

CHAPTER 1

THE SINGAPORE ECONOMY

OVERVIEW

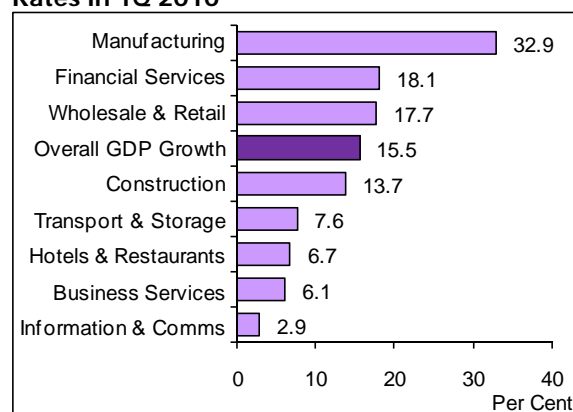
In the first quarter of 2010,

- Output expanded by 15.5 per cent compared to the same period last year.
- All the major economic sectors expanded, with manufacturing, wholesale and retail trade and financial services being the key contributors to overall growth.
- Employment grew by 34,000.
- The consumer price index increased by 0.9 per cent compared to a year ago.

OVERALL PERFORMANCE

- The economy grew by 15.5 per cent in the first quarter of 2010, after growing by 3.8 per cent in the fourth quarter of 2009. On a quarter-on-quarter seasonally adjusted annualised basis, the economy expanded by 38.6 per cent, compared to a 1.0 per cent contraction in the previous quarter.
- Manufacturing output increased by 33 per cent compared to the same quarter last year.
- Overall, the services producing industries grew by 11 per cent, led by a strong expansion in the financial services and wholesale and retail trade sectors (both by 18 per cent).

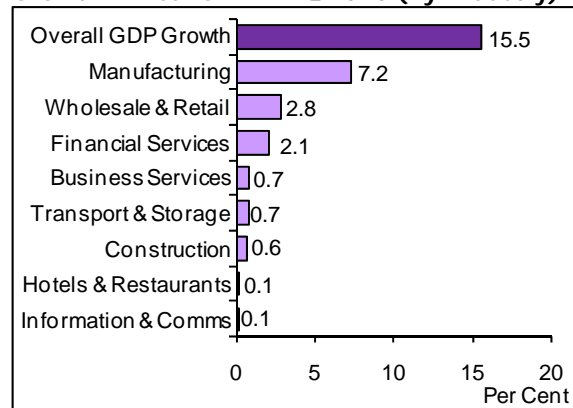
Exhibit 1.1: GDP and Sectoral Growth Rates in 1Q 2010



Contribution to Growth

- The manufacturing, wholesale and retail trade and financial services sectors were the main drivers of growth in the quarter. Together, they contributed 12 percentage points to overall economic expansion.
- All the other key economic sectors also contributed positively to growth.

Exhibit 1.2: Percentage Point Contribution to Growth in Real GDP in 1Q 2010 (By Industry)



SOURCES OF GROWTH

- Total demand increased by 18 per cent, mainly led by external demand, which rose by 20 per cent as the recovery in global trade flows continued. External demand contributed 15 percentage points to the growth in total demand.
- Domestic demand also improved, rising by 11 per cent, as both consumption and investment increased. This contributed 2.9 percentage points to the increase in total demand.
- Within domestic demand, gross fixed capital formation increased by 13 per cent. Investment growth in residential construction and machinery and software were strong, at 30 per cent and 34 per cent respectively. In contrast, investment in transport equipment fell by 17 per cent.
- Consumption expenditure also expanded by 7.8 per cent, contributing 1.4 percentage points to total demand, as public and private consumption rose by 13 per cent and 5.7 per cent respectively

Exhibit 1.3: Percentage Contribution to Total Demand Growth

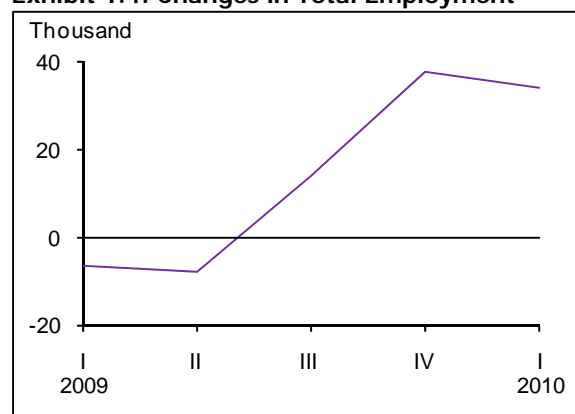
	2009				2010
	II	III	IV	Annual	I
Total Demand	-11.3	-6.4	0.5	-8.0	17.6
External Demand	-10.0	-7.1	3.5	-6.8	14.6
Total Domestic Demand	-1.3	0.7	-3.0	-1.2	2.9
Consumption Expenditure	0.0	0.7	1.1	0.3	1.4
Public	0.4	0.4	0.4	0.3	0.7
Private	-0.4	0.2	0.7	0.0	0.8
Gross Fixed Capital Formation	-0.5	0.1	0.5	-0.3	1.2
Changes in Inventories	-0.8	-0.1	-4.6	-1.2	0.3

LABOUR MARKET

Employment

- Employment continued to grow strongly in the first quarter of 2010, amidst the robust economic recovery. Total employment grew by 34,000, slightly lower than the 37,500 in the previous quarter.
- The bulk of the employment gains continued to come from services (31,200). The manufacturing sector added 3,400 workers, while the construction sector registered a decline of 800 workers.

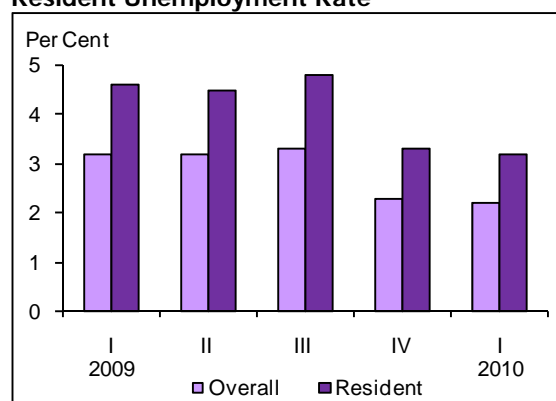
Exhibit 1.4: Changes in Total Employment



Unemployment

- With the strong job gains, the seasonally adjusted overall unemployment rate dipped to 2.2 per cent in March 2010, from 2.3 per cent in December 2009.
- Among the resident labour force, the seasonally adjusted unemployment rate fell to 3.2 per cent from 3.3 per cent in December 2009.
- An estimated 63,400 residents were unemployed in March 2010. The seasonally adjusted figure was 66,300.

Exhibit 1.5: Seasonally Adjusted Overall and Resident Unemployment Rate

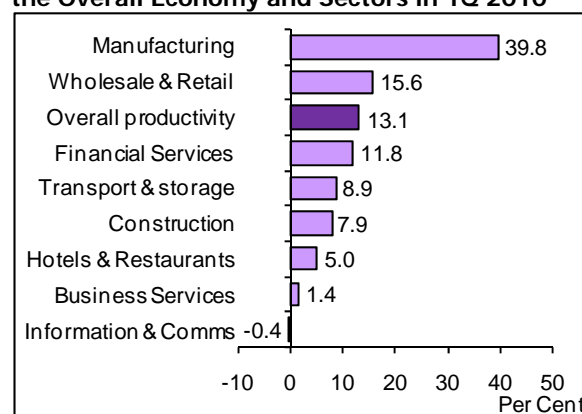


COMPETITIVENESS

Productivity

- Productivity grew by 13 per cent in the first quarter of 2010, improving sharply from the 2.7 per cent growth in the previous quarter.
- Productivity improvements were broad-based with manufacturing (40 per cent), wholesale & retail (16 per cent), and financial services (12 per cent) seeing the strongest growth.

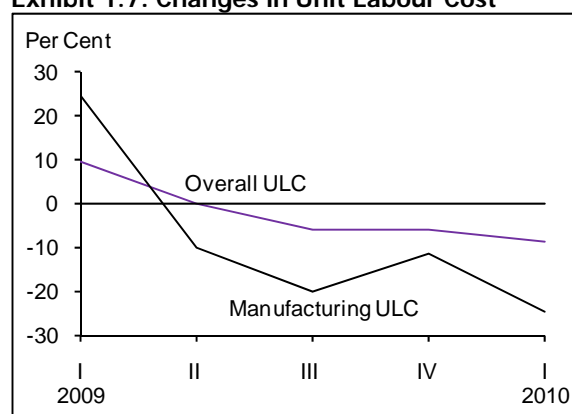
Exhibit 1.6: Changes in Labour Productivity for the Overall Economy and Sectors in 1Q 2010



Unit Labour Cost and Unit Business Cost

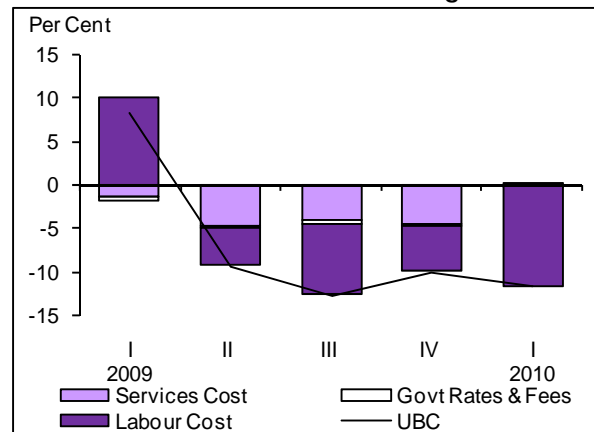
- Overall unit labour costs (ULC) for the whole economy fell by 8.7 per cent compared to the same quarter last year. This is a larger decline than the 6.1 per cent registered in the last quarter of 2009.
- Manufacturing ULC fell by 25 per cent, steeper than the 12 per cent decline seen in the last quarter of 2009.

Exhibit 1.7: Changes in Unit Labour Cost



- Unit business costs (UBC) in manufacturing decreased by 12 per cent, compared to the 10 per cent in the previous quarter.
- The decline in manufacturing UBC was mainly driven by the decline in manufacturing ULC, which also fell by 12 per cent.

Exhibit 1.8: Percentage Contribution to Change in Unit Business Cost for Manufacturing



Investment Commitments

- Investment commitments in terms of fixed asset investments (FAI) and total business spending (TBS) amounted to \$3.0 billion and \$1.7 billion respectively in the first quarter of 2010.
- The bulk of the FAI was in the electronics cluster (\$1.6 billion), followed by the services clusters (\$1.0 billion) and others (\$0.3 billion).
- For TBS, the electronics cluster attracted \$523 million worth of commitments, followed by the headquarters and professional services (\$457 million) segment.
- The US was the biggest foreign contributor to both FAI and TBS in the first quarter of 2010, committing 52 per cent and 50 per cent of total FAI and TBS respectively.
- When fully realised, these commitments are expected to generate value-added of \$3.1 billion and more than 4,100 skilled jobs.

Exhibit 1.9: Fixed Asset Investments by Industry Clusters in 1Q 2010

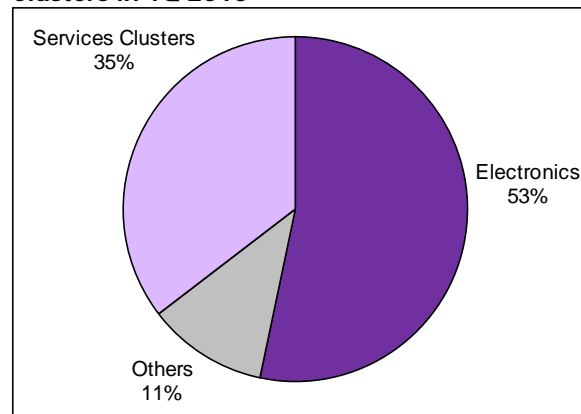
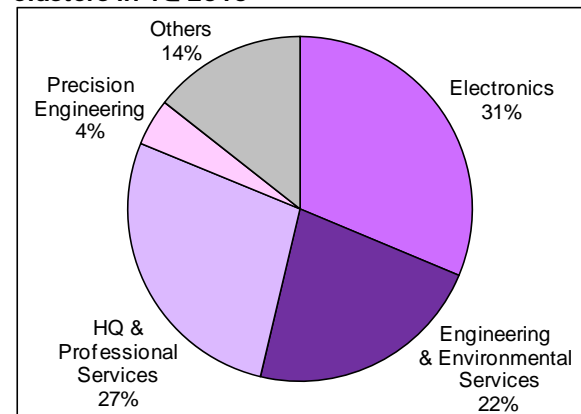


Exhibit 1.10: Total Business Spending by Industry Clusters in 1Q 2010



PRICES

Consumer Price Index

- The consumer price index (CPI) increased by 0.9 per cent in the first quarter of 2010, compared to a decline of 0.8 per cent in the previous quarter.
- On a quarter-on-quarter basis, seasonally adjusted CPI rose by 1.1 per cent, following a 0.3 per cent increase in the preceding quarter. Transport was the largest contributor to the increase in CPI, as a result of higher car and petrol prices.
- Education and stationery costs increased, owing to higher fees at commercial institutions and childcare centres.
- Food prices rose due to increases in the price of prepared meals, vegetables and chilled pork.
- On the other hand, communication cost fell because of cheaper handphones and lower internet subscription fees. The cost of housing also declined due to lower accommodation costs this quarter as compared to the same quarter last year.

Exhibit 1.11: Changes in CPI

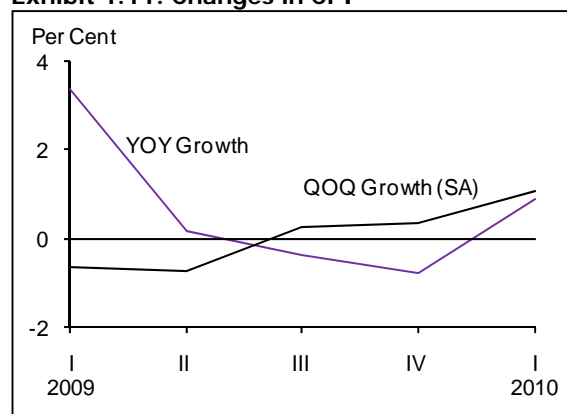
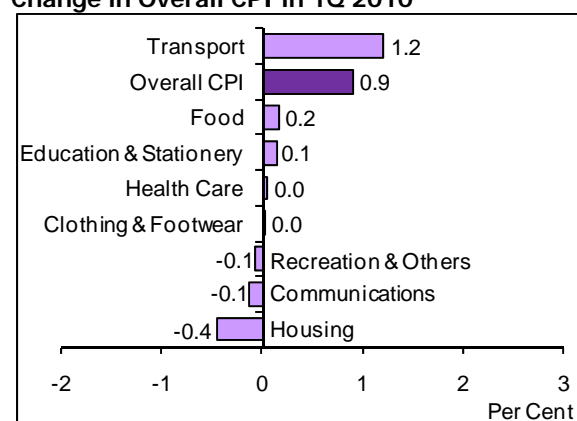


Exhibit 1.12: Percentage Point Contribution to Change in Overall CPI in 1Q 2010



EXTERNAL BALANCE

Trade

- Total trade in nominal terms rose by 27 per cent in the first quarter. In volume terms, total trade expanded by 19 per cent, following the 0.4 per cent increase in the previous quarter.
- Total exports continued to rise. Domestic exports expanded at a faster 32 per cent, while re-exports registered a 25 per cent increase.
- Within domestic exports, both oil and non-oil domestic exports increased. Oil domestic exports expanded by 57 per cent in this quarter, while non-oil domestic exports grew by 23 per cent.
- Total imports also increased by 26 per cent. Within non-oil imports (excluding aircraft and ships), non-electronics imports expanded by 17 per cent and electronics imports increased by 28 per cent. Oil imports rose by 52 per cent.

Exhibit 1.13: Growth Rates of Total Trade, Exports and Imports (In Nominal Terms)

	2009					2010
	I	II	III	IV	Annual	I
Total Trade	-27.7	-26.9	-21.4	1.2	-19.4	26.9
Exports	-27.8	-25.4	-20.0	4.9	-18.0	28.2
Domestic Exports	-31.1	-26.9	-21.8	7.8	-19.2	32.0
Oil	-43.1	-46.3	-41.5	6.9	-34.5	56.9
Non-Oil	-25.6	-14.5	-7.8	8.2	-10.6	23.2
Re-Exports	-24.1	-23.8	-17.9	1.9	-16.6	24.5
Imports	-27.6	-28.4	-22.8	-2.7	-21.0	25.5
Oil	-36.8	-43.5	-34.2	-0.9	-30.9	52.4
Non-Oil	-24.2	-21.8	-17.6	-3.3	-17.0	17.3

Balance of Payments

- The overall balance of payments recorded a higher surplus of \$21 billion in the first quarter of 2010, compared to a \$12 billion surplus in the preceding quarter.
- This reflected the reversal in the financial account to a net inflow position, even as the current account surplus narrowed slightly.

Current Account

- There was a reduction in the goods account surplus, as imports grew faster than exports in this quarter compared to the preceding quarter.
- A fall in the services surplus was also recorded, reflecting an increase in royalty payments, and transportation payments associated with freight charges for imports.
- The declines in the goods and services accounts were partially offset by a lower deficit in the income balance, as income receipts exceeded payments during the quarter.

Capital and Financial Account

- The switch to an overall net inflow position in the financial account was mainly due to a larger net inflow in the "other investment" account and a smaller net outflow of portfolio investment.
- In the portfolio investment account, there was a reduction in the pullback of foreign funds from the domestic debt and equity markets.
- There was also a net inflow in the direct investment account, as the increase in foreign investment in Singapore exceeded that of outward investment by residents.

Exhibit 1.14: Balance of Payments

