



Press release

Global Focus Economic Outlook Q2-2024 – Decision Time

Standard Chartered lower its Australia GDP growth forecasts for 2024 to 1.5% to reflect the slowdown in growth momentum

2 May 2024, Sydney – Standard Chartered (“the Bank”) now expects global GDP growth of 3.1% this year, unchanged from 2023, and 3.2% in 2025, an improvement from earlier forecasts of 2.9% and 3.1%.

According to the Bank’s Global Focus Economic Outlook Q2-2024, which covers the outlook for 58 economies, including key geopolitical issues and financial market implications this year and beyond, Asia is set to remain the primary engine of global growth, with Africa and MENAP expected to grow faster in 2024 than in 2023. That said, key elections in multiple countries this year may temporarily weigh on investment activity and decisions over the timing and pace of rate cuts remain challenging given lingering inflation concerns.

In the Bank’s view, major central banks are likely to start their rate-cutting cycles in the coming months, opening the door for Q3 policy easing by central banks in Asia. Whilst inflation has moderated over the past year, domestic price pressures are still a concern given strong labour markets and sticky wages in many economies. USD strength amid reduced US rate cut expectations may also keep regional central bank focus on FX stability.

China continues to export disinflation, but global goods prices remain vulnerable to periodic supply-chain disruptions. The disinflationary impact of falling food and energy prices may be waning before lower inflation expectations become anchored. In particular, rising global oil demand and subpar non-OPEC supply may drive prices higher even if OPEC output cuts are not extended into H2.

While inflation has yet to return to target in many economies, central banks are also wary that keeping rates too high for too long risks damaging economic activity. Elevated real interest rates have weakened credit availability and raised debt delinquency rates, and the impact of earlier monetary tightening is likely still working its way through.

Standard Chartered expects below-trend growth across major economies for much of 2024. The Bank's US growth forecast upgrade for 2024 reflects current labour-market strength and ongoing growth momentum from H2-2023. But deteriorating labour-market surveys and falling real incomes point to softer US growth in H2-2024. The euro-area economy likely stalled in Q1 and the credit impulse remains negative. Standard Chartered expect another year of sub-1% GDP growth, albeit with momentum improving on higher real wage growth.

Sarah Hewin, Head of Research, Europe and Americas at Standard Chartered Bank

commented: "Global activity is likely gradually to regain momentum as monetary policy becomes less restrictive; lower policy rates should underpin stronger global growth in 2025. Among major central banks, we expect the European Central Bank and the Bank of Canada to start cutting rates in June, the United States' Federal Reserve System in July, and the Bank of England in August. These are close calls, particularly in the US; each inflation-related data point in the coming months will be key."

On Australia

Edward Lee, Chief Economist, ASEAN and South Asia, Standard Chartered Bank explains that the Bank is lowering its Australia GDP growth forecasts for 2024 and 2025 to 1.5% and 2.3% from 1.7% and 2.4%, respectively, to reflect the slowdown in growth momentum. In particular, household spending remains very soft. In Q4 2023, household expenditure barely rose by 0.1% quarter-on-quarter, seasonally adjusted (SA), after contracting 0.2% in the previous quarter. Discretionary spending contracted for a third consecutive quarter. With real household disposable income barely rising 0.3% year-on-year in Q4-2023, the Bank expects household spending to have been curtailed. Having said that, consistent easing of inflation throughout this year may help prevent spending from contracting too sharply.

As for inflation, Edward noted that, "Inflation is overall on the right track. The quarterly trimmed mean and headline CPI have fallen 5 consecutive quarters on a year-on-year basis as of Q1. Similarly, the quarterly services CPI eased to 4.3% year-on-year, down for 3 consecutive quarters on a year-on-year basis. But inflation remains sticky. The latest inflation print illustrates that the disinflation may be slower than what the RBA is projecting. March CPI excluding volatile items and holiday travel also accelerated for the third consecutive month. We had been anticipating rate cuts to commence in Q4-2024, but the risk of a rate hike ahead has now risen due to the latest inflation outcome."

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