

Global Economy in the Second Quarter of 2013

Global economic performance remained weak in the second quarter of 2013. Slow recovery in the US economy, recession in the Euro area albeit signs of improvement, stagnant export growth in the Asian region, together with the expected withdrawal of the U.S. monetary stimulus measures, continued to pose risks to global recovery. The *World Economic Outlook (WEO) Update* of the International Monetary Fund (IMF) in July 2013 indicated that global growth was lower than the April forecast, driven by weaker domestic demand in major emerging market economies, as well as a more protracted recession in the Euro area. The world economy is projected to expand by 3.1% in 2013 and 3.8% in 2014, both down by 0.2 percentage points from the April forecast.

The US economy continued to recover at a slow pace. Gross Domestic Product (GDP) for the second quarter of 2013 expanded by 1.6% year-on-year and 2.5% quarter-to-quarter. Private consumption expenditure and fixed investment contributed 1.2 and 0.9 percentage points to economic growth; the substantial increase in exports added 1.1 percentage point to the growth, but it was totally offset by the increase of imports; meanwhile, government spending dragged down the rate of increase by 0.2 percentage points. The second quarter unemployment rate dropped by 0.7 percentage points quarter-to-quarter to 7.4% upon continuous economic growth; the seasonal adjusted unemployment rate stood at 7.6%.

The economies of Germany and France resumed growth in the second quarter of 2013, but the Euro area remained in recession. The second quarter GDP of the Euro area shrank by 0.5% year-on-year, marking six consecutive quarters of negative growth, yet the rate of contraction has slowed; the economy increased by 0.3% quarter-to-quarter, with slight improvement in economic conditions. Exports contributed 0.8 percentage points to economic growth; consumption expenditure of households and non-profit institutions, and government final consumption expenditure both added 0.1 percentage point to growth. With signs of improvement in economic performance, the unemployment rate decreased by 0.6 percentage points quarter-to-quarter to 12.0%.

Benefited from the growth in the service sector, and the construction and manufacturing industries, the second quarter GDP of the UK expanded by 1.5%

year-on-year, a significant growth from the previous quarter, and increased by 0.7% quarter-to-quarter. Both household and government final consumption expenditure contributed 0.2 percentage points to economic growth, and net exports pushed up the rate of increase by 0.3 percentage points. Despite stronger economic growth, the unemployment rate stayed unchanged for four consecutive quarters, at 7.8%.

Growth of the export-oriented Asian economies slowed upon stagnant exports. The July *WEO Update* of IMF indicated that the ASEAN 5¹ is projected to expand by 5.6%, the Middle East and the North African region by 3.0%, and the Chinese and Indian economies by 7.8% and 5.6% respectively for the whole year of 2013, with the growth projections for all economies being revised downward from the April forecast.

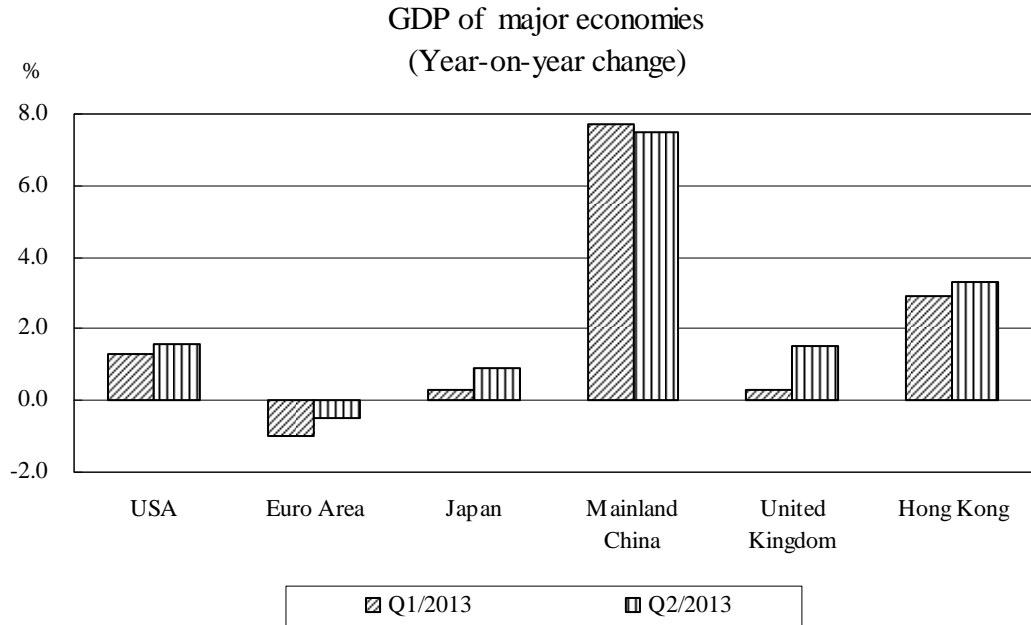
Japan continued to implement a loose monetary policy, but the economic growth was still below expectations. The second quarter GDP increased by 0.9% year-on-year and 0.6% quarter-to-quarter. Domestic demand and exports contributed 0.5 and 0.4 percentage points to economic growth. The unemployment rate held stable from the previous quarter at 4.2% amid slow economic recovery; the seasonal adjusted rate dropped by 0.2 percentage points to 4.0%.

The economy of Mainland China maintained steady growth. The second quarter GDP expanded by 7.5% year-on-year, down by 0.2 percentage points from the previous quarter. In the first half year of 2013, value added of the above-scale industries rose by 9.3% year-on-year, down by 0.2 percentage points from the increase in the first quarter of 2013; fixed asset investment increased by 20.1% year-on-year, down by 0.8 percentage points; retail sales of consumer goods rose by 12.7% year-on-year, up by 0.3 percentage points, with jewellery rising by 29.7%, sales of furniture by 21.3%, and construction and decoration materials by 18.2%. Total value of external merchandise trade for the first half of 2013 rose by 8.6% year-on-year, with trade surplus amounting to USD108.0 billion. Inflation held stable, with the Consumer Price Index for the second quarter staying at 2.4% and that for June rising by 2.7% year-on-year.

The economy of Hong Kong continued to grow moderately in the second quarter of 2013, up by 3.3% year-on-year and 0.8% quarter-to-quarter. Domestic demand remained the key impetus to growth, of which gross fixed capital formation resumed growth by 6.9%, private consumption expenditure and government final consumption expenditure increased by 4.2% and 3.1% respectively year-on-year. The weakened

¹ Indonesia, Malaysia, the Philippines, Thailand and Vietnam

external environment continued to affect the trade performance of Hong Kong, with merchandise imports and exports rising by 3.5% and 2.4% year-on-year, or down by 1.1% and 2.9% quarter-to-quarter. The unemployment rate held stable as the previous quarter at 3.4%; the seasonal adjusted unemployment rate stood at 3.3%.



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

%

	2010	2011	2012	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2
USA								
Gross Domestic Product	2.5 ^f	1.8	2.8 ^f	2.8 ^f	3.1 ^r	2.0 ^f	1.3 ^f	1.6
Exports of goods	21.0	15.8	4.4 ^f	5.4 ^f	1.1 ^r	2.8 ^f	0.5	1.6
Imports of goods	22.7	15.4	3.0	3.7	-	0.6	-2.8	-1.4
Consumer Price Index	1.7	3.1	2.1	1.9	1.7	1.9	1.7	1.4
Unemployment rate	9.6	8.9	8.1	8.0	8.1	7.5	8.1	7.4
Euro area ^a								
Gross Domestic Product	2.0	1.5	-0.6	-0.5	-0.7	-1.0	-1.0 ^f	-0.5
Exports of goods	20.1	13.0	7.4	8.0 ^f	7.5	5.7	1.2 ^f	1.9
Imports of goods	22.4	13.3	1.7	1.4	0.4 ^f	1.0 ^f	-5.1 ^r	-3.3
Consumer Price Index	1.6	2.7	2.5	2.5	2.5	2.3	1.9	1.4
Unemployment rate	10.1	10.1	11.4	11.1	11.2 ^f	11.8	12.6	12.0
Germany								
Gross Domestic Product	4.0 ^f	3.3 ^f	0.7	0.6 ^f	0.4	-	-1.6 ^f	0.9
Exports of goods	18.5	11.5	3.4	3.6	3.6	1.3	-1.5	0.4
Imports of goods	19.9	13.2	0.7	0.1	-0.4	-0.7	-3.5	0.2
Consumer Price Index	1.1	2.1	2.0	1.9	2.0	2.0	1.5	1.5
Unemployment rate	7.7	7.1	6.8	6.8	6.7	6.6	7.4	6.8
French								
Gross Domestic Product	1.6	2.0	-	0.1	-	-0.3	-0.5 ^f	0.3
Exports of goods	12.8	9.0	4.0	5.4 ^f	3.9 ^f	1.6 ^f	-1.8 ^f	-0.6
Imports of goods	13.3	12.8	2.0 ^f	3.6 ^f	0.8 ^f	0.5 ^f	-3.1 ^r	-3.4
Consumer Price Index	1.5	2.1	2.0	2.0	2.0	1.5	1.1	0.8
Unemployment rate	9.7	9.6	10.3	9.8	10.1	10.9 ^f	11.2	10.5
United Kingdom								
Gross Domestic Product	1.7 ^f	1.1 ^r	0.2 ^f	-	0.1 ^r	- ^r	0.3 ^f	1.5
Exports of goods	16.5	12.5 ^f	0.3 ^f	-0.5	2.1 ^r	-4.2 ^f	-2.4 ^r	6.4
Imports of goods	17.1	9.5 ^f	2.2 ^f	3.2 ^f	- ^r	-0.1 ^r	-1.0 ^f	1.6
Consumer Price Index	3.3	4.5	2.8	2.8	2.4	2.6	2.8	2.7
Unemployment rate	7.8	8.1	7.9	8.0	7.8	7.8	7.8	7.8

^a Consists 17 member states since 2011.

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)

%

	2010	2011	2012	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2
Mainland China								
Gross Domestic Product	10.3	9.2	7.8	7.6	7.4	7.9	7.7	7.5
Exports of goods	31.3	20.3	7.9	10.4	4.4	9.4	18.4	3.8
Imports of goods	38.7	25.0	4.3	6.4	1.4	2.7	8.6 ^f	5.0
Consumer Price Index ^a	3.3	5.4	2.6	3.3	2.8	2.6	2.4	2.4
Hong Kong								
Gross Domestic Product	6.8	4.9	1.5	0.9	1.5	2.8	2.9 ^f	3.3
Exports of goods	22.8	10.1	2.9	1.9	3.8	7.0	4.0	2.4
Imports of goods	25.0	11.9	3.9	2.1	4.5	8.1	4.9	3.5
Consumer Price Index	2.4	5.3	4.1	4.2	3.1	3.8	3.7	4.0
Unemployment rate	4.3	3.4	3.3	3.3	3.5	3.1	3.4	3.4
Taiwan, China								
Gross Domestic Product	10.8	4.1	1.3	-0.1	0.7	4.0	1.6 ^f	2.5
Exports of goods	34.8	12.3	-2.3	-5.4	-2.2	2.4	2.4	2.4
Imports of goods	44.1	12.0	-3.9	-5.9	-3.4	-0.1	4.4	-3.5
Consumer Price Index	1.0	1.4	1.9	1.7	3.0	1.8	1.8	0.8
Unemployment rate	5.2	4.4	4.2	4.1	4.3	4.3	4.2	4.1
Japan								
Gross Domestic Product	4.7	-0.6	2.0 ^f	3.8 ^f	0.3 ^f	0.4	0.3 ^f	0.9
Exports of goods	24.4	-2.7	-2.7	4.8	-8.2	-5.5	1.2	7.1
Imports of goods	18.0	12.1	3.8	5.0	0.3	0.5	8.1 ^f	10.4
Consumer Price Index	-0.7	-0.3	-	0.2	-0.4	-0.2	-0.6	-0.3
Unemployment rate	5.1	4.6	4.3	4.6	4.3	4.0	4.2	4.2
Republic of Korea								
Gross Domestic Product	6.3	3.7	2.0	2.4	1.6	1.5	1.5	2.3
Exports of goods	28.3	19.0	-1.3	-1.7	-5.8	-0.4	0.4	0.8
Imports of goods	31.6	23.3	-0.9	-2.9	-6.9	-1.1	-3.0 ^f	-2.7
Consumer Price Index	3.0	4.0	2.2	2.4	1.6	1.7	1.4	1.1
Unemployment rate	3.7	3.4	3.2	3.3	3.0	2.8	3.6	3.1
Singapore								
Gross Domestic Product	14.8	5.2	1.3	2.3	-	1.5	0.2	3.8
Exports of goods	22.4	7.5	-0.9	1.4	-4.2	-5.1	-8.7	-0.1
Imports of goods	18.8	8.6	3.2	4.6	-1.3	-0.4	-9.3	-4.0
Consumer Price Index	2.8	5.2	4.6	5.3	4.2	4.0	4.0	1.6
Unemployment rate	2.2	2.0	2.0	2.6	1.7	1.6	1.8	2.7

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)

%

	2010	2011	2012	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2
USA								
Gross Domestic Product	2.5 ^r	1.8	2.8 ^r	1.2 ^r	2.8 ^r	0.1 ^r	1.1 ^r	2.5
Exports of goods	21.0	15.8	4.4 ^r	1.2 ^r	-0.2 ^r	-0.2 ^r	0.4 ^r	1.1
Imports of goods	22.7	15.4	3.0	-0.4	-1.4 ^r	0.4 ^r	-0.5 ^r	-
Consumer Price Index	1.7	3.1	2.1	0.3	0.5	0.5	0.4	-
Unemployment rate ^a	9.6	8.9	8.1	8.2	8.0	7.8	7.7	7.6
Japan								
Gross Domestic Product	4.7	-0.6	2.0 ^r	-0.2	-0.9	0.3	0.9 ^r	0.6
Exports of goods	24.5	-2.6	-2.9	-0.2 ^r	-3.2 ^r	-1.4 ^r	7.3 ^r	4.5
Imports of goods	18.1	12.2	3.4	0.7 ^r	-0.4	- ^r	9.4 ^r	1.5
Consumer Price Index	-0.7	-0.3	-	-0.2	-0.4	-	-0.1	0.2
Unemployment rate ^a	5.1	4.6	4.3	4.4	4.3	4.2	4.2	4.0
Hong Kong								
Gross Domestic Product	6.8	4.9	1.5	-0.1	1.1	1.4	0.2	0.8
Exports of goods	22.8	10.1	2.9	-2.3	2.6	4.9	-1.5	-2.9
Imports of goods	25.0	11.9	3.9	-0.9	2.2	4.7	-1.4	-1.1
Consumer Price Index	2.4	5.3	4.1	0.8	-1.9	3.7	1.2	1.1
Unemployment rate ^a	4.3	3.4	3.3	3.2	3.3	3.2 ^r	3.5	3.3

a 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