

Global Economy in the Fourth Quarter of 2008

Major economies of the world experienced different extents of economic slowdown in the fourth quarter of 2008, with some having slipped into recession, on account of the intensifying impact of the global financial crisis, weakening enterprise and consumer confidence, as well as deteriorating labour market prospects. In the *World Economic Outlook (WEO) Update* released in January 2009, the International Monetary Fund (IMF) pointed out that as the financial market remained under pressure and global demand faltered, growth of the world economy is expected to decelerate substantially from 3.4% in 2008 to only 0.5% in 2009, down by 1.7 percentage points from the *WEO* forecast in November 2008. The world economy is expected to pick up gradually in 2010 to post a 3% growth.

The economy of the United States continued to slacken in the fourth quarter on the back of the property market slump, shrinking international trade, weakening consumer confidence and exacerbating job prospects. The fourth quarter Gross Domestic Product (GDP) dropped by 0.8%^a year-on-year, corresponding to a quarter-to-quarter^b decline of 6.3%, down substantially further from -0.5% in the third quarter, the worst drop since 1982; GDP for the whole year registered a marginal growth of just 1.1%. Private consumption expenditure dropped further by 4.3% over the preceding quarter; private domestic investment reversed from a slight increase of 0.4% in the third quarter to contract by 20.8%, with the decline of fixed residential investment falling further by 22.2%. As regards external merchandise trade, value of imports and exports fell by 9.3% and 4.0% respectively. Consumer Price Index (CPI) rose by 1.6%, down significantly from the 5.3% increase in the third quarter. The unemployment rate grew by 0.6 percentage point over the third quarter to 6.6%.

Triggered by the economic downturn of the German and French economies, the first and the second largest in Europe, the Euro zone economy saw the deepest contraction in history, with the fourth quarter GDP falling by 1.2% and GDP for the whole year of 2008 grew marginally by merely 0.7%. Value of imports and exports of goods shrank by 1.7% and 3.0% respectively. The weakening labour market pushed the unemployment rate up by 0.4 percentage point from the third quarter to 7.9%; CPI went up by 2.3%, down by 1.5 percentage points from 3.8% in the preceding quarter.

The German economy has fallen into recession, with the fourth quarter GDP dropping by 1.6% year-on-year or 2.1% quarter-to-quarter, marking three consecutive quarters of negative growth, attributable mainly to shrinking exports that contracted by 7.3% from the third quarter and imports also registered a 3.6% decline. Compared with the fourth quarter of 2007, value of merchandise exports fell by 6.1% whereas that of imports of goods remained at the same level. Labour market continued to improve, with the unemployment rate going down by 0.4 percentage point from the preceding quarter to 7.2%. CPI registered an increase of 1.6%, down by 1.5 percentage points from 3.1% in the third quarter.

In France, the fourth quarter GDP dropped by 1.0% year-on-year or 1.2% quarter-to-quarter, of which gross fixed capital formation declined by 1.1% quarter-to-quarter; exports and imports fell by 3.7% and 2.2% respectively over the previous quarter. Imports and exports of goods went down by 4.8% and 7.3% year-on-year respectively. The unemployment rate climbed from 7.6% in the third quarter to 8.2%; CPI rose by 1.8%, down by 1.5 percentage points from the preceding quarter.

The economy of the United Kingdom contracted by 1.9% year-on-year and 1.5% quarter-to-quarter in the fourth quarter, marking negative growth for two consecutive quarters. Industrial output dropped

^a Unless otherwise specified, all rates of change mentioned in this analysis are comparisons of the fourth quarter of 2008 with the corresponding quarter of 2007.

^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.

by 4.5% over the third quarter; the construction and service sectors shrank by 1.1% and 0.9% respectively; gross fixed capital formation went down by 2.3%; household consumption decreased by 0.7% whereas government consumption increased by 1.5%. Value of imports and exports of goods rose by 3.0% and 5.7% respectively. Unemployment rose by 0.5 percentage point from the third quarter to 6.3%; CPI registered an increase of 3.9%, down by 0.9 percentage point over the third quarter.

The Asian economies confronted severe challenges upon the adverse impact of the global financial crisis, the recession of Europe and the US economies, as well as shrinking external demand. The economy of Japan contracted by 4.6% year-on-year or 3.3% quarter-to-quarter, showing three consecutive quarters of negative growth; meanwhile, the economy decreased by 0.7% for the whole year of 2008, the first yearly decline in nine years. The negative growth in the fourth quarter was caused by the substantial decline of exports and production, with exports and investment in business equipment falling 13.9% and 5.3% respectively from the preceding quarter. Value of imports and exports of goods dropped by 9.5% and 23.1% year-on-year or 18.2% and 20.4% quarter-to-quarter. The unemployment rate held stable at 3.9%, while CPI grew by 1.0%.

The global economic downturn dragged the exports of the Republic of Korea down to cause its fourth quarter GDP to shrink by 5.6% year-on-year or 3.4% quarter-to-quarter. Economic growth for the whole year was 2.5%, down by 2.5 percentage points from 5.0% in 2007. Value of imports and exports of goods decreased by 9.0% and 9.9%, while CPI went up by 4.5%; the unemployment rate though stood at 3.1%, showing a tendency to rise.

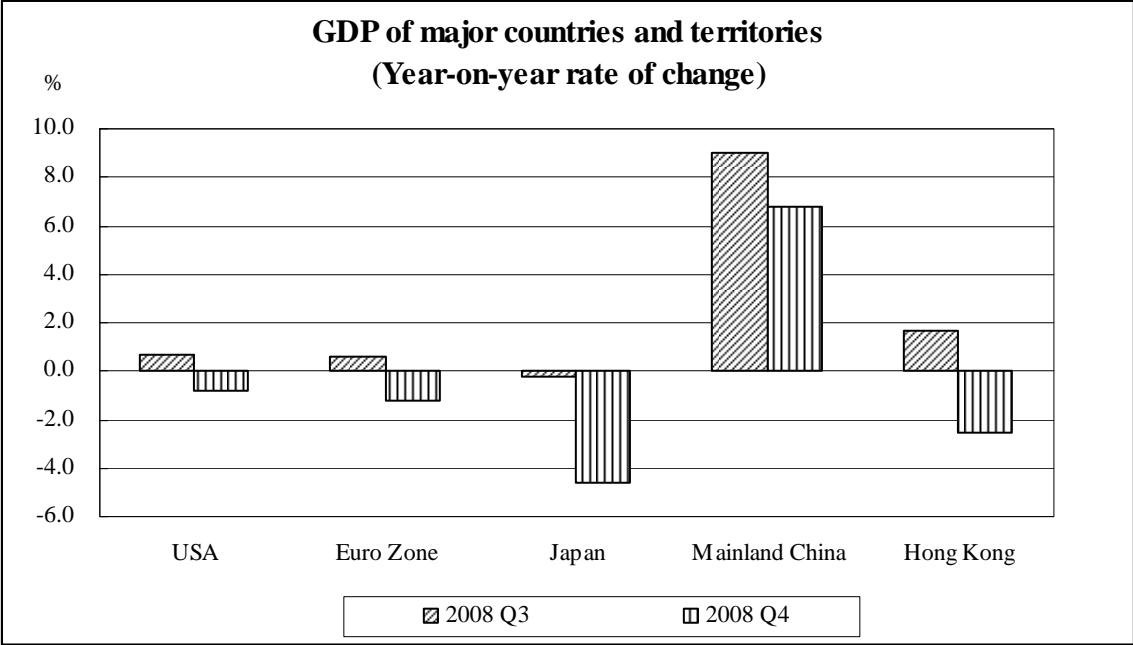
The economy of Singapore continued to slowdown, with the fourth quarter GDP contracting further by 4.2% year-on-year or 16.4% quarter-to-quarter, on account of the 10.7% decline in manufacturing and the 8.1% decrease in financial services; meanwhile, the economy grew marginally by 1.1% for 2008 as a whole. Value of imports and exports of goods decreased by 7.1% and 15.5% respectively; unemployment rose from 2.2% in the third quarter to 2.6%; CPI went up by 5.4%, down from 6.6% in the previous quarter.

The fourth quarter GDP of Taiwan, China declined by 8.4% upon the crunch of the financial crisis. Value of imports and exports of goods fell by 23.0% and 24.7% respectively. The unemployment rate rose by 0.5 percentage point from the third quarter to 4.7%; CPI rose by 1.9%, down notably by 2.6 percentage points from 4.5% in the preceding quarter.

The economy of Hong Kong slackened further, with GDP shrinking by 2.5% in the fourth quarter, the first decline since the SARS outbreak in the second quarter of 2003; the quarter-to-quarter decrease was 2.0%; GDP growth for 2008 was 2.5%. In the fourth quarter, except the 2.6% increase in government consumption expenditure, decreases were observed in all other major GDP components, with gross fixed capital formation dropping distinctly by 17.3%, building and construction expenditure, as well as private domestic consumption went down by 3.6% and 2.6% respectively. Value of merchandise imports and exports shrank by 4.2% and 2.1%. The unemployment rate increased by 0.2 percentage point from the third quarter to 3.8%; CPI rose by 2.3%, down from 4.6% in the third quarter.

The economy of Mainland China expanded by 6.8% in the fourth quarter, the lowest level in the seven years; meanwhile, economic growth for 2008 was 9.0%, lower than the 11.9% in 2007. The economic slowdown in 2008 was due to the decelerating growth of exports in the fourth quarter. Fixed assets investment maintained robust, rising by 25.5% in 2008, an increase of 0.7 percentage point over 2007. Domestic consumption grew rapidly, with retail sales of consumer goods rising by 21.6% in 2008, up by 4.8 percentage points over 2007; the soaring consumer prices receded gradually in the second half year, rising by 5.9% in 2008, up by 1.1 percentage points year-on-year. The pace of growth of external

merchandise trade retreated in the fourth quarter, with value of exports of goods rising by just 4.4% whereas value of imports fell by 9.0%; the trade surplus amounted to USD 114.71 billion, up remarkably by 50.8% year-on-year. For 2008 as a whole, value of imports and exports of goods went up by 18.5% and 17.3%, bringing about a trade surplus of USD 295.46 billion, up by USD 32.80 billion or 12.5% from 2007. In 2008, the foreign direct investment actually utilized amounted to USD 92.4 billion, up by 23.6% from 2007; foreign exchange reserve of Mainland China totalled USD 1,950 billion at the end of 2008, up by 27.3% 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 (%)							
	2006	2007	2008	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
USA								
Gross Domestic Product	2.8	2.0	1.1	2.3	2.5	2.1	0.7	-0.8
Exports of goods	14.5	12.1 ^r	11.9	14.1	17.0	19.0	17.0 ^r	-4.0
Imports of goods	10.9	5.6	7.3	10.6	11.3	14.3	14.4	-9.3
Consumer Price Index	3.2	2.8	3.8	4.0	4.1	4.4	5.3	1.6
Unemployment rate	4.6	4.6	5.8	4.6	5.3	5.2	6.0	6.6
Japan								
Gross Domestic Product	2.0 ^r	2.4 ^r	-0.7	2.0 ^r	1.5 ^r	0.7	-0.2 ^r	-4.6
Exports of goods	14.6 ^r	11.5 ^r	-3.4	10.0	6.0	1.8	3.2	-23.1
Imports of goods	18.3 ^r	8.6 ^r	7.9	11.4	10.2	10.9	21.2	-9.5
Consumer Price Index	0.3	0.0 ^r	1.4	0.5	1.0	1.4	2.2	1.0
Unemployment rate	4.1	3.9	4.0	3.7	4.0	4.0	4.0	3.9
Euro area								
Gross Domestic Product	2.8	2.6	0.7	2.1	2.1	1.4	0.6	-1.2
Exports of goods	11.6	8.4 ^r	3.9	6.6 ^r	6.8 ^r	7.7 ^r	4.5 ^r	-3.0
Imports of goods	13.7	6.5 ^r	7.2	9.9 ^r	9.8 ^r	10.8 ^r	10.4 ^r	-1.7
Consumer Price Index	2.3	2.2 ^r	3.3	2.9	3.4	3.7 ^r	3.8	2.3
Unemployment rate	8.3	7.5 ^r	7.5	7.2 ^r	7.1 ^r	7.4 ^r	7.5 ^r	7.9
Mainland China								
Gross Domestic Product	11.6	11.9	9.0	11.2	10.6	10.1	9.0 ^r	6.8
Exports of goods	27.2	25.7	17.3	22.2	21.2 ^r	22.2	23.1	4.4
Imports of goods	20.0	20.8	18.5	25.4	28.8 ^r	32.6	25.9	-9.0
Consumer Price Index ^a	1.5	4.8	5.9	4.8	8.0	7.9	7.0	5.9
Hong Kong								
Gross Domestic Product	7.0	6.4	2.5	6.9	7.3	4.3 ^r	1.7	-2.5
Exports of goods	9.4	9.2	5.1	8.2	10.5	7.9 ^r	5.5	-2.1
Imports of goods	11.6	10.3	5.5	10.5	11.6	9.2 ^r	6.8 ^r	-4.2
Consumer Price Index	2.0	2.0	4.3	3.5	4.6	5.7	4.6	2.3
Unemployment rate	4.8	4.0	3.5	3.2	3.3	3.3	3.6	3.8

^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) (%)							
	2006	2007	2008	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
USA								
Gross Domestic Product	2.8	2.0	1.1	-0.2	0.9	2.8	-0.5	-6.3
Exports of goods	14.5	12.1 ^r	11.9	2.7 ^r	4.3 ^r	6.1	2.8	-16.0
Imports of goods	10.9	5.6 ^r	7.3	3.3 ^r	3.2 ^r	4.9 ^r	1.4	-17.2
Consumer Price Index	3.2	2.8 ^r	3.8	1.3 ^r	1.3 ^r	1.1 ^r	1.5 ^r	-2.2
Unemployment rate ^a	4.6	4.6	5.8	4.8	4.9	5.3	6.0	6.9
Japan								
Gross Domestic Product	2.0 ^r	2.4 ^r	-0.7	1.1 ^r	0.2 ^r	-0.9	-0.6 ^r	-3.3
Exports of goods	14.9 ^r	11.7	-3.7	5.3 ^r	1.7 ^r	-3.5 ^r	-2.1 ^r	-20.4
Imports of goods	18.5	8.2	7.6	7.0 ^r	3.9 ^r	1.6 ^r	5.5 ^r	-18.2
Consumer Price Index	0.3	0.0 ^r	1.4	0.5 ^r	0.3	0.5	0.8 ^r	-0.6
Unemployment rate ^a	4.1	3.9	4.0	3.8	3.8	4.0	4.1	4.0
Hong Kong								
Gross Domestic Product	7.0	6.4	2.5	2.1 ^r	1.1 ^r	-0.9 ^r	-0.7 ^r	-2.0
Exports of goods	9.4	9.2	5.1	2.9 ^r	1.2 ^r	0.2 ^r	-1.5 ^r	-3.7
Imports of goods	11.6	10.3	5.5	4.2 ^r	-1.9 ^r	1.6 ^r	-0.6 ^r	-5.4
Consumer Price Index	2.0	2.0	4.3	0.9 ^r	0.3 ^r	0.5 ^r	-0.7 ^r	0.6
Unemployment rate ^a	4.8	4.0	3.5	3.4	3.4	3.3	3.4	4.1

a Unemployment rate after seasonal adjustment

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