

## Singapore grew 2.2% YoY (0.2% QoQ sa) in 4Q22, bringing full-year 2022 growth to 3.8% YoY, but momentum will ease further in 2023.

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### Highlights:

- **Singapore's flash estimates of 4Q22 GDP growth came in at 2.2% YoY (0.2% QoQ sa), bringing full year to 3.8% YoY in 2022** which is half the 2021 growth of 7.6%. This is within the official growth forecast of 3-4% and close to our around 3.5% forecast due to the better-than-expected 4Q GDP flash estimates and the upwards GDP growth revision in earlier quarters of 2022. Notably, the manufacturing sector contracted 3.0% YoY in 4Q22, marking the first contraction since 4Q20 (-3.4% YoY), and worse than our forecast of -2.5% YoY. However, the manufacturing underperformance was offset by better-than-expected services growth of 4.1% YoY, especially due to accommodation & food services, real estate, administrative & support services which grew 8.2% YoY in 4Q22. Construction also clocked in a healthy 10.4% YoY in 4Q22.

- **Manufacturing momentum has been faltering in recent months**, especially on growing global growth (even recession) concerns and with the global electronics (especially semiconductor) industry also losing steam. This is the first quarter of manufacturing contracting on-year for the first time since 4Q20, but also partly due to high base in 4Q21 (15.5% YoY). More importantly, the prognosis for the manufacturing sector remains lacklustre for the above-mentioned headwinds even though the high base effects will start to peter out ahead. On a structural level, US-China rivalry on advanced manufacturing remains, so the implications for regional manufacturing supply value-chains is complicated. For the construction sector, the accelerated foreign manpower inflows is contributing to the healthy 104% YoY performance in 4Q22, and with the robust demand for private and public construction pipeline, coupled with the re-opening of the China market, there should be sustained momentum in the quarter ahead. The services sector, especially in the hospitality-related industries, should continue to do the heavy lifting in the near-term with many anticipating a boom in Chinese tourists ahead.

- **Looking ahead, 2023 growth momentum is likely to moderate to below the 2% YoY handle in 1Q23 as manufacturing sector continues to remain lacklustre in the near-term** amid pullback in global demand conditions and the global electronics industry slowdown. Our full-year 2023 growth forecast currently stands at 2% YoY, with immediate growth/recession downside risks for the major economies partially offset by the China's earlier-than-expected Covid policy pivot story. Although the IMF continues

to sound a cautious note on the possibility of a third of the global economies experiencing a recession this year, nevertheless domestic firms and consumers will still have to grapple with elevated inflation and cost pressures. That said, the local job market is likely to soften slightly but remain generally supported. Manufacturing is traditionally not the key driver of local employment, so a further tapering of manufacturing growth momentum per se should not move the needle that much. The key job market driver is still the services sector, and China's earlier covid policy pivot should be a boon. For the ICT and finance insurance industries, hiring and wage expectations which had benefited significantly last year should start to taper in line with softening growth momentum. For policy, key to watch will be the upcoming Budget announcement on 14 February where a mildly supportive fiscal stance is likely. With S\$NEER still trading on the stronger side of its parity band (+1.3%), the key to watch will still be the CPI, especially core CPI, readings in the run-up to the April MPS.

**Gross Domestic Product in Chained (2015) Dollars**

	4Q21	2021	1Q22	2Q22	3Q22	4Q22*	2022*
Percentage change over corresponding period of previous year							
Overall GDP	6.1	7.6	4.0	4.7	4.2	2.2	3.8
Goods Producing Industries	13.6	13.4	5.5	5.9	2.1	-1.3	3.0
Manufacturing	15.5	13.2	6.0	6.3	1.4	-3.0	2.6
Construction	2.9	20.1	3.2	4.8	7.8	10.4	6.5
Services Producing Industries	4.4	5.6	4.9	5.0	5.8	4.1	5.0
Wholesale & Retail Trade and Transportation & Storage	4.2	4.5	4.7	3.0	5.7	2.3	3.9
Information & Communications, Finance & Insurance and Professional Services	6.6	7.7	6.3	5.2	3.6	2.9	4.5
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	1.6	4.0	3.4	7.6	9.3	8.2	7.1

	4Q21	2021	1Q22	2Q22	3Q22	4Q22*	2022*
Quarter-on-quarter growth rate, seasonally adjusted							
Overall GDP	2.3	7.6	1.0	-0.1	1.1	0.2	3.8
Goods Producing Industries	4.6	13.4	-1.1	0.4	-1.6	1.2	3.0
Manufacturing	6.3	13.2	-1.2	0.5	-3.9	1.8	2.6
Construction	-2.1	20.1	4.3	1.5	3.8	0.4	6.5
Services Producing Industries	1.4	5.6	2.4	-0.1	2.1	-0.4	5.0
Wholesale & Retail Trade and Transportation & Storage	1.3	4.5	2.7	-1.9	3.7	-2.2	3.9
Information & Communications, Finance & Insurance and Professional Services	2.5	7.7	-1.1	1.4	0.8	1.8	4.5
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	2.6	4.0	3.3	1.2	1.9	1.5	7.1

\*Advance estimates

Source: MTI, Singstat

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