

S'pore's sterling 3Q performance cements 7% GDP growth for 2021, but 2022 growth to see moderation to 3-5% yoy

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Highlights:

Singapore's 3Q21 GDP growth surprised by its significant upward revision to 7.1% yoy (1.3% qoq sa) from the initial estimate of 6.5% yoy (0.8% qoq sa), which beat market and our expectations. The better-than-expected performance can be attributed to a sterling performance in not only manufacturing, but also construction and services sectors which expanded 7.2%, 66.3% and 6.3% yoy respectively. The manufacturing sector was boosted by the electronics and precision engineering clusters amid strong global chip demand, and despite the drag from the biomedical manufacturing cluster. The construction sector saw higher public and private sector activities amid the low base last year and is still 2.1% below its 3Q19 pre-Covid VA level. For the services sector, the outperformers were the real estate sector (16.8% yoy due to a buoyant private residential property market), the information & communications sector (10.4% yoy due to strong demand for enterprise IT solutions), the finance & insurance sector (9.0% yoy supported mainly by the insurance segment), the transportation & storage (8.2% yoy with air transport seeing a rebound as some travel returned), and the wholesale trade (5.9% yoy aided by machinery, equipment & supplies demand), whereas the F&B, accommodation and administrative & support sectors lagged.

This revised 3Q21 GDP data print now brings full-year 2021 GDP growth closer to 7% which is the higher end of the official 6-7% forecast range. What was remarkable about this upward revision in the 3Q21 GDP growth revision is that the return to Phase 2 (Heightened Alert) from 22 July to 18 August to contain the Covid clusters did not make as much of a dent on the S'pore economy as initially expected as momentum accelerated in September. Even if 4Q21 GDP moderates slightly to around the 5% yoy handle, which still lends itself to a stellar full-year growth performance of around 7.2% yoy. Note that the Stabilization Phase which started on 27 September and was originally scheduled to last until 24 October, was subsequently extended from 25 October to 21 November – while the looser Covid restrictions again may have a relatively muted impact on domestic consumption patterns, still one potential game-changer is the opening up of Vaccinated Travel Lanes which could help revitalise the beleaguered aviation and hospitality-related sectors including F&B and retail industries.

The 2022 official GDP growth forecast of 3-5% is in line with our expectations. Notably, the references to downside risks arising from global supply chain disruptions contributing to persistent elevated inflationary pressure going ahead cements our expectation that another April monetary policy tightening is on the cards, but the reiteration of an uneven domestic recovery, namely in the consumer-facing, construction and marine & offshore engineering sectors may muted any further frontloading of more hawkish expectations at this juncture in our view. Depending on the pace of re-opening of borders, whether for tourism routes or for flow of foreign workers, this would be beneficial to bolstering Singapore's economic recovery into 2022 since the Delta resurgence in the region appears to be waning and both business and consumer confidence may strengthen ahead. One key milestone to watch could be the resumption of the land VTL with Malaysia which could potentially aid the recovery in the domestically oriented services sectors by allowing much-needed workers to return.

SECTORAL GROWTH RATES

	3Q20	4Q20	2020	1Q21	2Q21	3Q21
	Year-on-Year % Change					
Total	-5.8	-2.4	-5.4	1.5	15.2	7.1
Goods Producing Industries	1.1	3.9	0.3	5.8	22.8	11.1
Manufacturing	11.0	10.3	7.3	11.2	17.9	7.2
Construction	-52.5	-27.4	-35.9	-23.2	117.5	66.3
Services Producing Industries	-8.3	-4.7	-6.9	-0.4	10.9	6.3
Wholesale Trade	-5.0	1.8	-2.4	3.8	3.4	5.9
Retail Trade	-8.6	-4.7	-16.0	1.7	51.1	0.7
Transportation & Storage	-29.0	-27.4	-25.4	-16.4	20.1	8.2
Accommodation	-20.5	-19.7	-28.7	16.5	15.8	-4.1
Food & Beverage Services	-24.1	-19.0	-25.1	-9.1	36.9	-4.2
Information & Communications	1.4	2.6	2.1	6.3	10.4	10.4
Finance & Insurance	4.2	4.9	5.0	5.4	9.8	9.0
Real Estate	-17.7	-10.8	-14.2	-2.7	26.3	16.8
Professional Services	-10.7	-7.5	-9.7	-4.5	10.8	4.4
Administrative & Support Services	-19.4	-14.9	-15.1	-15.5	0.0	-1.3
Other Services Industries	-8.7	-5.7	-8.9	0.6	16.1	4.4

Source: MTI

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