GDP growth moderated in 2023 dragged by weaker performance of the manufacturing sector amid softer external demand. Growth should accelerate this year supported by the turnaround in manufacturing, robust domestic demand, and stronger external trade, and will further improve in 2025. Inflation moderated in 2023 as energy prices eased and will continue its downward momentum over the forecast horizon. Population aging remains a challenge to Singapore’s medium to long-term development.

**Economic Performance**

**Singapore’s GDP growth accelerated in the last quarter of 2023.** After sluggish growth in the first half of 2023, GDP growth in the fourth quarter accelerated to 2.2%, improving on the 1.0% growth in the third quarter. The pickup came from a recovery in manufacturing and robust growth in services and construction (Figure 2.29.1). Manufacturing expanded by 1.4% in the last quarter, a reversal from four consecutive quarters of contraction. Services grew broadly, positively contributing to growth in the fourth quarter. Construction increased further due to higher demand in both public and private sectors. For the full year, Singapore’s economy grew by 1.1%, down from 3.8% in 2022. Growth in services and construction outweighed the overall contraction in manufacturing.

**Subdued domestic demand dragged down growth in 2023 (Figure 2.29.2).** Domestic demand contracted by 2.5% in 2023, driven by a decline in investment and private consumption. Investment contracted by 11.4% due to depleted inventories and lower private spending. Consumer spending slowed by 3.8% from 8.2% in 2022, partly because of moderating but still elevated prices of goods and services. Meanwhile, government consumption rebounded by 2.6% from the previous year’s 1.9% contraction as the government spent more on economic and social development. Despite softer external demand, net exports of goods and services contributed positively to growth, as exports grew by 2.4% in real terms, more than the 1.0% growth in imports.

**Headline inflation moderated largely due to lower oil prices and private transport costs.** Consumer price index inflation eased to 4.8% year on year in 2023 from 6.1% in 2022. The increase in private transport costs fell to 8.2% compared with 19.2% in 2022.

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Economic trends and prospects in developing Asia: Southeast Asia


**Figure 2.29.2 Demand-Side Contributions to Growth**

Growth was dragged down by a big drop in investment.

<table>
<thead>
<tr>
<th>Percentage points</th>
<th>15</th>
<th>10</th>
<th>5</th>
<th>0</th>
<th>-5</th>
<th>-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
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<td>2022</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


because of easing prices for automobiles and a steeper decline in petrol costs (Figure 2.29.3). In contrast, core inflation, which excludes accommodation and private transport costs, increased slightly to 4.2% year on year in 2023 from 4.1% in 2022, mainly due to higher price increases for food, recreation and culture, and health care.

**Monetary policy remained unchanged while fiscal policy remained accommodative.** After monetary tightening to contain inflationary pressures, the Monetary Authority of Singapore (MAS) maintained its rate of currency appreciation beginning October 2022 as inflation continued to moderate. Meanwhile, the fiscal deficit will reach 1.0% of GDP in FY2023 (ended 31 March 2024), higher than the expected 0.5% due to expenditures outpacing the revenue increase.

**The current account surplus widened, led by a strong goods surplus.** Merchandise exports fell 7.4% in US dollar terms in 2023 while imports contracted by 10.9%, resulting in a higher goods surplus. However, net service exports narrowed to 6.5% of GDP from 8.3%, driven by lower net receipts for transport services. Thus, the current account surplus widened to 19.8% of GDP, as the higher goods balance and lower net primary income deficit outweighed the drop in trade services balance (Figure 2.29.4).

**Economic Prospects**

GDP is forecast to grow by 2.4% in 2024, up from 1.1% in 2023, supported by a continuing recovery in manufacturing and external trade (Table 2.29.1). The manufacturing Purchasing Managers’ Index (PMI) has been expansionary since the last quarter of 2023, driven by higher output, new orders, and external demand (Figure 2.29.5). The electronics PMI has signaled expansion, rising from 49.9 in October to 50.6 in January 2024 and 50.4 in February 2024, indicating more stabilized expansion. Growth in manufacturing is expected to gradually pick up in tandem with the turnaround in global electronics demand. Growth in services will remain resilient, supported by trade-related sectors. Finance will improve as global monetary
Table 2.29.1  Selected Economic Indicators, %

<table>
<thead>
<tr>
<th>Year</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>3.8</td>
<td>1.1</td>
<td>2.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Inflation</td>
<td>6.1</td>
<td>4.8</td>
<td>3.0</td>
<td>2.2</td>
</tr>
</tbody>
</table>

GDP = gross domestic product.

Figure 2.29.5  Purchasing Managers’ Index

<table>
<thead>
<tr>
<th>Index</th>
<th>January 2022</th>
<th>July 2022</th>
<th>January 2023</th>
<th>July 2023</th>
<th>January 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contraction</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

PMI = purchasing managers’ index.
Source: CEIC Data Company.

tightening is expected to end in 2024, creating favorable financial conditions. Domestic- and tourist-related activities will moderate as demand normalizes. Construction will continue to benefit from contracts awarded in 2023, which increased in value by 13.4%.

Domestic demand will remain resilient, and stronger exports should boost GDP growth.

A recovery in investment and stable consumption will support domestic demand. Higher domestic taxes will dampen private consumption—the goods and services tax (GST) increased from 8% to 9% from 1 January 2024. This will be balanced by improving economic conditions and resilient wage growth. Public spending will continue to support growth as the government maintains its accommodative fiscal stance, with the budget deficit at 0.4% of GDP in FY2024, narrower than FY 2023. The outlook for investment is positive, supported by investment committed in 2023 and robust public projects. The anticipated monetary easing will also encourage more investments in the near term. External demand is also showing signs of recovery. Exports increased by 16.1% in January 2024, supported by strong growth in non-oil and oil exports. Imports grew by 9.4% with trend continuing throughout the year (Figure 2.29.6). Hence, GDP will grow by 2.4% in 2024 as manufacturing and external trade continue to recover. GDP will grow by 2.6% in 2025.

Headline inflation is expected to moderate to 3.0% in 2024 and 2.2% in 2025. While the hike in GST, increase in water prices, and planned wage increases (especially to lower-wage earners) could add price pressure, headline inflation will nonetheless moderate gradually. Factors contributing to easing inflation include lower cost of accommodation on higher unit supply, reduced private transport costs on lower oil prices, and normalizing food prices and the cost of services. These factors, along with the appreciating nominal effective rate, should keep Singapore’s imported inflation low in the coming months. MAS expects both headline and core inflation to be in the range of 2.5%–3.5% in 2024.

Risks to the outlook remain tilted to the downside amid uncertainty. Notable risks include the US monetary policy stance, possible disruptions in disinflationary momentum, and spillover effects from the economic slowdown and deflation in the People’s Republic of China (PRC). Longer-than-expected geopolitical tensions and adverse weather events could disrupt global supply chains and
commodity markets, disrupting disinflation momentum. Uncertainty on the timing of US monetary easing may also lower sentiment over investment and financial conditions.

**Policy Challenge—Aging Well in Singapore**

**Singapore’s population is aging rapidly compared to many economies.** Individuals aged 65 years and older comprise nearly 20% of the population, according to the government’s 2023 population report, an increase of 116.0% from 2013 to 2023 (Figure 2.29.7). Singapore will also become a super-aged society by 2026, only 27 years after it became an aged society in 1999. This is faster than the PRC (32 years), Japan (36 years), Germany (76 years), and the US (86 years).

**Figure 2.29.7 Population Growth of Age: 65+, 2013 to 2023**

Singapore’s old-age population rose faster than the world average.

Rapid aging has profound economic impact. In the 2023 budget, the finance minister said that demographic aging will be a key economic issue over the medium to long term. With the rapid expansion of the older population, health care, elderly care, and social welfare will all create a heavy fiscal burden. Meanwhile, aging also challenges long-term GDP growth as workforce supply and productivity fall due to age-related factors. The working-age population is projected to decrease by approximately 16% by 2050, resulting in a decline in the proportion of individuals aged 15 to 64 from 72% to 56%. This demographic shift is expected to reduce Singapore’s growth potential by 0.5 percentage points.

**Singapore has implemented various policies to address aging.** To broaden sources to support health care, the government has introduced initiatives like mandatory long-term care insurance (CareShield Life) and promoted proactive health management and preventative health care through initiatives such as Healthier SG. To support elderly care, Singapore set up a Home Caregiving Grant and established Active Aging Centers and Care Hubs to provide more services and social connections. To bolster the workforce, the 2023 Action Plan for Successful Ageing provides a credit scheme to support hiring older workers. Singapore has also raised the retirement age from 62 to 63 and re-employment age from 67 to 68. Various upskilling programs, such as the National Silver Academy and the Seniors Go Digital program, have enhanced seniors’ employability and productivity.

**More measures are needed to address the remaining aging challenges.** First, as a regional innovation hub, Singapore may further advance innovation and digital technology to deliver health care and elderly care services with better efficiency, greater accessibility, and enhanced effectiveness. Innovative models and technology solutions such as health technology and smart caring devices both cost-effectively improve elderly services and contribute to economic growth when there is sufficient demand. Second, to further promote workforce and productivity, Singapore may continue to explore calibrated immigration policies. Strategic immigration reforms can supplement the workforce by attracting professionals and workers with skills better aligned to Singapore’s development. Households, especially with young children, can also offset demographic imbalances and sustain economic growth. Finally, to bolster the sustainability and resilience of the retirement finance system, Singapore may consider additional saving and investment options to the current retirement financing system anchored by the Central Provident Fund. For example, Singapore may develop an independent investment advisory and ecosystem to promote individuals’ retirement savings.