Chapter 1

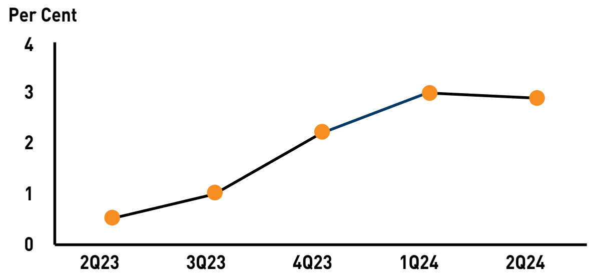
THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP grew by

2.9% in 2Q24

Quarterly Growth (YoY)



Main Drivers of Growth in 2Q24

Finance & Insurance

0.9%-point contribution

Wholesale Trade

0.8%-point contribution

LABOUR MARKET

Resident Unemployment Rate

2.7% in June 24

Employment (QoQ Change)

+14,900 employed in 2Q24

Sectors with the Highest Employment Growth in 2Q24

Other Services Industries	Construction	Finance & Insurance
+8,500 employed	+5,400 employed	+1,200 employed

PRODUCTIVITY

(YoY Growth)

Value-Added per Actual Hour Worked increased by

3.6% in 2Q24

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 2Q24

Information & Communications	Transportation & Storage	Finance & Insurance
14.7%	7.8%	6.7%

COSTS
(YoY Growth)

Overall Unit Labour Cost increased by

2.8% in 2Q24

Within the Manufacturing Sector

- 6.0% Unit Business Cost
- 4.0% Unit Labour Cost

PRICES
(YoY Growth)

The Consumer Price Index (CPI) rose by

2.8% in 2Q24

Categories with Price Increases

- 4.7% Recreation & Culture
- 4.5% Health Care
- 3.8% Housing & Utilities

INTERNATIONAL TRADE
(YoY Growth)

Total Merchandise Exports increased by

7.6% in 2Q24

EXPORTS

- 19.0% Oil Domestic Exports
- 11.6% Re-Exports
- -6.4% Non-Oil Domestic Exports

Total Services Exports increased by

13.5% in 2Q24

Services Exports increase was led by...

- 8.6%-pt Transport
- 1.3%-pt Other Business Services
- 1.2%-pt Financial Services

OVERVIEW

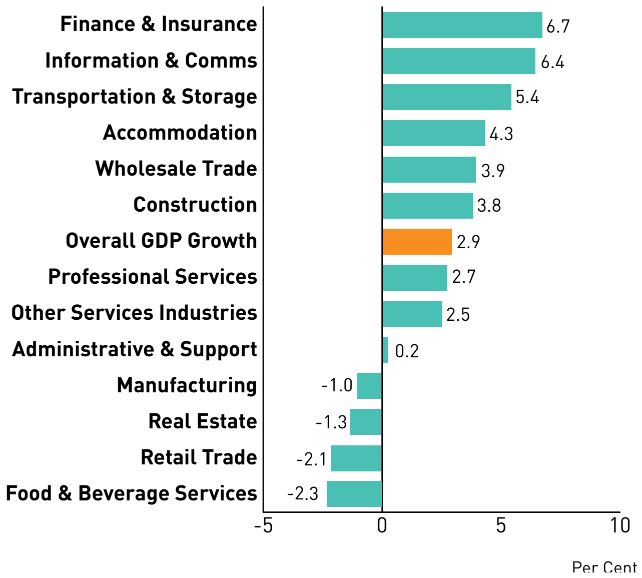
In the second quarter of 2024,

- The Singapore economy grew by 2.9 per cent on a year-on-year basis. The sectors that contributed the most to GDP growth during the quarter were the finance & insurance, wholesale trade and information & communications sectors.
- The seasonally-adjusted unemployment rates declined at the overall level, for residents and for citizens, notwithstanding a marginal increase in the number of retrenchments over the same period.
- Total employment rose by 14,900 on a quarter-on-quarter basis, extending the gains in the preceding quarter. Excluding Migrant Domestic Workers (MDWs), total employment increased by 11,300 on the back of non-resident employment gains.
- The Consumer Price Index-All Items (CPI-All Items) rose by 2.8 per cent year-on-year in the second quarter of 2024, moderating from the 3.0 per cent increase in the preceding quarter.

OVERALL PERFORMANCE

The Singapore economy grew by 2.9 per cent on a year-on-year basis in the second quarter of 2024, extending the 3.0 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.4 per cent, unchanged from the 0.4 per cent expansion in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 2Q 2024



The manufacturing sector contracted by 1.0 per cent year-on-year, easing from the 1.7 per cent contraction in the previous quarter. The contraction was driven by the output declines in the biomedical manufacturing (-32.0 per cent) and precision engineering (-2.0 per cent) clusters.

The services producing industries grew by 3.7 per cent year-on-year, moderating from the 4.3 per cent growth registered in the previous quarter. Growth was supported by expansions in all the services sectors except for the real estate, retail trade and food & beverage services sectors. Among the services sectors that expanded, the finance & insurance (6.7 per cent), information & communications (6.4 per cent) and transportation & storage (5.4 per cent) sectors posted the strongest growth.

The construction sector grew by 3.8 per cent year-on-year, extending the 4.1 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 finance & insurance, wholesale trade and information & communications sectors (Exhibit 1.2).

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 2Q 2024 (By Sector)

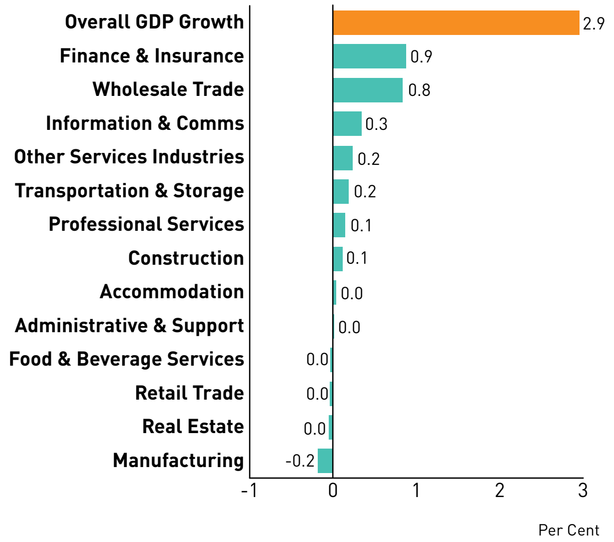


Exhibit 1.3: Changes in Total Demand*

	2023			2024	
	II	III	IV	I	II
Total Demand	-2.5	-1.4	7.4	5.5	**7.7**
External Demand	-1.6	-1.8	11.0	5.9	**7.5**
Total Domestic Demand	-5.3	-0.5	-2.9	4.1	**8.1**
Consumption Expenditure	2.6	2.5	2.5	6.3	**5.8**
Public	-1.7	4.2	1.1	6.3	**3.1**
Private	4.0	2.0	3.0	6.4	**6.5**
Gross Fixed Capital Formation	-2.3	-1.9	3.0	-2.2	**1.7**
Changes in Inventories	-3.7	-0.8	-3.4	0.4	**2.2**

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

SOURCES OF GROWTH

Total demand increased by 7.7 per cent year-on-year in the second quarter of 2024, 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 7.5 per cent year-on-year, picking up from the 5.9 per cent increase in the previous quarter. Meanwhile, domestic demand rose by 8.1 per cent year-on-year, accelerating from the 4.1 per cent increase in the preceding quarter.

Within domestic demand, consumption expenditure rose by 5.8 per cent year-on-year, moderating from the 6.3 per cent growth in the preceding quarter. The increase in consumption expenditure was supported by both higher private consumption (6.5 per cent) and public consumption (3.1 per cent).

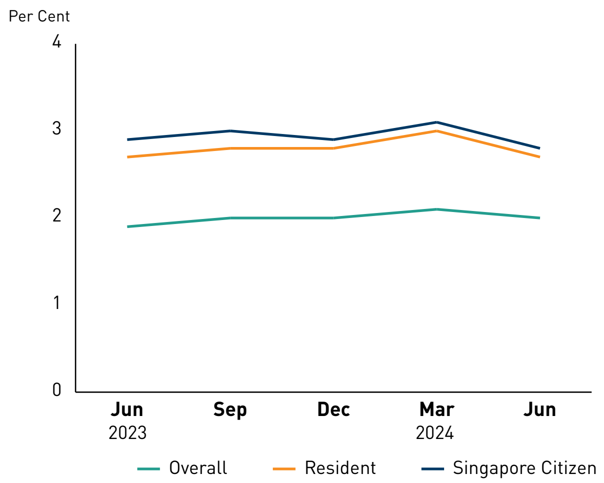
Meanwhile, gross fixed capital formation (GFCF) increased by 1.7 per cent year-on-year, a reversal from the 2.2 per cent contraction in the previous quarter. The increase in GFCF during the quarter was due to increases in both public sector GFCF (5.4 per cent) and private sector GFCF (0.9 per cent). Public sector GFCF rose due to higher investments in public construction & works, transport equipment, machinery & equipment and intellectual property products. Meanwhile, private sector GFCF increased on the back of higher investments in private transport equipment, machinery & equipment and intellectual property products, which more than offset lower investments in private construction & works.

LABOUR MARKET

Unemployment and Retrenchment[1]

Compared to March 2024, the seasonally-adjusted unemployment rates in June 2024 declined at the overall level (from 2.1 per cent to 2.0 per cent), for residents (from 3.0 per cent to 2.7 per cent) and for citizens (3.1 per cent to 2.8 per cent) (Exhibit 1.4).

Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)

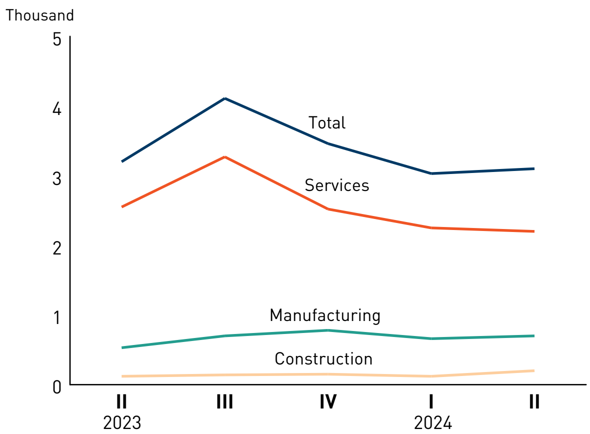


1 *Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.*

In June 2024, an estimated 65,700 residents, including 57,100 Singapore citizens, were unemployed. These were lower than the number of unemployed residents (72,500) and citizens (63,700) in March 2024.[2]

Total retrenchments edged up to 3,100 in the second quarter of 2024, from 3,030 in the preceding quarter (Exhibit 1.5). There was a slight increase in retrenchments for the manufacturing (from 660 to 700) and construction (from 120 to 200) sectors. Meanwhile, retrenchments in the services sector fell (from 2,250 to 2,200).

Exhibit 1.5: Retrenchments



Employment[3]

Total employment expanded by 14,900 on a quarter-on-quarter basis in the second quarter of 2024, extending the gains (+9,600) in the preceding quarter (Exhibit 1.6). Excluding MDWs, total employment rose by 11,300. Employment growth during the quarter was wholly supported by an increase in non-resident employment.

Total employment growth was led by the services sector (+8,800; or +5,200 excluding MDWs), supported by employment gains in the other services industries (+8,500), finance & insurance (+1,200) and transportation & storage (+1,200) sectors (Exhibit 1.7). Similarly, employment in the construction (+5,400) and manufacturing (+200) sectors increased over the same period.

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

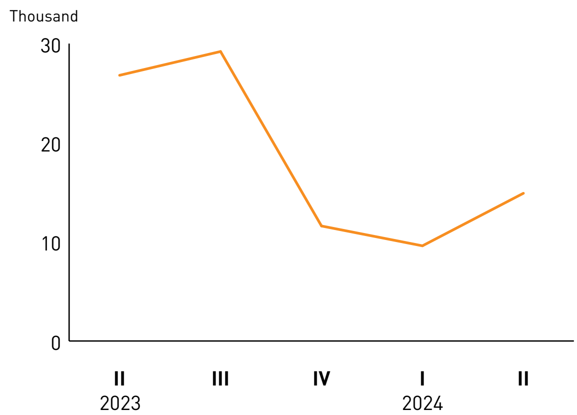
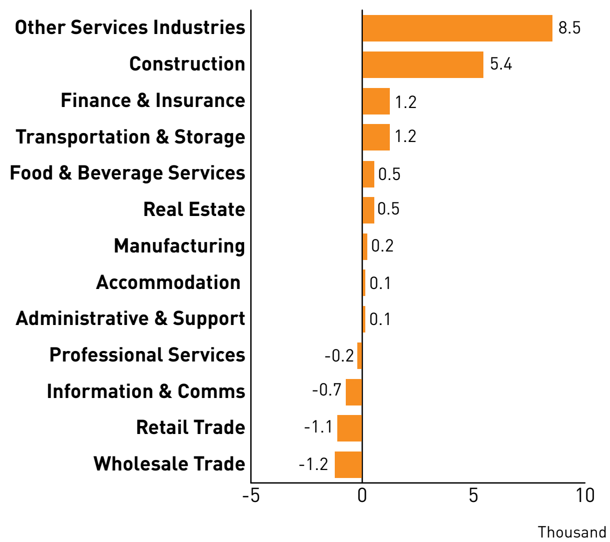


Exhibit 1.7: Changes in Employment by Sector in 2Q 2024



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

Hiring Expectations

According to EDB's latest Business Expectations Survey for the Manufacturing Sector, hiring expectations in the sector were neutral. A majority of manufacturers (a net weighted balance of 88 per cent) expected employment level in the third quarter of 2024 to remain similar 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 49 per cent of firms expecting to increase hiring in the third quarter. By contrast, firms in the miscellaneous segment of the general manufacturing cluster were the most pessimistic, with a net weighted balance of 16 per cent of firms expecting to reduce hiring in the third quarter.

Meanwhile, hiring expectations for services firms remained positive. According to DOS' latest Business Expectations Survey for the Services Sector, a net weighted balance of 12 per cent of services firms expected to increase hiring in the third quarter of 2024 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 40 per cent of firms expecting to increase hiring in the third quarter. On the other hand, firms in the transportation & storage and real estate sectors registered a neutral hiring outlook, with firms expecting employment levels in the third quarter of 2024 to be similar to that in the second quarter of 2024.

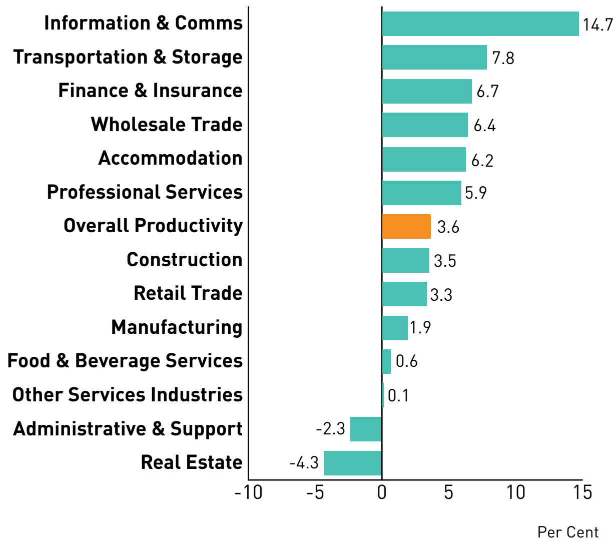
COMPETITIVENESS

Productivity

Overall labour productivity, as measured by real value-added per actual hour worked, rose by 3.6 per cent year-on-year in the second quarter of 2024, faster than the 2.3 per cent increase in the previous quarter (Exhibit 1.8).[4]

Among the sectors, the information & communications (14.7 per cent), transportation & storage (7.8 per cent), finance & insurance (6.7 per cent) sectors, wholesale trade (6.4 per cent), accommodation (6.2 per cent) and professional services (5.9 per cent) saw strong productivity gains. Meanwhile, construction (3.5 per cent), retail trade (3.3 per cent), manufacturing (1.9 per cent), food & beverage services (0.6 per cent) and other services (0.1 per cent) sectors also saw productivity improvements. By contrast, productivity declines were observed in the administrative & support services (-2.3 per cent) and real estate (-4.3 per cent) sectors.

Exhibit 1.8: Changes in Value-Added per Actual Hour Worked for the Overall Economy and Sectors in 2Q 2024



In the second quarter, the productivity of outward-oriented sectors as a whole rose by 6.1 per cent year-on-year, faster than the 4.6 per cent increase in the previous quarter.[5] Meanwhile, productivity for the domestically-oriented sectors as a whole grew by 0.4 per cent, the same pace as the preceding quarter.

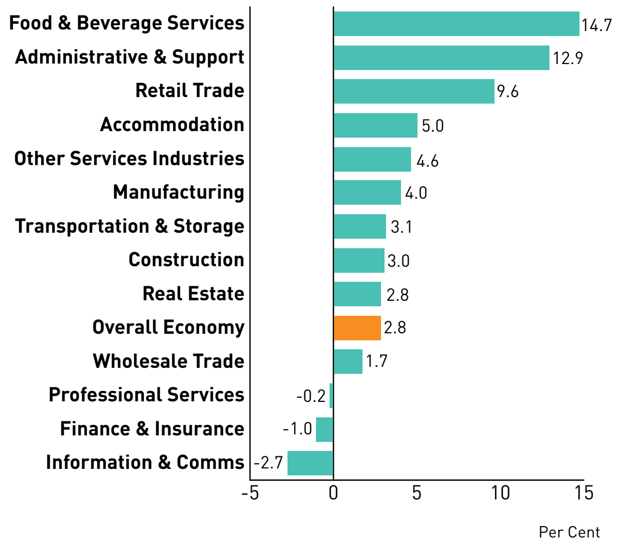
4 *Similarly, overall labour productivity, as measured by real value-added per worker, grew by 1.5 per cent in the second quarter of 2024, faster than the 0.7 per cent growth in the preceding quarter.*

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

Unit Labour Cost and Unit Business Cost

Overall unit labour cost (ULC) for the economy rose by 2.8 per cent on a year-on-year basis in the second quarter of 2024 (Exhibit 1.9), extending the increase of 3.8 per cent in the preceding quarter. The rise in overall ULC during the quarter was due to an increase in total labour cost per worker which outpaced the rise in labour productivity as measured by real value-added per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 2Q 2024



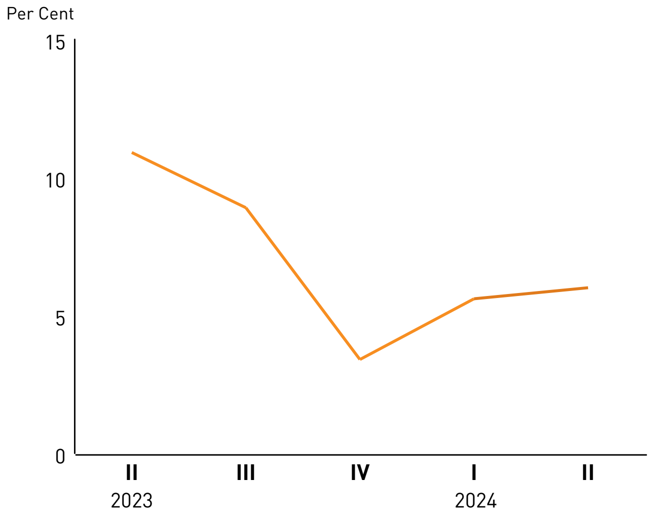
By sectors, the ULC for the construction sector was 3.0 per cent higher year-on-year in the second quarter as the pickup in total labour cost per worker outpaced the rise in labour productivity.

The ULC for services producing industries rose by 2.4 per cent year-on-year. Among the services sectors, ULC increased the most in the food & beverage services sector (14.7 per cent) as the increase in total labour cost per worker was accompanied by a fall in labour productivity. Meanwhile, ULC fell in the information & communications sector (-2.7 per cent) as productivity gains more than offset the increase in total labour cost per worker.

Over the same period, the ULC for the manufacturing sector picked up by 4.0 per cent year-on-year. The rise in the sector's ULC occurred on the back of an increase in total labour cost per worker which outpaced the growth in labour productivity.

Unit business cost (UBC) for the manufacturing sector rose by 6.0 per cent on a year-on-year basis in the second quarter of 2024, extending the 5.6 per cent increase in the previous quarter (Exhibit 1.10). The rise in UBC during the quarter was due to the increases in unit services costs (6.4 per cent), manufacturing ULC (4.0 per cent) and unit non-labour production taxes (57.7 per cent).

Exhibit 1.10: Changes in the Manufacturing Unit Business Cost

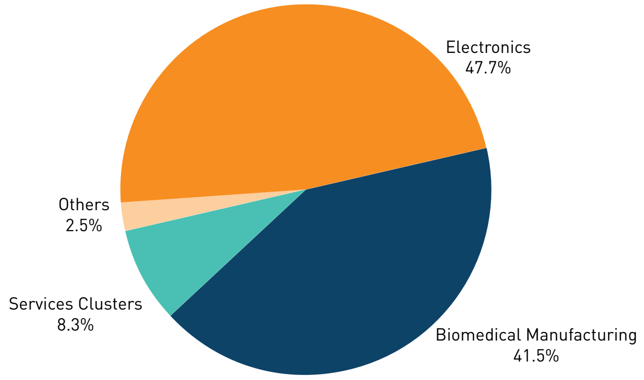


Investment Commitments

Investment commitments garnered by the Economic Development Board (EDB) in terms of Fixed Asset Investments (FAI) and Total Business Expenditure (TBE) amounted to $3.7 billion and $1.6 billion respectively in the second quarter of 2024 (Exhibit 1.11 and Exhibit 1.12).

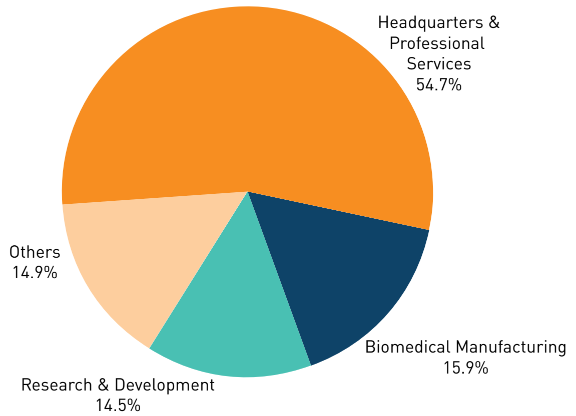
For FAI, the largest contribution came from the manufacturing sector, which attracted $3.4 billion worth of commitments. Within the manufacturing sector, the electronics and biomedical manufacturing clusters garnered the largest amounts of commitments, at $1.8 billion and $1.5 billion respectively. Meanwhile, the headquarters & professional services cluster attracted the most FAI commitments within the services sector, at $165 million. Investors from the United States contributed the most to total FAI, at $2.5 billion (or 68.3 per cent).

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 2Q 2024



For TBE, the services sector attracted the highest amount of commitments, at $1.1 billion. Within the sector, the headquarters & professional services and research & development clusters garnered the most TBE commitments, at $886 million and $236 million respectively. Among the manufacturing clusters, the biomedical manufacturing and electronics clusters attracted the largest amounts of TBE commitments, at $257 million and $139 million respectively. Investors from the others region[6] were the largest source of TBE commitments, with commitments of $633 million (or 39.1 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 2Q 2024



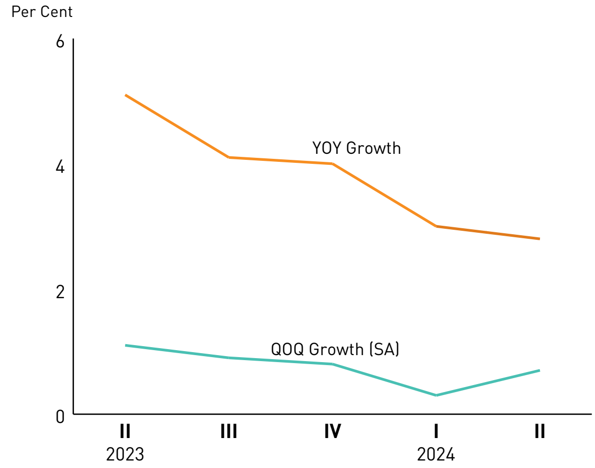
When these projects are fully implemented, they are expected to generate $7.4 billion of value-added and create more than 3,600 jobs in the coming years.

PRICES

Consumer Price Index

The Consumer Price Index-All Items (CPI-All Items) rose by 2.8 per cent on a year-on-year basis in the second quarter of 2024, moderating from the 3.0 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 0.7 per cent, picking up from the 0.3 per cent recorded in the previous quarter.

Exhibit 1.13: Changes in CPI



Most CPI categories saw price increases on a year-on-year basis in the second quarter of 2024, thus contributing positively to CPI-All Items inflation during the quarter (Exhibit 1.14). Food prices rose by 2.8 per cent on account of the higher costs of food serving services such as hawker food and restaurant meals, as well as non-cooked food items such as bread & cereals. Housing & utilities costs increased by 3.8 per cent as accommodation and electricity costs picked up. Prices of household durables & services went up by 1.2 per cent due to a rise in the prices of domestic & household services and household durables. Healthcare costs climbed by 4.5 per cent on the back of an increase in the costs of outpatient and hospital services. Transport costs rose by 1.4 per cent due to higher petrol prices and bus & train fares, as well as more expensive point-to-point transport services, which collectively outweighed lower airfares and car prices. Communication costs increased by 0.7 per cent on account of a rise in the prices of telecommunication services. Recreation & culture prices rose by 4.7 per cent because of the higher costs of holiday travel, as well as recreational & cultural services. Education costs picked up by 3.3 per cent due to higher fees at commercial institutions. Prices of miscellaneous goods & services went up by 1.5 per cent as the costs of personal care items and personal effects items rose. By contrast, clothing & footwear prices fell by 1.0 per cent, mainly due to cheaper footwear and ready-made garments.

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

	2023			2024	
	II	III	IV	I	II
All items	5.1	4.1	4.0	3.0	**2.8**
Food	6.6	4.8	4.0	3.4	**2.8**
Clothing & Footwear	4.5	-0.5	-0.6	-0.2	**-1.0**
Housing & Utilities	4.4	3.8	3.8	3.3	**3.8**
Housing Durables & Services	1.9	1.8	1.3	1.0	**1.2**
Healthcare	4.6	4.3	5.1	4.7	**4.5**
Transport	6.4	4.9	5.0	1.8	**1.4**
Communication	2.7	3.0	3.8	2.3	**0.7**
Recreation & Culture	6.5	5.3	5.9	4.9	**4.7**
Education	2.7	2.5	2.7	3.3	**3.3**
Miscellaneous Goods & Services	3.3	3.6	2.8	2.4	**1.5**

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade expanded by 10.1 per cent on a year-on-year basis in the second quarter, following the 4.8 per cent growth in the preceding quarter (Exhibit 1.15). The increase in total merchandise trade was due to the growth in both oil trade (+16.9 per cent) and non-oil trade (+8.5 per cent).

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

Per Cent

	2023				2024	
	II	III	IV	ANN	I	II
Merchandise Trade	-18.8	-16.5	-2.1	-11.7	4.8	**10.1**
Merchandise Exports	-16.9	-15.6	0.2	-10.1	4.4	**7.6**
Domestic Exports	-19.5	-22.6	-1.7	-13.5	0.3	**2.9**
Oil	-28.1	-26.9	-2.1	-14.2	6.0	**19.0**
Non-Oil	-13.4	-19.5	-1.4	-13.1	-3.4	**-6.4**
Re-Exports	-14.6	-9.5	1.8	-7.1	7.9	**11.6**
Merchandise Imports	-20.8	-17.4	-4.7	-13.4	5.2	**12.8**
Oil	-34.4	-25.0	-4.1	-19.0	2.1	**16.1**
Non-Oil	-16.6	-15.2	-4.8	-11.9	6.1	**12.0**

Total merchandise exports increased by 7.6 per cent in the second quarter, following the 4.4 per cent growth in the preceding quarter. This was due to the increase in both domestic exports (+2.9 per cent) and re-exports (+11.6 per cent).

The growth in domestic exports was due to the increase in oil domestic exports which outweighed the decline in non-oil domestic exports (NODX). In particular, oil domestic exports expanded by 19.0 per cent. In volume terms, oil domestic exports increased by 6.8 per cent.

Meanwhile, NODX declined by 6.4 per cent in the second quarter, following the 3.4 per cent decrease in the previous quarter. The decline in NODX was due to the decrease in non-electronics domestic exports which outweighed the growth in electronics domestic exports.

Total merchandise imports expanded by 12.8 per cent in the second quarter, following the 5.2 per cent growth in the previous quarter. The growth in imports was due to the increase in both oil and non-oil imports. Specifically, oil imports expanded by 16.1 per cent, while non-oil imports grew by 12.0 per cent due to higher electronics and non-electronics imports.

Services Trade

Total services trade expanded by 11.3 per cent on a year-on-year basis in the second quarter, picking up from the 5.7 per cent expansion 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 surged by 13.5 per cent in the second quarter, faster than the 6.3 per cent growth in the preceding quarter. The increase in services exports was largely attributable to a pickup in the exports of transport services, other business services and financial services. Meanwhile, services imports rose by 8.9 per cent, up from the 5.1 per cent expansion in the previous quarter. The rise in services imports was largely due to increases in the imports of transport services, travel services and telecommunications, computer & information services.

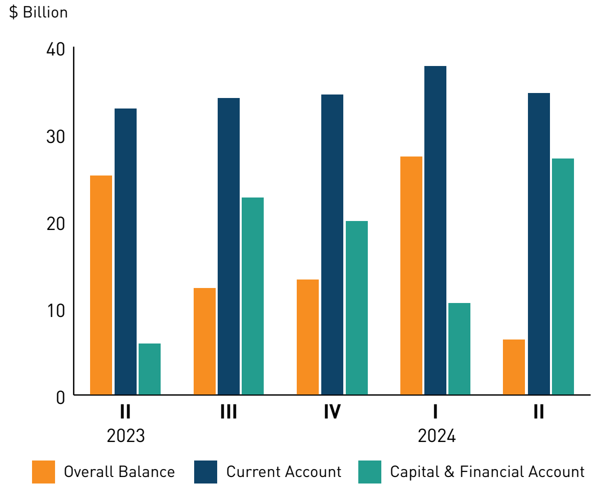
Exhibit 1.16: Growth Rates of Total Services Trade, Services Exports and Services Imports (In Nominal Terms)

	2023				2024	
	II	III	IV	ANN	I	II
Total Services Trade	-5.4	-6.9	-2.8	-3.8	5.7	**11.3**
Services Exports	-7.5	-7.4	-3.9	-5.1	6.3	**13.5**
Services Imports	-3.1	-6.3	-1.5	-2.4	5.1	**8.9**

BALANCE OF PAYMENTS

Singapore recorded an overall balance of payments surplus of $6.3 billion in the second quarter of 2024, lower than the surplus of $27.3 billion in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus narrowed to $34.6 billion in the second quarter of 2024, from $37.7 billion in the previous quarter. This was due to a widening of the primary income deficit, which more than offset the increase in the surpluses of the goods and services accounts and a narrowing of the secondary income deficit.

The surplus in the goods account rose by $7.2 billion to $51.8 billion in the second quarter, as the growth in goods exports outpaced the increase in goods imports.

Meanwhile, the surplus in the services account increased by $0.8 billion to $13.6 billion in the second quarter. This was mainly due to an increase in net receipts for financial services as well as a fall in net payments for other business services. Collectively, these more than outweighed the higher net payments for travel services and telecommunications, computer & information services.

The primary income deficit widened by $12.3 billion to $28.9 billion in the second quarter, as the decline in primary income receipts exceeded the fall in primary income payments.

The secondary income deficit narrowed by $1.2 billion to $2.0 billion in the second quarter, as secondary income receipts increased while payments declined.

Capital and Financial Account[7]

The capital and financial account registered a larger net outflow of $27.1 billion in the second quarter of 2024, compared to $10.5 billion in the preceding quarter. The rise in net outflows was mainly due to higher net outflows of "other investment" and portfolio investment. These more than offset the increase in net inflows of direct investment and the decline in net outflows of financial derivatives.

"Other investment" recorded net outflows of $25.0 billion in the second quarter, up from $10.1 billion in the previous quarter. The increase was primarily driven by resident deposit-taking corporations switching from a net inflow to a net outflow position.

At the same time, net outflows of portfolio investment rose to $38.3 billion in the second quarter, from $34.1 billion in the preceding quarter, largely due to increased net outflows from resident deposit-taking corporations as well as the non-bank private sector.

Meanwhile, net inflows of direct investment edged up to $37.4 billion in the second quarter, from $36.2 billion in the preceding quarter, as the increase in foreign direct investments into Singapore exceeded the increase in residents' direct investments abroad.

Net outflows of financial derivatives fell to $1.2 billion in the second quarter, from $2.5 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".*