

## **MTI Revises 2008 Growth to Around 3.0 per cent**

10 October 2008. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy is estimated<sup>1</sup> to contract by 0.5 per cent in the third quarter of 2008 compared to the same period last year. MTI now expects the Singapore economy to grow by **around 3.0 per cent** in 2008.

### **Advance GDP Estimates for Third Quarter 2008**

Advance estimates show that gross domestic product (GDP) in the third quarter of 2008 declined by 0.5 per cent in real terms over the same period last year. On a seasonally adjusted, annualised quarter-on-quarter basis, real GDP declined by 6.3 per cent, following a 5.7 per cent decline in the previous quarter.

#### **Gross Domestic Product at 2000 Prices**

(Percentage change over corresponding period of previous year)

	3Q07	4Q07	2007	1Q08	2Q08	3Q08*
Overall GDP	9.5	5.4	7.7	7.0	2.3	<b>-0.5</b>
Goods Producing Industries						
Manufacturing	11.0	0.2	5.8	13.1	-4.9	<b>-11.5</b>
Construction	20.1	24.3	20.3	16.9	19.8	<b>7.8</b>
Services Producing Industries	8.5	7.7	8.1	7.7	7.0	<b>6.1</b>

\*Advance estimates

### **Outlook for 2008**

In August 2008, MTI revised the GDP forecast range to 4.0 – 5.0 per cent, with growth expected to come in at the lower end of this range. Since then, external economic conditions have deteriorated more than expected and some sectors of the economy have weakened significantly on account of industry-specific or domestic factors.

The worsening of the financial crisis in the US in recent weeks has deepened the credit crunch, making it more difficult for businesses to sustain economic activities. With unemployment on the rise and house prices continuing to fall,

<sup>1</sup> The advance estimates are based largely on data from July and August 2008. The estimates are intended to provide an early indication of GDP growth in the third quarter, and are subject to revision when more comprehensive data become available.

US consumer sentiment has weakened further and will affect demand for exports from Asia and the rest of the world. Singapore's export-oriented sectors, such as manufacturing, will be affected. Europe is also facing severe strains in the banking sector, tighter credit conditions, and adjustments in housing prices. Growth in major economies such as Germany, France, Italy and the UK has dipped sharply in 2Q08. Growth forecasts for several Asian economies, such as China, India and South Korea, have been revised downwards since the start of the year.

The manufacturing sector has continued to be weighed down by the negative growth in biomedical sciences, as pharmaceutical companies are still producing a mix of pharmaceutical ingredients with values lower than compared to a year ago. The precision engineering and chemicals clusters have also slowed, because of weaker external demand.

The construction sector grew by 7.8 per cent in 3Q08, compared to the 18.3 per cent growth in the first half of 2008. Despite a strong pipeline of construction projects, a shortage of contractors, a tight labour market for engineers and project managers, and longer waiting times for equipment, have delayed the realisation of these projects.

The financial services sector is likely to see slower growth in the coming months as the ongoing global financial crisis has heightened uncertainties for sentiment-sensitive segments such as stocks trading and fund management activities.

Taking into account the slowdown in the global economy and key domestic sectors, MTI has revised the 2008 GDP growth forecast to **around 3.0 per cent**.

The inflation forecast of 6.0 – 7.0 per cent for 2008 remains unchanged.

MINISTRY OF TRADE AND INDUSTRY

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