

Global Economy in the Third Quarter of 2011

The world economy tended to slow down in the third quarter of 2011. The U.S. sovereign credit rating downgrade, the Euro zone financial turbulence triggered by exacerbating sovereign debt crisis, and accelerating inflation across the continents overcasted the world recovery with greater uncertainty. The *World Economic Outlook (WEO)* of the International Monetary Fund (IMF) in September 2011 indicated that the global economy is in a dangerous new phase; the advanced economies face intractable structural problems, with the process of devising and implementing reforms becoming even more complicated; the outlook for these economies is thus for a continuing, but weak and bumpy, expansion. Prospects for emerging economies become more uncertain, although growth is expected to remain fairly robust. The world economy is projected to grow by 4.0% in 2011, down by 0.3 percentage point from the June *WEO*; growth forecast for 2012 is revised downward by 0.5 percentage point to 4.0%.

Despite sustained recovery of the US economy, rate of growth was lower than expected. Gross Domestic Product (GDP) for the third quarter of 2011 expanded by 1.5% year-on-year and 2.0% quarter-to-quarter. The increment was still pushed forward by private consumption expenditure, non-residential fixed investment and exports, which contributed 1.6, 1.4 and 0.6 percentage point respectively to economic growth. However, decrease in inventory cutback in state and local government spending dragged down the rate of expansion by 1.6 and 0.2 percentage point respectively. Unemployment rate rose to 9.1%, up by 0.2 percentage point from the second quarter; the seasonally adjusted unemployment rate held stable as the previous quarter, at 9.1%.

Weakening growth of the Euro zone continued on account of the deepening sovereign debt crisis of certain member states. GDP increased by 1.4% year-on-year and 0.2% quarter-to-quarter in the third quarter of 2011. The expansion was spurred by increase in exports, as well as consumption expenditure of households and non-profit institutions that contributed 0.6 and 0.2 percentage point respectively. Unemployment rate rose slightly from 9.8% in the previous quarter to 9.9% amid the sluggish performance.

The service sector provided impetus to the rather lacklustre growth of the UK economy. GDP expanded by 0.5% both year-on-year and quarter-to-quarter in the

third quarter of 2011. Gross fixed capital formation and government final consumption expenditure contributed 0.7 and 0.2 percentage point to economic growth, yet trade balance dragged down the rate of increase by 0.4 percentage point. The economy saw little improvement and the unemployment rate soared further by 0.4 percentage point from the previous quarter to 8.3%.

Deceleration in growth of the Asian economies has started since the second quarter of 2011 due to shrinking external demand. The September *WEO* of IMF pointed out that the newly industrialized Asian economies¹ are projected to expand by 4.7%, the ASEAN 5² by 5.3%, the Middle East and the North African region by 4.0%, and the Chinese and Indian economies by 9.5% and 7.8% respectively in 2011, lower than the June forecast.

In Japan, year-on-year GDP growth held stable in the third quarter of 2011 and increased by 1.5% quarter-to-quarter. Economic growth was attributable to the increase in private domestic demand and exports, an indication of gradual recovery after the earthquake. Private domestic demand and exports contributed 1.1 and 0.4 percentage point respectively to the rate of expansion. Unemployment rate retreated by 0.3 percentage point over the previous quarter to 4.4%; the seasonally adjusted rate was also 4.4%, down by 0.2 percentage point quarter-to-quarter.

Implementation of a proactive fiscal policy and a sound monetary policy, the economy of Mainland China was moving towards the anticipated direction of macroeconomic control. GDP expanded by 9.1% year-on-year in the third quarter of 2011, down by 0.4 percentage point from the previous quarter; GDP growth for the first three quarters of 2011 was 9.4%, a decrease of 1.2 percentage points year-on-year. In the first three quarters of 2011, value added of the above-scale industries³ rose by 14.2% year-on-year, down by 0.1 percentage point compared with the increment in the first half year; fixed asset investment increased by 24.9%, down by 0.7 percentage point; retail sales of consumer goods rose by 17.0%, up by 0.2 percentage point, with sales of jewellery rising by 47.8%, petroleum and petroleum products by 39.3%, household furniture by 31.4% and automobile by 16.0%. Total value of external merchandise trade for the first three quarters registered an increase of 24.6% year-on-year, with a trade surplus of USD 107.1 billion. CPI for the third quarter increased further to 5.7% amid rising inflation, up by 0.3 percentage point

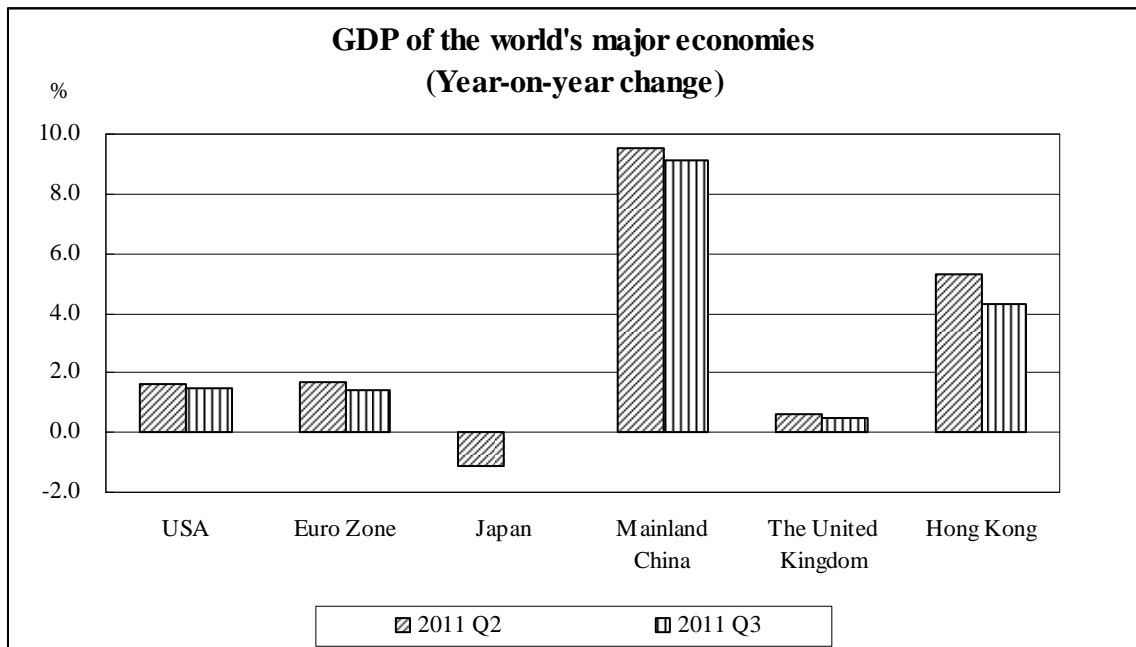
¹ Korea; Taiwan, China; Hong Kong and Singapore

² Indonesia, Malaysia, the Philippines, Thailand and Vietnam

³ 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.

from the previous quarter.

The economy of Hong Kong slowed to grow by 4.3% year-on-year in the third quarter of 2011; the after seasonal adjustment GDP edged up slightly by 0.1% quarter-to-quarter due to slackened external trade. Economic expansion was driven by rising domestic demand, with fixed capital formation increasing further by 10.2%, private consumption expenditure surging by 8.8% and government final consumption expenditure rising modestly by 1.7%. Merchandise imports and exports continued to slow, up by 8.9% and 4.2% respectively year-on-year but down by 0.1% and 1.1% respectively after seasonal adjustment. Unemployment rate lowered by 0.2 percentage point to 3.4%, back to the same level in the first quarter.



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

	Year-on-year rate of change (%)							
	2008	2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
USA								
Gross Domestic Product	-0.3	-3.5	3.0	3.5	3.1	2.2	1.6 ^r	1.5
Exports of goods	12.1	-18.0	21.0	20.5	18.2	18.2	17.7	17.5
Imports of goods	7.5	-25.9	22.7	23.0	15.8	18.8	17.0 ^r	14.1
Consumer Price Index	3.8	-0.4	1.7	1.2	1.3	2.1	3.4	3.8
Unemployment rate	5.8	9.3	9.6	9.5	9.1	9.5	8.9	9.1
Euro area ^a								
Gross Domestic Product	0.4	-4.2 ^r	1.9 ^r	2.1 ^r	2.0	2.4	1.7 ^r	1.4
Exports of goods	3.9 ^r	-18.0 ^r	20.0 ^r	22.7 ^r	22.2 ^r	21.7 ^r	13.0 ^r	9.4
Imports of goods	8.1	-21.8	22.5	27.1 ^r	25.6 ^r	24.2 ^r	12.8 ^r	8.9
Consumer Price Index	3.3	0.3	1.6	1.7	2.0	2.5	2.8	2.7
Unemployment rate	7.7	9.6	10.2	9.8	10.1	10.4	9.8	9.9
Germany								
Gross Domestic Product	1.1	-5.1	3.7	4.0	3.8	5.0	3.0 ^r	2.5
Exports of goods	2.0	-18.4	18.5 ^r	19.9 ^r	20.0 ^r	19.2 ^r	11.8 ^r	10.1
Imports of goods	4.7	-17.5	19.9 ^r	22.6 ^r	24.7 ^r	21.5 ^r	13.5 ^r	11.7
Consumer Price Index	2.6	0.3	1.1	1.2	1.5	2.1	2.3	2.5
Unemployment rate	7.8	8.1	7.7	7.5	7.0	7.8	7.1	6.9
French								
Gross Domestic Product	-0.2	-2.6	1.4	1.6	1.4	2.2 ^r	1.6	1.6
Exports of goods	2.7 ^r	-17.3 ^r	12.8 ^r	14.4 ^r	15.3 ^r	12.9 ^r	8.5	7.1
Imports of goods	5.4	-17.7	13.1 ^r	19.0 ^r	13.1 ^r	18.7 ^r	12.6 ^r	9.2
Consumer Price Index	2.8	0.1	1.5	1.5	1.6	1.8	2.1	2.1
Unemployment rate	7.8	9.5	9.8	9.6	10.0	10.0	9.2	9.7
The United Kingdom								
Gross Domestic Product	-1.1 ^r	-4.4 ^r	1.8 ^r	2.6 ^r	1.3 ^r	1.6	0.6 ^r	0.5
Exports of goods	14.4 ^r	-9.5 ^r	16.5	16.9 ^r	15.4 ^r	19.4 ^r	11.1	11.4
Imports of goods	11.3 ^r	-10.2	17.1 ^r	20.5 ^r	18.2 ^r	13.6 ^r	10.2	10.3
Consumer Price Index	3.6	2.1	3.3	3.1	3.4	4.1	4.4	4.7
Unemployment rate	5.7	7.7	7.8	7.7	7.9	7.7	7.9	8.3

^a The Euro area consists of 17 member states from 2011 onwards.

^r Revised figures.

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 (%)

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	2008	2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
Mainland China								
Gross Domestic Product	9.0	8.7	10.3	9.6	9.8	9.7	9.5	9.1
Exports of goods	17.3	-15.9	31.3	32.2	24.9	26.4	22.1	20.6
Imports of goods	18.5	-11.3	38.7	27.3	29.6	32.9 ^r	23.1	25.0
Consumer Price Index ^a	5.9	-0.7	3.3	2.9	3.3	5.0	5.4	5.7
Hong Kong								
Gross Domestic Product	2.3	-2.7	7.0	6.9	6.4	7.5	5.3 ^r	4.3
Exports of goods	5.1	-12.6	22.8	27.8	14.4	24.6	7.7	4.2
Imports of goods	5.5	-11.0	25.0	24.1	15.1	20.6	10.3	8.9
Consumer Price Index	4.3	0.5	2.4	2.3	2.7	3.8	5.2	6.4
Unemployment rate	3.6	5.4	4.3	4.4	3.7	3.4	3.6	3.4
Taiwan, China								
Gross Domestic Product	0.7	-1.8 ^r	10.7 ^r	11.2 ^r	6.5 ^r	6.6	4.5 ^r	3.4
Exports of goods	3.6	-20.3	34.8	27.1	20.9	19.4	14.6	11.6
Imports of goods	9.7	-27.5	44.1	31.5	27.6	21.8	19.0	10.3
Consumer Price Index	3.5	-0.9	1.0	0.4	1.1	1.3	1.6	1.3
Unemployment rate	4.1	5.9	5.2	5.1	4.8	4.6	4.3	4.4
Japan								
Gross Domestic Product	-1.2	-6.3	4.1 ^r	5.2 ^r	2.3 ^r	-1.0	-1.1 ^r	-
Exports of goods	-3.5	-33.1	24.4	17.8	10.0	2.4	-8.0	0.5
Imports of goods	8.0	-34.8	18.0	14.9	11.3	11.4	10.4	13.8
Consumer Price Index	1.4	-1.4	-0.7	-1.0 ^r	-0.3 ^r	-0.5 ^r	-0.4 ^r	0.1
Unemployment rate	4.0	5.1	5.1	5.1	4.8	4.8 ^r	4.7	4.4
Republic of Korea								
Gross Domestic Product	2.3	0.3	6.2	4.4	4.7	4.2	3.4	3.4
Exports of goods	13.6	-13.9	28.3	22.7	23.8	29.6	18.7 ^r	22.3
Imports of goods	22.0	-25.8	31.6	24.6	24.6	26.0 ^r	27.2	28.1
Consumer Price Index	4.6	2.8	2.9	2.9	3.6	4.5	4.2	4.8
Unemployment rate	3.2	3.6	3.8 ^r	3.5	3.3	4.2	3.4	3.1
Singapore								
Gross Domestic Product	1.5	-0.8	14.5	10.5	12.0	9.4 ^r	1.0 ^r	6.1
Exports of goods	5.8	-18.0	22.4	20.0	14.5	13.4	6.7 ^r	4.8
Imports of goods	13.9	-21.0	18.8	15.6	9.7	10.2	8.4	6.2
Consumer Price Index	6.6	0.6	2.8	3.4	4.0	5.2	4.7	5.5
Unemployment rate	2.2	3.0	2.2	1.8	2.0	1.8	2.7	1.7

^a Accumulated year-on-year comparison.

^r Revised figures.

- Absolute value equals zero.

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) (%)							
	2008	2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
USA								
Gross Domestic Product	-0.3	-3.5	3.0	2.5	2.3	0.4	1.3 ^r	2.0
Exports of goods	12.1	-18.0	21.0	3.2	5.2	4.9	3.3	2.7
Imports of goods	7.5	-25.9	22.7	2.4	1.7	8.3	3.5 ^r	0.1
Consumer Price Index	3.8	-0.4	1.7	0.4	0.7	1.3	1.0	0.8
Unemployment rate ^a	5.8	9.3	9.6	9.6	9.6	8.9	9.1	9.1
Japan								
Gross Domestic Product	-1.2	-6.3	4.1 ^r	0.7 ^r	-0.7 ^r	-0.7 ^r	-0.3	1.5
Exports of goods	-3.5 ^r	-33.3	24.7	-3.2	-1.0 ^r	2.1 ^r	-6.1 ^r	5.8
Imports of goods	7.6 ^r	-34.6	18.0	-1.3 ^r	1.3 ^r	6.0 ^r	4.1 ^r	1.6
Consumer Price Index	1.4	-1.4	-0.7	-0.7 ^r	0.3 ^r	0.1	-0.2 ^r	-0.1
Unemployment rate ^a	4.0	5.1	5.1	5.0 ^r	5.0	4.7	4.6	4.4
Hong Kong								
Gross Domestic Product	2.3	-2.7	7.0	0.9	1.5	3.1	-0.4 ^r	0.1
Exports of goods	5.1	-12.6	22.8	1.9	-4.1	16.3	-12.6	-1.1
Imports of goods	5.5	-11.0	25.0	1.0	-2.7	12.1	-6.1	-0.1
Consumer Price Index	4.3	0.5	2.4	-2.2	3.7	1.8	1.8	-0.9
Unemployment rate ^a	3.6	5.4	4.3	4.2	4.0	3.4	3.5	3.2

^a Unemployment rate after seasonal adjustment.

^r Revised figures.

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