Asian Financial Forum 2018

Panel Discussion on Global Economy

Synopsis
Entering 2018, the global economy is poised for a broad-based upturn with an improving economic outlook in most major economies. Yet downside risks remain, notably a rise in trade protectionism and monetary tightening in the US, heightened political risks in Europe, and China's debt problem, as well as geopolitical tensions in and outside Asia. The panel discussed the global economic outlook and its impact on major corporations amid these looming uncertainties, and prospects for sustainable growth in the years ahead.

Panel Chair

- **Dr the Hon Victor K. Fung, GBM, GBS**
  Group Chairman, Fung Group

Speakers

- **Ms Inga Beale DBE**
  Chief Executive Officer, Lloyd's
- **Mr Stuart T Gulliver**
  Group Chief Executive, HSBC Holdings plc
- **Mr Tu Guangshao**
  Vice Chairman & President, China Investment Corporation

Against a backdrop of the world economy outperforming most predictions for the first time since 2010, the panellists discussing the outlook for the global economy at the 11th Asian Financial Forum (AFF) were in agreement that forecasts for the year look promising.

Panel moderator Victor K. Fung, Group Chairman of the Fung Group, said the World Bank forecasts global economic growth will continue alongside the recovery in investment, manufacturing, and trade: "Barring unforeseen events, this year is on track to be the first year since the financial crisis that the global economy will be operating at or near full capacity."

Taking into account the absence of non-economic growth factors, Stuart T Gulliver, Group Chief Executive, HSBC Holdings plc, said his view for the global economy in 2018 is positive. He said HSBC has an economic growth forecast for global GDP of 2.9 per cent: China 6.7 per cent, India 7 per cent, Southeast Asia 4.3 per cent and Europe 2.9 per cent. HSBC expects the US to raise interest rates twice this year, by about 25 basis points, and Hong Kong is likely to follow since the Hong Kong dollar is pegged to the US dollar. "Ten years on from the global financial crisis, the global economy is in a relatively healthy situation," said Gulliver, who also made the point that with central banks carrying bulky balance sheets, and economic benefits likely to be directed at property and the equality markets, the fundamental issues that cause inequality and led to a surge of populism in 2016, remain the same. "This is an area that governments need to pay attention to, while maintaining an environment that still allows growth," he said.

Established in 2007 and currently holding approximately US$200 billion of assets under management, China Investment Corporation was represented by Tu Guangshao, Vice Chairman & President, who said that as a major global investor he finds investment opportunities generally attractive. His assessment of China's economic growth in context with the global economy was "Currently China contributes about 30 per cent to world economic growth, so it is understandable that globally attention is being paid to China's own growth coming down from an aggressive nine or 10 per cent to between six and seven," adding that 6.7 per cent growth for any major economy is a "good performance". Tu also explained why 10 per cent annual growth is not sustainable for China and would undermine the country's best long-term interests. He said if China maintains somewhere between six and seven per cent growth for the next decade, it would be beneficial for China and for the world. "This would provide stability and sustainability for the global economy… The world increasingly relies on China's economy doing well and China relies on the world economy doing well."

Tu explained that China is contributing to the global economy in other ways too. Due to the China-led Belt and Road Initiative more than 60 countries are improving their economies by increasing trade and commerce thanks to more efficient infrastructure. "The Belt and Road Initiative is one of several contributions China is making to globalisation, which creates widespread benefits through investment and the liberalisation of trade and services." Tu said globalisation incentives, liberal trade agreements and breaking down trade barriers while facilitating investments all over the world were endorsed at the recent 19th CPC National Congress. At the same time, he said, China will continue to liberalise its own economic environment and open door policies to facilitate more international trade and investment.

On the topic of economic risks caused by Brexit, the UK's withdraw from the EU, Inga Beale, Chief Executive Officer, Lloyd’s, said that uncertainty is causing the greatest concern. "In Hong Kong at the Asian Financial Forum, Brexit issues seem like a million miles away, but in the UK with the issues of Brexit swirling around you, it is a big thing," She said that during a recent round-table discussion with British Prime Minister Theresa May and financial leaders, a promise was made that clearer details of the UK's planned withdrawal from the EU will be announced in the coming weeks. However, to maintain customer confidence Lloyds has put contingency plans in place. "We are planning for the worst," Beale said, revealing that Lloyds plans to move about 5 per cent, i.e. business activities worth US$2 billion, to Brussels. She expects an impact on the UK from a reduction of foreign investment and said that UK businesses, including Lloyds, have had to redirect investments earmarked for development in new technologies to Brexit contingency plans. "The full cost of Brexit will only become clear in the years to come," she said.

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