

MTI Forecasts GDP Growth of 4.0 to 6.0 Per Cent For 2011 Following Strong Rebound in 2010

17 February 2011. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy grew by 14.5 per cent in the whole of 2010, reversing the decline of 0.8 per cent in 2009. MTI's growth forecast for 2011 remains at 4.0 to 6.0 per cent.

Performance in Fourth Quarter 2010

Real gross domestic product (GDP) expanded by 12.0 per cent on a year-on-year basis in the fourth quarter of 2010, an improvement from the growth of 10.5 per cent in the previous quarter. On a seasonally-adjusted quarter-on-quarter annualised basis, the economy grew by 3.9 per cent, an upturn from the contraction of 16.7 per cent in the preceding quarter.

The manufacturing sector expanded by 25.5 per cent on a year-on-year basis in the fourth quarter, faster than the 13.7 per cent growth posted in the third quarter. On a sequential basis, the sector grew by an annualised rate of 0.7 per cent after a sharp contraction of 48.5 per cent in the previous quarter. Growth was led by the biomedical manufacturing cluster, which saw a strong recovery in pharmaceutical output.

In contrast, the construction sector contracted by 2.0 per cent on a year-on-year basis in the fourth quarter, compared to the 6.7 per cent growth recorded in the preceding quarter. On a sequential basis, the sector contracted by 10.2 per cent (annualised), mainly due to the rescheduling of some institutional and civil engineering projects to 2011.

The services producing industries expanded by 8.8 per cent in the fourth quarter, following the growth of 10.2 per cent in the previous quarter. On a sequential basis, the sector posted an annualised growth of 5.6 per cent, up from 0.5 per cent in the preceding quarter. Growth was bolstered by the financial services sector which saw increased activities for fund management, commercial bank lending and foreign exchange trading. Trade-related and tourism-related services sectors also contributed to the healthy growth in the fourth quarter.

Overall Performance in 2010

The economy expanded by 14.5 per cent in 2010, driven largely by the manufacturing sector. Due to a surge in electronics and biomedical manufacturing output, the manufacturing sector rebounded by 29.7 per cent in 2010 following a 4.2 per cent contraction in 2009. Growth in the construction sector continued in 2010, albeit at a more modest pace of 6.1 per cent compared to 17.1 per cent in 2009.

The services producing industries grew by 10.5 per cent in 2010, compared to the contraction of 0.7 per cent in 2009. This was due to a broad-based expansion in all services sectors. In particular, the wholesale and retail trade sector grew strongly by 15.1 per cent, amid improving external demand. The financial services sector also posted a robust growth of 12.2 per cent, on the back of increased activities for fund management and commercial bank lending. Tourism-related services sectors (such as the hotels and the arts, entertainment & recreation segments) were bolstered by strong visitor arrivals as well as the opening of the Integrated Resorts.

Economic Outlook for 2011

The growth outlook for Singapore remains positive in 2011 with the continuing recovery of the global economy. The steady pace of growth in the advanced economies is expected to lend support to Singapore's manufacturing activities. In Asia, resilient domestic demand will continue to drive intra-regional trade flows and benefit Singapore's wholesale trade sector. Strong visitor arrivals, particularly from the key markets within the region, will continue to underpin growth in Singapore's tourism-related services sectors.

In addition, domestic factors such as capacity expansion in the electronics and biomedical manufacturing clusters will bolster growth in the manufacturing sector in 2011.

Nevertheless, downside risks remain. First, sovereign debt concerns in the peripheral EU economies persist. Second, the inflationary concerns in Asia may prompt further monetary tightening. Domestically, the economy is also facing a tighter labour market.

On account of these factors, the Ministry of Trade and Industry expects the Singapore economy to grow by **4.0 to 6.0 per cent** in 2011.

Inflation Outlook for 2011

For 2011, the inflation forecast has been revised from 2.0 to 3.0 per cent to **3.0 to 4.0 per cent**. In particular, inflation is expected to rise further to 5.0 to 6.0 per cent in the first few months of this year. Thereafter, inflation should moderate, especially in the second half of the year. The Monetary Authority of Singapore's core inflation forecast, which excludes the cost of accommodation and private road transport, remains unchanged at 2.0 to 3.0 per cent.

MINISTRY OF TRADE AND INDUSTRY
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ANNEX

SECTORAL GROWTH RATES

Sector	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
	Year-on-Year %						
Total	4.6	-0.8	16.4	19.4	10.5	12.0	14.5
Goods Producing Industries	4.2	-1.4	31.3	38.5	12.4	20.2	25.0
Manufacturing	2.4	-4.2	37.2	45.2	13.7	25.5	29.7
Construction	14.9	17.1	9.7	11.4	6.7	-2.0	6.1
Services Producing Industries	4.6	-0.7	11.1	12.1	10.2	8.8	10.5
Wholesale & Retail Trade	3.5	-6.0	16.9	18.9	14.4	10.8	15.1
Transport & Storage	-1.6	-9.0	6.6	8.5	5.2	3.8	6.0
Hotels & Restaurants	2.1	-1.6	7.2	12.5	8.2	7.5	8.8
Information & Communications	0.7	1.0	2.2	2.9	3.4	2.9	2.9
Financial Services	12.2	4.3	18.9	9.9	9.7	10.9	12.2
Business Services	4.4	4.3	6.1	7.1	6.0	4.5	5.9
Other Services Industries	6.0	5.2	7.0	17.2	17.0	15.7	14.3
	Quarter-on-Quarter Annualised Growth % (SA)						
Total	-1.5	-0.8	39.9	29.7	-16.7	3.9	14.5
Goods Producing Industries	-24.3	-1.4	123.2	66.9	-43.2	-0.4	25.0
Manufacturing	-32.7	-4.2	170.5	79.2	-48.5	0.7	29.7
Construction	28.0	17.1	-7.0	21.2	-9.6	-10.2	6.1
Services Producing Industries	10.9	-0.7	15.8	14.5	0.5	5.6	10.5
Wholesale & Retail Trade	17.9	-6.0	30.8	11.6	0.0	3.7	15.1
Transport & Storage	9.5	-9.0	4.3	13.0	-4.5	2.9	6.0
Hotels & Restaurants	7.2	-1.6	11.3	19.0	-3.7	4.6	8.8
Information & Communications	1.1	1.0	0.3	6.5	5.2	-0.4	2.9
Financial Services	11.7	4.3	25.6	4.6	-1.4	16.9	12.2
Business Services	8.5	4.3	7.9	5.6	2.1	2.8	5.9
Other Services Industries	7.8	5.2	7.7	52.5	5.8	3.2	14.3

OTHER ECONOMIC INDICATORS

	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
Visitor Arrivals (y-o-y%)	5.8	-4.3	19.6	25.7	20.3	15.9	20.2
Retail Sales Index at Constant Prices (y-o-y%)	-4.1	-9.3	1.0	-5.8	-1.9	-3.5	-2.5
Labour Productivity (y-o-y%)	3.5	-3.4	13.9	15.3	6.2	7.8	10.7
Unemployment Rate, SA (%)	2.3	3.0	2.2	2.2	2.1	2.2	2.2
Changes in Employment ('000)	37.5	37.6	36.5	24.9	20.5	30.6	112.5
Overall Unit Labour Cost (y-o-y%)	-4.9	0.6	-7.8	-6.7	2.8	1.8	-2.7
Unit Business Cost of Manufacturing (y-o-y%)	-10.4	-5.9	-11.1	-6.9	2.8	-2.9	-4.9
Consumer Price Index (y-o-y%)	-0.8	0.6	0.9	3.1	3.4	4.0	2.8
Fixed Asset Investments (\$ bil)	1.9	11.8	3.0	4.6	2.6	2.7	12.9
Total Trade (y-o-y%)	1.2	-19.4	26.9	27.8	17.9	12.2	20.7
Exports	4.9	-18.0	28.2	29.1	20.0	14.5	22.4
Domestic Exports	7.8	-19.2	31.9	33.4	19.2	15.8	24.3
Oil	6.9	-34.5	56.9	48.0	9.2	11.8	27.9
Non-Oil	8.2	-10.6	23.1	27.6	23.7	17.6	22.8
Re-exports	1.9	-16.6	24.5	24.6	20.9	13.0	20.5
Imports	-2.7	-21.0	25.5	26.4	15.6	9.7	18.8