

Singapore PM warns recession likely in 1999

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SINGAPORE' Prime Minister Goh Chok Tong said on Tuesday that Singapore was likely to slide into a recession in 1999.

"This year we don't expect a recession unless things go terribly wrong in the last quarter," he told reporters. "But I think for next year, the possibility of a recession is fairly high."

Goh's warning, made after the opening of an education exhibition, triggered falls in the Singapore stock market and the Singapore dollar, dealers said.

The benchmark Straits Times Industrials Index, which hit an intraday high of 1,137.55 in early trade, slipped into negative territory after Goh's statement. At the midday break, the index was at 1125.57, down 1.94 points from its previous close.

Banking stocks such as Overseas Union Bank and DBS Bank, widely viewed as proxies for the economy, bore the brunt of the selling, dealers said.

"Goh's comments didn't help. It dented the Singapore dollar which was actually improving. The stock market weakened in tandem," said one stock market dealer.

The Singapore dollar, which had risen in Asian foreign exchange markets on dollar sales and yen-inspired gains, slid back through the S\$1.70 level to the dollar following Goh's statement.

At 0500 GMT, the Singapore dollar was trading at 1.7025/50 to the US dollar.

A week ago, Singapore cut its growth forecast for 1998 to between 0.5% and 1.5% from 2.5% to 4.5% because of the Asian economic crisis.

Finance Minister Richard Hu, setting out measures to help businesses through the crisis, told parliament that figures for April and May confirmed the economy had slowed significantly.

The prospect for the rest of the year was weak, possibly negative, growth, Hu said.

Goh said on Tuesday he was confident Singapore would pull through the crisis. — Reuters
