



## Chapter 2

# OUTPUT, EXPENDITURE AND NATIONAL INCOME

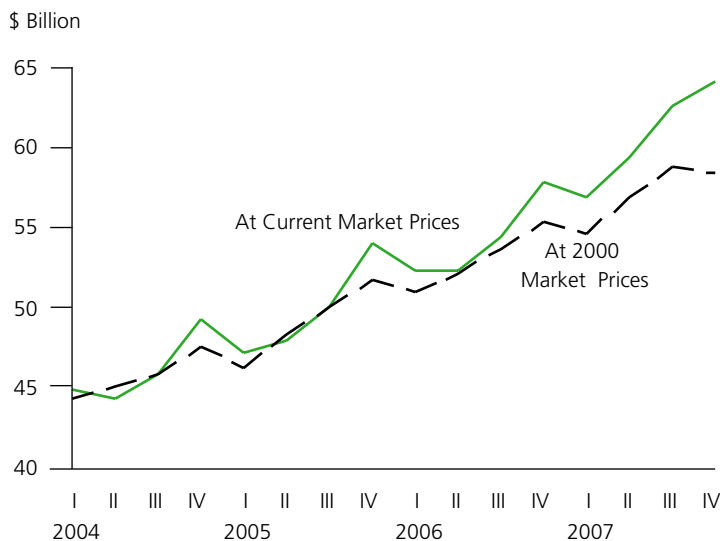
### OVERVIEW

[Charts 2.1-2.2]

The Singapore economy grew by 5.4 per cent in the fourth quarter of 2007, down from 9.5 per cent in the previous quarter. Growth was led by construction and financial services. For the whole of 2007, the economy expanded 7.7 per cent, down from 8.2 per cent in 2006.

### GROSS DOMESTIC PRODUCT AT MARKET PRICES

[Chart 2.1]



### CHANGES IN GROSS DOMESTIC PRODUCT AT MARKET PRICES

[Chart 2.2]



## SECTORAL PERFORMANCE

[Tables 2.1-2.2, A1.1-A1.3 and Chart 2.3]

The manufacturing sector expanded by 0.2 per cent in the fourth quarter, after growing by 11 per cent in the previous quarter. The weakened growth was due to a 28 per cent contraction in the biomedical manufacturing cluster as a result of plant maintenance shutdowns and changes in product mix which led to a significant fall in pharmaceutical production. In contrast, the electronics, chemicals, precision engineering and transport engineering clusters performed better in the fourth quarter. The electronics cluster grew 6.4 per cent on the back of strong growth in the semiconductors segment. The chemicals cluster expanded 5.0 per cent mainly due to growth in the specialty chemicals segment. Precision engineering posted a 2.1 per cent growth compared with the 0.5 per cent decline the previous quarter. Transport engineering continued double digit expansion at 22 per cent in the last quarter of 2007. For the whole of 2007, manufacturing grew 5.8 per cent, down from 12 per cent in 2006.

*Manufacturing sector growth eased.*

### GROSS DOMESTIC PRODUCT AT 2000 PRICES

[TABLE 2.1]

	2006		2007				2007
	4th Qtr	Annual	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
	Percentage Change Over Same Period Of Previous Year						
<b>TOTAL</b>	7.0	8.2	7.0	9.1	9.5	5.4	7.7
<b>Goods Producing Industries</b>	7.8	10.5	5.1	9.7	11.6	2.9	7.2
Manufacturing	8.4	11.9	3.9	8.6	11.0	0.2	5.8
Construction	6.0	3.6	14.4	22.4	20.1	24.3	20.3
<b>Services Producing Industries</b>	7.2	7.5	7.7	8.6	8.5	7.7	8.1
Wholesale & Retail Trade	7.1	10.4	8.0	8.5	6.8	6.0	7.3
Transport & Storage	4.0	4.7	4.4	5.5	5.0	5.4	5.1
Hotels & Restaurants	5.9	4.8	4.8	5.6	4.9	2.5	4.4
Information & Communications	6.0	4.6	5.9	6.5	6.6	6.1	6.3
Financial Services	13.0	10.6	14.5	17.0	20.1	15.9	16.9
Business Services	6.4	6.9	7.4	7.6	7.5	8.7	7.8
	Annualised Percentage Change Over Preceding Quarter						
<b>TOTAL</b>	9.7	8.2	9.2	13.4	5.1	-4.8	7.7
<b>Goods Producing Industries</b>	11.4	10.5	2.2	14.6	17.5	-18.6	7.2
Manufacturing	12.1	11.9	-1.6	14.0	19.1	-24.9	5.8
Construction	11.5	3.6	32.5	24.7	13.3	27.3	20.3
<b>Services Producing Industries</b>	8.4	7.5	12.3	12.8	1.0	5.8	8.1
Wholesale & Retail Trade	1.0	10.4	15.9	8.1	1.9	0.4	7.3
Transport & Storage	6.0	4.7	8.3	5.6	0.3	7.3	5.1
Hotels & Restaurants	9.2	4.8	1.8	6.5	2.6	-0.5	4.4
Information & Communications	9.1	4.6	0.6	8.2	8.6	6.7	6.3
Financial Services	27.1	10.6	36.8	29.1	-7.3	10.3	16.9
Business Services	4.4	6.9	5.3	16.4	4.5	8.8	7.8

Source: Singapore Department of Statistics

## PERCENTAGE CONTRIBUTION TO GROWTH IN REAL GDP

[TABLE 2.2]

	2006		2007				2007
	4th Qtr	Annual	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
<b>TOTAL</b>	7.0	8.2	7.0	9.1	9.5	5.4	7.7
<b>Goods Producing Industries</b>	2.5	3.2	1.6	3.0	3.7	0.9	2.3
Manufacturing	2.3	3.1	1.0	2.2	3.0	0.0	1.5
Construction	0.2	0.1	0.5	0.7	0.7	0.8	0.7
<b>Services Producing Industries</b>	4.4	4.8	4.9	5.5	5.4	4.8	5.1
Wholesale and Retail Trade	1.1	1.7	1.3	1.4	1.2	1.0	1.2
Transport & Storage	0.4	0.4	0.4	0.5	0.4	0.5	0.5
Hotels & Restaurants	0.1	0.1	0.1	0.1	0.1	0.0	0.1
Information & Communications	0.2	0.2	0.2	0.3	0.3	0.2	0.3
Financial Services	1.4	1.1	1.6	2.0	2.1	1.7	1.9
Business Services	0.7	0.8	0.8	0.9	0.8	0.9	0.9

Source: Singapore Department of Statistics

The construction sector continued its strong performance in the fourth quarter of 2007 with growth at 24 per cent, up from 20 per cent the previous quarter. Certified payments rose by 35 per cent during the quarter, supported by private sector certified payments, especially in the commercial and industrial segments. Contracts awarded increased 128 per cent in the same quarter due to broad-based expansion in all segments. This reversed the 23 per cent contraction that had been seen in the previous quarter due to a high base of industrial and commercial contracts awarded in the third quarter of 2006. For the whole year, the construction sector expanded 20 per cent, its fastest growth since 1996.

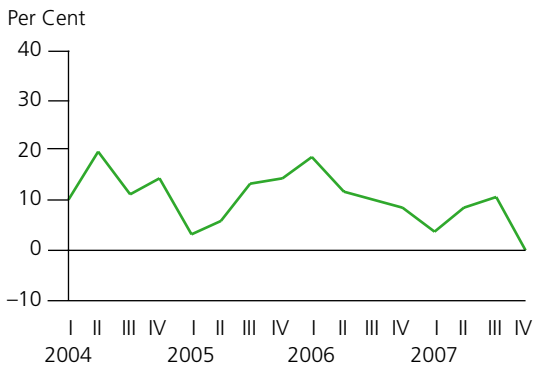
The wholesale and retail sector grew 6.0 per cent in the fourth quarter, slower than the 6.8 per cent expansion in the preceding quarter. The volume of retail sales fell 2.5 per cent, following a 1.5 per cent gain in the previous quarter. Among the expenditure items, motor vehicles saw the largest dip in sales, followed by provision & sundry shops, food & beverages, watches & jewellery and medical goods & toiletries. Excluding motor vehicles, retail sales rose by 5.2 per cent, down from 6.0 per cent growth in the previous quarter. In the wholesale segment, growth in the volume of non-oil re-exports eased to 7.0 per cent, down from 9.0 per cent in third quarter 2007. Growth of the wholesale and retail trade sector for the whole year was 7.3 per cent, down from 10 per cent in 2006.

The transport and storage sector grew 5.4 per cent, slightly faster than the 5.0 per cent gain a quarter earlier. Air transport activity slowed due to a slight fall in air cargo handled and slower growth in air passenger traffic. Growth in the sea transport segment improved, supported by higher growth in sea cargo handled and container throughput. For the whole of 2007, the transport and storage sector expanded 5.1 per cent, following 4.7 per cent growth in 2006.

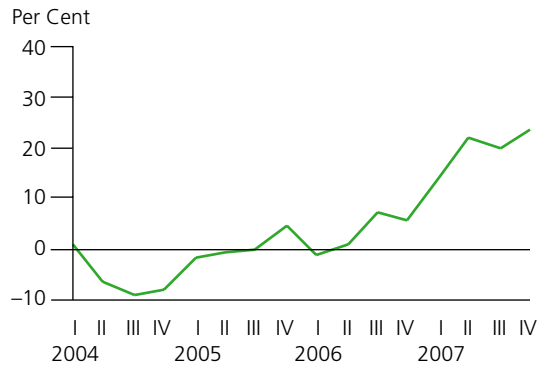
**CHANGES IN REAL GDP BY INDUSTRY**

[Chart 2.3]

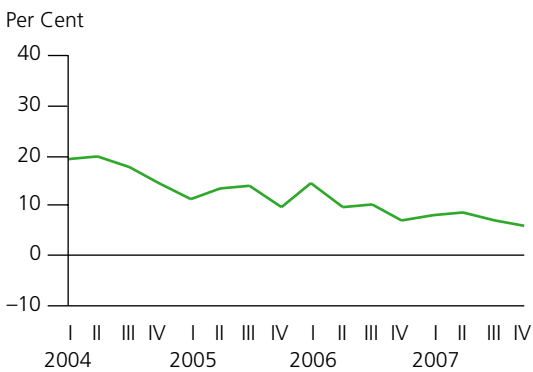
**MANUFACTURING**



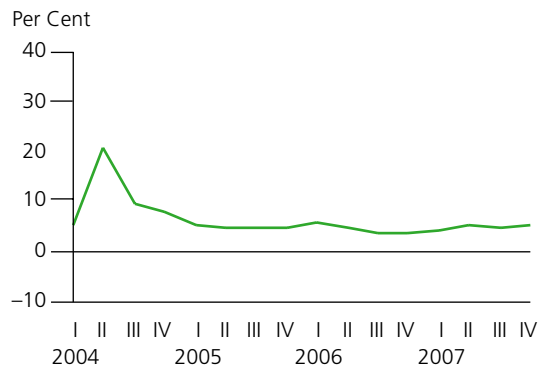
**CONSTRUCTION**



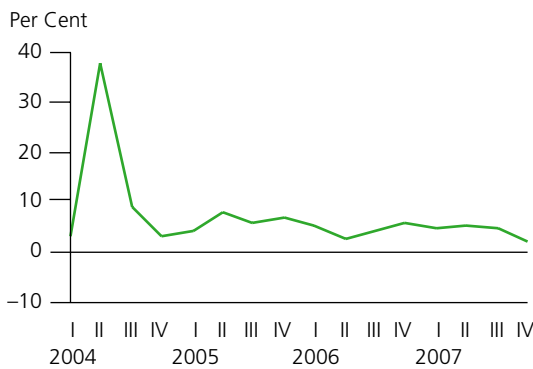
**WHOLESALE & RETAIL TRADE**



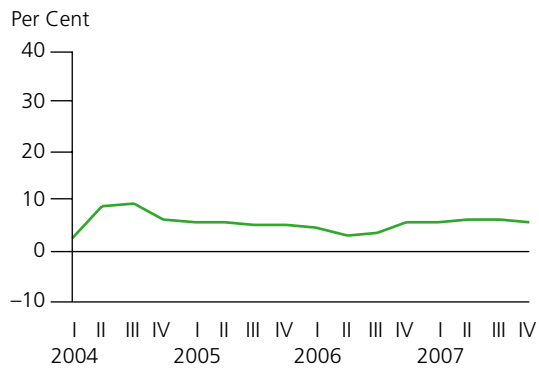
**TRANSPORT & STORAGE**



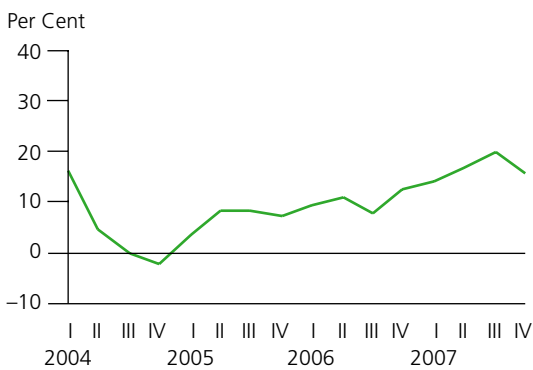
**HOTELS & RESTAURANTS**



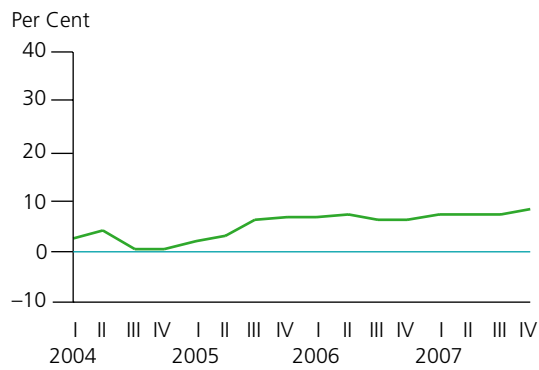
**INFORMATION & COMMUNICATIONS**



**FINANCIAL SERVICES**



**BUSINESS SERVICES**



The hotels and restaurants sector rose by 2.5 per cent in fourth quarter 2007, after a 4.9 per cent increase in the previous quarter. Visitor arrivals increased 5.5 per cent in the quarter, similar to 5.4 per cent growth seen in the previous quarter. However, the average occupancy rate of hotels dipped to 86 per cent in the fourth quarter from 88 per cent in the same quarter in 2006. For the whole year, growth in the sector slowed to 4.4 per cent in 2007 from 4.8 per cent in 2006. Meanwhile visitor arrivals rose 5.4 per cent to reach a record high of 10.3 million in 2007.

The information and communications sector grew 6.1 per cent in the fourth quarter, slightly slower than the 6.6 per cent growth in the previous quarter. Both the telecommunications and IT services segments remained healthy during the quarter. Within the telecommunications segment, growth of international telephone calls duration and number of subscribers for both mobile phone service and broadband internet remained strong. Over the year, the sector expanded by 6.3 per cent, up from 4.6 per cent growth in 2006.

The financial services sector rose by 16 per cent in the fourth quarter, following an expansion of 20 per cent a quarter earlier. While most segments enjoyed rapid expansion, the pace of growth in stock broking and fund management activities has slowed down somewhat. Overall, the financial services sector posted a growth of 17 per cent in 2007, up from 11 per cent in 2006.

The business services sector expanded by 8.7 per cent, an improvement over the 7.5 per cent gains in the previous quarter. Healthy performance was seen across the board, led by real estate and business representative offices segments. For the year 2007, the business services sector registered growth of 7.8 per cent, compared with 6.9 per cent in 2006.

## SOURCES OF GROWTH

[Tables 2.3, A1.4-A1.5 and Chart 2.4]

Total demand expanded 8.0 per cent, faster than the 6.8 per cent gained in the third quarter. Domestic demand grew faster at 13 per cent while external demand growth moderated to 6.6 per cent. For the whole year, total demand grew 7.2 per cent, slower than the 10 per cent growth in 2006.

### CHANGES AND CONTRIBUTION TO GROWTH IN TOTAL DEMAND AT 2000 MARKET PRICES

[TABLE 2.3]

	2006		2007				2007
	4th Qtr	Annual	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual
Percentage Change Over Same Period Of Previous Year <sup>1</sup>							
<b>TOTAL DEMAND</b>	5.0	10.3	7.2	6.6	6.8	8.0	7.2
<b>Total Domestic Demand</b>	8.3	7.7	8.2	10.8	4.5	13.2	9.2
Final Demestic Demand	9.9	7.4	7.3	12.0	8.6	9.1	9.2
Consumption Expenditure	4.0	4.8	1.8	5.1	4.7	5.1	4.1
Public	5.0	10.7	0.3	3.9	0.7	5.1	2.3
Private	3.8	3.3	2.4	5.3	5.6	5.1	4.6
Gross Fixed Capital Formation	22.8	13.5	21.4	27.6	17.0	16.5	20.2
Public	-9.7	-10.9	-3.2	-0.9	-3.6	-0.6	-2.2
Private	28.4	18.6	27.2	31.4	20.0	18.6	23.7
Changes in Inventories	-1.3	0.1	0.2	-0.6	-3.1	2.8	-0.1
<b>External Demand</b>	4.1	11.0	7.0	5.4	7.4	6.6	6.6
Percentage Contribution To Growth							
<b>TOTAL DEMAND</b>	5.0	10.3	7.2	6.6	6.8	8.0	7.2
<b>Total Domestic Demand</b>	1.8	1.7	1.8	2.4	0.9	2.9	2.0
Final Demestic Demand	2.2	1.7	1.8	2.5	1.9	2.1	2.1
Consumption Expenditure	0.6	0.8	0.3	0.8	0.7	0.8	0.6
Public	0.2	0.3	0.0	0.1	0.0	0.2	0.1
Private	0.5	0.4	0.3	0.7	0.7	0.6	0.6
Gross Fixed Capital Formation	1.6	0.9	1.4	1.8	1.2	1.3	1.4
Public	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Private	1.7	1.1	1.5	1.8	1.2	1.3	1.5
Changes in Inventories	-0.4	0.0	0.1	-0.2	-0.9	0.9	0.0
<b>External Demand</b>	3.2	8.6	5.4	4.2	5.9	5.1	5.2

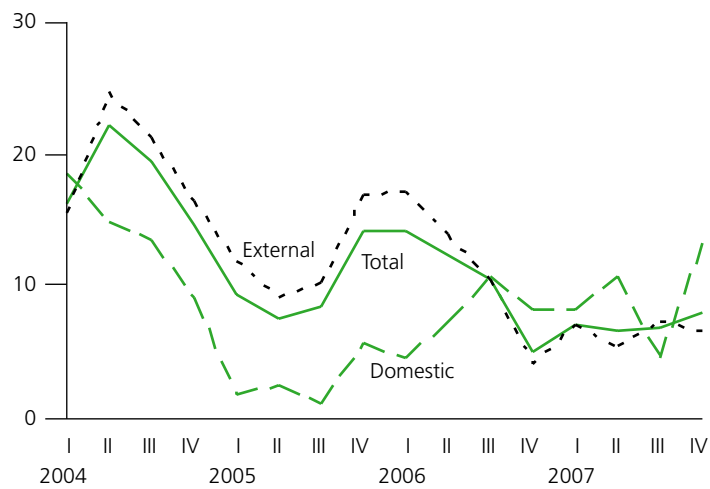
<sup>1</sup> For inventories, this refers instead to change as a percentage of GDP in the previous year.

Source: Singapore Department of Statistics

## CHANGES IN TOTAL DEMAND AT 2000 MARKET PRICES

[Chart 2.4]

Per Cent



### EXTERNAL DEMAND

*Exports of goods saw slower growth...*

External demand moderated to 6.6 per cent in the final quarter from 7.4 per cent as a result of slower growth in goods exports. Goods exports were dragged down by slower growth in chemicals and chemical products and miscellaneous manufactures. For the full year, external demand grew 6.6 per cent, slower than the 11 per cent growth posted in 2006.

### DOMESTIC DEMAND

*Robust growth in domestic demand...*

Total domestic demand grew at a robust 13 per cent in the final quarter, faster than the 4.5 per cent the previous quarter. This was supported by strong growth in private consumption and private investments. For the full year, total domestic demand grew 9.2 per cent compared with 7.7 per cent in 2006. Both private consumption and private investment saw stronger growth compared to the year before.

### Consumption Expenditure

[Table A1.6]

*Slight moderation in private consumption expenditure growth...*

Private consumption expenditure grew 5.1 per cent in the fourth quarter, a slight moderation from the 5.6 per cent the previous quarter. This was attributable to a decline in motor vehicle purchases. For 2007, private consumption expenditure grew 4.6 per cent, faster than the 3.3 per cent in 2006. Most categories of expenditure saw faster growth, for example in food and alcoholic beverages, clothing and footwear, housing and utilities, furnishings, household equipment and maintenance, and recreation and culture.

### Gross Fixed Capital Formation

[Tables 2.4-2.5 and A1.7-A1.8]

Gross fixed capital formation (GFCF) grew 16 per cent, lower than the 17 per cent growth the previous quarter. This growth was driven by continued strong growth in residential buildings, non-residential buildings and machinery, equipment and software investments. For the full year, GFCF grew a robust 20 per cent compared with 14 per cent in 2006. This was largely due to the surge in construction and works in residential and non-residential buildings investments.

*Continued growth in gross fixed capital formation...*

#### ANNUAL CHANGES IN GROSS FIXED CAPITAL FORMATION AT 2000 MARKET PRICES, 2005-2007

[TABLE 2.4]

	Per Cent								
	2005			2006			2007p		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
<b>TOTAL</b>	0.1	-2.4	0.6	13.5	-10.9	18.6	20.2	-2.2	23.7
<b>Construction &amp; Works</b>	0.2	-7.7	5.0	7.4	-14.2	18.8	28.7	-2.3	40.5
<b>Transport Equipment</b>	-6.3	103.6	-7.2	36.6	117.5	35.1	29.8	-17.8	31.2
<b>Machinery, Equipment &amp; Software</b>	1.9	26.8	0.6	12.4	-5.4	13.6	10.1	1.0	10.6

Source: Singapore Department of Statistics

#### PERCENTAGE DISTRIBUTION OF GROSS FIXED CAPITAL FORMATION AT CURRENT MARKET PRICES, 2005-2007

[TABLE 2.5]

	Per Cent								
	2005			2006			2007p		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
<b>TOTAL</b>	100.0	18.4	81.6	100.0	14.4	85.6	100.0	11.6	88.4
<b>Construction &amp; Works</b>	43.2	15.5	27.7	41.4	11.9	29.5	45.9	9.7	36.2
<b>Transport Equipment</b>	13.2	0.2	13.0	16.0	0.4	15.6	17.0	0.2	16.8
<b>Machinery, Equipment &amp; Software</b>	43.6	2.7	40.9	42.6	2.1	40.5	37.1	1.7	35.4

Source: Singapore Department of Statistics

## NATIONAL SAVINGS

[Table A1.10]

Singapore's nominal GDP amounted to \$243 billion in 2007, a 12 per cent increase over 2006. With factor income outflows exceeding inflows by \$8.6 billion, the Gross National Income (GNI) came up to \$235 billion. This was a 16 per cent increase from 2006.

Gross National Savings (GNS) grew 25 per cent to \$114 billion. This brought the national savings rate to 49 per cent from 45 per cent a year ago. Of the \$114 billion, a net \$59 billion was lent or invested abroad while \$55 billion went to gross capital formation.

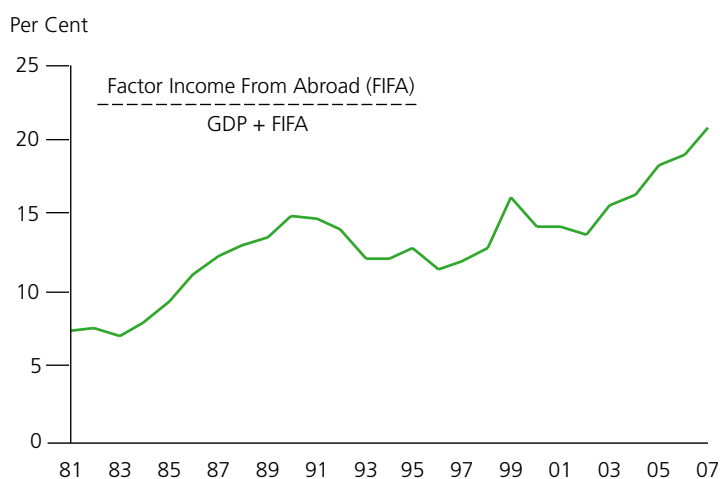
## GNI AND THE EXTERNAL ECONOMY

[Chart 2.5]

Singapore's external economy performed better in 2007. Factor income from abroad reached \$65 billion, up from \$51 billion in the previous year. Consequently, the contribution of our overseas operations to the total economy rose to 21 per cent, higher than the 19 per cent in 2006. Based on the Survey of Singapore's Investment Abroad, the stock of direct investment increased from \$197 billion in 2005 to \$210 billion in 2006.

### SINGAPORE'S EARNINGS FROM EXTERNAL ECONOMY AS PROPORTION OF TOTAL INCOME

[Chart 2.5]



With the robust growth in the external economic environment, Singapore's links with the region continued to grow. Singapore remained a key investor in many regional economies.

Singapore's economic relationship with China continued to grow at a rapid pace in the year. Singapore's utilised FDI in China rose by 41 per cent to reach US\$3.2 billion in 2007, according to China's National Bureau of Statistics. The focus of Singapore's investment in China remained in the infrastructure & environmental services, healthcare, education and logistics sectors.

Singapore continued to enhance its economic engagement with India. The focus sectors of Singapore's investments in India were urban infrastructure development, environmental services, airport services and electronics & precision engineering. In particular, Singapore companies continued to make headway in the aviation, and electronics and precision engineering sectors. Engagement with India was stepped up in 2007 with the organisation of four Ministerial-level missions to seven Indian focus states.

To deepen our engagement with the United Arab Emirates and Saudi Arabia, two business networking platforms – the Saudi-Singapore Economic Cities Business Forum and the Abu Dhabi-Singapore Business Forum – were launched in June 2007. Besides establishing these platforms, two new offices were opened by IE Singapore in Abu Dhabi and Jeddah in 2007 to help Singapore companies tap growth opportunities there.

In addition to these markets, Singapore companies also stepped up their presence in other emerging markets like Vietnam, Russia and Latin America in 2007. In Russia, some Singapore companies made investments in the real estate sector, including serviced apartment and hotel management projects.

*Contributed by:*

Andy Feng  
Economist  
Economist and Strategy Division  
Ministry of Trade and Industry

Cheang Kok Chew  
Manager  
Research and Statistics Division  
International Enterprise Singapore