Singapore

12 April 2024

S'pore's 1Q24 GDP growth accelerated to 2.7% YoY (0.1% QoQ sa), slightly below expectations. MAS stays the course as anticipated, with no change to monetary policy settings.

Selena Ling
Head of Research and Strategy
LingSSSelena@ocbc.com

Highlights:

- **Singapore's flash 1Q24 GDP growth accelerated to 2.7% YoY (0.1% QoQ sa),** slightly below our expectations for 2.9% YoY (0.2% QoQ sa) and the Bloomberg consensus forecast of 3.0% YoY (0.5% QoQ sa). This is still an improvement from the 2.2% YoY (1.2% QoQ sa) growth in 4Q23 and marked the highest reading since 3Q22 (4.2% YoY). The manufacturing sector expanded for the second straight quarter by 0.8% YoY but moderated from the 1.4% YoY seen in the previous quarter. Meanwhile the services sector accelerated to 3.2% YoY, aided by improved broad-based activities, and the construction sector moderated slightly to 4.3% YoY. While there were hopes of green shoots emerging in the global electronics industry, this did not really manifest in the domestic electronics cluster – if anything, the expansion in the chemicals, precision engineering and transport engineering clusters more than offset the contractions seen in electronics, biomedical and general manufacturing clusters. For construction, the public sector output remained resilient, but private sector output declined. For services, 1Q24 activity was driven by wholesale trade in machinery, equipment & supplies and others, while water and air transport segments in the transportation & storage sector remained healthy. In addition, strong demand for IT and digital solutions, as well as head office & business representative offices, and strong performance of banking and auxiliary financial services, kept the ICT, Finance & Insurance and Professional Services clusters humming. Last but not least, the accommodation sector saw a lift from the strong international visitor recovery in 1Q24.

- **In sequential QoQ sa terms, the 0.1% print for 1Q24 GDP growth marked the fourth consecutive month of growth**, but this was the softest pace since 1Q23. The outperformer was the services sector which expanded 1.2% QoQ sa, largely boosted by the rebound in Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services from -0.7% QoQ sa in 4Q23 to +2.2% QoQ sa in 1Q24. In all likelihood, the slew of concerts (ColdPlay, Taylor Swift etc) which attracted many international visitors to Singapore's shores did have a temporal boost to the consumer-facing industries, namely the hospitality and entertainment-related activities. In contrast, the manufacturing and construction sectors declined by 2.9% and 1.7% QoQ sa respectively.

- **Importantly, there was no change to the 2024 official growth forecast of 1-3% YoY, or to the headline and core CPI forecasts of 2.5-3.5% YoY.** Singapore's growth trajectory is tipped to strengthen for the subsequent quarters of 2024, predicated on an improvement in the manufacturing recovery theme, especially for electronics, and accompanied by the financial sector in anticipation that risk appetite should be buoyed by the global monetary policy easing cycle in 2H24. MAS also anticipates that domestic-oriented sectors should normalise, slowing towards pre-Covid rates. The slightly negative output gap should narrow further in 2H24, even as underlying inflationary pressures gradually dissipate.

- **MAS stays the course as anticipated, with no change to monetary policy settings which remain appropriate to restrain imported inflation as well as domestic cost pressures to ensure medium-term price stability**. MAS maintained the rate of appreciation of the S$NEER policy band, with no change to the band width or the level at which it was centered. MAS reiterated that core inflation is likely to stay elevated in coming months before stepping down in 4Q24 and declining further into 2025. Near-term, core inflation is anticipated to remain around current levels as the water price adjustment kicked in from April and selected service prices like education and healthcare continue to ratchet higher due to elevated costs. Whilst crude oil prices did rise in recent months, most other food commodities and intermediate and final goods prices remained subdued. Domestic wage growth has also eased and is tipped to moderate this year as hiring intentions cool. MAS also repeated that both upside and downside inflation risks remain – shocks to global food and energy prices, or stronger-than-expected domestic labour demand could induce additional inflationary pressure, whereas an unexpected weakening of the global economy could result in a faster easing of cost and price pressures. Note that core inflation had ticked higher to 3.4% YoY in January-February from 3.3% in 4Q23, mainly attributable to the 1% point GST hike and increases in essential services fees, whereas headline inflation had decelerated from 4.0% in 4Q23 to average 3.1% YoY in the first two months of this year due to the slower pace of increase in car prices and residential property rents amid the greater supply of COE quotas and completed housing units.

- **The monetary policy easing window is open for 2H24, but is data-dependent – if core CPI shows signs of subsiding earlier or more materially than anticipated, then July or October MPS may be fair game, but this is not our base scenario at this juncture.** April would have been too premature to pull the easing trigger given that the MAS view that core inflation will only step down from 4Q24 into 2025 remains intact. Note many major central banks are also slightly hesitating to do likewise on the policy easing front given that recent inflation prints have been bumpy and more buoyant, especially with the uptick in crude oil prices. Our current 2024 GDP growth forecast of "around 2%" may come in slightly higher at 2.3% YoY given the acceleration in 1Q24 growth and some anticipated firming in growth trajectory as the year progresses. Our 2024 headline and core inflation forecasts are 3.0% and 3.1% YoY respectively.

Gross Domestic Product in Chained (2015) Dollars

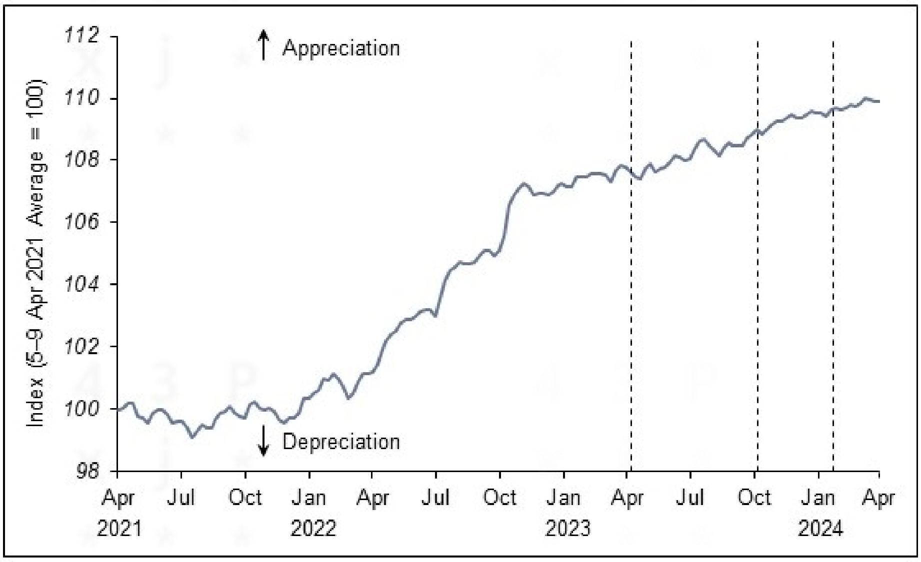
	1Q23	2Q23	3Q23	4Q23	2023	1Q24*
Percentage change over corresponding period of previous year						
Overall GDP	0.5	0.5	1.0	2.2	1.1	2.7
Goods Producing Industries	-3.8	-6.1	-3.5	1.9	-2.9	1.4
Manufacturing	-5.4	-8.2	-4.9	1.4	-4.3	0.8
Construction	5.8	6.4	3.7	5.2	5.2	4.3
Services Producing Industries	2.0	2.9	2.3	2.0	2.3	3.2
Wholesale & Retail Trade and Transportation & Storage	0.1	3.3	1.2	1.0	1.4	2.7
Information & Communications, Finance & Insurance and Professional Services	1.6	0.6	3.0	3.6	2.2	4.2
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	6.3	5.4	3.7	2.0	4.3	2.9

	1Q23	2Q23	3Q23	4Q23	2023	1Q24*
Quarter-on-quarter growth rate, seasonally-adjusted						
Overall GDP	-0.5	0.4	1.0	1.2	1.1	0.1
Goods Producing Industries	-2.7	-1.0	1.1	4.1	-2.9	-2.4
Manufacturing	-3.0	-1.3	0.8	4.5	-4.3	-2.9
Construction	-1.2	2.6	1.9	2.0	5.2	-1.7
Services Producing Industries	0.1	0.9	0.8	0.3	2.3	1.2
Wholesale & Retail Trade and Transportation & Storage	-0.1	2.3	-0.3	-0.7	1.4	1.4
Information & Communications, Finance & Insurance and Professional Services	-4.7	1.5	2.6	4.4	2.2	-4.2
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	1.2	0.6	0.9	-0.7	4.3	2.2

*Advance estimates

Source: MTI.

S$ Nominal Effective Exchange Rate (S$NEER)



----- indicates last three releases of Monetary Policy Statement

Source: MAS.

GLOBAL MARKETS RESEARCH

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
Cindyckeung@ocbcwh.com

Herbert Wong
Hong Kong & Macau
HerberthtWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

Co.Reg.no.: 193200032W

*Follow our podcasts by searching '**OCBC Research Insights**' on Telegram!*