MTI MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

MTI Maintains 2019 GDP Growth Forecast at "1.5 to 3.5 Per Cent"

15 February 2019. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy grew by 3.2 per cent in 2018. For 2019, MTI has maintained the GDP growth forecast at "1.5 to 3.5 per cent", with growth expected to come in slightly below the mid-point of the forecast range.

Economic Performance in Fourth Quarter 2018

The Singapore economy grew by 1.9 per cent on a year-on-year basis in the fourth quarter, easing from the 2.4 per cent growth in the third quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the Singapore economy expanded by 1.4 per cent, unchanged from the preceding quarter.

The manufacturing sector grew by 5.1 per cent year-on-year, higher than the 3.5 per cent growth in the third quarter. Growth was driven mainly by the biomedical manufacturing, transport engineering and electronics clusters. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 2.7 per cent, a reversal from the 0.7 per cent expansion in the preceding quarter.

The construction sector contracted by 1.0 per cent year-on-year, a more gradual pace of decline as compared to the 2.3 per cent contraction in the third quarter. Output of the sector was weighed down by the weakness in public sector construction works. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 5.1 per cent, faster than the 0.7 per cent growth in the previous quarter.

The wholesale & retail trade sector contracted by 0.6 per cent year-on-year, a turnaround from the 1.8 per cent growth in the third quarter, pulled down by the sluggish performance of both the wholesale trade and retail trade segments. The wholesale trade segment shrank on account of declines in the machinery, equipment & supplies and "others"[1] sub-segments. The retail trade segment also contracted, largely due to weak motor vehicle sales. On a quarter-on-quarter seasonally-adjusted annualised basis, the wholesale & retail trade sector shrank by 1.7 per cent, a reversal from the 0.2 per cent growth in the preceding quarter.

The transportation & storage sector posted growth of 0.5 per cent year-on-year, lower than the 1.9 per cent growth in the third quarter. Growth was largely driven by the air transport segment, which saw improvements in the number of air passengers handled. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew marginally by 0.2 per cent, slowing from the 5.1 per cent growth in the previous quarter.

[1] The "others" sub-segment comprises a diverse range of products including metals, timber & construction materials, household equipment & furniture, and food, beverages & tobacco.

100 High Street, #09-01, The Treasury, Singapore 179434 **T** (65) 6225 9911 **F** (65) 6332 7260 **www.mti.gov.sg**

The accommodation & food services sector expanded by 2.9 per cent year-on-year, moderating from the 4.0 per cent growth in the third quarter. Growth was primarily supported by the accommodation segment, which expanded on the back of higher gross lettings at gazetted hotels in tandem with a 2.4 per cent increase in international visitor arrivals. The food services segment also grew, underpinned by increased sales volumes across all sub-segments, including restaurants, fast food outlets and food caterers. On a quarter-on-quarter seasonally-adjusted annualised basis, the accommodation & food services sector expanded by 2.1 per cent, slower than the 6.7 per cent growth in the previous quarter.

Growth in the information & communications sector came in at 6.1 per cent year-on-year, faster than the 5.4 per cent recorded in the third quarter. The sector's growth was mainly supported by the IT & information services segment, which continued to benefit from firms' robust demand for IT solutions. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 10.6 per cent, higher than the 6.6 per cent growth in the preceding quarter.

The finance & insurance sector grew by 4.1 per cent year-on-year, extending the 3.9 per cent growth in the third quarter. Growth in the sector was largely supported by sustained expansions in the insurance and "others"[2] segments, which were in turn bolstered by resilient demand for insurance services and the structural ramp-up of "new economy" activities such as digital payments respectively. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded at a faster pace of 7.8 per cent, compared to the 3.3 per cent growth in the previous quarter.

The business services sector recorded growth of 2.8 per cent on a year-on-year basis, easing from the 3.3 per cent growth achieved in the third quarter. Growth was supported by both the professional services and "others"[3] segments, even as the real estate segment continued to contract. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 2.3 per cent, moderating from the 2.9 growth in the previous quarter.

The "other services industries" expanded by 1.6 per cent year-on-year, a step-up from the 0.9 per cent growth in the third quarter. Growth was mainly driven by the education, health & social services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew at a faster pace of 5.0 per cent as compared to the 1.8 per cent growth in the preceding quarter.

[2] The "others" segment in the finance & insurance sector includes payment players and money-changing services.

[3] The "others" segment in the business services sector consists of (i) rental & leasing, (ii) other professional, scientific & technical services, and (iii) other administrative & support services.

Overall Performance in 2018

For the whole of 2018, the Singapore economy grew by 3.2 per cent, a moderation from the 3.9 per cent growth recorded in 2017.

The manufacturing sector expanded by 7.2 per cent, slowing from the 10.4 per cent growth in 2017. Growth was primarily supported by the electronics, transport engineering and biomedical manufacturing clusters.

The construction sector shrank by 3.4 per cent, a more modest pace of decline than the 10.2 per cent contraction in 2017. The output of the sector was weighed down by a decline in public sector construction works, even as private sector construction works rose marginally.

The services producing industries grew by 3.0 per cent, slightly slower than the 3.2 per cent growth in 2017. Growth was mainly supported by the finance & insurance, business services and wholesale & retail trade sectors, which expanded by 5.9 per cent, 3.0 per cent and 1.5 per cent respectively.

Economic Outlook for 2019

Since November 2018, the external demand outlook for Singapore has weakened slightly. In particular, the IMF has revised downwards its 2019 global growth forecast by 0.2 percentage-point to 3.5 per cent, with downgrades to the forecasts for some of Singapore's key final demand markets such as the Eurozone and ASEAN-5 economies. As compared to 2018, growth in most of the key advanced and regional economies is expected to moderate in 2019.

In the US, GDP growth is projected to ease in 2019 as the economy enters the later stages of the macroeconomic cycle and the impact of the fiscal stimulus implemented last year starts to fade. Nonetheless, private consumption is expected to continue to support growth on the back of strong labour market conditions and healthy wage growth. Growth in the Eurozone economy is projected to moderate in 2019, following the easing in growth momentum since early 2018. However, healthy labour market conditions and low borrowing costs should help to support domestic demand in the Eurozone economy. In Asia, China's economy is expected to ease further in 2019 on the back of a slowdown in investment and exports growth, even as private consumption is likely to remain stable, supported in part by government measures to boost household spending. Meanwhile, the key ASEAN economies are projected to expand at a slower pace in 2019, weighed down by a moderation in merchandise exports. Nevertheless, domestic demand is likely to remain resilient on account of firm consumer sentiments.

At the same time, uncertainties and downside risks in the global economy have increased since three months ago. First, there remains the risk of a further escalation of the trade conflicts between the US and its key trading partners, which could trigger a sharp fall in global business and consumer confidence. Should this happen, global investment and consumption spending would decline, with an adverse impact on global economic growth. Second, a sharper-than-expected slowdown of the Chinese economy could adversely affect the region's growth due to falling import demand from China, especially given regional economies' close interlinkages with China through their participation in manufacturing and trade-related services value chains. Third, there is a risk that the UK will leave the EU without a withdrawal agreement. A "no-deal" Brexit could lead to substantial trade frictions between the UK and its trading partners, and weigh on consumer and business sentiments in the UK and EU, with potential negative effects on global growth. The heightened uncertainties and risks in the global economy have led to a rise in volatility in global financial markets. Should the downside risks materialise, financial market volatility could spike and adversely affect investor sentiments, thereby exacerbating the negative effects on global growth.

Against this external backdrop, the pace of growth in the Singapore economy is expected to slow in 2019 as compared to 2018. First, the manufacturing sector is likely to see a significant moderation in growth following two years of robust expansions. In particular, the electronics and precision engineering clusters are expected to face external headwinds due to weakening global demand for semiconductors and semiconductor equipment with the fading of the global electronics cycle. Second, growth in outward-oriented services sectors such as wholesale trade, transportation & storage and finance & insurance is expected to ease in tandem with the moderation in growth in key advanced and regional economies.

Nonetheless, the information & communications sector and the education, health & social services segment are expected to remain resilient, supported by firms' robust demand for IT and digital solutions and the ramp-up of operations in healthcare facilities respectively. Meanwhile, the construction sector is likely to see a turnaround after three consecutive years of contraction, as the pickup in contracts awarded since the second half of 2017 should translate into construction activities in the quarters ahead.

Taking into account the global and domestic economic environment, MTI has maintained the 2019 GDP growth forecast at **"1.5 to 3.5 per cent"**, with **growth expected to come in slightly below the mid-point of the forecast range**.

MINISTRY OF TRADE AND INDUSTRY
15 February 2019

ANNEX

SECTORAL GROWTH RATES

	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018
	Year-on-Year % Change						
Total	3.7	3.9	4.7	4.2	2.4	1.9	3.2
Goods Producing Industries	3.4	5.7	6.4	7.6	2.3	3.8	5.0
Manufacturing	5.8	10.4	10.1	10.6	3.5	5.1	7.2
Construction	-5.3	-10.2	-6.0	-4.2	-2.3	-1.0	-3.4
Services Producing Industries	3.3	3.2	4.4	3.0	2.7	1.8	3.0
Wholesale & Retail Trade	0.4	1.9	2.8	2.4	1.8	-0.6	1.5
Transportation & Storage	5.5	5.2	2.6	1.1	1.9	0.5	1.5
Accommodation & Food Services	4.9	3.0	0.9	3.1	4.0	2.9	2.7
Information & Communications	9.5	4.5	6.1	6.4	5.4	6.1	6.0
Finance & Insurance	6.9	5.6	9.5	6.4	3.9	4.1	5.9
Business Services	2.1	1.8	3.4	2.6	3.3	2.8	3.0
Other Services Industries	2.3	2.9	3.8	0.5	0.9	1.6	1.7
	Annualised Quarter-on-Quarter Growth % (SA)						
Total	3.2	3.9	4.7	0.0	1.4	1.4	3.2
Goods Producing Industries	-7.7	5.7	12.4	4.5	0.6	-1.3	5.0
Manufacturing	-9.9	10.4	16.7	7.4	0.7	-2.7	7.2
Construction	1.9	-10.2	-2.0	-8.5	0.7	5.1	-3.4
Services Producing Industries	6.2	3.2	4.2	-2.2	2.6	2.8	3.0
Wholesale & Retail Trade	8.8	1.9	4.5	-5.5	0.2	-1.7	1.5
Transportation & Storage	6.1	5.2	-2.6	-1.1	5.1	0.2	1.5
Accommodation & Food Services	6.0	3.0	-8.5	12.6	6.7	2.1	2.7
Information & Communications	9.2	4.5	-0.1	6.4	6.6	10.6	6.0
Finance & Insurance	7.1	5.6	7.9	-2.3	3.3	7.8	5.9
Business Services	4.2	1.8	7.3	-0.7	2.9	2.3	3.0
Other Services Industries	2.2	2.9	4.2	-4.3	1.8	5.0	1.7

OTHER ECONOMIC INDICATORS

	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018
Retail Sales Index* (yoy, %)	3.0	1.3	-1.8	0.5	-0.9	-2.2	-1.1
Value Added Per Worker^ (yoy, %)	3.9	4.1	4.5	3.6	1.4	0.6	2.5
Value Added Per Actual Hour Worked^ (yoy, %)	-	4.9	5.9	6.3	1.6	1.4	3.7
Unemployment Rate, SA (%)	2.1	2.2	2.0	2.0	2.1	2.2	2.1
Changes in Employment ('000)	12.7	-3.6	3.7	6.5	19.3	16.9	46.3
Overall Unit Labour Cost (yoy, %)	1.0	-0.2	-0.8	0.2	1.3	1.3	0.4
Unit Business Cost of Manufacturing (yoy, %)	2.9	0.3	-4.6	-7.0	-3.8	-8.6	-6.0
Consumer Price Index (yoy, %)	0.5	0.6	0.2	0.3	0.7	0.5	0.4
Fixed Asset Investments ($ bil)	2.7	9.4	0.8	4.5	1.5	4.1	10.9
Total Merchandise Trade (yoy, %)	7.8	11.1	2.5	10.2	14.7	9.2	9.2
Merchandise Exports	6.6	10.3	2.3	9.3	12.7	7.2	7.9
Domestic Exports	15.3	15.8	3.5	12.9	14.5	3.4	8.4
Oil	26.1	33.4	8.6	20.4	28.9	12.1	17.1
Non-Oil	10.4	8.8	1.1	9.3	8.0	-1.1	4.2
Re-exports	-1.3	5.2	0.9	5.7	11.1	11.2	7.4
Merchandise Imports	9.1	12.1	2.8	11.1	17.0	11.5	10.6
Total Services Trade (yoy, %)	10.9	11.7	3.9	1.8	2.4	1.4	2.3
Exports of Services	8.8	9.9	6.1	3.3	4.4	2.8	4.1
Imports of Services	12.8	13.4	1.8	0.3	0.4	0.1	0.6

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

100 High Street, #09-01, The Treasury, Singapore 179434 **T** (65) 6225 9911 **F** (65) 6332 7260 **www.mti.gov.sg**