

Global Economy in the Third Quarter of 2008

The world economy faltered substantially in the third quarter of 2008 in the wake of the global financial turmoil, falling asset prices and tightening credit market, with some economies have already fallen into recession. On the whole, the financial distress of many multi-national financial institutions, the further aggravated global financial environment, the weakened business and consumer confidence posed severe challenges to the development of the world economy.

In the *World Economic Outlook Update* released in November 2008, the International Monetary Fund (IMF) pointed out that the global economic prospects have deteriorated, growth forecast of the world economy is lowered to 3.7% in 2008 and 2.2% in 2009, down markedly by 0.4 and 1.7 percentage points from the July forecast. Economic forecast for the United States was up slightly by 0.1 percentage point to 1.4% in 2008, but the forecast for 2009 went down by 1.5 percentage points to -0.7%. The forecast for the Euro area was revised downward by 0.5 percentage point to 1.2% in 2008 and by 1.7 percentage points to -0.5% in 2009. The Japanese economy is expected to grow by 0.5% in 2008 and -0.2% in 2009, down by 1.0 and 1.7 percentage points from the July forecast. For Mainland China, the forecast for 2008 remained at 9.7%, but that for 2009 was scaled down by 1.3 percentage points to 8.5%.

In the United States, financial distress of many large financial institutions caused high volatility in the financial market, shrinking employment market and weakening consumer confidence. The third quarter Gross Domestic Product (GDP) grew by 0.7%^a year-on-year or -0.5% quarter-to-quarter^b. Private consumption expenditure dropped by 3.7% over the preceding quarter; government consumption expenditure and investment rose by 5.4%; and private domestic investment registered a slight increase of 0.4%. As regards external merchandise trade, value of imports and exports grew by 14.4% and 17.1% respectively; Consumer Price Index (CPI) rose by 5.3% and the unemployment rate soared by 0.8 percentage point over the second quarter to 6.0%.

Growth of the Euro area continued to slowdown in the third quarter, with GDP growing by 0.6% year-on-year and -0.2% quarter-to-quarter. Private consumption expenditure remained at the same level as the second quarter, but fixed capital investment dropped by 0.6%. Value of imports and exports of goods rose by 12.1% and 5.1% respectively; CPI went up by 3.8% and the unemployment rate stayed at 7.2%. The third quarter German economy grew by 0.8% year-on-year or -0.5% quarter-to-quarter, marking negative growth for two consecutive quarters. Value of imports and exports of goods rose by 10.9% and 4.1% respectively; the unemployment rate fell by 0.2 percentage point from the previous quarter to 7.6% whereas CPI registered an increase of 3.1%.

^a Unless otherwise specified, all rates of change mentioned in this analysis are comparisons of the third 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.

In France, the third quarter GDP grew slightly by 0.6% year-on-year or 0.1% quarter-to-quarter, with internal demand rising by 0.2% over the preceding quarter. Value of imports and exports of goods went up by 8.1% and 3.2% respectively; CPI rose by 3.3% whereas the unemployment rate increased by 0.6 percentage point over the previous quarter to 8.0%.

The economy of the United Kingdom rose marginally by 0.3% year-on-year, equivalent to -0.5% quarter-to-quarter, on account of the shrinking manufacturing, construction and services sectors. Industrial and construction output contracted by 1.0% and 0.8% respectively from the previous quarter; the services sector registered a decline of 0.4%, with business services and the financial sector falling by 0.4%, and transport, storage and communications decreasing by 0.6%. Value of imports and exports of goods rose by 12.4% and 17.2% respectively; the unemployment rate went up by 0.4 percentage point from the preceding quarter to 5.8% and CPI rose by 4.8%.

The Asian economies confronted with challenges amid the global financial turmoil and economic downturn in Europe and the US. In Japan, the third quarter GDP shrank by 0.1%, with internal demand declining by 0.7%. Value of imports and exports of goods rose by 21.2% and 3.2%; the unemployment rate held stable at 4.0%, while CPI grew by 2.2%.

In the Republic of Korea, the economy expanded by 3.9% in the third quarter, with private consumption expenditure and gross fixed capital formation rising by 1.1% and 1.8% respectively. Value of imports and exports of goods increased by 43.0% and 27.3%; the unemployment rate maintained at 3.1% and CPI went up by 5.5%.

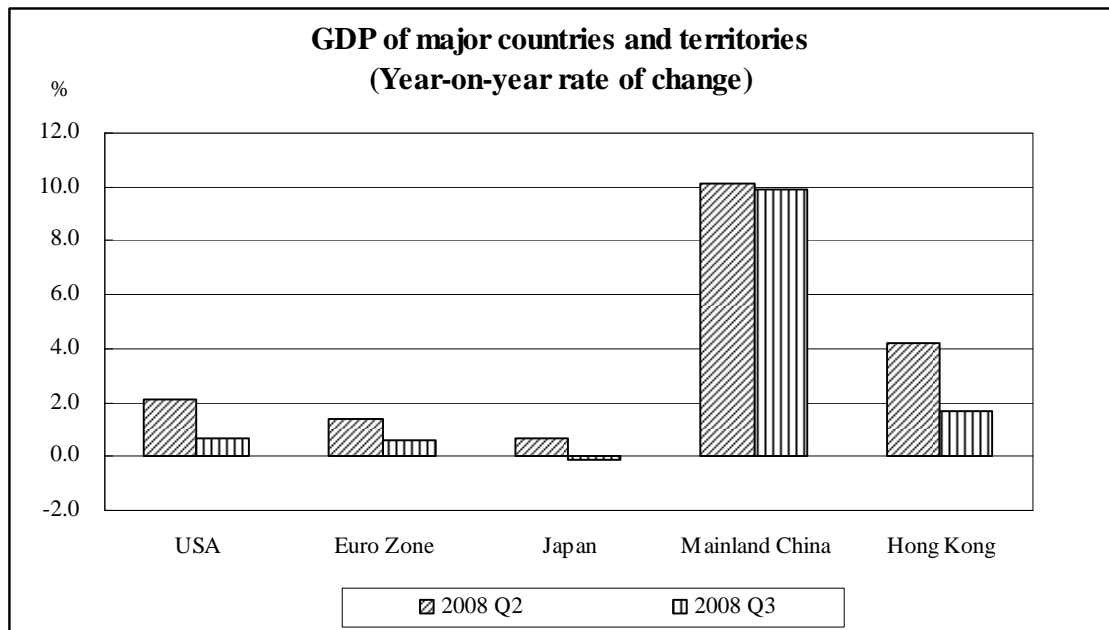
In the third quarter, Singapore registered a -0.7% growth, in which the manufacturing industry and financial services shrank by 10.5% and 21.6% respectively from the second quarter. Value of imports and exports of good expanded by 22.2% and 11.4%; CPI rose by 6.6% and the unemployment rate stood at 2.8%.

GDP of Taiwan, China contracted by 1.0%, with gross fixed capital formation registering a 10.7% decrease. Value of imports and exports of goods rose by 20.2% and 8.0% respectively; CPI went up by 4.5% and the unemployment rate rose by 0.3 percentage point from the previous quarter to 4.2%.

The Hong Kong economy slackened further in the third quarter, with GDP rising by 1.7%. Exports of services went up by 5.3% and private consumption expenditure rose slightly by 0.2%. Merchandise imports and exports grew by 7.0% and 5.5% respectively. Labour market conditions worsened, with the unemployment rate rising by 0.3 percentage point over the preceding quarter to 3.6%. CPI moderated to rise by 4.6%.

In the midst of the economic slowdown worldwide, Mainland China was able to attain relatively stable growth. The economy grew by 9.9% in the first three quarters of 2008, down by 2.3 percentage points year-on-year. Fixed assets investment continued to

be the major driving force of economic growth, registering an increase of 27.0%; the actually utilized foreign investment grew by 39.9% to USD 74.40 billion; Consumer prices receded to rise by 7.0% in the first three quarters. As regards external trade, affected by the economic downturn, value of merchandise exports rose by 22.3% in the first three quarters, down by 4.8 percentage points year-on-year; value of merchandise imports grew by 29.0%, a year-on-year increase of 9.9 percentage points, resulting in a trade surplus of USD 181.0 billion. Foreign exchange reserve of Mainland China totalled USD 1,905.59 billion at the end of September, up substantially by 32.9% 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 (%)							
	2005	2006	2007	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
USA								
Gross Domestic Product	2.9	2.8	2.0	2.8	2.3	2.5	2.1 ^f	0.7
Exports of goods	10.7	14.5	12.2	12.9	14.1	17.0	19.0 ^f	17.1
Imports of goods	13.9	10.9	5.6	3.4	10.6	11.3	14.3 ^f	14.4
Consumer Price Index	3.4	3.2	2.8	2.4	4.0	4.1	4.4	5.3
Unemployment rate	5.1	4.6	4.6	4.7	4.6	5.3	5.2	6.0
Japan								
Gross Domestic Product	1.9	2.4	2.2 ^f	1.8 ^f	1.8 ^f	1.4 ^f	0.7 ^f	-0.1
Exports of goods	10.6 ^f	13.4 ^f	9.9 ^f	10.7	10.0	6.0	1.8	3.2
Imports of goods	20.1 ^f	13.1 ^f	9.4 ^f	6.3	11.4	10.2	10.9	21.2
Consumer Price Index	-0.3	0.3	0.1 ^f	-0.1	0.5	1.0	1.4	2.2
Unemployment rate	4.4	4.1	3.9 ^f	3.7	3.7	4.0	4.0	4.0
Euro area								
Gross Domestic Product	1.7	2.8	2.6	2.7	2.1 ^f	2.1 ^f	1.4 ^f	0.6
Exports of goods	7.8	11.6	8.6 ^f	10.6 ^f	5.6 ^f	6.5 ^f	7.4 ^f	5.1
Imports of goods	13.5	13.7	6.4 ^f	7.2 ^f	7.8 ^f	8.4 ^f	10.4 ^f	12.1
Consumer Price Index	2.2	2.3 ^f	2.1 ^f	1.9	2.9	3.4	3.6	3.8
Unemployment rate	8.9	8.3	7.4 ^f	7.2	7.3	7.5	7.3 ^f	7.2
Mainland China								
Gross Domestic Product	10.4	11.6	11.9	11.5	11.2	10.6	10.1	9.9
Exports of goods	28.4	27.2	25.7	26.2	22.2	21.4	22.2	23.1
Imports of goods	17.6	20.0	20.8	20.5	25.4	28.6	32.6 ^f	25.9
Consumer Price Index ^a	1.8	1.5	4.8	4.1	4.8	8.0	7.9	7.0
Hong Kong								
Gross Domestic Product	7.1	7.0	6.4	6.8	6.9	7.3	4.2	1.7
Exports of goods	11.4	9.4	9.2	8.2	8.2	10.5	7.8	5.5
Imports of goods	10.3	11.6	10.3	9.1	10.5	11.6	9.1	7.0
Consumer Price Index	1.0	2.0	2.0	1.6	3.5	4.6	5.7	4.6
Unemployment rate	5.6	4.8	4.0	4.3	3.2	3.3	3.3	3.6

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) (%)							
	2005	2006	2007	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
USA								
Gross Domestic Product	2.9	2.8	2.0	4.8	-0.2	0.9	2.8 ^r	-0.5
Exports of goods	10.7	14.5	12.2	5.7	2.6	4.8	6.1 ^r	2.8
Imports of goods	13.9	10.9	5.7	2.3	3.2	3.3	4.7 ^r	1.4
Consumer Price Index	3.4	3.2	2.9	0.7	1.2	1.1	1.2	1.6
Unemployment rate ^a	5.1	4.6	4.6	4.7	4.8	4.9	5.3	6.0
Japan								
Gross Domestic Product	1.9	2.4	2.2 ^r	0.6 ^r	0.4 ^r	0.6 ^r	-0.9 ^r	-0.1
Exports of goods	7.5	15.1 ^r	11.7	1.3 ^r	2.7 ^r	-0.8 ^r	-1.2 ^r	1.4
Imports of goods	16.4	18.5	8.2	-0.1 ^r	5.9 ^r	1.4	3.4 ^r	7.6
Consumer Price Index	-0.3	0.3	0.1	0.2	0.4	0.3	0.5	1.0
Unemployment rate ^a	4.4	4.1	3.9 ^r	3.8 ^r	3.8 ^r	3.8 ^r	4.0	4.1
Hong Kong								
Gross Domestic Product	7.1	7.0	6.4	2.1	1.5	2.0	-1.4	-0.5
Exports of goods	11.4	9.4	9.2	0.9	1.8	1.8	1.0	-2.3
Imports of goods	10.3	11.6	10.3	1.2	3.6	-1.4	2.2	-1.6
Consumer Price Index	1.0	2.0	2.0	0.8	2.2	1.1	1.5	-0.2
Unemployment rate ^a	5.6	4.8	4.0	4.0	3.4	3.4	3.3	3.4

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