MTI MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

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

17 February 2022. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy expanded by 7.6 per cent in 2021. For 2022, MTI has maintained the GDP growth forecast at "3.0 to 5.0 per cent".

Economic Performance in Fourth Quarter 2021

The Singapore economy grew by 6.1 per cent on a year-on-year basis in the fourth quarter of 2021, moderating from the 7.5 per cent expansion in the preceding quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.3 per cent, faster than the 1.5 per cent growth recorded in the previous quarter.

The manufacturing sector expanded by 15.5 per cent year-on-year, accelerating from the 7.9 per cent growth in the third quarter. Growth was supported by output expansions across all clusters, with the biomedical manufacturing and transport engineering clusters posting the largest increases in output. On a quarter-on-quarter seasonally-adjusted basis, the sector's growth picked up to 6.3 per cent, from 0.8 per cent in the preceding quarter.

The construction sector grew by 2.9 per cent year-on-year, slower than the 69.9 per cent growth in the third quarter[1], as both public and private sector construction output rose. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 2.1 per cent, a reversal from the 1.1 per cent growth in the previous quarter.

The wholesale trade sector expanded by 3.3 per cent year-on-year, moderating from the 5.5 per cent growth in the third quarter. Growth was led by the machinery, equipment & supplies and fuel & chemicals segments, with the former bolstered by the strong wholesale sales of electronic components and telecommunications & computers. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.2 per cent, up from the 0.3 per cent seen in the preceding quarter.

The retail trade sector grew by 4.3 per cent year-on-year, improving from the 0.9 per cent growth in the third quarter. Growth was supported by an increase in the volume of non-motor vehicle sales, which outweighed a decline in the volume of motor vehicle sales. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 4.7 per cent, slowing from the 11.9 per cent growth in the previous quarter.

Growth in the transportation & storage sector came in at 7.5 per cent year-on-year, extending the 9.2 per cent expansion in the third quarter. The sector's strong performance during the quarter was largely due to the air transport segment, which saw a pickup in air passengers handled from a low base in the same quarter of 2020.

[1] The strong growth of the construction sector in the third quarter of 2021 was mainly due to low base effects given the slow resumption of construction activities after the Circuit Breaker in 2020.

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On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.3 per cent, faster than the 0.7 per cent growth in the preceding quarter.

The accommodation sector contracted by 5.1 per cent year-on-year, easing from the 5.7 per cent contraction in the third quarter. Activity in the sector continued to be weighed down by weak international visitor arrivals due to travel restrictions and sluggish global travel demand. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank marginally by 0.2 per cent, following the 2.7 per cent contraction in the previous quarter.

The food & beverage services sector contracted by 1.5 per cent year-on-year, a moderation from the 4.1 per cent contraction in the third quarter. The sector's poor performance was mainly due to a decline in the sales volume of restaurants, which was adversely affected by tighter dine-in restrictions during the Stabilisation Phase. By contrast, food caterers saw a rebound in sales from a low base in the same quarter of 2020, on account of a nascent recovery in MICE events and weddings. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 8.9 per cent, a turnround from the 12.8 per cent contraction in the preceding quarter.

Growth in the information & communications sector came in at 11.2 per cent year-on-year, extending the 13.9 per cent expansion in the third quarter, supported largely by the IT & information services and "others" segments. The former segment was bolstered by sustained demand for enterprise IT solutions, while the latter segment benefitted from the strong performance of software and games publishers. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 2.3 per cent, slower than the 8.5 per cent growth recorded in the previous quarter.

The finance & insurance sector expanded by 5.6 per cent year-on-year, moderating from the 8.5 per cent growth in the third quarter. Growth was supported by robust expansions in the fund management and banking segments. On a quarter-on-quarter seasonally-adjusted basis, the sector posted growth of 1.6 per cent, faster than the flat growth registered in the preceding quarter.

The real estate sector grew by 1.6 per cent year-on-year, weaker than the 19.9 per cent growth in the third quarter. The growth of the sector was primarily driven by the private residential property segment, which saw both sales transactions and prices rise during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.5 per cent, slightly higher than the 1.3 per cent growth in the previous quarter.

The professional services sector posted growth of 4.9 per cent year-on-year, easing from the 5.9 per cent expansion in the third quarter. Growth was mainly supported by the architectural & engineering, technical testing & analysis, as well as the other professional, scientific & technical services segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew marginally by 0.3 per cent, a moderation from the 1.1 per cent growth recorded in the preceding quarter.

The administrative & support services sector expanded by 2.5 per cent year-on-year, faster than the 0.2 per cent growth in the third quarter. Growth was mainly due to an expansion in the other administrative & support services segment, which was in turn supported by a pickup in the activities of security services and MICE organisers among others. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 3.6 per cent, stronger than the 2.6 per cent growth seen in the previous quarter.

The "other services industries" grew by 2.4 per cent year-on-year, moderating from the 3.8 per cent growth in the third quarter. Growth was broad-based across all segments, with stronger growth posted by the education and health & social services segments. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.9 per cent, improving from the flat growth in the preceding quarter.

Overall Performance in 2021

For the whole of 2021, the Singapore economy expanded by 7.6 per cent, rebounding from the 4.1 per cent contraction in 2020.

The manufacturing sector grew by 13.2 per cent, accelerating from the 7.5 per cent growth in 2020. Within the sector, output across all clusters rose, with the precision engineering, electronics and transport engineering clusters registering the largest output increases.

The construction sector expanded by 20.1 per cent, a turnaround from the 38.4 per cent contraction in 2020, supported by both public and private sector construction works.

The services producing industries grew by 5.6 per cent, a reversal from the 5.1 per cent contraction in 2020. All services sectors posted expansions, with the exception of the administrative & support services sector.

Economic Outlook for 2022

Since the Economic Survey of Singapore in November 2021, Singapore's external demand outlook has deteriorated slightly as the global surge in COVID-19 cases caused by the spread of the highly-transmissible Omicron variant has led to a tightening of restriction measures in many economies. Meanwhile, global supply bottlenecks remain and are expected to persist throughout the first half of 2022, thereby constraining industrial production and GDP growth in some external economies in the near term. Persistent supply bottlenecks, alongside rising energy

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prices due to geopolitical tensions, have also exacerbated global inflationary pressures.

Among the key economies, growth in the US economy in 2022 is projected to be slower than earlier expected. While personal consumption expenditure is likely to rise on the back of a sustained recovery in the labour market, a smaller additional fiscal stimulus than previously anticipated, near-term supply disruptions and more aggressive monetary policy tightening amidst elevated inflationary pressures may limit the extent of the increase. In the Eurozone, the Omicron-fuelled surge in COVID-19 cases and reinstatement of targeted restrictions are expected to weigh on economic activity in the near term. Nonetheless, economic growth is expected to pick up over the course of the year as the public health situation improves and production gathers pace in tandem with the gradual easing of supply bottlenecks.

In Asia, China's GDP growth is projected to slow as its COVID-19 measures and property market slowdown continue to dampen consumption and investment growth respectively. Meanwhile, the key Southeast Asian economies of Malaysia, Thailand and Indonesia are expected to grow at a faster pace this year due to a pickup in domestic demand and robust external demand. In particular, continued progress in vaccine deployment in Thailand and Indonesia should support the further easing of restrictions in these economies.

At the same time, downside risks in the global economy have increased. First, 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 economic recovery. Second, if global supply disruptions are more protracted than expected due to further COVID-19 outbreaks and logistical or production constraints, global industrial production may be constrained for longer than currently projected. Third, there are significant upside risks to energy prices amidst supply concerns arising from escalating geopolitical tensions involving Russia and Ukraine, and in the Middle East, as well as unpredictable weather conditions. A spike in energy prices would exacerbate inflationary pressures and weigh on global economic growth. Fourth, if monetary policy tightening in the advanced economies is faster than expected, market adjustments could be disorderly and risks to financial stability could intensify. In particular, large capital outflows from regional economies with high dollar-denominated debt levels could lead to tighter financial conditions and derail growth in these economies.

Domestically, our high vaccination rate and steady rollout of booster shots should facilitate further progressive easing of domestic and border restrictions. This will support the recovery of our consumer-facing sectors and alleviate labour shortages in sectors that are reliant on migrant workers. Air travel and visitor arrivals are also expected to improve with the gradual loosening of travel restrictions and expansion of Vaccinated Travel Lanes.

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Against this external and domestic backdrop, the Singapore economy is expected to continue to expand this year, although the outlook for the various sectors remains uneven. First, growth prospects for outward-oriented sectors (e.g., manufacturing and wholesale trade) remain strong given the continued global economic recovery. In particular, the manufacturing sector is projected to continue to expand, albeit at a more moderate pace following the strong outturn last year, supported by sustained global demand for semiconductors and semiconductor equipment. At the same time, growth in the information & communications and finance & insurance sectors is expected to remain healthy, driven by strong demand for IT and digital solutions, and credit and payment processing services respectively.

Second, the recovery of the aviation- and tourism-related sectors (e.g., air transport and accommodation) is expected to be slow as recurring COVID-19 outbreaks and potential virus mutations could delay the lifting of travel restrictions globally, and travel demand is also likely to take time to recover. Moreover, the accommodation sector will be weighed down by a projected fall in domestic demand as government demand for hotel rooms to serve as quarantine facilities decreases, and staycation demand drops with the relaxation of travel restrictions. Overall, activity in these sectors is expected to remain below pre-COVID levels even by the end of 2022.

Third, consumer-facing sectors (e.g., retail trade and food & beverage services) are projected to see a gradual recovery over the course of the year as domestic restrictions are progressively eased, and consumer sentiments improve amidst the turnaround in labour market conditions. However, the real value-added of the food & beverage services sector and some tourist-reliant segments of the retail trade sector are not expected to return to pre-COVID levels by end-2022, due in part to the slow recovery in visitor arrivals.

Fourth, activities in the construction and marine & offshore engineering sectors are projected to continue to recover on the back of the progressive easing of border restrictions on the entry of migrant workers from South Asia. Nonetheless, as it will take time to fully address the shortfall in labour required to meet business needs, labour shortages are likely to persist and weigh on the recovery of the sectors. In particular, the output of the construction sector is expected to remain below pre-pandemic levels throughout 2022.

Taking into account the global and domestic economic environment, and barring the materialisation of downside risks in the global economy, the Singapore economy is projected to expand by **"3.0 to 5.0 per cent"** in 2022.

MINISTRY OF TRADE AND INDUSTRY
17 February 2022

ANNEX

SECTORAL GROWTH RATES

	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021
	Year-on-Year % Change						
Total	-0.9	-4.1	2.0	15.8	7.5	6.1	7.6
Goods Producing Industries	4.7	0.3	6.5	23.0	11.7	13.6	13.4
Manufacturing	11.4	7.5	11.5	18.2	7.9	15.5	13.2
Construction	-29.0	-38.4	-22.2	118.9	69.9	2.9	20.1
Services Producing Industries	-2.9	-5.1	0.2	11.5	6.8	4.4	5.6
Wholesale Trade	1.6	-1.7	4.0	3.0	5.5	3.3	3.9
Retail Trade	-6.2	-18.5	1.7	51.8	0.9	4.3	10.2
Transportation & Storage	-21.2	-20.1	-13.1	22.2	9.2	7.5	5.0
Accommodation	-7.1	-13.9	11.5	10.4	-5.7	-5.1	1.7
Food & Beverage Services	-24.6	-28.6	-9.2	36.0	-4.1	-1.5	3.0
Information & Communications	10.1	8.4	9.4	14.4	13.9	11.2	12.2
Finance & Insurance	6.8	6.9	5.2	10.4	8.5	5.6	7.4
Real Estate	-1.8	-13.7	-1.7	29.2	19.9	1.6	10.7
Professional Services	-7.9	-8.0	-4.3	11.8	5.9	4.9	4.4
Administrative & Support Services	-20.2	-16.7	-15.5	-0.1	0.2	2.5	-3.8
Other Services Industries	-5.1	-8.1	0.2	16.5	3.8	2.4	5.2
	Seasonally Adjusted Quarter-on-Quarter Growth %						
Total	3.8	-4.1	3.0	-0.8	1.5	2.3	7.6
Goods Producing Industries	2.9	0.3	6.8	-0.2	2.0	4.6	13.4
Manufacturing	-0.6	7.5	7.9	0.1	0.8	6.3	13.2
Construction	61.3	-38.4	3.7	0.1	1.1	-2.1	20.1
Services Producing Industries	3.8	-5.1	1.9	-0.2	1.3	1.4	5.6
Wholesale Trade	3.9	-1.7	1.6	0.0	0.3	1.2	3.9
Retail Trade	1.4	-18.5	1.7	-12.6	11.9	4.7	10.2
Transportation & Storage	3.0	-20.1	4.6	0.7	0.7	1.3	5.0
Accommodation	-0.6	-13.9	-16.7	17.0	-2.7	-0.2	1.7
Food & Beverage Services	5.8	-28.6	2.5	1.4	-12.8	8.9	3.0
Information & Communications	4.8	8.4	1.0	-0.9	8.5	2.3	12.2
Finance & Insurance	4.4	6.9	1.5	2.4	0.0	1.6	7.4
Real Estate	20.1	-13.7	0.0	-1.4	1.3	1.5	10.7
Professional Services	1.3	-8.0	0.8	2.6	1.1	0.3	4.4
Administrative & Support Services	1.7	-16.7	3.5	-7.0	2.6	3.6	-3.8
Other Services Industries	3.5	-8.1	1.6	-1.3	0.0	1.9	5.2

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OTHER ECONOMIC INDICATORS

	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021
Retail Sales Index* (yoy, %)	-4.5	-15.8	1.0	51.6	1.0	4.8	10.7
Changes in Employment ('000)	-7.8	-181.0	13.9	-19.9	-8.4	54.1	39.7
Unemployment Rate, SA (%)	3.3	3.0	2.9	2.7	2.6	2.4	2.6
Value Added Per Actual Hour Worked^ (yoy, %)	5.4	2.6	7.8	2.6	5.0	5.5	5.2
Value Added Per Worker^ (yoy, %)	3.9	-2.1	6.6	17.9	8.7	5.8	9.5
Overall Unit Labour Cost (yoy, %)	-9.1	-8.9	-7.6	14.6	7.0	6.7	4.2
Unit Business Cost of Manufacturing (yoy, %)	-14.5	-12.5	-9.4	-0.3	2.9	-5.2	-3.3
Fixed Asset Investments ($ bil)	3.0	17.2	2.8	3.6	3.7	1.7	11.8
Consumer Price Index (yoy, %)	-0.1	-0.2	0.8	2.3	2.5	3.7	2.3
Total Merchandise Trade (yoy, %)	-5.1	-5.2	4.9	27.2	19.0	28.8	19.7
Merchandise Exports	-2.9	-3.2	6.9	26.0	17.4	26.9	19.1
Domestic Exports	-10.3	-6.8	-0.2	25.8	18.8	34.8	19.0
Oil	-30.6	-28.1	-19.2	85.7	49.2	78.2	38.0
Non-Oil	-0.5	4.3	9.6	10.1	9.0	20.1	12.1
Re-exports	3.4	0.1	13.6	26.3	16.2	21.1	19.2
Merchandise Imports	-7.6	-7.4	2.7	28.6	20.9	31.0	20.4
Total Services Trade (yoy, %)	-1.9	-0.7	-6.8	14.2	11.5	10.6	6.8
Exports of Services	-2.7	-1.6	-5.6	14.4	11.1	9.2	6.7
Imports of Services	-1.0	0.2	-8.0	14.0	11.8	12.1	6.8

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