

2009 GDP Growth Forecast Maintained at -6.0 to -4.0 Per Cent

11 August 2009. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy contracted by 6.5 per cent in the first half of 2009. MTI will maintain the GDP growth forecast for 2009 at -6.0 to -4.0 per cent.

Performance in the second quarter of 2009

In the second quarter of 2009, Singapore's GDP expanded by a seasonally adjusted 20.7 per cent compared to the previous quarter. This performance represented a significant improvement from the 12.2 per cent contraction in the first quarter of the year. Strong gains in the manufacturing sector underpinned the improvement.

Manufacturing output increased by 49.5 per cent, compared to the previous quarter's contraction of 18.5 per cent. This was largely due to a surge in the production of active pharmaceutical ingredients in the biomedical manufacturing cluster and an increase in inventory restocking in the electronics sector. Momentum in the construction sector also picked up strongly after a moderation in the first quarter. The sector grew by 32.7 per cent compared to the first quarter, driven by the growth in both public and private construction activities.

Financial services also improved in the second quarter, growing by 22.8 per cent compared to the first quarter. This performance provided a lift to the services producing industries as a whole, which grew by 8.7 per cent compared to the 9.8 per cent decline in the previous quarter. Except for the hotels and restaurants sector, the other services producing industries saw modest gains compared to the previous quarter.

In year-on-year terms, GDP contracted by 3.5 per cent in the second quarter. As a result, the Singapore economy contracted by 6.5 per cent in the first half of the year.

Outlook for the second half of 2009

The improved performance in the second quarter is in line with the advance estimates released on 14 July 2009. However, this improvement was largely driven by the spike in output from the volatile biomedical manufacturing cluster and inventory re-stocking. Financial services was boosted by sentiment-sensitive segments such as stock market activities. It is uncertain if these can be sustained into the second half.



In recent weeks, several forward-looking and sentiment-sensitive indicators have started to turn positive. In the US, the ISM Purchasing Managers Index (PMI) and the Composite Leading Indicators (CLI) have improved noticeably. The US housing market has shown stronger signs of bottoming out. Other advanced economies have also shown similar signs of improvement. At a broad level, the OECD composite leading indicator has increased for four consecutive months. Similarly, in Singapore, several indicators show that businesses are now feeling less pessimistic about the outlook for the rest of the year.

However, there have been few signs of a decisive turnaround in final demand in Singapore's key export markets. In developed economies such as the US and Europe, GDP, industrial production and consumption remain weak. The labour market has continued to weaken, with unemployment in the US and Eurozone crossing 9 per cent in June 2009. In the US, disposable income has continued to fall because of rising unemployment and shorter work weeks. As a result, private consumption, which has historically driven US economic growth, will likely remain weak. Without a turnaround in these demand-led indicators, any economic recovery in the second half of the year will probably be sluggish and modest.

Taking into account these factors, MTI is maintaining the economic growth forecast for 2009 at **-6.0 to -4.0 per cent**.

MINISTRY OF TRADE AND INDUSTRY
11 August 2009

SECTORAL GROWTH RATES

Sector	2Q08	3Q08	4Q08	2008	1Q09	2Q09
	Year-on-Year % Change					
Total	2.5	0.0	-4.2	1.1	-9.5	-3.5
Goods Producing Industries	-2.0	-6.2	-6.5	-1.0	-17.4	0.5
Manufacturing	-5.6	-11.0	-10.7	-4.1	-24.1	-2.4
Construction	23.7	26.0	18.5	20.3	24.4	18.6
Services Producing Industries	7.5	5.5	-1.3	4.7	-5.1	-4.8
Wholesale & Retail Trade	6.0	4.5	-5.3	2.6	-14.8	-13.8
Transport & Storage	5.8	3.8	-2.4	3.1	-9.7	-10.3
Hotels & Restaurants	2.0	0.0	-0.1	1.2	-5.6	-6.2
Information & Communications	8.4	7.7	5.4	7.2	1.9	0.3
Financial Services	11.2	5.6	-8.1	5.5	-7.7	-4.5
Business Services	7.7	8.2	5.2	7.4	3.8	2.7
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	-7.7	-2.1	-16.4	1.1	-12.2	20.7
Goods Producing Industries	-35.9	-0.8	-16.2	-1.0	-14.5	44.2
Manufacturing	-45.9	-5.2	-21.3	-4.1	-18.5	49.5
Construction	59.9	23.5	10.3	20.3	9.6	32.7
Services Producing Industries	7.6	-1.7	-15.0	4.7	-9.8	8.7
Wholesale & Retail Trade	3.8	-0.8	-27.1	2.6	-29.3	6.9
Transport & Storage	4.6	-3.2	-14.2	3.1	-23.5	1.8
Hotels & Restaurants	0.7	-0.4	0.6	1.2	-21.2	-2.0
Information & Communications	11.4	5.9	-0.9	7.2	-7.5	4.1
Financial Services	7.4	-13.1	-29.2	5.5	10.1	22.8
Business Services	10.1	8.4	-0.8	7.4	-1.9	5.6

OTHER ECONOMIC INDICATORS

	2Q08	3Q08	4Q08	2008	1Q09	2Q09
Visitor Arrivals (y-o-y%)	-0.2	-4.5	-7.8	-1.6	-13.6	-9.3
Retail Sales Index at Constant Prices (y-o-y%)	-2.9	2.8	-5.4	-1.7	-10.7	-12.0
Labour Productivity (y-o-y%)	-7.1	-9.0	-11.9	-7.8	-14.7	-6.2
Unemployment Rate, SA (%)	2.2	2.3	2.5	2.2	3.3	3.3
Changes in Employment ('000)	71.4	55.7	21.3	221.6	-6.2	-12.4
Overall Unit Labour Cost (y-o-y%)	7.8	10.3	11.7	9.6	9.9	2.1
Unit Business Cost of Manufacturing (y-o-y%)	11.4	12.2	11.5	9.4	10.4	-6.5
Consumer Price Index (y-o-y%)	7.5	6.6	5.4	6.5	2.1	-0.5
Fixed Asset Investments (\$ bil)	10.5	2.9	2.2	18.0	3.2	3.5
Total Trade (y-o-y%)	17.1	16.4	-9.6	9.6	-27.7	-26.8
Exports	13.2	11.4	-12.0	5.8	-27.8	-25.3
Domestic Exports	11.2	14.5	-15.5	5.4	-31.1	-26.8
Oil	53.4	77.4	-10.0	41.5	-43.1	-46.3
Non-Oil	-5.5	-8.6	-17.8	-7.9	-25.6	-14.3
Re-exports	15.5	8.1	-8.1	6.2	-24.1	-23.7
Imports	21.4	22.2	-7.1	13.9	-27.6	-28.3