

Global Economy in the First Quarter of 2011

Economic recovery continued in the first quarter of 2011 but the advanced economies still faced downside risks like high unemployment, huge fiscal deficit and sovereign debt crisis when the emerging economies needed to deal with high inflationary pressure. The *World Economic Outlook (WEO)* of the International Monetary Fund (IMF) in April 2011 indicated that in spite of the persistent disturbances and threats, as well as the negative impact of the 3.11 massive earthquake in Japan on the economy, the pace of global recovery was set to proceed with buoyant demand. The world economy is projected to grow by 4.5% in 2011, down from 5.0% in 2010; the emerging economies is expected to expand by 6.5%, far higher than the 2.5% forecast for the advanced economies.

The US economic recovery sustained but the pace of growth showed signs of moderation. Gross Domestic Product (GDP) expanded by 2.3% year-on-year in the first quarter of 2011; quarter-to-quarter growth was 1.8%, far lower than the 3.1% increase in the fourth quarter of 2010. Private consumption expenditure and exports continued to be the main driving force, contributing 1.6 and 1.2 percentage points respectively; rising inventory also contributed 1.2 percentage points to the expansion. Meanwhile, increase in merchandise imports dragged the rate of growth down by 1.2 percentage points. The employment conditions showed little improvement amid slowing expansion; the unemployment rate was 9.5%, and the seasonal adjusted unemployment rate stood at 8.9%.

Sovereign debt crisis in some member states of the Euro zone remained the biggest concern to economic growth. In the first quarter of 2011, GDP increased by 2.5% year-on-year, while quarter-to-quarter increase edged up by 0.5 percentage point to 0.8%. Economic expansion was still driven by exports that contributed 0.8 percentage point when gross fixed capital formation and consumption expenditure of households and non-profit institutions added another 0.4 and 0.2 percentage point to the increase. The employment situation deteriorated albeit steady economic recovery, with the unemployment rate rising from 10.0% in the fourth quarter of 2010 to 10.5%.

GDP of the UK grew by 1.8% year-on-year and 0.5% quarter-to-quarter. Merchandise exports soared by 20.7% year-on-year, contributing 1.7 percentage points to the economic growth. Gross fixed capital formation and household final consumption expenditure saw protracted decrease, lowering the rate of increase by 1.2 and 0.4 percentage points respectively; moreover, the construction and service sectors remained sluggish. The unemployment rate decreased by 0.2 percentage point quarter-to-quarter to 7.7% amid the stable economic growth.

Sustained recovery of the Asian economies plays a crucial role to global economic growth. IMF projected robust expansion of the Chinese and Indian economies in 2011, by 9.6% and 8.2%

respectively. Moreover, the newly industrialized Asian economies^a are projected to expand by 4.9%, the ASEAN 5^b by 5.4%, and the Middle East and the North African region by 4.1%; influence of the Japanese earthquake is expected to be under effective control within the year. Nevertheless, demand for commodities is set to increase further upon high economic growth, for which high inflationary pressure is expected to stay.

In Japan, GDP shrank by 1.0% year-on-year; the economy declined by 3.7% quarter-to-quarter, marking two consecutive quarters of negative growth. Lacklustre performance of the economy was attributable to an end of the stimulus package, which discouraged growth and dragged domestic demand down by 3.0% quarter-to-quarter; increase in merchandise exports slowed down from 10.0% in the fourth quarter of 2010 to 2.4%. In addition, the March earthquake brought about adverse impact on the economy. As regards job market, the unemployment rate stood at 4.7%.

The economy of Mainland China posted steady growth as expected. GDP expanded by 9.7% year-on-year in the first quarter of 2011, down mildly by 0.1 percentage point from the previous quarter. Value added of the above-scale industries^c rose by 14.4% year-on-year, up from 13.3% in the preceding quarter; fixed asset investment increased by 25.0%, up by 1.2 percentage points. Retail sales of consumer goods rose by 16.3%, down by 2.1 percentage points quarter-to-quarter, with that of jewellery rising by 51.8%, household furniture by 24.5% and automobile by 14.2%. Total value of external merchandise trade registered an increase of 29.5% year-on-year; merchandise trade deficit exceeded USD 1 billion upon a 32.7% surge in merchandise imports. CPI for the first quarter increased by 5.0%, up from 3.3% in the previous quarter, an indication of rising inflationary pressure.

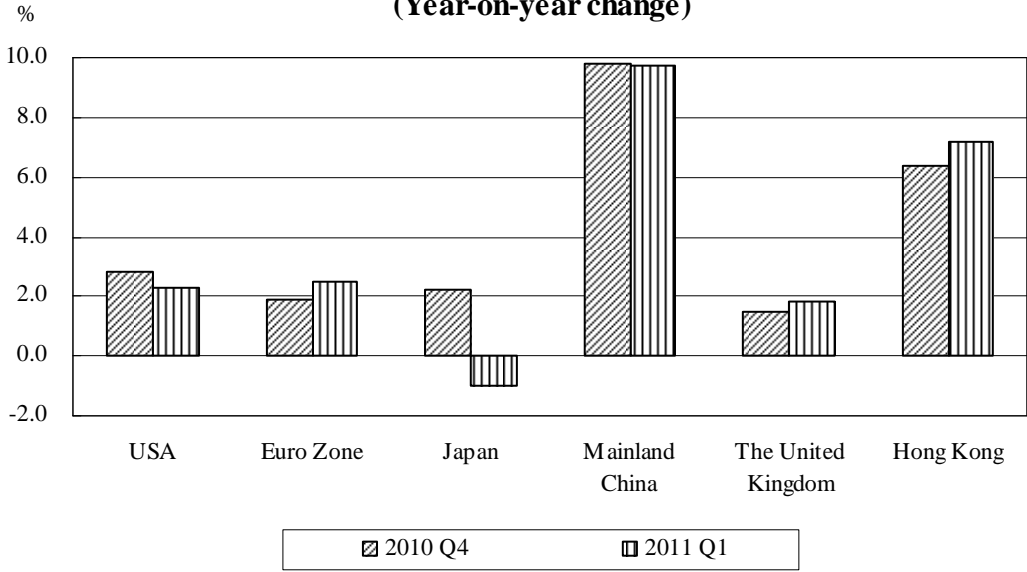
The economy of Hong Kong saw steady expansion, with the first quarter GDP rising by 7.2% year-on-year, and 2.8% quarter-to-quarter after seasonal adjustment. Private consumption expenditure and government final consumption expenditure increased by 7.6% and 2.7% respectively year-on-year, reflecting robust domestic demand; merchandise imports and exports posted satisfactory increase, up by 20.6% and 24.6% respectively. The job market continued to hold up well amid favourable growth; the unemployment rate decreased from 3.7% in the previous quarter to 3.4%.

^a Korea; Taiwan, China; Hong Kong and Singapore

^b Indonesia, Malaysia, the Philippines, Thailand and Vietnam

^c 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 (%) 1/2

	2008	2009	2010	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
USA								
Gross Domestic Product	-	-2.6	2.9 ^r	2.4	3.0	3.2	2.8 ^r	2.3
Exports of goods	12.1	-18.0	21.0	20.5	25.3	20.6 ^r	18.2	18.2
Imports of goods	7.5	-25.9	22.6	21.2	31.8	22.9 ^r	15.7	19.1
Consumer Price Index	3.8	-0.4	1.7	2.4	1.8	1.2	1.3	2.1
Unemployment rate	5.8	9.3	9.6	10.4	9.5	9.5	9.1	9.5
Euro area ^a								
Gross Domestic Product	0.4	-4.1	1.7	0.8	2.0	2.0 ^r	1.9 ^r	2.5
Exports of goods	4.0 ^r	-18.1	20.2 ^r	12.9	22.4 ^r	22.8 ^r	22.3 ^r	21.3
Imports of goods	8.1 ^r	-21.8 ^r	22.3 ^r	9.8 ^r	27.6 ^r	26.7 ^r	25.5 ^r	23.8
Consumer Price Index	3.3	0.3	1.6	1.1	1.4 ^r	1.7	2.0	2.5
Unemployment rate	7.6	9.6 ^r	10.1 ^r	10.6 ^r	9.9	9.8 ^r	10.0 ^r	10.5
Germany								
Gross Domestic Product	1.0	-4.7	3.6	2.5 ^r	4.3	3.9	3.8 ^r	5.2
Exports of goods	2.0	-18.4 ^r	19.4	11.1 ^r	24.4 ^r	21.5 ^r	20.7	18.8
Imports of goods	4.7	-17.5 ^r	21.3	7.0 ^r	27.8 ^r	24.2 ^r	26.7	20.9
Consumer Price Index	2.6	0.3	1.1	0.8	1.1	1.2	1.5	2.1
Unemployment rate	7.8	8.2	7.7	8.6	7.8	7.5	7.1	7.8
French								
Gross Domestic Product	-0.2 ^r	-2.6 ^r	1.4 ^r	1.0 ^r	1.5 ^r	1.7 ^r	1.4 ^r	2.2
Exports of goods	2.6 ^r	-17.3	12.3	7.5	12.6 ^r	14.2 ^r	14.7	12.7
Imports of goods	5.1 ^r	-17.7	12.8	6.2 ^r	13.7 ^r	18.8 ^r	12.6	17.3
Consumer Price Index	2.8	0.1	1.5	1.3	1.6	1.5	1.6	1.8
Unemployment rate	7.8	9.5	9.8	10.2	9.4	9.6 ^r	9.9	9.9
The United Kingdom								
Gross Domestic Product	0.5	-4.9 ^r	1.3	-0.4 ^r	1.5 ^r	2.5 ^r	1.5	1.8
Exports of goods	14.1	-9.7	16.9	11.4 ^r	21.2 ^r	17.5 ^r	16.1 ^r	20.7
Imports of goods	11.1	-10.2	17.2	10.1 ^r	18.9 ^r	20.8 ^r	18.7 ^r	14.7
Consumer Price Index	3.6	2.1 ^r	3.3	3.3	3.4	3.1	3.4	4.1
Unemployment rate	5.7	7.7 ^r	7.8 ^r	8.0	7.8	7.7	7.9	7.7

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

- Absolute value equals zero.

^r Revised figures.

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 (%)							
	2008	2009	2010	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Mainland China								
Gross Domestic Product	9.0	8.7	10.3	11.9	10.3	9.6	9.8	9.7
Exports of goods	17.3	-15.9	31.3	28.7	40.9	32.2	24.9	26.4
Imports of goods	18.5	-11.3	38.7	64.7	43.6	27.3 ^r	29.6	32.7
Consumer Price Index ^a	5.9	-0.7	3.3	2.2	2.6	2.9	3.3	5.0
Hong Kong								
Gross Domestic Product	2.3 ^r	-2.7 ^r	7.0 ^r	8.0 ^r	6.7 ^r	6.9 ^r	6.4 ^r	7.2
Exports of goods	5.1	-12.6	22.8	26.0	24.3	27.8	14.4	24.6
Imports of goods	5.5	-11.0	25.0	34.3	29.9	24.1	15.1	20.6
Consumer Price Index	4.3	0.5	2.4	1.9	2.6	2.3	2.8	4.0
Unemployment rate	3.6	5.4	4.3	4.4	4.7	4.4	3.7	3.4
Taiwan, China								
Gross Domestic Product	0.7	-1.9	10.8	13.6	12.9	10.7 ^r	6.9	6.2
Exports of goods	3.6	-20.3	34.8	52.5	46.2	27.1 ^r	20.9	19.5
Imports of goods	9.7	-27.5	44.1	78.3	53.7 ^r	31.5 ^r	27.6	21.8
Consumer Price Index	3.5	-0.9	1.0	1.3	1.1	0.4	1.1	1.3
Unemployment rate	4.1	5.9	5.2	5.7	5.2	5.1	4.8	4.6
Japan								
Gross Domestic Product	-1.2	-6.3 ^r	4.0 ^r	5.6 ^r	3.1 ^r	5.0 ^r	2.2	-1.0
Exports of goods	-3.5	-33.1	24.4	43.2 ^r	33.2	17.8	10.0	2.4
Imports of goods	8.0	-34.8	18.0 ^r	19.2 ^r	28.1 ^r	14.9 ^r	11.3 ^r	11.4
Consumer Price Index	1.4	-1.4	-0.7	-1.2	-0.9	-0.8	0.1	-
Unemployment rate	4.0	5.1	5.1	5.1	5.3	5.1	4.8	4.7
Republic of Korea								
Gross Domestic Product	2.3	0.3 ^r	6.2 ^r	8.5 ^r	7.5 ^r	4.4 ^r	4.7 ^r	4.2
Exports of goods	13.6	-13.9	28.6	35.8	33.1	22.7 ^r	23.8 ^r	30.4
Imports of goods	22.0	-25.8	31.8	37.4	42.8 ^r	24.6 ^r	24.6 ^r	25.7
Consumer Price Index	4.6	2.8	2.9	2.7	2.6	2.9	3.6	4.5
Unemployment rate	3.2	3.6	2.9	4.7	3.5	3.5	3.3	4.2
Singapore								
Gross Domestic Product	1.5 ^r	-0.8 ^r	14.5	16.4 ^r	19.4 ^r	10.5 ^r	12.0	8.3
Exports of goods	5.8	-18.0	22.4	28.2	29.1	20.0 ^r	14.5	13.4
Imports of goods	13.9	-21.0	18.8	25.5	26.4	15.6 ^r	9.7	10.2
Consumer Price Index	6.6	0.6	2.8	0.9	3.1	3.4	4.0	5.2
Unemployment rate	2.2	3.0	2.2	2.1	2.8	1.8	2.0	1.8

^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 (COMPARISON WITH PRECEDING PERIOD)

Change from preceding period (seasonally adjusted) (%)

	2008	2009	2010	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
USA								
Gross Domestic Product	-	-2.6	2.9 ^f	3.7	1.7	2.6 ^f	3.1 ^r	1.8
Exports of goods	12.1	-18.0	21.0	5.8 ^f	3.4	2.3	5.8	5.8
Imports of goods	7.5	-25.9	22.6	6.0	6.3	1.7 ^f	0.8	9.3
Consumer Price Index	3.8	-0.4	1.7	0.3 ^f	-0.1 ^f	0.4	0.7	1.3
Unemployment rate ^a	5.8	9.3	9.6	9.7	9.6 ^f	9.6	9.6	8.9
Japan								
Gross Domestic Product	-1.2	-6.3 ^f	3.9	2.2 ^f	0.1 ^f	0.9 ^f	-0.8 ^f	-3.7
Exports of goods	-3.6 ^f	-33.2 ^f	24.6 ^f	8.5 ^f	5.5 ^f	-2.9 ^f	-1.3 ^f	1.6
Imports of goods	7.7 ^f	-34.6 ^f	18.0 ^f	5.6 ^f	5.0 ^f	-1.0 ^f	1.2 ^f	5.8
Consumer Price Index	1.4	-1.4	-0.7	0.2	-0.3 ^f	-0.3 ^f	0.6	0.1
Unemployment rate ^a	4.0	5.1	5.1	4.9	5.2	5.1	5.0	4.7
Hong Kong								
Gross Domestic Product	2.3 ^f	-2.7 ^f	6.8	1.9 ^f	1.9 ^f	0.9 ^f	1.5	2.8
Exports of goods	5.1	-12.6	22.8	6.7 ^f	3.6 ^f	1.9 ^f	-4.1	16.3
Imports of goods	5.5	-11.0	25.0	6.8 ^f	2.2 ^f	1.0 ^f	-2.7	12.1
Consumer Price Index	4.3	0.5	2.4	0.9 ^f	0.5	-1.3 ^f	2.8	1.9
Unemployment rate ^a	3.6	5.4	4.3	4.4	4.6	4.2	4.0	3.4

^a Unemployment rate after seasonal adjustment.

- Absolute value equals zero.

^r Revised figures.

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