

Singapore economy expanded slower in 4Q18

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Highlights

- **The Singapore economy expanded by a slower 2.2% yoy (1.6% qoq saar) in 4Q18**, marking a modest slowdown from 2.3% yoy (3.5% qoq saar) in 3Q18 but also the slowest yoy growth since 3Q16 (1.7% yoy). This was slightly below our expectations for 2.3% yoy (2.9% qoq saar) and also the Bloomberg consensus forecast for 2.5% yoy (3.6% qoq saar).
- **The manufacturing sector saw a pickup in momentum from 3.7% in 3Q18 to 5.5% yoy in 4Q18, but still shrank 8.7% qoq saar (which is the first annualised qoq drop in a year)** which suggested that the softening global demand environment was starting to weigh into the year-end and the frontloading activities seen earlier to pre-empt the US-China tariffs were starting to fade as well. Notably, the biomedical manufacturing and electronics clusters performed robustly and more than offset the precision engineering cluster's weakness. Meanwhile, the services sector decelerated to 1.9% yoy, but remained supported largely by the finance & insurance, business services and infocomms sectors. However, the construction sector remained the laggard and has been contracting since 3Q16 with the latest 4Q18 print at -2.2% yoy in 4Q18 amid weakness in public sector construction activities, albeit it expanded sequentially for the second quarter by 1.1% qoq saar. That said, private residential property prices fell for the first time in six quarters by 0.1% qoq in 4Q18, compared to +0.5% qoq in 3Q18, according to URA data, which suggested that the recent cooling measures are working.
- **This brought the full-year 2018 GDP growth to 3.3% yoy, which is a modest slowdown from 3.6% in 2017**, but within our expectations and also within the government's 3.0-3.5% yoy forecast range. The official 2019 GDP growth forecast currently stands at 1.5-3.5% yoy, which suggests some potential downside risk from 2018's 3.3% yoy print.
- **Our 2019 GDP growth forecast is 2.7% yoy.** Given the external economic environment remains fraught with uncertainties such as whether the 90-day truce for the US-China trade war will materialise into a more lasting deal, geopolitical tensions and lingering questions over China's growth slowdown. This is also coupled with a climate of choppy financial markets, somewhat wavering business and consumer confidence, and uncertainty over tightening global financial conditions. For now, one key date ahead to watch includes the 2019 Budget on 18 February, which can incorporate a slightly looser fiscal stance if need be to accommodate any accentuated downside growth risks. The foreign ministers of Singapore and Malaysia are also scheduled to meet on 8 January to discuss bilateral issues.

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Gross Domestic Product at 2010 Prices

	4Q17	2017	1Q18	2Q18	3Q18	4Q18*	2018*
Percentage change over corresponding period of previous year							
Overall GDP	3.6	3.6	4.5	4.1	2.3	2.2	3.3
Goods Producing Industries							
Manufacturing	4.8	10.1	10.4	10.9	3.7	5.5	7.5
Construction	-5.0	-8.4	-5.0	-4.0	-2.5	-2.2	-3.4
Services Producing Industries	3.5	2.8	4.0	2.8	2.6	1.9	2.8
Quarter-on-quarter annualised growth rate, seasonally-adjusted							
Overall GDP	2.1	3.6	2.1	1.4	3.5	1.6	3.3
Goods Producing Industries							
Manufacturing	-14.8	10.1	24.6	5.5	3.1	-8.7	7.5
Construction	-0.2	-8.4	1.5	-13.6	3.3	1.1	-3.4
Services Producing Industries	6.3	2.8	-1.4	0.2	5.3	3.7	2.8

*Advance estimates

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