

2012 GDP Growth Forecast Maintained at 1.0 to 3.0 Per Cent

17 May 2012. The Ministry of Trade and Industry (MTI) announced today that it will maintain the GDP growth forecast for 2012 at 1.0 to 3.0 per cent.

Performance in First Quarter 2012

The Singapore economy grew by 1.6 per cent on a year-on-year basis in the first quarter of 2012, compared to 3.6 per cent in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 10.0 per cent, reversing the 2.5 per cent contraction in the previous quarter.

The improved growth momentum was largely attributable to the upturn in the manufacturing sector. On a sequential basis, the manufacturing sector expanded by an annualised rate of 19.8 per cent, reversing the 11.1 per cent contraction in the previous quarter. This turnaround was driven by increased production across all key manufacturing clusters, notably electronics and precision engineering. On a year-on-year basis, however, the sector contracted by 1.0 per cent due to a high base a year ago.

The construction sector grew by 7.7 per cent on a year-on-year basis, an improvement from the 2.9 per cent growth in the preceding quarter. On a sequential basis, the sector rebounded by an annualised rate of 32.1 per cent, largely due to increased construction activities in the residential and institutional building segments.

The wholesale & retail trade sector contracted by 0.3 per cent on a year-on-year basis, following the marginal growth of 0.9 per cent in the preceding quarter. On a sequential basis, the sector contracted by an annualised rate of 2.3 per cent. This weak performance was mainly attributable to a decline in re-export volume which negatively affected the wholesale trade segment. The transportation & storage sector continued to see moderate growth, at 3.5 per cent compared to a year ago and 1.5 per cent (annualised) on a sequential basis.

Growth in the finance & insurance sector moderated to 0.8 per cent on a year-on-year basis, from 3.5 per cent in the preceding quarter. On a sequential basis, the sector contracted for the second consecutive quarter, by 3.4 per cent (annualised), partly due to sluggishness in fund management activities. In contrast, the business services sector posted a faster year-on-year growth of 3.5 per cent and a strong sequential gain of 12.7 per cent (annualised), largely due to a pick-up in real estate transaction volume.

Supported by healthy visitor arrivals, tourism-related sectors continued to expand. The accommodation & food services and other services industries (which include arts, entertainment and recreation activities) grew by 4.0 and 5.1 per cent respectively, compared to a year ago. On a sequential basis, these sectors expanded strongly by an annualised rate of 11.9 per cent and 15.0 per cent respectively.

Economic Outlook for 2012

The global economy started the year on a firmer footing compared to the second half of 2011, with gains in manufacturing activities supported by increased consumer demand in major economies such as the US and China. Alongside the improvement in macroeconomic conditions, Singapore's growth momentum has picked up, anchored by a strong upturn in the manufacturing sector.

Nevertheless, the recovery in the global economy remains fragile and vulnerable to downside risks. The US labour market remains sluggish with unemployment rate still at a high level. The Eurozone economies will remain weak, as ongoing fiscal austerity and bank deleveraging continue to dampen domestic demand in the region. In Asia, notwithstanding the support from rising domestic demand, growth will be curtailed by lacklustre export performances amidst the external headwinds.

In addition, there is increased uncertainty surrounding the Eurozone's political climate and fiscal outlook. A disorderly sovereign debt default in the Eurozone cannot be ruled out at this stage. If it materialises, there will be considerable downsides for the global economy and Singapore's externally oriented industries.

In view of these factors, MTI is maintaining the economic growth forecast for 2012 at **1.0 to 3.0 per cent**.

MINISTRY OF TRADE AND INDUSTRY
17 May 2012

SECTORAL GROWTH RATES

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 2011 | 1Q12 |
|-------------------------------|---|-------|------|-------|------|------|
| | Year-on-Year % Change | | | | | |
| Total | 9.1 | 1.2 | 6.0 | 3.6 | 4.9 | 1.6 |
| Goods Producing Industries | 13.7 | -4.7 | 11.8 | 8.0 | 6.8 | 0.2 |
| Manufacturing | 15.8 | -5.9 | 13.7 | 9.2 | 7.6 | -1.0 |
| Construction | 4.2 | 1.1 | 2.4 | 2.9 | 2.6 | 7.7 |
| Services Producing Industries | 7.5 | 4.6 | 3.6 | 2.1 | 4.4 | 2.2 |
| Wholesale & Retail Trade | 4.3 | 0.9 | -1.4 | 0.9 | 1.1 | -0.3 |
| Transportation & Storage | 4.0 | 7.3 | 5.1 | 2.4 | 4.7 | 3.5 |
| Accommodation & Food Services | 8.8 | 5.7 | 5.6 | 3.3 | 5.8 | 4.0 |
| Information & Communications | 2.6 | 1.7 | 0.9 | 0.7 | 1.5 | 1.7 |
| Finance & Insurance | 12.0 | 9.6 | 11.6 | 3.5 | 9.1 | 0.8 |
| Business Services | 4.7 | 2.3 | 1.9 | 1.9 | 2.7 | 3.5 |
| Other Services Industries | 15.8 | 5.8 | 3.7 | 2.3 | 6.7 | 5.1 |
| | Annualised Quarter-on-Quarter Growth % (SA) | | | | | |
| Total | 19.7 | -3.0 | 2.0 | -2.5 | 4.9 | 10.0 |
| Goods Producing Industries | 65.8 | -15.6 | 8.5 | -9.8 | 6.8 | 20.9 |
| Manufacturing | 80.7 | -19.5 | 11.0 | -11.1 | 7.6 | 19.8 |
| Construction | 8.8 | 9.5 | -4.0 | -2.2 | 2.6 | 32.1 |
| Services Producing Industries | 4.0 | 3.7 | -0.8 | 1.7 | 4.4 | 4.0 |
| Wholesale & Retail Trade | 3.6 | 0.5 | -8.9 | 10.2 | 1.1 | -2.3 |
| Transportation & Storage | -3.0 | 18.0 | -1.2 | -2.9 | 4.7 | 1.5 |
| Accommodation & Food Services | 9.6 | 3.3 | 1.5 | -0.6 | 5.8 | 11.9 |
| Information & Communications | 2.7 | 0.9 | -0.2 | -0.2 | 1.5 | 6.8 |
| Finance & Insurance | 7.3 | 3.7 | 7.8 | -4.4 | 9.1 | -3.4 |
| Business Services | 6.6 | -2.4 | 1.5 | 2.4 | 2.7 | 12.7 |
| Other Services Industries | 3.7 | 5.6 | -0.7 | 1.2 | 6.7 | 15.0 |

OTHER ECONOMIC INDICATORS

| | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 2011 | 1Q12 |
|--|------|------|------|------|-------|------|
| Visitor Arrivals (y-o-y%) | 15.7 | 14.1 | 14.7 | 8.4 | 13.1 | 14.6 |
| Retail Sales Index* (y-o-y%) | -4.9 | 7.5 | 2.0 | 4.4 | 2.1 | 7.9 |
| Labour Productivity (y-o-y%) | 5.2 | -2.3 | 2.0 | -0.5 | 1.0 | -2.2 |
| Unemployment Rate, SA (%) | 1.9 | 2.1 | 2.0 | 2.0 | 2.0 | 2.1 |
| Changes in Employment ('000) | 28.3 | 24.8 | 31.9 | 37.6 | 122.6 | 27.4 |
| Overall Unit Labour Cost (y-o-y%) | 2.7 | 8.2 | 1.6 | 1.7 | 3.4 | 3.7 |
| Unit Business Cost of Manufacturing (y-o-y%) | -0.4 | 8.0 | 1.0 | 2.4 | 2.6 | 5.1 |
| Consumer Price Index (y-o-y%) | 5.2 | 4.7 | 5.5 | 5.5 | 5.2 | 4.9 |
| Fixed Asset Investments (\$ bil) | 2.6 | 3.7 | 4.0 | 3.4 | 13.7 | 6.0 |
| Total Trade (y-o-y%) | 11.9 | 7.5 | 5.4 | 7.7 | 8.0 | 7.5 |
| Exports | 13.4 | 6.7 | 4.7 | 5.8 | 7.5 | 4.8 |
| Domestic Exports | 19.4 | 10.5 | 14.5 | 9.0 | 13.2 | 10.1 |
| Oil | 35.2 | 29.1 | 53.8 | 36.9 | 38.6 | 17.4 |
| Non-Oil | 12.3 | 1.9 | -1.2 | -2.7 | 2.2 | 6.1 |
| Re-exports | 7.2 | 2.6 | -5.7 | 2.2 | 1.4 | -1.3 |
| Imports | 10.2 | 8.4 | 6.2 | 9.9 | 8.6 | 10.4 |

* At constant prices.