

MTI Expects GDP Growth to be “1.5 to 2.5 Per Cent” in 2019

21 May 2019. The Ministry of Trade and Industry (MTI) announced today that it expects Singapore’s GDP growth for 2019 to come in at “1.5 to 2.5 per cent”.

Economic Performance in First Quarter 2019

The Singapore economy grew by 1.2 per cent on a year-on-year basis in the first quarter, slightly lower than the 1.3 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 3.8 per cent, a reversal from the 0.8 per cent contraction in the preceding quarter.

The manufacturing sector contracted by 0.5 per cent year-on-year, a pullback from the 4.6 per cent growth in the previous quarter. The contraction was on account of output declines in the precision engineering and electronics clusters, which were in turn due to weak global semiconductor and semiconductor equipment demand. The output declines in these two clusters outweighed output expansions in the biomedical manufacturing, transport engineering and general manufacturing clusters during the quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the manufacturing sector shrank by 7.1 per cent, extending the 3.4 per cent contraction in the preceding quarter.

The construction sector grew by 2.9 per cent year-on-year, a turnaround from the 1.2 per cent decline in the previous quarter. This was also the first quarter of year-on-year growth after 10 consecutive quarters of contraction. Construction output rose during the quarter on account of an increase in both public sector and private sector construction works. On a quarter-on-quarter seasonally-adjusted annualised basis, the construction sector expanded by 14.0 per cent, accelerating from the 5.3 per cent growth in the preceding quarter.

The wholesale & retail trade sector shrank by 1.8 per cent year-on-year, sharper than the 0.8 per cent decline in the previous quarter, on the back of contractions in both the wholesale trade and retail trade segments. The contraction in the wholesale trade segment was driven by weakness in the machinery, equipment & supplies sub-segment, in line with the decline in our non-oil domestic exports. The retail trade segment also shrank, weighed down by a drop in the volume of non-motor vehicle retail sales. On a quarter-on-quarter seasonally-adjusted annualised basis, the wholesale & retail trade sector expanded by 5.9 per cent, a turnaround from the 5.0 per cent decline in the preceding quarter.

The transportation & storage sector posted growth of 0.8 per cent year-on-year, extending the 0.5 per cent expansion in the previous quarter. Growth was mainly supported by the air transport segment, which grew on the back of an increase in air passengers handled at Changi Airport. On the other hand, the water transport segment contracted due to a fall in sea cargo handled at Singapore’s ports. On a

quarter-on-quarter seasonally-adjusted annualised basis, the transportation & storage sector shrank by 1.7 per cent, a reversal from the 0.4 per cent growth in the preceding quarter.

The accommodation & food services sector grew by 1.8 per cent year-on-year, moderating from the 3.5 per cent growth in the previous quarter. Growth was mainly supported by the accommodation segment, which expanded on the back of an increase in gross lettings at gazetted hotels. On the other hand, the performance of the food services segment was lacklustre, weighed down by a fall in the volume of sales at restaurants and food caterers. On a quarter-on-quarter seasonally-adjusted annualised basis, the accommodation & food services sector contracted by 6.1 per cent, reversing the 3.9 per cent expansion in the preceding quarter.

The information & communications sector expanded by 6.6 per cent year-on-year, faster than the 5.0 per cent growth in the previous quarter. Growth was driven by the IT & information services segment on account of firms' robust demand for IT and digital solutions. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector's growth came in at 8.3 per cent, higher than the 7.2 per cent recorded in the preceding quarter.

The finance & insurance sector grew by 3.2 per cent year-on-year, extending the 3.7 per cent growth in the preceding quarter. Growth was largely driven by continued expansions in the "others"¹ and insurance segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded at a slower pace of 4.6 per cent compared to the 5.5 per cent growth in the previous quarter.

Growth in the business services sector eased to 2.3 per cent year-on-year, from 2.6 per cent in the previous quarter, and was mainly supported by the professional services and real estate segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector expanded by 3.8 per cent, accelerating from the 1.8 per cent growth in the preceding quarter.

The "other services industries" grew at a faster pace of 2.2 per cent year-on-year compared to the 0.3 per cent growth in the previous quarter. Growth was primarily driven by an expansion in the education, health & social services segment on the back of a continued ramp-up of operations in healthcare facilities. On a quarter-on-quarter seasonally-adjusted annualised basis, the "other services industries" posted growth of 13.1 per cent, a rebound from the 0.5 per cent contraction in the preceding quarter.

Economic Outlook for 2019

At the last Economic Survey of Singapore published in February, MTI highlighted that growth in most of the key advanced and regional economies was expected to

¹ The "others" segment includes payment players and money-changing services.

moderate in 2019 as compared to 2018. Since then, the global growth outlook for 2019 has weakened further. In particular, the IMF has revised downwards its global growth projection by 0.2 percentage-point (pp) to 3.3 per cent, with downgrades to the forecasts for some of Singapore's key final demand markets such as the US and Eurozone economies.

In the US, notwithstanding the strong GDP growth posted in the first quarter of 2019, growth for the full year is expected to moderate from 2018's growth by more than earlier anticipated. While private consumption is likely to continue to support GDP growth on the back of healthy labour market conditions, weaker export demand and reduced fiscal impetus are expected to weigh on growth. Similarly, the growth outlook for the Eurozone economy in 2019 has weakened since the start of the year. Growth momentum is expected to ease in tandem with the moderation in business and consumer confidence, which has in turn been dampened by weak external demand conditions and continued Brexit-related uncertainties. Nonetheless, domestic demand is likely to lend some support to the Eurozone economy on account of resilient labour market conditions and low borrowing costs.

In Asia, China's economy is expected to slow in 2019 as compared to 2018 on the back of a moderation in investment growth as well as weaker exports growth, with the latter weighed down in part by the effect of the US tariffs. However, policy stimulus measures implemented by the Chinese government are likely to provide some support to the economy. Meanwhile, growth of the key ASEAN economies of Malaysia, Thailand and Indonesia in 2019 is expected to remain unchanged or ease from the levels registered in 2018. In particular, private consumption is likely to remain resilient, even as merchandise exports are likely to slow.

At the same time, the global growth outlook remains clouded by uncertainties and downside risks. First, with the recent trade actions announced by the US and China, there is a risk of a further escalation of the trade conflicts between the US and its key trading partners, especially China. Should this happen and trigger a sharp fall in global business and consumer confidence, investments and consumption could decline, thereby adversely affecting global growth. Second, there remains the risk of slower-than-expected growth in the Chinese economy, which could be precipitated by the imposition of further tariffs by the US. If this occurs and leads to a sharp fall in import demand, the region's growth would be negatively affected. Third, the delay in Brexit until 31 October 2019 has prolonged economic uncertainty and could further weigh on consumer and business sentiments in the UK and EU. Furthermore, the possibility of a "no-deal" Brexit remains and could have a negative impact on global growth should it materialise.

Against this challenging external economic backdrop, key outward-oriented sectors in the Singapore economy are expected to slow this year. First, the manufacturing sector is likely to see a sharp slowdown in growth following two years of robust expansion. In particular, the electronics and precision engineering clusters, which

have already contracted for two consecutive quarters, are expected to face strong headwinds on account of a sharper-than-expected downturn in the global electronics cycle, as well as uncertainties arising from the ongoing trade conflicts. Second, growth in outward-oriented services sectors such as wholesale trade and transportation & storage is expected to ease in tandem with the moderation in growth in key advanced and regional economies.

Nonetheless, there remain pockets of strength in the Singapore economy. In particular, the growth of the information & communications sector is projected to remain healthy given firms' continued robust demand for IT and digital solutions. At the same time, the education, health & social services segment's growth is expected to be resilient, supported by the ongoing ramp-up of operations in healthcare facilities. Meanwhile, the construction sector is likely to see a sustained turnaround after three consecutive years of contraction, as the pickup in contracts awarded since the second half of 2017 is expected to continue to translate into construction activities for the rest of the year.

Taking into account the performance of the Singapore economy in the first quarter, as well as the weaker external demand outlook for Singapore, the GDP growth forecast for 2019 is narrowed downwards to **"1.5 to 2.5 per cent"**, from "1.5 to 3.5 per cent".

MINISTRY OF TRADE AND INDUSTRY
21 May 2019

ANNEX

SECTORAL GROWTH RATES

	1Q18	2Q18	3Q18	4Q18	2018	1Q19
	Year-on-Year % Change					
Total	4.6	4.2	2.6	1.3	3.1	1.2
Goods Producing Industries	6.5	7.8	2.5	3.5	5.0	0.0
Manufacturing	10.0	10.6	3.5	4.6	7.0	-0.5
Construction	-6.4	-4.3	-2.6	-1.2	-3.7	2.9
Services Producing Industries	4.4	2.9	2.8	1.5	2.9	1.5
Wholesale & Retail Trade	2.9	2.6	2.4	-0.8	1.7	-1.8
Transportation & Storage	1.8	1.2	1.6	0.5	1.3	0.8
Accommodation & Food Services	0.8	3.5	3.4	3.5	2.8	1.8
Information & Communications	5.5	6.1	5.1	5.0	5.4	6.6
Finance & Insurance	10.1	5.8	3.9	3.7	5.8	3.2
Business Services	3.5	2.1	3.0	2.6	2.8	2.3
Other Services Industries	3.4	1.1	1.8	0.3	1.6	2.2
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	4.9	0.7	0.8	-0.8	3.1	3.8
Goods Producing Industries	11.6	5.6	1.0	-3.0	5.0	-3.6
Manufacturing	14.2	7.8	1.1	-3.4	7.0	-7.1
Construction	-3.5	-7.8	0.2	5.3	-3.7	14.0
Services Producing Industries	5.8	-1.5	1.7	0.4	2.9	5.5
Wholesale & Retail Trade	11.9	-5.9	-2.7	-5.0	1.7	5.9
Transportation & Storage	-3.7	0.3	4.5	0.4	1.3	-1.7
Accommodation & Food Services	0.6	6.9	2.9	3.9	2.8	-6.1
Information & Communications	1.4	4.6	6.5	7.2	5.4	8.3
Finance & Insurance	6.8	-0.2	2.9	5.5	5.8	4.6
Business Services	5.7	0.8	2.7	1.8	2.8	3.8
Other Services Industries	5.4	-6.1	2.7	-0.5	1.6	13.1

OTHER ECONOMIC INDICATORS

	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Retail Sales Index* (yoy, %)	-1.7	0.4	-1.0	-2.3	-1.2	-0.7
Value Added Per Worker [^] (yoy, %)	4.4	3.7	1.6	0.1	2.4	-0.3
Value Added Per Actual Hour Worked [^] (yoy, %)	5.8	6.3	1.8	0.8	3.6	0.1
Unemployment Rate, SA (%)	2.0	2.1	2.1	2.2	2.1	2.2
Changes in Employment ('000)	3.7	6.5	19.3	15.9	45.3	14.7
Overall Unit Labour Cost (yoy, %)	-1.0	0.1	1.0	1.4	0.4	2.1
Unit Business Cost of Manufacturing (yoy, %)	-5.5	-8.2	-4.3	-8.2	-6.5	-3.5
Consumer Price Index (yoy, %)	0.2	0.3	0.7	0.5	0.4	0.5
Fixed Asset Investments (\$ bil)	0.8	4.5	1.5	4.1	10.9	3.8
Total Merchandise Trade (yoy, %)	2.5	10.2	14.7	9.2	9.2	2.1
Merchandise Exports	2.3	9.3	12.7	7.2	7.9	0.0
Domestic Exports	3.5	12.9	14.5	3.4	8.4	-6.4
Oil	8.6	20.4	28.9	12.1	17.1	-6.5
Non-Oil	1.1	9.3	8.0	-1.1	4.2	-6.4
Re-exports	0.9	5.7	11.1	11.2	7.4	6.8
Merchandise Imports	2.8	11.1	17.0	11.5	10.6	4.6
Total Services Trade (yoy, %)	3.9	1.6	2.1	0.8	2.1	0.7
Exports of Services	6.3	3.2	4.3	2.1	3.9	0.4
Imports of Services	1.6	0.1	-0.1	-0.5	0.3	0.9

* At constant prices. [^] Based on GDP at market prices in chained (2015) dollars.