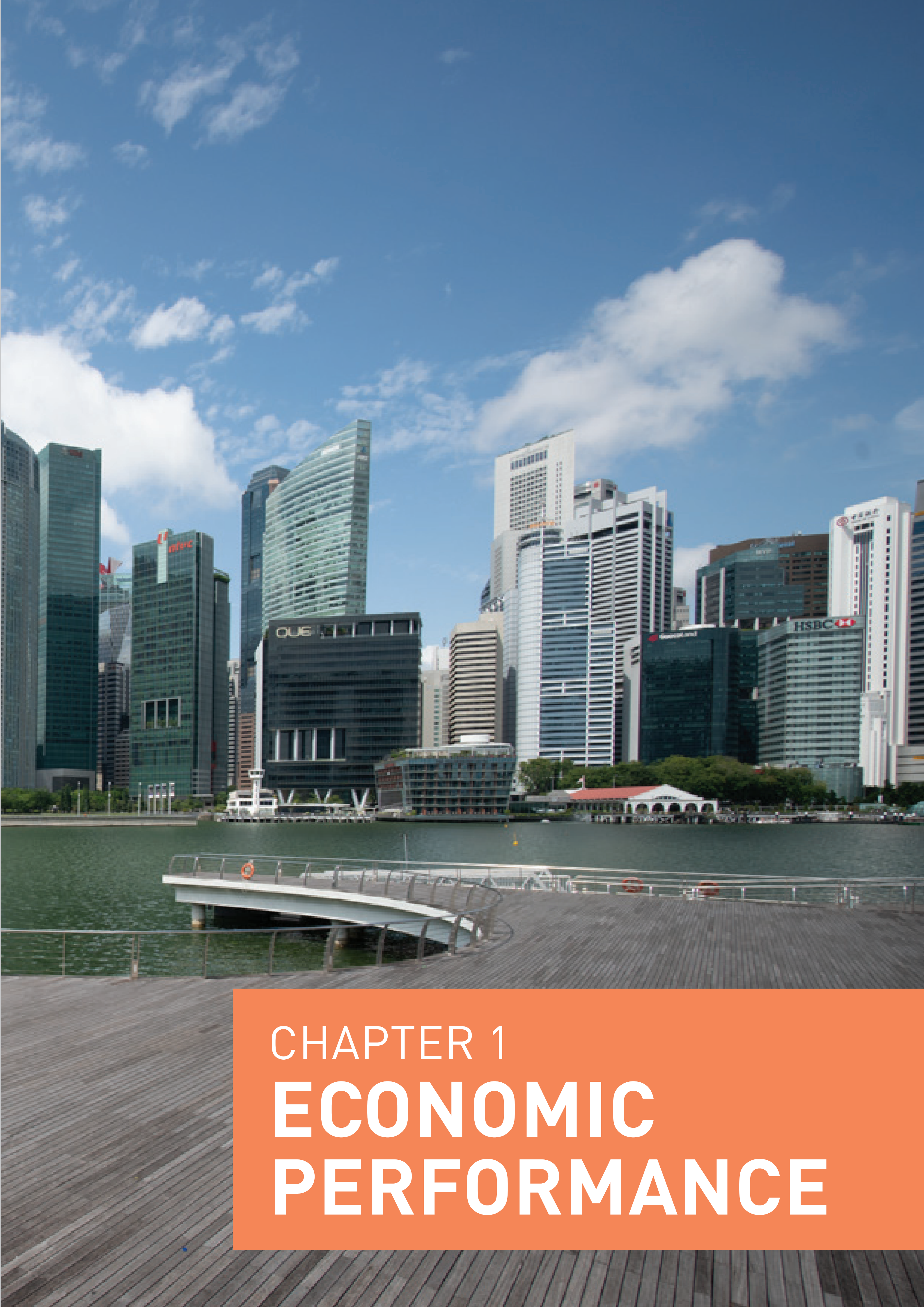
Image courtesy of Ministry of Communications and Information



CHAPTER 1

ECONOMIC PERFORMANCE

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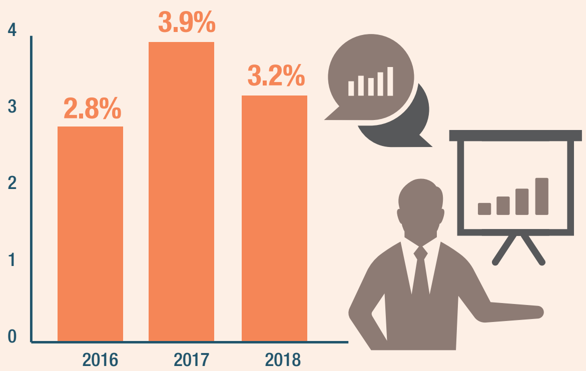
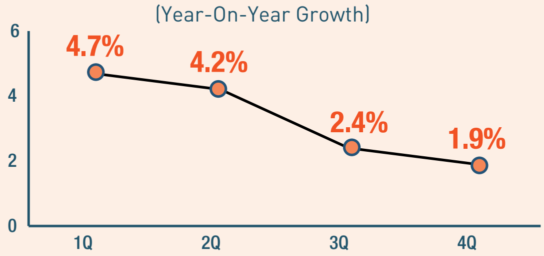
Real GDP grew by

3.2% **in 2018**

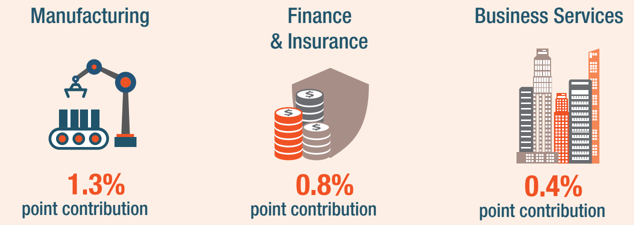


QUARTERLY GDP GROWTH IN 2018

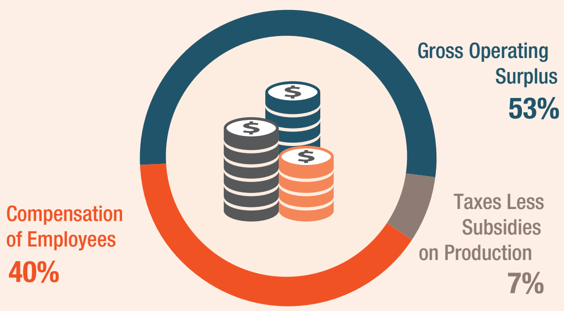
(Year-On-Year Growth)



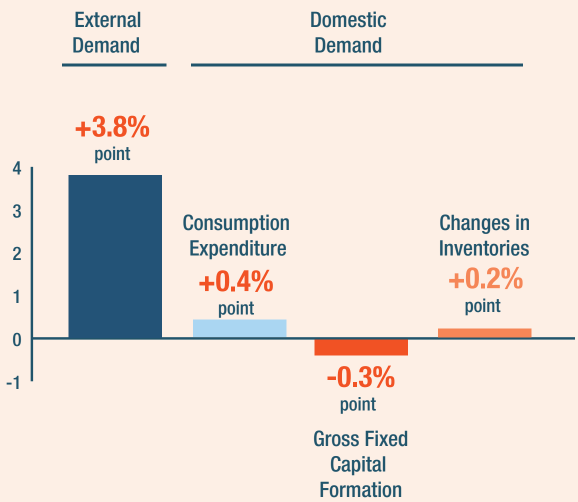
MAIN DRIVERS OF GDP GROWTH IN 2018



INCOME COMPONENTS OF GDP IN 2018



SOURCES OF GROWTH IN 2018



OVERVIEW

In the fourth quarter of 2018, the economy grew by 1.9 per cent on a year-on-year basis, easing from the 2.4 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.

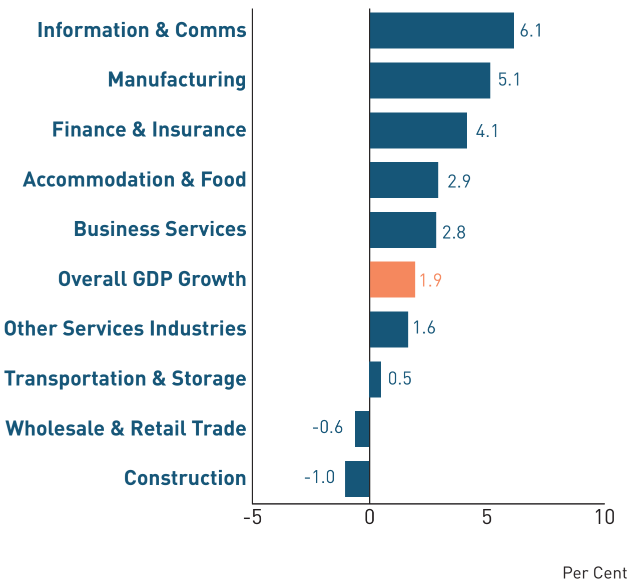
For the whole of 2018, the economy expanded by 3.2 per cent, a moderation from the 3.9 per cent growth in 2017. The main contributors to GDP growth for the year were the manufacturing, wholesale & retail trade and finance & insurance sectors.

OVERALL PERFORMANCE

Fourth Quarter 2018

The economy grew by 1.9 per cent year-on-year in the fourth quarter, easing from the 2.4 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 1.4 per cent, unchanged from the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 4Q 2018



The manufacturing sector grew by 5.1 per cent year-on-year, faster than the 3.5 per cent growth in the third quarter. Growth was driven mainly by the biomedical manufacturing, transport engineering and electronics clusters.

The services producing industries collectively expanded by 1.8 per cent year-on-year, moderating from the 2.7 per cent growth in the third quarter. Among the services sectors, the information & communications sector registered the strongest growth (6.1 per cent), followed by the finance & insurance (4.1 per cent) and the accommodation & food services (2.9 per cent) sectors.

Meanwhile, 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. The output of the sector was weighed down by the weakness in public sector construction activities, with lower progress payments in public civil engineering works and public institutional & other building works.

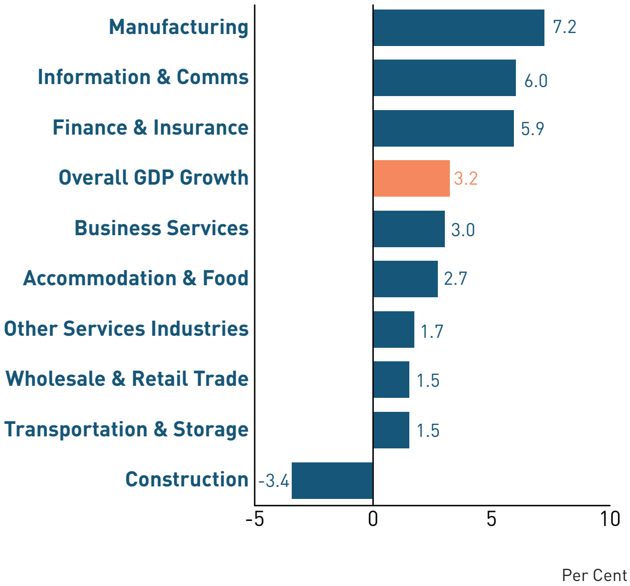
Full Year of 2018

For the whole of 2018, the economy expanded by 3.2 per cent, a moderation from the 3.9 per cent growth in 2017 (Exhibit 1.2).

The manufacturing sector expanded by 7.2 per cent, extending the 10 per cent growth in 2017. Growth was primarily supported by the electronics, transport engineering and biomedical manufacturing clusters. The other clusters – precision engineering, chemicals and general manufacturing – also posted expansions for the year.

The services producing industries collectively expanded by 3.0 per cent in 2018, easing from the 3.2 per cent growth in 2017. All services sectors saw positive growth.

Exhibit 1.2: GDP and Sectoral Growth Rates in 2018



Among the services sectors, the information & communications and finance & insurance sectors registered the fastest pace of growth in 2018. Growth of the information & communications sector came in at 6.0 per cent, higher than the 4.5 per cent in 2017. Similarly, the finance & insurance sector expanded by 5.9 per cent, slightly faster than the 5.6 per cent growth in 2017. The strong performance of the sector was driven by the "others" and insurance segments, which were in turn supported by the structural ramp-up of digital payments activities and resilient demand for insurance services, respectively.

Meanwhile, the construction sector contracted by 3.4 per cent in 2018, a more modest pace of decline than the 10 per cent contraction in 2017. Output in the sector was weighed down by the weakness in public sector construction activities.

Exhibit 1.3: Percentage-Point Contribution to Growth in Real GDP in 4Q 2018 (By Industries)

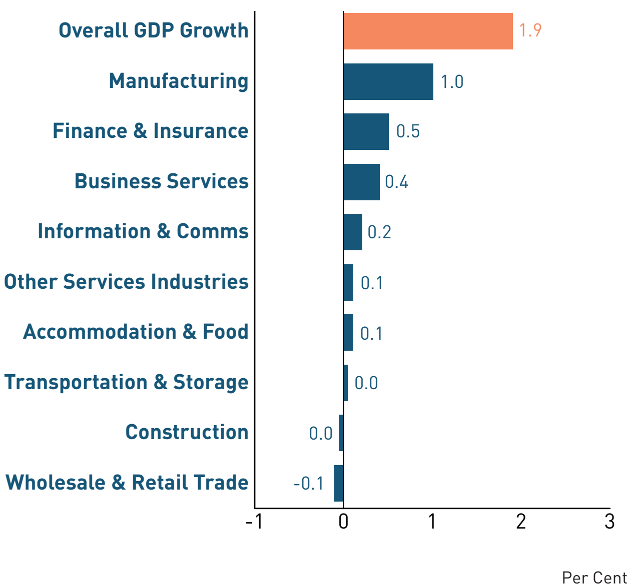
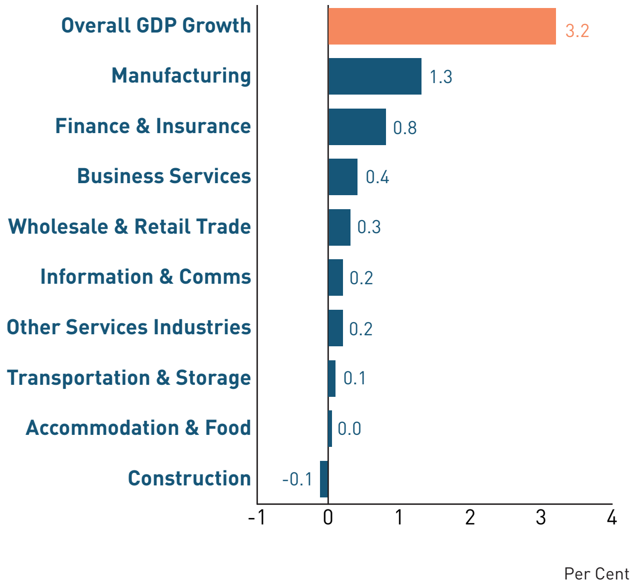


Exhibit 1.4: Percentage-Point Contribution to Growth in Real GDP in 2018 (By Industries)



Contribution to Growth

In the fourth quarter, the manufacturing and finance & insurance sectors collectively accounted for 79 per cent of GDP growth (Exhibit 1.3). All other sectors also contributed positively to growth in the quarter, with the exception of the construction and wholesale & retail trade sectors.

For the whole of 2018, all sectors contributed positively to GDP growth, except for the construction sector (Exhibit 1.4). The manufacturing sector was the largest contributor to GDP growth, at 1.3 percentage-points, followed by the finance & insurance (0.8 percentage-point), business services (0.4 percentage-point) and wholesale & retail trade (0.3 percentage-point) sectors.

SOURCES OF GROWTH

Total demand rose by 1.7 per cent year-on-year in the fourth quarter, slower than the 4.5 per cent growth in the preceding quarter (Exhibit 1.5).

For the whole of 2018, growth in total demand came in at 4.1 per cent, moderating from the 5.7 per cent growth in 2017. External demand was the key contributor to total demand growth (3.8 percentage-points), while the contribution from domestic demand was also positive (0.3 percentage-point).

Exhibit 1.5: Percentage-Point Contribution to Total Demand Growth

	2017	2017			2018
		II	III	IV	
Total Demand	5.7	5.7	4.5	1.7	**4.1**
External Demand	4.0	5.2	4.1	2.2	**3.8**
Total Domestic Demand	1.7	0.5	0.4	-0.4	**0.3**
Consumption Expenditure	0.6	0.4	0.4	0.2	**0.4**
Public	0.2	0.1	0.1	0.0	**0.1**
Private	0.4	0.3	0.3	0.1	**0.3**
Gross Fixed Capital Formation	0.5	-0.2	-0.7	-0.3	**-0.3**
Changes in Inventories	0.6	0.3	0.7	-0.3	**0.2**

External Demand

External demand rose by 3.0 per cent year-on-year in the fourth quarter, lower than the 5.6 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 by 5.2 per cent, slightly slower than the 5.4 per cent growth in 2017. The increase in external demand was largely driven by real merchandise exports, of which machinery & transport equipment, miscellaneous transactions and chemicals & chemical products were the key contributors. Real services exports also contributed positively to external demand growth, with transport services, financial services and other business services being the main contributors.

Domestic Demand

Total domestic demand declined by 1.6 per cent year-on-year in the fourth quarter, a reversal from the 1.5 per cent growth in the previous quarter. The contraction was due to a decline in gross fixed capital formation and a draw-down in inventories. By contrast, consumption expenditure expanded slightly to help support total domestic demand.

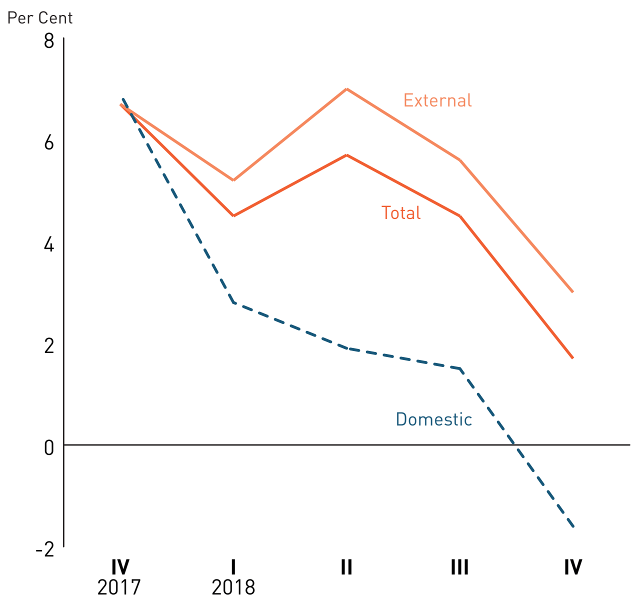
For 2018 as a whole, total domestic demand increased by 1.1 per cent, moderating from the 6.4 per cent expansion in 2017. The increase in domestic demand for the year was largely due to steady growth in consumption expenditure, as well as a build-up in inventories, which more than offset the decline in gross fixed capital formation.

Consumption Expenditure

Total consumption expenditure rose at a slower pace of 1.0 per cent year-on-year in the fourth quarter, compared to the 2.6 per cent expansion in the previous quarter.

For the full year, total consumption expenditure grew by 2.7 per cent, a moderation from the 3.4 per cent growth in 2017. Growth in both public and private consumption moderated. Public consumption expanded by 3.6 per cent, compared to 4.2 per cent in 2017, while private consumption grew by 2.4 per cent, compared to 3.2 per cent in the previous year. Expenditure on miscellaneous goods & services, housing & utilities and health were the main contributors to private consumption growth in 2018.

Exhibit 1.6: Changes in Total Demand at 2010 Market Prices



Gross Fixed Capital Formation

Gross fixed capital formation (GFCF) declined by 3.1 per cent year-on-year in the fourth quarter, extending the 7.0 per cent decline in the preceding quarter. Both private and public GFCF fell during the quarter, by 1.6 per cent and 9.8 per cent respectively.

For the full year, GFCF declined by 3.4 per cent, reversing the 5.3 per cent expansion in 2017 (Exhibit 1.7). Public GFCF contracted by 3.8 per cent, extending the 5.1 per cent decline in 2017. 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 decreased by 3.3 per cent, reversing the 8.0 per cent expansion in 2017. The decline in private GFCF was because of lower investment spending on private intellectual property products, private transport equipment and private construction & works, which more than offset the higher investment spending on private machinery & equipment.

Exhibit 1.7: Annual Changes in Gross Fixed Capital Formation at 2010 Market Prices, 2018

	Total	Public	Private
Total	-3.4	-3.8	-3.3
Construction & Works	-4.8	-7.1	-3.2
Transport Equipment	-2.5	-12.4	-2.2
Machinery & Equipment	6.1	53.0	4.4
Intellectual Property Products	-9.4	2.7	-10.1

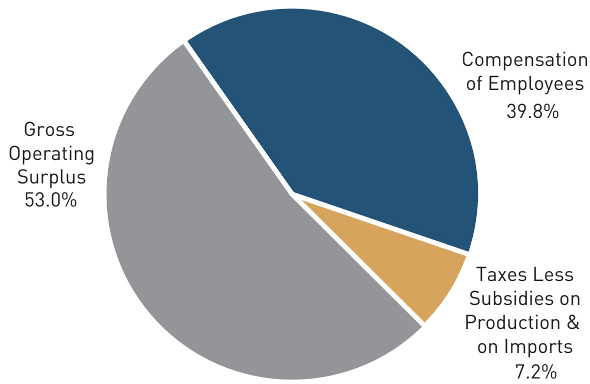
Exhibit 1.8: Percentage-Point Contribution to Growth of Gross Fixed Capital Formation at 2010 Market Prices, 2018

	Total	Public	Private
Total	-3.4	-0.7	-2.7
Construction & Works	-1.9	-1.1	-0.7
Transport Equipment	-0.3	0.0	-0.3
Machinery & Equipment	1.3	0.4	0.9
Intellectual Property Products	-2.6	0.0	-2.6

INCOME COMPONENTS OF NOMINAL GDP

Singapore's nominal GDP amounted to $487 billion in 2018, an increase of 4.8 per cent over 2017. Gross operating surplus accounted for 53 per cent of nominal GDP, while compensation of employees accounted for 40 per cent (Exhibit 1.9). Taxes on production and imports (less subsidies) made up the remaining 7.2 per cent of nominal GDP.

Exhibit 1.9: Income Components of GDP at Current Prices



NATIONAL SAVING

With factor income outflows exceeding inflows by $33 billion, Gross National Income (GNI) came in at $454 billion, smaller than the $487 billion in nominal GDP.

Gross National Savings (GNS) rose by 5.3 per cent to $218 billion in 2018. This comprised $132 billion in Gross Capital Formation and a net outflow of $86 billion that was lent or transferred abroad. The national savings rate was 48 per cent of GNI, unchanged from 2017.

GNI AND THE EXTERNAL ECONOMY

Factor income from abroad reached $141 billion in 2018, up from $127 billion in 2017. The contribution of overseas operations to the total economy was 22 per cent in 2018, similar to that recorded in 2017 (Exhibit 1.10).

Based on the Survey of Singapore's Investment Abroad, the stock of direct investment abroad increased from $810 billion in 2016 to $815 billion in 2017.

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