

## Press Release

### MTI Forecasts Growth of -1.0–2.0% in 2009

21 November 2008. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy is expected to grow by around 2.5 per cent in 2008, and -1.0 to 2.0 per cent in 2009.

#### Performance in Third Quarter 2008 and GDP Outlook for 2008

Singapore's GDP contracted by 0.6 per cent in year-on-year terms in the third quarter of 2008. On an annualised quarter-on-quarter basis, growth declined by 6.8 per cent, compared to a fall of 5.3 per cent in the second quarter.

The largest contraction came from the manufacturing sector, with the decline led by the electronics and biomedical sciences (BMS) segments. Falling external demand and the relocation of some electronics production to other countries contributed to the poor performance of electronics, while the BMS segment continues to be dampened by the production of pharmaceutical ingredients with lower values compared to a year ago.

Growth in the services sector has started to moderate. Services-producing industries grew by 5.3 per cent in the third quarter, compared to 7.1 per cent in the previous quarter. The plunge in stock markets worldwide since mid-September and disruptions in the global credit markets have started to affect many of the services and trade-related sectors, especially financial services, wholesale trade, and transport and storage.

Economic growth in the developed economies has slowed down, with several countries already in recession. Consumer and business confidence indicators across the major economies are weak. The contraction in global demand has hit regional economies too. As a result, Singapore's trade volumes and other indicators of regional demand, including visitor arrivals, have fallen. All these developments will further dampen Singapore's economic growth in the remaining months of 2008.

In view of the continued deterioration in the outlook for external and regional demand, MTI has moderated the GDP growth forecast for 2008 further downwards to **around 2.5%**.

## GDP Outlook for 2009

The economic downturn is expected to last for several quarters, well into 2009. In its latest World Economic Outlook, the International Monetary Fund (IMF) noted that economic outlook is “exceptionally uncertain”. It also forecasted that advanced economies as a whole would register negative growth in 2009. Regional economies are also expected to post weak growth.

Singapore’s economy is expected to face a broad-based slowdown in 2009. The financial services sector is expected to remain weak in 2009. Financial institutions are operating in an environment of heightened risk aversion and weaker demand. The slowdown in international and regional trade will significantly impact our wholesale trade and the transport and storage sectors. Electronics will continue to be affected by weak global semiconductor demand, but the BMS and chemicals clusters will be boosted by the addition of some new capacity and plants coming on-stream in late 2008 and 2009.

Considerable uncertainty remains as to how deep and long this downturn will last. Much will depend on the restoration of confidence in the financial markets and the revival of credit flows. At the same time, there are risks at play that could prolong the slowdown in the developed economies, especially the US. The efficacy of policy actions being taken by governments around the world to restore stability, normalcy and consumer confidence could turn out weaker or may take longer than expected.

In view of these increased uncertainties in the external environment, MTI has forecasted the Singapore economy to grow by **-1.0 to 2.0%** in 2009.

## Inflation Outlook for 2009

For 2009, the CPI inflation forecast has been revised from 2.5-3.5% to **1-2%**. The downward revision is mainly attributable to the sharp fall in global commodity prices in the past few weeks, and lower than expected annual values of HDB properties which would remain unchanged from that of 2008<sup>1</sup>.

Ministry of Trade and Industry  
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<sup>1</sup> Accordingly, the Monetary Authority of Singapore’s underlying inflation forecast, which excludes the cost of accommodation and private road transport, has been revised from around 2% to 1-2%.

**SECTORAL GROWTH RATES**

	3Q07	4Q07	2007	1Q08	2Q08	3Q08
	Year-on-Year % Change					
Total	9.5	5.4	7.7	6.9	2.3	-0.6
Goods Producing Industries	11.6	2.9	7.2	12.6	-2.0	-7.9
Manufacturing	11.0	0.2	5.8	12.7	-5.2	-11.4
Construction	20.1	24.3	20.3	16.9	19.8	12.8
Services Producing Industries	8.5	7.7	8.1	7.7	7.1	5.3
Wholesale & Retail Trade	6.8	6.0	7.3	5.5	6.0	4.3
Transport & Storage	5.0	5.4	5.1	5.4	5.8	4.0
Hotels & Restaurants	4.9	2.5	4.4	3.1	2.0	-0.2
Information & Communications	6.6	6.1	6.3	6.8	7.8	7.7
Financial Services	20.1	15.9	16.9	14.0	10.6	6.0
Business Services	7.5	8.7	7.8	8.6	7.7	7.3
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	5.1	-4.8	7.7	15.7	-5.3	-6.8
Goods Producing Industries	17.5	-18.6	7.2	47.4	-34.0	-9.8
Manufacturing	19.1	-24.9	5.8	59.2	-42.9	-10.5
Construction	13.3	27.3	20.3	3.2	38.7	-10.7
Services Producing Industries	1.0	5.8	8.1	11.5	10.6	-5.6
Wholesale & Retail Trade	1.9	0.4	7.3	10.8	11.8	-5.0
Transport & Storage	0.3	7.3	5.1	8.6	7.3	-6.2
Hotels & Restaurants	2.6	-0.5	4.4	4.1	1.7	-5.6
Information & Communications	8.6	6.7	6.3	4.5	11.5	8.1
Financial Services	-7.3	10.3	16.9	28.0	14.2	-21.6
Business Services	4.5	8.8	7.8	5.0	12.5	3.2

**OTHER ECONOMIC INDICATORS**

Sector	3Q07	4Q07	2007	1Q08	2Q08	3Q08
Labour Productivity (y-o-y%)	0.4	-3.7	-0.9	-2.7	-7.4	-9.6
Unemployment Rate, SA (%)	1.7	1.7	2.1	2.0	2.2	2.2
Changes in Employment ('000)	58.6	62.5	234.9	73.2	71.4	57.8
Overall Unit Labour Cost (y-o-y%)	2.8	6.0	3.8	10.7	10.3	13.2
Unit Business Cost of Manufacturing (y-o-y%)	1.0	4.5	2.0	3.2	11.6	12.3
Consumer Price Index (y-o-y%)	2.7	4.1	2.1	6.6	7.5	6.6
Fixed Asset Investments (\$ bil)	2.4	8.9	17.2	2.5	10.5	2.9
Manufacturing	2.2	8.7	16.1	2.0	10.1	2.7
Services Clusters	0.2	0.2	1.1	0.5	0.3	0.2
Total Trade (y-o-y%)	2.5	9.8	4.5	16.1	17.1	16.4
Exports	4.2	7.2	4.4	11.5	13.2	11.4
Domestic Exports	4.7	10.1	3.3	12.7	11.2	14.5
Oil	1.1	47.8	6.2	52.6	53.4	77.5
Non-oil	6.1	-0.4	2.3	0.6	-5.5	-8.5
Re-exports	3.6	4.1	5.7	10.3	15.5	8.1
Imports	0.6	12.8	4.5	21.5	21.4	22.2