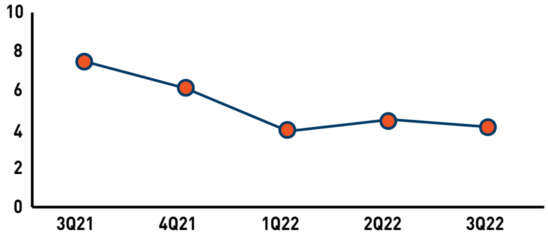
THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP grew by
4.1% **in 3Q22**

Quarterly Growth (Year-on-Year)



Main Drivers of Growth in 3Q22

Wholesale Trade
0.9%-point
contribution

Other Services Industries
0.8%-point
contribution

LABOUR MARKET

Resident Unemployment Rate
2.9%
in 3Q22

Employment
(Q-O-Q Change)
+83,100
employed

Sectors with the Highest Employment Growth in 3Q22

+30,500 employed	+12,400 employed	+12,100 employed
Construction	Other Services Industries	Manufacturing

PRODUCTIVITY

Value-Added per Actual Hour Worked decreased by
1.7% **in 3Q22**

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 3Q22

19.0%	13.6%	9.1%
Food & Beverage Services	Real Estate	Administrative & Support Services

COSTS

Overall Unit Labour Cost increased by

7.5% in 3Q22

Within the Manufacturing Sector

8.6% Unit Business Cost

10.8% Unit Labour Cost

PRICES

The Consumer Price Index (CPI) rose by

7.3% in 3Q22

Categories with Price Increases

19.4% Transport

7.1% Clothing & Footwear

6.5% Food

INTERNATIONAL TRADE

Total Merchandise Exports increased by

23.5% in 3Q22

75.2% Oil Domestic Exports

19.8% Re-Exports

7.2% Non-Oil Domestic Exports

Total Services Exports grew by

15.8% in 3Q22

Services Exports Increase was led by...

5.4%-pt Transport Services

5.1%-pt Travel

2.7%-pt Other Business Services

OVERVIEW

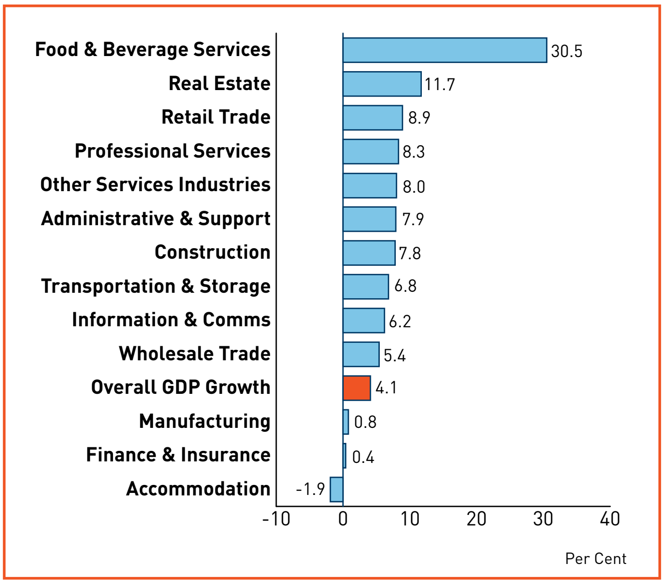
In the third quarter of 2022,

- The Singapore economy expanded by 4.1 per cent on a year-on-year basis. The sectors that contributed the most to GDP growth during the quarter were wholesale trade, other services and professional services.
- The seasonally-adjusted unemployment rates fell at the overall level, but rose slightly for residents and citizens. The number of retrenchments also increased over the quarter.
- Total employment rose by 83,100 on a quarter-on-quarter basis, extending the gains in the preceding quarter. Excluding Migrant Domestic Workers (MDWs), total employment increased by 75,600 on the back of employment gains for both residents and non-residents. Non-residents accounted for the bulk of total employment growth following the significant relaxation of border restrictions in April 2022.
- The Consumer Price Index-All Items (CPI-All Items) rose by 7.3 per cent on a year-on-year basis, faster than the 5.9 per cent increase registered in the second quarter.

OVERALL PERFORMANCE

The Singapore economy expanded by 4.1 per cent on a year-on-year basis in the third quarter of 2022, easing from the 4.5 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1 per cent, a reversal from the 0.1 per cent contraction in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 3Q 2022



The manufacturing sector grew by 0.8 per cent year-on-year, moderating from the 5.6 per cent growth recorded in the previous quarter. Growth during the quarter was supported by output expansions in the transport engineering, general manufacturing and precision engineering clusters, which outweighed output declines in the chemicals, biomedical manufacturing and electronics clusters.

The services producing industries expanded by 5.8 per cent year-on-year, extending the 5.0 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 1.9 per cent. Among the services sectors that expanded, the food & beverage services (30.5 per cent), real estate (11.7 per cent) and retail trade (8.9 per cent) sectors saw the fastest expansions.

The construction sector grew by 7.8 per cent year-on-year, accelerating from the 4.8 per cent growth in the previous quarter. The sector's growth came on the back of an expansion in both public and private sector construction output.

The top three positive contributors to GDP growth in the third quarter were the wholesale trade, other services and professional services sectors (Exhibit 1.2).

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 3Q 2022 (By Industry)

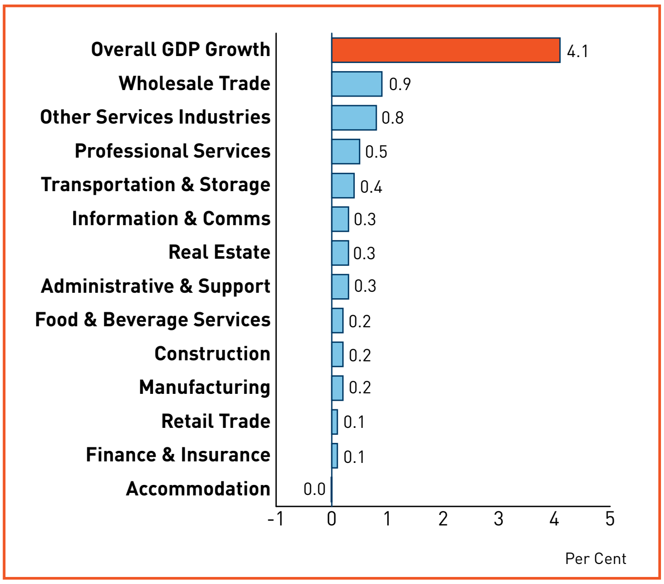


Exhibit 1.3: Changes in Total Demand*

	2021		2022		
	II	IV	I	II	III
Total Demand	8.2	7.0	3.5	5.5	**7.3**
External Demand	6.9	7.9	4.1	4.9	**9.1**
Total Domestic Demand	11.8	4.6	2.2	7.2	**2.3**
Consumption Expenditure	3.9	2.8	2.2	9.9	**7.3**
Public	3.3	3.6	-3.9	-1.7	**-3.8**
Private	4.1	2.6	4.9	13.8	**11.4**
Gross Fixed Capital Formation	32.8	8.3	2.5	3.2	**3.5**
Changes in Inventories	-0.3	0.0	0.0	-0.1	**-2.3**

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

SOURCES OF GROWTH

Total demand increased by 7.3 per cent year-on-year in the third quarter of 2022, an improvement from the 5.5 per cent growth in the previous quarter (Exhibit 1.3). Both external and domestic demand expanded during the quarter. External demand climbed by 9.1 per cent year-on-year, faster than the 4.9 per cent increase in the previous quarter. Meanwhile, domestic demand expanded by 2.3 per cent year-on-year, slowing from the 7.2 per cent growth in the second quarter.

Within domestic demand, consumption expenditure rose by 7.3 per cent year-on-year, moderating from the 9.9 per cent increase in the preceding quarter. The increase in consumption expenditure was supported by higher private consumption expenditure (11.4 per cent), even as public consumption expenditure shrank (-3.8 per cent).

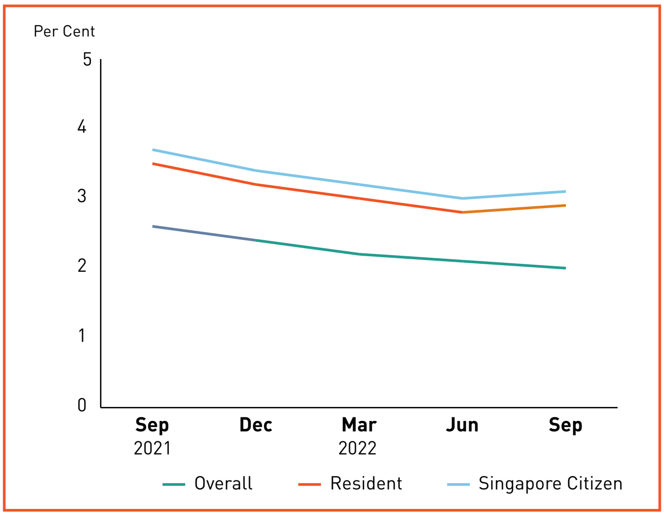
Meanwhile, gross fixed capital formation (GFCF) rose by 3.5 per cent year-on-year, extending the 3.2 per cent growth in the previous quarter. The increase in GFCF during the quarter was due to higher private sector GFCF (4.2 per cent), which outweighed a slight decline in public sector GFCF (-0.3 per 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 and transport equipment, even as investments in public construction & works and intellectual property products increased.

LABOUR MARKET

Unemployment and Retrenchment[1]

Compared to June 2022, the seasonally-adjusted unemployment rates in September 2022 dipped at the overall level (from 2.1 per cent to 2.0 per cent), but rose slightly for residents (from 2.8 per cent to 2.9 per cent) and citizens (3.0 per cent to 3.1 per cent) (Exhibit 1.4). As of September 2022, all three unemployment rates remained marginally below their respective pre-pandemic levels.[2]

Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)

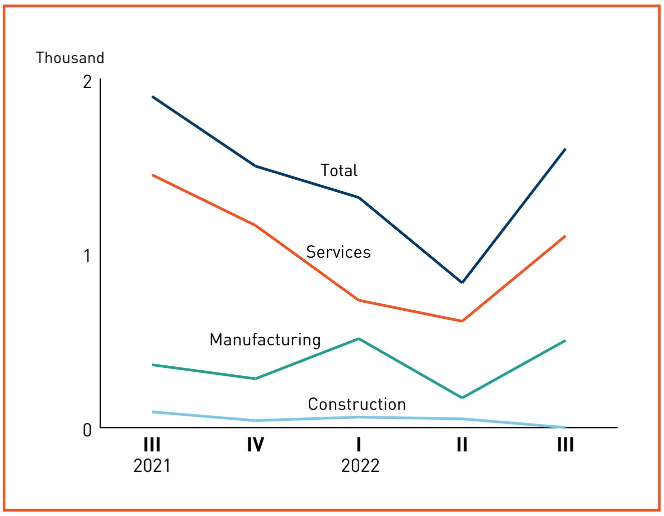


1 Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.
2 The average pre-pandemic (i.e., 2018 and 2019) overall, resident and citizen unemployment rates were 2.2 per cent, 3.0 per cent and 3.2 per cent respectively.

In September 2022, an estimated 70,900 residents, including 62,400 Singapore citizens, were unemployed. These were slightly higher than the number of unemployed residents (69,300) and citizens (61,600) in June 2022.[3]

Total retrenchments rose to 1,600 in the third quarter of 2022, from a record low of 830[4] in the preceding quarter (Exhibit 1.5). Over the quarter, retrenchments increased in the services (from 610 to 1,100) and manufacturing (from 170 to 500) sectors, but fell in the construction sector (from 50 to 0).

Exhibit 1.5: Retrenchments



Employment[5]

Total employment increased by 83,100 on a quarter-on-quarter basis in the third quarter of 2022, larger than the gains recorded in the preceding quarter (71,100) (Exhibit 1.6). Excluding MDWs, total employment rose by 75,600. Both residents and non-residents registered employment growth in the third quarter, with non-residents accounting for the bulk of the overall employment increase following the significant relaxation of border restrictions in April 2022.

Total employment growth was largely driven by the overall services sector (+40,600; or +33,000 excluding MDWs), supported by employment gains in the other services (+12,400), professional services (+5,900) and information & communications (+5,500) sectors (Exhibit 1.7). Over the same period, employment in the construction and manufacturing sectors rose by 30,500 and 12,100, respectively.

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

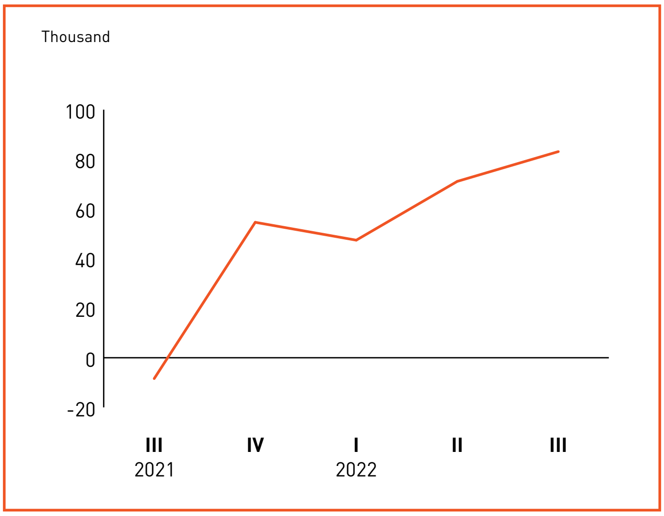
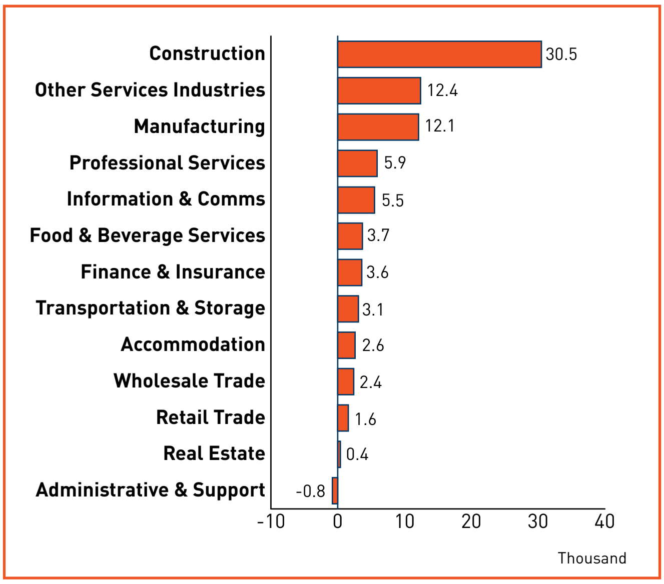


Exhibit 1.7: Changes in Employment by Industry in 3Q 2022



3 *Based on seasonally-adjusted data on the number of unemployed persons.*
4 *This was the lowest quarterly retrenchment level on record since the start of the data series in 1998.*
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. Specifically, a net weighted balance of 6 per cent of manufacturers expected to increase hiring in the fourth quarter of 2022 as compared to the third quarter. Firms in the infocomms & consumer electronics segment of the electronics cluster were the most optimistic, with a net weighted balance of 25 per cent of firms expecting to increase hiring in the fourth quarter. By contrast, firms in the medical technology segment of the biomedical manufacturing cluster were the most pessimistic, with a net weighted balance of 13 per cent of firms expecting a lower level of hiring in the fourth quarter.

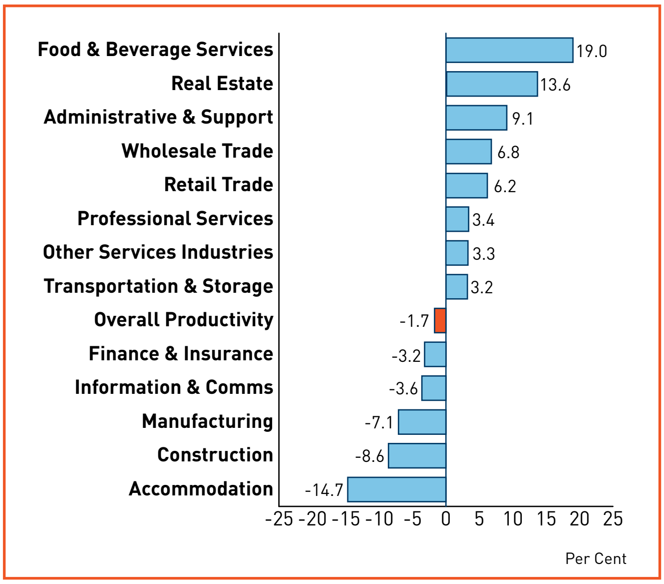
Hiring expectations for services firms were also positive. According to DOS' latest Business Expectations Survey for the Services Sector, a net weighted balance of 15 per cent of services firms expected to increase hiring in the fourth quarter of 2022 as compared to the third quarter. Among the services sectors, firms in the accommodation sector had the strongest hiring sentiments, with a net weighted balance of 44 per cent of firms expecting to increase hiring in the fourth quarter. On the other hand, firms in the wholesale trade sector were the most pessimistic, with a net weighted balance of 1 per cent of firms expecting to hire fewer workers in the fourth quarter.

COMPETITIVENESS

Productivity

Overall labour productivity, as measured by real value-added per actual hour worked, declined by 1.7 per cent year-on-year in the third quarter of 2022, a reversal from the 1.0 per cent increase posted 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 3Q 2022



Among the sectors, the food & beverage services (19.0 per cent), real estate (13.6 per cent), administrative & support services (9.1 per cent), wholesale trade (6.8 per cent) and retail trade (6.2 per cent) sectors recorded the strongest productivity gains in the third quarter. The professional services (3.4 per cent), other services (3.3 per cent) and transportation & storage (3.2 per cent) sectors also saw productivity improvements. By contrast, productivity declines were observed in the accommodation (-14.7 per cent), construction (-8.6 per cent), manufacturing (-7.1 per cent), information & communications (-3.6 per cent) and finance & insurance (-3.2 per cent) sectors.

In the third quarter, the productivity of outward-oriented sectors as a whole declined by 1.6 per cent year-on-year, a turnaround from the 1.2 per cent growth in the previous quarter.[7] Meanwhile, the productivity of domestically-oriented sectors as a whole improved by 2.5 per cent year-on-year, moderating from the 3.8 per cent increase in the preceding quarter.

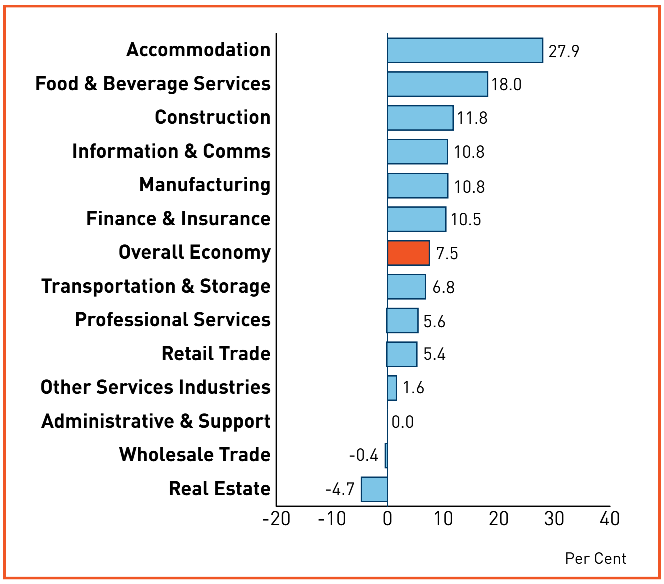
6 *Similarly, overall labour productivity, as measured by real value-added per worker, fell by 2.2 per cent in the third quarter of 2022, reversing the 0.9 per cent growth in the preceding quarter.*

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 7.5 per cent on a year-on-year basis in the third quarter of 2022, a moderation from the increase of 8.6 per cent in the preceding quarter (Exhibit 1.9). The rise in overall ULC during the quarter was due to the combined effect of an increase in total labour cost per worker and a fall in labour productivity as measured by real value-added per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 3Q 2022



By sectors, the ULC for the construction sector was 11.8 per cent higher year-on-year in the third quarter as a decline in total labour cost per worker was more than offset by a fall in labour productivity.

The ULC for services producing industries rose by 5.7 per cent year-on-year. Among the services sectors, ULC increased the most for the accommodation sector (27.9 per cent), reflecting a significant pickup in total labour cost per worker alongside a decline in productivity. Meanwhile, ULC fell in the real estate (-4.7 per cent) and wholesale trade (-0.4 per cent) sectors.

Over the same period, the ULC for the manufacturing sector picked up by 10.8 per cent year-on-year. The rise in the sector's ULC occurred on the back of an increase in total labour cost per worker and a fall in productivity in the sector.

Unit business cost (UBC) for the manufacturing sector climbed by 8.6 per cent year-on-year in the third quarter, extending the 6.5 per cent increase in the previous quarter (Exhibit 1.10). The rise in UBC during the quarter was due to higher unit services costs (8.2 per cent) and manufacturing ULC (10.8 per cent), which more than offset a fall in unit non-labour production taxes (-0.8 per cent).

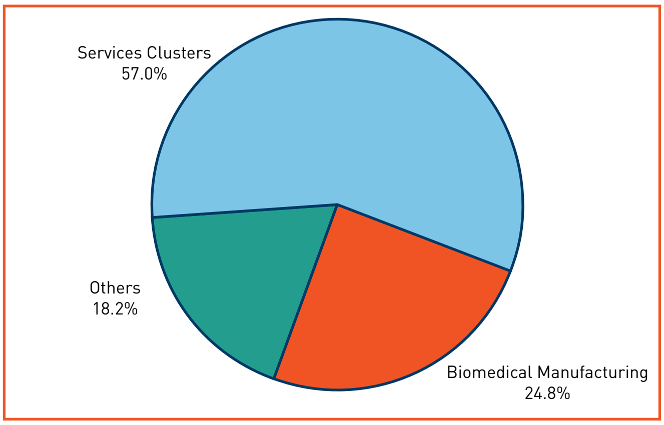
Exhibit 1.10: Changes in the Manufacturing Unit Business Cost

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 $956 million and $1.6 billion respectively in the third quarter of 2022 (Exhibit 1.11 and Exhibit 1.12).

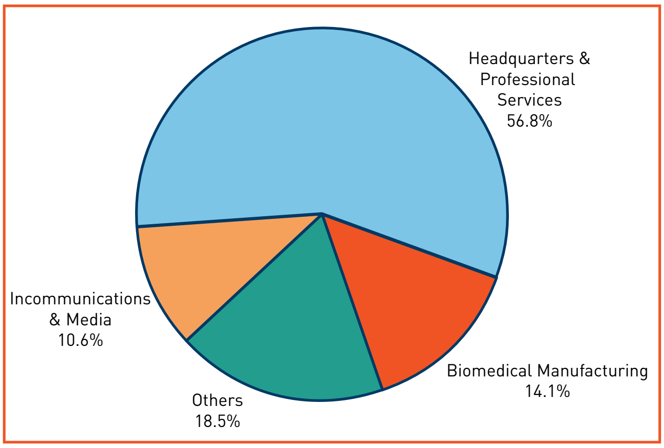
For FAI, the largest contribution came from the services sector, which attracted $544 million worth of commitments. Within the services sector, the infocommunications & media and research & development clusters garnered the largest amounts of commitments, at $399 million and $86.2 million respectively. Meanwhile, the biomedical manufacturing cluster attracted the most FAI commitments within the manufacturing sector, at $237 million. Local investors contributed the most to total FAI, at $469 million (or 49.1 per cent).

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 3Q 2022



For TBE, the services sector attracted the highest amount of commitments, at $1.2 billion. Within the sector, the headquarters & professional services and infocommunications & media clusters garnered the most TBE commitments, at $908 million and $170 million respectively. Among the manufacturing clusters, the biomedical manufacturing and transport engineering clusters attracted the largest amounts of TBE commitments, at $226 million and $163 million respectively. Investors from the United States were the largest source of TBE commitments, with commitments of $593 million (or 37.1 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 3Q 2022



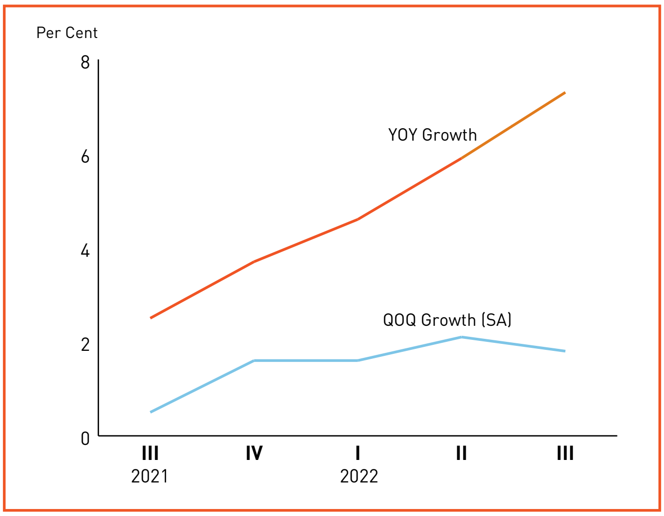
When these projects are fully implemented, they are expected to generate $4.4 billion of value-added and create more than 4,300 jobs in the coming years.

PRICES

Consumer Price Index

The Consumer Price Index-All Items (CPI-All Items) rose by 7.3 per cent on a year-on-year basis in the third quarter of 2022, a step-up from the 5.9 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 1.8 per cent, lower than the 2.1 per cent recorded in the second 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 third quarter (Exhibit 1.14). Food prices rose by 6.5 per cent on the back of an increase in the costs of food serving services like hawker food and restaurant meals, as well as non-cooked food items such as meat, bread & cereals and fish & seafood. Clothing & footwear prices picked up by 7.1 per cent due to more expensive ready-made garments and footwear. Housing & utilities costs increased by 6.0 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 increased. Healthcare costs rose by 2.7 per cent on account of the higher costs of outpatient services and hospital services. Transport costs climbed by 19.4 per cent as the costs of cars, petrol, air fares[8] and point-to-point transport services rose. Recreation & culture prices increased by 5.6 per cent as a result of a rise in the costs of holiday travel[9] 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 0.5 per cent because of a rise in the cost of personal care items.

8 As overseas travel was limited in April 2020 – September 2022, a portion of the CPI for air fares was imputed using the overall change in CPI-All Items. However, with the easing of travel restrictions, actual air fares are increasingly being incorporated into the CPI

9 Similar to air fares, a portion of the CPI for holiday expenses was imputed using the overall change in CPI-All Items due to limited travel.

On the other hand, communication costs contributed negatively to CPI-All Items inflation on a year-on-year basis in the third quarter, falling by 0.8 per cent on account of lower prices for telecommunication services.

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

Per Cent

	2021		2022		
	III	IV	I	II	III
All items	2.5	3.7	4.6	5.9	**7.3**
Food	1.4	1.9	2.7	4.7	**6.5**
Clothing & Footwear	-5.6	-5.3	-3.5	2.8	**7.1**
Housing & Utilities	2.1	3.1	4.2	5.1	**6.0**
Housing Durables & Services	1.6	1.8	1.7	2.1	**2.1**
Healthcare	1.7	1.6	1.5	1.6	**2.7**
Transport	8.7	13.0	15.4	16.6	**19.4**
Communication	-2.0	-1.3	-2.6	-0.9	**-0.8**
Recreation & Culture	1.4	2.0	1.4	3.8	**5.6**
Education	1.3	1.7	2.1	2.2	**2.2**
Miscellaneous Goods & Services	-0.4	-0.2	0.1	0.2	**0.5**

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade expanded by 25.7 per cent on a year-on-year basis in the third quarter of 2022, extending the 28.1 per cent growth in the preceding quarter (Exhibit 1.15). The increase in total merchandise trade was due to both oil and non-oil trade, which rose by 65.8 per cent and 18.0 per cent respectively.

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

Per Cent

	2021			2022		
	III	IV	ANN	I	II	III
Merchandise Trade	19.0	28.8	19.7	20.8	28.1	**25.7**
Merchandise Exports	17.4	26.9	19.1	18.8	24.9	**23.5**
Domestic Exports	18.8	34.8	19.0	20.8	28.5	**28.0**
Oil	49.2	78.2	38.0	45.4	72.9	**75.2**
Non-Oil	9.0	20.1	12.1	11.4	8.9	**7.2**
Re-Exports	16.2	21.1	19.2	17.2	21.8	**19.8**
Merchandise Imports	20.9	31.0	20.4	23.1	31.6	**28.2**
Oil	51.9	94.8	49.4	50.7	66.7	**58.8**
Non-Oil	15.6	21.2	15.3	17.4	23.5	**21.3**

Total merchandise exports saw a robust expansion of 23.5 per cent in the third quarter, following the 24.9 per cent increase in the preceding quarter, contributed by both domestic exports (28.0 per cent) and re-exports (19.8 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 75.2 per cent due to higher oil prices. In volume terms, oil domestic exports rose by 18.6 per cent.

Meanwhile, NODX rose by 7.2 per cent in the third quarter, following the 8.9 per cent growth in the previous quarter. The rise in NODX was supported by higher non-electronics domestic exports. By contrast, electronics domestic exports declined after nine consecutive quarters of growth.

Total merchandise imports increased by 28.2 per cent in the third quarter, following the 31.6 per cent expansion in the previous quarter. Both oil and non-oil imports rose during the quarter. Specifically, oil imports climbed by 58.8 per cent, while non-oil imports picked up by 21.3 per cent due to higher electronics and non-electronics imports.

Services Trade

Total services trade expanded by 14.2 per cent on a year-on-year basis in the third quarter of 2022, stepping up from the 13.1 per cent increase in the previous quarter (Exhibit 1.16). Both the 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

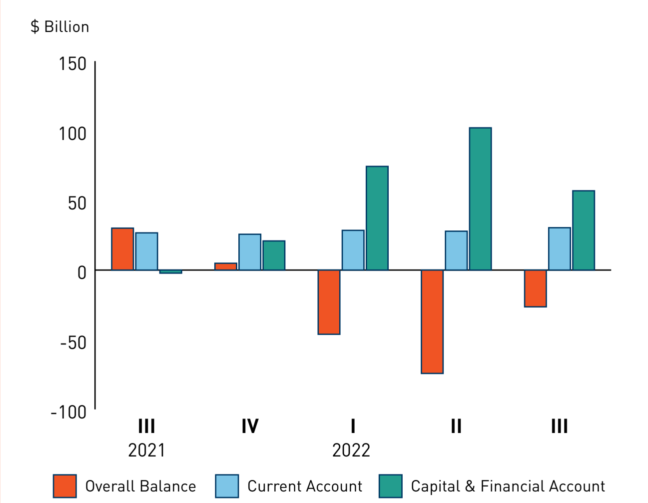
	2021			2022		
	III	IV	ANN	I	II	III
Total Services Trade	11.5	10.6	6.8	9.9	13.1	**14.2**
Services Exports	11.1	9.2	6.7	10.9	13.8	**15.8**
Services Imports	11.8	12.1	6.8	8.9	12.4	**12.4**

Services exports rose at a faster pace of 15.8 per cent in the third quarter, compared to the 13.8 per cent increase in the preceding quarter. The increase in services exports was largely attributable to a pickup in the exports of transport services, travel services and other business services. Meanwhile, services imports expanded by 12.4 per cent, extending the 12.4 per cent increase in the previous quarter. The rise in services imports was mainly due to an increase in the imports of travel services, transport services and other business services.

BALANCE OF PAYMENTS

The overall balance of payments deficit narrowed to $26.4 billion in the third quarter of 2022, from $74.2 billion in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus increased to $30.4 billion in the third quarter of 2022, from $27.9 billion in the previous quarter. This was due to an increase in the services trade surplus and a narrowing of the primary income deficit, which more than offset a decline in the goods trade surplus and a widening of the secondary income deficit.

The surplus in the goods balance fell by $1.3 billion to $44.0 billion in the third quarter, as goods imports increased by more than goods exports.

By contrast, the surplus in the services balance rose by $1.6 billion to $5.9 billion in the third quarter. This was mainly due to a fall in net payments for travel services, which outweighed an increase in net payments for telecommunications, computer & information services.

At the same time, the primary income deficit narrowed by $2.6 billion to $17.5 billion in the third quarter, as primary income receipts rose slightly while payments fell.

The secondary income deficit edged up to $2.1 billion from $1.7 billion on the back of a larger increase in secondary income payments as compared to receipts.

Capital and Financial Account

The capital and financial account registered a net outflow of $56.9 billion in the third quarter of 2022, smaller than the net outflow of $102 billion recorded in the preceding quarter. The decrease was largely driven by a fall in the net outflows of "other investment" and portfolio investment, as well as an increase in the net inflows of direct investment. These more than offset a fall in the net inflows of financial derivatives.

Net outflows of "other investment" fell to $64.1 billion in the third quarter, from $102 billion in the previous quarter.

Similarly, net outflows of portfolio investment decreased by $5.8 billion to $19.4 billion in the third quarter.

At the same time, net inflows of direct investment increased to $23.6 billion in the third quarter, from $20.9 billion in the preceding quarter, as foreign direct investments into Singapore rose and residents' direct investments abroad fell.

By contrast, net inflows of financial derivatives decreased by $1.0 billion to $2.9 billion in the third quarter.

10 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".