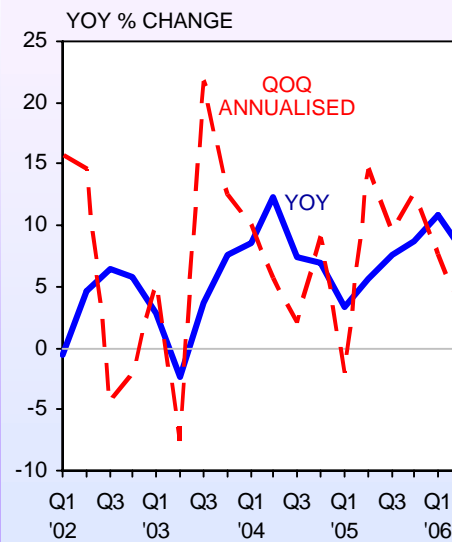


PERFORMANCE OF THE SINGAPORE ECONOMY IN SECOND QUARTER 2006 AND OUTLOOK FOR 2006

Overall Performance

The Singapore economy grew at a more moderate pace of 8.1% in 2Q06, compared to 10.8% in 1Q06. The growth momentum (on an annualised quarter-on-quarter basis) also slowed to 3.0%, down from 7.6% in 1Q06.

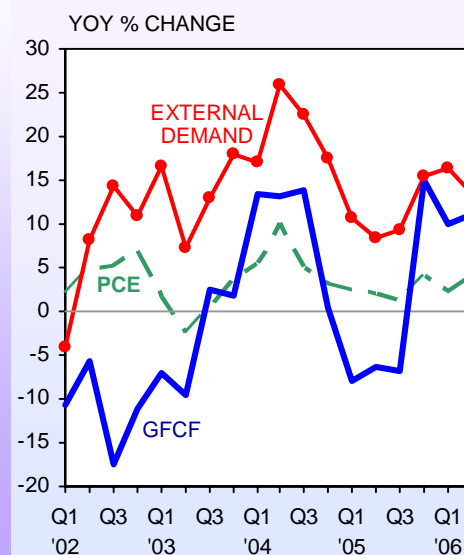
EXHIBIT 1
REAL GDP GROWTH



Sources of Growth

After growing 14% in 1Q06, total demand eased to 11% in 2Q06. This was largely due to a deceleration in the growth of external demand from 16% in 1Q06 to 13% in 2Q06, as growth of both services and merchandise exports slowed. Total domestic demand grew by a higher 4.9%, compared to 4.3% in 1Q06, mainly due to higher private consumption expenditure and total gross fixed capital formation.

EXHIBIT 2
SOURCES OF GROWTH

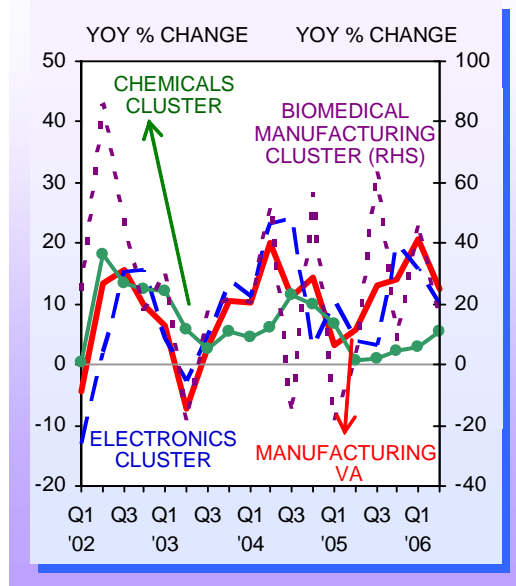


Sectoral Performance

Economic growth was led by the manufacturing and wholesale & retail trade sectors. Except for financial services, growth of the major services sectors moderated (see *Annex*).

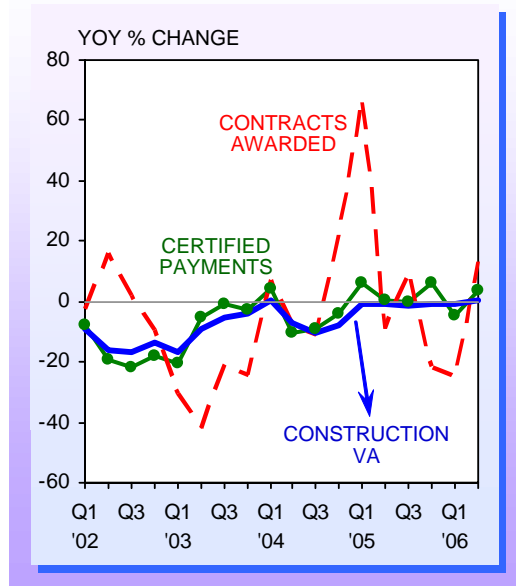
THE MANUFACTURING SECTOR expanded by 12% in 2Q06, down from 21% in the previous quarter. The biomedical manufacturing, precision engineering and transport engineering clusters continued to post double-digit growth, albeit at slower rates. The electronics cluster grew 9.8%, driven by strong performance in semiconductors. Meanwhile, the chemicals cluster turned in a better performance, growing by 5.4% compared to 2.9% a quarter earlier.

**EXHIBIT 3
MANUFACTURING SECTOR**



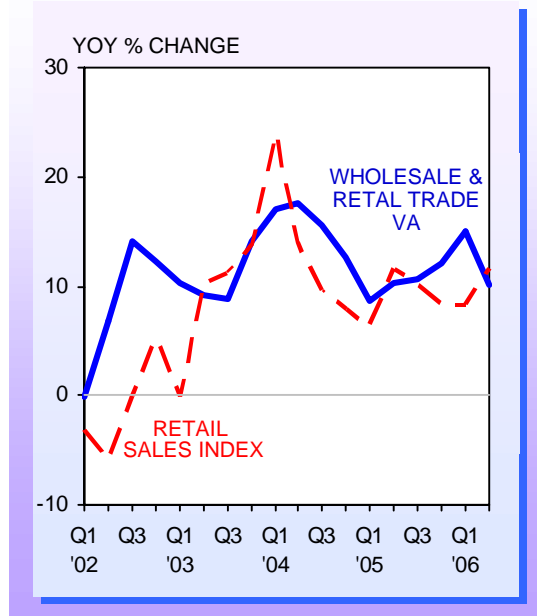
THE CONSTRUCTION SECTOR turned in a marginally positive growth of 0.2%, reversing the decline of 0.8% in 1Q06. On a seasonally-adjusted quarter-on-quarter annualised basis, growth momentum receded by 16%. However, certified payments grew by 3.5%, after declining by 4.5% in 1Q06. Supported by growth in the commercial, residential and civil engineering segments, contracts awarded climbed 13%, reversing the 25% contraction in the previous quarter.

**EXHIBIT 4
CONSTRUCTION SECTOR**



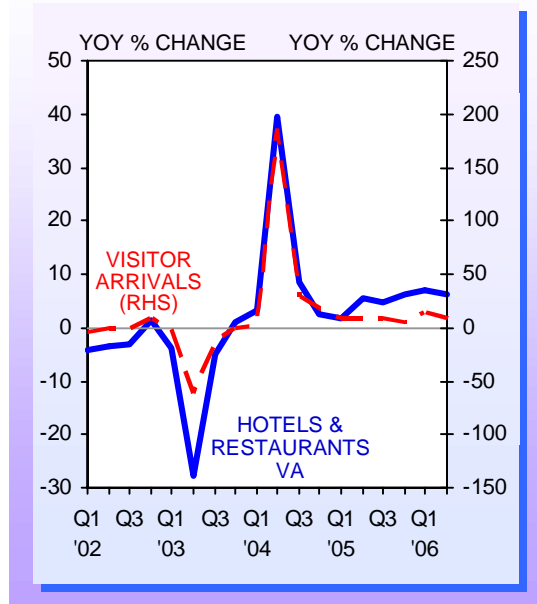
THE WHOLESALE AND RETAIL TRADE SECTOR expanded 10% in 2Q06, down from 15% in 1Q06. The wholesale segment posted slower growth, as non-oil re-exports growth decelerated from 22% in 1Q06 to 15% in 2Q06. On the other hand, the retail trade segment remained strong, as retail sales growth improved from 8.2% in 1Q06 to 12% in 2Q06. Excluding motor vehicles, retail sales also grew at a faster pace of 7.7% compared to 5.6% a quarter earlier.

EXHIBIT 5 WHOLESALE AND RETAIL TRADE SECTOR



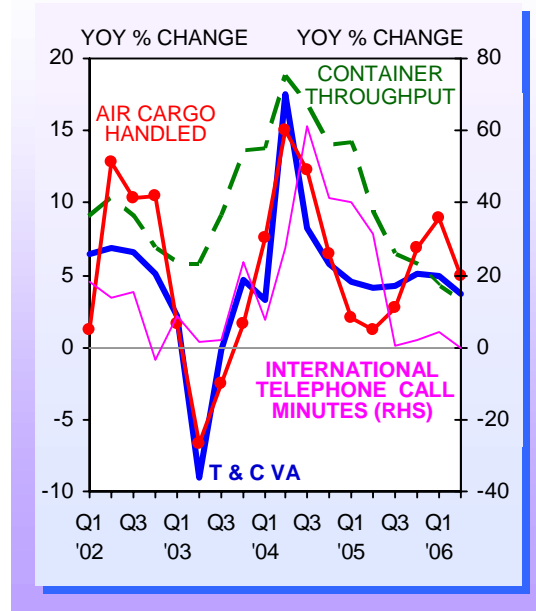
THE HOTELS AND RESTAURANTS SECTOR registered a 6.1% gain in 2Q06, down from 7.1% in 1Q06. Growth in the sector was supported by a sustained increase in visitor arrivals, which rose 9.6% in 2Q06, compared with 14% in the earlier quarter. This bolstered room revenues for hotels as well as restaurant revenues. The average occupancy rate of hotels, however, dropped marginally to 84% in 2Q06, 0.5 percentage-point lower than that a year earlier.

EXHIBIT 6 HOTELS AND RESTAURANTS SECTOR



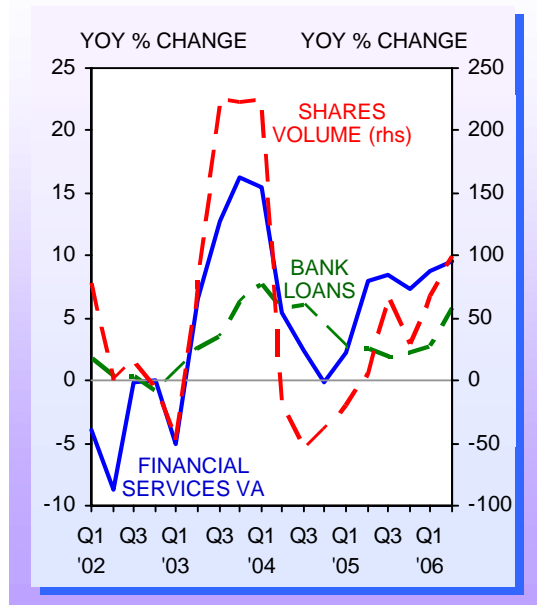
GROWTH IN THE TRANSPORT AND COMMUNICATIONS SECTOR eased to 3.7% in 2Q06, compared to 5.0% in the previous quarter. The air segment saw slower increases in air passengers and air cargo volumes. Within the sea segment, sea cargo handled performed better while container throughput rose at a more moderate pace. For the communications segment, the number of broadband and mobile phone subscribers continued to grow but at a slower pace while international telephone call duration declined by 0.2%, a slowdown from the 4.4% expansion a quarter earlier.

EXHIBIT 7 TRANSPORT AND COMMUNICATIONS SECTOR



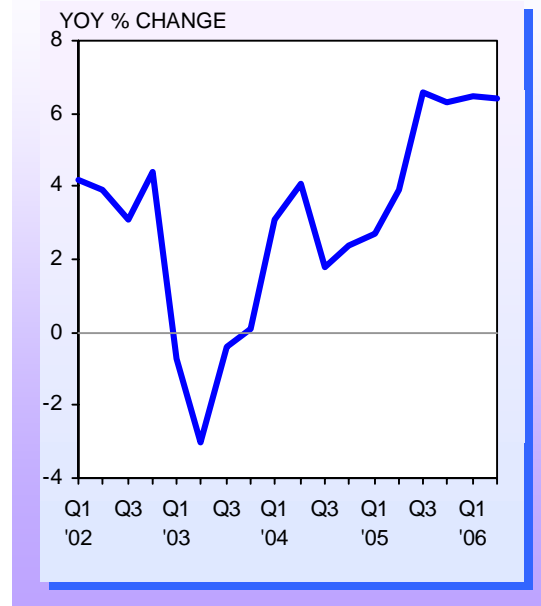
THE FINANCIAL SERVICES SECTOR expanded by 9.5% in 2Q06, after growing 8.7% a quarter earlier. Growth was fairly broad-based, led by activity in the capital markets. In particular, stock broking was supported by a large increase in turnover volume, reflecting strong interest in finance and property stocks. The domestic fund management market was boosted by continued demand for Asian equities. At the same time, offshore bank lending activity also recorded sharp gains in both the interbank and non-bank segments.

EXHIBIT 8 FINANCIAL SERVICES SECTOR



THE BUSINESS SERVICES SECTOR registered a gain of 6.4% in 2Q06, similar to the 6.5% growth a quarter earlier. The sector was supported by continued robust performances of IT and related services and business representative offices. Buoyed by the sustained interest in luxury property development, the real estate segment also saw healthy growth.

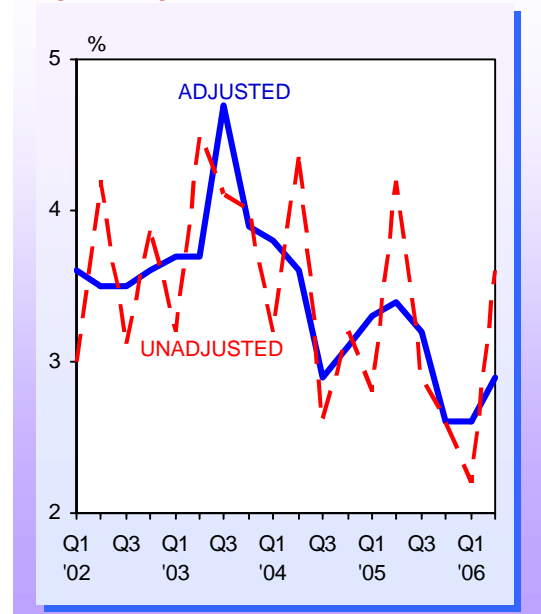
**EXHIBIT 9
BUSINESS SERVICES SECTOR**



Labour Market

Total employment grew by 36,500 in 2Q06, easing from the robust gains of 45,000 in 1Q06. Nevertheless, total employment gains in the first half of 2006 was a record 81,500. The services sector saw an increase of 24,200 jobs in 2Q06. In manufacturing and construction, the respective gains were 8,300 and 4,000. The number of workers retrenched in 2Q06 was 3,100, lower than the 3,500 in the previous quarter. The seasonally-adjusted unemployment rate edged up to 2.9% in June 2006, higher than the 2.6% registered in March 2006, largely reflecting an increase in labour supply.

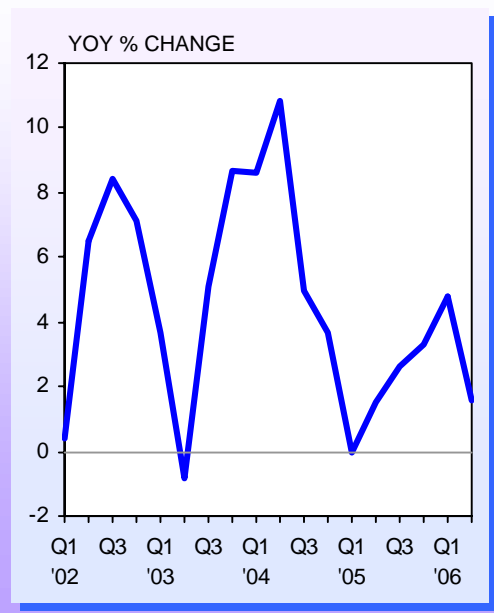
**EXHIBIT 10
UNEMPLOYMENT RATE**



Labour Productivity

The moderation in GDP growth led to a slowing of labour productivity growth from 4.8% in 1Q06 to 1.6% in 2Q06. The wholesale & retail trade sectors saw the largest increase of 5.6% followed by manufacturing (4.7%). Smaller gains were seen in the financial services (1.8%) and transport and communications (0.7%) sectors. The business services (-5.8%), construction (-5.2%), hotels and restaurants (-0.9%) and other services (-0.3%) sectors registered declines in labour productivity.

**EXHIBIT 11
LABOUR PRODUCTIVITY**



Business Costs

Due to slower productivity growth, the overall unit labour cost (ULC) inched up 0.7% in 2Q06, reversing 4 consecutive quarters of decline.

The unit business cost (UBC) of manufacturing rose 1.0% in 2Q06, mainly due to a smaller decline in manufacturing ULC, as compared to 1Q06.

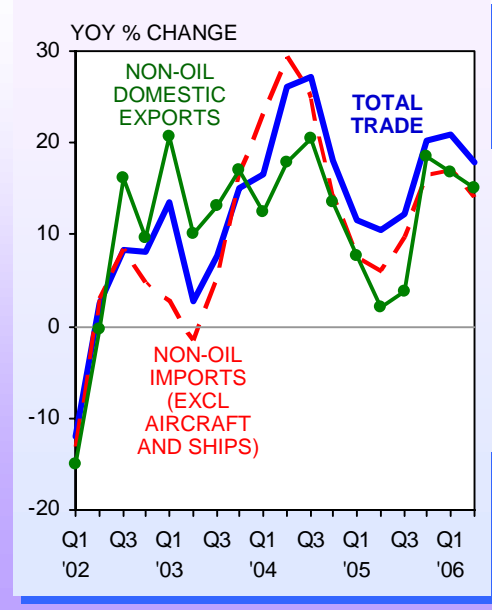
**EXHIBIT 12 UNIT BUSINESS COST &
UNIT LABOUR COST**



External Trade

Singapore's external trade continued to expand robustly by 18 % in 2Q06, compared with 21% a quarter earlier. Total exports grew at a slower but still strong pace of 17% as both domestic exports and re-exports registered softer growth. Non-oil domestic exports expanded by 15%, after a 17% gain in 1Q06. Non-oil imports (excluding aircraft and ships) rose 14%, after posting a 17% growth in the preceding quarter. In volume terms, total trade increased by 15% compared to 17% in the previous quarter.

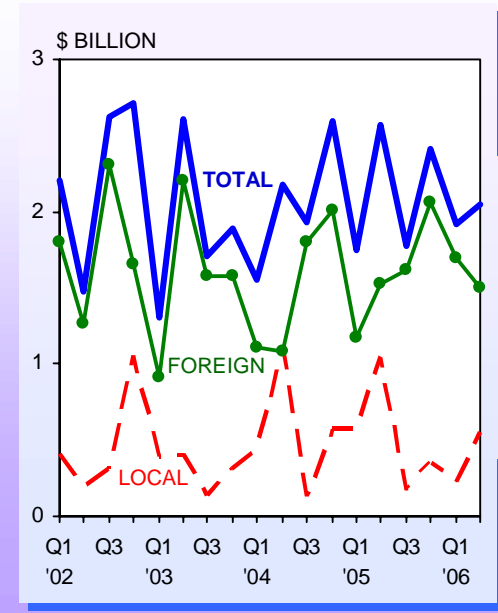
**EXHIBIT 13
EXTERNAL TRADE**



Investment Commitments

In 2Q06, manufacturing investment commitments totalled \$2.0 billion in terms of fixed assets. When the commitments are fully operational, they would create value added of \$856 million and generate almost 3,600 jobs, of which 71% would be for skilled workers. Total business spending commitments in services promoted by EDB amounted to \$869 million in 2Q06. When fully realised, these commitments would generate a value added of \$2.3 billion and create over 3,300 jobs. 72% of these jobs would be for skilled workers.

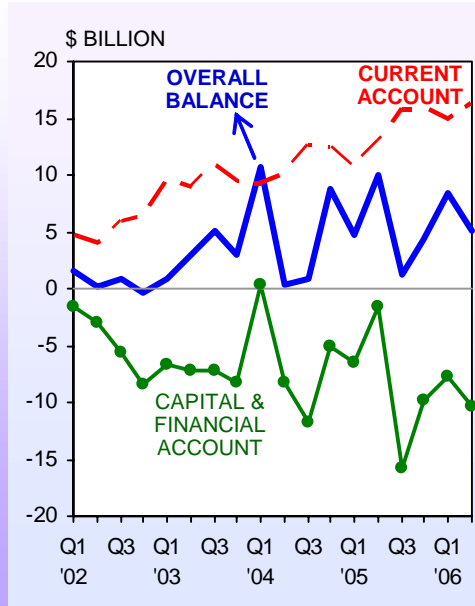
**EXHIBIT 14 MANUFACTURING
INVESTMENT COMMITMENTS**



Balance of Payments

Singapore's overall balance of payments registered a smaller surplus of \$5.1 billion in 2Q06, down from \$8.4 billion in 1Q06, largely due to the increase in net outflow from the capital and financial account, which more than offset the larger current account surplus. The current account surplus in 2Q06 was \$16 billion, a \$1.3 billion increase from 1Q06, mainly attributable to an increase in the income balance. Against this backdrop, Singapore's official foreign reserves rose to \$203 billion, which is equivalent to 6.7 months of merchandise imports.

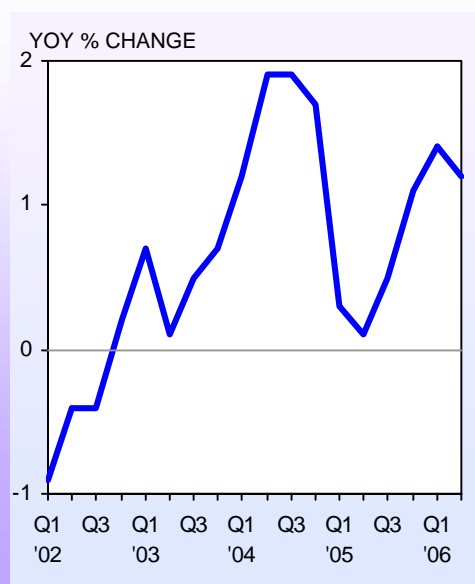
EXHIBIT 15
BALANCE OF PAYMENTS



Consumer Price Inflation

The CPI rose by 1.2% year-on-year in 2Q06, down slightly from 1.4% in 1Q06. The housing category (3.7%) registered the largest gain due to higher service and conservancy charges and electricity tariffs. Costs of food (1.6%), education (2.1%), healthcare (1.0%), and clothing (0.5%) were also higher. Prices of recreation and other items remained stable (0.1%) while costs of transportation and communications fell (-1.2%) as a result of lower car prices.

EXHIBIT 16
CONSUMER PRICE INDEX



Outlook for 2006

The Singapore economy grew strongly by 9.4 per cent in the first half of 2006. This came on the back of robust external demand as the global economy remained resilient in the face of rising interest rates and higher oil prices.

For the second half of 2006, the outlook for the global economy is generally positive although there are some signs that the growth momentum is slowing. The US economy has moderated from its strong pace earlier this year, reflecting a cooling off of consumer spending and a cutback in business investment.

In Japan, the outlook is encouraging, on the back of stronger corporate profitability. Prospects for the EU are still healthy, underpinned by domestic demand in the major EU economies. In Asia, China and India continue to grow strongly but the momentum is expected to moderate in the second half of the year. The regional economies are likely to remain resilient although growth in some segments has eased in the face of higher oil prices.

The global electronics industry is expected to stay robust. Research house Gartner has raised its 2006 forecast for worldwide semiconductor sales further, from 9.5 per cent to 10.6 per cent.

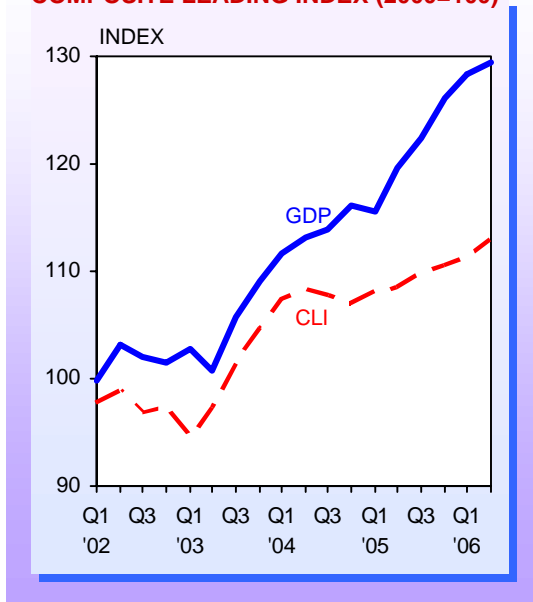
On the domestic front, forward-looking indicators, such as the composite leading index, point to healthy growth prospects in the few quarters ahead. This is also reflected in the latest business expectations surveys, with firms in both the manufacturing and services sectors expressing positive sentiments for the six months ahead. However, some moderation in growth momentum is expected in the second half of the year in line with slower growth in the global economy.

There are also some downside risks. Oil prices remain the key uncertainty. The potential supply problems in Nigeria, Iran and Iraq and an escalation of the conflict in the Middle-East could lead to disruptions in production and spikes in oil prices, given the limited surplus capacity. This would hurt growth, especially if central banks raise interest rates to curb inflationary pressures. Other downside risks include the unwinding of global imbalances and an avian flu pandemic.

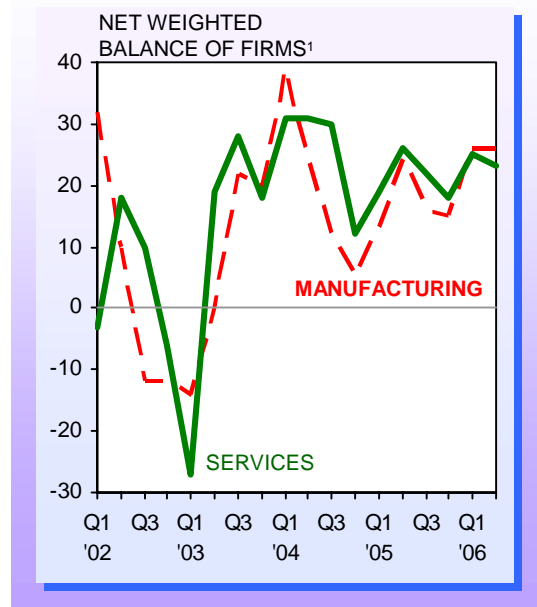
Given the strong growth in the first half of 2006 and barring any economic shock, the Ministry of Trade and Industry has revised the 2006

GDP growth forecast from between 5 per cent and 7 per cent to between 6.5 per cent and 7.5 per cent.

**EXHIBIT 17
GROSS DOMESTIC PRODUCT &
COMPOSITE LEADING INDEX (2000=100)**



**EXHIBIT 18
BUSINESS EXPECTATIONS**



¹ 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

<u>Sector</u>	<u>2Q05</u>	<u>3Q05</u>	<u>4Q05</u>	<u>2005</u>	<u>1Q06</u>	<u>2Q06</u>
<u>Percentage Change Over Corresponding Period of Previous Year</u>						
Total	5.7	7.6	8.7	6.4	10.8	8.1
Goods Producing Industries	4.9	10.7	12.0	7.7	16.9	10.7
Manufacturing	5.9	13.1	14.2	9.3	20.7	12.5
Construction	-1.1	-1.4	-0.8	-1.1	-0.8	0.2
Services Producing Industries	5.8	6.8	7.2	6.0	8.2	7.0
Wholesale & Retail Trade	10.2	10.7	12.1	10.5	15.1	10.1
Hotels & Restaurants	5.4	4.7	6.2	4.6	7.1	6.1
Transport & Communications	4.1	4.3	5.1	4.5	5.0	3.7
Financial Services	7.9	8.5	7.4	6.5	8.7	9.5
Business Services	3.9	6.6	6.3	4.9	6.5	6.4
<u>Annualised Growth Rate – Seasonally-adjusted</u>						
Total	14.6	9.6	12.5	6.4	7.6	3.0
Goods Producing Industries	19.5	20.0	24.6	7.7	5.8	-5.2
Manufacturing	28.2	25.6	28.1	9.3	3.9	-4.2
Construction	-20.5	-9.9	5.6	-1.1	26.9	-16.3
Services Producing Industries	13.4	6.6	7.1	6.0	6.6	7.7
Wholesale & Retail Trade	17.5	11.3	13.0	10.5	19.5	-2.2
Hotels & Restaurants	17.8	-0.7	4.6	4.6	7.8	12.8
Transport & Communications	7.4	4.3	5.9	4.5	2.9	1.7
Financial Services	27.6	2.1	10.7	6.5	-3.3	31.6
Business Services	9.1	8.5	2.5	4.9	5.9	9.0

Source: Singapore Department of Statistics