

Global Economy in the Second Quarter of 2012

Global recovery showed signs of weakness in the second quarter of 2012. Fragile US economic recovery, renewed escalation of the Euro zone sovereign debt crisis, and their intensifying spillover effects on the Asian region continued to pose downside risks to global recovery. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) in July 2012 indicated that the global recovery slackened further, with both advanced and emerging economies posting lower growth. The world economy is projected to grow by 3.5% in 2012 and 3.9% in 2013, down by 0.1 and 0.2 percentage point respectively from the April forecast.

The US economy showed tepid recovery. Gross Domestic Product (GDP) for the second quarter of 2012 expanded by 2.3% year-on-year and 1.7% quarter-to-quarter. The increment was spurred by private consumption expenditure, exports and fixed investment, contributing 1.2, 0.8 and 0.6 percentage point respectively to economic growth. Meanwhile, decrease in inventory and cutback in state and local government spending dragged down the rate of expansion by 0.2 percentage point each. Despite slowing economic growth, the unemployment rate dropped notably by 0.6 percentage point to 8.0%; the seasonally adjusted unemployment rate was 8.2%.

Intensification of the sovereign debt crisis in the Euro zone hampered economic growth. The second quarter GDP contracted by 0.5% year-on-year and 0.2% quarter-to-quarter. Exports contributed 0.6 percentage point to economic expansion; nevertheless, increase in imports lowered the rate of increase by 0.4 percentage point. Meanwhile, both gross fixed capital formation and inventory pulled down the rate of economic growth by 0.2 percentage point. Unemployment rate stayed high at 11.1% amid the lackluster economy, down by 0.3 percentage point quarter-to-quarter.

The UK economy was dragged down by the construction and manufacturing sectors. The second quarter GDP declined by 0.5% both year-on-year and quarter-to-quarter. Gross fixed capital formation contributed 0.7 percentage point to economic growth; meanwhile, exports and household final consumption expenditure pulled down the rate of increase by 0.5 and 0.3 percentage point respectively. Despite the economy showing signs of weakness, the unemployment rate went down by 0.2 percentage point quarter-to-quarter to 8.0%.

The lull in the EU and US economies exerted growing impacts on the Asian region. The July *WEO Update* of IMF pointed out that the newly industrialized Asian economies¹ are projected to expand by 2.7%, the ASEAN 5² by 5.4%, the Middle East and the North African region by 5.5%, and the Chinese and Indian economies by 8.0% and 6.1% respectively in 2012.

¹ Korea; Taiwan, China; Hong Kong and Singapore

² Indonesia, Malaysia, the Philippines, Thailand and Vietnam

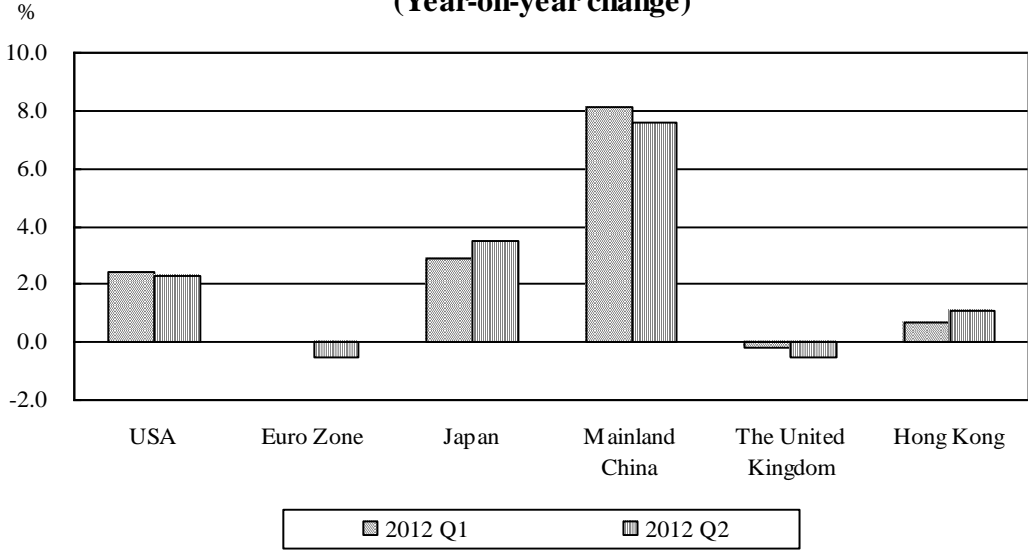
The Japan's economy picked up momentum in the second quarter of 2012, with GDP increasing by 3.5% year-on-year and 0.3% quarter-to-quarter; economic growth was still driven by the impetus of domestic demand and gross fixed capital formation, which contributed 0.4 and 0.3 percentage point to the rate of increase. Unemployment rate edged up by 0.1 percentage point year-on-year to 4.6%; the seasonally adjusted rate dropped by 0.1 percentage point to 4.4%.

Economy of Mainland China maintained steady growth. GDP expanded by 7.6% year-on-year in the second quarter of 2012, down by 0.5 percentage point compared with the increment in the first quarter. In the first half year of 2012, value added of the above-scale industries³ rose by 10.5% year-on-year, down by 1.1 percentage points from the growth in the first quarter; fixed asset investment increased by 20.4% year-on-year, down by 0.5 percentage point quarter-to-quarter; retail sales of consumer goods rose by 14.4% year-on-year, down by 0.4 percentage point quarter-to-quarter, with sales of communication equipment rising by 37.2% year-on-year, construction and decoration materials by 25.8% and household furniture by 25.1%. Total value of external merchandise trade for the first half year of 2012 registered an increase of 8.0% year-on-year, with trade surplus amounting to USD 68.9 billion. Inflation receded further, with the second quarter CPI growth easing to 3.3%, of which CPI for June increased by 2.2% year-on-year.

The Hong Kong economy remained sluggish, expanding by 1.1% year-on-year in the second quarter of 2012; GDP contracted by 0.1% quarter-to-quarter after seasonal adjustment. Merchandise exports declined but the domestic sector was relatively resilient. Compared with the second quarter of 2011, increase in gross fixed capital formation and private consumption expenditure slowed to 5.7% and 3.7% respectively; government final consumption expenditure went up by 3.5%. Performance of external trade deteriorated, with merchandise imports and exports rising by 2.1% and 1.9% respectively year-on-year; the seasonally adjusted imports and exports went down by 1.9% and 3.9% respectively. Unemployment rate held stable as the previous quarter at 3.3%.

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 change)**



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

(%) 1/2

	2009	2010	2011	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2
USA								
Gross Domestic Product	-3.1 ^r	2.4 ^r	1.8 ^r	1.9 ^r	1.6 ^r	2.0 ^r	2.4 ^r	2.3
Exports of goods	-18.0	21.0	15.8	17.8 ^r	17.4 ^r	10.4 ^r	8.5 ^r	5.6
Imports of goods	-25.9	22.7	15.4	17.0	14.2	12.1	8.5 ^r	3.7
Consumer Price Index	-0.4	1.7	3.1	3.4	3.8	3.3	2.8	1.9
Unemployment rate	9.3	9.6	8.9	8.9	9.1	8.3	8.6	8.0
Euro area ^a								
Gross Domestic Product	-4.4	2.0	1.4 ^r	1.6	1.3	0.6 ^r	- ^r	-0.5
Exports of goods	-18.0	20.0	13.1 ^r	13.5 ^r	9.8 ^r	8.8 ^r	8.6 ^r	8.0
Imports of goods	-21.7	22.5	12.7 ^r	13.1 ^r	9.9 ^r	4.9 ^r	3.9 ^r	0.9
Consumer Price Index	0.3	1.6	2.7	2.8	2.7	2.9	2.7	2.5
Unemployment rate	9.6	10.1 ^r	10.1 ^r	9.8	9.8 ^r	10.6	11.4	11.1
Germany								
Gross Domestic Product	-5.1	4.2 ^r	3.0	3.1 ^r	2.6	1.4 ^r	1.7	0.5
Exports of goods	-18.4	18.5	11.4	11.7	9.9	5.6	5.8	3.9
Imports of goods	-17.5	19.9	13.2	13.5	11.7	7.1	4.7	0.1
Consumer Price Index	0.3	1.1	2.3	2.3	2.5	2.3	2.2	1.9
Unemployment rate	8.1	7.7	7.1	7.1	6.9	6.5	7.3	6.8
French								
Gross Domestic Product	-3.1 ^r	1.6	1.7	1.7	1.6 ^r	1.2	0.3	0.3
Exports of goods	-17.3	12.7	8.9	8.8 ^r	6.7 ^r	7.5	5.5 ^r	6.0
Imports of goods	-17.5	13.1 ^r	12.2 ^r	13.1 ^r	9.5 ^r	7.8	3.1 ^r	3.9
Consumer Price Index	0.1	1.5	2.1	2.1	2.1	2.4	2.3	2.0
Unemployment rate	9.5	9.7 ^r	9.6 ^r	9.1 ^r	9.4 ^r	10.0 ^r	10.3	9.6
The United Kingdom								
Gross Domestic Product	-4.0 ^r	1.8 ^r	0.8 ^r	0.6 ^r	0.5 ^r	0.6 ^r	-0.2 ^r	-0.5
Exports of goods	-9.5	16.5	12.5 ^r	11.0 ^r	11.0 ^r	9.7 ^r	4.1	-0.9
Imports of goods	-10.2	17.1	9.6 ^r	9.8	10.2	5.5 ^r	5.2 ^r	2.7
Consumer Price Index	2.1	3.3	4.5	4.4	4.7	4.7	3.5	2.8
Unemployment rate	7.7	7.8	8.1	7.9	8.3	8.4	8.2	8.0

^a The Euro area consists of 17 member states from 2011 onwards.

^r Revised figures.

- Absolute value equals zero.

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)

(%) 2/2

	2009	2010	2011	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2
Mainland China								
Gross Domestic Product	8.7	10.3	9.2	9.5	9.1	8.9	8.1	7.6
Exports of goods	-15.9	31.3	20.3	22.0	20.6	14.2	7.6	10.5
Imports of goods	-11.3	38.7	25.0	23.1	25.0	20.5	6.9	6.6
Consumer Price Index ^a	-0.7	3.3	5.4	5.4	5.7	5.4	3.8	3.3
Hong Kong								
Gross Domestic Product	-2.7	7.1	5.0	5.4	4.4	3.0	0.7 ^r	1.1
Exports of goods	-12.6	22.8	10.1	7.7	4.2	6.9	-1.5	1.9
Imports of goods	-11.0	25.0	11.9	10.3	8.9	9.3	0.7	2.1
Consumer Price Index	0.5	2.4	5.3	5.2	6.4	5.7	5.2	4.2
Unemployment rate	5.4	4.3	3.4	3.7	3.4	3.1	3.3	3.3
Taiwan, China								
Gross Domestic Product	-1.8	10.7	4.0	4.5	3.5	1.9	0.4	-0.2
Exports of goods	-20.3	34.8	12.3	14.6	11.6	4.5	-4.0	-5.4
Imports of goods	-27.5	44.1	12.0	18.9	10.2	-0.9	-5.9	-5.8
Consumer Price Index	-0.9	1.0	1.4	1.6	1.4	1.4	1.3	1.7
Unemployment rate	5.9	5.2	4.4	4.3	4.4	4.3	4.2	4.1
Japan								
Gross Domestic Product	-5.5	4.5 ^r	-0.8 ^r	-1.8 ^r	-0.6 ^r	-0.7 ^r	2.9 ^r	3.5
Exports of goods	-33.1	24.4	-2.7	-8.1	0.5	-5.5	-1.6	4.8
Imports of goods	-34.8	18.0	12.1	10.5	13.8	12.4	9.9 ^r	5.1
Consumer Price Index	-1.4	-0.7	-0.3	-0.4	0.1	-0.3	0.3	0.2
Unemployment rate	5.1	5.1	4.6	4.8	4.5	4.3	4.5	4.6
Republic of Korea								
Gross Domestic Product	0.3	6.3	3.6	3.5	3.6	3.3	2.8	2.4
Exports of goods	-13.9	28.3	19.0	18.6	21.4	9.0	3.0	-1.6
Imports of goods	-25.8	31.6	23.3	27.1	27.7	13.4	7.7 ^r	-2.4
Consumer Price Index	2.8	2.9	4.0	4.0	4.3	4.0	3.0	2.4
Unemployment rate	3.6	3.8	3.4	3.4	3.1	2.9	3.8	3.3
Singapore								
Gross Domestic Product	-1.0	14.8	4.9	1.2	6.0	3.6	1.5 ^r	2.0
Exports of goods	-18.0	22.4	7.5	6.7	4.7	5.8	4.8	1.4
Imports of goods	-21.0	18.8	8.6	8.4	6.2	9.9	10.5 ^r	4.6
Consumer Price Index	0.6	2.8	5.2	4.7	5.5	5.5	4.9	5.3
Unemployment rate	3.0	2.2	2.0	2.7	1.8	1.8	1.9	2.6

^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 (QUARTER-TO-QUARTER COMPARISON)

	(%)							
	2009	2010	2011	2011	2011	2011	2012	2012
				Q2	Q3	Q4	Q1	Q2
USA								
Gross Domestic Product	-3.1 ^r	2.4 ^r	1.8 ^r	2.5 ^r	1.3 ^r	4.1 ^r	2.0 ^r	1.7
Exports of goods	-18.0	21.0	15.8	3.3	2.7	0.2 ^r	1.4 ^r	1.5
Imports of goods	-25.9	22.7	15.4	3.1 ^r	0.6 ^r	1.6 ^r	2.1 ^r	-0.4
Consumer Price Index	-0.4	1.7	3.1	1.1	0.8	0.3	0.6	0.2
Unemployment rate ^a	9.3	9.6	8.9	9.0	9.1	8.7	8.3	8.2
Japan								
Gross Domestic Product	-5.5	4.5 ^r	-0.8 ^r	-0.5 ^r	1.8 ^r	0.1 ^r	1.3 ^r	0.3
Exports of goods	-33.2	24.4 ^r	-2.6	-8.0 ^r	7.8 ^r	-5.0 ^r	1.8 ^r	0.6
Imports of goods	-34.6	18.1 ^r	12.3	3.6 ^r	2.3 ^r	0.6 ^r	1.8 ^r	0.4
Consumer Price Index	-1.4	-0.7	-0.3	-0.2	-	-0.2	0.6	-0.2
Unemployment rate ^a	5.1	5.1	4.6	4.7	4.4	4.5	4.5	4.4
Hong Kong								
Gross Domestic Product	-2.7	7.1	5.0	-0.4	0.1	0.4	0.6 ^r	-0.1
Exports of goods	-12.6	22.8	10.1	-9.6 ^r	- ^r	0.5 ^r	2.1 ^r	-3.9
Imports of goods	-11.0	25.0	11.9	-5.1 ^r	0.4 ^r	-0.3 ^r	0.7 ^r	-1.9
Consumer Price Index	0.5	2.4	5.3	1.8	-0.9	3.0	1.3	0.9
Unemployment rate ^a	5.4	4.3	3.4	3.6	3.2	3.3	3.4	3.2

a Unemployment rate after seasonal adjustment.

r Revised figures.

- Absolute value equals zero.

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