

Medium Term Prospects for the Singapore Economy

by

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Understanding the Singapore Economy**

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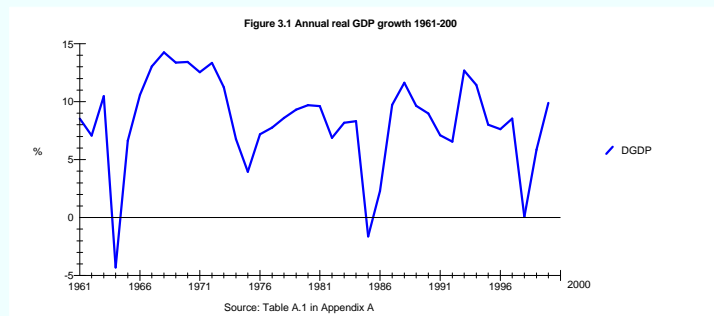
Presentation Outline

- ✓ **The Past**
- ✓ **The Present**
- ✓ **The Immediate Future**
- ✓ **Sum-Up**

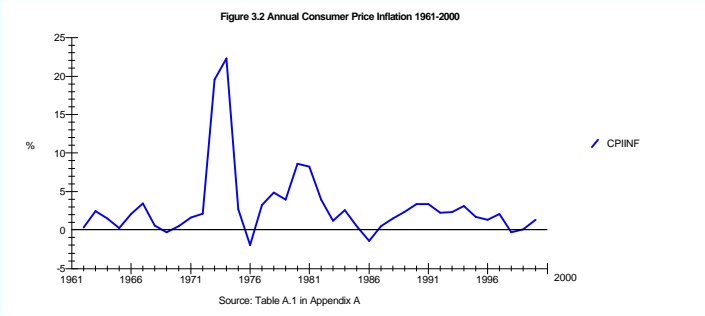


THE PAST

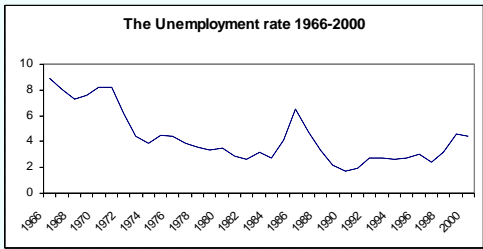
- Singapore has enjoyed decades of rapid economic growth
- Consumer price inflation has generally been low
- Unemployment was high in the 1960s and during the 1985-6 recession but has been quite low since the late 1970s



2001	2.0
2002	3.2
2003	1.4
2004	8.7
2005	6.4



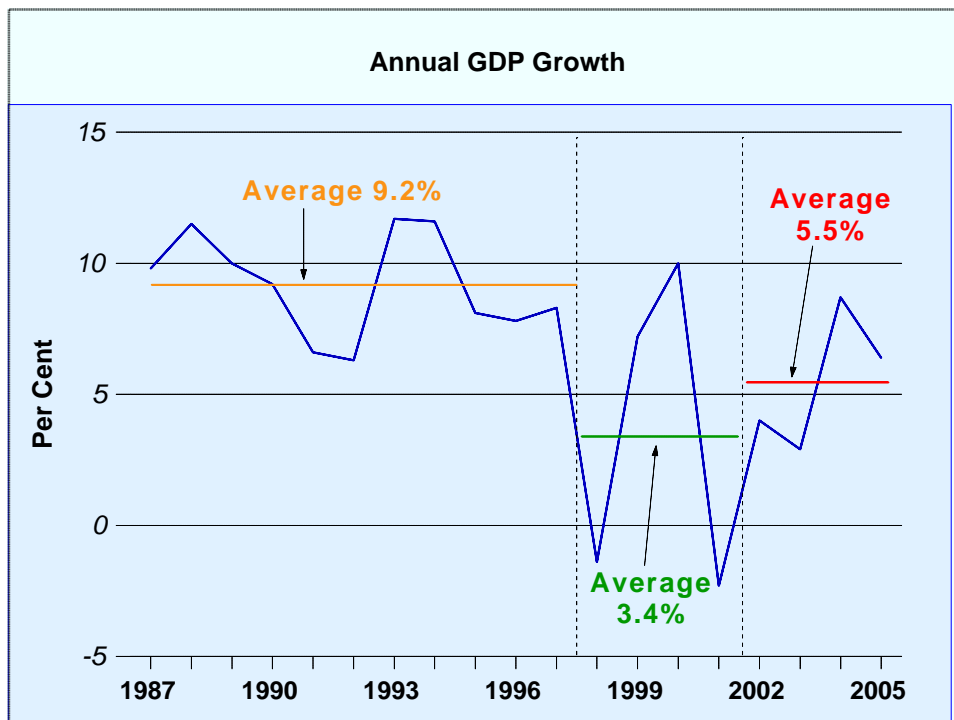
2001	1.0
2002	-0.4
2003	0.5
2004	1.7
2005	0.5

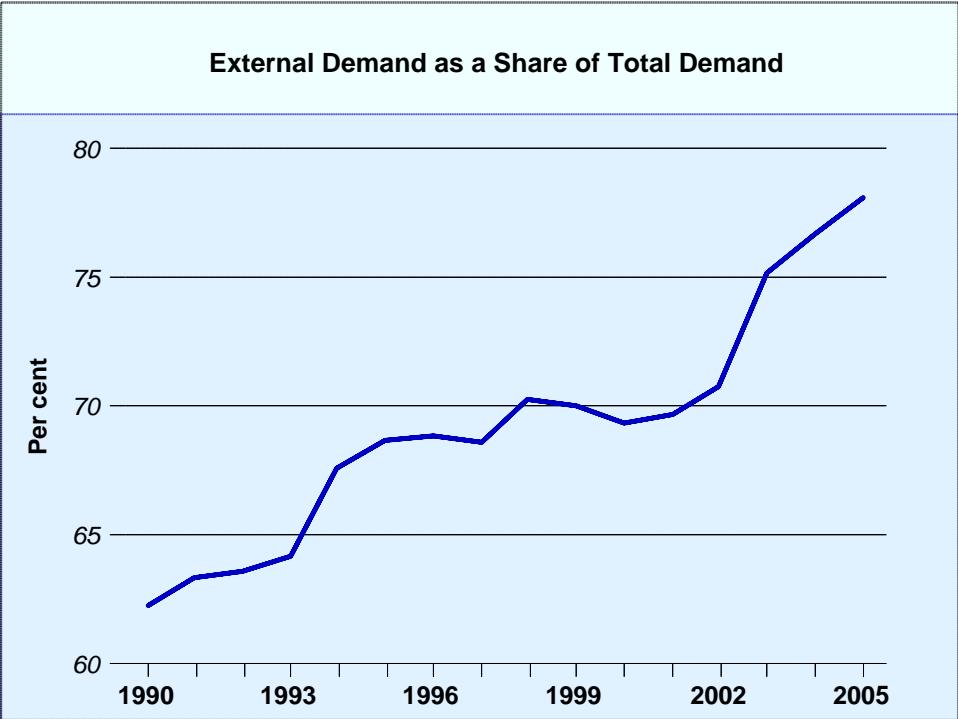
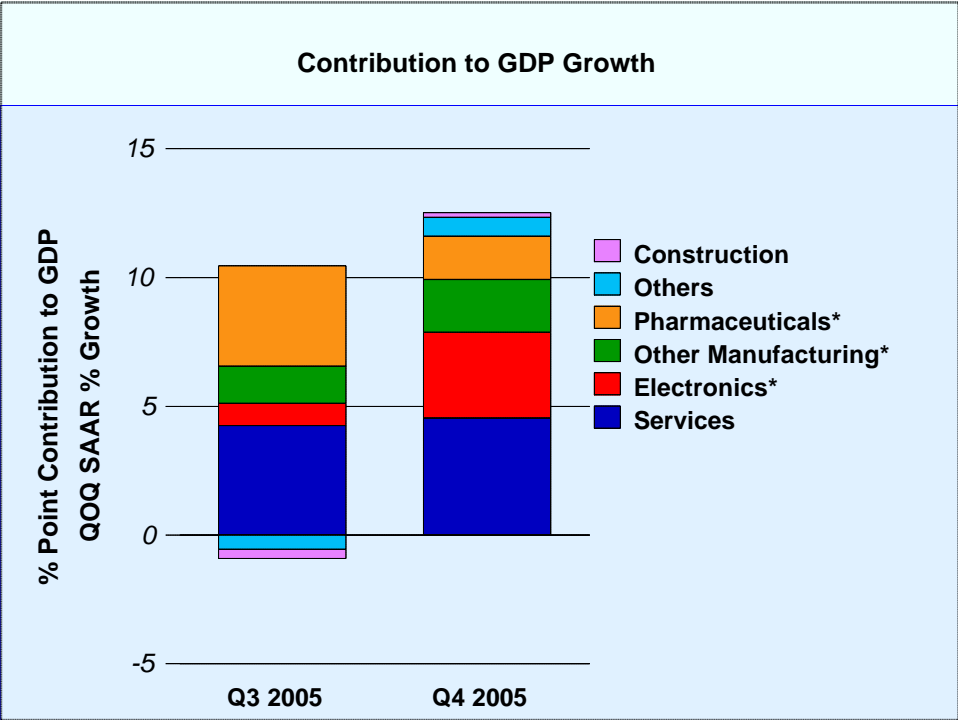


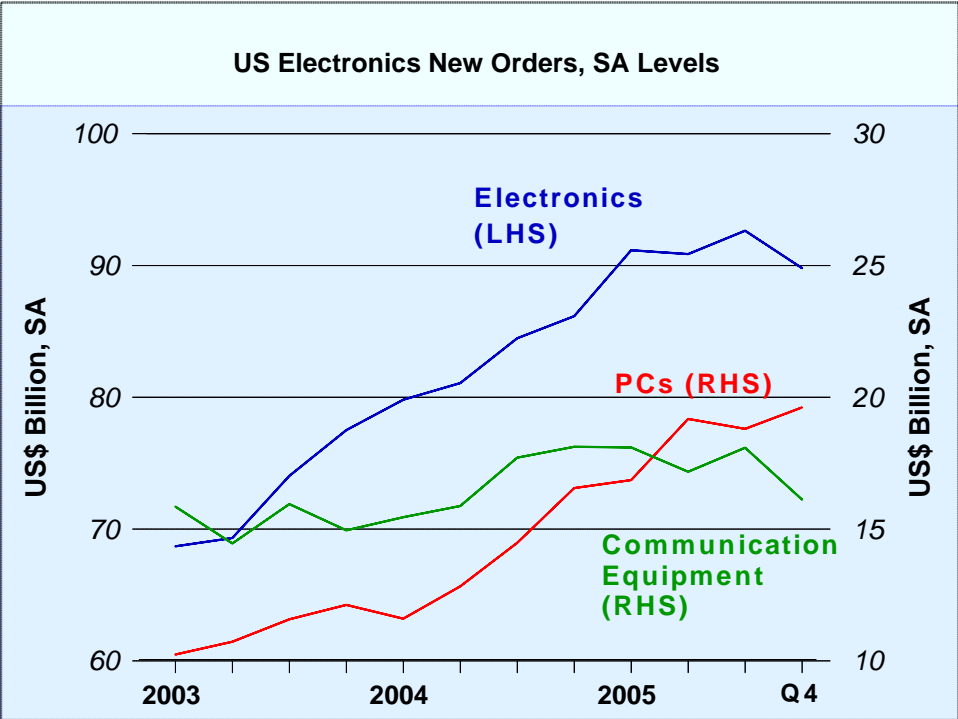
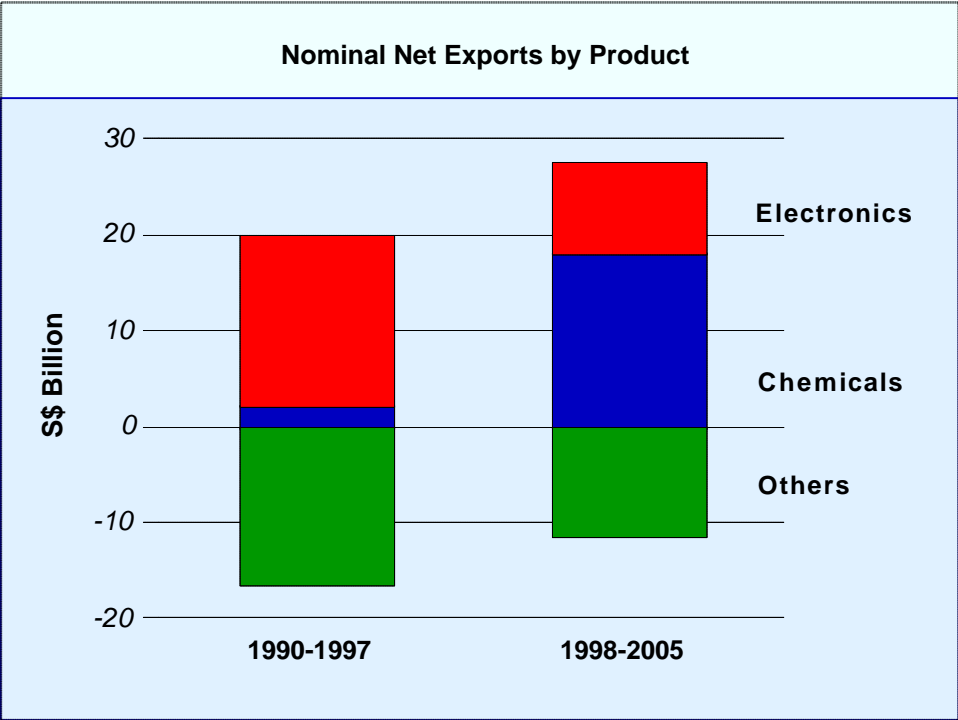
	Total Annual average	Resident Annual average
2000	2.7	3.7
2001	2.7	3.7
2992	3.6	4.8
2003	4.0	5.2
2004	3.4	4.4
2005	2.5 December	3.3 December

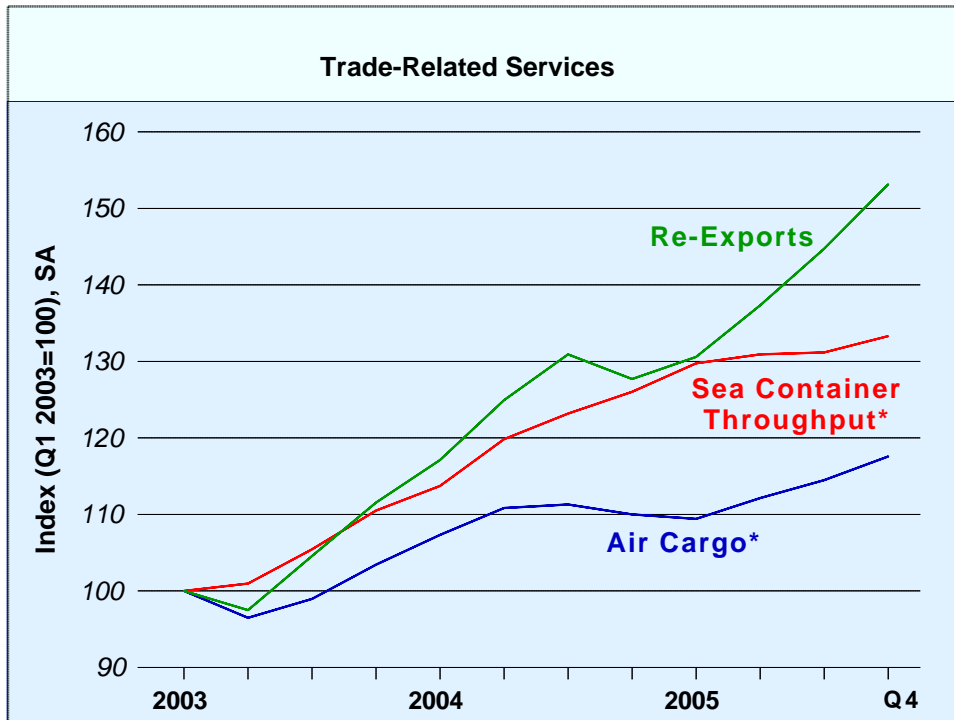
THE PRESENT

- The impact of multiple shocks has reduced growth in recent years
- Economic activity strengthened in H2 last year
- Growth since 1998 has been driven largely by external demand, especially electronics and chemicals, helped by trade-related services





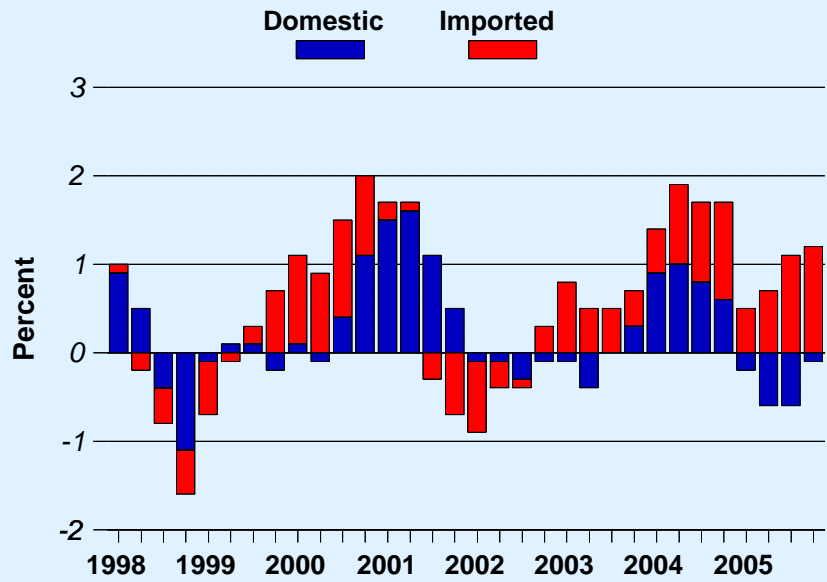




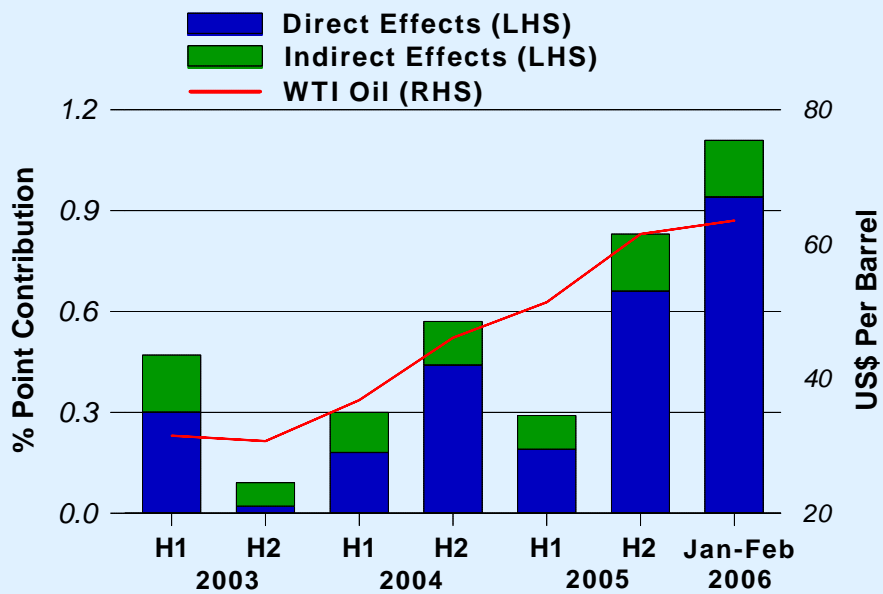
THE PRESENT

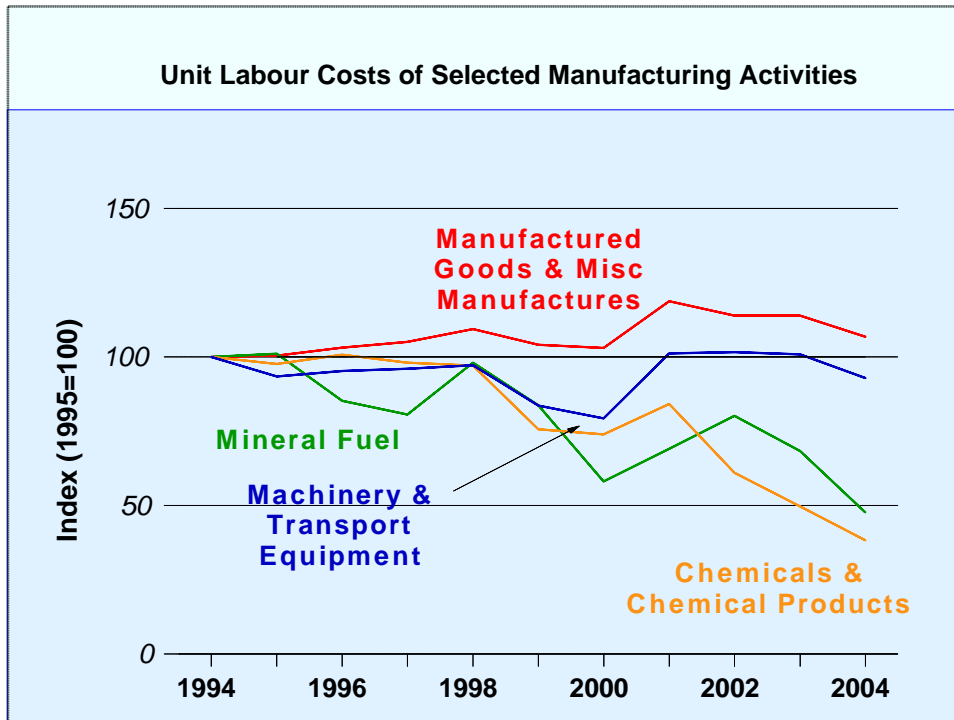
- External factors were the main drivers of inflation in H2 2005
- Especially oil prices
- But domestic cost pressures were muted

% Point Contribution to CPI Inflation, Domestic vs Imported Sources



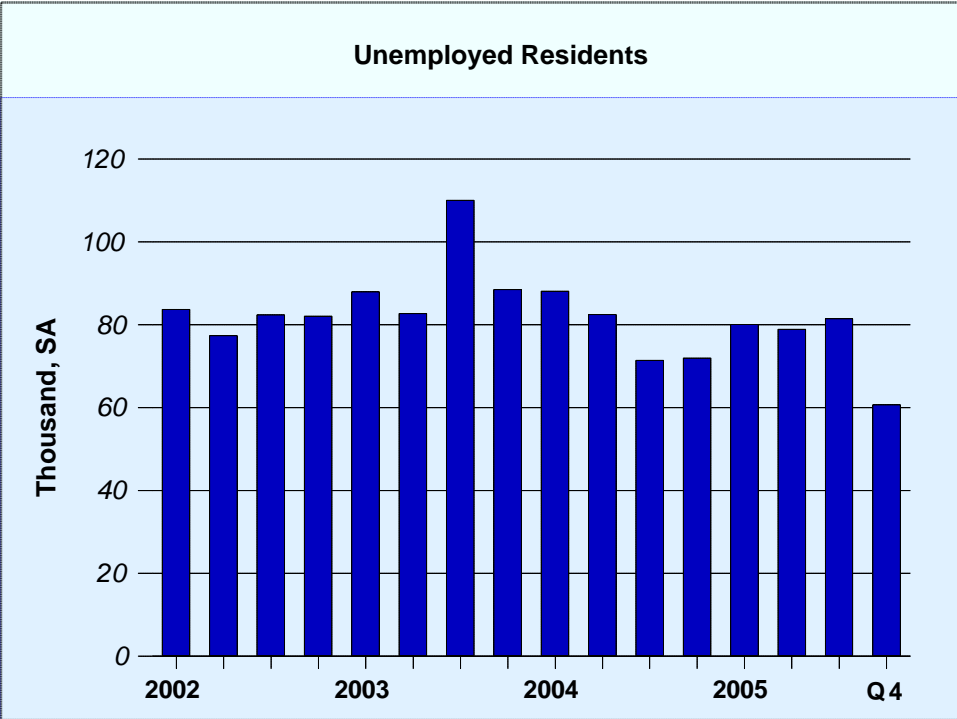
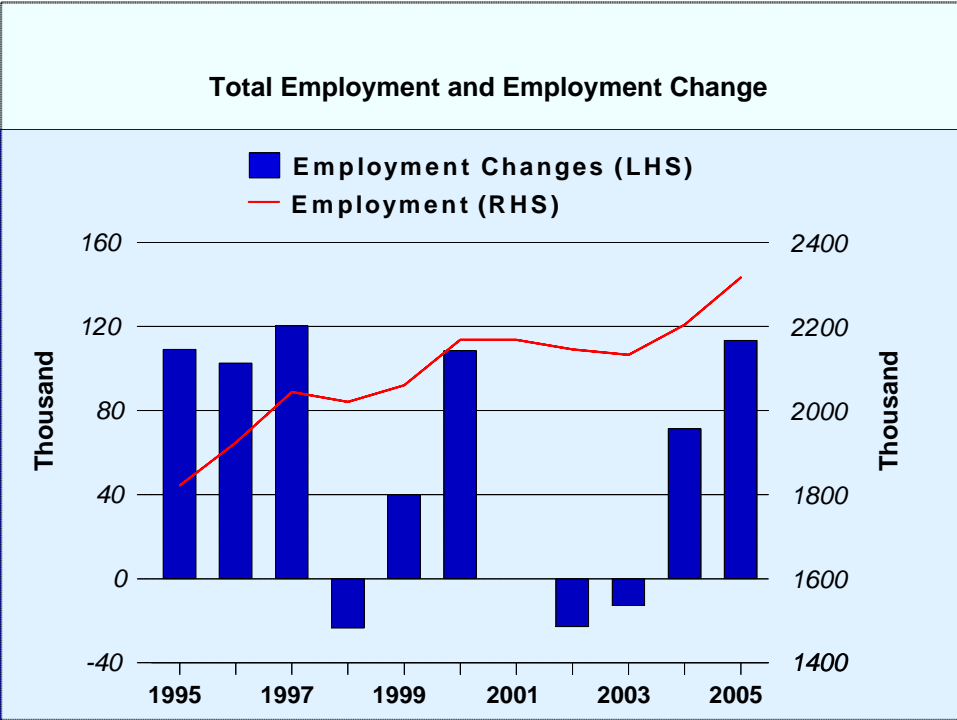
% Point Contribution to CPI Inflation from Oil-related Items





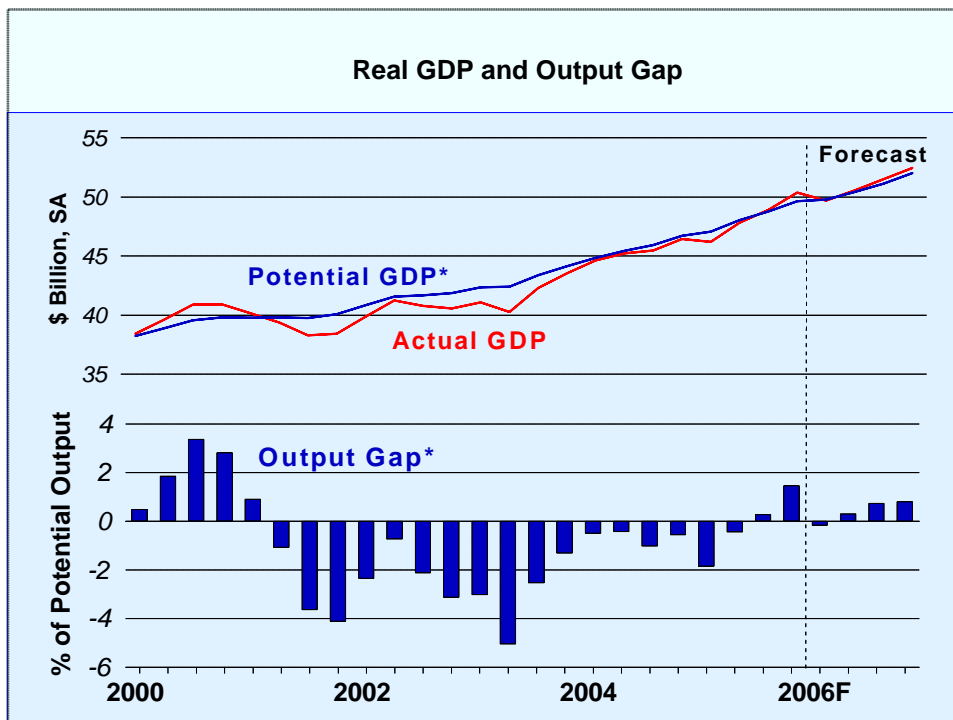
THE PRESENT

- Buoyed by healthy growth employment creation was broad-based last year
- So unemployment fell



THE FUTURE

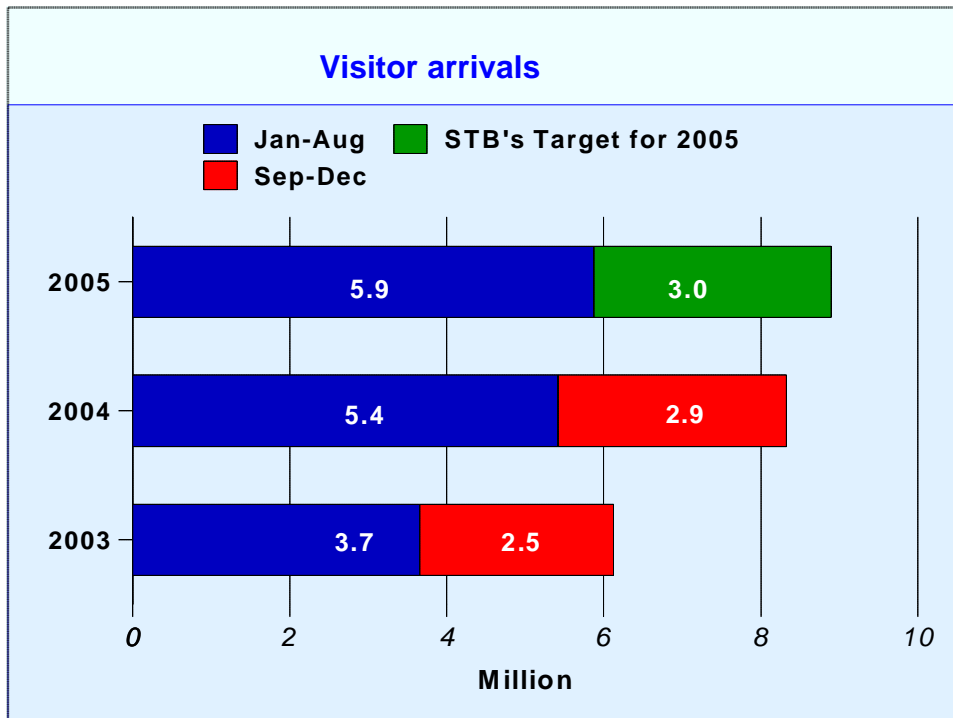
- The growth forecast for 2006 has been revised up from 4-6% to between 6.5 and 7.5%
- Driven by steady expansion in the global economy and a positive domestic outlook
- But growth in the global IT market may moderate

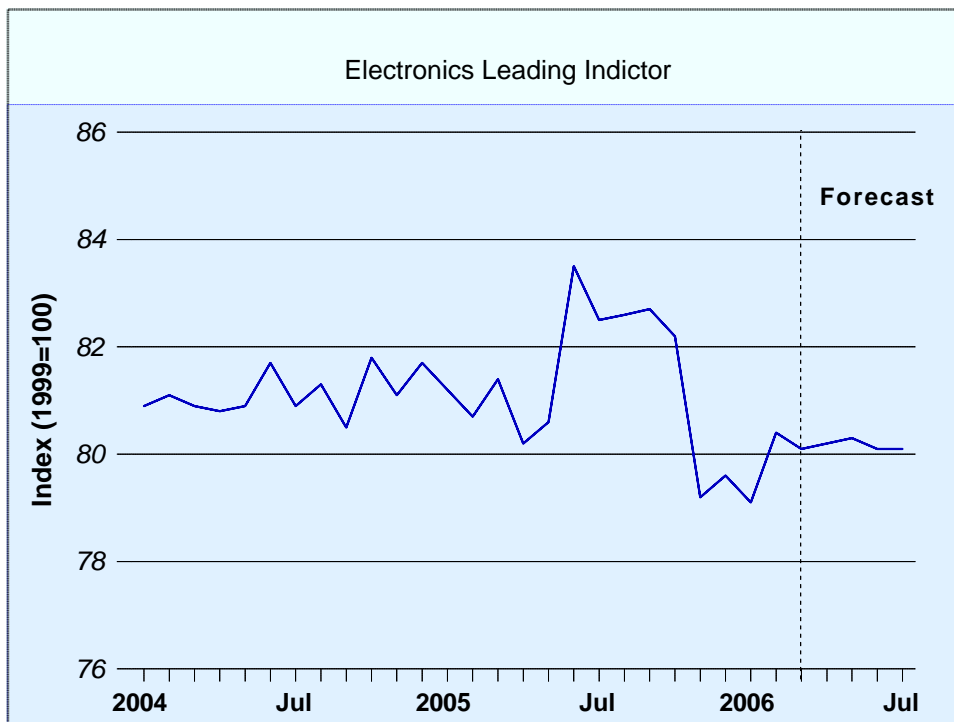


Consensus Forecasts of GDP Growth

y-o-y (%)	2006F	2007F	
US	3.3	2.9	
Japan	2.9	2.2	
Euro zone	2.0	1.8	
China	9.1	8.6	
Hong Kong	5.2	4.5	
Indonesia	5.2	5.6	
Korea	5.1	4.7	
Malaysia	5.4	5.3	
Philippines	4.7	4.8	
Singapore	6.1	5.3	
Taiwan	4.0	4.0	
Thailand	4.8	4.9	

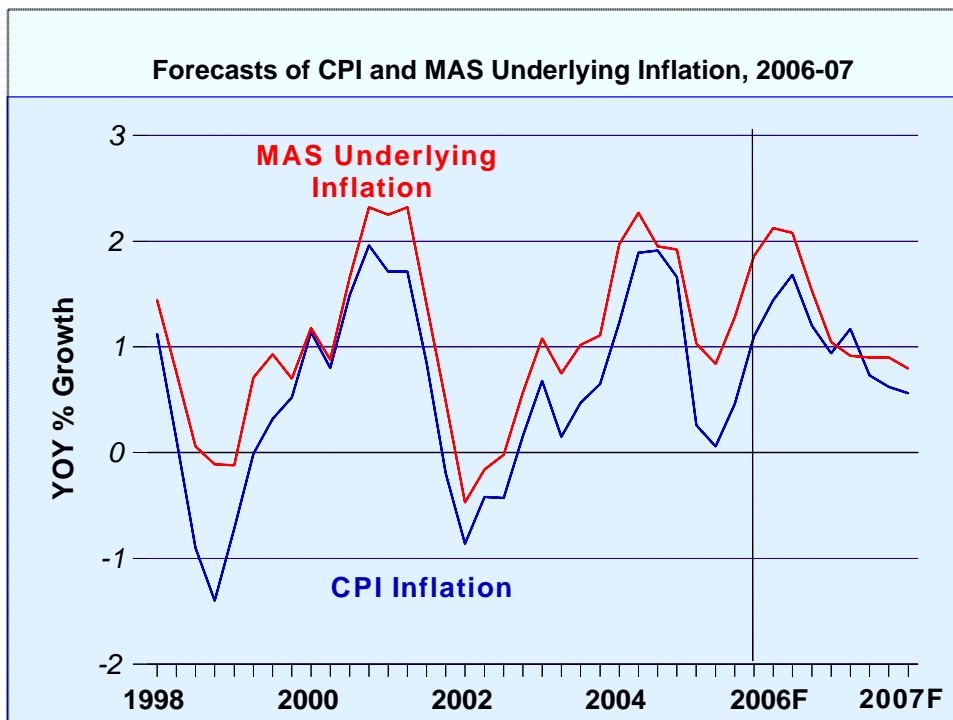
Visitor arrivals

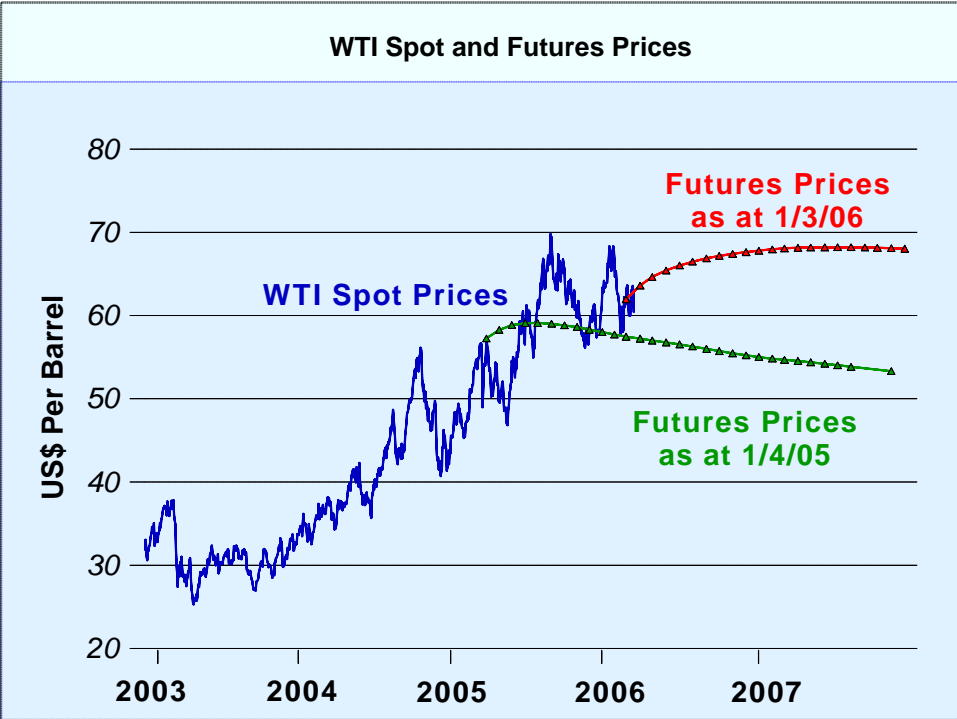
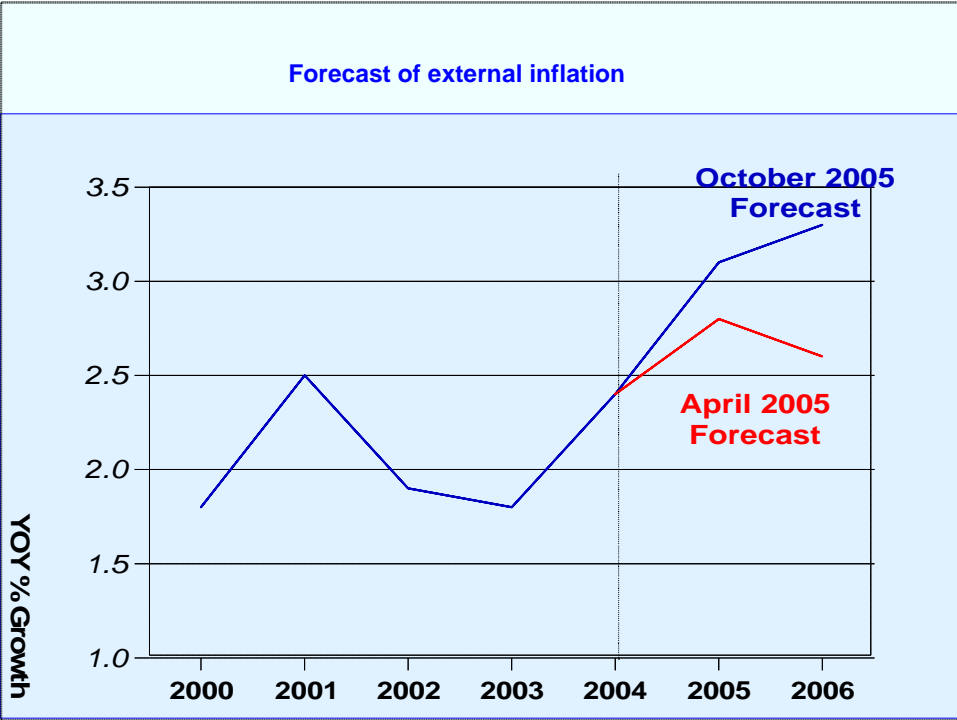




THE FUTURE

- Inflation in 2006 will be higher than last year but contained and should moderate in 2007
- Much depends on external inflation, especially oil prices
- But the employment outlook continues to look good!





Hudson's Permanent Employment Expectations



Sum-Up

- ✓ The growth outlook for Singapore remains very healthy
- ✓ Domestic price inflation should also remain fairly well-contained
- ✓ But risk factors include higher than expected oil prices, global monetary tightening and low probability but high impact shocks, such as an avian flu pandemic

