

MTI Narrows Singapore's GDP Growth Forecast for 2023 to "0.5 to 1.5 Per Cent"

11 August 2023. The Ministry of Trade and Industry (MTI) today announced that the 2023 GDP growth forecast for Singapore has been narrowed to "0.5 to 1.5 per cent", from "0.5 to 2.5 per cent".

Economic Performance in Second Quarter 2023

The Singapore economy grew by 0.5 per cent on a year-on-year basis in the second quarter of 2023, extending the 0.4 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded marginally by 0.1 per cent, a reversal from the 0.4 per cent contraction in the first quarter of 2023.

The manufacturing sector shrank by 7.3 per cent year-on-year, worse than the 5.4 per cent contraction in the previous quarter. The weak performance of the sector was due to output declines across all clusters except for the transport engineering cluster. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 1.0 per cent, moderating from the 4.6 per cent contraction in the first quarter.

Growth in the construction sector came in at 6.8 per cent year-on-year, similar to the 6.9 per cent recorded in the preceding quarter. Both public and private sector construction output rose during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 2.7 per cent, improving from the 0.3 per cent growth in the first quarter.

The wholesale trade sector expanded by 1.1 per cent year-on-year, a turnaround from the 1.7 per cent contraction in the previous quarter. Within the sector, the fuels & chemicals and machinery, equipment & supplies segments posted expansions, while the "others"¹ segment contracted. On a quarter-on-quarter seasonally-adjusted basis, the sector recorded growth of 0.7 per cent, a reversal from the 0.6 per cent contraction in the preceding quarter.

The retail trade sector grew by 2.6 per cent year-on-year, picking up slightly from the 2.3 per cent growth in the previous quarter. Growth during the quarter was supported by an increase in non-motor vehicle sales volume, even as motor vehicle sales volume declined. On a quarter-on-quarter seasonally-adjusted basis, the sector posted growth of 3.2 per cent, rebounding from the 0.7 per cent contraction in the first quarter.

The transportation & storage sector expanded by 4.6 per cent year-on-year, an improvement from the 0.9 per cent expansion in the previous quarter. Growth during the quarter was mainly driven by the water transport segment, which was in turn

¹ The "others" segment comprises a diverse range of products including metals, timber & construction materials, household equipment & furniture and food, beverages & tobacco, among others.

supported by an increase in container throughput and total sea cargo handled at Singapore's ports. Meanwhile, the air transport and land transport segments also expanded, with the former bolstered by a continued recovery in the number of air passengers handled at Changi Airport. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 4.3 per cent, a turnaround from the 1.0 per cent contraction in the preceding quarter.

The accommodation sector expanded by 13.0 per cent year-on-year, extending the 21.8 per cent growth in the previous quarter. Growth during the quarter was supported by a robust recovery in international visitor arrivals. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 3.0 per cent, a reversal from the 9.6 per cent expansion in the first quarter.

The food & beverage services sector grew at a slower pace of 5.7 per cent year-on-year, compared to the 12.2 per cent expansion in the preceding quarter. Growth of the sector was supported by a higher volume of sales at food caterers, cafes, food courts & other eating places, as well as fast food outlets. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted marginally by 0.1 per cent, extending the 0.5 per cent contraction in the previous quarter.

Growth in the information & communications sector eased to 5.0 per cent year-on-year, from 6.5 per cent in the first quarter. Within the sector, the IT & information services segment expanded on the back of an increase in activities related to data hosting services and online marketplaces for goods and travel services. By contrast, the "others"² and telecommunications segments contracted. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 0.6 per cent, a pullback from the 3.6 per cent expansion in the previous quarter.

The finance & insurance sector contracted by 1.7 per cent year-on-year, extending the 1.1 per cent contraction in the preceding quarter. The weak performance of the sector was due to contractions in the banking and insurance segments, which outweighed expansions in the other auxiliary activities and fund management segments. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 0.3 per cent, a reversal from the 0.3 per cent contraction in the first quarter.

The real estate sector grew by 12.0 per cent year-on-year, accelerating from the 7.0 per cent expansion in the previous quarter. Growth of the sector was supported by the private residential property segment, as well as the commercial office and industrial space segments. On a quarter-on-quarter seasonally-adjusted basis, the sector's growth picked up to 5.3 per cent from 0.2 per cent in the preceding quarter.

² The "others" segment consists of (i) publishing activities (including computer games and software publishing), (ii) motion picture, video and other programme production, sound recording, and music publishing activities, and (iii) radio and television broadcasting activities.

The professional services sector expanded by 1.7 per cent year-on-year, moderating from the 3.7 per cent growth in the first quarter. The expansion of the sector was mainly driven by the architectural & engineering, technical testing & analysis segment, as well as the other professional, scientific & technical services segment. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 1.1 per cent, reversing from the 0.1 per cent growth in the previous quarter.

The administrative & support services sector grew by 6.3 per cent year-on-year, extending the 9.0 per cent growth in the preceding quarter. Within the sector, both the other administrative & support services and rental & leasing segments expanded, with the former supported by growth in tourism-related sub-segments such as travel agencies and tour operators. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 1.2 per cent, a reversal from the 3.0 per cent expansion in the previous quarter.

Growth in the “other services industries” slowed to 3.8 per cent year-on-year, from 5.1 per cent in the first quarter. All segments within the sector expanded during the quarter, led by the arts, entertainment & recreation and “others”³ segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.0 per cent, improving from the 0.2 per cent growth in the previous quarter.

Economic Outlook for 2023

Since the Economic Survey of Singapore released in May, the performance of advanced economies such as the US and Eurozone has continued to be resilient, although their growth is expected to weaken in the second half of the year. In particular, US³ GDP growth is projected to slow more significantly in the remaining quarters of the year as elevated interest rates and a cooling labour market weigh on personal consumption growth. Similarly, GDP growth in the Eurozone is forecast to remain subdued for the rest of the year due to sluggish external demand and the effects of tight financial conditions on domestic demand.

In Asia, China³’s GDP growth is expected to moderate in the second half of the year as the post-pandemic recovery in its services activity slows in tandem with deteriorating consumer confidence. Sustained weakness in its property sector, alongside subdued external demand, will also continue to weigh on its growth. Meanwhile, Southeast Asian economies such as Malaysia, Indonesia and Thailand are projected to remain resilient in the second half of the year on account of the continued recovery in domestic and tourism demand.

Overall, MTI’s assessment is that Singapore’s external demand outlook for the rest of the year remains weak. Apart from the expected slowdown in Singapore’s key external demand markets, the global electronics downturn is also likely to be

³ The “others” segment comprises personal care (e.g., hairdressing salons, manicure and pedicure services), wedding and funeral activities.

protracted, with a gradual recovery expected towards the end of the year at the earliest.

At the same time, downside risks in the global economy remain. First, more persistent-than-expected inflation in the advanced economies could induce tighter global financial conditions, which could then lead to a sharper retraction in global spending and exacerbate the ongoing manufacturing downturn. Second, escalations in the war in Ukraine and geopolitical tensions among major global powers could lead to renewed supply disruptions, dampen consumer and business confidence, as well as weigh on global trade.

Against this backdrop, the growth outlook for the manufacturing sector in Singapore remains weak for the rest of the year. In particular, manufacturing output is expected to be weighed down largely by output contractions in the electronics and precision engineering clusters amidst the global electronics downturn. Similarly, growth in the finance & insurance sector is likely to be subdued as a result of continued weakness in the external economic environment and restrictive financial conditions.

On the other hand, the growth outlook for aviation- and tourism-related sectors such as air transport and accommodation remains positive given the ongoing recovery in international air travel and inbound tourism. Meanwhile, consumer-facing sectors such as retail trade and food & beverage services are expected to continue to expand, supported by resilient labour market conditions and the recovery in inbound tourism.

Taking into account the performance of the Singapore economy in the first half of 2023,⁴ as well as the latest global and domestic economic developments, **MTI has narrowed the GDP growth forecast for 2023 to “0.5 to 1.5 per cent”, from “0.5 to 2.5 per cent”.**

MINISTRY OF TRADE AND INDUSTRY
11 August 2023

⁴ In the first half of 2023, Singapore’s GDP growth averaged 0.4 per cent on a year-on-year basis.

ANNEX

SECTORAL GROWTH RATES

	2Q22	3Q22	4Q22	2022	1Q23	2Q23
	Year-on-Year % Change					
Total	4.5	4.0	2.1	3.6	0.4	0.5
Goods Producing Industries	5.8	1.8	-1.1	2.9	-3.8	-5.5
Manufacturing	6.1	1.1	-2.6	2.5	-5.4	-7.3
Construction	5.5	8.1	10.0	6.7	6.9	6.8
Services Producing Industries	4.8	5.5	4.0	4.8	1.9	2.6
Wholesale Trade	1.6	4.1	2.4	3.2	-1.7	1.1
Retail Trade	15.8	8.8	5.1	8.4	2.3	2.6
Transportation & Storage	3.6	6.1	2.5	4.0	0.9	4.6
Accommodation	-3.3	1.6	7.8	0.5	21.8	13.0
Food & Beverage Services	23.4	29.3	19.6	18.2	12.2	5.7
Information & Communications	10.0	6.9	5.6	8.6	6.5	5.0
Finance & Insurance	2.1	0.5	-0.3	1.4	-1.1	-1.7
Real Estate	13.9	14.8	15.2	14.1	7.0	12.0
Professional Services	7.4	7.9	6.1	7.6	3.7	1.7
Administrative & Support Services	6.9	5.9	10.5	6.6	9.0	6.3
Other Services Industries	5.4	7.9	6.0	5.2	5.1	3.8
	Quarter-on-Quarter Growth % (SA)					
Total	-0.1	0.8	0.1	3.6	-0.4	0.1
Goods Producing Industries	0.9	-2.1	1.1	2.9	-3.8	-0.6
Manufacturing	0.8	-2.9	1.0	2.5	-4.6	-1.0
Construction	2.9	2.1	1.4	6.7	0.3	2.7
Services Producing Industries	-0.1	1.6	-0.2	4.8	0.4	0.8
Wholesale Trade	-2.3	1.6	-0.6	3.2	-0.6	0.7
Retail Trade	2.9	0.1	0.0	8.4	-0.7	3.2
Transportation & Storage	0.5	2.2	-0.8	4.0	-1.0	4.3
Accommodation	5.5	1.5	4.1	0.5	9.6	-3.0
Food & Beverage Services	6.1	2.8	3.5	18.2	-0.5	-0.1
Information & Communications	0.7	2.8	-0.7	8.6	3.6	-0.6
Finance & Insurance	1.0	-1.7	0.0	1.4	-0.3	0.3
Real Estate	0.2	4.0	2.1	14.1	0.2	5.3
Professional Services	1.0	1.4	1.3	7.6	0.1	-1.1
Administrative & Support Services	1.1	0.6	4.0	6.6	3.0	-1.2
Other Services Industries	2.3	2.3	0.3	5.2	0.2	1.0

OTHER ECONOMIC INDICATORS

	2Q22	3Q22	4Q22	2022	1Q23	2Q23
Retail Sales Index* (yoy, %)	10.7	8.7	5.0	7.2	1.3	1.0
Changes in Employment ('000)	71.1	83.4	48.1	250.1	38.6	26.1
Unemployment Rate, SA (%)	2.1	2.1	2.0	2.1	1.8	1.9
Value Added Per Actual Hour Worked^ (yoy, %)	0.9	-1.8	-4.9	-0.9	-6.6	-4.7
Value Added Per Worker^ (yoy, %)	0.9	-2.3	-4.9	-1.1	-5.9	-4.9
Overall Unit Labour Cost (yoy, %)	8.8	7.7	9.3	8.5	10.1	10.2
Unit Business Cost of Manufacturing (yoy, %)	8.4	10.3	11.1	9.6	8.8	6.9
Fixed Asset Investments (\$ bil)	6.3	1.0	13.0	22.5	2.0	1.6
Consumer Price Index (yoy, %)	5.9	7.3	6.6	6.1	6.1	5.1
Total Merchandise Trade (yoy, %)	28.0	25.7	-1.0	17.7	-7.8	-18.7
Merchandise Exports	24.9	23.4	-2.3	15.6	-6.5	-16.9
Domestic Exports	28.5	27.9	-2.1	18.2	-7.9	-19.5
Oil	72.9	75.2	21.6	52.4	8.5	-28.1
Non-Oil	8.9	7.1	-14.0	3.0	-16.1	-13.4
Re-exports	21.7	19.8	-2.4	13.5	-5.3	-14.5
Merchandise Imports	31.6	28.1	0.5	20.1	-9.3	-20.6
Total Services Trade (yoy, %)	13.1	12.5	7.0	10.8	1.9	-1.9
Exports of Services	14.3	14.1	8.2	12.1	0.2	-2.5
Imports of Services	11.8	10.6	5.7	9.3	3.8	-1.1

* In chained volume terms.

^ Based on GDP at market prices in chained (2015) dollars.