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economic survey of singapore 1989

MINISTRY OF TRADE AND INDUSTRY
REPUBLIC OF SINGAPORE

ECONOMIC SURVEY OF SINGAPORE 1989

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BASIC ECONOMIC DATA

	1960[1]	1970[1]	1980	1987	1988	1989p
Area (sq km)	581.5	586.4	617.8	622.6	625.6	626.4
Population at Mid-Year ('000)	1,646.4	2,074.5	2,413.9	2,612.8	2,647.1	2,685.4
Annual Change (%)	2.4	1.5	1.2	1.2	1.5	1.3
Employment						
Employed ('000)	448.6[2]	644.2	1,073.4	1,192.9	1,238.5	1,277.3
Unemployment Rate (%)	4.9[2]	6.0	3.0	4.7	3.3	2.2
National Income Aggregates						
Gross Domestic Product						
At Current Market Prices ($m)	2,149.6	5,804.9	25,090.7	42,609.3	49,365.3	55,310.1
Annual Change (%)	9.9	15.1	22.3	10.2	15.9	12.0
At 1985 Market Prices						
Annual Change (%)	8.7	9.4	9.7	9.4	11.1	9.2
Gross National Product (GNP)						
At Current Market Prices ($m)	2,189.0	5,861.1	24,188.5	43,191.6	50,359.3	56,347.4
Annual Change (%)	9.9	14.9	18.3	9.1	16.6	11.9
Per Capita GNP ($)	1,329.6	2,825.3	9,940.6	15,690.6	17,848.4	19,415.4
Indigenous GNP ($m)	na	4,989.9	19,039.1	36,736.4	42,425.8	46,903.3
Per Capita Indigenous GNP ($)[3]	na	2,478.1	8,342.8	14,510.0	16,483.1	17,909.6
Gross Fixed Capital Formation (GFCF)						
At Current Market Prices ($m)						
Total	204.9	1,888.5	10,203.1	15,164.9	17,311.6	20,604.9
Private	145.1	1,521.2	7,710.2	9,847.2	13,216.1	16,897.2
Public	59.8	367.3	2,492.9	5,317.7	4,095.5	3,707.7
GFCF as % of GNP	9.4	32.2	42.2	35.1	34.4	36.6
At 1985 Market Prices						
Annual Change (%)						
Total	21.7	11.8	20.2	3.4	8.2	17.7
Private	23.1	12.2	20.2	15.0	27.8	28.0
Public	17.6	11.3	20.2	−12.3	−26.1	−13.6
Gross National Saving ($m)	−52.3	1,129.7	8,282.0	17,108.4	20,831.7	24,128.3
As % of GNP	na	19.3	34.2	39.6	41.4	42.8
As % of GFCF	na	59.8	81.2	112.8	120.3	117.1
Productivity (Annual Change in %)	na	4.3	5.7	4.8	4.6	4.8
Index of Industrial Production (1986 = 100)	na	28.6	86.2	117.4	139.0	152.8
Annual Change (%)	na	12.1	12.2	17.4	18.4	9.9
Retail Sales Volume Index (1987 = 100)	na	na	na	100.0	125.0	138.9
Unit Labour Cost Index in Manufacturing (1980 = 100)	na	na	100.0	118.3	123.0	129.5
Money Supply (M1) ($m)	na	1,574.3	6,134.7	11,030.5	11,957.7	13,743.2
Annual Change (%)	na	15.6	7.5	12.3	8.4	14.9
Interest Rate						
Minimum Lending Rate (%)	na	na	13.60	6.10	6.13	6.25

[1] Annual changes refer to averages for the decade.
[2] Census of Population 1957.
[3] Based on resident population.

BASIC ECONOMIC DATA *(Cont'd)*

	1960[1]	1970[1]	1980	1987	1988	1989p
Measures of Inflation (Annual Change in %)						
Consumer Price Index	1.2	5.6	8.5	0.5	1.5	2.4
Domestic Supply Price Index	na	na	19.6	7.5	−1.9	2.6
GDP Deflator	1.0	5.3	11.4	0.7	4.3	2.5
Trade						
Total Trade ($m)	7,554.8	12,289.6	92,797.1	128,680.9	167,278.0	183,980.2
Imports	4,077.7	7,533.8	51,344.8	68,415.2	88,226.7	96,863.7
Exports	3,477.1	4,755.8	41,452.3	60,265.7	79,051.3	87,116.5
Domestic Exports	217.1	1,832.2	25,805.2	39,070.6	49,555.2	55,251.7
Re-exports	3,260.0	2,923.6	15,647.1	21,195.1	29,496.1	31,864.8
Annual Change (%)						
Total Trade	4.2	20.2	34.0	23.1	30.0	10.0
Imports	4.8	19.9	33.9	23.2	29.0	9.8
Exports	3.5	20.6	34.0	23.0	31.2	10.2
Domestic Exports	25.5	26.9	41.8	21.9	26.8	11.5
Re-exports	−0.7	15.3	22.8	25.2	39.2	8.0
Terms of Trade (1985 = 100)	*na*	*na*	*101.1*	*92.9*	*88.8*	*85.3*
Transport and Communications						
Vessel Arrivals (Million GRT)	na	na	237.7	343.3	396.4	430.7
Sea Cargo Handled (Million FT)	na	43.5	86.3	129.5	154.7	173.0
Aircraft Landings ('000)	6.2	17.1	38.0	38.1	41.6	46.3
Telex Calls, Outgoing (Annual Change in %)	na	49.4	36.6	−2.8	−14.9	−16.2
International Telephone Calls (Annual Change in %)	na	29.9	42.0	42.5	41.8	34.3
Tourism						
Visitor Arrivals ('000)	*90.0*	521.7	2,562.1	3,678.8	4,186.1	4,830.0
Hotel Occupancy Rate (%)	na	70.7	86.1	68.7	79.3	86.4
Balance of Payments						
Current Account Balance ($m)	−244.7	−1,750.8	−3,345.6	471.8	2,627.6	4,559.7
Overall Balance ($m)	140.1	564.8	1,433.8	2,328.5	3,343.6	5,334.2
Exchange Rate (Per US$)	na	3.0942	2.1412	2.1060	2.0124	1.9503
Official Foreign Reserves						
Total at End of Year ($m)	na	3,097.9	13,757.7	30,441.7	33,276.6	38,607.2
Ratio to Merchandise Imports (months)	na	4.9	3.2	5.3	4.5	4.8
Public Debt at End of Year ($m)	na	2,016.6	14,669.5	38,274.3	41,830.7	46,209.7
Domestic	na	1,842.8	13,732.5	37,971.1	41,589.9	46,071.0
External	na	173.8	937.0	303.2	240.8	138.7
Debt Servicing Ratio (%)	na	0.6	1.0	1.3	0.4	0.7

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NOTATIONS

p	preliminary
—	nil, zero or negligible
na	not applicable or not available
nie	not included elsewhere

1 ECONOMIC PERFORMANCE

THE WORLD ECONOMY

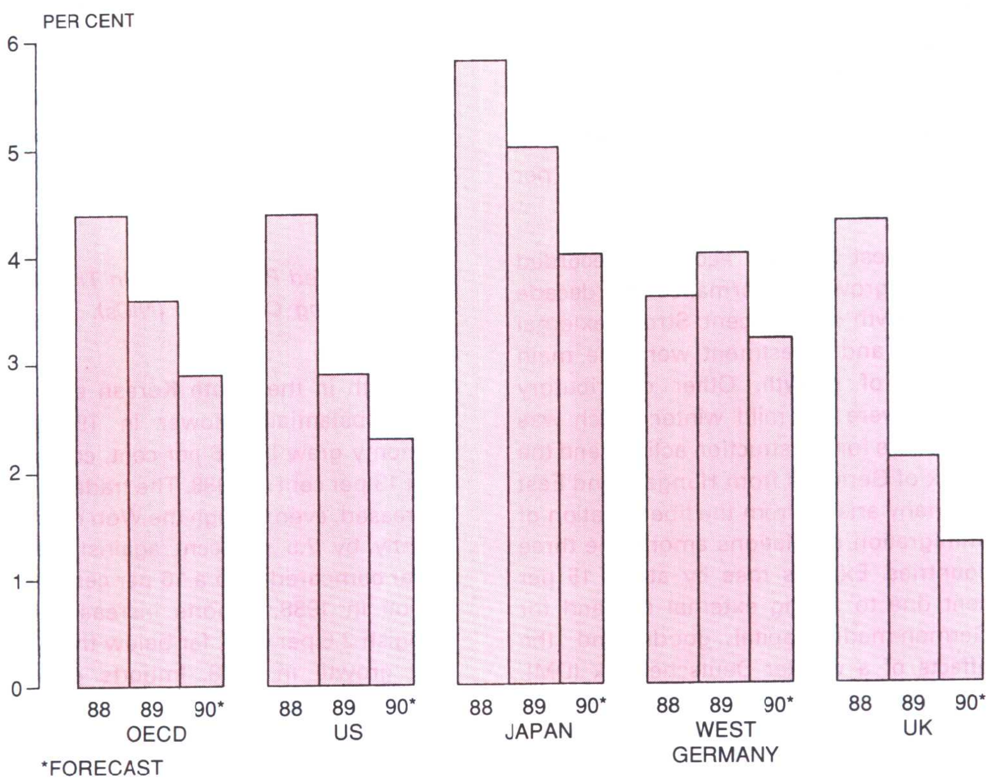
Sustained Growth In World Economy. . . (Chart 1.1)

The world economy continued to grow strongly in 1989. The economies in the Organisation for Economic Cooperation and Development (OECD) entered their eighth successive year of growth with almost no sign of recession. Output of the OECD economies grew by 3.6 per cent compared with 4.4 per cent in 1988.

The United States (US) economy grew at a slower rate of 2.9 per cent in 1989 compared with 4.4 per cent in 1988. A slowdown in domestic demand was largely responsible for the slower growth. Inflation remained stubborn despite a slowing US economy, with consumer prices increasing at an annual rate of 4.6

Chart 1.1

ECONOMIC GROWTH IN SELECTED OECD COUNTRIES



per cent. However, the US incurred a lower trade deficit of US$109 billion in 1989 compared with US$119 billion in 1988. According to the latest OECD report, the US is expected to grow slower at around 2.3 per cent in 1990.

Japan enjoyed another year of strong economic growth in 1989, with output expanding by about 5 per cent, compared with 5.8 per cent in 1988. The impetus for growth came from private consumption and business investment, which grew by 4 per cent and 16 per cent respectively. Consumer demand was initially depressed by the introduction of a 3 per cent consumption tax in April but rebounded in the third quarter. The consumption tax also contributed to a higher inflation rate of 2.3 per cent, up from 0.7 per cent in 1988. However, this rate is still the lowest among the industrialised countries for the third consecutive year. A strong growth in imports, officially encouraged by the government, coupled with a slowdown in exports, helped reduce Japan's trade surplus to US$77 billion from the 1988 figure of US$95 billion. The economic outlook for 1990 is bright, with the Japanese government forecasting a 4 per cent growth for the fiscal year 1990.

The West German economy recorded the best growth performance in a decade with growth of 4 per cent. Strong external demand and investment were the main engines of growth. Other contributory factors were the mild winter which was conducive for construction activity and the influx of Germans from Hungary and East Germany arising from the liberalisation of immigration regulations among the three countries. Exports rose by about 15 per cent due to strong external demand for German-made capital goods and the effects of a weaker Deutschemark (DM). Germany's trade surplus rose from DM 128 billion in 1988 to DM 135 billion in 1989. The current account surplus for 1989 also widened from the previous year's DM 85 billion to DM 99 billion. The good growth performance led to the unemployment rate falling steadily during 1989 to 7.3 per cent in September and October before edging up slightly in November and December because of the influx of East Germans. The outlook for the West German economy is good, with the OECD forecasting growth to be 3.2 per cent in 1990.

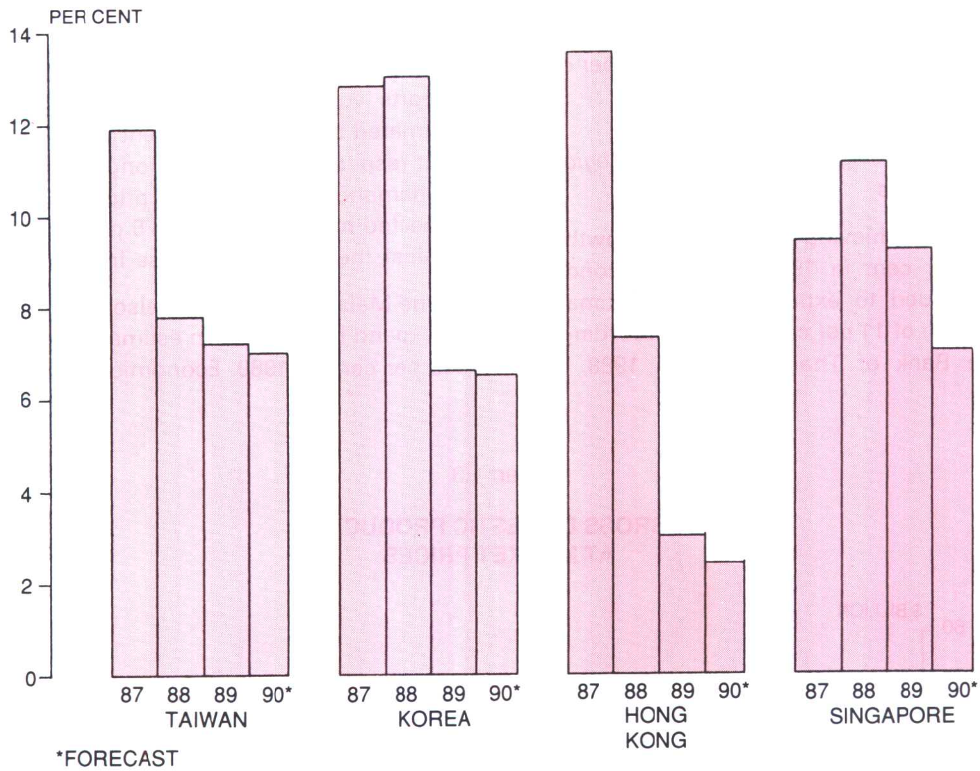
The United Kingdom (UK) economy slowed down from 4.3 per cent in 1988 to 2.1 per cent in 1989. The slowdown was caused by the government's pursuit of a high interest rate policy to dampen consumer demand and keep up the external value of the Pound (£). Private consumption grew at a more moderate pace of 3.6 per cent compared with 6.9 per cent in the previous year. Despite the slowdown in consumer demand, the current account registered a deficit of £20 billion. Inflation, at 7.8 per cent, was higher than in 1988 but showed signs of slowing down towards the end of the year. The OECD expects growth in the UK economy to be about 1.3 per cent in 1990.

. . .With Mixed Performance In The Newly Industrialising Countries (NICs). . .
(<u>Chart 1.2</u>)

Growth in the South Korean economy was substantially slower in 1989. The economy grew by 6.6 per cent, compared with 13 per cent in 1988. The trade surplus decreased, even though the Won rose only slightly by 2.5 per cent against the US dollar compared with a 16 per cent appreciation in 1988. Exports increased by a sluggish 2.6 per cent, far below the 28 per cent growth in 1988. Imports grew by 18 per cent, down from last year's 26 per cent growth. The South Korean Economic

Chart 1.2

ECONOMIC GROWTH IN NICs



Planning Board forecasts the growth in 1990 to be 6.5 per cent.

After growing by 6.8 per cent in the first half of the year, the Taiwanese economy accelerated further in the second half as labour and political unrest in South Korea and China diverted orders to Taiwan. Overall growth for 1989 remained robust at 7.2 per cent, a shade lower than the 7.8 per cent achieved in 1988. Exports grew by 12 per cent, comparable to the 13 per cent growth a year ago. A slower-appreciating New Taiwan (NT) dollar in 1989 caused a drastic drop in import growth from 44 per cent in 1988 to 10 per cent in 1989. The Council for Economic Planning and Development expects overall growth in 1990 to remain high at 7 per cent.

The Hong Kong economy suffered some major setbacks as a result of the political unrest in China. Investors' confidence in Hong Kong took a dive as the political and economic future of Hong Kong became less certain. The austerity programme following the unrest in China, Hong Kong's second largest market, has reduced the colony's domestic export growth to China from 37 per cent in 1988 to an estimated 3 per cent in 1989. Total domestic exports rose by 1.5 per cent compared with 10 per cent a year ago. Re-exports growth fell from 50 per cent in 1988 to 20 per cent in 1989. Overall economic growth in 1989 was estimated by the government to reach only 3 per cent, down from 7.3 per cent in 1988. Merrill Lynch forecasts 2–3 per cent growth for Hong Kong in 1990.

. . .And Strong Expansion In The Regional Economies

After achieving double-digit growth of 12 per cent in 1988, the Thai economy continued to expand with an estimated growth of 11 per cent in 1989 according to the Bank of Thailand. As in 1988, the impetus to growth came largely from the manufacturing sector. The agricultural sector also performed well because of strong external demand for Thai commodities. Foreign investment remained active, although it grew at a slower pace compared with last year. Both imports and exports continued to expand briskly, at estimated rates of 28 per cent and 29 per cent respectively. Due to stronger domestic demand, the consumer price index is expected to rise faster, by 5.5 per cent, as against the 3.8 per cent rise in 1988.

The Malaysian economy also continued to expand healthily at an estimated rate of 7.6 per cent in 1989. Economic growth in

Chart 1.3

GROSS DOMESTIC PRODUCT AT MARKET PRICES