

MTI Revises 2009 Growth Forecast

***Upward revision due to less severe contraction in first half of year;
outlook for the rest of the year remains subdued***

14 July 2009. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to contract by 4.0 to 6.0 per cent in 2009, an upward revision from the contraction of 6.0 to 9.0 per cent that it had forecast on 14 April 2009.

The revised forecast reflects three factors:

- (a) upward revision in first quarter performance;
- (b) spike in biomedical manufacturing output leading to improved second quarter performance; and
- (c) subdued outlook for the rest of the year.

Upward revision in first quarter performance

Since the last forecast in April/May, there has been a significant upward revision to the first quarter 2009 results. On a seasonally-adjusted annualised basis, real GDP contracted by 12.7 per cent compared to the last quarter of 2008, less than the contraction of 14.6 per cent estimated in May and the contraction of 19.7 per cent estimated in April. This implies that the economy contracted less severely in the first quarter of 2009 than earlier estimated. On a year-on-year basis, the economy contracted by 9.6 per cent.

Spike in biomedical manufacturing output contributed significantly to second quarter performance

Advance estimates¹ for second quarter 2009 indicate a moderation in the rate of economic contraction. Compared to the same period last year, real GDP is expected to contract by 3.7 per cent, compared to the 9.6 per cent contraction registered in the first quarter of 2009. On a seasonally-adjusted annualised basis, real GDP rose by 20.4 per cent compared to the first quarter, an improvement from the 12.7 per cent contraction experienced in the previous quarter.

¹ The advance GDP estimates for second quarter 2009 are computed largely from the first two months of the quarter (i.e. April and May 2009). They are intended as an early indication of the GDP growth in the quarter, and are subject to revision when more comprehensive data becomes available.

Gross Domestic Product at 2000 Prices

(Percentage change over corresponding period of previous year)

| | 2Q08 | 3Q08 | 4Q08 | 2008 | 1Q09 | 2Q09* |
|-------------------------------|------|-------|-------|------|-------|-------------|
| Overall GDP | 2.5 | 0.0 | -4.2 | 1.1 | -9.6 | -3.7 |
| Goods Producing Industries | | | | | | |
| Manufacturing | -5.6 | -11.0 | -10.7 | -4.1 | -24.3 | -1.5 |
| Construction | 23.7 | 26.0 | 18.5 | 20.3 | 24.4 | 18.3 |
| Services Producing Industries | 7.5 | 5.5 | -1.3 | 4.7 | -5.1 | -5.1 |

*Advance estimates

Manufacturing is estimated to have contracted by 1.5 per cent, compared to a 24.3 per cent contraction in the first quarter. This reflects chiefly a spike in output registered by the volatile biomedical manufacturing cluster, and an improvement in the electronics cluster due to inventory restocking.

Overall, the services producing industries remained weak; contracting by 5.1 per cent in the second quarter, similar to the first quarter. The majority of the services producing industries continued to see declines in year-on-year terms. The wholesale and retail trade sector continued to contract, albeit at a slower pace with smaller declines in non-oil domestic exports (NODX) and non-oil re-exports (NORX). Financial services also saw a less severe contraction as general market sentiments improved. On the other hand, the hotels and restaurants sector was weighed down by the slump in tourist arrivals.

Subdued outlook for rest of the year

Notwithstanding the improved performance in the second quarter, the outlook for the rest of the year remains largely unchanged – of a weak recovery susceptible to downside risks. For instance, rising unemployment and reduced household spending in the advanced economies such as the US and the Eurozone reflect continued weaknesses in the global economy. Housing markets in many leading economies have yet to bottom out, while financial institutions are still in the process of deleveraging. At this juncture, there is no evidence yet of a decisive improvement in final demand.

A sizeable part of Singapore's manufacturing uptick in the first half of 2009 came from a spike in biomedical manufacturing output and electronics inventory restocking, both of which may not be sustained.



The revised 2009 forecast of -6.0 to -4.0 per cent reflects the less severe contraction in the first half of the year, while the underlying economic conditions remain weak.

MINISTRY OF TRADE AND INDUSTRY
14 July 2009

PRESS RELEASE