

Week Ahead Economic Preview

Global services PMIs, US payrolls, BoC, RBA, RBI meetings

1 December 2023

A busy build up to the holiday season includes worldwide services and sector PMI data and the November US labour market report in the week ahead, in addition to trade and inflation figures from mainland China. Central bank meetings in Canada, Australia and India will also unfold alongside third quarter GDP releases from the Eurozone, Australia, Japan and South Korea.

November's non-farm payrolls will be closely watched after flash US PMI data revealed that employment, across both manufacturing and service sectors, declined for the first time since June 2020. Any accompanying slowdown in wage growth will be a welcome development, especially with the market reacting positively towards any reminder of slowing inflation and possible Fed cuts going into 2024.

Separately, worldwide services and composite PMI data will be due December 5. Following indications of [sustained weakness in the goods producing sector](#), services activity growth will be crucial in keeping the JPMorgan Global PMI business activity index, compiled by S&P Global, out of contraction territory. At the same time, price trends will be closely observed for any signs of sticky core inflation, after the G4 economies collectively revealed higher selling price inflation in the service sector via November flash PMIs.

Additionally, sector PMI, which follow on December 6, will shed light on whether sector convergences have further unfolded, especially after October figures revealed that the manufacturing malaise had spread to services. This will be due on the same day as eurozone retail sales numbers, whose trend has aligned with PMI figures to reveal reduced consumer spending on the back of cost-of-living pressures.

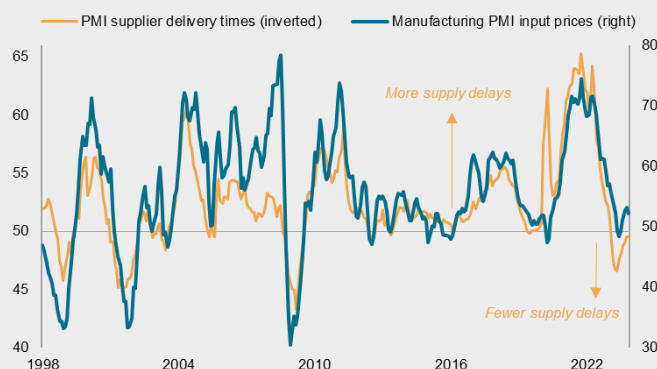
Central bankers in Canada, Australia and India meanwhile gather for their final monetary policy meetings of the year, though no changes are expected according to consensus. Taking the spotlight in the APAC region will instead be Q3 GDP data from Australia, while Japan and South Korea also update revised economic growth figures. Finally, mainland China's trade and inflation figures will be eagerly assessed, followed recent indications of improvements in the manufacturing sector according to the Caixin PMI.

Service sector inflation updates

An absence of supply chain pressures and lower oil prices meant input cost inflation in global manufacturing decelerated in November, according to the worldwide PMI surveys compiled by S&P Global.

The Global Manufacturing PMI Input Price index fell from 53.2 in October to 52.1, a three-month low. While the recent price gains contrast with falling prices seen in the three months to July, the rate of increase remains subdued by historical standards (the index averaged 55.6 in the decade leading up to the pandemic).

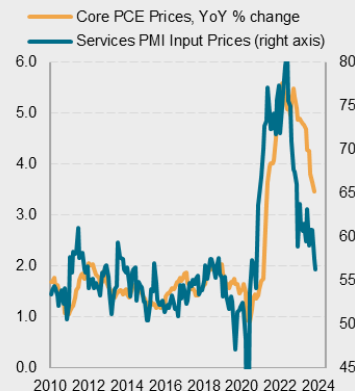
Global manufacturing supply conditions and prices



Data compiled December 2023 with PMI to November 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
Sources: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.
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While the historical weak rate of increase for industrial prices bodes ill for corporate profits, as weak demand has encouraged greater price competition, it is good news for inflation. However, it is the upcoming week's services PMI price data that will be of more interest to policymakers, as these service sector costs and prices are more closely correlated with core inflation, and are more directly influenced by interest rates.

US inflation



Data compiled December 1, 2023 using flash PMI data for November 2023. PMI 50 = no change on prior month.
Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
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Key diary events

Monday 4 Dec

Germany Trade (Oct)
Switzerland Inflation (Nov)
United States Factory Orders (Oct)

Tuesday 5 Dec

Worldwide Services, Composite PMIs, inc. global PMI* (Nov)
South Korea GDP (Q3, final) and Inflation (Nov)
Japan Tokyo CPI (Nov)
United Kingdom BRC Retail Sales Monitor (Nov)
Philippines Inflation (Nov)
Australia RBA Interest Rate Decision
Singapore Retail Sales (Oct)
France Industrial Production (Oct)
South Africa GDP (Q3)
Brazil GDP (Q3)
United States ISM Services PMI (Nov)
United States JOLTs Job Openings (Oct)

Wednesday 6 Dec

Australia Judo Bank Australia SME PMI*, GDP (Q3)
Germany Factory Orders (Oct)
Taiwan Inflation (Nov)
Eurozone Retail Sales (Oct)
Eurozone HCOB Construction PMI* (Nov)
United Kingdom S&P / CIPS Construction PMI* (Nov)
United States ADP Employment Change (Nov)
Canada Trade (Oct)
United States Trade (Oct)
Canada BoC Interest Rate Decision
S&P Global Sector PMI* (Nov)

Thursday 7 Dec

Australia Trade Balance (Oct), Building Permits (Oct, final)
Philippines Unemployment and Industrial Production (Oct)
China (Mainland) Trade (Nov)
Switzerland Unemployment (Nov)
Germany Industrial Production (Oct)
United Kingdom Halifax House Price Index* (Nov)
France Trade (Oct)
Italy Industrial Production (Oct)
Eurozone GDP (Q3, 3rd est.)
United States Initial Jobless Claims
S&P Global Metal Users and Electronics PMI* (Nov)

Friday 8 Dec

Japan Current Account (Oct)
Japan GDP (Q3, final)
India RBI Interest Rate Decision
Germany Inflation (Nov, final)
Taiwan Trade (Nov)
United Kingdom KPMG / REC UK Report on Jobs* (Nov)
United States Non-farm Payrolls, Unemployment Rate, Average Hourly Earnings (Nov)
United States UoM Sentiment (Dec, prelim)

Saturday 9 Dec

China (Mainland) CPI, PPI (Nov)

* Access press releases of indices produced by S&P Global and relevant sponsors [here](#).

What to watch

Worldwide services, composite and sector PMI

November's PMI releases continue with services and composite figures on Tuesday, Dec 5. Additionally, sector PMI data also get updated on Wednesday, Dec 6, ahead of metal users and electronics readings. After global [manufacturing conditions](#) softened again in November, services performance will be key in determining whether global growth tipped into contraction. This comes after the growth stalled at the start of the final quarter of 2023. Sector PMI will also shed light on key changes in performance on the detailed industry level, a key development of which had been the renewed [decline in demand for consumer services in October](#).

Americas: US jobs report, services ISM/PMIs, Bank of Canada meeting

November's labour market report will be the highlight of the US week with the consensus at the time of writing pointing to higher job additions at 180K and the unemployment rate holding at 3.9%. Amid the first fall in US private sector employment since June 2020, observed via the [S&P Global Flash US Composite PMI](#), the November release will be closely watched for signs of weakness or easing labour market conditions.

The Bank of Canada meets amid signs of inflation cooling closer to target, raising speculation of rate cuts in the new year. Recent [PMI](#) and GDP data have also been weak.

EMEA: Eurozone Q3 GDP (3rd est.), retail sales, Germany industrial production, trade, Turkey inflation

Besides PMI data, the final estimate for eurozone Q3 GDP and a series of tier-2 economic release will be due across the week. Retail sales from the eurozone will be keenly tracked alongside Germany's industrial production and trade figures as weakness in the region continued to show according to recent [flash indications](#). The UK also sees house price and recruitment industry data releases.

APAC: RBA, RBI meetings, China trade and inflation figures, Australia, Japan, South Korea GDP readings

In APAC, central bank meetings in Australia and India are anticipated though no changes are expected. Trade and inflation figures from mainland China will meanwhile be economic releases to watch after [Caixin Manufacturing PMI](#) outlined fresh improvements in the health of the manufacturing sector though export conditions remained soft. Cost pressures meanwhile stayed subdued.

Special reports:

Global factory job losses continue as demand downturn persists in November | Chris Williamson | [page 4](#)

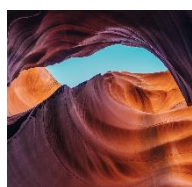
Singapore closes 2023 on a high note as manufacturing output surges | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Global factory job losses continue as demand downturn persists in November	1-Dec	Chris Williamson
	Flash PMIs signal jobs decline as economic malaise drifts into fourth month	24-Nov	Chris Williamson
	Emerging markets PMI signal further loss of growth momentum in October	16-Nov	Jingyi Pan
	Monthly PMI Bulletin: November 2023	9-Nov	Jingyi Pan
	Deterioration of trade conditions continues into Q4	8-Nov	Jingyi Pan
	Worldwide business activity stalls in October as global PMI hits 50.0	7-Nov	Chris Williamson
	Global PMI data show prices rising at slowest rate since December 2020	7-Nov	Chris Williamson
EMEA	Flash PMI points to UK economic downturn extending into fourth quarter	24-Oct	Chris Williamson
	Rising recession risks as eurozone flash PMI falls in October, price pressures ease further	24-Oct	Chris Williamson
US	US factories report job losses as demand continues to deteriorate, but price pressures weaken	1-Dec	Chris Williamson
Asia-Pacific	India's rapid growth continues as inflation pressures ease further	17-Nov	Rajiv Biswas
	Singapore's economic growth improves in third quarter of 2023	10-Nov	Rajiv Biswas

S&P Global Market Intelligence highlights

Shifting Sands: Economic Trends Impacting Global Economies in 2023-4



We study history to learn lessons from the past, helping us better understand the current environment and assess the likely future. Read this detailed review of some of the key signals from the Purchasing Managers' Index™ (PMI®) business survey data in 2023. With global and region-specific coverage and insights giving you an indication of what these trends mean for the global economy as we head into 2024.

[Click here to access our research and analysis](#)

PMI Insights: A look at the Americas



The economists see quite a subdued picture in Canada from their latest survey results. Firms are concerned about high interest rates and how they may squeeze clients' budgets. The newly launched PMI for the Canadian service sector, which covers private sector services accounting for about half of the country's GDP, offers additional insights into business activity, new orders, employment and more.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

For further information:

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Special Focus

Global Factory Job Losses Continue as Demand Downturn Persists in November

Global manufacturing business conditions worsened for a fifteenth successive month in November, according to the latest [JPMorgan Global Manufacturing Purchasing Managers' Index™ \(PMI®\)](#) compiled by S&P Global. The headline PMI – a composite index based on five survey variables – registered 49.3, up from 48.8 in October but remaining below the 50.0 no change level to merely indicate a moderation in the pace of decline.

Production continued to edge lower in response to a further deterioration in order books. The latter also contributed to a further month of subdued confidence about the outlook, prompting producers to cut employment for a third month running. This represents one of the worst global job market performances since the global financial crisis.

Firms also continued to cut back their input buying, though November saw some easing in the recent drag on output from cost-cutting related inventory reduction policies, which will potentially provide some support to production in the months ahead if sustained.

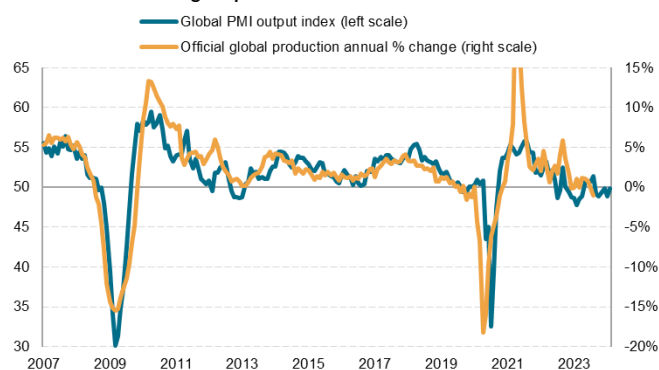
Europe continued to see the steepest downturn, with output also falling in Japan, though production returned to growth in mainland China and showed signs of stabilising in the UK. Modest growth was again meanwhile recorded in North America, including in the US. By far the strongest performance, however, was recorded once again in India.

Global factory output edges lower again in November amid further demand fall

Global manufacturing output fell for a sixth consecutive month in November, according to the latest PMI surveys compiled by S&P Global and sponsored by JP Morgan, though the decline signalled by the survey's production index was only very marginal and the weakest seen during the recent downturn.

Output has only risen globally in just four of the past 16 months, reflecting a post-pandemic shift in spending from goods to services and subdued spending amid higher prices and increased interest rates, but recent months have seen only very modest declines.

Global manufacturing output

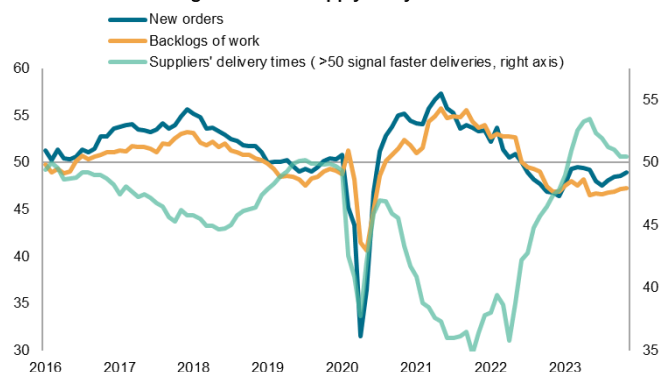


Data compiled December 2023 using PMI data updated to November 2023 and official data to September. PMI (Purchasing Managers' Index) value of 50 = no change on prior month, advanced three months. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2023 S&P Global.

A key factor preventing a steeper decline in production has been the fulfilment of backlogs of orders, accumulated during the pandemic-related supply shortages. Such shortages have eased considerably during 2023, facilitating higher output. Backlogs of work have consequently now fallen for 17 consecutive months.

A growing concern among manufacturers, however, has been a continual decline in inflows of new orders over the past 17 months, which means order books are becoming increasingly depleted.

Global manufacturing orders and supply delays



Data compiled December 2023 using PMI data updated to November 2023. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2023 S&P Global.

Global trade flows remain especially weak, with new export orders for goods falling globally for a twenty-first straight month in November, representing the worst spell for exports since the global financial crisis barring only the initial pandemic lockdowns. While the rate of decline in exports moderated to the slowest for seven months in November, the rate of contraction remained marked by historical standards.

Global goods exports



Data compiled December 2023, PMI data updated to November 2023, CPB trade data to September 2023. PMI (Purchasing Managers' Index) 50 = no change on prior month. Sources: S&P Global PMI with J.P. Morgan, CPB trade data via S&P Global Market Intelligence. © 2023 S&P Global.

Gloomy prospects drive job losses and cost-cutting

The sustained downturn in demand signalled by the survey contributed to a further gloomy outlook for the year ahead among manufacturers. Although business expectations lifted from October's recent low, the level remained well below the survey's long-run average.

This downbeat mood led to a third successive month of falling employment in the manufacturing sector worldwide, as firms sought to adjust operating capacity lower in line with demand. Although the pace of job losses eased slightly in November, the past three months have seen the average payroll reduction exceeded since 2009 only by that recorded the early pandemic months.

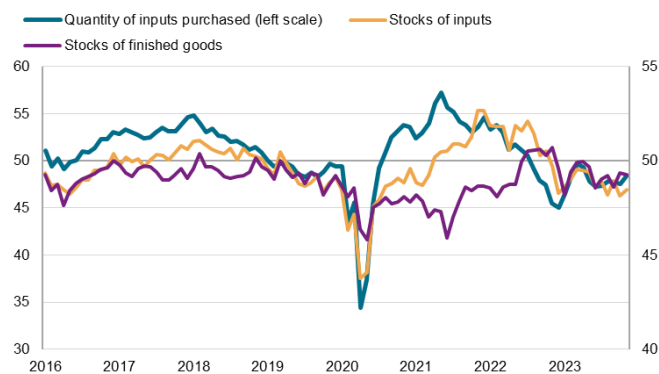
Global manufacturing PMI expected future output and employment



Data compiled December 2023 including PMI data to November 2023. PMI (Purchasing Managers' Index) 50 = no change. Source: S&P Global PMI with J.P. Morgan. © 2023 S&P Global.

Similarly, manufacturers continued to focus on reducing their purchases of inputs, and ensured further cost savings through the running-down of inventories of both inputs and finished goods.

Global manufacturing PMI input buying and inventories



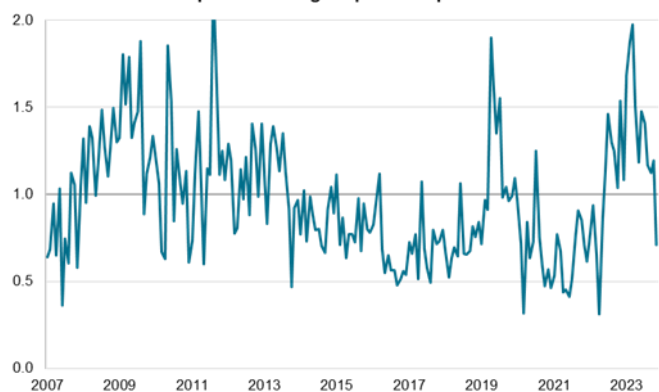
Data compiled December 2023 using PMI data updated to November 2023. PMI (Purchasing Managers' Index) 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2023 S&P Global.

Inventory cycle turning

There are some glimmers of better news, however, notably through the survey data on inventories, especially those of inputs and raw materials. Although still declining, manufacturers' purchasing of inputs fell at the slowest rate for seven months in November.

At the same time, analysis of anecdotal evidence collected in survey responses (which powers our PMI Comment Tracker dataset) shows a marked fall in the number of companies globally that are cutting output deliberately in order to reduce inventories.

S&P Global PMI: companies cutting output to help reduce inventories



Data compiled December 2023. Axis scale 1 = long term average. Source: S&P Global PMI Comment Trackers. © 2023 S&P Global.

As such, the data therefore hint at a shift away from inventory reduction policies and an easing in the accompanying drag on global manufacturing production, which appears to have helped lift some of the survey gauges in November.

A shift to the inventory cycle becoming more supportive to growth is likewise hinted at by the survey's order-to-inventory ratio, especially in terms of orders relative to inventories of inputs. However, it is clear that any such inventory-led growth stimulus remains very modest, reflecting the fact that, although inventories of inputs are becoming more depleted

compared to the high levels accumulated during the pandemic, the need to replenish stock remains low amid the ongoing downturn in final demand.

Global manufacturing order-inventories



Data compiled December 2023 using PMI data updated to November 2023. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2023 S&P Global.

Eurozone continues to report sharpest decline

Drilling down geographically, only 11 economies monitored by the S&P Global PMI surveys reported higher manufacturing output in November while 20 reported lower production.

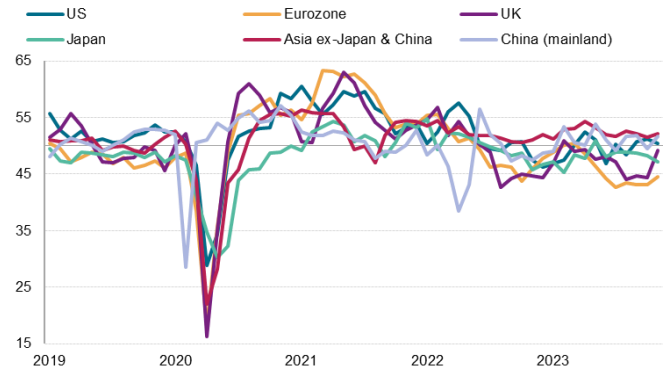
By broad region, the eurozone once again reported by far the sharpest downturn while Asia returned to growth after briefly slipping into contraction in October. North American production continued to grow marginally.

In more detail, the seven fastest-contracting manufacturing economies were all found in Europe, with France replacing Germany as the worst performer. The UK notably saw a near-stabilisation of production, and output in mainland China revived after slipping into contraction in October. Downturns meanwhile eased in South Korea and Taiwan, but deepened in Japan.

In terms of the best performers, the strongest output gain continued to be recorded in India, where an ongoing production boom far outpaced all other economies covered by the S&P Global PMI surveys, followed by the Philippines, Greece and Indonesia.

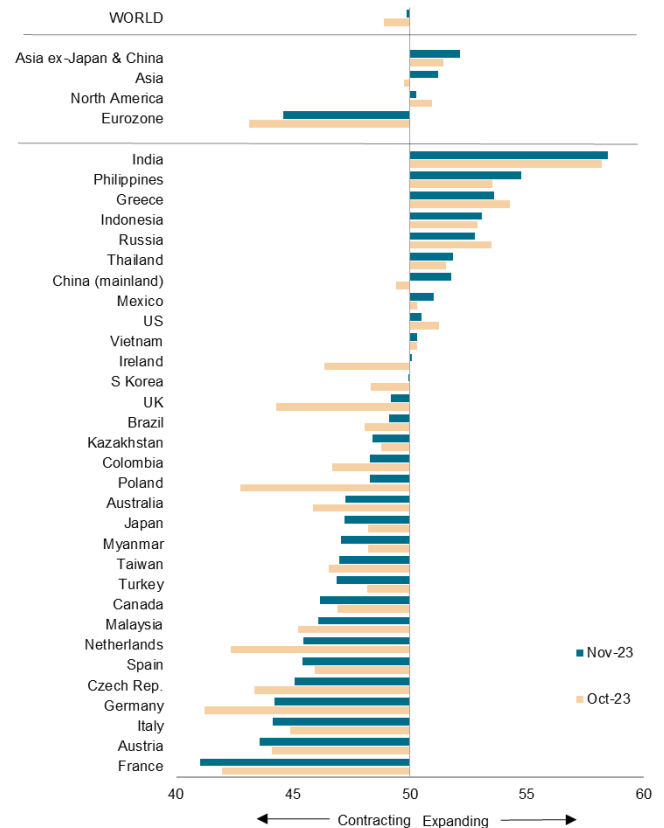
Chris Williamson
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Manufacturing PMI output index



Data compiled December 2023 using PMI data updated to November 2023. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Source: S&P Global PMI with HCOB, CIPS, Caixin, au Jibun Bank, S&P Global Market Intelligence. © 2023 S&P Global.

Manufacturing PMI output index



Data compiled December 2023. PMI index 50 = no change on prior month. Source: S&P Global PMI, S&P Global Market Intelligence, CBA, ISO, CIPS, HCOB, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Istanbul Chamber of Industry, Tengri Partners, JPMorgan. © 2023 S&P Global.

Special Focus

Singapore Closes 2023 on a High Note as Manufacturing Output Surges

Having commenced 2023 with weak economic momentum, the Singapore economy is closing the year on a high note. Manufacturing sector output showed a strong rebound of 7.4% year-over-year (y/y) in October 2023, after 12 consecutive months of year-over-year contraction. Singapore's non-oil domestic exports to China rose sharply in October, up 38.5% y/y, buoyed by non-electronics exports. Real GDP growth momentum improved to a pace of 1.1% growth year-over-year in the third quarter of 2023, compared with 0.5% y/y in the second quarter of 2023.

Singapore's international tourism arrivals have also rebounded strongly during 2023. The outlook for 2024 is for strengthening GDP growth, helped by improving manufacturing exports and continuing recovery of tourism exports.

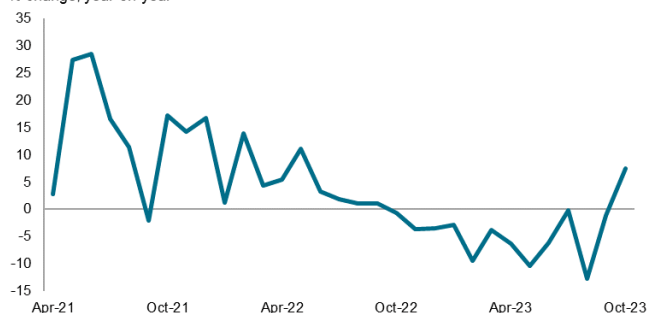
Manufacturing sector output rebounds in October 2023

Latest statistics from Singapore's Economic Development Board (EDB) showed that manufacturing output rebounded strongly in October 2023. When measured on a month-on-month (m/m) basis, manufacturing output rose by 9.8% m/m.

A key factor driving the rebound in manufacturing output was the sharp upturn in electronics output, which rose by 14.8% y/y in October. Transport engineering output also rose strongly, up by 12% y/y, while biomedical manufacturing rose by 5.1% y/y. However, precision engineering output fell by 2.2% y/y while chemicals output showed a modest decline of 1% y/y.

Singapore manufacturing output

% change, year-on-year



Source: Singapore EDB.
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Reflecting the weakness of manufacturing sector new orders since mid-2022, Singapore's non-oil domestic exports (NODX) fell by 3.4% y/y in October, although the extent of contraction moderated considerably compared with a decline of 13.2% y/y in September and 22.5% y/y in August, according to latest data released by Enterprise Singapore.

Exports of electronics products fell by 4.6% y/y in October compared with a decline of 11.6% y/y in September and a drop of 21.1% y/y in August. Exports of non-electronic products fell by 2.6% y/y in October, moderating compared with the steep decline of 13.7% y/y in September 2023.

Exports of non-electronic products to mainland China rebounded by 50.7% y/y in October, after rising by 34.7% y/y in September. This was a sharp turnaround from a decline of 19.5% y/y in August. This helped to mitigate the impact of declining electronic exports, resulting in total non-oil domestic exports to mainland China rising by 38.5% y/y in October after an increase of 26.2% y/y in September.

Non-oil domestic exports to South Korea remained weak, declining by 14.7% y/y in October after a decline of 29.2% y/y in September. Exports of electronics products fell by 7.4% y/y in October, while exports of non-electronic domestic products fell by 17% y/y.

Meanwhile exports to the US fell by 13.8% y/y in October 2023, with exports of electronics products rising by 2.3% y/y while exports of non-electronics products fell by 16.9% y/y.

Singapore economy improves in third quarter of 2023

According to the GDP statistics for Q3 2023 GDP released by Singapore's Ministry of Trade and Industry (MTI), Singapore's GDP growth rate was 1.1% y/y in the third quarter of 2023, improving on the 0.5% y/y in the second quarter of 2023. but much weaker than the 3.6% annual GDP growth rate achieved in 2022.

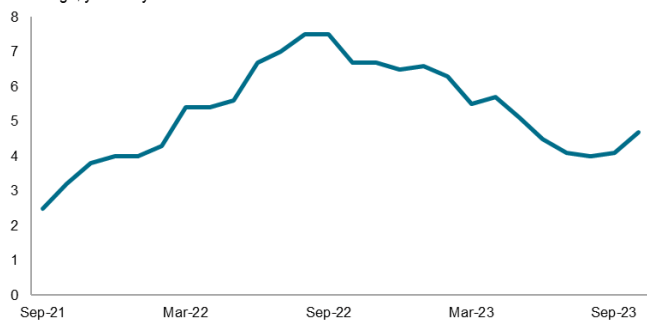
Measured on a quarter-on-quarter basis (q/q), GDP growth was up 1.4% q/q in the third quarter of 2023, much stronger than the 0.1% q/q growth rate in the second quarter of 2023.

Manufacturing output rose by 0.5% q/q in Q3 2023 compared with a contraction of 1.5% q/q in Q2 2023 and a decline of 4.5% q/q in Q1 2023. However, on a year-over-year basis, manufacturing output continued to show a significant contraction of 4.6% y/y in the third quarter of 2023, after declining by 7.7% y/y in the second quarter.

The construction sector remained a bright spot amongst the goods-producing industries, with output up by 6.3% y/y in Q3 2023, after a rise of 7.7% y/y in Q2 2023 and 7.9% y/y in Q1 2023.

Singapore CPI inflation

% change, year-on-year



Source: Singapore MAS, MTI.
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The service sector also showed positive growth of 2.3% y/y in Q3 2023, compared with 2.8% y/y in Q2 2023, Services output was up 0.8% q/q in Q3 2023. The removal of many COVID-19 restrictions since April 2022 and improving tourism flows supported buoyant growth in the accommodation segment, which grew by 12.9% y/y in Q3 2023, after rising by 13.0% y/y in Q2 2023.

International tourism has rebounded during 2023, with total international visitor arrivals having reached 10.1 million for the first nine months of 2023 an increase of 171% compared to the same period of the previous year. The tourism rebound has been helped by strong tourism inflows from other APAC nations, notably Indonesia, Malaysia, India and Australia. There has also been a significant upturn in visitors from mainland China in recent months. The number of visitor arrivals is broadly on track to meet the Singapore Tourism Board’s target of 12 million tourist visitors in 2023, about double the total tourism arrivals in 2022, which was estimated at 6.3 million.

Singapore’s private sector expansion was sustained at a strong pace in October, according to the latest PMI data. Solid new business growth drove higher total activity.

S&P Global Singapore PMI

S&P Global PMI (Purchasing Managers’ Index) Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys
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The headline seasonally adjusted S&P Global Singapore Purchasing Manager’s Index (PMI) posted 53.7 in October. Although slightly lower than the 54.2 reading in September, the latest reading continued to signal a solid expansion in

private sector conditions. Moreover, this marked the eighth consecutive month in which Singapore’s private sector economy expanded.

Inflation pressures have again increased

According to the latest S&P Global Singapore PMI survey, average input prices rose in October, reflecting higher input costs and wages. Furthermore, the rate at which average input prices increased accelerated to the joint-highest since May. Purchase prices rose as supply constraints worsened, which simultaneously led to a lengthening of lead times in October. Due to higher input prices, Singaporean private sector firms continued to raise their own output prices.

Singapore PMI input cost and output prices

S&P Global PMI (Purchasing Managers’ Index) Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys
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Singapore’s headline CPI inflation rate rose to 4.7% y/y in October compared to 4.1% y/y in September, reflecting rising costs of private transportation due to higher car prices as well as increasing electricity and gas costs. The Monetary Authority of Singapore (MAS) Core Inflation measure rose to 3.3% y/y in October from 3.0% y/y in September.

Singapore’s electronics output rebounds despite global headwinds

The electronics manufacturing industry is a key segment of Singapore’s manufacturing sector, accounting for 40% of the total weight of manufacturing output, dominated by semiconductors-related production. S&P Global survey data since mid-2022 indicates that the global electronics manufacturing industry is continuing to face headwinds from the weak pace of global economic growth.

The headline seasonally adjusted S&P Global Electronics PMI fell to 46.9 in October compared with 47.7 in September, continuing to signal contractionary conditions in the global electronics sector. New orders remained weak, with a reading of 45.0, still signalling contraction in global demand for electronics.

However, despite global headwinds, Singapore's electronics sector output has rebounded during September and October. According to data from Singapore's Economic Development Board, Singapore's electronics output rose by 12.7% y/y in September and by 14.8% y/y in October, although electronics output was still down by 4.6% y/y in the first ten months of 2023. Semiconductors output, which accounts for the largest share of total electronics production in Singapore, rose by 16.5% y/y in September and by 17.8% y/y in October, although posting a decline of 4.2% y/y for the first ten months of 2023.

Singapore's non-oil domestic exports of electronics continued to decline in October 2023, falling by 5.6% y/y according to exports data released by Enterprise Singapore. However, the pace of contraction moderated significantly in October compared to September. In October, exports of integrated circuits fell by 17.6% y/y, while exports of PCs fell by 22.9% y/y.

Exports of electronics products to mainland China remained very weak in October, declining by 12.8% y/y. Singapore's electronics exports to South Korea fell by 7.4% y/y. Electronics exports to the US rose marginally, by 2.3% y/y in October. However, electronics exports to Japan surged, rising by 52.8% y/y. Electronics exports to the EU showed a strong upturn, with positive growth of 14.5% y/y.

S&P Global Electronics PMI and new orders

S&P Global PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys
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Singapore's Economic Outlook

After a second year of rapid economic recovery from the pandemic in 2022, economic growth momentum moderated significantly in 2023, although momentum has strengthened in the second half of the year. Annual GDP growth is estimated by S&P Global Market Intelligence to have slowed to 1.0% in 2023, a significant moderation in growth momentum compared with GDP growth of 3.6% in 2022 and 8.9% y/y in 2021.

According to the September 2023 Survey of Professional Forecasters produced by the MAS, the median GDP forecast for 2023 is for growth of 1.0%, significantly lower than the

forecast from the June 2023 Survey, which was for GDP growth of 1.4% in 2023.

With continuing headwinds to global growth momentum due to weak growth in the EU and sluggish economic recovery in mainland China, the outlook for Singapore's manufacturing sector is still challenging. However, there are early signs of a rebound in electronics output. Stronger exports of services, notably due to rising international tourist arrivals, will help to support overall exports.

The increase in Singapore's Goods and Services Tax by 1% from 7% to 8% implemented on 1st January 2023 has also acted as a slight drag on economic growth in 2023, raising fiscal revenue by an estimated 0.7% of GDP per year.

In 2023, taking into account the 1% increase in GST from 1st January 2023, headline and core CPI inflation are estimated to average 5% and 4% respectively. The MAS and MTI note upside risks to the inflation outlook from potential shocks to global food commodity prices as well as if persistent tightness in the labour market keeps upward pressures on wage rises. In 2024, headline and core inflation are projected to average 3.0–4.0% and 2.5–3.5% respectively, according to MAS and MTI forecasts, with a further 1% increase in GST scheduled to be implemented in January 2024.

The medium-term outlook for Singapore's manufacturing sector is supported by a number of positive factors.

Despite near-term headwinds, medium-term prospects for Singapore's electronics industry remains favourable. The outlook for electronics demand is underpinned by major technological developments, including 5G rollout over the next five years, which will drive demand for 5G mobile phones. Demand for industrial electronics is also expected to grow rapidly over the medium term, helped by Industry 4.0, as industrial automation and the Internet of Things boosts rapidly growth in demand for industrial electronics. Singapore also remains an attractive hub for supply chain diversification for some high value-added segments of the electronics industry, as electronics manufacturers continue to diversify their supply chains for production of critical electronics products, notably semiconductors. Reflecting these trends, in 2022, Singapore attracted significant new foreign direct investment inflows into electronics manufacturing.

In the biomedical manufacturing sector, a number of new manufacturing facilities are being built by pharmaceuticals multinationals. This includes a new vaccine manufacturing facility being built by Sanofi Pasteur and a new mRNA vaccine manufacturing plant being built by BioNTech.

The aerospace engineering sector is currently experiencing rapid growth as the reopening of international borders in APAC is boosting commercial air travel across the region. Singapore's role as a leading international aviation hub is

likely to continue to strengthen over the medium-term, helped by strong growth in APAC air travel and its role as a key Maintenance, Repair and Overhaul (MRO) hub in APAC.

In the service sector, Singapore is expected to continue to be a leading global international financial centre for investment banking, wealth management and asset management. Singapore will also continue to be a key APAC hub for shipping, aviation and logistics, as well as an important APAC hub for regional headquartering.

However, an important long-term challenge for the Singapore economy over the medium to long term will be from demographic ageing, with Singapore having one of the world's fastest ageing populations. The proportion of Singapore's population that is currently aged over 65 years is around 17% of the population, but this is projected to rise to 25% by 2030. This will result in rising healthcare and social welfare costs and could gradually reduce Singapore's long-term potential GDP growth rate. The role of fiscal policy in addressing demographic ageing will continue to be a key focus for government policy over coming years as the economic impact of demographic ageing intensifies.

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