

# Country Analyst

UOB Economic-Treasury Research  
Company Reg No. 193500026Z



**Chow Penn Nee** [Chow.PennNee@uobgroup.com](mailto:Chow.PennNee@uobgroup.com)  
**Jimmy Koh** [Jimmy.KohCT@uobgroup.com](mailto:Jimmy.KohCT@uobgroup.com)

**Friday, 19 February 2010**  
UOB Economic-Treasury Research

## Singapore: 4Q GDP Revised Upwards on Stronger Manufacturing Growth

- Singapore's 4Q GDP was slightly higher compared to the advance estimates, at -2.8% q/q saar and +4.0% y/y (adv est: -6.8% q/q saar and +3.5% y/y), on stronger manufacturing production as well as services growth.
- MTI has revised its projection for 2010 GDP upwards, to 4.5-6.5% from 3.0-5.0% for this year.
- In the 4Q, manufacturing growth was more robust at 2.2% y/y compared to 1.0% in the advance estimates, on the low base from last year.
- The services sector came in better than advance estimates, at 4.1% y/y in the 4Q, compared to 3.7% y/y.
- The signs of a recovery look clear. Industrial output should also be ramping up this year on the back of increasing external demand. The construction sector should also continue to benefit from government proposals to develop infrastructure as well as rejuvenating some housing estates. We expect services, particularly retail, and hotels, to get an uplift from the 2 IRs.
- The official forecast for CPI inflation in 2010 has been revised downwards to 2.0-3.0% from 2.5-3.5%, due to the rebasing of the CPI.

Singapore's 4Q GDP was slightly higher compared to the advance estimates, at -2.8% q/q saar and +4.0% y/y (adv est: -6.8% q/q saar and +3.5% y/y), on stronger manufacturing production as well as services growth. The data was largely in line with our expectations (-5.9% q/q saar, +4.1% y/y), and consensus (-5.2% q/q saar, +4.0% y/y). MTI has revised its projection for 2010 GDP upwards, to 4.5-6.5% from 3.0-5.0% for this year, noting the pick up in trade flows, industrial production and financial markets.

In the 4Q, manufacturing growth was more robust at 2.2% y/y compared to 1.0% in the advance estimates, on the low base from last year. However, the on-year growth rate was much lower than 3Q's 7.6%, since pharma production dropped sharply, by 24% in the 4Q. This was attributed to pharma plants changing the composition of their output, and plant shut-downs due to maintenance. On quarter, manufacturing contracted 29.0% on the wane in pharmaceutical production, compared to a growth of 25.6% in the 3Q. The services sector came in better than advance estimates, at 4.1% y/y in the 4Q, compared to 3.7% y/y. Improvement was made across all the segments, especially as tourism-driven services such as hotels, F&B and retail sectors picked up. The 4Q saw all the segments return to growth, from contractions in the 3Q. Most of the segments in the services sector recorded relatively small growth rate, except for financial services, which expanded 10.8%, on a low base, as the segment was directly impacted by the crisis last year. On a q/q basis however, most of the segments in the services sector recorded double digit growth, with financial services the glaring exception, shrinking 8.2%, in tandem with some pullback in the domestic stock market volume and loans growth slipping in the 4Q. For the full year 2009, the economy contracted 2.0%, a tad better than the -2.1% in the advance estimates. Manufacturing shrank 4.1%, as the boost in pharma production lifted manufacturing numbers. The services sector picked up towards the latter half of the year to contract 2.2% for the full year.

The signs of a recovery look clear. Industrial output should also be ramping up this year on the back of increasing external demand. The construction sector should also continue to benefit from government proposals to develop infrastructure as well as rejuvenating some housing estates. We expect services, particularly retail, and hotels, to get an uplift from the 2 IRs. The novelty factor would attract tourist arrivals and boost growth at least for this year and next. For 1Q, we

can already expect a relatively high growth number due to the low base effect, with GDP possibly even hitting double digit growth rates. The next quarter should see more of a positive impact from the IRs, with Marina Bay Sands expected to open in Apr. We are looking at GDP growth of 5.8% for this year from our previous forecast of 4.5%.

The official forecast for CPI inflation in 2010 has been revised downwards to 2.0-3.0% from 2.5-3.5%, due to the rebasing of the CPI.

4Q GDP Slightly Higher Compared to Advance Estimates											
	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q09	2Q09	3Q09	4Q09
	y/y% change							q/q saar %			
Real GDP	-4.2	1.4	-9.4	-3.1	0.6	4.0	-2.0	-7.1	16.2	11.5	-2.8
<u>Sectoral Breakdown</u>											
Goods-Producing Industries	-5.9	-1.0	-17.0	2.1	7.7	3.6	-1.1	-7.7	32.3	20.8	-21.2
Manufacturing	-10.7	-4.2	-23.8	-0.4	7.6	2.2	-4.1	-8.4	35.3	25.6	-29.0
Construction	22.5	20.8	24.4	19.0	11.5	11.2	16.0	-1.4	27.8	3.8	16.4
Services-Producing Industries	-1.1	5.4	-5.3	-5.0	-2.3	4.1	-2.2	-6.9	8.6	8.2	6.6
Wholesale/Retail Trade	-5.1	4.0	-15.0	-13.9	-8.9	2.2	-9.1	-19.4	3.0	12.5	14.2
Transport & Storage	-2.7	2.9	-9.8	-10.7	-7.5	0.1	-7.0	-25.3	3.4	10.3	17.7
Hotels/Restaurants	-0.7	0.9	-5.3	-5.6	-2.2	0.9	-3.0	-14.3	-2.1	10.5	11.3
Information & Communications	5.5	7.3	1.7	0.2	-0.4	1.6	0.8	-7.2	5.2	3.4	5.5
Financial Services	-9.3	6.2	-8.8	-4.9	-0.8	10.8	-1.4	22.5	28.4	4.4	-8.2
Business Services	6.6	8.2	4.3	3.1	2.6	3.3	3.3	-5.4	5.7	8.1	5.2
Source: MTI											

Disclaimer: This analysis is based on information available to the public. Although the information contained herein is believed to be reliable, UOB Group makes no representation as to the accuracy or completeness. Also, opinions and predictions contained herein reflect our opinion as of date of the analysis and are subject to change without notice. UOB Group may have positions in, and may effect transactions in, currencies and financial products mentioned herein. Prior to entering into any proposed transaction, without reliance upon UOB Group or its affiliates, the reader should determine, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of the transaction and that the reader is able to assume these risks. This document and its contents are proprietary information and products of UOB Group and may not be reproduced or otherwise.