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Trade tensions, Brexit crisis present a gloomy outlook for global economy

Soaring US output swamps OPEC’s efforts to bolster oil prices

Trade tensions and Brexit uncertainty are weighing on the world economy, with global economic growth seen slowing amid the risks from China–US trade disputes and European Union concerns overBrexit

KUALA LUMPUR: As trade tensions and political uncertainty thunder on, the world economy is facing a gloomy outlook, with global economic growth seen slowing amid the risks from China–US trade disputes and Europe’s increasing concern over Brexit.

The US Treasury Department on Wednesday designated China as a currency manipulator after Beijing allowed the yuan to weaken against the dollar, while the British pound slumped to a 27-year low against the dollar and the euro amid Brexit uncertainty.

The move came as China–US trade tensions continued to escalate after Washington imposed tariffs on US$200 billion worth of Chinese imports last week and edged closer to imposing fresh duties of US$34 billion on a range of Chinese goods.

The US Treasury Department said it had identified China as currency manipulator while also designating South Korea as a “currency manipulator”.

The decision to label China a currency manipulator comes as US President Donald Trump has announced plans to impose new tariffs on US$200 billion worth of Chinese goods, in addition to the US$34 billion worth of goods already targeted with duties.

Trump has threatened to impose new tariffs on US$1 trillion worth of Chinese goods, including technology products, if Beijing does not meet his demands for economic concessions.

China’s central bank has been lowering interest rates and cutting reserve requirements, among other measures, to try to stimulate the domestic economy.

OECD cuts growth outlook

The Organisation for Economic Co-operation and Development (OECD) cut its 2019 growth forecast for the US to 2 per cent from 2.1 per cent in November, citing risks that the US-China trade disputes will spill over to other areas.

“Growth in the US economy is beginning to slow somewhat, while trade growth decelerates further on the back of uncertainty in external demand,” said the OECD in its latest Economic Outlook report.

The OECD said the US-China trade disputes had already started to weigh down US growth, adding that the US trade war was likely to hit business confidence and investment in the US.

The US trade deficit widened to US$130 billion in January, the highest level since August 2018, while the current account gap has widened to US$1.34 trillion, the biggest since 2008.

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