

MTI Maintains 2016 GDP Growth Forecast at 1.0 to 3.0 Per Cent

24 February 2016. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy grew by 2.0 per cent in 2015. For 2016, MTI has maintained the GDP growth forecast at “1.0 to 3.0 per cent”.

Performance in Fourth Quarter 2015

The Singapore economy grew by 1.8 per cent on a year-on-year basis in the fourth quarter of 2015, unchanged from the third quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 6.2 per cent, extending the 2.3 per cent growth in the previous quarter.

The manufacturing sector contracted by 6.7 per cent year-on-year, extending the 6.0 per cent decline in the preceding quarter. The contraction was primarily due to a decline in the output of the transport engineering and electronics clusters. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 4.9 per cent, following the 6.0 per cent decline in the previous quarter.

The construction sector grew by 4.9 per cent year-on-year, faster than the 3.0 per cent growth in the previous quarter. Growth was supported by public sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, growth in the sector accelerated to 6.0 per cent, from 0.2 per cent in the preceding quarter.

The wholesale & retail trade sector saw growth pick up to 6.8 per cent year-on-year, from 6.4 per cent in the previous quarter. This uptick in growth was due to stronger growth in the wholesale trade segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector’s growth slowed to 3.7 per cent, from 7.9 per cent in the third quarter.

The transportation & storage sector contracted by 0.9 per cent year-on-year, a reversal from the 0.4 per cent growth in the previous quarter. The decline was mainly due to weakness in the water transport segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 2.6 per cent, a pullback from the 3.7 per cent growth in the preceding quarter.

Growth in the finance & insurance sector moderated to 2.4 per cent year-on-year, from 4.6 per cent in the previous quarter. The moderation in growth was partly due to a slowdown in fund management activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector’s growth surged to 34.1 per cent, from 0.9 per cent in the third quarter.

The information & communications sector grew by 3.3 per cent year-on-year, higher than the 2.5 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, growth in the sector accelerated to 6.4 per cent, from 0.7 per cent in the preceding quarter.

Growth in the business services sector eased to 0.8 per cent year-on-year, from 2.0 per cent in the third quarter. Growth was supported mainly by the rental & leasing segment. On a quarter-on-quarter basis, the sector grew at a seasonally-adjusted annualised rate of 1.8 per cent, down from the 2.5 per cent growth in the previous quarter.

The accommodation & food services sector expanded by 0.9 per cent year-on-year, moderating from the 1.1 per cent growth in the previous quarter, weighed down by the food services segment. “Other services industries” grew by 1.7 per cent, an improvement from the 1.5 per cent growth in the preceding quarter, supported by growth in the education, health & social services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the accommodation & food services sector expanded by 1.0 per cent, a slowdown from the 8.8 per cent growth in the third quarter. “Other services industries”, on the other hand, grew at a seasonally-adjusted annualised rate of 2.9 per cent, faster than the 1.8 per cent in the previous quarter.

Overall Performance in 2015

For the whole of 2015, the Singapore economy expanded by 2.0 per cent, slower than the 3.3 per cent in 2014. The manufacturing sector contracted by 5.2 per cent, a reversal from the 2.7 per cent growth in 2014. All the manufacturing clusters, with the exception of the chemicals cluster, saw a decline in output. Growth in the construction sector moderated to 2.5 per cent, from 3.5 per cent in 2014, primarily due to a lower volume of private industrial and residential building activities.

The services producing industries grew by 3.4 per cent in 2015, easing slightly from the 3.6 per cent growth in 2014. Growth was supported mainly by the wholesale & retail trade and finance & insurance sectors, which expanded by 6.1 per cent and 5.3 per cent respectively.

Economic Outlook for 2016

The global economic outlook has softened since the start of the year, alongside a sharp fall in oil prices and volatility in global financial markets. Global growth for the whole of 2016 is now expected to be only marginally better than in 2015. Growth for the year is expected to be supported by strengthening growth in the advanced economies, even as conditions in the emerging markets remain challenging.

In the US, while the growth momentum has weakened in recent months, full-year growth is still expected to improve slightly in 2016, supported by improvements in domestic demand. The Eurozone economy is expected to see a slight pick-up in growth from 2015, underpinned by an improvement in the unemployment situation in most economies and a continued easing of monetary conditions. However, China's growth is projected to ease further as the economy continues to rebalance away from industrial production and investment-driven growth towards services and consumption-driven growth. While most ASEAN economies are likely to see modest improvements in their growth prospects as a result of stronger domestic demand, the Malaysian economy is expected to be weighed down by the weak outlook for commodities.

Alongside the softening of the global economic outlook, downside risks have also increased. In China, there is a risk that the economy could slow down more than expected if ongoing reforms lead to a significant drop in demand. In particular, recent developments in financial markets suggest that the introduction of reforms to develop a more market-based financial system may have the unintended effect of causing financial market volatility, which could in turn have negative spillover effects on the real economy if it persists. The impact of the resulting slowdown could also be amplified through the financial system. With sustained low commodity prices and the beginning of the normalisation of US monetary conditions, regional countries could face sudden and large capital outflows, resulting in added pressures on their currencies and asset markets.

Domestically, while sectors such as finance & insurance and wholesale trade are likely to provide support to growth, the outlook for the manufacturing sector remains weak. First, even though global growth is expected to improve, the continued slowdown in China, the services-driven nature of growth in the US, as well as the trends of in-sourcing in China and the US, may mean that external demand for our exporters may not see a significant boost this year. Second, lower oil prices have weakened the prospects for new rig orders for firms in the marine & offshore segment, and heightened the risks of further deferments and cancellations of existing orders. There could also be negative spillover effects on firms in the precision engineering cluster that support the oil & gas industry.

Furthermore, the prospects for the construction sector have weakened in 2016 on the back of the drop in contracts awarded in 2015 and continued sluggishness in private sector construction demand. Finally, labour constraints will continue to weigh on the growth of labour-intensive services sectors such as food services.

Taking into account the above factors, and barring the full materialisation of downside risks, the Singapore economy is expected to grow at a modest pace of **“1.0 to 3.0 per cent”** in 2016.

MINISTRY OF TRADE AND INDUSTRY
24 February 2016

ANNEX

SECTORAL GROWTH RATES

	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
	Year-on-Year % Change						
Total	2.8	3.3	2.7	1.7	1.8	1.8	2.0
Goods Producing Industries	-0.7	2.8	-2.4	-3.2	-4.0	-4.0	-3.4
Manufacturing	-1.2	2.7	-2.9	-5.2	-6.0	-6.7	-5.2
Construction	0.2	3.5	-1.6	3.6	3.0	4.9	2.5
Services Producing Industries	4.1	3.6	4.3	3.2	3.4	2.8	3.4
Wholesale & Retail Trade	1.9	2.1	5.7	5.5	6.4	6.8	6.1
Transportation & Storage	0.4	2.6	1.3	-1.0	0.4	-0.9	0.0
Accommodation & Food Services	1.7	1.7	-0.3	-1.1	1.1	0.9	0.2
Information & Communications	8.6	7.0	5.2	5.8	2.5	3.3	4.2
Finance & Insurance	12.5	9.1	8.1	6.6	4.6	2.4	5.3
Business Services	1.6	1.6	2.4	0.6	2.0	0.8	1.5
Other Services Industries	2.9	2.7	2.1	1.2	1.5	1.7	1.6
	Quarter-on-Quarter Annualised Growth % (SA)						
Total	6.9	3.3	0.2	-1.6	2.3	6.2	2.0
Goods Producing Industries	-0.1	2.8	-1.5	-9.2	-4.3	-2.1	-3.4
Manufacturing	0.4	2.7	-3.5	-13.8	-6.0	-4.9	-5.2
Construction	-1.9	3.5	6.7	7.7	0.2	6.0	2.5
Services Producing Industries	10.2	3.6	-0.4	0.4	3.8	7.7	3.4
Wholesale & Retail Trade	1.5	2.1	9.0	7.0	7.9	3.7	6.1
Transportation & Storage	1.5	2.6	2.3	-6.3	3.7	-2.6	0.0
Accommodation & Food Services	1.9	1.7	-2.0	-3.9	8.8	1.0	0.2
Information & Communications	3.9	7.0	-4.2	10.3	0.7	6.4	4.2
Finance & Insurance	46.3	9.1	-15.3	-4.2	0.9	34.1	5.3
Business Services	7.4	1.6	2.0	-3.2	2.5	1.8	1.5
Other Services Industries	1.7	2.7	0.5	1.8	1.8	2.9	1.6

OTHER ECONOMIC INDICATORS

	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Retail Sales Index* (yoy %)	5.8	0.3	3.5	6.4	5.5	3.2	4.6
Value-Added Per Worker^ (yoy %)	-0.8	-0.5	-0.4	-0.6	0.0	0.5	-0.1
Value-Added Per Actual Hour Worked^ (yoy%)	-	1.1	-	-	-	-	1.0
Unemployment Rate, SA (%)	1.9	2.0	1.8	2.0	2.0	1.9	1.9
Changes in Employment ('000)	40.7	130.1	-6.1	9.7	12.6	15.5	31.8
Overall Unit Labour Cost (yoy %)	3.0	3.3	3.6	3.8	2.7	1.5	2.8
Unit Business Cost of Manufacturing (yoy %)	-5.0	-2.1	-1.7	3.0	-1.2	5.8	1.4
Consumer Price Index (yoy %)	0.0	1.0	-0.3	-0.4	-0.6	-0.7	-0.5
Fixed Asset Investments (\$ bil)	4.0	11.8	3.3	3.1	3.7	1.4	11.5
Total Merchandise Trade (yoy %)	-5.0	0.1	-10.8	-10.9	-8.5	-7.7	-9.5
Merchandise Exports	-4.2	0.8	-6.0	-9.0	-8.0	-5.7	-7.2
Domestic Exports	-7.1	-0.7	-12.3	-12.2	-14.4	-12.9	-12.9
Oil	-17.7	0.5	-34.7	-31.3	-32.6	-29.9	-32.2
Non-Oil	-0.1	-1.5	4.0	1.5	-2.2	-3.5	-0.1
Re-exports	-1.0	2.5	1.1	-5.6	-0.5	1.4	-0.9
Merchandise Imports	-6.0	-0.6	-16.1	-13.0	-9.1	-9.9	-12.1
Total Services Trade (yoy %)	6.2	8.1	0.1	0.2	1.1	-0.3	0.3
Exports of Services	7.6	8.8	-0.6	1.1	1.4	0.0	0.5
Imports of Services	4.9	7.5	0.8	-0.6	0.8	-0.5	0.1

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