Singapore GDP Growth Accelerates to More Than Three-Year High

Singapore’s economic growth quickened to the fastest pace in more than three years last quarter as manufacturing and services rebounded.

Key Points

•Gross domestic product rose an annualized 9.1 percent in the three months to December from the previous quarter, when it declined a revised 1.9 percent, the trade ministry said in a statement on Tuesday

•The median estimate of nine economists in a Bloomberg survey was for a 4 percent expansion

•GDP rose 1.8 percent in the fourth quarter from a year earlier, compared with the 0.3 percent median estimate in a Bloomberg survey

•The economy expanded 1.8 percent in 2016, the slowest pace since 2009

Big Picture

Singapore, among Asia’s most-export dependent nations, is seeking new growth engines to boost incomes as its population ages and trade falters. With global growth under pressure and the U.S. threatening to turn more protectionist under Donald Trump, the outlook remains cloudy. That will be a consideration for the central bank in its April policy review after it signaled in October it will stick to its neutral currency policy for an extended period of time.

“Overall, we are not doing badly, considering the global economic uncertainties," Prime Minister Lee Hsien Loong said in a New Year message Dec. 31. “While the labor market has eased, unemployment remains low and we are still creating new jobs.”

Market Reaction

•The Singapore dollar erased an earlier decline after the GDP report, trading little changed at 1.4503 against its U.S. counterpart as of 8:44 a.m.

Economist Takeaways

•"I still think Singapore is in a very challenging condition," said Edward Lee, regional head of research at Standard Chartered Plc in Singapore, who expects 2017 growth to slow to 1.4 percent. "External conditions remain extremely challenging and we certainly have to be watchful for materialization of anti-globalization and anti-trade sentiment. Any materialization of that will further dampen the already very weak global trade conditions."

"For now, my forecast is that there will be no further easing in April," he said, referring to monetary policy.

•"Prospects of a more protectionist trade policy would be negative for Singapore" which is wedded to the old export model and this will have a knock-on impact on domestic incomes, said Weiwen Ng, an economist at Australia & New Zealand Banking Group Ltd. in Singapore. "Domestic demand weakness should continue to weigh on an already subdued labor market."

Other Details

•The services industry, which accounts for about two-thirds of the economy, rose an annualized 9.4 percent in the fourth quarter from the previous three months

•Manufacturing jumped an annualized 14.6 percent

•The advance GDP estimates for the fourth quarter are computed largely from data in the first two months of the quarter, and are subject to revision when more comprehensive data become available

Dollar Rebounds, European Stocks Track Asia Gains: Markets Wrap

The U.S. Dollar Index recovered from an earlier loss to extend Monday’s gain, while European equities advanced after Asian markets and crude oil rose on the first full trading day of the New Year. A private factory gauge indicated strength in China’s economy.

The dollar was at its strongest against the yen since Dec. 21 and highest versus the Turkish lira in a month. However, it remained weaker against currencies including the Australian and New Zealand dollars and the British pound. Australia’s benchmark index touched the highest level in 1 1/2 years and the Shanghai Composite Index gained for a second day. Oil traded above $54 a barrel as OPEC member Kuwait cut output and gold advanced for a fifth time in six sessions. The yield on 10-year U.S. Treasuries rose 3 basis points to 2.479 percent.

Reports on Sunday showed China’s official factory gauge stabilized near a post-2012 high while services remained robust, capping a year of steady improvement in both indicators. A private factory gauge released Tuesday also came in better than anticipated. Swaps contracts show the Federal Reserve is expected to raise interest rates twice this year, after increasing them once in each of the past two years.

“A year ago, the Chinese markets kept everyone on their toes; a year later, the outlook certainly appears to be more optimistic though we may have to bring back the catchphrase of ‘cautious optimism’ going into the new year as we search for clarity,” said Jingyi Pan, a market strategist at IG Asia Pte.

Key U.S. reports this week should provide further evidence if the world’s largest economy is strong enough to withstand higher borrowing costs. The Bloomberg Dollar index, which rose 0.4 percent Tuesday, closed 2016 with its strongest quarterly rally since 2008 as 10-year Treasuries offered the highest yields since 1999 relative to Group-of-Seven peers.

“I still think we have a firm dollar-strength trend in place, however I am wary of a New Year rally for riskier assets, especially the Aussie,” said Hugh Killen, Sydney-based head of foreign exchange, fixed income and commodities trading at Westpac Banking Corp., Australia’s second-biggest lender. “The Trump reflation trade has been so powerful, but I think we need to hold off now until the inauguration when we may get a better idea of what his presidency will really look like.”

Read More: Markets live blog here.

Stocks

•The Euro Stoxx 50 Index rose 0.3 percent following a 0.6 percent gain Monday.

•The Shanghai Composite Index added 0.9 percent, while Hong Kong’s Hang Seng Index added 0.7 percent and South Korea’s Kospi jumped 0.9 percent, the most since Dec. 8.

•Australia’s S&P/ASX 200 Index rose 1.2 percent.

•The MSCI Asia Pacific excluding Japan Index rebounded from losses and was up 0.4 percent.

•Financial markets in Japan, New Zealand and Thailand were closed for a bank holiday.

Currencies

•The Dollar Index was up 0.1 percent at 102.90 after a 0.6 percent gain Monday.

•The yen slid 0.3 percent to 117.94 per dollar, giving up its earlier advance to 117.22.

•The euro pared its gains against the dollar and was flat. The Aussie and kiwi were up 0.3 percent and 0.2 percent, respectively.

•Korea’s won rose 0.4 percent, while Malaysia’s ringgit was down 0.2 percent at the weakest since 1998. The Taiwanese dollar erased losses to trade up 0.1 percent.

•The U.S. currency has risen against 10 of 16 major developed and emerging market peers since Dec. 30.

Commodities

•Crude oil rose 0.6 percent to $54.02 a barrel in New York, close to the $54.51 it reached on Dec. 12, which was its highest level since July 2015.

•Gold climbed 0.5 percent to $1,153.13, advancing for the fifth time in the past six trading sessions.

•Aluminum was little changed at $1,692 per metric ton on the London Metal Exchange, while nickel jumped 1.4 percent to $10,160 a ton.