Chapter 3

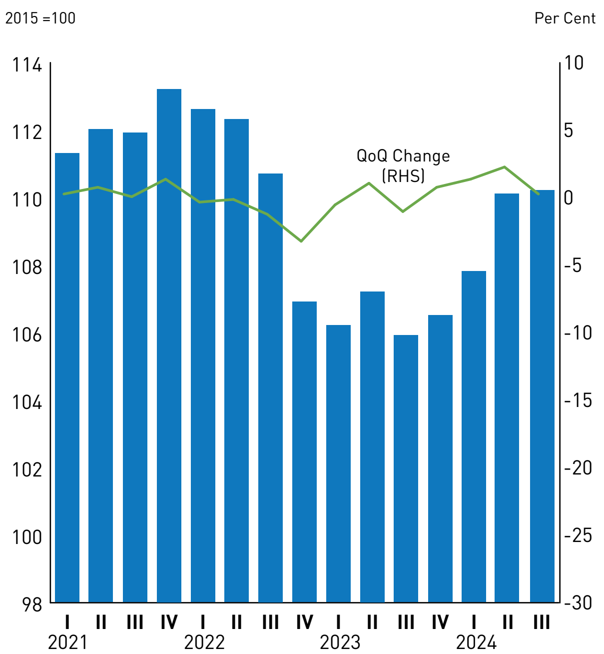
ECONOMIC OUTLOOK

LEADING INDICATORS

On a quarter-on-quarter basis, the composite leading index (CLI) rose marginally by 0.1 per cent in the third quarter of 2024, slower than the 2.1 per cent expansion in the previous quarter (Exhibit 3.1).

Of the nine components of the CLI, five components rose on a quarter-on-quarter basis, namely wholesale trade, stock price, domestic liquidity, money supply and non-oil sea cargo handled. By contrast, the US Purchasing Managers' Index, the stock of finished goods, new companies formed and non-oil retained imports fell as compared to the previous quarter.

Exhibit 3.1: Composite Leading Index Levels and Growth Rate



OUTLOOK FOR 2024

Since the Economic Survey of Singapore in August, major economies such as the US and Eurozone, as well as some regional economies such as Malaysia, performed better than projected in the third quarter of 2024, mainly due to stronger-than-expected consumption growth in the respective economies. Meanwhile, China's GDP growth continued to slow in line with expectations over the same period.

For the rest of the year, US' GDP growth is expected to moderate as consumption growth weakens in tandem with gradually easing labour market conditions. GDP growth in the Eurozone is also projected to be modest, weighed down by subdued industrial activity and investments. By contrast, China's economy is projected to pick up slightly on the back of government support measures that were recently announced.

On balance, Singapore's overall external demand outlook is expected to remain resilient for the rest of 2024. This, coupled with the ongoing recovery in global electronics demand, should support growth in Singapore's manufacturing sector as well as outward-oriented services sectors such as the wholesale trade sector. On the other hand, the outlook for tourism-related and consumer-facing sectors such as the accommodation, retail trade and food & beverage services sectors has weakened given the slower-than-expected recovery in IVA and sluggish tourist spending.

Taking into account the better-than-expected performance of the Singapore economy in the first three quarters of the year (i.e., 3.8 per cent year-on-year), as well as the latest global and domestic situations, **MTI has upgraded the GDP growth forecast for 2024 to "around 3.5 per cent", from "2.0 to 3.0 per cent".**

OUTLOOK FOR 2025

Looking ahead to 2025, overall GDP growth in Singapore's key trading partners is expected to ease slightly from 2024's level. In particular, GDP growth in the US is likely to moderate due to an expected slowdown in consumption growth as labour market conditions continue to ease, although investment growth should provide some support. By contrast, GDP growth in the Eurozone is likely to pick up on the back of stronger consumption growth and a gradual recovery in investments as monetary policy becomes more accommodative.

In Asia, China's GDP growth is projected to moderate in line with weaker exports growth due to tariff hikes that have already been announced. However, the slowdown in economic growth is likely to be cushioned by a modest recovery in domestic consumption as consumer sentiments improve alongside a stabilisation of the property market. Meanwhile, key Southeast Asian economies should see steady growth, driven in part by the upswing in global electronics demand.

Nonetheless, global economic uncertainties have increased, including uncertainty over the policies of the incoming US administration, with the risks tilted to the downside. First, a further escalation of geopolitical conflicts, including in the Middle East, and trade tensions among major economies could lead to higher oil prices and production costs, as well as greater policy uncertainty. In turn, this could lead to a decline in global investment and trade, and weigh on global growth. Second, disruptions to the global disinflation process could lead to tighter financial conditions for longer and the desynchronisation of monetary policies across economies, potentially triggering latent vulnerabilities in financial systems.

Against this backdrop, the growth outlook of the manufacturing and trade-related services sectors in Singapore remains positive. In particular, the electronics cluster is projected to continue its expansion, supported by strong demand for semiconductor chips in end-markets such as PCs and smartphones amidst the PC refresh cycle and rollout of Artificial Intelligence (AI)-capable devices. This will have positive spillover effects on the precision engineering cluster and the machinery, equipment & supplies segment of the wholesale trade sector. At the same time, firm order books in the aerospace and marine & offshore engineering segments should drive growth in the transport engineering cluster.

Similarly, outward-oriented services sectors such as the information & communications and finance & insurance sectors are projected to register healthy growth on account of sustained enterprise demand for digital solutions and services and favourable financial conditions amidst global policy rate cuts, respectively. Meanwhile, tourism-related sectors like the accommodation sector will benefit from the continued recovery in IVA. On the other hand, growth in consumer-facing sectors such as the retail trade and food & beverage services sectors is likely to remain weighed down by increased local outbound travel.

Taking these factors into account, and barring the materialisation of downside risks, the Singapore economy is expected to grow by **"1.0 to 3.0 per cent"** in 2025.