

MTI Forecasts GDP Growth of “Around 1.0 Per Cent” in 2023 and “1.0 to 3.0 Per Cent” in 2024

22 November 2023. The Ministry of Trade and Industry (MTI) announced today that Singapore’s GDP growth is projected to come in at around 1.0 per cent in 2023 and 1.0 to 3.0 per cent in 2024.

Economic Performance in Third Quarter 2023

In the third quarter of 2023, the Singapore economy expanded by 1.1 per cent on a year-on-year basis, faster than the 0.5 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4 per cent, accelerating from the 0.1 per cent expansion in the second quarter.

By sectors, the manufacturing sector shrank by 4.6 per cent year-on-year, compared to the 7.6 per cent contraction in the previous quarter. All clusters within the sector contracted except for the transport engineering cluster. On a quarter-on-quarter seasonally-adjusted basis, the manufacturing sector expanded by 0.5 per cent, compared to the 1.5 per cent contraction in the previous quarter.

The construction sector grew by 6.3 per cent year-on-year, extending the 7.7 per cent expansion in the second quarter, as both public and private sector construction output rose. On a quarter-on-quarter seasonally-adjusted basis, the sector posted slower growth of 0.8 per cent compared to the 2.6 per cent in the preceding quarter.

The wholesale trade sector expanded by 1.2 per cent year-on-year, faster than the 0.2 per cent growth in the previous quarter. Growth was supported by expansions in the fuels & chemicals and machinery, equipment & supplies segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 2.7 per cent, reversing the 0.2 per cent contraction in the preceding quarter.

The retail trade sector expanded by 2.2 per cent year-on-year, extending the 2.4 per cent growth in the previous quarter. Both motor vehicle and non-motor vehicle sales volumes increased during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.1 per cent, slowing down from the 3.0 per cent growth in the second quarter.

Growth in the transportation & storage sector came in at 1.1 per cent year-on-year, slower than the 5.7 per cent expansion in the preceding quarter. Within the sector, the air transport segment recorded robust growth because of sustained recovery in the total number of air passengers handled at Changi Airport. Meanwhile, the land transport and water transport segments also expanded, albeit more modestly. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 2.3 per cent, a reversal from the 5.3 per cent expansion in the previous quarter.

The accommodation sector posted robust growth of 12.9 per cent year-on-year, extending the 13.0 per cent growth in the second quarter. Growth of the sector continued to be bolstered by the strong recovery in international visitor arrivals. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 2.6 per cent, a turnaround from the 2.7 per cent contraction in the preceding quarter.

The food & beverage services sector grew at a slower pace of 3.5 per cent compared to the 5.8 per cent expansion in the previous quarter. Growth of the sector was due to an increase in sales volumes at food caterers and cafes, food courts & other eating places, which outweighed a fall in sales volumes at restaurants and fast food outlets. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 0.6 per cent, improving from the flat growth in the preceding quarter.

Growth in the information & communications sector eased to 5.6 per cent year-on-year, from 7.0 per cent in the second quarter. Within the sector, the IT & information services segment saw strong growth, supported by a rise in demand for data hosting services as well as online marketplaces for goods and travel services. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.2 per cent, the same pace as in the previous quarter.

The finance & insurance sector expanded by 1.5 per cent year-on-year, a turnaround from the 1.1 per cent contraction in the preceding quarter. Growth during the quarter was led by the fund management and activities auxiliary to financial services segments. By contrast, the insurance segment contracted on account of the lacklustre sales of insurance savings products. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.9 per cent, easing from the 1.1 per cent expansion in the previous quarter.

The real estate sector posted growth of 3.4 per cent year-on-year, slowing from the 12.1 per cent expansion in the second quarter. Growth was supported by the private residential property segment, as well as the commercial and industrial property segments. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 4.1 per cent, a reversal from the 5.4 per cent growth in the preceding quarter.

Growth in the professional services sector moderated to 0.8 per cent year-on-year, from 1.3 per cent in the previous quarter. Within the sector, the other professional, scientific & technical services, accounting and architectural & engineering, technical testing & analysis segments expanded. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.0 per cent, a turnaround from the 1.7 per cent contraction in the preceding quarter.

The administrative & support services sector expanded by 2.0 per cent year-on-year, moderating from the 5.0 per cent growth in the second quarter. Growth during the quarter was supported by expansions in both the rental & leasing and other

administrative & support services¹ segments. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 2.4 per cent, worsening from the 1.3 per cent contraction in the previous quarter.

The other services industries grew by 4.4 per cent, extending the 4.1 per cent expansion in the preceding quarter. Growth during the quarter was led by the arts, entertainment & recreation segment, followed by the others² segment. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 2.5 per cent, an improvement from the 1.1 per cent growth in the previous quarter.

Economic Outlook for 2023

Since the Economic Survey of Singapore in August, the US economy has performed better than expected, largely due to resilience in its domestic services activity. However, for the rest of the year, growth in the US and Eurozone is projected to moderate due to the cumulative effects of monetary policy tightening. Likewise, China's growth is likely to slow further amidst ongoing weaknesses in its property sector and domestic consumption, as well as subdued external demand. At the same time, global electronics demand remains sluggish given elevated inventory levels, although there are signs that the downturn may be bottoming.

Given subdued external demand, Singapore's manufacturing and trade-related sectors such as precision engineering and water transport are likely to remain weak for the rest of 2023. On the other hand, the ongoing recovery in air travel and inbound tourism is expected to support the growth of aviation- and tourism-related sectors such as air transport and accommodation. Meanwhile, resilient labour market conditions will continue to lend support to consumer-facing sectors like retail trade and food & beverage services.

Taking into account the performance of the Singapore economy in the first three quarters of the year (i.e., 0.7 per cent year-on-year), as well as the latest external and domestic developments, the 2023 GDP growth forecast for Singapore is narrowed to **around 1.0 per cent**, from 0.5 to 1.5 per cent.

Economic Outlook for 2024

Looking ahead to 2024, GDP growth rates in major economies such as the US and Eurozone are projected to slow further in the first half of the year due to continued tight financial conditions, before picking up gradually in the second half. At the

¹ The other administrative & support services segment comprises (i) employment activities; (ii) travel agencies, tour operators & timesharing service activities; (iii) security & investigation activities; (iv) cleaning & landscape maintenance activities; and (v) office administrative, office support & other business support activities.

² The "others" segment consists of (i) activities of membership organisations; (ii) repair of computers, personal and household goods & vehicles; and (iii) other personal service activities such as personal care services, wedding services and funeral services.

same time, as the post-pandemic boost in demand for services dissipates, there could be a rebalancing of demand towards goods in the year ahead. This, alongside a normalisation of inventory levels, is likely to support a turnaround in global manufacturing activity over the course of the year. In particular, global electronics demand is projected to recover, which will bolster the growth of most regional economies.

In the US, GDP growth is expected to moderate in the first half of 2024 as economic activity continues to be weighed down by tight financial conditions, before picking up in the second half in line with expectations of an easing of the monetary policy stance. Similarly, GDP growth in the Eurozone is forecast to remain subdued in the first half of 2024 due to restrictive financial conditions and sluggish external demand, before improving in the second half, supported by a pickup in domestic consumption as inflation recedes.

In Asia, China's growth is projected to remain sluggish in 2024 and come in lower than that in 2023, given sustained weakness in its property sector. At the same time, domestic consumption and exports growth are likely to remain lacklustre, in line with weak consumer confidence and sluggish external demand respectively. On the other hand, GDP growth in the Southeast Asian economies of Malaysia and Thailand is expected to pick up, supported by an improvement in external demand for electronics and resilient domestic demand.

Nonetheless, significant downside risks in the global economy remain. First, sticky core inflation in advanced economies could induce central banks to maintain current high interest rates for longer, increasing strains to the global financial system. Second, an escalation or widening of the Israel-Hamas conflict or the war in Ukraine could lead to renewed supply disruptions and commodity price shocks. The confluence of these factors could weigh on both business and consumer sentiments along with demand, leading to a slowdown in global growth and trade.

Against this backdrop, the growth prospects of the manufacturing and trade-related sectors in Singapore are expected to improve in tandem with the turnaround in global electronics demand. In particular, the electronics and precision engineering clusters are expected to benefit from a recovery in demand for semiconductors and semiconductor equipment respectively. Similarly, growth in the wholesale trade sector is projected to strengthen on the back of an improvement in external demand for electronic components and telecommunications & computers. If global interest rates start to moderate in 2024, the finance & insurance sector is also expected to post a modest recovery.

At the same time, the continuing recovery in air travel and tourist arrivals will support the growth of aviation- and tourism-related sectors, including air transport and accommodation, although the pace of growth is likely to moderate. Likewise,

consumer-facing sectors such as retail trade and food & beverage services are projected to continue to expand amidst resilient labour market conditions.

Taking these factors into account, and barring the materialisation of downside risks, the Singapore economy is expected to grow by **1.0 to 3.0 per cent** in 2024.

MINISTRY OF TRADE AND INDUSTRY
22 November 2023

ANNEX

SECTORAL GROWTH RATES

	3Q22	4Q22	2022	1Q23	2Q23	3Q23
	Year-on-Year % Change					
Total	4.0	2.1	3.6	0.5	0.5	1.1
Goods Producing Industries	1.8	-1.1	2.9	-3.5	-5.6	-3.1
Manufacturing	1.1	-2.6	2.5	-5.2	-7.6	-4.6
Construction	8.1	10.0	6.7	7.9	7.7	6.3
Services Producing Industries	5.5	4.0	4.8	1.9	2.8	2.3
Wholesale Trade	4.1	2.4	3.2	-1.7	0.2	1.2
Retail Trade	8.8	5.1	8.4	2.3	2.4	2.2
Transportation & Storage	6.1	2.5	4.0	0.9	5.7	1.1
Accommodation	1.6	7.8	0.5	21.5	13.0	12.9
Food & Beverage Services	29.3	19.6	18.2	12.1	5.8	3.5
Information & Communications	6.9	5.6	8.6	6.5	7.0	5.6
Finance & Insurance	0.5	-0.3	1.4	-1.3	-1.1	1.5
Real Estate	14.8	15.2	14.1	7.0	12.1	3.4
Professional Services	7.9	6.1	7.6	4.1	1.3	0.8
Administrative & Support Services	5.9	10.5	6.6	7.8	5.0	2.0
Other Services Industries	7.9	6.0	5.2	5.4	4.1	4.4
	Quarter-on-Quarter Growth % (SA)					
Total	0.8	0.1	3.6	-0.4	0.1	1.4
Goods Producing Industries	-2.1	1.1	2.9	-3.5	-1.1	0.9
Manufacturing	-2.9	1.0	2.5	-4.4	-1.5	0.5
Construction	2.1	1.4	6.7	1.3	2.6	0.8
Services Producing Industries	1.6	-0.2	4.8	0.4	1.0	1.1
Wholesale Trade	1.6	-0.6	3.2	-0.6	-0.2	2.7
Retail Trade	0.1	0.0	8.4	-0.8	3.0	0.1
Transportation & Storage	2.2	-0.8	4.0	-1.0	5.3	-2.3
Accommodation	1.5	4.1	0.5	9.3	-2.7	2.6
Food & Beverage Services	2.8	3.5	18.2	-0.5	0.0	0.6
Information & Communications	2.8	-0.7	8.6	3.6	1.2	1.2
Finance & Insurance	-1.7	0.0	1.4	-0.5	1.1	0.9
Real Estate	4.0	2.1	14.1	0.2	5.4	-4.1
Professional Services	1.4	1.3	7.6	0.4	-1.7	1.0
Administrative & Support Services	0.6	4.0	6.6	1.9	-1.3	-2.4
Other Services Industries	2.3	0.3	5.2	0.4	1.1	2.5

OTHER ECONOMIC INDICATORS

	3Q22	4Q22	2022	1Q23	2Q23	3Q23
Retail Sales Index* (yoy, %)	8.7	5.0	7.2	1.3	0.9	1.3
Changes in Employment ('000)	83.4	48.1	250.1	38.6	26.8	29.6
Unemployment Rate, SA (%)	2.1	2.0	2.1	1.8	1.9	2.0
Value Added Per Actual Hour Worked^ (yoy, %)	-1.8	-4.9	-0.9	-6.6	-4.7	-0.6
Value Added Per Worker^ (yoy, %)	-2.3	-4.9	-1.1	-5.9	-4.9	-3.0
Overall Unit Labour Cost (yoy, %)	7.7	9.3	8.5	10.3	10.5	8.7
Unit Business Cost of Manufacturing (yoy, %)	10.3	11.1	9.6	8.8	7.2	6.4
Fixed Asset Investments (\$ bil)	1.0	13.0	22.5	2.0	1.6	7.4
Consumer Price Index (yoy, %)	7.3	6.6	6.1	6.1	5.1	4.1
Total Merchandise Trade (yoy, %)	25.7	-1.0	17.7	-7.8	-18.7	-16.4
Merchandise Exports	23.4	-2.3	15.6	-6.5	-16.9	-15.6
Domestic Exports	27.9	-2.1	18.2	-7.9	-19.5	-22.2
Oil	75.2	21.6	52.4	8.5	-28.1	-26.9
Non-Oil	7.1	-14.0	3.0	-16.1	-13.4	-18.8
Re-exports	19.8	-2.4	13.5	-5.3	-14.6	-9.7
Merchandise Imports	28.1	0.5	20.1	-9.3	-20.7	-17.3
Total Services Trade (yoy, %)	12.5	7.0	10.8	1.9	-1.6	-1.9
Exports of Services	14.1	8.2	12.1	0.6	-2.5	-2.8
Imports of Services	10.6	5.7	9.3	3.4	-0.6	-1.0

* In chained volume terms.

^ Based on GDP at market prices in chained (2015) dollars.