address, the HKSAR Government laid out “Lantau Tomorrow Vision” Plan in addressing the long-term land problems in Hong Kong.

■ The US Q3 GDP growth grew by 3.5% (QoQ) and 3.0% (YoY)

The advance estimate of the US Q3 GDP growth remained solid at 3.5% (QoQ) and 3.0% (YoY). Among different economic activities, personal consumption expenditures continued to be the major growth contributor, followed by inventory build-up and government spending. However, business investment slowed down significantly compared to the last two quarters, hinting that the boost from tax reform may begin to fade. On trade policies, the US, Mexico and Canada reached a new trade deal, allowing the US to focus on the subsequent trade talks with China, the EU and Japan.

The European Commission rejected Italy’s budget plan

The European Commission formally rejected Italy’s 2019 budget, which was the first rejection in the bloc’s history. Concerns over Italian government’s budget pushed up its sovereign bond yields, heightening re-financing costs on its fiscal positions. The Italian Government currently had three-week time to revise their budget plan. Besides, the Eurozone economy grew by 0.2% (QoQ) and 1.7% (YoY), the slowest yearly growth since 2015. As for inflation, overall CPI in October hit 2.2%, on the back of the surge in energy prices.

China Q3 GDP growth moderated to 6.5%

China Q3 GDP growth slowed slightly to 6.5%. In the first 3 quarters, GDP growth remained at 6.7%. Compared to Q2, growth of retail sales, fixed asset

investment and industrial production all softened moderately. Given the uncertain economic outlook, the Chinese Government announced a series of pro-growth policies, including the cut in reserve requirement ratios, higher export tax rebates, lower import tariffs, speeding up infrastructure construction, and more deduction for personal income tax.

Hong Kong Policy Address laid out “Lantau Tomorrow Vision” Plan

The HKSAR Government announced the “Lantau Tomorrow Vision” Plan in the 2018 Policy Address. The plan proposed to build new artificial islands near Lantau, creating a total of 1,700 hectares of land for 1 million of population. In addition to reclamation, a number of transportation infrastructure facilities connecting the artificial islands will be constructed. Thus, the plan is expected to address the long-term land problems in Hong Kong and bring tremendous investment benefiting a wide-range of sectors.

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