

## Global Economy in the Second Quarter of 2011

The world economy experienced a mild slowdown in the second quarter of 2011. Disappointing growth of the US economy, persistent sovereign debt crisis in the Euro zone, accelerating inflation across many economies posed rising downside risks to the global recovery. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) in June 2011 indicated that the world economy has continued to expand albeit the devastating effect of the 3.11 massive earthquake in Japan, global employment continued to pick up, including in some advanced economies. Nevertheless, global expansion remained unbalanced; growth in the advanced economies was still weak whilst continued to be strong in the emerging economies. The world economy is projected to grow by 4.3% in 2011, down by 0.1 percentage point from the April *WEO*; forecast for 2012 remained at 4.5%.

Recovery of the US economy sustained but disappointing. Gross Domestic Product (GDP) for the second quarter of 2011 expanded by 1.5% year-on-year and 1.0% quarter-to-quarter, lower than expected. Economic growth was mainly driven by non-residential fixed investment, exports and private consumption expenditure, which contributed 0.9, 0.4 and 0.3 percentage point respectively. Meanwhile, decrease in inventory, as well as state and regional government spending dragged down the rate of increase by 0.2 and 0.3 percentage point respectively. Employment situation improved, with an unemployment rate of 8.9%, down by 0.6 percentage points from the first quarter; the seasonal adjusted unemployment rate stood at 9.1%.

Concerns remained over the sovereign debt crisis in some member states of the Euro zone. The economy slackened, with GDP increasing by 1.6% year-on-year in the second quarter of 2011 and just 0.2% quarter-to-quarter. The mild economic expansion was driven by the increase in exports and inventory that contributed 0.4 and 0.1 percentage point. Despite sluggish growth, employment situation get better as the unemployment rate decreased from 10.4% in the first quarter to 9.8%.

The service sector was supportive to the lacklustre growth in the UK<sup>a</sup>, GDP edged up by 0.7% year-on-year in the second quarter of 2011 and only 0.2% quarter-to-quarter. Manufacturing production decreased by 1.6% quarter-to-quarter, dragging down the rate of growth by 0.3 percentage point. The construction and service sectors both registered quarter-to-quarter increase of 0.5%; the service sector contributed 0.4 percentage point to the increase, but the construction sector failed to bring about significant contribution. The economy saw weakening signs and the unemployment rate reversed to rise by 0.2 percentage point quarter-to-quarter to 7.9%.

Recovery in major Asian economies was slowing down in the second quarter of 2011, attributable to the weakening economies of Europe and the US, as well as the supply chain

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<sup>a</sup> The UK government has not provided the expenditure-based GDP for the second quarter to allow for more time to prepare the official report (Blue Book 2011).

disruptions from the Japanese earthquake. The *WEO Update* of IMF pointed out that the newly industrialized Asian economies<sup>b</sup> are projected to expand by 5.1%, the ASEAN 5<sup>c</sup> by 5.4%, and the Middle East and the North African region by 4.2%; robust growth in the Chinese and Indian economies will continue, rising by 9.6% and 8.2% respectively.

In Japan, GDP contracted by 1.0% year-on-year in the second quarter of 2011 and 0.3% quarter-to-quarter, marking negative growth for three consecutive quarters. Nevertheless, the better-than-anticipated economic performance was indicative of a progressive recovery after the earthquake. Merchandise exports remained sluggish, dragging down the rate of growth by 0.8 percentage point. Fixed capital formation expanded by 3.0% quarter-to-quarter, first rebound after six consecutive quarters of decline, reflecting the reconstruction effort of the government after the disaster. The unemployment rate held stable as the previous quarter, at 4.7%; the seasonal adjusted rate stood at 4.6%, down slightly by 0.1 percentage point quarter-to-quarter.

The economy of Mainland China was moving towards the anticipated landing by intensifying and fine tuning the macroeconomic control measures. GDP expanded by 9.5% year-on-year in the second quarter of 2011, down by 0.2 percentage point from the previous quarter; GDP growth for the first half year was 9.6%, a decrease of 1.5 percentage points compared with the increment of 2010. In the first half year of 2011, value added of the above-scale industries<sup>d</sup> rose by 14.3% year-on-year, down by 3.3 percentage points year-on-year; fixed asset investment increased by 25.6%, up by 0.6 percentage point; retail sales of consumer goods rose by 16.8%, down by 1.4 percentage points, with sales of jewellery rising by 49.6%, petroleum and petroleum products by 39.2%, household furniture by 30.0% and automobile by 15.0%. Total value of external merchandise trade registered an increase of 25.7% year-on-year. A merchandise trade surplus of USD 44.9 billion reappeared in the first half year of 2011 due to decelerating increase in imports. CPI for the second quarter increased by 5.4% amid rising inflation, up by 0.4 percentage point from the previous quarter.

The economy of Hong Kong posted solid growth of 5.1% year-on-year in the second quarter of 2011, moderating from the increase in the first quarter; GDP contracted by 0.5% quarter-to-quarter after seasonal adjustment due to the setback in merchandise trade. Domestic demand stayed robust compared with the second quarter of 2010 when private consumption expenditure held up well to rise by 9.2%; government final consumption expenditure increased modestly by 1.4%; fixed capital formation rebounded significantly by 8.1%. Merchandise imports and exports decelerated substantially from the previous quarter to rise by 10.3% and 7.7%, owing to the regional supply chain disruption from Japan's earthquake; after seasonal adjustment, merchandise imports and

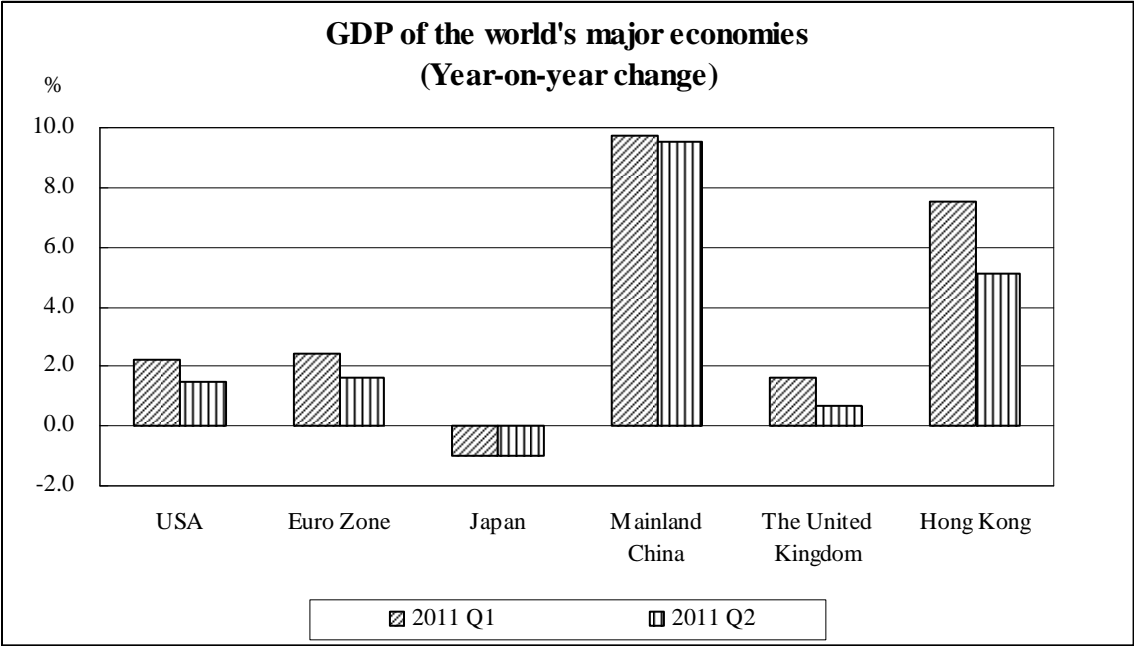
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<sup>b</sup> Korea; Taiwan, China; Hong Kong and Singapore

<sup>c</sup> Indonesia, Malaysia, the Philippines, Thailand and Vietnam

<sup>d</sup> 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.

exports registered a decrease of 6.1% and 12.6% respectively. The unemployment rate went up by 0.2 percentage point to 3.6%.



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

Year-on-year rate of change (%) 1/2

	2008	2009	2010	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
<b>USA</b>								
Gross Domestic Product	-0.3 <sup>r</sup>	-3.5 <sup>r</sup>	3.0 <sup>r</sup>	3.3 <sup>r</sup>	3.5 <sup>r</sup>	3.1 <sup>r</sup>	2.2 <sup>r</sup>	1.5
Exports of goods	12.1	-18.0	21.0	25.4 <sup>r</sup>	20.5 <sup>r</sup>	18.2	18.2	17.7
Imports of goods	7.5	-25.9	22.7 <sup>r</sup>	31.8	23.0 <sup>r</sup>	15.8 <sup>r</sup>	18.8 <sup>r</sup>	17.1
Consumer Price Index	3.8	-0.4	1.7	1.8	1.2	1.3	2.1	3.4
Unemployment rate	5.8	9.3	9.6	9.5	9.5	9.1	9.5	8.9
<b>Euro area <sup>a</sup></b>								
Gross Domestic Product	0.4	-4.3 <sup>r</sup>	1.8 <sup>r</sup>	2.0	2.0	2.0 <sup>r</sup>	2.4 <sup>r</sup>	1.6
Exports of goods	4.0	-18.1	20.2	22.4	22.8	22.3	21.4 <sup>r</sup>	12.6
Imports of goods	8.1	-21.8	22.5 <sup>r</sup>	27.7 <sup>r</sup>	27.0 <sup>r</sup>	25.7 <sup>r</sup>	24.0 <sup>r</sup>	12.2
Consumer Price Index	3.3	0.3	1.6	1.6 <sup>r</sup>	1.7	2.0	2.5	2.8
Unemployment rate	7.7 <sup>r</sup>	9.6	10.2 <sup>r</sup>	10.1 <sup>r</sup>	9.8	10.1 <sup>r</sup>	10.4 <sup>r</sup>	9.8
<b>Germany</b>								
Gross Domestic Product	1.1 <sup>r</sup>	-5.1 <sup>r</sup>	3.7 <sup>r</sup>	4.4 <sup>r</sup>	4.0 <sup>r</sup>	3.8	5.0 <sup>r</sup>	2.8
Exports of goods	2.0	-18.4	19.4	24.4	21.5	20.7	18.9 <sup>r</sup>	10.8
Imports of goods	4.7	-17.5	21.3	27.8	24.2	26.7	21.0 <sup>r</sup>	12.2
Consumer Price Index	2.6	0.3	1.1	1.1	1.2	1.5	2.1	2.3
Unemployment rate	7.8	8.1 <sup>r</sup>	7.7	7.8	7.5	7.0 <sup>r</sup>	7.8	7.1
<b>French</b>								
Gross Domestic Product	-0.2	-2.6	1.4	1.5	1.6 <sup>r</sup>	1.4	2.1 <sup>r</sup>	1.6
Exports of goods	2.6	-17.4 <sup>r</sup>	12.5 <sup>r</sup>	13.4 <sup>r</sup>	13.9 <sup>r</sup>	15.0 <sup>r</sup>	13.2 <sup>r</sup>	8.5
Imports of goods	5.4 <sup>r</sup>	-17.7	13.0 <sup>r</sup>	14.1 <sup>r</sup>	18.8	13.0 <sup>r</sup>	18.6 <sup>r</sup>	12.8
Consumer Price Index	2.8	0.1	1.5	1.6	1.5	1.6	1.8	2.1
Unemployment rate	7.8	9.5	9.8	9.4	9.6	10.0 <sup>r</sup>	10.0 <sup>r</sup>	9.2
<b>The United Kingdom</b>								
Gross Domestic Product	0.5	-4.9	1.4 <sup>r</sup>	1.6 <sup>r</sup>	2.5	1.5	1.6 <sup>r</sup>	0.7
Exports of goods	14.1	-9.7	16.5 <sup>r</sup>	21.5 <sup>r</sup>	17.7 <sup>r</sup>	15.3 <sup>r</sup>	19.7 <sup>r</sup>	11.4
Imports of goods	11.1	-10.2	17.4 <sup>r</sup>	19.6 <sup>r</sup>	21.2 <sup>r</sup>	18.5 <sup>r</sup>	13.9 <sup>r</sup>	10.2
Consumer Price Index	3.6	2.1	3.3	3.4	3.1	3.4	4.1	4.4
Unemployment rate	5.7	7.7	7.8	7.8	7.7	7.9	7.7	7.9

<sup>a</sup> The Euro area consists of 17 member states from 2011 onwards.

<sup>r</sup> 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 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
<b>Mainland China</b>								
Gross Domestic Product	9.0	8.7	10.3	10.3	9.6	9.8	9.7	9.5
Exports of goods	17.3	-15.9	31.3	40.9	32.2	24.9	26.4	22.1
Imports of goods	18.5	-11.3	38.7	43.6	27.3	29.6	32.8 <sup>r</sup>	23.1
Consumer Price Index <sup>a</sup>	5.9	-0.7	3.3	2.6	2.9	3.3	5.0	5.4
<b>Hong Kong</b>								
Gross Domestic Product	2.3	-2.7	7.0	6.7	6.9	6.4	7.5 <sup>r</sup>	5.1
Exports of goods	5.1	-12.6	22.8	24.3	27.8	14.4	24.6	7.7
Imports of goods	5.5	-11.0	25.0	29.9	24.1	15.1	20.6	10.3
Consumer Price Index	4.3	0.5	2.4	2.6	2.3	2.7 <sup>r</sup>	3.8 <sup>r</sup>	5.2
Unemployment rate	3.6	5.4	4.3	4.7	4.4	3.7	3.4	3.6
<b>Taiwan, China</b>								
Gross Domestic Product	0.7	-1.9	10.9 <sup>r</sup>	12.9	10.7	7.1 <sup>r</sup>	6.6 <sup>r</sup>	4.9
Exports of goods	3.6	-20.3	34.8	46.2	27.1	20.9	19.4 <sup>r</sup>	14.6
Imports of goods	9.7	-27.5	44.1	53.7	31.5	27.6	21.8	19.0
Consumer Price Index	3.5	-0.9	1.0	1.1	0.4	1.1	1.3	1.6
Unemployment rate	4.1	5.9	5.2	5.2	5.1	4.8	4.6	4.3
<b>Japan</b>								
Gross Domestic Product	-1.2	-6.3	4.0	3.1	5.0	2.1 <sup>r</sup>	-1.0	-1.0
Exports of goods	-3.5	-33.1	24.4	33.2	17.8	10.0	2.4	-8.0
Imports of goods	8.0	-34.8	18.0	28.1	14.9	11.3	11.4	10.4
Consumer Price Index	1.4	-1.4	-0.7	-0.9	-0.8	0.1	-	0.3
Unemployment rate	4.0	5.1	5.1	5.3	5.1	4.8	4.7	4.7
<b>Republic of Korea</b>								
Gross Domestic Product	2.3	0.3	6.2	7.5	4.4	4.7	4.2	3.4
Exports of goods	13.6	-13.9	28.3 <sup>r</sup>	33.1	22.7	23.8	29.6 <sup>r</sup>	20.0
Imports of goods	22.0	-25.8	31.6 <sup>r</sup>	42.8	24.6	24.6	25.9 <sup>r</sup>	27.2
Consumer Price Index	4.6	2.8	2.9	2.6	2.9	3.6	4.5	4.2
Unemployment rate	3.2	3.6	2.9	3.5	3.5	3.3	4.2	3.4
<b>Singapore</b>								
Gross Domestic Product	1.5	-0.8	14.5	19.4	10.5	12.0	9.3 <sup>r</sup>	0.9
Exports of goods	5.8	-18.0	22.4	29.1	20.0	14.5	13.4	6.8
Imports of goods	13.9	-21.0	18.8	26.4	15.6	9.7	10.2	8.4
Consumer Price Index	6.6	0.6	2.8	3.1	3.4	4.0	5.2	4.7
Unemployment rate	2.2	3.0	2.2	2.8	1.8	2.0	1.8	2.7

<sup>a</sup> Accumulated year-on-year comparison.

<sup>r</sup> Revised figures.

- Absolute value equals zero.

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 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
<b>USA</b>								
Gross Domestic Product	-0.3 <sup>r</sup>	-3.5 <sup>r</sup>	3.0 <sup>f</sup>	3.8 <sup>r</sup>	2.5 <sup>r</sup>	2.3 <sup>r</sup>	0.4 <sup>r</sup>	1.0
Exports of goods	12.1	-18.0	21.0	3.7 <sup>r</sup>	3.2 <sup>r</sup>	5.2 <sup>r</sup>	4.9 <sup>r</sup>	3.3
Imports of goods	7.5	-25.9	22.7 <sup>r</sup>	5.4 <sup>r</sup>	2.4 <sup>r</sup>	1.7 <sup>r</sup>	8.3 <sup>r</sup>	3.6
Consumer Price Index	3.8	-0.4	1.7	-0.1	0.4	0.7	1.3	1.0
Unemployment rate <sup>a</sup>	5.8	9.3	9.6	9.6	9.6	9.6	8.9	9.1
<b>Japan</b>								
Gross Domestic Product	-1.2	-6.3	4.0 <sup>f</sup>	-0.1 <sup>r</sup>	1.0 <sup>r</sup>	-0.6 <sup>r</sup>	-0.9 <sup>r</sup>	-0.3
Exports of goods	-3.6	-33.3 <sup>r</sup>	24.7 <sup>r</sup>	4.8 <sup>r</sup>	-3.2 <sup>r</sup>	-0.9 <sup>r</sup>	2.2 <sup>r</sup>	-6.2
Imports of goods	7.7	-34.6	18.0	5.3 <sup>r</sup>	-0.9 <sup>r</sup>	0.7 <sup>r</sup>	6.2 <sup>r</sup>	4.2
Consumer Price Index	1.4	-1.4	-0.7	-0.3	-0.3	0.6	0.1	-0.1
Unemployment rate <sup>a</sup>	4.0	5.1	5.1	5.2	5.1	5.0	4.7	4.6
<b>Hong Kong</b>								
Gross Domestic Product	2.3	-2.7	7.0 <sup>f</sup>	1.9	0.9	1.5	3.1 <sup>r</sup>	-0.5
Exports of goods	5.1	-12.6	22.8	3.6	1.9	-4.1	16.3	-12.6
Imports of goods	5.5	-11.0	25.0	2.2	1.0	-2.7	12.1	-6.1
Consumer Price Index	4.3	0.5	2.4	0.5	-2.2 <sup>r</sup>	3.7 <sup>r</sup>	1.8 <sup>r</sup>	1.8
Unemployment rate <sup>a</sup>	3.6	5.4	4.3	4.6	4.2	4.0	3.4	3.5

<sup>a</sup> Unemployment rate after seasonal adjustment.

<sup>r</sup> 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