

## Global Economy in the Fourth Quarter of 2012

Global economic growth slowed further in the fourth quarter of 2012, falling slightly below expectations. Pullback of the US economy, possible setback of the German and French economies amid likely remission of the sovereign debt crisis in Euro area, and the fairly stable Asian economies pointed out that the global economic recovery was rather grim. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) in January 2013 indicated that the economic upturn is projected to be more gradual. Policy actions have lowered acute crisis risks in the Euro area and the United States, while policies have supported a modest growth pickup in some emerging market economies; however, downside risks remain significant. The world economy expanded by 3.2% in 2012 and expected to grow by 3.5% in 2013, both down by 0.1 percentage point from the October forecast.

The US economy posted slow growth. Gross Domestic Product (GDP) for the fourth quarter of 2012 expanded by 1.6% year-on-year and merely 0.1% quarter-to-quarter, down substantially from the previous quarter. Economic growth was attributable to the increase in private consumption expenditure and fixed investment that contributed 1.5 and 1.4 percentage points respectively to economic growth; on the contrary, reduced inventory, cutback in government spending and shrinking exports dragged down the rate of expansion by 1.6, 1.4 and 0.6 percentage points respectively. Despite modest growth, the fourth quarter unemployment rate declined notably by 0.6 percentage points quarter-to-quarter to 7.5%; the seasonal adjusted unemployment rate stood at 7.8%.

Economic performance of Germany and France, the two major economies in the Euro area, receded far worse than expectations. The fourth quarter GDP of the Euro area contracted by 0.9% year-on-year, marking four consecutive quarters of negative growth; the economy shrank by 0.6% quarter-to-quarter. Sluggish exports dragged down the rate of increase by 0.4 percentage points; gross fixed capital formation, household and consumption expenditure of NPISH lowered economic growth by 0.2 percentage points. Unemployment rate surged by 0.7 percentage points quarter-to-quarter to 11.8% amid deteriorating economic conditions.

Affected by poor performance of the manufacturing sector, the fourth quarter GDP of UK expanded by 0.3% year-on-year but returned to negative growth of 0.3%

quarter-to-quarter. Government and household final consumption expenditure contributed 0.2 and 0.1 percentage points respectively to growth, but exports and gross fixed capital formation lowered the rate of increase by 0.5 and 0.4 percentage points. The economy decelerated after the London Olympics, yet the unemployment rate held stable at 7.8% as the previous quarter.

The Asian economies was fairly stable upon obvious improvement in intra-regional trade quarter-to-quarter. The January *WEO Update* of IMF indicated that the newly industrialized Asian economies<sup>1</sup> expanded by 1.8%, the ASEAN 5<sup>2</sup> by 5.7%, the Middle East and the North African region by 5.2%, the Chinese and Indian economies by 7.8% and 4.5% respectively in 2012, of which the growth forecast of the newly industrialized Asian economies, the Middle East and the North African region, and the Indian economy was lower than those of the October forecast.

In Japan, the fourth quarter GDP increased by 0.3% year-on-year, but contracted by 0.1% quarter-to-quarter, marking three consecutive quarters of negative growth. Slacken exports tapered off economic growth by 0.5 percentage points, when fixed capital formation lowered the rate by 0.2 percentage points. Despite the weakened economy, the unemployment rate declined by 0.3 percentage points from 4.3% in the previous quarter to 4.0%; the seasonal adjusted rate held stable at 4.2%.

GDP of Mainland China expanded by 7.9% year-on-year in the fourth quarter of 2012, up by 0.5 percentage points from 7.4% in the previous quarter. Economic growth for 2012 was 7.8%, down by 1.4 percentage points year-on-year. In 2012, value added of the above-scale industries<sup>3</sup> rose by 10.0% year-on-year, down by 3.9 percentage points from the increase in 2011; fixed asset investment increased by 20.6% year-on-year, down by 3.4 percentage points; retail sales of consumer goods rose by 14.3% year-on-year, down by 2.8 percentage points, with sales of communication equipment rising by 28.9%, furniture by 27.0%, and construction and decoration materials by 24.6%. Total value of external merchandise trade for the whole year of 2012 rose by 6.2% year-on-year, with trade surplus amounting to USD231.1 billion. Inflation rate eased further to 2.6% in the fourth quarter, with CPI for December rising by 2.5% year-on-year.

In Hong Kong, pace of economic growth accelerated from the third quarter,

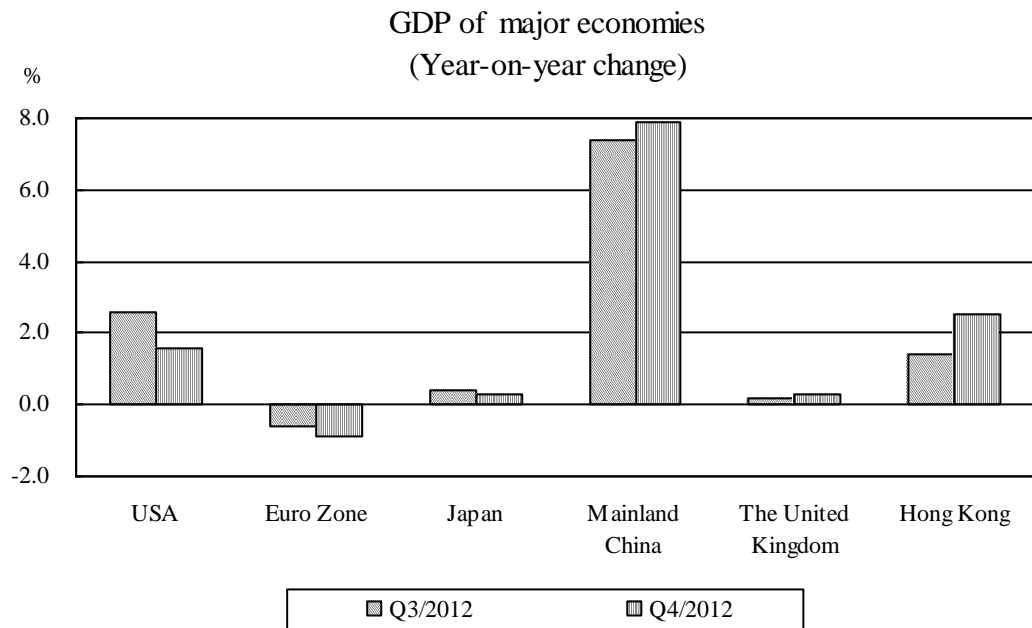
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<sup>1</sup> Korea; Taiwan, China; Hong Kong and Singapore

<sup>2</sup> Indonesia, Malaysia, the Philippines, Thailand and Vietnam

<sup>3</sup> 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.

expanding by 2.5% year-on-year and 1.2% quarter-to-quarter. Exports and domestic demand rebounded notably, of which gross fixed capital formation and private consumption expenditure increased by 10.5% and 4.1% respectively year-on-year, while increase in government final consumption expenditure slowed to 3.5%. External trade picked up, with merchandise imports and exports rising by 8.1% and 7.0% year-on-year, or 4.7% and 4.9% quarter-to-quarter. The unemployment rate stood at 3.1%, down significantly by 0.4 percentage points quarter-to-quarter.



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

	2010	2011	2012	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4
%								
<b>USA</b>								
Gross Domestic Product	2.4	1.8	2.2	2.0	2.4	2.1	2.6 <sup>f</sup>	1.6
Exports of goods	21.0	15.8	4.5	10.4	8.5	5.7	1.2	2.9
Imports of goods	22.7	15.4	3.0	12.1	8.5	3.7	-	0.6
Consumer Price Index	1.7	3.1	2.1	3.3	2.8	1.9	1.7	1.9
Unemployment rate	9.6	8.9	8.1	8.3	8.6	8.0	8.1	7.5
<b>Euro area <sup>a</sup></b>								
Gross Domestic Product	2.0	1.4	-0.6	0.6	-0.1	-0.5	-0.6	-0.9
Exports of goods	20.0	13.2	7.4	8.6	8.6 <sup>f</sup>	8.1	7.4	5.5
Imports of goods	22.5	13.2 <sup>f</sup>	1.8	5.5 <sup>f</sup>	4.1 <sup>f</sup>	1.5 <sup>f</sup>	0.7 <sup>f</sup>	0.8
Consumer Price Index	1.6	2.7	2.5	2.9	2.7	2.5	2.5	2.3
Unemployment rate	10.1	10.1	11.4	10.6	11.4	11.1	11.1 <sup>f</sup>	11.8
<b>Germany</b>								
Gross Domestic Product	4.2	3.0	0.7	1.4	1.7	0.5	0.4	0.1
Exports of goods	18.5	11.5	3.4	5.2	5.1	3.6	3.6	1.3
Imports of goods	19.9	13.2	0.7	6.9	4.0	0.1	-0.4	-0.7
Consumer Price Index	1.1	2.1 <sup>f</sup>	2.0	2.2 <sup>f</sup>	2.1 <sup>f</sup>	1.9	2.0 <sup>f</sup>	2.0
Unemployment rate	7.7	7.1	6.8	6.5	7.3	6.8	6.7	6.6
<b>French</b>								
Gross Domestic Product	1.6	1.7	-	1.1	0.2	0.1	- <sup>f</sup>	-0.3
Exports of goods	12.8	9.0	4.1	7.7 <sup>f</sup>	5.0	5.2	4.1 <sup>f</sup>	2.2
Imports of goods	13.2	12.9 <sup>f</sup>	2.0	8.5 <sup>f</sup>	2.8 <sup>f</sup>	3.5	1.2 <sup>f</sup>	0.7
Consumer Price Index	1.5	2.1	2.0	2.4	2.3	2.0	2.0	1.5
Unemployment rate	9.7	9.6	10.3	10.0	10.4	9.8	10.1 <sup>f</sup>	10.8
<b>The United Kingdom</b>								
Gross Domestic Product	1.8	0.9	0.2	0.9 <sup>f</sup>	0.3 <sup>f</sup>	-0.2 <sup>f</sup>	0.2 <sup>f</sup>	0.3
Exports of goods	16.5	12.6	0.3	9.7 <sup>f</sup>	3.7 <sup>f</sup>	-0.8 <sup>f</sup>	2.1 <sup>f</sup>	-3.7
Imports of goods	17.1	9.6	1.8	5.6 <sup>f</sup>	5.7 <sup>f</sup>	2.2 <sup>f</sup>	- <sup>f</sup>	-0.4
Consumer Price Index	3.3	4.5	2.8	4.7	3.5	2.8	2.4	2.6
Unemployment rate	7.8	8.1	7.9	8.4	8.2	8.0	7.8	7.8

a Consists 17 member states since 2011.

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) (Cont'd)

	2010	2011	2012	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	%
<b>Mainland China</b>									
Gross Domestic Product	10.3	9.2	7.8	8.9	8.1	7.6	7.4	7.9	
Exports of goods	31.3	20.3	7.9	14.2	7.6	10.4 <sup>f</sup>	4.4 <sup>f</sup>	9.4	
Imports of goods	38.7	25.0	4.3	20.5	7.0 <sup>f</sup>	6.4 <sup>f</sup>	1.4	2.7	
Consumer Price Index <sup>a</sup>	3.3	5.4	2.6	5.4	3.8	3.3	2.8	2.6	
<b>Hong Kong</b>									
Gross Domestic Product	6.8	4.9	1.4	3.0 <sup>f</sup>	0.8 <sup>f</sup>	1.0 <sup>f</sup>	1.4 <sup>f</sup>	2.5	
Exports of goods	22.8	10.1	2.9	6.9	-1.5	1.9	3.8	7.0	
Imports of goods	25.0	11.9	3.9	9.3	0.7	2.1	4.5	8.1	
Consumer Price Index	2.4	5.3	4.1	5.7	5.2	4.2	3.1	3.8	
Unemployment rate	4.3	3.4	3.3	3.1	3.3	3.3	3.5	3.1	
<b>Taiwan, China</b>									
Gross Domestic Product	10.8 <sup>f</sup>	4.1 <sup>f</sup>	1.3	1.2 <sup>f</sup>	0.6 <sup>f</sup>	-0.1 <sup>f</sup>	1.0	3.4	
Exports of goods	34.8	12.3	-2.3	4.5	-4.0	-5.4	-2.2	2.5	
Imports of goods	44.1	12.0	-3.8	-0.9	-5.9	-5.8	-3.2	-0.1	
Consumer Price Index	1.0	1.4	1.9	1.4	1.3	1.7	3.0	1.8	
Unemployment rate	5.2	4.4	4.2	4.3	4.2	4.1	4.3	4.3	
<b>Japan</b>									
Gross Domestic Product	4.7 <sup>f</sup>	-0.6 <sup>f</sup>	1.9	-0.3 <sup>f</sup>	3.4 <sup>f</sup>	3.8 <sup>f</sup>	0.4 <sup>f</sup>	0.3	
Exports of goods	24.4	-2.7	-2.8	-5.5	-1.6	4.8	-8.1	-5.5	
Imports of goods	18.0	12.1	3.8	12.4	9.9	5.1	0.2	0.4	
Consumer Price Index	-0.7	-0.3	-	-0.3	0.3	0.2	-0.4	-0.2	
Unemployment rate	5.1	4.6	4.3	4.3	4.5	4.6	4.3	4.0	
<b>Republic of Korea</b>									
Gross Domestic Product	6.3	3.6	2.0	3.3	2.8	2.3	1.5 <sup>f</sup>	1.5	
Exports of goods	28.3	19.0	-1.3	9.0	3.0	-1.7	-5.8 <sup>f</sup>	-0.3	
Imports of goods	31.6	23.3	-0.9	13.4	7.8 <sup>f</sup>	-2.9 <sup>f</sup>	-6.9 <sup>f</sup>	-1.0	
Consumer Price Index	3.0	4.0	2.2	4.0	3.0	2.4	1.6	1.7	
Unemployment rate	3.7 <sup>f</sup>	3.4	3.2	2.9	3.8	3.3	3.0	2.8	
<b>Singapore</b>									
Gross Domestic Product	14.8	5.2 <sup>f</sup>	1.3	3.6	1.5 <sup>f</sup>	2.3 <sup>f</sup>	- <sup>f</sup>	1.5	
Exports of goods	22.4	7.5	-0.9	5.8	4.8	1.4	-4.2	-5.1	
Imports of goods	18.8	8.6	3.2	9.9	10.5	4.6	-1.3	-0.4	
Consumer Price Index	2.8	5.2	4.6	5.5	4.9	5.3	4.2	4.0	
Unemployment rate	2.2	2.0	2.0	1.8	1.9	2.6	1.7	1.6	

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 (QUARTER-TO-QUARTER COMPARISON)

	%							
	2010	2011	2012	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4
<b>USA</b>								
Gross Domestic Product	2.4	1.8	2.2	4.1	2.0	1.3	3.1 <sup>f</sup>	0.1
Exports of goods	21.0	15.8	4.5	0.2	1.3 <sup>f</sup>	1.6	-0.3	-0.8
Imports of goods	22.7	15.4	3.0	1.6	2.1	-0.4	-2.2 <sup>f</sup>	0.6
Consumer Price Index	1.7	3.1	2.1	0.4 <sup>f</sup>	0.6	0.3 <sup>f</sup>	0.5 <sup>f</sup>	0.5
Unemployment rate <sup>a</sup>	9.6	8.9	8.1	8.7	8.3	8.2	8.0 <sup>f</sup>	7.8
<b>Japan</b>								
Gross Domestic Product	4.7 <sup>f</sup>	-0.6 <sup>f</sup>	1.9	0.2 <sup>f</sup>	1.5 <sup>f</sup>	-0.2 <sup>f</sup>	-1.0 <sup>f</sup>	-0.1
Exports of goods	24.5 <sup>f</sup>	-2.6	-2.9	-4.2 <sup>f</sup>	0.7 <sup>f</sup>	0.3 <sup>f</sup>	-3.8	-2.2
Imports of goods	18.1	12.2	3.4	1.5 <sup>f</sup>	0.1 <sup>f</sup>	-0.4 <sup>f</sup>	- <sup>f</sup>	0.1
Consumer Price Index	-0.7	-0.3	-	-0.1 <sup>f</sup>	0.3 <sup>f</sup>	-0.2	-0.4 <sup>f</sup>	-
Unemployment rate <sup>a</sup>	5.1	4.6	4.3	4.5	4.5	4.4	4.2	4.2
<b>Hong Kong</b>								
Gross Domestic Product	6.8	4.9	1.4	0.5 <sup>f</sup>	0.4 <sup>f</sup>	-0.1	0.8 <sup>f</sup>	1.2
Exports of goods	22.8	10.1	2.9	-0.1 <sup>f</sup>	1.9 <sup>f</sup>	-2.3 <sup>f</sup>	2.6 <sup>f</sup>	4.9
Imports of goods	25.0	11.9	3.9	-1.0 <sup>f</sup>	1.6 <sup>f</sup>	-0.9 <sup>f</sup>	2.2 <sup>f</sup>	4.7
Consumer Price Index	2.4	5.3	4.1	3.0	1.2 <sup>f</sup>	0.8 <sup>f</sup>	-1.9 <sup>f</sup>	3.7
Unemployment rate <sup>a</sup>	4.3	3.4	3.3	3.3	3.4	3.2	3.3	3.3

a 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