

# Singapore to feel impact from slowing trade

The projected global downturn will impact Singapore. Will the return of tourists cushion the blow?



Source: Shutterstock

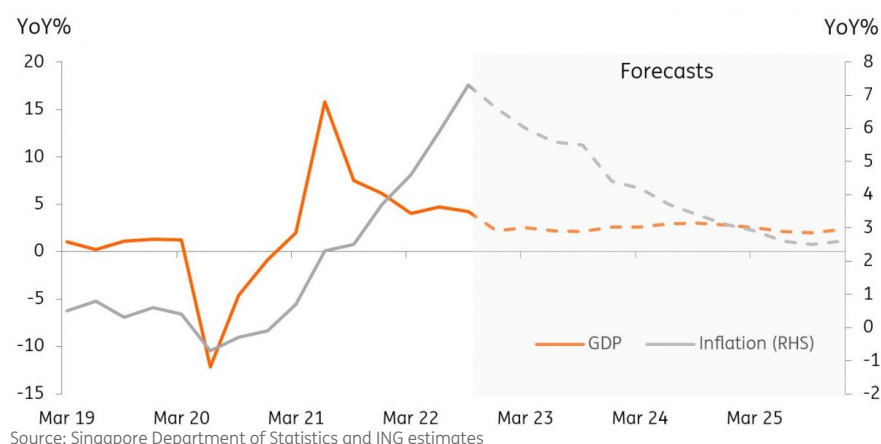
## Singapore: At a glance

Singapore managed to record respectable growth in 2022, supported by an improvement in global trade and robust domestic consumption, but momentum is now fading. The sharp uptick in inflation and supply disruptions caused by China's repeated lockdowns due to Covid have been key factors for the moderation in growth momentum.

Surging inflation and rapid tightening from global central banks worked against the economy, which in turn forced aggressive action from the Monetary Authority of Singapore (MAS). The rise in price pressures was so pronounced it warranted tightening from the MAS at two non-policy meetings, on top of action during both scheduled meetings.

Meanwhile, industrial production and exports have been weighed down by softer demand from China and the rest of the world. While multi-year high inflation likely capped household spending, resurgent visitor arrivals may have provided a lift to department store sales.

## Growth and inflation outlook



### 3 Calls for 2023

#### 1 Singapore GST implementation to keep inflation elevated, slow growth

The planned increase in Singapore's goods and services tax (GST) was pushed through on 1 January 2023. Previously delayed due to the pandemic, the GST rises from 7% to 8% in 2023 and should impact both the inflation outlook and growth momentum next year. The latest inflation forecasts from the MAS incorporate the scheduled GST increase, with core inflation expected to settle between 3.5% to 4.5% for the year. Relatively high inflation should cap household consumption next year as overall economic activity is set to slow due to global factors.

Furthermore, given that core inflation will likely stay well above the MAS's core inflation target of 2%, we also believe that the central bank will be forced to retain tight financial conditions to help bring inflation back to target. The backdrop of tight financial conditions coupled with high inflation should weigh on growth, and we expect full-year growth to settle at 2.5% year-on-year in 2023.

#### 2 Slowing global trade to dent growth momentum further

Expectations for a recession in the US and Europe have sparked concern about slowing global trade for the past few months. Rapid fire rate hikes from major central banks and stubbornly high inflation all point to a sharp slowdown in growth around the world which should reduce overall demand for goods and services.

Early signs that this development may be impacting Singapore surfaced late in 2022 with non-oil domestic exports (NODX) falling sharply, by more than 14% YoY last November. Some were pinning their hopes on the much-anticipated economic reopening by China, however, with China's recent surge in cases, we remain sceptical that we will see any benefits from this anytime soon, or on the scale that was previously expected.

What we can be sure of is the projected recession in the US and most of Europe which will definitely send ripples through the ASEAN export supply chain. Singapore will likely feel the impact of the slowdown in global trade and this factors into our modest growth projection for 2023.

### 3 Return of tourist arrivals to provide counterbalance to global headwinds

Singapore’s growth momentum appears challenging given the projected slowdown in global trade. But one brighter spot for the economy is the return of foreign visitor arrivals.

In November, Singapore recorded 816,758 visitor arrivals, a little more than half the number it used to receive prior to Covid-19 but still more than the 330,059 visitors received for all of 2021. The influx of tourists boosted the services sector with hotels, restaurants and department stores benefiting from their return.

With most countries having fully relaxed border controls by now and with more people now more open to travel, we can expect a sustained increase in visitor arrivals for Singapore next year. The recovery in visitor arrivals will be even more pronounced if China can overcome its current Covid surges and its population resumes international travel again in large numbers. The projected global slowdown could blunt the impact of tourism to some extent, but if Singapore were to receive more visitors in 2023 than it did in 2022, we could expect a decent boost from the resurgent services sector to act as a counterweight to softer domestic demand and slowing global trade.

#### Singapore summary forecast table

	4Q22	1Q23	2Q23	3Q23	4Q23	FY2022	FY2023	FY2024	FY2025
GDP (YoY%)	2.2	2.7	2.2	2.2	2.8	3.8	2.4	2.8	2.2
Inflation (YoY%)	6.6	6.0	5.6	5.5	4.4	6.1	5.4	3.6	2.7
NODX (YoY%)	-10.0	-3.5	-4.0	2.1	4.5	-10.0	4.5	8.5	5.5

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	4Q24	4Q25
3M bond yields (%)	4.2	4.05	3.8	3.6	3.0	2.5	2.25	2.0	2.0
USD/SGD	1.35	1.35	1.34	1.33	1.33	1.31	1.32	1.3	1.3

Source: Singapore Department of Statistics and ING estimates

#### Author

##### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

#### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.