

THE SINGAPORE ECONOMY IN 2000

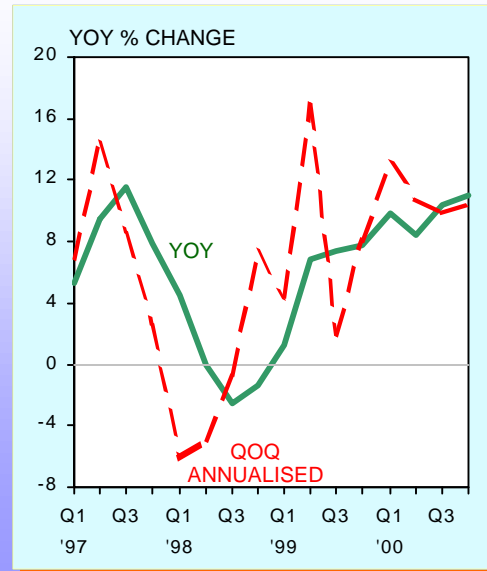
Overall Performance

The Singapore economy grew by a strong 9.9% in 2000. (This is lower than the 10.1% advance GDP estimates, mainly due to the revision of the 1999 growth from 5.4% to 5.9%.) External demand was the primary growth engine, but robust household consumption and business investment also contributed to the expansion. All the key economic sectors saw higher growth compared to a year ago.

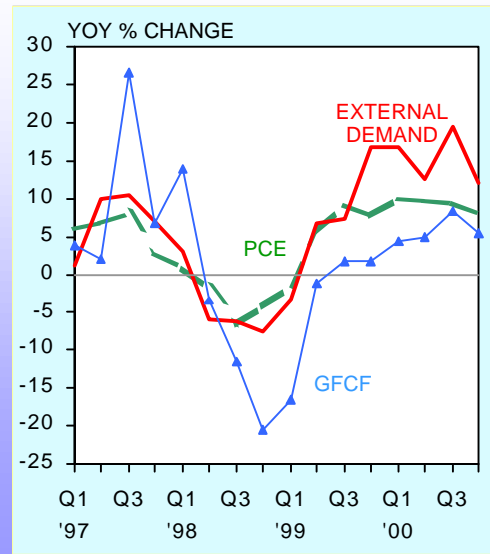
Sources of Growth

After rebounding by 6.5% in 1999, total demand¹ grew by 14% last year, the highest rate of increase since 1994. External demand, which accounted for 79% of total demand, remained the key locomotive of growth. Riding on the strong global demand for electronics and the regional economic revival, exports of goods and services jumped by 15%, more than doubling the 6.9% rise in 1999. Domestic demand was also robust. Private consumption expenditure rose by 9.4% on the back of positive consumer sentiments, while business investments reversed the contractions experienced in the 2 preceding years with a growth of 8.6%.

**CHART 1
REAL GDP GROWTH**



**CHART 2
SOURCES OF GROWTH**



¹ Total demand comprises domestic demand (i.e. consumption and investment of both private and public sectors, plus changes in inventories) and external demand (i.e. exports). Expenditure on GDP (or Gross Domestic Expenditure) is equivalent to total demand less imports.

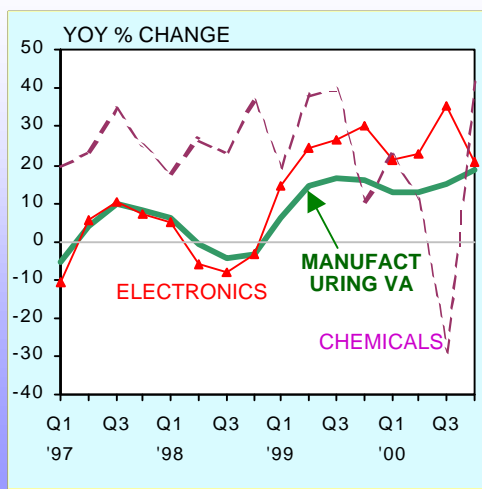
Sectoral Performance

All key sectors registered improvement in growth from 1999. The expansion was particularly strong in the export-oriented sectors of manufacturing, and wholesale & retail trade, with both soaring by 15% in 2000. Although the construction sector continued to contract, the rate of decline was smaller than in 1999 (see [Annex 1](#)).

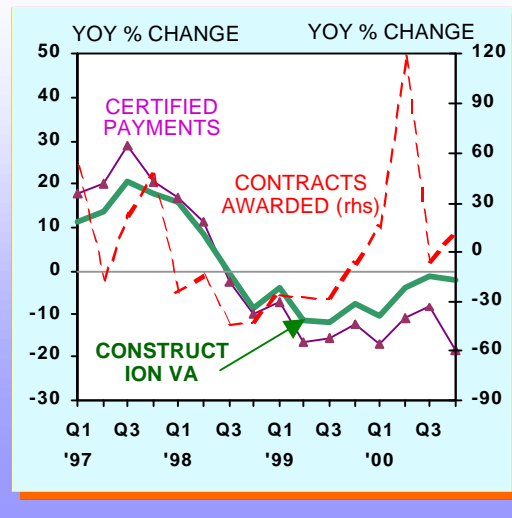
THE MANUFACTURING SECTOR chalked up a stellar growth of 15% in 2000, up further from the 14% in 1999. The star performer continued to be the electronics cluster, which benefited from strong global demand for semiconductors, computer peripherals, and printed circuit board assembly. The chemicals, biomedical and engineering clusters also recorded increases in output.

THE CONSTRUCTION SECTOR contracted by 4.6% in 2000, an improvement over -8.8% in 1999. Certified payments fell by 12%, reflecting continued weak construction activities in both public sector and private sector projects. However, contracts awarded rebounded by 39% to reach \$18.2 billion in 2000. This was mainly due to a two-fold increase in the value of public sector contracts awarded, which was boosted by reclamation works. Private sector construction demand fell by 6.8% to \$6.2 billion, due to the contraction of non-residential construction demand.

**CHART 3
MANUFACTURING SECTOR**

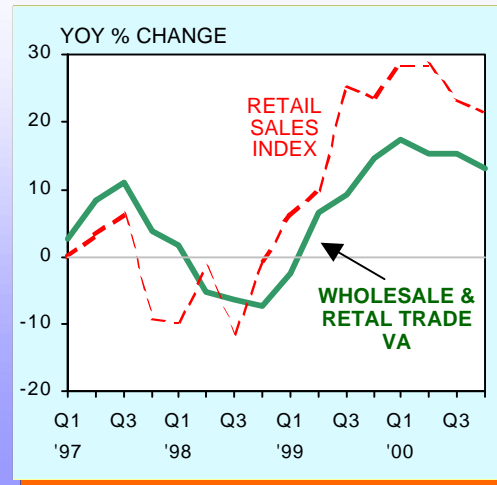


**CHART 4
CONSTRUCTION SECTOR**



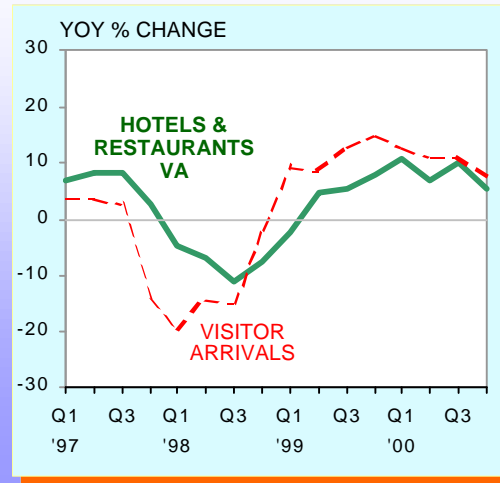
THE WHOLESALE AND RETAIL TRADE SECTOR expanded by 15%, more than double the 7.1% growth in 1999. Strong global electronics shipments and sales coupled with the upturn in the regional economies lifted entrepot trade, which saw a 31% growth in non-oil re-exports in 2000. The 11% increase in visitor arrivals and upbeat consumer sentiments boosted domestic trade. Overall retail sales volume grew by a robust 25%, up from 16% in 1999. This was mainly driven by the 61% surge in motor vehicle sales following the bumper crop of COEs released in 2000.

**CHART 5
WHOLESALE AND RETAIL TRADE SECTOR**



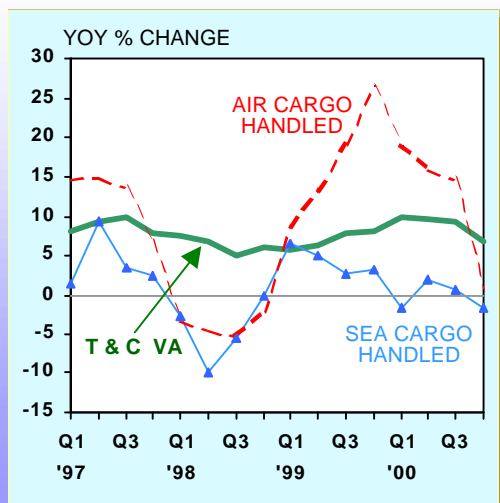
THE HOTELS AND RESTAURANTS SECTOR grew by 8.2% in 2000, up further from the 4% increase in 1999. Growth was supported by the increase in visitor arrivals and higher domestic purchasing power in line with rising wages.

**CHART 6
HOTELS AND RESTAURANTS SECTOR**



THE TRANSPORT AND COMMUNICATIONS SECTOR expanded by 9.0% in 2000, up from 7.1% in

**CHART 7
TRANSPORT AND COMMUNICATIONS SECTOR**



1999. In tandem with buoyant trade growth, total air cargo handled posted a strong growth of 12%, while total container throughput rose by 7.2%. Mirroring the sharp rise in both inbound and outbound travel, total air and sea passenger handled increased by 10% and 11% respectively in 2000. Growth in the communications sub-sector was fuelled by the liberalisation of the telecommunications industry from April 2000, as well as the strong proliferation of Internet usage. The number of mobile phone subscribers soared by 66%, while the number of Internet subscribers jumped by more than three-fold.

THE FINANCIAL SERVICES SECTOR

grew by 4.1% in 2000, after registering 0.8% growth in 1999. The rebound was largely driven by stronger performances from commercial banks, insurance companies and investment advisors. In particular, the improvement in domestic commercial banking activity was underpinned by a pick-up in loans to non-bank customers as well as fee-based activities. The Asian Dollar Market Activity also registered a slight increase in activity, with total assets/liabilities rising by 1.3%, after 2 consecutive years of contraction. In contrast, stock market activity stayed weak, with trading volumes and value falling by 36% and 13% respectively. Activity in the foreign exchange market also remained sluggish, as average daily turnover continued to decline by 17% to slightly below US\$100 billion.

THE BUSINESS SERVICES SECTOR

expanded by 6.6%, a marked improvement over the 1.5% in 1999. The real estate services segment, which accounted for more than half of the sector, reversed the 1.4% decline in 1999 to post a growth of 3.1%. Growth was primarily underpinned by a robust commercial property market. However, the residential property market stayed soft, due to ample supply and greater cautiousness among buyers against the backdrop of a weak stock market. The professional services segment, notably IT, legal and accounting services, remained strong.

CHART 8
FINANCIAL SERVICES SECTOR

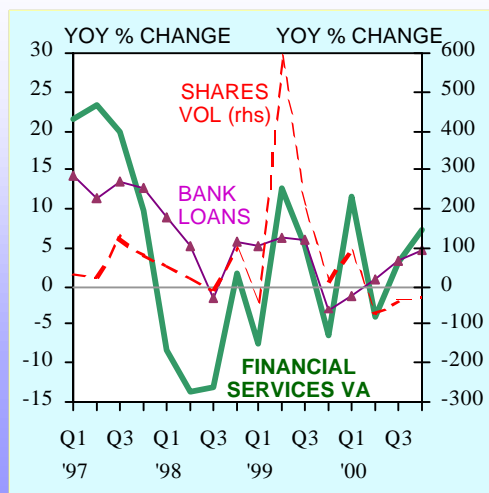
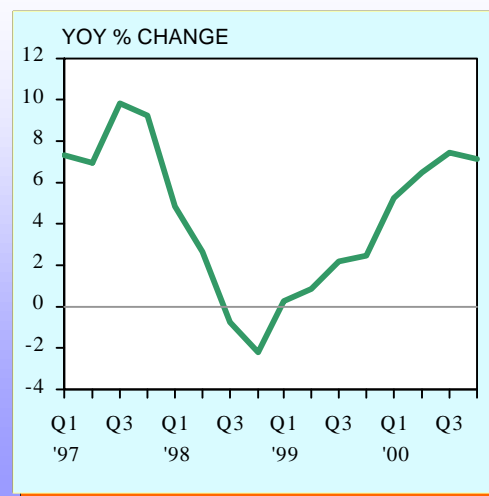


CHART 9
BUSINESS SERVICES SECTOR



Labour Market

The solid economic expansion in 2000 fuelled employment creation across all sectors. Employment is estimated to have expanded by 110,700, a sharp improvement over the gain of 39,900 in 1999. In line with the economic recovery, unemployment generally trended downwards in 2000. However, the seasonally-adjusted unemployment rate edged up from 2.5% in September to 2.8% in December 2000, reflecting more cautious hirings amid weaker business sentiments towards the end of 2000. For the whole year, unemployment averaged 3.1%, down from 3.5% in 1999 but still higher than pre-crisis average of 2.0%. Preliminary estimates showed that around 11,500 workers were displaced in 2000. This was 60% lower than the record 29,100 retrenched in 1998 and close to the level of displacement experienced just before the economic crisis in 1997/98.

Labour Productivity

Overall productivity grew at a healthy pace of 5.6% in 2000, slightly slower than the 6.3% a year earlier. Manufacturing workers chalked up the highest productivity gain of 12%, propelled by the strong output expansion in the electronics industry, which more than offset the 6.2% increase in manufacturing employment. Labour productivity also improved in the wholesale & retail trade (11%), hotels & restaurants (5.7%), and transport & communications (4.0%) sectors. However, productivity growth in the financial services (-3.9%) and business services (-3.3%) sectors remained negative, partly due to the sectors' high employment growth. Construction sector productivity also deteriorated by a further 3.3%, on the back of anaemic construction activity in 2000.

CHART 10
UNEMPLOYMENT RATE

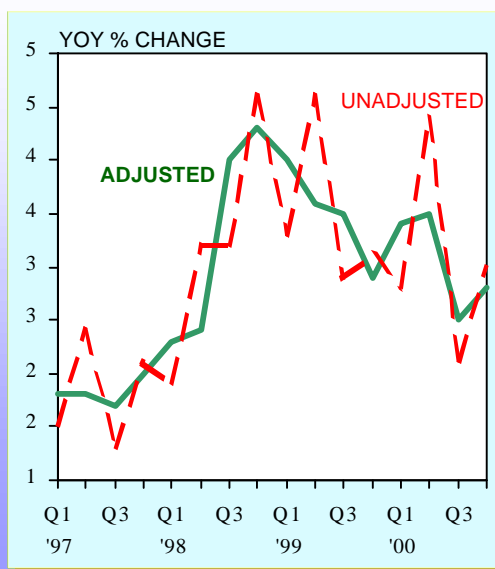
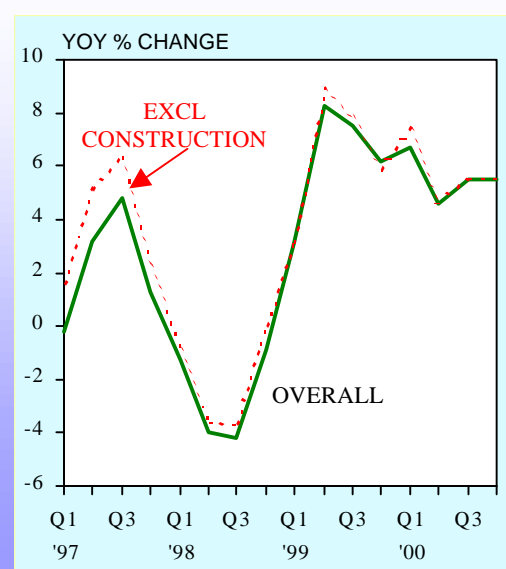


CHART 11
LABOUR PRODUCTIVITY



Business Costs

Business costs in the manufacturing sector continued to decline in 2000, with the unit business cost (UBC) index falling by 1.1%, after a 10% decline in 1999. As opposed to 1999 when all 3 components of the UBC fell, only the manufacturing unit labour cost (ULC) (which accounts for 46% of the UBC) registered a decline in 2000. The ULC fell by 7.1%, on the back of a 12% increase in manufacturing labour productivity. Services cost, which accounts for 52% of the UBC, rose by 3.0% in 2000, reversing the 4.4% fall a year earlier. Higher cost of transport, financial services, warehousing and utilities outweighed cheaper rentals and telecommunications cost. In particular, utilities cost increased by 33%, due to a series of electricity tariff hikes in tandem with rising oil prices. Governmental rates and fees (accounting for 2% of UBC) registered an increase of 10%, compared to the 17% decline in 1999. Property tax receipts increased in 2000 due to the rise in industrial property prices and the reduction of property tax rebates.

External Trade

Singapore's total external trade rose to a record high of \$470 billion, equivalent to 3 times our nominal GDP in 2000. In growth terms, this represents a 23% increase, sharply higher than the 8.1% in 1999. The robust performance was largely driven by the strong global demand for semiconductors, as well as buoyant demand from the major Asian countries. Similarly, total trade in volume terms registered a robust growth of 16%, up from 7.4% in 1999. Export volume rose by 17%, with domestic exports and re-exports rising by 10% and 27% respectively. Reflecting the healthy growth in domestic consumption, import volume expanded by 15% in 2000.

CHART 12
UNIT BUSINESS COST &
UNIT LABOUR COST

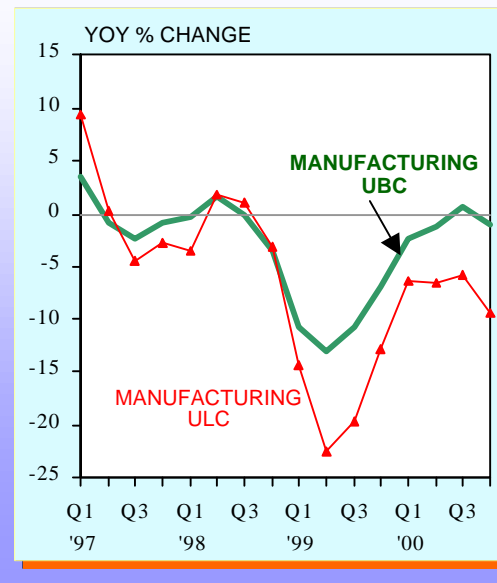
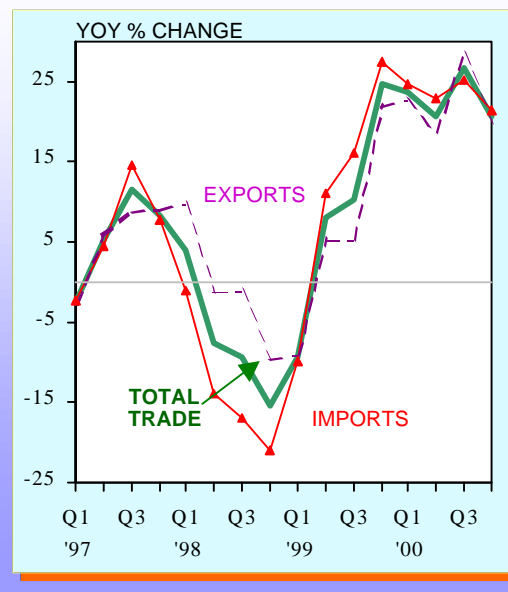


CHART 13
EXTERNAL TRADE



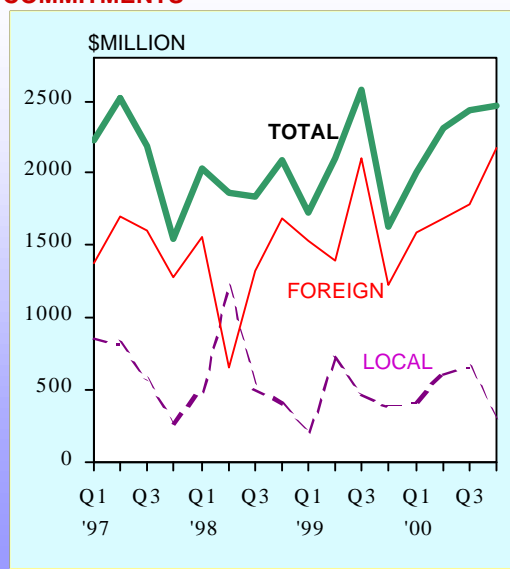
Investment Commitments

The manufacturing sector attracted a total of \$9.2 billion in fixed assets investments, 15% higher than in 1999. Of the total commitments, 79% came from foreign sources, led by the US with a share of 40%, followed by the EU (18% share) and Japan (16% share). Commitments in the services industries promoted by EDB amounted to \$1.9 billion in total business spending, mainly in the headquarters & business services, info-communications & media, and logistics segments. Foreign investors took up 79% of the total services commitments, with both the US and Europe each contributing 37% of the total services commitments.

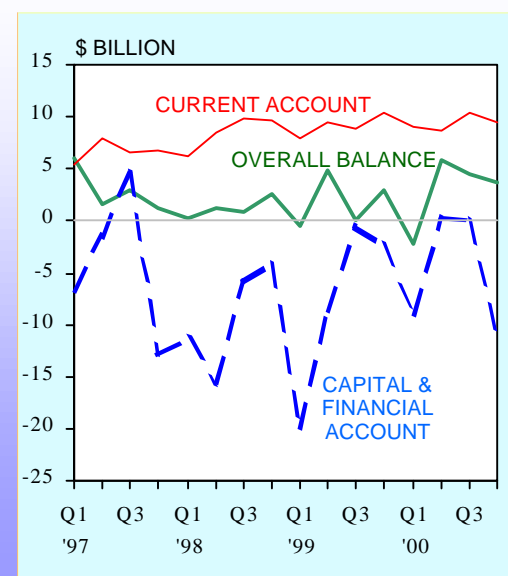
Balance of Payments

Singapore's balance of payments surplus strengthened to \$11.8 billion in 2000, compared to \$7.3 billion in the year earlier. The overall surplus contributed to the rise in official foreign reserves to \$139 billion at end-2000, equivalent to 7.2 months of current imports. The current account surplus expanded by \$710 million to \$37.6 billion in 2000, boosted by the increase in surpluses of both the goods and services accounts. The capital and financial account recorded an outflow of \$19.9 billion, compared to the outflow of \$31.3 billion in the preceding year. The 'other investments' balance turned around from a net outflow of \$24.4 billion in 1999 to a net inflow of \$0.6 billion. This was largely due to substantial increases in the repayment of loans extended to ACUs, as well as deposits from foreign banks and ACUs. Portfolio investment saw a doubling of the net outflow to \$23.9 billion as foreign and local investors seek higher returns from abroad, and total direct investment recorded a smaller net inflow of \$3.6 billion.

**CHART 14
MANUFACTURING INVESTMENT
COMMITMENTS**



**CHART 15
BALANCE OF PAYMENTS**



Consumer Price Inflation

The consumer price index, which remained stable in 1999, rose by 1.3% in 2000. Prices of all categories, except clothing, picked up in line with the strong economic recovery and surging oil prices. In particular, housing cost, which fell by 1.4% in 1999, rebounded by 2.0% in 2000 as cheaper accommodation and household durables were outweighed by higher electricity, water and gas tariffs, water-borne fees and cost of liquefied petroleum gas. After registering declines in the past two years, cost of transport & communications increased by 2.1% due mainly to dearer petrol, as well as higher bus, MRT and taxi fares, although these increases were moderated by lower prices of cars and mobile phones, as well as charges for international telephone calls.

Changes in Consumer Price Index

Per cent	1998	1999	2000
Overall	-0.3	0.0	1.3
Food	0.2	0.9	0.6
Clothing	-1.3	-1.9	-0.8
Housing	1.9	-1.4	2.0
Transport & Communications	-4.9	-0.6	2.1
Education	3.1	1.5	1.3
Healthcare	4.3	0.6	1.5
Miscellaneous	-1.1	0.8	1.5

Outlook For 2001

After the strong expansion of 4.7% in 2000, global economic growth is expected to moderate this year. The extent and speed of the slowdown will depend on two key uncertainties. First, the health of the US economy, which has decelerated sharply in the final months of 2000. Investment growth has turned negative (-2.6%) in the fourth quarter for the first time since the second quarter of 1999. Consumer confidence also continued to deteriorate in the last four months. Second, the severity of the global electronics downturn. In particular, semiconductor demand this year is expected to slow significantly. A slump in electronics demand will dampen Asia's growth in 2001, given the high share of electronics output in some Asian countries.

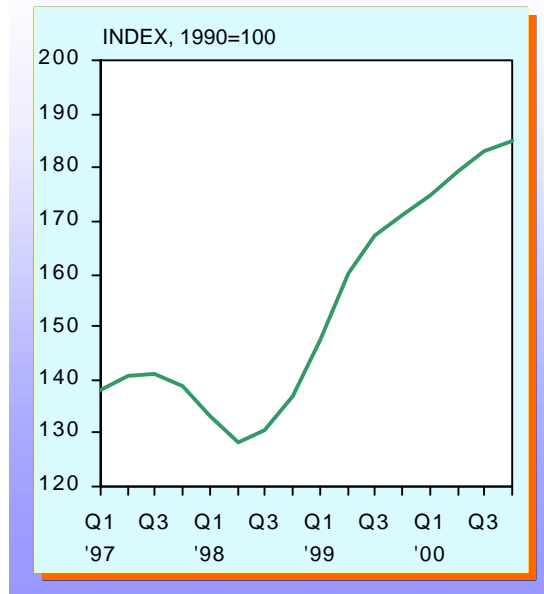
Nonetheless, the external outlook is still broadly positive. The prevailing view is that the US economy is likely to achieve a near-soft landing of 2.0-2.5% growth this year. Easier monetary policy, further interest rate reductions and the Bush Administration's planned tax cuts will revive consumer and business confidence and help the economy rebound in the second half of 2001.

While global electronics demand will slow from the banner years of 1999-2000, it is not expected to turn into a full downswing. Although PC sales are slow in the US, they remain fairly strong in the Asia Pacific region. Industry analysts project that global PC shipments will stay healthy at 15-17% in 2001, after the 19% surge in 2000. Driven by the migration to networked storage, the disk storage industry is also projected to see robust revenue growth of 12% per annum till 2004. Similarly, global demand for mobile phones is expected to stay high at 35-40% in the next 3-5 years.

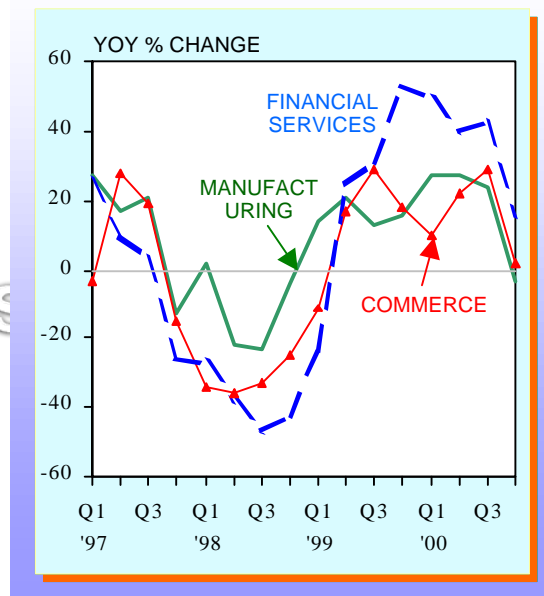
Domestically, the composite leading index, which leads Singapore economy by about three quarters, continued to increase albeit at a slower rate. Although business sentiments of electronics industrialists in particular have turned cautious, the mood amongst companies engaged in financial services, hotel and catering trade remains generally positive. On the supply side, several new projects and capacity expansions are coming on-stream within major electronics, chemicals and life sciences industries this year, which will help support growth. In addition, the construction sector is expected to register positive growth this year, and the telecommunications sector will remain buoyant, as more companies will start their operations with the settlement of the inter-connection agreement.

Overall, Singapore's economic growth in 2001 is expected to still fall within the earlier forecast of 5-7%. However, given the greater uncertainties, the Government will continue to monitor the economic situation very closely.

**CHART16
COMPOSITE LEADING INDEX**



**CHART17
BUSINESS EXPECTATIONS**



ANNEX 1

Sectoral Growth Rates

Per cent

Sector	1999	2000	1Q99	2Q99	3Q99	4Q99	1Q00	2Q00	3Q00	4Q00
Percentage Change Over Corresponding Period of Previous Year										
Total	5.9	9.9	1.3	6.9	7.4	7.7	9.8	8.4	10.3	11.0
Goods Producing Industries	7.1	10.1	3.1	6.9	8.4	9.6	6.5	8.9	11.0	13.7
Manufacturing	13.6	15.2	6.5	14.6	16.7	16.2	13.2	13.2	15.2	18.8
Construction	-8.8	-4.6	-4.0	-11.8	-11.9	-7.6	-10.9	-3.9	-1.1	-1.9
Services Producing Industries	4.5	8.9	0.1	6.1	6.1	5.9	10.4	7.2	9.2	8.7
Wholesale & Retail	7.1	15.2	-2.3	6.6	9.4	14.7	17.3	15.3	15.4	13.1
Hotels & Restaurants	4.0	8.2	-2.2	4.7	5.5	8.0	10.7	6.8	9.9	5.6
Transport & Communications	7.1	9.0	5.8	6.3	7.8	8.2	9.9	9.7	9.5	6.8
Financial Services	0.8	4.1	-7.6	12.7	5.2	-6.5	11.6	-4.0	3.1	7.5
Business Services	1.5	6.6	0.3	0.9	2.2	2.5	5.2	6.5	7.4	7.1
Annualised Growth Rate – Seasonally-adjusted										
Total	5.9	9.9	4.4	16.9	1.9	8.0	13.0	10.8	9.8	10.3
Goods Producing Industries	7.1	10.1	25.9	5.3	3.2	6.3	12.2	13.6	11.9	17.6
Manufacturing	13.6	15.2	29.6	20.0	7.9	9.6	15.4	19.8	16.0	24.9
Construction	-8.8	-4.6	21.9	-29.4	-11.1	-4.0	4.4	-4.4	-0.7	-5.9
Services Producing Industries	4.5	8.9	-5.6	21.4	0.4	8.4	12.6	7.9	8.4	5.7
Wholesale & Retail	7.1	15.2	10.8	22.1	10.1	16.8	20.9	13.1	11.1	8.2
Hotels & Restaurants	4.0	8.2	4.0	21.9	-7.4	15.8	15.2	4.9	4.5	-1.6
Transport & Communications	7.1	9.0	5.8	8.2	8.2	11.0	12.2	7.4	7.8	0.0
Financial Services	0.8	4.1	-49.5	94.7	-22.0	-2.0	5.0	5.9	3.7	15.0
Business Services	1.5	6.6	1.1	2.1	3.1	3.9	11.9	7.3	6.7	3.0

Source: Singapore Department of Statistics