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Global and  
Regional  
Trends and  
Prospects



# GLOBAL AND REGIONAL TRENDS AND PROSPECTS

Government's strategies and interventions need to consider global and regional trends and prospects. These include economic and political issues and concerns and social, demographic, technological, and environmental developments that could impact the country.

## Economic Trends

The growth of the global economy is estimated to have moderated to 3.7 percent in 2018. This was amid country-specific issues in advanced economies and broader deterioration in financial market sentiment, uncertainties in trade policy, and concerns on the outlook for China. Global growth is expected to weaken further to 3.5 percent in 2019 and 3.6 percent in 2020.<sup>1</sup> Downside risks include potential escalation of trade tensions, disorderly financial market developments, monetary policy tightening, uncertainties in the exit of the United Kingdom (UK) from the European Union (EU), protracted United States (US) Federal Government shutdown, a hard-landing in China, and geopolitical tensions.<sup>2</sup>

Growth in advanced economies is expected to weaken substantially from 2.3 percent in 2018 to 2.0 percent in 2019 and 1.7 percent in 2020. This is mainly due to a marked deterioration in US' growth and more modest slowdown in the Euro area and Canada. Growth in emerging economies is seen to remain broadly stable despite a marked slowdown in China, Saudi Arabia, and Central and Eastern Europe. Growth in ASEAN-5 (Indonesia, Malaysia, Philippines, Singapore, and Thailand) is also projected to remain broadly stable, at 5.1 percent in 2019 and 5.25 in 2020. India will continue to see robust and accelerating growth over the next two years.<sup>3</sup>

Global trade (export volume) growth is estimated to have slowed from 5.1 percent in 2017 to 3.9 percent in 2018. It is forecasted to ease further to an average of 3.6 percent annual growth in 2019 to 2023.<sup>4</sup>

Global foreign direct investment flows are estimated to have grown only by a modest 5.0 percent in 2018 coming from a 23.0 percent drop to USD1.4 trillion in 2017, as trade tensions and tax competition influence global investment patterns.<sup>5</sup>

After raising its policy rates four times in 2018, the US Federal Reserve is seen to continue doing so in 2019 and 2020, though at a slower pace. Meanwhile, after ending its net asset purchases in 2018, the European

<sup>1</sup> International Monetary Fund (IMF). (2019). *World Economic Outlook Update, January 2019*. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019>

<sup>2</sup> World Bank Group. (2018). *Global Economic Prospects, June 2018: The Turning of the Tide?*. Washington, DC: World Bank. Retrieved from <http://www.worldbank.org/en/publication/global-economic-prospects>

<sup>3</sup> World Bank Group. (2018). *Global Economic Prospects, June 2018: The Turning of the Tide?*. Washington, DC: World Bank. Retrieved from <http://www.worldbank.org/en/publication/global-economic-prospects>

<sup>4</sup> IMF. (2018). *World Economic Outlook, October 2018 Challenges to Steady Growth*. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018>

<sup>5</sup> United Nations Conference on Trade and Development (UNCTAD). (2018). *World Investment Report 2018*. Retrieved from [https://unctad.org/en/PublicationsLibrary/wir2018\\_en.pdf](https://unctad.org/en/PublicationsLibrary/wir2018_en.pdf)

Central Bank has announced that its monetary policy would remain accommodative.<sup>6</sup> The Bank of Japan is set to maintain current low interest rates, taking into account uncertainties on economic activity and prices, including the effects of the consumption tax hike scheduled in October 2019.<sup>7</sup>

The 30.0 percent increase in average oil prices in 2018, which created inflationary pressures for net-importing economies, was mainly due to supply-side and geopolitical factors such as the decline in Venezuelan production and concerns about US sanctions on Iran. After the sharp drop in oil prices in the last quarter of 2018, oil prices are expected to stabilize at a lower level in 2019 compared to the previous year, with the strong increase in US oil production seen to persist.<sup>8</sup>

## Political Trends

The conflict between populist, inward-looking ideas, and more open and liberal ideas will continue to manifest itself over the coming years. Despite the signing of the United States-Mexico-Canada Agreement and the temporary trade war “truce” between the US and China, uncertainties remain given the respective ratification process and negotiations needed. There is also a rising risk of a disorderly exit of the UK from the EU, which could increase euro-skepticism and negatively affect European parliamentary election outcomes.<sup>9</sup> While tensions in the Korean peninsula seem to have eased, tensions may reignite as the pressure for clear progress towards nuclear disarmament mounts.<sup>10</sup> Geopolitical tensions in the Middle East will persist as the US sanctions against Iran begin to bite in 2019, while its policy towards Syria remains uncertain.<sup>11</sup> Geopolitical tensions in the West Philippine Sea also seem to be rising as territorial disputes persist.

## Social and Demographic Trends

The adoption of the Global Compact for Safe, Orderly, and Regular Migration in 2018 was an important milestone, being the first-ever intergovernmentally negotiated United Nations agreement to cover all dimensions of international migration. However, anti-immigration sentiments in several countries marred the negotiations and will likely continue to challenge its implementation. Nevertheless, more progressive societies like Canada will remain open and benefit from the diversion of talent.<sup>12</sup> Other countries like Japan are beginning to open up under the sheer weight of a shrinking and aging population.<sup>13</sup>

## Technological Trends

Artificial intelligence will play an increasingly significant role in how firms (and even some governments) operate. The next two years will also see more than half of the world’s population gaining access to the internet. Both developments will offer a lot of opportunities but will also raise concerns on abuses (e.g., invasion of privacy, ‘algorithmic bias,’ misinformation, security breaches), safety and impact on workers. The

<sup>6</sup> IMF. (2019). *World Economic Outlook Update, January 2019*

<sup>7</sup> Bank of Japan. (2019). *Outlook for Economic Activity and Prices, January 2019*

<sup>8</sup> World Bank Group. (2018). *Global Economic Prospects, January 2019*

<sup>9</sup> IMF (2019). *World Economic Outlook Update, January 2019*

<sup>10</sup> Ziegler, D. (2018). *Head over Heels. The Economist's The World in 2019*

<sup>11</sup> McShane, R. (2018). *Hardship Ahead. The Economist's The World in 2019*

<sup>12</sup> *The Economist* (22 December 2018). *Indian technology talent is flocking to Canada*

<sup>13</sup> *The Economist* (17 November 2018). *How Japan's prime minister plans to cope with daunting demography*

next two years will likewise highlight the increasing role of the private sector and developing economies, notably China and India, in further developing space technology, with several expeditions to the moon expected.<sup>14</sup>

## Environmental Trends

A relatively weak El Niño phenomenon is expected to form in early 2019 until towards the end of the second quarter. There is a moderate to strong risk of below-normal rainfall across the Philippines.<sup>15</sup>

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<sup>14</sup> *The Economist*. *The World in 2019*. Retrieved from <https://worldin2019.economist.com/>

<sup>15</sup> Gawthrop, E. (3 January 2019). CPC/IRI December Climate Briefing: Atmosphere Resists El Niño Participation

