Chapter 1

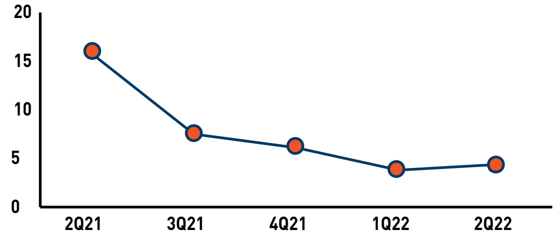
THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP grew by

4.4% in 2Q22

Quarterly Growth (Year-on-Year)



Main Drivers of Growth in 2Q22

Manufacturing

1.2%-point contribution

Other Services Industries

0.6%-point contribution

LABOUR MARKET

Resident Unemployment Rate

2.9% in 2Q22

Employment (Q-O-Q Change)

+69,000 employed

Sectors with the Highest Employment Growth in 2Q22

+25,200 employed	+12,200 employed	+8,200 employed
Construction	Manufacturing	Other Services Industries

PRODUCTIVITY

Value-Added per Actual Hour Worked increased by

0.8% in 2Q22

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 2Q22

23.0%	12.5%	11.7%
Food & Beverage Services	Real Estate	Retail Trade

COSTS

Overall Unit Labour Cost increased by
9.0% in 2Q22

Within the Manufacturing Sector

5.2% Unit Business Cost

9.3% Unit Labour Cost

PRICES

The Consumer Price Index (CPI) rose by
5.9% in 2Q22

Categories with Price Increases

16.6% Transport

5.1% Housing & Utilities

4.7% Food

INTERNATIONAL TRADE

Total Merchandise Exports increased by
25.0% in 2Q22

EXPORTS

73.0% Oil Domestic Exports

21.8% Re-Exports

9.1% Non-Oil Domestic Exports

Total Services Exports grew by
13.2% in 2Q22

Services Exports Increase was led by...

5.2%-pt Transport Services

3.6%-pt Travel

2.0%-pt Other Business Services

OVERVIEW

In the second quarter of 2022,

- The Singapore economy expanded by 4.4 per cent on a year-on-year basis, supported mainly by growth in the manufacturing, other services and information & communications sectors.

- The seasonally-adjusted unemployment rates fell at the overall level, as well as for residents and citizens. The number of retrenchments also declined over the quarter.

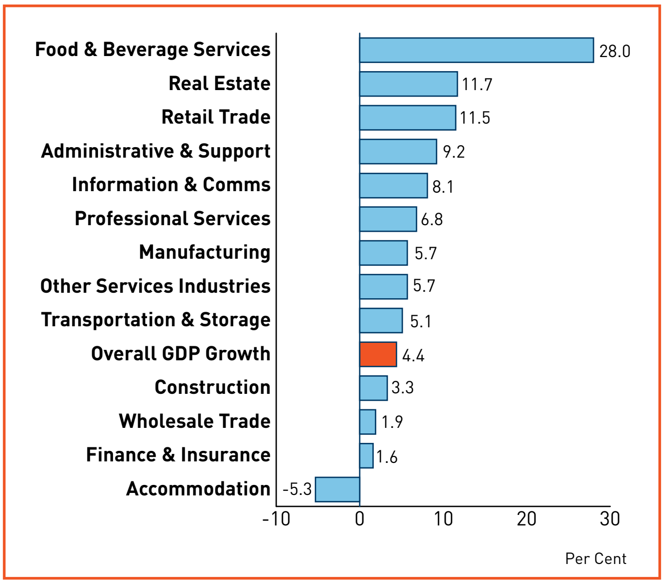
- Total employment rose by 69,000 on a quarter-on-quarter basis, extending the gains in the preceding quarter. Excluding Migrant Domestic Workers (MDWs), total employment increased by 64,400 on the back of employment gains for both residents and non-residents. Non-residents accounted for the bulk of the employment increase following the significant relaxation of border restrictions in April 2022.

- The Consumer Price Index-All Items (CPI-All Items) rose by 5.9 per cent on a year-on-year basis, faster than the 4.6 per cent increase registered in the previous quarter.

OVERALL PERFORMANCE

The Singapore economy expanded by 4.4 per cent on a year-on-year basis in the second quarter of 2022, an improvement from the 3.8 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy contracted marginally by 0.2 per cent, a reversal from the 0.8 per cent growth in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 2Q 2022



The manufacturing sector grew by 5.7 per cent year-on-year in the second quarter, slightly faster than the 5.5 per cent growth recorded in the previous quarter. Growth during the quarter was supported by output expansions in the transport engineering, general manufacturing, electronics and precision engineering clusters, which more than offset output declines in the biomedical manufacturing and chemicals clusters.

The services producing industries expanded by 4.8 per cent year-on-year in the second quarter, extending the 4.7 per cent growth registered in the previous quarter. Growth was supported by expansions in all services sectors except for the accommodation sector, which contracted by 5.3 per cent. Among the services sectors that expanded, the food & beverage services (28.0 per cent), real estate (11.7 per cent) and retail trade (11.5 per cent) sectors posted the fastest expansions.

The construction sector grew by 3.3 per cent year-on-year in the second quarter, a step-up from the 2.4 per cent growth seen in the previous quarter. The sector's growth came on the back of an expansion in both private and public sector construction output.

The top three positive contributors to GDP growth in the second quarter were the manufacturing, other services and information & communications sectors (Exhibit 1.2).

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 2Q 2022 (By Industry)

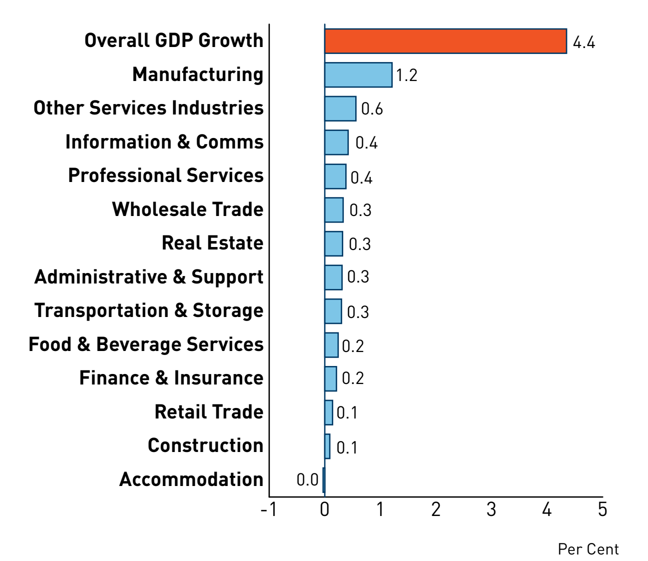


Exhibit 1.3: Changes in Total Demand*

	2021			2022	
	II	II	IV	I	II
Total Demand	16.5	8.2	7.0	3.6	**5.3**
External Demand	14.2	6.9	7.9	4.1	**4.9**
Total Domestic Demand	23.4	11.8	4.6	2.4	**6.4**
Consumption Expenditure	16.4	3.9	2.8	2.7	**8.9**
Public	0.7	3.3	3.6	-2.7	**-1.0**
Private	23.0	4.1	2.6	5.1	**12.2**
Gross Fixed Capital Formation	42.9	32.8	8.3	2.1	**2.6**
Changes in Inventories	-0.4	-0.3	0.0	0.0	**-0.1**

** For inventories, this refers to the contribution to GDP growth.*

SOURCES OF GROWTH

Total demand increased by 5.3 per cent year-on-year in the second quarter of 2022, an improvement from the 3.6 per cent growth in the previous quarter (Exhibit 1.3). Both external and domestic demand expanded during the quarter.

External demand rose by 4.9 per cent year-on-year, extending the 4.1 per cent growth in the previous quarter. Meanwhile, domestic demand increased by 6.4 per cent year-on-year, accelerating from the 2.4 per cent growth in the first quarter.

Within domestic demand, consumption expenditure climbed by 8.9 per cent year-on-year, faster than the 2.7 per cent increase in the preceding quarter. The increase in consumption expenditure was supported by higher private consumption expenditure (12.2 per cent), even as public consumption expenditure dipped (-1.0 per cent).

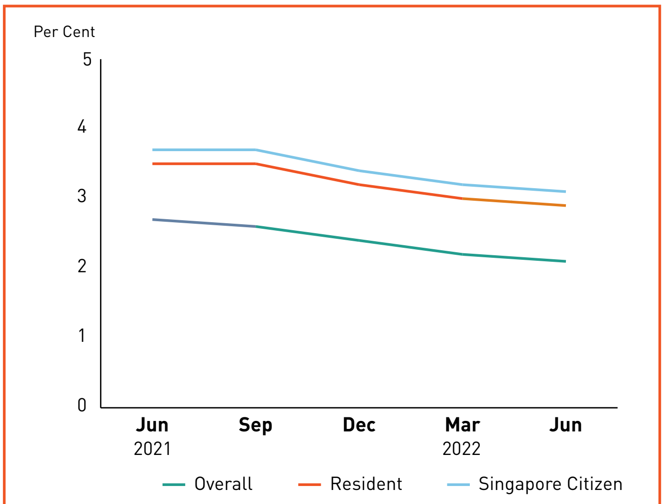
Meanwhile, gross fixed capital formation (GFCF) rose by 2.6 per cent year-on-year, extending the 2.1 per cent growth in the previous quarter. The increase in GFCF during the quarter was due to higher private sector GFCF (5.2 per cent), which outweighed a decline in public sector GFCF (-9.4 per cent). Private sector GFCF expanded on account of an increase in investments in private transport equipment, machinery & equipment and intellectual property products, which more than offset a fall in investments in private construction & works. Meanwhile, public sector GFCF declined due to lower investments in public machinery & equipment, construction & works and transport equipment, even as investments in public intellectual property products picked up.

LABOUR MARKET

Unemployment and Retrenchment[1]

Compared to March 2022, the seasonally-adjusted unemployment rates in June 2022 dipped at the overall level (from 2.2 per cent to 2.1 per cent), as well as for residents (from 3.0 per cent to 2.9 per cent) and citizens (from 3.2 per cent to 3.1 per cent) (Exhibit 1.4). As of June 2022, all three unemployment rates were marginally below their respective pre-pandemic levels.[2]

Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)

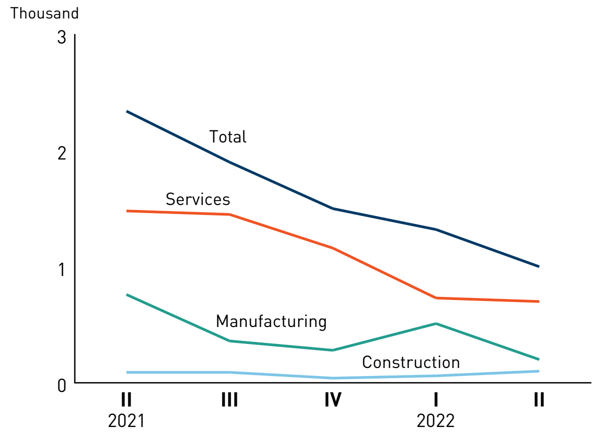


1 Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.
2 The annual average overall, resident and citizen unemployment rates in 2018 and 2019 were 2.2 per cent, 3.0 per cent and 3.2 per cent respectively.

In June 2022, an estimated 71,100 residents, including 63,500 Singapore citizens, were unemployed. These were lower than the number of unemployed residents (73,900) and citizens (66,700) in March 2022.[3]

Total retrenchments declined to a record low of 1,000[4] in the second quarter of 2022, from 1,320 in the preceding quarter (Exhibit 1.5). Over the quarter, retrenchments fell in the services (from 730 to 700) and manufacturing (from 510 to 200) sectors, but rose in the construction (from 60 to 100) sector.

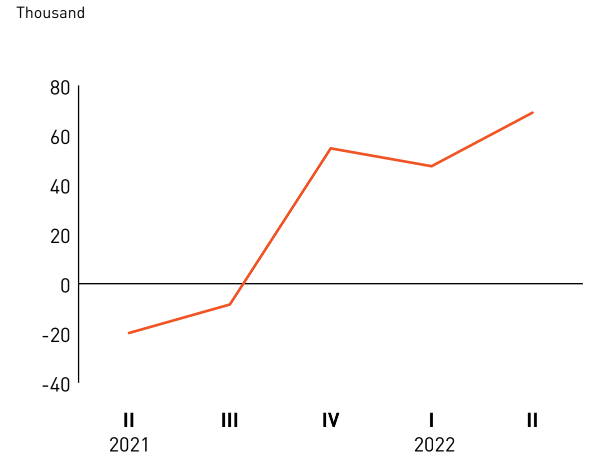
Exhibit 1.5: Retrenchments



Employment[5]

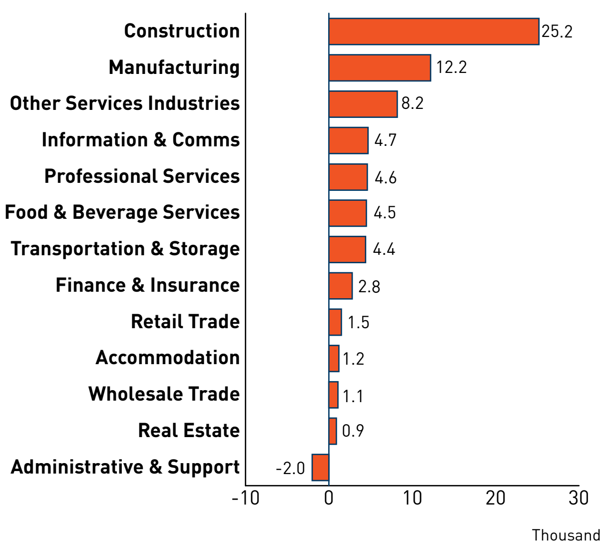
Total employment increased by 69,000 on a quarter-on-quarter basis in the second quarter of 2022, larger than the gains recorded in the preceding quarter (47,400) (Exhibit 1.6). Excluding MDWs, total employment rose by 64,400. Both residents and non-residents registered employment growth during the second quarter, with non-residents accounting for the bulk of the employment increase following the significant relaxation of border restrictions in April 2022.

Exhibit 1.6: Change in Total Employment, Quarter-on-Quarter



Total employment growth was largely driven by the overall services sector (+31,900; or +27,300 excluding MDWs). The latter was in turn supported by employment gains in the other services (+8,200), information & communications (+4,700) and professional services (+4,600) sectors (Exhibit 1.7). Over the same period, construction and manufacturing employment rose by 25,200 and 12,200 respectively, a faster pace of increase than that seen in the preceding quarter.

Exhibit 1.7: Changes in Employment by Industry in 2Q 2022



3 *Based on seasonally-adjusted data on the number of unemployed persons.*
4 *This is the lowest quarterly retrenchment level on record since the start of the data series in 1998. The previous low recorded was in the first quarter of 2022 (1,320).*
5 *Based on preliminary estimates.*

Hiring Expectations

According to EDB's latest Business Expectations Survey for the Manufacturing Sector, hiring expectations in the sector were positive, with a net weighted balance of 25 per cent of manufacturers expecting to increase hiring in the third quarter of 2022 as compared to the second quarter. Firms in the aerospace segment of the transport engineering cluster were the most optimistic, with a net weighted balance of 73 per cent of firms expecting to increase hiring in the third quarter. By contrast, firms in the other chemicals segment of the chemicals cluster were the most pessimistic, with a net weighted balance of 4 per cent of firms expecting a lower level of hiring in the third quarter.

Hiring expectations for services firms were also positive. According to DOS' latest Business Expectations Survey for the Services Sector, a net weighted balance of 16 per cent of services firms expected to increase hiring in the third quarter of 2022 as compared to the second quarter. Among the services sectors, firms in the accommodation sector had the strongest hiring sentiments, with a net weighted balance of 54 per cent of firms expecting to increase hiring in the third quarter. On the other hand, firms in the real estate sector had the least positive hiring sentiments, with a net weighted balance of 4 per cent of firms expecting to hire more workers in the third quarter.

COMPETITIVENESS

Productivity

Overall labour productivity, as measured by real value-added per actual hour worked, grew by 0.8 per cent year-on-year in the second quarter of 2022, moderating from the 2.3 per cent increase in the previous quarter (Exhibit 1.8).[6]

Exhibit 1.8: Changes in Value-Added per Actual Hour Worked for the Overall Economy and Sectors in 2Q 2022

Among the sectors, the food & beverage services (23.0 per cent), real estate (12.5 per cent), retail trade (11.7 per cent) and administrative & support services (7.5 per cent) sectors recorded the strongest productivity gains in the second quarter. The other services (4.0 per cent), wholesale trade (4.0 per cent), transportation & storage (2.6 per cent), manufacturing (1.9 per cent) and professional services (1.6 per cent) sectors also saw productivity improvements. By contrast, productivity declines were observed in the construction (-8.2 per cent), accommodation (-7.2 per cent), finance & insurance (-2.2 per cent) and information & communications (-1.4 per cent) sectors.

In the second quarter, the productivity of outward-oriented sectors as a whole rose by 0.8 per cent year-on-year, moderating from the 3.5 per cent increase in the previous quarter.[7] Meanwhile, the productivity of domestically-oriented sectors as a whole improved by 4.0 per cent year-on-year, faster than the 2.0 per cent increase in the preceding quarter.

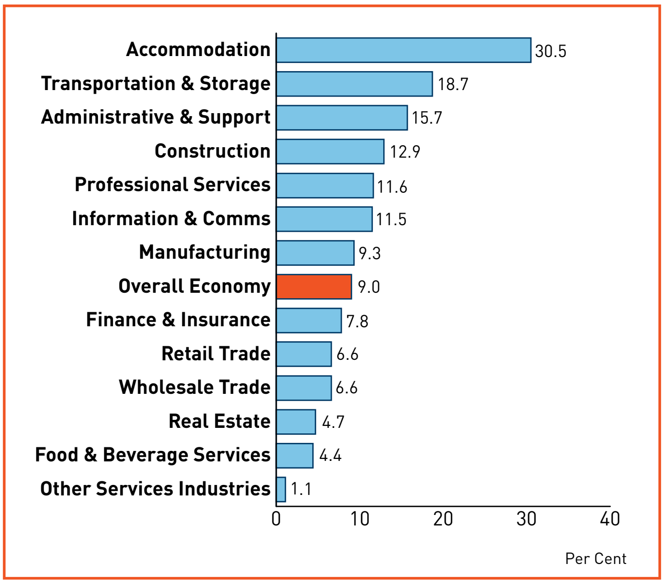
6 Overall labour productivity, as measured by real value-added per worker, also rose by 0.8 per cent in the second quarter of 2022, slowing from the 2.2 per cent growth in the preceding quarter.

7 Outward-oriented sectors refer to manufacturing, wholesale trade, transportation & storage, accommodation, information & communications, finance & insurance and professional services. Domestically-oriented sectors refer to construction, retail trade, food & beverage services, real estate, administrative & support services and other services industries.

Unit Labour Cost and Unit Business Cost

Overall unit labour cost (ULC) for the economy rose by 9.0 per cent on a year-on-year basis in the second quarter of 2022, larger than the increase of 7.7 per cent in the preceding quarter (Exhibit 1.9). The rise in overall ULC during the quarter was due to an increase in total labour cost per worker, which outpaced gains in labour productivity as measured by real value-added per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 2Q 2022



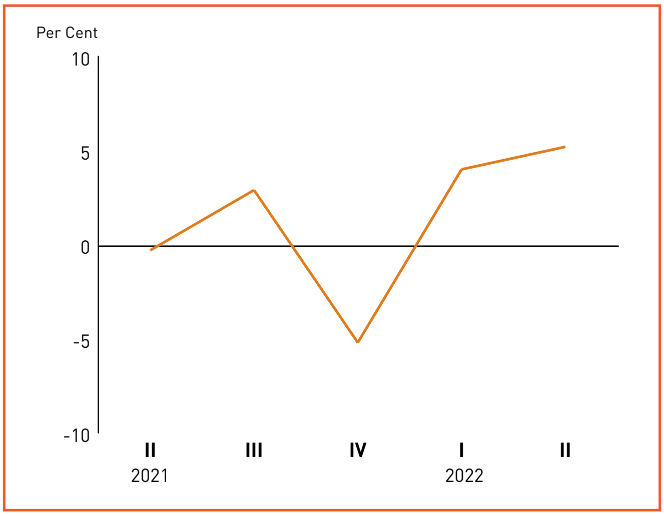
By sectors, the ULC for the construction sector was 12.9 per cent higher year-on-year in the second quarter due to the combined effect of an increase in total labour cost per worker and a fall in labour productivity.

Similarly, the ULC for services producing industries rose by 8.7 per cent. Among the services sectors, ULC increased the most for the accommodation sector (30.5 per cent), reflecting a significant pickup in total labour cost per worker even as productivity declined. Meanwhile, ULC increased the least in the other services sector (1.1 per cent).

Over the same period, the ULC for the manufacturing sector picked up by 9.3 per cent. The rise in the sector's ULC occurred on the back of an increase in total labour cost per worker, which outstripped productivity gains in the sector.

Unit business cost (UBC) for the manufacturing sector rose by 5.2 per cent year-on-year in the second quarter, extending the 4.0 per cent increase in the previous quarter (Exhibit 1.10). The rise in UBC during the quarter was due to increases in the manufacturing ULC (9.3 per cent) and unit services cost (3.9 per cent), which more than offset a fall in unit non-labour production taxes (-7.7 per cent).

Exhibit 1.10: Changes in the Manufacturing Unit Business Cost

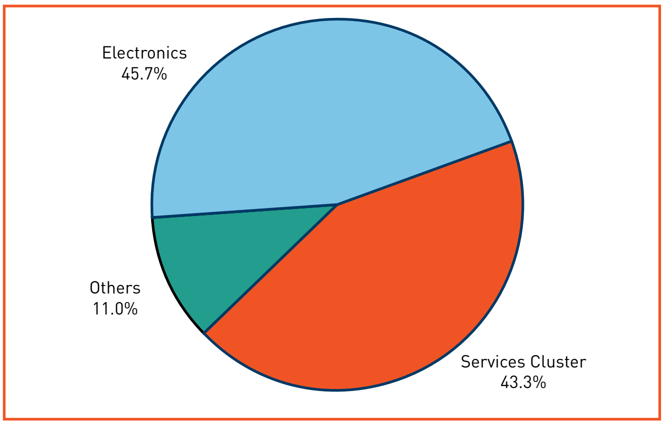


Investment Commitments

Investment commitments garnered by the Economic Development Board (EDB) in terms of Fixed Asset Investments (FAI) and Total Business Expenditure (TBE) amounted to $6.3 billion and $2.1 billion respectively in the second quarter of 2022 (Exhibit 1.11 and Exhibit 1.12).

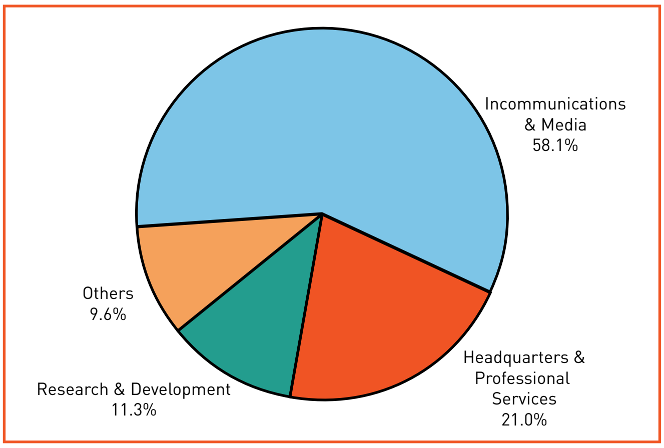
For FAI, the largest contribution came from the manufacturing sector, which attracted $3.6 billion worth of commitments. Within the manufacturing sector, the electronics and biomedical manufacturing clusters garnered the largest amount of commitments, at $2.9 billion and $430 million respectively. Meanwhile, the infocommunications & media cluster attracted the most FAI commitments within the services sector, at $1.8 billion. Investors from Europe contributed the most to total FAI, at $3.4 billion (or 54.5 per cent).

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 2Q 2022



For TBE, the services sector attracted the highest amount of commitments, at $1.9 billion. Within the sector, the infocommunications & media and headquarters & professional services clusters garnered the most TBE commitments, at $1.2 billion and $437 million respectively. Among the manufacturing clusters, the electronics and biomedical manufacturing clusters attracted the largest amount of TBE commitments, at $137 million and $38.1 million respectively. Investors from the Others region were the largest source of TBE commitments, with commitments of $1.4 billion (or 66.0 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 2Q 2022



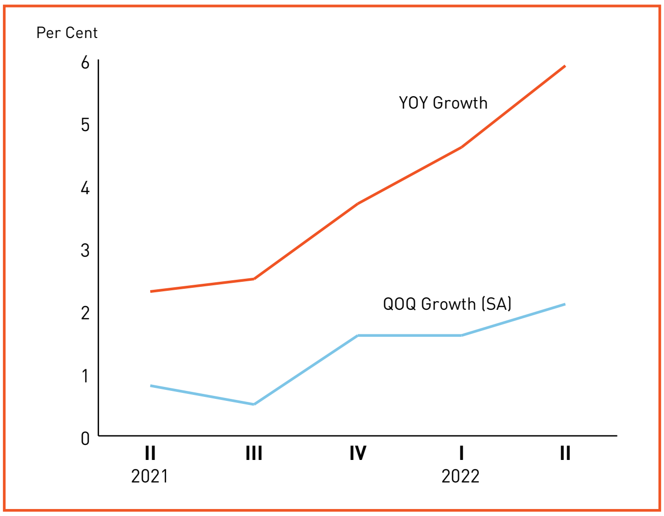
When these projects are fully implemented, they are expected to generate $6.1 billion of value-added and create more than 5,100 jobs in the coming years.

PRICES

Consumer Price Index

The Consumer Price Index-All Items (CPI-All Items) rose by 5.9 per cent on a year-on-year basis in the second quarter of 2022, picking up from the 4.6 per cent increase in the preceding quarter (Exhibit 1.13). On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items inflation came in at 2.1 per cent, faster than the 1.6 per cent recorded in the previous quarter.

Exhibit 1.13: Changes in CPI



Price increases in the following CPI categories contributed positively to CPI-All Items inflation on a year-on-year basis in the second quarter (Exhibit 1.14). Food prices rose by 4.7 per cent on the back of an increase in the costs of food services like hawker food and restaurant meals, as well as non-cooked food items such as meat, fish & seafood and milk, cheese & eggs. Clothing & footwear prices picked up by 2.8 per cent due to more expensive ready-made garments. Housing & utilities costs increased by 5.1 per cent because of a rise in accommodation and electricity costs. Prices of household durables & services went up by 2.1 per cent as the prices of household durables and domestic & household services rose. Healthcare costs increased by 1.6 per cent on account of a rise in the costs of outpatient services and hospital services. Transport costs climbed by 16.6 per cent on the back of an increase in the costs of cars, petrol and point-to-point transport services. Recreation & culture prices rose by 3.8 per cent as a result of the higher costs of holiday travel[8] and recreational & cultural services. Education costs picked up by 2.2 per cent due to higher fees at commercial institutions and universities. Prices of miscellaneous goods & services edged up by 0.2 per cent because of a rise in the cost of personal care items.

8 As overseas travel was limited in April 2020 – June 2022, a portion of the CPI for holiday expenses was imputed using the overall change in CPI-All Items. However, with the easing of travel restrictions, the prices of available holiday-related services are increasingly being incorporated into the CPI.

On the other hand, communication costs contributed negatively to CPI-All Items inflation on a year-on-year basis in the second quarter, falling by 0.9 per cent on the back of lower prices for telecommunication services.

Exhibit 1.14: Percentage Changes in CPI over Corresponding Quarter of Previous Year

Per Cent

	2021			2022	
	II	III	IV	I	II
All items	2.3	2.5	3.7	4.6	**5.9**
Food	1.0	1.4	1.9	2.7	**4.7**
Clothing & Footwear	-6.0	-5.6	-5.3	-3.5	**2.8**
Housing & Utilities	0.6	2.1	3.1	4.2	**5.1**
Housing Durables & Services	1.4	1.6	1.8	1.7	**2.1**
Healthcare	1.0	1.7	1.6	1.5	**1.6**
Transport	10.6	8.7	13.0	15.4	**16.6**
Communication	0.1	-2.0	-1.3	-2.6	**-0.9**
Recreation & Culture	1.0	1.4	2.0	1.4	**3.8**
Education	1.1	1.3	1.7	2.1	**2.2**
Miscellaneous Goods & Services	-0.2	-0.4	-0.2	0.1	**0.2**

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade expanded by 28.1 per cent on a year-on-year basis in the second quarter of 2022, following the 20.8 per cent growth registered in the preceding quarter (Exhibit 1.15). The rise in total merchandise trade was due to an increase in both oil (69.5 per cent) and non-oil (19.9 per cent) trade.

Exhibit 1.15: Growth Rates of Total Merchandise Trade, Merchandise Exports and Merchandise Imports (In Nominal Terms)

Per Cent

	2021				2022	
	II	III	IV	ANN	I	II
Merchandise Trade	27.2	19.0	28.8	19.7	20.8	**28.1**
Merchandise Exports	26.0	17.4	26.9	19.1	18.8	**25.0**
Domestic Exports	25.8	18.8	34.8	19.0	20.8	**28.7**
Oil	85.7	49.2	78.2	38.0	45.4	**73.0**
Non-Oil	10.1	9.0	20.1	12.1	11.4	**9.1**
Re-Exports	26.3	16.2	21.1	19.2	17.2	**21.8**
Merchandise Imports	28.6	20.9	31.0	20.4	23.1	**31.6**
Oil	115.4	51.9	94.8	49.4	50.7	**66.7**
Non-Oil	17.7	15.6	21.2	15.3	17.4	**23.5**

Total merchandise exports rose by 25.0 per cent in the second quarter, following the 18.8 per cent increase in the preceding quarter. Growth was due to an increase in both domestic exports (28.7 per cent) and re-exports (21.8 per cent).

The growth in domestic exports was on account of an expansion in both oil domestic exports and non-oil domestic exports (NODX). In particular, oil domestic exports surged by 73.0 per cent due to higher oil prices. In volume terms, oil domestic exports declined by 8.2 per cent.

Meanwhile, NODX rose by 9.1 per cent in the second quarter, extending the 11.4 per cent growth in the previous quarter. The rise in NODX was supported by an increase in both electronics and non-electronics domestic exports.

8 As overseas travel was limited in April 2020 – March 2022 due to international and domestic measures to contain the COVID-19 pandemic, changes in the prices of flights that were not available were imputed using the overall change in CPI-All Items, in line with international guidelines. With more flights resuming and prices becoming available, actual airfares are progressively being incorporated into the CPI.

9 As overseas travel was limited in April 2020 – March 2022, the CPI for holiday expenses was imputed using the overall change in CPI-All Items. With the easing of border restrictions, the prices of available holiday-related services are increasingly being incorporated into the CPI.

Total merchandise imports grew by 31.6 per cent in the second quarter, following the 23.1 per cent increase in the previous quarter. Both oil and non-oil imports rose during the quarter. Specifically, oil imports climbed by 66.7 per cent, while non-oil imports picked up by 23.5 per cent due to higher electronics and non-electronics imports.

Services Trade

Total services trade expanded by 12.9 per cent on a year-on-year basis in the second quarter of 2022, stepping up from the 9.8 per cent increase in the previous quarter (Exhibit 1.16). Both exports and imports of services saw positive year-on-year growth during the quarter.

Exhibit 1.16: Growth Rates of Total Services Trade, Services Exports and Services Imports (In Nominal Terms)

Per Cent

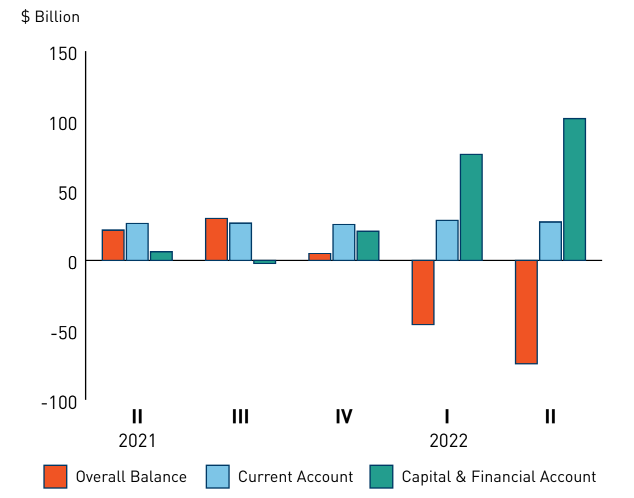
	2021				2022	
	II	III	IV	ANN	I	II
Total Services Trade	14.2	11.5	10.6	6.8	9.8	**12.9**
Services Exports	14.4	11.1	9.2	6.7	10.8	**13.2**
Services Imports	14.0	11.8	12.1	6.8	8.8	**12.6**

Services exports rose by 13.2 per cent in the second quarter, extending the 10.8 per cent increase in the preceding quarter. The increase in services exports was largely attributable to the exports of transport services, travel services and other business services. Meanwhile, services imports expanded by a faster 12.6 per cent, compared to the 8.8 per cent increase in the previous quarter. The rise in services imports was mainly due to the imports of travel services, transport services and other business services.

BALANCE OF PAYMENTS

The overall balance of payments deficit widened to $74.2 billion in the second quarter of 2022, from $46.1 billion in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus edged down to $27.5 billion in the second quarter of 2022, from $28.7 billion in the previous quarter. This was due to a fall in the services trade surplus and a widening of the primary and secondary income deficits, which more than offset an increase in the goods trade surplus.

The surplus in the goods balance rose by $7.5 billion to $45.5 billion in the second quarter, as goods exports increased by more than goods imports.

By contrast, the surplus in the services balance fell by $0.4 billion to $3.7 billion in the second quarter. This was mainly due to an increase in net payments for travel services, which more than offset a decline in the net payments for transport services.

At the same time, the primary income deficit widened by $7.4 billion to $19.9 billion in the second quarter, as primary income receipts fell while payments rose.

Similarly, the secondary income deficit increased to $1.9 billion on the back of a fall in secondary income receipts even as payments edged up.

Capital and Financial Account

The capital and financial account registered a net outflow of $102 billion in the second quarter of 2022, larger than the net outflow of $76.0 billion recorded in the preceding quarter. This was largely driven by an increase in the net outflows of "other investment" and a reversal in the position of financial derivatives from net inflows to net outflows, which more than offset a decline in the net outflows of portfolio investment and a marginal increase in the net inflows of direct investment.

Net outflows of "other investment" rose to $98.4 billion in the second quarter, from $67.3 billion in the previous quarter. This was partly attributable to lower net inflows by the resident non-bank private sector.

At the same time, financial derivatives registered a turnaround to a net outflow position of $0.2 billion in the second quarter, from a net inflow position of $8.0 billion in the preceding quarter.

By contrast, net outflows of portfolio investment decreased by $13.5 billion to $24.5 billion in the second quarter. This reflected in part a reversal to a net inflow position of $8.6 billion by the resident deposit-taking corporations, from a net outflow position of $2.4 billion in the previous quarter.

Finally, net inflows of direct investment increased marginally to $21.4 billion in the second quarter, from $21.2 billion in the preceding quarter, as residents' direct investments abroad fell by more than foreign direct investments into Singapore.

9 Net inflows in net balances are indicated by a minus (-) sign. For more details regarding the change in sign convention to the financial account, please refer to DOS's information paper on "Singapore's International Accounts: Methodological Updates and Recent Developments".