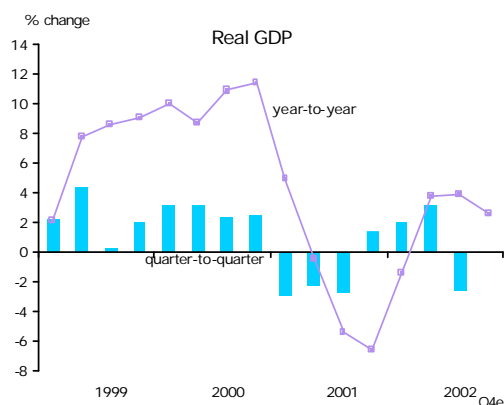


Country Update: Singapore

Rollercoaster ride for economy

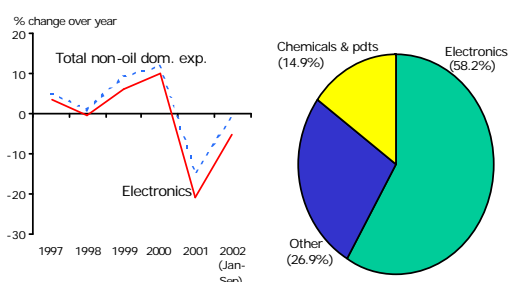


Source : Ministry of Trade and Industry, Singapore

- Advance estimates indicate that real GDP expanded by 2.6% over the year to Q4 2002, bringing full-year growth to 2.2% for 2002. The economy narrowly escaped another technical recession with flat growth in the quarter following a decline in Q3 02. The uncertainty over the strength of recovery in global electronics demand and the prospect of only a gradual pick-up in economic activity in its main trading-partner countries are likely to prevent a quick economic turnaround in 2003. ANZ forecasts GDP growth of around 3½% in 2003.

Dependence on electronics exports

Total non-oil domestic exports, Jan-Sep 2002: S\$72.2 bn (82.6% of total domestic exports)



Source: Ministry of Trade and Industry, Singapore

- Unemployment remains a concern with the seasonally-adjusted unemployment rate rising to 4.8% in September 2002, its highest level since the mid-1980s. A less flexible workforce in terms of job aspirations and remuneration, on the one hand, and employers' reluctance to employ older workers, on the other, are some structural issues that continue to be difficult to redress.
- Reflecting the uncertain economic environment and relatively high unemployment, the government revised its decision to increase the Goods & Services Tax (GST) from 3% to 5% effective 1 January 2003. Instead, the GST will be raised in 2 steps: to 4% on 1 January 2003 and to 5% a year later.
- While the forward-thinking approach of the government, solid financial position and conducive business environment continue to underpin investor sentiment, the pace of investment will largely depend on the maintenance of regional security and global demand prospects. The government expects to meet its target for manufacturing investment commitments of S\$9 bn in 2002 - S\$6.3 bn worth of investments were committed in the first three quarters of 2002.

Economic data and debt statistics

Singapore	1997	1998	1999	2000	2001	2002e	2003f	2004f
Economic growth (%)	8.6	-0.1	6.9	10.3	-2.0	2.2	3.4	5.5
Inflation (yr av, %)	2.0	-0.3	0	1.4	1.0	-0.5	0	1.0
Public Sector Balance (% of GDP)	3.4	2.5	2.6	3.4	4.2	0.1	1.5	
Current Account Balance (% of GDP)	19.2	24.0	20.0	17.2	20.9	22.5	20.0	
External Debt (USD bn)	13.8	14.2	13.8	12.8	9.8	8.1	8.2	
External Debt/GDP Ratio (%)	14.6	17.2	16.7	13.8	11.4	9.1	8.8	
External Debt/Exports Ratio (%)	8.1	10.0	8.9	7.0	6.0	4.8	4.6	
Short-term Debt/Reserves (%)	3.9	3.6	7.4	7.5	6.1			
Debt Service Ratio (Paid) (%)	1.4	1.3	2.1	2.3	2.4			
Debt Service Ratio (Due) (%)	1.4	1.3	2.1	2.3	2.4	2.3	2.2	
International Reserves (USD bn)	71.3	74.9	76.8	80.1	75.4	82.3*		
Import Cover (g & s) (months)	6.0	8.0	7.5	6.4	7.0			

*: December 2002

Sources : IMF, Economist Intelligence Unit, ANZ Bank