

# Week Ahead Economic Preview

US and UK inflation, China activity data and Japan's GDP in focus

10 November 2023

Key inflation releases from the US and UK are anticipated in the coming week, in addition to industrial production and retail sales data for the former. Industrial production readings will also be due across the eurozone and mainland China, as well as third quarter GDP updates from both the Eurozone and Japan. A central bank meeting also takes place in the Philippines. Finally, Global Business Outlook surveys released on Monday by S&P Global Market Intelligence will provide forward-looking insights on all major economies.

October's US CPI will be the most important piece of economic data due in the new week. This comes as market sentiment improved significantly over the last 30 days amid hopes for peak rates, according to the latest [S&P Global Investment Manager Index \(IMI\)](#). Concerns with regards to central bank policy have eased markedly, fuelled partly by less hawkish comments coming through from US central bankers. Whether further progress was made in the fight against inflation will be assessed with the US CPI release. As far as PMI price data have alluded to, further easing of inflationary pressures is to be expected. Other activity data from the US including industrial production and retail sales will also be key in helping assess the degree to which the US economy is retaining growth momentum in the fourth quarter.

Over in the UK, a flurry of economic releases including inflation, employment and retail sales data are to be expected. Developments on the inflation front will be especially closely watched as there is a widespread expectation that the annual CPI rate will fall sharply from its current 6.7%. At the same time, however, we are mindful of employment conditions continuing to soften in October, according to PMI and [recruitment survey](#) indications. Official UK employment data will be due Tuesday, though concerns persist over data quality.

Finally, in APAC, Q3 GDP will be watched from Japan after growth was shown to have peaked earlier in Q2 and have [further moderated into the start of the fourth quarter](#), partly in response to the knock-on effect of slower demand from China. Mainland China's industrial production and retail sales data will therefore also be eagerly assessed given the importance of the economy for regional growth.

## Global inflation pressures at lowest since 2020

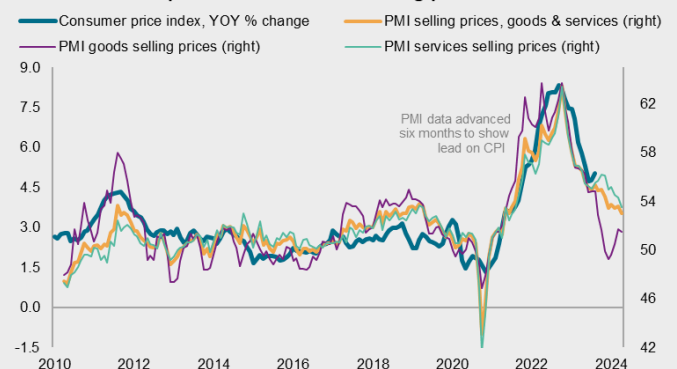
UK inflation is widely expected to have dropped sharply in October, having been stuck at an annual rate of 6.7% over the prior two months, and US inflation is also expected to have cooled from a monthly rate of 0.4% to 0.1%. These softening inflation rates have been trailed in advance by the PMI surveys, which showed global inflationary pressures moderating in October to their lowest since late-2020.

Although the overall PMI's rate of inflation of selling prices for goods and services remains above its pre-pandemic average, amid some stickiness of services inflation and a modest upturn in goods prices, there is encouraging news on underlying - or core - price pressures cooling further in the coming months. In particular, survey responses reveal wage pressures to have moderated markedly in recent months. Companies' pricing power has also been hit by reduced demand. The survey data show demand-pull price pressures are reverting to their long-run average (or 'normal' levels).

The national survey data in fact show central bank inflation targets having now consequently come into view in the US and eurozone. Some price stickiness is more evident in the UK, though even here the rate of inflation looks set to moderate sharply in the coming months.

Read more in our [special report on global inflation](#).

### Global consumer price inflation and PMI selling prices



Data compiled November 2023 including PMI data to October 2023 advanced six months. 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. © 2023 S&P Global.

## Key diary events

### Monday 13 Nov

*Singapore, Malaysia Market Holiday*  
Japan PPI and Machine Tool Orders (Oct)  
Turkey Current Account (Sep)  
India Inflation (Oct)  
Germany Current Account (Sep)  
United Kingdom Regional PMI\* (Oct)  
United States Consumer Inflation Expectations (Oct)  
Global Business Outlook\* (Oct)

### Tuesday 14 Nov

*India Market Holiday*  
New Zealand Food Inflation (Oct)  
Australia Westpac Consumer Confidence (Nov)  
Australia NAB Business Confidence (Oct)  
India WPI (Oct)  
United Kingdom Labour Market Report (Sep)  
South Africa Unemployment (Q3)  
Eurozone Employment Change (Q3, prelim)  
Eurozone GDP (Q3, 2<sup>nd</sup> est.)  
Eurozone ZEW Economic Sentiment Index (Nov)  
Germany ZEW Economic Sentiment Index (Nov)  
United States CPI (Oct)

### Wednesday 15 Nov

*Brazil Market Holiday*  
Japan GDP (Q3, prelim)  
South Korea Trade (Oct)  
Australia Wage Price Index (Q3)  
China (Mainland) Industrial Production, Retail Sales, Fixed Asset Investments (Oct)  
China (Mainland) Unemployment Rate (Oct)  
China (Mainland) 1-Year MLF Announcement  
Indonesia Trade (Oct)  
Japan Industrial Production (Sep, final)  
Germany Wholesale Prices (Oct)  
United Kingdom Inflation (Oct)  
Eurozone Industrial Production (Sep)  
Eurozone Balance of Trade (Sep)  
United States PPI (Oct)  
United States Retail Sales (Oct)  
United States Business Inventories (Sep)

### Thursday 16 Nov

Japan Trade (Oct)  
Japan Machinery Orders (Sep)  
Australia Employment (Oct)  
China (Mainland) House Price Index (Oct)  
Philippines BSP Interest Rate Decision  
United States Industrial Production (Oct)

### Friday 17 Nov

Singapore Non-oil Domestic Exports (Oct)  
Malaysia GDP (Q3)  
United Kingdom Retail Sales (Oct)  
Eurozone Inflation (Oct, final)  
United States Building Permits (Oct, prelim)

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

## What to watch

### Americas: US CPI, PPI, retail sales, industrial production and building permits figures

US CPI and PPI figures will be closely watched in the coming week for assessment of the Fed's ongoing fight with inflation. According to consensus, October's headline CPI is expected to slow from September's 0.4% month-on-month (m/m) print while core CPI may show some signs of stickiness around 0.3% m/m. [S&P Global US PMI selling price index, which precludes the trend for official CPI, further fell at the start of October](#), reinforcing the consensus for the lowering of inflationary pressures.

Additionally, US retail sales and industrial production figures will be closely watched for insights into economic conditions in October. Focusing on the goods producing sector, a stabilisation of manufacturing conditions was observed with October's [S&P Global US Manufacturing PMI](#) as new orders returned to growth. The retail sales data will be meanwhile eyed for indications as to whether consumers will again help support the economy in the fourth quarter after the upside surprise to Q3 economic growth. US building permits data will likewise be in focus, helping further assess fourth quarter GDP trends. Our US economics team is currently anticipating annualised growth to slow from near 5% in Q3 to just above 1% in Q4, in line with our PMI.

### EMEA: UK CPI, job market and retail sales data, Eurozone Q3 GDP, industrial production, German ZEW

UK retail sales and inflation data will provide important insights for Bank of England rate setters, though the labour market release will be less useful due to concerns over data quality. A marked easing of price pressures is expected in the UK, which should play into the hands of those voting to hold rates steady at the last two MPC meetings.

An update of eurozone's Q3 GDP (currently signalling a 0.1% decline) will also be due alongside industrial production numbers, the latter likely to disappoint after a steep drop in data for Germany.

### APAC: Japan Q3 GDP, BSP meeting, China industrial production and retail sales data

In APAC, a central bank meeting in the Philippines unfolds on Thursday. Data highlights meanwhile include Q3 GDP from Japan while industrial production and industrial sales figures from mainland China will be in focus. A Reuters poll shows Japan's GDP is expected to have contracted in Q3, though PMI data have recently been more resilient.

## Special reports:

**Worldwide Business Activity Stalls in October as Global PMI Hits 50.0** | Chris Williamson | [page 4](#)

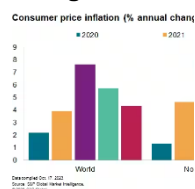
**Singapore's Economic Growth Improves in Third Quarter of 2023** | Rajiv Biswas | [page 7](#)

## Recent PMI and economic analysis from S&P Global

Global	<a href="#">Monthly PMI Bulletin: November 2023</a>	9-Nov	Jingyi Pan
	<a href="#">Deterioration of trade conditions continues into Q4</a>	8-Nov	Jingyi Pan
	<a href="#">Worldwide business activity stalls in October as global PMI hits 50.0</a>	7-Nov	Chris Williamson
	<a href="#">Global PMI data show prices rising at slowest rate since December 2020</a>	7-Nov	Chris Williamson
	<a href="#">Global factories remain in the doldrums, job losses mount, as demand continues to weaken</a>	3-Nov	Chris Williamson
	<a href="#">Worldwide factory prices rise again in October, but wage pressures cool</a>	2-Nov	Chris Williamson
	<a href="#">Subdued picture from flash PMIs masks widening growth divergences</a>	31-Oct	Chris Williamson
EMEA	<a href="#">Flash PMI points to UK economic downturn extending into fourth quarter</a>	24-Oct	Chris Williamson
	<a href="#">Rising recession risks as eurozone flash PMI falls in October, price pressures ease further</a>	24-Oct	Chris Williamson
US	<a href="#">US soft landing hopes boosted as flash PMI lifts higher and price pressures abate</a>	25-Oct	Chris Williamson
Asia-Pacific	<a href="#">South Korea's exports rebound in October 2023</a>	3-Nov	Rajiv Biswas
	<a href="#">Australian economic growth moderates due to tighter monetary policy</a>	27-Oct	Rajiv Biswas

## S&P Global Market Intelligence highlights

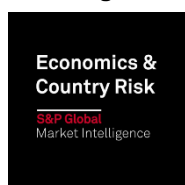
### Rising uncertainty, rising risks



The Israel-Gaza war adds to already elevated uncertainty. A major escalation in the conflict would make a material difference to economic prospects and our forecasts. Impacts are already apparent via various channels, including higher energy prices.

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

### PMI Insights: Extreme weather impact



2023 has delivered some extreme weather, from extreme heat in Southern Europe to a dry spell that affected crop yields in Southeast Asia and Australia, often with tragic human consequences. Extreme weather events like droughts and floods also present risks to economies and supply chains.

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

## For further information:

For more information on our products, including economic forecasting and industry research, please visit <https://www.spglobal.com/>. For more information on our PMI business surveys, please visit [here](#).

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Special Focus

# Worldwide Business Activity Stalls in October as Global PMI Hits 50.0

Global business activity stalled in October, according to the S&P Global PMI surveys, based on data provided by over 27,000 companies. The data signal an ongoing loss of economic growth momentum at the start of the fourth quarter after the robust global expansion seen earlier in the year.

A post-pandemic surge in demand for consumer-oriented services such as tourism and recreation has moved into reverse, though the growing malaise is broad based, encompassing an ongoing manufacturing downturn and declining demand for financial and business services.

Businesses, hit by worsening order books, have meanwhile grown gloomier about the outlook and hence pulled back on their hiring.

The worsening global economic climate is being led by Europe but newly-released data also show a gathering downturn in Canada and very subdued growth in the United States. Growth has also stalled in mainland China, leaving India as the remaining bright spot in an otherwise subdued global economic picture, and even here the rate of expansion showed signs of cooling in October.

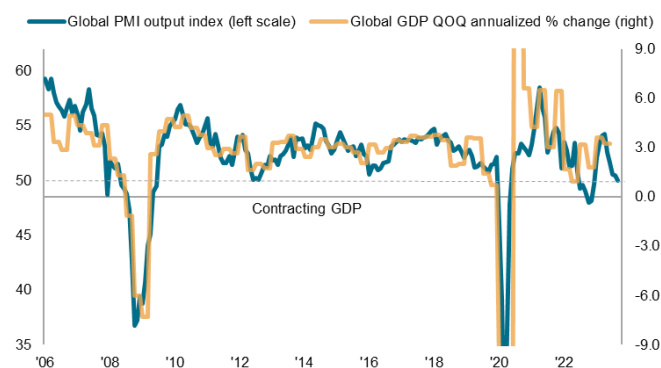
## Global recovery stalls

Worldwide business activity stagnated in October, according to the Global PMI data compiled by S&P Global. The headline PMI, covering manufacturing and services across over 40 economies and sponsored by JPMorgan, fell to 50.0 from 50.5 in September, its lowest since the current global economic upturn began in February.

The current reading takes the PMI further below the survey's long-run average of 53.2 and is broadly consistent with annualized quarterly global GDP growth of just under 1%, well below the pre-pandemic ten-year average of 3.0%.

To underscore the recent weakening of the global economic growth trend, prior to the pandemic and tightening of financial conditions seen late last year, the PMI has not fallen below 50 since the global financial crisis.

Global economic growth and the PMI

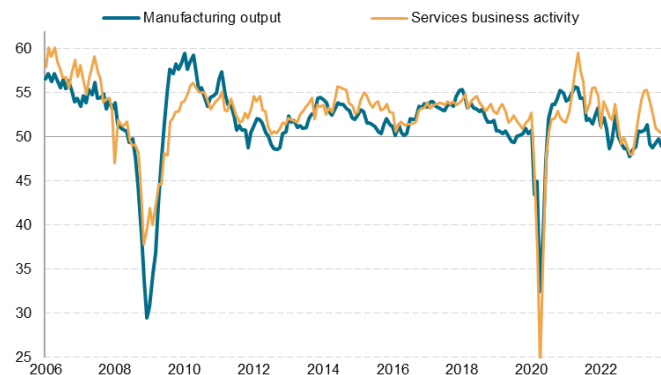


Data compiled November 2023 including PMI data to October 2023. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2023 S&P Global.

## Malaise spreads from manufacturing to services

The survey data therefore point to a further cooling of the global economic expansion since the robust growth spurt seen earlier in the year. This deterioration reflects an ongoing decline in manufacturing output, which fell for a fifth successive month in October and at an accelerated rate compared to September, alongside a near-stalling of service sector growth, the latter representing an especially marked contrast to the strong rates of expansion seen during the second quarter of the year.

Global PMI output by sector

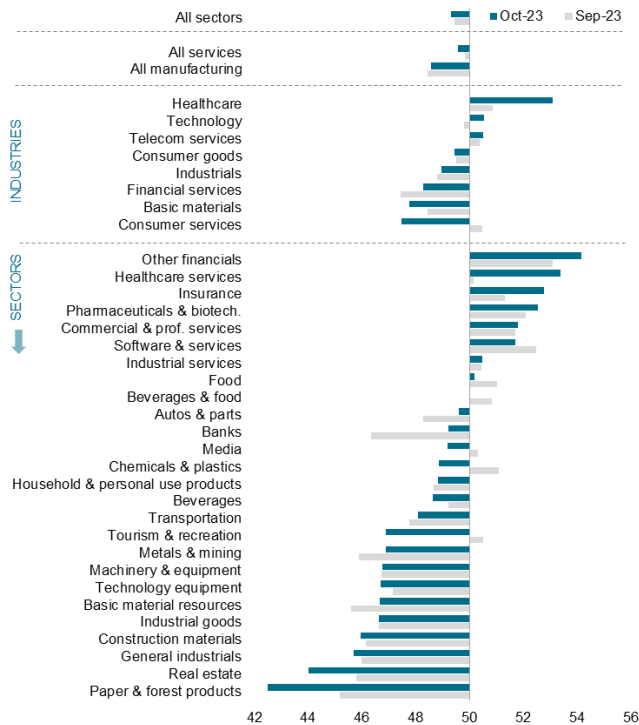


Data compiled November 2023 including PMI data to October 2023. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Sources: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2023 S&P Global.

Both sectors saw demand conditions deteriorate. New orders for goods fell for a sixteenth successive month, accompanied in October by a second monthly fall in demand for services.

Looking by broad industry, rising demand was evident only for healthcare and, to lesser extents, technology and telecom services.

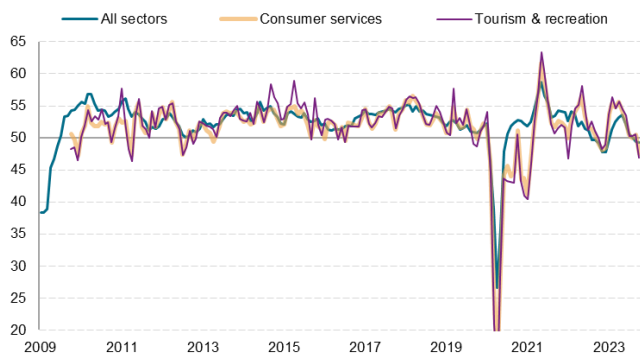
**Global PMI new orders index**



PMI (Purchasing Managers' Index) value of 50 = no change on prior month.  
 Source: S&P Global PMI with J.P. Morgan.  
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Notably, the steepest decline in demand was seen for consumer services, which had – in marked contrast – led the global expansion in the first four months of the year. Demand for consumer services, and its sub-sector tourism & recreation, is now contracting at steep rates by historical standards.

**Global PMI sector new orders: consumer services**



Data compiled November 2023 including PMI data to October 2023.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month.  
 Source: S&P Global PMI with J.P. Morgan.  
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Demand also continued to fall sharply for basic materials, reflecting destocking amid the ongoing factory downturn, and financial services - the latter having seen business inflows hit by higher borrowing costs in recent months. Demand for real estate is being hit particularly severely.

**Hiring slows amid gloomier prospects**

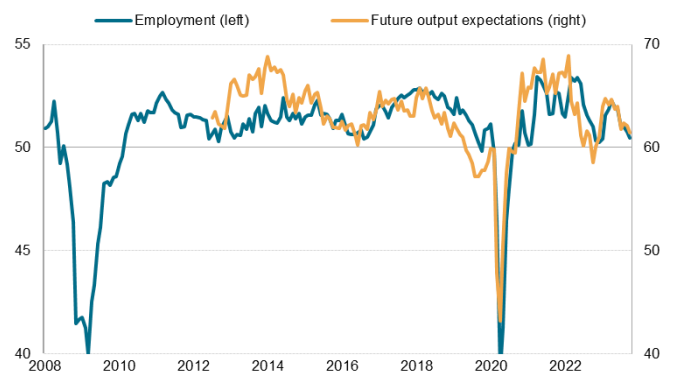
The worsening new orders trend contributed to a further deterioration in business confidence. Expectations of output

growth in the year ahead sank across manufacturing and services to its lowest since last December, descending further below its long-run average to signal a subdued level of sentiment by historical standards.

Weakening optimism in turn fed through to reduced hiring. Global employment growth slipped to its lowest since January, registering only a marginal rise in overall private sector payroll numbers.

Factory headcounts were trimmed for a second straight month, with the rate of job losses accelerating to the highest since the global financial crisis barring only the initial pandemic lockdowns. Concurrently, service sector payroll growth remained unchanged on the sluggish pace seen in September, which had been the weakest since January.

**Global employment and business confidence**



Data compiled November 2023 including PMI data to October 2023.  
 PMI index value of 50 = no change on prior month, covers manufacturing and services.  
 Source: S&P Global PMI with J.P. Morgan.  
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**Developed markets contract**

The global stagnation was led by a third consecutive month of falling developed world output. Although the rate of decline remained only very modest, the ongoing contraction represents a marked contrast to the strong growth seen earlier in the year.

US growth across manufacturing and services remained very subdued for a third successive month, the rate of expansion picking up only marginally compared to August and September. Newly available PMI data for Canada meanwhile showed a worsening economic situation, with output dropping for a fifth straight month and at the second-sharpest pace since June 2020. Both manufacturing and services were reported to have been in steep declines.

Japan's previously-robust upturn also lost momentum, a cooling of services growth resulting in only a marginal rise in overall output and the smallest gain recorded so far this year.

Meanwhile Europe remained in decline, with output falling for a fifth straight month in the eurozone and for a third month in the UK. The latter's decline remained relatively modest, however, and moderated, contrasting with a steeper and accelerated downturn in the eurozone.



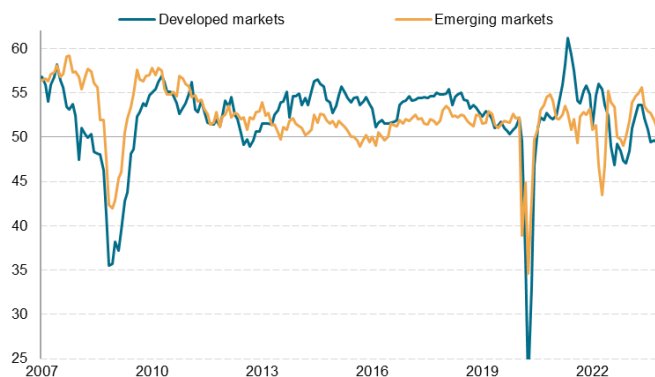
## India remains sole bright spot

The broad developed market malaise contrasted with a more varied picture in the major emerging markets. India remained the stand-out performer in October, extending its current boom that has resulted in output across manufacturing and services growing at some of the fastest rates seen over the past 15 years in recent months. That said, the upturn lost some momentum at the start of the fourth quarter.

Robust growth was also reported in Russia, but China's mainland expansion stalled after nine months of post-pandemic recovery, amid a renewed drop in manufacturing output and only marginal services growth. Brazil likewise remained largely stalled, as a steepening manufacturing downturn largely offset a return to growth in the services economy.

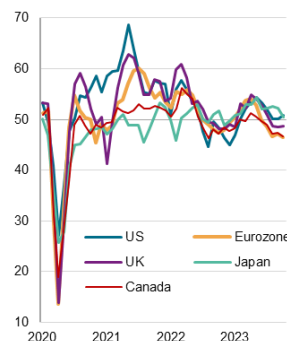
Measured collectively, the major emerging markets expanded for a tenth successive month in October, but the latest expansion was the smallest recorded over this period.

### Global PMI output by market

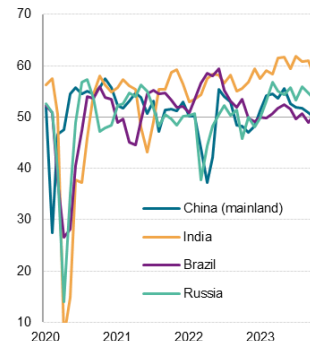


Data compiled November 2023 including PMI data to October 2023.  
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 Sources: S&P Global PMI, S&P Global Market Intelligence, J.P. Morgan.  
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### Major developed economies, output



### Major emerging economies, output



Data compiled November 2023.  
 PMI index 50 = no change on prior month, covers manufacturing and services.  
 Source: S&P Global PMI, S&P Global Market Intelligence, HCOB, CIPS, au Jibun Bank, Caixin.  
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Access the global PMI press release [here](#).

### Chris Williamson

Chief Business Economist  
 S&P Global Market Intelligence  
 London  
[chris.williamson@spglobal.com](mailto:chris.williamson@spglobal.com)

Special Focus

# Singapore's Economic Growth Improves in Third Quarter of 2023

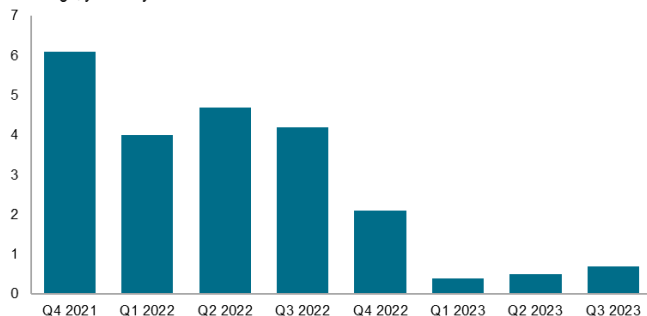
Singapore's economic growth momentum in 2023 year-to-date has slowed significantly compared with annual GDP growth of 3.6% in 2022. A key factor driving the weakness of economic growth has been contracting manufacturing output and exports. However, GDP growth momentum improved to a pace of 0.7% growth year-over-year (y/y) in the third quarter of 2023, compared with 0.5% y/y in the second quarter of 2023.

The near-term outlook is expected to remain constrained by weak demand in several important export markets for Singapore's manufactures, notably the mainland China and European Union (EU). The service sector economy is expected to be more resilient, boosted by the continued recovery of international tourism travel in the APAC region. Notably, Singapore's international tourism arrivals have rebounded strongly during 2023.

## Singapore economy improves in third quarter of 2023

According to the advance GDP statistics for Q3 2023 GDP released by Singapore's Ministry of Trade and Industry (MTI), Singapore's GDP growth rate was 0.7% year-over-year (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.

**Singapore real GDP growth**  
% change, year-on-year



Source: Singapore MTI.  
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Measured on a quarter-on-quarter basis (q/q), GDP growth was up 1.0% 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 0.2% 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 5.5% 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 6.0% y/y in Q3 2023, after a rise of 7.7% y/y in Q2 2023 and 7.9% y/y in Q1 2023.

The service sector also showed positive growth of 1.9% y/y in Q3 2023, compared with 2.8% y/y in Q2 2023, Services output was up 0.7% 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 4.7% y/y in Q3 2023, after 6.1% y/y in Q2 2023 after growing by 6.8% y/y in Q1 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.

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.

**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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## Manufacturing sector slowdown continues in third quarter of 2023

Latest statistics from Singapore's Economic Development Board showed that manufacturing output continued to contract in September 2023 compared to the same month a year ago, declining by 2.1% y/y. However, when measured on a month-on-month (m/m) basis, manufacturing output rose by 10.7% m/m.

There was a mixed picture across different industry segments. Electronics output rose by 10.2% y/y in September while chemicals output fell by 12.9% y/y. Transport engineering output rose by 13.2% y/y. However, precision engineering output fell by 10.4% y/y while biomedical manufacturing slumped by 18.9% y/y, due to a 41.4% y/y decline in pharmaceuticals output.

**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 13.2% y/y in September after declining by 22.5% y/y in August, according to latest data released by Enterprise Singapore.

Exports of electronics products fell by 11.6% y/y in September after a decline of 21.1% y/y in August. Exports of non-electronic products also showed a steep decline of 13.6% y/y in September 2023. Key export sectors recording large declines were exports of pharmaceuticals, which fell by 31.2% y/y. Exports of non-electronic products to mainland China rebounded by 34.5% y/y, after falling by 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 26.2% y/y in September.

Non-oil domestic exports to South Korea remained weak, declining of 29.2% y/y in September. Exports of electronics products fell by 20.2% y/y, while exports of non-oil domestic products fell by 32.9% y/y.

Meanwhile exports to the US rose by 9.7% y/y in September 2023, reversing the strong contraction of 32.4% y/y in August.

## Inflation pressures persist

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.

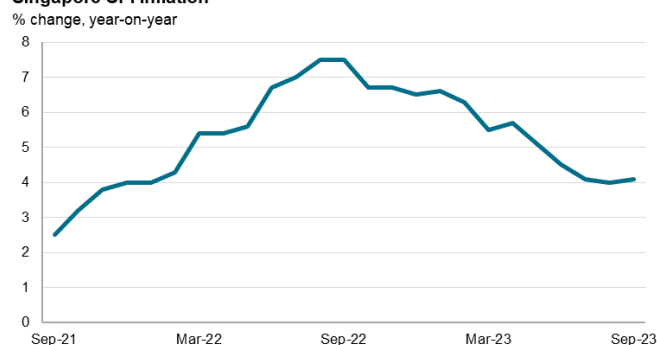
**Singapore PMI input cost and output prices**



Source: S&P Global Market Intelligence, S&P Global PMI surveys  
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Singapore's headline CPI inflation rate edged up to 4.1% y/y in September compared with 4.0% y/y in August. The Monetary Authority of Singapore (MAS) Core Inflation measure fell to 3.0% y/y in September compared with 3.4% y/y in August.

**Singapore CPI inflation**



Source: MAS, MTI  
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## Headwinds from moderating global electronics demand

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.

According to data from Singapore's Economic Development Board, Singapore's electronics output rose by 10.2% in September, although electronics output was down by 6.8% y/y in the first nine months of 2023. Semiconductors output, which accounts for the largest share of total electronics production in Singapore, rose by 13.5% y/y in September, although posting a decline of 6.6% y/y for the first nine months of 2023.

Singapore's non-oil domestic exports of electronics continued to show sharp declines in September 2023, falling by 11.6% year-on-year according to exports data released by Enterprise Singapore. Exports of integrated circuits fell by 16.2% y/y, while exports of PCs fell by 33.2% y/y.

Exports of electronics products to mainland China remained very weak in September, declining by 13.0% year over year. Singapore's electronics exports to South Korea fell sharply, by 20.2% year-over-year. Electronics exports to the US contracted marginally, falling by 2.9% year-over-year in September. However, electronics exports to Japan rebounded, rising by 17.8% y/y. Electronics exports to the EU showed a strong upturn, with positive growth of 30.8% year over year.

#### 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 has moderated significantly during 2023. GDP growth is forecast by S&P Global Market Intelligence to slow to 1.2% 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 in 2023 due to very weak growth in the US and EU and sluggish economic recovery in mainland China, the outlook for Singapore's manufacturing sector remains challenging. However, stronger exports of services, notably due to rising international tourist arrivals, will help to mitigate the impact of weaker growth in manufacturing 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 projected to average 4.5%–5.5% and 3.5%–4.5% respectively. MAS Core Inflation is projected by the MAS and MTI to moderate in the second half of 2023, as import costs remain low and tightness in the labour market eases. However 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.

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 will be from ageing demographics. In Budget 2023, the Finance Minister stated that a key issue 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 one-sixth of the population, but this will rise to an estimated one-quarter 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.

**Rajiv Biswas**

Asia-Pacific Chief Economist  
S&P Global Market Intelligence  
Singapore

[rajiv.biswas@spglobal.com](mailto:rajiv.biswas@spglobal.com)

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## CONTACT US

### Chris Williamson

Chief Business Economist  
S&P Global Market Intelligence  
London

T: +44 779 5555 061  
[chris.williamson@spglobal.com](mailto:chris.williamson@spglobal.com)

### The Americas

+1-877-863-1306

### EMEA

+44-20-7176-1234

### Asia-Pacific

+852-2533-3565

### Jingyi Pan

Economics Associate Director  
S&P Global Market Intelligence  
Singapore

T : +65 6439 6022  
[jingyi.pan@spglobal.com](mailto:jingyi.pan@spglobal.com)

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