

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

13 February 2023. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy expanded by 3.6 per cent in 2022. MTI has maintained the GDP growth forecast for 2023 at “0.5 to 2.5 per cent”.

Economic Performance in Fourth Quarter 2022

The Singapore economy grew by 2.1 per cent on a year-on-year basis in the fourth quarter of 2022, moderating from the 4.0 per cent expansion in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded marginally by 0.1 per cent, easing from the 0.8 per cent growth in the third quarter.

The manufacturing sector shrank by 2.6 per cent year-on-year, a reversal from the 1.1 per cent growth in the previous quarter. The contraction was due to output declines in the biomedical manufacturing, chemicals, electronics and general manufacturing clusters. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.0 per cent, a turnaround from the 2.9 per cent contraction in the preceding quarter.

The construction sector expanded by 10.0 per cent year-on-year, faster than the 8.1 per cent growth in the third quarter, as both public and private sector construction output increased. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.4 per cent, extending the 2.1 per cent growth in the previous quarter.

Growth in the wholesale trade sector slowed to 2.4 per cent year-on-year, from 4.1 per cent in the third quarter. During the quarter, growth was mainly supported by the machinery, equipment & supplies segment, which was in turn bolstered by the wholesaling of electronic components and telecommunications & computers. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 0.6 per cent, a reversal from the 1.6 per cent growth in the preceding quarter.

The retail trade sector grew by 5.1 per cent year-on-year, extending the 8.8 per cent growth in the previous quarter. Growth during the quarter was supported by a robust increase in non-motor vehicle sales volume, which outweighed a decline in motor vehicle sales volume. On a quarter-on-quarter seasonally-adjusted basis, the sector registered flat growth, easing slightly from the 0.1 per cent growth in the preceding quarter.

Growth in the transportation & storage sector came in at 2.5 per cent year-on-year, slower than the 6.1 per cent recorded in the third quarter. The sector’s expansion during the quarter was mainly supported by the air transport segment, which saw robust growth as international travel continued to recover. Meanwhile, the land transport and water transport segments also expanded. On a quarter-on-quarter

seasonally-adjusted basis, the sector contracted by 0.8 per cent, a reversal from the 2.2 per cent growth in the previous quarter.

The accommodation sector expanded by 7.8 per cent year-on-year, accelerating from the 1.6 per cent growth in the preceding quarter. The pickup in activity in the sector could be attributed to a robust recovery in international visitor arrivals. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 4.1 per cent, faster than the 1.5 per cent growth in the previous quarter.

The food & beverage services sector grew by 19.6 per cent year-on-year, extending the 29.3 per cent growth in the third quarter. All segments within the sector expanded. In particular, food caterers, restaurants and fast food outlets recorded strong expansions in sales volumes. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 3.5 per cent, faster than the 2.8 per cent growth in the previous quarter.

Growth in the information & communications sector came in at 5.6 per cent year-on-year, extending the 6.9 per cent expansion in the preceding quarter. The sector's growth was driven by the IT & information services segment, which was supported by sustained growth in IT development, consultancy, data hosting and related activities. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 0.7 per cent, a pullback from the 2.8 per cent growth in the third quarter.

The finance & insurance sector contracted by 0.3 per cent year-on-year, a reversal from the 0.5 per cent growth in the previous quarter, as contractions in the banking and insurance segments more than offset expansions in the other auxiliary activities and fund management segments. The banking segment contracted on the back of a fall in net fees & commissions alongside a weakening of lending activity, 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 registered flat growth, improving from the 1.7 per cent contraction in the preceding quarter.

The real estate sector grew by 15.2 per cent year-on-year, extending the 14.8 per cent growth in the third quarter. Growth 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 expanded at a slower pace of 2.1 per cent, compared to the 4.0 per cent growth in the previous quarter.

The professional services sector grew by 6.1 per cent year-on-year, moderating from the 7.9 per cent expansion in the third quarter. Growth was mainly supported by the architectural & engineering, technical testing & analysis, as well as other professional, scientific & technical services segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.3 per cent, following the 1.4 per cent growth in the preceding quarter.

The administrative & support services sector expanded by 10.5 per cent year-on-year, accelerating from the 5.9 per cent growth in the previous quarter. Growth was due to expansions in both the other administrative & support services and rental & leasing segments, with the former supported by the strong recovery in tourism-related sub-segments such as tour operators and MICE organisers. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 4.0 per cent, faster than the 0.6 per cent growth in the preceding quarter.

The “other services industries” grew by 6.0 per cent year-on-year, moderating from the 7.9 per cent expansion in the third quarter. All segments within the sector expanded, with growth led by the arts, entertainment & recreation and “others”¹ segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.3 per cent, weaker than the 2.3 per cent growth in the previous quarter.

Economic Performance in 2022

For the whole of 2022, the Singapore economy expanded by 3.6 per cent, moderating from the 8.9 per cent growth in 2021.

The manufacturing sector grew by 2.5 per cent, slower than the 13.3 per cent growth in 2021. Within the sector, all clusters expanded, except for the chemicals and biomedical manufacturing clusters.

The construction sector posted growth of 6.7 per cent, extending the 20.5 per cent expansion in 2021, supported by both public and private sector construction works.

The services producing industries expanded by 4.8 per cent, easing from the 7.6 per cent expansion in 2021. Growth was mainly driven by the wholesale trade, other services and information & communications sectors.

Economic Outlook for 2023

Since the Economic Survey of Singapore in November 2022, Singapore’s external demand outlook has improved slightly. Growth in China is projected to pick up in tandem with the faster-than-expected easing of its COVID-19 restrictions. This has led to improvements in the growth outlook of regional economies. At the same time, the global supply situation continues to stabilise amidst softening global demand conditions. Accordingly, global commodity prices have eased from 2022 levels, although they remain elevated with the ongoing Russia-Ukraine war.

In the US, growth is projected to decelerate as tight financial conditions on the back of monetary policy tightening are expected to weigh on personal consumption and

¹ The “others” segment of the other services industries consists of (i) membership organisations; (ii) repair of computers, personal and household goods, and vehicles; and (iii) other personal service activities such as personal care services, wedding services and funeral services.

investment. Similarly, notwithstanding improvements in its energy situation, GDP growth in the Eurozone is forecast to slow as tighter monetary policy on account of elevated core inflation is likely to dampen domestic demand.

In Asia, China's growth is expected to pick up following the lifting of its COVID-19 restrictions, although continued stresses in its property market and weakening global demand are likely to weigh on its recovery. Meanwhile, despite weaker external demand for their merchandise goods and commodities, GDP growth in key Southeast Asian economies such as Malaysia, Indonesia and Thailand is likely to be supported by a continued recovery in domestic and tourism demand.

At the same time, uncertainties in the global economy remain. First, tighter financial conditions across many advanced economies that have been raising interest rates could have a larger-than-expected impact on global growth. With major central banks still raising interest rates, disorderly market adjustments and the exposure of latent vulnerabilities among highly-indebted corporates and households could increase financial stability risks. Second, further escalations in the war in Ukraine and geopolitical tensions among major global powers could worsen supply disruptions, dampen consumer and business confidence, as well as weigh on global trade.

Against this backdrop, the growth outlook for aviation- and tourism-related sectors of the Singapore economy has improved, as the recovery in international air travel and inbound tourism is expected to accelerate following the faster-than-expected relaxation of China's border restrictions. These sectors include air transport, accommodation and arts, entertainment & recreation. The output of the aerospace segment within the transport engineering cluster is also expected to be bolstered by the improved outlook for air travel.

On the other hand, the growth outlook for other outward-oriented sectors remains weak given the broader slowdown in the global economy. For instance, the semiconductors segment of the electronics cluster is expected to be negatively affected by weaker global semiconductor demand, while the precision engineering cluster is projected to be weighed down by a cutback in capital spending by semiconductor manufacturers. At the same time, growth in the wholesale trade, water transport and finance & insurance sectors will be dampened by the slowdown in major external economies.

Taking into account the global and domestic economic environment, the GDP growth forecast for 2023 is maintained at **“0.5 to 2.5 per cent”**.

MINISTRY OF TRADE AND INDUSTRY
13 February 2023

ANNEX

SECTORAL GROWTH RATES

	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
	Year-on-Year % Change						
Total	6.6	8.9	4.0	4.5	4.0	2.1	3.6
Goods Producing Industries	14.4	13.5	5.3	5.8	1.8	-1.1	2.9
Manufacturing	16.0	13.3	5.8	6.1	1.1	-2.6	2.5
Construction	6.8	20.5	3.3	5.5	8.1	10.0	6.7
Services Producing Industries	4.9	7.6	4.9	4.8	5.5	4.0	4.8
Wholesale Trade	5.0	9.6	4.5	1.6	4.1	2.4	3.2
Retail Trade	5.8	12.0	4.8	15.8	8.8	5.1	8.4
Transportation & Storage	9.5	9.9	3.7	3.6	6.1	2.5	4.0
Accommodation	-12.6	-9.1	-4.5	-3.3	1.6	7.8	0.5
Food & Beverage Services	-2.3	1.8	2.3	23.4	29.3	19.6	18.2
Information & Communications	9.3	13.4	12.1	10.0	6.9	5.6	8.6
Finance & Insurance	5.6	8.3	3.3	2.1	0.5	-0.3	1.4
Real Estate	5.2	18.4	12.3	13.9	14.8	15.2	14.1
Professional Services	7.6	4.0	9.0	7.4	7.9	6.1	7.6
Administrative & Support Services	-6.5	-11.2	3.1	6.9	5.9	10.5	6.6
Other Services Industries	2.6	5.5	1.7	5.4	7.9	6.0	5.2
	Seasonally Adjusted Quarter-on-Quarter Growth %						
Total	1.9	8.9	1.4	-0.1	0.8	0.1	3.6
Goods Producing Industries	3.9	13.5	-0.8	0.9	-2.1	1.1	2.9
Manufacturing	5.6	13.3	-2.0	0.8	-2.9	1.0	2.5
Construction	-0.8	20.5	3.7	2.9	2.1	1.4	6.7
Services Producing Industries	1.2	7.6	2.7	-0.1	1.6	-0.2	4.8
Wholesale Trade	1.0	9.6	3.9	-2.3	1.6	-0.6	3.2
Retail Trade	3.5	12.0	2.0	2.9	0.1	0.0	8.4
Transportation & Storage	2.4	9.9	0.7	0.5	2.2	-0.8	4.0
Accommodation	-1.4	-9.1	-3.3	5.5	1.5	4.1	0.5
Food & Beverage Services	11.7	1.8	6.0	6.1	2.8	3.5	18.2
Information & Communications	0.6	13.4	2.6	0.7	2.8	-0.7	8.6
Finance & Insurance	0.8	8.3	0.5	1.0	-1.7	0.0	1.4
Real Estate	1.7	18.4	8.4	0.2	4.0	2.1	14.1
Professional Services	3.0	4.0	2.3	1.0	1.4	1.3	7.6
Administrative & Support Services	-0.1	-11.2	4.3	1.1	0.6	4.0	6.6
Other Services Industries	2.2	5.5	0.9	2.3	2.3	0.3	5.2

OTHER ECONOMIC INDICATORS

	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022
Retail Sales Index* (yoy, %)	5.3	11.2	4.9	11.0	8.8	4.6	7.2
Changes in Employment ('000)	54.6	40.2	47.4	71.1	83.4	52.0	254.0
Unemployment Rate, SA (%)	2.4	2.7	2.2	2.1	2.1	2.0	2.1
Value Added Per Actual Hour Worked^ (yoy, %)	5.9	6.7	2.5	0.9	-1.8	-4.6	-0.8
Value Added Per Worker^ (yoy, %)	6.3	10.8	2.4	0.9	-2.3	-4.9	-1.1
Overall Unit Labour Cost (yoy, %)	8.9	4.9	8.0	8.8	7.7	9.3	8.5
Unit Business Cost of Manufacturing (yoy, %)	-1.1	0.1	8.5	8.4	10.3	11.1	9.6
Fixed Asset Investments (\$ bil)	1.7	11.8	2.2	6.3	1.0	13.0	22.5
Consumer Price Index (yoy, %)	3.7	2.3	4.6	5.9	7.3	6.6	6.1
Total Merchandise Trade (yoy, %)	28.8	19.7	20.8	28.0	25.7	-1.0	17.7
Merchandise Exports	26.9	19.1	18.8	24.9	23.4	-2.3	15.6
Domestic Exports	34.8	19.0	20.8	28.5	27.9	-2.1	18.2
Oil	78.2	38.0	45.4	72.9	75.2	21.6	52.4
Non-Oil	20.1	12.1	11.4	8.9	7.1	-14.0	3.0
Re-exports	21.1	19.2	17.2	21.7	19.8	-2.4	13.5
Merchandise Imports	31.0	20.4	23.1	31.6	28.1	0.5	20.1
Total Services Trade (yoy, %)	19.4	16.5	10.7	13.1	12.5	7.0	10.8
Exports of Services	25.0	21.2	12.2	14.3	14.1	8.2	12.1
Imports of Services	13.7	11.6	9.2	11.8	10.6	5.7	9.3

* In chained volume terms.

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