Singapore economy: 7 factors to watch in 2019

Barring surprises, the main forces that could affect the Singapore economy next year have already been dominating headlines in 2018. **BY JANICE HENG**

Trade tensions

Having brewed throughout 2018, the trade war between the United States and China might cool off – or keep simmering. While the current 90-day truce for negotiation gives some relief, there's no guarantee of a deal. If uncertainty persists or the spat worsens, the blow to world trade will be felt in Singapore too.

Brexit blues

Adding to global uncertainty is the looming Brexit deadline of March 29. There may be little direct impact on Singapore, but dampened global sentiment or weakness in Europe would still be a drag on external demand.

Rising interest rates

Going into 2019, monetary tightening is the new norm for central banks worldwide. While the Monetary Authority of Singapore's annual stress test showed that most listed firms here would be able to weather an interest rate shock, it nevertheless advised caution. Construction firms and small and medium enterprises in particular might come under stress in servicing their corporate debt obligations.

Slowing tech cycle

After a year of softening growth, Singapore's electronics sector Purchasing Manager's Index (PMI) – an indicator of activity – dipped into contractionary territory in November. With the global tech cycle having entered a weak patch, manufacturing growth is expected to stay slow next year.

Inflation at home

Growth may be cooling, but inflation continues to be stoked by domestic pressures such as wage costs, food prices, education, and healthcare. In particular, the overall unit labour cost bears monitoring, having seen a 1.6 per cent year-on-year rise in the third quarter.

Neighbouring politics

The main event in regional politics next year will be Indonesia's massive general elections on April 17. After 2018's shock result in Malaysia, firms and markets are taking nothing for granted. Attention also remains on Malaysia as their fiscal consolidation journey continues.

Elections ahead?

Closer to home, speculation about the next general election – due by April 2021 – has already begun. Both the Budget and the National Day Rally later in the year will be scrutinised for possible sweeteners.

BY THE NUMBERS

1.5 to 3.5%
2019 GDP growth forecast

1.5 to 2.5%
2019 core inflation forecast

WHAT THEY SAY

"The external demand outlook is likely to be slightly weaker in 2019, with the manufacturing sector to see a more modest expansion amid the downside growth risks stemming from a further escalation of trade conflicts and a faster-than-expected tightening of global financial conditions."
- OCBC head of treasury research and strategy Selena Ling

"Monetary policy could be further normalised, with fiscal policy likely providing a positive offset. The government has substantial surpluses from its first three years of the current term, which is typically put to use ahead of elections. There is increasing chatter of a potential early election, perhaps in late 2019 or early 2020."
- Bank of America Merrill Lynch economist Mohamed Faiz Nagutha

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