Manufacturing slowed down to 4.5% YoY from 10.6% in Q2.

Will the services sector be the economy's saving grace?

The US-China row will continue to hit Singapore's manufacturing, but analysts are banking on the steady expansion of the services sector at 2.9%.

The growth of Singapore's gross domestic product (GDP) clocked in at 2.6% YoY in Q3, a muted one compared to the 4.1% expansion back in Q2. The economic indicator was still mainly backed by the manufacturing sector despite its growth slowdown to 4.5% YoY from 10.6% in Q2.

"The lower YoY growth in Q3 2018 was as expected, as early indicators pointed towards a more modest quarter," RHB commented. "Purchasing Managers' Index (PMI) has come off its highs, indicating a more challenging external environment." Singapore's (PMI) recorded a slip of 0.2 ppt from August to seal a lower expansion of 52.4 in September amidst lower new orders and new exports, slower factory activity and lower inventory level.

The manufacturing sector was boosted mainly by output expansions in the electronics, biomedical manufacturing and transport engineering clusters but its semiconductor segment is notably on a downfall as its growth decelerated to 8.2% YoY in August from a 57.5% YoY expansion rate in August 2017.

Core inflation accelerated to a better-than-expected 1.9% year over year from 1.7%.

Analysts believe that the US-China trade tensions will continue to take its toll on the export-dependent industry. "Singapore's manufacturers, particularly those in the semiconductors segment, are already experiencing slowing growth due to the maturing of the global electronics cycle, and business sentiment is likely to be further dampened by rising trade tensions," Fitch Solutions said.

Amidst their predictions of challenging quarters ahead for the manufacturing sector, analysts were positive that the services sector, could, on the other hand, dampen the toils experienced by the export-exposed industry due to the escalating trade tensions. Expansion in the services sector kept its 2.9% growth pace with that of Q2 mainly backed by the finance & insurance, business services and wholesale & retail trade sectors.

Meanwhile, retail sales dipped 0.4% in August to $3.8b mainly backed by the 10.4% sales increase recorded by petrol service sections

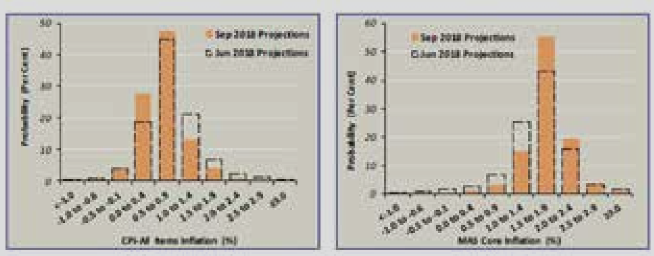
On domestic-oriented sectors, RHB noted that a positive contribution from the firm labour market environment should help improve growth in consumer discretionary spending, as it will likely be dampened by weaker external outlook that affects trade-related services whilst modest growth in retail sales points to a softening yet resilient domestic demand.

Faster wage growth

Apart from the improvement in the labour market, the OCBC Treasury Outlook noted that an expected faster wage growth pace from 2018 to 2019 could further support a strengthened domestic demand.

"Note that policymakers tip the Singapore economy to remain on a steady expansion course for the quarters ahead with output kept slight above potential, and a small positive output gap is expected to persist into 2019 which will impart modest inflationary pressures," they said. However, Alicia Garcia-Herrero, chief economist for Asia Pacific at Natixis said the outlook for Singapore is "relatively poor" on expectations that trade tensions will not be resolved soon. She foresees the country's economy growing no more than 2% or "probably less" in 2019, noting that the trade war affects all export sectors, except for refinery that will be buoyed by a better outlook for energy prices.

Mean probability distribution of 2018 inflation forecasts



Source: MAS

Coworking space operator JustCo took 57,000 sq ft of retail space at Marina Square

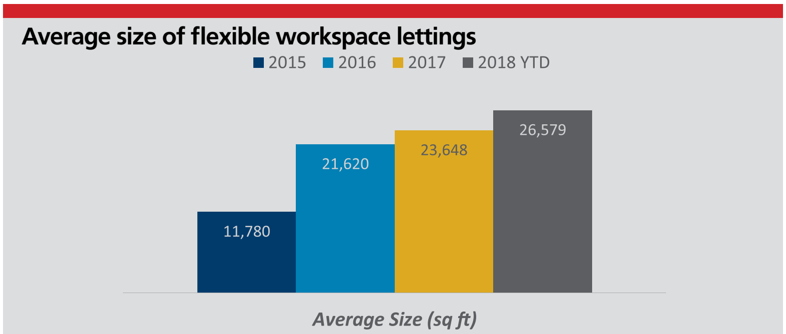
Shared economy, en bloc fever fire up Singapore's property sector in 2018

Dubbed as the 'catalytic saviour' of the property market in 2018, there are about 110-120 flexible workspace operating across Singapore, occupying 944,000 square feet of net lettable area.

The sharing economy has well and truly come of age as a mainstream working option in Singapore and is one of the few bright spots in the commercial market. Co-working spaces now account for for 4.5% of Grade-A office space in Singapore, which is around 54 soccer pitches in size. But its is the dizzying growth in coworking spaces that has analysts excited, with the sector tripling since 2015.

JM Tan

Colliers International senior analyst **JM Tan** noted that 2017 was a whirlwind year for the flexible workspace sector, which grew 44% YOY in terms of total real estate footprint across Singapore, marking the fastest annual growth in the sector's history. Once just the confines of small startups looking for a cheap way to look legit and reduce office space, coworking has now been adopted by the largest of corporations.



Source: Colliers International Singapore Research

Perhaps the most significant indicator of Singapore's coworking coming of age was the entry of American giant We-Work, which acquired local operator Spacemob in 2017 and proceeded to quickly shut down the office for a major renovation before reopening with major tenants including HP and e-commerce platform Shopee which took up the entire Ascent Tower.

Apart from the obvious technology startup sector its the financial services big guns who are moving fastest into co working, with both HSBC and Standard Chartered. HSBC and Standard Chartered are both taken up large desk counts in flexible workspaces across Asia Pacific, noted Tan. "The insurance industry, where a large proportion of employees may be in the sales agency function an inherently mobile occupation well suited for using flexible workspaces as drop down spaces across the city."

Fintech co-working spaces are also on the rise, with Edmund Tie & Co citing The Open Vault at OCBC a 2,400 sq ft fintech co-working space in New Bridge Road