

## Economic and Financial Monthly (APR, 2019)

### Summary

US GDP in Q1 2019 exceeded expectations with both q-o-q and y-o-y growth at 3.2%. US Equity markets also performed strongly. S&P 500 and Nasdaq reached record high during the month. In Eurozone, GDP growth in Q1 2019 stayed at 1.2% y-o-y. The economic momentum in the Eurozone remained subdued with its contracting manufacturing sector. In China, encouraging signs were seen in a variety of sectors, suggesting a further stabilization of economic growth. Hong Kong's GDP growth edged lower to 0.5% in Q1 2019 due to a higher base of comparison and weak external demand.

#### ■ US GDP growth in Q1 2019 exceeded expectations

Driven by increase in net exports, inventories and government expenditures, the US economy accelerated further in Q1 2019 with q-o-q and y-o-y GDP growth at 3.2%. However, growth in fixed investment continued to cool, reflecting lower business confidence. Price pressure remained modest despite low unemployment rate. PCE inflation and core PCE inflation in Q1 reduced to 1.4% and 1.7% compared to the same period a year earlier. Nominal GDP growth decreased to 4.8%, the lowest level in 3 years. Regarding the equity markets, S&P 500 and Nasdaq reached record high during the month. The associated wealth effects might boost consumption in the Q2.

#### Leading indicators revealed slowing momentum in the Eurozone economy

According to the PMI figures, the Eurozone's manufacturing sector remained in contraction from February to April, which was led by the decline in Germany. While the service sector was still in expansion, it would only partly offset the slowing momentum in the manufacturing sector. The fresh estimate from Eurostat showed that the Eurozone's economy grew by 1.2% yearly in Q1 2019, which was mainly supported by the stable labor market with unemployment rate improving to 7.7% in March. Regarding the update of Brexit, the EU granted 6-month extension to the Brexit deadline till 31 October. However, the real deadline may just be within weeks, if the UK would like to avoid taking part in the European Parliament elections.

## **Encouraging signs seen in China's economy**

China's headline GDP growth kept steadily at 6.4% in Q1 2019, the same pace as in the last quarter. The stabilization of economic growth reduced the concerns over the region's outlook. Analyzed by sectors, improvements were seen from retail sales to fixed assets investment and industry. On monetary side, both money supply and credit growth rebounded from March. These developments indicated that the stimulus and easing measures by the authorities were having effect to shore up growth. Furthermore, China and US continued the trade negotiations, in which market expected both sides were getting closer for conclusion.

## **Hong Kong's GDP growth slowed to 0.5% in Q1 2019**

Hong Kong's GDP in Q1 2019 grew by 0.5% yearly, the slowest growth since Q3 2009. The low GDP readings were mainly due to the high base of comparison and weak external demand. Looking ahead, the full employment condition, higher government spending and improving asset market are expected to lift up the growth momentum in the coming quarters. In particular, the housing market swiftly turnaround since the beginning of 2019. Market sentiment continued to improve with both house prices and transaction volumes rising significantly.

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