

MTI Maintains 2017 GDP Growth Forecast at “1.0 to 3.0 Per Cent”

25 May 2017. The Ministry of Trade and Industry (MTI) announced today that it has maintained the GDP growth forecast for 2017 at “1.0 to 3.0 per cent”, with growth likely to come in higher than 2.0 per cent barring the materialisation of downside risks.

Economic Performance in First Quarter 2017

The Singapore economy grew by 2.7 per cent on a year-on-year basis in the first quarter, easing from the 2.9 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 1.3 per cent, after posting a strong rebound of 12.3 per cent in the preceding quarter.

The manufacturing sector grew by 8.0 per cent year-on-year, moderating from the 11.5 per cent growth recorded in the previous quarter. The sector’s growth was primarily driven by the electronics and precision engineering clusters, which expanded on the back of robust global demand for semiconductors and semiconductor manufacturing equipment. On a quarter-on-quarter seasonally-adjusted annualised basis, the manufacturing sector contracted by 1.5 per cent, a pullback from the 39.8 per cent expansion in the preceding quarter.

The construction sector contracted by 1.4 per cent year-on-year, extending the 2.8 per cent decline in the previous quarter, due to continued weakness in private sector construction works. On a quarter-on-quarter basis, the sector grew at a seasonally-adjusted annualised rate of 4.3 per cent, faster than the 0.8 per cent growth in the preceding quarter.

Growth in the wholesale & retail trade sector came in at 0.5 per cent year-on-year, similar to the 0.4 per cent in the previous quarter. Both the wholesale trade and retail trade segments turned in positive growth, with the latter supported by motor vehicle sales. On a quarter-on-quarter seasonally-adjusted annualised basis, the wholesale & retail trade sector contracted by 2.4 per cent, a turnaround from the 2.2 per cent growth in the previous quarter.

The transportation & storage sector expanded by 4.2 per cent year-on-year, following the 5.4 per cent expansion in the previous quarter. Growth was largely driven by the water transport segment, which was in turn supported by the pickup in sea cargo handled and container throughput. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew marginally by 0.2 per cent, moderating from the 12.4 per cent growth in the previous quarter.

The accommodation & food services sector contracted by 1.9 per cent year-on-year, extending the 0.2 per cent decline in the preceding quarter. The sector’s weakness was due to the food services segment, which contracted on the back of

lower sales volume in restaurants. On a quarter-on-quarter basis, the sector shrank at a seasonally-adjusted annualised rate of 5.2 per cent, following the 7.2 per cent contraction in the fourth quarter of last year.

Growth in the information & communications sector picked up to 1.7 per cent year-on-year, from the 1.4 per cent in the previous quarter. The sector's growth was driven by the IT & information services segment, which was in turn supported by the robust demand for IT solutions. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 5.2 per cent, accelerating from the 0.9 per cent growth in the preceding quarter.

The finance & insurance sector expanded by 0.9 per cent year-on-year, a modest improvement from the 0.6 per cent growth in the previous quarter, largely due to the strong performance of the financial intermediation segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector saw a pullback, contracting by 17.8 per cent compared to the 36.5 per cent growth in the preceding quarter.

The business services sector grew by 2.1 per cent year-on-year, reversing the 1.9 per cent contraction in the previous quarter. Growth was supported by the professional services and "others" segments¹, while the real estate segment continued to contract. On a quarter-on-quarter seasonally-adjusted annualised basis, growth of the sector quickened to 13.1 per cent, from 0.3 per cent in the previous quarter.

Growth in the "other services industries" came in at 2.3 per cent, slower than the 3.9 per cent in the preceding quarter. The sector's growth was supported by both the education, health & social services and the arts, entertainment & recreation segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 1.6 per cent, a reversal from the 1.3 per cent growth in the fourth quarter of last year.

Economic Outlook for 2017

The outlook for the global economy has improved slightly since early 2017 on the back of an improvement in the growth outlook for the advanced economies. Overall, global growth this year is expected to be higher than that in 2016.

The US economy, in particular, is projected to grow at a faster pace in 2017. While the US' growth momentum slowed in the first quarter, the slowdown is likely to be transitory. Growth for full year is expected to be supported primarily by domestic demand on the back of resilient labour and housing market conditions. On the other hand, growth in the Eurozone is likely to remain modest given that consumption

¹ The others segment consists of (i) rental and leasing, (ii) other professional, scientific and technical services, and (iii) other administrative and support services.

growth may be dampened to some extent by rising energy prices, which could have a negative impact on consumers' real disposable income.

In Asia, China's economic growth is projected to ease marginally this year, as the continued slowdown in the heavy industries is likely to weigh on investments for the rest of the year. Meanwhile, growth among the key ASEAN economies is expected to pick up in 2017, supported by resilient domestic demand and the recovery in merchandise exports.

Despite the improved growth prospects for the global economy, uncertainties and downside risks remain. First, rising anti-globalisation sentiments could have an adverse impact on global trade if they lead to increased protectionism, with knock-on effects on global growth. Furthermore, political risks and economic uncertainties persist, including in Europe where the UK is navigating through "Brexit" and in the US where policy uncertainties remain elevated. Second, monetary conditions may tighten further in China amidst efforts to contain leverage and risks in the financial system. Should there be a steeper-than-intended pullback in credit, investment spending and hence growth in China could slow down more sharply than expected.

Against this external backdrop, trade-related sectors such as the manufacturing and transportation & storage sectors are likely to provide support to the Singapore economy in 2017. In particular, growth in the electronics and precision engineering clusters is expected to be sustained for the rest of the year on the back of the strong recovery in global demand for semiconductors and semiconductor manufacturing equipment. Likewise, the transportation & storage sector is likely to benefit from the projected improvement in global trade flows. Meanwhile, the information & communications and education, health & social services sectors are expected to remain resilient. However, cautious consumer sentiments amidst sluggish labour market conditions are likely to weigh on the food services and retail trade segments, while the construction sector is expected to be adversely affected by the weakness in private sector construction activities.

Taking these factors into account, the GDP growth forecast for 2017 is maintained at **"1.0 to 3.0 per cent"**. Although the performance of the Singapore economy was resilient in the first quarter, and the global growth outlook has improved slightly, downside risks in the global economy remain. Barring the materialisation of downside risks, GDP growth is likely to come in higher than the 2.0 per cent in 2016.

MINISTRY OF TRADE AND INDUSTRY
25 May 2017

ANNEX

SECTORAL GROWTH RATES

	1Q16	2Q16	3Q16	4Q16	2016	1Q17
	Year-on-Year % Change					
Total	1.9	1.9	1.2	2.9	2.0	2.7
Goods Producing Industries	0.5	1.8	0.9	7.9	2.8	5.6
Manufacturing	-0.4	1.5	1.8	11.5	3.6	8.0
Construction	3.1	2.7	-2.2	-2.8	0.2	-1.4
Services Producing Industries	1.5	1.1	0.4	1.0	1.0	1.6
Wholesale & Retail Trade	1.8	0.4	0.1	0.4	0.6	0.5
Transportation & Storage	0.1	2.9	0.7	5.4	2.3	4.2
Accommodation & Food Services	2.1	2.4	2.5	-0.2	1.7	-1.9
Information & Communications	2.9	3.5	1.3	1.4	2.3	1.7
Finance & Insurance	1.9	0.1	0.1	0.6	0.7	0.9
Business Services	0.3	-0.1	-1.8	-1.9	-0.9	2.1
Other Services Industries	2.4	2.6	3.6	3.9	3.1	2.3
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	-0.5	0.8	-0.4	12.3	2.0	-1.3
Goods Producing Industries	9.1	3.4	-6.6	29.3	2.8	-0.4
Manufacturing	12.9	3.6	-5.0	39.8	3.6	-1.5
Construction	-1.6	3.1	-12.6	0.8	0.2	4.3
Services Producing Industries	-4.2	-0.7	1.1	8.4	1.0	-2.1
Wholesale & Retail Trade	-3.1	0.8	1.7	2.2	0.6	-2.4
Transportation & Storage	4.4	5.3	-0.6	12.4	2.3	0.2
Accommodation & Food Services	1.8	-0.2	5.2	-7.2	1.7	-5.2
Information & Communications	3.2	5.0	-3.6	0.9	2.3	5.2
Finance & Insurance	-19.0	-8.1	0.7	36.5	0.7	-17.8
Business Services	-3.6	-3.5	-1.0	0.3	-0.9	13.1
Other Services Industries	5.0	3.9	5.7	1.3	3.1	-1.6

OTHER ECONOMIC INDICATORS

	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Retail Sales Index* (yoy, %)	2.5	1.9	1.0	0.5	1.5	1.2
Value Added Per Actual Hour Worked^ (yoy, %)	-	-	-	-	1.4	-
Value Added Per Worker^ (yoy, %)	0.7	0.6	0.2	2.4	1.0	2.7
Unemployment Rate, SA (%)	1.9	2.1	2.1	2.2	2.1	2.3
Changes in Employment ('000)	13.0	4.2	-2.7	2.3	16.8	-8.5
Overall Unit Labour Cost (yoy, %)	2.7	3.1	3.1	0.7	2.4	-1.0
Unit Business Cost of Manufacturing (yoy, %)	-9.5	-6.3	-8.3	-9.8	-8.5	-0.5
Consumer Price Index (yoy, %)	-0.8	-0.9	-0.4	0.0	-0.5	0.6
Fixed Asset Investments (\$ bil)	3.0	2.8	1.8	1.7	9.4	1.8
Total Merchandise Trade (yoy, %)	-11.0	-6.0	-6.6	4.0	-4.9	16.3
Merchandise Exports	-13.1	-4.8	-4.5	2.1	-5.1	17.0
Domestic Exports	-16.9	-5.0	-8.0	7.6	-5.8	29.2
Oil	-33.3	-18.0	-13.7	20.2	-12.6	72.0
Non-Oil	-9.6	1.2	-5.4	2.7	-2.8	15.2
Re-exports	-9.5	-4.6	-1.0	-2.4	-4.4	6.5
Merchandise Imports	-8.5	-7.4	-9.1	6.1	-4.7	15.6
Total Services Trade (yoy, %)	-0.5	1.4	0.4	3.4	1.2	4.3
Exports of Services	-1.0	2.0	0.6	3.1	1.2	3.9
Imports of Services	0.0	0.9	0.2	3.7	1.2	4.6

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