

PERFORMANCE OF THE SINGAPORE ECONOMY IN FIRST QUARTER 2006 AND OUTLOOK FOR 2006

Overall Performance

The Singapore economy expanded by 10.6% in 1Q06, after an 8.7% growth in 4Q05. The growth momentum (on an annualised quarter-on-quarter basis), however, slowed from 13% in 4Q05 to 6.8% in 1Q06.

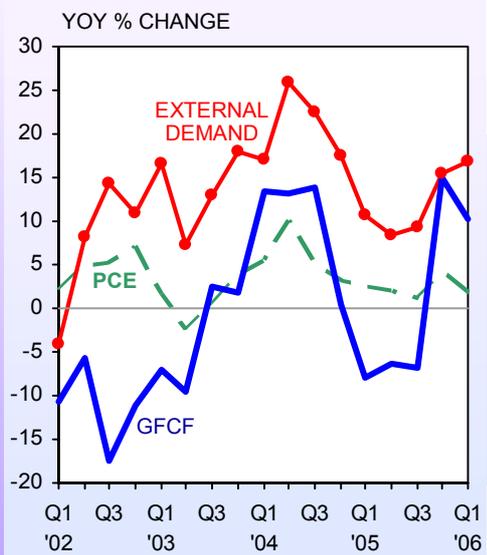
**EXHIBIT 1
REAL GDP GROWTH**



Sources of Growth

Total demand rose by a strong 14% in 1Q06, improving on the 13% increase in 4Q05. External demand, up by 17%, remained the key growth driver, on the back of continued growth in the major economies. Exports of goods were supported by stronger demand for electronics exports while services exports were led by business, financial and travel services. Domestic demand was up by 3.5%, as private investment spending remained strong. Private consumption registered a modest increase.

**EXHIBIT 2
SOURCES OF GROWTH**



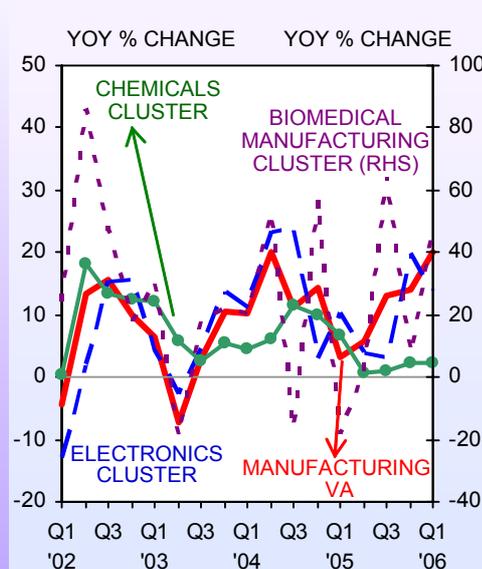
Sectoral Performance

In 1Q06, economic growth was led by the manufacturing and wholesale & retail trade sectors which continued to record double-digit gains. Improved performance was also evident in hotels & restaurants, financial services and business services (see *Annex*).

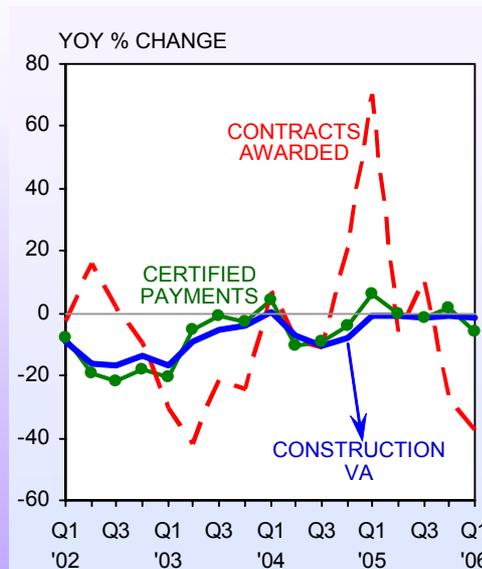
GROWTH IN THE MANUFACTURING SECTOR increased to 20%, from 14% in 4Q05. All clusters, except chemicals and general manufacturing, recorded double-digit gains in the quarter. Growth in the biomedical cluster hit 47% in 1Q06, up sharply from the 7.6% in 4Q05. The pace of expansion also accelerated in the transport engineering (from 35% in 4Q05 to 40% in 1Q06) and precision engineering clusters (from 13% to 15%). Meanwhile, mainly due to the contraction in the data storage segment, the electronics cluster saw a more moderate but still robust gain of 14% in 1Q06, compared to the 20% in 4Q05. The chemicals cluster turned in a modest growth of 2.2% due to lower output in refineries.

THE CONSTRUCTION SECTOR contracted by 1.3% in 1Q06, a slight deterioration from the 0.8% decline in 4Q05. However, growth momentum strengthened to 25% on a seasonally adjusted quarter-on-quarter annualised basis. Certified payments fell by 5.7% because of lower public sector progress payments in the civil engineering segment. Contracts awarded fell by 38%, after a 27% drop in 4Q05.

**EXHIBIT 3
MANUFACTURING SECTOR**

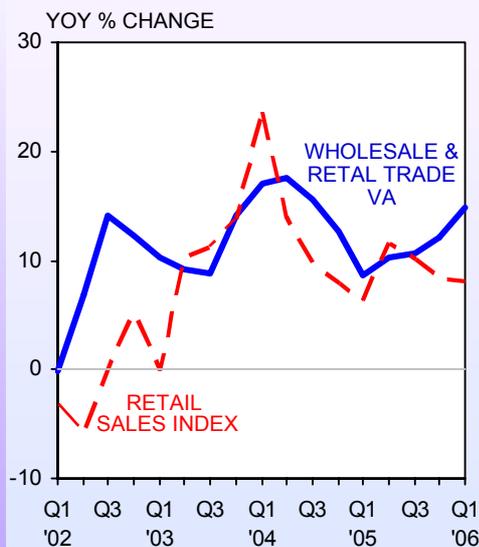


**EXHIBIT 4
CONSTRUCTION SECTOR**



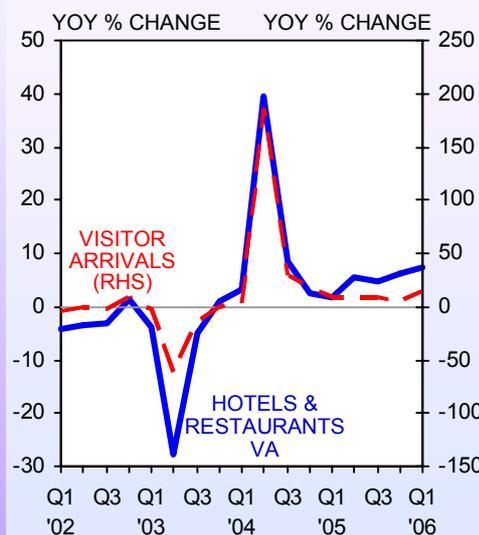
GROWTH IN THE WHOLESALE AND RETAIL TRADE SECTOR strengthened further to 15% in 1Q06, from 12% in 4Q05. This was on account of the higher gains in non-oil re-exports - 22% in 1Q06 compared with 20% in 4Q05. At the same time, retail sales growth remained strong, although it eased slightly from 8.2% in 4Q05 to 8.0% in 1Q06. Excluding motor vehicles, retail sales grew by a slower 5.2%, after a gain of 7.8% in 4Q05.

EXHIBIT 5 WHOLESALE AND RETAIL TRADE SECTOR



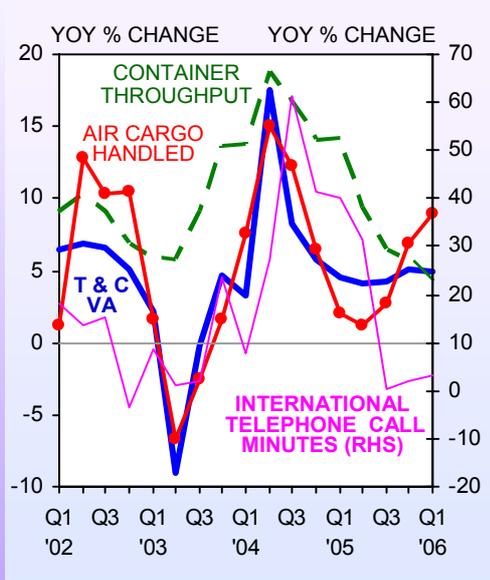
THE HOTELS AND RESTAURANTS SECTOR expanded at a faster pace of 7.3% in 1Q06, compared with 6.2% in 4Q05. The upturn in this sector reflected the higher increase in visitor arrivals. Visitor arrivals rose by 14% in 1Q06 compared with 4.9% in the earlier quarter. This bolstered occupancy rates and room revenues for hotels as well as restaurant revenues.

EXHIBIT 6 HOTELS AND RESTAURANTS SECTOR



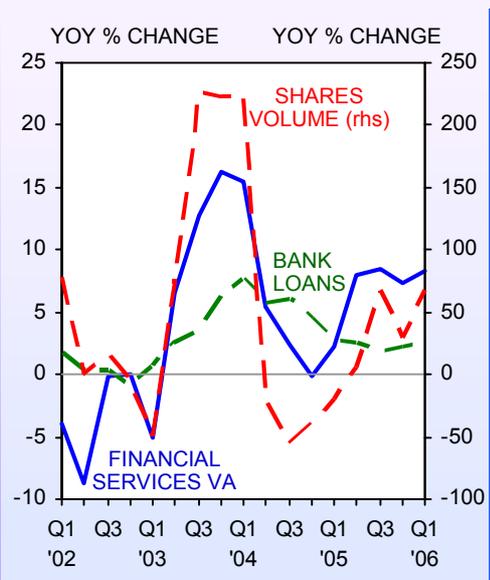
GROWTH IN THE TRANSPORT AND COMMUNICATIONS SECTOR was marginally lower at 5.0% in 1Q06, compared to the 5.1% in the previous quarter. The air segment saw stronger increases in air passenger and air cargo volumes. In the sea segment, however, container throughput rose at a more moderate pace. For the communications segment, growth in international telephone call minutes edged up while the number of broadband subscribers registered a slower but still robust growth.

EXHIBIT 7 TRANSPORT AND COMMUNICATIONS SECTOR



THE FINANCIAL SERVICES SECTOR expanded by 8.3% in 1Q06, accelerating from the 7.4% clip a quarter earlier. Growth was broad-based across most of the industries. In particular, stock broking was supported by higher trading volumes while the fund management segment was spurred by buoyant returns from regional and emerging markets. Forex trading activity also picked up. In addition, the domestic and offshore banking industries saw higher lending in both the non-bank and interbank segments.

EXHIBIT 8 FINANCIAL SERVICES SECTOR



THE BUSINESS SERVICES SECTOR expanded by a brisk 6.6% in 1Q06, a slight improvement from the 6.3% gain a quarter earlier. The expansion was driven by growth in the IT-related services, business representative offices, and legal and accounting services, while the real estate segment provided continued support.

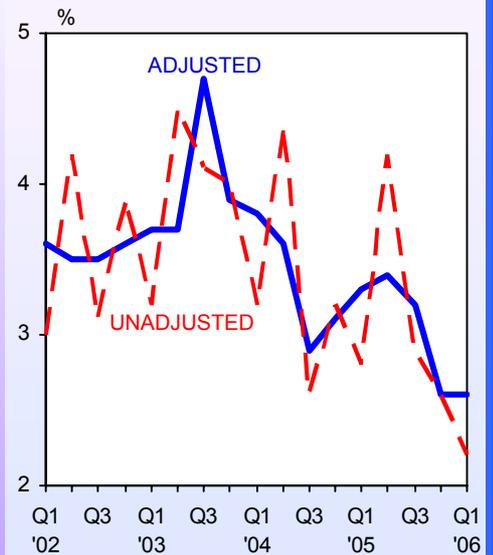
**EXHIBIT 9
BUSINESS SERVICES SECTOR**



Labour Market

Total employment rose by 33,400 in 1Q06, close to the 35,300 increase in the previous quarter. All major sectors registered gains, with the services sector continuing to account for much of the increase. During the quarter, the number of services jobs rose by 17,900. In manufacturing and construction, the respective gains were 10,400 and 5,100. Retrenchment was similar to last quarter's at 3,300. The seasonally-adjusted unemployment rate remained at 2.6%, unchanged from 4Q05.

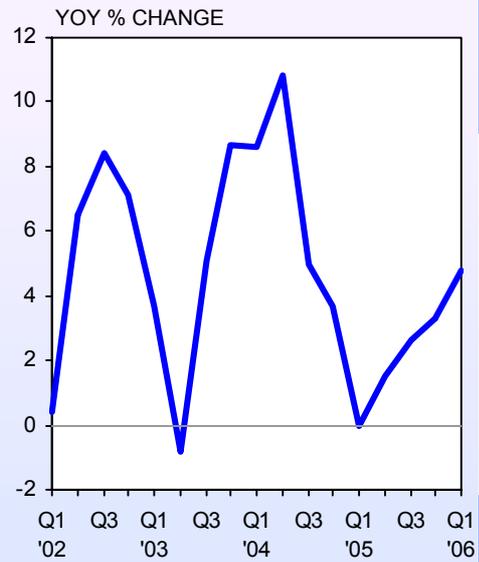
**EXHIBIT 10
UNEMPLOYMENT RATE**



Labour Productivity

Stronger GDP growth in 1Q06 lifted labour productivity by 4.8% in the quarter, compared with a 3.3% gain a quarter earlier. The manufacturing and wholesale & retail trade sectors saw the largest improvement of 12% and 11% respectively. Smaller gains were seen in the transport & communications (2.3%), hotels & restaurants (2.2%) and financial services (1.6%) sectors. The construction (-5.8%) and business services (-3.8%) sectors registered declines in labour productivity.

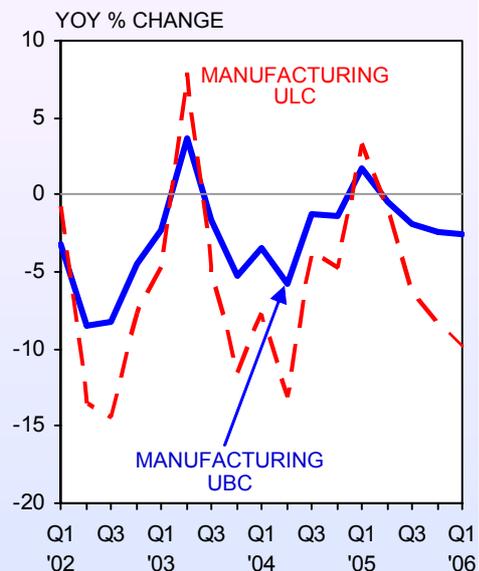
**EXHIBIT 11
LABOUR PRODUCTIVITY**



Business Costs

Labour productivity in 1Q06 lowered overall unit labour cost (ULC) by 4.2%, compared with a 4.1% drop in 4Q05. Unit business costs (UBC) in the manufacturing sector fell by 2.6%, after a 2.4% decline in 4Q05. This was driven mainly by the reduction in manufacturing ULC, which outweighed the increases in services cost and Government rates & fees.

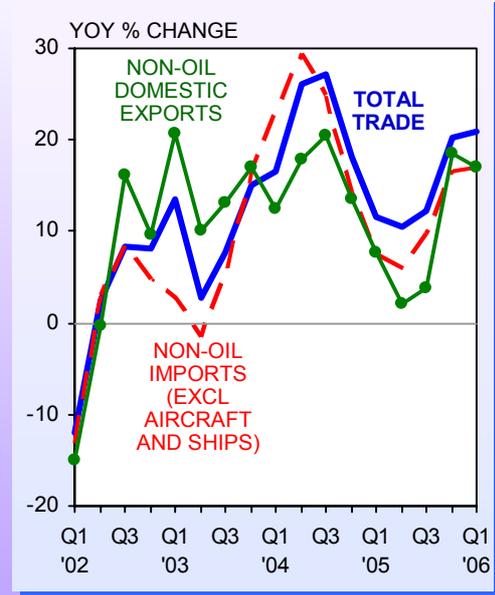
**EXHIBIT 12 UNIT BUSINESS COST &
UNIT LABOUR COST**



External Trade

Singapore's external trade expanded by 21% in 1Q06, up slightly from the 20% growth a quarter earlier. Total exports rose by 22%, marginally faster than the 21% gain in 4Q05. Both domestic exports and re-exports registered stronger growth. Non-oil domestic exports, however, increased at a slightly slower 17% compared with 19% in 4Q05. Growth of non-oil imports (excluding aircraft and ships) remained at 17% in 1Q06. In volume terms, total trade increased by 17%, similar to the previous quarter.

**EXHIBIT 13
EXTERNAL TRADE**

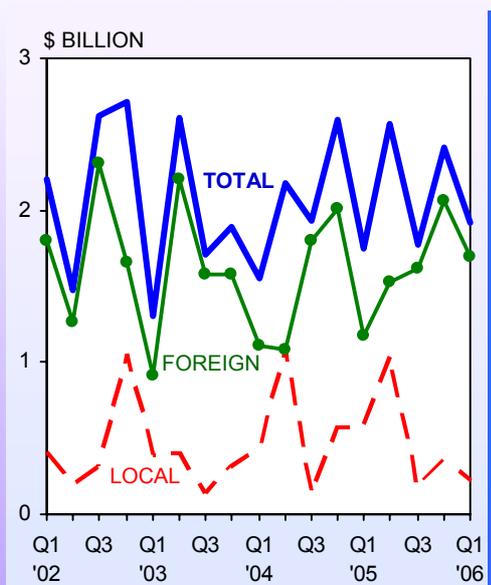


Prior to 2004, data excludes trade with Indonesia.

Investment Commitments

In 1Q06, manufacturing investment commitments totalled \$1.9 billion in terms of fixed assets. When the commitments are fully operational, they would create value added of \$2.8 billion and generate more than 6,100 jobs. 49% would be for skilled workers. Total business spending commitments in services promoted by EDB amounted to \$659 million in 1Q06. When these commitments are realised, they would generate value added of \$2.6 billion and create more than 2,200 jobs, of which 89% are for skilled workers.

**EXHIBIT 14 MANUFACTURING
INVESTMENT COMMITMENTS**

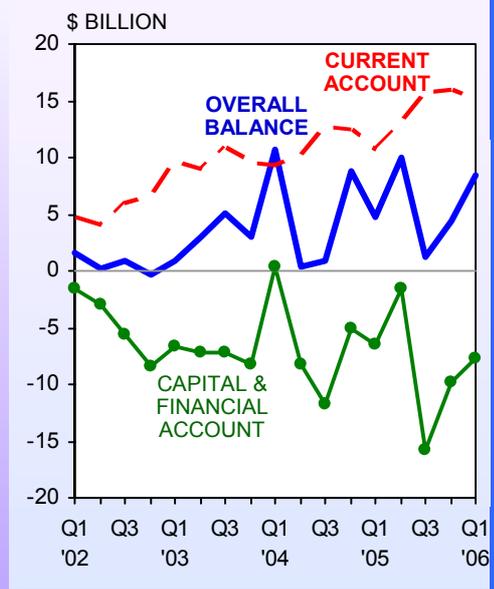


Balance of Payments

Singapore's overall balance of payments registered a larger surplus of \$8.4 billion in 1Q06, compared with \$4.3 billion in 4Q05. The capital and financial account recorded a lower net outflow while the current account saw a smaller surplus.

Reflecting these developments, Singapore's official foreign reserves rose by \$3.8 billion to reach \$197 billion (equivalent to 6.8 months of current imports).

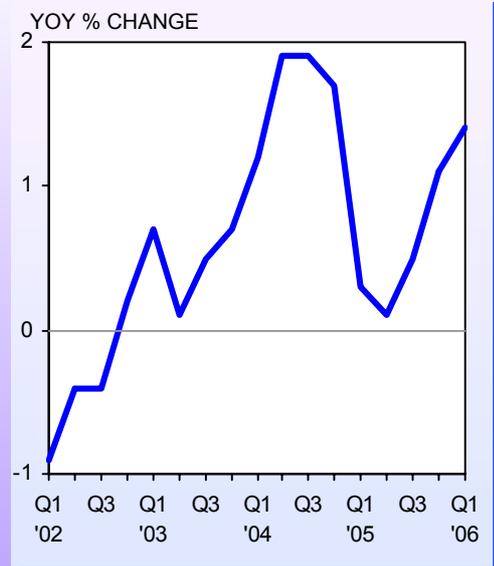
EXHIBIT 15
BALANCE OF PAYMENTS



Consumer Price Inflation

The CPI rose by 1.4% year-on-year in 1Q06, faster than the 1.1% clip in 4Q05. Much of the increase was accounted for by higher electricity tariffs, petrol prices, holiday travel cost and education fees. Nevertheless, lower car prices and foreign maid levy helped keep consumer price inflation at a relatively low rate.

EXHIBIT 16
CONSUMER PRICE INDEX



Outlook for 2006

The global economic environment has improved further over the last few months. The IMF has raised its global economic growth forecast for 2006 from 4.3% to 4.9%. Growth prospects for the US economy are healthy on account of the strong growth in employment and business investment, although concerns over rising interest rates and its twin deficits remain. The economic outlook for Japan has also improved further, with both business and consumer sentiments continuing to climb to levels not seen since the 1990s. Similarly, there is growing optimism in the EU, underpinned by a positive business climate and improvement in consumer confidence. In Asia, China and India continue to see strong growth while the regional economies are expected to register steady gains this year.

The global electronics industry is expected to turn in another year of healthy expansion on the back of sustained global demand. Research house Gartner has raised its forecast for global semiconductor sales this year from 7.6% to 9.5%, which will be an improvement from the 6.8% increase in 2005.

On the domestic front, the Singapore economy has turned in a strong performance in 1Q06. With the unemployment rate remaining at a low of 2.6% in March 2006, consumer sentiments are expected to pick up further. Forward-looking indicators also point to continued growth in the next few quarters. The composite leading index rose for the fifth consecutive quarter in 1Q06, albeit at a more moderate pace. The latest surveys of business expectations also show that firms in both manufacturing and services are upbeat about business conditions in the next 6 months.

However, some downside risks persist. Most notable is the continued increase in oil prices arising from tightness of the supply-demand situation in the oil industry. Recently, geopolitical uncertainties in key oil producing countries have heightened the risks of oil supply disruptions and spikes in oil prices. Other factors that could potentially derail global growth include a disorderly unwinding of current international imbalances and an outbreak of Avian flu among humans.

In view of the positive developments in both the external and domestic economic environment, and barring unforeseen circumstances, the Ministry of Trade and Industry has raised the 2006 GDP growth forecast to between 5% and 7%, from the previous forecast of between 4% and 6%.

EXHIBIT 17
GROSS DOMESTIC PRODUCT &
COMPOSITE LEADING INDEX (2000=100)

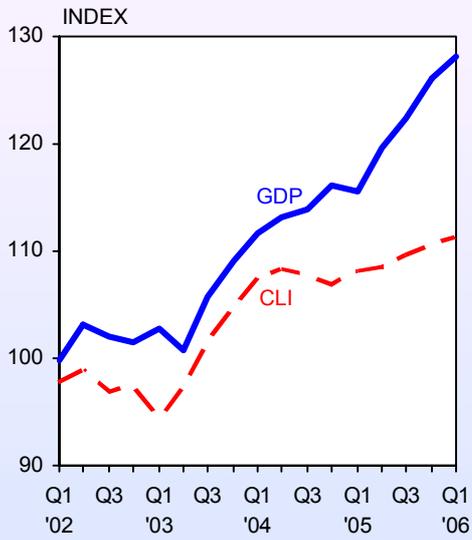
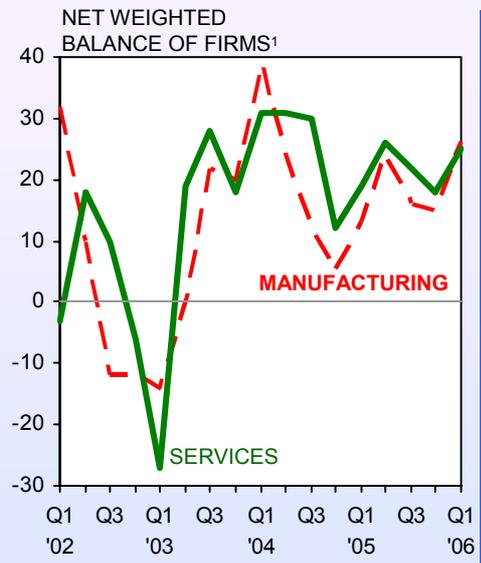


EXHIBIT 18
BUSINESS EXPECTATIONS



¹ The y-axis of the chart on business expectations represents the net weighted balance of companies that predict an improvement in business situation. This is derived from the weighted percentage of companies in the survey that predict better business minus the weighted percentage of companies that predict worse business.

Sectoral Growth Rates

Per cent

<u>Sector</u>	<u>1Q05</u>	<u>2Q05</u>	<u>3Q05</u>	<u>4Q05</u>	<u>2005</u>	<u>1Q06</u>
<u>Percentage Change Over Corresponding Period of Previous Year</u>						
Total	3.4	5.7	7.6	8.7	6.4	10.6
Goods Producing Industries	2.7	4.9	10.7	12.0	7.7	16.3
Manufacturing	3.2	5.9	13.1	14.2	9.3	20.0
Construction	-1.1	-1.1	-1.4	-0.8	-1.1	-1.3
Services Producing Industries	4.2	5.8	6.8	7.2	6.0	8.1
Wholesale & Retail Trade	8.7	10.2	10.7	12.1	10.5	14.8
Hotels & Restaurants	1.9	5.4	4.7	6.2	4.6	7.3
Transport & Communications	4.5	4.1	4.3	5.1	4.5	5.0
Financial Services	2.2	7.9	8.5	7.4	6.5	8.3
Business Services	2.7	3.9	6.6	6.3	4.9	6.6
<u>Annualised Growth Rate – Seasonally-adjusted</u>						
Total	-2.1	14.6	9.6	12.5	6.4	6.8
Goods Producing Industries	-13.2	19.5	20.0	24.6	7.7	3.7
Manufacturing	-19.0	28.2	25.6	28.1	9.3	1.6
Construction	27.9	-20.5	-9.9	5.6	-1.1	24.5
Services Producing Industries	1.8	13.4	6.6	7.1	6.0	6.0
Wholesale & Retail Trade	6.1	17.5	11.3	13.0	10.5	18.2
Hotels & Restaurants	3.6	17.8	-0.7	4.6	4.6	8.9
Transport & Communications	2.4	7.4	4.3	5.9	4.5	2.7
Financial Services	-7.8	27.6	2.1	10.7	6.5	-4.6
Business Services	5.3	9.1	8.5	2.5	4.9	6.4

Source: Singapore Department of Statistics