

Singapore Q4 GDP declined by a milder 3.8% yoy

Selena Ling

Head of Research and Strategy

+65 6530 4887

LingSSSelena@ocbc.com

Highlights:

The S'pore economy shrank by a milder 3.8% yoy (+2.1% qoq sa) in 4Q20, while the growth estimates for 3Q20 was also revised up to a milder -5.6% yoy (9.5% qoq sa) to bring the full-year 2020 GDP growth to -5.8% yoy. The latter outperforms the -6.5% to -6.0% official forecast range, but still marked a sharp contraction from the 0.7% yoy growth seen back in 2019, and is largely attributable to the Covid pandemic's economic scarring on the global economy. Notably, 4Q20 manufacturing sector grew 9.5% yoy, aided by the electronics, pharmaceuticals and precision engineering industries, albeit there was a mild sequential slowdown (-2.6% qoq sa) from 3Q20. Meanwhile the pace of contraction in the construction and services sector eased to -28.5% yoy (+34.4% qoq sa) and -6.8% yoy (+2.4% qoq sa) with the resumption of more construction activities in 4Q20 as well as steady momentum in the information & communications and finance & insurance industries due to global demand for cloud computing, cybersecurity, and e-commerce services, as well as risk-on market sentiments respectively.

Looking ahead, with the vaccinations underway both globally and domestically (notwithstanding the new strain of Covid infections) and the transition to Phase 3 for the S'pore economy, we expect growth to stabilise and improve to around 4-6% yoy in 2021. Global market sentiments remain buoyant, and the prospect of US fiscal stimulus may lend further impetus to the risk-on tone at the start of the new year. That said, there may be some moderation in the manufacturing growth momentum in 1Q21 given that the first quarter is traditionally slower due to the festive Chinese New Year holidays and that the global restocking push may be subsiding. Subsequently, 2Q21 GDP growth will see a big surge due to the very low 2Q20 base (-13.4% yoy) resulting from the earlier Circuit Breaker period, and if vaccination efforts proves effective, both business and consumer confidence is likely to improve further. The timing of when international borders re-open remains key to when the wholesale & retail trade, accommodation & food services, and other services will recover.

Budget 2021 is tipped to remain supportive and be modestly expansionary, but will likely stand in the shadow of the unprecedented policy support provided in 2020. Market hopes for continued fiscal support for key hard-hit sectors like aviation, tourism and hospitality-related industries, but there may be greater recalibration of support levels in order to prioritise repositioning and rebuilding for a post-Covid environment. MAS policy is likely to remain accommodative through 2021 by maintaining the S\$NEER policy stance at neutral slope at least through April 2021.

Singapore

4 January 2021

While the USDSGD broke the 1.3200 handle this morning and the S\$NEER is pushing +0.5% on the stronger side of its parity band, nevertheless this is largely on the back of a weaker USD. Until core CPI reverts clearly back to positive territory this year, there is no rush to recalibrate monetary policy settings either.

Gross Domestic Product in chained (2015) dollars³

	4Q19	2019	1Q20	2Q20	3Q20	4Q20*	2020*
Percentage change over corresponding period of previous year							
Overall GDP	1.0	0.7	-0.2	-13.4	-5.6	-3.8	-5.8
Goods Producing Industries	-1.3	-0.8	6.6	-9.2	2.2	3.3	0.7
Manufacturing	-2.3	-1.4	8.3	-0.5	10.8	9.5	7.1
Construction	4.3	2.8	-1.2	-61.0	-46.2	-28.5	-33.7
Services Producing Industries	1.5	1.1	-2.3	-13.4	-8.4	-6.8	-7.8
Wholesale & Retail Trade and Transportation & Storage	-1.2	-1.9	-6.1	-15.9	-11.9	-11.0	-11.2
Information & Communications, Finance & Insurance and Professional Services	3.6	4.0	4.3	-3.0	-0.2	0.2	0.3
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	2.5	1.5	-5.2	-22.0	-13.5	-9.9	-12.6

	4Q19	2019	1Q20	2Q20	3Q20	4Q20*	2020*
Quarter-on-quarter growth rate, seasonally-adjusted							
Overall GDP	0.2	0.7	-0.7	-13.3	9.5	2.1	-5.8
Goods Producing Industries	-0.9	-0.8	7.4	-15.4	13.5	0.2	0.7
Manufacturing	-1.5	-1.4	10.0	-9.2	12.6	-2.6	7.1
Construction	1.3	2.8	-3.2	-60.5	39.0	34.4	-33.7
Services Producing Industries	0.5	1.1	-3.4	-11.0	6.0	2.4	7.8
Wholesale & Retail Trade and Transportation & Storage	0.1	-1.9	-5.8	-10.5	4.3	1.2	-11.2
Information & Communications, Finance & Insurance and Professional Services	2.1	4.0	-0.6	-4.5	2.9	2.5	0.3
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	0.3	1.5	-5.8	-18.1	11.7	4.5	-12.6

*Advance estimates

Source: MTI

Treasury Research & Strategy

Macro Research

Selena Ling*Head of Research & Strategy*LingSSSelena@ocbc.com**Tommy Xie Dongming***Head of Greater China Research*XieD@ocbc.com**Wellian Wiranto***Malaysia & Indonesia*WellianWiranto@ocbc.com**Terence Wu***FX Strategist*TerenceWu@ocbc.com**Howie Lee***Thailand, Korea & Commodities*HowieLee@ocbc.com**Carie Li***Hong Kong & Macau*carierli@ocbcwh.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**Seow Zhi Qi***Credit Research Analyst*ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).