



Monetary Authority
of Singapore

Recent Economic Developments

29 January 2024

Economic and Monetary Developments

International Economy

The global economy turned out to be more resilient than envisaged in H2 2023, largely reflecting better-than-expected outturns in US and China. Overall growth momentum is expected to slow in the near term, as the lagged impact of high interest rates and less supportive fiscal policy weigh on final demand.

However, global GDP growth should pick up later this year, as lower inflation sustains private consumption expenditure and monetary policy settings in major economies turn more supportive. Emerging Asia is expected to outperform the advanced economies (AEs), boosted by a recovery in global electronics demand, and resilient domestic demand.

Global headline inflation has more than halved since its peak and core inflation has also declined with the dissipation of commodity price shocks and lingering frictions to global supply chains. The further easing of global inflation in 2024 is likely to be at a slower pace. For some major AEs, the return to 2% inflation targets will require materially slower wage growth.

Uncertainties remain over the adjustment path for growth and inflation, including from the impact of long and variable lags of previous monetary tightening. Persistent labour market imbalances or geopolitical events that result in fresh supply-side price pressures could lead to elevated inflation. In response, central banks may maintain interest rates “high for longer”, resulting in much slower than expected growth and increased financial market stress.

The Singapore Economy

The Singapore economy has emerged from the soft patch in 2023. Based on MTI's *Advance Estimates*, the economy recorded stronger-than-expected growth in Q4 last year, extending the upturn in the previous quarter. For the year as a whole, GDP growth is estimated at 1.2%. In tandem with the resilience in external demand, the manufacturing and financial sectors drove the pickup in activity in the fourth quarter. More broadly, there was a further convergence in growth rates among the main economic clusters. The trade-related and modern services sectors gained momentum, while growth in the domestic-oriented and travel-related sectors continued to moderate towards pre-pandemic rates.

With the global economy avoiding a sharp downturn and the tech industry emerging from the doldrums, growth in the Singapore economy is poised to settle at 1–3% in 2024, underpinned by more balanced sectoral growth drivers. The recovery in the global electronics industry has gained traction and will provide an important fillip to growth in the domestic manufacturing sector and broader trade-related services. Likewise, activity in the financial sector is expected to improve amid the plateauing and gradual easing of global interest rates. Meanwhile, growth in the domestic-oriented and travel-related clusters should ease further, albeit still staying above trend this year. Consequently, the slightly negative output gap in 2023 will narrow in the second half of 2024.

Labour Market

Total employment growth (excluding Migrant Domestic Workers) moderated in Q3 2023, as supply and demand conditions continued to equilibrate. Labour supply conditions have broadly normalised, with the overall non-resident workforce expanding beyond its pre-COVID level. Meanwhile, labour demand continued to slow in Q3 amid weaker cyclical growth, particularly for external-oriented sectors where the number of retrenched workers picked up. Accordingly, excess demand for workers diminished and with it some labour market tightness. The ratio of job vacancies to unemployed persons fell significantly in Q3 to 1.58, compared to 1.94 the previous quarter.

Notwithstanding improved GDP growth prospects for this year, the boost to hiring from the cyclical upturn in the trade-related sectors is expected to be muted given their low labour intensities. In other pockets of the labour market, fresh hiring may be limited as employers could already be operating with some spare workforce capacity, following some degree of labour hoarding over the past two years. Nevertheless, the overall labour market should stay supported and resident unemployment low in 2024, with hiring sentiments remaining largely in line with historical norms in most recent employer surveys.

As excessive labour market tightness dissipates, growth in resident nominal wages (as measured by average monthly earnings) should slow from their elevated rates in 2023. Further, last year's economic weakness is expected to weigh on increments and bonuses

given out in 2024. Unit labour cost increases should consequently moderate significantly from last year and help alleviate cost pressures for businesses.

Inflation

MAS Core Inflation eased to 3.3% y-o-y in Q4, from 3.4% in Q3. Moderating import cost pressures and softer consumer demand dampened inflation for food and retail goods, offsetting the impact of firmer electricity & gas inflation. However, the inflation momentum for services strengthened in Q4. Inflation for some services, such as healthcare, stepped up as prices rose more steeply to catch up with accumulated cost pressures. Inflation in travel-related services components, such as package tours and hotels & other expenses, was also stronger than expected, as a result of robust travel demand globally and labour constraints in hospitality industries abroad.

CPI-All Items inflation edged down to 4.0% y-o-y in Q4, from 4.1% in Q3. In addition to lower core inflation, accommodation inflation fell further as increased housing supply weighed on rental price growth. These factors more than offset the pickup in private transport inflation amid higher petrol prices.

For 2023 as a whole, MAS Core Inflation averaged 4.2%, compared to 4.1% in 2022. Excluding the impact of the GST increase, core inflation is estimated to have fallen by an estimated 0.6%-point in 2023, relative to 2022. Meanwhile, CPI-All Items inflation averaged 4.8% in 2023, down from 6.1% in the preceding year.

MAS Core Inflation is expected to rise in the current quarter due in part to the one-off impact of the 1%-point hike in the GST from January this year, as well as the increase in the carbon tax. Water prices will rise from Q2 this year amid increases in production costs. As services fees in some sectors have yet to fully catch up to higher cost levels, inflation in services components such as healthcare and public transport could also stay elevated.

Setting aside the transitory impact of the GST increase, core inflation is forecast to decline gradually over 2024. Services unit labour cost growth should slow as wage growth moderates, while labour productivity should improve with the revival in capital formation. Global energy and food commodity prices have fallen and are expected to remain broadly stable hereon. Imported cost pressures of most intermediate and final goods should also be tempered by favourable global supply conditions.

MAS Core Inflation is expected to average 2.5–3.5% in 2024 as a whole. It is likely to remain elevated in the earlier part of the year, but should decline gradually and step down by Q4, before falling further next year.

The forecast range for CPI-All Items inflation in 2024 has been lowered to 2.5–3.5%, from 3.0–4.0% previously, following declines in COE premiums since November 2023 and an anticipated increase in COE supply this year.

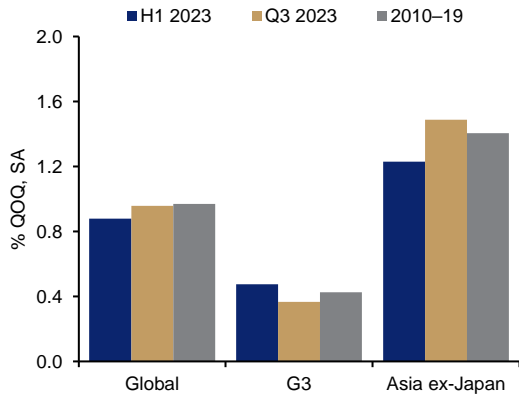
Excluding the transitory effects of the increase in the GST rate, both headline and core inflation are expected to come in at 1.5–2.5%.

Nonetheless, risks to the inflation outlook remain. Shocks to global commodity prices, international shipping costs, or domestic labour costs could bring about additional inflationary pressures. However, an unexpected weakening in the global economy could induce a faster easing of cost and price pressures.

1. International Economy

Global growth has been resilient...

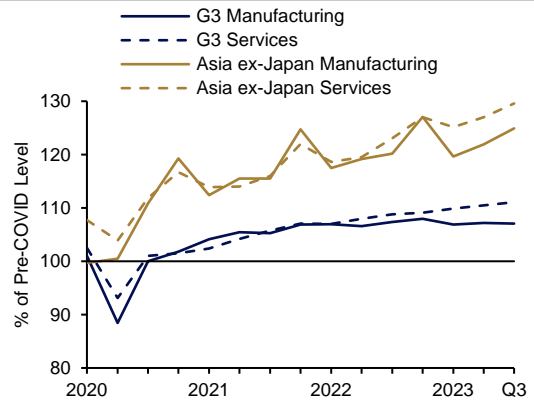
GDP growth



Source: Oxford Economics and EPG, MAS estimates
 Note: GDP aggregates are weighted based on Singapore's value-added by destination of final demand (using TiVA data). The G3 are the Eurozone, Japan and US; and Asia ex-Japan comprises ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam), China, Hong Kong SAR, India, South Korea and Taiwan.

...underpinned by a broad-based pickup in Asia ex-Japan economies, and continued strength in services in the G3.

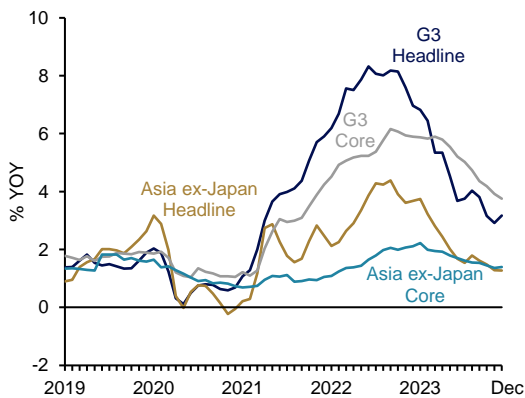
Manufacturing and services value added



Source: Haver Analytics and EPG, MAS estimates
 Note: The pre-COVID level for each country grouping refers to the value added level averaged over 2015-19.

Both headline and core inflation have fallen further, and returned to trend for Asia ex-Japan.

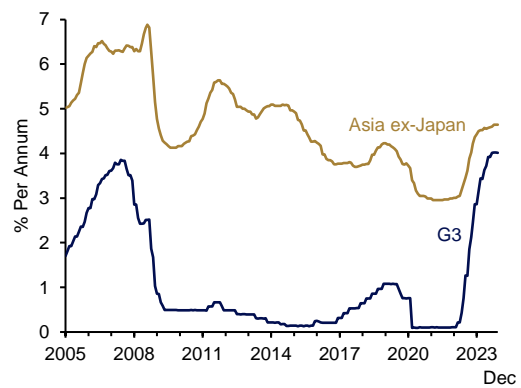
Inflation



Source: Haver Analytics and EPG, MAS estimates
 Note: CPI aggregates are weighted by economies' shares in Singapore's direct imports.

Major central banks are expected to adjust their policy stances as inflation eases.

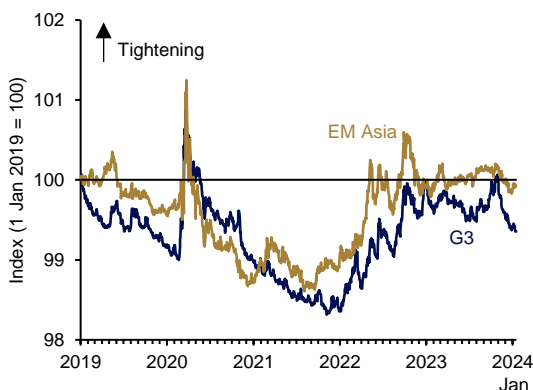
Monetary policy interest rates



Source: Haver Analytics and EPG, MAS estimates

However, there remains a risk of renewed financial tightening.

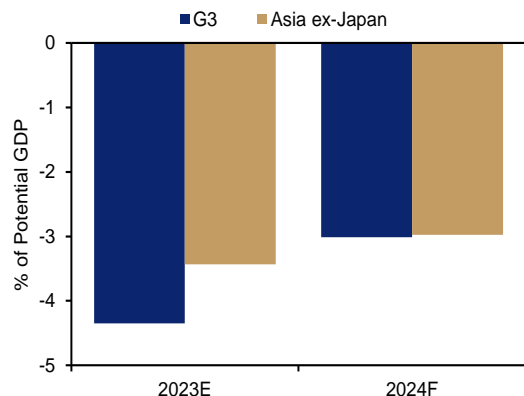
Financial conditions indices



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.

Fiscal policy will provide less support to growth this year.

General government cyclically adjusted primary balance



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

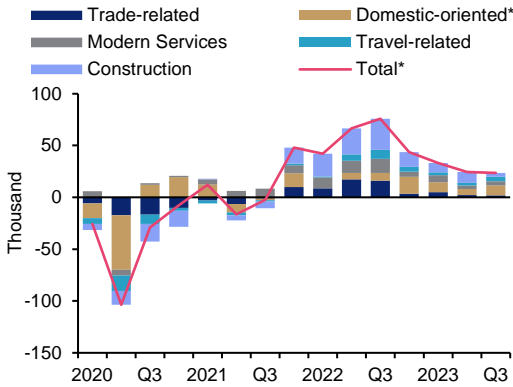
2. The Singapore Economy

<p><i>Singapore's GDP growth gathered pace in Q4 2023...</i></p> <p>GDP growth</p> <p style="font-size: small;">* Advance Estimates Source: DOS</p>	<p><i>...driven by improvements in the trade-related and modern services sectors.</i></p> <p>GDP growth profile by sector</p> <p style="font-size: small;">Source: EPG, MAS estimates</p>
<p><i>The expansion in industrial production was led by the electronics industry.</i></p> <p>Index of industrial production</p> <p style="font-size: small;">Source: EDB</p>	<p><i>Water transport also picked up.</i></p> <p>Transport indicators</p> <p style="font-size: small;">Source: CAAS, MPA and Haver Analytics</p>
<p><i>Credit intermediation activity remained lacklustre even as the broader financial sector improved.</i></p> <p>Bank loans & advances to non-bank residents and non-residents</p> <p style="font-size: small;">Source: MAS</p>	<p><i>Retail sales contracted across a broad range of goods.</i></p> <p>Retail sales</p> <p style="font-size: small;">Source: DOS</p>

3. Singapore's Labour Market and Inflation

Employment growth continued to ease...

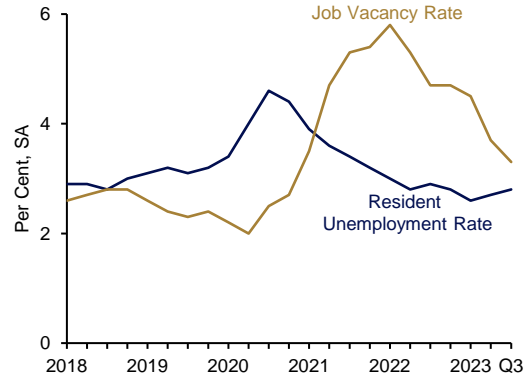
Quarterly employment change



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

...but the labour market remains tight overall.

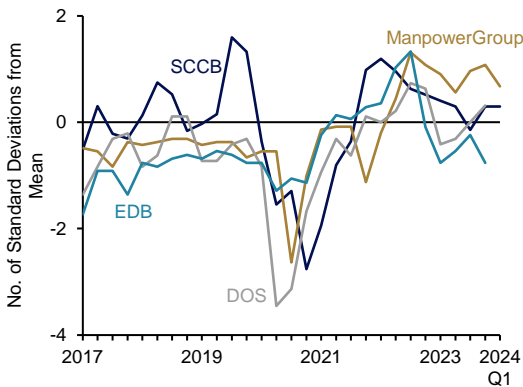
Seasonally adjusted job vacancy rate and resident unemployment rate



Source: MOM

Hiring should moderate this year, but stay largely in line with historical norms.

Hiring intention surveys

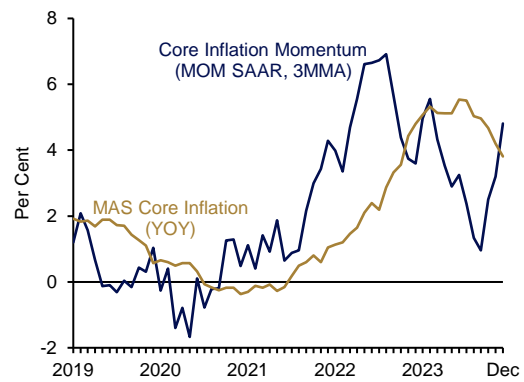


Source: DOS, EDB, ManpowerGroup and Singapore Commercial Credit Bureau (SCCB)

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 eased slightly in y-o-y terms in Q4.

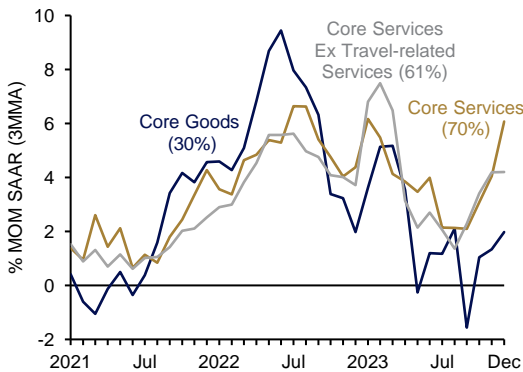
MAS Core Inflation



Source: DOS and EPG, MAS estimates

Core services inflation momentum rose as travel-related services fees increased by more than expected

Inflation momentum of core goods & services

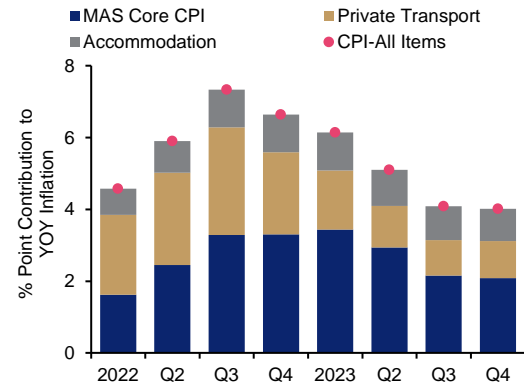


Source: DOS and EPG, MAS estimates

Note: Figures in parentheses refer to the share of each category in the MAS Core CPI basket.

Headline inflation edged down on account of lower core and accommodation inflation.

Contribution to CPI-All Items inflation



Source: DOS and EPG, MAS estimates

Selected Indicators

GENERAL INDICATORS, 2023			
Land Area (Sq km)	735.2	Real Per Capita GDP (US\$), 2022	65,302
Total Population ('000)	5,917.6	Gross National Savings (% of GNI), 2022	49.2
Labour Force ('000), 2022	3,754.2		
Resident Labour Force Participation Rate (%)	68.6		

SECTORAL COMPONENTS OF NOMINAL GDP (% of GDP), 2022		EXPENDITURE COMPONENTS OF NOMINAL GDP (% 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), 2023		MAJOR ORIGINS OF IMPORTS (% SHARE), 2023	
Total Exports (S\$ Billion)	638.6	Total Imports (S\$ Billion)	567.8
China	13.8	China	13.9
Hong Kong	10.6	Malaysia	11.3
Malaysia	9.3	Taiwan	11.5
US	9.3	US	12.3
Indonesia	7.4	Japan	5.0
ASEAN	27.7	ASEAN	21.0
NEA-3	19.3	NEA-3	18.1
EU	7.3	EU	10.3

MAJOR DOMESTIC EXPORTS BY COMMODITY (% SHARE), 2023		MAJOR IMPORTS BY COMMODITY (% SHARE), 2023	
Domestic Exports (S\$ Billion)	285.1	Total Imports (S\$ Billion)	567.8
Mineral Fuels	39.2	Electronics	30.4
Chemicals	17.6	Mineral Fuels	20.7
Electronics	12.7	Machinery & Transport Equipment (ex. Electronics)	19.4
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.

Overall Economy	2022	2023	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	Nov-23	Dec-23
GDP at current prices (S\$ bil)	643.5	na	160.7	159.5	163.2	164.9	na	na	na
GDP (US\$ bil)	466.8	na	115.9	119.7	121.8	122.2	na	na	na
Real GDP Growth (YOY % change)	3.6	1.2 *	2.1	0.5	0.6	1.0	2.8 *	na	na
Real GDP Growth (QOQ SA % change)	na	na	0.1	-0.3	0.1	1.3	1.7	na	na
By Sector (YOY % change):									
Manufacturing ^{1/}	2.5	-3.6	-2.6	-5.2	-7.5	-4.7	3.2	0.0	-2.5
Construction	6.7	7.7	10.0	7.9	7.7	6.2	9.1	na	na
Wholesale Trade	3.2	na	2.4	-1.7	0.2	1.2	na	na	na
Retail Trade	8.4	na	5.1	2.3	2.4	2.2	na	na	na
Transportation & Storage	4.0	na	2.5	0.9	5.7	1.1	na	na	na
Accommodation	0.5	na	7.8	21.5	13.0	12.9	na	na	na
Food & Beverage Services	18.2	na	19.6	12.1	5.8	3.5	na	na	na
Information & Communications	8.6	na	5.6	6.5	7.0	5.6	na	na	na
Finance & Insurance	1.4	na	-0.3	-1.3	-1.1	1.5	na	na	na
Real Estate	14.1	na	15.2	7.0	12.1	3.4	na	na	na
Professional Services	7.6	na	6.1	4.1	1.3	0.8	na	na	na
Administrative & Support Services	6.6	na	10.5	7.8	5.0	2.0	na	na	na
Other Services Industries	5.2	na	6.0	5.4	4.1	4.4	na	na	na
By Expenditure Component (YOY % change):									
Consumption	6.5	na	6.7	6.2	0.8	4.4	na	na	na
Private	9.7	na	9.5	6.2	1.9	4.4	na	na	na
Public	-2.3	na	-1.5	5.7	-4.1	3.4	na	na	na
Gross Fixed Capital Formation	1.6	na	-1.2	0.5	-2.8	-0.7	na	na	na
Private	2.3	na	-1.8	0.6	-4.2	-2.0	na	na	na
Public	-1.8	na	2.0	-0.5	5.1	6.1	na	na	na
External Demand	-1.3	na	-7.0	1.9	-1.1	-1.0	na	na	na

Source:

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

na: Not available

* *Advance Estimates*

Trade	2022	2023	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	Nov-23	Dec-23
Total Exports, fob (YOY % change)	15.6	-10.1	-2.3	-6.5	-16.9	-15.6	0.2	2.6	-4.6
Non-Oil Domestic Exports	3.0	-13.1	-14.0	-16.1	-13.4	-19.5	-1.4	1.0	-1.5
Re-Exports	13.5	-7.1	-2.4	-5.3	-14.5	-9.4	1.8	5.3	-2.1
Total Imports, cif (YOY % change)	20.1	-13.4	0.5	-9.3	-20.7	-17.3	-4.7	-2.5	-9.3

Wage-price Indicators									
Unemployment Rate (SA, %)	2.1	na	2.0	1.8	1.9	2.0	na	2.0	na
Average Nominal Wages (S\$ per month)	6,227	na	6,622	7,021	6,254	6,153	na	na	na
Consumer Price Index Inflation (YOY % change)	6.1	4.8	6.6	6.1	5.1	4.1	4.0	3.6	3.7
MAS Core Inflation (YOY % change)	4.1	4.2	5.1	5.4	4.6	3.4	3.3	3.2	3.3

Financial Indicators									
S\$ Exchange Rate Against: (end-period)									
US Dollar	1.3446	1.3186	1.3446	1.3270	1.3557	1.3648	1.3186	1.3316	1.3186
100 Japanese Yen	1.0135	0.9319	1.0135	0.9995	0.9364	0.9136	0.9319	0.9052	0.9319
Euro	1.4331	1.4590	1.4331	1.4473	1.4739	1.4432	1.4590	1.4612	1.4590
Interest Rates (end-period, % p.a.) ^{2/}									
S\$ SORA	2.53	3.62	2.53	3.58	4.00	3.82	3.62	3.66	3.62
3-month S\$ SIBOR	4.25	4.06	4.25	4.19	4.09	4.06	4.06	4.06	4.06
US\$ SOFR	4.30	5.38	4.30	4.87	5.09	5.31	5.38	5.33	5.38
Money Supply (end-period)									
Broad Money, M2 (YOY % change)	1.8	na	1.8	2.4	3.2	4.2	na	5.3	na
Straits Times Index (end-period) ^{3/}									
YOY % change	4.1	-0.3	4.1	-4.4	3.3	2.8	-0.3	-6.6	-0.3

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

Government Budget ^{4/}	2022	2023	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	Nov-23	Dec-23
Operating Revenue (S\$ mil)	89,180	na	17,870	24,237	29,111	27,968	na	na	na
Total Expenditure (S\$ mil)	94,999	na	23,110	42,682	19,293	24,386	na	na	na
Operating Expenditure	79,576	na	19,434	32,917	14,487	20,062	na	na	na
Development Expenditure	15,423	na	3,676	9,764	4,806	4,324	na	na	na
Primary Surplus/Deficit (S\$ mil)	-5,819	na	-5,240	-18,445	9,817	3,582	na	na	na
% of GDP	-0.9	na	-3.3	-11.6	6.0	2.2	na	na	na
Balance of Payments									
Current Account Balance (% of GDP)	19.3	na	14.6	19.8	19.3	18.2	na	na	na
Goods Balance	29.2	na	26.0	28.0	33.7	31.6	na	na	na
Services Balance	7.0	na	7.5	5.0	5.6	5.8	na	na	na
Primary Income Balance	-16.1	na	-18.0	-12.2	-18.7	-18.0	na	na	na
Secondary Income Balance	-0.8	na	-0.9	-1.0	-1.2	-1.2	na	na	na
Capital & Fin Account Balance (% of GDP)	43.4	na	20.8	-0.7	3.0	9.9	na	na	na
Direct Investment	-19.3	na	-21.3	-18.6	-17.7	-10.4	na	na	na
Portfolio Investment	14.8	na	11.6	14.6	16.0	23.2	na	na	na
Financial Derivatives	0.5	na	-1.5	-0.3	1.4	0.2	na	na	na
Other Investment	47.4	na	32.1	3.7	3.3	-3.1	na	na	na
Overall Balance (% of GDP)	-24.5	na	-6.7	19.6	15.4	7.4	na	na	na
Official Foreign Reserves (US\$ mil) ^{5/}	289,484	351,031	289,484	312,897	331,188	337,397	351,031	345,464	351,031
Months of Imports	7.3	10.0	7.3	8.1	9.0	9.5	10.0	9.7	10.0

Source:

^{4/} Ministry of Finance

^{5/} MAS

na: Not available