

MTI Maintains 2016 GDP Growth Forecast at 1.0 to 3.0 Per Cent

25 May 2016. The Ministry of Trade and Industry (MTI) announced today that it has maintained the GDP growth forecast for 2016 at 1.0 to 3.0 per cent.

Performance in First Quarter 2016

The Singapore economy grew by 1.8 per cent on a year-on-year basis in the first quarter, unchanged from the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 0.2 per cent, slower than the 6.2 per cent growth in the preceding quarter.

The manufacturing sector contracted by 1.0 per cent year-on-year, following the 6.7 per cent decline in the previous quarter. Growth was dragged down primarily by the transport engineering and precision engineering clusters. The two clusters were in turn weighed down by the weak performance of firms in the marine & offshore segment and firms that produce equipment for the oil & gas industry respectively. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 23.3 per cent, reversing the 4.9 per cent contraction in the fourth quarter of last year.

Growth in the construction sector picked up to 6.2 per cent year-on-year, from 4.9 per cent in the previous quarter, supported by public sector construction works and private industrial building works. On a quarter-on-quarter basis, the sector expanded at a seasonally-adjusted annualised rate of 10.5 per cent, faster than the 6.0 per cent growth in the preceding quarter.

The wholesale & retail trade sector grew by 1.8 per cent year-on-year, slower than the 6.8 per cent expansion in the previous quarter. The slowdown in growth can largely be attributed to the wholesale trade segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 10.3 per cent, a pullback from the 3.7 per cent expansion in the preceding quarter.

The transportation & storage sector contracted at a slower pace of 0.4 per cent year-on-year compared to the 0.9 per cent contraction in the previous quarter. Growth was weighed down by the water transport segment, with container throughput declining by 9.0 per cent. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 3.4 per cent, reversing the 2.6 per cent contraction in the previous quarter.

Growth in the accommodation & food services sector came in at 1.5 per cent year-on-year, higher than the 0.9 per cent in the previous quarter. The improved performance was largely due to the 13.8 per cent increase in visitor arrivals. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 0.3 per cent, moderating from the 1.0 per cent growth in the preceding quarter.

The information & communications sector grew by 3.2 per cent year-on-year, comparable to the 3.3 per cent growth in the previous quarter. The expansion was mainly driven by growth in the IT & information services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 3.1 per cent, a reversal from the 6.4 per cent growth in the previous quarter.

The finance & insurance sector expanded by 2.4 per cent year-on-year, unchanged from the previous quarter. The sector's performance was weighed down by the financial intermediation segment, even as the sentiment-sensitive and insurance segments experienced robust growth. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 15.2 per cent, a pullback from the 34.1 per cent growth in the preceding quarter.

The business services sector's growth moderated to 0.3 per cent year-on-year, from 0.8 per cent in the previous quarter. Growth was supported by the "others" and professional services segments.¹ On a quarter-on-quarter basis, the sector contracted at a seasonally-adjusted annualised rate of 0.2 per cent, reversing the 1.8 per cent growth in the previous quarter.

The "other services industries" grew by 1.4 per cent year-on-year, slower than the 1.7 per cent growth in the previous quarter. Growth of the sector was supported by the education, health & social services, as well as public administration & defence segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 0.6 per cent, a reversal from the 2.9 per cent growth in the preceding quarter.

Economic Outlook for 2016

The global economic outlook has weakened since early 2016, with global growth for the year now expected to be broadly similar to that in 2015. In particular, the growth outlook for the advanced economies has deteriorated marginally.

In the US, growth momentum has slowed in recent months, mainly due to weaker exports and a further pullback in oil-related investments. For the year as a whole, the US economy is now projected to grow at a similar pace as compared to 2015, supported by domestic demand on the back of a continued recovery in both the labour and housing markets. Similarly, the pace of recovery in the Eurozone economy has been uneven, and growth for the year is projected to remain modest. In particular, consumer confidence remains weak and could weigh on consumption expenditure in the region. However, continued improvements in the unemployment situation in most economies, coupled with highly accommodative monetary conditions, should help to support domestic demand.

¹ The "others" segment consists of rental & leasing; other professional, scientific & technical services; and other administrative & support services.

In Asia, China's growth is projected to moderate, as the economy continues to rebalance away from industrial production and investment-driven growth towards services and consumption-driven growth. Nonetheless, the slowdown is expected to be gradual, as accommodative monetary conditions and the expansion of fiscal stimulus, along with structural reforms to boost consumption, are likely to provide support to growth. Meanwhile, growth in most key ASEAN economies is expected to see a modest improvement on the back of resilient domestic demand.

At the same time, the global economic outlook remains clouded with significant uncertainties and downside risks. First, in China, there is a risk that ongoing reforms could have the unintended effect of precipitating a significant drop in demand. If this materialises, China's economy could slow down more sharply than expected. The impact of the slowdown could also be amplified through the financial system should debt defaults spike. Second, there continues to be the risk of an unanticipated quickening of the normalisation of monetary conditions in the US. Should this happen, regional countries could face large capital outflows, resulting in pressures on their currencies and asset markets. Third, in the Eurozone, uncertainties in the run-up to the referendum in June on Britain's exit from the European Union (i.e., Brexit) could adversely affect sentiments and investor confidence in the region, thus leading to lower investments and consumption. The loss of investor confidence amidst heightened political risks could also lead to higher debt servicing costs in the peripheral economies.

Domestically, the softening of global economic conditions, as well as the continued sluggishness in global trade, could weigh on externally-oriented sectors such as the manufacturing and transportation & storage sectors. Persistent low oil prices will also continue to dampen the outlook for firms in the marine & offshore segment, and those in the precision engineering cluster that support the oil & gas industry. While sectors such as finance & insurance and wholesale trade could see a moderation in growth compared to 2015, they are still likely to provide some support to overall GDP growth for the year. In addition, tourism-related sectors may see a boost from the recovery in visitor arrivals, while the biomedical manufacturing cluster could see an uptick in production due to the introduction of new active pharmaceutical ingredients.

Taking into account the above factors, and barring the full materialisation of downside risks, the 2016 growth forecast for the Singapore economy is maintained at **1.0 to 3.0 per cent**.

MINISTRY OF TRADE AND INDUSTRY
25 May 2016

Annex

SECTORAL GROWTH RATES

	1Q15	2Q15	3Q15	4Q15	2015	1Q16
	Year-on-Year % Change					
Total	2.7	1.7	1.8	1.8	2.0	1.8
Goods Producing Industries	-2.4	-3.2	-4.0	-4.0	-3.4	0.6
Manufacturing	-2.9	-5.2	-6.0	-6.7	-5.2	-1.0
Construction	-1.6	3.6	3.0	4.9	2.5	6.2
Services Producing Industries	4.3	3.2	3.4	2.8	3.4	1.4
Wholesale & Retail Trade	5.7	5.5	6.4	6.8	6.1	1.8
Transportation & Storage	1.3	-1.0	0.4	-0.9	0.0	-0.4
Accommodation & Food Services	-0.3	-1.1	1.1	0.9	0.2	1.5
Information & Communications	5.2	5.8	2.5	3.3	4.2	3.2
Finance & Insurance	8.1	6.6	4.6	2.4	5.3	2.4
Business Services	2.4	0.6	2.0	0.8	1.5	0.3
Other Services Industries	2.1	1.2	1.5	1.7	1.6	1.4
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	0.2	-1.6	2.3	6.2	2.0	0.2
Goods Producing Industries	-1.5	-9.2	-4.3	-2.1	-3.4	19.2
Manufacturing	-3.5	-13.8	-6.0	-4.9	-5.2	23.3
Construction	6.7	7.7	0.2	6.0	2.5	10.5
Services Producing Industries	-0.4	0.4	3.8	7.7	3.4	-5.9
Wholesale & Retail Trade	9.0	7.0	7.9	3.7	6.1	-10.3
Transportation & Storage	2.3	-6.3	3.7	-2.6	0.0	3.4
Accommodation & Food Services	-2.0	-3.9	8.8	1.0	0.2	0.3
Information & Communications	-4.2	10.3	0.7	6.4	4.2	-3.1
Finance & Insurance	-15.3	-4.2	0.9	34.1	5.3	-15.2
Business Services	2.0	-3.2	2.5	1.8	1.5	-0.2
Other Services Industries	0.5	1.8	1.8	2.9	1.6	-0.6

OTHER ECONOMIC INDICATORS

	1Q15	2Q15	3Q15	4Q15	2015	1Q16
Retail Sales Index* (yoy %)	3.5	6.4	5.5	3.2	4.6	2.3
Value Added Per Worker^ (yoy %)	-0.4	-0.6	0.0	0.5	-0.1	0.6
Unemployment Rate, SA (%)	1.8	1.9	2.0	1.9	1.9	1.9
Changes in Employment ('000)	-6.1	9.7	12.6	16.1	32.3	11.4
Overall Unit Labour Cost (yoy %)	3.2	3.5	2.5	1.8	2.8	3.2
Unit Business Cost of Manufacturing (yoy %)	-1.7	3.0	-1.2	5.8	1.4	1.3
Consumer Price Index (yoy %)	-0.3	-0.4	-0.6	-0.7	-0.5	-0.8
Fixed Asset Investments (\$ bil)	3.3	3.1	3.7	1.4	11.5	3.0
Total Merchandise Trade (yoy %)	-10.8	-10.9	-8.5	-7.7	-9.5	-9.7
Merchandise Exports	-6.0	-9.0	-8.0	-5.7	-7.2	-11.6
Domestic Exports	-12.3	-12.2	-14.4	-12.9	-12.9	-16.8
Oil	-34.7	-31.3	-32.6	-29.9	-32.2	-33.8
Non-Oil	4.0	1.5	-2.2	-3.5	-0.1	-9.0
Re-exports	1.1	-5.6	-0.5	1.4	-0.9	-6.5
Merchandise Imports	-16.1	-13.0	-9.1	-9.9	-12.1	-7.4
Total Services Trade (yoy %)	0.1	0.2	1.1	-0.3	0.3	-0.1
Services Exports	-0.6	1.1	1.4	0.0	0.5	-0.1
Services Imports	0.8	-0.6	0.8	-0.5	0.1	-0.1

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