

Press Release

MTI Forecasts Sustained Growth of 4.5-6.5% in 2008

19 November 2007. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy is expected to grow by 7.5-8.0 per cent in 2007, and 4.5-6.5 per cent in 2008.

Performance in Third Quarter 2007 and Forecast for 2007

Economic growth picked up pace in the third quarter. GDP grew by 8.9 per cent year-on-year, up from the 8.7 per cent increase in the previous quarter. Growth on an annualised quarter-on-quarter basis declined to 4.3 per cent, down from 14.5 per cent in the second quarter. The fastest growing sectors were manufacturing (led by the biomedical and transport engineering clusters), financial services, and construction.

For the first three quarters of this year, GDP growth averaged 8.1 per cent. The momentum is likely to continue into the last quarter of 2007, albeit at a slower pace. Economic growth in the US is expected to soften but the EU and Asian economies are expected to hold up.

In view of this, MTI has narrowed its full-year GDP growth forecast for 2007 from 7.0 - 8.0 per cent to 7.5 - 8.0 per cent, with growth likely to be closer to the upper end of this range.

Outlook for 2008

For 2008, external economic conditions are expected to weaken slightly compared to this year. The lingering effects of the sub-prime problems in the credit markets and a more generalised weakening of the housing market will dampen consumption in the US. Growth in the EU is also expected to soften as a strong currency erodes export competitiveness. However, the outlook for the Asian economies remains positive, with the Chinese economy expected to sustain a double-digit pace of expansion.

MTI forecasts the Singapore economy to grow by 4.5-6.5 per cent in 2008. This represents a moderation in growth towards the economy's underlying potential rate, following four years of above-trend growth. The market consensus is that the US economy will slow down in the first half of 2008 as a result of weaker credit and housing markets before resuming healthy growth in the second half. This would support GDP growth in Singapore in the upper half of the 4.5-6.5 per cent forecast range.

If the sub-prime problems worsen and persist, or if oil prices rise further above current levels, there could be a sharper and more protracted slowdown in the US economy. This could drag Singapore's GDP growth towards the lower half of the forecast range. The likelihood of this more negative scenario will become clearer only after the first quarter of 2008. MTI will monitor the situation closely.

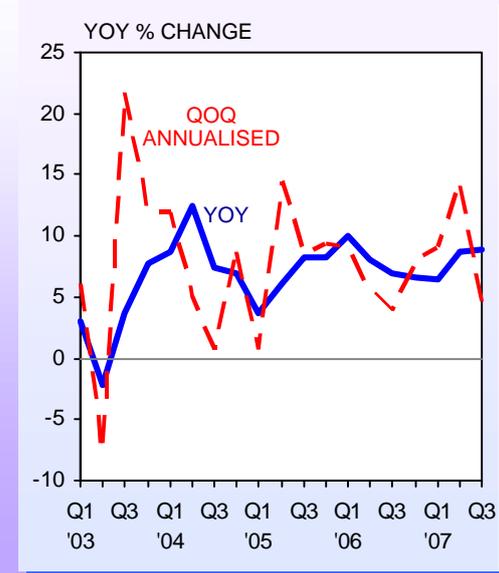
Ministry of Trade and Industry
19 November 2007

OUTLOOK FOR THE SINGAPORE ECONOMY FOR 2007 AND 2008

Overall Performance

The Singapore economy expanded by 8.9% in 3Q07, following an 8.7% growth in the previous quarter. Growth on a seasonally adjusted quarter-on-quarter annualised basis eased to 4.3%, compared with 14.5% a quarter earlier.

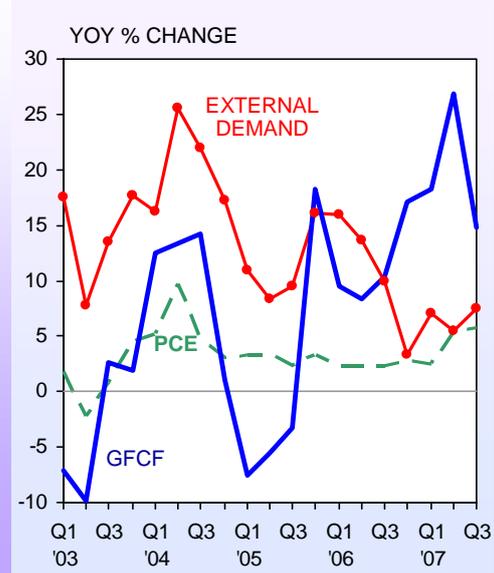
**EXHIBIT 1
REAL GDP GROWTH**



Sources of Growth

Total demand rose by 6.9% in 3Q07, similar to the 6.8% in 2Q07. External demand rose 7.5%, up from 5.5% in the preceding quarter. In contrast, growth of domestic demand slowed to 4.4% in 3Q07 after a 12% gain in the last quarter. The moderation was largely due to a slowdown in capital spending on transport equipment, as well as a larger drawdown on inventories. Private consumption expenditure grew faster at 5.8% compared with 5.3% in the previous quarter. Government spending fell by 1.8%, following a marginal 0.4% contraction in 2Q07.

**EXHIBIT 2
SOURCES OF GROWTH**



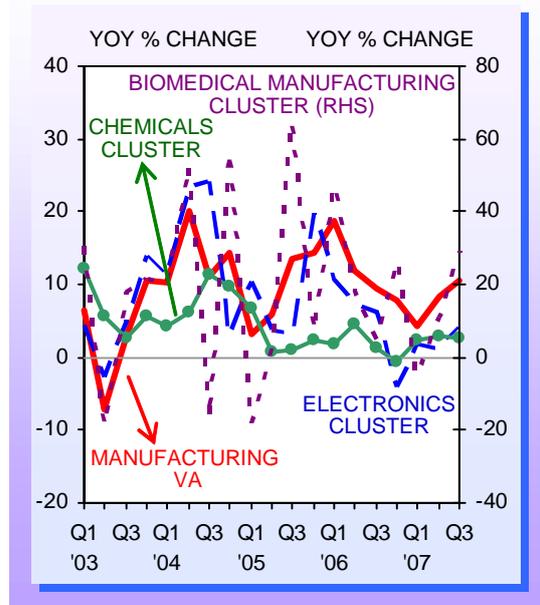
Sectoral Performance

At the sectoral level, the financial services sector continued to lead with a strong growth of 20% in 3Q07, its fastest pace since 2Q97. This was followed by the construction sector and manufacturing sector which also experienced double-digit growth in the quarter (see Annex).

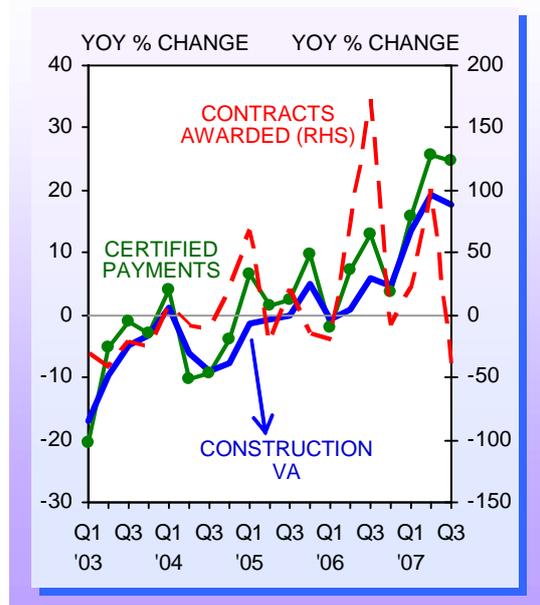
THE MANUFACTURING SECTOR saw an increase of 10% in output, up from 8.3% in the previous quarter. Output of the biomedical manufacturing cluster surged 29% on the back of expansion in the pharmaceuticals and medical technology segments. With both data storage and infocomms & consumer electronics segments reversing from their previous declines, the electronics cluster expanded 4.0%, up from 1.3% a quarter earlier. However, growth in the transport engineering and chemicals clusters moderated to 18% and 2.6% respectively. Meanwhile, the precision engineering cluster shrank 0.3%.

THE CONSTRUCTION SECTOR expanded by 18%, on the heels of a 19% growth a quarter earlier. Growth momentum (on a seasonally adjusted quarter-on-quarter basis) eased from 15% to 6.0%. Supported by strong activity in both private industrial and commercial segments, certified payments grew by 25% in the quarter. After surging by more than 100% in the previous quarter, contracts awarded shrank 38% in 3Q07, mainly due to declines in the private commercial and industrial segments.

**EXHIBIT 3
MANUFACTURING SECTOR**

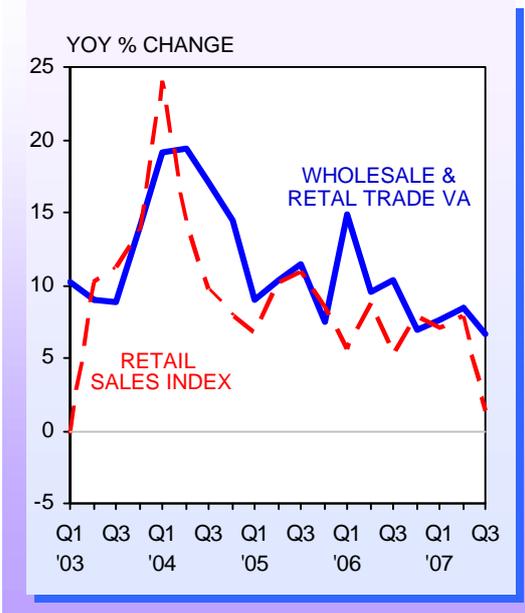


**EXHIBIT 4
CONSTRUCTION SECTOR**



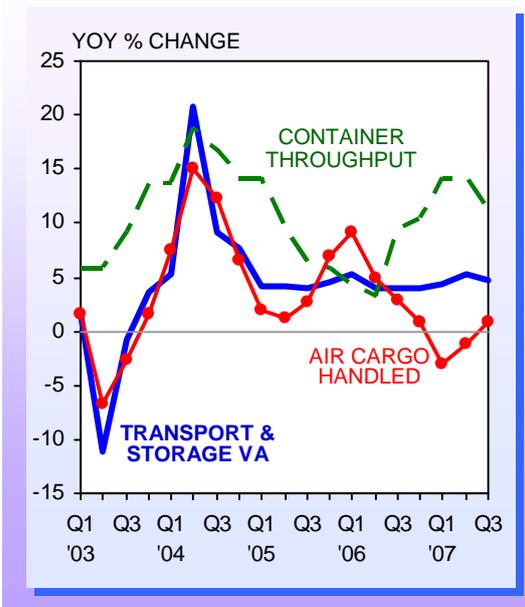
THE WHOLESALE AND RETAIL TRADE SECTOR expanded 6.6% compared with 8.4% in the preceding quarter. In the wholesale segment, non-oil re-exports grew by a modest 4.2%, up from 1.3% in 2Q07. The retail trade segment saw a moderation in its activity as retail sales growth decelerated to 1.3% from 7.9% in 2Q07. Retail sales of motor vehicles and medical goods & toiletries registered declines while all other items experienced slower growth. Excluding motor vehicles, retail sales rose by 5.7%, down from 11% in the previous quarter.

EXHIBIT 5 WHOLESALE AND RETAIL TRADE SECTOR



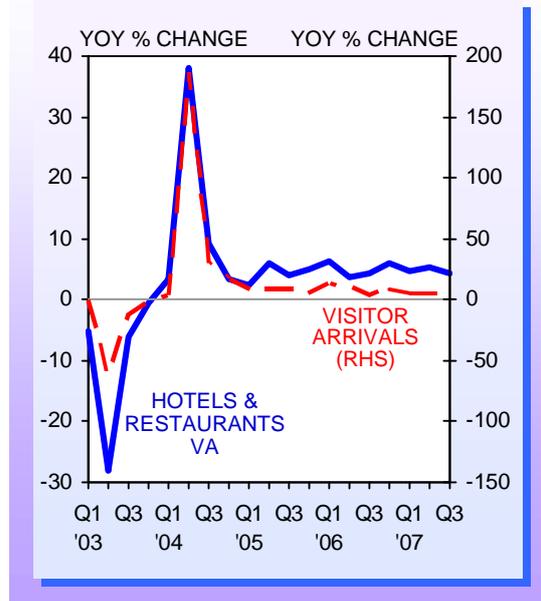
THE TRANSPORT AND STORAGE SECTOR grew 4.8%, slightly slower than the 5.3% gain a quarter earlier. The air transport activity saw faster growth as air cargo handled reversed from its previous decline and air passenger traffic sustained its growth of 5.5%. Growth in the sea transport segment moderated somewhat due to slower growth in sea cargo handled and container throughput.

EXHIBIT 6 TRANSPORT AND STORAGE SECTOR



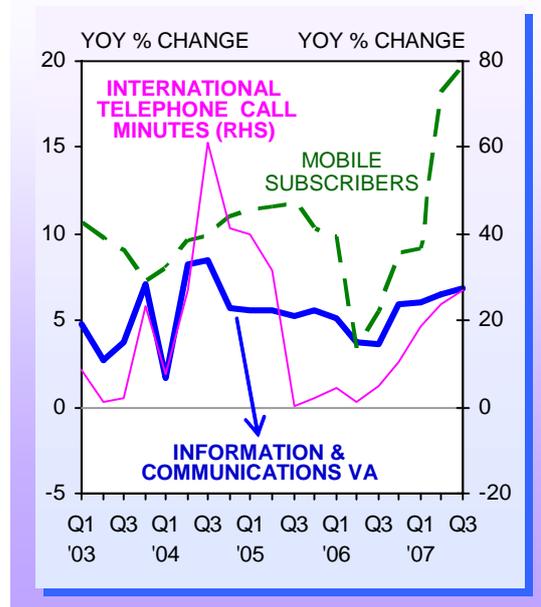
THE HOTELS AND RESTAURANTS SECTOR rose by 4.5% in 3Q07, after a 5.3% increase in the previous quarter. Growth in the sector was supported by the 5.3% growth in visitor arrivals, which was slightly up from the 5.0% gain in 2Q07. Total hotel room revenue rose 20%, following a 27% growth a quarter earlier. The average occupancy rate of hotels climbed to 89%, a 2.1 percentage-point increase over the same quarter last year.

EXHIBIT 7 HOTELS AND RESTAURANTS SECTOR



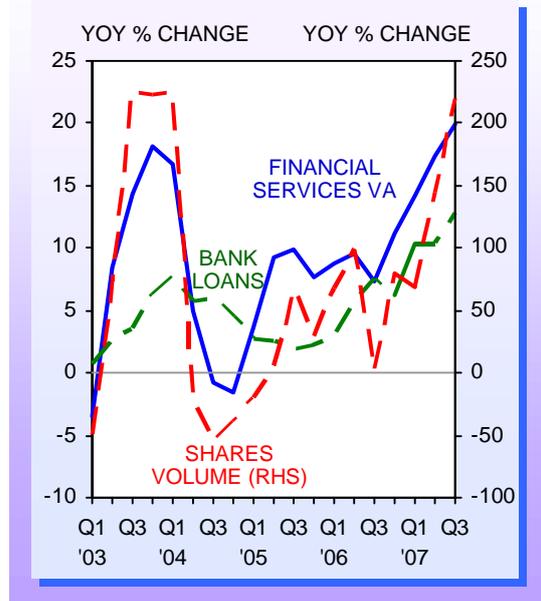
THE INFORMATION AND COMMUNICATIONS SECTOR grew 6.9%, up from the 6.5% growth in 2Q07. Both telecommunications and IT services segments remained healthy during the quarter. The international telephone calls market remained strong in the quarter as call duration rose 27%, up from 24% in 2Q07. The number of mobile subscribers grew 20% in September 07, on the back of 18% growth in June 07.

EXHIBIT 8 INFORMATION AND COMMUNICATIONS SECTOR



THE FINANCIAL SERVICES SECTOR saw a robust expansion of 20%, up from 17% in 2Q07. Growth was broad-based across most segments. The domestic stock market recorded more than 2-fold increase in turnover volume despite a sharp correction in stock prices in August. The wealth advisory cluster also remained resilient while the banking cluster continued to see robust expansion in domestic and offshore lending activity.

**EXHIBIT 9
FINANCIAL SERVICES SECTOR**



THE BUSINESS SERVICES SECTOR expanded by 7.1%, on the back of a 7.2% growth in the previous quarter. Strong gains were seen in business representative offices and architectural & engineering activities.

**EXHIBIT 10
BUSINESS SERVICES SECTOR**



Labour Market

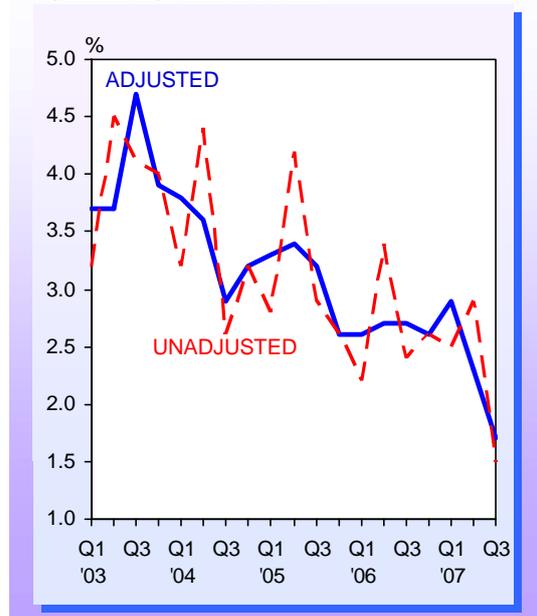
Total employment rose 57,600, following a record gain of 64,400 in 2Q07. The services sector continued to lead in job creation with an increase of 34,500 jobs. For manufacturing and construction sector, the respective job gains were 11,800 and 10,800.

The seasonally adjusted overall unemployment rate fell from 2.3% in June 07 to 1.7% in September 07, the lowest in a decade. The number of workers retrenched in 3Q07 also dropped to 1,700 compared with 1,918 in 2Q07 and 2,472 in the same period a year ago.

Labour Productivity

Overall labour productivity growth was flat in 3Q07, following a marginal 0.4% increase in the previous quarter. At the sectoral level, the construction sector (4.7%) registered the largest productivity gains while the manufacturing sector reversed from a 0.9% decline in 2Q07 to a 0.8% increase during the quarter. Productivity performances were mixed across the services producing industries. Gains were seen in financial services (3.2%), transport & storage (2.5%) and wholesale & retail trade (0.6%) sectors. On the other hand, hotels & restaurants (-7.3%), business services (-5.7%), information & communications (-3.2%) and other services sectors (-1.2%) experienced declines in labour productivity level.

**EXHIBIT 11
UNEMPLOYMENT RATE**



**EXHIBIT 12
LABOUR PRODUCTIVITY**

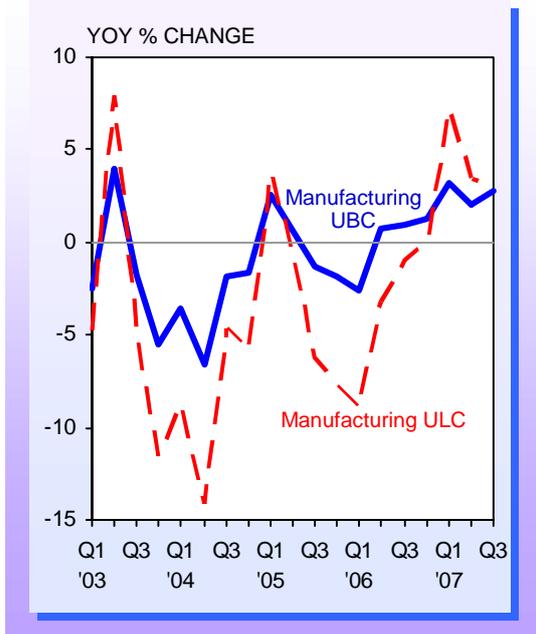


Business Costs

Overall unit labour cost (ULC) rose 5.9% in 3Q07, slightly lower than the 6.3% increase in the preceding quarter.

The unit business cost (UBC) of manufacturing rose by 2.8%, up further from 2.0% in the previous quarter. All three components rose, viz. manufacturing ULC, services cost and government rates and fees.

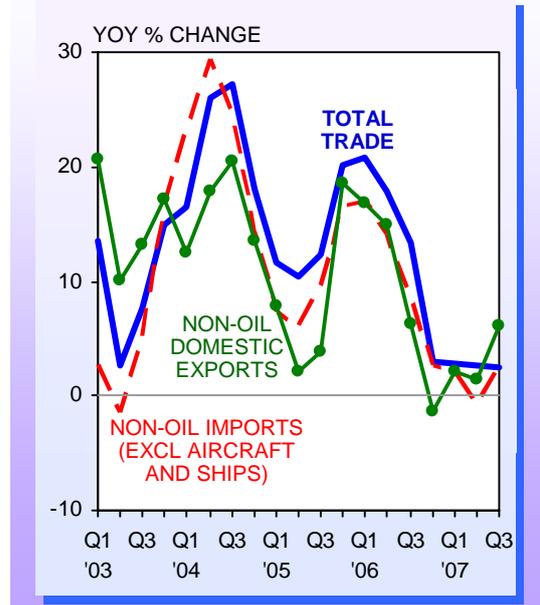
EXHIBIT 13 UNIT BUSINESS COST & UNIT LABOUR COST



External Trade

External trade expanded by 2.5%, sustaining the 2.6% gain in the previous quarter. Supported by better performance in domestic exports, total exports increased 4.2%, up from 2.9% in 2Q07. Non-oil domestic exports (NODX) rose by 6.1%, higher than the 1.5% growth in the last quarter. This was due to strong non-electronics NODX growth which more than offset the fall in domestic exports of electronics. Non-oil imports (excluding aircraft and ships) expanded 2.7%, reversing from the 0.9% decline in 2Q07. In volume terms, total trade grew by 5.6%, down from 6.5% in the previous quarter.

EXHIBIT 14 EXTERNAL TRADE



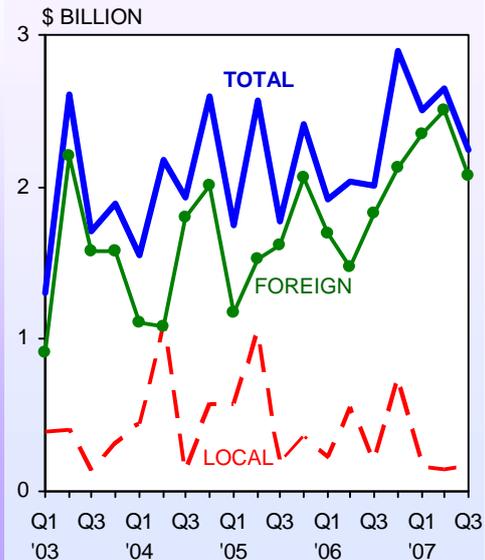
Prior to 2004, data excludes trade with Indonesia.

Investment Commitments

In 3Q07, a total of \$2.2 billion of fixed asset investment was committed in manufacturing. When fully operational, these projects are expected to generate value added of \$2.4 billion and more than 4,900 jobs, of which 54% will be for skilled professional.

Investment commitments in services promoted by EDB amounted to \$815 million in 3Q07. When fully realised, these commitments would generate value added of \$1.1 billion and more than 2,100 jobs. 88% of the jobs created will be for skilled professionals.

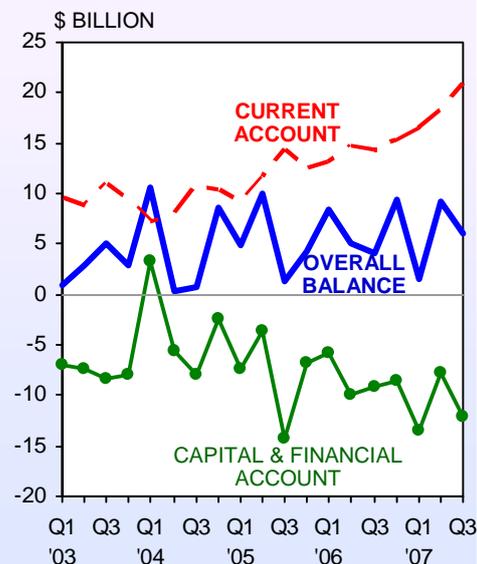
EXHIBIT 15 MANUFACTURING INVESTMENT COMMITMENTS



Balance of Payments

Singapore's overall balance of payments surplus registered a smaller surplus of \$6.0 billion compared with \$9.1 billion in the previous quarter. This largely reflected the higher net outflows from the capital and financial account. Consequently, Singapore's official foreign reserves rose to \$226 billion as at end-September which was equivalent to 7.1 months of merchandise imports.

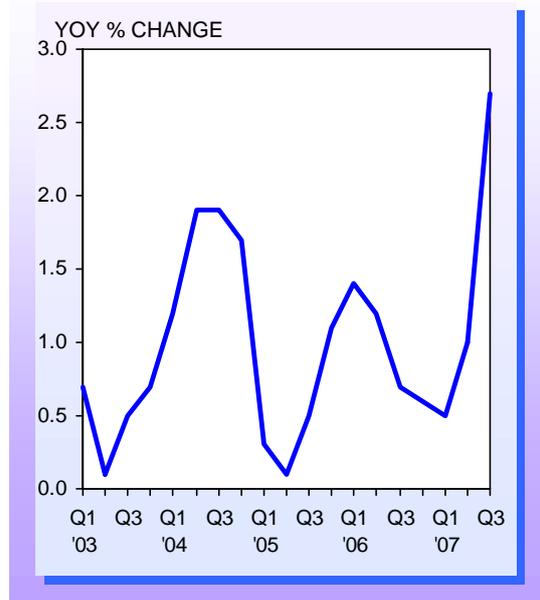
EXHIBIT 16 BALANCE OF PAYMENTS



Consumer Price Inflation

The CPI rose 2.7% on a year-on-year basis in 3Q07, up from 1.0% gain in 2Q07. Higher inflation was seen across all broad categories. Among them, healthcare (5.9%) registered the largest gain, followed by recreation & others (4.4%), food (3.3%) and transport & communications (2.9%). Prices of other major consumer expenditure items – education & stationery (1.8%), clothing & footwear (1.0%) and housing (0.7%) – were also dearer.

EXHIBIT 17
CONSUMER PRICE INDEX



Outlook for 2007 and 2008

For the first three quarters of this year, GDP growth averaged 8.1 per cent. The momentum is likely to continue into the last quarter of 2007, albeit at a slower pace. Economic growth in the US is expected to soften but the EU and Asian economies are expected to hold up. In view of this, the Ministry of Trade and Industry has narrowed its full-year GDP growth forecast for 2007 from 7.0 - 8.0 per cent to 7.5 - 8.0 per cent, with growth likely to be closer to the upper end of this range.

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

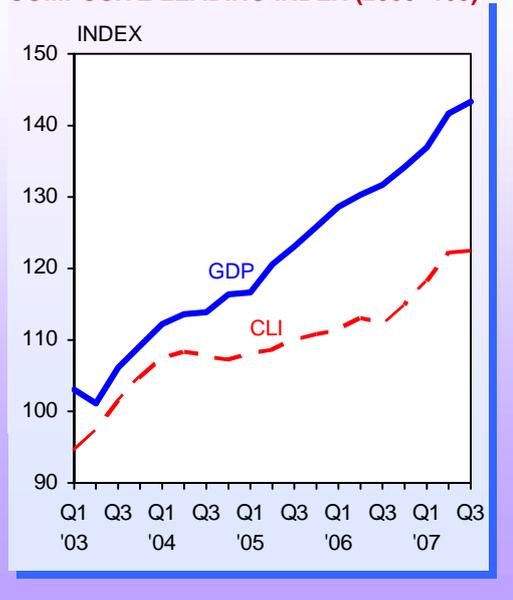


EXHIBIT 19
BUSINESS EXPECTATIONS



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

Sector	3Q06	4Q06	2006	1Q07	2Q07	3Q07
Percentage Change Over Corresponding Period of Previous Year						
Total	7.0	6.6	7.9	6.5	8.7	8.9
Goods Producing Industries	8.9	7.2	10.2	5.3	9.1	10.9
Manufacturing	9.5	7.7	11.5	4.3	8.3	10.5
Construction	5.8	4.7	2.7	13.6	19.4	17.7
Services Producing Industries	6.3	6.6	7.0	7.5	8.5	8.3
Wholesale & Retail Trade	10.4	6.9	10.3	7.6	8.4	6.6
Transport & Storage	4.0	4.0	4.3	4.4	5.3	4.8
Hotels & Restaurants	4.4	6.1	5.1	4.8	5.3	4.5
Information & Communications	3.6	6.0	4.6	6.1	6.5	6.9
Financial Services	7.4	11.1	9.2	14.2	17.3	19.9
Business Services	5.1	5.4	5.8	7.0	7.2	7.1
Annualised Growth Rate – Seasonally adjusted						
Total	3.9	7.9	7.9	9.1	14.5	4.3
Goods Producing Industries	11.9	11.1	10.2	-1.8	16.5	19.0
Manufacturing	12.3	11.5	11.5	-6.7	17.8	21.5
Construction	12.5	12.2	2.7	40.7	15.2	6.0
Services Producing Industries	0.8	7.9	7.0	12.8	13.0	-0.2
Wholesale & Retail Trade	8.2	-3.5	10.3	26.4	5.3	-0.5
Transport & Storage	2.9	6.1	4.3	5.9	6.5	0.8
Hotels & Restaurants	1.5	9.7	5.1	2.3	7.7	-1.1
Information & Communications	6.8	11.6	4.6	0.0	7.7	8.6
Financial Services	-16.2	28.2	9.2	26.4	39.4	-8.6
Business Services	4.0	7.9	5.8	6.3	10.7	3.6

Source: Singapore Department of Statistics