

Global Economy in the Third Quarter of 2010

In the third quarter of 2010, the world economic recovery was proceeding under the auspices of the economic stimulus packages pushed toward by the major economies. However, worries about the sustainability of the recovery grew as most advanced economies still logged high unemployment rate, while some of the European countries left unsettled by their sovereign debt crisis. The *World Economic Outlook (WEO)* of the International Monetary Fund (IMF) released in October 2010 indicated that the pace of the global recovery, though continued, remained vulnerable in view of the sluggish recovery in Europe and the uncertainty of the US economy; nevertheless, many emerging and developing economies saw strong growth. The world economy was projected to grow by 4.8% in 2010, up by 0.2 percentage point from the July *WEO Update*, while the forecast for 2011 was revised downward by 0.1 percentage point to 4.2%.

In the US, the pace of economic recovery accelerated slightly attributable to the continuous relaxing monetary policy, which boosted consumer spending and private investment. Gross Domestic Product (GDP) expanded by 3.2% year-on-year in the third quarter of 2010, marking positive growth for four consecutive quarters; meanwhile, quarter-to-quarter increase of GDP went up from 1.7% in the second quarter to 2.5%, of which private consumption expenditure and private investment contributed 2.0 and 1.5 percentage points respectively, and government final consumption expenditure and investment added 0.8 percentage point. However, the employment environment remained weak, with the unemployment rate staying high at 9.5% as in the previous quarter; the seasonally adjusted rate was 9.6%, down slightly by 0.1 percentage point from the preceding quarter.

The Euro zone economy underperformed as some member states were still affected by the sovereign debt crisis. Quarter-to-quarter GDP growth moderated from 1.0% in the second quarter to 0.4% in the third quarter of 2010, while year-on-year increase edged down by 0.1 percentage point to 1.9%. Economic expansion in the third quarter was mainly spurred by exports that contributed 0.7 percentage; consumption expenditure of households and non-profit institutions, and government final consumption expenditure both contributed 0.1 percentage point to the rate of increase; however, gross fixed capital formation and inventory made no contribution to the economic growth. The employment situation continued to improve, with the unemployment rate dropping for two straight quarters, from 9.9% in the previous quarter to 9.7%.

In the UK, the third quarter GDP grew by 2.8% year-on-year fuelled by favourable performance of the service sector and the construction sector; the economy expanded by 0.8% quarter-to-quarter, down slightly from the 1.2% increase in the previous quarter, of which external trade surplus contributed 0.4 percentage point, and gross fixed capital formation and household final consumption expenditure both contributed 0.2 percentage point. Job market improved amid better economic environment, with the unemployment rate going down by 0.1 percentage point to

7.7%.

The Asian economies showed continuous growth upon sustained recovery of the global manufacturing sector that boosted exports and investment in the Asian region. IMF projected that the newly industrialized Asian economies^a to expand by 7.8%, the ASEAN 5^b by 6.6%, the Middle East and the North African region by 4.1%, while the economy of India and Mainland China are expected to increase substantially by 9.7% and 10.5% respectively.

In Japan, quarter-to-quarter GDP growth climbed from 0.4% in the second quarter to 0.9% in the third quarter of 2010, marking economic growth for four consecutive quarters; the economy expanded by 4.4% year-on-year. Economic growth was spurred by rising private demand that contributed 0.9 percentage point to the quarter-to-quarter rate of increase; however, public demand and external trade made no contribution to the economic growth. The unemployment rate went down from 5.3% in the previous quarter to 5.1%, similar to that in the first quarter.

Economic growth in Mainland China moderated on the back of a series of economic control measures to curb inflation, prevent asset bubble and overheated investment. The third quarter GDP lowered from 10.3% in the previous quarter to 9.6% year-on-year. GDP for the first three quarters of 2010 grew by 10.6%, up by 2.5 percentage points over the same period of 2009. Compared with the increment in the first three quarters of 2009, value added of the above-scale industries^c rose by 16.3% year-on-year, up by 7.6 percentage points; fixed asset investment increased by 24.0%, down by 9.4 percentage points; meanwhile, retail sales of consumer goods went up by 18.3%, up by 3.2 percentage points, with that of automobile rising by 34.9%. Total value of imports and exports registered an increase of 37.9%, but external trade surplus narrowed by 11.0% to USD 120.6 billion. CPI for the third quarter rose further to 2.9%, with the September index rising by 3.6% year-on-year, at 2-year high for a single month.

Economic growth of the Mainland and other Asian economies supported the Hong Kong economy to maintain steady expansion. GDP for the third quarter rose by 6.8% year-on-year (as against a 6.5% growth in the second quarter); the economy expanded by 0.7% quarter-to-quarter after seasonal adjustment, marking the sixth quarter of continuous growth. Compared with the third quarter of 2009, private consumption expenditure and government final consumption expenditure increased by 5.7% and 3.4% respectively; gross fixed capital formation edged up by 0.3%; merchandise exports and imports rose by 27.8% and 24.1% respectively. The job market improved upon favourable performance of the economy, with the unemployment rate dropping from 4.7% in the previous quarter to 4.4%.

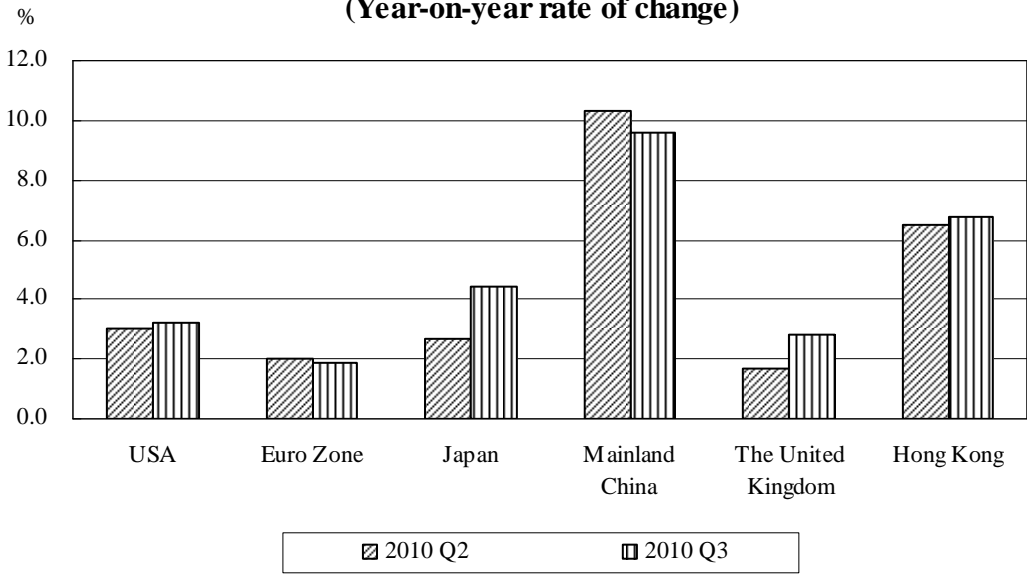
^a Korea; Taiwan, China; Hong Kong and Singapore

^b Indonesia, Malaysia, the Philippines, Thailand and Vietnam

^c According to the definition of the National Bureau of Statistics of China, it refers to industrial enterprises with annual sales revenue of RMB 5 million or over.

GDP of the world's major economies

(Year-on-year rate of change)



1. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD (YEAR-ON-YEAR COMPARISON)

	Year-on-year rate of change (%)							
	2007	2008	2009	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3
USA								
Gross Domestic Product	1.9	-	-2.6	-2.7	0.2	2.4	3.0	3.2
Exports of goods	11.9	12.1	-18.0	-21.5	-1.0	20.5	25.3	20.5
Imports of goods	5.6	7.5	-25.9	-28.8	-7.4	21.2	31.8 ^f	22.8
Consumer Price Index	2.8	3.8	-0.4	-1.6	1.4	2.4	1.8	1.2
Unemployment rate	4.6	5.8	9.3	9.6	9.5	10.4	9.5	9.5
Euro area ^a								
Gross Domestic Product	2.8 ^f	0.4 ^f	-4.1	-4.0	-2.0	0.8	2.0 ^f	1.9
Exports of goods	8.7	3.9	-18.1 ^f	-18.7 ^f	-9.3 ^f	12.9	22.3 ^f	22.6
Imports of goods	6.4	8.2	-22.1	-25.8 ^f	-14.4 ^f	9.5 ^f	27.2 ^f	26.1
Consumer Price Index	2.1	3.3	0.3	-0.4	0.4	1.1	1.5	1.7
Unemployment rate	7.5	7.6 ^f	9.4	9.4	9.8	10.5 ^f	9.9 ^f	9.7
Germany								
Gross Domestic Product	2.7	1.0	-4.7	-4.4	-1.3	2.2 ^f	4.3 ^f	3.9
Exports of goods	8.1	2.0	-17.9	-19.0	-6.4	10.3	24.2	22.3
Imports of goods	4.9	4.7	-16.4	-18.9	-12.6	5.6	25.1	22.5
Consumer Price Index	2.3	2.6	0.3	-0.2	0.4	0.8	1.1	1.2
Unemployment rate	9.0	7.8	8.2	8.2	7.7	8.6	7.8	7.5
French								
Gross Domestic Product	2.3	0.1	-2.5 ^f	-2.7 ^f	-0.5	1.1 ^f	1.6 ^f	1.8
Exports of goods	3.4	2.7	-17.3	-16.9 ^f	-10.3 ^f	7.5 ^f	12.5 ^f	14.0
Imports of goods	6.0	5.3	-17.7 ^f	-21.3 ^f	-8.8 ^f	6.0 ^f	13.5	19.0
Consumer Price Index	1.5	2.8	0.1	-0.4	0.4	1.3	1.6	1.5
Unemployment rate	8.4	7.8	9.5	9.4	10.2 ^f	10.2	9.4 ^f	9.8
The United Kingdom								
Gross Domestic Product	2.6	0.5	-5.0 ^f	-5.4 ^f	-3.0 ^f	-0.3 ^f	1.7	2.8
Exports of goods	-9.3	14.1	-9.7	-14.2 ^f	0.5	11.7 ^f	20.1 ^f	17.3
Imports of goods	-2.9	11.1	-10.2 ^f	-15.0 ^f	-0.7 ^f	9.5 ^f	18.8 ^f	20.0
Consumer Price Index	2.3	3.6	2.2 ^f	1.4	2.1	3.3	3.4	3.1
Unemployment rate	5.3	5.7	7.6	7.9	7.8	8.0	7.8	7.7

^a The Euro area consists of 16 member states from 2009 onwards.

Source : U.S. Bureau of Economic Analysis, U.S. Census Bureau, U.S. Bureau of Labor Statistics

Eurostat

Federal Statistical Office of Germany

National Institute of Statistics and Economic Studies of France; French Customs

Office for National Statistics of United Kingdom

1. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD (YEAR-ON-YEAR COMPARISON)

Year-on-year rate of change (%)

2/2

	2007	2008	2009	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3
Mainland China								
Gross Domestic Product	11.9	9.0	8.7	9.1	10.7	11.9	10.3	9.6
Exports of goods	25.7	17.3	-15.9	-20.3	0.2	28.7	40.9	32.2
Imports of goods	20.7	18.5	-11.3	-11.7	22.4	64.7 ^f	43.6 ^f	27.2
Consumer Price Index ^a	4.8	5.9	-0.7	-1.1	-0.7	2.2	2.6	2.9
Hong Kong								
Gross Domestic Product	6.4	2.2	-2.8	-2.4	2.5	8.0	6.5	6.8
Exports of goods	9.2	5.1	-12.6	-14.3	-2.0	26.0	24.3	27.8
Imports of goods	10.3	5.5	-11.0	-10.4	3.4	34.3	29.9	24.1
Consumer Price Index	2.0	4.3	0.5	-0.9	1.3	1.9	2.6	2.3
Unemployment rate	4.0	3.6	5.4	5.7 ^f	4.7 ^f	4.4	4.7 ^f	4.4
Taiwan, China								
Gross Domestic Product	6.0	0.7	-1.9	-1.2 ^f	9.2 ^f	13.6 ^f	12.9 ^f	9.8
Exports of goods	10.1	3.6	-20.3	-20.9	16.9	52.5	46.2	27.2
Imports of goods	8.2	9.7	-27.5	-29.6	18.1	78.3	53.9 ^f	31.6
Consumer Price Index	1.8	3.5	-0.9	-1.4	-1.3	1.3	1.1	0.4
Unemployment rate	3.9	4.1	5.9	6.1	5.9	5.7	5.2	5.1
Japan								
Gross Domestic Product	2.4	-1.2	-5.2	-5.1 ^f	-0.9 ^f	5.0 ^f	2.7 ^f	4.4
Exports of goods	11.5	-3.5	-33.1	-34.4	-8.0	43.3	33.2	17.8
Imports of goods	8.6	8.0	-34.8	-39.5	-20.9	18.9	27.9 ^f	14.5
Consumer Price Index	-	1.4	-1.4	-2.2	-2.0	-1.2	-0.9	-0.8
Unemployment rate	3.9 ^f	4.0	5.1	5.4	5.0	5.1	5.3	5.1
Republic of Korea								
Gross Domestic Product	5.1	2.3	0.2	1.0	6.0	8.1	7.2	4.5
Exports of goods	14.1	13.6	-13.9	-17.6	11.7	35.8 ^f	33.1	23.9
Imports of goods	15.3	22.0	-25.8	-31.0	1.4	37.4 ^f	43.1	24.3
Consumer Price Index	2.5	4.6	2.8	2.0	2.4	2.7	2.6	2.9
Unemployment rate	3.2	3.2	3.6	3.6	3.3	4.7	3.5	3.5
Singapore								
Gross Domestic Product	8.5	1.8	-1.3	1.8	3.8	16.9	19.5 ^f	10.6
Exports of goods	4.4	5.8	-18.0	-20.0	4.9	28.2	29.1	20.1
Imports of goods	4.5	13.9	-21.0	-22.8	-2.7	25.5	26.4 ^f	15.7
Consumer Price Index	2.1	6.6	0.6	-0.3	-0.8	0.9	3.1	3.4
Unemployment rate	2.1	2.2	3.0	2.9	2.1	2.1	2.8 ^f	1.8

^a Accumulated year-on-year comparison

Source : China National Bureau of Statistics

Hong Kong SAR Census and Statistics Department

Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan, China; Ministry of Economic Affairs, Taiwan, China

Economic and Social Research Institute of Japan; Ministry of Finance of Japan; Statistics Bureau of Japan

National Statistics Office of Republic of Korea; Bank of Korea

The Singapore Department of Statistics

2. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD (COMPARISON WITH PRECEDING PERIOD)

	Change from preceding period (seasonally adjusted) (%)							
	2007	2008	2009	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3
USA								
Gross Domestic Product	1.9	-	-2.6	1.6	5.0	3.7	1.7 ^f	2.5
Exports of goods	11.9	12.1	-18.0	6.2	7.8	5.6	3.4 ^f	2.3
Imports of goods	5.6	7.5	-25.9	9.0	7.3	6.0	6.3	1.6
Consumer Price Index	2.8	3.8	-0.4	0.9	0.6	0.4	-0.2	0.4
Unemployment rate ^a	4.6	5.8	9.3	9.6	10.0	9.7	9.7	9.6
Japan								
Gross Domestic Product	2.4	-1.2	-5.2	-0.4 ^f	1.0	1.6 ^f	0.4 ^f	0.9
Exports of goods	11.5 ^f	-3.5 ^f	-33.1 ^f	6.3 ^f	12.2 ^f	42.8 ^f	32.7	18.6
Imports of goods	8.6 ^f	8.0 ^f	-34.8	3.8 ^f	6.9 ^f	19.8 ^f	28.2 ^f	13.9
Consumer Price Index	-	1.4	-1.4	-0.5	-0.3	0.2	-0.9	-0.8
Unemployment rate ^a	3.9	4.0	5.1	5.4	5.2	4.9	5.2	5.1
Hong Kong								
Gross Domestic Product	6.4	2.2	-2.8	0.3	2.4	2.1	1.4	0.7
Exports of goods	9.2	5.1	-12.6	-3.6	9.1	8.9	3.9	0.1
Imports of goods	10.3	5.5	-11.0	3.2	7.6	9.7	0.2	-1.1
Consumer Price Index	2.0	4.3	0.5	-1.1	2.2	1.0	0.5	-1.4
Unemployment rate ^a	4.0	3.6	5.4	5.4	5.1	4.4	4.6	4.2

^a Unemployment rate after seasonal adjustment

Source : U.S. Bureau of Economic Analysis, U.S. Census Bureau, U.S. Bureau of Labor Statistics

Economic and Social Research Institute of Japan; Ministry of Finance of Japan; Statistics Bureau of Japan

Hong Kong SAR Census and Statistics Department