

## Global Economy in the Second Quarter of 2010

The world economy showed steady recovery in the second quarter of 2010, with the implementation of the economic stimulus packages by major economies. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) released in July 2010 indicated that under the relaxed monetary policy, global economic activity was strong, industrial production and trade posted robust growth and consumer confidence improved. Despite modest recovery in advanced economies, strong growth was observed in many emerging and developing economies. The world economy is projected to grow by 4.6% in 2010, an upward revision of 0.4 percentage point from the April *WEO*, and the forecast for 2011 stayed unchanged at 4.3%. Meanwhile, IMF expressed that turbulence in financial market and the debt crisis in Europe may hinder the sustainable revival of the economy.

In the United States, private investment expanded amid a more relaxing monetary policy, with Gross Domestic Product (GDP) rising by 3.0% year-on-year in the second quarter of 2010. However, decelerating growth in inventory and widening trade deficit caused by the surge in imports, quarter-to-quarter increase of GDP slowed from 3.7% in the first quarter to 1.6%, of which private consumption expenditure and private investment contributed 1.4 and 2.8 percentage points respectively, while trade deficit dragged the rate of growth down by 3.4 percentage points. The unemployment rate dropped but remained high at 9.5%.

Performance of the Euro zone economy was better than expected albeit the debt crisis of some member states. The second quarter GDP expanded further to rise by 1.0% quarter-to-quarter, the highest increase since the third quarter of 2006; the economy grew by 1.9% year-on-year. Economic expansion of the second quarter was mainly spurred by exports, gross fixed capital formation, and consumption expenditure of households and non-profit institutions that contributed 1.7, 0.3 and 0.3 percentage points to the rate of increase. The job market improved, with the unemployment rate moderating from 10.4% in the previous quarter to 9.8%.

In the UK, the second quarter GDP grew by 1.7% year-on-year fuelled by the expansion of the services, financial and construction sectors; the economy grew by 1.2% quarter-to-quarter, marking three straight quarters of positive growth and the highest increase since the first quarter of 2001, of which capital formation and household consumption expenditure contributed 0.6 and 0.5 percentage point. Conditions of the job market improved amid the economic rebound, with the unemployment rate lowering from 8.0% in the previous quarter to 7.8%.

The Asian economies showed continuous growth upon revival of the global economy and rising in exports and domestic demand. IMF projected that the newly industrialized Asian

economies<sup>1</sup> will grow by 6.7% in 2010, the ASEAN 5<sup>2</sup> by 6.4%, the Middle East and North Africa by 4.5%, while India and Mainland China are expected to rise substantially by 9.4% and 10.5% respectively.

In Japan, the pace of economic growth slowed down with decelerating increase in domestic consumption and exports. Quarter-to-quarter GDP growth slid from 1.1% in the first quarter to 0.1%, while year-on-year growth lowered from 4.7% to 2.0%, of which the external trade surplus contributed 0.3 percentage point to the quarterly increase, while domestic private and public demand altogether lowered the rate of growth by 0.2 percentage point. The unemployment rate went up from 5.1% in the previous quarter to 5.3%.

In view of the economic control measures to curb credit expansion, rising investment spending and soaring property prices, year-on-year increase of GDP of Mainland China slowed down mildly in the second quarter at a double-digit growth of 10.3% still, down by 1.6 percentage points from the increase of the previous quarter. GDP for the first half year of 2010 rose by 11.1% year-on-year, up by 3.7 percentage points over the same period of 2009. Compared with the increment of the second quarter of 2009, value added of the above-scale industries<sup>3</sup> rose by 17.6% year-on-year, up by 10.6 percentage points; fixed asset investment increased by 25.0%, down by 8.5 percentage points; meanwhile, retail sales of consumer goods went up by 18.2%, up by 1.6 percentage points, with that of automobile rising by 37.1%. Total value of imports and exports registered an increase of 43.1%, but external trade surplus narrowed notably by 42.9% to USD 55.30 billion.

Economic growth of the Mainland and other Asian economies supported the Hong Kong economy to expand steadily, though at a slower pace. GDP for the second quarter rose by 6.5% year-on-year (as against an 8.0% growth in the first quarter) and increased by 1.4% quarter-to-quarter after seasonal adjustment. Compared with the second quarter of 2009, gross fixed capital formation and exports of services went up by 15.2% and 16.9% respectively. With robust growth of the Asian markets and rising import demand of the United States, total value of merchandise exports rose by 24.3%; however, merchandise imports expanded by 29.9%, bringing the external merchandise trade deficit up substantially by 146.9%. The unemployment rate increased from 4.4% in the previous quarter to 4.6%.

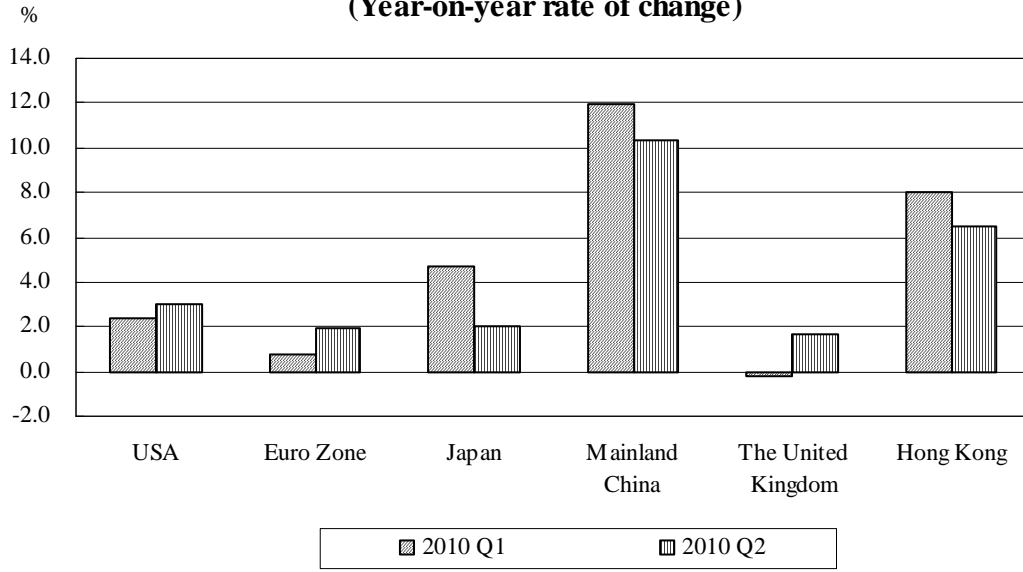
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<sup>1</sup> Korea; Taiwan, China; Hong Kong and Singapore

<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.

**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

	2007	2008	2009	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
<b>USA</b>								
Gross Domestic Product	1.9 <sup>f</sup>	- <sup>r</sup>	-2.6 <sup>f</sup>	-4.1 <sup>f</sup>	-2.7 <sup>f</sup>	0.2 <sup>f</sup>	2.4 <sup>f</sup>	3.0
Exports of goods	11.9	12.1	-18.0 <sup>f</sup>	-25.9 <sup>f</sup>	-21.5	-1.0	20.5 <sup>f</sup>	25.3
Imports of goods	5.6	7.5	-25.9	-34.7	-28.8	-7.4 <sup>f</sup>	21.2 <sup>f</sup>	31.9
Consumer Price Index	2.8	3.8	-0.4	-1.2	-1.6	1.4	2.4	1.8
Unemployment rate	4.6	5.8	9.3	9.1	9.6	9.5	10.4	9.5
<b>Euro area <sup>a</sup></b>								
Gross Domestic Product	2.9 <sup>f</sup>	0.5 <sup>f</sup>	-4.1	-4.9	-4.0 <sup>f</sup>	-2.0 <sup>f</sup>	0.8 <sup>f</sup>	1.9
Exports of goods	8.7 <sup>f</sup>	3.9	-18.2 <sup>f</sup>	-23.0 <sup>f</sup>	-19.6 <sup>f</sup>	-8.6	12.9 <sup>f</sup>	22.8
Imports of goods	6.4	8.2 <sup>f</sup>	-22.1	-26.8 <sup>f</sup>	-25.7	-14.5	9.7 <sup>f</sup>	26.9
Consumer Price Index	2.1	3.3	0.3	0.2	-0.4	0.4	1.1	1.5
Unemployment rate	7.5	7.5	9.4	9.2	9.4	9.8	10.4	9.8
<b>Germany</b>								
Gross Domestic Product	2.7 <sup>f</sup>	1.0 <sup>f</sup>	-4.7 <sup>f</sup>	-6.8 <sup>f</sup>	-4.4 <sup>f</sup>	-1.3 <sup>f</sup>	2.1 <sup>f</sup>	4.1
Exports of goods	8.1	2.0	-17.9	-24.9	-19.0	-6.4	10.3	24.2
Imports of goods	4.9	4.7	-16.4	-20.4	-18.9	-12.6	5.6	25.1
Consumer Price Index	2.3	2.6	0.3	0.3	-0.2	0.4	0.8	1.1
Unemployment rate	9.0	7.8	8.2	8.3	8.2	7.7	8.6	7.8
<b>French</b>								
Gross Domestic Product	2.3	0.1	-2.6 <sup>f</sup>	-3.2 <sup>f</sup>	-2.6	-0.5 <sup>f</sup>	1.2	1.7
Exports of goods	3.4	2.7	-17.3	-20.5 <sup>f</sup>	-17.0 <sup>f</sup>	-10.1 <sup>f</sup>	7.4 <sup>f</sup>	12.7
Imports of goods	6.0 <sup>f</sup>	5.3	-17.8	-21.5 <sup>f</sup>	-21.6 <sup>f</sup>	-8.6 <sup>f</sup>	5.9 <sup>f</sup>	13.5
Consumer Price Index	1.5	2.8	0.1	-0.2	-0.4	0.4	1.3	1.6
Unemployment rate	8.4	7.8	9.5	9.2	9.4	10.1 <sup>f</sup>	10.2 <sup>f</sup>	9.5
<b>The United Kingdom</b>								
Gross Domestic Product	2.6	0.5	-4.9	-5.9	-5.3	-2.9 <sup>f</sup>	-0.2	1.7
Exports of goods	-9.3	14.1 <sup>f</sup>	-9.7 <sup>f</sup>	-16.0 <sup>f</sup>	-14.5 <sup>f</sup>	0.5 <sup>f</sup>	11.5 <sup>f</sup>	19.9
Imports of goods	-2.9	11.1	-10.4 <sup>f</sup>	-16.0	-15.1	-1.0 <sup>f</sup>	9.3 <sup>f</sup>	18.6
Consumer Price Index	2.3	3.6	2.1	2.1	1.4 <sup>f</sup>	2.1	3.3 <sup>f</sup>	3.4
Unemployment rate	5.3	5.7	7.6	7.8	7.9 <sup>f</sup>	7.8	8.0	7.8

<sup>a</sup> 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	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
<b>Mainland China</b>								
Gross Domestic Product	11.9	9.0	8.7	7.9	9.1	10.7	11.9	10.3
Exports of goods	25.7	17.3	-15.9	-23.4	-20.3	0.2	28.7	40.9
Imports of goods	20.7	18.5	-11.3	-20.2	-11.7	22.4	64.6 <sup>f</sup>	43.7
Consumer Price Index <sup>a</sup>	4.8	5.9	-0.7	-1.1	-1.1	-0.7	2.2	2.6
<b>Hong Kong</b>								
Gross Domestic Product	6.4	2.2	-2.8	-3.8	-2.4	2.5	8.0 <sup>f</sup>	6.5
Exports of goods	9.2	5.1	-12.6	-12.9	-14.3	-2.0	26.0	24.3
Imports of goods	10.3	5.5	-11.0	-14.9	-10.4	3.4	34.3	29.9
Consumer Price Index	2.0	4.3	0.5	-0.1	-0.9	1.3	1.9	2.6
Unemployment rate <sup>b</sup>	4.0	3.6	5.4	5.3	5.4	5.1	4.4	4.6
<b>Taiwan, China</b>								
Gross Domestic Product	6.0	0.7	-1.9	-6.9	-1.0	9.1	13.7 <sup>f</sup>	12.5
Exports of goods	10.1	3.6	-20.3	-32.0	-20.9	16.9	52.5	46.2
Imports of goods	8.2	9.7	-27.5 <sup>f</sup>	-37.8	-29.6	18.1	78.3 <sup>f</sup>	54.3
Consumer Price Index	1.8	3.5	-0.9	-0.9	-1.4	-1.3	1.3	1.1
Unemployment rate	3.9	4.1	5.9	5.8	6.1	5.9	5.7	5.2
<b>Japan</b>								
Gross Domestic Product	2.4	-1.2	-5.2	-5.7	-5.2	-1.0 <sup>f</sup>	4.7 <sup>f</sup>	2.0
Exports of goods	11.5	-3.5	-33.1	-38.6	-34.4	-8.0	43.3	33.2
Imports of goods	8.6	8.0	-34.8	-39.9	-39.5	-20.9	18.9	27.8
Consumer Price Index	-	1.4	-1.4	-1.0	-2.2	-2.0	-1.2	-0.9
Unemployment rate	3.8	4.0	5.1	5.2	5.4	5.0	5.1	5.3
<b>Republic of Korea</b>								
Gross Domestic Product	5.1	2.3	0.2	-2.2	1.0	6.0	8.1 <sup>f</sup>	7.2
Exports of goods	14.1	13.6	-13.9	-21.1	-17.6	11.7	36.0 <sup>f</sup>	33.1
Imports of goods	15.3	22.0	-25.8	-35.6	-31.0	1.4	37.2 <sup>f</sup>	43.1
Consumer Price Index	2.5	4.6	2.8	2.8	2.0	2.4	2.7	2.6
Unemployment rate	3.2	3.2	3.6	3.8	3.6	3.3	4.7	3.5
<b>Singapore</b>								
Gross Domestic Product	8.5	1.8	-1.3	-1.7	1.8	3.8	16.9 <sup>f</sup>	18.8
Exports of goods	4.4	5.8	-18.0	-25.4	-20.0	4.9	28.2	29.1
Imports of goods	4.5	13.9	-21.0	-28.4	-22.8	-2.7	25.5	26.5
Consumer Price Index	2.1	6.6	0.6	0.2	-0.3	-0.8	0.9	3.1
Unemployment rate	2.1	2.2	3.0	4.1	2.9	2.1	2.1	3.0

<sup>a</sup> Accumulated year-on-year comparison

<sup>b</sup> Seasonally adjusted

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	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
<b>USA</b>								
Gross Domestic Product	1.9 <sup>f</sup>	- <sup>f</sup>	-2.6 <sup>f</sup>	-0.7	1.6 <sup>f</sup>	5.0 <sup>f</sup>	3.7 <sup>f</sup>	1.6
Exports of goods	11.9	12.1	-18.0 <sup>f</sup>	-0.7 <sup>f</sup>	6.2 <sup>f</sup>	7.8 <sup>f</sup>	5.6 <sup>f</sup>	3.3
Imports of goods	5.6	7.5	-25.9	-2.3 <sup>f</sup>	9.0 <sup>f</sup>	7.3 <sup>f</sup>	6.0 <sup>f</sup>	6.3
Consumer Price Index	2.8	3.8	-0.4	0.5	0.9	0.6	0.4	-0.2
Unemployment rate <sup>a</sup>	4.6	5.8	9.3	9.3	9.6	10.0	9.7	9.7
<b>Japan</b>								
Gross Domestic Product	2.4	-1.2	-5.2	2.5 <sup>f</sup>	-0.3 <sup>f</sup>	1.0	1.1 <sup>f</sup>	0.1
Exports of goods	11.6	-3.6	-33.2	6.4 <sup>f</sup>	6.5 <sup>f</sup>	11.8 <sup>f</sup>	42.7 <sup>f</sup>	32.7
Imports of goods	8.3	7.8	-34.8	-3.7 <sup>f</sup>	2.5 <sup>f</sup>	7.0 <sup>f</sup>	20.2 <sup>f</sup>	28.1
Consumer Price Index	-	1.4	-1.4	-0.4	-0.5	-0.3	0.2	-0.9
Unemployment rate <sup>a</sup>	3.9	4.0	5.1	5.1	5.4	5.2	4.9	5.2
<b>Hong Kong</b>								
Gross Domestic Product	6.4	2.2	-2.8	3.1	0.3	2.4	2.1 <sup>f</sup>	1.4
Exports of goods	9.2	5.1	-12.6	7.7	-3.6	9.1	8.9	3.9
Imports of goods	10.3	5.5	-11.0	7.3	3.2	7.6	9.7	0.2
Consumer Price Index	2.0	4.3	0.5	-0.2	-1.1	2.2	1.0	0.5
Unemployment rate <sup>a</sup>	4.0	3.6	5.4	5.3 <sup>f</sup>	5.4 <sup>f</sup>	5.1 <sup>f</sup>	4.4	4.6

<sup>a</sup> 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