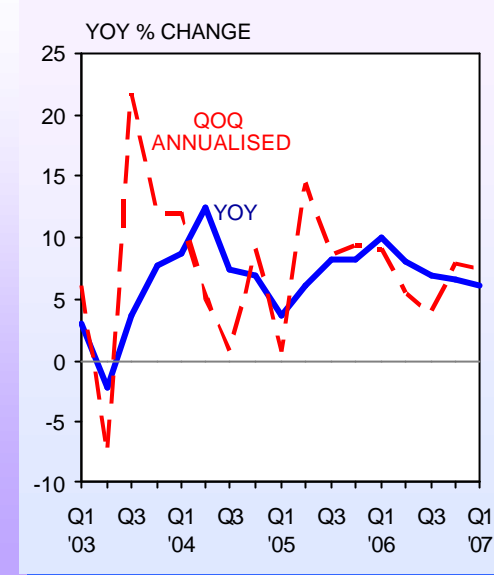


# PERFORMANCE OF THE SINGAPORE ECONOMY IN FIRST QUARTER 2007 AND OUTLOOK FOR 2007

## Overall Performance

The Singapore economy expanded by 6.1% in 1Q07 after a 6.6% growth in 4Q06. The growth momentum (on a seasonally-adjusted quarter-on-quarter annualised basis) eased slightly to 7.6% in 1Q07, compared with 7.9% a quarter earlier.

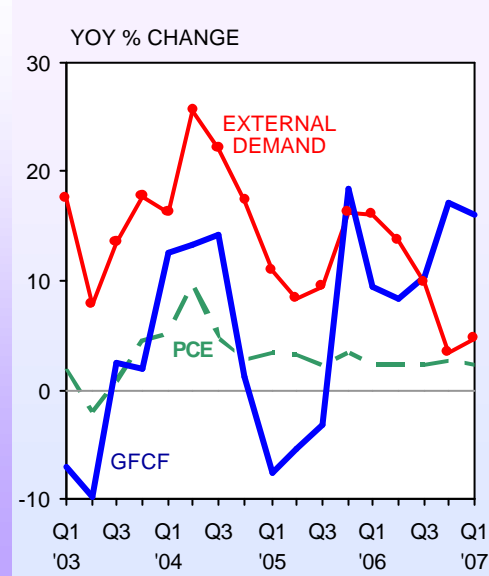
**EXHIBIT 1  
REAL GDP GROWTH**



## Sources of Growth

Total demand rose by 6.1% in 1Q07, up from 4.5% in 4Q06. Domestic demand grew strongly by 11%, mainly due to continued strength in capital spending. Consumption expenditure, however, saw slower growth. External demand rose faster at 4.8%, with improved performance in both goods and services exports.

**EXHIBIT 2  
SOURCES OF GROWTH**

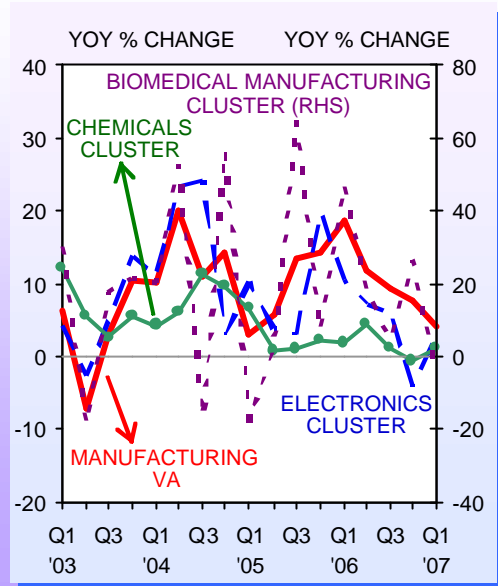


## Sectoral Performance

Growth in the first quarter was led by the financial services and construction sectors. The manufacturing sector, however, continued to experience a moderation in growth (see Annex).

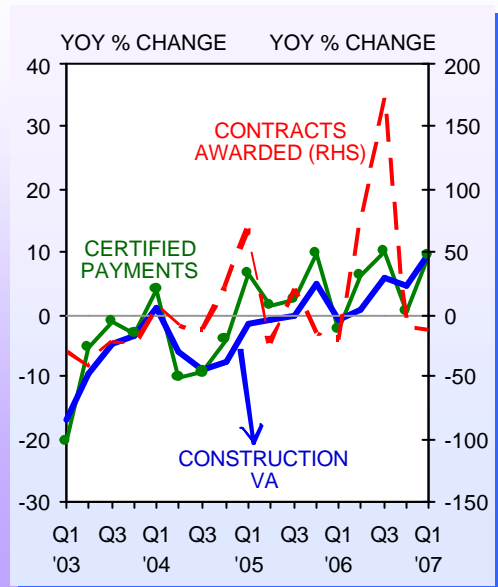
**THE MANUFACTURING SECTOR** grew by 4.3% in 1Q07, down from 7.7% in the previous quarter. Both biomedical manufacturing (-5.0%) and precision engineering (-0.7%) clusters saw lower production during the quarter. The electronics cluster, however, recovered from a 4.1% contraction in 4Q06 to register an increase of 2.6% in 1Q07. The transport engineering cluster continued to expand strongly at 23%, following a 25% increase in 4Q06.

**EXHIBIT 3  
MANUFACTURING SECTOR**



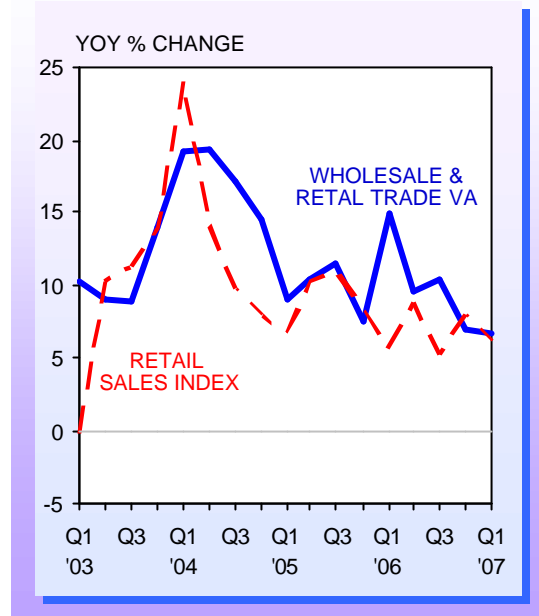
**THE CONSTRUCTION SECTOR** expanded by 9.7% in 1Q07, its strongest growth in 9 years. Growth momentum (on a seasonally-adjusted quarter-on-quarter annualised basis) was robust, at 22%. Certified payments increased by 9.5% in 1Q07, supported by strong growth in the private residential, commercial and industrial segments as well as public residential segment. Contracts awarded, however, fell 11% in 1Q07, due mainly to the drop in the private commercial and public institutional segments.

**EXHIBIT 4  
CONSTRUCTION SECTOR**



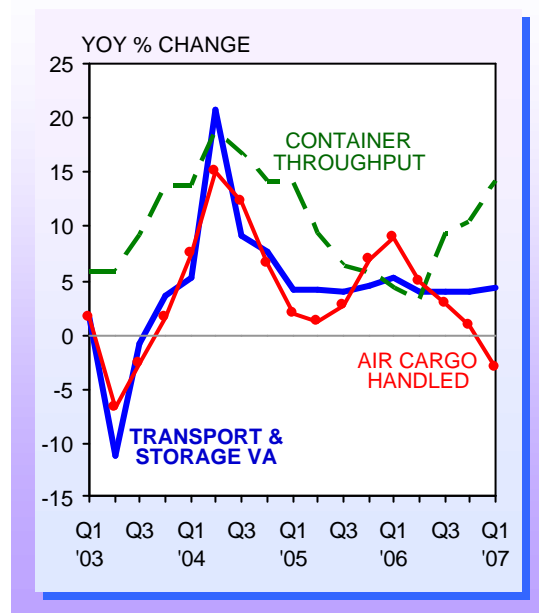
**THE WHOLESALE AND RETAIL TRADE SECTOR** expanded 6.7% in 1Q07 after a 6.9% growth in 4Q06. Retail sales growth eased from 7.9% in the previous quarter to 6.1% in 1Q07, mainly due to a deceleration in motor vehicles sales. Excluding motor vehicles, retail sales rose by 5.9%, up from 4.2% in 4Q06. In the wholesale segment, growth of non-oil re-exports remained firm at 5.9%, albeit slower than 6.3% in 4Q06.

**EXHIBIT 5 WHOLESALE AND RETAIL TRADE SECTOR**



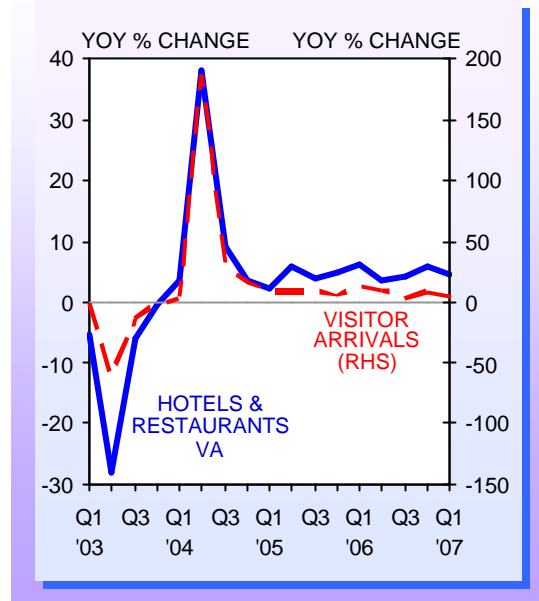
**THE TRANSPORT AND STORAGE** sector grew 4.4% in 1Q07, up from 4.0% a quarter earlier. The air segment saw a slowdown due to a moderation in air passenger traffic growth and a decline in air cargo. Stronger activity was recorded in the sea segment on the back of better performance in sea cargo handled and container throughput.

**EXHIBIT 6 TRANSPORT AND STORAGE SECTOR**



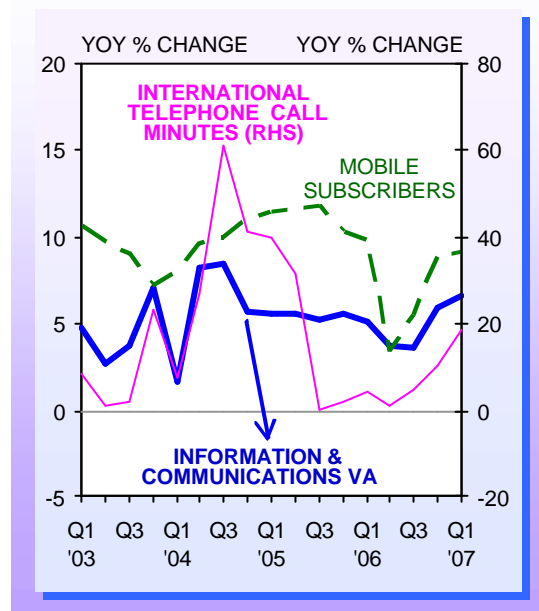
**THE HOTELS AND RESTAURANTS SECTOR** registered a slower growth of 4.7% in 1Q07, down from 6.1% 4Q06. Visitor arrivals grew at a more modest pace of 4.1% compared to 8.4% in the previous quarter. The increase in hotel room revenue moderated from the 21% gain in 4Q06 to 14% in 1Q07. However, the average occupancy rate of hotels remained high at 87%, a 4.3 percentage-points increase over the corresponding period last year.

**EXHIBIT 7 HOTELS AND RESTAURANTS SECTOR**



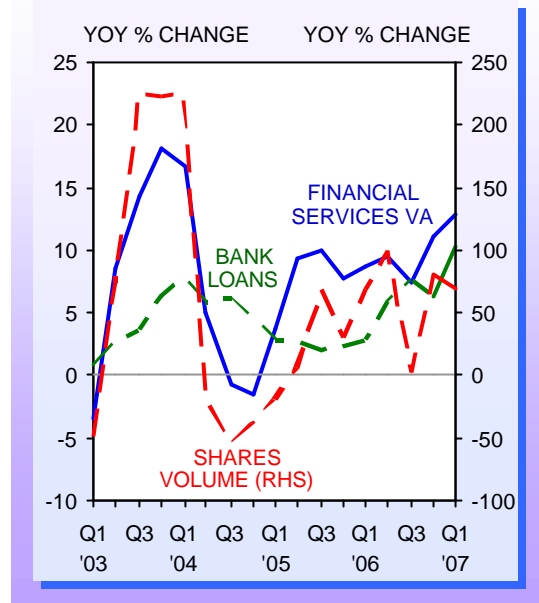
**THE INFORMATION AND COMMUNICATIONS SECTOR** grew 6.6% in 1Q07, up from 6.0% in the previous quarter. While the IT segment saw some moderation in activities, the telecommunications segment performed better. International telephone call duration went up sharply by 19%, up from 11% in 4Q06. Growth in the number of mobile subscribers and broadband subscribers also remained strong during the quarter.

**EXHIBIT 8 INFORMATION AND COMMUNICATIONS SECTOR**



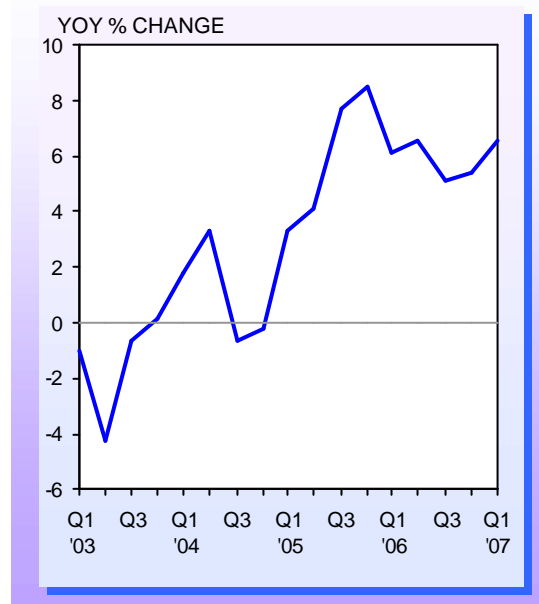
**THE FINANCIAL SERVICES SECTOR** expanded strongly by 13% in 1Q07 on the heels of the 11% growth a quarter ago. The strong performance was across all major financial segments, particularly in the capital and money markets. Fund management activities remained buoyant, in line with the continued strength in economic climate. Similarly, banks saw strong growth, buoyed by sustained resilience in the Asian Dollar Market as well as a steady increase in domestic lending activity.

**EXHIBIT 9  
FINANCIAL SERVICES SECTOR**



**THE BUSINESS SERVICES SECTOR** expanded by 6.6% in 1Q07, better than the 5.4% posted in 4Q06. Robust performance was seen in the real estate segment on the back of continued strength in the luxury property market. The sector was also well supported by the other segments, particularly business representative offices, and business & management consultancy activities.

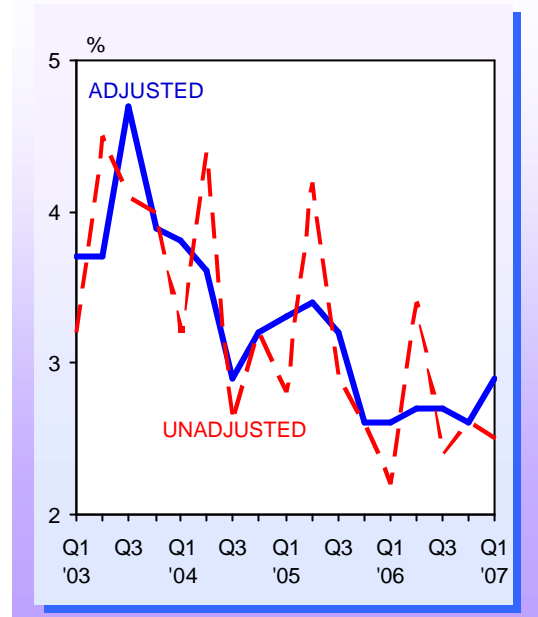
**EXHIBIT 10  
BUSINESS SERVICES SECTOR**



## Labour Market

Total employment continued to grow strongly by 48,000 in 1Q07, only slightly lower than the 51,500 in 4Q06. All major sectors added workers, led by services with gains of 33,400 workers. Manufacturing and construction posted increases in employment of 9,500 and 5,000 respectively. The number of workers retrenched in 1Q07 dropped to 1,800, significantly lower than the 3,200 in the previous quarter. However, the seasonally-adjusted unemployment rate rose from 2.6% in December 2006 to 2.9% in March 2007, reflecting an increase in labour market entrants on the back of favourable economic conditions.

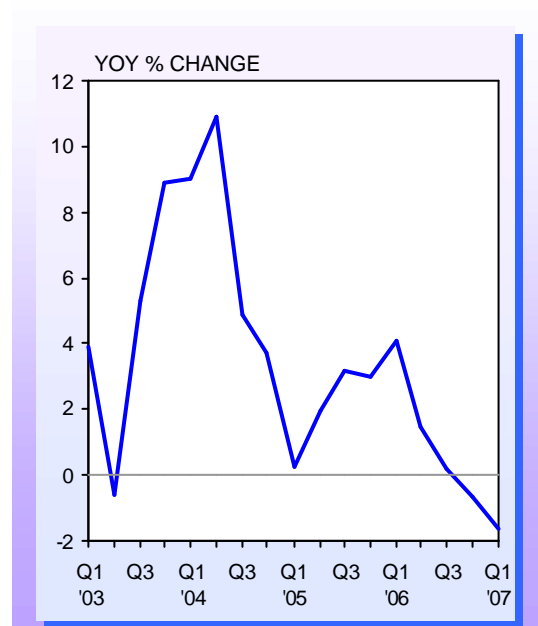
**EXHIBIT 11  
UNEMPLOYMENT RATE**



## Labour Productivity

Labour productivity fell by 1.6%, following the 0.7% decline in 4Q06. At the sectoral level, continued declines were seen in business services (-5.8%), hotels & restaurants (-4.8%), manufacturing (-4.1%), information & communications (-2.8%) and other services (-0.9%). Productivity growth of financial services (1.2%) and wholesale & retail trade (0.7%) also moderated from 4Q06. However, transport & storage productivity rose faster (1.5%) while the construction sector saw a turnaround, with productivity up by 0.8% after 4 quarters of contraction.

**EXHIBIT 12  
LABOUR PRODUCTIVITY**

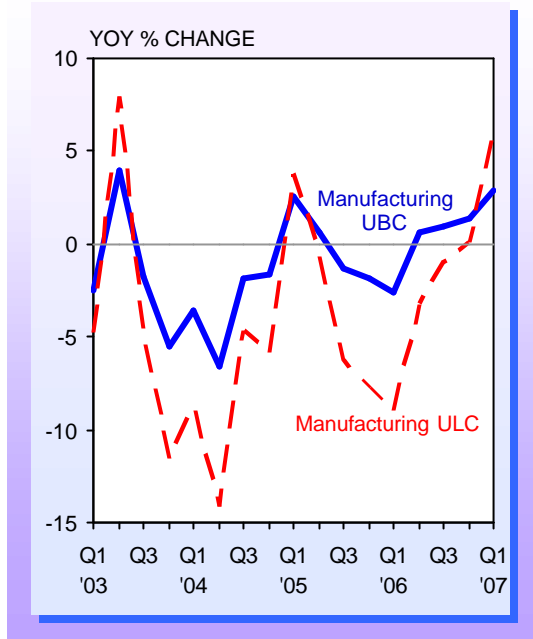


## Business Costs

The fall in productivity contributed to the 5.4% increase in overall unit labour cost (ULC), compared with a marginal 0.1% increase in the previous quarter.

The unit business cost (UBC) of manufacturing increased by 2.9% in 1Q07, up from 1.4% in 4Q06. All three components rose, viz. manufacturing ULC, services costs and government rates and fees.

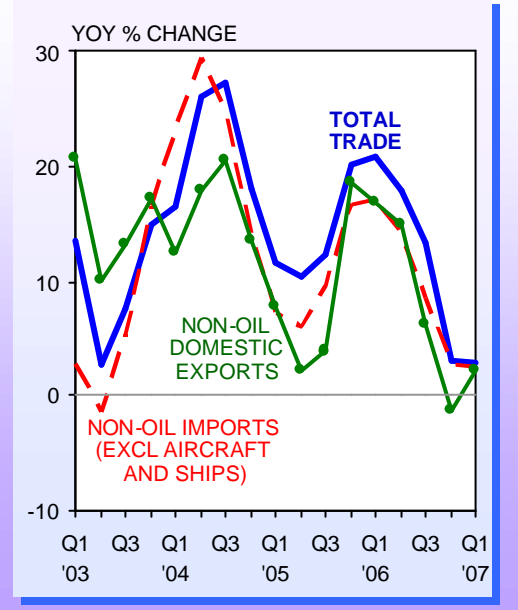
**EXHIBIT 13 UNIT BUSINESS COST & UNIT LABOUR COST**



## External Trade

External trade expanded by 2.9% in 1Q07, similar to the 3.0% gain in the previous quarter. Total exports rose faster at 3.4%, up from 2.0% in the previous quarter. Total imports rose faster at 3.4%, up from 2.0% in the previous quarter. After a 1.4% contraction in 4Q06, non-oil domestic exports (NODX) rose by 2.1% in 1Q07. The improved NODX performance was due to stronger growth of non-electronics NODX even as domestic exports of electronics continued to decline. Non-oil imports (excluding aircraft and ships) increased 2.0%, following a 2.6% growth in the preceding quarter. In volume terms, total trade increased by 4.8%, down from 5.2% in the previous quarter.

**EXHIBIT 14 EXTERNAL TRADE**



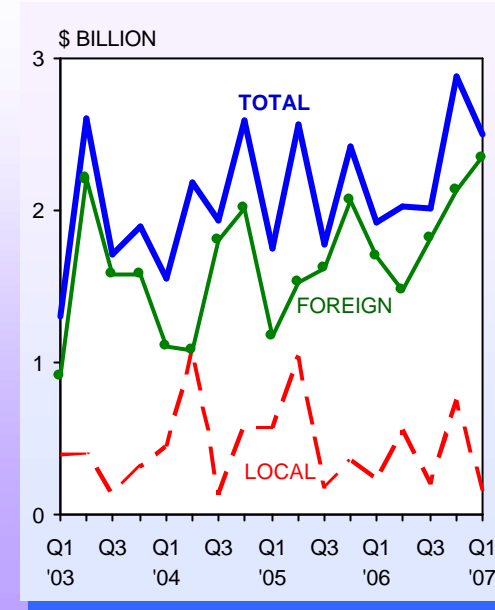
Prior to 2004, data excludes trade with Indonesia.

## Investment Commitments

Fixed asset investment amounting to \$2.5 billion was committed in the manufacturing sector in 1Q07, down from \$2.9 billion in 4Q06. When these commitments are fully operational, they would generate a value added of \$0.9 billion and create more than 5,000 jobs.

Investment commitments in services promoted by EDB reached \$832 million in total business spending in 1Q07. When fully realised, these commitments would generate a value added of \$1.1 billion and create over 2,500 jobs, of which 94% would be for skilled professionals.

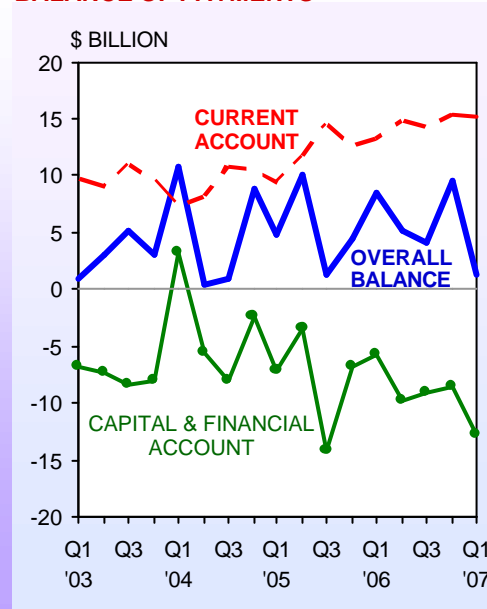
**EXHIBIT 15 MANUFACTURING INVESTMENT COMMITMENTS**



## Balance of Payments

Singapore's overall balance of payments registered a smaller surplus of \$1.1 billion in 1Q07, down significantly from \$9.5 billion in 4Q06. This reflects a larger net outflow from the capital and financial account while the current account surplus was relatively unchanged from the previous quarter. Consequently, Singapore's official foreign reserves rose to \$209 billion, equivalent to 6.6 months of merchandise imports.

**EXHIBIT 16 BALANCE OF PAYMENTS**

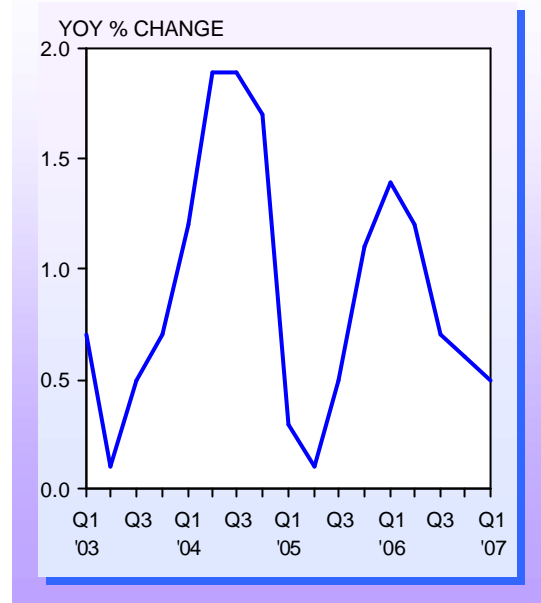




## Consumer Price Inflation

The CPI rose by 0.5% on a year-on-year basis in 1Q07, slightly down from 0.6% in 4Q06. In terms of the major categories of consumer expenditure, the food category posted the largest gain (2.0%), reflecting dearer cooked food, fresh vegetables and fish. This was followed by healthcare (1.4%), recreation & other items (1.2%), education & stationery (1.1%) and clothing & footwear (0.2%). Meanwhile, cost of transport & communications and housing fell by 1.3% and 0.3% respectively.

**EXHIBIT 17**  
**CONSUMER PRICE INDEX**



## Outlook for 2007

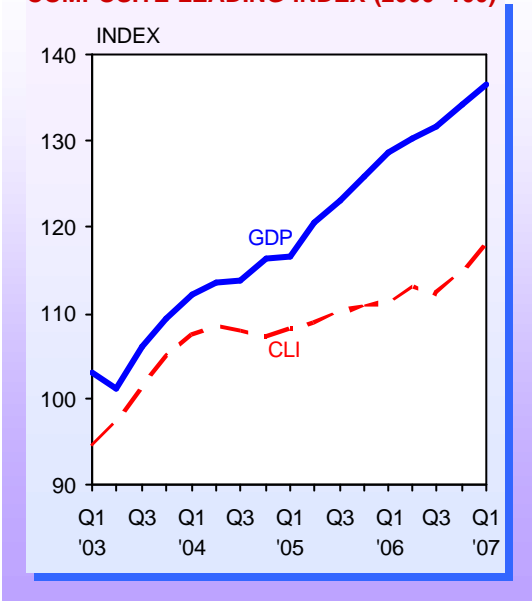
The global economic environment is generally healthy. In the US, growth prospects have diminished somewhat over the last few months on account of continuing weakness in the housing market which in turn impacted investment growth. However, the outlook for the EU and Japan remains firm. In the EU, growth is supported by strong domestic demand, while Japan's prospects are underpinned by healthy corporate performance. Economic growth in China and India is expected to be robust. The overhang in inventories in the global semiconductor industry is also expected to dissipate in the second half of the year, although the pace of recovery of the industry is less certain.

On the domestic front, the Singapore economy started on a strong note, growing 6.1% in the first quarter of 2007. Forward-looking indicators point to continued growth in the next few quarters. The composite leading index rose faster this quarter while the latest business expectations surveys showed that firms in both manufacturing and services are optimistic about business conditions over the next six months.

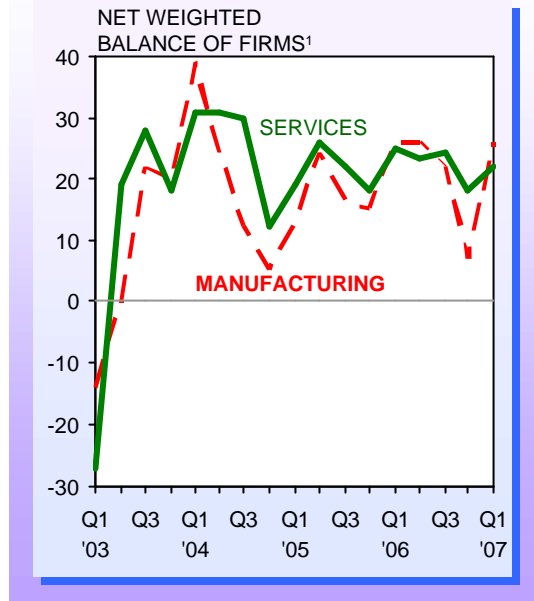
The economic outlook is generally positive but some downside risks remain. These include a sharp slowdown in the US economy, vulnerability of oil prices to supply shocks and a disorderly unwinding of global unbalances. Barring these uncertainties, economic growth is expected to remain healthy in 2007.

Taking into account the above factors, the Ministry of Trade and Industry has raised the 2007 GDP growth forecast from 4.5-6.5% to 5.0-7.0%.

**EXHIBIT 18  
GROSS DOMESTIC PRODUCT &  
COMPOSITE LEADING INDEX (2000=100)**



**EXHIBIT 19  
BUSINESS EXPECTATIONS**



<sup>1</sup> 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

Sector	1Q06	2Q06	3Q06	4Q06	2006	1Q07
<b>Percentage Change Over Corresponding Period of Previous Year</b>						
<b>Total</b>	<b>10.1</b>	<b>8.0</b>	<b>7.0</b>	<b>6.6</b>	<b>7.9</b>	<b>6.1</b>
<b>Goods Producing Industries</b>	15.1	10.3	8.9	7.2	10.2	4.9
<b>Manufacturing</b>	18.6	11.9	9.5	7.7	11.5	4.3
<b>Construction</b>	-0.7	0.9	5.8	4.7	2.7	9.7
<b>Services Producing Industries</b>	8.2	6.9	6.3	6.6	7.0	7.0
<b>Wholesale &amp; Retail Trade</b>	14.8	9.5	10.4	6.9	10.3	6.7
<b>Transport &amp; Storage</b>	5.3	4.0	4.0	4.0	4.3	4.4
<b>Hotels &amp; Restaurants</b>	6.2	3.8	4.4	6.1	5.1	4.7
<b>Information &amp; Communications</b>	5.1	3.7	3.6	6.0	4.6	6.6
<b>Financial Services</b>	8.7	9.6	7.4	11.1	9.2	12.9
<b>Business Services</b>	6.1	6.6	5.1	5.4	5.8	6.6
<b>Annualised Growth Rate – Seasonally-adjusted</b>						
<b>Total</b>	<b>9.1</b>	<b>5.4</b>	<b>3.9</b>	<b>7.9</b>	<b>7.9</b>	<b>7.6</b>
<b>Goods Producing Industries</b>	3.4	1.5	11.9	11.1	10.2	-3.4
<b>Manufacturing</b>	3.4	2.3	12.3	11.5	11.5	-6.5
<b>Construction</b>	2.0	-6.9	12.5	12.2	2.7	22.4
<b>Services Producing Industries</b>	9.6	8.6	0.8	7.9	7.0	11.0
<b>Wholesale &amp; Retail Trade</b>	26.2	0.8	8.2	-3.5	10.3	22.5
<b>Transport &amp; Storage</b>	3.9	2.9	2.9	6.1	4.3	5.6
<b>Hotels &amp; Restaurants</b>	8.0	5.7	1.5	9.7	5.1	1.9
<b>Information &amp; Communications</b>	-2.0	7.4	6.8	11.6	4.6	1.9
<b>Financial Services</b>	13.6	25.1	-16.2	28.2	9.2	20.9
<b>Business Services</b>	0.1	9.9	4.0	7.9	5.8	4.7

Source: Singapore Department of Statistics