

## **MTI Forecasts Growth of 15.0 Per Cent in 2010 and 4.0 to 6.0 Per Cent in 2011**

18 November 2010. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow by around 15.0 per cent in 2010 and by 4.0 to 6.0 per cent in 2011.

### **Performance in the Third Quarter 2010**

Preliminary estimates show that the Singapore economy grew by 10.6 per cent on a year-on-year basis in the third quarter of 2010, moderating from the record expansion of 19.5 per cent in the second quarter. Growth momentum, as measured on a seasonally adjusted annualised quarter-on-quarter basis, fell sharply by 18.7 per cent, a reversal from the growth of 27.3 per cent in the preceding quarter.

The manufacturing sector expanded by 14.3 per cent in the third quarter on a year-on-year basis, moderating from a strong growth of 46.1 per cent in the previous quarter. On a sequential basis, the sector contracted by an annualised rate of 53.6 per cent. This decline reflected a large contraction in output in the biomedical manufacturing cluster due to a switch in the value-mix of products and scheduled plant maintenance shutdowns.

The construction sector posted a year-on-year growth of 7.1 per cent in the third quarter, compared to 11.5 per cent in the second quarter. On a sequential basis, the sector contracted by an annualised rate of 10.4 per cent, due to the completion of major industrial and commercial building projects.

The wholesale & retail trade sector grew by 14.4 per cent year-on-year in the third quarter after a growth of 18.9 per cent in the second quarter. The transport & storage sector also posted a lower growth of 4.7 per cent in the third quarter compared to 8.2 per cent in the preceding quarter. However, growth momentum in both sectors declined, by annualised rates of 7.7 per cent and 3.3 per cent respectively, as trading activities moderated compared to the earlier quarter.

The financial services sector expanded by 9.3 per cent on a year-on-year basis in the third quarter. Growth was largely driven by financial intermediation. Business services grew by 5.4 per cent, mainly on the back of real estate leasing activities. These two sectors also saw continued positive growth momentum, of 6.4 per cent and 2.3 per cent respectively, in the third quarter.

The tourism-related services sectors continued to perform well compared to a year ago. The hotels & restaurants sector grew by 8.1 per cent. “Other services” posted robust growth of 18.1 per cent, driven primarily by entertainment activities in the Integrated Resorts.

#### GDP Outlook for 2010

For the rest of 2010, growth will be supported by a number of industry specific factors. Specifically, the biomedical manufacturing cluster is expected to recover with higher production of active pharmaceutical ingredients and restocking activities of several companies. The financial services sector should also continue to recover, supported by resilience in the core banking and insurance industries.

Taking into account these factors, MTI expects the Singapore economy to expand by **around 15.0 per cent** in 2010.

#### GDP Outlook for 2011

In 2011, external macroeconomic conditions are expected to remain supportive of growth. The advanced economies will grow at a steady but relatively slow pace. The cyclical rebound in business investment should continue to pick up, supported by accommodative monetary policies. While household demand in the advanced economies will continue to grow, the strength of recovery could be restrained by high unemployment and weak household balance sheets.

In Asia, domestic demand is expected to remain robust, boosted by wage growth, supportive government policies and healthy fundamentals. This will drive intra-regional trade in goods and services (such as travel and finance). In addition to the expected boost in external demand, economic activities in Singapore will also increase on account of new capacity additions in the manufacturing sector and progressive offerings of recreational facilities in the tourism-related services industries.

Nevertheless, the global economy remains vulnerable to several downside risks, notably a reversion to recessionary conditions in the US, and concerns of sovereign debt sustainability in the peripheral EU economies.

MTI expects Singapore’s economic growth in 2011 to be **between 4.0 to 6.0 per cent**.

MINISTRY OF TRADE AND INDUSTRY  
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ANNEX

**SECTORAL GROWTH RATES**

Sector	3Q09	4Q09	2009	1Q10	2Q10	3Q10
	Year-on-Year % Change					
Total	1.8	3.8	-1.3	16.9	19.5	10.6
Goods Producing Industries	7.7	3.5	-1.5	32.2	39.4	12.9
Manufacturing	7.6	2.2	-4.1	38.1	46.1	14.3
Construction	11.7	11.5	16.2	9.7	11.5	7.1
Services Producing Industries	-1.1	3.7	-1.4	11.3	11.7	10.1
Wholesale & Retail Trade	-7.5	1.5	-8.2	16.9	18.9	14.4
Transport & Storage	-7.2	0.1	-7.0	7.9	8.2	4.7
Hotels & Restaurants	0.2	2.0	-1.5	7.6	11.1	8.1
Information & Communications	-0.1	1.6	1.2	2.1	2.6	2.6
Financial Services	3.5	8.5	1.3	19.0	10.1	9.3
Business Services	3.7	4.2	4.5	6.4	6.1	5.4
Other Services Industries	5.0	5.4	5.0	7.3	16.0	18.1
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	11.1	-1.0	-1.3	45.6	27.3	-18.7
Goods Producing Industries	19.7	-20.7	-1.5	148.5	58.0	-48.2
Manufacturing	23.6	-27.0	-4.1	200.7	66.4	-53.6
Construction	3.9	13.6	16.2	0.5	29.2	-10.4
Services Producing Industries	7.6	9.6	-1.4	17.2	12.6	1.4
Wholesale & Retail Trade	7.8	8.8	-8.2	53.1	11.3	-7.7
Transport & Storage	10.0	16.4	-7.0	-2.1	9.2	-3.3
Hotels & Restaurants	11.8	4.9	-1.5	15.7	12.6	-0.3
Information & Communications	2.3	5.3	1.2	-1.9	4.9	2.0
Financial Services	9.5	14.6	1.3	6.7	9.7	6.4
Business Services	5.1	5.9	4.5	11.6	2.0	2.3
Other Services Industries	7.4	5.7	5.0	13.9	40.3	15.1

**OTHER ECONOMIC INDICATORS**

Sector	3Q09	4Q09	2009	1Q10	2Q10	3Q10
Visitor Arrivals (y-o-y%)	0.3	5.8	-4.3	19.6	25.7	20.3
Retail Sales Index at Constant Prices (y-o-y%)	-10.3	-4.1	-9.3	1.0	-5.8	-1.8
Labour Productivity (y-o-y%)	0.6	2.7	-3.9	14.4	15.4	6.3
Unemployment Rate, SA (%)	3.3	2.3	3.0	2.2	2.2	2.1
Changes in Employment ('000)	14.0	37.5	37.6	36.5	24.9	24.1
Overall Unit Labour Cost (y-o-y%)	-5.9	-6.1	-0.7	-7.9	-6.5	3.3
Unit Business Cost of Manufacturing (y-o-y%)	-12.5	-10.0	-5.7	-11.8	-7.4	2.4
Consumer Price Index (y-o-y%)	-0.3	-0.8	0.6	0.9	3.1	3.4
Fixed Asset Investments (\$ bil)	3.1	1.9	11.8	3.0	4.6	2.6
Total Trade (y-o-y%)	-21.4	1.2	-19.4	26.9	27.8	18.0
Exports	-20.0	4.9	-18.0	28.2	29.1	20.1
Domestic Exports	-21.8	7.8	-19.2	31.9	33.4	19.2
Oil	-41.5	6.9	-34.5	56.9	48.0	9.2
Non-Oil	-7.8	8.2	-10.6	23.1	27.6	23.8
Re-exports	-17.9	1.9	-16.6	24.5	24.6	21.0
Imports	-22.8	-2.7	-21.0	25.5	26.4	15.7