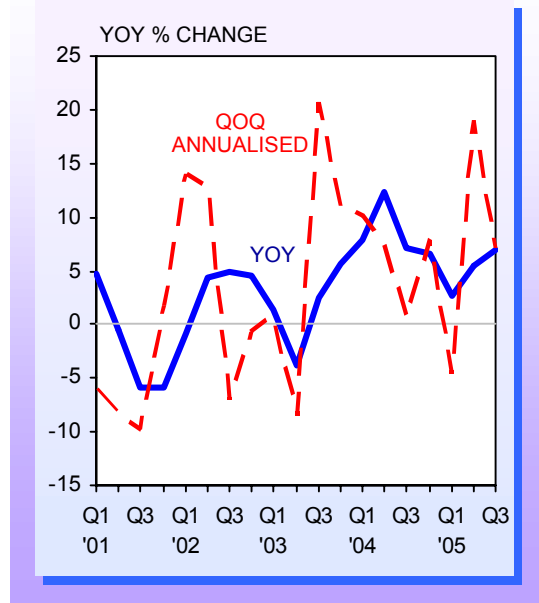


PERFORMANCE OF THE SINGAPORE ECONOMY IN THIRD QUARTER 2005 AND OUTLOOK FOR 2005 AND 2006

Overall Performance

Growth of the Singapore economy accelerated to 7.0% in 3Q05, from 5.4% in 2Q05. This brings economic growth in the first three quarters of 2005 to 5.1%. The growth momentum (on an annualised quarter-on-quarter basis) was 7.1% in 3Q05, compared with 19% a quarter earlier.

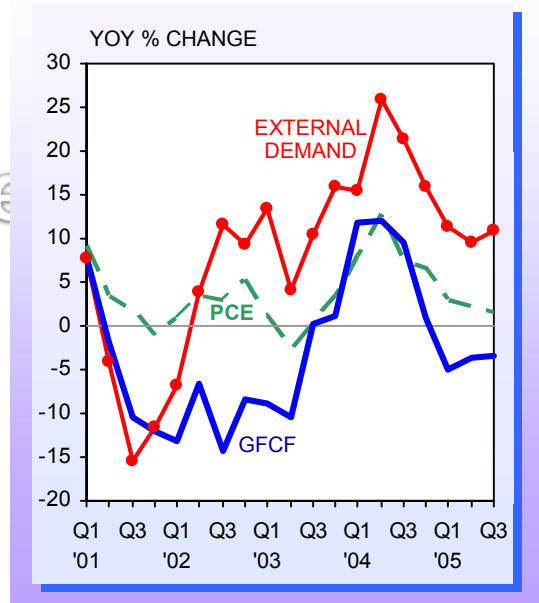
**EXHIBIT 1
REAL GDP GROWTH**



Sources of Growth

Total demand rose by 8.7% in 3Q05, following a gain of 6.8% a quarter earlier. This reflected stronger contributions from both external and domestic demand. Growth of external demand rose to 11%, from 9.6% in 2Q05. Stronger export performance of both goods and services underpinned this improvement. Total domestic demand grew by 1.1%, compared with a contraction of 1.6% in the previous three-month period. The turnaround reflected mainly a smaller drawdown in business inventory, compared with the same quarter in 2004. This raised the contribution of inventory changes to economic growth.

**EXHIBIT 2
SOURCES OF GROWTH**



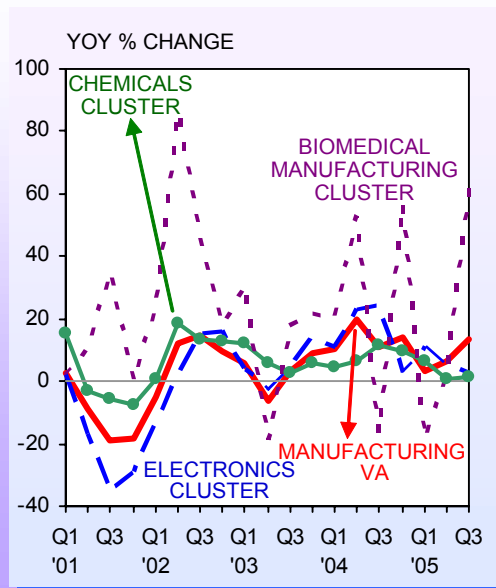
Sectoral Performance

In 3Q05, manufacturing activity expanded at more than twice the rate in 2Q05. The services industries registered gains similar to those a quarter earlier. (See *Annex*).

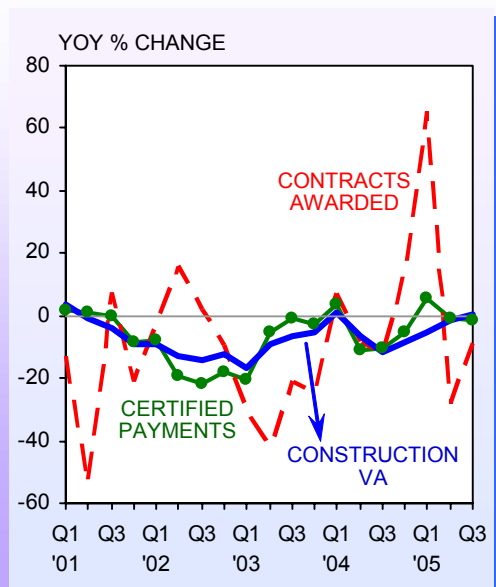
GROWTH IN THE MANUFACTURING SECTOR leapt to 13%, from 6.4% in 2Q05. A surge in biomedical output accounted for much of this improvement. In 3Q05, growth in the biomedical cluster rose to 62%, from 2.8% in 2Q05. Modest improvements were also seen in the chemicals and precision engineering clusters during the quarter. Rates of growth, however, eased in the electronics, transport engineering and general manufacturing clusters. Reflecting weaker gains in production of data storage devices, growth of electronics output came in at a lower 2.9%, compared with 4.9% a quarter ago.

THE CONSTRUCTION SECTOR registered growth of 0.5% in 3Q05, compared with a decline of 1.3% in 2Q05. The positive growth rate, however, reflected mainly the low base in the same quarter last year, as growth momentum on a seasonally-adjusted quarter-on-quarter basis remained negative. Continued weakness in the sector was also reflected by declines in certified payments and contracts awarded, by 1.7% and 9.1% respectively.

**EXHIBIT 3
MANUFACTURING SECTOR**

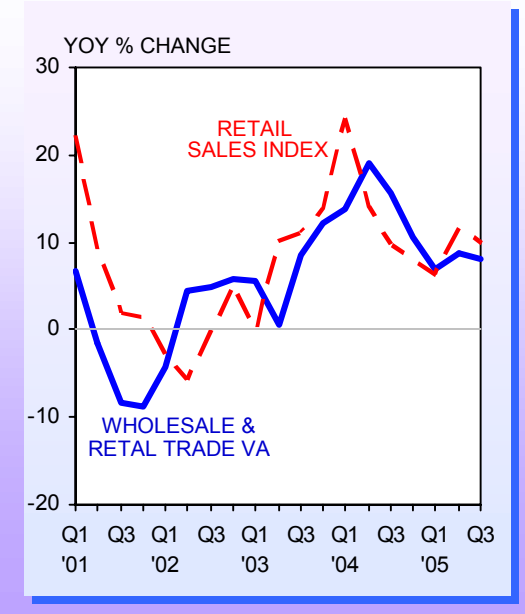


**EXHIBIT 4
CONSTRUCTION SECTOR**



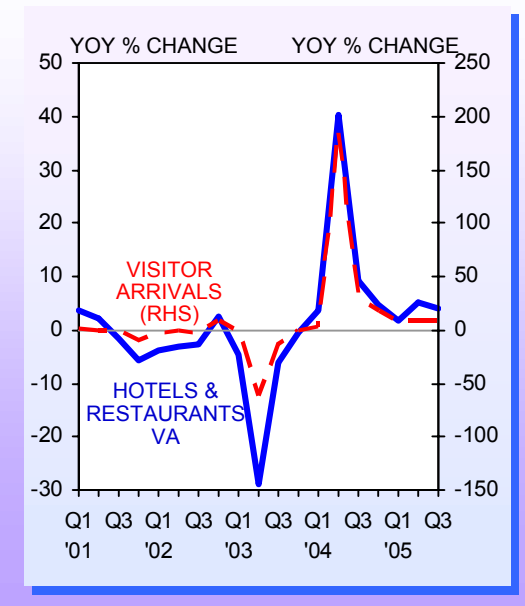
THE WHOLESALE AND RETAIL TRADE SECTOR expanded by 8.0% in 3Q05, following a gain of 8.7% in 2Q05. Entrepot trade remained robust in the quarter, with non-oil re-exports growing 12%. Domestic trade improved further. Excluding motor vehicles, retail sales grew by 7.9% after a smaller gain of 7.5% in 2Q05. Slower growth in the motor vehicles segment, however, led to a moderation of overall retail sales growth to 9.9%, from 12% a quarter earlier.

EXHIBIT 5 WHOLESALE AND RETAIL TRADE SECTOR



THE HOTELS AND RESTAURANTS SECTOR registered a 4.1% gain in 3Q05, compared to 5.2% in 2Q05. Steady gains in this sector reflected the continuing strength in visitor arrivals, which rose by 8.4% in the quarter. This bolstered occupancy rates and room revenues for hotels. Restaurants too enjoyed a moderate increase in sales in the quarter.

EXHIBIT 6 HOTELS AND RESTAURANTS SECTOR

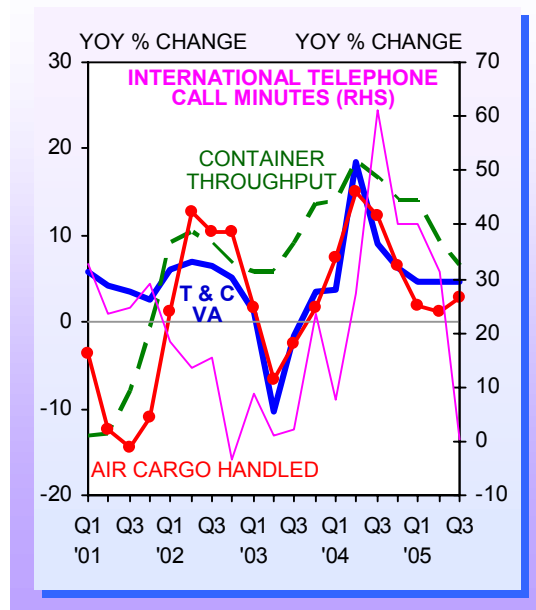


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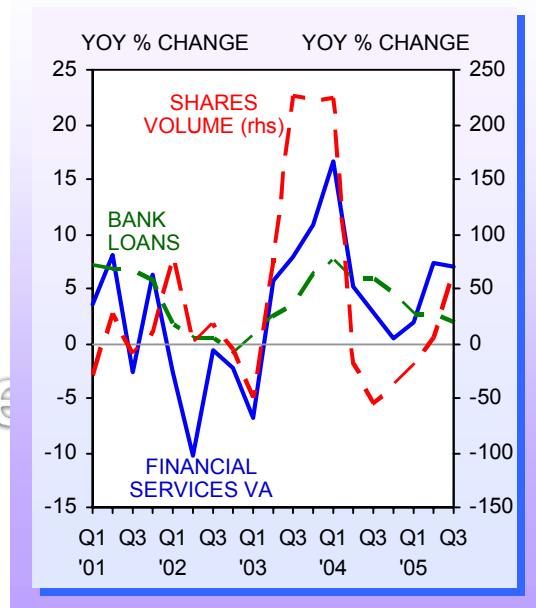
GROWTH IN THE TRANSPORT AND COMMUNICATIONS SECTOR remained at 4.6% in 3Q05, unchanged from the previous quarter. While most segments reported stronger growth, decelerating growth in water transport and storage services offset these gains. The air segment saw faster growth in air cargo volumes, but a slower increase in air passenger volume. Meanwhile, growth of the communications segment strengthened on steady gains in both broadband and mobile phone subscriptions.

EXHIBIT 7 TRANSPORT AND COMMUNICATIONS SECTOR



THE FINANCIAL SERVICES SECTOR expanded by 7.0% in 3Q05, just a shade off the 7.3% gain a quarter earlier. During the quarter, most business segments did better. Activity in the stock broking and fund management segments, in particular, rose sharply compared to 2Q05.

EXHIBIT 8 FINANCIAL SERVICES SECTOR

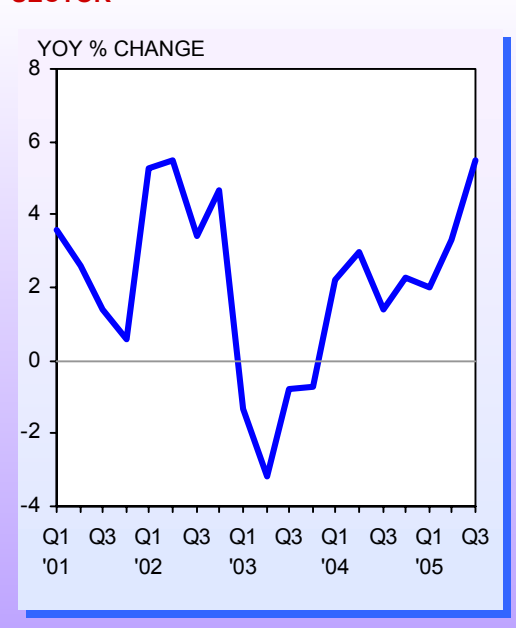


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THE BUSINESS SERVICES SECTOR expanded by 5.5% in 3Q05, up from 3.3% a quarter earlier. The improvement in the sector was driven by stronger gains in the real estate segment. Business in the segment benefited from the strong turnaround in sentiments in recent months. Most other business segments also registered stronger growth. Growth in the IT services and business representative offices segments, however, moderated slightly from relatively high rates in the previous quarter.

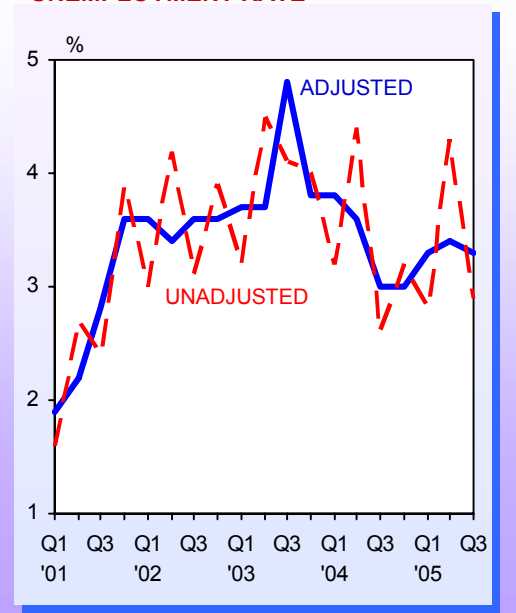
EXHIBIT 9 BUSINESS SERVICES SECTOR



Labour Market

Total employment rose by 28,700 in 3Q05, compared with 31,700 in the previous quarter. All major industry segments registered gains, with the services segment continuing to account for much of the increase. During the quarter, the number of services jobs rose by 18,400. In manufacturing and construction, the respective gains were 8,000 and 2,300. Retrenchment, however, also rose to 2,500 from 2,116 in 2Q05 as restructuring in the manufacturing sector hastened. The growth in employment led to the easing of seasonally adjusted unemployment rate to 3.3%, from 3.4% in 2Q05.

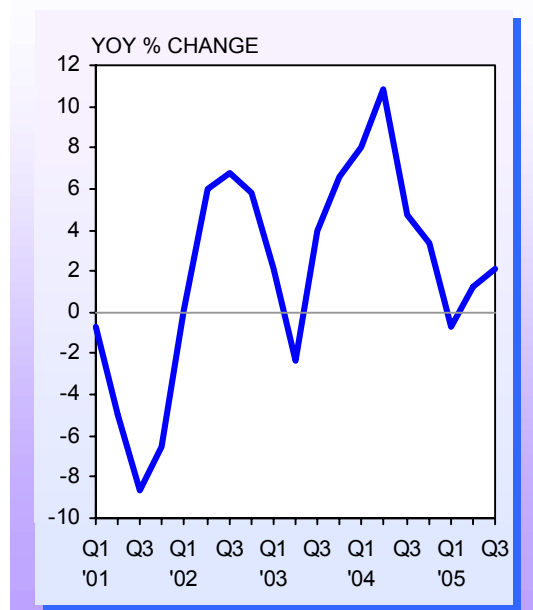
EXHIBIT 10 UNEMPLOYMENT RATE



Labour Productivity

Stronger GDP growth in 3Q05 lifted labour productivity by 2.1% in the quarter, compared with a 1.2% gain a quarter earlier. The manufacturing and wholesale & retail trade sectors saw the largest improvement of 6.2% and 3.8% respectively. Smaller gains were seen in the transport & communications (1.9%) and hotels & restaurants (0.9%) sectors. The construction, financial services as well as the business services sectors, saw declines in labour productivity.

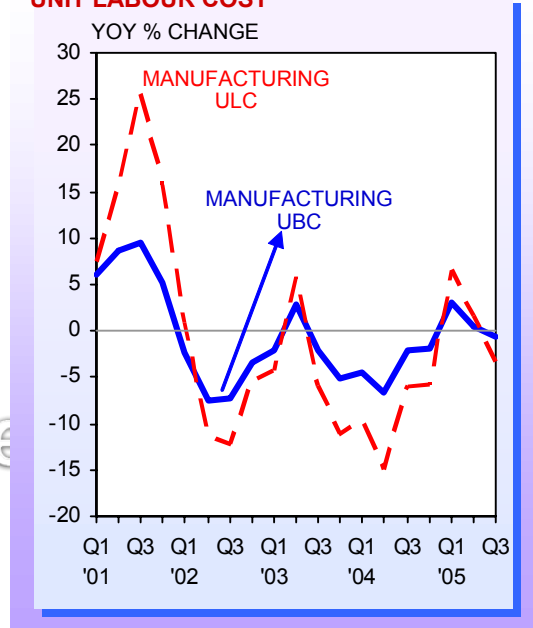
**EXHIBIT 11
LABOUR PRODUCTIVITY**



Business Costs

The overall unit labour cost (ULC) index rose for the fourth consecutive quarter. ULC went up by a slower 0.8% in 3Q05, compared to the 1.3% increase in the previous quarter. The unit business cost (UBC) index of manufacturing fell 0.7% in 3Q05, after posting 0.5% growth in the earlier quarter. The decline was mainly due to lower manufacturing unit labour costs. The robust growth in manufacturing output in 3Q05 had led to a 3.3% drop in manufacturing ULC, compared to the 1.6% increase a quarter earlier. On the other hand, services cost increased 0.6% on account of higher costs of utilities and rents.

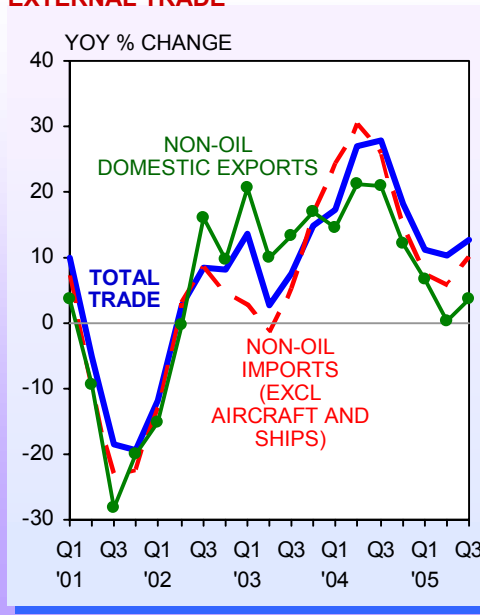
**EXHIBIT 12 UNIT BUSINESS COST &
UNIT LABOUR COST**



External Trade

Singapore's external trade expanded by 13% in 3Q05 to improve on the 10% pace set a quarter earlier. Total exports in the three-month period grew at 13%, also higher than the 10% in 2Q05. Both domestic exports and re-exports registered stronger growth. In particular, NODX grew by 3.6%, up from 0.3% in 2Q05. Growth of non-oil imports (excluding aircraft and ships) also accelerated to 10%, from 5.9% in 2Q05. In volume terms, total trade increased by 9.1%, up from 7.2% gain in the previous quarter.

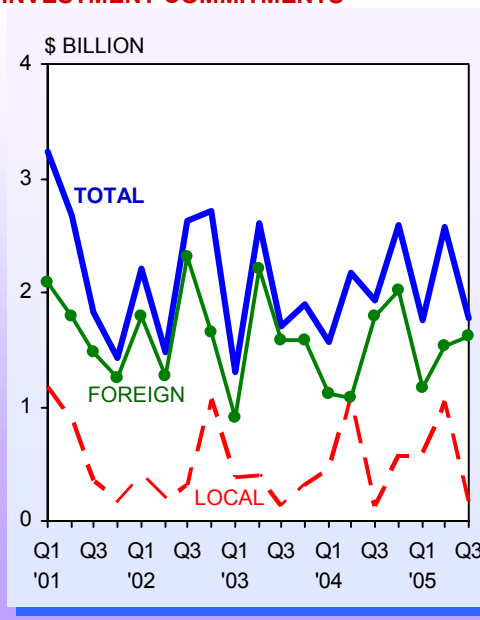
**EXHIBIT 13
EXTERNAL TRADE**



Investment Commitments

In 3Q05, manufacturing investment commitments totalled \$1.8 billion in terms of fixed assets. When the commitments are fully operational, they would create a value added of \$1.6 billion and generate about 2,200 jobs. 54% would be for skilled workers. Investment commitments in services promoted by EDB in the third quarter of 2005 amounted to \$391 million in total business spending. When these commitments are realised, they will generate a value added of close to \$700 million and create about 1,800 jobs of which 78% are for skilled workers.

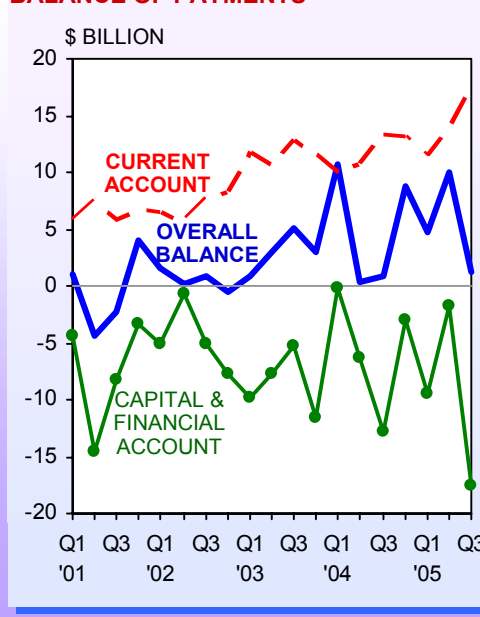
**EXHIBIT 14 MANUFACTURING
INVESTMENT COMMITMENTS**



Balance of Payments

Singapore's overall balance of payments registered a smaller surplus of \$1.3 billion in 3Q05, compared with \$10 billion in 2Q05. This reflected the increase in net outflow from the capital and financial account, even as the current account recorded a larger surplus. The current account balance in the quarter reached \$17 billion, up from \$14 billion a quarter earlier. Net outflow from the capital and financial account surged to \$18 billion, from \$1.7 billion in 2Q05. Mirroring these developments, Singapore's official foreign reserves in the quarter rose to \$196 billion, equivalent to 7.8 months of current imports.

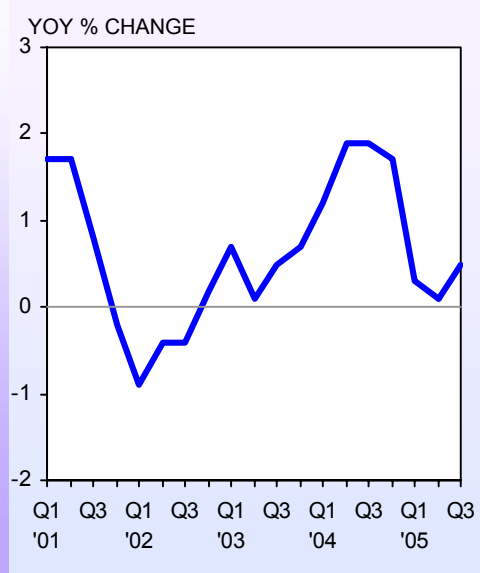
**EXHIBIT 15
BALANCE OF PAYMENTS**



Consumer Price Inflation

The CPI rose by 0.5% year-on-year in 3Q05, rising from 0.1% in the second quarter. Much of the increase was accounted for by higher electricity tariff and petrol prices. Nevertheless, lower car prices helped to keep consumer price inflation at a relatively low rate. The impact of the cut in foreign maid levy also continues to be reflected in the consumer price index in the quarter.

**EXHIBIT 16
CONSUMER PRICE INDEX**



Outlook for 2005 and 2006

The slowdown in economic growth early this year has been more than reversed by the strength of the rebound in 2Q05 and 3Q05. This resurgence – led by manufacturing, financial services and entrepot trade – mirrored the improvement in the global economy.

This favourable growth trend looks likely to be sustained in the remaining months of the year. Despite the disruptions of severe weather conditions (particularly to the oil and natural gas industries), growth in the US is expected to remain healthy. Easing inventory problems in the global electronics industry is also expected to spur electronics production in Singapore. A similar outlook is suggested by the composite leading index for 3Q05, which registered the largest quarterly gain since 1Q04.

The latest business expectations survey continues to show positive sentiments in all major industry segments. Nevertheless, reflecting the strong gains already made in the past half a year or so, this optimism has been tempered with some caution.

EXHIBIT 17
GROSS DOMESTIC PRODUCT &
COMPOSITE LEADING INDEX (1995=100)

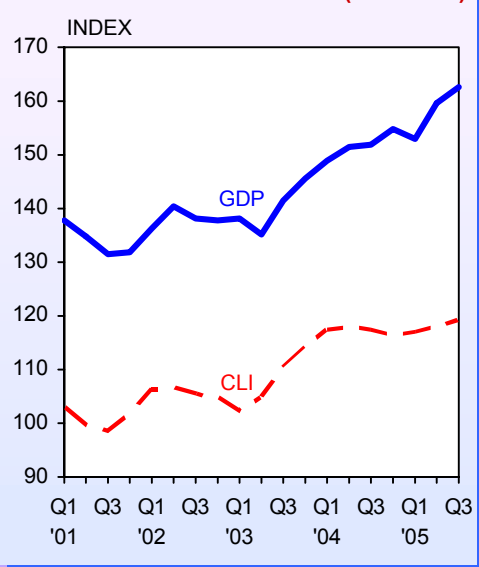


EXHIBIT 18
BUSINESS EXPECTATIONS



¹ The y-axis of the chart on business expectations represents the net weighted balance of companies that predict an improvement in business situation. This is derived from the weighted percentage of companies in the survey that predict better business minus the weighted percentage of companies that predict worse business.

For 2006, Singapore should be able to achieve its medium term growth potential as outlook for global economy and electronics industry remains sanguine. Growth rates in both the developed and East Asian developing economies are forecasted to be little changed from 2005. Global semiconductor sales growth is expected to pick up pace in 2006. This would give a boost to manufacturing and trade-related activities in Singapore. The improvements in labour market conditions and the low inflationary environment should also lift domestic demand further.

Nevertheless, risks to economic growth remain. Limited spare capacities in the global oil industry meant that supply disruptions would continue to send prices northwards. In the face of rising inflation, tightening monetary conditions in the developed economies could dampen real estate prices, which would remove an important support for consumer demand in these economies. Finally, should the avian flu outbreak escalate into a pandemic, it could severely disrupt economic activities worldwide.

In view of the above considerations, the Ministry of Trade and Industry has raised the 2005 GDP growth forecast to around 5.0%. The forecast for economic growth in 2006 is between 3.0% and 5.0%.

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Sectoral Growth Rates

Per cent

<u>Sector</u>	<u>2004</u>	<u>3Q04</u>	<u>4Q04</u>	<u>1Q05</u>	<u>2Q05</u>	<u>3Q05</u>
<u>Percentage Change Over Corresponding Period of Previous Year</u>						
Total	8.4	7.2	6.5	2.7	5.4	7.0
Goods Producing Industries	9.9	7.1	9.8	2.2	5.1	10.8
Manufacturing	13.9	11.2	14.1	3.5	6.4	13.2
Construction	-6.5	-11.4	-8.4	-5.4	-1.3	0.5
Services Producing Industries	7.5	6.9	4.8	3.5	5.2	5.5
Wholesale & Retail Trade	14.6	15.6	10.7	6.9	8.7	8.0
Hotels & Restaurants	12.4	9.2	4.6	1.9	5.2	4.1
Transport & Communications	9.1	9.0	6.3	4.7	4.6	4.6
Financial Services	6.0	2.9	0.4	1.9	7.3	7.0
Business Services	2.2	1.4	2.3	2.0	3.3	5.5
<u>Annualised Growth Rate – Seasonally-adjusted</u>						
Total	8.4	0.7	7.9	-4.6	19.0	7.1
Goods Producing Industries	9.9	-4.1	21.0	-18.7	28.9	19.2
Manufacturing	13.9	-1.6	25.3	-25.1	38.2	26.8
Construction	-6.5	-20.1	7.1	16.0	-4.5	-14.0
Services Producing Industries	7.5	1.3	3.7	2.3	14.0	2.6
Wholesale & Retail Trade	14.6	7.2	2.4	0.1	27.1	4.7
Hotels & Restaurants	12.4	3.5	-3.5	-2.6	26.3	-0.7
Transport & Communications	9.1	2.1	4.5	0.3	11.8	2.2
Financial Services	6.0	-7.4	5.9	16.6	16.1	-8.5
Business Services	2.2	0.1	6.5	1.9	4.9	8.8

Source: Singapore Department of Statistics