

CHAPTER 1

Economic Performance





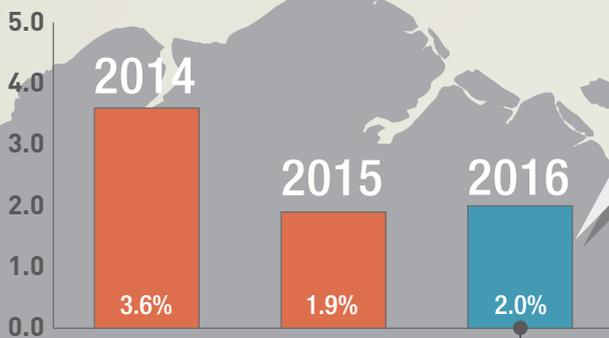
CHAPTER 1

ECONOMIC PERFORMANCE

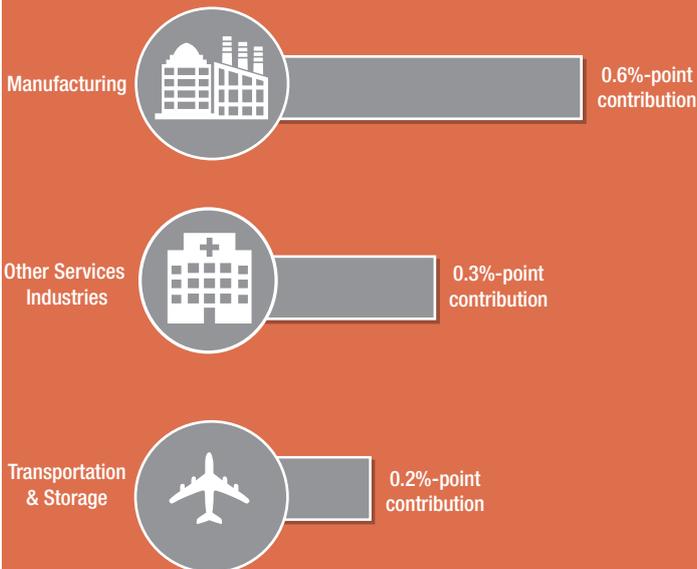
Real GDP grew by

2.0% in 2016

QUARTERLY TREND FOR 2016

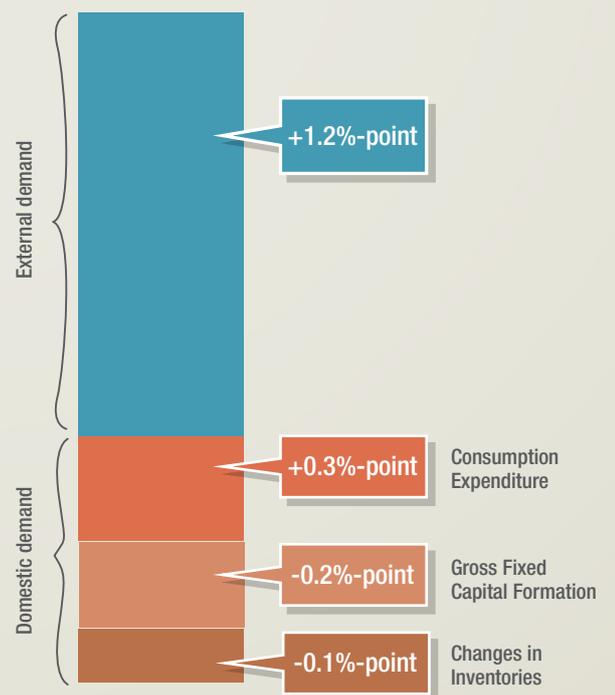


MAIN DRIVERS OF GROWTH IN 2016



In total, these sectors accounted for **56%** of GDP growth

SOURCES OF GROWTH IN 2016



OVERVIEW

In the fourth quarter of 2016, the economy grew by 2.9 per cent on a year-on-year basis, up from the 1.2 per cent growth in the previous quarter. The sectors which contributed the most to growth were the manufacturing and transportation & storage sectors.

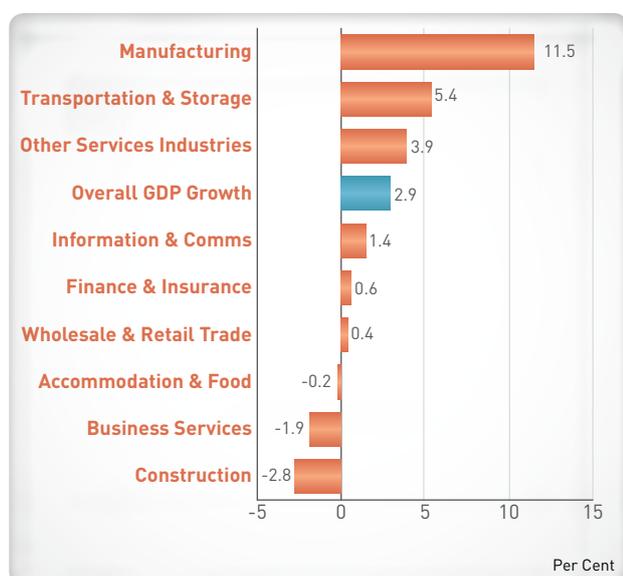
For the whole of 2016, the economy expanded by 2.0 per cent, similar to the 1.9 per cent growth in 2015. All sectors grew in 2016, with the exception of the business services sector. The manufacturing sector and "other services industries" were the key contributors to overall GDP growth.

OVERALL PERFORMANCE

Fourth Quarter 2016

The economy grew by 2.9 per cent in the fourth quarter, faster than the 1.2 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 12 per cent, a strong turnaround from the 0.4 per cent contraction in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 4Q 2016



Growth in the manufacturing sector accelerated to 11 per cent in the fourth quarter, from 1.8 per cent in the third quarter. The faster pace of growth was primarily due to the electronics and biomedical manufacturing clusters.

The services producing industries saw a modest pace of growth in the fourth quarter, collectively expanding by 1.0 per cent compared to 0.4 per cent in the previous quarter. All services sectors expanded, with the exception of the business services sector.

Among the services sectors, the transportation & storage sector registered the fastest pace of growth in the fourth quarter. Growth in the sector came in at 5.4 per cent, higher than the 0.7 per cent in the previous quarter, largely supported by the water transport segment.

On the other hand, the business services sector contracted by 1.9 per cent, following the 1.8 per cent decline in the previous quarter. The sector's performance was weighed down by both the real estate and professional services segments.

Meanwhile, the construction sector contracted by 2.8 per cent, extending the 2.2 per cent contraction in the third quarter. The output of the sector was pulled down largely by private sector construction activities, which shrank on the back of a decline in private residential and private industrial works.

Full Year of 2016

For the whole of 2016, the economy expanded by 2.0 per cent, similar to the 1.9 per cent growth in 2015 (Exhibit 1.2).

The manufacturing sector grew by 3.6 per cent, rebounding from the 5.1 per cent contraction in 2015. Growth was primarily supported by the electronics and biomedical manufacturing clusters, while a decline in the output of the transport engineering cluster placed a drag on growth.

The services producing industries expanded by 1.0 per cent in 2016, slowing from the 3.2 per cent growth in 2015. "Other services industries" registered the strongest pace of growth, at 3.1 per cent, supported largely by the education, health & social services segment. By contrast, the business services sector shrank by 0.9 per cent, weighed down by the weakness in the real estate segment.

Exhibit 1.2: GDP and Sectoral Growth Rates in 2016

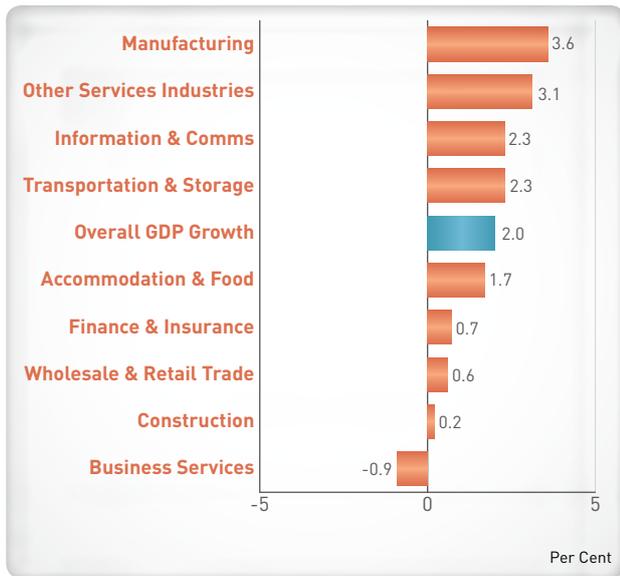
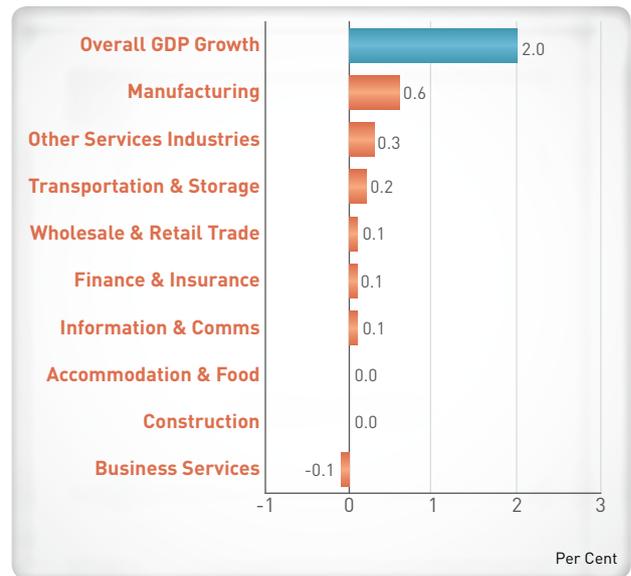


Exhibit 1.4: Percentage-Point Contribution to Growth in Real GDP in 2016 (By Industries)

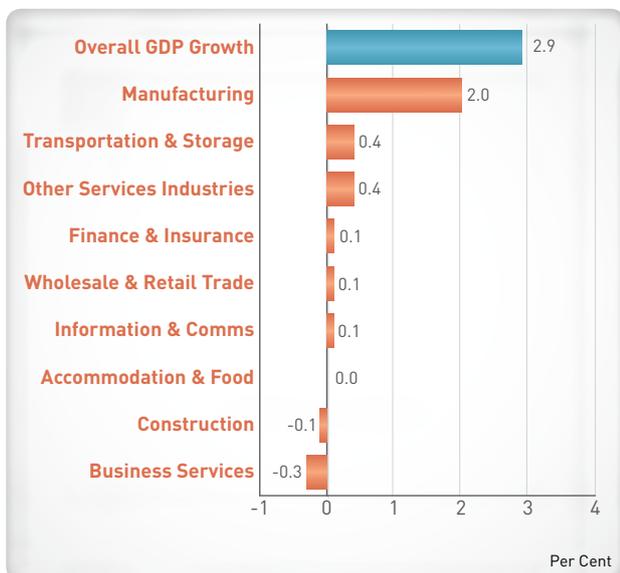


Contribution to Growth

In the fourth quarter, the manufacturing sector, the transportation & storage sector and “other services industries” collectively accounted for 95 per cent of overall GDP growth (Exhibit 1.3). All other sectors, with the exception of the construction and business services sectors, also contributed positively to growth in the quarter.

For the whole of 2016, all sectors contributed positively to overall GDP growth, except for the business services sector (Exhibit 1.4). The manufacturing sector was the largest contributor (0.6 percentage-points), followed by “other services industries” (0.3 percentage-points) and the transportation & storage sector (0.2 percentage-points).

Exhibit 1.3: Percentage-Point Contribution to Growth in Real GDP in 4Q 2016 (By Industries)



SOURCES OF GROWTH

Total demand rose by 2.8 per cent in the fourth quarter, a reversal from the 0.7 per cent decline in the preceding quarter (Exhibit 1.5). The rebound was due to a turnaround in domestic demand.

For the whole of 2016, growth in total demand eased to 1.2 per cent, from 2.5 per cent in 2015. External demand was the key contributor to total demand growth, while the contribution from domestic demand was flat.

Exhibit 1.5: Percentage-Point Contribution to Total Demand Growth

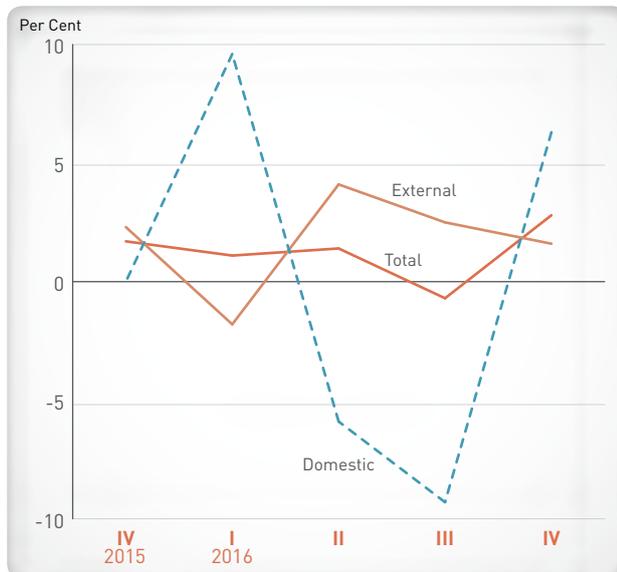
	2015	2016			2016
		II	III	IV	
Total Demand	2.5	1.4	-0.7	2.8	1.2
External Demand	1.9	3.0	1.8	1.2	1.2
Total Domestic Demand	0.5	-1.6	-2.5	1.6	0.0
Consumption Expenditure	0.8	0.5	0.0	0.0	0.3
Public	0.3	0.3	0.0	0.3	0.2
Private	0.6	0.2	0.0	-0.3	0.1
Gross Fixed Capital Formation	0.1	0.1	-0.4	-0.5	-0.2
Changes in Inventories	-0.4	-2.2	-2.1	2.2	-0.1

External Demand

External demand rose by 1.6 per cent in the fourth quarter, slower than the 2.5 per cent growth in the preceding quarter (Exhibit 1.6). The growth in external demand was supported by both real merchandise exports and real services exports.

For the full year, external demand grew at a slower pace of 1.6 per cent, compared to the 2.6 per cent growth in the previous year, amidst sluggish global economic conditions. The growth in external demand was largely driven by real merchandise exports, of which miscellaneous transactions, mineral fuels and chemicals & chemical products were the key contributors. Real services exports also contributed positively to growth, supported mainly by robust growth in the exports of transport and travel.

Exhibit 1.6: Changes in Total Demand at 2010 Market Prices



Domestic Demand

Total domestic demand rose by 6.3 per cent in the fourth quarter, reversing the 9.3 per cent decline in the preceding quarter. This was due to a build-up in inventories, which more than offset a decline in gross fixed capital formation.

For 2016 as a whole, total domestic demand saw a slight contraction of 0.1 per cent, compared to the 2.1 per cent increase in 2015. Domestic demand was weighed down by a decline in gross fixed capital formation and a smaller build-up in inventories, which together offset an increase in consumption expenditure.

Consumption Expenditure

In the fourth quarter, total consumption expenditure fell at a slightly faster pace of 0.3 per cent, compared to the 0.1 per cent drop in the previous quarter.

For the full year, total consumption expenditure rose by 1.8 per cent, moderating from the 5.3 per cent growth in 2015, on the back of a slowdown in both public and private consumption. Public consumption increased at a slower pace of 6.3 per cent, compared to 8.0 per cent growth in 2015. Similarly, growth in private consumption decelerated to 0.6 per cent, from 4.6 per cent in the previous year. Expenditure on transport and housing & utilities were the main contributors to private consumption growth, while declines in the expenditure on miscellaneous goods & services and recreation & culture posed the largest drag on growth.

Gross Fixed Capital Formation

Gross fixed capital formation (GFCF) declined by 5.0 per cent in the fourth quarter, extending the 4.3 per cent decline in the preceding quarter. The decline in GFCF was mainly due to private GFCF, which fell by 6.5 per cent in the quarter. Meanwhile, public GFCF grew by 0.6 per cent.

For the full year, GFCF declined by 2.5 per cent as investors' confidence continued to be weighed down by global economic uncertainties. In particular, private GFCF fell at a faster pace of 5.5 per cent, compared to the 0.4 per cent decline in 2015 (Exhibit 1.7). The fall in private GFCF was largely due to a decrease in investment spending on private construction & works, transport equipment and machinery & equipment (Exhibit 1.8).

Exhibit 1.7: Annual Changes in Gross Fixed Capital Formation at 2010 Market Prices, 2016

	Total	Public	Private
TOTAL	-2.5	9.0	-5.5
Construction & Works	-3.5	10.5	-10.4
Transport Equipment	-8.1	0.9	-8.4
Machinery & Equipment	-1.6	-3.8	-1.5
Intellectual Property Products	1.6	3.6	1.4

Exhibit 1.8: Percentage-Point Contribution to Growth of Gross Fixed Capital Formation at 2010 Market Prices, 2016

	Total	Public	Private
TOTAL	-2.5	1.8	-4.4
Construction & Works	-1.8	1.8	-3.6
Transport Equipment	-0.6	0.0	-0.6
Machinery & Equipment	-0.4	0.0	-0.3
Intellectual Property Products	0.3	0.1	0.2

NATIONAL SAVING

Singapore's nominal GDP amounted to \$410 billion in 2016, an increase of 0.5 per cent over 2015. With factor income outflows exceeding inflows by \$13 billion, gross national income (GNI) came in at \$397 billion, higher than the \$390 billion in 2015.

Gross national savings (GNS) declined by 0.6 per cent to \$182 billion in 2016. This comprised a net \$78 billion that was lent or transferred abroad, and \$104 billion in gross capital formation. The national savings rate was 46 per cent of GNI, similar to the year before.

GNI AND THE EXTERNAL ECONOMY

Factor income from abroad reached \$90 billion in 2016, up slightly from \$87 billion in 2015. The contribution of overseas operations to the total economy was 18 per cent in 2016, similar to 2015 (Exhibit 1.9).

Based on the Survey of Singapore's Investment Abroad, the stock of direct investment abroad increased from \$621 billion in 2014 to \$637 billion in 2015.

Exhibit 1.9: Singapore's Earnings from External Economy as a Proportion of Total Income

