2024 ECONOMIC REVIEW: GLOBAL ECONOMY

2024 GLOBAL ECONOMIC SNAPSHOT

	GDP		INFLATION		INTEREST RATES		DEBT LEVELS		UMEMPLOYMENT	
	Q1 2024	Q3 2024	JAN 2024	NOV 2024	Q1 2024	Q4 2024	Q1 2024	Q4 2024	Q1 2024	Q4 2024
USA	1.6%	2.7%	3.1%	2.6% *Oct	5.5%	4.8%	124.3%	123.8%	3.7%	4.1%
CHINA	5.3%	4.6%	-0.8%	0.3% *Oct	3.5%	3.1%	23.8%	24.6%	5.2%	5.0%
UK	0.3%	1.0%	4.0%	2.3% *Oct	5.3%	4.8%	100.0%	101.2%	4.0%	4.2%
EURO AREA	0.3%	0.4%	2.8%	2.3%	4.5%	3.4%	80.8%	81.5%	6.5%	6.3%
FRANCE	1.4%	1.2%	3.1%	1.3%	4.5%	3.4%	922.4%	927.55	7.5%	7.4%
CANADA	0.6%	0.9% *Q2	2.9%	2.0% Oct	5.0%	3.8%	931.8%	935.0%	5.7%	6.5%
INDIA	7.8%	5.4%	5.1%	6.2% *Oct	6.5%	6.5%	59.0%	58.3%	7.4%	10.1%
JAPAN	-0.8%	0.3%	2.2%	2.3% *Oct	-0.1%	0.3%	217.0%	217.0%	2.4%	2.5%
GERMANY	-0.1%	-0.3%	2.9%	2.2%	4.5%	3.4%	62.9%	61.9%	5.9%	6.1%
ITALY	0.6%	0.4%	0.8%	1.4%	4.5%	3.4%	137.3%	139.6%	7.2%	5.8%
SOUTH KOREA	3.3%	1.55	2.8%	1.55	3.5%	3.0%	45.5%	46.1%	3.0%	2.7%

GDP Growth: India led with strong growth (7.80% in Q1 and 5.40% in Q3-2024), while Germany and Japan saw negative or stagnant growth.

Inflation: India saw a higher inflation of 6.20%, US, UK, and Euro Area recorded modest decline from Q1 to Q4, while China and Japan stood out with lower inflation rate.

Interest Rates: Generally, interest rates declined across most advanced economies, with the U.S. and UK seeing significant reductions.

Debt Levels: Advanced economies like France and Canada have the highest debt-to-GDP ratios, exceeding 900.00%, while India and South Korea maintained relatively low levels.

Unemployment: Unemployment rates in the advanced economies were mixed, with some countries experiencing a slight increase and others a decrease.

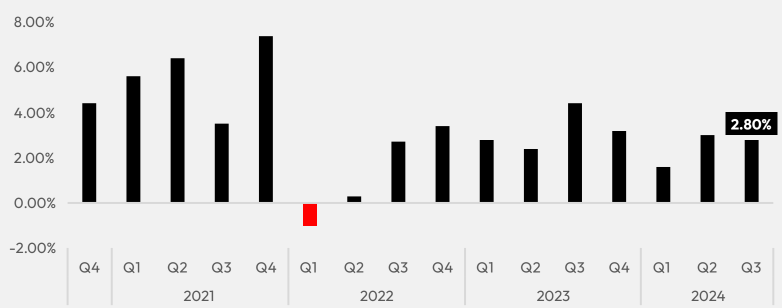
Source: Bloomberg, United Capital Research

UNITED STATES (US) ECONOMY

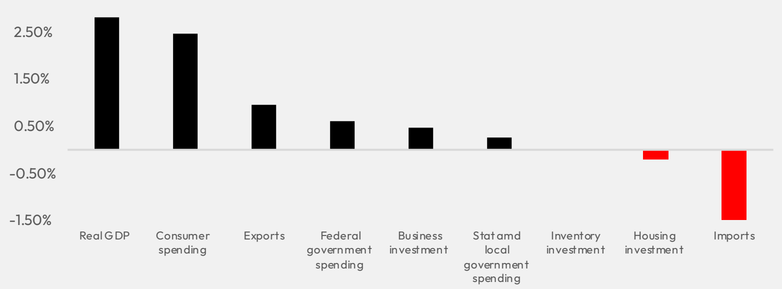
UNITED STATES: GROWTH REBOUNDED BUT REMAINED UNEVEN

US GDP growth rate rebounded but remained unsteady

Real GDP growth rate: Percent change from preceeding quarter



Contributions to percent change in real GDP

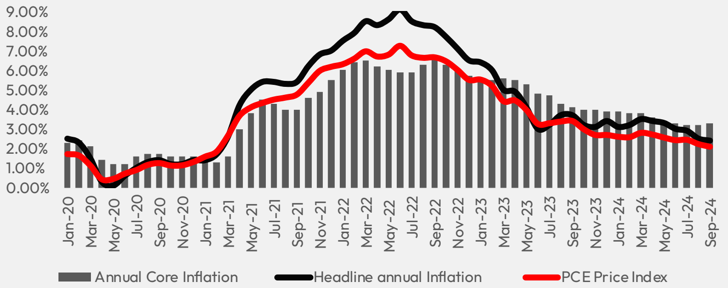


- The US economic growth underperformed in Q1-2024 at 1.60% due to high interest rates, cooling consumer spending, tight labor market conditions, and reduced inventory investments.
- However, the economy rebounded to 3.00% growth in Q2-2024 from the previous quarter's 1.60% due to a resilient job market, moderating inflation, easing supply chain constraint, robust federal and consumer spending.
- Meanwhile, the US saw a slight deceleration in Q3-2024, growing at a 2.80% annualized rate compared to the 3.00% growth in Q2-2024 as a result of slower consumer spending, inventory buildup, job market tightening and export softening.
- The Q3 2024 growth rate of 3.00% reflects a 140-basis-point decline compared to the 4.40% growth reported in the same period of 2023. Imports (-1.49%) and housing investments (-0.21%) were key negative contributors to the Q3 2024 GDP.
- The International Monetary Fund (IMF) projects an annual growth rate of 2.80% for the U.S. economy in 2024, down from 2.90% in 2023. This adjustment reflects an uncertain global landscape, the impact of sustained high interest rates, inventory rebalancing, and labor market tightness.

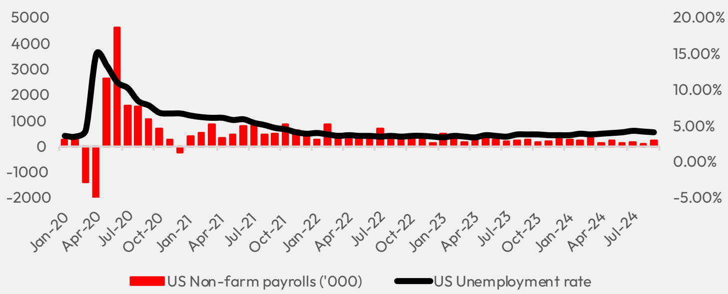
Source: Bloomberg, United Capital Research

UNITED STATES: STEAKY INFLATION HOVERING ABOVE FED'S TARGET

US Inflation continues to trend towards the US Fed's 2.0% target



The cooling labor market reflects policy normalization but could also be a sign of recession



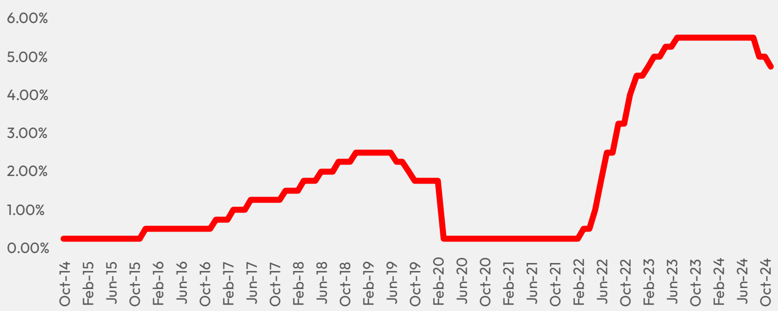
- US inflation regained momentum in Q1-2024. After dropping from a historic high of 9.10% y/y in Jun-2022 to 3.40% in Dec-2023, inflation remained persistently high around 3.10% and 3.50% y/y from Jan to May-2024.
- The highs were driven by persistent core inflation, geopolitical tensions, supply chain disruptions, and wage growth, which kept consumer demand at 3.70% y/y in Q3-2024.
- However, prices eased in Q3-2024, with headline inflation at 2.30% y/y and core personal consumption expenditure (PCE) inflation at 2.70% y/y, both the lowest since Q1-2021 and nearing the Fed's 2.0% target.
- Progress on prices stalled as inflation rose in Oct-2024 at 2.60% and 2.70% in November for the first time since Mar-2024. However, underlying trend suggests another rate cut, but pace of rate cuts will slow in 2025.
- The IMF projects that US inflation will decline to 1.90% in 2024, down from an average rate of 4.1% in 2023. This is due to cooling energy prices, base effect, reduced demand pressure and impact of tight monetary policy.
- Looking at the job market, unemployment rate remained steady at 4.10% in October, with the number of unemployed individuals little changed at 7.00 million. The participation rate also held steady at 62.70%. Job creation has slowed considerably, averaging 184,000 per month, down from 314,000 per month in 2022-2023.
- The cooling labor market may reflect normalisation rather than recession. Despite fears triggered by rising unemployment, stable layoffs and unemployment claims suggest no imminent economic downturn.

Source: Bloomberg, United Capital Research

UNITED STATES: POLICYMAKERS CUT RATES TO SUPPORT ECONOMIC GROWTH

The US Fed began the new phase of interest rate cut in Sept-2024 with a bold move, trimming its benchmark rate by 50bps

US Fed Funds Interest Rate (Midpoint of Range, %)



Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2024.

VARIABLE	MEDIAN				
	2024	2025	2026	2027	Longer run
Change in real GDP	2.0	2.0	2.0	2.0	1.8
Unemployment rate	4.4	4.4	4.3	4.2	4.2
PCE Inflation	2.3	2.1	2.0	2.0	2
Core PCE Inflation	2.6	2.2	2.0	2.0	-
Federal Funds Rate	4.4	3.4	2.9	2.9	2.9

*For each period, the median is the middle projection.

- The Fed held interest rates steady in its first five meetings of the year as it assessed inflationary pressures. However, on 18-Sept, it implemented a 50bps rate cut to 4.75 – 5.50%, signaling confidence in a declining inflation trend.

- Its decision to cut interest rates by 50bps was driven by a combination of moderating inflation and a cooling labor market. The US inflation rate had fallen to 2.50% by August, showing progress toward the Fed's target rate of 2.00%, while core inflation remained slightly elevated, signaling a need for continued policy attention. The labor market, though still robust, showed signs of slowing, making the rate cut a balanced approach to support economic stability without overheating the job market.

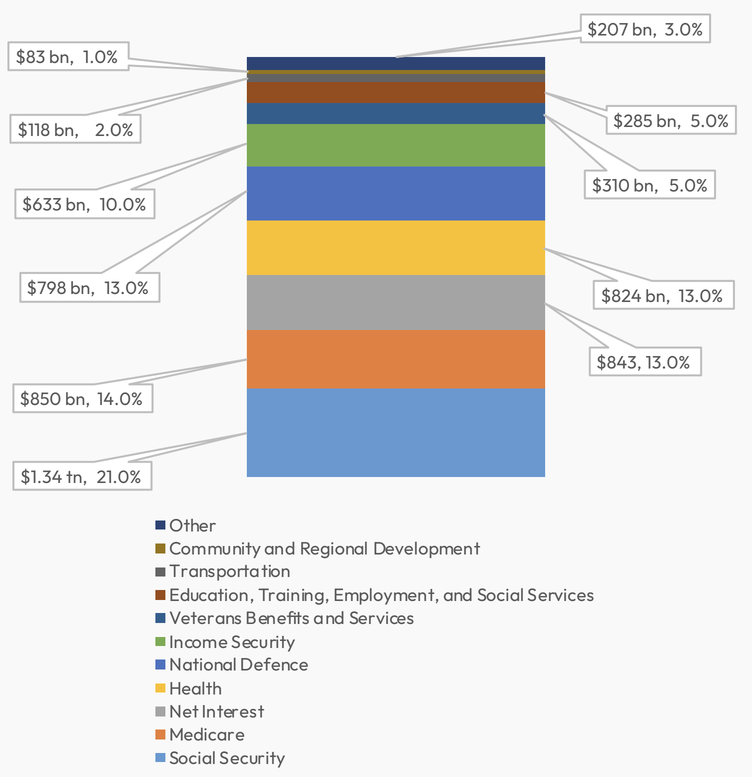
- At its 07-Nov-2024 meeting, the Fed further reduced the interest rate by 25bps, bringing it to a range of 4.50% to 4.75%. This marks the second rate cut of the year, bringing the total reduction to 75bps over the first eleven months of 2024.

- Fed's decision to further cut the interest rate by 25bps in Nov-2024 reflects its ongoing assessment of economic conditions, particularly the need to support sustainable economic growth amid signs of easing inflation.

- Ultimately, Fed's last meeting in Dec-2024 saw another 25bps rate cut. This sums up to 100bps interest rate cut in 2024, bringing the interest rates to 4.25% to 4.50%. Fed may consider a gradual rate cuts through 2025 and 2026.

UNITED STATES: GOVERNMENT EXPENDITURE TICKED UPWARD

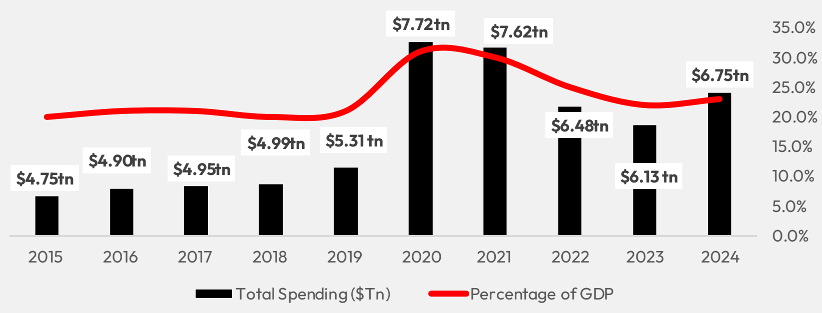
US Government Spending, FYTD 2024



In FY 2024, US Federal Government spending has totalled $6.75tn. This represents a $617.0 bn increase compared to FY 2023. This spending has gone to Social Security, Healthcare, Net Interest, Medicare, National Defence and others. It represents 23.0% of GDP.

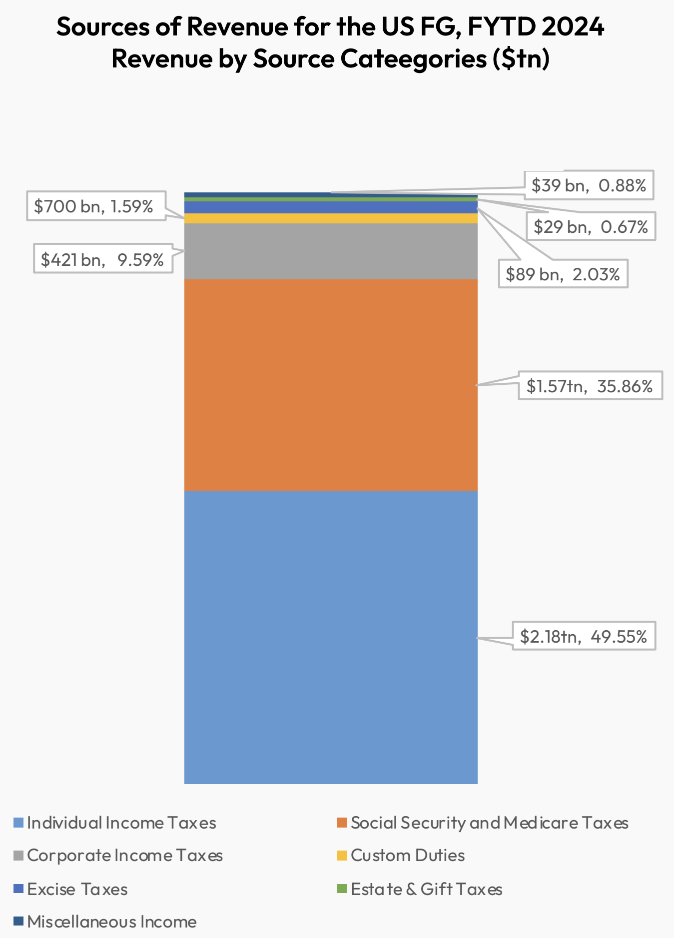
From 2019 - 2021 federal expenditure increase in response to the COVID-19 pandemic, however federal spending showed signs of inching higher in 2024

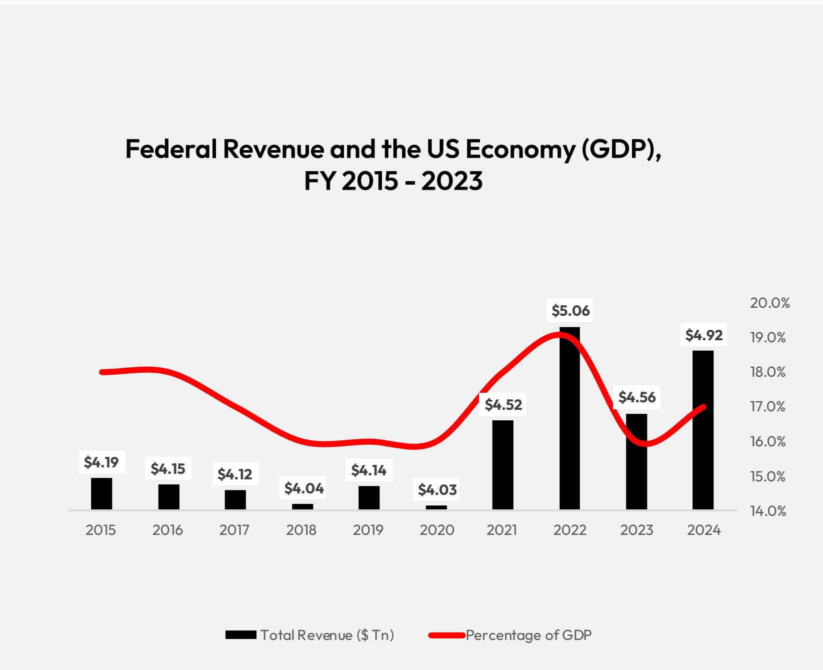
Government spending and GDP, FY 2015 - 2024



Source: Bloomberg, United Capital Research

UNITED STATES: GOVERNMENT REVENUES TAPERED BUT SHOWED SIGNS OF RECOVERY

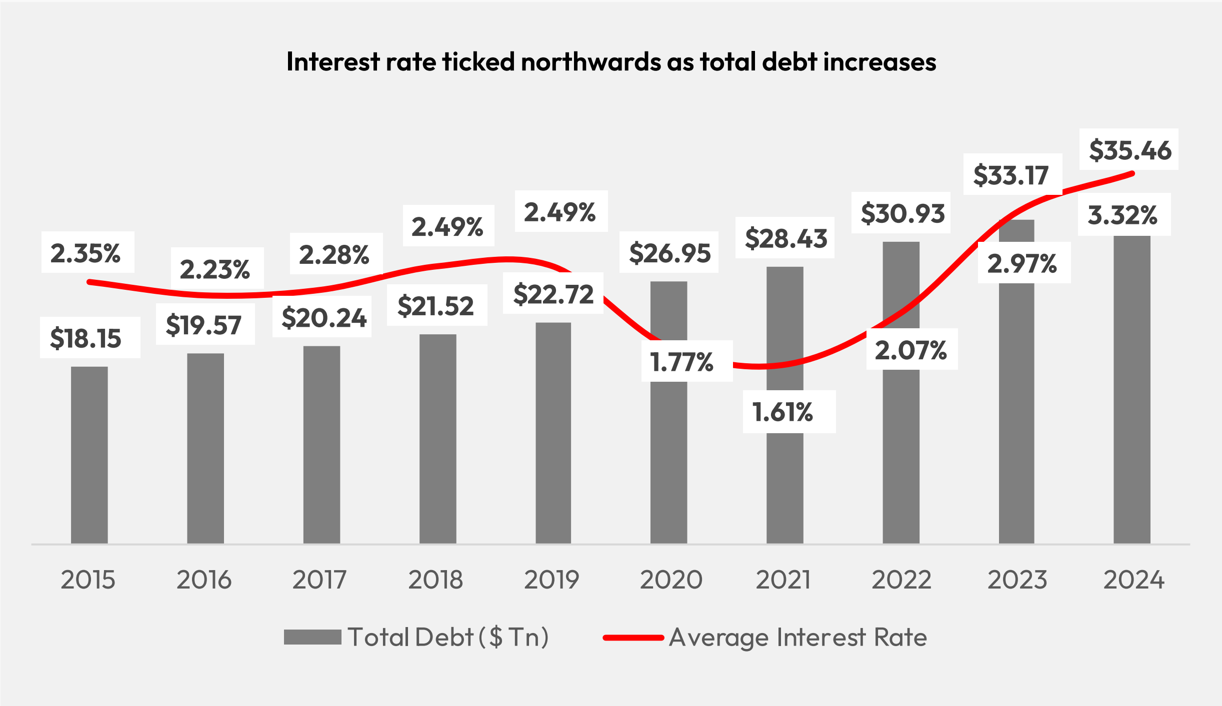


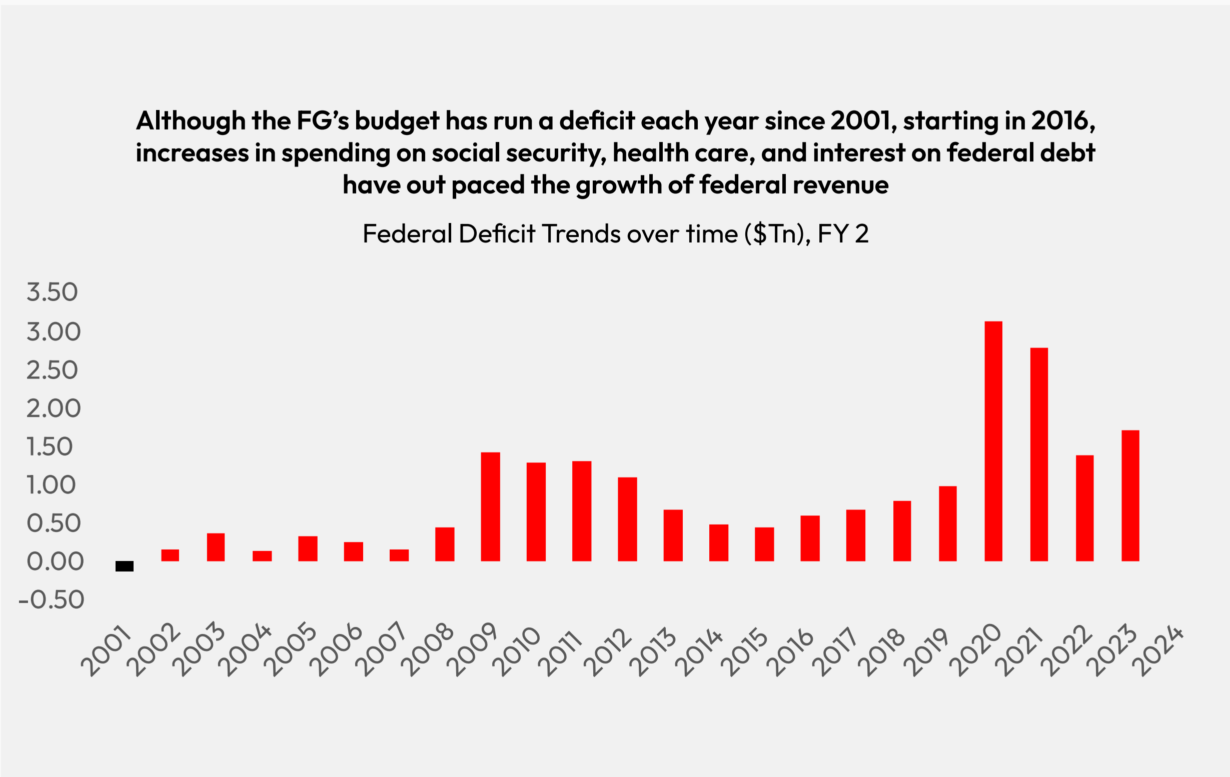


- The US Federal Government has collected $4.39tn in revenue in 2024 vs $4.44tn in 2023. This revenue is comprised of contributions from individual taxpayers, small businesses, and corporations through taxes. Additional sources of tax revenue consist of excise tax, estate tax, and other taxes and fees.
- The US government may experience improved revenue in 2024. The majority (85.41%) of federal revenue comes from individual and corporate taxes as well as customs duties. Federal revenue increases during periods of higher earnings for individuals and corporates because more income is collected in taxes.
- Nonetheless, there is a budget deficit because government spending in FY 2024 was $6.75 tn.

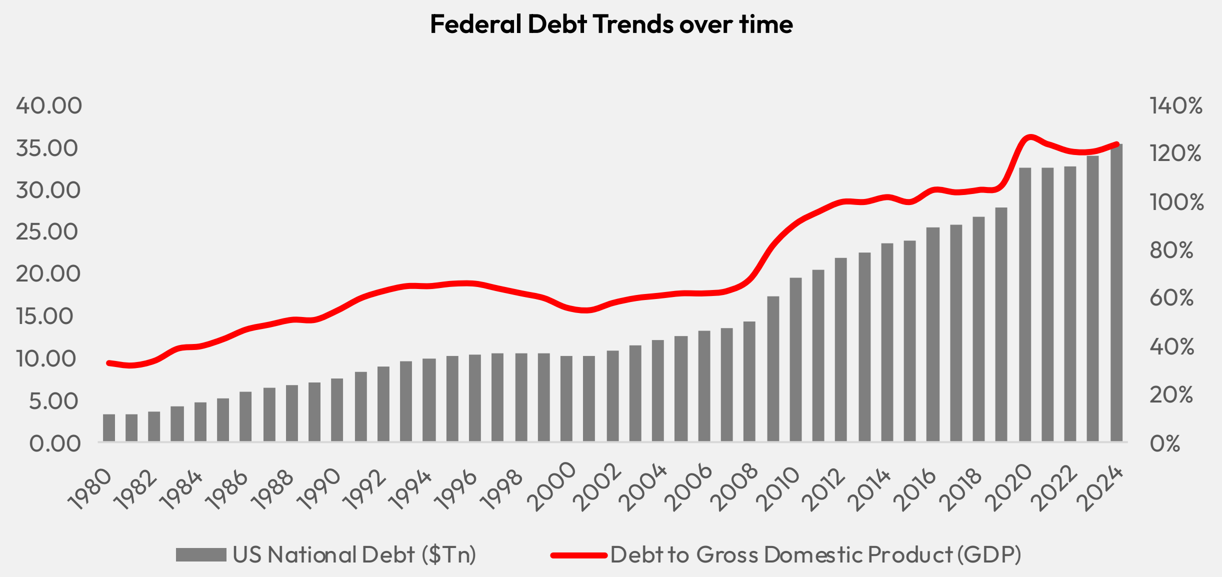
Source: Bloomberg, United Capital Research

UNITED STATES: INTEREST RATES SOARED AS DEBTS BURDEN ACCELERATES





UNITED STATES: INTEREST RATES SOARED AS DEBTS BURDEN ACCELERATES



Explainer:

	Revenue	Spending	Deficit
Year 1	$400	$500	($100)
Year 2	$600	$800	($200)
Debt			($300)

Source: Bloomberg, United Capital Research

CHINESE (CHN) ECONOMY

CHINA: ECONOMIC PERFORMANCE REMAINED UNDERWHELMED IN 2024

China's economy underperformed in 2024
China GDP Growth Rate

Growth rate of major economic indicators

	2020-23 Average	Q2-2023	Q3-2023	Q4-2023	Q2-2024	Q2-2024
GDP	4.8%	6.3%	4.9%	5.2%	5.3%	4.7%
Industrial Production	5.0%	4.5%	4.2%	5.2%	6.1%	5.9%
Retail Sales	4.1%	10.7%	4.2%	8.3%	4.7%	2.6%
Fixed Asset Investment	4.4%	3.1%	1.9%	2.7%	4.5%	3.6%
Exports	9.0%	-4.9%	-9.9%	-1.2%	1.5%	5.8%
Imports	6.4%	-7.0%	-8.5%	0.9%	1.6%	2.5%
Income Per Capita	4.8%	8.3%	6.1%	6.7%	6.2%	4.2%
Fiscal Revenue	4.6%	31.7%	-0.9%	-1.0%	-2.3%	-3.2%
Fiscal Expenditures	3.7%	1.0%	4.1%	9.2%	2.9%	1.1%

- The Chinese economy slowed from 5.30% y/y in Q1-2024 to 4.70% y/y in Q2-2024, reflecting a deceleration in economic activity. This resulted in a 5.00% growth for the first half of the year. On a quarterly basis, Q2 growth was 0.7% higher than Q1-2024.

- GDP reached RMB 61.68tn (US$8.49tn), driven by strong industrial and service sector performance, despite challenges in the real estate market and weak domestic demand.

- In Q3-2024, GDP growth declined further to 4.60% from 4.70% in Q2-2024. This slowdown was primarily due to weakened aggregate demand, impacted by a downturn in the property sector and subdued private consumption. Additionally, the pace of infrastructure investment slowed, and there was a relatively high base of comparison from Q3 2023.

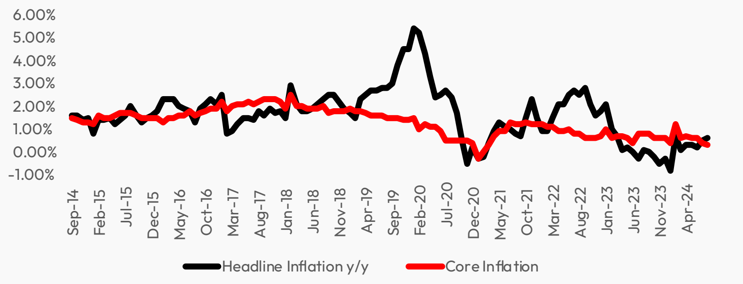
- Meanwhile, the stimulus measures released in Sept and Oct-2024, and the expected fiscal stimulus announced in November, will support growth, but a major part of it will only be felt in 2025. A sustainable rebound in the Chinese economy requires significant structural reforms which may take time to impact the economy. Hence, the Chinese economy may continue being characterized by weak spending and intense price-based competition.

- Consequently, the IMF has projected an annual growth rate of 4.80% compared to 5.20% actual growth rate in 2023.

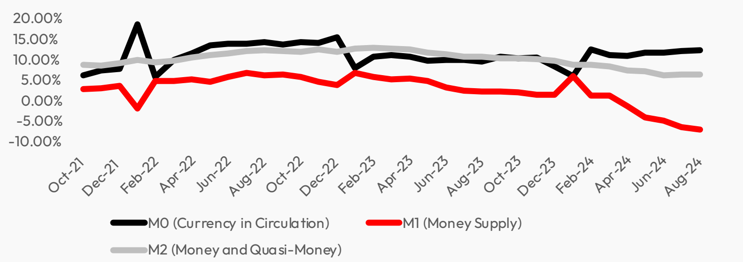
Source: Bloomberg, United Capital Research

CHINA: INTRODUCED STIMULUS INITIATIVES TO REVAMP ECONOMY

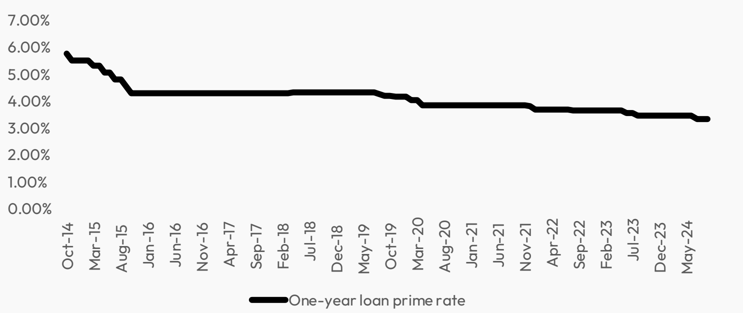
Inflation remains subdued due to weak domestic demand and strong supply-side output



China's Monetary Policy remains accommodative in 2024, supporting economic recovery with stable credit growth and lower loan costs



The People's Bank of China (PBOC) has steadily cut the 1 year prime loan rate in response to signs of slowing price recovery momentum



- In 2024, China's monetary policy remained accommodative, supporting steady economic recovery amid a complex external environment. The People's Bank of China (PBOC) implemented various stimulus measures, including a 0.25 ppt rate cut for rural and small business loans, and a 0.1 ppt cut to the 7-day reverse repo rate.

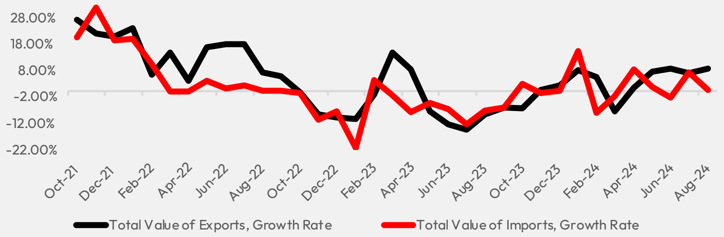
- Outstanding Aggregate Financing to the Real Economy (AFRE) and broad money supply (M2) grew 8.10% y/y and 6.20% y/y, respectively, with new loans totaling RMB13.3tn. The credit structure improved, with medium and long-term loans to manufacturing up by 18.10%, and MSB loans rising 16.50%.

- Financing costs remained stable, with the weighted average rate on new corporate loans down to 3.63%. The RMB exchange rate rose by 2.70%, reflecting a stable currency environment.

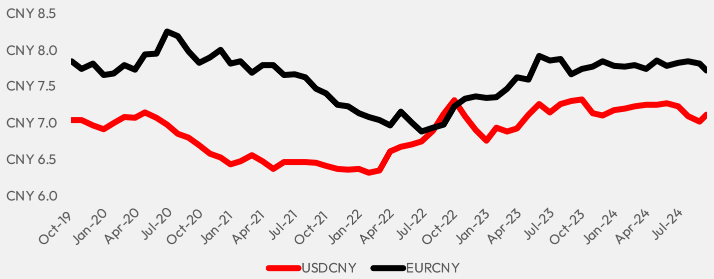
Source: Bloomberg, United Capital Research

CHINA: FOREIGN TRADE EXPANDED IN 2024

Foreign trade expanded, driven by improvement in external demand. ASEAN remains China's largest trading partner.



The Chinese Yuan has remained relatively stable, underpinned by stable domestic economic fundamentals



- In the first ten months of 2024, China's total goods trade reached RMB36.02trnn (US$5.05trn), marking a 5.20% y/y increase. This includes RMB20.80trn (US$2.89trn) in exports, up by 6.70%, and RMB15.22trn (US$2.09trn) in imports, up by 3.2%.

- This was the first time in the same period of history that China's total value of goods trade imports and exports broke through 32 trillion yuan. Notably, the trade surplus expanded by 17.60%, reaching RMB5.58trn RMB (US$770bn).

- The Chinese recorded impressive trade figures in 2024 due to robust demand for Chinese products in various sectors, including electronics, machinery, and textiles. Also, supportive policies aimed at boosting exports, such as streamlining customs procedures, providing export subsidies, and encouraging the development of export-oriented industries bolstered Chinese trade figures in 2024.

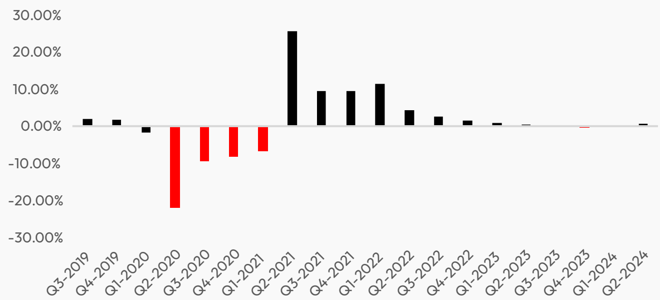
- Generally, the World Trade Organization (WTO) asserted that exports in the Asian region will grow faster than those of any other region in 2024, rising by as much as 7.40%. This will be driven by key manufacturing economies such as China, Singapore and the Republic of Korea. It also indicated that Chinese import growth for 2024 will remain moderate.

Source: Bloomberg, United Capital Research

UNITED KINGDOM (UK) ECONOMY

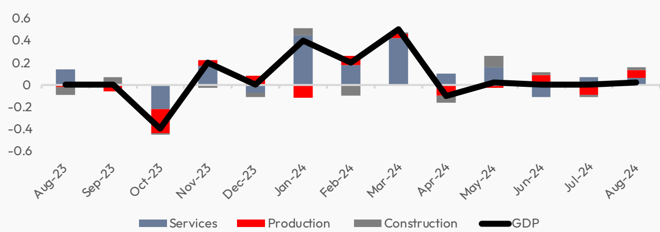
UNITED KINGDOM: ESCAPED TECHNICAL RECESSION IN 2024

UK economy rebounds from technical recession but growth remains underwhelming



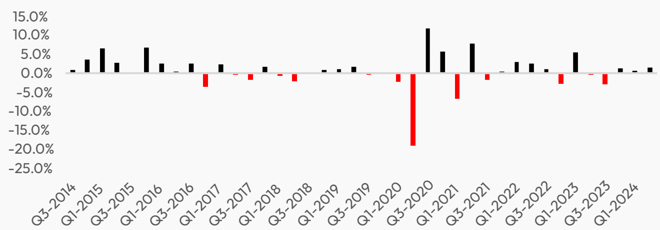
GDP increased by 0.20% m/m in Aug-2024, with growth in all the main sectors

Contributions to monthly GDP growth



UK business investment grew by 1.4%y/y in Q2 -2024, driven by positive contributions from buildings, transport, and intellectual property products (IPP)

Contributions to monthly GDP growth

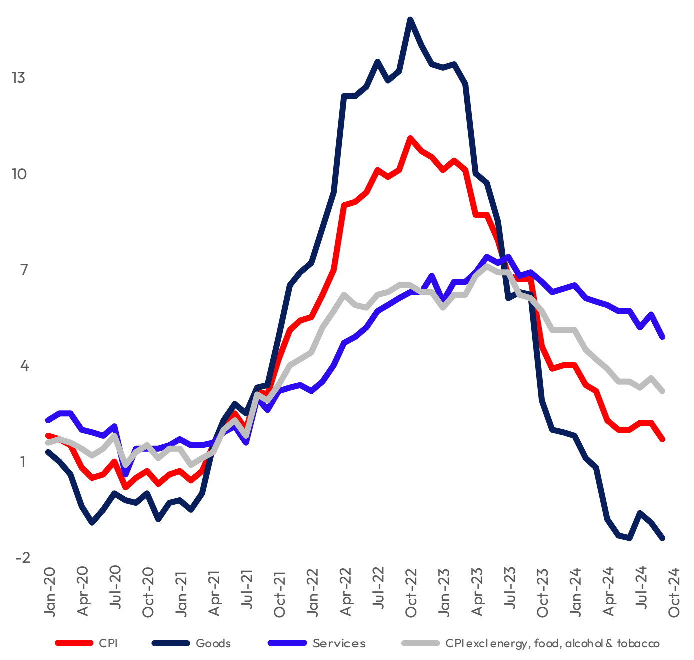


- The UK economy grew by 0.30% y/y in Q1-2024, down from 0.90% in Q1-2023. This was followed by 0.70% growth in Q2 2024, and 0.10 in Q3-2024- escaping a technical recession in late 2023 (Q3 and Q4-2023).
- Economic activity was strongest in the services sector, with consumers benefiting from wage rises and a decrease in inflation. Investments also increased as financing conditions improved, with investors anticipated rate cuts.
- The IMF indicated that the UK's GDP will grow by 1.10% in 2024, up from 0.30% in 2023, driven by stronger-than-expected growth in key sectors such as services, manufacturing, and exports. Contributing factors include the impact of interest rate cuts by the Bank of England, government stimulus measures, easing supply chain disruptions, and the ongoing post-pandemic recovery.

Source: Bloomberg, United Capital Research

UNITED KINGDOM: INFLATION ON A DOWNWARD TRAJECTORY

UK's inflation increased from 1.70% in Sep-2024 to 2.30% in Oct-2024



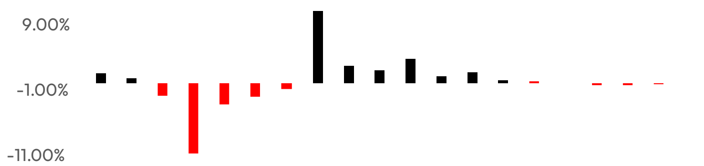
- Inflation in the UK has fallen significantly since it hit 11.10% in October 2022, which was the highest rate for 40 years. However, that doesn't mean prices are falling - just that they are rising less quickly.
- Post-pandemic inflation surged due to the Russia-Ukraine conflict. Although food costs have eased, certain areas of the economy, such as the services sector continue to experience notable price increases.
- Inflation rose from 1.70% in Sept-2024 to 2.30% in Oct-2024/ It is also expected to increase to around 2.50% by the end of the year as weakness in energy prices falls out of the annual comparison.
- The BoE cut interest rates thrice in 2024 (since Mar-2020), recently by 25bps from 5.00% to 4.75% in Nov-2024. This follows a 16-month period of elevated rates.
- The decision to reduce interest rates was to slightly reduce the tightness of monetary policy. The impact of past external shocks had waned, and there was evidence of a moderation in persistent inflationary risks.
- There has been progress in disinflation, particularly as previous external shocks have abated, although remaining domestic inflationary pressures are resolving more slowly.
- BoE Governor, Andrew Bailey noted that that they will make sure inflation stays close to target and cannot cut interest rates too quickly or by too much.

EURO AREA (EA20) ECONOMY

EURO AREA: WITNESSED STRONGEST GROWTH IN TWO YEARS

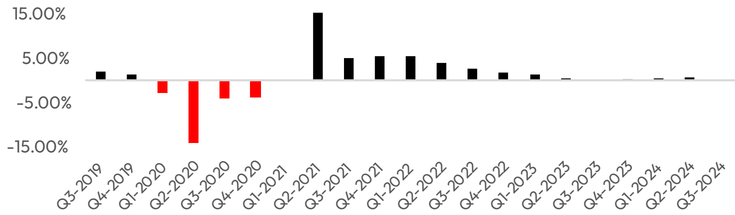
Italy GDP Growth

Germany GDP Growth



France GDP Growth

Euro Area GDP Growth



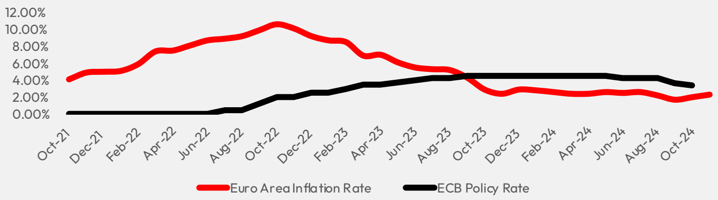
- Eurozone GDP grew by 0.90% in Q3-2024, marking the strongest growth rate in two years and surpassing the 0.20% increase in Q2-2024 as well as forecasts of 0.20%.
- Germany's economy expanded by 0.20%, unexpectedly avoiding recession after a revised 0.30% contraction in Q2-2024. Growth also rose in France (0.40% vs. 0.20% in Q2), while Spain maintained robust growth at 0.80%. Ireland rebounded (2.00% vs. -1.00%), but Italy stalled after a 0.20% rise in Q2-2024.
- Year-on-year, Eurozone GDP expanded by 0.90%, its best performance since Q1-2023, compared to a 0.60% increase in the previous quarter and exceeding forecasts of 0.80%. The ECB anticipates Eurozone GDP growth of 0.80% for the year.
- As the year progressed, Euro Area GDP expanded at a soft and modest pace. Recovery in the industrial sector was fostered by improved external demand, driving exports. Also, the disbursement of EU funds supported economic activity. However, the higher-than-expected debt-servicing costs for the already highly indebted Mediterranean governments due to increased financial and geopolitical instability placed downward pressure on growth.
- Sectoral performance was mixed, with the services sector, including tourism and ICT, outperforming manufacturing. While pharmaceuticals are growing, energy-intensive industries, housing-related sectors, and automotive are in recession.
- There have been disparities across Europe Southern, Central, and Eastern Europe (CEE) showing strength, while Germany, Austria, the Netherlands, and Nordic stagnated. Southern Europe benefited from a strong tourism sector, while CEE growth was driven by fiscal stimulus.

Source: Eurostat, United Capital Research

EURO AREA: INFLATION COOLED AS POLICYMAKERS CUT RATES

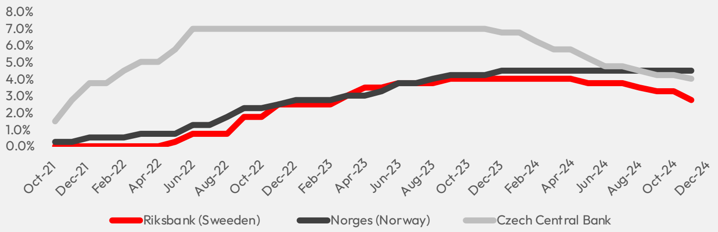
The ECB cuts interest rates for three consecutive times in 2024 as inflation dropped to 1.70% y/y below its 2.00% target

EA inflation vs ECB interest rate



European Central Banks have pivoted to dovish monetary policy, though they differ in approach

Central Bank benchmark interest rate cuts



- Eurozone inflation steadied at 2.40% in Q1, marking the 7th consecutive month below 3.00%. As services sector price growth slowed to 3.70%, expectations for rate cuts in Q2 increased.

- Inflationary pressures eased in Q3, falling to 1.70% in September. However, it rebounded to 2.00% in October and 2.30% in November.

- Inflation varied across Europe, with CEE countries like Poland, Hungary, and Romania facing high inflation, while Switzerland, Italy, and Ireland saw rates below 1.00% due to different wage growth and price regulation policies.

- The Euro area remain influenced by both external and internal factors, including global energy markets and domestic demand conditions.

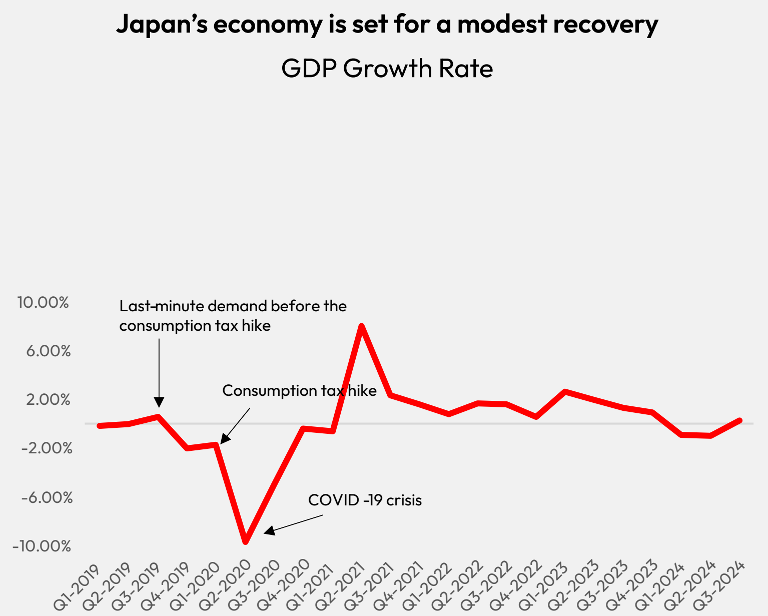
- The IMF forecasts Eurozone inflation to hit 2.40% in 2024, surpassing the ECB's 2.00% due to concerns that rising wages may drive up prices, as well as sustained energy costs (though lower than pre-crisis levels) and persistent core inflation.

- Meanwhile, due to the downward trend of inflation at the 2.00% target and the subdued momentum of the EU economy, Central Banks in the region began cutting their interest rates, though at varying paces. The ECB decided on three 25bps cuts in Jun, Sept and Oct-2024. In Sweden, the Riksbank opted for an aggressive path, cutting its rate by 50bps to 2.75%, targeting a 2.00% rate.

Source: Bloomberg, United Capital Research

JAPANESE (JP) ECONOMY

JAPAN: ECONOMY SET FOR A MODEST RECOVERY



	Real GDP	CPI (all items less fresh food)	CPI (all items less fresh food and energy)
Fiscal 2024	0.5 to 0.7 [0.6]	2.4 to 2.5 [2.5]	1.9 to 2.1 [2.0]
Fiscal 2025	1.0 to 1.2 [1.1]	1.7 to 2.1 [1.9]	1.8 to 2.0 [1.9]
Fiscal 2026	0.8 to 1.0 [1.0]	1.8 to 2.0 [1.9]	1.9 to 2.2 [2.1]

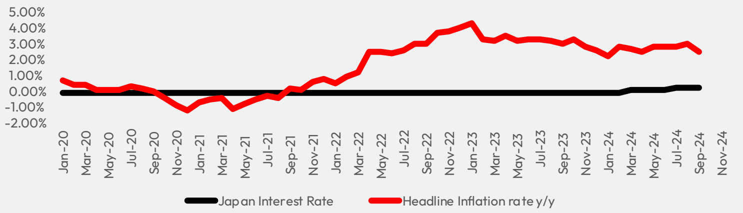
*Figures in brackets indicate the medians of the Policy Board member's forecasts.

- Japan's GDP grew by 0.30% y/y in Q3-2024 showing a 1.10% improvement when compared to Q2 reading. This increase is due to the success of spring wage negotiations that saw the highest average pay in over 30 years, and a recovery in the automotive industry after scandals involving some big automakers.
- Japan's economy has experienced moderate recovery, with some areas showing weakness.
- Corporate profits have improved, and business sentiment remains favorable, leading to a moderate increase in business fixed investment. Employment and income levels have improved, contributing to a steady rise in private consumption, despite challenges from price increases and other factors. However, housing investment has been relatively weak, and public investment has remained stable. Financial conditions have been accommodative, supporting economic activity.
- Although overseas economies have grown moderately, Japan's exports and industrial production have remained largely flat. Real exports improved by 1.40% q/q as goods exports rose by 0.60% q/q with the return of automobile production. However, this was offset by a 1.70% q/q growth in real imports, led by goods imports.
- The IMF has projected that the Japanese economy will grow at 0.30% in 2024 as against 1.70% actual in 2023. This is due to prolonged period of ultra-low interest rates which left limited room to stimulate growth via monetary easing, and rapidly aging population leading to a shrinking labor force, limiting growth potential and consumer demand, which constrains the economy's ability to sustain higher growth rates.

JAPAN: HIGHER GLOBAL COMMODITY PRICES SPURRED INFLATION

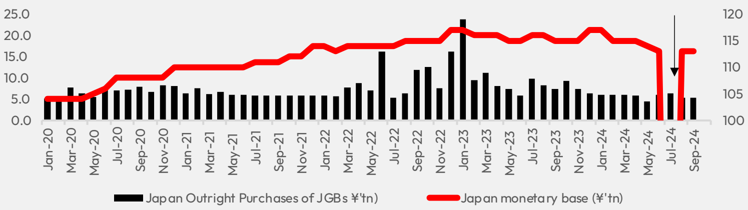
The BOJ exits its ultra-loose monetary policy, bringing its Quantitative and Qualitative Easing (QQE) programme to a close

The BOJ set the overnight call rate as its new policy rate



The BOJ has decided to reduce the volume and frequency of its purchase of Japanese Government bonds

Japan Outright Purchases of JGBs (¥'tn) vs Monetary Base MO



- Inflation in Japan has hovered around 3.00%, a significant departure from its historical norm of sub -1.00% or outright deflation. This shift is partly due to supply chain disruptions, higher import costs linked to a weaker yen, and energy price fluctuations.
- Core consumer inflation accelerated to 2.20% in Nov-2024 compared to 1.80% in Oct-2024, above the central bank's 2.00% target. This exceeds a median market forecast of 2.10%.
- Japan's households are hit by rising rent, utility bills and food costs. Part of the increase in core CPI was due to a phase-out of utility subsidies.
- Japan's aging population and slow wage growth continue to moderate inflationary pressures. However, external factors like higher global commodity prices are contributing to sustained price increases.
- The BoJ raised its policy rate from 0 – 0.10% range to 0.25% with a hawkish tilt subject to the economic outlook. This was the second rate increase this year; the first hike was done in Mar-2024 after 17 years. It aimed to curb the JPY/USD slide which had weakened to ¥160.00/$ levels. The BoJ also outlined its plan to reduce the bond buying program, cutting the monthly purchases of JGBs to ~¥3.00tn or $19.64bn in Q1-2026.

Source: Bank of Japan, Bloomberg, United Capital Research