

MTI Revises Forecasts for 2009 GDP Growth to -9.0 to -6.0 Per Cent

14 April 2009. The Ministry of Trade and Industry (MTI) announced today that it expects Singapore's GDP to contract by 6.0 to 9.0 per cent in 2009, lower than the contraction of 2.0 to 5.0 per cent that it had forecast on 21 January 2009.

Poorer-than-expected first quarter 2009 results

Advance estimates¹ for the Singapore economy indicate that economic activity slowed down sharply in the first quarter of 2009. On a seasonally adjusted annualised basis, real GDP contracted by 19.7 per cent compared to the previous quarter, worse than the 16.4 per cent contraction in the fourth quarter of 2008. Compared to the same period last year, real GDP is expected to contract by 11.5 per cent, compared to the 4.2 per cent contraction registered in the last quarter. MTI's earlier forecast had factored in the likelihood of a weak first quarter, but the advance estimates indicate that actual GDP growth will undershoot earlier expectations by a significant margin.

Gross Domestic Product at 2000 Prices

(Percentage change over corresponding period of previous year)

	1Q08	2Q08	3Q08	4Q08	2008	1Q09*
Overall GDP	6.7	2.5	0.0	-4.2	1.1	-11.5
Goods Producing Industries						
Manufacturing	12.6	-5.6	-11.0	-10.7	-4.1	-29.0
Construction	13.1	23.7	26.0	18.5	20.3	25.6
Services Producing Industries	7.5	7.5	5.5	-1.3	4.7	-5.9

* Advance estimates

The decline in the first quarter of 2009 affected every sector, with the exception of the construction sector. Falling external demand in late 2008 and early 2009 has severely affected domestic manufacturing output. In year-on-year terms, the manufacturing sector is estimated to have contracted by 29.0 per cent in the first quarter, compared to the 10.7 per cent contraction in the last quarter of 2008. The manufacturing decline was led by the electronics and precision engineering segments, but the chemicals cluster and the biomedical

¹ The advance GDP estimates for first quarter 2009 are computed largely from the first two months of the quarter (i.e. January and February 2009). They are intended as an early indication of the GDP growth in the quarter, and are subject to revision when more comprehensive data becomes available.

manufacturing cluster also saw large declines. With most of Singapore's key trading partners still in recession, the manufacturing sector will continue to remain weak for the rest of the year.

The services producing industries contracted by 5.9 per cent in year-on-year terms. The collapse in global trade in recent months severely affected the wholesale & retail trade sector and the transport & storage sector in the first quarter of 2009. For the rest of 2009, these sectors will continue to be weighed down by the poor prospects for global trade. As a result of falling global economic activity, the World Trade Organisation has forecast that world trade will contract by 9 per cent (by volume) in 2009 – the worst performance since the Second World War. The hotels & restaurants segment also contracted because of lower tourist arrivals. Financial services also continued to contract, but at a more moderate pace compared to the previous quarter.

The construction sector was the only sector that showed signs of robust growth. It is estimated to have grown by 25.6 per cent in the first quarter of 2009, supported by the strong pipeline of committed projects in both housing and infrastructure.

External outlook remains weak

The global economy is expected to remain weak in the coming quarters. While there are tentative signs of some stabilisation in the housing, financial and manufacturing sectors in the US, they do not point to a clear turnaround in economic activity. In recent months, the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development have successively slashed their 2009 growth forecasts for the world, the developed economies, and regional economies.

Taking into account the sharp deterioration in the first quarter of 2009, and the weak global outlook for the rest of the year, MTI is revising the economic growth forecast for 2009 to **-9.0 to -6.0 per cent**.

MINISTRY OF TRADE AND INDUSTRY
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