

## **MTI Revises 2010 Growth Forecast to 4.5 to 6.5 Per Cent**

19 February 2010. The Ministry of Trade and Industry announced today that it expects the Singapore economy to grow at 4.5 to 6.5 per cent this year, following a contraction of 2.0 per cent in 2009.

### Performance in Fourth Quarter 2009

Real gross domestic product (GDP) expanded by 4.0 per cent on a year-on-year basis in the fourth quarter of 2009, after growing by 0.6 per cent in the third quarter of 2009. On a seasonally adjusted quarter-on-quarter annualised basis, Singapore's GDP contracted by 2.8 per cent in the fourth quarter of 2009.

The services sector grew by 6.6 per cent on a seasonally adjusted quarter-on-quarter annualised basis in the fourth quarter, compared to 8.2 per cent growth in the third quarter. The trade- and tourism-related sectors (such as wholesale & retail, transport & storage and hotels & restaurants) posted the strongest gains compared to the previous quarter. The financial sector, however, contracted from the previous quarter, in part due to declines in the fund management and stockbroking segments.

The manufacturing sector contracted by 29.0 per cent on a seasonally-adjusted quarter-on-quarter annualised basis in the fourth quarter, a reversal from the 25.6 per cent expansion in the third quarter. This decline was mainly due to a contraction in the output of the biomedical manufacturing and transport engineering clusters. Growth in the electronics and chemicals clusters strengthened on the back of continued recovery in global trade.

The construction sector picked up in the fourth quarter, expanding by 16.4 per cent on a seasonally-adjusted quarter-on-quarter annualised basis in the fourth quarter compared to 3.8 per cent in the third quarter.

### Overall Performance in 2009

The Singapore economy contracted by 2.0 per cent in 2009, in line with MTI's forecast of a contraction of 2.0 to 2.5 per cent.

The services producing industries contracted by 2.2 per cent in 2009, following an expansion of 5.4 per cent in 2008. This was due to a contraction of all major services sectors, with the exception of the information & communications sector, the business services sector and the other services sector.

The manufacturing sector contracted by 4.1 per cent, compared to a contraction of 4.2 per cent in 2008. With the exception of the biomedical manufacturing sector, all manufacturing clusters (electronics, chemicals, transport engineering, precision engineering and general manufacturing) contracted in 2009.

The construction sector expanded by 16.0 per cent, following growth of 20.8 per cent in 2008.

### Economic Outlook for 2010

Major economies around the world have emerged from recession. Financial markets have stabilised, and trade flows and industrial production have also picked up strongly.

Asia is expected to experience a strong recovery in 2010. The recovery in the G3 economies, however, is expected to be weaker, largely supported by fiscal stimulus measures and inventory accumulation in the first half of the year.

The outlook for the second half of the year remains uncertain. Private final demand in the G3 may remain weak, as there are still few indications that non-policy induced private demand is gaining strength. Weak labour markets, high levels of unused capacity, and tight credit conditions will continue to dampen spending by households and enterprises. In addition, several downside risks remain, including sovereign debt risks (especially in Europe) and asset price inflation in Asia. These factors could weigh on the pace of growth in major economies, especially in the later part of 2010.

The Ministry of Trade and Industry expects the Singapore economy to grow by **4.5 to 6.5 per cent** in 2010. This upgrade from the earlier 3.0 to 5.0 per cent forecast largely reflects increased strength in the near term growth momentum.

### Inflation Outlook for 2010

For 2010, the inflation forecast has been revised from 2.5 to 3.5 per cent to **2.0 to 3.0 per cent**. This revision is attributable to the rebasing of the consumer price index (CPI) to 2009, which resulted in changes to the weights of goods and services in the CPI, as well as to methodological improvements. The Monetary Authority of Singapore's underlying inflation forecast, which excludes the cost of accommodation and private road transport, remains at 1.0 to 2.0 per cent.

MINISTRY OF TRADE AND INDUSTRY  
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**ANNEX**

**SECTORAL GROWTH RATES**

Sector	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
	Year-on-Year %						
Total	-4.2	1.4	-9.4	-3.1	0.6	4.0	-2.0
Goods Producing Industries	-5.9	-1.0	-17.0	2.1	7.7	3.6	-1.1
Manufacturing	-10.7	-4.2	-23.8	-0.4	7.6	2.2	-4.1
Construction	22.5	20.8	24.4	19.0	11.5	11.2	16.0
Services Producing Industries	-1.1	5.4	-5.3	-5.0	-2.3	4.1	-2.2
Wholesale & Retail Trade	-5.1	4.0	-15.0	-13.9	-8.9	2.2	-9.1
Transport & Storage	-2.7	2.9	-9.8	-10.7	-7.5	0.1	-7.0
Hotels & Restaurants	-0.7	0.9	-5.3	-5.6	-2.2	0.9	-3.0
Information & Communications	5.5	7.3	1.7	0.2	-0.4	1.6	0.8
Financial Services	-9.3	6.2	-8.8	-4.9	-0.8	10.8	-1.4
Business Services	6.6	8.2	4.3	3.1	2.6	3.3	3.3
	Quarter-on-Quarter Annualised Growth % (SA)						
Total	-15.2	1.4	-7.1	16.2	11.5	-2.8	-2.0
Goods Producing Industries	-9.4	-1.0	-7.7	32.3	20.8	-21.2	-1.1
Manufacturing	-14.6	-4.2	-8.4	35.3	25.6	-29.0	-4.1
Construction	18.7	20.8	-1.4	27.8	3.8	16.4	16.0
Services Producing Industries	-16.6	5.4	-6.9	8.6	8.2	6.6	-2.2
Wholesale & Retail Trade	-26.2	4.0	-19.4	3.0	12.5	14.2	-9.1
Transport & Storage	-13.9	2.9	-25.3	3.4	10.3	17.7	-7.0
Hotels & Restaurants	-2.1	0.9	-14.3	-2.1	10.5	11.3	-3.0
Information & Communications	-2.9	7.3	-7.2	5.2	3.4	5.5	0.8
Financial Services	-41.0	6.2	22.5	28.4	4.4	-8.2	-1.4
Business Services	2.5	8.2	-5.4	5.7	8.1	5.2	3.3

**OTHER ECONOMIC INDICATORS**

	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
Visitor Arrivals (y-o-y%)	-7.7	-1.6	-13.6	-9.3	0.3	5.7	-4.3
Retail Sales Index at Constant Prices (y-o-y%)	-5.4	-1.7	-10.7	-12.1	-10.3	-4.2	-9.4
Labour Productivity (y-o-y%)	-11.9	-7.6	-14.6	-5.9	-0.6	3.0	-4.7
Unemployment Rate, SA (%)	2.5	2.2	3.3	3.3	3.4	2.1	3.0
Changes in Employment ('000)	21.3	221.6	-6.2	-7.7	14.0	38.7	38.8
Overall Unit Labour Cost (y-o-y%)	10.2	8.3	10.2	1.1	-5.0	-6.8	-0.1
Unit Business Cost of Manufacturing (y-o-y%)	12.6	10.4	9.3	-8.3	-11.8	-9.1	-5.1
Consumer Price Index (y-o-y%)	5.8	6.6	3.4	0.2	-0.3	-0.8	0.6
Fixed Asset Investments (\$ bil)	2.2	18.0	3.2	3.5	3.1	1.9	11.8
Total Trade (y-o-y%)	-9.6	9.6	-27.7	-26.9	-21.4	1.2	-19.4
Exports	-12.0	5.8	-27.8	-25.4	-20.0	4.9	-18.0
Domestic Exports	-15.5	5.4	-31.1	-26.9	-21.8	7.8	-19.2
Oil	-10.0	41.5	-43.1	-46.3	-41.5	6.9	-34.5
Non-Oil	-17.8	-7.9	-25.6	-14.5	-7.8	8.2	-10.6
Re-exports	-8.1	6.2	-24.1	-23.8	-17.9	1.9	-16.6
Imports	-7.1	13.9	-27.6	-28.4	-22.8	-2.7	-21.0