

MTI Forecasts GDP to Grow by “Close to 2.0 Per Cent” in 2015 and “1.0 to 3.0 Per Cent” in 2016

25 November 2015. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow by “close to 2.0 per cent” in 2015, and by “1.0 to 3.0 per cent” in 2016.

Performance in Third Quarter 2015

The Singapore economy grew by 1.9 per cent on a year-on-year basis in the third quarter, marginally lower than the 2.0 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 1.9 per cent, a reversal from the 2.6 per cent contraction in the second quarter.

The manufacturing sector contracted by 6.2 per cent year-on-year, extending the 4.8 per cent decline in the preceding quarter. The contraction was primarily due to a fall in the output of the transport engineering, electronics and precision engineering clusters. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted at a slower pace of 4.6 per cent compared to the 17 per cent decline in the second quarter.

Growth in the construction sector eased to 1.6 per cent year-on-year, from 2.2 per cent in the previous quarter. This was mainly due to weak public sector construction activities. On a quarter-on-quarter basis, the sector contracted at a seasonally-adjusted annualised rate of 1.6 per cent, a reversal from the 13 per cent growth in the preceding quarter.

The wholesale & retail trade sector grew by 6.8 per cent year-on-year, faster than the 6.0 per cent growth in the second quarter. The pick-up in growth was due to the stronger performance of the wholesale trade segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 5.3 per cent, accelerating from the 1.1 per cent growth in the previous quarter.

Growth in the transportation & storage sector improved to 0.3 per cent year-on-year, compared to the 1.0 per cent contraction in the second quarter. Growth was supported by the air and land transport segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector recorded growth of 5.9 per cent, reversing the 10 per cent decline in the previous quarter.

The accommodation & food services sector grew by 0.9 per cent year-on-year, an improvement from the 0.9 per cent decline in the preceding quarter. Growth was supported by the accommodation segment, which saw better performance on the back of a recovery in visitor arrivals. On a quarter-on-quarter basis, the sector expanded at a seasonally-adjusted annualised rate of 12 per cent, a sharp turnaround from the 2.4 per cent decline in the second quarter.

The information & communications sector grew by 4.8 per cent year-on-year, slower than the 5.6 per cent growth in the preceding quarter. The moderation in growth was mainly due to slower growth in the IT & information services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector's growth eased to 3.5 per cent from 9.3 per cent in the previous quarter.

Growth in the finance & insurance sector moderated to 4.8 per cent year-on-year, from 6.9 per cent in the second quarter. The sector's growth was supported mainly by the fund management, insurance and others segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted marginally by 0.4 per cent, after expanding by 2.3 per cent in the preceding quarter.

The business services sector expanded by 1.5 per cent year-on-year, similar to the 1.6 per cent growth recorded in the second quarter. Growth was supported by the rental & leasing and other administrative & support services segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector rebounded to post growth of 2.6 per cent, after declining by 3.6 per cent in the previous quarter.

Meanwhile, growth in the "other services industries" came in at 2.2 per cent, higher than the 1.8 per cent in the preceding quarter. Growth in the sector was mainly supported by the education, health & social services segment. On a quarter-on-quarter basis, the sector grew at a seasonally-adjusted annualised rate of 3.0 per cent, moderating from the 4.7 per cent growth in the previous quarter.

Economic Outlook for 2015

Global economic conditions have remained sluggish, with full-year growth for 2015 likely to come in weaker than in 2014. In line with the sluggish external environment, the Singapore economy grew at a slower pace of 2.2 per cent in the first three quarters of 2015, compared to 3.2 per cent over the same period a year ago. Growth was weighed down primarily by the weak performance of the manufacturing sector.

For the rest of the year, Singapore's GDP growth is expected to remain resilient amidst a challenging external environment. Sectors such as wholesale trade and finance & insurance are likely to continue to post modest growth, even as the manufacturing sector is expected to remain weak. On the other hand, growth in domestically-oriented sectors like business services and information & communications is likely to remain firm.

Taking these factors into consideration, MTI expects the Singapore economy to grow by **"close to 2.0 per cent"** for the whole of 2015.

Economic Outlook for 2016

Global growth is expected to improve in 2016, supported by a strengthening of growth in the advanced economies and improvements in most emerging market and developing economies. The US economy is expected to grow at a faster pace in 2016, supported by domestic demand, while the Eurozone is projected to grow at a similar pace as in 2015. In Asia, China's economic growth is expected to moderate further in 2016 due to the continued rebalancing of the economy away from industrial production and investment-driven growth towards services and consumption-driven growth. Meanwhile, ASEAN economies are generally expected to remain resilient in 2016.

Even though global growth is expected to improve, the continued slowdown in the Chinese economy, the services-driven nature of growth in the US, as well as the trends of in-sourcing in China and the US may mean that external demand for Singapore and regional countries may not see a significant uplift next year. Domestically, the labour market is also expected to be tight, with the unemployment rate remaining low.

Against this backdrop, the growth outlook for the Singapore economy in 2016 is modest. While sectors such as finance & insurance and wholesale trade are expected to support growth, the manufacturing sector is likely to remain weak. Sector-specific factors may also weigh on the growth of some sectors. For instance, sustained low oil prices will continue to dampen rig building activities in the marine & offshore segment. Growth in labour-intensive sectors such as retail and food services may also be weighed down by labour constraints.

At the same time, downside risks to the global growth outlook remain. In China, there is a risk that ongoing reforms to rebalance the economy may falter, leading to a significant drop in demand. The impact could also be amplified through the financial system, thereby leading to an abrupt and sharp fall in China's growth. With low commodity prices, the anticipated normalisation of US monetary conditions and volatility in the Chinese stock market, regional countries could face sudden and large capital outflows, resulting in added pressures on their currencies and asset markets.

Taking into account the above factors, and barring the materialisation of downside risks, the Singapore economy is expected to grow at a modest pace of **"1.0 to 3.0 per cent"** in 2016.

MINISTRY OF TRADE AND INDUSTRY
25 November 2015

ANNEX

SECTORAL GROWTH RATES

	3Q14	4Q14	2014	1Q15	2Q15	3Q15
	Year-on-Year % Change					
Total	2.8	2.1	2.9	2.7	2.0	1.9
Goods Producing Industries	1.6	-0.8	2.7	-2.2	-3.2	-4.3
Manufacturing	1.7	-1.3	2.6	-2.6	-4.8	-6.2
Construction	1.1	0.7	3.0	-1.6	2.2	1.6
Services Producing Industries	3.3	3.1	3.2	4.2	3.6	3.6
Wholesale & Retail Trade	2.1	0.6	1.7	5.6	6.0	6.8
Transportation & Storage	0.1	-0.4	1.7	1.3	-1.0	0.3
Accommodation & Food Services	1.0	1.3	1.1	-0.1	-0.9	0.9
Information & Communications	4.0	4.4	3.6	4.9	5.6	4.8
Finance & Insurance	9.9	10.3	7.7	7.7	6.9	4.8
Business Services	2.6	2.9	2.9	2.9	1.6	1.5
Other Services Industries	1.6	2.4	2.4	1.9	1.8	2.2
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	2.6	4.9	2.9	3.5	-2.6	1.9
Goods Producing Industries	1.0	-1.5	2.7	-0.7	-11.1	-3.7
Manufacturing	0.9	-2.5	2.6	0.8	-17.3	-4.6
Construction	0.7	2.2	3.0	-6.5	13.4	-1.6
Services Producing Industries	3.2	7.8	3.2	3.7	-0.2	3.5
Wholesale & Retail Trade	1.9	0.6	1.7	21.8	1.1	5.3
Transportation & Storage	0.7	0.3	1.7	6.1	-10.4	5.9
Accommodation & Food Services	4.5	1.2	1.1	-6.3	-2.4	11.9
Information & Communications	7.1	5.1	3.6	1.1	9.3	3.5
Finance & Insurance	7.9	36.2	7.7	-13.0	2.3	-0.4
Business Services	2.5	5.9	2.9	1.7	-3.6	2.6
Other Services Industries	1.2	1.5	2.4	-0.5	4.7	3.0

OTHER ECONOMIC INDICATORS

	3Q14	4Q14	2014	1Q15	2Q15	3Q15
Retail Sales Index* (yoy, %)	2.4	5.8	0.3	3.6	6.4	5.6
Value Added Per Worker^ (yoy, %)	-0.9	-1.5	-0.8	-0.4	-0.4	0.0
Unemployment Rate, SA (%)	1.9	1.9	2.0	1.8	2.0	2.0
Changes in Employment ('000)	33.4	40.7	130.1	-6.1	9.7	16.4
Overall Unit Labour Cost (yoy, %)	4.4	3.6	3.5	5.4	5.2	4.5
Unit Business Cost of Manufacturing (yoy, %)	4.5	-0.9	0.7	-1.3	1.4	-0.3
Consumer Price Index (yoy, %)	1.0	0.0	1.0	-0.3	-0.4	-0.6
Fixed Asset Investments (\$ bil)	2.4	4.0	11.8	3.3	3.1	3.7
Total Merchandise Trade (yoy, %)	-3.5	-4.8	0.3	-10.5	-10.7	-8.5
Merchandise Exports	-1.4	-3.8	1.1	-5.4	-8.7	-8.0
Domestic Exports	-0.7	-6.6	-0.3	-11.5	-11.6	-14.6
Oil	-3.3	-17.7	0.5	-34.7	-31.3	-32.6
Non-Oil	1.1	0.5	-0.7	4.8	2.1	-3.0
Re-exports	-2.3	-0.6	2.6	1.5	-5.4	-0.3
Merchandise Imports	-5.7	-6.0	-0.6	-16.1	-13.0	-9.1
Total Services Trade (yoy, %)	1.5	-0.3	2.4	0.6	2.3	1.9
Exports of Services	3.0	0.8	3.6	0.9	4.4	2.8
Imports of Services	0.1	-1.4	1.2	0.2	0.3	0.9

*At constant prices. ^Based on GDP at 2010 market prices.