

MTI Revises 2011 Growth Forecast to 5.0 to 6.0 Per Cent

10 August 2011. The Ministry of Trade and Industry (MTI) announced today that the Singapore economy is expected to grow by 5.0 to 6.0 per cent in 2011.

Performance in Second Quarter 2011

The Singapore economy grew by 0.9 per cent on a year-on-year basis in the second quarter of 2011, compared to the growth of 9.3 per cent in the preceding quarter. On a seasonally-adjusted quarter-on-quarter annualised basis, the economy contracted by 6.5 per cent following the 27.2 per cent expansion in the preceding quarter.

On a year-on-year basis, the manufacturing sector contracted by 5.9 per cent in the second quarter of 2011. On a sequential basis, the sector contracted by an annualised rate of 23.7 per cent. This was largely due to a decline in biomedical manufacturing output, as some companies switched to producing a different value mix of active pharmaceutical ingredients. Electronics output also declined, as global demand for semiconductor chips eased.

The construction sector grew by 1.5 per cent on a year-on-year basis, sustained by increases in public sector construction activities. On a sequential basis, the sector expanded by an annualised rate of 13.4 per cent.

The wholesale & retail trade sector experienced flat growth on a year-on-year basis, and an annualised sequential decline of 8.4 per cent. This largely reflected the slowdown in global trade flows during the quarter. The transport & storage sector grew by 4.1 per cent, on account of buoyant air travel demand. On a sequential basis, the sector registered a positive growth momentum of 8.9 per cent.

The financial services sector grew at a healthy pace of 10.0 per cent on a year-on-year basis, as the financial intermediation cluster benefitted from increased domestic and offshore lending activities. However, some sentiment-sensitive segments within the sector, such as stock trading, fell due to heightened risk aversion. On a sequential basis, the sector contracted by an annualised pace of 0.2 per cent. The business services sector registered a weak growth of 2.2 per cent on a year-on-year basis, mainly due to a moderation in the real estate services segment. On a sequential basis, the sector declined by an annualised 2.9 per cent.

Supported by healthy visitor inflows, the tourism-related sectors continued to improve, with the hotels & restaurants sector and the “other services” industries (which include arts, entertainment and recreation activities) growing by 6.4 per cent and 5.0 per cent on a year-on-year basis. On a sequential basis, these sectors expanded by 14.8 and 5.4 per cent respectively.

Economic Outlook for 2011

Globally, the dampening effects of supply chain disruptions from the Japan earthquake and higher energy prices have started to wane. Growth in emerging Asia will remain firm as domestic demand continues to improve. These factors will support growth in the near term.

Singapore's economic growth in the second half of the year will also be bolstered by industry-specific factors. For example, the biomedical manufacturing cluster is expected to recover, as companies step up production in anticipation of stronger demand. Growth in the financial services sector is expected to be supported by the core financial intermediation and insurance clusters. In addition, healthy visitor inflows, sustained by the Integrated Resorts and key events such as the Formula One Grand Prix, are likely to benefit the tourism-related sectors. In view of these, MTI expects the economy to grow by **5.0 to 6.0 per cent** in 2011.

However, downside risks have increased. Weighed down by structural factors, growth in developed economies continues to be sluggish. Concerns of a double-dip recession in the US have emerged, as upcoming plans for fiscal consolidation and weak labour and housing markets dampen consumer and business sentiments. In addition, the recent downgrade of US long-term sovereign debt rating has led to financial market volatility and increased uncertainties. In the EU, market sentiment remains fragile, on account of lingering anxiety over possible contagion from the peripheral EU economies to the wider region. Should these situations worsen, Singapore's economic growth could be lower than expected.

MINISTRY OF TRADE AND INDUSTRY
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ANNEX

SECTORAL GROWTH RATES

Sector	2Q10	3Q10	4Q10	2010	1Q11	2Q11
	Year-on-Year % Change					
Total	19.4	10.5	12.0	14.5	9.3	0.9
Goods Producing Industries	38.5	12.4	20.2	25.0	13.9	-4.7
Manufacturing	45.2	13.7	25.5	29.7	16.5	-5.9
Construction	11.4	6.7	-2.0	6.1	2.4	1.5
Services Producing Industries	12.1	10.2	8.8	10.5	7.6	3.9
Wholesale & Retail Trade	18.9	14.4	10.8	15.1	5.0	0.0
Transport & Storage	8.5	5.2	3.8	6.0	4.9	4.1
Hotels & Restaurants	12.5	8.2	7.5	8.8	7.2	6.4
Information & Communications	2.9	3.4	2.9	2.9	3.3	2.4
Financial Services	9.9	9.7	10.9	12.2	11.4	10.0
Business Services	7.1	6.0	4.5	5.9	4.4	2.2
Other Services Industries	17.2	17.0	15.7	14.3	15.3	5.0
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	29.7	-16.7	3.9	14.5	27.2	-6.5
Goods Producing Industries	66.9	-43.2	-0.4	25.0	79.0	-19.0
Manufacturing	79.2	-48.5	0.7	29.7	97.2	-23.7
Construction	21.2	-9.6	-10.2	6.1	13.5	13.4
Services Producing Industries	14.5	0.5	5.6	10.5	10.1	-0.2
Wholesale & Retail Trade	11.6	0.0	3.7	15.1	4.7	-8.4
Transport & Storage	13.0	-4.5	2.9	6.0	9.4	8.9
Hotels & Restaurants	19.0	-3.7	4.6	8.8	10.6	14.8
Information & Communications	6.5	5.2	-0.4	2.9	2.3	2.6
Financial Services	4.6	-1.4	16.9	12.2	27.6	-0.2
Business Services	5.6	2.1	2.8	5.9	7.0	-2.9
Other Services Industries	52.5	5.8	3.2	14.3	5.8	5.4

OTHER ECONOMIC INDICATORS

	2Q10	3Q10	4Q10	2010	1Q11	2Q11
Visitor Arrivals (y-o-y%)	25.8	20.3	16.0	20.2	15.7	14.1
Retail Sales Index at Constant Prices (y-o-y%)	-6.7	-1.6	-1.0	-2.5	-4.9	7.4
Labour Productivity (y-o-y%)	15.3	6.2	7.8	10.7	5.4	-2.5
Unemployment Rate, SA (%)	2.2	2.1	2.2	2.2	1.9	2.1
Changes in Employment ('000)	24.9	20.5	33.9	115.9	28.3	22.8
Overall Unit Labour Cost (y-o-y%)	-6.7	2.8	1.8	-2.7	3.5	10.3
Unit Business Cost of Manufacturing (y-o-y%)	-7.0	2.7	-2.9	-4.9	-1.4	7.1
Consumer Price Index (y-o-y%)	3.1	3.4	4.0	2.8	5.2	4.7
Fixed Asset Investments (\$ bil)	4.6	2.6	2.7	12.9	2.6	3.7
Total Trade (y-o-y%)	27.8	17.9	12.2	20.7	11.9	7.5
Exports	29.1	20.0	14.5	22.4	13.4	6.8
Domestic Exports	33.4	19.2	15.8	24.3	19.4	10.7
Oil	48.0	9.2	11.8	27.9	35.2	29.1
Non-Oil	27.6	23.7	17.6	22.8	12.3	2.1
Re-exports	24.6	20.9	13.0	20.5	7.2	2.6
Imports	26.4	15.6	9.7	18.8	10.2	8.4