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MTI Revises 2010 Growth Forecast to 13.0 to 15.0 Per Cent

14 July 2010. The Ministry of Trade and Industry (MTI) announced today that it expects the Singapore economy to expand by 13.0 to 15.0 per cent in 2010, an upward revision from the earlier forecast of 7.0 to 9.0 per cent.

The updated growth forecast reflects three factors:

- (a) Better economic performance in the first quarter of 2010;
- (b) Stronger than expected economic growth in the second quarter; and
- (c) Anticipated slowdown in growth momentum for the rest of the year.

Upward Revision in First Quarter Performance

The latest data from the Department of Statistics show that the Singapore economy grew at a stronger pace in the first quarter of 2010. The economy expanded by 16.9 per cent on a year-on-year basis, higher than the growth of 15.5 per cent estimated in May. On a seasonally-adjusted quarter-on-quarter annualised basis, the economy grew by 45.9 per cent, compared to an earlier estimate of 38.6 per cent. The revision is primarily due to an upward adjustment to the growth estimate for the manufacturing sector (specifically the biomedical manufacturing cluster).

Stronger Than Expected Growth in Second Quarter

Advance estimates¹ for the second quarter of 2010 indicate that the economy has continued to expand strongly. Compared to the same period last year, real GDP is expected to grow by 19.3 per cent. On a sequential basis, the economy grew by 26.0 per cent in the second quarter.

The manufacturing sector is estimated to have grown by 45.5 per cent year-on-year. Growth was driven by a surge in the output of the biomedical manufacturing cluster, as well as a strong expansion in the electronics cluster underpinned by healthy worldwide demand for electronics products. The construction sector is estimated to have grown by 13.5 per cent on a year-on-year basis, compared to 10.2 per cent growth in the first quarter of 2010. This was supported by an increase in public sector construction activities.

¹ The advance GDP estimates for the second quarter of 2010 are computed largely from data in the first two months of the quarter (i.e. April and May 2010). They are intended as an early indication of the GDP growth in the quarter, and are subject to revision when more comprehensive data become available.

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Gross Domestic Product at 2005 Prices

	2Q09	3Q09	4Q09	2009	1Q10	2Q10*
Percentage change over corresponding period of previous year						
Overall GDP	-1.7	1.8	3.8	-1.3	16.9	19.3
Goods Producing Industries						
Manufacturing	-0.4	7.6	2.2	-4.1	38.2	45.5
Construction	18.1	11.7	11.5	16.2	10.2	13.5
Services Producing Industries	-3.4	-1.1	3.7	-1.4	11.2	11.4
Quarter-on-quarter annualised growth rate, seasonally adjusted						
Overall GDP	18.5	11.1	-1.0	-1.3	45.9	26.0
Goods Producing Industries						
Manufacturing	35.4	23.6	-27.0	-4.1	201.4	63.0
Construction	22.9	3.9	13.6	16.2	2.5	35.9
Services Producing Industries	11.5	7.6	9.6	-1.4	16.8	11.7

*Advance estimates

The services producing industries are estimated to have expanded by 11.4 per cent year-on-year, compared to an increase of 11.2 per cent in the preceding quarter. Growth in the trade-related sectors was bolstered by healthy global trade flows, while the openings of the Integrated Resorts and higher visitor arrival numbers contributed to the growth in the tourism-related sectors. The financial services sector also grew strongly, supported by increased foreign exchange trading and domestic bank lending activities.

For the first half of 2010, the Singapore economy is estimated to have expanded by 18.1 per cent year-on-year.

A More Subdued Outlook for Second Half of 2010

Although the global economy remains on a recovery path, the pace of growth has slowed. In the US, there are now signs of a slowdown in the labour market following the recovery earlier in the year. This has affected consumer confidence. In the EU, domestic demand remains depressed as concerns over the sovereign debt crisis persist. The implementation of fiscal austerity measures in some of the economies may further weaken their domestic demand. The weakening of the Euro against key trading partners will also dampen import demand in the EU.

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The sluggish final demand in the US and EU has moderated industrial activities and lowered expectations for manufacturing output in the Asian economies. The momentum of the global economic recovery has thus moderated, although a double-dip recession remains unlikely at this juncture.

The exceptionally strong growth experienced by the Singapore economy in the first half of 2010 is therefore not likely to be sustained into the second half of the year. There will also be industry-specific factors, such as plant maintenance shutdowns in the biomedical manufacturing cluster, that will drag down growth. While year-on-year growth rates in the second half will be healthy, sequential growth from current levels of economic activity will be low.

Taking these factors into consideration, MTI is revising the GDP growth forecast for 2010 from 7.0 to 9.0 per cent to **13.0 to 15.0 per cent**.

MINISTRY OF TRADE AND INDUSTRY
14 July 2010