

Global Markets Research
Economics - Singapore

Economy expanded 2.70% YOY in 1Q

Singapore's economy expanded 2.70% YOY in the first quarter of the year followed a 2.90% YOY growth in the final quarter of 2016. Growth in the goods producing industries softened and offset quicker expansion in the services producing industries. The slowdown in fiscal spending coupled with continuous declines in household spending and fixed investment overshadowed the increase in net exports, resulting in a softer headline GDP print. Despite lower 1Q GDP print, last quarter's growth pace is within the government's targeted growth range. The Monetary Authority of Singapore maintained its GDP growth forecast unchanged at 1.0-3.0% for 2017 and aided by global recovery, Singapore's GDP growth is expected to accelerate from 2016 full year growth pace of 2.00%.

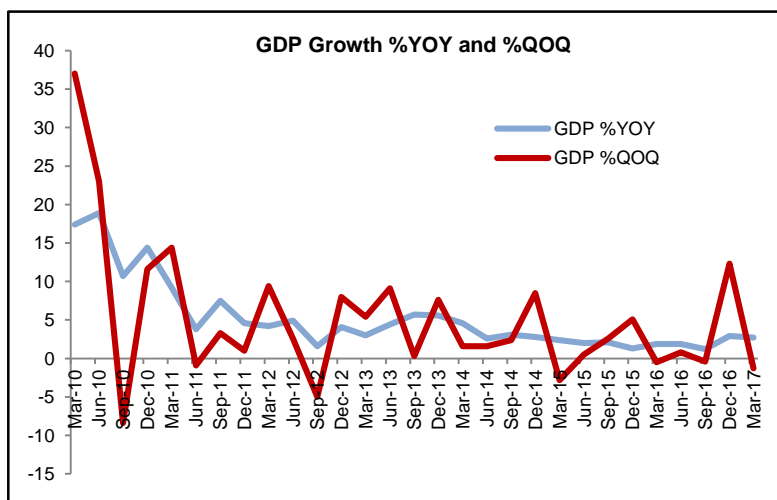
	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Real GDP (% YOY)	2.1	1.3	1.9	1.9	1.9	1.2	2.9	2.0	2.7
<u>Supply Condition</u>									
Goods Producing Industries	-4.0	-3.5	-3.1	0.5	1.8	0.9	7.9	2.8	5.6
Manufacturing	-6.0	-6.2	-5.1	-0.4	1.5	1.8	11.5	3.6	8.0
Construction	3.0	5.6	3.9	3.1	2.7	-2.2	-2.8	0.2	-1.4
Services Producing Industries	3.4	2.0	3.2	1.5	1.1	0.4	1.0	1.0	1.6
Wholesale & Retail Trade	6.4	3.3	3.7	1.8	0.4	0.1	0.4	0.6	0.5
Transport & Storage	0.4	0.2	1.6	0.1	2.9	0.7	5.4	2.3	4.2
Accommodation & Food	1.1	1.4	0.7	2.1	2.4	2.5	-0.2	1.7	-1.9
Information & Comm.	2.5	-1.7	-0.6	2.9	2.9	1.3	1.4	2.3	1.7
Finance & Insurance	4.6	3.0	5.7	1.9	1.9	0.1	0.6	0.7	0.9
Business Services	2.0	2.9	3.9	0.3	0.3	-1.8	-1.9	-0.9	2.1
Other Service Industries	1.5	-0.3	1.2	2.4	2.6	3.6	3.9	3.1	2.3

The economy expanded 2.70% YOY in 1Q (4Q: +2.90% YOY)

The Singapore's economy expanded 2.70% YOY in the first quarter of the year, building on 2.90% YOY growth in the final quarter of last year. On a quarterly basis, GDP growth contracted 1.30% QOQ in 1Q after the 12.30% QOQ expansion in 4Q. Outlook for the global economy has improved this year, potentially boosting 2017 growth to exceed last year's 2.00% pace. Anticipating favorable economic conditions to fuel domestic demand, Singapore's GDP growth may fall on the upper bound of the 1.0 and 3.0% target this year.

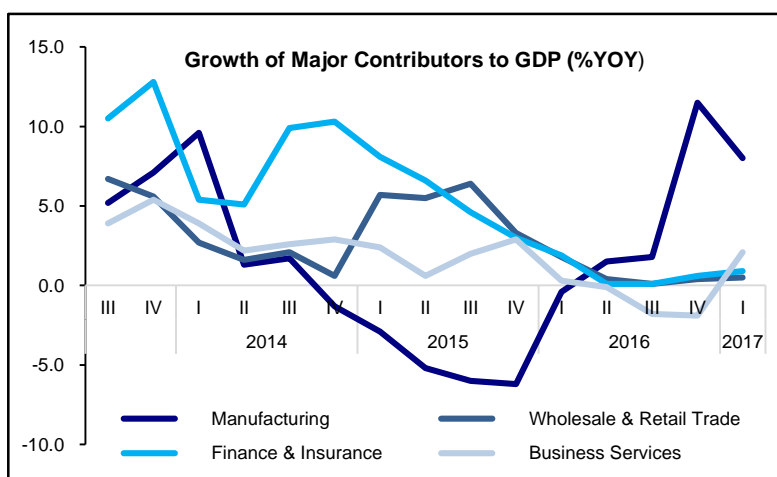
Goods producing sector expanded for five straight quarters

The goods producing cluster decelerated to 5.60% YOY (previous: 7.90% YOY) amid the slowdown in the manufacturing sector (1Q17: +8.00% YOY vs 4Q16: +11.50% YOY) coupled with continuous contraction in the construction sector (1Q17: -1.40% YOY vs 4Q16: -2.80% YOY).



Services producing sector expanded 1.60% YOY last quarter

The services industries expanded 1.60% YOY in 1Q after previous quarter growth of 1.00% YOY, alleviating downside risks to headline GDP print. Improvement in the services industries cluster was driven by the rebound in business services (1Q17: +2.10% YOY vs 4Q16: -1.90% YOY) on top of acceleration in finance/ insurance (1Q17: +0.90% YOY vs 4Q16: +0.60% YOY), information/ communication (1Q17: +1.70% YOY vs 4Q16: +1.40% YOY) and wholesale/ retail (1Q17: +0.50% YOY vs 4Q16: +0.40% YOY).

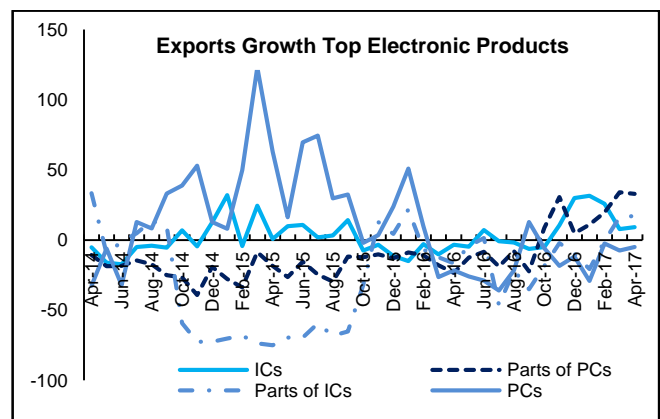
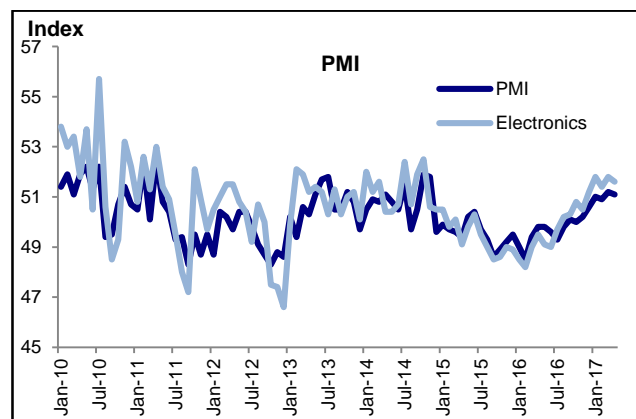
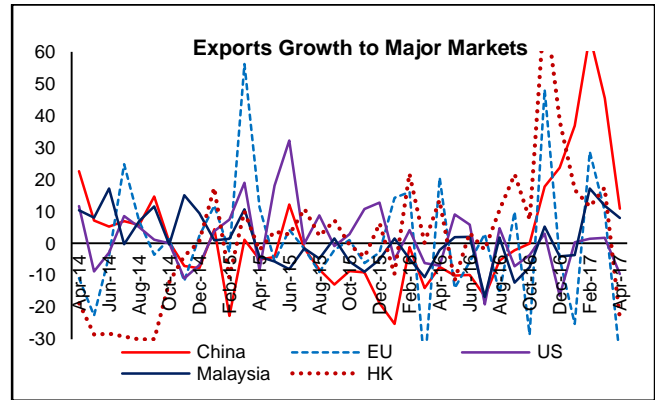
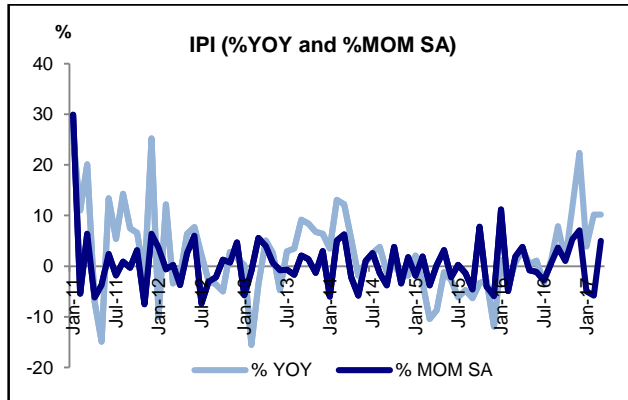


Net exports grew for two straight quarters amid the pick-up in global demand.

After contracting 2.30% YOY in the final quarter of 2016, household consumption declined 0.40% YOY at the start of this year. Government spending on the other hand, rose 5.50% YOY in 1Q (4Q: +7.00% YOY). Fixed capital formation contracted 0.30% in 1Q from a year ago (4Q: -5.00% YOY), casting further drag to domestic demand on top of the drop in household consumption.

Despite lower 1Q GDP print, last quarter's growth pace is within the government's targeted growth range. The Monetary Authority of Singapore maintained its GDP growth forecast unchanged at 1.0-3.0% for 2017 and aided by global recovery, **Singapore's GDP growth may accelerate from 2016 full year growth pace of 2.00%.**

Singapore Graphical Overview:



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