



Monetary Authority  
of Singapore

# Recent Economic Developments

26 July 2024

## Economic and Monetary Developments

### International Economy

**Global economic activity gathered momentum at the turn of the year** after several quarters of below-trend growth. Most of Singapore's trading partners, including many of the Asian economies, saw a discernible step-up in manufacturing activity and goods exports, which could be traced to strong ICT investment demand in the US. In comparison, private consumption in some advanced economies (AEs), was weighed down by still high inflation and elevated interest rates. In China, growth was underpinned by strong exports, even as private consumption slowed.

**Investment in the AEs is expected to remain firm, while private consumption should also see a pickup next year**, as robust labour market conditions and declining inflation support real earnings growth and most economies begin monetary policy easing in the later part of 2024. All in, the broadening of growth drivers should facilitate a step up in global GDP growth next year.

**On the inflation front, global disinflation has progressed slower than expected in recent months due to sticky services inflation.** The disinflation for core prices is expected to take longer across the AEs due to stronger global goods inflation and elevated services inflation. That said, core inflation should moderate gradually over H2 and into next year, as overall AE labour market conditions come into better balance.

**Remaining upside risks to inflation could prevent monetary policy from being eased as expected, impairing growth.** In the near term, further episodic supply-side disruptions could drive up transport and logistics costs. In 2025, the broadening and intensification of trade conflicts could also impart inflationary impulses. Should high inflation persist, policy settings may remain restrictive for longer, posing some downside risks to growth next year.

## The Singapore Economy

**The Singapore economy continued to grow at a modest sequential pace in Q2 2024.** Based on MTI's *Advance Estimates*, overall GDP expanded by 0.4% q-o-q SA, following the 0.3% increase in Q1. On a y-o-y basis, GDP growth eased slightly from the previous quarter to 2.9%. Tourism-related activities normalised as anticipated, after the concert-driven boost in Q1, while manufacturing output stabilised following the contraction in the previous quarter. Meanwhile, the transport-related industries were supported by increased port activity as well as the front-loading of deliveries by Chinese exporters before the imposition of US tariffs announced in May. Modern services as a whole also recorded a sequential pickup in Q2.

**The global macroeconomic backdrop should remain supportive of Singapore's growth over the second half of the year.** The trade-related cluster will ride on the broadening upturn in the global tech cycle. Growth in the modern services cluster should also strengthen, as activity in financial services in particular is supported by the gradual interest rate cuts by the major central banks. Meanwhile, the travel-related cluster will continue to see above-trend growth, supported by the ongoing recovery in international travel. Growth in consumer-facing domestic services is expected to moderate to pre-pandemic rates in 2024. For 2024 as a whole, GDP growth is likely to come in closer to its potential rate between 2–3%, following the 1.1% growth in 2023.

### *Labour Market*

**Excessive tightness in the domestic labour market likely dissipated over the first half of 2024.** Total employment rose at a slower pace in Q1 as manpower shortages continued to ease. Overall hiring intentions dipped and recruitment rates declined across most sectors, indicating that labour demand cooled. As of Q1 this year, most labour market indicators have returned to around their historical norms or weaker. Meanwhile, large bonus payments in some sectors, including aviation, contributed to strong average monthly earnings growth in Q1 2024, although underlying labour cost pressures continued to ease.

**Against the expected cyclical upturn in H2, the labour market should remain close to full employment this year.** Nevertheless, the strength of demand for workers could vary across sectors. Hiring is likely to remain soft in some consumer-facing services but may strengthen in the external-facing sectors. Meanwhile, nominal earnings growth should continue its broad moderating trend as large bonus payments are unlikely to be repeated. Nominal wage growth could remain slightly elevated compared to its pre-COVID norm, but the impact on unit labour costs should be alleviated by the anticipated upturn in productivity growth this year.

### *Inflation*

**Inflation continued to moderate in Q2.** MAS Core Inflation declined to 3.0% y-o-y in Q2, from 3.3% in Q1, while CPI-All Items inflation edged down to 2.8% from 3.0% over the same period. Notably, the seasonally adjusted q-o-q rate of core price increases, which

looks past the one-off effects of the hikes in GST and carbon tax, slowed to an annualised rate of 2.1% in Q2. The easing pace of price increases in the economy is also corroborated by alternative measures of underlying inflation, all of which point to annualised sequential inflation rates of around 2%.

**Inflation is declining across most goods and services on the back of moderating business cost pressures.** In y-o-y terms, prices of non-cooked food and retail goods rose at a slower pace in Q2, amid easing imported costs and soft consumer spending locally. Meanwhile, inflation for several services categories, including hospital services and other tuition fees, slowed in the latest quarter, as unit labour cost increases moderated.

**Barring renewed shocks to costs, MAS Core Inflation is projected to continue easing.** It should step down more discernibly in Q4 and into 2025. Singapore's imported inflation should remain contained given relatively stable global commodity prices and only modest increases in global producer prices. The appreciating S\$NEER will also continue to dampen imported cost increases. Unit labour cost growth should ease as underlying wage growth moderates and labour productivity growth picks up. The inflationary impulse from earlier cost shocks should taper off as firms make greater progress in passing on earlier accumulated costs to prices.

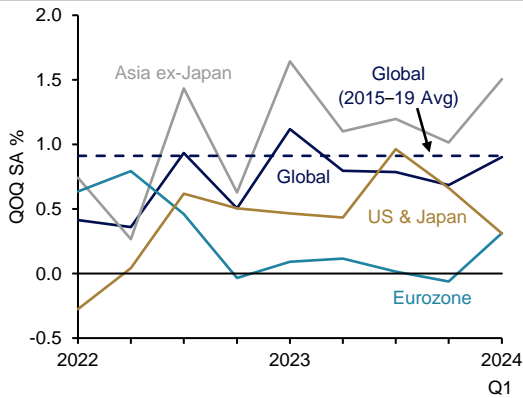
**For the year as a whole, MAS Core Inflation is expected to average around the midpoint of 2.5–3.5% in 2024, and fall further to around 2% in 2025.** CPI-All Items inflation is now expected to average 2.0–3.0%, down from 2.5–3.5%, given recent declines in COE premiums. Excluding the impact of the GST hike, both MAS Core Inflation and CPI-All Items inflation are expected to come in at 1.5–2.5% this year.

**Both upside and downside risks to the inflation outlook remain.** The pace of domestic labour cost increases may reaccelerate if aggregate demand turns out stronger than expected, while an intensification of geopolitical tensions could also impart upsides to imported costs. However, if interest rates stay high for longer than expected, growth momentum in the global and domestic economies could slow and induce a faster pace of easing in cost and price pressures.

# 1. International Economy

*Global growth momentum stepped up at the turn of the year...*

GDP growth

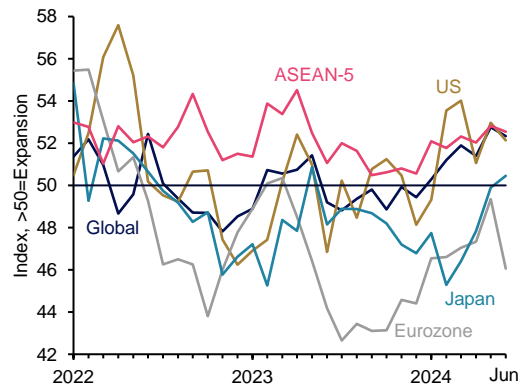


Source: Haver Analytics and EPG, MAS estimates

Note: GDP aggregates are weighted based on Singapore's value-added by destination of final demand (using TiVA data). Asia ex-Japan comprises ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam), China, Hong Kong SAR, India, South Korea and Taiwan.

*...underpinned by a recovery in global manufacturing.*

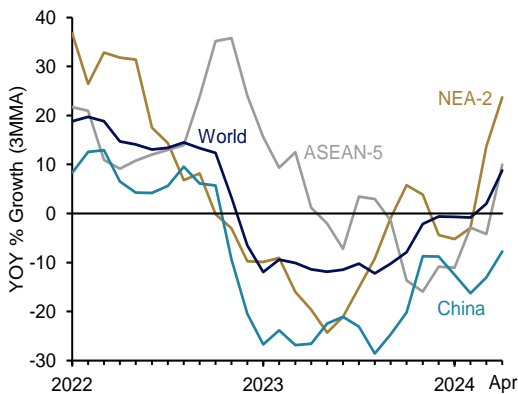
Manufacturing output PMI



Source: Haver Analytics and EPG, MAS estimates

*Strong demand from the US fueled the rebound in Asia's electronics exports.*

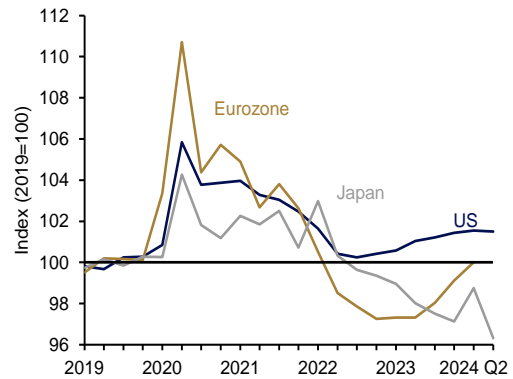
US electronics imports by source country



Source: National Sources and EPG, MAS estimates

*Consumption growth in the AEs should maintain some resilience going forward as real earnings increase.*

Real hourly earnings per employee

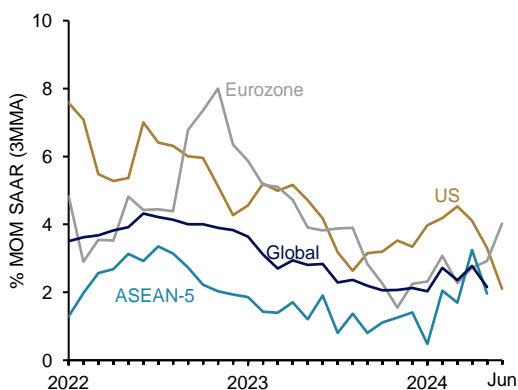


Source: Haver Analytics, National Sources and EPG, MAS estimates

Note: Q2 2024 is the Apr-May average.

*Global disinflation was slower than expected...*

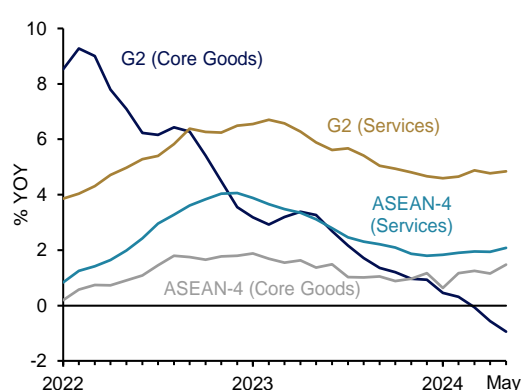
Core inflation momentum



Source: Oxford Economics and EPG, MAS estimates

*...as stubborn services inflation continued to challenge the disinflation progress.*

Core goods and services inflation



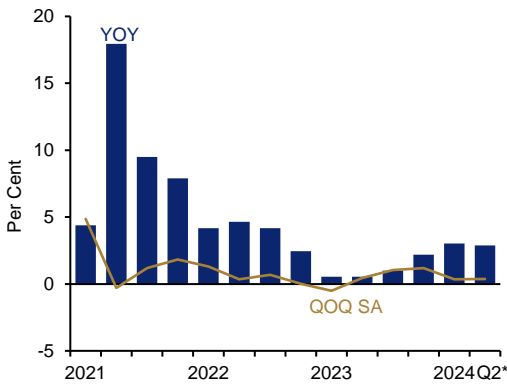
Source: Haver Analytics and EPG, MAS estimates

Note: The ASEAN-4 excludes Indonesia. G2 refers to the US and Eurozone

## 2. The Singapore Economy

*Singapore's GDP growth in Q2 2024 was broadly unchanged from the previous quarter...*

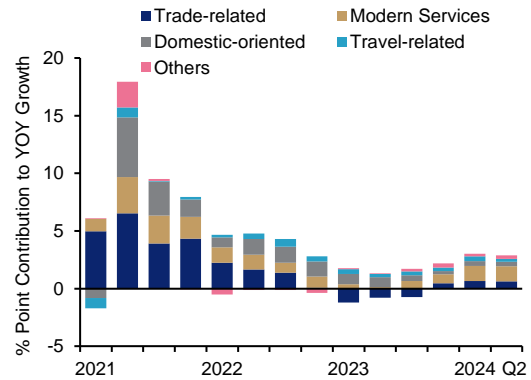
GDP growth



\* Advance Estimates  
Source: DOS

*...supported by the modern services and trade-related sectors.*

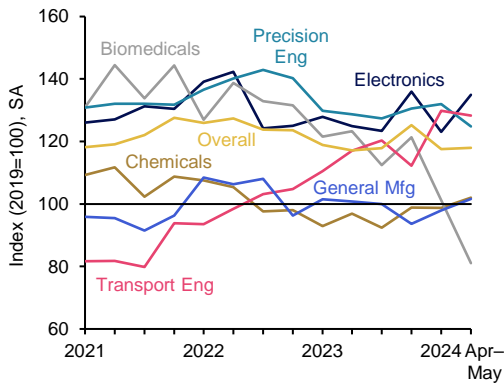
GDP growth profile by sector



Source: EPG, MAS estimates

*While manufacturing output was weighed down by the biomedical cluster...*

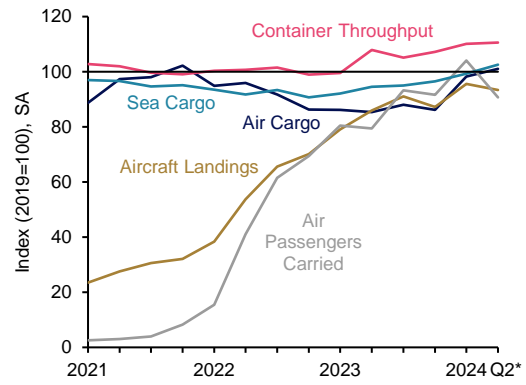
Index of industrial production



Source: EDB

*...sea and air transport activity has performed well in recent months.*

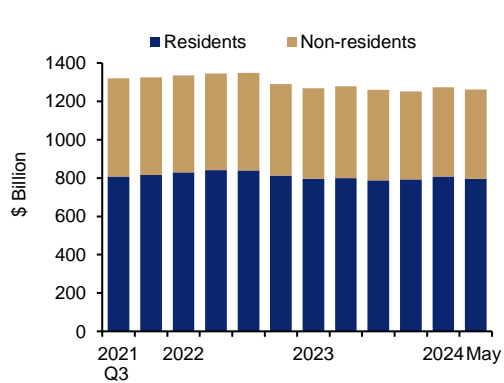
Transport indicators



\* Average of Apr-May for Air Transport indicators  
Source: CAAS, MPA and Haver Analytics

*Credit intermediation activity levelled off even as the broader financial sector continued to grow.*

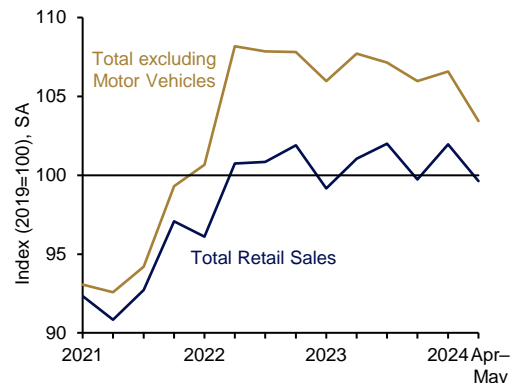
Bank loans & advances to non-bank residents and non-residents



Source: MAS

*Retail sales contracted in Apr-May following the tourism-related boost in Q1.*

Retail sales

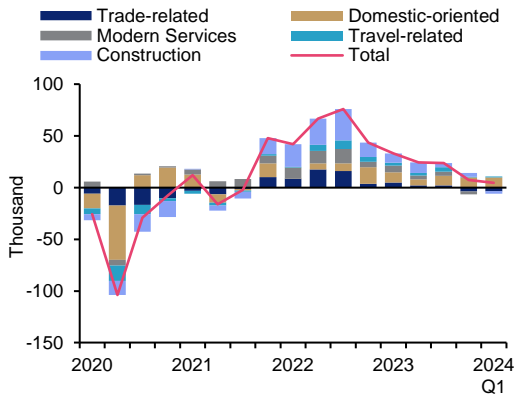


Source: DOS

### 3. Singapore's Labour Market and Inflation

*Employment growth continued to ease...*

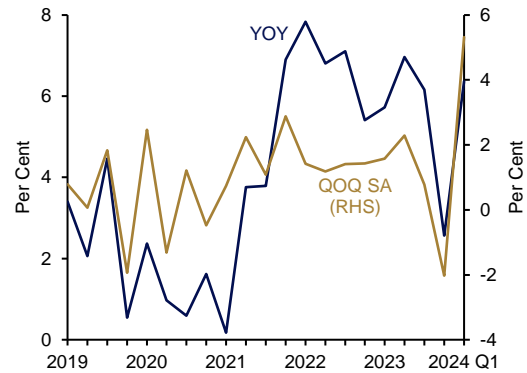
Quarterly employment change



\*Excludes Migrant Domestic Workers  
Source: MOM and EPG, MAS estimates

*...although wage growth remained elevated relative to pre-COVID norms.*

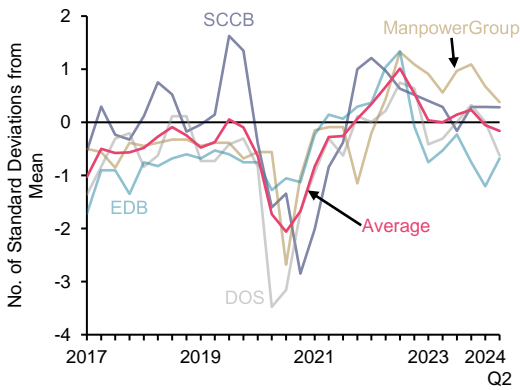
Y-O-Y and seasonally adjusted q-o-q wage growth



Source: CPF and EPG, MAS estimates

*Demand for workers has cooled, and should keep close to pre-COVID norms.*

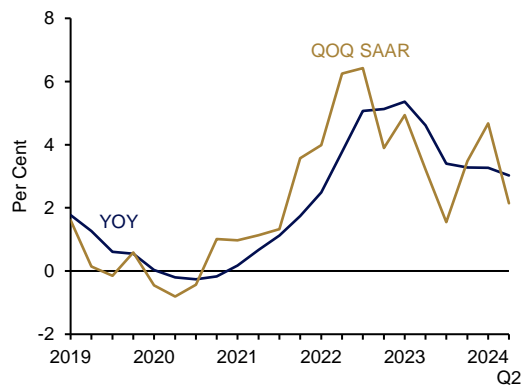
Hiring intention surveys



Source: DOS, EDB, ManpowerGroup and Singapore Commercial Credit Bureau (SCCB)  
Note: The data shows the percentage of surveyed employers expecting to increase headcount minus the percentage of employers expecting to reduce employment during the period. Each reading is normalised by its historical mean and standard deviation.

*Core inflation edged down in y-o-y terms.*

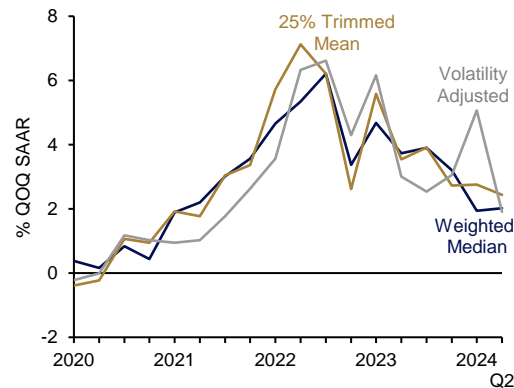
MAS Core Inflation



Source: DOS and EPG, MAS estimates

*Momentum in alternative measures of inflation has declined.*

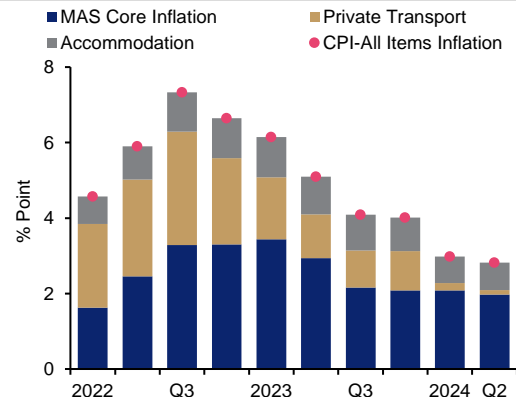
Alternative measures of underlying inflation



Source: DOS and EPG, MAS estimates

*Headline inflation slowed on account of lower core and private transport inflation.*

Contribution to y-o-y CPI-All Items inflation



Source: DOS and EPG, MAS estimates

## Selected Indicators

GENERAL INDICATORS, 2023			
Land Area (Sq km), 2024	735.6	Real Per Capita GDP (US\$)	63,424
Total Population ('000)	5,917.6	Gross National Savings (% of GNI)	48.6
Labour Force ('000)	3,936.3		
Resident Labour Force Participation Rate (%)	68.6		

SECTORAL COMPONENTS OF NOMINAL GDP (% of GDP), 2023		EXPENDITURE COMPONENTS OF NOMINAL GDP (% of GDP), 2023	
Wholesale Trade	22.3	Private Consumption	31.3
Manufacturing	18.6	Private Gross Fixed Capital Formation	18.1
Finance & Insurance	13.8	Public Consumption	10.2
Other Services Industries	9.6	Public Gross Fixed Capital Formation	4.1
Transportation & Storage	6.8	Increase in Stocks	-1.2
Professional Services	5.7	Net Exports of Goods & Services	37.4
Information & Communications	5.7		
Construction	3.5		
Real Estate	3.1		
Administrative & Support Services	2.8		
Retail Trade	1.3		
Food & Beverage Services	0.9		
Accommodation	0.8		

MAJOR EXPORT DESTINATIONS (% SHARE), 2023		MAJOR ORIGINS OF IMPORTS (% SHARE), 2023	
<b>Total Exports (S\$ Billion)</b>	<b>638.4</b>	<b>Total Imports (S\$ Billion)</b>	<b>567.3</b>
China	13.8	China	13.9
Hong Kong	10.6	US	12.3
Malaysia	9.4	Taiwan	11.5
US	9.3	Malaysia	11.3
Indonesia	7.4	Japan	5.0
ASEAN	27.7	ASEAN	21.0
NEA-3	19.3	NEA-3	18.1
EU	7.3	EU	10.4

MAJOR DOMESTIC EXPORTS BY COMMODITY (% SHARE), 2023		MAJOR IMPORTS BY COMMODITY (% SHARE), 2023	
<b>Domestic Exports (S\$ Billion)</b>	<b>285.1</b>	<b>Total Imports (S\$ Billion)</b>	<b>567.3</b>
Mineral Fuels	39.2	Electronics	30.4
Chemicals	17.6	Mineral Fuels	20.8
Electronics	12.7	Machinery & Transport Equipment (ex. Electronics)	19.3
Machinery & Transport Equipment (ex. Electronics)	11.7	Manufactured Articles	8.4
Manufactured Articles	9.0	Chemicals	7.9
Food and Live Animals	3.6	Manufactured Goods	4.9

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.

<b>Overall Economy</b>	<b>2022</b>	<b>2023</b>	<b>2023 Q2</b>	<b>2023 Q3</b>	<b>2023 Q4</b>	<b>2024 Q1</b>	<b>2024 Q2</b>	<b>May-24</b>	<b>Jun-24</b>
GDP at current prices (S\$ bil)	687.2	673.3	167.4	168.4	176.4	172.1	na	na	na
GDP (US\$ bil)	498.4	501.4	125.0	124.8	130.7	128.4	na	na	na
Real GDP Growth (YOY % change)	3.8	1.1	0.5	1.0	2.2	3.0	2.9 *	na	na
Real GDP Growth (QOQ SA % change)	na	na	0.4	1.0	1.2	0.3	0.4 *	na	na
<b>By Sector (YOY % change):</b>									
Manufacturing <sup>1/</sup>	2.7	-4.3	-8.2	-4.9	1.4	-1.7	0.5 *	2.9	na
Construction	4.6	5.2	6.4	3.7	5.2	4.1	4.3 *	na	na
Wholesale Trade	4.0	0.8	2.1	1.1	0.2	1.5	na	na	na
Retail Trade	8.5	1.3	1.6	2.3	-0.3	2.7	na	na	na
Transportation & Storage	4.9	2.3	5.4	0.9	2.8	6.8	na	na	na
Accommodation	2.2	12.1	15.1	12.6	1.5	14.4	na	na	na
Food & Beverage Services	15.4	4.1	4.9	2.9	-1.5	1.1	na	na	na
Information & Communications	8.1	5.7	5.3	6.0	4.7	6.3	na	na	na
Finance & Insurance	0.2	1.3	-1.2	2.5	5.4	6.5	na	na	na
Real Estate	10.9	4.9	9.6	3.6	0.1	0.6	na	na	na
Professional Services	13.2	1.1	0.4	1.4	-0.7	2.5	na	na	na
Administrative & Support Services	7.8	2.0	3.4	1.4	-1.7	0.2	na	na	na
Other Services Industries	4.3	4.4	4.2	3.9	3.9	3.7	na	na	na
<b>By Expenditure Component (YOY % change):</b>									
<b>Consumption</b>	<b>5.6</b>	<b>3.7</b>	<b>2.9</b>	<b>2.7</b>	<b>2.7</b>	<b>6.0</b>	<b>na</b>	<b>na</b>	<b>na</b>
Private	8.2	3.8	4.0	2.0	3.0	5.8	na	na	na
Public	-1.9	2.6	-1.7	4.2	1.1	6.0	na	na	na
<b>Gross Fixed Capital Formation</b>	<b>2.5</b>	<b>-0.2</b>	<b>-2.3</b>	<b>-1.9</b>	<b>3.0</b>	<b>-2.3</b>	<b>na</b>	<b>na</b>	<b>na</b>
Private	3.2	-1.1	-3.6	-3.2	1.5	-4.7	na	na	na
Public	-1.1	4.0	5.4	5.5	10.6	6.8	na	na	na
<b>External Demand</b>	<b>3.0</b>	<b>2.4</b>	<b>-1.6</b>	<b>-1.8</b>	<b>11.0</b>	<b>5.8</b>	<b>na</b>	<b>na</b>	<b>na</b>

Source:

<sup>1/</sup> Monthly data from Index of Industrial Production

na: Not available

\* *Advance Estimates*



Trade	2022	2023	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	May-24	Jun-24
<b>Total Exports, fob (YOY % change)</b>	<b>15.6</b>	<b>-10.1</b>	<b>-16.9</b>	<b>-15.6</b>	<b>0.2</b>	<b>4.4</b>	<b>7.6</b>	<b>12.0</b>	<b>-1.9</b>
Non-Oil Domestic Exports	3.0	-13.1	-13.4	-19.5	-1.4	-3.4	-6.4	-0.7	-8.7
Re-Exports	13.5	-7.1	-14.6	-9.5	1.8	7.9	11.6	12.8	-1.7
<b>Total Imports, cif (YOY % change)</b>	<b>20.1</b>	<b>-13.4</b>	<b>-20.8</b>	<b>-17.4</b>	<b>-4.7</b>	<b>5.2</b>	<b>12.8</b>	<b>16.0</b>	<b>4.7</b>

<b>Wage-price Indicators</b>									
Unemployment Rate (SA, %)	2.1	1.9	1.9	2.0	2.0	2.1	na	2.1	na
Average Nominal Wages (S\$ per month)	6,227	6,555	6,254	6,153	6,792	7,468	na	na	na
Consumer Price Index Inflation (YOY % change)	6.1	4.8	5.1	4.1	4.0	3.0	2.8	3.1	2.4
MAS Core Inflation (YOY % change)	4.1	4.2	4.6	3.4	3.3	3.3	3.0	3.1	2.9

<b>Financial Indicators</b>									
<b>S\$ Exchange Rate Against: (end-period)</b>									
US Dollar	1.3446	1.3186	1.3557	1.3648	1.3186	1.3476	1.3585	1.3507	1.3585
100 Japanese Yen	1.0135	0.9319	0.9364	0.9136	0.9319	0.8902	0.8437	0.8614	0.8437
Euro	1.4331	1.4590	1.4739	1.4432	1.4590	1.4583	1.4525	1.4613	1.4525
<b>Interest Rates (end-period, % p.a.) <sup>2/</sup></b>									
S\$ SORA	2.53	3.62	4.00	3.82	3.62	3.69	3.43	3.52	3.43
3-month S\$ SIBOR	4.25	4.06	4.09	4.06	4.06	4.06	4.05	4.05	4.05
US\$ SOFR	4.30	5.38	5.09	5.31	5.38	5.34	5.33	5.34	5.33
<b>Money Supply (end-period)</b>									
Broad Money, M2 (YOY % change)	1.8	4.6	3.2	4.2	4.6	3.1	na	2.0	na
<b>Straits Times Index (end-period) <sup>3/</sup></b>									
YOY % change	4.1	-0.3	3.3	2.8	-0.3	-1.1	4.0	5.6	4.0

Source:

<sup>2/</sup> ABS Benchmarks Administration Co Pte Ltd, Federal Reserve Bank of New York and MAS

<sup>3/</sup> Straits Times Index from SGX

na: Not available

<b>Government Budget <sup>4/</sup></b>	<b>2022</b>	<b>2023</b>	<b>2023 Q2</b>	<b>2023 Q3</b>	<b>2023 Q4</b>	<b>2024 Q1</b>	<b>2024 Q2</b>	<b>May-24</b>	<b>Jun-24</b>
Operating Revenue (S\$ mil)	89,180	101,502	29,111	27,968	20,187	26,179	na	na	na
<b>Total Expenditure (S\$ mil)</b>	<b>94,999</b>	<b>112,009</b>	<b>19,293</b>	<b>24,386</b>	<b>25,648</b>	<b>35,982</b>	<b>na</b>	<b>na</b>	<b>na</b>
Operating Expenditure	79,576	88,133	14,487	20,062	20,666	28,608	na	na	na
Development Expenditure	15,423	23,876	4,806	4,324	4,982	7,374	na	na	na
<b>Primary Surplus/Deficit (S\$ mil)</b>	<b>-5,819</b>	<b>-10,507</b>	<b>9,817</b>	<b>3,582</b>	<b>-5,461</b>	<b>-9,803</b>	<b>na</b>	<b>na</b>	<b>na</b>
% of GDP	-0.8	-1.6	5.9	2.1	-3.1	-5.7	na	na	na
<b>Balance of Payments</b>									
<b>Current Account Balance (% of GDP)</b>	<b>18.0</b>	<b>19.8</b>	<b>19.6</b>	<b>20.2</b>	<b>19.5</b>	<b>21.6</b>	<b>na</b>	<b>na</b>	<b>na</b>
Goods Balance	30.2	30.9	35.0	31.4	30.0	26.2	na	na	na
Services Balance	8.3	6.5	4.8	6.5	7.8	7.5	na	na	na
Primary Income Balance	-19.2	-16.1	-18.4	-16.5	-17.4	-9.9	na	na	na
Secondary Income Balance	-1.4	-1.5	-1.9	-1.3	-0.9	-2.1	na	na	na
<b>Capital &amp; Fin Account Balance (% of GDP)</b>	<b>40.6</b>	<b>7.1</b>	<b>3.5</b>	<b>13.4</b>	<b>11.3</b>	<b>4.7</b>	<b>na</b>	<b>na</b>	<b>na</b>
Direct Investment	-19.4	-22.4	-23.7	-15.0	-26.5	-19.3	na	na	na
Portfolio Investment	12.1	19.1	18.2	18.2	18.4	18.1	na	na	na
Financial Derivatives	0.5	0.2	1.0	1.2	-1.3	0.9	na	na	na
Other Investment	47.3	10.1	8.0	9.0	20.6	5.0	na	na	na
<b>Overall Balance (% of GDP)</b>	<b>-22.9</b>	<b>12.2</b>	<b>15.0</b>	<b>7.3</b>	<b>7.5</b>	<b>15.9</b>	<b>na</b>	<b>na</b>	<b>na</b>
<b>Official Foreign Reserves (US\$ mil) <sup>5/</sup></b>	<b>289,484</b>	<b>351,031</b>	<b>331,188</b>	<b>337,397</b>	<b>351,031</b>	<b>368,682</b>	<b>371,675</b>	<b>370,542</b>	<b>371,675</b>
Months of Imports	7.3	10.0	9.0	9.5	10.0	10.4	10.2	10.2	10.2

Source:

<sup>4/</sup> Ministry of Finance

<sup>5/</sup> MAS

na: Not available