

## Singapore's labour market outlook: Slowly softening, but some silver linings

Thursday, 28 January 2016

### The overall unemployment rate unexpectedly dipped to 1.9% in Dec15.

The resident unemployment rate was 2.9% last year, with the citizen unemployment rate at 2.9%, which were largely unchanged since 2011. In addition to the improvement in the overall unemployment rate, which slid from 2.0% in Sep15 to 1.9% in Dec15, median income expanded strongly last year, with the nominal median monthly income from work of full-time employed Singaporeans (including employer CPF contributions) up 6.5% yoy to \$3,798 in Jun15. After adjusting for the negative inflation, real median income actually rose faster at 7.0% yoy in 2015. Even the 20<sup>th</sup> percentile of full-time employed Singaporeans saw sustained real income growth of 2.9% per annum for 2010-2015.

### Despite tepid GDP growth, labor market conditions were supported in 2015.

At the sectoral level, job losses in manufacturing, retail trade, real estate services and wholesale trade were mitigated by community, social & personal services (CSP), administrative & support services, construction and professional services. This illustrated that notwithstanding the sluggish headline GDP growth, labor market conditions remained stellar. That's the good news.

### Total employment rose 0.9% last year, the slowest annual growth since 2003.

Total employment grew by 31,800 last year, which is down 76% yoy from the 130,100 jobs created in 2014 and marked the slowest job growth since the SARS outbreak in 2003. Whilst the slowdown in foreign employment growth (+2% to 22,600 excluding domestic workers) is anticipated due to policy tightening, the sharp slowdown in local employment growth 0% (a net 100 jobs, which is the lowest since at least 2005) in 2015 was interesting in that it did not result in higher local unemployment. This suggested some flexibility within the labour force in terms of worker exits amid the softer economic conditions.

### Some silver linings in jobs growth in selected services sector.

While the moderation in job growth was broad-based across sectors, with the manufacturing (suffering its 5<sup>th</sup> straight quarter of job losses and marking the worst annual job performance since 2009), retail trade, real estate services, and wholesale trade bearing the brunt of the adjustments, the selected services industries helped to buffer the labor situation – these included CSP, F&B, infocomms, financial & insurance services, and professional services.

### Higher redundancies have not upped citizen/resident unemployment rates.

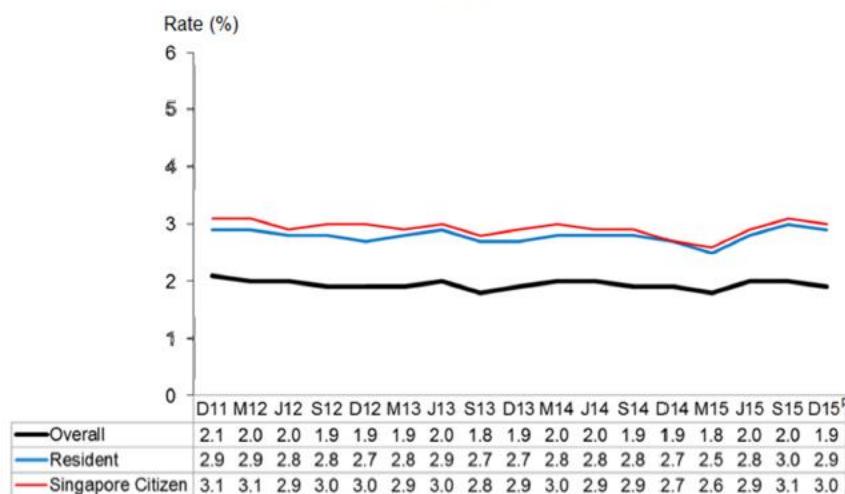
Second, business and economic restructuring has contributed to higher redundancies of 4,200 workers in 4Q15, up 21% qoq and 7.4% yoy. For 2015 as a whole, redundancies have risen to 14,400, stemming from increased layoffs in the manufacturing (+26% yoy to 5,000 in 2015) and services (+7.4% yoy to 7,800 in 2015) sectors. That said, the Singapore citizen and resident unemployment rates have been steady in the face of rising redundancies suggest that they have largely

been able to transit to other jobs and/or other growth industries.

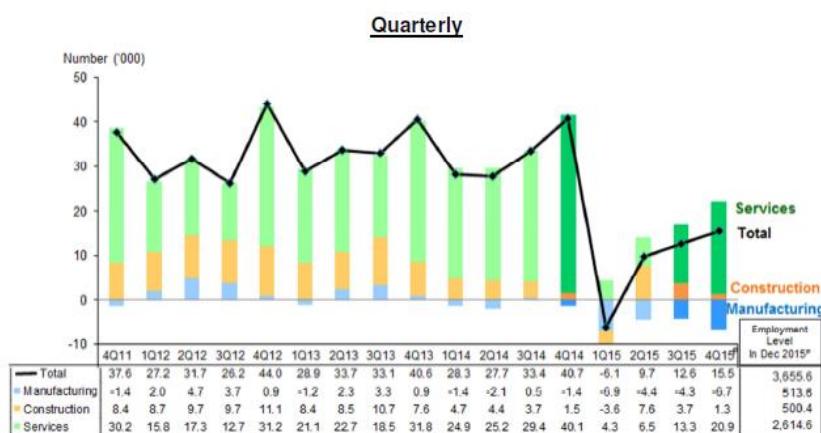
### **2016 labor market is likely to see more restrained job and wage growth.**

Given that business sentiment surveys suggest less optimism about 1H16 outlook, the labor market conditions may soften slightly from here. The official 2016 GDP growth forecast is also signaling caution at 1-3% yoy, vis-à-vis the 2.1% in 2015. Local employment growth may continue to stay subdued, and we cannot fully discount the possibility of a quarter or two where it dips into negative territory, nevertheless, we expect that full-year 2016 should still see a very modest positive number. Nominal wage growth should also be more restrained compared to the recent few years, given the weak economic environment. However adjusting for the negative headline inflation print that is anticipated for this year (our CPI forecast: -0.4%), real wage growth should stay in positive territory in the near-term.

**Chart 1: Unemployment Rate  
(Seasonally Adjusted)**

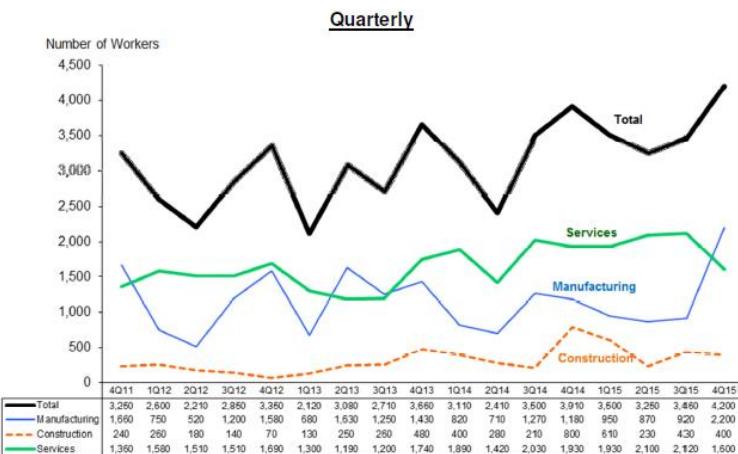


**Chart 3: Employment Change By Sector**



**Chart 4: Annual Employment Change By Residential Status**


Source: Administrative Records and Labour Force Survey, Manpower Research & Statistics Department, MOM  
**Chart 6: Redundancy By Sector**



**Table 1: Change In Gross Monthly Income From Work Of Full-Time Employed Singapore Citizens, 2010 To 2015 (June)**

	Nominal		Real*	
	Cumulative (%)	Annualised (% p.a.)	Cumulative (%)	Annualised (% p.a.)
Median (50th Percentile)	31.6	5.6	16.1	3.0
			(18.0)	(3.4)
20th Percentile	31.0	5.5	15.6	2.9
			(17.5)	(3.3)

Source: Comprehensive Labour Force Survey, Manpower Research & Statistics Department, MOM

**Notes:**

- (1) Income from work includes employer CPF contributions for employees.
- (2) Data exclude full-time National Servicemen.
- (3) \* – Deflated by Consumer Price Index for all items at 2014 prices (2014 = 100). Figures in brackets are deflated by Consumer Price Index less imputed rentals on owner-occupied accommodation at 2014 prices (2014 = 100).

Source: MOM

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