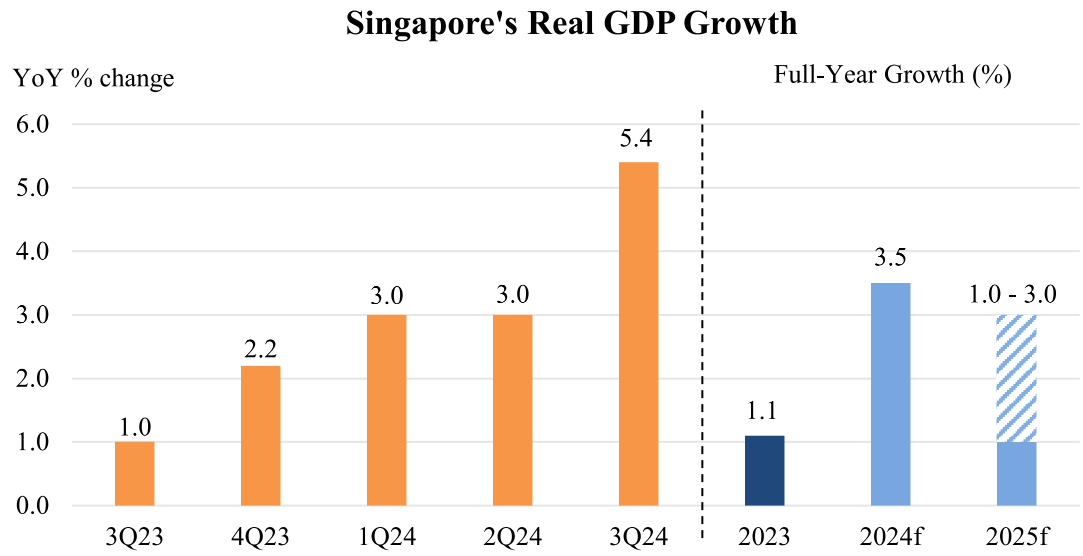
MINISTRY OF TRADE AND INDUSTRY SINGAPORE

PRESS RELEASE

MTI Forecasts GDP Growth of "Around 3.5 Per Cent" in 2024 and "1.0 to 3.0 Per Cent" in 2025

22 November 2024. The Ministry of Trade and Industry (MTI) announced today that Singapore's GDP growth is projected to come in at "around 3.5 per cent" in 2024 and "1.0 to 3.0 per cent" in 2025.

Economic Performance in Third Quarter 2024



In the third quarter of 2024, the Singapore economy expanded by 5.4 per cent on a year-on-year basis, faster than the 3.0 per cent growth in the second quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 3.2 per cent, accelerating from the 0.5 per cent expansion in the previous quarter. For the first three quarters of the year, GDP growth averaged 3.8 per cent year-on-year.

On a year-on-year basis, GDP growth in the third quarter was primarily driven by the manufacturing, wholesale trade and finance & insurance sectors, which were bolstered in part by the upturn in the global electronics cycle. On the other hand, consumer-facing sectors such as the retail trade and food & beverage services sectors continued to contract due to sustained strength in outbound travel by locals, as well as a slower-than-anticipated recovery in international visitor arrivals (IVA) and weak tourist spending.

[Refer to **Annex A** for the economic performance of the various sectors.]

Economic Outlook for 2024

Since the Economic Survey of Singapore in August, major economies such as the US and Eurozone, as well as some regional economies such as Malaysia, performed

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better than projected in the third quarter of 2024, mainly due to stronger-than-expected consumption growth in the respective economies. Meanwhile, China's GDP growth continued to slow in line with expectations over the same period.

For the rest of the year, US' GDP growth is expected to moderate as consumption growth weakens in tandem with gradually easing labour market conditions. GDP growth in the Eurozone is also projected to be modest, weighed down by subdued industrial activity and investments. By contrast, China's economy is projected to pick up slightly on the back of government support measures that were recently announced.

On balance, Singapore's overall external demand outlook is expected to remain resilient for the rest of 2024. This, coupled with the ongoing recovery in global electronics demand, should support growth in Singapore's manufacturing sector as well as outward-oriented services sectors such as the wholesale trade sector. On the other hand, the outlook for tourism-related and consumer-facing sectors such as the accommodation, retail trade and food & beverage services sectors has weakened given the slower-than-expected recovery in IVA and sluggish tourist spending.

Taking into account the better-than-expected performance of the Singapore economy in the first three quarters of the year (i.e., 3.8 per cent year-on-year), as well as the latest global and domestic situations, **MTI has upgraded the GDP growth forecast for 2024 to "around 3.5 per cent", from "2.0 to 3.0 per cent"**.

Economic Outlook for 2025

Looking ahead to 2025, overall GDP growth in Singapore's key trading partners is expected to ease slightly from 2024's level. In particular, GDP growth in the US is likely to moderate due to an expected slowdown in consumption growth as labour market conditions continue to ease, although investment growth should provide some support. By contrast, GDP growth in the Eurozone is likely to pick up on the back of stronger consumption growth and a gradual recovery in investments as monetary policy becomes more accommodative.

In Asia, China's GDP growth is projected to moderate in line with weaker exports growth due to tariff hikes that have already been announced. However, the slowdown in economic growth is likely to be cushioned by a modest recovery in domestic consumption as consumer sentiments improve alongside a stabilisation of the property market. Meanwhile, key Southeast Asian economies should see steady growth, driven in part by the upswing in global electronics demand.

Nonetheless, global economic uncertainties have increased, including uncertainty over the policies of the incoming US administration, with the risks tilted to the downside. First, a further escalation of geopolitical conflicts, including in the Middle East, and trade tensions among major economies could lead to higher oil prices and production costs, as well as greater policy uncertainty. In turn, this could lead to a decline in global investment and trade, and weigh on global growth. Second, disruptions to the global disinflation process could lead to tighter financial conditions for longer and the desynchronisation of monetary policies across economies, potentially triggering latent vulnerabilities in financial systems.

Against this backdrop, the growth outlook of the manufacturing and trade-related services sectors in Singapore remains positive. In particular, the electronics cluster is projected to continue its expansion, supported by strong demand for semiconductor chips in end-markets such as PCs and smartphones amidst the PC refresh cycle and rollout of Artificial Intelligence (AI)-capable devices. This will have positive spillover effects on the precision engineering cluster and the machinery, equipment & supplies segment of the wholesale trade sector. At the same time, firm order books in the aerospace and marine & offshore engineering segments should drive growth in the transport engineering cluster.

Similarly, outward-oriented services sectors such as the information & communications and finance & insurance sectors are projected to register healthy growth on account of sustained enterprise demand for digital solutions and services and favourable financial conditions amidst global policy rate cuts, respectively. Meanwhile, tourism-related sectors like the accommodation sector will benefit from the continued recovery in IVA. On the other hand, growth in consumer-facing sectors such as the retail trade and food & beverage services sectors is likely to remain weighed down by increased local outbound travel.

Taking these factors into account, and barring the materialisation of downside risks, the Singapore economy is expected to grow by **“1.0 to 3.0 per cent”** in 2025.

MINISTRY OF TRADE AND INDUSTRY
22 November 2024

ANNEX A

Economic Performance of Sectors in Third Quarter 2024

The manufacturing sector expanded by 11.0 per cent year-on-year in the third quarter of 2024, reversing the 1.1 per cent contraction in the previous quarter. The strong performance of the sector was driven by output expansions across all clusters. In particular, the electronics cluster grew robustly, supported by strong demand for smartphone and PC semiconductor chips, even though demand for automotive and industrial semiconductor chips remained weak. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 13.5 per cent, a reversal from the 1.1 per cent contraction in the preceding quarter.

Growth in the construction sector came in at 3.7 per cent year-on-year, following the 4.8 per cent growth in the second quarter, on account of an increase in public sector construction output which outweighed a decline in private sector construction output. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.7 per cent, moderating from the 3.4 per cent expansion in the previous quarter.

The wholesale trade sector expanded by 4.9 per cent year-on-year, similar to the 4.8 per cent growth in the preceding quarter. Growth during the quarter was largely supported by an expansion in the machinery, equipment & supplies segment, which was in turn boosted by the wholesale sales of electronic components and telecommunications & computers. The fuels & chemicals and "others"[1] segments similarly expanded during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.6 per cent, a moderation from the 2.6 per cent growth in the previous quarter.

The retail trade sector shrank by 0.7 per cent year-on-year, easing from the 2.2 per cent contraction in the second quarter. The weak performance of the sector was due to a decline in non-motor vehicle sales volume which outweighed an increase in motor vehicle sales volume. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.9 per cent, a reversal from the 3.2 per cent contraction in the preceding quarter.

Growth in the transportation & storage sector accelerated to 7.5 per cent year-on-year, from 5.3 per cent in the previous quarter. Within the sector, the air transport segment recorded strong growth on account of an increase in both air cargo volumes and number of air passengers handled at Changi Airport. Meanwhile, the water transport segment also expanded as container throughput and sea cargo handled at Singapore's ports rose. On a quarter-on-quarter seasonally-adjusted

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

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basis, the sector posted growth of 1.2 per cent, easing from the 1.8 per cent growth in the preceding quarter.

The accommodation sector grew by 3.7 per cent year-on-year, extending the 3.5 per cent growth in the second quarter. Growth of the sector continued to be supported by the ongoing recovery in international visitor arrivals. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.9 per cent, a turnaround from the 5.0 per cent contraction in the previous quarter.

The food & beverage services sector shrank by 0.7 per cent year-on-year, moderating from the 1.8 per cent contraction in the preceding quarter. The weak performance of the sector was due to declines in the sales volumes of restaurants, fast food outlets and cafes, food courts & other eating places, which more than offset an increase in the sales volume of food caterers. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.3 per cent, a reversal from the 2.3 per cent contraction in the previous quarter.

Growth in the information & communications sector came in at 4.7 per cent year-on-year, extending the 6.6 per cent expansion in the second quarter. Within the sector, the IT & information services segment recorded strong growth, led by an expansion in data hosting services and internet search engine activities. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 2.8 per cent, faster than the 0.7 per cent growth in the preceding quarter.

The finance & insurance sector grew by 5.4 per cent year-on-year, extending the 6.4 per cent expansion in the previous quarter. Growth of the sector was mainly supported by an increase in net fee and commission incomes in the banks, fund management, forex and security dealing activities segments. This was in turn driven by stronger trading activity amidst heightened financial market volatility. At the same time, the insurance and other auxiliary activities (comprising mainly payments firms) segments continued to record firm growth. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 0.3 per cent, the same pace of growth as that recorded in the second quarter.

The real estate sector contracted by 0.2 per cent year-on-year, a moderation from the 3.0 per cent contraction in the preceding quarter. The weak performance of the sector was mainly due to lower demand for public commercial office space, alongside tepid demand for private office and private industrial space. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.3 per cent, a turnaround from the 0.4 per cent contraction in the previous quarter.

The professional services sector grew by 1.8 per cent year-on-year, extending the 1.9 per cent expansion in the second quarter. Growth during the quarter was mainly supported by expansions in the head offices & business representative offices and management consultancy segments. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 2.1 per cent, faster than the 0.3 per cent growth in the preceding quarter.

Growth in the administrative & support services sector came in at 0.3 per cent year-on-year, following the 0.8 per cent growth in the previous quarter. Within the sector, the rental & leasing segment expanded, even as the other administrative & support services segment shrank. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 0.8 per cent, a pullback from the 0.6 per cent expansion in the second quarter.

The "other services industries" grew by 2.4 per cent year-on-year, extending the 2.6 per cent growth in the previous quarter. Growth during the quarter was led by the health & social services, education and "others"[2] sectors. On a quarter-on-quarter seasonally-adjusted basis, the "other services industries" expanded by 1.1 per cent, a reversal from the 0.9 per cent contraction in the second quarter.

[2] The "others" sector 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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ANNEX B

REAL SECTORAL GROWTH RATES

	3Q23	4Q23	2023	1Q24	2Q24	3Q24
	Year-on-Year % Change					
Total	1.0	2.2	1.1	3.0	3.0	5.4
Goods Producing Industries	-3.5	1.9	-2.9	-0.7	0.0	9.4
Manufacturing	-4.9	1.4	-4.3	-1.6	-1.1	11.0
Construction	3.7	5.2	5.2	3.6	4.8	3.7
Services Producing Industries	2.3	2.0	2.3	4.3	3.7	4.0
Wholesale Trade	1.1	0.2	0.8	2.5	4.8	4.9
Retail Trade	2.3	-0.3	1.3	2.5	-2.2	-0.7
Transportation & Storage	0.9	2.8	2.3	6.7	5.3	7.5
Accommodation	12.6	1.5	12.1	14.3	3.5	3.7
Food & Beverage Services	2.9	-1.5	4.1	1.0	-1.8	-0.7
Information & Communications	6.0	4.7	5.7	6.4	6.6	4.7
Finance & Insurance	2.5	5.4	1.3	7.2	6.4	5.4
Real Estate	3.6	0.1	4.9	0.2	-3.0	-0.2
Professional Services	1.4	-0.7	1.1	1.5	1.9	1.8
Administrative & Support Services	1.4	-1.7	2.0	-0.2	0.8	0.3
Other Services Industries, of which	3.9	3.9	4.4	4.2	2.6	2.4
Public Administration & Defence	0.1	0.7	0.9	0.3	0.1	0.6
Education	1.8	1.3	1.6	1.1	1.5	2.7
Health & Social Services	4.1	3.1	4.1	3.5	4.4	5.8
Arts, Entertainment & Recreation	18.4	21.6	24.2	23.3	4.5	-4.6
Other Services - Others	5.6	4.9	5.6	5.4	4.9	4.2
	Seasonally Adjusted Quarter-on-Quarter Growth %					
Total	1.0	1.2	1.1	0.3	0.5	3.2
Goods Producing Industries	1.1	4.1	-2.9	-4.3	-0.8	10.8
Manufacturing	0.8	4.5	-4.3	-5.2	-1.1	13.5
Construction	1.9	2.0	5.2	-2.4	3.4	0.7
Services Producing Industries	0.8	0.3	2.3	2.2	0.5	1.0
Wholesale Trade	0.5	-0.6	0.8	2.2	2.6	0.6
Retail Trade	0.3	-1.9	1.3	2.6	-3.2	1.9
Transportation & Storage	-1.1	1.1	2.3	3.1	1.8	1.2
Accommodation	2.3	-3.1	12.1	10.0	-5.0	1.9
Food & Beverage Services	-0.8	-1.5	4.1	2.9	-2.3	0.3
Information & Communications	4.8	1.1	5.7	0.1	0.7	2.8
Finance & Insurance	1.2	4.1	1.3	0.6	0.3	0.3
Real Estate	-1.6	-0.9	4.9	-0.1	-0.4	1.3
Professional Services	2.2	1.3	1.1	-1.8	0.3	2.1
Administrative & Support Services	-0.3	-0.7	2.0	1.3	0.6	-0.8
Other Services Industries, of which	1.3	0.4	4.4	1.7	-0.9	1.1
Public Administration & Defence	0.4	-0.2	0.9	-0.2	0.1	0.8
Education	0.6	0.1	1.6	0.5	0.4	1.7
Health & Social Services	-0.8	0.5	4.1	1.3	3.3	0.7
Arts, Entertainment & Recreation	16.7	2.4	24.2	12.0	-21.9	6.6
Other Services - Others	-0.5	3.3	5.6	2.4	-0.4	-1.1

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OTHER ECONOMIC INDICATORS

	3Q23	4Q23	2023	1Q24	2Q24	3Q24
Retail Sales Index* (yoy, %)	1.4	-1.5	0.4	2.4	-1.6	-0.2
Changes in Employment ('000)	29.2	11.6	106.2	9.6	15.0	26.7
Unemployment Rate, SA (%)	2.0	2.0	1.9	2.1	2.0	1.8
Value Added Per Actual Hour Worked^ (yoy, %)	-0.7	2.2	-2.4	2.3	3.7	4.1
Value Added Per Worker^ (yoy, %)	-3.1	-0.8	-3.6	0.7	1.6	4.1
Overall Unit Labour Cost (yoy, %)	7.9	3.2	7.5	3.9	2.8	0.9
Unit Business Cost of Manufacturing (yoy, %)	8.9	3.4	8.5	5.3	6.3	-4.3
Fixed Asset Investments ($ bil)	7.4	1.7	12.7	1.7	3.7	1.0
Consumer Price Index (yoy, %)	4.1	4.0	4.8	3.0	2.8	2.2
Total Merchandise Trade (yoy, %)	-16.5	-2.1	-11.7	4.7	10.0	5.5
Merchandise Exports	-15.6	0.2	-10.1	4.4	7.5	5.8
Domestic Exports	-22.6	-1.7	-13.5	0.3	2.9	5.5
Oil	-26.9	-2.1	-14.2	6.0	19.0	-0.2
Non-Oil	-19.5	-1.4	-13.1	-3.4	-6.5	9.2
Re-exports	-9.5	1.8	-7.1	7.8	11.5	6.0
Merchandise Imports	-17.4	-4.7	-13.4	5.0	12.7	5.2
Total Services Trade (yoy, %)	-6.9	-2.8	-3.8	5.7	11.4	13.9
Exports of Services	-7.4	-3.9	-5.1	6.3	13.7	14.6
Imports of Services	-6.3	-1.5	-2.4	5.0	9.0	13.2

* In chained volume terms.

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

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