

MTI Revises 2010 Growth Forecast to 7.0 to 9.0 Per Cent

14 April 2010. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow by 7.0 to 9.0 per cent in 2010.

Exceptionally Strong Growth in First Quarter 2010

Advance estimates¹ indicate that Singapore's GDP expanded strongly by 13.1 per cent on a year-on-year basis in the first quarter of 2010. On a seasonally adjusted quarter-on-quarter annualised basis, Singapore's GDP grew by 32.1 per cent.

Gross Domestic Product at 2000 Prices

	1Q09	2Q09	3Q09	4Q09	2009	1Q10*
Percentage change over corresponding period of previous year						
Overall GDP	-9.4	-3.1	0.6	4.0	-2.0	13.1
Goods Producing Industries						
Manufacturing	-23.8	-0.4	7.6	2.2	-4.1	30.0
Construction	24.4	19.0	11.5	11.2	16.0	11.3
Services Producing Industries	-5.3	-5.0	-2.3	4.1	-2.2	8.4
Quarter-on-quarter annualised growth rate, seasonally adjusted						
Overall GDP	-7.1	16.2	11.5	-2.8	-2.0	32.1
Goods Producing Industries						
Manufacturing	-8.4	35.3	25.6	-29.0	-4.1	139.0
Construction	-1.4	27.8	3.8	16.4	16.0	0.0
Services Producing Industries	-6.9	8.6	8.2	6.6	-2.2	11.0

*Advance estimates

Growth was led by the manufacturing sector. On a quarter-on-quarter annualised basis, the sector expanded by 139 per cent in the first quarter of 2010, compared to the contraction of 29.0 per cent in the fourth quarter of 2009. The sharp improvement in performance could be attributed to two key factors – first, the robust expansion of electronics production underpinned by a strong recovery in global semiconductor chip sales; and second, a stronger-than-expected surge in biomedical manufacturing output. The construction

¹ The advance GDP estimates for first quarter 2010 are computed largely from data in the first two months of the quarter (i.e. January and February 2010). 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.

sector grew by 11.3 per cent on a year-on-year basis in the first quarter of 2010, supported by sustained public sector civil engineering activities and an increase in the number of residential construction projects.

The services producing industries also expanded, registering a year-on-year growth of 8.4 per cent. Expansion was driven largely by wholesale trade, which improved on the back of sharp increases in exports of electronic goods. Growth in transport and storage, hotels and restaurants as well as financial and business services also contributed to improved performance for the services sector.

Improvement in External Outlook

The outlook for the global economy has shown further signs of improvement. Global trade flows have rebounded from the lows in 2009, and the WTO has projected trade to grow by 9.5 per cent in 2010. Industrial production across advanced and developing economies has continued to expand.

In the US, the economic recovery has gradually broadened, with growth in both the manufacturing and services sector. Business conditions and earnings prospects have also strengthened, while consumer spending has started to firm up. Importantly, the US labour market is also beginning to show signs of a turnaround with strong employment growth in March 2010. These developments will help to shore up the recovery of private sector demand in the US. Within Asia, economic growth is expected to remain firm, supported by China's buoyant demand for electronics goods and commodities.

While downside risks remain, such as a sovereign debt crisis in Europe or a slowdown due to withdrawal of fiscal measures, these have been outweighed by stronger signs that global economic conditions are improving. In view of the exceptionally strong growth for the Singapore economy in the first quarter and the overall improved outlook for external economies for the rest of 2010, MTI is upgrading the GDP growth forecast for 2010 from 4.5 to 6.5 per cent to **7.0 to 9.0 per cent**.

Inflation Outlook

The overall CPI inflation forecast for 2010 is revised from 2.0 to 3.0 per cent to **2.5 to 3.5 per cent** in view of the strong economic recovery.

MINISTRY OF TRADE AND INDUSTRY
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