MTI MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

MTI Maintains 2021 GDP Growth Forecast at "4.0 to 6.0 Per Cent"

15 February 2021. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy contracted by 5.4 per cent in 2020. For 2021, MTI has maintained the GDP growth forecast at "4.0 to 6.0 per cent".

Economic Performance in Fourth Quarter 2020[1]

The Singapore economy contracted by 2.4 per cent on a year-on-year basis in the fourth quarter, an improvement from the 5.8 per cent contraction in the preceding quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 3.8 per cent, following the 9.0 per cent growth recorded in the previous quarter.[2]

The manufacturing sector grew by 10.3 per cent year-on-year, extending the 11.0 per cent expansion in the third quarter. Growth was supported by output expansions in the electronics, biomedical manufacturing, precision engineering and chemicals clusters, which more than offset output declines in the transport engineering and general manufacturing clusters. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 1.4 per cent, a pullback from the 9.7 per cent expansion in the preceding quarter.[3]

The construction sector contracted by 27.4 per cent year-on-year due to declines in both public sector and private sector construction works, although this was an improvement from the 52.5 per cent contraction recorded in the third quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 55.6 per cent, faster than the 37.5 per cent growth in the previous quarter.

The wholesale trade sector grew by 1.8 per cent year-on-year, a turnaround from the 5.0 per cent contraction in the third quarter. Growth was driven by an expansion in the machinery, equipment & supplies segment, which came on the back of the strong performance of the wholesalers of telecommunications equipment and computers, particularly mobile equipment. On a quarter-on-quarter seasonally-

[1] With effect from the preliminary GDP estimates for the fourth quarter of 2020, the estimates for the following sectors will be disaggregated into their constituent sectors: (i) Wholesale & Retail Trade into Wholesale Trade and Retail Trade; (ii) Accommodation & Food Services into Accommodation and Food & Beverage Services; and (iii) Business Services into Real Estate, Professional Services and Administrative & Support Services. The Department of Statistics (DOS) will continue to make available the data for the broader sectors for downloading on DOS' website (www.singstat.gov.sg).

[2] The strong GDP growth seen in the third quarter was due to the phased resumption of activities following the Circuit Breaker that was implemented between 7 April and 1 June 2020, as well as the rebound in activity in major economies during the quarter as they emerged from their lockdowns.

[3] Output in the manufacturing sector was lower in the fourth quarter compared to the third quarter, partly due to (i) base effects as manufacturers that were not allowed to operate during the Circuit Breaker had a backlog of orders to meet in the third quarter, and (ii) a different mix of active pharmaceutical ingredients produced in the biomedical manufacturing cluster in the fourth quarter.

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adjusted basis, the sector rebounded to grow by 5.2 per cent, after shrinking by 2.7 per cent in the preceding quarter.

The retail trade sector contracted by 4.7 per cent year-on-year, a smaller decline as compared to the 8.6 per cent contraction recorded in the third quarter. The weak performance of the sector was on account of a fall in the volume of non-motor vehicular retail sales, which outweighed an increase in the volume of motor vehicle sales. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.8 per cent, slower than the 54.9 per cent expansion in the previous quarter.

The transportation & storage sector shrank by 27.4 per cent year-on-year, slightly better than the 29.0 per cent contraction in the third quarter. Within the sector, the air transport segment was adversely affected by the continued slump in air passengers handled at Changi Airport amidst ongoing global travel restrictions, while the water transport segment contracted as the volume of sea cargo handled fell. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 3.4 per cent, softening from the 12.4 per cent growth in the preceding quarter.

The accommodation sector contracted by 19.7 per cent year-on-year, extending the 20.5 per cent decline in the third quarter. The sector's performance was weighed down by a steep fall in international visitor arrivals due to ongoing travel restrictions and weak global travel demand. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 2.3 per cent, a moderation from the 25.2 per cent expansion registered in the previous quarter.

The food & beverage services sector shrank by 19.0 per cent year-on-year, improving from the 24.1 per cent contraction in the third quarter. All segments within the sector saw a decline in sales volume, in part due to capacity constraints arising from the requirement for safe distancing measures. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 6.7 per cent, extending the 38.9 per cent growth in the preceding quarter.

Growth in the information & communications sector came in at 2.6 per cent year-on-year, faster than the 1.4 per cent recorded in the third quarter. The expansion was led by the IT & information services segment, which continued to benefit from resilient demand from enterprises for IT solutions. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 4.2 per cent, after posting growth of 6.4 per cent in the previous quarter.

The finance & insurance sector expanded by 4.9 per cent year-on-year, better than the 4.2 per cent growth achieved in the third quarter, supported in part by healthy expansions in the banking and insurance segments. On a quarter-on-quarter seasonally-adjusted basis, growth in the sector picked up to 3.8 per cent, from 0.9 per cent in the preceding quarter.

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The real estate sector shrank by 10.8 per cent year-on-year, following the 17.7 per cent contraction in the third quarter. The weak performance of the sector was largely due to sluggish rentals in the commercial and industrial property markets. On a quarter-on-quarter seasonally-adjusted basis, the sector's growth came in at 8.8 per cent, slower than the 12.3 per cent recorded in the previous quarter.

The professional services sector contracted by 7.5 per cent year-on-year, extending the 10.7 per cent contraction in the third quarter. All segments within the sector shrank, with the steepest decline seen in the architectural & engineering, technical testing & analysis segment due to sustained weak demand from the domestic construction sector. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 3.1 per cent, softer than the 7.5 per cent growth posted in the preceding quarter.

The administrative & support services sector contracted by 14.9 per cent year-on-year, a moderation from the 19.4 per cent contraction in the third quarter. Within the sector, the rental & leasing segment shrank due to weakness in the rental and leasing of construction machinery & equipment and air transport equipment, while the other administrative & support services segment contracted because of the poor performance of travel agencies, tour operators and MICE organisers. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 4.4 per cent, a step-up from the 1.9 per cent growth recorded in the previous quarter.

The "other services industries" shrank by 5.7 per cent year-on-year, after posting a contraction of 8.7 per cent in the third quarter. The sector's performance was weighed down by the arts, entertainment & recreation and "others"[4] segments, which contracted as a result of the slump in visitor arrivals and the implementation of public health measures to control the COVID-19 situation, respectively. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 4.5 per cent, slowing from the 12.5 per cent expansion registered in the preceding quarter.

Overall Performance in 2020

For the whole of 2020, the Singapore economy contracted by 5.4 per cent, a reversal from the 1.3 per cent growth recorded in 2019.

The manufacturing sector expanded by 7.3 per cent, a turnaround from the 1.5 per cent contraction in 2019. The sector's growth was supported by robust expansions in the biomedical manufacturing, electronics and precision engineering clusters.

[4] The "others" segment of the other services industries consists of (i) membership organisations, (ii) repair of computers, personal and household goods and vehicles, and (iii) other personal service activities such as personal care services, wedding services and funeral services.

The construction sector shrank by 35.9 per cent, a sharp retraction from the 1.6 per cent growth posted in 2019, weighed down by weakness in both public sector and private sector construction works.

The services producing industries contracted by 6.9 per cent, reversing the 2.0 per cent growth recorded in 2019. Most services sectors saw a full-year contraction due to the widespread economic impact of the COVID-19 pandemic. Key exceptions were the finance & insurance and information & communications sectors, which expanded by 5.0 per cent and 2.1 per cent respectively.

Economic Outlook for 2021

Since the last Economic Survey of Singapore in November 2020, there has been further progress in COVID-19 vaccine development and deployment, with several approved vaccines being rolled out in many economies around the world. Although the speed of vaccine deployment varies, advanced economies like the US and Eurozone are likely to reach population immunity by the second half of this year, which should in turn spur their economic recoveries. On the other hand, the growth prospects for regional economies such as Malaysia and Indonesia have weakened due to the recent resurgence in infections, which has necessitated the re-imposition of lockdowns and restrictions. On balance, as the positive developments in the key external economies broadly offset the negative ones, Singapore's external demand outlook remains largely similar compared to three months ago.

In particular, the US economy is projected to rebound this year on the back of a recovery in personal consumption expenditure, which is in turn expected to be bolstered by the injection of additional fiscal stimulus amidst an improvement in the health situation and the progressive rollout of vaccines. In the Eurozone, the recent surge in COVID-19 cases and resulting public health measures to contain the outbreak are likely to pose a drag on domestic demand and hence its economic recovery. Nonetheless, the pace of recovery is expected to pick up over the course of the year as the deployment of vaccines becomes more widespread. In Asia, China's economy is projected to continue to strengthen this year, driven by healthy growth in investment, consumption and exports. Meanwhile, the key ASEAN economies are expected to post a recovery this year, supported by a pickup in external demand, even though domestic demand is likely to be dampened by the recent wave of COVID-19 cases and associated measures taken to contain the virus.

At the same time, uncertainties and risks in the global economy remain. First, there continues to be significant uncertainty surrounding the course of the COVID-19 pandemic and the trajectory of the global economic recovery. How these pan out in the year ahead depends on factors such as the adequacy of vaccine supplies and speed of vaccine deployment, the possible emergence and spread of new strains of the virus, as well as the strength of policy support to drive economic recovery. Second, the protracted nature of the economic recovery in many countries could lead to financial system stresses, which could in turn trigger a tightening of financial conditions and adversely affect the global economic recovery. Excessive private sector indebtedness arising from loose monetary conditions also remains a concern. Third, continued geopolitical uncertainty involving the major economies could weigh on global trade and the global economic recovery.

Domestically, Singapore's COVID-19 situation remains under control and our vaccination programme is also underway. However, the pace of border re-opening has slowed amidst the global surge in COVID-19 cases and the emergence of more contagious strains of the virus.

Against this external and domestic backdrop, the Singapore economy is expected to see a gradual recovery over the course of the year, although the outlook remains uneven across sectors. First, outward-oriented sectors, including trade-related services sectors (e.g., wholesale trade and water transport), are projected to benefit from the pickup in external demand. The manufacturing sector, in particular, is likely to expand at a faster pace than previously projected due to robust semiconductor demand from the 5G and automotive markets. Meanwhile, the information & communications and finance & insurance sectors are expected to continue to post steady growth, supported by sustained enterprise demand for IT and digital solutions, and credit and payment processing services respectively.

Second, the tourism- and aviation-related sectors (e.g., accommodation and air transport) are projected to see a weaker recovery than previously expected due to the slower-than-anticipated lifting of global travel restrictions, as well as sluggish travel demand. Economic activity in these sectors is likely to remain below pre-COVID levels even by the end of 2021.

Third, consumer-facing sectors (e.g., retail trade and food & beverage services) are expected to benefit from an improvement in consumer sentiments amidst a gradual turnaround in labour market conditions. However, the slower recovery in visitor arrivals and capacity constraints arising from safe distancing measures are likely to weigh on their performance. On balance, economic activity in these sectors is not likely to return to pre-COVID levels by end-2021.

Fourth, while the construction and marine & offshore engineering sectors are projected to recover from the low base last year, activity levels at construction worksites and shipyards will continue to be dampened by the requirement for safe management measures. The recovery in output in these two sectors is also expected to be slow due to the plunge in contracts awarded for construction works in 2020 and the weakness in the global oil & gas market respectively.

Taking into account the developments in the global and domestic economic environment, the GDP growth forecast for 2021 is maintained at **"4.0 to 6.0 per cent"**.

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15 February 2021

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ANNEX

SECTORAL GROWTH RATES

	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
	Year-on-Year % Change						
Total	1.3	1.3	0.0	-13.3	-5.8	-2.4	-5.4
Goods Producing Industries	-2.9	-0.9	6.7	-10.0	1.1	3.9	0.3
Manufacturing	-4.0	-1.5	8.3	-0.4	11.0	10.3	7.3
Construction	2.4	1.6	-0.3	-65.6	-52.5	-27.4	-35.9
Services Producing Industries	2.6	2.0	-1.9	-12.7	-8.3	-4.7	-6.9
Wholesale Trade	-1.5	-0.8	-3.8	-3.0	-5.0	1.8	-2.4
Retail Trade	-4.8	-2.4	-10.4	-41.3	-8.6	-4.7	-16.0
Transportation & Storage	0.3	0.2	-7.4	-37.5	-29.0	-27.4	-25.4
Accommodation	0.7	0.1	-39.8	-35.5	-20.5	-19.7	-28.7
Food & Beverage Services	-1.8	0.3	-11.8	-45.9	-24.1	-19.0	-25.1
Information & Communications	13.0	12.1	5.2	-0.8	1.4	2.6	2.1
Finance & Insurance	9.1	7.8	8.1	3.1	4.2	4.9	5.0
Real Estate	-0.1	-1.6	-2.1	-26.4	-17.7	-10.8	-14.2
Professional Services	2.3	5.4	-3.7	-16.8	-10.7	-7.5	-9.7
Administrative & Support Services	-4.1	-10.5	-4.4	-20.7	-19.4	-14.9	-15.1
Other Services Industries	4.4	3.6	-3.4	-18.0	-8.7	-5.7	-8.9
	Quarter-on-Quarter Growth % (SA)						
Total	0.1	1.3	-0.6	-13.1	9.0	3.8	-5.4
Goods Producing Industries	-1.1	-0.9	7.9	-15.4	11.9	1.8	0.3
Manufacturing	-1.0	-1.5	10.5	-7.6	9.7	-1.4	7.3
Construction	1.5	1.6	-1.5	-65.6	37.5	55.6	-35.9
Services Producing Industries	0.3	2.0	-3.2	-10.4	5.5	4.1	-6.9
Wholesale Trade	-1.5	-0.8	-0.4	-0.2	-2.7	5.2	-2.4
Retail Trade	-3.2	-2.4	-5.5	-35.5	54.9	0.8	-16.0
Transportation & Storage	0.7	0.2	-7.9	-32.0	12.4	3.4	-25.4
Accommodation	1.3	0.1	-40.4	5.3	25.2	2.3	-28.7
Food & Beverage Services	-0.2	0.3	-10.6	-38.9	38.9	6.7	-25.1
Information & Communications	3.0	12.1	-4.9	-2.8	6.4	4.2	2.1
Finance & Insurance	3.1	7.8	1.5	-1.4	0.9	3.8	5.0
Real Estate	0.9	-1.6	-1.9	-25.7	12.3	8.8	-14.2
Professional Services	-0.2	5.4	-4.1	-13.1	7.5	3.1	-9.7
Administrative & Support Services	-0.8	-10.5	-4.9	-16.4	1.9	4.4	-15.1
Other Services Industries	1.2	3.6	-5.8	-14.8	12.5	4.5	-8.9

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OTHER ECONOMIC INDICATORS

	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Retail Sales Index* (yoy, %)	-5.0	-3.4	-10.1	-40.7	-8.6	-4.6	-15.8
Value Added Per Worker^ (yoy, %)	-0.4	-0.2	-1.3	-11.9	-2.5	2.4	-3.4
Value Added Per Actual Hour Worked^ (yoy, %)	-1.9	-1.3	-3.1	2.4	2.2	4.0	1.3
Unemployment Rate, SA (%)	2.3	2.3	2.4	2.8	3.6	3.2	3.0
Changes in Employment ('000)	21.6	69.7	-25.4	-113.5	-34.4	-13.4	-186.6
Overall Unit Labour Cost (yoy, %)	1.6	2.3	1.1	-18.0	-10.2	-10.7	-9.1
Unit Business Cost of Manufacturing (yoy, %)	0.3	-4.7	-7.4	-16.2	-17.1	-16.7	-14.4
Consumer Price Index (yoy, %)	0.6	0.6	0.4	-0.7	-0.3	-0.1	-0.2
Fixed Asset Investments ($ bil)	6.9	15.2	10.3	1.9	2.1	3.0	17.2
Total Merchandise Trade (yoy, %)	-5.3	-3.2	3.4	-13.9	-4.8	-5.1	-5.2
Merchandise Exports	-4.3	-4.2	4.0	-11.4	-2.2	-2.9	-3.2
Domestic Exports	-11.5	-10.5	4.9	-16.2	-5.1	-10.3	-6.8
Oil	-21.5	-12.9	3.9	-53.3	-29.1	-30.6	-28.1
Non-Oil	-5.7	-9.2	5.4	5.8	6.5	-0.5	4.3
Re-exports	2.8	2.3	3.2	-6.9	0.3	3.4	0.1
Merchandise Imports	-6.3	-2.1	2.6	-16.6	-7.6	-7.6	-7.4
Total Services Trade (yoy, %)	6.6	5.7	-3.0	-21.4	-16.3	-16.3	-14.3
Exports of Services	9.0	6.2	-3.3	-19.1	-14.1	-13.8	-12.7
Imports of Services	4.2	5.2	-2.7	-23.7	-18.7	-18.9	-16.1

* In chained volume terms.
^ Based on GDP at market prices in chained (2015) dollars.