

## **Singapore economy hit by worst contraction in 5 years**

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SINGAPORE, July 10 (Reuters) - Singapore's economy suffered its biggest contraction in five years in the second quarter as exports to the United States and Europe tumbled, leaving less room for the central bank to battle inflation at a 26-year high.

But economists said the annualised and seasonally adjusted 6.6 percent contraction -- much stronger than the forecast 1 percent decline -- was exaggerated by a slump in volatile drugs output, and the economy should avoid slipping into recession.

"It's a slowdown, not a slump. We do not think a technical recession is likely," said Kit Wei Zheng, an economist at Citigroup. He said drugs output should rise marginally in the July-to-September period from the second quarter.

A recession is usually defined as two consecutive quarters of contraction.

Drugs production, which accounts for about a fifth of Singapore's total factory output, is volatile due to changing production cycles when manufacturers shut factories to change from one drug to the next.

Economists say activity generated by a Formula One Grand Prix motor race, which the island hosts in September, will help support the city-state's economy.

**Source: Koh Gui Qing**



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