

Global Economy in the First Quarter of 2009

Major economies around the world experienced protracted decline in the first quarter of 2009 amid the global financial crisis, with some of them having slipped into deep recession. In the *World Economic Outlook (WEO)* released in April 2009, the International Monetary Fund (IMF) indicated that the global economy is in a severe recession inflicted by a massive financial crisis and acute loss of confidence. While the rate of contraction should moderate from the second quarter onward, world output is projected to decline by 1.3% in 2009 as a whole, a downward revision of 1.8 percentage points from the forecast of the *WEO Update* in January 2009, the global economy is expected to recover gradually in 2010, growing by 1.9%.

In the first quarter of 2009, GDP of the United States contracted by 2.5%¹ year-on-year (as against a 0.8% drop in the fourth quarter of 2008) on the back of the housing slump, shrinking inventories and falling investment, while the quarter-to-quarter² decline tapering off to 5.7%. Private consumption expenditure rose by 1.5% over the preceding quarter, the first quarter-to-quarter increase since the third quarter of 2008, but decreased by 1.4% year-on-year. Private domestic investment continued to fall by 23.3%, with decrease of residential and non-residential fixed investment dropping further by 23.4% and 16.0% respectively. External merchandise trade fell continuously in the first quarter, with value of imports and exports sliding by 29.9% and 22.4% respectively. Consumer Price Index (CPI) held stable year-on-year, but decreased by 1.6 percentage points quarter-to-quarter. The unemployment rate remained high at 8.8%, up from 6.6% in the previous quarter. Although the economic fronts of the US continued to deteriorate, public is rather optimistic about the economic stimulus package setting out by the government, with the US Consumer Confidence Index rising gradually from the lowest in February (25.3) to 54.9 in May; meanwhile, Consumer Confidence Index registered a 28 points increase from end-March to May, the largest bimonthly rise since inception of the Index in 1967.

The Euro zone economy saw an unprecedented contraction in history on account of sharp decrease of investment, shrinking consumer spending and businesses' reliance on inventories to satisfy market demand, with GDP falling by 4.8% year-on-year or 2.5% quarter-to-quarter, the worse decline since 1995. Value of imports and exports of goods dropped markedly by 20.9% and 21.7% respectively; the sluggish labour market pushed unemployment rate up by 0.8 percentage point from the fourth quarter of 2008 to 8.7%; CPI went up by 1.0% year-on-year, down by 1.3 percentage points from the preceding quarter.

Downturn of the German economy exacerbated following the negative growth in the fourth quarter of 2008. The first quarter GDP decreasing further by 6.7% year-on-year or 3.8% quarter-to-quarter, the steepest quarterly decline on record since 1970, attributable to the global financial crunch that dragged down exports and investment to fall by 9.7% and 7.9% respectively from the previous quarter. Value of merchandise imports and exports fell by 14.1% and 20.8% year-on-year respectively; unemployment rate climbed up by 1.3 percentage points quarter-to-quarter to 8.5%; CPI registered an increase of

¹ Unless otherwise specified, all rates of change mentioned in this analysis are comparisons of the first quarter of 2009 with the corresponding quarter of 2008.

² 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.

0.8%, down by 0.8 percentage point from 1.6% in the fourth quarter of 2008.

In France, the first quarter GDP dropped by 3.2% year-on-year or 1.2% quarter-to-quarter that was caused by a 2.3% quarter-to-quarter decline of gross fixed capital formation. Imports and exports of goods went down by 14.7% and 16.8% year-on-year respectively. Conditions of the labour market deteriorated, with the unemployment rate rising from 8.0% in the fourth quarter of 2008 to 9.1%; CPI rose marginally by 0.6%, down by 1.2 percentage points from the preceding quarter.

Following a 2.0% decline in the fourth quarter of 2008, GDP of the United Kingdom contracted by 4.1% year-on-year in the first quarter of 2009. On a quarter-to-quarter basis, GDP shrank by 1.9%, marking the third consecutive quarter of negative growth, in which industrial output dropped by 5.3%; the construction and service sectors shrank by 2.4% and 1.2% respectively; gross fixed capital formation went down by 3.8%; household consumption decreased by 1.2% whereas government consumption increased slightly by 0.3%. Value of imports and exports of goods decreased by 8.3% and 8.0% respectively. Unemployment rose by 0.8 percentage point from the previous quarter to 7.1%; CPI registered an increase of 3.0%, down by 0.9 percentage point over the fourth quarter of 2008.

The overall performance of the Asian economies was severely dragged down by the continuous plummeting exports in the first quarter of 2009. In Japan, GDP shrank by 9.7% year-on-year or 4.0% quarter-to-quarter upon substantial decline of exports and private consumption, showing negative growth for four consecutive quarters. This was the first time when the Japanese economy contracted for four straight quarters after World War II, indicating that the country was in the midst of an unprecedented recession. Value of imports and exports of goods dropped further by 37.0% and 46.9% year-on-year, both down by 23.4% quarter-to-quarter. The unemployment rate rose by 0.7 percentage point to 4.6%, while CPI went down by 0.1%.

The economy of the Republic of Korea contracted by 4.3% year-on-year in the first quarter of 2009, the second straight quarter of deceleration, as manufacturing and gross fixed capital formation slumped by 13.5% and 7.5% respectively. External trade continued to shrink, with value of imports and exports of goods decreasing by 32.9% and 24.9%; CPI increased by 3.9%, a quarter-to-quarter rise of 0.6 percentage point; the unemployment rate rose further to 3.8%, up by 0.7 percentage point.

The economy of Singapore continued to slacken, with the first quarter GDP contracting further by 10.1% year-on-year or 14.6% quarter-to-quarter; except manufacturing and financial services, all other sectors registered quarter-to-quarter decline. The Singaporean government noted that in the absence of any decisive indication of an economic recovery, forecast of GDP growth for the whole year of 2009 would remain unchanged at -6% to -9%. Value of imports and exports of goods decreased by 27.6% and 27.8% respectively; unemployment rose from 2.5% in the fourth quarter of 2008 to 3.2%. CPI slid significantly from 5.4% in the previous quarter to 2.1%; meanwhile, the government sustained CPI forecast for 2009 at -1.0% to zero.

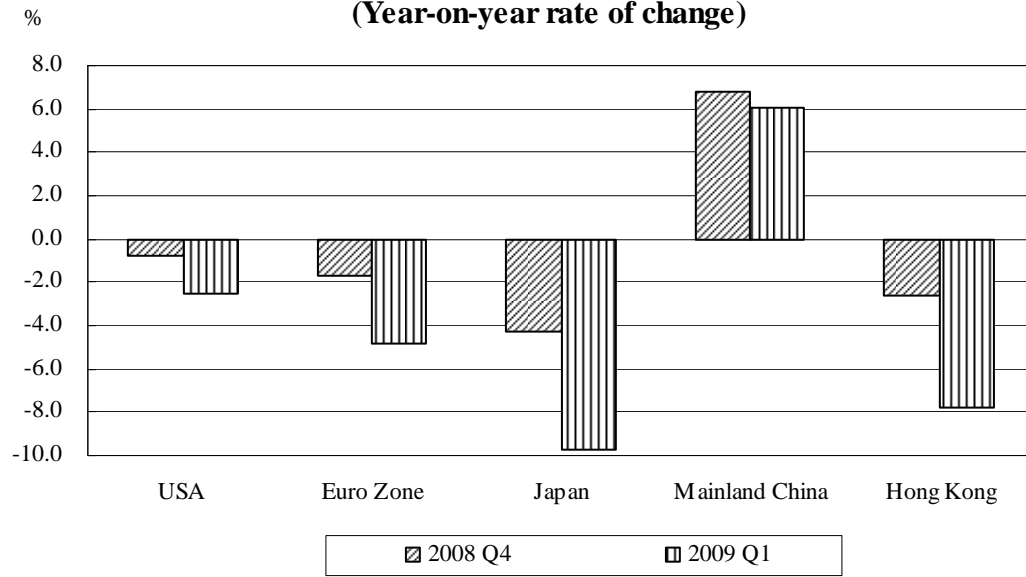
The first quarter GDP of Taiwan, China declined by 10.2% year-on-year, following an 8.6% decrease in the fourth quarter of 2008, the worse decline on record since 1961, attributable to a 32.3% plunge of exports and a 41.0% contraction of private investment; imports and exports of goods shrank notably by 47.2% and 36.6% respectively; unemployment rate rose by 0.9 percentage point quarter-to-quarter to 5.6%; CPI fell from

1.9% in the preceding quarter to zero.

The economy of Hong Kong registered a sharp year-on-year decline of 7.8% in the first quarter of 2009, the steepest contraction since the Asian Financial Crisis in 1998. Compared with the fourth quarter of 2008, GDP shrank by 4.3%, marking the fourth straight quarter of negative growth. In the first quarter, except a 1.5% increase of government consumption expenditure, decreases were observed in all other major GDP components, with gross fixed capital formation shrinking by 12.6%, building and construction expenditure by 8.2%, and private domestic consumption by 5.5%. Value of merchandise imports and exports plunged by 22.8% and 21.9% respectively; unemployment rate increased by 1.3 percentage points from the fourth quarter of 2008 to 5.1%; CPI rose by 1.7%, down by 0.6 percentage point from the previous quarter.

The economy of Mainland China expanded by 6.1% in the first quarter, down by 4.5 percentage points year-on-year. Expansion of the first quarter was underpinned by the strength of net exports, rising inventories and government spending. Growth of fixed assets investment accelerated, rising by 28.8% in the first quarter, up by 4.2 percentage points year-on-year. Domestic consumption rose rapidly, with retail sales of consumer goods rising by 15.0% while consumer prices falling by 0.6%. External merchandise trade retreated markedly in the first quarter, with value of imports and exports decreasing by 30.9% and 19.7% respectively; the trade surplus amounted to USD 62.3 billion, up considerably by USD 20.9 billion year-on-year. Foreign direct investment actually utilized shrank by USD 5.6 billion year-on-year to USD 21.8 billion; foreign exchange reserve of Mainland China totalled USD 1,953.7 billion at the end of March 2009, up by USD 7.7 billion from end-2008.

GDP of major countries and territories (Year-on-year rate of change)



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 (%) 1/2							
	2006	2007	2008	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
USA								
Gross Domestic Product	2.8	2.0	1.1	2.5	2.1	0.7	-0.8	-2.5
Exports of goods	14.5	12.1	11.9	17.0	19.0	17.0	-4.0	-22.4
Imports of goods	10.9	5.6	7.3	11.3	14.3	14.4	-9.4 ^r	-29.9
Consumer Price Index	3.2	2.8	3.8	4.1	4.4	5.3	1.6	-
Unemployment rate	4.6	4.6	5.8	5.3	5.2	6.0	6.6	8.8
Euro area ^a								
Gross Domestic Product	2.9 ^f	2.6	0.8 ^f	2.1	1.5 ^t	0.5 ^t	-1.7 ^t	-4.8
Exports of goods	11.6	8.4	3.9	6.8	7.7	4.5	-3.0	-21.7
Imports of goods	13.7	6.5	7.2	9.8	10.8	10.4	-1.7	-20.9
Consumer Price Index	2.3	2.2	3.3	3.4	3.7	3.8	2.3	1.0
Unemployment rate	8.3	7.5	7.5	7.1	7.4	7.5	7.9	8.7
German								
Gross Domestic Product	3.0	2.5	1.3	2.1	3.4	1.4	-1.7	-6.7
Exports of goods	13.6	8.1	2.8	5.8	8.2	3.9	-6.1	-20.8
Imports of goods	16.9	4.9	5.8	5.9	7.5	10.3	-	-14.1
Consumer Price Index	1.6	2.3	2.6	2.9	2.9	3.1	1.6	0.8
Unemployment rate	10.8	9.0	7.8	8.6	7.8	7.6	7.2	8.5
French								
Gross Domestic Product	2.4	2.3	0.3	1.9	1.0	0.1	-1.7	-3.2
Exports of goods	7.6	4.0	2.3	7.5	4.0	2.9	-5.1	-16.8
Imports of goods	9.3	6.2	4.6	9.5	6.9	5.9	-3.3	-14.7
Consumer Price Index	1.6	1.5	2.8	2.9	3.3	3.3	1.8	0.6
Unemployment rate	9.3	8.4	7.8	7.6	7.8	7.8	8.0	9.1
United Kingdom								
Gross Domestic Product	2.8	3.0	0.7	2.6	1.8	0.4	-2.0	-4.1
Exports of goods	15.1	-9.3	13.7	13.4	17.6	18.2	5.8	-8.0
Imports of goods	14.2	-2.9	10.7	11.7	16.7	12.5	2.6	-8.3
Consumer Price Index	2.3	2.3	3.6	2.4	3.4	4.8	3.9	3.0
Unemployment rate	5.4	5.3	5.7	5.2	5.4	5.8	6.3	7.1

a The Euro area consists of 16 member states from 2009 onwards.

r Rectified data

Source : U.S. Bureau of Economic Analysis

U.S. Census Bureau

U.S. Bureau of Labor Statistics

Eurostat

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 (%) 2/2

	2006	2007	2008	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
Mainland China								
Gross Domestic Product	11.6	11.9	9.0	10.6	10.1	9.0	6.8	6.1
Exports of goods	27.2	25.7	17.3	21.2	22.2	23.1	4.4	-19.7
Imports of goods	20.0	20.8	18.5	28.8	32.6	25.9	-9.0	-30.9
Consumer Price Index ^a	1.5	4.8	5.9	8.0	7.9	7.0	5.9	-0.6
Hong Kong								
Gross Domestic Product	7.0	6.4	2.4 ^r	7.3	4.1 ^r	1.5 ^r	-2.6 ^r	-7.8
Exports of goods	9.4	9.2	5.1	10.5	7.9	5.5	-2.1	-21.9
Imports of goods	11.6	10.3	5.5	11.6	9.2	6.8	-4.2	-22.8
Consumer Price Index	2.0	2.0	4.3	4.6	5.7	4.6	2.3	1.7
Unemployment rate	4.8	4.0	3.6 ^r	3.3	3.3	3.6	3.8	5.1
Taiwan, China								
Gross Domestic Product	4.8	5.7	0.1	6.3	4.6	-1.1	-8.6	-10.2
Exports of goods	12.9	10.1	3.6	17.5	18.5	8.0	-24.7	-36.6
Imports of goods	11.0	8.2	9.7	26.0	19.2	19.7	-23.0	-47.2
Consumer Price Index	0.6	1.8	3.5	3.6	4.2	4.5	1.9	0 [#]
Unemployment rate	3.9	3.9	4.1	3.9	3.9	4.2	4.7	5.6
Japan								
Gross Domestic Product	2.0	2.3 ^r	-0.7	1.3 ^r	0.6 ^r	-0.3 ^r	-4.3 ^r	-9.7
Exports of goods	14.6	11.5	-3.4	5.9 ^r	1.8	3.2	-23.1	-46.9
Imports of goods	18.3	8.6	7.9	10.5 ^r	10.9	21.2	-9.5	-37.0
Consumer Price Index	0.3	-	1.4	1.0	1.4	2.2	1.0	-0.1
Unemployment rate	4.1	3.9	4.0	4.0	4.0	4.0	3.9	4.6
Republic of Korea								
Gross Domestic Product	5.2	5.1	2.2	5.5	4.3	3.1	-3.4	-4.3
Exports of goods	14.4	14.1	13.6	17.4	23.1	27.0	-9.9	-24.9
Imports of goods	18.4	15.3	22.0	28.9	30.5	42.8	-9.0	-32.9
Consumer Price Index	2.2	2.5	4.7	3.8	4.8	5.5	4.5	3.9
Unemployment rate	3.5	3.2	3.2	3.4	3.1	3.1	3.1	3.8
Singapore								
Gross Domestic Product	8.4	7.8	1.1	6.7	2.5	-	-4.2	-10.1
Exports of goods	12.8	4.4	5.8	11.5	13.2	11.4	-12.0	-27.8
Imports of goods	13.7	4.5	13.9	21.5	21.4	22.2	-7.1	-27.6
Consumer Price Index	1.0	2.1	6.5	6.6	7.5	6.6	5.4	2.1
Unemployment rate	2.7	2.1	2.2	1.9	2.2	2.3	2.5	3.2

a Accumulated year-on-year comparison

r Rectified data

Source : Japan Economic and Social Research Institute

Japan Ministry of Finance

Japan Bureau of Statistics

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) (%)

	2006	2007	2008	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
USA								
Gross Domestic Product	2.8	2.0	1.1	0.9	2.8	-0.5	-6.3	-5.7
Exports of goods	14.5	12.1	11.9	4.3	6.1	2.8	-16.0	-14.5
Imports of goods	10.9	5.6	7.3	3.2	4.9	1.4	-17.3 ^f	-20.0
Consumer Price Index	3.2	2.8	3.8	1.3	1.1	1.5	-2.2	-0.6
Unemployment rate ^a	4.6	4.6	5.8	4.9	5.4 ^f	6.0	6.9	8.1
Japan								
Gross Domestic Product	2.0	2.3 ^f	-0.7	0.8 ^f	-0.9	-0.6	-3.8 ^f	-4.0
Exports of goods	14.9	11.6 ^f	-3.5 ^f	5.9 ^f	-6.3 ^f	-3.8 ^f	-20.2 ^f	-23.4
Imports of goods	18.5	8.2	7.8 ^f	8.1 ^f	0.6 ^f	1.4 ^f	-17.6 ^f	-23.4
Consumer Price Index	0.3	-	1.4	0.3	0.5	0.8	-0.6	-0.8
Unemployment rate ^a	4.1	3.9	4.0	3.8	4.0	4.0 ^f	4.0	4.4
Hong Kong								
Gross Domestic Product	7.0	6.4	2.4 ^f	1.0 ^f	-1.0 ^f	-0.8 ^f	-1.9 ^f	-4.3
Exports of goods	9.4	9.2	5.1	1.2	0.2	-1.5	-3.7	-17.1
Imports of goods	11.6	10.3	5.5	-1.9	1.6	-0.6	-5.4	-17.2
Consumer Price Index	2.0	2.0	4.3	0.3	0.5	-0.7	0.6	-
Unemployment rate ^a	4.8	4.0	3.6 ^f	3.4	3.3	3.4	4.1	5.2

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