

Singapore

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S'pore's 4Q GDP jumped to 2.8% YoY (1.7% QoQ sa). MAS is likely to keep monetary policy static later this month.

Highlights:

- S'pore's 4Q23 GDP jumped to 2.8% YoY (1.7% QoQ sa), faster than the 1.0% YoY (1.3% QoQ) growth seen in 3Q23 and bringing full-year 2023 growth to 1.2% YoY. The acceleration in 4Q23 growth momentum beat market and our expectations of 1.8% YoY (0.7% QoQ sa). While this was partly due to the low growth base (2.1% YoY) in 4Q22, nevertheless manufacturing, especially electronics, appeared to be recovering. The manufacturing sector rebounded 3.2% YoY (9.0% QoQ sa) in 4Q23, after four consecutive quarters of YoY contraction. Meanwhile the construction sector ended last year on a high (9.1% YoY), aided by both public and private sector construction activities, and the services sector sustained relatively steady 2.4% YoY growth, led by the ongoing recovery in tourist arrivals, and demand for IT & information services and other professional, scientific & technical services etc.

- Compared to 3Q23, however, 4Q23 growth momentum has clearly slowed for a few key industries. Notably, the services sector saw QoQ sa growth flatlined in 4Q23 after expanding for the first three quarters of last year. Notably, while growth in the air transport segment remained robust, the wholesale & retail trade and transportation & storage industry as a whole shrank 1.4% QoQ sa in 4Q23, down from +0.6% growth in 3Q23. Similarly, the accommodation & food services, real estate, administrative & support services and other services industry also contracted 0.7% QoQ sa despite support for tourist-related services. That said, preliminary 4Q23 private residential prices still rose 2.7% QoQ, even though sales continued to slow and brought total 2023 transaction volume to its lowest since 2016.

- For the full-year of 2023, GDP growth expanded 1.2% YoY, this is a marked moderation from 2022's 3.6% YoY growth, but marked the third straight year of positive growth after the Covid inflicted recession in 2020 (-3.9% YoY). The sectoral outlook remained fairly uneven, with manufacturing underperforming with a 3.6% YoY contraction, but was mitigated by construction (7.7% YoY) and services (2.3% YoY). Notably, within the services sector, the accommodation & food services, real estate, administrative & support services and other services led with 4.6% YoY, followed by infocoms, finance & insurance and professional services (2.3% YoY) and wholesale & retail trade and transportation & storage (1.1% YoY).

- Our 2024 GDP growth forecast is 1-3% (2% midpoint) as articulated in our 2024 Global Outlook report published in November 2023. PM Lee has recently highlighted that for some years to come, we must expect the

Selena Ling
Head of Research and Strategy
+65 6530 4887
LingSSSelena@ocbc.com

external environment to be less favourable to our security and prosperity and geopolitical uncertainties will continue weighing on the global economy. While the US-China relations have warmed up slightly since the November Xi-Biden meeting, nevertheless, the ongoing competition in advanced manufacturing (for instance, news that ASML Holding had cancelled some shipments to Chinese firms ahead of the January restrictions) and the upcoming elections (Taiwan and also the US later this year) could still potentially complicate matters. Similarly, there remains key uncertainties if the US will escape a recession, if and when the US Federal Reserve will start to cut interest rates, and how other geopolitical hotspots will play out. On the domestic front, do keep an eye on the upcoming 2024 Budget due on 16 February, where additional Cost-of-Living assistance may be forthcoming for the lower-income and more vulnerable workers and households, especially since 2024 is now flagged as a leadership transition year. In the interim, MAS, which is now on a quarterly policy review cycle, is likely to keep its monetary policy stance unchanged later this month for the third time while awaiting the anticipated further cooling in headline and core inflation this year. Our 2024 headline and core CPI forecasts are 3.4% and 3.1% YoY respectively, compared to 4.8% and 4.1% estimated for 2023, albeit the recent additional 1% GST hike and other price adjustments (eg. the electricity tariffs hike for January-March 2024 due to higher costs) may mean somewhat stickier prices in the near-term.

Gross Domestic Product in Chained (2015) Dollars

	4Q22	2022	1Q23	2Q23	3Q23	4Q23*	2023*
Percentage change over corresponding period of previous year							
Overall GDP	2.1	3.6	0.5	0.6	1.0	2.8	1.2
Goods Producing Industries	-1.1	2.9	-3.6	-5.5	-3.2	3.7	-2.2
Manufacturing	-2.6	2.5	-5.2	-7.5	-4.7	3.2	-3.6
Construction	10.0	6.7	7.9	7.7	6.2	9.1	7.7
Services Producing Industries	4.0	4.8	1.9	2.8	2.3	2.4	2.3
Wholesale & Retail Trade and Transportation & Storage	2.4	3.6	-0.7	2.2	1.3	1.5	1.1
Information & Communications, Finance & Insurance and Professional Services	2.5	4.3	1.6	1.3	2.5	3.9	2.3
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	9.0	7.4	6.8	6.1	3.9	2.0	4.6

	4Q22	2022	1Q23	2Q23	3Q23	4Q23*	2023*
Quarter-on-quarter growth rate, seasonally adjusted							
Overall GDP	0.1	3.6	-0.3	0.1	1.3	1.7	1.2
Goods Producing Industries	1.1	2.9	-3.5	-1.0	0.7	7.3	-2.2
Manufacturing	1.0	2.5	-4.4	-1.4	0.3	9.0	-3.6
Construction	1.4	6.7	1.2	2.7	0.8	4.3	7.7
Services Producing Industries	-0.2	4.8	0.4	1.0	1.1	0.0	2.3
Wholesale & Retail Trade and Transportation & Storage	-1.6	3.6	-0.6	3.0	0.6	-1.4	1.1
Information & Communications, Finance & Insurance and Professional Services	1.1	4.3	-1.3	1.1	1.6	2.5	2.3
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	1.1	7.4	1.6	0.3	0.7	-0.7	4.6

*Advance estimates

Source: MTI



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
herberhtwong@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
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
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee
Credit Research Analyst
MengTeeChin@ocbc.com

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