

2013 GDP Growth Forecast Upgraded to 2.5 to 3.5 Per Cent

12 August 2013. The Ministry of Trade and Industry (MTI) announced today that it has upgraded the GDP growth forecast for 2013 from 1.0 to 3.0 per cent, to 2.5 to 3.5 per cent.

Performance in Second Quarter of 2013

The Singapore economy grew by 3.8 per cent on a year-on-year basis in the second quarter of 2013, compared to 0.2 per cent in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy grew by 15.5 per cent, significantly higher than the 1.7 per cent expansion in the previous quarter. The acceleration in the quarter-on-quarter growth momentum was mainly due to robust growth in the manufacturing, wholesale & retail trade, transportation & storage, and finance & insurance sectors.

On a year-on-year basis, the manufacturing sector grew by 0.2 per cent, reversing the 6.7 per cent decline in the previous quarter. Growth was mainly supported by the biomedical manufacturing and electronics clusters. On a quarter-on-quarter basis, the manufacturing sector expanded at an annualised rate of 32.1 per cent, a sharp rebound from the 12.1 per cent contraction in the previous quarter.

The construction sector grew by 5.1 per cent on a year-on-year basis, marginally lower than the 5.8 per cent growth in the preceding quarter. The expansion was underpinned by robust construction activities in the private sector. On a quarter-on-quarter basis, the sector expanded at an annualised rate of 11.2 per cent, faster than the 10.3 per cent growth in the preceding quarter.

The wholesale & retail trade sector expanded at a much faster pace of 5.6 per cent on a year-on-year basis, compared to the 0.2 per cent growth in the previous quarter. This was largely due to an expansion in the wholesale trade segment, which was supported by an increase in electronics re-exports. On a quarter-on-quarter basis, the sector grew at an annualised rate of 22.1 per cent, in contrast to the 2.6 per cent contraction in the preceding quarter. The transportation & storage sector grew by 2.5 per cent on a year-on-year basis, on the back of better performance in the water transport segment. This was a reversal from the 0.9 per cent contraction in the previous quarter. On a quarter-on-quarter annualised basis, the sector grew by 19.6 per cent, a rebound from the 9.8 per cent decline in the preceding quarter.

The finance & insurance sector expanded by 13.1 per cent on a year-on-year basis, after growing by 10.6 per cent in the previous quarter. Growth was supported by strong performances in the financial intermediation and sentiment sensitive clusters. On a quarter-on-quarter annualised basis, the sector grew by 9.2 per cent, following the surge of 51.2 per cent in the preceding quarter. The

business services sector grew by 3.7 per cent on a year-on-year basis, supported by growth in the real estate and professional services segments. On a quarter-on-quarter annualised basis, the sector expanded by 4.0 per cent.

On a year-on-year basis, growth in the accommodation & food services sector picked up slightly to 3.2 per cent from 2.6 per cent in the previous quarter, as visitor arrivals remained healthy. “Other services” industries grew by 1.7 per cent, reversing the 1.6 per cent decline in the preceding quarter. On a quarter-on-quarter annualised basis, the accommodation & food services sector grew by 4.4 per cent, while “other services” industries grew by 5.4 per cent.

Economic Outlook for 2013

While economic growth in the advanced economies came in slightly weaker than expected in the first half of the year, global macroeconomic conditions are expected to pick up gradually in the second half. In the US, the economy is expected to grow modestly, supported by private domestic demand. While the Eurozone is expected to remain in recession, improving sentiments and economic activity point to a potential easing of the downturn in the coming months. In Asia, the growth outlook for China looks fragile as recent policies to rein in credit expansion could potentially weigh on investment growth. For the ASEAN economies, growth is likely to remain modest, supported by resilient domestic demand.

Against this macroeconomic backdrop, the growth outlook for the Singapore economy is expected to improve slightly. Externally-oriented sectors like manufacturing and transportation & storage are likely to provide support to growth, in line with the gradual pickup in the global economy. Domestically-oriented sectors such as construction and business services are also expected to remain resilient.

Nonetheless, risks to the global growth outlook remain. As China adjusts its policies to promote more sustainable growth, unintended consequences, such as an excessive tightening of liquidity, could lead to a sharp slowdown in growth. This could in turn have spill-over effects on other export-oriented Asian economies. In the US, it is unclear whether markets will adjust to a tapering of the quantitative easing programme in an orderly fashion. Barring these downside risks, the Singapore economy is expected to grow by **2.5 to 3.5 per cent** in 2013.

MINISTRY OF TRADE AND INDUSTRY
12 August 2013

SECTORAL GROWTH RATES

	2Q12	3Q12	4Q12	2012	1Q13	2Q13
	Year-on-Year % Change					
Total	2.3	0.0	1.5	1.3	0.2	3.8
Goods Producing Industries	4.8	-0.2	0.0	1.2	-4.8	0.9
Manufacturing	4.1	-1.4	-1.1	0.1	-6.7	0.2
Construction	11.4	6.7	5.8	8.2	5.8	5.1
Services Producing Industries	1.1	0.0	1.7	1.2	2.7	5.5
Wholesale & Retail Trade	-0.7	-0.2	-1.5	-0.7	0.2	5.6
Transportation & Storage	1.7	1.7	3.2	2.7	-0.9	2.5
Accommodation & Food Services	2.7	2.1	2.2	2.8	2.6	3.2
Information & Communications	1.8	1.1	3.8	2.6	3.1	3.5
Finance & Insurance	0.7	-2.9	3.3	0.5	10.6	13.1
Business Services	4.8	4.0	3.3	3.9	3.7	3.7
Other Services Industries	-0.9	-2.5	0.9	0.1	-1.6	1.7
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	0.1	-4.6	3.3	1.3	1.7	15.5
Goods Producing Industries	0.9	-13.6	1.9	1.2	-8.6	27.5
Manufacturing	-1.0	-16.6	3.1	0.1	-12.1	32.1
Construction	15.0	3.2	-3.9	8.2	10.3	11.2
Services Producing Industries	0.1	0.4	2.5	1.2	7.8	11.5
Wholesale & Retail Trade	-0.6	2.1	2.3	-0.7	-2.6	22.1
Transportation & Storage	4.8	-0.5	2.6	2.7	-9.8	19.6
Accommodation & Food Services	2.1	-0.7	0.8	2.8	8.2	4.4
Information & Communications	1.4	5.5	2.0	2.6	3.4	3.0
Finance & Insurance	0.2	0.2	-1.3	0.5	51.2	9.2
Business Services	4.0	2.6	2.1	3.9	6.0	4.0
Other Services Industries	-7.7	-5.2	8.6	0.1	-1.7	5.4

OTHER ECONOMIC INDICATORS

	2Q12	3Q12	4Q12	2012	1Q13	2Q13
Retail Sales Index* (y-o-y%)	0.3	-0.2	-2.1	1.3	-4.7	-0.5
Labour Productivity (y-o-y%)	-1.6	-3.8	-2.5	-2.6	-3.8	-0.3
Unemployment Rate, SA (%)	2.0	1.9	1.8	2.0	1.9	2.1
Changes in Employment ('000)	31.7	26.2	44.0	129.1	28.9	32.5
Overall Unit Labour Cost (y-o-y%)	3.6	5.8	5.2	4.1	8.5	3.9
Unit Business Cost of Manufacturing (y-o-y%)	2.7	3.7	2.8	3.4	5.2	1.7
Consumer Price Index (y-o-y%)	5.3	4.2	4.0	4.6	4.0	1.6
Fixed Asset Investments (\$ bil)	4.6	4.1	1.4	16.0	4.1	2.3
Total Trade (y-o-y%)	2.9	-2.8	-2.9	1.1	-9.0	-2.0
Exports	1.4	-4.2	-5.1	-0.9	-8.7	-0.1
Domestic Exports	6.0	-7.2	-2.5	1.3	-10.7	-7.1
Oil	9.9	-13.6	0.2	2.8	-7.7	-10.7
Non-Oil	3.7	-3.2	-4.2	0.5	-12.5	-4.9
Re-exports	-4.1	-0.2	-8.1	-3.5	-6.1	9.1
Imports	4.6	-1.3	-0.4	3.2	-9.3	-4.0

* At constant prices.