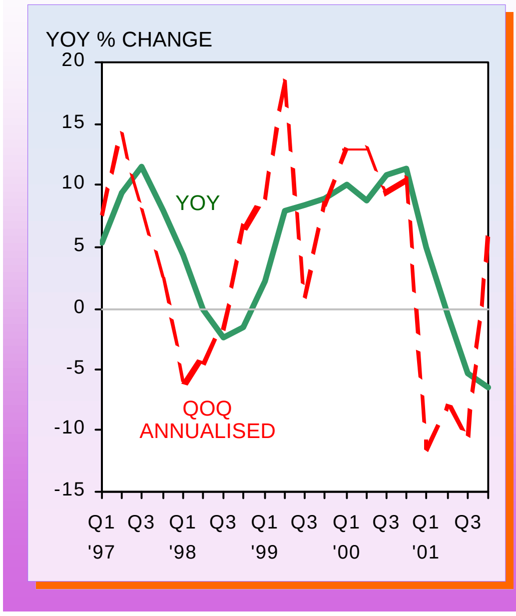
Performance of the Singapore Economy in 2001

Overall Performance

The Singapore economy contracted by 2% in 2001, after achieving 10% growth in 2000. This sharp reversal in growth was primarily due to the slump in external demand although weak household consumption and business investments also contributed to the contraction. All key economic sectors saw lower growth compared to a year ago. The economy saw an improvement in the fourth quarter, with a growth of 5.6% on an annualised quarter-on-quarter basis, after three consecutive quarters of decline.

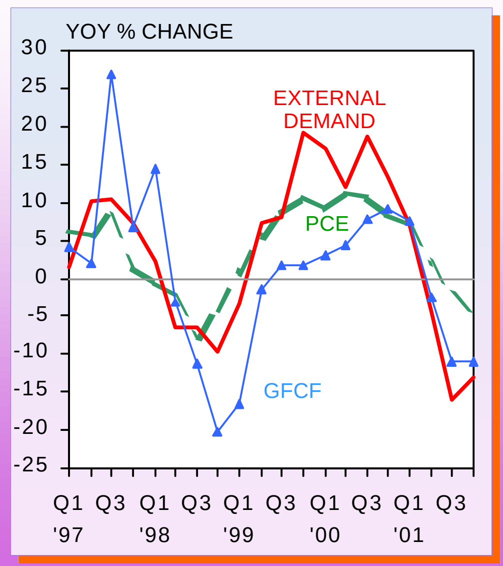
CHART 1
REAL GDP GROWTH



Sources of Growth

After soaring by 14% in 2000, total demand dropped by 7.7%, the first decline in three years. External demand was the major drag on growth, hit by weaker global economic conditions and the persistent electronics slump. Merchandise exports were dragged down by electronics products while services exports, especially transport related ones, were adversely affected. Domestic demand also dipped with the weakening of private consumption and business investment. Inventory corrections were substantial. Total consumption expenditure grew by 1.8%, a significant moderation from the 11% in 2000. Total fixed asset investment fell by 4.6%, reversing the 6.3% increase in 2000.

CHART 2
SOURCES OF GROWTH

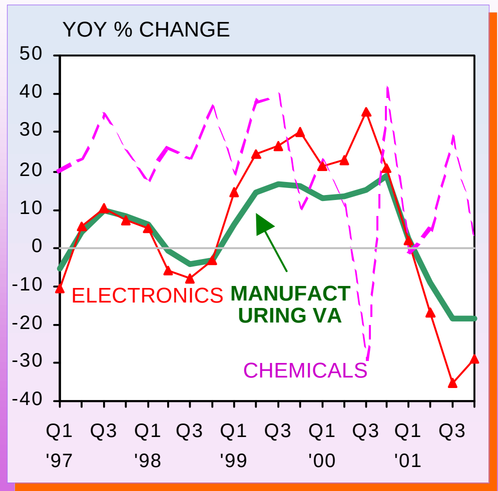


Sectoral Performance

All major sectors performed worse than the previous year (see Annex). In particular, the manufacturing sector fell by 12%, a sharp reversal from the 15% expansion the year before. The construction, wholesale & retail trade, and hotels & restaurants sectors also declined in 2001.

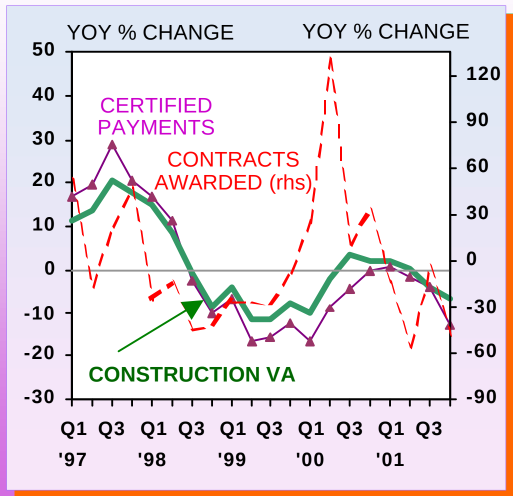
The Manufacturing Sector contracted by 12% in 2001 after a sterling 15% expansion in 2000. The sharp contraction was a result of the adverse impact of lower demand for electronics products and the weak US economy. This was reflected in the double-digit declines in the electronics, fabricated metal products, plastic products, machinery & equipment and printing & publishing industries. However, the transport equipment, chemicals & chemical products, petroleum products, and food, beverage & tobacco industries turned in a better performance in 2001.

CHART 3
MANUFACTURING SECTOR



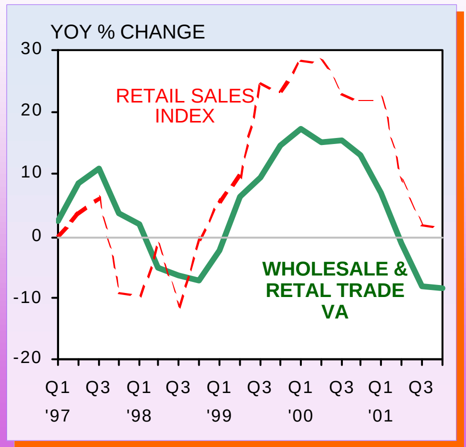
The Construction Sector contracted for the third consecutive year in 2001, by 2.1%. Certified payments dropped by 4.6%, due to weak property market sentiments while total contracts awarded suffered a substantial decline of 39%. Demand for both public sector and private sector construction fell due to cutbacks in HDB flats, the softening of the private property market and fewer industrial developments.

CHART 4
CONSTRUCTION SECTOR



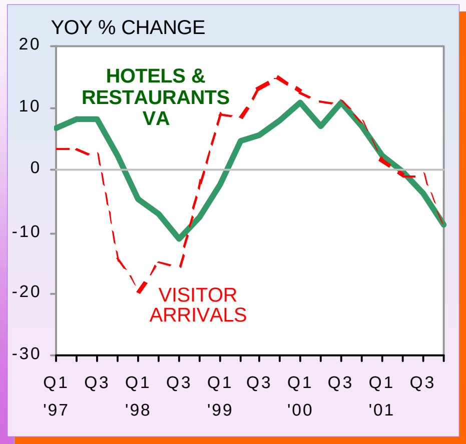
As a result of the uncertain economic climate and weak consumer sentiments both domestically and regionally, THE WHOLESALE AND RETAIL TRADE SECTOR declined by 2.8%, a sharp reversal from the 15% growth in 2000. Entrepot trade was affected by the sharp downturn in the electronics cycle and the slowdown in the regional economies. Non-oil re-exports fell 2.8%, compared with the 31% growth in the previous year. Overall retail sales volume grew by a moderate 8.2%. This was largely supported by the 19% increase in motor sales. Excluding motor vehicles, retail sales volume fell by 0.4%.

CHART 5
WHOLESALE AND RETAIL TRADE SECTOR



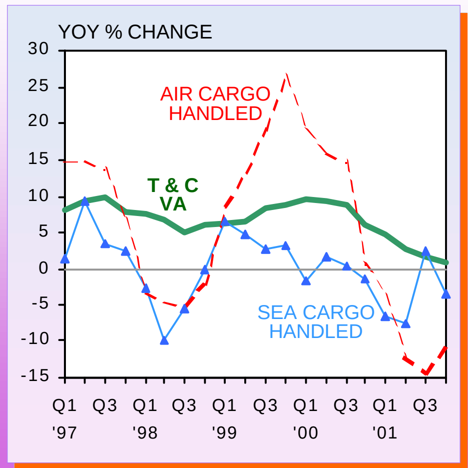
THE HOTELS AND RESTAURANTS SECTOR shrank by 2.6% in 2001 as compared with the healthy growth of 8.9% in 2000. The contraction was on the back of the dip in visitor arrivals and weak economic sentiments.

CHART 6
HOTELS AND RESTAURANTS SECTOR



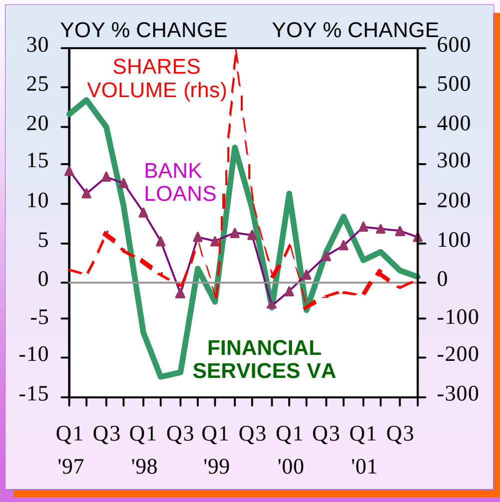
Although THE TRANSPORT AND COMMUNICATIONS SECTOR continued to grow, growth was much lower at 2.7% compared to the 8.5% a year ago. With lower level of trade activities, total air cargo handled plunged by 11% while total sea cargo handled dipped by 3.8%. Mirroring the drop in regional travel, total air passengers fell by 1.5%. The communications sub-sector, however, remained buoyant with the continued increase in mobile phone subscribers and IDD usage.

CHART 7
TRANSPORT AND COMMUNICATIONS SECTOR



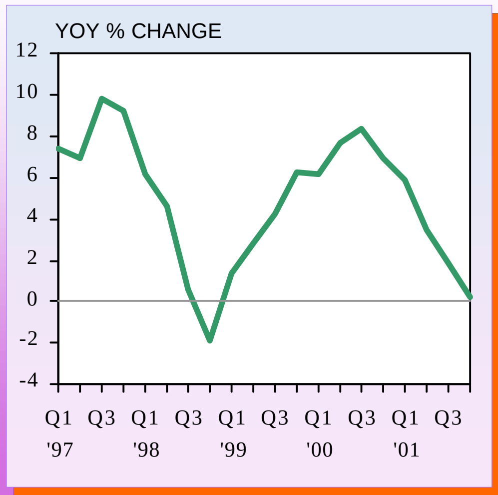
THE FINANCIAL SERVICES SECTOR moderated from a growth of 4.6% in 2000 to 2.2% in 2001. This was attributed to weaker performance in the Asian Dollar Market (ADM), insurance industry and investment advisory business. Stock market activity stayed weak, with trading volumes and value falling by 6.3% and 23% respectively. Activity in the foreign exchange market remained at a similar level as that in 2000. The domestic commercial banking business was the only segment that was resilient, boosted by non-interest income from bond issuance and unit trusts distribution.

CHART 8
FINANCIAL SERVICES SECTOR



THE BUSINESS SERVICES SECTOR rose by a moderate 2.8%, down from a robust 7.3% growth in 2000. The real estate services segment, which accounts for about half of the sector, reported slower growth on the back of weak economic conditions. IT services, which was the star performer in 2000, grew by a mere 3.0%, badly hit by the weak business sentiments. Demand for legal, accounting and business representative offices services, however, remained fairly resilient, due mainly to business restructuring.

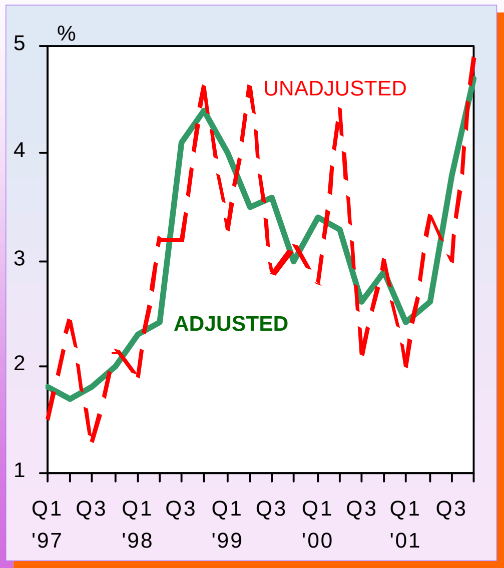
CHART 9
BUSINESS SERVICES SECTOR



Labour Market

The labour market was affected by the deterioration in external environment in 2001. A rapid contraction in economic activity saw retrenchments hitting 25,600 in 2001, more than double the 11,624 seen in 2000. Employment in goods-producing industries experienced a sharp decline, but this was mitigated by employment growth in the services sectors. At the end of 2001, the overall unemployment rate rose to a 15-year high at 4.7%. For the whole of 2001, the unemployment rate averaged 3.3%, compared to 3.1% in 2000.

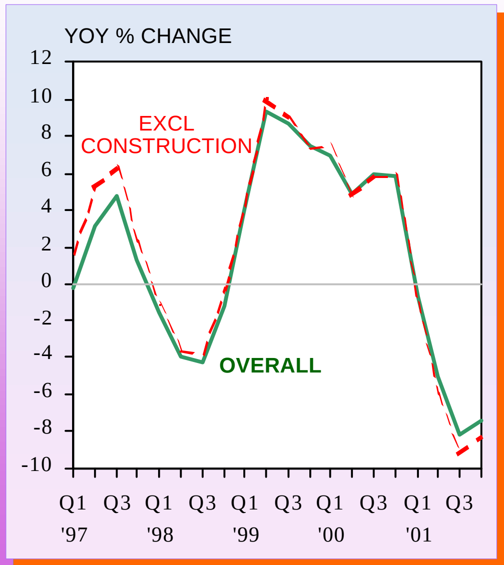
CHART 10
UNEMPLOYMENT RATE



Labour Productivity

Overall labour productivity contracted by 5.4% in 2001, compared to a 5.9% increase in 2000. On the back of a sharp output contraction in the electronics industry, the manufacturing sector experienced the largest contraction in labour productivity among all sectors at 13%. Similarly, labour productivity declined across the board in the business services (-6.7%), wholesale & retail trade (-6.2%), hotels & restaurants (-4.4%), financial services (-3.7%) and transport & communications (-1.3 %) sectors. However, the construction sector posted a marginal 0.2% gain in productivity, aided by a decrease in employment.

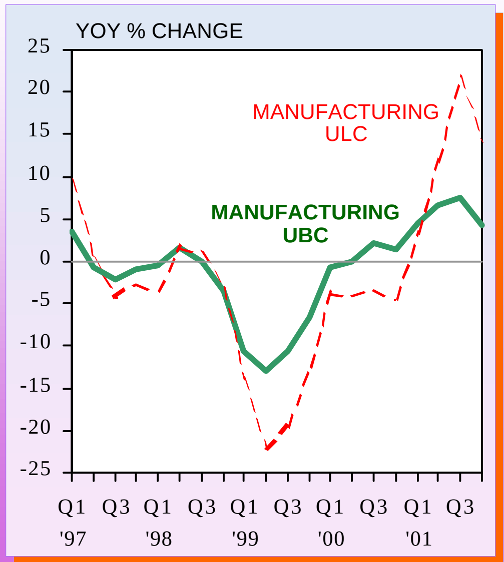
CHART 11
LABOUR PRODUCTIVITY



Business Costs

Unit business costs (UBC) in the manufacturing sector increased by 5.7% in 2001, after a marginal increase in 2000. Manufacturing ULC (which accounts for 46% of UBC) led the increase in UBC, rising 12% in 2001. The sharp increase in manufacturing ULC was mainly due to the 13% plunge in manufacturing labour productivity.

CHART 12
UNIT BUSINESS COST &
UNIT LABOUR COST

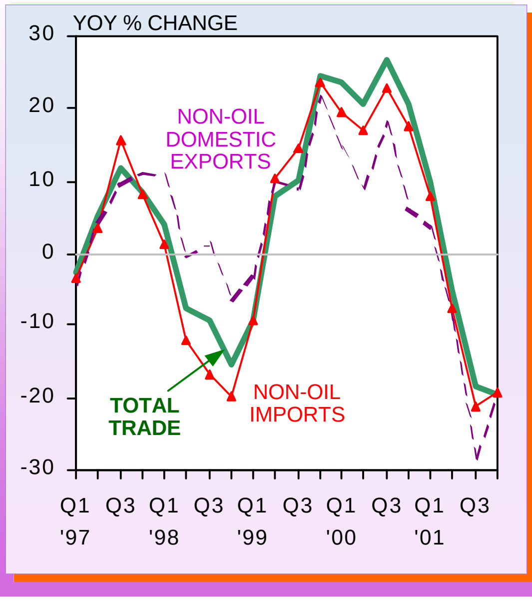


Services costs (which accounts for 52% of UBC) rose by 1.4% compared to 3.7% in 2000. The slower growth was attributable to the off-budget measures which lowered services costs in the second half of 2001. Costs of transport, financial services and utilities increased, while telecommunications, rental, and warehousing charges were lower. Government rate and fees (2% of UBC) also registered a smaller increase in 2001, mainly due to tax cuts, rebates and lower property tax receipts. The index rose 2.4%, down from 10% in 2000.

External Trade

Singapore's external trade fell by 9.4% to $426 billion, sharply lower than the 23% growth in 2000. The drop was brought about largely by the sharp downturn in global electronics demand and the slowdown in the US economy. Trade in volume terms also declined by 10%, compared with the 16% expansion in 2000. Similarly, export volume contracted by 8.6%, with domestic exports and re-exports contracting by 11% and 5.4% respectively. Import volume also declined by 12% in tandem with the deteriorating global economy.

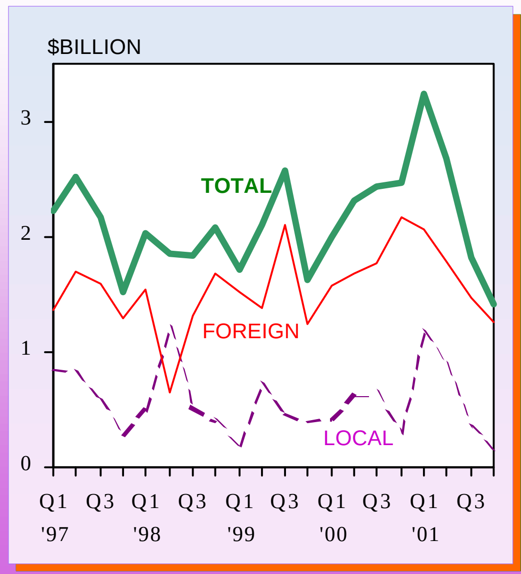
CHART 13
EXTERNAL TRADE



Investment Commitments

Despite the poor economic conditions, $9.2 billion worth of fixed asset investments were committed in the manufacturing sector in 2001. When realised, the commitments would generate $8.2 billion in value-added and create 16,900 jobs, of which 70% would be for professionals and skilled workers. Of the total commitments, 72% came from foreign sources. A major share of commitments (61%) was in the electronics and precision engineering industries. Commitments in the services industries promoted by EDB amounted to $1.8 billion in total business spending, most of which was in projects for the info-communications & media, and logistics & transport clusters. When realised, the investments would generate $1.9 billion in value-added and 7,500 jobs, of which 87% would be for professional and skilled workers.

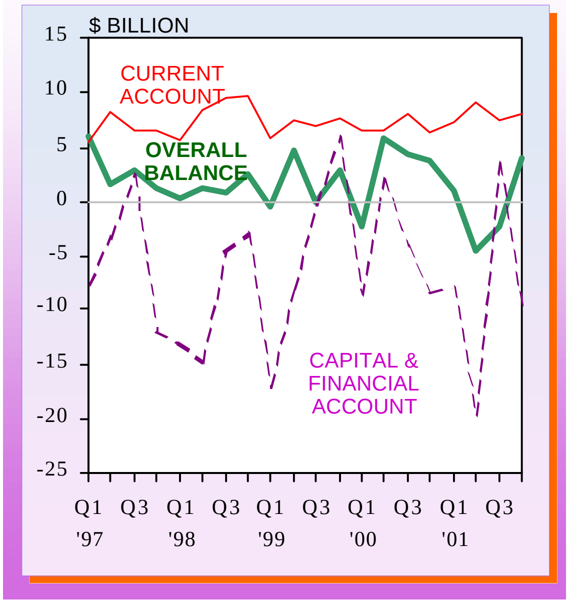
CHART 14
MANUFACTURING INVESTMENT COMMITMENTS



Balance of Payments

Singapore's overall balance of payments recorded a deficit of $1.6 billion in 2001, compared with a surplus of $11.8 billion in 2000. This was due to significantly larger outflows from the capital & financial account. Specifically, outflow of direct investments more than doubled to $18.3 billion because of the slew of overseas merger & acquisition (M&A) activities. Outflows from the volatile "other investments" account also jumped by $20.2 billion. In contrast, the current account balance grew by $4.6 billion to $32 billion. Despite the deficit in the balance of payments, Singapore's official foreign reserves rose to $140 billion as at end 2001 (equivalent to 8.1 months of current imports), as valuation gains offset the contractionary impact of the balance of payments deficit.

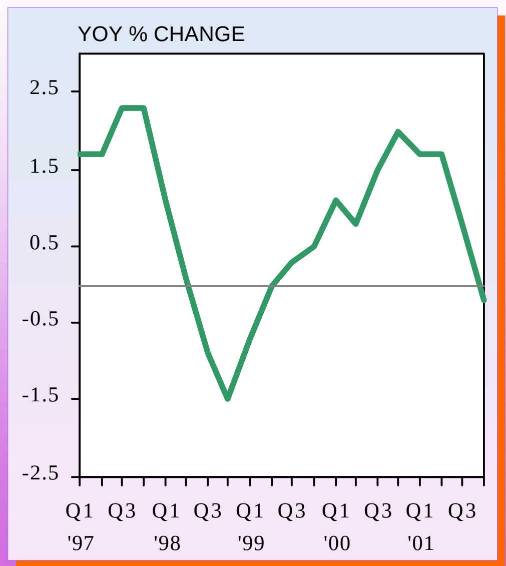
CHART 15
BALANCE OF PAYMENTS



Consumer Price Inflation

Inflation remained benign due to slower economic activity. The consumer price index (CPI) rose by 1.0 per cent, with higher prices in all categories except transport and communications. In particular, dearer packaged tours and cigarettes caused the miscellaneous item category to go up by 3.2%. Increased housing costs (which increased by 1.3%), arising from higher electricity tariffs, also contributed to the rise. However, costs of transport and communications registered a fall of 1.4% due to lower car prices, and cheaper petrol and mobile phones.

CHART 16
CONSUMER PRICE INDEX



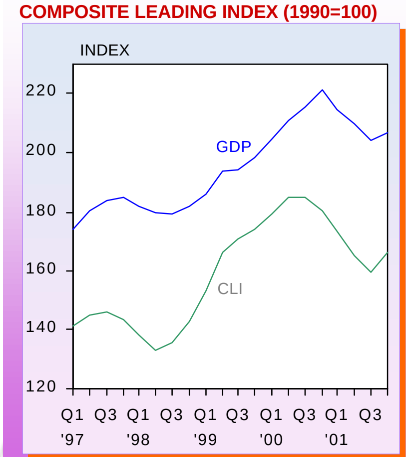
Outlook For 2002

After a dismal performance of 2.4% in 2001, the global economy is expected to pick up this year. The US and the EU economies have shown some signs of recovery, led by improvements in sentiments. The US economy saw positive growth of 0.2% in the fourth quarter, supported by higher consumer and government spending. The decline in manufacturing activities has also moderated. However, business investments continued to contract for the sixth consecutive quarter. For the EU, the spate of interest rate and tax cuts has held up consumer sentiments. The manufacturing Purchasing Managers' Index also increased in December 2001. However, the Japanese economy remains weak, plagued by flagging economic confidence, and sluggish household and business spending.

The global electronics industry, which saw a record decline of 32% last year, is also expected to turn around this year. The drop in worldwide semiconductor sales has moderated but the pace of recovery is still uncertain. Industry monitoring group Gartner Dataquest expects the industry to grow by –9 to +11% while the Semiconductor Industry Association's forecast is 6.3%.

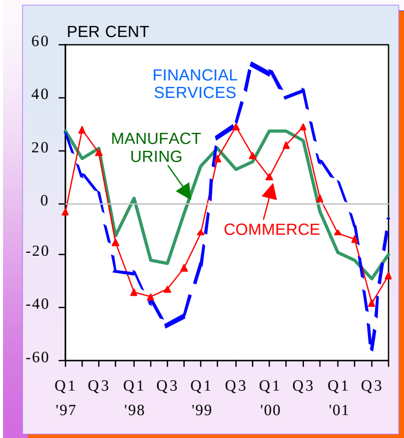
On the domestic front, forward-looking indicators have also improved. The composite leading index (CLI), which leads economic activity about two to three quarters ahead, increased for the first time in six quarters. The index went up by 4.5% in the fourth quarter compared with –3.6% in the third quarter. The business expectations surveys show that while business sentiments remain cautious, more businesses in the manufacturing as well as services sectors expect an improvement in the economy compared to the previous quarter.

CHART 17
GROSS DOMESTIC PRODUCT & COMPOSITE LEADING INDEX (1990=100)



The Ministry of Trade and Industry's (MTI) preliminary 2002 growth forecast, made in October 2001, was –2 to +2%. This was in view of the great uncertainties following the terrorist attacks in September 2001. As the outlook of the global economy has improved since then, MTI has revised Singapore's 2002 growth forecast to 1-3%.

CHART18
BUSINESS EXPECTATIONS



ANNEX

Sectoral Growth Rates

Per cent

Sector	2000	2001	1Q00	2Q00	3Q00	4Q00	1Q01	2Q01	3Q01	4Q01
PERCENTAGE CHANGE OVER CORRESPONDING PERIOD OF PREVIOUS YEAR										
Total	**10.3**	**-2.0**	**10.0**	**8.7**	**10.9**	**11.4**	**5.0**	**-0.5**	**-5.4**	**-6.6**
Goods Producing Industries	10.8	-8.9	6.7	9.5	11.8	14.5	2.8	-6.3	-14.8	-15.2
Manufacturing	15.3	-11.5	13.2	13.6	15.2	18.8	2.9	-8.7	-18.9	-18.6
Construction	-1.7	-2.1	-10.1	-2.0	3.4	2.3	2.0	0.3	-3.9	-6.5
Services Producing Industries	9.0	1.6	10.4	7.3	9.4	8.8	5.7	2.6	-0.2	-1.3
Wholesale & Retail	15.2	-2.8	17.3	15.3	15.4	13.1	7.2	-1.1	-8.0	-8.5
Hotels & Restaurants	8.9	-2.6	10.8	7.0	10.9	7.2	2.6	-0.2	-3.8	-8.8
Transport & Communications	8.5	2.7	9.6	9.4	8.9	6.1	4.8	2.8	1.9	1.1
Financial Services	4.6	2.2	11.4	-3.7	3.8	8.3	2.8	4.0	1.5	0.6
Business Services	7.3	2.8	6.2	7.7	8.4	7.0	5.9	3.5	1.9	0.3
Annualised Growth Rate – Seasonally-adjusted										
Total	10.3	-2.0	12.8	13.0	9.4	10.5	-11.4	-8.3	-10.5	5.6
Goods Producing Industries	10.8	-8.9	12.8	17.0	10.9	17.9	-27.2	-19.0	-24.3	16.1
Manufacturing	15.3	-11.5	16.8	23.4	11.4	24.4	-34.5	-23.6	-30.7	26.9
Construction	-1.7	-2.1	2.5	1.2	9.5	-2.5	-0.4	-5.0	-7.6	-12.3
Services Producing Industries	9.0	1.6	12.2	9.3	8.3	5.6	-0.3	-3.0	-3.1	1.5
Wholesale & Retail	15.2	-2.8	19.9	15.9	10.2	7.3	-4.1	-15.6	-17.2	4.6
Hotels & Restaurants	8.9	-2.6	15.6	5.5	10.2	-1.6	-3.3	-5.6	-4.2	-20.9
Transport & Communications	8.5	2.7	9.7	7.8	5.9	1.6	4.0	0.0	2.2	-1.5
Financial Services	4.6	2.2	15.2	2.0	6.0	10.1	-5.9	6.4	-3.6	6.2
Business Services	7.3	2.8	7.6	11.0	6.7	3.2	3.0	0.8	0.7	-3.0

Source: Singapore Department of Statistics