

## **MTI Maintains its 2012 GDP Growth Forecast at 1.0 to 3.0 Per Cent**

16 February 2012. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy grew by 4.9 per cent in 2011, following the expansion of 14.8 per cent in 2010. MTI maintains the growth forecast for 2012 at 1.0 to 3.0 per cent.

### Performance in Fourth Quarter 2011

Singapore's real GDP grew by 3.6 per cent on a year-on-year basis in the fourth quarter of 2011, compared to the 6.0 per cent in the third quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 2.5 per cent, reversing the 2.0 per cent growth in the previous quarter.

The manufacturing sector grew by 9.2 per cent on a year-on-year basis, slower than the 13.7 per cent growth in the third quarter. On a sequential basis, the manufacturing sector contracted by an annualised rate of 11.1 per cent, following the 11.0 per cent expansion in the previous quarter. This was due to a decline across most manufacturing clusters. In particular, the electronics cluster contracted sharply due to weakened global demand for semiconductor chips. The chemicals cluster also registered a lower level of output, due to plant shutdowns.

The construction sector grew by 2.9 per cent on a year-on-year basis, a slight improvement from the 2.4 per cent growth in the preceding quarter. On a sequential basis, the sector contracted by 2.2 per cent (annualised) largely due to a decline in private residential and commercial building activities.

The wholesale & retail trade and transportation & storage sectors registered relatively weak growth of 0.9 and 2.4 per cent respectively on a year-on-year basis. On a sequential basis, the wholesale & retail trade sector expanded by an annualised pace of 10.2 per cent, reflecting a pick-up in re-export activities. By contrast, the transportation & storage sector contracted by 2.9 per cent.

Growth in the finance & insurance and business services sectors were modest, at 3.5 and 1.9 per cent respectively on a year-on-year basis. On a sequential basis, the finance & insurance sector declined by 4.4 per cent (annualised), dragged down by poor performance in the sentiment-sensitive segments such as fund management and stock broking. Growth momentum in the business services sector picked up slightly to 2.4 per cent.

Supported by rising visitor arrivals, the accommodation & food services and other services industries (which include arts, entertainment and recreation activities) grew by 3.3 and 2.3 per cent respectively compared to a year ago. Growth was generally flat for both sectors compared to the previous quarter.

### Overall Performance in 2011

For the whole of 2011, the economy grew by 4.9 per cent. The manufacturing sector expanded by 7.6 per cent, helped by the surge in biomedical manufacturing output which offset the contraction in the electronics cluster and slower growth in the precision engineering and chemicals clusters. The construction sector grew by a modest pace of 2.6 per cent, supported by public sector building activities.

The services producing industries grew by 4.4 per cent, anchored primarily by growth in the finance & insurance and tourism-related sectors. The finance & insurance sector grew by 9.1 per cent on account of continued growth in domestic and offshore lending activities, even as stock trading activities fell. The accommodation & food services and other services industries grew by 5.8 and 6.7 per cent respectively on the back of healthy visitor inflows.

### Economic Outlook for 2012

The global economic outlook remains subdued. Although the US economy has shown signs of pick-up, particularly in employment and consumer spending, the strength of the recovery will be restrained by public spending cuts as well as continued weakness in the housing market. In the Eurozone, the economy is expected to enter into a recession as fiscal consolidation and bank deleveraging dampen private demand. The major Asian economies are also likely to see slower growth as external headwinds erode export performance.

Against this macroeconomic backdrop, Singapore's external-oriented sectors will face a challenging environment ahead. In view of the above factors, MTI is maintaining its 2012 economic growth forecast at **1.0 to 3.0 per cent**.

This does not factor in downside risks emanating from abroad. Specifically, a disorderly sovereign default in the Eurozone could precipitate a global financial crisis, while an escalation of geopolitical tension in the Middle East could trigger a global oil price shock. Should any of the downside risks materialise, there could be further negative impact to Singapore's growth.

MINISTRY OF TRADE AND INDUSTRY

16 February 2012

**ANNEX**

**SECTORAL GROWTH RATES**

Sector	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
	Year-on-Year %						
Total	12.5	14.8	9.1	1.2	6.0	3.6	4.9
Goods Producing Industries	20.0	24.7	13.7	-4.7	11.8	8.0	6.8
Manufacturing	25.7	29.7	15.8	-5.9	13.7	9.2	7.6
Construction	-3.1	3.9	4.2	1.1	2.4	2.9	2.6
Services Producing Industries	9.7	11.1	7.5	4.6	3.6	2.1	4.4
Wholesale & Retail Trade	10.7	15.1	4.3	0.9	-1.4	0.9	1.1
Transportation & Storage	5.8	7.9	4.0	7.3	5.1	2.4	4.7
Accommodation & Food Services	10.3	12.2	8.8	5.7	5.6	3.3	5.8
Information & Communications	2.8	3.4	2.6	1.7	0.9	0.7	1.5
Finance & Insurance	12.6	12.4	12.0	9.6	11.6	3.5	9.1
Business Services	4.7	6.2	4.7	2.3	1.9	1.9	2.7
Other Services Industries	17.1	14.7	15.8	5.8	3.7	2.3	6.7
	Quarter-on-Quarter Annualised Growth % (SA)						
Total	6.9	14.8	19.7	-3.0	2.0	-2.5	4.9
Goods Producing Industries	3.5	24.7	65.8	-15.6	8.5	-9.8	6.8
Manufacturing	4.4	29.7	80.7	-19.5	11.0	-11.1	7.6
Construction	-3.1	3.9	8.8	9.5	-4.0	-2.2	2.6
Services Producing Industries	7.9	11.1	4.0	3.7	-0.8	1.7	4.4
Wholesale & Retail Trade	-0.1	15.1	3.6	0.5	-8.9	10.2	1.1
Transportation & Storage	8.3	7.9	-3.0	18.0	-1.2	-2.9	4.7
Accommodation & Food Services	8.4	12.2	9.6	3.3	1.5	-0.6	5.8
Information & Communications	-0.2	3.4	2.7	0.9	-0.2	-0.2	1.5
Finance & Insurance	29.4	12.4	7.3	3.7	7.8	-4.4	9.1
Business Services	2.4	6.2	6.6	-2.4	1.5	2.4	2.7
Other Services Industries	6.5	14.7	3.7	5.6	-0.7	1.2	6.7

**OTHER ECONOMIC INDICATORS**

	4Q10	2010	1Q11	2Q11	3Q11	4Q11	2011
Visitor Arrivals (y-o-y%)	16.0	20.2	15.7	14.1	14.7	8.4	13.1
Retail Sales Index at Constant Price (y-o-y%)	-1.0	-2.5	-4.9	7.6	2.0	4.4	2.2
Labour Productivity (y-o-y%)	8.2	11.1	5.2	-2.3	2.0	-0.4	1.0
Unemployment Rate, SA (%)	2.2	2.2	1.9	2.1	2.0	2.0	2.0
Changes in Employment ('000)	33.9	115.9	28.3	24.8	31.9	36.3	121.3
Overall Unit Labour Cost (y-o-y%)	3.0	-2.2	2.7	8.2	1.6	1.7	3.4
Unit Business Cost of Manufacturing (y-o-y%)	-2.9	-5.0	-1.4	6.9	-0.1	1.3	1.6
Consumer Price Index (y-o-y%)	4.0	2.8	5.2	4.7	5.5	5.5	5.2
Fixed Asset Investments (\$ bil)	2.7	12.9	2.6	3.7	4.0	3.4	13.7
Total Trade (y-o-y%)	12.2	20.7	11.9	7.5	5.4	7.7	8.0
Exports	14.5	22.4	13.4	6.7	4.7	5.8	7.5
Domestic Exports	15.8	24.3	19.4	10.5	14.5	9.0	13.2
Oil	11.8	27.9	35.2	29.1	53.8	36.9	38.6
Non-Oil	17.6	22.8	12.3	1.9	-1.2	-2.7	2.2
Re-exports	13.0	20.5	7.2	2.6	-5.7	2.2	1.4
Imports	9.7	18.8	10.2	8.4	6.2	9.9	8.6