



Chapter 2

THE SINGAPORE ECONOMY

OVERVIEW

- Economic growth moderated to 8.1 per cent in the second quarter.
- External demand provided much of the growth impetus.
- Unemployment rate increased marginally to 2.9 per cent.
- Consumer price inflation remained at a low of 1.2 per cent.

OVERALL PERFORMANCE

[Tables 2.1-2.2 and A1.1-A1.2]

The Singapore economy grew 8.1 per cent in the second quarter of 2006, after gaining 10.8 per cent in the previous quarter. The growth momentum (on a seasonally-adjusted quarter-on-quarter annualised basis) slowed further to 3.0 per cent, down from 7.6 per cent in the first quarter.

GROSS DOMESTIC PRODUCT AT 2000 PRICES

[TABLE 2.1]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
	Percentage Change Over Same Period Of Previous Year					
TOTAL	5.7	7.6	8.7	6.4	10.8	8.1
Goods Producing Industries	4.9	10.7	12.0	7.7	16.9	10.7
Manufacturing	5.9	13.1	14.2	9.3	20.7	12.5
Construction	-1.1	-1.4	-0.8	-1.1	-0.8	0.2
Services Producing Industries	5.8	6.8	7.2	6.0	8.2	7.0
Wholesale & Retail Trade	10.2	10.7	12.1	10.5	15.1	10.1
Hotels & Restaurants	5.4	4.7	6.2	4.6	7.1	6.1
Transport & Communications	4.1	4.3	5.1	4.5	5.0	3.7
Financial Services	7.9	8.5	7.4	6.5	8.7	9.5
Business Services	3.9	6.6	6.3	4.9	6.5	6.4
	Annualised Percentage Change Over Preceding Quarter					
TOTAL	14.6	9.6	12.5	6.4	7.6	3.0
Goods Producing Industries	19.5	20.0	24.6	7.7	5.8	-5.2
Manufacturing	28.2	25.6	28.1	9.3	3.9	-4.2
Construction	-20.5	-9.9	5.6	-1.1	26.9	-16.3
Services Producing Industries	13.4	6.6	7.1	6.0	6.6	7.7
Wholesale & Retail Trade	17.5	11.3	13.0	10.5	19.5	-2.2
Hotels & Restaurants	17.8	-0.7	4.6	4.6	7.8	12.8
Transport & Communications	7.4	4.3	5.9	4.5	2.9	1.7
Financial Services	27.6	2.1	10.7	6.5	-3.3	31.6
Business Services	9.1	8.5	2.5	4.9	5.9	9.0

Source: Singapore Department of Statistics

PERCENTAGE CONTRIBUTION TO GROWTH IN REAL GDP

[TABLE 2.2]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
TOTAL	5.7	7.6	8.7	6.4	10.8	8.1
Goods Producing Industries	1.5	3.3	3.8	2.4	5.0	3.3
Manufacturing	1.5	3.3	3.8	2.4	5.0	3.2
Construction	0.0	-0.1	0.0	0.0	0.0	0.0
Services Producing Industries	3.7	4.3	4.5	3.8	5.3	4.5
Wholesale & Retail Trade	1.5	1.7	1.9	1.6	2.3	1.6
Hotels & Restaurants	0.1	0.1	0.1	0.1	0.1	0.1
Transports & Communications	0.5	0.5	0.6	0.5	0.6	0.4
Financial Services	0.9	0.9	0.8	0.7	0.9	1.1
Business Services	0.5	0.8	0.8	0.6	0.8	0.8

Source: Singapore Department of Statistics

At the sectoral level, all sectors registered positive growth, although most sectors saw slower growth compared to the preceding quarter.

SOURCES OF GROWTH

[Tables 2.3 and A1.4-A1.5]

After growing 14 per cent in the first quarter, total demand eased slightly to 11 per cent in the second quarter. This was largely due to a deceleration in the growth of external demand even as domestic demand rose at a slightly faster pace.

...total domestic demand growth moderated...

EXTERNAL DEMAND

External demand decelerated in the second quarter...

Growth of external demand eased to 13 per cent in the second quarter, after expanding 16 per cent in the previous quarter. This reflected slower growth in both goods and services exports. In particular, exports of machinery and transport equipment moderated while travel and financial services exports slowed down considerably.

DOMESTIC DEMAND

Domestic demand picked up...

Total domestic demand grew by a higher 4.9 per cent compared to 4.3 per cent in the last quarter. This was due to a higher growth in private consumption expenditure and total gross fixed capital formation.

Consumption Expenditure

Private consumption expenditure strengthened...

Private consumption expenditure growth rose to 4.2 per cent, up from 2.3 per cent in the first quarter. This can be attributed partly to an increase in expenditure on vehicles as well as clothing and footwear.

Gross Fixed Capital Formation

Moderation in private investment...

In the second quarter, gross fixed capital formation grew by 11 per cent, a slight increase from the 10 per cent in the previous quarter. While private sector investment growth moderated, this was mitigated by a slower rate of decline in public sector investment compared to the first quarter. The slowdown in private sector investment was due to slower growth in machinery and equipment, and transport equipment spending.

CHANGES AND CONTRIBUTION TO GROWTH IN TOTAL DEMAND AT 2000 MARKET PRICES

[TABLE 2.3]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
	Percentage Change Over Same Period Of Previous Year ¹					
TOTAL DEMAND	6.6	7.9	12.8	9.1	13.5	11.5
Total Domestic Demand	0.8	2.5	3.9	2.6	4.3	4.9
Final Domestic Demand	-1.0	-1.0	8.0	1.6	6.0	6.6
Consumption Expenditure	1.4	1.8	5.1	3.3	4.4	4.8
Public	-1.8	5.1	9.8	6.5	10.6	7.6
Private	2.1	1.2	4.0	2.5	2.3	4.2
Gross Fixed Capital Formation	-6.4	-6.8	15.0	-1.9	10.1	11.1
Public	-7.4	-12.1	-12.4	-4.5	-16.5	-11.0
Private	-6.2	-5.8	21.2	-1.4	18.5	14.9
Changes in Inventories	1.4	2.6	-3.1	0.6	-1.7	-1.3
External Demand	8.5	9.4	15.4	11.0	16.4	13.4
	Percentage Contribution To Growth					
TOTAL DEMAND	6.6	7.9	12.8	9.1	13.5	11.5
Total Domestic Demand	0.2	0.5	0.9	0.6	1.0	1.1
Final Domestic Demand	-0.2	-0.2	1.9	0.4	1.6	1.5
Consumption Expenditure	0.2	0.3	0.8	0.6	0.8	0.8
Public	-0.1	0.1	0.3	0.2	0.5	0.2
Private	0.3	0.2	0.5	0.3	0.3	0.6
Gross Fixed Capital Formation	-0.5	-0.5	1.0	-0.1	0.7	0.8
Public	-0.1	-0.2	-0.2	-0.1	-0.3	-0.1
Private	-0.4	-0.4	1.2	-0.1	1.0	0.9
Changes in Inventories	0.4	0.8	-1.0	0.2	-0.5	-0.4
External Demand	6.4	7.4	12.0	8.5	12.5	10.3

¹ For inventories, this refers instead to change as a percentage of GDP in the previous year.

Source: Singapore Department of Statistics

LABOUR MARKET

EMPLOYMENT

[Table A2.1]

Continued employment growth...

The favourable economic environment continued to bolster employment creation. Preliminary estimates show that employment grew by 36,500 in the second quarter of 2006, higher than the 31,700 gains in the same period last year. The increase has, however, eased from the robust gains of 45,000 in the previous quarter. Total employment in the first six months this year rose by a record high of 81,500, about two-thirds more than the 49,500 gains in the same period in 2005.

Employment grew in all the major sectors, led by manufacturing (8,300) and followed by construction (4,000), wholesale and retail trade (3,300), financial services (2,900), hotels and restaurants (1,700), transport and storage (1,300), real estate and leasing (1,100) and health and social work (500). The other services industries comprising professional, information and communication, and other personal and support services added 13,400 jobs.

UNEMPLOYMENT

[Chart 2.1]

Unemployment rate edged up...

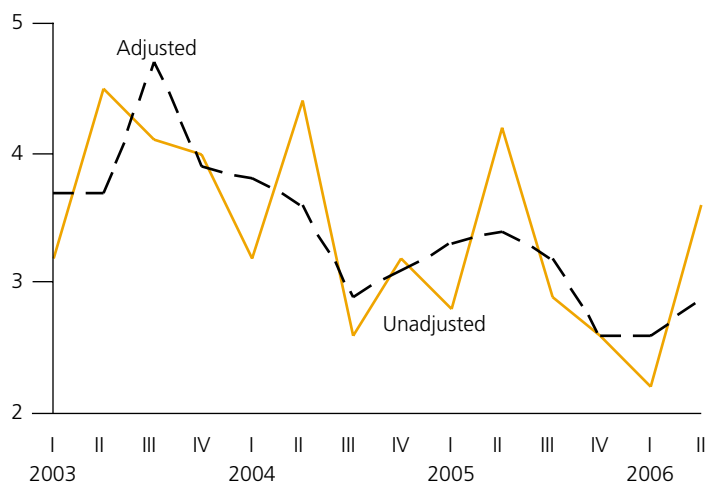
The seasonally-adjusted overall unemployment rate edged up to 2.9 per cent in June 2006 from 2.6 per cent in March 2006, due largely to an increase in the labour supply¹. The resident unemployment rate was 3.8 per cent, also higher than the 3.4 per cent a quarter ago. Nevertheless, the rates remained significantly lower than the 3.4 per cent (overall) and 4.5 per cent (resident) a year ago.

...increase in total employment for the first six months a record high...

UNEMPLOYMENT RATE

[Chart 2.1]

Per Cent



¹ The resident labour supply is estimated to have risen by 67,600 in the first half of 2006, compared with 49,300 in the first half of 2005. For the same period from 2001 to 2004, the average annual increase was only 15,500.

On a non-seasonally-adjusted basis, the overall unemployment rate rose from 2.2 per cent in March 2006 to 3.6 per cent in June 2006, as this year's batch of tertiary graduates entered the labour market. Nevertheless, the rate was lower than the 4.2 per cent in June 2005.

Among the resident labour force, the non-adjusted unemployment rate was 4.7 per cent in June 2006. An estimated 87,600 residents were unemployed while the seasonally adjusted figure was 72,300.

RETRENCHMENT

[Chart 2.2]

Retrenchments dipped...

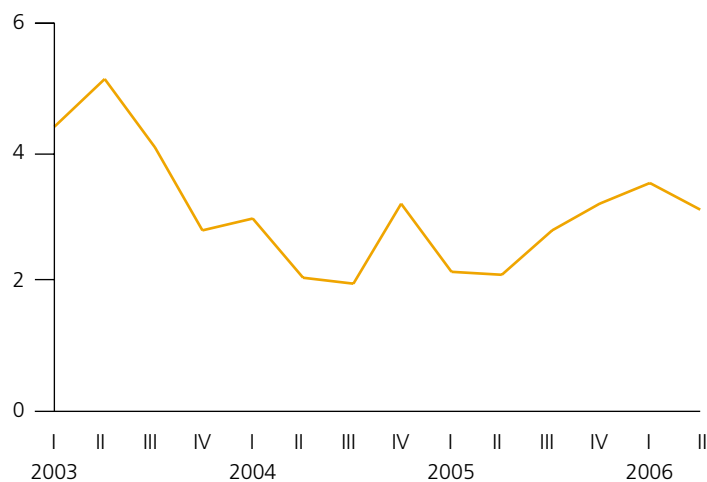
Preliminary findings from a survey of private sector establishments with at least 25 employees show that 3,100 workers were retrenched in the second quarter of 2006. This is lower than the 3,500 retrenched in the previous quarter, but higher than 2,100 in the same quarter a year ago.

The manufacturing sector continued to form the bulk of the workers laid off, accounting for slightly more than three-fifths of the workers retrenched, mainly in the electronics industry (52 per cent of total retrenchments). The services sector accounted for another 29 per cent of the workers laid off, ranging from information and communications (11 per cent), wholesale and retail trade (6.5 per cent), financial, real estate and professional services (5.6 per cent) and transport and storage (4.1 per cent). Another 9.2 per cent of the retrenched were from the construction sector.

RETRENCHMENT

[Chart 2.2]

Thousand Number



COMPETITIVENESS

PRODUCTIVITY

[Table A2.2 and Chart 2.3]

Productivity growth moderated...

Overall labour productivity growth slowed to 1.6 per cent in the second quarter, from 4.8 per cent in the first quarter. The moderation in productivity growth was across most sectors.

Labour productivity in manufacturing rose by 4.7 per cent, a sharp drop from the 13 per cent gain in the first quarter. While the construction sector posted another quarter of productivity loss of 5.2 per cent, it was an improvement from the preceding quarter's decline of 5.5 per cent.

In the services sector, the financial services sector saw productivity growth edge up from 1.7 per cent to 1.8 per cent in the second quarter. All other sectors saw slower growth in productivity, viz. wholesale and retail trade (5.6 per cent), hotels and restaurants (-0.9 per cent), transport and communication (0.7 per cent), business services (-5.8 per cent) and other services industries (-0.3 per cent).

UNIT LABOUR COST AND UNIT BUSINESS COST


[Table A2.3 and Chart 2.4]

Overall ULC increased marginally...

Due to slower productivity growth, the overall unit labour cost (ULC) reversed from 4 consecutive quarters of decline to increase by 0.7 per cent in the second quarter. ULC declined by 2.9 per cent in the preceding quarter.

The manufacturing ULC fell for the fifth consecutive quarter, albeit by a smaller amount. It declined by 2.4 per cent compared to the 9.1 per cent decline in the last quarter. The smaller decline in manufacturing ULC was due mainly to a moderation in output growth in the manufacturing sector.

The unit business cost (UBC) of manufacturing rose 1.0 per cent in the second quarter after three consecutive quarters of decline. This was mainly attributable to the smaller reduction in manufacturing ULC. The other two components increased at the same pace as a quarter ago. Services cost rose by 3.5 per cent, driven mainly by an increase in utilities and rentals. Government rates and fees rose 1.3 per cent in the second quarter as a result of an increase in property taxes.



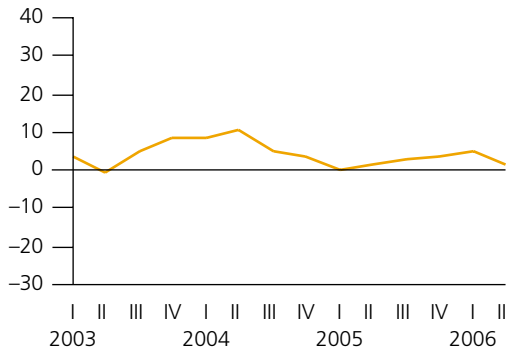
*Overall labour
productivity growth
was 1.6 per cent...*

CHANGES IN LABOUR PRODUCTIVITY BY INDUSTRY

[Chart 2.3]

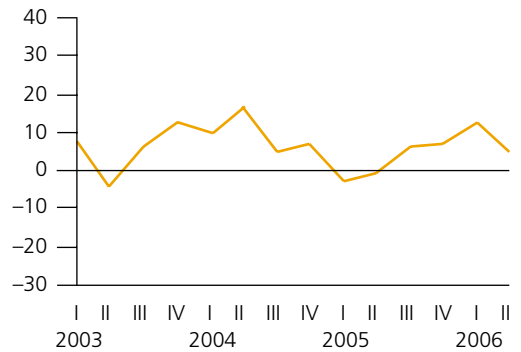
TOTAL

Per Cent



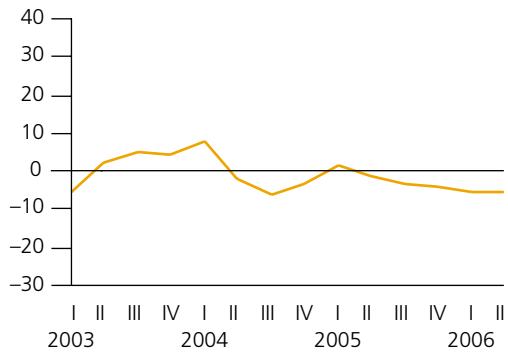
MANUFACTURING

Per Cent



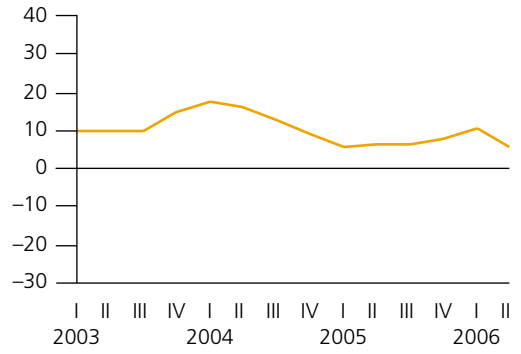
CONSTRUCTION

Per Cent



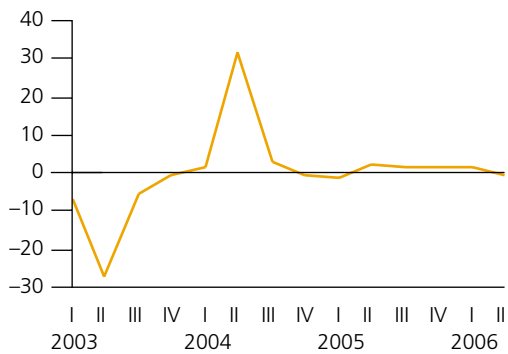
WHOLESALE & RETAIL TRADE

Per Cent



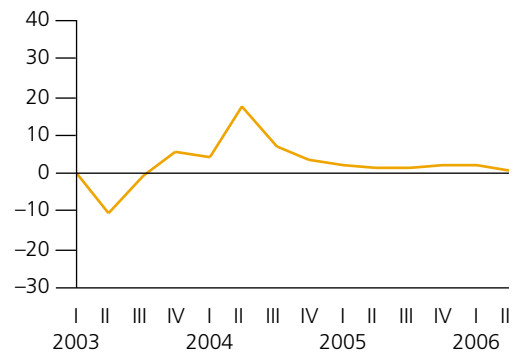
HOTELS & RESTAURANTS

Per Cent



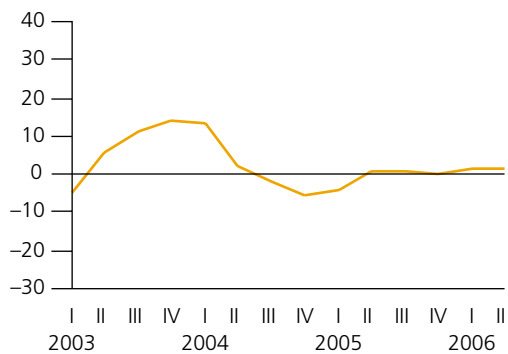
TRANSPORT & COMMUNICATIONS

Per Cent



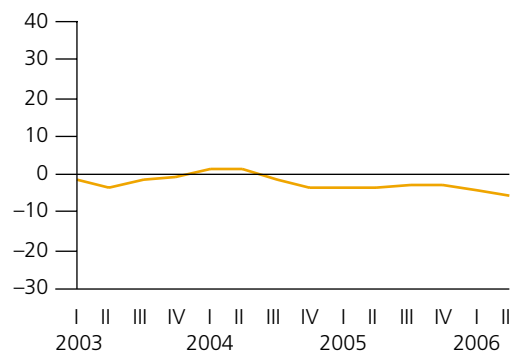
FINANCIAL SERVICES

Per Cent



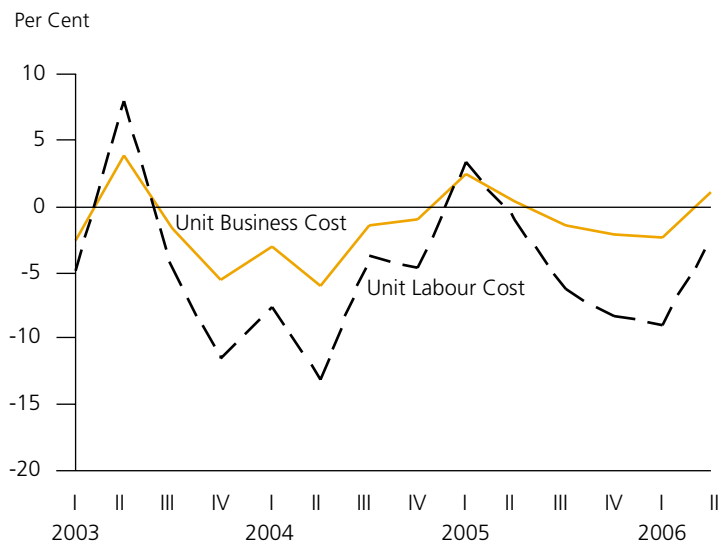
BUSINESS SERVICES

Per Cent



CHANGES IN INDICES OF UNIT BUSINESS COST AND UNIT LABOUR COST OF MANUFACTURING

[Chart 2.4]



INVESTMENT COMMITMENT

Manufacturing

[Tables A8.2-A8.3 and Chart 2.5]

Electronics, chemicals and transport engineering clusters accounted for the bulk of investment commitments...

Manufacturing investment commitments in fixed assets amounted to \$2.0 billion in the second quarter. When fully operational, the commitments would create \$856 million in value-added and generate almost 3,600 jobs, of which some 71 per cent are for skilled workers.

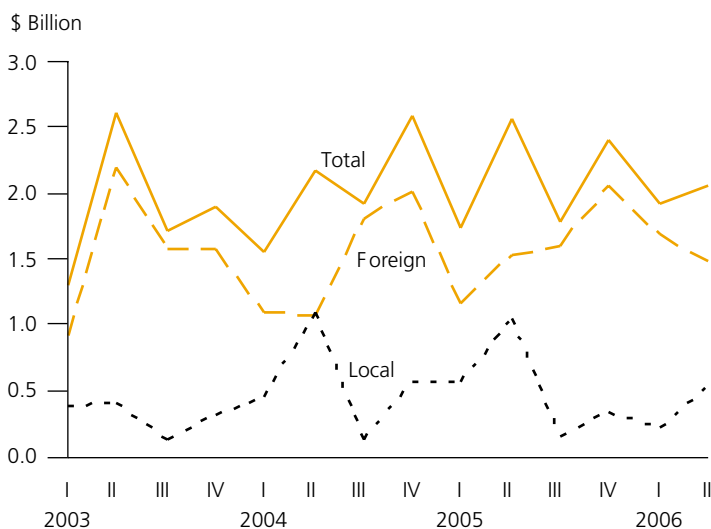
Foreign investors contributed almost three-quarters of the total commitments. Of the \$2.0 billion committed, EU investors, mainly from the UK, France, Italy and Germany, accounted for \$987 million. Investors from Japan and the US committed \$250 million and \$139 million respectively.

The electronics cluster accounted for 60 per cent of total commitments or \$1.2 billion. The projects committed were mainly in the semiconductor, data storage, and infocomms & consumer electronics industries. The chemicals cluster also pulled in a sizeable \$571 million, mainly by the petrochemicals and specialty chemicals industries. The transport engineering and precision engineering clusters took up \$124 million and \$76 million respectively.

Electronics projects accounted for the lion's share...

INVESTMENT COMMITMENTS IN MANUFACTURING

[Chart 2.5]



Services

HQ services and ICT attracted significant interest...

Investment commitments in services promoted by EDB amounted to \$869 million in total business spending (TBS) in the second quarter. When fully operational, the commitments would generate a value-added of \$2.3 billion and create over 3,300 jobs, of which 72 per cent are for skilled professionals.

Foreign investors committed a total of \$692 million, amounting to almost 80 per cent of the total. Investors from the US accounted for the bulk of foreign commitments. This was followed by EU and Japanese investors.

The headquarters & professional services cluster attracted the largest share of commitments, with \$367 million worth of projects that would enhance regional headquarters activity. The infocomms and media cluster attracted almost \$237 million of commitments that would go mainly towards expanding communication networks and media & digital entertainment infrastructure. The logistics and supply chain management cluster also received \$179 million of TBS commitments.

PRICES

CONSUMER PRICE INDEX

[Tables 2.4 and A3.1]

Consumer prices rose by 1.2 per cent over a year ago...

The consumer price index (CPI) rose marginally by 0.1 per cent on a quarter-on-quarter basis in the second quarter, up from a decline of 0.2 per cent in the first quarter. Higher service and conservancy charges, food prices, medical costs and dearer petrol more than offset lower prices of clothing and footwear, cars, personal computers and cost of holiday travel.

On a year-on-year basis, the CPI was 1.2 per cent higher compared to 1.4 per cent in the first quarter. Higher electricity tariffs and dearer petrol accounted for a significant portion of the price increase. Service and conservancy charges, education fees, and food and clothing prices also rose in the quarter. On the other hand, the drop in car prices and cost of holiday travel coupled with cheaper personal computers continued to keep inflation in check.

Among the major categories of consumer items, cost of housing rose by 3.7 per cent, reflecting higher service and conservancy charges and electricity tariffs. Food prices went up by 1.6 per cent while costs of education and stationery increased by 2.1 per cent, largely due to higher fees at commercial institutions. Costs of healthcare rose by 1.0 per cent due to dearer herbs and supplements and higher treatment charges. Clothing and footwear prices rose by 0.5 per cent while costs of recreation and other items edged up by 0.1 per cent. The transport and communications costs, however, dropped by 1.2 per cent, as a result of lower car prices.

Higher electricity tariffs and dearer petrol accounted for a significant portion of the price increase.

PRICE INDICES

[TABLE 2.4]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
	Percentage Change Over Same Period				Of Previous Year	
Consumer Price Index	0.1	0.5	1.1	0.5	1.4	1.2
Domestic Supply Price Index	10.1	11.4	10.1	9.6	10.2	8.1
Export Price Index	1.4	3.1	4.7	2.1	5.3	4.0
Import Price Index	4.6	6.5	6.8	5.2	6.5	5.3

Source: Singapore Department of Statistics

PRODUCER PRICE INFLATION

[Tables 2.4 and A3.2]

Higher producer prices mainly due to increases in oil prices...

Producer prices were generally higher in the second quarter, reflecting the effect of surging fuel prices. On a quarter-on-quarter basis, the domestic supply price index (DSPI) registered a 3.6 per cent increase over the first quarter, with oil prices as the main contributor to the increase in prices. Similarly, the import price index (IPI), Singapore manufactured products price index (SMPPI) and export price index (EPI) were up by 2.4 per cent, 2.1 per cent and 2.0 per cent respectively.

When compared over the corresponding period a year ago, all the producer price indices also showed increases. The DSPI, IPI, EPI and SMPPI recorded gains of 8.1 per cent, 5.3 per cent, 4.0 per cent and 3.4 per cent respectively.

EXTERNAL BALANCE

TRADE²

[Tables 2.5, A6.1-A6.7 and Chart 2.6]

External trade growth remained strong...

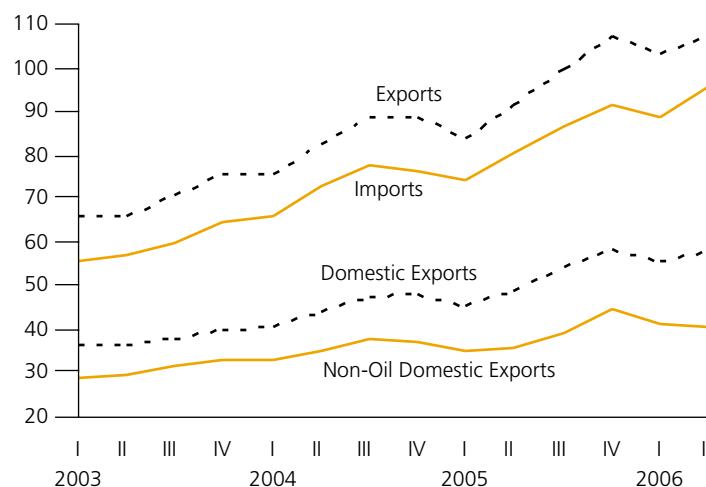
Singapore's external trade maintained its strong growth momentum in the second quarter, expanding by 18 per cent compared to 21 per cent in the first quarter. Total trade reached \$203 billion, higher than the \$191 billion in the preceding quarter.

In volume terms, total trade increased by 15 per cent after a 17 per cent increase in the previous quarter.

EXTERNAL TRADE

[Chart 2.6]

\$ Billion



² All growth rates cited in this section are in nominal terms unless otherwise indicated. The base year for trade in constant prices is 2000.

EXTERNAL TRADE AT CURRENT PRICES

[TABLE 2.5]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
	Percentage Change Over Same Period				Of Previous Year	
EXPORTS	10.8	12.4	20.7	14.0	22.4	17.3
Domestic Exports	11.6	13.8	21.8	15.1	22.5	18.0
Oil	47.9	51.8	32.8	41.5	42.0	26.2
Non-Oil	2.1	3.9	18.6	8.2	16.8	15.0
Re-Exports	9.9	10.7	19.4	12.7	22.3	16.5
IMPORTS	10.2	12.1	19.7	13.6	19.1	18.4

Source: International Enterprise Singapore

Exports*Total exports driven by robust growth in domestic exports and re-exports...*

Total exports rose by 17 per cent to \$107 billion in the second quarter. The expansion was supported by healthy growth in both domestic exports and re-exports at 18 per cent and 16 per cent respectively. These were slightly lower than the 22 per cent increase in both categories in the earlier quarter.

Non-oil Domestic Exports*NODX continued to grow strongly...*

Non-oil domestic exports (NODX) registered double-digit growth for the third consecutive quarter. It grew by 15 per cent in the second quarter, slightly slower than the 17 per cent increase in the preceding quarter. Both electronics and non-electronics domestic exports recorded healthy gains in the quarter.

Electronics NODX grew by 11 per cent after posting 18 per cent growth in the previous quarter. The expansion was driven by higher sales of integrated circuits (ICs), diodes & transistors, telecommunications equipments and parts of ICs. On the other hand, domestic exports of other electronics goods such as disk drives and printers continued to drop in the quarter.

Meanwhile, non-electronics NODX posted higher growth of 19 per cent, up from 16 per cent in the first quarter. The increase in non-electronics domestic exports was largely supported by stronger sales of pharmaceuticals, petrochemicals and disk media products. Pharmaceutical domestic exports surged by 33 per cent due to higher sales to the US and EU while increased shipments to Thailand, India and China helped to boost domestic exports of petrochemicals by 14 per cent. Domestic exports of disk media products grew by 28 per cent due to increased sales to China, Japan and Thailand.

The top ten markets accounted for 84 per cent of Singapore's NODX in the second quarter. All the top ten markets registered positive growth in the second quarter, with the exception of Indonesia.

...electronics and non-electronics domestic exports recorded healthy gains...

NODX to emerging markets rose further by 18 per cent in the second quarter after expanding by 31 per cent in the previous quarter. The growth was sustained by higher NODX to the Caribbean, South Asia and the Middle East.

Oil Domestic Exports

Oil domestic export growth due to higher oil prices...

Oil domestic exports posted a healthy 26 per cent growth in the second quarter, although lower than the 42 per cent in the previous quarter, as oil prices remained high. However, in volume terms, oil domestic exports contracted by 3.6 per cent after expanding by 5.6 per cent in the first quarter.

Non-oil Re-exports

NORX growth supported by gains in both electronics and non-electronics re-exports...

Non-oil re-exports (NORX) grew by 15 per cent compared to 22 per cent in the first quarter. Electronics re-exports expanded by 16 per cent after a 28 per cent growth in the preceding quarter. The increase was mainly due to larger shipments of ICs and parts of PCs. Non-electronics re-exports also grew by a healthy 13 per cent in the second quarter, supported by increased re-exports of aircraft, non-electric engines and motor, piston engines and photographic supplies.

NORX to all the top ten markets except for Indonesia and Taiwan registered growth in the second quarter. In particular, China, Malaysia and Hong Kong made the largest contributions to NORX growth. NORX to China surged by 65 per cent, mainly due to increases in shipments of electronics products such as ICs and parts of PCs. NORX to Malaysia registered 15 per cent growth, driven by higher electronics re-exports such as ICs and telecommunications equipments. Similarly, NORX to Hong Kong grew by 24 per cent in the second quarter, due to higher sales of ICs and parts, and parts of PCs.

Imports

Non-oil imports continued to register double-digit growth...

Non-oil imports (excluding aircraft and ships) expanded by 14 per cent after posting a 17 per cent growth in the first quarter. The increase was sustained by continued strength of both electronics and non-electronics imports. Electronics imports was fuelled by increased purchases of ICs, consumer electronics and telecommunications equipments while the increase in non-electronics imports was attributable to larger imports of aluminium, non-electric engines and motor, copper, specialised machinery and electrical machinery.

Oil imports continued to expand by a robust 37 per cent, higher than the 28 per cent in the preceding quarter. In volume terms, oil imports expanded by 7.8 per cent, reversing last quarter's decline of 8.0 per cent.

BALANCE OF PAYMENTS

[Tables 2.6, A7.1 and Chart 2.7]

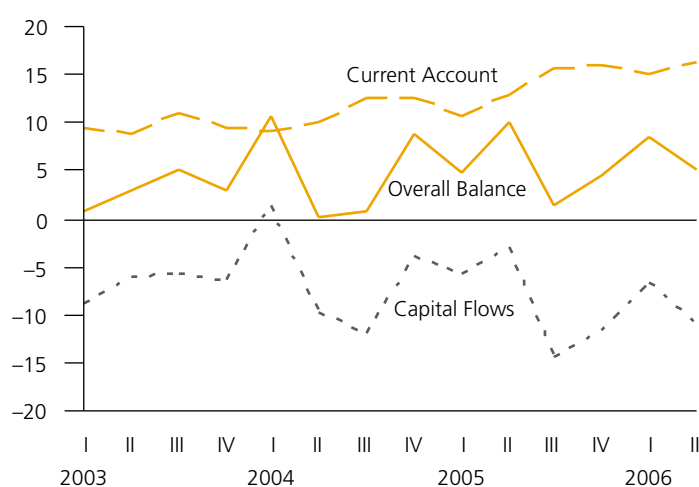
Smaller surplus in overall balance of payments...

Singapore's overall balance of payments registered a smaller surplus of \$5.1 billion in the second quarter compared with \$8.4 billion in the preceding quarter. This was due to an increase in net outflow from the capital and financial account, which more than offset the larger current account surplus. Against this backdrop, Singapore's official foreign reserves rose to \$203 billion, which is equivalent to 6.7 months of merchandise imports.

BALANCE OF PAYMENTS

[Chart 2.7]

\$ Billion

**BALANCE OF PAYMENTS**

[TABLE 2.6]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
	Million Dollars					
A Goods Balance	14,653	17,350	18,944	63,176	17,333	17,453
Exports of Goods	92,457	101,107	108,145	386,920	103,979	108,503
Imports of Goods	77,804	83,758	89,201	323,744	86,645	91,051
B Services Balance	-1,492	-933	-1,367	-4,914	-1,941	-1,515
C Income Balance	304	-163	-1,078	-919	124	856
D Current Transfers (Net)	-481	-501	-488	-1,971	-553	-533
E Current Account Balance (A+B+C+D)	12,984	15,753	16,012	55,373	14,963	16,260
F Capital Account (Net)	-91	-84	-82	-336	-86	-97
G Financial Account (Net)	-1,529	-15,688	-9,678	-33,382	-7,569	-10,273
Direct Investment	6,446	7,644	5,821	24,240	8,609	10,693
Portfolio Investment	-7,460	-5,817	-5,489	-22,755	-1,583	-11,362
Other Investment	-515	-17,514	-10,010	-34,867	-14,595	-9,604
H Capital and Financial Account Balance	-1,620	-15,772	-9,759	-33,718	-7,655	-10,370
I Net Errors and Omissions	-1,383	1,309	-1,905	-1,258	1,079	-775
J Overall Balance (E+H+I)	9,981	1,290	4,347	20,397	8,388	5,116
K Official Reserves (Net)¹	-9,981	-1,290	-4,347	-20,397	-8,388	-5,116

¹ Increase in assets is indicated by a minus (-) sign.

Source: Singapore Department of Statistics

Current Account

The current account surplus widened...

The current account surplus, at \$16 billion in the second quarter, was \$1.3 billion more than the previous quarter. This was mainly attributed to the income balance, which grew by \$732 million to \$856 million. The increase in income receipts, alongside higher global interest rates, exceeded income payments to foreign investors in Singapore.

The services balance also contributed to the larger current account surplus, as its deficit fell from \$1.9 billion in the first quarter to \$1.5 billion in the second quarter. In particular, net exports of other business services (which include trade-related and business management services) increased by \$686 million, reflecting both an increase in exports and a concurrent fall in imports. The financial services sector also recorded larger net exports during the quarter, on the back of continued growth in offshore banking activities.

In the goods balance, exports grew by \$4.5 billion to \$109 billion in the second quarter. This was mainly due to higher oil exports which benefited from the surge in global oil prices. Nevertheless, as imports also rose by a similar magnitude, the goods balance increased only marginally by \$119 million to reach \$17 billion in the quarter.

The income balance grew from \$732 million to \$856 million in the second quarter. The increase in income receipts, alongside higher global interest rates, exceeded income payments to foreign investors in Singapore.

Capital And Financial Account

Net outflows from the financial account rose...

The capital and financial account recorded an outflow of \$10 billion in the second quarter compared with \$7.7 billion in the previous quarter. This was largely due to an increase in net outflows on the portfolio investment account.

The portfolio investment account recorded a significantly larger net outflow of \$11 billion, up from \$1.6 billion in the preceding quarter. Portfolio investment gross outflows had risen from \$6.7 billion to \$13 billion, largely reflecting an increase in local investments in foreign debt markets. Official portfolio outflows also increased during the quarter. At the same time, portfolio investment gross inflows contracted, reflecting lower foreign investment in the domestic equity markets by the non-bank private sector. In particular, foreigners' purchase of domestic equities fell on the back of the worldwide sell-off in financial markets in May and June.

Net outflows in the “Other investment” account fell by \$5.0 billion to \$9.6 billion in the second quarter. The non-bank sector registered a net outflow of \$13 billion, a rise of around \$5.0 billion from the previous quarter, largely reflecting an increase in outflows from the official sector. However, this was partly offset by net inflow of \$3.2 billion into the domestic banking sector, a turnaround from the net outflow of \$6.8 billion in the previous quarter, on account of lower inter-bank lending.

In contrast to the portfolio and other investment accounts, foreign direct investment recorded a net inflow of \$11 billion, an improvement of \$2.1 billion from the previous quarter as outbound direct investment by residents moderated whilst foreign direct investment into Singapore rose in the second quarter.