Monetary Authority of Singapore

EMBARGOED UNTIL
12 NOON,
WEDNESDAY,
10 December 2008

economic policy department

survey of professional forecasters

December 2008

The *December 2008 Survey* was sent out on 21 November 2008 to a total of 23 economists and analysts who closely monitor the Singapore economy. This report reflects the views received from 17 respondents (a response rate of 73.9%) and does not represent MAS' views or forecasts.

GDP growth in Q3 2008 came in lower than expected

The Singapore economy contracted by 0.6% in Q3 2008, compared with a median forecast of a 2.7% expansion as reported in the *September 2008 Survey*.

Growth forecast for 2008 revised down to 2.2%

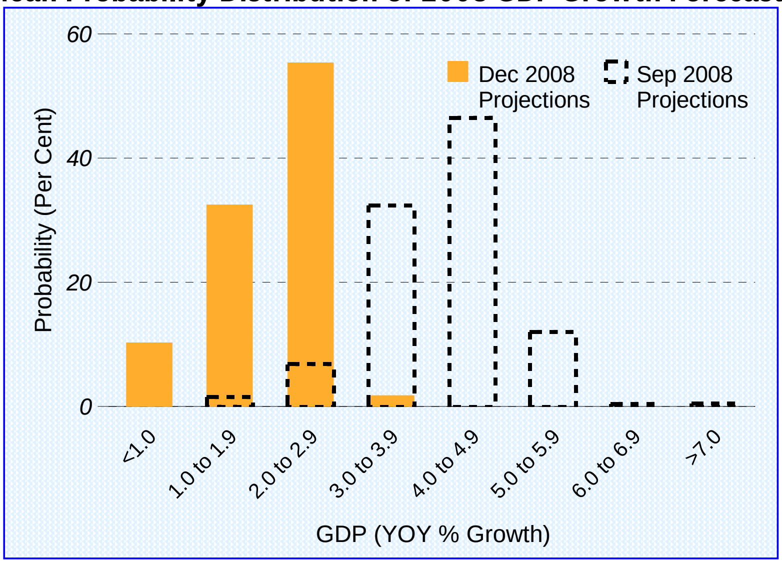
For 2008 as a whole, the respondents expect the economy to expand by 2.2%. This was a significant downgrade from the 4.2% forecast in the September survey, with all key sectors now expected to register lower growth or a contraction.

Table 1
Median Forecasts of Macroeconomic Indicators for 2008

Key Macroeconomic Indicators Year-on-Year % Change	**Sep Survey**	**Current Survey**
GDP	4.2	2.2
Manufacturing	1.0	-2.9
Financial Services	11.0	8.4
Construction	15.0	14.3
Wholesale & Retail Trade	6.1	4.9
Hotels & Restaurants	3.2	1.0
Private Consumption	4.5	4.3
Non-oil Domestic Exports	-3.1	-6.2

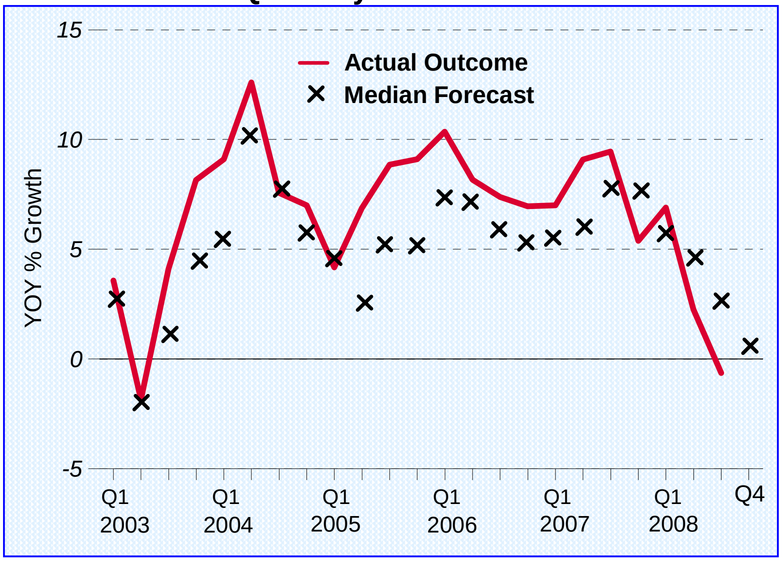
As reflected by the mean probability distribution, the most likely outcome is for the Singapore economy to grow by 2.0 to 2.9% this year.

Chart 1
Mean Probability Distribution of 2008 GDP Growth Forecasts



The respondents have also adjusted their forecast for GDP growth in Q4 2008 to 0.4%, down from the 4.8% reported in the previous survey.

Chart 2
Quarterly GDP Growth



CPI inflation expected to reach 6.5% in 2008

The median CPI inflation forecast for 2008 rose to 6.5%, slightly higher than the 6.4% reported in the September survey. For the last quarter of this year, the respondents project CPI inflation to come in at 5.5%.

In the labour market, the respondents expect the year-end unemployment rate to come in at 2.5%, unchanged from the September survey.

Table 2
Median Forecasts of Other Economic Indicators for 2008

Indicators	Sep Survey	Current Survey
CPI (year-on-year % change)	6.4	6.5
Unemployment Rate (end-period, SA %)	2.5	2.5
Exchange Rate (end-period, S$ per US$)	1.407	1.540
3-month US$ SIBOR (end-period, % per annum)	2.40	2.10
3-month S$ Interbank Rate (end-period, % per annum)	1.30	0.82
Bank Loans (end-period, % growth)	17.0	18.0

Economy expected to contract by 1.0% in 2009

Looking ahead, the respondents expect the economy to contract by 1.0% in 2009, compared with the median forecast of a 4.6% expansion in the September survey. As measured by the mean probability distribution, the most likely outcome is for the Singapore economy to contract by 1.9 to 1.0% next year. The manufacturing sector is forecast to continue contracting, while other key sectors like financial services and wholesale & retail trade grow marginally. Construction activity is expected to expand relatively strongly, albeit at around half the rate recorded this year. CPI inflation is projected to be 1.7% for 2009.

Chart 3
Mean Probability Distribution of 2009 GDP Growth Forecasts

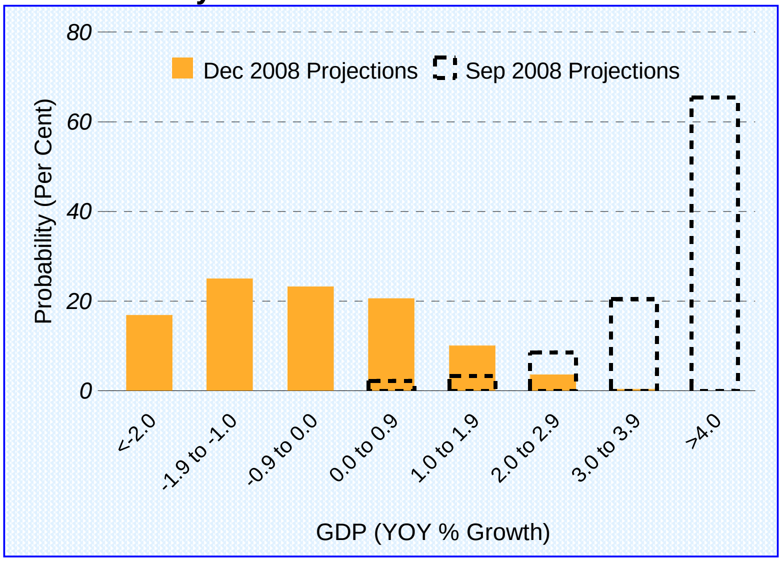


Table 3
Median Forecasts of Key Macroeconomic Indicators for 2009

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	**Current Survey**
GDP	-1.0
Manufacturing	-4.5
Financial Services	1.2
Construction	7.5
Wholesale & Retail Trade	0.3
Hotels & Restaurants	-0.1
Private Consumption	1.7
Non-oil Domestic Exports	-9.0
CPI (year-on-year % change)	1.7
Unemployment Rate (end-period, SA %)	3.4
Exchange Rate (end-period, S$ per US$)	1.515
3-month US$ SIBOR (end-period, % per annum)	1.48
3-month S$ Interbank Rate (end-period, % per annum)	0.85
Bank Loans (end-period, % growth)	10.0

APPENDIX: SUMMARY TABLES

Table A.1
Key Macroeconomic Indicators for Q3 2008

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	**Median Forecast Sep Survey**	**Actual Outcome**
GDP	2.7	-0.6
Manufacturing	-7.1	-11.4
Financial Services	9.6	6.0
Construction	15.8	12.8
Wholesale & Retail Trade	5.6	4.3
Hotels & Restaurants	4.3	-0.2
Private Consumption	4.3	4.7
Non-oil Domestic Exports	-4.7	-8.5
CPI	6.3	6.6
Unemployment Rate (end-period, SA %)	2.4	2.2
Exchange Rate (end-period, S$ per US$)	1.420	1.431
3-month US$ SIBOR (end-period, % per annum)	2.60	3.90
3-month S$ Interbank Rate (end-period, % per annum)	1.23	1.88
Bank Loans (end-period, % growth)	20.0	24.8

Table A.2
Forecasts of Key Macroeconomic Indicators for Q4 2008

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	**Median**	**Mean**	**Min**	**Max**
GDP	0.4	0.4	-2.0	2.6
Manufacturing	-7.1	-7.5	-15.0	3.1
Financial Services	2.3	2.3	-0.7	5.0
Construction	8.1	9.6	6.2	14.0
Wholesale & Retail Trade	3.9	4.0	1.0	9.9
Hotels & Restaurants	-0.9	-0.9	-4.3	2.5
Private Consumption	3.0	2.8	0.0	4.5
Non-oil Domestic Exports	-11.3	-10.5	-15.0	-1.8
CPI	5.5	5.5	5.0	6.6
Unemployment Rate (end-period, SA %)	2.5	2.8	2.4	4.2
Exchange Rate (end-period, S$ per US$)	1.540	1.532	1.480	1.550
3-month US$ SIBOR (end-period, % per annum)	2.10	2.14	1.70	2.70
3-month S$ Interbank Rate (end-period, % per annum)	0.82	0.89	0.65	1.30
Bank Loans (end-period, % growth)	18.0	18.1	15.0	21.0

Table A.3
Forecasts of Key Macroeconomic Indicators for 2008

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	**Sep Survey**	**Current Survey**			
	Median	**Median**	**Mean**	**Min**	**Max**
GDP	4.2	2.2	2.2	1.5	3.0
Manufacturing	1.0	-2.9	-3.3	-8.7	-0.2
Financial Services	11.0	8.4	8.4	7.5	10.0
Construction	15.0	14.3	14.3	11.0	16.9
Wholesale & Retail Trade	6.1	4.9	4.9	4.2	6.4
Hotels & Restaurants	3.2	1.0	1.3	0.1	4.4
Private Consumption	4.5	4.3	4.2	2.2	4.7
Non-oil Domestic Exports	-3.1	-6.2	-5.9	-7.2	-3.8
CPI	6.4	6.5	6.5	6.4	6.8
Unemployment Rate (end-period, SA %)	2.5	2.5	2.8	2.4	4.2
Exchange Rate (end-period, S$ per US$)	1.407	1.540	1.532	1.480	1.550
3-month US$ SIBOR (end-period, % per annum)	2.40	2.10	2.14	1.70	2.70
3-month S$ Interbank Rate (end-period, % per annum)	1.30	0.82	0.89	0.65	1.30
Bank Loans (end-period, % growth)	17.0	18.0	18.1	15.0	21.0

Table A.4
Forecasts of Quarterly GDP Growth for 2008 & 2009

Period under Forecast	**Median**	**Mean**	**Min**	**Max**
	Year-on-Year % Change			
2008 Q4	0.4	0.4	-2.0	2.6
2009 Q1	-3.4	-3.1	-6.3	1.5
2009 Q2	-2.5	-2.0	-4.5	1.0
2009 Q3	0.0	0.0	-2.4	1.8
2009 Q4	2.6	1.7	-2.2	4.3

Table A.5
Forecasts of Key Macroeconomic Indicators for 2009

Key Macroeconomic Indicators Year-on-Year % Change (unless otherwise stated)	**Median**	**Mean**	**Min**	**Max**
GDP	-1.0	-0.7	-2.9	1.6
Manufacturing	-4.5	-5.9	-14.0	1.6
Financial Services	1.2	0.0	-12.5	5.0
Construction	7.5	6.8	-10.0	18.5
Wholesale & Retail Trade	0.3	1.1	-1.2	4.1
Hotels & Restaurants	-0.1	-0.2	-3.3	2.6
Private Consumption	1.7	1.8	-3.0	4.3
Non-oil Domestic Exports	-9.0	-7.8	-14.5	2.1
CPI	1.7	1.8	1.0	2.8
Unemployment Rate (end-period, SA %)	3.4	3.4	2.9	4.1
Exchange Rate (end-period, S$ per US$)	1.515	1.541	1.440	1.700
3-month US$ SIBOR (end-period, % per annum)	1.48	1.51	0.30	2.60
3-month S$ Interbank Rate (end-period, % per annum)	0.85	0.97	0.50	1.75
Bank Loans (end-period, % growth)	10.0	8.6	0.0	18.0

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

Forecasts for 2008		Forecasts for 2009	
Growth Range Year-on-Year Change	**Probabilities (%)**	**Growth Range** Year-on-Year Change	**Probabilities (%)**
7.0% or more	0.0	4.0% or more	0.0
6.0 to 6.9%	0.0	3.0 to 3.9%	0.4
5.0 to 5.9%	0.0	2.0 to 2.9%	3.6
4.0 to 4.9%	0.0	1.0 to 1.9%	10.1
3.0 to 3.9%	1.8	0.0 to 0.9%	20.6
2.0 to 2.9%	55.4	-0.9 to 0.0%	23.2
1.0 to 1.9%	32.5	-1.9 to -1.0%	25.0
Less than 1.0%	10.3	Less than -2.0%	16.9
Total	100	Total	100