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NTU Business School dons forecast economic recovery for resilient Singapore

Dr. Chen Kang, Head of the NTU Nanyang Business School(NBS) Econometric Modelling Unit and Dr. Tan Khee Giap, Head of the NTU NBS ASEAN Economies Monitoring Unit, in their March 2004 Economic Forecast report, projected a 5.2% GDP growth for 2004 and a GDP growth of 3.6% for 2005.

This was in contrast to last year where Singapore grew at a mere 1.1%, very close to the 1.3 % NTU forecast released in July 2003. The 30 July 2003 report had also suggested that the economy would be poised for a substantial rebound in 2004.

The 3% cut in employers’ contributions to the Central Provident Fund, together with a series of cost cutting or cost freeze measures, has begun to bear fruit with business costs on the decline and falling further since 2003.

Says Dr Tan, “We remain cautiously optimistic and expect the Singapore economy to grow well above her 3% potential output level for 2004 and 2005.”
Employment growth, which contracted by 1.3% for 2003, also looks set to improve steadily from the second quarter of 2004 right through to 2005 compared to 2003.

Productivity gain is expected to improve further to 2.9% from the 2003 figure of 2.4%.

Consumer prices increase by 0.5% in 2003 despite the GST hike, and it would hover around 1% for both 2004 and 2005.

The growth of non-oil domestic exports will moderate significantly from 15.4% in 2003 to 7% and 4% in 2004 and 2005 respectively.

**Sectorial Outlook**
Moderate growth is expected in most sectors especially for the second quarter of 2004, except in the construction sector, which is likely to contract marginally in 2004 before seeing some healthy growth of 4.8% in 2005.

The transport and communication sector, the strongest performer in 2004, will grow by 8.6% in 2004 and 7.4% in 2005.

The growth rate for the manufacturing sector is expected to peak at 10.8% in the second quarter of 2004, and thereafter slow to 4.6% and 3.1% in the third and fourth quarter of 2004. Electronics still make up about 40% of the total share of manufacturing activities, although the manufacturing sector has diversified to include chemical and chemical products, which currently constitute 18% of the value-added manufacturing activities.

The commerce sector is likely to peak in the first two quarters of 2004 with double digit growth but thereafter slip to relatively insignificant growth right through to 2005.

The financial and business services sector will grow by a respectable 4.9% in 2004, a much better performance than the 0.8% in 2003.

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Full report attached.