



1.4 Despite higher interest rates, advanced economies (AEs) witnessed stable growth in the first half of 2024. This was on account of moderating inflation and sustained employment and consumption.³ However, the growth outlook differs between the United States (US) and the Euro Area. Growth in the US is expected to remain strong at 2.8 per cent in 2024 and may decline slightly in 2025, reflecting a moderation in consumption and exports.⁴

1.5 In the Euro area, growth is expected to improve from 0.4 per cent in 2023 to 0.8 per cent in 2024 and further to 1.0 per cent in 2025 on the back of improving services activity. However, growth outcomes in Europe have been varied. Some countries like Spain, France, Poland, and the United Kingdom have benefitted from the strength of their services sector. Meanwhile, manufacturing-intensive countries like Germany and Austria are being weighed down by weak demand.⁵ Germany's structural weaknesses, particularly in manufacturing (Chart I.3), have been noticeable, contributing to the slackness in Europe's manufacturing. Political developments in France and Germany are also adding to policy uncertainty in Europe's major economies.

1.6 The divergence of the growth trajectories of Europe and the US can also be seen in Citi Economic Surprises indices for these countries (Chart I.4). These indices compare actual data releases with analyst expectations. A value above zero indicates the data

3 Euromonitor International. (2024). Global economic outlook: Q3 2024. Euromonitor International. <https://www.euromonitor.com/article/global-economic-outlook-q3-2024>.

4 International Monetary Fund. (2024). Regional economic outlook: Western Hemisphere, October 2024. <https://tinyurl.com/2ep72n66>.

5 International Monetary Fund. (2024). Regional economic outlook: Europe, October 2024. <https://tinyurl.com/2s377x4z>.