



Monetary Authority
of Singapore

Recent Economic Developments

15 August 2023

Economic and Monetary Developments

International Economy

Central banks' monetary tightening has yet to induce a material slowdown in global economic activity. The global economy expanded at a healthy clip in H1 2023, boosted in part by the fading of negative supply constraints. Growth has been fairly diverse across countries alongside the widening schism between goods and services spending. Overall, global economic activity is poised to slow in H2 2023 and H1 2024, driven by the cumulative effects of monetary policy tightening on consumer as well as business spending. Thereafter, global activity is set to gradually pick up in H2 2024, as monetary policy eases.

Global disinflation, well underway since Q3 2022, is taking place across several stages. Following the first commodity price correction stage, the next disinflationary phase is being driven by moderating core goods prices. Falling import and producer prices are set to translate into lower consumer prices. The final stage of disinflation will be the most challenging as it requires advanced economy labour market imbalances to be resolved and wage growth to ease so that consumer services price increases are ultimately subdued. Overall, global inflation is expected to moderate from the 5.4% recorded last year, and continue easing in 2024.

The near-term interaction and trade-offs between global growth, inflation and interest rates are difficult to pin down *ex ante*. Nonetheless, it is clear that global financial conditions will have to remain tight for some time to return core inflation back to target, with some further slowdown in growth.

At this juncture, two main non-remote risks cloud the global economic outlook. First, a policy misstep in advanced economies (AEs) such as overtightening, could trigger liquidity stresses and instability in AE money markets, and/or emerging market debt stresses, with negative spillovers to Asia. Second, a strong El Niño event could put upward pressure on a range of raw materials prices in addition to food, triggering another round of cost and price acceleration.

The Singapore Economy

The Singapore economy has slowed discernibly since late 2022. However, the sectoral growth outturns have varied significantly, with the economy broadly on a three-speed trajectory. The external-facing industries have been in the doldrums since late last year, but their weakness has yet to spill over to the domestic-facing sectors, which continued to record above-trend growth in Q2 2023. Meanwhile, the travel-related industries have continued to reap dividends from the reopening of borders across the external economies.

For the rest of 2023, there is likely to be some convergence in growth rates among the sectors, with modest recovery in the external-facing sectors and moderation in domestic-oriented and travel-related activity. However, there remains downside risks to growth. The greatest uncertainty lies in the external-facing sectors, which could languish for longer. The recovery in the external-facing sectors is contingent on final demand conditions towards the year end which remains uncertain. Overall, for the year as a whole, Singapore's GDP growth is projected to slow from 3.6% in 2022 to 0.5–1.5% in 2023.

Advance estimates suggest that the pace of employment expansion in Singapore eased over H1 2023. Continuing inflows of non-resident workers have helped to backfill job vacancies, which have fallen from their peaks. The labour market remained tight in June, with the resident unemployment rate remaining close to its decade low. As a result, resident average monthly earnings growth continued to come in significantly above trend in Q2.

Modest GDP growth prospects are leading to a pullback in labour demand, with firms indicating some reduction in hiring plans and wage increases over the near-term. Nevertheless, with the resident labour force participation already near historical highs, constraints on resident workforce growth should keep the domestic labour market structurally tight. For the rest of 2023, the resident unemployment rate should remain low while nominal resident wage growth would stay firm.

Inflation slowed discernibly in both year-on-year and sequential terms in Q2. MAS Core Inflation eased to 4.6% y-o-y, from 5.4% in Q1, reflecting moderating inflation across both goods and services. Abstracting from the GST hike effects in January, the 3-month moving average of the seasonally adjusted m-o-m change in MAS Core CPI declined to an annualised rate of 3.2% in June, from its peak of 6.9% in August 2022. Easing core inflation, coupled with a slower pace of increase in private transport and accommodation costs, led to CPI-All Items inflation declining further to 5.1% y-o-y in Q2, from 6.1% in Q1.

Amid the decline in global commodity prices, dissipation of supply chain bottlenecks and the appreciation of the S\$NEER, imported cost pressures in Singapore have come off. Barring fresh shocks, domestic inflation should continue to moderate. Core inflation is forecast to end the year at around 2.5–3.0%, and average 3.5–4.5% for the year as a whole. Meanwhile, increased COE quota and housing supply should dampen private transport and accommodation inflation. CPI-All Items inflation is projected to average

4.5–5.5% this year. Excluding the effects of the GST hike, headline and core inflation are expected to come in at 3.5–4.5% and 2.5–3.5%, respectively.

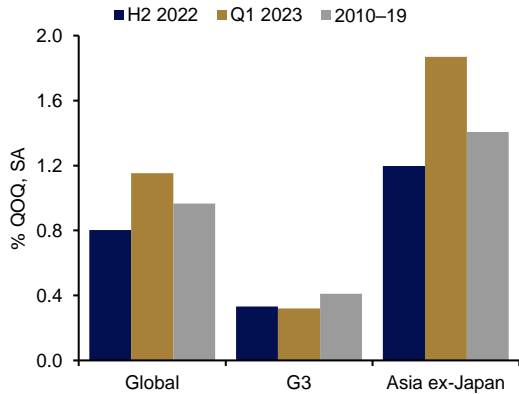
Monetary Policy

In April 2023, MAS maintained the prevailing rate of appreciation of the S\$NEER policy band, with no change to its width and the level at which it was centred. MAS' five successive monetary policy tightening moves since October 2021 have dampened imported inflation and tempered the momentum of price increases. With core inflation forecast to ease materially by end-2023 and risks to Singapore's growth intensifying, MAS assessed that the prevailing appreciating path of the S\$NEER policy band was sufficiently tight and appropriate for securing medium-term price stability.

1. International Economy

Global growth has been uneven.

GDP growth

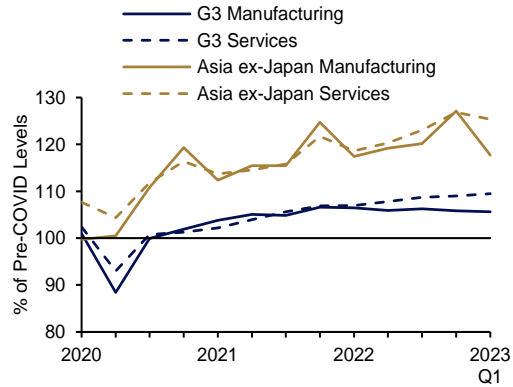


Source: EPG, MAS estimates

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

Services expanded strongly, while manufacturing remained weak.

Manufacturing and services value-added

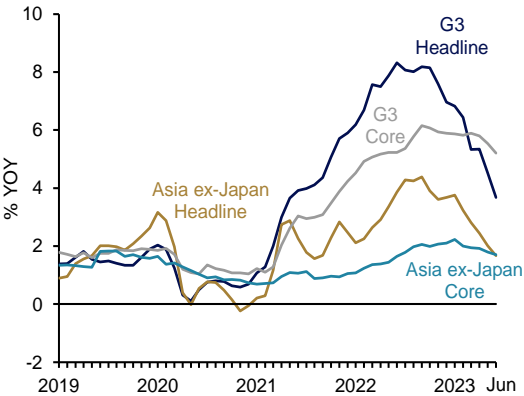


Source: Haver Analytics and EPG, MAS estimates

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

Headline inflation continued to decline, particularly in Asia ex-Japan, but core inflation remained firm.

Inflation

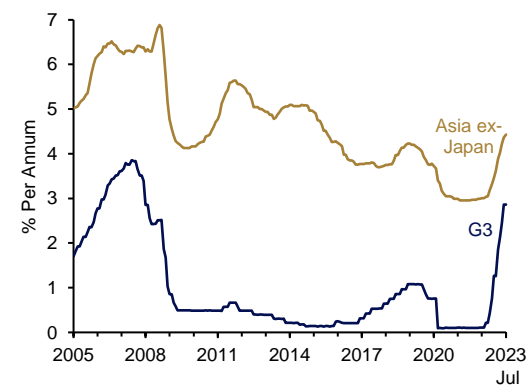


Source: Haver Analytics and EPG, MAS estimates

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

Global peak in policy rates is near, with varying regional peaks and divergent pivot timings.

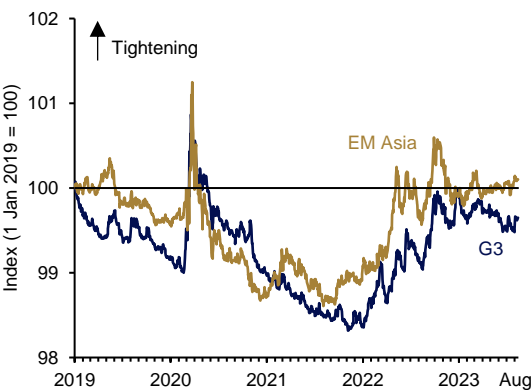
Monetary policy interest rates



Source: Haver Analytics and EPG, MAS estimates

Financial conditions risk tightening further...

Financial conditions indices

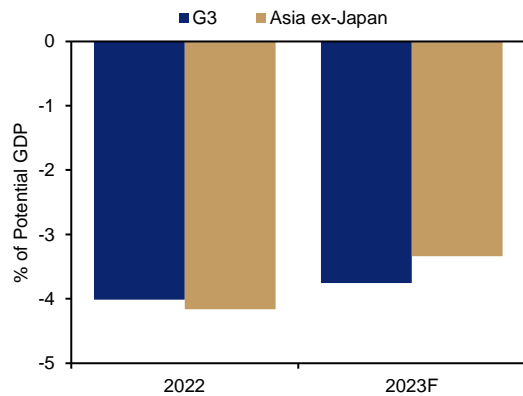


Source: Goldman Sachs (GS) and EPG, MAS estimates

Note: EM Asia is a simple average of GS financial conditions indices for India, Indonesia, Malaysia, Thailand, and the Philippines.

...while fiscal support is expected to be scaled back.

General government cyclically adjusted primary balance



Source: IMF Fiscal Monitor (April 2023) and EPG, MAS estimates

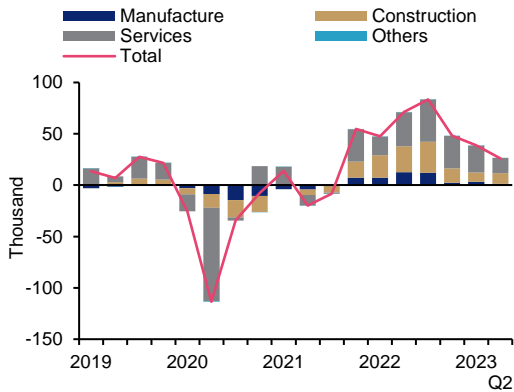
2. The Singapore Economy

<p><i>Singapore's GDP growth has moderated....</i></p> <p>GDP growth</p> <p style="font-size: small;">Per Cent</p> <p style="font-size: small;">2021 Q2 Q3 Q4 2022 Q2 Q3 Q4 2023 Q2</p> <p style="font-size: x-small;">Source: DOS</p>	<p><i>...largely reflecting the slowdown in the trade-related sectors.</i></p> <p>GDP growth profile by sector</p> <p style="font-size: small;">% Point Contribution to YOY Growth</p> <p style="font-size: small;">2021 Q2 Q3 Q4 2022 Q2 Q3 Q4 2023 Q2</p> <p style="font-size: x-small;">Source: EPG, MAS estimates</p>
<p><i>Industrial production remained weak with the exception of transport engineering.</i></p> <p>Index of industrial production</p> <p style="font-size: small;">Index (2019=100), SA</p> <p style="font-size: small;">2021 Q2 Q3 Q4 2022 Q2 Q3 Q4 2023 Q2</p> <p style="font-size: x-small;">Source: EDB</p>	<p><i>Air transport activity picked up underpinned by continued recovery of the travel industry.</i></p> <p>Transport indicators</p> <p style="font-size: small;">Index (2019=100), SA</p> <p style="font-size: small;">2021 Q2 Q3 Q4 2022 Q2 Q3 Q4 2023 Q2</p> <p style="font-size: x-small;">Source: CAAS, MPA and Haver Analytics</p>
<p><i>Credit intermediation activity has slowed.</i></p> <p>Bank loans & advances to non-bank residents and non-residents</p> <p style="font-size: small;">\$ Billion</p> <p style="font-size: small;">2021 Q3 Q4 2022 Q2 Q3 Q4 2023 Q2</p> <p style="font-size: x-small;">Source: MAS</p>	<p><i>Overall retail sales volume was supported by non-motor vehicle sales.</i></p> <p>Retail sales</p> <p style="font-size: small;">Index (2019=100), SA</p> <p style="font-size: small;">2021 Q2 Q3 Q4 2022 Q2 Q3 Q4 2023 Q2</p> <p style="font-size: x-small;">Source: DOS</p>

3. Singapore's Labour Market and Inflation

The labour market has been on a path of gradual easing...

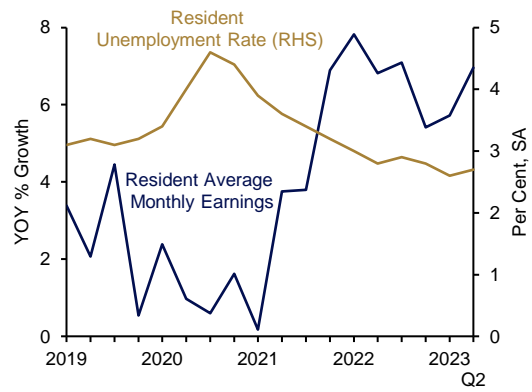
Quarterly employment change



Source: MOM and EPG, MAS estimates
Note: Q2 2023 data reflects MOM's preliminary estimates.

... but is still tight, with above-trend resident wage growth and the resident unemployment rate near its decade low.

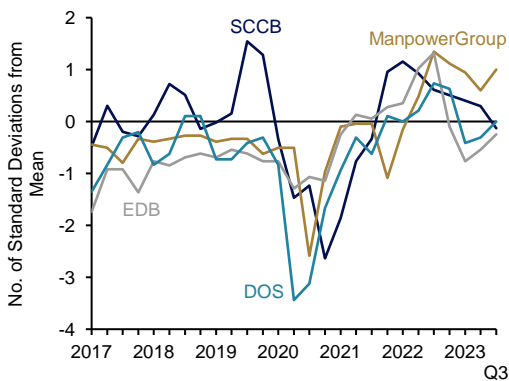
Resident average monthly earnings growth and resident unemployment rate



Source: CPF and MOM
Note: Q2 2023 data reflects MOM's preliminary estimates.

Firms' hiring intentions have moderated with the weaker growth outlook.

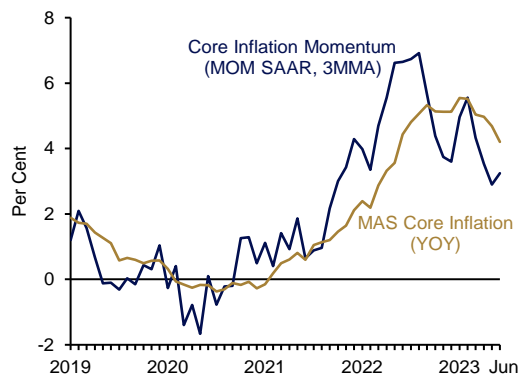
Hiring intention surveys



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

Meanwhile, the momentum of price increases remained broadly on a downtrend.

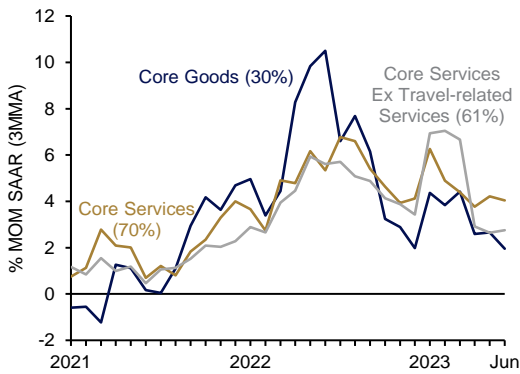
MAS Core Inflation



Source: DOS and EPG, MAS estimates

Disinflation has occurred across both goods and services.

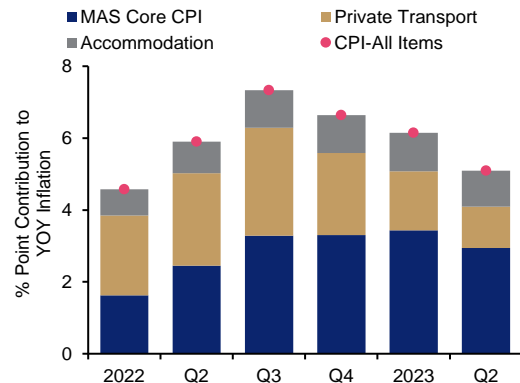
Inflation momentum of core goods & services



Source: DOS and EPG, MAS estimates
Note: Figures in parentheses refer to the share of each category in the MAS Core CPI basket.

Headline inflation was also dampened by lower private transport and accommodation inflation.

Contribution to CPI-All Items inflation



Source: DOS and EPG, MAS estimates

Selected Indicators

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

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

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

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

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

Overall Economy	2021	2022	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	May-23	Jun-23
GDP at current prices (S\$ bil)	569.4	643.5	164.3	161.6	160.7	159.1	163.0	na	na
GDP (US\$ bil)	423.7	466.8	119.2	115.6	115.9	119.4	121.7	na	na
Real GDP Growth (YOY % change)	8.9	3.6	4.5	4.0	2.1	0.4	0.5	na	na
Real GDP Growth (QOQ SA % change)	na	na	-0.1	0.8	0.1	-0.4	0.1	na	na
By Sector (YOY % change):									
Manufacturing ^{1/}	13.3	2.5	6.1	1.1	-2.6	-5.4	-7.3	-10.5	-4.9
Construction	20.5	6.7	5.5	8.1	10.0	6.9	6.8	na	na
Wholesale Trade	9.6	3.2	1.6	4.1	2.4	-1.7	1.1	na	na
Retail Trade	12.0	8.4	15.8	8.8	5.1	2.3	2.6	na	na
Transportation & Storage	9.9	4.0	3.6	6.1	2.5	0.9	4.6	na	na
Accommodation	-9.1	0.5	-3.3	1.6	7.8	21.8	13.0	na	na
Food & Beverage Services	1.8	18.2	23.4	29.3	19.6	12.2	5.7	na	na
Information & Communications	13.4	8.6	10.0	6.9	5.6	6.5	5.0	na	na
Finance & Insurance	8.3	1.4	2.1	0.5	-0.3	-1.1	-1.7	na	na
Real Estate	18.4	14.1	13.9	14.8	15.2	7.0	12.0	na	na
Professional Services	4.0	7.6	7.4	7.9	6.1	3.7	1.7	na	na
Administrative & Support Services	-11.2	6.6	6.9	5.9	10.5	9.0	6.3	na	na
Other Services Industries	5.5	5.2	5.4	7.9	6.0	5.1	3.8	na	na
By Expenditure Component (YOY % change):									
Consumption	6.1	6.5	10.0	7.9	6.7	6.7	1.0	na	na
Private	6.6	9.7	13.4	12.0	9.5	7.2	2.4	na	na
Public	3.7	-2.3	-0.1	-3.6	-1.5	4.8	-4.7	na	na
Gross Fixed Capital Formation	18.0	1.6	2.1	3.4	-1.2	-0.5	-3.2	na	na
Private	17.3	2.3	4.9	4.3	-1.8	-0.2	-4.6	na	na
Public	21.5	-1.8	-11.1	-0.9	2.0	-2.1	4.4	na	na
External Demand	11.7	-1.3	0.7	3.2	-7.0	1.9	-0.6	na	na

Source:

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

na: Not available

Trade	2021	2022	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	May-23	Jun-23
Total Exports, fob (YOY % change)	19.1	15.6	24.9	23.4	-2.3	-6.5	-16.9	-15.2	-17.2
Non-Oil Domestic Exports	12.1	3.0	8.9	7.1	-14.0	-16.1	-13.4	-14.8	-15.5
Re-Exports	19.2	13.5	21.7	19.8	-2.4	-5.3	-14.5	-9.7	-13.1
Total Imports, cif (YOY % change)	20.4	20.1	31.6	28.1	0.5	-9.3	-20.6	-20.7	-21.4

Wage-price Indicators									
Unemployment Rate (SA, %)	2.7	2.1	2.1	2.1	2.0	1.8	1.9 [#]	1.9	1.9 [#]
Average Nominal Wages (S\$ per month)	5,832	6,227	5,847	5,796	6,622	7,021	6,254	na	na
Consumer Price Index Inflation (YOY % change)	2.3	6.1	5.9	7.3	6.6	6.1	5.1	5.1	4.5
MAS Core Inflation (YOY % change)	0.9	4.1	3.8	5.1	5.1	5.4	4.6	4.7	4.2

Financial Indicators									
S\$ Exchange Rate Against: (end-period)									
US Dollar	1.3517	1.3446	1.3918	1.4340	1.3446	1.3270	1.3557	1.3539	1.3557
100 Japanese Yen	1.1744	1.0135	1.0187	0.9907	1.0135	0.9995	0.9364	0.9685	0.9364
Euro	1.5295	1.4331	1.4547	1.4053	1.4331	1.4473	1.4739	1.4483	1.4739
Interest Rates (end-period, % p.a.) ^{2/}									
S\$ SORA	0.31	2.53	1.66	4.39	2.53	3.58	4.00	3.72	4.00
3-month S\$ SIBOR	0.44	4.25	1.91	3.17	4.25	4.19	4.09	4.09	4.09
US\$ SOFR	0.05	4.30	1.50	2.98	4.30	4.87	5.09	5.08	5.09
Money Supply (end-period)									
Broad Money, M2 (YOY % change) *	na	1.9	na	4.0	1.9	2.4	3.2	3.1	3.2
Straits Times Index (end-period) ^{3/}									
YOY % change	9.8	4.1	-0.9	1.4	4.1	-4.4	3.3	-2.3	3.3

Source:

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

^{3/} Straits Times Index from SGX

na: Not available

[#] Preliminary estimates

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

Government Budget ^{4/}	2021	2022	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	May-23	Jun-23
Operating Revenue (S\$ mil)	83,117	89,180	24,348	24,561	17,870	24,237	29,111	na	na
Total Expenditure (S\$ mil)	91,606	94,999	18,012	21,053	23,110	42,682	19,293	na	na
Operating Expenditure	75,193	79,576	14,628	17,459	19,434	32,917	14,487	na	na
Development Expenditure	16,413	15,423	3,383	3,594	3,676	9,764	4,806	na	na
Primary Surplus/Deficit (S\$ mil)	-8,489	-5,819	6,336	3,508	-5,240	-18,445	9,817	na	na
% of GDP	-1.5	-0.9	3.9	2.2	-3.3	-11.6	6.0	na	na
Balance of Payments									
Current Account Balance (% of GDP)	18.0	19.3	20.5	20.3	14.6	19.2	19.0	na	na
Goods Balance	29.7	29.2	32.0	30.8	26.0	28.1	32.9	na	na
Services Balance	5.6	7.0	6.7	7.1	7.5	4.5	5.9	na	na
Primary Income Balance	-16.4	-16.1	-17.2	-16.9	-18.0	-12.5	-18.5	na	na
Secondary Income Balance	-0.9	-0.8	-1.0	-0.8	-0.9	-1.0	-1.2	na	na
Capital & Fin Account Balance (% of GDP)	2.0	43.4	64.7	37.6	20.8	-1.1	3.5	na	na
Direct Investment	-20.7	-19.3	-19.2	-20.1	-21.3	-17.5	-18.4	na	na
Portfolio Investment	14.2	14.8	14.9	10.2	11.6	16.3	17.0	na	na
Financial Derivatives	-0.3	0.5	2.0	1.9	-1.5	-0.4	1.8	na	na
Other Investment	8.8	47.4	67.1	45.5	32.1	0.5	3.1	na	na
Overall Balance (% of GDP)	15.6	-24.5	-45.2	-16.4	-6.7	19.7	15.4	na	na
Official Foreign Reserves (US\$ mil) ^{5/}	417,904	289,484	314,370	286,067	289,484	312,897	331,188	325,745	331,188
Months of Imports	12.3	7.3	8.3	7.2	7.3	8.1	9.0	8.7	9.0

Source:

^{4/} Ministry of Finance

^{5/} MAS

na: Not available