Why S’pore’s 2013 outlook may not be so rosy

BY TAN KHAY BOON

Singapore’s economy is expected to grow only by 2.3 per cent in 2013, down from the original 2.8 per cent forecast for the previous year. The economy is still expected to grow at 2.3 per cent in 2014. Various sources of demand for the Singapore economy may indicate a less optimistic outcome in 2013 and 2014.

First, let us consider the issue of inflation. A lower inflation benefits the economy as it encourages consumption, investment and exports which contribute to GDP directly. The good news is that oil and commodity prices are trending downwards and hence the lower oil and commodity prices will help to sustain the economy.

Secondly, the COE price actually rose to 7.6 per cent in May 2013, up from 6.5 per cent in the previous period. While the official China PMI rose marginally to 50.8 in May 2013, the HSBC China PMI actually slipped to 49.2 in the same period. The HSBC China PMI actually rose to 50.8 in May 2013, which reduced its appetite for imported goods. With the eurozone still not showing signs of recovery, the uncertainty in the external environment may continue to be a negative factor. The uncertainty in the eurozone economy may lead to asset inflation. A lower inflation benefits the economy as it encourages consumption, investment and exports which contribute to GDP directly. The good news is that oil and commodity prices are trending downwards and hence the lower oil and commodity prices will help to sustain the economy.

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