MAS Monetary Authority of Singapore

economic policy group

September 2011

The *Sep 2011 Survey* was sent out on 10 Aug 2011 to a total of 25 economists and analysts who closely monitor the Singapore economy. This report reflects the views received from 20 respondents (a response rate of 80%) and does not represent MAS' views or forecasts. All quarterly percentage figures quoted are on a year-on-year basis unless otherwise stated.

GDP growth in Q2 2011 was weaker than expected

The Singapore economy expanded by 0.9% in Q2 2011, which was lower than the median forecast of 2.0% reported in the *June 2011 Survey*.

Economy forecast to expand by 5.3% in 2011

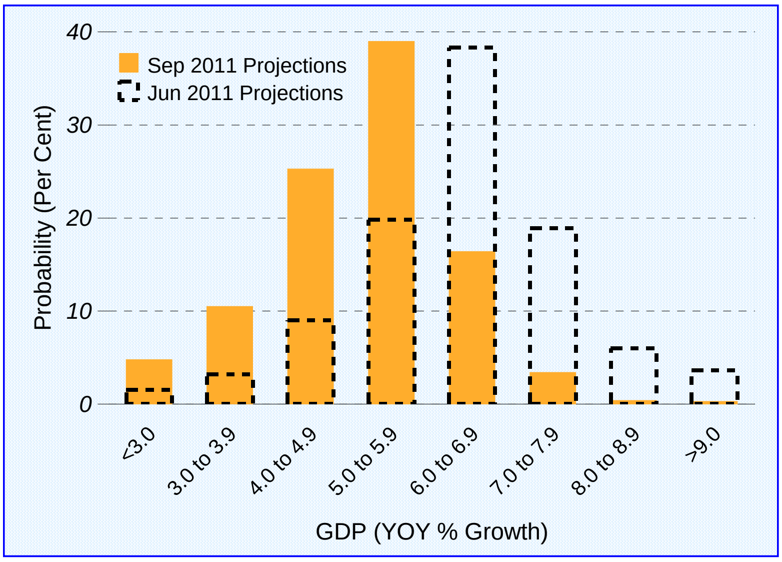
The respondents expect the economy to grow by 5.3% in 2011, a downgrade from the 6.2% in the previous survey.

Table 1
Median Forecasts of Macroeconomic Indicators for 2011

Key Macroeconomic Indicators Year-on-Year % Change	**Jun Survey**	**Current Survey**
GDP	6.2	5.3
Manufacturing	8.0	5.4
Financial Services	8.8	9.6
Construction	3.5	2.1
Wholesale & Retail Trade	5.0	3.0
Hotels & Restaurants	7.0	6.9
Private Consumption	5.0	5.6
Non-oil Domestic Exports	9.0	5.3

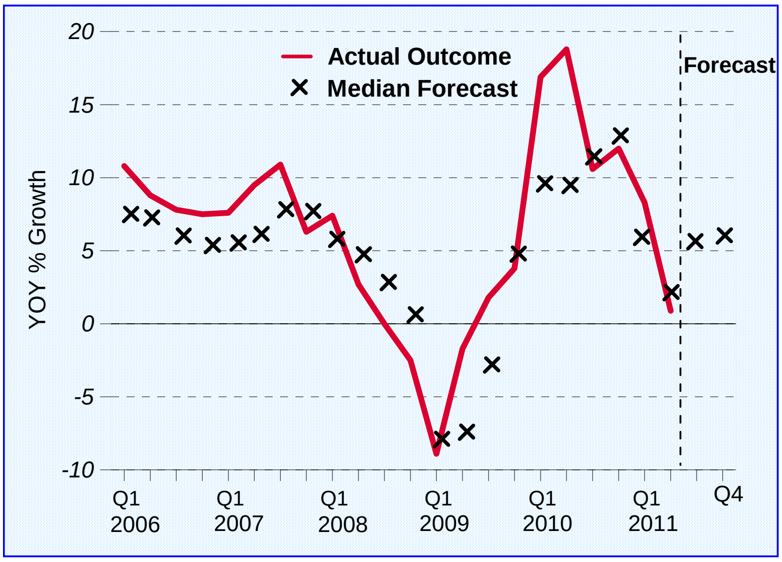
As reflected by the mean probability distribution, the most likely outcome is for the Singapore economy to grow by between 5.0 to 5.9% this year.

Chart 1
Mean Probability Distribution of 2011 GDP Growth Forecasts



For Q3 2011, the respondents now expect GDP to expand by 5.5%, compared with 6.8% in the previous survey.

Chart 2
Quarterly GDP Growth



CPI inflation expected to come in at 4.5% in 2011

The median CPI inflation forecast for 2011 increased to 4.5%, compared to the 4.1% reported in the previous survey. In Q3 2011, inflation is expected to come in at 4.8%. As for the labour market, the respondents expect the unemployment rate to be 2.2% by year-end, an increase from the 2.0% in the previous survey.

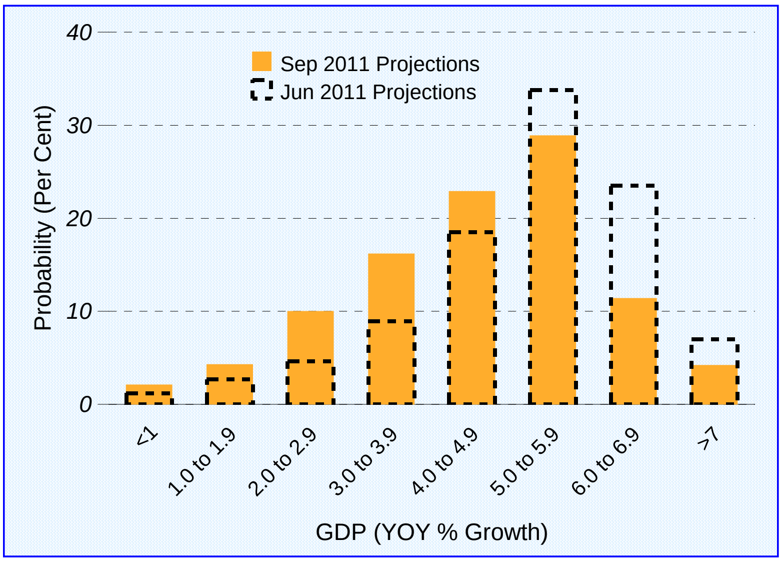
Table 2
Median Forecasts of Other Economic Indicators for 2011

Indicators	Jun Survey	Current Survey
CPI (year-on-year % change)	4.1	4.5
Unemployment Rate (end-period, SA %)	2.0	2.2
Exchange Rate (end-period, S$ per US$)	1.210	1.190
3-month US$ SIBOR (end-period, % per annum)	0.40	0.29
3-month S$ Interbank Rate (end-period, % per annum)	0.50	0.40
Bank Loans (end-period, % growth)	15.8	22.0

Economy forecast to grow by 4.9% in 2012

For 2012, the respondents' forecast at this stage is for GDP growth to come in at 4.9%, while CPI inflation is expected to reach 2.8%. As reflected by the mean probability distribution, the most likely outcome is for the Singapore economy to expand by 5.0 to 5.9% next year.

Chart 3
Mean Probability Distribution of 2012 GDP Growth Forecasts



APPENDIX: SUMMARY TABLES

Table A.1
Key Macroeconomic Indicators for Q2 2011

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	**Median Forecast Jun Survey**	**Actual Outcome**
GDP	2.0	0.9
Manufacturing	0.2	-5.9
Financial Services	8.5	10.0
Construction	2.8	1.5
Wholesale & Retail Trade	3.7	0.0
Hotels & Restaurants	5.7	6.4
Private Consumption	4.8	6.6
Non-oil Domestic Exports	4.3	1.9
CPI	4.4	4.7
Unemployment Rate (end-period, SA %)	2.0	2.1
Exchange Rate (end-period, S$ per US$)	1.230	1.229
3-month US$ SIBOR (end-period, % per annum)	0.30	0.25
3-month S$ Interbank Rate (end-period, % per annum)	0.44	0.44
Bank Loans (end-period, % growth)	20.1	26.2

Table A.2
Forecasts of Key Macroeconomic Indicators for Q3 2011

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	**Median**	**Mean**	**Min**	**Max**
GDP	5.5	5.4	2.0	7.1
Manufacturing	7.2	7.2	4.7	13.4
Financial Services	9.5	9.2	4.2	13.2
Construction	2.0	2.5	-0.8	5.0
Wholesale & Retail Trade	2.4	2.4	-0.7	6.0
Hotels & Restaurants	7.0	7.2	4.8	9.3
Private Consumption	5.0	5.3	2.1	7.3
Non-oil Domestic Exports	1.7	2.2	-5.0	15.0
CPI	4.8	4.7	3.9	5.3
Unemployment Rate (end-period, SA %)	2.2	2.2	1.9	2.5
Exchange Rate (end-period, S$ per US$)	1.204	1.203	1.180	1.220
3-month US$ SIBOR (end-period, % per annum)	0.30	0.28	0.25	0.30
3-month S$ Interbank Rate (end-period, % per annum)	0.35	0.36	0.25	0.50
Bank Loans (end-period, % growth)	25.0	24.6	19.3	28.2

Table A.3
Forecasts of Key Macroeconomic Indicators for 2011

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	**Jun Survey**	**Current Survey**			
	Median	**Median**	**Mean**	**Min**	**Max**
GDP	6.2	5.3	5.3	4.1	6.2
Manufacturing	8.0	5.4	6.0	4.7	9.2
Financial Services	8.8	9.6	9.4	5.4	11.5
Construction	3.5	2.1	2.3	-1.0	4.4
Wholesale & Retail Trade	5.0	3.0	3.3	1.5	7.0
Hotels & Restaurants	7.0	6.9	6.9	5.5	8.2
Private Consumption	5.0	5.6	5.5	3.9	6.9
Non-oil Domestic Exports	9.0	5.3	5.3	2.0	16.0
CPI	4.1	4.5	4.5	4.0	5.0
Unemployment Rate (end-period, SA %)	2.0	2.2	2.2	1.9	2.5
Exchange Rate (end-period, S$ per US$)	1.210	1.190	1.190	1.150	1.220
3-month US$ SIBOR (end-period, % per annum)	0.40	0.29	0.28	0.20	0.40
3-month S$ Interbank Rate (end-period, % per annum)	0.50	0.40	0.36	0.20	0.50
Bank Loans (end-period, % growth)	15.8	22.0	22.5	18.5	28.0

Table A.4
Forecasts of Quarterly GDP Growth for 2011

Period under Forecast	**Median**	**Mean**	**Min**	**Max**
	Year-on-Year % Change			
2011 Q3	5.5	5.4	2.0	7.1
2011 Q4	5.9	5.9	4.0	8.3
2011	5.3	5.3	4.1	6.2

Table A.5
Forecasts of GDP Growth and CPI Inflation for 2012

Key Macroeconomic Indicators	**Median**	**Mean**	**Min**	**Max**
	Year-on-Year % Change			
GDP	4.9	4.8	3.0	6.5
CPI	2.8	2.9	2.2	3.6

Table A.6
Mean Probabilities Attached to Possible Outcomes in GDP Growth

Forecasts for 2011		Forecasts for 2012	
Growth Range Year-on-Year Change	**Probabilities (%)**	**Growth Range** Year-on-Year Change	**Probabilities (%)**
9.0% or more	0.3	7.0% or more	4.2
8.0 to 8.9%	0.4	6.0 to 6.9%	11.4
7.0 to 7.9%	3.4	5.0 to 5.9%	28.9
6.0 to 6.9%	16.4	4.0 to 4.9%	22.9
5.0 to 5.9%	39.0	3.0 to 3.9%	16.2
4.0 to 4.9%	25.3	2.0 to 2.9%	10.0
3.0 to 3.9%	10.5	1.0 to 1.9%	4.3
Less than 3.0%	4.8	Less than 1.0%	2.1
Total	100	Total	100