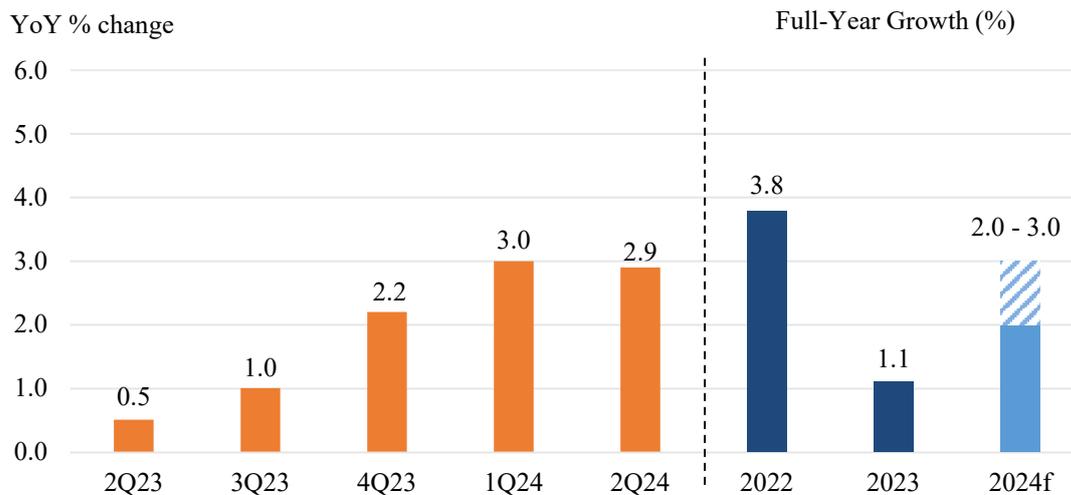


MTI Narrows 2024 GDP Growth Forecast to “2.0 to 3.0 Per Cent”

13 August 2024. The Ministry of Trade and Industry (MTI) announced today that Singapore’s GDP growth forecast for 2024 has been narrowed to “2.0 to 3.0 per cent”, from “1.0 to 3.0 per cent”.

Economic Performance in Second Quarter 2024

Singapore's Real GDP Growth



In the second quarter of 2024, the Singapore economy expanded by 2.9 per cent on a year-on-year basis, extending the 3.0 per cent growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.4 per cent, unchanged from the 0.4 per cent expansion in the first quarter. For the first half of 2024, Singapore’s GDP growth averaged 3.0 per cent year-on-year.

On a year-on-year basis, GDP growth in the second quarter was primarily driven by the wholesale trade, finance & insurance, and information & communications sectors. By contrast, the manufacturing sector shrank, largely due to a contraction in the biomedical manufacturing cluster caused by a sharp fall in pharmaceuticals output. The electronics cluster returned to growth, supported by strong demand for smartphone, PC and AI-related chips even as demand for automotive and industrial chips remained weak. Meanwhile, consumer-facing sectors such as the retail trade and food & beverage services sectors shrank, partly due to an increase in outbound travel by locals.

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

Economic Outlook for 2024

Since the Economic Survey of Singapore in May, the GDP growth performances of Singapore's major trading partners have largely been in line with expectations, with the US, Japan and Malaysia being key exceptions. Notably, the US and Malaysian economies performed better than expected in the second quarter on the back of strong domestic demand. By contrast, GDP growth in Japan was weighed down by weak private consumption as real wages continued to decline.

For the rest of 2024, US' GDP growth is expected to ease gradually as consumption growth slows in tandem with weakening labour market conditions, even as investment growth is likely to remain supported by AI-related investments. Meanwhile, GDP growth in the Eurozone is projected to improve gradually. Even though industrial activity and investments are likely to remain subdued for the rest of the year, growth will be supported by a firmer recovery in consumer spending as price pressures ease further and monetary policy turns more accommodative. Similarly, Japan's GDP growth is expected to pick up over the course of the year in tandem with stronger private consumption on the back of broadening wage increases and easing inflationary pressures.

Elsewhere in Asia, China's economy is projected to expand at a slightly slower pace in the second half of the year as investment growth tapers amidst signs of overcapacity in some sectors. Nonetheless, as the property market is likely to stabilise with the rollout of government support measures, consumer sentiments should start to improve and lead to a modest recovery in consumption. Meanwhile, GDP growth in key Southeast Asian economies is projected to pick up slightly in the second half of the year in tandem with improvements in domestic demand, as well as the ongoing recoveries in global electronics and tourism demand.

On balance, Singapore's external demand outlook is expected to be resilient for the rest of the year. However, downside risks in the global economy remain. First, an intensification of geopolitical and trade conflicts could dampen business sentiments and add to production costs, which could weigh on global trade and growth. Second, disruptions to the global disinflation process could lead to tighter financial conditions for longer, and trigger market volatility or latent vulnerabilities in banking and financial systems.

Against this backdrop, Singapore's manufacturing sector is expected to see a gradual recovery in the second half of the year. In particular, the electronics cluster is projected to recover more strongly, supported by robust demand for smartphone, PC and AI-related chips. This will in turn provide a boost to the precision engineering cluster. In addition, the chemicals cluster is expected to continue to expand, supported in part by higher production in the petrochemicals and specialty chemicals segments. By contrast, the biomedical manufacturing cluster is likely to contract, as pharmaceuticals output is projected to stay weak for the rest of the year.

At the same time, the projected recovery of the manufacturing sector, particularly that of the electronics cluster, is expected to benefit trade-related services sectors such as the machinery, equipment & supplies segment of the wholesale trade sector. Meanwhile, the continued recovery in air travel and tourism demand will support growth in the tourism- and aviation-related sectors (e.g., accommodation and air transport). Growth in the finance & insurance sector should also remain robust, as global policy rate cuts continue to be implemented amidst sustained disinflation.

Taking into account the performance of the Singapore economy in the first half of 2024, as well as the latest global and domestic economic situations, **MTI has narrowed the GDP growth forecast for 2024 to “2.0 to 3.0 per cent”, from “1.0 to 3.0 per cent”.**

MINISTRY OF TRADE AND INDUSTRY
13 August 2024

ANNEX A

Economic Performance of Sectors in Second Quarter 2024

The manufacturing sector contracted by 1.0 per cent year-on-year in the second quarter of 2024, easing from the 1.7 per cent contraction in the previous quarter. The weak performance of the sector was mainly due to output declines in the biomedical manufacturing and precision engineering clusters, with the former in turn weighed down by a sharp fall in pharmaceuticals output. By contrast, the other clusters within the sector expanded. In particular, the electronics cluster returned to growth, supported by strong demand for smartphone, PC and AI-related chips even though demand for automotive and industrial chips remained weak. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 0.9 per cent, a moderation from the 5.3 per cent contraction in the preceding quarter.

Growth in the construction sector came in at 3.8 per cent year-on-year, extending the 4.1 per cent growth in the first quarter, on account of an increase in both public and private sector construction output. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.8 per cent, a turnaround from the 1.9 per cent contraction in the previous quarter.

The wholesale trade sector expanded by 3.9 per cent year-on-year, faster than the 2.5 per cent growth in the preceding quarter. Growth during the quarter was supported by expansions in the machinery, equipment & supplies and “others”¹ segments, with the former boosted by higher wholesale sales volumes of electronics components, telecommunications & computers and transport equipment. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.7 per cent, a moderation from the 2.2 per cent growth in the previous quarter.

The retail trade sector contracted by 2.1 per cent year-on-year, a pullback from the 2.5 per cent expansion in the first 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 shrank by 3.0 per cent, a reversal from the 2.6 per cent expansion in the preceding quarter.

Growth in the transportation & storage sector came in at 5.4 per cent year-on-year, extending the 6.7 per cent expansion in the first quarter. Within the sector, the air transport segment recorded robust growth, bolstered by an increase in the number of air passengers handled at Changi Airport. At the same time, the water transport segment expanded as container throughput and sea cargo handled at Singapore’s ports rose. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 2.0 per cent, moderating from the 3.1 per cent growth in the preceding quarter.

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.

The accommodation sector posted growth of 4.3 per cent year-on-year, softening from the 14.9 per cent growth registered in the previous quarter. Growth of the sector continued to be boosted by the ongoing recovery in international visitor arrivals. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 4.7 per cent, a reversal from the 10.6 per cent expansion in the first quarter.

The food & beverage services sector contracted by 2.3 per cent year-on-year, a pullback from the 0.9 per cent expansion 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 outweighed an increase in the sales volume of food caterers. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 2.7 per cent, a turnaround from the 2.8 per cent growth in the previous quarter.

Growth in the information & communications sector came in at 6.4 per cent year-on-year, slightly weaker than the 6.5 per cent expansion in the first quarter. Within the sector, the IT & information services segment recorded strong growth, led by activities related to software development and online marketplaces for goods. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 0.4 per cent, up from the 0.1 per cent growth in the preceding quarter.

The finance & insurance sector grew by 6.7 per cent year-on-year, following the 7.1 per cent expansion in the previous quarter. Growth of the sector was mainly driven by the banking and fund management segments, which saw net commissions surge during the quarter as global interest rates started to ease. 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 0.7 per cent, extending the 0.6 per cent growth in the first quarter.

The real estate sector contracted by 1.3 per cent year-on-year, a reversal from the 0.4 per cent growth in the preceding quarter. The weak performance of the sector was mainly due to sluggish private residential property sales, which more than offset higher demand for private commercial and private industrial space. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.1 per cent, improving from the 0.1 per cent growth in the previous quarter.

The professional services sector grew by 2.7 per cent year-on-year, faster than the 1.8 per cent growth in the first quarter. Growth during the quarter was mainly supported by expansions in the head offices & business representative offices, accounting and other professional, scientific & technical services segments. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 0.7 per cent, a turnaround from the 1.4 per cent contraction in the previous quarter.

Growth in the administrative & support services sector picked up slightly to 0.2 per cent year-on-year, from the flat growth in the first quarter. Within the sector, the rental & leasing segment expanded whereas the other administrative & support services segment contracted. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank marginally by 0.1 per cent, a reversal from the 1.4 per cent expansion in the preceding quarter.

The “other services industries” expanded by 2.5 per cent year-on-year, moderating from the 4.1 per cent growth in the previous quarter. Growth during the quarter was broad-based, led by the arts, entertainment & recreation and “others”² sectors. On a quarter-on-quarter seasonally-adjusted basis, the “other services industries” shrank by 0.9 per cent, reversing from the 1.7 per cent growth in the first 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.

ANNEX B

REAL SECTORAL GROWTH RATES

	2Q23	3Q23	4Q23	2023	1Q24	2Q24
	Year-on-Year % Change					
Total	0.5	1.0	2.2	1.1	3.0	2.9
Goods Producing Industries	-6.1	-3.5	1.9	-2.9	-0.6	0.0
Manufacturing	-8.2	-4.9	1.4	-4.3	-1.7	-1.0
Construction	6.4	3.7	5.2	5.2	4.1	3.8
Services Producing Industries	2.9	2.3	2.0	2.3	4.3	3.7
Wholesale Trade	2.1	1.1	0.2	0.8	2.5	3.9
Retail Trade	1.6	2.3	-0.3	1.3	2.5	-2.1
Transportation & Storage	5.4	0.9	2.8	2.3	6.7	5.4
Accommodation	15.1	12.6	1.5	12.1	14.9	4.3
Food & Beverage Services	4.9	2.9	-1.5	4.1	0.9	-2.3
Information & Communications	5.3	6.0	4.7	5.7	6.5	6.4
Finance & Insurance	-1.2	2.5	5.4	1.3	7.1	6.7
Real Estate	9.6	3.6	0.1	4.9	0.4	-1.3
Professional Services	0.4	1.4	-0.7	1.1	1.8	2.7
Administrative & Support Services	3.4	1.4	-1.7	2.0	0.0	0.2
<i>Other Services Industries, of which</i>	4.2	3.9	3.9	4.4	4.1	2.5
Public Administration & Defence	1.2	0.1	0.7	0.9	0.3	0.2
Education	1.5	1.8	1.3	1.6	1.1	1.3
Health & Social Services	4.6	4.1	3.1	4.1	3.4	4.1
Arts, Entertainment & Recreation	21.4	18.4	21.6	24.2	23.3	5.3
Other Services - Others	5.2	5.6	4.9	5.6	5.4	4.9
	Seasonally Adjusted Quarter-on-Quarter Growth %					
Total	0.4	1.0	1.2	1.1	0.4	0.4
Goods Producing Industries	-1.0	1.1	4.1	-2.9	-4.3	-0.8
Manufacturing	-1.3	0.8	4.5	-4.3	-5.3	-0.9
Construction	2.6	1.9	2.0	5.2	-1.9	1.8
Services Producing Industries	0.9	0.8	0.3	2.3	2.3	0.3
Wholesale Trade	0.5	0.5	-0.6	0.8	2.2	1.7
Retail Trade	1.5	0.3	-1.9	1.3	2.6	-3.0
Transportation & Storage	3.8	-1.1	1.1	2.3	3.1	2.0
Accommodation	5.2	2.3	-3.1	12.1	10.6	-4.7
Food & Beverage Services	0.6	-0.8	-1.5	4.1	2.8	-2.7
Information & Communications	0.4	4.8	1.1	5.7	0.1	0.4
Finance & Insurance	1.1	1.2	4.1	1.3	0.6	0.7
Real Estate	2.9	-1.6	-0.9	4.9	0.1	1.1
Professional Services	-0.1	2.2	1.3	1.1	-1.4	0.7
Administrative & Support Services	-0.6	-0.3	-0.7	2.0	1.4	-0.1
<i>Other Services Industries, of which</i>	0.6	1.3	0.4	4.4	1.7	-0.9
Public Administration & Defence	0.3	0.4	-0.2	0.9	-0.2	0.3
Education	-0.1	0.6	0.1	1.6	0.4	0.2
Health & Social Services	2.5	-0.8	0.5	4.1	1.2	3.1
Arts, Entertainment & Recreation	-7.8	16.7	2.4	24.2	12.0	-21.3
Other Services - Others	0.1	-0.5	3.3	5.6	2.4	-0.4

OTHER ECONOMIC INDICATORS

	2Q23	3Q23	4Q23	2023	1Q24	2Q24
Retail Sales Index* (yoy, %)	0.8	1.4	-1.5	0.4	2.4	-1.5
Changes in Employment ('000)	26.8	29.2	11.6	106.2	9.6	14.9
Unemployment Rate, SA (%)	1.9	2.0	2.0	1.9	2.1	2.0
Value Added Per Actual Hour Worked^ (yoy, %)	-4.7	-0.7	2.2	-2.4	2.3	3.6
Value Added Per Worker^ (yoy, %)	-4.9	-3.1	-0.8	-3.6	0.7	1.5
Overall Unit Labour Cost (yoy, %)	10.2	7.9	3.2	7.5	3.8	2.8
Unit Business Cost of Manufacturing (yoy, %)	10.9	8.9	3.4	8.5	5.6	6.0
Fixed Asset Investments (\$ bil)	1.6	7.4	1.7	12.7	1.7	3.7
Consumer Price Index (yoy, %)	5.1	4.1	4.0	4.8	3.0	2.8
Total Merchandise Trade (yoy, %)	-18.8	-16.5	-2.1	-11.7	4.8	10.1
Merchandise Exports	-16.9	-15.6	0.2	-10.1	4.4	7.6
Domestic Exports	-19.5	-22.6	-1.7	-13.5	0.3	2.9
Oil	-28.1	-26.9	-2.1	-14.2	6.0	19.0
Non-Oil	-13.4	-19.5	-1.4	-13.1	-3.4	-6.4
Re-exports	-14.6	-9.5	1.8	-7.1	7.9	11.6
Merchandise Imports	-20.8	-17.4	-4.7	-13.4	5.2	12.8
Total Services Trade (yoy, %)	-5.4	-6.9	-2.8	-3.8	5.7	11.3
Exports of Services	-7.5	-7.4	-3.9	-5.1	6.3	13.5
Imports of Services	-3.1	-6.3	-1.5	-2.4	5.1	8.9

* In chained volume terms.

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