

MTI Forecasts GDP to Grow by “3.0 to 3.5 Per Cent” in 2017 and “1.5 to 3.5 Per Cent” in 2018

23 November 2017. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy is expected to grow by “3.0 to 3.5 per cent” in 2017, and by “1.5 to 3.5 per cent” in 2018.

Economic Performance in Third Quarter 2017

The Singapore economy grew by 5.2 per cent on a year-on-year basis in the third quarter, faster than the 2.9 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 8.8 per cent, accelerating from the 2.2 per cent growth in the second quarter.

The manufacturing sector grew by 18.4 per cent year-on-year, much faster than the 8.4 per cent growth in the preceding quarter. All clusters within the manufacturing sector expanded, with the exception of the transport engineering cluster, which continued to register a decline in output on the back of sustained weakness in the marine & offshore engineering segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 34.6 per cent, a sharp acceleration from the 4.0 per cent growth in the second quarter.

The construction sector contracted by 7.6 per cent year-on-year, extending the 9.1 per cent decline in the previous quarter, due to weakness in both private and public sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 5.3 per cent, moderating from the 6.9 per cent decline recorded in the preceding quarter.

The wholesale & retail trade sector expanded by 2.2 per cent year-on-year, similar to the 2.1 per cent growth in the second quarter. Growth was driven mainly by the wholesale trade segment, in line with the expansion in Singapore’s non-oil exports. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 2.1 per cent, slowing from the 7.2 per cent growth in the previous quarter.

The transportation & storage sector grew at a faster pace of 4.6 per cent year-on-year, compared to the 3.4 per cent expansion in the second quarter. The sector’s growth was supported by the water transport and air transport segments, which saw improvements in sea cargo and air passengers handled respectively. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector recorded an expansion of 4.8 per cent, higher than the 1.1 per cent growth in the previous quarter.

The accommodation & food services sector contracted by 2.1 per cent year-on-year, extending the 2.0 per cent contraction in the preceding quarter. Growth was weighed down by both the accommodation and food services segments. On a

quarter-on-quarter basis, the sector grew at a seasonally-adjusted annualised rate of 4.1 per cent, a turnaround from the 1.1 per cent decline in the second quarter.

Growth in the information & communications sector came in at 4.9 per cent on a year-on-year basis, higher than the 1.5 per cent in the preceding quarter. The sector's robust performance was driven primarily by the IT & information services segment, which benefitted from the healthy demand for IT solutions. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 10.9 per cent, improving from the 2.7 per cent growth in the previous quarter.

The finance & insurance sector grew by 5.9 per cent year-on-year, better than the 4.2 per cent growth in the second quarter. The strong performance of the sector was largely due to robust growth in financial intermediation, insurance and fund management activities, as well as a turnaround in forex trading volumes. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 7.6 per cent, extending the 5.5 per cent expansion in the preceding quarter.

The business services sector recorded growth of 1.4 per cent year-on-year, similar to the 1.3 per cent achieved in the second quarter. Growth was supported by the professional services and others segments, even as the real estate segment continued to contract. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 1.0 per cent, extending the 2.2 decline in the previous quarter.

The "other services industries" expanded by 2.0 per cent year-on-year, moderating from the 3.2 per cent growth in the preceding quarter. Growth was mainly supported by the education, health & social services and the arts, entertainment & recreation segments. On a quarter-on-quarter basis, the sector grew at a seasonally-adjusted annualised rate of 1.1 per cent, slower than the 4.4 per cent growth in the second quarter.

Economic Outlook for 2017

In recent months, the growth outlook for Singapore's key external demand markets such as the US, Eurozone, China and ASEAN-5 has improved, alongside a stronger-than-expected recovery in global electronics demand. In line with stronger external demand conditions, the Singapore economy performed better than expected in the third quarter. Growth in the quarter was primarily supported by externally-oriented sectors such as the manufacturing, finance & insurance, wholesale trade and transportation & storage sectors. Taking into account the robust performance of the Singapore economy in the third quarter, GDP growth in the first three quarters of the year came in at 3.5 per cent on a year-on-year basis.

For the rest of the year, Singapore's GDP growth is expected to moderate but remain firm. In particular, the externally-oriented sectors are projected to continue

to expand, albeit at a more modest pace, and support growth for the rest of the year. Domestically-oriented sectors like the health, education & social services sector are also expected to remain resilient.

Taking these factors into consideration, the GDP growth forecast for 2017 is upgraded to “**3.0 to 3.5 per cent**”, from “2.0 to 3.0 per cent”.

Economic Outlook for 2018

Global growth is expected to pick up marginally in 2018 on the back of stronger growth in the US and some emerging markets and developing economies. However, growth in several of Singapore’s key external demand markets such as China and the Eurozone is projected to ease in the coming year.

In the US, growth is expected to pick up slightly in 2018, with continued support coming from private consumption and investment expenditure. On the other hand, the Eurozone’s growth is projected to ease in 2018 following the rebound in 2017. Growth will continue to be supported by gradual improvements in labour market conditions and largely accommodative monetary policies. In Asia, China’s growth is also expected to moderate in 2018 on the back of a slowdown in investment, even as consumption is likely to remain stable and provide support to growth. Meanwhile, growth in the key ASEAN economies is expected to stay resilient, supported by domestic demand and merchandise exports.

At the same time, there continues to be downside risks in the global economy. First, global policy uncertainty remains elevated, reflecting in part uncertainty over the US administration’s policies and lingering concerns over the rise in protectionist sentiments. At the same time, geopolitical tensions in North Korea remain, and could affect the economies of regional countries if tensions escalate. Second, at this relatively advanced stage of the US’ economic recovery, an upside surprise in inflation cannot be ruled out. Should this happen, monetary policy in the US could normalise faster than expected, thereby causing global financial conditions to tighten more than anticipated.

Against this external backdrop, the pace of growth of the Singapore economy is expected to moderate in 2018 as compared to 2017, but remain firm. First, the manufacturing sector is likely to continue to expand and provide support to overall GDP growth. In particular, the electronics and precision engineering clusters are expected to see sustained expansions on the back of healthy demand conditions in the global semiconductor and semiconductor equipment markets, although the pace of expansion is likely to taper in 2018 given less favourable base effects. Second, externally-oriented services sectors such as wholesale trade, transportation & storage and finance & insurance are expected to benefit from the global economic recovery, although their growth momentum may ease in tandem with the moderation in growth in key advanced and regional economies. Third, sectors such

as the information & communications and education, health & social services sectors are likely to remain resilient, supported by domestic drivers of growth like the Smart Nation initiatives and expansions in healthcare facilities respectively. Fourth, unlike most of the other sectors, the performance of the construction sector is expected to remain lacklustre, weighed down by the continued weakness in construction demand.

Taking into account the global and domestic economic environment, the Singapore economy is expected to grow by **“1.5 to 3.5 per cent”** in 2018. Barring unexpected outcomes in the global economy and key sectors in the domestic economy, MTI’s central view is that GDP growth in 2018 is likely to come in around the middle of the forecast range.

MINISTRY OF TRADE AND INDUSTRY
23 November 2017

ANNEX

SECTORAL GROWTH RATES

| | 3Q16 | 4Q16 | 2016 | 1Q17 | 2Q17 | 3Q17 |
|-------------------------------|---|------|------|-------|------|------|
| | Year-on-Year % Change | | | | | |
| Total | 1.2 | 2.9 | 2.0 | 2.5 | 2.9 | 5.2 |
| Goods Producing Industries | 0.9 | 7.9 | 2.8 | 4.9 | 4.4 | 12.3 |
| Manufacturing | 1.8 | 11.5 | 3.6 | 8.5 | 8.4 | 18.4 |
| Construction | -2.2 | -2.8 | 0.2 | -6.9 | -9.1 | -7.6 |
| Services Producing Industries | 0.4 | 1.0 | 1.0 | 1.4 | 2.5 | 3.0 |
| Wholesale & Retail Trade | 0.1 | 0.4 | 0.6 | 0.4 | 2.1 | 2.2 |
| Transportation & Storage | 0.7 | 5.4 | 2.3 | 4.5 | 3.4 | 4.6 |
| Accommodation & Food Services | 2.5 | -0.2 | 1.7 | -1.6 | -2.0 | -2.1 |
| Information & Communications | 1.3 | 1.4 | 2.3 | 1.8 | 1.5 | 4.9 |
| Finance & Insurance | 0.1 | 0.6 | 0.7 | 0.7 | 4.2 | 5.9 |
| Business Services | -1.8 | -1.9 | -0.9 | 1.1 | 1.3 | 1.4 |
| Other Services Industries | 3.6 | 3.9 | 3.1 | 3.0 | 3.2 | 2.0 |
| | Annualised Quarter-on-Quarter Growth % (SA) | | | | | |
| Total | -0.4 | 12.3 | 2.0 | -2.0 | 2.2 | 8.8 |
| Goods Producing Industries | -6.6 | 29.3 | 2.8 | -3.3 | 1.4 | 25.3 |
| Manufacturing | -5.0 | 39.8 | 3.6 | 0.3 | 4.0 | 34.6 |
| Construction | -12.6 | 0.8 | 0.2 | -17.3 | -6.9 | -5.3 |
| Services Producing Industries | 1.1 | 8.4 | 1.0 | -2.6 | 3.4 | 3.2 |
| Wholesale & Retail Trade | 1.7 | 2.2 | 0.6 | -2.6 | 7.2 | 2.1 |
| Transportation & Storage | -0.6 | 12.4 | 2.3 | 1.0 | 1.1 | 4.8 |
| Accommodation & Food Services | 5.2 | -7.2 | 1.7 | -4.2 | -1.1 | 4.1 |
| Information & Communications | -3.6 | 0.9 | 2.3 | 5.6 | 2.7 | 10.9 |
| Finance & Insurance | 0.7 | 36.5 | 0.7 | -18.7 | 5.5 | 7.6 |
| Business Services | -1.0 | 0.3 | -0.9 | 8.7 | -2.2 | -1.0 |
| Other Services Industries | 5.7 | 1.3 | 3.1 | 1.3 | 4.4 | 1.1 |

OTHER ECONOMIC INDICATORS

| | 3Q16 | 4Q16 | 2016 | 1Q17 | 2Q17 | 3Q17 |
|--|-------|------|-------|------|------|------|
| Retail Sales Index* (yoy, %) | 1.0 | 0.5 | 1.5 | 0.7 | 1.4 | 0.9 |
| Value Added Per Actual Hour Worked^ (yoy, %) | - | - | 1.4 | - | - | - |
| Value Added Per Worker^ (yoy, %) | 0.2 | 2.4 | 1.0 | 2.5 | 3.2 | 5.5 |
| Unemployment Rate, SA (%) | 2.1 | 2.2 | 2.1 | 2.2 | 2.2 | 2.1 |
| Changes in Employment ('000) | -2.7 | 2.3 | 16.8 | -6.8 | -7.3 | -0.7 |
| Overall Unit Labour Cost (yoy, %) | 3.1 | 0.7 | 2.4 | 0.0 | -0.1 | -1.9 |
| Unit Business Cost of Manufacturing (yoy, %) | -8.3 | -9.8 | -8.5 | 4.6 | 2.9 | -8.0 |
| Consumer Price Index (yoy, %) | -0.4 | 0.0 | -0.5 | 0.6 | 0.8 | 0.4 |
| Fixed Asset Investments (\$ bil) | 1.8 | 1.7 | 9.4 | 1.6 | 4.0 | 1.2 |
| Total Merchandise Trade (yoy, %) | -6.6 | 4.0 | -4.9 | 16.3 | 9.5 | 11.7 |
| Merchandise Exports | -4.5 | 2.1 | -5.1 | 16.9 | 8.3 | 10.1 |
| Domestic Exports | -8.0 | 7.6 | -5.8 | 29.1 | 9.6 | 11.0 |
| Oil | -13.7 | 20.2 | -12.6 | 72.0 | 26.9 | 19.3 |
| Non-Oil | -5.4 | 2.7 | -2.8 | 15.0 | 3.0 | 7.6 |
| Re-exports | -1.0 | -2.4 | -4.4 | 6.5 | 7.0 | 9.3 |
| Merchandise Imports | -9.1 | 6.1 | -4.7 | 15.5 | 10.9 | 13.5 |
| Total Services Trade (yoy, %) | 0.4 | 3.4 | 1.2 | 4.5 | 4.7 | 6.4 |
| Exports of Services | 0.6 | 3.1 | 1.2 | 4.7 | 4.4 | 5.3 |
| Imports of Services | 0.2 | 3.7 | 1.2 | 4.4 | 5.1 | 7.4 |

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