

MTI Maintains 2015 GDP Growth Forecast at 2.0 to 4.0 Per Cent

26 May 2015. The Ministry of Trade and Industry (MTI) announced today that the GDP growth forecast for 2015 is maintained at 2.0 to 4.0 per cent.

Performance in First Quarter 2015

The Singapore economy grew by 2.6 per cent on a year-on-year basis in the first quarter of 2015, faster than the 2.1 per cent growth in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 3.2 per cent, moderating from the 4.9 per cent growth in the preceding quarter.

The manufacturing sector contracted by 2.7 per cent year-on-year, extending the 1.3 per cent decline in the previous quarter. This was primarily due to the decline in the output of the transport engineering, electronics and biomedical manufacturing clusters. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded marginally by 0.2 per cent, a reversal from the 2.5 per cent contraction in the previous quarter.

Growth in the construction sector improved to 3.1 per cent year-on-year, from 0.7 per cent in the previous quarter, supported by a pick-up in private sector construction activities. On a quarter-on-quarter basis, the sector grew at an annualised rate of 12.9 per cent, faster than the 2.2 per cent growth in the preceding quarter.

The wholesale & retail trade sector grew by 4.1 per cent year-on-year, faster than the 0.6 per cent growth in the last quarter. Growth was supported by the wholesale trade segment, which expanded on the back of improvements in non-oil re-exports. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector's growth accelerated sharply to 15.1 per cent, from 0.6 per cent in the preceding quarter.

The transportation & storage sector rebounded to post growth of 1.5 per cent year-on-year, compared to the 0.4 per cent decline in the previous quarter. The improved performance of the sector was due to the water transport segment, which saw an increase in sea cargo handled. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 6.7 per cent, faster than the 0.3 per cent growth in the previous quarter.

The accommodation & food services sector turned in a weak performance in the first quarter, contracting by 0.4 per cent year-on-year, compared to the 1.3 per cent growth in the previous quarter. This was largely due to the 6.1 per cent year-on-year decline in visitor arrivals during the same period. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector's growth also decelerated sharply, from 1.2 per cent in the previous quarter to -7.4 per cent.

The information & communications sector expanded at a faster pace of 4.6 per cent year-on-year, compared to the 4.4 per cent growth in the previous quarter. Growth of the sector was mainly driven by the IT & technology services segment. On a quarter-on-quarter seasonally adjusted annualised basis, the sector contracted marginally by 0.1 per cent, following the 5.1 per cent growth in the preceding quarter.

The finance & insurance sector expanded by 7.9 per cent year-on-year, following the 10.3 per cent growth in the preceding quarter. Growth was largely underpinned by the banking cluster, which experienced resilient loans growth and higher net interest margins. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector saw a sharp pullback, contracting by 12.5 per cent compared to the 36.2 per cent growth registered in the fourth quarter of last year.

The business services sector grew by 2.8 per cent year-on-year, similar to the 2.9 per cent growth in the previous quarter. Growth was supported by the rental & leasing, other professional, scientific & technical services, and other administrative & support services segments. On a quarter-on-quarter basis, the sector expanded at an annualised rate of 1.4 per cent, slower than the 5.9 per cent growth in the previous quarter.

The “other services industries” grew by 2.0 per cent year-on-year, slower than the 2.4 per cent growth in the previous quarter. Growth of the sector was weighed down by the arts, entertainment & recreation segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted marginally by 0.2 per cent, a reversal from the 1.5 per cent growth in the previous quarter.

Economic Outlook for 2015

The global economic outlook has remained broadly unchanged since the start of the year, with global growth expected to improve marginally in 2015 as compared to 2014. The pace of growth is also likely to remain uneven across economies. In particular, while advanced economies are expected to see a pick-up in growth, emerging markets and developing economies are projected to see slower growth.

In the US, a combination of factors, including the harsh winter and port strikes, led to a sharp slowdown in growth in the first quarter. As the effect of some of these factors dissipates, the US economy is likely to pick up over the course of the year. For 2015 as a whole, the US is projected to see faster growth as compared to 2014, supported by domestic demand. The Eurozone economy is also expected to improve in 2015, supported by the quantitative easing measures that have been implemented since March. However, growth will likely remain modest due to sluggish labour market conditions and deflationary pressures. In Asia, China’s growth is projected to ease, weighed down by the on-going property market correction. Nonetheless, the slowdown is likely to remain contained as the Chinese government is expected to roll out additional easing measures to support growth. Meanwhile, growth in most key

ASEAN economies is likely to improve in 2015 on the back of resilient domestic demand.

At the same time, the external outlook remains clouded with significant uncertainties and downside risks. In China, there remains the risk of a sharp correction in the real estate market, which could have severe negative spill-over effects on construction and real estate investment activities. In the Eurozone, there are uncertainties over Greece's future in the bloc, as well as fears of deflation in the region. In the US, there are lingering uncertainties over when, and the pace at which, the Federal Reserve (Fed) will raise the Fed Funds rate. Finally, with low commodity prices, the appreciation of the US dollar and anticipated normalisation of US interest rates, emerging markets could face capital outflows and added pressures on their currencies and asset markets.

Given the expected improvement in global economic conditions in 2015, externally-oriented sectors such as wholesale trade and finance & insurance are likely to see improved growth prospects. However, sector-specific factors could weigh on the growth of some sectors. For instance, low oil prices have dampened the outlook of the marine & offshore industry, while tourism-related sectors such as the accommodation & food services sector may face headwinds in the near term due to lacklustre visitor arrivals. Domestically, the labour market is expected to remain tight, given low unemployment and elevated vacancy rates. As such, labour-intensive sectors such as construction, retail and food services may see their growth weighed down by labour constraints. Nonetheless, other domestically-oriented sectors such as business services are expected to remain resilient.

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 **2.0 to 4.0 per cent** in 2015.

MINISTRY OF TRADE AND INDUSTRY
26 May 2015

Annex

SECTORAL GROWTH RATES

	1Q14	2Q14	3Q14	4Q14	2014	1Q15
	Year-on-Year % Change					
Total	4.6	2.3	2.8	2.1	2.9	2.6
Goods Producing Industries	8.8	1.7	1.6	-0.8	2.7	-1.4
Manufacturing	9.6	1.3	1.7	-1.3	2.6	-2.7
Construction	7.4	3.0	1.1	0.7	3.0	3.1
Services Producing Industries	3.7	2.6	3.3	3.1	3.2	3.8
Wholesale & Retail Trade	2.7	1.6	2.1	0.6	1.7	4.1
Transportation & Storage	5.4	2.0	0.1	-0.4	1.7	1.5
Accommodation & Food Services	2.0	0.1	1.0	1.3	1.1	-0.4
Information & Communications	2.8	3.2	4.0	4.4	3.6	4.6
Finance & Insurance	5.4	5.1	9.9	10.3	7.7	7.9
Business Services	3.9	2.2	2.6	2.9	2.9	2.8
Other Services Industries	2.8	2.8	1.6	2.4	2.4	2.0
Annualised Quarter-on-Quarter Growth % (SA)						
Total	1.8	-0.5	2.6	4.9	2.9	3.2
Goods Producing Industries	5.4	-7.6	1.0	-1.5	2.7	2.4
Manufacturing	6.2	-9.3	0.9	-2.5	2.6	0.2
Construction	3.4	-3.0	0.7	2.2	3.0	12.9
Services Producing Industries	0.0	1.9	3.2	7.8	3.2	2.1
Wholesale & Retail Trade	1.3	-1.0	1.9	0.6	1.7	15.1
Transportation & Storage	-0.9	-1.6	0.7	0.3	1.7	6.7
Accommodation & Food Services	-1.0	0.8	4.5	1.2	1.1	-7.4
Information & Communications	-1.4	6.8	7.1	5.1	3.6	-0.1
Finance & Insurance	-4.3	5.3	7.9	36.2	7.7	-12.5
Business Services	1.8	1.3	2.5	5.9	2.9	1.4
Other Services Industries	1.9	5.6	1.2	1.5	2.4	-0.2

OTHER ECONOMIC INDICATORS

	1Q14	2Q14	3Q14	4Q14	2014	1Q15
Retail Sales Index* (yoY %)	-0.9	-5.8	2.4	5.8	0.3	3.6
Labour Productivity (yoY %)	0.6	-1.5	-0.9	-1.5	-0.8	-0.6
Unemployment Rate, SA (%)	2.0	2.0	1.9	1.9	2.0	1.8
Changes in Employment ('000)	28.3	27.7	33.4	40.7	130.1	0.3
Overall Unit Labour Cost (y-o-y %)	2.4	3.9	4.4	3.6	3.5	5.3
Unit Business Cost of Manufacturing (yoY %)	-0.3	-0.2	4.5	-0.9	0.7	0.9
Consumer Price Index (yoY %)	1.0	2.2	1.0	0.0	1.0	-0.3
Fixed Asset Investments (\$ bil)	2.5	3.0	2.4	4.0	11.8	3.3
Total Merchandise Trade (yoY %)	7.1	2.9	-3.5	-4.8	0.3	-10.5
Merchandise Exports	7.4	2.7	-1.4	-3.8	1.1	-5.4
Domestic Exports	3.3	3.2	-0.7	-6.6	-0.3	-11.5
Oil	10.2	14.4	-3.3	-17.7	0.5	-34.7
Non-Oil	-1.0	-3.4	1.1	0.5	-0.7	4.8
Re-exports	12.5	2.3	-2.3	-0.6	2.6	1.6
Merchandise Imports	6.8	3.0	-5.7	-6.0	-0.6	-16.1
Total Services Trade (yoY %)	7.0	1.6	1.5	-0.3	2.4	1.2
Exports of Services	8.5	2.3	3.0	0.8	3.6	2.1
Imports of Services	5.5	1.0	0.1	-1.4	1.2	0.3

*At constant prices.