

International Economic Environment

HIGHLIGHTS

- The global economy began recovering in the third quarter of 2020.
- Regional exports rebounded.
- Financial market volatility remains elevated.

Global growth recovery underway

Chart 1: GDP Growth of Selected Economies



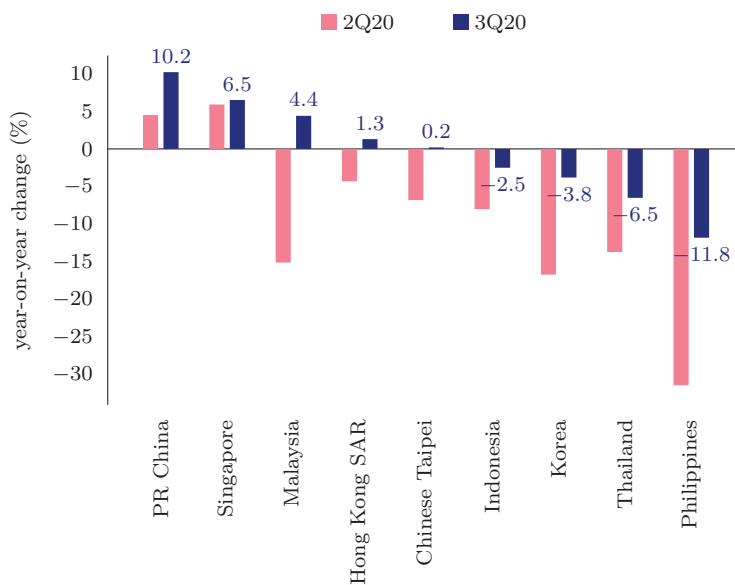
Source: National authorities

The global economy started to recover in the third quarter of 2020. As many major advanced and emerging economies eased COVID-19 containment measures, the resumption in production and trade activity led to an improvement in labour market conditions, and consequently private sector expenditure.

In the US, private consumption rebounded following a quicker-than-expected recovery in labour conditions. In the euro area, economic activity improved, driven by a rebound in manufacturing production and exports, as services activity lagged. However, in major EMEs, sustained weaknesses in labour markets and exports led to a more subdued improvement in economic activity.

Rebound in regional exports

Chart 2: Exports Growth of Selected Economies



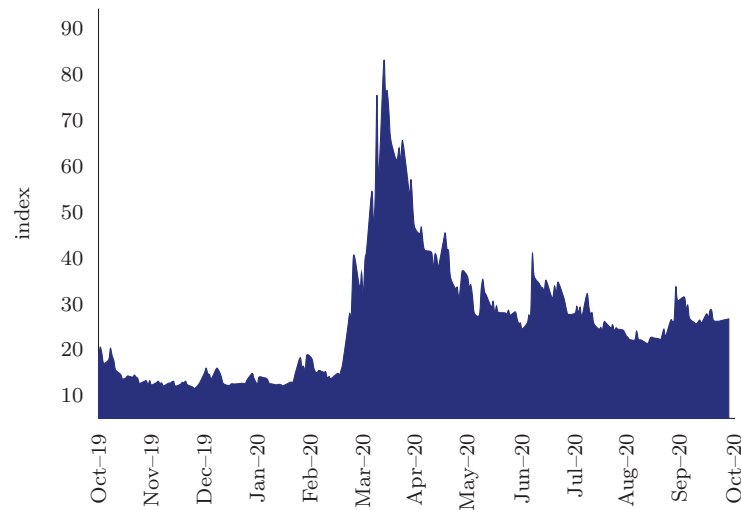
Source: National authorities

PR China recorded positive growth of 4.9% during the quarter (2Q 2020: 3.2%). Industrial activity and government support in the form of public investment were the key drivers of growth. Moreover, firm control over the transmission of COVID-19 locally led to the resumption of private sector activity, with consumer demand lifting growth during the quarter.

The easing of containment measures resulted in an improved regional export performance. PR China recorded exceptionally strong export growth. This supported the broader recovery of the region’s production value chains, with Singapore, Hong Kong SAR and Chinese Taipei also experiencing an expansion in exports. While exports of Indonesia, Korea, Thailand, and Philippines remained in contraction, they are showing an improving trend.

Financial market volatility remains elevated

Chart 3: CBOE VIX



Source: Bloomberg

Financial market volatility reached a historical high on 16 March 2020, as most major economies imposed strict COVID-19 containment measures. Despite receding towards the end of the second quarter as these measures were eased and major central banks conducted monetary easing at unprecedented scales, it remained elevated in the third quarter (average: 25.8; 2Q 2020 average: 34.5; 4Q 2019 average: 14.0) and began rising towards the end of the quarter. This was primarily due to a resurgence of COVID-19 cases across major economies, particularly in the US and Europe.

Brent crude oil prices improved to an average of USD43 per barrel during the quarter (2Q 2020 average: USD33 per barrel), supported by the gradual recovery in global oil demand as lockdown measures were progressively relaxed. The oil price recovery was also supported by the ongoing OPEC+ production cuts since 1 May 2020 and declining oil production in the US.