

MTI Forecasts GDP to Grow by “1.0 to 1.5 Per Cent” in 2016 and “1.0 to 3.0 Per Cent” in 2017

24 November 2016. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow by “1.0 to 1.5 per cent” in 2016, and by “1.0 to 3.0 per cent” in 2017.

Economic Performance in Third Quarter 2016

The Singapore economy grew by 1.1 per cent on a year-on-year basis in the third quarter, slower than the 2.0 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 2.0 per cent, a reversal from the 0.1 per cent growth in the second quarter.

The manufacturing sector expanded by 1.3 per cent year-on-year, similar to the 1.4 per cent growth in the preceding quarter. Growth was supported by the electronics and precision engineering clusters, which had benefitted from an improvement in external demand for semiconductors and semiconductor equipment respectively. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 9.1 per cent, reversing the expansion of 2.1 per cent in the second quarter.

The construction sector grew by 1.6 per cent year-on-year, easing from the 2.0 per cent growth in the previous quarter. Growth was supported by an expansion in public sector construction works such as civil engineering works. On a quarter-on-quarter basis, the sector contracted at a seasonally-adjusted annualised rate of 0.8 per cent, a moderation from the 1.2 per cent decline in the preceding quarter.

The wholesale & retail trade sector contracted by 1.5 per cent year-on-year, in contrast to the 0.9 per cent growth in the second quarter. Growth was weighed down by the wholesale trade segment, which contracted on the back of weakness in the wholesale trading of petroleum and petroleum products. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 2.7 per cent, reversing the 0.1 per cent expansion in the previous quarter.

Growth in the transportation & storage sector moderated to 0.6 per cent year-on-year, from the 2.9 per cent in the second quarter. The sector’s growth was supported by the water transport and storage & other support services segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 5.8 per cent, a reversal from the 6.7 per cent expansion in the previous quarter.

The accommodation & food services sector grew by 2.1 per cent year-on-year, faster than the 1.9 per cent growth recorded in the preceding quarter. Growth was supported by the accommodation segment, which expanded in tandem with an increase in visitor arrivals. On a quarter-on-quarter basis, the sector grew at a

seasonally-adjusted annualised rate of 9.1 per cent, a turnaround from the 2.7 per cent decline in the second quarter.

The information & communications sector posted growth of 2.2 per cent year-on-year, extending the 1.5 per cent growth in the preceding quarter. Growth was supported by the IT & information services segment on the back of healthy demand for IT solutions by businesses. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 4.0 per cent, accelerating from the 2.5 per cent growth in the previous quarter.

The finance & insurance sector contracted by 0.7 per cent year-on-year, a pullback from the 0.7 per cent growth in the second quarter. This was due to weakness in the offshore financial intermediation, fund management and security dealing segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 4.7 per cent, extending the 11.7 per cent contraction in the preceding quarter.

The business services sector expanded by 0.2 per cent year-on-year, slower than the 0.7 per cent growth in the second quarter. Growth was supported by the professional services segment while the real estate segment continued to contract. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector recorded a slight contraction of 0.1 per cent, easing from the decline of 0.7 per cent in the previous quarter.

Meanwhile, growth in the “other services industries” came in at 2.3 per cent, higher than the 1.7 per cent in the preceding quarter. Growth in the sector was supported by the education, health & social services segment. On a quarter-on-quarter basis, the sector grew at a seasonally-adjusted annualised rate of 4.4 per cent, moderating from the 5.3 per cent growth in the previous quarter.

Economic Outlook for 2016

Global economic conditions have remained sluggish, with full-year growth for 2016 likely to come in marginally weaker than in 2015. In line with the sluggish external environment, the Singapore economy grew at a slower pace of 1.7 per cent in the first three quarters of 2016, compared to 2.1 per cent over the same period a year ago. Growth was weighed down primarily by the weak performance of the business services and wholesale & retail trade sectors.

For the rest of the year, Singapore’s GDP growth is expected to remain modest. Sectors such as electronics, information & communications and “other services industries” are likely to continue to support growth, while the wholesale trade and finance & insurance sectors could continue to face external headwinds.

Taking these factors into consideration, the GDP growth forecast for 2016 is narrowed to **“1.0 to 1.5 per cent”**, from “1.0 to 2.0 per cent”.

Economic Outlook for 2017

Global growth is projected to pick up slightly in 2017. In particular, growth in the advanced and developing economies like the US, Japan, NIEs and ASEAN is expected to improve, even as growth in the Eurozone and China moderates.

The US economy is expected to grow at a faster pace in 2017, supported by domestic demand and an improved outlook for its manufacturing and services sectors. On the other hand, growth in the Eurozone is projected to ease, as labour market conditions in the region continue to be sluggish with unemployment rates remaining high. Uncertainties from Brexit may also weigh on consumer and investor confidence. In Asia, China’s economic growth is expected to moderate further, as the economy continues to rebalance from investments to consumption and the boost from earlier policy stimulus tapers off. Meanwhile, the key ASEAN economies are expected to see a modest uptick in growth in 2017, supported by resilient domestic demand.

However, while global growth is expected to improve slightly, the elasticity of trade to global growth is likely to remain weak due to factors such as the slowdown in investment growth in economies like the US and China, as well as insourcing trends in China. This suggests that external demand for Singapore and regional countries may not see a significant uplift next year.

Moreover, downside risks in the global economy remain. First, Brexit has led to uncertainties in both the UK and Eurozone economies, especially since the timing and nature of UK’s exit from the European Union remain unresolved. These uncertainties may weigh on consumer and business confidence, as well as spark bouts of volatility in global financial markets. If prolonged, they could dampen investments and consumption, and cause a sharper-than-expected slowdown in growth in the UK and Eurozone economies. Second, amidst rising corporate credit levels in China, there is a risk that debt defaults could spike as the economy continues to restructure. This could be exacerbated by a sharper-than-expected correction in the real estate market, resulting in a surge in defaults on property-related loans. Should debt defaults spike, leading to a significant tightening of financial conditions, the Chinese economy could slow down more sharply than expected. Third, political risks and uncertainties have risen, and could in turn lead to greater economic uncertainties. In particular, an increasing backlash against globalisation could further dampen global trade which is already weak, while economic uncertainties could negatively affect business and consumer confidence.

Against this backdrop, the growth outlook for the Singapore economy remains modest in 2017. The manufacturing sector is expected to see an improvement in

performance on the back of sustained global demand for semiconductors and semiconductor equipment, although the marine & offshore engineering segment and firms supporting the global oil & gas industry are expected to continue to face weak demand conditions amidst low oil prices. Tourism-related sectors are likely to benefit from a boost in travel demand as the global economic outlook improves. At the same time, sectors such as information & communications and “other services industries” are likely to continue to support growth. On the other hand, externally-oriented services sectors such as finance & insurance and wholesale trade are expected to remain sluggish.

Taking into account the above factors, and barring the full materialisation of downside risks, the Singapore economy is expected to grow at a modest pace of **“1.0 to 3.0 per cent”** in 2017.

MINISTRY OF TRADE AND INDUSTRY
24 November 2016

ANNEX

SECTORAL GROWTH RATES

	3Q15	4Q15	2015	1Q16	2Q16	3Q16
	Year-on-Year % Change					
Total	1.8	1.8	2.0	2.0	2.0	1.1
Goods Producing Industries	-4.0	-4.0	-3.4	0.6	1.6	1.3
Manufacturing	-6.0	-6.7	-5.2	-0.5	1.4	1.3
Construction	3.0	4.9	2.5	4.3	2.0	1.6
Services Producing Industries	3.4	2.8	3.4	1.6	1.2	0.0
Wholesale & Retail Trade	6.4	6.8	6.1	2.6	0.9	-1.5
Transportation & Storage	0.4	-0.9	0.0	-0.1	2.9	0.6
Accommodation & Food Services	1.1	0.9	0.2	1.7	1.9	2.1
Information & Communications	2.5	3.3	4.2	3.1	1.5	2.2
Finance & Insurance	4.6	2.4	5.3	2.8	0.7	-0.7
Business Services	2.0	0.8	1.5	0.3	0.7	0.2
Other Services Industries	1.5	1.7	1.6	0.8	1.7	2.3
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	2.3	6.2	2.0	0.1	0.1	-2.0
Goods Producing Industries	-4.3	-2.1	-3.4	14.3	1.4	-7.3
Manufacturing	-6.0	-4.9	-5.2	18.8	2.1	-9.1
Construction	0.2	6.0	2.5	2.7	-1.2	-0.8
Services Producing Industries	3.8	7.7	3.4	-5.1	-0.9	-1.3
Wholesale & Retail Trade	7.9	3.7	6.1	-7.3	0.1	-2.7
Transportation & Storage	3.7	-2.6	0.0	4.3	6.7	-5.8
Accommodation & Food Services	8.8	1.0	0.2	1.1	-2.7	9.1
Information & Communications	0.7	6.4	4.2	-3.7	2.5	4.0
Finance & Insurance	0.9	34.1	5.3	-13.9	-11.7	-4.7
Business Services	2.5	1.8	1.5	-0.4	-0.7	-0.1
Other Services Industries	1.8	2.9	1.6	-3.1	5.3	4.4

OTHER ECONOMIC INDICATORS

	3Q15	4Q15	2015	1Q16	2Q16	3Q16
Retail Sales Index* (yoy, %)	5.5	3.2	4.6	2.5	1.9	1.0
Value Added Per Worker^ (yoy, %)	0.0	0.5	-0.1	0.8	0.7	0.1
Unemployment Rate, SA (%)	2.0	1.9	1.9	1.9	2.1	2.1
Changes in Employment ('000)	12.6	16.1	32.3	13.0	4.2	-3.3
Overall Unit Labour Cost (yoy, %)	2.5	1.8	2.8	3.5	3.7	3.9
Unit Business Cost of Manufacturing (yoy, %)	-1.2	5.8	1.4	-3.0	-4.0	-4.7
Consumer Price Index (yoy, %)	-0.6	-0.7	-0.5	-0.8	-0.9	-0.4
Fixed Asset Investments (\$ bil)	3.7	1.4	11.5	3.0	2.8	1.8
Total Merchandise Trade (yoy, %)	-8.5	-7.7	-9.5	-9.7	-5.7	-5.0
Merchandise Exports	-8.0	-5.7	-7.2	-11.6	-4.7	-3.5
Domestic Exports	-14.4	-12.9	-12.9	-16.8	-6.0	-8.0
Oil	-32.6	-29.9	-32.2	-33.3	-18.0	-13.7
Non-Oil	-2.2	-3.5	-0.1	-9.3	-0.2	-5.4
Re-exports	-0.5	1.4	-0.9	-6.5	-3.4	1.0
Merchandise Imports	-9.1	-9.9	-12.1	-7.4	-6.7	-6.7
Total Services Trade (yoy, %)	1.1	-0.3	0.3	-0.2	2.3	0.1
Exports of Services	1.4	0.0	0.5	-0.5	3.2	0.2
Imports of Services	0.8	-0.5	0.1	0.2	1.4	0.1

*At constant prices. ^Based on GDP at 2010 market prices.