

S'pore's 1Q22 GDP up by 3.7% yoy, but MTI tips 2022 growth in lower half of 3-5% forecast range

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Highlights:

S'pore's 1Q22 GDP growth upgraded to 3.7% yoy as we expected, but MTI tips 2022 full-year growth in lower half of 3-5% forecast range, which is consistent with our 2022 growth forecast of 3.5-4.0% yoy. By sectors, manufacturing led with 7.1% yoy (-0.2% qoq sa), while services and construction also expanded by 4.2% yoy (1.7% qoq sa) and 2.1% yoy (3.2% qoq sa) in 1Q22. Within the services sector, the real estate (8.5% yoy), information & communications (8.2% yoy), and professional services (8.1% yoy) were the key drivers, while accommodation continued to contract for the third straight quarter by 13.5% yoy. Meanwhile, retail sales rose 4.6% yoy in 1Q22 and the Singapore economy also added 46,500 workers in 1Q22 (which is more than the 40,000 seen in the whole of 2021). MTI's assessment is that the external demand outlook has weakened compared to three months ago, with the key downside risks arising from (a) the Russia-Ukraine conflict driving energy and food commodity prices higher while adding to economic uncertainty, (b) exacerbated global supply chain disruptions, (c) more aggressive monetary policy tightening in advanced countries that could contribute to disorderly market movements and financial destabilising risks, and (d) uncertain Covid trajectory.

The sectoral outlook for Singapore is mixed – China's slowdown will affect its demand for petroleum and chemicals while our water transport segment may be impacted by the prolonged supply disruptions and port congestions worldwide. On the brighter side, the electronics sector will expand more strongly than earlier anticipated due to robust demand for semiconductors due to the 5G and automotive markets, cloud services and data centers, the uptick in visitor arrivals, air transport and hospitality-related demand together with the growth of professional services sector (eg. consultancy and legal) with the re-opening of borders and easing of Covid restrictions, as well as the faster recovery in consumer-facing industries like F&B and retail trade.

Looking ahead, the road ahead remains bumpy. MAS has warned of the need to brace for more market volatility, even though the monetary policy stance remains appropriate. Notably, MAS pointed out that monetary policy cannot tackle all the supply-side driven inflationary pressures. MTI also opined that the labour market will remain tight for the rest of the year and there may be more food supply chain disruptions too. The recent chicken export ban by Malaysia may not move the needle much as meat (which includes poultry) only accounted for about 1% of the CPI basket, but total food weightage is about 1/5 of the CPI basket and we are already

seeing elevated prices for eggs, wheat, cooking oils, vegetables and fruits etc. Coupled with inflationary pressures from private road transport and housing & utilities, headline and core inflation may stay elevated for longer, but should hopefully peak and subside towards the end of the year. Recall that our headline and core CPI forecasts now stand at 5.5% and 4.0% yoy respectively. **Monetary policy stance is likely to remain hawkish to combat elevated core inflation, but more targeted fiscal assistance may be forthcoming** to aid business cope with the rising cost structure and tight labour market conditions as well as help Singaporeans cope with rising cost of living issues. The S\$NEER continues to trade around 1.5% on the stronger side of its parity band.

	1Q21	2Q21	3Q21	4Q21	2021	1Q22
	Year-on-Year % Change					
Total	2.0	15.8	7.5	6.1	7.6	3.7
Goods Producing Industries	6.5	23.0	11.7	13.6	13.4	6.3
Manufacturing	11.5	18.2	7.9	15.5	13.2	7.1
Construction	-22.2	118.9	69.9	2.9	20.1	2.1
Services Producing Industries	0.2	11.5	6.8	4.4	5.6	4.2
Wholesale Trade	4.0	3.0	5.5	3.3	3.9	2.4
Retail Trade	1.7	51.8	0.9	4.3	10.2	4.7
Transportation & Storage	-13.1	22.2	9.2	7.5	5.0	5.9
Accommodation	11.5	10.4	-5.7	-5.1	1.7	-13.5
Food & Beverage Services	-9.2	36.0	-4.1	-1.5	3.0	2.1
Information & Communications	9.4	14.4	13.9	11.2	12.2	8.2
Finance & Insurance	5.2	10.4	8.5	5.6	7.4	4.0
Real Estate	-1.7	29.2	19.9	1.6	10.7	8.5
Professional Services	-4.3	11.8	5.9	4.9	4.4	8.1
Administrative & Support Services	-15.5	-0.1	0.2	2.5	-3.8	4.6
Other Services Industries	0.2	16.5	3.8	2.4	5.2	2.2
	Quarter-on-Quarter Growth % (SA)					
Total	3.0	-0.8	1.5	2.3	7.6	0.7
Goods Producing Industries	6.8	-0.2	2.0	4.6	13.4	-0.4
Manufacturing	7.9	0.1	0.8	6.3	13.2	-0.2
Construction	3.7	0.1	1.1	-2.1	20.1	3.2
Services Producing Industries	1.9	-0.2	1.3	1.4	5.6	1.7
Wholesale Trade	1.6	0.0	0.3	1.2	3.9	0.8
Retail Trade	1.7	-12.6	11.9	4.7	10.2	2.2
Transportation & Storage	4.6	0.7	0.7	1.3	5.0	3.1
Accommodation	-16.7	17.0	-2.7	-0.2	1.7	-23.9
Food & Beverage Services	2.5	1.4	-12.8	8.9	3.0	6.0
Information & Communications	1.0	-0.9	8.5	2.3	12.2	-1.5
Finance & Insurance	1.5	2.4	0.0	1.6	7.4	-0.1
Real Estate	0.0	-1.4	1.3	1.5	10.7	7.1
Professional Services	0.8	2.6	1.1	0.3	4.4	4.0
Administrative & Support Services	3.5	-7.0	2.6	3.6	-3.8	5.8
Other Services Industries	1.6	-1.3	0.0	1.9	5.2	1.6

Source: MTI

Top NODX Markets, 1Q 2022

Market	2021	1Q 2022	2021	1Q 2022	2021	1Q 2022	2021	1Q 2022
	S\$ Million		%Y-O-Y Growth		% Share		% Contribution to Growth	
World	193,353	52,331	12.1	11.4	100.0	100.0	12.1	11.4
Top 15 Markets	171,746	47,289	12.3	14.0	88.8	90.4	10.9	12.4
China	34,053	8,277	29.1	15.4	17.6	15.8	4.5	2.3
United States	24,064	8,247	-19.7	37.0	12.4	15.8	-3.4	4.7
EU 27	17,844	5,670	-2.2	30.0	9.2	10.8	-0.2	2.8
Malaysia	14,265	4,225	14.4	26.2	7.4	8.1	1.0	1.9
Taiwan	14,695	3,568	29.0	4.9	7.6	6.8	1.9	0.4
Hong Kong	11,197	2,438	15.1	-14.5	5.8	4.7	0.9	-0.9
Japan	9,149	2,405	-7.2	15.1	4.7	4.6	-0.4	0.7
Indonesia	9,108	2,353	24.9	8.9	4.7	4.5	1.1	0.4
Korea, Rep Of	10,158	2,290	26.3	-9.2	5.3	4.4	1.2	-0.5
India	6,792	1,827	56.5	9.8	3.5	3.5	1.4	0.3
Thailand	7,747	1,823	1.5	-11.3	4.0	3.5	0.1	-0.5
Norway	347	1,162	98.2	3,964.0	0.2	2.2	0.1	2.4
Cambodia	4,904	1,026	469.4	-49.6	2.5	2.0	2.3	-2.1
Vietnam	3,721	997	13.7	11.2	1.9	1.9	0.3	0.2
Philippines	3,702	981	14.5	14.4	1.9	1.9	0.3	0.3
Others	21,606	5,042	10.5	-8.6	11.2	9.6	1.2	-1.0

Source: Enterprise Singapore

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