

MTI Forecasts Growth of Around 3.0 Per Cent in 2014 and 2.0 to 4.0 Per Cent in 2015

25 November 2014. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow by around 3.0 per cent in 2014, and by 2.0 to 4.0 per cent in 2015.

Performance in Third Quarter 2014

The Singapore economy grew by 2.8 per cent on a year-on-year basis in the third quarter, higher than the 2.3 per cent growth in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 3.1 per cent, a reversal from the 0.3 per cent decline in the previous quarter.

The manufacturing sector expanded by 1.9 per cent year-on-year, a slight improvement from the 1.5 per cent growth in the previous quarter. Growth in the sector was supported primarily by the biomedical manufacturing and chemicals clusters. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 2.8 per cent, reversing the 14.9 per cent decline in the previous quarter.

Growth in the construction sector moderated to 1.7 per cent year-on-year compared to 3.7 per cent in the previous quarter. This was primarily due to weaker private sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 0.3 per cent, following the 4.2 per cent decline recorded in the preceding quarter.

The wholesale & retail trade sector grew by 2.0 per cent year-on-year in the third quarter, faster than the 1.8 per cent growth in the preceding quarter. The slight pickup in growth was due to a smaller drag from the retail trade segment, even as the wholesale trade segment grew at a similar pace as in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 2.6 per cent, slowing from the 4.1 per cent growth in the preceding quarter. The transportation & storage sector expanded by 0.1 per cent year-on-year, moderating from the 2.1 per cent growth in the second quarter. Growth in the sector was weighed down by the water and air transport segments. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 2.3 per cent, recovering from the 0.9 per cent decline in the previous quarter.

Growth in the finance & insurance sector surged to 10.5 per cent year-on-year, from 5.5 per cent in the previous quarter. The sector's growth was supported mainly by the financial intermediation and insurance segments. On a quarter-

on-quarter seasonally-adjusted annualised basis, growth in the sector slowed to 1.2 per cent, from 11.6 per cent in the second quarter. The business services sector expanded at a faster pace of 3.4 per cent year-on-year, compared to 2.4 per cent in the second quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, growth in the sector accelerated to 8.5 per cent, from 1.8 per cent in the previous quarter.

Growth in the accommodation & food services sector improved slightly to 0.9 per cent year-on-year from 0.4 per cent in the previous quarter. On the other hand, growth in the “other services industries” slowed to 1.6 per cent from 2.2 per cent in the second quarter, pulled down by the weak performance in the arts, entertainment & recreation segment. On a quarter-on-quarter seasonally-adjusted annualised basis, the accommodation & food services sector grew by 3.9 per cent, while the “other services industries” expanded by 3.5 per cent.

Economic Outlook for 2014

In the first three quarters of 2014, the Singapore economy grew by 3.3 per cent on a year-on-year basis. For the rest of the year, growth is expected to ease slightly on a year-on-year basis, in line with a projected slowdown in the global economy. Externally-oriented sectors such as the manufacturing and transportation & storage sectors are likely to slow, whereas growth in the construction sector will continue to be weighed down by the weakness in private sector construction activities. On the other hand, domestically-oriented sectors like business services are likely to remain resilient. Taking these factors into consideration, MTI expects the Singapore economy to grow by **around 3.0 per cent** for the whole of 2014.

Economic Outlook for 2015

While global growth is expected to pick up modestly in 2015, the pace of recovery is likely to remain uneven across the economies. The US economy is expected to improve in 2015, supported by domestic demand. While growth in the Eurozone is also expected to pick up in 2015, the pace of recovery is likely to remain weak. In Japan, growth is likely to remain sluggish in 2015 due to its fiscal consolidation efforts. In Asia, China’s growth is expected to ease further in 2015 on the back of sluggish real estate activities. Meanwhile, key ASEAN economies like Malaysia and Indonesia are expected to remain resilient in 2015, supported by healthy investment growth.

Domestically, the labour market is expected to remain tight, with low unemployment and rising vacancy rates. Against this global and domestic backdrop, the growth outlook for the Singapore economy remains modest. In tandem with the expected pick-up in external demand, externally-oriented sectors such as manufacturing, wholesale trade and finance & insurance are likely to provide support to growth. While some domestically-oriented sectors

such as businesses services are expected to remain resilient, labour-intensive ones like construction, retail and food services may see their growth weighed down by labour constraints.

However, there are also risks to the global growth outlook. In the Eurozone, there are concerns that the Eurozone economy will fall into a deflationary spiral, given its weak growth and persistent low inflation. In the US, there are uncertainties over when, and the pace at which, the Federal Reserve will raise the Federal Funds rate. An unexpected tightening of monetary conditions would weigh significantly on US' financial markets and business sentiments. In China, there is the risk of a sharper-than-expected slowdown in the economy. This could occur if the real estate market corrects sharply and leads to a spike in property-related loan defaults, which could in turn have a knock-on impact on the financial system. Finally, on-going geopolitical tensions involving Russia and Ukraine, and key oil producers in the Middle East and North Africa, as well as the possibility of a global Ebola outbreak pose downside risks to the global economy.

Barring the full materialisation of these downside risks, the Singapore economy is expected to grow by **2.0 to 4.0 per cent** in 2015.

MINISTRY OF TRADE AND INDUSTRY
25 November 2014

ANNEX

SECTORAL GROWTH RATES

	3Q13	4Q13	2013	1Q14	2Q14	3Q14
	Year-on-Year % Change					
Total	5.0	4.9	3.9	4.8	2.3	2.8
Goods Producing Industries	5.2	6.8	2.5	8.9	2.0	1.9
Manufacturing	5.3	7.0	1.7	9.9	1.5	1.9
Construction	5.6	7.3	6.1	6.9	3.7	1.7
Services Producing Industries	5.8	5.5	5.3	3.9	2.6	3.4
Wholesale & Retail Trade	6.4	6.4	6.1	3.8	1.8	2.0
Transportation & Storage	5.8	5.1	3.2	5.5	2.1	0.1
Accommodation & Food Services	5.0	3.4	4.5	2.1	0.4	0.9
Information & Communications	4.6	3.6	4.3	2.5	2.3	2.3
Finance & Insurance	8.3	10.5	10.8	5.7	5.5	10.5
Business Services	4.3	4.3	4.3	3.3	2.4	3.4
Other Services Industries	4.8	1.2	1.9	2.5	2.2	1.6
	Annualised Quarter-on-Quarter Growth % (SA)					
Total	0.7	6.9	3.9	1.9	-0.3	3.1
Goods Producing Industries	1.5	9.9	2.5	9.5	-12.2	2.4
Manufacturing	0.0	10.4	1.7	12.1	-14.9	2.8
Construction	6.7	10.6	6.1	1.6	-4.2	-0.3
Services Producing Industries	0.6	7.1	5.3	-1.4	4.4	3.6
Wholesale & Retail Trade	1.3	7.7	6.1	-5.6	4.1	2.6
Transportation & Storage	11.6	2.2	3.2	-3.5	-0.9	2.3
Accommodation & Food Services	2.1	-0.3	4.5	1.7	-1.9	3.9
Information & Communications	1.9	0.9	4.3	1.7	4.5	1.9
Finance & Insurance	-15.9	26.0	10.8	4.7	11.6	1.2
Business Services	4.0	5.4	4.3	-1.6	1.8	8.5
Other Services Industries	6.0	-3.0	1.9	-0.1	6.1	3.5

OTHER ECONOMIC INDICATORS

	3Q13	4Q13	2013	1Q14	2Q14	3Q14
Retail Sales Index* (yoy %)	-5.6	-6.3	-4.4	-3.0	-5.4	4.2
Labour Productivity (yoy %)	0.8	0.8	-0.2	0.8	-1.4	-0.8
Unemployment Rate, SA (%)	1.8	1.8	1.9	2.0	2.0	1.9
Changes in Employment ('000)	33.1	40.6	136.2	28.3	27.7	27.1
Overall Unit Labour Cost (yoy %)	0.9	1.5	2.6	2.3	4.0	4.4
Unit Business Cost of Manufacturing (yoy %)	-1.6	-5.8	0.6	-0.9	-0.2	1.3
Consumer Price Index (yoy %)	1.8	2.0	2.4	1.0	2.4	0.9
Fixed Asset Investments (\$ bil)	2.4	3.4	12.1	2.5	3.0	2.4
Total Merchandise Trade (yoy %)	5.8	3.8	-0.5	7.1	2.9	-3.5
Merchandise Exports	5.8	6.0	0.6	7.4	2.7	-1.4
Domestic Exports	4.1	-0.6	-3.8	3.3	3.2	-0.7
Oil	17.9	1.8	-0.3	10.2	14.4	-3.3
Non-Oil	-3.6	-2.1	-6.0	-1.0	-3.4	1.1
Re-exports	7.9	14.2	6.2	12.5	2.3	-2.3
Merchandise Imports	5.9	1.4	-1.6	6.8	3.0	-5.7
Total Services Trade (yoy %)	6.0	5.0	3.9	6.7	1.9	2.0
Services Exports	6.6	4.0	3.8	6.0	1.0	1.9
Services Imports	5.3	6.0	4.0	7.4	2.8	2.2

* At constant prices.