A MORE promising global outlook is expected next year, the Economic Report 2003 said, with world trade projected to grow by 6.6% compared with 2.5% in 2002, boosting world economic growth to 3.7%, from 2.8% in 2002.

Even though inflation will be subjected to some upward pressure, with the growth momentum gathering speed, it is expected to remain low.

Projections for growth in most regions will be more certain and stronger, and unemployment lower.

Downside risks to the generally optimistic outlook for 2003 will emanate mainly from the Middle East tensions.

Oil prices, which have risen in recent months, may further escalate should the US begin war with Iraq, putting the brake on global growth, according to the report.

The downside risks notwithstanding, world growth is believed to be on track with the major economies - US, Japan and the euro area - expected to perform better, with a rebound in the global electronics demand.

In the US, higher growth is likely in response to a better trading and investment environment.

The threat of trade war when the US imposed tariffs on foreign steel, has receded after the US announced new exemptions on around half of the seriously affected European steel products, while legislation has been put in place to address the issue of corporate and accounting scandals.

Likewise, the euro region, is expected to show enhanced performance with real GDP growth doubling to 2.9% compared with 1.4% in 2002, featuring stronger current account balance, lower inflation and unemployment in most countries.

Japan, which is expected to emerge from recession, together with the euro area, will complement growth in the US to provide a more stable global growth.

As for the East Asian economies, China's strong economic performance in recent years is expected to continue, in view of the underlying attraction of its domestic market and the positive impact of its accession to the WTO.

In Taiwan and South Korea, the anticipated pick-up in the IT and electronics sector and improving external environment, is predicted to drive growth.

Export-oriented Asean economies dependent on electronics, with subdued inflation and strengthened current account positions, are also expected to post higher growth.

China's strong growth is expected to be the catalyst for higher growth in the East Asian region where intra-regional trade is becoming increasingly important.

Given the strong macroeconomic fundamentals and policies in place, backed by strengthened financial and corporate sectors, East Asia is poised to record high growth and merge as a vibrant and dynamic region with vast potentials.

Elsewhere, moderate growth is expected in Africa, the Middle East, Central and eastern Europe, and Latin America.