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Modi One Year On: Up To The Task?

DBS

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Is Prime Minister Narendra Modi
still the "man of the hour"?


CLOCKS-WATCHES-TIME PIECES
SALES & SERVICE

Introduction

Indian Prime Minister Narendra Modi's win with a single-party majority in May 2014 raised expectations for effective structural reforms and quickened economic growth. Following a year in power, it is clear that many changes are still required across the board (land, capital, labour, and enterprise), which means reform will be an even longer process than usual.

The clock is ticking for Mr Modi's government to sustain and capitalise on the optimism its election instilled by delivering on the many promises that were made during the campaign. Especially when many of the official pledges announced have specific targets and deadlines attached to them.

One year on, it is clear that Mr Modi has boosted confidence and improved foreign perception toward India. But sustaining that optimism will not be easy.

The economy is in better shape now than a year ago. While policy-making can get some of the credit, favourable externals – low commodity prices and ample liquidity – have also helped.

Domestic reforms have also been broad-based and incremental. Areas such as urbanisation, financial inclusion, infrastructure, and a bigger role for manufacturing have been identified as crucial to long-term economic recovery. But other reform measures, including subsidy rationalisation, smaller hikes in support prices, and a clampdown on black money could crimp growth in the short-term.

Many macro-economic indicators have improved and show signs of sustained progress. But they are still vulnerable to uncontrollable external factors such as unusual monsoon patterns. While Mr Modi cannot be blamed for erratic weather conditions, his government's preparedness and reactivity will be closely monitored.

In this context, is Prime Minister Narendra Modi still the "man of the hour"? Are he and his collaborators still up to the heavy tasks that await them?

The first part of this report examines the successes that have taken shape this past year, from the return of investor confidence to the moderate improvements of macro-economic indicators. The second part of this report analyses the different ways in which this progress remains fragile in light of unfavourable monsoon projections.

"The clock is ticking for Mr Modi's government..."

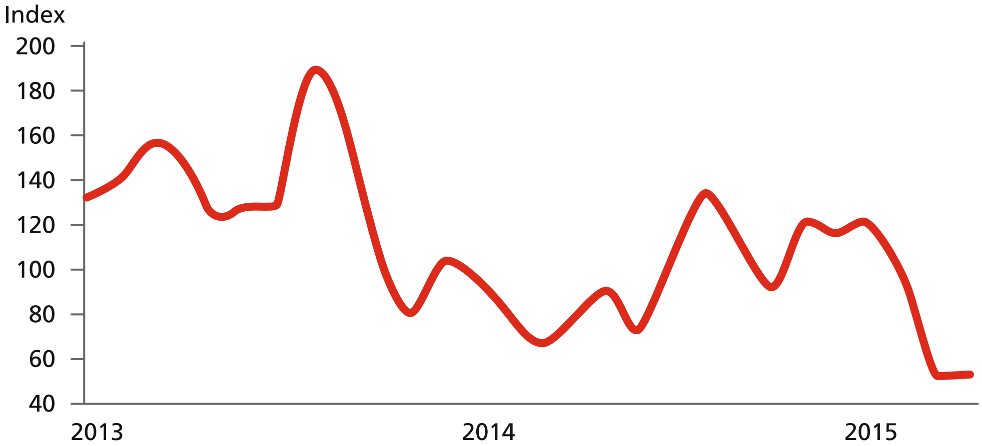
Reforms Afoot: Too Cautious To Succeed?

Turnaround In Perception And Confidence

Improvement in the perception towards India and renewed confidence are the most notable changes over the past twelve months (Diagram 1). Mr Modi's efforts to forge stronger ties with strategic global partners have given the country an "open for business" image that has taken markets from broad mistrust to renewed confidence in the new administration.

The improvement in confidence brought US$ 42 billion of foreign capital inflows into the Indian asset markets in 2014.

Diagram 1: Policy uncertainty indicator eases



Source: "Measuring Economic Policy Uncertainty" by Scott Baker, Nicholas Bloom and Steven J. Davis

With the honeymoon period now over, it's time for the new government to deliver before disappointments set in.

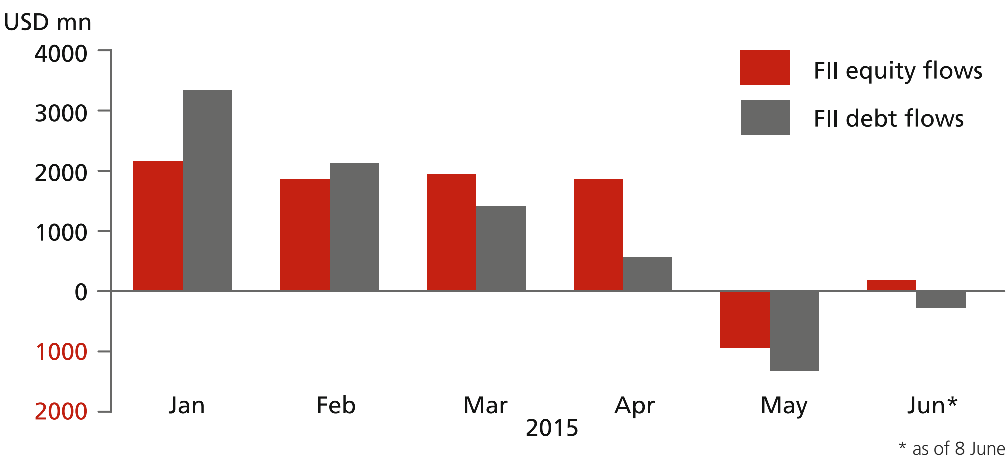
Optimism Not Misplaced, But Recovery Will Be Gradual

The pace of macro improvement has hit a speed-bump. This has led to concerns over excessive optimism on the economy, and domestic financial markets have pared gains.

Foreign portfolio flows have moderated through the year, slipping into the red in May (Diagram 2). A host of triggers has led to this bout of weakness, including unexpected tax demands, regional fund rebalancing, and tepid macro data.

"A slower pick-up in the investment cycle, especially private sector spending, may weigh on growth"

Diagram 2: Foreign portfolio inflows pull back

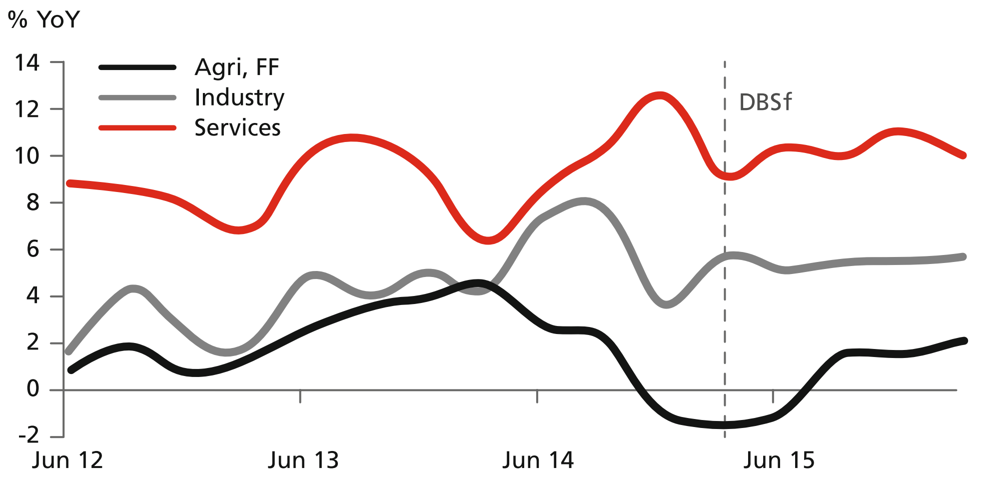


* as of 8 June
Source: Bloomberg, DBS Group Research

We expect growth to pick-up hereon, though overtly-bullish expectations need to be tempered. Real GDP growth rose 7.3% in the year ending March 2015 (Fiscal Year 2014/15), based on the new GDP series (Diagram 16, appendix).

Domestic demand was the main pillar of support for growth and we expect this to sustain. However, a slower than anticipated pick-up in the investment cycle, especially private sector spending, and moderating rural incomes may weigh on growth. That said, higher public spending should revive the investment cycle, helped also by unclogging of stalled projects and easier financial conditions.

Diagram 3: GDP growth - sectors



Source: CEIC, DBS Group Research

In light of these elements, we lower our real GDP growth for Fiscal Year 2015/16 to 7.6% from 7.8% earlier. A return above 8% is likely in Fiscal Year 2016/17.

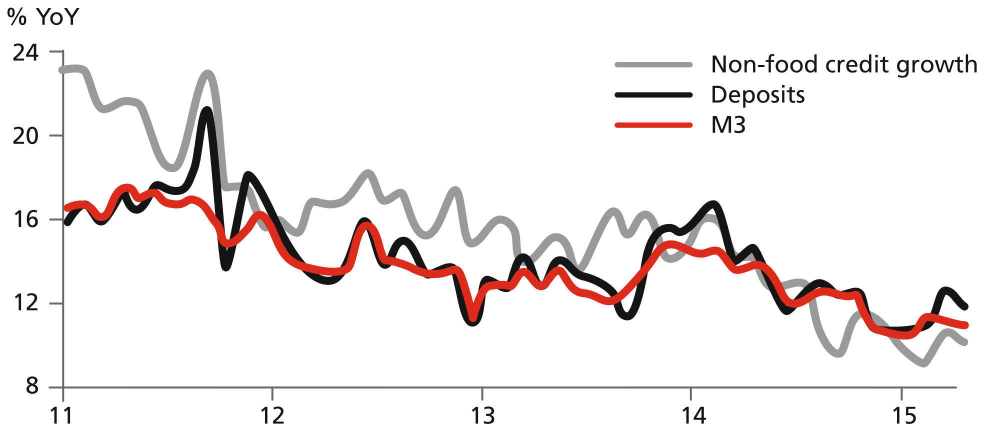
On the supply-side, we assume a normal monsoon this fiscal year. Base effects will prop agriculture growth to 1.1% from 0.2% in Fiscal Year 2014/15. However, drought remains a real risk (see part 2 of this report).

Concurrently, manufacturing growth should remain steady at 7% and should offset subdued consumer goods output and electricity generation. The service sector is likely to maintain a healthy 10% pace on higher trade, communication, and financial sector activity.

Meanwhile, the new GDP series continue to face scepticism, given the disconnect between strong headline growth and underwhelming high frequency indicators.

The authorities, including the Reserve Bank of India (RBI), are likely to refer to the other lead indicators, including credit metrics (Diagram 4), PMIs, non-oil non-gold imports, and core industries output, to capture the growth trend. Additionally, there is still a need for historical numbers of the new series to better understand potential growth levels.

Diagram 4: Credit metrics stay weak



Source: CEIC, DBS Group Research

Moderation In Inflation Is More Cyclical Than structural

Always an Achilles heel, inflation has eased significantly in the past year. Over half of the deceleration owes to food prices. Pipeline price pressures have also been subdued as Wholesale Price Index (WPI) inflation slipped into the red, back in November 2014, and

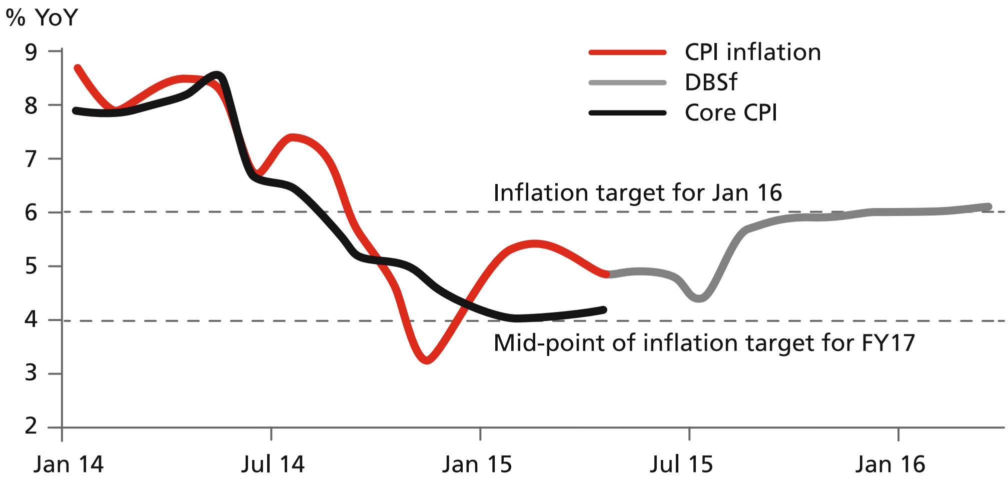
The moderation in inflation is driven predominantly by cyclical factors rather than structural improvements

then registered a record low -2.7% in April 2015. The fuel price index accounts for less than a fifth of price basket but is responsible for the bulk of the deceleration of headline WPI.

The moderation in inflation is driven predominantly by cyclical factors rather than structural improvements. Minimum support price for farm produce was raised by a moderate 4% (paddy and wheat) last year from 11% the previous year.

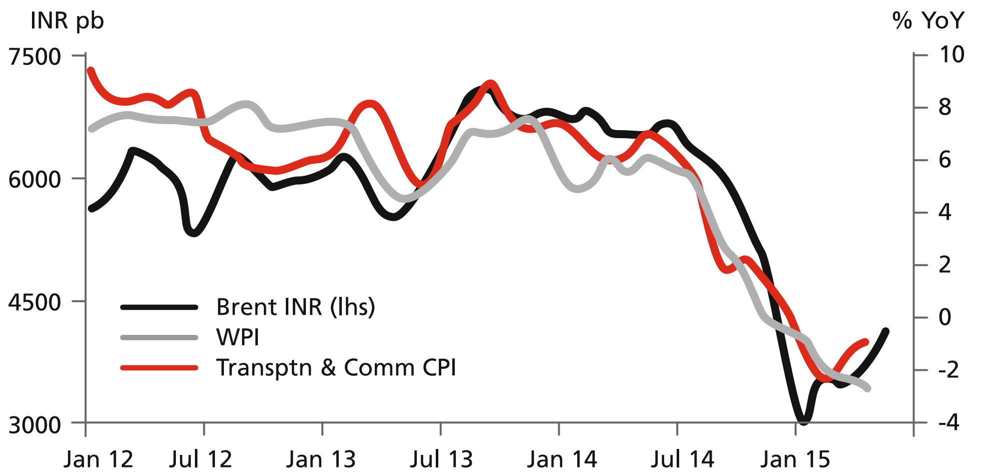
Global farm commodity prices have been benign, evidenced by the 18% decline in UN FAO food index since 2014. The government also undertook short-term measures like expanding the essential commodities act, releasing extra stock of food grains, discouraging hoarding and black-marketing activities, etc.

Diagram 5: Estimated CPI trajectory vs targets



Source: CEIC, DBS Group Research

Diagram 6: Reversal in fuel prices a risk for prices



Source: Bloomberg, DBS Group Research

Yet there is a risk that part of this disinflationary trend might reverse course if any of the above factors turn unfavourable. If the monsoon disappoints by a wide margin, apart from the risk of higher food prices, minimum support prices might also be raised by a greater extent to support rural incomes.

Global oil prices have edged off lows since January, with the rupee losing ground since last month.

In addition to these risks, unless supply-side constraints are eased by improving agricultural productivity and removing supply chain inefficiencies and logistical constraints, the recent pullback in inflation will be considered cyclical and not long-lasting. As things stand, we expect the inflation for Fiscal Year 2015/16 to rise 5.6%, with the near-term trend to see inflation ease until August, beyond which base effects get adverse and push prints towards 6% by end-year.

Rates Trajectory To Be Data-Dependent

The RBI lowered its policy rates by a cumulative 75 basis points to 7.25% between January and June 2015. Despite the likelihood that inflation readings will stay below 5% until August 2015 due to base effects, the central bank adopted a cautious stance at its June review.

Key risks that are likely to influence policy direction over the next two-three quarters include: a) below-normal southwest monsoon; b) direction of crude prices; c) volatility in global financial markets.

As highlighted above, downturn in inflation is more cyclical than structural and in case the monsoon disappoints, inflation readings could breach the upper-end of the central bank's 2-6% CPI target. Crude prices have also held on to recent gains and are likely to prompt gradual adjustments in domestic retail prices. Finally, US rate hike risks remain on the table despite the soft data patch in the March quarter.

Considering these risks, the central bank is likely to remain on hold until end-2015. The likelihood of higher public spending kick-starting the capex cycle and stepping-up fiscal support to compensate for a weak agricultural sector will also deter the central bank from loosening policy reins too aggressively.

Reform Agenda – Progress To Be Gradual

While growth makes a gradual comeback, return to a high growth plane depends on the pace with which reforms are implemented. The agenda over the past year has been broad-based but incremental. While the groundwork for crucial reforms is complete, the more difficult phase of implementation will be under watch in the quarters ahead.

Which reforms will take priority?

Foremost, it is crucial to gain consent of various stakeholders on the land acquisition bill and get it passed through the two parliamentary houses. July's parliamentary session will be key in this respect. The land acquisition bill is important to unclog existing projects and encourage greenfield commitments.

Secondly, infrastructure gaps need to be plugged. Big-ticket projects like the industrial corridors, Bharat Mala, Sagar Mala, National investment and manufacturing zones have all been planned. Funding requirements for such projects are enormous and involve long gestation periods.

With the private sector still cleaning up its balance sheets, foreign collaboration is needed to help bridge some of the funding gap. The Twelfth Plan (2012-2017) estimates that US$ 1 trillion in infrastructure financing is required, with half to be raised through private sector participation. It is hoped that US$ 100 billion – 110 billion of this will be funded by foreign investors. The Goods and Services tax (GST) also needs to be pushed through, with contentious issues like state compensation, exclusion of specific product lines, and revenue neutral rates yet to be resolved. Expectations are that this is rolled out in some form by April 2016.

Finally, the agricultural/rural sector needs support after successive weak harvests. Rather than extending subsidies or raising support prices, focus is on efforts to improve farm productivity through mechanisation, irrigation, efficient warehousing facilities, and establishing a nationwide agriculture market.

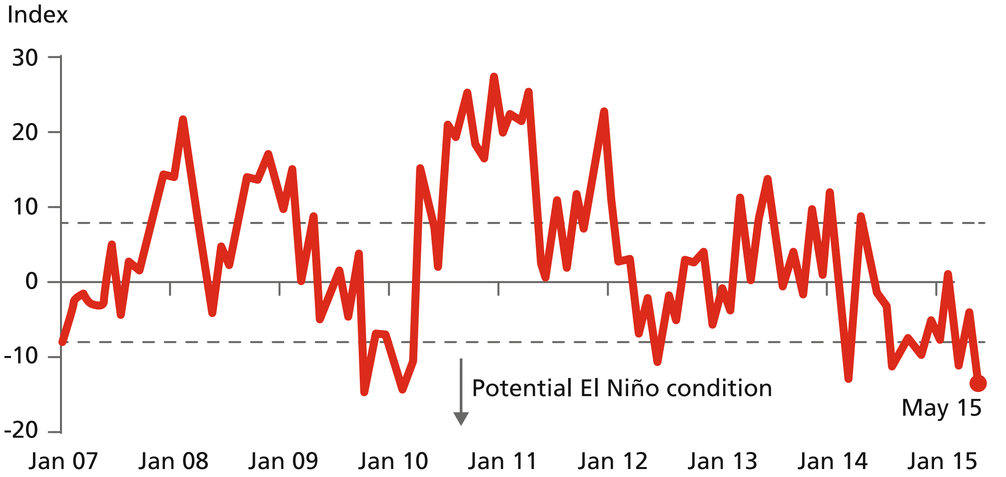
> *The outlook is firmer than it used to be, but faster growth will come gradually*

Monsoon Woes: Bracing for the Worst?

Weak Monsoon A Risk

In its May update, the Australian Meteorological agency confirmed that El Niño conditions continue to strengthen and the Southern Oscillation indicator (SOI) had reached levels last seen in March 2010 (Diagram 7). Such conditions refer to unusually warm temperatures that disrupt rainfall in either direction.

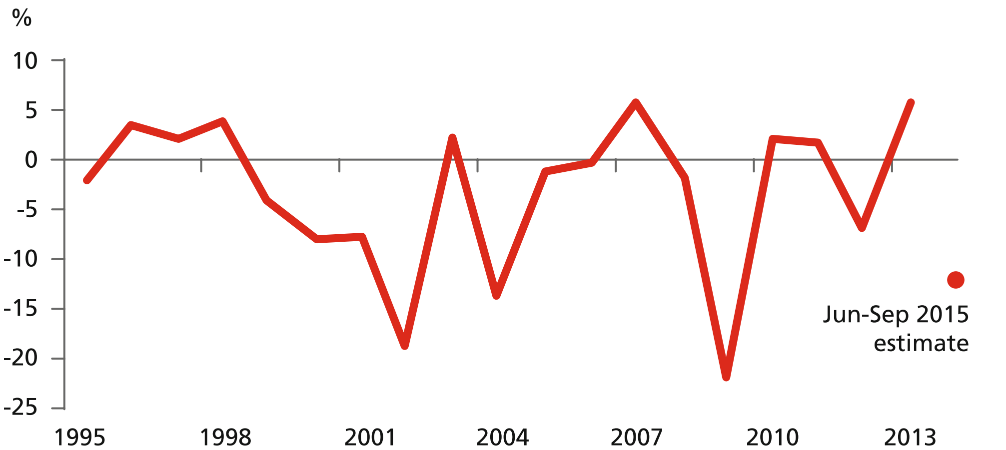
Diagram 7: Southern Oscillation Index turns south



Source: Bureau of Meteorology, Australian government

El Niño occurrences typically coincide with a weak south west monsoon. In its early-June update, the Indian Meteorological agency (IMD) estimated that June-September rains will only reach 88% of the long period average (LPA) vs. April's estimate of 93% (Diagram 8). A drought is declared when rainfall deficiency is more than 10% and/ 20-40% of total area is severely affected.

Diagram 8: Rainfall deficiency in Jun-Sep vs normal



Source: IMD, DBS Group research

Weak rains could push inflation out of the 2-6% RBI's CPI target

In terms of spatial distribution, north-west and central parts of the country are likely to be the worst hit, with 8% shortfall seen in July and 10% in August. Since 2000, India has faced four drought/sub-average rainfall years. Last year, rains had a discouraging start, but a late catch-up helped contain the fallout.

Two factors are of note this year: a) more severe SOI reading, and b) this monsoon threat follows two successive weak crops – last year's summer harvest and the partly damaged winter crop earlier this year. If rainfall is especially low, there could be long-lasting damage to rural incomes and farm output.

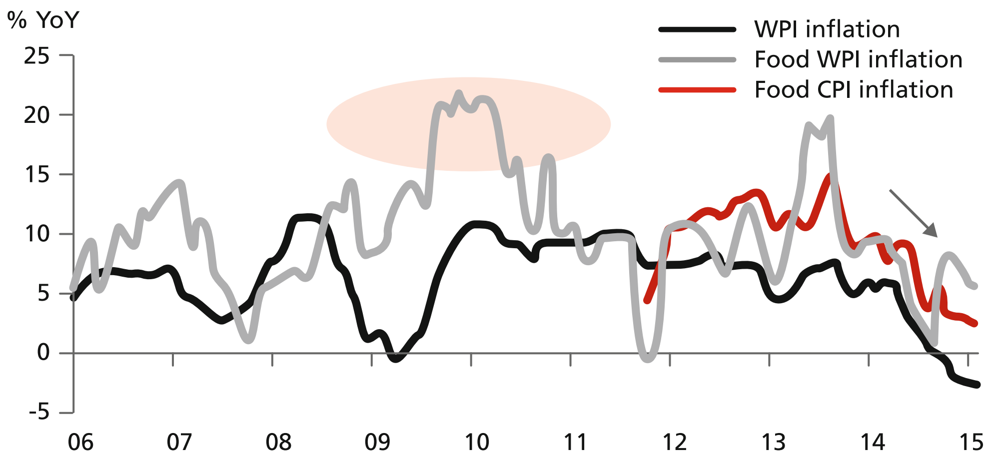
Price Developments Warrant Attention

Pass through into inflation could occur through higher food prices or expectations thereof. Over half of the deceleration in headline CPI inflation since early 2014 has owed to food prices. The risk is that food prices rebound if bad weather materialises, especially where structural constraints have kept food prices high for long.

During the 2009/10 drought, WPI food inflation hit 18% between July 2009 and June 2010 (Diagram 9). India resorted to sugar imports and prices of lentils jumped, but domestic buffer stocks kept a lid on rice/wheat prices.

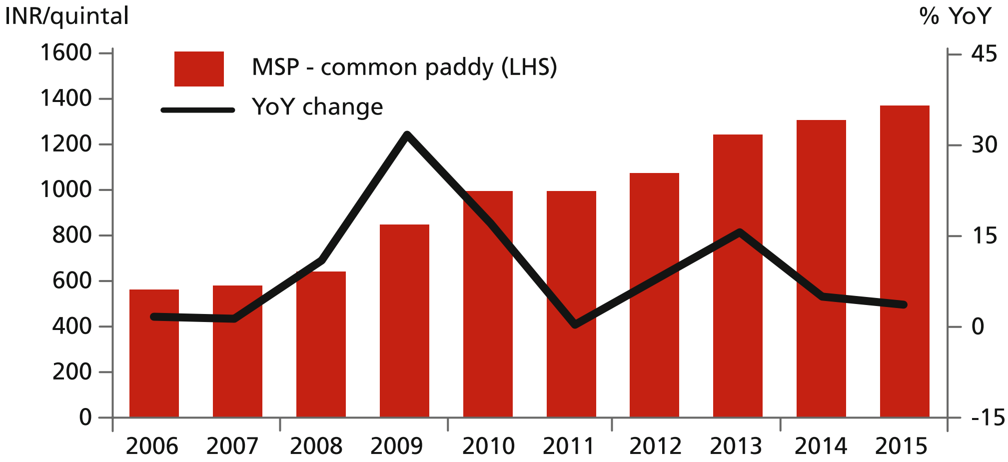
Even after rains returned, food inflation stayed high at 10% for three years. This was on the back of structural drivers, fiscal support for the farm sector, commodities, and weak rupee.

Diagram 9: Wholesale and retail inflation off the boil



* Jan14 onwards new series CPI inflation
Source: CEIC, DBS Group Research

Diagram 10: Minimum support prices - marginal rise



Source: CEIC, DBS Group Research

Some of these constraints eased last year. Food inflation moderated to 6.6% in Fiscal Year 2014/15 (new series) from 11% earlier. Minimum support price for farm produce was raised by a moderate 4% (paddy and wheat) last year from 11% earlier (Diagram 10).

Global farm commodities have been benign given the 18% decline in UN FAO food index since 2014.

What does this mean for this year's inflation?

Most factors suggest below-normal rains could disrupt India's disinflationary trend but not dramatically. Assuming food inflation quickens to 7.5% Year on Year this year, headline inflation could rise above the RBI's 2-6% inflation target and 80-90 basis points above our forecast of 5.6%. Hardening of expectations would add to the trouble. Core CPI inflation that has eased below 4.5% by early 2015 could reverse higher on second-round effects.

Assuming a steady fiscal policy

Inflation could be more pronounced were the government to raise minimum support prices and increase support for the farm sector. This would trigger larger and longer-lasting second-order forces.

The Reserve Bank of India (RBI) highlighted weak rains as a risk to the inflation outlook at its June review. With inflation-targeting as the new policy mandate, the central bank (with the government's buy-in) has committed to the 2-6% inflation target come April 2016.

In the near-term, inflation is likely to stay low until August (due to base effects) and rise towards 6% by January 2016. If rains disappoint, readings could rise above the central bank's target range. A concurrent rise in global commodity prices could deal a double-whammy to the price outlook.

Considering these risks, the central bank is likely to remain on hold over the next two quarters. The RBI has called upon the government to hasten supply- side support to ensure that the medium-term target of inflation at 4% is achievable. Inflationary expectations, while still soft, have risen since the March 2015 assessment.

Fiscal developments will also be watched closely given the risk of a sharper increase in the minimum support prices. External developments, i.e., risks of US rate hikes and a rebound in G3 bond yields also warrant attention and might deter the central bank from loosening policy. We expect benchmark rates to be held steady in 2015.

Monetary Easing Is Done

Monetary easing by the Reserve Bank of India (RBI) is likely done. Domestically, the threat of a weak monsoon on food price inflation is likely to stay the RBI's hand even as disinflationary trends persist. Externally, the window for monetary easing is fast closing as worries about Fed hikes drive global bond yields higher.

While we had initially thought that rate cuts would benefit INgov bonds, the positive spillover has been limited. The two rate cuts this year only benefitted the very front of the INgov curve with 1-Year yields dropping by 50 basis points since the beginning of the year.

Comparatively, 2-Year INgov yields have largely been range-bound between 7.75-8.00% while 10-Year INgov yields have been hovering between 7.64-8.00%. In the absence of further rate cuts, INgov yields are biased to the upside in the coming quarters.

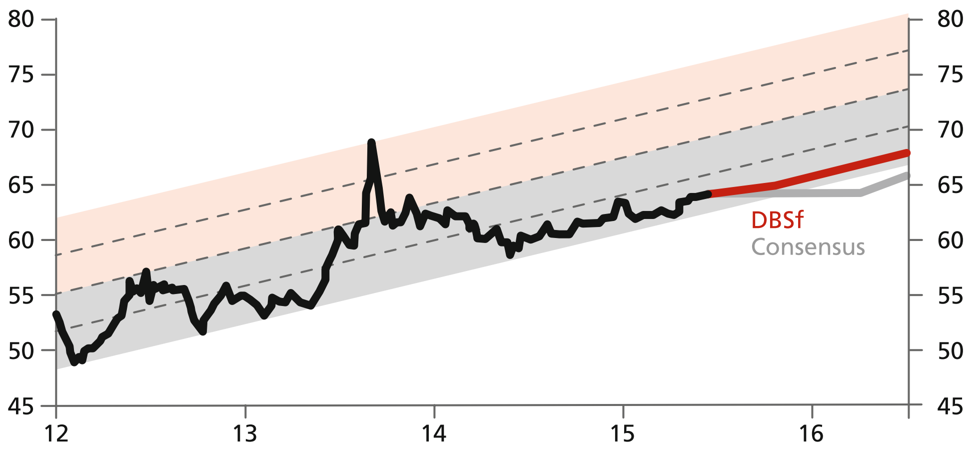
Through the global bond tantrums over the past few months, INgov bonds have been relatively stable compared to their emerging market counterparts. Much of this stability can likely be attributed to the narrow current account deficit, an improvement which developed in large part due to depressed oil prices.

However, if oil prices push higher, external funding concerns will likely weigh on INgov bonds.

The Indian rupee is still depreciating within a price channel and is headed for rough weather. The Bombay Sensex index has been struggling after it hit a new record high of 29095 in mid-April, and was down 2.7% year-to-date as at 5 June.

Externally, exports contracted 14.2% Year on Year between January and April 2015 vs. 7.1% growth in the calendar year 2014. Together, weak exports and deficient precipitation have led the government to expect a wider current account deficit of 1.6-1.7% of GDP for the Fiscal Year ending March 2016. The Indian rupee could be headed for some rough weather ahead especially if the US hikes rates later this year (Diagram 11).

Diagram 11: USD/INR – rising in lowest quartile of channel



usd/INR	10-Jun	3Q15	4Q15	1Q16	2Q16
Revised	63.835	64.6	65.6	66.7	67.8
Previous		64.6	65.6	66.7	67.7
Consensus		64.2	64.4	64.3	65.8
Policy, %	**10-Jun**	**3Q15**	**4Q15**	**1Q16**	**2Q16**
Revised	7.25	7.25	7.25	7.25	7.25
Previous		7.25	7.25	7.25	7.25
Consensus		7.2	7.15	7.1	7.05

Source: Bloomberg, DBS Group Research

Weak Agricultural Output Could Hurt Recovery

Agricultural output accounts for less than a fifth of India's GDP. In 2009, weak agriculture growth of 0.9% was offset by a strong 10% growth in service sectors and 11% manufacturing activity (old series).

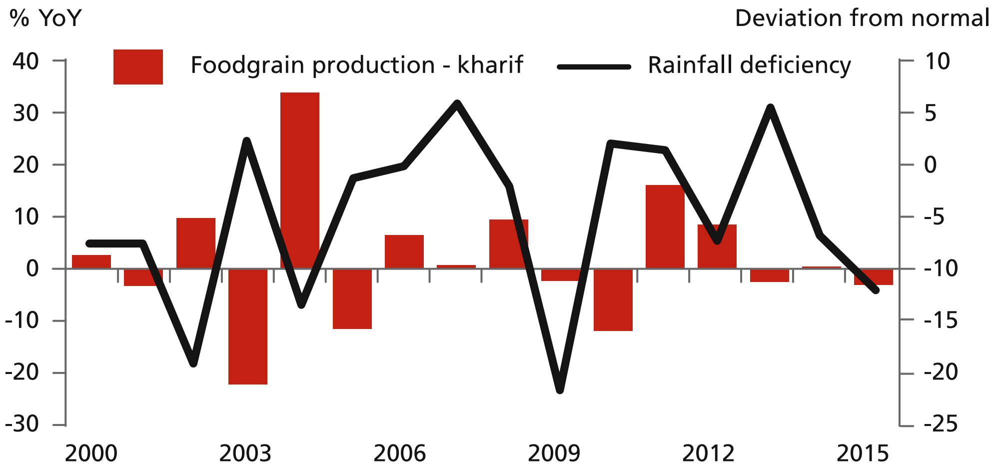
A similar trend is likely to unfold in Fiscal Year 2015/16 as rebased growth numbers point to firm manufacturing and service sectors. Despite subdued 0.2% rise in agricultural output in Fiscal Year 2014/15, headline growth was strong at 7.2% Year on Year (GVA basic prices). Our GDP estimate of 7.2% for Fiscal Year 2015/16 assumes a 1.1% rise in farm output.

If risks materialise, headline growth could slip to 7% (assuming zero agricultural growth), provided other sectors perform along expected lines. Lower rural incomes would hurt consumption, especially given the sector's large labour-absorptive capacity. Real GDP growth could accordingly slow to 7.3% from our base case of 7.6%.

The kharif summer crop accounts for half the annual food grain production. Weak rains last year saw food grain production decline 5.3% but supply shortfall was cushioned by domestic excess stocks (Diagram 12). In case rainfall disappoints again, existing stocks might be sufficient to meet shortages but buffer levels would continue to wane.

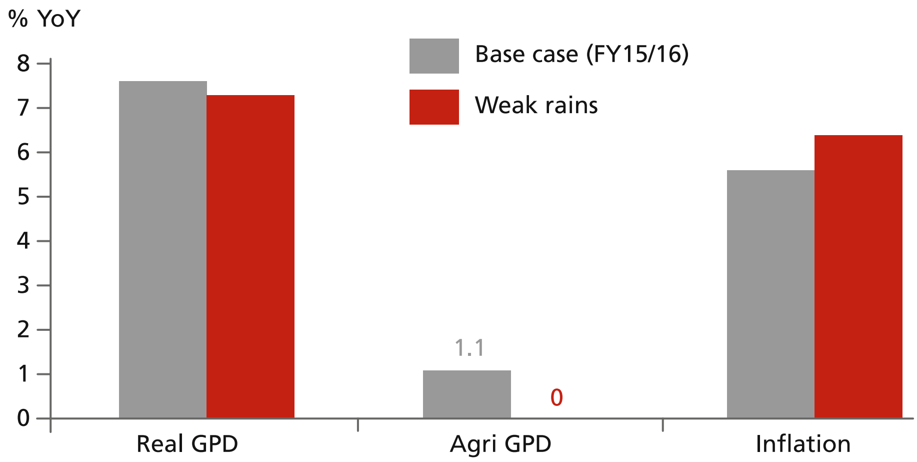
Supplies of other summer crops including sugarcane, cotton, and lentils might however suffer. As a pre-emptive measure, import duty concessions on lentil imports have been extended and the government has sought supply pacts with offshore partners. But some spill-over into retail prices is inevitable.

Diagram 12: Foodgrain production (kharif) vs rain shortfall



Source: IMD, CEIC, DBS Group Research

Diagram 13: Likely impact of weak monsoon rains



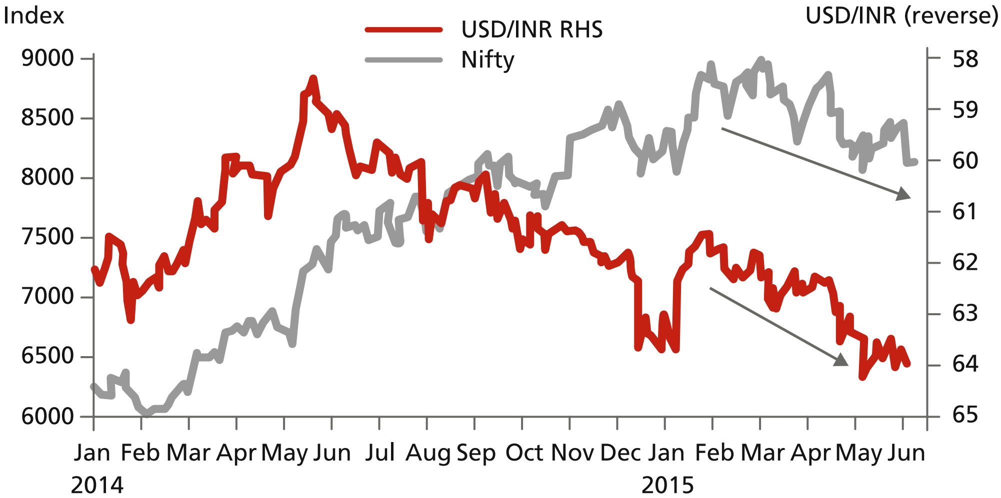
Source: IMD, CEIC, DBS Group Research

Financial Markets Take Fright, But It's Not All About Monsoon

Indian financial markets are under pressure and it's being blamed in part on jitters over a weak monsoon. In the past, equity movements have not been significantly affected by rains.

This time however, the prospect of weak rains has pushed the RBI to go slow on easing rates. Despite strong headline GDP growth, other indicators have started the year with a soft tone. Credit growth, PMI reports, consumer goods production, and capacity utilisation have remained soft, with private sector investment still in a state of flux.

Diagram 14: Equity price action vs USD/INR - taken fright over monsoon et al

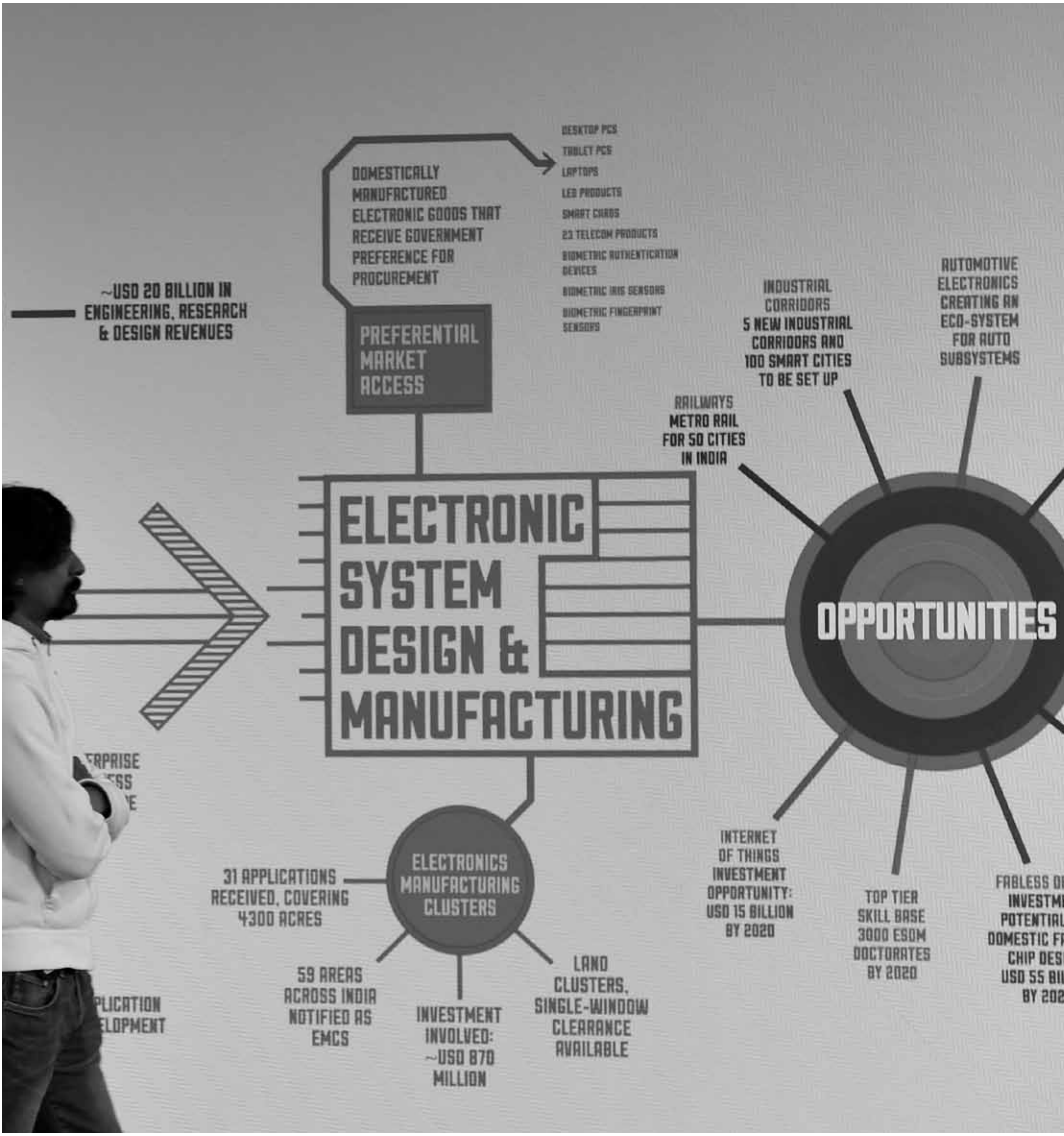


Source: Bloomberg, DBS Group Research

The recent rise in US and Eurozone bond yields alongside the impasse over Greece has also weakened risk appetite, weighing on the rupee. Looking ahead, while Indian markets are unlikely to fall off the investors' radar, foreign flows are likely to remain slow compared to last year.

The Indian weather agency's estimates are sombre at this juncture but a better picture is likely to emerge when sowing begins in July. Meanwhile, given the difficulty of forecasting rainfall forecasts, it is premature to draw hard and fast conclusions. Much uncertainty looms, however, and developments need to be monitored closely.

Weak monsoon is one amongst a host of triggers behind markets' underperformance


DESKTOP PCS
TABLET PCS
LAPTOPS
LED PRODUCTS
SMART CARDS
23 TELECOM PRODUCTS
BIOMETRIC AUTHENTICATION DEVICES
BIOMETRIC IRIS SENSORS
BIOMETRIC FINGERPRINT SENSORS
DOMESTICALLY MANUFACTURED ELECTRONIC GOODS THAT RECEIVE GOVERNMENT PREFERENCE FOR PROCUREMENT
PREFERENTIAL MARKET ACCESS
~USD 20 BILLION IN ENGINEERING, RESEARCH & DESIGN REVENUES
ELECTRONIC SYSTEM DESIGN & MANUFACTURING
INDUSTRIAL CORRIDORS 5 NEW INDUSTRIAL CORRIDORS AND 100 SMART CITIES TO BE SET UP
AUTOMOTIVE ELECTRONICS CREATING AN ECO-SYSTEM FOR AUTO SUBSYSTEMS
RAILWAYS METRO RAIL FOR 50 CITIES IN INDIA
OPPORTUNITIES
INTERNET OF THINGS INVESTMENT OPPORTUNITY: USD 15 BILLION BY 2020
TOP TIER SKILL BASE 3000 ESDM DOCTORATES BY 2020
ELECTRONICS MANUFACTURING CLUSTERS
31 APPLICATIONS RECEIVED, COVERING 4300 ACRES
59 AREAS ACROSS INDIA NOTIFIED AS EMCS
INVESTMENT INVOLVED: ~USD 870 MILLION
LAND CLUSTERS, SINGLE-WINDOW CLEARANCE AVAILABLE

Conclusion

The Indian economy is headed in the right direction, but expectations should be tempered. Compared to last year, foreign portfolio inflows are likely to slow as the reform agenda enters the crucial implementation stage.

India may not be spared the effects of a general slowdown in the global environment. Recent export growth dropped for a fifth straight month, factory output slowed to a five-month low, and bad loans at banks are estimated to rise to the highest since 2001.

On the inflation front, central bank chief Rajan has cited the possibility of a weak monsoon, rising oil prices, and a volatile external environment clouding the inflation outlook, and rate cuts may have to pause for some time.

All said, without execution on the reform, India's growth is likely to drift along with the rest of the Asian economies as they succumb to export weakness. Gross value added — a component of GDP watched closely by the central bank — gained 6.1% versus an estimated 7%.

Near term, exasperated investors could shift allocation from India towards China where investors are still underweight. Chinese valuations exceeded India's for the first time, but Hong Kong shares still remain reasonably valued.

Overall, the to-do list is long and will take more than a year or two to complete. Reform takes time.

But time is a scarce resource that Prime Minister Narendra Modi does not have to convince both friends and foes that he is in fact up to the task.

Appendix

Diagram 15: Flagship reforms undertaken by the Indian government in the past year

Themes	Initiatives
Social sector initiatives	Pradhan Mantri Jan Dhan Yojana (PMJDY)/ financial inclusion has been made a priority
	Work on extending reach of Aadhar facility is underway. Plans are to link this unique identification system to the Jan Dhan Yojana and use technology to ensure benefits reach intended end-beneficiaries
	Goals for year 2022 (marking the 75th year of Independence) involve poverty reduction, more housing, electricification, easier access to primary and secondary education, job creation, and a push to increase the scope of the manufacturing sector
Monetary policy	Inflation-targeting adopted as main policy objective for the RBI and has the government's official buy-in
Fiscal policy	Higher fiscal autonomy has been accorded to state governments. Emphasis is on cooperative and competitive federalism
	Government will take a bigger role in infrastructure development. To make room for additional spending, the fiscal deficit goal for FY16 was raised to -3.9% of GDP, with the medium-term targets delayed by a year
Digital India	Umbrella initiative involves improving digital access to the masses, build digital infrastructure, improve connectivity and incorporate technology in providing services
	Benefits are immense for improving the ease of doing business, encouraging transparency, ironing out the decision-making process, and making it less time-consuming
Manufacturing push under the 'Make in India' initiative"	Increase the share of the manufacturing sector from about 17% to 25% by 2025
	25 sectors have been identified as priority areas
	FDI limits have been raised in railways, defense manufacturing, single brand retail, and insurance sectors, amongst others
	Forging deeper international ties, at a time when the government is looking to initiate structural reforms and rebound from the phase of slow growth
Financial sector reforms	GAAR (General Anti-Avoidance Rule) has been delayed by two years and will not apply on retrospective basis
	There has been a broader push towards a cashless economy, with stricter control over black money evasion
	Gold monetization plans are to be followed through by sovereign gold bond issuances and pay interest on metal accounts
	Creation of an independent debt management agency was proposed at the FY16 Budget but has been put on hold, pending discussions with the RBI

Themes	Initiatives
Infrastructure	Increase in public investments towards highway construction and road development, partly through off-budget spending and bond issuances
	National Investment and Infrastructure Fund (NIIF), with seed capital from the government
	Tax-free infrastructure bonds for rail, road, and irrigation projects are also in the pipeline, 'Plug and play' approach will be given a push to hasten clearances. Flexible refinance and repayment option for long-term infrastructure projects announced under the 5/25 initiative
	Coal mines were recently re-auctioned through a transparent and efficient process. Plans are also to permit commercial mining to better tap and utilise available natural resources
	Big-ticket transportation/logistics projects like dedicated freight corridors, Bharat Mala (road network connecting west to east land border), Sagar Mala (connect ports/ coastal regions with hinterland), National investment and Manufacturing Zones are underway
	Urban development has also received lot of attention. Cheap housing, push to build smart cities, and expand capacity of the existing cities
Tax reforms	Key changes in direct taxes at Budget: a) corporate tax rate to be lowered from 30% to 25% over the next four years; b) wealth tax scrapped and additional surcharge on super-rich; c) higher incentives were given for investments in health insurance/pension plans
	Service tax was raised from 12.6% to 14% to facilitate transition to the Goods and Service tax (GST) next year
	GST (Goods and Service Tax) is scheduled to come into effect from April 2016. A high revenue neutral rate, exclusion of key revenue-grossing product groups, and surcharges in addition to the GST rate, are some areas of concern

Source: DBS Group Research

Diagram 16: India Economic Indicators

	14/15f	15/16f	16/17f	4Q15f	1Q16f	2Q16f	3Q16f	4Q16f	1Q17f
Real output (11/12P)									
GDP growth*	7.3	7.6	8.3	7.5	7.5	7.8	7.9	7.2	7.8
Agriculture	0.2	1.0	2.0	-1.4	-1.0	1.5	1.5	2.0	2.0
Industry (incl. construction)	6.1	5.5	6.8	5.6	5.2	5.2	5.7	5.9	6.8
Services	10.6	10.0	10.0	9.2	10.3	10.0	10.9	10.0	10.4
Construction	4.8	3.0	5.0	1.4	2.0	3.0	3.0	3.5	3.5
External (nominal)									
Merch exports (USD bn)	308	310	330	70	70	80	80	80	85.0
- % YoY	-1.5	0.5	6.5	-15.1	-11.6	-1.0	2.1	14.1	13.3
Merch imports (USD bn)	447.0	460.0	492.0	96.0	100.0	115.0	120.0	125.0	130.0
- % YoY	0.0	2.8	7.0	-13.6	-11.6	-4.8	2.2	30.0	30.0
Trade balance (USD bn)	-139	-150	-162	-26	-30	-35	-40	-45	-45
Current a/c balance (USD bn)	-28.0	-31.0	-40.0	na	na	na	na	na	na
% of GDP	-1.3	-1.4	-1.5	na	na	na	na	na	na
Foreign reserves (USD bn, eop)	340	360	380	na	na	na	na	na	na
Inflation									
CPI inflation (% YoY)	6.0	5.6	5.9	5.3	4.8	5.3	6.0	6.1	6.1
Other									
Nominal GDP (USD tn)	2.1	2.3	2.5	na	na	na	na	na	na
Fiscal balance (% of GDP)	-4.0	-3.9	-3.5	na	na	na	na	na	na

Source: DBS Group Research

% change year-on-year, unless otherwise specified
Annual and quarterly data refers to fiscal years beginning April of calendar year.
* GDP growth stands for Real GDP; breakdown is under GVA (Gross Valued Added) series

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