

Global Economy in the Third Quarter of 2012

The pace of recovery continued to decelerate in the third quarter of 2012. Slow growth of the US economy, persistent sovereign debt crisis in the Euro zone, and sign of gradual slowdown of the Asian economies were obstacles to the world economic growth. The *World Economic Outlook (WEO)* of the International Monetary Fund (IMF) in October 2012 indicated that the recovery continued but it has weakened; growth in advanced economies was too low and slowing down in emerging economies. The world economy is projected to grow by 3.3% in 2012 and 3.6% in 2013, down by 0.2 and 0.3 percentage point respectively from the July forecast.

The US economy showed slight improvement. Gross Domestic Product (GDP) for the third quarter of 2012 expanded by 2.5% year-on-year and 2.7% quarter-to-quarter. The increment was spurred by the increase in private consumption expenditure, inventory and federal expenditure that contributed 1.0, 0.8 and 0.7 percentage point respectively to growth, while non-residential fixed investment dragged down the rate of expansion by 0.2 percentage point. Despite modest growth, the third quarter unemployment rate edged up by 0.1 percentage point to 8.1%; the seasonal adjusted unemployment rate also stood at 8.1%.

The Euro zone might fall again into recession as the sovereign debt crisis lingered. The third quarter GDP contracted by 0.6% year-on-year, marking three consecutive quarters of negative growth; meanwhile, the economy shrank by 0.1% quarter-to-quarter. Exports contributed 0.4 percentage point to growth, but inventory and gross fixed capital formation lowered the increase by 0.2 and 0.1 percentage point respectively. Unemployment rate stayed high at 11.2% amid slackened performance, up slightly by 0.1 percentage point quarter-to-quarter.

The UK economy was benefited by the impetus of the London Olympics, the third quarter GDP expanded by 1.0% quarter-to-quarter, the highest since 2007, yet contracted by 0.1% year-on-year. Exports and household final consumption expenditure contributed 0.5 and 0.4 percentage point to growth, but gross fixed capital formation pulled down the rate of increase by 0.2 percentage point. The economy improved mildly, the unemployment rate receded by 0.2 percentage point quarter-to-quarter, at 7.8%.

Growth in the Asian economies decelerated generally upon fragile economic

performance of the advanced economies and slowdown in the growth momentum in China and India. The October *WEO* of IMF projected that the newly industrialized Asian economies¹ will expand by 2.1%, the ASEAN 5² by 5.4%, the Middle East and the North African region by 5.3%, and the Chinese and Indian economies by 7.8% and 4.9% respectively in 2012. Apart from the ASEAN 5, growth performance of other economies is lower than the July forecast, of which growth forecast of India has the largest downward revision of 1.3 percentage points.

In Japan, the third quarter GDP increased by 0.1% year-on-year but contracted by 0.9% quarter-to-quarter, indicating that the economy might fall into recession, of which exports dragged down economic growth by 0.8 percentage point, domestic demand and fixed capital formation by 0.2 percentage point. The unemployment rate, at 4.3%, was unaffected, down by 0.3 percentage point quarter-to-quarter; the seasonal adjusted rate decreased by 0.2 percentage point from the previous quarter to 4.2%.

Economy of Mainland China maintained steady growth. GDP expanded by 7.4% year-on-year in the third quarter, 0.2 percentage point lower than the increment in the second quarter. In the first three quarters of 2012, value added of the above-scale industries³ rose by 10.0% year-on-year, down by 0.5 percentage point from the increase in the first half year; fixed asset investment increased by 20.5% year-on-year, up by 0.1 percentage point; retail sales of consumer goods rose by 14.1% year-on-year, down by 0.3 percentage point, with sales of communication equipment rising by 33.3%, furniture by 26.2%, and construction and decoration materials by 25.7%. Total value of external merchandise trade for the first three quarters of 2012 registered an increase of 6.2% year-on-year, with trade surplus amounting to USD148.3 billion. Increase in CPI narrowed to 2.8% in the third quarter, with CPI for September rising by 1.9% year-on-year, indicating a slowdown in inflation.

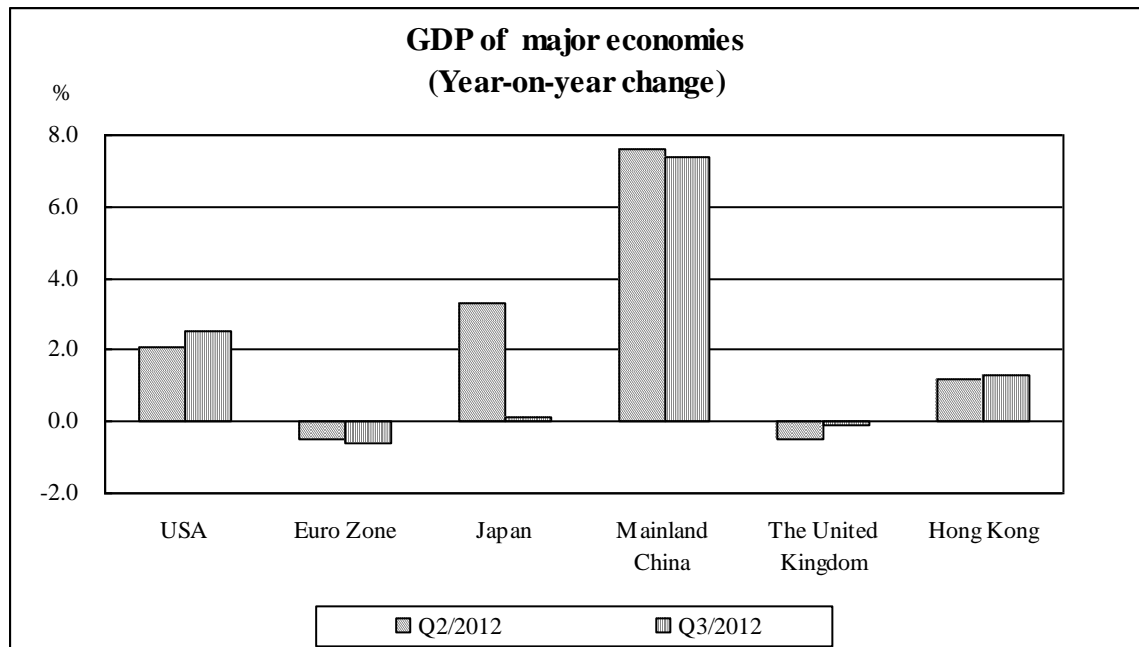
The Hong Kong economy saw similar growth as the previous quarter, up by 1.3% year-on-year in the third quarter, and 0.6% quarter-to-quarter after seasonal adjustment. Exports saw improvement but domestic demand tended to slowdown. Gross fixed capital formation and government final consumption expenditure went up by 8.7% and 3.7% respectively year-on-year; increase in private consumption expenditure moderated to 2.8%. External trade rebounded, with merchandise imports

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.

and exports rising by 4.5% and 3.8% respectively year-on-year, or 3.8% and 4.3% after seasonal adjustment. The unemployment rate increased by 0.2 percentage point to 3.5%.



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

(%)

	2009	2010	2011	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3
USA								
Gross Domestic Product	-3.1	2.4	1.8	1.6	2.0	2.4	2.1 ^f	2.5
Exports of goods	-18.0	21.0	15.8	17.4	10.4	8.5	5.7 ^f	1.2
Imports of goods	-25.9	22.7	15.4	14.2	12.1	8.5	3.7	-
Consumer Price Index	-0.4	1.7	3.1	3.8	3.3	2.8	1.9	1.7
Unemployment rate	9.3	9.6	8.9	9.1	8.3	8.6	8.0	8.1
Euro area ^a								
Gross Domestic Product	-4.4	2.0	1.4	1.3	0.6	-0.1 ^f	-0.5	-0.6
Exports of goods	-18.0	20.0	13.2 ^f	9.9 ^f	8.6 ^f	8.5 ^f	8.1 ^f	7.4
Imports of goods	-21.7	22.5	12.8 ^f	10.2 ^f	5.1 ^f	4.0 ^f	1.2 ^f	0.1
Consumer Price Index	0.3	1.6	2.7	2.7	2.9	2.7	2.5	2.5
Unemployment rate	9.6	10.1	10.1	9.8	10.6	11.4	11.1	11.2
Germany								
Gross Domestic Product	-5.1	4.2	3.0	2.6	1.4	1.7	0.5	0.4
Exports of goods	-18.4	18.5	11.5 ^f	10.0 ^f	5.2 ^f	5.1 ^f	3.6 ^f	3.6
Imports of goods	-17.5	19.9	13.2	11.5 ^f	6.9 ^f	4.0 ^f	0.1	-0.4
Consumer Price Index	0.3	1.1	2.3	2.5	2.3	2.2	1.9	1.9
Unemployment rate	8.1	7.7	7.1	6.9	6.5	7.3	6.8	6.7
French								
Gross Domestic Product	-3.1	1.6	1.7	1.5 ^f	1.1 ^f	0.2 ^f	0.1 ^f	0.1
Exports of goods	-17.2 ^f	12.8 ^f	9.0 ^f	6.5 ^f	7.6 ^f	5.0 ^f	5.2 ^f	4.0
Imports of goods	-17.5	13.2 ^f	12.7 ^f	10.1 ^f	8.1 ^f	2.7 ^f	3.5 ^f	0.7
Consumer Price Index	0.1	1.5	2.1	2.1	2.4	2.3	2.0	2.0
Unemployment rate	9.5	9.7	9.6	9.4	10.0	10.4 ^f	9.8 ^f	10.5
The United Kingdom								
Gross Domestic Product	-4.0	1.8	0.9 ^f	0.6 ^f	0.7 ^f	-0.1 ^f	-0.5	-0.1
Exports of goods	-9.5	16.5	12.6 ^f	11.0	9.5 ^f	3.8 ^f	-1.2 ^f	2.0
Imports of goods	-10.2	17.1	9.6	10.3 ^f	5.3 ^f	5.6 ^f	2.3 ^f	-0.8
Consumer Price Index	2.1	3.3	4.5	4.7	4.7	3.5	2.8	2.4
Unemployment rate	7.7	7.8	8.1	8.3	8.4	8.2	8.0	7.8

^a The Euro area consists of 17 member states from 2011 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) (Cont'd)

(%)

	2009	2010	2011	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3
Mainland China								
Gross Domestic Product	8.7	10.3	9.2	9.1	8.9	8.1	7.6	7.4
Exports of goods	-15.9	31.3	20.3	20.6	14.2	7.6	10.5	4.5
Imports of goods	-11.3	38.7	25.0	25.0	20.5	6.9	6.5 ^f	1.4
Consumer Price Index ^a	-0.7	3.3	5.4	5.7	5.4	3.8	3.3	2.8
Hong Kong								
Gross Domestic Product	-2.7	6.8 ^f	4.9 ^f	4.3 ^f	2.8 ^f	0.7	1.2 ^f	1.3
Exports of goods	-12.6	22.8	10.1	4.2	6.9	-1.5	1.9	3.8
Imports of goods	-11.0	25.0	11.9	8.9	9.3	0.7	2.1	4.5
Consumer Price Index	0.5	2.4	5.3	6.4	5.7	5.2	4.2	3.1
Unemployment rate	5.4	4.3	3.4	3.4	3.1	3.3	3.3	3.5
Taiwan, China								
Gross Domestic Product	-1.8	10.7	4.0	3.5	1.9	0.4	-0.2	1.0
Exports of goods	-20.3	34.8	12.3	11.6	4.5	-4.0	-5.4	-2.2
Imports of goods	-27.5	44.1	12.0	10.2	-0.9	-5.9	-5.8	-3.2
Consumer Price Index	-0.9	1.0	1.4	1.4	1.4	1.3	1.7	3.0
Unemployment rate	5.9	5.2	4.4	4.4	4.3	4.2	4.1	4.3
Japan								
Gross Domestic Product	-5.5	4.5	-0.7 ^f	-0.6	-0.7	2.9	3.3 ^f	0.1
Exports of goods	-33.1	24.4	-2.7	0.5	-5.5	-1.6	4.8	-8.1
Imports of goods	-34.8	18.0	12.1	13.8	12.4	9.9	5.1	0.2
Consumer Price Index	-1.4	-0.7	-0.3	0.1	-0.3	0.3	0.2	-0.4
Unemployment rate	5.1	5.1	4.6	4.5	4.3	4.5	4.6	4.3
Republic of Korea								
Gross Domestic Product	0.3	6.3	3.6	3.6	3.3	2.8	2.3 ^f	1.6
Exports of goods	-13.9	28.3	19.0	21.4	9.0	3.0	-1.7 ^f	-5.6
Imports of goods	-25.8	31.6	23.3	27.7	13.4	7.7	-2.7 ^f	-7.1
Consumer Price Index	2.8	3.0 ^f	4.0	4.3	4.0	3.0	2.4	1.6
Unemployment rate	3.6	3.8	3.4	3.1	2.9	3.8	3.3	3.0
Singapore								
Gross Domestic Product	-1.0	14.8	4.9	6.0	3.6	1.6 ^f	2.5 ^f	0.3
Exports of goods	-18.0	22.4	7.5	4.7	5.8	4.8	1.4	-4.2
Imports of goods	-21.0	18.8	8.6	6.2	9.9	10.5	4.6	-1.3
Consumer Price Index	0.6	2.8	5.2	5.5	5.5	4.9	5.3	4.2
Unemployment rate	3.0	2.2	2.0	1.8	1.8	1.9	2.6	1.7

^a Accumulated year-on-year comparison.

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 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3
USA								
Gross Domestic Product	-3.1	2.4	1.8	1.3	4.1	2.0	1.3 ^f	2.7
Exports of goods	-18.0	21.0	15.8	2.7	0.2	1.4	1.6 ^f	-0.3
Imports of goods	-25.9	22.7	15.4	0.6	1.6	2.1	-0.4	-2.1
Consumer Price Index	-0.4	1.7	3.1	0.8	0.3	0.6	0.2	0.6
Unemployment rate ^a	9.3	9.6	8.9	9.1	8.7	8.3	8.2	8.1
Japan								
Gross Domestic Product	-5.5	4.5	-0.7 ^f	2.3 ^f	-0.3 ^f	1.3	0.1 ^f	-0.9
Exports of goods	-33.2	24.4	-2.6	8.2 ^f	-4.9 ^f	1.6 ^f	0.2 ^f	-3.8
Imports of goods	-34.6	18.1	12.2 ^f	2.2 ^f	0.4 ^f	1.8	0.6 ^f	-1.7
Consumer Price Index	-1.4	-0.7	-0.3	-	-0.2	0.6	-0.2	-0.5
Unemployment rate ^a	5.1	5.1	4.6	4.4	4.5	4.5	4.4	4.2
Hong Kong								
Gross Domestic Product	-2.7	6.8 ^f	4.9 ^f	0.5 ^f	0.2 ^f	0.5 ^f	-0.1	0.6
Exports of goods	-12.6	22.8	10.1	-	0.5	2.1	-4.2 ^f	4.3
Imports of goods	-11.0	25.0	11.9	0.4	-0.3	0.7	-1.9	3.8
Consumer Price Index	0.5	2.4	5.3	-0.9	3.0	1.3	0.9	-2.0
Unemployment rate ^a	5.4	4.3	3.4	3.2	3.3	3.4	3.2	3.3

^a 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