



MAS expects a gradual and uneven growth trajectory for the Lion City

## Recovery expected in multiple industries this 2021: Monetary Authority of Singapore

More vulnerable sectors will take a longer time in seeing potential relief, say analysts.

After the pandemic-induced recession in 2020, the Monetary Authority of Singapore (MAS) expects the country's economy to finally expand in 2021, discounting a worse resurgence of COVID-19 cases. GDP growth has already rebounded in Q3 following a steep decline in the preceding quarter, but the momentum is likely to be subdued given headwinds in some domestic markets and the still-struggling travel sector.

The recovery witnessed in Q3 was brought about by a resumption in domestic economic activity as circuit breaker measures were relaxed and policy stimulus took effect, MAS said. The consumer services and construction sectors rebounded, whilst positive growth was seen again in the manufacturing industry as the global demand for semiconductors saw a sustained rise and petrochemicals output soared. Whilst activity in the Lion City's major trading partners have recuperated, expansion is set

to moderate due to a pickup in COVID-19 cases.

On their part, the Ministry of Trade and Industry (MTI) revised its 2020 outlook, forecasting the economy will shrink between 6% to 6.5%, narrower from the previous range of 5% to 7%. Based on estimates released by the MTI in October 2020, the economy bounced back 7.9% on a QoQ seasonally adjusted basis in third quarter.

Darren Tay, senior Asia country risk analyst for Fitch Solutions, agreed with the MTI's revised forecast, saying it is close to Fitch's own 6% contraction. Looking ahead into 2020, he believes that the financial sector will still outperform, whilst "more vulnerable" sectors such as retail and hospitality will have to wait for some quarters before seeing potential relief. "Lower consumer demand will continue to be an issue amidst higher unemployment for some time," he said.

Indeed, the finance & insurance sector fared better than other sectors

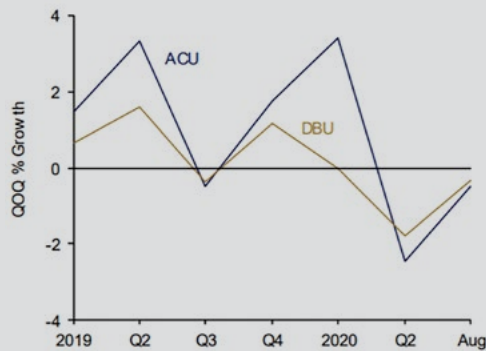
**GDP growth is likely to be subdued given headwinds in some domestic markets and the still-struggling travel sector**



in Q3, when it reversed the 1.4% QoQ drop SA recorded in Q2. "Pockets of resilience" were found in insurance, MAS said, as the industry gained from robust demand for life products. However, the performance of the banking sector remained lukewarm as credit demand fell, with ACU loans dipping 0.5% in August from end-June whilst DBU loans stayed in the red at -0.3%, dragged down by manufacturing and housing loans, the central bank reported.

**What will the new year bring?** MAS expects a "gradual and uneven" growth trajectory for the Lion City as 2021 knocks on its door. As most industries have already reopened, the next few quarters will see a decline in supply-side growth momentum, but demand shocks will endure as income loss and uncertainty still plague households. As a result, economic growth momentum is likely to be sluggish in Q4 2020 and remain modest in 2021, not counting

DBU and ACU non-bank loan growth



Source: MAS

more work resumption in industries dependent on foreign workers.

“Some pockets of the economy are not expected to recover to pre-COVID levels even by the end of next year: in particular, activity in travel-related and some contact-intensive domestic services could still fall short of pre-pandemic levels until health risks abate,” the central bank wrote.

The rebound experienced by the consumer-facing sector should wane come Q4. In the demand side, it is still muddy whether the pickup in F&B and retail could be maintained as tourist arrivals remain abysmal and economic unpredictability will hinder household spending, MAS argued. Besides, the possibility of more firm closures in the coming months should not be discounted as government wage subsidies decline, it added.

On the other hand, industries that rely on foreign workers can anticipate a more notable recovery in the last quarter of 2020. Backlog in the construction sector should ease as contracts awarded should rise in the succeeding months, buoyed by public residential developments and upgrades, as well as projects such as the Jurong Lake District, new healthcare facilities, and constructions such as the Cross Island MRT Line.

Notwithstanding the slowdown, the travel sector should see some domestic support owing to the Singapore Tourism Board’s \$45m marketing campaign and \$320m worth of tourism vouchers for local tours and staycations, MAS said.

As is already expected, digitalisation will play a vital role in the further growth of the ICT and finance sec-

tors, with the former likely experiencing a stable path thanks to its relative resiliency. The expansion of multinational companies such as Tencent and TikTok’s parent firm ByteDance into Singapore should spur long-term prosperity in the sector, as well as increase in mobile service revenue.

For the finance sector, even if credit demand could remain under pressure from a dampened risk appetite, it could be counteracted by improving fee incomes “amidst a healthy investment banking pipeline and recovering wealth management incomes,” the report said. Credit card networks players could also provide support as the adoption of digital payments services skyrockets, due to the digitalisation of spending.

The COVID-19 vaccine should also not be overlooked as a potential catalyst for faster recovery, Tay opined. In late November, CNBC reported that the vaccine candidate

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ARCT-021, co-developed by American biotech firm Arcturus Therapeutics and the Duke-NUS Medical School, has shown positive interim results and is in good standing to be delivered in 2021. Media reports later came out that Singapore can serve as an air cargo hub for the vaccines, with Singapore Airlines being readied for global transport.

“A faster than expected rollout of the vaccine, not just in Singapore, but around the region at least, will likely drive a much stronger acceleration in the recovery.”

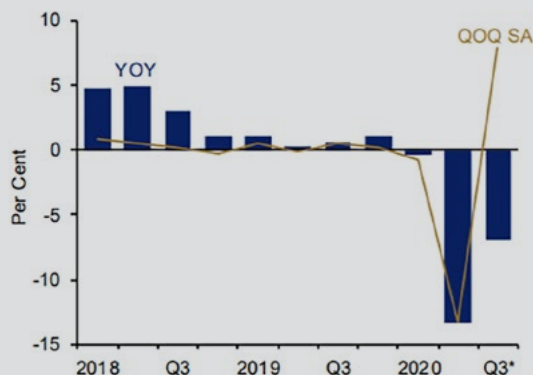
On a negative note, another uptick in worldwide COVID-19 cases could push for more shutdowns and weaker-than-expected credit demand, or further decay in domestic market conditions could threaten growth outlook, warns MAS.

Even if the 2020s did not begin on a high, there is still room for prosperity in the new decade.

According to Tay, there is much at stake for more global appetite on trade liberalisation and growth in key economies, particularly the United States and China, since Singapore’s economic performance is closely tied to the rest of the world.

“We see balanced risks for Singapore between a much more insular mood regarding trade and globalization especially in the US and other parts of the developed world, and a slowing China on the one hand, and Asian efforts to continue liberalising trade and the generally faster pace of development in Asia’s emerging markets compared to the rest of the world, on the other,” he said.

Singapore’s real GDP growth



Source: DOS