



Session Title: Global Trends, Regional Outlook
Date & Time: 5 April, 9.20am – 9:30am
Speaker: Andrew Staples , Global Editorial Director, Economist Corporate Network

Introduction & Purpose

Also entitled Outlook for Asia: Growing Economies, Growing Risk, this session sets to capture the global economic outlook, key global trends for 2018/19, top risks and drivers of growth.

Summary

Uptick in the global economy seen in 2017 expected to continue into 2018. Global, regional and national risks abound while elections in Malaysia and Indonesia might impact the business environment.

China's economy continues to dominate the region, including its Belt and Road initiative, with other countries and regions - India, Japan, Europe and ASEAN - also examined alongside geo-strategic issues and how megatrends like the adoption of technology will push the region forward, especially with continued commitment to the business environment and human capital.

Other concerns are how hike in interest rates will impact businesses; currency movements and an imminent global trade war.

Salient points of Andrew's presentation

- **Key economic themes for 2018/19:** Global economy to maintain 3% growth in 2018 with strong growth in the US and Asia as well as ongoing revival in Europe but some slowdown for the global economy forecast in 2020.
- **Global interest rates** to remain low, subdued Inflation and commodity prices. Very difficult economy to see how Japan going to meet its inflation target of 2% given its matured and aging economy shrinking faster than anyone.
- **China** maintaining 6.5% growth, short term positive with issues to be addressed in the longer term. By 2022, Chinese economy expected to slow to around 5% growth a year but remains a very positive story.
- **Quantitative easing** being withdrawn from the US economy, to taper in Europe while in Japan, the floodgates are wide open.

- **Interest rates:** To normalise and fall in 2019 in the US, still very low worldwide but will start to change or move up. Another interest rate hike in Malaysia forecast in July.
- **Geo-political and security issues** in the Middle East and Asia.
- **Global trade growth forecast revised** last week to 4.1% this year from 4.7% in 2017.
- Trans Pacific Partnership (TPP), a real 21st century trade agreement. Expectations of the US re-joining TPP. **It will be real positive for the US to be in the heart of those negotiations, help them set the rules of the game in the region.**
- TPP, very positive for Malaysia and Vietnam, will boost their economies around regulatory framework and improve the risk environment.
- **Global trade war** outbreak scenario emerged a top risk with negative impact on the forecast on global economy as risk of half landing in China came down.
- **Top 10 risks** in global economy, a mixture of political, economic and military risks, will impact growth.
- **US:** Mild technical recession forecast in early 2020. Concerns about how the US will deal with its debt deficit and its relationship with China. Overvalued US\$ to limit its upward pressure.
- **Japan's good growth** arising from positive developments on the structural reforms like corporate governance etc. Positive outlook with the rest of the region. For example, Malaysia's investment from Japan and strong trade relations to continue in 2018 with moderate 1.5% growth.
- **India:** Stronger 7.5% growth forecast this year and to approach 8% over the next few years. Its government used tax revenue to invest in infrastructure, education, sanitation, etc. **A positive story.**
- **Asean:** Around 5% growth forecast in 2018. Despite trade war implications, opportunities abound. The Philippines and Laos posted very high growth of over 6.5% while Malaysia outperformed with 5.9% growth in 2017 but this is expected to moderate in 2018. Slightly downgraded Malaysia and Singapore but still very positive stories.
- **Digital economy:** Malaysia well positioned for it with 95% internet penetration rate by 2021. It's also creating opportunities for SMEs to find markets overseas. Adoption of technology among challenges in the region.
- **Business environment assessment:** Look into 10 factors such as the regulatory regime, openness of foreign capital etc with Singapore ranked top.

Takeaway from the session

- **The issues around us is not about trade but investment, technology and IP protection**, which have very big geo-strategic flavour towards relationships with North Korea, China, Japan, the US, etc.
- The Economist, which is celebrating its 175 anniversary this year, is for free trade and rule-based system as the best way to run global trade.
- Companies that can position themselves to some of the challenges to governments and societies in the region would be very well placed.

- China's economy into maturation and transformation creates opportunities and challenges. Businesses advised to provide value added offerings that appeal to its emerging middle class as **a new China is emerging**.
- Advised to re-evaluate your expectations on India becoming another China unless the former can resolve some issues like bridging its middle-class gap, expanding its manufacturing and having a more equitable economic growth.
- Continuous commitment from policy makers in Asia to improve the business environment with foreign policies or TPP is positive for the region.