

Singapore

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Stronger-than-expected 1H24 growth warrants an upgrade to our full-year growth forecast to 2.6% YoY

Highlights:

- **Singapore's advanced GDP growth came in better-than-expected at 2.9% YoY (0.4% QoQ sa), which beat our forecast for 2.7% YoY (0.4% QoQ sa).** The outperformer was manufacturing which returned to positive growth of 0.5% YoY after contracting 1.7% YoY in 1Q24. Notably, the turnaround was driven by output expansions across most of the manufacturing clusters except for the biomedical manufacturing and precision engineering clusters. Meanwhile, construction growth accelerated from 4.1% YoY in 1Q24 to 4.3% in 2Q24, aided by public sector construction output. Whereas the services sector eased from 4.3% YoY seen in 1Q24 but generally remained healthy at 3.3% YoY, supported by ongoing momentum in infocomms, finance & insurance, and professional services (5.6% YoY) as well as wholesale & retail trade and transportation & storage (2.5% YoY).
- **Services outperformance is giving way to the manufacturing recovery.** Compared to a quarter ago, sequential growth improvements were seen in both the manufacturing (0.6% QoQ sa) and construction (2.4% QoQ sa) sectors. However, services momentum came off from the high base in 1Q24 which was boosted by the spate of big artist concerts which drew large visitor arrivals and growth eased from 2.2% QoQ sa in 1Q24 to flatline at 0.0% QoQ sa in 2Q24, with accommodation & food services, real estate, administrative & support services and other services declining 0.5% QoQ sa versus the 2.3% QoQ sa seen in 1Q24. While 3Q24 may herald F1 and some other high profile events, we do not expect a repeat of the 1Q24 growth surge in the services sector.
- **The 1Q24 GDP growth estimate was also revised higher from 2.7% YoY (0.1% QoQ sa) to 3.0% YoY (0.3% QoQ sa), mainly due to an upward revision for the services sector from 3.9% YoY to 4.3% YoY.** This brings 1H24 growth to 3.0%, which is at the top end of the current official 2024 growth forecast of 1-3% YoY. Note that 2H23 base is relatively higher, so growth momentum in 2H24 may see some pullback to around the low 2% YoY handle. Nevertheless, **we upgrade our full-year GDP growth forecast from 2.3% YoY to 2.6% YoY to account for the better-than-expected 1H24 growth**, which is closer to the top-end of the official growth forecast range. The external economic environment has definitely improved due to the global soft landing narrative and expectations that the US Federal Reserve will start to ease monetary policy soon due to slowing inflation and growth, but the overall geopolitical landscape has remained fraught with uncertainties.

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Currently, the key event risk on the horizon is the US presidential elections in November where the incumbent's candidacy is increasingly in doubt and the market may be anticipating what another Trump term may herald for the global economy, and in particular for China since the latter's campaign pledge is 60% tariffs on China and 10% for rest of the world. As such, some potential frontloading on the trade front may be likely, exacerbated by the current port congestion and shipping challenges, especially in anticipation of a potentially tougher trade environment in 2025 post-US elections – this may ironically be a tailwind for 2H24 manufacturing and trade for the region.

- For the upcoming MAS quarterly policy review later this month, **we expect no change to the monetary policy settings** given that core inflation remains sticky around the 3% YoY handle and will only subside more significantly from 4Q24 onwards.

Gross Domestic Product in Chained (2015) Dollars

	2Q23	3Q23	4Q23	2023	1Q24	2Q24*
Percentage change over corresponding period of previous year						
Overall GDP	0.5	1.0	2.2	1.1	3.0	2.9
Goods Producing Industries	-6.1	-3.5	1.9	-2.9	-0.7	1.3
Manufacturing	-8.2	-4.9	1.4	-4.3	-1.7	0.5
Construction	6.4	3.7	5.2	5.2	4.1	4.3
Services Producing Industries	2.9	2.3	2.0	2.3	4.3	3.3
Wholesale & Retail Trade and Transportation & Storage	3.3	1.2	1.0	1.4	3.9	2.5
Information & Communications, Finance & Insurance and Professional Services	0.6	3.0	3.6	2.2	5.7	5.6
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	5.4	3.7	2.0	4.3	3.0	1.9

Source: MTI

	2Q23	3Q23	4Q23	2023	1Q24	2Q24*
Quarter-on-quarter growth rate, seasonally-adjusted						
Overall GDP	0.4	1.0	1.2	1.1	0.3	0.4
Goods Producing Industries	-1.0	1.1	4.1	-2.9	-4.3	0.5
Manufacturing	-1.3	0.8	4.5	-4.3	-5.3	0.6
Construction	2.6	1.9	2.0	5.2	-1.9	2.4
Services Producing Industries	0.9	0.8	0.3	2.3	2.2	0.0
Wholesale & Retail Trade and Transportation & Storage	2.3	-0.3	-0.7	1.4	2.7	0.7
Information & Communications, Finance & Insurance and Professional Services	1.5	2.6	4.4	2.2	-2.8	1.4
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	0.6	0.9	-0.7	4.3	2.3	-0.5

*Advance estimates

Source: MTI

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