



Monetary Authority
of Singapore

Recent Economic Developments

17 February 2023

Economic and Monetary Developments

International Economy

Global headline inflation appears to have peaked towards the end of last year. However, the easing of price pressures is narrowly attributed to the correction in global commodity and logistical costs, and has resulted in a wedge between goods and services inflation.

The growing bifurcation between goods and services inflation is set to continue throughout 2023, which will have implications for global monetary policy and economic growth outcomes. Specifically, core inflation is set to remain elevated and decelerate more slowly due to labour market tightness and still-resilient demand for consumer services. Accordingly, global inflation this year is expected to ease from the high of 5.3% in 2022 but will still be well above its 2017–19 average of 1.9%.

Despite a discernible drag from the manufacturing and goods trade sectors, the global economy is likely to experience a shallow downturn in 2023, as consumer-related services, including those attributed to tourism, are expected to remain firm. Global growth is forecast to slow to slightly above 2% this year from an estimated 3.4% in 2022, and be uneven and desynchronised across and within economies. While the US and Eurozone could see some quarterly contractions this year, as the overall macro policy stance has shifted to one of the most restrictive postures in recent periods, the downturns are expected to be mild, given underlying labour market strength.

China's reopening will provide a boost to the region, primarily through tourism. The impact on regional goods trade is however expected to be more muted, and insufficient to offset weaker G3 demand, given the lower import intensity of consumer spending which will drive China's growth this year.

Persistent inflationary pressures and policy miscalibrations are key risks for 2023. Specifically, sustained core inflation would have implications for monetary policy and the broader economic outlook. Tighter financial conditions could also trigger financial stresses for highly indebted corporates and households, and instability in advanced economies money markets. Renewed geopolitical tensions and new virus strains all remain material sources of risk to the outlook.

The Singapore Economy

The Singapore economy expanded by 2.1% y-o-y in Q4 2022, half the average pace of 4.2% recorded in the preceding quarters of the year. The weakness in Q4 was largely attributable to sluggish external demand which posed a drag on growth in the trade-related and modern services clusters. Meanwhile, the travel-related and domestic-oriented sectors continued to expand steadily following the reopening of the economy in Q2. The global manufacturing downturn that commenced in Q4 2022 is expected to intensify in H1 2023, reflecting the outright contraction in the global semiconductor industry expected this year. Against this backdrop, Singapore's GDP growth will likely stay muted in H1 2023, before picking up in the latter half of the year. While there will still be support from the domestic-oriented sectors in the near term, the weakness in the trade-related cluster will eventually spill over to the domestic sectors, through private consumption and investment responses. China's earlier-than-expected exit from its zero-COVID policy could impart some upsides to 2023 growth, but the boost may not be significant, given that the re-opening will largely benefit its domestic-facing services. For 2023 as a whole, Singapore's GDP growth is projected to ease to 0.5–2.5%, from 3.6% in 2022.

Based on advance estimates, the pace of employment expansion in Singapore moderated towards the end of 2022. Some softening of labour demand in the trade- and tech-related sectors, alongside the recovering non-resident workforce, led to a slight easing of labour market tightness. Nevertheless, the resident unemployment rate stayed low in December last year and nominal resident wage growth remained firm as of Q3 2022, even as the sequential pace of seasonally adjusted wage increases has begun to ease. For 2022 as whole, total employment (including migrant domestic workers) is estimated to have expanded by 253,900, surpassing its pre-COVID level by 3% as at end-2022.

This year, global economic headwinds will have some impact on hiring in Singapore's external-facing sectors but spillovers to the broader labour market should be contained. Labour shortages should ease further in segments more dependent on non-resident workers. At the same time, labour demand should remain firm in the travel and domestic-oriented sectors and some tightness in the labour market is expected to persist. Along with government policies to raise wages of lower wage workers, nominal wage growth and unit labour cost increases are expected to remain elevated for most of the year.

MAS Core Inflation was 5.1% y-o-y in Q4 2022, unchanged from Q3, as larger price increases for food services and non-cooked food were broadly offset by a smaller step-up in electricity & gas and travel-related services costs. The momentum of price increases has continued to ease, with the 3-month moving average of the seasonally adjusted m-o-m change in MAS Core CPI falling to 2.6% (annualised) in December from its peak of 7.6% in May. Meanwhile, CPI-All Items inflation eased to 6.6% y-o-y in Q4 from 7.3% in Q3, as private transport inflation declined. For 2022 as a whole, headline and core inflation averaged 6.1% and 4.1% respectively.

The GST increase in January 2023 is expected to cause a one-off step-up in price levels for the full year compared to 2022. On a m-o-m basis, the pace of price increases is expected to pick up in January before moderating as the transitory impact of the GST hike fades. The GST increase will add to y-o-y inflation rates over the course of the year.

However, even including the effects of the GST increase, MAS Core Inflation in y-o-y terms is expected to ease in H2, underpinned by a combination of base effects and moderating external and domestic labour cost pressures. Yet, the pace of inflation will likely remain elevated compared to the pre-pandemic years as business costs have stepped up significantly over 2022 and will continue to increase at a firm, albeit slower, pace this year.

In 2023, headline and core inflation are projected to average 5.5–6.5% and 3.5–4.5%, respectively. Excluding the effects of the GST hike, headline and core inflation are expected to moderate to 4.5–5.5% and 2.5–3.5%, respectively.

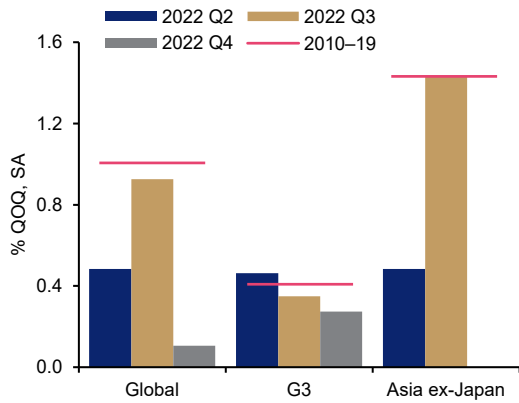
In October last year, MAS re-centred the mid-point of the S\$NEER policy band up to its prevailing level, which was close to the top of the previous band. There was no change to the slope and width of the band. While Singapore's growth momentum was expected to slow, MAS had assessed that a further tightening of monetary policy was appropriate to dampen price pressures in the immediate quarters ahead, when inflation was likely to reach a peak. The policy shift, building on past tightening moves, would further reduce imported inflation and curb domestic cost pressures.

Amid still-elevated inflation in the economy, fiscal policy has sought to alleviate costs of living and of doing business concerns. Budget 2023 set aside \$2.6 billion (0.4% of GDP) for special transfers to households to cushion the impact of higher prices, and enhanced support to help businesses invest in energy efficiency and defray salary increases for lower-wage workers. The Budget also included measures aimed at tackling longer term structural challenges, including strengthening the social compact and building a more productive and resilient economy.

1. International Economy

Global growth is easing...

GDP growth

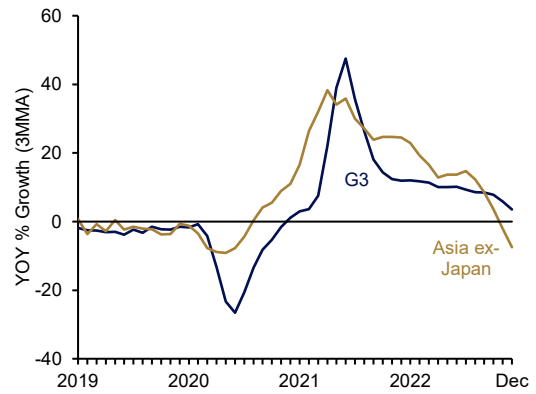


Source: EPG, MAS estimates

* GDP aggregates are weighted based on Singapore's value-added by destination of final demand (using TiVA data).

...as production and exports slow.

Exports

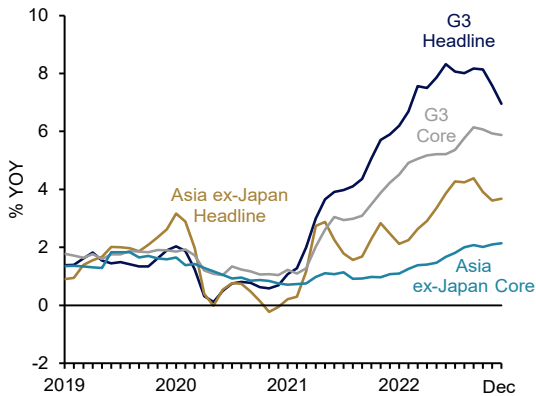


Source: Haver Analytics and EPG, MAS estimates

* The G3 economies are the Eurozone, Japan and the US; and Asia ex-Japan comprises ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam), China, Hong Kong SAR, India, South Korea and Taiwan.

Headline inflation is showing signs of peaking, but core inflation remains firm.

Inflation

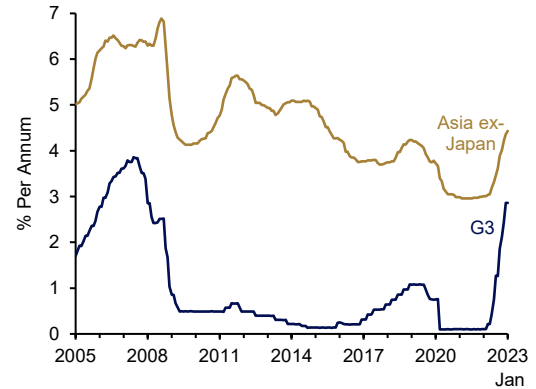


Source: Haver Analytics and EPG, MAS estimates

* CPI aggregates are weighted by economies' shares in Singapore's direct imports.

Interest rates have increased sharply after an extended period at low levels.

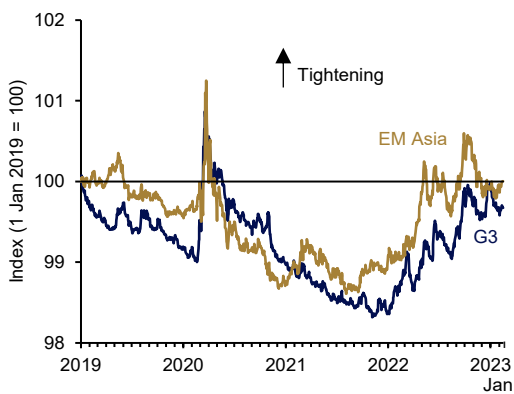
Monetary policy interest rates



Source: Haver Analytics and EPG, MAS estimates

Financial conditions risk tightening further...

Financial conditions indices

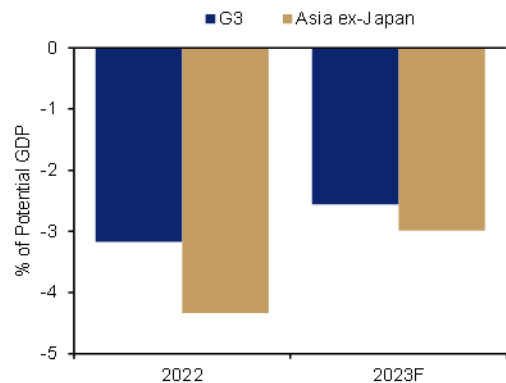


Source: Goldman Sachs and EPG, MAS estimates

Note: Simple average of GS financial conditions indices for the following economies for EM Asia (covering India, Indonesia, Malaysia, Thailand, and the Philippines).

...while fiscal support is expected to be retracted.

General government cyclically adjusted primary balance

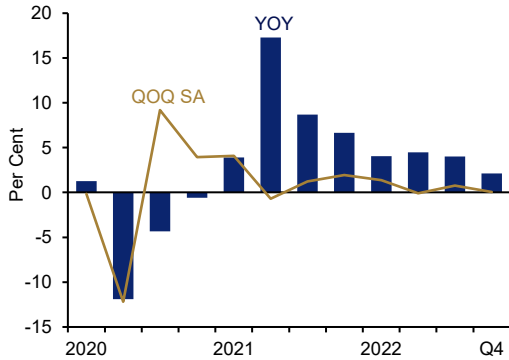


Source: IMF Fiscal Monitor (October 2022) and EPG, MAS estimates

2. The Singapore Economy

Singapore's GDP growth is moderating....

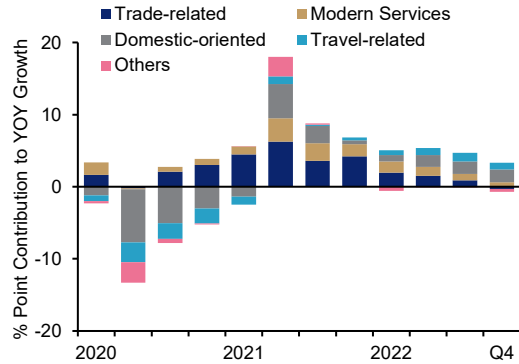
GDP growth



Source: DOS

...largely reflecting the slowdown in the trade-related sectors.

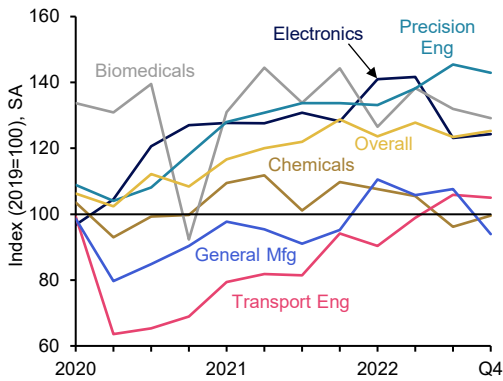
GDP growth profile by sector



Source: EPG, MAS estimates

Industrial production recorded only marginal sequential growth...

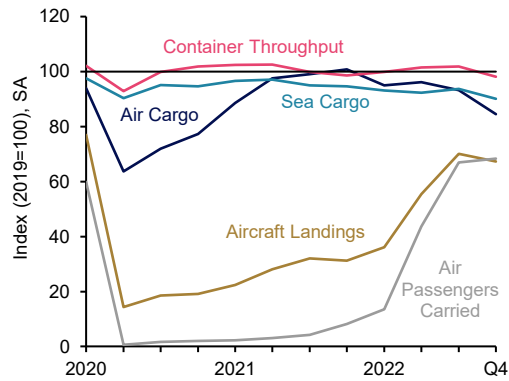
Index of industrial production



Source: EDB

...even as other trade-related activities were generally subdued.

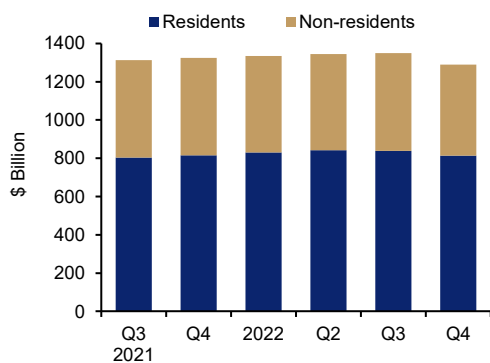
Transport indicators



Source: CAAS, MPA and Haver Analytics

Lending activity slowed discernibly, particularly to non-residents.

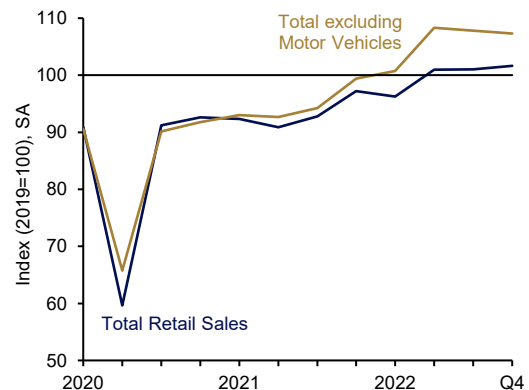
Bank loans & advances to non-bank residents and non-residents



Source: MAS

Meanwhile, retail sales continued to improve slightly.

Retail sales

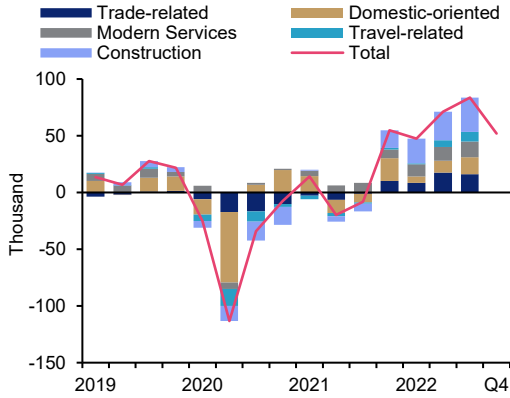


Source: DOS

3. Singapore's Labour Market and Inflation

Overall employment growth moderated.

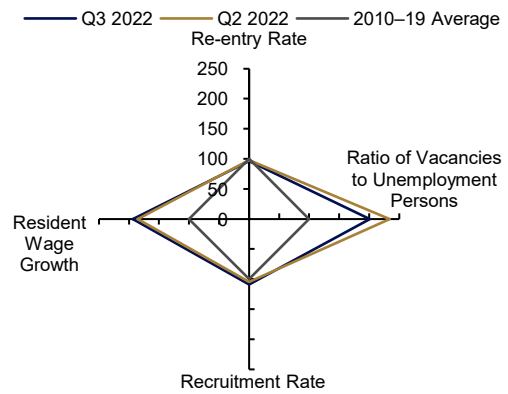
Quarterly employment change



Source: MOM and EPG, MAS estimates
Note: Q4 2022 data reflects MOM's preliminary estimates.

Labour demand softened...

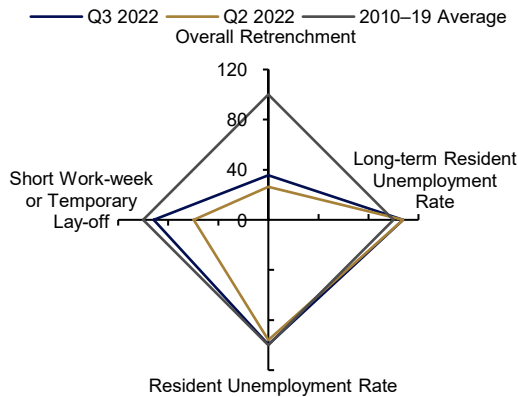
Labour demand indicators



Source: MOM and EPG, MAS estimates
Note: A larger "spider chart" indicates tighter labour market conditions.
All variables are indexed such that the 2010-19 historical average for each indicator takes a value of 100.

...leading to a slight easing of labour market tightness.

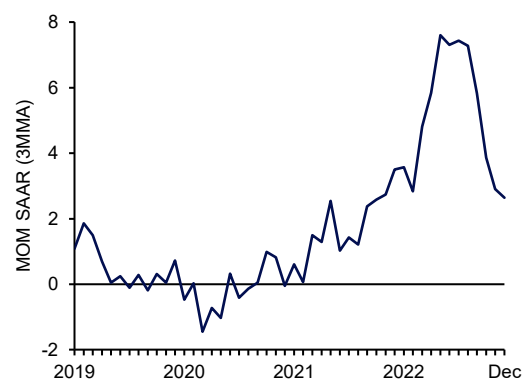
Labour market spare capacity indicators



Source: MOM and EPG, MAS estimates
Note: A larger "spider chart" indicates tighter labour market conditions.
All variables are indexed such that the 2010-19 historical average for each indicator takes a value of 100.

The momentum of price increases has continued to ease.

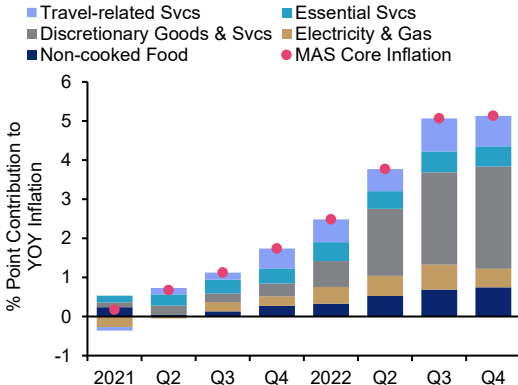
MAS Core Inflation Momentum



Source: DOS and EPG, MAS estimates

Price increase of discretionary goods and services kept core inflation elevated ...

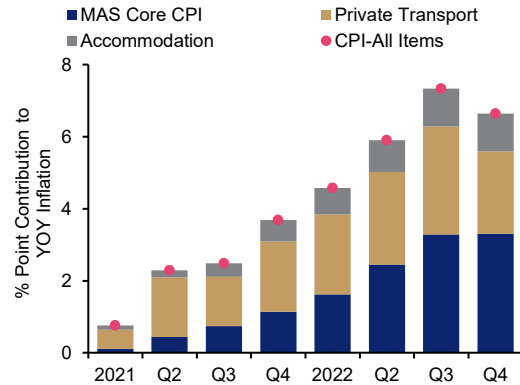
Contribution to MAS Core Inflation



Source: DOS and EPG, MAS estimates
Note: Discretionary goods & services refer to retail & other goods and discretionary services including food services.

...while the decline of private transport inflation dampened headline inflation.

Contribution to CPI-All Items inflation



Source: DOS and EPG, MAS estimates

Selected Indicators

GENERAL INDICATORS, 2022			
Land Area (Sq km)	734.3	Literacy Rate* (%), 2021	97.6
Total Population ('000)	5,637.0	Real Per Capita GDP (US\$)	65,302
Labour Force ('000)	3,754.2	Gross National Savings (% of GNI)	49.2
Resident Labour Force Participation Rate (%)	70.0		

* Refers to resident population aged 15 years and over.

COMPONENTS OF NOMINAL GDP SECTORAL (% of GDP), 2022		COMPONENTS OF NOMINAL GDP EXPENDITURE (% of GDP), 2022	
Manufacturing	21.6	Private Consumption	30.4
Wholesale Trade	18.6	Private Gross Fixed Capital Formation	17.3
Finance & Insurance	13.5	Public Consumption	10.2
Transportation & Storage	10.4	Public Gross Fixed Capital Formation	3.8
Other Services Industries	9.3	Increase in Stocks	1.3
Information & Communications	5.4	Net Exports of Goods & Services	37.0
Professional Services	5.4		
Administrative & Support Services	3.0		
Real Estate	2.9		
Construction	2.7		
Retail Trade	1.3		
Food & Beverage Services	0.9		
Accommodation	0.7		

MAJOR EXPORT DESTINATIONS (% SHARE), 2022		MAJOR ORIGINS OF IMPORTS (% SHARE), 2022	
Total Exports (S\$ Billion)	710.0	Total Imports (S\$ Billion)	655.4
China	12.4	China	13.2
Hong Kong	11.2	Malaysia	12.5
Malaysia	10.0	Taiwan	12.1
US	8.7	US	10.8
Indonesia	7.2	Japan	5.6
ASEAN	28.6	ASEAN	22.5
NEA-3	20.2	NEA-3	19.2
EU	7.7	EU	9.0

MAJOR DOMESTIC EXPORTS BY COMMODITY (% SHARE), 2022		MAJOR IMPORTS BY COMMODITY (% SHARE), 2022	
Domestic Exports (S\$ Billion)	329.7	Total Imports (S\$ Billion)	655.4
Mineral Fuels	39.6	Electronics	31.8
Chemicals	16.6	Mineral Fuels	22.2
Electronics	13.7	Machinery & Transport Equipment (ex. Electronics)	16.9
Machinery & Transport Equipment (ex. Electronics)	11.7	Manufactured Articles	8.1
Manufactured Articles	8.2	Chemicals	8.0
Food and Live Animals	3.8	Manufactured Goods	4.7

Note: Labour market statistics were obtained from the Ministry of Manpower, while trade and index of industrial production (IIP) data were provided by Enterprise Singapore and EDB respectively. All other data in this document were obtained from the Department of Statistics, or Ministry of Trade and Industry, unless otherwise stated.

Overall Economy	2021	2022	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Nov-22	Dec-22
GDP at current prices (S\$ bil)	569.4	643.5	151.3	156.9	164.3	161.6	160.7	na	na
GDP (US\$ bil)	423.7	466.8	111.5	116.1	119.2	115.6	115.9	na	na
Real GDP Growth (YOY % change)	8.9	3.6	6.6	4.0	4.5	4.0	2.1	na	na
Real GDP Growth (QOQ SA % change)	na	na	1.9	1.4	-0.1	0.8	0.1	na	na
By Sector (YOY % change):									
Manufacturing ^{1/}	13.3	2.5	16.0	5.8	6.1	1.1	-2.6	-3.8	-3.1
Construction	20.5	6.7	6.8	3.3	5.5	8.1	10.0	na	na
Wholesale Trade	9.6	3.2	5.0	4.5	1.6	4.1	2.4	na	na
Retail Trade	12.0	8.4	5.8	4.8	15.8	8.8	5.1	na	na
Transportation & Storage	9.9	4.0	9.5	3.7	3.6	6.1	2.5	na	na
Accommodation	-9.1	0.5	-12.6	-4.5	-3.3	1.6	7.8	na	na
Food & Beverage Services	1.8	18.2	-2.3	2.3	23.4	29.3	19.6	na	na
Information & Communications	13.4	8.6	9.3	12.1	10.0	6.9	5.6	na	na
Finance & Insurance	8.3	1.4	5.6	3.3	2.1	0.5	-0.3	na	na
Real Estate	18.4	14.1	5.2	12.3	13.9	14.8	15.2	na	na
Professional Services	4.0	7.6	7.6	9.0	7.4	7.9	6.1	na	na
Administrative & Support Services	-11.2	6.6	-6.5	3.1	6.9	5.9	10.5	na	na
Other Services Industries	5.5	5.2	2.6	1.7	5.4	7.9	6.0	na	na
By Expenditure Component (YOY % change):									
Consumption	6.1	6.5	4.9	1.8	10.0	7.9	6.7	na	na
Private	6.6	9.7	5.6	3.9	13.4	12.0	9.5	na	na
Public	3.7	-2.3	2.2	-3.6	-0.1	-3.6	-1.5	na	na
Gross Fixed Capital Formation	18.0	1.6	7.5	2.0	2.1	3.4	-1.2	na	na
Private	17.3	2.3	6.5	1.8	4.9	4.3	-1.8	na	na
Public	21.5	-1.8	13.0	2.7	-11.1	-0.9	2.0	na	na
External Demand	11.7	-1.3	12.3	-1.8	0.7	3.2	-7.0	na	na

Source:

^{1/} Monthly data from Index of Industrial Production

na: Not available

Trade	2021	2022	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Nov-22	Dec-22
Total Exports, fob (YOY % change)	19.1	15.6	26.9	18.8	24.9	23.4	-2.3	-4.5	-7.1
Non-Oil Domestic Exports	12.1	3.0	20.1	11.4	8.9	7.1	-14.0	-14.7	-20.6
Re-Exports	19.2	13.5	21.1	17.2	21.7	19.8	-2.4	-3.5	-7.7
Total Imports, cif (YOY % change)	20.4	20.1	31.0	23.1	31.6	28.1	0.5	0.0	-8.2

Wage-price Indicators									
Unemployment Rate (SA, %)	2.7	2.1	2.4	2.2	2.1	2.1	2.0 [#]	1.9	2.0 [#]
Average Nominal Wages (S\$ per month)	5,832	na	6,282	6,641	5,847	5,796	na	na	na
Consumer Price Index Inflation (YOY % change)	2.3	6.1	3.7	4.6	5.9	7.3	6.6	6.7	6.5
MAS Core Inflation (YOY % change)	0.9	4.1	1.7	2.5	3.8	5.1	5.1	5.1	5.1

Financial Indicators									
S\$ Exchange Rate Against: (end-period)									
US Dollar	1.3517	1.3446	1.3517	1.3534	1.3918	1.4340	1.3446	1.3722	1.3446
100 Japanese Yen	1.1744	1.0135	1.1744	1.1062	1.0187	0.9907	1.0135	0.9889	1.0135
Euro	1.5295	1.4331	1.5295	1.5108	1.4547	1.4053	1.4331	1.4200	1.4331
Interest Rates (end-period, % p.a.) ^{2/}									
S\$ SORA	0.31	2.53	0.31	0.61	1.66	4.39	2.53	3.91	2.53
3-month S\$ SIBOR	0.44	4.25	0.44	0.79	1.91	3.17	4.25	4.17	4.25
US\$ SOFR	0.05	4.30	0.05	0.29	1.50	2.98	4.30	3.82	4.30
Money Supply (end-period)									
Broad Money, M2 (YOY % change) [*]	na	1.9	na	na	na	4.0	1.9	1.7	1.9
Straits Times Index (end-period) ^{3/}									
YOY % change	9.8	4.1	9.8	7.7	-0.9	1.4	4.1	8.2	4.1

Source:

^{2/} ABS Benchmarks Administration Co Pte Ltd, Federal Reserve Bank of New York and MAS

^{3/} Straits Times Index from SGX

na: Not available

[#] Preliminary estimates

* Due to changes to the statistics reported in MAS' Monthly Statistical Bulletin, data of y-o-y growth of broad money is only available from Q3 2022.

Government Budget ^{4/}	2021	2022	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Nov-22	Dec-22
Operating Revenue (S\$ mil)	83,117	89,180	16,994	22,402	24,348	24,561	17,870	na	na
Total Expenditure (S\$ mil)	91,606	94,999	22,016	32,826	18,012	21,053	23,110	na	na
Operating Expenditure	75,193	79,576	18,673	28,056	14,628	17,459	19,434	na	na
Development Expenditure	16,413	15,423	3,343	4,770	3,383	3,594	3,676	na	na
Primary Surplus/Deficit (S\$ mil)	-8,489	-5,819	-5,022	-10,424	6,336	3,508	-5,240	na	na
% of GDP	-1.5	-0.9	-3.3	-6.6	3.9	2.2	-3.3	na	na
Balance of Payments									
Current Account Balance (% of GDP)	18.0	19.3	18.2	21.9	20.5	20.3	14.6	na	na
Goods Balance	29.7	29.2	30.9	28.1	32.0	30.8	26.0	na	na
Services Balance	5.6	7.0	6.1	6.6	6.7	7.1	7.5	na	na
Primary Income Balance	-16.4	-16.1	-18.0	-12.2	-17.2	-16.9	-18.0	na	na
Secondary Income Balance	-0.9	-0.8	-0.7	-0.6	-1.0	-0.8	-0.9	na	na
Capital & Fin Account Balance (% of GDP)	2.0	43.4	15.7	50.2	64.7	37.6	20.8	na	na
Direct Investment	-20.7	-19.3	-15.9	-16.5	-19.2	-20.1	-21.3	na	na
Portfolio Investment	14.2	14.8	5.9	22.9	14.9	10.2	11.6	na	na
Financial Derivatives	-0.3	0.5	-1.8	-0.6	2.0	1.9	-1.5	na	na
Other Investment	8.8	47.4	27.6	44.4	67.1	45.5	32.1	na	na
Overall Balance (% of GDP)	15.6	-24.5	3.3	-29.4	-45.2	-16.4	-6.7	na	na
Official Foreign Reserves (US\$ mil) ^{5/}	417,904	289,484	417,904	379,666	314,370	286,067	289,484	291,275	289,484
Months of Imports	12.3	7.3	12.3	10.7	8.3	7.2	7.3	7.3	7.3

Source:

^{4/} Ministry of Finance

^{5/} MAS

na: Not available