MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

MTI Narrows Singapore's GDP Growth Forecast for 2022 to "3.0 to 4.0 Per Cent"

11 August 2022. The Ministry of Trade and Industry (MTI) today narrowed Singapore's GDP growth forecast for 2022 to "3.0 to 4.0 per cent", from "3.0 to 5.0 per cent".

Economic Performance in Second Quarter 2022

The Singapore economy grew by 4.4 per cent on a year-on-year basis in the second quarter, faster than the 3.8 per cent growth recorded in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy contracted slightly by 0.2 per cent, a reversal from the 0.8 per cent expansion in the first quarter.

The manufacturing sector expanded by 5.7 per cent year-on-year, extending the 5.5 per cent growth in the previous quarter. Growth during the quarter was supported by output expansions in the transport engineering, general manufacturing, electronics and precision engineering clusters, which more than offset output declines in the biomedical manufacturing and chemicals clusters. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.4 per cent, a turnaround from the 1.7 per cent contraction in the preceding quarter.

Growth in the construction sector picked up to 3.3 per cent year-on-year, from the 2.4 per cent registered in the previous quarter. The sector's growth was on account of an expansion in both public and private sector construction output. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.9 per cent, moderating from the 3.5 per cent growth in the preceding quarter.

The wholesale trade sector grew by 1.9 per cent year-on-year, slower than the 4.8 per cent growth achieved in the first quarter. Within the sector, the machinery, equipment & supplies segment expanded on the back of robust electronics exports, even as the fuels & chemicals and "others"[1] segments contracted. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 2.7 per cent, a reversal from the 3.2 per cent growth in the preceding quarter.

The retail trade sector expanded by 11.5 per cent year-on-year, accelerating from the 4.7 per cent growth recorded in the previous quarter. Growth during the quarter could be attributed to an increase in non-motor vehicle sales volume, largely due to the low base in the same period of last year when Phase 2 Heightened Alert (P2HA) measures were in place. By contrast, motor vehicle sales volume fell because of a reduction in Certificate of Entitlement (COE) quotas. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 6.9 per cent, a pullback from the 2.2 per cent growth in the preceding quarter.

[1] The others segment comprises a diverse range of products, including metals, timber & construction materials, household equipment & furniture, and food, beverages & tobacco, among others.

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

The transportation & storage sector grew by 5.1 per cent year-on-year, improving from the 4.3 per cent growth in the previous quarter. Growth was mainly supported by the air transport segment, which saw a robust expansion on the back of a significant increase in the number of air passengers handled at Changi Airport following Singapore's transition to the Vaccinated Travel Framework (VTF) in end-March 2022. Meanwhile, the land transport segment expanded from a low base in the second quarter of last year when P2HA measures were in place. By contrast, the water transport segment shrank due to a decline in total sea cargo handled at Singapore's ports. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.5 per cent, similar to the 1.6 per cent growth in the first quarter.

The accommodation sector contracted by 5.3 per cent year-on-year, extending the 9.4 per cent contraction in the previous quarter. The performance of the sector continued to be weighed down by a decline in government demand for quarantine and stay-home-notice dedicated facilities from a year ago, even as tourism demand improved with a rapid recovery in international visitor arrivals following the rollout of the VTF. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 22.5 per cent, a sharp turnaround from the 20.3 per cent contraction in the preceding quarter.

Growth in the food & beverage services sector accelerated to 28.0 per cent year-on-year, from the 1.9 per cent recorded in the previous quarter. All segments within the sector expanded, with activity supported by the lifting of most domestic restrictions such as dine-in group size limits since end-April 2022. In particular, food caterers and restaurants experienced the largest increase in sales volumes, partly due to the low base last year arising from the implementation of P2HA measures. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 27.3 per cent, significantly faster than the 5.8 per cent growth recorded in the previous quarter.

The information & communications sector grew by 8.1 per cent year-on-year, extending the 10.1 per cent growth in the first quarter. Growth during the quarter was led by the IT & information services segment, which saw a robust expansion on the back of an increase in IT development, consultancy, data hosting and related activities. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 2.6 per cent, reversing the 0.2 per cent growth in the previous quarter.

The finance & insurance sector expanded by 1.6 per cent year-on-year, moderating from the 3.7 per cent growth in the preceding quarter. Growth was largely supported by an expansion in activities auxiliary to financial services, such as payment processing activities. By contrast, the insurance and banking segments contracted due to weaker sales in single-premium life insurance products, and declines in net fees & commissions and lending, respectively. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.4 per cent, a reversal from the 0.4 per cent contraction in the previous quarter.

Growth in the real estate sector came in at 11.7 per cent year-on-year, extending the 10.1 per cent growth in the first quarter. The sector's growth was supported by the stronger performance of the private residential property segment, as well as the commercial office and industrial property segments in tandem with the continued economic recovery. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.2 per cent, slower than the 8.7 per cent expansion in the previous quarter.

The professional services sector expanded by 6.8 per cent year-on-year, extending the 7.6 per cent growth in the preceding quarter. Growth in the sector was mainly driven by the architectural & engineering, technical testing & analysis segment, as well as the other professional, scientific & technical services segment. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.7 per cent, moderating from the 3.6 per cent growth in the previous quarter.

The administrative & support services sector posted stronger growth of 9.2 per cent year-on-year, compared to the 4.0 per cent growth in the first quarter. Growth was supported by both the rental & leasing and other administrative & support services segments. The former expanded on the back of an increase in the rental & leasing of water transport equipment, while the latter grew on account of a recovery in tourism-related activities such as that of travel agencies and tour operators. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 2.1 per cent, a reversal from the 5.2 per cent growth in the preceding quarter.

The "other services industries" expanded by 5.7 per cent year-on-year, improving from the 1.9 per cent growth in the previous quarter. Growth was mainly supported by the arts, entertainment & recreation segment due to the pickup in international visitor arrivals, as well as the health & social services segment as hospital operations normalised. On a quarter-on-quarter seasonally-adjusted basis, the "other services industries" grew by 2.4 per cent, faster than the 1.3 per cent growth in the preceding quarter.

Economic Outlook for 2022

Since May, the global economic environment has deteriorated further. Stronger-than-expected inflationary pressures and the more aggressive tightening of monetary policy in response are expected to weigh on growth in major advanced economies such as the US and Eurozone. Meanwhile, China continues to grapple with a deepening property market downturn and recurring domestic COVID-19 outbreaks. Notwithstanding recent signs of a slight easing in global supply disruptions, the disruptions are likely to persist for the rest of the year as underlying factors such as the Russia-Ukraine conflict and China's zero-COVID policy remain.

In the US, the pace of economic growth is expected to slow further in the second half of 2022 as compared to the first half. In particular, private consumption growth is likely to weaken on the back of tighter financial conditions due to aggressive monetary policy tightening and continued supply disruptions, even though resilient labour market conditions and accumulated household savings could provide some support. Similarly, the Eurozone economy is projected to see a slower pace of growth in the second half of 2022. Higher cost pressures arising from protracted supply bottlenecks amidst the ongoing Russia-Ukraine conflict, alongside tighter monetary policy, are likely to dampen consumption and industrial activities. The persistent disruption in natural gas supplies from Russia could also trigger a sharp slowdown in the Eurozone economy towards the end of the year.

In Asia, China's GDP growth is expected to pick up in the second half of 2022, supported by the Government's push for more infrastructure spending. However, its property market downturn and continued adherence to a zero-COVID policy amidst recurring outbreaks are likely to weigh on real estate investment and consumption activity respectively, thereby dampening the pace of its economic recovery. Meanwhile, the key Southeast Asian economies such as Malaysia, Indonesia and Thailand are projected to expand at a slightly faster pace in the second half of 2022 due to a continued recovery in domestic and tourism demand with the easing of COVID-19 restrictions, as well as sustained demand for their merchandise exports.

On balance, MTI's assessment is that the external demand outlook for the Singapore economy has weakened compared to three months ago. At the same time, downside risks in the global economy remain significant. First, further escalations in the Russia-Ukraine conflict could worsen global supply disruptions and exacerbate inflationary pressures through higher food and energy prices. More persistent and higher-than-expected inflation would dampen global growth further, including through even more aggressive monetary policy tightening in many advanced economies. Second, financial stability risks could intensify if there are disorderly market adjustments to monetary policy tightening in the advanced economies. In particular, the onset of large capital outflows from regional economies with high dollar-denominated debt levels could lead to tighter financial conditions and affect growth in these economies. Third, there is a risk that geopolitical tensions in the region could escalate and lead to further disruptions in supply chains. Fourth, the trajectory of the COVID-19 pandemic remains a risk, given the potential emergence of more virulent strains of the virus.

Domestically, Singapore has transited to living with COVID-19 with the progressive removal of almost all of its domestic and border restrictions. This has in turn supported the recovery of segments of the Singapore economy that had been badly affected by the pandemic. Notably, the rollout of the VTF in end-March has led to a stronger-than-expected recovery in air passengers handled at Changi Airport and international visitor arrivals to Singapore.[2]

Against this backdrop, the outlook for some outward-oriented sectors in the Singapore economy has weakened. For instance, as China is a key market for petroleum and chemicals products from Singapore, the weakness in its economic outlook has adversely affected the growth prospects of Singapore's chemicals cluster and the fuels & chemicals segment of the wholesale trade sector. At the same time, growth in the water transport and finance & insurance sectors is expected to be dampened by the projected slowdown in major external economies.

On the other hand, the outlook for several sectors in the Singapore economy has improved. In particular, the strong recovery in air passengers and international visitor arrivals is expected to benefit aviation- and tourism-related sectors like air transport and arts, entertainment & recreation, as well as consumer-facing sectors like food & beverage services. In addition, the easing of Singapore's travel restrictions has bolstered the recovery of the professional services sector as firms in the sector (e.g., consultancy and legal firms) can now better engage their overseas clients.

Taking into account the performance of the Singapore economy in the first half of 2022,[3] as well as the latest global and domestic economic developments, **MTI has narrowed the GDP growth forecast for 2022 to "3.0 to 4.0 per cent", from "3.0 to 5.0 per cent"**.

MINISTRY OF TRADE AND INDUSTRY
11 August 2022

[2] As of June 2022, air passengers and international visitor arrivals have recovered to 50.4% and 35.0% of pre-pandemic (June 2019) levels respectively, as compared to 20.3% and 7.7% of pre-pandemic (March 2019) levels in March 2022.
[3] In the first half of 2022, Singapore's GDP growth averaged 4.1 per cent on a year-on-year basis.

ANNEX

SECTORAL GROWTH RATES

	2Q21	3Q21	4Q21	2021	1Q22	2Q22
	Year-on-Year % Change					
Total	15.8	7.5	6.1	7.6	3.8	4.4
Goods Producing Industries	23.0	11.7	13.6	13.4	5.0	5.3
Manufacturing	18.2	7.9	15.5	13.2	5.5	5.7
Construction	118.9	69.9	2.9	20.1	2.4	3.3
Services Producing Industries	11.5	6.8	4.4	5.6	4.7	4.8
Wholesale Trade	3.0	5.5	3.3	3.9	4.8	1.9
Retail Trade	51.8	0.9	4.3	10.2	4.7	11.5
Transportation & Storage	22.2	9.2	7.5	5.0	4.3	5.1
Accommodation	10.4	-5.7	-5.1	1.7	-9.4	-5.3
Food & Beverage Services	36.0	-4.1	-1.5	3.0	1.9	28.0
Information & Communications	14.4	13.9	11.2	12.2	10.1	8.1
Finance & Insurance	10.4	8.5	5.6	7.4	3.7	1.6
Real Estate	29.2	19.9	1.6	10.7	10.1	11.7
Professional Services	11.8	5.9	4.9	4.4	7.6	6.8
Administrative & Support Services	-0.1	0.2	2.5	-3.8	4.0	9.2
Other Services Industries	16.5	3.8	2.4	5.2	1.9	5.7
	Quarter-on-Quarter Growth % (SA)					
Total	-0.8	1.5	2.3	7.6	0.8	-0.2
Goods Producing Industries	-0.2	2.0	4.6	13.4	-1.6	0.2
Manufacturing	0.1	0.8	6.3	13.2	-1.7	0.4
Construction	0.1	1.1	-2.1	20.1	3.5	0.9
Services Producing Industries	-0.2	1.3	1.4	5.6	2.2	-0.1
Wholesale Trade	0.0	0.3	1.2	3.9	3.2	-2.7
Retail Trade	-12.6	11.9	4.7	10.2	2.2	-6.9
Transportation & Storage	0.7	0.7	1.3	5.0	1.6	1.5
Accommodation	17.0	-2.7	-0.2	1.7	-20.3	22.5
Food & Beverage Services	1.4	-12.8	8.9	3.0	5.8	27.3
Information & Communications	-0.9	8.5	2.3	12.2	0.2	-2.6
Finance & Insurance	2.4	0.0	1.6	7.4	-0.4	0.4
Real Estate	-1.4	1.3	1.5	10.7	8.7	0.2
Professional Services	2.6	1.1	0.3	4.4	3.6	1.7
Administrative & Support Services	-7.0	2.6	3.6	-3.8	5.2	-2.1
Other Services Industries	-1.3	0.0	1.9	5.2	1.3	2.4

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

MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

OTHER ECONOMIC INDICATORS

	2Q21	3Q21	4Q21	2021	1Q22	2Q22
Retail Sales Index* (yoy, %)	52.2	1.6	5.3	11.2	4.7	10.8
Changes in Employment ('000)	-19.9	-8.4	54.6	40.2	47.4	69.0
Unemployment Rate, SA (%)	2.7	2.6	2.4	2.7	2.2	2.1
Value Added Per Actual Hour Worked^ (yoy, %)	2.6	5.0	5.5	5.2	2.3	0.8
Value Added Per Worker^ (yoy, %)	17.9	8.7	5.8	9.5	2.2	0.8
Overall Unit Labour Cost (yoy, %)	14.6	7.0	6.7	4.2	7.7	9.0
Unit Business Cost of Manufacturing (yoy, %)	-0.3	2.9	-5.2	-3.3	4.0	5.2
Fixed Asset Investments ($ bil)	3.6	3.7	1.7	11.8	2.2	6.3
Consumer Price Index (yoy, %)	2.3	2.5	3.7	2.3	4.6	5.9
Total Merchandise Trade (yoy, %)	27.2	19.0	28.8	19.7	20.8	28.1
Merchandise Exports	26.0	17.4	26.9	19.1	18.8	25.0
Domestic Exports	25.8	18.8	34.8	19.0	20.8	28.7
Oil	85.7	49.2	78.2	38.0	45.4	73.0
Non-Oil	10.1	9.0	20.1	12.1	11.4	9.1
Re-exports	26.3	16.2	21.1	19.2	17.2	21.8
Merchandise Imports	28.6	20.9	31.0	20.4	23.1	31.6
Total Services Trade (yoy, %)	14.2	11.5	10.6	6.8	9.8	12.9
Exports of Services	14.4	11.1	9.2	6.7	10.8	13.2
Imports of Services	14.0	11.8	12.1	6.8	8.8	12.6

* In chained volume terms.

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

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