

Global Economy in the Fourth Quarter of 2009

With continuous implementation of economic stimulus policies pushed forward by various major economies, the world economy showed significant improvement in the fourth quarter of 2009. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) released in January 2010 indicated that the global recovery is off to a stronger start than anticipated earlier but is proceeding at different speeds in the various regions; the world economy is projected to contract by 0.8% in 2009, up by 0.3 percentage point from the October *WEO*; moreover, global activity is forecast to expand by 3.9% in 2010.

In the United States, the pace of economic recovery accelerated on the back of successive relaxing monetary policy, notable increase of investment and inventories, and steady revival of consumption, housing and financial markets. However, the labour market remained sluggish, with the unemployment rate staying high at 9.5%. The fourth quarter Gross Domestic Product (GDP) grew by 0.1% year-on-year; meanwhile, the economy expanded 5.9% quarter-to-quarter, of which private investment contributed 4.6 percentage points to the economy, up from 0.5 percentage point in the third quarter, and private consumption expenditure contributed 1.2 percentage points; however, government spending and investment turned around from contributing 0.6 percentage point to the rate of economic growth in the third quarter to a negative contribution of 0.2 percentage point, reflecting that the key driving force of the US economy has shifted to the private sector.

The Euro zone economy expanded for the second consecutive quarter underpinned by the strength of its two largest member states, Germany and France; nevertheless, deteriorating financial situation of Greece, Ireland, Spain and Portugal is likely to delay the pace of recovery of the Euro zone. The fourth quarter GDP contracted by 2.1% year-on-year; meanwhile, the economy saw a slight increase of 0.1% quarter-to-quarter, with exports contributing 0.6 percentage point to the economy. The still sluggish fixed capital formation and imports pulled down the rate of economic growth by 0.2 percentage point and 0.3 percentage point. Conditions of the labour market exacerbated, with the unemployment rate soaring further from 9.3% in the third quarter to 9.9%.

GDP of the UK shrank by 3.2% year-on-year in the fourth quarter of 2009. However, the economy managed to crawl out of its longest quarterly recession since 1955 upon strong exports and government spending. The fourth quarter GDP grew by 0.3% quarter-to-quarter, of which exports and government final consumption expenditure contributed 0.9 and 0.3 percentage point respectively to the economy, and household consumption expenditure contributed 0.2 percentage point, while imports pulled down the rate of economic growth by 1.1 percentage points. The labour market remained stagnant amid persistently lacklustre

investment, with the unemployment rate staying high at 7.8%.

Recovery of the Asian economies accelerated upon rising domestic demand driven by the expansionary fiscal and monetary policies of various major economies within the region, as well as improved performance of exports. According to IMF's projections for the major Asian economies, the newly industrialized Asian economies¹ are expected to contract by 1.2%, while the ASEAN 5² is projected to grow by 1.3%, the Middle East by 2.2% and India, the third largest Asian economies, by 5.6%.

In Japan, economic recovery picked up amid improved corporate earnings and business investment fuelled by the rebound of exports and industrial production. The labour market conditions showed slight improvement, with the unemployment rate dropping by 0.4 percentage point from the third quarter to 5.0%. The fourth quarter GDP contracted by 0.4% year-on-year; the economy expanded by 1.1% quarter-to-quarter, of which private consumption expenditure and net balance of trade contributed 0.4 and 0.5 percentage point respectively to the economy, and public demand contributed 0.1 percentage point. Fixed capital formation remained sluggish and failed to spur economic growth.

Attributable to the implementation of various stimulus measures, the economy of Mainland China sustained positive growth upon expanding domestic demand and improving external trade conditions. The fourth quarter GDP increased by 10.7% year-on-year; economic growth for the whole year of 2009 reached 8.7%, of which final consumption and capital formation contributed 4.6 and 8.0 percentage points respectively to the economy, whereas net balance of trade posted a negative contribution of 3.9 percentage points. For the whole year of 2009, fixed assets investment surged by 30.1% on account of the relaxing monetary policy, an increase of 4.6 percentage points year-on-year. As regards industrial production, value added of the above-scale industries³ rose by 11.0%, a decrease of 1.9 percentage points year-on-year. Total value of imports and exports registered double-digit decrease of 11.2% and 16.0% year-on-year amid shrinking external demand, with the trade surplus decreasing by USD 94.4 billion to USD 196.1 billion. The retail market stayed vigorous, which was spurred by measures such as "home appliances to the village" scheme, tax exemption of car purchase, home appliances "old-for-new" program, etc. Retail sales of consumer goods rose by 15.5%, with that of automobile soaring by 32.3%.

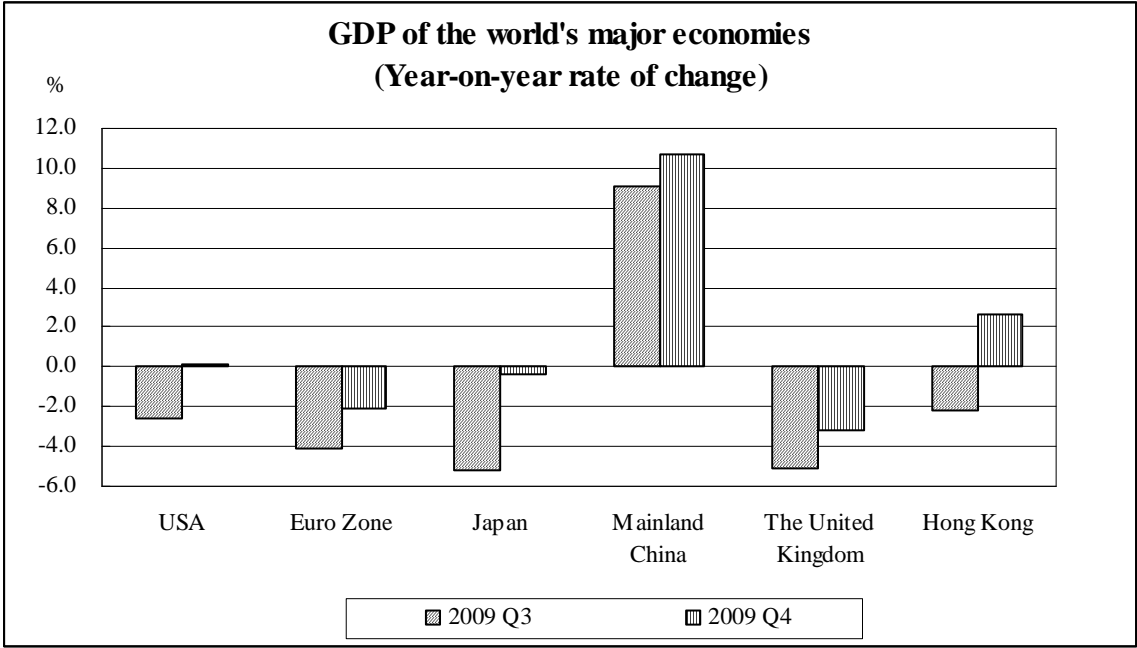
Economic recovery of Hong Kong advanced faster on account of improved conditions of

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 an annual sales revenue from principal activity reaching RMB 5 million and more.

the external economies. The labour market revived noticeably, with the unemployment rate falling by 0.9 percentage point from the third quarter to 4.7%. The fourth quarter GDP grew by 2.6% year-on-year, of which private consumption expenditure and gross fixed capital formation rose by 4.9% and 14.7%. Value of merchandise imports increased by 3.4% year-on-year while that of merchandise exports decreased by 2.0%.



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

Year-on-year rate of change (%) 1/2

	2007	2008	2009	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4
USA								
Gross Domestic Product	2.1	0.4	-2.4	-1.9	-3.3	-3.8	-2.6 ^f	0.1
Exports of goods	11.9	12.1	-17.9	-3.3	-21.5	-25.8	-21.5	-0.9
Imports of goods	5.6	7.5	-25.9	-9.4	-30.1	-34.7	-28.8	-7.6
Consumer Price Index	2.8	3.8	-0.4	1.6	-	-1.2	-1.6	1.4
Unemployment rate	4.6	5.8	9.3	6.6	8.8	9.1	9.6	9.5
Euro area ^a								
Gross Domestic Product	2.8 ^f	0.6	-4.1	-1.8	-5.1 ^f	-4.9 ^f	-4.1	-2.1
Exports of goods	11.0	3.6	-18.1	-5.0	-21.0	-23.2 ^f	-19.4 ^f	-8.4
Imports of goods	8.4	8.1	-22.3	-2.1	-20.8	-27.3	-25.8 ^f	-14.6
Consumer Price Index	2.1	3.3	0.3	2.3	1.0	0.2	-0.4	0.4
Unemployment rate	7.5	7.5	9.4	7.9	9.3	9.2	9.3 ^f	9.9
Germany								
Gross Domestic Product	2.5	1.3	-5.0	-1.7	-6.4	-7.0	-4.7	-1.7
Exports of goods	8.1	2.0	-17.9	-7.0	-20.3 ^f	-24.9 ^f	-19.0 ^f	-6.4
Imports of goods	4.9	4.7	-16.4	-1.3	-13.3 ^f	-20.4 ^f	-18.9 ^f	-12.6
Consumer Price Index	2.3	2.6	0.3	1.7	0.8	0.3	-0.2	0.4
Unemployment rate	9.0	7.8	8.2	7.2	8.5	8.3	8.2	7.7
French								
Gross Domestic Product	2.3	0.3	-2.2	-1.7	-3.5	-2.7 ^f	-2.3 ^f	-0.3
Exports of goods	3.7	2.4	-17.3	-7.1 ^f	-21.4	-20.9	-16.9 ^f	-9.1
Imports of goods	5.9	5.3	-17.8	-5.4 ^f	-18.5 ^f	-22.1	-21.8	-7.6
Consumer Price Index	1.5	2.8	0.1	1.7	0.6	-0.2	-0.4	0.4
Unemployment rate	8.4	7.8	9.5	8.4	9.3	9.2	9.4 ^f	10.0
The United Kingdom								
Gross Domestic Product	2.6	0.5 ^f	-4.8	-2.1 ^f	-5.2 ^f	-5.8 ^f	-5.1	-3.2
Exports of goods	-9.3	13.9 ^f	-9.5	5.0 ^f	-8.3 ^f	-15.8 ^f	-14.4 ^f	1.4
Imports of goods	-2.9	11.1 ^f	-10.3	1.5 ^f	-9.0 ^f	-16.0 ^f	-15.0 ^f	-0.3
Consumer Price Index	2.3	3.6	2.1	3.9	3.0	2.1	1.5	2.1
Unemployment rate	5.3	5.7	7.6	6.4	7.1	7.8	7.8	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

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

Year-on-year rate of change (%)

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	2007	2008	2009	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4
Mainland China								
Gross Domestic Product	11.9	9.0	8.7	6.8	6.2 ^f	7.9	9.1 ^f	10.7
Exports of goods	25.7	17.3	-16.0	4.4	-19.7	-23.4	-20.3 ^f	0.2
Imports of goods	20.8	18.5	-11.2	-9.0	-30.9	-20.2 ^f	-11.7 ^f	22.4
Consumer Price Index ^a	4.8	5.9	-0.7	5.9	-0.6	-1.1	-1.1	-0.7
Hong Kong								
Gross Domestic Product	6.4	2.1 ^f	-2.7	-2.7 ^f	-7.5 ^f	-3.7 ^f	-2.2 ^f	2.6
Exports of goods	9.2	5.1	-12.6	-2.1	-21.9	-12.9	-14.3	-2.0
Imports of goods	10.3	5.5	-11.0	-4.2	-22.8	-14.9	-10.4	3.4
Consumer Price Index	2.0	4.3	0.5	2.3	1.7	-0.1	-0.9	1.3
Unemployment rate	4.0	3.6	5.2	3.9	5.1	5.5	5.6	4.7
Taiwan, China								
Gross Domestic Product	6.0	0.7	-1.9	-7.1	-9.1	-6.9	-1.0 ^f	9.2
Exports of goods	10.1	3.6	-20.3	-24.7	-36.7	-32.0	-20.9	17.0
Imports of goods	8.2	9.7	-27.4	-23.0	-47.2	-37.8	-29.5	18.2
Consumer Price Index	1.8	3.5	-0.9	1.9	0 [#]	-0.9	-1.4	-1.2
Unemployment rate	3.9	4.1	5.9	4.7	5.6	5.8	6.1	5.9
Japan								
Gross Domestic Product	2.4	-1.2 ^f	-5.0	-4.1 ^f	-8.8 ^f	-5.7 ^f	-5.2 ^f	-0.4
Exports of goods	11.5 ^f	-3.5 ^f	-33.1	-23.1	-46.9	-38.5	-34.4	-8.0
Imports of goods	8.6 ^f	8.0 ^f	-34.9	-9.5	-37.0	-40.1	-39.7	-20.9
Consumer Price Index	-	1.4	-1.4	1.0	-0.1	-1.0	-2.2	-2.0
Unemployment rate	3.8	4.0	5.1	3.9	4.6	5.2	5.4	5.0
Republic of Korea								
Gross Domestic Product	5.1	2.2	0.2	-3.4	-4.2	-2.2	0.9 ^f	6.0
Exports of goods	14.1	13.6	-13.9	-9.9	-25.2	-21.1 ^f	-17.6 ^f	11.7
Imports of goods	15.3	22.0	-25.8	-9.0	-32.7	-35.6 ^f	-31.0	1.4
Consumer Price Index	2.5	4.6 ^f	2.8	4.5	3.9	2.8	2.0	2.4
Unemployment rate	3.2	3.2	3.6	3.1	3.8	3.8	3.6	3.3
Singapore								
Gross Domestic Product	8.2 ^f	1.4 ^f	-2.0	-4.2	-9.4 ^f	-3.1 ^f	0.6	4.0
Exports of goods	4.4	5.8	-18.0	-12.0	-27.8	-25.4	-20.0	4.9
Imports of goods	4.5	13.9	-21.0	-7.1	-27.6	-28.4	-22.8	-2.7
Consumer Price Index	2.1	6.6 ^f	0.6	5.8 ^f	3.4 ^f	0.2 ^f	-0.3 ^f	-0.8
Unemployment rate	2.1	2.2	3.0	2.4	3.0	4.1	2.9	2.0

^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	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4
USA								
Gross Domestic Product	2.1	0.4	-2.4	-5.4	-6.4	-0.7	2.2 ^f	5.9
Exports of goods	11.9	12.1	-17.9	-13.9	-14.1	-1.2	7.1	9.1
Imports of goods	5.6	7.5	-25.9	-15.9	-20.4	-3.1	9.6	9.2
Consumer Price Index	2.8	3.8	-0.4	-2.4 ^f	-0.6	0.5 ^f	0.9	0.6
Unemployment rate ^a	4.6	5.8	9.3	7.0 ^f	8.2 ^f	9.3	9.6	10.0
Japan								
Gross Domestic Product	2.4	-1.2 ^f	-5.0	-3.0	-3.2	1.3 ^f	- ^f	1.1
Exports of goods	11.6	-3.5	-33.3	-22.2 ^f	-24.9 ^f	7.2 ^f	4.1 ^f	10.1
Imports of goods	8.3	7.8	-34.8	-18.4 ^f	-24.5 ^f	-4.8 ^f	2.8 ^f	6.8
Consumer Price Index	-	1.4	-1.4	-0.6	-0.8	-0.4	-0.5	-0.3
Unemployment rate ^a	3.9	4.0	5.1	4.0	4.4	5.2	5.5	5.1
Hong Kong								
Gross Domestic Product	6.4	2.1 ^f	-2.7	-2.3 ^f	-3.1 ^f	2.9 ^f	0.4	2.3
Exports of goods	9.2	5.1	-12.6	-4.7 ^f	-13.1 ^f	7.7 ^f	-3.6 ^f	9.1
Imports of goods	10.3	5.5	-11.0	-5.7 ^f	-12.4 ^f	7.3 ^f	3.2 ^f	7.6
Consumer Price Index	2.0	4.3	0.5	0.1	0.4 ^f	-0.2	-1.1	2.2
Unemployment rate ^a	4.0	3.6	5.2	4.1	5.2	5.4	5.3	4.9

^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