

## Singapore's GDP surprises on the upside, again

The argument for MAS tightening in April 2018 remains strong unless export-led manufacturing strength continues to wear off coming into 2018



**3.1% YoY** GDP growth in 4Q17

Better than expected

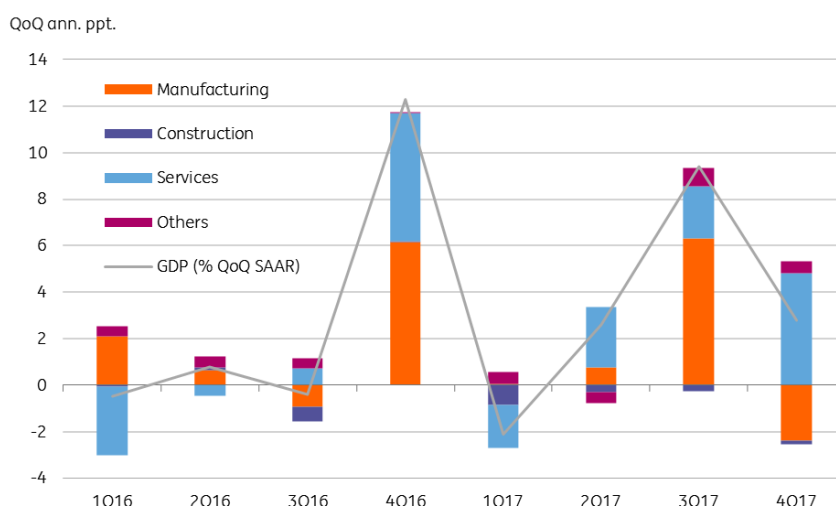
### Services supported GDP growth in 4Q17

A seasonal boost to the services sector kept Singapore's economy going well in the final quarter of 2017, even as manufacturing retraced its outsized bounce of the previous quarter. Singapore GDP grew by 3.1% year-on-year and 2.8% quarter-on-quarter (annualized) in 4Q17, beating the consensus growth forecasts of 2.6% and 1.6% respectively. Not only was 4Q growth above expected but 3Q growth also was revised upward to 5.4% YoY and 9.4% QoQ, from 5.2% and 8.8% previously.

## Fading manufacturing strength

A sharp negative swing in manufacturing production - to 11.5% QoQ contraction from a 38% surge in 3Q - was responsible for all of the GDP growth slowdown in the last quarter. Services activity growth accelerated to 7.5% QoQ from 3.4% and construction activity improved to a smaller contraction of 3.6% compared to 5.5% over the same quarters.

## Sources of GDP growth



Source: Bloomberg, ING

**18%** Rise in Strait Times Index in 2018

## 2017 ended on a strong note

A better finish to 2017 puts full-year growth at 3.5% YoY, the top end of the official 3-3.5% forecast range for a year in which the local stock market returned a hefty 18% and the Singapore dollar appreciated by 8.4% against the US dollar. However, prospects for 2018 are dependent on sustainability of export-led manufacturing strength. The official growth forecast for 2018 stands at 1.5-3.5% (INGF: 3.2%, consensus: 2.8%).

## Risks for 2018 are skewed on the downside

With considerable base effects at play and a tapering of [world trade growth](#), the risk to Singapore's growth forecast for 2018 is skewed on the downside.

On the expenditure-side inventories were the main driver of GDP growth in 2017, while private consumption remained anaemic and fixed capital formation and net trade dragged on GDP growth, the latter despite strong exports. The inventory overhang will likely weigh on production in 2018. A recovery in the property sector evident in recent price data bodes well for private consumption growth, though proposed tax hikes will keep consumers cautious on spending.

[Read why world trade has disappointed](#)

## The MAS poised for tightening in April 2018

Unless the current GDP growth trend is rocked by weaker than expected activity figures over coming months, and inflation data at least holds its ground or rises slightly (headline at 0.6% YoY and core at 1.5% in January-November 2017), this should be sufficient for the Monetary Authority of Singapore (MAS) to consider a modest tightening adjustment to their monetary policy stance as early as their April 2018 policy meeting.

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