

THE SINGAPORE ECONOMY

OVERVIEW

- Singapore continued to grow at a healthy pace of 6.1 per cent in the first quarter of 2007.
- Both domestic and external demand contributed to growth. Domestic demand was driven by strong private sector investment.
- Unemployment rate rose slightly to 2.9 per cent with more people entering the labour market under favourable economic conditions.
- Consumer price inflation remained low at 0.5 per cent, held down by cheaper cars, petrol and electricity tariffs.

OVERALL PERFORMANCE

[Tables 2.1-2.2 and A1.1-A1.2]

The Singapore economy continued to expand at a healthy pace of 6.1 per cent in the first quarter of 2007, following the 6.6 per cent growth in the previous quarter. Growth momentum (on an annualised quarter-on-quarter basis) was 7.6 per cent, just a shade lower than the 7.9 per cent in the fourth quarter of 2006.

GROSS DOMESTIC PRODUCT AT 2000 PRICES

[TABLE 2.1]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Percentage Change Over Same Period Of Previous Year					
TOTAL	10.1	8.0	7.0	6.6	7.9	6.1
Goods Producing Industries	15.1	10.3	8.9	7.2	10.2	4.9
Manufacturing	18.6	11.9	9.5	7.7	11.5	4.3
Construction	-0.7	0.9	5.8	4.7	2.7	9.7
Services Producing Industries	8.2	6.9	6.3	6.6	7.0	7.0
Wholesale & Retail Trade	14.8	9.5	10.4	6.9	10.3	6.7
Transport & Storage	5.3	4.0	4.0	4.0	4.3	4.4
Hotels & Restaurants	6.2	3.8	4.4	6.1	5.1	4.7
Information & Communications	5.1	3.7	3.6	6.0	4.6	6.6
Financial Services	8.7	9.6	7.4	11.1	9.2	12.9
Business Services	6.1	6.6	5.1	5.4	5.8	6.6
	Annualised Percentage Change Over Preceding Quarter					
TOTAL	9.1	5.4	3.9	7.9	7.9	7.6
Goods Producing Industries	3.4	1.5	11.9	11.1	10.2	-3.4
Manufacturing	3.4	2.3	12.3	11.5	11.5	-6.5
Construction	2.0	-6.9	12.5	12.2	2.7	22.4
Services Producing Industries	9.6	8.6	0.8	7.9	7.0	11.0
Wholesale & Retail Trade	26.2	0.8	8.2	-3.5	10.3	22.5
Transport & Storage	3.9	2.9	2.9	6.1	4.3	5.6
Hotels & Restaurants	8.0	5.7	1.5	9.7	5.1	1.9
Information & Communications	-2.0	7.4	6.8	11.6	4.6	1.9
Financial Services	13.6	25.1	-16.2	28.2	9.2	20.9
Business Services	0.1	9.9	4.0	7.9	5.8	4.7

Source: Singapore Department of Statistics

PERCENTAGE CONTRIBUTION TO GROWTH IN REAL GDP

[TABLE 2.2]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
TOTAL	10.1	8.0	7.0	6.6	7.9	6.1
Goods Producing Industries	4.5	3.1	2.8	2.4	3.2	1.5
Manufacturing	4.5	3.0	2.5	2.1	3.0	1.1
Construction	0.0	0.0	0.2	0.2	0.1	0.3
Services Producing Industries	5.2	4.4	4.0	4.0	4.4	4.4
Wholesale & Retail Trade	2.3	1.5	1.7	1.1	1.6	1.1
Transport & Storage	0.5	0.4	0.4	0.4	0.4	0.4
Hotels & Restaurants	0.1	0.1	0.1	0.1	0.1	0.1
Information & Communications	0.2	0.2	0.1	0.2	0.2	0.3
Financial Services	1.0	1.1	0.8	1.2	1.0	1.4
Business Services	0.7	0.7	0.6	0.6	0.6	0.7

Source: Singapore Department of Statistics

All sectors continued to see positive growth. In particular, the construction sector saw its strongest growth in 9 years while the financial sector continued to expand at a double-digit pace.

SOURCES OF GROWTH

[Tables 2.3 and A1.4-A1.5]

Total demand increased at a faster rate of 6.1 per cent compared with 4.5 per cent in the previous quarter. This was attributed to a pickup in both domestic and external demand growth.

*...total demand
increased at a faster
rate...*

EXTERNAL DEMAND

External demand grew faster as both goods and services exports saw higher growth...

External demand growth accelerated to 4.8 per cent, following a 3.4 per cent growth in the fourth quarter of 2006. This was due to faster growth in both goods and services exports. In particular, exports of beverages, chemicals and chemical products, manufactured goods, insurance and communications saw stronger growth.

DOMESTIC DEMAND

Domestic demand expanded by a faster pace...

Total domestic demand grew by 11 per cent, higher than the 8.6 per cent in the previous quarter. This was due to the strong growth in private investment and a slower contraction in public investment.

Consumption Expenditure

Private consumption expenditure growth decelerated...

Growth of private consumption expenditure eased to 2.3 per cent from 2.7 per cent in the previous quarter. This was due to a slowdown in spending on motor vehicles, housing and utilities, and a decline in expenditure on education and residents' expenditure abroad.

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

[TABLE 2.3]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Percentage Change Over Same Period Of Previous Year ¹					
TOTAL DEMAND	13.2	11.2	10.0	4.5	9.5	6.1
Total Domestic Demand	4.4	3.3	10.3	8.6	6.6	10.8
Final Domestic Demand	6.4	4.9	6.9	7.5	6.4	6.0
Consumption Expenditure	5.2	3.4	5.3	3.0	4.2	1.9
Public	13.4	8.7	18.7	3.8	11.2	0.9
Private	2.4	2.3	2.4	2.7	2.5	2.3
Gross Fixed Capital Formation	9.5	8.3	10.3	17.1	11.5	16.0
Public	-16.0	-12.2	-6.4	-10.6	-11.8	-4.3
Private	17.7	11.8	13.1	21.8	16.3	20.7
Changes in Inventories	-1.9	-1.2	1.9	0.5	-0.1	3.1
External Demand	16.0	13.6	9.9	3.4	10.4	4.8
	Percentage Contribution To Growth					
TOTAL DEMAND	13.2	11.2	10.0	4.5	9.5	6.1
Total Domestic Demand	1.0	0.7	2.1	1.8	1.5	2.4
Final Domestic Demand	1.6	1.1	1.5	1.7	1.5	1.4
Consumption Expenditure	1.0	0.5	0.8	0.4	0.7	0.3
Public	0.6	0.2	0.5	0.1	0.4	0.0
Private	0.3	0.3	0.3	0.3	0.3	0.3
Gross Fixed Capital Formation	0.7	0.6	0.7	1.2	0.8	1.1
Public	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1
Private	1.0	0.7	0.8	1.3	1.0	1.2
Changes in Inventories	-0.6	-0.4	0.6	0.1	0.0	0.9
External Demand	12.2	10.5	7.9	2.7	8.1	3.7

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

Source: Singapore Department of Statistics

Gross Fixed Capital Formation

Growth was marginally lower...

Gross fixed capital formation grew by 16 per cent on the heels of a 17 per cent growth in the previous quarter. The expansion continued to be driven by private investment. On the other hand, public investment contracted at a slower rate due to higher investment in transport equipment, and machinery, equipment and software.

LABOUR MARKET

EMPLOYMENT

[Table A2.1]

Strong employment due to healthy economic growth...

The labour market saw strong employment gains in the first quarter on the back of healthy economic growth. Preliminary estimates show that total employment increased 48,000, higher than the gains of 45,000 in the same quarter a year ago, but lower than the 51,500 in the fourth quarter of 2006.

All major sectors added workers, led by services with gains of 33,400 workers. The increase in employment came from business services (9,400), wholesale and retail trade (5,700), financial services (5,200), hotels and restaurants (1,900) and information and communications (1,200). The other services industries comprising health, education and personal services employed 10,200 more workers.

The manufacturing sector created 9,500 jobs. Driven by the expansion in building activities, construction increased its workforce by 5,000, continuing the uptrend that started two years ago.

...strong employment gains on the back of healthy economic growth...

UNEMPLOYMENT

[Chart 2.1]

Unemployment edged up as more people entered the labour market...

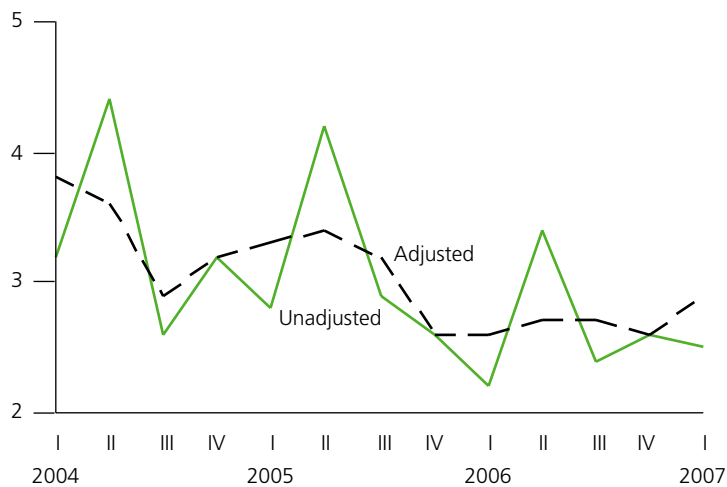
The seasonally-adjusted overall unemployment rate was 2.9 per cent in March 2007, up from 2.6 per cent in December 2006. The seasonally-adjusted resident unemployment rate also rose in March 2007 to 4.0 per cent, up from 3.6 per cent in December 2006. The rise in unemployment rate was a reflection of more people entering the labour market on the back of favourable economic conditions¹.

On a non-seasonally adjusted basis, the overall unemployment rate fell slightly from 2.6 per cent in December 2006 to 2.5 per cent in March 2007, as students seeking year-end vacation jobs returned to their studies. Among the resident labour force, the non-adjusted unemployment rate was 3.4 per cent, also lower than the 3.6 per cent in December 2006. An estimated 66,000 residents were unemployed in March 2007. The seasonally-adjusted figure was 77,000.

UNEMPLOYMENT RATE

[Chart 2.1]

Per Cent



¹ The rise in unemployment rate is driven by an increase in labour supply. The resident labour supply is estimated to have increased by 16,300 in the first quarter of 2007. This is higher than the average increase over the last two years, when favourable economic conditions also led to an increase of resident labour supply in the first quarter but by a lower average of 10,700. In contrast, in earlier years the resident labour supply typically shrinks in the first quarter from the seasonally high gains at year end – on average, it shrank by 11,700 in the first quarter of 2001 to 2004.

RETRENCHMENT

[Chart 2.2]

Fewer workers were retrenched...

Preliminary findings show that 1,800 workers were retrenched in the first quarter². This was lower than the 3,215 retrenched in the previous quarter and 3,653 in the same quarter a year ago.

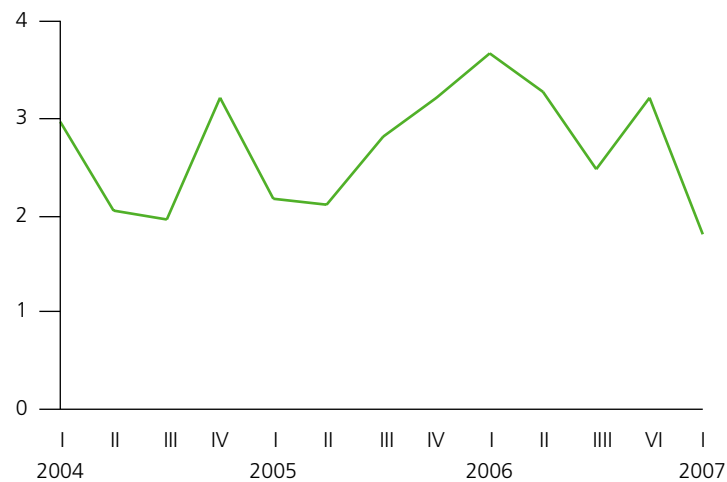
The majority of the workers were retrenched from manufacturing (1,300), reflecting the on-going restructuring in the electronics industry (600). Retrenchments were also felt in the fabricated metal (100) and electrical (100) manufacturing industries.

Another 500 of the workers laid off came from the services industries, mainly in wholesale and retail trade (100), restaurants (100) and community, social and personal services (100).

RETRENCHMENT

[Chart 2.2]

Thousand Number



...fewer workers retrenched...

COMPETITIVENESS

PRODUCTIVITY

[Table A2.2 and Chart 2.3]

Productivity declined further...

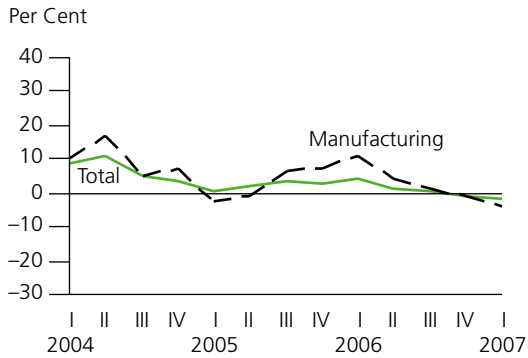
Overall labour productivity declined by 1.6 per cent following a 0.7 per cent drop in the previous quarter. Most sectors saw negative or slower productivity growth, as the pace of employment creation outweighed output growth.

² Prior to 2006, the survey covers private sector establishments each with at least 25 employees. From 2006 onwards, the survey also includes government ministries, organs of state and statutory boards.

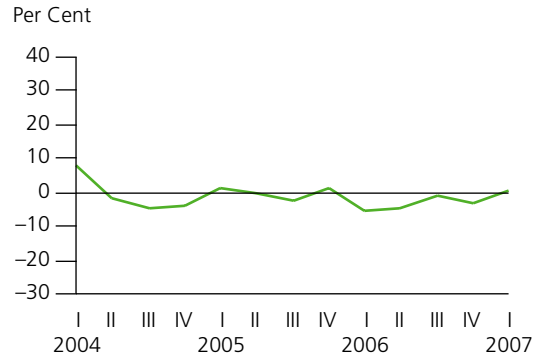
CHANGES IN LABOUR PRODUCTIVITY BY INDUSTRY

[Chart 2.3]

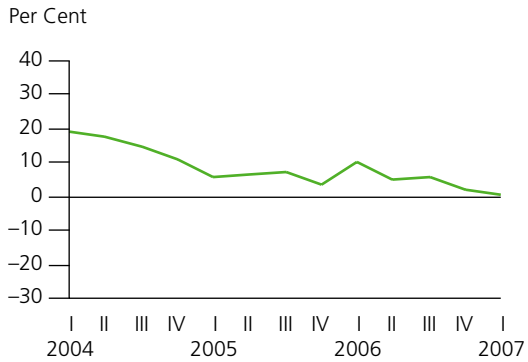
TOTAL AND MANUFACTURING



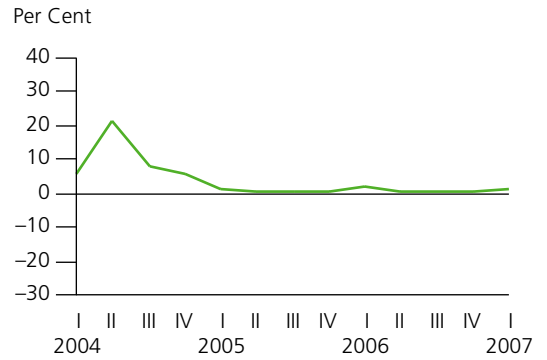
CONSTRUCTION



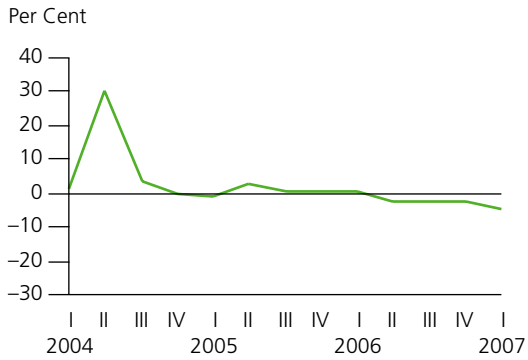
WHOLESALE & RETAIL TRADE



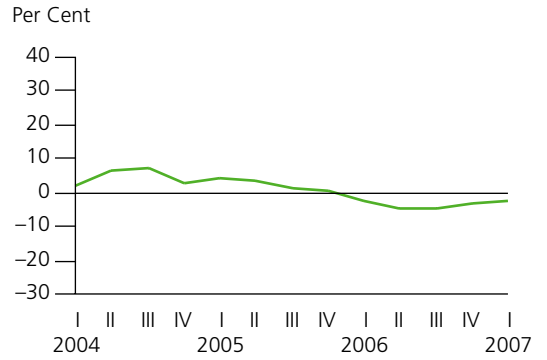
TRANSPORT & STORAGE



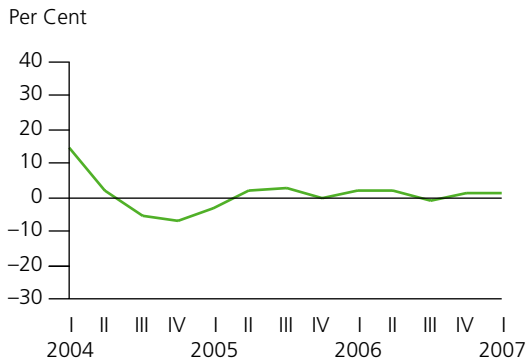
HOTELS & RESTAURANTS



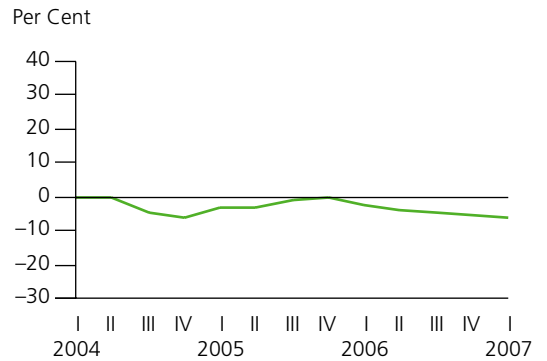
INFORMATION & COMMUNICATIONS



FINANCIAL SERVICES



BUSINESS SERVICES



Labour productivity in manufacturing fell by 4.1 per cent compared with a 0.8 per cent drop in the fourth quarter. After four consecutive quarters of contraction, the construction sector saw a turnaround, with 0.8 per cent growth in productivity.

In the services sector, productivity dipped by 0.4 per cent compared with a 0.3 per cent drop in the previous quarter. The transport and storage, financial services and wholesale and retail trade saw positive productivity growth of 1.5 per cent, 1.2 per cent and 0.7 per cent respectively. The other sectors, however, posted declines in productivity, viz. information and communications (-2.8 per cent), hotels and restaurant (-4.8 per cent), business services (-5.8 per cent) and other services (-0.9 per cent).

UNIT LABOUR COST AND UNIT BUSINESS COST

[Table A2.3 and Chart 2.4]

Overall ULC continued to rise...

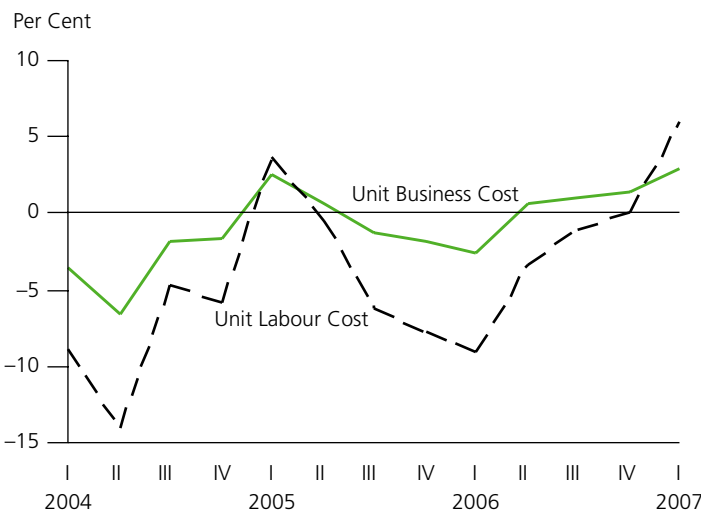
The overall unit labour cost (ULC) climbed higher by 5.4 per cent following a marginal increase of 0.1 per cent in the preceding quarter. Similarly, the manufacturing ULC also rose, from 0.1 per cent in the previous quarter to 6.0 per cent.

The unit business cost (UBC) index of manufacturing increased by 2.9 per cent in the first quarter following a 1.4 per cent growth in the previous quarter. All three components rose, viz. manufacturing ULC, services costs and government rates and fees. The increase in services costs and government rates and fees was due mainly to the increase in rentals and higher property tax as a result of higher property prices respectively.

...higher unit labour cost...

CHANGES IN INDICES OF UNIT BUSINESS COST AND UNIT LABOUR COST OF MANUFACTURING

[Chart 2.4]



INVESTMENT COMMITMENTS

Manufacturing

[Tables A8.2–8.3 and Chart 2.5]

Foreign interest in electronics remained strong...

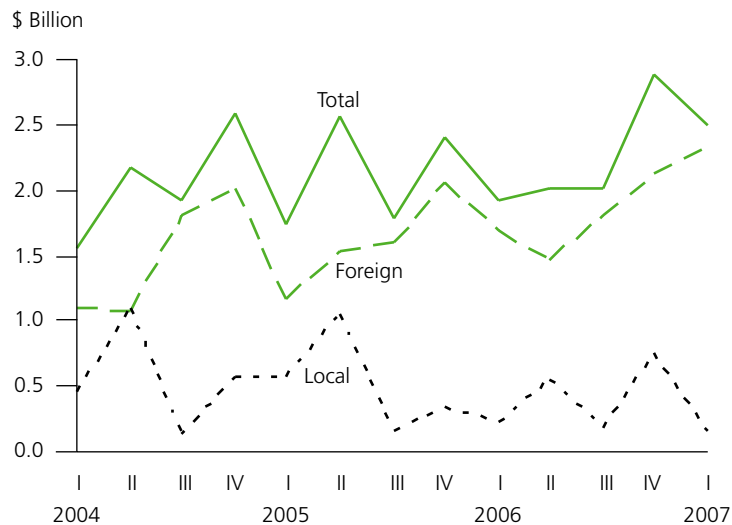
Manufacturing investment commitments in fixed assets in the first quarter totalled \$2.5 billion. These projects are expected to generate value-added of \$0.9 billion and more than 5,000 jobs when fully operational.

Foreign commitments made up 94 per cent (\$2.3 billion) of total commitments. The US was the biggest contributor, accounting for 42 per cent of the total or \$1.1 billion. This was followed by investors in the EU and Japan, which contributed \$698 million and \$219 million respectively.

The electronics cluster attracted strong foreign interest, garnering \$1.1 billion in investment commitments in the first quarter. This was followed by the chemicals and biomedical manufacturing clusters, which pulled in \$805 million and \$300 million respectively.

INVESTMENT COMMITMENTS IN MANUFACTURING

[Chart 2.5]



Services

Headquarters and professional services attracted most of the investment commitments in services industries...

Investment commitments in services promoted by EDB amounted to \$832 million in total business spending in the first quarter. When fully realised, these commitments would generate value-added of \$1.1 billion and more than 2,500 jobs, of which 94 per cent will be for skilled professionals.

Foreign investors contributed \$721 million worth of services commitments, about 87 per cent of the total. Of this, EU investors accounted for the lion's share of 43 per cent, followed by the US (39 per cent) and Japan (3 per cent). Among EU investors, the bulk of commitments came from the UK, Germany and France.

Some \$512 million in commitments went into the headquarters and professional services cluster. The infocomms and media cluster garnered \$173 million worth of commitments, mostly in the media & digital entertainment industries. The engineering and environmental services cluster attracted another \$107 million, mainly in the engineering services and land transport services industries.

PRICES

CONSUMER PRICE INDEX

[Tables 2.4 and A3.1]

Consumer prices fell with lower car prices and cheaper petrol...

The consumer price index (CPI) for the first quarter fell by a seasonally-adjusted 0.2 per cent over the previous quarter. Lower electricity tariffs and housing maintenance charges, as well as lower prices of car and petrol more than offset the rise in food, holiday travel, education and healthcare costs.

On a year-on-year basis, the CPI was 0.5 per cent higher, similar to the 0.6 per cent gain in the last quarter of 2006. Much of the increase was due to dearer food and higher taxi fares. Higher costs of holiday travel and increased tuition fees also contributed to the rise in CPI. On the other hand, lower prices of cars and petrol, as well as electricity tariffs restrained overall consumer price inflation.

Among the major categories of consumer items, food prices were up by 2.0 per cent on a year-on-year basis. Healthcare costs edged up 1.4 per cent while recreation costs were 1.2 per cent higher on account of higher cost of holiday travel and dearer cigarettes. Costs of education rose 1.1 per cent because of higher fees at universities, commercial institutions and kindergartens. Clothing and footwear prices were 0.2 per cent higher while housing costs fell by 0.3 per cent, reflecting lower electricity tariffs and domestic refuse removal fees. Costs of transport and communications dropped by 1.3 per cent due to lower car prices and cheaper petrol.

...consumer prices contained by lower prices of car and petrol...

PRICE INDICES

[TABLE 2.4]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Percentage Change Over Same Period Of Previous Year					
Consumer Price Index	1.4	1.2	0.7	0.6	1.0	0.5
Domestic Supply Price Index	10.2	8.1	4.0	-1.6	5.0	-1.7
Export Price Index	5.3	4.0	1.5	-2.2	2.1	-2.9
Import Price Index	6.5	5.3	2.0	-2.1	2.9	-1.8

Source: Singapore Department of Statistics

PRODUCER PRICE INFLATION

[Tables 2.4 and A3.2]

Lower prices for fuel and electronics keep producer prices in check...

With lower fuel prices, producer prices in the first quarter were generally lower than the previous quarter. The Domestic Supply Price Index (DSPI) rose marginally by 0.2 per cent over the fourth quarter last year. This was due to higher prices of sand, ready-mixed concrete, granite, and iron & steel products, which offset the drop in prices of electronics such as printed circuits, integrated circuits and disk drives. Similarly, the Import Price Index (IPI) edged up by 0.1 per cent. In contrast, the Singapore Manufactured Products Price Index (SMPPPI) and Export Price Index (EPI) fell by 1.1 per cent and 1.4 per cent respectively. These declines reflected lower prices for integrated circuits, disk drives, parts of data processing peripherals and aviation turbine fuel.

When compared over the corresponding period a year ago, all the producer price indices fell. The SMPPPI and IPI fell by 1.8 per cent while DSPI and EPI fell by 1.7 per cent and 2.9 per cent respectively. Main items contributing to the decline include crude petroleum, fuel oils and integrated circuits.

EXTERNAL BALANCE

TRADE³

[Tables 2.5, A6.1–A6.7 and Chart 2.6]

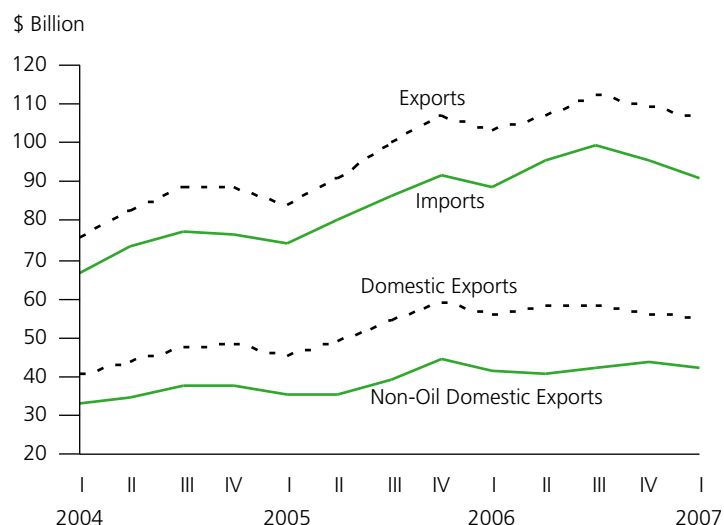
External trade continued to expand...

Singapore's external trade continued to expand by 2.9 per cent in the first quarter, similar to the 3.0 per cent growth in the fourth quarter of 2006. Total trade reached \$197 billion, slightly lower than the previous quarter's \$205 billion.

In volume terms, total trade grew by 4.8 per cent in the first quarter, marginally lower than the 5.2 per cent increase in the previous quarter.

EXTERNAL TRADE

[Chart 2.6]



³ All growth rates cited in this section are in nominal terms unless otherwise indicated. The base year for trade in constant prices is 2000.

EXTERNAL TRADE AT CURRENT PRICES

[TABLE 2.5]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Percentage Change Over Same Period Of Previous Year					
EXPORTS	22.4	17.3	12.2	2.0	12.8	3.4
Domestic Exports	22.5	18.0	6.9	-4.9	9.6	-1.4
Oil	42.0	26.2	8.5	-15.7	12.9	-11.6
Non-Oil	16.8	14.9	6.3	-1.4	8.5	2.1
Re-Exports	22.3	16.4	18.5	10.5	16.6	9.2
IMPORTS	19.1	18.4	14.8	4.2	13.7	2.3

Source: International Enterprise Singapore

Exports*Total export growth led by increased re-exports...*

Total exports grew by 3.4 per cent in the first quarter, faster than the 2.0 per cent increase in the fourth quarter. This was driven by increased re-exports which offset the decline in domestic exports. Re-exports rose by 9.2 per cent in the quarter, slightly slower than the preceding quarter's 11 per cent. On the other hand, domestic exports continued to contract by 1.4 per cent in the first quarter following a 4.9 per cent fall in the fourth quarter.

Non-oil Domestic Exports*Improved NODX due to stronger growth of non-electronics NODX...*

Non-oil domestic exports (NODX) grew by 2.1 per cent in the first quarter, an improvement from the 1.4 per cent contraction in the last quarter. The improvement in NODX growth was due to stronger growth of non-electronics NODX while domestic exports of electronics continued to decline.

Growth of non-electronics NODX nearly doubled to 14 per cent in the first quarter, up from the previous quarter's 7.2 per cent. The continued increase in non-electronics domestic exports could be attributed to higher shipments of pharmaceuticals, petrochemicals, and ships and boats. The 26 per cent growth in pharmaceutical NODX was supported by increased sales to the US, the EU and Canada. Higher domestic exports of petrochemicals to Malaysia, Indonesia, Thailand and India also helped to drive the 11 per cent expansion in petrochemical domestic exports. Domestic exports of ships and boats grew by almost 6 times in the quarter on increased shipments to Australia.

On the other hand, electronics NODX fell by 11 per cent in the first quarter compared to a 10 per cent dip in the previous quarter. The continued contraction of electronics NODX was due to lower sales of integrated circuits (ICs), disk drives, diodes and transistors, and consumer electronics.

*...strong growth of
non-electronics
NODX...*

Major Export Markets

Major export markets saw contraction of exports...

The top ten NODX markets accounted for 84 per cent of Singapore's total NODX in the first quarter. With the exception of the US, Malaysia and China, NODX to the top ten markets contracted. Growth of NODX to the US was supported by higher domestic exports of pharmaceuticals, telecommunications equipments and parts of ICs. Increased sales of ICs and petrochemicals led the growth of NODX to Malaysia while higher domestic exports of disk media products, heating and cooling equipment, and parts of ICs boosted NODX to China.

NODX to emerging markets contracted marginally by 0.4 per cent in the first quarter compared to a 2.9 per cent drop in the previous quarter. Higher NODX to India and the Middle East was offset by declines in NODX to Latin America and the Caribbean.

Oil Domestic Exports

Oil domestic exports continued to contract due to lower oil prices...

Oil domestic exports continued to contract by 12 per cent in the first quarter following a 16 per cent drop in the last quarter due to lower oil prices. The decline in oil domestic exports in the quarter was largely due to weaker sales to Hong Kong, Malaysia, Australia and Japan. In volume terms, oil domestic exports continued to fall by 4.6 per cent in the first quarter, moderating from the preceding quarter's 13 per cent drop.

Non-oil Re-Exports

NORX supported by faster growth of non-electronics NORX...

Non-oil re-exports (NORX) increased by 5.8 per cent in the first quarter, comparable to the 6.3 per cent growth in the fourth quarter. Supported by increased re-exports of aircraft, aluminium, civil engineering equipment parts and zinc, growth of non-electronics NORX rose to 10 per cent in the first quarter, up from 7.7 per cent in the preceding quarter. On the other hand, electronics re-exports growth moderated to 2.9 per cent, down from the previous quarter's 5.4 per cent, as re-exports of consumer electronics and disk drives declined.

NORX to the top ten NORX markets continued to expand in the first quarter, except for the US, the EU 27, Japan and Taiwan. Among the top ten markets, Hong Kong, China and Indonesia made the largest contributions to NORX growth. Increased shipments of ICs, parts of personal computers (PCs) and aircraft led the 27 per cent expansion of NORX to Hong Kong. NORX to China rose by 23 per cent due to higher re-exports of ICs, aircraft and parts of ICs. NORX to Indonesia grew by 13 per cent in the quarter, supported mainly by higher re-exports of telecommunications equipments and PCs.

Imports

Moderated non-oil imports as electronics imports declined...

Non-oil imports (excluding aircraft and ships) grew by 2.0 per cent in the first quarter, marginally slower than the preceding quarter's 2.6 per cent gain. The sustained growth of non-oil imports was driven primarily by non-electronics imports while electronics imports declined in the quarter. On the back of increased purchases of civil engineering equipment parts, pharmaceuticals and specialised machinery, non-electronics imports grew by 7.9 per cent in the first quarter, slightly higher than the previous quarter's 7.7 per cent. On the other hand, electronics imports fell 4.0 per cent as imports of consumer electronics, parts of PCs, disk drives, and diodes and transistors declined.

Oil imports continued to decline by 2.7 per cent in the first quarter compared to a 3.4 per cent contraction in the previous quarter. However, in volume terms, growth of oil imports picked up to 4.4 per cent from 1.8 per cent in the preceding quarter.

BALANCE OF PAYMENTS

[Tables 2.6, A7.1 and Chart 2.7]

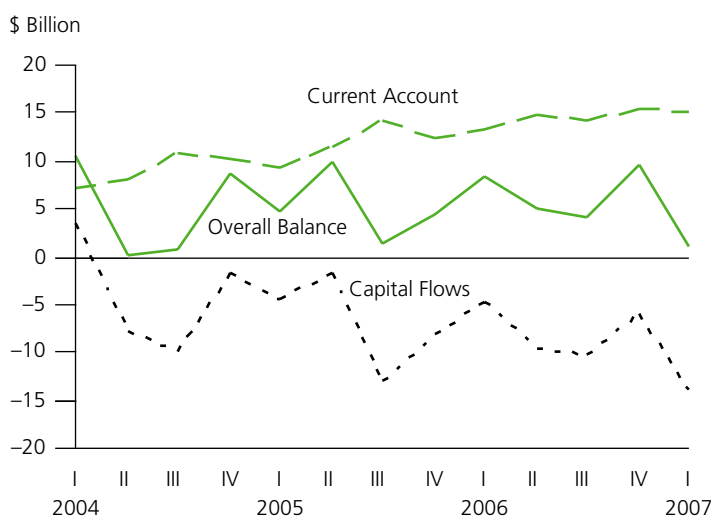
Overall balance of payments surplus fell significantly...

Singapore's overall balance of payments surplus fell significantly to \$1.1 billion from \$9.5 billion in the preceding quarter. This was mainly due to the increase in net outflows from the capital and financial account, while the current account surplus remained largely unchanged. Singapore's official foreign reserves declined slightly to \$209 billion (equivalent to 6.6 months of merchandise imports) during the quarter.

...increase in net outflows from the capital and financial accounts...

BALANCE OF PAYMENTS

[Chart 2.7]



BALANCE OF PAYMENTS

[TABLE 2.6]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Million Dollars					
A Goods Balance	17,469	17,275	17,352	18,959	71,054	18,830
Exports of Goods	103,936	108,510	113,405	110,781	436,632	107,617
Imports of Goods	86,467	91,235	96,053	91,823	365,578	88,787
B Services Balance	-1,999	-1,040	-896	-629	-4,564	-2,635
C Income Balance	-1,677	-902	-1,616	-2,438	-6,633	-426
D Current Transfers (Net)	-554	-516	-551	-575	-2,197	-600
E Current Account Balance (A+B+C+D)	13,239	14,817	14,289	15,317	57,661	15,169
F Capital Account (Net)	-86	-97	-98	-79	-360	-93
G Financial Account (Net)	-5,698	-9,785	-8,980	-8,439	-32,902	-12,696
Direct Investment	6,271	9,370	4,144	4,972	24,757	9,196
Portfolio Investment	-4,163	-10,903	-4,099	-3,372	-22,536	1,766
Other Investment	-7,806	-8,252	-9,026	-10,040	-35,123	-23,658
H Capital and Financial Account Balance	-5,784	-9,881	-9,078	-8,519	-33,262	-12,788
I Net Errors and Omissions	933	180	-1,205	2,688	2,597	-1,240
J Overall Balance (E+H+I)	8,388	5,116	4,006	9,487	26,996	1,141
K Official Reserves (Net)¹	-8,388	-5,116	-4,006	-9,487	-26,996	-1,141

¹ Increase in assets is indicated by a minus (-) sign.

Source: Singapore Department of Statistics

Current Account

The current account remained largely unchanged in the first quarter...

The current account continued to record a surplus of \$15 billion in the first quarter. While the deficit in the services balance widened by \$2.0 billion, this was offset by a reduction in the income deficit of similar magnitude. The strong surplus in the goods balance also remained largely unchanged from the previous quarter.

The services deficit widened from \$629 million to \$2.6 billion over the quarter, reflecting a fall in exports accompanied by a rise in imports. This was the case for transportation, other business services and, to a smaller extent, financial services. On the income balance, the improvement in its deficit was due to the increase in income receipts from abroad and a concurrent fall in income payments to foreign investors.

Exports of goods declined by \$3.2 billion to \$108 billion in the first quarter, reflecting continued weakness in the electronics industry. At the same time, imports of goods fell by \$3.0 billion. As a result, the surplus in the goods balance declined only marginally by \$129 million to \$19 billion.

Capital and Financial Account

The increase in net outflows from the financial account was in "other investment" ...

The capital and financial account registered a larger net outflow of \$13 billion in the first quarter compared with \$8.5 billion in the previous quarter. This was attributed to the surge in net "other investment" outflows, while both direct and portfolio investments recorded net inflows.

"Other investment" net outflows more than doubled from \$10 billion to \$24 billion during the quarter, reflecting the reversal from a net inflow of \$1.9 billion to a net outflow of \$14 billion in the banking sector. In particular, there was a significant increase in short-term inter-bank loans, including those to the Asian Dollar Market. In the non-bank private sector, residents also increased their deposits in the ACU, contributing slightly to the rise in "other investment" outflows.

*...significant increase
in short-term
inter-bank loans...*

In contrast, portfolio investment registered a net inflow of \$1.8 billion in the first quarter, turning around from the net outflows of \$3.4 billion previously. This largely reflected the reduction in local investors' purchase of debt securities abroad. There was also an increase in foreigners' investment in the domestic debt and equity markets.

Direct investment also registered a higher net inflow of \$9.2 billion in the first quarter, compared with \$5.0 billion in the preceding quarter. Notably, foreign direct investment in Singapore reached \$12 billion in the first quarter, compared with \$9.7 billion in the fourth quarter. At the same time, outbound direct investment by residents also moderated during the quarter.