

2012 GDP Growth Forecast Narrowed to 1.5 to 2.5 Per Cent

10 Aug 2012. The Ministry of Trade and Industry (MTI) announced today that it will narrow the GDP growth forecast for 2012 from 1.0 to 3.0 per cent, to 1.5 to 2.5 per cent.

Performance in Second Quarter 2012

The Singapore economy grew by 2.0 per cent on a year-on-year basis in the second quarter of 2012, compared to 1.5 per cent in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 0.7 per cent, reversing the 9.5 per cent growth in the previous quarter.

The pull-back in quarter-on-quarter growth was largely due to the decline in externally-oriented sectors such as electronics manufacturing, as well as wholesale trade and tourism-related services. On a quarter-on-quarter seasonally-adjusted annualised basis, the manufacturing sector contracted marginally by 0.5 per cent, following the 20.8 per cent expansion in the preceding quarter. Growth in the electronics cluster remained weak, while the transport engineering and biomedical manufacturing clusters provided growth support. On a year-on-year basis, the sector grew by 4.5 per cent on account of the low base a year ago.

The construction sector grew by 5.3 per cent on a year-on-year basis, slowing from 6.9 per cent in the preceding quarter. On a quarter-on-quarter basis, the annualised growth in the sector decelerated to 0.9 per cent from 27.9 per cent in the preceding quarter, largely due to a slowdown in construction activities in the institutional and others segment.

The wholesale & retail trade sector contracted by 0.4 per cent on a year-on-year basis, following the decline of 0.3 per cent in the previous quarter. On a quarter-on-quarter basis, the sector contracted by an annualised rate of 0.4 per cent, mainly due to the deterioration in the wholesale trade segment. The transportation & storage sector grew at a moderated pace of 1.6 per cent compared to a year ago, and 7.2 per cent (annualised) from the previous quarter.

Growth in the finance & insurance sector was flat at 0.1 per cent on a year-on-year basis, down from 0.5 per cent in the preceding quarter. On a quarter-on-quarter basis, the sector grew at a modest pace of 2.1 per cent (annualised), largely due to continued sluggishness in sentiment-sensitive activities such as stock market trading. While the business services sector grew by 3.0 per cent on a year-on-year basis, it registered a decline of 3.0 per cent (annualised) from the previous quarter as economic uncertainty weighed down on business and management consultancy activities.

The growth in visitor arrivals also moderated in recent months. As a result, the growth of accommodation & food services eased from 5.4 per cent in the preceding quarter, to 3.1 per cent as compared to a year ago. On a quarter-on-quarter basis, the sector declined by an annualised rate of 5.8 per cent.

Economic Outlook for 2012

Global economic conditions are expected to remain subdued in the second half of the year. In the advanced economies, consumer spending will be dampened by weak labour market conditions. Business investment is also expected to remain weak given ongoing sovereign debt concerns and uncertainties over the fiscal outlook. Although domestic demand in emerging Asia will be supported by accommodative policies, growth on the whole will still be hampered by slackening external demand.

Given the macroeconomic backdrop, the growth outlook for the Singapore economy remains cautious. Externally-oriented sectors, in particular electronics, wholesale and tourism-related services, will be affected by the slowdown in advanced economies. Continued uncertainties in the external environment will also weigh down on sentiment-sensitive segments within the finance & insurance sector. Nonetheless, there will be modest support to growth from healthy expansion in the transport engineering cluster and construction sector.

There continues to be uncertainties and downside risks. Barring unforeseen shocks, MTI expects the Singapore economy to remain on track to grow by **1.5 to 2.5 per cent** in 2012.

MINISTRY OF TRADE AND INDUSTRY
10 August 2012

ANNEX

SECTORAL GROWTH RATES

	2Q11	3Q11	4Q11	2011	1Q12	2Q12
	Year-on-Year % Change					
Total	1.2	6.0	3.6	4.9	1.5	2.0
Goods Producing Industries	-4.7	11.8	8.0	6.8	0.3	4.4
Manufacturing	-5.9	13.7	9.2	7.6	-0.8	4.5
Construction	1.1	2.4	2.9	2.6	6.9	5.3
Services Producing Industries	4.6	3.6	2.1	4.4	1.9	0.8
Wholesale & Retail Trade	0.9	-1.4	0.9	1.1	-0.3	-0.4
Transportation & Storage	7.3	5.1	2.4	4.7	4.0	1.6
Accommodation & Food Services	5.7	5.6	3.3	5.8	5.4	3.1
Information & Communications	1.7	0.9	0.7	1.5	1.4	1.3
Finance & Insurance	9.6	11.6	3.5	9.1	0.5	0.1
Business Services	2.3	1.9	1.9	2.7	3.3	3.0
Other Services Industries	5.8	3.7	2.3	6.7	3.4	0.1
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	-3.0	2.0	-2.5	4.9	9.5	-0.7
Goods Producing Industries	-15.6	8.5	-9.8	6.8	21.5	-0.5
Manufacturing	-19.5	11.0	-11.1	7.6	20.8	-0.5
Construction	9.5	-4.0	-2.2	2.6	27.9	0.9
Services Producing Industries	3.7	-0.8	1.7	4.4	2.9	-0.6
Wholesale & Retail Trade	0.5	-8.9	10.2	1.1	-2.2	-0.4
Transportation & Storage	18.0	-1.2	-2.9	4.7	3.5	7.2
Accommodation & Food Services	3.3	1.5	-0.6	5.8	18.3	-5.8
Information & Communications	0.9	-0.2	-0.2	1.5	5.4	0.4
Finance & Insurance	3.7	7.8	-4.4	9.1	-4.5	2.1
Business Services	-2.4	1.5	2.4	2.7	11.8	-3.0
Other Services Industries	5.6	-0.7	1.2	6.7	7.8	-7.5

OTHER ECONOMIC INDICATORS

	2Q11	3Q11	4Q11	2011	1Q12	2Q12
Visitor Arrivals (y-o-y%)	14.1	14.7	8.4	13.1	14.7	8.7
Retail Sales Index* (y-o-y%)	7.4	1.8	4.1	2.0	7.7	0.2
Labour Productivity (y-o-y%)	-2.3	2.0	-0.5	1.0	-2.3	-1.9
Unemployment Rate, SA (%)	2.1	2.0	2.0	2.0	2.1	2.0
Changes in Employment ('000)	24.8	31.9	37.6	122.6	27.2	29.2
Overall Unit Labour Cost (y-o-y%)	8.2	1.6	1.7	3.4	4.1	5.4
Unit Business Cost of Manufacturing (yoy%)	8.0	0.9	2.3	2.6	5.4	3.7
Consumer Price Index (y-o-y%)	4.7	5.5	5.5	5.2	4.9	5.3
Fixed Asset Investments (\$ bil)	3.7	4.0	3.4	13.7	6.0	4.6
Total Trade (y-o-y%)	7.5	5.4	7.7	8.0	7.5	2.9
Exports	6.7	4.7	5.8	7.5	4.8	1.4
Domestic Exports	10.5	14.5	9.0	13.2	10.0	6.1
Oil	29.1	53.8	36.9	38.6	17.4	9.9
Non-Oil	1.9	-1.2	-2.7	2.2	6.1	3.9
Re-exports	2.6	-5.7	2.2	1.4	-1.3	-4.1
Imports	8.4	6.2	9.9	8.6	10.5	4.6

* At constant prices.