International Economic Environment

HIGHLIGHTS

- Global growth remained weak in the fourth quarter of 2019.
- Exports in regional economies showed signs of soft recovery.
- Financial market volatility receded as the trade dispute de-escalated.

Global economic activity remained weak

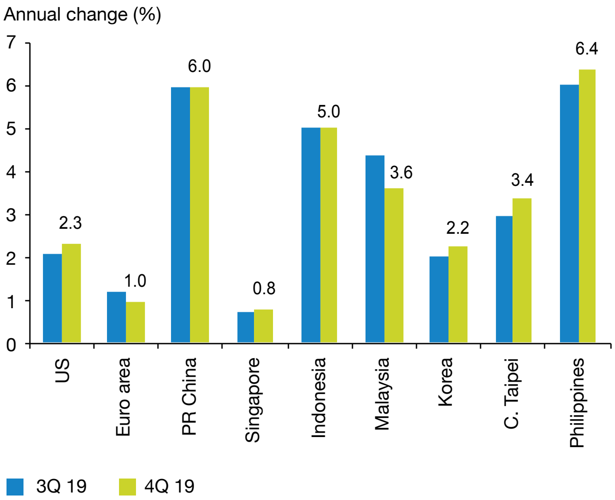
The global economy expanded at a moderate pace in the fourth quarter of 2019.

Growth in the US improved, driven by higher public spending and lower imports. These more than offset the moderation in private investment, which was affected by slower manufacturing activity and poor business sentiments. Meanwhile, private consumption was sustained on the back of supportive labour market conditions.

Growth in most regional economies improved marginally, with early signs of recovery in exports and sustained domestic demand. Growth in PR China was sustained at 6.0% in the fourth quarter, supported mainly by stronger investments amid a pickup in production activity. In Singapore, growth recorded a marginal uptick, due to improving exports, especially to the region and the US.

Modest growth in most economies in 4Q 2019

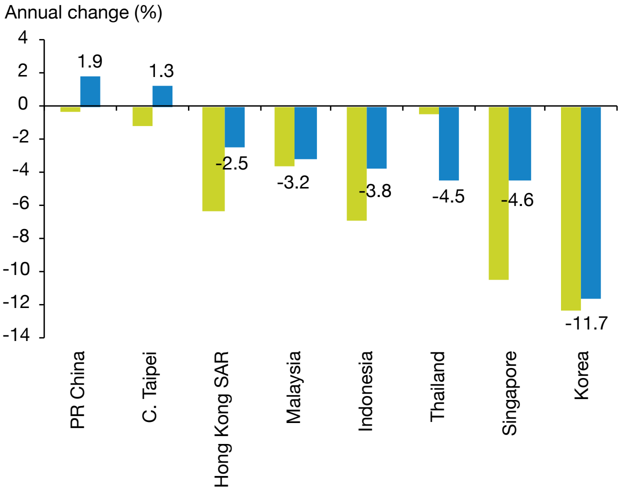
Chart 1: GDP Growth of Selected Economies



Source: National authorities

Improvements in regional export growth in 4Q 2019

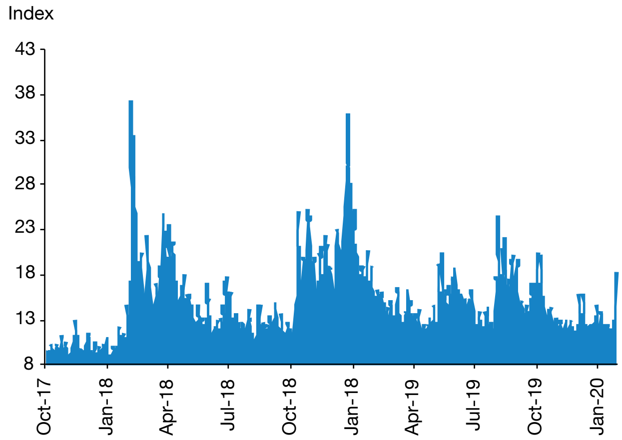
Chart 2: Export Growth of Selected Economies (in USD terms)



Source: National authorities

Global financial market volatility subsided in 4Q 2019

Chart 3: Chicago Board Options Exchange (CBOE) Volatility Index (VIX)



Source: Bloomberg

Marginal recovery in regional exports growth

Exports showed signs of recovery in several regional economies in the fourth quarter. Exports of goods from PR China rebounded to 1.9%, from a marginal contraction of 0.3%. This was supported by increased demand from the ASEAN economies and the EU. In C. Taipei, goods exports similarly turned around, driven by a broad-based improvement across product segments. Exports from Korea, Indonesia and Singapore remained in contraction, albeit less than the previous quarter.

Lower volatility in the financial market

Global financial market volatility was lower during the quarter. Positive sentiments, driven by improving trade-related data releases, led to price rallies across major economies. Towards the end of the quarter, expectations on the Phase One trade deal between the US and PR China and its finalisation on 15 January 2020 further contributed to the market rally.

However, there was a marginal spike in volatility prior to the general elections in the UK, attributable to uncertainties surrounding the election results and the subsequent policy direction influencing Brexit outcomes.

Brent crude oil price remained steady at USD62 per barrel in the fourth quarter of 2019, as the extension of voluntary output cuts by OPEC+ and heightened geopolitical tensions in the Middle East more than offset the moderating global oil demand conditions.