

MTI Revises 2009 Growth to -2.0 to 1.0 Per Cent

2 January 2009. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow between **-2.0 per cent and 1.0 per cent in 2009**, lower than the -1.0 per cent to 2.0 per cent range it had forecast in November 2008.

The global economic crisis has worsened since November, with sharp declines in global demand, trade and investments. According to the World Bank, global trade volume will decline by 2.1 per cent in 2009, the first contraction in 26 years. Since November, analysts have shaded down their growth forecast for the US, Europe and Japan by about one percentage point. The growth outlook for the regional economies has also deteriorated, with more economies now expected to register negative or flat growth next year.

These developments will affect the sectors in the Singapore economy that rely on the movement of goods and services in the region, such as the wholesale & retail sector and the transport & storage sector. Manufacturing will be weighed down by falling demand in the developed economies, while financial services will see a sharp slowdown reflecting weak financial markets and credit growth. The slowdown in these sectors will spread to the domestically-oriented segments of the economy, such as property, retail, and business services.

Advance GDP Estimates for Fourth Quarter 2008

The weaker prognosis for the Singapore economy in 2009 is also based on the sharp contraction seen in the fourth quarter of 2008. Advance estimates¹ show that gross domestic product (GDP) in the fourth quarter contracted by 2.6 per cent in real terms over the same period in 2007, following the decline of 0.3 per cent in the preceding quarter. On a seasonally adjusted, annualised quarter-on-quarter basis, real GDP fell by 12.5 per cent, compared to a decline of 5.4 per cent in the third quarter of 2008.

¹ The advance estimates are based largely on data from October and November 2008. The estimates are intended to provide an early indication of GDP growth in the fourth quarter of 2008, and are subject to revision when more comprehensive data become available.

Gross Domestic Product at 2000 Prices

(Percentage change over corresponding period of previous year)

	4Q07	2007	1Q08	2Q08	3Q08	4Q08*	2008*
Overall GDP	5.4	7.7	6.9	2.2	-0.3	-2.6	1.5
Goods Producing Industries							
Manufacturing	0.2	5.8	12.6	-5.5	-11.0	-9.0	-3.7
Construction	24.3	20.3	16.9	21.0	18.6	13.3	17.3
Services Producing Industries	7.7	8.1	7.7	7.1	5.3	1.1	5.3

*Advance estimates

The manufacturing sector declined by 9.0 per cent compared to the same period in 2007, mainly because of a sharp drop in the output of electronics and precision engineering. This segment has been affected by the continued weakness in global demand for electronics products. Chemicals output also fell during the quarter as a result of slowing external demand, as well as temporary plant maintenance shutdowns. Biomedical manufacturing output was also lower, reflecting the production of pharmaceutical ingredients with lower values compared to same period in 2007.

The services producing industries are estimated to have grown by 1.1 per cent in the fourth quarter, slowing down from a 5.3 per cent increase in the third quarter. The collapse in world trade severely impacted wholesale trade and transport and storage. Growth in financial services weakened on the back of declines in trading activities in foreign exchange and stock brokerage, fund management, and Asian Currency Unit (ACU) business.

The construction sector grew by 13.3 per cent in the fourth quarter of 2008, slower than the growth of 18.6 per cent in the preceding quarter. Construction output was mainly weighed down by a contraction in industrial building activity. Weak market sentiment has also prompted the deferment of private sector projects.

For 2008 as a whole, the economy is estimated to have grown by 1.5 per cent, compared with 7.7 per cent in 2007. This figure is lower than MTI's forecast of around 2.5 per cent in November 2008. The manufacturing sector is estimated to have contracted by 3.7 per cent, down from an expansion of 5.8 per cent in 2007. The services producing industries and construction sector are also expected to register slower rates of growth compared to 2007, at 5.3 per cent and 17.3 per cent respectively in 2008.

The preliminary GDP estimates for the fourth quarter and for the whole of 2008, including performance by sectors, sources of growth, inflation, employment and productivity, will be released in February 2009 in the *Economic Survey of Singapore*.

MINISTRY OF TRADE AND INDUSTRY
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