

Promising economic data in Q1 boosts business confidence of a recovery

Dark clouds seem to be receding, as Singapore's economic performance in Q1 shows encouraging clues of a nascent recovery from its worst recession on record. Beyond economic data, business confidence levels appear to be rising, with surveys reflecting the highest level of optimism the Republic has seen since the Covid-19 pandemic began. **BY SHARON SEE**

Q1 GDP growth forecast by economists		-1.1%
Official 2021 full-year forecast		4% to 6%
Trade (Feb)	Non-oil domestic exports	4.2%
	Oil domestic exports	-28%
Industrial production (Feb)		16.4%
Retail sales (Feb)		5.2%
Inflation	Core inflation	0.2%
	Headline inflation	0.7%
Unemployment rate (Feb)		3%
Purchasing Managers' Index (Mar)		50.8
Business Optimism Index for Q2		3.94pp
SBF-Experian SME Index for Q2-Q3		49.9

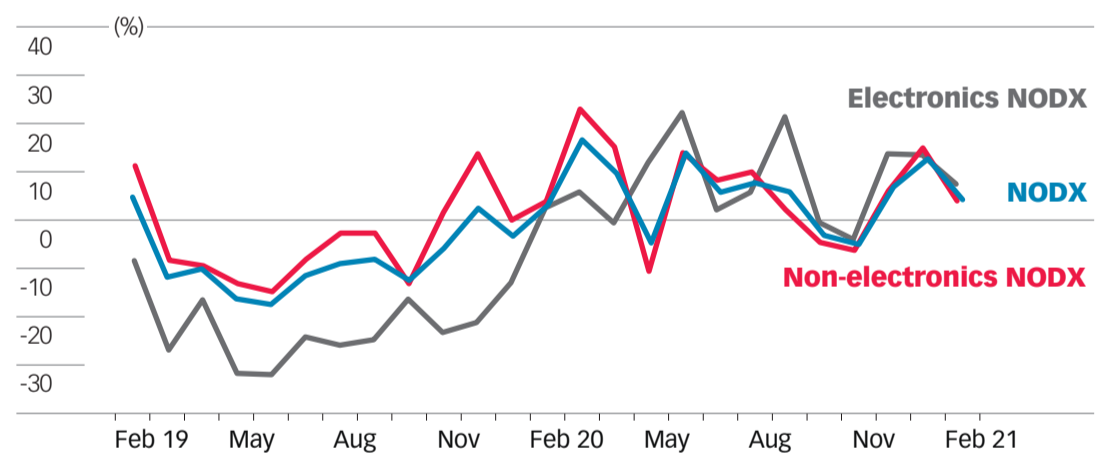
Source: Compiled by BT



Photo: Kang Yen Thiang

Non-oil domestic index

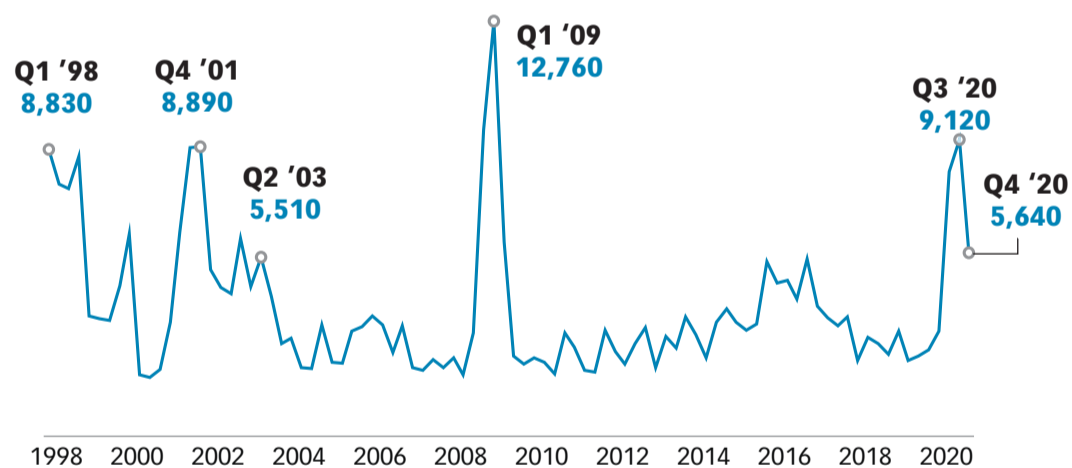
Pharma curbed February's export growth but overall key exports gained 8.5% in the first two months of 2021, compared to the same period last year



Source: Enterprise Singapore

Retrenchment

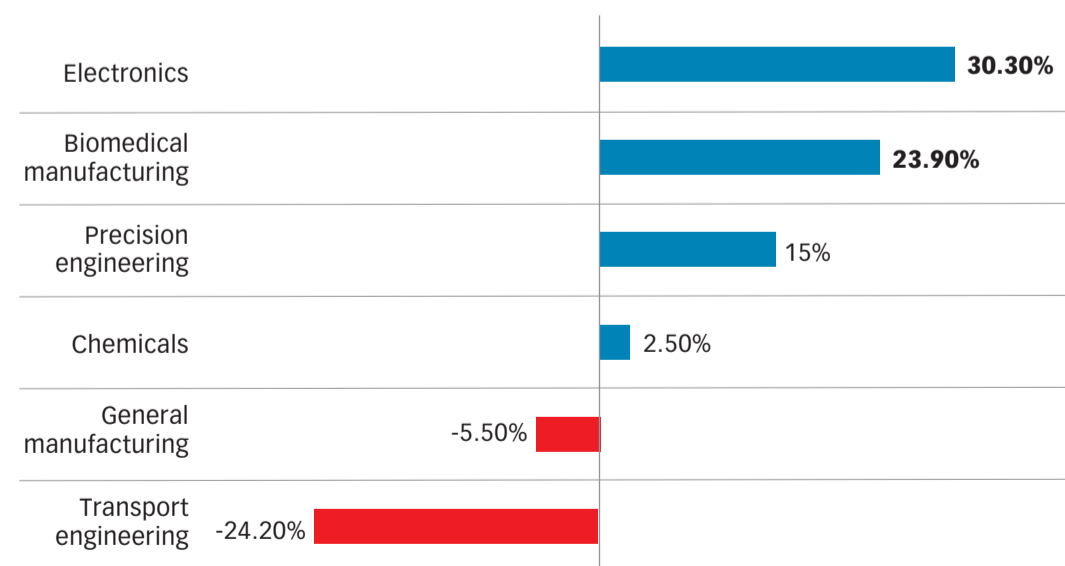
Retrenchments declined for the first time in Q4 after 5 straight quarters of increases



Source: Labour Market Survey, Manpower Research & Statistics Department, MOM

Industrial Production (Feb)

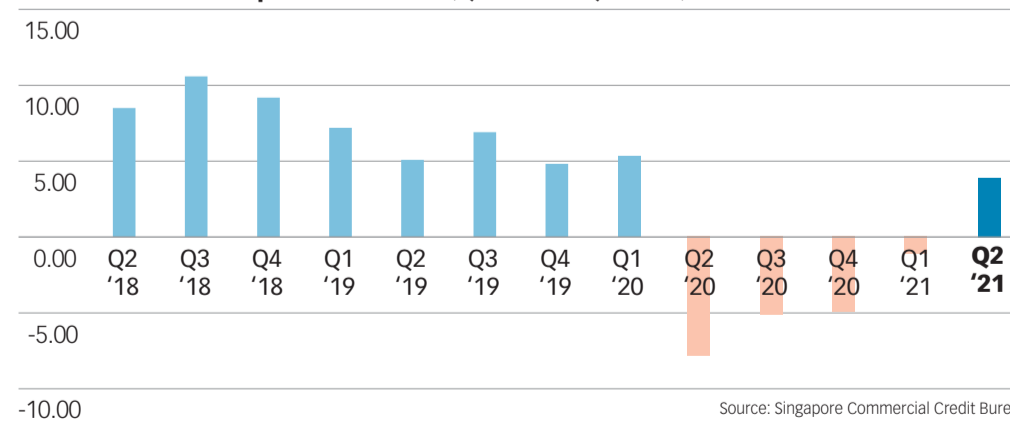
Surge in electronics and pharmaceuticals production boost February's factory output to 16.4% year on year



Singapore Business Optimism Index

Local business sentiments have rebounded into the expansionary zone for Q2 2021, after four consecutive quarters of negative outlook. According to Singapore Commercial Credit Bureau (SCCB)'s Business Optimism Index study, BOI inched up for the third consecutive quarter from -1.03 percentage points in Q1 2021 to +3.94 percentage points in Q2 2021. On a year-on-year (y-o-y) basis, BOI jumped from -7.88 percentage points in Q2 2020 to +3.94 percentage points in Q2 2021.

Overall Business Optimism Score (Q2 2018 – Q2 2021)



Source: Singapore Commercial Credit Bureau

What economists say



"Our house view is for Q1 GDP growth to come in at -0.2 per cent year on year and rebound more significantly by 13.5 cent year on year in Q2. While there is upside risk to our baseline 2021 growth forecast of around 5 per cent year on year, we are cognisant that most of the positive factors - for example, an accelerated Covid-19 vaccine roll-out and fresh US fiscal stimulus - have been frontloaded and priced into market expectations, so any setbacks to the Covid-19 story or economic data disappointment could see some unwinding of the current optimism."

- Selena Ling, OCBC chief economist

"Flash Q1 GDP is expected to come in at around -1.2 per cent, improving from -2.4 per cent in Q4 2020. Manufacturing remains buoyant, while services and construction are recovering but at a sluggish pace. People movements, especially to retail and recreation venues, have plateaued at around 12 per cent below pre-pandemic levels. We maintain our GDP forecast at 4.5 per cent in 2021 and 3 per cent in 2022, but risk is tilted towards the upside given manufacturing strength, rapid vaccine roll-out and further relaxation of social distancing rules."

- Chua Hak Bin, Maybank Kim Eng senior economist

