

Global Economy in the Second Quarter of 2009

With the introduction of a series of economic stimulus measures by the major economies, the rate of contraction of the world economy, particularly the Asian region, moderated in the second quarter following a substantial decline in the first quarter. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) released in July 2009 indicated that the global economy is beginning to pull out of a recession, but stabilization is uneven and the recovery is expected to be sluggish; global activity is projected to contract by 1.4% in 2009, down by 0.1 percentage point from the April 2009 *WEO*; the global economy is expected to pick up by 2.5% in 2010, which is 0.6 percentage point higher than envisaged in April.

The economy of the United States experienced four consecutive quarters of negative growth triggered by continuous decrease of consumer spending and private investment, yet expanded public investment has eased the pace of contraction. In the second quarter of 2009, Gross Domestic Product (GDP) shrank by 3.9%¹ year-on-year, with private domestic investment seeing three straight quarters of double-digit decline to fall by 28.3% this quarter; private consumption expenditure decreased by 1.8% whereas government spending and investment rose by 2.4%. The economy contracted by 1.0% quarter-to-quarter², improving significantly from the 6.4% decrease in the first quarter. External merchandise trade fell sharply, with value of imports and exports plummeting by 34.7% and 25.9% respectively. Protracted decline of market demand and investment caused the Consumer Price Index (CPI) to drop by 1.2%; conditions of the labour market deteriorated further, with the unemployment rate rising by 0.3 percentage point from the first quarter to 9.1%.

The Euro zone economy contracted by 4.7% in the second quarter upon shrinking exports and investment, with private spending and gross fixed capital formation falling by 0.8% and 10.9% respectively. The second quarter GDP fell by 0.1% quarter-to-quarter, moderating from the 2.5% decrease in the first quarter. External trade remained sluggish, with value of imports and exports of goods dropping markedly by 26.5% and 24.0% respectively. The unemployment rate was staying high at 9.3%; CPI went up slightly by 0.2%.

The German economy was dragged down by shrinking exports, with the second quarter GDP decreasing by 7.1% year-on-year, yet reversing the quarter-to-quarter decline for two consecutive quarters to register a modest growth of 0.6%. Value of merchandise imports and exports fell by 21.6% and 25.7% year-on-year respectively. Unemployment rate went down by 0.2 percentage point quarter-to-quarter to 8.3%; CPI rose mildly by 0.3%.

In France, the second quarter GDP dropped by 2.6% year-on-year but rose by 0.3% quarter-to-quarter, with private consumption expenditure and government spending rising by

¹ Unless otherwise specified, all rates of change mentioned in this analysis are comparisons of the second quarter of 2009 with the corresponding quarter of 2008.

² Quarter-to-quarter growth refers to the rate of change of the reference quarter over the previous quarter, i.e. the comparison between two consecutive quarters.

0.3% and 0.5% respectively over the previous quarter. Value of merchandise imports and exports went down by 21.9% and 22.0% respectively. Conditions of the labour market remained difficult, with the unemployment rate staying high at 9.1%; CPI dropped slightly by 0.2%.

Prolonged economic contraction in the UK posed a 5.6% year-on-year decrease of the second quarter GDP. Quarter-to-quarter, GDP shrank by 0.8%, in which industrial output dropped by 0.7%, construction and services fell by 2.2% and 0.6% respectively, slowing down from the decline in the first quarter. Value of merchandise imports and exports decreased further by 15.4% and 15.1% respectively. The slackened job market exacerbated, pushing the unemployment rate up notably by 0.7 percentage point from the first quarter to 7.8%; CPI registered an increase of 2.1%.

The Asian economies showed disappointing growth in the second quarter on account of continuous decrease of exports, with obvious improvement from the first quarter. In Japan, the second quarter GDP decreased by 6.4% upon protracted decline of exports, private consumption and investment. Quarter-to-quarter, GDP rebounded by 0.9% after four consecutive quarters of negative growth, attributable to an 8.1% increase of public investment. Value of merchandise imports and exports plunged further by 40.1% and 38.5% year-on-year. The unemployment rate surged by 0.6 percentage point quarter-to-quarter to 5.2%; CPI went down by 1.0% year-on-year.

The economy of the Republic of Korea shrank by 2.5% in the second quarter of 2009 upon shrinking private consumption and gross fixed capital formation. External trade saw continuous drop, with value of merchandise imports and exports decreasing by 36.2% and 20.4%. The unemployment rate held stable as the first quarter, at 3.8%; CPI increased by 2.8%.

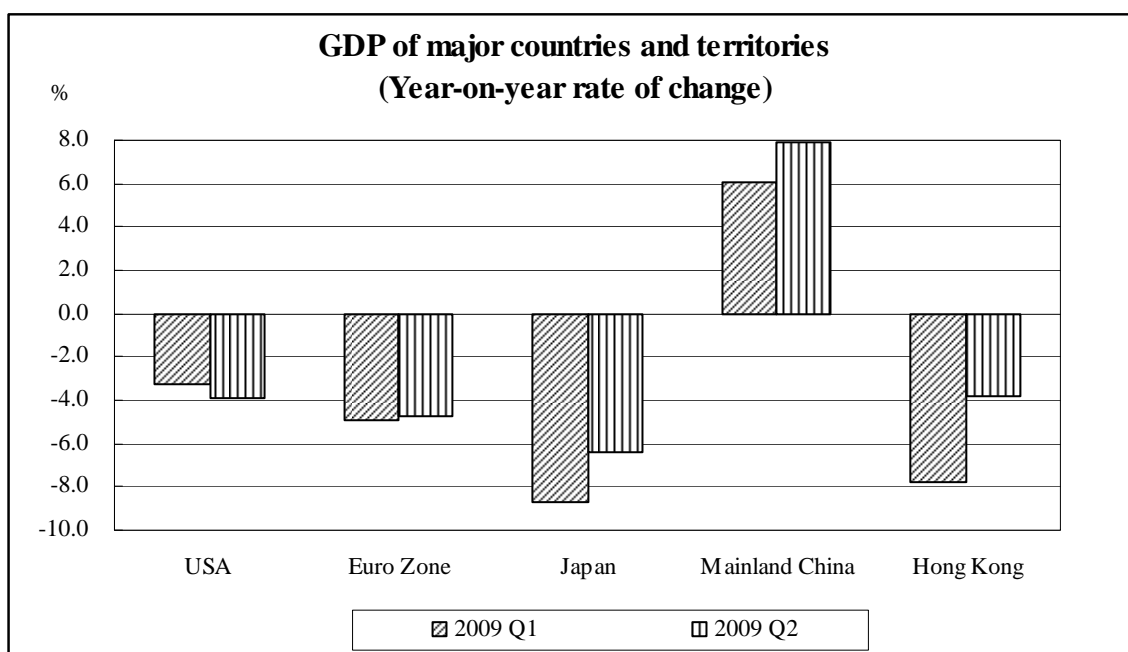
Pace of economic downturn in Singapore moderated when the second quarter GDP contracted by 3.5%, with manufacturing decreasing by 2.4%, wholesale and retail trade 13.8% and financial services 4.5%; however, business services rose by 2.7%. Value of merchandise imports and exports fell by 28.3% and 25.3% respectively. Conditions of the job market deteriorated substantially, with the unemployment rate soaring by 1.2 percentage points quarter-to-quarter to 4.2%; CPI decreased by 0.5% year-on-year.

GDP of Taiwan, China declined by 7.5% in the second quarter due to continuous decrease of industrial production, in which manufacturing slackened by 19.8%, wholesale and retail 4.9%, as well as financial and insurance services 4.2%. Value of merchandise imports and exports saw marked decrease of 37.8% and 32.0% respectively. Unemployment rate went up by 0.2 percentage point quarter-to-quarter to 5.8%; CPI recorded a decrease of 0.9%.

Attributable to rising consumption and merchandise exports, decline of the second quarter GDP of Hong Kong eased to 3.8%. Quarter-to-quarter, GDP grew by 3.3%, with private consumption expenditure and government spending expanding by 4.0% and 1.5% respectively. The decrease of external trade tapered off with value of merchandise imports and exports dropping by 14.9% and 12.9% respectively. Unemployment rate increased notably by 0.4

percentage point from the first quarter to 5.5%; CPI went down by 0.1% year-on-year.

The pace of economic expansion of Mainland China accelerated upon increasing investment and domestic demand, with the second quarter GDP growing by 7.9%. For the first half year of 2009, fixed assets investment rose by 33.5%, up by 7.2 percentage points year-on-year; retail sales of consumer goods climbed by 16.6% in real terms, an increase of 3.7 percentage points, while consumer prices fell by 1.1% year-on-year. External merchandise trade continued to retreat, with value of imports and exports decreasing by 20.4% and 23.4% respectively in the second quarter; the respective value for the first half year shrank by 25.4% and 21.8% respectively, with the trade surplus amounting to USD 96.9 billion, down by USD 2.1 billion year-on-year. Foreign exchange reserve totalled USD 2,131.6 billion at the end of June 2009, up by 17.8% from a year earlier.



I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	Year-on-year rate of change (%) 1/2							
	2006	2007	2008	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
USA								
Gross Domestic Product	2.7 ^f	2.1 ^r	0.4 ^f	1.6 ^f	- ^r	-1.9 ^f	-3.3 ^f	-3.9
Exports of goods	13.2 ^f	11.9 ^f	12.1 ^f	18.8 ^f	17.3 ^r	-3.3 ^f	-21.5 ^f	-25.9
Imports of goods	10.8 ^f	5.6	7.5 ^f	14.6 ^f	14.5 ^f	-9.4	-30.1 ^f	-34.7
Consumer Price Index	3.2	2.8	3.8	4.4	5.3	1.6	-	-1.2
Unemployment rate	4.6	4.6	5.8	5.2	6.0	6.6	8.8	9.1
Euro area ^a								
Gross Domestic Product	2.9	2.6	0.8	1.5	0.5	-1.7	-4.9 ^f	-4.7
Exports of goods	11.7 ^f	11.0 ^f	3.9	8.5 ^f	5.7 ^f	-5.0 ^f	-21.3 ^f	-24.0
Imports of goods	13.7	8.4 ^f	7.4 ^f	11.1 ^f	12.6 ^f	-2.3 ^f	-20.8 ^f	-26.5
Consumer Price Index	2.2 ^f	2.1 ^f	3.3	3.6 ^f	3.8	2.3	1.0	0.2
Unemployment rate	8.4 ^f	7.5	7.5	7.3 ^f	7.3 ^f	7.9	9.3 ^f	9.3
Germany								
Gross Domestic Product	3.2 ^f	2.5	1.3	3.4	1.4	-1.7	-6.4 ^f	-7.1
Exports of goods	13.6	8.1	3.1 ^f	8.5 ^f	4.1 ^f	-6.0 ^f	-21.2 ^f	-25.7
Imports of goods	16.9	4.9	6.3 ^f	8.1 ^f	10.9 ^f	0.2 ^f	-14.7 ^f	-21.6
Consumer Price Index	1.6	2.3	2.6	2.9	3.1	1.7 ^f	0.8	0.3
Unemployment rate	10.8	9.0	7.8	7.8	7.6	7.2	8.5	8.3
French								
Gross Domestic Product	2.4	2.3	0.3	1.0	0.1	-1.6 ^f	-3.4 ^f	-2.6
Exports of goods	9.5 ^f	3.9 ^f	2.3	4.1 ^f	2.7 ^f	-6.9 ^f	-22.1 ^f	-22.0
Imports of goods	10.4 ^f	6.0 ^f	5.2 ^f	8.2 ^f	6.9 ^f	-5.6 ^f	-18.3 ^f	-21.9
Consumer Price Index	1.7 ^f	1.5	2.8	3.3	3.3	1.8	0.6	-0.2
Unemployment rate	9.2 ^f	8.4	7.8	7.4 ^f	7.6 ^f	8.4 ^f	9.3 ^f	9.1
The United Kingdom								
Gross Domestic Product	2.9 ^f	2.6 ^f	0.7	1.8	0.5 ^f	-1.8 ^f	-4.9 ^f	-5.6
Exports of goods	15.1	-9.3	13.7	18.0 ^f	18.3 ^f	5.4 ^f	-7.4 ^f	-15.1
Imports of goods	14.2	-2.9	10.7	17.1 ^f	12.5	1.8 ^f	-8.7 ^f	-15.4
Consumer Price Index	2.3	2.3	3.6	3.3 ^f	4.9 ^f	3.9	3.0	2.1
Unemployment rate	5.4	5.3	5.7	5.4	5.8	6.3	7.1	7.8

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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	Year-on-year rate of change (%) 2/2							
	2006	2007	2008	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
Mainland China								
Gross Domestic Product	11.6	11.9	9.0	10.1	9.0	6.8	6.1	7.9
Exports of goods	27.2	25.7	17.3	22.2	23.1	4.4	-19.7	-23.4
Imports of goods	20.0	20.8	18.5	32.6	25.9	-9.0	-30.9	-20.4
Consumer Price Index ^a	1.5	4.8	5.9	7.9	7.0	5.9	-0.6	-1.1
Hong Kong								
Gross Domestic Product	7.0	6.4	2.4	4.1	1.5	-2.6	-7.8	-3.8
Exports of goods	9.4	9.2	5.1	7.8 ^f	5.5	-2.1	-21.9	-12.9
Imports of goods	11.6	10.3	5.5	9.1 ^f	7.0 ^f	-4.2	-22.8	-14.9
Consumer Price Index	2.0	2.0	4.3	5.7	4.6	2.3	1.7	-0.1
Unemployment rate	4.8	4.0	3.6	3.3	3.7 ^f	3.9 ^f	5.1	5.5
Taiwan, China								
Gross Domestic Product	4.8	5.7	0.1	4.6	-1.1	-8.6	-10.1 ^f	-7.5
Exports of goods	12.9	10.1	3.6	18.5	8.0	-24.7	-36.7 ^f	-32.0
Imports of goods	11.0	8.2	9.7	19.2	19.7	-23.0	-47.2	-37.8
Consumer Price Index	0.6	1.8	3.5	4.2	4.5	1.8 ^f	0 [#]	-0.9
Unemployment rate	3.9	3.9	4.1	3.9	4.2	4.7	5.6	5.8
Japan								
Gross Domestic Product	2.0	2.3	-0.7	0.6	-0.3	-4.3	-8.7 ^f	-6.4
Exports of goods	14.6	11.5	-3.5 ^f	1.8	3.2	-23.1	-46.9	-38.5
Imports of goods	18.3	8.6	8.0 ^f	11.2 ^f	21.1 ^f	-9.5	-37.0	-40.1
Consumer Price Index	0.3	-	1.4	1.4	2.2	1.0	-0.1	-1.0
Unemployment rate	4.1	3.8 ^f	4.0	4.0	4.0	3.9	4.6	5.2
Republic of Korea								
Gross Domestic Product	5.2	5.1	2.2	4.3	3.1	-3.4	-4.2 ^f	-2.5
Exports of goods	14.4	14.1	13.6	23.1	27.0	-9.9	-25.0 ^f	-20.4
Imports of goods	18.4	15.3	22.0	30.5	42.8	-9.0	-32.8 ^f	-36.2
Consumer Price Index	2.3 ^f	2.5	4.6 ^f	4.8	5.5	4.5	3.9	2.8
Unemployment rate	3.5	3.2	3.2	3.1	3.1	3.1	3.8	3.8
Singapore								
Gross Domestic Product	8.4	7.8	1.1	2.5	-	-4.2	-9.5 ^f	-3.5
Exports of goods	12.8	4.4	5.8	13.2	11.4	-12.0	-27.8	-25.3
Imports of goods	13.7	4.5	13.9	21.4	22.2	-7.1	-27.6	-28.3
Consumer Price Index	1.0	2.1	6.5	7.5	6.6	5.4	2.1	-0.5
Unemployment rate	2.7	2.1	2.2	2.8 ^f	1.9 ^f	2.4 ^f	3.0 ^f	4.2

^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

I. PRINCIPAL ECONOMIC INDICATORS OF THE WORLD AND MACAO

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

	Change from preceding period (seasonally adjusted) (%)							
	2006	2007	2008	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
USA								
Gross Domestic Product	2,7 ^f	2,1 ^r	0,4 ^r	1,5 ^f	-2,7 ^r	-5,4 ^r	-6,4 ^f	-1.0
Exports of goods	13,2 ^f	11,9 ^f	12,1 ^r	5,2 ^f	1,7 ^r	-13,9 ^f	-14,1 ^r	-1.3
Imports of goods	10,8 ^f	5.6	7,5 ^r	3,9 ^f	0,9 ^r	-15,9 ^f	-20,4 ^f	-3.1
Consumer Price Index	3.2	2.8	3.8	1.1	1.5	-2.2	-0.6	0.3
Unemployment rate ^a	4.6	4.6	5.8	5.4	6,1 ^r	6.9	8.1	9.3
Japan								
Gross Domestic Product	2.0	2.3	-0.7	-1,1 ^f	-1,0 ^r	-3,5 ^f	-3,1 ^f	0.9
Exports of goods	14.9	11.6	-3.5	-6,5 ^f	-4,5 ^r	-19,8 ^r	-22,8 ^f	3.4
Imports of goods	18.5	8.2	7.8	- ^r	3,3 ^r	-18,2 ^r	-24,1 ^r	-6.6
Consumer Price Index	0.3	-	1.4	0.5	0.8	-0.6	-0.8	-0.4
Unemployment rate ^a	4.1	3.9	4.0	4.0	4.0	4.0	4.4	5.2
Hong Kong								
Gross Domestic Product	7.0	6.4	2.4	-1.0	-0.8	-1.9	-4.3	3.3
Exports of goods	9.4	9.2	5.1	0.2	-1.5	-3.7	-17.1	13.0
Imports of goods	11.6	10.3	5.5	1.6	-0.6	-5.4	-17.2	12.3
Consumer Price Index	2.0	2.0	4.3	1,5 ^f	-0,2 ^r	0,1 ^r	0,3 ^f	-0.2
Unemployment rate ^a	4.8	4.0	3.6	3.3	3.4	4.1	5.2	5.4

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