

2014 GDP Growth Forecast is Narrowed to 2.5 to 3.5 Per Cent

12 August 2014. The Ministry of Trade and Industry (MTI) announced today that it has narrowed its GDP growth forecast for 2014 to 2.5 to 3.5 per cent.

Performance in Second Quarter 2014

The Singapore economy grew by 2.4 per cent on a year-on-year basis in the second quarter, moderating from the 4.8 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 0.1 per cent, slower than the 1.8 per cent growth in the preceding quarter.

The manufacturing sector grew by 1.5 per cent year-on-year in the second quarter, a sharp slowdown from the 9.9 per cent expansion in the preceding quarter. The deceleration in growth was largely due to a contraction in electronics output and slower growth in transport engineering output. On a quarter-on-quarter basis, the sector contracted at an annualised rate of 15.2 per cent, a reversal from the 12.3 per cent growth in the previous quarter.

The construction sector grew at a slower pace of 4.4 per cent year-on-year in the second quarter, compared to the 6.4 per cent growth in the preceding quarter. The slowdown was driven mainly by a fall in private construction output, reflecting weaker private residential building works and a decline in private commercial and industrial building works. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 0.3 per cent, a marginal improvement from the 0.5 per cent contraction in the first quarter.

In the second quarter, the wholesale & retail trade sector grew by 1.7 per cent year-on-year, slower than the 3.8 per cent expansion in the preceding quarter. This was largely due to weaker growth in the wholesale trade segment, which came on the back of a moderation in non-oil re-exports growth. On a quarter-on-quarter basis, the sector grew at an annualised rate of 3.3 per cent, reversing the 5.3 per cent contraction in the first quarter.

Growth in the transportation & storage sector slowed to 2.0 per cent on a year-on-year basis, from 5.5 per cent in the first quarter, weighed down by slower growth in the water transport segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 1.6 per cent in the second quarter compared to the 3.3 per cent decline in the previous quarter.

The finance & insurance sector expanded by 5.5 per cent year-on-year in the second quarter, largely similar to the 5.7 per cent growth recorded in the previous quarter. Growth was supported by the core financial intermediation and insurance segments. On a quarter-on-quarter seasonally-adjusted

annualised basis, the growth of the sector accelerated to 11.6 per cent from 4.6 per cent in the previous quarter.

The business services sector expanded at a slower pace of 2.3 per cent year-on-year compared to 3.3 per cent in the first quarter. The slowdown in growth was largely due to significantly weaker growth in the rental and leasing segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 1.4 per cent in the second quarter, reversing the 1.7 per cent contraction in the preceding quarter.

Growth in the accommodation & food services sector slowed to 0.5 per cent year-on-year from 2.1 per cent in the first quarter, due to weaker expansion in the accommodation segment. On a quarter-on-quarter basis, the sector contracted at an annualised rate of 1.6 per cent, in contrast to the growth of 1.6 per cent in the previous quarter. The “other services industries” grew by 2.6 per cent year-on-year in the second quarter, slightly faster than the 2.2 per cent expansion in the preceding quarter. This came on the back of stronger growth in the education, health and social services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 8.9 per cent, rebounding from the 1.1 per cent decline in the previous quarter.

Economic Outlook for 2014

While global growth in the first quarter of the year turned out weaker than expected, recent incoming data suggest that global economic activities are recovering modestly. Economic activities in the US improved in the second quarter following harsh weather conditions in the first quarter. For the rest of the year, the US economy is expected to grow at a slightly faster pace, supported primarily by private domestic demand. In the Eurozone, the reduced pace of fiscal consolidation and highly accommodative monetary policy are likely to support economic recovery in the second half of the year. In Asia, the Chinese economy is expected to maintain a similar pace of growth in the second half of 2014, with recent support measures introduced by the government helping to partially offset the drag posed by tighter regulations to rein in shadow banking activities. Meanwhile, key ASEAN economies like Malaysia and Indonesia are expected to remain resilient, supported by robust domestic demand.

Nonetheless, uncertainties in the global macroeconomic environment remain. In the US, there are uncertainties over the pace at which the Federal Reserve will exit from its accommodative monetary policy. Should the Federal Reserve tighten monetary conditions earlier than expected, financial markets and business sentiments in the US could be adversely affected. In China, companies may face debt repayment problems amidst the slowdown in real estate activities and tighter regulations in the shadow banking sector. A spike

in default rates could in turn trigger a sudden withdrawal of funds from the financial system, thereby leading to financial instability and a sharper-than-expected slowdown in China's economic growth. Finally, should on-going conflicts in the oil-producing regions escalate, there could be upward pressures on oil prices, which would in turn weigh on global growth.

Against this backdrop, the Singapore economy is expected to grow at a modest pace in 2014. In particular, externally-oriented sectors such as finance & insurance and wholesale trade are likely to support growth in the second half of the year, in tandem with the modest pick-up in the global economy. Domestically-oriented sectors such as business services and information & communications are also expected to remain resilient in the second half of 2014. However, growth in some labour-intensive segments such as retail and food services may be weighed down by labour constraints. Taking these factors into consideration, the 2014 growth forecast for the Singapore economy is narrowed to **2.5 to 3.5 per cent**.

MINISTRY OF TRADE AND INDUSTRY
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ANNEX

SECTORAL GROWTH RATES

	2Q13	3Q13	4Q13	2013	1Q14	2Q14
	Year-on-Year % Change					
Total	4.0	5.0	4.9	3.9	4.8	2.4
Goods Producing Industries	1.7	5.2	6.8	2.5	8.8	2.0
Manufacturing	0.8	5.3	7.0	1.7	9.9	1.5
Construction	6.1	5.6	7.3	6.1	6.4	4.4
Services Producing Industries	5.7	5.8	5.5	5.3	3.9	2.6
Wholesale & Retail Trade	6.8	6.4	6.4	6.1	3.8	1.7
Transportation & Storage	2.6	5.8	5.1	3.2	5.5	2.0
Accommodation & Food Services	5.4	5.0	3.4	4.5	2.1	0.5
Information & Communications	4.4	4.6	3.6	4.3	2.6	2.5
Finance & Insurance	11.1	8.3	10.5	10.8	5.7	5.5
Business Services	4.5	4.3	4.3	4.3	3.3	2.3
Other Services Industries	2.6	4.8	1.2	1.9	2.2	2.6
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	10.2	0.7	6.9	3.9	1.8	0.1
Goods Producing Industries	15.2	1.5	9.9	2.5	9.3	-11.7
Manufacturing	17.6	0.0	10.4	1.7	12.3	-15.2
Construction	9.8	6.7	10.6	6.1	-0.5	0.3
Services Producing Industries	10.0	0.6	7.1	5.3	-1.5	4.5
Wholesale & Retail Trade	12.9	1.3	7.7	6.1	-5.3	3.3
Transportation & Storage	13.0	11.6	2.2	3.2	-3.3	-1.6
Accommodation & Food Services	5.2	2.1	-0.3	4.5	1.6	-1.6
Information & Communications	5.7	1.9	0.9	4.3	1.8	5.1
Finance & Insurance	12.5	-15.9	26.0	10.8	4.6	11.6
Business Services	6.0	4.0	5.4	4.3	-1.7	1.4
Other Services Industries	7.5	6.0	-3.0	1.9	-1.1	8.9

OTHER ECONOMIC INDICATORS

	2Q13	3Q13	4Q13	2013	1Q14	2Q14
Retail Sales Index* (y-o-y%)	-0.6	-5.6	-6.3	-4.4	-3.0	-5.5
Labour Productivity (y-o-y%)	-0.2	0.8	0.8	-0.2	0.7	-1.3
Unemployment Rate, SA (%)	2.0	1.8	1.8	1.9	2.0	2.0
Changes in Employment ('000)	33.7	33.1	40.6	136.2	28.3	22.0
Overall Unit Labour Cost (y-o-y%)	2.6	0.9	1.5	2.6	2.3	4.0
Unit Business Cost of Manufacturing (y-o-y%)	0.9	-0.5	-0.2	1.1	-1.0	1.8
Consumer Price Index (y-o-y%)	1.6	1.8	2.0	2.4	1.0	2.4
Fixed Asset Investments (\$ bil)	2.3	2.4	3.4	12.1	2.5	3.0
Total Trade (y-o-y%)	-2.0	5.8	3.8	-0.5	7.2	2.9
Exports	-0.2	5.8	6.0	0.6	7.6	2.7
Domestic Exports	-7.3	4.1	-0.6	-3.8	3.3	3.2
Oil	-10.7	17.9	1.8	-0.3	10.2	14.4
Non-Oil	-5.2	-3.6	-2.1	-6.0	-1.0	-3.4
Re-exports	9.1	7.9	14.2	6.2	12.9	2.3
Imports	-4.0	5.9	1.4	-1.6	6.8	3.0

* At constant prices