

Chapter 3

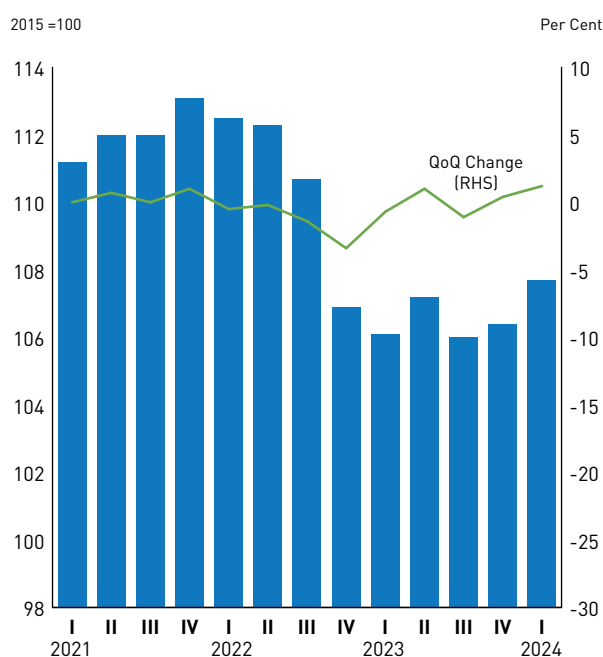
ECONOMIC OUTLOOK

LEADING INDICATORS

On a quarter-on-quarter basis, the composite leading index (CLI) rose by 1.2 per cent in the first quarter of 2024, faster than the 0.4 per cent expansion in the previous quarter (Exhibit 3.1).

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

Exhibit 3.1: Composite Leading Index Levels and Growth Rate



OUTLOOK FOR 2024

Since the Economic Survey of Singapore in February, the external economic environment has remained resilient. In particular, economic growth in the US and China was better than expected in the first quarter, due largely to stronger-than-expected domestic demand and external demand respectively. Meanwhile, growth in regional economies like South Korea and Taiwan was supported by the global electronics recovery, led by strong demand for AI-related chips. Looking ahead, GDP growth in the major economies is expected to taper gradually in the immediate quarters due to tight financial conditions, before picking up alongside anticipated policy rate cuts later in the year.

Against this backdrop, Singapore's manufacturing and trade-related sectors are expected to see a gradual pickup in growth over the course of the year. Within the manufacturing sector, the electronics cluster is projected to recover gradually in the coming quarters, supported by demand for semiconductors for end-markets such as smartphones, PCs and AI. Growth in the electronics cluster will in turn have positive spillover effects on the precision engineering cluster, as well as the machinery, equipment & supplies segment of the wholesale trade sector. In addition, the chemicals cluster within the manufacturing sector is projected to continue to expand, partly due to capacity expansions such as that in sustainable aviation fuel.

Meanwhile, the stronger-than-anticipated recovery in air travel and tourism demand will continue to bolster the growth of aviation- and tourism-related sectors such as accommodation, air transport and aerospace, as well as consumer-facing sectors such as retail trade and food & beverage services. At the same time, the finance & insurance sector will be supported by higher tourist spending which will benefit the payments segment, as well as the projected peaking of global policy interest rates which will support the banking and fund management segments through higher commissions and fees.

Taking into account the performance of the Singapore economy in the first quarter, as well as the latest global and domestic economic developments, the GDP growth forecast for Singapore for 2024 is maintained at **1.0 to 3.0 per cent**.