

## **2009 GDP Growth Forecast Maintained at -9.0 to -6.0 Per Cent**

21 May 2009. The Ministry of Trade and Industry (MTI) announced today that it will maintain the GDP growth forecast for 2009 at -9.0 to -6.0 per cent.

### Performance in First Quarter 2009

The economy contracted by 14.6 per cent on a quarter-on-quarter, seasonally adjusted annualised basis in first quarter of 2009, compared to the decline of 16.4 per cent recorded in the last quarter of 2008. In year-on-year terms, real GDP contracted by 10.1 per cent in the first quarter of 2009.

Except for construction and financial services, all major sectors of the economy experienced further quarter-on-quarter declines. Weighed down by continued weakness in electronics, biomedical manufacturing, precision engineering and chemicals, manufacturing contracted by 26.6 per cent, worse than the previous quarter's contraction of 21.3 per cent. The services producing industries contracted by 10.3 per cent, less than the 15.0 per cent decline in the previous quarter. Financial services provided a small boost for the services sector in the first quarter, but the rest of the services sector registered large declines, mainly because of the collapse in global trade in early 2009. Tourist arrivals have also slumped, affecting the tourism-related segments of the services sector.

The preliminary estimates for the first quarter present a less pessimistic picture of the economy compared to the advance estimates released on 14 April 2009. In particular, the advance estimates projected that the Singapore GDP would contract by 19.7 per cent in quarter-on-quarter terms and 11.5 per cent in year-on-year terms. The changes in the preliminary estimates reflect the impact of revisions in output of the manufacturing sector and the performance of the financial sector.

### GDP Outlook for 2009

MTI last revised the 2009 GDP growth forecast on 14 April 2009, based on the advance estimates for the first quarter of 2009. Since then, apart from the outbreak of Influenza A(H1N1), no new major systemic risks to global economic growth have emerged. The sharp collapse in global trade in late 2008 and early 2009 has tapered off. While trade is still expected to be weak for the rest of 2009, further declines of the magnitude seen earlier this year seem unlikely.

In the US, there are early signs that the recession which began in late 2007 may be reaching a trough. Key economic indicators, such as unemployment, consumption expenditure and home sales, have recently shown signs of bottoming out. There are signals from US policymakers that the US financial system has begun to heal, that systemic risk has diminished, and that overall lending conditions have started to improve. There have also been some initial signs of stronger economic activity in China, with the CLSA Purchasing Managers' Index (PMI) for manufacturing exceeding the critical 50-level for the first time in nine months. However, the other major economies of the world, viz., Japan and the Eurozone, still show no signs of bottoming out.

In Singapore, recent indicators have been mixed. In April, the electronics PMI breached 50 for the first time in 7 months. Business expectations for companies in both the manufacturing and services sector have also improved compared to three months ago. However, other indicators, such as trade, industrial output, retail sales and visitor arrivals, remain weak.

On balance, there are still no decisive indicators of economic recovery. According to the International Monetary Fund, synchronised global downturns brought about by a financial-sector crisis — typified by the current recession — are longer and deeper than other types of recessions. Recovery from such recessions will be shallow and will take longer. At this point in time, any new risk, such as an acute worsening of the Influenza A(H1N1) situation or undisclosed weaknesses in US or European banks coming to light, could set back the process of economic recovery by several quarters.

Taking into account these factors, MTI is maintaining the economic growth forecast for 2009 at **-9.0 to -6.0 per cent**.

#### Inflation Outlook for 2009

CPI inflation has slowed significantly to 2.1 per cent in the first quarter of 2009, down from 5.4 per cent in the fourth quarter of 2008. The slowdown in CPI inflation falls within expectations and has mainly been due to a downward correction of global commodity prices from the peaks in 2008. Domestic cost pressures have started to ease in line with the recession and lower commodity prices. These trends are expected to persist and CPI inflation is estimated to continue to fall in the coming months. For 2009, the forecast for CPI inflation is maintained at **-1.0 to 0 per cent**.

MINISTRY OF TRADE AND INDUSTRY  
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ANNEX

**SECTORAL GROWTH RATES**

Sector	1Q08	2Q08	3Q08	4Q08	2008	1Q09
	Year-on-Year % Change					
Total	6.7	2.5	0.0	-4.2	1.1	-10.1
Goods Producing Industries	12.0	-2.0	-6.2	-6.5	-1.0	-18.9
Manufacturing	12.6	-5.6	-11.0	-10.7	-4.1	-26.1
Construction	13.1	23.7	26.0	18.5	20.3	24.4
Services Producing Industries	7.5	7.5	5.5	-1.3	4.7	-5.2
Wholesale & Retail Trade	5.4	6.0	4.5	-5.3	2.6	-15.1
Transport & Storage	5.5	5.8	3.8	-2.4	3.1	-10.0
Hotels & Restaurants	3.1	2.0	0.0	-0.1	1.2	-4.9
Information & Communications	7.1	8.4	7.7	5.4	7.2	1.8
Financial Services	14.8	11.2	5.6	-8.1	5.5	-8.2
Business Services	8.5	7.7	8.2	5.2	7.4	4.1
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	12.2	-7.7	-2.1	-16.4	1.1	-14.6
Goods Producing Industries	45.6	-35.9	-0.8	-16.2	-1.0	-20.8
Manufacturing	60.2	-45.9	-5.2	-21.3	-4.1	-26.6
Construction	-9.6	59.9	23.5	10.3	20.3	9.6
Services Producing Industries	5.6	7.6	-1.7	-15.0	4.7	-10.3
Wholesale & Retail Trade	7.9	3.8	-0.8	-27.1	2.6	-30.4
Transport & Storage	4.5	4.6	-3.2	-14.2	3.1	-24.5
Hotels & Restaurants	-1.4	0.7	-0.4	0.6	1.2	-18.6
Information & Communications	5.7	11.4	5.9	-0.9	7.2	-7.7
Financial Services	8.2	7.4	-13.1	-29.2	5.5	7.7
Business Services	3.4	10.1	8.4	-0.8	7.4	-1.0

**OTHER ECONOMIC INDICATORS**

	1Q08	2Q08	3Q08	4Q08	2008	1Q09
Labour Productivity (y-o-y%)	-2.9	-7.1	-9.0	-11.9	-7.8	-15.4
Unemployment Rate, SA (%)	1.9	2.2	2.3	2.5	2.2	3.2
Changes in Employment ('000)	73.2	71.4	55.7	21.3	221.6	-1.0
Overall Unit Labour Cost (y-o-y%)	8.6	7.8	10.3	11.7	9.6	9.2
Unit Business Cost of Manufacturing (y-o-y%)	2.8	11.4	12.2	11.5	9.4	11.6
Consumer Price Index (y-o-y%)	6.6	7.5	6.6	5.4	6.5	2.1
Fixed Asset Investments (\$ bil)	2.5	10.5	2.9	2.2	18.0	3.2
Manufacturing	2.0	10.1	2.7	1.6	16.4	2.9
Services Clusters	0.5	0.3	0.2	0.6	1.7	0.3
Total Trade (y-o-y%)	16.1	17.1	16.4	-9.6	9.6	-27.7
Exports	11.5	13.2	11.4	-12.0	5.8	-27.8
Domestic Exports	12.7	11.2	14.5	-15.5	5.4	-31.1
Oil	52.6	53.4	77.4	-10.0	41.5	-43.1
Non-oil	0.6	-5.5	-8.6	-17.8	-7.9	-25.6
Re-exports	10.3	15.5	8.1	-8.1	6.2	-24.1
Imports	21.5	21.4	22.2	-7.1	13.9	-27.6