

Singapore central bank sees support for economy from improving external demand

SINGAPORE, April 30 (Xinhua) -- The Monetary Authority of Singapore maintained its forecast for Singapore's gross domestic product (GDP) growth in 2013 at 1-3 percent, citing the support from a potential turnaround in external demand. The central bank said its half-yearly macroeconomic review that Singapore's economic growth is more likely to be more broad-based in 2013, led by a turnaround in external demand and resilient domestic demand. In 2012, the weak external demand had been a drag on the highly open Singapore economy. The Singapore economy contracted by 1.4 percent in the first quarter on a quarter-on-quarter seasonally adjusted annualized basis, following an increase of 3.3 percent in the previous quarter. The central bank said the industrial production data for the first two months showed that the contraction in the manufacturing sector was mainly confined to the biomedical and transport engineering clusters. Electronics production, which had experienced three consecutive quarters of decline, picked up modestly in the first two months, it said. It said that the outlook for the world economy has improved since late last year, although uncertainties remain, particularly with regard to Europe. The recovery in the world's most economies will be underpinned by the gradual pickup in the housing market and private demand in the United States, the fiscal stimulus in Japan and the robust domestic demand in China. "Since the last Review in October 2012, the uncertainty which loomed over US fiscal policy, the Eurozone, and China's growth momentum have eased, at least for the time being," the bank said in a report, adding that the sentiment was boosted, to some extent, by reflationary policies adopted by the Bank of Japan, which set out to achieve an inflation target of 2 percent by doubling the monetary base. "These developments should also provide a modest lift to the global IT industry, following a contraction in 2012," it said. Singapore's domestic-driven sectors such as construction and related financing and real estate activities, will remain resilient, it said. "The level of output in the economy will further converge to its underlying potential, while the labour market remains at full employment, in part reflecting supply-side constraints," the central bank said in the report. Nevertheless, it also highlighted potential risks in the external economy as well as the pressure from economic restructuring potentially translating into higher business costs in Singapore. Singapore has been tightening its foreign worker policies in a bid to drive the restructuring efforts of the economy. The central bank said the tighter foreign worker policy will constrain overall employment growth despite strong labor demand. The central bank is keeping its consumer price index inflation forecast unchanged at 3 to 4 percent and its core inflation forecast at 1.5 to 2.5 percent.