

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

## Singapore GDP picked up 4.4% in 1Q18

The Singapore economy topped initial estimates to rise 4.4% YOY in 1Q18, driven by both goods and services sectors. Manufacturing industry grew at a much faster pace following a slow quarter driven by electronics and precision engineering productions why the services sector quickened as well supported by finance and insurance sector and business services. Looking ahead, the economy is projected to grow by 2.5-3.5% compared to the previous forecast of 1.5-3.5% as demand for Singaporean goods continue to hold up amidst firm global economic outlook. Uncertainties remained as trade tensions persist and global interest rates continue to rise. We expect MAS to maintain its neutral policy stance and leave monetary policy unchanged in its next MPC meeting in October.

	2015	2016	2017	4Q17	1Q18
<b>Real GDP (% YOY)</b>	<b>1.9</b>	<b>2.4</b>	<b>3.6</b>	<b>3.6</b>	<b>4.4</b>
Goods Producing Industries	-3.1	3.2	5.7	2.7	6.4
Manufacturing	-5.1	3.7	10.1	4.8	9.8
Construction	3.9	1.9	-8.4	-5.0	-5.0
Services Producing Industries	3.2	1.4	2.8	3.5	4.1
Wholesale & Retail Trade	3.7	1.0	2.3	3.0	3.0
Transport & Storage	1.6	1.3	2.3	5.3	2.8
Accommodation & Food	0.7	3.8	4.8	2.9	2.0
Information & Comm.	-0.6	3.6	1.2	6.0	5.7
Finance & Insurance	5.7	1.6	4.8	6.3	9.1
Business Services	3.9	-0.3	0.6	0.4	2.8
Other Service Industries	1.2	3.5	2.6	2.7	1.9

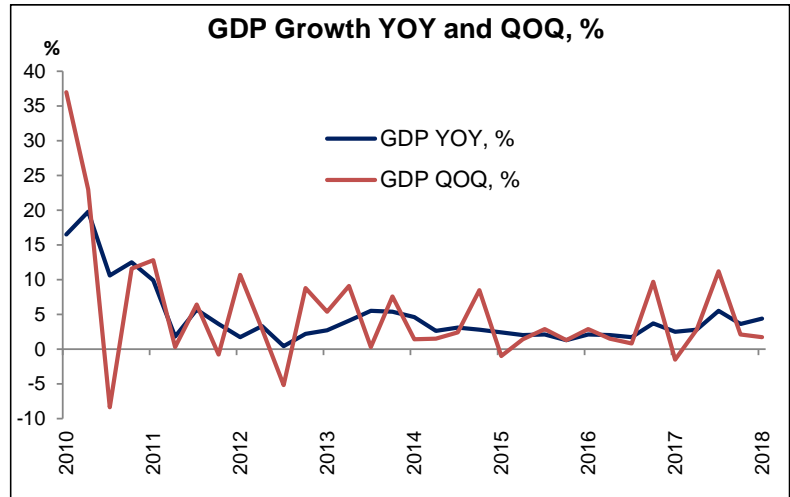
Source: MTI Singapore

Growth accelerated to 4.4% YOY in 1Q18, better than the initial estimates of 4.3% YOY

**Growth in the Singaporean economy topped initial estimates of 4.3% YOY to increase 4.4% YOY (4Q17: +3.6%) in 1Q18**, supported by a sustained global demand for Singaporean goods. On a quarterly basis, GDP growth softened to edge up 1.7% QOQ, easing from the 2.1% growth in the previous quarter.

**The quicker expansion was primarily driven by** higher rate of growth in both goods and services sector. Goods producing industries rose 6.4% YOY (4Q17: +2.7%) as manufacturing sector quickened 9.8% YOY (4Q17: +4.8%) while constructions extended its decline of 5.0% (4Q17: -5%), weighed down by continuous weakness in both public and private sector construction activities due to cooling measures introduced by authorities to curb speculations.

The services producing industries meanwhile expanded by 4.1% YOY (4Q17: +3.5%) attributed to faster growth in the area of finance and insurance and business services while majority of the sub-sectors softened.



Source: MTI Singapore

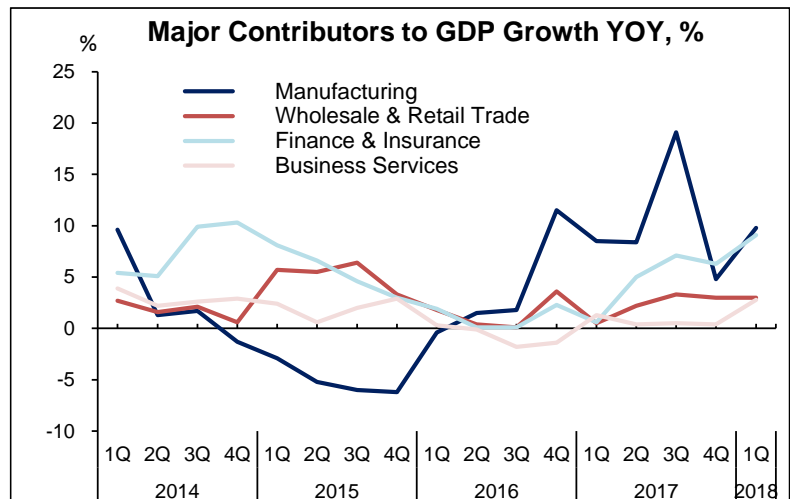
*Manufacturing and services sector accelerated*

The manufacturing sector accelerated substantially following a slow quarter, driven by productions of electronics, precision engineering and chemicals, which expanded by 19.2% YOY, 14.0% YOY and 10.0% YOY respectively.

Within the services sector, wholesale and retail trade maintained its previous pace of growth at 3.0% YOY (4Q17: +3.0%), driven by the wholesale trade segment due to higher sales in petroleum products as retail trade declined attributed to a three-month contraction in motor vehicle sales.

The area of transportation & storage, accommodation & food services as well as information & communications experienced some moderations in the first quarters, rising 2.8% YOY (4Q17: +5.3%), 2.0% YOY (4Q17: +2.9%) and 5.7% YOY (4Q17: +6.0%) respectively.

Finance and insurance sector recorded a substantial gain of 9.1% YOY (4Q17: +6.3%) due to robust performance in fund management, financial intermediation and insurance segments. Business services accelerated as well, growing by 2.8% YOY (4Q17: +0.4%) supported by professional services.



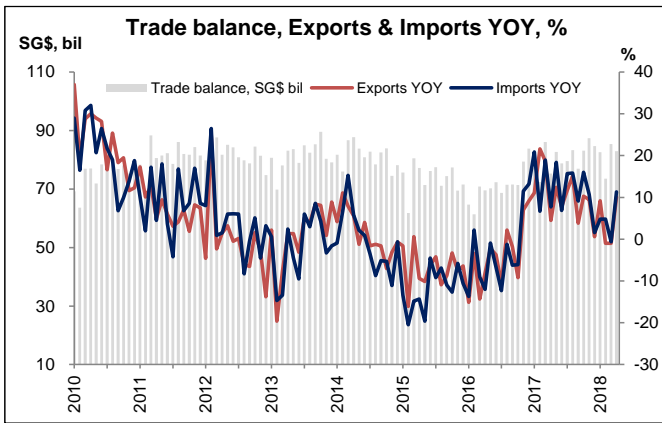
Source: MTI Singapore

*2018 growth projections revised upward from 1.5 – 3.5% to 2.5 – 3.5%, MAS to leave monetary policy unchanged*

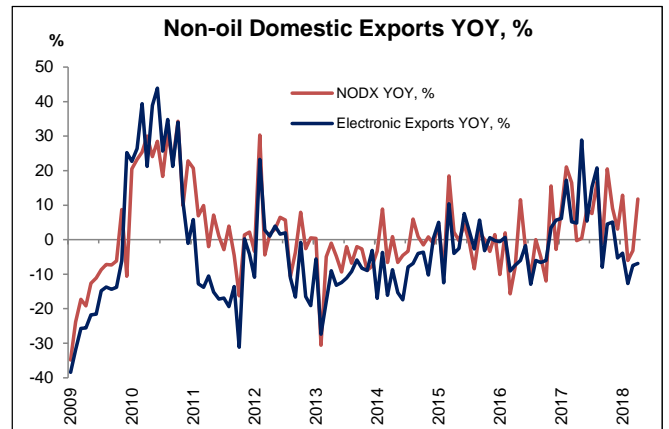
The Singapore economy is expected to be supported by continuously firm demand from its key trading partners namely the US, Eurozone and China, even as the outlook for the Eurozone has somewhat softened recently while China is poised to slow down as deleveraging of state-owned companies weighs down investment. Consumptions in the US will be driven by the further tightening of the labour market, which sees wage growth firming up gradually. The pace of growth of the Singapore economy is projected to remain firm buoyed by the likely expansion of the manufacturing sector given sustained growth in electronics and precision engineering. Healthy external demand will continue to benefit finance & insurance, transportation & storage as well as wholesale trade.

Having said that, uncertainties remained with recent protectionist measures imposed by the US posing downside risk to international trade and dampening business confidence while emerging market economies are exposed to rising global interest rates and tightening financial market conditions, which could lead to financial vulnerability and in turn hurt growth in those countries.

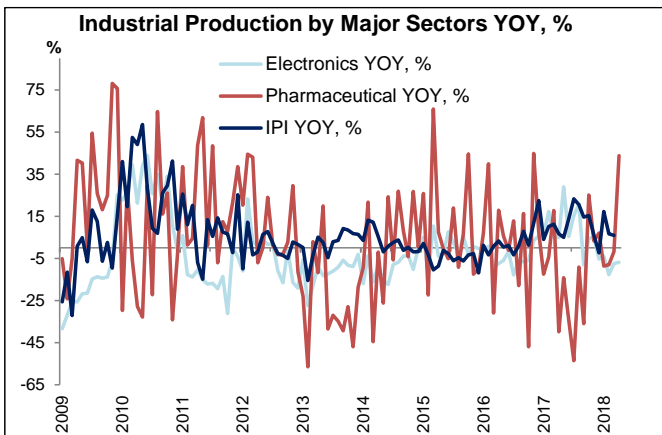
The Ministry of Trade and Industry projected the economy to grow 2.5- 3.5%, compared to the previous forecast of 1.5-3.5% supported by favourable global growth outlook. Looking ahead, barring from any unexpected rise in the domestic financial condition and given a softening inflation, we expect MAS to maintain its neutral policy stance and leave the slope of its policy band as well as the width of the policy band at the level at which it is centered unchanged in its next MPC meeting in October.



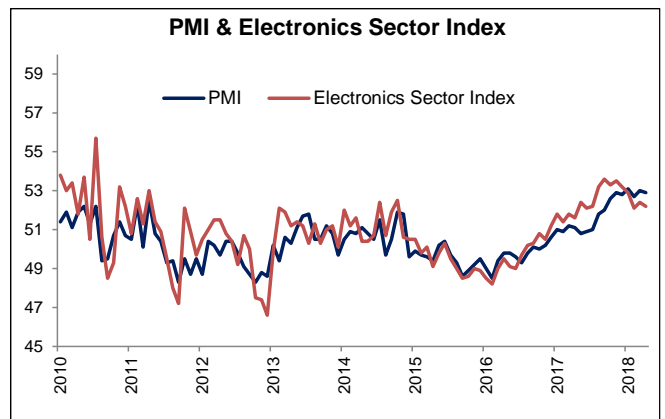
Source: MTI Singapore, Bloomberg



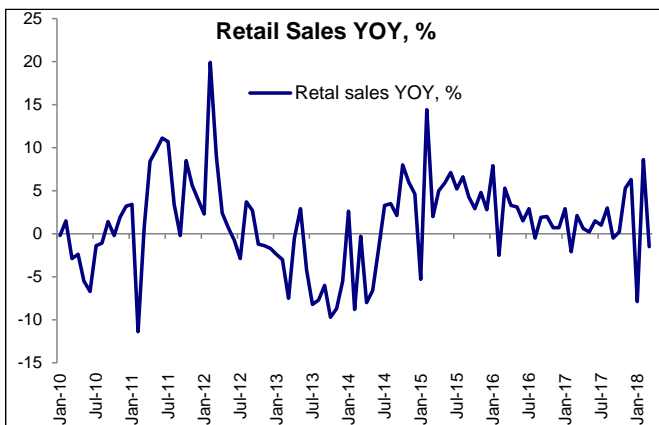
Source: MTI Singapore, Bloomberg



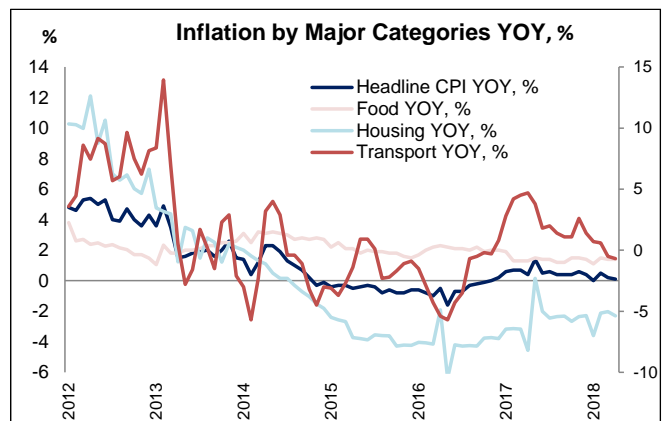
Source: MTI Singapore, Bloomberg



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