

MTI Maintains 2017 GDP Growth Forecast at “1.0 to 3.0 Per Cent”

17 February 2017. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy grew by 2.0 per cent in 2016. For 2017, MTI has maintained the GDP growth forecast at “1.0 to 3.0 per cent”.

Economic Performance in Fourth Quarter 2016

The Singapore economy grew by 2.9 per cent on a year-on-year basis in the fourth quarter, faster than the 1.2 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 12.3 per cent, a turnaround from the 0.4 per cent decline in the previous quarter.

The manufacturing sector grew by 11.5 per cent year-on-year, accelerating from the 1.8 per cent growth in the preceding quarter. The strong performance of the sector was primarily due to robust growth in the electronics and biomedical manufacturing clusters. In turn, the electronics cluster was supported by a recovery in global semiconductors demand, while the biomedical manufacturing cluster was boosted by output growth in both the pharmaceuticals and medical technology segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the manufacturing sector rebounded strongly from the 5.0 per cent decline in the third quarter to post growth of 39.8 per cent in the fourth quarter.

The construction sector shrank by 2.8 per cent year-on-year, extending the 2.2 per cent contraction in the previous quarter. Growth was weighed down primarily by the decline in private sector construction activities. On a quarter-on-quarter basis, the sector expanded at a seasonally-adjusted annualised rate of 0.8 per cent, a reversal from the 12.6 per cent contraction in the preceding quarter.

The wholesale & retail trade sector grew by 0.4 per cent year-on-year, slightly faster than the 0.1 per cent growth in the third quarter. Growth was supported by the wholesale trade segment, which expanded on the back of a pick-up in oil and non-oil trade. The retail trade segment, on the other hand, registered flat growth. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 2.2 per cent, an improvement from the 1.7 per cent growth in the previous quarter.

Growth in the transportation & storage sector came in at 5.4 per cent year-on-year, higher than the 0.7 per cent in the previous quarter. The sector’s growth was largely driven by the water transport and storage & other support services segments, which were in turn supported by an increase in container throughput and containerised cargo handled respectively. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 12.4 per cent, rebounding from the 0.6 per cent decline in the previous quarter.

The accommodation & food services sector recorded a slight contraction of 0.2 per cent year-on-year, a pullback from the 2.5 per cent growth in the preceding quarter. Growth was weighed down by the food services segment, which contracted on the back of weak sales in restaurants. On a quarter-on-quarter basis, the sector shrank at a seasonally-adjusted annualised rate of 7.2 per cent, reversing the 5.2 per cent expansion in the third quarter.

The information & communications sector posted growth of 1.4 per cent year-on-year, similar to the 1.3 per cent growth in the previous quarter. Growth was supported by the IT & information services segment on the back of healthy demand for IT solutions. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 0.9 per cent, a reversal from the 3.6 per cent decline in the third quarter.

The finance & insurance sector grew by 0.6 per cent year-on-year, faster than the 0.1 per cent growth in the previous quarter. The improved performance was largely due to robust growth in the forex trading and security dealing activities segments. On a quarter-on-quarter seasonally-adjusted annualised basis, growth in the sector accelerated strongly to 36.5 per cent, from 0.7 per cent in the preceding quarter.

The business services sector contracted by 1.9 per cent year-on-year, similar to the 1.8 per cent contraction in the third quarter. The contraction was due to weakness in both the real estate and professional services segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector registered marginal growth of 0.3 per cent, after declining by 1.0 per cent in the previous quarter.

Meanwhile, growth in the “other services industries” improved to 3.9 per cent, from 3.6 per cent in the preceding quarter. The sector’s growth was largely driven by the education, health & social services segment. On a quarter-on-quarter basis, the sector grew at a seasonally-adjusted annualised rate of 1.3 per cent, moderating from the 5.7 per cent growth in the previous quarter.

Overall Performance in 2016

For the whole of 2016, the Singapore economy expanded by 2.0 per cent, similar to the 1.9 per cent growth in 2015.

The manufacturing sector grew by 3.6 per cent, a reversal from the 5.1 per cent decline in 2015. Growth in the sector was driven primarily by the electronics and biomedical manufacturing clusters, even while the transport engineering and general manufacturing clusters continued to contract.

The construction sector expanded by 0.2 per cent, moderating from the 3.9 per cent growth in 2015. Growth in the sector was weighed down by sluggish private sector construction works.

The services producing industries grew by 1.0 per cent in 2016, easing from the 3.2 per cent growth in 2015. Growth was mainly supported by the “other services industries” and the transportation & storage sector, which expanded by 3.1 per cent and 2.3 per cent respectively.

Economic Outlook for 2017

Global growth is projected to pick up slightly in 2017. In particular, growth in the US and key ASEAN economies is expected to improve, even as growth in China continues to moderate.

The US economy is projected to grow at a faster pace in 2017, supported by domestic demand and expected fiscal stimulus under the new US administration. On the other hand, growth in the Eurozone is likely to remain modest, as consumption growth may be dampened to some extent by sluggish labour market conditions. In Asia, China’s economic growth is expected to ease further, as investment growth continues to slow on the back of a slowdown in the housing market and continued efforts to reduce overcapacity in the heavy industries. Meanwhile, key ASEAN economies are expected to register a modest uptick in growth in 2017, supported by resilient domestic demand as well as exports demand on the back of an expected improvement in global growth.

However, uncertainties and downside risks in the global economy remain. First, political risks and economic uncertainties have risen. Even as the UK navigates through “Brexit”, upcoming elections in key Eurozone economies may create further uncertainties regarding the future of the monetary union. There are also signs of a rise in anti-globalisation sentiments. If protectionist approaches become the norm, global trade will be adversely affected, with knock-on effects on economic growth worldwide. Political risks and the lack of clarity on the policies of the new US administration have also heightened economic uncertainties globally and led to financial market volatility. These uncertainties may in turn weigh on business and consumer confidence, thereby dampening investments and consumption, and causing a pullback in global growth. Second, if monetary conditions tighten further in China and result in a steeper-than-intended pullback in credit, investment spending and hence growth in China could slow down more sharply than expected.

Against this global backdrop and barring the materialisation of downside risks, externally-oriented sectors such as the manufacturing and transportation & storage sectors are likely to provide support to growth in the Singapore economy in 2017. In particular, the improved momentum seen in the manufacturing sector towards the end of 2016 is expected to be sustained into 2017, supported by a continued recovery in the global demand for semiconductors and semiconductor equipment. Likewise, the transportation & storage sector is likely to benefit from the projected

improvement in global trade flows. At the same time, the information & communications and education, health & social services sectors are expected to remain resilient.

On the other hand, the outlook for the construction sector has weakened on the back of the drop in contracts awarded in the last two years, largely due to sluggish private sector demand. Other sectors like the marine & offshore, retail and food services sectors are also likely to continue to face headwinds.

Taking the above factors into account, 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
17 February 2017

ANNEX

SECTORAL GROWTH RATES

	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
	Year-on-Year % Change						
Total	1.3	1.9	1.9	1.9	1.2	2.9	2.0
Goods Producing Industries	-3.5	-3.1	0.5	1.8	0.9	7.9	2.8
Manufacturing	-6.2	-5.1	-0.4	1.5	1.8	11.5	3.6
Construction	5.6	3.9	3.1	2.7	-2.2	-2.8	0.2
Services Producing Industries	2.0	3.2	1.5	1.1	0.4	1.0	1.0
Wholesale & Retail Trade	3.3	3.7	1.8	0.4	0.1	0.4	0.6
Transportation & Storage	0.2	1.6	0.1	2.9	0.7	5.4	2.3
Accommodation & Food Services	1.4	0.7	2.1	2.4	2.5	-0.2	1.7
Information & Communications	-1.7	-0.6	2.9	3.5	1.3	1.4	2.3
Finance & Insurance	3.0	5.7	1.9	0.1	0.1	0.6	0.7
Business Services	2.9	3.9	0.3	-0.1	-1.8	-1.9	-0.9
Other Services Industries	-0.3	1.2	2.4	2.6	3.6	3.9	3.1
	Annualised Quarter-on-Quarter Growth % (SA)						
Total	5.1	1.9	-0.5	0.8	-0.4	12.3	2.0
Goods Producing Industries	-1.9	-3.1	9.1	3.4	-6.6	29.3	2.8
Manufacturing	-4.1	-5.1	12.9	3.6	-5.0	39.8	3.6
Construction	4.4	3.9	-1.6	3.1	-12.6	0.8	0.2
Services Producing Industries	5.9	3.2	-4.2	-0.7	1.1	8.4	1.0
Wholesale & Retail Trade	0.7	3.7	-3.1	0.8	1.7	2.2	0.6
Transportation & Storage	-4.7	1.6	4.4	5.3	-0.6	12.4	2.3
Accommodation & Food Services	2.9	0.7	1.8	-0.2	5.2	-7.2	1.7
Information & Communications	1.0	-0.6	3.2	5.0	-3.6	0.9	2.3
Finance & Insurance	34.1	5.7	-19.0	-8.1	0.7	36.5	0.7
Business Services	1.3	3.9	-3.6	-3.5	-1.0	0.3	-0.9
Other Services Industries	-0.3	1.2	5.0	3.9	5.7	1.3	3.1

OTHER ECONOMIC INDICATORS

	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
Retail Sales Index* (yoy, %)	3.2	4.6	2.5	1.9	1.0	0.4	1.5
Value Added Per Actual Hour Worked^ (yoy, %)	-	1.0	-	-	-	-	1.4
Value Added Per Worker^ (yoy, %)	0.0	-0.2	0.7	0.6	0.2	2.4	1.0
Unemployment Rate, SA (%)	1.9	1.9	1.9	2.1	2.1	2.2	2.1
Changes in Employment ('000)	16.1	32.3	13.0	4.2	-2.7	1.9	16.4
Overall Unit Labour Cost (yoy, %)	3.3	3.6	2.7	3.1	3.1	0.7	2.4
Unit Business Cost of Manufacturing (yoy, %)	6.8	0.4	-9.5	-6.3	-8.3	-9.8	-8.5
Consumer Price Index (yoy, %)	-0.7	-0.5	-0.8	-0.9	-0.4	0.0	-0.5
Fixed Asset Investments (\$ bil)	1.4	11.5	3.0	2.8	1.8	1.7	9.4
Total Merchandise Trade (yoy, %)	-6.7	-8.9	-11.0	-6.0	-6.6	4.0	-4.9
Merchandise Exports	-4.4	-6.5	-13.1	-4.8	-4.5	2.1	-5.1
Domestic Exports	-11.8	-11.9	-16.9	-5.0	-8.0	7.6	-5.8
Oil	-29.9	-32.2	-33.3	-18.0	-13.7	20.2	-12.6
Non-Oil	-2.0	1.5	-9.6	1.2	-5.4	2.7	-2.8
Re-exports	2.8	-0.9	-9.5	-4.6	-1.0	-2.4	-4.4
Merchandise Imports	-9.4	-11.5	-8.5	-7.4	-9.1	6.1	-4.7
Total Services Trade (yoy, %)	3.5	5.1	-0.5	1.4	0.4	3.4	1.2
Exports of Services	2.9	5.1	-1.0	2.0	0.6	3.1	1.2
Imports of Services	4.1	5.2	0.0	0.9	0.2	3.7	1.2

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