

Press Release

Growth Forecast for 2008 Maintained at 4.0-6.0%

23 May 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.

Performance in First Quarter 2008

GDP grew by 6.7 per cent year-on-year in the first quarter of 2008, up from the 5.4 per cent increase in the preceding quarter. Growth on an annualized quarter-on-quarter basis rebounded strongly to 14.6 per cent, from -4.8 per cent in the fourth quarter of 2007. The higher growth has chiefly reflected a strong surge in biomedical manufacturing, coming on top of the sharp contraction in the last quarter when there was a major plant shutdown for maintenance and change in product mix.

GDP Outlook for 2008

The external environment has weakened since MTI's last review in February 2008 but has not been inconsistent with earlier expectations. Consensus forecasts for the US, EU, and Japan have come down, with indicators in the US pointing to recession or near-recession conditions. Asian economies such as China and India are expected to continue to grow strongly. The effects on the Singapore economy will be mixed. Export-oriented and sentiment-sensitive sectors will be hit more, while domestic-oriented sectors will perform better. MTI therefore maintains Singapore's GDP growth forecast at 4.0-6.0 per cent in 2008.

The downside risk of a deeper than expected US recession due to financial market turbulence or sharp declines in asset values remains on the horizon but has lessened slightly in the wake of recent strong actions taken by the Federal Reserve to restore market confidence.

Inflation Outlook for 2008

External price pressures have continued to contribute significantly to our domestic headline inflation numbers. Oil and food prices have risen more rapidly and are expected to remain elevated over the near term. MTI and MAS have therefore revised the forecast for CPI inflation for 2008 from 4.5-5.5 per cent to 5.0-6.0 per cent. The revised forecast remains consistent with the earlier expectation of a moderation in inflation in the second half of the year, particularly as the impact of the GST increase wears off.

Ministry of Trade and Industry
23 May 2008

SECTORAL GROWTH RATES

	1Q07	2Q07	3Q07	4Q07	2007	1Q08
	Year-on-Year % Change					
Total	7.0	9.1	9.5	5.4	7.7	6.7
Goods Producing Industries	5.1	9.7	11.6	2.9	7.2	12.2
Manufacturing	3.9	8.6	11.0	0.2	5.8	12.4
Construction	14.4	22.4	20.1	24.3	20.3	14.7
Services Producing Industries	7.7	8.6	8.5	7.7	8.1	7.5
Wholesale & Retail Trade	8.0	8.5	6.8	6.0	7.3	5.4
Transport & Storage	4.4	5.5	5.0	5.4	5.1	5.5
Hotels & Restaurants	4.8	5.6	4.9	2.5	4.4	2.4
Information & Communications	5.9	6.5	6.6	6.1	6.3	6.7
Financial Services	14.5	17.0	20.1	15.9	16.9	13.4
Business Services	7.4	7.6	7.5	8.7	7.8	8.3
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	9.2	13.4	5.1	-4.8	7.7	14.6
Goods Producing Industries	2.2	14.6	17.5	-18.6	7.2	45.1
Manufacturing	-1.6	14.0	19.1	-24.9	5.8	57.7
Construction	32.5	24.7	13.3	27.3	20.3	-4.4
Services Producing Industries	12.3	12.8	1.0	5.8	8.1	10.7
Wholesale & Retail Trade	15.9	8.1	1.9	0.4	7.3	10.7
Transport & Storage	8.3	5.6	0.3	7.3	5.1	9.0
Hotels & Restaurants	1.8	6.5	2.6	-0.5	4.4	1.3
Information & Communications	0.6	8.2	8.6	6.7	6.3	3.8
Financial Services	36.8	29.1	-7.3	10.3	16.9	25.4
Business Services	5.3	16.4	4.5	8.8	7.8	4.0

OTHER ECONOMIC INDICATORS

	1Q07	2Q07	3Q07	4Q07	2007	1Q08
Labour Productivity (y-o-y%)	-0.8	0.7	0.4	-3.7	-0.9	-2.8
Unemployment Rate, SA (%)	2.8	2.3	1.7	1.7	2.1	2.0
Changes in Employment ('000)	49.4	64.4	58.6	62.5	234.9	68.4
Overall Unit Labour Cost (y-o-y%)	2.9	3.4	2.8	6.0	3.8	8.8
Unit Business Cost of Manufacturing (y-o-y%)	1.6	0.7	1.0	4.5	2.0	3.3
Consumer Price Index (y-o-y%)	0.5	1.0	2.7	4.1	2.1	6.6
Fixed Asset Investments (\$ bil)	2.6	3.3	2.4	8.9	17.2	2.5
Manufacturing	2.5	2.6	2.2	8.7	16.1	2.0
Services Clusters	0.1	0.6	0.2	0.2	1.1	0.5
Total Trade (y-o-y%)	2.9	2.6	2.5	9.8	4.5	16.1
Exports	3.4	2.9	4.2	7.2	4.4	11.5
Domestic Exports	-1.4	0.0	4.7	10.1	3.3	12.7
Non-Oil	2.1	1.5	6.1	-0.4	2.3	0.6
Re-exports	9.1	6.2	3.6	4.1	5.7	10.3
Imports	2.3	2.4	0.6	12.8	4.5	21.5