MTI MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

MTI Maintains 2023 GDP Growth Forecast at "0.5 to 2.5 Per Cent"

25 May 2023. The Ministry of Trade and Industry (MTI) today announced that the 2023 GDP growth forecast for Singapore has been maintained at "0.5 to 2.5 per cent", with growth likely to come in at around the mid-point of the range.

Economic Performance in First Quarter 2023

The Singapore economy grew by 0.4 per cent on a year-on-year basis in the first quarter of 2023, moderating from the 2.1 per cent expansion in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy contracted by 0.4 per cent, a reversal from the 0.1 per cent growth in the fourth quarter of 2022.

The manufacturing sector shrank by 5.6 per cent year-on-year, worsening from the 2.6 per cent contraction in the preceding quarter. The weak performance of the sector came on the back of output declines across all clusters except for the transport engineering cluster. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 4.8 per cent, a pullback from the 1.0 per cent expansion in the previous quarter.

The construction sector expanded by 7.2 per cent year-on-year, extending the 10.0 per cent growth in the preceding quarter. Both public and private sector construction output increased during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.6 per cent, slower than the 1.4 per cent growth in the fourth quarter.

The wholesale trade sector contracted by 2.5 per cent year-on-year, a reversal from the 2.4 per cent growth in the preceding quarter. Within the sector, the machinery, equipment & supplies and "others"[1] segments contracted, while the fuels & chemicals segment expanded. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 1.4 per cent, deteriorating from the 0.6 per cent contraction in the previous quarter.

The retail trade sector grew by 2.5 per cent year-on-year, extending the 5.1 per cent expansion in the preceding quarter. Growth during the quarter was supported by an increase in non-motor vehicle sales volume, even as motor vehicle sales volume fell. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 0.5 per cent, following the flat growth recorded in the fourth quarter.

Growth in the transportation & storage sector slowed to 0.7 per cent year-on-year, from 2.5 per cent in the previous quarter. Within the sector, the air transport and land transport segments expanded, with the former supported by the continued recovery in international travel. On the other hand, the water transport segment

[1] The "others" segment comprises a diverse range of products including metals, timber & construction materials, household equipment & furniture, as well as food, beverages & tobacco.

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shrank on the back of a decline in total sea cargo volume handled at Singapore's ports. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 1.2 per cent, slightly steeper than the 0.8 per cent contraction in the preceding quarter.

The accommodation sector expanded by 21.9 per cent year-on-year, accelerating from the 7.8 per cent growth in the previous quarter. Growth during the quarter was supported by a strong recovery in international visitor arrivals from a low base in the same period of last year when inbound travel restrictions were still in place. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 9.7 per cent, faster than the 4.1 per cent growth in the preceding quarter.

The food & beverage services sector expanded by 12.2 per cent year-on-year, extending the 19.6 per cent growth in the previous quarter. Growth of the sector was largely driven by higher sales volumes at food caterers and restaurants. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 0.5 per cent, a reversal from the 3.5 per cent growth in the fourth quarter.

Growth in the information & communications sector picked up to 6.1 per cent year-on-year, from 5.6 per cent in the preceding quarter. Within the sector, the IT & information services segment expanded robustly, supported by data hosting services and internet search engine activities. Similarly, the telecommunications segment expanded on the back of a rebound in demand for roaming and prepaid services in tandem with the recovery in international travel. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 3.2 per cent, a turnaround from the 0.7 per cent contraction in the previous quarter.

The finance & insurance sector shrank by 0.9 per cent year-on-year, extending the 0.3 per cent contraction in the preceding quarter, as contractions in the banking and insurance segments more than offset expansions in the other auxiliary activities and fund management segments. Specifically, the banking segment contracted amidst a decline in net fees & commissions and credit intermediation, while the insurance segment shrank due to the weak performance of the life insurance sub-segment. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted marginally by 0.1 per cent, following the flat growth recorded in the fourth quarter.

The real estate sector expanded by 9.2 per cent year-on-year, slowing from the 15.2 per cent growth in the previous quarter. Growth of the sector was supported by the private residential property segment, as well as the commercial office and industrial space segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 2.2 per cent, extending the 2.1 per cent growth in the preceding quarter.

The professional services sector posted growth of 5.7 per cent year-on-year, easing from the 6.1 per cent expansion in the previous quarter. Growth during the quarter was mainly supported by the architectural & engineering, technical testing &

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analysis segment, as well as the other professional, scientific & technical services segment. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.9 per cent, picking up from the 1.3 per cent growth in the fourth quarter.

The administrative & support services sector grew by 11.4 per cent year-on-year, extending the 10.5 per cent growth in the preceding quarter. Within the sector, both the other administrative & support services and rental & leasing segments expanded, with the former supported by growth in tourism-related sub-segments such as travel agencies and tour operators. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 5.2 per cent, faster than the 4.0 per cent growth recorded in the previous quarter.

The "other services industries" expanded by 5.3 per cent year-on-year, a moderation from the 6.0 per cent growth in the fourth quarter. Growth during the quarter was driven primarily by the arts, entertainment & recreation and health & social services segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.3 per cent, unchanged from the 0.3 per cent growth in the previous quarter.

Economic Outlook for 2023

Since the Economic Survey of Singapore released in February, the performance of advanced economies such as the US and Eurozone has been more resilient than expected, supported by domestic services demand. Nonetheless, their growth outlook for the rest of the year remains weak.

In particular, US' GDP growth is projected to decelerate more significantly in the second half of the year as personal consumption and investment growth slows due to the lagged effects of monetary policy tightening, including on the labour market. Similarly, GDP growth in the Eurozone is forecast to slow significantly as elevated inflation amidst tight labour market conditions is likely to lead to further monetary policy tightening, which will weigh on domestic demand.

In Asia, China's economic recovery is likely to be stronger than earlier expected, driven by a pickup in domestic services consumption following the lifting of its COVID-19 restrictions. However, continued stresses in its property market, as well as weakness in its industrial sector amidst subdued external demand conditions, will continue to weigh on its recovery. Meanwhile, despite weaker external demand for their merchandise goods and commodities, the growth prospects of key Southeast Asian economies such as Malaysia, Indonesia and Thailand remain positive, supported by resilient domestic demand as well as the continued recovery in tourism demand.

Against this backdrop, MTI's assessment is that Singapore's external demand outlook for the rest of the year has weakened. Apart from the expected slowdown in the advanced economies, the electronics downcycle is likely to be deeper and more prolonged than earlier projected. Spillovers from China's services-led recovery are also expected to remain weak given that services activities are less import-intensive than industrial activities.

At the same time, downside risks in the global economy have risen. First, recent banking sector stresses abroad have increased the risk of a sharper-than-expected tightening in global financial conditions, which could weigh more heavily on consumption and business investments and lead to a broader retraction in global growth beyond the manufacturing downturn. Second, escalations in the war in Ukraine and geopolitical tensions among major global powers could lead to renewed supply disruptions, dampen consumer and business confidence, as well as weigh on global trade.

Domestically, the growth outlook for the aviation- and tourism-related sectors of the Singapore economy remains positive given the ongoing recovery in international air travel and inbound tourism. These include the air transport, accommodation and arts, entertainment & recreation sectors, as well as the aerospace segment of the transport engineering cluster.

On the other hand, the outlook for the manufacturing and other trade-related sectors of the economy has weakened. In particular, the manufacturing sector is projected to see a deeper downturn, led by output contractions in the electronics and precision engineering clusters in tandem with weaker global semiconductor demand, as well as the chemicals cluster due to sluggish demand from China. Meanwhile, growth in the water transport and finance & insurance sectors is likely to be dampened by the broader slowdown in the global economy.

Taking into account the performance of the Singapore economy in the first quarter, as well as the latest global and domestic economic developments, MTI expects the economy to expand by **"0.5 to 2.5 per cent"** in 2023, **with growth likely to come in at around the mid-point of the range**.

MINISTRY OF TRADE AND INDUSTRY
25 May 2023

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ANNEX

SECTORAL GROWTH RATES

	1Q22	2Q22	3Q22	4Q22	2022	1Q23
	Year-on-Year % Change					
Total	4.0	4.5	4.0	2.1	3.6	0.4
Goods Producing Industries	5.3	5.8	1.8	-1.1	2.9	-4.0
Manufacturing	5.8	6.1	1.1	-2.6	2.5	-5.6
Construction	3.3	5.5	8.1	10.0	6.7	7.2
Services Producing Industries	4.9	4.8	5.5	4.0	4.8	2.0
Wholesale Trade	4.5	1.6	4.1	2.4	3.2	-2.5
Retail Trade	4.8	15.8	8.8	5.1	8.4	2.5
Transportation & Storage	3.7	3.6	6.1	2.5	4.0	0.7
Accommodation	-4.5	-3.3	1.6	7.8	0.5	21.9
Food & Beverage Services	2.3	23.4	29.3	19.6	18.2	12.2
Information & Communications	12.1	10.0	6.9	5.6	8.6	6.1
Finance & Insurance	3.3	2.1	0.5	-0.3	1.4	-0.9
Real Estate	12.3	13.9	14.8	15.2	14.1	9.2
Professional Services	9.0	7.4	7.9	6.1	7.6	5.7
Administrative & Support Services	3.1	6.9	5.9	10.5	6.6	11.4
Other Services Industries	1.7	5.4	7.9	6.0	5.2	5.3
	Quarter-on-Quarter Growth % (SA)					
Total	1.4	-0.1	0.8	0.1	3.6	-0.4
Goods Producing Industries	-0.8	0.9	-2.1	1.1	2.9	-4.0
Manufacturing	-2.0	0.8	-2.9	1.0	2.5	-4.8
Construction	3.7	2.9	2.1	1.4	6.7	0.6
Services Producing Industries	2.7	-0.1	1.6	-0.2	4.8	0.5
Wholesale Trade	3.9	-2.3	1.6	-0.6	3.2	-1.4
Retail Trade	2.0	2.9	0.1	0.0	8.4	-0.5
Transportation & Storage	0.7	0.5	2.2	-0.8	4.0	-1.2
Accommodation	-3.3	5.5	1.5	4.1	0.5	9.7
Food & Beverage Services	6.0	6.1	2.8	3.5	18.2	-0.5
Information & Communications	2.6	0.7	2.8	-0.7	8.6	3.2
Finance & Insurance	0.5	1.0	-1.7	0.0	1.4	-0.1
Real Estate	8.4	0.2	4.0	2.1	14.1	2.2
Professional Services	2.3	1.0	1.4	1.3	7.6	1.9
Administrative & Support Services	4.3	1.1	0.6	4.0	6.6	5.2
Other Services Industries	0.9	2.3	2.3	0.3	5.2	0.3

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OTHER ECONOMIC INDICATORS

	1Q22	2Q22	3Q22	4Q22	2022	1Q23
Retail Sales Index* (yoy, %)	4.7	10.7	8.7	5.0	7.2	1.4
Changes in Employment ('000)	47.4	71.1	83.4	48.1	250.1	40.1
Unemployment Rate, SA (%)	2.2	2.1	2.1	2.0	2.1	1.8
Value Added Per Actual Hour Worked^ (yoy, %)	2.5	0.9	-1.8	-4.9	-0.9	-6.6
Value Added Per Worker^ (yoy, %)	2.4	0.9	-2.3	-4.9	-1.1	-5.9
Overall Unit Labour Cost (yoy, %)	8.0	8.8	7.7	9.3	8.5	9.3
Unit Business Cost of Manufacturing (yoy, %)	8.5	8.4	10.3	11.1	9.6	8.1
Fixed Asset Investments ($ bil)	2.2	6.3	1.0	13.0	22.5	2.0
Consumer Price Index (yoy, %)	4.6	5.9	7.3	6.6	6.1	6.1
Total Merchandise Trade (yoy, %)	20.8	28.0	25.7	-1.0	17.7	-7.8
Merchandise Exports	18.8	24.9	23.4	-2.3	15.6	-6.5
Domestic Exports	20.8	28.5	27.9	-2.1	18.2	-8.0
Oil	45.4	72.9	75.2	21.6	52.4	8.5
Non-Oil	11.4	8.9	7.1	-14.0	3.0	-16.2
Re-exports	17.2	21.7	19.8	-2.4	13.5	-5.2
Merchandise Imports	23.1	31.6	28.1	0.5	20.1	-9.2
Total Services Trade (yoy, %)	10.7	13.1	12.5	7.0	10.8	1.7
Exports of Services	12.2	14.3	14.1	8.2	12.1	0.4
Imports of Services	9.2	11.8	10.6	5.7	9.3	3.3

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