



Monetary Authority of Singapore

economic policy group

A nighttime photograph of the Singapore skyline, showing illuminated skyscrapers and the Marina Bay Sands hotel, with the text overlaid.

SURVEY of professional
forecasters

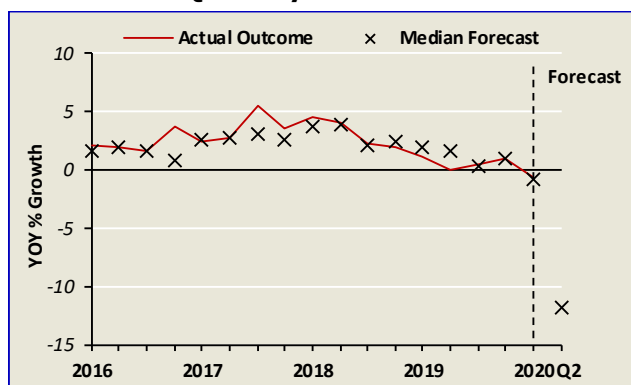
June 2020

The *June 2020 Survey* was sent out on 26 May 2020 to a total of 27 economists and analysts who closely monitor the Singapore economy. This report reflects the views received from 23 respondents (a response rate of 85.2%) and does not represent MAS' views or forecasts.

GDP growth in Q1 2020 came in marginally above expectations

The Singapore economy contracted by 0.7% in Q1 2020 compared with the same period last year, slightly less than respondents' forecasts of a 0.8% decline in the previous survey. In the current survey, the respondents expect the economy to contract 11.8% year-on-year in Q2 2020.

Chart 1
Quarterly GDP Growth



The economy is forecast to contract by 5.8% in 2020

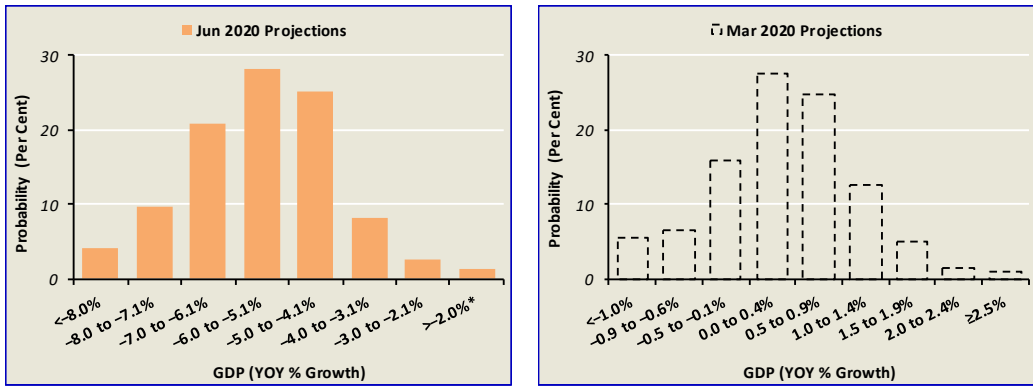
The respondents expect GDP to decline by 5.8% in 2020, down from an estimate of 0.6% growth in the previous survey.

Table 1
Median Forecasts of Macroeconomic Indicators for 2020

Key Macroeconomic Indicators Year-on-Year % Change	March Survey	Current Survey
GDP	0.6	-5.8
Manufacturing	-0.3	2.2
Finance & Insurance	2.6	3.1
Construction	2.4	-11.4
Wholesale & Retail Trade	-0.7	-12.8
Accommodation & Food services	-1.6	-26.0
Private Consumption	1.9	-5.2
Non-oil Domestic Exports	0.2	0.0

As reflected by the mean probability distribution, the most likely outcome is for the Singapore economy to shrink by 4.1 to 6.0% this year, with a 53.3% average probability assigned to these ranges. In the previous survey, the most likely growth outcome for 2020 had been projected at 0.0 to 0.9%, with a 52.2% average probability assigned.

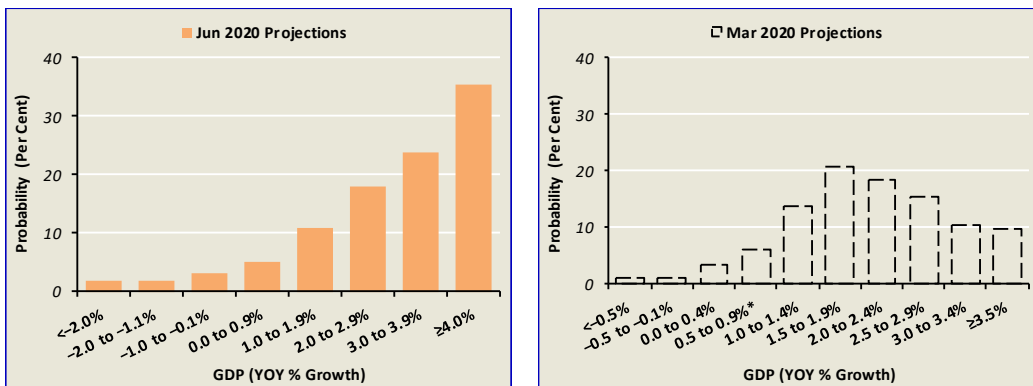
Chart 2
Mean Probability Distribution of 2020 GDP Growth Forecasts



GDP is projected to expand by 4.8% in 2021

GDP growth is expected to recover to 4.8% for 2021 as a whole. The respondents, on average, estimate that the Singapore economy is most likely to grow by at least 4% next year.

Chart 3
Mean Probability Distribution of 2021 GDP Growth Forecasts



Both CPI-All Items inflation and MAS Core Inflation are expected to come in at -0.5% in 2020

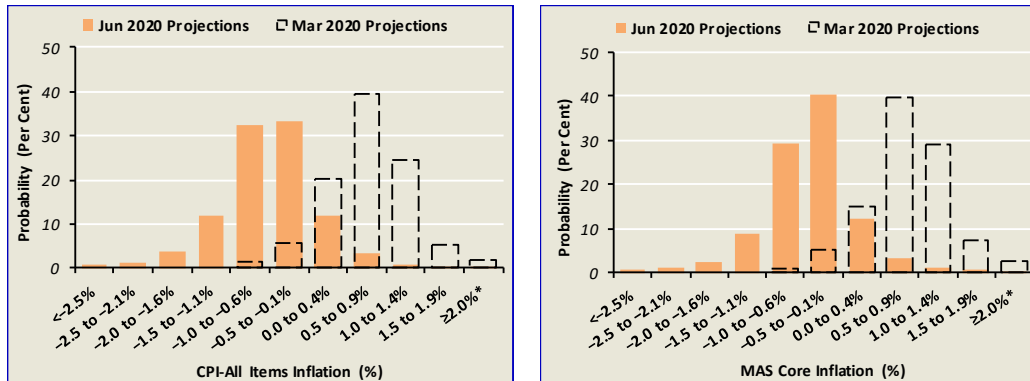
CPI-All Items inflation and MAS Core Inflation for Q2 2020 are expected to come in at -0.7% and -0.3% , respectively. The median CPI-All Items inflation for 2020 as a whole is forecast to be -0.5% , down from 0.8% in the March survey. Similarly, the median forecast for MAS Core Inflation in 2020 has fallen to -0.5% , from 0.9% previously. As for the labour market, the respondents expect the unemployment rate to be 3.6% at year-end, up from 2.4% in the previous survey.

Table 2
Median Forecasts of Other Economic Indicators for 2020

Indicators	March Survey	Current Survey
CPI-All Items (year-on-year % change)	0.8	-0.5
MAS Core Inflation (year-on-year % change)	0.9	-0.5
Unemployment Rate (end-period, SA %)	2.4	3.6
Exchange Rate (end-period, S\$ per US\$)	1.373	1.400
3-month S\$ SIBOR (end-period, percent per annum)	1.50	0.45
Bank Loans (end-period, % growth)	3.0	2.8

The respondents project that CPI-All Items inflation will most likely fall in the range of -1.0 to -0.1% in 2020. For MAS Core Inflation, the highest probability was assigned to the -0.5 to -0.1% range. In comparison, the previous survey had assigned the highest probability to the 0.5 to 0.9% range for both CPI-All Items inflation and MAS Core Inflation.

Chart 4
Mean Probability Distribution of 2020 Inflation Forecasts

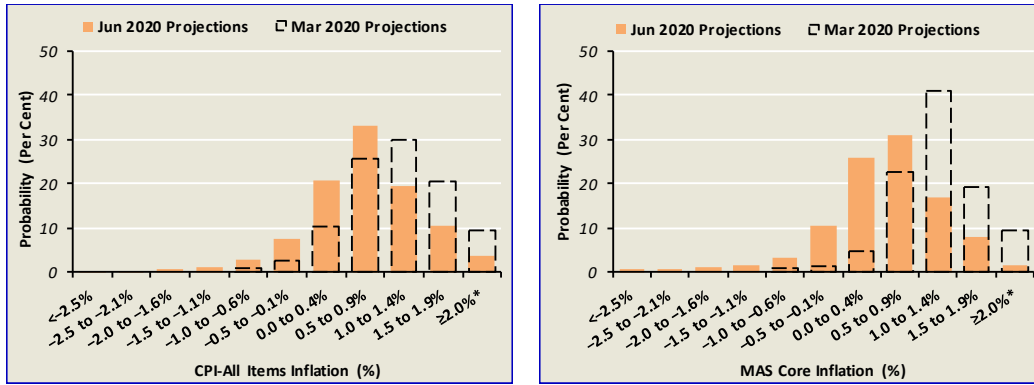


*The March 2020 Survey included multiple intervals above 2.0% . The probabilities assigned to these intervals have been combined and are reflected in the $\ge 2.0\%$ interval.

Both inflation measures are forecast to be higher next year

CPI-All Items inflation is forecast to come in at 0.7% in 2021, while MAS Core Inflation is expected to be 0.6%. In terms of the forecast range, both CPI-All Items inflation and MAS Core Inflation are projected to fall between 0.5 and 0.9%.

**Chart 5
Mean Probability Distribution of 2021 Inflation Forecasts**



* The March 2020 Survey included multiple intervals above 2.0%. The probabilities assigned to these intervals have been combined and are reflected in the "≥2.0%" interval.

Corporate and financial indicators

For Q2 2020, all respondents expect lower corporate profitability (in year-on-year terms). Meanwhile, 88.9% of the respondents forecast that private residential property prices will decline in quarter-on-quarter terms while the remainder expect prices to remain stable. In addition, 60% project that SGD corporate bond spreads will remain stable, and the remaining 40% expect these to increase.

For the whole of 2020, all respondents expect corporate profitability to decline. More than three-quarters believe private residential property prices will decline, while 60% project that SGD corporate bond spreads will remain stable. In 2021, respondents predict an improvement in corporate profitability, with 100% expecting an increase. About two-thirds expect private residential property prices to rise in 2021, and 60% project that bond spreads will fall.

Table 3
Expectations for Key Corporate and Financial Indicators for 2020
(Proportion of Respondents, %)

Indicators	March Survey			Current Survey		
	Higher	Stable	Lower	Higher	Stable	Lower
Corporate Profitability (year-on-year % change)	0.0	14.3	85.7	0.0	0.0	100.0
Private Residential Property Price Index (quarter-on-quarter % change)	0.0	77.8	22.2	11.1	11.1	77.8
SGD Corporate Bond Spreads (end-period, basis points per annum)	50.0	50.0	0.0	20.0	60.0	20.0

Table 4
Expectations for Key Corporate and Financial indicators for 2021
(Proportion of Respondents, %)

Indicators	March Survey			Current Survey		
	Higher	Stable	Lower	Higher	Stable	Lower
Corporate Profitability (year-on-year % change)	100.0	0.0	0.0	100.0	0.0	0.0
Private Residential Property Price Index (quarter-on-quarter % change)	33.3	66.7	0.0	66.7	11.1	22.2
SGD Corporate Bond Spreads (end-period, basis points per annum)	0.0	50.0	50.0	20.0	20.0	60.0

Drivers of financial and lending market conditions

As in the previous survey, a tightening in global financial conditions, an escalation in the global COVID-19 situation, as well as heightening of trade tensions, were cited as the top three factors that could potentially weigh on financial market and lending conditions in Singapore. The share of respondents¹ who cited tighter global financial conditions as a factor rose to 76.9% in the current survey, compared to 30.0% in the March survey.

Meanwhile, more accommodative global financial conditions once again emerged as the most-cited factor that could drive an improvement in financial market and lending conditions. All respondents identified it as an upside driver, an increase from 70.0% in the previous survey. Respondents also cited a weaker S\$NEER, fiscal stimulus measures, and a global economic recovery supported by the containment of the pandemic as other potential upside drivers.

Table 5
Top 3 Drivers of Financial and Lending Market Conditions
(Proportion of Respondents, %)

Downside Drivers	March Survey	Current Survey	Upside Drivers	March Survey	Current Survey
Global Financial Conditions Tightening	30.0	76.9	Global Financial Conditions Easing	70.0	100.0
Trade Tensions Escalating	30.0	38.5	Weaker S\$NEER	40.0	27.3
COVID-19 Escalation	30.0	30.8	Fiscal Stimulus	10.0	27.3
			Global Economic Recovery	NA	27.3

¹ A majority of the respondents provided qualitative inputs. Percentages are expressed as shares of these responses.

Risk factors to the Singapore economy highlighted by respondents

An escalation in the COVID-19 situation once again topped the list of downside risks to Singapore's growth outlook identified by respondents², with 94.4% of respondents citing it and 72.2% ranking it as the top downside risk. An escalation in trade tensions was identified by 38.9% of respondents as a downside risk, compared to 35.3% in the previous survey. Respondents were also concerned about risks stemming from a deterioration in the labour market, including a rise in unemployment, with 33.3% identifying these risks, up from 17.6% in the previous survey.

Meanwhile, the containment of the COVID-19 outbreak was the most commonly cited upside risk to Singapore's growth outlook, with 55.6% of respondents identifying it and 44.4% listing it as the top upside risk. A stronger-than-expected recovery in global economic activity was listed by 38.9% of respondents as an upside risk, a larger proportion than the previous survey's 23.5%. Further fiscal stimulus also emerged as a key upside risk, with a third of respondents identifying it, up from 29.4% in the March survey.

Table 6
Top 3 Potential Risks to the Singapore Economy
(Proportion of Respondents, %)

Downside Risk	March Survey	Current Survey	Cited As Top Risk	Upside Risk	March Survey	Current Survey	Cited As Top Risk
COVID-19 Escalation	100.0	94.4	72.2	COVID-19 Containment	76.5	55.6	44.4
Trade Tensions Escalate	35.3	38.9	11.1	External Growth	23.5	38.9	5.6
Labour Market	17.6	33.3	0.0	Fiscal Stimulus	29.4	33.3	16.7

Qualitative Word Responses (Word Cloud)



² A majority of the respondents provided qualitative inputs. Percentages are expressed as shares of these responses.

APPENDIX: SUMMARY TABLES

Table A.1
Key Macroeconomic Indicators for Q1 2020

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	Median Forecast March Survey	Actual Outcome
GDP	-0.8	-0.7
Manufacturing	-2.5	6.6
Finance & Insurance	3.0	8.0
Construction	0.8	-4.0
Wholesale & Retail Trade	-2.3	-5.8
Accommodation & Food services	-8.2	-23.8
Private Consumption	1.0	-1.6
Non-oil Domestic Exports	-3.3	5.8
CPI-All Items	0.7	0.4
MAS Core Inflation	0.6	0.0
Unemployment Rate (end-period, SA %)	2.4	2.4
Exchange Rate (end-period, S\$ per US\$)	1.398	1.425
3-month S\$ SIBOR (end-period, % per annum)	1.56	1.00
Bank Loans (end-period, % growth)	2.9	2.4

Table A.2
Forecasts of Key Macroeconomic Indicators for Q2 2020

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	Median	Mean	Min	Max
GDP	-11.8	-11.8	-20.0	-7.0
Manufacturing	0.7	0.1	-10.0	11.0
Finance & Insurance	2.0	1.9	-10.2	7.0
Construction	-20.1	-29.3	-90.0	-5.5
Wholesale & Retail Trade	-23.4	-22.6	-40.0	-7.0
Accommodation & Food services	-51.5	-50.7	-85.0	-15.8
Private Consumption	-8.9	-13.3	-45.0	0.5
Non-oil Domestic Exports	3.4	1.4	-16.0	10.8
CPI-All Items	-0.7	-0.8	-1.5	-0.3
MAS Core Inflation	-0.3	-0.5	-1.2	-0.1
Unemployment Rate (end-period, SA %)	3.5	3.4	2.6	4.5
Exchange Rate (end-period, S\$ per US\$)	1.420	1.417	1.390	1.450
3-month S\$ SIBOR (end-period, % per annum)	0.50	0.47	0.10	0.60
Bank Loans (end-period, % growth)	1.5	1.7	-1.0	5.0

Table A.3
Forecasts of Key Macroeconomic Indicators for 2020

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	March Survey	Current Survey			
	Median	Median	Mean	Min	Max
GDP	0.6	-5.8	-5.8	-8.5	-4.0
Manufacturing	-0.3	2.2	1.3	-8.5	7.4
Finance & Insurance	2.6	3.1	2.2	-8.6	9.6
Construction	2.4	-11.4	-15.7	-32.6	-2.3
Wholesale & Retail Trade	-0.7	-12.8	-12.0	-25.0	-3.0
Accommodation & Food services	-1.6	-26.0	-27.0	-45.6	-6.6
Private Consumption	1.9	-5.2	-6.8	-19.6	1.1
Non-oil Domestic Exports	0.2	0.0	-1.5	-14.5	6.0
CPI-All Items	0.8	-0.5	-0.6	-1.4	0.1
MAS Core Inflation	0.9	-0.5	-0.5	-1.0	-0.1
Unemployment Rate (end-period, SA %)	2.4	3.6	3.7	3.0	4.5
Exchange Rate (end-period, S\$ per US\$)	1.373	1.400	1.227	-1.420	1.440
3-month S\$ SIBOR (end-period, % per annum)	1.50	0.45	0.43	0.20	0.66
Bank Loans (end-period, % growth)	3.0	2.8	2.0	-5.0	4.0

Table A.4
Forecasts of Quarterly GDP Growth for 2020

Period under Forecast	Median	Mean	Min	Max
	Year-on-Year % Change			
2020 Q2	-11.8	-11.8	-20.0	-7.0
2020 Q3	-6.3	-6.6	-10.5	-2.0
2020 Q4	-3.2	-3.4	-8.3	1.5
2020	-5.8	-5.8	-8.5	-4.0

Table A.5
Forecasts of GDP Growth and CPI-All Items Inflation for 2021

Key Macroeconomic Indicators	Median	Mean	Min	Max
	Year-on-Year % Change			
GDP	4.8	5.1	1.0	10.7
CPI-All Items	0.7	0.8	0.0	2.4
MAS Core Inflation	0.6	0.7	0.0	1.3

Table A.6
Mean Probabilities Attached to Possible Outcomes in GDP Growth

Forecasts for 2020		Forecasts for 2021	
Growth Range Year-on-Year Change	Probabilities (%)	Growth Range Year-on-Year Change	Probabilities (%)
-2.0% or more	1.2	4.0% or more	35.5
-3.0 to -2.1%	2.5	3.0 to 3.9%	23.9
-4.0 to -3.1%	8.1	2.0 to 2.9%	17.9
-5.0 to -4.1%	25.1	1.0 to 1.9%	10.9
-6.0 to -5.1%	28.3	0.0 to 0.9%	5.1
-7.0 to -6.1%	20.9	-1.0 to -0.1%	3.0
-8.0 to -7.1%	9.7	-2.0 to -1.1%	1.9
Less than -8.0%	4.2	Less than -2.0%	1.7
Total	100	Total	100

Table A.7
Mean Probabilities Attached to Possible Outcomes in CPI-All Items Inflation

Forecasts for 2020		Forecasts for 2021	
Growth Range Year-on-Year Change	Probabilities (%)	Growth Range Year-on-Year Change	Probabilities (%)
2.0% or more	0.4	2.0% or more	3.6
1.5 to 1.9%	0.5	1.5 to 1.9%	10.3
1.0 to 1.4%	0.8	1.0 to 1.4%	19.6
0.5 to 0.9%	3.3	0.5 to 0.9%	33.3
0.0 to 0.4%	11.8	0.0 to 0.4%	20.9
-0.5 to -0.1%	33.1	-0.5 to -0.1%	7.4
-1.0 to -0.6%	32.4	-1.0 to -0.6%	2.6
-1.5 to -1.1%	11.7	-1.5 to -1.1%	1.0
-2.0 to -1.6%	3.8	-2.0 to -1.6%	0.7
-2.5 to -2.1	1.4	-2.5 to -2.1	0.3
Less than -2.5%	0.9	Less than -2.5%	0.3
Total	100	Total	100

Table A.8
Mean Probabilities Attached to Possible Outcomes in MAS Core Inflation

Forecasts for 2020		Forecasts for 2021	
Growth Range Year-on-Year Change	Probabilities (%)	Growth Range Year-on-Year Change	Probabilities (%)
2.0% or more	0.4	2.0% or more	1.5
1.5 to 1.9%	0.7	1.5 to 1.9%	7.8
1.0 to 1.4%	1.0	1.0 to 1.4%	16.7
0.5 to 0.9%	3.3	0.5 to 0.9%	30.9
0.0 to 0.4%	12.0	0.0 to 0.4%	25.7
-0.5 to -0.1%	40.3	-0.5 to -0.1%	10.4
-1.0 to -0.6%	29.5	-1.0 to -0.6%	3.0
-1.5 to -1.1%	8.6	-1.5 to -1.1%	1.5
-2.0 to -1.6%	2.4	-2.0 to -1.6%	1.3
-2.5 to -2.1	1.1	-2.5 to -2.1	0.6
Less than -2.5%	0.7	Less than -2.5%	0.5
Total	100	Total	100