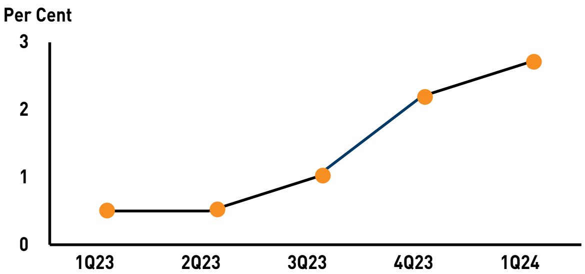
Chapter 1

THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP grew by
2.7% in 1Q24

Quarterly Growth (YoY)



Main Drivers of Growth in 1Q24

Finance & Insurance
0.8%-point contribution

Transportation & Storage
0.5%-point contribution

LABOUR MARKET

Resident Unemployment Rate
3.0% in March 24

Employment (QoQ Change)
+9,800 employed in 1Q24

Sectors with the Highest Employment Growth in 1Q24

- +12,000 employed — Other Services Industries
- +3,400 employed — Administrative & Support Services
- +2,100 employed — Finance & Insurance

PRODUCTIVITY
(YoY Growth)

Value-Added per Actual Hour Worked increased by
1.7% in 1Q24

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 1Q24

- 12.0% — Information & Communications
- 11.0% — Accommodation
- 7.3% — Finance & Insurance

COSTS
(YoY Growth)

Overall Unit Labour Cost increased by
3.6% in 1Q24

Within the Manufacturing Sector

5.8%
Unit Business Cost

2.3%
Unit Labour Cost

PRICES
(YoY Growth)

The Consumer Price Index (CPI) rose by
3.0% in 1Q24

Categories with Price Increases

4.9%
Recreation & Culture

4.7%
Health Care

3.4%
Food

INTERNATIONAL TRADE
(YoY Growth)

Total Merchandise Exports decreased by
4.4% in 1Q24

7.9%
Re-Exports

6.0%
Oil Domestic Exports

-3.4%
Non-Oil Domestic Exports

Total Services Exports increased by
8.0% in 1Q24

Services Exports increase was led by...

2.5%-pt
Transport

2.1%-pt
Travel

1.7%-pt
Other Business Services

OVERVIEW

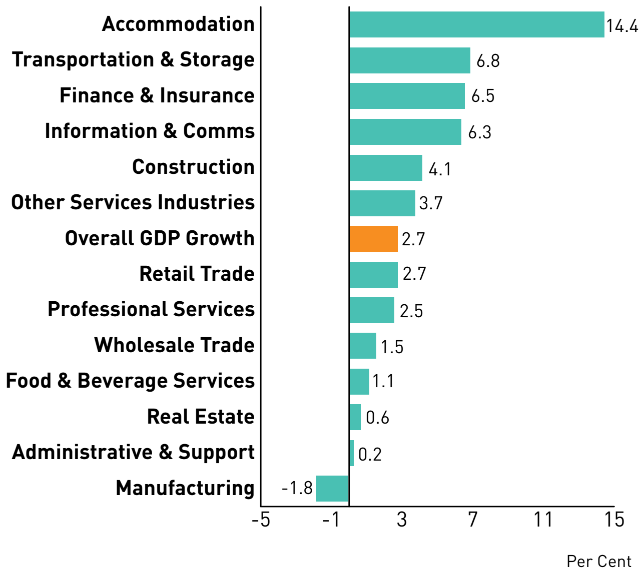
In the first quarter of 2024,

- The Singapore economy grew by 2.7 per cent on a year-on-year basis. The sectors that contributed the most to GDP growth during the quarter were the finance & insurance, transportation & storage and wholesale trade sectors.
- The seasonally-adjusted unemployment rates edged up slightly at the overall level, for residents and for citizens, notwithstanding a moderation in the number of retrenchments over the same period.
- Total employment rose by 9,800 on a quarter-on-quarter basis, extending the gains in the preceding quarter. Excluding Migrant Domestic Workers (MDWs), total employment increased by 4,900 on the back of resident employment gains.
- The Consumer Price Index-All Items (CPI-All Items) rose by 3.0 per cent year-on-year, moderating from the 4.0 per cent increase in the preceding quarter.

OVERALL PERFORMANCE

The Singapore economy grew by 2.7 per cent on a year-on-year basis in the first quarter of 2024, extending the 2.2 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 0.1 per cent, moderating from the 1.2 per cent growth in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 1Q 2024



The manufacturing sector contracted by 1.8 per cent year-on-year, a pullback from the 1.4 per cent growth in the previous quarter. Weakness in the sector was mainly driven by the output declines in the biomedical manufacturing (-16.7 per cent), electronics (-4.3 per cent) and general manufacturing (-3.0 per cent per cent) clusters.

The services producing industries grew by 3.9 per cent year-on-year, faster than the 2.0 per cent growth registered in the previous quarter. Growth was supported by expansions in all the services sectors, with the accommodation (14.4 per cent), transportation & storage (6.8 per cent) and finance & insurance (6.5 per cent) sectors posting the strongest growth.

The construction sector grew by 4.1 per cent year-on-year, moderating from the 5.2 per cent growth in the previous quarter. While private sector construction output contracted, it was more than offset by the expansion in public sector construction output.

The top three positive contributors to GDP growth in the first quarter were the finance & insurance, transportation & storage and wholesale trade sectors (Exhibit 1.2).

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 1Q 2024 (By Sector)

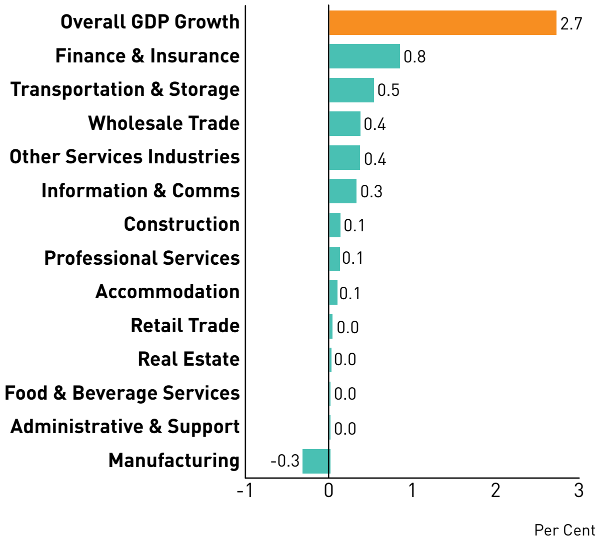


Exhibit 1.3: Changes in Total Demand*

	2023				2024
	I	II	III	IV	I
Total Demand	1.1	-2.5	-1.4	7.4	**5.4**
External Demand	2.1	-1.6	-1.8	11.1	**5.9**
Total Domestic Demand	-1.6	-5.3	-0.5	-2.9	**3.7**
Consumption Expenditure	6.2	2.6	2.5	2.5	**5.8**
Public	6.0	-1.7	4.2	1.1	**6.0**
Private	6.3	4.0	2.0	3.0	**5.8**
Gross Fixed Capital Formation	0.3	-2.3	-1.9	3.0	**-2.3**
Changes in Inventories	-3.4	-3.7	-0.8	-3.4	**0.4**

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

SOURCES OF GROWTH

Total demand increased by 5.4 per cent year-on-year in the first quarter of 2024, moderating from the 7.4 per cent increase in the previous quarter (Exhibit 1.3). The growth in total demand was supported by increases in both external and domestic demand during the quarter.

External demand rose by 5.9 per cent year-on-year, slower than the 11.0 per cent increase in the previous quarter. Meanwhile, domestic demand rose by 3.7 per cent year-on-year, a reversal from the 2.9 per cent contraction in the preceding quarter.

Within domestic demand, consumption expenditure rose by 5.8 per cent year-on-year, faster than the 2.5 per cent increase in the preceding quarter. The increase in consumption expenditure was supported by both higher public (6.0 per cent) and private consumption (5.8 per cent).

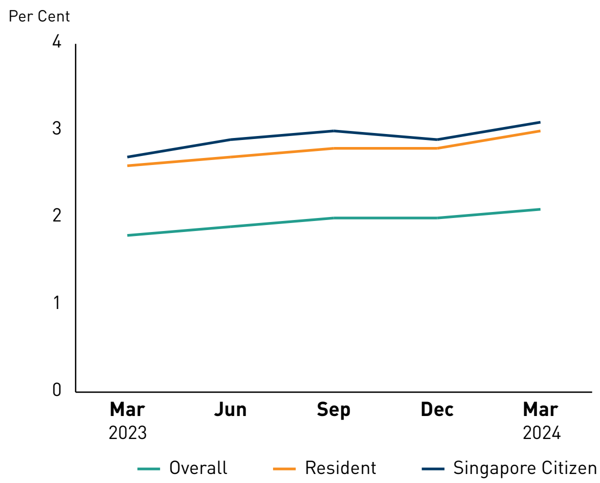
Meanwhile, gross fixed capital formation (GFCF) fell by 2.3 per cent year-on-year, a reversal from the 3.0 per cent increase in the previous quarter. The fall in GFCF during the quarter was due to a decline in private sector GFCF (-4.7 per cent), which outweighed an increase in public sector GFCF (6.8 per cent). Private sector GFCF decreased on the back of lower investments in private construction & works, private transport equipment and machinery & equipment, which more than offset higher investments in intellectual property products. Meanwhile, public sector GFCF rose due to higher investments in public construction & works, machinery & equipment and intellectual property products, even as investments in public transport equipment fell.

LABOUR MARKET

Unemployment and Retrenchment[1]

Compared to December 2023, the seasonally-adjusted unemployment rates in March 2024 increased marginally at the overall level (from 2.0 per cent to 2.1 per cent), for residents (from 2.8 per cent to 3.0 per cent) and for citizens (2.9 per cent to 3.1 per cent) (Exhibit 1.4).

Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)

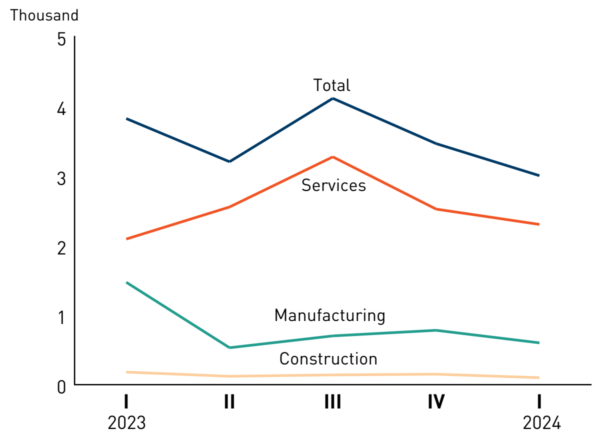


1 Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.

In March 2024, an estimated 72,500 residents, including 63,700 Singapore citizens, were unemployed. These were higher than the number of unemployed residents (67,800) and citizens (59,700) in December 2023.[2]

Total retrenchments fell to 3,000 in the first quarter of 2024, from 3,460 in the preceding quarter (Exhibit 1.5). The decrease in retrenchments was broad-based, with retrenchments falling in the services (from 2,520 to 2,300), manufacturing (from 780 to 600), and construction (from 150 to 100) sectors.

Exhibit 1.5: Retrenchments



Employment[3]

Total employment expanded by 9,800 on a quarter-on-quarter basis in the first quarter of 2024, extending the gains (+11,600) in the preceding quarter (Exhibit 1.6). Excluding MDWs, total employment rose by 4,900. Employment growth during the quarter was wholly supported by an increase in resident employment.

Total employment growth was largely driven by the services sector (+15,200; or +10,200 excluding MDWs), supported by employment gains in the other services (+12,000), administrative & support services (+3,400) and finance & insurance (+2,100) sectors (Exhibit 1.7). Over the same period, employment in the manufacturing (-3,100) and construction (-2,400) sectors declined.

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

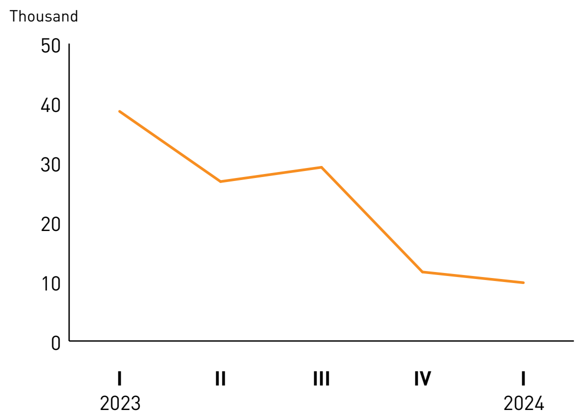
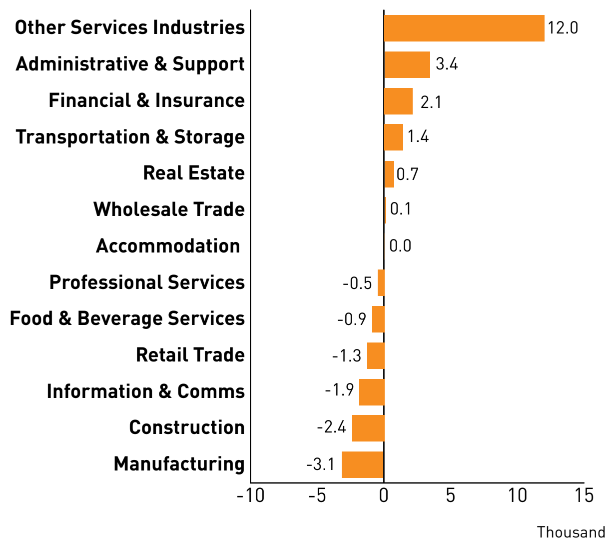


Exhibit 1.7: Changes in Employment by Sector in 1Q 2024



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

Hiring Expectations

According to EDB's latest Business Expectations Survey for the Manufacturing Sector, hiring expectations in the sector were negative. Specifically, a net weighted balance of 2 per cent of manufacturers expected to hire fewer workers in the second quarter of 2024 as compared to the first quarter. Firms in the other electronic modules & components segment of the electronics cluster were the most optimistic, with a net weighted balance of 29 per cent of firms expecting to increase hiring in the second quarter. By contrast, firms in the infocomms & consumer electronics segment of the electronics cluster were the most pessimistic, with a net weighted balance of 32 per cent of firms expecting to reduce hiring in the second quarter.

Meanwhile, hiring expectations for services firms remained positive. According to DOS' latest Business Expectations Survey for the Services Sector, a net weighted balance of 3 per cent of services firms expected to increase hiring in the second quarter of 2024 as compared to the first quarter. Among the services sectors, firms in the accommodation sector had the strongest hiring sentiments, with a net weighted balance of 27 per cent of firms expecting to increase hiring in the second quarter. On the other hand, firms in the retail trade sector were the most pessimistic, with a net weighted balance of 17 per cent of firms expecting to hire fewer workers in the second quarter.

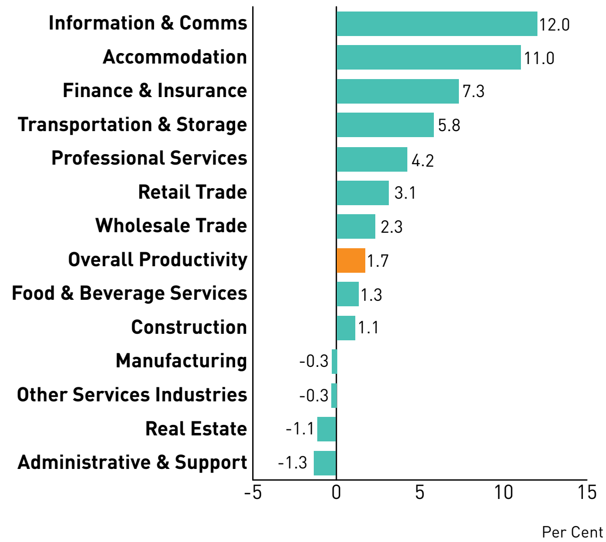
COMPETITIVENESS

Productivity

Overall labour productivity, as measured by real value-added per actual hour worked, rose by 1.7 per cent year-on-year in the first quarter of 2024, moderating from the 2.2 per cent increase in the previous quarter (Exhibit 1.8).[4]

Among the sectors, the information & communications (12.0 per cent), accommodation (11.0 per cent) and finance & insurance (7.3 per cent) sectors recorded the strongest productivity gains in the first quarter. The transportation & storage (5.8 per cent), professional services (4.2 per cent), retail trade (3.1 per cent), wholesale trade (2.3 per cent), food & beverage services (1.3 per cent) and construction (1.1 per cent) sectors also saw productivity improvements. By contrast, productivity declines were observed in the administrative & support services (-1.3 per cent), real estate (-1.1 per cent), other services (-0.3 per cent) and manufacturing (-0.3 per cent) sectors.

Exhibit 1.8: Changes in Value-Added per Actual Hour Worked for the Overall Economy and Sectors in 1Q 2024



In the first quarter, the productivity of outward-oriented sectors as a whole rose by 4.1 per cent year-on-year, moderating slightly from the 4.5 per cent increase in the previous quarter.[5] Meanwhile, productivity growth for the domestically-oriented sectors as a whole was flat, following the 0.4 per cent increase in the preceding quarter.

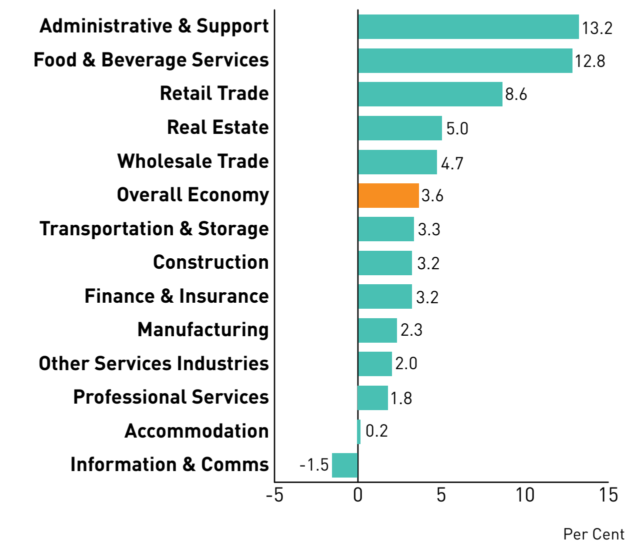
4 Similarly, overall labour productivity, as measured by real value-added per worker, grew by 0.4 per cent in the first quarter of 2024, a reversal from the 0.8 per cent decline in the preceding quarter.

5 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 3.6 per cent on a year-on-year basis in the first quarter of 2024 (Exhibit 1.9), extending the increase of 3.2 per cent in the preceding quarter. The rise in overall ULC during the quarter was due to an increase in total labour cost per worker which outweighed the rise in labour productivity as measured by real value-added per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 1Q 2024



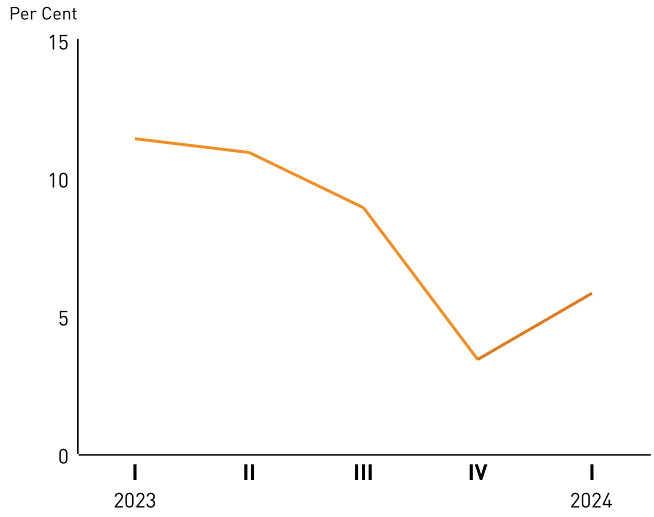
By sectors, the ULC for the construction sector was 3.2 per cent higher year-on-year in the first quarter reflecting a pickup in total labour cost per worker alongside a decline in labour productivity.

The ULC for services producing industries rose by 3.3 per cent year-on-year. Among the services sectors, ULC increased the most in the administrative & support services sector (13.2 per cent) as the increase in total labour cost per worker was accompanied by a fall in labour productivity. Meanwhile, ULC fell in the information & communications sector (-1.5 per cent) as productivity gains more than offset the increase in total labour cost per worker.

Over the same period, the ULC for the manufacturing sector picked up by 2.3 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 5.8 per cent on a year-on-year basis in the first quarter of 2024, faster than the 3.4 per cent increase in the previous quarter (Exhibit 1.10). The rise in UBC during the quarter was due to the increases in unit services costs (6.8 per cent), manufacturing ULC (2.3 per cent) and unit non-labour production taxes (44.7 per cent).

Exhibit 1.10: Changes in the Manufacturing Unit Business Cost

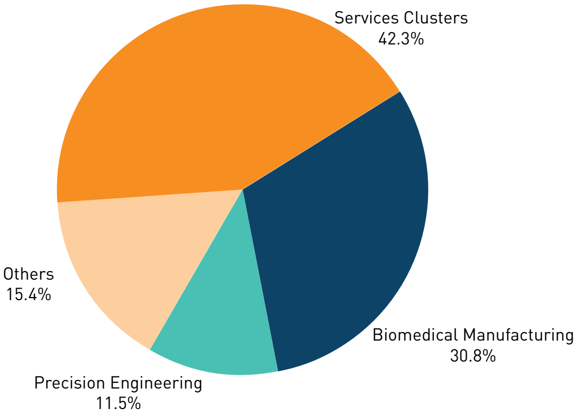


Investment Commitments

Investment commitments garnered by the Economic Development Board (EDB) in terms of Fixed Asset Investments (FAI) and Total Business Expenditure (TBE) amounted to $1.7 billion and $3.5 billion respectively in the first quarter of 2024 (Exhibit 1.11 and Exhibit 1.12).

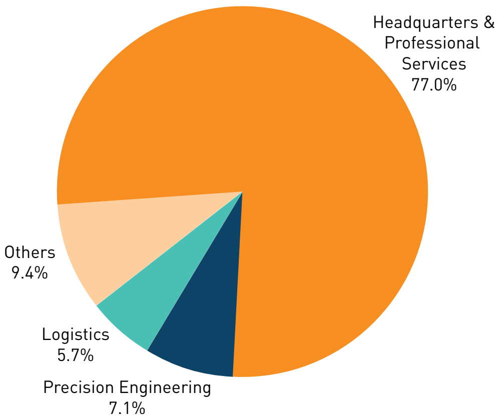
For FAI, the largest contribution came from the manufacturing sector, which attracted $984 million worth of commitments. Within the manufacturing sector, the biomedical manufacturing and precision engineering clusters garnered the largest amounts of commitments, at $525 million and $195 million respectively. Meanwhile, the research & development cluster attracted the most FAI commitments within the services sector, at $442 million. Investors from Europe contributed the most to total FAI, at $462 million (or 27.1 per cent).

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 1Q 2024



For TBE, the services sector attracted the highest amount of commitments, at $3.0 billion. Within the sector, the headquarters & professional services and logistics clusters garnered the most TBE commitments, at $2.7 billion and $199 million respectively. Among the manufacturing clusters, the precision engineering and transport engineering clusters attracted the largest amounts of TBE commitments, at $277 million and $81.4 million respectively. Domestic investors were the largest source of TBE commitments, with commitments of $2.4 billion (or 68.3 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 1Q 2024



When these projects are fully implemented, they are expected to generate $3.5 billion of value-added and create more than 5,000 jobs in the coming years
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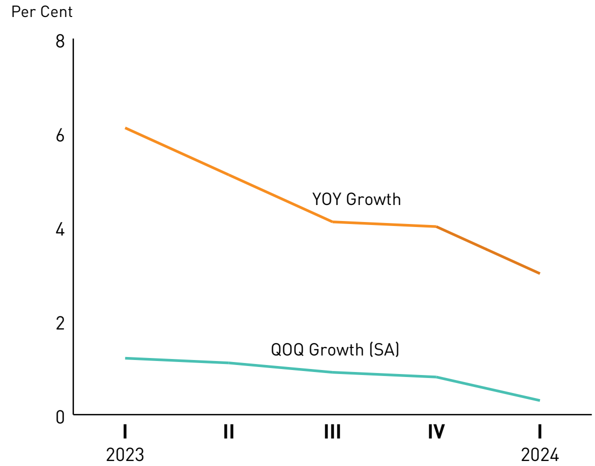
PRICES

Consumer Price Index

The Consumer Price Index-All Items (CPI-All Items) rose by 3.0 per cent on a year-on-year basis in the first quarter of 2024, moderating from the 4.0 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 0.3 per cent, slowing from the 0.8 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 first quarter of 2024, thus contributing positively to CPI-All Items inflation during the quarter (Exhibit 1.14). Food prices rose by 3.4 per cent on account of the higher costs of food serving services such as hawker food and restaurant meals, as well as non-cooked food items such as bread & cereals. Housing & utilities costs increased by 3.3 per cent as accommodation costs picked up. Prices of household durables & services went up by 1.0 per cent due to more expensive domestic & household services. Healthcare costs climbed by 4.7 per cent on the back of an increase in the costs of outpatient and hospital services. Transport costs rose by 1.8 per cent due to higher petrol and car prices and bus & train fares, as well as more expensive point-to-point transport services, which collectively outweighed the lower cost of airfares. Communication costs picked up by 2.3 per cent on account of a rise in the prices of telecommunication services. Recreation & culture prices rose by 4.9 per cent due to increases in the costs of holiday travel and recreational & cultural services. Education costs increased by 3.3 per cent because of higher fees at commercial institutions, childcare centres and universities. Prices of miscellaneous goods & services increased by 2.4 per cent as the prices of personal care items and alcoholic drinks & tobacco rose. By contrast, clothing & footwear prices fell by 0.2 per cent, mainly due to cheaper footwear and ready-made garments.

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

Per Cent

	2023				2024
	I	II	III	IV	I
All items	6.1	5.1	4.1	4.0	**3.0**
Food	8.0	6.6	4.8	4.0	**3.4**
Clothing & Footwear	6.8	4.5	-0.5	-0.6	**-0.2**
Housing & Utilities	5.3	4.4	3.8	3.8	**3.3**
Housing Durables & Services	2.6	1.9	1.8	1.3	**1.0**
Healthcare	4.0	4.6	4.3	5.1	**4.7**
Transport	9.2	6.4	4.9	5.0	**1.8**
Communication	2.1	2.7	3.0	3.8	**2.3**
Recreation & Culture	6.8	6.5	5.3	5.9	**4.9**
Education	3.0	2.7	2.5	2.7	**3.3**
Miscellaneous Goods & Services	2.6	3.3	3.6	2.8	**2.4**

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade grew by 4.8 per cent on a year-on-year basis in the first quarter, after the 2.1 per cent decrease in the preceding quarter (Exhibit 1.15). The increase in total merchandise trade was due to the growth in both oil trade (+3.4 per cent) and non-oil trade (+5.2 per cent).

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

Per Cent

	2023					2024
	I	II	III	IV	ANN	I
Merchandise Trade	-7.9	-18.8	-16.5	-2.1	-11.7	**4.8**
Merchandise Exports	-6.5	-16.9	-15.6	0.2	-10.1	**4.4**
Domestic Exports	-8.0	-19.5	-22.6	-1.7	-13.5	**0.3**
Oil	8.5	-28.1	-26.9	-2.1	-14.2	**6.0**
Non-Oil	-16.2	-13.4	-19.5	-1.4	-13.1	**-3.4**
Re-Exports	-5.3	-14.6	-9.5	1.8	-7.1	**7.9**
Merchandise Imports	-9.4	-20.8	-17.4	-4.7	-13.4	**5.3**
Oil	-7.0	-34.4	-25.0	-4.1	-19.0	**2.1**
Non-Oil	-10.0	-16.6	-15.2	-4.8	-11.9	**6.1**

Total merchandise exports rose by 4.4 per cent in the first quarter, extending the 0.2 per cent increase in the preceding quarter. This was due to the increase in both domestic exports (+0.3 per cent) and re-exports (+7.9 per cent).

The growth in domestic exports was due to the increase in oil domestic exports which outweighed the decline in non-oil domestic exports (NODX). In particular, oil domestic exports grew by 6.0 per cent. In volume terms, oil domestic exports increased by 7.0 per cent.

Meanwhile, NODX declined by 3.4 per cent in the first quarter, following the 1.4 per cent decrease in the previous quarter. The decline in NODX was due to the decrease in both electronics and non-electronics domestic exports.

Total merchandise imports grew by 5.3 per cent in the first quarter, after the 4.7 per cent decline in the previous quarter. The increase in imports was due to the growth in both oil and non-oil imports. Specifically, oil imports rose by 2.1 per cent, while non-oil imports increased by 6.1 per cent due to higher electronics and non-electronics imports.

Services Trade

Total services trade expanded by 7.5 per cent on a year-on-year basis in the first quarter, rebounding from the 2.8 per cent contraction in the previous quarter (Exhibit 1.16). Both the exports and imports of services saw positive year-on-year growth during the quarter.

Services exports rose by 8.0 per cent in the first quarter, a turnaround from the 3.9 per cent decrease 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 7.0 per cent, a turnaround from the 1.5 per cent decline in the previous quarter. The rise in services imports was also largely due to an increase in the imports of transport services, travel services and other business services.

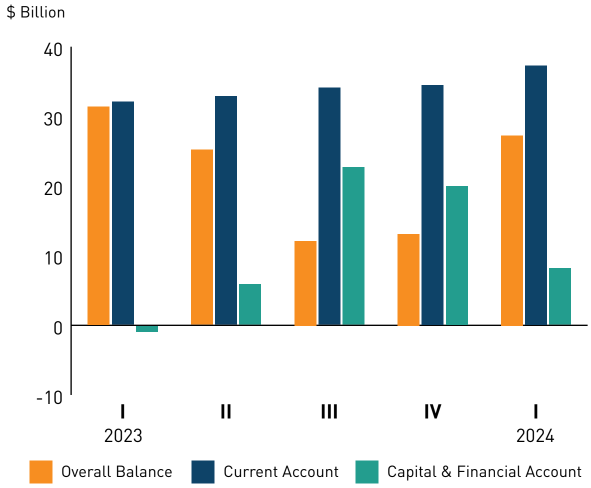
Exhibit 1.16: Growth Rates of Total Services Trade, Services Exports and Services Imports (In Nominal Terms)

	2023					2024
	I	II	III	IV	ANN	I
Total Services Trade	-0.1	-5.4	-6.9	-2.8	-3.8	**7.5**
Services Exports	-1.4	-7.5	-7.4	-3.9	-5.1	**8.0**
Services Imports	1.4	-3.1	-6.3	-1.5	-2.4	**7.0**

BALANCE OF PAYMENTS

Singapore recorded an overall balance of payments surplus of $27.3 billion in the first quarter of 2024, higher than the surplus of $13.2 billion in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus increased to $37.2 billion in the first quarter of 2024, from $34.4 billion in the previous quarter. This was due to a narrowing of the primary income deficit, which more than offset the decline in the goods and services trade surpluses and a widening of the secondary income deficit.

The surplus in the goods account fell by $7.8 billion to $45.1 billion in the first quarter, as goods exports declined by more than the fall in goods imports.

Meanwhile, the surplus in the services account fell by $0.9 billion to $12.9 billion in the first quarter. This was mainly due to an increase in net payments for other business services, alongside a fall in net receipts for maintenance and repair services as well as insurance services. Collectively, these more than outweighed the combined effect of lower net payments for travel services as well as higher net receipts for transport services.

The primary income deficit narrowed by $13.6 billion to $17.1 billion in the first quarter, as primary income receipts rose by more than the increase in payments.

The secondary income deficit widened by $2.1 billion to $3.7 billion in the first quarter, as the decline in secondary income receipts exceeded the reduction in secondary income payments.

Capital and Financial Account

The capital and financial account registered a smaller net outflow of $8.1 billion in the first quarter of 2024, compared to $19.9 billion in the preceding quarter. The decline in net outflows was mainly due to lower net outflows of "other investment" and portfolio investment. These more than offset the decline in net inflows of direct investment, as well as the reversal of financial derivatives from a net inflow to a net outflow position.

"Other investment" recorded net outflows of $8.6 billion in the first quarter, down from $36.3 billion in the previous quarter. The decline was primarily driven by the switch from a net outflow to a net inflow position in the non-bank private sector.

At the same time, net outflows of portfolio investment edged down to $31.1 billion in the first quarter, from $32.5 billion in the preceding quarter, on account of reduced net outflows from resident deposit-taking corporations.

Meanwhile, net inflows of direct investment fell to $33.2 billion in the first quarter, from $46.7 billion in the preceding quarter, as the decrease in foreign direct investments into Singapore exceeded the decline in residents' direct investments abroad.

Financial derivatives switched to net outflows of $1.6 billion in the first quarter, from the net inflows of $2.2 billion in the preceding quarter.

6 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".