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Global Markets Research

Research Alert

Singapore: 2022 GDP growth revised lower to 3.6%

4Q GDP growth moderated to 2.1% (advance: 2.2%) from 4.0% in 3Q

2023 growth forecast maintained at 0.5-2.5%; China’s reopening to benefit the economy

MAS to meet in April; may leave policy unchanged

Background

Singapore’s economy grew by 3.6% in 2022 (2021: revised up to +8.9%), slightly slower than the earlier estimate of 3.8%. At the same time, MTI maintained its GDP growth forecast for 2023 at 0.5%-2.5%.

Manufacturing sector was the culprit to slower growth

In 4Q of 2022, the economy expanded by 2.1% y/y and 0.1% q/q (3Q: +4.0% y/y and +0.8% q/q), a downward revision from its earlier estimate of +2.2% y/y and +0.2% q/q respectively. The manufacturing sector shrank by 2.6% y/y (3Q: +1.1% y/y), led by contraction in the biomedical manufacturing, chemicals, electronics and general manufacturing clusters.

The construction sector grew at a faster pace of 10.0% y/y (3Q: +8.1% y/y), while growth in the services sector softened slightly to +4.0% y/y (3Q: +5.5% y/y). Specifically, the finance and insurance sector contracted by 0.3% y/y (3Q: +0.5% y/y) as contractions in banking and insurance more than offset expansions in fund management and “other auxiliary activities.” Growth in retail trade sector also slowed to +5.1% y/y (3Q: +8.8% y/y), mainly led by a decline in motor vehicle sales volume. On the other hand, the impact from the reopening of the economy and relaxation of border controls continued to be felt, as shown by the food and beverages sector continuing to register double digit growth (+19.6% y/y vs 3Q: 29.3% y/y) while accommodation accelerated to +7.8% y/y (3Q: +1.6% y/y). Demand for private residential property, meanwhile, remained sturdy, as reflected by the 15.2% y/y increase in real estate (3Q: +14.8% y/y).

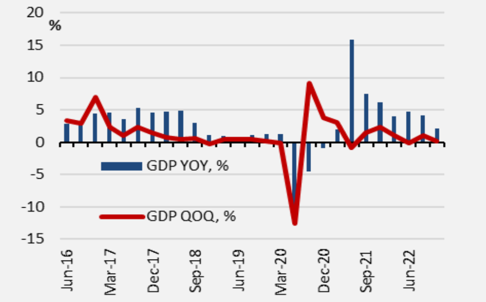
No change in GDP forecast of 0.5%-2.5% for 2023

Despite the downward revision in its 2022 data, MTI kept its 2023 forecast at 0.5-2.5%. Singapore’s external demand outlook has improved slightly, especially in view of the faster-than-expected easing of COVID-19 restrictions in China. This is expected to not only improve the growth outlook of regional economies but also benefit Singapore’s tourism and aerospace sectors. Global supply situation has stabilised amidst softening global demand conditions as well as lower commodity prices.

The growth outlook for outward-facing sectors nevertheless, remained weak given the broader slowdown in the global economy. The government continued to expect the semiconductors segment to be negatively affected by weaker global demand while the precision engineering cluster is projected to be weighed down by a cutback in capital spending by semiconductor manufacturers. Similarly, wholesale trade, water transport and finance & insurance sectors will be dampened by the slowdown in major external economies.

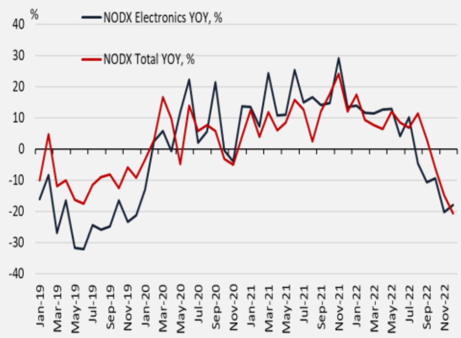
We also expect consumer spending to grow at a slower pace in 2023. While unemployment remains stable, the rising cost of living will force consumers to tighten their wallets and focus on essentials. The slower growth also reflects high base in 2022 as well as transitory impact from GST hike in 1Q.

Figure 1: GDP growth revised downwards from advance estimate



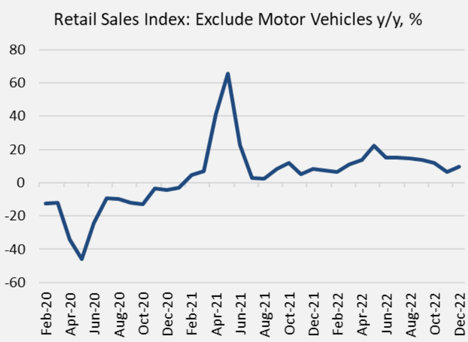
Source: Bloomberg

Figure 2: Exports floundered on E&E



Source: Bloomberg

Figure 3: Consumer spending to soften in 2023



Source: Bloomberg

Meanwhile, Edward Robinson, chief economist at the Monetary Authority of Singapore (MAS) said that the current monetary policy stance remains appropriate, adding that the cumulative effects of the monetary policy tightening since October 2021 will slow the inflation momentum and ensure that price pressures do not become entrenched in the economy. With this, we would not be surprised if MAS leaves its foreign exchange policy unchanged at its next monetary policy meeting scheduled in April.

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