

BACKGROUND ...

ECONOMIC OVERVIEW ...

Sectoral Performance

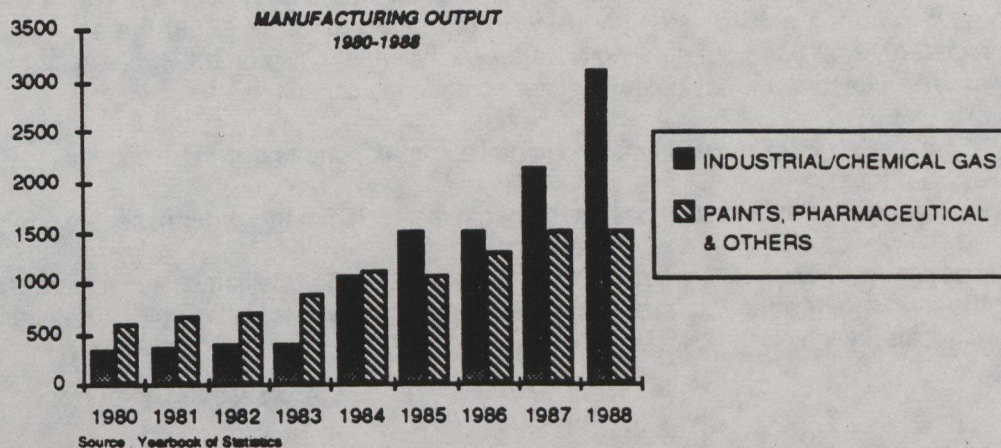
Most major industries expanded through 1989. The exception was the petroleum industry which shrank by 2% compared to 1988. (This, however, was raised on Singapore refining companies shipping down for maintenance and upgrading at the end of 1989).

Chemical Sector

The paints, pharmaceutical and chemical products industry was the leading growth industry in the manufacturing sector. It expanded by 21% during the third quarter of 1989. During the same period in 1988 some major pharmaceutical companies shutdown for expansion and upgrading. The result of this has been reflected in higher 1989 production levels.

Demand for industrial gases and acids, resins and speciality chemicals in 1989 was also strong. New establishments in the electronics industry in Singapore and the region have led to an increase in demand for speciality chemicals. The market for chemical additives and lubricants remains buoyant with steady demand from the region and the US.

With the growing interest by chemical manufacturers to relocate production to the ASEAN countries, demand for industrial consultancy services will rise.



Machinery Equipment Sector

Output for machinery equipment increased by 18% in 1989. This however, was lower than the average output growth of 28% in 1988. Oil-rig construction slowed down by the end of 1989 as some major projects were completed. However, the market for machine tool and plastic injection machinery remained strong.

Transport Sector

The transport equipment industry grew by 15% during the third quarter of 1989. The lower growth rate (compared to 28% in 1988) was because of slower aircraft overhauling activities and lower production of aviation spare parts.

Furthermore, with the increased globalization of this sector, demand for consultancy services will rise. Singapore Airlines (SIA) recently announced its tie-up with Swissair, and together with America's Delta Airlines, the tripartite alliance is expected to lead to the world's first truly global airline system. When fully operational, the tripartite network will span all continents, with 237 destinations in 64 countries (SIA now serves 57 destinations in 37 countries). Demand for shipbuilding and ship repairing, however, continued to remain strong.