Monetary Authority of Singapore

RECENT ECONOMIC DEVELOPMENTS IN SINGAPORE

7 June 2019

	2018				2019
	Q2	Q3	Q4	Full Year	Q1
Real Sector					
Real GDP Growth, y-o-y %	4.2	2.6	1.3	3.1	1.2
Real GDP Growth, q-o-q saar %	0.7	0.8	−0.8	-	3.8
Index of Industrial Production, y-o-y %	10.6	3.5	4.6	7.0	−0.3
Non-oil Domestic Exports, y-o-y %	9.3	8.0	−1.1	4.2	−6.4

The pace of expansion of the Singapore economy eased further in Q1 2019

Singapore’s GDP expanded by 1.2% y-o-y in Q1 2019, slightly lower than the 1.3% recorded in the previous quarter. The continued slowdown can be attributed to the trade-related cluster, particularly electronics-related production, alongside the ongoing downswing in the global electronics cycle. The Q1 expansion was supported by the modern services and domestic-oriented clusters, with activities related to digitalisation of business processes outperforming the overall economy.

Global growth is expected to slow amid elevated uncertainties

Singapore’s major trading partners performed better than anticipated in Q1 2019, as temporary factors buttressed economic activity in the US and Japan even as the underlying growth momentum weakened. Asia ex-Japan’s growth was similarly dragged down by weak exports, due to the subdued external environment as well as flagging electronics demand. For 2019 as a whole, global growth will slow from its pace in 2018, amid heightened uncertainty and the downside risks posed by trade and geopolitical developments.

Modern services will underpin domestic economic growth in 2019

Slower growth in Singapore’s key trading partners will weigh on the trade-related sectors, with the global electronics downturn adding further to the weakness. Modern services will remain the main driver of growth, as economic transformation boosts the demand for IT & information and professional services. In the domestic-oriented sectors, the construction-led recovery should extend into the second half of the year. All in, growth of the Singapore economy is projected to come in at 1.5–2.5% in 2019, a step-down from 3.1% last year.

Core inflation should remain in check

External sources of inflation are likely to be benign this year. Firm labour market conditions will support moderate wage increases, and unit labour costs should continue to rise. However, an acceleration in inflation is unlikely given slower global and domestic growth. MAS Core Inflation is expected to average within 1–2% in 2019.

A. External Developments

Global GDP Growth					
	2018 Q4	2019 Q1	2018	Consensus Forecast 2019	Consensus Forecast 2020
	q-o-q SAAR %		y-o-y %		
G3*	**1.6**	**2.3**	**2.0**	**1.6**	**1.3**
US	2.2	3.1	2.9	2.6	1.9
Eurozone	1.0	1.6	1.9	1.1	1.3
Japan	1.6	2.1	0.8	0.6	0.4
	y-o-y %				
Asia ex-Japan*	**4.7**	**4.3**	**5.0**	**4.7**	**4.7**
China	6.4	6.4	6.6	6.3	6.1
India**	6.6	5.8	6.8	7.2	7.3
NEA-3*	**1.8**	**1.2**	**2.8**	**2.2**	**2.2**
Hong Kong	1.2	0.6	3.0	2.3	2.3
Korea	2.9	1.7	2.7	2.2	2.3
Taiwan	1.8	1.7	2.6	2.0	2.0
ASEAN-4*	**4.8**	**4.5**	**4.9**	**4.6**	**4.7**
Indonesia	5.2	5.1	5.2	5.1	5.1
Malaysia	4.7	4.5	4.7	4.4	4.5
Thailand	3.6	2.8	4.1	3.5	3.5
Philippines	6.3	5.6	6.2	6.0	6.1

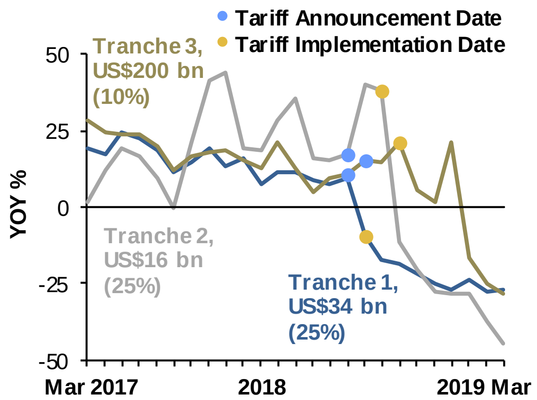
Source: CEIC, Haver Analytics, Consensus Economics, May 2019 and EPG, MAS estimates.
* Weighted by shares in Singapore's NODX.
** Figures are reported on a Financial Year basis; FY2018 refers to the period from April 2018 to March 2019.

Global growth outcomes were mixed in the first quarter of 2019

Headline growth picked up in the major economies in Q1 2019, but there were signs that underlying demand was weaker. Growth in the US and Japan was bolstered by stock-building and import compression, while household consumption and investment faltered. In the Eurozone, domestic demand was more resilient, underpinned by robust labour markets. **In Asia ex-Japan, growth also softened on the back of weak global trade, particularly in electronics, while domestic demand provided some support.** Policy stimulus helped the Chinese economy maintain a steady expansion in Q1, although the growth momentum remains fragile, given the re-escalation of trade tensions with the US in May.

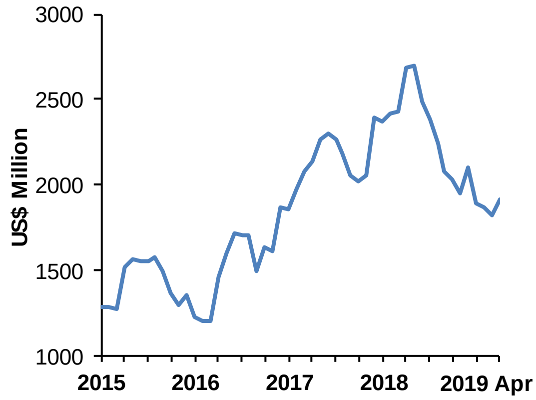
The US raised the tariff rate on US$200 billion of Chinese goods from 10% to 25% on 10 May as trade negotiations hit an impasse. Latest data indicate that US demand for goods from China continued their sharp decline, as importers cut back on purchases after stocking up in the second half of 2018. Concerns over future tariff increases could see front-loading activity resume in the months ahead.

US imports from China declined sharply in Q1.



Source: US Census Bureau, The Office of the US Trade Representative and EPG, MAS estimates

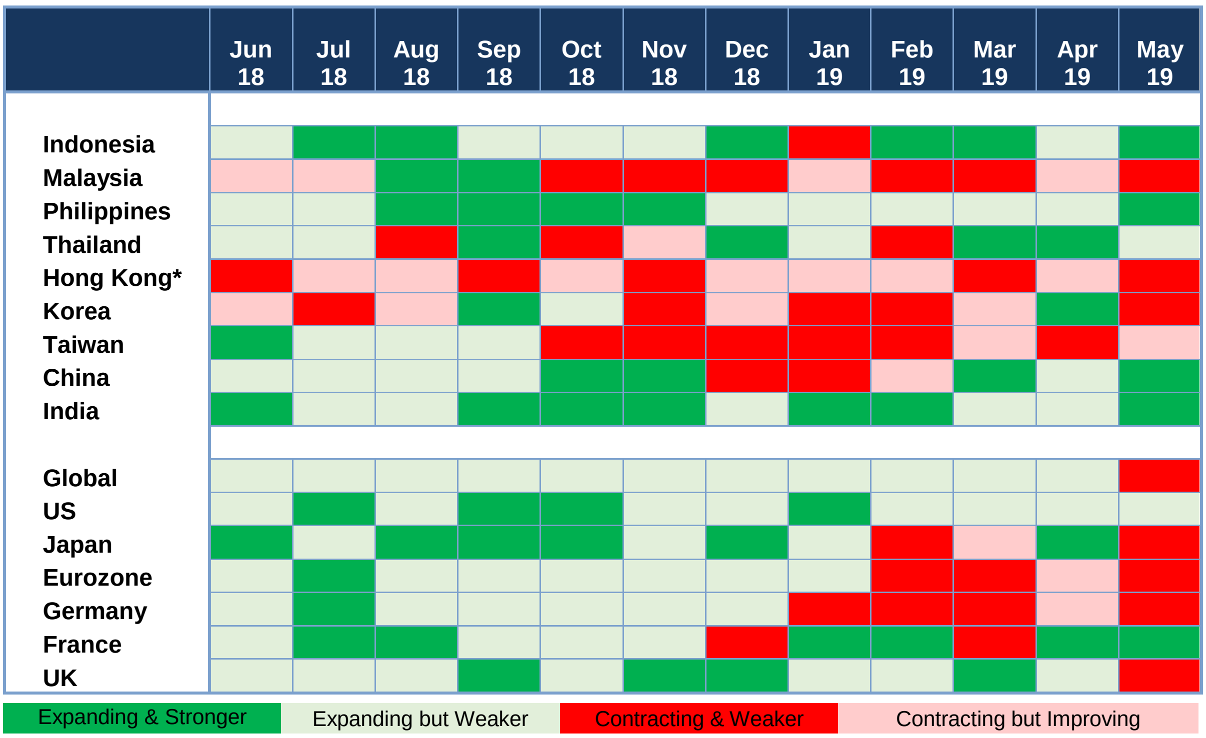
Global Semiconductor Billings remain depressed.



Source: Haver Analytics

External headwinds are expected to intensify in light of the renewed global trade tensions. Leading indicators point to muted demand for goods such as electronics, alongside falling global billings of semiconductor equipment, while the latest manufacturing PMIs in aggregate are not suggestive of near-term improvement.

Manufacturing PMIs are giving mixed signals.



*Composite PMI
Source: Haver Analytics, IHS Markit and EPG, MAS estimates.

Financial stability risks remain elevated amid high EME debt levels

Risks to global financial stability remain elevated, amid high debt levels, especially in key Emerging Market Economies (EMEs). Global indebtedness of the non-financial sector has continued to increase, driven mainly by the government and non-financial corporate sectors, especially in key EMEs. In Asia, there has been a rise in the issuance of foreign currency bonds between Q2 2018 and Q1 2019, denominated mainly in US dollars and concentrated in the real estate and property sector.

Amid the present uncertainties, a sudden negative shift of investor sentiment accompanied by a tightening of financial conditions could result in portfolio outflows from EMEs and increased stresses on indebted corporates. Geopolitical events could also negatively affect confidence and add to outflow pressures, resulting in currency depreciation. This will accentuate stresses on corporates with significant foreign exchange mismatches and result in costly repricing of floating rate debt and higher refinancing risk for corporates.

The G3 economies, led by the US, are expected to expand by 1.6% this year and 1.3% in 2020.

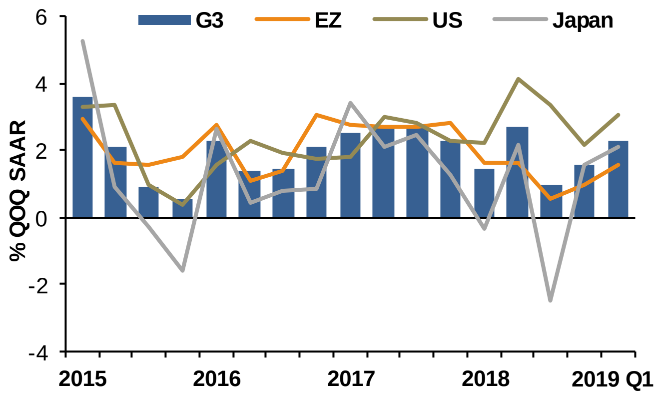
Asia ex-Japan's growth is projected at 4.7% in both 2019 and 2020.

Heightened policy uncertainties will weigh on G3 growth

While the US economy beat expectations with a 3.1% q-o-q saar expansion in Q1 2019, final demand were weaker. Indeed, the boost from the accumulation of inventories and import reduction was associated with easing domestic demand as growth in private consumption and business investment slowed. In particular, household spending on durable goods contracted partly due to the partial government shutdown, but it is expected to pick up in the coming months, buttressed by faster wage growth. Firms also held back expenditure on structures and equipment amid softening business conditions and deteriorating sentiment. The re-escalation of US-China trade tensions and the unexpected tariff actions against Mexico have created new uncertainties which could further dent consumer and business confidence, posing a downside risk to growth and an upside risk to inflation. **All in, the US economy is expected to grow by 2.6% in 2019, down from 2.9% in 2018.**

Economic growth in the Eurozone rebounded to 1.6 % q-o-q saar in Q1 2019, underpinned by resilient domestic demand. Germany and France saw increases in household spending, led by firm labour market outturns and fiscal support, respectively. Meanwhile, real activity was robust in Spain, underpinned by strong fixed investment. Italy also recorded a modest expansion in Q1, exiting the mild recession experienced in H2 2018. **GDP growth across the monetary union is expected to come in at 1.1% in 2019.** Sustained employment growth and wage gains will undergird Eurozone consumption, bolstered by accommodative fiscal and monetary policy. However, weak foreign trade is expected to weigh on economic activity.

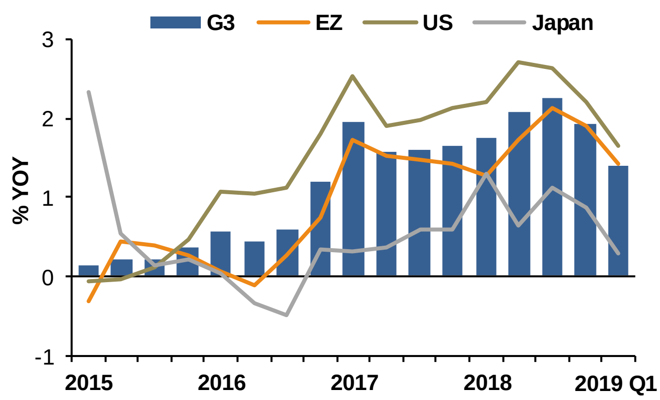
G3 growth picked up in Q1.



Source: CEIC, Haver Analytics and EPG, MAS estimates

Japan's Q1 2019 headline GDP growth surprised on the upside but its composition points to some underlying weakness. Domestic demand saw a reversal from Q4 2018, with declines seen in both private consumption and business investment, which subtracted 0.4% points from overall growth. Imports shrank by 17.2% q-o-q saar, outpacing the decline in exports. Even as the labour market continued to tighten, economic sentiment has deteriorated, with consumers expressing less willingness to make durable goods purchases, which will be subject to a higher tax rate in October. Although the consumption tax rise will be accompanied with significant fiscal measures to mitigate the impact on spending, the net effect is uncertain. **GDP growth in Japan is expected to moderate to 0.6% in 2019 from 0.8% in 2018, in view of sluggish domestic demand and poor prospects for exports.**

G3 headline inflation continued to decline in Q1.



Source: Haver Analytics and EPG, MAS estimates

G3 headline inflation continued to decline in Q1 2019. In the US, both headline and core PCE inflation moderated, even as wage growth picked up and the labour market tightened further. The Fed has attributed lower core inflation to transitory factors such as adjustments in portfolio management fees and selected services prices. Headline inflation in the Eurozone fell mainly due to lower energy prices, while inflation expectations have also come down alongside weaker growth momentum. In Japan, CPI inflation eased further in Q1 2019 as fresh food prices continued to correct from the severe weather and earthquake that occurred in Q3 2018. Going forward, inflationary pressures in the G3 economies are likely to remain contained amid slowing growth and rising uncertainty, although there could be some upside risks from tightening labour markets and tariff measures in the US.

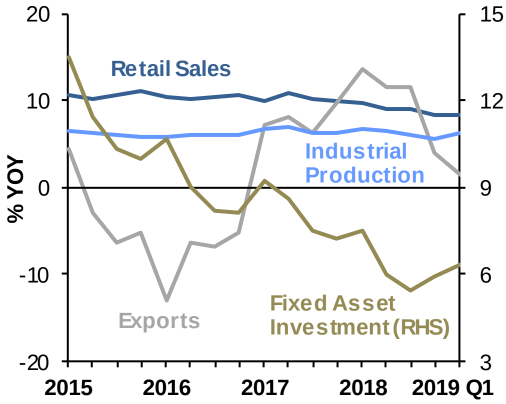
G3 inflation is expected to come in lower at 1.6% in 2019 before picking up to 1.7% in 2020.

Asia ex-Japan growth will be buffeted by external headwinds

China's GDP growth held steady in Q1 2019 as policy support helped to stabilise domestic demand. Industrial production and fixed asset investment grew at a faster pace while household consumption remained resilient. On the external front, falling exports were more than counteracted by a sharp decline in imports. **In the coming quarters, policy easing should continue to gain some traction, although renewed trade tensions pose a significant downside risk.** Corporate and personal income tax cuts and reliefs are expected to provide a modest boost to investment and consumption in the coming quarters. **Consequently, the Chinese economy is projected to grow by 6.3% in 2019, stepping down from the 6.6% recorded in the previous year.**

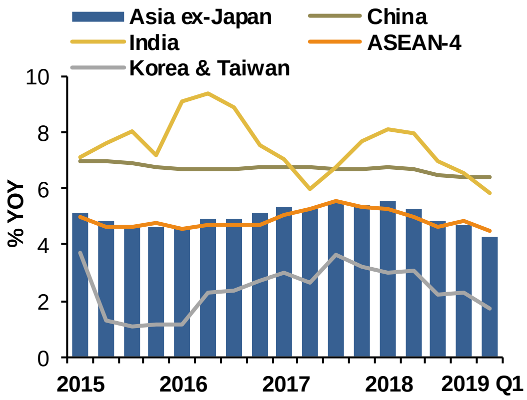
India's growth moderated further in Q1 2019 as domestic demand continued to ease. The slowdown was mainly due to weaker private consumption and investment, likely reflecting uneven credit growth as well as election-related uncertainty. Export growth also slowed in tandem with the global trade and investment downcycle, resulting in a larger drag from net exports. In the coming quarters, fiscal constraints and the ongoing credit squeeze in the non-bank financial sector will pose significant headwinds to domestic demand. However, prospects for policy continuity following the recent elections, as well as government support measures, should be slightly positive for the economic outlook in the medium term. **On balance, the Indian economy is expected to grow by 7.2% in 2019, slightly faster than in 2018.**

China's economy held steady in Q1.



Source: CEIC, Haver Analytics and EPG, MAS estimates

Weakening external demand continued to buffet growth in Asia ex-Japan.



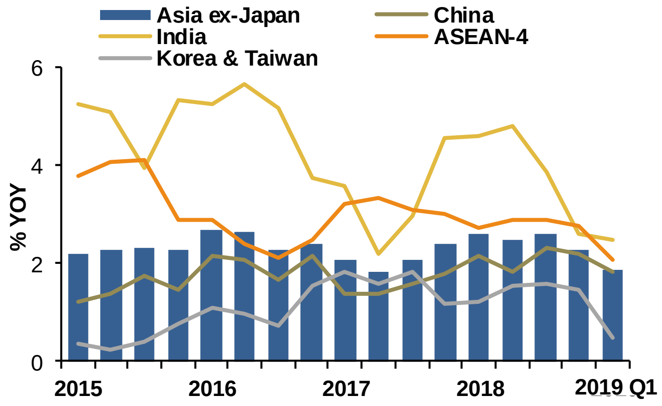
Source: CEIC, Haver Analytics and EPG, MAS estimates

The NEA-3 economies diverged in Q1 2019. The Korean economy shrank, largely on account of a sharp contraction in private investment induced by the tech cycle downturn. In contrast, gross fixed capital formation remained the main driver of growth in Taiwan, partly reflecting the government's incentives to bring production back on-shore from mainland China. In Hong Kong, GDP growth rebounded in Q1 on a sequential basis, as private consumption picked up. **Looking ahead, leading indicators suggest that economic activity in Korea and Taiwan will continue to be dampened by weak export growth, particularly of electronics components.** However, fiscal spending will provide some support, mainly through social transfers and job creation initiatives in Korea and infrastructure spending in Taiwan. In Hong Kong, the pace of economic activity is expected to stabilise, aided by accommodative monetary conditions and a recovery in the property sector.

Growth in the ASEAN-4 eased to 4.5% y-o-y in Q1 2019 from 4.8% in Q4 2018. Private consumption was the main pillar of support across the region, undergirded by strong labour markets and moderating inflation. Investment growth was subdued due to country-specific factors and heightened uncertainty surrounding global trade. Nevertheless, expenditure on fixed capital formation by the public sector is expected to step up in the latter half of this year as governments push ahead with infrastructure projects, which might have been delayed by the region's slew of elections in the first half of the year. With rising trade tensions, however, exports will continue to be a drag on growth for the rest of the year**. All in, GDP growth in the ASEAN-4 is expected to slow to 4.6% in 2019, from 4.9% in 2018.**

Average CPI inflation in Asia ex-Japan remained subdued in Q1 2019 with the easing of cost-push pressures in some economies. Inflation in China stayed muted due to falling commodity prices, despite a mild increase in hog prices. In contrast, food prices declined in India and the ASEAN-4 partly on account of improved government supply management. Inflation is likely to be benign in the coming months, absent significant supply shocks affecting food or fuel prices, as demand pressures recede in a muted growth environment.

Headline inflation in Asia ex-Japan declined further in Q1.



Source: Haver Analytics and EPG, MAS estimates

Headline inflation in Asia ex-Japan is projected to be 2.5% in 2019, unchanged from 2018, before rising to 2.7% in 2020.

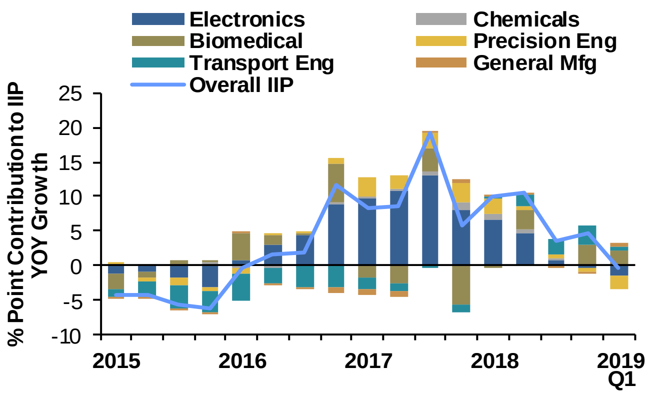
B. Domestic Developments

Growth of the Singapore economy eased in Q1, weighed down by the trade-related cluster

The domestic economy expanded by 1.2% y-o-y in Q1 2019, extending the slowdown from Q4 last year. The weakness in growth was mainly attributed to the trade-related cluster. In particular, electronics-related manufacturing and wholesale activities turned in negative growth in Q1. In contrast, the modern services cluster was the main support to the economy, amid healthy structural demand for digitalisation-related activities such as IT and platform services, which more than offset sluggishness in the segments that are more exposed to external demand. Meanwhile, the domestic-oriented cluster saw an uplift due to improvements in the construction sector.

The manufacturing sector contracted for the first time in three years, by 0.3% y-o-y in Q1 2019. The decline was driven by the electronics manufacturing and precision engineering clusters, which fell by 4.1% and 13.1% respectively, alongside the downswing of the global electronics cycle. In contrast, other manufacturing clusters experienced positive growth, led by the typically volatile biomedical cluster, which expanded by 12.2%. However, these gains were not sufficient to offset the weakness in the electronics-related clusters.

Industrial output dipped in Q1 2019.



Concomitantly, the trade-related services saw a dip during the quarter. The contraction in foreign wholesale trade worsened to 2.7% y-o-y in Q1, reflecting broad-based weakness across most product segments. Meanwhile, the volume of sea cargo handled at Singapore's ports fell by 2.6%. Notably, the volume of containerised cargo handled fell for the first time in 11 quarters, alongside the retrenchment in global trade.

Growth in the modern services cluster remained broadly resilient in Q1. Business services and the financial & insurance sector saw growth come in a touch softer, though the slowdown was partially offset by the ICT sector. Growth in the ICT sector accelerated to 6.6% y-o-y from 5.0% in the quarter before, due largely to the IT & information services segment, which benefitted from strong corporate demand for digital solutions. Meanwhile, the more muted expansion in the business services sector was a consequence of a fairly steep pullback in the rental & leasing segment, which outweighed the rebound in the real estate segment.

The finance & insurance sector expanded at a slower pace of 3.2% y-o-y in the first quarter, attenuating slightly from 3.7% in Q4. Alongside flagging global economic activity, the slowdown in the Chinese economy had kept loan demand from East Asia depressed, contributing to further contraction in financial intermediation activity. Non-bank loan growth softened to 3.8% in Q1, from 5.3% in the previous quarter, as investment and working capital demands of corporates declined amid dampened business confidence. The uncertain outlook, further exacerbated by the US-China trade standoff, also precipitated a pullback in sentiment-sensitive segments such as security dealings and forex trading. Nevertheless, the 'others' segments, led by payments network players, endured as a key source of growth, reflecting the increasing use of electronic payments here and in the region.

The previously buoyant tourism-related industries softened in Q1. Total visitor arrivals grew by 1.0% y-o-y in Q1, slowing from the 2.5% increase in Q4 and 7.5% gain over Q2–Q3 2018. The moderation in visitor arrivals was evident across most key markets. Nonetheless, revenue per available room slipped only marginally, due to higher average room rates for luxury hotels.

There were nascent signs of recovery in some domestic-oriented industries. The construction sector grew by 2.9% in Q1, halting ten consecutive quarters of contraction, as both public and private sector construction activities gained momentum. In particular, certified payments for industrial projects surged 45% y-o-y in Q1 2019. This stemmed from ongoing construction such as on a semiconductor fabrication plant, various data centres and the Punggol Digital District. Likewise, essential services also did well in Q1, as growth in the 'other services industries' accelerated to 2.2% in Q1, from 0.3% in the preceding quarter, fuelled by a ramp-up in the availability of healthcare facilities.

Meanwhile, **the consumer-facing industries remained sluggish.** Overall retail sales volume declined by 0.7% in Q1 2019, extending the 2.3% slide in Q4. Specifically, non-motor vehicle sales fell by 2.3%, reflecting broad-based declines across basic and discretionary items. In contrast, motor vehicles sales provided some support, rising by 7.3% during the quarter. Elsewhere, Food & Beverage (F&B) spending dipped by 0.3% in Q1, following three consecutive quarters of increase, weighed down by the restaurant and food caterer segments.

External headwinds will weigh on Singapore's growth

Domestic GDP should expand at a slower pace of 1.5–2.5% in 2019.

Taking into account the performance of the Singapore economy in Q1 and the weaker external demand outlook, GDP growth for 2019 is forecast at 1.5 to 2.5%.

The trade-related cluster is likely to face persistent external headwinds, amid slower economic growth in Singapore's key trading partners and the downswing of the global electronics cycle. Electronics production and related services are expected to remain weak, exacerbated by recent escalation in trade frictions.

Meanwhile, **the modern services cluster is expected to be the main anchor of GDP growth in 2019.** Notably, upsides to digitalisation-related activities will continue to help offset the slowdown in the mainstays of modern services. The payments network players are the key beneficiaries of the ongoing shift towards electronic payments methods domestically and in the region, reflecting high mobile phone penetration rates and ongoing "electronification" of both goods and services commerce. At the same time, the financial intermediation segment should benefit somewhat from accommodative global financial conditions, although heightened uncertainties could reduce credit growth. The ASEAN region, where domestic growth remains resilient, should provide some support to offshore loans.

The domestic-oriented cluster will be held up by the recovery of the construction sector and steady private consumption growth. The construction sector is expected to see sustained growth over the rest of 2019, based on the recovery in contracts awarded (a leading indicator of construction activity) since H2 2017. In the public sector, industrial projects such as the Punggol Digital District and Bulim, NEA's Integrated Waste Management Facility, as well as civil engineering projects such as the Jurong Regional Line should boost outturns. Private sector construction is also expected to pick up in 2019, spurred by the redevelopment of en-bloc residential sites and institutional building activities.

Elsewhere, while stable labour market conditions could stimulate higher consumption, structural changes including increased competition from overseas e-commerce players would cap increases to domestic retail sales. Nonetheless, consumer-facing industries, particularly F&B and retail services, are expected to benefit in the medium term from initiatives to lift productivity through innovation and enhancements of processes.

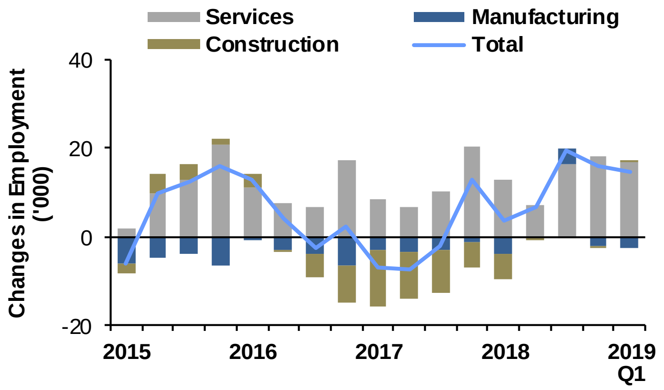
C. Labour Market and Consumer Prices

	2018				2019
	Q2	Q3	Q4	Full Year	Q1
Labour Market and Prices					
Unemployment Rate, sa, %	2.1	2.1	2.2	2.1	2.2
Wage Growth, y-o-y %	3.6	3.5	2.8	3.5	3.4
CPI-All Items Inflation, y-o-y %	0.3	0.7	0.5	0.4	0.5
MAS Core Inflation, y-o-y %	1.5	1.9	1.8	1.7	1.6

The labour market was firm in Q1 2019

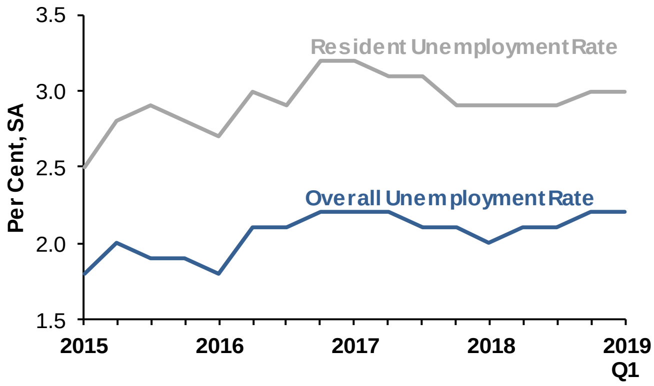
Preliminary estimates showed that overall employment grew by 14,700 in Q1 2019, slightly lower than the previous quarter due to seasonality, but significantly higher than the same period a year ago. Manufacturing employment continued to decline after briefly expanding in Q3 last year, while the construction sector recorded a slight increase in headcount on the back of an increase in construction works. In comparison, services employment rose by 17,000, the strongest Q1 expansion since 2014, underpinned by increased hiring in community, social & personal services, administrative & support services, professional services, financial services, as well as transportation & storage.

Overall employment expanded strongly in Q1 2019.



The seasonally adjusted overall and resident unemployment rates held steady at 2.2% and 3.0% respectively in Q1 this year. An estimated 69,400 residents were unemployed in March 2019, slightly lower than the 69,600 in December 2018. Overall retrenchments in Q1 were similar to that in the previous quarter, as the uptick in manufacturing retrenchments was offset by a comparable decline in services.

Unemployment rates held steady in Q1 2019.



Resident wages rose by 3.4% y-o-y in Q1 2019, up from 2.8% in the preceding quarter. Salary gains were generally stronger in the modern services cluster such as ICT and professional services, but relatively weaker in administration & support as well as transportation & storage services.

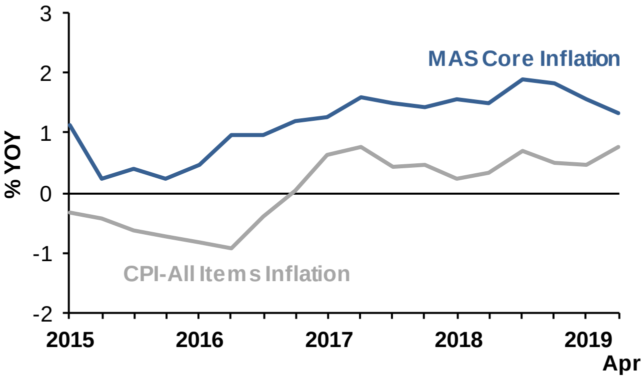
The relatively firm labour market conditions should help to hold up wage growth in 2019. The slowdown in economic activity is likely to be concentrated in the capital-intensive electronics and precision engineering manufacturing segments, while modern services and the more labour-intensive domestic-oriented services should see continued employment gains. As labour demand and supply increases are projected to be approximately balanced, unemployment rates and wage growth should remain broadly stable in 2019 compared to 2018.

Inflation was modest in the first four months of 2019

MAS Core Inflation and CPI-All Items inflation diverged in the first four months of 2019, with the former easing while the latter picked up. Core inflation edged down to 1.6% y-o-y in Q1 2019 from 1.8% in the previous quarter due to smaller increases in the costs of electricity & gas[1] as well as retail items, which outweighed higher services inflation. Despite lower core inflation, headline inflation was 0.5% y-o-y in Q1 2019, unchanged from the previous quarter, as the drag from falling private road transport and accommodation costs on headline inflation eased. Subsequently in April, MAS Core Inflation moderated further to 1.3% y-o-y despite higher services inflation as the cost of electricity & gas fell, and both retail and food inflation came in lower compared to Q1. In comparison, headline inflation picked up to 0.8% on account of an upturn in private road transport costs and a more gradual decline in accommodation costs.

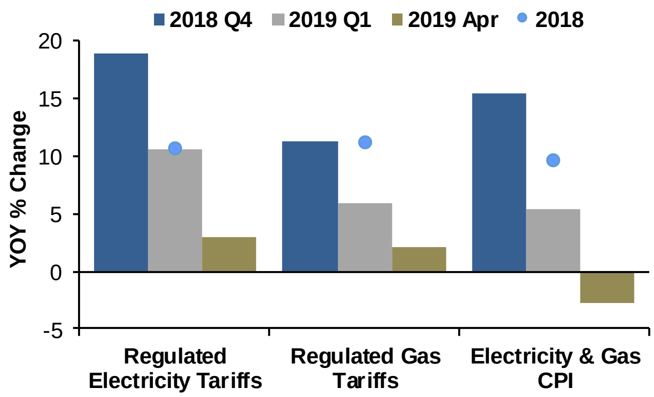
[1] Electricity & gas includes electricity, liquefied petroleum gas (LPG) and gas (for domestic use).

In recent months, core inflation trended down while headline inflation rose.



The cost of electricity & gas rose by a more moderate pace of 5.3% y-o-y in Q1 2019, compared to 15.5% in the previous quarter. Apart from the sequential decline in global oil prices in Q4 2018 which fed into electricity and gas tariffs with a lag,[2] the higher adoption of cheaper electricity plans by consumers under the Open Electricity Market (OEM) also dampened inflation for electricity.[3] These factors continued to exert an impact on the cost of electricity & gas in April, such that it declined by 2.8% y-o-y.

Inflation for electricity & gas has slowed.



Source: SP Group, City Gas, Haver Analytics and EPG, MAS estimates.

At the same time, food and retail inflation generally moderated. Food inflation initially edged up to 1.5% y-o-y in Q1 2019, from 1.4% in the previous quarter, on the back of a stronger pickup in the prices of prepared meals. However, smaller price increases for prepared meals as well as non-cooked food items caused food inflation to retreat to 1.3% in April. Meanwhile, retail inflation came in lower at 0.9% in Q1 2019, compared to 1.4% in Q4 2018, before moderating further to 0.2% in April. This was mainly due to the dissipation of the inflationary effect of the hike to tobacco excise

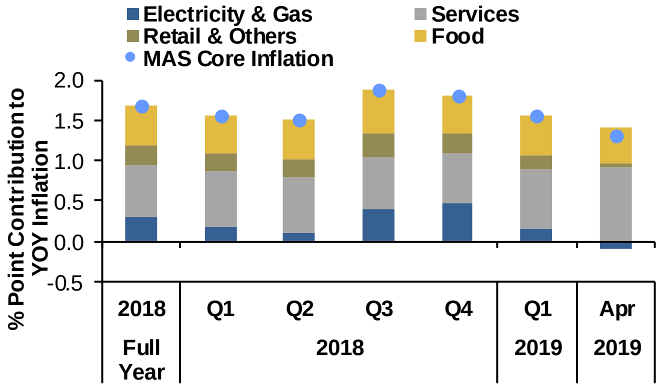
[2] The fuel cost component of the electricity tariff for each quarter is calculated based on average fuel oil and dated Brent oil prices in the first two-and-a-half month period of the preceding quarter.

[3] The second and third phases of the OEM were rolled out in January 2019 and March 2019, respectively.

duty in February 2018[4], while inflation also generally eased across several components of the retail basket, such as clothing & footwear and recreation & entertainment goods.

In comparison, services inflation picked up, in part reflecting administrative price increases. Services inflation rose to 1.6% y-o-y in Q1 2019, from 1.4% in Q4 last year, mainly due to the increase in bus and train fares as well as a slower decline in telecommunication services fees, which outweighed the smaller rise in holiday expenses and education services fees. In April, services inflation picked up further to 2%, driven by larger increases in holiday expenses and domestic services fees[5], while the decline in telecommunication services fees moderated further.

With the exception of services, inflation moderated across major components of the core CPI.

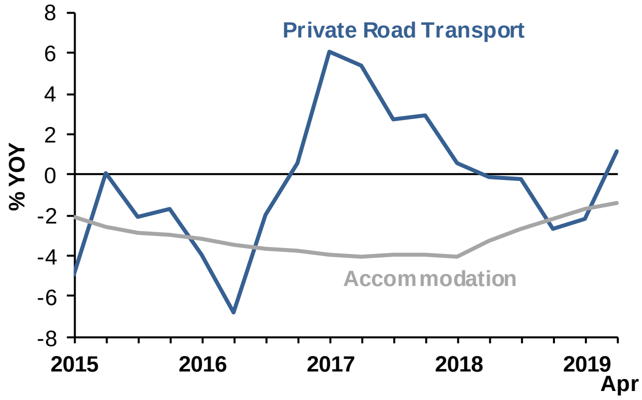


The fall in the non-core components also generally eased. Accommodation costs fell by 1.7% y-o-y in Q1 2019 and 1.4% in April, less than the 2.2% drop in Q4 last year, as housing rentals declined at a more gradual pace. Similarly, private road transport costs fell by 2.2% in Q1 2019, moderating from the 2.6% decline in the previous quarter. This reflected a smaller decline in car prices amid a recovery in Certificate of Entitlement premiums, even as petrol prices fell. Private road transport costs subsequently reversed the decline in Q1 2019 to rise by 1.1% y-o-y in April, amid higher car and petrol prices.

[4] As announced in Budget 2018, excise duty for all tobacco products was raised by 10% with effect from 19 February 2018.The increase in tobacco excise duty contributed to higher y-o-y inflation for tobacco products between February 2018 and February 2019, but no longer had an effect on the y-o-y comparison of the prices of tobacco products from March 2019.

[5] As announced in Budget 2018, the non-concessionary foreign domestic worker monthly levy was raised in April 2019, from S$265 to S$300 for the first foreign domestic worker hired and to S$450 for the second foreign domestic worker hired.

The decline in the costs of non-core components generally slowed.



Underlying inflationary pressures are in check

For the rest of 2019, external sources of inflation are likely to be benign. Global oil prices are currently not expected to exceed last year's outturn, while food prices should only pick up slightly on average. On the domestic front, labour market conditions remain firm and will support moderate wage increases, such that unit labour costs should continue to rise. However, an acceleration in inflationary pressures is unlikely against the backdrop of slower GDP growth and uncertainties in the global economy. MAS Core Inflation is expected to come in near the mid-point of the forecast range of 1–2% in 2019, while CPI-All Items inflation is expected to average 0.5–1.5%.

The monetary policy stance was kept unchanged in April 2019

In the April 2019 Monetary Policy Statement, MAS maintained the rate of appreciation of the S$NEER band, after increasing it slightly in the October 2018 policy review. There was also no change to the width of the policy band and the level at which it was centred. For 2019 as a whole, the Singapore economy is likely to expand at a more modest pace compared to the recent years of above trend growth. Inflationary pressures should be contained, given the benign outlook for imported inflation, a business environment that is less conducive to cost pass-through, as well as the restraining effects of MAS' previous rounds of monetary policy tightening in 2018 which set the S$NEER policy band on a modest and gradual appreciation path for medium-term price stability.

Selected Indicators

GENERAL INDICATORS, 2018			
Land Area (Sq km)	722.5	Literacy Rate* (%)	97.3
Total Population ('000)	5,638.7	Real Per Capita GDP (US$)	58,280
Labour Force ('000)	3,676.0	Gross National Savings (% of GNI)	47.7
Resident Labour Force Participation Rate (%)	67.7		

* Refers to resident population aged 15 years and over.

COMPONENTS OF NOMINAL GDP SECTORAL (% of GDP), 2018		COMPONENTS OF NOMINAL GDP EXPENDITURE (% of GDP), 2018	
Manufacturing	22.0	Private Consumption	35.4
Wholesale & Retail Trade	17.6	Private Gross Fixed Capital Formation	20.1
Business Services	14.9	Public Consumption	10.7
Finance & Insurance	13.0	Public Gross Fixed Capital Formation	4.3
Transportation & Storage	6.7	Increase in Stocks	2.5
Construction	3.4	Net Exports of Goods & Services	26.9
Information & Communications	4.1		
Accommodation & Food Services	2.1		

MAJOR EXPORT DESTINATIONS (% SHARE), 2018		MAJOR ORIGINS OF IMPORTS (% SHARE), 2018	
Total Exports (S$ Billion)	555.7	Total Imports (S$ Billion)	500.2
China	12.2	China	13.4
Hong Kong	11.8	Malaysia	11.5
Malaysia	10.9	US	11.3
Indonesia	8.0	Taiwan	8.5
US	7.4	Japan	6.0
ASEAN	29.6	ASEAN	21.2
NEA-3	19.7	NEA-3	13.3
EU	8.9	EU	13.0

Source: Enterprise Singapore

MAJOR DOMESTIC EXPORTS BY COMMODITY (% SHARE), 2018		MAJOR IMPORTS BY COMMODITY (% SHARE), 2018	
Domestic Exports (S$ Billion)	281.1	Total Imports (S$ Billion)	500.2
Mineral Fuels	35.2	Electronics	27.4
Chemicals	19.4	Mineral Fuels	23.8
Electronics	16.9	Machinery & Transport Equipment (ex. Electronics)	18.8
Machinery & Transport Equipment (ex. Electronics)	10.1	Chemicals	8.1
Manufactured Articles	8.4	Manufactured Articles	7.9
Food and Live Animals	3.7	Manufactured Goods	5.1

Source: Enterprise Singapore

Note: Labour market statistics were obtained from the Ministry of Manpower, while trade and index of industrial production (IIP) data were provided by Enterprise Singapore and EDB respectively. All other data in this document were obtained from the Department of Statistics, or Ministry of Trade and Industry, unless otherwise stated.

OVERALL ECONOMY	2017	2018	2018 Q2	2018 Q3	2018 Q4	2019 Q1	Mar-19	Apr-19
GDP at current prices (S$ bil)	467.3	491.2	121.6	122.9	126.8	123.4	na	na
GDP (US$ bil)	338.8	364.1	91.1	89.9	92.2	91.1	na	na
Real GDP Growth (YOY % change)	3.7	3.1	4.2	2.6	1.3	1.2	na	na
Real GDP Growth (QOQ SAAR % change)	na	na	0.7	0.8	-0.8	3.8	na	na
By Sector (YOY % change):								
Manufacturing [1/]	10.4	7.0	10.6	3.5	4.6	-0.3	-4.3	0.1
Electronics [1/]	33.8	7.6	12.6	2.2	-1.0	-4.1	-15.1	-0.6
Non-electronics [1/]	0.1	6.7	9.4	4.3	8.0	2.1	2.1	0.5
Finance & Insurance	6.5	5.8	5.8	3.9	3.7	3.2	na	na
Business Services	0.8	2.8	2.1	3.0	2.6	2.3	na	na
Construction	-11.5	-3.7	-4.3	-2.6	-1.2	2.9	na	na
Transportation & Storage	4.4	1.3	1.2	1.6	0.5	0.8	na	na
Information & Communications	5.2	5.4	6.1	5.1	5.0	6.6	na	na
Wholesale & Retail Trade	1.0	1.7	2.6	2.4	-0.8	-1.8	na	na
Accommodation & Food Services	1.9	2.8	3.5	3.4	3.5	1.8	na	na
By Expenditure Component (YOY % change):								
Consumption	3.7	3.2	3.3	2.5	2.7	4.1	na	na
Private	3.4	2.7	3.1	2.6	2.2	4.2	na	na
Public	4.5	4.1	3.2	1.5	3.8	2.9	na	na
Gross Fixed Capital Formation	6.4	-4.0	-1.5	-7.5	-4.4	-0.4	na	na
Private	8.3	-3.4	-0.7	-9.4	-3.5	-0.9	na	na
Public	-1.1	-6.6	-6.1	1.6	-8.9	1.6	na	na
External Demand	5.7	5.1	8.1	4.2	1.4	-2.1	na	na
TRADE								
Total Exports, fob (YOY % change)	10.3	7.9	9.3	12.7	7.2	0.0	-3.0	-0.5
Non-Oil Domestic Exports	8.8	4.2	9.3	8.0	-1.1	-6.4	-11.8	-10.0
Re-Exports	5.2	7.4	5.7	11.1	11.2	6.8	4.0	6.2
Total Imports, cif (YOY % change)	12.1	10.6	11.1	17.0	11.5	4.6	1.5	7.5
WAGE-PRICE INDICATORS								
Unemployment Rate (SA,%)	2.2	2.1	2.1	2.1	2.2	2.2	na	na
Average Nominal Wages (S$ per month)	5,229	5,410	5,119	4,962	5,752	6,005	na	na
Consumer Price Index Inflation (YOY % change)	0.6	0.4	0.3	0.7	0.5	0.5	0.6	0.8
MAS Core Inflation (YOY % change)	1.5	1.7	1.5	1.9	1.8	1.6	1.4	1.3
FINANCIAL INDICATORS								
S$ Exchange Rate Against: (end-period)								
US Dollar	1.3366	1.3648	1.3650	1.3671	1.3648	1.3559	1.3559	1.3620
100 Japanese Yen	1.1851	1.2359	1.2332	1.2044	1.2359	1.2245	1.2245	1.2208
Euro	1.5962	1.5618	1.5885	1.5923	1.5618	1.5223	1.5223	1.5237
Interest Rates (end-period, % p.a.)								
3-month Fixed Deposit Rate	0.14	0.17	0.15	0.16	0.17	0.20	0.20	0.20
3-month S$ SIBOR [2/]	1.50	1.89	1.52	1.64	1.89	1.94	1.94	1.95
Prime Lending Rate	5.28	5.33	5.33	5.33	5.33	5.25	5.25	5.25
Money Supply (end-period)								
Broad Money, M2 (YOY % change)	3.2	3.9	2.6	3.4	3.9	4.8	4.8	5.2
Straits Times Index (end-period) [3/]	3,402.9	3,068.8	3,268.7	3,257.1	3,068.8	3,212.9	3,212.9	3,400.2
YOY % change	18.1	-9.8	1.3	1.2	-9.8	-6.3	-6.3	-5.9
GOVERNMENT BUDGET [4/]								
Operating Revenue (S$ mil)	70,225	77,117	20,098	19,544	15,288	18,799	na	na
Total Expenditure (S$ mil)	71,634	75,240	13,897	17,646	18,790	27,491	na	na
Operating Expenditure	54,884	56,246	10,315	12,977	14,518	19,751	na	na
Development Expenditure	16,751	18,993	3,581	4,670	4,272	7,740	na	na
Primary Surplus/Deficit (S$ mil)	-1,409	1,877	6,202	1,897	-3,502	-8,692	na	na
% of GDP	-0.3	0.4	5.1	1.5	-2.8	-7.0	na	na
BALANCE OF PAYMENTS								
Current Account Balance (% of GDP)	16.4	17.9	20.2	20.2	14.2	16.4	na	na
Goods Balance	27.3	27.0	28.6	28.0	25.3	25.3	na	na
Services Balance	-2.3	-0.5	-0.4	0.3	-1.4	-0.5	na	na
Primary Income Balance	-7.0	-6.8	-6.0	-6.2	-7.8	-6.7	na	na
Secondary Income Balance	-1.7	-1.9	-2.0	-2.0	-1.9	-1.7	na	na
Capital & Fin Account Balance (% of GDP)	7.7	13.6	12.7	15.1	15.8	6.9	na	na
Direct Investment	-15.1	-12.6	-12.1	-20.1	-8.2	-17.1	na	na
Portfolio Investment	9.9	6.6	6.1	-5.1	19.8	6.4	na	na
Financial Derivatives	2.4	4.6	5.9	1.4	3.5	3.4	na	na
Other Investment	10.5	15.0	12.8	38.9	0.7	14.2	na	na
Overall Balance (% of GDP)	8.1	3.4	6.4	5.1	-3.1	10.5	na	na
Official Foreign Reserves (US$ mil) [5/]	279,900	287,673	288,044	291,326	287,673	295,830	295,830	296,812
Months of Imports	10.3	9.3	9.9	9.7	9.3	9.5	9.5	9.5

Source:

[1/] Index of Industrial Production from EDB.
[2/] ABS Benchmarks Administration Co Pte Ltd
[3/] Straits Times Index from SGX.
[4/] Ministry of Finance
[5/] MAS

na: Not available