

MTI Maintains 2015 GDP Growth Forecast at 2.0 to 4.0 Per Cent

17 February 2015. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy grew by 2.9 per cent in 2014. MTI has also maintained the growth forecast for 2015 at 2.0 to 4.0 per cent.

Performance in Fourth Quarter 2014

The Singapore economy grew by 2.1 per cent on a year-on-year basis in the fourth quarter of 2014, easing from the 2.8 per cent growth in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a faster pace of 4.9 per cent, compared to 2.6 per cent in the previous quarter.

The manufacturing sector contracted by 1.3 per cent year-on-year, reversing the 1.7 per cent growth in the previous quarter. Growth in the sector was weighed down primarily by the transport engineering and electronics clusters. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 2.5 per cent, following the 0.9 per cent growth in the previous quarter.

Growth in the construction sector eased to 0.7 per cent year-on-year, from 1.1 per cent in the previous quarter, due to weaker private sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 2.2 per cent, faster than the 0.7 per cent growth in the preceding quarter.

The wholesale & retail trade sector grew by 0.6 per cent year-on-year, moderating from the 2.1 per cent growth in the preceding quarter. The moderation in growth was due to slower growth in the wholesale trade segment. On a quarter-on-quarter seasonally-adjusted annualised basis, growth in the wholesale & retail trade sector slowed to 0.6 per cent, from 1.9 per cent in the third quarter.

The transportation & storage sector contracted by 0.4 per cent year-on-year, compared to the 0.1 per cent growth in the previous quarter. Growth was weighed down mainly by the water transport, and storage & other support services segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the transportation & storage sector grew by 0.3 per cent, moderating from the 0.7 per cent growth in the preceding quarter.

Growth in the finance & insurance sector accelerated to 10.3 per cent year-on-year, from 9.9 per cent in the previous quarter. The sector's growth was supported mainly by the fund management activities and insurance segments.

On a quarter-on-quarter seasonally-adjusted annualised basis, growth in the sector surged to 36.2 per cent, from 7.9 per cent in the third quarter.

The information & communications sector grew by 4.4 per cent year-on-year, higher than the 4.0 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector's growth eased to 5.1 per cent, from 7.1 per cent in the preceding quarter.

The business services sector expanded at a slightly faster pace of 2.9 per cent year-on-year, compared to 2.6 per cent in the previous quarter. Growth was supported mainly by the rental & leasing, and other professional, scientific & technical activities segments. On a quarter-on-quarter seasonally-adjusted annualised basis, growth in the business services sector improved to 5.9 per cent, from 2.5 per cent in the previous quarter.

Growth in the accommodation & food services sector picked up to 1.3 per cent year-on-year, from 1.0 per cent in the previous quarter. "Other services industries" grew by 2.4 per cent, an improvement from the 1.6 per cent growth in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the accommodation & food services sector expanded by 1.2 per cent, while the "other services industries" grew by 1.5 per cent.

Overall Performance in 2014

For the whole of 2014, the Singapore economy expanded by 2.9 per cent, slower than the 4.4 per cent in 2013. Growth in the manufacturing sector improved from 1.7 per cent in 2013 to 2.6 per cent in 2014, supported by the biomedical manufacturing and chemicals clusters. On the other hand, growth in the construction sector moderated to 3.0 per cent from 6.3 per cent in 2013, weighed down by private sector construction activities.

The services producing industries grew by 3.2 per cent in 2014, easing from the 6.1 per cent growth in 2013. Growth was supported mainly by the finance & insurance and business services sectors, which recorded growth rates of 7.7 per cent and 2.9 per cent respectively. The wholesale & retail trade, transportation & storage, and information & communications sectors expanded by 1.7 per cent, 1.7 per cent and 3.6 per cent respectively.

Economic Outlook for 2015

The global economic outlook has softened in recent months, with growth in 2015 expected to come in only marginally better than in 2014. The pace of recovery is also likely to remain uneven across the economies, with the US economy being the main bright spot. Growth in the US economy is expected to accelerate in 2015, supported by domestic demand. However, growth in the

Eurozone is expected to remain weak, due to sluggish labour market conditions and deflationary pressures. China's growth is also expected to ease further in 2015 on the back of sluggish real estate activities, although the slowdown is likely to be contained. Furthermore, while the recent plunge in oil prices could benefit oil-importing economies, it has dampened growth prospects in oil-exporting economies.

At the same time, the external outlook remains clouded with significant downside risks and uncertainties. In the Eurozone, slow growth and persistent low inflation have heightened fears that the Eurozone will fall into a deflationary spiral. In China, there is the risk of a sharp correction in the real estate market, which could have severe negative spill-over effects on construction and real estate investment activities. This could in turn lead to a sharper-than-expected slowdown in the Chinese economy. In the US, there are lingering uncertainties over when and the pace at which the Federal Reserve (Fed) will raise the Fed Funds rate. An unexpected tightening of monetary conditions could weigh on US' financial markets and business sentiments. Finally, with the sharp correction in commodity prices and recent capital outflows from emerging markets, there may be fiscal and financial stresses in some emerging market economies.

Amidst this challenging global economic environment, externally-oriented sectors such as the manufacturing and wholesale trade sectors are likely to face headwinds. Domestically, the labour market is expected to remain tight, with low unemployment and rising vacancy rates. As a result, labour-intensive sectors such as construction, retail and food services may see their growth weighed down by labour constraints. Nonetheless, other domestically-oriented sectors such as business services are expected to remain resilient.

Taking into account the above factors, and barring the full materialisation of downside risks, the Singapore economy is expected to grow at a modest pace of **2.0 to 4.0 per cent** in 2015.

MINISTRY OF TRADE AND INDUSTRY
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ANNEX

SECTORAL GROWTH RATES

	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
	Year-on-Year % Change						
Total	5.4	4.4	4.6	2.3	2.8	2.1	2.9
Goods Producing Industries	6.7	2.5	8.8	1.7	1.6	-0.8	2.7
Manufacturing	7.1	1.7	9.6	1.3	1.7	-1.3	2.6
Construction	6.1	6.3	7.4	3.0	1.1	0.7	3.0
Services Producing Industries	6.2	6.1	3.7	2.6	3.3	3.1	3.2
Wholesale & Retail Trade	5.6	6.7	2.7	1.6	2.1	0.6	1.7
Transportation & Storage	5.2	3.5	5.4	2.0	0.1	-0.4	1.7
Accommodation & Food Services	2.5	3.3	2.0	0.1	1.0	1.3	1.1
Information & Communications	7.6	7.6	2.8	3.2	4.0	4.4	3.6
Finance & Insurance	12.8	12.2	5.4	5.1	9.9	10.3	7.7
Business Services	5.4	4.9	3.9	2.2	2.6	2.9	2.9
Other Services Industries	2.2	2.4	2.8	2.8	1.6	2.4	2.4
	Quarter-on-Quarter Annualised Growth % (SA)						
Total	7.4	4.4	1.8	-0.5	2.6	4.9	2.9
Goods Producing Industries	8.5	2.5	5.4	-7.6	1.0	-1.5	2.7
Manufacturing	10.3	1.7	6.2	-9.3	0.9	-2.5	2.6
Construction	3.6	6.3	3.4	-3.0	0.7	2.2	3.0
Services Producing Industries	8.2	6.1	0.0	1.9	3.2	7.8	3.2
Wholesale & Retail Trade	6.7	6.7	1.3	-1.0	1.9	0.6	1.7
Transportation & Storage	1.4	3.5	-0.9	-1.6	0.7	0.3	1.7
Accommodation & Food Services	-0.8	3.3	-1.0	0.8	4.5	1.2	1.1
Information & Communications	3.5	7.6	-1.4	6.8	7.1	5.1	3.6
Finance & Insurance	34.4	12.2	-4.3	5.3	7.9	36.2	7.7
Business Services	5.4	4.9	1.8	1.3	2.5	5.9	2.9
Other Services Industries	-2.3	2.4	1.9	5.6	1.2	1.5	2.4

OTHER ECONOMIC INDICATORS

	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Retail Sales Index* (yoy %)	-6.3	-4.4	-3.0	-5.4	4.2	5.7	0.3
Labour Productivity (yoy %)	1.3	0.3	0.6	-1.5	-0.9	-1.5	-0.8
Unemployment Rate, SA (%)	1.8	1.9	2.0	2.0	2.0	1.9	2.0
Changes in Employment ('000)	40.6	136.2	28.3	27.7	33.4	39.6	129.0
Overall Unit Labour Cost (yoy %)	1.4	2.4	2.4	3.9	4.4	3.6	3.5
Unit Business Cost of Manufacturing (yoy %)	1.1	4.1	-0.3	-0.2	4.5	-0.9	0.7
Consumer Price Index (yoy %)	2.0	2.4	1.0	2.4	0.9	-0.1	1.0
Fixed Asset Investments (\$ bil)	3.4	12.1	2.5	3.0	2.4	4.0	11.8
Total Merchandise Trade (yoy %)	3.8	-0.5	7.1	2.9	-3.5	-4.8	0.3
Merchandise Exports	6.0	0.6	7.4	2.7	-1.4	-3.8	1.1
Domestic Exports	-0.6	-3.8	3.3	3.2	-0.7	-6.6	-0.3
Oil	1.8	-0.3	10.2	14.4	-3.3	-17.7	0.5
Non-Oil	-2.1	-6.0	-1.0	-3.4	1.1	0.5	-0.7
Re-exports	14.2	6.2	12.5	2.3	-2.3	-0.6	2.6
Merchandise Imports	1.4	-1.6	6.8	3.0	-5.7	-6.0	-0.6
Total Services Trade (yoy %)	10.7	8.9	7.0	1.6	1.5	-0.3	2.4
Exports of Services	9.6	8.0	8.5	2.3	3.0	0.8	3.6
Imports of Services	11.7	9.8	5.5	1.0	0.1	-1.4	1.2

* At constant prices.