

macroeconomic



REVIEW

briefing

27 April 2016



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Special Features

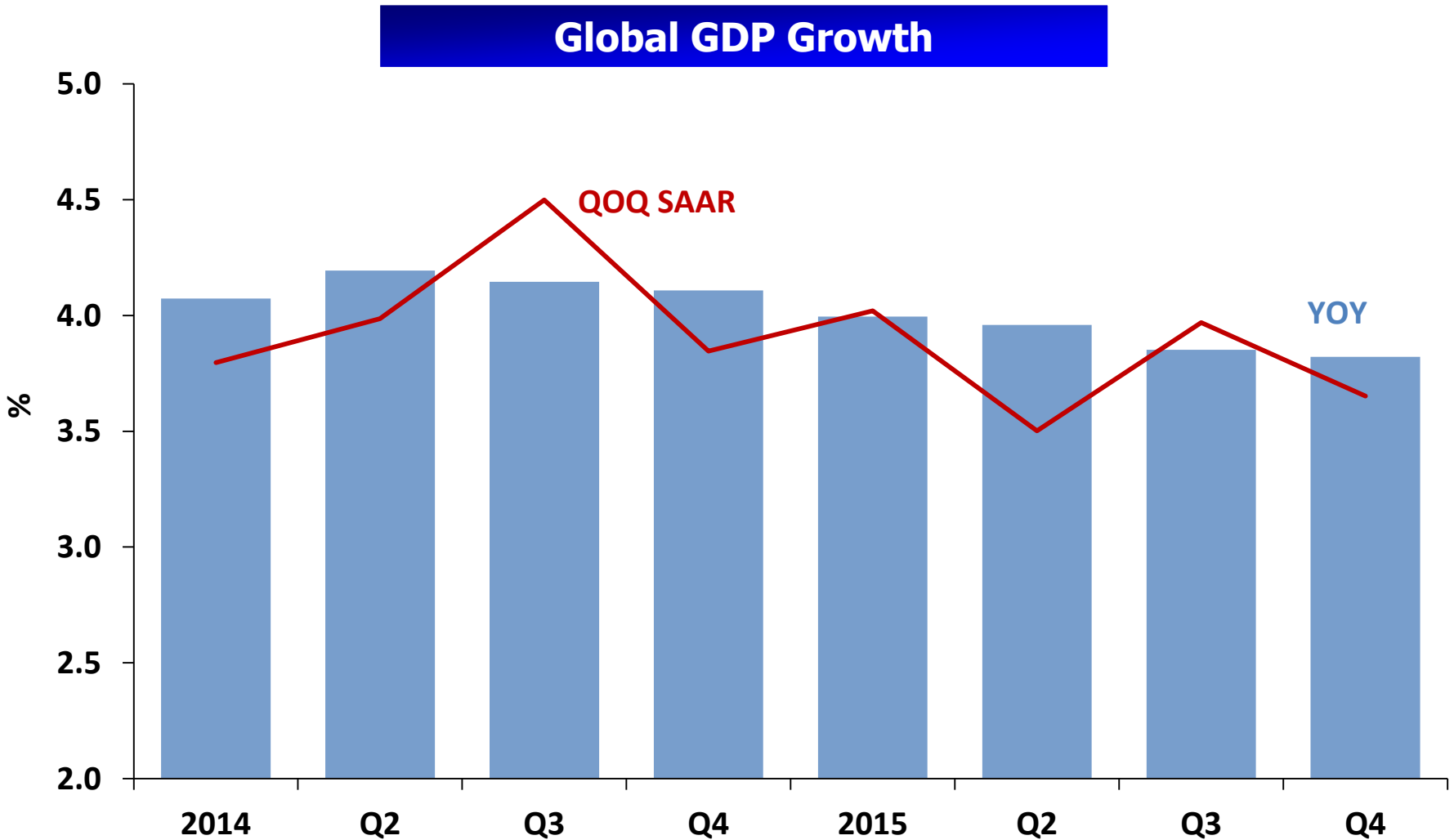
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International Economy

Global Growth To Remain Subdued In 2016

Global growth slowed in Q4 2015.



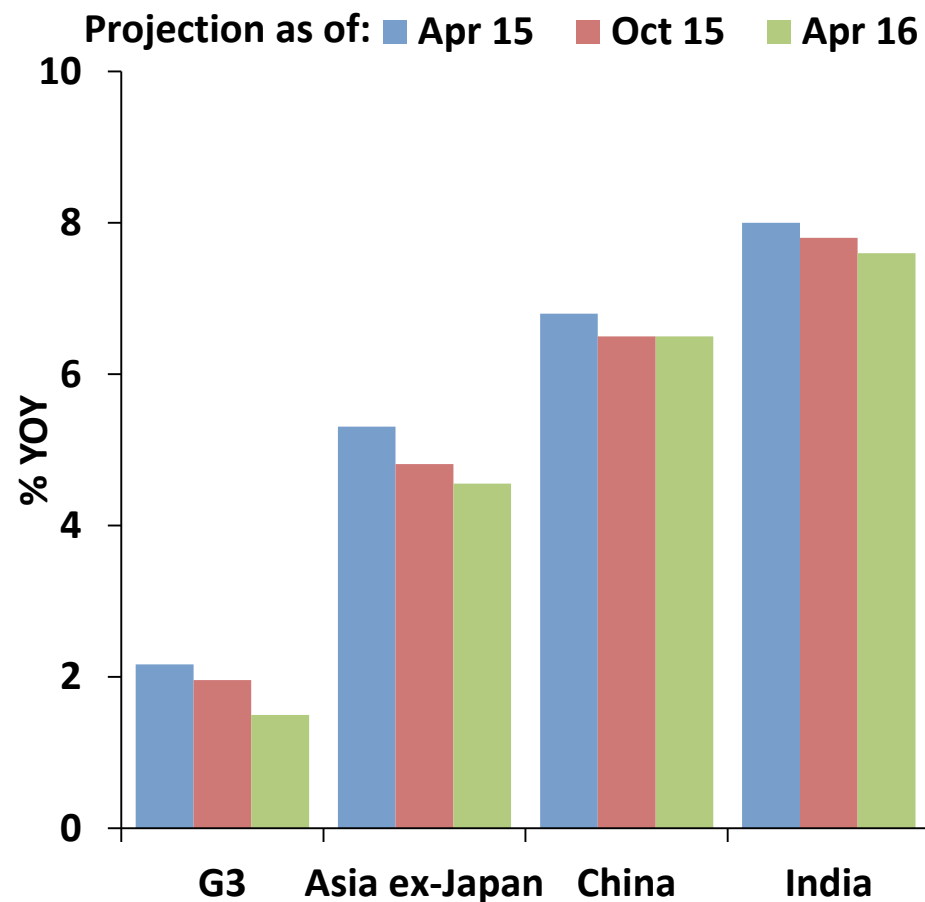
Prospects for global growth have dimmed.

GDP Growth Forecasts

(%)

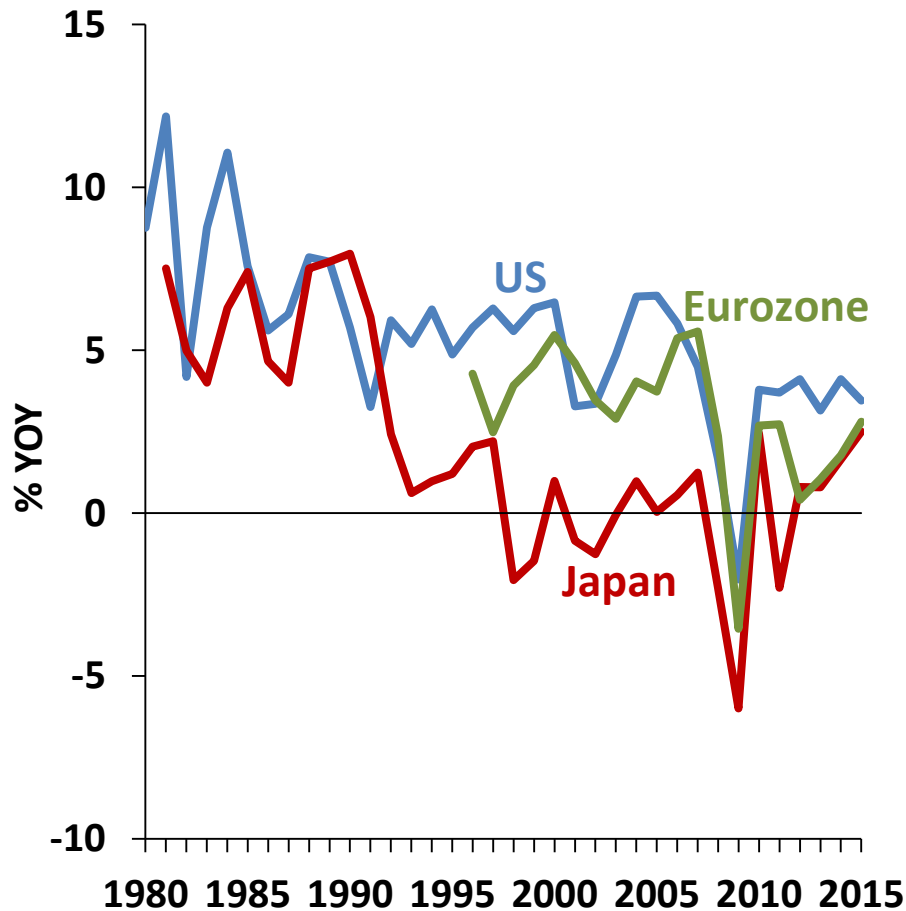
	Q3 2015	Q4 2015	2015	2016 F	2017 F
	q-o-q SAAR		y-o-y		
Total*	4.0	3.7	3.9	3.8	4.0
G3*	1.5	0.8	1.6	1.5	1.7
US	2.0	1.4	2.4	2.0	2.4
Japan	1.4	-1.1	0.5	0.6	0.5
Eurozone	1.2	1.3	1.5	1.5	1.6
NEA-3*	2.1	1.7	1.9	1.8	2.3
Hong Kong	2.2	0.9	2.4	1.7	2.0
Korea	5.0	2.7	2.6	2.6	2.8
Taiwan	-0.2	2.2	0.7	1.4	2.3
	y-o-y				
ASEAN-4*	4.5	4.6	4.6	4.4	4.7
Indonesia	4.7	5.0	4.8	5.0	5.3
Malaysia	4.7	4.5	5.0	4.2	4.4
Philippines	6.1	6.3	5.8	6.0	5.9
Thailand	2.9	2.8	2.8	2.9	3.3
China	6.9	6.8	6.9	6.5	6.3
India**	7.7	7.3	7.2	7.6	7.7

2016 Growth Projections

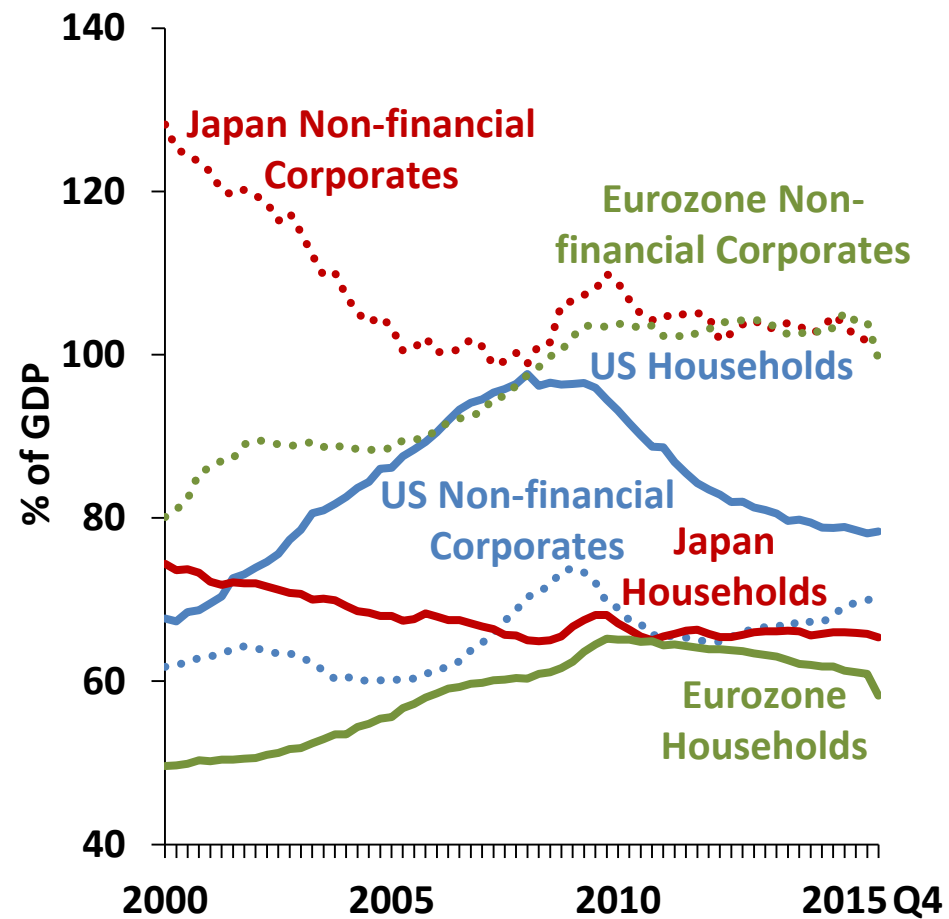


Slow growth and low inflation necessitates concerted policy responses by the advanced economies.

G3 Nominal GDP Growth

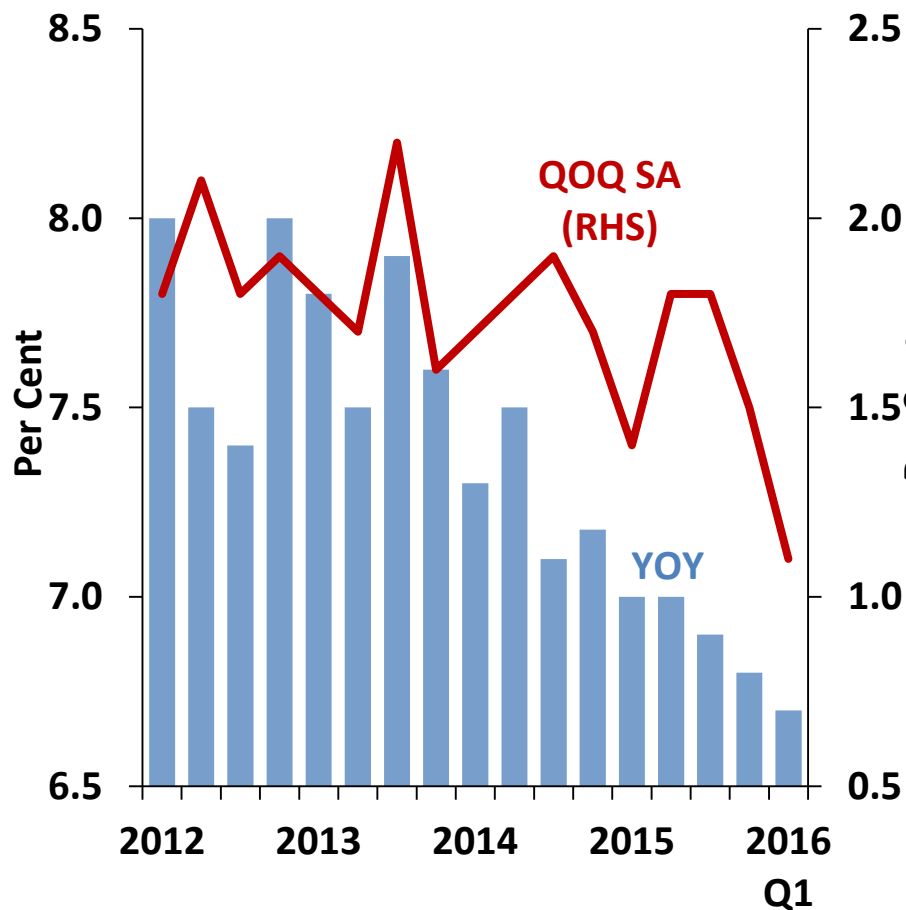


G3 Non-financial Private Sector Debt

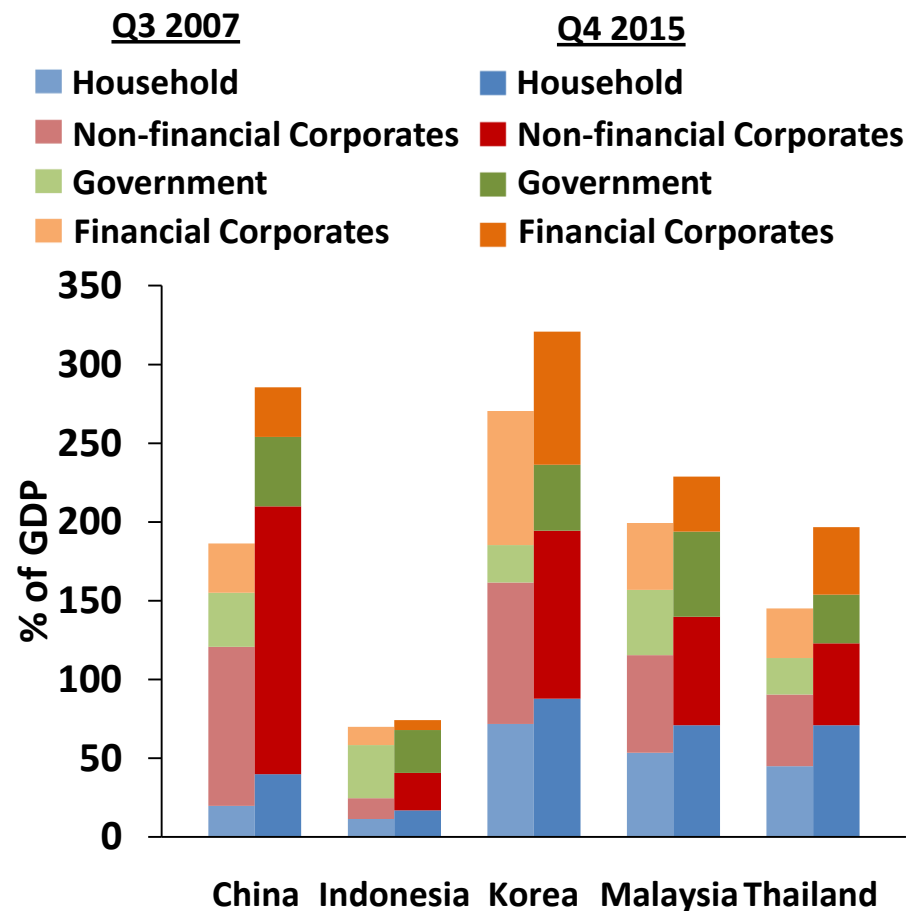


Growth outlook for Asia ex-Japan dims with rising financial headwinds.

China's GDP Growth



Asian Debt By Sector



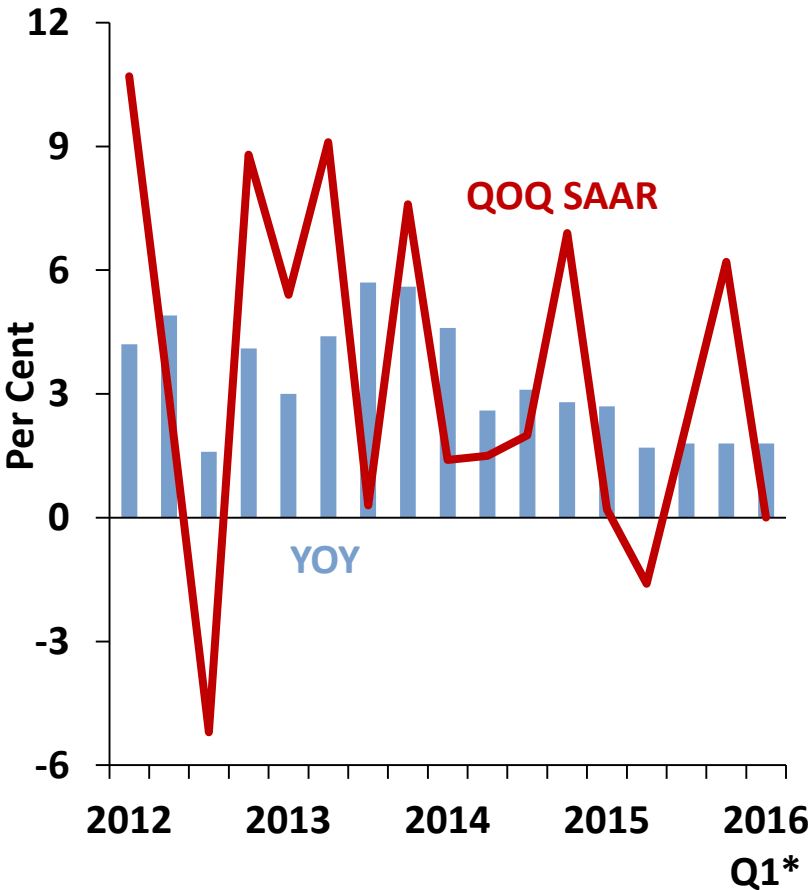


Domestic Economy

Cyclical Factors Weigh on Near-Term Growth

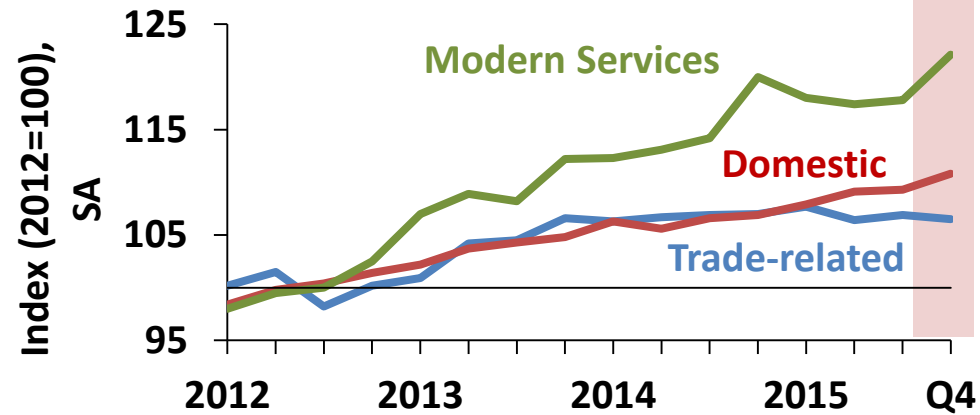
Economic activity weakened across more sectors.

Singapore's GDP Growth

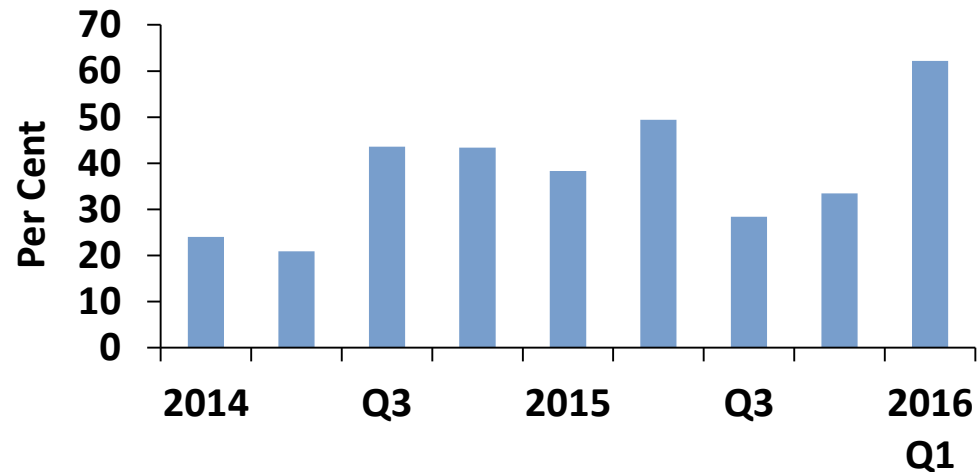


* Advance Estimates.

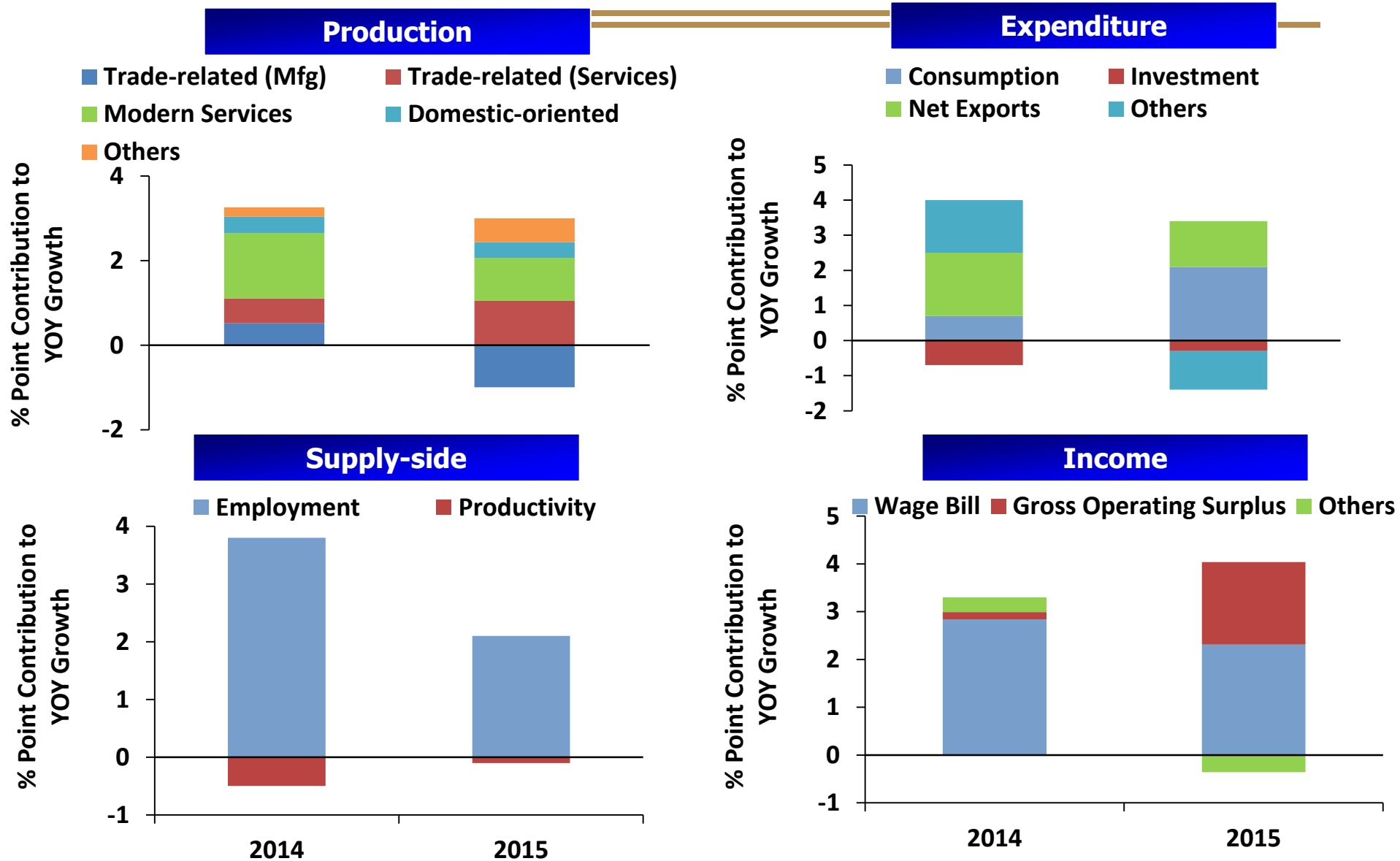
Growth Drivers by Cluster



Proportion of Contracting Components in EAI

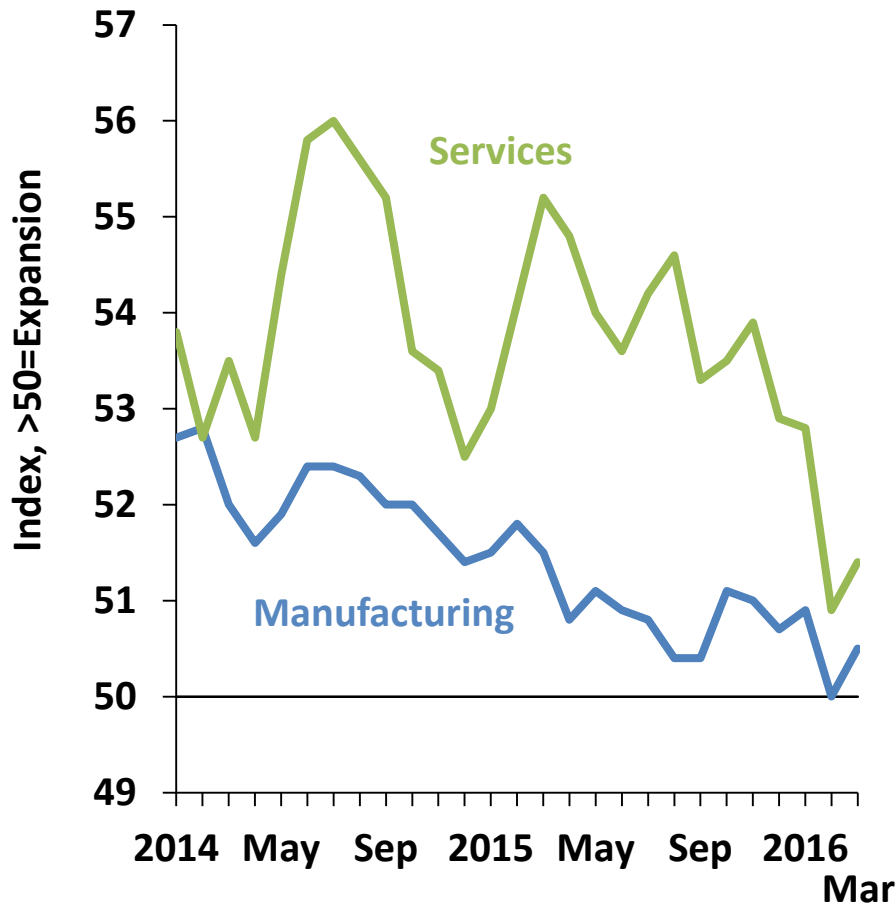


Growth moderated further in 2015.

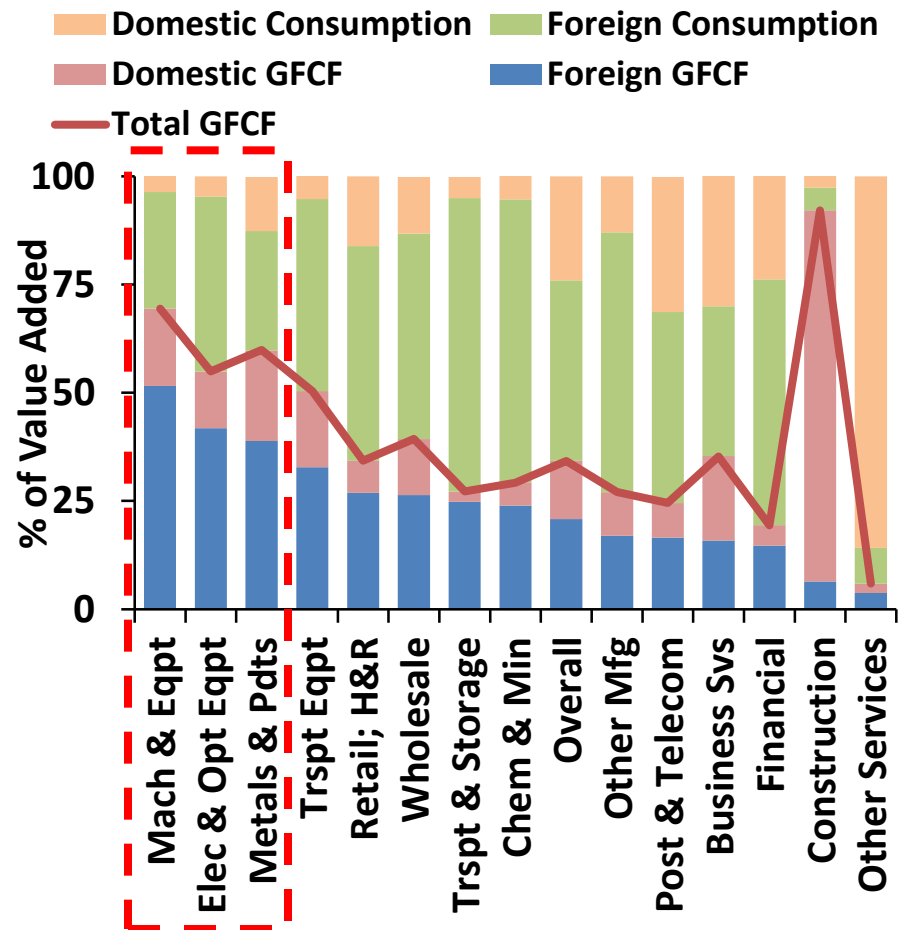


The deterioration in the external environment will weigh on the outlook ...

Global Manufacturing and Services PMI



Sectoral Exposure to Final Demand

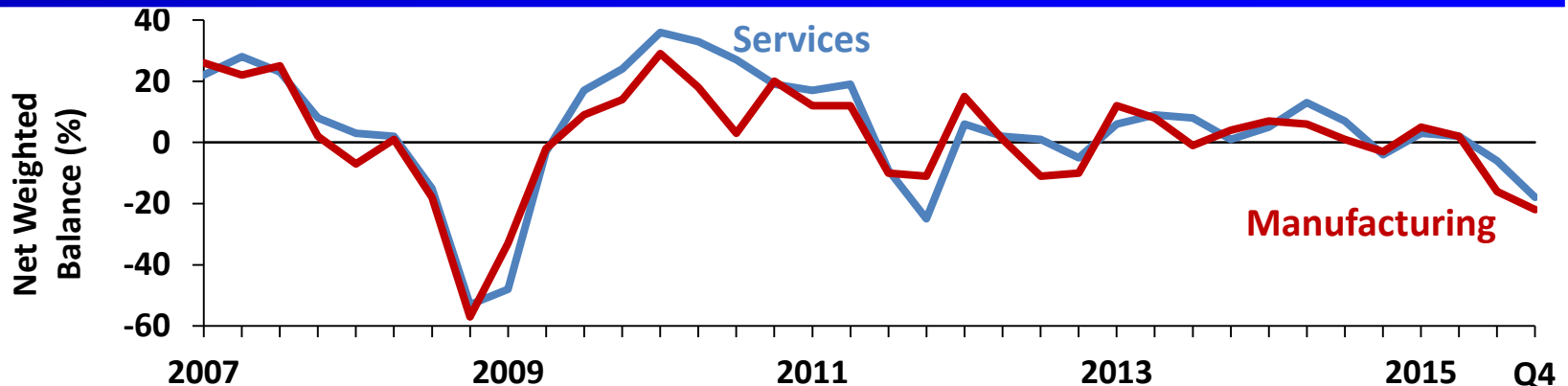


... even as firms have started adjusting by slowing down hiring and expansion plans.

Corporate Health and Macroeconomic Indicators

Economic Indicator/ Measure	2014				2015				Q4 2008 – Q4 2009 (Ave)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fall in activity VA Growth (% YOY)	4.6	2.6	3.1	2.8	2.7	1.7	1.8	1.8	-1.1
Slowdown in hiring Total Employment Growth (% YOY)	4.0	3.8	3.8	3.7	2.7	2.2	1.6	0.9	3.5
Moderation in business expansion DBU Business Loan Growth (% YOY)	17.9	16.2	13.9	6.2	0.8	0.2	-1.0	-3.7	5.3
Releasing workers Total Redundancies (Number)	3,110	2,410	3,500	3,910	3,500	3,250	3,460	5,370	6,568

General Business Outlook for the Next Six Months



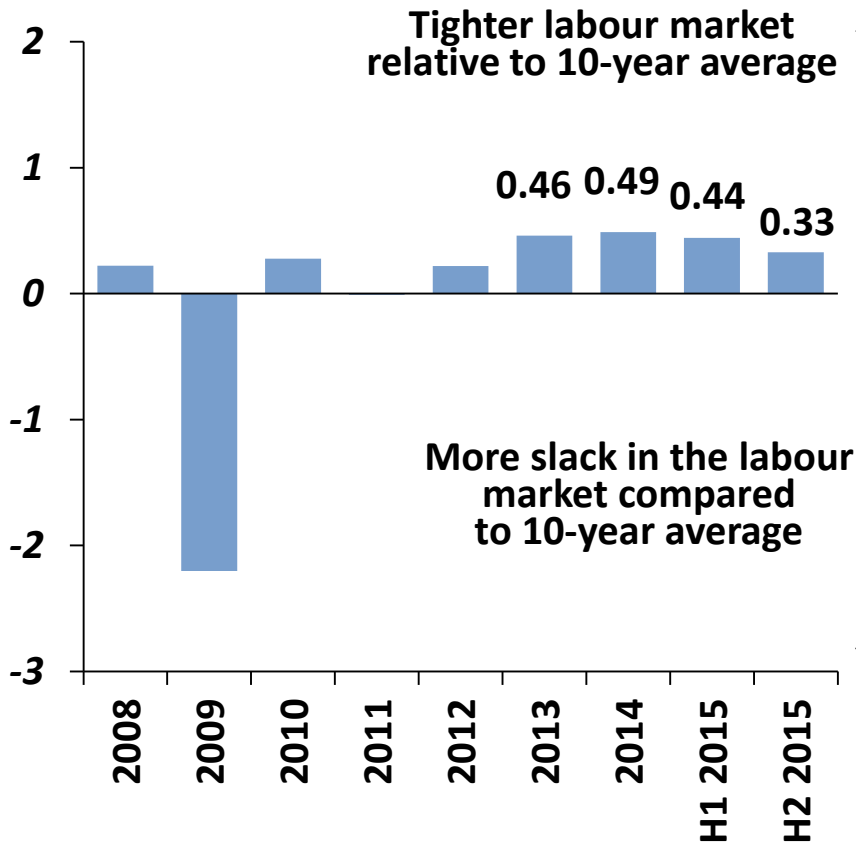


Labour Market and Inflation

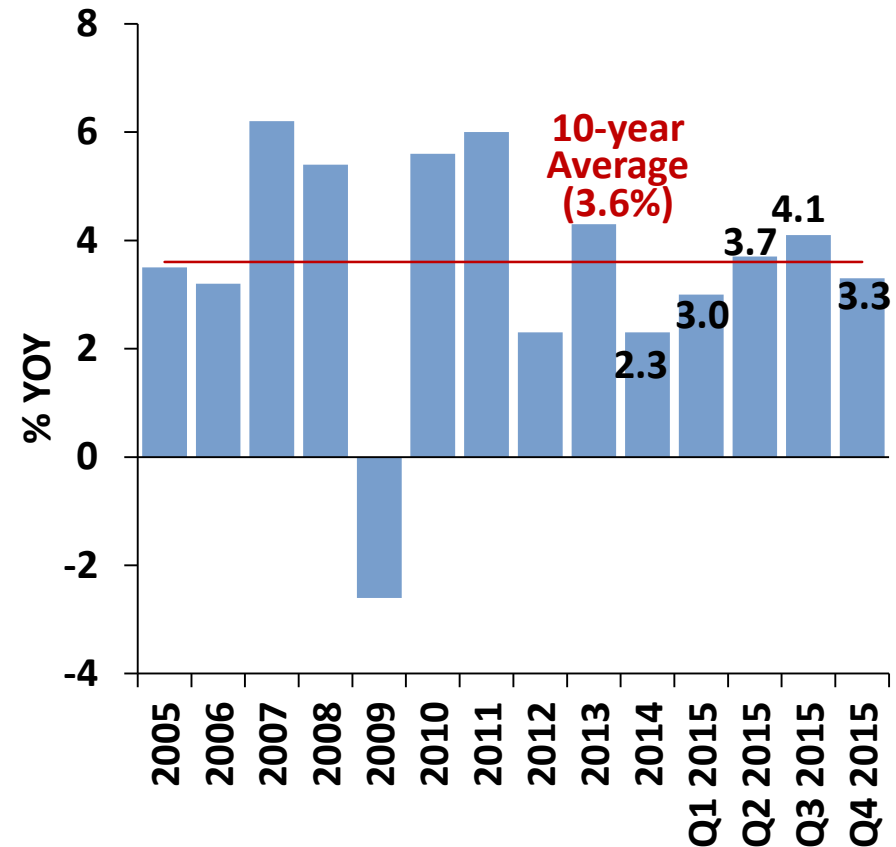
Core Inflation To Rise At A More Gradual Pace

Labour market tightness eased further, leading to lower wage growth.

Labour Market Pressure Indicator

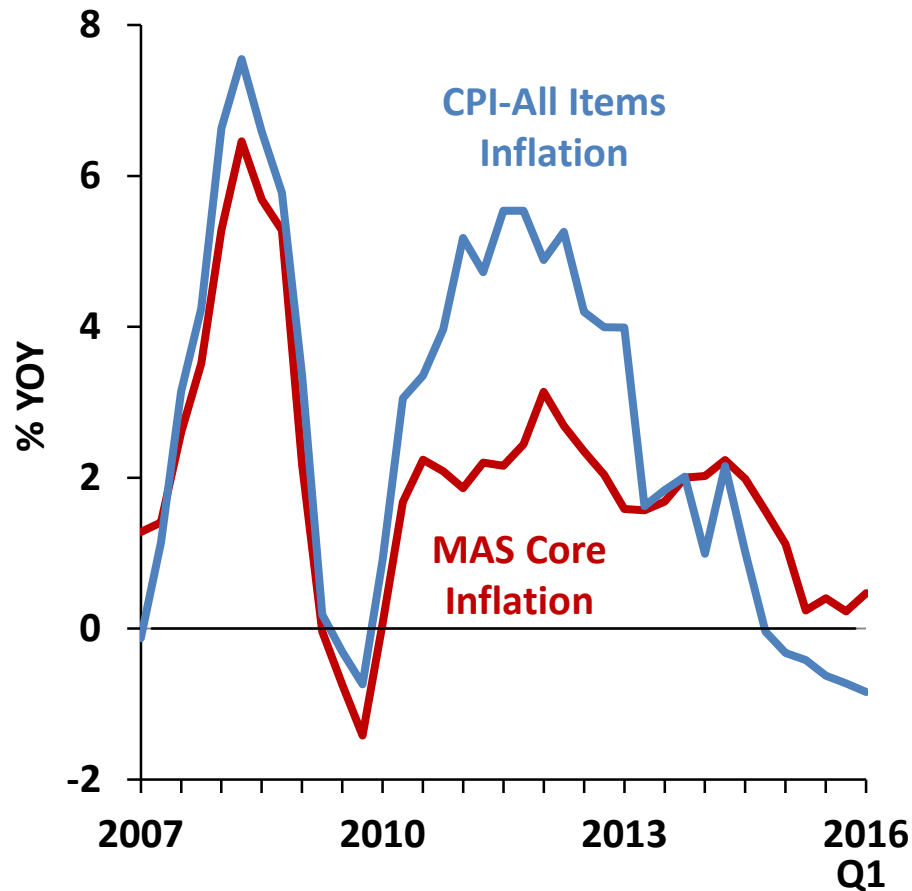


Overall Resident Wage Growth

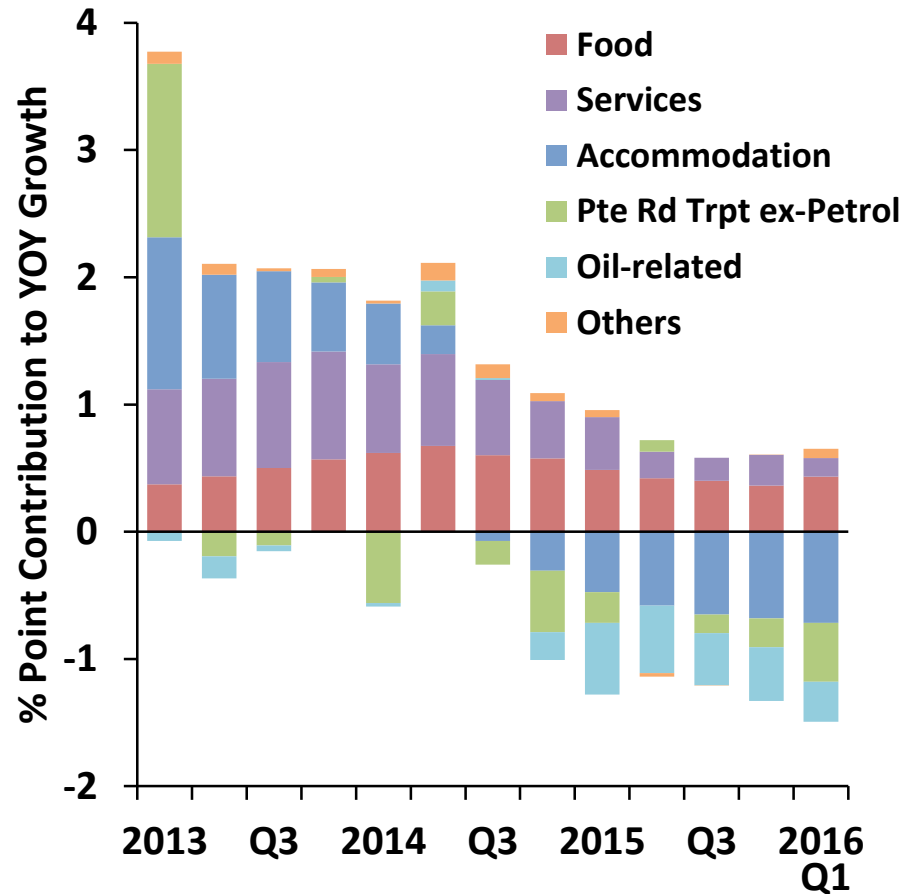


Core inflation picked up in early 2016, while CPI-All Items inflation remained negative.

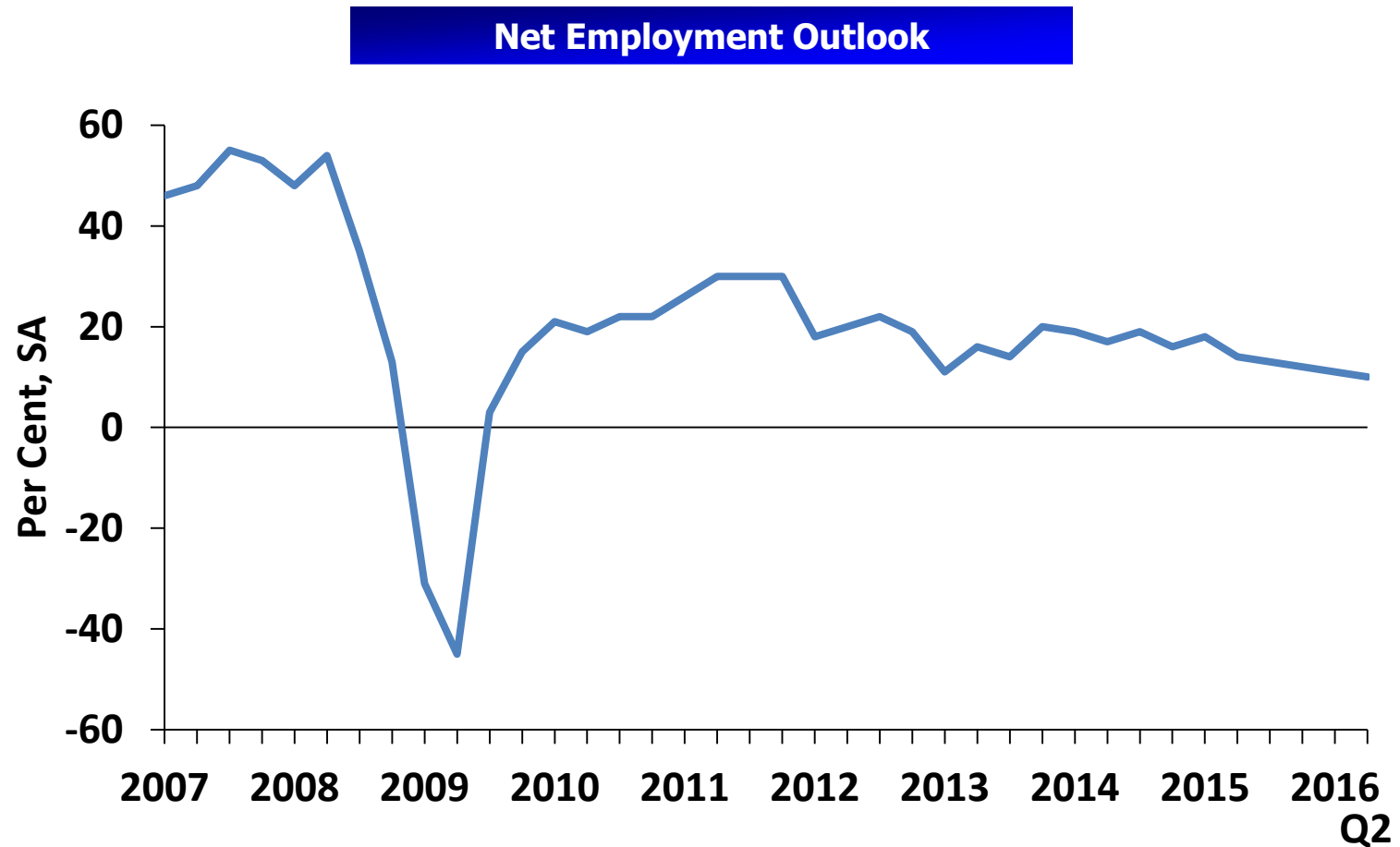
CPI-All Items Inflation and MAS Core Inflation



Contribution to CPI-All Items Inflation

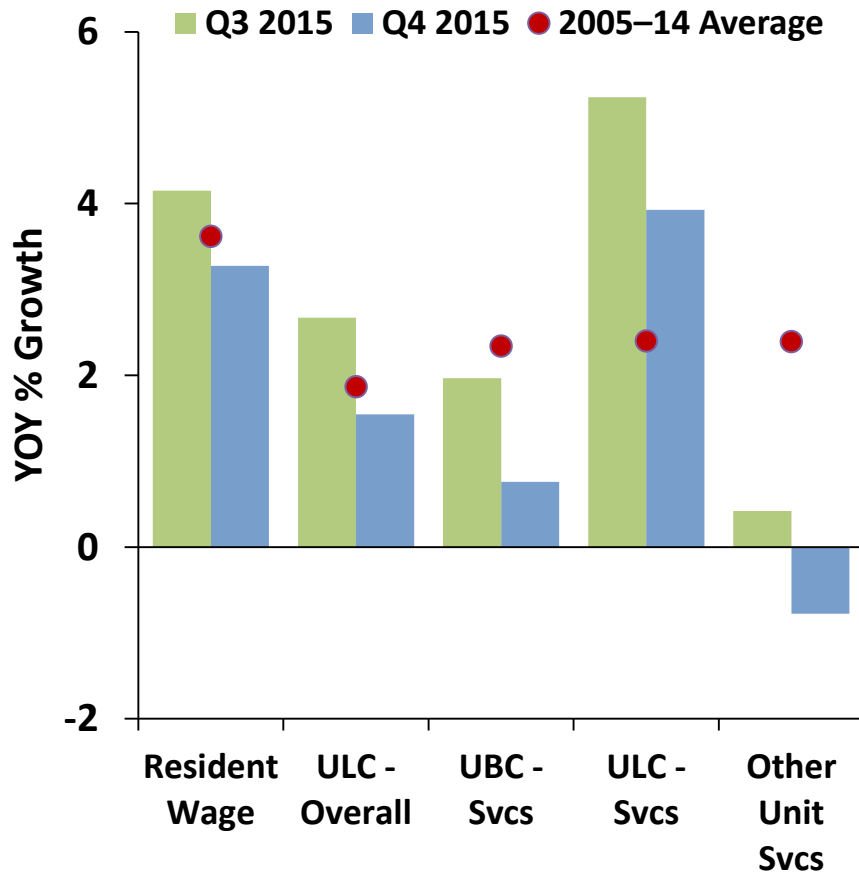


Total job creation this year is expected to stay sluggish, while wage pressures are likely to ease.

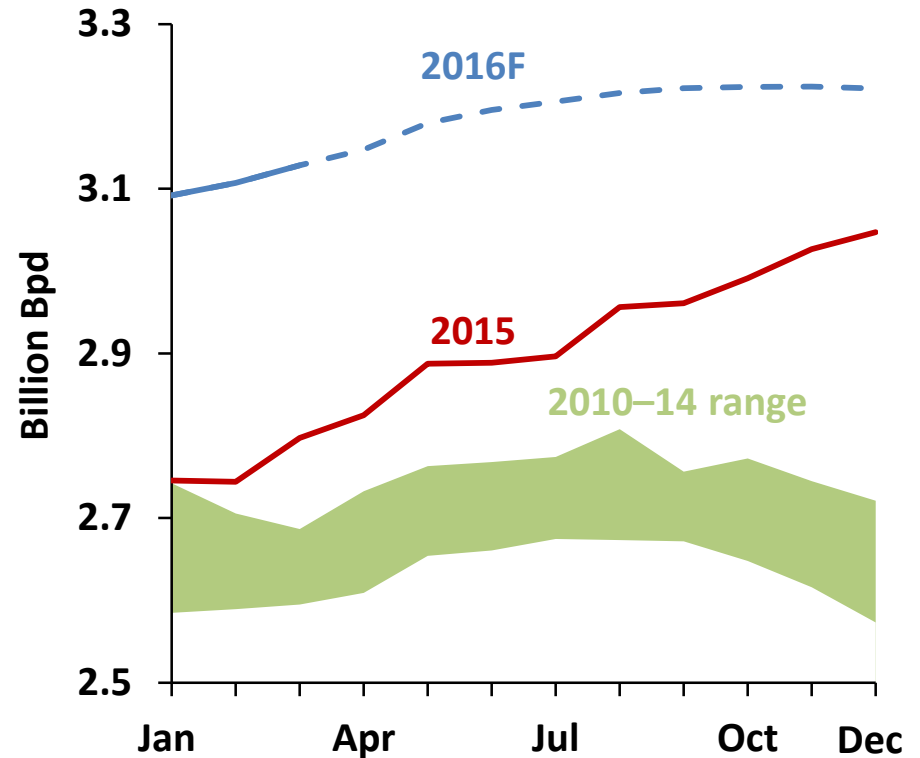


Domestic cost pass-through will be constrained while external price influences should stay muted.

Measures of Domestic Costs

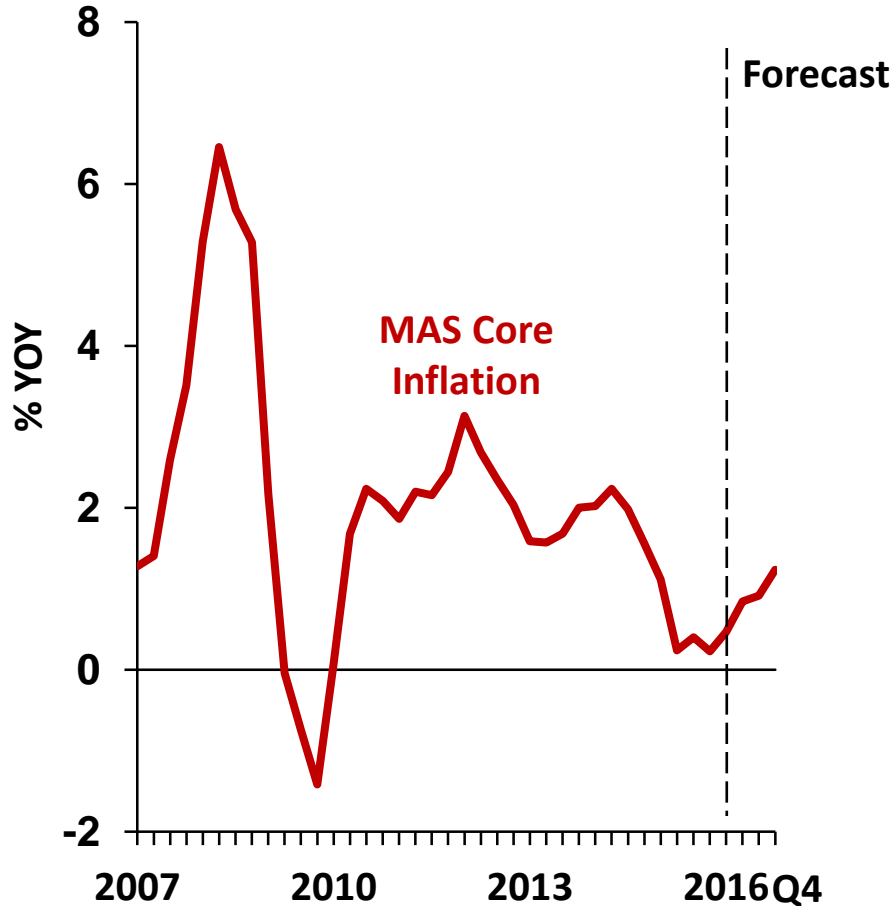


OECD End-of-period Oil Inventory

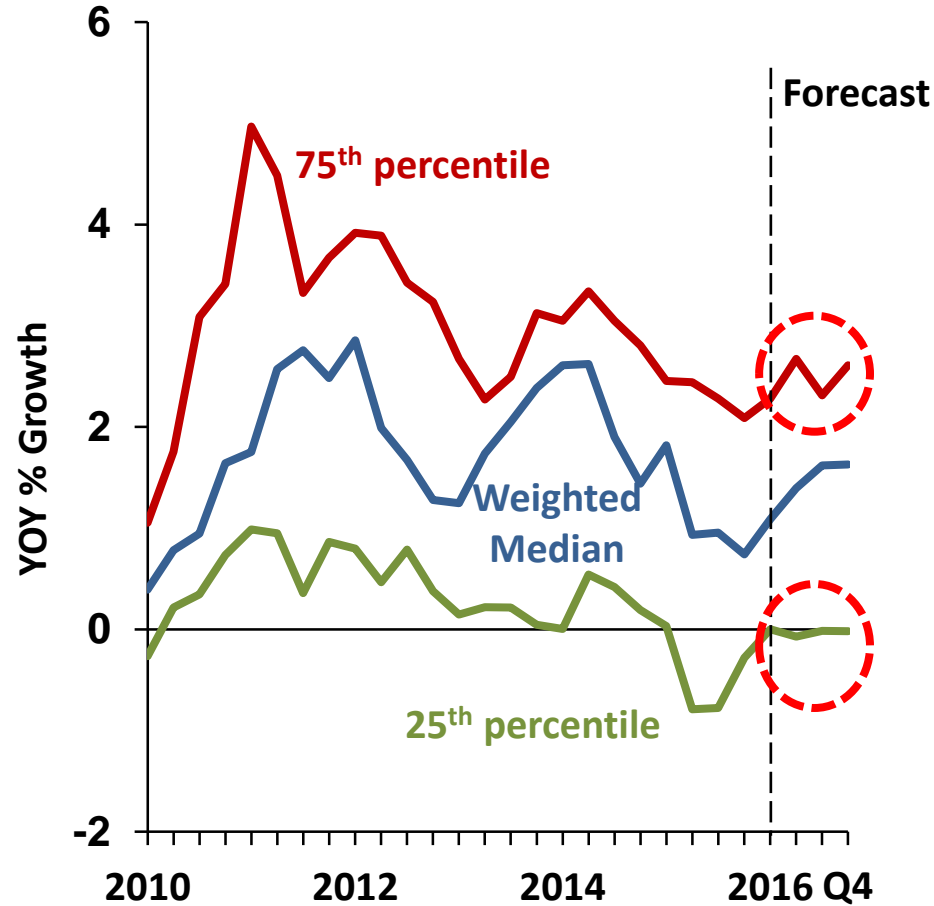


MAS Core Inflation is expected to rise more gradually in 2016 than previously anticipated.

Y-O-Y MAS Core Inflation Forecasts

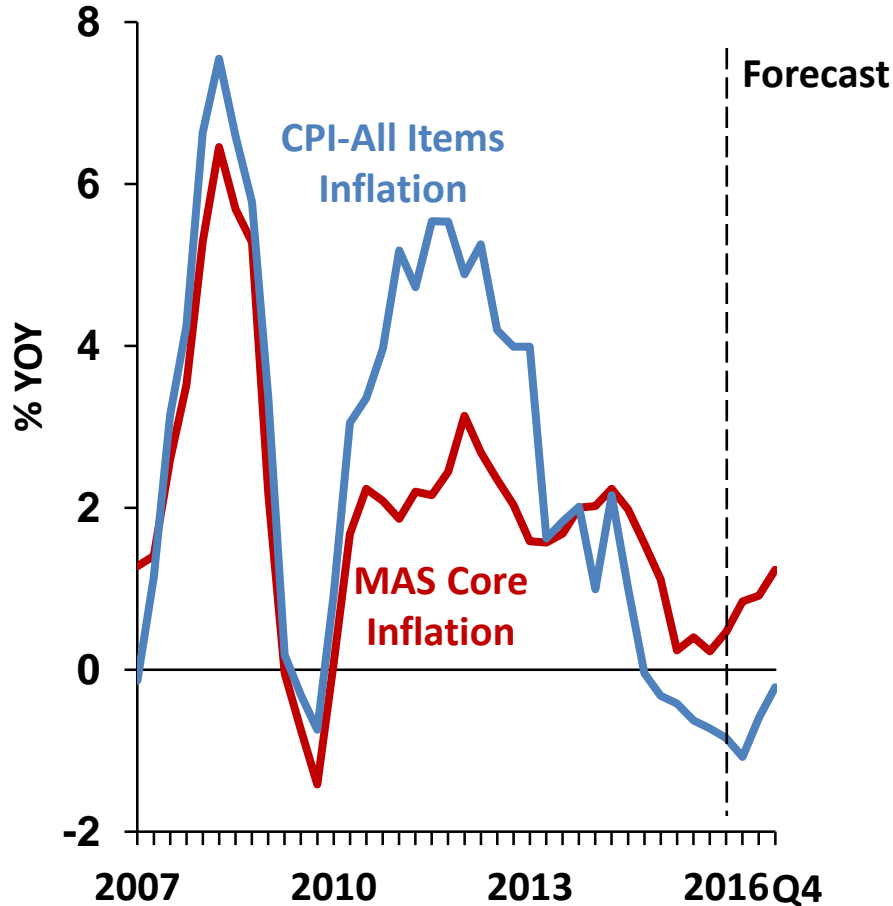


Weighted Median, 25th and 75th Percentiles of Y-O-Y Price Changes in the Core CPI Index

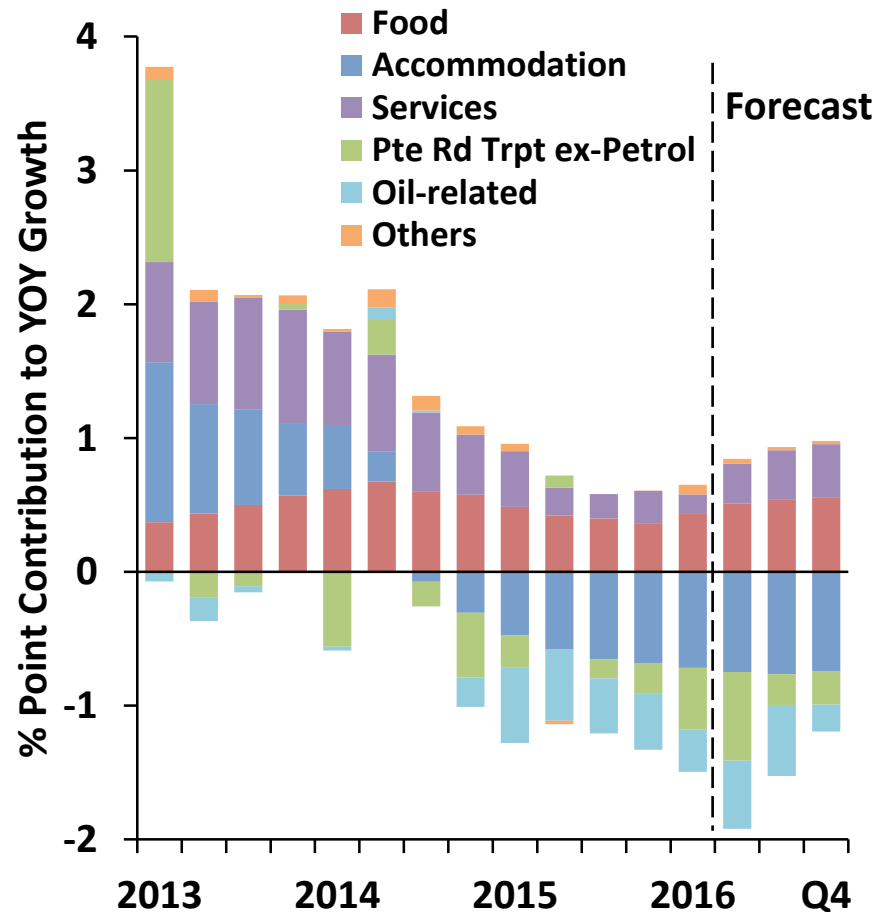


CPI-All Items inflation will stay negative throughout this year.

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



Contribution to CPI-All Items Inflation

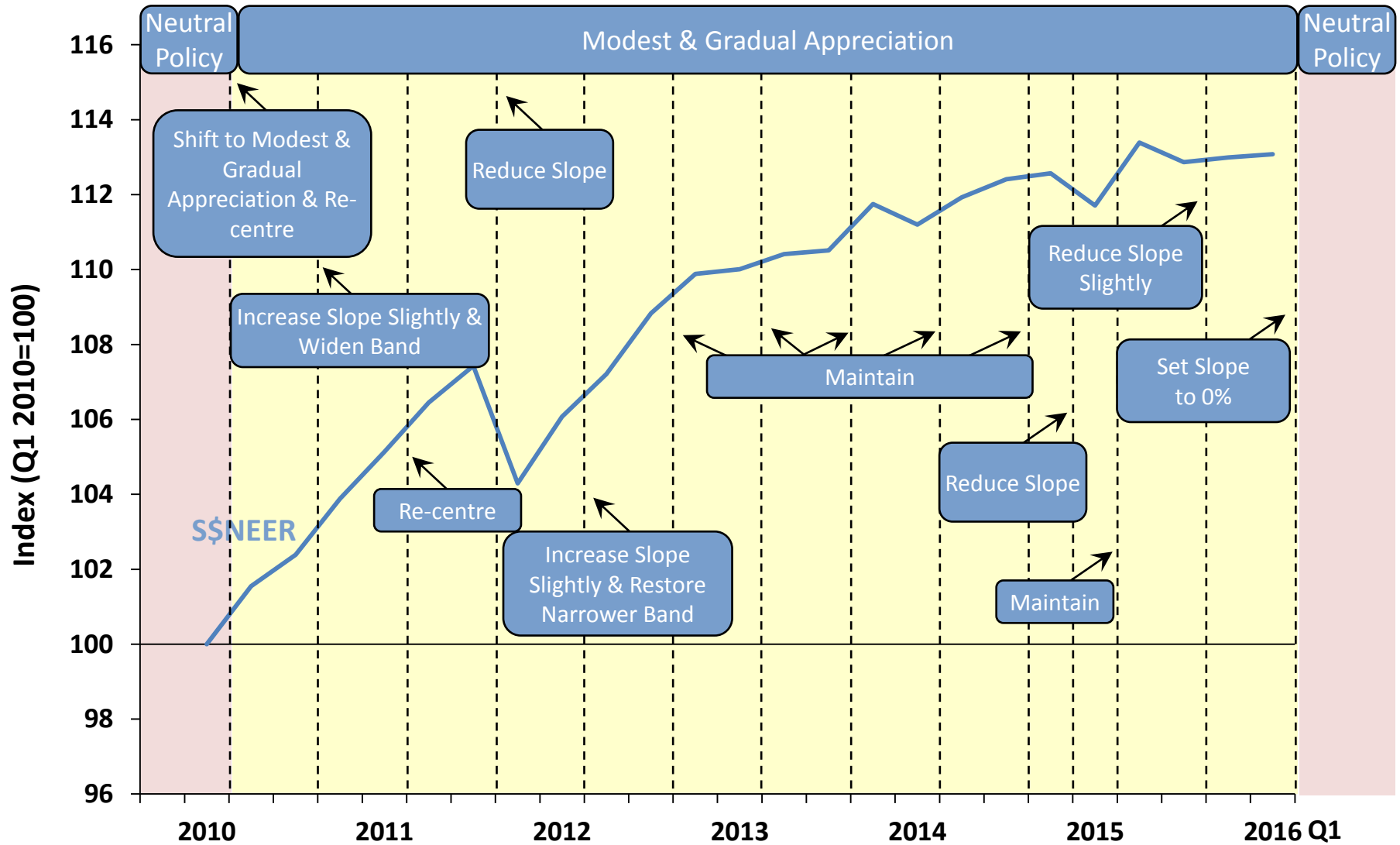




Monetary Policy

Ensuring Medium-Term Price Stability

The rate of appreciation of the S\$NEER policy band was reduced to zero.



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Q&A



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Special Features

Singapore's Monetary History: The Quest for a Nominal Anchor

1. Shifting from monetary growth targets in the 1970s meant having to redefine the characteristics of a nominal anchor within Singapore's unique setting.
2. The S\$NEER policy framework has come to play the role of the nominal anchor for the Singapore economy since 1981.
3. Having a credible exchange rate framework for monetary policy means ruling out opportunistic competitive depreciations in the S\$NEER to boost exports.
4. Role of S\$NEER as a nominal anchor is also to provide the link between globally-determined prices and the signals and incentives to local firms to innovate and upgrade the value-added composition of exports over time.
5. The S\$NEER framework has allowed the Singapore dollar to appreciate at a stable pace over time, alongside the economy's strengthening fundamentals.

The Great Recession: Earthquake for Macroeconomics



Prof Lawrence Christiano
Alfred W. Chase Professor
Northwestern University

- Various aspects of the Great Recession
- Initial views about the causes of the Great Recession
 - Skills Mismatch Hypothesis
 - Government Policy Uncertainty Hypothesis
- Questions about the Great Recession
 - What really caused it and why has it lasted so long?
 - Why did people, including macroeconomists, not predict it?
 - What impact did it have on Macroeconomics as a discipline?

Corporate Governance and the Finance Sector: An Asian Perspective



Prof Randall Morck
University of Alberta
Business School



Prof Bernard Yeung
NUS Business School

- The ultimate policy objective of corporate governance is to shape rules and regulations so the financial sector fulfils its social purpose of reasonably reliably allocating people's savings to value-creating investments, so that people willingly entrust their savings to financial institutions, corporations, and markets.
- Given multiple objective functions, each representing the interests of a distinct class of stakeholders, there is a need for distinct policy instruments:
 - Banking regulations and bankruptcy laws
 - Labour laws
 - Environmental regulations

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