

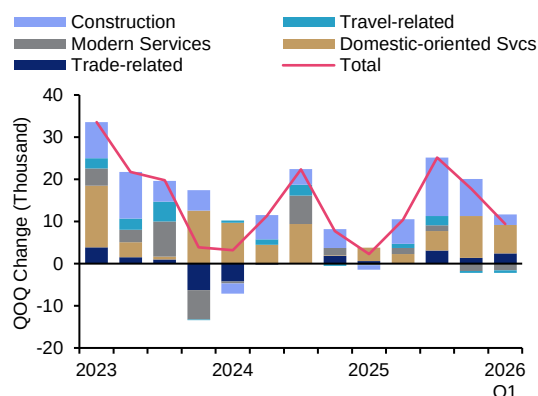
4 Labour Market and Inflation

4.1 Labour Market¹

The labour market remained supported in Q1

Amid robust GDP growth, resident employment expanded at a faster pace in Q1 this year compared to Q4 last year. The pickup in resident job growth was driven by stronger hiring in external-oriented segments² such as wholesale trade and other transportation & storage. Labour demand was also firm in the domestic-oriented services sector³. While total employment growth slowed compared to Q4, this was largely due to a seasonal decline in construction employment growth and, consequently, more moderate gains in non-resident employment (**Chart 4.1**). Overall, despite the onset of the Middle East conflict from late February, job growth remained resilient.

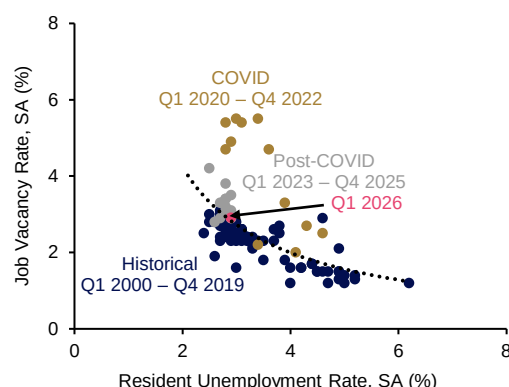
Chart 4.1: Total Employment Change by Broad Sector



Source: MOM and EPG, MAS estimates

Note: Data excludes migrant domestic workers.

Chart 4.2: Singapore Beveridge Curve



Source: MOM and EPG, MAS estimates

While firms became more cautious in their expansion plans and turnover moderated, the labour market was kept broadly in balance. The job vacancy rate and job vacancy to unemployed persons ratio moderated in Q1, as firms pulled back on hiring plans amid the Middle East conflict that emerged at end February. At the same time, employees became more hesitant about switching jobs, with the resignation rate falling further. Nonetheless, job vacancies continued to outnumber unemployed persons and the resident unemployment rate remained low, including in April and May. These indicators suggest that the labour market has steadily adjusted from its previously tight position and remains broadly balanced (**Chart 4.2**).

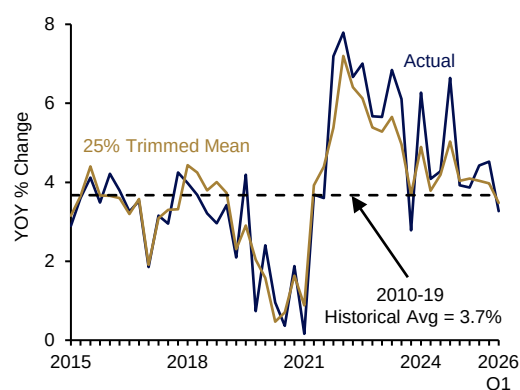
¹ The commentary in this section is based on available data up to Q1 2026, unless otherwise stated.

² The external-oriented segments comprise manufacturing, wholesale trade, transportation & storage (excluding land transport), information & communications (I&C), financial & insurance as well as professional services.

³ The domestic-oriented services sector comprises real estate, retail trade, F&B services, land transport, administrative & support services, public administration & education, health & social services, other community, social & personal services, domestic work, and utilities & others. The modern services sector comprises financial & insurance, I&C, and professional services. The trade-related sector comprises manufacturing, wholesale trade, water transport and other transport industries. The travel-related sector comprises the accommodation, air transport and AER sectors.

The lower labour market churn contributed to wage growth moderating towards its historical norm, after an extended period of above-average increases. Nominal average monthly earnings (AME)⁴ growth eased to 3.3% y-o-y in Q1 this year, from 4.4% in Q4 2025 (Chart 4.3). This brought it broadly in line with the 25% trimmed mean measure of wage growth, which excludes outlier fluctuations in monthly earnings.

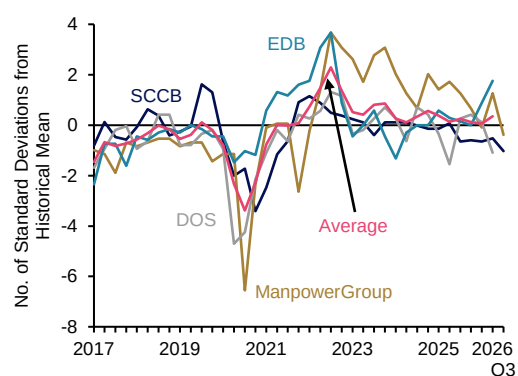
Chart 4.3: Headline and 25% Trimmed Mean Wage Growth



Source: MOM and EPG, MAS estimates

Note: 25% trimmed mean wage is computed by ordering sectoral q-o-q SA wage changes and trimming 25% of observations from both ends using sectoral resident employment weights.

Chart 4.4: Net Employment Outlook



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

Note: Historical mean refers to the average over 2010–19 for the EDB, DOS and ManpowerGroup series and over 2015–19 for SCCB.

Labour market conditions should remain broadly stable this year, supported by firm economic activity

Survey indicators suggest that some moderation in hiring occurred in Q2. Amid still-heightened uncertainty, most employment outlook surveys point to smaller headcount expansions in recent months, even as EDB's survey of manufacturing firms suggested stronger hiring intentions (Chart 4.4).

Nevertheless, labour demand is expected to be supported by sustained VA growth across most sectors in the latter half of the year. Resident job growth should continue to be underpinned by cyclical demand in the trade-related sectors and structural manpower needs in health & social services, public administration, and education. Non-resident workforce growth should also continue, although the pace of expansion could ease after the significant gains in recent years, especially in the construction sector.

More balanced labour demand and supply conditions should bring wage growth close to historical norms this year. Nonetheless, pockets of the labour market tied to the ongoing technology-driven expansion—such as manufacturing and wholesale trade—could see relatively firmer wage increases. Overall, unit labour cost growth is expected to remain broadly unchanged from last year, as productivity growth moderates alongside wage growth.

⁴ AME refers to all remuneration received before deduction of the employee Central Provident Fund (CPF) contributions and personal income tax. It comprises basic wages, overtime pay, commissions, allowances and bonuses but excludes employer CPF contributions. Annual AME data is published. Quarterly AME data is available by writing to mom_rsd@mom.gov.sg.

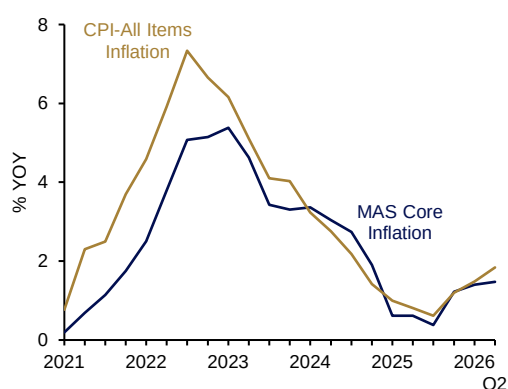
4.2 Inflation Developments

Inflation picked up amid higher import cost pressures

MAS Core Inflation rose to 1.5% y-o-y in Q2 2026, from 1.2% in Jan–Feb prior to the outbreak of the Middle East conflict (Chart 4.5). The increase was driven by stronger inflation in non-cooked food, retail & other goods and discretionary services, which more than offset lower essential services inflation. The pickup in inflation was relatively modest because the impact of higher energy prices had yet to pass through to electricity and gas tariffs, which were only raised from July. Meanwhile, CPI-All Items inflation stepped up to 1.8% y-o-y in Q2 from 1.3% in Jan–Feb, reflecting the large increases in petrol prices, in addition to higher core inflation.

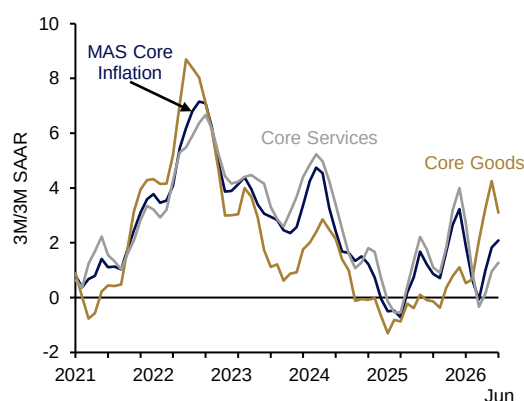
Inflation momentum picked up, stemming predominantly from higher goods prices. As production and transportation costs increased, the inflation momentum for core goods, as measured by the 3M/3M SAAR, rose to 3.1% in Q2. The hike in tobacco taxes also contributed to the higher goods inflation (Chart 4.6). In comparison, services inflation momentum rose more modestly to 1.3%, as price increases for telecommunication services were dampened by intensifying competition among service providers. Overall, on an annualised basis, core inflation momentum picked up to 2.1% in Q2.

Chart 4.5: MAS Core and CPI-All Items Inflation



Source: DOS and EPG, MAS estimates

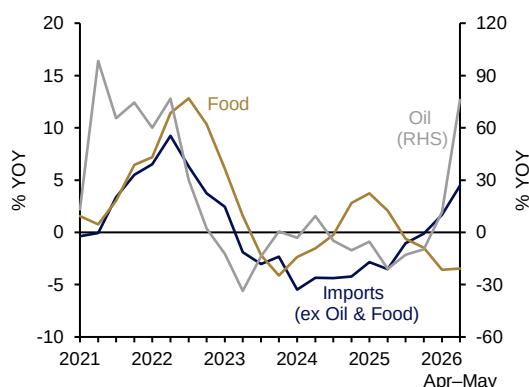
Chart 4.6: Measures of Inflation Momentum



Source: DOS and EPG, MAS estimates

Higher energy commodity prices have started to pass through to imported costs. Singapore's imported energy costs rose sharply in Mar–May, broadly tracking movements in Brent crude oil prices. Import prices for a range of consumer goods also increased, albeit by a much smaller extent (Chart 4.7). In comparison, food import cost pressures remained subdued, as higher energy and fertiliser prices have yet to fully impact global food commodity prices (Chart 4.8).

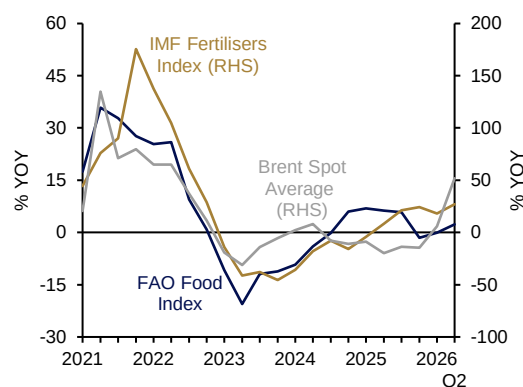
Chart 4.7: Singapore Import Price Indices



Source: DOS and EPG, MAS estimates

Note: The import price index for food is adjusted using consumer price index weights.

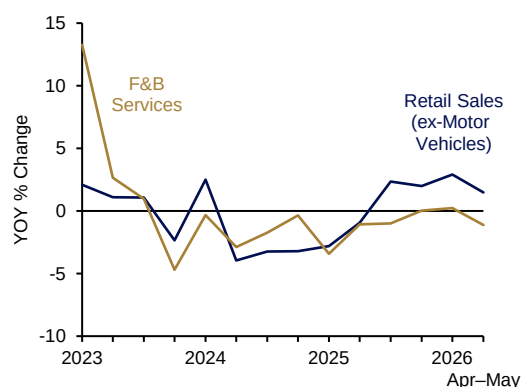
Chart 4.8: Global Commodity Indices



Source: FAO, IMF, US EIA, and EPG, MAS estimates

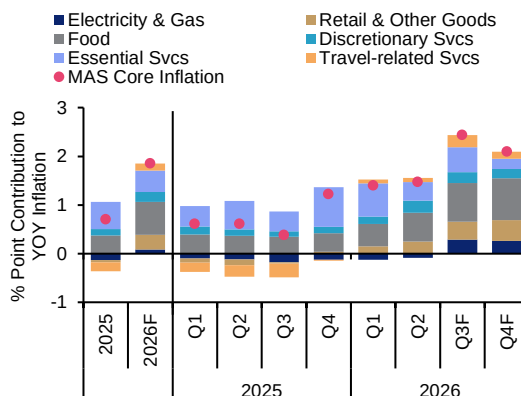
In Q2, moderate domestic cost pressures and softer consumer spending helped keep services inflation contained. Weaker services unit labour cost growth (adjusted for trend productivity) and more moderate growth in rents for commercial retail spaces likely contributed to the moderate services inflation in recent months. Heightened uncertainty and cautious consumer confidence also weighed on tourist arrivals and resident household spending.⁵ Growth in retail (excluding motor vehicles) and food & beverage services sales volumes slowed in Apr–May, with the weaker demand possibly tempering the extent of cost pass-through to consumer prices (Chart 4.9).

Chart 4.9: Retail and F&B Services Sales Volumes



Source: DOS and EPG, MAS estimates

Chart 4.10: MAS Core Inflation by Components



Source: DOS and EPG, MAS estimates

External price pressures are expected to stay elevated for some time

While Brent crude oil prices have moderated from their peak in April, Singapore's non-oil imported costs are forecast to remain elevated. Oil prices are still expected to be higher this year compared to 2025,⁶ but are projected to gradually retreat over 2027. Increased costs of

⁵ The Ipsos Global Consumer Confidence Index for Singapore fell 7.8% q-o-q in Q2, dropping below 50 in May after a sharp decline from March. Source: Ipsos. (2026, June). *Global Consumer Confidence Index*.

⁶ EPG's current forecast is for the Brent crude prices to average US\$88/barrel for 2026 as a whole. This implies a forecast of US\$84/b on average for the period Jul–Dec.

energy and petrochemical inputs globally will in turn generate inflationary impulses that will lift prices of intermediate and final goods. The costs of construction materials have already risen sharply, while higher electronic input costs will also eventually pass through to final consumer prices. Food commodity prices would pick up more significantly over the coming quarters, as higher energy and fertiliser costs impact crop yields.⁷ Towards the end of the year, the adverse effects of El Niño are also expected to keep regional food prices elevated into 2027.⁸

Meanwhile, domestic price pressures are expected to remain modest. Services unit labour costs (adjusted for trend productivity) are projected to grow at a subdued pace, reflecting sustained productivity growth as well as easing wage pressure amid broadly balanced labour market conditions. This should help keep services inflation contained. Nonetheless, still-healthy household balance sheets alongside the positive output gap should facilitate pass-through of higher imported costs to consumer prices.

Both MAS Core and CPI-All Items Inflation are forecast to rise in the near term before moderating more significantly in the latter half of next year

MAS Core Inflation is expected to rise in July. The near-term step-up in inflation will partly reflect the 17% and 7% q-o-q increases in regulated electricity and gas tariffs, respectively for the Jul–Sep period, as well as stronger travel-related services inflation amid higher jet fuel prices (**Chart 4.10**). In addition, firming import cost pressures are expected to lift food and retail & other goods inflation further. Core inflation is expected to stay elevated into 2027, but should step down in the latter half of next year as imported inflation eases with the expected moderation in global oil prices.

CPI-All Items inflation is expected to broadly track the profile of MAS Core Inflation. In addition to higher core inflation, accommodation inflation is projected to pick up modestly, reflecting the gradual increase in housing rents over the past year. However, private transport inflation should ease as petrol prices fall alongside the decline in global crude oil prices.

Both MAS Core and CPI-All Items inflation are forecast to average 1.5–2.5% this year. The balance of risks to the outlook remains tilted towards higher inflation. While global energy prices have moderated from their recent peak, they remain volatile. The potential for renewed surges in energy prices remains high, especially as the drawdown on oil reserves globally since March has thinned buffers in global energy markets. At the same time, the risk of stronger demand-pull inflationary impulses has also risen: global economic sentiment and aggregate demand could recover more firmly, while strong trade-related activity could generate stronger-than-expected spillovers to adjacent domestic industries. Improved domestic demand and consumer confidence could strengthen cost pass-through to prices. Conversely, a sharp tightening in global financial conditions or an unexpected pullback in AI-related investment could exert a drag on growth and thus inflation. A swifter resumption of energy production and shipments through the Strait of Hormuz could also lead to a larger and more rapid decline in global energy prices.

⁷ The FAO has emphasised that the global fertiliser scarcity caused by disruptions in the Strait of Hormuz will lead to lower yields and tightening food supplies in the latter half of 2026 and into 2027. Source: Food and Agriculture Organization of the United Nations. (2026, May). *Strait of Hormuz Crisis: Fertilizer Scarcity will Affect Next Harvests and Food Supplies, FAO Warns*.

⁸ Food and Agriculture Organization of the United Nations. (2026, June). *El Niño is Coming. Here is Where the Risks to Agriculture are Highest*.