

CHAPTER 1

ECONOMIC PERFORMANCE



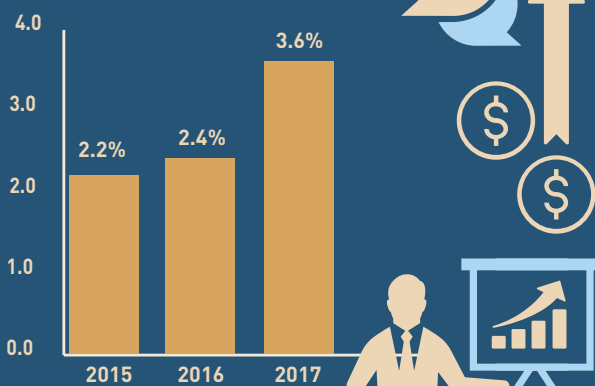


CHAPTER 1

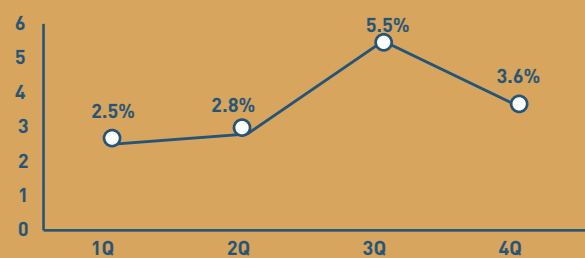
ECONOMIC PERFORMANCE

Real GDP grew by

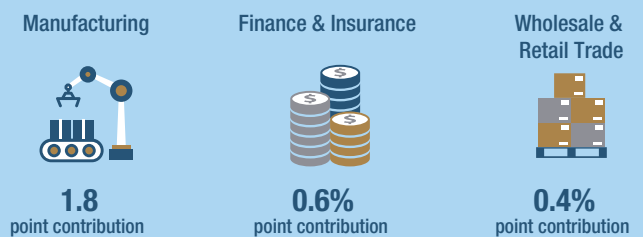
3.6% in 2017



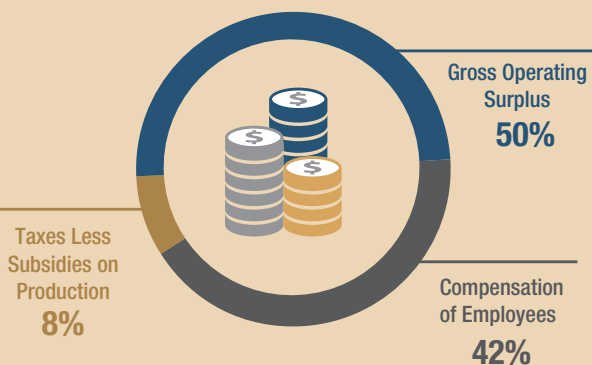
QUARTERLY GDP GROWTH IN 2017



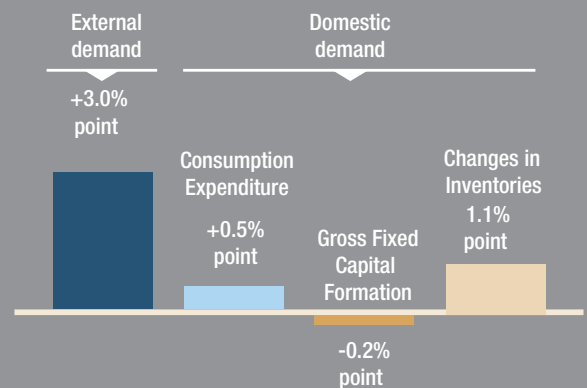
MAIN DRIVERS OF GROWTH IN 2017



INCOME COMPONENTS OF GDP IN 2017



SOURCES OF GROWTH IN 2017



OVERVIEW

In the fourth quarter of 2017, the economy grew by 3.6 per cent on a year-on-year basis, moderating from the 5.5 per cent growth in the previous quarter. The sectors which contributed the most to growth in the quarter were the manufacturing and finance & insurance sectors.

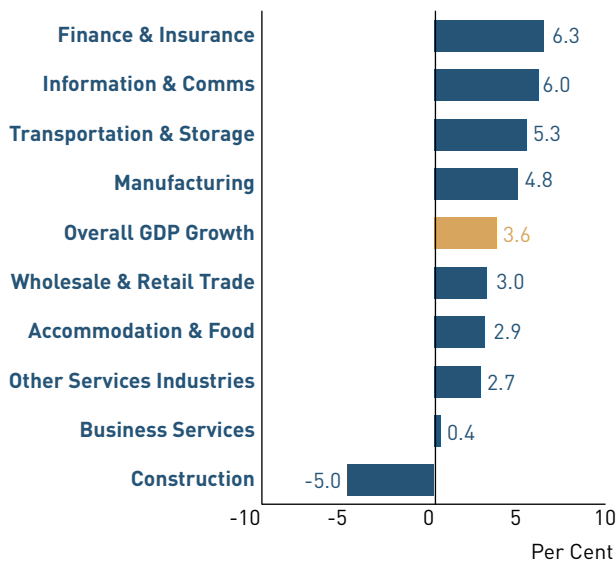
For the whole of 2017, the economy expanded by 3.6 per cent, higher than the 2.4 per cent growth in 2016. All major sectors grew in 2017, with the exception of the construction sector. The manufacturing and finance & insurance sectors were the key contributors to overall GDP growth.

OVERALL PERFORMANCE

► Fourth Quarter 2017

The economy grew by 3.6 per cent in the fourth quarter, moderating from the 5.5 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 2.1 per cent, following the 11 per cent expansion in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 4Q 2017



The manufacturing sector expanded by 4.8 per cent in the fourth quarter, slowing from the 19 per cent surge in the third quarter. Growth was led by robust output expansions in the electronics and precision engineering clusters, which more than offset declines in the biomedical manufacturing and transport engineering clusters.

The services producing industries collectively expanded by 3.5 per cent in the fourth quarter, the same pace of growth as the previous quarter. Among the services sectors, the finance & insurance sector registered the strongest growth at 6.3 per cent, followed by the information & communications (6.0 per cent) and the transportation & storage (5.3 per cent) sectors.

Meanwhile, the construction sector contracted by 5.0 per cent, extending the 9.3 per cent decline in the third quarter. The output of the sector was weighed down primarily by the weakness in private sector construction activities, as certified payments across all private construction segments declined.

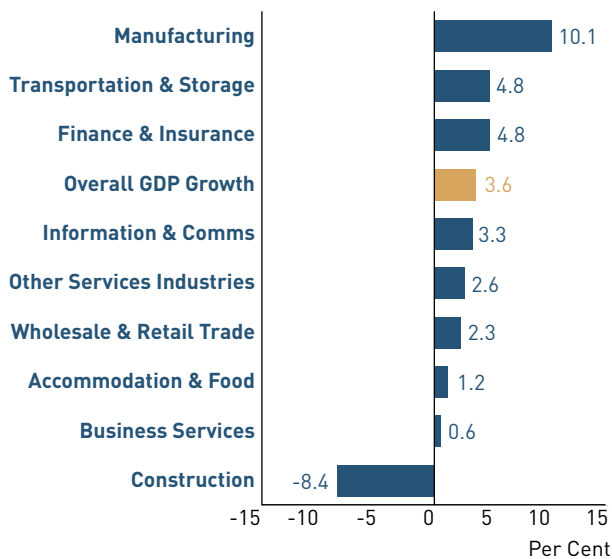
► Full Year of 2017

For the whole of 2017, the economy expanded by 3.6 per cent, an improvement from the 2.4 per cent growth in 2016 (Exhibit 1.2).

The manufacturing sector grew by 10 per cent, higher than the 3.7 per cent growth in 2016. Growth was primarily driven by the electronics and precision engineering clusters, while output declines in the biomedical manufacturing, transport engineering and general manufacturing clusters weighed on growth.

Services producing industries as a whole expanded by 2.8 per cent in 2017, faster than the 1.4 per cent growth in 2016. All services sectors saw positive growth.

Exhibit 1.2: GDP and Sectoral Growth Rates in 2017



Among the services sectors, the transportation & storage and finance & insurance sectors registered the fastest pace of growth in 2017. Growth of the transportation & storage sector came in at 4.8 per cent, a pickup from the 1.3 per cent in 2016, largely due to stronger growth in the water transport and air transport segments. Similarly, the finance & insurance sector expanded by 4.8 per cent, improving from the 1.6 per cent growth in 2016. The robust performance of the sector was largely because of strong growth in the fund management segment, even as growth in the financial intermediation and insurance segments remained firm.

Meanwhile, the construction sector contracted by 8.4 per cent in 2017, a reversal from the 1.9 per cent growth in 2016. Output in the sector was primarily weighed down by the weakness in private sector construction works.

Exhibit 1.3: Percentage-Point Contribution to Growth in Real GDP in 4Q 2017 (By Industries)



Exhibit 1.4: Percentage-Point Contribution to Growth in Real GDP in 2017 (By Industries)



► Contribution to Growth

In the fourth quarter, manufacturing, finance & insurance, wholesale & retail trade and transportation & storage collectively accounted for 74 per cent of overall GDP growth (Exhibit 1.3). All other sectors, with the exception of the construction sector, also contributed positively to growth in the quarter.

For the whole of 2017, all sectors contributed positively to GDP growth, except for the construction sector (Exhibit 1.4). The manufacturing sector was the largest contributor to growth, at 1.8 percentage-points, followed by the finance & insurance (0.6 percentage-points), wholesale & retail trade (0.4 percentage-point) and transportation & storage (0.4 percentage-point) sectors.

SOURCES OF GROWTH

Total demand rose by 4.9 per cent in the fourth quarter, lower than the 5.5 per cent growth in the preceding quarter (Exhibit 1.5).

For the whole of 2017, growth in total demand came in at 4.4 per cent, an improvement from the 1.6 per cent in 2016. External demand was the key contributor to total demand growth (3.0 percentage-points), while the contribution from domestic demand was also positive (1.4 percentage-points).

Exhibit 1.5: Percentage-Point Contribution to Total Demand Growth

	2016	2017			2017
		II	III	IV	
Total Demand	1.6	3.7	5.5	4.9	4.4
External Demand	0.8	1.8	3.3	3.1	3.0
Total Domestic Demand	0.8	1.9	2.2	1.8	1.4
Consumption Expenditure	0.3	0.5	0.9	0.7	0.5
Public	0.1	0.2	0.2	0.0	0.1
Private	0.2	0.3	0.7	0.7	0.4
Gross Fixed Capital Formation	-0.1	-0.4	-0.3	0.2	-0.2
Changes in Inventories	0.5	1.7	1.5	0.9	1.1

External Demand

External demand rose by 4.2 per cent in the fourth quarter, similar to the 4.4 per cent growth in the preceding quarter (Exhibit 1.6). The increase in external demand was primarily due to higher real merchandise exports.

For the full year, external demand grew at a faster pace of 4.1 per cent, compared to the 1.1 per cent growth in 2016, amidst an upswing in the global economy. The growth in external demand was largely driven by real merchandise exports, of which machinery & transport equipment, chemicals & chemical products and mineral fuels were the key contributors. Real services exports also contributed positively to external demand growth, with charges for the use of intellectual property, other business services and transport services being the main contributors.

Domestic Demand

Total domestic demand rose by 6.6 per cent in the fourth quarter, following the 8.5 per cent growth in the previous quarter. Growth was supported primarily by the build-up in inventories and also higher consumption expenditure. Gross fixed capital formation also contributed positively to total domestic demand growth in the quarter.

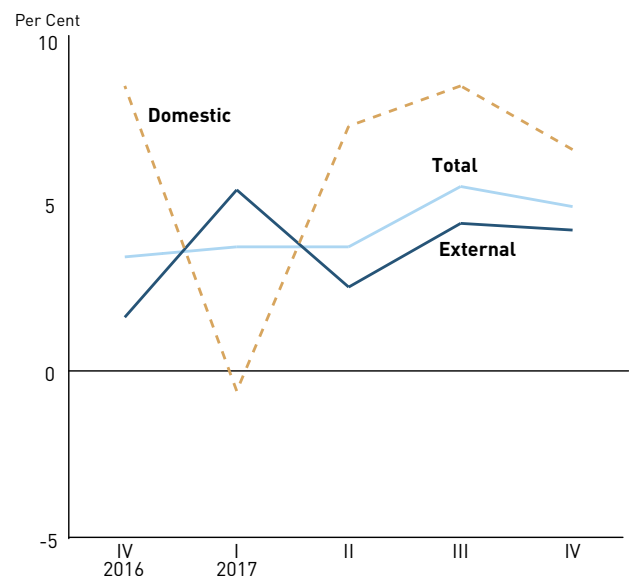
For 2017 as a whole, total domestic demand increased by 5.4 per cent, higher than the 3.1 per cent expansion in 2016. The increase in domestic demand for the year was largely attributable to a build-up in inventories as well as growth in consumption, which more than offset the decline in gross fixed capital formation.

Consumption Expenditure

Total consumption expenditure rose at a slower pace of 4.4 per cent in the fourth quarter, compared to the 5.7 per cent expansion in the previous quarter.

For the full year, total consumption expenditure grew by 3.3 per cent, an improvement from the 2.1 per cent growth in 2016, on the back of faster growth in both public and private consumption. Public consumption expanded by 4.1 per cent, compared to 3.5 per cent in 2016, while private consumption grew by 3.1 per cent, compared to 1.7 per cent in the previous year. Expenditure on miscellaneous goods & services, recreation & culture and housing & utilities were the main contributors to private consumption growth.

Exhibit 1.6: Changes in Total Demand at 2010 Market Prices



► Gross Fixed Capital Formation

Gross fixed capital formation (GFCF) rose by 2.2 per cent in the fourth quarter, a reversal of the 2.7 per cent decline in the preceding quarter. Growth was supported by both private GFCF and public GFCF, which expanded by 2.1 per cent and 3.0 per cent respectively in the fourth quarter.

For the full year, GFCF declined by 1.8 per cent, extending the 0.6 per cent decline in 2016 (Exhibit 1.7). Public GFCF fell by 2.6 per cent, a turnaround from the 10 per cent growth in 2016. The fall in public GFCF was largely due to a decline in investment spending on public construction & works and transport equipment (Exhibit 1.8). Meanwhile, private GFCF declined at a more modest pace of 1.6 per cent, compared to the 3.0 per cent drop in the previous year. Growth was weighed down by a decline in investment spending on private construction & works, which more than offset the robust expansion in investment spending on private transport equipment.

Exhibit 1.7: Annual Changes in Gross Fixed Capital Formation at 2010 Market Prices, 2017

	Total	Public	Private
Total	-1.8	-2.6	-1.6
Construction & Works	-12.2	-2.5	-17.9
Transport Equipment	35.7	-41.0	40.7
Machinery & Equipment	-0.2	8.8	-0.6
Intellectual Property Products	4.7	2.2	4.9

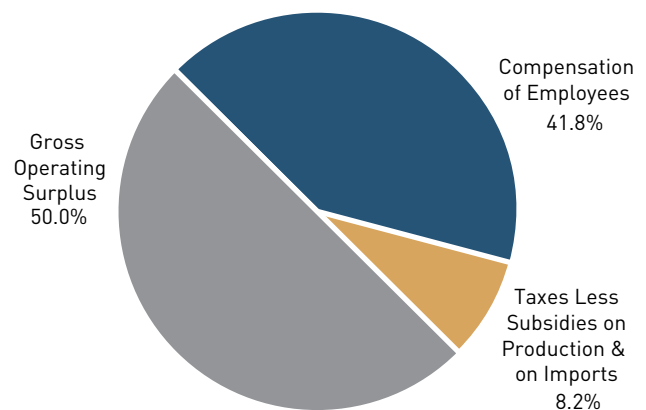
Exhibit 1.8: Percentage-Point Contribution to Growth of Gross Fixed Capital Formation at 2010 Market Prices, 2017

	Total	Public	Private
Total	-1.8	-0.5	-1.2
Construction & Works	-5.8	-0.4	-5.3
Transport Equipment	3.0	-0.2	3.2
Machinery & Equipment	-0.1	0.1	-0.1
Intellectual Property Products	1.0	0.0	1.0

INCOME COMPONENTS OF NOMINAL GDP

Singapore's nominal GDP amounted to \$447 billion in 2017, an increase of 4.5 per cent over 2016. Gross operating surplus accounted for 50 per cent of nominal GDP, while compensation of employees accounted for 42 per cent (Exhibit 1.9). Taxes on production and imports (less subsidies) made up the remaining 8.2 per cent of nominal GDP.

Exhibit 1.9: Income Components of GDP at Current Market Prices



NATIONAL SAVING

With factor income outflows exceeding inflows by \$16 billion, Gross National Income (GNI) came in at \$431 billion, smaller than the \$447 billion in nominal GDP.

Gross National Savings (GNS) rose by 5.5 per cent to \$208 billion in 2017. This comprised a net \$84 billion that was lent or transferred abroad, and \$124 billion in Gross Capital Formation. The national savings rate was 48 per cent of GNI, similar to the 49 per cent in 2016.

GNI AND THE EXTERNAL ECONOMY

Factor income from abroad reached \$105 billion in 2017, up from \$99 billion in 2016. The contribution of overseas operations to the total economy was 19 per cent in 2017, similar to that recorded in 2016 (Exhibit 1.10).

Based on the Survey of Singapore’s Investment Abroad, the stock of direct investment abroad increased from \$703 billion in 2015 to \$765 billion in 2016.

Exhibit 1.10: Singapore’s Earnings from External Economy as a Proportion of Total Income

