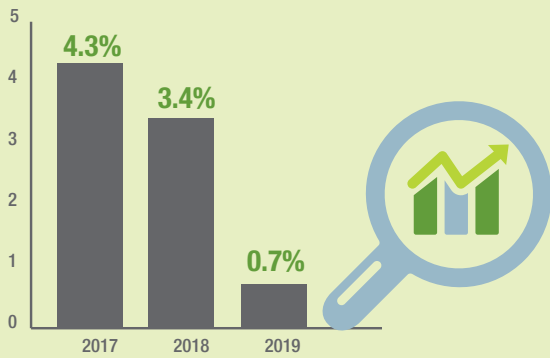


# CHAPTER 1 ECONOMIC PERFORMANCE

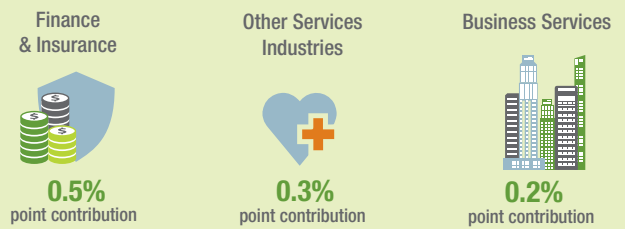
Real GDP grew by  
**0.7%** in 2019



## QUARTERLY GDP GROWTH IN 2019 (Year-On-Year Growth)



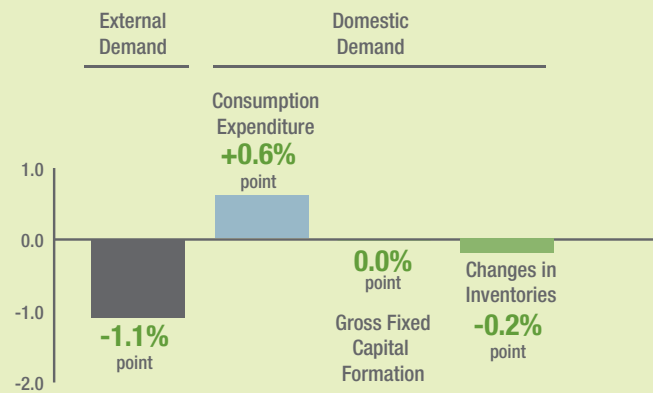
## MAIN DRIVERS OF GDP GROWTH IN 2019



## INCOME COMPONENTS OF GDP IN 2019



## SOURCES OF GROWTH IN 2019



## OVERVIEW

In the fourth quarter of 2019, the Singapore economy grew by 1.0 per cent on a year-on-year basis, faster than the 0.7 per cent growth in the previous quarter. The sectors which contributed the most to growth in the quarter were the finance & insurance sector, the other services industries, and the business services sector.

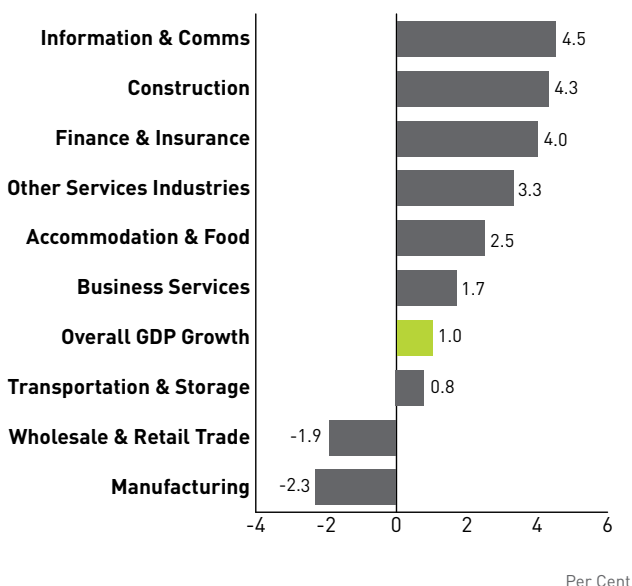
For the whole of 2019, the economy expanded by 0.7 per cent, slower than the 3.4 per cent growth recorded in 2018. The finance & insurance sector was the largest contributor to GDP growth, followed by the other services industries, the business services sector and the information & communications sector.

## OVERALL PERFORMANCE

### Fourth Quarter 2019

The Singapore economy grew by 1.0 per cent year-on-year in the fourth quarter, faster than the 0.7 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a slower pace of 0.6 per cent, compared to the 2.2 per cent growth in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 4Q 2019



The manufacturing sector shrank by 2.3 per cent year-on-year in the fourth quarter, extending the 0.7 per cent contraction in the third quarter. The performance of the sector was weighed down by output declines in the electronics, chemicals, transport engineering and general manufacturing clusters.

The services producing industries collectively expanded by 1.5 per cent year-on-year in the fourth quarter, faster than the 0.8 per cent growth in the previous quarter. Among the services sectors, the information & communications sector recorded the strongest growth at 4.5 per cent, followed by the finance & insurance sector (4.0 per cent) and the other services industries (3.3 per cent).

Meanwhile, the construction sector grew by 4.3 per cent year-on-year in the fourth quarter, accelerating from the 3.1 per cent expansion in the third quarter. The growth of the sector was supported by both public sector and private sector construction works.

### Full Year of 2019

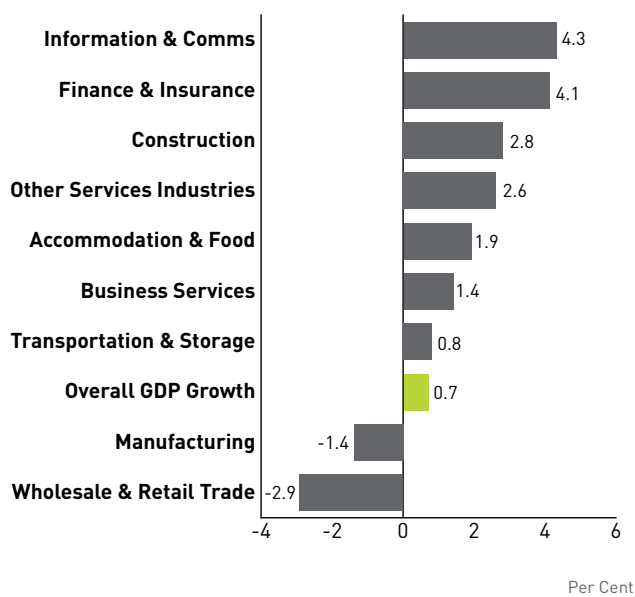
In 2019, the Singapore economy expanded by 0.7 per cent, slower than the 3.4 per cent growth in 2018 (Exhibit 1.2).

The manufacturing sector contracted by 1.4 per cent in 2019, a sharp reversal from the 7.0 per cent growth in 2018. The performance of the sector was pulled down by output declines in the electronics, chemicals, precision engineering and transport engineering clusters.

Services producing industries as a whole grew by 1.1 per cent in 2019, moderating from the 3.4 per cent growth in 2018.

Among the services sectors, the information & communications and finance & insurance sectors registered the fastest pace of growth in 2019. Specifically, the information & communications sector grew by 4.3 per cent, a moderation from the 6.5 per cent growth in 2018. The finance & insurance sector expanded by 4.1 per cent, a slower pace of growth as compared to the 7.2 per cent recorded in 2018.

Exhibit 1.2: GDP and Sectoral Growth Rates in 2019

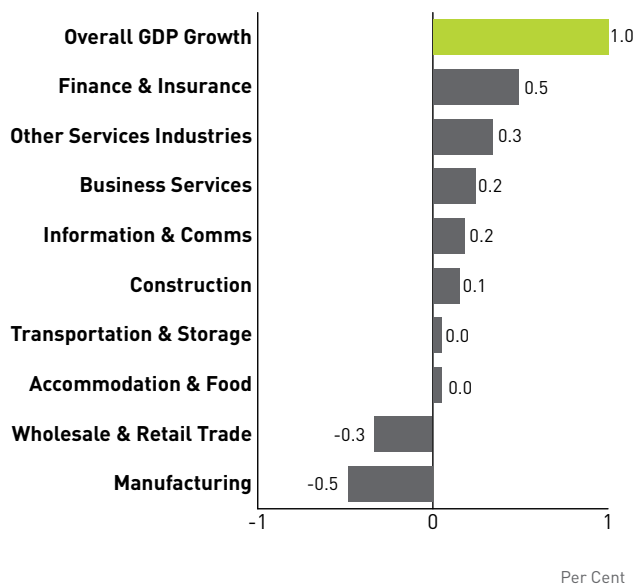


Meanwhile, the construction sector grew by 2.8 per cent in 2019, a reversal from the 3.5 per cent contraction in 2018. Growth in the sector was supported by both public sector and private sector construction works.

## Contribution to Growth

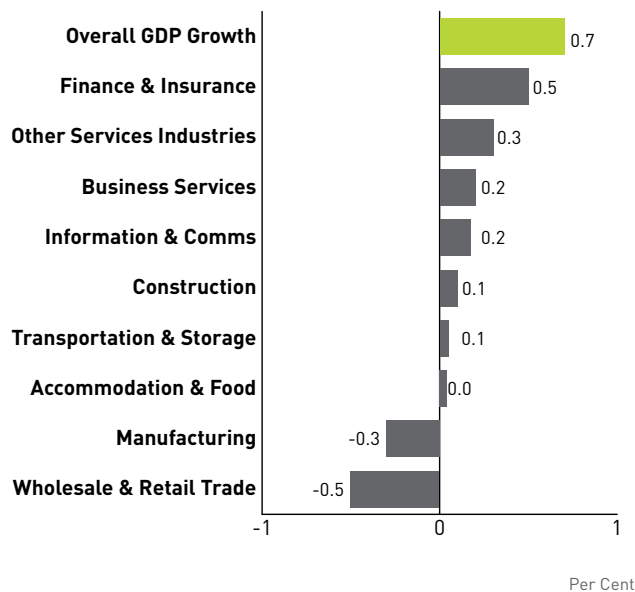
In the fourth quarter, the finance & insurance sector and the other services industries collectively accounted for 82 per cent of overall GDP growth (Exhibit 1.3). All the other sectors also contributed positively to GDP growth in the quarter, except for the wholesale & retail trade and manufacturing sectors.

Exhibit 1.3: Percentage-Point Contribution to Growth in Real GDP in 4Q 2019 (By Industries)



For the whole of 2019, all sectors contributed positively to GDP growth, with the exception of the manufacturing and wholesale & retail trade sectors (Exhibit 1.4). The finance & insurance sector was the largest contributor to GDP growth, at 0.5 percentage-points, followed by the other services industries (0.3 percentage-points), the business services sector (0.2 percentage-point) and the information & communications sector (0.2 percentage-point).

Exhibit 1.4: Percentage-Point Contribution to Growth in Real GDP in 2019 (By Industries)



## SOURCES OF GROWTH

Total demand rose by 1.1 per cent year-on-year in the fourth quarter, reversing the 2.1 per cent decline in the preceding quarter (Exhibit 1.5).

Exhibit 1.5: Percentage-Point Contribution to Total Demand Growth

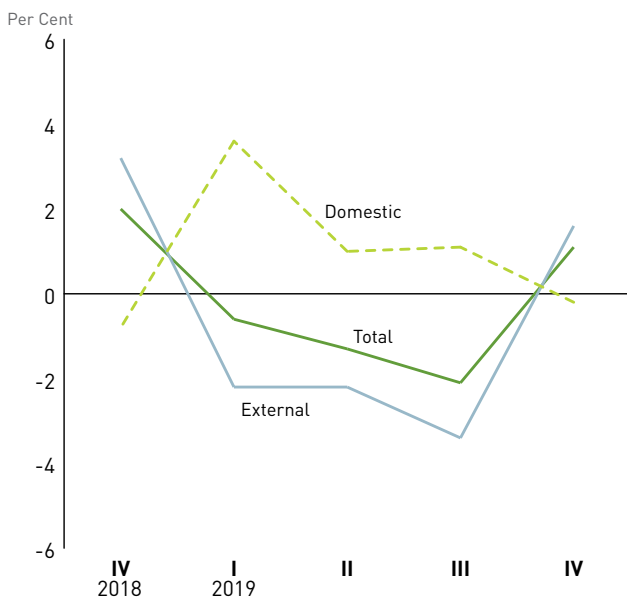
	2018	2019			2019
		II	III	IV	
<b>Total Demand</b>	6.3	-1.3	-2.1	1.1	-0.7
<b>External Demand</b>	5.7	-1.6	-2.5	1.1	-1.1
<b>Total Domestic Demand</b>	0.6	0.3	0.3	-0.1	0.4
<b>Consumption Expenditure</b>	0.7	0.5	0.6	0.5	0.6
Public	0.1	0.0	0.1	0.2	0.1
Private	0.6	0.4	0.5	0.4	0.5
<b>Gross Fixed Capital Formation</b>	-0.4	-0.1	0.2	-0.2	0.0
<b>Changes in Inventories</b>	0.2	-0.1	-0.5	-0.5	-0.2

For the whole of 2019, total demand fell by 0.7 per cent, in contrast to the 6.3 per cent growth in 2018. External demand contributed negatively to total demand growth (-1.1 percentage-points), while the contribution of domestic demand was positive (0.4 percentage-points).

## External Demand

External demand rose by 1.6 per cent year-on-year in the fourth quarter, a turnaround from the 3.4 per cent decline in the preceding quarter (Exhibit 1.6). The increase in external demand was supported by an expansion in the both goods and services exports.

Exhibit 1.6: Changes in Total Demand in Chained (2015) Dollars



For the full year, external demand contracted by 1.6 per cent, a reversal from the 8.1 per cent increase in 2018. The decline in external demand was largely driven by a contraction in real merchandise exports, of which machinery & transport equipment, mineral fuels and manufactured goods were the key contributors to the decline. The fall in real merchandise exports more than offset the increase in real services exports, which was in turn driven by an expansion in the exports of other business services, maintenance and repair services and financial services.

## Domestic Demand

Total domestic demand fell by 0.2 per cent year-on-year in the fourth quarter, a reversal from the 1.1 per cent growth in the previous quarter. The decline in the fourth quarter can be attributed to a contraction in gross fixed capital formation and a draw-down in inventories. By contrast, consumption expenditure expanded slightly to help support total domestic demand.

For 2019 as a whole, total domestic demand rose by 1.3 per cent, moderating from the 1.9 per cent expansion in 2018. The increase in domestic demand for the year was largely due to steady growth in consumption expenditure, which outweighed a drawdown in inventories and a decline in gross fixed capital formation.

## Consumption Expenditure

Total consumption expenditure rose by 3.0 per cent year-on-year in the fourth quarter, moderating from the 3.5 per cent increase in the previous quarter.

For the full year, total consumption expenditure expanded by 3.5 per cent, slower than the 3.9 per cent growth in 2018, as growth in both public and private consumption moderated. Public consumption increased by 2.8 per cent, a slight moderation from the 2.9 per cent growth in 2018. Meanwhile, private consumption grew by 3.7 per cent, slower than the 4.2 per cent increase in 2018. Expenditure on miscellaneous goods & services, housing & utilities and health were the main contributors to private consumption growth for the year.

## Gross Fixed Capital Formation

Gross fixed capital formation (GFCF) declined by 1.7 per cent year-on-year in the fourth quarter, a reversal from the 2.5 per cent expansion in the preceding quarter. The decline can be attributed to private GFCF, which fell by 3.0 per cent in the fourth quarter. On the other hand, public GFCF expanded by 4.5 per cent over the same period.

For 2019 as a whole, GFCF dipped by 0.2 per cent, extending the 3.4 per cent decline in 2018 (Exhibit 1.7). Public GFCF rose by 1.3 per cent, a turnaround from the 4.7 per cent decline in 2018. The increase was largely due to higher investment spending on public construction & works and transport equipment (Exhibit 1.8). Meanwhile, private GFCF fell by 0.5 per cent, extending the 3.1 contraction in 2018. The decline was the result of a fall in investment spending on private machinery & equipment, private transport equipment and private intellectual property products, which more than offset a rise in investment spending on private construction & works.

*Exhibit 1.7: Annual Changes in Gross Fixed Capital Formation in Chained (2015) Dollars, 2019*

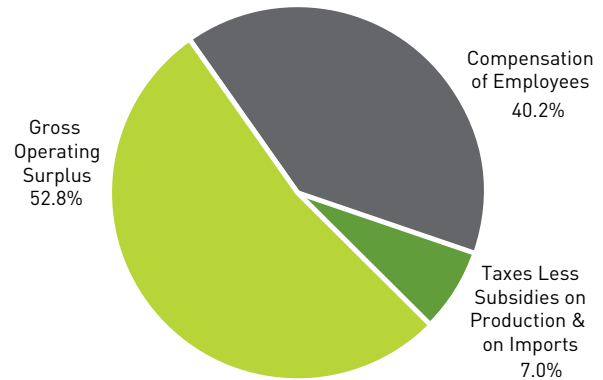
	Total	Public	Private
<b>Total</b>	-0.2	1.3	-0.5
Construction & Works	2.1	3.7	1.2
Transport Equipment	-2.1	17.2	-2.6
Machinery & Equipment	-3.6	-22.4	-2.0
Intellectual Property Products	-0.2	0.8	-0.3

*Exhibit 1.8: Percentage-Point Contribution to Growth of Gross Fixed Capital Formation in Chained (2015) Dollars, 2019*

	Total	Public	Private
<b>Total</b>	-0.2	0.2	-0.4
Construction & Works	0.8	0.5	0.3
Transport Equipment	-0.2	0.1	-0.3
Machinery & Equipment	-0.7	-0.4	-0.4
Intellectual Property Products	-0.1	0.0	-0.1

## INCOME COMPONENTS OF NOMINAL GDP

Singapore's nominal GDP amounted to \$508 billion in 2019, an increase of 0.8 per cent over 2018. 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 7.0 per cent of nominal GDP.

*Exhibit 1.9: Income Components of GDP at Current Prices*

## NATIONAL SAVING

With factor income outflows exceeding inflows by \$47 billion, Gross National Income (GNI) came in at \$461 billion, lower than the \$508 billion in nominal GDP.

Gross National Savings (GNS) declined by 1.2 per cent to \$212 billion in 2019. This comprised a net outflow of \$86 billion that was lent or transferred abroad, and \$126 billion in Gross Capital Formation. The national savings rate was 46 per cent of GNI in 2019, slightly lower compared to the 47 per cent in 2018.

## GNI AND THE EXTERNAL ECONOMY

Factor income from abroad reached \$158 billion in 2019, up from \$153 billion in 2018. The contribution of overseas operations to total income was 24 per cent in 2019, a slight increase compared to the 23 per cent recorded in 2018 (Exhibit 1.10).

Based on the Survey of Singapore's Investment Abroad, the stock of direct investment abroad decreased from \$858 billion in 2017 to \$836 billion in 2018.

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

