

## Global Economy in the Second Quarter of 2008

Overshadowed by the adverse impact arising from the global financial market turbulence, rising energy and food prices, the world economic growth slowed down noticeably in the second quarter of 2008, with some advanced economies failing to post positive growth. On the whole, continuous tightening of credit in the international market amid uncertain economic conditions, weakened business and consumer sentiment have posed great challenges to the development of the global economy.

In the *World Economic Outlook Update* released in July 2008, the International Monetary Fund (IMF) indicated that the global economy is in a tough spot, caught between the sharply slowing demand in many advanced economies and rising inflation in the developing economies. Hence, the IMF has slightly raised the global economic forecast to 4.1% in 2008 and 3.9% in 2009, up by 0.4 and 0.1 percentage point over the projection in April. Economic forecast for the United States was revised upward by 0.8 percentage point to 1.3% in 2008 and 0.2 percentage point to 0.8% in 2009. In the Euro area, the growth projection for 2008 was marked up by 0.3 percentage point to 1.7% and that for 2009 held stable at 1.2%. The forecast for the Japanese economy went up by 0.1 percentage point to 1.5% in 2008 and that for 2009 remained at 1.5%. The economy of Mainland China is expected to grow by 9.7% in 2008 and 9.8% in 2009, up by 0.4 and 0.3 percentage point from the April forecast.

The implementation of a number of stimulus measures has alleviated the shocks of the housing mortgage crisis to the economy, with the second quarter Gross Domestic Product (GDP) growing by 2.2%<sup>a</sup> year-on-year or 3.3% quarter-to-quarter<sup>b</sup>. Private consumption expenditure rose by 1.7% over the preceding quarter and government consumption expenditure and investment registered an increase of 3.9%, but private domestic investment dropped by 12.0%. As regards external merchandise trade, value of imports and exports grew by 14.1% and 19.2% respectively. The Consumer Price Index (CPI) rose by 4.4% and the unemployment rate edged down by 0.1 percentage point over the preceding quarter to 5.2%.

Growth in the Euro area remained moderate in the second quarter, with GDP growing by 1.9% year-on-year or -0.2% quarter-to-quarter. Private consumption expenditure and fixed capital investment dropped by 0.2% and 1.2% over the preceding quarter. Value of imports and exports of goods rose by 11.4% and 7.8% respectively. CPI went up by 3.6%, while the unemployment rate dropped by 0.3 percentage point over the previous quarter to 7.2%. The German economy grew by 1.7% year-on-year or -0.5% quarter-to-quarter in the second quarter owing to decline in gross fixed capital formation. Value of imports and exports of goods rose by 8.3% and 8.0% respectively; the

---

<sup>a</sup> Unless otherwise specified, all rates of change mentioned in this analysis are comparisons of the second quarter of 2008 with the corresponding quarter of the previous year.

<sup>b</sup> 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.

unemployment rate fell to 7.8% whereas CPI registered an increase of 2.9%.

In France, the second quarter GDP grew by 1.1% year-on-year or -0.3% quarter-to-quarter, with gross fixed capital formation shrinking by 1.5% over the preceding quarter. Value of imports and exports of goods went up by 8.0% and 3.4% respectively; CPI grew by 3.3% whereas the unemployment rate dropped by 0.6 percentage point over the previous quarter to 7.2%.

In the United Kingdom, economic expansion decelerated to 1.6% year-on-year or 0.2% quarter-to-quarter on account of the shrinking manufacturing and construction sectors. Industrial production and construction output contracted by 0.5% and 0.7%. Meanwhile, the service sector registered a quarterly growth of 0.4%, of which transport, storage and communications grew by 2.2%, business services and financial sector recorded a marginal rise of 0.1%. Value of imports and exports of goods rose by 12.4% and 11.5% respectively. The unemployment rate went up by 0.2 percentage point to 5.4% and CPI inflation stood at 3.4%.

The Asian economies showed signs of deceleration on the back of high volatility of the financial market and tightening credit brought about by the US housing mortgage crisis. Economic growth in Japan slowed to 1.0% due to falling corporate profit and weakening exports, with private consumption expenditure rising marginally by 0.6%. Exports of goods rose slightly by 1.8% whereas imports grew by 10.9%. The unemployment rate held stable at 4.0% and CPI grew by 1.4%.

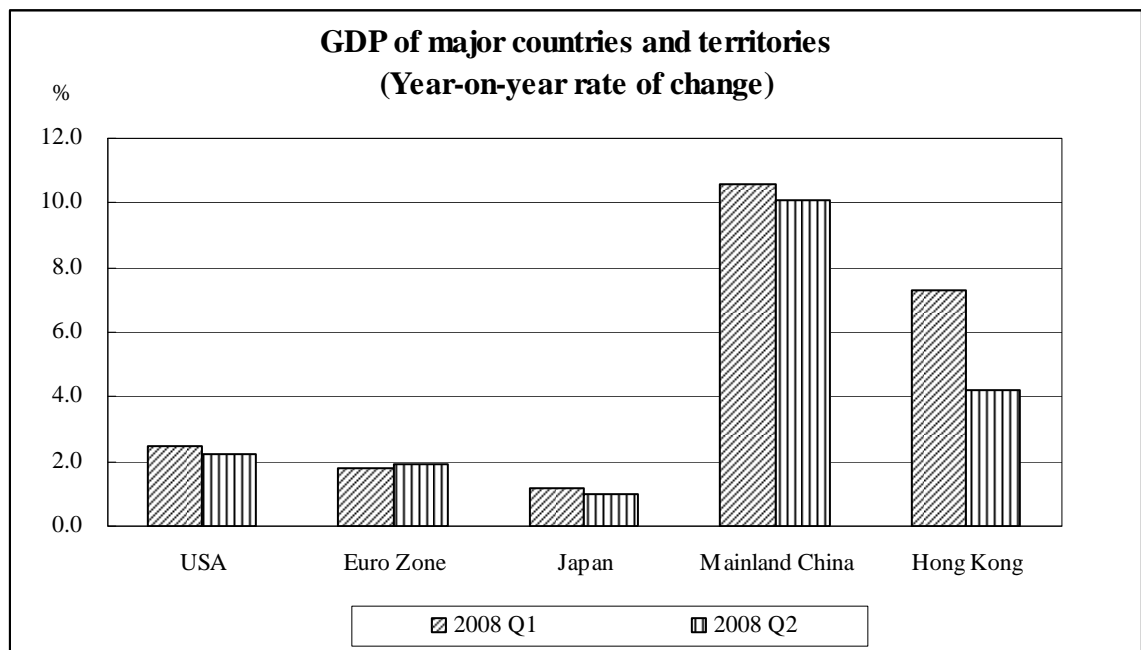
GDP of the Republic of Korea grew by 4.8% in the second quarter, with private consumption expenditure and gross fixed capital formation rising by 2.4% and 0.4% respectively. Value of imports and exports increased by 30.1% and 23.2%. The unemployment rate stood at 3.1% and CPI went up by 4.8%.

The economy of Singapore registered a 2.1% growth, in which financial and business services grew by 10.2% and 7.5% respectively whereas the manufacturing sector shrank by 5.2%. Value of imports and exports of goods expanded by 21.3% and 13.2% respectively. CPI grew by 7.5% and the unemployment rate rose by 1.1 percentage points over the preceding quarter to 2.9%.

GDP of Taiwan, China, expanded by 4.3%, but gross fixed capital formation saw a decrease of 7.7%. Value of imports and exports of goods rose by 19.3% and 19.1% respectively. CPI went up by 4.2% and the unemployment rate held stable at 3.9%.

The Hong Kong economy grew moderately in the second quarter of 2008, with GDP rising by 4.2%, lower than the 7.3% growth in the first quarter. Exports of services rose by 7.1% and private consumption expenditure also went up by 3.1%. Merchandise imports and exports grew by 9.1% and 7.8% respectively. Labour market conditions remained firm, with the unemployment rate standing at 3.3%. CPI registered an increase of 5.7%.

Pace of economic expansion for Mainland China softened to grow by 10.1% in the second quarter of 2008, down by 0.5 percentage point from the preceding quarter. Fixed assets investment, the major driving force of economic growth, registered an increase of 26.3% in the first half year; the actually utilized foreign investment grew by 45.6% to USD 52.40 billion. Surging food and energy prices pushed consumer prices up by 7.9% in the first half year. As regards external trade, given the external uncertainties and continuous appreciation of Renminbi against the US dollar, value of merchandise exports rose by 21.9% in the first half year, down by 5.7 percentage points year-on-year; value of merchandise imports grew remarkably by 30.6%, a year-on-year increase of 12.4 percentage points, resulting in a trade surplus of USD 99.0 billion. Foreign exchange reserve of Mainland China totalled USD 1,808.83 billion at the end of June, up substantially by 35.7% 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 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
<b>USA</b>								
Gross Domestic Product	2.9 <sup>f</sup>	2.8 <sup>r</sup>	2.0 <sup>f</sup>	1.8 <sup>r</sup>	2.8	2.3 <sup>f</sup>	2.5	2.2
Exports of goods	10.7	14.5	12.2	10.4 <sup>r</sup>	12.9	14.1 <sup>f</sup>	17.0	19.2
Imports of goods	13.9	10.9	5.6 <sup>f</sup>	3.8 <sup>r</sup>	3.4 <sup>f</sup>	10.6 <sup>f</sup>	11.3 <sup>r</sup>	14.1
Consumer Price Index	3.4	3.2	2.8	2.7	2.4	4.0	4.1	4.4
Unemployment rate	5.1	4.6	4.6	4.4	4.7	4.6	5.3	5.2
<b>Japan</b>								
Gross Domestic Product	1.9	2.4	2.1	1.8	1.7	1.6 <sup>f</sup>	1.2 <sup>r</sup>	1.0
Exports of goods	7.3	14.6	11.5	13.2	10.7	10.0	6.0	1.8
Imports of goods	15.7	18.3	8.6	9.8	6.3	11.4	10.2	10.9
Consumer Price Index	-0.3	0.3	0 <sup>#</sup>	-0.1	-0.1 <sup>r</sup>	0.5	1.0 <sup>f</sup>	1.4
Unemployment rate	4.4	4.1	3.8	3.8	3.7	3.7	4.0	4.0
<b>Euro area</b>								
Gross Domestic Product	1.7 <sup>f</sup>	2.8	2.6 <sup>f</sup>	2.6 <sup>r</sup>	2.7	2.2	1.8 <sup>r</sup>	1.9
Exports of goods	7.8	11.6 <sup>f</sup>	8.4 <sup>f</sup>	9.4 <sup>r</sup>	10.2 <sup>r</sup>	5.4 <sup>f</sup>	6.8	7.8
Imports of goods	13.5	13.7 <sup>r</sup>	5.6	3.6	6.4 <sup>f</sup>	7.3 <sup>f</sup>	9.2 <sup>r</sup>	11.4
Consumer Price Index	2.2	2.2	2.2	1.9	1.9	2.9	3.4	3.6
Unemployment rate	8.9	8.3	7.5	7.3 <sup>r</sup>	7.2 <sup>r</sup>	7.3 <sup>f</sup>	7.5 <sup>r</sup>	7.2
<b>Mainland China</b>								
Gross Domestic Product	10.4	11.6	11.9	11.9	11.5	11.2	10.6	10.1
Exports of goods	28.4	27.2	25.7	27.5	26.2	22.2	21.4	22.2
Imports of goods	17.6	20.0	20.8	18.3	20.5	25.4	28.6	32.4
Consumer Price Index <sup>a</sup>	1.8	1.5	4.8	3.2	4.1	4.8	8.0	7.9
<b>Hong Kong</b>								
Gross Domestic Product	7.1	7.0	6.4	6.2	6.8	6.9	7.3 <sup>r</sup>	4.2
Exports of goods	11.4	9.4	9.2	11.7	8.2	8.2	10.5	7.8
Imports of goods	10.3	11.6	10.3	12.6	9.1 <sup>r</sup>	10.5	11.6	9.1
Consumer Price Index	1.0	2.0	2.0	1.3	1.6	3.5	4.6	5.7
Unemployment rate	5.6	4.8	4.0	4.3	4.3	3.2	3.3	3.3

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

<sup>r</sup> 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 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
<b>USA</b>								
Gross Domestic Product	2.9 <sup>r</sup>	2.8 <sup>r</sup>	2.0 <sup>r</sup>	4.8 <sup>r</sup>	4.8 <sup>r</sup>	-0.2 <sup>r</sup>	0.9	3.3
Exports of goods	10.7	14.5	12.2	3.4	5.7 <sup>r</sup>	2.6	4.8 <sup>r</sup>	6.3
Imports of goods	13.9	10.9	5.7 <sup>r</sup>	2.6	2.3 <sup>r</sup>	3.2	3.3 <sup>r</sup>	4.5
Consumer Price Index	3.4	3.2	2.9	1.1	0.7	1.2	1.1	1.2
Unemployment rate <sup>a</sup>	5.1	4.6	4.6	4.5	4.7	4.8	4.9	5.3
<b>Japan</b>								
Gross Domestic Product	1.9	2.4	2.1	-0.4 <sup>r</sup>	0.2	0.6	0.8	-0.6
Exports of goods	7.5	14.9	11.7	3.2 <sup>r</sup>	1.8 <sup>r</sup>	0.7 <sup>r</sup>	-0.2 <sup>r</sup>	-0.2
Imports of goods	16.4	18.5	8.2	2.8	0.6 <sup>r</sup>	4.5 <sup>r</sup>	1.4 <sup>r</sup>	4.0
Consumer Price Index	-0.3	0.3	0.1	0.1	0.2	0.4	0.3	0.5
Unemployment rate <sup>a</sup>	4.4	4.1	3.8 <sup>r</sup>	3.8	3.7 <sup>r</sup>	3.7 <sup>r</sup>	4.0 <sup>r</sup>	4.0
<b>Hong Kong</b>								
Gross Domestic Product	7.1	7.0	6.4	1.5	2.1	1.5	2.0 <sup>r</sup>	-1.4
Exports of goods	11.4	9.4	9.2	2.7	0.9	1.8	1.8	1.0
Imports of goods	10.3	11.6	10.3	4.7	1.2	3.6	-1.4	2.2
Consumer Price Index	1.0	2.0	2.0	0.3 <sup>r</sup>	0.8 <sup>r</sup>	2.2 <sup>r</sup>	1.1 <sup>r</sup>	1.5
Unemployment rate <sup>a</sup>	5.6	4.8	4.0	4.2	4.0	3.4	3.4	3.3

<sup>a</sup> Unemployment rate after seasonal adjustment

<sup>r</sup> 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