

HIGHLIGHTS



In Summary:

- Global growth slowed in the second half of 2023 as tighter monetary policy restricted domestic demand in several countries.
- Domestically, Gross Domestic Product at constant prices (real GDP) expanded in the first quarter of 2023, driven by positive output in the non-energy sector. Preliminary indicators suggest that domestic economic activity in the non-energy sector remained robust in the second and third quarters of 2023 while energy sector production waned.
- Headline inflation slowed significantly during the second half of 2023, as price increases for both food and non-food items eased.
- The Central Government's fiscal accounts recorded a deficit in the first month of fiscal year (FY) 2023/24, underpinned by higher expenditure and lower energy receipts compared to the previous year.
- Ample excess liquidity supported robust credit growth of 7.2 per cent during the second half of 2023. Excess liquidity increased to a daily average of \$5.5 billion over July to December 2023, compared to \$5.1 billion over the same period in 2022.
- The Repo rate remained unchanged at 3.50 per cent during the second half of 2023, in support of the domestic economic recovery.
- Gross official reserves amounted to US\$6,257.9 million at the end of 2023, equivalent to 7.8 months of import cover.

Economic activity is expected to improve in 2024, bolstered by continued buoyancy in the non-energy sector, while activity in the energy sector will likely remain subdued. The energy sector continues to face the challenge of constrained gas supplies, coupled with the natural decline in production rates at mature hydrocarbon-producing wells. The non-energy sector is expected to benefit from the continued strength in business activity, alongside robust consumer demand. Inflation is expected to remain low in 2024, barring fresh external shocks. Weather conditions, possibly higher utility rates and the levy of property taxes could potentially prompt an uptick in domestic inflation.

EXTERNAL DEVELOPMENTS



Global growth slowed in 2023. Growth is estimated at 3.1 per cent for 2023, down from 3.5 per cent in 2022.



Economic growth in **Emerging Market and Developing Economies** partially offset weaker growth in Advanced Economies, with the former expanding by 4.1 per cent in 2023.

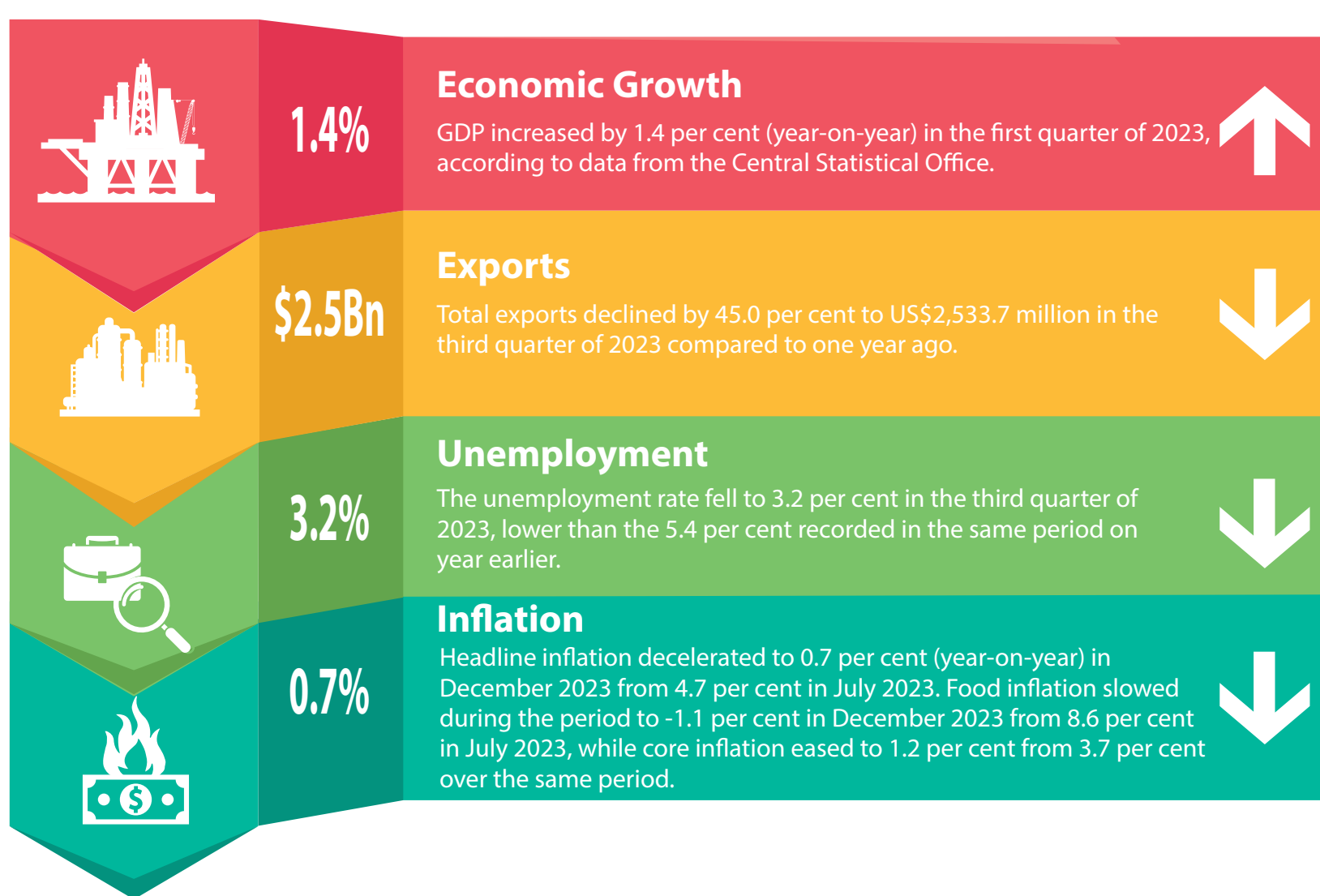


Crude oil and natural gas prices declined during the second half of 2023, reflecting softer global demand and concerns about higher interest rates for a prolonged period.



Although gradually easing, **inflation rates** remained above target in several Advanced Economies.

DOMESTIC DEVELOPMENTS



DECEMBER 2023

