

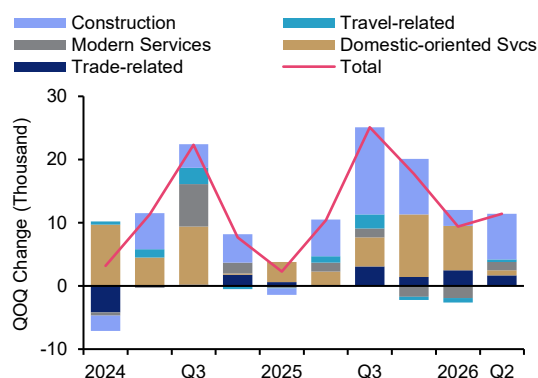
4 Labour Market and Inflation

4.1 Labour Market¹

Labour market conditions stayed broadly balanced in Q2

Total employment² picked up pace in Q2, amid hiring across major clusters in the economy (Chart 4.1). Non-resident employment increased, particularly among Work Permit Holders in construction and manufacturing. Resident employment also rose, with gains across modern services, public administration & education, and health & social services. Within modern services, hiring in the financial sector was supported by growth in existing and new fund management firms, particularly hedge funds, private equity and venture capital firms. For H1 as a whole, resident employment growth was stronger than the same period a year ago.³

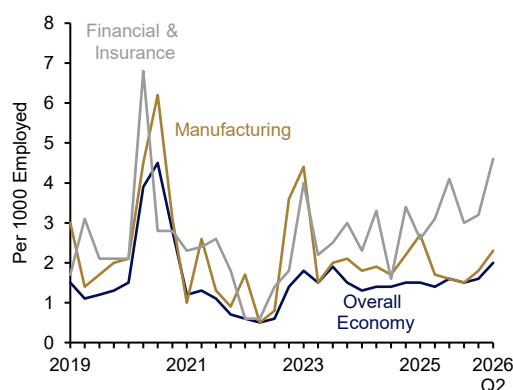
Chart 4.1: Total Employment Change by Broad Sector



Source: MOM and EPG, MAS estimates

Note: Data excludes migrant domestic workers. 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.

Chart 4.2: Retrenchment Incidence



Source: MOM

At the same time, some other labour market indicators softened amid sector-specific restructuring and labour reallocation. Retrenchments rose even as overall headcount still grew, especially in the outward-oriented sectors such as manufacturing and financial services (Chart 4.2). Firms in these sectors largely cited business reorganisation or restructuring rather than poor business prospects as reasons for retrenchment, suggesting that weaker demand

¹ The commentary in this section is based on available data up to Q2 2026, unless otherwise stated.

² All employment figures exclude migrant domestic workers, unless otherwise stated.

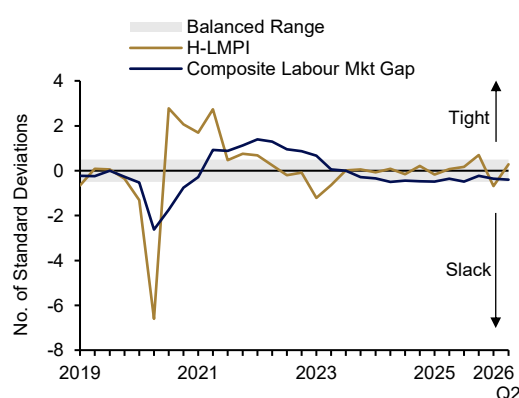
³ On a seasonally adjusted q-o-q basis, resident employment rose at a comparable pace to Q1, indicating that underlying employment momentum remained largely intact.

was not the driver. Meanwhile, longer job searches among displaced workers may partly reflect the time taken to find better job matches and, for some workers, to reskill for new roles.

Overall, labour market conditions remained stable. A composite labour market *gap* indicator summarising labour market tightness across 12 indicators⁴ continued to point to broadly balanced labour market conditions in Q2 (Chart 4.3). This was consistent with job vacancies continuing to outnumber unemployed persons and the resident unemployment rate remaining low, even as retrenchments increased. The Hamilton-filtered labour market *pressure* indicator (H-LMPI), which incorporates forward-looking information, also ticked up in Q2 following its retraction in Q1, signalling some improvement ahead.

Nominal wage growth stayed close to its historical norm. Resident average monthly earnings (AME)⁵ growth picked up to 4.0% y-o-y in Q2, from 3.3% in the preceding quarter (Chart 4.4). However, abstracting from more volatile wage readings, underlying wage growth, as measured by the 25% trimmed mean measure, continued to ease to around its historical average.

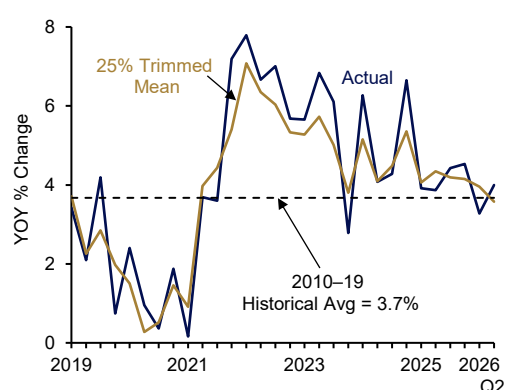
Chart 4.3: Composite Labour Market Gap Indicator



Source: EPG, MAS estimates

Note: The labour market is classified as “Balanced” if readings are within ± 0.5 standard deviation. The H-LMPI is a composite measure summarising 27 labour market indicators.

Chart 4.4: Headline and 25% Trimmed Mean Wage Growth



Source: 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.

Forward indicators point to rising hiring intentions in the near term while wage pressures remain modest

Various employer surveys point to firmer hiring intentions in the second half of 2026. MOM's Hiring Sentiment Survey in July showed a larger share of firms planning to hire over the next three months than in May (Chart 4.5). The average net employment outlook across major

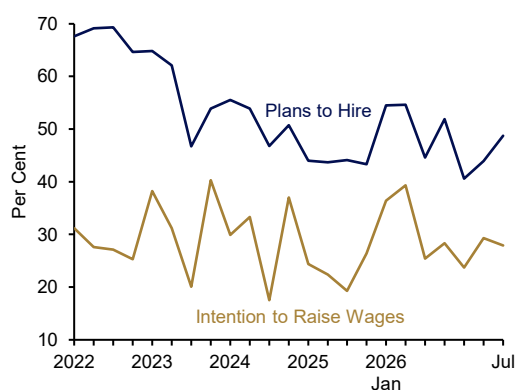
⁴ The 12 indicators are the resident unemployment rate, estimated ratio of vacancies likely to be filled by residents relative to unemployed residents, recruitment rate, resignation rate, job vacancy rate, average weekly hours worked, average weekly overtime hours, estimated labour force participation rate, average monthly earnings growth, average labour cost growth, estimated incidence of retrenchment as well as re-entry rate of retrenched residents. Each indicator is benchmarked against their Hodrick-Prescott and Hamilton-filtered trends. Deviations from these trends are then standardised by their historical volatility and averaged.

⁵ 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.

private sector surveys also indicated continued headcount expansions in H2 (**Chart 4.6**). The surveys point to stronger employment growth in manufacturing, particularly in precision engineering and electronics, as well as in the financial & insurance services.⁶

Next year, labour demand is expected to be supported by construction and domestic-oriented services. Ongoing major infrastructure and building projects are expected to support demand for workers in construction and in segments of professional services such as architectural & engineering services. Employment in public administration & education is also set to rise in line with plans to expand pre-school services. Further demand for financial investment activity, insurance and healthcare should also boost hiring in these sectors. Overall, resident employment should continue to expand, albeit at a slower pace than the historical norm, as resident labour supply growth eases with population ageing.

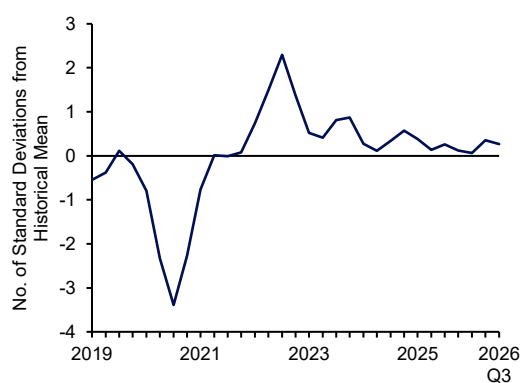
Chart 4.5: Hiring & Wage Expectations for The Next 3 Months



Source: MOM

Note: Data prior to 2026 was reported on a quarterly basis. For 2026, data is plotted at a monthly frequency.

Chart 4.6: Net Employment Outlook



Source: EPG, MAS estimates

Note: This chart combines employment expectations across surveys conducted by DOS, EDB, ManpowerGroup and Singapore Commercial Credit Bureau (SCCB). Historical mean refers to the average over 2010–19 for EDB, DOS and ManpowerGroup and over 2015–19 for SCCB due to data availability.

Nominal wage growth is expected to moderate to levels broadly in line with the historical norm. Despite a pickup in hiring intentions, the share of firms planning to raise wages edged down in MOM's latest survey (**Chart 4.5**). Cyclically low resignation rates indicate limited job-to-job mobility, reducing pressure on firms to raise wages to retain workers. Resident nominal wage growth is therefore projected to ease from last year's pace and remain close to historical norms over this year and next. Amid firm productivity gains, unit labour cost growth is expected to be subdued this year and into 2027.

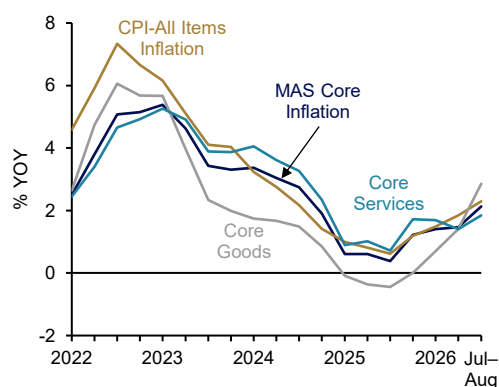
⁶ Based on EDB's Business Expectations Survey, the Singapore Commercial Credit Bureau's (SCCB) Business Optimism Index, DOS' Business Expectations Survey for the Services Sector, and the ManpowerGroup's Employment Outlook Survey.

4.2 Inflation Developments

Inflation rose amid the pass-through of higher energy prices

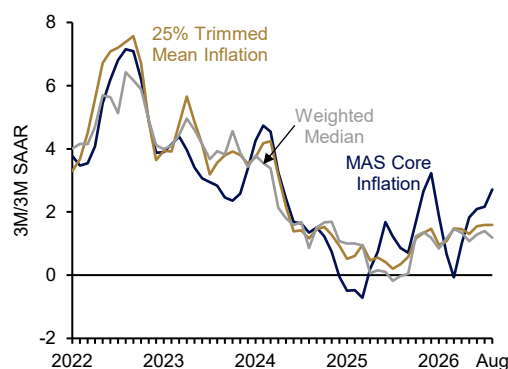
MAS Core Inflation rose by less than anticipated to 2.1% y-o-y in Jul–Aug, from 1.5% in Q2 (Chart 4.7).⁷ The step-up was driven by higher inflation in electricity & gas, food, and fuel-intensive services such as airfares and point-to-point transport. However, these increases were partly offset by enhanced healthcare subsidies and larger discounts on telecommunication services which lowered prices in these categories. Taken together, price increases in the economy broadened but at a relatively gradual pace. Alternative measures of inflation that look past the effects of more volatile CPI components remained contained at below 2% (Chart 4.8).

Chart 4.7: MAS Core and CPI-All Items Inflation



Source: DOS and EPG, MAS estimates

Chart 4.8: Measures of Inflation Momentum



Source: DOS and EPG, MAS estimates

Apart from volatile oil prices, Singapore's imported prices rose broadly in line with expectations. Imported oil inflation eased in Jul–Aug, but remained elevated. Meanwhile, import costs for a range of intermediate and final goods, including consumer items, continued to rise, while imported food prices have also started to increase (Charts 4.9 and 4.10). This likely reflects the increase in production and transportation costs worldwide as higher energy costs passed through global supply chains.

Meanwhile, domestic consumer spending improved slightly, supporting some of the pass-through of accumulated costs to final prices. Private consumption expenditure rose at a faster pace in Q2, while recent surveys showed an improvement in consumer confidence in Jul–Aug, which may have lifted consumer spending for some categories.⁸

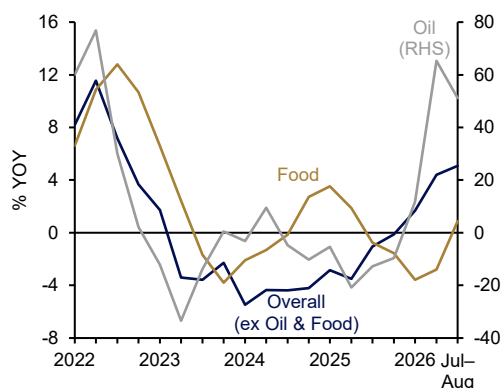
In comparison, enhanced government subsidies as well as market competitive forces led to lower-than-expected essential services inflation. Enhanced subsidies for long-term care and community dialysis treatment, alongside intense competition in the telecommunications sector, kept essential services inflation subdued at 1.0% in Jul–Aug, down from 1.1% in Q2. In particular, from 1 July 2026, the Ministry of Health replaced one-off fee rebates for

⁷ Meanwhile, CPI-All Items inflation rose to 2.3% y-o-y in Jul–Aug from 1.8% in Q2, reflecting higher core inflation and accommodation inflation.

⁸ Singapore's consumer confidence rebounded by 7.0% in Jul–Aug after declining by 7.8% q-o-q in Q2. Source: Ipsos. (2026, Sep 23). Global Consumer Confidence Index.

subsidised long-term care services with enhanced mean-tested subsidies, and implemented the second phase of its enhanced community dialysis subsidies.⁹

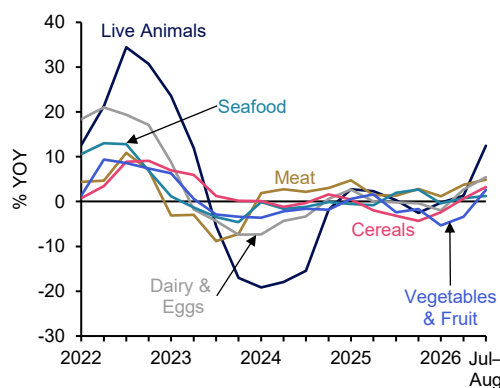
Chart 4.9: Singapore Import Price Indices



Source: DOS and EPG, MAS estimates

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

Chart 4.10: Singapore Food Import Prices by Category



Source: DOS and EPG, MAS estimates

While supply disruptions are expected to keep import cost pressures firm in the coming quarters, the strong pace of price increases is unlikely to persist

Both oil and non-oil imported inflation are forecast to remain elevated in the near term but should ease gradually over 2027. Following the re-escalation of the Middle East conflict, Brent and refined fuel prices have surged anew and are expected to remain high in the immediate months ahead.¹⁰ However, as oil and gas flows normalise, prices of energy products are expected to moderate over 2027.¹¹ Likewise, while El Niño-related weather disruptions could lift global and regional agricultural prices further, healthy food inventories in major food-producing countries should temper the extent of price increases. In the latter part of 2027, as the temporary weather-related shocks to agricultural production dissipate, the inflationary impact on Singapore's food prices is expected to fade progressively.

Domestic cost pressures are modest and should not contribute to persistent inflation.¹² Unit labour cost growth in the services sector is forecast to remain contained amid continued productivity gains. Other business costs such as commercial retail rent increases are also expected to be tempered by the steady expansion of retail space supply. Market competitive pressures in some sectors could continue to cap consumer price increases into 2027.

Administered prices will be another factor placing downward pressure on services inflation into next year. The enhanced healthcare and long-term-care subsidies introduced in July this year will continue to temper y-o-y inflation through H1 2027. Education services inflation will

⁹ Sources: (i) Ministry of Health. (2026, July 1). Subsidies for Residential Long-Term Care Services; (ii) Ministry of Health. (2026, July 1). Subsidies for Community Dialysis Services.

¹⁰ Dated Brent crude prices are expected to average US\$97 per barrel for 2026 as a whole, implying a forecast of US\$104/b on average for the period Oct–Dec. In 2027, Brent prices are projected to moderate to US\$85/b.

¹¹ Sources: (i) Reuters. (2026, October 2). September LNG shipments through Hormuz hit highest since start of US-Iran war; (ii) Reuters. (2026, October 6). Gulf oil flows rise to average 81% of pre-war rate in September, data shows.

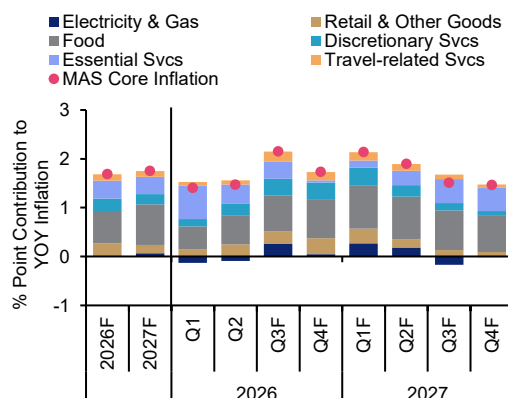
¹² See **Box B** "A Structural Decomposition of the Supply and Demand Drivers of Singapore's Inflation" for a discussion on the relative contributions of external and domestic conditions in driving inflation historically.

be lowered next year by a further round of infant care and childcare subsidy enhancements announced in Budget FY2026, helping further to keep overall inflation contained.

Inflation should stay slightly elevated over the coming quarters, but will moderate more discernibly from the middle of 2027

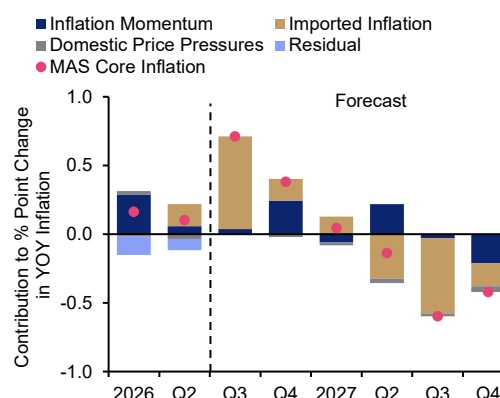
All in, inflation is expected to be firm in the near term but should step down from Q2 next year (Chart 4.11). On a quarterly basis, core inflation is projected to stay slightly elevated at around current levels through to Q2 2027, as imported cost pressures continue to pass through to food and retail & other goods prices. While regulated electricity & gas tariffs fell in Q4, they are currently expected to rise again in Q1 2027 due to the rebound in global energy costs.¹³ Transportation-related services are also projected to see sustained elevated inflation in the coming quarters, as fuel prices remain high. Thereafter, core inflation should ease more discernibly in the second half of next year as external supply-driven cost impulses fade and domestic costs remain contained (Chart 4.12).

Chart 4.11: MAS Core Inflation by Component



Source: DOS and EPG, MAS estimates

Chart 4.12: Phillips Curve Decomposition of Changes in Core Inflation



Source: DOS and EPG, MAS estimates

Note: Bars show the contribution of each component to the change in y-o-y inflation from the previous quarter.

CPI-All Items inflation is expected to broadly track core inflation. Accommodation inflation should pick up modestly, reflecting continued increases in housing rents. Private transport inflation is expected to remain elevated in the near term before easing next year, as petrol prices decline in tandem with the projected fall in global crude oil prices.

MAS Core Inflation is forecast to average 1.5–2.0% this year and 1.5–2.5% in 2027, while CPI-All Items inflation is projected to come in around 2.0% in 2026 and 1.5–2.5% in 2027. For now, the risks to inflation remain tilted towards the upside. Further adverse geopolitical shocks could lead to another sharp increase in global energy prices, and more prolonged shortages of key refined products and intermediate goods. Domestically, an unexpected tightening in the labour market could enable second-round effects and result in more persistent inflation. At the same time, there is still some risk that inflation could also fall more quickly than anticipated due to a more decisive resumption of crude and distillate shipments from the

¹³ The regulated electricity tariff for each quarter is set based largely on the average imported price of natural gas in the first two and a half months of the preceding quarter, among other factors. Imported natural gas prices, in turn, are tied to oil prices by commercial contracts. The projected increase in Q1 2027 tariffs therefore reflects expectations of higher energy prices from October to mid-December 2026.

Middle East. Tighter global financial conditions could also weigh on growth and dampen global inflation.