No real surprises from the latest MAS Survey of Professional Forecasters.

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Highlights:

The latest MAS survey of professional forecasters show a downgrade in 2022 GDP growth forecast from 3.8% three months ago to 3.5%, with an upgrade to headline and core inflation forecasts to 5.7% and 3.8% respectively (from 5.0% and 3.4% previously). The July industrial production data was clearly disappointing, suggesting that manufacturing momentum is losing steam rapidly due to a soft patch in electronics and pharmaceuticals. The external growth environment has also turned more cautious for the US, Eurozone and UK due to aggressive policy tightening and inflation fears, while there is also concern that China may face a hard landing due to property market turmoil and its zero COVID strategy and related lockdowns. If domestic manufacturing momentum continues to disappoint for August and September, there may be a growing risk of a 3Q22 technical recession (defined as two consecutive quarters of sequential contraction). At this juncture, the lower bound of the official 3-4% growth forecast should still hold for 2022, but it may be prudent to shade down our full-year growth forecast from 3.5-4.0% to around the 3.5% handle. Moreover, given the persistent acceleration in inflationary pressures for the best part of this year, we also see 2022 headline and core inflation forecasts at 5.9% and 4.2% respectively.

A sneak peek into market consensus expectations for 2023 is interesting – the 2023 growth and inflation forecasts stand at 2.8% and 3.5%, both more muted compared to the 2022 forecasts, but the key risk of course is for a further paring back of growth into 2023. Much would depend on external factors, namely (a) the strength of China's growth recovery since China is already embarking on policy easing and may hopefully relax some COVID restrictions and re-open borders after its 20th National Congress on 16 October, (b) the possibility that the global central banks like the Fed may reassess the need to continue to frontload monetary policy tightening in the near future if growth turns south, and (c) potentially some easing in geopolitical tensions and in turn the global supply chain bottlenecks and commodity prices. The domestic silver lining for now is that the recent relaxation of COVID restrictions and border re-openings have boosted tourist arrivals and allowed for a greater influx of foreign workers which should be beneficial for the services sector, particularly the aviation, hospitality-related, F&B and retail industries. Our 2023 GDP growth forecast stands at 2.5%, with headline and core CPI likely lower but still sticky around 4.0%. Recall that the 1% GST hike is coming in January 2023, coupled with the Public Transport Council's fare adjustment formula review, and also the Progressive Wage Model salary adjustments to various sectors like the retail workers, amongst others. In particular, the labour market is expected to remain tight with unemployment rate staying low at 2.0% for 2022. While there have been recent policy announcements to attract foreign talent, whether these would promptly attract a rapid influx of foreign talent to ease the manpower shortages faced by selected growth industries remain to be seen. As such, wage pressures may still feature quite dominantly till end of 2022 and possibly into 2023, which may keep core inflation from easing quickly.

Median Forecasts of Other Economic Indicators for 2022

Indicators	June Survey	Current Survey
CPI-All Items (year-on-year % change)	5.0	5.7
MAS Core Inflation (year-on-year % change)	3.4	3.8
Overall Unemployment Rate (end-period, SA %)	2.1	2.0
Exchange Rate (end-period, S$ per US$)	1.360	1.375
3-month S$ SIBOR (end-period, percent per annum)	2.30	3.18
Bank Loans (end-period, % growth)	5.5	4.3

Forecasts of GDP Growth and CPI-All Items Inflation for 2023

Key Macroeconomic Indicators	Median	Mean	Min	Max
	Year-on-Year % Change			
GDP	2.8	2.5	1.1	3.5
CPI-All Items	3.5	3.7	2.7	5.2
MAS Core Inflation	3.1	3.3	2.1	4.4

Source: MAS SPF (Sep22)

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