

Singapore says strong foreign investment to help boost growth 4-6 percent this year

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SINGAPORE: Strong foreign investment will help Singapore's economy grow between 4 percent and 6 percent this year, while inflation is expected to drop by the end of the year, a senior government official said.

Singapore's economy grew 4.3 percent in the first half, S. Iswaran, senior minister of state of the trade and industry ministry, said in Parliament on Monday.

"Singapore is not facing stagflation," Iswaran said, referring to an economy with low growth and high inflation. "A strong pipeline of foreign investments and tourism projects ... will provide a certain amount of support to the economy for the rest of the year."

However, efforts by China and India to contain inflation may slow growth in those countries and limit Singapore's economic expansion, Iswaran said.

"Whilst the momentum of economic growth has recently slowed, this is only to be expected in view of softer global conditions," he said.

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The city-state's annual inflation rate, which rose to 7.5 percent in May, will likely drop by the end of the year as the economy absorbs a sales tax increase from last year and food prices peak, Iswaran said.

"We expect some moderation in inflation in the second half of 2008," he said. "But inflation will not return to previous levels."

The stronger Singapore dollar, which has appreciated 23 percent against the US dollar since 2004, has helped ease inflation pressure from the cost of imported food and oil, Iswaran said.

He also called on business to keep wage increases in line with productivity gains to help keep inflation in check.

Source: www.iht.com



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