

macroeconomic



REVIEW

briefing

27 October 2015

SG
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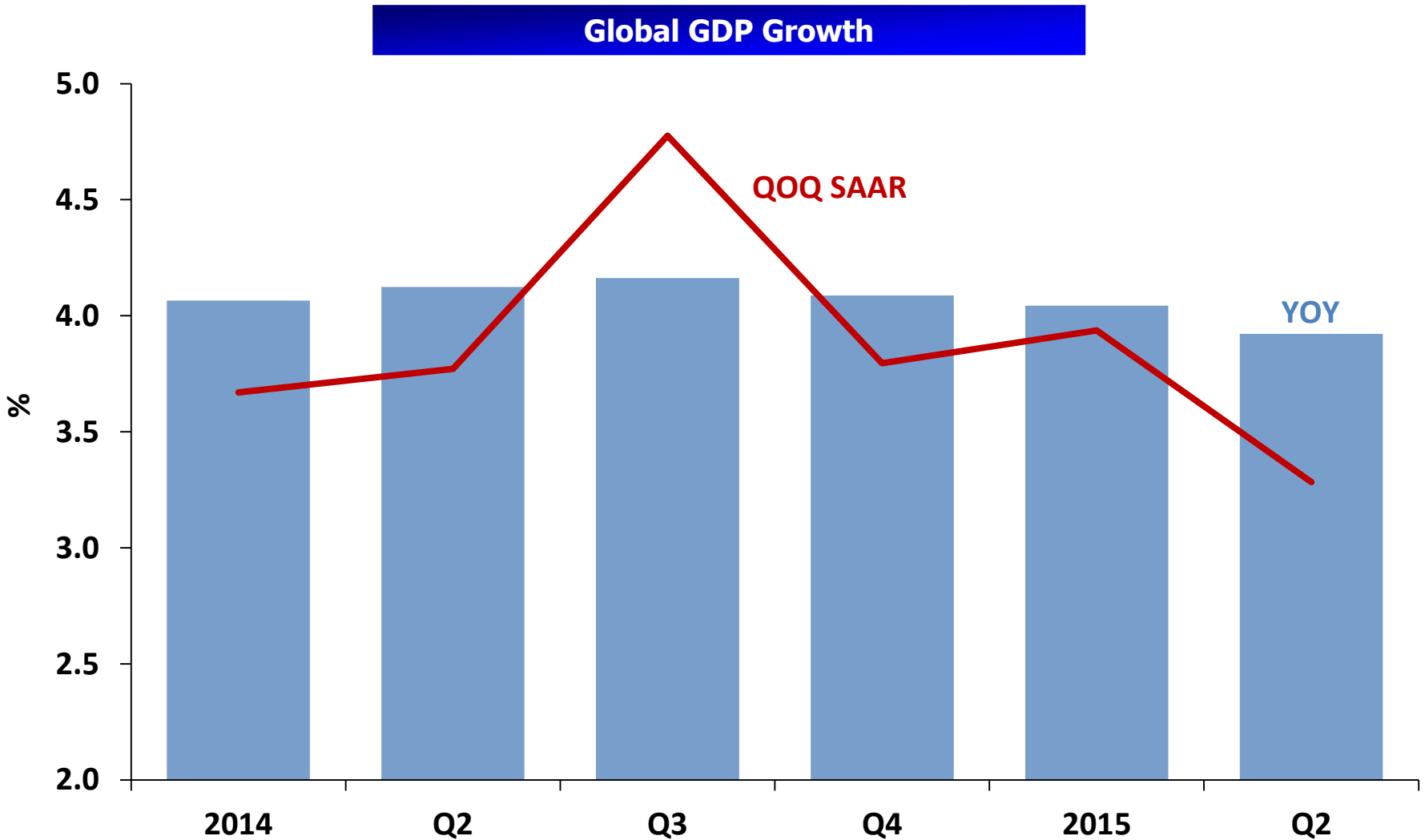


International Economy

Emerging Market Concerns Weigh On Global Growth

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Global growth slackened in Q2 2015.

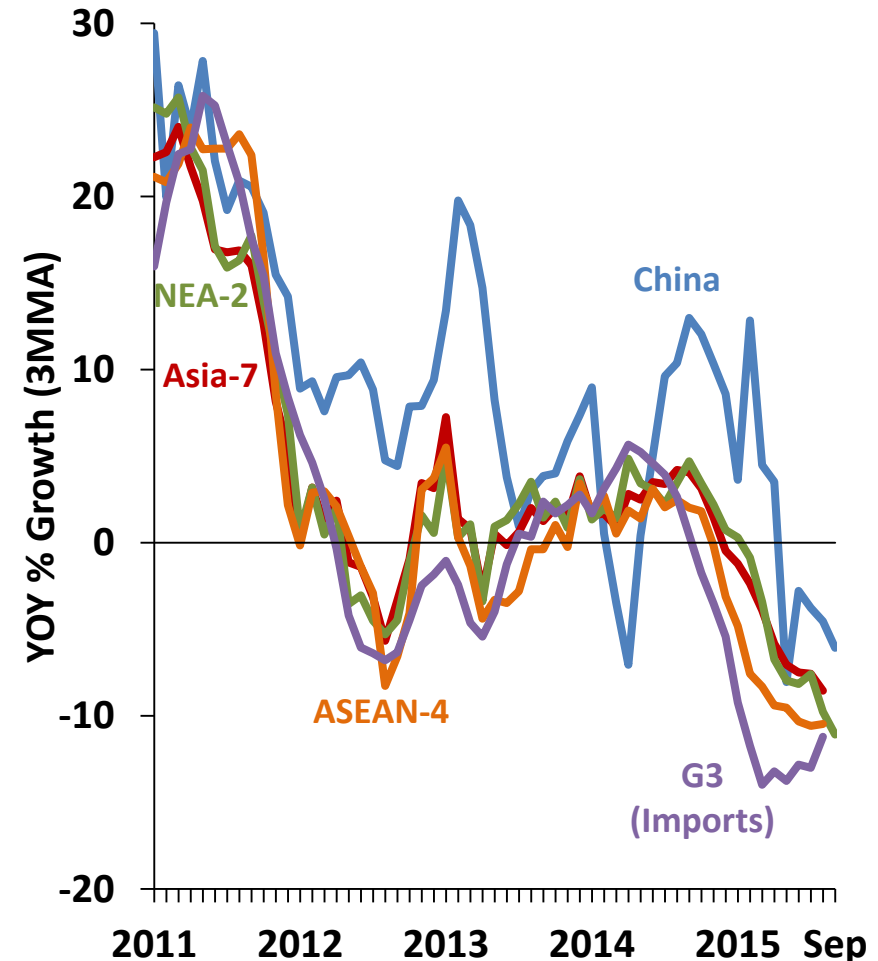


The outlook for Asia has dimmed ...

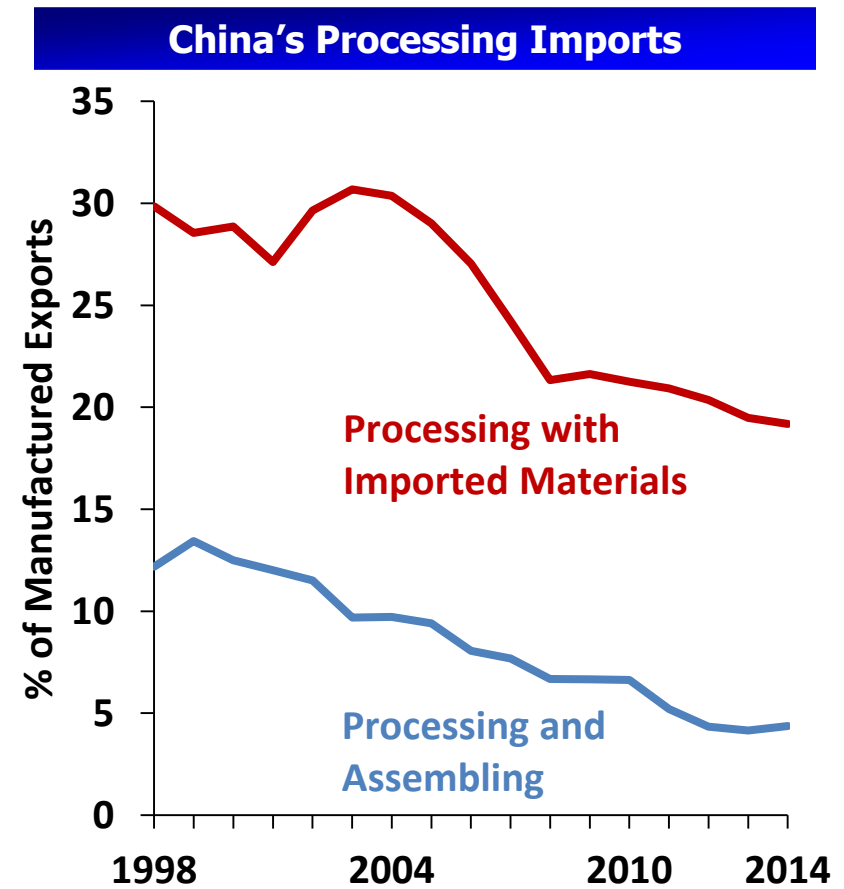
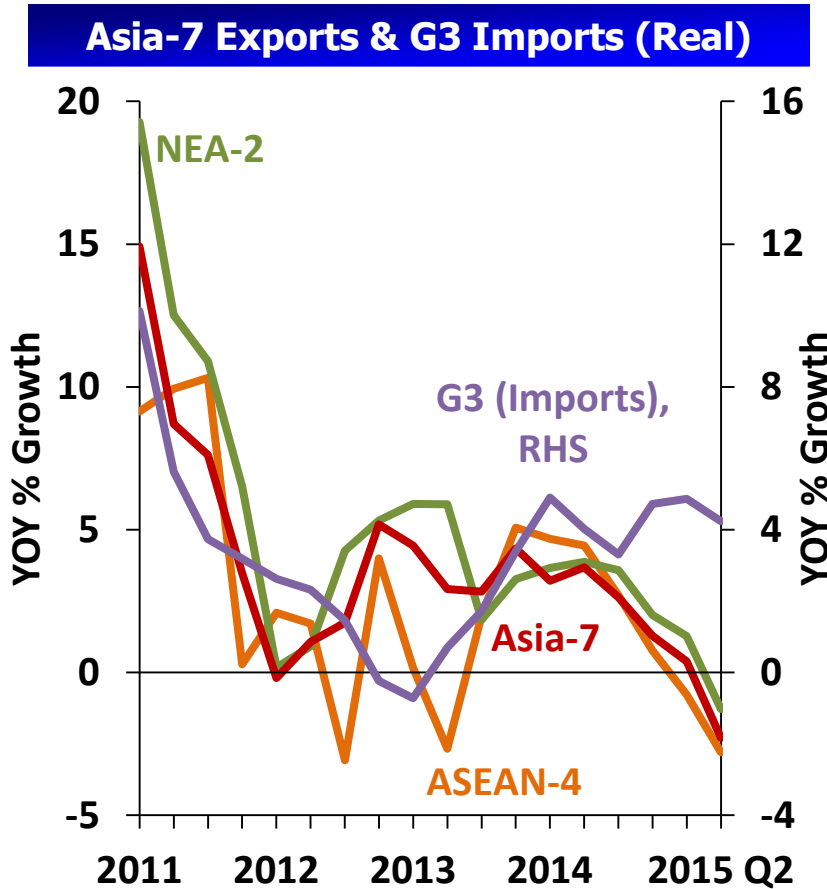
GDP Growth Forecasts

	Q1 2015	Q2 2015	2014	2015F	2016F
	q-o-q SAAR		y-o-y		
Total*	3.9	3.3	4.1	3.9	4.0
G3*	2.1	1.8	1.3	1.7	2.0
US	0.6	3.9	2.4	2.5	2.6
Japan	4.5	-1.2	-0.1	0.6	1.3
Eurozone	2.1	1.4	0.9	1.5	1.7
NEA-3*	2.9	-0.9	3.1	2.1	2.4
Hong Kong	3.0	1.6	2.5	2.3	2.2
Korea	3.3	1.3	3.3	2.5	2.9
Taiwan	2.3	-6.6	3.8	1.4	2.4
	y-o-y				
Asia ex-Japan	5.0	4.7	5.1	4.7	4.8
ASEAN-4*	4.8	4.5	4.7	4.5	4.6
Indonesia	4.7	4.7	5.0	4.7	5.0
Malaysia	5.6	4.9	6.0	4.8	4.6
Philippines	5.0	5.6	6.1	5.7	5.9
Thailand	3.0	2.8	0.9	2.6	3.3
China	7.0	7.0	7.3	6.8	6.5
India**	7.5	7.0	6.9	7.3	7.5

Asia-7 Exports & G3 Imports (Nominal)



... alongside a weakening of trade flows.





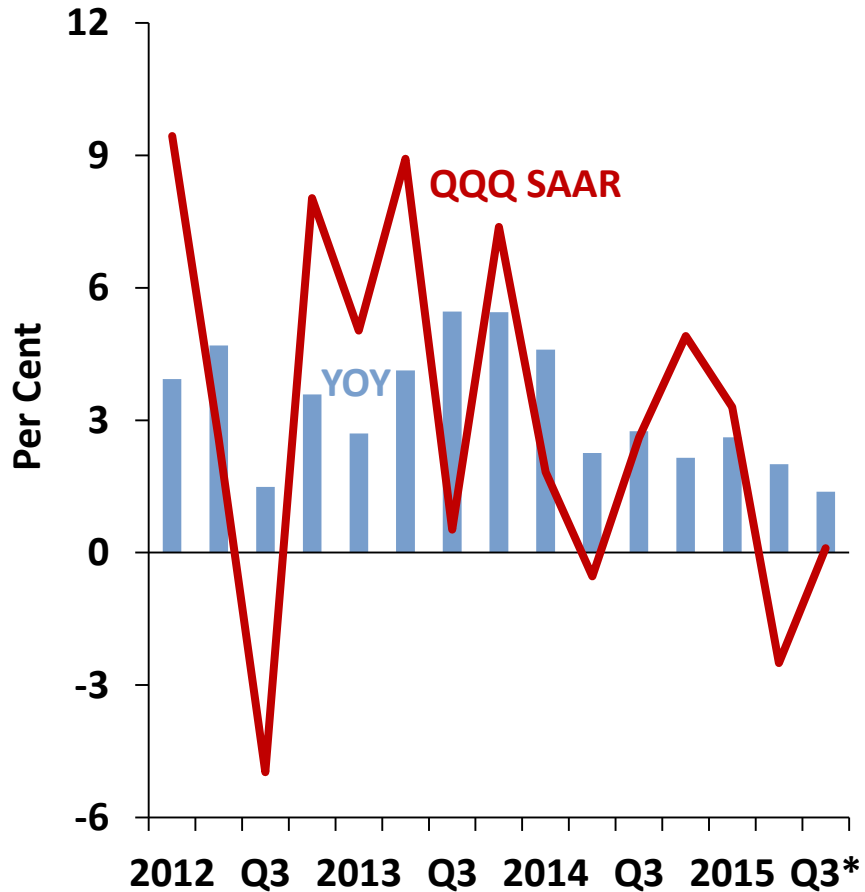
Domestic Economy

Confronting The Challenges To Growth

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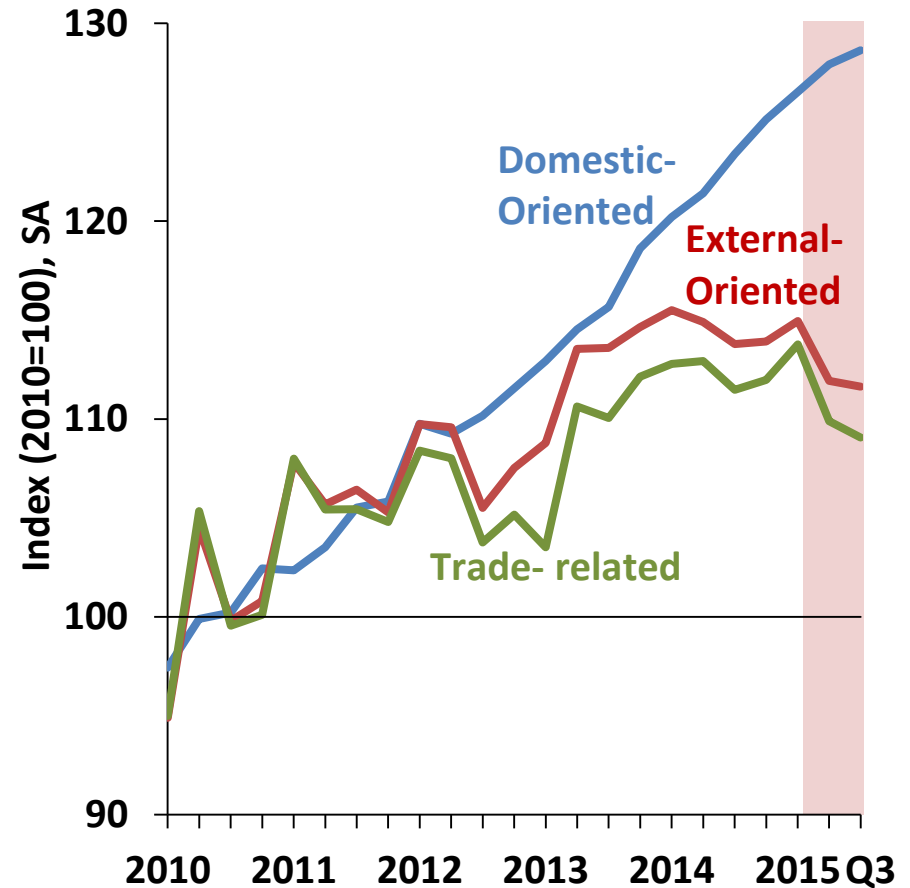
Singapore's economic growth slowed in recent quarters.

Singapore's GDP Growth



* Advance Estimates.

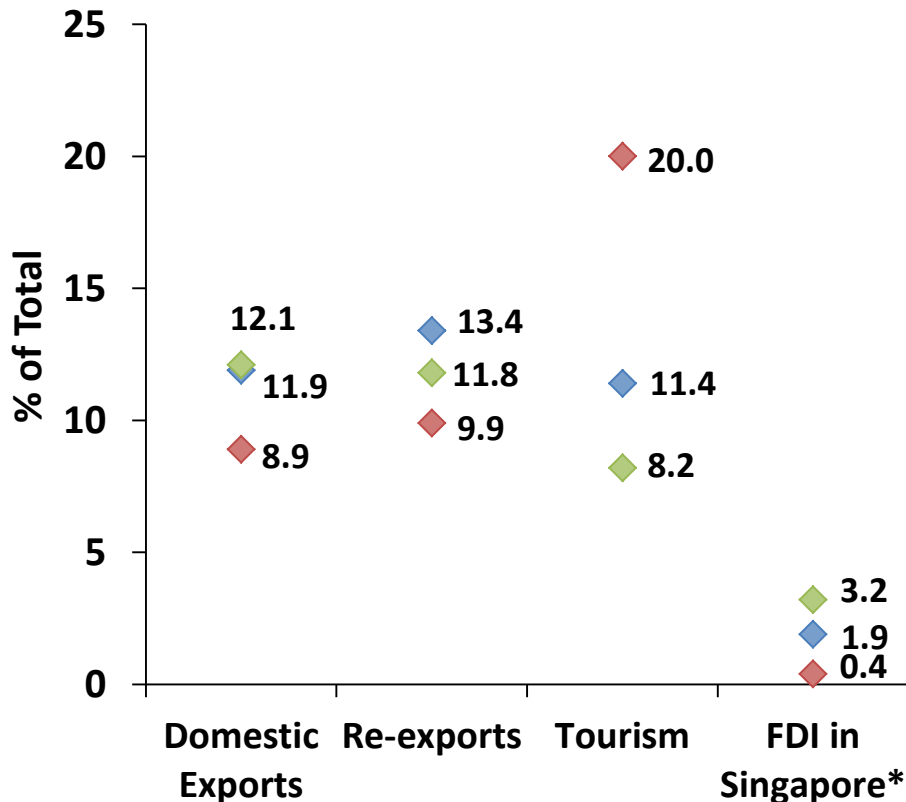
Economic Activity Index



Near-term cyclical challenges will weigh the outlook ...

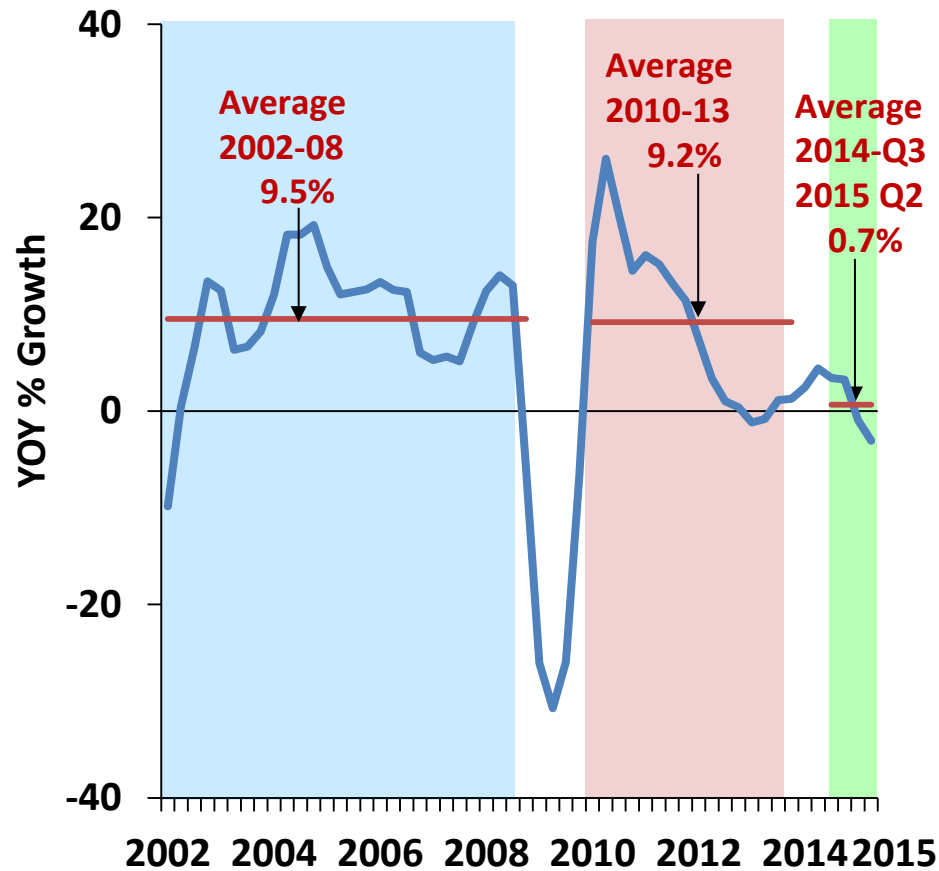
Singapore's Economic Linkages with Regional Economies

◆ China ◆ Indonesia ◆ Malaysia



* 2013 data

US Import Growth

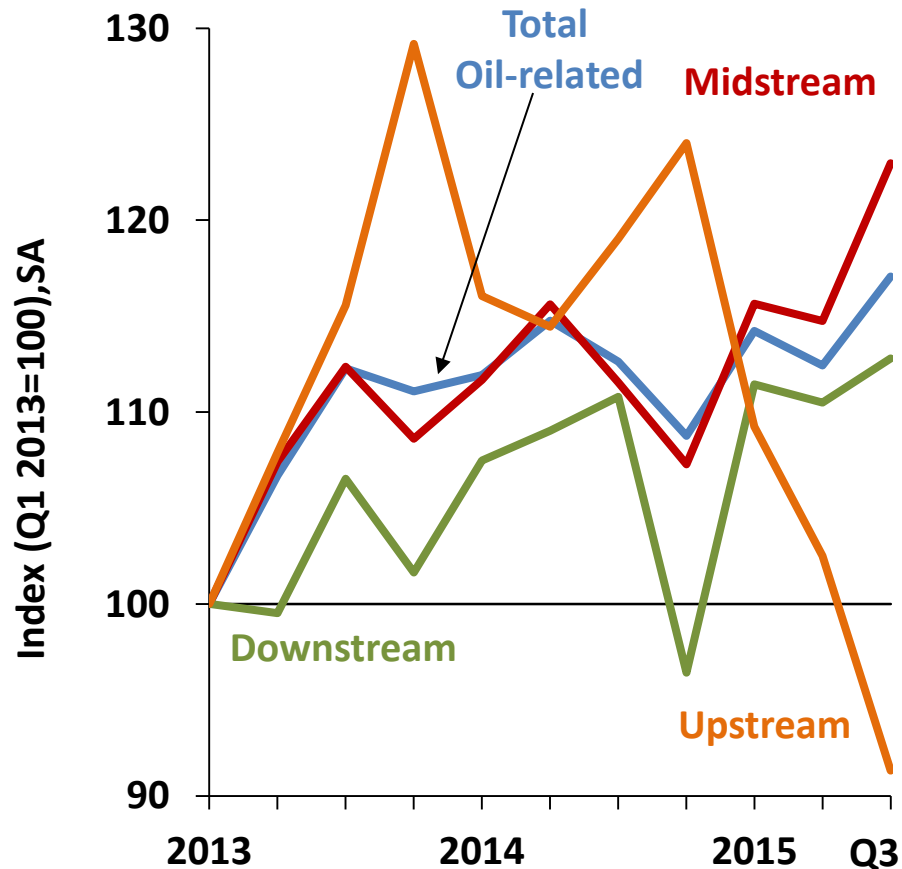


Q2

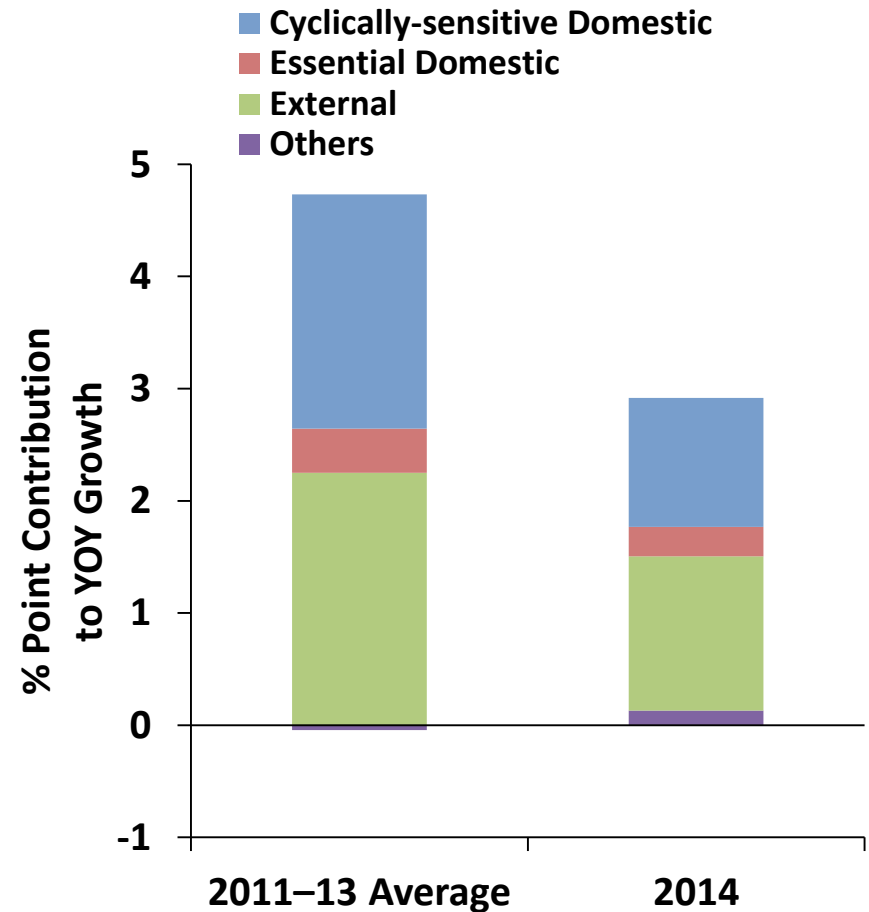
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... although pockets of oil-related activity and the domestic-oriented sectors will lend support.

Oil-Related Activities

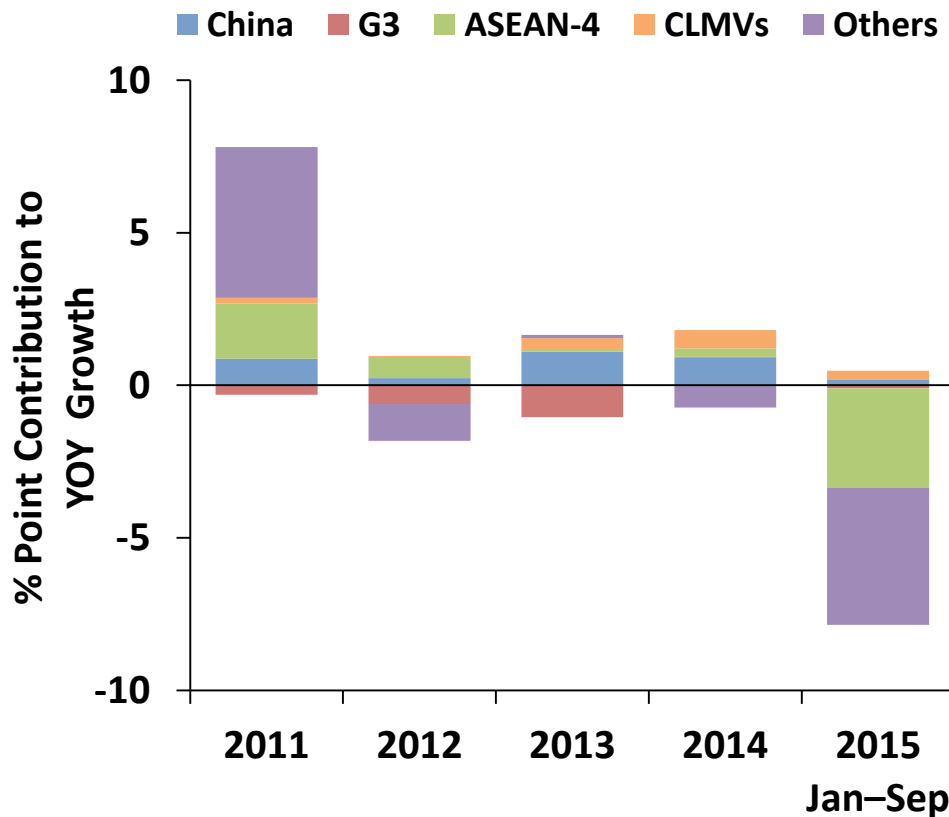


Sectoral Contribution to GDP Growth

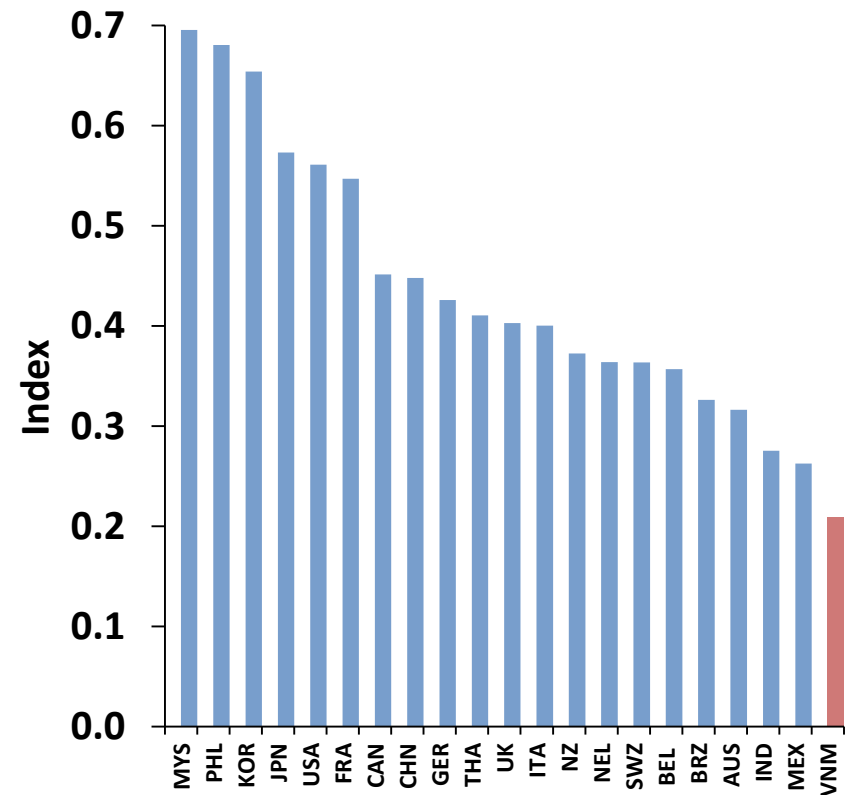


Singapore also stands to gain from the rise of the CLMV in regional trade.

Singapore's Export Growth by Regions

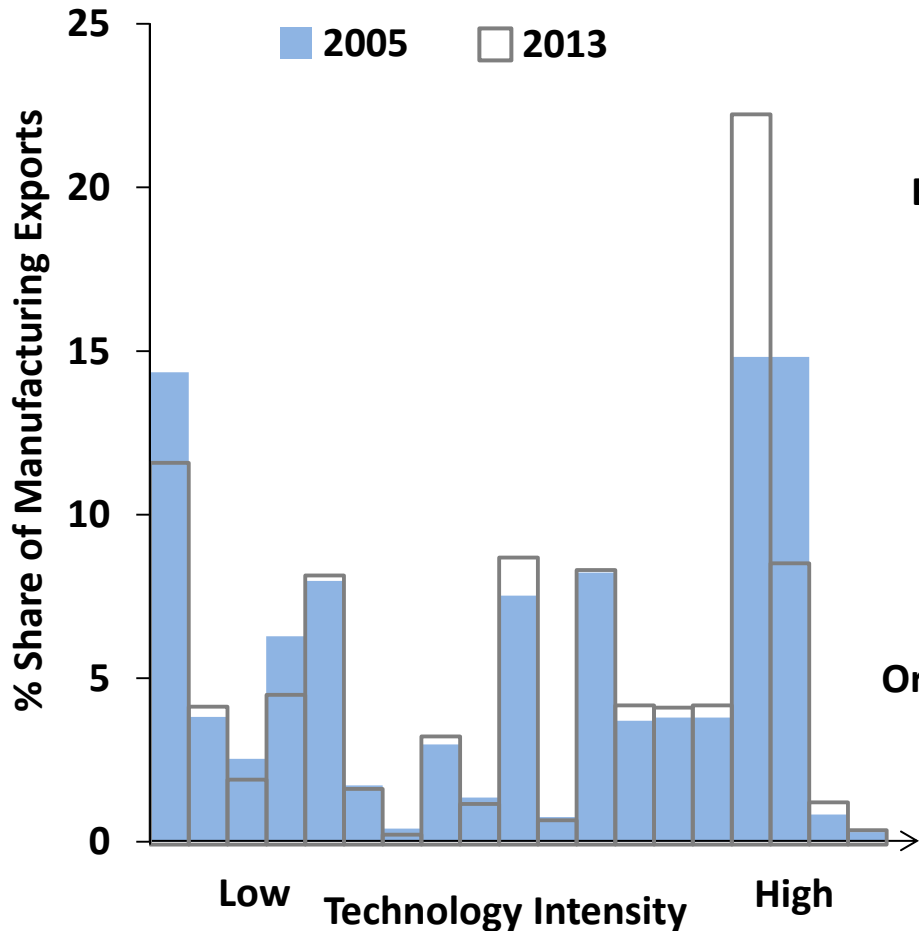


Singapore's IT Export Similarity Index (2013)

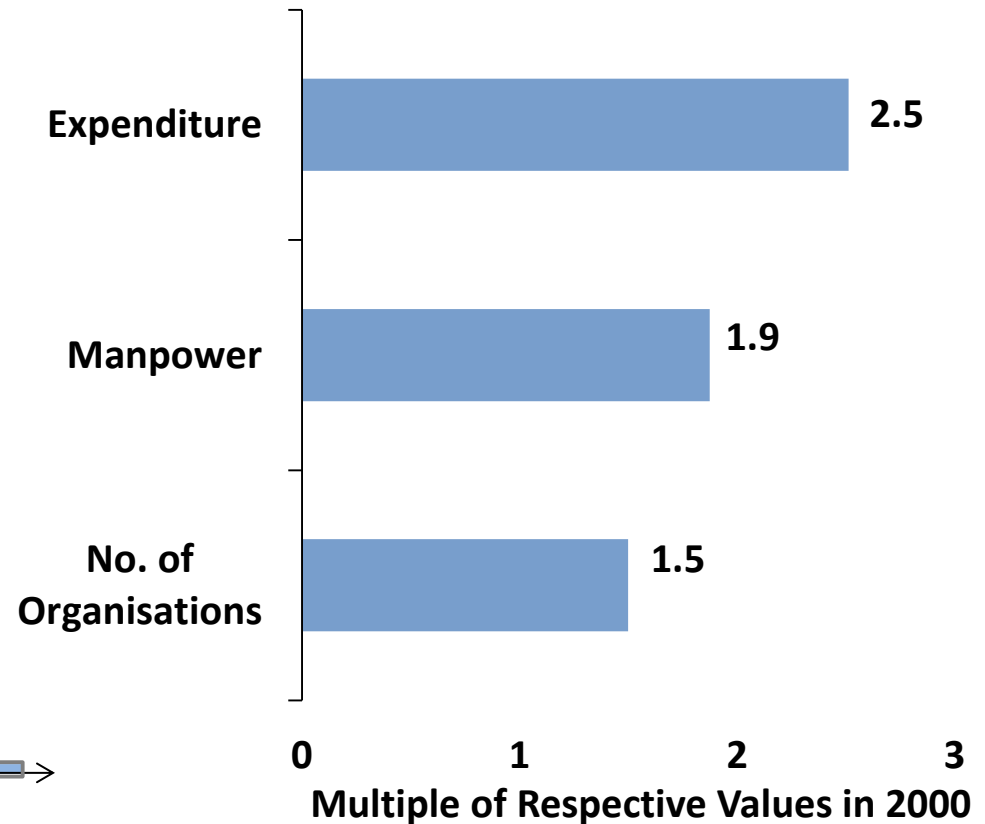


In the medium term, technology and innovation-intensive activities will drive the new frontier ...

Asian Exports by Tech intensity

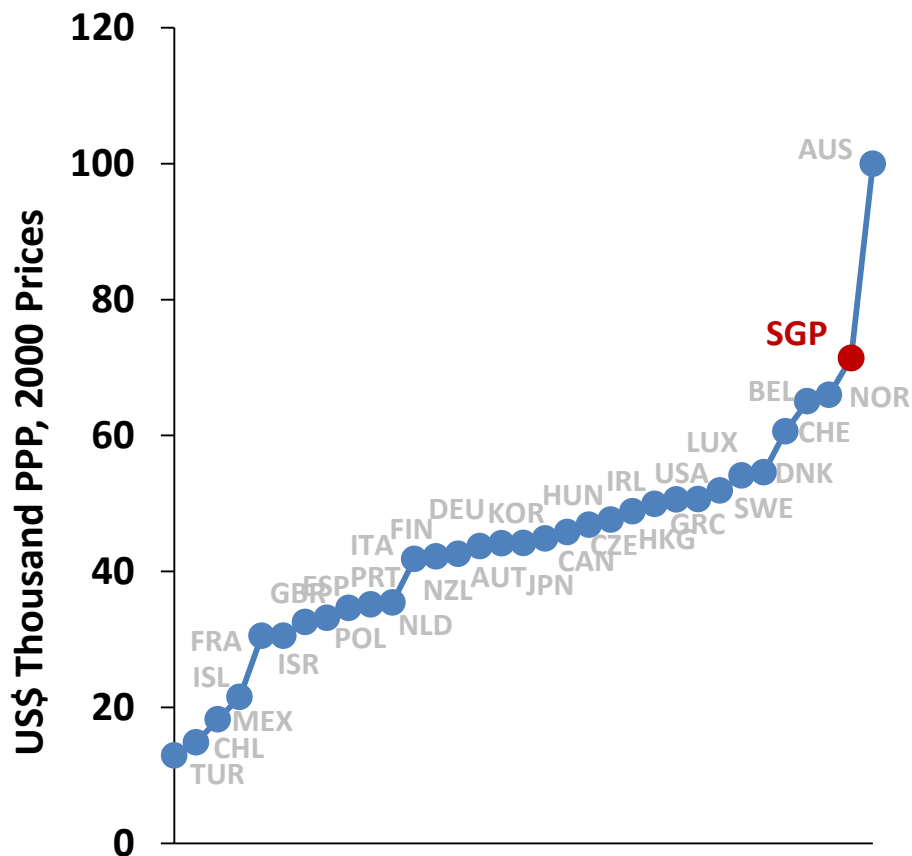


Measures of R&D Activities in Singapore (2013 vs 2000)

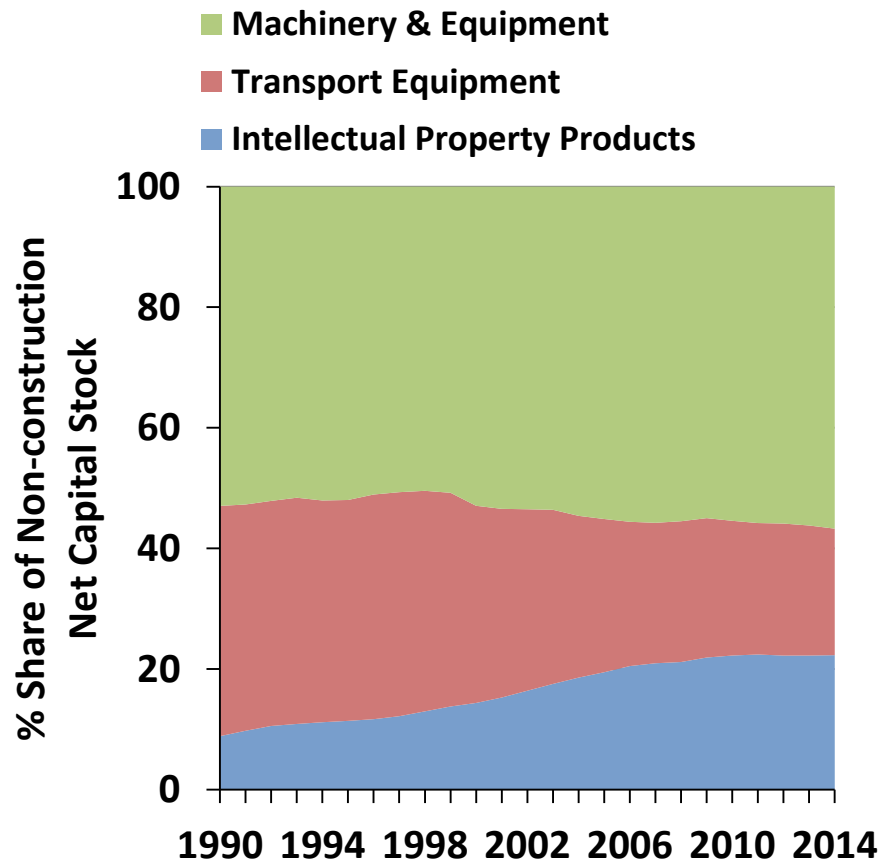


... underpinned by capital investments in the digital economy and a complementary workforce.

Capital Per Worker (2014)



Composition of Capital Stock in Singapore





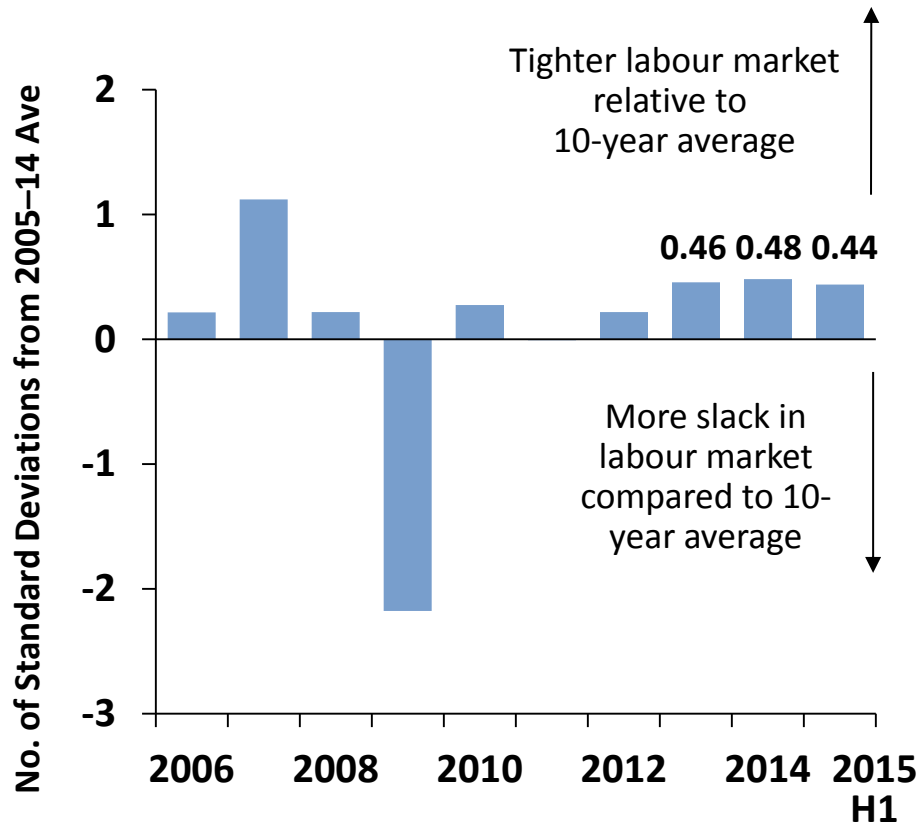
Labour Market and Inflation

Core Inflation is Set to Rise Gradually

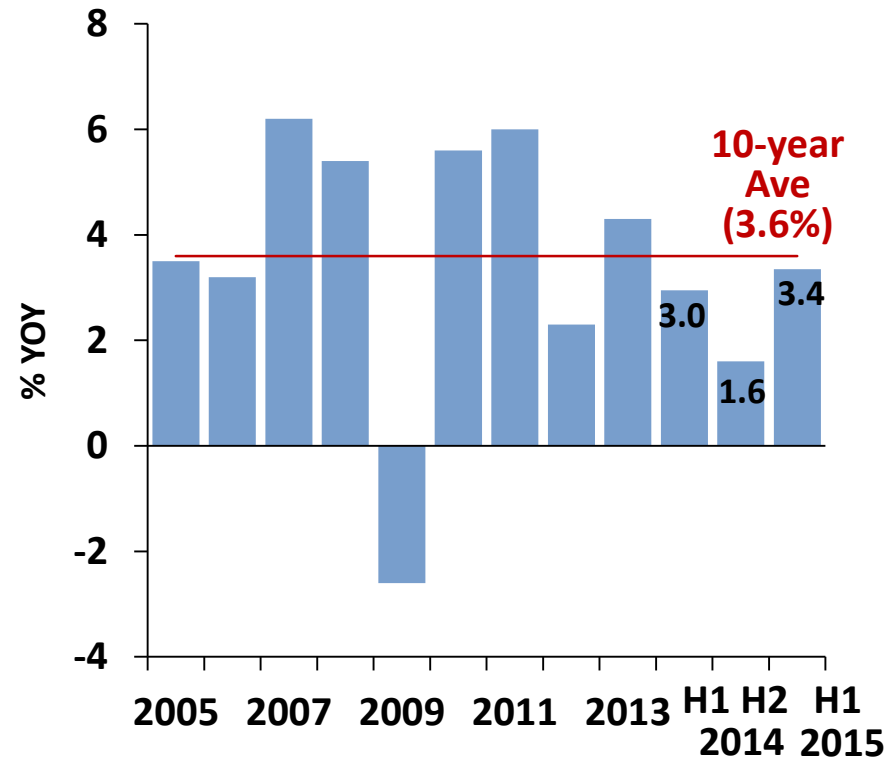
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Labour market tightness eased slightly but wage growth remained firm.

Labour Market Pressure Indicator

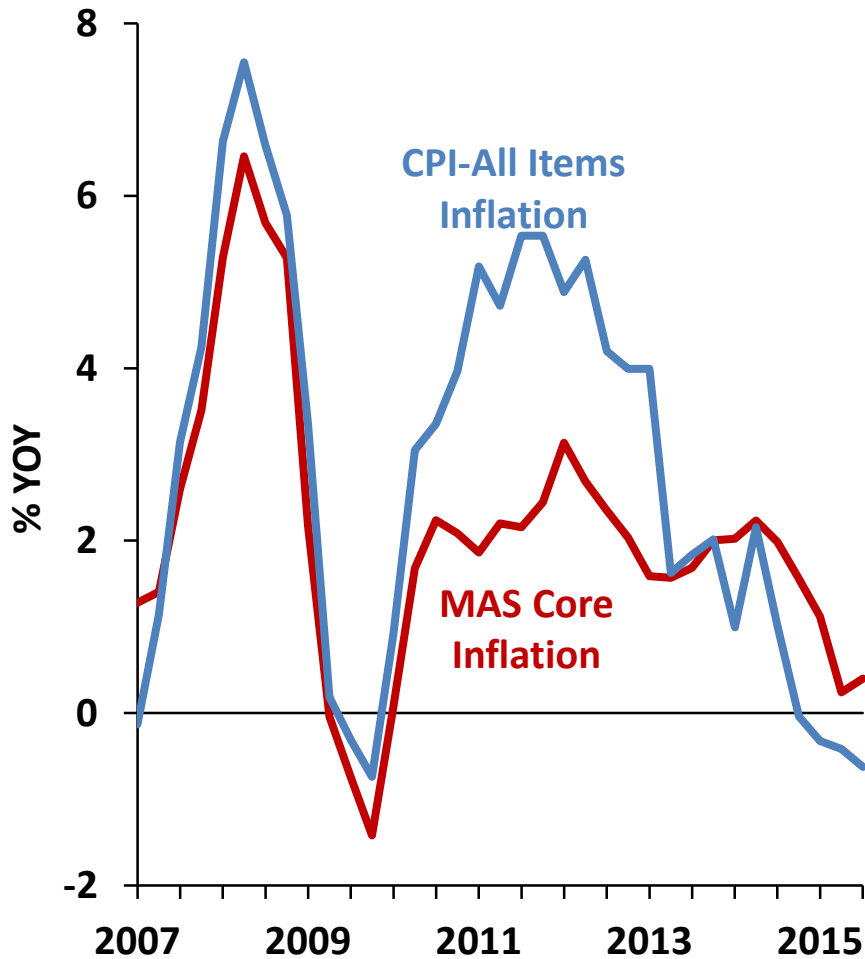


Overall Resident Wage Growth

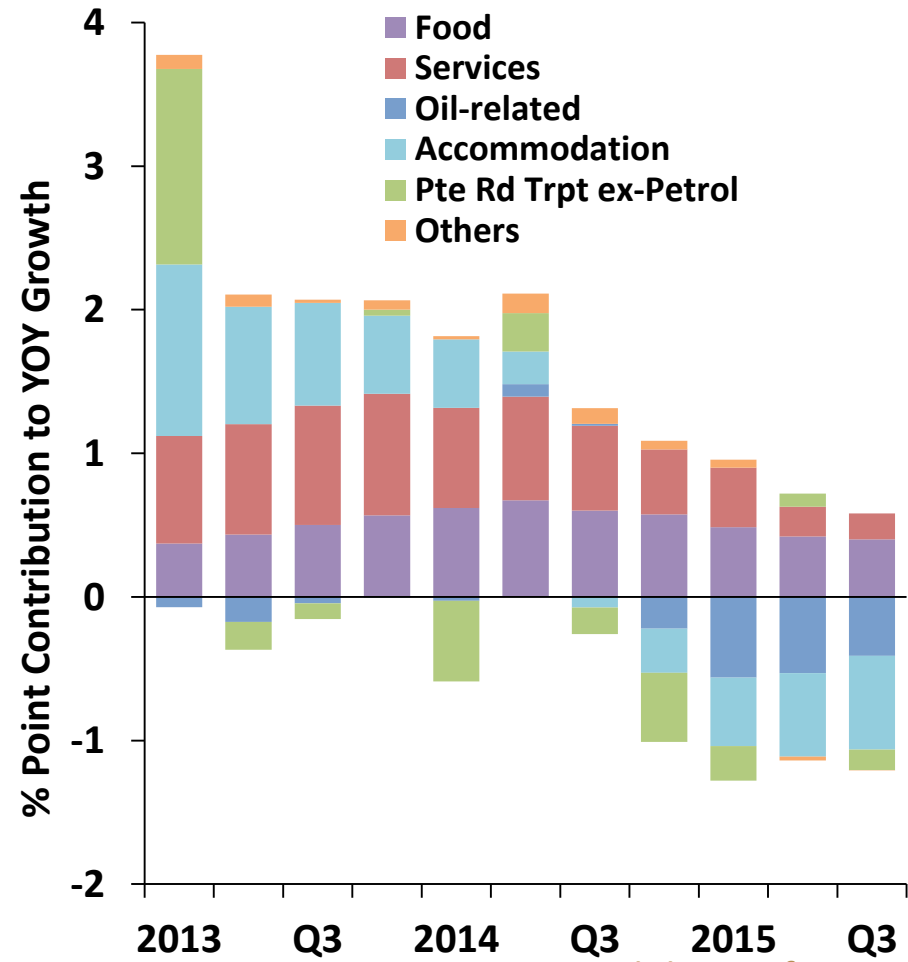


Inflation has remained tame, mainly reflecting lower oil prices and various administrative measures.

CPI-All Items Inflation and MAS Core Inflation

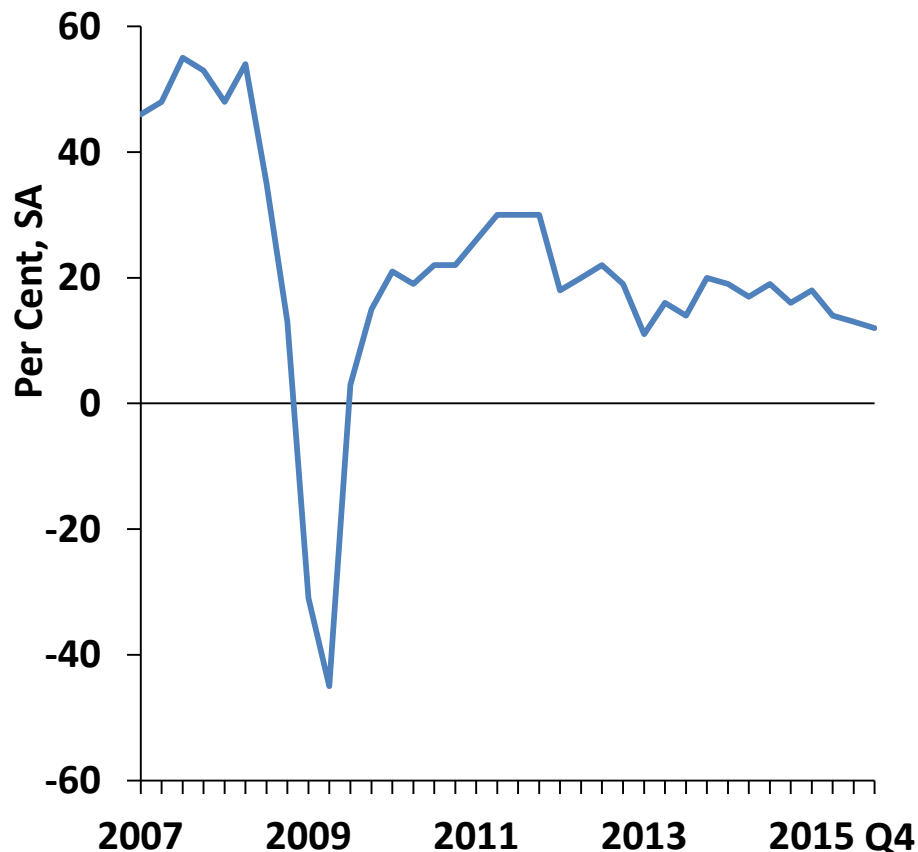


Contribution to CPI-All Items Inflation

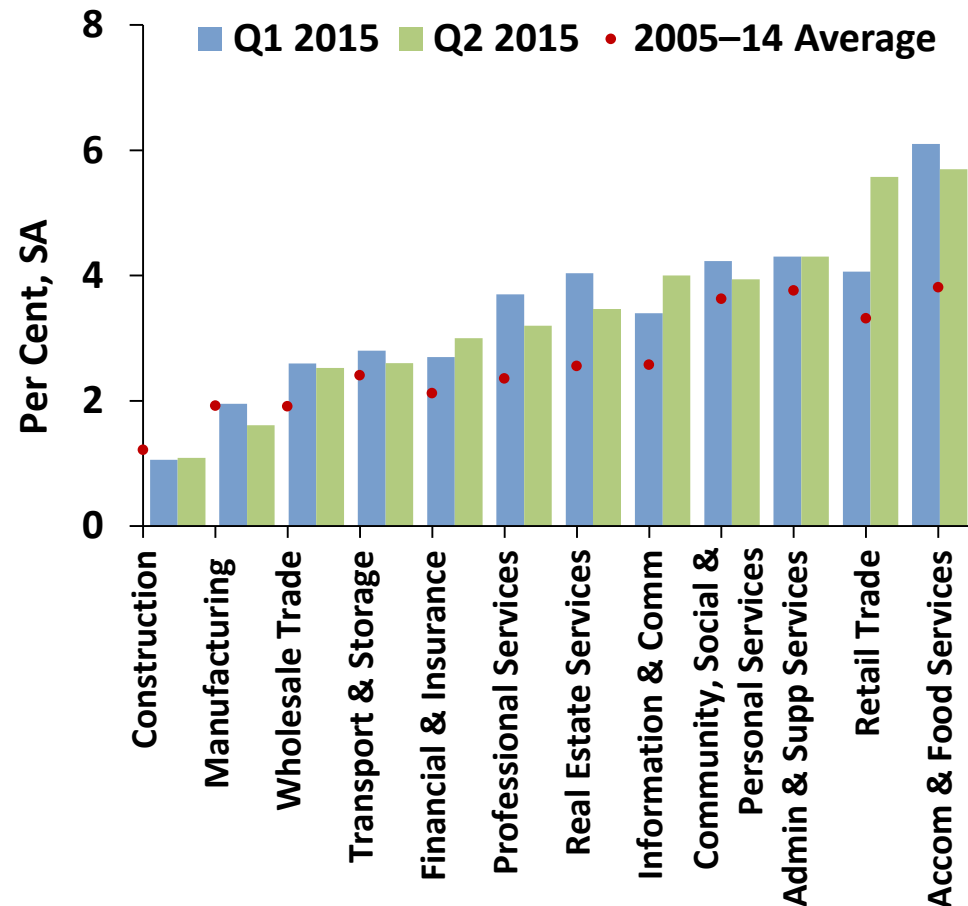


Job creation will settle at a lower level, but wage pressures will persist.

Net Employment Outlook

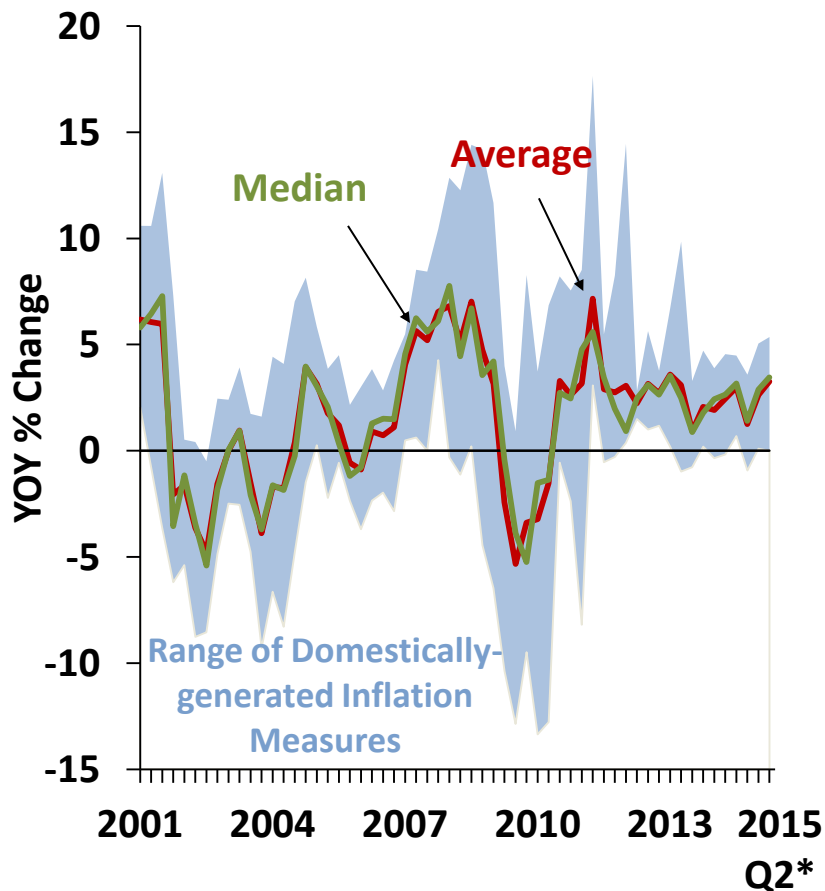


Vacancy Rate By Sector

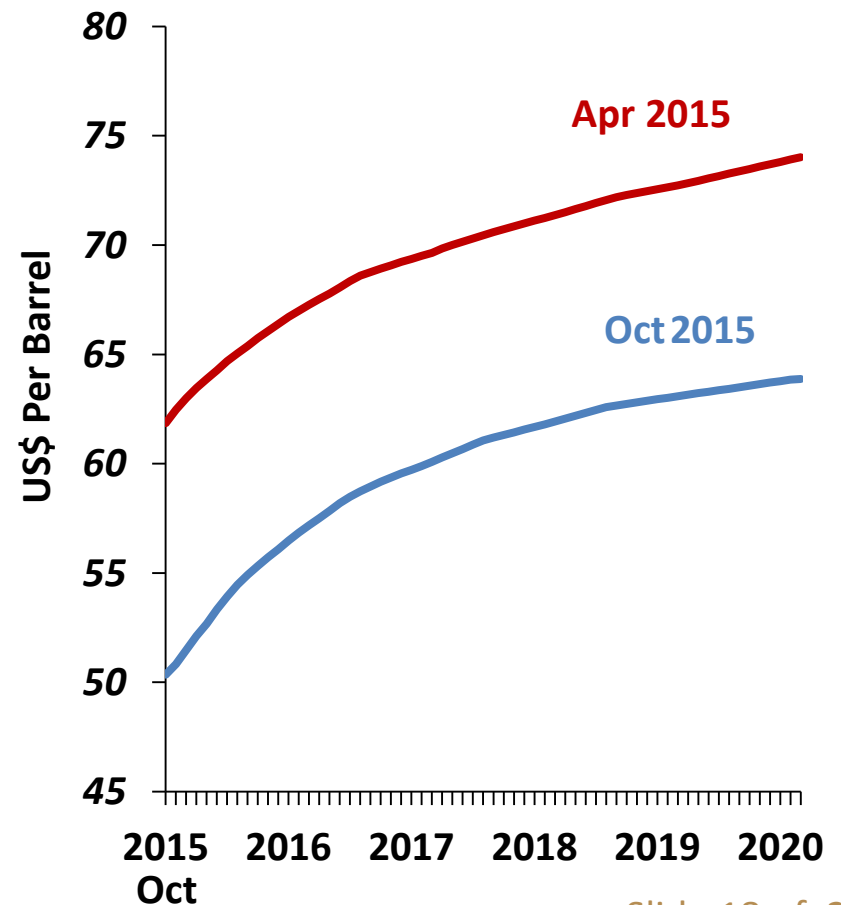


Domestic cost pass-through will be modest while external price influences remain benign.

Measures of Domestically-generated Cost Inflation

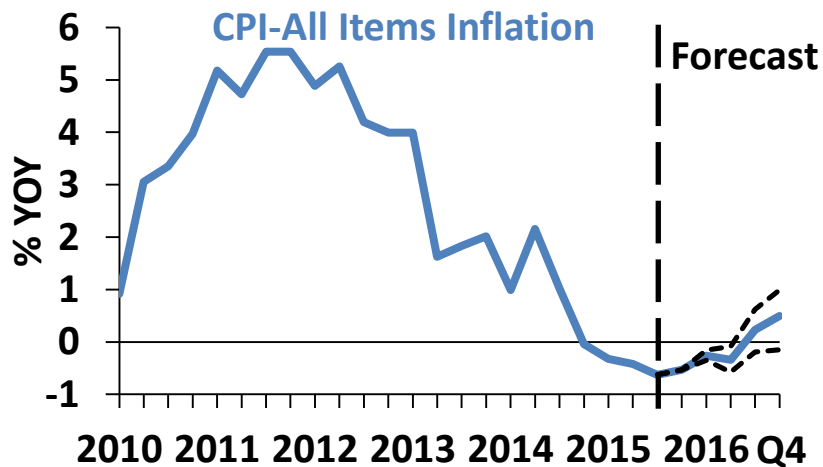
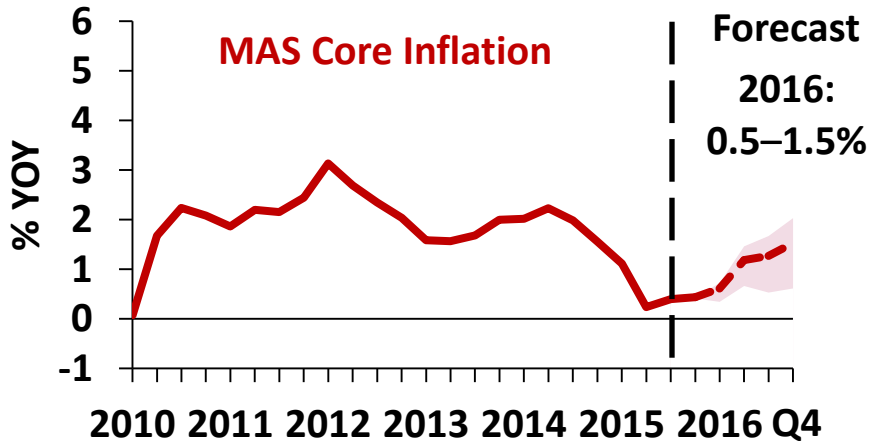


Brent Oil Futures Prices

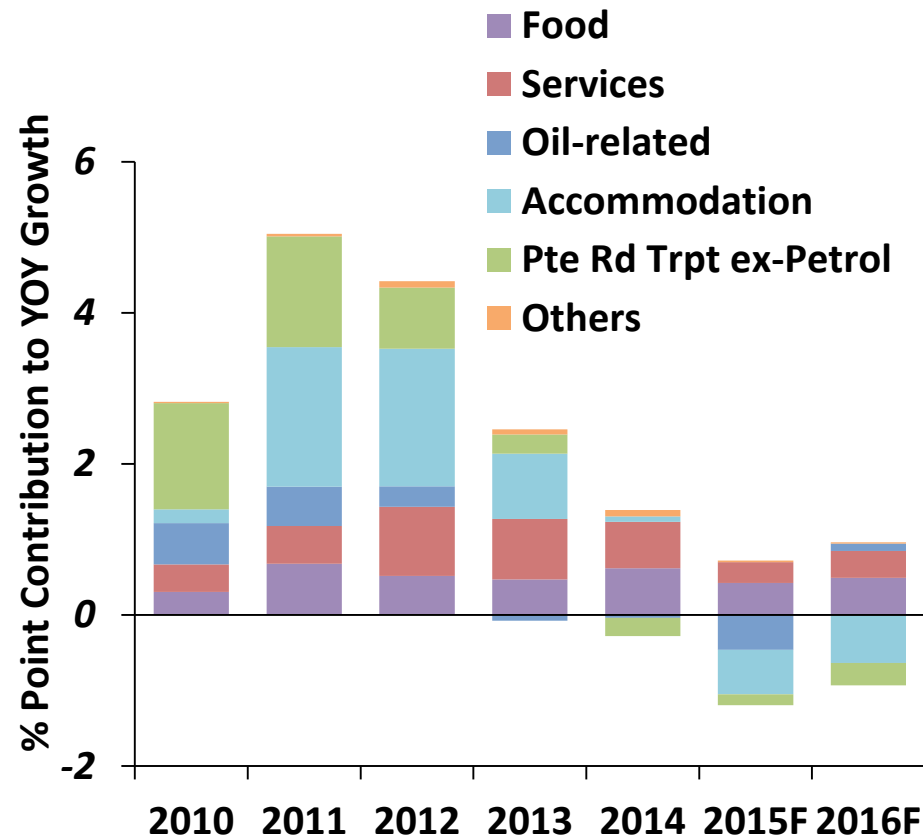


Inflation is expected to pick up gradually over 2016.

Y-O-Y CPI-All Items and MAS Core Inflation Forecasts



Contribution to CPI-All Items Inflation



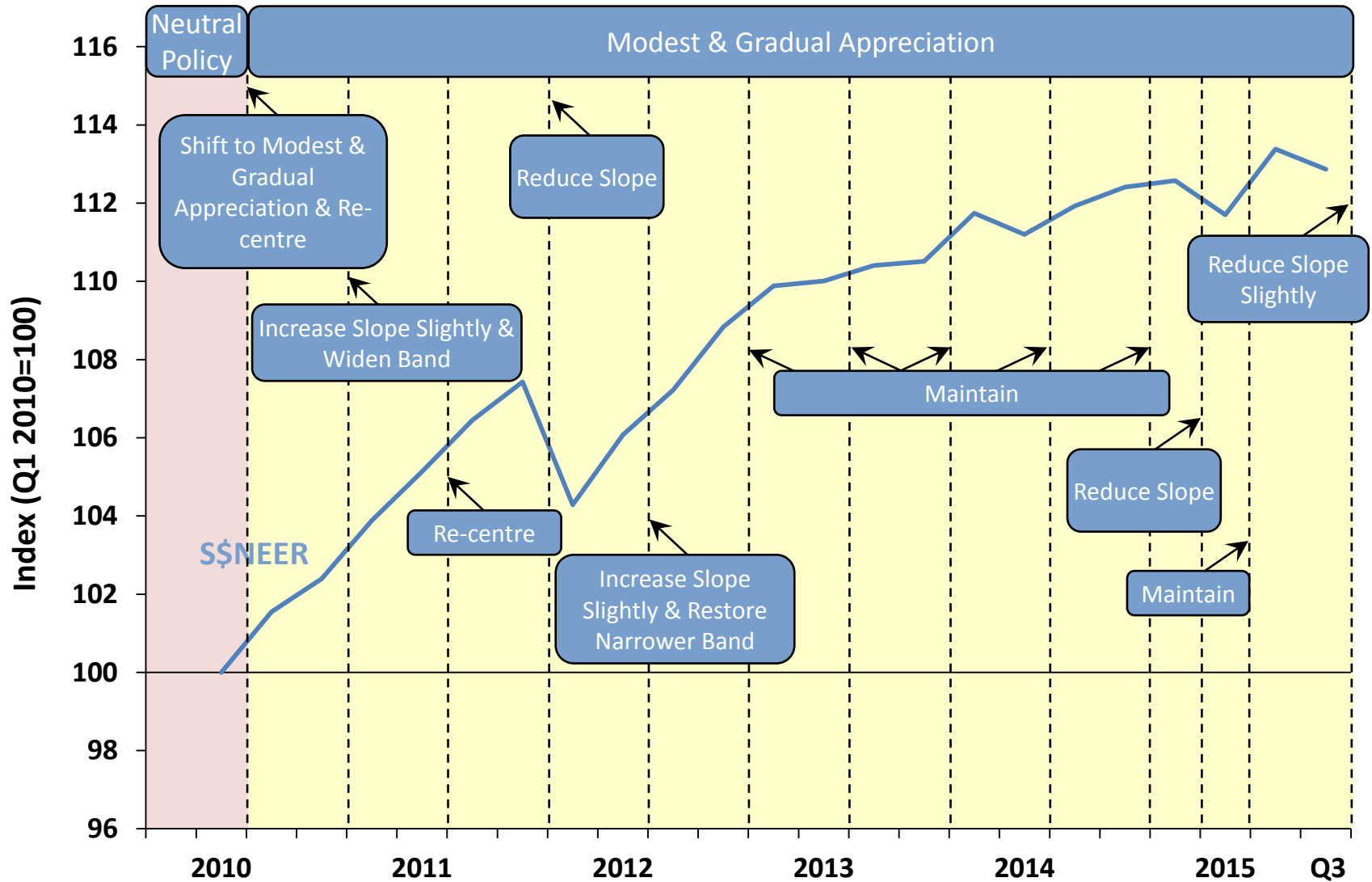


Monetary Policy

Supportive Macroeconomic Policy Stance

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Rate of appreciation of S\$NEER policy band was reduced slightly.





Special Features

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The Impact of Foreign Demand Shocks on the Singapore Economy: A Disaggregated Analysis

- The impact of foreign GDP shocks on the domestic economy is often modelled using a change in the composite foreign GDP index, which serves as a proxy for external demand. However, potentially divergent growth paths among Singapore's main trading partners highlight the need for a more disaggregated analysis of foreign demand shocks.
- This Feature uses EPG's Monetary Model of Singapore (MMS) to simulate the macroeconomic impact on Singapore of a downshift in demand in the US, China and ASEAN-4, respectively. The results provide some evidence to suggest that compositional effects at the country or region level have evolved over time and reaffirm Singapore's increasing dependence on China as an engine of growth.

Monetary and Macroprudential Policies: Their Roles in Promoting Sustained Growth



Dr Donald Kohn
Robert S Kerr Senior
Fellow
Brookings Institution

- Dr Kohn describes the interaction between macroprudential and monetary policies in developed and globally integrated economies, highlighting their important contributions to ensuring financial stability and promoting sustained growth.
- Macroprudential policy tools and their associated governance structures in the UK, the US and Singapore are also assessed.

A Brief Survey of Density Forecasting in Macroeconomics



Prof Anthony Tay
Associate Professor of
Economics
Singapore Management
University

- Professor Tay presents a survey of density forecasting in macroeconomics. He motivates the need for density forecasting given the limitations of point and interval forecasts in capturing uncertainty and risks.
- In practice, density forecasts of output growth and inflation can be extracted from surveys conducted by the Fed in the US, the NIESR in the UK and MAS in Singapore.
- Finally, some methods to evaluate density forecasts are discussed.

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