

Global Economy in the Fourth Quarter of 2010

The global economic recovery sustained in the fourth quarter of 2010; nevertheless, downside risks remained amid the sovereign debt crisis in Europe, persistent high unemployment and fiscal deficit in the advanced economies, as well as inflation pressures in the emerging economies. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) released in January 2011 indicated that the global recovery was set to proceed, in which the advanced economies grew moderately, while the emerging economies remained buoyant. As global recovery advanced at various speed, economic growth remained uneven. The world economy expanded by 5.0% in 2010, up by 0.2 percentage point from the October *WEO*; the forecast for 2011 revised upward by 0.2 percentage point to 4.4%.

In the US, sustained economic recovery was largely supported by rising private consumption expenditure and exports. Gross Domestic Product (GDP) expanded by 2.7% year-on-year in the fourth quarter of 2010; quarter-to-quarter growth rose from 2.6% in the third quarter to 2.8%, of which private consumption expenditure and exports contributed 2.9 and 1.2 percentage points respectively, but substantial decrease in inventory dragged the rate of growth down by 3.7 percentage points. The unemployment rate lowered to 9.1% in the fourth quarter, down by 0.4 percentage point from the previous quarter; the seasonally adjusted rate held stable as the preceding quarter, at 9.6%.

The Euro zone economy failed to show further progress owing to the lingering sovereign debt crisis on some member states. Quarter-to-quarter GDP growth held stable as the previous quarter at 0.3%, while year-on-year increase edged up by 0.1 percentage point to 2.0%. Economic expansion in the fourth quarter was still driven by exports that contributed 0.7 percentage point when consumption expenditure of households and non-profit institutions added another 0.2 percentage point to the rate of increase; however, gross fixed capital formation and inventory pulled down the economic growth by 0.1 and 0.2 percentage point respectively. The employment situation remained broadly unchanged, with the unemployment rate rising from 9.7% in the preceding quarter to 9.9%.

In the UK, severe December weather caused disappointing performance of the service and construction sectors; the fourth quarter GDP declined by 0.6% quarter-to-quarter (but up by 1.5% year-on-year). Netting out the effects of heavy snow, GDP contracted by 0.1% quarter-to-quarter; gross fixed capital formation and household final consumption expenditure lowered the economic growth by 0.4 and 0.1 percentage point respectively, and external trade balance dwindled away 0.3 percentage point. The unemployment rate rose by 0.2 percentage point to 7.9% amid the under-performed economy.

The Asian economies continued to have an important bearing on the global recovery. IMF pointed out that in 2010 the newly industrialized Asian economies¹ expanded by 8.2%, the ASEAN 5² by 6.7%, the Middle East and the North African region by 3.9%; the economy of India and Mainland China grew markedly by 9.7% and 10.3% respectively.

In Japan, the fourth quarter GDP shrank by 0.3% quarter-to-quarter (but up by 2.2% year-on-year), turning back to negative growth since the third quarter of 2009. The economic contraction was mainly attributable to the conclusion of stimulus package, for which domestic demand failed to push forward economic growth as the third quarter; besides, slowing exports caused external trade balance to pull down economic growth by 0.1 percentage point. The unemployment rate improved, down from 5.1% in the previous quarter to 4.8%.

Steady and rapid economic growth in Mainland China sustained on the back of the measures introduced to curb inflation and stabilize the housing prices to prevent overheating of the economy. The fourth quarter GDP expanded by 9.8% year-on-year, up by 0.2 percentage point from the previous quarter. For the whole year of 2010, GDP registered an increase of 10.3%. In 2010, value added of the above-scale industries³ rose by 15.7% year-on-year, up by 4.7 percentage points from 2009; fixed asset investment increased by 23.8%, down by 6.2 percentage points. Retail sales of consumer goods rose by 18.4%, up by 2.9 percentage points year-on-year, with that of jewellery rising by 46%, household furniture by 37.2% and automobile by 34.8%. Total value of external merchandise trade registered an increase of 34.7% but external trade surplus narrowed by 6.4% to USD 183.1 billion. CPI for the fourth quarter rose further to 3.3%, with the December index rising by 4.6% year-on-year.

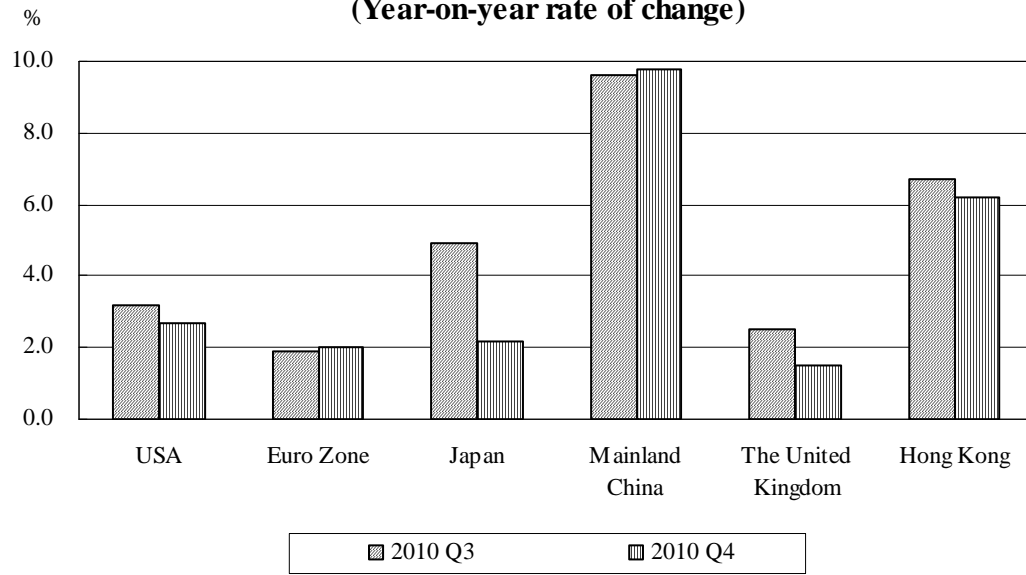
Economic expansion in the Asian region supported the Hong Kong economy to maintain steady growth. GDP for the fourth quarter rose by 6.2% year-on-year (as against a 6.7% growth in the third quarter); the economy expanded by 1.5% quarter-to-quarter after seasonal adjustment. Compared with the fourth quarter of 2009, private consumption expenditure and gross fixed capital formation increased notably by 7.1% and 8.8% respectively; government final consumption expenditure rose by 1.8%; growth in merchandise exports and imports moderated to 15.1% and 14.4% respectively. The job market improved further upon favourable performance of the economy, with the unemployment rate dropping from 4.4% in the previous quarter to 3.7%.

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.

**GDP of the world's major economies
(Year-on-year rate of change)**



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

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

	2008	2009	2010	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
USA								
Gross Domestic Product	-	-2.6	2.8	0.2	2.4	3.0	3.2	2.7
Exports of goods	12.1	-18.0	21.0	-1.0	20.5	25.3	20.6 ^f	18.2
Imports of goods	7.5	-25.9	22.6	-7.4	21.2	31.8	22.9 ^f	15.7
Consumer Price Index	3.8	-0.4	1.7	1.4	2.4	1.8	1.2	1.3
Unemployment rate	5.8	9.3	9.6	9.5	10.4	9.5	9.5	9.1
Euro area ^a								
Gross Domestic Product	0.4	-4.1	1.7	-2.0	0.8	2.0	1.9	2.0
Exports of goods	3.9	-18.1	20.1	-9.4 ^f	12.9	22.3	22.8 ^f	21.8
Imports of goods	8.2	-21.7 ^f	21.6	-14.2 ^f	9.1 ^f	26.8 ^f	25.8 ^f	24.9
Consumer Price Index	3.3	0.3	1.6	0.4	1.1	1.5	1.7	2.0
Unemployment rate	7.6	9.4	10.0	9.8	10.4 ^f	9.9	9.7	9.9
Germany								
Gross Domestic Product	1.0	-4.7	3.6	-1.3	2.3 ^f	4.3	3.9	4.0
Exports of goods	2.0	-18.4 ^f	19.4	-8.3 ^f	11.1 ^f	24.4 ^f	21.5 ^f	20.7
Imports of goods	4.7	-17.5 ^f	21.3	-13.2 ^f	7.0 ^f	27.8 ^f	24.2 ^f	26.7
Consumer Price Index	2.6	0.3	1.1	0.4	0.8	1.1	1.2	1.5
Unemployment rate	7.8	8.2	7.7	7.7	8.6	7.8	7.5	7.1
French								
Gross Domestic Product	0.1	-2.5	1.5	-0.5	1.2 ^f	1.6	1.7 ^f	1.5
Exports of goods	2.6 ^f	-17.3	12.3	-10.3	7.5	12.6 ^f	14.2 ^f	14.7
Imports of goods	5.1 ^f	-17.7	12.8	-8.7 ^f	6.2 ^f	13.7 ^f	18.8 ^f	12.6
Consumer Price Index	2.8	0.1	1.5	0.4	1.3	1.6	1.5	1.6
Unemployment rate	7.8	9.5	9.8	10.2	10.2	9.4	9.6 ^f	9.9
The United Kingdom								
Gross Domestic Product	0.5	-4.9 ^f	1.3	-2.8 ^f	-0.3	1.5 ^f	2.5 ^f	1.5
Exports of goods	14.1	-9.7	16.9	0.4 ^f	12.1 ^f	21.2 ^f	17.4 ^f	17.0
Imports of goods	11.1	-10.2	17.2	-0.8 ^f	10.3 ^f	18.9 ^f	21.0 ^f	18.5
Consumer Price Index	3.6	2.1 ^f	3.3	2.1	3.3	3.4	3.1	3.4
Unemployment rate	5.7	7.7 ^f	7.9	7.8	8.0	7.8	7.7	7.9

a The Euro area consists of 16 member states from 2009 onwards.

- Absolute value equals zero.

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 (%)

2/2

	2008	2009	2010	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
Mainland China								
Gross Domestic Product	9.0	8.7	10.3	10.7	11.9	10.3	9.6	9.8
Exports of goods	17.3	-15.9	31.3	0.2	28.7	40.9	32.2	24.9
Imports of goods	18.5	-11.3	38.7	22.4	64.7	43.6	27.3 ^r	29.6
Consumer Price Index ^a	5.9	-0.7	3.3	-0.7	2.2	2.6	2.9	3.3
Hong Kong								
Gross Domestic Product	2.3 ^r	-2.7 ^r	6.8	2.5	8.1 ^r	6.4 ^r	6.7 ^r	6.2
Exports of goods	5.1	-12.6	22.8	-2.0	26.0	24.3	27.8	14.4
Imports of goods	5.5	-11.0	25.0	3.4	34.3	29.9	24.1	15.1
Consumer Price Index	4.3	0.5	2.4	1.3	1.9	2.6	2.3	2.8
Unemployment rate	3.6	5.4	4.3	4.7	4.4	4.7	4.4	3.7
Taiwan, China								
Gross Domestic Product	0.7	-1.9	10.8	9.2	13.6	12.9	10.7 ^r	6.9
Exports of goods	3.6	-20.3	34.8	16.9	52.5	46.2	27.1 ^r	20.9
Imports of goods	9.7	-27.5	44.1	18.1	78.3	53.7 ^r	31.5 ^r	27.6
Consumer Price Index	3.5	-0.9	1.0	-1.3	1.3	1.1	0.4	1.1
Unemployment rate	4.1	5.9	5.2	5.9	5.7	5.2	5.1	4.8
Japan								
Gross Domestic Product	-1.2	-6.3 ^r	3.9	-1.5 ^r	5.6 ^r	3.1 ^r	4.9 ^r	2.2
Exports of goods	-3.5	-33.1	24.4	-8.0	43.3	33.2	17.8	10.0
Imports of goods	8.0	-34.8	17.7	-20.9	18.9	27.9	14.5	11.2
Consumer Price Index	1.4	-1.4	-0.7	-2.0	-1.2	-0.9	-0.8	0.1
Unemployment rate	4.0	5.1	5.1	5.0	5.1	5.3	5.1	4.8
Republic of Korea								
Gross Domestic Product	2.3	0.2	6.1	6.0	8.1	7.2	4.4 ^r	4.8
Exports of goods	13.6	-13.9	28.6	11.7	35.8	33.1	23.6 ^r	24.0
Imports of goods	22.0	-25.8	31.8	1.4	37.4	43.0 ^r	24.6 ^r	25.1
Consumer Price Index	4.6	2.8	2.9	2.4	2.7	2.6	2.9	3.6
Unemployment rate	3.2	3.6	2.9	3.3	4.7	3.5	3.5	3.3
Singapore								
Gross Domestic Product	1.5 ^r	-0.8 ^r	14.5	4.6 ^r	16.4 ^r	19.4 ^r	10.5 ^r	12.0
Exports of goods	5.8	-18.0	22.4	4.9	28.2	29.1	20.0 ^r	14.5
Imports of goods	13.9	-21.0	18.8	-2.7	25.5	26.4	15.6 ^r	9.7
Consumer Price Index	6.6	0.6	2.8	-0.8	0.9	3.1	3.4	4.0
Unemployment rate	2.2	3.0	2.2	2.1	2.1	2.8	1.8	2.0

^a Accumulated year-on-year comparison.

^r Revised figures.

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	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
USA								
Gross Domestic Product	-	-2.6	2.8	5.0	3.7	1.7	2.6 ^f	2.8
Exports of goods	12.1	-18.0	21.0	7.8	5.8 ^r	3.4	2.3	5.8
Imports of goods	7.5	-25.9	22.6	7.3	6.0	6.3	1.7 ^f	0.8
Consumer Price Index	3.8	-0.4	1.7	0.7 ^f	0.3 ^f	-0.1 ^f	0.4	0.7
Unemployment rate ^a	5.8	9.3	9.6	10.0	9.7	9.6 ^f	9.6	9.6
Japan								
Gross Domestic Product	-1.2	-6.3 ^f	3.9	1.8 ^f	1.5 ^f	0.5 ^f	0.8 ^f	-0.3
Exports of goods	-3.5	-33.1	24.4	11.8 ^f	11.2 ^f	-0.4 ^f	-4.0 ^f	3.0
Imports of goods	8.0	-34.8	17.7	8.0 ^f	11.9 ^f	2.4 ^f	-8.0 ^f	5.4
Consumer Price Index	1.4	-1.4	-0.7	-0.3	0.2	-0.3 ^f	-0.3 ^f	0.6
Unemployment rate ^a	4.0	5.1	5.1	5.2	4.9	5.2	5.1	5.0
Hong Kong								
Gross Domestic Product	2.3 ^f	-2.7 ^f	6.8	2.2 ^f	1.8 ^f	1.7 ^f	0.9 ^f	1.5
Exports of goods	5.1	-12.6	22.8	9.7 ^f	6.7 ^f	3.6 ^f	1.9 ^f	-4.1
Imports of goods	5.5	-11.0	25.0	6.1 ^f	6.8 ^f	2.2 ^f	1.0 ^f	-2.7
Consumer Price Index	4.3	0.5	2.4	2.2	0.9 ^f	0.5	-1.3 ^f	2.8
Unemployment rate ^a	3.6	5.4	4.3	5.1	4.4	4.6	4.2	4.0

^a Unemployment rate after seasonal adjustment.

- Absolute value equals zero.

^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