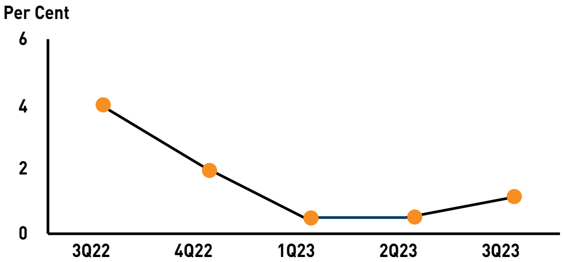
Chapter 1

THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP grew by
1.1% in 3Q23

Quarterly Growth (YoY)

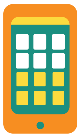


Main Drivers of Growth in 3Q23

Other Services Industries

0.4%-point contribution

Information & Communications



0.3%-point contribution

LABOUR MARKET

Resident Unemployment Rate

2.8% in September 23

Employment (QoQ Change)

+29,600 employed in 3Q23

Sectors with the Highest Employment Growth in 3Q23

PRODUCTIVITY

(YoY Growth)

Value-Added per Actual Hour Worked decreased by
0.6% in 3Q23

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 3Q23

COSTS
(YoY Growth)

Overall Unit Labour Cost increased by

8.7% in 3Q23

Within the Manufacturing Sector

6.4% Unit Business Cost

11.0% Unit Labour Cost

PRICES
(YoY Growth)

The Consumer Price Index (CPI) rose by

4.1% in 3Q23

Categories with Price Increases

5.3% Recreation & Culture

4.9% Transport

4.8% Food

INTERNATIONAL TRADE
(YoY Growth)

Total Merchandise Exports decreased by

15.6% in 3Q23

-9.7% Re-Exports

-18.8% Non-Oil Domestic Exports

-26.9% Oil Domestic Exports

Total Services Exports decreased by

2.8% in 3Q23

Services Exports decline was led by...

-11.1%-pt Transport

0.0%-pt Manufacturing Services

OVERVIEW

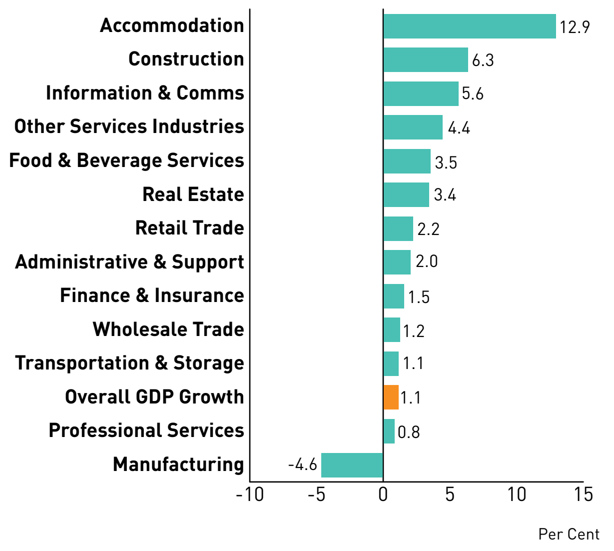
In the third quarter of 2023,

- The Singapore economy expanded by 1.1 per cent on a year-on-year basis. The sectors that contributed the most to GDP growth during the quarter were the other services industries, information & communications and wholesale trade sectors.
- The seasonally-adjusted unemployment rates rose marginally at the overall level, for residents and for citizens, but remained below their respective pre-pandemic levels. The number of retrenchments also increased over the quarter.
- Total employment rose by 29,600 on a quarter-on-quarter basis, extending the gains in the preceding quarter. Excluding Migrant Domestic Workers (MDWs), total employment increased by 24,000.
- The Consumer Price Index-All Items (CPI-All Items) rose by 4.1 per cent on a year-on-year basis, moderating from the 5.1 per cent increase in the preceding quarter.

OVERALL PERFORMANCE

The Singapore economy expanded by 1.1 per cent on a year-on-year basis in the third quarter of 2023, faster than the 0.5 per cent growth in the previous quarter. (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4 per cent, accelerating from the 0.1 per cent expansion in the previous quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 3Q 2023



The manufacturing sector shrank by 4.6 per cent year-on-year, moderating from the 7.6 per cent contraction in the second quarter. All clusters within the sector contracted except for the transport engineering cluster which surged by 16.6 per cent. Among the clusters that contracted, biomedical manufacturing (-13.3 per cent), precision engineering (-10.7 per cent) and general manufacturing (-8.0 per cent) saw the largest declines.

The services producing industries grew by 2.3 per cent year-on-year, moderating from the 2.8 per cent growth registered in the previous quarter. Growth was supported by expansions in all services sectors, with the accommodation (12.9 per cent), information & communications (5.6 per cent) and other services (4.4 per cent) sectors recording the fastest expansions.

The construction sector grew by 6.3 per cent year-on-year, easing from the 7.7 per cent growth in the preceding quarter. Both public and private sector construction output increased during the quarter.

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

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 3Q 2023 (By Sector)

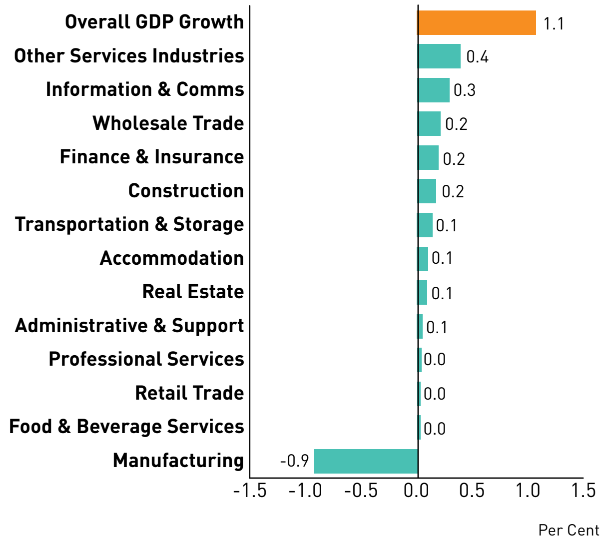


Exhibit 1.3: Changes in Total Demand*

	2022		2023		
	III	IV	I	II	III
Total Demand	3.1	-4.1	1.2	-2.2	**-0.3**
External Demand	3.2	-7.0	1.9	-1.1	**-1.0**
Total Domestic Demand	2.8	4.6	-0.8	-5.5	**1.5**
Consumption Expenditure	7.9	6.7	6.2	0.4	**4.1**
Public	-3.6	-1.5	5.7	-4.1	**3.4**
Private	12.0	9.5	6.2	1.9	**4.4**
Gross Fixed Capital Formation	3.4	-1.2	0.5	-2.8	**-0.7**
Changes in Inventories	-2.1	0.4	-3.1	-3.1	**-0.5**

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

SOURCES OF GROWTH

Total demand fell by 0.3 per cent year-on-year in the third quarter of 2023, moderating from the 2.2 per cent decrease in the previous quarter (Exhibit 1.3). The decline in total demand during the quarter was due to a decrease in external demand, which was partially offset by an increase in domestic demand.

External demand fell by 1.0 per cent year-on-year, extending the 1.1 per cent contraction in the previous quarter. Meanwhile, domestic demand rose by 1.5 per cent year-on-year, a reversal from the 5.5 per cent decline in the preceding quarter.

Within domestic demand, consumption expenditure rose by 4.1 per cent year-on-year, faster than the 0.4 per cent increase in the preceding quarter. The increase in consumption expenditure was due to higher public (3.4 per cent) and private consumption expenditure (4.4 per cent).

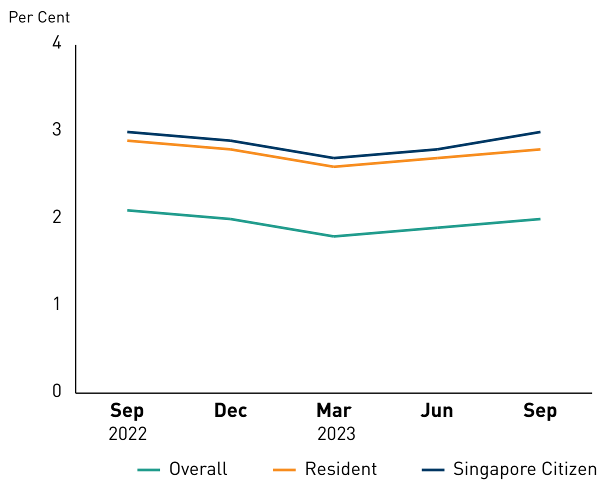
Meanwhile, gross fixed capital formation (GFCF) decreased by 0.7 per cent year-on-year, easing from the 2.8 per cent decline in the previous quarter. The decrease in GFCF during the quarter was due to a decline in private sector GFCF (-2.0 per cent), which outweighed the increase in public sector GFCF (6.1 per cent). Public sector GFCF rose due to higher investments in public construction & works, machinery & equipment and intellectual property products, which more than offset lower public transport equipment investments. Meanwhile, private sector GFCF fell on the back of lower investments in private machinery & equipment, which more than offset the higher investments in private construction & works, transport equipment and intellectual property products.

LABOUR MARKET

Unemployment and Retrenchment[1]

Compared to June 2023, the seasonally-adjusted unemployment rates in September 2023 increased marginally at the overall level (from 1.9 per cent to 2.0 per cent), for residents (from 2.7 per cent to 2.8 per cent) and for citizens (2.8 per cent to 3.0 per cent) (Exhibit 1.4). As of September 2023, unemployment rates for the three groups remained below their respective pre-pandemic levels.[2]

Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)

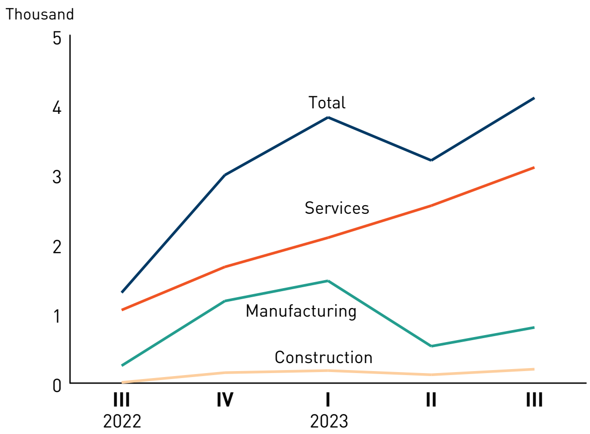


1 *Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.*
2 *The average pre-pandemic (i.e., 2018 and 2019) overall, resident and citizen unemployment rates were 2.2 per cent, 3.0 per cent and 3.2 per cent respectively.*

In September 2023, an estimated 68,000 residents, including 60,300 Singapore citizens, were unemployed. These were higher than the number of unemployed residents (65,600) and citizens (57,800) in June 2023.[3]

Total retrenchments rose to 4,100 in the third quarter of 2023, from 3,200 in the preceding quarter (Exhibit 1.5). Over the quarter, retrenchments increased in the services (from 2,550 to 3,100), manufacturing (from 530 to 800), and construction (from 120 to 200) sectors.

Exhibit 1.5: Retrenchments



Employment[4]

Total employment increased by 29,600 on a quarter-on-quarter basis in the third quarter of 2023, extending the gains recorded in the preceding quarter (26,800) (Exhibit 1.6). Excluding MDWs, total employment rose by 24,000, on the back of employment growth for both residents and non-residents.

Total employment growth was largely driven by the services sector (+25,700; or +20,100 excluding MDWs), supported by employment gains in the other services (+13,100), finance & insurance services (+2,900), and professional services (+2,100) sectors (Exhibit 1.7). Over the same period, employment in the construction sector rose by 3,900 while it declined in the manufacturing sector (-100).

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

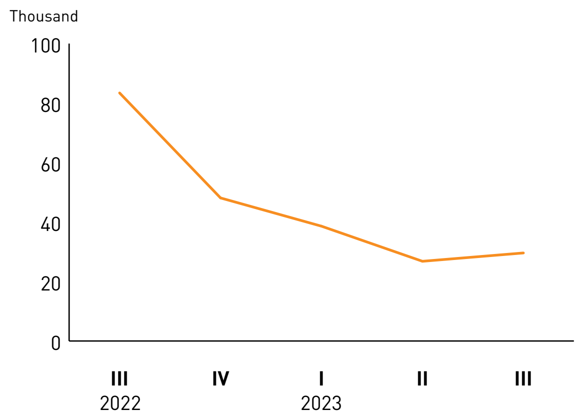
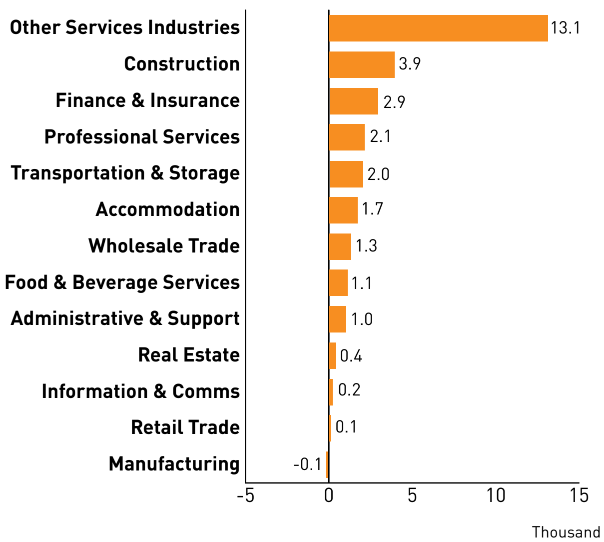


Exhibit 1.7: Changes in Employment by Sector in 3Q 2023



3 *Based on seasonally-adjusted data on the number of unemployed persons.*
4 *Based on preliminary estimates.*

Hiring Expectations

According to EDB's latest Business Expectations Survey for the Manufacturing Sector, hiring expectations in the sector were slightly negative. Specifically, a net weighted balance of 3 per cent of manufacturers expected to hire fewer workers in the fourth quarter of 2023 as compared to the third quarter. Firms in the marine & offshore engineering segment of the transport engineering cluster were the most positive, with a net weighted balance of 34 per cent of firms expecting to increase hiring in the fourth quarter. By contrast, firms in the precision modules & components segment of the precision engineering cluster were the most negative, with a net weighted balance of 25 per cent of firms expecting a lower level of hiring in the fourth quarter.

Hiring expectations for services firms remained positive. According to DOS' latest Business Expectations Survey for the Services Sector, a net weighted balance of 12 per cent of services firms expected to increase hiring in the fourth quarter of 2023 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 45 per cent of firms expecting to increase hiring in the fourth quarter. On the other hand, firms in the finance & insurance sector were the most negative, with a net weighted balance of 0 per cent of firms expecting to hire more workers in the fourth quarter.

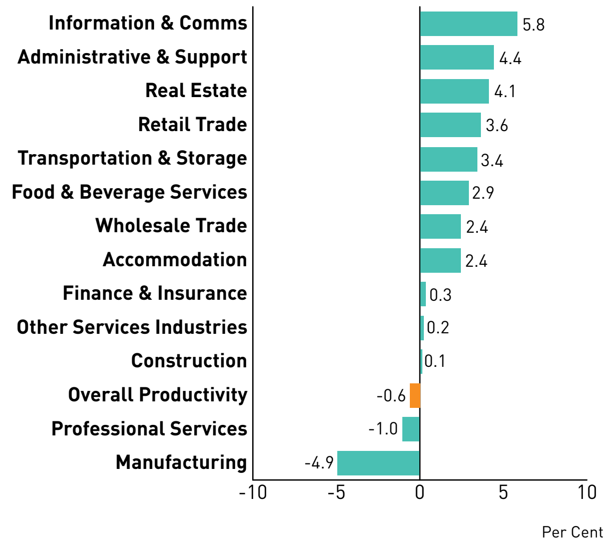
COMPETITIVENESS

Productivity

Overall labour productivity, as measured by real value-added per actual hour worked, fell by 0.6 per cent year-on-year in the third quarter of 2023, moderating from the 4.7 per cent decline in the previous quarter (Exhibit 1.8).[5]

Among the sectors, the information & communications (5.8 per cent), administrative & support services (4.4 per cent) and real estate (4.1 per cent) sectors recorded the strongest productivity gains in the third quarter. The retail trade (3.6 per cent), transportation & storage (3.4 per cent), food & beverage services (2.9 per cent), wholesale trade (2.4 per cent), accommodation (2.4 per cent), finance & insurance (0.3 per cent), other services (0.2 per cent) and construction (0.1 per cent) sectors also saw productivity improvements. By contrast, productivity declines were observed in the manufacturing (-4.9 per cent) and professional services (-1.0 per cent) sectors.

Exhibit 1.8: Changes in Value-Added per Actual Hour Worked for the Overall Economy and Sectors in 3Q 2023



In the third quarter, the productivity of the outward-oriented sectors as a whole fell by 0.1 per cent year-on-year, moderating from the 4.9 per cent decline in the previous quarter.[6] Meanwhile, the productivity of the domestically-oriented sectors as a whole increased by 0.9 per cent year-on-year, reversing the 0.7 per cent decline in the preceding quarter.

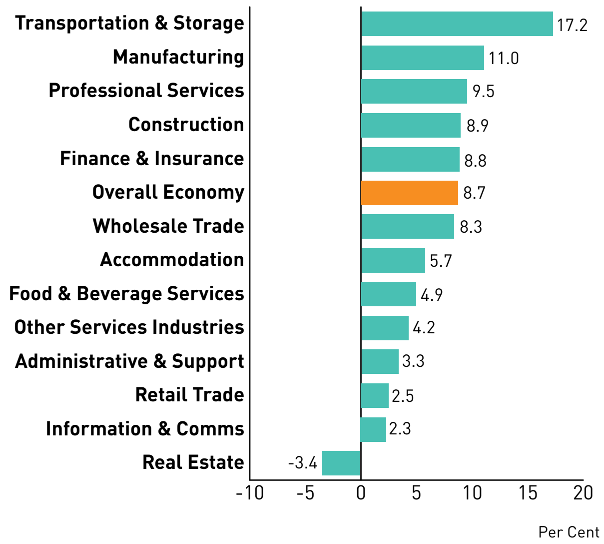
5 *Similarly, overall labour productivity as measured by real value-added per worker, fell by 3.0 per cent in the third quarter of 2023, moderating from the 4.9 per cent decline in the preceding quarter.*

6 *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 8.7 per cent on a year-on-year basis in the third quarter of 2023 (Exhibit 1.9), moderating from the 10.5 per cent increase in the preceding quarter. The rise in overall ULC during the quarter was due to an increase in total labour cost per worker along with a fall in labour productivity as measured by real value-added per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 3Q 2023



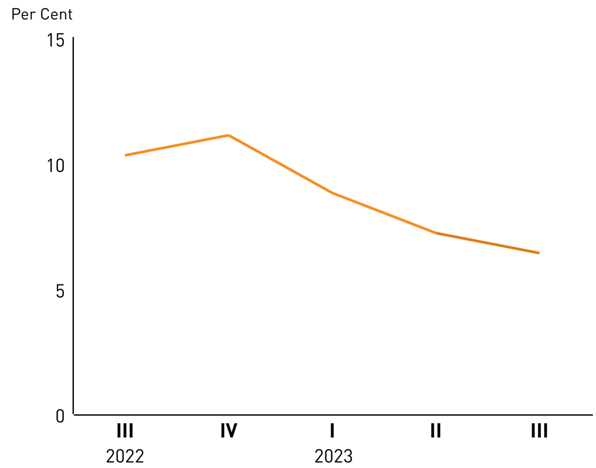
By sectors, the ULC for the construction sector was 8.9 per cent higher year-on-year in the third quarter as a fall in labour productivity was accompanied by an increase in total labour cost per worker.

The ULC for services producing industries rose by 7.3 per cent year-on-year. Among the services sectors, ULC increased the most in the transportation & storage sector (17.2 per cent), reflecting a pickup in total labour cost per worker alongside a decline in productivity. Meanwhile, ULC fell in the real estate (-3.4 per cent) sector on the back of productivity gains and a fall in total labour cost per worker.

Over the same period, the ULC for the manufacturing sector picked up by 11.0 per cent year-on-year. The rise in the sector's ULC occurred on the back of a fall in labour productivity while total labour cost per worker rose.

Unit business cost (UBC) for the manufacturing sector rose by 6.4 per cent on a year-on-year basis in the third quarter of 2023, moderating from the 7.2 per cent increase in the previous quarter (Exhibit 1.10). The rise in UBC during the quarter was due to the increase in unit services costs (4.9 per cent), manufacturing ULC (11.0 per cent) and unit non-labour production taxes (13.9 per cent).

Exhibit 1.10: Changes in the Manufacturing Unit Business Cost

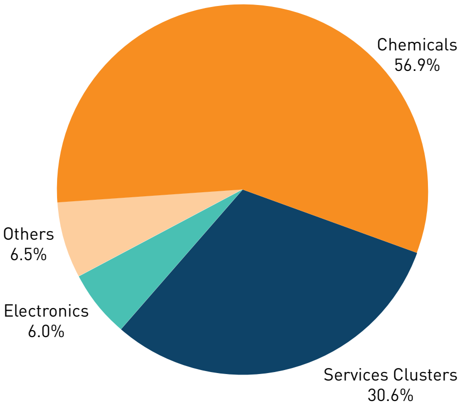


Investment Commitments

Investment commitments garnered by the Economic Development Board (EDB) in terms of Fixed Asset Investments (FAI) and Total Business Expenditure (TBE) amounted to $7.4 billion and $2.8 billion respectively in the third quarter of 2023 (Exhibit 1.11 and Exhibit 1.12).

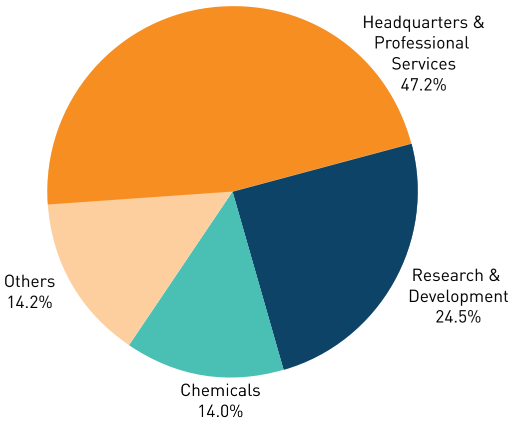
For FAI, the largest contribution came from the manufacturing sector, which attracted $5.1 billion worth of commitments. Within the manufacturing sector, the chemicals and electronics clusters garnered the largest amounts of commitments, at $4.2 billion and $445 million respectively. Meanwhile, the research & development cluster attracted the most FAI commitments within the services sector, at $1.8 billion. Investors from the United States contributed the most to total FAI, at $5.0 billion (67.8 per cent).

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 3Q 2023



For TBE, the services sector attracted the highest amount of commitments, at $2.1 billion. Within the sector, the headquarters & professional services and research & development clusters garnered the most TBE commitments, at $1.3 billion and $678 million respectively. Among the manufacturing clusters, the chemicals and electronics clusters attracted the largest amounts of TBE commitments, at $389 million and $213 million respectively. Investors from the United States were the largest source of TBE commitments, with commitments of $1.3 billion (46.5 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 3Q 2023



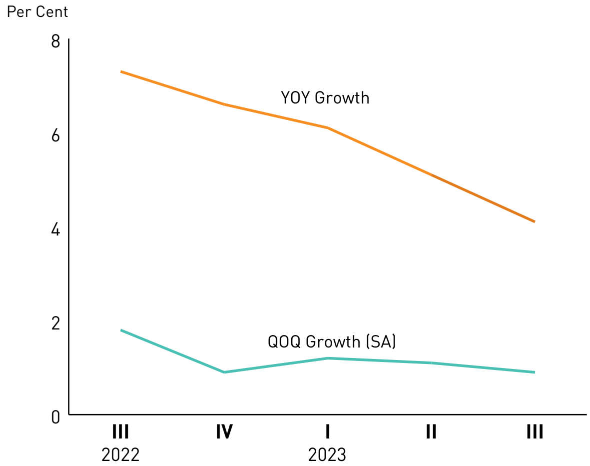
When these projects are fully implemented in the coming years, they are expected to generate $13.4 billion of value-added and to create more than 7,800 jobs.

PRICES

Consumer Price Index

Consumer Price Index-All Items (CPI-All Items) rose by 4.1 per cent on a year-on-year basis in the third quarter of 2023, moderating from the 5.1 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 0.9 per cent, slowing from the 1.1 per cent recorded in the previous quarter.

Exhibit 1.13: Changes in CPI



Most CPI categories saw price increases on a year-on-year basis in the third quarter of 2023, thus contributing positively to CPI-All Items inflation during the quarter. Food prices rose by 4.8 per cent on account of the higher costs of food services, such as hawker food and restaurant meals, as well as non-cooked food items such as bread & cereals, milk, cheese & eggs, and fish & seafood. Housing & utilities costs increased by 3.8 per cent because of a higher costs of accommodation. Prices of household durables & services went up by 1.8 per cent as the prices of household durables and domestic & household services increased. Healthcare costs rose by 4.3 per cent on the back of an increase in the costs of outpatient and hospital services. Transport costs climbed by 4.9 per cent due to an increase in costs of cars and higher bus & train fares outweighed lower airfares. Communication costs picked up by 3.0 per cent on account of a rise in the prices of telecommunication services. Recreation & culture prices increased by 5.3 per cent as a result of the higher costs of holiday travel, as well as recreational & cultural services. Education costs rose by 2.5 per cent because of higher fees at commercial institutions and universities. Prices of miscellaneous goods & services increased by 3.6 per cent due to a rise in the costs of personal care items and alcoholic drinks & tobacco. By contrast, clothing & footwear prices fell by 0.5 per cent, mainly driven by cheaper ready-made garments.

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

Per Cent

	2022		2023		
	III	IV	I	II	III
All items	7.3	6.6	6.1	5.1	**4.1**
Food	6.5	7.3	8.0	6.6	**4.8**
Clothing & Footwear	7.1	5.2	6.8	4.5	**-0.5**
Housing & Utilities	6.0	5.7	5.3	4.4	**3.8**
Housing Durables & Services	2.1	2.3	2.6	1.9	**1.8**
Healthcare	2.7	2.8	4.0	4.6	**4.3**
Transport	19.4	14.3	9.2	6.4	**4.9**
Communication	-0.8	-0.5	2.1	2.7	**3.0**
Recreation & Culture	5.6	6.3	6.8	6.5	**5.3**
Education	2.2	2.0	3.0	2.7	**2.5**
Miscellaneous Goods & Services	0.5	1.1	2.6	3.3	**3.6**

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade contracted by 16.4 per cent on a year-on-year basis in the third quarter, moderating from the 18.7 per cent decline in the preceding quarter (Exhibit 1.15). The decline in total merchandise trade was due to decreases in both non-oil trade (-14.1 per cent) and oil trade (-25.1 per cent).

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

Per Cent

	2022			2023		
	III	IV	ANN	I	II	III
Merchandise Trade	25.7	-1.0	17.7	-7.8	-18.7	**-16.4**
Merchandise Exports	23.4	-2.3	15.6	-6.5	-16.9	**-15.6**
Domestic Exports	27.9	-2.1	18.2	-7.9	-19.5	**-22.2**
Oil	75.2	21.6	52.4	8.5	-28.1	**-26.9**
Non-Oil	7.1	-14.0	3.0	-16.1	-13.4	**-18.8**
Re-Exports	19.8	-2.4	13.5	-5.3	-14.6	**-9.7**
Merchandise Imports	28.1	0.5	20.1	-9.3	-20.7	**-17.3**
Oil	58.8	8.2	43.9	-7.0	-34.4	**-25.0**
Non-Oil	21.2	-1.4	14.6	-9.9	-16.4	**-15.0**

Total merchandise exports contracted by 15.6 per cent in the third quarter, following the 16.9 per cent decrease in the preceding quarter. This was due to declines in both domestic exports (-22.2 per cent) and re-exports (-9.7 per cent).

The decline in domestic exports was on account of lower oil domestic exports (-26.9 per cent) and non-oil domestic exports (NODX) (-18.8 per cent). In volume terms, oil domestic exports declined by 16.5 per cent.

Meanwhile, NODX decreased by 18.8 per cent in the third quarter, following the 13.4 per cent contraction in the previous quarter. The decline in NODX was due to decreases in both electronics and non-electronics domestic exports.

Total merchandise imports contracted by 17.3 per cent in the third quarter, easing from the 20.7 per cent decline in the previous quarter, as both oil and non-oil imports fell. Specifically, oil imports contracted by 25.0 per cent, while non-oil imports declined by 15.0 per cent due to lower electronics and non-electronics imports.

Services Trade

Total services trade contracted by 1.9 per cent on a year-on-year basis in the third quarter, extending the 1.6 per cent decline in the previous quarter (Exhibit 1.16). Both the exports and imports of services saw negative year-on-year growth during the quarter.

Services exports fell by 2.8 per cent in the third quarter, following the 2.5 per cent decrease in the preceding quarter. This was largely driven by a fall in the exports of transport services, which more than offset the increases in the exports of travel services, financial services and charges for the use of intellectual property. Meanwhile, services imports contracted by 1.0 per cent, as compared to the 0.6 per cent decrease in the previous quarter. The fall in services imports was mainly due to the decrease in the imports of transport services, which outweighed increases in the imports of travel services, financial services and other business services.

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

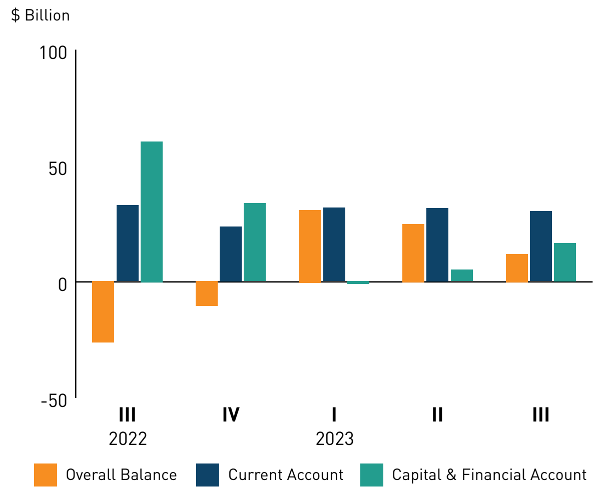
Per Cent

	2022			2023		
	III	IV	ANN	I	II	III
Total Services Trade	12.5	7.0	10.8	1.9	-1.6	**-1.9**
Services Exports	14.1	8.2	12.1	0.6	-2.5	**-2.8**
Services Imports	10.6	5.7	9.3	3.8	-0.6	**-1.0**

BALANCE OF PAYMENTS

Singapore recorded an overall balance of payments surplus of $12.2 billion in the third quarter of 2023, narrower than the surplus of $25.1 billion in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus declined to $30.1 billion in the third quarter of 2023, from $31.5 billion in the previous quarter. The decline was mainly due to the fall in the goods trade surplus, which more than offset the increase in the services trade surplus and the narrowing primary income deficit.

The surplus in the goods balance fell by $2.8 billion to $52.1 billion in the third quarter, as goods imports increased by more than goods exports.

In comparison, the surplus in the services balance rose by $0.5 billion to $9.6 billion in the third quarter. This was mainly due to the increase in net receipts for maintenance & repair services and other business services, as well as the decrease in net payments for telecommunications, computer & information services, which more than outweighed the increase in net payments for transport services.

At the same time, the primary income deficit narrowed by $0.9 billion to $29.6 billion in the third quarter, as primary income receipts rose while payments fell slightly.

The secondary income deficit edged up by $0.1 billion to $2.0 billion in the third quarter, as secondary income receipts declined more than the fall in payments.

Capital and Financial Account[7]

The capital and financial account registered a net outflow of $16.4 billion in the third quarter of 2023, larger than the net outflow of $4.9 billion recorded in the preceding quarter. The increase in net outflows was driven by the step-up in net outflows of portfolio investment and the decline in net inflows of direct investment. These more than offset the reversal from net outflows to net inflows of "other investment" as well as the decline in net outflows of financial derivatives.

Net outflows of portfolio investment rose by $12.2 billion to $38.3 billion in the third quarter as resident deposit corporations and the non-bank private sector recorded increases in net outflows.

At the same time, net inflows of direct investment fell to $17.1 billion in the third quarter, from $28.8 billion in the preceding quarter, as foreign direct investments into Singapore fell by more than residents' direct investments abroad fell.

In comparison, "other investment" switched to a net inflow position of $5.2 billion in the third quarter from a net outflow position of $5.4 billion in the previous quarter. This reflected the increase in net inflows into deposit-taking corporations, as well as the turnaround in the non-bank private sector from a net outflow position to a net inflow position.

Meanwhile, net outflows of financial derivatives decreased by $1.9 billion to $0.4 billion in the third quarter.

7 *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".*