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Macroeconomic Outlook for Singapore

The 40th Singapore Economic Roundtable

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Key summary

External outlook positive for 2024

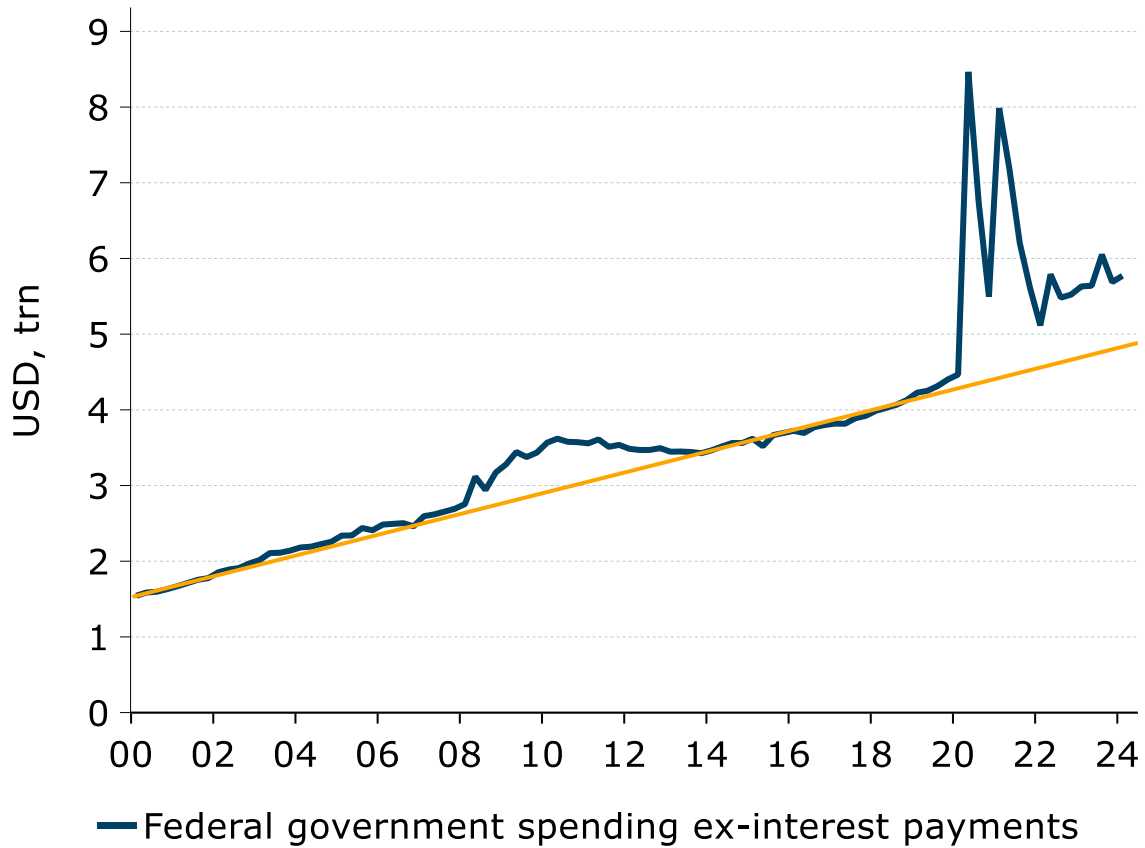
- Robust US growth underpinned by government spending and productivity growth
- Moderating inflation and labour market allow Fed to begin cutting rates
- China's economic activity picking up, helped by policy support measures
- Upswing in global semiconductor cycle leading to strong Asian export recovery
- Singapore economy's soft Q1 an anomaly, pace to quicken from Q2
- Monetary policy to stay tight to ensure inflation pressure contained

Geopolitics and fiscal worries cloud the outlook for 2025

- US-China relations to deteriorate, regardless of who wins November election
- Debt ceiling negotiations to shine spotlight again on alarming state of US fiscal position
- US dollar to correct from overvalued levels once its yield attractiveness is removed
- Acceleration in trade and capital flows in response to geo-economic developments, and in anticipation of increasing tensions
- Singapore has ample fiscal and monetary policy space to respond to external shock

US economy defying expectations

US government spending still running well above pre-pandemic trend



Source: US Treasury, Macrobond, ANZ Research

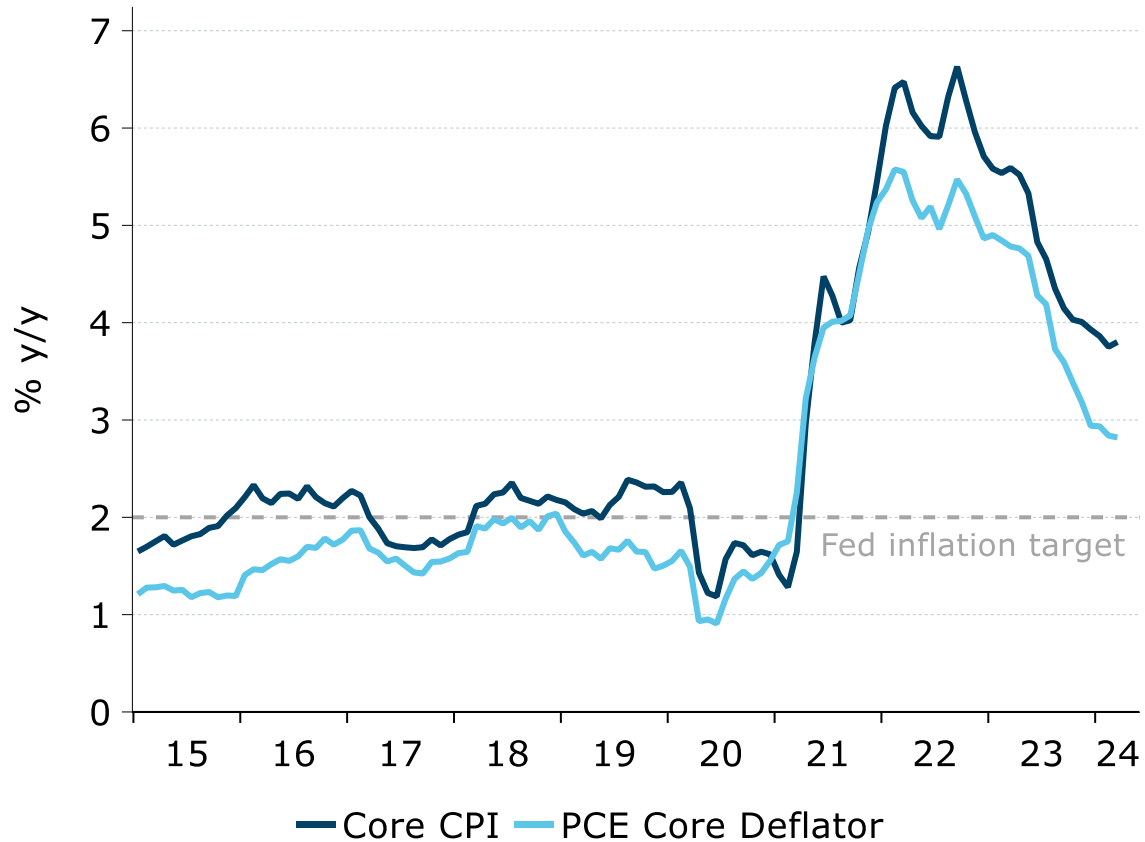
Activity points to firming Q2 growth



Source: Federal Reserve Bank of Atlanta, Macrobond, ANZ Research

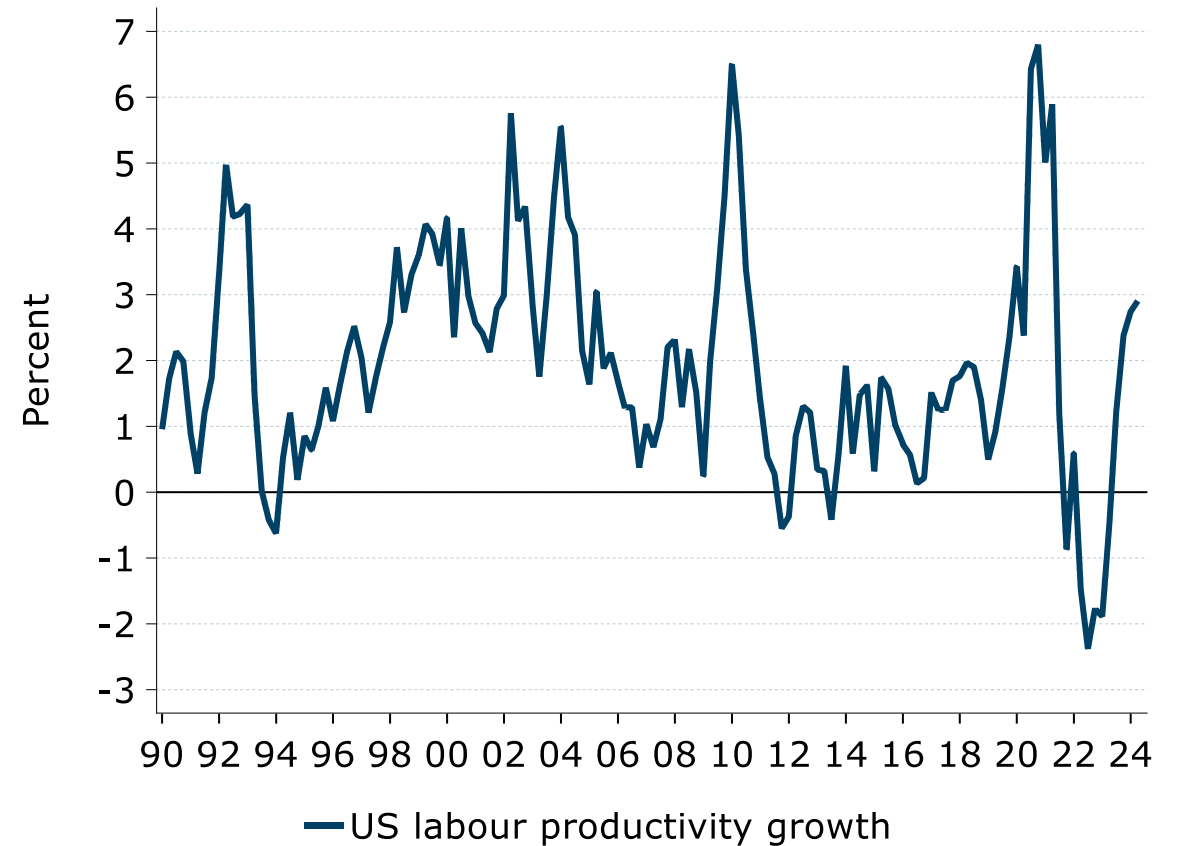
Will (can) the Fed still cut this year?

Fed's preferred inflation measure showing more progress



Source: BEA, BLS, Bloomberg, Macrobond, ANZ Research

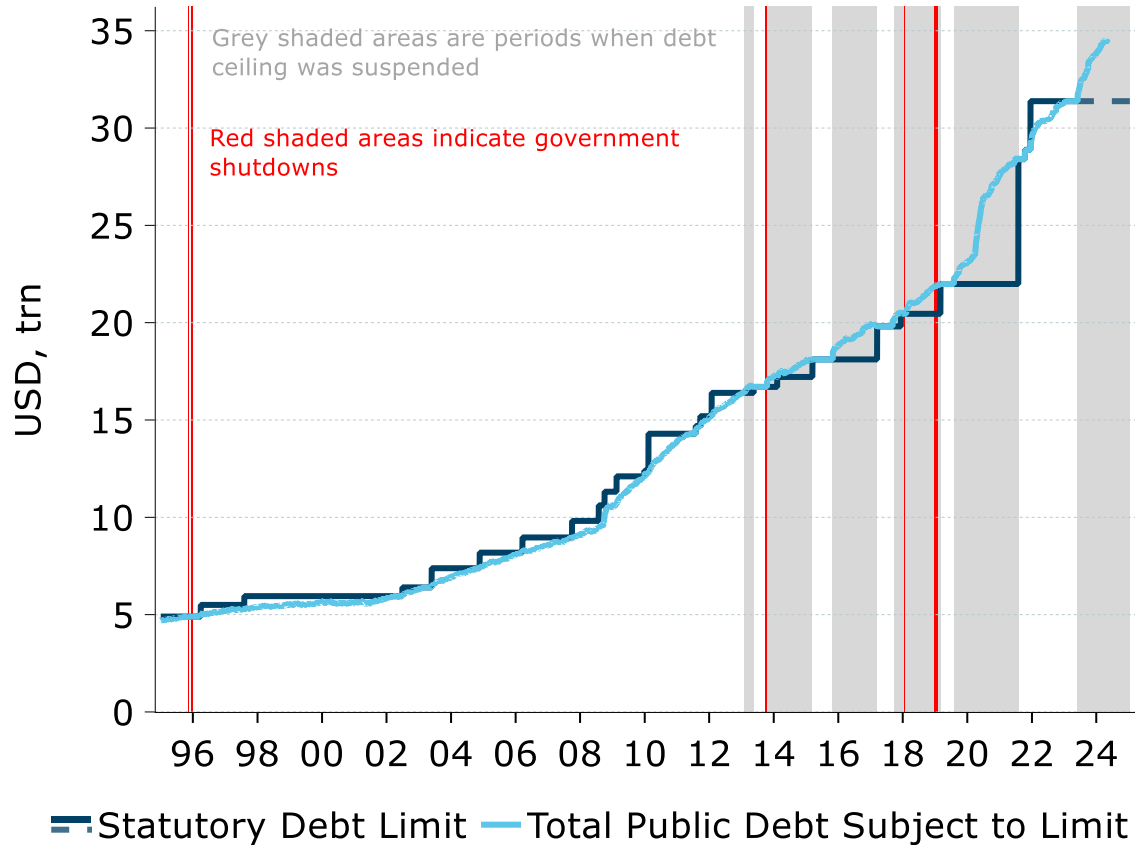
Surge in productivity growth will help the inflation outlook



Source: BLS, Bloomberg, Macrobond, ANZ Research

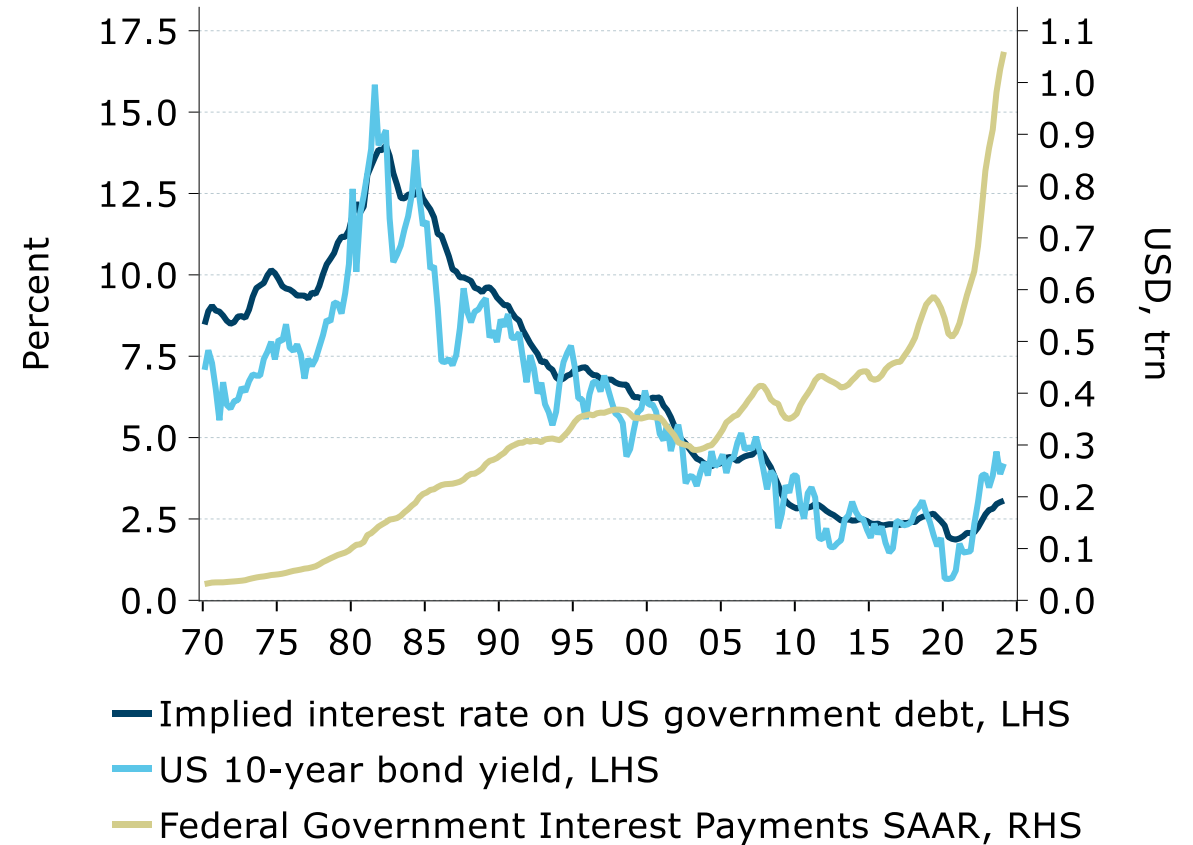
A debt reckoning looms large in 2025

Current debt ceiling suspension ends in January 2025



Source: U.S. Treasury, Bloomberg, Macrobond, ANZ Research

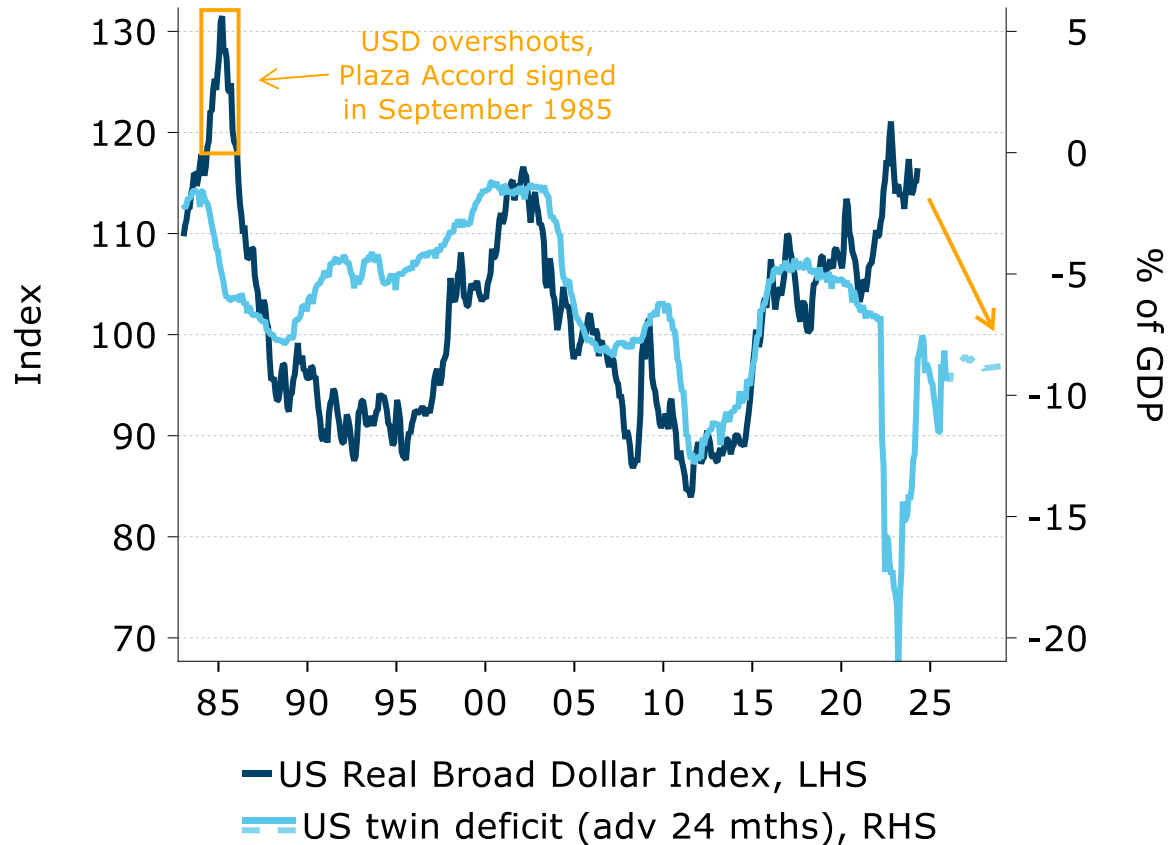
US government interest payments have blown out



Source: BEA, US Treasury, Macrobond, ANZ Research

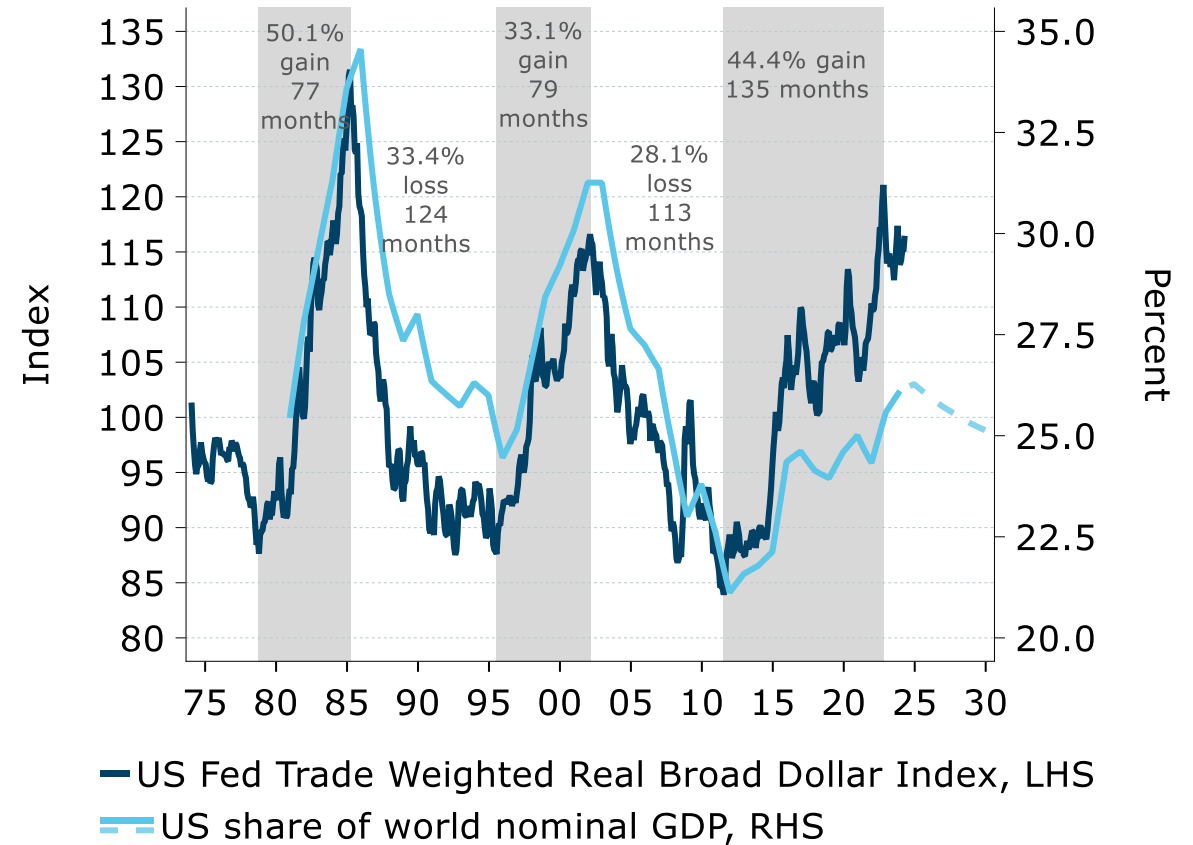
Strong dollar but for how long more?

Twin deficits will eventually matter



Source: Fed, BLS, IMF, Bloomberg, Macrobond, ANZ Research

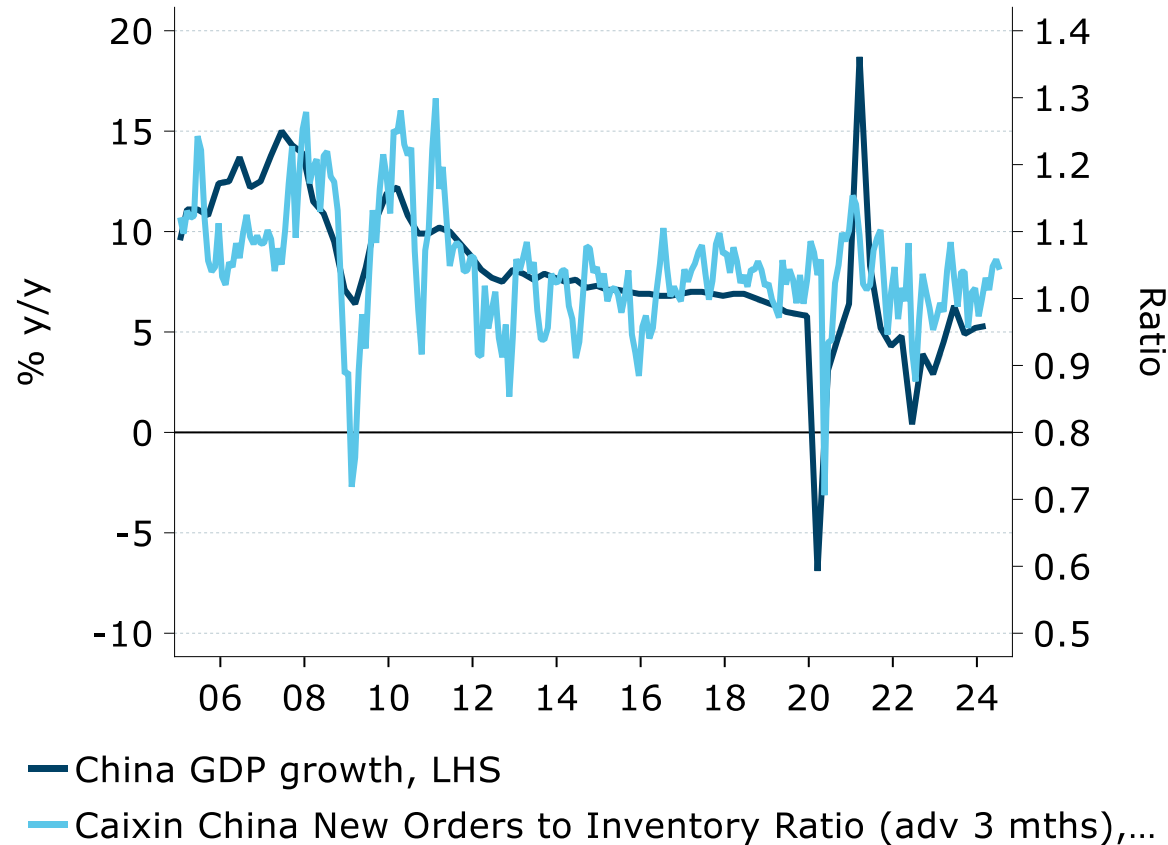
US dollar cycle vs US share of global GDP



Source: Fed, BLS, IMF, Bloomberg, Macrobond, ANZ Research

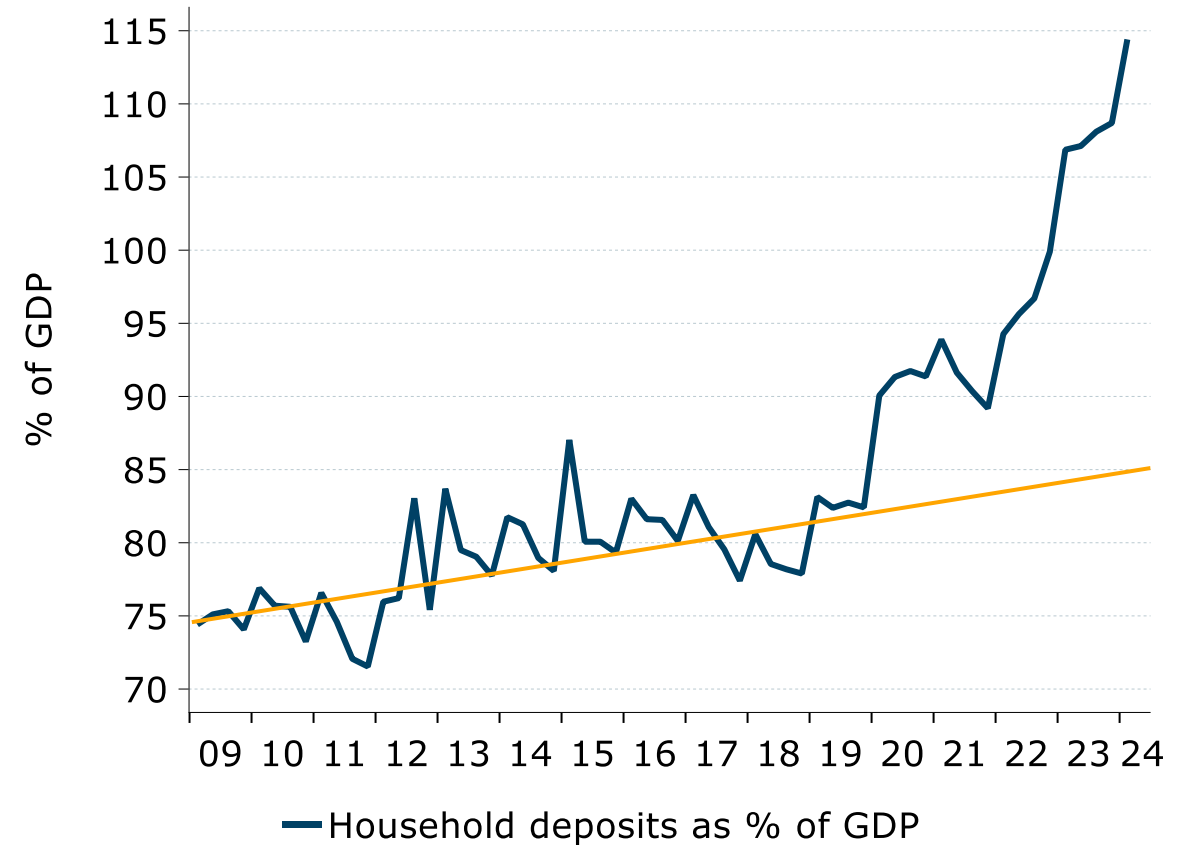
China's cyclical outlook improving

New orders to inventory ratio points to near-term improvement



Source: Bloomberg, Macrobond, ANZ Research

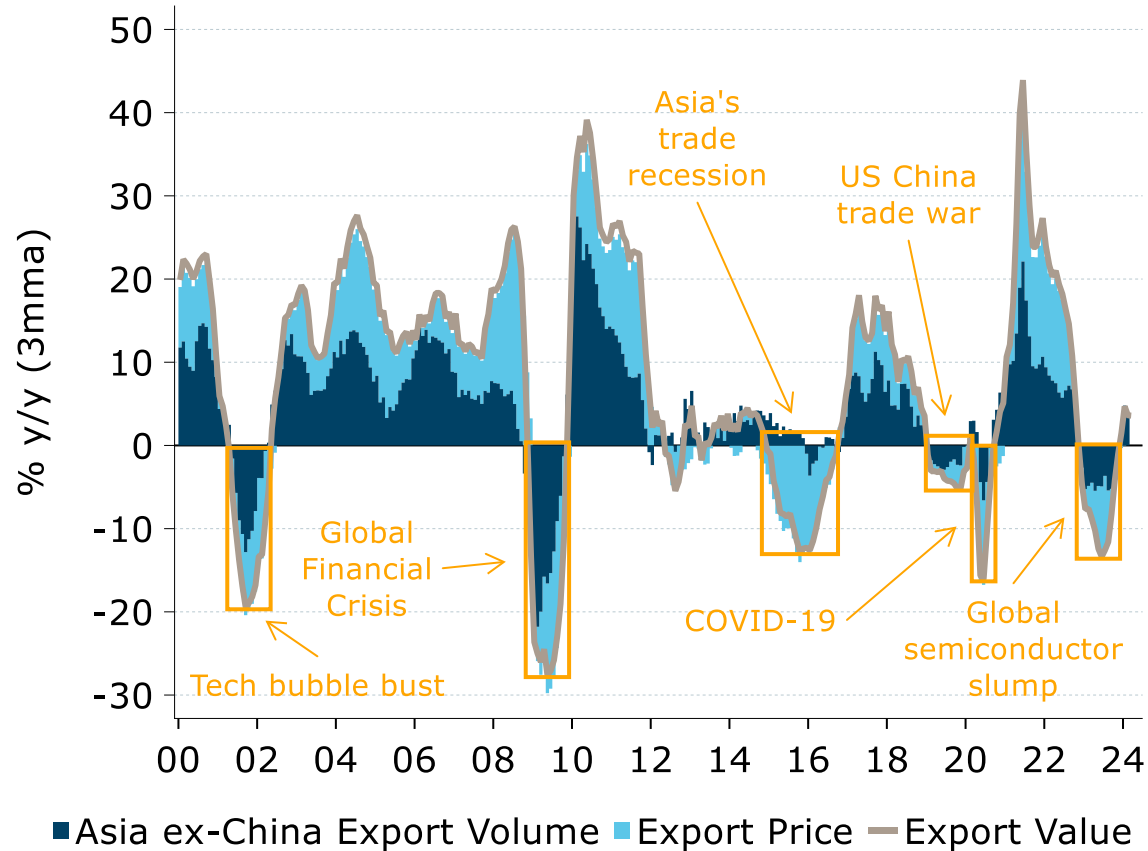
Domestic demand growth hampered by poor confidence, leading to precautionary savings



Source: PBoC, NBS, Bloomberg, Macrobond, ANZ Research

Asia's improving export outlook

Exports back to year-on-year growth, driven by volumes



Source: Bloomberg, Macrobond, ANZ Research

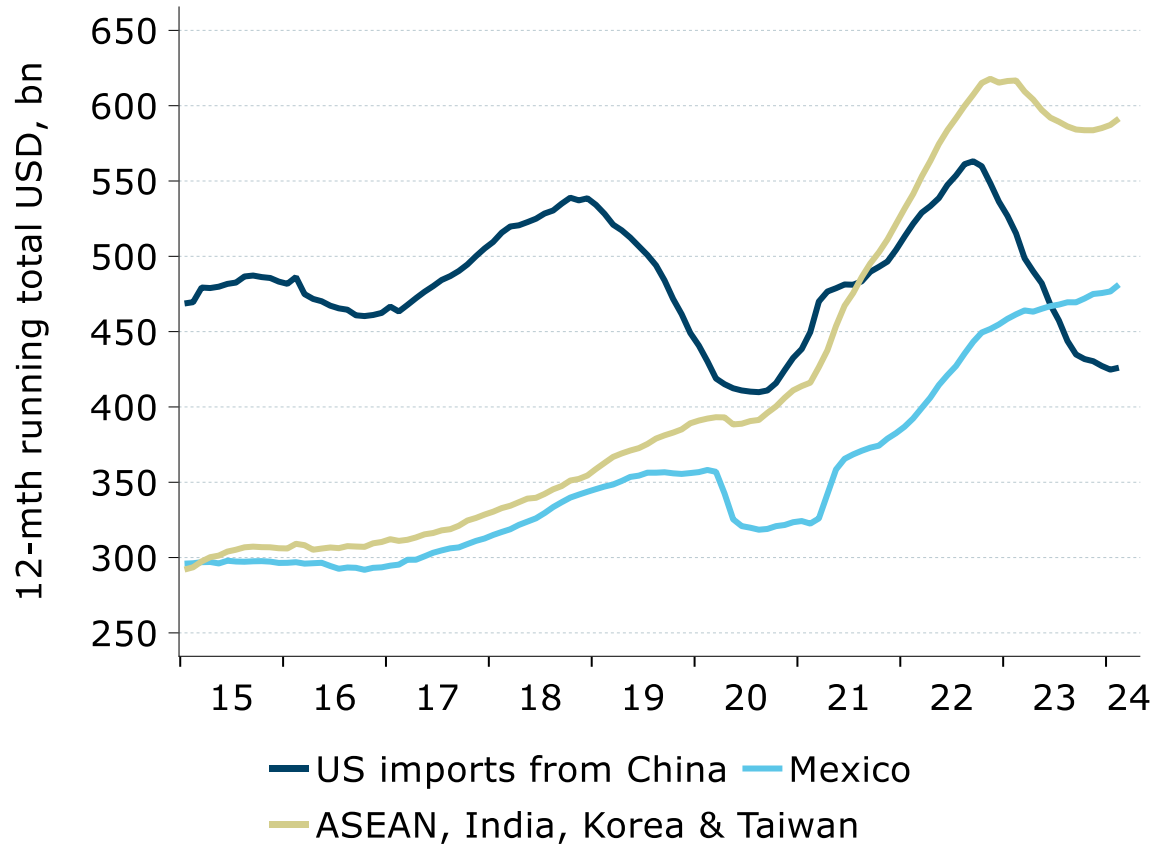
Recovery in global semiconductor cycle points to further export growth in the region



Source: Bloomberg, Macrobond, ANZ Research

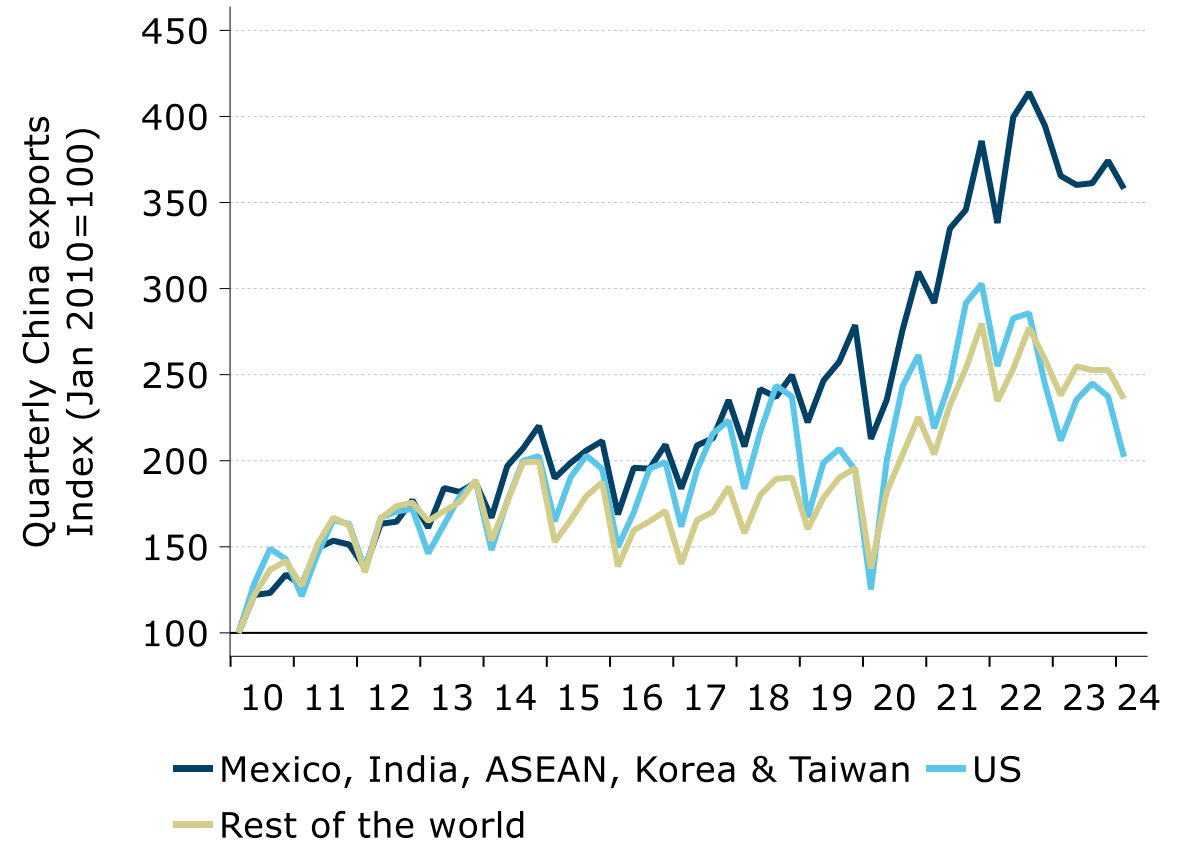
Shifting trade patterns

Mexico overtakes China as largest source of goods imports



Source: USCB, Macrobond, ANZ Research

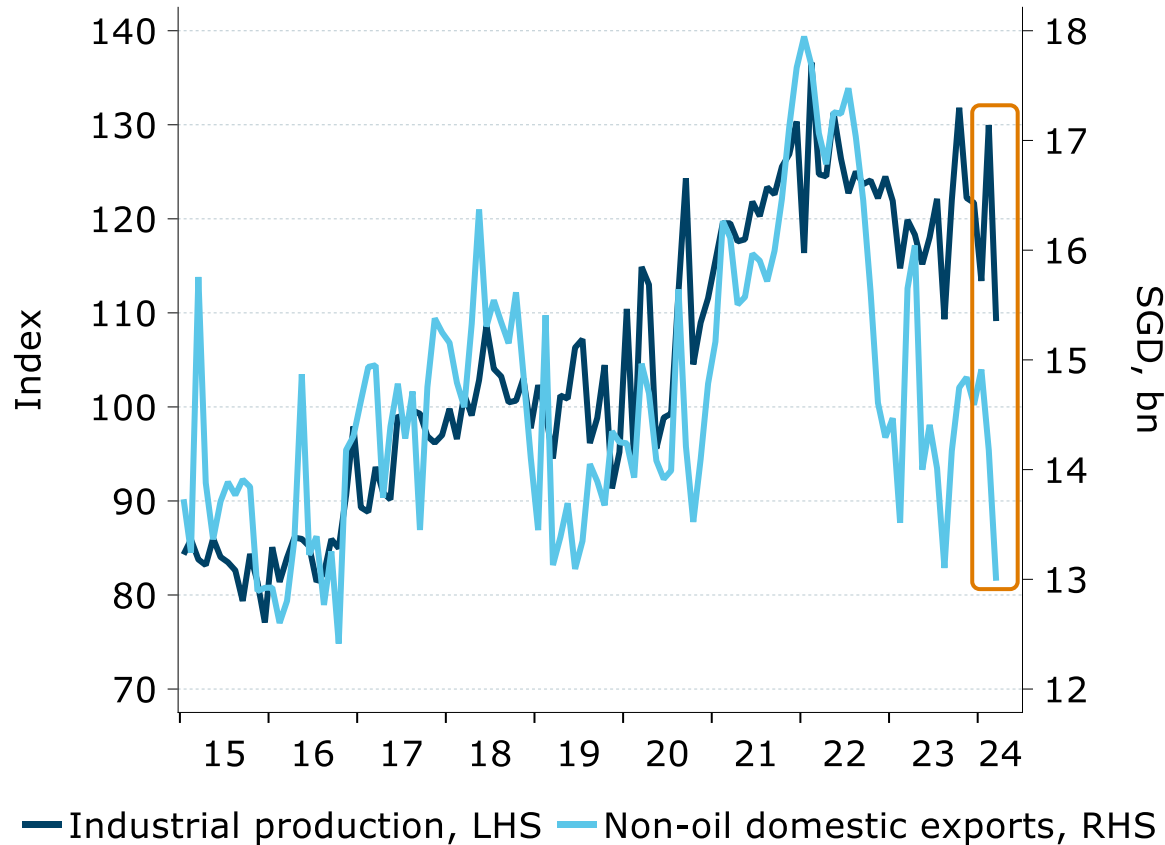
China may be exporting less to the US directly, but is exporting more to the US's "friends"



Source: GAC, Macrobond, ANZ Research

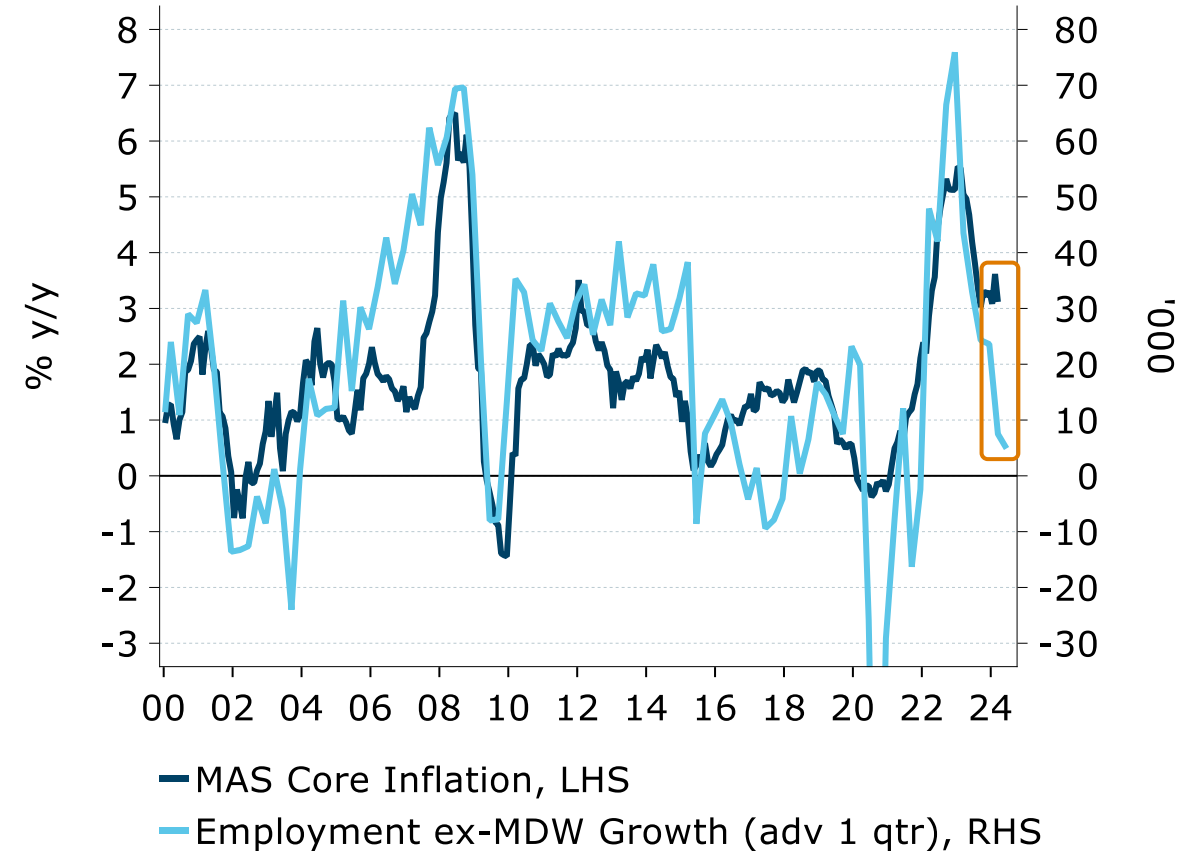
Recent Singapore data has been weak

Slump in March industrial production and NODX



Source: SingStat, IE, Macrobond, ANZ Research

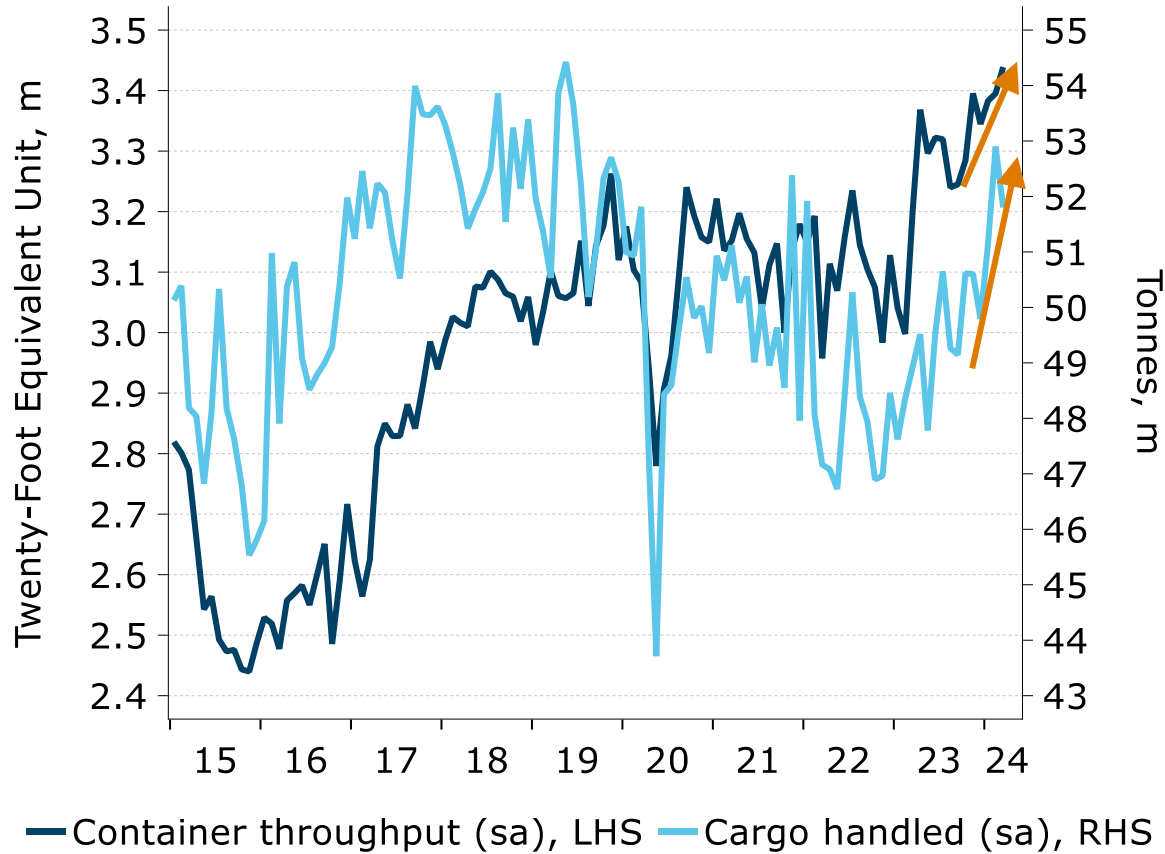
Employment growth continues to cool



Source: SingStat, MoM, Macrobond, ANZ Research

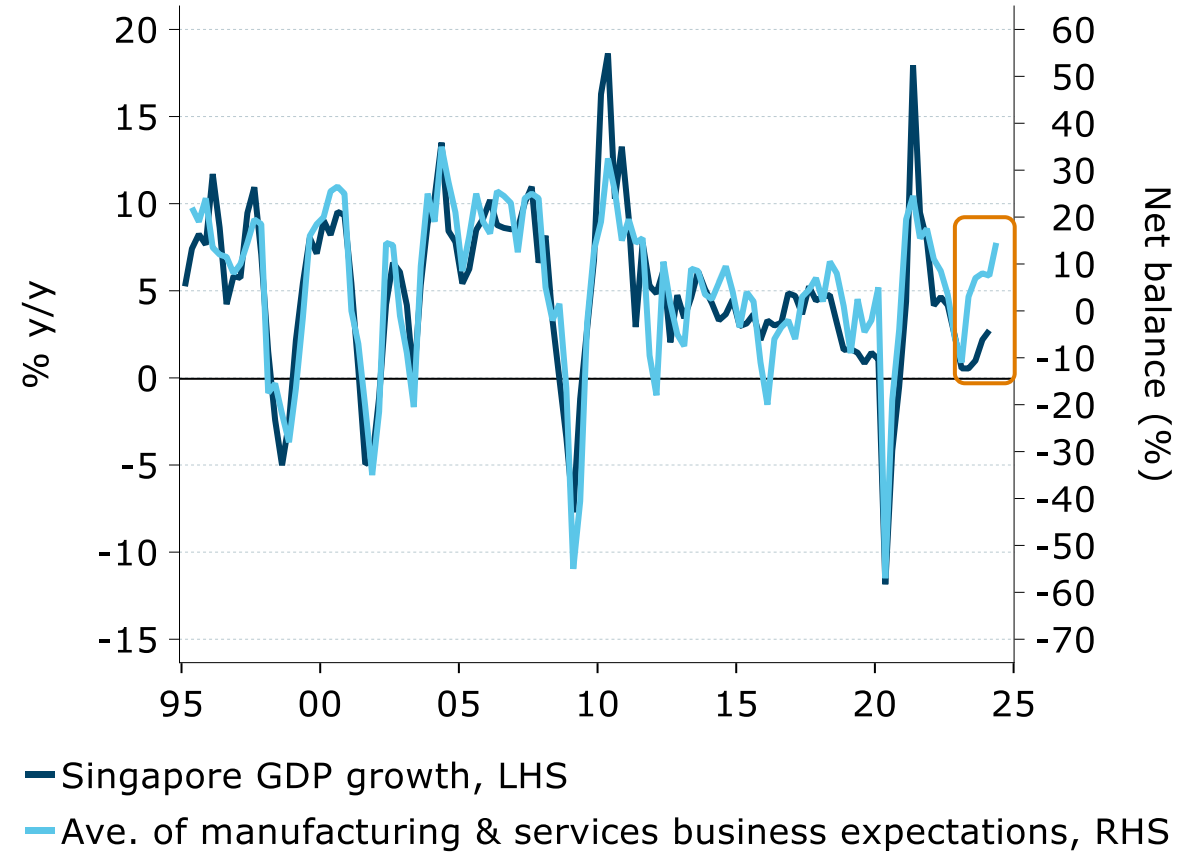
Which is at odds with other indicators

Port activity has been picking up



Source: MPA, Bloomberg, Macrobond, ANZ Research

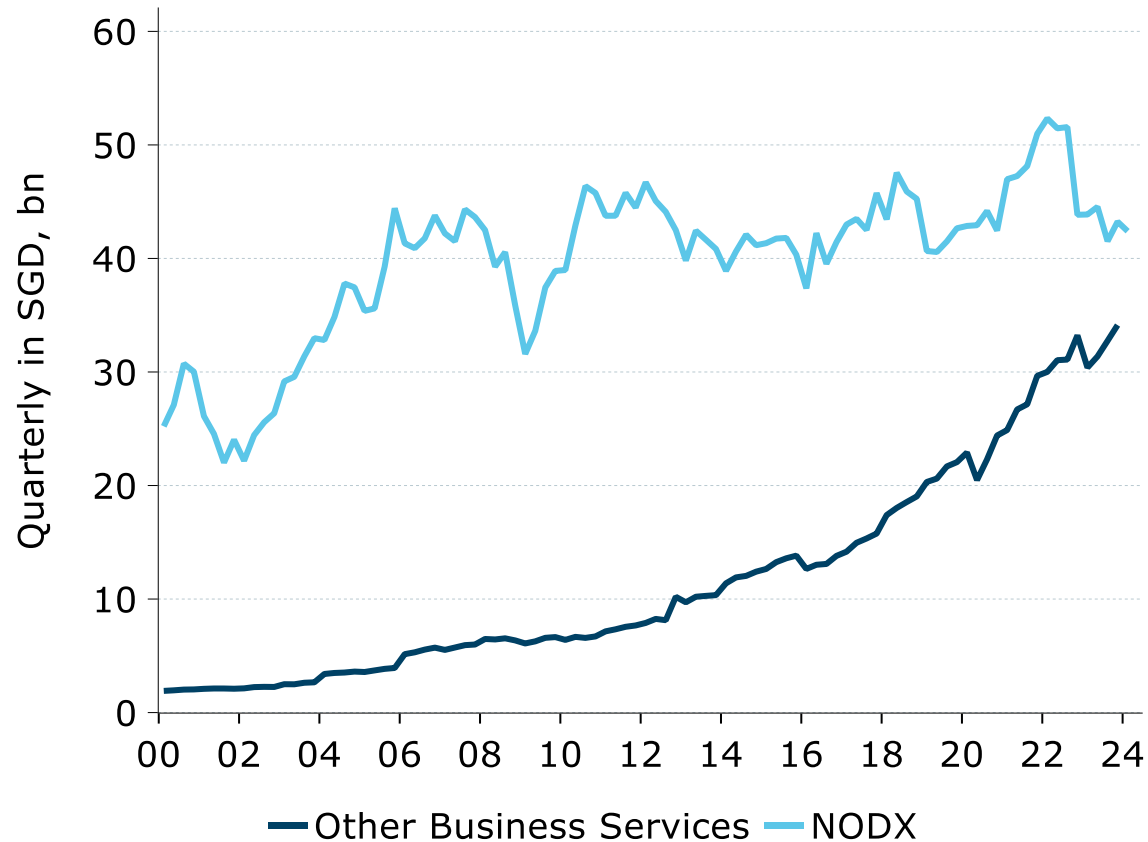
Business expectations very positive about the outlook



Source: SingStat, Bloomberg, Macrobond, ANZ Research

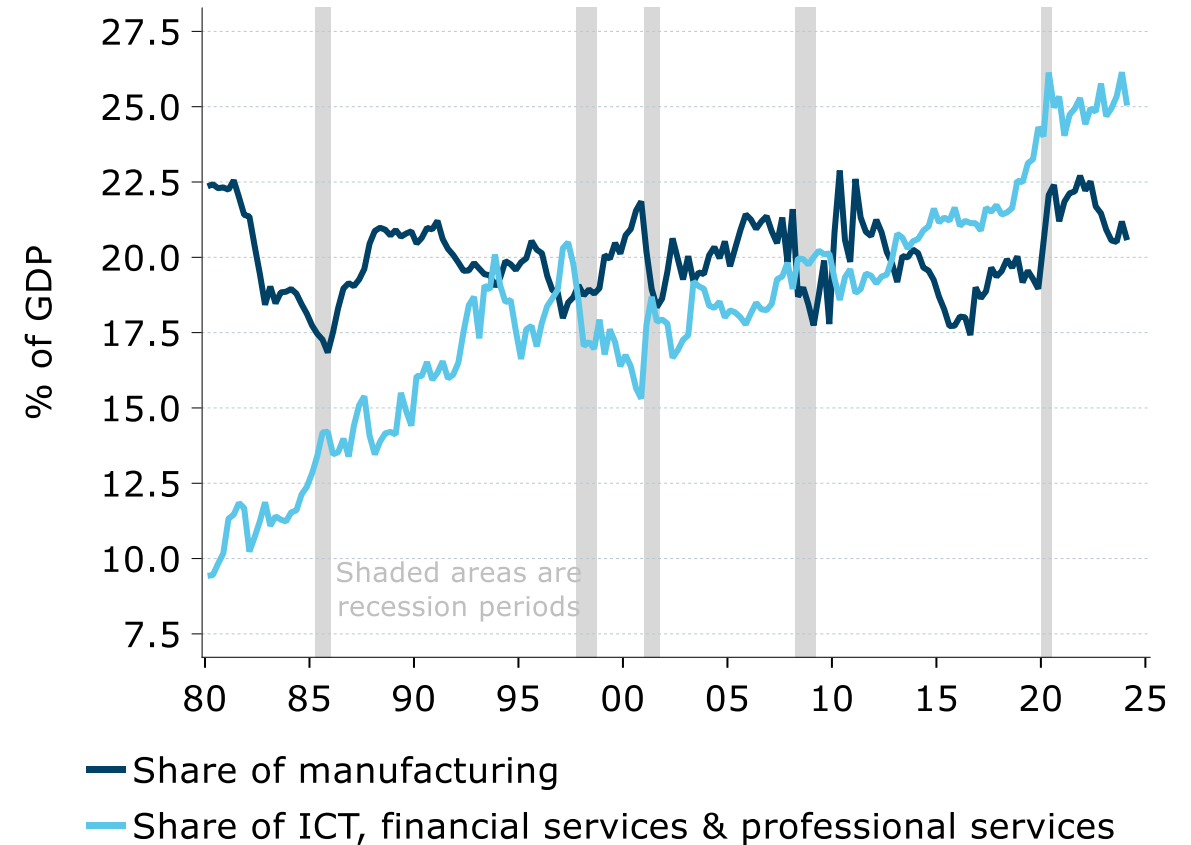
Increasing importance of services sector

Value of business services exports could overtake NODX in a few years



Source: SingStat, Bloomberg, Macrobond, ANZ Research

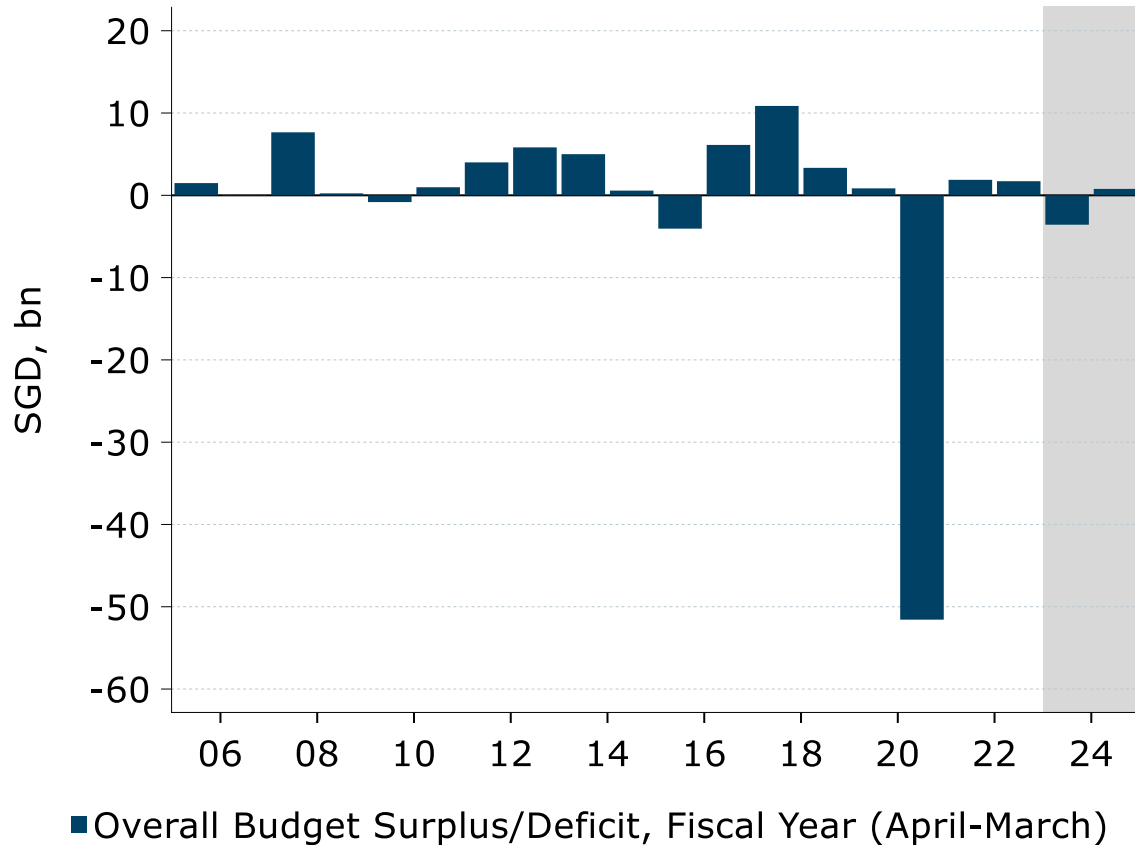
ICT, financial & professional services an increasingly larger part of the economy



Source: SingStat, Bloomberg, Macrobond, ANZ Research

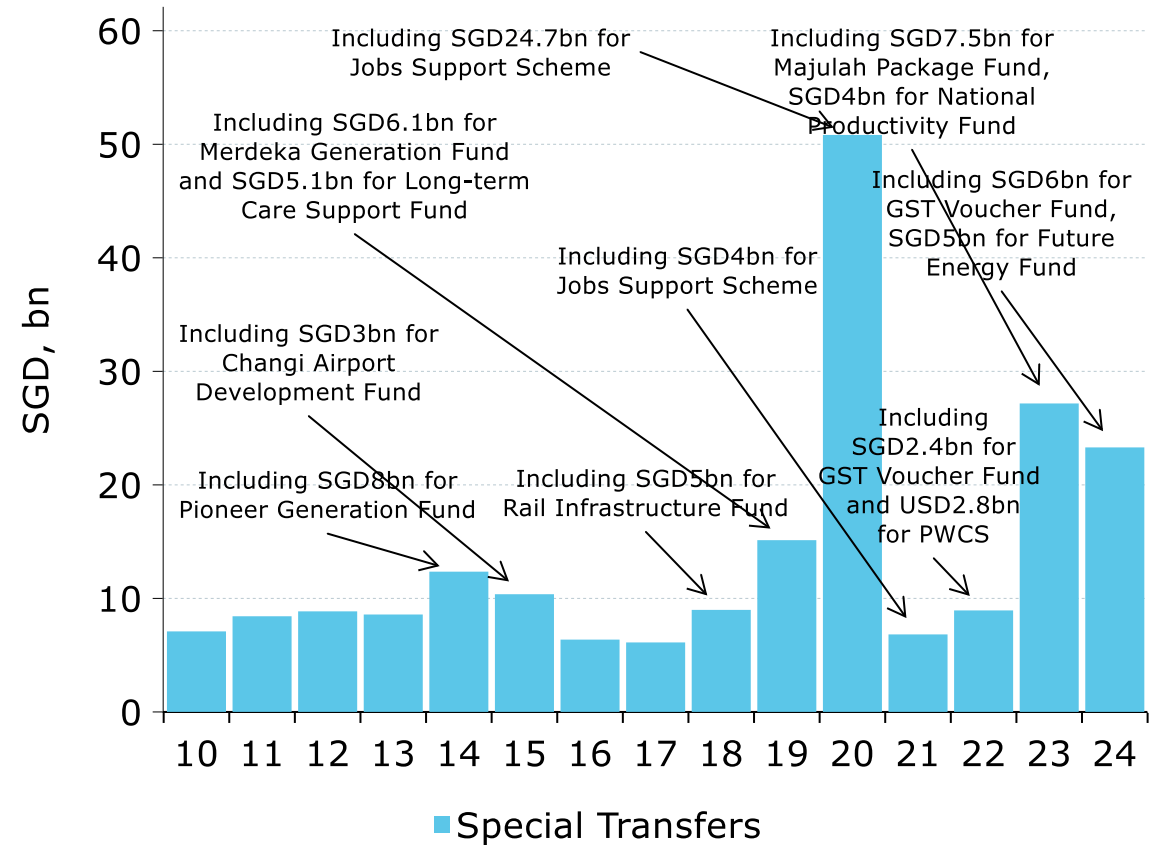
Ample fiscal space to respond if needed

There is more fiscal headroom than suggested by the small projected surplus



Source: MOF, Bloomberg, Macrobond, ANZ Research

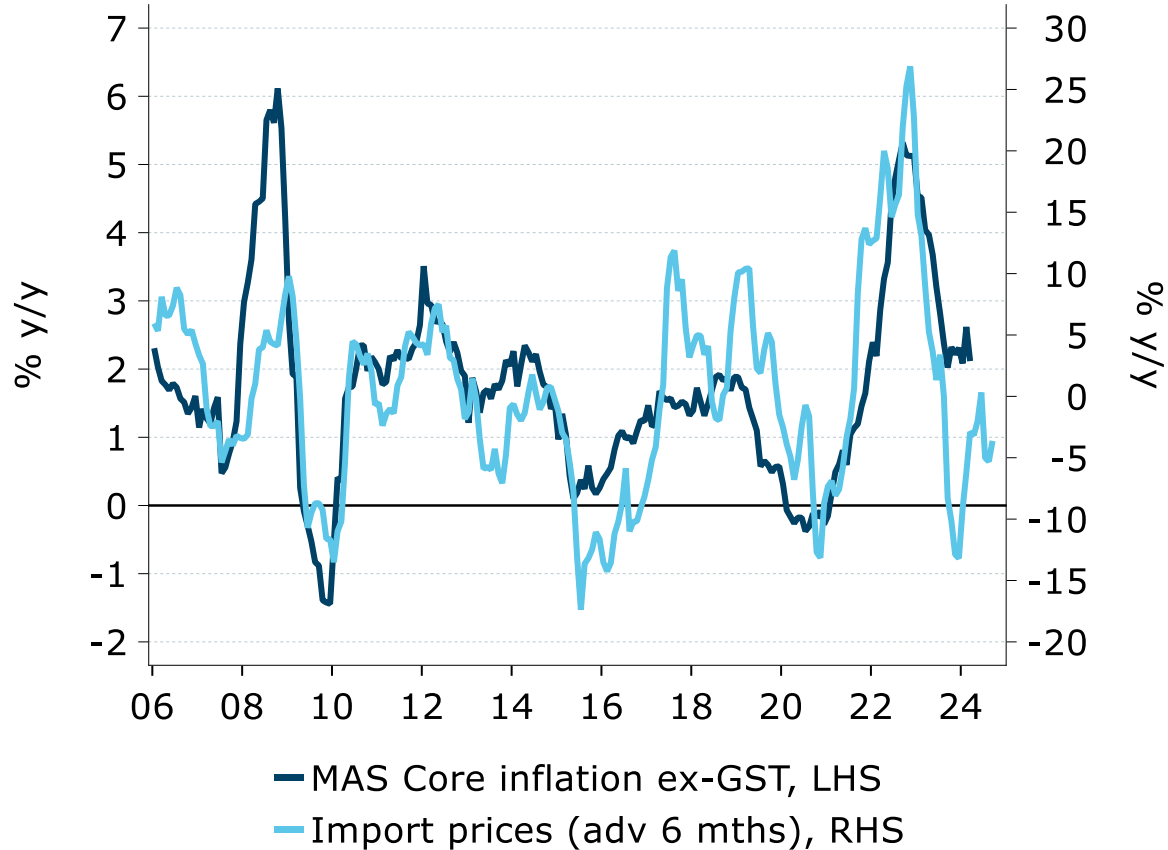
Increasing use of Special Transfers in the Budget



Source: MOF, Bloomberg, Macrobond, ANZ Research

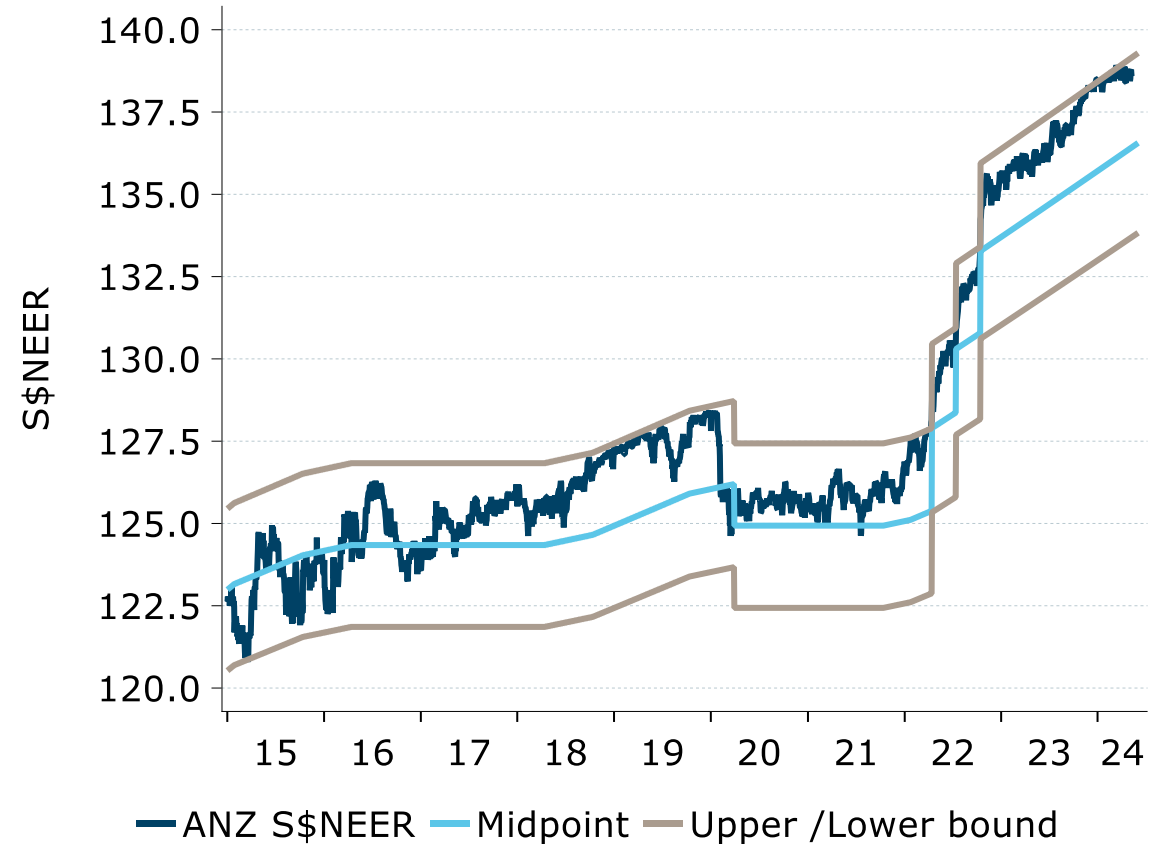
No need to shift current monetary policy stance in 2024

Strong currency needed to exert downward pressure on import prices



Source: MAS, MoM, Bloomberg, Macrobond, ANZ Research

\$NEER to stay near the upper bound



Source: MAS, Bloomberg, Macrobond, ANZ Research

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