

GDP Growth Forecast in 2014 Maintained at 2.0 to 4.0 Per Cent

20 May 2014. The Ministry of Trade and Industry (MTI) announced today that it has maintained its GDP growth forecast for 2014 at 2.0 to 4.0 per cent.

Performance in First Quarter 2014

The Singapore economy grew by 4.9 per cent on a year-on-year basis in the first quarter, similar to the rate of growth achieved in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy grew by 2.3 per cent, moderating from the 6.9 per cent growth in the preceding quarter.

The manufacturing sector expanded by 9.8 per cent on a year-on-year basis in the first quarter, faster than the 7.0 per cent expansion in the previous quarter. This was largely driven by a sharp rebound in the biomedical manufacturing cluster, as well as stronger growth in the chemicals and transport engineering clusters. On a quarter-on-quarter basis, the sector grew at an annualised rate of 11.9 per cent, following the 10.4 per cent growth in the previous quarter.

The construction sector expanded by 6.7 per cent on a year-on-year basis, slower than the 7.3 per cent growth in the preceding quarter. The moderation in growth was largely due to weakness in private sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 0.6 per cent, sharply lower than the 10.6 per cent growth in the last quarter.

On a year-on-year basis, growth in the wholesale & retail trade sector slowed to 5.4 per cent from 6.4 per cent in the previous quarter, weighed down by slower growth in the wholesale trade segment. On a quarter-on-quarter basis, the sector grew at an annualised rate of 0.6 per cent, much lower than the 7.7 per cent expansion in preceding quarter.

Growth in the transportation & storage sector eased to 4.9 per cent on a year-on-year basis, from 5.1 per cent in the previous quarter. The slowdown was due to the weak performance of the air transport segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 5.6 per cent, a reversal from the 2.2 per cent expansion in the preceding quarter.

The finance & insurance sector expanded by 5.4 per cent on a year-on-year basis, slower than the 10.5 per cent growth in the previous quarter. This was largely due to a slowdown in the sentiment-sensitive cluster. On a quarter-on-quarter seasonally-adjusted annualised basis, growth in the sector decelerated sharply to 3.5 per cent from 26.0 per cent in the preceding quarter.

On a year-on-year basis, the pace of growth in the business services sector moderated to 3.4 per cent from 4.3 per cent in preceding quarter, largely due to slower growth in the real estate segment. On a quarter-on-quarter basis, the sector contracted at an annualised rate of 1.3 per cent, a reversal from the 5.4 per cent growth in the previous quarter.

Growth in the accommodation & food services sector slowed to 0.9 per cent on a year-on-year basis from 3.4 per cent in the previous quarter, due to weaker expansion in the accommodation segment. On a quarter-on-quarter basis, the sector contracted at an annualised rate of 3.1 per cent, extending the decline of 0.3 per cent in the preceding quarter. Meanwhile, on a year-on-year basis, growth in the “other services industries” rose to 3.2 per cent from 1.2 per cent in the previous quarter. Growth was supported by the arts, recreation & entertainment segment, as well as the education, health & social services segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 2.8 per cent, compared to the 3.0 per cent decline in the preceding quarter.

Economic Outlook for 2014

The global economic outlook is expected to improve modestly in the coming months, led by a sustained recovery in the US and Eurozone economies. In the US, the economy is expected to post modest growth in 2014, supported by rising private consumption expenditure and a recovery in business investments. The Eurozone economy is expected to return to growth this year, on the back of a reduced pace of fiscal tightening and an accommodative monetary policy. In Asia, China’s growth is expected to moderate slightly in 2014 as the government continues with credit tightening measures and reforms to re-balance the economy. The ASEAN economies are likely to remain resilient, supported by robust domestic demand.

Nonetheless, uncertainties in the global macroeconomic environment remain. In the US, there are uncertainties over the pace at which the Federal Reserve will exit from its accommodative monetary policy. If the pace of monetary policy normalisation increases unexpectedly, financial markets may react adversely and business sentiments in the US may also be dampened. In China, there is a risk that policy moves to rein in credit growth may lead to unintended consequences, such as a sharper-than-expected economic slowdown, if they are not well calibrated.

Against this backdrop, the Singapore economy is expected to grow at a modest pace in 2014. In tandem with the gradual improvement in the global economy, externally-oriented sectors such as manufacturing and wholesale trade are likely to provide support to growth. Domestically-oriented sectors such as business services are also expected to remain stable. However,

continuing tightness in the labour market is expected to weigh on growth in some labour-intensive sectors. Taking these factors into consideration, the 2014 growth forecast for the Singapore economy is maintained at **2.0 to 4.0 per cent**.

MINISTRY OF TRADE AND INDUSTRY
20 May 2014

ANNEX

SECTORAL GROWTH RATES¹

	1Q13	2Q13	3Q13	4Q13	2013	1Q14
	Year-on-Year % Change					
Total	1.5	4.0	5.0	4.9	3.9	4.9
Goods Producing Industries	-3.9	1.7	5.2	6.8	2.5	8.8
Manufacturing	-6.3	0.8	5.3	7.0	1.7	9.8
Construction	5.4	6.1	5.6	7.3	6.1	6.7
Services Producing Industries	4.3	5.7	5.8	5.5	5.3	4.4
Wholesale & Retail Trade	4.6	6.8	6.4	6.4	6.1	5.4
Transportation & Storage	-0.8	2.6	5.8	5.1	3.2	4.9
Accommodation & Food Services	4.2	5.4	5.0	3.4	4.5	0.9
Information & Communications	4.5	4.4	4.6	3.6	4.3	3.3
Finance & Insurance	13.2	11.1	8.3	10.5	10.8	5.4
Business Services	4.1	4.5	4.3	4.3	4.3	3.4
Other Services Industries	-0.8	2.6	4.8	1.2	1.9	3.2
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	1.9	10.2	0.7	6.9	3.9	2.3
Goods Producing Industries	1.4	15.2	1.5	9.9	2.5	9.2
Manufacturing	1.0	17.6	0.0	10.4	1.7	11.9
Construction	2.5	9.8	6.7	10.6	6.1	0.6
Services Producing Industries	4.3	10.0	0.6	7.1	5.3	0.4
Wholesale & Retail Trade	3.6	12.9	1.3	7.7	6.1	0.6
Transportation & Storage	-5.0	13.0	11.6	2.2	3.2	-5.6
Accommodation & Food Services	7.1	5.2	2.1	-0.3	4.5	-3.1
Information & Communications	6.7	5.7	1.9	0.9	4.3	4.8
Finance & Insurance	25.2	12.5	-15.9	26.0	10.8	3.5
Business Services	1.8	6.0	4.0	5.4	4.3	-1.3
Other Services Industries	-4.9	7.5	6.0	-3.0	1.9	2.8

OTHER ECONOMIC INDICATORS

	1Q13	2Q13	3Q13	4Q13	2013	1Q14
Retail Sales Index* (y-o-y%)	-4.8	-0.6	-5.6	-6.3	-4.4	-3.0
Labour Productivity (y-o-y%)	-2.5	-0.2	0.8	0.8	-0.2	0.9
Unemployment Rate, SA (%)	1.9	2.0	1.8	1.8	1.9	2.1
Changes in Employment ('000)	28.9	33.7	33.1	40.6	136.2	24.9
Overall Unit Labour Cost (y-o-y%)	5.2	2.6	0.9	1.5	2.6	1.4
Unit Business Cost of Manufacturing (y-o-y%)	4.2	0.9	-0.5	-0.2	1.1	-1.8
Consumer Price Index (y-o-y%)	4.0	1.6	1.8	2.0	2.4	1.0
Fixed Asset Investments (\$ bil)	4.1	2.3	2.4	3.4	12.1	2.5
Total Trade (y-o-y%)	-9.0	-2.0	5.8	3.8	-0.5	7.2
Exports	-8.7	-0.2	5.8	6.0	0.6	7.6
Domestic Exports	-10.7	-7.3	4.1	-0.6	-3.8	3.3
Oil	-7.7	-10.7	17.9	1.8	-0.3	10.2
Non-Oil	-12.5	-5.2	-3.6	-2.1	-6.0	-1.0
Re-exports	-6.1	9.1	7.9	14.2	6.2	12.9
Imports	-9.3	-4.0	5.9	1.4	-1.6	6.8

*At constant prices.

¹ Based on 2010 prices. For details on the rebasing of the national accounts to reference year 2010, please refer to: http://www.singstat.gov.sg/publications/publications_and_papers/national_accounts/ip-e40.pdf.