

MTI Revises 2011 Growth Forecast to 5.0 to 7.0 Per Cent

19 May 2011. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow by 5.0 to 7.0 per cent in 2011.

Performance in First Quarter 2011

The Singapore economy grew by 8.3 per cent on a year-on-year basis in the first quarter of 2011, compared to the growth of 12.0 per cent in the preceding quarter. On a seasonally-adjusted quarter-on-quarter annualised basis, the economy expanded by 22.5 per cent, a strong improvement from the growth of 3.9 per cent in the preceding quarter.

The increase in economic activity in the first quarter was broad-based, with growth led by the manufacturing sector. On a year-on-year basis, the manufacturing sector grew by 13.1 per cent. On a seasonally adjusted quarter-on-quarter annualised basis, the sector expanded by 75.4 per cent. This reflected higher production in the biomedical manufacturing (BMS), precision engineering and electronics clusters.

The construction sector grew by 2.4 per cent on a year-on-year basis. On a sequential basis, the sector rebounded by 13.3 per cent. This upturn from contraction in the preceding quarters was largely due to an increase in public sector construction activities.

The financial services sector expanded by 11.3 per cent on a year-on-year basis in the first quarter. Growth was underpinned by the financial intermediation cluster, which benefitted from increased lending activities, and the insurance segment. The business services sector also grew, by 4.3 per cent, largely due to a pick-up in the commercial and industrial real estate segments. On a sequential basis, these sectors grew by annualised rates of 27.1 per cent and 6.4 per cent respectively.

Growth in the trade-related services sectors moderated slightly with slower growth in exports and re-exporting activities. The wholesale & retail trade and transport & storage sectors posted modest year-on-year gains of 4.5 per cent and 4.9 per cent respectively in the first quarter. On a sequential basis, these two sectors saw continued positive growth momentum, of 2.7 per cent and 9.4 per cent respectively, in the first quarter.

Buoyed by strong visitor inflows, the tourism-related services sectors also remained robust, with the hotels & restaurants sector growing by 7.0 per cent. The “other services” industries expanded by 14.5 per cent, mainly due to an increase in the arts, entertainment and recreation activities. On a sequential basis, the hotels & restaurants sector and ‘other services’ industries grew by annualised rates of 9.7 per cent and 2.9 per cent respectively.

Economic Outlook for 2011

The near-term external environment is expected to be conducive to Singapore's growth for the rest of 2011. The advanced economies remain on a path of modest recovery. In the US, household consumption will be supported by gradual improvements in the labour market, while business investment will be boosted by improving sales and healthy corporate balance sheets. In the EU, growth will be supported by rising exports and a modest recovery in household and business spending. In emerging Asia, growth is expected to remain healthy, on account of continued improvements in domestic demand despite recent monetary tightening measures.

There are also industry-specific factors that will underpin growth in the Singapore economy. In particular, growth in the manufacturing sector will be bolstered by new plant operations in the chemicals cluster. The sector will also be boosted by inventory building activities in the BMS cluster in anticipation of stronger global demand. In the financial services sector, lending and insurance activities will be supported by the continued recovery in the domestic and regional economies. Sentiment-sensitive industries within the sector could also see some improvement, as fund managers have started rebalancing their portfolios towards Asia.

However, there are several downside risks to growth. These include continued concerns of sovereign debt sustainability in Europe, further increases in global oil prices arising from the political turmoil in the Middle East and North Africa region, and a prolonged disruption of industrial activities in Japan. Domestically, a tight labour market will add to business cost pressures.

Barring any escalation of these downside risks, the near-term outlook for the Singapore economy remains positive. On account of the better-than-expected and broad-based expansion in the first quarter, as well as the expected boost to growth from industry-specific factors in the rest of the year, the Ministry of Trade and Industry has upgraded the GDP growth forecast for 2011 from 4.0 to 6.0 per cent to **5.0 to 7.0 per cent**.

MINISTRY OF TRADE AND INDUSTRY
19 May 2011

ANNEX

SECTORAL GROWTH RATES

Sector	1Q10	2Q10	3Q10	4Q10	2010	1Q11
	Year-on-Year % Change					
Total	16.4	19.4	10.5	12.0	14.5	8.3
Goods Producing Industries	31.3	38.5	12.4	20.2	25.0	11.2
Manufacturing	37.2	45.2	13.7	25.5	29.7	13.1
Construction	9.7	11.4	6.7	-2.0	6.1	2.4
Services Producing Industries	11.1	12.1	10.2	8.8	10.5	7.3
Wholesale & Retail Trade	16.9	18.9	14.4	10.8	15.1	4.5
Transport & Storage	6.6	8.5	5.2	3.8	6.0	4.9
Hotels & Restaurants	7.2	12.5	8.2	7.5	8.8	7.0
Information & Communications	2.2	2.9	3.4	2.9	2.9	2.9
Financial Services	18.9	9.9	9.7	10.9	12.2	11.3
Business Services	6.1	7.1	6.0	4.5	5.9	4.3
Other Services Industries	7.0	17.2	17.0	15.7	14.3	14.5
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	39.9	29.7	-16.7	3.9	14.5	22.5
Goods Producing Industries	123.2	66.9	-43.2	-0.4	25.0	62.4
Manufacturing	170.5	79.2	-48.5	0.7	29.7	75.4
Construction	-7.0	21.2	-9.6	-10.2	6.1	13.3
Services Producing Industries	15.8	14.5	0.5	5.6	10.5	8.8
Wholesale & Retail Trade	30.8	11.6	0.0	3.7	15.1	2.7
Transport & Storage	4.3	13.0	-4.5	2.9	6.0	9.4
Hotels & Restaurants	11.3	19.0	-3.7	4.6	8.8	9.7
Information & Communications	0.3	6.5	5.2	-0.4	2.9	0.6
Financial Services	25.6	4.6	-1.4	16.9	12.2	27.1
Business Services	7.9	5.6	2.1	2.8	5.9	6.4
Other Services Industries	7.7	52.5	5.8	3.2	14.3	2.9

OTHER ECONOMIC INDICATORS

	1Q10	2Q10	3Q10	4Q10	2010	1Q11
Visitor Arrivals (y-o-y%)	19.6	25.8	20.3	16.0	20.2	15.7
Retail Sales Index at Constant Prices (y-o-y%)	-0.9	-6.7	-1.6	-1.0	-2.5	-5.1
Labour Productivity (y-o-y%)	13.9	15.3	6.2	7.8	10.7	4.5
Unemployment Rate, SA (%)	2.2	2.2	2.1	2.2	2.2	1.9
Changes in Employment ('000)	36.5	24.9	20.5	33.9	115.9	23.7
Overall Unit Labour Cost (y-o-y%)	-7.8	-6.7	2.8	1.8	-2.7	2.3
Unit Business Cost of Manufacturing (y-o-y%)	-11.1	-7.0	2.7	-2.9	-4.9	-0.7
Consumer Price Index (y-o-y%)	0.9	3.1	3.4	4.0	2.8	5.2
Fixed Asset Investments (\$ bil)	3.0	4.6	2.6	2.7	12.9	2.6
Total Trade (y-o-y%)	26.9	27.8	17.9	12.2	20.7	11.9
Exports	28.2	29.1	20.0	14.5	22.4	13.4
Domestic Exports	31.9	33.4	19.2	15.8	24.3	19.4
Oil	56.9	48.0	9.2	11.8	27.9	35.2
Non-Oil	23.1	27.6	23.7	17.6	22.8	12.3
Re-exports	24.5	24.6	20.9	13.0	20.5	7.2
Imports	25.5	26.4	15.6	9.7	18.8	10.2