

International Economic Environment

Highlights

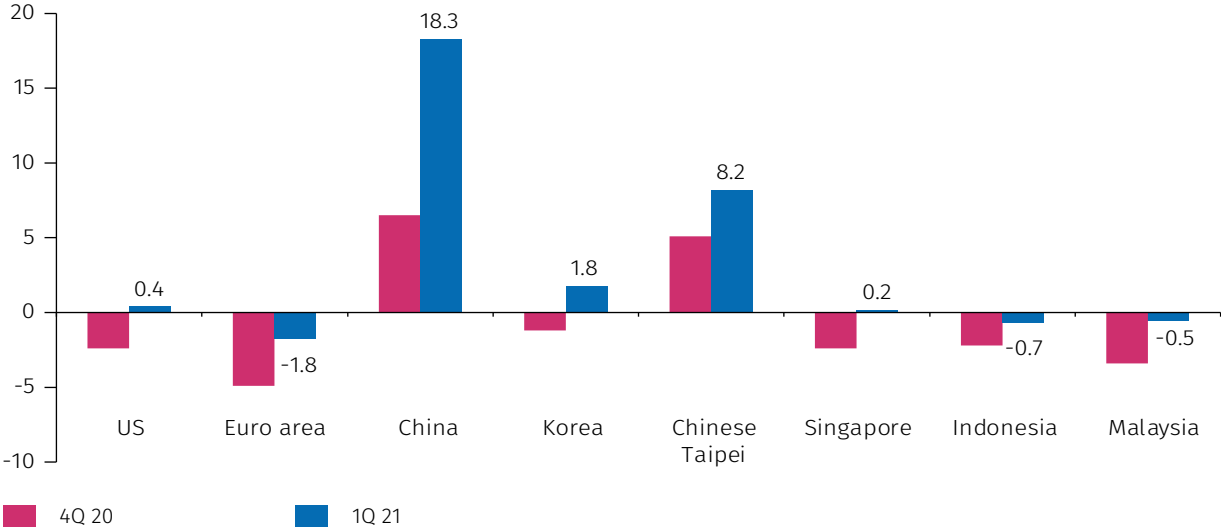
- Global economy continued to recover in the first quarter of 2021.
- Regional exports experienced strong improvement.
- Financial market volatility remained elevated.

Global growth continues to improve

The global economy continued to recover in the first quarter of 2021. Global manufacturing and trade activity improved further. However, the improvement in domestic services activity remained uneven, as several economies tightened containment measures in response to a resurgence in COVID-19 cases, while some eased their restrictions.

C1 GDP Growth of Selected Economies

Year-on-year change (%)



Source: National authorities

The US economy turned around and expanded by 0.4% during the quarter (4Q 2020: -2.4%). Growth was supported by the relaxation of containment measures and continued improvements in labour market conditions, amid the rollout of additional fiscal support.

Growth in the euro area registered a slower decline of 1.8% (4Q 2020: -4.9%). This was supported by a recovery in manufacturing and trade activity, while services remained weak amid prolonged containment measures. Labour market conditions were stagnant below pre-pandemic levels, hence weighing on private consumption.

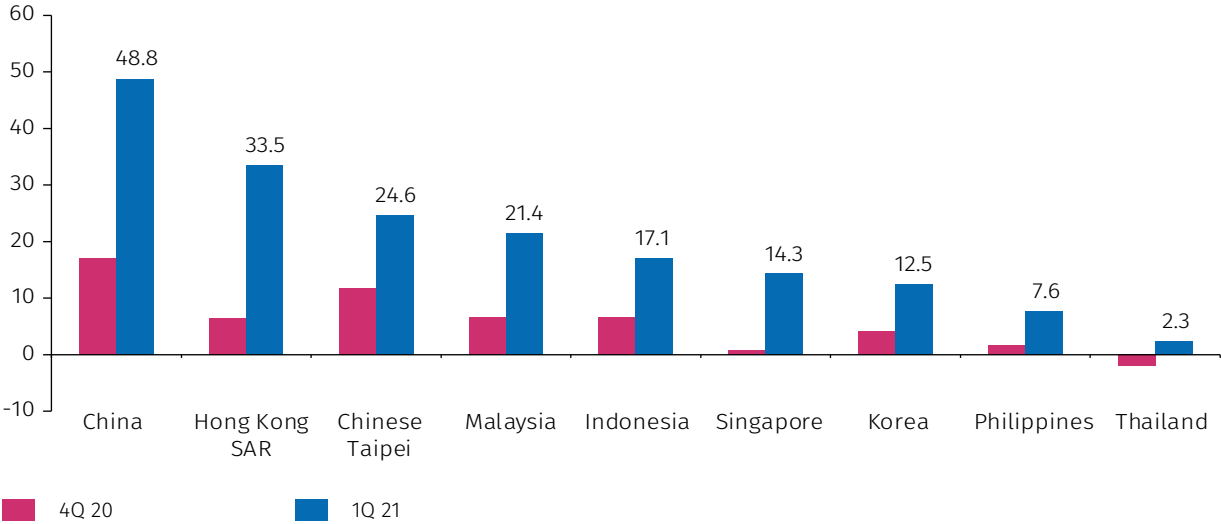
PR China recorded a strong GDP growth of 18.3% (4Q 2020: 6.5%), supported by broad-based improvements in economic activity. Despite localised outbreaks of COVID-19 during the quarter, the epidemic in China remained contained, leaving economic recovery largely unaffected.

Strong improvement in regional exports

Exports in the region experienced a strong improvement during the quarter. Most regional economies, except the Philippines and Thailand, registered double-digit growth in their exports, driven by strong demand, particularly for electrical and electronics (E&E) products.

Exports Growth of Selected Economies

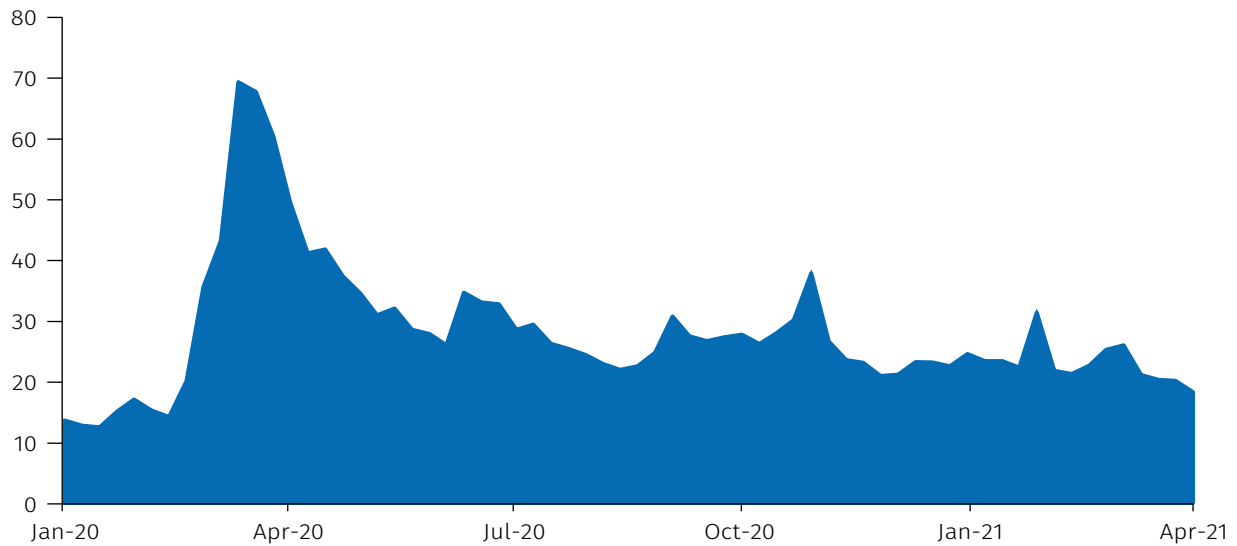
Year-on-year change (%)



Source: National authorities



Index



Source: Bloomberg

Financial market volatility remains elevated

Financial market volatility remained elevated as the pandemic continued to create uncertainties surrounding the strength of the economic recovery. Nonetheless, volatility eased marginally during the quarter (average: 23.2; 4Q 2020: 25.6, Jan-Feb 2020: 15.0), amid some optimism from the rollout of COVID-19 vaccines and a new stimulus package in the US. Expectations of a faster recovery among major economies, especially the US, led to an increase in government bond yields in the US and other major economies. Overall, investor sentiments were weighed by the continued resurgence in cases globally and the

reintroduction of tighter containment measures in several major economies.

Brent crude oil prices averaged USD61 per barrel during the quarter (4Q 2020 average: USD45 per barrel), driven by positive sentiments surrounding the COVID-19 vaccine rollout and the gradual recovery in global oil demand as lockdown measures were progressively relaxed. Oil prices was also supported by tighter global oil supply conditions. This was primarily the result of the unilateral cuts of one million barrels per day by Saudi Arabia in addition to the ongoing OPEC+ production cuts since 1 May 2020, as well as the disruptions to US production facilities due to adverse weather.