

## **MTI Narrows 2015 GDP Growth Forecast to 2.0 to 2.5 Per Cent**

11 August 2015. The Ministry of Trade and Industry (MTI) announced today that it has narrowed the GDP growth forecast for 2015 to 2.0 to 2.5 per cent.

### Performance in Second Quarter 2015

The Singapore economy grew by 1.8 per cent on a year-on-year basis in the second quarter, slower than the 2.8 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 4.0 per cent, a reversal from the 4.1 per cent growth in the preceding quarter.

The manufacturing sector contracted by 4.9 per cent year-on-year, extending the 2.4 per cent decline in the previous quarter. The sector was primarily weighed down by declines in the output of the biomedical manufacturing and transport engineering clusters. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 18.3 per cent, reversing from the 1.7 per cent growth in the first quarter.

The construction sector expanded at a faster pace of 2.5 per cent year-on-year compared to the 1.1 per cent in the previous quarter. Growth was supported by a pick-up in public sector construction works. On a quarter-on-quarter basis, the sector grew at an annualised rate of 2.9 per cent, slower than the 4.2 per cent growth in the preceding quarter.

The wholesale & retail trade sector grew by 5.0 per cent year-on-year, slightly slower than the 5.3 per cent expansion in the previous quarter. Growth was driven by both the wholesale trade and retail trade segments, with the latter being supported in turn by robust motor vehicle sales. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 1.7 per cent, a reversal from the 20.5 per cent growth in the preceding quarter.

The transportation & storage sector contracted by 0.9 per cent year-on-year, in contrast to the 1.4 per cent growth in the previous quarter. The pullback was largely due to the water transport segment, which contracted on the back of a decline in sea cargo handled. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 10.3 per cent, after clocking in growth of 6.5 per cent in the previous quarter.

The accommodation & food services sector contracted at a faster pace of 0.6 per cent year-on-year compared to the 0.1 per cent decline in the previous quarter. The slowdown in the sector was largely due to sluggish performance in the food & beverage segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 1.4 per cent, following the contraction of 6.5 per cent in the preceding quarter.

The information & communications sector grew by 4.5 per cent year-on-year, moderating from the 4.9 per cent growth in the previous quarter. Growth was mainly driven by the IT & information services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 4.9 per cent, faster than the 1.1 per cent growth in the previous quarter.

The finance & insurance sector posted growth of 7.1 per cent year-on-year, extending the 7.8 per cent growth in the previous quarter. Growth was largely underpinned by the fund management segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 2.5 per cent, after contracting by 12.8 per cent in the preceding quarter.

The business services sector expanded by 2.0 per cent year-on-year, slower than the 3.2 per cent growth in the previous quarter. Growth was supported by the rental & leasing and other administrative & support services segments. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted at an annualised rate of 3.6 per cent, reversing the 3.1 per cent growth in the previous quarter.

The “other services industries” grew by 1.6 per cent year-on-year, similar to the 1.8 per cent growth in the previous quarter. Growth of the sector was supported by the public administration & defence and education, health & social services segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 4.4 per cent, a reversal from the 0.7 per cent decline in the preceding quarter.

### Economic Outlook for 2015

The global economy performed weaker than expected in the first half of 2015. For the rest of the year, global growth is expected to pick up gradually, although the pace of growth is likely to be uneven across economies. In particular, the advanced economies are expected to see a gradual pick-up in growth, while the growth outlook of regional economies has generally softened.

The US economy recovered in the second quarter following the harsh weather conditions experienced at the start of the year. For the rest of 2015, the US economy is projected to grow at a modest pace, supported by private domestic demand. The Eurozone economy is expected to improve in the second half of the year, with growth supported by the quantitative easing measures implemented since March. However, growth in the bloc will likely remain modest due to sluggish labour market conditions. In Asia, China’s growth is projected to ease, weighed down by the on-going property market correction and excess capacity in the heavy industries. Nonetheless, the stimulus measures implemented by the Chinese government are expected to contain downward pressures on the economy. Meanwhile, growth in key ASEAN economies

is likely to be weighed down by weaker demand from China as well as softening domestic demand.

At the same time, several key downside risks in the external economic environment remain. In China, there is the risk of a sharper-than-expected correction in the real estate market, which could have significant negative spill-over effects on construction and real estate investment activities. The recent sharp correction in China's stock market has also heightened the risks to China's growth. In particular, consumer sentiments and spending in China could be adversely affected if the correction in the stock market worsens. In the Eurozone, while Greece has averted the immediate risk of an exit from the bloc, there is continuing political uncertainty and the crisis could flare up again if the Greek government fails to adhere to the bailout terms. Finally, with low commodity prices, the appreciation of the US dollar and anticipated normalisation of US interest rates, regional countries could face capital outflows and added pressures on their currencies and asset markets.

In tandem with the expected gradual pick-up in the global economy, externally-oriented sectors such as finance & insurance and wholesale trade are likely to support growth in the Singapore economy in the second half of the year. However, sector-specific factors could continue to weigh on the growth of some externally-oriented sectors. For instance, sustained low oil prices could continue to dampen growth in the marine & offshore segment. On the other hand, domestically-oriented sectors such as the business services and information & communications sectors are expected to see modest growth. With the labour market expected to remain tight, growth in some labour-intensive sectors such as food services may be weighed down by labour constraints.

Taking into account the above factors, the 2015 growth forecast for the Singapore economy is narrowed to **2.0 to 2.5 per cent**, from 2.0 to 4.0 per cent.

MINISTRY OF TRADE AND INDUSTRY  
11 August 2015

**SECTORAL GROWTH RATES**

	2Q14	3Q14	4Q14	2014	1Q15	2Q15
	Year-on-Year % Change					
Total	2.3	2.8	2.1	2.9	2.8	1.8
Goods Producing Industries	1.7	1.6	-0.8	2.7	-1.5	-3.2
Manufacturing	1.3	1.7	-1.3	2.6	-2.4	-4.9
Construction	3.0	1.1	0.7	3.0	1.1	2.5
Services Producing Industries	2.6	3.3	3.1	3.2	4.2	3.4
Wholesale & Retail Trade	1.6	2.1	0.6	1.7	5.3	5.0
Transportation & Storage	2.0	0.1	-0.4	1.7	1.4	-0.9
Accommodation & Food Services	0.1	1.0	1.3	1.1	-0.1	-0.6
Information & Communications	3.2	4.0	4.4	3.6	4.9	4.5
Finance & Insurance	5.1	9.9	10.3	7.7	7.8	7.1
Business Services	2.2	2.6	2.9	2.9	3.2	2.0
Other Services Industries	2.8	1.6	2.4	2.4	1.8	1.6
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	-0.5	2.6	4.9	2.9	4.1	-4.0
Goods Producing Industries	-7.6	1.0	-1.5	2.7	2.1	-13.5
Manufacturing	-9.3	0.9	-2.5	2.6	1.7	-18.3
Construction	-3.0	0.7	2.2	3.0	4.2	2.9
Services Producing Industries	1.9	3.2	7.8	3.2	3.7	-1.1
Wholesale & Retail Trade	-1.0	1.9	0.6	1.7	20.5	-1.7
Transportation & Storage	-1.6	0.7	0.3	1.7	6.5	-10.3
Accommodation & Food Services	0.8	4.5	1.2	1.1	-6.5	-1.4
Information & Communications	6.8	7.1	5.1	3.6	1.1	4.9
Finance & Insurance	5.3	7.9	36.2	7.7	-12.8	2.5
Business Services	1.3	2.5	5.9	2.9	3.1	-3.6
Other Services Industries	5.6	1.2	1.5	2.4	-0.7	4.4

**OTHER ECONOMIC INDICATORS**

	2Q14	3Q14	4Q14	2014	1Q15	2Q15
Retail Sales Index* (yoy %)	-5.8	2.4	5.8	0.3	3.6	6.3
Labour Productivity (yoy %)	-1.5	-0.9	-1.5	-0.8	-0.3	-0.6
Unemployment Rate, SA (%)	2.0	1.9	1.9	2.0	1.8	2.0
Changes in Employment ('000)	27.7	33.4	40.7	130.1	-6.1	15.7
Overall Unit Labour Cost (y-o-y %)	3.9	4.4	3.6	3.5	5.0	5.4
Unit Business Cost of Manufacturing (yoy %)	-0.2	4.5	-0.9	0.7	0.3	2.2
Consumer Price Index (yoy %)	2.2	1.0	0.0	1.0	-0.3	-0.4
Fixed Asset Investments (\$ bil)	3.0	2.4	4.0	11.8	3.3	3.1
Total Merchandise Trade (yoy %)	2.9	-3.5	-4.8	0.3	-10.5	-10.6
Merchandise Exports	2.7	-1.4	-3.8	1.1	-5.4	-8.5
Domestic Exports	3.2	-0.7	-6.6	-0.3	-11.5	-11.6
Oil	14.4	-3.3	-17.7	0.5	-34.7	-31.3
Non-Oil	-3.4	1.1	0.5	-0.7	4.8	2.1
Re-exports	2.3	-2.3	-0.6	2.6	1.5	-5.0
Merchandise Imports	3.0	-5.7	-6.0	-0.6	-16.1	-12.9
Total Services Trade (yoy %)	1.6	1.5	-0.3	2.4	0.6	2.4
Exports of Services	2.3	3.0	0.8	3.6	1.0	4.6
Imports of Services	1.0	0.1	-1.4	1.2	0.3	0.2

\*At constant prices.