

## Press Release

### **GDP Growth to Moderate to Medium Term Potential**

14 February 2008. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy is expected to grow by 4.0-6.0 per cent in 2008.

#### GDP Performance for 2007: Moderating but Above-Trend Growth

Economic growth moderated in the fourth quarter of 2007. GDP grew by 5.4 per cent year-on-year, down from the 9.5 per cent increase in the previous quarter. Growth on an annualised quarter-on-quarter basis declined to -4.8 per cent, down from 5.1 per cent in the third quarter. The slowdown reflected largely a sharp decline in biomedical manufacturing rather than the impact of the slowing US economy. The fastest growing sectors were construction and financial services.

For 2007 as a whole, growth was still an above-trend 7.7 per cent, following 8.2 per cent in 2006.

#### GDP Outlook for 2008: Moderation to Potential

Since the last review in November 2007, external economic conditions have deteriorated and downside risks have increased. Compared to three months ago, there is broad consensus now that the US economy is entering a slowdown. The key uncertainty is over the length and severity of this slowdown, which will in turn influence how the rest of the world and key industries are affected.

In view of the greater downside risks, MTI has revised the 2008 forecast for the Singapore economy to 4.0-6.0 per cent, from the previous 4.5-6.5 per cent. Current conditions suggest that the US will likely enter a mild recession in the first half but its strong fundamentals, coupled with fiscal and monetary stimulus, will help to support recovery in the second half. Growth in the region will moderate but remain healthy. In this scenario, Singapore's GDP growth is likely to be in the upper half of the forecast range.

However, if the US slips into a more severe recession, the region will be more significantly affected. The effects on Singapore will also be stronger, particularly in the sentiment-sensitive and external-oriented sectors like electronics, wholesale trade, and financial services. In this environment, the Singapore economy will grow at a slower pace, nearer the lower end of the forecast range.

In either scenario, slower GDP growth this year should be viewed in the context of above-trend growth in the last four years and represents a moderation to the economy's underlying potential rate of growth of 4-6 per cent.

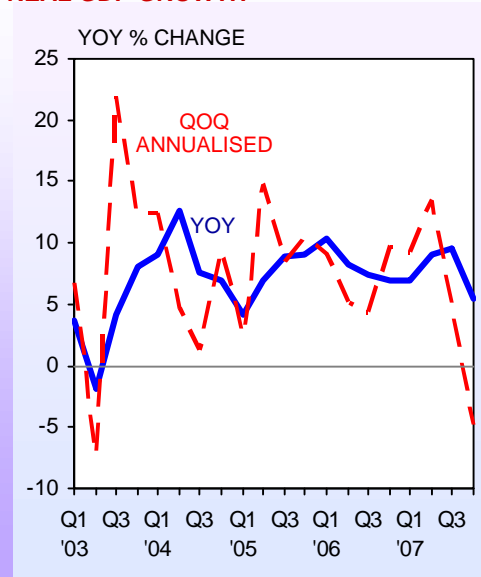
Ministry of Trade and Industry  
14 February 2008

# PERFORMANCE OF THE SINGAPORE ECONOMY IN 2007 AND OUTLOOK FOR 2008

## Overall Performance

The Singapore economy expanded by 5.4% in 4Q07, after a 9.5% growth in the previous quarter. The growth momentum on a seasonally adjusted quarter-on-quarter annualised basis fell by 4.8%, compared with a 5.1% increase a quarter earlier. For the whole year, the economy grew by 7.7%, a moderation from the 8.2% gain in 2006.

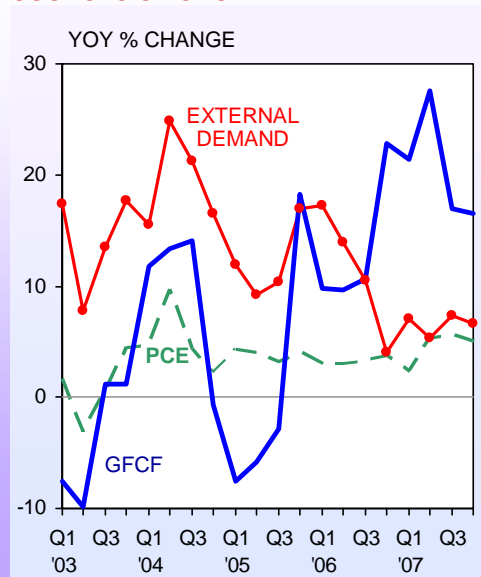
**EXHIBIT 1  
REAL GDP GROWTH**



## Sources of Growth

Total demand rose 8.0% in 4Q07, higher than the 6.8% in 3Q07. Domestic demand growth accelerated from 4.5% in 3Q07 to 13%. During the same period, external demand eased from 7.4% to 6.6% due to slowdown in goods exports. For the whole year, total demand grew slower at 7.2%, down from 10% in 2006.

**EXHIBIT 2  
SOURCES OF GROWTH**



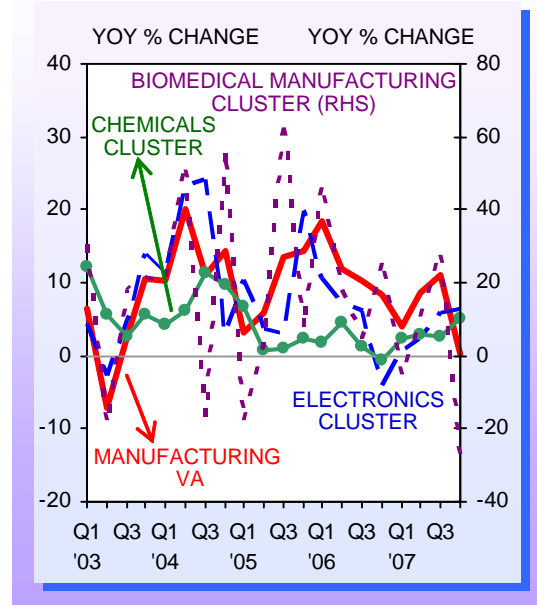
## Sectoral Performance

At the sectoral level, the construction and financial services sector extended their strong performance into the final quarter of 2007 with a growth of 24% and 16% respectively. For the whole year, all sectors registered growth in 2007, led by the construction sector (see Annex).

### THE MANUFACTURING SECTOR

expanded by 0.2% in 4Q07, after growing by 11% in the previous quarter. The weakened growth was due to a 28% contraction in the biomedical manufacturing cluster as a result of plant maintenance shutdowns and changes in product mix which led to a significant fall in pharmaceutical production. In contrast, the electronics, chemicals, precision engineering and transport engineering clusters have performed better in 4Q07. For the whole year, the manufacturing sector grew by 5.8%, which was slower than the 12% growth achieved in 2006.

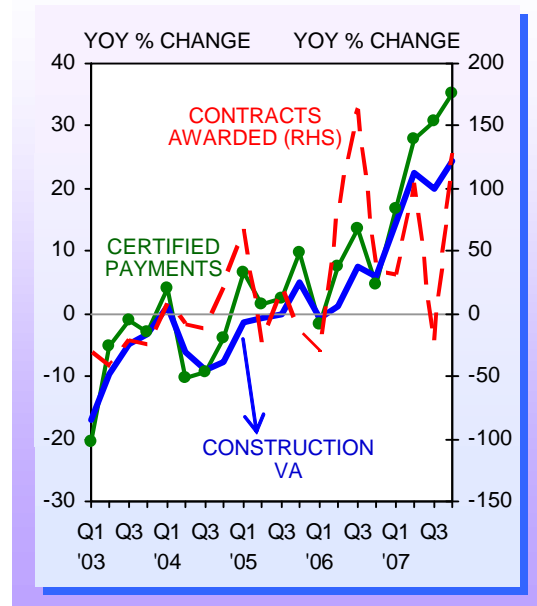
**EXHIBIT 3  
MANUFACTURING SECTOR**



### THE CONSTRUCTION SECTOR

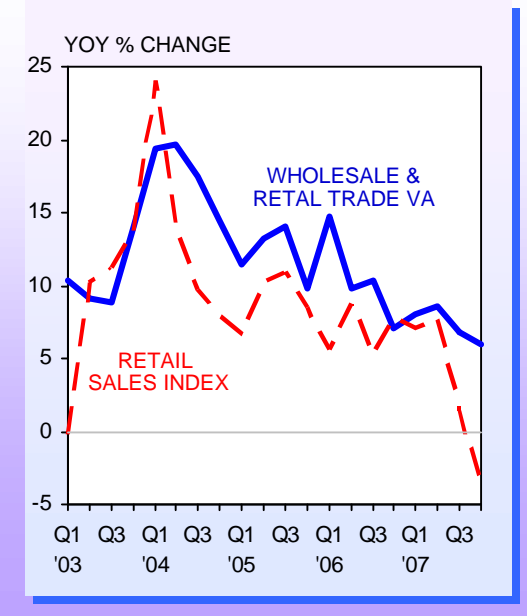
maintained its strong performance in 4Q07 at 24%, up from 20% in 3Q07. Growth momentum (on a seasonally adjusted quarter-on-quarter basis) was 27%, twice the rate of 13% in 3Q07. Certified payments rose by 35% during the quarter, supported by strong growth in the private sector, especially in the commercial and industrial segments. Contracts awarded increased 128% in 4Q07, a reversal from a contraction of 23% in the previous quarter. For the whole year, the construction sector expanded 20%, its fastest growth since 1996.

**EXHIBIT 4  
CONSTRUCTION SECTOR**



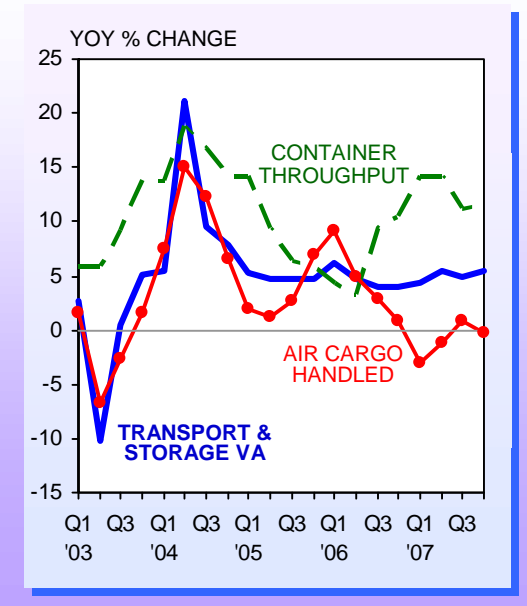
**THE WHOLESALE AND RETAIL TRADE SECTOR** grew 6.0% in 4Q07, slower than the 6.8% growth in the preceding quarter. The volume of retail sales fell 2.5%, following a 1.5% gain in the previous quarter. Among the expenditure items, motor vehicles saw the largest dip in sales (-16%), followed by provision & sundry shops (-3.7%), food & beverages (-3.0%), watches & jewellery (-1.5%) and medical goods & toiletries (-1.3%). Excluding motor vehicles, retail sales rose by 5.2%, down from 6.0% growth in the previous quarter. In the wholesale segment, growth in the volume of non-oil re-exports eased to 7.0%, down from 9.0% in 3Q07. For the whole year, the wholesale and retail trade sector grew by 7.3%, down from 10% in 2006.

**EXHIBIT 5 WHOLESALE AND RETAIL TRADE SECTOR**



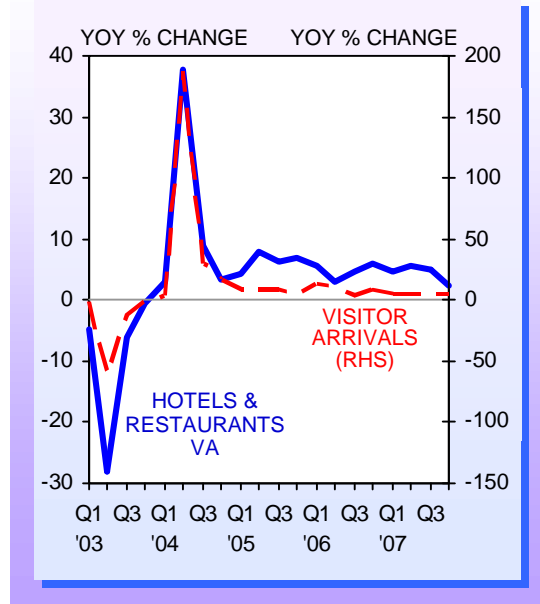
**THE TRANSPORT AND STORAGE SECTOR** grew 5.4%, slightly higher than the 5.0% gain a quarter earlier. Air transport activity slowed due to a slight fall in air cargo handled and slower growth of air passengers. Growth in the sea transport segment improved, supported by higher growth in sea cargo handled and container throughput. For the whole of 2007, the transport and storage sector expanded by 5.1%, following 4.7% growth in 2006.

**EXHIBIT 6 TRANSPORT AND STORAGE SECTOR**



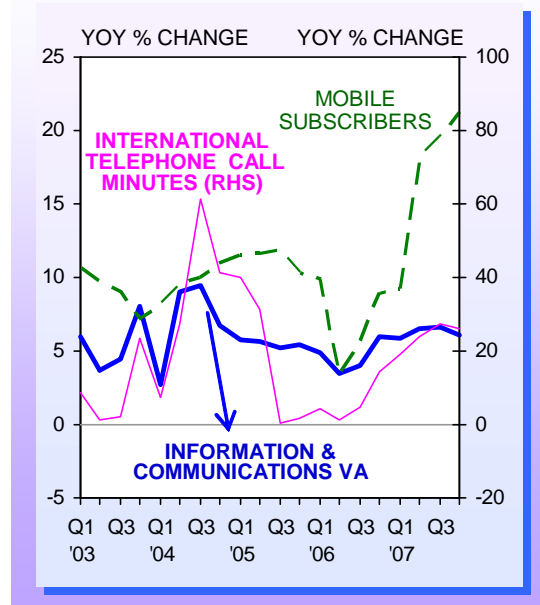
**THE HOTELS AND RESTAURANTS SECTOR** rose by 2.5% in 4Q07, after a 4.9% increase in the previous quarter. Visitor arrivals increased 5.5% in 4Q07, similar to the 5.4% growth seen in the previous quarter. However, the average occupancy rate of hotels dipped from 88.1% in 4Q06 to 86.2% in 4Q07. For the whole year, the sector slowed to 4.4% from 4.8% in 2006. Visitor arrivals rose 5.4% to reach a record high of 10.3 million in 2007.

**EXHIBIT 7 HOTELS AND RESTAURANTS SECTOR**



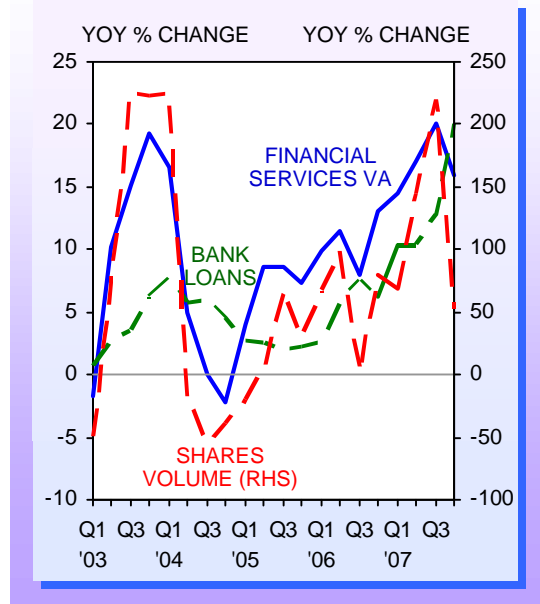
**THE INFORMATION AND COMMUNICATIONS SECTOR** grew 6.1% in 4Q07, slightly slower than the 6.6% growth in the previous quarter. Both the telecommunications and IT services segments remained healthy during the quarter. The performance of international telephone calls duration and number of subscribers for both mobile phone service and broadband internet remained strong. Over the whole year, the sector expanded by 6.3%, up from 4.6% growth in 2006.

**EXHIBIT 8 INFORMATION AND COMMUNICATIONS SECTOR**



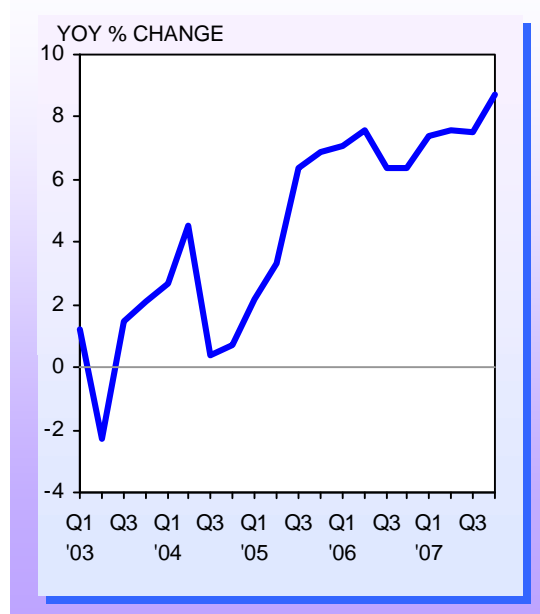
**THE FINANCIAL SERVICES SECTOR** rose by 16% in 4Q07, following an expansion of 20% a quarter earlier. Broad-based strengthening of activity was seen across all major segments. Overall, the financial services sector posted a growth of 17% in 2007, up further from 11% in 2006.

**EXHIBIT 9  
FINANCIAL SERVICES SECTOR**



**THE BUSINESS SERVICES SECTOR** expanded by 8.7%, an improvement over the 7.5% gain in the previous quarter. Healthy performance was seen across the board, led by the real estate and business representative offices segments. For the year 2007, the business services sector registered growth of 7.8%, compared with 6.9% in 2006.

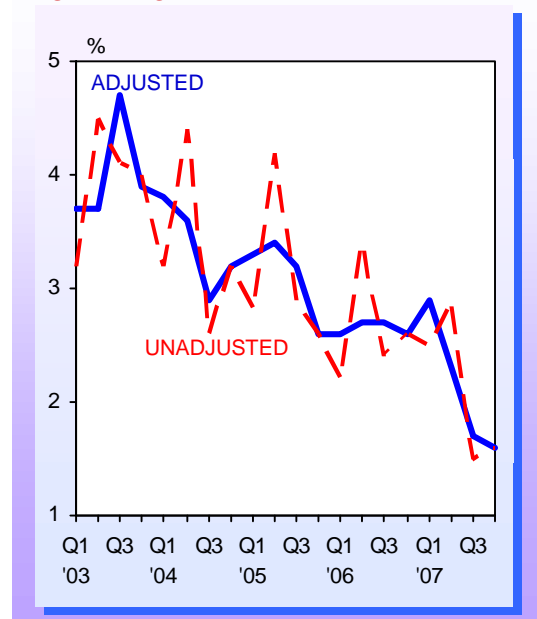
**EXHIBIT 10  
BUSINESS SERVICES SECTOR**



## Labour Market

Total employment rose 64,200 in 4Q07, higher than the gains of 58,600 in the previous quarter. The services sector continued to lead in job creation with an increase of 39,500 jobs while the manufacturing and construction sector posted increases of 11,000 and 13,200 jobs respectively. Over the year, total employment creation reached a record high of 236,600, surpassing the 176,000 jobs created in 2006.

**EXHIBIT 11  
UNEMPLOYMENT RATE**

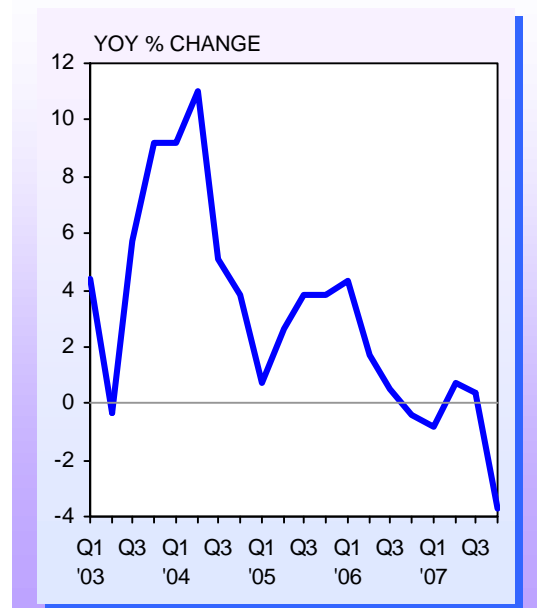


The seasonally-adjusted overall unemployment rate fell further to 1.6% in December 2007, from 1.7% in September 2007, which was the lowest in a decade. The number of workers retrenched in 4Q07 also dropped to 1,500 compared with 1,827 in 3Q07. For the whole of 2007, the overall unemployment rate averaged 2.1%, down significantly from 2.7% in 2006.

## Labour Productivity

Overall labour productivity fell by 3.7% in 4Q07, after a 0.4% increase a quarter earlier. At the sectoral level, manufacturing (-8.7%) saw the largest decline in productivity, followed by hotels & restaurants (-8.5%), business services (-4.9%), information & communications (-3.0%) and financial services (-1.4%). In contrast, construction (7.8%), transport & storage (3.0%) and wholesale & retail trade (0.4%) continued to experience gains in labour productivity. On an annual basis, overall labour productivity fell by 0.9% in 2007, compared with a 1.5% growth in the previous year.

**EXHIBIT 12  
LABOUR PRODUCTIVITY**

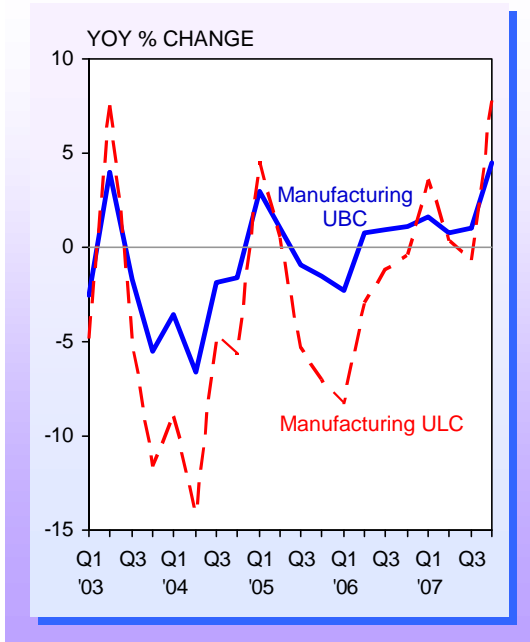


## Business Costs

Unit labour cost (ULC) of the overall economy rose 6.1% in 4Q07, up from 2.9% in 3Q07. For the whole of 2007, ULC advanced 3.8%, compared with a 0.5% gain in 2006.

Unit business cost (UBC) in the manufacturing sector went up by 4.5% in 4Q07, following a 1.0% growth in the previous quarter. This brought its full year growth to 2.0%, higher than the growth of 0.1% in 2006. All three components of manufacturing UBC rose in 2007, viz., unit labour cost (2.6%), service cost (1.2%) and government rates & fees (7.9%).

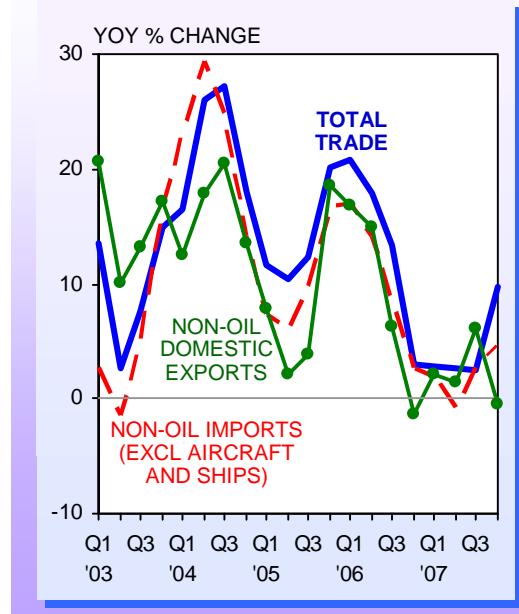
**EXHIBIT 13 UNIT BUSINESS COST & UNIT LABOUR COST**



## External Trade

External trade expanded by 9.8% in 4Q07, faster than the 2.5% gain in the preceding quarter. Driven largely by strong growth of domestic exports, total exports grew by 7.1% in 4Q07, up from 4.2% in 3Q07. The better performance in domestic exports was due to a 48% surge in oil domestic exports, which more than offset the marginal 0.4% fall in non-oil domestic exports (NODX). Non-oil imports (excluding aircraft and ships) rose at a faster pace of 4.5% in 4Q07 after growing 2.7% in 3Q07. In volume terms, total trade grew by 7.9%, up from 5.6% in the previous quarter. For the whole year, both external trade and NODX saw slower growth of 4.5% and 2.3% respectively.

**EXHIBIT 14 EXTERNAL TRADE**



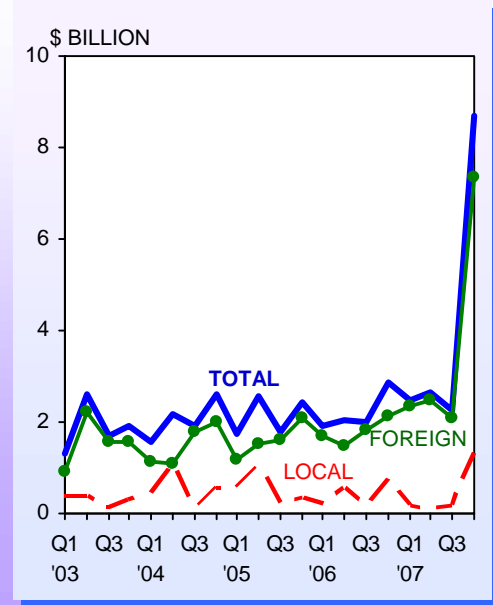
Prior to 2004, data excludes trade with Indonesia.

## Investment Commitments

In 4Q07, a total of \$8.7 billion of fixed asset investment (FAI) was committed in manufacturing. This brought the annual FAI to \$16.1 billion, significantly higher than the \$8.8 billion in 2006. When fully operational, these commitments are expected to generate a value added of \$6.0 billion and create 16,900 jobs, 59% of which would be for skilled professionals.

Services investment commitments promoted by EDB amounted to \$0.5 billion in 4Q07. For the whole of 2007, \$3.0 billion were committed in these services industries, higher than the \$2.8 billion achieved in 2006. When fully realised, these commitments would generate value added of \$5.6 billion and create 11,700 jobs, 79% of which are skilled jobs.

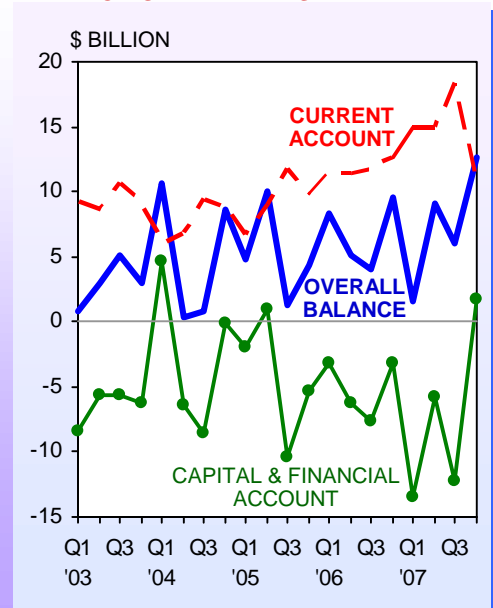
**EXHIBIT 15 MANUFACTURING INVESTMENT COMMITMENTS**



## Balance of Payments

Singapore's overall balance of payments registered a surplus of \$13 billion in 4Q07, more than twice the amount recorded in the previous quarter. For the whole year, the overall balance of payments rose from \$27 billion in 2006 to \$29 billion in 2007, reflecting a larger current account surplus. Consequently, Singapore's official foreign reserves rose to \$235 billion of end-2007, equivalent to 7.1 months of merchandise imports.

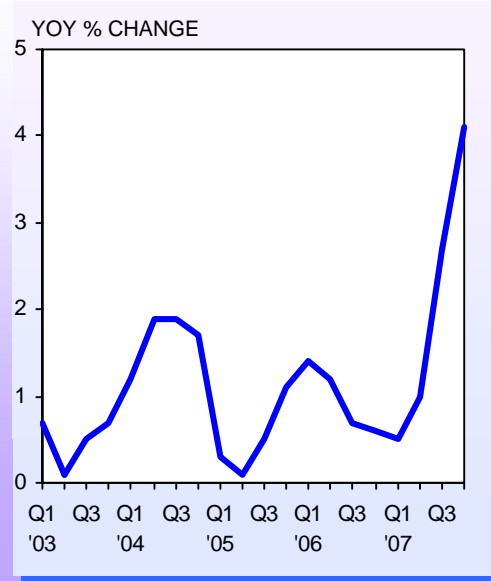
**EXHIBIT 16 BALANCE OF PAYMENTS**



## Consumer Price Inflation

The CPI rose 4.1% on a year-on-year basis in 4Q07, up further from 2.7% in 3Q07. All categories saw price increases, among which healthcare registered the largest gain (6.2%). This was followed by transport & communications (5.4%), food (5.0%) and recreation & others (4.1%). The inflation rate for the whole year was 2.1%, the highest since 1994.

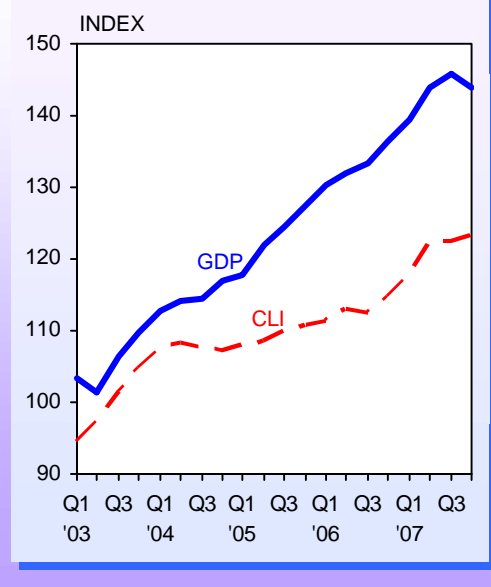
**EXHIBIT 17  
CONSUMER PRICE INDEX**



## Leading Indicators

The composite leading index (CLI) climbed 0.7% on a quarter-on-quarter basis in 4Q07, following a 0.2% gain in the previous quarter. Of the nine components within the index, the money supply, US Purchasing Manager's Index, new companies formed, wholesale trade and domestic liquidity declined while other components (the stock of finished goods, stock price, non-oil sea cargo handled and non-oil retained imports) saw gains.

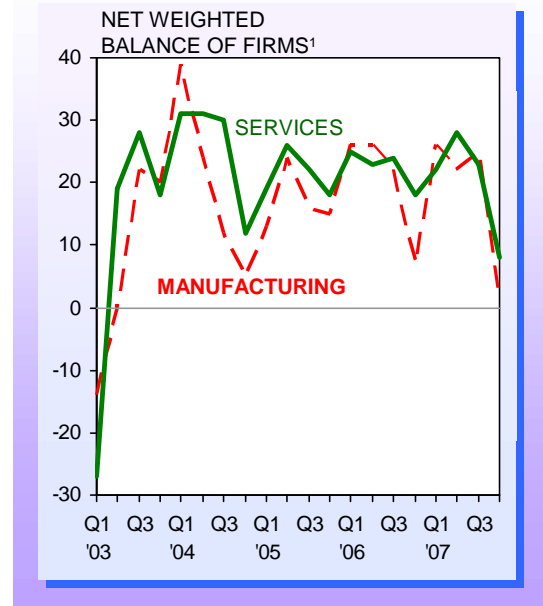
**EXHIBIT 18  
GROSS DOMESTIC PRODUCT &  
COMPOSITE LEADING INDEX (2000=100)**



## Business Expectations

Sentiments in both manufacturing and services sectors have softened compared to the previous quarter. A net weighted balance of 2% of the manufacturers are optimistic about business conditions in the first half of 2008, down from 25% a quarter earlier. In the services sector, a net weighted balance of 8% of the firms projects a positive outlook in the same period, smaller than the 23% recorded in the previous quarter.

**EXHIBIT 19**  
**BUSINESS EXPECTATIONS**



<sup>1</sup> The y-axis of the chart on business expectations represents the net weighted balance of companies that predict an improvement in business situation. This is derived from the weighted percentage of companies in the survey that predict better business minus the weighted percentage of companies that predict worse business.

## Sectoral Growth Rates

Per Cent

Sector	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
<b>Percentage Change Over Corresponding Period of Previous Year</b>							
<b>Total</b>	7.0	8.2	7.0	9.1	9.5	5.4	7.7
<b>Goods Producing Industries</b>	7.8	10.5	5.1	9.7	11.6	2.9	7.2
<b>Manufacturing</b>	8.4	11.9	3.9	8.6	11.0	0.2	5.8
<b>Construction</b>	6.0	3.6	14.4	22.4	20.1	24.3	20.3
<b>Services Producing Industries</b>	7.2	7.5	7.7	8.6	8.5	7.7	8.1
<b>Wholesale &amp; Retail Trade</b>	7.1	10.4	8.0	8.5	6.8	6.0	7.3
<b>Transport &amp; Storage</b>	4.0	4.7	4.4	5.5	5.0	5.4	5.1
<b>Hotels &amp; Restaurants</b>	5.9	4.8	4.8	5.6	4.9	2.5	4.4
<b>Information &amp; Communications</b>	6.0	4.6	5.9	6.5	6.6	6.1	6.3
<b>Financial Services</b>	13.0	10.6	14.5	17.0	20.1	15.9	16.9
<b>Business Services</b>	6.4	6.9	7.4	7.6	7.5	8.7	7.8
<b>Annualised Growth Rate – Seasonally Adjusted</b>							
<b>Total</b>	9.7	8.2	9.2	13.4	5.1	-4.8	7.7
<b>Goods Producing Industries</b>	11.4	10.5	2.2	14.6	17.5	-18.6	7.2
<b>Manufacturing</b>	12.1	11.9	-1.6	14.0	19.1	-24.9	5.8
<b>Construction</b>	11.5	3.6	32.5	24.7	13.3	27.3	20.3
<b>Services Producing Industries</b>	8.4	7.5	12.3	12.8	1.0	5.8	8.1
<b>Wholesale &amp; Retail Trade</b>	1.0	10.4	15.9	8.1	1.9	0.4	7.3
<b>Transport &amp; Storage</b>	6.0	4.7	8.3	5.6	0.3	7.3	5.1
<b>Hotels &amp; Restaurants</b>	9.2	4.8	1.8	6.5	2.6	-0.5	4.4
<b>Information &amp; Communications</b>	9.1	4.6	0.6	8.2	8.6	6.7	6.3
<b>Financial Services</b>	27.1	10.6	36.8	29.1	-7.3	10.3	16.9
<b>Business Services</b>	4.4	6.9	5.3	16.4	4.5	8.8	7.8

Source: Singapore Department of Statistics