

## 4 Labour Market and Inflation

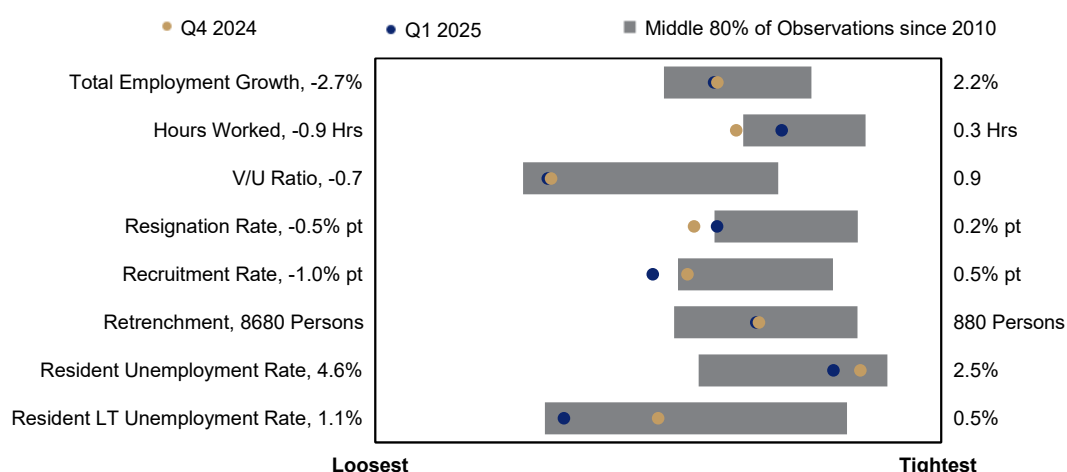
### 4.1 Labour Market<sup>1</sup>

Employment continued to expand in Q1 though at a slightly slower pace

**Overall demand for workers eased slightly in the first quarter of this year.** Employment continued to expand, although it slowed from Q4 last year, while the resident unemployment rate edged up (**Chart 4.1**). Worker turnover remained subdued, with recruitment and resignation rates at below historical norms. Some employers may have been hesitant to expand headcount amid the heightened economic uncertainty, especially given the robust hiring in preceding years. In turn, given the restrained hiring market, workers may have also become more reluctant to leave their jobs, reducing the need for replacement hires.

**The moderation in labour demand has thus far been contained.** Most labour market indicators registered readings within their typical historical ranges (**Chart 4.1**). Retrenchments have remained stable, and the emerging softness in labour demand has not led to a surge in job losses.

**Chart 4.1: Labour Market Indicators relative to Q1 2010 – Q1 2025**



Source: MOM and EPG, MAS estimates

Note: All data shown are seasonally adjusted. As average hours worked, resignation and recruitment rates exhibit long-term trends, these series are de-trended using the Hodrick Prescott (HP) filter. Similarly, HP filter is used to remove the long-term rising trend in the ratio of job vacancies to unemployed persons (V/U ratio).

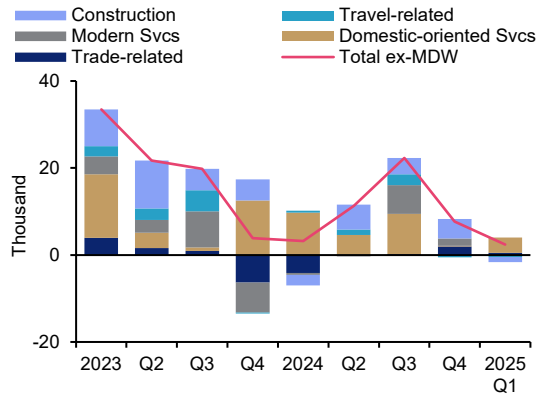
**Hiring was more cautious in the external-oriented industries,<sup>2</sup> while demand for workers in the domestic-oriented services sectors stayed broadly resilient.** Amid external demand headwinds and elevated uncertainty, total employment growth in the trade-related cluster declined in Q1, with employment contracting slightly in manufacturing and water transportation, and expanding more gradually in wholesale trade (**Chart 4.2**). Meanwhile, employment in the modern services cluster extended its fall from Q4 last year. There were also fewer job vacancies in both clusters, relative to the same period last year. In comparison, overall job creation was supported by firmer employment growth in some of the domestic-

<sup>1</sup> The commentary in this section is based on labour market data that is available up to Q1 2025, unless otherwise stated.

<sup>2</sup> The external-oriented industries refer to the trade-related and modern services sectors.

oriented services sectors, such as health & social services and public administration & education. Amid persistent labour shortages, hiring in these sectors remained resilient.

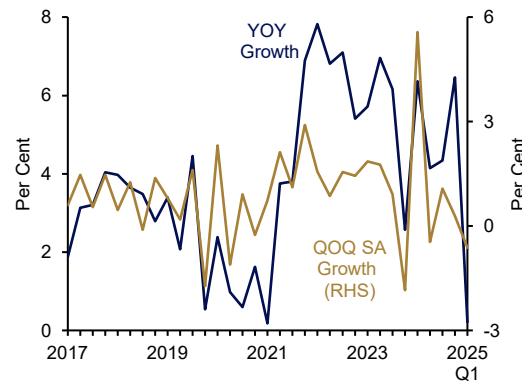
**Chart 4.2: Q-O-Q Change in Total Employment by Broad Sector**



Source: MOM and EPG, MAS estimates

Note: MDW refers to migrant domestic workers.

**Chart 4.3: Average Monthly Earnings**



Source: MOM and EPG, MAS estimates

Note: Readers who wish to request for quarterly AME can write in to mom\_rsd@mom.gov.sg.

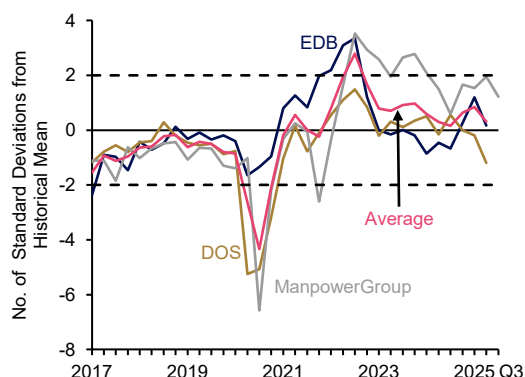
**The adjustment to slower labour demand has largely occurred through reduced wage increases, rather than employment declines.** Total employment growth eased marginally from the previous quarter. In comparison, resident wage growth as measured by average monthly earnings (AME) stepped down decisively to 0.2% y-o-y in Q1, from 6.5% in Q4 2024 (**Chart 4.3**). Part of this decline reflected high base effects possibly due to large bonuses that were given out in Q1 last year. However, wage growth excluding base effects is also estimated to have slowed. On a sequential basis, seasonally-adjusted AME fell by 0.6% in Q1 compared to the 0.3% increase in the previous quarter.

**Labour market conditions could moderate further in the second half of 2025, as demand softens amid uncertain prospects**

**Demand for workers could continue to soften over the second half of this year as GDP growth slows and firms hold back on their expansion plans given an uncertain economic outlook.** Similar to MOM's surveys on labour market expectations<sup>3</sup>, hiring sentiment from employer surveys, which have historically been good leading indicators of future employment outcomes, showed moderate weakening in the latest readings. This includes the ManpowerGroup survey, which was conducted after "Liberation Day", although its overall level indicates some resilience in labour demand (**Chart 4.4**).

<sup>3</sup> Based on MOM's polls conducted from April to June 2025, the net employment outlook for Q3 2025 declined to 41.8%, compared to 42.4% among firms surveyed from January to March 2025 (for Q2 2025 outlook) and 48.6% in October to December 2024 (for Q1 2025 outlook). Net employment outlook is calculated by subtracting the percentage of firms expected to carry out redundancies from those who intend to hire over the next 3 months.

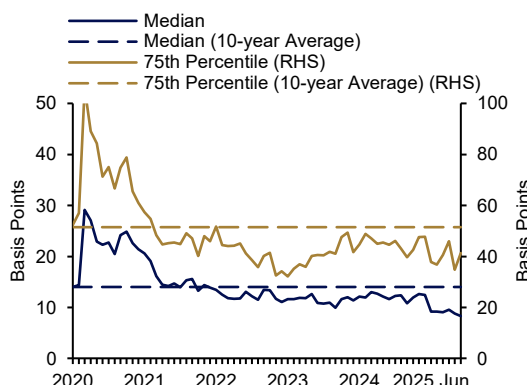
Chart 4.4: Net Employment Outlook



Source: DOS, EDB, ManpowerGroup and EPG, MAS estimates

Note: Net employment outlook is defined as the proportion of employers planning to increase headcount less the proportion of employers intending to reduce headcount. Dotted lines marked out readings within two standard deviations from historical (2010–19) readings.

Chart 4.5: Probability of Default of Firms in Singapore?



Source: NUS Credit Research Institute

Note: The data only include listed firms.

**Employers should be able to absorb slower growth in the near term mainly by limiting new hiring and adjusting wages, rather than reducing existing headcount significantly.** Corporate financial positions have generally remained resilient as of June, and the probability of default has been low and stable even for weaker firms (Chart 4.5). The financial resilience of firms suggests that they are better positioned to retain workers, leading to a lower likelihood of significant job displacements. Hiring surveys suggest that most employers expect to exercise restraint in hiring in the near term rather than retrench workers outright.<sup>4</sup> Barring a sharp economic downturn, firms are likely to keep labour costs in check this year by capping wage increments and reducing variable wage components in the first instance instead of shrinking their workforce. Consequently, any rise in retrenchments and unemployment should remain contained.

**However, greater slack could emerge in the labour market if the growth slowdown turns out to be deeper and more protracted than expected.** Workers who are displaced from the more exposed sectors may not be able to readily move into sectors where demand for workers has been firm, particularly if skills mismatches are significant.

**Several schemes which were recently launched at Budget 2025 will provide support for workers.** The SkillsFuture Level-Up Programme helps mid-career Singaporeans aged 40 and above to pursue a substantive skills reboot and stay relevant in a changing economy, while the SkillsFuture Jobseeker Support scheme supports involuntarily unemployed jobseekers as they look for their next job. Further, the Singapore Economic Resilience Taskforce has announced an expansion of access to career guidance services to help workers build their career health and navigate the current uncertainty, by further defraying out-of-pocket fees and scaling up its services.

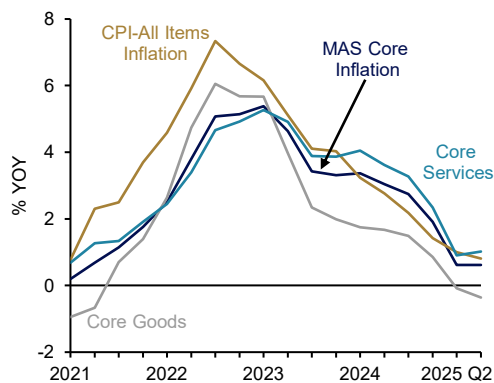
<sup>4</sup> MOM's polls conducted from April to June this year indicated a weaker net employment outlook for Q3 2025 compared to the outlook for Q2 2025 due to a lower proportion of firms planning to hire and a slight increase in the proportion of firms expecting to carry out redundancies.

## 4.2 Inflation Developments

### Inflation has stayed low in recent months

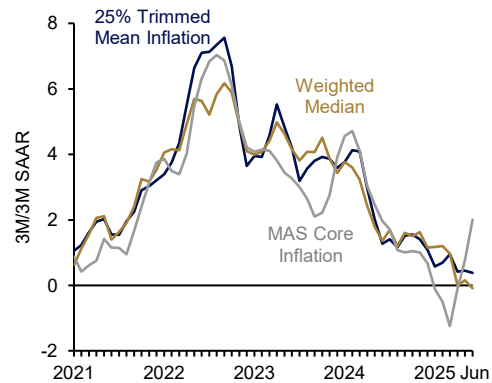
**MAS Core Inflation averaged 0.6% y-o-y in Q2, unchanged from the preceding quarter (Chart 4.6).** The impact of hikes in water prices and health insurance premiums offset easing inflation in most other categories. Overall, inflation was low across a broad range of core goods and services, and the share of components with y-o-y inflation below their historical averages has risen. Alternative measures of core inflation, such as the trimmed mean and weighted median, also point to low underlying inflation momentum, even as certain administrative price changes lifted core inflation on a sequential basis (**Chart 4.7**). Meanwhile, CPI-All Items inflation slowed to 0.8% y-o-y in Q2 from 1.0% in Q1, on account of lower inflation for accommodation and private transport.

**Chart 4.6: Inflation Rates**



Source: DOS and EPG, MAS estimates

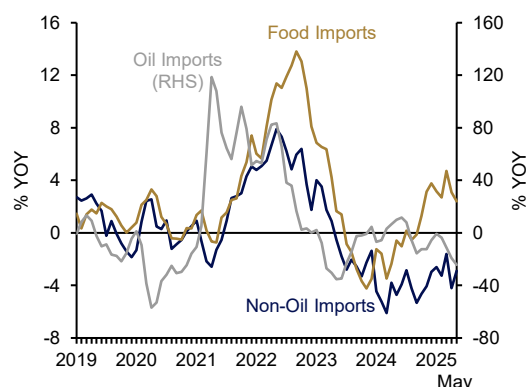
**Chart 4.7: Measures of Underlying Inflation Momentum**



Source: DOS and EPG, MAS estimates

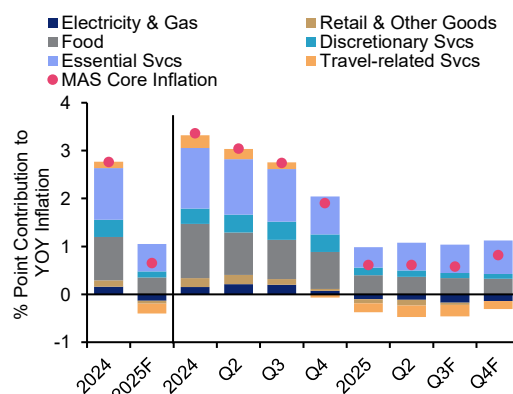
**Underlying cost pressures in the economy remained modest.** Overall non-oil import prices fell on a y-o-y basis in Apr–May 2025, extending its broad declining trend since early 2023 (**Chart 4.8**). Wage cost pressures also moderated, with the pace of unit labour cost increases in the services sector falling below its pre-pandemic trend. Rents for commercial retail space have also remained broadly flat, with those in the central region rising by a modest 0.4% y-o-y in Q1.

Chart 4.8: Singapore Import Price Indices



Source: DOS and EPG, MAS estimates

Chart 4.9: % Point Contribution to MAS Core Inflation



Source: DOS and EPG, MAS estimates

Note: Import prices of food are re-weighted based on the CPI weights of the closest corresponding components.

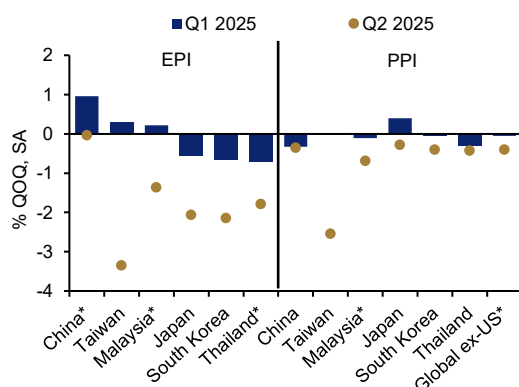
**Soft consumer demand domestically is likely curtailing the passthrough of higher costs to consumer prices as well.** Retail sales volumes (excluding motor vehicles) have been on a downward trajectory since March. At the same time, overall F&B services sales volumes have remained significantly below pre-pandemic levels, with restaurant sales extending its broad three-year decline.

**On the whole, inflation fell in most major CPI categories in Q2.** Notwithstanding the water price hike in April, retail goods inflation turned more negative in y-o-y terms, as price declines intensified across a wide range of goods including clothing & footwear, ICT equipment and personal effects (**Chart 4.9**). Notably, services inflation also remained below its historical average, with inflation for recreational services easing, and that for travel-related services turning more negative. Food inflation also declined alongside a slowing in the pace of price increases for non-cooked food as well as restaurant food services.

### Inflation is projected to rise, albeit at a subdued pace

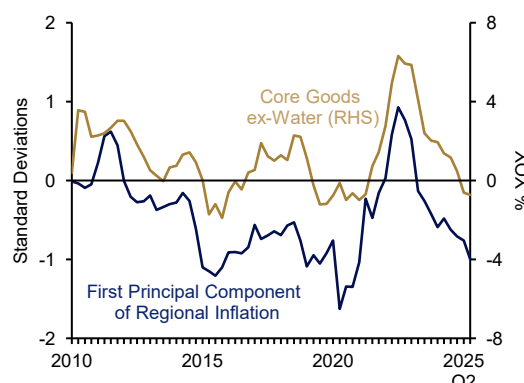
**Singapore's imported inflation is expected to continue to be benign.** On the commodity front, softness in global economic activity and anticipated production increases from OPEC+ are expected to anchor global crude oil prices at an average of US\$69/b this year, lower than the US\$81/b average in 2024. International food commodity prices are also projected to continue rising at a modest pace amid favourable supply conditions.<sup>5</sup> Further downstream, imported disinflationary pressures appear to be broadening. Over the last few months, export and producer prices of goods globally have fallen sharply (**Chart 4.10**). As of Q2, the dominant common component of regional inflation has continued to fall (**Chart 4.11**). At the same time, the broad-based depreciation of the US\$, which is the most prevalent currency in trade invoicing, has also contributed to some of the downward price pressures.

<sup>5</sup> The World Bank expects global grain supplies to hit record levels in 2025–26, marking a third consecutive year of growth.

**Chart 4.10: Foreign Export and Producer Price Indices**

Source: Haver Analytics and EPG, MAS estimates

Note: Price indices are based on respective local currency prices. The global ex-US PPI is based on the world trade-weighted index published by the Dallas Fed. Asterisks denote countries for which the average seasonally adjusted m-o-m change over April–May was reported instead due to the unavailability of June data.

**Chart 4.11: Dominant Component of Regional Inflation**

Source: DOS, Haver Analytics and EPG, MAS estimates

Note: The first principal component estimates the strongest common underlying factor to inflation across the region. Regional inflation data for Q2 2025 are based on forecasted values for one economy in the sample for which actual data are unavailable.

**Domestic cost pressures are likely to remain modest.** Services ULC growth (adjusted by trend productivity) this year is expected to moderate significantly from 2024, and dampen cost-push pressures in the services sectors. At the same time, softening wage growth could lead to demand-induced drags on discretionary spending, and thus keep inflation for some retail and discretionary services CPI components moderate. Nonetheless, domestic spending should remain resilient overall, underpinned by strong household balance sheets and government support measures for households.

**Both MAS Core and CPI-All Items Inflation are expected to average 0.5–1.5% this year.** Core inflation is projected to edge up in the second half of this year, in part reflecting the diminishing disinflationary impact of the enhanced healthcare subsidies that were introduced in October last year. Inflation is then expected to rise gradually from current low levels towards its historical average over 2026, given expectations for regional demand and supply to come into better balance next year. The disinflationary impulse from falling global oil prices and the decline in the US\$ this year should also recede.

**There are both upside and downside risks to the inflation outlook.** In the short term, increases in global oil prices and transportation disruptions due to geopolitical shocks could cause business costs to pick up. In the longer term, higher tariffs and trade frictions could incentivise a reconfiguration of global supply chains into less efficient and thus costlier arrangements. However, inflation could also come in weaker than expected in the event that global and domestic growth deteriorates sharply.