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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Singapore's economy is characterised by excellent finances and a high degree of openness, with the country being highly dependent on international trade. According to preliminary data, after growing by 3.6% in 2022, Singapore's economy expanded by 1.2% last year, managing to steer clear of a recession despite the global economic slowdown attributed to elevated interest rates. Singapore's aviation and tourism-related sectors also saw positive outcomes due to a rebound in visitor arrivals. On the other hand, the export-oriented manufacturing sector, especially the electronics industry, encountered reduced demand from significant trading partners, although it started to register growth in the final quarter. The Ministry of Trade and Industry anticipates Singapore's growth for 2024 to fall within the range of 1% to 3%, foreseeing a potential recovery in semiconductors and other export sectors (+2.1% according to the IMF forecast).

In recent years, government expenditure has remained hefty, driven by increased development spending, particularly in areas such as transport infrastructure, healthcare, and the environment. Additionally, support measures were introduced to assist households and businesses in dealing with the challenges posed by high inflation. Nevertheless, the government budget returned to positive territory in 2023, at 0.7% of GDP (from -1.3% one year earlier – IMF). In 2024, a one-percentage-point rise in the Goods and Services Tax (from 8% to 9%) and accelerated economic growth are projected to contribute to an increase in tax receipts. Although the recorded public debt appears elevated on paper, at 167.9% of GDP in 2023, it primarily serves the purpose of establishing a domestic safe asset market. This debt is predominantly comprised of long-term bonds and securities. Furthermore, substantial reserves accumulated from prior fiscal surpluses (ranging from 200-300% of GDP) are available to address infrequent budget deficits when necessary. Meanwhile, inflation remained elevated in 2023, at 5.5%, but is expected to follow a downward trend over the forecast horizon (3.5% this year and 2.5% in 2025) amid a tight fiscal policy.

Although per capita wealth in Singapore is amongst the highest in the region, unemployment has appeared due to structural economic changes (outsourcing of low-skilled work) and the COVID-19 crisis. However, the labour market continued to expand for the ninth straight quarter at the end of 2023, with increases for both residents and non-residents. The country has one of the highest GDP per capita in the world, estimated at USD 133,108 in 2023 by the IMF (PPP). Social challenges include rising income inequality and social discontent caused by overpopulation, high competition for employment and housing, lack of skilled labour, an ageing population, and distrust towards immigration.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>GDP</b> <i>(billions USD)</i>	466.79	497.35	520.97	547.32	573.15
<b>GDP</b> <i>(Constant Prices, Annual % Change)</i>	3.6	1.0	2.1	2.5	2.5
<b>GDP per Capita</b> <i>(USD)</i>	82,808	87,884	91,728	95,923	99,984
<b>General Government Balance</b> <i>(in % of GDP)</i>	-1.3	0.7	0.3	0.8	0.3

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>General Government Gross Debt</b> <i>(in % of GDP)</i>	167.5	167.9	168.3	168.8	169.3
<b>Inflation Rate</b> <i>(%)</i>	n/a	5.5	3.5	2.5	2.0
<b>Unemployment Rate</b> <i>(% of the Labour Force)</i>	2.1	1.8	1.8	1.8	1.8
<b>Current Account</b> <i>(billions USD)</i>	90.24	82.56	79.20	79.92	80.03
<b>Current Account</b> <i>(in % of GDP)</i>	19.3	16.6	15.2	14.6	14.0

Source: IMF – World Economic Outlook Database , October 2021

## Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

## MAIN SECTORS OF INDUSTRY

Singapore's economy is based on electronics, petrochemicals, trade, finance, and business services. The agricultural sector is almost non-existent except for cultivation of orchids, vegetables and fish for aquariums. Its contribution to GDP (close to 0%) and employment (close to 0%) is negligible (World Bank, 2023), although the country intends to increase food resilience by developing a new aquaculture centre. Approximately one per cent of Singapore's total land area is dedicated to agricultural activities. The agri-food sector primarily focuses on producing eggs, seafood, and vegetables to meet local consumption needs. The industry comprises 150 land-based food farms and 110 sea-based farms. Singapore does not have mineral resources.

Singapore's economy is highly industrialised. The industrial sector represents 24.9% of GDP and employs over 15% of the active population (World Bank, 2023). Electronics and petrochemicals dominate the industry, which also includes biomedical sciences, logistics, and transport engineering. Electronics is Singapore's largest manufacturing industry, accounting for around 20% of total output. The electronics sector is known for its production of semiconductors, integrated circuits, and other electronic components. Data from Singapore's Economic Development Board show that manufacturing sector output registered a strong rebound of 7.4% year-over-year in October 2023, after 12 consecutive months of y-o-y contraction.

The services sector contributes over 70.9% of GDP and employs more than 85% of the active population (World Bank, 2023). It is dominated by trade, business services, transportation, communications and financial services. As a regional commercial hub, the Port of Singapore is one of the most important in the world. It ranks second in the total volume of container transshipment traffic after Hong Kong. The growth in transport and storage, health and social services sectors did not compensate for the decline in the recreation and personal services, and the education services. According to Statistics Singapore (2023), the services sector generated a total of SGD 4,441 billion in operating revenue in 2021, representing an increase of 33.4% over the previous year.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
<b>Employment By Sector</b> <i>(in % of Total Employment)</i>	0.3	14.4	85.3
<b>Value Added</b> <i>(in % of GDP)</i>	0.0	24.2	70.9
<b>Value Added</b> <i>(Annual % Change)</i>	-7.7	2.9	4.6

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
<b>Singapore Dollar (SGD) - Average Annual Exchange Rate For 1 USD</b>	1.38	1.38	1.35	1.40	1.38

Source: World Bank - Latest available data.

## FOREIGN TRADE

Singapore's trade represented 337% of its GDP in 2022 (World Bank, 2023), the country being the 15th importer and exporter worldwide (WTO). Main exports include electronic integrated circuits (23.7% - as Singapore is a global leader in the production of semiconductors and integrated circuits), petroleum oils (12.3% - the country is a major refining centre, processing crude oil from various sources and exporting refined petroleum products such as gasoline, diesel, and jet fuel), machines and apparatus of a kind used for the manufacture of semiconductors (4.1%), gold (3.0%), turbojets, turbo propellers, and other gas turbines (3.0%). Imports, on the other hand, were led by electronic integrated circuits and parts thereof (22.7%), petroleum oils and oils (20.8%), turbojets, turbopropellers, and other gas turbines (3.7%), and gold (3.7% - data Comtrade).

The main export destinations include China (12.4% of all exports in 2022), Hong Kong (11.2%), Malaysia (10%), the United States (8.8%), and Indonesia (7.2%), while most imports arrive from China (13.2%), Malaysia (12.5%), the United States (10.8%), South Korea (6.4%), and Japan (5.6% - data Comtrade). The strategy adopted by the country is to promote exports while minimizing barriers to imports. Singapore has signed the Regional Comprehensive Economic Partnership (RCEP) with 14 other Indo-Pacific countries. This free trade agreement is the largest trade deal in history, covering 30 per cent of the global economy. It includes the Association of Southeast Asian Nations (ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and ASEAN's free trade agreement partners (Australia, China, India, Japan, New Zealand and the Republic of Korea). The RCEP covers goods, services, investment, economic and technical cooperation. It also creates new rules for electronic commerce, intellectual property, government procurement, competition, and small and medium-sized enterprises.

The country has a structural trade surplus. According to WTO data, in 2022, exports of goods amounted to USD 515.8 billion and imports reached USD 475.5 billion (+12.7% and +17% y-o-y, respectively). With regard to services, Singapore's exports reached USD 291.2 billion, against USD 258.6 billion in imports. The overall trade balance was estimated to be in surplus by 36.2% of GDP by the World Bank. Singapore has revised its full-year predictions for non-oil domestic exports and total merchandise trade in 2023, downgrading them due to a less robust performance in the initial three quarters. The decline is primarily attributed to the trade of oil and electronics. The new outlook anticipates a year-on-year contraction of 12% to 12.5% for non-oil domestic exports and approximately 10% for total merchandise trade in 2023.

Foreign Trade Values	2018	2019	2020	2021	2022
<b>Imports of Goods</b> (million USD)	370,881	359,266	329,830	406,226	475,578
<b>Exports of Goods</b> (million USD)	412,955	390,763	362,534	457,357	515,802
<b>Imports of Services</b> (million USD)	200,741	206,508	211,798	242,826	258,615
<b>Exports of Services</b> (million USD)	207,494	219,792	214,093	266,532	291,256

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Foreign Trade</b> (in % of GDP)	325.2	321.7	332.8	333.3	336.9
<b>Trade Balance</b> (million USD)	104,437	97,828	106,416	125,748	136,535
<b>Trade Balance (Including Service)</b> (million USD)	111,190	111,112	108,710	149,453	169,176

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Imports of Goods and Services</b> <i>(Annual % Change)</i>	7.4	-0.0	-1.1	12.0	-1.9
<b>Exports of Goods and Services</b> <i>(Annual % Change)</i>	7.8	0.2	0.4	11.7	-1.3
<b>Imports of Goods and Services</b> <i>(in % of GDP)</i>	147.8	146.1	150.8	149.0	150.3
<b>Exports of Goods and Services</b> <i>(in % of GDP)</i>	177.4	175.6	182.0	184.3	186.6

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
<b>Volume of exports of goods and services (Annual % change)</b>	5.6	9.8	4.5	3.9	3.7
<b>Volume of imports of goods and services (Annual % change)</b>	6.7	11.3	5.2	4.5	4.3

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

## International Economic Cooperation

Singapore is a member of the following international economic organisations: IMF, Asia-Pacific Economic Cooperation (APEC), ICC, Association of Southeast Asian Nations (ASEAN), Colombo Plan, Common Wealth, G-77, WTO, among others. For the full list of economic and other international organisations in which participates Singapore click [here](#). International organisation membership of Singapore is also outlined [here](#).

## Free Trade Agreements

Singapore is a member of Regional Comprehensive Economic Partnership ([RCEP](#)) signed on 15 November 2020. The complete and up-to-date list of Free Trade Agreements signed by Singapore can be consulted [here](#).

## Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
<b>China</b>	12.4%
<b>Hong Kong SAR, China</b>	11.2%
<b>Malaysia</b>	10.0%
<b>United States</b>	8.8%
<b>Indonesia</b>	7.2%
<b><a href="#">See More Countries</a></b>	50.3%

Main Suppliers <i>(% of Imports)</i>	2022
<b>China</b>	13.2%

Main Suppliers <i>(% of Imports)</i>	2022
Malaysia	12.5%
United States	10.8%
South Korea	6.4%
Japan	5.6%
See More Countries	51.3%

Source: Comtrade, Latest Available Data

## POLITICAL OUTLINE

### Current Political Leaders

President: Tharman Shanmugaratnam (since 14 September 2023)

Prime Minister: Lee Hsien Loong (since 12 August 2004, reelected 10 July 2020)

### Next Election Dates

Presidential: 2029

Parliamentary: 2025

### Current Political Context

Even though it won 83 out of 95 seats, the People's Action Party (PAP), which has governed the country since independence in 1965, came out relatively weakened in the July 2020 general election, where it won 61% of the vote, down from 70% in 2015. The biggest opposition group, the Workers' Party, had its best result to date, winning 10 seats. Although he initially promised he would step down from power before he turned 70 in February 2022, Prime Minister Lee Hsien Loong, son of founding statesman Lee Kwan Yew, has eventually said he will not resign until the economic and health crisis is resolved. Presidential elections were held in September 2023: in the non-partisan election, three candidates vied for the position: Tharman Shanmugaratnam, Ng Kok Song, and Tan Kin Lian. Tharman secured a substantial majority, garnering 70.41% of the votes and achieving a historic winning margin. Notably, he became the first non-Chinese candidate directly elected to the presidency. Albeit formally independent, Tharman has strong ties with the People's Action Party, having been a member since 2001 (resigning just before the election took place).

### Main Political Parties

Although Singapore is a multi-party nation, the centre-right **People's Action Party** (PAP) has dominated its legislature since 1959 and continues to hold an overwhelming majority of the single-chamber parliament.

Opposition parties are widely considered to have no real chance of gaining power. Some opposition groups include:

- **Singapore Democratic Party** (SDP): a liberal democratic party
- **Workers' Party of Singapore** (WP): centre-left, opposition party with the most seats
- **Progress Singapore Party** (PSP): centre-right.

### Executive Power

The **President of Singapore** is the head of State. The role of the President is largely ceremonial. Following legislative elections, the leader of the majority party or the leader of the majority coalition is usually appointed

**Prime Minister** by the President as head of the Government. The Prime Minister enjoys all of the executive powers, which include implementation of the law and running day-to-day affairs.

### **Legislative Power**

The legislature is unicameral in Singapore. The **Parliament** consists of up to 105 seats: ninety-three are elected by the people while up to 12 Non-constituency Members of Parliament (NCMP) and up to nine Nominated Members of Parliament (NMP) may be appointed. After the 2020 general election, 93 MPs were elected and two NCMPs were appointed (or, in the terms of the Parliamentary Elections Act, declared elected) to Parliament. Parliament controls the action of the government. This depends on the support of parliament, often expressed by a vote of confidence.

## **COVID-19 COUNTRY RESPONSE**

### **Travel restrictions**

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### **Import & export restrictions**

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### **Economic recovery plan**

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Singapore please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

### **Support plan for businesses**

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).