

## MTI Forecasts Growth of 3.0 to 5.0 per cent in 2010

19 November 2009. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow by 3.0 to 5.0 per cent in 2010. MTI has maintained the GDP growth forecast for 2009 at -2.5 to -2.0 per cent.

### Performance in Third Quarter 2009 and GDP Outlook for 2009

Preliminary estimates show that the Singapore economy grew by 0.6 per cent on a year-on-year basis in the third quarter of 2009, compared to a contraction of 3.3 per cent in the second quarter. On a seasonally adjusted annualised quarter-on-quarter basis, the economy expanded by 14.2 per cent in the third quarter of 2009, following growth of 21.7 per cent in the second quarter, with all major sectors registering positive growth.

The expansion was led by the manufacturing sector, which grew by 26.6 per cent on a quarter-on-quarter annualised basis. Increased production of higher-value pharmaceutical ingredients resulted in a continued surge in biomedical manufacturing output, while the electronics cluster grew modestly on the back of continued restocking activities and an uptick in consumer demand for electronic devices.

The services-producing sectors also saw broad-based improvement, with sequential growth accelerating to 10.8 per cent from 7.9 per cent in the previous quarter. The trade-related and tourism sectors (viz., wholesale & retail trade, transport & storage, and hotels & restaurants) posted double-digit sequential growth, as global trade flows improved and international travel picked up. However, the pace of growth in the financial services sector moderated to 3.9 per cent from 22.5 per cent in the previous quarter.

The construction sector slowed down, growing by just 0.9 per cent compared to the growth of 32.7 per cent in the previous quarter. This moderation reflects a reduction in certified payments received for on-going real estate development projects.

The preliminary estimates for the third quarter are in line with the advance estimates published on 12 October 2009, reflecting gradually stabilising global economic conditions.

MTI therefore maintains the GDP growth forecast for 2009 at **-2.5 to -2.0 per cent.**

## GDP Outlook for 2010

Global economic developments suggest that the recession has ended in most countries. GDP growth in key economies around the world has turned positive, bolstered by unprecedented policy responses which spurred domestic spending. Industrial production has started to pick up gain, while financial conditions and trade flows have corrected from their earlier lows, though not to pre-crisis levels.

Singapore's economic outlook for 2010 will be closely linked to global conditions. Asia is likely to continue to post positive growth rates, driven by domestic consumption and intra-regional trade flows. However, the recovery in the advanced economies remains fragile, and the return towards pre-crisis levels of output is likely to be gradual. Growth momentum thus far has been driven by targeted fiscal stimulus measures and inventory cycle adjustments, but these factors are likely to taper off in the second half of 2010. Even though there are some initial signs of a recovery in private demand, the durability of the recovery remains uncertain. Weak household balance sheets and persistently high unemployment, especially in the US, will continue to weigh on consumer demand. High levels of unused capacity and tight credit conditions in the US and Europe suggest that business investment is also unlikely to grow strongly next year.

A sluggish recovery in final demand in the advanced economies will moderate Singapore's growth prospects in 2010. MTI expects Singapore's economic growth in 2010 to be **3.0 to 5.0 per cent**.

## Inflation Outlook for 2010

For 2010, the CPI inflation forecast has been revised from 1.0-2.0 per cent to **2.5-3.5 per cent**. The upward revision is attributable to the recent revision in the annual values of HDB properties as announced by the Inland Revenue Authority of Singapore. The Monetary Authority of Singapore's underlying inflation forecast, which excludes the cost of accommodation and private road transport, remains unchanged at 1.0-2.0 per cent.

MINISTRY OF TRADE AND INDUSTRY  
19 November 2009

**ANNEX**

**SECTORAL GROWTH RATES**

Sector	3Q08	4Q08	2008	1Q09	2Q09	3Q09
	Year-on-Year % Change					
Total	0.0	-4.2	1.1	-9.5	-3.3	0.6
Goods Producing Industries	-6.2	-6.5	-1.0	-17.4	1.6	7.1
Manufacturing	-11.0	-10.7	-4.1	-24.2	-1.1	6.6
Construction	26.0	18.5	20.3	24.4	18.6	12.8
Services Producing Industries	5.5	-1.3	4.7	-5.1	-4.9	-2.2
Wholesale & Retail Trade	4.5	-5.3	2.6	-14.8	-13.8	-8.8
Transport & Storage	3.8	-2.4	3.1	-9.7	-10.7	-7.5
Hotels & Restaurants	0.0	-0.1	1.2	-5.5	-5.9	-2.5
Information & Communications	7.7	5.4	7.2	1.7	0.3	0.1
Financial Services	5.6	-8.1	5.5	-7.6	-4.5	-0.2
Business Services	8.2	5.2	7.4	3.8	2.8	2.6
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	-2.1	-16.4	1.1	-12.2	21.7	14.2
Goods Producing Industries	-0.8	-16.2	-1.0	-14.5	50.5	21.4
Manufacturing	-5.2	-21.3	-4.1	-18.9	58.5	26.6
Construction	23.5	10.3	20.3	9.6	32.7	0.9
Services Producing Industries	-1.7	-15.0	4.7	-9.7	7.9	10.8
Wholesale & Retail Trade	-0.8	-27.1	2.6	-29.3	7.0	25.7
Transport & Storage	-3.2	-14.2	3.1	-23.4	-0.3	11.9
Hotels & Restaurants	-0.4	0.6	1.2	-20.9	-1.1	14.5
Information & Communications	5.9	-0.9	7.2	-8.1	5.1	4.6
Financial Services	-13.1	-29.2	5.5	10.3	22.5	3.9
Business Services	8.4	-0.8	7.4	-1.8	5.9	7.6

**OTHER ECONOMIC INDICATORS**

	3Q08	4Q08	2008	1Q09	2Q09	3Q09
Visitor Arrivals (y-o-y%)	-4.5	-7.8	-1.6	-13.6	-9.3	0.2
Retail Sales Index at Constant Prices (y-o-y%)	2.8	-5.4	-1.7	-10.6	-12.1	-10.3
Labour Productivity (y-o-y%)	-9.0	-11.9	-7.8	-14.7	-6.0	-0.7
Unemployment Rate, SA (%)	2.3	2.5	2.2	3.3	3.3	3.4
Changes in Employment ('000)	55.7	21.3	221.6	-6.2	-7.7	15.4
Overall Unit Labour Cost (y-o-y%)	10.3	11.7	9.6	10.0	1.4	-4.8
Unit Business Cost of Manufacturing (y-o-y%)	12.2	11.5	9.4	10.5	-7.1	-10.5
Consumer Price Index (y-o-y%)	6.6	5.4	6.5	2.1	-0.5	-0.4
Fixed Asset Investments (\$ bil)	2.9	2.2	18.0	3.2	3.5	3.1
Total Trade (y-o-y%)	16.4	-9.6	9.6	-27.7	-26.9	-21.4
Exports	11.4	-12.0	5.8	-27.8	-25.4	-20.0
Domestic Exports	14.5	-15.5	5.4	-31.1	-26.9	-21.8
Oil	77.4	-10.0	41.5	-43.1	-46.3	-41.5
Non-Oil	-8.6	-17.8	-7.9	-25.6	-14.5	-7.8
Re-exports	8.1	-8.1	6.2	-24.1	-23.8	-17.9
Imports	22.2	-7.1	13.9	-27.6	-28.4	-22.8