

Global Economy in the Fourth Quarter of 2004

Entering the fourth quarter of 2004, the sustained global economic recovery and gradual disappearing of the negative factors, which were once potentially detrimental to economic development, spurred private consumption demand and enterprises' willingness to invest. However, as factors that influenced the economy varied from country to country, economic growth differed among countries as well. In contrast to the recovery in the more developed economies such as the Euro Zone and Japan, recovery was more apparent in the newly industrialized and export-oriented countries and regions in Asia.

As indicated in the *OECD Economic Outlook* published in December 2004 by the Organization for Economic Cooperation and Development, despite the geopolitical risks and the pressure of rising oil price, the overall world economy was in a steady stride towards recovery. The organization, therefore, adjusted upward the 2004 forecast of economic growth for its member states to 3.6%, up 0.2 percentage point, and revised upward the forecasts for the Euro Zone and Japan to 1.8% and 4.0% respectively, up from the 1.6% and 3.0% predicted in June. However, it revised downward the forecast for the US from 4.7% to 4.4%. Moreover, the world trade volume (goods and services) was expected to grow 9.5% instead of the previously predicted 8.6%.

In the fourth quarter of 2004, economic growth in the US was less than what had been expected, with GDP growth at 3.9%^a, down from the slow growth of 4.0% in the third quarter; and quarter-to-quarter^b growth was only 3.8%. In contrast, private consumption and investments by enterprises went up 3.7% and 11.6% respectively. As regards external trade, growth rate in the total value of imports jumped from 18.6% in the third quarter to 19.6% in the fourth quarter due to an upsurge in energy prices; the total value of exports increased 11.0%. Moreover, the US is facing a serious problem of trade imbalance and the annual trade deficit (goods and services) amounted to USD 617.7 billion. The employment market, however, has slightly improved, with unemployment rate at 5.4%.

In Europe, spurred by the global economic recovery, the consumer confidence index, investments by enterprises and industrial production were all on the rebound. GDP of the Euro Zone recorded growth of 1.6% in the fourth quarter and 2.0% annually. Unemployment remained at a high 8.8%. The German economy showed signs of optimism in the fourth quarter, with private consumption rising 0.3% which reversed the downward trend that had lasted five quarters; in addition, owing to an increase of 2.9% in enterprises' fixed investments, the economy grew 1.5%

^a Unless otherwise specified, all rates of change mentioned in this analysis are comparisons of the fourth quarter of 2004 with the corresponding quarter of the previous year.

^b 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.

and manufacturing expanded 3.4%. Imports and exports of goods rose 7.4% and 8.7% respectively.

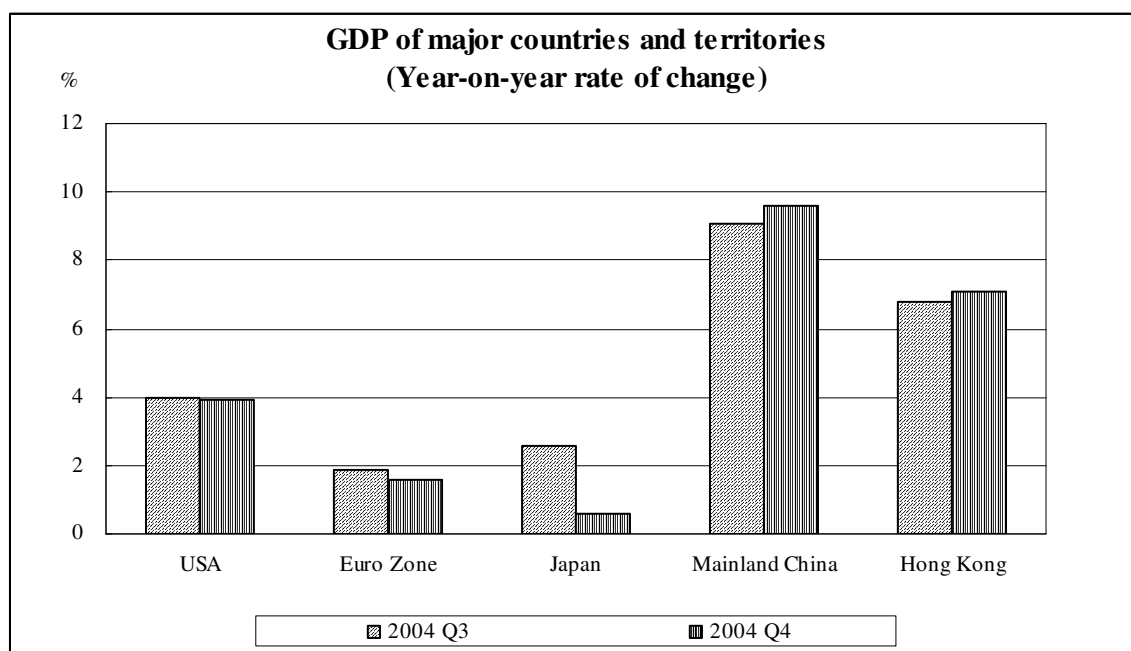
The UK economy continued to be steady, GDP up 2.8% in the fourth quarter of 2004. The growth was mainly driven by enterprises' investments (+4.9%) and by the service sector (+6.3%). However, the mining and construction sectors registered decline. Total value of imports and exports of goods grew 7.4% and 6.2% respectively. Meanwhile, unemployment rate inched up 0.1 percentage point to 4.7%. In France, the economy grew 2.2% in the fourth quarter, up from the 2.0% in the third quarter. Private consumption was better than expected, up 2.5%. External trade, however, remained unsatisfactory, with imports and exports of goods rising only 2.5% and 3.5% in value respectively. Moreover, the employment market had not improved, with unemployment rate rising to a new record high of 9.9%.

In Asia, as exports and internal demand grew more robust, economies across the region performed better than expected. Japan's economy recorded growth of 0.6% in the fourth quarter of 2004 and an annual growth rate of 2.6%. Deflation continued to ease and the annual 2004 Consumer Price Index (CPI) only slid 0.1%, the lowest decrease in five years. Imports and exports of goods jumped 17.0% and 11.2% respectively; unemployment rate dropped to a low 4.5%. In the Republic of Korea, imports and exports of goods had a remarkable performance, up 23.6% and 21.1% respectively and the industrial production index rose 6.7%. Unemployment rate dropped to 3.5%. However, private consumption demand and equipment investments by enterprises remained sluggish. As a result, the economic outlook of the country is not optimistic.

In Singapore, the economy grew steadily, up 6.5% in the fourth quarter of 2004. Among the sectors, manufacturing and wholesale & retail stood out, up 14.1% and 10.7% respectively. Moreover, unemployment rate in December stabilized at a low 3.7%; the Consumer Price Index (CPI) went up 1.7%. In Taiwan, China, driven by an upsurge of 43.7% in enterprises' investments, GDP grew 3.3% in the fourth quarter and 5.7% annually. Unemployment rate also improved, at 4.2%. However, external trade slowed; growth rates for the imports and exports of goods dropped from the 31.9% and 21.6% in the third quarter to 26.1% and 11.9% in the fourth quarter respectively.

In Hong Kong, driven by an improved business environment and an active property market, the economy was on a clear trend of recovery, especially in the tourism and its related sectors. GDP grew 7.1% in the fourth quarter and 8.1% annually. As regards external trade, as a weaker US dollar strengthened the competitiveness of the Hong Kong products, imports and exports of goods expanded 11.9% and 15.3% respectively. The Consumer Price Index (CPI) rose slightly by 0.2%. Employment situation improved as well, with unemployment rate falling 0.3 percentage point to 6.5%. Moreover, as a difficult issue that had lasted for quite some time, the government financial deficit finally eased, with the fourth quarter recording a surplus of HKD 19.9 billion.

In Mainland China, the economy was on a clear and steady growth trend. GDP went up 9.6% in the fourth quarter of 2004 and 9.5% annually. With a continuous influx of foreign capital, actual foreign investments reached USD 64 billion in 2004. Growth rate in fixed asset investments slowed, down from the 27.7% in 2003 to 25.8% in 2004, an indication of effective government macroeconomic controls. Imports and exports of goods increased 30.5% and 35.6% respectively and trade surplus expanded to USD 28 billion. At the end of December 2004, Mainland China's foreign exchange reserve amounted to USD 609.9 billion, an increase of USD 95.4 billion compared with the third quarter.



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 (%)							
	2002	2003	2004	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
USA								
Gross Domestic Product	1.9	3.0	4.4	4.4	5.0	4.8	4.0	3.9
Exports of goods	-4.9	4.5	13.0	9.8	13.2	13.6	14.4	11.0
Imports of goods	2.0	8.5	17.0	8.2	11.7	17.7	18.6	19.6
Consumer Price Index	1.6	2.3	2.7	1.9	1.8	2.9	2.7	3.3
Unemployment rate	5.8	6.0	5.5	5.9	5.6	5.6	5.5	5.4
Japan								
Gross Domestic Product	-0.3	1.4 ^r	2.6	3.4	5.6	4.2	2.6	0.6
Exports of goods	6.4	4.7	12.2	4.0	11.6	13.4	12.5	11.2
Imports of goods	-0.6	5.0	10.9	-0.5	4.3	9.0	13.0	17.0
Consumer Price Index	-0.9	-0.3	-0.1	-0.3	-0.1	-0.3	-0.1	0.3
Unemployment rate	5.4	5.3	4.7	5.1	4.9	4.6	4.8	4.5
Euro area								
Gross Domestic Product	0.9	0.5 ^r	2.0	0.8	1.6 ^r	2.2 ^r	1.9 ^r	1.6
Exports of goods	1.0	-2.9	8.4	-2.1	4.2	11.4	8.6	8.5
Imports of goods	-4.0	-0.5	8.5	-0.3	-0.3	8.3	13.5	11.6
Consumer Price Index	2.2	2.1	2.2	2.1	1.7	2.3	2.2	2.3
Unemployment rate	8.3	8.8	8.9	8.8	8.8	9.0	8.9	8.8
Mainland China								
Gross Domestic Product	8.0	9.1	9.5	9.9	9.7 ^r	9.6	9.1	9.6
Exports of goods	22.3	34.6	35.4	40.5	34.0	37.2	34.7	35.6
Imports of goods	21.2	39.9	36.0	38.5	42.2	42.9	30.1	30.5
Consumer Price Index ^a	-0.8	1.2	3.9	2.7	2.8	4.4 ^r	5.3 ^r	3.2
Hong Kong								
Gross Domestic Product	1.9	3.2	8.1	4.8 ^r	7.0	12.1	6.8 ^r	7.1
Exports of goods	5.4	11.7	15.9	11.4	13.0	17.8	17.2	15.3
Imports of goods	3.3	11.5	16.9	13.8	15.7	22.1	18.4	11.9
Consumer Price Index	-3.0	-2.6	-0.4	-2.3	-1.8	-0.9	0.8	0.2
Unemployment rate	7.3	7.9	6.8	7.3	7.2	6.9	6.8	6.5

^a Accumulated year-on-year comparison

^r Rectified data

Source: U.S. Bureau of Economic Analysis

U.S. Census Bureau

U.S. Bureau of Labor Statistics

Japan Economic and Social Research Institute

Japan Ministry of Finance

Japan Bureau of Statistics

Eurostat

China National Bureau of Statistics

Hong Kong SAR Census and Statistics Department

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) (%)							
	2002	2003	2004	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
USA								
Gross Domestic Product	1.9	3.0	4.4	4.2	4.5	3.3	4.0 ^r	3.8
Exports of goods	-4.9	4.5	13.0	5.7	3.4	2.4	2.5	1.8
Imports of goods	2.0	8.5	17.0	4.4	4.2	5.5	2.4	5.6
Consumer Price Index	1.6	2.3	2.7	0.2	0.9	1.2	0.5	0.8
Unemployment rate	5.8	6.0	5.5	5.9	5.6	5.6	5.5	5.4
Japan								
Gross Domestic Product	-0.3	1.4 ^r	2.6	1.4 ^r	1.4 ^r	-0.2 ^r	-0.3 ^r	-0.1
Exports of goods	6.4	4.7	12.2	2.4	2.8	4.9	1.5	1.0
Imports of goods	-0.6	5.0	10.9	-1.9	2.5	6.5	5.0	1.6
Consumer Price Index	-0.9	-0.3	-0.1	-0.2	0.2	-0.2	0.1	0.4
Unemployment rate	5.4	5.3	4.7	5.1	4.9	4.6	4.8	4.5
Hong Kong								
Gross Domestic Product	1.9	3.2	8.1	0.7 ^r	2.0 ^r	2.5 ^r	1.6 ^r	0.6
Exports of goods	5.4	11.7	15.9	7.4	4.5	5.8	0.3	4.1
Imports of goods	3.3	11.5	16.9	9.9	4.8	6.6	-1.4	2.0
Consumer Price Index	-3.0	-2.6	-0.4	0.3	0.0	0.0	0.0	0.1
Unemployment rate	7.3	7.9	6.8	7.3	7.2	6.9	6.8	6.5

r Rectified data

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

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

Hong Kong SAR Census and Statistics Department