

Box 2.3 Impact of Asian Slowdown on Singapore

Major Asian economies were growing robustly when the subprime crisis first erupted in July 2007. Economic growth in 2007 continued to be strong. Despite experiencing inflation in the first half of 2008, growth generally held up well, leading to suggestions that Asia had in fact decoupled with the developed economies.

However, since the middle of the year, there has been a marked slowdown in many Asian economies. While there are specific factors affecting each economy, Asian economies on the whole are beginning to feel the impact of the more general global downturn. Some economies like Japan, Taiwan and Korea are experiencing an export slowdown due to weaker demand in developed economies. Indonesia and Malaysia on the other hand are likely to grow slower due to the effects of weaker commodity prices. A comparison of the consensus forecasts made in November with those made in the beginning of the year illustrates this slowdown ([Exhibit 1](#)).

Exhibit 1: 2007 Growth and 2008/09 Consensus Forecasts* for Asian Economies

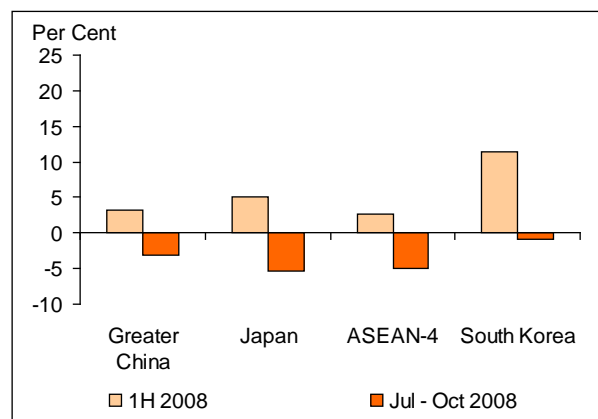
	2007 Actual	2008 Consensus (January 2008)	2008 Consensus (November 2008)	2009 Consensus (November 2008)
China	11.9	10.4	9.5	8.1
Hong Kong	6.4	5.2	3.6	1.4
Taiwan	5.7	4.4	3.7	2.5
Japan	2.1	1.5	0.6	-0.1
South Korea	5.0	4.9	4.2	2.8
Indonesia	6.3	6.2	6.0	4.7
Malaysia	6.3	5.7	5.3	3.3

*Source: Asia Pacific Consensus Forecasts, Consensus Economics Inc

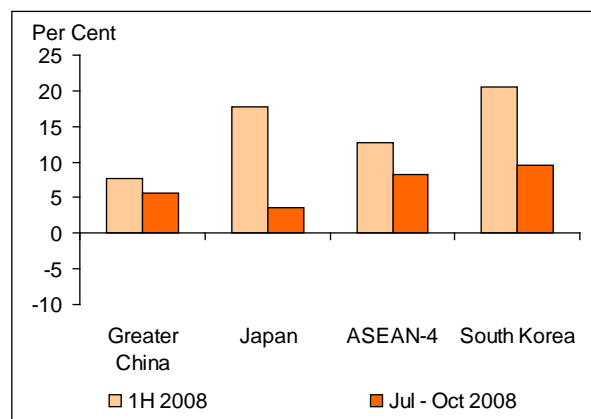
The impact of Asian economies slowing down is beginning to be felt in Singapore's export figures. Collectively, Greater China (including China, Taiwan and Hong Kong), Japan, Korea and ASEAN-4 (Indonesia, Malaysia, Thailand and Philippines) account for 53 per cent of Singapore Non-Oil Domestic Exports (NODX) in 2007. In the first half of 2008, Singapore's NODX to these economies held up fairly well, registering small positive growth. Since the middle of the year however, growth rates have turned negative ([Exhibit 2](#)).

Exhibit 2: Singapore's NODX and Total Exports Growth

(A) Non-oil Domestic Exports

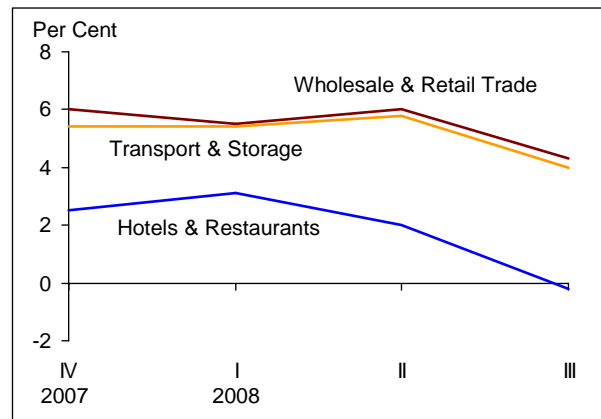


(B) Total Exports



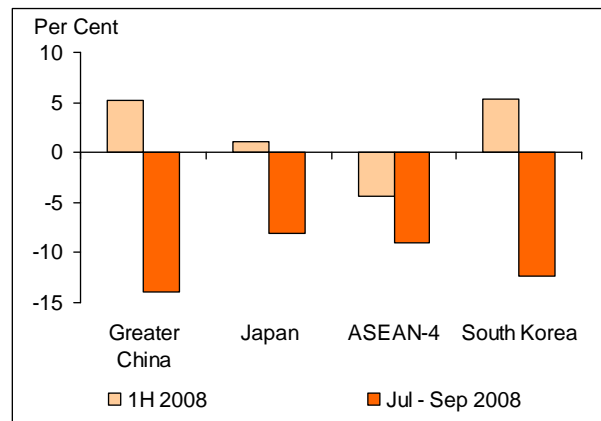
Besides NODX, other aspects of trade have been affected as well. Overall exports – which include oil exports as well as re-exports – have also witnessed a marked decline in the second half of 2008. While the decline in NODX will affect manufacturing activities more, the effect of weaker re-exports will be felt in various trade related segments such as wholesale, transport and storage (Exhibit 3).

Exhibit 3: Growth Rates of Tourism and Trade-related Segments



Tourism growth has also been affected by slowing regional economies. Together, Greater China, Japan, Korea and ASEAN-4 account for 59 per cent of total visitor arrivals to Singapore in 2007. Similar to NODX, visitor arrivals from these markets held up fairly well in the first half of 2008, with only ASEAN-4 registering a small decline. Since then, growth rates in visitor arrivals from these markets have turned sharply negative (Exhibit 4). This affected hotels and restaurants, which turned in negative growth in the third quarter as a result (Exhibit 3).

Exhibit 4: Visitor Arrivals



The slowdown in Asian economies is likely to continue into 2009 (Exhibit 1). This will continue to weigh down on Singapore NODX performance, and IES expects Singapore's NODX to grow by -1 to 1 per cent for 2009. Furthermore, with the credit crunch affecting various trade activities, it is also expected that overall trade will decline. IES expects total trade to decline by 6 to 8 per cent in 2009. This will continue to weigh down on the performance of various trade-related segments. The slowing economies will continue to affect consumer's confidence negatively and curb the level of discretionary spending. Global travel will therefore remain weak in 2009 and continue to limit the growth of the air transport as well as the hotels and restaurants sector.

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