14 July 2021

Global Markets Research

Research Alert

Singapore: To Recover After Brief Dip

Singapore's economic recovery was slightly dampened by Covid-19 restrictions in May to July

GDP expanded by 14.3% y/y (inflated by base effects), but contracted by 2% q/q

The outlook for the second half is likely positive, with expected GDP growth around 4-6% y/y

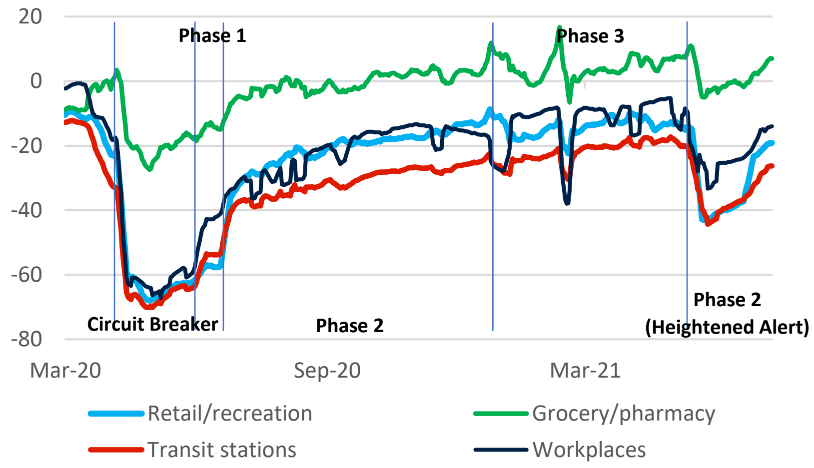
Summary

Singapore's economic performance was coherent with activity levels in 2Q (refer to Google Mobility chart). GDP growth climbed by 14.3% y/y (1Q: 1.3%) as a result of the depressed activity seen in April to June 2020 circuit breaker. However, the economy contracted by 2% q/q (1Q: 3.1%) as a result of the introduction of Phase 2 (Heightened Alert) in May to July 2021.

We think that the outlook ahead is likely to be positive, as restrictions are progressively lifted. GDP growth is likely to be around 4-6% y/y in 2H-2021, according to our forecasts. However, it is likely to stay uneven amid differing recovery paths across various sectors.

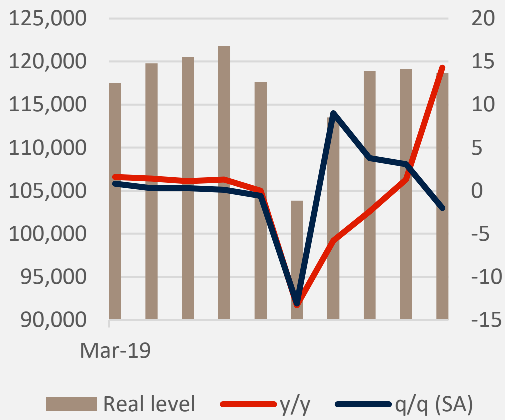
Indeed, if we examine the sectoral breakdown, some sectors continued to do well relative to others. Manufacturing expanded by 18.5% y/y (-1.8% q/q). However, services only grew by 9.8% (-1% q/q). Construction activity was up 98.8% y/y (-11% q/q) due to heavy disruptions to the sector a year ago.

Activity Levels, from Google Mobility (% from pre-pandemic)



Note: 7-day (1-week) moving averages. Source: Google, HL Bank

Figure 1: Singapore GDP (SGD mn and %)



Source: Bloomberg, HL Bank

Figure 2: Key forecasts

	2021F	2022F
GDP	6.3%	3.5%
Inflation (avg)	1.7%	0.9%
Core CPI (avg)	0.8%	1.0%
3m SIBOR	0.45%	0.50%
USD/SGD	1.33	NA

Source: HL Bank

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.