

Macroeconomic Review

October 2021



Scan to read the Macroeconomic Review online.

Published twice a year, the *Macroeconomic Review* documents the Economic Policy Group's analysis and assessment of global and domestic economic developments, which forms the basis for the policy decision conveyed in the Monetary Policy Statement.

Global Economic Outlook



GDP growth forecasts by EPG, MAS. Aggregates are weighted by countries' shares in Singapore's NODX.

GDP Growth Forecasts

	Global	G3	Asia ex-Japan
2021	5.6%	4.9%	5.9%
2022	4.8%	4.1%	5.1%

Pandemic containment and economic reopening expected to support global growth

The global recovery was set back in Q2 and Q3 2021 by a resurgence in COVID-19 infections. Growth is projected to strengthen from Q4 2021 as ebbing infection waves and rising vaccination rates allow broader economic reopening. The pandemic remains a key risk to the outlook. Supply disruptions have forced up the costs of some upstream inputs, passing through to consumer prices in economies where the demand recovery has been faster. Inflation is expected to ease in 2022 as supply disruptions are progressively resolved, but there is a risk this could take longer than anticipated.



Singapore's Economic Outlook

GDP Growth

2021: 6 to 7%

2022: Slower, but still above-trend

Economy to continue on path of recovery

Activity in the domestic-oriented and travel-related sectors is expected to improve into 2022, as Singapore transitions gradually towards managing COVID-19 as an endemic norm. Growth in the trade-related and modern services sectors will be supported by resilient external demand.

MAS Core Inflation

2021: Around 1%

2022: 1 to 2%

Imported and domestic costs will drive a broad-based increase

Strengthening global demand and lingering supply constraints will lead to imported cost pressures persisting for some time. Wage growth is expected to be firm as domestic labour market slack dissipates. These accumulating costs will pass through to consumer prices as the domestic economy reopens and private consumption recovers.

October 2021 Monetary Policy Decision

Raised slightly the slope of the S\$NEER policy band from zero per cent previously, with no change to the width and the level at which it is centred



Growth should remain above trend in the quarters ahead, with output expected to return to potential in 2022.



External and domestic cost pressures are accumulating, reflecting normalising demand as well as tight supply conditions.

Boxes and Special Features

Box Article A

"The Digital Economy: A Potential New Engine for Productivity Growth"

Box Article B

"Review of MAS Money Market Operations in FY2020/21"

Special Feature A

"50 Years of Inflation Experience in Singapore"

Special Feature B

"Monetary Policy Strategy Review: The Fed and the ECB"