Singapore

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Singapore's 4Q19 GDP growth was revised up to 1.0% yoy (0.6% qoq saar), but the official 2020 growth forecast was downgraded to -0.5% to 1.5% due to the Covid-19 outbreak. No surprises here.

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Highlights

Singapore's 4Q19 GDP growth was revised up to 1.0% yoy (0.6% qoq saar), but the official 2020 growth forecast was downgraded to -0.5% to 1.5% due to the Covid-19 outbreak. Financial market reaction was fairly subdued, suggesting it was not a complete surprise. The downgrade in the 2020 official GDP growth forecast was widely expected as the Covid-19 outbreak had decimated the green shoots theme from end-2019. PM Lee had also hinted that the Singapore may slip into a recession this year. The revised official growth forecast of -0.5% to 1.5% marks a full 1% point downward shading from their earlier 0.5-2.5% range. What is clear is that the Covid-19 outbreak has overtaken the US-China trade war as the predominant risk facing the Singapore economy, both in terms of the more widespread, severe and protracted impact. In particular, a triple whammy from manufacturing and wholesale trade due to regional supply chain disruptions and depressed demand from key markets, the sharp falloff in domestic tourism and hospitality and transport sectors, and the hit to domestic consumption.

Trade data is still the canary in the mine shaft: The earlier stabilization in the NODX growth story was mainly predicated on a modest improvement in global growth and demand, which appears to have been thrown off-track by the sudden Covid-19 outbreak and its attendant effects on business and consumer confidence. Enterprise Singapore has also downgraded their 2020 NODX growth forecast as well from 0-2% to -0.5% to 1.5% as well, amid lower expectations for growth in key trade partners and lower oil prices which will impact oil trade. While we are not overly bearish on growth per se given the widespread expectations for policy accommodation, whether on the fiscal or monetary policy side, to be forthcoming, nevertheless, the NODX recovery story for 2020 may have been yet delayed again. It bears repeating that regional manufacturing supply chains may be disrupted and key trading partners in the region including China may see slower-than-expected growth as well. Therefore, electronics and oil trade may again underperform in 2020. Like the other industries in question, the immediate uncertainties pertain to whether there will be any confirmed cases, workers put on quarantine or leave of absence, and potential disruptions to the workflow or supply chain activities.

Our mild and severe Covid-19 scenarios postulate 0.7% and 0% growth for the Singapore economy this year, so we're comfortable in keeping our 0-1% growth forecast range for now. In a mild Covid-19 scenario, 1Q20 will bear the brunt of the slump with a stabilization in 2Q and recovery in 2H. In a severe Covid-19 scenario, the domestic economy remains in a slump for 1H20 and only see stabilization in 2H20. At this juncture, the uncertainties over the duration and extent of the Covid-19 outbreak imply it is still too early to call for a 2H recovery. Policymakers are also cognizant of the downside growth risks, so a strong Budget response and/or monetary policy response at the April MPS may help to mitigate and cushion some of the downside risks from here. Budget 2020 could see an overall budget deficit of around $8b (1.5% of GDP) which will be focused on support for affected firms and workers in addition to transforming the Singapore economy. Notably, a sizeable Covid-19 relief package and a GST offset package will be the twin highlights to watch for (https://www.ocbc.com/assets/pdf/Regional%20Focus/Singapore/Curtain%20Raiser%20for%20Budget%202020.pdf). In addition, we also see the risk of a further monetary policy easing as non-negligible if the Covid-19 outbreak and its impact on the Singapore economy is protracted. The needle is clearly moving in the direction of more accommodation as seen by regional central banks including BNM and BI. At this juncture, we do not rule out the possibility of the MAS reverting to a zero appreciation path for the SGD NEER, and regard a re-centering lower as the lower-probability event.

SECTORAL GROWTH RATES

	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
	Year-on-Year % Change						
Total	1.1	3.4	1.0	0.2	0.7	1.0	0.7
Goods Producing Industries	3.0	4.9	0.2	-1.9	-0.1	-1.3	-0.8
Manufacturing	4.6	7.0	0.0	-2.7	-0.7	-2.3	-1.4
Construction	-3.4	-3.5	1.4	2.3	3.1	4.3	2.8
Services Producing Industries	1.4	3.4	1.0	1.1	0.8	1.5	1.1
Wholesale & Retail Trade	-1.1	2.8	-2.7	-3.6	-3.5	-1.9	-2.9
Transportation & Storage	-1.2	0.0	0.4	2.1	0.0	0.8	0.8
Accommodation & Food Services	3.7	3.1	2.0	1.2	1.9	2.5	1.9
Information & Communications	9.1	6.5	4.9	3.4	4.4	4.5	4.3
Finance & Insurance	4.3	7.2	3.1	5.1	4.1	4.0	4.1
Business Services	0.9	2.4	1.8	1.0	1.1	1.7	1.4
Other Services Industries	0.9	2.2	2.1	2.4	2.4	3.3	2.6
	Annualised Quarter-on-Quarter Growth % (SA)						
Total	-1.3	3.4	2.3	-0.8	2.2	0.6	0.7
Goods Producing Industries	0.5	4.9	-2.2	-2.9	3.9	-3.7	-0.8
Manufacturing	-0.4	7.0	-3.6	-4.1	4.8	-5.9	-1.4
Construction	2.5	-3.5	7.9	-0.3	3.5	5.3	2.8
Services Producing Industries	-0.9	3.4	1.9	1.2	1.1	2.2	1.1
Wholesale & Retail Trade	-7.4	2.8	-3.0	-2.0	-1.3	-0.6	-2.9
Transportation & Storage	-1.0	0.0	1.2	3.0	-3.1	2.0	0.8
Accommodation & Food Services	2.2	3.1	-2.3	2.8	5.1	4.3	1.9
Information & Communications	9.3	6.5	-5.3	2.8	10.8	8.9	4.3
Finance & Insurance	4.5	7.2	0.8	13.8	-1.9	3.8	4.1
Business Services	-0.4	2.4	5.2	-1.2	1.2	2.2	1.4
Other Services Industries	-0.5	2.2	8.9	-1.2	2.9	3.1	2.6

Source: MTI

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