

MTI Expects GDP Growth to be “2.5 to 3.5 Per Cent” in 2018

24 May 2018. The Ministry of Trade and Industry (MTI) announced today that it expects GDP growth for 2018 to come in at “2.5 to 3.5 per cent”, compared to the “1.5 to 3.5 per cent” announced previously.

Economic Performance in First Quarter 2018

The Singapore economy grew by 4.4 per cent on a year-on-year basis in the first quarter, higher than the 3.6 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 1.7 per cent, moderating from the 2.1 per cent growth in the preceding quarter.

The manufacturing sector grew by 9.8 per cent year-on-year, extending the 4.8 per cent growth in the previous quarter. The sector’s growth was primarily driven by the electronics, precision engineering and chemicals clusters, which expanded by 19.2 per cent, 14.0 per cent and 10.0 per cent respectively. On a quarter-on-quarter seasonally-adjusted annualised basis, the manufacturing sector expanded by 22.1 per cent, a turnaround from the 14.8 per cent contraction in the preceding quarter.

The construction sector contracted by 5.0 per cent year-on-year, the same pace of decline as in the previous quarter. Construction output was weighed down by continued weakness in both public sector and private sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 1.7 per cent, reversing the 0.2 per cent contraction in the preceding quarter.

The wholesale & retail trade sector expanded by 3.0 per cent year-on-year, unchanged from the growth recorded in the previous quarter. Growth was driven by the wholesale trade segment, which was in turn supported by an increase in the wholesale sales volume of petroleum products. On the other hand, the retail trade segment contracted, weighed down by a fall in the volume of motor vehicle sales. On a quarter-on-quarter seasonally-adjusted annualised basis, the wholesale & retail trade sector shrank by 11.2 per cent, a pullback from the 6.5 per cent growth in the previous quarter.

Growth in the transportation & storage sector came in at 2.8 per cent year-on-year, moderating from the 5.3 per cent in the previous quarter. The water transport and air transport segments were the main drivers of the sector’s growth, given the healthy expansions in container throughput and air passengers handled respectively. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 3.9 per cent, reversing the 7.2 per cent growth in the previous quarter.

The accommodation & food services sector grew by 2.0 per cent year-on-year, slowing from the 2.9 per cent growth in in the preceding quarter. Growth was

driven by the accommodation segment, which expanded on the back of higher gross lettings at gazetted hotels in line with the rise in visitor arrivals. On the other hand, the food services segment contracted, weighed down by a fall in sales volume at restaurants, food caterers and other eating places. On a quarter-on-quarter basis, the sector shrank at a seasonally-adjusted annualised rate of 4.6 per cent, a reversal of the 2.2 per cent expansion in the fourth quarter of last year.

The information & communications sector expanded by 5.7 per cent year-on-year, easing from the 6.0 per cent growth in the previous quarter. The sector's growth was supported by the IT & information services and telecommunications segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 3.0 per cent, slowing from the 4.8 per cent growth in the preceding quarter.

Growth in the finance & insurance sector accelerated to 9.1 per cent year-on-year, from 6.3 per cent in the previous quarter. The sector's strong performance was due to robust growth in the fund management, financial intermediation and insurance segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 4.5 per cent, moderating from the 12.6 per cent growth in the fourth quarter of last year.

The business services sector grew by 2.8 per cent year-on-year, faster than the 0.4 per cent growth in the preceding quarter. Growth was supported by the professional services and "others" segments¹, even as the contraction in the real estate segment eased. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector saw a strong pickup in growth to 12.3 per cent, from 1.0 per cent in the previous quarter.

The "other services industries" expanded by 1.9 per cent year-on-year, slower than the 2.7 per cent growth in the preceding quarter. The sector's growth was primarily supported by the arts, entertainment & recreation and education, health & social services segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 3.8 per cent, a pullback from the 5.2 per cent growth in the fourth quarter of last year.

Economic Outlook for 2018

The global economy has remained on a steady expansionary path since the start of the year, with full-year growth expected to improve slightly as compared to 2017. The IMF has also upgraded the 2018 growth outlook of some of Singapore's key final demand markets, including the US and Eurozone.

In particular, the US economy is projected to grow at a faster pace in 2018, partly due to a larger expected boost to private investment from the recent tax reforms.

¹ The others segment consists of (i) rental and leasing, (ii) other professional, scientific and technical services, and (iii) other administrative and support services.

Stable labour market conditions will also continue to support private consumption in the US. Meanwhile, the growth outlook for the Eurozone economy in 2018 has also improved slightly in view of improving labour market conditions, as well as healthy business and consumer sentiments.

In Asia, China's economic growth is projected to slow this year as compared to 2017 on the back of a moderation in exports and investment growth, with the latter due in part to the scaling back of infrastructure investments. On the other hand, growth in the key ASEAN economies is expected to remain firm in 2018, supported by sustained improvements in domestic demand as well as merchandise exports.

However, alongside the improvement in the growth outlook of some of the key economies, uncertainties and downside risks in the global economy have also increased since early 2018. First, recent protectionist actions and tariff measures by the US have increased the risk of an escalation of global trade tensions. This could adversely affect international trade as well as dampen investor and consumer confidence, in turn weighing on global growth. Second, against the backdrop of rising global interest rates and generally tightening financial conditions, financial vulnerabilities in emerging market economies could surface, particularly for those with elevated debt levels, including in the region. If this occurs, there could be some pullback in investment and consumption growth in these economies.

On balance, the pace of growth in the Singapore economy is expected to remain firm in 2018, with growth supported primarily by outward-oriented sectors. In particular, the manufacturing sector is likely to continue to expand on the back of sustained growth in the electronics and precision engineering clusters, albeit at a more moderate pace as compared to 2017. Likewise, outward-oriented services sectors such as finance & insurance, transportation & storage and wholesale trade are projected to continue to benefit from healthy external demand. Growth is also expected to broaden to domestically-oriented services sectors like retail and food services over the course of the year, on the back of an improvement in consumer sentiments amidst the on-going recovery in the labour market. However, the performance of the construction sector is likely to remain lacklustre as the earlier weakness in construction demand, particularly from the private sector, is expected to continue to weigh on construction activities this year.

Taking into account the strong performance of the Singapore economy in the first quarter and the slightly improved external demand outlook for Singapore, MTI expects GDP growth for 2018 to come in at **"2.5 to 3.5 per cent"**, barring the full materialisation of downside risks.

MINISTRY OF TRADE AND INDUSTRY
24 May 2018

ANNEX

SECTORAL GROWTH RATES

	1Q17	2Q17	3Q17	4Q17	2017	1Q18
	Year-on-Year % Change					
Total	2.5	2.8	5.5	3.6	3.6	4.4
Goods Producing Industries	4.7	3.5	12.2	2.7	5.7	6.4
Manufacturing	8.5	8.4	19.1	4.8	10.1	9.8
Construction	-6.9	-12.2	-9.3	-5.0	-8.4	-5.0
Services Producing Industries	1.5	2.6	3.5	3.5	2.8	4.1
Wholesale & Retail Trade	0.5	2.2	3.3	3.0	2.3	3.0
Transportation & Storage	4.7	3.9	5.2	5.3	4.8	2.8
Accommodation & Food Services	-0.3	1.0	1.3	2.9	1.2	2.0
Information & Communications	1.6	0.8	5.1	6.0	3.3	5.7
Finance & Insurance	0.6	5.0	7.1	6.3	4.8	9.1
Business Services	1.3	0.4	0.5	0.4	0.6	2.8
Other Services Industries	2.4	3.3	2.0	2.7	2.6	1.9
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	-1.5	2.8	11.2	2.1	3.6	1.7
Goods Producing Industries	1.5	-1.3	26.0	-11.8	5.7	16.9
Manufacturing	1.3	3.8	34.9	-14.8	10.1	22.1
Construction	3.1	-18.5	-2.4	-0.2	-8.4	1.7
Services Producing Industries	-3.6	4.9	6.5	6.3	2.8	-1.1
Wholesale & Retail Trade	-11.8	9.5	9.0	6.5	2.3	-11.2
Transportation & Storage	4.9	3.0	5.2	7.2	4.8	-3.9
Accommodation & Food Services	-1.7	5.0	6.2	2.2	1.2	-4.6
Information & Communications	4.1	3.5	11.7	4.8	3.3	3.0
Finance & Insurance	-6.0	7.9	11.7	12.6	4.8	4.5
Business Services	2.5	-1.8	0.0	1.0	0.6	12.3
Other Services Industries	-1.2	4.1	2.5	5.2	2.6	-3.8

OTHER ECONOMIC INDICATORS

	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Retail Sales Index* (yoy, %)	1.2	0.5	0.4	3.0	1.3	-2.0
Value Added Per Worker^ (yoy, %)	2.5	3.1	5.9	3.8	3.8	4.3
Value Added Per Actual Hour Worked^ (yoy, %)	-	-	-	-	4.5	-
Unemployment Rate, SA (%)	2.2	2.2	2.1	2.1	2.2	2.0
Changes in Employment ('000)	-6.8	-7.3	-2.3	12.7	-3.6	1.2
Overall Unit Labour Cost (yoy, %)	-0.1	0.2	-2.0	0.9	-0.3	-1.2
Unit Business Cost of Manufacturing (yoy, %)	7.2	3.7	-3.7	6.2	3.4	0.9
Consumer Price Index (yoy, %)	0.6	0.8	0.4	0.5	0.6	0.2
Fixed Asset Investments (\$ bil)	1.6	4.0	1.2	2.7	9.4	0.8
Total Merchandise Trade (yoy, %)	16.3	9.5	11.6	7.8	11.1	2.5
Merchandise Exports	16.9	8.3	10.1	6.6	10.3	2.3
Domestic Exports	29.1	9.6	11.0	15.3	15.8	3.5
Oil	72.0	26.9	19.3	26.1	33.4	8.6
Non-Oil	15.0	3.0	7.6	10.4	8.8	1.1
Re-exports	6.5	7.0	9.3	-1.3	5.2	1.0
Merchandise Imports	15.5	11.0	13.4	9.1	12.1	2.8
Total Services Trade (yoy, %)	4.1	3.9	6.6	4.1	4.7	4.7
Exports of Services	4.8	3.7	5.3	3.2	4.2	6.1
Imports of Services	3.5	4.0	7.9	5.0	5.1	3.4

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