MTI Forecasts GDP Growth of "around 7.0 Per Cent" in 2021 and "3.0 to 5.0 Per Cent" in 2022

24 November 2021. The Ministry of Trade and Industry (MTI) announced today that Singapore's GDP growth is expected to come in at "around 7.0 per cent" in 2021 and "3.0 to 5.0 per cent" in 2022.

Economic Performance in Third Quarter 2021

In the third quarter of 2021, the Singapore economy grew by 7.1 per cent on a year-on-year basis, slower than the 15.2 per cent expansion recorded in the previous quarter.[1] This brought GDP growth in the first three quarters of 2021 to 7.7 per cent. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.3 per cent in the third quarter, a turnaround from the 1.4 per cent contraction in the second quarter.

By sectors, the manufacturing sector grew by 7.2 per cent year-on-year, moderating from the 17.9 per cent growth in the preceding quarter. All clusters within the sector, except for the biomedical manufacturing cluster, expanded during the quarter. In particular, the electronics and precision engineering clusters continued to post healthy growth amidst robust global demand for semiconductors and semiconductor equipment respectively. On a quarter-on-quarter seasonally-adjusted basis, the manufacturing sector shrank marginally by 0.1 per cent, easing from the 2.2 per cent contraction in the second quarter.

The construction sector expanded by 66.3 per cent year-on-year, slowing from the 117.5 per cent expansion in the previous quarter, as both public sector and private sector construction output rose. The strong growth during the quarter was mainly because of low base effects given the slow resumption of construction activities after the Circuit Breaker period last year. In absolute terms, the value-added (VA) of the sector in the third quarter remained 21.1 per cent below its pre-pandemic level.[2] On a quarter-on-quarter seasonally-adjusted basis, the sector posted growth of 4.9 per cent, a reversal from the 2.4 per cent contraction in the second quarter.

The wholesale trade sector grew by 5.9 per cent year-on-year, faster than the 3.4 per cent expansion in the previous quarter. Growth was led by the machinery, equipment & supplies segment, which was in turn bolstered by the strong wholesale sales of electronic components and telecommunications equipment & computers.

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[1] The strong year-on-year GDP growth recorded in the second quarter of 2021 was largely due to the low base in the corresponding quarter of 2020 when GDP fell by 13.3 per cent due to the Circuit Breaker measures implemented from 7 April to 1 June 2020, as well as the sharp fall in external demand amidst the COVID-19 pandemic. These factors would also explain the strong year-on-year growth seen in the second quarter of 2021 for sectors such as construction, retail trade and food & beverage services.

[2] In this press release, pre-pandemic or pre-COVID VA levels refer to the sectors' VA in the third quarter of 2019.

On a quarter-on-quarter seasonally-adjusted basis, the sector registered flat growth, improving from the 0.6 per cent contraction in the preceding quarter.

The retail trade sector expanded by 0.7 per cent year-on-year, slower than the 51.1 per cent growth in the previous quarter. Growth during the quarter was supported by an increase in non-motor vehicle sales volumes, even as motor vehicle sales volumes declined due to a reduction in Certificate of Entitlement (COE) quotas. In absolute terms, the sector's VA remained 7.9 per cent below its pre-pandemic level. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 3.1 per cent, a reversal from the 4.3 per cent contraction in the preceding quarter.

Growth in the transportation & storage sector slowed to 8.2 per cent year-on-year, from 20.1 per cent in the second quarter. Within the sector, the air transport segment recorded strong growth, mainly due to an increase in air passengers handled from a low base in the same quarter of last year. On the other hand, the water transport segment grew marginally, weighed down by slower growth in the volume of sea cargo handled at Singapore's ports. As a whole, the VA of the sector remained 23.2 per cent lower than its pre-COVID level. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.3 per cent, a turnaround from the 2.3 per cent contraction in the previous quarter.

The accommodation sector contracted by 4.1 per cent year-on-year, a reversal from the 15.8 per cent expansion in the preceding quarter. The performance of the sector was weighed down by continued weak visitor arrivals due to travel restrictions, even though demand from the government for hotel rooms to serve as quarantine facilities provided some support to the sector. Compared to its pre-pandemic level, the VA of the sector in the third quarter was 23.7 per cent lower. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 3.6 per cent, moderating from the 4.5 per cent growth in the previous quarter.

The food & beverage services sector shrank by 4.2 per cent year-on-year, in contrast to the 36.9 per cent expansion in the second quarter. The performance of the sector was adversely affected by the re-imposition of tighter dine-in and event restrictions during the quarter, including the prohibition of dine-in services under Phase 2 (Heightened Alert) (P2HA) measures. In particular, restaurants and food caterers saw a fall in sales volumes, even as the sales volumes of fast food outlets, and cafes, food courts & other eating places rose. Overall, the VA of the sector in the third quarter was 27.3 per cent below its pre-COVID level. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 2.8 per cent, extending the 8.0 per cent contraction in the preceding quarter.

The information & communications sector expanded by 10.4 per cent year-on-year, the same pace of growth as in the previous quarter. Growth was largely driven by the IT & information services segment, which benefitted from strong demand for enterprise IT solutions. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 6.2 per cent, faster than the 1.0 per cent growth in the second quarter.

Growth in the finance & insurance sector came in at 9.0 per cent year-on-year, extending the 9.8 per cent recorded in the preceding quarter, supported mainly by an expansion in the insurance segment. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded marginally by 0.2 per cent, moderating from the 2.7 per cent growth in the previous quarter.

The real estate sector grew by 16.8 per cent year-on-year, slower than the 26.3 per cent growth in the preceding quarter. Growth was primarily supported by the private residential property segment, while the performance of the commercial property segment continued to be sluggish. In absolute terms, the VA of the sector remained 3.9 per cent lower than its pre-pandemic level. On a quarter-on-quarter seasonally-adjusted basis, the sector recorded growth of 3.9 per cent, a turnaround from the contraction of 3.3 per cent in the second quarter.

The professional services sector expanded by 4.4 per cent year-on-year, moderating from the 10.8 per cent expansion in the previous quarter. Growth was mainly supported by the architectural & engineering, technical testing & analysis and other professional, scientific & technical services segments, which expanded from low bases a year ago. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.2 per cent, extending the 0.9 per cent growth in the preceding quarter.

The administrative & support services sector contracted by 1.3 per cent year-on-year, following the flat growth recorded in the second quarter. Within the sector, the rental & leasing segment shrank as travel restrictions negatively affected the rental and leasing of air transport equipment. This more than offset an expansion in the other administrative & support services segment. Overall, the sector's VA in the third quarter was 20.5 per cent below its pre-COVID level. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded marginally by 0.2 per cent, improving from the 1.1 per cent contraction in the previous quarter.

The "other services industries" grew by 4.4 per cent year-on-year, slower than the 16.1 per cent growth in the preceding quarter. Within the sector, the education, health & social services, public administration & defence and "others"[3] segments expanded. By contrast, the arts, entertainment & recreation segment contracted due to the re-imposition of P2HA measures and the phased relaxation of restrictions thereafter, as well as the slow recovery in visitor arrivals. As a whole, the VA of the sector remained 4.7 per cent lower than its pre-pandemic level. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.1 per cent, a reversal from the 1.7 per cent contraction in the second quarter.

[3] 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.

Economic Outlook for 2021

Since the Economic Survey of Singapore in August, the global economy has performed broadly in line with expectations. Advanced economies which have achieved high vaccination rates and also started booster shots, such as the US and key Eurozone economies, have largely removed restriction measures even amidst the spread of the highly-infectious Delta variant. This has helped to sustain their economic recoveries. By contrast, COVID-19 outbreaks and the re-imposition of restrictions had disrupted the recoveries of key Southeast Asian economies, although some of these restrictions are being gradually lifted as their respective domestic health situations stabilise. In China, economic growth is expected to come in slower than earlier anticipated due to its property market downturn, energy crunch, as well as sluggish consumption growth amidst periodic local outbreaks that have led to the imposition of restrictions to contain the outbreaks.

Domestically, travel and domestic restrictions have continued to weigh on the recovery of aviation- and tourism-related sectors such as air transport and arts, entertainment & recreation, as well as consumer-facing sectors such as food & beverage services and retail trade. However, growth in outward-oriented sectors such as electronics and finance & insurance has been stronger than expected, bolstered by robust demand for semiconductors, and insurance products and fund management services, respectively. The recent easing of border restrictions on the entry of migrant workers from South Asia and Myanmar will also alleviate some of the ongoing labour shortages in the construction and marine & offshore engineering sectors, and support their recovery.

Taking into account the performance of the Singapore economy in the first three quarters of the year (i.e., 7.7 per cent year-on-year), as well as the latest external and domestic developments, the 2021 GDP growth forecast for Singapore is narrowed to **"around 7.0 per cent"**, from "6.0 to 7.0 per cent".

Economic Outlook for 2022

For 2022, GDP growth in most advanced economies is expected to moderate as compared to 2021 but remain above pre-COVID trend rates.[4] By contrast, key Southeast Asian economies are projected to see faster growth in 2022 as they progressively resume more economic activities. Meanwhile, supply bottlenecks and disruptions could continue to weigh on industrial production in some external economies in the near term.

In the US, economic growth is projected to moderate in 2022, although remaining above its pre-COVID trend rate. Stronger labour market conditions, along with elevated savings from previous fiscal stimulus packages, are expected to bolster consumer spending. Nonetheless, a reduction in the amount of fiscal stimulus likely

[4] Pre-COVID trend rate is measured as the average annual GDP growth rate from 2015 to 2019.

to be disbursed in 2022 as compared to 2021, as well as lingering supply disruptions could pose a drag on growth. Similarly, GDP growth is expected to moderate but remain above trend in the Eurozone in 2022. Sustained improvements in labour market conditions and firm consumer confidence will continue to support domestic demand, even though industrial production is likely to be weighed down by supply bottlenecks in early 2022.

In Asia, China's growth is projected to slow due to its property market downturn, constraints imposed on energy use, and adherence to a zero-COVID policy, which could dampen consumption growth. Meanwhile, GDP growth in the key Southeast Asian economies of Malaysia, Thailand and Indonesia is expected to pick up alongside improvements in domestic demand, following the decline in COVID-19 infections in recent months and further progress in vaccine deployment, as well as sustained external demand.

At the same time, downside risks in the global economy remain. First, the trajectory of the COVID-19 pandemic remains a risk. While vaccination rates have picked up in many economies, there are concerns over waning vaccine efficacy and potential mutations of the virus. Hence, even in economies with high vaccination rates and booster rollouts, infections could still rise and weaken their recovery. Second, if global supply disruptions are more protracted than expected due to further COVID 19 outbreaks, logistical or production constraints, global industrial production may be constrained for longer. Third, protracted supply disruptions alongside a stronger pickup in demand, as well as rising energy commodity prices, could lead to more persistent inflation. This could in turn result in an earlier or larger increase in interest rates than anticipated, thereby triggering a tightening of global financial conditions. Fourth, continued geopolitical uncertainty involving the major economies could weigh on trade and the global economic recovery.

Domestically, our high vaccination rate and steady rollout of booster shots will continue to facilitate the progressive easing of domestic and border restrictions, which will support the recovery of consumer-facing sectors and alleviate labour shortages in sectors that are reliant on migrant workers. Air travel and visitor arrivals are also expected to improve with the loosening of travel restrictions and expansion of Vaccinated Travel Lanes.

Against this backdrop, the recovery of the various sectors of the economy in 2022 is expected to remain uneven. First, the growth prospects for outward-oriented sectors (e.g., manufacturing and wholesale trade) remain strong given robust external demand. The manufacturing sector is projected to continue to expand, with growth in the electronics and precision engineering clusters supported by sustained global demand for semiconductor and semiconductor equipment respectively. At the same time, growth in the information & communications and finance & insurance sectors is expected to be driven by healthy demand for IT and digital solutions, and credit and payment processing services respectively.

Second, the recovery of the aviation- and tourism-related sectors (e.g., air transport and accommodation) is likely to be gradual as global travel demand will take time to recover and travel restrictions could persist in key visitor source markets. The accommodation sector will also be weighed down by a projected decline in domestic demand due to the tapering of government demand, as well as lower staycation demand with the relaxation of travel restrictions. Overall, activity in these sectors is expected to remain below pre-COVID levels throughout 2022.

Third, consumer-facing sectors (e.g., retail trade and food & beverage services) are projected to recover as domestic restrictions are progressively eased, and consumer sentiments improve amidst a gradual turnaround in labour market conditions. Nonetheless, the VA of the food & beverage services sector is not likely to return to pre-COVID levels by end-2022 as some dine-in and event restrictions could remain in place, while the recovery in visitor arrivals is expected to be slow. Similarly, even though the VA of the retail trade sector is projected to return to pre-pandemic levels by end-2022, some segments such as department stores are likely to remain lacklustre, in part due to weak visitor arrivals.

Fourth, activities in the construction and marine & offshore engineering sectors are expected to continue to recover on the back of the progressive easing of border restrictions on the entry of migrant workers from South Asia and Myanmar. Nonetheless, as it will take time to fully address the shortfall in labour required to meet business needs, labour shortages are likely to continue to keep the output of the two sectors below pre-pandemic levels in 2022.

Taking these factors into account, and barring the materialisation of downside risks, the Singapore economy is expected to grow by **"3.0 to 5.0 per cent"** in 2022.

MINISTRY OF TRADE AND INDUSTRY
24 November 2021

ANNEX

SECTORAL GROWTH RATES

	3Q20	4Q20	2020	1Q21	2Q21	3Q21
	Year-on-Year % Change					
Total	-5.8	-2.4	-5.4	1.5	15.2	7.1
Goods Producing Industries	1.1	3.9	0.3	5.8	22.8	11.1
Manufacturing	11.0	10.3	7.3	11.2	17.9	7.2
Construction	-52.5	-27.4	-35.9	-23.2	117.5	66.3
Services Producing Industries	-8.3	-4.7	-6.9	-0.4	10.9	6.3
Wholesale Trade	-5.0	1.8	-2.4	3.8	3.4	5.9
Retail Trade	-8.6	-4.7	-16.0	1.7	51.1	0.7
Transportation & Storage	-29.0	-27.4	-25.4	-16.4	20.1	8.2
Accommodation	-20.5	-19.7	-28.7	16.5	15.8	-4.1
Food & Beverage Services	-24.1	-19.0	-25.1	-9.1	36.9	-4.2
Information & Communications	1.4	2.6	2.1	6.3	10.4	10.4
Finance & Insurance	4.2	4.9	5.0	5.4	9.8	9.0
Real Estate	-17.7	-10.8	-14.2	-2.7	26.3	16.8
Professional Services	-10.7	-7.5	-9.7	-4.5	10.8	4.4
Administrative & Support Services	-19.4	-14.9	-15.1	-15.5	0.0	-1.3
Other Services Industries	-8.7	-5.7	-8.9	0.6	16.1	4.4
	Quarter-on-Quarter Growth % (SA)					
Total	9.0	3.8	-5.4	3.3	-1.4	1.3
Goods Producing Industries	11.9	1.8	0.3	9.8	-1.9	1.4
Manufacturing	9.7	-1.4	7.3	11.3	-2.2	-0.1
Construction	37.5	55.6	-35.9	4.3	-2.4	4.9
Services Producing Industries	5.5	4.1	-6.9	1.2	-0.2	1.2
Wholesale Trade	-2.7	5.2	-2.4	1.5	-0.6	0.0
Retail Trade	54.9	0.8	-16.0	1.1	-4.3	3.1
Transportation & Storage	12.4	3.4	-25.4	5.7	-2.3	1.3
Accommodation	25.2	2.3	-28.7	-13.5	4.5	3.6
Food & Beverage Services	38.9	6.7	-25.1	0.3	-8.0	-2.8
Information & Communications	6.4	4.2	2.1	-1.2	1.0	6.2
Finance & Insurance	0.9	3.8	5.0	2.1	2.7	0.2
Real Estate	12.3	8.8	-14.2	7.0	-3.3	3.9
Professional Services	7.5	3.1	-9.7	-0.8	0.9	1.2
Administrative & Support Services	1.9	4.4	-15.1	-4.7	-1.1	0.2
Other Services Industries	12.5	4.5	-8.9	0.5	-1.7	1.1

100 High Street, #09-01, The Treasury, Singapore 179434 **T** (65) 6225 9911 **F** (65) 6332 7260 **www.mti.gov.sg**

OTHER ECONOMIC INDICATORS

	3Q20	4Q20	2020	1Q21	2Q21	3Q21
Retail Sales Index* (yoy, %)	-8.7	-4.5	-15.8	1.0	51.0	0.7
Changes in Employment ('000)	-34.4	-7.8	-181.0	13.9	-19.9	-9.4
Unemployment Rate, SA (%)	3.5	3.3	3.0	2.9	2.7	2.6
Value Added Per Actual Hour Worked^ (yoy, %)	2.2	3.8	1.3	7.3	2.1	4.6
Value Added Per Worker^ (yoy, %)	-2.5	2.4	-3.4	6.1	17.4	8.2
Overall Unit Labour Cost (yoy, %)	-10.2	-10.7	-9.1	-6.8	17.8	6.1
Unit Business Cost of Manufacturing (yoy, %)	-17.1	-16.7	-14.4	-10.8	-3.3	-0.3
Fixed Asset Investments ($ bil)	2.1	3.0	17.2	2.8	3.6	3.7
Consumer Price Index (yoy, %)	-0.3	-0.1	-0.2	0.8	2.3	2.5
Total Merchandise Trade (yoy, %)	-4.8	-5.1	-5.2	4.9	27.3	19.1
Merchandise Exports	-2.2	-2.9	-3.2	6.9	26.1	17.4
Domestic Exports	-5.1	-10.3	-6.8	-0.2	25.8	18.8
Oil	-29.1	-30.6	-28.1	-19.3	85.5	49.2
Non-Oil	6.5	-0.5	4.3	9.6	10.1	9.0
Re-exports	0.3	3.4	0.1	13.6	26.4	16.4
Merchandise Imports	-7.6	-7.6	-7.4	2.7	28.6	21.1
Total Services Trade (yoy, %)	-16.3	-16.3	-14.3	-9.2	12.3	7.5
Exports of Services	-14.1	-13.8	-12.7	-7.1	13.3	6.7
Imports of Services	-18.7	-18.9	-16.1	-11.4	11.2	8.3

* In chained volume terms.

^ Based on GDP at market prices in chained (2015) dollars.

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