

S'pore's 4Q19 GDP growth was 0.8% yoy (0.1% qoq saar) according to advance estimates, bringing full year 2019 growth to 0.7% yoy (slowest since 2009).

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Highlights

Singapore's advance 4Q19 GDP growth came in at 0.8% yoy (0.1% qoq saar), in line with Bloomberg consensus forecast of 0.8% yoy but slower than the 0.4% qoq saar pace anticipated. In addition, the 3Q19 GDP growth estimates were also revised higher from 0.5% yoy (2.1% qoq saar) to 0.7% yoy (2.4% qoq saar) as well. This latest advance GDP growth release confirms that the Spore economy bottomed in 2Q19 and while manufacturing momentum remains in the doldrums, nevertheless services and construction are likely to continue being the bright spots into 2020.

The main driver was the services sector which clocked in 1.4% yoy (2.4% qoq saar) growth in 4Q19, an acceleration from the 0.9% yoy (0.6% qoq saar) in 3Q19, primarily supported by the finance & insurance, other services industries and business services sector which offset the weakness in wholesale & retail sector. The resilient domestic labour market which contributes to consumer confidence and private consumption, coupled with public sector spending on infrastructure projects including education, health and social services, remain key supporting pillars for the Singapore economy. Meanwhile, the construction sector momentum also sustained at 2.1% yoy (2.1% qoq saar) compared to 2.4% yoy (-1.7% qoq saar) in 3Q19, also supported by public sector construction activities.

The laggard remained the manufacturing sector which reversed and contracted a worse than expected 7.3% qoq saar (-2.1% yoy) in 4Q19, after staging a modest improvement to +8.9% qoq saar (-0.9% yoy) in 3Q19, as declines in electronics, chemicals and transport engineering clusters weighed more heavily. The 4Q19 GDP reading of 0.8% yoy implied that December industrial production could come in around -0.6% yoy, which suggests that the November manufacturing output print of -9.3% yoy (-9.4% mom sa) was likely an outsized blip. Nevertheless, manufacturing growth contracted 1.5% yoy for the whole of last year, which is the weakest performance since 2015 at -5.1% yoy. We expect the manufacturing sector to continue to stabilise and stage a modest recovery to ~2% yoy growth this year.

For the full-year of 2019, the Singapore economy expanded by 0.7% yoy, within the 0.5-1.0% official forecast range, but still marked the slowest pace of growth since 2009 (0.1% yoy). This meant that Singapore clearly avoided a technical recession in 3Q19 and also a full-year recession last year. **The 2020 growth prognosis remains attendant on the external risks and global economic environment, but stars are aligning towards a more supportive recovery story,** especially with the highly anticipated near-term signing of the Phase 1 US-China trade deal (with US president Trump eyeing 15 January) as well as more policy accommodation from China to ameliorate its ongoing slowdown and other challenges (as illustrated by the latest RRR cut announcement effective from 6 January). **The next milestone to watch would be the upcoming 2020 Budget announcement on 18 February,** where PM Lee had said in his New Year Message that it will help households with cost of living and improve social safety nets, as well as support business to raise productivity and help workers to retrain, acquire new skills, find jobs and stay employable. A more expansionary fiscal budget for 2020 will likely do any heavy-lifting needed in the interim, following MAS' monetary policy easing back in October 2019. **Our 2020 GDP growth forecast remains at 1-2% yoy,** assuming that the manufacturing recovery remains in "fits and starts" pattern, but with the services and construction sector continuing to tread a firmer growth trajectory.

Gross Domestic Product in chained (2015) dollars

	4Q18	2018	1Q19	2Q19	3Q19	4Q19*	2019*
Percentage change over corresponding period of previous year							
Overall GDP	1.3	3.1	1.1	0.2	0.7	0.8	0.7
Goods Producing Industries							
Manufacturing	4.6	7.0	-0.1	-2.9	-0.9	-2.1	-1.5
Construction	-1.2	-3.7	2.7	2.8	2.4	2.1	2.5
Services Producing Industries	1.5	2.9	1.2	1.2	0.9	1.4	1.1
Quarter-on-quarter annualised growth rate, seasonally-adjusted							
Overall GDP	-0.8	3.1	3.8	-2.6	2.4	0.1	0.7
Goods Producing Industries							
Manufacturing	-3.4	7.0	-5.4	-3.6	8.9	-7.3	-1.5
Construction	5.3	-3.7	13.2	-5.5	-1.7	2.1	2.5
Services Producing Industries	0.4	2.9	4.1	-1.4	0.6	2.4	1.1

*Advance estimates

Source: MTI

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