

## 2009 GDP Growth Forecast Revised to -2.5 to -2.0 Per Cent

12 October 2009. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy expanded by 0.8 per cent year-on-year in the third quarter of 2009. Growth was driven by the continued expansion of biomedical and electronics manufacturing output, and improvements in the trade-related and tourism sectors of the economy on the back of a gradual stabilisation in global economic conditions.

Taking these factors into account, MTI is upgrading the economic growth forecast for 2009 to **-2.5 to -2.0 per cent**.

### Performance in the Third Quarter of 2009

Advance estimates<sup>1</sup> show that in the third quarter of 2009, Singapore's GDP expanded by 14.9 per cent on a seasonally-adjusted quarter-on-quarter annualised basis, following a 22.0 per cent expansion in the second quarter of the year. In year-on-year terms, the economy grew by 0.8 per cent, compared to a 3.2 per cent contraction in the preceding quarter.

The manufacturing sector expanded by 35 per cent on a seasonally-adjusted quarter-on-quarter annualised basis, on the back of the previous quarter's spike of 59 per cent. This increase was primarily due to a continued surge in the production of higher value active pharmaceutical ingredients in the biomedical manufacturing cluster. The electronics cluster also grew, due to continued restocking activities and uptick in consumer demand for electronic devices. However, the construction sector declined by 0.6 per cent compared to an expansion of 33 per cent in the previous quarter, because of slower construction activity for industrial building projects.

The services producing industries expanded by 9.5 per cent on a seasonally-adjusted quarter-on-quarter annualised basis in the third quarter of 2009, compared to a 8.3 per cent increase in the preceding quarter. The trade-related and tourism sectors (viz. wholesale & retail trade, transport & storage, and hotels & restaurants) improved on the back of a recovery in global trade flows and international travel. The financial services sector posted modest growth, supported by domestic and offshore non-bank lending and insurance business.

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<sup>1</sup> The advance GDP estimates for third quarter 2009 are computed largely from data in the first two months of the quarter (i.e., July and August 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

	3Q08	4Q08	2008	1Q09	2Q09	3Q09*
Percentage change over corresponding period of previous year						
Overall GDP	0.0	-4.2	1.1	-9.5	-3.2	<b>0.8</b>
Goods Producing Industries						
Manufacturing	-11.0	-10.7	-4.1	-24.2	-1.1	<b>8.3</b>
Construction	26.0	18.5	20.3	24.4	18.6	<b>12.4</b>
Services Producing Industries	5.5	-1.3	4.7	-5.1	-4.8	<b>-2.4</b>
Quarter-on-quarter annualised growth rate, seasonally adjusted						
Overall GDP	-2.1	-16.4	1.1	-12.1	22.0	<b>14.9</b>
Goods Producing Industries						
Manufacturing	-5.2	-21.3	-4.1	-18.8	58.5	<b>34.9</b>
Construction	23.5	10.3	20.3	9.6	32.7	<b>-0.6</b>
Services Producing Industries	-1.7	-15.0	4.7	-9.7	8.3	<b>9.5</b>

\*Advance estimates

### Economic Outlook

A clear but modest recovery is underway globally, at least for the next three or four quarters. One-off factors such as restocking activities and fiscal stimulus measures will continue to support growth in the near term. However, economic activity will probably remain below pre-crisis levels because of the drag on demand in the developed economies posed by high levels of spare capacity and tight credit conditions.

A sustained recovery in private consumption and investment in the developed economies is needed to support growth momentum into the second half of 2010. However, high unemployment and stagnant incomes will weigh down on private demand. Uncertainties over the pace of the withdrawal of monetary and fiscal stimulus measures pose an additional risk. While these factors may dampen growth in the second half of 2010 and result in an uneven recovery, the likelihood of a return to recessionary conditions is low in the absence of further financial shocks.



Singapore's economic prospects in 2010 will be closely tied to the conditions in the external environment. The manufacturing sector will be supported by inventory cycle adjustments and any uplift in private final demand in the external economies. Trade-dependent sectors are likely to continue to benefit from a gradual resumption in global and regional trade flows in 2010.

MINISTRY OF TRADE AND INDUSTRY  
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