MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

MTI Maintains 2022 GDP Growth Forecast at "3.0 to 5.0 Per Cent"

25 May 2022. The Ministry of Trade and Industry (MTI) today announced that the 2022 GDP growth forecast for Singapore has been maintained at "3.0 to 5.0 per cent", with growth likely to come in at the lower half of the forecast range.

Economic Performance in First Quarter 2022

The Singapore economy grew by 3.7 per cent on a year-on-year basis in the first quarter, moderating from the 6.1 per cent expansion in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 0.7 per cent, slower than the 2.3 per cent growth in the fourth quarter of 2021.

The manufacturing sector expanded by 7.1 per cent year-on-year, extending the 15.5 per cent growth recorded in the previous quarter. Growth during the quarter was supported by output expansions in the electronics, transport engineering, general manufacturing and precision engineering clusters, which outweighed output declines in the biomedical manufacturing and chemicals clusters. On a quarter-on-quarter seasonally-adjusted basis, the manufacturing sector contracted slightly by 0.2 per cent, a reversal from the 6.3 per cent growth in the preceding quarter.

The construction sector grew by 2.1 per cent year-on-year, easing from the 2.9 per cent growth in the previous quarter, as both public and private sector construction activities picked up during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector posted growth of 3.2 per cent, a turnaround from the 2.1 per cent contraction in the fourth quarter.

The wholesale trade sector expanded by a slower 2.4 per cent year-on-year compared to the 3.3 per cent growth achieved in the previous quarter. Growth was mainly supported by the machinery, equipment & supplies and fuels & chemicals segments on the back of Singapore's strong exports performance. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.8 per cent, moderating from the 1.2 per cent growth in the fourth quarter.

Growth in the retail trade sector came in at 4.7 per cent year-on-year, slightly higher than the 4.3 per cent recorded in the preceding quarter, supported by an increase in non-motor vehicle sales volume. By contrast, motor vehicle sales volume fell due to a reduction in Certificate of Entitlement (COE) quotas. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 2.2 per cent, slower than the 4.7 per cent growth in the previous quarter.

The transportation & storage sector grew by 5.9 per cent year-on-year, a moderation from the 7.5 per cent growth clocked in the fourth quarter. Within the sector, the air transport segment saw a strong pickup in activity as the number of air passengers handled at Changi Airport rose sharply following the further easing

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of border measures. Meanwhile, the water transport segment shrank on account of a decline in total sea cargo handled and container throughput at Singapore's ports. Similarly, the land transport segment contracted as the Omicron wave weighed on commuting during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 3.1 per cent, faster than the 1.3 per cent growth registered in the previous quarter.

The accommodation sector contracted by 13.5 per cent year-on-year, worsening from the 5.1 per cent contraction in the fourth quarter. The weak performance of the sector was due to a pullback in government demand for quarantine and stay-home notice dedicated facilities, which more than offset an increase in tourism demand as visitor arrivals rose with the gradual easing of travel restrictions during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 23.9 per cent, weakening from the 0.2 per cent contraction in the preceding quarter.

The food & beverage services sector posted growth of 2.1 per cent year-on-year, a turnaround from the 1.5 per cent contraction in the previous quarter. Growth came on the back of an increase in sales volumes at food caterers, fast food outlets and restaurants, supported in part by the recovery in visitor arrivals during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 6.0 per cent, extending the 8.9 per cent growth in the fourth quarter.

The information & communications sector grew by 8.2 per cent year-on-year, a moderation from the 11.2 per cent growth achieved in the previous quarter. Growth was led by the IT & information services and telecommunications segments. The latter were in turn supported by sustained enterprise and consumer demand for digital solutions and services, as well as a pickup in demand for roaming and prepaid services in line with the recovery in visitor arrivals, respectively. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 1.5 per cent, a pullback from the 2.3 per cent growth registered in the preceding quarter.

The finance & insurance sector expanded by 4.0 per cent year-on-year, moderating from the 5.6 per cent expansion in the previous quarter. Growth was largely driven by the other auxiliary activities and insurance segments. The former, which includes payment processing activities, continued to benefit from a pickup in consumer spending, while the latter was bolstered by the improved sales of single-premium life insurance products. By contrast, the banks segment shrank as both credit intermediation and net fees & commissions fell. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted marginally by 0.1 per cent, a reversal from the 1.6 per cent growth recorded in the fourth quarter.

Growth in the real estate sector accelerated to 8.5 per cent year-on-year, from the 1.6 per cent registered in the previous quarter. The sector's growth during the quarter was supported by the private residential property segment, as well as an increase in rentals in the commercial office and industrial space markets. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 7.1 per cent, improving from the 1.5 per cent growth observed in the preceding quarter.

The professional services sector expanded by 8.1 per cent year-on-year, faster than the 4.9 per cent growth recorded in the previous quarter. All segments within the sector posted growth during the quarter, with the other professional, scientific & technical services, architectural & engineering, technical testing & analysis, and accounting segments registering the strongest growth. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 4.0 per cent, better than the 0.3 per cent growth in the fourth quarter.

The administrative & support services sector saw faster growth of 4.6 per cent year-on-year compared to the 2.5 per cent growth in the previous quarter. Growth during the quarter was supported by an expansion in the other administrative & support services segment, which outweighed a contraction in the rental & leasing segment. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 5.8 per cent, improving from the 3.6 per cent growth recorded in the preceding quarter.

The "other services industries" grew by 2.2 per cent year-on-year, easing from the 2.4 per cent growth in the fourth quarter. Growth was broad-based across the various segments within the sector, including the arts, entertainment & recreation and education, health & social services segments. On a quarter-on-quarter seasonally-adjusted basis, the "other services industries" expanded by 1.6 per cent, slightly slower than the 1.9 per cent growth in the previous quarter.

Economic Outlook for 2022

Since February, the external economic environment has deteriorated, due in part to the onset of the Russia-Ukraine conflict. In particular, the conflict has disrupted the global supply of energy, food and other commodities, which has in turn exacerbated global inflationary pressures and adversely affected the growth of many economies. Meanwhile, stringent measures implemented in China to contain its domestic COVID-19 outbreaks are likely to weigh on its economy and contribute to global supply bottlenecks. Consequently, global supply disruptions are projected to be more severe and prolonged than earlier expected, potentially persisting throughout 2022. This, in turn, is likely to constrain production and dampen GDP growth in some external economies by more than previously projected.

In the US, GDP growth is projected to moderate in 2022. While its strong labour market recovery is likely to support consumption, continued supply disruptions and more aggressive monetary policy tightening amidst elevated inflationary pressures may limit the extent of its increase this year. Meanwhile, the growth outlook of the Eurozone economy has weakened due to the Russia-Ukraine conflict as the latter has led to higher inflation and more severe supply bottlenecks, which are likely to dampen the recovery in both consumption and industrial activities. Heightened economic uncertainty arising from the conflict has also dented economic sentiments, which could in turn weigh on domestic demand in the Eurozone.

In Asia, China's GDP growth in 2022 is expected to be slower than earlier projected, as consumption is likely to remain weak due to the imposition of stringent COVID-19 measures to contain its domestic outbreaks. Economic uncertainty arising from its COVID-19 situation, as well as continued stresses in its property market, are also likely to pose a drag on investment growth in the near term. Meanwhile, the growth of Southeast Asian economies such as Malaysia, Indonesia and Thailand is projected to improve in 2022, supported by a pickup in domestic demand with the easing of public health measures in these economies, as well as sustained demand for their merchandise exports.

On balance, MTI's assessment is that the external demand outlook for the Singapore economy has weakened compared to three months ago. At the same time, downside risks in the global economy remain significant. First, the Russia-Ukraine conflict has led to a surge in energy and food commodity prices, as well as significant global economic uncertainty. If the conflict is prolonged or escalates, it could further exacerbate inflationary pressures and weigh on global economic growth. Second, if global supply disruptions are more severe than expected due to renewed COVID-19 outbreaks or further escalations in the Russia-Ukraine conflict, global industrial production may be constrained more substantially than currently projected. Third, if monetary policy tightening in the advanced economies is faster than anticipated, market adjustments could be disorderly and risks to financial stability could intensify. In particular, the onset of large capital outflows from regional economies with high dollar-denominated debt levels could lead to tighter financial conditions and derail growth in these economies. Fourth, the trajectory of the COVID-19 pandemic remains a risk. While vaccination rates and booster rollouts have picked up in many economies, the potential emergence of more virulent strains of the virus continues to pose a risk to the global economy.

Domestically, the COVID-19 situation has stabilised following the cresting of the Omicron wave. This, along with our high vaccination rate and strong booster take-up, has allowed for a faster-than-expected lifting of our domestic and border restrictions since end-March.

Against this backdrop, the growth outlook for some outward-oriented sectors in the Singapore economy has weakened this year. For instance, as China is a key market for petroleum and chemicals products from Singapore, its economic slowdown is likely to adversely affect the growth prospects of Singapore's chemicals cluster and the fuel & chemicals segment of the wholesale trade sector. Meanwhile, growth in the water transport segment is expected to be weighed down by prolonged supply disruptions and port congestions worldwide.

Nonetheless, there are also sectors in the Singapore economy which have seen a strengthening of their growth outlook. First, the electronics cluster is expected to expand more strongly than earlier projected, bolstered by robust global demand for semiconductors from the 5G and automotive markets, as well as cloud services and data centres. Second, the rollout of the Vaccinated Travel Framework, alongside the easing of border restrictions in regional economies, is likely to boost the growth of the professional services sector as firms in segments like consultancy and legal can now better engage their overseas clients. Similarly, air travel and visitor arrivals are expected to pick up more quickly than earlier projected, thereby accelerating the recovery of aviation- and tourism-related sectors like air transport and arts, entertainment & recreation. Third, the relaxation of domestic and border restrictions since end-March will support a faster pace of recovery in consumer-facing sectors such as retail trade and food & beverage services, as well as further alleviate labour shortages in sectors that are reliant on migrant workers such as construction.

Taking into account the performance of the Singapore economy in the first quarter, as well as the latest global and domestic economic developments, MTI continues to expect the Singapore economy to grow by **"3.0 to 5.0 per cent"** in 2022**, although growth is now more likely to come in at the lower half of the forecast range**.

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25 May 2022

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ANNEX

SECTORAL GROWTH RATES

	1Q21	2Q21	3Q21	4Q21	2021	1Q22
	Year-on-Year % Change					
Total	2.0	15.8	7.5	6.1	7.6	3.7
Goods Producing Industries	6.5	23.0	11.7	13.6	13.4	6.3
Manufacturing	11.5	18.2	7.9	15.5	13.2	7.1
Construction	-22.2	118.9	69.9	2.9	20.1	2.1
Services Producing Industries	0.2	11.5	6.8	4.4	5.6	4.2
Wholesale Trade	4.0	3.0	5.5	3.3	3.9	2.4
Retail Trade	1.7	51.8	0.9	4.3	10.2	4.7
Transportation & Storage	-13.1	22.2	9.2	7.5	5.0	5.9
Accommodation	11.5	10.4	-5.7	-5.1	1.7	-13.5
Food & Beverage Services	-9.2	36.0	-4.1	-1.5	3.0	2.1
Information & Communications	9.4	14.4	13.9	11.2	12.2	8.2
Finance & Insurance	5.2	10.4	8.5	5.6	7.4	4.0
Real Estate	-1.7	29.2	19.9	1.6	10.7	8.5
Professional Services	-4.3	11.8	5.9	4.9	4.4	8.1
Administrative & Support Services	-15.5	-0.1	0.2	2.5	-3.8	4.6
Other Services Industries	0.2	16.5	3.8	2.4	5.2	2.2
	Quarter-on-Quarter Growth % (SA)					
Total	3.0	-0.8	1.5	2.3	7.6	0.7
Goods Producing Industries	6.8	-0.2	2.0	4.6	13.4	-0.4
Manufacturing	7.9	0.1	0.8	6.3	13.2	-0.2
Construction	3.7	0.1	1.1	-2.1	20.1	3.2
Services Producing Industries	1.9	-0.2	1.3	1.4	5.6	1.7
Wholesale Trade	1.6	0.0	0.3	1.2	3.9	0.8
Retail Trade	1.7	-12.6	11.9	4.7	10.2	2.2
Transportation & Storage	4.6	0.7	0.7	1.3	5.0	3.1
Accommodation	-16.7	17.0	-2.7	-0.2	1.7	-23.9
Food & Beverage Services	2.5	1.4	-12.8	8.9	3.0	6.0
Information & Communications	1.0	-0.9	8.5	2.3	12.2	-1.5
Finance & Insurance	1.5	2.4	0.0	1.6	7.4	-0.1
Real Estate	0.0	-1.4	1.3	1.5	10.7	7.1
Professional Services	0.8	2.6	1.1	0.3	4.4	4.0
Administrative & Support Services	3.5	-7.0	2.6	3.6	-3.8	5.8
Other Services Industries	1.6	-1.3	0.0	1.9	5.2	1.6

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OTHER ECONOMIC INDICATORS

	1Q21	2Q21	3Q21	4Q21	2021	1Q22
Retail Sales Index* (yoy, %)	1.1	52.2	1.6	5.3	11.2	4.6
Changes in Employment ('000)	13.9	-19.9	-8.4	54.6	40.2	46.5
Unemployment Rate, SA (%)	2.9	2.7	2.6	2.4	2.7	2.2
Value Added Per Actual Hour Worked^ (yoy, %)	7.8	2.6	5.0	5.5	5.2	2.2
Value Added Per Worker^ (yoy, %)	6.6	17.9	8.7	5.8	9.5	2.1
Overall Unit Labour Cost (yoy, %)	-7.6	14.6	7.0	6.7	4.2	6.8
Unit Business Cost of Manufacturing (yoy, %)	-9.4	-0.3	2.9	-5.2	-3.3	1.2
Fixed Asset Investments ($ bil)	2.8	3.6	3.7	1.7	11.8	2.2
Consumer Price Index (yoy, %)	0.8	2.3	2.5	3.7	2.3	4.6
Total Merchandise Trade (yoy, %)	4.9	27.2	19.0	28.8	19.7	20.8
Merchandise Exports	6.9	26.0	17.4	26.9	19.1	18.8
Domestic Exports	-0.2	25.8	18.8	34.8	19.0	20.8
Oil	-19.2	85.7	49.2	78.2	38.0	45.4
Non-Oil	9.6	10.1	9.0	20.1	12.1	11.4
Re-exports	13.6	26.3	16.2	21.1	19.2	17.2
Merchandise Imports	2.7	28.6	20.9	31.0	20.4	23.1
Total Services Trade (yoy, %)	-6.8	14.2	11.5	10.6	6.8	6.8
Exports of Services	-5.6	14.4	11.1	9.2	6.7	7.1
Imports of Services	-8.0	14.0	11.8	12.1	6.8	6.6

* In chained volume terms.
^ Based on GDP at market prices in chained (2015) dollars.

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