MTI MINISTRY OF TRADE AND INDUSTRY SINGAPORE

ECONOMIC SURVEY OF SINGAPORE

SECOND QUARTER 2025

August 2025

Ministry of Trade and Industry
Republic of Singapore

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MAIN INDICATORS OF THE SINGAPORE ECONOMY

OVERALL ECONOMY

	1Q25	2Q25
Real Gross Domestic Product (YoY Growth)	+4.1%	+4.4%
Gross Domestic Product at Current Market Prices	$186.6 billion	$186.7 billion

PRICES

	1Q25	2Q25
Consumer Price Index — All Items (YoY Growth)	+1.0%	+0.8%
Domestic Supply Price Index (YoY Growth)	+4.9%	-2.9%

LABOUR MARKET

	1Q25	2Q25
Change in Employment (QoQ Change)	+6.9 thousand	+10.8 thousand
Overall Unemployment Rate	Mar25 2.0%	Jun25 2.1%
Value-Added per Actual Hour Worked (YoY Growth)	+4.0%	+1.7%

COSTS

	1Q25	2Q25
Unit Labour Cost of Overall Economy (YoY Growth)	+0.3%	-0.7%
Unit Business Cost of Manufacturing (YoY Growth)	-0.3%	-1.2%
Unit Labour Cost of Manufacturing (YoY Growth)	-1.9%	-2.2%

MERCHANDISE TRADE

	1Q25	2Q25
Merchandise Exports	$171,790 million +3.6% YoY Growth	$183,839 million +11.7% YoY Growth
Merchandise Imports	$154,679 million +6.2% YoY Growth	$157,781 million +2.2% YoY Growth

SERVICES TRADE

	1Q25	2Q25
Services Exports	$132,717 million +4.4% YoY Growth	$131,776 million +2.7% YoY Growth
Services Imports	$116,212 million +3.2% YoY Growth	$116,661 million +0.6% YoY Growth

CHAPTER

1

THE SINGAPORE ECONOMY

Chapter 1

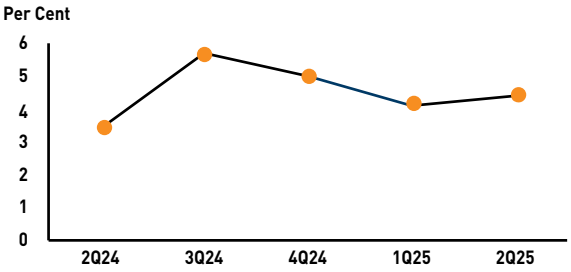
THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP grew by

4.4% in 2Q25

Quarterly Growth (YoY)



Main Drivers of Growth in 2Q25

Wholesale Trade

0.9%-point contribution

Manufacturing

0.8%-point contribution

LABOUR MARKET

Resident Unemployment Rate

2.9% in June 25

Employment (QoQ Change)

+10,800 employed in 2Q25

Sectors with the Highest Employment Growth in 2Q25

+6,600 employed

Other Services Industries

+5,600 employed

Finance & Insurance

+5,400 employed

Construction

PRODUCTIVITY

(YoY Growth)

Value-Added per Actual Hour Worked increased by

1.7% in 2Q25

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 2Q25

4.8%

Wholesale Trade

4.1%

Construction

3.0%

Information & Communications

COSTS
(YoY Growth)

Overall Unit Labour Cost decreased by

0.7% in 2Q25

Within the Manufacturing Sector

-1.2%

Unit Business Cost

-2.2%

Unit Labour Cost

PRICES
(YoY Growth)

The Consumer Price Index (CPI) rose by

0.8% in 2Q25

Categories with Largest Price Increases

2.7%

Health

1.9%

Transport

1.2%

Food

INTERNATIONAL TRADE
(YoY Growth)

Total Merchandise Exports increased by

11.7% in 2Q25

24.2%

Re-Exports

7.1%

Non-Oil Domestic Exports

-19.6%

Oil Domestic Exports

Total Services Exports increased by

2.7% in 2Q25

Services Exports increase was led by...

1.6%-pt

Other Business Services

0.8%-pt

Financial Services

0.8%-pt

Travel Services

OVERVIEW

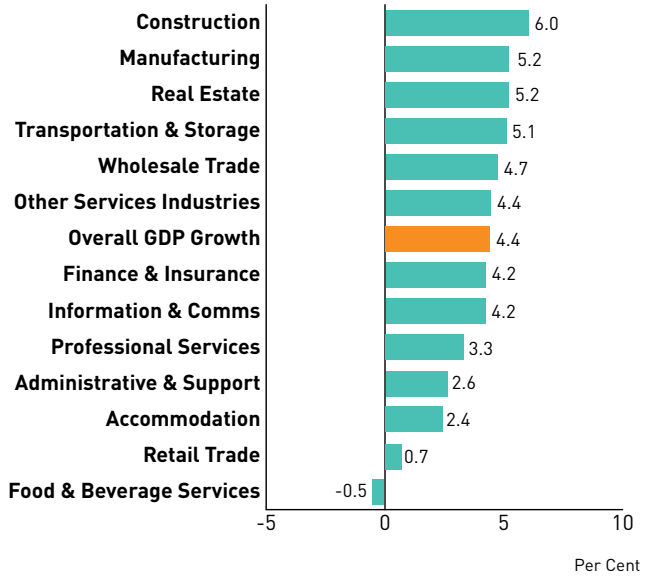
In the second quarter of 2025,

- The Singapore economy grew by 4.4 per cent on a year-on-year basis. The sectors that contributed the most to GDP growth during the quarter were the wholesale trade, manufacturing and finance & insurance sectors.
- The seasonally-adjusted unemployment rates edged up slightly at the overall level, was stable for residents but fell for citizens. Meanwhile, there was a slight moderation in the number of retrenchments over the same period.
- Total employment rose by 10,800 on a quarter-on-quarter basis, higher than the gains in the preceding quarter. Excluding Migrant Domestic Workers (MDWs), total employment increased by 8,400 on the back of employment gains for both residents and non-residents.
- The Consumer Price Index-All Items (CPI-All Items) inflation was 0.8 per cent year-on-year, moderating from 1.0 per cent in the preceding quarter.

OVERALL PERFORMANCE

The Singapore economy grew by 4.4 per cent on a year-on-year basis in the second quarter of 2025, extending the 4.1 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.4 per cent, a turnaround from the 0.5 per cent contraction in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 2Q 2025



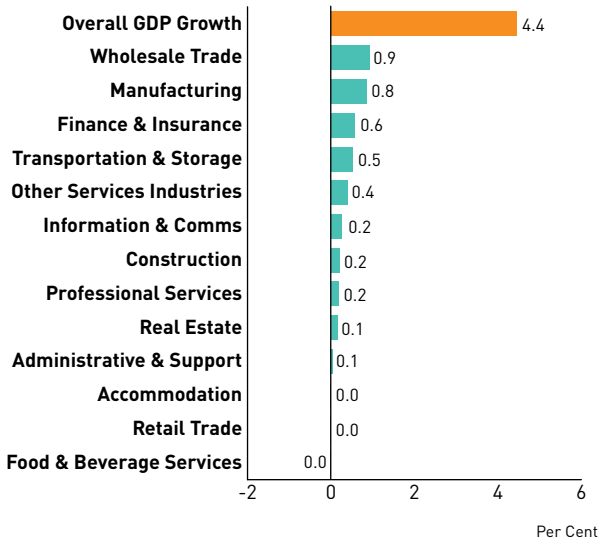
The manufacturing sector expanded by 5.2 per cent year-on-year, faster than the 4.7 per cent growth in the previous quarter. Growth in the sector was driven by output expansions in the transport engineering (18.8 per cent), precision engineering (10.3 per cent) and electronics (6.6 per cent) clusters.

The services producing industries grew by 4.3 per cent year-on-year, picking up from the 3.8 per cent growth registered in the previous quarter. Growth was supported by expansions in all the services sectors except for the food & beverage services sector. Among the services sectors, the real estate (5.2 per cent), transportation & storage (5.1 per cent) and wholesale trade (4.7 per cent) sectors posted the fastest growth.

The construction sector grew by 6.0 per cent year-on-year, accelerating from the 4.9 per cent growth in the previous quarter. Both public and private sector construction output increased during the quarter.

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

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 2Q 2025 (By Sectors)



SOURCES OF GROWTH

Total demand increased by 7.7 per cent year-on-year in the second quarter of 2025, faster than the 5.5 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 10.3 per cent year-on-year, accelerating from the 5.8 per cent increase in the previous quarter. Meanwhile, domestic demand rose by 0.4 per cent year-on-year, moderating from the 4.6 per cent expansion in the preceding quarter.

Within domestic demand, consumption expenditure rose by 4.4 per cent year-on-year, picking up from the 0.2 per cent increase in the preceding quarter. The increase in consumption expenditure was supported by both higher public consumption expenditure (6.7 per cent) and private consumption expenditure (3.9 per cent).

Meanwhile, gross fixed capital formation (GFCF) rose by 4.2 per cent year-on-year, extending the 6.4 per cent increase in the previous quarter. The increase in GFCF during the quarter was due to increases in both public sector GFCF (15.4 per cent) and private sector GFCF (1.5 per cent). Public sector GFCF rose due to higher investments in public transport equipment, machinery & equipment, construction & works and intellectual property products. Meanwhile, private sector GFCF increased on the back of higher investments in private intellectual property products, construction & works, and transport equipment, which more than offset lower investments in private machinery & equipment.

Exhibit 1.3: Changes in Total Demand*

Per Cent

	2024			2025	
	II	III	IV	I	II
Total Demand	6.4	5.1	4.4	5.5	**7.7**
External Demand	5.6	4.4	3.2	5.8	**10.3**
Total Domestic Demand	8.7	7.6	8.9	4.6	**0.4**
Consumption Expenditure	4.6	6.9	5.3	0.2	**4.4**
Public	2.5	8.3	16.2	-7.9	**6.7**
Private	5.2	6.4	2.2	3.3	**3.9**
Gross Fixed Capital Formation	3.4	4.7	4.9	6.4	**4.2**
Changes in Inventories	2.7	0.9	2.2	1.5	**-2.5**

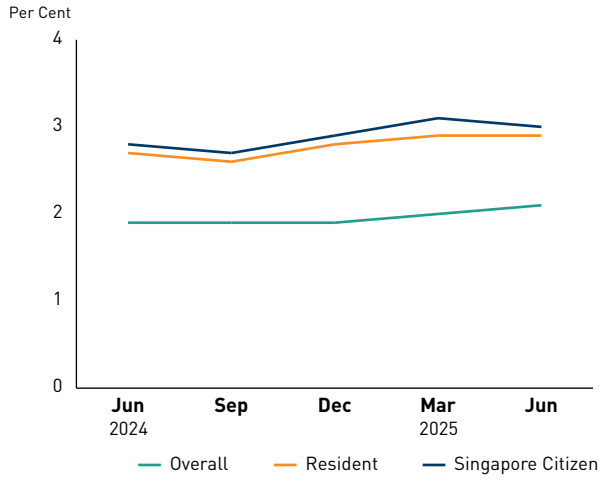
** For inventories, this refers to the contribution to GDP growth.*

LABOUR MARKET

Unemployment and Retrenchment[1]

Compared to March 2025, the seasonally-adjusted unemployment rates in June 2025 increased slightly at the overall level (from 2.0 per cent to 2.1 per cent), remained stable for residents (at 2.9 per cent) and declined slightly for citizens (from 3.1 per cent to 3.0 per cent) (Exhibit 1.4).

Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)

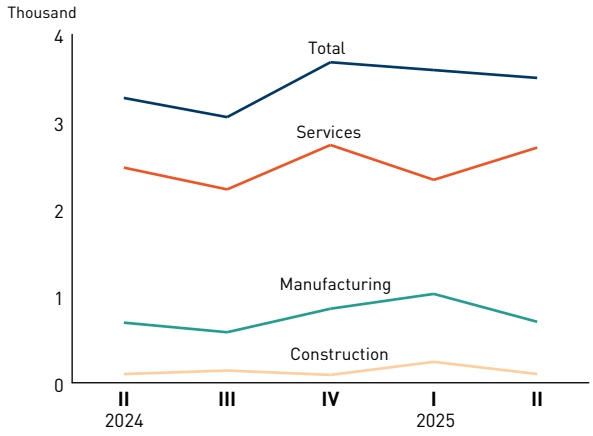


1 *Unemployment and retrenchment figures are based on preliminary data. Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.*

In June 2025, an estimated 68,700 residents, including 59,700 Singapore citizens, were unemployed. These were slightly lower than the number of unemployed residents (70,900) and citizens (62,600) in March 2025.[2]

Total retrenchments fell slightly to 3,500 in the second quarter of 2025, from 3,590 in the preceding quarter (Exhibit 1.5). The decline was due to a fall in retrenchments in the manufacturing (from 1,020 to 700) and construction (from 240 to 100) sectors, while retrenchment rose in the services (from 2,330 to 2,700) sector.

Exhibit 1.5: Retrenchments



Employment[3]

Total employment expanded by 10,800 on a quarter-on-quarter basis in the second quarter of 2025, larger than the gains (+6,900) in the preceding quarter (Exhibit 1.6). Excluding MDWs, total employment rose by 8,400 and was supported by an increase in both resident and non-resident employment.

Total employment growth was driven by gains across the construction (+5,400), services (+4,400; +1,900 excluding MDWs) and manufacturing (+1,000) sectors. The growth in the services sector was supported by gains in the other services (+6,600; +4,200 excluding MDWs), finance & insurance (+5,600) and administrative & support services (+3,200) sectors (Exhibit 1.7).

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

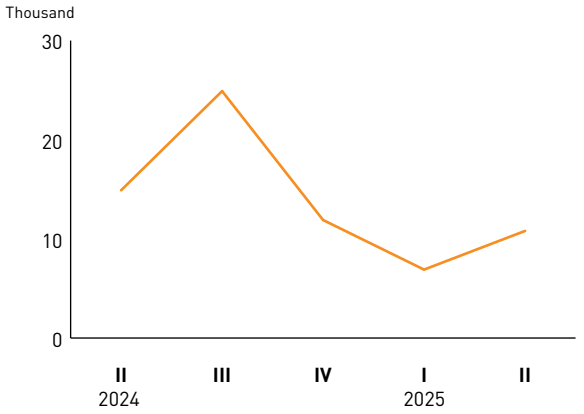
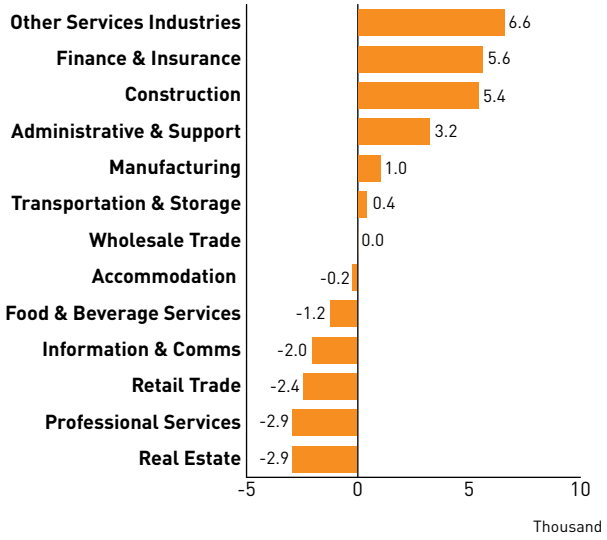


Exhibit 1.7: Changes in Employment by Sector in 2Q 2025



2 *Counts of unemployed persons are based on seasonally-adjusted data on the number of unemployed persons.*
3 *Employment figures are based on preliminary data.*

Hiring Expectations

According to EDB's latest Business Expectations Survey for the Manufacturing Sector, hiring expectations in the sector remained positive. Specifically, a net weighted balance of 1 per cent of manufacturers expected to hire more workers in the third quarter of 2025 as compared to the second quarter. Firms in the computer peripherals & data storage segment of the electronics cluster were the most optimistic, with a net weighted balance of 47 per cent of firms expecting to increase hiring in the third quarter. By contrast, firms in the medical technology segment of the biomedical manufacturing cluster were the most pessimistic, with a net weighted balance of 39 per cent of firms expecting to reduce hiring in the third quarter.

Similarly, hiring expectations for services firms were positive. According to DOS' latest Business Expectations Survey for the Services Sector, a net weighted balance of 9 per cent of services firms expected to increase hiring in the third quarter of 2025 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 32 per cent of firms expecting to increase hiring in the third quarter. On the other hand, firms in the transportation & storage and professional services sectors were the most pessimistic, with a net weighted balance of 2 per cent of firms expecting to hire fewer workers in the third quarter.

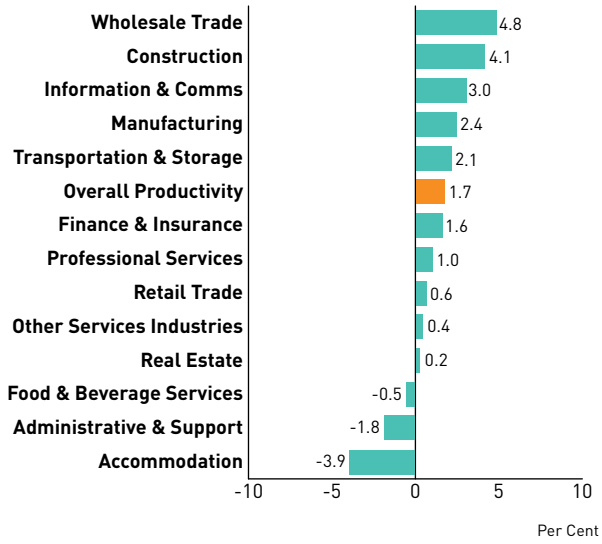
COMPETITIVENESS

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 second quarter of 2025, slower than the 4.0 per cent increase in the previous quarter (Exhibit 1.8).[4]

Among the sectors, the wholesale trade (4.8 per cent) and construction (4.1 per cent) sectors recorded the largest productivity gains in the second quarter. The information & communications (3.0 per cent), manufacturing (2.4 per cent), transportation & storage (2.1 per cent), finance & insurance (1.6 per cent), professional services (1.0 per cent), retail trade (0.6 per cent), other services (0.4 per cent) and real estate (0.2 per cent) sectors also saw productivity improvements. By contrast, productivity declines were observed in the accommodation (-3.9 per cent), administrative & support services (-1.8 per cent) and food & beverage services (-0.5 per cent) sectors.

Exhibit 1.8: Changes in Value-Added per Actual Hour Worked for the Overall Economy and Sectors in 2Q 2025



In the second quarter, the productivity of the outward-oriented sectors as a whole rose by 2.5 per cent year-on-year, slower than the 5.8 per cent increase in the previous quarter.[5] Meanwhile, productivity for the domestically-oriented sectors as a whole rose by 1.1 per cent year-on-year, moderating from the 1.7 per cent increase in the preceding quarter.

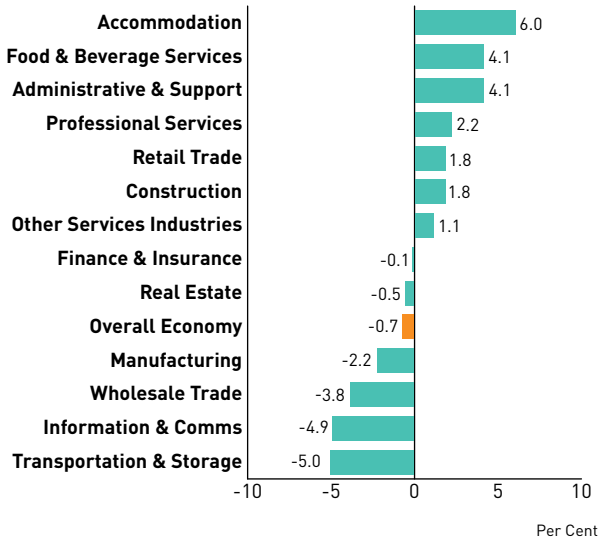
4 *Overall labour productivity, as measured by real value-added per worker, grew by 3.0 per cent in the second quarter of 2025, higher than the 2.6 per cent increase in the preceding quarter. Real value-added per actual hour worked grew slower than real value-added per worker in the second quarter of 2025 because the average number of hours worked per worker grew by 1.3 per cent on a year-on-year basis.*

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

Unit Labour Cost and Unit Business Cost

Overall unit labour cost (ULC) for the economy fell by 0.7 per cent on a year-on-year basis in the second quarter of 2025 (Exhibit 1.9), reversing the 0.3 per cent increase in the previous quarter. The fall in overall ULC during the quarter was due to an increase in labour productivity, as measured by real value-added per worker, which outpaced the rise in total labour cost per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 2Q 2025



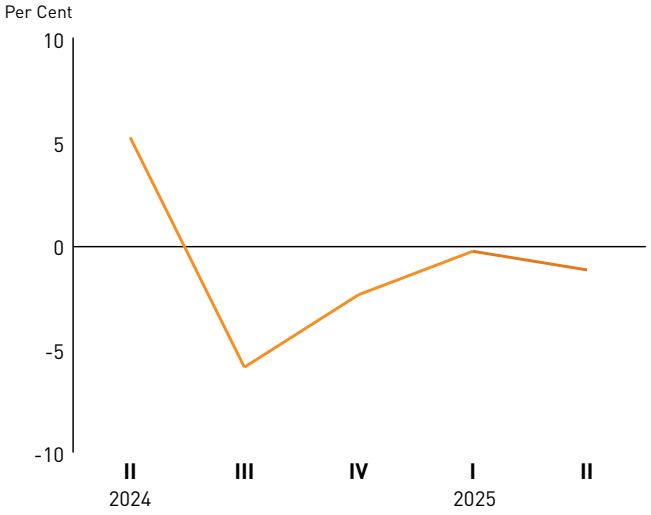
By sectors, the ULC for the construction sector was 1.8 per cent higher year-on-year in the second quarter as the rise in total labour cost per worker outstripped the increase in labour productivity.

The ULC for the services sector as a whole fell by 0.8 per cent year-on-year. Among the services sectors, ULC increased the most in the accommodation sector (6.0 per cent) as the increase in total labour cost per worker was greater than the increase in labour productivity. Meanwhile, ULC fell in the information & communication sector (-4.9 per cent), which experienced high productivity growth alongside a marginal increase in total labour cost per worker.

Over the same period, the ULC for the manufacturing sector fell by 2.2 per cent year-on-year. The decline in the sector's ULC occurred on the back of an improvement in labour productivity which exceeded the increase in total labour cost per worker.

Manufacturing unit business cost (UBC) fell by 1.2 per cent year-on-year in the second quarter, extending the decline of 0.3 per cent in the previous quarter (Exhibit 1.10). The decrease in manufacturing UBC came on the back of declines in unit services costs (-0.8 per cent), unit labour costs (-2.2 per cent) and unit non-labour production taxes (-2.7 per cent).

Exhibit 1.10: Changes in the Manufacturing Unit Business Cost

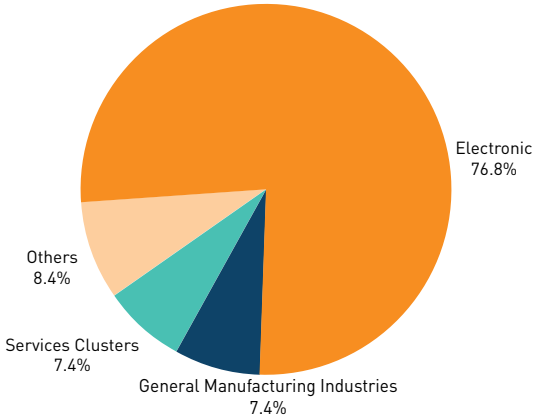


Investment Commitments

Investment commitments garnered by the Economic Development Board (EDB) in terms of Fixed Asset Investments (FAI) and Total Business Expenditure (TBE) amounted to $4.0 billion and $2.9 billion respectively in the second quarter of 2025 (Exhibit 1.11 and Exhibit 1.12).

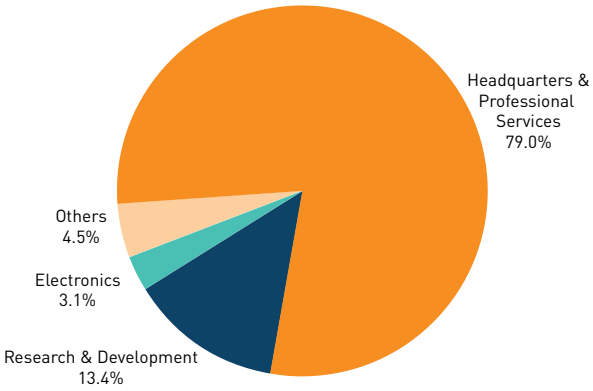
For FAI, the largest contribution came from the manufacturing sector, which attracted $3.7 billion worth of commitments. Of this, the electronics cluster accounted for $3.1 billion worth of commitments in the second quarter. Meanwhile, the services clusters garnered $295 million worth of commitments. Investors from the others region contributed the most to total FAI, at $3.1 billion (or 76.7 per cent).

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 2Q 2025



For TBE, the services sector attracted the highest amount of commitments, at $2.7 billion. Within the sector, the headquarters & professional services cluster garnered the most TBE commitments, at $2.3 billion. Among the manufacturing clusters, the electronics and precision engineering clusters attracted the largest amounts of TBE commitments, at $87.9 million and $77.1 million respectively. Investors from the others region[6] were the largest source of TBE commitments, with commitments of $2.3 billion (or 82.0 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 2Q 2025



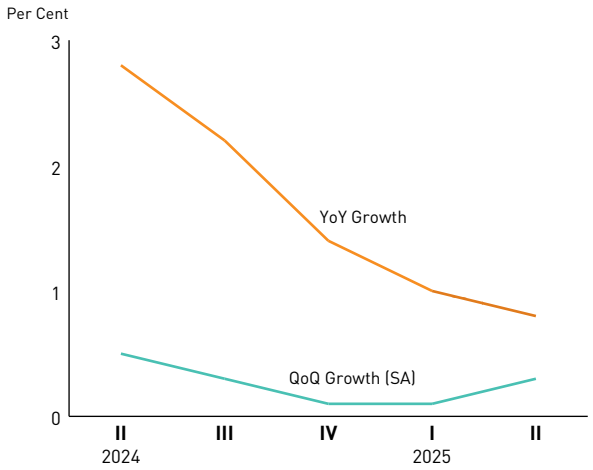
When these projects are fully implemented, they are expected to generate $3.4 billion of value-added and create more than 3,100 jobs in the coming years.

PRICES

Consumer Price Index

The Consumer Price Index-All Items (CPI-All Items) rose by 0.8 per cent on a year-on-year basis in the second quarter of 2025, slowing from the 1.0 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, picking up from 0.1 per cent in the preceding quarter.

Exhibit 1.13: Changes in CPI



Some CPI categories saw price increases on a year-on-year basis in the second quarter of 2025, thus contributing positively to CPI-All Items inflation during the quarter (Exhibit 1.14). Food prices rose by 1.2 per cent on account of an increase in the costs of food & beverage serving services such as hawker food and restaurant meals, as well as non-cooked food items such as fruits & nuts and rice & cereal products. Housing & utilities costs increased by 1.0 per cent because of higher accommodation costs. Healthcare costs went up by 2.7 per cent on the back of more expensive health insurance. Transport prices rose by 1.9 per cent due to higher car prices and bus & train fares. Education costs picked up by 0.5 per cent as a result of higher fees for private tuition & other educational courses, as well as at overseas universities.

The price gains in the above CPI categories were partially offset by price declines on a year-on-year basis in the following categories. Clothing & footwear prices fell by 1.6 per cent, mainly due to cheaper ready-made garments. Prices of household durables & services declined by 0.4 per cent as the prices of furniture & furnishings and household textiles fell. Information & communication costs decreased by 2.1 per cent on account of cheaper information & communication services and equipment. Recreation, sport & culture prices dropped by 1.9 per cent because of the lower costs of holiday travel. Prices of miscellaneous goods & services edged down by 0.3 per cent due to a fall in the costs of personal effects.

6 *Others refers to countries except for Singapore, Europe, Japan and the United States.*

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

Per Cent

	2024			2025	
	II	III	IV	I	II
All items	2.8	2.2	1.4	1.0	**0.8**
Food	2.8	2.6	2.4	1.3	**1.2**
Clothing & Footwear	-0.4	-0.5	-1.6	-1.0	**-1.6**
Housing & Utilities	3.8	3.3	2.5	1.3	**1.0**
Housing Durables & Services	1.1	0.5	0.1	-0.4	**-0.4**
Health	4.5	3.8	2.4	1.7	**2.7**
Transport	1.4	-0.2	-0.4	2.3	**1.9**
Information & Communication	0.8	0.7	0.0	-0.9	**-2.1**
Recreation & Culture	5.1	4.2	0.9	-0.9	**-1.9**
Education	3.4	3.2	2.6	0.3	**0.5**
Miscellaneous Goods & Services	1.3	0.9	0.9	-0.2	**-0.3**

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade increased by 7.1 per cent on a year-on-year basis in the second quarter of 2025, following the 4.8 per cent growth in the preceding quarter (Exhibit 1.15). The increase in total merchandise trade was supported by the growth in non-oil trade (+13.8 per cent), even as oil trade declined (-20.3 per cent).

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

Per Cent

	2024				2025	
	II	III	IV	ANN	I	II
Merchandise Trade	9.9	5.3	6.8	6.6	4.8	**7.1**
Merchandise Exports	7.5	5.7	5.1	5.7	3.6	**11.7**
Domestic Exports	2.9	5.4	-6.0	0.5	-1.9	**-4.3**
Oil	19.0	-0.2	-17.9	1.0	-9.2	**-19.6**
Non-Oil	-6.5	9.0	2.4	0.2	3.3	**7.1**
Re-Exports	11.5	5.9	13.9	9.8	7.8	**24.2**
Merchandise Imports	12.5	5.0	8.7	7.8	6.2	**2.2**
Oil	16.0	-7.7	-9.5	-0.3	-8.0	**-20.3**
Non-Oil	11.7	8.3	13.7	9.9	10.0	**7.9**

Total merchandise exports expanded by 11.7 per cent in the second quarter, accelerating from the 3.6 per cent growth in the preceding quarter. This was due to the increase in re-exports (+24.2 per cent) which outweighed the decline in domestic exports (-4.3 per cent).

The decline in domestic exports was due to the decrease in oil domestic exports which outweighed the increase in non-oil domestic exports (NODX). In particular, oil domestic exports contracted by 19.6 per cent. In volume terms, oil domestic exports increased by 2.0 per cent.

Meanwhile, NODX grew by 7.1 per cent in the second quarter, extending the 3.3 per cent growth in the previous quarter. The growth in NODX was due to the increase in both electronics and non-electronics domestic exports.

Total merchandise imports increased by 2.2 per cent in the second quarter, easing from the 6.2 per cent growth in the previous quarter. The growth in imports was due to the increase in non-oil imports which outweighed the decline in oil imports. Specifically, non-oil imports grew by 7.9 per cent due to higher electronics and non-electronics imports, while oil imports contracted by 20.3 per cent.

Services Trade

Total services trade expanded by 1.7 per cent on a year-on-year basis in the second quarter, slowing from the 3.8 per cent growth 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 2.7 per cent in the second quarter, moderating from the 4.4 per cent growth in the preceding quarter. The increase in services exports was largely attributable to a pickup in the exports of other business services, financial services and travel services. Meanwhile, services imports expanded by 0.6 per cent, slower than the 3.2 per cent growth in the previous quarter. The rise in services imports was largely due to an increase 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)

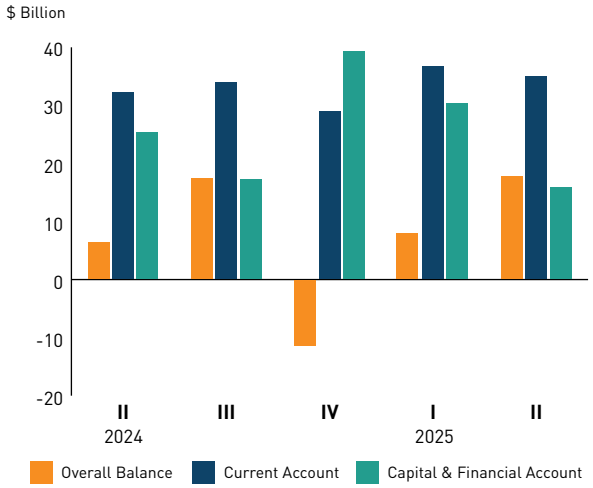
Per Cent

	2024				2025	
	II	III	IV	ANN	I	II
Total Services Trade	7.9	10.8	7.4	8.6	3.8	**1.7**
Services Exports	9.2	12.0	8.4	9.9	4.4	**2.7**
Services Imports	6.5	9.5	6.4	7.1	3.2	**0.6**

BALANCE OF PAYMENTS

Singapore recorded an overall balance of payments surplus of $17.7 billion in the second quarter of 2025, higher than the surplus of $7.9 billion in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus decreased to $34.8 billion in the second quarter of 2025, from $36.6 billion in the preceding quarter. The decrease was driven by a widening of the primary and secondary income account deficits and a narrowing of the services account surplus, which more than offset an increase in the goods account surplus.

In terms of the components of the current account, the surplus in the goods account rose to $53.8 billion in the second quarter, from $43.3 billion in the preceding quarter, as goods exports rose more than the increase in goods imports.

In comparison, the surplus in the services account narrowed to $15.1 billion in the second quarter, from $16.5 billion in the preceding quarter. This was mainly due to a fall in net receipts for transport services and charges for the use of intellectual property as well as an increase in net payments for travel services and telecommunications, computer & information services. Collectively, these more than offset a switch from net payments to net receipts for other business services.

The primary income account deficit widened by $10.5 billion from the preceding quarter to $31.2 billion in the second quarter, as primary income receipts fell more than primary income payments.

The secondary income account deficit similarly widened by $0.3 billion from the preceding quarter to $3.0 billion in the second quarter, as secondary income receipts fell more than secondary income payments.

Capital and Financial Account[7]

The capital and financial account registered a smaller net outflow of $15.8 billion in the second quarter, compared to $30.2 billion in the preceding quarter. This was mainly due to smaller net outflows of "other investment" and a switch from net outflows to net inflows for financial derivatives, which more than offset larger net outflows of portfolio investment and reduced net inflows of direct investment.

Net outflows of "other investment" fell to $27.7 billion in the second quarter, from $46.5 billion in the preceding quarter, as resident deposit-taking corporations turned from a net outflow position to a net inflow position. This outweighed larger net outflows from the non-bank private sector.

Meanwhile, net inflows of direct investment edged down to $39.0 billion in the second quarter, from $39.3 billion in the preceding quarter, as foreign direct investment into Singapore fell more than the decline in residents' direct investment abroad.

Net outflows of portfolio investment rose to $30.4 billion in the second quarter, from $19.5 billion in the preceding quarter, on account of a switch from net inflows to net outflows in the non-bank private sector which outweighed a decline in net outflows from resident deposit-taking corporations.

At the same time, financial derivatives recorded a net inflow of $3.3 billion in the second quarter, a reversal from the net outflow of $3.4 billion in the preceding 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".*

CHAPTER

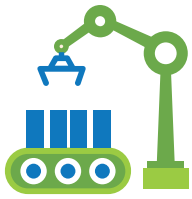
2

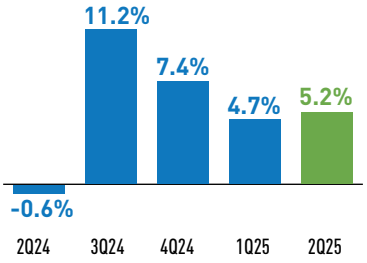
SECTORAL PERFORMANCE

Chapter 2

SECTORAL PERFORMANCE

MANUFACTURING
(YoY Growth)





CLUSTERS IN MANUFACTURING SECTOR

18.8%
Transport Engineering

10.3%
Precision Engineering

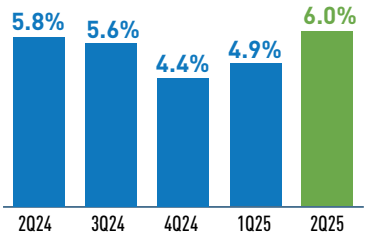
6.6%
Electronics

4.9%
Biomedical Manufacturing

-0.6%
Chemicals

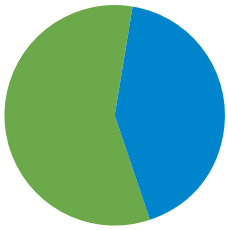
-11.7%
General Manufacturing Industries

CONSTRUCTION
(YoY Growth)



CERTIFIED PAYMENTS
(% Share)

57.6%
Public



42.4%
Private

CONTRACTS AWARDED
(YoY Growth)

157.1%

Civil Engineering

30.0%

Commercial

8.7%

Institutional & Others

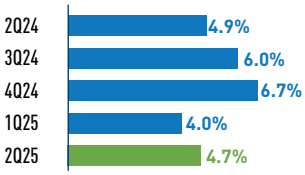
-14.4%

Residential

-75.6%

Industrial

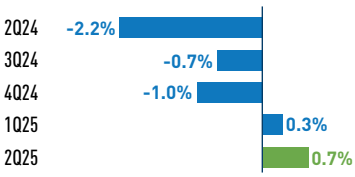
WHOLESALE TRADE
(YoY Growth)



Real Non-Oil Re-Exports Growth
31.1%

Real Non-Oil Domestic Exports Growth
11.4%

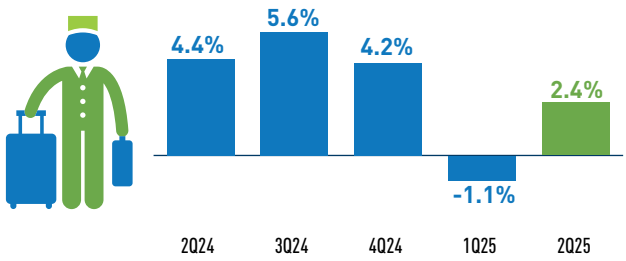
RETAIL TRADE
(YoY Growth)



Retail Sales Index Growth (Motor Vehicles)
11.3%

Retail Sales Index Growth (Non-Motor Vehicles)
-0.3%

ACCOMMODATION
(YoY Growth)



OCCUPANCY RATES OF HOTELS
(YoY Change)

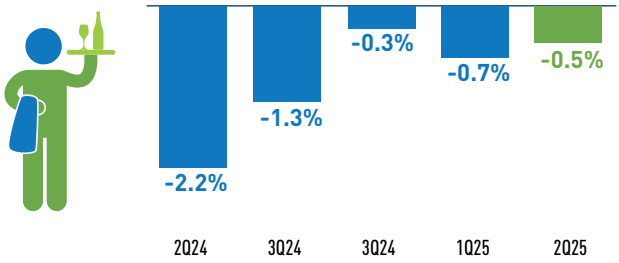
Luxury
-1.5%-pt

Upscale
-1.9%-pt

Mid-Tier
0.1%-pt

Economy
0.4%-pt

FOOD & BEVERAGE SERVICES
(YoY Growth)



FOOD & BEVERAGE SALES INDEX GROWTH
(YoY Growth)

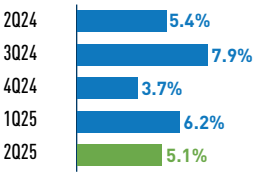
Food Caterers
17.8%

Others
0.7%

Fast Food Outlets
-1.1%

Restaurants
-6.0%

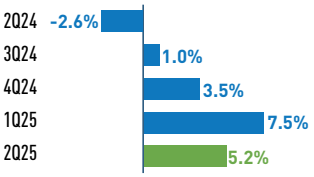
TRANSPORTATION & STORAGE
(YoY Growth)



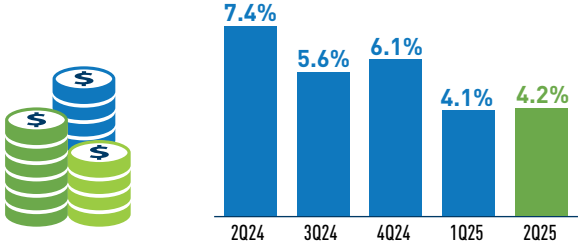
Total Sea Cargo Handled Growth -4.9%

Air Passengers Handled Growth 6.0%

REAL ESTATE
(YoY Growth)



FINANCE & INSURANCE
(YoY Growth)



PRIVATE RESIDENTIAL REAL ESTATE

Units Transacted (YoY Growth) 4.3%

Certified Payments (YoY Growth) 10.2%

OVERVIEW

In the second quarter of 2025,

- The manufacturing sector expanded by 5.2 per cent year-on-year, extending the 4.7 per cent growth in the preceding quarter. All clusters except the chemicals and general manufacturing clusters recorded increased output.
- The construction sector grew by 6.0 per cent year-on-year, extending the 4.9 per cent expansion in the previous quarter.
- The wholesale trade sector expanded by 4.7 per cent year-on-year, picking up from the 4.0 per cent expansion recorded in the preceding quarter.
- The retail trade sector expanded by 0.7 per cent year-on-year, extending the 0.3 per cent growth recorded in the previous quarter.
- The transportation & storage sector posted growth of 5.1 per cent year-on-year, moderating from the 6.2 per cent growth in the previous quarter.
- The accommodation sector expanded by 2.4 per cent year-on-year, reversing the 1.1 per cent contraction in the previous quarter.
- The food & beverage services sector contracted by 0.5 per cent year-on-year, extending the 0.7 per cent decline in the previous quarter.
- The finance & insurance sector expanded by 4.2 per cent year-on-year, extending the 4.1 per cent gain in the preceding quarter.
- The real estate sector expanded by 5.2 per cent year-on-year, following the 7.5 per cent growth in the preceding quarter.
- The professional services sector grew by 3.3 per cent year-on-year, extending the 1.9 per cent expansion in the previous quarter.

MANUFACTURING

The manufacturing sector expanded by 5.2 per cent on a year-on-year basis in the second quarter of 2025, extending the 4.7 per cent growth in the previous quarter (Exhibit 2.1). All clusters except the chemicals and general manufacturing clusters recorded increased output (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate

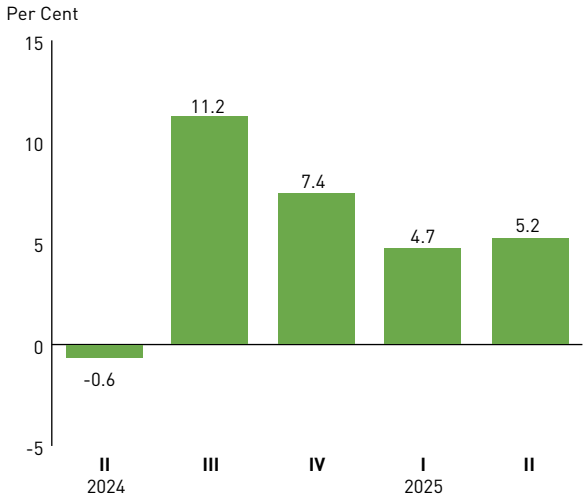
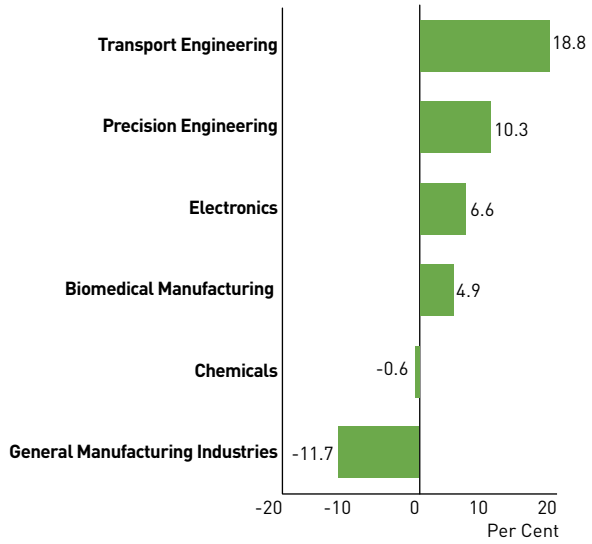


Exhibit 2.2: Manufacturing Clusters' Growth Rates in 2Q 2025



The transport engineering cluster expanded by 18.8 per cent year-on-year in the second quarter, led by the 34.1 per cent growth in the aerospace segment on account of higher demand for aircraft parts, as well as more maintenance, repair and overhaul jobs from commercial airlines. The marine & offshore engineering segment increased 0.8 per cent. By contrast, the land segment contracted 7.2 per cent.

Output of the precision engineering cluster increased by 10.3 per cent year-on-year in the second quarter, driven by output expansions in both the machinery & systems (M&S) and precision modules & components (PMC) segments. The PMC segment grew by 11.1 per cent, supported by higher production of optical instruments, plastic precision components and electronic connectors. Meanwhile, the M&S segment expanded by 10.1 per cent, on account of higher output in semiconductor equipment and process control equipment.

The electronics cluster increased by 6.6 per cent year-on-year in the second quarter. Output of the infocomms & consumer electronics and semiconductors segments grew by 34.9 per cent and 4.9 per cent respectively. On the other hand, output for computer peripherals & data storage and other electronic modules & components segments declined by 9.6 per cent and 15.5 per cent respectively.

Output of the biomedical manufacturing cluster increased by 4.9 per cent year-on-year in the second quarter, driven by output expansions in both the pharmaceuticals and medical technology segments. The pharmaceutical segment grew by 15.7 per cent on account of higher production of biological products, while output in the medical technology segment rose by 2.8 per cent due to continued export demand for medical devices.

Output in the chemicals cluster contracted by 0.6 per cent year-on-year in the second quarter, driven by output contractions in the specialties and petroleum segments. The specialties segment declined by 6.6 per cent on account of lower production of industrial gases, biofuels and food additives. The petroleum segment contracted by 0.3 per cent. By contrast, output of the other chemicals and petrochemicals segments grew by 4.5 per cent and 1.4 per cent respectively, with the former recording higher production of fragrances.

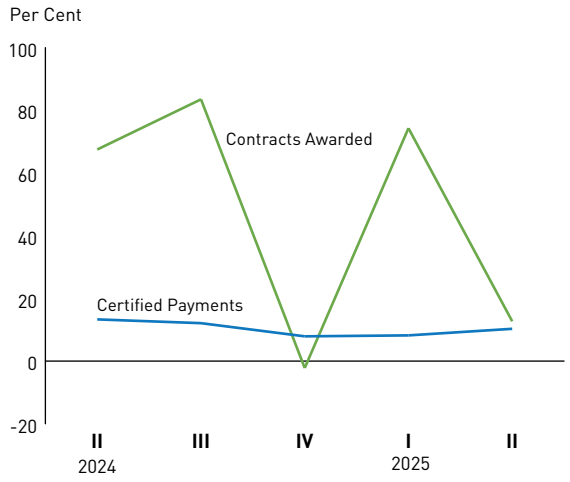
The general manufacturing cluster declined by 11.7 per cent year-on-year in the second quarter. The miscellaneous industries segment declined by 17.5 per cent with lower output of structural metal components & products and paper & paperboard containers and boxes. The food, beverage & tobacco segment declined by 9.1 per cent, led by lower production of beverage and milk products. The output decline in these segments outweighed the 2.1 per cent growth of the printing segment.

CONSTRUCTION

The construction sector grew by 6.0 per cent year-on-year in the second quarter of 2025, extending the 4.9 per cent expansion in the previous quarter.

In the second quarter, nominal certified progress payments, a proxy for construction output, rose by 10.3 per cent year-on-year, extending the 8.2 per cent increase recorded in the previous quarter (Exhibit 2.3). The increase in certified progress payments was supported by expansions in both the public (18.8 per cent) as well as the private (0.6 per cent) sector construction works. The growth in public certified progress payments was largely driven by higher outturns in public institutional and others (52.3 per cent) and civil engineering (18.7 per cent) works. Meanwhile, the expansion in private certified progress payments was led by growth in private institutional and others building (36.4 per cent) and private residential (10.2 per cent) building works.

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

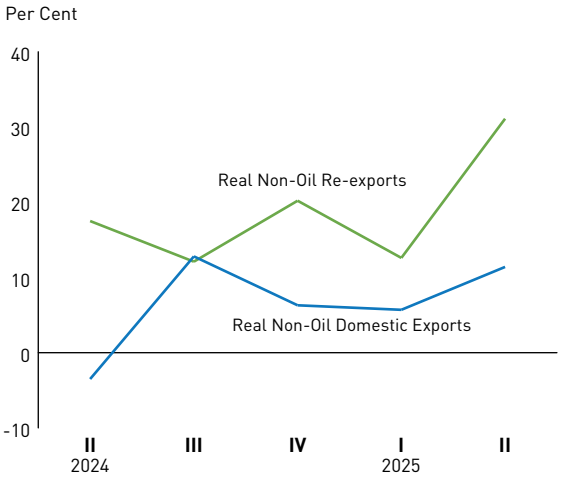


Construction demand in terms of contracts awarded rose by 12.7 per cent year-on-year in the second quarter, moderating from the 74.3 per cent growth in the previous quarter (Exhibit 2.3). The growth in contracts awarded during the quarter was on account of higher public (16.8 per cent) and private (6.3 per cent) sector construction demand. The former was led by an increase in contracts awarded for public civil engineering (31.0 per cent) and public commercial (1,456 per cent) building works, while the latter was led by an expansion in contracts awarded for private civil engineering works (1,285 per cent).

WHOLESALE TRADE

The wholesale trade sector grew by 4.7 per cent year-on-year in the second quarter of 2025, picking up from the 4.0 per cent expansion in the previous quarter. Growth in the sector was led by the expansion in both non-oil re-export (NORX) and non-oil domestic export (NODX) volumes during the quarter. In particular, NORX volumes increased by 31.1 per cent year-on-year in the second quarter, surging from the 12.6 per cent growth in the previous quarter (Exhibit 2.4). This was led by a strong expansion in the re-exports of machinery & transport equipment. Meanwhile, NODX volumes grew by 11.4 per cent during the quarter, picking up from the 5.7 per cent expansion posted in the previous quarter, on the back of an increase in domestic exports of machinery & transport equipment.

Exhibit 2.4: Changes in Real Non-Oil Domestic Exports and Real Non-Oil Re-Exports

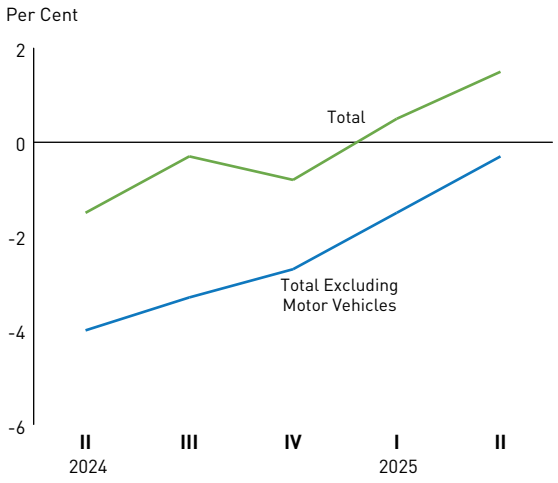


RETAIL TRADE

The retail trade sector expanded by 0.7 per cent year-on-year in the second quarter of 2025, extending the 0.3 per cent growth in the previous quarter.

In the second quarter, overall retail sales volume grew by 1.5 per cent year-on-year, extending the 0.5 per cent growth in the preceding quarter (Exhibit 2.5). The expansion in overall retail sales volume in the second quarter of 2025 was driven by growth in motor vehicle sales (11.3 per cent), which outweighed a decline in non-motor vehicle sales volume (-0.3 per cent). The fall in non-motor vehicle sales in the second quarter was driven by declines in the watches & jewellery (-6.4 per cent) and wearing apparel & footwear (-3.9 per cent) segments. By contrast, the computer & telecommunications equipment (14.0 per cent) and supermarkets & hypermarkets (2.8 per cent) segments grew.

Exhibit 2.5: Changes in Retail Sales Index in Chained Volume Terms

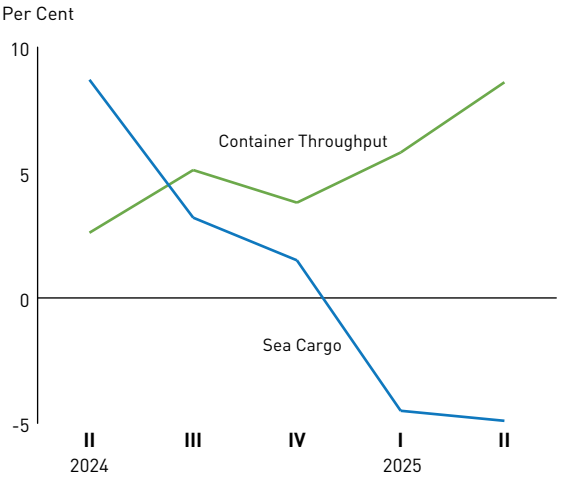


TRANSPORTATION & STORAGE

The transportation & storage sector expanded by 5.1 per cent year-on-year in the second quarter of 2025, moderating from the 6.2 per cent growth posted in the previous quarter, as the water transport, air transport and land transport segments grew.

In the water transport segment, container throughput increased by 8.6 per cent year-on-year in the second quarter, accelerating from the 5.8 per cent growth posted in the previous quarter (Exhibit 2.6). On the other hand, total sea cargo volume handled at our ports declined over the same period (-4.9 per cent), which came on the back of contractions in general cargo (-1.2 per cent), bulk cargo (-11.3 per cent) and oil-in-bulk cargo volumes (-11.9 per cent).

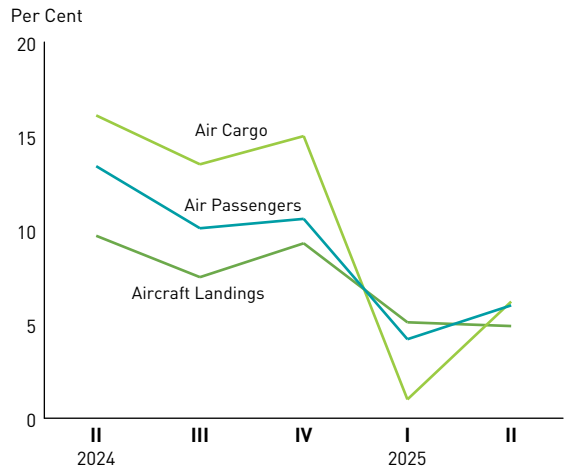
Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



Within the air transport segment, the volume of air passenger traffic (less transit) handled at Changi Airport rose by 6.0 per cent year-on-year in the second quarter, picking up from the 4.2 per cent growth posted in the previous quarter (Exhibit 2.7).

Reflecting the sustained expansion in air travel demand, the number of aircraft landings increased by 4.9 per cent year-on-year to reach 46,802 in the second quarter of 2025, extending the 5.1 per cent increase in the preceding quarter. Meanwhile, total air cargo shipments handled at Changi Airport rose by 6.2 per cent in the second quarter, accelerating from the 1.0 per cent expansion in the previous quarter.

Exhibit 2.7: Changes in Air Transport

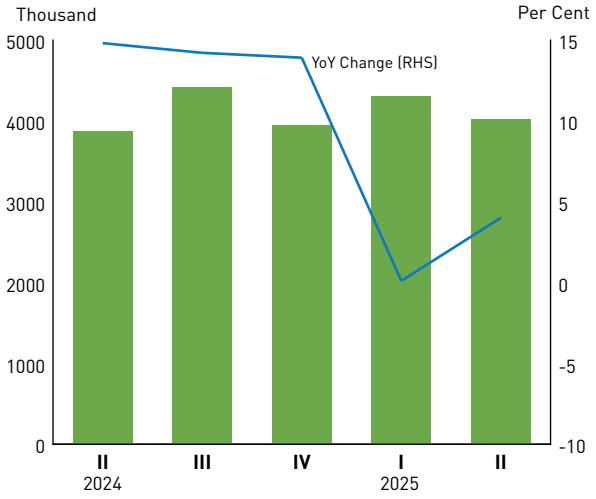


ACCOMMODATION

The accommodation sector expanded by 2.4 per cent year-on-year in the second quarter of 2025, reversing the 1.1 per cent contraction in the preceding quarter.

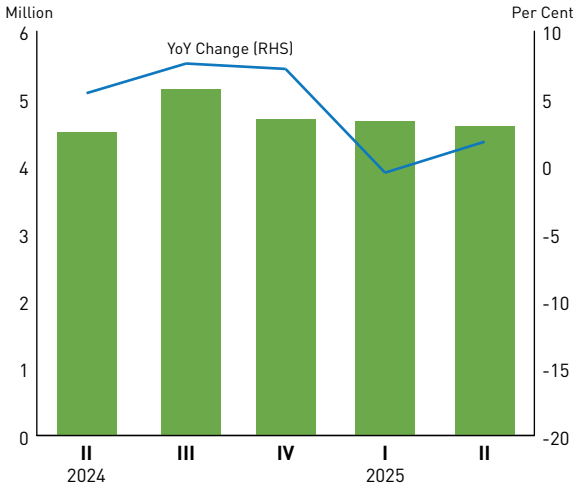
In the second quarter, total visitor arrivals grew by 4.0 per cent year-on-year, picking up from the 0.1 per cent growth in the previous quarter (Exhibit 2.8). In level terms, the number of visitor arrivals in the second quarter of 2025 was around 4.0 million, reaching 86.8 per cent of the 4.6 million visitor arrivals recorded in the second quarter of 2019 (i.e., pre-COVID level).

Exhibit 2.8: Visitor Arrivals



Reflecting the recovery in visitor arrivals, gross lettings at gazetted hotels grew by 1.8 per cent year-on-year in the second quarter, reversing the 0.5 per cent contraction in the previous quarter (Exhibit 2.9). Meanwhile, the average occupancy rate of gazetted hotels declined by 0.5 percentage-points year-on-year to 77.8 per cent in the second quarter of 2025. This represented a decline over the 80.6 per cent recorded in the previous quarter.

Exhibit 2.9: Gross Lettings at Gazetted Hotels

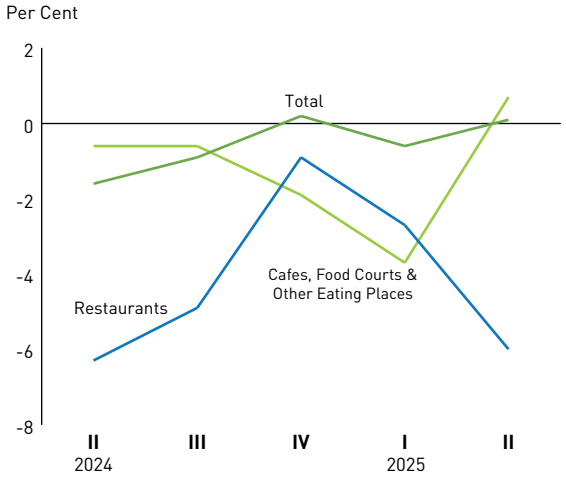


FOOD & BEVERAGE SERVICES

The food & beverage services sector contracted by 0.5 per cent year-on-year in the second quarter of 2025, extending the 0.7 per cent decline in the previous quarter.

Overall food & beverage sales volume increased marginally by 0.1 per cent year-on-year in the second quarter, a reversal from the 0.6 per cent contraction in the previous quarter (Exhibit 2.10). The expansion in overall food & beverage sales volume was driven by growth in the food caterers (17.8 per cent) and cafes, food courts & other eating places (0.7 per cent) segments. On the other hand, sales volume of restaurants (-6.0 per cent) and fast food (-1.1 per cent) segments declined.

Exhibit 2.10: Changes in Food & Beverage Services Index in Chained Volume Terms



FINANCE & INSURANCE

The finance & insurance sector expanded by 4.2 per cent year-on-year in the second quarter of 2025, extending the 4.1 per cent gain in the preceding quarter. The insurance and other auxiliary activities segments recorded stronger growth in the quarter, compared to that in the first quarter.

On the other hand, growth in the banking and fund management segments moderated in the second quarter. The insurance segment benefitted from double-digit growth in life insurers' net premiums and lower claims for general insurers. Meanwhile, the other auxiliary activities segment (comprising mainly the payments players) expanded, possibly reflecting an increase in cross-border transactions alongside a pickup in global trade activity.

However, growth in the banking and fund management segments moderated as net fees and commissions weakened, due in part to tepid investment banking activity amid heightened macroeconomic uncertainty. In addition, while there was a broad-based pickup in lending to residents by 6.0 per cent year-on-year, credit intermediation for non-residents increased marginally by 0.2 per cent over the same period amid contractions in lending to the major regions (Exhibits 2.11 and 2.12).

Exhibit 2.11: Growth of Bank Loans & Advances to Non-Bank Residents by Industry in 2Q 2025

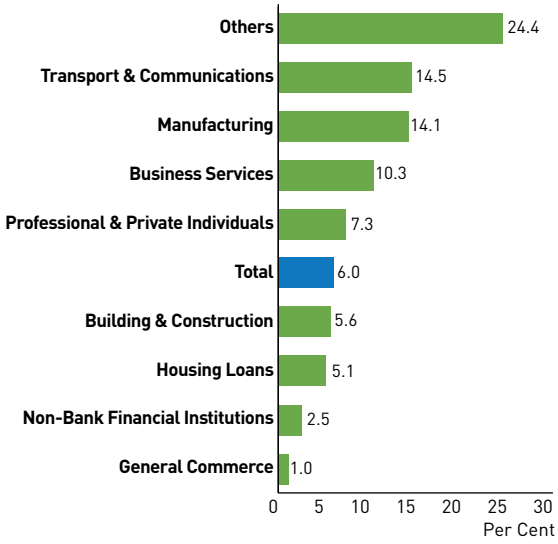
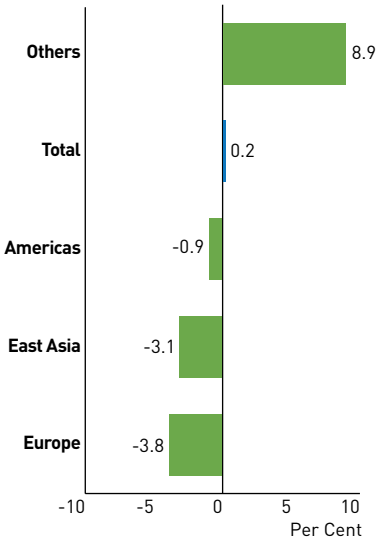


Exhibit 2.12: Growth of Bank Loans & Advances to Non-Bank Non-Residents by Region in 2Q 2025

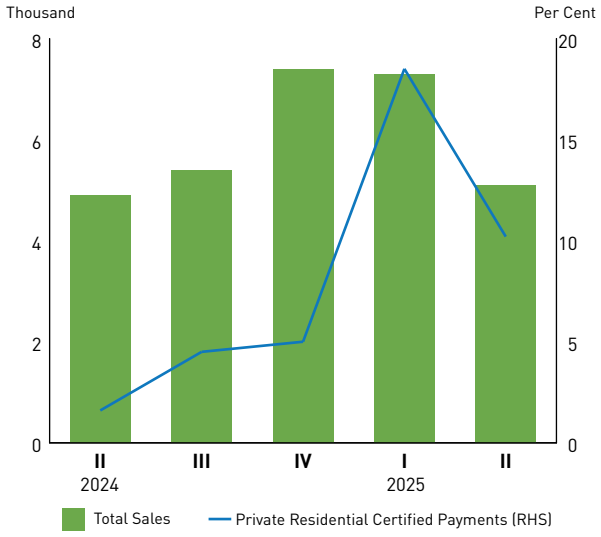


REAL ESTATE

The real estate sector expanded by 5.2 per cent year-on-year in the second quarter of 2025, following the 7.5 per cent growth in the preceding quarter. Growth in the sector was due to expansions in all segments of the property market.

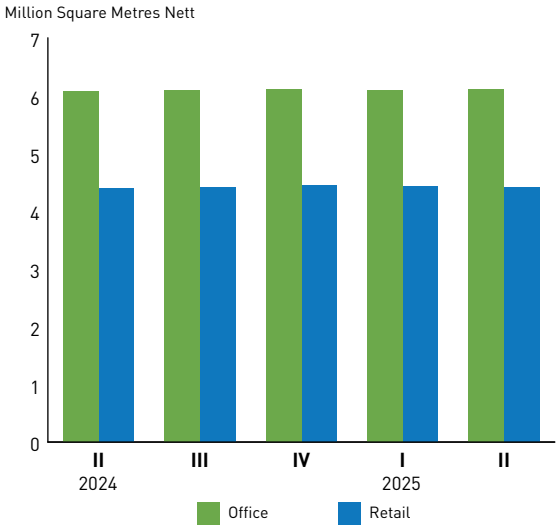
Private residential certified payments[1] grew by 10.2 per cent year-on-year in the second quarter, moderating from the 18.5 per cent expansion in the previous quarter. Total private residential property sales rose to 5,128 units in the second quarter of 2025, from 4,915 units in the same quarter of 2024 (Exhibit 2.13).

Exhibit 2.13: Total Sales for Private Residential Units and Private Residential Certified Payments



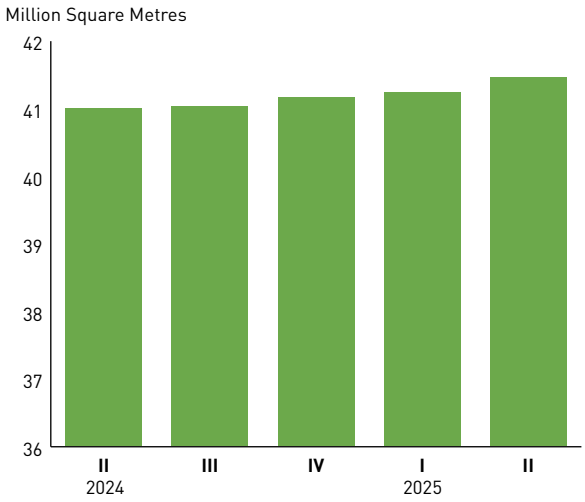
Demand for private commercial office space, as measured by total occupied space, rose by 0.7 per cent in the second quarter, improving from the flat growth in the preceding quarter. Meanwhile, in the private commercial retail space market, demand rose by 0.4 per cent on a year-on-year basis in the second quarter, continuing the 1.7 per cent expansion in the previous quarter (Exhibit 2.14).

Exhibit 2.14: Total Occupied Space for Private Sector Commercial Office and Retail Spaces



Within the private industrial space market, demand rose by 1.1 per cent on a year-on-year basis in the second quarter, following the 0.9 per cent increase in the preceding quarter (Exhibit 2.15).

Exhibit 2.15: Total Occupied Space for Private Sector Industrial Space



1 *Private residential certified payments is a proxy for the growth of the private residential property segment.*

PROFESSIONAL SERVICES

In the second quarter of 2025, the professional services sector grew by 3.3 per cent year-on-year, quicker than the 1.9 per cent expansion in the previous quarter. Growth was led by expansions in the head offices & business representative offices, and other professional, scientific & technical services segments.[2]

2 *The professional services sector is made up of the following segments: (i) legal, (ii) accounting, (iii) head offices & business representative offices, (iv) management consultancy activities, (v) architectural & engineering, technical testing & analysis, and (vi) other professional, scientific & technical services.*

Box Article 2.1

RECENT TRENDS IN SINGAPORE'S WATER TRANSPORT AND AIR TRANSPORT SEGMENTS

Singapore is one of the world's biggest maritime hubs[1] and Southeast Asia's largest air cargo hub[2]. The water transport and air transport segments within Singapore's transportation & storage sector therefore play important roles in facilitating global trade and maintaining Singapore's connectivity. This article examines recent trends in the performance of the water transport and air transport segments in Singapore, as well as their near-term outlook.

The water transport segment is the largest segment in Singapore's transportation & storage sector

The water transport segment accounts for the bulk of the nominal value-added (VA) of Singapore's transportation & storage sector (Exhibit 1). The segment includes shipping lines and Singapore's port operators. Meanwhile, the air transport segment accounts for close to 10 per cent of the nominal VA of the sector. The segment includes Singapore-based airlines that provide air passenger and air freight services, as well as firms that support the operations of airlines at the airport.

Exhibit 1: Water Transport and Air Transport Segments in the Transportation & Storage Sector[3]

Segment	Share of the transportation & storage sector's nominal VA in 2024	Description
Water Transport	68.4 per cent	Includes passenger water transport (e.g., cruise and ferry services), freight water transport (e.g., transport of freight on ships) and supporting services to water transport (e.g., port operators, ship management services)
Air Transport	8.6 per cent	Includes air passenger and air freight services provided by airlines, as well as supporting services to air transport (e.g., airport terminal services, airport operation services)

Source: Department of Statistics

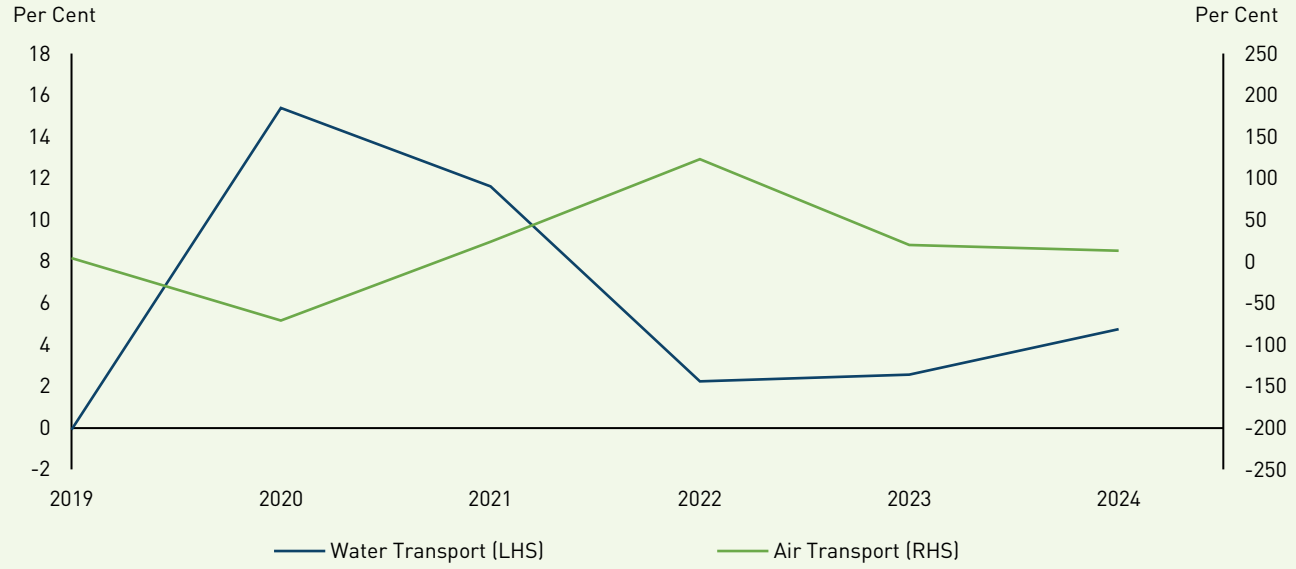
The water transport segment saw robust growth during the COVID-19 pandemic, but growth subsequently softened in 2022 and 2023 on the back of cooling demand for physical goods

During the COVID-19 pandemic, the water transport segment saw robust growth of 15.4 per cent and 11.6 per cent in 2020 and 2021 respectively (Exhibit 2). Several factors supported strong shipping demand during the pandemic: (i) surge in demand for goods through e-commerce platforms, which were mostly shipped from overseas, as physical stores were closed amidst lockdowns and workers had to adapt to work-from-home demands (e.g., demand for electronic devices and furniture); (ii) increase in restocking activities by firms as they shifted their production and inventory management from just-in-time to just-in-case, due to the disruptions in global supply chains brought about by the pandemic and the Russia-Ukraine war; and (iii) reduction in air freight bellyhold capacity as passenger flight movements were severely curtailed due to border closures, which led shippers to shift from air freight to sea freight.

1 *Source: Maritime Port Authority of Singapore.*
2 *Source: Airports Council International.*
3 *Other segments within the sector are (i) Storage & Support Services; (ii) Land Transport; and (iii) Postal & Courier.*

However, by 2022, consumers worldwide had started to shift their demand from physical goods back to services (e.g., travel and dining) with the gradual re-opening of economies and the resumption of travel. This led to inventory overhangs among retailers, wholesalers and manufacturers, which had stocked up previously in anticipation of continued strength in demand and as a hedge against delays arising from supply chain disruptions. Consequently, as the demand for goods fell, global merchandise trade volume slowed before contracting by 1.0 per cent in 2023[4], while shipping demand eased significantly. The slowdown was reflected in the moderation of the performance of Singapore's water transport segment in 2022 and 2023, with its growth slowing to 2.2 per cent and 2.6 per cent respectively.

Exhibit 2: Changes in Real VA of the Transportation & Storage Sector, 2019 - 2024



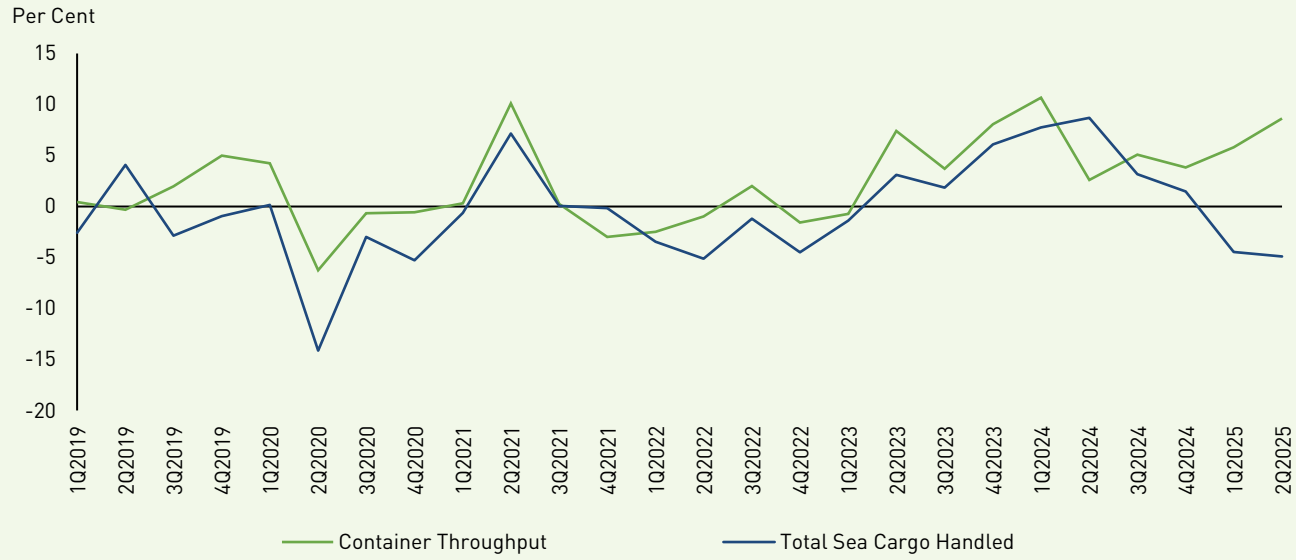
Source: Department of Statistics

Growth of the water transport segment picked up in 2024 with the recovery in global merchandise trade volume. More recently, in the first half of 2025, growth further strengthened on the back of container repositioning and front-loading activities

Following the 1.0 per cent contraction in 2023, global merchandise trade volume rebounded by 2.9 per cent in 2024. This supported a pickup in Singapore's container throughput, which increased at a faster pace of 5.4 per cent in 2024 compared to 4.6 per cent in 2023 (Exhibit 3). Notably, Singapore's container throughput began picking up in the fourth quarter of 2023 with the onset of the Red Sea crisis in October 2023. Specifically, as the Houthis launched attacks in the Red Sea, shipping lines diverted their vessels from Red Sea routes to around the Cape of Good Hope. This likely provided some support to Singapore's container throughput due to Singapore's status as a "catch-up" port for shippers to make up for delays in their schedule.[5] Meanwhile, total sea cargo handled[6] at Singapore's ports similarly accelerated in 2024, registering growth of 5.2 per cent compared to the 2.4 per cent increase in 2023. These factors led to Singapore's water transport segment growing by 4.7 per cent in 2024.

4 *Source: World Trade Organisation.*
5 *Specifically, owing to the efficiency and connectivity of Singapore's ports, vessels experiencing delays could attempt to "catch up" on their schedules by calling at Singapore's ports. Furthermore, some vessels may choose to skip port calls at relatively less connected ports and instead look for other ships in Singapore that could bring the containers to the ports that were skipped.*
6 *Total sea cargo handled refers to the volume of cargo handled at both the PSA and Jurong terminals, which includes general cargo (i.e., containerised and conventional cargo) and bulk cargo (i.e., oil and non-oil bulk cargo).*

Exhibit 3: Singapore's Container Throughput and Total Sea Cargo Handled, 2019 - 2025



Source: Maritime Port Authority of Singapore

In the first half of 2025, notwithstanding the weakness in total sea cargo handled at Singapore's ports[7], growth in the water transport segment accelerated to above 6.0 per cent on the back of a step-up in activities among shipping lines in Singapore and an increase in container throughput at Singapore's ports (7.2 per cent year-on-year) over the same period. In particular, the increase in global container volumes[8] against the broader backdrop of global trade tensions in the first half of 2025, likely supported demand for shipping services provided by shipping lines that are based in or have regional headquarters in Singapore. At the same time, the growth in global container volumes, coupled with container repositioning activities amidst the restructuring of shipping alliances[9], provided support to Singapore's container throughput and led to an uptick in Singapore's port activity.

Turning to the air transport segment, the performance of the segment slumped in 2020 before recovering in 2021 and 2022 primarily on the back of the pickup in air passenger traffic

The air transport segment contracted in 2020 on the back of a slump in air travel due to border measures implemented by many countries to curb the spread of the COVID-19 virus (Exhibit 4). While air passenger traffic continued to decline in 2021, this was offset by steady growth in the air cargo industry as total air cargo handled at Changi grew robustly by 26.1 per cent over the same period. The latter was in turn supported in part by the return of passenger flights[10] as borders re-opened gradually. On the back of the strong growth in the air cargo industry, the air transport segment rebounded to grow by 23.7 per cent in 2021.

By 2022, the air passenger industry had staged a firmer recovery, with air passenger traffic at Changi surging by 955 per cent to reach 47.2 per cent of pre-COVID 2019 levels. On the other hand, the air cargo industry softened significantly compared to 2021 due to multiple headwinds, including high inflation that curtailed the spending capacity of households, disruption to Russian and Ukrainian airspace amidst the Russia-Ukraine war, as well as the overall slowdown in global merchandise trade. Nonetheless, the increase in flight frequencies and passenger capacity among the Singapore-based airlines[11] provided strong support to the air transport segment, with its growth accelerating to 123 per cent in 2022.

7 *Total sea cargo handled fell by 4.7 per cent year-on-year in the first half of 2025, led by a fall in oil-in-bulk cargo on the back of the weakness in Singapore's oil imports and exports.*

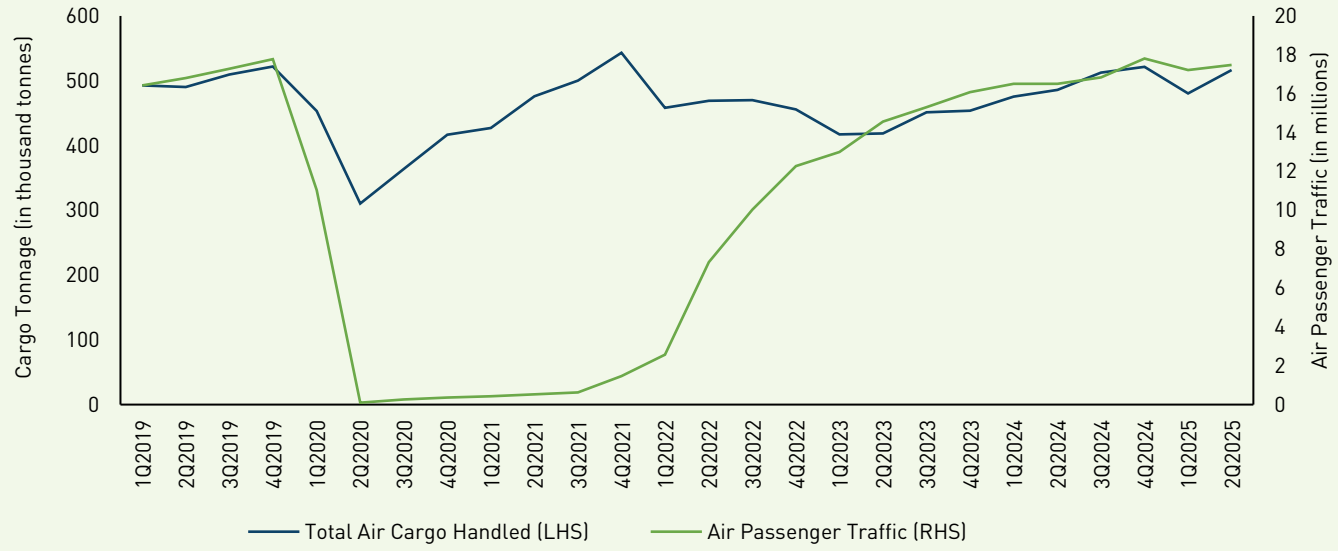
8 *The pickup in global container volumes is likely supported by front-loading activities among shippers. According to a DHL report, there was a surge in orders placed by importers based in the US for goods from China following the announcement of the 90-day tariff truce between the US and China. This pickup in demand for US-bound cargo due to front-loading ahead of the expiry of the tariff truce was similarly reflected in an increase in freight rates on East-West (mainly Transpacific) lanes, as well as the strong growth in container traffic at US ports in June.*

9 *Maersk and MSC dissolved their 2M alliance in January 2025, with Maersk forging the Gemini Cooperation with Hapag-Llyod to cover shipping between Asia and the US, while MSC will be operating independently. At the same time, Yang Ming, HMM and ONE formed the new Premier Alliance in February 2025, which will focus on operating the key East to West routes.*

10 *While passenger flights were not filled to capacity during the start of the recovery, the resumption of passenger flights led to an increase in bellyhold capacity (i.e., capacity in the lower deck of passenger aircraft used to transport cargo alongside passenger luggage). This increase in bellyhold capacity contributed to an expansion in global air cargo capacity, which supported the industry's ability to meet strong e-commerce demand in 2021.*

11 *In particular, there was a strong pickup in the Singapore-based airlines' revenue passenger kilometres (RPK). RPK refers to the total kilometres travelled by its paying passengers, and is computed by multiplying the number of paying passengers by the total distance flown by these passengers.*

Exhibit 4: Air Cargo Handled and Air Passenger Traffic at Changi, 2019 - 2025



Source: Civil Aviation Authority of Singapore

However, the growth of the air transport segment slowed in 2023 and 2024, as the expansion in air passenger traffic moderated and demand for air cargo services saw cyclical changes

Growth of the air transport segment slowed to 19.9 per cent and 12.9 per cent in 2023 and 2024 respectively. This was largely due to the moderation in air passenger traffic growth following the strong recovery in 2022, as well as the weakness in demand for air cargo services in 2023 and towards the end of 2024.

Similar to shipping demand, the weakness in global merchandise trade weighed on global air cargo demand in the first seven months of 2023, with global cargo tonne kilometres (CTKs) contracting by 7.1 per cent between January and July 2023 compared to the same period in 2022.[12] In August 2023, global CTKs posted their first year-on-year growth (1.5 per cent) in 19 months since February 2022. The global air cargo industry continued to expand steadily thereafter, with global CTKs increasing at a double-digit year-on-year growth rate for nine consecutive months from December 2023 to August 2024, supported in part by sustained e-commerce activity as well as disruptions to maritime transport through the Red Sea which led to greater demand for air cargo.[13] While the global air cargo industry began cooling towards the end of 2024,[14] full-year growth in global CTKs came in at 11.3 per cent in 2024. Mirroring the trends in global CTKs, total air cargo handled at Changi declined by 6.1 per cent in 2023 before rebounding strongly to grow by 14.6 per cent in 2024.

More recently, growth of the air transport segment was supported by front-loading activities in the air cargo industry in the first half of 2025

More recently, front-loading activities amidst the 90-day pause in the US' reciprocal tariffs supported a modest uptick in demand for air cargo services, with global CTKs growing by 2.8 per cent in the first half of 2025, led by a pickup in global CTKs in March (4.4 per cent year-on-year) and April (5.8 per cent).[15] In particular, the pickup in growth in March came on the back of shippers front-loading their shipments in anticipation of tariffs to be announced on "Liberation Day", while that in April was led by front-loading activities ahead of the US' removal of *de minimis* exemptions for goods from China and Hong Kong beginning 2 May 2025. Total air cargo handled at Changi reflected a similar trend, with growth picking up to 6.2 per cent in the second quarter of 2025, from 1.0 per cent in the previous quarter. Overall, the air cargo volumes handled at Changi grew by 3.7 per cent in the first half of 2025.

12 *Source: International Air Transport Association.*
13 *Vessel diversions from the Red Sea via the Cape of Good Hope would add 10 to 15 days of transit and consequently shipping costs. Shipping rates began increasing in mid-December 2023 because of the Red Sea disruptions.*
14 *Global CTKs began cooling in September 2024, with growth slowing to 9.4 per cent, compared to the 11.4 per cent growth in August 2024. Growth rates continued to slow in the remaining months of the year, reaching 6.1 per cent in December 2024.*
15 *Global CTKs declined by 0.1 per cent year-on-year in February 2025, a reversal from the 3.2 per cent expansion in January 2025.*

At the same time, air passenger traffic continued to perform strongly in the first half of 2025. For instance, in the second quarter of 2025, Changi Airport handled about 17.5 million passenger movements, a 5.9 per cent increase relative to the same period in 2024. Of this, Singapore-based carriers handled 10.5 million passenger movements, a 7.8 per cent increase compared to the second quarter of 2024.

Taking these factors into account, the air transport segment registered steady growth of around 4.0 per cent in the first half of 2025.

Looking ahead, growth in Singapore's water and air transport segments is expected to weaken in the second half of 2025

With the anticipated slowdown in global trade in the second half of 2025 as the boost from front-loading activities dissipates and the US' reciprocal tariffs take effect, the growth of the water transport segment and the air cargo industry within the air transport segment are expected to weaken. Apart from US' tariffs, the performance of the water transport segment could also be weighed down by the US' planned port fees on Chinese-built and Chinese-operated ships, which could lead to an increase in the operational costs for some shipping lines. Meanwhile, the US' elimination of the *de minimis* tax exemptions for *all* countries from 29 August 2025[16] is expected to weigh on the e-commerce market and consequently the air cargo industry. Nonetheless, the air passenger industry within the air transport segment is expected to remain supported by the continued increase in air travel demand.[17]

Over the longer term, as Singapore continues to invest in its seaport and airport infrastructure, and in building up its sea and air connectivity, the growth prospects of the water and air transport segments remain bright.

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With inputs from:

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16 *As announced by President Trump on 30 July 2025, the US will end its de minimis tax exemptions for all international shipments valued at US$800 or less. Under this policy change, flat-rate tariffs (i.e., on a per item basis), depending on the effective tariff rate that the US is imposing under the International Emergency Powers Act (IEEPA) on the country of origin, will be levied on these shipments for the first six months. After the first six months, ad valorem tariffs based on the country of origin's effective IEEPA tariff rate will apply.*

17 *As reported in the Global Outlook for Air Transport released in June 2025, IATA expects air passenger traffic, in revenue passenger kilometres, to grow by 5.8 per cent in 2025, although this is a moderation from the 10.6 per cent growth posted in 2024.*

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CHAPTER

3

ECONOMIC OUTLOOK

Chapter 3

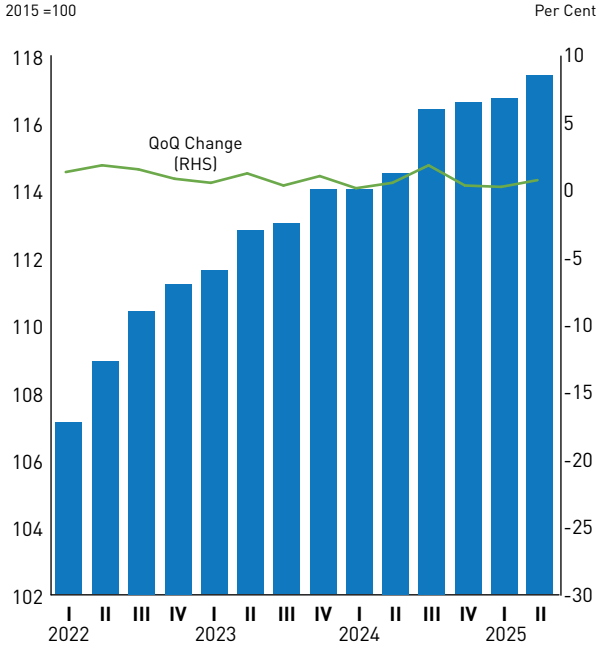
ECONOMIC OUTLOOK

COMPOSITE COINCIDENT INDEX

On a quarter-on-quarter basis, the composite coincident index (CCI) rose by 0.6 per cent in the second quarter of 2025, extending the 0.1 per cent expansion in the previous quarter (Exhibit 3.1).

Of the five components of the CCI, three components rose on a quarter-on-quarter basis, namely gross domestic product, non-oil domestic exports and employment. On the other hand, the index of industrial production was unchanged, while the retail sales index excluding motor vehicles fell as compared to the previous quarter.

Exhibit 3.1: Composite Coincident Index Levels and Growth Rate

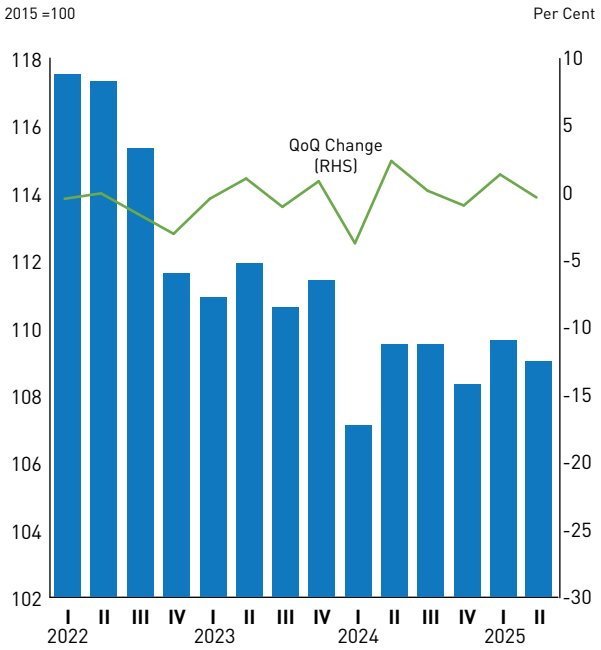


COMPOSITE LEADING INDEX

On a quarter-on-quarter basis, the composite leading index (CLI) fell by 0.5 per cent in the second quarter of 2025, a pullback from the 1.2 per cent expansion in the previous quarter (Exhibit 3.2).

Of the nine components of the CLI, five components fell on a quarter-on-quarter basis, namely business expectations for the stock of finished goods, new companies formed, the US Purchasing Managers' Index, stock price and non-oil retained imports. Meanwhile, the domestic liquidity indicator was unchanged. The remaining three components, namely business expectations for wholesale trade, money supply and non-oil sea cargo handled, rose as compared to the preceding quarter.

Exhibit 3.2: Composite Leading Index Levels and Growth Rate



OUTLOOK FOR 2025

MTI maintained the GDP growth forecast at "0.0 to 2.0 per cent" in May, in view of the potential impact of the sweeping tariffs announced in April on major economies.

Since then, the performance of most advanced and regional economies has been more resilient than expected as the US' 90-day pause on its reciprocal tariffs[1] postponed the potential negative economic impact, while front-loading activities during the tariff pause provided a temporary boost to production and exports. There has also been a de-escalation in trade tensions, with the US striking trade deals with several trading partners, including the Eurozone, Japan, South Korea and several Southeast Asian economies, that led to a lowering of their reciprocal tariffs compared to that announced earlier.[2] Meanwhile, the US and China continue to be engaged in trade talks, with indications that the 90-day tariff truce between the two countries could be extended.[3] Consequently, the 2025 GDP growth of the key economies, including the US, Eurozone and China, is not expected to be as weak as earlier projected. Accordingly, MTI has updated its assessment of the overall external outlook for Singapore.

Looking ahead, the growth of Singapore's major trading partners in the second half of the year is expected to moderate from that in the first half, as the boost from front-loading activities dissipates and the US' reciprocal tariffs take effect. In the US, GDP growth is projected to weaken for the rest of the year amidst signs of a cooling labour market and as upward price pressures from tariff hikes dampen consumer spending. Meanwhile, the Eurozone could see a pullback in exports and hence GDP growth as the US' reciprocal and sectoral tariffs come into effect in the latter half of 2025. Even so, easing trade tensions with the US could lift economic sentiments, and alongside lower inflation and accommodative monetary policy, provide some support to domestic demand.

In Asia, China's GDP growth is also projected to ease over the course of the year on account of weaker exports growth as global trade activity turns more subdued with the implementation of the US' tariff measures. On the other hand, domestic consumption and investment growth are expected to remain firm, supported by policy measures. The GDP growth of key Southeast Asian economies is similarly expected to moderate in the second half of 2025 due to the impact of the US' reciprocal tariffs on their exports and as domestic demand softens in some economies.

More importantly, significant uncertainties remain in the global economy due in part to the continued unpredictability of the US' trade policies, including the timing and extent of the sectoral tariffs on pharmaceutical products and semiconductors. Overall, the balance of risks in the global economy is skewed to the downside. First, a re-escalation of tariff actions could lead to a renewed spike in economic uncertainty, and cause businesses and households to pull back sharply on spending and hiring. Second, a shock to financial markets resulting from a sharper-than-expected tightening of global financial conditions could lead to destabilising capital flows that trigger latent vulnerabilities in banking and financial systems. Third, potential escalations in geopolitical tensions could lead to supply disruptions in energy commodities and renewed pressures on global energy prices.

Against this backdrop, Singapore's economic growth is expected to slow in the second half of the year compared to the first half because of slower growth in outward-oriented sectors. In particular, the pace of growth in the manufacturing sector is projected to weaken in the coming quarters as the US' tariff measures weigh on demand in global end-markets. Nevertheless, there remain some bright spots within the sector, namely the transport engineering cluster given the sustained shift towards higher value-added aircraft maintenance, repair & overhaul works in Singapore, as well as the precision engineering cluster due to the continued ramp-up in capital investments by semiconductor manufacturers producing AI-related semiconductors.

1 *On 9 April 2025, the US implemented a 90-day pause on its reciprocal tariffs until 9 July 2025. The pause was later extended to 1 August 2025.*
2 *On 31 July 2025, the US announced a revised set of reciprocal tariffs that accounted for the trade deals struck, in addition to reaffirming that baseline tariffs of 10 per cent would continue to be imposed on countries not subjected to the reciprocal tariffs. The reciprocal tariffs have since come into effect on 7 August 2025.*
3 *During the 90-day truce from 14 May to 12 August 2025, the US' tariff on China is lowered from 145 per cent to 30 per cent, and China's retaliatory tariff on the US is reduced from 125 per cent to 10 per cent. The US and China held further negotiations in Stockholm on 28 and 29 July 2025 to discuss an extension of the tariff truce, among other trade issues.*

Growth in the wholesale trade sector is similarly expected to slow for the rest of 2025 as the lift from front-loading activities in the region wanes and global trade softens. These factors will also weigh on the transportation & storage sector through their drag on the demand for shipping and air cargo services.

Meanwhile, growth in the finance & insurance sector is likely to be dampened by weaker credit demand and lower payment transaction volumes due to fragile business confidence and tepid consumer spending. Nonetheless, bullish market sentiment could keep trading activity buoyant and provide some upsides to growth.

Finally, growth in consumer-facing sectors such as retail trade and food & beverage services is likely to remain lacklustre for the rest of the year, weighed down by the continued shift in locals' spending abroad and the projected weakening of domestic labour market conditions.

Given the better-than-expected performance of the Singapore economy in the first half of the year, and considering the projected softening of both the global and domestic economies in the second half of the year, **MTI has upgraded Singapore's GDP growth forecast for 2025 from "0.0 to 2.0 per cent" to "1.5 to 2.5 per cent"**. However, Singapore's economic outlook for the rest of the year remains clouded by uncertainty, with the risks tilted to the downside.[4] MTI will continue to monitor developments in the global and domestic economies closely, and make adjustments to the forecast if necessary over the course of the year.

4 *Leading indicators point to early signs of slowing momentum and weakening sentiments in the economy. For instance, DOS' composite leading index fell by 0.5 per cent on a quarter-on-quarter basis in the second quarter of 2025, a pullback from the 1.2 per cent expansion in the previous quarter. Meanwhile, the manufacturing purchasing managers' index turned slightly contractionary in July, driven by declines in the new orders, production and employment sub-indices. MOM's hiring and wage expectations survey indicates softening sentiments, with the proportion of firms in June expecting to hire in the next three months edging down to 43.7 per cent, from 44.0 per cent in March. Similarly, the proportion of firms expecting to raise wages in the next three months fell to 22.4 per cent, from 24.4 per cent over the same period.*

BACKGROUND ON THE COMPOSITE COINCIDENT AND LEADING INDICES

The quarterly Composite Coincident Index (CCI), compiled by the Singapore Department of Statistics (DOS), reflects the current state of economic activity by aggregating five macroeconomic indicators [Exhibit 1]. These CCI indicators move in tandem with business cycles and are generally regarded as a comprehensive representation of Singapore's overall economic activity.

The quarterly Composite Leading Index (CLI) is a leading indicator to gauge if, and approximately when, an economic expansion or contraction will take place, and thus serves as a useful early indicator of future trends and potential changes in economic activity. Singapore's CLI comprises nine economic indicators that exhibit leading relationships with the growth cycles of the economy (Exhibit 1).

Together, the CCI and CLI facilitate closer monitoring of Singapore's overall economic activity.

Exhibit 1: Components of the Composite Coincident and Leading Indices

Composite Coincident Indicator Components
Gross Domestic Product in Chained Dollars
Index of Industrial Production
Non-Oil Domestic Exports at Constant Prices
Retail Sales Index Excluding Motor Vehicles in Chained Volume Terms
Total Employment

Composite Leading Indicator Components
Total New Companies Formed
Money Supply (M2)
Stock Exchange of Singapore Indices
Business Expectations for Stock of Finished Goods (Manufacturing)
Business Expectations for Wholesale Trade
US Purchasing Managers' Index (Manufacturing)
Total Non-Oil Seaborne Cargo Handled
Domestic Liquidity Indicator
Total Non-Oil Retained Imports at Constant Prices

FEATURE ARTICLE

IMPACT OF THE 2022 INCREASES IN RETIREMENT AND RE-EMPLOYMENT AGES ON THE EMPLOYMENT OUTCOMES OF SENIOR WORKERS

HSBC

Feature Article

IMPACT OF THE 2022 INCREASES IN RETIREMENT AND RE-EMPLOYMENT AGES ON THE EMPLOYMENT OUTCOMES OF SENIOR WORKERS

OVERVIEW

The Retirement and Re-employment Act (RRA) was enacted in 2012. Over the years, the RRA has undergone several changes to bring Singapore closer to its eventual goal of setting the retirement age (RA) and re-employment age (REA) at 65 and 70 respectively by 2030. The most recent changes were in 2022 when the RA was raised from 62 to 63, and the REA was increased from 67 to 68.

FINDINGS

Finding 1:

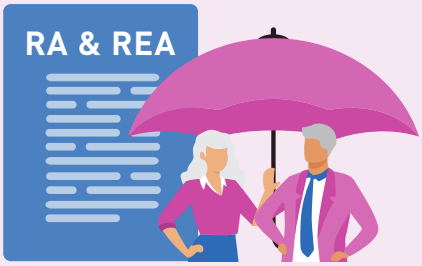
The increase in the RA in 2022 raised the employment rate of senior workers in the treated group by 0.4 percentage-point (pp), relative to the control group.

Finding 2:

The increase in the REA in 2022 raised the employment rate of senior workers in the treated group by 0.7pp, relative to the control group. The positive impact of the increase in 2022 on employment was similar to that found for the earlier increase in 2017 (when the REA was raised from 65 to 67), suggesting that the policy of raising the REA had not reached diminishing returns.

POLICY TAKEAWAY

At their currently defined ages, the RA and REA remain relevant as they collectively provide legislative protection and set the social norms of retirement for senior workers. Given Singapore's increasing life expectancy and ageing population, the RA and REA protect senior workers and enable them to work longer if they wish to. This in turn allows employers to meet their manpower needs in a tight labour market.



EXECUTIVE SUMMARY

- The Retirement and Re-employment Act (RRA) was enacted in 2012. Over the years, the RRA has undergone several changes to bring Singapore closer to its eventual goal of setting the retirement age (RA) and re-employment age (REA) at 65 and 70 respectively by 2030. The most recent changes were in 2022 when the RA was raised from 62 to 63, and the REA was increased from 67 to 68.

- This study examined the impact of the 2022 increases in the RA and REA on the employment outcomes of senior workers. The results showed that the RA and REA increases raised the employment rates of senior workers, thus providing evidence that they had been effective in keeping senior workers in the workforce. For the REA, the positive impact of the increase in 2022 on employment was similar to that found for the earlier increase in 2017 (when the REA was raised from 65 to 67), suggesting that the policy of raising the REA had not reached diminishing returns.

- At their currently defined ages, the RA and REA remain relevant as they collectively provide legislative protection and set the social norms of retirement for senior workers. Given Singapore's increasing life expectancy and ageing population, the RA and REA protect senior workers and enable them to work longer if they wish to. This in turn allows employers to meet their manpower needs in a tight labour market.

- The Government has recently convened the Tripartite Workgroup on Senior Employment and an Alliance for Action on Empowering Multi-Stage Careers for Mature Workers to review and refresh Singapore's senior employment policies in two key areas: (i) empowering our senior workers to be productive and employable, and (ii) promoting age-friendly jobs and workplaces. These efforts, taken alongside upcoming increases to the RA and REA, should support both senior workers and employers in maximising the potential of Singapore's senior workforce.

The views expressed in this paper are solely those of the authors and do not necessarily reflect those of the Ministry of Manpower (MOM), Ministry of Trade and Industry (MTI), or the Government of Singapore.[1]

INTRODUCTION

In 2012, the Retirement and Re-employment Act (RRA) was enacted to offer senior workers the opportunity to work longer, while granting employers the flexibility to continue tapping on the experience of senior workers. Specifically, the RRA protects senior workers from age-related dismissals before reaching the statutory retirement age (RA) and requires employers to offer re-employment to eligible senior workers until the statutory re-employment age (REA).

Over the years, the RRA has undergone changes to bring Singapore closer to its eventual goal of setting the RA and REA at 65 and 70 respectively by 2030. These changes were in 2017 when the REA was raised from 65 to 67, and in 2022, when the RA was increased from 62 to 63 and the REA was raised from 67 to 68.

This study examined the impact of the increases in RA and REA in 2022 on the employment outcomes of senior workers.

LITERATURE REVIEW

Past studies have shown that the enactment of the RRA and the 2017 increase in REA raised the employment rates of senior workers in Singapore and allowed them to remain active at work (see Lee et al., 2017; Chia et al., 2022).

Based on economic theory and empirical evidence from the literature, increases in statutory ages linked to retirement could influence retirement decisions and raise the employment of senior workers through three main channels (Exhibit 1).

1 *We would like to thank Ms Yong Yik Wei, Dr Kuan Ming Leong, Dr Andy Feng and Mr Kevin Low for their useful suggestions and comments. We are also grateful to Dr Tan Yi Jin, Ms Wen Jia Ying and Mr Alex Cheng for their additional analyses and inputs to the study. All remaining errors belong to the authors.*

Exhibit 1: Channels Influencing Senior Employment from Increases in Statutory Ages

Financial Incentives	Legislative Protection	Social Norms
• Statutory ages in many countries are tied to eligibility ages for social security or pension benefits. • There could thus be financial disincentives to retire early (e.g., benefits are discounted) or to work beyond the RA (e.g., earnings-testing or means-testing of benefits). • Börsch-Supan and Coile (2021) found that social security reforms increased financial incentives to work and contributed to higher senior employment across 12 countries between 1980 and 2015.	• Statutory ages provide legislative protection for senior workers. • For example, in Singapore, (i) employers cannot retire or dismiss workers based on age before the RA, and (ii) employers must offer eligible workers re-employment up to the REA, transfer them to another firm, or make a one-off Employment Assistance Payment. • Rabaté (2019) found that the increase in mandatory retirement age from 60 to 65 in France led to senior workers exiting from employment at a later age.	• Employees may anchor their retirement decisions at statutory ages. • Employers may also adjust hiring expectations and be more willing to hire senior workers up to the statutory ages. • Seibold (2021) showed that employment bunched at statutory ages in Germany, even when there were no financial incentives to retire at these ages. There was more bunching for workers who received information letters on their RA more frequently.

In Singapore, the increases in RA and REA are likely to affect the employment of senior workers mainly through the channels of legislative protection and social norms since there are no strong financial incentives tied directly to the statutory RA and REA.[2]

METHODOLOGY

This study exploited the eligibility cutoff for the new RA and REA implemented in 2022 to identify the causal impact of the increases in the RA and REA. Specifically, the increase in the RA (from 62 to 63) and REA (from 67 to 68) in July 2022 meant that only senior workers born on or after 1 July 1960 and 1 July 1955 respectively were directly affected by these changes.

In line with this, three groups of seniors were identified (Exhibit 2):

- The treated group comprised workers who benefitted directly from the extended legislative protection afforded by the increased statutory ages (i.e., those born on or after 1 July 1960 for the RA, and on or after 1 July 1955 for the REA). In addition, these workers could also be affected indirectly by changes in the social norms of retirement as the statutory ages increased (i.e., workers might re-anchor their retirement decisions to new statutory ages, while employers could adjust hiring expectations and become more willing to hire senior workers for longer).
- The semi-treated group comprised workers born in the same year as the treated group, but were not directly affected by the raising of the statutory ages (i.e., no legislative protection) because of the timing of the policy implementation (i.e., the semi-treated group was born before July). Nonetheless, these workers could be affected indirectly through the social norms channel.
- The control group was born in the year just before the treated and semi-treated groups (to improve their comparability with the treated and semi-treated groups) and was not affected by the increases in statutory ages.

2 *Although there are policies and schemes in Singapore that alter the financial incentives to employ senior workers by influencing demand (e.g., Senior Worker Early Adopter Grant for firms) and supply (e.g., increases in Central Provident Fund [CPF] contribution rates for senior workers) channels, they are not tied to the RA and REA. The CPF Payout Eligibility Age (i.e., earliest age at which workers can apply to start drawing down CPF savings via the Retirement Sum Scheme or CPF Life scheme) is also not linked to the RA and REA. Accordingly, the observed impact of changes in the RA and REA is unlikely to be driven by these policies and schemes.*

Exhibit 2: Impact of Statutory Age Changes on Different Groups of Senior Workers

Group	Birth Cohort	Impact of Increase in RA	Possible Transmission Channels
Control	1959	Not affected: RA of 62	-
Semi-treated	Jan 1960 to Jun 1960	Born in the same year as treated group, but was not directly affected because of the timing of policy implementation: RA of 62	• Social norms
Treated	Jul 1960 to Dec 1961	Directly affected: RA of 63	• Legislative protection • Social norms

Group	Birth Cohort	Impact of Increase in REA	Possible Transmission Channels
Control	1954	Not affected: REA of 67	-
Semi-treated	Jan 1955 to Jun 1955	Born in the same year as treated group, but was not directly affected because of the timing of policy implementation: REA of 67	• Social norms
Treated	Jul 1955 to Dec 1956	Directly affected: REA of 68	• Legislative protection • Social norms

Thereafter, we used a difference-in-differences approach to estimate the causal impact of the increases in the RA and REA on the employment outcomes of (directly and indirectly) affected seniors over a period of 17 to 23 months[3]:

$$y_{ia} = \beta_1 \cdot trt_i \cdot 1\ year\ post_a + \beta_2 \cdot trt_i \cdot after\ 1\ year_a + \beta_3 \cdot semi\ trt_i \cdot 1\ year\ post_a$$
$$+ \beta_4 \cdot semi\ trt_i \cdot after\ 1\ year_a + \sum_{b=-2}^{-12} \gamma_b \cdot trt_i \cdot Q_b + \sum_{b=-2}^{-12} \eta_b \cdot semi\ trt_i \cdot Q_b + \theta_t + \lambda_g + controls_i + \varepsilon_{ia}$$

Where:

- y_{ia} denotes the outcome of interest (i.e., employment rates[4]) of individual i in month a
- trt_i / $semi\_trt_i$ is a dummy variable that takes on a value of 1 if an individual i belongs to the treated / semi-treated groups, and 0 otherwise
- $1\ year\ post_a$ is a dummy variable that takes on a value of 1 if the age of individual i in month a is between the eligible RA / REA age prior to the policy change and after the policy change (i.e., between age 62 and 63 for the RA / between age 67 and 68 for the REA), and 0 otherwise
- $after\ 1\ year_a$ is a dummy variable that takes on a value of 1 if the age of individual i in month a is older than the new RA / REA (i.e., after age 63 for the RA / after age 68 for the REA), and 0 otherwise
- Q_b is a vector of dummies taking a value of 1 if individual i's age in month a is b quarters before age 62 (i.e., RA prior to the policy change) / age 67 (i.e., REA prior to the policy change), where b ranges from -12 (i.e., 12 quarters before age 62 / age 67) to -2 (2 quarters before age 62 / age 67) (Q_{-1} is when an individual i is aged 61y 9m to 62y / 66y 9m to 67y, and it is the omitted period in the regression)
- θ_t, λ_g are the age-month and treated /semi-treated group fixed effects
- $controls_i$ are control variables including race and proxies for wealth (e.g., CPF balance at age 54 / property type of individual)
- ε_{ia} represents the error term

The coefficients of interest $\beta_1, \beta_2, \beta_3, \beta_4$ capture the effects of the increase in RA and REA on the employment rates of the treated and semi-treated groups, relative to the control group. The γ_b , η_b coefficients indicate whether the trends in the employment rates of the treated / semi-treated groups and control group prior to the policy change were similar.

3 *This study examined employment outcomes of seniors up to December 2023. For the treated group, we observed their employment up to 17 months after they turned age 62 and 67. For the semi-treated group, the observation window was up to 23 months as they were born up to six months earlier than the treated group.*

4 *The outcome of interest y_{ia} was detrended so that it was more reflective of structural trends rather than macroeconomic conditions. First, we ran a separate regression of $\widetilde{y}_{ia}$ (which took on a value of 1 if individual i was employed at month a with year-month fixed effects across a wider resident worker population to capture the impact of macroeconomic conditions on employment. A wider resident worker population was used as the restricted regression sample of senior workers was too small to sufficiently capture changes in macroeconomic conditions over time. Second, we computed the residuals from the regression, which would represent the component of $\widetilde{y}_{ia}$ that was unexplained by macroeconomic conditions, and used these residuals as the outcome of interest.*

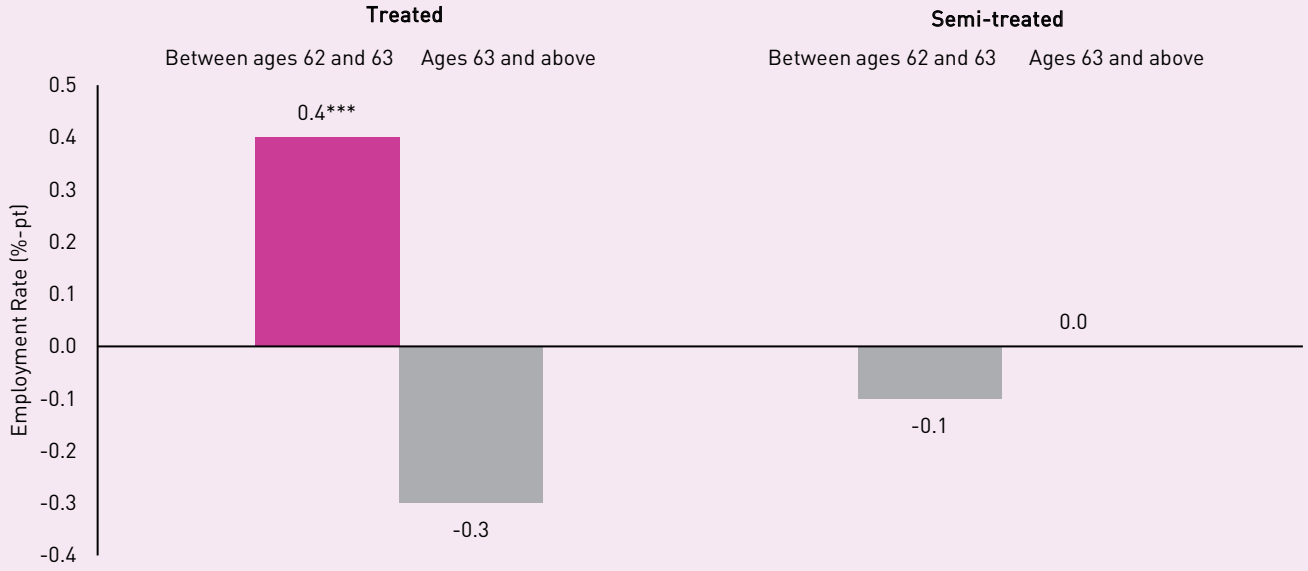
RESULTS AND DISCUSSION

Overall, the study found that the increases in the RA and REA in 2022 raised the employment rates of senior workers. For the RA, this was mainly through the legislative protection – rather than social norms – channel, as eligible workers could be re-employed up to the REA and might have mentally anchored their retirement decisions on the REA instead. For the REA, the positive impact on the employment rate of senior workers was similar in magnitude to that found for the earlier REA increase in 2017 (when the REA went up from 65 to 67), and reflected the effects of both legislative protection and social norms.

Impact of the 2022 Increase in RA on Senior Employment

The increase in the RA in 2022 raised the employment rate of senior workers in the treated group by 0.4 percentage-point (pp), relative to the control group (Exhibit 3). However, the impact was not sustained as there was no statistically significant difference in employment rate between the treated and control groups beyond the new legislated RA (i.e., 63 years of age). The increase in RA also did not affect the employment rate of the semi-treated group.

Exhibit 3: Impact of the Increase in RA on Employment Rates (Relative to Control Group)



*** indicates statistical significance at the 1% level. Grey-coloured bars are statistically insignificant at the 10% level.

Collectively, these results suggested that the RA affected employment outcomes mainly through the legislative protection channel. Specifically, the increase in the RA might have delayed the exit of two types of senior workers. The first would be senior workers who were not eligible for a re-employment offer and would have been retired by their employers at age 62 if not for the new legislated RA. The second would be senior workers who had a higher existing remuneration package than the re-employment offer[5] and would have left at age 62 because their reservation wage[6] was not met. However, with the raising of the RA to 63, these senior workers could remain in the workforce for an additional year on their existing remuneration package.

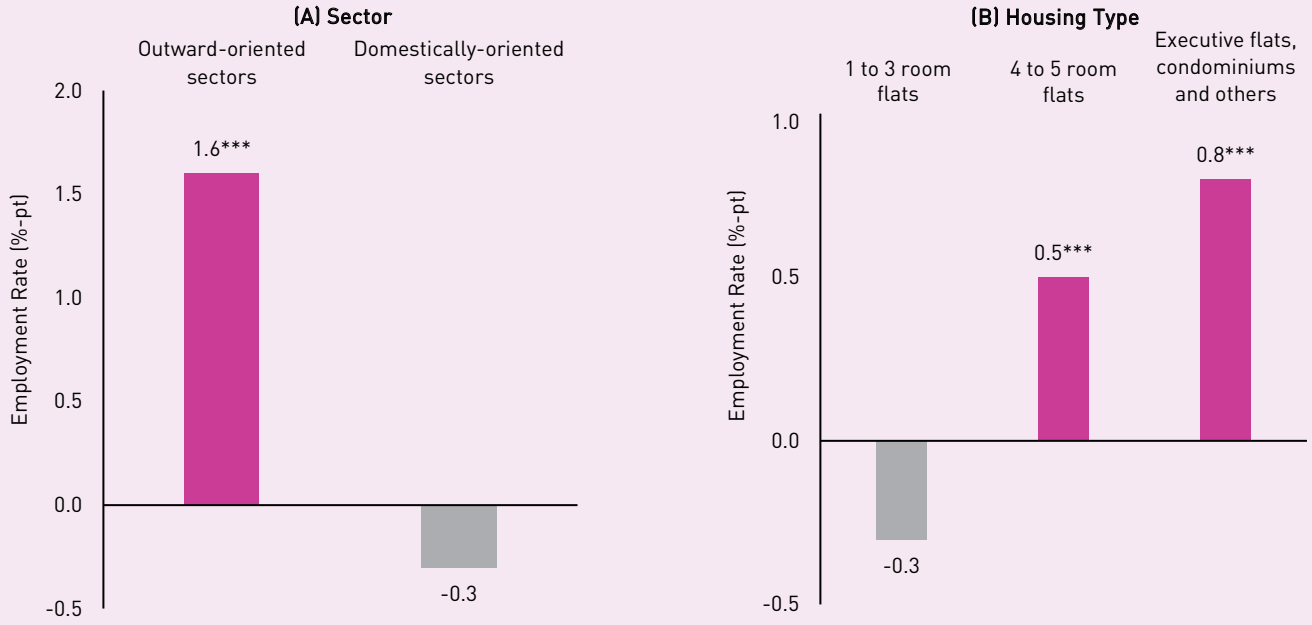
On the other hand, the absence of any impact on the semi-treated group suggested that the RA did not affect employment outcomes through the social norms channel. This was likely because senior workers would have mentally anchored their retirement decisions on the REA instead of the RA, since they could be offered re-employment up to the REA after reaching the legislated RA (see Lee et al., 2017).

In addition, the impact of the increase in the RA was found to vary by the sector and housing type of the senior workers. First, there was a larger positive impact on the employment rate of senior workers in outward-oriented sectors[7] (Exhibit 4A). As the nature of their work tended to be more knowledge-intensive, outward-oriented firms could prefer younger workers with more updated skills and hence be incentivised to retire senior workers at the legislated RA. As such, the extension of legislative protection from the increase in the RA likely benefitted senior workers in these sectors as firms would only be able to retire them a year later.

5 *The RRA ensures that all eligible senior workers are given a re-employment offer when they reach the RA.*
6 *Reservation wage is defined as the lowest wage rate required to induce an individual to work.*
7 *Outward-oriented sectors include manufacturing and wholesale trade.*

Second, the increase in the RA was more effective in raising the employment rate of senior workers who lived in executive flats, condominiums and other apartments (Exhibit 4B). As these senior workers were more likely to have reached retirement adequacy, they could be less willing to accept lower wages and employment benefits from re-employment. The extension of legislative protection from the increase in RA would have enabled them to maintain their renumeration package and incentivised them to remain in the workforce until the new RA (i.e., age 63).

Exhibit 4: Impact of the Increase in RA on Employment Rates by (A) Sector and (B) Housing Type (Relative to Control Groups)

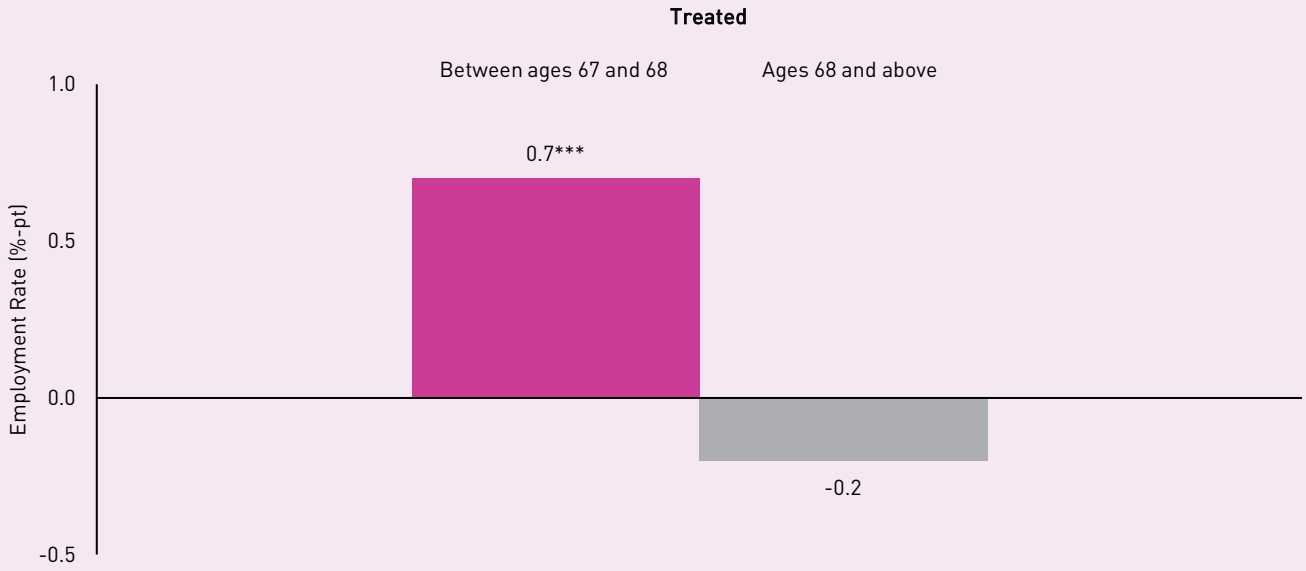


Estimates refer to the impact of the increase in RA on employment rates of the treated groups between ages 62 and 63 relative to control groups. *** indicates statistical significance at the 1% level. Grey-coloured bars are statistically insignificant at the 10% level.

Impact of the 2022 Increase in REA on Senior Employment

The increase in the REA in 2022 raised the employment rate of senior workers in the treated group by 0.7pp (relative to the control group), likely due in part to the legislative protection channel. However, the effects were not sustained as there was no statistically significant difference in the employment rate of the treated and control groups after the new legislated REA (i.e., age 68) (Exhibit 5).

Exhibit 5: Impact of the Increase in REA on Employment Rates (Relative to Control Group)



*** indicates statistical significance at the 1% level. Grey-coloured bars are statistically insignificant at the 10% level.

While this study was not able to robustly estimate the impact of the 2022 increase in REA on the semi-treated group[8], a separate analysis examining the impact of the earlier 2017 increase in REA found that it had led to higher employment rates for the semi-treated group affected by the 2017 increase. This suggested that apart from the legislative protection channel, changes in the REA could also have an impact on the employment of senior workers by influencing the social norms of retirement (i.e., senior workers anchoring their retirement decisions on the legislated REA age).

This study yielded two other important insights. First, the positive impact of the 2022 increase in REA on the employment of the treated group found in this study was similar in magnitude to that found in the separate analysis on the impact of the 2017 increase in REA, indicating that successive increases in the REA had not caused the impact to diminish. This suggested that the REA remained relevant as a significant proportion of senior workers who remained employed up to the old REA (i.e., age 67) were willing and able to work beyond this age.

Second, comparing the impact of the RA and REA increases in 2022, the increase in REA had a slightly larger impact on the employment rate of senior workers. This finding is aligned with the policy intent and design of the statutory ages. Compared to the REA, the impact of increasing the RA on employment is likely to be smaller as firms still bear re-employment responsibilities and would have to offer re-employment contracts to most eligible senior workers at the prevailing RA.

CONCLUSION

This study found that increases in the RA and REA in 2022 raised the employment rates of senior workers, thus providing evidence that they had been effective in keeping senior workers in the workforce. For the REA, the positive impact of the increase in 2022 on employment was similar to that found for the earlier increase in 2017, suggesting that the policy of raising the REA had not reached diminishing returns.

At their currently defined ages, the RA and REA remain relevant as they collectively provide legislative protection and set the social norms of retirement for senior workers. Given Singapore's increasing life expectancy and ageing population, the RA and REA protect senior workers and enable them to work longer if they wish to. This in turn allows employers to meet their manpower needs in a tight labour market.

The Government has recently convened the Tripartite Workgroup on Senior Employment and an Alliance for Action on Empowering Multi-Stage Careers for Mature Workers to review and refresh Singapore's senior employment policies in two key areas: (i) empowering our senior workers to be productive and employable, and (ii) promoting age-friendly jobs and workplaces. These efforts, taken alongside upcoming increases to the RA and REA, should support both senior workers and employers in maximising the potential of Singapore's senior workforce.

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8 *While we tried to investigate the impact of the 2022 increase in REA on the employment rate of the semi-treated group, we were unable to establish a causal impact as there were pre-trends which suggested that the employment rate of the semi-treated group trended differently from the control group even before the policy change. This meant that the employment rate of the control group after the policy change would not provide a good counterfactual for the treated group.*

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