Socio-Economic Research Centre
SERC 社会经济研究中心

Bursa Malaysia's 35th Palm & Lauric Oils Price Outlook Conference & Exhibition (POC2024)

What will happen to the global economy in 2024?

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Executive Director
6 March 2024

Five Considerations for the World Economy in 2024

2024 Will Be A Year of Reckoning

1. *Can the US economy continue to be on a soft landing?*
2. *The Fed's hiking cycle is over; slowly normalising policy rates in 2Q-3Q.*
3. *A bumpy road ahead for China – property woes and deflation risk.*
4. *Renewed strength in energy and commodity prices.*
5. *Geopolitical risks – elevated trade tensions with China, the on-going Russia-Ukraine war and conflict in the Middle-East.*

Risks scenarios facing the global economy

1

High interest rates leading a global recession and financial volatility

Moderate probability

High impact

2

Recession in the United States

Moderate probability

High impact

3

Policy failures in China lead to diminished growth prospects

Low probability

High impact

4

Geo-economic rivalry and conflicts

High probability

High impact

5

Extreme weather events / climate change disrupt global supply chain

High probability

Moderately high impact

6

Green technology and technology disruption

Moderate probability

High impact

7

The Ukraine-Russia war spirals into a global conflict

Low probability

High impact

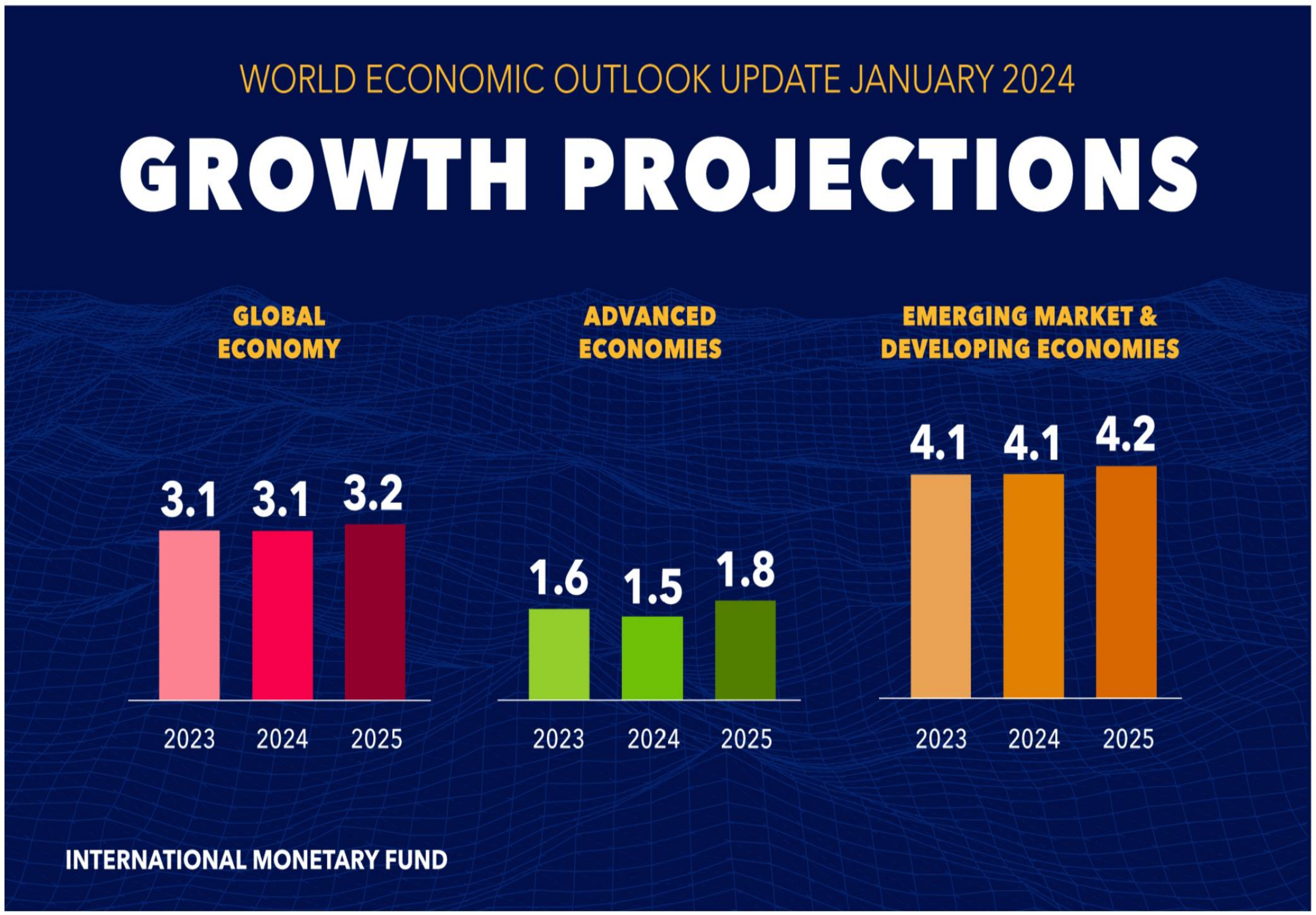
8

The Israel-Hamas war escalates into a regional conflict

Low probability

High impact

Positive growth continues in 2024, but risks remain



Risks to global growth are broadly balanced

Receding hard landing risk

- Global growth for 2024–2025 still below the historical (2000–19) average of 3.8%.
- Elevated interest rates, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth.
- Inflation is falling faster than expected in most regions.

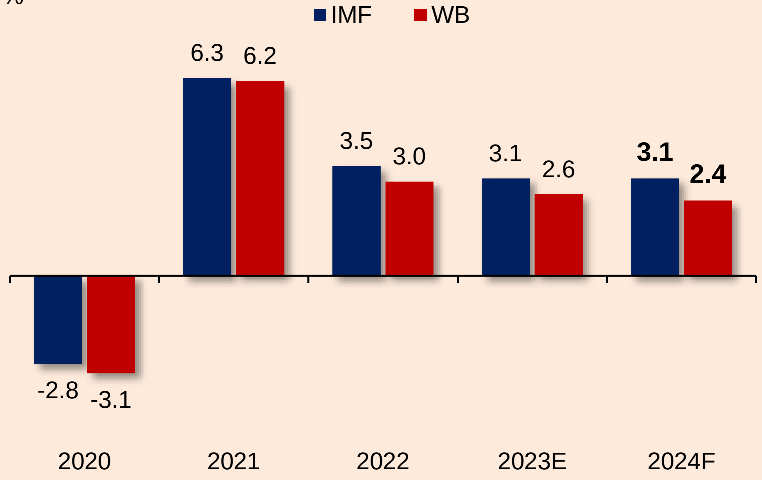
Downside risks to the global growth

- Renewed commodity price spikes from geopolitical shocks, including a wider scale of military conflict in Israel-Hamas, continued attacks in the Red Sea—and supply disruptions - persistent underlying inflation and global supply chain disruptions.
- Deepening property sector woes in China.
- Climate change impact.

Source: International Monetary Fund (IMF);

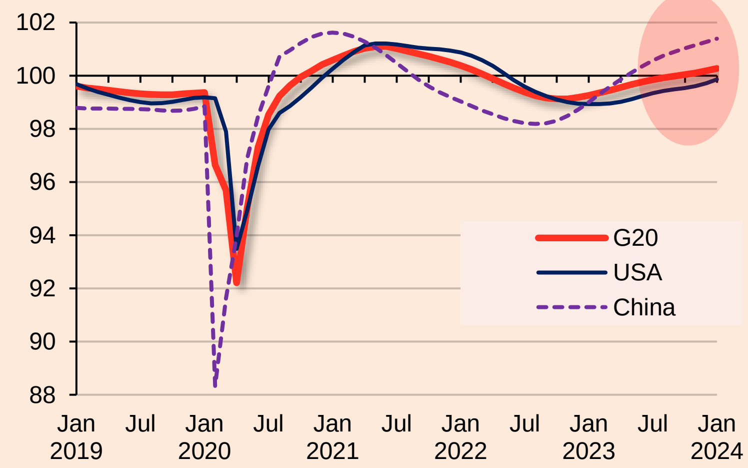
Current and forward indicators in positive direction

Global growth estimates
%

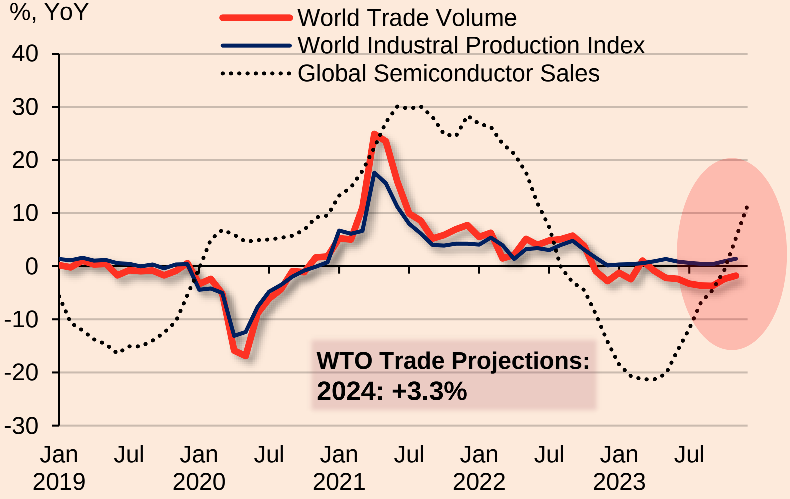


Global PMI for manufacturing & services
50=Threshold

OECD Composite Leading Indicators (CLI)
100=Long-term average



Key economic activities
%, YoY



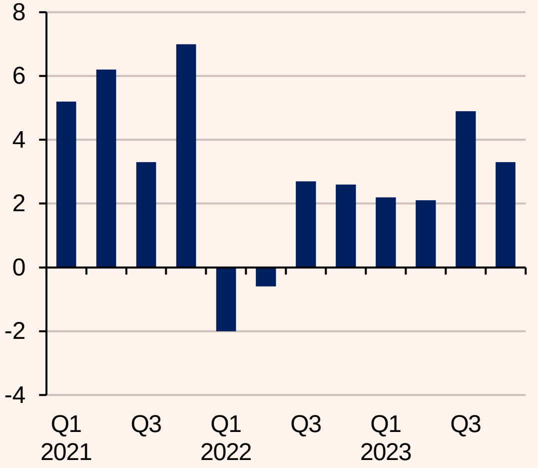
Key indicators bottoming out

- Global manufacturing PMI returned to 50-pt after 16 consecutive months below the threshold, signalling an improvement amid persistent challenges in the manufacturing sector.
- OECD composite leading indicators continued its upward trajectory.
- Global semiconductor sales have bottomed out, registering positive growth since Nov 2023.
- Despite some positive indications, world trade volume contracted for the eighth consecutive month in Nov 2023, indicating a cautious outlook for global demand recovery.

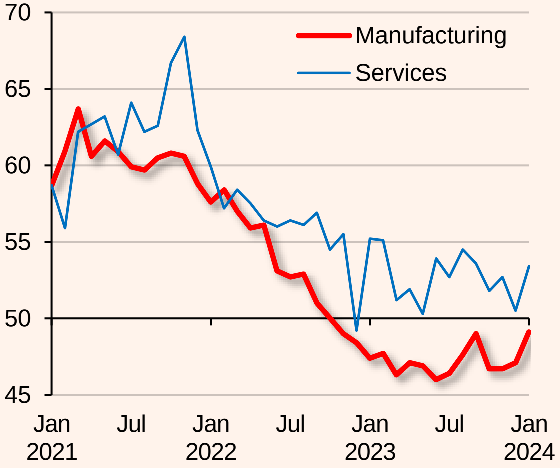
Source: International Monetary Fund (IMF); World Bank (WB); S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands; Semiconductor Industry Association

The US economy still on a soft landing

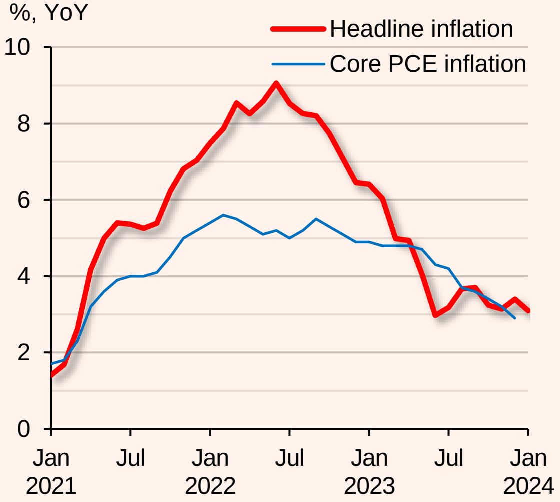
GDP growth
%, annualised QoQ



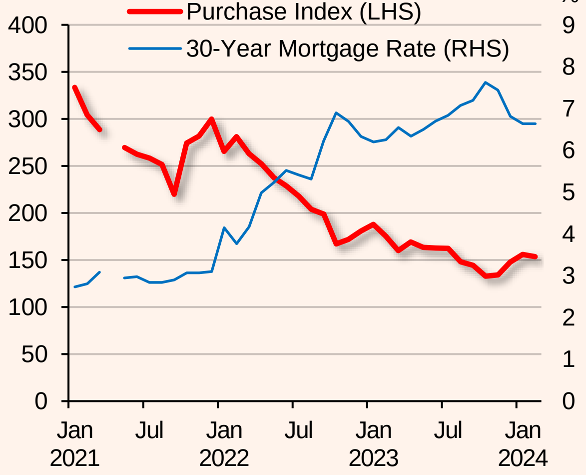
Manufacturing and services PMI
50=Threshold



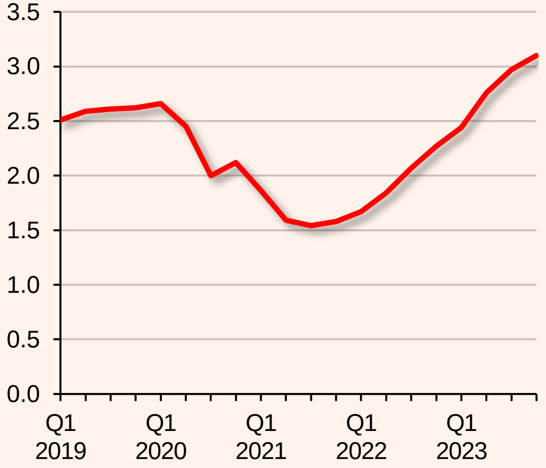
Inflation
%, YoY



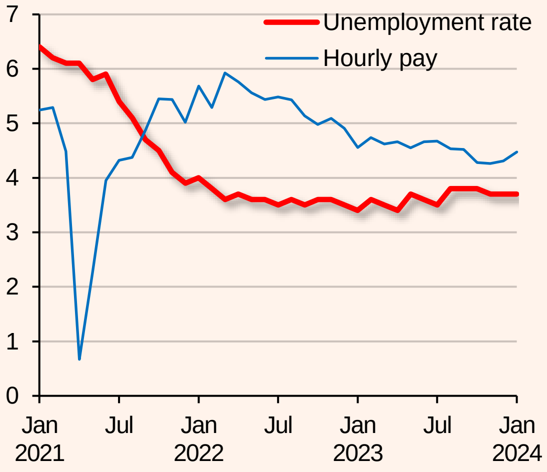
MBA's Purchase Index (mortgage application)
Index



Credit card loans delinquency rate
%, end-period



Unemployment rate and hourly pay
% / %, YoY



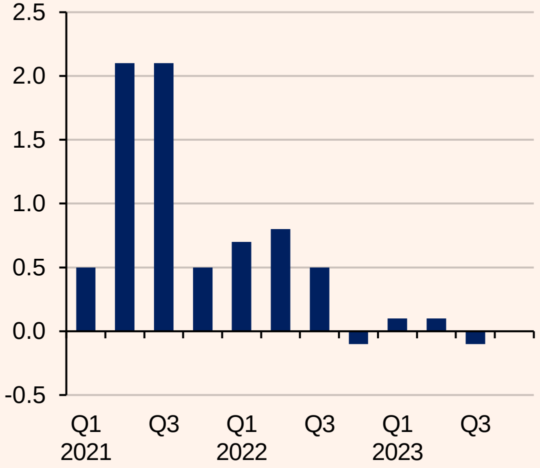
Cautious optimism

- The effects of higher interest rates and the fading of tailwinds.
  - Diminished household's savings
  - Less pent-up demand
  - Moderate wage gains
  - Reinstatement of student loans repayment.
  - Receding fiscal stimulus as major spending programs (the CHIPS and Science Act and the Infrastructure Investment and Jobs Act) have heavily front-loaded.
- Momentum in the labour market is starting to wane with modestly rising unemployment.
- Headwinds for the housing sector.
- Amid cooling inflation trends, the Fed will start to normalise policy rates in 2Q-3Q 2024, taking the Fed funds rate to 4.50%-4.75% at end-2024.

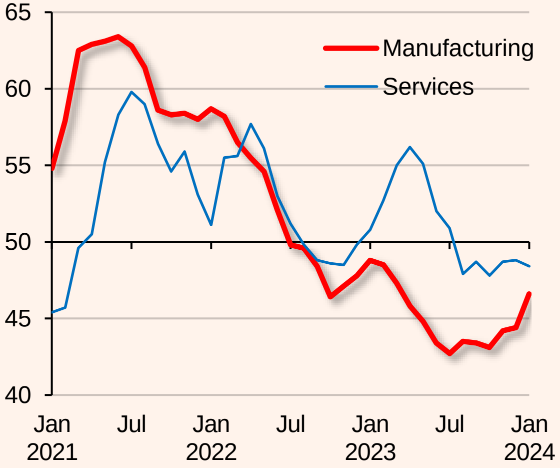
Note: The Purchase Index includes all mortgage applications for purchases of single-family homes. It covers the entire market, both conventional and government loans, and all products.
Source: US Bureau of Economic Analysis; Institute for Supply Management; Federal Reserve System; US Census Bureau; US Bureau of Labor Statistics; Freddie Mac; Mortgage Bankers Association (MBA)

The euro area economy is losing momentum

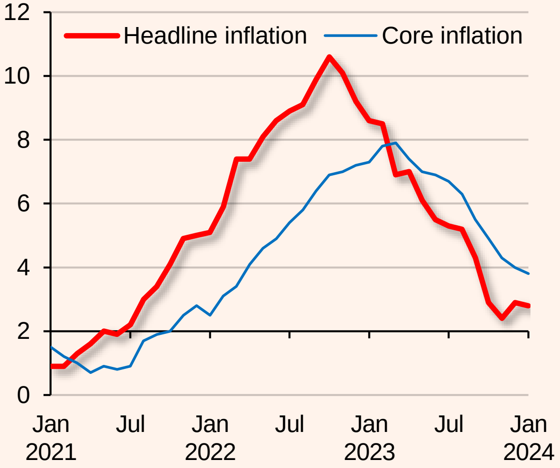
GDP growth
%, QoQ



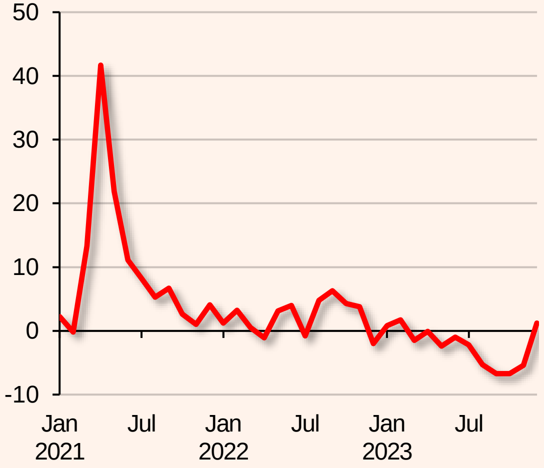
Manufacturing and services PMI
50=Threshold



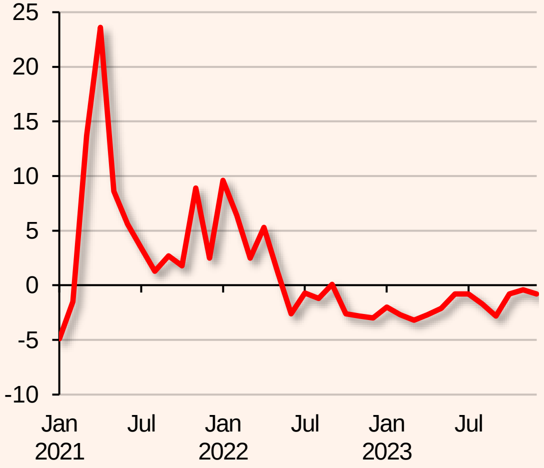
Inflation
%, YoY



Industrial production
%, YoY



Retail trade volume
%, YoY



Extra-EA Exports
%, YoY

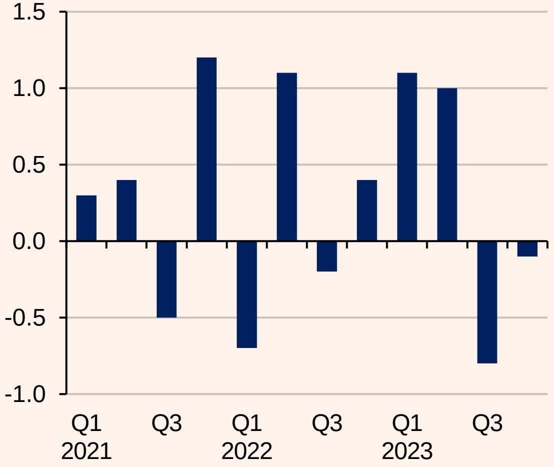
On a weaker footing

- Economic stagnation persists amid a slow recovery in 2H 2024.
- The effects of tighter monetary policy; falling exports, weak manufacturing and services output as well as cautious consumer spending.
- Prolonged disruption at Red Sea could result a renewed supply bottlenecks.
- A possibility of small rate cut in 2024 but interest rates would remain high for a longer period.

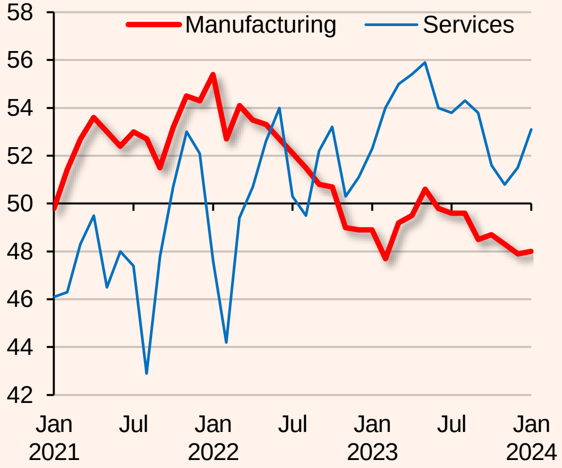
Source: S&P Global; Eurostat

Japan economy ended the year 2023 on a weak footing

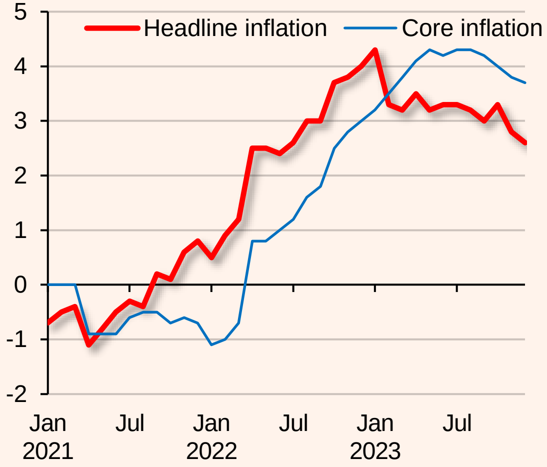
GDP growth
%, QoQ



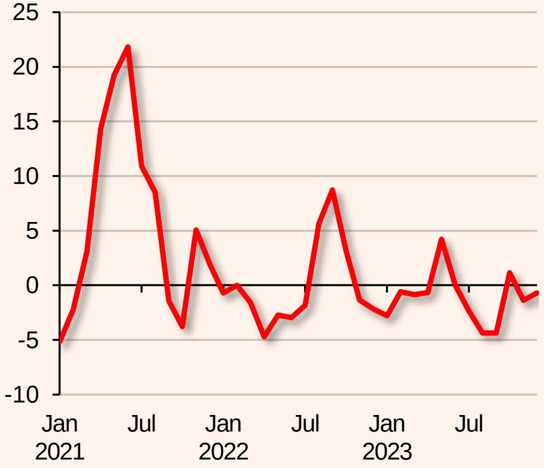
Manufacturing and services PMI
50=Threshold



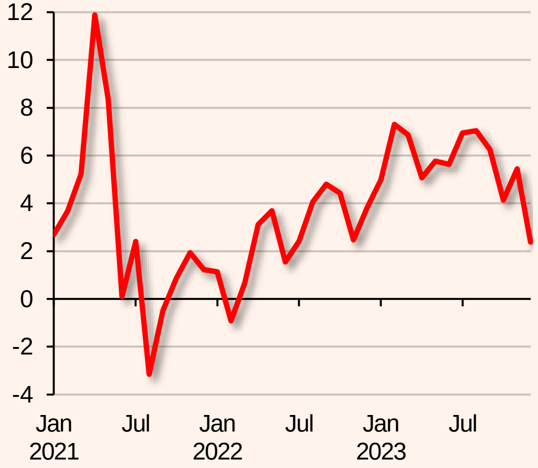
Inflation
%, YoY



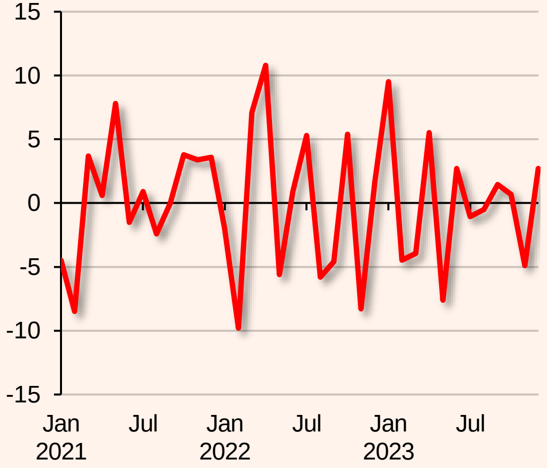
Industrial production
%, YoY



Retail sales
%, YoY



Core machinery orders
%, MoM



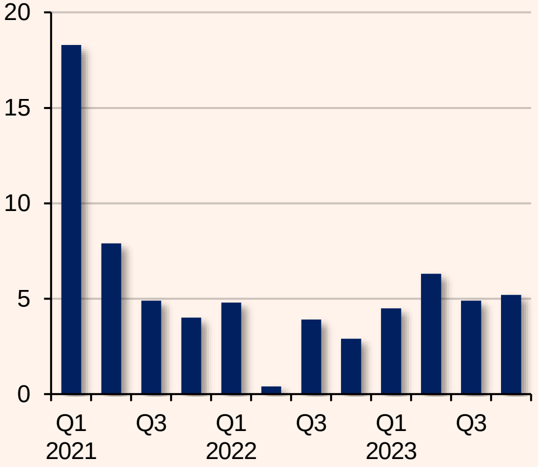
Downside risks to growth

- Technical recession in 2H 2023
- Fading one-off factors, including a surge in inbound tourism.
- Manufacturing activity remained weak; high inflation dampened private consumption and corporate investment.
- Stimulus package worth JPY17 trillion to o cushion the economic blow from inflation.
- Possibility of an end to negative interest rates and the yield curve control.
- Japanese yen may strengthen due to anticipated higher yields resulting from the projected increase in interest rates.

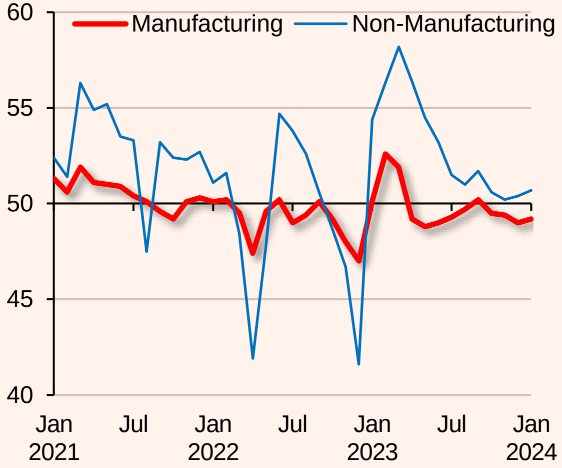
Source: Economic and Social Research Institute (ESRI), Cabinet Office of Japan; Bank of Japan (BOJ); Ministry of Economy, Trade and Industry (METI), Japan; Statistics Bureau, Japan; Japan Customs

China faces critical moment to revive the economy

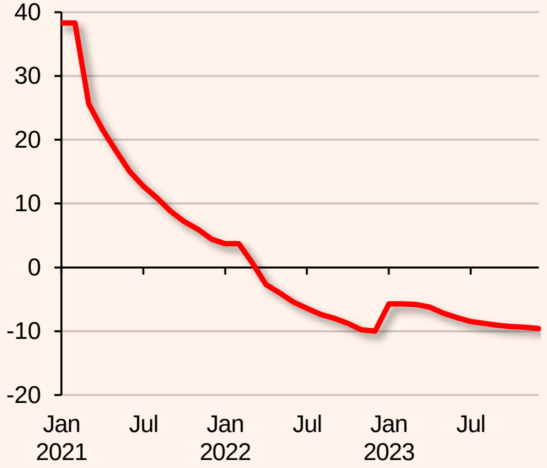
GDP growth
%, YoY



Manufacturing and non-manufacturing PMI
50=Threshold

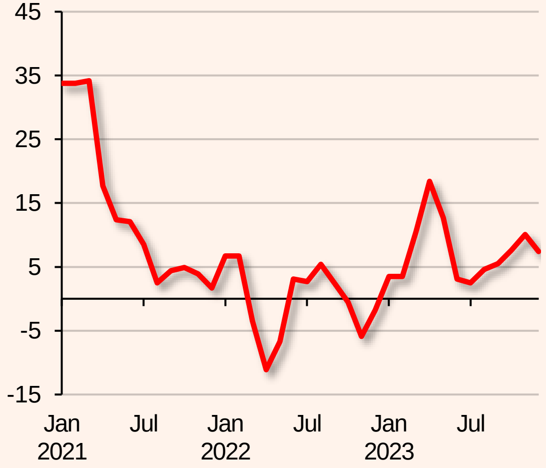


Accumulated real estate development Investment (%, YoY)

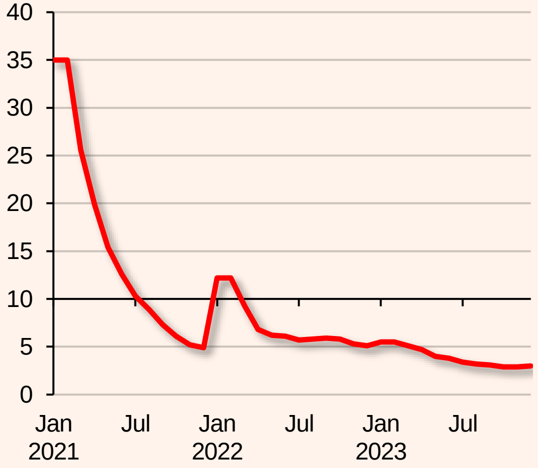


Value-added of industry
%, YoY

Retail
%, YoY



Accumulated fixed asset investment
%, YoY



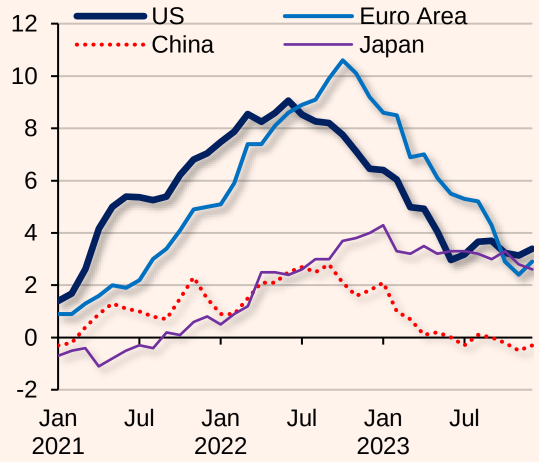
Will economic risks accelerate in 2024

- Manufacturing sector remains under pressure amid a weak domestic recovery and poor external demand. Deflation pressures persist.
- Youth unemployment remain elevated (14.9% in December 2023).
- The embattled property sector remains on the watch list.
- Moody's downgraded China's credit rating outlook to "Negative" from "Stable" in Dec 2023 on rising debt risks.
- Policy direction remains supportive, albeit piecemeal and targeted approach. A 50bp cut in the required reserve ratio (RRR); Chinese banks approved $17 billion of loans under 'whitelist' project; 25 bp cut the banks' 5-yr Loan Prime Rate (LPR) to 3.95% to ease lending cost.
- Geopolitical environment remains challenging.

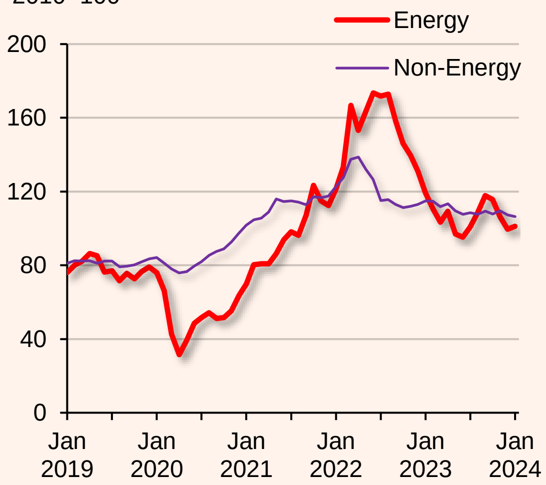
Source: National Bureau of Statistics of China; General Administration of Customs, China

Global disinflation is now well underway but risks could reignite price pressures

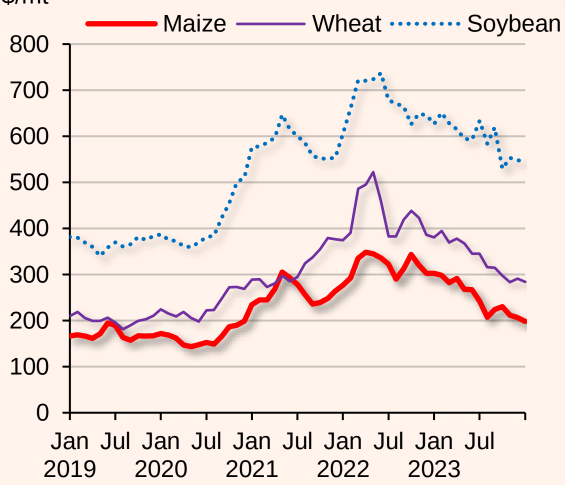
Inflation – Advanced economies
%, YoY



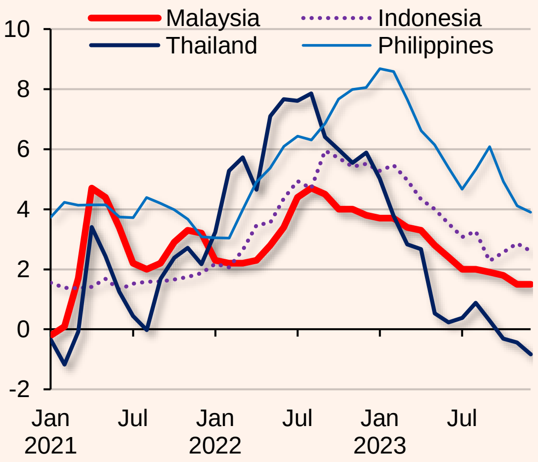
Commodities Price Index
2010=100



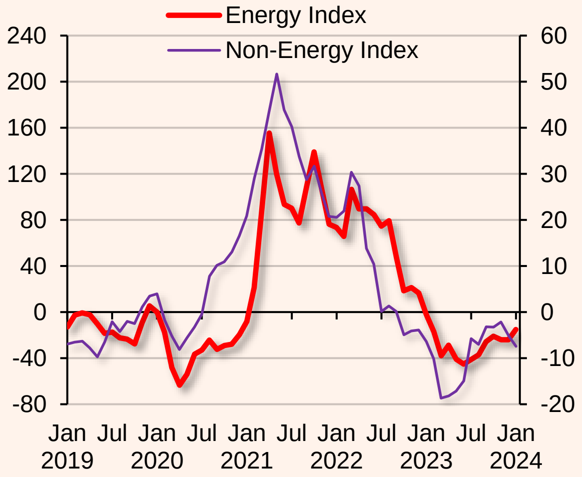
Selected global food prices
$/mt



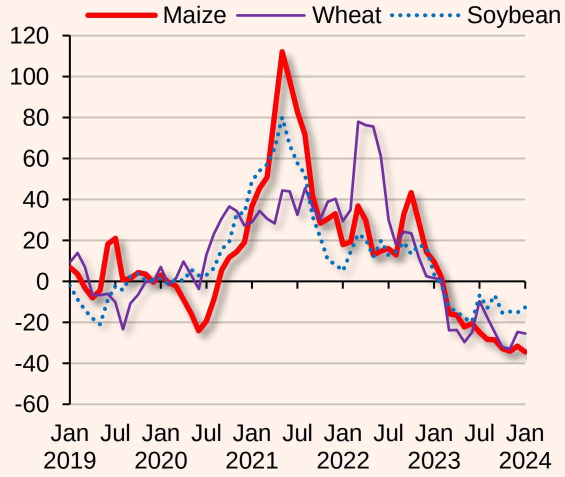
Inflation – Selected ASEAN economies
%, YoY



Energy index **Non-energy index**
%, YoY %, YoY



Selected global food prices
%, YoY



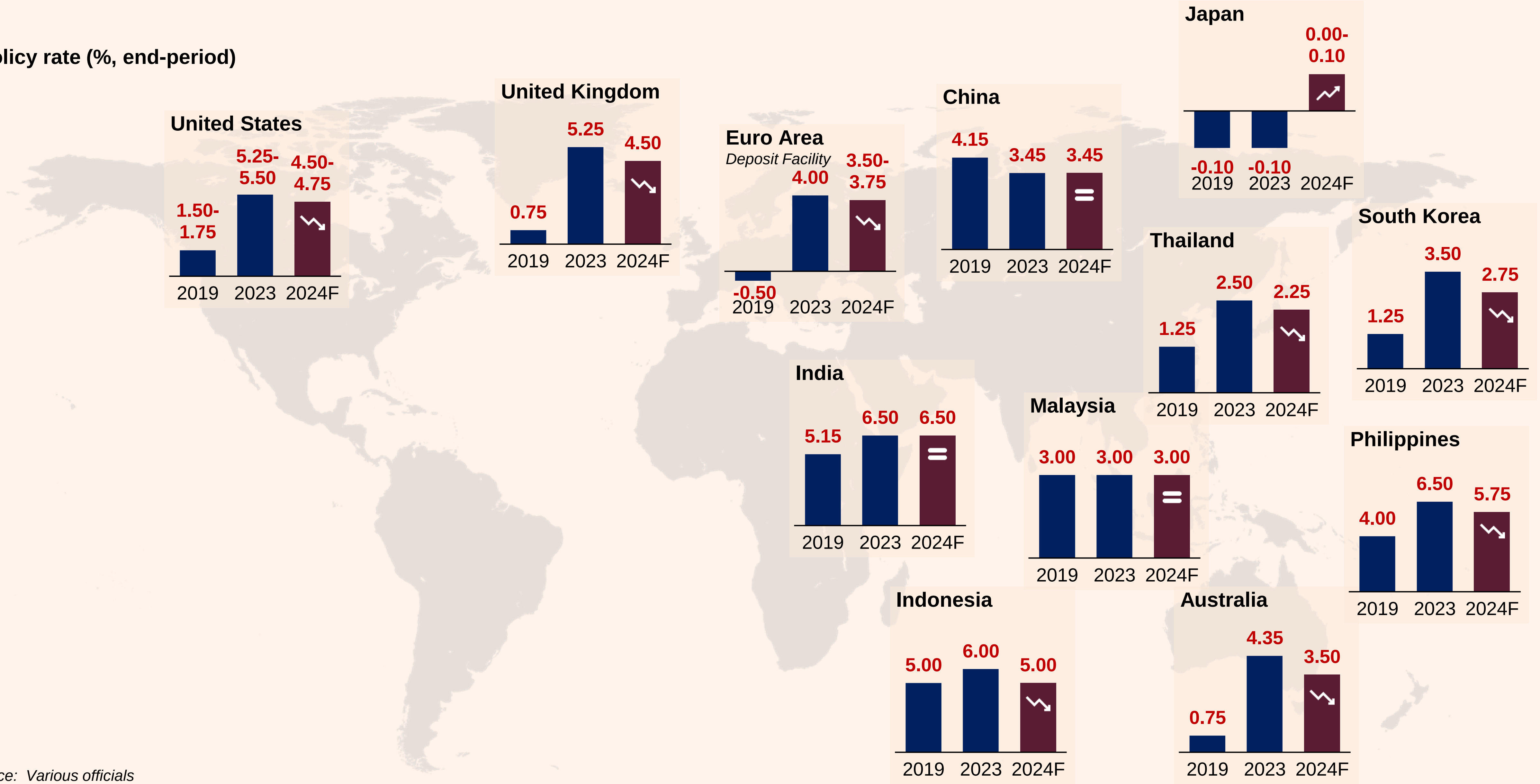
Risks to inflation

- While the fundamental drivers of inflation have tamed price pressures, it is still higher than the central banks' target level.
- China has experienced deflation in recent months.
- Caution risk on inflation outlook:
  - Geopolitical tensions. The on-going conflicts in Ukraine, and recent outbreaks of war in Israel-Palestine, if escalates into a wider region could significantly impact the global economy and commodities market.
  - The slowdown in core inflation was smaller. Sustained price pressures in services driven by strong demand limited the decrease in core inflation.

Source: World Bank; Various officials for inflation data; WorldBank

Global monetary policy tracker

Policy rate (%, end-period)



Source: Various officials

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THANK YOU

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