

**Global Markets Research**
**Economics - Singapore**

## ***Economy moderated to grow 1.10% in 3Q***

Singapore's economy expanded 1.10% YOY in 3Q, moderating from the 2.00% YOY pace in 2Q. An initial forecast expected a steeper deceleration in growth (+0.60% YOY) amid sluggishness in manufacturing sector. Thanks to the rebound in September's IPI number, headline GDP number was revised higher as goods producing industries managed a 1.30% YOY growth in 3Q (2Q: +1.60% YOY). However, the services sector continued to raise concerns as it marked its sixth quarters of extended slowdown due to declines in wholesale & retail trade (-1.50%) and finance & insurance (-0.70%). Anticipating that current headwinds will prevail next year, MITI forecasted growth to growth at very modest pace of 1.00- 3.00%.

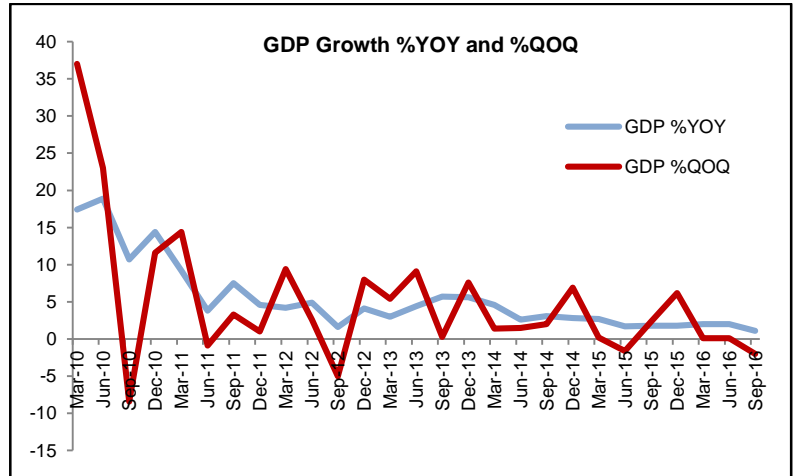
	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
<b>Real GDP (% YOY)</b>	<b>2.7</b>	<b>2.0</b>	<b>1.8</b>	<b>1.8</b>	<b>2.0</b>	<b>2.0</b>	<b>1.1</b>
<u>Supply Condition</u>							
Goods Producing Industries	-2.2	-3.2	-4.0	-4.0	0.6	1.6	1.3
Manufacturing	-2.6	-4.8	-6.0	-6.7	-0.5	1.4	1.3
Construction	-1.6	2.2	3.0	4.9	4.3	2.0	1.6
Services Producing Industries	4.2	3.6	3.4	2.8	1.6	1.2	0.0
Wholesale & Retail Trade	5.6	6.0	6.4	6.8	2.6	0.9	-1.5
Transport & Storage	1.3	-1.0	0.4	-0.9	-0.1	2.9	0.6
Accommodation & Food	-0.1	-0.9	1.1	0.9	1.7	1.9	2.1
Information & Comm.	4.9	5.6	2.5	3.3	3.1	1.5	2.2
Finance & Insurance	7.7	6.9	4.6	2.4	2.8	0.7	-0.7
Business Services	2.9	1.6	2.0	0.8	0.3	0.7	0.2
Other Service Industries	1.9	1.8	1.5	1.7	0.8	1.7	2.3

*The economy expanded 1.10% YOY in the third quarter*

**The slowdown in Singapore's economy in the third quarter of the year was milder than initially expected.** The economy expanded 1.10% YOY last quarter, final release of 3Q GDP showed. Despite moderating from the 2.00% YOY pace in 2Q, growth was much better than an earlier estimate of 0.60% YOY. External headwinds are expected to weigh down on wholesale trade and finance & insurance sectors, prompting the Ministry of Trade and Industry to narrow the GDP forecast for this year to 1.00 – 1.50% (previous: 1.00 - 2.00%).

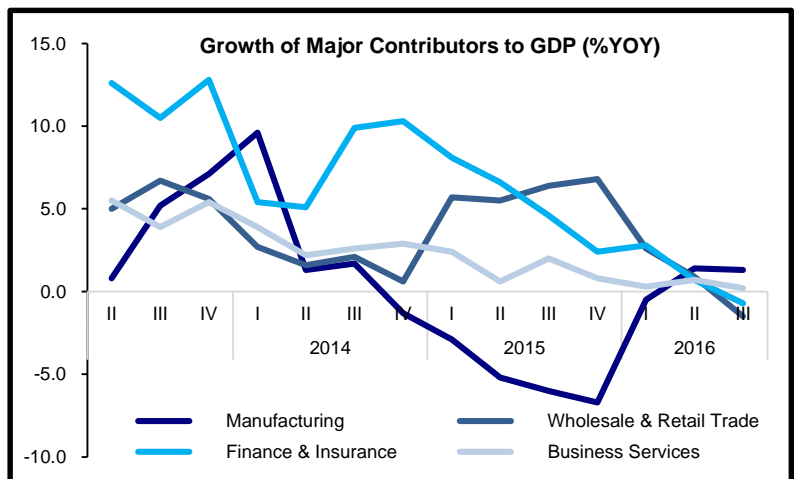
*Manufacturing sector expanded for two straight quarters*

**The manufacturing sector expanded for two straight quarters followed six straight quarterly declines, leading to sustained growth in the entire goods producing industries.** Followed the 1.60% YOY growth in 2Q, factories activities grew 1.30% YOY in 3Q. Expansion was sustained by the recovery in the electronics and precision engineering clusters. On the other hand, construction sector grew 1.60% YOY in 3Q, easing from the 2.00% YOY pace in 2Q.



Services sector slowed for six straight quarters

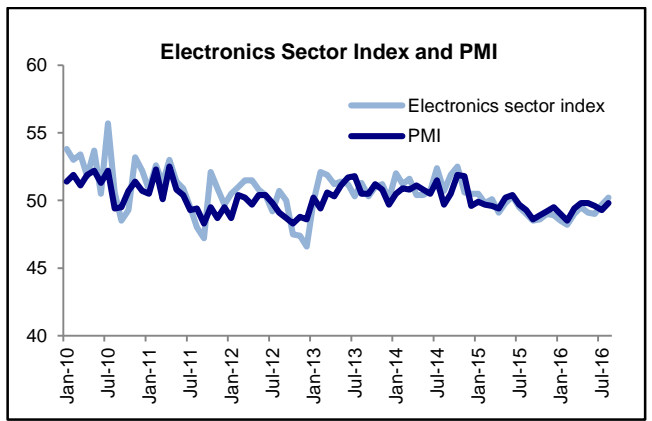
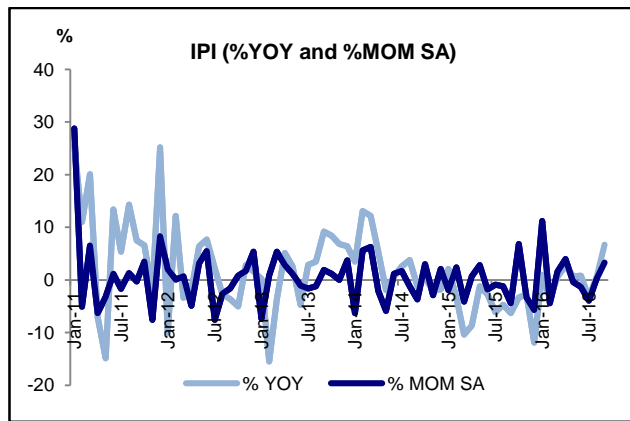
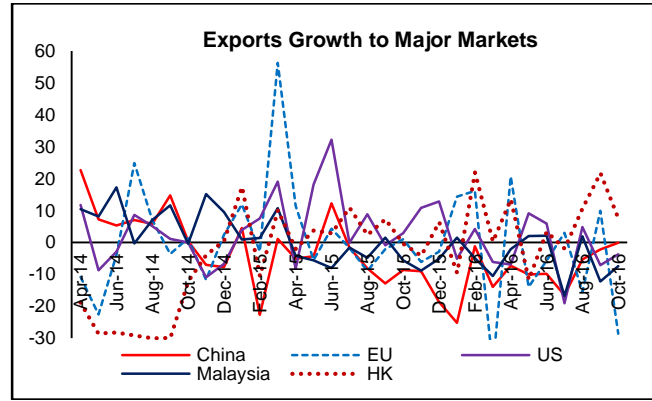
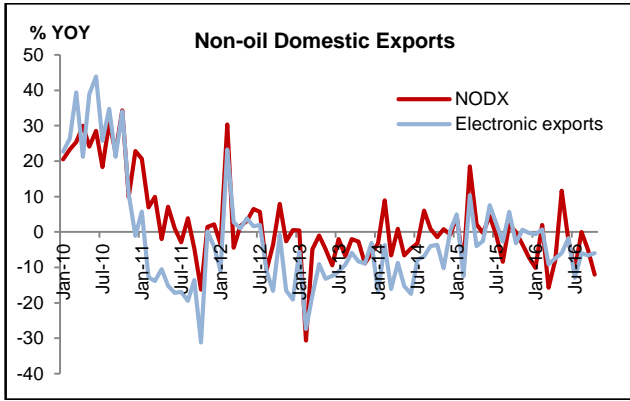
The services industries softened for a sixth straight quarters as global headwinds hurt profitability of banks and insurance companies and other major business services. Services producing industries barely grew from 3Q15 to 3Q16, dragged by the decline in wholesale/ retail (3Q: -1.50% YOY vs 2Q: +0.90% YOY) and finance/ insurance (3Q: -0.70% YOY vs 2Q: +0.70% YOY). Downside was further compounded by slowdown in transport/storage (3Q: +0.60% YOY vs 2Q: +2.90% YOY) and business services (3Q: +0.20% YOY vs 2Q: +0.70% YOY).



Anticipates growth to remain at a modest pace of 1.00-3.00% next year.

The manufacturing sector is expected to pick up next year, building on recovery in demand for semiconductors and semiconductor equipments. On the downside, demand for marine & offshore engineering equipment continue to look bleak as oil prices is anticipated to pick up at very gradual pace. In addition, externally oriented services sectors such as finance & insurance and wholesale trade are expected to remain sluggish, strengthening the case for MITI's projection of growth to remain a modest pace of 1.00-3.00%.

Singapore Graphical Overview:



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