

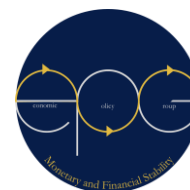
MONETARY AUTHORITY OF SINGAPORE

MACROECONOMIC REVIEW



ECONOMIC POLICY GROUP

APRIL 2020/ VOLUME XIX/ ISSUE 1



Contents

Chapters

- **1 The International Economy**
Box A: Does Infrastructure Development Affect the ASEAN-5 Countries' Ability to Attract FDI?
- **2 The Singapore Economy**
- **3 Labour Market and Inflation**
Box B: An Analysis of Crisis Wage Support Schemes in Singapore
- **4 Macroeconomic Policy**

Special Features

- **A Asia's Electronics Supply Chains and Global Trade Corridors**
- **B Regulation, Technology and the Banking Sector**
- **C Privacy, Trust in Banks, and Use of Cash**



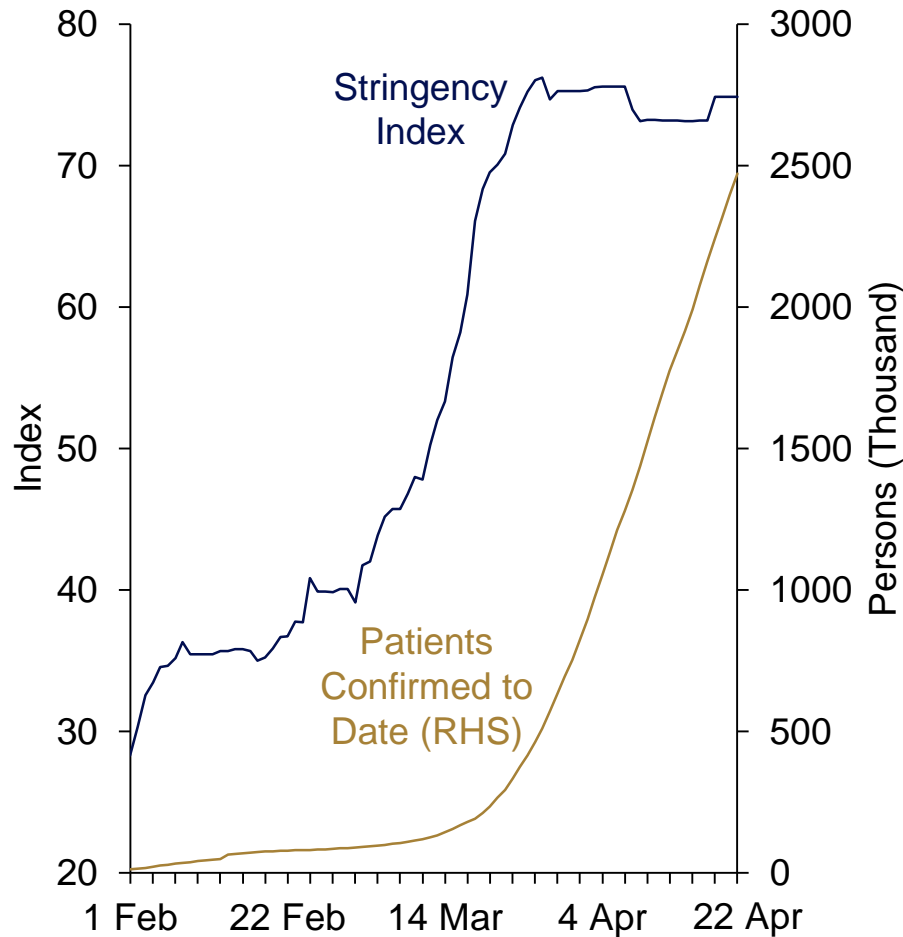
International Economy

A Sharp Slowdown

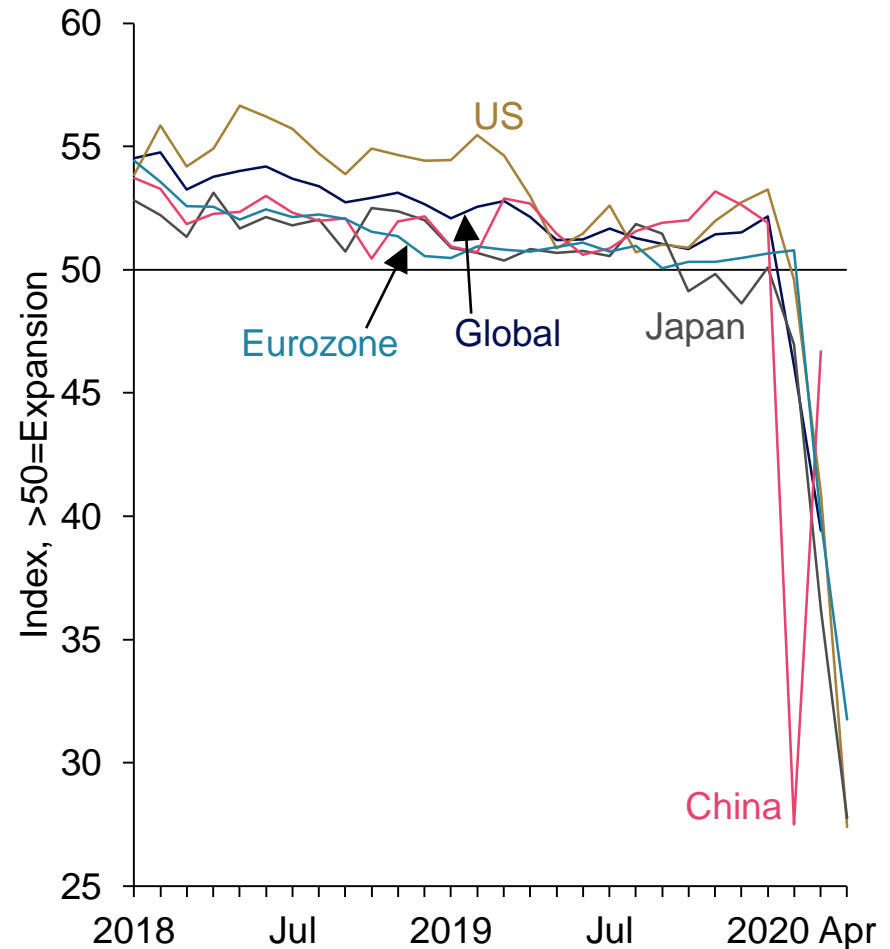
RESTRICTED

COVID-19 has inflicted a substantial negative shock on the world economy.

Stringency Index and Total Confirmed Cases

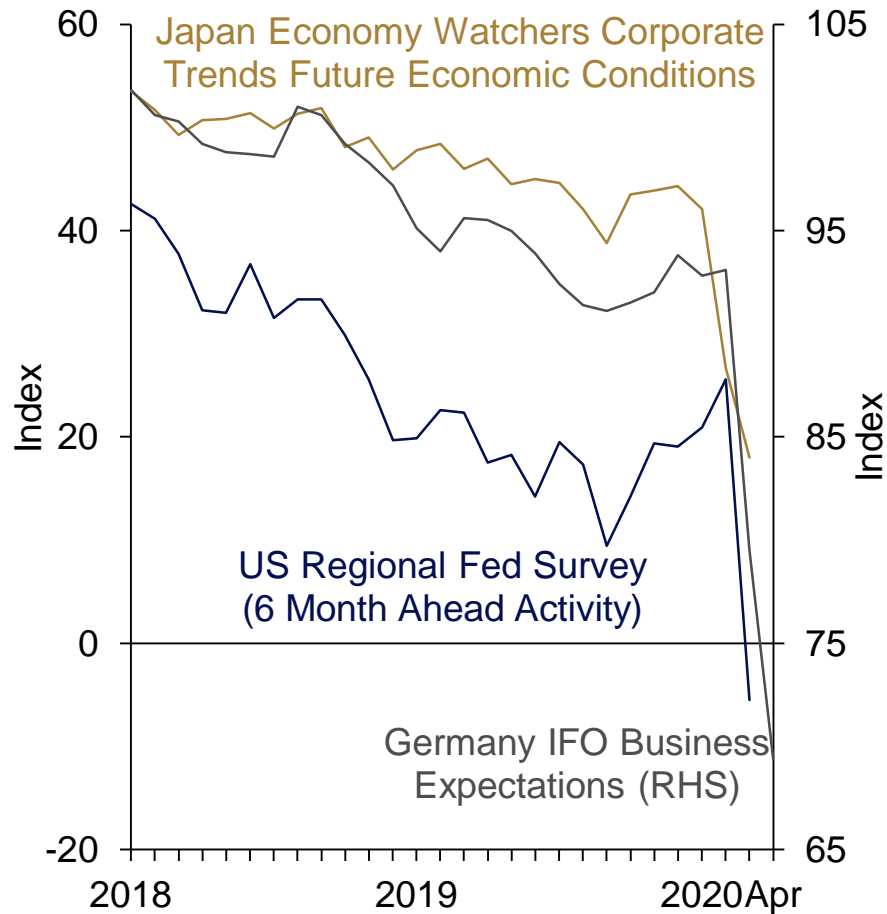


Composite PMIs

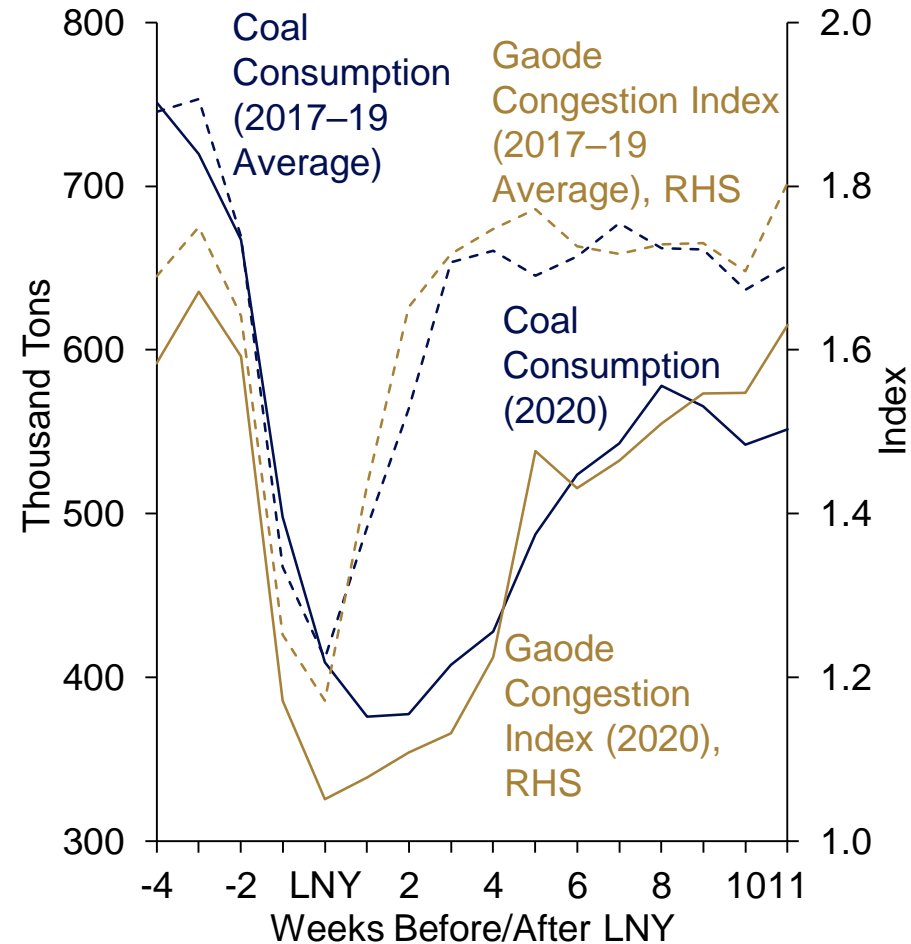


G3 has seen a sharp pullback in activity, even as China has started to recover.

G3 Business Confidence

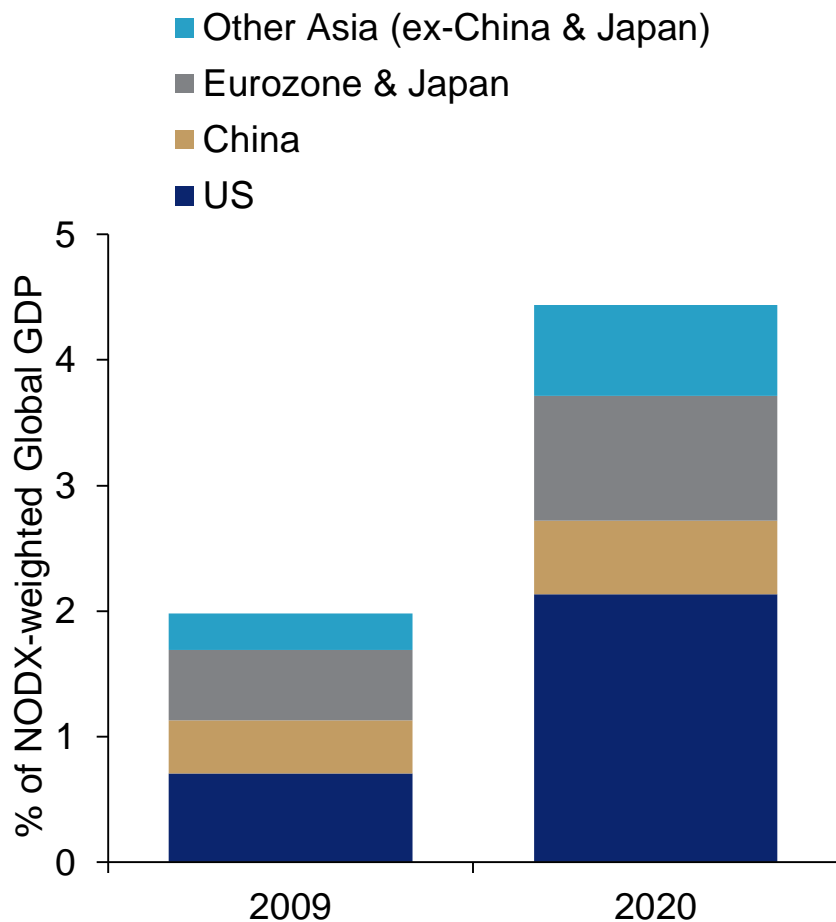


China High Frequency Indicators



Policy responses have been swift and substantial.

Fiscal Impulse



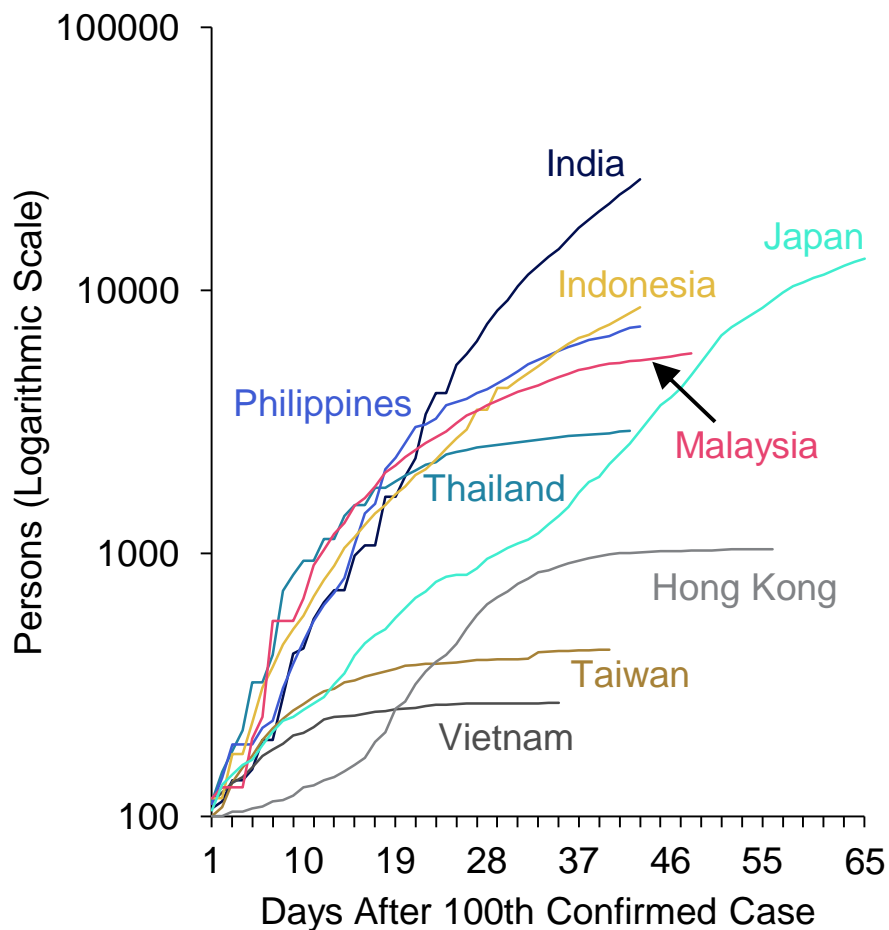
Growth Forecasts

	QOQ SAAR (%)			Annual (%)		
	2019 Q4	2020 Q1*	2020 Q2*	2019	2020*	2021*
G3	-0.7	-5.0	-30.3	1.5	-5.8	3.8
Asia ex-Japan	4.3	-19.4	1.6	3.8	-1.2	6.6
ASEAN-5	4.0	-16.6	-15.3	4.5	-2.3	6.6
Global	2.8	-14.6	-10.6	3.1	-2.7	5.8

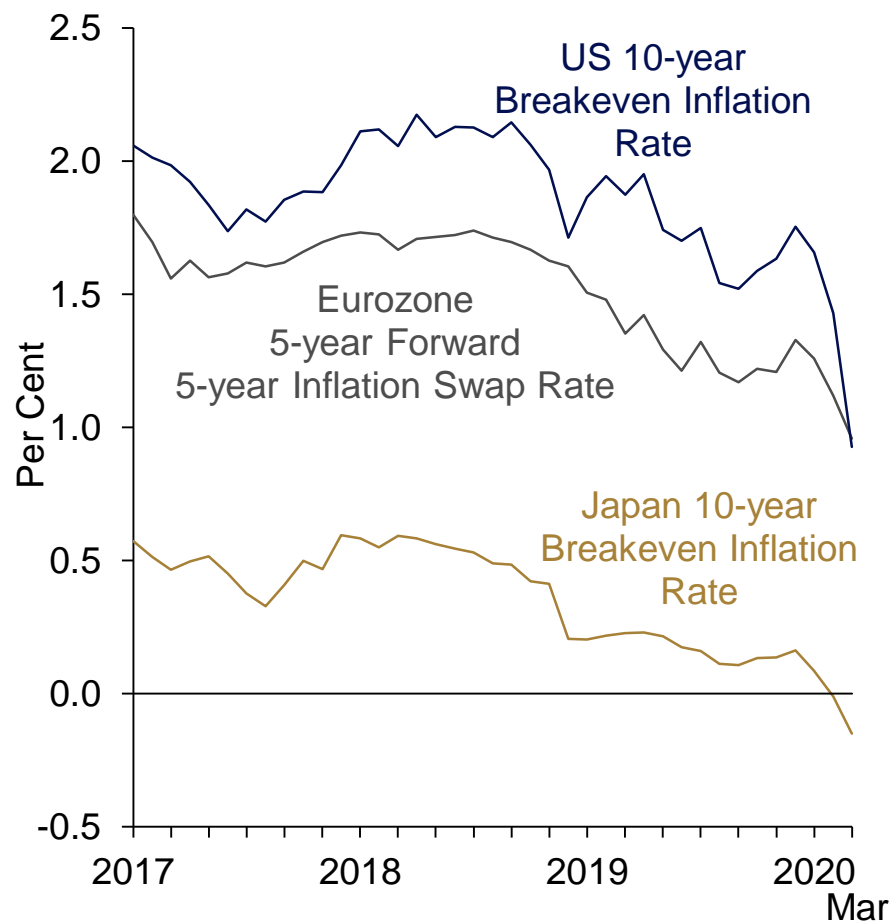
*EPG, MAS forecasts

The COVID-19 shock is likely to be disinflationary.

Profile of COVID-19 Outbreaks



G3 Inflation Expectations





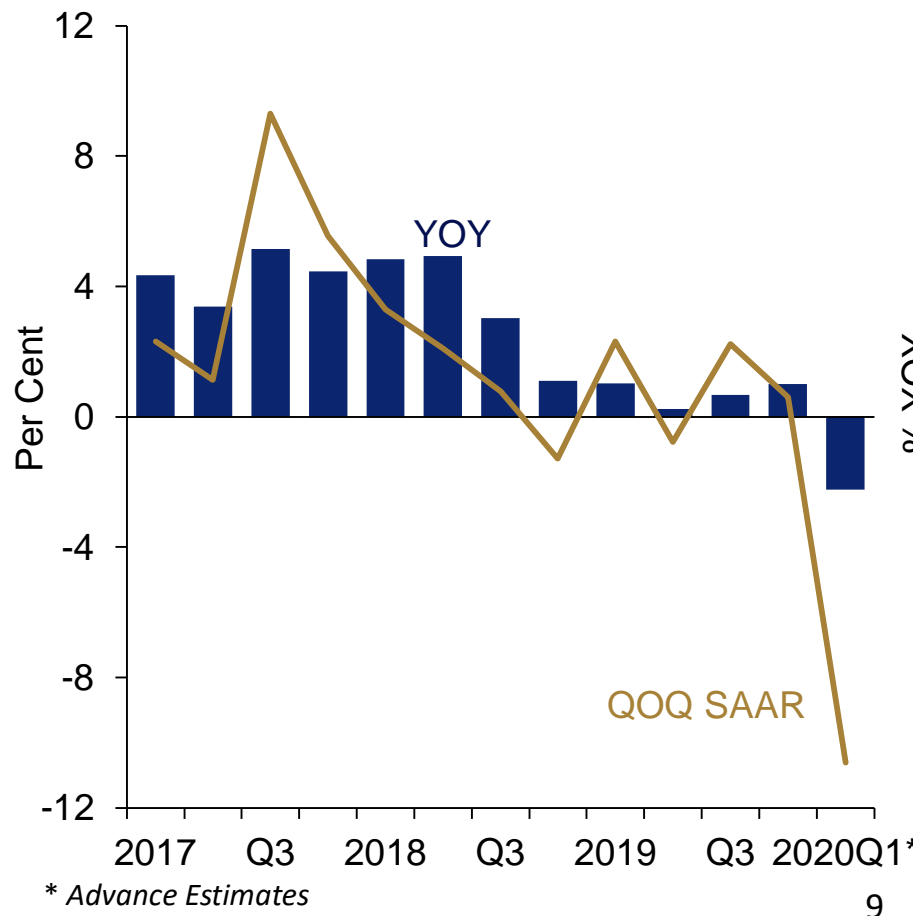
Domestic Economy

A Step-down in Growth

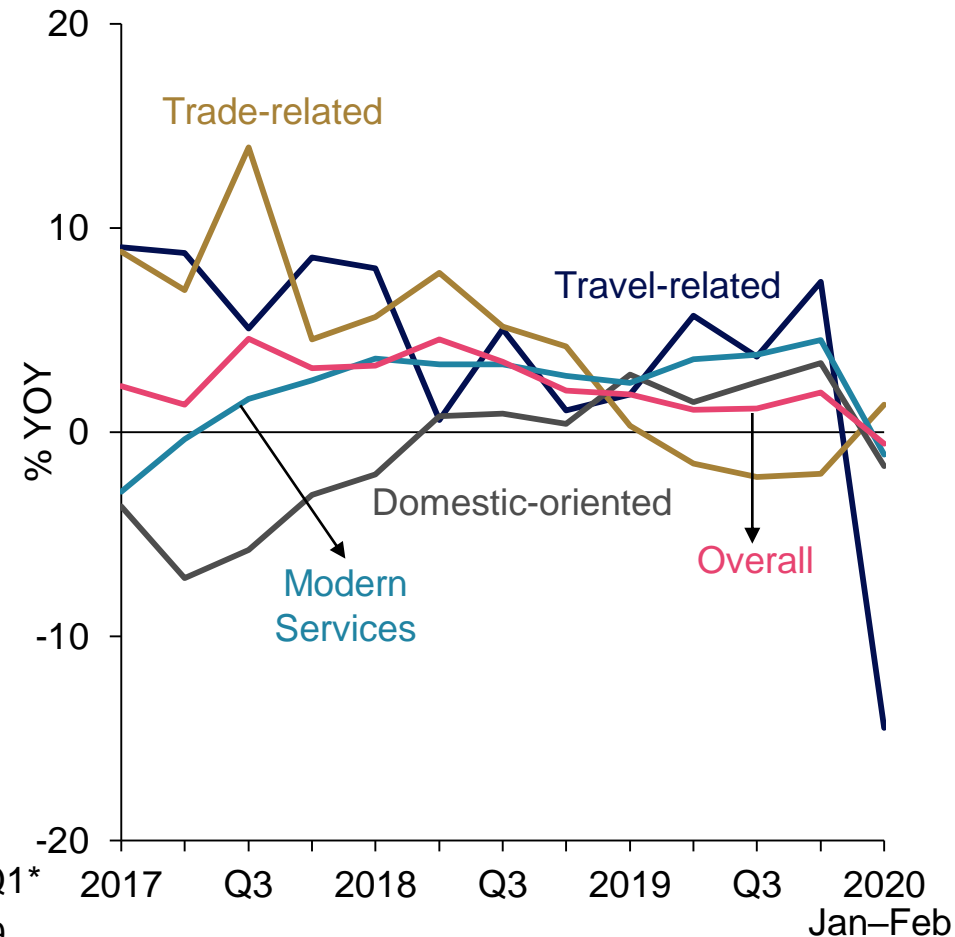
RESTRICTED

The Singapore economy contracted sharply in Q1 2020 with the onset of COVID-19.

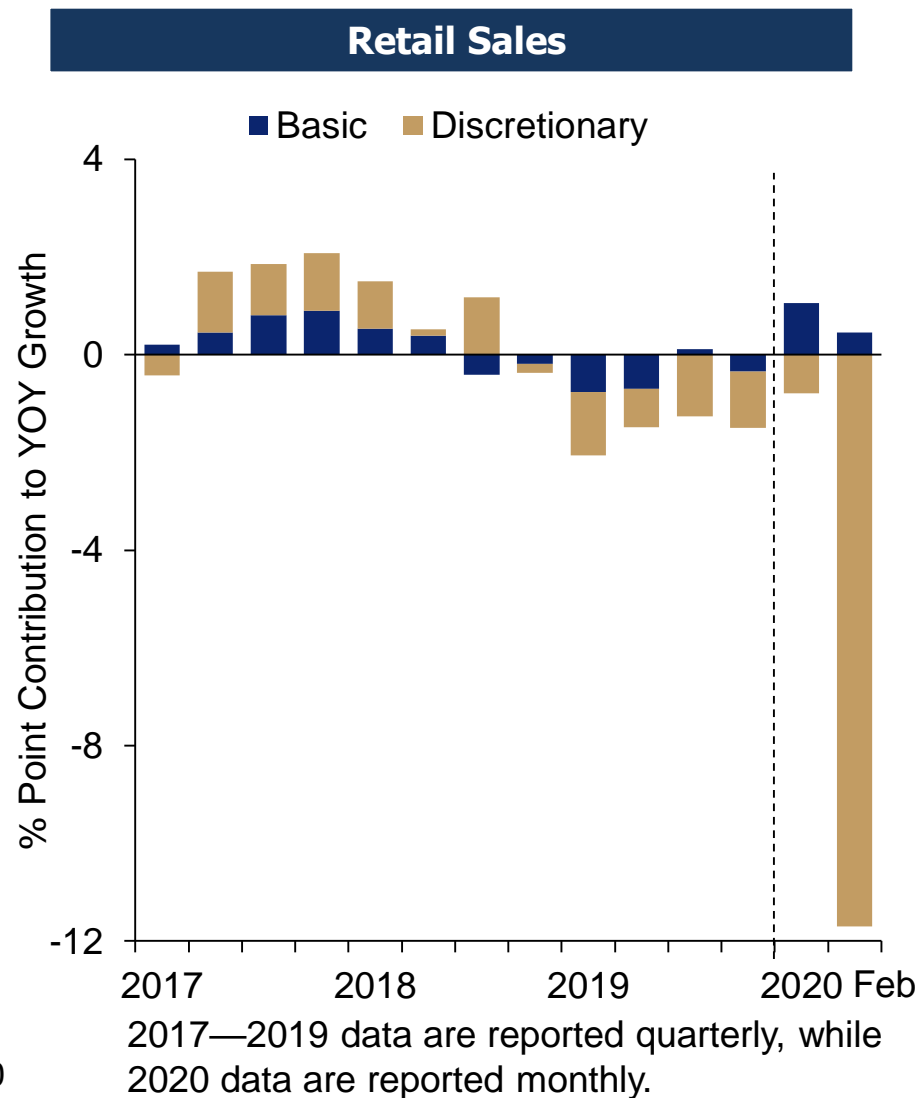
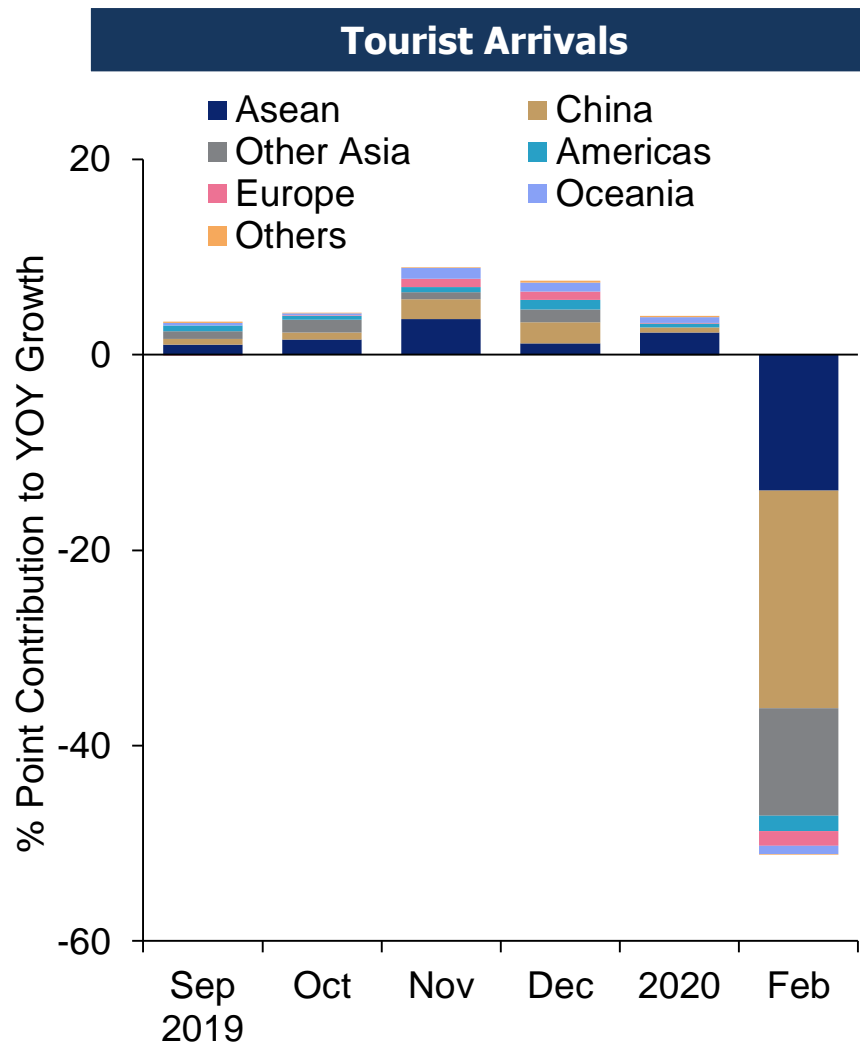
Singapore's GDP Growth



Economic Activity Index



Travel-related and consumer-facing industries have taken a severe hit.



Singapore's economic outlook is contingent on the course the pandemic takes globally.

Economic Exposure to Country (% Share of Singapore's Nominal GDP)

	Final Demand	Export Activity
China	7.0	2.8
US	6.4	0.5
Indonesia	2.6	0.4
India	2.3	0.5
Germany	2.2	1.0
Malaysia	1.8	1.6
UK	1.5	0.3
France	1.3	0.4
Thailand	1.2	0.8
Philippines	1.0	0.4
Italy	0.7	0.2
Spain	0.4	0.1

Local containment measures will have a substantial impact on private consumption.

Share of Private Consumption Expenditure, 2019 (%)

	Share of Private Consumption Expenditure, 2019 (%)	Impacted by Circuit Breaker Measures
Total Private Consumption Expenditure	100	-
Miscellaneous Goods & Services	18.6	Yes
Housing & Utilities	17.6	No
Transport	13.6	Yes
Recreation & Culture	9.8	Yes
Food Services	7.0	Yes
Health	6.8	No
Food & Non-alcoholic Beverages	6.1	No
Furnishings, Household Equipment & Maintenance	4.0	Yes
Communication	3.9	No
Education	3.7	No
Clothing & Footwear	3.0	Yes
Accommodation Services	2.6	Yes
Alcoholic Beverages & Tobacco	1.6	No
Net Residents' Expenditure Abroad*	1.4	Yes

* Net residents' expenditure abroad is derived by taking residents' expenditure abroad minus non-residents' expenditure locally.

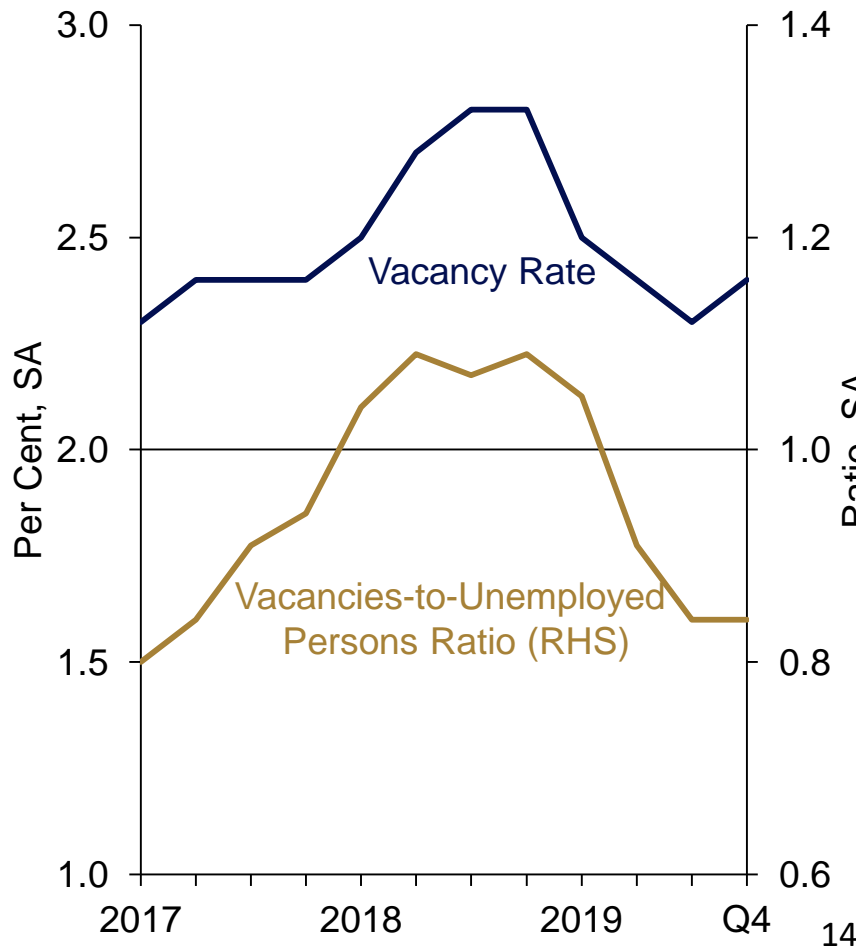


Labour Market and Inflation

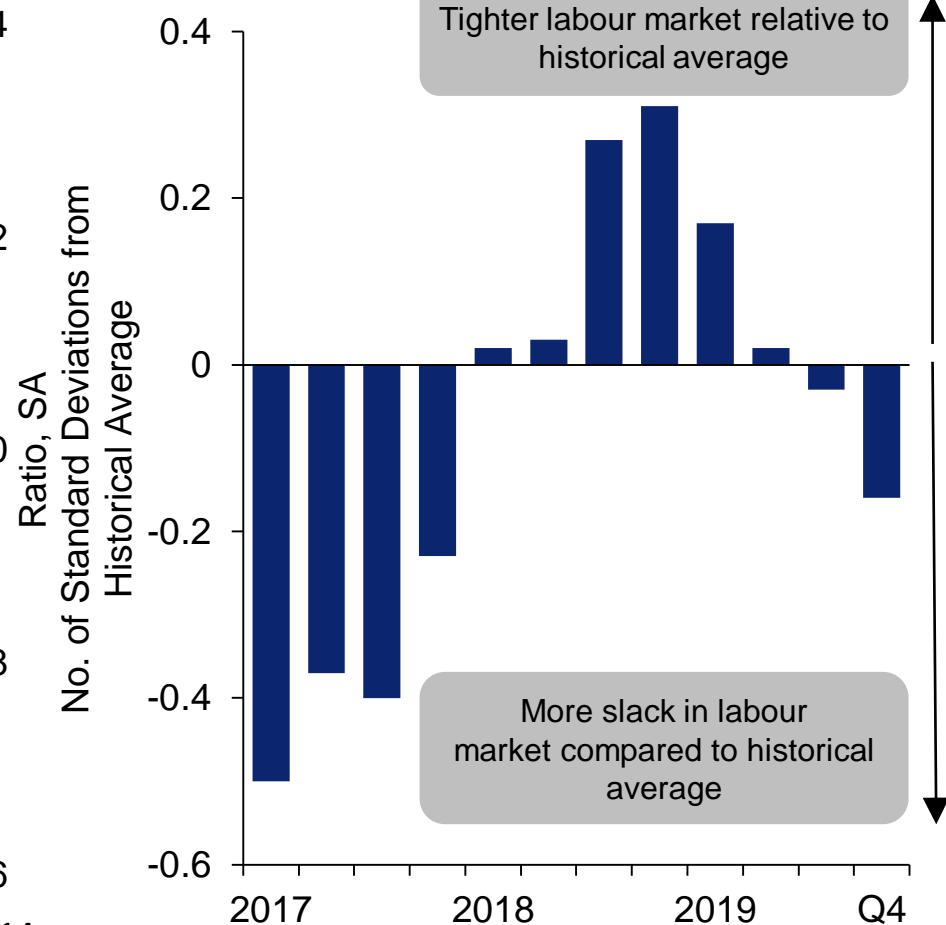
Broadening Disinflationary Pressures

Labour market conditions were soft prior to COVID-19.

Vacancy Rate and Vacancies-To-Unemployed Persons Ratio

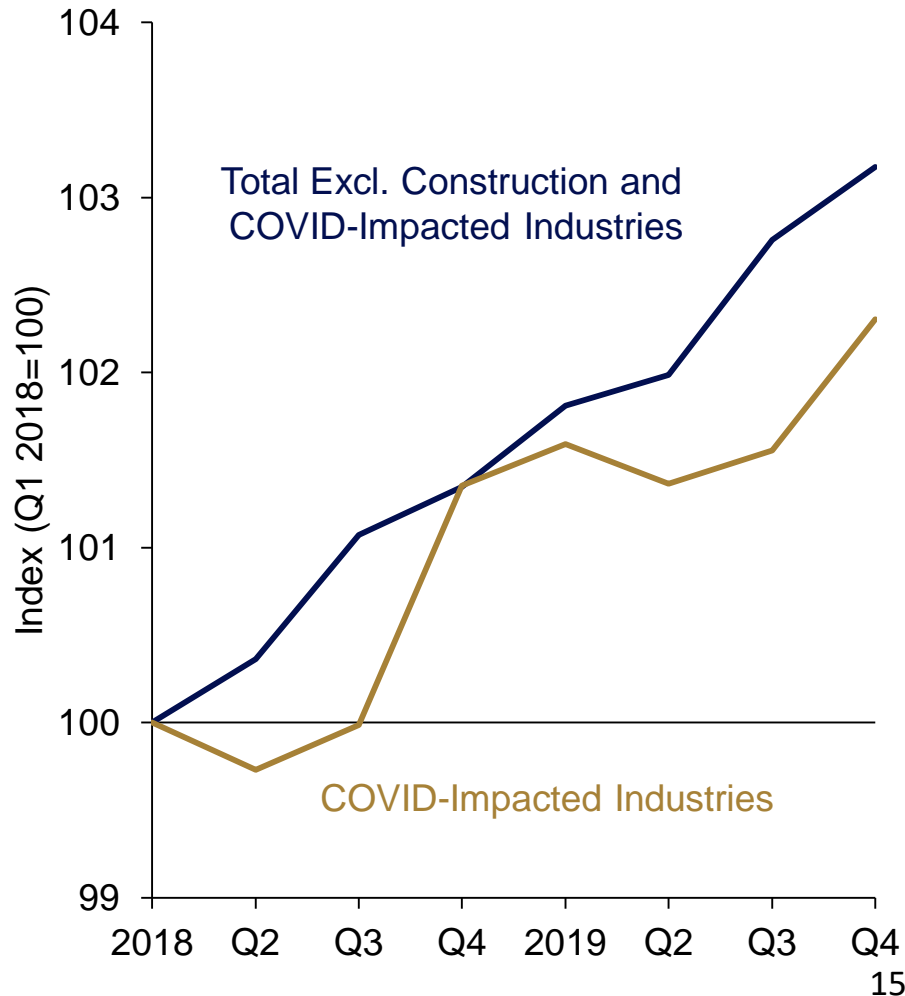


Labour Market Pressure Indicator

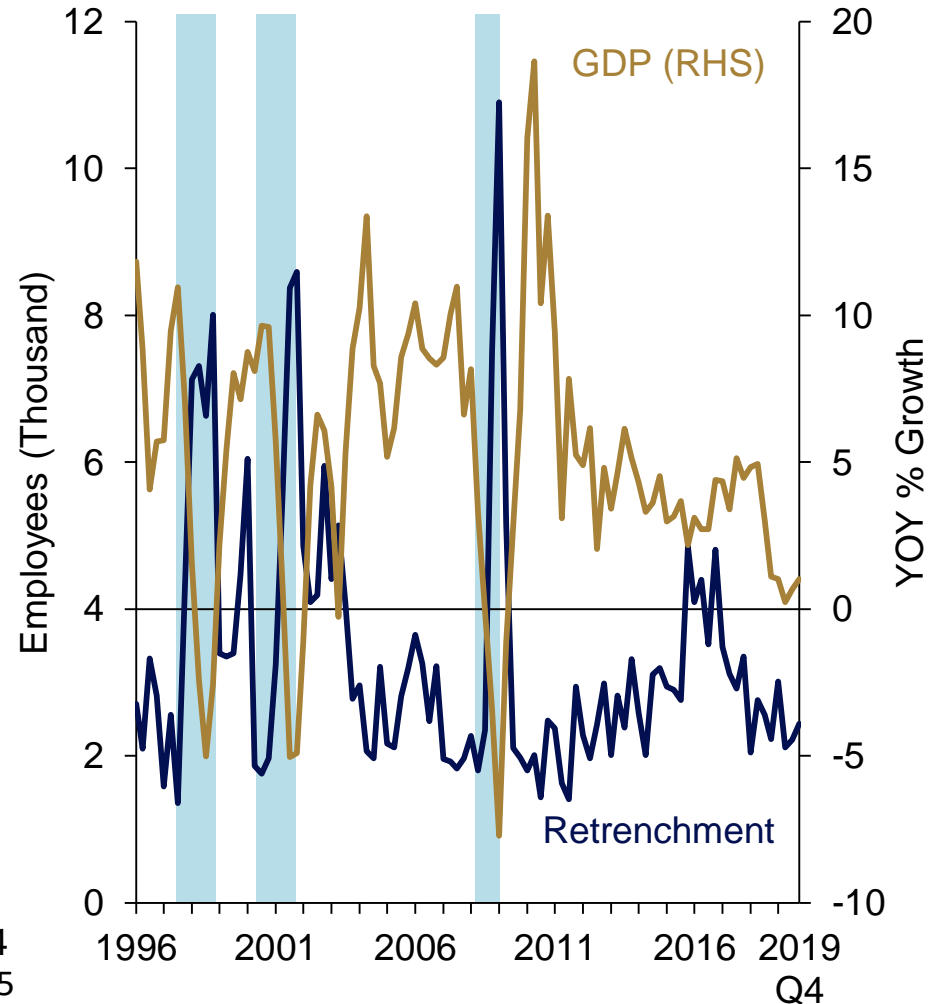


Wages will bear the brunt of the COVID-19 shock amid higher retrenchments.

Employment by Cluster

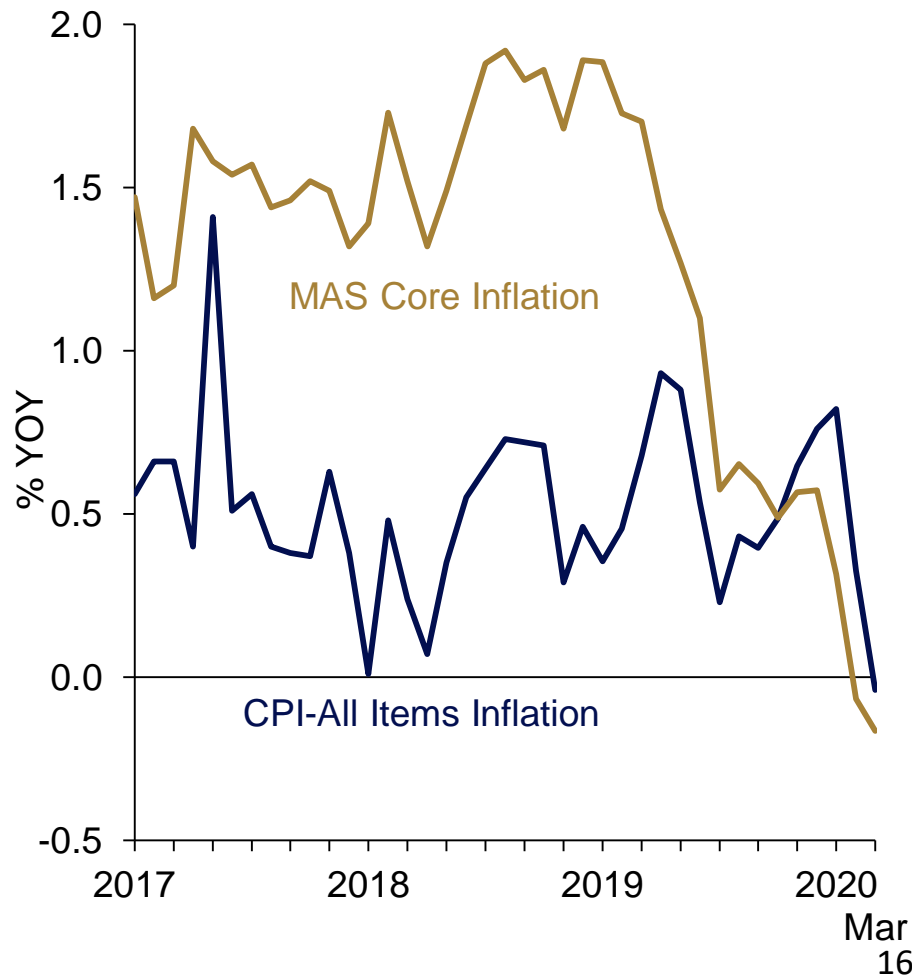


Total Retrenchments and GDP Growth

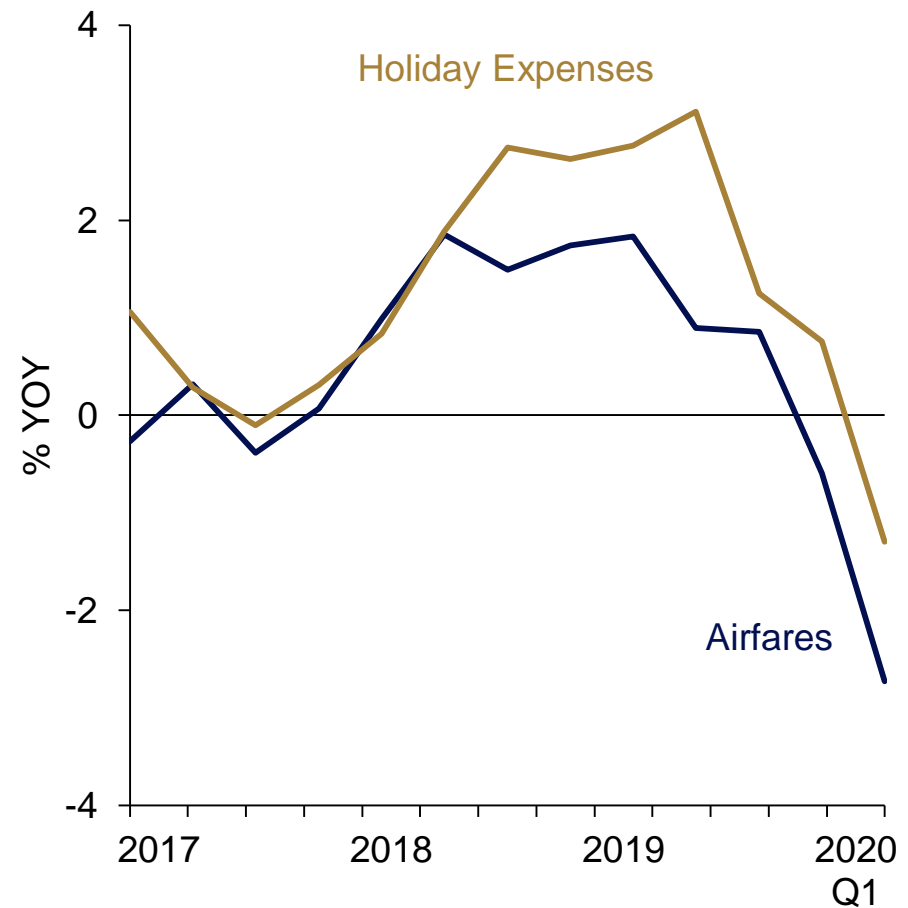


Core inflation turned negative in Q1, reflecting the early effects of COVID-19.

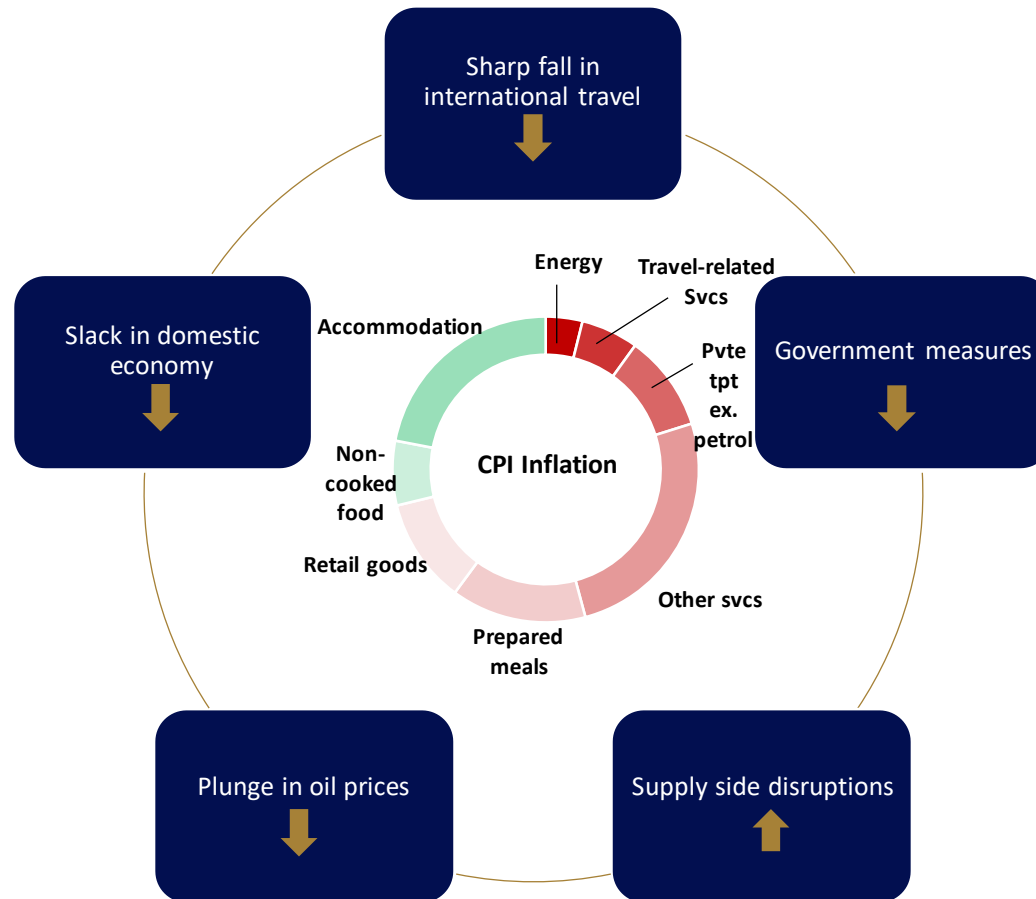
CPI-All Items and MAS Core Inflation



CPI Components Related to Outbound Travel



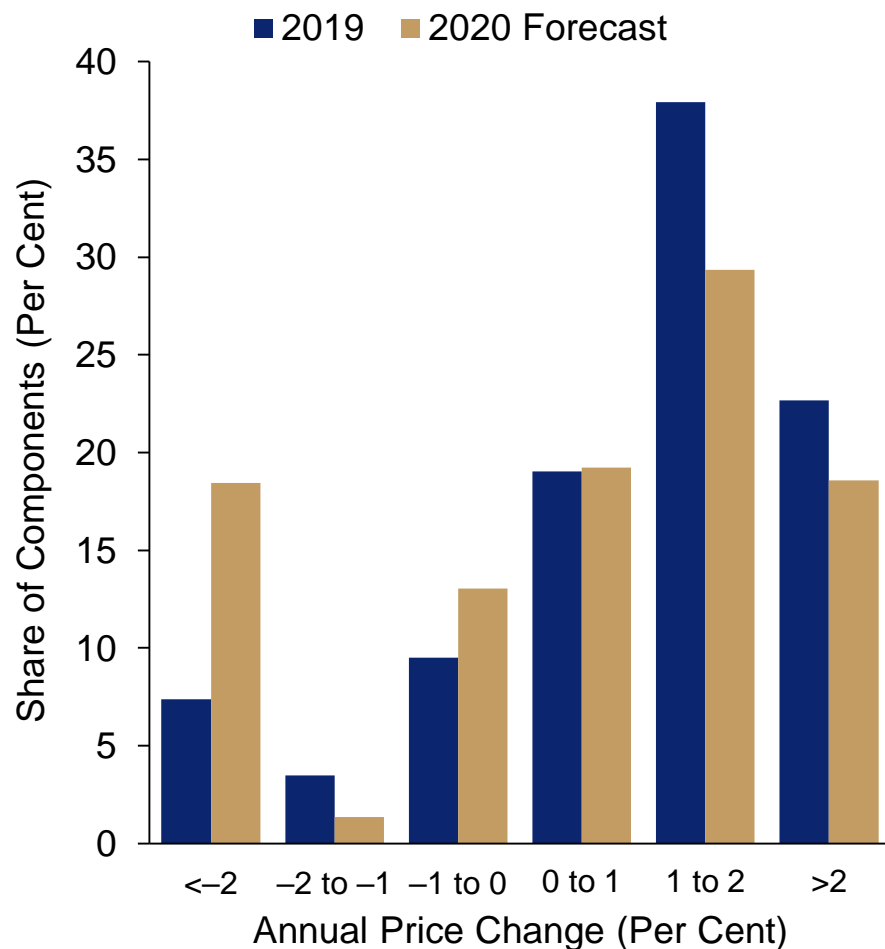
Domestic spare capacity will exert downward pressure on inflation.



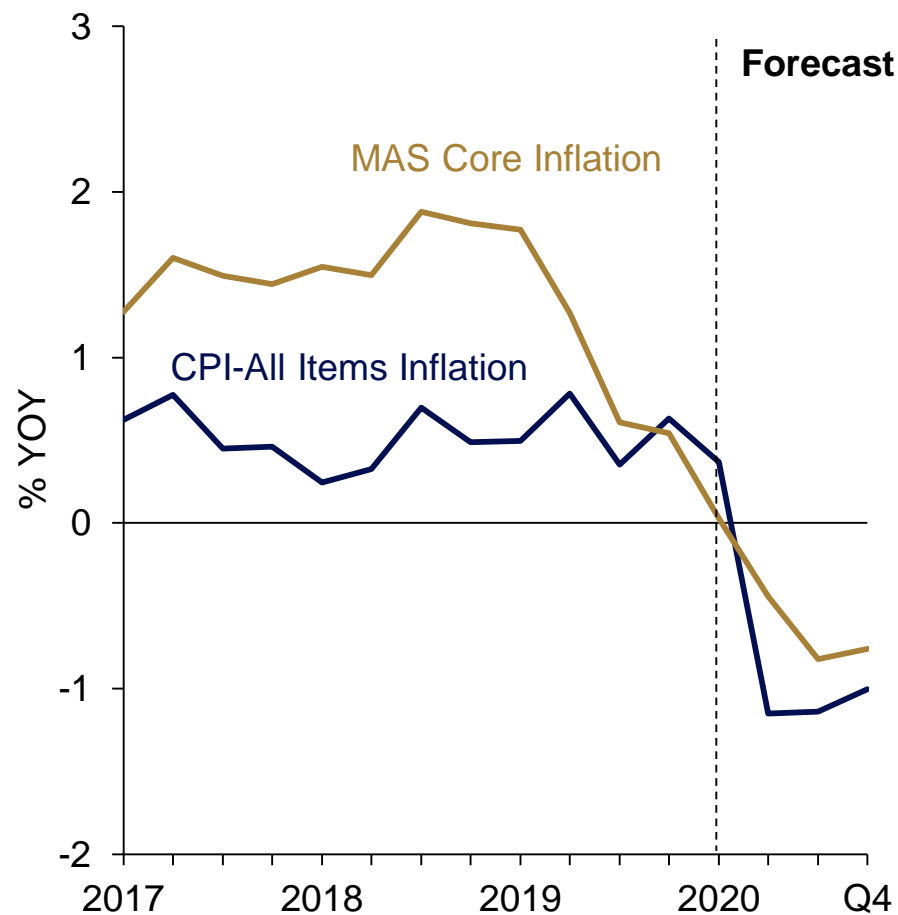
Note: Sizes of segments in the donut chart are proportionate to the weights of labelled components in the 2019 CPI. The colour intensity of the segments show the extent to which inflation for each component is likely to change in 2020, with red representing categories that will see declines in inflation and green indicating categories likely to experience an increase in inflation.

Disinflationary pressures will broaden in the economy.

Distribution of Annual Price Changes in Core CPI Basket



CPI-All Items and MAS Core Inflation

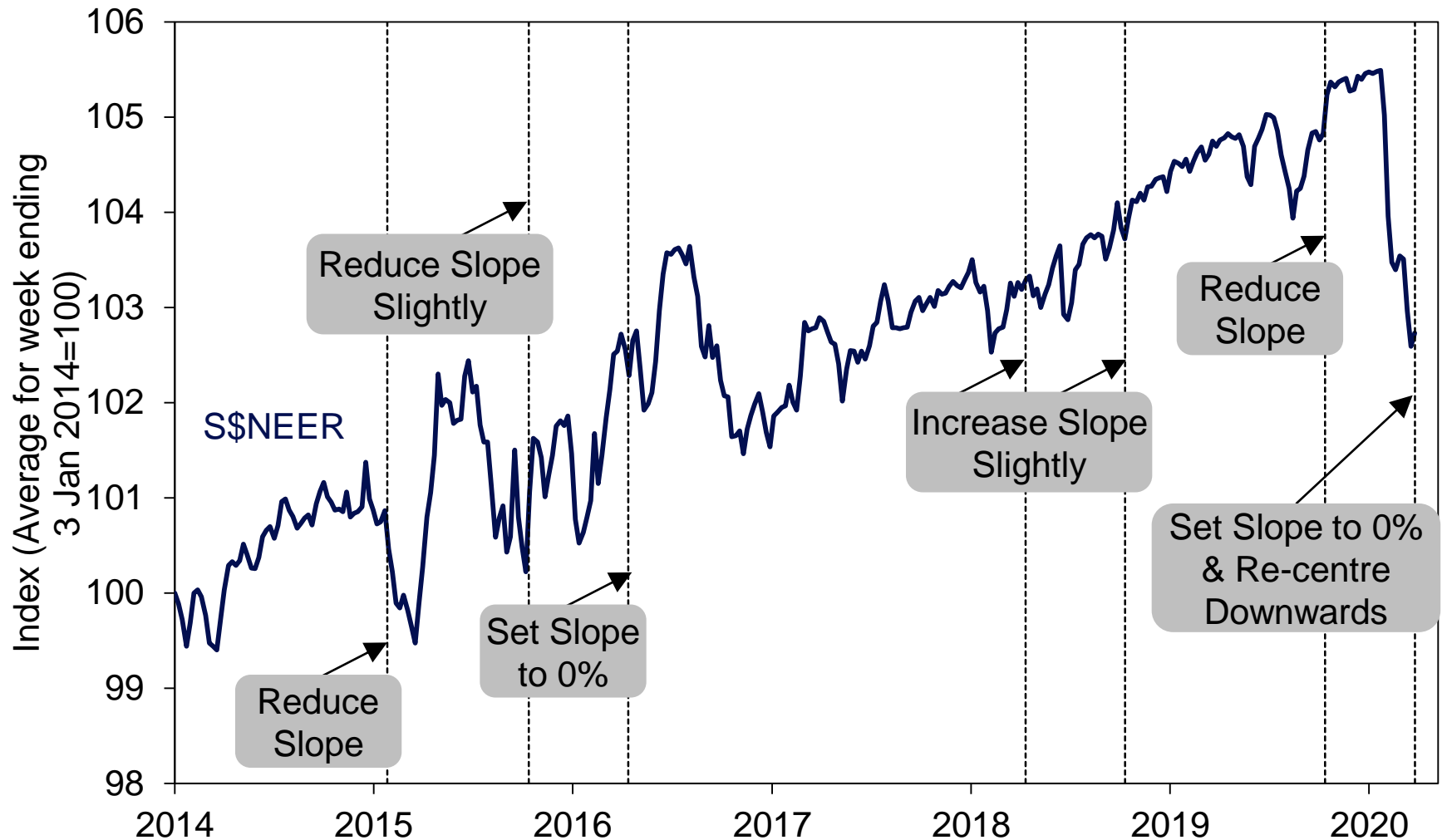




Macroeconomic Policy

Ensuring Medium Term Price Stability

Policy affirmed the level of the S\$NEER.



MONETARY AUTHORITY OF SINGAPORE

MACROECONOMIC REVIEW



ECONOMIC POLICY GROUP

APRIL 2020/ VOLUME XIX/ ISSUE 1

