

02 Global and Regional Trends and Prospects

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Government priorities need to be aligned with expected developments in the coming years concerning the economic, social, and environmental dimensions both in the domestic and international fronts.

Economic Trends

Global economic growth continues to gain ground owing to a broad-based cyclical upturn. With a rebound in investment and trade, global growth is expected to be sustained over the next couple of years, amidst a backdrop of benign financing conditions, generally accommodative policies, and improved confidence. Nevertheless, risks such as the possibility of financial stress, increased protectionism, and rising geopolitical tensions remain.¹

Emerging markets should see a better outturn in the coming years, particularly for commodity-exporting countries that benefit from the recovery in commodity prices. Meanwhile, China will continue to see slower, albeit more sustainable growth in the foreseeable future as it continues to rebalance its economy and address financial vulnerabilities. Growth in the ASEAN-5 countries is expected to remain robust with an average growth of 5.2 percent in 2018-2022.²

Global trade (export volume) growth also accelerated to 4.2 percent in 2017. However, it is expected to moderate to an average of 3.7 percent annually over the period 2018-2022.³

After declining by 2 percent in 2016, global foreign direct investment flows are estimated to have risen by 5 percent to almost US\$1.8 trillion in 2017. These are projected to reach US\$ 1.85 trillion in 2018, reflecting an increase in global growth and increased business confidence.⁴

Monetary policy in the United States will continue its normalization track in the following years prompted by strong economic activity, healthy labor market, and expansionary fiscal policies. Recovery in the European Union (EU) is expected to continue albeit at a more modest pace, with the European Central Bank continuing its accommodative stance despite cutting back on its bond purchases. Despite some headway in growth, Japan is expected to maintain its accommodative monetary policy as inflation and wage growth remain modest.

¹ World Bank Group. (2018). Global Economic Prospects, January 2018: Broad-Based Upturn, but for How Long?. Washington, DC: World Bank. Retrieved from <https://openknowledge.worldbank.org/handle/10986/28932>

² International Monetary Fund (IMF). (2017). World Economic Outlook, October 2017 Seeking Sustainable Growth: Short-term Recovery, Long-term Challenges. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>

³ IMF. (2017). World Economic Outlook, October 2017 Seeking Sustainable Growth: Short-term Recovery, Long-term Challenges. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>

⁴ United Nations Conference on Trade and Development (UNCTAD). (2017). World Investment Report 2017. Retrieved from <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1782>

Political Trends

The political landscape will continue to be affected by the backlash resulting from the global financial crisis. The renegotiation of several free trade agreements, especially the North American Free Trade Agreement, as well as the failure of G20 economies to renew their long-standing commitment to free trade and pledge to resist all forms of protectionism, casts uncertainty over trade and investments.⁵ The negotiations on the terms of United Kingdom's exit from the EU will continue to pose uncertainty. Furthermore, tensions within the Korean peninsula and strains in the Middle East could undermine confidence and induce market volatility.⁶ Although ISIS has lost most of its territories in Syria and Iraq, new conflicts could arise even as old ones are rekindled if the underlying political, social, and economic problems are not addressed.⁷ Meanwhile, the dispute over the West Philippine Sea remains an important challenge.

Social and Demographic Trends

The ageing workforce in advanced economies will continue to support the demand for migrant workers. The number of international migrants worldwide has continued to grow rapidly in recent years, reaching 258 million in 2017, up from 220 million in 2010 and 173 million in 2000.

The backlash against globalization continues to breed sentiments against immigration in some countries. This is leading to more stringent migration policies and procedures, as well as to less hospitable working environments. This will make international negotiations for global agreements on migrants and refugees, which will be launched by the United Nations in 2018, both challenging and necessary.⁸

Technological Trends

Space technology is expected to advance further, driven mostly by private enterprises. Quantum technology improvements could see initial applications in computing and communications. Public and private investments in machine learning, a sub-field of artificial intelligence, will likely continue to rise, with China aiming to become a global leader in the field. Medical advances in the field of gene or cell therapy will start reaching the market.⁹

Environmental Trends

A weak La Niña, as reflected by below average sea surface temperatures in the tropical Pacific, started towards the end of 2017 and is expected to persist until the February to April 2018 season. A transition to neutral conditions is expected by March to May. El Niño phenomenon could develop towards the latter part of 2018, but the uncertainty remains high.¹⁰

⁵ UNCTAD. (2017). World Investment Report 2017. Retrieved from <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1782>

⁶ IMF. (2017). World Economic Outlook, October 2017 Seeking Sustainable Growth: Short-term Recovery, Long-term Challenges. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>

⁷ La Guardia, A. (2018). What happens after the caliphate of Islamic State is destroyed?. The Economist, The World in 2018, Retrieved from <http://www.theworldin.com/edition/2018/article/14437/after-caliphate>

⁸ Philippine Statistics Authority. (2016). 2010 Census-based Population Projections in collaboration with the Inter-Agency Working Group on Population Projections

⁹ The Economist, The World in 2018 – Science and Technology, Retrieved from <http://www.theworldin.com/edition/2018>

¹⁰ Gawthrop, E. (2018, February 24). February Climate Briefing: La Niña Pattern Holds. Retrieved from <https://iri.columbia.edu/news/february-climate-briefing-la-nina-pattern-holds/>

