

**MTI Forecasts GDP to Grow by “3.0 to 3.5 Per Cent” in 2018
and “1.5 to 3.5 Per Cent” in 2019**

22 November 2018. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy is expected to grow by “3.0 to 3.5 per cent” in 2018, and by “1.5 to 3.5 per cent” in 2019.

Economic Performance in Third Quarter 2018

The Singapore economy grew by 2.2 per cent on a year-on-year basis in the third quarter, slower than the 4.1 per cent growth in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 3.0 per cent, faster than the 1.0 per cent growth in the second quarter.

The manufacturing sector grew by 3.5 per cent year-on-year, moderating from the 10.7 per cent growth in the previous quarter. All clusters within the sector expanded, except for the general manufacturing cluster which contracted on the back of output declines in the printing and miscellaneous industries segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector posted growth of 3.0 per cent, extending the 3.3 per cent growth in the previous quarter.

The construction sector contracted by 2.3 per cent year-on-year, a more gradual pace of decline as compared to the 4.2 per cent contraction in the previous quarter. Construction output in the third quarter was weighed down by weakness in public sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 5.1 per cent, a reversal from the 14.4 per cent contraction in the preceding quarter.

The wholesale & retail trade sector expanded by 0.5 per cent year-on-year, easing from the 1.5 per cent growth in the previous quarter. Growth was driven by the wholesale trade segment, which was in turn supported by a strong expansion in the machinery, equipment & supplies sub-segment. On the other hand, the retail trade segment shrank, weighed down by weak motor vehicle sales. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 3.7 per cent, slowing from the 5.0 per cent growth in the preceding quarter.

Growth in the transportation & storage sector came in at 2.1 per cent year-on-year, faster than the 1.2 per cent growth in the preceding quarter, supported by expansions in both the water transport and air transport segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 9.0 per cent, a turnaround from the 2.8 per cent contraction in the previous quarter.

The accommodation & food services sector grew by 4.0 per cent year-on-year, extending the 3.9 per cent growth in the previous quarter. Growth was driven largely by the accommodation segment, which expanded on the back of a 7.1 per

cent increase in visitor arrivals to Singapore. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector recorded growth of 6.1 per cent, slower than the 12.9 per cent growth in the preceding quarter.

Growth in the information & communications sector eased to 4.7 per cent year-on-year, from 5.8 per cent in the preceding quarter. The sector's growth was primarily due to the IT & information services segment, which saw robust expansion on account of healthy demand for IT solutions. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew at a faster pace of 6.6 per cent compared to the 5.0 per cent growth in the previous quarter.

The finance & insurance sector expanded by 5.6 per cent year-on-year, moderating from the 6.8 per cent growth in the previous quarter. Growth was primarily supported by the insurance and "others" segments, with the latter being bolstered by the push towards more efficient payment systems and cashless transactions in the economy. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector's growth came in at 6.7 per cent, reversing the 2.1 per cent contraction in the second quarter.

The business services sector grew by 2.4 per cent year-on-year, similar to the 2.3 per cent growth in the preceding quarter. Growth was led by the "others"¹ and professional services segments, even as the real estate segment continued to contract. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 0.4 per cent, a reversal from the 2.7 per cent contraction in the previous quarter.

The "other services industries" posted growth of 1.2 per cent year-on-year, faster than the 0.5 per cent growth in the previous quarter. Growth was mainly supported by the education, health & social services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 4.9 per cent, a turnaround from the 2.4 per cent contraction in the preceding quarter.

Economic Outlook for 2018

At the last Economic Survey of Singapore update in August, MTI maintained the GDP growth forecast for the Singapore economy in 2018 at "2.5 to 3.5 per cent". Underpinning the forecast was the expectation that GDP growth in the second half of 2018 would moderate from that in the first half, given the projected slowdown in growth in Singapore's key final demand markets such as the US and China.

Since then, growth in Singapore's key final demand markets has evolved largely as expected. While the IMF has downgraded the global growth forecast for 2018, this was mainly on account of poorer growth prospects in some emerging market

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

and developing economies such as Latin America. On the other hand, the growth outlook for 2018 for many of Singapore's key external demand markets, including the US, China and ASEAN-5 economies, has remained as earlier projected.

Against this backdrop, the Singapore economy performed broadly in line with expectations in the third quarter, with growth primarily supported by the finance & insurance, manufacturing and business services sectors. Taking into account Singapore's GDP performance in the third quarter, GDP growth in the first three quarters of the year came in at 3.6 per cent on a year-on-year basis.

For the remaining quarter of the year, Singapore's GDP growth is expected to moderate but remain firm. In particular, outward-oriented sectors such as the manufacturing and finance & insurance sectors are expected to continue to expand, albeit at a more moderate pace, and support GDP growth for the rest of the year.

Taking these factors into consideration, the 2018 GDP growth forecast for Singapore is narrowed upwards to **"3.0 to 3.5 per cent"**, from "2.5 to 3.5 per cent".

Economic Outlook for 2019

For 2019, the pace of economic expansion across most of the major advanced and regional economies is expected to ease from 2018's levels, in part due to the impact of the ongoing trade conflicts between the US and its key trading partners.

Growth in the US economy is projected to moderate in 2019, as the effect of the fiscal stimulus implemented earlier this year starts to fade and monetary policy tightens further. However, private consumption is expected to continue to support growth on the back of strong labour market conditions and healthy wage growth. Meanwhile, the Eurozone economy's growth is likely to ease slightly in 2019. Growth is expected to be supported by firm domestic demand on the back of an improving labour market, healthy business and consumer sentiments, as well as favourable financing conditions.

In Asia, China's growth is also projected to moderate in 2019 on account of a continued moderation in credit growth and softer external demand, although accommodative macroeconomic policies and stable domestic demand are likely to provide some support to growth. Similarly, growth in the key ASEAN economies is expected to ease or remain unchanged in 2019, supported by resilient domestic demand even as growth in merchandise exports moderates.

On balance, MTI's assessment is that the external demand outlook for the Singapore economy in 2019 is slightly weaker as compared to 2018. At the same time, risks in the global economy are tilted to the downside. First, there is the risk of a further escalation of the ongoing trade conflicts between the US and its key trading partners, which could trigger a sharp fall in global business and consumer

confidence. Should this happen, global investment and consumption spending would decline, with adverse impact on economic growth. Second, a faster-than-expected tightening of global financial conditions could lead to disorderly capital outflows from emerging markets, including economies in the region. This could cause financial vulnerabilities to surface in some of these economies, particularly those with elevated debt levels. If this occurs, there could be some pullback in investment and consumption growth, with spillover effects on the rest of the region.

Against this external backdrop, the pace of growth in the Singapore economy is expected to moderate in 2019 as compared to 2018. In particular, the manufacturing sector is likely to see a more modest pace of expansion. Within the sector, the electronics and precision engineering clusters are expected to face external headwinds due to weaker demand conditions in the global semiconductor and semiconductor equipment markets with the fading of the global electronics cycle. Similarly, growth in outward-oriented services sectors such as wholesale trade, transportation & storage and finance & insurance is projected to ease in tandem with the moderation in growth in key advanced and regional economies.

On the other hand, other services sectors such as information & communications and education, health & social services are expected to remain resilient, supported by firms' robust demand for IT and digital solutions and the ramp-up of operations in healthcare facilities respectively. Meanwhile, the performance of the construction sector is projected to improve in 2019, as the pickup in contracts awarded since the second half of 2017 is expected to translate into construction activities in the quarters ahead.

Taking into account the global and domestic economic environment, and barring the full materialisation of downside risks, the Singapore economy is expected to grow by **"1.5 to 3.5 per cent"** in 2019.

MINISTRY OF TRADE AND INDUSTRY
22 November 2018

ANNEX

SECTORAL GROWTH RATES

	3Q17	4Q17	2017	1Q18	2018	3Q18
	Year-on-Year % Change					
Total	5.5	3.6	3.6	4.6	4.1	2.2
Goods Producing Industries	12.2	2.7	5.7	7.1	7.5	2.3
Manufacturing	19.1	4.8	10.1	10.8	10.7	3.5
Construction	-9.3	-5.0	-8.4	-5.1	-4.2	-2.3
Services Producing Industries	3.5	3.5	2.8	4.0	2.8	2.4
Wholesale & Retail Trade	3.3	3.0	2.3	2.6	1.5	0.5
Transportation & Storage	5.2	5.3	4.8	2.7	1.2	2.1
Accommodation & Food Services	1.3	2.9	1.2	2.0	3.9	4.0
Information & Communications	5.1	6.0	3.3	5.5	5.8	4.7
Finance & Insurance	7.1	6.3	4.8	9.4	6.8	5.6
Business Services	0.5	0.4	0.6	2.6	2.3	2.4
Other Services Industries	2.0	2.7	2.6	2.2	0.5	1.2
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	11.2	2.1	3.6	2.4	1.0	3.0
Goods Producing Industries	26.0	-11.8	5.7	20.1	0.2	2.9
Manufacturing	34.9	-14.8	10.1	26.5	3.3	3.0
Construction	-2.4	-0.2	-8.4	1.4	-14.4	5.1
Services Producing Industries	6.5	6.3	2.8	-1.4	0.3	4.6
Wholesale & Retail Trade	9.0	6.5	2.3	-12.5	5.0	3.7
Transportation & Storage	5.2	7.2	4.8	-4.2	-2.8	9.0
Accommodation & Food Services	6.2	2.2	1.2	-4.7	12.9	6.1
Information & Communications	11.7	4.8	3.3	2.2	5.0	6.6
Finance & Insurance	11.7	12.6	4.8	5.5	-2.1	6.7
Business Services	0.0	1.0	0.6	11.6	-2.7	0.4
Other Services Industries	2.5	5.2	2.6	-2.9	-2.4	4.9

OTHER ECONOMIC INDICATORS

	3Q17	4Q17	2017	1Q18	2Q18	3Q18
Retail Sales Index* (yoy, %)	0.4	3.0	1.3	-1.8	0.5	-0.9
Value Added Per Actual Hour Worked^ (yoy, %)	-	-	4.5	-	-	-
Value Added Per Worker^ (yoy, %)	5.9	3.8	3.8	4.4	3.6	1.2
Unemployment Rate, SA (%)	2.1	2.1	2.2	2.0	2.0	2.1
Changes in Employment ('000)	-2.3	12.7	-3.6	3.7	6.5	17.7
Overall Unit Labour Cost (yoy, %)	-2.0	0.9	-0.3	-0.6	0.6	1.6
Unit Business Cost of Manufacturing (yoy, %)	-3.7	6.2	3.4	-0.8	-4.4	-0.6
Consumer Price Index (yoy, %)	0.4	0.5	0.6	0.2	0.3	0.7
Fixed Asset Investments (\$ bil)	1.2	2.7	9.4	0.8	4.5	1.5
Total Merchandise Trade (yoy, %)	11.6	7.8	11.1	2.5	10.2	14.7
Merchandise Exports	10.1	6.6	10.3	2.3	9.3	12.7
Domestic Exports	11.0	15.3	15.8	3.5	12.9	14.5
Oil	19.3	26.1	33.4	8.6	20.4	28.9
Non-Oil	7.6	10.4	8.8	1.1	9.3	8.0
Re-exports	9.3	-1.3	5.2	0.9	5.7	11.1
Merchandise Imports	13.4	9.1	12.1	2.8	11.1	17.0
Total Services Trade (yoy, %)	6.6	4.1	4.7	4.5	2.9	3.0
Exports of Services	5.3	3.2	4.2	5.5	3.2	3.3
Imports of Services	7.9	5.0	5.1	3.7	2.6	2.7

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