

Global Economy in the Fourth Quarter of 2011

Growth of the world economy continued to slowdown in the fourth quarter of 2011. Despite signs of improvement in the U.S. economy, the lingering European sovereign debt crisis, persistent tight financial conditions and weakening demands added uncertainty to the economic recovery. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) in January 2012 indicated that the global recovery is threatened by intensifying strains in the Euro area and fragilities elsewhere, growth prospects have dimmed; advanced economies have to address fiscal imbalances and to reform financial systems, while emerging and developing economies should focus on responding to moderating domestic growth and to slowing external demand. The world economy is projected to grow by 3.8% in 2011, down by 0.2 percentage point from the September WEO; growth forecast for 2012 is revised downward by 0.7 percentage point to 3.3%.

The US economy showed slight improvement but the pace of growth remained weak. Gross Domestic Product (GDP) for the fourth quarter of 2011 expanded by 1.6% year-on-year and 3.0% quarter-to-quarter, which was driven by inventory, private consumption expenditure, exports and fixed investment, contributing 1.9, 1.5, 0.6 and 0.5 percentage points respectively to economic growth. However, cutback in government spending dragged down the rate of expansion by 0.9 percentage point. Unemployment rate improved significantly, at 8.3%, down by 0.8 percentage point quarter-to-quarter; the seasonally adjusted unemployment rate was 8.7%.

Protracted sovereign debt crisis of some member states probed fears of possible recession of the Euro zone economy. The fourth quarter GDP increased by 0.7% year-on-year but contracted by 0.3% quarter-to-quarter. Exports, inventory, as well as consumption expenditure of households and non-profit institutions lowered the rate of economic growth by 0.2 percentage point each respectively. Unemployment rate rose by 0.6 percentage point quarter-to-quarter to 10.5% amid the sluggish economic performance.

In the UK, although GDP expanded by 0.7% year-on-year in the fourth quarter of 2011, yet the economy contracted by 0.2% quarter-to-quarter. Exports, household final consumption expenditure and government final consumption expenditure contributed 0.7, 0.3 and 0.2 percentage point to economic growth; however, fixed capital formation dragged down the rate of increase by 1.2 percentage points. Unemployment rate edged up by 0.1 percentage point from the previous quarter to 8.4% due to the weak economy.

Depressive economic growth and shrinking demand of Europe and the US continued to affect the Asian economies. The *WEO Update* of IMF pointed out that the newly industrialized Asian

economies¹ expanded by 4.2%, the ASEAN 5² by 4.8%, the Middle East and the North African region by 3.1%, the Chinese and the Indian economies by 9.2% and 7.4% respectively in 2011, lower than the September forecast.

In Japan, GDP for the fourth quarter of 2011 shrank by 1.0% year-on-year and 0.6% quarter-to-quarter. The strong Japanese Yen and the slowdown in global trade dragged down the rate of growth by 0.6 percentage point, capping the first annual trade deficit in 31 years. Unemployment rate dropped by 0.5 percentage point year-on-year to 4.3%; the seasonally adjusted rate was 4.5%, up slightly by 0.1 percentage point quarter-to-quarter.

In line with the macroeconomic control targets, the economy of Mainland China maintained steady and rapid growth, with prices being kept stable gradually. GDP expanded by 8.9% year-on-year in the fourth quarter of 2011, down by 0.2 percentage point from the previous quarter; GDP growth for the whole year of 2011 was 9.2%, a decrease of 1.1 percentage points year-on-year. In 2011, value added of the above-scale industries³ rose by 13.9% year-on-year, down by 0.3 percentage point compared with the increment in the first three quarters; fixed asset investment increased by 23.8%, down by 1.1 percentage points; retail sales of consumer goods rose by 17.1%, up slightly by 0.1 percentage point, with sales of jewellery rising by 42.1%, petroleum and petroleum products by 37.4% and household furniture by 32.8%. Total value of external merchandise trade for the whole year of 2011 registered an increase of 22.5% year-on-year, with a trade surplus of USD 155.1 billion. The inflationary pressure tapered off, with CPI for the fourth quarter retreating to 5.4%, of which CPI for December increased by 4.1% year-on-year.

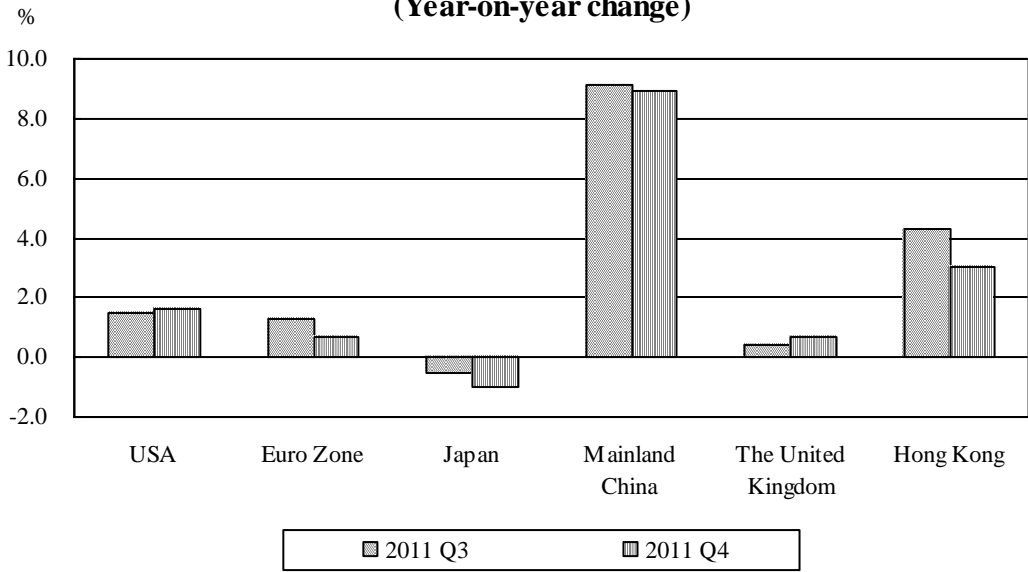
Economic growth of Hong Kong slowed to 3.0% year-on-year in the fourth quarter of 2011; GDP rose slightly by 0.3% quarter-to-quarter after seasonal adjustment. For the whole year of 2011, the economy expanded by 5.0% on account of the robust domestic demand that offset the decline in merchandise exports. Compared with the fourth quarter of 2010, fixed capital formation and private consumption expenditure registered notable growth of 9.0% and 6.4% respectively; government final consumption expenditure increased by 2.0%. Merchandise imports and exports improved, up by 9.3% and 6.9% respectively year-on-year; on a seasonally adjusted basis, merchandise imports decreased by 1.9% while merchandise exports increased by 1.3%. Unemployment rate dropped by 0.3 percentage point quarter-to-quarter to 3.1%.

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.

GDP of the world's major economies (Year-on-year change)



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

	Year-on-year rate of change (%)							
	2009	2010	2011	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
USA								
Gross Domestic Product	-3.5	3.0	1.7	3.1	2.2	1.6	1.5	1.6
Exports of goods	-18.0	21.0	15.8	18.2	18.2	17.7	17.5	10.6
Imports of goods	-25.9	22.7	15.4	15.8	18.8	17.0	14.2 ^f	12.0
Consumer Price Index	-0.4	1.7	3.1	1.3	2.1	3.4	3.8	3.3
Unemployment rate	9.3	9.6	8.9	9.1	9.5	8.9	9.1	8.3
Euro area ^a								
Gross Domestic Product	-4.3 ^f	1.9	1.4	2.0	2.4	1.6 ^f	1.3 ^f	0.7
Exports of goods	-18.0	20.0	12.7	22.1 ^f	21.5 ^f	13.0	9.5 ^f	8.4
Imports of goods	-21.7 ^f	22.5	12.2	25.6	24.0 ^f	12.8	9.5 ^f	4.2
Consumer Price Index	0.3	1.6	2.7	2.0	2.5	2.8	2.7	2.9
Unemployment rate	9.6	10.2	10.1	10.1	10.4	9.8	9.9	10.5
Germany								
Gross Domestic Product	-5.1	3.7	3.0	3.8	5.0	3.0	2.6 ^f	1.5
Exports of goods	-18.4	18.5	11.4	20.0	19.2	11.7 ^f	9.9 ^f	5.7
Imports of goods	-17.5	19.9	13.2	24.7	21.5	13.5	11.7	7.1
Consumer Price Index	0.3	1.1	2.3	1.5	2.1	2.3	2.5	2.3
Unemployment rate	8.1	7.7	7.1	7.0	7.8	7.1	6.9	6.5
French								
Gross Domestic Product	-2.6	1.4	1.7	1.4	2.2	1.6	1.5 ^f	1.4
Exports of goods	-17.4 ^f	12.9 ^f	9.2	15.5 ^f	13.0 ^f	8.7 ^f	7.2 ^f	8.1
Imports of goods	-17.6 ^f	13.2 ^f	12.3	13.4 ^f	18.7	12.9 ^f	9.8 ^f	8.3
Consumer Price Index	0.1	1.5	2.1	1.6	1.8	2.1	2.1	2.4
Unemployment rate	9.5	9.8	9.7	9.9 ^f	10.0	9.2	9.5 ^f	10.0
The United Kingdom								
Gross Domestic Product	-4.4	2.1 ^f	0.8	1.7 ^f	1.6	0.5 ^f	0.4 ^f	0.7
Exports of goods	-9.5	16.5	12.6	15.3 ^f	19.1 ^f	10.9 ^f	11.0 ^f	10.0
Imports of goods	-10.2	17.1	9.4	17.7 ^f	13.6	9.8 ^f	10.2 ^f	4.6
Consumer Price Index	2.1	3.3	4.5	3.4	4.1	4.4	4.7	4.7
Unemployment rate	7.7	7.8	8.1	7.9	7.7	7.9	8.3	8.4

^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)

Year-on-year rate of change (%) 2/2

	2009	2010	2011	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
Mainland China								
Gross Domestic Product	8.7	10.3	9.2	9.8	9.7	9.5	9.1	8.9
Exports of goods	-15.9	31.3	20.3	24.9	26.4	22.0 ^f	20.6	14.2
Imports of goods	-11.3	38.7	25.0	29.6	33.0 ^f	23.1	25.0	20.5
Consumer Price Index ^a	-0.7	3.3	5.4	3.3	5.0	5.4	5.7	5.4
Hong Kong								
Gross Domestic Product	-2.7	7.0	5.0	6.6 ^f	7.6 ^f	5.3	4.3	3.0
Exports of goods	-12.6	22.8	10.1	14.4	24.6	7.7	4.2	6.9
Imports of goods	-11.0	25.0	11.9	15.1	20.6	10.3	8.9	9.3
Consumer Price Index	0.5	2.4	5.3	2.7	3.8	5.2	6.4	5.7
Unemployment rate	5.4	4.3	3.4	3.7	3.4	3.6	3.4	3.1
Taiwan, China								
Gross Domestic Product	-1.8	10.7	4.0	6.5	6.6	4.5	3.5 ^f	1.9
Exports of goods	-20.3	34.8	12.3	20.9	19.4	14.6	11.6	4.5
Imports of goods	-27.5	44.1	12.0	27.6	21.7 ^f	18.9 ^f	10.2 ^f	-0.9
Consumer Price Index	-0.9	1.0	1.4	1.1	1.3	1.6	1.4 ^f	1.4
Unemployment rate	5.9	5.2	4.4	4.8	4.6	4.3	4.4	4.3
Japan								
Gross Domestic Product	-5.5 ^f	4.4 ^f	-0.9	3.1 ^f	-0.3 ^f	-1.7 ^f	-0.5 ^f	-1.0
Exports of goods	-33.1	24.4	-2.7	10.0	2.4	-8.0	0.5	-5.5
Imports of goods	-34.8	18.0	12.0	11.3	11.4	10.4	13.8	12.3
Consumer Price Index	-1.4	-0.7	-0.3	-0.3	-0.5	-0.4	0.1	-0.3
Unemployment rate	5.1	5.1	4.5	4.8	4.8	4.7	4.4	4.3
Republic of Korea								
Gross Domestic Product	0.3	6.2	3.6	4.7	4.2	3.4	3.5 ^f	3.4
Exports of goods	-13.9	28.3	19.6	23.8	29.6	18.7	21.4 ^f	11.0
Imports of goods	-25.8	31.6	23.3	24.6	26.1 ^f	27.2	27.7 ^f	13.5
Consumer Price Index	2.8	2.9	4.0	3.2 ^f	3.8 ^f	4.0 ^f	4.3 ^f	4.0
Unemployment rate	3.6	3.8	3.4	3.3	4.2	3.4	3.1	2.9
Singapore								
Gross Domestic Product	-1.0 ^f	14.8 ^f	4.9	12.5 ^f	9.1 ^f	1.2 ^f	6.0 ^f	3.6
Exports of goods	-18.0	22.4	7.5	14.5	13.4	6.7	4.7 ^f	5.8
Imports of goods	-21.0	18.8	8.6	9.7	10.2	8.4	6.2	9.9
Consumer Price Index	0.6	2.8	5.2	4.0	5.2	4.7	5.5	5.5
Unemployment rate	3.0	2.2	2.0	2.0	1.8	2.7	1.8 ^f	1.8

^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 (COMPARISON WITH PRECEDING PERIOD)

	Change from preceding period (seasonally adjusted) (%)							
	2009	2010	2011	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
USA								
Gross Domestic Product	-3.5	3.0	1.7	2.3	0.4	1.3	1.8 ^f	3.0
Exports of goods	-18.0	21.0	15.8	5.2	4.9	3.3	2.7	-0.3
Imports of goods	-25.9	22.7	15.4	1.7	8.1 ^f	3.5	0.2 ^f	0.6
Consumer Price Index	-0.4	1.7	3.1	0.7	1.1 ^f	1.1 ^f	0.8	0.3
Unemployment rate ^a	9.3	9.6	8.9	9.6	9.0 ^f	9.0 ^f	9.1	8.7
Japan								
Gross Domestic Product	-5.5 ^f	4.4 ^f	-0.9	-0.1 ^f	-1.8 ^f	-0.4 ^f	1.7	-0.6
Exports of goods	-33.3	24.6 ^f	-2.7	0.6 ^f	2.0 ^f	-6.8 ^f	4.7 ^f	-4.7
Imports of goods	-34.6	18.0	12.2	1.4 ^f	5.7 ^f	4.3 ^f	1.6	1.1
Consumer Price Index	-1.4	-0.7	-0.3	0.3	-	-0.2	-	-0.2
Unemployment rate ^a	5.1	5.1	4.5	5.0	4.7	4.6	4.4	4.5
Hong Kong								
Gross Domestic Product	-2.7	7.0	5.0	1.7 ^f	3.0 ^f	-0.5 ^f	0.1	0.3
Exports of goods	-12.6	22.8	10.1	-4.1	16.3	-12.6	-1.1	1.3
Imports of goods	-11.0	25.0	11.9	-2.7	12.1	-6.1	-0.1	-1.9
Consumer Price Index	0.5	2.4	5.3	3.7	1.8	1.8	-0.9	3.0
Unemployment rate ^a	5.4	4.3	3.4	4.0	3.4	3.5	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