

Press Release

MTI Expects 2008 Growth to be 4.0 – 5.0%

11 August 2008. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy is expected to grow by 4.0 – 5.0 per cent in 2008.

The narrowing of the forecast range for 2008 from 4.0 – 6.0 per cent to 4.0 – 5.0 per cent is consistent with the moderation in economic growth seen in the second quarter. GDP grew by 2.1 per cent year-on-year, down from the 6.9 per cent increase in the preceding quarter. Growth on an annualised, quarter-on-quarter basis fell by 6.0 per cent, from an increase of 15.7 per cent in the first quarter. For the first half of 2008, real GDP grew by 4.5 per cent.

The lower growth in the second quarter was mainly the result of a sharp contraction in biomedical manufacturing value-added, reflecting a switch in product mix to pharmaceutical ingredients with lower values compared to a year ago. Stagnant growth in the electronics industry also contributed to the slowdown in GDP growth. The services sector continued to grow at a healthy pace, albeit slightly slower than in the first quarter; financial services and business services continued to register robust growth. Growth in construction remained strong.

GDP growth in the second half is likely to be broadly similar to the first half. While the US economy has avoided recession to-date, the major economies are experiencing a generalised slowdown in economic activity. The weakened balance sheets of financial institutions and continued decline in housing markets are causing a drag on domestic demand in the US and the EU. Weaker demand in the major economies, coupled with the need to contain inflationary pressures, will dampen growth in the fast growing Asian economies.

MTI expects the electronics industry to remain soft in the second half of 2008, reflecting weak demand for semiconductors. The short-term outlook for biomedical manufacturing will be weighed down by global trends such as strong competition from generic drugs and delays in approvals for new pharmaceuticals. The outlook for the other sectors in the economy remains largely unchanged. Wholesale trade, financial services and business services are likely to remain resilient and will provide some support for overall economic growth.

Ministry of Trade and Industry
11 August 2008

ANNEX**SECTORAL GROWTH RATES**

	2Q07	3Q07	4Q07	2007	1Q08	2Q08
	Year-on-Year % Change					
Total	9.1	9.5	5.4	7.7	6.9	2.1
Goods Producing Industries	9.7	11.6	2.9	7.2	12.6	-2.2
Manufacturing	8.6	11.0	0.2	5.8	12.7	-5.2
Construction	22.4	20.1	24.3	20.3	16.9	17.4
Services Producing Industries	8.6	8.5	7.7	8.1	7.7	7.0
Wholesale & Retail Trade	8.5	6.8	6.0	7.3	5.5	6.0
Transport & Storage	5.5	5.0	5.4	5.1	5.4	5.7
Hotels & Restaurants	5.6	4.9	2.5	4.4	2.9	2.1
Information & Communications	6.5	6.6	6.1	6.3	6.9	7.6
Financial Services	17.0	20.1	15.9	16.9	13.8	10.2
Business Services	7.6	7.5	8.7	7.8	8.5	7.5
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	13.4	5.1	-4.8	7.7	15.7	-6.0
Goods Producing Industries	14.6	17.5	-18.6	7.2	47.4	-34.7
Manufacturing	14.0	19.1	-24.9	5.8	59.2	-43.0
Construction	24.7	13.3	27.3	20.3	3.2	27.9
Services Producing Industries	12.8	1.0	5.8	8.1	11.5	10.0
Wholesale & Retail Trade	8.1	1.9	0.4	7.3	10.9	11.7
Transport & Storage	5.6	0.3	7.3	5.1	8.6	6.5
Hotels & Restaurants	6.5	2.6	-0.5	4.4	3.3	2.9
Information & Communications	8.2	8.6	6.7	6.3	4.7	10.6
Financial Services	29.1	-7.3	10.3	16.9	27.3	13.2
Business Services	16.4	4.5	8.8	7.8	4.7	12.1

OTHER ECONOMIC INDICATORS

Sector	2Q07	3Q07	4Q07	2007	1Q08	2Q08
Labour Productivity (y-o-y%)	0.7	0.4	-3.7	-0.9	-2.7	-7.5
Unemployment Rate, SA (%)	2.3	1.7	1.7	2.1	2.0	2.3
Changes in Employment ('000)	64.4	58.6	62.5	234.9	73.2	70.6
Overall Unit Labour Cost (y-o-y%)	3.4	2.8	6.0	3.8	9.6	11.3
Unit Business Cost of Manufacturing (y-o-y%)	0.7	1.0	4.5	2.0	3.2	10.7
Consumer Price Index (y-o-y%)	1.0	2.7	4.1	2.1	6.6	7.5
Fixed Asset Investments (\$ bil)	3.3	2.4	8.9	17.2	2.5	10.5
Manufacturing	2.6	2.2	8.7	16.1	2.0	10.1
Services Clusters	0.6	0.2	0.2	1.1	0.5	0.3
Total Trade (y-o-y%)	2.6	2.5	9.8	4.5	16.1	17.0
Exports	2.9	4.2	7.2	4.4	11.5	13.2
Domestic Exports	0.0	4.7	10.1	3.3	12.7	11.2
Non-Oil Domestic Exports	1.5	6.1	-0.4	2.3	0.6	-5.5
Re-exports	6.2	3.6	4.1	5.7	10.3	15.5
Imports	2.4	0.6	12.8	4.5	21.5	21.3