

Singapore Q4 GDP declined by a milder 3.8% yoy

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Highlights:

The S'pore economy shrank by a milder 3.8% yoy (+2.1% qoq sa) in 4Q20, while the growth estimates for 3Q20 was also revised up to a milder -5.6% yoy (9.5% qoq sa) to bring the full-year 2020 GDP growth to -5.8% yoy. The latter outperforms the -6.5% to -6.0% official forecast range, but still marked a sharp contraction from the 0.7% yoy growth seen back in 2019, and is largely attributable to the Covid pandemic's economic scarring on the global economy. Notably, 4Q20 manufacturing sector grew 9.5% yoy, aided by the electronics, pharmaceuticals and precision engineering industries, albeit there was a mild sequential slowdown (-2.6% qoq sa) from 3Q20. Meanwhile the pace of contraction in the construction and services sector eased to -28.5% yoy (+34.4% qoq sa) and -6.8% yoy (+2.4% qoq sa) with the resumption of more construction activities in 4Q20 as well as steady momentum in the information & communications and finance & insurance industries due to global demand for cloud computing, cybersecurity, and e-commerce services, as well as risk-on market sentiments respectively.

Looking ahead, with the vaccinations underway both globally and domestically (notwithstanding the new strain of Covid infections) and the transition to Phase 3 for the S'pore economy, we expect growth to stabilise and improve to around 4-6% yoy in 2021. Global market sentiments remain buoyant, and the prospect of US fiscal stimulus may lend further impetus to the risk-on tone at the start of the new year. That said, there may be some moderation in the manufacturing growth momentum in 1Q21 given that the first quarter is traditionally slower due to the festive Chinese New Year holidays and that the global restocking push may be subsiding. Subsequently, 2Q21 GDP growth will see a big surge due to the very low 2Q20 base (-13.4% yoy) resulting from the earlier Circuit Breaker period, and if vaccination efforts proves effective, both business and consumer confidence is likely to improve further. The timing of when international borders re-open remains key to when the wholesale & retail trade, accommodation & food services, and other services will recover.

Budget 2021 is tipped to remain supportive and be modestly expansionary, but will likely stand in the shadow of the unprecedented policy support provided in 2020. Market hopes for continued fiscal support for key hard-hit sectors like aviation, tourism and hospitality-related industries, but there may be greater recalibration of support levels in order to prioritise repositioning and rebuilding for a post-Covid environment. MAS policy is likely to remain accommodative through 2021 by maintaining the S\$NEER policy stance at neutral slope at least through April 2021.

While the USDSGD broke the 1.3200 handle this morning and the S\$NEER is pushing +0.5% on the stronger side of its parity band, nevertheless this is largely on the back of a weaker USD. Until core CPI reverts clearly back to positive territory this year, there is no rush to recalibrate monetary policy settings either.

Gross Domestic Product in chained (2015) dollars³

	4Q19	2019	1Q20	2Q20	3Q20	4Q20*	2020*
Percentage change over corresponding period of previous year							
Overall GDP	1.0	0.7	-0.2	-13.4	-5.6	-3.8	-5.8
Goods Producing Industries	-1.3	-0.8	6.6	-9.2	2.2	3.3	0.7
Manufacturing	-2.3	-1.4	8.3	-0.5	10.8	9.5	7.1
Construction	4.3	2.8	-1.2	-61.0	-46.2	-28.5	-33.7
Services Producing Industries	1.5	1.1	-2.3	-13.4	-8.4	-6.8	-7.8
Wholesale & Retail Trade and Transportation & Storage	-1.2	-1.9	-6.1	-15.9	-11.9	-11.0	-11.2
Information & Communications, Finance & Insurance and Professional Services	3.6	4.0	4.3	-3.0	-0.2	0.2	0.3
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	2.5	1.5	-5.2	-22.0	-13.5	-9.9	-12.6

	4Q19	2019	1Q20	2Q20	3Q20	4Q20*	2020*
Quarter-on-quarter growth rate, seasonally-adjusted							
Overall GDP	0.2	0.7	-0.7	-13.3	9.5	2.1	-5.8
Goods Producing Industries	-0.9	-0.8	7.4	-15.4	13.5	0.2	0.7
Manufacturing	-1.5	-1.4	10.0	-9.2	12.6	-2.6	7.1
Construction	1.3	2.8	-3.2	-60.5	39.0	34.4	-33.7
Services Producing Industries	0.5	1.1	-3.4	-11.0	6.0	2.4	7.8
Wholesale & Retail Trade and Transportation & Storage	0.1	-1.9	-5.8	-10.5	4.3	1.2	-11.2
Information & Communications, Finance & Insurance and Professional Services	2.1	4.0	-0.6	-4.5	2.9	2.5	0.3
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	0.3	1.5	-5.8	-18.1	11.7	4.5	-12.6

*Advance estimates

Source: MTI

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