MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

MTI Maintains 2024 GDP Growth Forecast at "1.0 to 3.0 Per Cent"

15 February 2024. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy expanded by 1.1 per cent in 2023. MTI has maintained the GDP growth forecast for 2024 at 1.0 to 3.0 per cent.

Economic Performance in Fourth Quarter 2023

The Singapore economy grew by 2.2 per cent on a year-on-year basis in the fourth quarter of 2023, accelerating from the 1.0 per cent expansion in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.2 per cent, slightly faster than the 1.0 per cent growth in the third quarter.

The manufacturing sector grew by 1.4 per cent year-on-year, a turnaround from the 4.9 per cent contraction in the preceding quarter. Growth was driven by output expansions in the electronics, transport engineering and chemicals clusters. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 4.5 per cent, faster than the 0.8 per cent expansion in the previous quarter.

Growth in the construction sector picked up to 5.2 per cent year-on-year, from 3.7 per cent in the third quarter, as both public and private sector construction output increased. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 2.0 per cent, extending the 1.9 per cent growth in the preceding quarter.

The wholesale trade sector grew by 0.2 per cent year-on-year, moderating from the 1.1 per cent growth in the previous quarter. Growth was largely supported by the machinery, equipment & supplies segment, which expanded due to an increase in the wholesale sales of electronic components in volume terms. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 0.6 per cent, reversing the 0.5 per cent growth in the third quarter.

The retail trade sector contracted by 0.3 per cent year-on-year, after expanding by 2.3 per cent in the preceding quarter. The weak performance of the sector was due to a fall in non-motor vehicle sales volume, even as motor vehicle sales volume picked up on account of an increase in COE quotas. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 1.9 per cent, a pullback from the 0.3 per cent growth in the third quarter.

The transportation & storage sector expanded by 2.8 per cent year-on-year, accelerating from the 0.9 per cent growth in the previous quarter. Within the sector, the air transport segment recorded robust growth as the total number of air passengers handled at Changi Airport continued to recover. Meanwhile, the water transport segment also expanded, supported by an increase in container throughput and total sea cargo handled at Singapore's ports. On a quarter-on-quarter

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seasonally-adjusted basis, the sector grew by 1.1 per cent, a turnaround from the 1.1 per cent contraction in the third quarter.

The accommodation sector posted an expansion of 1.5 per cent year-on-year, a slowdown from the 12.6 per cent growth in the preceding quarter. Growth of the sector continued to be boosted by a strong recovery in international visitor arrivals. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 3.1 per cent, a reversal from the 2.3 per cent growth in the previous quarter.

The food & beverage services sector shrank by 1.5 per cent year-on-year, reversing from the 2.9 per cent growth in the third quarter. The sector's weak performance was due to lower sales volumes at restaurants, fast food outlets and cafes, food courts & other eating places, even as the sales volume at food caterers continued to increase. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 1.5 per cent, extending the 0.8 per cent contraction in the preceding quarter.

Growth in the information & communications sector came in at 4.7 per cent year-on-year, easing from the 6.0 per cent growth in the previous quarter. Within the sector, the IT & information services segment recorded strong growth on account of robust demand for data hosting services, internet search engine activities and online marketplaces for travel services. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by a slower 1.1 per cent compared to the 4.8 per cent growth in the third quarter.

The finance & insurance sector grew by 5.4 per cent year-on-year, faster than the 2.5 per cent growth in the preceding quarter. Within the sector, the banks segment saw a surge in net fees & commissions amidst higher wealth management income. Meanwhile, the insurance and activities auxiliary to financial services (which include payment processing activities) segments also expanded. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 4.1 per cent, improving from the 1.2 per cent growth in the previous quarter.

The real estate sector expanded marginally by 0.1 per cent year-on-year, slowing from the 3.6 per cent growth in the third quarter. Growth was supported by the private residential property segment, as well as the commercial and industrial property segments. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 0.9 per cent, following the 1.6 per cent contraction in the previous quarter.

The professional services sector contracted by 0.7 per cent year-on-year, a reversal from the 1.4 per cent growth in the third quarter. The contraction of the sector was due to a weaker level of activity in most segments, with the exception of the accounting and head offices & business representative offices segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.3 per cent, easing from the 2.2 per cent expansion in the preceding quarter.

The administrative & support services sector shrank by 1.7 per cent year-on-year, a pullback from the 1.4 per cent expansion in the previous quarter. The poor performance of the sector came on the back of contractions in both the other administrative & support services and rental & leasing segments. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 0.7 per cent, deteriorating from the 0.3 per cent contraction in the third quarter.

The "other services industries" grew by 3.9 per cent year-on-year, unchanged from the previous quarter. Growth during the quarter was broad-based, led by the arts, entertainment & recreation and "others"[1] segments. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 0.4 per cent, slower than the 1.3 per cent growth in the previous quarter.

Economic Performance in 2023

For the whole of 2023, the Singapore economy expanded by 1.1 per cent, moderating from the 3.8 per cent expansion in 2022.

The manufacturing sector shrank by 4.3 per cent, a reversal from the 2.7 per cent growth in 2022. Within the sector, all clusters recorded output declines, except for the transport engineering cluster.

The construction sector grew by 5.2 per cent, improving from the 4.6 per cent growth in 2022, supported by expansions in both public and private sector construction works.

The services producing industries expanded by 2.3 per cent, slowing from the 5.1 per cent growth in 2022. Growth was mainly driven by the other services, information & communications and transportation & storage sectors.

Economic Outlook for 2024

Since the Economic Survey of Singapore in November 2023, Singapore's external demand outlook for 2024 has remained largely unchanged. Growth in the advanced economies is expected to moderate in the first half of the year, mainly due to continued tight financial conditions, before recovering gradually in line with an expected easing of monetary policy as inflationary pressures recede. Meanwhile, regional economies are expected to see a pickup in growth in the year ahead, supported in part by the turnaround in global electronics demand.

In the US, GDP growth is expected to continue to ease in the coming quarters amidst continued tight financial conditions, before picking up later in the year

[1] The "others" segment consists of (i) activities of membership organisations; (ii) repair of computers, personal and household goods & vehicles; and (iii) other personal service activities such as personal care services, wedding services and funeral services.

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alongside a loosening of monetary policy, which will support a recovery in investment growth. Similarly, GDP growth in the Eurozone is forecast to remain subdued in the first half of the year. However, growth should improve in the latter part of the year as a further easing of inflationary pressures and anticipated policy rate cuts are likely to support a firmer recovery in private consumption expenditure.

In Asia, China's GDP growth is projected to remain lacklustre in the first half of the year due to sluggish domestic consumption and exports growth alongside weak property market conditions. Growth is likely to recover gradually in the second half in line with improvements in consumer sentiments and global demand. Meanwhile, GDP growth in the Southeast Asian economies of Malaysia and Thailand is likely to be supported by the continued recovery in tourist arrivals, as well as an anticipated pickup in global electronics demand.

At the same time, downside risks in the global economy remain significant. First, an escalation or widening of the Israel-Hamas conflict or war in Ukraine could disrupt global supply chains and commodity markets. This would weigh on global trade and growth. Second, the lagged effects of monetary tightening could trigger latent vulnerabilities in banking and financial systems, leading to stresses on regional economies with external financing needs. Third, should idiosyncratic cost shocks such as adverse weather events disrupt the global disinflation process, financial conditions could stay tight for longer, thereby weakening the economic recovery momentum.

Against this backdrop, Singapore's manufacturing and trade-related sectors are expected to see a gradual pickup in growth in tandem with the turnaround in global electronics demand. In particular, the electronics and precision engineering clusters within the manufacturing sector are projected to rebound, especially given that the recovery in semiconductor sales globally and domestically has been stronger than expected. At the same time, the machinery, equipment & supplies segment of the wholesale trade sector will benefit from higher external demand for electronic components and telecommunications & computers.

Meanwhile, the continued recovery in air travel and tourism demand will support growth in Singapore's tourism- and aviation-related sectors, including aerospace, air transport and accommodation, as well as consumer-facing sectors such as retail trade and food & beverage services. Nonetheless, the pace of growth for most of these sectors is expected to moderate from that in 2023.

Taking into account the global and domestic economic environment, the GDP growth forecast for Singapore for 2024 is maintained at **1.0 to 3.0 per cent**.

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ANNEX

SECTORAL GROWTH RATES

	4Q22	2022	1Q23	2Q23	3Q23	4Q23	2023
	Year-on-Year % Change						
Total	2.4	3.8	0.5	0.5	1.0	2.2	1.1
Goods Producing Industries	-1.3	2.9	-3.8	-6.1	-3.5	1.9	-2.9
Manufacturing	-2.6	2.7	-5.4	-8.2	-4.9	1.4	-4.3
Construction	6.6	4.6	5.8	6.4	3.7	5.2	5.2
Services Producing Industries	4.7	5.1	2.0	2.9	2.3	2.0	2.3
Wholesale Trade	3.8	4.0	0.1	2.1	1.1	0.2	0.8
Retail Trade	4.5	8.5	1.7	1.6	2.3	-0.3	1.3
Transportation & Storage	3.9	4.9	0.1	5.4	0.9	2.8	2.3
Accommodation	12.4	2.2	22.5	15.1	12.6	1.5	12.1
Food & Beverage Services	13.0	15.4	10.9	4.9	2.9	-1.5	4.1
Information & Communications	7.7	8.1	7.0	5.3	6.0	4.7	5.7
Finance & Insurance	-1.2	0.2	-1.5	-1.2	2.5	5.4	1.3
Real Estate	10.5	10.9	6.9	9.6	3.6	0.1	4.9
Professional Services	13.3	13.2	3.7	0.4	1.4	-0.7	1.1
Administrative & Support Services	9.4	7.8	5.2	3.4	1.4	-1.7	2.0
Other Services Industries	4.6	4.3	5.6	4.2	3.9	3.9	4.4
	Seasonally Adjusted Quarter-on-Quarter Growth %						
Total	0.0	3.8	-0.5	0.4	1.0	1.2	1.1
Goods Producing Industries	-0.5	2.9	-2.7	-1.0	1.1	4.1	-2.9
Manufacturing	-1.0	2.7	-3.0	-1.3	0.8	4.5	-4.3
Construction	-0.1	4.6	-1.2	2.6	1.9	2.0	5.2
Services Producing Industries	0.4	5.1	0.1	0.9	0.8	0.3	2.3
Wholesale Trade	0.2	4.0	-0.2	0.5	0.5	-0.6	0.8
Retail Trade	0.3	8.5	0.1	1.5	0.3	-1.9	1.3
Transportation & Storage	-0.6	4.9	-1.1	3.8	-1.1	1.1	2.3
Accommodation	7.1	2.2	-2.6	5.2	2.3	-3.1	12.1
Food & Beverage Services	3.0	15.4	0.2	0.6	-0.8	-1.5	4.1
Information & Communications	2.4	8.1	-1.7	0.4	4.8	1.1	5.7
Finance & Insurance	1.2	0.2	-1.0	1.1	1.2	4.1	1.3
Real Estate	2.5	10.9	-0.1	2.9	-1.6	-0.9	4.9
Professional Services	3.8	13.2	-4.1	-0.1	2.2	1.3	1.1
Administrative & Support Services	2.6	7.8	-0.2	-0.6	-0.3	-0.7	2.0
Other Services Industries	0.3	4.3	1.5	0.6	1.3	0.4	4.4

OTHER ECONOMIC INDICATORS

	4Q22	2022	1Q23	2Q23	3Q23	4Q23	2023
Retail Sales Index* (yoy, %)	5.0	7.2	1.3	0.9	1.5	-1.1	0.6
Changes in Employment ('000)	48.1	250.1	38.6	26.8	29.2	12.6	107.2
Overall Unemployment Rate, SA (%)	2.0	2.1	1.8	1.9	2.0	2.0	1.9
Value Added Per Actual Hour Worked^ (yoy, %)	-4.6	-0.7	-6.5	-4.7	-0.7	2.1	-2.4
Value Added Per Worker^ (yoy, %)	-4.6	-0.9	-5.8	-4.9	-3.1	-0.8	-3.6
Overall Unit Labour Cost (yoy, %)	9.7	9.1	9.5	10.2	7.9	3.2	7.5
Unit Business Cost of Manufacturing (yoy, %)	11.8	9.9	11.4	10.9	8.9	3.4	8.5
Fixed Asset Investments ($ bil)	13.0	22.5	2.0	1.6	7.4	1.7	12.7
Consumer Price Index (yoy, %)	6.6	6.1	6.1	5.1	4.1	4.0	4.8
Total Merchandise Trade (yoy, %)	-1.0	17.7	-7.9	-18.8	-16.5	-2.1	-11.7
Merchandise Exports	-2.3	15.6	-6.5	-16.9	-15.6	0.2	-10.1
Domestic Exports	-2.1	18.2	-8.0	-19.5	-22.6	-1.7	-13.5
Oil	21.6	52.4	8.5	-28.1	-26.9	-2.1	-14.2
Non-Oil	-14.0	3.0	-16.2	-13.4	-19.5	-1.4	-13.1
Re-exports	-2.4	13.5	-5.3	-14.6	-9.5	1.8	-7.1
Merchandise Imports	0.5	20.1	-9.4	-20.8	-17.4	-4.7	-13.4
Total Services Trade (yoy, %)	19.8	22.4	-0.1	-5.4	-6.9	-2.8	-3.8
Exports of Services	20.5	22.2	-1.4	-7.5	-7.4	-3.9	-5.1
Imports of Services	19.1	22.5	1.4	-3.1	-6.3	-1.5	-2.4

* In chained volume terms.
^ Based on GDP at market prices in chained (2015) dollars.