Singapore GDP ends 2018 on a weaker note

Annualized growth of 1.6%QoQ in the final quarter of 2018 means full-year GDP growth should reach 3.2%YoY, though 2019 GDP more likely to end in a 2.5-3.0% range.

A slow end to 2018

Although it would be easy to portray Singapore's final quarter of GDP growth of 1.6% QoQ annualised as a slowdown from previous quarters, the truth is that this has been a remarkably steady year for economic growth. Annualized figures exaggerate small differences. Whereas in fact, the range of non-annualized growth over the year has been only 0.4%QoQ, compared with more than 3% in 2017, and 2.2% in 2016. That steadiness reflects changes in the economy - no longer the big mid-year surge of exports to fuel global production ahead of the West's holiday season. This makes growth more predictable, planning easier, and investment less prone to unforeseen swings in external demand. We would view this as a positive development.

1.6% GDP Growth

QoQ Annualized

Lower than expected

2019 - in a 2.5% to 3.0% range.

This year, using a similar quarterly profile to that seen in 2018, would deliver a growth rate for the full year of 2.6%. In reality, we suspect the quarterly growth profile could come in a little softer than that for 2018, though this would still be in line with MAS expectations for GDP to moderate a little from 2018. 2.5% seems a sensible starting point for the forecast, with room for amendment in both directions.

Headwinds are of course already evident. The global backdrop is one of slowing G-7 growth, not acceleration, and the outlook for the US, in particular, could see large deviations from current growth rates. China is already slowing and the full ramifications of that are yet to be felt across the region. Brexit and its impact as far away as Asia, if any, is as yet unknown. And the outlook for the rest of Europe murky.

But there is room for optimism too. US President Trump seems keen for some sort of deal with President Xi on trade, though it remains to be seen what sort of deal, and how quickly tariffs can be reduced or removed. In the meantime, the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) of 11 countries, including Singapore, substantially reduces tariffs and could give other trade in the region a helpful boost.

Risks tilted towards the downside

To our way of thinking, this still leaves the balance of risks tilted towards the downside, though not markedly so, and we could yet have to revise our forecast numbers up, instead of down. But with the risks tilted in this way, we would expect the MAS to proceed cautiously, just as the US Fed is also more likely to tread a cautious path during 2019.

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