

MTI Maintains 2018 GDP Growth Forecast at “2.5 to 3.5 Per Cent”

13 August 2018. The Ministry of Trade and Industry (MTI) announced today that the GDP growth forecast for 2018 is maintained at “2.5 to 3.5 per cent”.

Economic Performance in Second Quarter 2018

The Singapore economy grew by 3.9 per cent on a year-on-year basis in the second quarter, easing from the 4.5 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a slower pace of 0.6 per cent compared to the 2.2 per cent growth in the preceding quarter.

The manufacturing sector grew by a robust 10.2 per cent year-on-year, extending the 10.8 per cent growth in the previous quarter. All clusters within the sector expanded, with the electronics, biomedical manufacturing and transport engineering clusters contributing the most to growth. On a quarter-on-quarter seasonally-adjusted annualised basis, the manufacturing sector grew by 1.8 per cent, slowing from the 26.2 per cent growth in the preceding quarter.

The construction sector contracted by 4.6 per cent year-on-year, easing from the 5.2 per cent decline in the previous quarter. Construction output was weighed down primarily by public sector construction works. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 15.4 per cent, a reversal from the 0.8 per cent growth in the preceding quarter.

The wholesale & retail trade sector expanded by 1.5 per cent year-on-year, moderating from the 2.5 per cent growth in the previous quarter. Growth was supported by both the wholesale trade and retail trade segments. The wholesale trade segment grew on the back of strong growth in the machinery, equipment & supplies sub-segment. Meanwhile, retail sales volume rose by 0.4 per cent, supported by both motor vehicular and non-motor vehicular sales. On a quarter-on-quarter seasonally-adjusted annualised basis, the wholesale & retail trade sector expanded by 5.4 per cent, a turnaround from the 12.9 per cent contraction in the first quarter of the year.

Growth in the transportation & storage sector eased to 1.3 per cent year-on-year, from 2.7 per cent in the previous quarter. The sector’s growth was driven mainly by the air transport segment, which expanded on the back of an increase in air passengers handled at Changi Airport. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 2.7 per cent, extending the 4.2 per cent decline in the preceding quarter.

The accommodation & food services sector grew by 4.0 per cent year-on-year, faster than the 2.0 per cent growth in the previous quarter. The accommodation segment was the main driver of the sector’s growth, and was in turn supported by

higher gross lettings at gazetted hotels in line with an increase in visitor arrivals. By contrast, the performance of the food services segment was lacklustre, weighed down by the weak sales performance of restaurants and other eating places. On a quarter-on-quarter basis, the accommodation & food services sector grew at a seasonally-adjusted annualised rate of 13.3 per cent, a reversal from the 4.7 per cent contraction in the preceding quarter.

The information & communications sector expanded by 5.2 per cent year-on-year, easing slightly from the 5.4 per cent growth in the previous quarter. Growth was primarily driven by the IT & information services segment on the back of healthy demand for IT solutions. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 3.0 per cent, quicker than the 2.0 per cent growth in the preceding quarter.

Growth in the finance & insurance sector came in at 6.7 per cent year-on-year, extending the 9.2 per cent growth in the previous quarter, and was supported by expansions across all segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 1.8 per cent, reversing from the 4.8 per cent growth in the first quarter of the year.

The business services sector grew by 2.1 per cent year-on-year, moderating from the 2.6 per cent growth in the preceding quarter. Growth was supported by the professional services and “others”¹ segments, even as the contraction in the real estate segment eased. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 3.2 per cent, a pullback from the 11.4 per cent growth in the previous quarter.

The “other services industries” expanded by 0.7 per cent year-on-year, slowing from the 2.3 per cent growth in the preceding quarter. Growth was supported by the education, health & social services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 2.0 per cent, extending the 2.4 per cent decline in the first quarter of the year.

Economic Outlook for 2018

Since May 2018, the growth outlook of some of the key advanced economies such as the Eurozone and Japan has weakened slightly, in part due to their weaker-than-expected performance in the first half of 2018. Looking ahead, growth in several of Singapore’s key final demand markets is expected to moderate in the second half of the year as compared to the first half of the year.

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

In the US, following a strong performance in the first half of 2018, GDP growth is expected to ease in the second half of the year. Growth for the rest of the year will continue to be supported by domestic demand. Resilient labour market conditions are likely to support private consumption, while private investment, which has been boosted by the tax reforms implemented at the start of the year, is expected to remain firm. Meanwhile, growth in the Eurozone economy came in weaker than anticipated in the first half of the year, and is likely to remain largely subdued for the rest of the year. Nonetheless, domestic demand is expected to provide some support to growth in the second half of 2018. In particular, labour market conditions are likely to improve further, thereby supporting private consumption, while financing conditions are expected to remain largely accommodative.

In Asia, China's economy expanded at a slower pace in the second quarter as compared to the first quarter. Growth is projected to ease further in the second half of 2018 on the back of a moderation in exports growth as well as investment growth. On the other hand, growth in the key ASEAN economies is expected to remain firm for the rest of the year, supported by sustained improvements in domestic demand as well as merchandise exports.

At the same time, uncertainties and downside risks in the global economy have increased. First, recent tariff measures by the US have led to retaliatory tariffs imposed on the US by China, the European Union (EU) and several of the US' key trading partners. There is a risk of a further escalation of the ongoing trade conflicts that could lead to a vicious cycle of tit-for-tat measures between the US and other major economies. Should this happen, there could be a sharp fall in global business and consumer confidence, and in turn, investment and consumption spending. This could then have an adverse impact on global trade flows and global growth. Second, against the backdrop of generally tightening global financial conditions, an upside surprise in inflation could lead to a faster-than-expected normalisation of monetary policy in the US. This could trigger disorderly capital outflows from emerging market economies in the region, causing financial vulnerabilities in these economies to surface, particularly for those with elevated debt levels. If this occurs, there could be some pullback in investment and consumption growth, with spillover effects on the rest of the region.

Against this external backdrop, the pace of expansion in the Singapore economy is expected to moderate in the second half of 2018, following the strong performance in the first half of the year. Growth will continue to be supported primarily by outward-oriented sectors. In particular, the manufacturing sector is expected to continue to expand, supported in part by the electronics cluster, although growth will moderate from the high levels seen in the first half of the year. Similarly, while outward-oriented services sectors such as finance & insurance, wholesale trade and transportation & storage are projected to remain on an expansionary path, their growth momentum is likely to ease in tandem with the moderation in growth projected for key advanced and regional economies in the second half of the year.

Meanwhile, growth in domestically-oriented services sectors like retail and food services is likely to be supported by a pickup in consumer sentiments amidst improvements in the labour market. Sectors like information & communications and other services are also projected to remain resilient. However, the performance of the construction sector is likely to stay lacklustre for the rest of the year, given the earlier weakness in contracts awarded.

Taking into account the global and domestic economic environment, as well as the performance of the Singapore economy in the first half of the year, the GDP growth forecast for 2018 is maintained at **“2.5 to 3.5 per cent”**.

MINISTRY OF TRADE AND INDUSTRY
13 August 2018

ANNEX

SECTORAL GROWTH RATES

	2Q17	3Q17	4Q17	2017	1Q18	2Q18
	Year-on-Year % Change					
Total	2.8	5.5	3.6	3.6	4.5	3.9
Goods Producing Industries	3.5	12.2	2.7	5.7	7.1	7.1
Manufacturing	8.4	19.1	4.8	10.1	10.8	10.2
Construction	-12.2	-9.3	-5.0	-8.4	-5.2	-4.6
Services Producing Industries	2.6	3.5	3.5	2.8	4.0	2.8
Wholesale & Retail Trade	2.2	3.3	3.0	2.3	2.5	1.5
Transportation & Storage	3.9	5.2	5.3	4.8	2.7	1.3
Accommodation & Food Services	1.0	1.3	2.9	1.2	2.0	4.0
Information & Communications	0.8	5.1	6.0	3.3	5.4	5.2
Finance & Insurance	5.0	7.1	6.3	4.8	9.2	6.7
Business Services	0.4	0.5	0.4	0.6	2.6	2.1
Other Services Industries	3.3	2.0	2.7	2.6	2.3	0.7
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	2.8	11.2	2.1	3.6	2.2	0.6
Goods Producing Industries	-1.3	26.0	-11.8	5.7	19.7	-1.1
Manufacturing	3.8	34.9	-14.8	10.1	26.2	1.8
Construction	-18.5	-2.4	-0.2	-8.4	0.8	-15.4
Services Producing Industries	4.9	6.5	6.3	2.8	-1.6	0.4
Wholesale & Retail Trade	9.5	9.0	6.5	2.3	-12.9	5.4
Transportation & Storage	3.0	5.2	7.2	4.8	-4.2	-2.7
Accommodation & Food Services	5.0	6.2	2.2	1.2	-4.7	13.3
Information & Communications	3.5	11.7	4.8	3.3	2.0	3.0
Finance & Insurance	7.9	11.7	12.6	4.8	4.8	-1.8
Business Services	-1.8	0.0	1.0	0.6	11.4	-3.2
Other Services Industries	4.1	2.5	5.2	2.6	-2.4	-2.0

OTHER ECONOMIC INDICATORS

	2Q17	3Q17	4Q17	2017	1Q18	2Q18
Retail Sales Index* (yoy, %)	0.5	0.4	3.0	1.3	-1.7	0.4
Value Added Per Worker^ (yoy, %)	3.1	5.9	3.8	3.8	4.4	3.4
Value Added Per Actual Hour Worked^ (yoy, %)	-	-	-	4.5	-	-
Unemployment Rate, SA (%)	2.2	2.1	2.1	2.2	2.0	2.1
Changes in Employment ('000)	-7.3	-2.3	12.7	-3.6	3.7	7.0
Overall Unit Labour Cost (yoy, %)	0.2	-2.0	0.9	-0.3	-0.8	-0.2
Unit Business Cost of Manufacturing (yoy, %)	3.7	-3.7	6.2	3.4	-1.0	-1.2
Consumer Price Index (yoy, %)	0.8	0.4	0.5	0.6	0.2	0.3
Fixed Asset Investments (\$ bil)	4.0	1.2	2.7	9.4	0.8	4.5
Total Merchandise Trade (yoy, %)	9.5	11.6	7.8	11.1	2.5	10.2
Merchandise Exports	8.3	10.1	6.6	10.3	2.3	9.4
Domestic Exports	9.6	11.0	15.3	15.8	3.5	13.0
Oil	26.9	19.3	26.1	33.4	8.6	20.6
Non-Oil	3.0	7.6	10.4	8.8	1.1	9.4
Re-exports	7.0	9.3	-1.3	5.2	0.9	5.7
Merchandise Imports	11.0	13.4	9.1	12.1	2.8	11.1
Total Services Trade (yoy, %)	3.9	6.6	4.1	4.7	4.3	3.0
Exports of Services	3.7	5.3	3.2	4.2	5.2	3.8
Imports of Services	4.0	7.9	5.0	5.1	3.5	2.1

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