

MTI Forecasts Growth of 5.0 Per Cent in 2011 and 1.0 to 3.0 Per Cent in 2012

21 November 2011. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to grow by around 5.0 per cent in 2011 and by 1.0 to 3.0 per cent in 2012.

Performance in Third Quarter 2011

The Singapore economy grew by 6.1 per cent on a year-on-year basis in the third quarter of 2011, up from 1.0 per cent in the preceding quarter. On a seasonally-adjusted quarter-on-quarter annualised basis, the economy saw a small gain of 1.9 per cent, following the 6.4 per cent contraction in the preceding quarter.

The manufacturing sector expanded by 14.2 per cent on a year-on-year basis, reversing from the 5.6 per cent decline in the preceding quarter. On a sequential basis, the sector grew by an annualised rate of 11.7 per cent. This was largely due to a rebound in biomedical manufacturing output, as some companies switched to producing a higher value mix of pharmaceutical products. By contrast, the electronics cluster continued to contract, as global demand for semiconductor chips and other electronic components moderated.

The construction sector grew marginally by 0.3 per cent on a year-on-year basis, moderating from the 1.5 per cent growth in the preceding quarter. On a sequential basis, the sector contracted by an annualised rate of 11.8 per cent, largely due to a decline in private sector building activities.

The wholesale & retail trade sector saw a small year-on-year decline of 0.2 per cent, mainly due to weakening export activities. Supported by air travel demand, the transport & storage sector grew by 4.2 per cent, similar to the pace of growth in the preceding quarter. On a sequential basis, growth momentum in both sectors declined, by annualised rates of 0.6 per cent and 4.5 per cent respectively.

The financial services sector grew at 10.5 per cent on a year-on-year basis, anchored by gains in domestic and offshore lending activities. However, the business services sector registered a weak growth of 1.7 per cent, largely due to a moderation in the real estate services segment. On a sequential basis, both sectors grew marginally by 0.8 per cent and 0.9 per cent respectively.

Supported by healthy visitor inflows, the hotels & restaurants sector and the “other services” industries (which include arts, entertainment and recreation activities) grew by 5.6 per cent and 4.0 per cent respectively. However, on a sequential basis, these sectors declined by 2.6 and 0.7 per cent respectively.

Economic Outlook for 2011

For the last quarter of 2011, growth in the Singapore economy will likely weaken alongside deteriorating external macroeconomic conditions. Within the manufacturing sector, the electronics cluster is expected to register a lower level of output given the downturn in the global electronics cycle. This in turn will have knock-on effects on the precision engineering cluster and wholesale trade. The biomedical manufacturing (BMS) cluster is expected to see a pullback in growth following the strong surge in the third quarter. In the financial services sector, activity in the core financial intermediation will moderate and the sentiment-sensitive segments are expected to continue to perform poorly.

Taking into account these factors, MTI expects the Singapore economy to grow by **around 5.0 per cent** in 2011.

Economic Outlook for 2012

Global economic conditions are expected to remain subdued in 2012, with the outlook clouded by increased uncertainty and financial volatility. In the advanced economies, final demand is likely to be restrained by continued household deleveraging, ongoing fiscal tightening as well as structural weaknesses in labour and housing markets. In the EU, bank recapitalisation will accelerate deleveraging, and curtail loan growth and economic activity.

Although resilient domestic demand in emerging Asia will provide some support to global demand, it will not fully mitigate the effects of an economic slowdown in the advanced economies. Consequently, Singapore's externally-oriented sectors such as electronics and wholesale trade will continue to perform poorly, while the financial services sector will be affected by heightened uncertainties in the external environment. Nevertheless, there will be some modest support to growth from the biomedical manufacturing cluster and tourism-related sectors. The former will likely see increased production of active pharmaceutical ingredients and biologics while the latter will benefit from rising visitor arrivals from the region.

Given these factors, MTI expects Singapore's economic growth to be **between 1.0 to 3.0 per cent** in 2012. This does not factor in downside risks to growth, such as a worsening debt situation or a full-blown financial crisis in the advanced economies. Should these risks materialise, growth in the Singapore economy in 2012 could come in lower than expected.

MINISTRY OF TRADE AND INDUSTRY
21 November 2011

ANNEX

SECTORAL GROWTH RATES

Sector	3Q10	4Q10	2010	1Q11	2Q11	3Q11
	Year-on-Year % Change					
Total	10.5	12.0	14.5	9.4	1.0	6.1
Goods Producing Industries	12.4	20.2	25.0	14.2	-4.4	12.0
Manufacturing	13.7	25.5	29.7	16.8	-5.6	14.2
Construction	6.7	-2.0	6.1	2.4	1.5	0.3
Services Producing Industries	10.2	8.8	10.5	7.7	4.0	3.7
Wholesale & Retail Trade	14.4	10.8	15.1	5.0	0.2	-0.2
Transport & Storage	5.2	3.8	6.0	4.9	4.4	4.2
Hotels & Restaurants	8.2	7.5	8.8	8.1	5.3	5.6
Information & Communications	3.4	2.9	2.9	3.3	2.3	1.4
Financial Services	9.7	10.9	12.2	11.3	9.9	10.5
Business Services	6.0	4.5	5.9	4.5	2.1	1.7
Other Services Industries	17.0	15.7	14.3	15.6	5.5	4.0
	Quarter-on-Quarter Annualised Growth % (SA)					
Total	-16.7	3.9	14.5	27.9	-6.4	1.9
Goods Producing Industries	-43.2	-0.4	25.0	80.8	-18.9	8.0
Manufacturing	-48.5	0.7	29.7	99.5	-23.6	11.7
Construction	-9.6	-10.2	6.1	13.5	13.3	-11.8
Services Producing Industries	0.5	5.6	10.5	10.5	-0.2	-0.6
Wholesale & Retail Trade	0.0	3.7	15.1	4.7	-7.7	-0.6
Transport & Storage	-4.5	2.9	6.0	9.4	10.0	-4.5
Hotels & Restaurants	-3.7	4.6	8.8	14.2	6.7	-2.6
Information & Communications	5.2	-0.4	2.9	2.3	2.1	1.3
Financial Services	-1.4	16.9	12.2	27.4	-0.5	0.8
Business Services	2.1	2.8	5.9	7.2	-3.6	0.9
Other Services Industries	5.8	3.2	14.3	7.2	6.1	-0.7

OTHER ECONOMIC INDICATORS

	3Q10	4Q10	2010	1Q11	2Q11	3Q11
Visitor Arrivals (y-o-y%)	20.3	16.0	20.2	15.7	14.1	14.7
Retail Sales Index at Constant Prices (y-o-y%)	-1.6	-1.0	-2.5	-4.9	7.6	2.0
Labour Productivity (y-o-y%)	6.2	7.8	10.7	5.6	-2.4	2.3
Unemployment Rate, SA (%)	2.1	2.2	2.2	1.9	2.1	2.0
Changes in Employment ('000)	20.5	33.9	115.9	28.3	24.8	32.3
Overall Unit Labour Cost (y-o-y%)	2.8	1.8	-2.7	4.6	10.8	3.8
Unit Business Cost of Manufacturing (y-o-y%)	2.9	-2.8	-4.8	-1.6	6.9	-0.1
Consumer Price Index (y-o-y%)	3.4	4.0	2.8	5.2	4.7	5.5
Fixed Asset Investments (\$ bil)	2.6	2.7	12.9	2.6	3.7	4.0
Total Trade (y-o-y%)	17.9	12.2	20.7	11.9	7.5	5.4
Exports	20.0	14.5	22.4	13.4	6.7	4.8
Domestic Exports	19.2	15.8	24.3	19.4	10.5	14.5
Oil	9.2	11.8	27.9	35.2	29.1	53.8
Non-Oil	23.7	17.6	22.8	12.3	1.9	-1.1
Re-exports	20.9	13.0	20.5	7.2	2.6	-5.7
Imports	15.6	9.7	18.8	10.2	8.4	6.2