

## Singapore: a modest 2017 outlook amid the 3Q16 growth revision

Nov 24, 2016

**The 3Q16 GDP growth estimate was revised higher to 1.1% yoy (-2.0% qoq saar).** The Singapore economy expanded by a revised 1.1% yoy (-2.0% qoq saar) in 3Q16, up from the initial flash estimate of 0.6% yoy (-4.1% qoq saar) and close to our forecast of +1.1% yoy (-2.3% qoq saar). Notably, manufacturing stabilised for the second straight quarter and expanded by 1.3% yoy (-9.0% qoq saar) in 3Q16, whereas services flatlined at 0% yoy (-1.3% qoq saar which marked the third consecutive quarter of sequential contraction). The services sector was largely weighed down by wholesale trade due to weakness in petroleum and petroleum products, but even the bell-weather finance & insurance sector proved a drag (-0.7% yoy and -4.7% qoq saar) amid weakness in offshore financial intermediation, fund management and security dealing segments. Construction provided a buffer, albeit growth also moderated from 2.0% yoy in 2Q16 to 1.6% yoy in 3Q16, aided by public sector construction works such as civil engineering works.

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### **On track for 1.3% full-year 2016 growth as 4Q16 outlook remains modest.**

We anticipate that 4Q16 GDP growth could be in the range of 0.6% yoy (+4.8% qoq saar) to bring full-year growth to 1.3% yoy, which is close to the narrowed 2016 official growth forecast of 1-1.5% yoy. The familiar drags from wholesale trade and finance & insurance segments will likely extend into 4Q16. IESingapore now tips 2016 NODX growth forecast at between -5.5% to -5% yoy, which will come as no surprise since the year-to-date NODX growth is around -5% and the picture will change little into the year-end, notwithstanding the slight improvement in manufacturing, namely semiconductors.

### **No rainbows anticipated in 2017, but more downside risks anticipated for now?**

Our 2017 GDP growth forecast stands at 1-2% yoy (mid-point 1.5%), which is in the lower half of the official 2017 forecast of 1-3%. Note MTI flagged key downside risks in the global economy, which are quite familiar to market watchers. These include Brexit, a sharper-than-expected slowdown in China complicated by the rising corporate credit default risks, and political risks and uncertainties leading to greater economic uncertainties including the backlash against globalisation and trade. The latter is likely implicitly referencing the incoming US president-elect Trump who had made anti-globalisation/immigration/China-specific remarks during his campaign. As such, it is of no big surprise that the IESingapore's 2017 NODX growth forecast is a tepid -1% to +1% yoy. The growth sectors are infocomms and other business services industries which would help to buffer but not fully offset the external growth drags. For corporates, the domestic concerns remain the elevated cost environment and tightening financial conditions.

**SECTORAL GROWTH RATES**

	3Q15	4Q15	2015	1Q16	2Q16	3Q16
	Year-on-Year % Change					
Total	1.8	1.8	2.0	2.0	2.0	1.1
Goods Producing Industries	-4.0	-4.0	-3.4	0.6	1.6	1.3
Manufacturing	-6.0	-6.7	-5.2	-0.5	1.4	1.3
Construction	3.0	4.9	2.5	4.3	2.0	1.6
Services Producing Industries	3.4	2.8	3.4	1.6	1.2	0.0
Wholesale & Retail Trade	6.4	6.8	6.1	2.6	0.9	-1.5
Transportation & Storage	0.4	-0.9	0.0	-0.1	2.9	0.6
Accommodation & Food Services	1.1	0.9	0.2	1.7	1.9	2.1
Information & Communications	2.5	3.3	4.2	3.1	1.5	2.2
Finance & Insurance	4.6	2.4	5.3	2.8	0.7	-0.7
Business Services	2.0	0.8	1.5	0.3	0.7	0.2
Other Services Industries	1.5	1.7	1.6	0.8	1.7	2.3
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	2.3	6.2	2.0	0.1	0.1	-2.0
Goods Producing Industries	-4.3	-2.1	-3.4	14.3	1.4	-7.3
Manufacturing	-6.0	-4.9	-5.2	18.8	2.1	-9.1
Construction	0.2	6.0	2.5	2.7	-1.2	-0.8
Services Producing Industries	3.8	7.7	3.4	-5.1	-0.9	-1.3
Wholesale & Retail Trade	7.9	3.7	6.1	-7.3	0.1	-2.7
Transportation & Storage	3.7	-2.6	0.0	4.3	6.7	-5.8
Accommodation & Food Services	8.8	1.0	0.2	1.1	-2.7	9.1
Information & Communications	0.7	6.4	4.2	-3.7	2.5	4.0
Finance & Insurance	0.9	34.1	5.3	-13.9	-11.7	-4.7
Business Services	2.5	1.8	1.5	-0.4	-0.7	-0.1
Other Services Industries	1.8	2.9	1.6	-3.1	5.3	4.4

**OTHER ECONOMIC INDICATORS**

	3Q15	4Q15	2015	1Q16	2Q16	3Q16
Retail Sales Index* (yoy, %)	5.5	3.2	4.6	2.5	1.9	1.0
Value Added Per Worker^ (yoy, %)	0.0	0.5	-0.1	0.8	0.7	0.1
Unemployment Rate, SA (%)	2.0	1.9	1.9	1.9	2.1	2.1
Changes in Employment ('000)	12.6	16.1	32.3	13.0	4.2	-3.3
Overall Unit Labour Cost (yoy, %)	2.5	1.8	2.8	3.5	3.7	3.9
Unit Business Cost of Manufacturing (yoy, %)	-1.2	5.8	1.4	-3.0	-4.0	-4.7
Consumer Price Index (yoy, %)	-0.6	-0.7	-0.5	-0.8	-0.9	-0.4
Fixed Asset Investments (\$ bil)	3.7	1.4	11.5	3.0	2.8	1.8
Total Merchandise Trade (yoy, %)	-8.5	-7.7	-9.5	-9.7	-5.7	-5.0
Merchandise Exports	-8.0	-5.7	-7.2	-11.6	-4.7	-3.5
Domestic Exports	-14.4	-12.9	-12.9	-16.8	-6.0	-8.0
Oil	-32.6	-29.9	-32.2	-33.3	-18.0	-13.7
Non-Oil	-2.2	-3.5	-0.1	-9.3	-0.2	-5.4
Re-exports	-0.5	1.4	-0.9	-6.5	-3.4	1.0
Merchandise Imports	-9.1	-9.9	-12.1	-7.4	-6.7	-6.7
Total Services Trade (yoy, %)	1.1	-0.3	0.3	-0.2	2.3	0.1
Exports of Services	1.4	0.0	0.5	-0.5	3.2	0.2
Imports of Services	0.8	-0.5	0.1	0.2	1.4	0.1

\*At constant prices. ^Based on GDP at 2010 market prices.

Source: MTI

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