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HK ECONOMIC GROWTH AT NEAR DECADE LOW

Estimates for exports and consumer spending add to gloomy picture, but improving stock and property markets augur well looking ahead

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Hong Kong's economy has grown at its slowest quarterly rate in nearly a decade, reduced to a near standstill by weak consumer demand and shock waves from the US-China trade war, but the situation is expected to improve in the near future.

Releasing advance estimates for the first time, the city yesterday reported a 0.5 per cent increase in gross domestic product for the first quarter, the smallest increase since the third quarter of 2009.

The weak milestone continues a worrying trend, also affected by cooling property prices and volatile stock markets, with the economy growing at a sluggish 1.2 per cent pace in the fourth quarter of last year.

"The real GDP growth eased to 0.5 per cent in the first quarter of 2019 on a year-on-year basis, weighed down by the weaker performance of the global economy and various external headwinds," a government spokesman said.

"The modest year-on-year growth in the first quarter also reflected the high base of comparison in the same quarter of last year, when the economy grew strongly by 4.6 per cent."

The government also noted that GDP grew 1.2 per cent in real terms in the first quarter of 2019, compared with the fourth quarter of 2018.

Financial Secretary Paul Chan Mo-po had estimated the city's economy would grow by 2 to 3 per cent this year when he announced the annual budget in February. Last year the full-year figure was 3 per cent.

Chan warned on Sunday that the city's first-quarter GDP could not escape the impact of the trade war or the weaker manufacturing and trade numbers reported in most Asian economies over the same period.

According to yesterday's estimates, total exports of goods fell 4.2 per cent in real terms for the first quarter over the same period last year. Exports of services rose by 1.4 per cent. Private consumption expenditure performed even worse, with just 0.1 per cent growth – contrasting sharply with 2.7 per cent growth in the last quarter of 2018.

"Overall investment expenditure contracted as business sentiment has turned cautious since the latter part of last year," the spokesman said, but noted that the sustained expansion of inbound tourism continued to provide support.

Chinese University associate professor of economics Terence Chong Tai-leung said he had expected the overall growth estimate would be low because of the gloomy local economic scene, as well as stock and property market troubles, from late last year to February.

But he was optimistic that growth in the second quarter could jump to at least 2 per cent based in part on improvements in the stock and property markets in March and April.

"Basically, the figure this quarter should hit the lowest point ... [Taking into account last year's lower base figures] and the current economic recovery, the figures will continue to rise this year," he said.

Economist Andy Kwan Cheuk-chiu, director of the ACE Centre for Business and Economic Research, agreed the estimate for the first quarter had almost hit the bottom for this year, and there should be an improvement in the following quarters.

> ECONOMIC MOOD SOURS A3

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> TERENCE CHONG, CHINESE UNIVERSITY

ECONOMY

Economic mood sours as manufacturers report negative sentiment

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The surprise uplift in mood caused by better-than-expected first-quarter economic growth in China, the United States and the euro zone proved to be short-lived, after a raft of negative sentiment was reported from factories and manufacturers this week.

After Tuesday's report that China's purchasing managers' index (PMI) slipped back to 50.1 from 50.5 in March, the dampened mood seemed to spread like a virus to other exporting economies, highlighting the effect the US-China trade war was having on global investment decisions.

In the US, the Institute for Supply Management's manufacturing sentiment index fell to a two-and-a-half-year low in April, showing that factory conditions in the US were worsening, despite strong gross domestic product (GDP) growth.

The news was only a bit better out of South Korea for April. Its Nikkei PMI inched back into expansionary territory, rising to 50.2 from 48.8 in March. This indicated a modest improvement in the economy, which posited a surprise 0.3 per cent decline in GDP growth over the first quarter.

But even then, major subcomponents remained weak. New export orders shrank for a ninth month in a row, the longest consecutive decline since 2015.

Yesterday's news from Taiwan was also nothing to cheer about. Its PMI fell to 48.2 in April from 49.0 in March, with production dropping for the eighth straight month on declines in both export and overall orders.

Meanwhile, manufacturing sentiment among the Association of Southeast Asian Nations (Asean), was mixed at best, with the overall PMI basically stable at 50.4, from 50.3 a month earlier.

While still weak, that was the highest reading in five months, making it almost good news in context.

Three Asean countries reported modest increases in their PMIs (Myanmar, Vietnam and Thailand), while four reported declines (the Philippines, Indonesia, Malaysia and Singapore), with the latter two showing contractions in their manufacturing sectors.

But all was not doom and gloom. Thailand's April PMI was one of the brighter spots, with the index rising to 51.0 in April from 50.3 in March, on gains in both new orders and production.

Indonesia was not so fortunate. Its PMI fell sharply to 50.4 in April from 51.2 in March, on slower production growth and stagnant overall orders. However, export orders rose for the first time in a year and a half.

With an April PMI of 47.4, Singapore's manufacturers continue to wane. In March, its non-oil domestic exports dropped 11.7 per cent, compared to a rise of 4.9 per cent in the previous month.

GDP growth shrank to 1.3 per cent from 1.9 per cent the prior quarter.