Monetary Authority of Singapore

# RECENT ECONOMIC DEVELOPMENTS IN SINGAPORE

12 August 2022

# Highlights

- **Global GDP growth slowed markedly in the first half of the year,** as intensifying inflationary pressures prompted policy tightening in many countries. Renewed COVID-related disruption in the Asia ex-Japan region was also a drag on activity, given the impact on supply chains and final demand.

- **The factors that generated the current upsurge in inflation are anticipated to weaken somewhat over the remainder of the year.** Commodity prices have trended down over the past several months although they are still higher than year-ago levels. Supply chain frictions are likely to ease further as more capacity comes back onstream and backlogs are cleared. At the same time, policy tightening is exerting a disinflationary pull.

- **The global economy is expected to regain some pace in H2, led by stronger growth in Asia ex-Japan.** The reopening of borders has triggered a rebound in international travel. In China, activity is expected to pick up following the relaxation of pandemic-related control measures, which will have positive spillovers on the rest of region. There remains some slack in most Asia ex-Japan economies, which leaves room for further cyclical recovery to take place. Growth in the G3, however, is expected to stay below trend in H2.

- **Full-year global growth is projected to slow to 3.3% in 2022, following its strong post-COVID rebound of 5.4% in 2021**, before rising to 3.8% in 2023. Meanwhile, **global inflation is expected to rise sharply from 2.8% in 2021 to 5.3% in 2022,** and subsequently ease to 3.0% in 2023 as demand and supply come into closer alignment.

- **There is significant uncertainty surrounding the global outlook.** The persistence of inflation and accordingly, the output loss ratios required to secure disinflation are inherently uncertain. Tighter financial conditions attendant on policy tightening could test vulnerabilities in the financial system. Geopolitical tensions and the pandemic remain material sources of risk to the outlook.

- **The Singapore economy contracted marginally by 0.2% on a q-o-q SA basis in Q2 2022, compared to the 0.8% expansion in Q1.** GDP in Q2 was weighed down by the external-facing sectors, while the sectors which bore the brunt of COVID-19 benefited from the extensive lifting of border and domestic mobility restrictions. Even as the domestic-oriented and travel-related sectors continue to recover from the depths of the pandemic, trade-related activity is likely to be hampered by global growth headwinds in the latter half of this year. For 2022 as a whole, Singapore's GDP growth is projected to come in at 3–4%.

- **The domestic labour market tightened further over H1 2022,** as total employment expanded robustly for the third consecutive quarter in Q2. Amid firm labour demand and constrained supply, the resident unemployment rate had returned to its pre-COVID level in Q1 2022. Against this backdrop, resident wage growth saw a further step-up. For the rest of the year, labour demand conditions are expected to stay resilient, supported by firm hiring, especially in the travel-related and domestic-oriented services sectors. The labour market should remain tight and wage growth firm, although a more appreciable easing of the supply constraints should occur in the latter part of this year alongside the normalisation of non-resident labour flows.

- **Both MAS Core and CPI-All Items inflation picked up strongly in Q2 2022 on the back of both cost-push and demand-pull pressures.** Business costs continued to rise across a range of imported and domestic inputs, including utilities, raw materials and labour. At the same time, consumer demand surged alongside the relaxation of COVID-related restrictions, pushing up prices for discretionary goods and services. Core inflation is forecast to remain elevated in the coming months amid continued cost pass-through. It should gradually moderate towards the end of the year as some external inflationary pressures recede and wage pressures ease. For 2022 as a whole, core and headline inflation are projected to be between 3.0–4.0% and 5.0–6.0% respectively.

- **Macroeconomic policies have been responsive to the shifting economic environment, to dampen inflation and address cost-of-living concerns.** In an unscheduled policy announcement in July 2022, MAS re-centred the mid-point of the S$NEER policy band up to its prevailing level, with its width and slope unchanged. MAS had assessed that, on balance, a further calibrated adjustment was appropriate to lean against price pressures becoming more persistent. This was the fourth consecutive tightening of monetary policy in ten months. On the fiscal front, the government announced a support package in June 2022 to provide targeted support and immediate relief for lower-income and vulnerable groups by cushioning the impact of higher prices. This followed the support measures announced previously in Budget 2022.

# 1 The International Economy

## Global growth had weakened in the first half of 2022 alongside an intensification of inflationary pressures

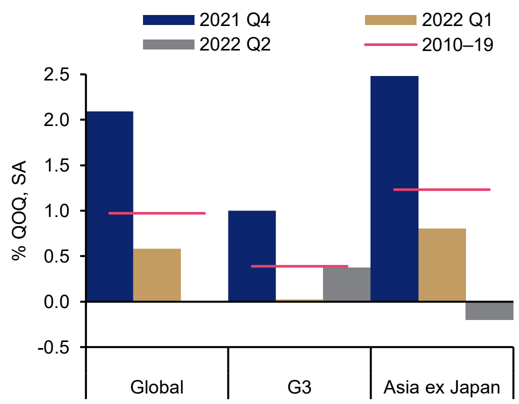
Global GDP growth declined significantly in Q1 and is estimated to have come to a standstill in Q2.[1] Activity in the G3 has slowed since the turn of the year, while the cooling of the post-pandemic rebound in Asia ex-Japan has given way to outright contraction in Q2 **(Chart 1.1)**.[2] The step-down in growth has coincided with an acceleration in inflation in many economies to levels not seen for many years.

### *The rise in inflation*

The weighted-average global headline inflation rate picked up to 5.4% y-o-y in Q2, from 4.3% in Q1 and 2.8% in 2021 **(Chart 1.2)**. As demand recovered briskly amid continued supply frictions, there has been a rapid erosion of spare capacity in the global economy which put significant upward pressure on costs and prices.

**Chart 1.1** Global growth has weakened markedly since end-2021

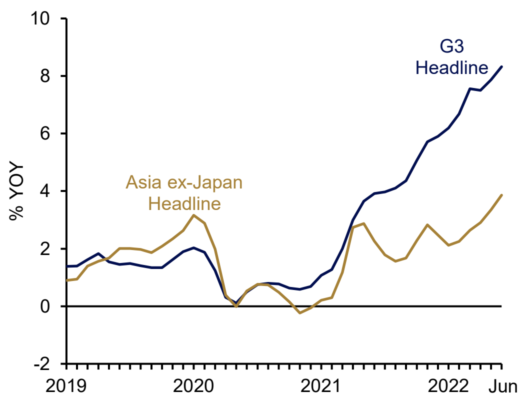
GDP growth




Source: EPG, MAS estimates

**Chart 1.2** Inflation has risen sharply since mid-2021, led by the major advanced economies

CPI inflation, direct import-weighted*




Source: Haver Analytics and EPG, MAS estimates

* Weighted by economies' shares in Singapore's direct imports

Inflation has risen more strongly in the G3 than in Asia ex-Japan. In Q2, consumer prices rose by 7.9% y-o-y in the former, compared with a more moderate 3.4% in the latter. Generous policy support and more rapid progress towards endemicity of COVID-19 led to a quicker recovery in G3 demand, with labour markets tightening earlier. The unemployment rate in the G3 has declined steadily over the past two years to below the pre-pandemic level, while unemployment in the NEA-2 and ASEAN-4 started to fall only in 2021, and in ASEAN-4 remains above the rate prior to the outbreak of COVID-19 **(Chart 1.3)**. A decrease in the labour force

1 Global and regional GDP growth aggregates are weighted by economies' shares in Singapore's NODX, unless noted otherwise.

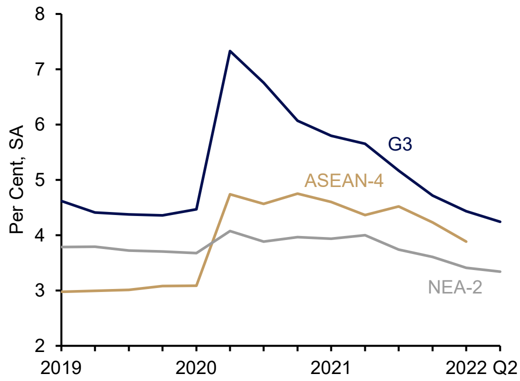
2 The G3 grouping refers to the Eurozone, Japan and the US, while Asia ex-Japan refers to China, Hong Kong SAR, India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand and Vietnam.

participation rate has contributed to tightness and intensified wage pressures in some major economies, particularly the US. Sequential nominal wage growth in the G3 grew at an above-trend pace averaging 1.0% in Q4 2020 – Q1 2022, while in Asia ex-Japan, wage growth has gradually strengthened only since mid-2021 **(Chart 1.4)**. In Q2, nominal wages in the US continued to rise at a solid 1.1% q-o-q SA pace.

Price pressures were exacerbated by the outbreak of the Russia-Ukraine conflict in February. The war has inflicted a further sizeable price shock, due to the significant roles played by both countries as global suppliers of food and energy. Prices of wheat and oil peaked in May and June respectively, but the shock will continue to flow through to year-on-year inflation rates into early 2023.

**Chart 1.3** Labour markets have continued to strengthen

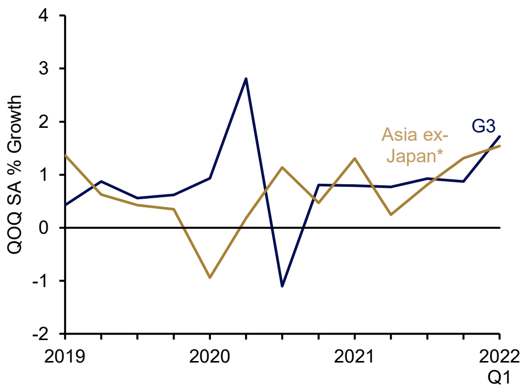
Unemployment rates




Source: Haver Analytics and EPG, MAS estimates

**Chart 1.4** Nominal wage growth has picked up more firmly in recent quarters

Nominal wages, NGDP-weighted




Source: Haver Analytics and EPG, MAS estimates

* Hong Kong, South Korea, Malaysia, Taiwan and Thailand

### *Growth slowdown*

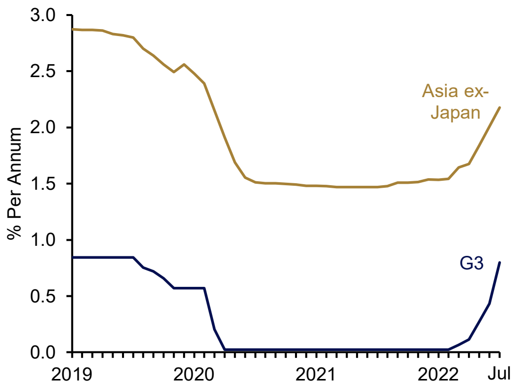
Two main factors have contributed to the slowdown in global growth in H1 2022. The first is the tighter financial conditions, induced by adjustments to monetary policy settings attendant on the rise in inflation **(Chart 1.5)**. The Fed has delivered four rate hikes in Mar–Jul, raising its policy rate by a cumulative 225 basis points (bps). It has also begun to reduce the size of its balance sheet. In July, the ECB lifted its benchmark rate for the first time in 11 years, increasing it by 50 basis points. The weighted-average policy rate in Asia ex-Japan has risen by 64 bps year-to-date.

On the fiscal front, governments in many major economies have progressively tightened budgetary stances. IMF estimates indicate that the cyclically adjusted primary deficit (CAPD) will narrow in 2022 **(Chart 1.6)**. By contrast, a number of Asia ex-Japan economies remain willing and able to deploy fiscal space to cushion their economies from the inflationary shock, and the CAPD is projected to widen modestly (by 0.7%-points).

The second factor is the disruption to activity in China ensuing from the reimposition of public health measures in Q2. GDP in China contracted by 2.8% q-o-q SA in Q2. This headwind, coupled with the rest of the region's slower emergence from the pandemic and generally less generous macroeconomic policy support, has contributed to Asia ex-Japan's milder inflation out-turns so far.

**Chart 1.5** Central banks have started to raise policy rates

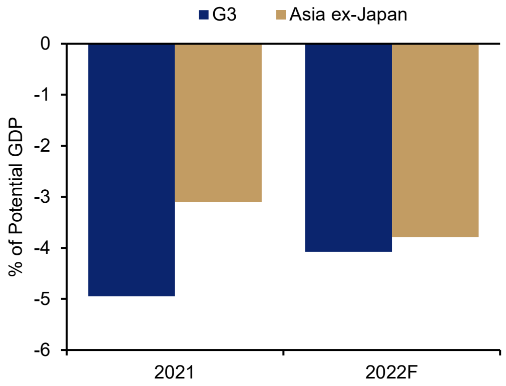
Policy rates




Source: Haver Analytics and EPG, MAS estimates

**Chart 1.6** Governments are reducing fiscal support for the economy

General government cyclically adjusted primary balance as a % of potential GDP

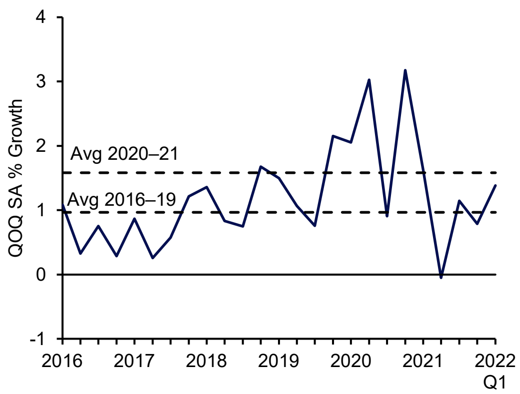



Source: IMF and EPG, MAS estimates

However, final demand in the advanced economies is receiving some support from households' substantial accumulation of savings during the pandemic **(Chart 1.7)**. Notably, retail sales volumes in the US and the Eurozone have only mildly eased in recent months, after the sharp reopening-driven rebound in early 2021 in the US and a smaller bounce in mid-2021 in the Eurozone **(Chart 1.8)**.

**Chart 1.7** G3 households have built up substantial savings during the pandemic

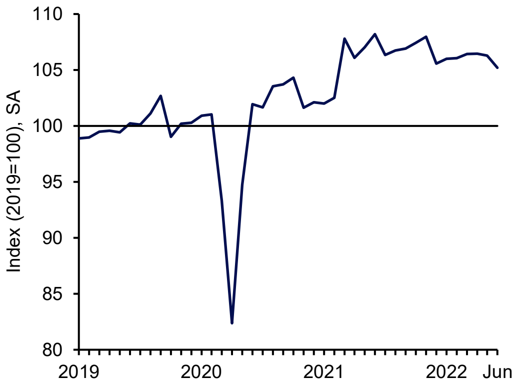
Household deposits




Source: CEIC and EPG, MAS estimates

**Chart 1.8** G3 retail sales volumes have pulled back only modestly in the face of elevated inflation

Retail sales volumes




Source: Haver Analytics and EPG, MAS estimates

## Inflation is projected to moderate in the second half of 2022, as supply-related factors gradually improve, and policy tightening takes effect.

The confluence of factors that generated the current upsurge in inflation is expected to lose some force over the remainder of the year. Sequentially, global inflation is projected to decline from Q3 onwards, and fall to just above its 2010–19 average in early 2023.

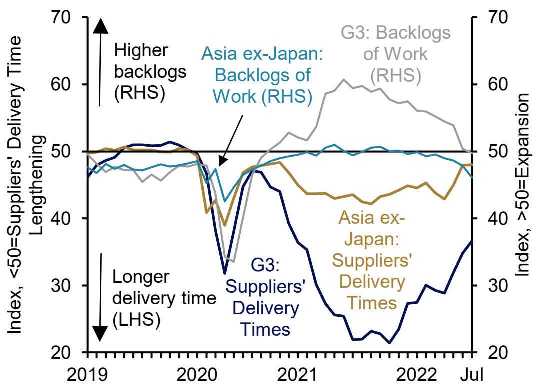
Commodity prices are likely to make a smaller contribution to inflation in H2. Most prices have trended down in the past several months, although they remain higher than year-ago levels.[3] Even if commodity prices remain near current levels, their impact on year-on-year inflation would still eventually fade.

The latest indications are that supply side frictions may be easing. According to PMIs, production backlogs have fallen in both the G3 and Asia ex-Japan. Suppliers' delivery times have continued to lengthen, but at a reduced pace **(Chart 1.9)**. Some of this relief may reflect softness in demand rather than improvements in supply. However, the New York Fed's Global Supply Chain Pressure Index, which attempts to correct for the effect of changes in demand on variables such as logistics costs, also points to some easing of supply chain pressure from its late 2021 peak, although it remains elevated relative to pre-pandemic norms **(Chart 1.10)**.

The recent easing of supply frictions may be expected to continue, as more production and logistics capacity comes back onstream and backlogs are cleared, although the complexity of supply chains and their vulnerability to disruption creates a source of uncertainty for the overall outlook.

**Chart 1.9** Supply chain frictions are easing…

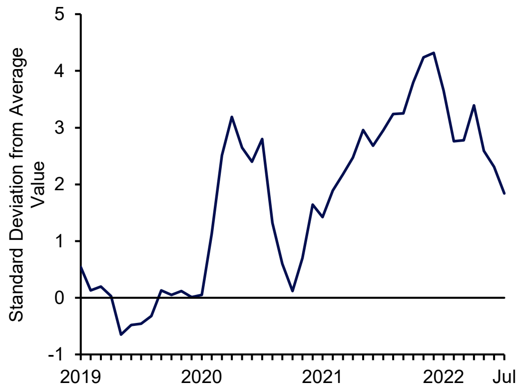
PMI sub-indices for suppliers' delivery times and order backlogs




Source: Haver Analytics and EPG, MAS estimates

**Chart 1.10** …but remain elevated relative to the pre-pandemic period

New York Fed global supply chain pressure index




Source: Bloomberg

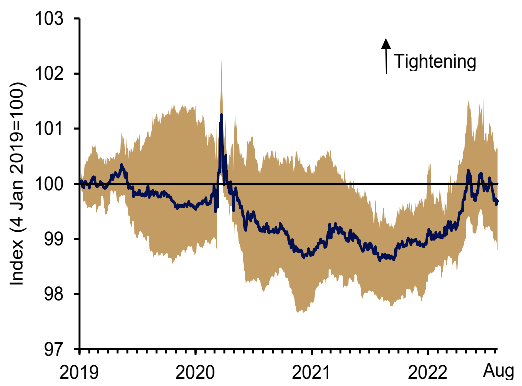
## The withdrawal of monetary accommodation and tightening in financial conditions could test regional vulnerabilities

3 On a month-average basis, the Brent crude oil price in July averaged 9% below its recent high in June, but remains 46% above its July 2021 level. The wheat price in July was 29% below its peak in May, but still 21% above year-ago levels.

Financial conditions in EM Asia tightened in the first half of 2022 on the back of broad-based withdrawal of monetary accommodation both in the region and abroad **(Chart 1.11)**. Reversals of capital inflows to the region reflect growth concerns following monetary policy tightening by major central banks, and expectations of further tightening **(Chart 1.12)**. Debt service costs have risen, although to a moderate extent compared with global peers **(Chart 1.13)**. Nevertheless, the general strengthening in external buffers in EM Asia since the taper tantrum in 2013 suggests the region's economies are better positioned to manage capital outflows **(Chart 1.14)**.

### **Chart 1.11** Financial conditions in EM Asia tightened in 1H 2022

Financial conditions indices

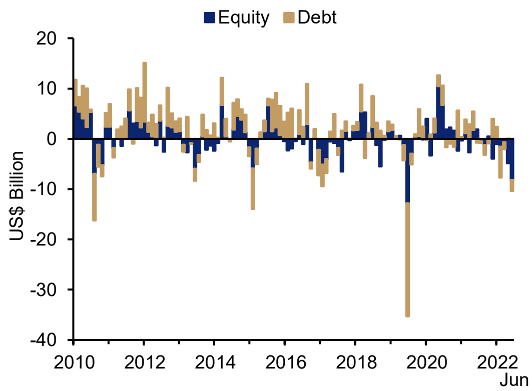



Source: Goldman Sachs and EPG, MAS estimates

Note: Simple average of GS financial conditions indices for the following economies: EM Asia (covering India, Indonesia, Malaysia, Thailand and the Philippines) rebased to 1 January 2019. Shaded region represents maximum-minimum range of the cross-country EM Asia data.

### **Chart 1.12** The tightening was also associated with a reversal of portfolio investment inflows

Monthly non-resident portfolio flows to EM Asia

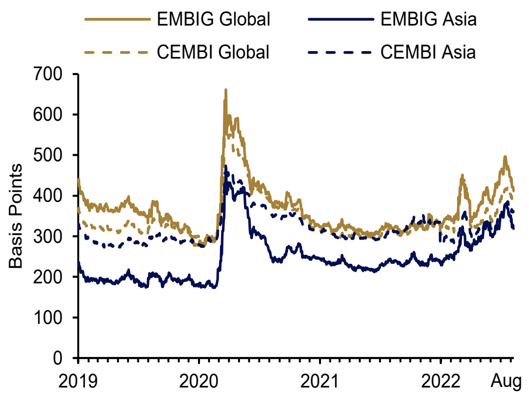



Source: Bloomberg and EPG, MAS estimates

Note: Data are monthly non-resident flows to stock exchanges and local debt markets for the following economies: India, Indonesia, Malaysia, Thailand, and the Philippines.

### **Chart 1.13** EM funding costs have risen significantly since Feb 2022

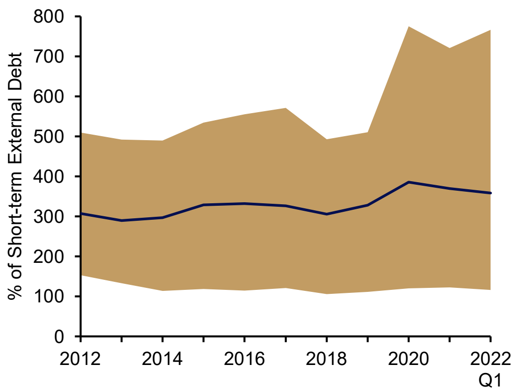
EM government and corporate spreads




Source: JP Morgan

### **Chart 1.14** External buffers of Asian EMEs have improved over the past decade

Reserve coverage of short-term external debt




Source: Haver Analytics and EPG, MAS estimates

Note: Simple average for the following economies: India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan, and Thailand. The shaded region represents maximum-minimum range of the cross-country data.

## Global growth to see a modest pickup in H2, led by Asia ex-Japan, but significant uncertainties prevail

Asia ex-Japan is expected to provide the locus of some recovery in growth in H2. Economic activity in China should pick up following the relaxation of COVID-related control measures, which will have positive flow-on effects on the rest of the region. Activity will also be supported by the reopening of borders, which will benefit the tourism-dependent countries. Further, lingering economic slack gives more room for cyclical recovery in many regional economies.

In the G3, growth is expected to remain below trend in H2. The tightening observed in financial conditions will continue to exert a drag on growth. The support to consumption from households' generous savings buffer is expected to fade as the squeeze on real incomes is felt.

Growth in the global economy is projected to come in at 3.3% in 2022, following its strong post-pandemic rebound of 5.4% in 2021, before rising to 3.8% in 2023 **(Table 1.1)**. Meanwhile, global inflation is expected to rise sharply from 2.8% in 2021 to 5.3% in 2022, and subsequently ease to 3.0% in 2023 as demand-pull price pressures ease with a lag.

The outlook is subject to significant risks and uncertainty. The persistence of inflation and the output loss ratios required to secure disinflation are inherently uncertain. Tighter financial conditions attendant on policy tightening could test vulnerabilities in the financial system. Geopolitical risk has risen and could prove a source of further economically-disruptive shocks, for example to energy supply. Moreover, the pandemic remains a material source of risk to the outlook.

**Table 1.1** Despite the global slowdown, ASEAN's resilience is expected to underpin growth in Singapore's trade partners in 2022

| | Sequential growth, QoQ SA (%) | | | Annual (%) | | |
|---|---|---|---|---|---|---|
| | 2022 Q1 | 2022 Q2 | 2022 Q3 | 2021 | 2022 | 2023 |
| G3 | 0.0 | 0.4 | 0.2 | 4.6 | 2.1 | 1.3 |
| Asia ex-Japan | 0.8 | −0.2 | 1.7 | 5.7 | 3.9 | 4.8 |
| ASEAN-5 | 2.3 | 0.5 | 0.5 | 3.2 | 5.4 | 4.7 |
| **Global** | **0.6** | **0.0** | **1.2** | **5.4** | **3.3** | **3.8** |

Source: Haver Analytics and EPG, MAS forecasts

Note: The G3 grouping refers to the Eurozone, Japan and the US, while the ASEAN-5 comprises Indonesia, Malaysia, the Philippines, Thailand and Vietnam. Asia ex-Japan comprises China, Hong Kong SAR, India, South Korea, Taiwan and the ASEAN-5. All aggregates are weighted by country shares in Singapore's NODX.

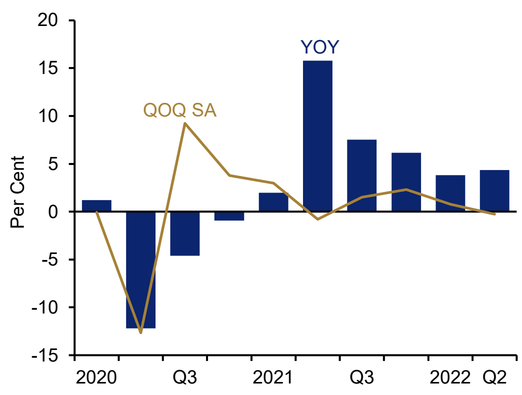
# 2 The Singapore Economy

## The economy slowed further in Q2 2022

The Singapore economy contracted marginally by 0.2% q-o-q SA in Q2 2022, following the 0.8% expansion in the previous quarter **(Chart 2.1)**. GDP in Q2 was mainly weighed down by the sluggish performance in the external-facing sectors especially wholesale trade and information & communications. In comparison, sectors which were hard-hit by the pandemic, such as the travel-related and consumer-facing sectors, generally benefited from the substantial easing of border and domestic mobility restrictions since end-March **(Chart 2.2)**. Both the stringency index[4] as well as Google mobility indicators for Singapore have largely returned to their pre-COVID levels. On a y-o-y basis, GDP increased by 4.4% in Q2, in part reflecting the low base in the same period last year when domestic mobility restrictions were tightened (Phase 2 Heightened Alert) amid a wave of COVID-19 infections **(Chart 2.1)**.

**Chart 2.1** Singapore's GDP fell slightly on a sequential basis in Q2…

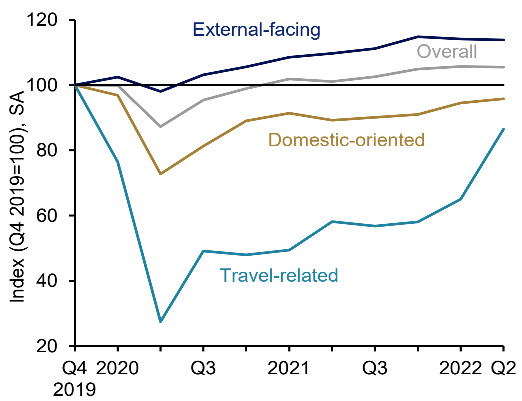
Singapore's GDP growth




Source: DOS

**Chart 2.2** …due to a slowdown in external-facing sectors

GDP profile by sector




Source: EPG, MAS estimates

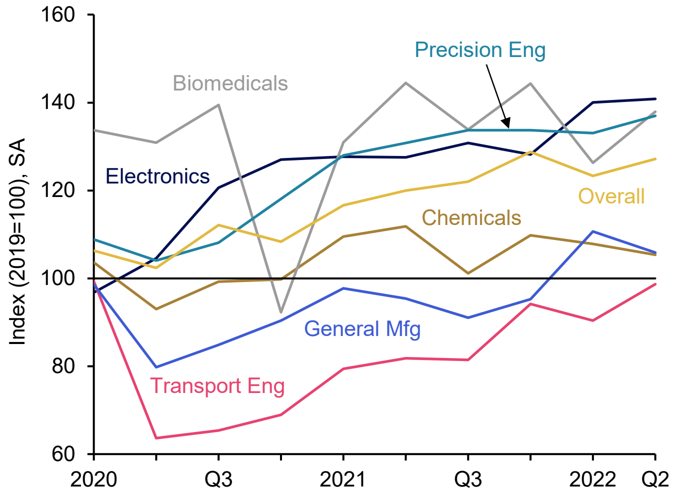
## Trade-related activities were generally weak

The manufacturing sector expanded modestly by 0.4% q-o-q SA in Q2 2022, following a 1.7% contraction in the preceding quarter, supported by the biomedical and transport engineering clusters. However, growth in the manufacturing sector was weighed down by declines in the chemicals and general manufacturing clusters **(Chart 2.3)**. Notably, chemicals production fell for the second consecutive quarter, due in part to the plant maintenance shutdowns in the petrochemical segment. Moreover, electronics production, especially of semiconductors, slowed considerably compared to Q1. The wholesale trade sector registered a contraction of 2.7% q-o-q SA in Q2, reversing the 3.2% increase in Q1, with fuels & chemicals registering some pullback, partly due to supply chain disruptions from the Russian-Ukraine conflict as well as lockdowns in China.

4 As measured by University of Oxford, Blavatnik School of Government.

**Chart 2.3** Chemicals and general manufacturing output declined in Q2

Index of Industrial Production




Source: EDB

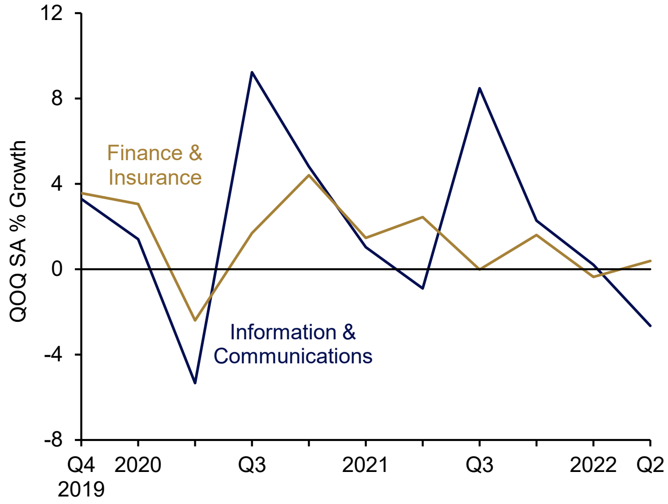
## Shifting trends in consumption impacted the information & communications sector and financial services

The information & communications sector contracted by 2.6% q-o-q SA in Q2 2022, a deterioration from the 0.2% growth in the previous quarter. The weaker performance was largely due to a decline in games publishing activities. However, this was partially offset by the continued expansion of the IT & information services segment, which was supported by demand for IT development, consultancy, data hosting and related activities. The telecommunications segment expanded slightly, as it recorded higher roaming revenues alongside an uptick in tourism.

Meanwhile, the finance & insurance sector grew modestly by 0.4% q-o-q SA in Q2, a reversal from the 0.4% contraction in the preceding quarter. Growth was led by other auxiliary activities (comprising mainly payments processing players), which expanded alongside firm consumer spending **(Chart 2.4)**. The fund management segment turned around from the sharp decline in the previous quarter, as net fees & commissions saw some improvement. In comparison, the banks segment contracted on account of weaker net fees & commissions and a decline in loans and advances to non-residents in Q2. Likewise, the insurance segment shrank as single-premium life insurance products saw a pullback in sales.

**Chart 2.4** Information & communications services contracted in Q2, while finance & insurance activity expanded slightly

VA of information & communications and finance & insurance




Source: DOS

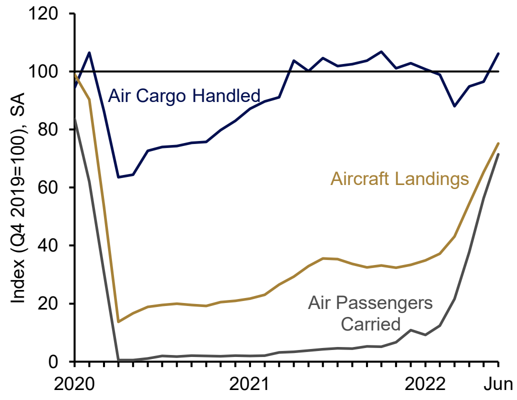
## The pandemic's worst-hit sectors were the key growth drivers in Q2 as almost all border restrictions and safe management measures were lifted

GDP growth in Q2 was propelled by the improvement in sectors that bore the brunt of the pandemic. Travel-related activities accelerated following the reopening of Singapore's borders to all fully vaccinated travellers. The number of air passengers carried almost quadrupled in Q2 (to 2,949,381) compared to the monthly average in Q1 **(Chart 2.5)**. This represented 55% of its Q4 2019 level, a significant increase from 14% in Q1.

Average monthly visitor arrivals surged to 419,095 in Q2, five times that in Q1, with around three quarters of the increase contributed by visitors from Asia, particularly Indonesia and Malaysia. The arrivals in Q2 accounted for 26% of monthly arrivals in 2019, up from 14% in 2020. In tandem with the increase in visitor arrivals, hotel occupancies rose to 72% in Q2 this year, from 61% in Q1 **(Chart 2.6)**. Occupancies in luxury, upscale and mid-tier hotels recorded substantial increases in Q2. In fact, occupancies of luxury hotels, which plunged the most to 23% during the height of the pandemic in Q2 2020, recovered to 79% in Q2 2022, surpassing all other hotel tiers.

**Chart 2.5** Number of aircraft landings and air passengers carried rebounded in Q2

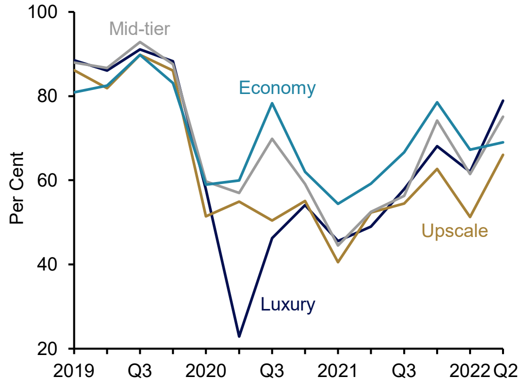
Air transport indicators




Source: CAAS and Haver Analytics

**Chart 2.6** Rising hotel occupancies were led by luxury and upscale hotels

Hotel occupancies




Source: STB

Consumer-facing sectors benefited from a step-up in private consumption expenditure in Q2. The lifting of virtually all safe management measures, including dine-in and event restrictions by end-April, spurred households to spend more on social activities and in-person services. In turn, the food & beverage sector rose by 27% q-o-q SA in Q2, accelerating from the 5.8% increase in Q1, driven by strong sales at restaurants and food caterers. The cessation of work-from-home as the default from end-April led to a further pickup in public transport ridership and supported the continued growth of the land transport industry in Q2.

Despite retail sales of apparel & footwear, department stores and recreational goods improving during the quarter, there was weakness in motor vehicle sales amid rising COE prices, as well as reduced sales at supermarkets and hypermarkets with more people returning to the workplace and dining out. This shift in consumer demand away from essential and durable goods as the economy reopened caused the retail industry as a whole to contract by 6.9% q-o-q SA in Q2, reversing the 2.2% expansion in Q1.

There were also sectors which benefited indirectly from the easing of travel restrictions. For instance, the professional services sector has seen stronger outturns since the start of this year. The sector grew by 1.7% q-o-q SA in Q2, following the 3.6% expansion in the previous quarter. Growth was broad-based, with the largest gains accruing to the head offices & business representative offices as well as the business & management consultancy segments, as firms in these segments could better engage their overseas clients and secure more projects. Meanwhile, other administrative & support services, which include activities of travel agencies, tour operators and MICE organisers, continued to expand in Q2.

## Singapore's economic growth prospects are hampered by global headwinds

The external economic environment has weakened in recent months. There are increasing signs that the initial price shock arising from the regional supply chain disruptions as well as the war in Ukraine and its related sanctions, have gradually impinged on global aggregate demand. At the same time, the tightening of monetary conditions as global interest rates rise in response to inflationary pressures have also weighed on growth prospects.

Against this backdrop, Singapore's GDP growth is projected to come in at 3–4% in 2022. With the global growth headwinds coming together with tailwinds from the reopening of the Singapore economy, the domestic-oriented and travel-related sectors together are expected to account for a larger portion of GDP growth this year, while the trade-related sector comprises a relatively smaller share. Considerable uncertainty prevails over Singapore's growth prospects for the coming quarters against the shifting inflation-growth dynamics in the global economy.

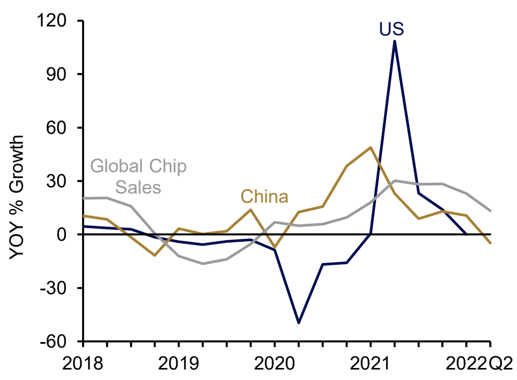
## The global tech cycle could be on the cusp of a consolidation phase

Prospects for Singapore's trade-related sector will continue to be driven by the global electronics cycle. Research firm Gartner projects world semiconductor sales to grow by 7.4% in 2022, moderating from the 26.3% increase in 2021. Global chip sales are supported by the structural demand from 5G adoption and high-performance computing, as well as the build-up of chip inventories by electronics manufacturers in response to supply chain challenges in the near term.

Nevertheless, there are signs of moderation in final demand for electronic devices. Notably, growth in consumption of IT products in the US and China has continued to slow in recent quarters **(Chart 2.7)**. Similarly, growth in investment demand for technology equipment in the US has come off its peak in 2021 **(Chart 2.8)**. Rising interest rates will weigh on consumer demand for electronic products such as PCs and smartphones. Likewise, increased borrowing costs would dampen corporate investments on tech hardware such as PCs and servers. The global semiconductor industry could thus be reaching a turning point, as the normalisation of demand following strong capacity expansions in the last two years presage an eventual consolidation in the sector. Gartner, for example, is already forecasting a 2.5% decline in world semiconductor sales in 2023.

**Chart 2.7** Consumption of IT products in US and China has weakened further

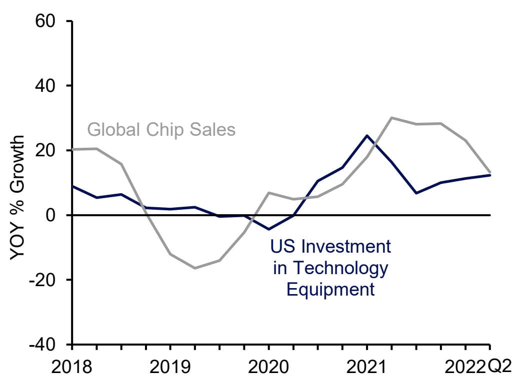
US and China consumption of IT products




Source: Haver Analytics and WSTS

**Chart 2.8** Growth of US investment in technology equipment has moderated from its 2021 peak

US Investment in technology equipment




Source: Haver Analytics and WSTS

## Singapore's trade-related sectors will grow at a slower pace for the rest of this year

Against this external backdrop, growth in Singapore's electronics industry is expected to moderate further. The near-term outlook for local semiconductor firms remains positive, supported by the 5G and automotive markets, as well as cloud services and data centres.

However, the weaker global economic outlook and high inflation may weigh on demand for chips from consumer-driven areas such as PCs and smartphones.

The chemical cluster is projected to contract further. This is largely on account of the downgrade in the region's growth outlook which is a key export market for the industry. However, this is likely to be partially mitigated by the petroleum segment, which expects demand for refined products used in transportation, such as gasoline and jet fuel, to be supported by a pickup in both business and leisure travel, as countries lift international travel restrictions and ramp up supply after the COVID-19 induced hiatus.

The remaining trade-related sectors such as wholesale trade and water transport are set to see slower growth in H2 2022, on account of weaker global trade flows. The adverse impact from supply chain disruptions could linger while the global economic outlook has dimmed further, posing more downsides to world trade growth for the rest of this year. There is also limited support for (volume) demand of regional exports, given the ongoing pivot from goods to services consumption as the global economy emerges from the pandemic.

## Some moderation is seen in financial services

In the financial sector, growth is expected to moderate amid softer business and market sentiment. Against the backdrop of tighter financial conditions and slowing global growth, the fund management segment shrank in the first half of 2022. In the coming months, assets under management and fee income are expected to remain in the doldrums, alongside the bearish tilt in global equities. Similarly, the insurance segment has contracted for three consecutive quarters. Insurers of single-premium life insurance products could face stiffer competition for premiums as investors substitute towards other asset classes.

Meanwhile, weaker business sentiment is likely to weigh on banks' net fees & commissions and lending activity in the domestic and regional economies, although rising interest rates could offer some support to their net interest margins. Likewise, prospects in the payments processing industry could dim as the softer growth outlook induces caution on discretionary purchases in the quarters ahead.

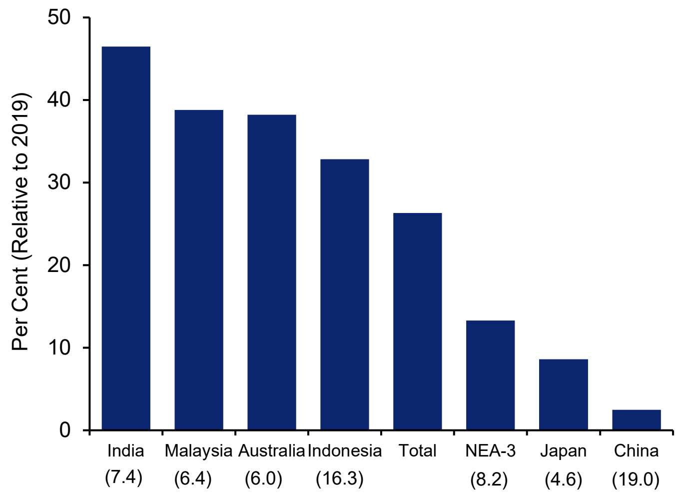
## The lifting of most restrictions since end-March will support the ongoing recovery in consumer-facing and travel-related sectors

The substantial easing of border and domestic safe management measures should continue to boost tourism and local demand for high-touch services. The rebound in the air transport sector has been faster than anticipated, given strong pent-up demand. Capacity at Changi Airport will be raised with the re-opening of Terminal 4 in September and the commencement of departure operations in the southern wing of Terminal 2 in October, supporting the business and operational needs of airlines. The sector has also been ramping up its manpower recruitment efforts to avert manpower shortages that have triggered long queues and flight cancellations at other airports in recent months.

Nonetheless, some factors could weigh on growth. Rising jet fuel prices may cause a significant hike in air fares, thereby dampening demand from more price-sensitive travellers, especially given the more uncertain economic climate. The number of travellers from China and Northeast Asia, which are key tourism source markets, are also expected to remain subdued due to the remaining border restrictions. While visitor arrivals from some of Singapore's top markets such as India, Malaysia, Australia and Indonesia have recovered to about 30–50% of pre-COVID levels as at Q2 2022, arrivals from China, Japan and NEA-3 remained at less than 15% **(Chart 2.9)**.

**Chart 2.9** Visitor arrivals from major source markets remain low

Monthly visitor arrivals, Q2 2022 vs 2019




Source: STB

Note: Data in parenthesis refers to visitor arrivals from the country as a percentage of total arrivals in 2019.

Meanwhile, MICE-related activities should continue to gather momentum, although a full recovery is only anticipated in two to three years' time. Singapore hosted more than 150 events in Q1 this year, and as of June secured at least another 66 international events for the rest of the year. Under the "In Singapore Incentives & Rewards (INSPIRE Global 2.0)" programme by STB, qualifying MICE groups can look forward to 80 options in dining, attractions, thematic tours, team building and retail experiences to complement their itineraries. The Business Events in Singapore (BEiS) scheme has further encouraged the business events industry to innovate and anchor quality events in Singapore. Increased visitor arrivals will impart positive spillovers to the accommodation, retail and food & beverage services sectors. However, the accommodation sector would likely see a fall in staycation demand as more residents begin to travel overseas.

## Easing of border restrictions on migrant workers will facilitate the recovery in the construction sector

Construction activity is expected to pick up further in the second half of 2022, supported by steady demand and the backlog of remaining projects in the pipeline that were affected by the COVID-19 pandemic. Labour shortages in the sector should ease with the lifting of border restrictions on migrant workers from South Asia since end-March 2022. However, some construction firms have reported that it would take time to fully address the shortfall in labour required to meet business needs, as many of the new workers entering Singapore tend to be unskilled and would first need to undergo training. Moreover, some older and more experienced workers have returned home, widening the skills gap. Meanwhile, the cost of some construction materials is expected to stay elevated, which will constrain the profit margins of firms.

# 3 Labour Market and Inflation

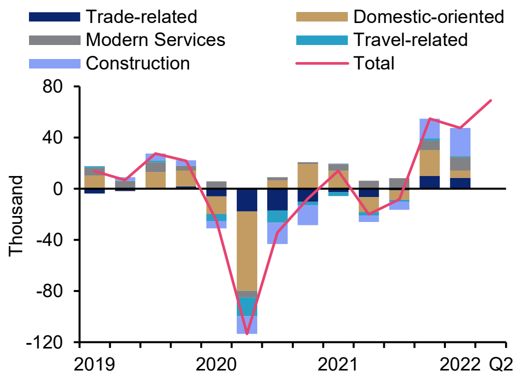
## Employment continued to expand firmly in H1 2022

Total employment[5] grew strongly for the second consecutive quarter in Q1 2022 in tandem with the wider economic recovery, rising by 47,400 or 1.3% on a q-o-q basis **(Chart 3.1)**. Employment expanded across all broad sectors, with growth picking up in construction and the modern services, and staying firm in the trade and travel-related services industries. While employment growth slowed in the domestic-oriented services sectors due to seasonal factors, underlying labour demand in the F&B and retail trade sectors likely strengthened, as reflected in the elevated job vacancy rates in these sectors.

With the lifting of border restrictions and strong labour demand in the construction sector, growth in non-resident employment picked up considerably in Q1 2022. In comparison, resident employment growth slowed during the quarter. In Q1 2022, non-resident workers accounted for 87% (41,400) of net jobs created, compared to the 57% share in Q4 last year. At the end of Q1 2022, total employment had recovered to 97.5% of its Q4 2019 level, with resident and non-resident employment at 103.9% and 87.0% of their respective pre-COVID levels.

**Chart 3.1** Employment expanded across all broad sectors…

Q-o-q employment change

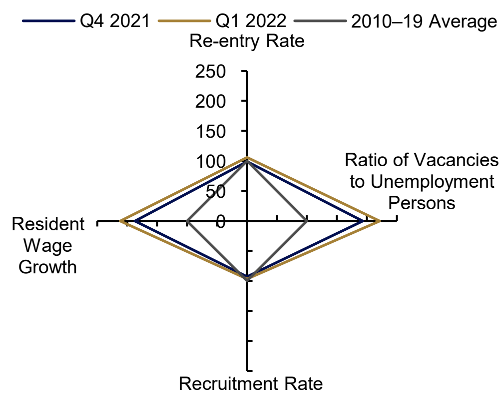



Source: MOM and EPG, MAS estimates

Note: Q2 2022 data reflects MOM's preliminary estimates.

**Chart 3.2** … amid rising labour demand

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.

MOM's preliminary estimates showed that total employment continued to expand robustly in Q2 this year, rising by 69,000. In Q2, resident employment rose at a steady pace while non-resident employment registered a stronger pickup compared to Q1, the latter mainly due to larger headcount expansions in construction and manufacturing.

5 Total employment and non-resident employment figures in this section includes migrant domestic workers.

## The labour market tightened further, boosting nominal wage growth

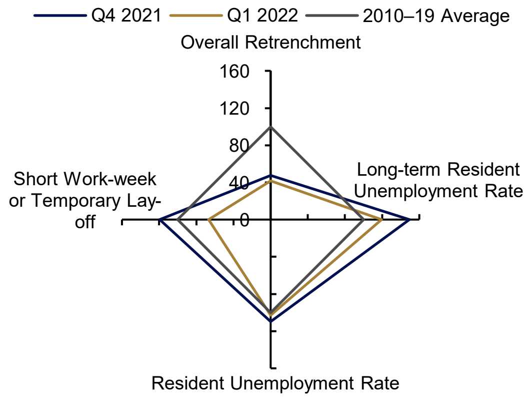
Labour market conditions tightened further over H1. On a seasonally adjusted basis, job vacancy rates rose in almost all sectors in Q1. The seasonally adjusted ratio of job vacancies to unemployed persons consequently stepped up to a new high of 2.42 in March, from 2.11 in December **(Chart 3.2)**. The six-month re-entry rate among retrenched residents also continued to improve in March this year, rising to its strongest reading since 2015.

Robust hiring led to a decline in labour market slack, with the resident unemployment rate falling from 3.2% in December 2021 to 2.9% in June. **(Chart 3.3)**. Other indicators likewise showed that latent labour market slack has mostly dissipated. The long-term unemployment rate for residents fell from 1.0% in December 2021 to 0.8% in March 2022, back to its pre-COVID level, while the time-related underemployment rate fell from 2.9% to 2.6%. The number of employees placed on short work-week or temporary layoff also declined further, coming in well below the pre-pandemic norm.

Amid full employment conditions and the widening economic recovery, resident wage growth stepped up to 7.8% y-o-y in Q1 2022, from 6.9% in Q4 2021. The increase mainly reflects the restoration of bonuses and wage increments following the recovery in demand this year. As of Q1 this year, average resident wages appear to have recovered fully and slightly exceeded the levels implied by the pre-COVID trend **(Chart 3.4)**.

**Chart 3.3** Labour market slack has diminished further

Labour market spare capacity indictors



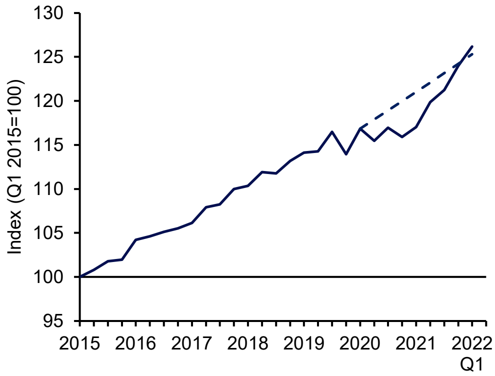

Source: MOM and EPG, MAS estimates

Note: A smaller "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.

**Chart 3.4** Nominal wages have slightly exceeded levels implied by trend in Q1 2022

Resident wages relative to trend (seasonally adjusted)




Source: CPF, Haver Analytics and EPG, MAS estimates

Note: Trend series is in dotted lines and is computed using the average seasonally adjusted % q-o-q changes from Q1 2010 to Q4 2019.

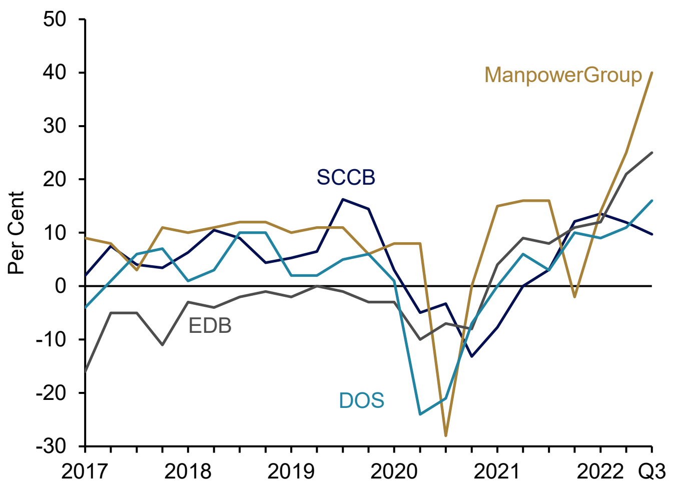
## Labour market tightness and wage pressures will likely only ease in the latter part of 2022 as non-resident employment recovers

Employment surveys suggest that, in the near-term, most firms intend to further expand headcount **(Chart 3.5)**. Manpower Group's net employment outlook picked up to a reading of

+40 for Q3 2022, the highest since Q2 2008. At the same time, DOS and EDB surveys show a higher net weighted balance of both manufacturers and services firms expecting a pickup in hiring activities in the second half of this year. However, the latest Singapore Commercial Credit Bureau Business Optimism Index (SCCB BOI) survey for Q3 2022 indicated that the employment outlook for the outward-oriented financial and manufacturing sectors have softened slightly. For the year as a whole, the recovering travel-related, construction and domestic-oriented services sectors are likely to underpin firm labour demand conditions. For instance, Changi Airport Group had announced a major recruitment drive in mid-May, with more than 20 aviation companies hiring to fill 6,600 vacancies.[6]

**Chart 3.5** Most firms expect to increase their headcount in Q3

Net employment outlook




Source: DOS, EDB, Manpower Group Singapore and Singapore Commercial Credit Bureau (SCCB)

Note: The net employment outlook refers to the percentage of surveyed employers expecting to increase headcount less the percentage of employers expecting to reduce employment. Employment outlook for business expectations surveys conducted by DOS and EDB are forecasts for the next six months. For example, the readings for Q3 2022 refer to firms' employment forecasts for July to December 2022.

Resilient labour demand and the lifting of most border restrictions from April should lead to a strong recovery in non-resident employment over the rest of this year. As the non-resident workforce recovers to levels closer to its pre-COVID norm, manpower shortages and wage pressures should ease. According to MOM's latest Labour Market Advance Release, a smaller proportion of companies surveyed in June 2022 intend to increase wages compared to the survey in March. This is even as a larger proportion of firms have plans to increase headcount. Nevertheless, wage growth for 2022 as a whole is still forecast to be significantly above-trend and broadly comparable to the robust wage growth seen in past recession recoveries.

## Price increases accelerated on the back of demand-pull and cost-push pressures

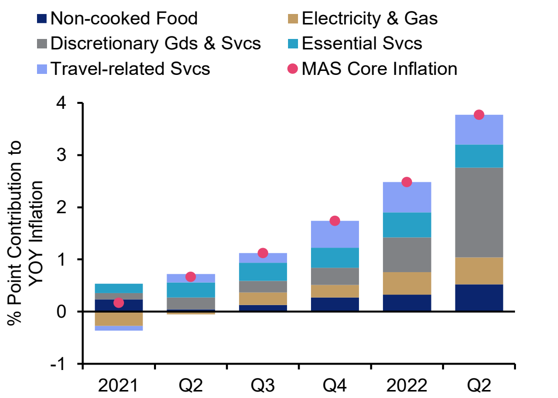
MAS Core Inflation picked up to 3.8% y-o-y in Q2, from 2.5% in Q1, mainly reflecting stronger inflation for discretionary goods and services **(Chart 3.6)**. The surge in consumer demand for items such as food services, point-to-point transport services, and retail goods

6 Yong, C. (2022), "Changi Airport starts major recruitment drive to fill 6,600 job vacancies," The Straits Times, May 19.

enabled the pass-through of accumulated cost increases. Coupled with further increases in private transport and accommodation inflation amid continuing supply constraints, CPI-All Items inflation came in higher at 5.9% in Q2, from 4.6% in Q1 **(Chart 3.7)**.

**Chart 3.6** Food services and retail & other goods drove most of the increase in core inflation

% Point contribution to MAS Core Inflation

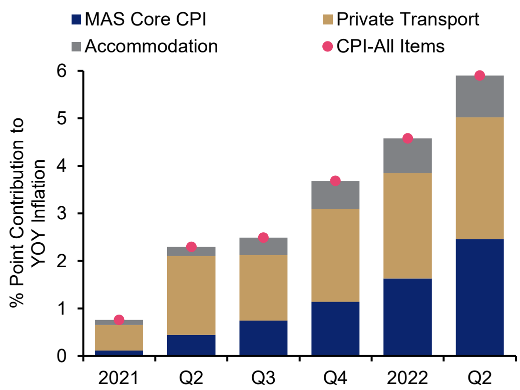



Source: DOS and EPG, MAS estimates

Note: Discretionary goods & services refer to retail & other goods and discretionary services including food services.

**Chart 3.7** Private transport and accommodation inflation picked up further

% Point contribution to CPI-All Items inflation

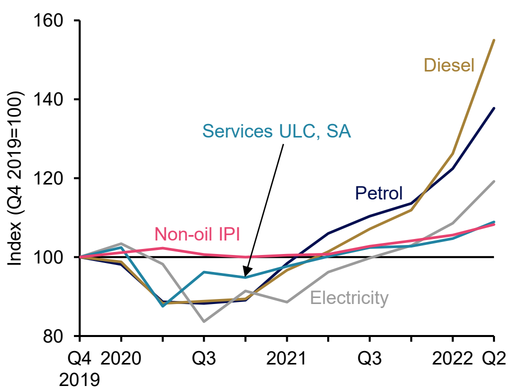



Source: DOS and EPG, MAS estimates

The pickup in core inflation was underpinned by business costs that have been accumulating across a wide range of imported and domestic intermediate inputs. Electricity costs faced by businesses, as proxied by the non-domestic low-tension electricity tariff, rose further in Q2, and was 19.2% above the Q4 2019 level **(Chart 3.8)**. Petrol and diesel costs also continued to increase and averaged 37.8% and 55.0% above pre-COVID levels in Q2 respectively. While import prices (excluding that of oil) and unit labour cost of services-producing industries had increased more modestly, these added significantly to the cost pressures facing most businesses, reflecting their large shares in firms' operating expenses.

**Chart 3.8** Business costs have risen above pre-COVID levels

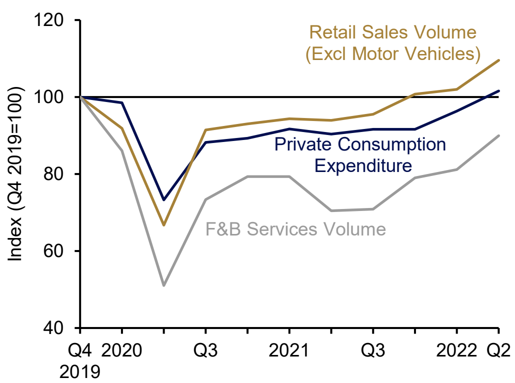
Indicators of business cost pressures




Source: DOS, Fuel Kaki and EPG, MAS estimates

**Chart 3.9** Domestic consumer spending strengthened with the removal of SMM

Indicators of domestic demand




Source: DOS and EPG, MAS estimates

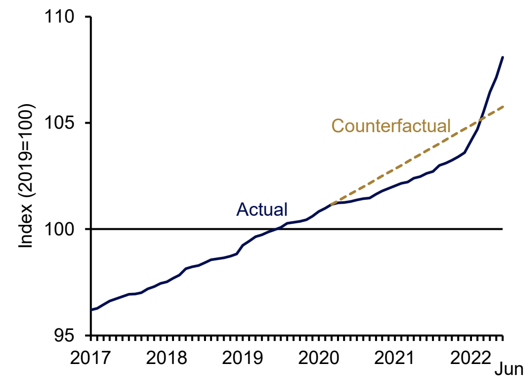
## Strengthening consumer spending drove a wide range of discretionary goods and services inflation higher

The removal of most domestic safe management measures (SMM) from end-April led to a surge in consumer spending in Q2 **(Chart 3.9)**. Against a backdrop of rebounding F&B services volumes and retail sales (excluding motor vehicles), businesses were able to pass on some of their accumulated cost increases by raising prices. In particular, food services inflation rose sharply to 4.6% y-o-y in Q2 from 2.6% in Q1, bringing the CPI for food services to a level well above that implied by the pre-COVID trend **(Chart 3.10)**. Notably, alongside large step-ups in the prices of hawker and restaurant meals, inflation for catered food also saw a pickup in Q2 as social activities and large-scale events resumed.

The return of workers to offices and increase in recreational activities also raised demand for point-to-point transport services and retail goods. Reflecting the stronger demand as well as temporary fees that domestic ride-hailing firms imposed to defray higher costs of petrol, point-to-point transport services inflation rose markedly to 14.7% y-o-y in Q2, from 6.9% in Q1. Meanwhile, retail & other goods inflation picked up to 2.2% y-o-y in Q2, from 0.1% in Q1 2022, as the CPI for clothing & footwear reversed from its declines over the last two years **(Chart 3.11)**. Besides higher import cost faced by the retailers, stronger clothing & footwear inflation likely also reflected greater consumer demand in line with the surge in in-person business and personal activities. In tandem, inflation for a broad range of other retail goods such as personal care products, household durables and recreational goods also rose.

**Chart 3.10** Food services CPI have risen well above its implied pre-COVID trend

Food services CPI relative to trend

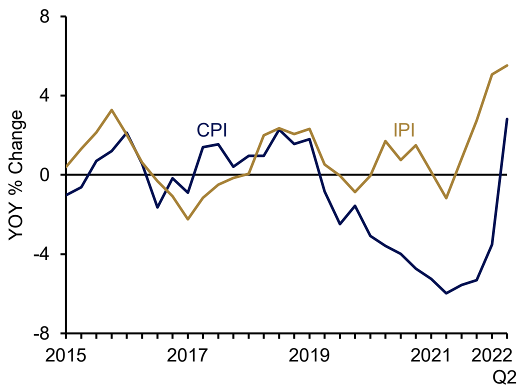



Source: DOS and EPG, MAS estimates

Note: The counterfactual series from April 2020 is computed using the 2010–19 average m-o-m % change.

**Chart 3.11** Clothing & footwear CPI reversed from declines over the last two years

Clothing & footwear CPI and IPI




Source: DOS and EPG, MAS estimates

Note: Clothing & footwear CPI largely consists of goods, although it includes cleaning, repair and hiring of clothing services.

## External factors led to an increase in non-cooked food inflation

Meanwhile, elevated global food commodity prices and fresh shocks to Singapore's imported food supply continued to place upward pressures on domestic non-cooked food inflation. The CPI for non-cooked food stepped up to 4.9% y-o-y in Q2, from 3.0% in Q1, reflecting higher inflation across all major food categories except fruits and vegetables.

Notably, inflation of meat products more than doubled to 7.6% y-o-y in Q2, from 3.0% in Q1, partly on account of large price increases for chilled poultry. Higher livestock feed cost has been the key underlying factor causing increased poultry (and egg) prices, although Malaysia's export ban on chickens exacerbated the increases. Fish & seafood inflation also rose in Q2 as local and regional fish farms faced higher production costs and unpredictable weather conditions which hindered fishing operations.

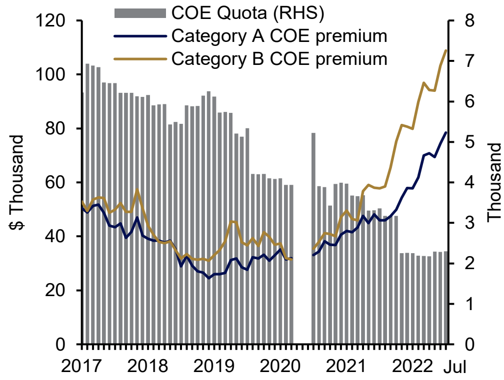
## Higher COE premiums continued to push up private transport inflation while rentals rose amid firming demand

Private transport inflation rose strongly on the back of steeper increases in both car and petrol prices in Q2. The former occurred alongside the step-up in average car COE premiums as the COE quota was low by historical standards **(Chart 3.12).** Overall, the weighted car COE premium[7] rose to an average of $83,800 in Q2, broadly comparable to the last peak in Q1 2013, when quotas were likewise close to decade cyclical lows.

Meanwhile, accommodation inflation picked up further to 4.0% y-o-y in Q2, from 3.3% in Q1. Rents continued to rise across all housing types, as the supply of residential properties remained hampered by construction delays, while recent increases in the non-resident workforce may have begun adding to demand **(Chart 3.13)**.

**Chart 3.12** COE premiums surged amid low quota supply

Car COE premiums and COE quota

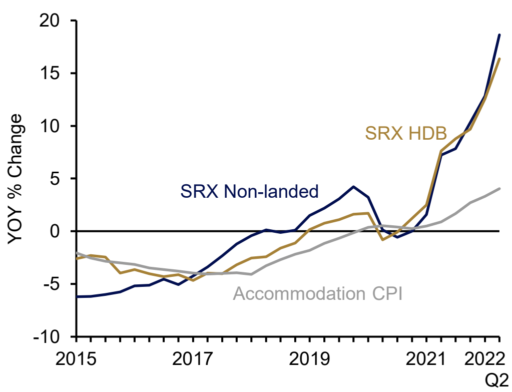



Source: LTA and EPG, MAS estimates

Note: COE bidding was halted in Apr–Jun 2020.

**Chart 3.13** Housing rents continued to increase, supported by firm demand

Rental price indicators and CPI for imputed rentals




Source: DOS and SRX

## Core inflation is expected to stay elevated in the near term even as it eases towards the end of the year

While global supply chain frictions have eased slightly and commodity price increases have levelled off, global inflation is likely to stay elevated as key commodity markets continue to face underlying constraints. Labour markets in many major economies also remain tight.

7 COE premiums for cars are weighted by the successful bids of the COE bidding rounds in each month.

In addition, stronger consumer demand from the re-opening of regional economies could result in upward pressures on Singapore’s import prices.

On the domestic front, the tight labour market and firm wage growth will likely underpin private consumption expenditure for the rest of the year. Unit labour costs are projected to increase, although its extent would depend on productivity growth across the sectors.

MAS Core Inflation is forecast to remain elevated in the months ahead, rising to a peak in Q3. It should then ease somewhat in Q4 as the direct effects of global supply shocks fade and domestic wage pressures moderate. However, inflation could come in higher than expected, if further shocks hit global commodity prices, or strong domestic wage pressures persist. For 2022 as a whole, MAS Core Inflation is projected to average 3.0–4.0% while CPI-All Items inflation is expected to come in between 5.0–6.0%.

# 4 Monetary Policy

## MAS further tightened monetary policy in July as risks to inflation were skewed to the upside

Over the last few quarters, MAS has been progressively tightening monetary policy as the economic recovery from the pandemic gained traction and inflationary pressures increased. In October last year, MAS began pre-emptively withdrawing monetary accommodation by slightly increasing the rate of appreciation of the Singapore dollar nominal effective exchange rate (S$NEER) policy band amid a rise in underlying inflation. In January 2022, MAS added slightly to the rate of appreciation of the policy band in an off-cycle move as cost pressures were accumulating rapidly. In April, MAS re-centred upwards the S$NEER policy band and further increased its rate of appreciation. This was in view of a fresh impulse to inflation arising from shocks to global commodity prices and supply chains in the wake of the Russia-Ukraine war.

Since the April 2022 Monetary Policy Statement (MPS), global inflationary pressures have broadened and intensified further. The pass-through of higher energy and food commodity prices, as well as wage pressures from diminished labour market slack have pushed inflation in Singapore's major trading partners up to its highest rate since 2008. At the same time, the attendant acceleration in withdrawal of monetary accommodation in the major advanced economies, have begun to dampen global growth prospects.

At this point, the global economy should avert a material slowdown in the near term. In the advanced economies, household balance sheets remain robust and labour markets strong. In the region, ongoing reopening following pandemic-related mobility and social restrictions should also provide some short-term support to demand, while helping to ease global supply chain frictions. However, the risk of a more significant slowdown in global growth has increased, amid the possibility of further shocks to global energy prices, abruptly tighter global financial conditions and renewed pandemic-induced restrictions.

Slowing global final demand will weigh on Singapore's growth momentum. On a quarter-on-quarter seasonally-adjusted basis, GDP contracted marginally by 0.2% in Q2, compared to the 0.8% expansion in Q1, reflecting weakness in the external-facing sectors. For the rest of the year, a shift in growth drivers towards the domestic-oriented and travel-related cluster should underpin GDP growth. The Singapore economy remains on track to expand at a creditable pace in 2022, in the lower half of the 3–5% forecast range. GDP growth, however, is likely to moderate further in 2023 alongside the weaker global economic backdrop.

Singapore's inflation stepped up by more than expected in Q2, on the back of both supply and demand factors. MAS Core Inflation rose to 3.8% in Q2, from 2.5% in Q1, as businesses, confronted with rising costs of fuel, imported inputs, utilities and labour, raised prices amid robust consumer demand. With the lifting of almost all COVID restrictions in April, household spending for a wide range of discretionary goods and services surged in Q2. The domestic labour market also tightened amid the return to full employment conditions. At the same time, fresh shocks to Singapore's imported food supply have raised the outlook for food inflation.

Core inflation is projected to remain elevated in the near term as various previously-incurred cost impulses work their way through to consumer prices. However, barring fresh shocks, core inflation should ease somewhat in Q4. At present, global commodity prices appear to have levelled off and will gradually exert less direct upward pressure on inflation from Q4. The normalisation of non-resident labour supply and increases in labour efficiency should also cap further large increases in unit labour costs. Meanwhile, growth concerns and heightened economic uncertainty could also begin to slow the pace of price increases, alongside fading pent-up consumer demand in Q4.

The forecast ranges for MAS Core Inflation and CPI-All Items inflation were revised up to 3.0–4.0% and 5.0–6.0%, respectively, from 2.5–3.5% and 4.5–5.5% in April. The risks to inflation remain skewed to the upside. Inflation could come in higher or be more persistent than expected should global commodity prices see further increases or domestic wage pressures come in stronger than expected.

Against this backdrop, MAS assessed that a further tightening of monetary policy was, on balance, appropriate and prudent. While growth momentum was slowing, considerable uncertainty over the pace at which inflation would taper remained. Accordingly, MAS re-centred the mid-point of the S$NEER policy band up to its prevailing level on 14 July. The width and slope of the policy band was kept unchanged. This further tightening would build on previous monetary policy moves to lean against price pressures becoming more entrenched and help ensure medium-term price stability.

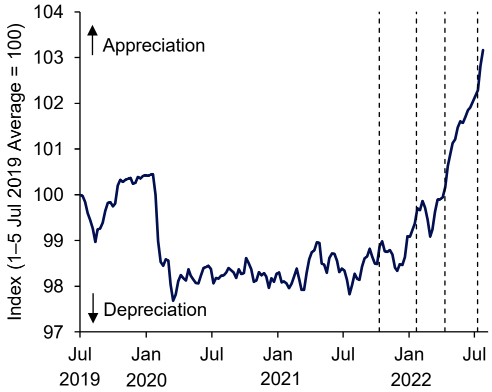
## The S$NEER has appreciated considerably while domestic interest rates have risen in tandem with global rates

The S$NEER has appreciated at a rapid pace in recent months, rising by 3.2% since the week prior to the April 2022 MPS. Compared to the week before the October 2021 MPS, the trade-weighted index has cumulatively risen by 4.7%, notwithstanding broad-based US$ strength. The appreciation of the S$NEER was supported by tightening global financial conditions fuelling regional safe-haven flows into Singapore, as well as strong domestic inflation outturns **(Chart 4.1)**.

Since April, the Secured Overnight Financing Rate (SOFR) has risen by 201 basis points as the US Federal Reserve stepped up its pace of monetary policy tightening. Domestic interest rates picked up in tandem, with the Singapore Overnight Rate (SORA) increasing by 115 basis points **(Chart 4.2)**.

**Chart 4.1** The S$NEER has appreciated strongly in recent months

S$NEER, weekly average

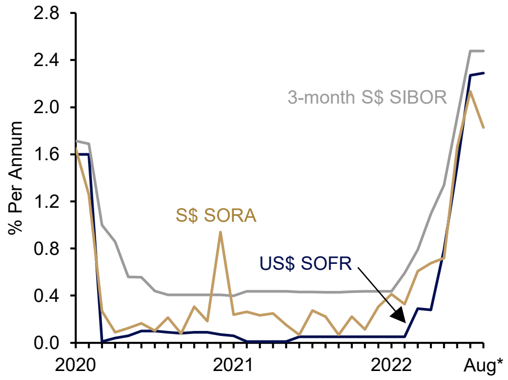



Source: EPG, MAS estimates

Note: Vertical dashed lines indicate the last four releases of the MPS.

**Chart 4.2** Domestic interest rates have risen alongside global rates

US$ and S$ interest rates, end of month




Source: ABS Benchmarks Administration Co Pte Ltd, Federal Reserve Bank of New York and MAS

* As at 5 August 2022

## Fiscal policy provided additional support to lower-income households and vulnerable groups

At the start of the year, the government had recognised that rising inflation would exert cost of living pressures, particularly on vulnerable households. Consequently, Budget 2022 announced the $560 million Household Support Package to help Singaporeans cope with their recurring expenses through a mix of rebates, top-ups, and vouchers. In addition, the $500 million Jobs and Business Support Package would support local hiring and help small businesses tide over the current period of elevated costs. In April 2022, some of the disbursements under these packages, namely the $100 CDC Vouchers and the Small Business Recovery Grant for SMEs, were brought forward to provide more timely relief.

In June, the government announced a further $1.5 billion support package to provide added relief to households and businesses. While all households would receive a $100 Household Utilities credit to offset their utilities bills, other support measures were tilted towards lower-income households and vulnerable groups. In particular, ComCare cash assistance rates and the Singapore Allowance were permanently increased to offset the higher cost of living for the most needy households and pensioners. A $300 cash grant under the GSTV – Cash Special Payment, on the top of the $100 increase to GSTV – Cash in 2022 announced in Budget, would also be given to lower-income households. Eligible self-employed persons who depended on their vehicles for their livelihood, such as taxi, private hire drivers and delivery drivers, would also receive a one-off cash grant.

As a means of further supporting the employment of low-wage workers and vulnerable jobseekers, the government announced an increase in the co-funding share of wage increases under the Progressive Wage Credit Scheme and extended the Jobs Growth Incentive until March 2023. Measures to help businesses cope with rising energy costs such as co-funding for investments in more energy-efficient equipment and loan programmes were also enhanced. For the chicken slaughterhouses that were affected by Malaysia's export ban on chickens, the Foreign Worker Levy was also waived for a month.

## Monetary and fiscal policies will dampen rising inflation and reduce its attendant impact on households and businesses

Singapore's macroeconomic policies have been responsive to the changing economic environment while ensuring that broad policy shifts have been complementary and forward-looking. In undertaking an unprecedented sequence of four tightening moves over the past ten months, MAS' exchange rate-centred monetary policy is helping to filter some of the imported inflationary pressures. The tight monetary policy stance will lean against temporary inflationary pressures becoming entrenched and ensure medium-term price stability. At the same time, fiscal policy has been appropriately calibrated to direct more financial support to those with greater needs, but without stoking further inflationary pressures or distorting important relative price signals to the economy. Fiscal policy is also aiding the attainment of important structural transformation towards a more efficient, inclusive and greener economy.

## Selected Indicators

| GENERAL INDICATORS, 2021 | | | |
|---|---|---|---|
| Land Area (Sq km), 2022 | 733.2 | Literacy Rate* (%) | 97.6 |
| Total Population ('000) | 5,453.6 | Real Per Capita GDP (US$) | 64,154 |
| Labour Force ('000) | 3,607.6 | Gross National Savings (% of GNI) | 48.3 |
| Resident Labour Force Participation Rate (%) | 70.5 | | |

* Refers to resident population aged 15 years and over.

| COMPONENTS OF NOMINAL GDP SECTORAL (% of GDP), 2021 | | COMPONENTS OF NOMINAL GDP EXPENDITURE (% of GDP), 2021 | |
|---|---|---|---|
| Manufacturing | 22.3 | Private Consumption | 31.5 |
| Wholesale Trade | 17.9 | Private Gross Fixed Capital Formation | 19.6 |
| Finance & Insurance | 14.6 | Public Consumption | 11.8 |
| Other Services Industries | 10.5 | Public Gross Fixed Capital Formation | 4.0 |
| Transportation & Storage | 6.1 | Increase in Stocks | 1.2 |
| Professional Services | 5.8 | Net Exports of Goods & Services | 31.9 |
| Information & Communications | 5.6 | | |
| Administrative & Support Services | 3.6 | | |
| Real Estate | 2.9 | | |
| Construction | 2.9 | | |
| Retail Trade | 1.4 | | |
| Food & Beverage Services | 0.9 | | |
| Accommodation | 0.5 | | |

| MAJOR EXPORT DESTINATIONS (% SHARE), 2021 | | MAJOR ORIGINS OF IMPORTS (% SHARE), 2021 | |
|---|---|---|---|
| **Total Exports (S$ Billion)** | **614.1** | **Total Imports (S$ Billion)** | **545.9** |
| China | 14.8 | China | 13.4 |
| Hong Kong | 13.1 | Malaysia | 13.2 |
| Malaysia | 9.2 | Taiwan | 12.6 |
| US | 8.4 | US | 10.0 |
| Indonesia | 6.3 | Japan | 5.4 |
| ASEAN | 26.5 | ASEAN | 22.8 |
| NEA-3 | 22.5 | NEA-3 | 18.8 |
| EU | 7.5 | EU | 10.2 |

| MAJOR DOMESTIC EXPORTS BY COMMODITY (% SHARE), 2021 | | MAJOR IMPORTS BY COMMODITY (% SHARE), 2021 | |
|---|---|---|---|
| **Domestic Exports (S$ Billion)** | **279.0** | **Total Imports (S$ Billion)** | **545.9** |
| Mineral Fuels | 30.7 | Electronics | 34.1 |
| Chemicals | 19.8 | Mineral Fuels | 18.5 |
| Electronics | 16.1 | Machinery & Transport Equipment (ex. Electronics) | 17.2 |
| Machinery & Transport Equipment (ex. Electronics) | 12.3 | Chemicals | 8.3 |
| Manufactured Articles | 9.4 | Manufactured Articles | 8.2 |
| Food and Live Animals | 4.2 | Manufactured Goods | 5.1 |

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 | 2020 | 2021 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2022 Q1 | 2022 Q2 | May 22 | Jun 22 |
|---|---|---|---|---|---|---|---|---|---|
| GDP at current prices (S$ bil) | 476.4 | 533.4 | 132.1 | 133.6 | 138.5 | 142.5 | 146.1 | na | na |
| GDP (US$ bil) | 345.7 | 396.9 | 99.1 | 98.8 | 102.1 | 105.4 | 106.0 | na | na |
| Real GDP Growth (YOY % change) | −4.1 | 7.6 | 15.8 | 7.5 | 6.1 | 3.8 | 4.4 | na | na |
| Real GDP Growth (QOQ SA % change) | na | na | −0.8 | 1.5 | 2.3 | 0.8 | −0.2 | na | na |
| **By Sector (YOY % change):** | | | | | | | | | |
| Manufacturing [1/] | 7.5 | 13.2 | 18.2 | 7.9 | 15.5 | 5.5 | 5.7 | 10.4 | 2.2 |
| Construction | −38.4 | 20.1 | 118.9 | 69.9 | 2.9 | 2.4 | 3.3 | na | na |
| Wholesale Trade | −1.7 | 3.9 | 3.0 | 5.5 | 3.3 | 4.8 | 1.9 | na | na |
| Retail Trade | −18.5 | 10.2 | 51.8 | 0.9 | 4.3 | 4.7 | 11.5 | na | na |
| Transportation & Storage | −20.1 | 5.0 | 22.2 | 9.2 | 7.5 | 4.3 | 5.1 | na | na |
| Accommodation | −13.9 | 1.7 | 10.4 | −5.7 | −5.1 | −9.4 | −5.3 | na | na |
| Food & Beverage Services | −28.6 | 3.0 | 36.0 | −4.1 | −1.5 | 1.9 | 28.0 | na | na |
| Information & Communications | 8.4 | 12.2 | 14.4 | 13.9 | 11.2 | 10.1 | 8.1 | na | na |
| Finance & Insurance | 6.9 | 7.4 | 10.4 | 8.5 | 5.6 | 3.7 | 1.6 | na | na |
| Real Estate | −13.7 | 10.7 | 29.2 | 19.9 | 1.6 | 10.1 | 11.7 | na | na |
| Professional Services | −8.0 | 4.4 | 11.8 | 5.9 | 4.9 | 7.6 | 6.8 | na | na |
| Administrative & Support Services | −16.7 | -3.8 | −0.1 | 0.2 | 2.5 | 4.0 | 9.2 | na | na |
| Other Services Industries | −8.1 | 5.2 | 16.5 | 3.8 | 2.4 | 1.9 | 5.7 | na | na |
| **By Expenditure Component (YOY % change):** | | | | | | | | | |
| **Consumption** | **−6.7** | **4.8** | **16.9** | **4.0** | **3.0** | **2.9** | **8.7** | **na** | **na** |
| Private | −12.9 | 4.5 | 23.0 | 4.1 | 2.6 | 5.1 | 12.2 | na | na |
| Public | 13.3 | 4.5 | 0.7 | 3.3 | 3.6 | -2.7 | −1.0 | na | na |
| **Gross Fixed Capital Formation** | **−14.2** | **19.6** | **42.9** | **32.8** | **8.3** | **2.1** | **2.6** | **na** | **na** |
| Private | −11.6 | 19.7 | 38.3 | 28.8 | 8.6 | 2.3 | 5.2 | na | na |
| Public | −25.0 | 18.8 | 70.1 | 59.7 | 7.4 | 0.7 | −9.4 | na | na |
| **External Demand** | **−0.2** | **6.8** | **14.2** | **6.9** | **7.9** | **4.1** | **4.9** | **na** | **na** |

Source:
[1/] Monthly data from Index of Industrial Production
na: Not available

| Trade | 2020 | 2021 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2022 Q1 | 2022 Q2 | May 22 | Jun 22 |
|---|---|---|---|---|---|---|---|---|---|
| **Total Exports, fob (YOY % change)** | **−3.2** | **19.1** | **26.0** | **17.4** | **26.9** | **18.8** | **25.0** | **26.4** | **29.5** |
| Non-Oil Domestic Exports | 4.3 | 12.1 | 10.1 | 9.0 | 20.1 | 11.4 | 9.1 | 12.0 | 9.0 |
| Re-Exports | 0.1 | 19.2 | 26.3 | 16.2 | 21.1 | 17.2 | 21.8 | 19.3 | 31.8 |
| **Total Imports, cif (YOY % change)** | **−7.4** | **20.4** | **28.6** | **20.9** | **31.0** | **23.1** | **31.6** | **38.6** | **32.5** |
| Wage-price Indicators | | | | | | | | | |
| Unemployment Rate (SA, %) | 3.0 | 2.7 | 2.7 | 2.6 | 2.4 | 2.2 | 2.1 [#] | 2.2 | 2.1[#] |
| Average Nominal Wages (S$ per month) | 5,629 | 5,832 | 5,474 | 5,412 | 6,282 | 6,641 | na | na | na |
| Consumer Price Index Inflation (YOY % change) | −0.2 | 2.3 | 2.3 | 2.5 | 3.7 | 4.6 | 5.9 | 5.6 | 6.7 |
| MAS Core Inflation (YOY % change) | −0.2 | 0.9 | 0.7 | 1.1 | 1.7 | 2.5 | 3.8 | 3.6 | 4.4 |
| Financial Indicators | | | | | | | | | |
| **S$ Exchange Rate Against: (end-period)** | | | | | | | | | |
| US Dollar | 1.3221 | 1.3517 | 1.3444 | 1.3611 | 1.3517 | 1.3534 | 1.3918 | 1.3697 | 1.3918 |
| 100 Japanese Yen | 1.2814 | 1.1744 | 1.2168 | 1.2161 | 1.1744 | 1.1062 | 1.0187 | 1.0694 | 1.0187 |
| Euro | 1.6249 | 1.5295 | 1.6001 | 1.5794 | 1.5295 | 1.5108 | 1.4547 | 1.4724 | 1.4547 |
| **Interest Rates (end-period, % p.a.)** [2/] | | | | | | | | | |
| SORA | 0.94 | 0.31 | 0.07 | 0.07 | 0.31 | 0.61 | 1.66 | 0.72 | 1.66 |
| 3-month S$ SIBOR | 0.41 | 0.44 | 0.43 | 0.43 | 0.44 | 0.79 | 1.91 | 1.34 | 1.91 |
| SOFR | 0.07 | 0.05 | 0.05 | 0.05 | 0.05 | 0.29 | 1.50 | 0.79 | 1.50 |
| **Money Supply (end-period)** | | | | | | | | | |
| Broad Money, M2 (YOY % change) * | na | na | na | na | na | na | na | na | na |
| **Straits Times Index (end-period)** [3/] | **2,843.8** | **3,123.7** | **3,130.5** | **3,086.7** | **3,123.7** | **3,408.5** | **3,102.2** | **3,232.5** | **3,102.2** |
| YOY % change | −11.8 | 9.8 | 20.9 | 25.1 | 9.8 | 7.7 | −0.9 | 2.2 | −0.9 |

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
* MAS' Monthly Statistical Bulletin changes wef July 2021 and not applicable to compare with historical data.

| Government Budget [4/] | 2020 | 2021 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2022 Q1 | 2022 Q2 | May 22 | Jun 22 |
|---|---|---|---|---|---|---|---|---|---|
| Operating Revenue (S$ mil) | 62,127 | 83,117 | 21,809 | 21,281 | 16,994 | 22,402 | 24,348 | na | na |
| **Total Expenditure (S$ mil)** | **83,511** | **91,606** | **18,391** | **21,564** | **22,016** | **32,826** | **18,012** | **na** | **na** |
| Operating Expenditure | 68,660 | 75,193 | 14,021 | 17,793 | 18,673 | 28,056 | 14,628 | na | na |
| Development Expenditure | 14,851 | 16,413 | 4,370 | 3,771 | 3,343 | 4,770 | 3,383 | na | na |
| **Primary Surplus/Deficit (S$ mil)** | **−21,384** | **−8,489** | **3,418** | **−283** | **−5,022** | **−10,424** | **6,336** | **na** | **na** |
| % of GDP | −4.5 | −1.6 | 2.6 | −0.2 | −3.6 | −7.3 | 4.3 | na | na |

| Balance of Payments | 2020 | 2021 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2022 Q1 | 2022 Q2 | May 22 | Jun 22 |
|---|---|---|---|---|---|---|---|---|---|
| **Current Account Balance (% of GDP)** | **16.8** | **18.1** | **20.1** | **20.0** | **18.6** | **20.1** | **18.8** | **na** | **na** |
| Goods Balance | 30.0 | 29.8 | 32.3 | 30.2 | 31.1 | 26.6 | 31.1 | na | na |
| Services Balance | 1.7 | 1.6 | 2.2 | 2.2 | 0.2 | 2.9 | 2.5 | na | na |
| Primary Income Balance | −13.4 | −12.0 | −12.9 | −11.0 | −11.7 | −8.8 | −13.6 | na | na |
| Secondary Income Balance | −1.5 | −1.2 | −1.4 | −1.4 | −1.1 | −0.6 | −1.3 | na | na |
| **Capital & Fin Account Balance (% of GDP)** | **−4.6** | **2.1** | **4.6** | **−1.7** | **15.1** | **53.3** | **69.6** | **na** | **na** |
| Direct Investment | −12.5 | −14.6 | −16.7 | −14.2 | −10.6 | −14.9 | −14.6 | na | na |
| Portfolio Investment | 17.5 | 14.4 | 21.0 | 17.9 | 8.8 | 26.6 | 16.7 | na | na |
| Financial Derivatives | −0.4 | 0.8 | −0.8 | 0.8 | 3.1 | −5.6 | 0.1 | na | na |
| Other Investment | −9.2 | 1.6 | 1.1 | −6.1 | 13.8 | 47.2 | 67.3 | na | na |
| **Overall Balance (% of GDP)** | **21.7** | **16.7** | **16.4** | **22.5** | **3.6** | **−32.3** | **−50.8** | **na** | **na** |
| **Official Foreign Reserves (US$ mil) [5/]** | **362,305** | **417,904** | **398,357** | **416,751** | **417,904** | **379,666** | **314,318** | **345,277** | **314,318** |
| Months of Imports | 13.2 | 12.3 | 13.2 | 13.2 | 12.3 | 10.7 | 8.3 | 9.3 | 8.3 |

Source:
[4/] Ministry of Finance
[5/] MAS
na: Not available