



Economic and Financial Monthly (NOV, 2019)

Summary

The US economy grew by 2.1% quarter-on-quarter (seasonally adjusted) in the third quarter, better than the second quarter's growth. The US Consumer Confidence Index (CCI) and the Purchasing Managers' Index (PMI) are both up and better than expected. Imports and exports continued to drop in October and the trade surplus further narrowed. Overall, economic activities exhibited similar and slightly upward patterns. Eurozone economy seemed to show a rebound after hitting the bottom, as the third-quarter GDP (seasonally adjusted) expanded at a pace of 1.2%. Both Economic Sentiment Indicator (ESI) and PMI recovered, commodity prices increased mildly, and the unemployment rate continued to drop. The UK is heading for a general election in December. The Conservative Party still has a lead over the Labour Party in the polls but the gap is closing. In China, downward pressure on the economy rises. There has been substantial structural increase in commodity price driven by the increase in pork prices. The central bank unexpectedly trimmed the policy interest rate. The Chinese economy is likely to stabilize or slightly recover towards the year-end, but a drastic rebound is unlikely. Downward pressure on the Hong Kong economy continues, and the annual growth rate has been revised down to -1.3%.

- **The quarter-on-quarter growth rate of the US economy has been revised up to 2.1% in the third-quarter, showing a similar and slightly upturn pattern**

The pace of the US economy's expansion has picked up in the third quarter at an adjusted rate of 2.1% quarter-on-quarter, up from the initially estimate and the rate in the second quarter. Upward revisions to inventory and business investment as well as personal consumption expenditure offset the downward revisions to state and local government spending. The manufacturing, services and composite PMI came in at 52.2, 51.5, and 51.9, respectively, in November, up from the month before and better than the market expectation. The US Consumer Confidence Index saw a rebound in November. The November final readings of University of Michigan Consumer Sentiment, Current Conditions and Consumer Expectations checked in at 96.8, 111.6 and 87.3, considerably above the initial readings and the October levels. In October, imports and

exports continued to decline, by 2.4% and 0.7%, respectively, with the trade surplus standing at 66.5 billion USD, shrinking for the second consecutive month. The increase in core CPI slowed down and the composite CPI saw a structural increase owing to the increase in energy prices and food prices. According to the Beige Book, the US economy expanded at a modest pace, the price rose mildly, employment slightly increased, and the overall outlook is optimistic.

Eurozone economy rebounded after hitting the bottom, with the UK heading for general election in December

Eurozone economy grew by a seasonally adjusted rate of 1.2% year-on-year in the third quarter, higher than that of the previous quarter and expectation. Data suggest that the growth prospect for the Eurozone has stopped deteriorating. In November, CPI rose by 1% due to the increase in food and services prices. Core CPI grew by 1.3% year-on-year, higher than that of the previous quarter and expected, but still lower than the target level. Unemployment in October fell to 7.5%, recording a new low since July 2008. The November initial readings for manufacturing, services and composite PMI are 46.6, 51.5 and 50.3, respectively, showing signs of stabilization in the manufacturing sector and significant slowdown in the labor market. Both the economic sentiment index and the Sentix index improved in November, especially in outlooks. The UK is gearing up for the general election to be held on December 12. Main parties are busy giving campaign speeches. The Conservatives are still ahead but the gap with the Labours is narrowing.

Downward pressure on the Chinese economy continues to rise. Year-end performance may stabilize or even recover. The central bank slightly lowered the policy interest rate

The total value added of the industrial enterprises above designated size went up by 4.7% in October, and the total retail sales of consumer goods rose by 7.2%. From January to October, Investment in fixed assets grew at a pace of 5.2% year-on-year, slightly lower than estimated and the previous number. Driven by a larger decline in PPI and the slowdown of production sales, the profits of industrial enterprises above designated size further declined by 9.9% year-on-year, recording a negative growth rate of -2.9% for the past 10 months. October surveyed urban unemployment rate was reported at 5.1%, a 0.1%

decrease from the previous month. November official manufacturing PMI and non-manufacturing business activity index came in at 50.2% and 54.4%, respectively, indicating a better than expected improvement in supply and demand, though PPI deflationary pressure persisted. In November, the central bank unexpectedly reduced the interest rate on its one-year medium-term lending facility (MLF) and the 7-day repo rate, causing a simultaneous decrease in one-year and five-year loan prime rates (LPR). The first LPR-based floating-rate bonds were issued in this month.

Hong Kong economy still faces considerable downward pressure and the annual growth rate has been revised down to -1.3%

Hong Kong lowered its growth forecast for 2019 to -1.3%. The economy may further deteriorate in the fourth quarter. The October PMI came in at 39.3, recording the largest drop for the past 21 years. Tourists to Hong Kong in October plunged for the fourth consecutive month by 43.7%. Retail sales continued to decline, likely to post the largest drop on record. Unemployment rate crept up by 0.2% over the previous number to 3.1%. Most sectors saw a rise in unemployment rate, but the increase was most significant in consumption- and tourism-related segments. After the Policy Address unveiled a number of property measures, trading in the residential property market seemed to recover and stabilize, and the property prices showed an upward trend with some fluctuations.

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