

**Treasury Advisory
Corporate FX & Structured
Products**

Tel: 6349-1888 / 1881

Interest Rate Derivatives

Tel: 6349-1899

**Investments & Structured
Products**

Tel: 6349-1886

GT Institutional Sales

Tel: 6349-1810

1Q16 GDP growth with downside risks**Wednesday, 25 May 2016**

- 1Q16 GDP growth was revised from the flash estimates of 1.8% yoy (0% qoq saar) to 1.8% yoy (+0.2% qoq saar), disappointing market and our expectations for a higher revision.
- The key revisions were in manufacturing which contracted a less severe 1.0% yoy (+23.3% qoq saar), taking into account slightly better March industrial production data, while construction was unchanged at +6.2% yoy (+10.5% qoq saar), which remains the silver lining in the S'pore economy albeit its share of GDP is relatively small.
- Worryingly, the services sector actually decelerated more than earlier estimated at +1.4% yoy (-5.9% qoq saar), with transport and storage activities contracting for the second straight quarter by 0.4% yoy. On a quarterly basis, momentum had cooled for the financial services (-15.2% qoq saar), and wholesale & retail trade (-10.3% qoq saar) in 1Q16.
- As anticipated, MTI kept its 2016 growth forecast unchanged at 1-3% yoy, but tips NODX to shrink 3-5% yoy, with the risk of China reforms sparking a further demand drop. At this juncture, we see little light at the end of the tunnel for regional demand and trade growth. NODX is likely to continue to drag its feet for the rest of 2016 as caution weighs on external consumption.
- Our full-year growth forecast remains at 1.8% yoy, but the China/regional drag on the services sector is a key contributor to downside risks to the S'pore economy, especially if the Fed pushes ahead with policy normalization and that elevates market volatility in the near-term, apart from the somewhat receding Brexit referendum event risk in June.
- Policywise, still look to the FOMC policy trajectory and China's deleveraging and CNY inclinations (especially against the trade-weighted basket) for direction for the regional currencies. The S\$NEER is unlikely to steer a solitary course against the overall receding tide within Asia. Fiscal policy stimulus could also be stepped up, especially with the Committee for Future Economy (CFE) on tap before the end of the year.

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W