



Monetary Authority of Singapore

economic policy department

A faint, light-colored background image of a city skyline with various skyscrapers and buildings, overlaid on a dark blue horizontal band.

SURVEY of professional
forecasters

September 2006

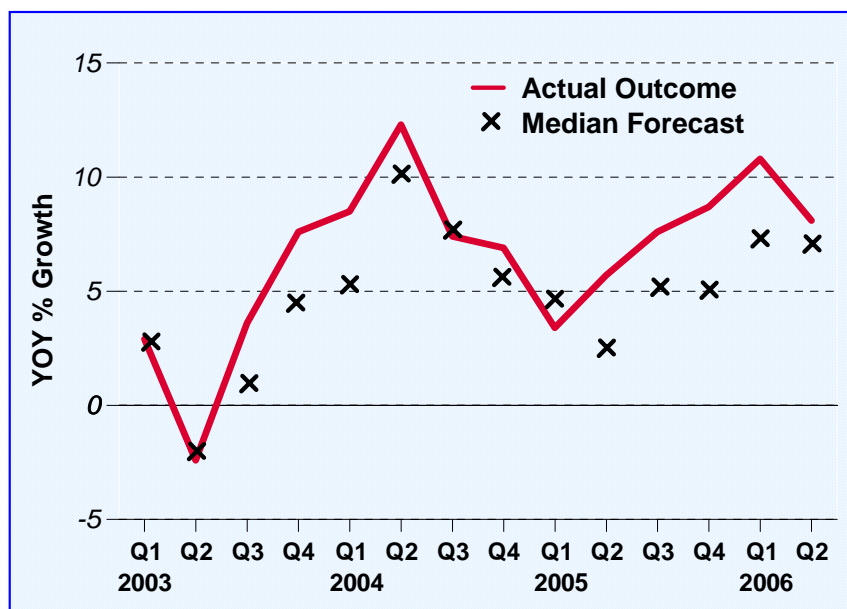
MAS SURVEY OF PROFESSIONAL FORECASTERS: SEPTEMBER 2006

The September 2006 survey was sent out on 14 August 2006 to a total of 25 economists and analysts who closely monitor the Singapore economy. This report reflects the views received from 19 respondents (response rate of 76%) and does not represent MAS' views or forecasts.

GDP Growth Forecast for 2006 Raised to 7.1%

Singapore's real GDP expanded by 8.1% on a year-on-year basis in Q2 2006, exceeding the respondents' median forecast of 7.2% reported in the June 2006 survey. (Chart 1)

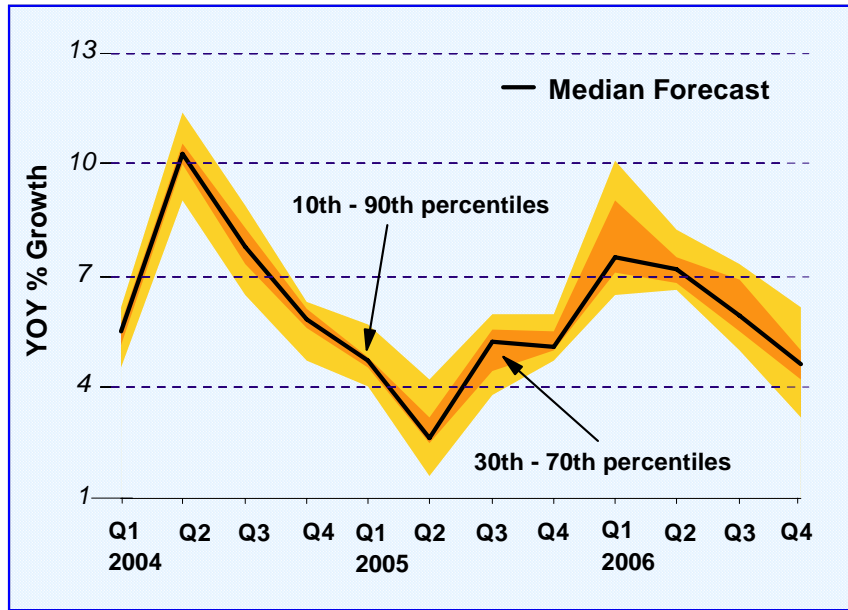
Chart 1
Quarterly Real GDP Growth



For the current survey, the respondents expect GDP growth to come in at 5.9% in Q3 2006 before moderating to 4.6% in Q4. The forecast numbers are higher than those reported in the previous survey, of 5.5% and 4.2% respectively.

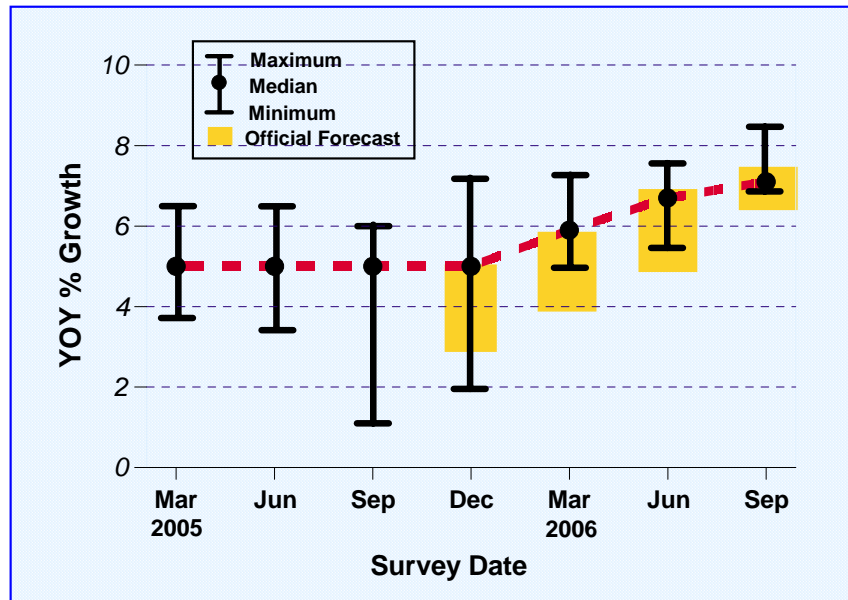
Chart 2 plots the distribution of the quarterly forecasts around the median. The darker central band represents the 30th – 70th percentiles of the forecast distribution, which are closer to the median, while the lighter outer bands represent the 10th – 90th percentiles of the forecast distribution, which are further away from the median. As reflected in the wide distribution of the forecasts, there is still some uncertainty as to the extent of the moderation in H2.

Chart 2
Distribution of Quarterly Real GDP Growth Forecasts



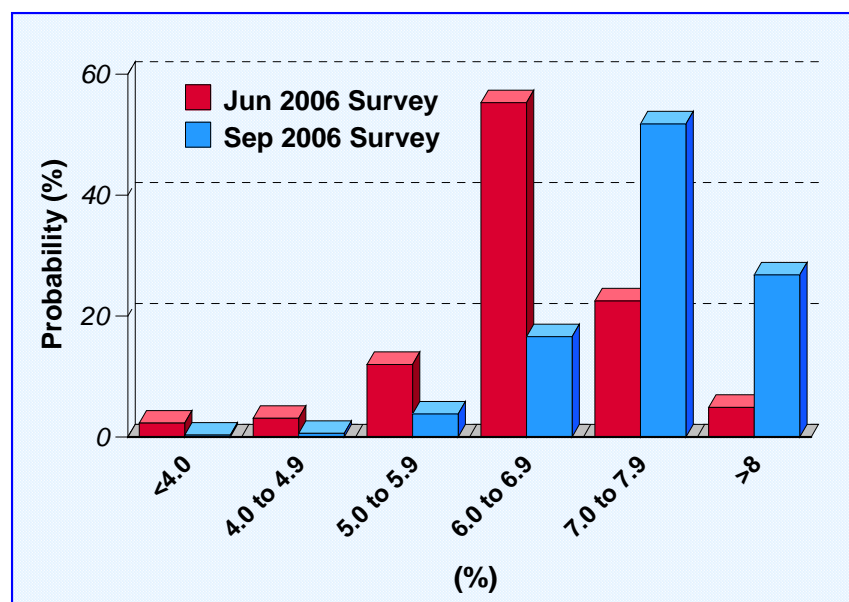
The median GDP growth forecast for 2006 as a whole has been raised to 7.1% from 6.7% in the last survey, with the highest forecast reaching 8.5%. The current median forecast is close to the upper end of the government’s official forecast range of 6.5 – 7.5 %. (Chart 3)

Chart 3
Annual Real GDP Growth Forecasts for 2006



As shown in Chart 4, more than 50% of the forecasters expect GDP growth to fall within the 7.0 – 7.9% range, a notable difference from the previous survey, when more forecasts fell in the 6.0 – 6.9% range.

Chart 4
Mean Probabilities Attached to Possible Outcomes in Real GDP Growth for 2006



Forecasts for nearly all industries have been revised upwards for the year as a whole. (Table A.3) The median forecast for the manufacturing sector has increased to 11.7% from 10.4% in the last survey, with the respondents expressing confidence in the global demand on the back of new launches of consumer electronics products. Alongside this optimism, non-oil domestic exports are expected to grow by 13.2% compared to 12.8% previously.

Growth in the financial services and hotel & restaurant sectors are expected to come in at 8.3% and 6.0% respectively, both significantly higher than the earlier forecasts of 6.2% and 5.3%. The construction industry has also been given a slightly rosier prognosis, with respondents anticipating growth of 0.8% in the current survey, from almost zero growth previously.

The forecast for wholesale & retail trade remained unchanged at 10.7%. The respondents cited positive growth factors, such as strong domestic demand and the expected boost from the IMF/World Bank Meetings, in support of their forecasts.

While the median forecast for the unemployment rate stayed at 2.5%, the CPI inflation forecast declined from 1.5% to 1.4%. At the same time, the growth projection for real private consumption inched up from 3.9% in the June 2006 survey to 4.0% currently.

The median forecast of the year-end 3-month interbank rate has been raised by 5 basis points to 3.50%, with some respondents indicating expectations of domestic interest rates levelling off in the coming months as the US Federal Reserve pauses in its monetary tightening. Against the backdrop of the persistent weakening of the US

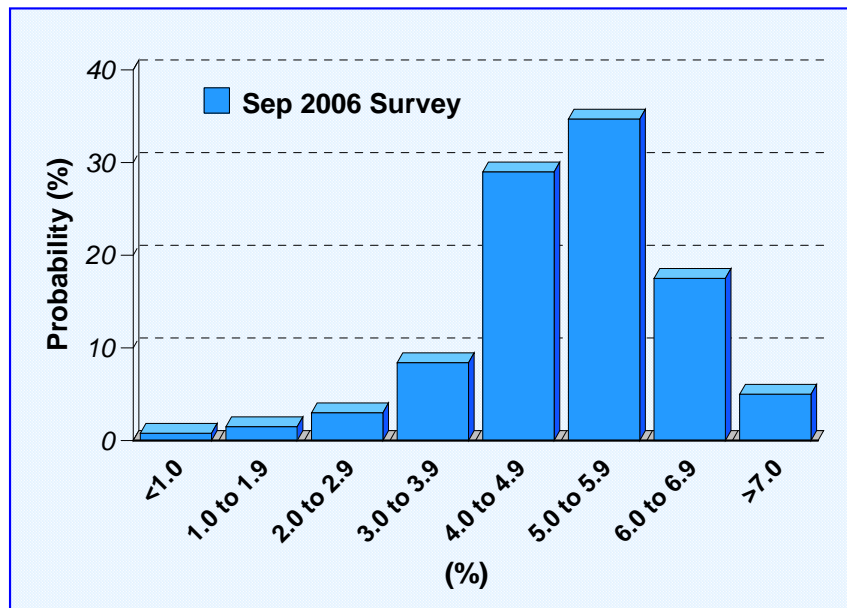
dollar, the Singapore dollar is anticipated to strengthen vis-à-vis the greenback to US\$/S\$1.550 by end-2006.

Broadly, the survey participants expressed optimism over Singapore's near-term economic outlook. The risks of a recession appear limited as the economy is underpinned by strong domestic demand and stable external conditions. Commonly cited risks included hikes in oil prices, a weakening US economy due to the softening housing market, as well as a downturn in the global electronics cycle.

GDP Growth Forecast for 2007 Stays at 5.1%

The respondents' median forecast for GDP growth in 2007 remained unchanged at 5.1%, amidst expectations of a slowing in global growth momentum going into next year. The most likely outcome, as indicated by the mean probability distribution, is for growth to come in between the range of 5.0 – 5.9%. (Chart 5)

Chart 5
Mean Probabilities Attached to Possible Outcomes in Real GDP Growth for 2007



APPENDIX: SUMMARY TABLES

Table A.1
Key Macroeconomic Indicators for Second Quarter 2006

Indicators (year-on-year percentage growth, unless otherwise stated)	2006 Q2	
	<i>Median Forecast, Jun 06 Survey</i>	<i>Actual Outcome</i>
Real Gross Domestic Product	7.2	8.1
Manufacturing	11.5	12.5
Financial Services	6.5	9.5
Construction	-0.5	0.2
Wholesale & Retail Trade	11.5	10.1
Hotels & Restaurants	4.8	6.1
Real Private Consumption	2.7	4.2
Non-oil Domestic Exports	14.8	14.9
Consumer Price Index	1.5	1.2
Unemployment Rate (end-period, sa, percent)	2.5	2.9
Bank Loans (end-period)	2.9	5.7
3-month Interbank Rate (end-period, percent per annum)	3.50	3.56
3-month US\$ SIBOR (end-period, percent per annum)	5.25	5.48
Exchange Rate (US\$/S\$) (end-period)	1.573	1.589

Table A.2
Forecasts of Key Macroeconomic Indicators for Third Quarter 2006

Indicators (year-on-year percentage growth, unless otherwise stated)	2006 Q3f			
	<i>Median</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>
Real Gross Domestic Product	5.9	5.9	1.0	7.7
Manufacturing	8.0	8.6	5.5	12.0
Financial Services	7.8	6.8	2.0	10.1
Construction	1.3	1.6	0.0	4.0
Wholesale & Retail Trade	10.0	9.4	6.9	11.0
Hotels & Restaurants	6.8	7.3	5.5	13.0
Real Private Consumption	5.0	4.9	2.3	10.0
Non-oil Domestic Exports	12.0	12.6	7.3	27.0
Consumer Price Index	1.3	1.4	0.8	2.1
Unemployment Rate (end-period, sa, percent)	2.7	2.6	2.3	3.0
Bank Loans (end-period)	5.7	5.4	4.3	6.0
3-month Interbank Rate (end-period, percent per annum)	3.50	3.53	3.30	3.75
3-month US\$ SIBOR (end-period, percent per annum)	5.40	5.20	3.70	5.47
Exchange Rate (US\$/S\$) (end-period)	1.565	1.565	1.540	1.590

Table A.3
Forecasts of Key Macroeconomic Indicators for 2006

Indicators (year-on-year percentage growth, unless otherwise stated)	2006 ^f				
	Jun 06 Survey	Sep 06 Survey			
	Median	Median	Mean	Min	Max
Real Gross Domestic Product	6.7	7.1	7.3	6.9	8.5
Manufacturing	10.4	11.7	11.7	10.0	14.0
Financial Services	6.2	8.3	7.4	4.7	9.9
Construction	0.1	0.8	0.9	-0.1	2.6
Wholesale & Retail Trade	10.7	10.7	10.5	8.4	13.0
Hotels & Restaurants	5.3	6.0	6.8	5.0	13.0
Real Private Consumption	3.9	4.0	4.0	2.1	6.6
Non-oil Domestic Exports	12.8	13.2	13.5	9.9	19.0
Consumer Price Index	1.5	1.4	1.4	1.0	1.8
Unemployment Rate (end-period, sa, percent)	2.5	2.5	2.5	2.0	3.0
Bank Loans (end-period)	3.2	5.5	5.1	2.5	7.7
3-month Interbank Rate (end-period, percent per annum)	3.45	3.50	3.53	3.00	4.00
3-month US\$ SIBOR (end-period, percent per annum)	5.33	5.35	5.13	3.50	5.50
Exchange Rate (US\$/S\$) (end-period)	1.540	1.550	1.552	1.500	1.600

Table A.4
Quarterly Real GDP Growth Forecasts for 2006

(year-on-year growth)	Median	Mean	Min	Max
2006 Q3 ^f	5.9	5.9	1.0	7.7
2006 Q4 ^f	4.6	4.6	1.5	7.5

Table A.5
Mean Probabilities Attached to Possible Outcomes in Real GDP Growth

(year-on-year growth)	2006	(year-on-year growth)	2007
9.0 percent and above	5.3	7.0 percent and above	5.0
8.0 to 8.9 percent	21.6	6.0 to 6.9 percent	17.5
7.0 to 7.9 percent	51.8	5.0 to 5.9 percent	34.7
6.0 to 6.9 percent	16.6	4.0 to 4.9 percent	29.0
5.0 to 5.9 percent	3.8	3.0 to 3.9 percent	8.4
4.0 to 4.9 percent	0.6	2.0 to 2.9 percent	3.0
Less than 4.0 percent	0.3	1.0 to 1.9 percent	1.5
		Less than 1.0 percent	0.8
Total	100	Total	100