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GLOBAL ECONOMIC OUTLOOK

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Overview

The global economy is projected to grow at 3.2% in 2019 supported by growth in several major countries in the advanced economies. This growth is then forecast to improve to 3.5% in 2020. Growth in 2020 is expected to be supported by stronger GDP performance in emerging market and developing economies (EMDEs).

Growth in advanced economies is expected to ease from 1.9% in 2019 to 1.7% in 2020. The US is expected to register solid growth in 2019. However, this growth is projected to slow down in 2020 due to the winding down effect of its fiscal stimulus as well as ongoing restrictive trade policies. Growth in the euro area is expected to moderate in 2019 due to weaker industrial production and business confidence amid slower external demand. The euro area economy is projected to pick up slightly in 2020 as industrial activities regain momentum. The uncertainties caused by Brexit continues to affect business confidence and domestic demand in the UK. Nonetheless, growth in 2020 is expected to stabilise after Brexit on 31 October 2019. In Japan, marginal growth is anticipated, supported by private consumption and investment. In 2020, Japan's growth is projected to moderate as a result of the consumption tax hike and sluggish exports.

EMDEs is forecast to grow slower at 4.1% in 2019, largely due to easing external demand and investment following the impact of rising tariffs. But its growth is anticipated to improve 4.7% in 2020 as growth in major EMDEs is expected to rebound after recovering from the effect of financial market pressures. China's GDP is expected to expand at a slower pace in 2019 and moderate further in 2020, mainly due to structural slowdown and the escalation of trade tensions. Meanwhile, India's economic growth is projected to be robust in 2019 and will expand further in 2020 attributed to strong domestic demand amid fiscal stimulus and

structural reforms. ASEAN is forecast to grow both in 2019 and 2020, largely attributed to robust domestic demand. ASEAN is also expected to benefit from China's large domestic market and increasing per capita income through exports and investment.

Global inflation is projected to be at 3.6% in both 2019 and 2020. In 2019, inflation in advanced economies is expected to record 1.6%, while in EMDEs, it is projected at 4.8%. In 2020, inflation in advanced economies is expected to record 2% (2019: 1.6%), while inflation in EMDEs is projected to record 4.7% (2019: 4.8%) following slower wage growth. Meanwhile, world trade growth is expected to ease to 2.5% in 2019 amid deepening trade tensions between the US and China, and improve to 3.7% in 2020 backed by robust GDP growth in EMDEs. FDI is anticipated to expand 15% to USD1.5 trillion in 2019, mainly due to a rise in cross-border merger and acquisition (M&A) activities and an increase in greenfield investments.

The global economy is experiencing a broad-based slowdown and risks are tilted to the downside resulting from unresolved trade tensions, policy uncertainties and weakening business confidence. The continued escalation of trade disputes between the US and China may significantly hamper global growth prospects. Prolonged uncertainties of Brexit and unfavourable financial conditions may also affect growth. In addition, existing political instabilities, humanitarian crises as well as geopolitical and social tensions, are among the major factors that contribute to the downside risks.

Global Economy

The US' economy grew 2.5% in the first half of 2019 supported by consumer spending, which rose by 2.6%, particularly in durable goods such as motor vehicles and parts. The unemployment rate improved slightly to 3.8%

Table 2.1. Real GDP for Selected Economies 2018 – 2020

	2018	Change (%) 2019 ¹	2020 ²
World Output	3.6	3.2	3.5
Advanced economies	2.2	1.9	1.7
United States	2.9	2.6	1.9
Euro area	1.9	1.3	1.6
Japan	0.8	0.9	0.4
Republic of Korea	2.7	2.6	2.8
Emerging market and developing economies	4.5	4.1	4.7
China	6.6	6.2	6.0
India	6.8	7.0	7.2
ASEAN			
Singapore	3.1	0.0 - 1.0	1.6
Thailand	4.1	3.3	3.7
Indonesia	5.2	5.4 - 5.8	5.3 - 5.6
Philippines	6.2	6.4	6.5
Malaysia	4.7	4.7	4.8
World Trade	3.7	2.5	3.7

¹ Estimate.² Forecast.

Sources: International Monetary Fund and national authorities.

Table 2.2. Inflation Rate for Selected Economies 2018 – 2020

	2018	Change (%) 2019 ¹	2020 ²
World	3.8	3.6	3.6
Advanced economies	2.0	1.6	2.0
United States	2.4	2.0	2.7
Euro area	1.8	1.3	1.3
Japan	1.0	1.1	1.5
Republic of Korea	1.5	1.4	1.6
Emerging market and developing economies	4.8	4.8	4.7
China	2.1	2.2	2.4
India	3.5	3.9	4.2
ASEAN			
Singapore	0.4	0.5 - 1.5	1.3
Thailand	1.1	0.7 - 1.2	1.1
Indonesia	3.2	3.1	3.1
Philippines	5.2	2.7	3.0
Malaysia	1.0	0.9	2.0

¹ Estimate.² Forecast.

Sources: International Monetary Fund and national authorities.

following additional job gains in professional and business services, health care, transportation and warehousing. Inflation was registered at 1.7% following lower energy prices due to stalling US gasoline and diesel demand.

In 2019, the US' GDP is projected to expand by 2.6%, mainly supported by higher private consumption and external demand despite escalating trade tensions. Private consumption is expected to increase by 4% buoyed by strong job markets as well as rising pay and benefits. Exports are expected to grow 3.5% backed by capital goods and industrial supplies, while import growth are anticipated to soften to 1.9% reflecting the adverse effect of tariffs. Meanwhile, capital spending is projected to grow slower at 2.7% due to lower fixed investment, particularly in equipment.

On the supply side, the manufacturing sector is expected to grow at a significant pace of 3.9%, contributed by higher production of wood products, printing and related products as well as plastics and rubber products. Retail sales are expected to grow 4.3% supported by higher e-commerce sales. The unemployment rate is expected to improve to 3.6% following expansion in health care and services industries, while inflation is anticipated to be 2% due to lower energy prices. The US Federal Reserve (Fed) has lowered its target range by 25 basis points each in July and September 2019 to a range of 1.75% to 2.00% to boost the economy.

In 2020, the US' growth is projected to moderate to 1.9% (2019: 2.6%) due to slower domestic demand and waning effects of the fiscal stimulus package introduced in 2017 – 2018. Private consumption is expected to slow down at 2.5% (2019: 4%), mainly due to the effects of the trade dispute. In addition, capital spending is expected to grow at a slower pace of 2.4% (2019: 2.7%), largely due to slower growth in private investment, which is anticipated to be at 2.9% (2019: 3.1%). The unemployment rate is expected to improve to 3.5% (2019: 3.6%) owing to job gains in low-paying retail and food service industries, while inflation is expected to be at 2.7% (2019: 2%). The Fed is also anticipated to cut its federal fund rate five times in 2020 to achieve its 2% inflation target and full employment over the medium-term.

The deepening trade disputes, as well as the abrupt reversal of the buoyant financial market conditions, may hamper the country's economic growth in the medium term. Fiscal stimulus introduced in 2017 – 2018 has supported the economy despite global growth slowdown in 2018. However, this expansion has increased the US government debt, which will raise the current levels of debt-to-GDP ratio to 78% of GDP for the federal government and 107% of GDP for general government.

The UK's GDP grew 1.5% in the first half of 2019 supported by strong domestic demand, particularly in private and public spending. Household consumption grew by 1.9% as confidence in jobs, and wage prospects increased consumer spending. Similarly, government consumption increased 2.2% due to higher spending in the health, infrastructure and defence sectors. The unemployment rate improved slightly to 4%, while inflation eased to 2% as a result of lower prices of motor fuels, accommodation services as well as electricity, gas and other fuels.

For the year, the UK's economic growth is forecast to be at 1.3% due to slower private consumption and investment amid uncertainties over the outcome of Brexit in October 2019. However, this slower growth is expected to be

offset by the pre-Brexit inventory accumulation and stockpiling. The unemployment rate is projected to register 4.1% following job gains in the professional, scientific and technical activities industry. Inflation is anticipated to be lower at 1.8% due to lower energy prices.

In 2020, the UK's economic growth is forecast at 1.4% (2019: 1.3%), sustained by planned public investment to improve public housing and infrastructure until end-2020. Consumer spending is expected to improve, while business investment will recover slightly. Additionally, the services industry will continue to sustain the economy. Inflation is projected to be at 2% (2019: 1.8%), while the unemployment rate is forecast to be at 4.1% (2019: 4.1%).

Brexit will pose a risk to growth, especially under a no-deal Brexit. Consequently, the UK's business investments are expected to remain subdued, following lower business confidence until there is clarity on the Brexit terms and conditions. Should a no-deal Brexit occur, food prices may be affected, possibly pushing inflation to further exceed the 2% inflation target, as approximately 30% of food is imported from the EU.

The euro area's economy grew at a slower pace of 1.2% in the first half of 2019 as a result of sluggish industrial production, particularly

Feature Article 2.1

Leveraging Project Funding from the Standing Committee for Economic and Commercial Cooperation

Introduction

The Standing Committee for Economic and Commercial Cooperation (COMCEC) is one of four standing committees¹ of the Organisation of Islamic Cooperation (OIC), an organisation Malaysia has been a member of since 1969. COMCEC, which was established in 1981 and became operational in 1984, oversees and coordinates all OIC economic activities. COMCEC has 57 member countries and five observer states.

COMCEC's vision is to build a prosperous Islamic Ummah, based on solidarity and interdependence, enhanced mobility and good governance. In line with its vision, COMCEC's mission is to provide a forum for producing and disseminating knowledge as well as sharing experiences and best practices. This vision and mission are to ensure mutual benefits as well as further strengthen cooperation among member countries.

¹ Other standing committees are the Standing Committee on Scientific and Technological Cooperation (COMSTECH), Standing Committee for Information and Cultural Affairs (COMIAC) and Al Quds Committee.

The objectives of COMCEC are to:

- address economic challenges of the Islamic Ummah and to contribute to the development efforts of member countries;
- produce and disseminate knowledge; share experiences and best practices; develop a common understanding; and approximate policies among member countries in line with the vision and principles of the COMCEC Strategy;
- serve as the central forum for member countries to discuss international economic and commercial issues;
- study all possible means of strengthening economic and commercial cooperation among member countries;
- draw up programmes and submit proposals designed to increase the welfare of member countries; and
- ensure the overall coordination of the activities of the OIC relating to economic and commercial cooperation among member countries.

The annual Ministerial Session of the COMCEC convenes in October or November in Istanbul, Turkey under the chairmanship of the President of the Republic of Turkey. To date, 34 Sessions have been convened.

COMCEC Strategy

The 4th Extra-ordinary Islamic Summit Conference held on 14 – 15 August 2012 in Mecca, Kingdom of Saudi Arabia adopted the COMCEC Strategy to meet the growing needs of the OIC member countries. The Strategy was built on three principles: Enhancing Mobility, Strengthening Solidarity and Improving Governance. Based on these principles, COMCEC focuses on six cooperation areas, namely financial cooperation, trade, tourism, agriculture, transport and communications, as well as poverty alleviation. Among the key features in realising the successful implementation of the COMCEC Strategy are the formation of a working group (WG) under each cooperation area and a project cycle management with an identified financial mechanism.

In the case of Malaysia, the Financial Cooperation WG is represented by the Ministry of Finance. Other WGs and the respective Ministries representing them are:

- Trade WG represented by the Ministry of International Trade and Industry (MITI);
- Tourism WG represented by the Ministry of Tourism, Arts and Culture;
- Agriculture WG represented by the Ministry of Agriculture and Agro-based Industry;
- Transport and Communications WG represented by the Ministry of Transport; and
- Poverty Alleviation WG represented by the Ministry of Economic Affairs.

MITI has been appointed as the national focal point to oversee the activities of these WGs and represents Malaysia at the Ministerial Sessions of the COMCEC.

The WG meetings are one of the avenues for COMCEC in achieving its objectives apart from the project cycle management. Through the WG meetings, member countries will further deliberate on the themes. These themes are identified by COMCEC according to the respective areas of cooperation.

COMCEC Financial Cooperation Working Group

The overarching strategic objective of the Financial Cooperation Working Group (FCWG) is to deepen cooperation among member countries, particularly in the financial and capital markets. This involves regulatory and supervisory, capital flows, governance as well as capacity building and R&D activities. The themes for the FCWG since its inception in 2013 are as listed in Table 2.1.1.

Table 2.1.1. Themes in COMCEC FCWG

WG Meetings	Meeting Dates	Themes
1st FCWG	12 December 2013	Enhancing Capital Flows in the COMCEC Region
2nd FCWG	27 March 2014	Enhancing Financial Inclusion in the COMCEC Member States
3rd FCWG	16 October 2014	Risk Management in Islamic Financial Instruments
4th FCWG	19 March 2015	Improving Banking Supervisory Mechanisms in the OIC Member Countries
5th FCWG	15 October 2015	Retail Payment Systems in the OIC Member Countries
6th FCWG	17 – 18 March 2016	Developing Islamic Finance Strategy in the OIC Member Countries
7th FCWG	20 October 2016	National and Global Islamic Financial Architecture: Problems and Possible Solutions for the OIC Member Countries
8th FCWG	30 March 2017	Improving Public Debt Management in the OIC Member Countries
9th FCWG	26 October 2017	Diversification of Islamic Financial Instruments
10th FCWG	29 March 2018	Role of Sukuk in Islamic Capital Markets
11th FCWG	25 October 2018	Islamic Fund Management
12th FCWG	28 March 2019	Infrastructure Financing through Islamic Finance in the OIC Member Countries
13th FCWG	17 October 2019	Improving Takaful Sector in Islamic Countries

Source: Standing Committee for Economic and Commercial Cooperation and compiled by Ministry of Finance, Malaysia.

COMCEC Project Funding and its Benefit to Malaysia

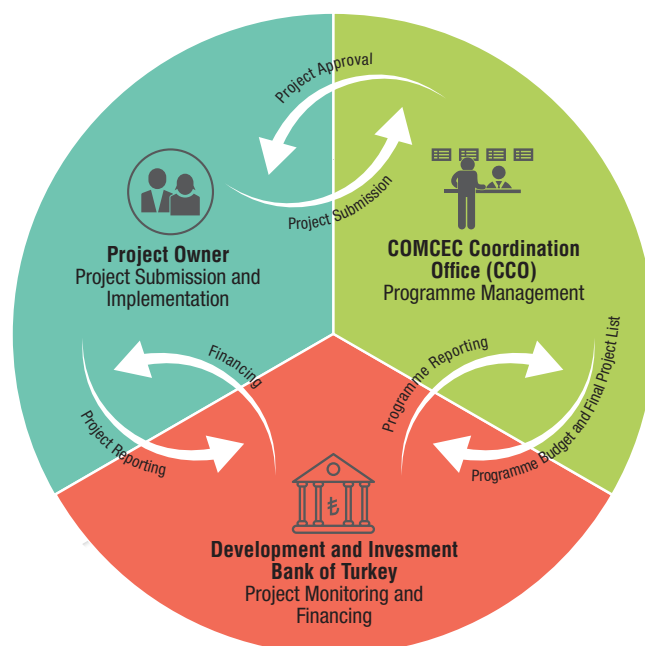
COMCEC seeks to mobilise the institutional and human capacity of member countries through the COMCEC Project Funding (CPF). The CPF is a financing mechanism introduced by the COMCEC Coordination Office (CCO) in 2013. The project budget limits, co-finance rates and grant limits are as in Table 2.1.2.

Table 2.1.2. Project Budget Limits, Co-Finance Rates and Grant Limits

Project Owners	Project Types	Project Budget Limits (USD)	Minimum Co-Finance Rates by the Project Owner (%)	CCO Grant Limits (USD)
Member Countries	Activity-based	250,000	10	225,000
	Research	80,000		72,000
OIC Institutions	Activity-based	100,000	25	75,000
	Research	80,000		60,000

Source: Adapted from COMCEC Project Preparation and Submission Guidelines – 2019 Edition.

During the period of 2014 – 2018, the implementation of 70 training programmes, 35 workshops, 45 study visits, one international conference and 10 research reports were partially funded through the CPF. For the 2019 implementation period, a total of 24 projects were approved for financing. For the 2020 implementation period, COMCEC is expected to receive 50 project applications from project owners and partners alike.

Figure 2.1.1. Roles and Responsibilities

Source: Adapted from COMCEC Project Preparation and Submission Guidelines – 2019 Edition.

The roles and responsibilities of parties involved in the COMCEC project selection process are as reflected in Figure 2.1.1.

Project Owner (PO): The PO, which is the relevant public institution of a member country or an OIC institution operating in the field of economic and commercial cooperation, is responsible for project submission to the CCO. If the project application is approved, the PO is responsible for the management, implementation and reporting of the project by utilising the funds allocated under the CPF. In addition, the member country must be a member of a respective WG to submit a project proposal in a certain areas of cooperation.

CCO: The CCO is responsible for the overall implementation and monitoring of the CPF. The POs are advised to consult the CCO during the project preparation and submission processes. After the appraisal phase, the CCO finalises and announces the list of projects eligible for financing, and conveys the respective list to the Development and Investment Bank of Turkey.

Development and Investment Bank of Turkey: The Bank, which is mainly responsible for providing financing and monitoring of the projects during the implementation period, signs an operational and financial contract with the PO. The Bank is also responsible for submitting regular progress reports to the CCO regarding the status of the projects.

Malaysia has had five projects funded through CPF: three in agriculture, one each in tourism and financial cooperation. Under the financial cooperation area, the Securities Commission Malaysia (SC) successfully held “The Islamic Capital Market Capacity Building Programme” in 2015. The SC was the first entity in Malaysia and within the COMCEC Capital Market Regulators Forum to have received the project funding since the inception of the funding mechanism in 2013. The Programme was aimed at promoting awareness, developing and strengthening capacity as well as identifying issues and gaps to be addressed in enhancing the development of the Islamic capital market.

Participants from 17 countries took part in the two workshops held under the Programme. The outcome of discussions and proposals from the workshops were compiled in a report to assist member countries in policy formulations to develop their respective Islamic capital market infrastructure. One notable recommendation from the report was to prepare a guideline in developing a master plan for the Islamic capital market and Syariah governance framework.

Issues, Challenges and Opportunities

Malaysia’s expertise in the area of Islamic finance is highly sought-after by other OIC member countries, providing opportunities for Malaysia to engage in further capacity building efforts. Malaysia has predominantly focused on assisting less developed member countries in their policy development and implementation efforts. In addition to providing leadership in areas of relative strength, Malaysia should also gain knowledge and experiences of other OIC member countries as well as other international financial institutions.

Apart from existing activity-based projects, the focus should be given to in-depth research projects, which could potentially bring benefits to domestic financial sector developments. Potential research areas for Islamic finance include financial technology or digital finance, social finance, halal trade, sustainable investment and trade finance. These areas would further entrench Malaysia’s leadership in global Islamic finance as well as provide business opportunities for local intermediaries and service providers.

In addition, Malaysian companies can bid to undertake COMCEC projects as consultants for specific studies that aim to support the development of the six areas of cooperation. For example, in financial cooperation, the International Shariah Research Academy for Islamic Finance (ISRA) and RAM Rating Services Berhad have jointly undertaken research projects on the Sukuk market and Islamic fund industry commissioned by COMCEC to be presented to member countries. These studies identified issues and challenges in the Sukuk market and Islamic fund industry and provided recommendations to elevate growth in these financial segments.

Conclusion

The combination of and the interplay between sustainability and financial technology may well contribute towards a new age of Islamic finance. To this effect, digital technology can facilitate more inclusive investment solutions, thus achieve positive impact on social and environment aspects. Moving forward, Malaysia can take greater leadership in COMCEC by leveraging on the CPF, and this can be further intensified towards bridging the development gap of the OIC member countries. Likewise, through strengthening these relations, Malaysia can acquire support to elicit cooperation in other multilateral platforms.

in the manufacturing sector. Meanwhile, the labour market continued to improve with the unemployment rate recording 7.7%, mainly supported by recent labour reforms which contributed to higher job creation. Inflation was recorded at 1.4%.

In 2019, the euro area's economy is projected to grow moderately at 1.3% as slower global demand, due to trade tensions, continues to dampen the manufacturing sector and business confidence. The unemployment rate is expected to improve to 7.7% owing to job gains, particularly in the services sector. Inflation is anticipated to ease to 1.3% due to lower energy prices as well as reduced money supply resulting from the end of the European Central Bank's (ECB) four-year asset purchase programme in December 2018.

In 2020, growth in the euro area is forecast at 1.6% (2019: 1.3%) as industrial production is expected to regain momentum, particularly in manufacturing and construction activities. Similarly, the services sector is projected to improve, supported by demand from within Europe amid continuing fiscal easing. The unemployment rate is anticipated to improve further to 7.5% (2019: 7.7%) following job creation in the services and construction sectors. Meanwhile, inflation is expected to remain at 1.3% (2019: 1.3%), reflecting low energy prices.

Risks to the euro area's economy are tilted to the downside. The extended trade tension between the US and China may further weaken the manufacturing sector and potentially spill over to other sectors, thus dampening labour market conditions and private consumption. Brexit continues to be a major cause of uncertainty to the region.

Growth in Germany was slower at 0.4% in the first half of 2019, largely due to weaker industrial production, particularly in auto manufacturing. The manufacturing subsector contracted 3.6%, dragged by lower car production following the newly implemented Worldwide Harmonised Light Vehicle Test Procedure (WLTP) as well as weaker demand from China, the US, the euro area and the UK. The labour market continued to improve with the unemployment rate at 3.2%. Inflation was lower at 1.5% owing to lower food, alcoholic beverages and tobacco prices.

In 2019, Germany is anticipated to register a slower growth of 0.7% due to weaker manufacturing activities in the auto industry. Auto manufacturers have been suspending production due to delays in obtaining the WLTP certificate of compliance. Additionally, a possible introduction of new US tariffs on the EU automotive exports and disruption in the supply chain due to uncertainties from Brexit are expected to dampen further the manufacturing subsector and thus weigh on growth. The unemployment rate is anticipated to register 3.2%, resulting from a shrinking workforce amid the ageing demographic trend. Inflation is forecast to be lower at 1.4% due to falling energy prices.

In 2020, growth in Germany is expected to expand 1.7% (2019: 0.7%), supported by a recovery in the industry sector following a more defensive industrial strategy. A new industrial plan, jointly launched by Germany and France in March 2019, indicating greater support for strategic sectors, more funding for innovation and stricter rules on FDI into the EU, is expected to support growth in the country's industry sector. In addition, beginning 2020, the government will provide tax incentives of EUR1.25 billion to support R&D, amid rapid innovative development from the US and China, in the auto industry. The unemployment rate is anticipated to be at 3.1% (2019: 3.2%), while inflation is forecast to be higher at 1.8% (2019: 1.4%), in line with the ECB's 2% inflation target.

Domestic risks revolve around structural challenges in the auto industry and unfavourable demographics. Disruptions to the auto industry amid impending energy transition as well as technological and digital revolutions are expected to undermine Germany's position as the leader in innovation. Additionally, unfavourable demographic trends in the form of declining working-age population will increasingly constrain productivity and potential economic growth.

France's economy grew at a slower pace of 1.1% in the first six months of 2019, mainly due to weaker domestic demand. Household consumption plummeted 0.4% as prolonged street protests over economic reforms disrupted consumers' weekend shopping. Public spending

softened 0.7%, reflecting the government's commitment to abide by the EU's 3% fiscal deficit limit. Meanwhile, labour market conditions strengthened with the unemployment rate at 8.7% as the government's reform of vocational education and training to foster labour market participation has begun to bear results. Inflation was lower at 1.2% due to lower prices of energy and manufactured goods.

France's growth in 2019 is forecast to moderate to 1.3% due to lower investment and weaker exports. Business investment growth is projected to be slower amid ongoing street protests and easing industrial activities across the euro area. In addition, the uncertain outcome of Brexit will dampen investors' confidence and continue to hamper the country's growth prospects. Further escalation of trade tensions between the US and the EU, resulting from the EU's subsidies to Airbus and the potential tax imposed by France on technology firms, will weigh on exports. The unemployment rate is projected to further improve to 8.6% following ongoing labour market reforms despite strikes and protests. Inflation is forecast to be lower at 1.2% due to falling energy prices.

In 2020, France is projected to grow 1.4% (2019: 1.3%), largely supported by a recovery in domestic demand amid structural reforms. Private consumption is expected to increase, backed by ongoing fiscal measures to boost household disposable income. Business investment is anticipated to recover gradually on account of lower corporate income tax rates. Furthermore, with the introduction of the Action Plan on Business Growth and Transformation (PACTE) in 2019, the business environment is expected to improve through cutting red tape, thus spurring investment. Labour market conditions are expected to continually improve with the unemployment rate at 8.3% (2019: 8.6%) as planned labour reforms will impose stricter conditions on unemployment benefits. Inflation is expected to be at 1.4% (2019: 1.2%).

Domestic risks related to prolonged social unrest may delay the government's reform agenda, which will affect the country's growth prospects. Additionally, the government has limited fiscal space to react to shocks as the country is committed to progress towards correcting its deficit level within the three-year transition period from 2018 to 2020 under

the EU excessive deficit procedures. On the external front, an uncertain Brexit outcome, trade tensions and a weaker-than-expected growth in the euro area could undermine exports and business confidence in France.

Japan's economy grew 1.1% in the first half of 2019, driven by domestic demand. Private consumption growth was higher at 1% as consumers rushed to make purchases ahead of the scheduled sales tax hike in October 2019. Private investment, particularly capital investment, turned around 2.9% as companies increased purchases of machineries in the face of labour shortages. Inflation was recorded at 0.5%, while the unemployment rate was at 2.4%.

In 2019, Japan is expected to record a GDP growth of 0.9% due to increase in private consumption and business investment. Private consumption is forecast to be higher with purchases made in the first nine months of the year before the sales tax hike. Japan approved an economic reform blueprint in June 2019, confirming the tax hike from 8% to 10%. To soften the impact of the tax hike and stimulate the economy, the government implemented tax rates reduction for products including food, free preschool education and reactionary measures such as point redemption plans. The government also announced an increment of the minimum hourly wage to JPY1,000 from JPY874 to raise the disposable income of targeted groups. Inflation is expected to be recorded at 1.1% due to a weaker yen. The unemployment rate is anticipated to be sustained at 2.4%.

GDP growth in Japan is forecast to be lower at 0.4% in 2020 (2019: 0.9%) due to sluggish private consumption resulting from the sales tax hike, despite hosting of the Olympics. Inflation is expected to register 1.5% (2019: 1.1%) with the unemployment rate at 2.4% (2019: 2.4%). The government's initial target to achieve a primary budget surplus by 2020 has been shifted to 2027 due to the implementation of fiscal stimulus and the high cost of supporting the ageing population. Risks to Japan's economy include trade tensions between the US and China, impact of the sales tax hike as well as fluctuations in the capital market. Subdued wage growth and underlying weakness in consumer demand caused by lower purchasing power of households are highly likely to continue.

Information Box 2.1**Benefits of Malaysia's Membership in Multilateral Development Banks****Introduction**

A multilateral development bank (MDB) is an international financial institution commissioned by countries with the aim of encouraging economic development, particularly in poorer nations. Initially, MDBs were established after World War II to assist in the reconstruction of Europe and provide mechanisms for international cooperation in managing the global financial system. There are now more than 20 such institutions worldwide, with the scope and functions ranging from that of surveillance to active lending. Malaysia is a member of five of these institutions, namely:

- World Bank Group (WBG);
- International Monetary Fund (IMF);
- Asian Development Bank (ADB);
- Islamic Development Bank (IsDB); and
- Asian Infrastructure Investment Bank (AIIB).

MDBs provide an important platform for multilateral cooperation, with the aim of supporting growth and catalysing development through lending, advisory and capacity building initiatives for member countries. MDBs have since evolved to prioritise development goals, namely eradicating extreme poverty and reducing economic inequality. Unlike commercial banks, which aim to maximise the profits of their shareholders, MDBs provide facilities such as concessional loans and grants to fund identified projects in areas that promote development in member countries.

Malaysia and MDBs

Malaysia's active participation in WBG, IMF, ADB, IsDB and AIIB testifies our commitment and cooperation towards achieving sustainable and balanced growth. Furthermore, engagements with these MDBs have enabled better policy coordination, subsequently broadening and deepening economic integration between Malaysia and member countries. A summary of Malaysia's participation in these MDBs is as listed in Table 2.1.1.

Table 2.1.1. Summary of Malaysia's Participation in MDBs

No.	Areas	WBG	IMF	ADB	IsDB	AIIB
1.	Membership	7 March 1958	7 March 1958	28 July 1966	7 March 1975	27 March 2017
2.	Total Member Countries	189	189	68	57	100
3.	Founding Member	No	No	Yes	Yes	Yes
4.	Roles and Functions	▪ Fighting poverty ▪ Promoting shared prosperity	▪ Ensuring the stability of the international monetary system	▪ Fostering economic growth and cooperation in the Asia and Pacific region	▪ Fostering economic development and social progress in Muslim countries and communities	▪ Focusing on infrastructure development in Asia

(continued)

Table 2.1.1. Summary of Malaysia's Participation in MDBs (continued)

No.	Areas	WBG	IMF	ADB	IsDB	AIIB
5.	Services Offered	▪ Loans ▪ Technical Assistance ▪ Grants ▪ Financing Instruments ▪ Guarantees ▪ Capacity Building ▪ Dispute Resolution	▪ Financial Assistance ▪ Technical Support ▪ Surveillance	▪ Loans ▪ Technical Assistance ▪ Grants ▪ Equity Investments ▪ Co-Financing	▪ Loans* ▪ Technical Assistance* ▪ Grants* ▪ Financing Instruments* <i>* in accordance with Syariah principles</i>	▪ Loans ▪ Technical Advice ▪ Equity Investments ▪ Guarantees ▪ Co-Financing

Sources: World Bank Group, International Monetary Fund, Asian Development Bank, Islamic Development Bank and Asian Infrastructure Investment Bank.

Benefits of Malaysia's Membership in MDBs

Malaysia has gained tremendously from the financing services provided by the MDBs in the early years of the nation's infrastructure, industrial and economic development. As the country's capital market became more dynamic and to reduce exposure to foreign exchange risks, Malaysia has not been borrowing from the MDBs over the past two decades. Nevertheless, the country continues to benefit from its membership with the MDBs through various facilities.

One of the benefits is the reimbursable advisory services provided by the WBG on a vast range of areas, including sustainable development, competitiveness and economic management. Through the WBG's local presence since 2015, Malaysia has been able to gain direct access to the WBG's pool of knowledge and expertise to enhance its capacity as the country moves towards a developed and high-income economy. The WBG also provides analysis on policy challenges and recent economic developments of the country through the publication of the bi-annual Malaysia Economic Monitor (MEM). The MEM published in June 2019 entitled "Re-energising the Public Service" focuses on the vital role the public service plays, in line with the Government's reform agenda.

Membership in the IMF has benefitted the country through annual surveillance activities, mandated through Article IV of the Articles of Agreement, which involves an assessment of the nation's economic and financial developments. IMF also provides technical assistance (TA) in various areas, including public finance management, debt management and taxation. One of the TAs undertaken in collaboration with the Ministry of Finance titled "Financial Risks Management Workshop", provided an overview of risks to the government budget as well as techniques for analysing and mechanisms for dealing with these risks.

ADB's support in Malaysia has been focused on advancing regional cooperation and integration, catalysing private investments and capacity building. The ADB has targeted specific sectors and identified thematic priorities to help Malaysia achieve its development agenda through TA and advisory services. In addition, through the Asian Development Bank Institute, the ADB provides capacity building programmes to member countries through seminars and workshops on various development issues in promoting sound monetary and fiscal policies.

Malaysia's membership in the IsDB is one of mutual benefit, whereby Malaysia is able to leverage the IsDB's network to promote the country's skills and expertise, particularly in the Halal Industry and Islamic Finance. The IsDB's presence in the country is marked by the establishment of the Regional Office in Kuala Lumpur, which has been in operation since 1994. Malaysia exports its technical expertise in selected fields through the Reverse Linkage Programme such as capacity building for palm oil production between Federal Land Development Authority (FELDA) and Sierra Leone and in rice production in Suriname by MARDI Corporation.

The services offered by the AIIB are focused on the Asian region with an emphasis on infrastructure projects. As a founding member of AIIB, there is vast potential to collaborate with the AIIB towards developing the nation. The 2019 AIIB Annual Meeting in Luxembourg, with the theme of "Cooperation and Connectivity", reflects the AIIB's commitment on cooperation towards a more connected Europe and Asia, mainly through the infrastructure, transport and energy sectors which Malaysia can capitalise on in the future.

Conclusion

In the early years, Malaysia benefitted from the financing facilities provided by the MDBs, as the country embarked on developing the nation. Since then, Malaysia has progressed, and now our participation and engagement with the MDBs has shifted to advisory services and capacity building initiatives. Malaysia has also leveraged on the strategic partnership with these institutions to enhance the nation's capacity through the sharing of knowledge and expertise with member countries, which is, in turn, essential for the country to realise its vision of transformation towards becoming a developed and high-income economy.

Malaysia's involvement in these MDBs is also reflective of the country's commitment and concern for international efforts in economic development and cooperation, in line with the United Nations' 2030 Development Agenda. It also attests Malaysia's intention of helping the least developed countries, in the spirit of South-South cooperation. As ASEAN countries are also members in most of these MDBs and in the spirit of prosper-thy-neighbour, Malaysia can further strengthen its presence through the sharing of knowledge and expertise for the mutual benefit of the region.

Australia's economy grew modestly at 1.4% in the first half of 2019, mainly due to sustained household consumption. Private spending moderated to 1.4% on account of reduced expenditure, reflecting weak wages and high household debts. The unemployment rate improved to 5.2% following a temporary increase in part-time employment as a result of the federal election on 18 May 2019. Inflation was recorded at 1.6% owing to lower prices of transport and health care.

Australia's GDP is forecast to grow at a slower pace of 2.1% in 2019, mainly due to lower private consumption and weak external demand. Private consumption is estimated to be lower at 2.4% due to higher household debts despite tax cuts introduced in July 2019. Exports are anticipated to dampen to 3.3% from lower production of iron ore and coal, which has been affected by the US-China trade conflicts. The unemployment rate is expected to improve at

4.8%, while inflation is projected to be at 2% due to lower oil prices as well as government policy changes that may affect electricity prices.

In 2020, Australia's GDP is estimated to grow by 2.8% (2019: 2.1%) contributed by solid exports and investment. Exports are expected to pick up 4.1% (2019: 3.3%) due to recovered growth in iron ore and coal production as well as an increase in manufactured goods, which include medicinal and pharmaceutical goods as well as professional and scientific instruments. In addition, service exports are expected to grow at a steady pace, underpinned by overseas student enrolments supported by lower exchange rate. Business investment is projected to be higher at 3.3% (2019: 2.5%) mainly contributed by both mining and non-mining investment. There are many private infrastructure projects in the pipeline, particularly in transport and electricity. Likewise, investment in machinery, equipment and software is also expected to

grow. The unemployment rate is anticipated to remain at 4.8% (2019: 4.8%), while inflation is projected to record 2.3% (2019: 2%).

Downside risks to the Australian economy persist as a result of trade tensions and restrictions to technology transfers which hamper innovations. In addition, house prices have continued to fall for more than a year, leading to weak residential construction activities that may affect the labour market. This will significantly reduce private consumption, resulting in low business and consumer confidence.

The Republic of Korea's GDP grew at a slower pace of 1.9% during the first half of 2019, mainly due to sluggish exports and softening investment, both affected by global trade tensions. Exports decreased 0.7%, particularly due to falling demand for electronics and semiconductors amid the US-China trade tensions. The Bank of Korea reduced its policy rate by 25 basis points to 1.50% in July 2019 to spur the economy. Inflation was recorded at 0.6% due to the government's measures to reduce prices of health care and telecommunications, while the unemployment rate was recorded at 4%.

Korea's economy is expected to grow slower at 2.6% in 2019, largely due to weak exports and decreased investment. Exports are anticipated to be sluggish following the effects of the trade disputes with Japan as well as between the US and China. In July 2019, Japan announced a restriction on exports of three key materials used in semiconductor and display productions to Korea. This was followed by Japan's decision to remove Korea from its list of trusted trade partners that would affect supply of materials which are important to the manufacturing sector. Investment is expected to decline, particularly in the construction sector, due to slower residential building activities. However, private consumption growth is expected to remain favourable at 2.5%, cushioning the impact of the slowdown, following the government's efforts to increase minimum wage by 10.9% for the low-income group. Inflation is expected to be at 1.4% partly due to lower oil prices. The unemployment rate is forecast to remain at 4%.

In 2020, Korea's growth is forecast to be marginally higher at 2.8% (2019: 2.6%) supported by fiscal stimulus measures. The government introduced an approximately USD6 billion fiscal stimulus in April 2019 aimed at creating jobs, financing local exporters and supporting entrepreneurs. Inflation is anticipated to be at 1.6% (2019: 1.4%), while the unemployment rate is forecast to be slightly lower at 3.9% (2019: 4%). Increased uncertainties surrounding trade dispute with Japan, coupled with slowing external demand and the US-China trade tensions, may pose a threat to Korea's economy.

China's economy recorded a growth of 6.3% in the first half of 2019, mainly contributed by strong private consumption and robust investment in fixed assets. Private consumption increased by 8.4% as major tax cuts for households introduced in 2018 provided higher disposable income for consumers. Investment in fixed assets registered 5.8%, mainly in hi-tech and transportation industries. Exports rose 6.1%, particularly in mechanical and electrical products. Inflation was registered at 2.2% with higher fruit and pork prices due to tight supply. The unemployment rate stood at 3.6%.

China's GDP growth is anticipated to moderate to 6.2% in 2019, partly due to lower investment and escalating trade tensions with the US. Real estate investment is projected to be subdued following the deterioration in consumer confidence and measures by the government to restrict demand. However, infrastructure investment is anticipated to pick up on the back of the increase in quotas of special-purpose bonds and easing of rules for bond issuance by enterprises and local governments. Likewise, private consumption is expected to expand, partly contributed by rising disposable income. Reforms in individual income tax were also carried out, which include raising the tax threshold and introducing additional deductions, with a total of 99 million people being exempted from paying individual income tax. The government lowered the value-added tax (VAT) rates in April 2019 with the manufacturing sector benefitting most from this tax reduction. Inflation is expected to be at 2.2%, while the unemployment rate stood at 3.8%.

In 2020, growth in China is expected to moderate to 6% (2019: 6.2%) in anticipation of further escalation of trade tensions. Inflation is expected to be at 2.4% (2019: 2.2%), mainly due to higher fresh food prices, while the unemployment rate is anticipated to be maintained at 3.8% (2019: 3.8%). Downside risks to the economy are mainly from heightened trade tensions with the US. Other risks include the effect of reining in shadow banking on private investment and acceleration in corporate deleveraging. The US announcement to implement an additional 10% tariff in September 2019 on the remaining USD300 billion in Chinese imports, previously excluded from US duties, may adversely affect China's economy.

During the first half of 2019, India's GDP growth moderated to 5.4%, due to a slowdown in the agriculture and manufacturing sectors. The agriculture sector eased 0.9%, largely attributed to subdued harvest in major crops on the back of less rainfall, a drop in farm produce prices and flat income growth of farmers for selected over-harvested crops. Likewise, the manufacturing sector recorded a deceleration of 1.9% due to a decline in the production of furniture, paper and paper products as well as fabricated metal products. Inflation, as indicated by the wholesale price index, was lower at 2.7% due to a decrease in the prices of onions, potatoes and fruits.

Overall, India's economy is projected to grow favourably at 7% in 2019 led by higher private consumption and improved investment climate attributed to recent policy measures by the government. Private consumption is expected to increase on account of the newly introduced income support scheme to farmers, higher Minimum Support Prices (MSP) for the procurement of food grains by the government, and tax relief for taxpayers earning less than INR500,000 annually. These measures are expected to boost household income and spur consumer spending. Investment is expected to accelerate with the easing of credit restrictions on non-banking finance companies and housing finance companies, which would encourage consumer spending in home properties and essential items. Inflation is expected to be lower attributed to declining oil and food prices.

The Reserve Bank of India (RBI) reduced its key policy repo rate four times in February, April, June and August 2019 by a total of 85 basis points to 5.40%, the lowest rate since 2010. These reductions aim to lower the marginal cost-based lending rate (MCLR), which is supposed to encourage consumers and businesses to take up bank loans to boost the sluggish economy. Despite the RBI's measures, the commercial banks have yet to fully apply the reduced MCLR to benefit the consumers and businesses.

India's growth in 2020 is projected to improve 7.2% (2019: 7%) on the back of strong domestic consumption and higher investment. Fiscal stimulus, including new income support measures for rural farmers and recent structural reforms, is expected to boost further private consumption. In addition, improved financial conditions following the lower cost of borrowing are expected to spur investment. Meanwhile, trade deficit is expected to widen as exports to India's key destinations, particularly the US and China are forecast to weaken.

India's economic risks are tilted to the downside. A higher-than-expected moderation in global demand and an escalation of trade tensions are expected to harm further the country's exports. Additionally, uncertainties on the Brexit outcome pose a risk to India, which has a Generalised System of Preferences (GSP) with the EU and exports to the UK. A no-deal Brexit could have a significant impact on its exports in the absence of a new trade agreement between the UK and India. The re-escalation of international armed conflict between India and Pakistan could also increase uncertainty, dampen confidence and weigh on investment. Furthermore, the Goods and Services Tax (GST) regime is still in the process of being fully established, resulting in shortfalls in government revenues. Hikes in oil prices and shifting weather patterns could cause inflationary pressures and subsequently hamper the pace of growth.

ASEAN's GDP growth moderated in the first half of 2019, mainly due to lower external demand. Overall, ASEAN-5¹ economies are expected to grow 5% in 2019, supported by improved trade and investment in public infrastructure. In 2020,

¹ ASEAN-5 consists Indonesia, Malaysia, Philippines, Thailand and Viet Nam.

Information Box 2.2

Asia-Pacific Economic Cooperation

Introduction

The Asia-Pacific Economic Cooperation (APEC) is a regional forum of 21 economies which aims to create greater prosperity through economic integration by attaining balanced, promoting inclusive, achieving sustainable, enhancing innovative, and creating secure growth. Before APEC was formally established in 1989 as a response to the growing interdependence of Asia-Pacific economies and the advent of regional trade blocs in other parts of the world, the forum was an informal dialogue among government officials from 12 economies¹. Today, the 21 member economies are home to approximately 2.9 billion people and represent one of the most prosperous economic regions. The APEC member economies, with their respective GDPs, are as listed in Table 2.2.1.

Table 2.2.1. APEC Economies' GDP in 2018

Member Economies	Date of Accession	Change (%)
Australia	November 1989	2.8
Brunei Darussalam	November 1989	-0.2
Canada	November 1989	1.8
Indonesia	November 1989	5.2
Japan	November 1989	0.8
Republic of Korea	November 1989	2.7
Malaysia	November 1989	4.7
New Zealand	November 1989	3.0
Philippines	November 1989	6.2
Singapore	November 1989	3.2
Thailand	November 1989	4.1
United States	November 1989	2.9
Chinese Taipei	November 1991	2.6
Hong Kong, China	November 1991	3.0
People's Republic of China	November 1991	6.6
Mexico	November 1993	2.0
Papua New Guinea	November 1993	0.3
Chile	November 1994	4.0
Peru	November 1998	4.0
Russia	November 1998	2.3
Viet Nam	November 1998	7.1

Sources: Asia-Pacific Economic Cooperation and International Monetary Fund.

In 2017, APEC accounted for 38% of the world's total population, of which China contributed 18%, followed by the US and Indonesia, at 4%, respectively. The total GDP of APEC in 2017 stood at USD48 trillion, accounting for 60% of the global GDP. The combined GDP of the US and China amounted to 67% of the region's GDP and 40% of the world's GDP.

¹ Australia, Brunei Darussalam, Canada, Indonesia, Japan, Malaysia, New Zealand, Republic of Korea, Singapore, Thailand, the Philippines and the United States.

APEC as a Regional Economic and Trade Forum

APEC is a regional economic and trade forum committed to reducing barriers to trade and investment. There are numerous forums, working group meetings and capacity building programmes held throughout the year, in which representatives from developing economies have the opportunity to learn new skills and best practices from other economies. The key objectives of APEC are to:

- strengthen economic and technical cooperation among member economies;
- promote regional economic integration;
- promote free and open trade and investment;
- enhance human security; and
- facilitate good and sustainable business environment.

APEC upholds three basic principles, namely consensus-based decisions, non-binding commitments and voluntary participation in the initiatives. In addition, APEC formalised the participation of the private sector and business entities through the APEC Business Advisory Council (ABAC), established by the APEC Economic Leaders in November 1995. ABAC was formed to provide recommendations and respond to various requests on business-related issues from the APEC forums as well as provide a business perspective on specific areas of cooperation.

One of the flagship initiatives of APEC is the Bogor Goals which was adopted in 1994 in Indonesia. The Bogor Goals aims to help member economies achieve free and open trade and investment in the Asia-Pacific by 2010 for industrialised economies and by 2020 for developing economies. Malaysia, as the host of APEC 2020, will work together with the other member economies to chart the direction and set the tone for the post-2020 vision for APEC as the Bogor Goals reaches maturity in 2020.

APEC Finance Ministers' Process

APEC economies meet throughout the year to share experiences and best practices at the ministerial and senior officials levels in sectors such as trade, agriculture, transportation, health, communications and finance. The APEC Finance Ministers' Process (APEC FMP) is a platform to discuss and exchange views on regional macroeconomic and financial developments as well as national and regional policy priorities. There are three annual meetings under the APEC FMP as follows:

- APEC Finance Ministers' Meeting (APEC FMM);
- APEC Finance and Central Bank Deputies' Meeting (APEC FCBDM); and
- APEC Senior Finance Officials' Meeting (APEC SFOM).

In the interest of enhancing cooperation under the APEC FMP, the Philippines introduced the Cebu Action Plan (CAP) in 2015, a 10-year roadmap to ensure a more financially integrated, transparent, resilient and connected APEC community anchored on four main pillars:

- Promoting financial integration;
- Advancing fiscal transparency and policy reform;
- Enhancing financial resiliency; and
- Accelerating infrastructure development and financing.

The APEC themes and FMP priority areas are under the purview of the host economy taking into consideration various factors including issues of interest for the host economy, current discussions at the global and APEC front, and previous hosts' priority areas. APEC themes and FMP priorities identified by host economies from 2015 – 2019 are as listed in Table 2.2.2.

Table 2.2.2. APEC Themes and FMP Priorities (2015 – 2019)

No.	Year	Host Economies	Themes	APEC FMP Priorities
1.	2015	Philippines	Building Inclusive Economies, Building a Better World	Cebu Action Plan ▪ Promoting Financial Integration ▪ Advancing Fiscal Reforms and Transparency ▪ Enhancing Financial Resilience ▪ Accelerating Infrastructure Development and Financing
2.	2016	Peru	Strengthening Public Policy for an Integrated and Resilient Asia-Pacific Region	▪ Promoting the Development of the Public-Private Partnership Knowledge Portal ▪ Strengthening Financial Inclusion Policies ▪ Enhancing Financial Resilience Against Disasters
3.	2017	Viet Nam	Creating New Dynamism, Fostering a Shared Future	▪ Long Term Investment in Infrastructure ▪ Base Erosion and Profit Shifting ▪ Disaster Risk Financing and Insurance ▪ Financial Inclusion
4.	2018	Papua New Guinea	Harnessing Inclusive Opportunities, Embracing the Digital Future	▪ Accelerating Infrastructure Development and Financing ▪ Advancing Financial Inclusion ▪ Fostering International Tax Cooperation and Transparency ▪ Disaster Risk Financing and Insurance
5.	2019	Chile	Connecting People, Building the Future	▪ Boosting Integration on Financial Markets Through Digital Economy ▪ Financial Inclusion: Closing the Gap Through Digitisation ▪ Financial Management of Disaster Risks: Mitigation and Resilience

Source: Asia-Pacific Economic Cooperation.

Conclusion

APEC continues to be a platform for member economies to exchange ideas and best practices. As it is a voluntary forum, member economies can capitalise on the APEC platform to strengthen their economic position through collaborative efforts to generate more tangible benefits. Member economies should also strive to build a resilient and inclusive APEC community, towards sustainable growth by managing disaster risk and mainstreaming the underprivileged groups amid the rapidly changing economic environment.

In essence, as the Bogor Goals enters its final assessment phase in 2020, member economies should recalibrate its priorities for the development of a new vision for APEC. The new vision should uphold APEC's leading role in promoting integration, connectivity as well as inclusive and sustainable quality growth in the era of technology and digitalisation aimed at reducing development gaps among member economies.

ASEAN-5 economies are anticipated to register a steady growth of 5.3% (2019: 5%) driven by private consumption, investment and exports. The region's economic growth momentum, however, is at risk of being undermined by increasing trade tensions and unfavourable global financial conditions.

Indonesia's GDP grew 5.1% in the first half of 2019, supported by higher public and private consumption. Public consumption expanded 6.7% attributed to election spending as well as higher emoluments following the Eid bonus to civil servants. Household consumption growth was sustained at 5.1% contributed by higher spending during the Eid celebration. Meanwhile, investment grew at a slower pace of 5% due to lower capital goods sales, such as vehicles and intellectual property products. In addition, exports contracted 1.8% following lower commodity prices. Inflation recorded 2.9% following the implementation of the national inflation control plan from 2019 to 2022.

Overall in 2019, Indonesia's economy is projected to expand between 5.4% and 5.8% driven by domestic demand. Private consumption growth is expected to remain stable following wage gains amid a strong labour market. Public investment is anticipated to improve as the government invests more in infrastructure development including the reconstruction of post-disaster infrastructure. Additionally, government expenditure is expected to increase following the one-month bonus payout in July for civil servants, which was also extended to retirees. Inflation is forecast at 3.1% amid the implementation of the national inflation control plan while the unemployment rate is anticipated to remain at 5.2%.

Indonesia's GDP is expected to grow between 5.3% and 5.6% in 2020 (2019: 5.4% – 5.8%) supported by higher private consumption and investment. Consumer spending is targeted to grow marginally by 5.2% (2019: 5.1%), while investment is forecast to improve 7.5% (2019: 7%). However, Indonesia's exports are anticipated to be adversely affected due to the trade tensions between the US and China. Inflation is expected to remain at 3.1% (2019: 3.1%). Waning global demand and escalating trade disputes may weigh on

Indonesia's economy, resulting in the implementation of longer-term reforms to boost manufacturing, improve exports and create additional jobs.

In the first half of 2019, Thailand's GDP grew at a slower pace of 2.6% due to a slowdown in public investment and exports. Public investment eased 0.6% as the implementation of mega projects at various stages slowed down due to a delay in the formation of the cabinet. Similarly, exports plummeted 6.1%, mainly in computer parts and components as well as electrical integrated circuits. Inflation was recorded at 0.7% owing to lower energy prices, while the unemployment rate registered 0.9%.

In 2019, Thailand's growth is anticipated to ease 3.3% as a result of weaker private investment and exports. Private investment growth is forecast to ease 3.7% amid political and global uncertainties. Similarly, exports are anticipated to plunge 0.7% particularly in computers and peripherals as well as other rubber products due to lower global demand, amid rising global trade tensions between the US and China. Inflation is estimated to be between 0.7% and 1.2%, while the unemployment rate is expected to be recorded between 1.1% and 1.2%.

Thailand's GDP is projected to grow by 3.7% in 2020 (2019: 3.3%) supported by higher investment and public spending. Both public and private investment growth are anticipated to accelerate by 7.2% and 5.5%, respectively (2019: 3.8%; 3.7%), due to large infrastructure projects. Public consumption is projected to rise 2.6% (2019: 2.2%) following government economic stimulus to support farmers and low-income earners. Inflation is anticipated to be 1.1% (2019: 0.7% – 1.2%), while the unemployment rate is expected to be at 1.5% (2019: 1.1% – 1.2%). Thailand could potentially benefit from supply chain relocation as a result of trade protectionism and export opportunities in the pork industry, following the African swine fever outbreak, particularly in Viet Nam. Despite these potential benefits, Thailand may face challenges stemming from issues such as technological change and ageing society.

In the first half of 2019, Singapore's GDP growth decelerated to 0.6% due to sluggish performance in both the goods and services producing sectors. Goods producing sector plummeted 1.1% resulting from a slowdown in the manufacturing subsector following lower output in the electronics, transport engineering, and precision engineering clusters. Likewise, the services producing sector moderated 1.2% due to slower growth in finance and insurance as well as business services subsectors. Unemployment rate increased marginally to 2.2% following lower job vacancies, particularly in the manufacturing subsector. Inflation rose to 0.6%, mainly due to higher prices of food, water and tuition fees.

Singapore's growth is projected to moderate between 0% and 1% in 2019 due to weaker growth in the goods and services producing sectors. The goods producing sector is expected to contract following a decline in the manufacturing subsector, particularly in the electronics, transport engineering, and precision engineering clusters. In addition, growth in the services producing sector is anticipated to be slower, particularly in the wholesale and retail trade, information and communications, and finance and insurance subsectors. However, the construction subsector is expected to improve resulting from higher public expenditure on infrastructure projects, including the construction of the 21.5km North-South Corridor. Inflation is expected to be between 0.5% and 1.5%, mainly due to an increase in the cost of private road transport. Meanwhile, unemployment rate is anticipated to be lower at 2% attributed to the government's efforts in providing subsidies for training to reduce skill mismatches as well as incentives for low-skilled workers to remain employed.

Singapore's GDP is projected to grow by 1.6% in 2020 (2019: 0% – 1%), spearheaded by the services producing sector. The sector is expected to regain growth momentum, particularly in the information and communications as well as finance and insurance subsectors. However, the manufacturing subsector growth is forecast to further moderate amid slowing global demand due to more tariff hikes by the US and China. Inflation is anticipated to be 1.3% (2019: 0.5% – 1.5%), while the unemployment rate is

expected to remain at 2% (2019: 2%). Global financial tightening conditions could weigh on the country's growth. In addition, concerns on escalating global trade protectionism continue to dominate the list of potential downside risks.

The Philippines' economy grew at a slower pace of 5.6% in the first half of 2019, mainly due to lower government expenditure, investment and exports. Government expenditure eased 7.2% attributed to delays in the approval of the 2019 National Budget and election-related bans from 29 March to 12 May 2019. These bans included the appointment of new employees, provision of salary increments, construction of public works as well as release, disbursement, or expenditures of public funds. Investment fell 0.3% due to lack of investors' confidence following trimming of tax incentives. In addition, exports decelerated 5.1%, particularly as a result of lacklustre global trade and economic activity. Inflation eased to 3.4% owing to lower food prices following the removal of import tariff for rice. The unemployment rate improved to 5.2% following new job creation, particularly in the services sector.

In 2019, the Philippines' GDP is projected to grow 6.4% supported by higher private consumption and investment. Private consumption is anticipated to improve following increased remittances as new employment opportunities are available abroad for Filipinos including in Germany, Japan and Poland. Public investment is expected to expand following ongoing construction, particularly in the Manila Subway underground railway project in Metro Manila. Inflation is forecast to be 2.7% due to lower food prices, while the unemployment rate is expected to be 5.5%.

Growth in the Philippines is projected to improve 6.5% (2019: 6.4%) in 2020 driven by stronger investment. Investment is expected to continuously support growth, particularly on infrastructure such as bridges, expressways, ports and railways. Inflation is projected to be 3% (2019: 2.7%) due to higher transport fares, particularly for jeepney service. The Philippines' economy is expected to face challenges from risks posed by external factors, including escalation of trade tensions between the US and China that could contribute to weaker demand for the Philippines' exports.

Conclusion

Global growth is expected to remain modest, supported by solid domestic demand in EMDEs. Nevertheless, growth in advanced economies is expected to ease further, mainly due to the ongoing trade restrictive policies. Downside risks remain a threat to world growth. These include the re-escalation of trade tensions between the

US and China as well as broadening tariff hikes to other countries which will further hamper global demand. Moreover, exposure to financial vulnerabilities due to prolonged low interest rates may weigh on growth. Additionally, heightening geopolitical tensions, climate change effects and technological disruptions will adversely affect the global economy.

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