ECONOMIC SURVEY OF SINGAPORE 2020

MTI
MINISTRY OF TRADE AND INDUSTRY SINGAPORE

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MAIN INDICATORS OF THE SINGAPORE ECONOMY

OVERALL ECONOMY

GDP at Current Market Price
2019: $510.7 billion
2020: $469.1 billion

Real GDP (Year-on-Year-Growth)
2019: +1.3%
2020: -5.4%

GNI Per Capita
2019: $78,847
2020: $72,418

STRUCTURE OF THE ECONOMY IN 2020 (% OF NOMINAL VA)

Services Producing Industries: 70.1%
Ownership of Dwellings: 4.3%
Goods Producing Industries: 25.6%
Manufacturing: 21.5%
Construction: 2.7%

BREAKDOWN OF SERVICES PRODUCING INDUSTRIES

Wholesale Trade: 16.8%
Finance & Insurance: 15.7%
Professional Services: 5.9%
Transportation & Storage: 5.4%
Information & Communications: 5.1%
Administrative & Support Services: 4.5%
Real Estate: 3.0%
Retail Trade: 1.4%
Food & Beverage Services: 1.0%
Accommodation: 0.4%
Other Services Industries: 10.8%

LABOUR MARKET

Employment (as at year end)
2019: 3,784.3 thousand
2020: 3,597.7 thousand

Overall Unemployment Rate
2019: 2.3%
2020: 3.0%

Value-Added per Actual Hour Worked (Year-on-Year Growth)
2019: -1.3%
2020: +1.3%

COST

Unit Labour Cost of Overall Economy (Year-on-Year Growth)
2019: +2.3%
2020: -9.1%

Unit Business Cost of Manufacturing (Year-on-Year Growth)
2019: -4.7%
2020: -14.4%

Unit Labour Cost of Manufacturing (Year-on-Year Growth)
2019: +4.9%
2020: -22.8%

PRICES

Consumer Price Index – All Items (Year-on-Year Growth)
2019: +0.6%
2020: -0.2%

Domestic Supply Price Index (Year-on-Year Growth)
2019: -3.2%
2020: -8.7%

Singapore Manufactured Products Price Index (Year-on-Year Growth)
2019: -3.3%
2020: -6.9%

MERCHANDISE TRADE

Merchandise Exports

2019	2020
$532,514 million	$515,645 million
-4.2% Year-on-Year Growth	-3.2% Year-on-Year Growth

Merchandise Imports

2019	2020
$489,712 million	$453,467 million
-2.1% Year-on-Year Growth	-7.4% Year-on-Year Growth

Top Trading Partners in 2020
(Share of Total Merchandise Trade)

14.1%	10.7%	10.6%	9.3%
China	Malaysia	United States	EU

SERVICES TRADE

Services Exports

2019	2020
$296,277 million	$258,791 million
+6.2% Year-on-Year Growth	-12.7% Year-on-Year Growth

Services Imports

2019	2020
$284,015 million	$238,267 million
+5.2% Year-on-Year Growth	-16.1% Year-on-Year Growth

Top 5 Services Exports Categories in 2020
(Share of Total Services Exports)

28%	17%	8%	4%	32%
Transport Services	Financial Services	Telecomms, Computer and Information	Charges for the use of Intellectual Property	Other Business Services

TOP 5 TRADING PARTNERS AND SHARE OF TOTAL MERCHANDISE TRADE IN 2020

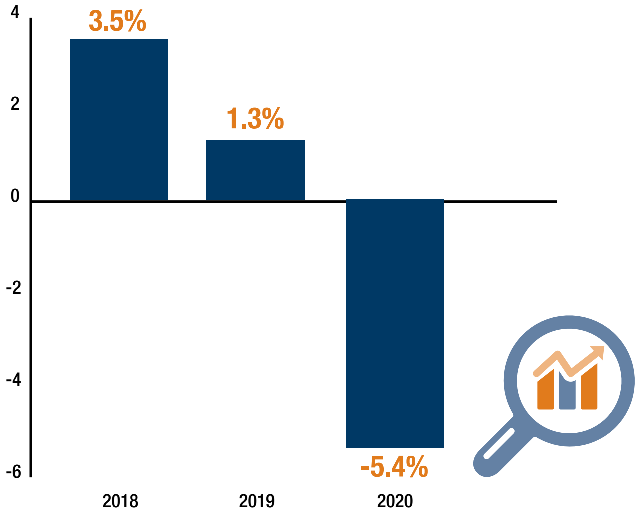
CHAPTER

01

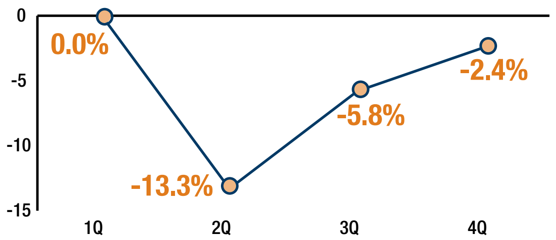
ECONOMIC PERFORMANCE

CHAPTER 1
ECONOMIC PERFORMANCE

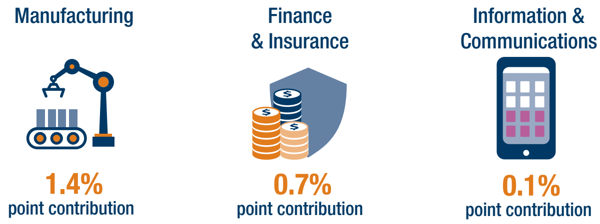
REAL GDP DECLINED BY 5.4% IN 2020



QUARTERLY GDP GROWTH IN 2020
(Year-On-Year Growth)

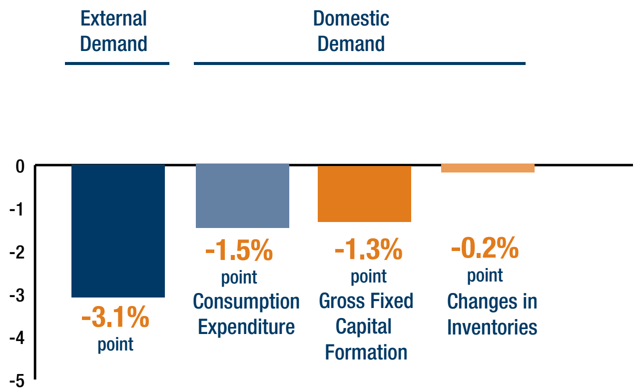


MAIN DRIVERS OF GDP GROWTH IN 2020



INCOME COMPONENTS OF GDP IN 2020

SOURCES OF GROWTH IN 2020



OVERVIEW

In the fourth quarter of 2020, the Singapore economy contracted by 2.4 on a year-on-year basis, an improvement from the 5.8 per cent contraction in the previous quarter. All sectors shrank during the quarter, except for the manufacturing, finance & insurance, information & communications and wholesale trade sectors.

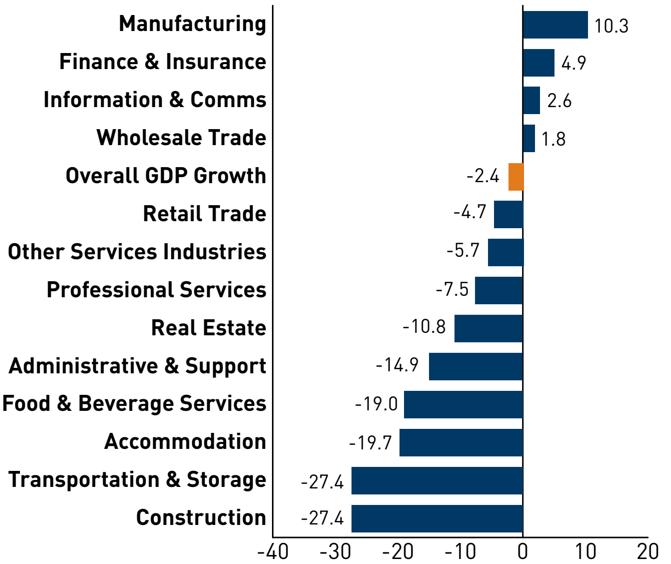
For the whole of 2020, the economy contracted by 5.4 per cent, a reversal from the 1.3 per cent growth in 2019. The sectors that provided support to the economy were the manufacturing, finance & insurance and information & communications sectors, which posted expansions in 2020.

OVERALL PERFORMANCE

Fourth Quarter 2020

The economy contracted by 2.4 per cent year-on-year in the fourth quarter, an improvement from the 5.8 per cent contraction in the preceding quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 3.8 per cent, following the 9.0 per cent growth in the third quarter.[1]

Exhibit 1.1: GDP and Sectoral Growth Rates in 4Q 2020



The manufacturing sector grew by 10 per cent year-on-year in the fourth quarter, extending the 11 per cent expansion in the previous quarter. Growth was supported by output expansions in the electronics, biomedical manufacturing, precision engineering and chemicals clusters, which more than offset output declines in the transport engineering and general manufacturing clusters.

The services producing industries collectively contracted by 4.7 per cent year-on-year in the fourth quarter, improving from the 8.3 per cent contraction in the previous quarter. Among the services sectors, only the finance & insurance (4.9 per cent), information & communications (2.6 per cent) and wholesale trade (1.8 per cent) sectors posted positive growth.

Meanwhile, the construction sector shrank by 27 per cent year-on-year in the fourth quarter, improving from the 53 per cent contraction in the third quarter. The improved performance of the sector came on the back of the resumption of more construction activities in the fourth quarter as compared to the previous quarter.

Full Year of 2020

For the whole of 2020, the Singapore economy contracted by 5.4 per cent, a reversal from the 1.3 per cent growth in 2019 (Exhibit 1.2).

By sectors, the manufacturing sector expanded by 7.3 per cent in 2020, a turnaround from the 1.5 per cent contraction in 2019. The sector's growth was supported by robust expansions in the biomedical manufacturing, electronics and precision engineering clusters.

Services producing industries shrank by 6.9 per cent in 2020, reversing the 2.0 per cent growth in 2019. Among the services sectors, only the finance & insurance and information & communications sectors expanded in 2020. Specifically, the finance & insurance sector grew by 5.0 per cent, lower than the 7.8 per cent growth recorded in 2019. The information & communications sector expanded by 2.1 per cent, slower than the 12 per cent growth registered in 2019.

Meanwhile, the construction sector contracted by 36 per cent in 2020, a sharp reversal from the 1.6 per cent growth in 2019. Output in the sector was weighed down by declines in both public sector and private sector construction works.

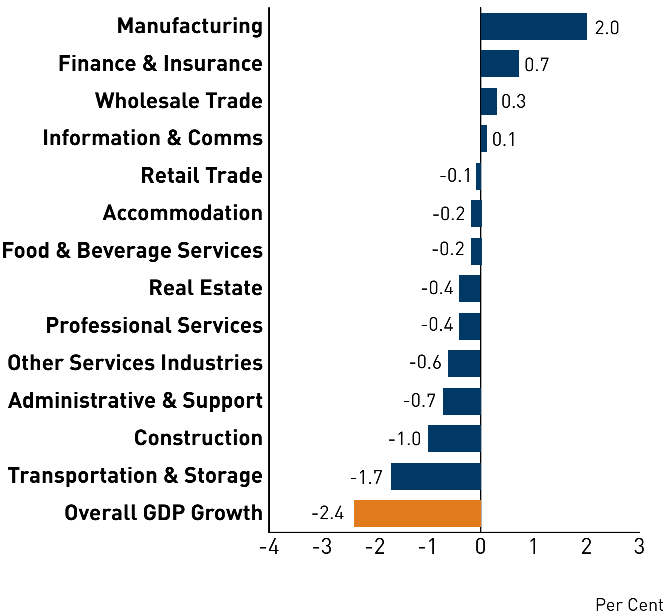
1 *The strong GDP growth seen in the third quarter was due to the phased resumption of activities following the Circuit Breaker that was implemented between 7 April to 1 June 2020, as well as the rebound in activity in major economies during the quarter as they emerged from their lockdowns.*

Exhibit 1.2: GDP and Sectoral Growth Rates in 2020

Contribution to Growth

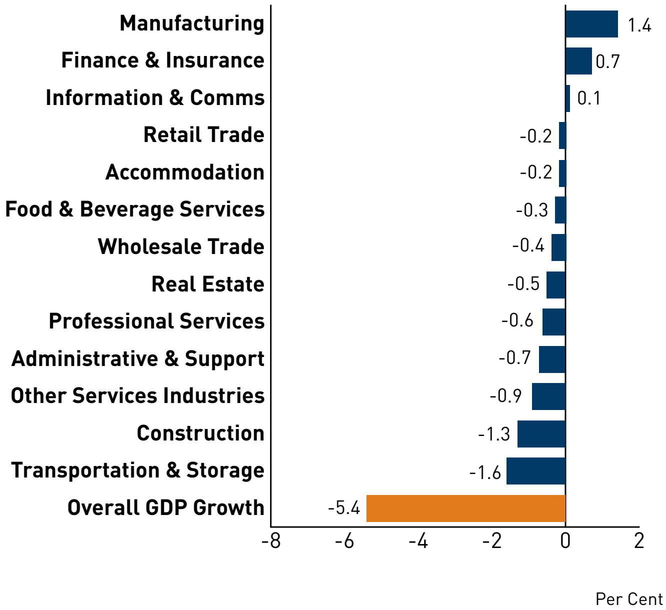
In the fourth quarter, the manufacturing, finance & insurance, wholesale trade and information & communications sectors, contributed positively to GDP growth (Exhibit 1.3). All the other sectors contracted, with the transportation & storage and construction sectors contributing the most to the decline in GDP during the quarter.

Exhibit 1.3: Percentage-Point Contribution to Growth in Real GDP in 4Q 2020 (By Industries)



For the whole of 2020, only the manufacturing, finance & insurance and information & communications sectors contributed positively to GDP growth (Exhibit 1.4). The transportation & storage and construction sectors remained the top contributors to the decline in GDP during the year.

Exhibit 1.4: Percentage-Point Contribution to Growth in Real GDP in 2020 (By Industries)



Disaggregation of Services Sectors

With effect from the preliminary GDP estimates for the fourth quarter of 2020, the estimates for the following sectors will be disaggregated into their constituent sectors: (i) Wholesale & Retail Trade into Wholesale Trade and Retail Trade; (ii) Accommodation & Food Services into Accommodation and Food & Beverage Services; and (iii) Business Services into Real Estate, Professional Services and Administrative & Support Services. The Department of Statistics (DOS) will continue to make available the data for the broader sectors for downloading on DOS' website (www.singstat.gov.sg).

SOURCES OF GROWTH

Total demand fell by 4.5 per cent year-on-year in the fourth quarter, improving from the 7.1 per cent decline in the preceding quarter (Exhibit 1.5).

For the whole of 2020, total demand contracted by 6.1 per cent, a reversal from the 0.6 per cent growth in 2019. Both external demand (-3.1 percentage-points) and domestic demand (-3.0 percentage-points) weighed on total demand during the year.

Exhibit 1.5: Percentage-Point Contribution to Total Demand Growth

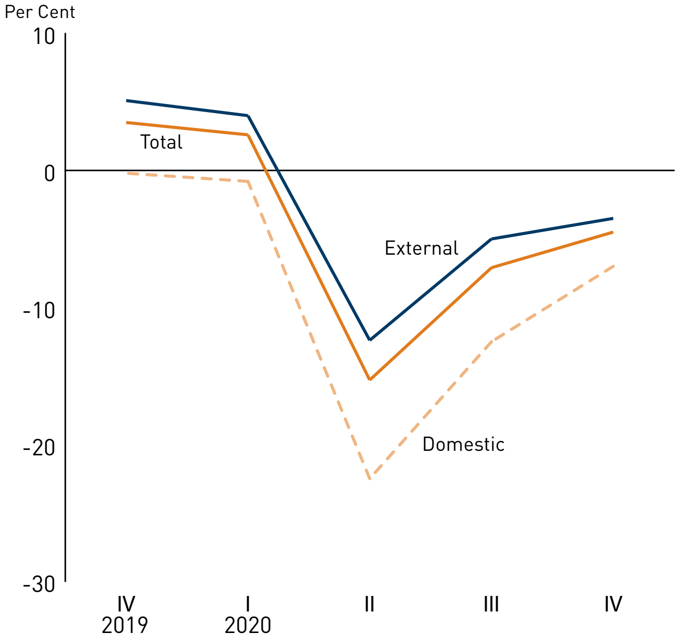
	2019	2019 II	III	IV	2020
Total Demand	0.6	-15.3	-7.1	-4.5	**-6.1**
External Demand	0.1	-8.9	-3.6	-2.5	**-3.1**
Total Domestic Demand	0.4	-6.3	-3.5	-2.0	**-3.0**
Consumption Expenditure	0.6	-3.5	-1.2	-1.2	**-1.5**
Public	0.1	0.7	0.6	0.4	**0.5**
Private	0.5	-4.2	-1.9	-1.6	**-2.0**
Gross Fixed Capital Formation	0.1	-2.7	-2.2	-0.4	**-1.3**
Changes in Inventories	-0.3	-0.2	-0.1	-0.3	**-0.2**

External Demand

External demand edged down by 3.5 per cent year-on-year in the fourth quarter, extending the 5.0 per cent contraction in the preceding quarter (Exhibit 1.6). The drop in external demand was due to a fall in the real exports of services which outweighed an increase in the real exports of goods.

For the full year, external demand contracted by 4.3 per cent, deteriorating from the 0.1 per cent expansion in 2019. The decline in external demand was largely driven by a contraction in real services exports, which was in turn mainly due to a slump in the exports of travel services and transport services. While real merchandise exports also fell, it contributed less to the decline in external demand, helped by an expansion in the exports of machinery and equipment.

Exhibit 1.6: Changes in Total Demand in Chained (2015) Dollars



Domestic Demand

Total domestic demand declined by 7.0 per cent year-on-year in the fourth quarter, improving from the 13 per cent contraction in the previous quarter. Domestic demand in the fourth quarter was weighed down by declines in consumption expenditure and gross fixed capital formation.

For 2020 as a whole, total domestic demand contracted by 11 per cent, a reversal from the 1.6 per cent expansion in 2019. The decline was largely attributable to a fall in consumption expenditure and gross fixed capital formation.

Consumption Expenditure

Total consumption expenditure fell by 6.7 per cent year-on-year in the fourth quarter, extending the 6.7 per cent decline in the previous quarter.

For the full year, total consumption expenditure contracted by 8.1 per cent, a reversal from the 3.3 per cent growth in 2019, driven primarily by a drop in private consumption. Specifically, private consumption plunged by 14 per cent, a reversal from the 3.3 per cent increase in 2019, mainly due to a decline in expenditure on transport, recreation & culture and food serving services. On the other hand, public consumption increased by 13 per cent, accelerating from the 3.4 per cent growth in 2019.

Gross Fixed Capital Formation

Gross fixed capital formation (GFCF) declined by 4.7 per cent year-on-year in the fourth quarter, moderating from the 23 per cent contraction in the preceding quarter. The fall in GFCF during the quarter was primarily due to public GFCF, which plummeted by 23 per cent. On the other hand, private GFCF dipped slightly by 0.5 per cent.

For the full year, GFCF shrank by 14 per cent, a reversal from the 1.2 per cent growth in 2019 (Exhibit 1.7). Public GFCF slumped by 24 per cent, in contrast to the 1.5 per cent increase in 2019. The decline in public GFCF was largely due to lower investment spending on public construction & works (Exhibit 1.8). Meanwhile, private GFCF fell by 11 per cent, a reversal from the 1.1 per cent growth in 2019. The drop came on the back of a decline in private construction & works, private transport equipment and private intellectual property products, which outweighed an increase in investment spending on machinery & equipment.

Exhibit 1.7: Annual Changes in Gross Fixed Capital Formation in Chained (2015) Dollars, 2020

	Total	Public	Private
Total	-13.7	-24.2	-11.2
Construction & Works	-27.5	-29.5	-26.3
Transport Equipment	-17.1	13.3	-17.9
Machinery & Equipment	0.5	-15.7	1.7
Intellectual Property Products	-2.1	6.2	-2.6

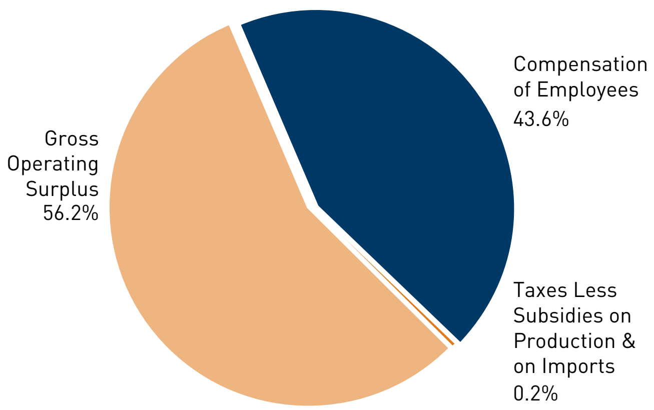
Exhibit 1.8: Percentage-Point Contribution to Growth of Gross Fixed Capital Formation in Chained (2015) Dollars, 2020

	Total	Public	Private
Total	-13.7	-4.6	-9.1
Construction & Works	-11.1	-4.5	-6.6
Transport Equipment	-2.1	0.0	-2.2
Machinery & Equipment	0.1	-0.2	0.3
Intellectual Property Products	-0.6	0.1	-0.7

INCOME COMPONENTS OF NOMINAL GDP

Singapore's nominal GDP amounted to $469 billion in 2020, a decrease of 8.2 per cent over 2019. Gross operating surplus accounted for 56 per cent of nominal GDP, while compensation of employees accounted for 44 per cent (Exhibit 1.9). Taxes on production and imports (less subsidies) made up the remaining share of nominal GDP.

Exhibit 1.9: Income Components of GDP at Current Prices



NATIONAL SAVING

With factor income outflows exceeding inflows by $57 billion, Gross National Income (GNI) came in at $412 billion in 2020, lower than the $469 billion in nominal GDP.

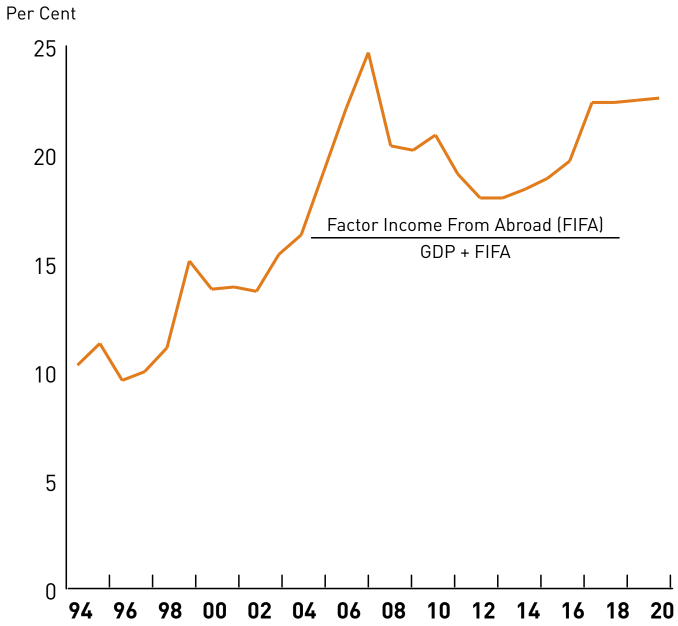
Gross National Savings (GNS) declined by 5.1 per cent to $189 billion in 2020. This comprised a net outflow of $82 billion that was lent or transferred abroad, and $106 billion in Gross Capital Formation. The national savings rate was 46 per cent of GNI in 2020, higher than the 44 per cent observed in 2019.

GNI AND THE EXTERNAL ECONOMY

Factor income from abroad reached $137 billion in 2020, down from $149 billion in 2019. The contribution of overseas operations to the total economy was 23 per cent in 2020, similar to the contribution recorded in 2019 (Exhibit 1.10).

Based on the Survey of Singapore's Investment Abroad, the stock of direct investment abroad increased from $860 billion in 2018 to $913 billion in 2019.

Exhibit 1.10: Singapore's Earnings from External Economy as a Proportion of Total Income



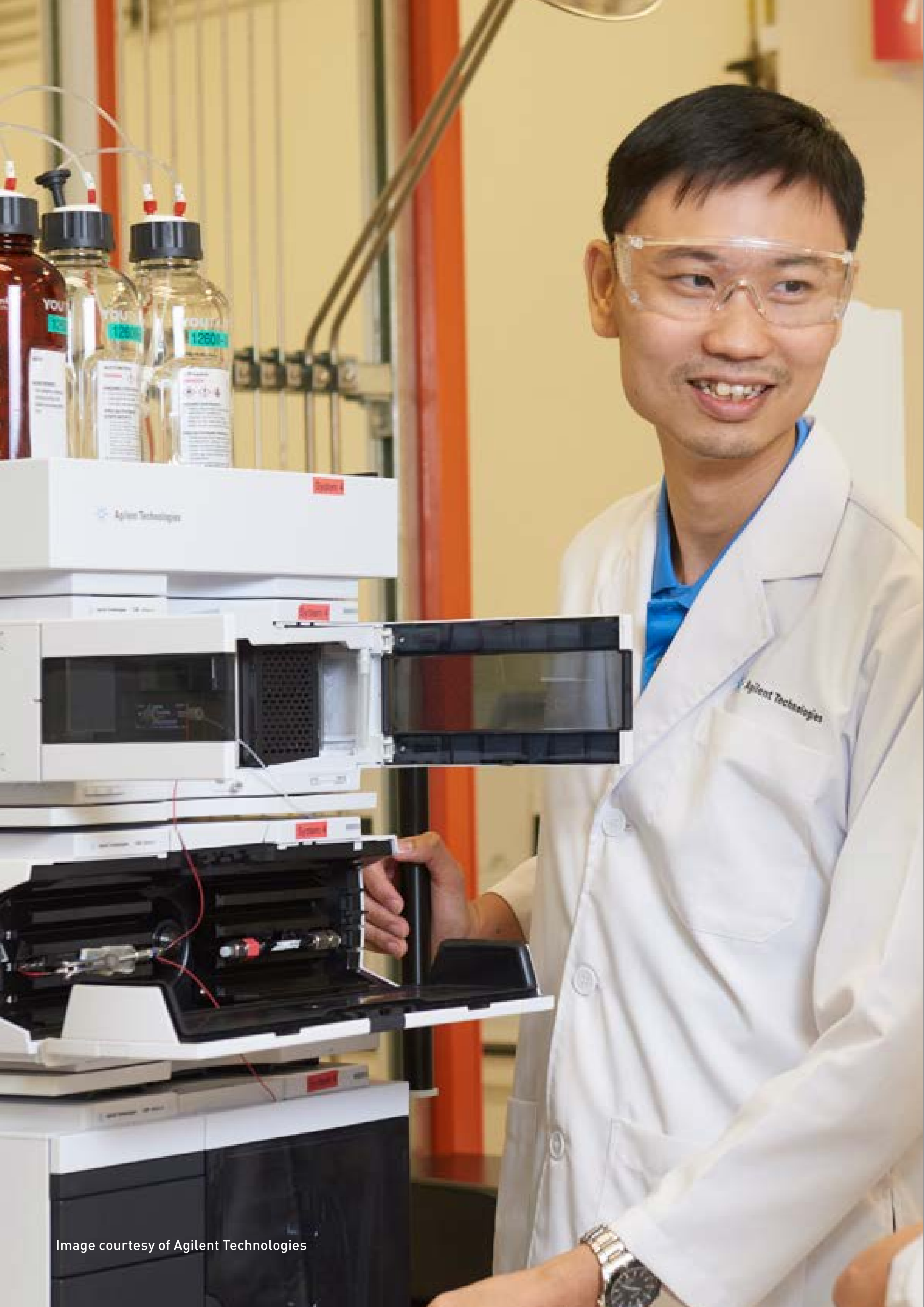


Image courtesy of Agilent Technologies

CHAPTER

02

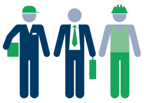
LABOUR MARKET AND PRODUCTIVITY

CHAPTER 2

LABOUR MARKET AND PRODUCTIVITY

EMPLOYMENT AND PRODUCTIVITY GROWTH IN 2020

Employment (as at year end)



-4.9%

VA per Actual Hour Worked

+1.3%

MAIN DRIVERS OF EMPLOYMENT GROWTH IN 2020

+2,500 employed

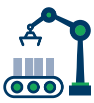
Information & Communications

+2,200 employed

Finance & Insurance

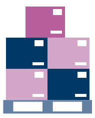
SECTORS WITH THE HIGHEST VA PER ACTUAL HOUR WORKED GROWTH IN 2020

+18.3%



Manufacturing

+3.1%

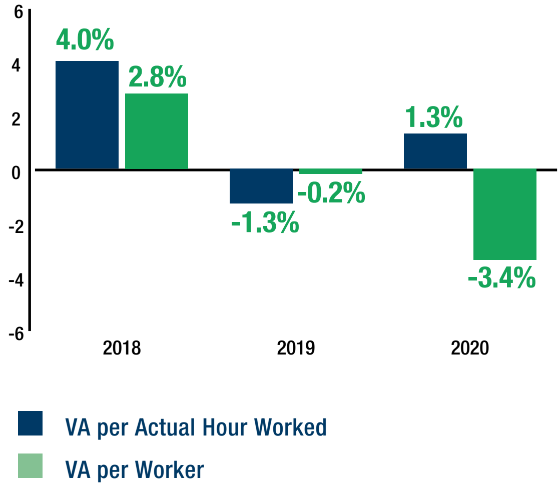


Wholesale Trade

+2.6%

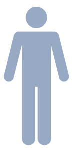
Finance & Insurance

VA PER ACTUAL HOUR WORKED AND VA PER WORKER GROWTH



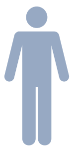
UNEMPLOYMENT RATES IN 2020

Overall Unemployment Rate



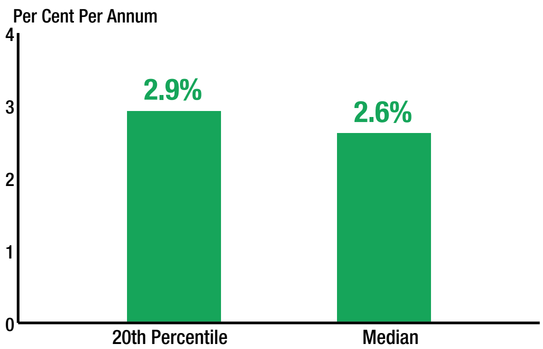
3.0%

Resident Unemployment Rate



4.1%

ANNUALISED CHANGE IN REAL GROSS MONTHLY INCOME FROM WORK



Real median gross monthly income of full-time employed residents rose by

+2.6% per annum

from June 2015 to June 2020

OVERVIEW[1]

Against the backdrop of the COVID-19 pandemic, total employment fell by 186,600 in 2020, reversing the increase of 69,700 in 2019. The decline in total employment was due to a fall in foreign employment (-195,900), which outstripped an increase in local employment (9,300). By sectors, total employment declined across all broad sectors (i.e., manufacturing, services and construction). Excluding Foreign Domestic Workers (FDWs), total employment contracted by 172,200.

The number of retrenchments and unemployment rates rose in 2020 as compared to 2019.

Labour productivity, as measured by real value-added per actual hour worked, increased by 1.3 per cent in 2020, a reversal from the 1.3 per cent decline in 2019.

Notwithstanding the decline recorded in 2020, real median gross monthly income of full-time employed residents rose by 2.6 per cent per annum between 2015 and 2020. During this period, real income at the 20th percentile grew by 2.9 per cent per annum.

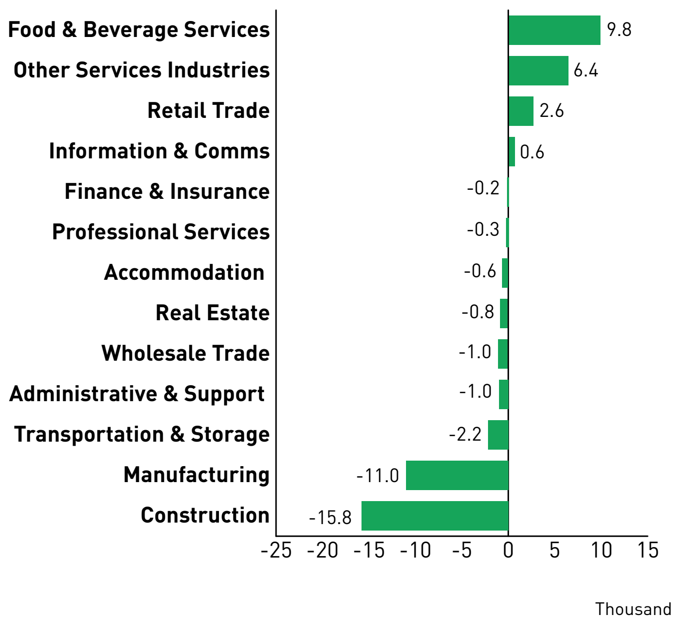
EMPLOYMENT

Total employment contracted by 13,400 in the fourth quarter, moderating from the declines seen in the second (-113,500) and third (-34,400) quarters (Exhibit 2.1). A similar trend was observed for total employment excluding FDWs.

Exhibit 2.1: Changes in Total Employment

By broad sectors, employment declined in the construction (-15,800) and manufacturing (-11,000) sectors, but expanded in the services sector (13,400) in the fourth quarter. Within the services sector, employment gains were the largest in the food & beverage services sector and the other services industries (Exhibit 2.2).

Exhibit 2.2: Changes in Employment by Industry in 4Q 2020



1 *Figures for the fourth quarter of 2020 and full year 2020 are based on preliminary estimates.*

For the whole of 2020, total employment fell by 186,600, with employment declines seen in the services (-96,400), construction (-52,000) and manufacturing (-38,000) sectors.

The decline in total employment was driven by a fall in foreign employment (-195,900), which outstripped a rise in local employment (9,300) (Exhibit 2.3). Local employment increased in the information & communications, financial services and professional services sectors, but fell in the accommodation, wholesale trade and retail trade sectors. Meanwhile, foreign employment fell across all sectors.

Exhibit 2.3: Changes in Employment by Residential Status

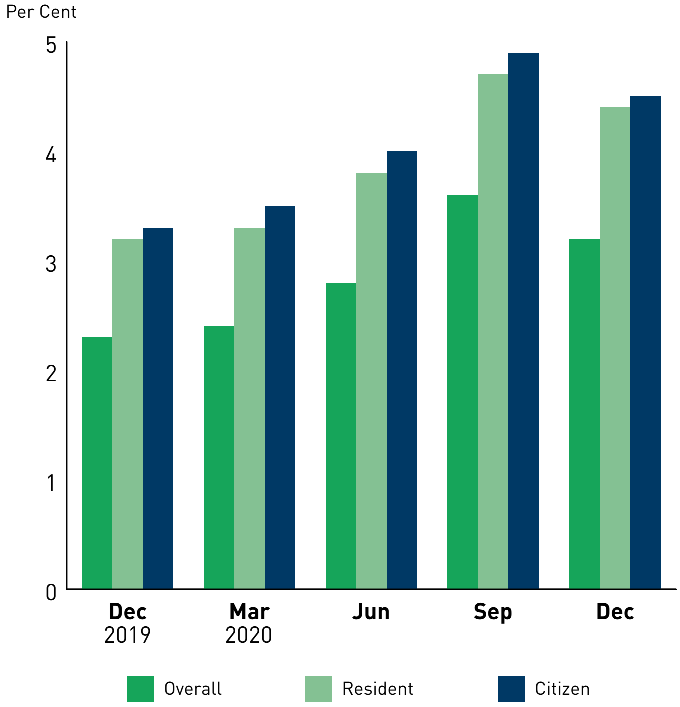
As at December 2020, there were 3,597,700 employed persons in Singapore, with 2,366,200 locals and 1,231,500 foreigners. Excluding FDWs, there were 984,100 foreigners.

UNEMPLOYMENT

The seasonally-adjusted overall (3.2 per cent), resident (4.4 per cent) and citizen (4.5 per cent) unemployment rates eased in December 2020, after trending up in the previous quarters (Exhibit 2.4).

In December 2020, there were 104,400 unemployed residents, of whom 90,100 were Singapore citizens. These were lower than the number of unemployed residents (112,500) and citizens (97,700) in September 2020.

Exhibit 2.4: Unemployment Rates (Seasonally-Adjusted)



For the full year, the annual average unemployment rates rose in 2020 at the overall level (from 2.3 per cent in 2019 to 3.0 per cent), as well as for residents (from 3.1 per cent to 4.1 per cent) and citizens (from 3.3 per cent to 4.2 per cent). However, they remained below the levels observed during SARS[2] and the Global Financial Crisis[3].

In 2020, 96,500 residents were unemployed on average, of whom 84,100 were Singapore citizens. The respective figures in 2019 were lower, at 72,900 and 63,900.

RETRENCHMENTS

The number of retrenchments was 6,100 in the fourth quarter, lower than the level reached in the preceding quarter (9,120). This reflected the first decline after five consecutive quarters of increases. Over the quarter, retrenchments fell in the services (from 6,710 to 4,900), manufacturing (from 2,070 to 1,100) and construction (from 340 to 100) sectors.

For the full year, total retrenchments (26,570) rose from that observed in 2019 (10,690) on the back of higher retrenchments in the services (from 7,000 to 20,090), manufacturing (from 2,790 to 5,430) and construction (from 860 to 1,020) sectors.

2 *In 2003, the annual average overall, resident and citizen unemployment rates were 4.0 per cent, 5.2 per cent and 5.4 per cent respectively.*
3 *In 2009, the annual average overall, resident and citizen unemployment rates were 3.0 per cent, 4.3 per cent and 4.5 per cent respectively.*

PRODUCTIVITY

Real Value-Added per Actual Hour Worked

Overall labour productivity, as measured by real value-added per actual hour worked, increased by 4.0 per cent in the fourth quarter, extending the 2.2 per cent growth in the third quarter. During the quarter, the productivity of the manufacturing, accommodation, wholesale trade, retail trade, finance & insurance and information & communications sectors rose, while that of the transportation & storage, construction, administrative & support services, food & beverage services, professional services, real estate and other services sectors declined.

Collectively, the productivity of outward-oriented sectors increased by 6.1 per cent in the fourth quarter, while that of domestically-oriented sectors declined by 4.9 per cent over the same period.[4]

For the full year, real value-added per actual hour worked rose by 1.3 per cent, reversing the 1.3 per cent decline in 2019 (Exhibit 2.5). Across the sectors, manufacturing, wholesale trade and finance & insurance experienced the strongest growth in real value-added per actual hour worked (Exhibit 2.6).

Exhibit 2.5: Changes in Value-Added per Actual Hour Worked for the Overall Economy

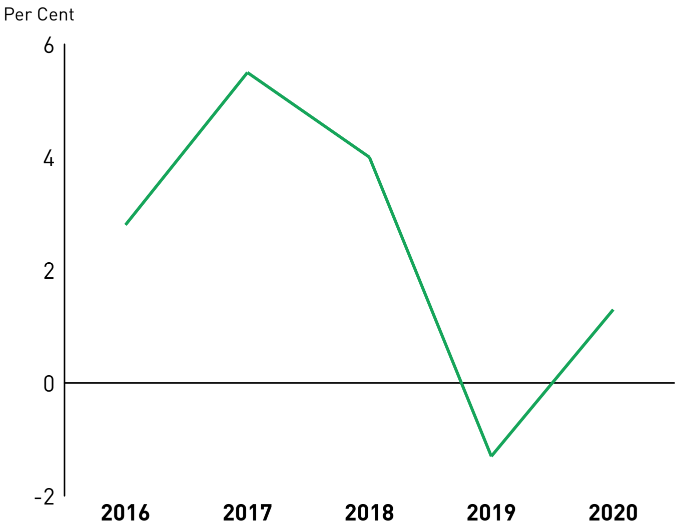
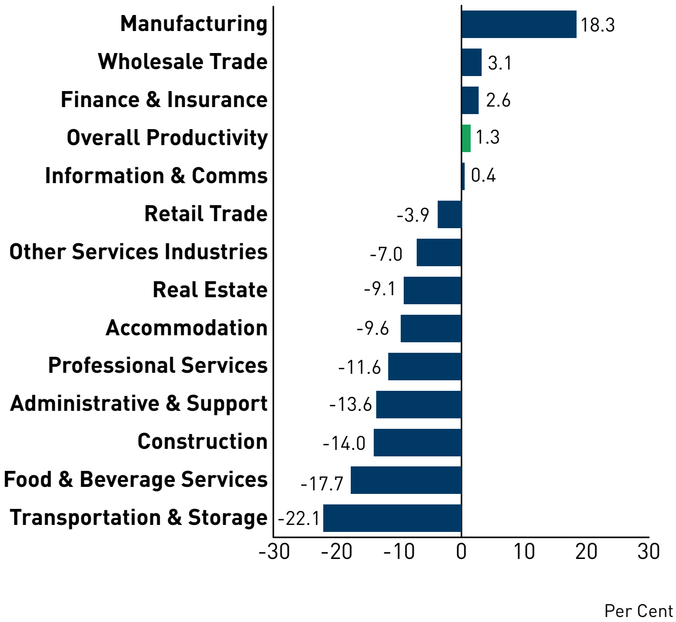


Exhibit 2.6: Changes in Value-Added per Actual Hour Worked by Industry in 2020



Real Value-Added per Worker

Real value-added per worker rose by 2.4 per cent in the fourth quarter, reversing the 2.5 per cent decline in the preceding quarter, as the fall in employment outpaced the contraction in real value-added.

For 2020 as a whole, real value-added per worker decreased by 3.4 per cent, extending the 0.2 per cent decline in 2019. The divergence between the two measures of productivity (real value-added per actual hour worked and real value-added per worker) was due to a fall in average actual hours worked per worker in 2020, against the backdrop of the Circuit Breaker measures implemented in the second quarter of the year and the subsequent gradual re-opening of the economy.

INCOME FROM WORK

Reflecting the impact of the COVID-19 pandemic, real and nominal median gross monthly income fell in 2020. The nominal median gross monthly income (including employer CPF contributions) of full-time employed residents dipped by 0.6 per cent to $4,534 in 2020, compared to the increase of 2.8 per cent in 2019.

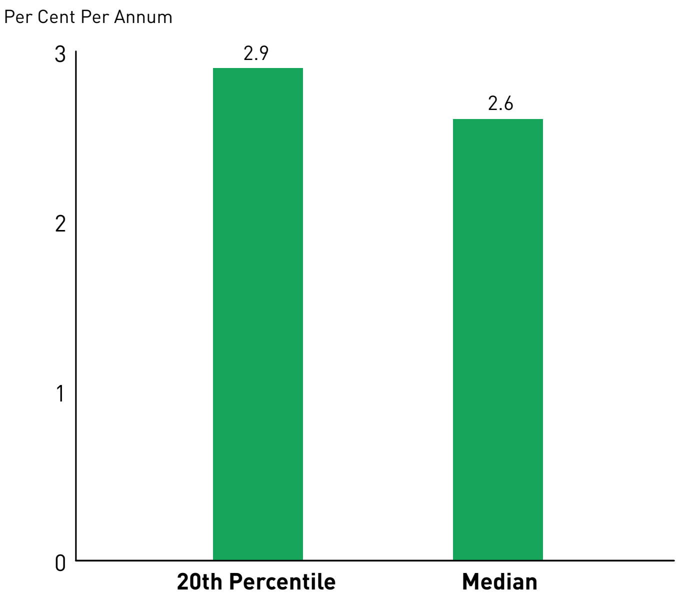
After adjusting for inflation which was negative in 2020, real median income fell by 0.4 per cent in 2020[5], compared to the increase of 2.2 per cent in 2019.

4 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.

5 The Consumer Price Index (CPI) for all items fell by 0.2 per cent in 2020.

Notwithstanding the decline in 2020, real median income rose over the last five years (i.e., 2015 to 2020) by 14 per cent cumulatively, or 2.6 per cent per annum. During this period, real income at the 20th percentile grew by 15 per cent cumulatively, or 2.9 per cent per annum (Exhibit 2.7).

Exhibit 2.7: Annualised Change in Real Gross Monthly Income from Work of Full-Time Employed Residents, 2015-2020



CHAPTER

03

COSTS, INVESTMENTS AND PRICES

CHAPTER 3
COSTS, INVESTMENTS AND PRICES

INVESTMENT COMMITMENTS IN 2020

Fixed Asset Investment Commitments

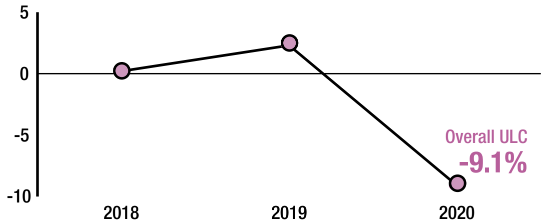
$17.2 billion

Total Business Expenditure Commitments

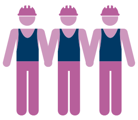
$6.8 billion

OVERALL UNIT LABOUR COST

(Year-On-Year Growth)

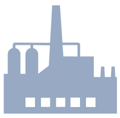


WITHIN THE MANUFACTURING SECTOR



-22.8%
in 2020

Unit Labour Cost

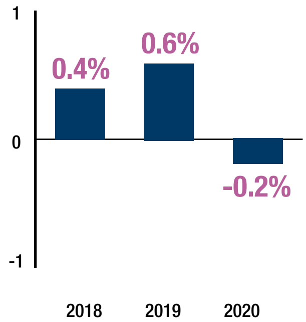


-14.4%
in 2020

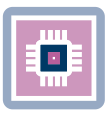
Unit Business Cost

The Consumer Price Index (CPI) decreased by 0.2% in 2020

CPI-ALL ITEMS INFLATION

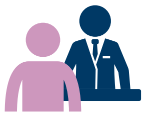


CLUSTERS THAT ATTRACTED THE HIGHEST FIXED ASSET INVESTMENT COMMITMENTS



Electronics

Chemicals



Services Clusters

CLUSTERS THAT ATTRACTED THE HIGHEST TOTAL BUSINESS EXPENDITURE COMMITMENTS

Transport Engineering

Headquarters & Professional Services

Research & Development

THE DECLINE IN CPI WAS MAINLY DUE TO DECREASE IN PRICES OF...

Recreation & Culture

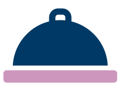
-0.1%
point contribution

Transport

-0.1%
point contribution

BUT THIS WAS PARTIALLY OFFSET BY INCREASE IN PRICES OF...

Food



0.4%
point contribution

OVERVIEW

Overall Unit Labour Cost (ULC) fell by 11 per cent on a year-on-year basis in the fourth quarter of 2020, extending the 10 per cent decline in the preceding quarter. For the whole of 2020, the overall ULC decreased by 9.1 per cent, a reversal from the 2.3 per cent increase in 2019.

Total investment commitments attracted by EDB in the manufacturing and services clusters remained healthy in 2020. The manufacturing clusters garnered a larger amount of commitments in terms of both fixed asset investments (FAI), while the services sector attracted a larger amount of total business expenditure (TBE) commitments. The electronics and chemicals clusters within the manufacturing sector were the biggest contributors to FAI commitments, while the transport engineering cluster contributed the most to TBE commitments

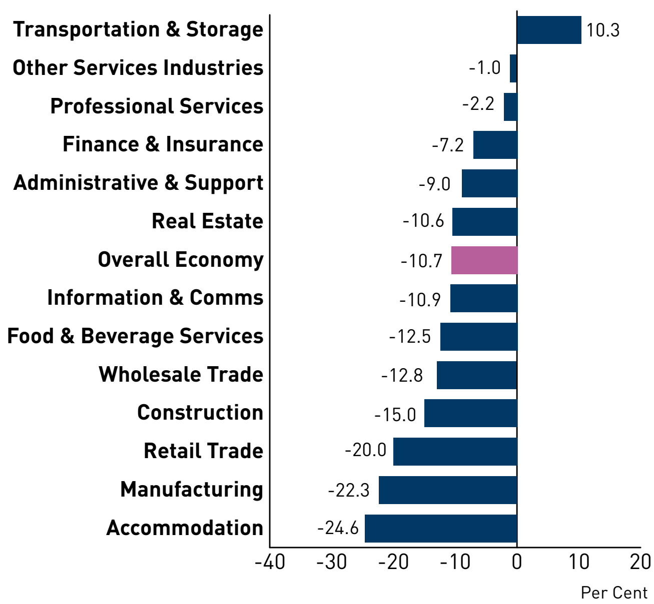
The Consumer Price Index-All Items (CPI-All Items) inched down by 0.1 per cent on a year-on-year basis in the fourth quarter, compared to the 0.3 per cent decline in the previous quarter. For 2020 as a whole, CPI-All Items declined by 0.2 per cent, a reversal from the 0.6 per cent increase in 2019.

Producer prices, as measured by the domestic supply price index (DSPI), the Singapore manufactured products price index (SMPPI) as well as the import and export price indices, all fell on a year-on-year basis in the fourth quarter. For the whole of 2020, the DSPI, SMPPI as well as import and export price indices declined by 8.7 per cent, 6.9 per cent, 7.0 per cent and 7.0 per cent respectively.

COSTS

Overall ULC for the economy fell by 11 per cent year-on-year in the fourth quarter, extending the 10 per cent decline in the preceding quarter (Exhibit 3.1). The fall in the overall ULC was due to the combined effect of a decrease in total labour cost per worker and an increase in productivity as measured by real value-added per worker.

Exhibit 3.1: Changes in Unit Labour Cost in 4Q 2020



By broad sectors, the ULC for the manufacturing sector contracted by 22 per cent, moderating from the fall of 27 per cent in the preceding quarter. The ULC decline for the sector occurred on the back of productivity gains alongside a fall in total labour cost per worker.

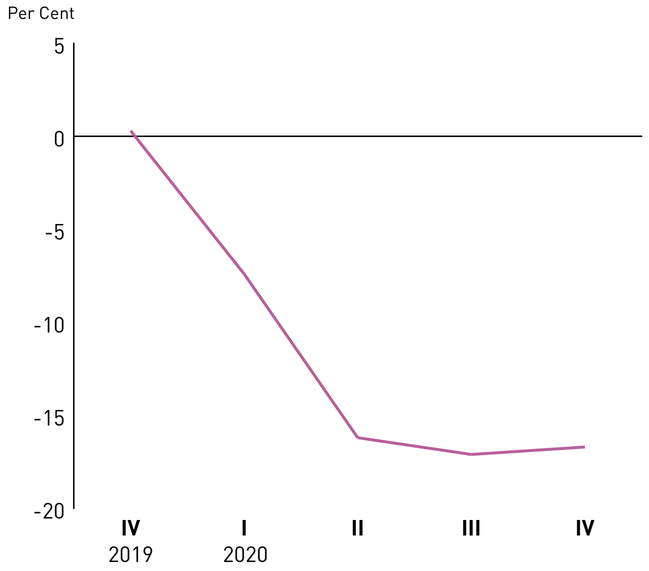
Similarly, the ULC for services producing industries fell by 6.6 per cent, extending the 4.9 per cent decline in the previous quarter. Most services sectors saw a drop in their ULCs, except for the transportation & storage sector. For the transportation & storage sector, its ULC increased on the back of a fall in labour productivity that more than offset a decline in total labour cost per worker.

The ULC for the construction sector fell by 15 per cent, a reversal from the increase of 20 per cent in the preceding quarter. This came about as total labour cost per worker declined by more than the drop in labour productivity.

For the whole of 2020, overall ULC contracted by 9.1 per cent as a fall in total labour cost per worker outpaced a decline in labour productivity.

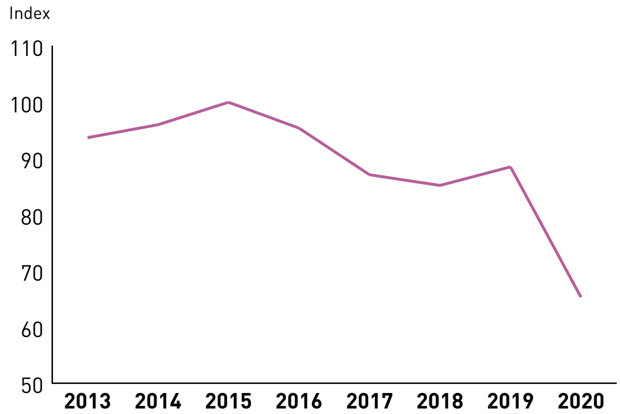
Manufacturing unit business cost (UBC) fell by 17 per cent year-on-year in the fourth quarter, similar to the decline recorded in the previous quarter (Exhibit 3.2). This came on the back of declines in the manufacturing ULC (-22 per cent), unit services cost (-14 per cent) and unit non-labour production taxes (-31 per cent). For the whole of 2020, the manufacturing UBC contracted by 14 per cent, extending the 4.7 per cent decline in 2019.

Exhibit 3.2: Changes in Unit Business Cost for Manufacturing



Singapore's relative unit labour cost (RULC) for manufacturing – a measure of Singapore's competitiveness against 16 economies[1] – fell in 2020 as compared to 2019 (Exhibit 3.3). The decline was mainly on account of the steep fall in Singapore's manufacturing ULC.

Exhibit 3.3: Singapore's Relative Unit Labour Cost in Manufacturing Against Selected 16 Economies[1]

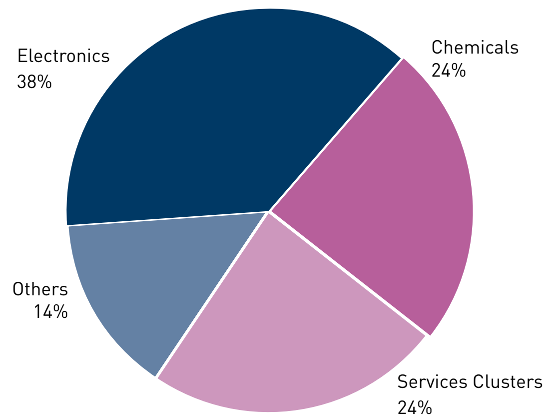


INVESTMENT COMMITMENTS

EDB attracted healthy levels of investment commitments in 2020. For the full year, FAI and TBE commitments came in at $17.2 billion and $6.8 billion respectively.

In terms of FAI, the largest contribution came from the manufacturing clusters, which garnered $13.1 billion in commitments. Within manufacturing, the electronics cluster attracted the largest amount of FAI commitments, at $6.5 billion, followed by the chemicals cluster, at $4.1 billion. Among the services clusters, the research & development and infocommunications & media clusters contributed the most to total FAI commitments, with $1.3 billion and $1.1 billion respectively (Exhibit 3.4).

Exhibit 3.4: Fixed Asset Investments by Industry Clusters in 2020

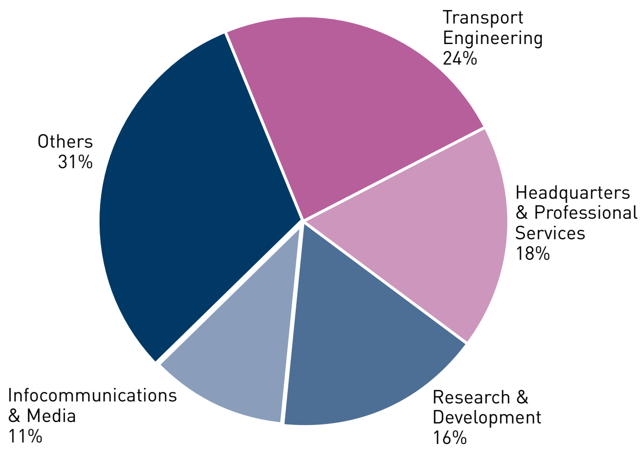


Investors from the United States were the largest source of FAI commitments with $9.2 billion (53 per cent). They were followed by local investors who contributed about $3.0 billion of FAI commitments (17 per cent).

For TBE, the services clusters attracted the highest amount of commitments, at $3.6 billion. This was driven by the headquarters & professional services cluster, which garnered $1.2 billion in TBE commitments, followed by the research & development cluster, with $1.1 billion. Among the manufacturing clusters, the transport engineering cluster contributed the highest amount of TBE commitments, at $1.6 billion (Exhibit 3.5).

1 *The 16 economies are Australia, China, France, Germany, Hong Kong, India, Indonesia, Japan, Malaysia, Netherlands, South Korea, Taiwan, Thailand, the United Kingdom, the United States and Vietnam.*

Exhibit 3.5: Total Business Expenditure by Industry Clusters in 2020



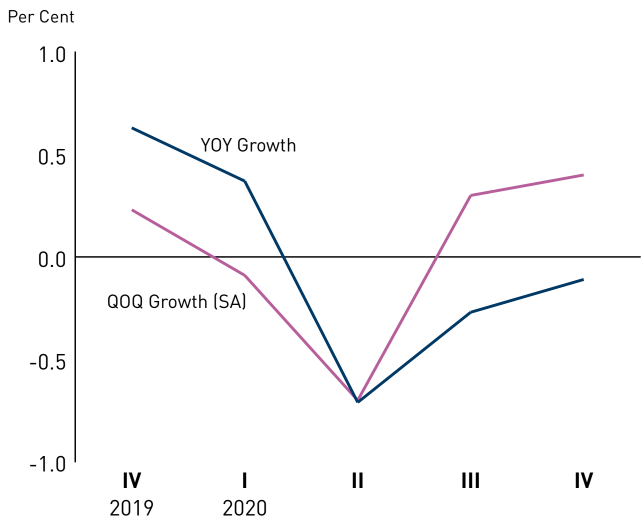
Local investors accounted for most of the TBE commitments, at $2.8 billion (41 per cent), followed by investors from the United States, at $1.5 billion (21 per cent).

When these projects are fully implemented, they are expected to generate $31.2 billion of value-added per annum and create more than 19,000 jobs in the coming years.

CONSUMER PRICE INDEX

Singapore's CPI-All Items dipped by 0.1 per cent on a year-on-year basis in the fourth quarter, compared to the 0.3 per cent decline in the previous quarter (Exhibit 3.6). On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items rose by 0.4 per cent, slightly faster than the 0.3 per cent increase in the previous quarter.

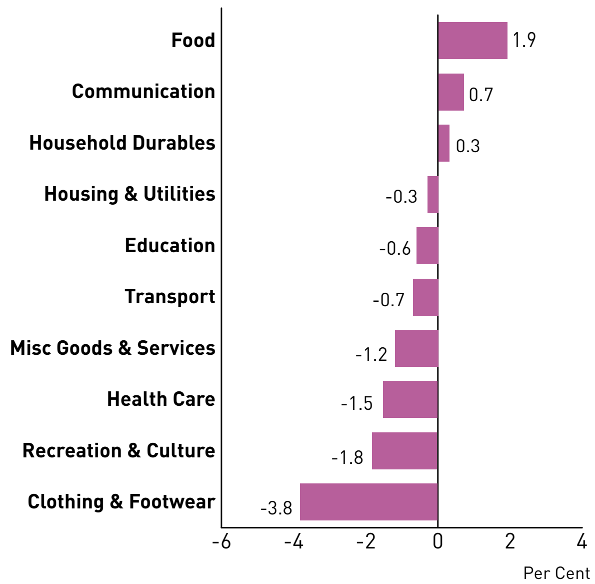
Exhibit 3.6: Changes in Overall CPI



For 2020 as a whole, CPI-All Items declined by 0.2 per cent, a reversal from the 0.6 per cent increase in 2019.

Price decreases in the following CPI categories contributed negatively to CPI-All Items inflation in 2020 (Exhibit 3.7). Prices of clothing & footwear dropped by 3.8 per cent because of cheaper ready-made garments and footwear. Recreation & culture prices fell by 1.8 per cent as a result of the lower cost of holiday travel.[2] Healthcare costs declined by 1.5 per cent on the back of a fall in the prices of outpatient services and medical products, which outweighed an increase in the cost of hospital services. Prices of miscellaneous goods & services dipped by 1.2 per cent on account of cheaper personal effects. Transport costs edged down by 0.7 per cent due to a drop in the prices of petrol and Electronic Road Pricing (ERP) charges that more than offset higher car prices as well as bus & train fares. Education costs decreased by 0.6 per cent as a result of lower fees at childcare centres and kindergartens due to the enhancement of preschool subsidies since January 2020. Housing & utilities costs fell by 0.3 per cent as lower electricity prices and gas tariffs more than offset a rise in accommodation cost.

Exhibit 3.7: Changes in CPI by Category in 2020



By contrast there were price increases in other CPI categories. Prices of household durables & services rose by 0.3 per cent on account of more expensive domestic and household services. Communication costs climbed by 0.7 per cent due to higher telecommunication services costs. Food costs rose by 1.9 per cent on the back of an increase in the prices of non-cooked food items such as meat and vegetables, as well as food serving services like hawker food and restaurant meals.

2 These services were either fully or partially unavailable in April – December 2020 due to international and safe-distancing measures to contain the COVID-19 pandemic. Price changes were imputed, in line with international guidelines.

PRODUCER PRICE INFLATION

Producer prices, as measured by the DSPI, SMPPI, as well as import and export price indices, all fell on a year-on-year basis in the fourth quarter (Exhibits 3.8 and 3.9). The declines seen during the quarter came on the back of a fall in the prices of diesel fuel and motor spirit of ron 90-97.

For the full year, the DSPI and SMPPI declined by 8.7 per cent and 6.9 per cent respectively, while the import and export price indices fell by 7.0 per cent each. Cheaper diesel fuel and motor spirit of ron 90-97 also contributed to the decline in these producer price indices for the year.

Exhibit 3.8: Changes in Domestic Supply Price and Singapore Manufactured Products Price Indices

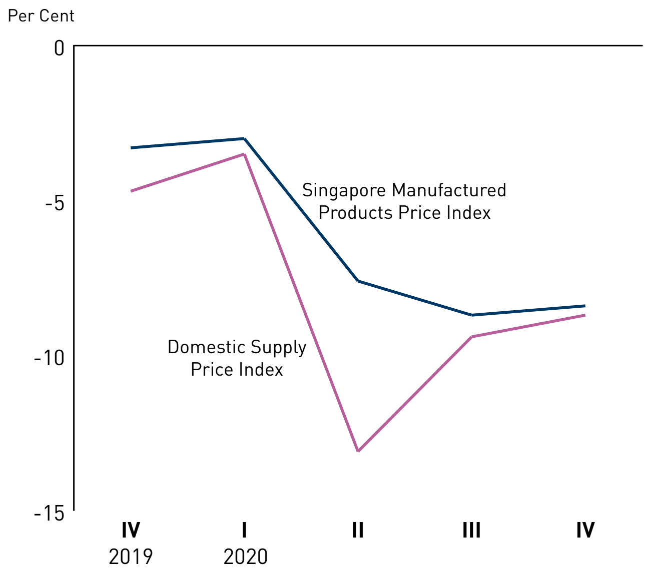
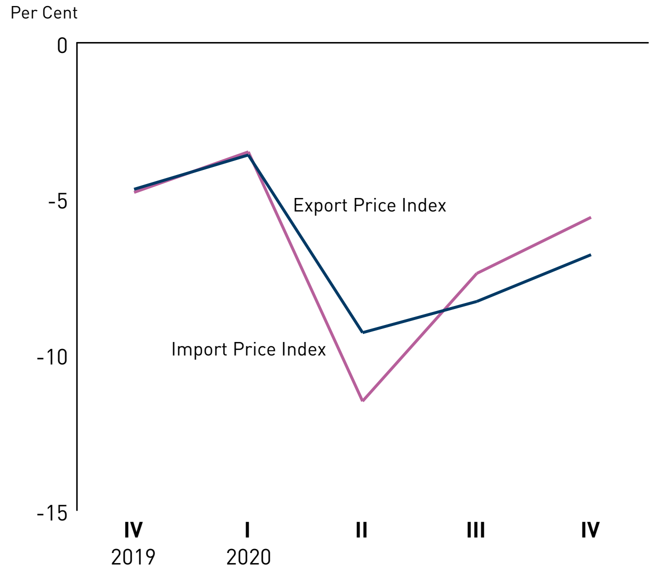


Exhibit 3.9: Changes in Import and Ewxport Price Indices



BOX ARTICLE 3.1

LATEST BUSINESS COST CONDITIONS IN SINGAPORE'S MANUFACTURING AND SERVICES SECTORS

OVERVIEW

In 2020, the unit business cost (UBC) in the manufacturing and overall services sectors declined.

DEFINITION OF UBC

$$\text{UBC} = \frac{\text{Total Business Cost}}{\text{Gross Real Value-Added}}$$

-14.4%
in 2020

UBC for Manufacturing

-0.2%
in 2020*

UBC for Services

*Refers to first 3 quarters of 2020

KEY DRIVERS

The fall in the manufacturing UBC in 2020 was on account of declines in both unit labour cost and unit services cost.

The decrease in the services UBC in 2020 came on the back of a decline in unit labour cost, which more than offset an increase in other services costs.

CONTRIBUTION TO MANUFACTURING UBC IN 2020

-6.3% point
Labour Cost

-2.1% point
Royalties

-2.4% point
Utilities

CONTRIBUTION TO SERVICES UBC IN 2020

-1.1% point
Labour Cost

+1.0% point
Services Cost

OUTLOOK

Looking ahead, the overall unit labour cost for the economy is likely to rise in 2021 in tandem with the gradual recovery of the labour market, and there may be some upward pressure on the costs of utilities, fuel and transportation due to higher oil prices. Meanwhile, industrial and commercial rentals are expected to remain largely subdued.

UNIT LABOUR COST

UTILITIES COST

RENTAL COST

LATEST BUSINESS COST CONDITIONS IN SINGAPORE'S MANUFACTURING AND SERVICES SECTORS

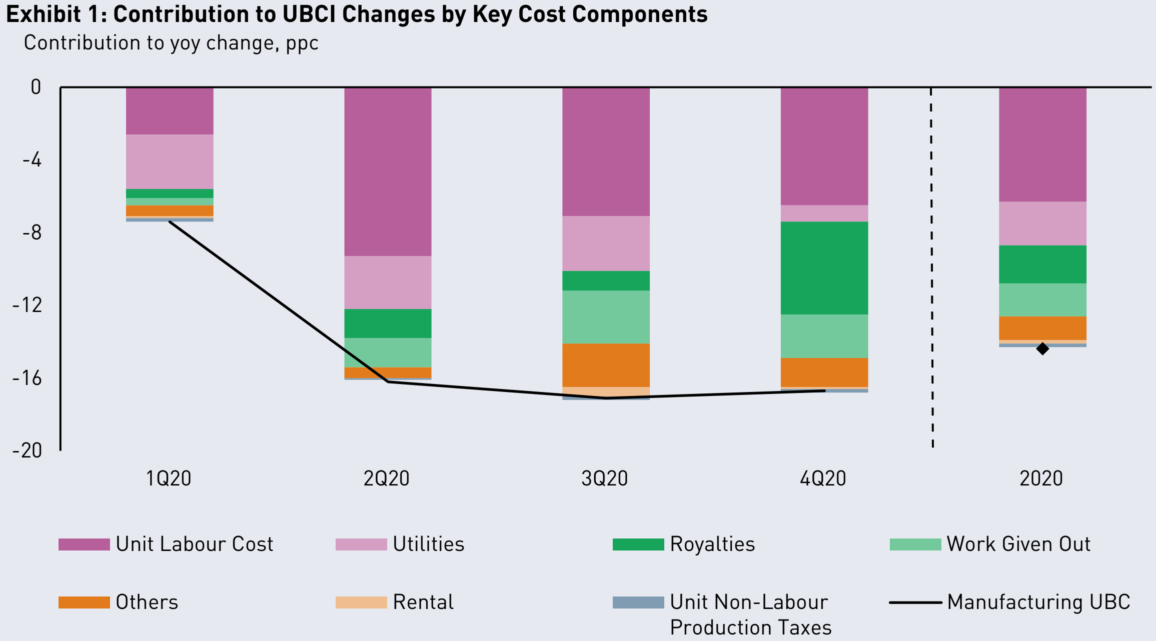
This box article highlights the latest trends in business costs for firms in Singapore's manufacturing and services sectors, as well as the outlook for key components of business costs in 2021.

(I) UNIT BUSINESS COST[1] IN THE MANUFACTURING AND SERVICES SECTORS

Unit business costs in both the manufacturing and overall services sectors declined in 2020

In 2020, the unit business cost index for the manufacturing sector (UBCI) fell by 14.4 per cent (Exhibit 1). The main contributors to the decline were manufacturing unit labour cost (ULC), utilities cost and royalties cost[2], with their contributions collectively accounting for 10.8 percentage-points (pp) of the fall in the UBCI. Meanwhile, cost components like rentals and non-labour production taxes[3] (e.g., property, road and other indirect taxes) had a relatively small impact on the UBCI, in part because of their low shares of total business costs. (Please refer to Annex A for the business cost structure of firms in the manufacturing and services sectors.)

Exhibit 1: Contribution to UBCI Changes by Key Cost Components

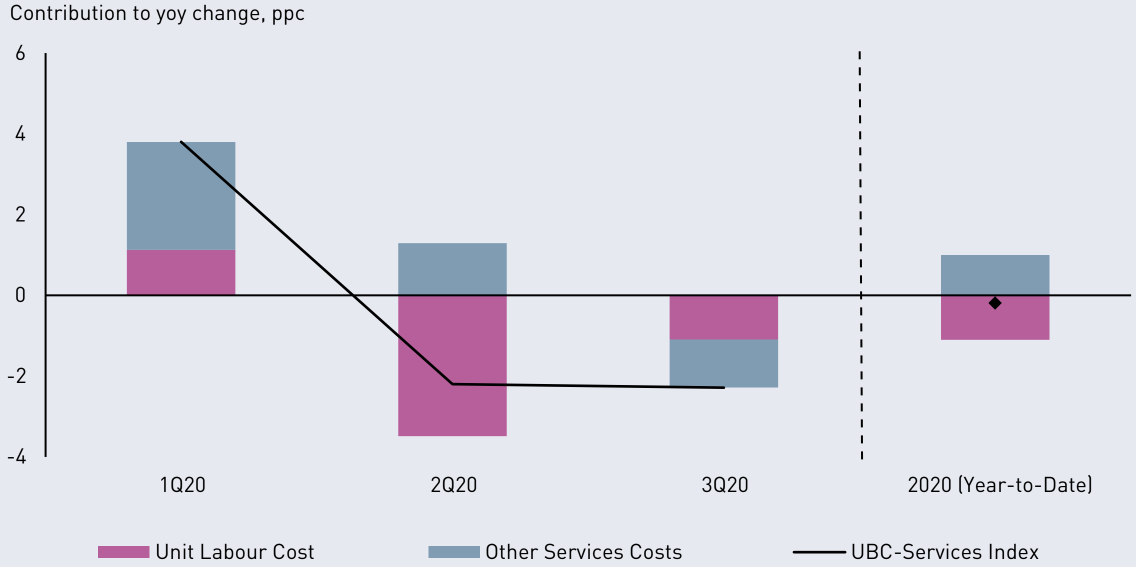


Source: Department of Statistics
Note: "Others" consists of sub-components such as professional fees, advertising, commission and agency fees, sundry expenses, etc.

Similarly, the unit business cost index for the overall services sector (UBC-Services Index)[4] dipped by 0.2 per cent in the first three quarters of 2020 compared to the same period a year ago (Exhibit 2).[5] The fall in the UBC-Services Index was due to a decline in the services ULC (-1.1pp), which more than offset an increase in other services costs (+1.0pp).[6]

1 *Unit business cost measures the business costs incurred to produce one unit of output. Only operating expenses (without material costs and depreciation) are included in business costs. This follows the definition adopted by the Department of Statistics (DOS) in its computation of the Unit Business Cost for Manufacturing. See DOS' Information Paper, "Methodological Review on the Unit Business Cost Index for Manufacturing Industry (Base Year 2010=100)", at https://www.singstat.gov.sg/-/media/files/publications/economy/ip-e38.pdf.*
2 *Royalties cost refers to payments made to another party (the licensor or franchisor who owns a particular asset) for the right to the ongoing use of that asset.*
3 *Labour-related taxes on production (e.g., foreign worker levy) are classified under labour cost. Taxes on income (e.g., corporate income tax) are excluded.*
4 *The UBC-Services Index is estimated by MAS to assess cost conditions in the services sector. It is a composite index of proxy cost indicators for each component of business costs, combined using weights estimated from expenditure data in DOS' Services Survey Series 2018: The Services Sector, as well as the 2016 Input-Output tables.*
5 *Latest available UBC-Services Index is up to the third quarter of 2020.*
6 *The percentage-point contributions by ULC and other services costs do not sum to the overall change in the UBC-Services Index due to rounding.*

Exhibit 2: Contribution to Overall Services UBC Changes by Cost Components



Source: Monetary Authority of Singapore
Notes: (1) The UBC-Services Index for 2020 refers to the average of the first three quarters; (2) Detailed cost component breakdowns for the UBC-Services Index are not available; (3) Other services costs include air & sea freight costs, cargo handling costs and warehousing & storage costs.

(II) LATEST TRENDS AND OUTLOOK FOR KEY COST COMPONENTS

Reflecting the fall in the ULCs for the manufacturing and overall services sectors, the ULC for the overall economy declined in 2020, driven by a reduction in total labour cost per worker as wage subsidies were provided to firms to cope with the impact of COVID-19

The ULC for the overall economy declined by 9.1 per cent in 2020,[7] on account of a large reduction in total labour cost[8] (TLC) per worker (-11.6 per cent) which outpaced a fall in labour productivity (-2.7 per cent) (Exhibit 3). In turn, the fall in TLC per worker was driven by a significant increase in the amount of wage subsidies provided by the government through support measures such as the Jobs Support Scheme, as well as the foreign worker levy (FWL) waiver and rebate granted by the government. Specifically, the increase in wage subsidies per worker and fall in FWL per worker contributed 10.9pp and 2.1pp to the decline in TLC per worker in 2020 respectively. These more than offset the contribution from the rise in remuneration per worker (+1.7pp).

At the sectoral level, most sectors experienced a decline in their respective ULCs in 2020 (Exhibit 4). In the manufacturing sector, the ULC plunged by 22.8 per cent, driven by a fall in TLC per worker as well as strong labour productivity growth. At the same time, the ULC for the overall services sector decreased by 4.9 per cent, as the decline in TLC per worker outpaced a fall in labour productivity. Among the services sectors, most saw a lower ULC, except for the transportation & storage sector, the professional services sector, and the other services industries. As for the construction sector, its ULC increased by 9.0 per cent, as a fall in labour productivity outstripped the decline in TLC per worker.

For 2021, the ULC for the overall economy is likely to increase, as the wage subsidies introduced in 2020 taper. Remuneration per worker is also expected to rise, as the labour market gradually recovers in tandem with the rebound in economic activity.

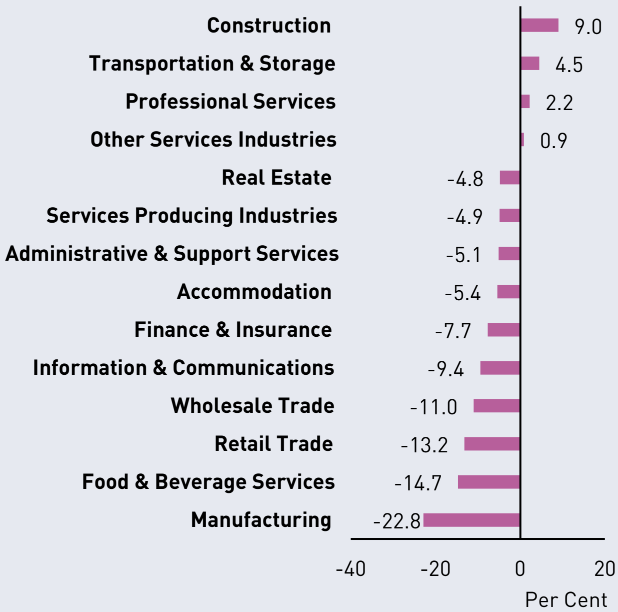
7 A change in the ULC can be approximately decomposed as the change in total labour cost per worker minus the change in labour productivity (proxied by gross real value-added per worker). The approximation holds better when the changes are small.

8 TLC comprises remuneration, wage subsidies and other labour-related costs, which include the skills development levy, foreign worker levy, and recruitment and net training cost. An example of the wage subsidies provided to companies was the Jobs Support Scheme, which provided wage support of up to 75 per cent of gross monthly wages to help employers retain their local employees during the COVID-19 pandemic.

Exhibit 3: Decomposition of ULC Growth for Overall Economy, 2020

ULC	**-9.1%**
TLC per worker	**-11.6%**
Remuneration per worker	+1.7pp
FWL per worker	-2.1pp
Wage subsidies per worker	-10.9pp
Other labour costs	-0.2pp
Gross real labour productivity	**-2.7%**

Exhibit 4: ULC Change by Sectors, 2020



Source: MTI Staff estimates using data from the Department of Statistics and Ministry of Manpower
Note: The pp contributions of the various types of labour costs do not sum up to the change in TLC per worker due to rounding.

Industrial and commercial rentals fell in 2020

Industrial rentals fell by 1.5 per cent in 2020 on the back of sluggish demand for industrial space amidst the economic uncertainty caused by the COVID-19 pandemic (Exhibit 5). Nonetheless, occupancy rate edged up over the course of the year, on account of the delays in new completions and an increase in the demand for storage space for purposes such as stockpiling and e-commerce (Exhibit 6).

For 2021, while the demand for industrial space could improve in tandem with the global and domestic economic recovery, the upcoming supply of industrial space is likely to exert some downward pressure on industrial rentals. In particular, around 2.7 million gross square metres of industrial space are expected to be completed this year (Annex B, Exhibit B1),[9] higher than the average annual supply of industrial space between 2015 and 2020 (approximately 1.6 million gross square metres). Taking into account both demand and supply conditions, industrial rentals are likely to remain broadly stable in 2021.

Exhibit 5: Industrial Rental Index, 1Q20-4Q20

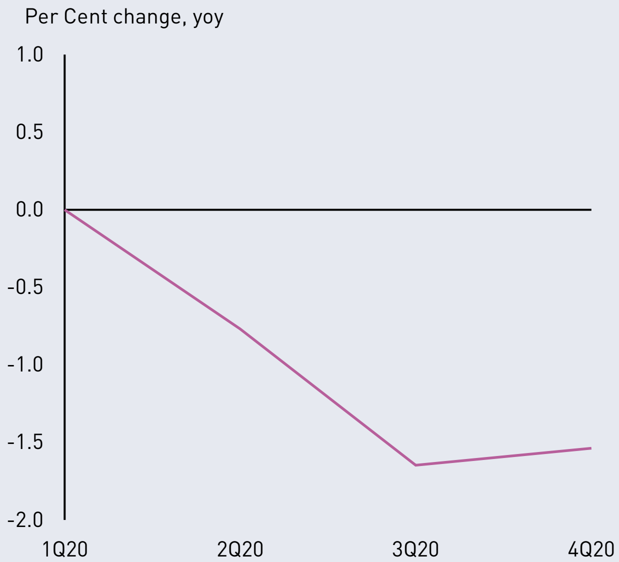
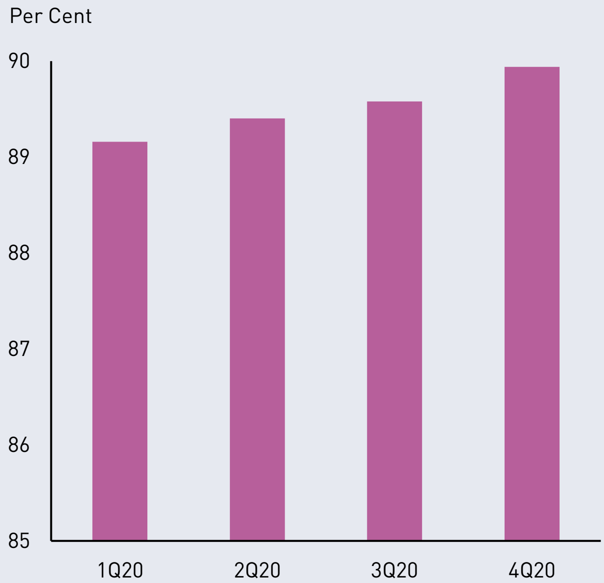


Exhibit 6: Industrial Occupancy Rate, 1Q20-4Q20



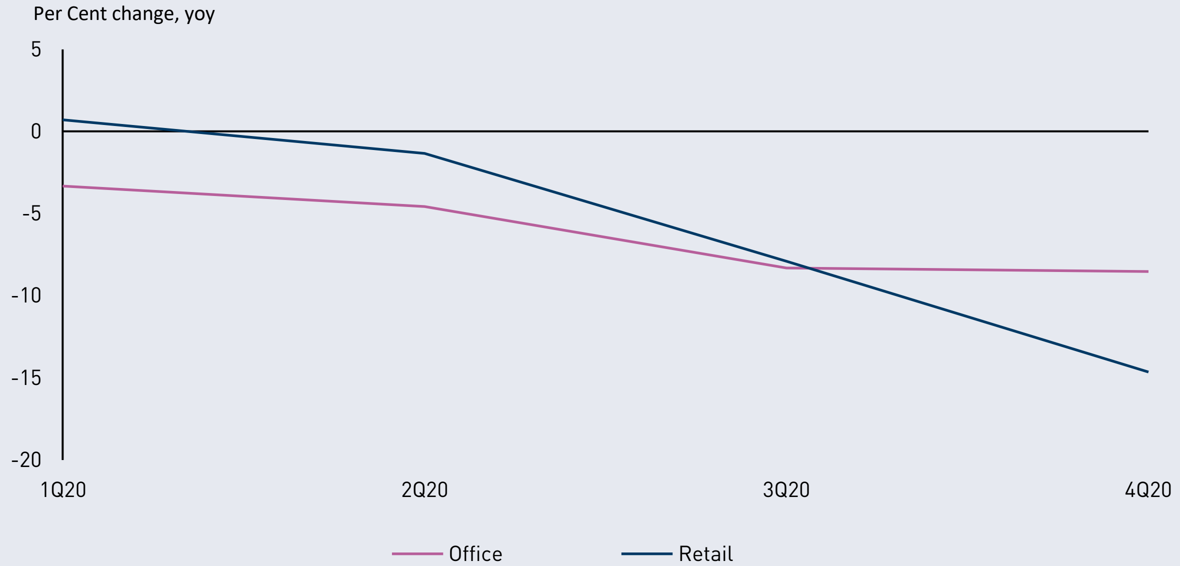
Source: JTC Corporation
Note: Both the industrial rental index and the industrial occupancy rate cover multiple-user factory space, single-user factory space, business parks and warehouses.

9 *About 0.5 million gross square metres are expected to come from completions that were delayed in 2020 due to the impact of COVID-19 on the construction sector.*

In terms of commercial space, the rentals of office space declined by 8.5 per cent in 2020 in tandem with a fall in leasing demand amidst the weak economic environment (Exhibit 7). For 2021, the demand for office space is expected to improve in tandem with the economic recovery, although the extent of the increase may be modest given that businesses are likely to remain cautious in their expansion plans in view of the continued uncertainties surrounding the COVID-19 situation. At the same time, the supply of office space is expected to moderate this year. Specifically, 0.16 million gross square metres of office space are projected to come on-stream within the year, lower than the annual average of 0.21 million gross square metres completed between 2015 and 2020 (Annex B, Exhibit B2). Taken together, office rentals are likely to see a modest recovery over the course of the year.

As for retail space, rentals fell by 14.7 per cent in 2020 on account of weak leasing demand amidst the disruptions to the retail sector caused by the COVID-19 pandemic, including global travel restrictions which led to a slump in tourist arrivals and the requirement for safe distancing measures to contain the domestic outbreak. Looking ahead, the demand for retail space is expected to remain sluggish given the increased popularity of e-commerce, ongoing safe distancing measures, and the weak recovery in tourist demand. Nevertheless, business sentiments among retailers may improve over the course of the year as the domestic COVID-19 vaccine rollout continues to make progress and the labour market gradually recovers. On the supply side, an estimated 0.09 million gross square metres of retail space could come on-stream in 2021, which is lower than the annual average of 0.17 million gross square metres completed between 2015 and 2020. While the moderation in the supply of retail space and the gradual recovery in business sentiments may provide some support to retail rentals towards the end of the year, retail rentals are by and large expected to remain subdued this year.

Exhibit 7: Office and Retail Rental Indices, 1Q20 – 4Q20



Source: Urban Redevelopment Authority

Costs of utilities and fuel declined in 2020

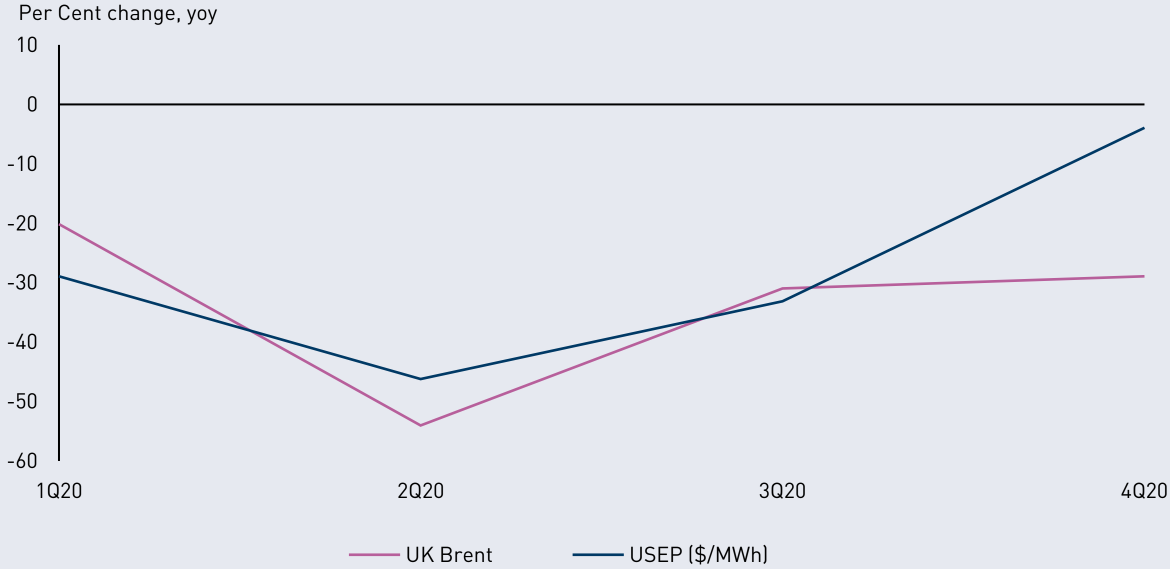
The cost of utilities borne by firms is closely linked to electricity prices,[10] which are in turn influenced by movements in global oil prices.[11] Oil prices also contribute to business costs through fuel and transportation costs.

In 2020, the average wholesale electricity price[12] fell sharply by 28.8 per cent, in tandem with the steep decline in global oil prices (Exhibit 8). The plunge in oil prices came on the back of lower global oil demand as restriction measures taken by many countries to curb the spread of COVID-19 weighed on global economic activity, as well as curtailed international and domestic travel.

10 For example, electricity cost accounts for around 83 per cent of the cost of utilities borne by firms in the manufacturing sector.
11 About 96 per cent of Singapore's electricity is generated from natural gas, the price of which is indexed to oil prices. This is a common market practice in Asia.
12 This refers to the Uniform Singapore Energy Price (USEP), which is the average wholesale energy price in the National Electricity Market of Singapore.

Looking ahead, global oil prices are projected to increase given the expected recovery in oil demand alongside the pickup in global economic activity, even as oil production is likely to remain restrained. Nonetheless, the current high level of global oil inventory is expected to cap upward price pressures in the near term. For 2021 as a whole, the US Energy Information Administration has forecast that global oil prices will average US$53 per barrel (/bbl)[13], which is higher than the 2020 average of US$42/bbl but lower than the historical five-year average prior to 2020.[14] In turn, the modest recovery in oil prices is likely to exert some upward pressure on the costs of utilities, fuel and transportation in 2021.

Exhibit 8: Global Oil Prices and Uniform Singapore Energy Prices, 1Q20 – 4Q20



Source: International Monetary Fund, CEIC, Energy Market Company

Conclusion

In 2020, the unit business cost for the manufacturing sector fell, in large part due to declines in the manufacturing ULC, utilities cost and royalties cost. Meanwhile, the unit business cost for the overall services sector dipped in the first three quarters of 2020 because of a reduction in the services ULC which outweighed an increase in other services costs.

Looking ahead, the overall ULC for the economy is likely to rise in 2021 on account of a tapering of the wage subsidies introduced in 2020 and as remuneration per worker rises in tandem with the gradual recovery of the labour market. At the same time, the costs of utilities, fuel and transportation are likely to see some upward pressure due to higher global oil prices, while industrial and commercial rental costs are expected to remain largely subdued.

Contributed by:

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13 EIA Short-Term Energy Outlook Report, February 2021.
14 Between 2015 and 2019, global oil prices averaged $57/bbl.

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Singapore Department of Statistics (2014), "Methodological Review on the Unit Business Cost Index for Manufacturing Industry (Base Year 2010=100)" November. https://www.singstat.gov.sg/-/media/files/publications/economy/ip-e38.pdf.

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ANNEX A: BUSINESS COST STRUCTURE OF MANUFACTURING AND SERVICES SECTORS

Manufacturing Sector

In the manufacturing sector, labour cost, work given out and "others" constitute the largest components of business costs. These three components collectively account for around 86 per cent of the business costs of small- and medium-sized enterprises (SMEs) and around 77 per cent of the business costs of non-SMEs in the sector.

The remaining services cost components, including utilities, fuel, rental of building/premises and charges paid to other firms for inland transportation and ocean/air/other freight, make up a smaller share of business costs, at 22 per cent for non-SMEs and 13 per cent for SMEs. Non-labour production taxes, which include property, road and other indirect taxes, account for around 0.4 per cent and 0.7 per cent of the business costs of SMEs and non-SMEs respectively.

Details of the business cost structure of SMEs and non-SMEs in the various manufacturing clusters are in Exhibit A1.

Services Sector

Like in the manufacturing sector, labour cost constitutes a major cost component for firms in the services sectors, with its share of business costs ranging from around 9 per cent for firms in the transportation & storage sector, to around 39 per cent or more for firms in labour-intensive sectors such as accommodation, food & beverage services and retail trade. Across all services sectors, except for the accommodation and transportation & storage sectors, the labour cost share of business costs is larger for SMEs than for non-SMEs.

On the other hand, utilities cost is a relatively small cost component for firms in the services sectors, accounting for less than 2 per cent of the business costs of firms in most sectors. Key exceptions are firms in the accommodation and food & beverage services sectors, where utilities cost constitutes up to 5 per cent of their business costs. Similarly, rental cost accounts for a small share of the business costs of firms in most services sectors. Key exceptions include the retail trade, accommodation and food & beverage services sectors, where the rental cost share of business costs for SMEs is 28 per cent, 15 per cent and 26 per cent respectively.

Similar to the case for the manufacturing sector, non-labour production taxes account for less than 1 per cent of the business costs of firms in most services sectors. Even for the accommodation and real estate, professional services and administrative & support services sectors, which have the highest shares of non-labour production taxes, they are relatively small, at less than 4 per cent.

Details of the business cost structure of SMEs and non-SMEs in the various services sectors are in Exhibit A2.

Exhibit A1: Business Cost Structure of the Manufacturing Sector by Firm Size, 2019

	Total		Electronics		Chemicals		Biomedical Manufacturing		Precision Engineering		Transport Engineering		General Manufacturing	
	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs
Labour Cost	**19.5**	**36.6**	**12.5**	**10.1**	**16.9**	**25.9**	**24.1**	**20.4**	**32.5**	**51.2**	**36.3**	**46.1**	**35.6**	**50.7**
Services Cost	**80.1**	**62.7**	**87.3**	**89.4**	**82.1**	**73.0**	**75.6**	**79.1**	**66.9**	**48.1**	**63.3**	**53.3**	**63.8**	**48.5**
Work given out	21.1	18.2	28.3	37.2	6.8	3.1	1.9	16.2	12.0	15.1	37.0	26.7	4.6	12.9
Royalties	10.7	2.7	7.8	4.0	4.7	4.3	37.4	6.3	23.4	1.2	2.5	1.2	3.2	1.4
Utilities	3.2	2.9	2.6	0.9	7.3	8.3	1.5	1.3	1.8	2.2	1.8	1.1	6.5	3.0
Fuel	5.5	1.3	0.9	0.1	30.7	5.1	0.5	0.7	0.2	0.4	0.3	0.3	3.8	1.3
Rental of building/ premises	0.4	2.4	0.3	0.7	0.2	1.4	0.5	1.0	0.7	2.5	0.5	2.0	1.9	5.2
Charges paid to other firms for inland transportation and ocean/ air/ other freight	2.2	4.3	1.1	0.7	5.1	14.4	1.8	5.8	3.5	2.4	1.5	1.3	6.6	3.1
Others	36.9	31.0	46.3	45.7	27.2	36.5	32.0	47.8	25.3	24.4	19.7	20.8	37.2	21.7
Non-Labour Production Taxes	**0.4**	**0.7**	**0.2**	**0.6**	**1.0**	**1.1**	**0.3**	**0.4**	**0.6**	**0.7**	**0.4**	**0.6**	**0.7**	**0.8**

Source: Economic Development Board

Note: SMEs refer to enterprises with operating receipts of not more than $100 million or employment of not more than 200 workers. Non-SMEs refer to enterprises with operating receipts of more than $100 million and employment of more than 200 workers.

Exhibit A2: Business Cost Structure of the Services Sectors by Firm Size, 2019

	Wholesale Trade		Retail Trade		Accommodation		Food & Beverage Services		Transportation & Storage		Information & Communications		Finance & Insurance		Real Estate, Professional Services and Administrative & Support Services	
	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs	Non-SMEs	SMEs
Labour Cost	**19.1**	**19.4**	**36.5**	**41.0**	**51.0**	**39.1**	**43.3**	**49.8**	**12.1**	**6.3**	**16.2**	**26.3**	**10.4**	**13.2**	**29.3**	**30.1**
Services Cost	**80.4**	**79.8**	**62.3**	**58.3**	**45.4**	**58.0**	**56.1**	**49.8**	**87.5**	**93.4**	**83.2**	**73.4**	**89.5**	**86.5**	**68.6**	**67.2**
Utilities	0.7	0.2	2.5	1.4	4.4	5.5	4.0	4.6	0.5	0.1	0.9	0.9	0.1	0.1	0.4	1.0
Freight & Transport	11.5	40.2	1.5	2.0	-	-	2.2	0.8	50.8	61.6	-	1.4	-	-	0.1	2.0
Financial Services	2.0	2.4	2.2	2.6	1.7	2.4	0.9	1.4	0.5	0.5	0.3	0.4	3.2	4.2	0.1	0.6
Communications	0.5	0.4	0.4	0.9	0.3	0.6	0.2	0.5	0.2	0.3	1.1	7.4	0.2	0.2	0.3	0.9
Renting of Premises	4.2	4.3	34.8	27.9	6.9	15.0	21.2	25.9	0.9	1.8	1.4	2.7	0.6	1.1	1.3	3.9
Professional Services	4.1	3.6	1.8	2.2	2.8	1.7	0.7	1.4	1.0	0.5	16.7	9.4	2.3	3.8	9.6	5.7
Other Services	57.5	28.9	19.2	21.3	29.4	32.8	27.0	15.3	33.6	28.5	62.8	51.2	83.1	77.2	56.7	53.1
Advertising & Entertainment	4.8	3.1	4.7	6.3	4.3	3.4	3.1	2.0	0.4	0.9	3.0	15.5	1.5	0.6	0.6	5.7
Admin & Management Fees	12.0	6.0	2.8	2.9	4.9	8.1	3.1	3.3	3.0	3.5	15.6	14.0	5.1	8.9	8.2	7.4
Contract labour & work given out	10.0	2.8	1.9	1.9	1.1	3.5	4.2	2.1	1.4	1.8	3.2	6.3	0.8	0.3	28.8	11.5
Commission	7.1	4.9	0.5	3.1	2.0	4.1	0.1	0.6	2.2	1.8	3.2	3.2	3.2	8.2	0.9	2.6
Royalties	17.8	2.3	1.5	0.4	2.6	0.5	9.1	1.5	0.1	-	29.3	3.2	0.5	0.3	0.5	1.2
Maintenance & repairs	1.3	0.7	3.6	2.4	3.3	4.6	3.8	2.6	4.3	1.7	1.2	1.2	0.5	0.3	1.4	2.8
Fuel	-	1.1	0.1	0.1	-	-	0.2	0.1	16.8	12.7	-	-	-	-	-	0.2
Others	4.5	8.0	4.1	4.3	11.2	8.7	3.4	3.0	5.4	6.1	7.3	7.8	71.4	58.6	16.2	21.8
Non-Labour Production Taxes	**0.5**	**0.7**	**1.2**	**0.7**	**3.6**	**2.9**	**0.6**	**0.3**	**0.4**	**0.2**	**0.6**	**0.3**	**0.1**	**0.2**	**2.1**	**2.7**

Source: Department of Statistics and Monetary Authority of Singapore

Notes:
1. *SMEs refer to enterprises with operating receipts of not more than $100 million or employment of not more than 200 workers. Non-SMEs refer to enterprises with operating receipts of more than $100 million and employment of more than 200 workers.*
2. *"-" refers to nil or negligible.*

ANNEX B: SUPPLY OF INDUSTRIAL AND COMMERCIAL SPACE

Exhibit B1: Supply of Industrial Space

	Total	2021	2022	2023	2024	2025	>2025
Multiple-User Factory Space ('000 sqm gross)							
Total	**1,651**	**885**	**709**	**4**	**52**	**-**	**-**
Under Construction	1,439	853	533	0	52	-	-
Planned	212	32	176	4	0	-	-
Single-User Factory Space ('000 sqm gross)							
Total	**2,014**	**1,140**	**493**	**218**	**163**	**-**	**-**
Under Construction	1,440	931	262	132	115	-	-
Planned	574	209	231	86	48	-	-
Business Park Space ('000 sqm gross)							
Total	**606**	**202**	**0**	**64**	**339**	**-**	**-**
Under Construction	415	188	0	0	227	-	-
Planned	191	14	0	64	113	-	-
Warehouse Space ('000 sqm gross)							
Total	**944**	**450**	**347**	**138**	**10**	**-**	**-**
Under Construction	716	410	306	-	-	-	-
Planned	228	39	41	138	10	-	-
Total Industrial Space	**5,215**	**2,677**	**1,549**	**424**	**565**	**-**	**-**

Source: JTC Corporation

Note: The upcoming supply figures include supply from new development and redevelopment projects. They comprise:
- projects with Provisional Permission, Outline Provisional Permission and/or Written Permission;
- developments submitted for planning approval and which are under consideration;
- projects on awarded Government Land Sales (GLS) and Concept and Price Tender (CPT) sites for which plans have not been submitted for planning approval; and planned projects in the GLS (which refer to sites on the GLS confirmed list and sites on the GLS reserve list that have been triggered) and CPT sites launched for tender.

Exhibit B2: Supply of Commercial Space

	Total	2021	2022	2023	2024	2025	>2025
Office Space ('000 sqm gross)							
Total	**770**	**164**	**61**	**222**	**217**	**-**	**106**
Under Construction	478	164	61	214	39	-	-
Planned	292	-	-	8	178	-	106
Retail Space ('000 sqm gross)							
Total	**426**	**89**	**73**	**62**	**65**	**19**	**118**
Under Construction	252	89	72	42	49	-	-
Planned	174	-	1	20	16	19	118
Total Commercial Space	**1,196**	**253**	**134**	**284**	**282**	**19**	**224**

Source: Urban Redevelopment Authority

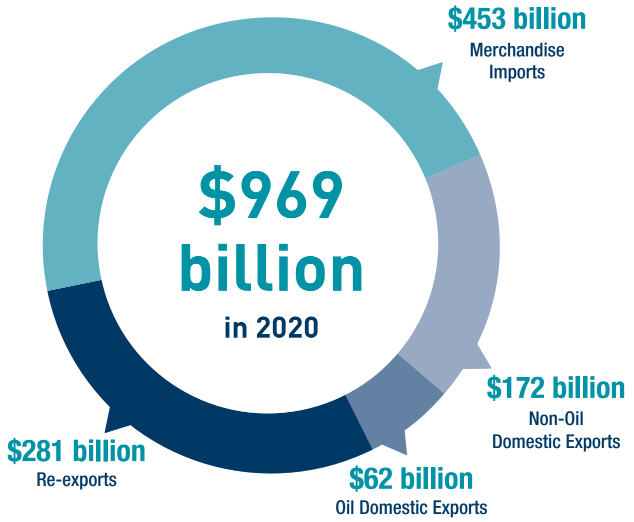
CHAPTER

04

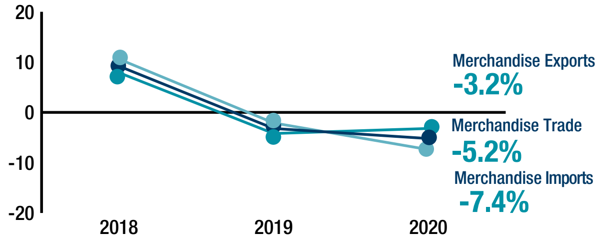
INTERNATIONAL TRADE

CHAPTER 4
INTERNATIONAL TRADE

TOTAL MERCHANDISE TRADE AMOUNTED TO...

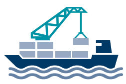


GROWTH IN MERCHANDISE TRADE



COMPONENTS OF MERCHANDISE EXPORTS
(Year-On-Year Growth)

+4.3%



Non-Oil Domestic Exports

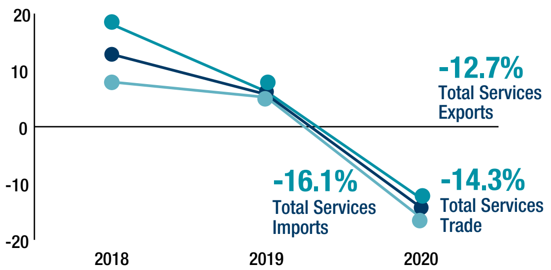
+0.1%

Re-exports

-28.1%

Oil

GROWTH IN SERVICES TRADE



THE DECLINE IN SERVICES EXPORTS WAS LED BY...

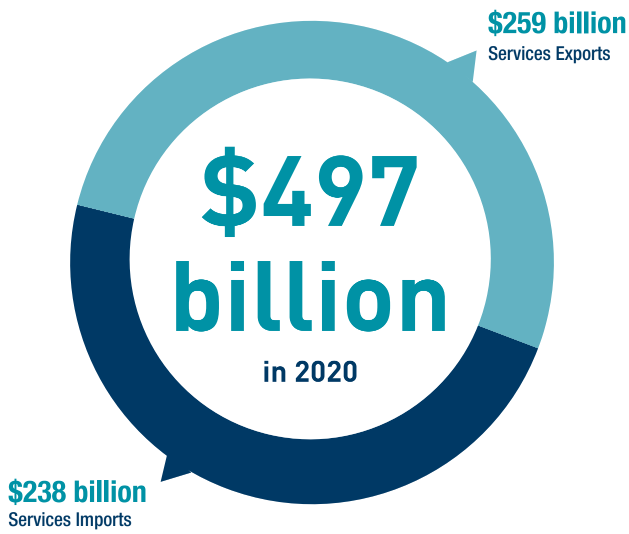
-6.9%
point contribution

Travel Services

-4.0%
point contribution

Transport Services

TOTAL SERVICES TRADE AMOUNTED TO...



OVERVIEW

Singapore's total merchandise trade declined by 5.1 per cent year-on-year in the fourth quarter of 2020, following the 4.8 per cent decrease in the preceding quarter. At the same time, total services trade fell by 16 per cent year-on-year in the fourth quarter, extending the 16 per cent contraction in the third quarter.

For the whole of 2020, Singapore's total merchandise trade contracted by 5.2 per cent to reach $969 billion, compared to the $1.0 trillion achieved in 2019. Oil trade slumped by 31 per cent amidst lower oil prices compared to a year ago, while non-oil trade edged up by 0.7 per cent. Merchandise exports and imports decreased by 3.2 per cent and 7.4 per cent respectively.

Overall services trade declined by 14 per cent to $497 billion in 2020, from $580 billion in 2019. Services exports and imports fell by 13 per cent and 16 per cent respectively.

MERCHANDISE TRADE

Merchandise Exports

Total merchandise exports decreased by 2.9 per cent year-on-year in the fourth quarter, following the 2.2 per cent decline in the preceding quarter (Exhibit 4.1). The fall in total merchandise exports was due to domestic exports, which contracted by 10 per cent in the fourth quarter, worse than the 5.1 per cent decline in the third quarter. Meanwhile, re-exports rose by 3.4 per cent, higher than the 0.3 per cent increase in the preceding quarter.

Exhibit 4.1: Growth Rates of Total Merchandise Trade, Merchandise Exports and Merchandise Imports (In Nominal Terms)

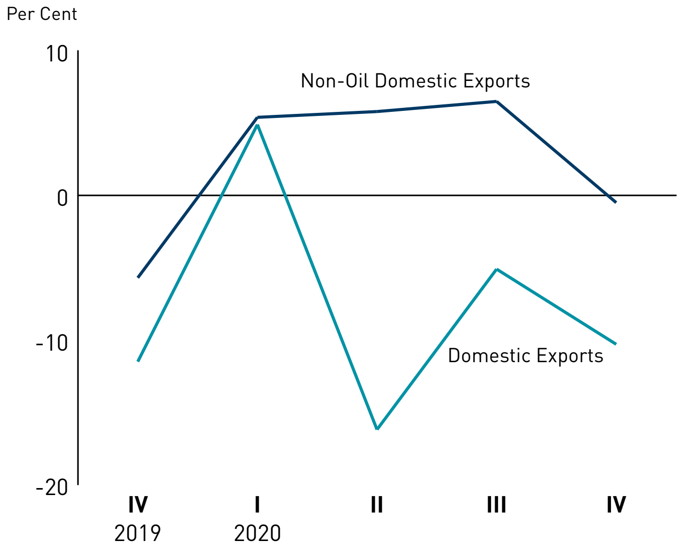
	2019	2020 I	II	III	IV	2020
Total Merchandise Trade	-3.2	3.4	-13.9	-4.8	-5.1	**-5.2**
Merchandise Exports	-4.2	4.0	-11.4	-2.2	-2.9	**-3.2**
Domestic Exports	-10.5	4.9	-16.2	-5.1	-10.3	**-6.8**
Oil	-12.9	3.9	-53.3	-29.1	-30.6	**-28.1**
Non-Oil	-9.2	5.4	5.8	6.5	-0.5	**4.3**
Re-Exports	2.3	3.2	-6.9	0.3	3.4	**0.1**
Merchandise Imports	-2.1	2.6	-16.6	-7.6	-7.6	**-7.4**
Oil	-13.5	-6.2	-57.5	-32.3	-39.2	**-34.0**
Non-oil	1.5	5.1	-5.2	-1.5	0.4	**-0.3**

For the whole of 2020, total merchandise exports decreased by 3.2 per cent, extending the 4.2 per cent decline in 2019.

Non-Oil Domestic Exports

Non-oil domestic exports (NODX) fell by 0.5 per cent year-on-year in the fourth quarter, after posting an increase of 6.5 per cent in the preceding quarter (Exhibit 4.2). The decline in NODX was due to a fall in non-electronics NODX outweighing the growth in electronics NODX.

Exhibit 4.2: Changes in Domestic Exports



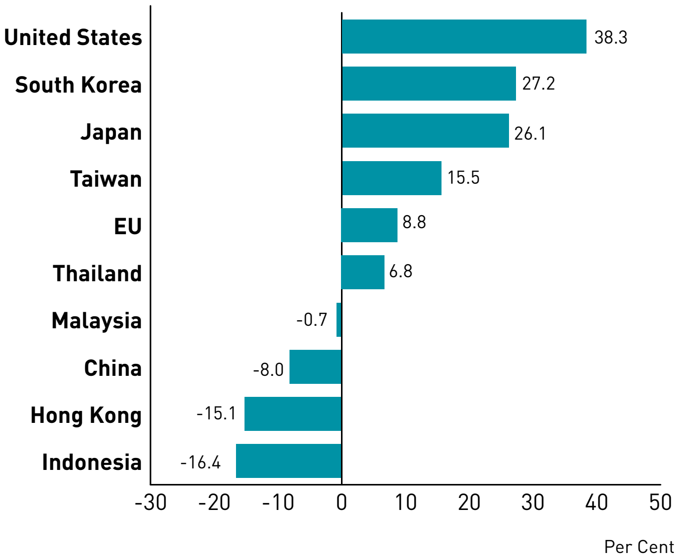
Electronics NODX grew by 2.6 per cent in the fourth quarter, easing from the 9.2 per cent increase in the previous quarter. The rise in electronics NODX was primarily due to higher domestic exports of telecommunications equipment, PCs and disk drives. Non-electronics NODX decreased by 1.4 per cent, a reversal from the 5.7 per cent growth in the previous quarter. The fall in non-electronics NODX was due to a decline in the domestic exports of pharmaceuticals, non-monetary gold and petrochemicals.

For the full year, NODX expanded by 4.3 per cent, after posting a 9.2 per cent decline in 2019. The increase was due to higher shipments of both non-electronics (4.1 per cent) and electronics (4.9 per cent) products.

The top 10 NODX markets accounted for 82 per cent of Singapore's total NODX in 2020. Singapore's NODX to the top 10 markets all rose in 2020, except for China, Hong Kong, Indonesia and Malaysia (Exhibit 4.3). The biggest contributors to the increase in NODX were the US (38 per cent), Japan (26 per cent) and South Korea (27 per cent).

NODX to the US expanded mainly because of a pickup in the exports of non-monetary gold, food preparations and disk media products. NODX to Japan rose as a result of an increase in the exports of pharmaceuticals, specialised machinery and glass. Meanwhile, specialised machinery, ICs and pharmaceuticals contributed the most to the growth in NODX to South Korea. On the other hand, NODX to China decreased due to a decline in the exports of non-monetary gold, petrochemicals and ICs.

Exhibit 4.3: Growth Rates of Non-Oil Domestic Exports to Top Ten Markets in 2020



Oil Domestic Exports

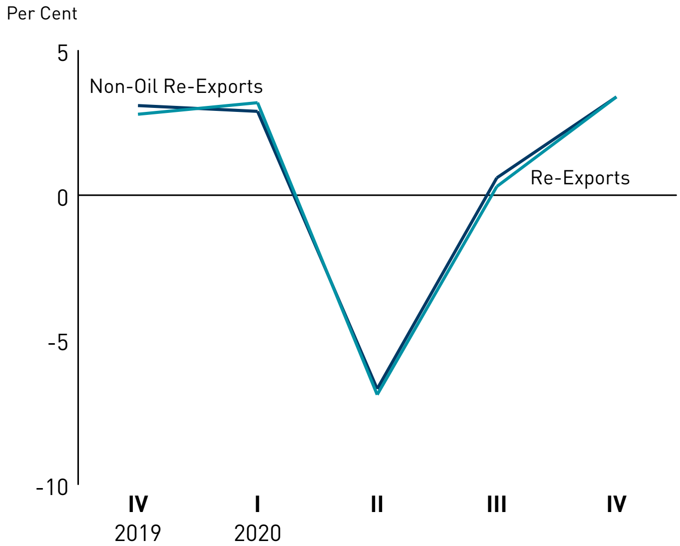
Oil domestic exports contracted by 31 per cent year-on-year in the fourth quarter, following the 29 per cent decline in the preceding quarter. The contraction in oil domestic exports was led by lower exports to Malaysia, Indonesia and Australia, partly reflecting lower oil prices in the fourth quarter as compared to a year ago. In volume terms, oil domestic exports declined by 8.4 per cent, a reversal from the 5.1 per cent increase in the third quarter.

For the full year, oil domestic exports fell by 28 per cent, following the 13 per cent contraction in 2019, on account of lower oil prices. The decline in oil domestic exports was driven mainly by lower exports to Malaysia, Indonesia and Australia. In volume terms, oil domestic exports expanded by 3.6 per cent in 2020, a turnaround from the 5.8 per cent decrease in 2019.

Non-Oil Re-Exports

Non-oil re-exports (NORX) grew by 3.4 per cent year-on-year in the fourth quarter, after recording a decline of 0.6 per cent in the preceding quarter (Exhibit 4.4). The growth in NORX was due to an increase in the re-exports of electronics outweighing a decline in non-electronic re-exports. Electronics NORX expanded by 21 per cent, following the 16 per cent growth in the third quarter, on the back of an increase in the re-exports of ICs, diodes & transistors and parts of PCs. Meanwhile, non-electronics NORX decreased by 12 per cent, extending the 13 per cent decline in the preceding quarter. The fall in non-electronics NORX was mainly due to the lower re-exports of non-electric engines & motors, aircraft parts and piston engines.

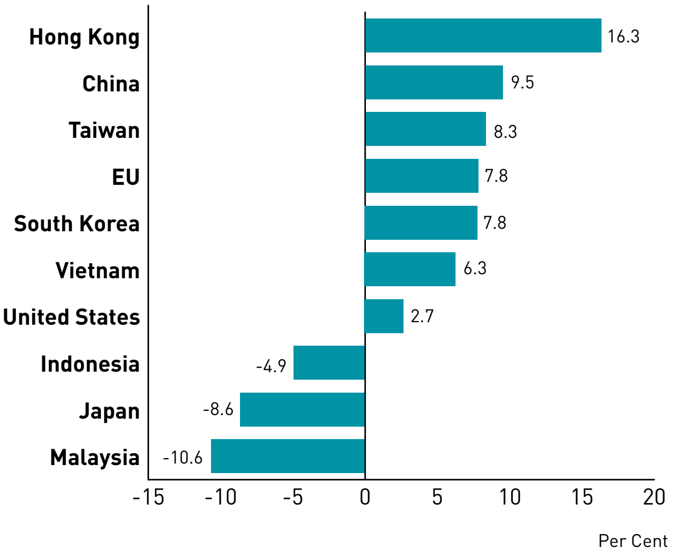
Exhibit 4.4: Changes in Re-Exports



For the whole of 2020, NORX edged up marginally by 0.1 per cent, moderating from the 3.1 per cent rise in 2019. Growth was attributable to the increase in electronics NORX (13 per cent) which outweighed the decline in non-electronics NORX (-11 per cent).

NORX to all top 10 NORX markets expanded in 2020, except for Malaysia, Japan and Indonesia (Exhibit 4.5). NORX to Hong Kong rose on the back of higher re-exports of ICs, diodes & transistors and non-electric engines & motors. Meanwhile, higher shipments of ICs, personal beauty products and specialised machinery led to an increase in NORX to China. Re-exports to the EU 27 rose due to higher shipments of ICs, telecommunications equipment and parts of PCs. On the other hand, NORX to Malaysia fell because of a drop in the shipments of telecommunications equipment, non-monetary gold and aircraft parts.

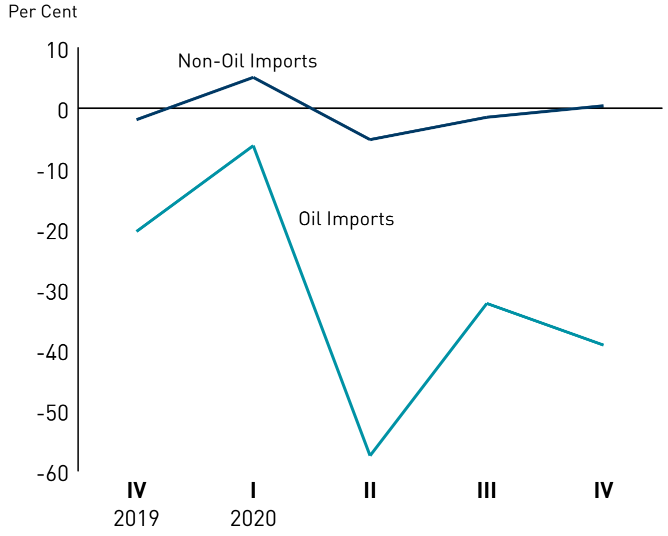
Exhibit 4.5: Growth Rates of Non-Oil Re-Exports to Top Ten Markets in 2020



Merchandise Imports

Non-oil imports increased by 0.4 per cent year-on-year in the fourth quarter, a reversal from the 1.5 per cent decline in the preceding quarter (Exhibit 4.6). The rise in non-oil imports came on the back of a pickup in the imports of electronics (14 per cent) which outweighed a decline in non-electronics imports (-7.7 per cent). Higher imports of ICs, parts of PCs and parts of ICs contributed to the increase in electronics imports. Meanwhile, non-electronics imports declined due to a drop in the imports of non-electric engines & motors, aircraft parts and petrochemicals.

Exhibit 4.6: Changes in Merchandise Imports



Oil imports fell by 39 per cent year-on-year in the fourth quarter, following the 32 per cent decline in the preceding quarter. In volume terms, oil imports plunged by 20 per cent, larger than the 3.9 per cent decline in the previous quarter.

For the full year, non-oil imports dipped by 0.3 per cent, deteriorating from the 1.5 per cent growth in 2019. Oil imports slumped by 34 per cent, following the 13 per cent decline in 2019.

Services Exports

Services exports shrank by 14 per cent year-on-year in the fourth quarter, extending the 14 per cent contraction in the third quarter (Exhibit 4.7). This was primarily driven by the exports of travel services, transport services and maintenance & repair services, which plunged by 85 per cent, 17 per cent and 45 per cent respectively. By contrast, the exports of financial services expanded by 9.4 per cent.

For the full year, services exports declined by 13 per cent, reversing from the 6.2 per cent growth recorded in 2019. Total services exports fell on the back of a contraction in the exports of travel services (-74 per cent), transport services (-14 per cent) and other business services (-3.7 per cent). These decreases were partially offset by an expansion in the exports of financial services (3.7 per cent) and insurance services (3.1 per cent) over the same period.

Services Imports

Services imports fell by 19 per cent year-on-year in the fourth quarter, following the 19 per cent decline recorded in the third quarter. The decrease in services imports was on account of the lower imports of travel services (-90 per cent), transport services (-22 per cent) and other business services (-3.2 per cent). Conversely, the imports of financial services increased by 18 per cent.

For the whole of 2020, services imports contracted by 16 per cent, a reversal from the 5.2 per cent increase in 2019. The decrease in services imports was attributable to the imports of travel services, transport services and other business services contracting by 75 per cent, 18 per cent and 4.2 per cent respectively. These declines were partially offset by an increase in the imports of financial services and telecommunications, computer & information services by 14 per cent and 5.5 per cent respectively.

Exhibit 4.7: Growth Rates of Total Services Trade, Services Exports and Services Imports (In Nominal Terms)

	2019	2020				2020
		I	II	III	IV	
Total Services Trade	5.7	-3.0	-21.4	-16.3	-16.3	**-14.3**
Services Exports	6.2	-3.3	-19.1	-14.1	-13.8	**-12.7**
Services Imports	5.2	-2.7	-23.7	-18.7	-18.9	**-16.1**

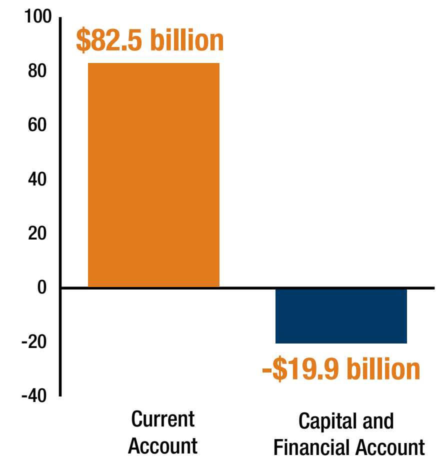
CHAPTER

05

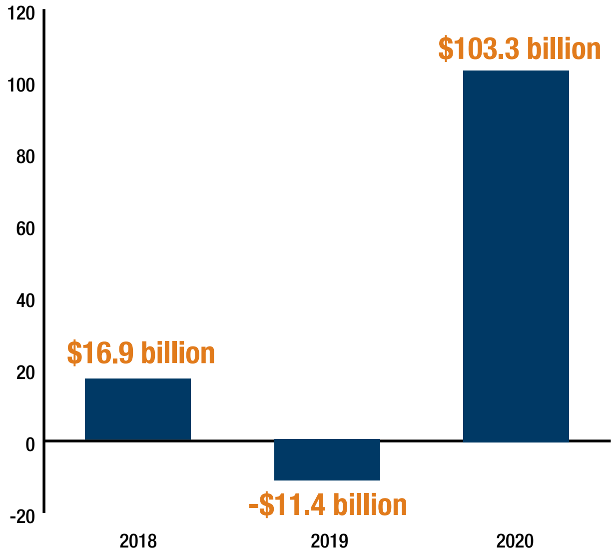
BALANCE OF PAYMENTS

CHAPTER 5
BALANCE OF PAYMENTS

Singapore's balance of payments surplus came in at $103.3 billion at the end of 2020



BALANCE OF PAYMENTS TREND



COMPONENTS OF CURRENT ACCOUNT

Goods balance: $129.2 billion

Services balance: $20.5 billion

Primary income balance: -$57.3 billion

Secondary income balance: -$9.9 billion

COMPONENTS OF CAPITAL & FINANCIAL ACCOUNT

Direct investment: -$76.0 billion

Portfolio investment: $71.0 billion

Financial derivatives: $19.1 billion

Other investment: -$34.0 billion

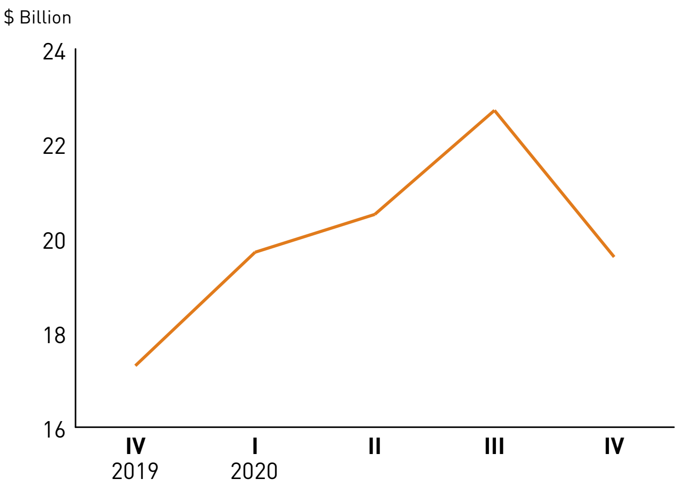
OVERVIEW

Singapore's overall balance of payments rose to $37 billion in the fourth quarter of 2020, from $14 billion in the third quarter. For the year as a whole, the overall balance of payments registered a surplus of $103 billion, reversing the deficit of $11 billion in 2019. This was mainly due to net inflows into the capital and financial account, which was a reversal from the net outflows in 2019. As a result, Singapore's official foreign reserves rose to $479 billion at the end of 2020.

CURRENT ACCOUNT

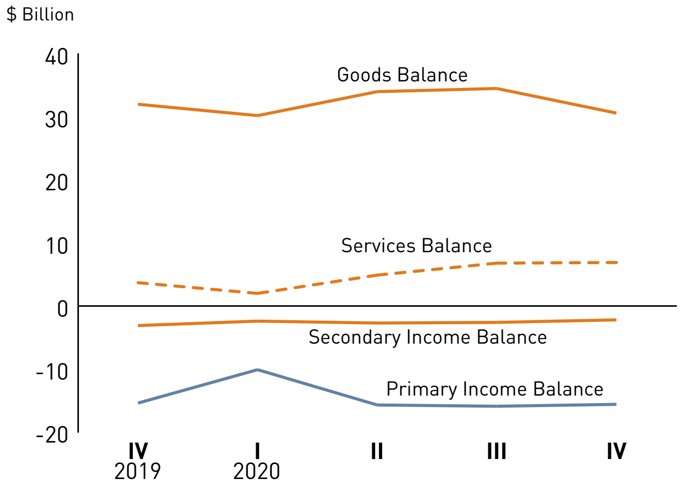
The current account surplus narrowed to $20 billion in the fourth quarter, from $23 billion in the third quarter (Exhibit 5.1). For 2020 as a whole, the surplus rose by $9.6 billion to $82 billion (18 per cent of GDP). This increase was driven by a larger surplus in the services balance and smaller deficits in both the primary and secondary income balances, which more than offset a decline in the goods surplus.

Exhibit 5.1: Current Account Balance



In terms of the sub-components of the current account, the goods balance saw its surplus decline by $3.9 billion from the third quarter to $31 billion in the fourth quarter, as imports rose by more than exports (Exhibit 5.2). For the 2020 as a whole, the goods balance registered a smaller surplus of $129 billion, compared to the $132 billion in 2019, as the exports of goods fell by more than imports.

Exhibit 5.2: Components of Current Account Balance



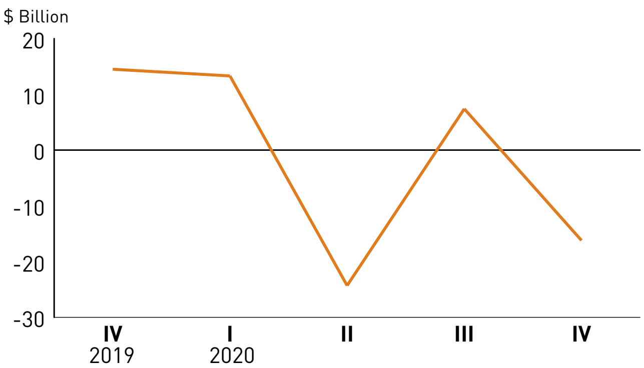
The surplus in the services balance came in at $6.9 billion in the fourth quarter, broadly unchanged from the preceding quarter. However, for the whole of 2020, the surplus in the services balance widened to $21 billion, from $12 billion in 2019. This was driven mainly by lower net payments for travel services and a shift from net payments to net receipts for transport services.

For the primary income balance, the deficit narrowed slightly by $0.3 billion from the previous quarter to $16 billion in the fourth quarter. For the year as a whole, the deficit declined to $57 billion, from $61 billion in 2019, as primary income payments fell by more than receipts.

CAPITAL AND FINANCIAL ACCOUNT

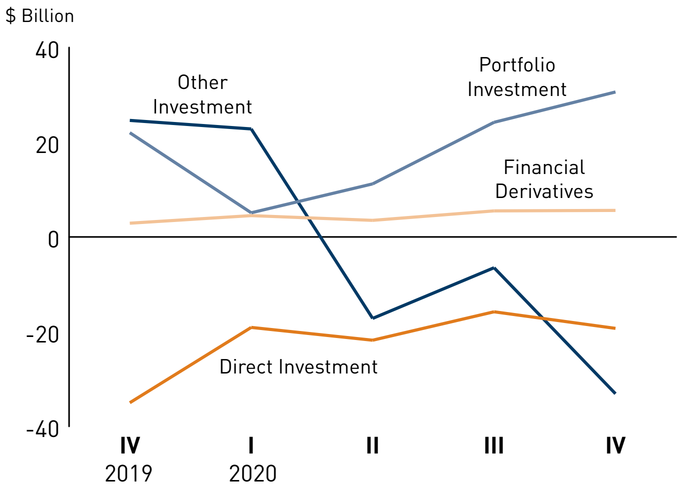
The capital and financial account[1] registered a net inflow of $16 billion in the fourth quarter, in contrast to the net outflow of $7.4 billion in the preceding quarter (Exhibit 5.3). For 2020 as a whole, net inflows came in at $20 billion (4.2 per cent of GDP), a reversal from the net outflows of $84 billion in 2019. The reversal primarily reflected lower net outflows of portfolio investment and a shift in "other investment" from a net outflow to a net inflow position. These factors outweighed a decline in the net inflows of direct investment and an increase in the net outflows of financial derivatives.

Exhibit 5.3: Capital and Financial Account Balance



In terms of the sub-components of the capital and financial account, net outflows of portfolio investment rose by $6.4 billion in the fourth quarter to $31 billion (Exhibit 5.4). For the full year, net outflows of portfolio investment amounted to $71 billion, less than half the $145 billion of net outflows recorded in 2019. This was partly due to a shift from a net outflow position in resident deposit-taking corporations in 2019 to a net inflow position in 2020, as resident banks switched to selling overseas securities from net purchases in the previous year.

Exhibit 5.4: Components of Financial Account (Net)



Net inflows of "other investment" increased to $33 billion in the fourth quarter, from $6.5 billion in the preceding quarter. For the full year, net inflows were $34 billion, a turnaround from the net outflows of $21 billion in 2019. This was partly attributable to an increase in net inflows to the domestic non-bank private sector, as liabilities to non-residents grew and assets abroad fell.

Direct investment saw net inflows amounting to $19 billion in the fourth quarter, higher than the $16 billion in previous quarter. For 2020 as a whole, net inflows of direct investment fell by $19 billion to $76 billion, as the decline in foreign direct investment into Singapore exceeded the fall in residents' direct investment abroad.

Net outflows of financial derivatives came in at $5.6 billion in the fourth quarter, largely unchanged from the previous quarter. For the full year of 2020, net outflows of financial derivatives rose to $19 billion, from $13 billion in 2019.

1 *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".*

Image courtesy of Illumina

CHAPTER

06

SECTORAL PERFORMANCE

CHAPTER 6
SECTORAL PERFORMANCE

OVERALL ECONOMY

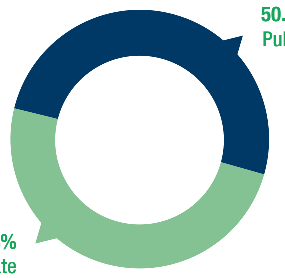
STRUCTURE OF ECONOMY	Nominal Value Added Share (%)	Real Growth (%)
TOTAL	**100.0**	**-5.4**
Goods Producing Industries	25.6	0.3
Manufacturing	21.5	7.3
Construction	2.7	-35.9
Utilities	1.3	-2.2
Other Goods Industries	0.0	-10.0
Services Producing Industries	70.1	-6.9
Wholesale Trade	16.8	-2.4
Retail Trade	1.4	-16.0
Transportation & Storage	5.4	-25.4
Accommodation	0.4	-28.7
Food & Beverage Services	1.0	-25.1
Information & Communications	5.1	2.1
Finance & Insurance	15.7	5.0
Real Estate	3.0	-14.2
Professional Services	5.9	-9.7
Administrative & Support Services	4.5	-15.1
Other Services Industries	10.8	-8.9
Ownership of Dwellings	4.3	1.1

MANUFACTURING

CLUSTERS IN THE MANUFACTURING SECTOR

	Nominal VA Share (%)	Real Growth (%)
Electronics	39.2	11.9
Chemicals	14.0	-1.0
Biomedical Manufacturing	17.1	23.7
Precision Engineering	15.0	10.6
Transport Engineering	5.9	-25.7
General Manufacturing Industries	8.7	-11.3

CONSTRUCTION



CERTIFIED PAYMENTS IN 2020

CONTRACTS AWARDED IN 2020

Civil Engineering Work	Residential	Industrial	Institutional & Others	Commercial
$5.7 billion	$5.6 billion	$4.3 billion	$3.9 billion	$1.6 billion

WHOLESALE TRADE

Foreign Wholesale Trade Index growth
-1.4%

Domestic Wholesale Trade Index growth
-12.3%

RETAIL TRADE

Retail Sales Index growth (Non-motor Vehicles)
-14.3%

Retail Sales Index growth (Motor Vehicles)
-24.3%

TRANSPORTATION & STORAGE

TRANSPORTATION & STORAGE	Nominal Value Added Share (%)	Real Growth (%)
Land Transport*	18.5	-25.9
Water Transport*	50.9	-7.3
Air Transport*	6.4	-72.5
Storage & Other Support Services	20.3	-11.4
Post & Courier	3.9	7.3

*Including supporting services

-5.7% Total sea cargo handled growth

-82.8% Air passengers handled growth

ACCOMMODATION

PERFORMANCE OF HOTELS, (JANUARY-NOVERMBER 2020)

Room revenue growth
-71.3%

Gross lettings growth
-57.8%

FOOD & BEVERAGE SERVICES

PERFORMANCE OF F&B (SALES GROWTH)

Fast Food
-8.8%

Others
-18.3%

Restaurants
-34.1%

Catering
-54.8%

INFORMATION & COMMUNICATIONS

	Nominal VA Share (%)	Real Growth (%)
Telecommunications	21.2	-8.3
IT & Information Services	64.8	6.4
Others	14.0	0.9

CHAPTER 6
SECTORAL PERFORMANCE

FINANCE & INSURANCE

FINANCE & INSURANCE	Nominal Value Added Share (%)	Real Growth (%)
Banking	42.7	4.8
Activities Auxiliary to Financial Services	19.5	6.2
Fund Management	10.4	3.7
Insurance	18.0	10.2
Others	9.5	-3.5

GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 2020

Total Loans
-2.0%

Loans to Businesses
-2.4%

Consumer Loans
-1.2%

OTHER SERVICES INDUSTRIES

OTHER SERVICES INDUSTRIES	Nominal Value Added Share (%)	Real Growth (%)
Public Administration & Defence	26.0	0.8
Education, Health & Social Work	54.6	-3.2
Arts, Entertainment & Recreation	5.9	-54.0
Others	13.5	-9.8

REAL ESTATE

PRIVATE RESIDENTIAL REAL ESTATE

Units Transacted Growth
9.2%

Price Index Growth
2.2%

COMMERCIAL AND INDUSTRIAL REAL ESTATE (RENTAL INDEX GROWTH)

Commercial Office Space
-8.5%

Commercial Retail Space
-14.7%

Industrial Space Rental
-1.5%

PROFESSIONAL SERVICES

PROFESSIONAL SERVICES	Nominal Value Added Share (%)	Real Growth (%)
Legal	8.8	-4.9
Accounting	6.9	-2.2
Head Offices & Business Representative Offices	33.6	-5.0
Business & Management Consultancy	9.4	-9.0
Architectural & Engineering, Technical Testing & Analysis	24.5	-16.3
Other Professional, Scientific & Technical Services	16.8	-14.0

ADMINISTRATIVE & SUPPORT SERVICES

ADMINISTRATIVE & SUPPORT SERVICES	Nominal Value Added Share (%)	Real Growth (%)
Rental & Leasing	60.5	-14.1
Other Administrative & Support Services	39.5	-16.6

6.1 MANUFACTURING

OVERVIEW

The manufacturing sector expanded by 10 per cent year-on-year in the fourth quarter of 2020, extending the 11 per cent growth in the preceding quarter. Growth in the sector was supported by output expansions in the electronics, biomedical manufacturing, precision engineering and chemicals clusters.

For the whole of 2020, the manufacturing sector grew by 7.3 per cent, reversing the 1.5 per cent decline in the previous year, on the back of output growth in the electronics, biomedical manufacturing and precision engineering clusters.

OVERALL MANUFACTURING PERFORMANCE

In the fourth quarter, manufacturing output grew by 10 per cent on account of output expansions in the electronics, biomedical manufacturing, precision engineering and chemicals clusters. On the other hand, output declined in the transport engineering and general manufacturing clusters (Exhibit 6.1).

For the whole of 2020, the manufacturing sector expanded by 7.3 per cent, a rebound from the 1.5 per cent decline in 2019. The strong performance of the sector was driven by output growth in the electronics, biomedical manufacturing and precision engineering clusters (Exhibit 6.2).

Exhibit 6.1: Manufacturing Growth Rates

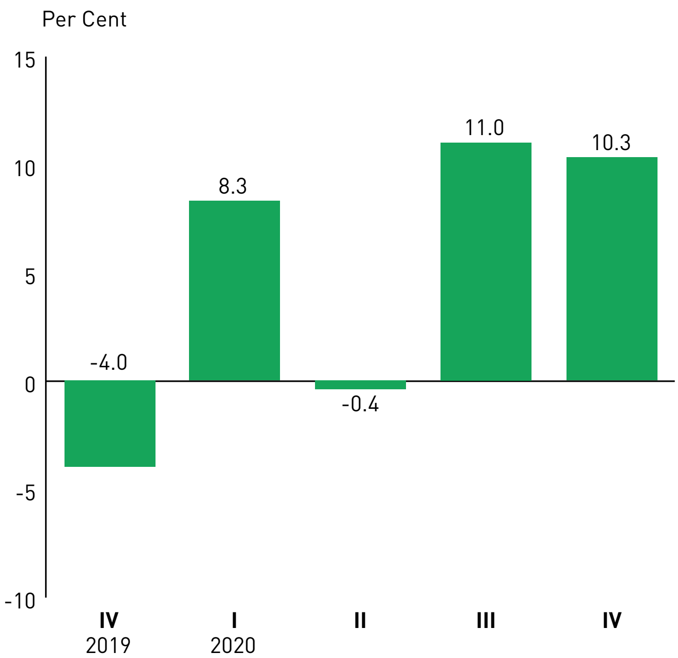
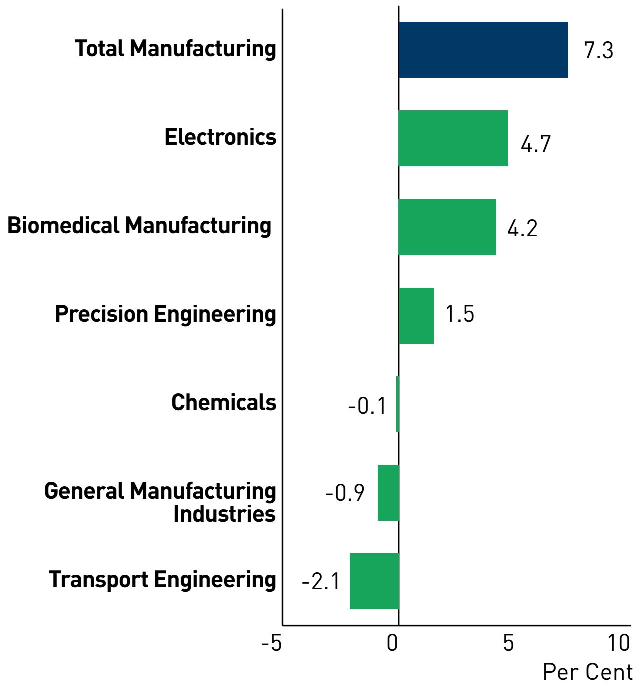


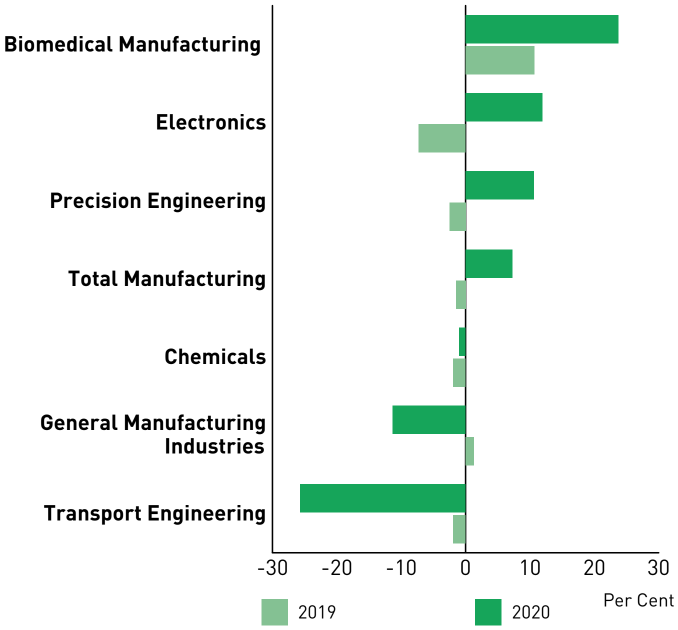
Exhibit 6.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 2020



PERFORMANCE OF CLUSTERS

The electronics cluster grew by 23 per cent in the fourth quarter, bolstered by output expansions in the semiconductors (26 per cent), computer peripherals & data storage (11 per cent) and other electronic modules & components (1.8 per cent) segments. In particular, the semiconductors segment was supported by strong demand for semiconductor chips from 5G markets. On the other hand, the infocomms & consumer electronics segment contracted by 6.0 per cent. For 2020 as a whole, the electronics cluster expanded by 12 per cent on account of robust global semiconductor demand (Exhibit 6.3).

Exhibit 6.3: Manufacturing Clusters' Growth



Output in the biomedical manufacturing cluster rose by 13 per cent in the fourth quarter, supported by growth in both the pharmaceuticals and medical technology segments. The pharmaceuticals segment expanded by 11 per cent due to a higher level of production of active pharmaceutical ingredients (APIs) and biological products. Similarly, output in the medical technology segment increased by 16 per cent on the back of higher export demand for medical devices. For the full year, output in the biomedical manufacturing cluster rose by 24 per cent, supported by expansions in both segments.

The precision engineering cluster expanded by 9.7 per cent in the fourth quarter, supported by output expansions in both the machinery & systems (M&S) and precision modules & components (PMC) segments. In particular, the M&S segment grew by 13 per cent on account of a higher level of production of semiconductor equipment. Meanwhile, the PMC segment rose by 1.8 per cent on the back of output increases for optical instruments and metal precision components. For the whole of 2020, the precision engineering cluster grew by 11 per cent.

Growth in the chemicals cluster came in at 7.3 per cent in the fourth quarter, supported by output expansions in all segments except for the petroleum segment. The petrochemicals segment expanded by 15 per cent from a low base, due to plant maintenance shutdowns in the same period a year ago. Likewise, output in the specialty chemicals segment increased by 12 per cent on the back of a rise in the output of industrial gases and mineral oil additives. At the same time, the other chemicals segment grew by 0.5 per cent, supported by a higher level of production of fragrances. Conversely, the petroleum segment contracted by 31 per cent as demand for transportation fuel was weak amidst the international and domestic travel restrictions caused by the COVID-19 pandemic in economies around the world. For 2020 as a whole, the chemicals cluster contracted by 1.0 per cent.

Output in the general manufacturing cluster fell by 6.9 per cent in the fourth quarter, with all segments recording declines. Specifically, the miscellaneous industries segment contracted by 6.9 per cent due to the weak demand for construction-related products, while the food, beverages & tobacco segment recorded a 5.8 per cent contraction on the back of a fall in the production of beverage products and milk powder. Meanwhile, output in the printing segment fell by 12 per cent. For the whole of 2020, the general manufacturing cluster contracted by 11 per cent.

Output in the transport engineering cluster declined by 30 per cent in the fourth quarter, weighed down by the aerospace and marine & offshore engineering (M&OE) segments. In particular, output in the aerospace segment plunged by 39 per cent due to a fall in repair and maintenance work from commercial airlines amidst global travel restrictions and weak air travel demand. Likewise, output in the M&OE segment slumped by 33 per cent as work in shipyards was weighed down by the requirement to implement safe management measures as well as weak order books. By contrast, the land transport segment expanded by 15 per cent on account of an increase in the output of parts and accessories for motor vehicles. For the whole of 2020, the transport engineering cluster shrank by 26 per cent.

6.2
CONSTRUCTION

OVERVIEW

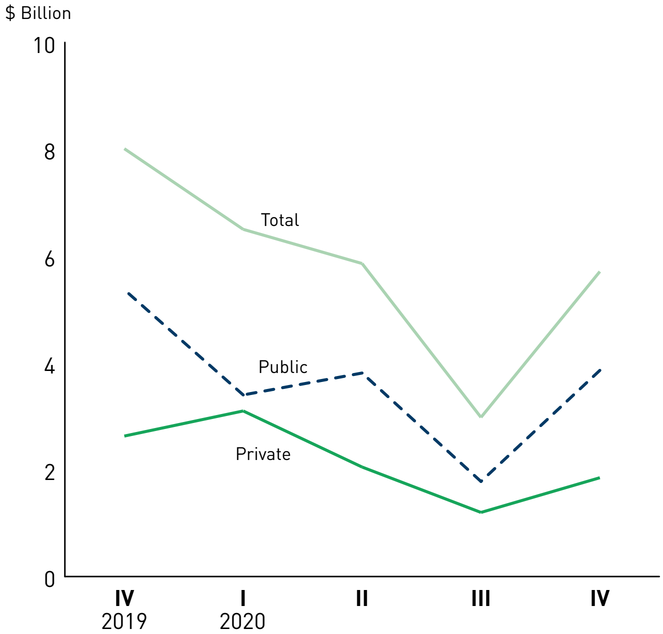
The construction sector shrank by 27 per cent year-on-year in the fourth quarter of 2020, moderating from the 53 per cent contraction recorded in the previous quarter.

For the whole of 2020, the sector contracted by 36 per cent, a sharp reversal from the 1.6 per cent growth in 2019.

CONSTRUCTION DEMAND

Construction demand (contracts awarded) plunged by 29 per cent year-on-year to $5.7 billion in the fourth quarter, on the back of declines in both public and private sector construction demand (Exhibit 6.4).

Exhibit 6.4: Contracts Awarded



For the full year, total construction demand fell by 37 per cent to $21 billion (Exhibit 6.5), on account of the COVID-19 pandemic which disrupted project implementation schedules.

Exhibit 6.5: Contracts Awarded, 2020 ($ Billion)

	Total	Public	Private
Total	21.0	12.8	8.2
Residential	5.6	2.9	2.7
Commercial	1.6	0.4	1.3
Industrial	4.3	2.1	2.2
Institutional & Others	3.9	2.6	1.3
Civil Engineering Works	5.7	4.9	0.8

Public Sector

In the fourth quarter, public sector construction demand contracted by 28 per cent to $3.9 billion. This was primarily due to declines in contracts awarded for public institutional & others building (-64 per cent) and public civil engineering (-52 per cent) works. However, these declines were partially offset by expansions in contracts awarded for public residential building (23 per cent) and industrial building (2080 per cent) works.

For the full year, public sector construction demand fell by 33 per cent to $12.8 billion. The contraction was due to a reduction in contracts awarded for most types of works, particularly institutional & others building (-48 per cent) and civil engineering (-37 per cent) works. Some of the major projects awarded during the year included LTA's first contract for the Rapid Transit System (RTS) Link and Integrated Train Testing Centre, NEA's Integrated Waste Management Facility (IWMF) (Package 1) and PUB's various contracts for the Deep Tunnel Sewerage System (DTSS) (Phase 2).

Private Sector

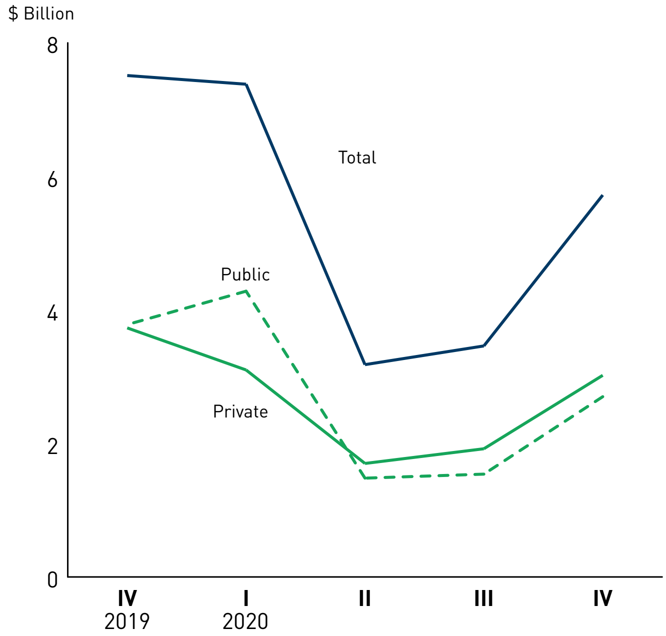
Private sector construction demand decreased by 30 per cent in the fourth quarter to $1.9 billion, weighed down by lower demand for private residential building (-54 per cent) and private institutional & others building (-87 per cent) works. On the other hand, expansions in contracts awarded for private commercial building (28 per cent) and industrial building (137 per cent) works helped to provide some support to private sector construction demand.

For the full year, private sector construction demand fell by 43 per cent to $8.2 billion, due to contractions in demand for all types of works, particularly residential (-46 per cent) and industrial building (-55 per cent) works. Major projects awarded in 2020 included Mandai Park's rejuvenation project, residential developments for Government Land Sales (GLS) and past en-bloc sale sites, as well as Hyundai Mobility Global Innovation Centre.

CONSTRUCTION ACTIVITIES

Construction output (or certified payments) decreased by 24 per cent year-on-year to $5.7 billion in the fourth quarter, due to contractions in both public and private sector construction output (Exhibit 6.6).

Exhibit 6.6: Certified Payments



For the full year, construction output dropped by 30 per cent to $19.7 billion, a sharp reversal from the 6.4 per cent increase in 2019. Output was adversely affected by the suspension of construction activities during the Circuit Breaker period, as well as the slow pace of recovery of construction activities due to the need to implement safe management measures at construction worksites.

Public Sector

Public sector construction output contracted by 29 per cent year-on-year to $2.7 billion in the fourth quarter. Construction output for all types of works declined on a year-on-year basis, with public institutional & others building (-35 per cent) and public civil engineering (-25 per cent) works seeing the largest declines.

For the full year, public sector construction output shrank by 31 per cent to $10 billion, led by declines in residential building (-35 per cent) and civil engineering (-33 per cent) works. Major projects supporting public sector construction activities included LTA's East Coast Integrated Depot and Circle MRT Line 6, JTC's business park development at the Punggol Digital District and Logistics Hub at Benoi Road, MOH's Woodlands Health Campus, as well as PUB's DTSS (Phase 2).

Private Sector

In the fourth quarter, private sector construction output shrank by 19 per cent year-on-year to $3.0 billion, as all types of construction works declined, particularly private residential building (-15 per cent) and private industrial building (-20 per cent) works.

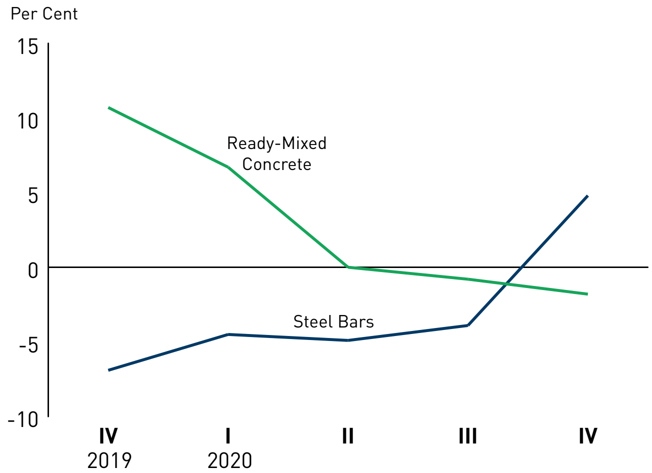
For the full year, private sector construction output fell by 29 per cent to $9.7 billion. All types of construction output contracted, especially residential building (-28 per cent) and industrial building (-25 per cent) works. Major on-going projects which contributed to private sector construction activities included the chemical and refining facilities at Jurong Island, data centres, a semiconductor fabrication plant, Mandai Park attractions and island-wide cable installation projects.

CONSTRUCTION MATERIALS

In tandem with the reduction in total construction output, total consumption of ready-mixed concrete shrank by 42 per cent to 7.2 million m3 in 2020. Similarly, the total consumption of steel rebars decreased by 39 per cent to 0.83 million tonnes in 2020.

The average market price of Grade 40 pump ready-mixed concrete dropped by 1.8 per cent year-on-year to about $94 per m3 in the fourth quarter (Exhibit 6.7). On the other hand, the average market price of steel rebar rose by 4.8 per cent year-on-year to around $754 per tonne in the fourth quarter, due to the rising costs of raw materials and tight supplies from import countries like China.

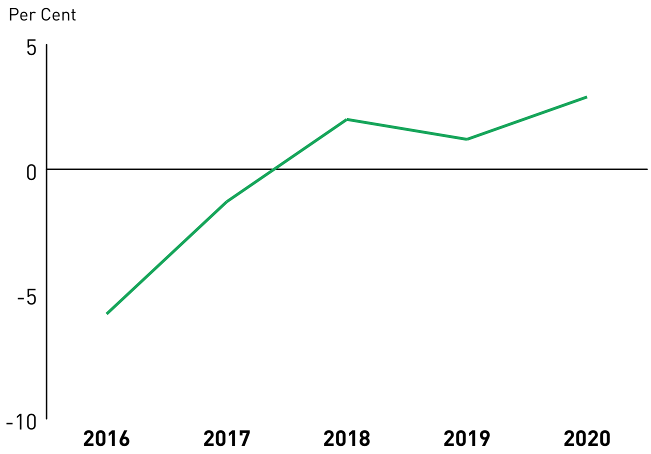
Exhibit 6.7: Changes in Market Prices of Construction Materials



CONSTRUCTION COSTS

Based on BCA's Building Works Tender Price Index (TPI), tender prices in the construction sector rose by 2.9 per cent in 2020, mainly on account of significant increases in manpower-related costs, which were in turn attributable to the tight supply of foreign workers as a result of travel restrictions (Exhibit 6.8). Looking ahead, elevated manpower-related costs as well as rising global material costs are likely to continue to exert upward pressures on construction costs and tender prices in 2021.

Exhibit 6.8: Changes in Tender Price Index



1 *Rebar consumption is estimated from net imports plus local production (without factoring in stock levels).*
2 *The market prices are based on contracts with non-fixed price, fixed price and market retail price.*
3 *The market prices refer to 16mm to 32mm High Tensile rebar and are based on fixed price supply contracts with a contract period 12 months or below.*

CONSTRUCTION OUTLOOK IN 2021

According to BCA, total construction demand is projected to be between $23 billion and $28 billion in 2021 (Exhibit 6.9). Demand from the public sector is expected to improve to between $15 billion and $18 billion, with an anticipated expansion in demand for public housing and major infrastructure works. Meanwhile, total private sector construction demand is projected to be between $8 billion and $10 billion in 2021. Demand is expected to be supported by the redevelopment of the remaining en-bloc sales sites, major retrofitting of commercial developments and construction of high-specification industrial buildings.

Total construction output in 2021 is projected to increase to between $24 billion and $27 billion, supported by an anticipated improvement in construction demand in 2021 as well as the backlogs of remaining workloads adversely affected by the COVID-19 pandemic in 2020.

Exhibit 6.9: Projected Construction Demand in 2021

	$ Billion
Public Sector	**15.0-18.0**
Building Construction Sub-total	**6.0-7.9**
Residential	3.4-4.2
Commercial	0.1-0.1
Industrial	0.5-0.8
Institutional & Others	2.0-2.8
Civil Engineering Works Sub-total	**9.1-10.1**
Private Sector	**8.0-10.0**
Building Construction Sub-total	**7.4-9.2**
Residential	2.9-3.4
Commercial	1.5-1.9
Industrial	2.2-2.9
Institutional & Others	0.7-1.1
Civil Engineering Works Sub-total	**0.6-0.8**
TOTAL CONSTRUCTION DEMAND	**23.0-28.0**

6.3 WHOLESALE TRADE[4]

OVERVIEW

The wholesale trade sector expanded by 1.8 per cent year-on-year in the fourth quarter, a reversal from the 5.0 per cent contraction in the previous quarter, largely on the back of improved foreign wholesale sales of telecommunications & computers and electronic components.

For the whole of 2020, the sector shrank by 2.4 per cent, worse than the 0.8 per cent contraction in 2019.

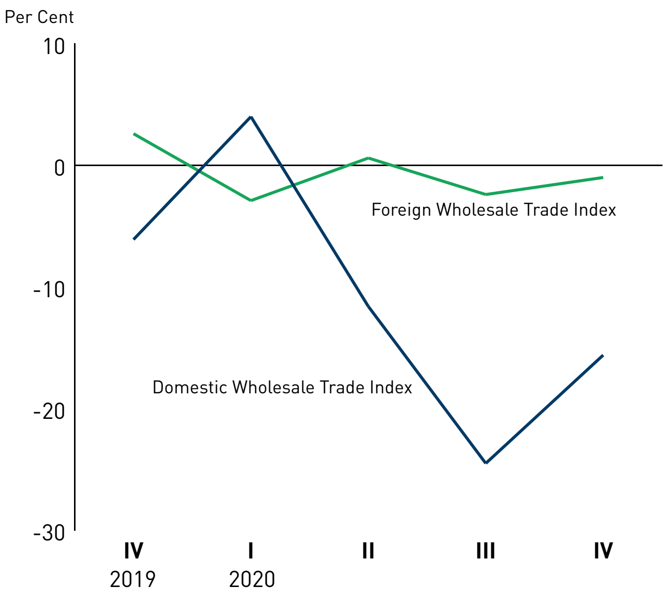
WHOLESALE SALES

In the fourth quarter, the wholesale trade sector was weighed down by declines in both domestic and foreign wholesale sales volumes.

The domestic wholesale sales volume fell by 16 per cent year-on-year in the fourth quarter, extending the 25 per cent contraction in the preceding quarter (Exhibit 6.10). The decline was led by weaker sales volumes in segments such as petroleum & petroleum-related products (-24 per cent), ship chandlers & bunkering (-14 per cent) and household equipment & furniture (-29 per cent), which outweighed the increase in the sales volumes of chemicals & chemicals-related products (23 per cent) and general wholesale trade (21 per cent). For the whole of 2020, the domestic wholesale trade index fell by 12 per cent, weakening from the 3.4 per cent decline in 2019.

Meanwhile, foreign wholesale sales volume fell by 1.0 per cent year-on-year in the fourth quarter, improving from the 2.4 per cent decline in the preceding quarter. The contraction was largely due to lower sales volumes of petroleum & petroleum-related products (-9.0 per cent) and other wholesale trade[5] (-14 per cent). These declines more than offset robust expansions in the sales volumes of electronic components (41 per cent) and telecommunications & computers (38 per cent). For the full year, the foreign wholesale trade index contracted by 1.4 per cent, extending the 1.7 per cent decline in the previous year.

Exhibit 6.10: Changes in Wholesale Trade Index in Chained Volume Terms



4 *With effect from the preliminary GDP estimates for the fourth quarter of 2020, the estimates for the Wholesale & Retail Trade sector will be disaggregated into their constituent Wholesale Trade and Retail Trade sectors. The Department of Statistics (DOS) will continue to make available the data for the broader sectors for downloading on DOS' website (www.singstat.gov.sg).*

5 *The "other wholesale trade" segment consists of a diverse range of products that includes agricultural raw materials and live animals, tropical produce, personal effects and medicinal and pharmaceutical products, among others.*

6.4
RETAIL TRADE[6]

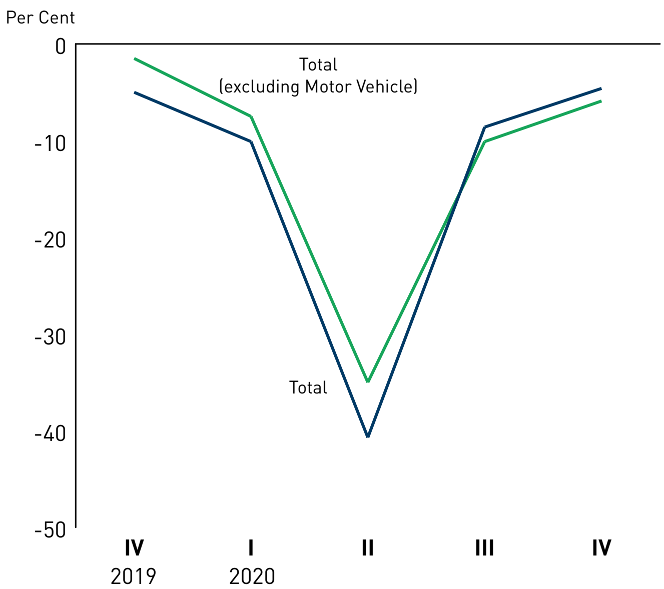
OVERVIEW

The retail trade sector contracted by 4.7 per cent year-on-year in the fourth quarter, improving from the 8.6 per cent decline in the previous quarter. For the whole of 2020, the sector shrank by 16 per cent, deteriorating from the 2.4 per cent contraction in 2019.

RETAIL SALES

Retail sales volume fell by 4.6 per cent year-on-year in the fourth quarter, moderating from the 8.6 per cent decline in the third quarter (Exhibit 6.11). Retail sales were supported by motor vehicle sales volume, which increased by 4.8 per cent. By contrast, non-motor vehicle sales volume contracted by 5.9 per cent, with declines seen across several categories of goods. In particular, the sales volume of goods such as food & alcohol (-39 per cent), cosmetics, toiletries & medical goods (-30 per cent) and department stores (-26 per cent) registered the highest declines. On the other hand, the sales volumes of supermarkets & hypermarkets (24 per cent), furniture & household equipment (20 per cent) and recreational goods (13 per cent) rose. These were purchases likely to have been made by consumers because they were spending more time at home given that work-from-home arrangements remained largely in place.

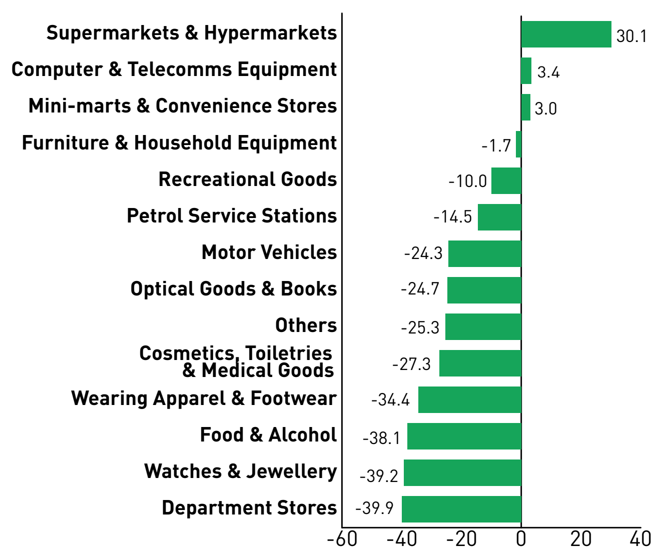
Exhibit 6.11: Changes in Retail Sales Index in Chained Volume Terms



For the full year, retail sales volume shrank by 16 per cent, extending the 3.4 per cent decline in 2019. The contraction was due to declines in both motor vehicle sales volume (-24 per cent) and non-motor vehicle sales volume (-14 per cent).

The decline in motor vehicle sales volume in 2020 came in tandem with a fall in COE supply. Meanwhile, the decrease in non-motor vehicle sales volume was underpinned by contractions in most categories of goods as a result of sluggish demand arising from the COVID-19 pandemic and public health measures (e.g., border restrictions, Circuit Breaker measures) undertaken to limit COVID-19 transmissions. For instance, department stores (-40 per cent), watches & jewellery (-39 per cent) and food & alcohol (-38 per cent) saw the largest declines in sales volumes (Exhibit 6.12). The exceptions were supermarkets & hypermarkets (30 per cent), computers & telecommunications equipment (3.4 per cent) and mini-marts & convenient stores (3.0 per cent), which saw increases in sales volumes.

Exhibit 6.12: Changes in Retail Sales Index at Constant Prices for Major Segments in 2020



6 *With effect from the preliminary GDP estimates for the fourth quarter of 2020, the estimates for the Wholesale & Retail Trade sector will be disaggregated into their constituent Wholesale Trade and Retail Trade sectors. The Department of Statistics (DOS) will continue to make available the data for the broader sectors for downloading on DOS' website (www.singstat.gov.sg).*

6.5 TRANSPORTATION & STORAGE

OVERVIEW

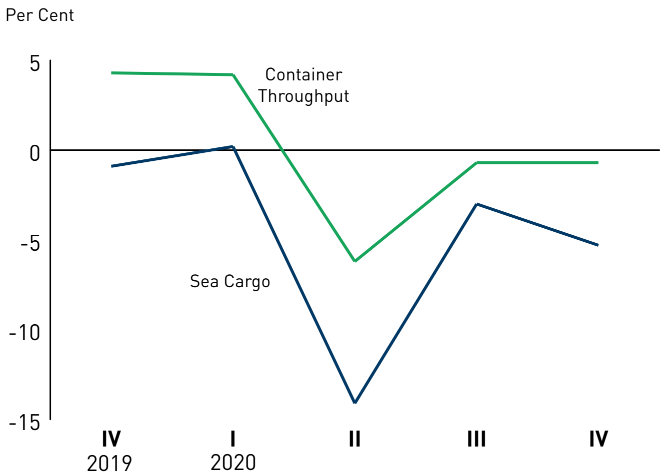
The transportation & storage sector shrank by 27 per cent year-on-year in the fourth quarter, improving slightly from the 29 per cent decline in the previous quarter.

For the whole of 2020, the sector contracted by 25 per cent, a sharp deterioration from the 0.2 per cent expansion recorded in 2019. The performance of the sector was weighed down largely by the water transport, air transport and land transport segments.

WATER TRANSPORT

Container throughput fell by 0.7 per cent year-on-year in the fourth quarter, unchanged from the 0.7 per cent decline in the previous quarter (Exhibit 6.13). For the full year, the number of TEUs (Twenty-Foot Equivalent Units) handled by Singapore's ports came in at 37 million, 0.9 per cent lower compared to 2019. This was a reversal from the 1.6 per cent growth achieved in 2019.

Exhibit 6.13: Changes in Container Throughput and Sea Cargo Handled



Overall sea cargo volumes declined by 5.3 per cent in the fourth quarter, extending the 3.0 per cent contraction in the preceding quarter. The fall in sea cargo volumes was largely due to oil-in-bulk cargo shipments, which declined by 14 per cent in the fourth quarter, worsening from the 1.2 per cent drop in the third quarter.

For the whole of 2020, overall sea cargo volumes fell by 5.7 per cent, deteriorating from the 0.6 per cent decline in the previous year.

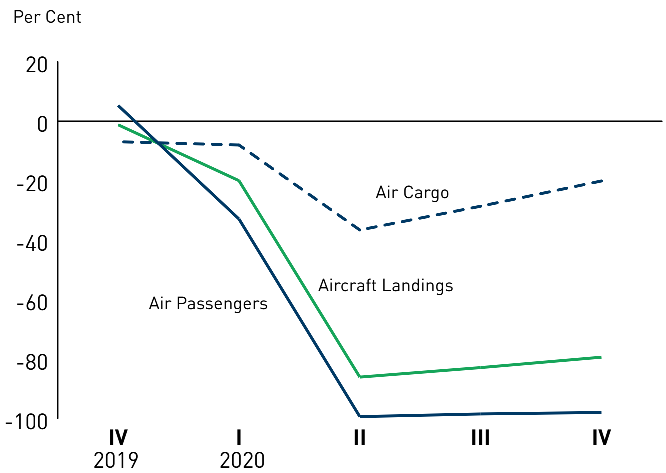
AIR TRANSPORT

Air passenger traffic handled by Changi Airport plummeted by 98 per cent year-on-year in the fourth quarter, extending the 98 per cent decline in the previous quarter (Exhibit 6.14).

For the full year, total air passenger traffic passing through Changi Airport declined by 83 per cent to come in at 12 million, a sharp reversal from the 4.2 per cent growth in 2019. Air passenger traffic volumes across Singapore's routes with all major regions around the world saw a decline.

At the same time, air cargo volumes contracted by 20 per cent year-on-year in the fourth quarter, extending the 29 per cent decline in the previous quarter, amidst continued shortages in global air cargo capacity. For 2020 as a whole, air cargo shipments fell by 23 per cent, extending the 6.5 per cent contraction in 2019.

Exhibit 6.14: Changes in Air Transport



Meanwhile, following the 83 per cent decline in the third quarter, aircraft landings contracted by 79 per cent on-year to reach 9,982 in the fourth quarter. This brought the total number of aircraft landings in 2020 to 62,721, which was 67 per cent lower as compared to 2019.

6.6 ACCOMMODATION[7]

OVERVIEW

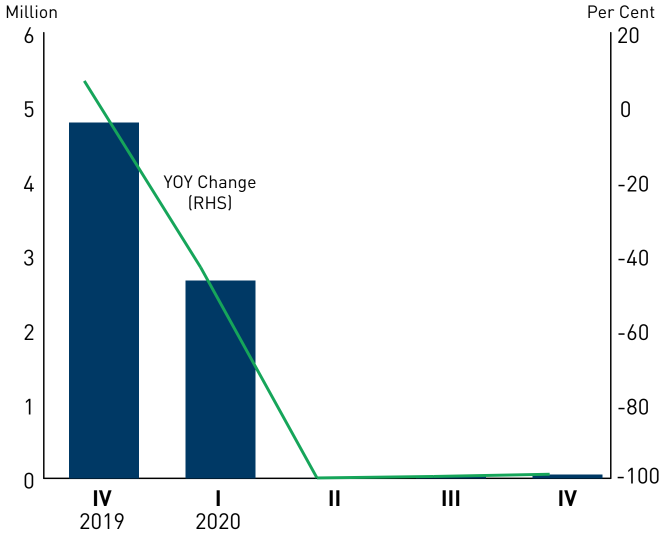
The accommodation sector contracted by 20 per cent year-on-year in the fourth quarter, unchanged from the 20 per cent contraction registered in the previous quarter.

For the whole of 2020, the sector shrank by 29 per cent, deteriorating from the 0.1 per cent growth in 2019.

VISITOR ARRIVALS

Singapore received around 52,000 visitors in the fourth quarter, 99 per cent lower compared to the same period a year ago (Exhibit 6.15). This came on the back of an across-the-board decline in visitor arrivals as a result of travel restrictions implemented in Singapore to curb the spread of COVID-19, as well as reduced global travel demand due to the COVID-19 pandemic.

Exhibit 6.15: Visitor Arrivals

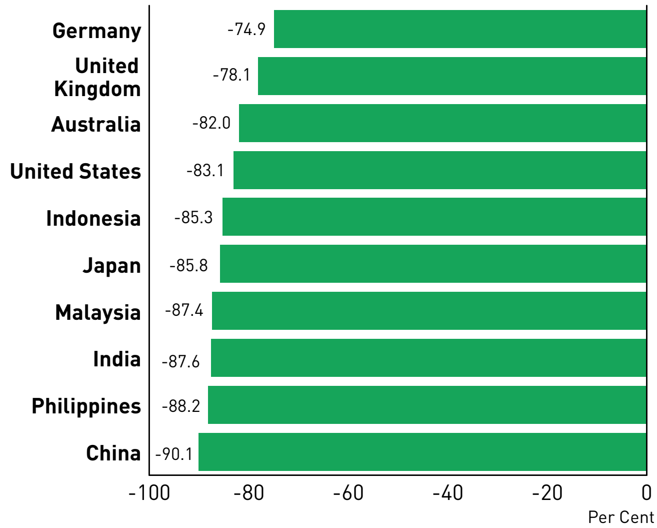


For the full year, visitor arrivals fell by 86 per cent, a sharp reversal from the 3.3 per cent growth recorded in 2019. In total, visitor arrivals reached 2.7 million in 2020, with most of the visitor arrivals (97 per cent) registered in the first quarter before major border restrictions were implemented in Singapore.[8]

In terms of source markets, Singapore's top five visitor-generating markets in 2020 were Indonesia (458,000 visitors), China (357,000 million), Australia (206,000), India (176,000) and Malaysia (153,000). Together, they accounted for 49 per cent of total visitor arrivals in 2020.

Among the top 10 visitor-generating markets, Germany (-75 per cent), United Kingdom (-78 per cent) and Australia (-82 per cent) posted the smallest contractions in visitor arrivals in 2020 (Exhibit 6.16).

Exhibit 6.16: Growth Rates of Top Ten Visitor Generating Markets in 2020



7 *With effect from the preliminary GDP estimates for the fourth quarter of 2020, the estimates for the Accommodation & Food Services sector will be disaggregated into their constituent Accommodation and Food & Beverage Services Trade sectors. The Department of Statistics (DOS) will continue to make available the data for the broader sectors for downloading on DOS' website (www.singstat.gov.sg).*

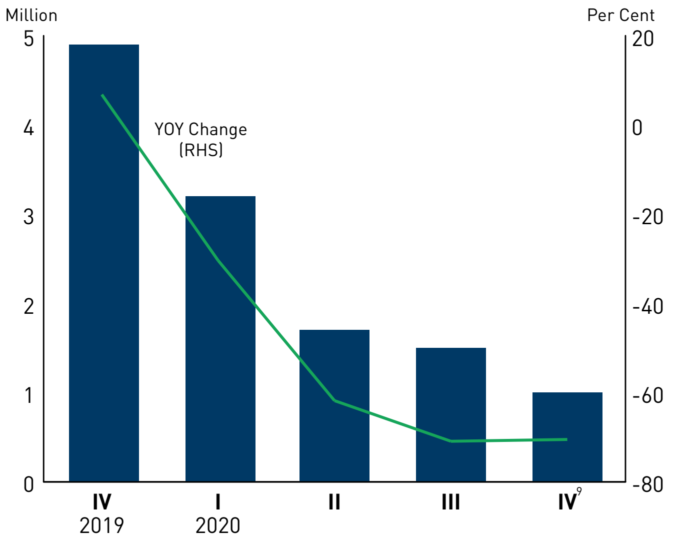
8 *Singapore prohibited all short-term visitors from entering or transiting through Singapore on 24 March 2020.*

ACCOMMODATION

In tandem with the slump in visitor arrivals, gross lettings of gazetted hotel rooms plummeted by 70 per cent year-on-year in the fourth quarter[9], slightly better than the 71 per cent decline registered in the previous quarter (Exhibit 6.17). Similarly, room revenue plunged by 82 per cent year-on-year, improving from the 87 per cent decline in the preceding quarter. The decline in room revenue came on the back of a drop in both the average occupancy rate of gazetted hotels and the average daily room rate. Specifically, the average occupancy rate fell by 32 percentage-points to 56 per cent, while the average daily room rate decreased by 34 per cent to $141 in the fourth quarter.

For the January to November 2020 period[10], the performance of the accommodation sector was weak, weighed down by fallout from the COVID-19 pandemic and the associated measures taken to reduce COVID-19 transmissions (e.g., border restrictions). The overall room revenue of gazetted hotels fell by 71 per cent to reach $1.1 billion over this period, driven by a 58 per cent decrease in gross lettings and a 31 per cent decline in the average daily room rate.

Exhibit 6.17: Gross Lettings



9 The statistics for the fourth quarter are estimated based on data for October and November, as data for December 2020 will only be ready at a later date.
10 Current figures for the hotel industry are up to November 2020. The hotels' full-year performance figures for 2020 will be ready at a later date.

6.7
FOOD & BEVERAGE SERVICES[11]

OVERVIEW

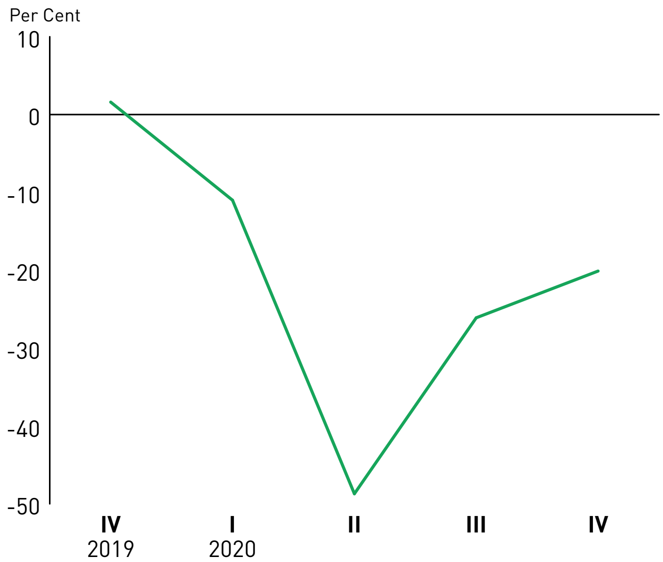
The food & beverage services sector shrank by 19 per cent year-on-year in the fourth quarter, improving from the 24 per cent contraction in the previous quarter.

For the whole of 2020, the sector contracted by 25 per cent, a sharp reversal from the 0.3 per cent growth in 2019.

FOOD & BEVERAGE SALES

Overall food & beverage sales volume fell by 20 per cent year-on-year in the fourth quarter, easing from the 26 per cent decline in the preceding quarter (Exhibit 6.18). The decrease came on the back of an across-the-board decline in sales volumes at food caterers (-75 per cent), restaurants (-23 per cent), cafes, food courts & other eating places (-11 per cent) and fast food outlets (-2.5 per cent).

Exhibit 6.18: Changes in Food and Beverage Services Index in Chained Volume Terms



For the whole of 2020, the food & beverage services index declined by 26 per cent. This was a significant pullback compared to the 1.5 per cent growth recorded in 2019. In particular, the food & beverage sales volume was adversely affected by weak demand caused by the COVID-19 pandemic and the attendant public health measures implemented to contain the pandemic (e.g., border restrictions, Circuit Breaker, safe distancing measures and capacity constraints). These, in turn, led to declines in the sales volumes of food caterers (-55 per cent), restaurants (-34 per cent), cafes, food courts & other eating places (-18 per cent), as well as fast food outlets (-8.8 per cent).

11 With effect from the preliminary GDP estimates for the fourth quarter of 2020, the estimates for the Accommodation & Food Services sector will be disaggregated into their constituent Accommodation and Food & Beverage Services Trade sectors. The Department of Statistics (DOS) will continue to make available the data for the broader sectors for downloading on DOS' website (www.singstat.gov.sg).

6.8 INFORMATION & COMMUNICATIONS

OVERVIEW

The information & communications sector expanded by 2.6 per cent year-on-year in the fourth quarter, extending the 1.4 per cent growth in the previous quarter. The positive outturn was supported by the IT & information services and "others" segments[12]. Meanwhile, the telecommunications segment contracted.

For the whole of 2020, the sector posted growth of 2.1 per cent, slowing from the 12 per cent expansion registered in 2019.

IT & INFORMATION SERVICES

In 2020, the growth of the information & communications sector was led by the IT & information services segment. Specifically, the segment expanded by 6.4 per cent, driven by resilient enterprise demand for services such as web hosting and web portal.

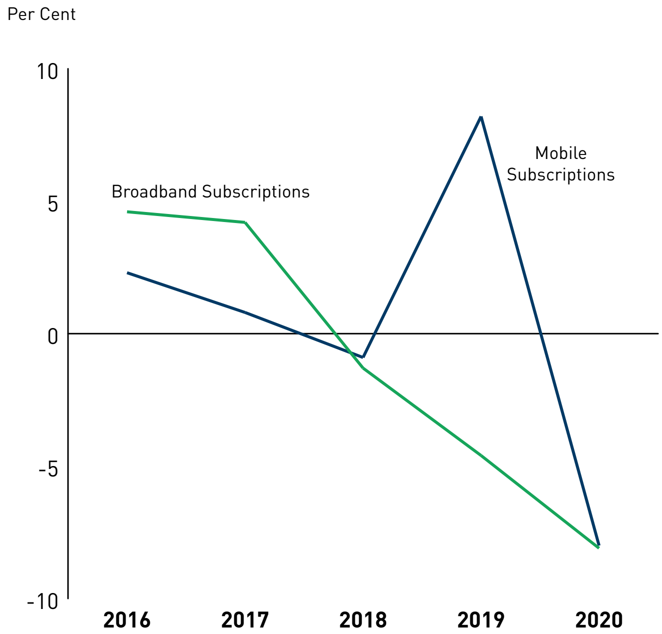
TELECOMMUNICATIONS

The telecommunications segment shrank by 8.3 per cent in 2020, weighed down mainly by weaker demand for mobile roaming and prepaid services as a result of subdued travel activity. For instance, the total number of outgoing retail international telephone call minutes (including transit minutes) over the January-June 2020 period fell by 48 per cent compared to the same period a year ago.

As at November 2020[13], the number of mobile subscriptions shrank by 8.0 per cent as compared to the same period in 2019 (Exhibit 6.19). This was led by prepaid subscriptions, with the total number of prepaid 3G and 4G subscriptions falling by 24 per cent to reach 2.2 million in November 2020. On the other hand, the number of postpaid 4G subscriptions rose by 4.9 per cent to around 5.9 million.

In 2020, the number of broadband subscriptions decreased by 8.1 per cent. This came on the back of a 9.4 per cent decline in wireless broadband subscriptions, led by fewer mobile data and Wireless@SG subscriptions[14], likely as a result of the travel restrictions and more people working from home. Nonetheless, there was a 1.5 per cent increase in optical fibre subscriptions.

Exhibit 6.19: Information & Communications Growth



12 *The "others" segment consists of (i) publishing activities (including computer games and software publishing), (ii) motion picture, video and other programme production, sound recording, and music publishing activities, and (iii) radio and television broadcasting activities.*
13 *Full-year data are not available at the time of publication.*
14 *The number of Wireless@SG subscriptions in a month includes only the active users for the month.*

6.9 FINANCE & INSURANCE

OVERVIEW

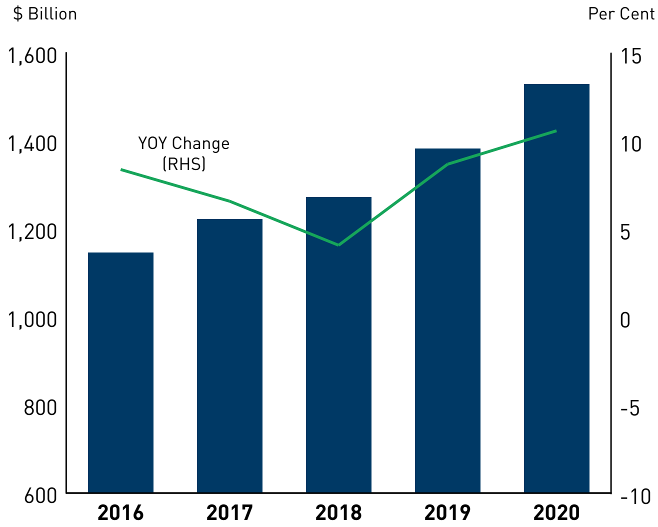
The finance & insurance sector grew by 4.9 per cent year-on-year in the fourth quarter of 2020, an improvement from the 4.2 per cent expansion in the previous quarter.

For the whole of 2020, the sector expanded by 5.0 per cent, moderating from the 7.8 per cent growth in the preceding year.

COMMERCIAL BANKS

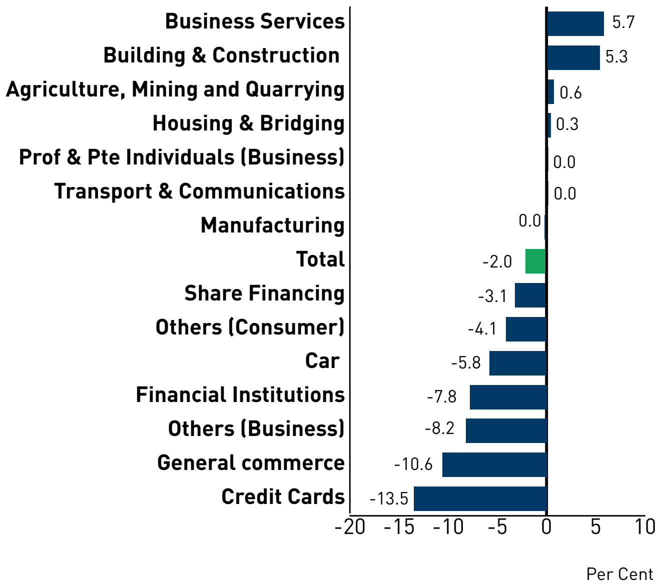
In 2020, total assets and liabilities of commercial banks increased by 11 per cent to $1.5 trillion (Exhibit 6.20). Domestic interbank lending rose by $112 billion (33 per cent), while domestic credit extended to non-bank customers fell by $14 billion (-2.0 per cent).

Exhibit 6.20: Total Assets and Liabilities of Commercial Banks



On the assets side, business lending contracted by 2.4 per cent in 2020, reversing the 5.9 per cent expansion in the preceding year. The decline was due to a sharp fall in lending to the general commerce sector and non-bank financial institutions, which was partially offset by resilient demand for loans in the building & construction sector. Meanwhile, consumer lending fell by 1.2 per cent, broadly similar to last year, due to the decline in credit cards and other loans (Exhibit 6.21).

Exhibit 6.21: Growth of Bank Loans and Advances to Non-Bank Customers by Industry in 2020

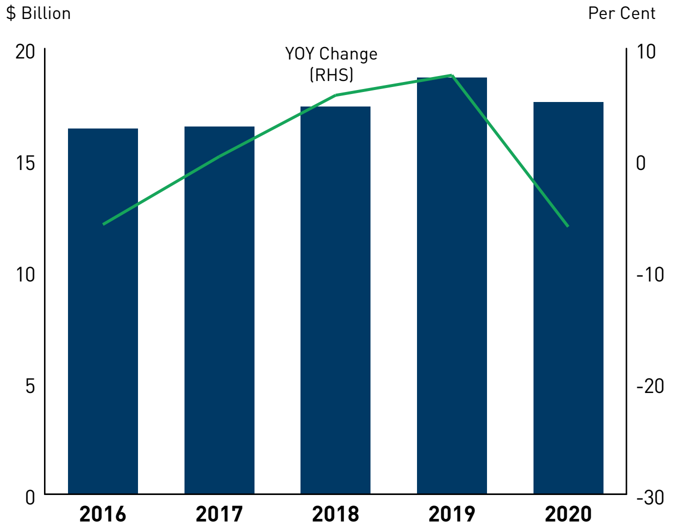


On the liabilities front, total deposits of non-bank customers grew rapidly by 12 per cent in 2020, higher than the 8.9 per cent increase in the previous year. As at end-2020, total non-bank deposits amounted to $764 billion, compared to $684 billion in the year before, driven by strong growth in demand and savings deposits.

FINANCE COMPANIES

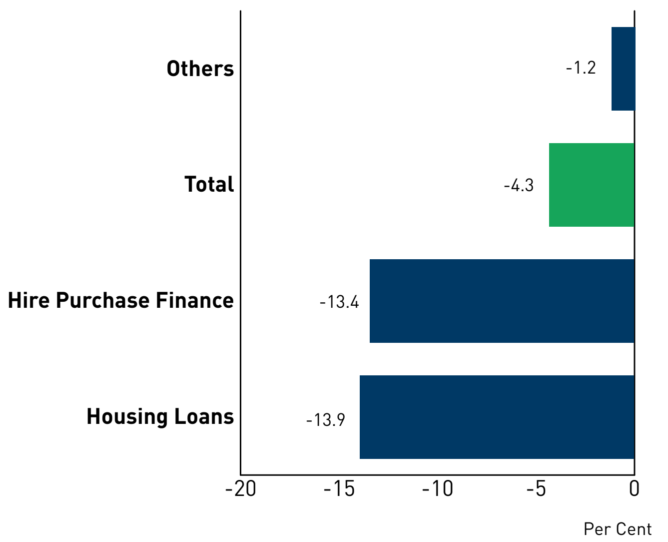
Total assets/liabilities of finance companies contracted by 6.0 per cent in 2020 to $18 billion, in contrast to the 7.6 per cent expansion in 2019 (Exhibit 6.22).

Exhibit 6.22: Total Assets and Liabilities of Finance Companies



Non-bank lending fell by 4.3 per cent in 2020, a reversal from the 11 per cent expansion recorded the year before, with contractions in both the hire purchase finance and housing loan segments (Exhibit 6.23). Meanwhile, the deposits of non-bank customers fell by 8.1 per cent in 2020, a reversal of the 8.2 per cent growth in 2019.

Exhibit 6.23: Growth of Loans and Advances of Finance Companies in 2020

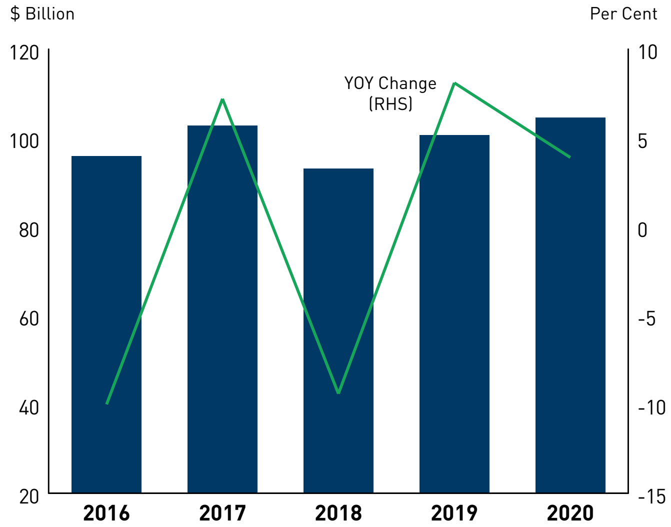


MERCHANT BANKS

Total assets/liabilities of merchant banks rose by 3.9 per cent to $105 billion in 2020, moderating from the 8.1 per cent growth in the previous year (Exhibit 6.24). The pickup stemmed from the offshore segment, which registered strong growth in interbank lending.

Meanwhile, the domestic operations of merchant banks expanded by 0.3 per cent, a turnaround from the 7.0 per cent contraction posted in 2019.

Exhibit 6.24: Total Assets and Liabilities of Merchant Banks



ASIAN DOLLAR MARKET

Total assets/liabilities of the Asian Dollar Market recorded an expansion of 9.7 per cent in 2020, accelerating from the 3.5 per cent growth in the previous year (Exhibit 6.25).

On the assets side, interbank loans grew by 11 per cent, reversing the 3.8 per cent contraction in 2019. Meanwhile, growth in non-bank loan volumes was only 1.7 per cent in 2020, compared to 6.2 per cent the year before. While credit demand from East Asia continued to support loans growth last year, it had moderated from that seen in 2019.

On the liabilities front, non-bank deposits rose by 10 per cent, driven by an increase in foreign currency deposits by non-residents. Meanwhile, interbank deposits expanded by 3.0 per cent, reversing the 5.6 per cent contraction registered in the previous year.

Exhibit 6.25: Total Assets and Liabilities of the Asian Dollar Market

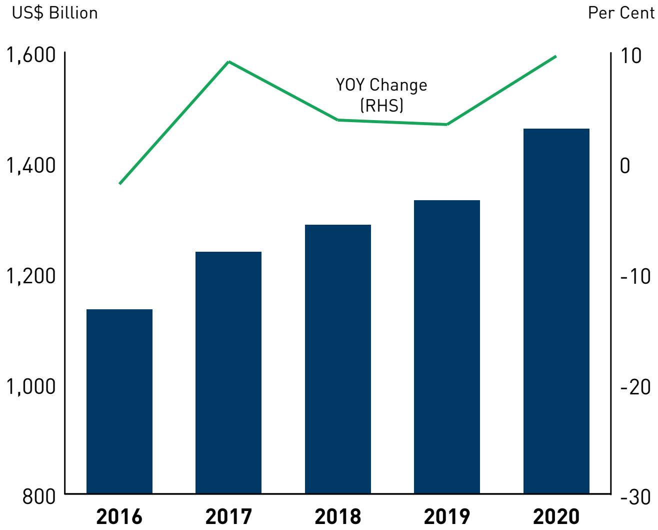
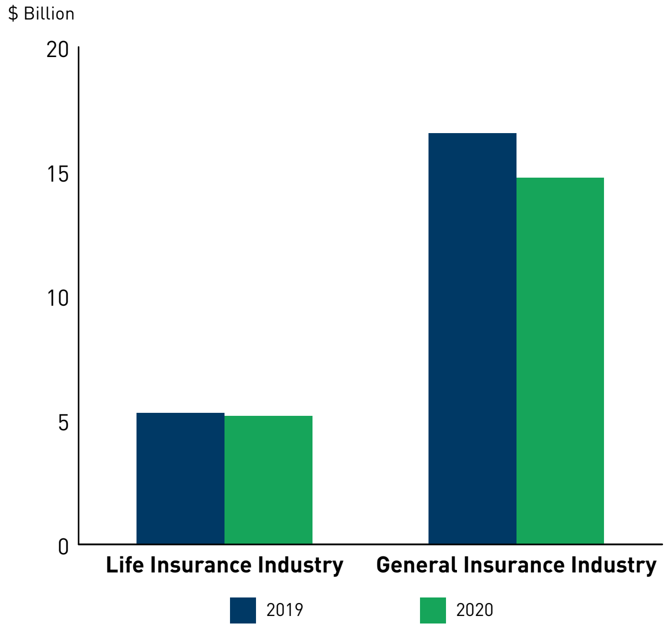


Exhibit 6.26: Premiums in the Insurance Industry



INSURANCE INDUSTRY

Total weighted new business premiums in the direct life insurance industry declined by 2.1 per cent to $5.2 billion in 2020 (Exhibit 6.26). Single premium business increased by 37 per cent to $18.6 billion, while regular premium business declined by 16 per cent to $3.3 billion in 2020. Overall, the net income of the direct life insurance industry decreased by 16 per cent to $2.4 billion in 2020, largely due to lower investment income.

In the general insurance industry, gross premiums declined by 11 per cent to $14.7 billion in 2020, with offshore and domestic businesses accounting for $12 billion and $4.3 billion respectively. The general insurance industry recorded an operating profit of $1 billion in 2020, largely due to improved underwriting performance.

CENTRAL PROVIDENT FUND

Total CPF balances grew by 8.7 per cent to $462 billion in 2020.

Members' contributions for the year amounted to $41 billion, while total withdrawals reached $21 billion, similar to that recorded in 2019.

Total net withdrawals for housing (HDB flats and private properties) rose by 3.9 per cent to reach $239 billion as at 31 December 2020.

As at 31 December 2020, more than 178,000 CPF members have been included in the national annuity scheme – CPF Lifelong Income for the Elderly (CPF LIFE), which provides lifelong payouts in retirement. The CPF LIFE fund stood at $12 billion.

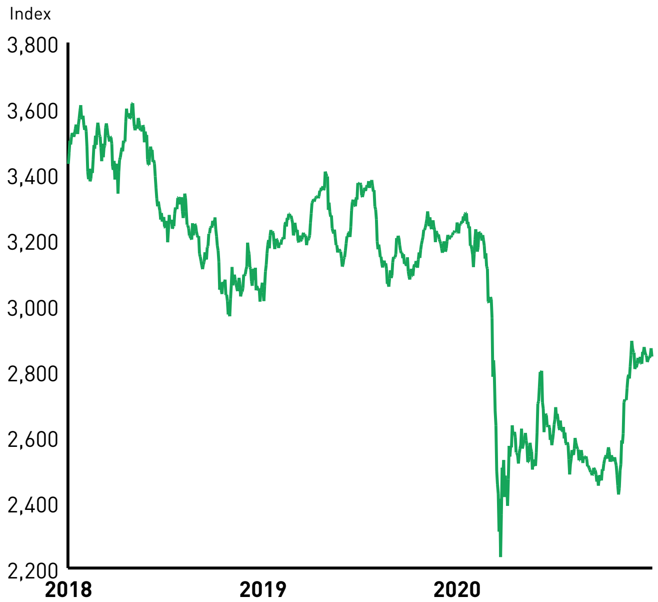
STOCK MARKET

The benchmark Straits Times Index (STI) plunged in the first quarter of 2020, reaching its nadir on 23 March, 31 per cent below where it began in 2020 (Exhibit 6.27). The market rout was precipitated by the rising tide of national lockdowns in response to the COVID-19 outbreak, as well as the concomitant decline in oil prices after a price war erupted among the world's biggest producers.

However, the stock market sell-off in March was quickly followed by a market rally fueled by aggressive stimulus packages rolled out by central banks and governments. For the full year of 2020, the STI declined by 12 per cent, recovering more than half of the loss recorded in the first quarter.

Volatility in capital markets remained elevated throughout the year. The recurring waves of COVID-19 infections which triggered the re-opening and re-closing of economies, and further government stimulus, drove market turnover volumes higher on a year-ago basis.

Exhibit 6.27: Straits Times Index



SECURITIES MARKET

In 2020, the total turnover value of the securities market increased by 35 per cent to $358 billion, and total turnover volume increased by 49 per cent to 442 billion shares, compared with 2019. This translated to a 34 per cent increase in the average daily traded value to $1.4 billion, while the average daily traded volume increased by 48 per cent to 1.7 billion shares.

At the end of 2020, the total number of listed companies in Singapore was 696, with a combined market capitalisation of $862 billion, which was 8.1 per cent lower than 2019's level. In 2020, there were 479 companies listed on SGX's Mainboard while the other 217 companies were listed on SGX's Catalist.

DERIVATIVES MARKET

In 2020, SGX's derivatives market activity increased by 3 per cent to 247 million contracts. Compared to 2019, total futures trading volume increased by 5 per cent to 235 million, while options on futures trading volume decreased by 22 per cent to 12 million contracts. The most actively-traded contracts were the FTSE, China A50 Index Futures, the Nikkei 225 Stock Index and the CNX Nifty Futures, which formed 59 per cent of the total volume traded on SGX's derivatives trading platform.

FOREIGN EXCHANGE MARKET

In 2020, the Euro, Japanese Yen and British Pound strengthened against the US Dollar, by 8.9 per cent, 5.2 per cent and 3.1 per cent respectively. The US Dollar initially strengthened to a three-year high in the first quarter of 2020, driven by safe haven demand amidst the COVID-19 outbreak. Subsequently, the US Dollar weakened as the provision of an unprecedented level of monetary and fiscal support by governments and central banks globally provided a boost to risk sentiment and expectations of a global recovery. The Fed had room to cut rates more than the other G4 central banks, and the relatively larger magnitude of Fed rate cuts also drove the weakness in the US Dollar. Towards the end of the year, positive news on COVID-19 vaccines led to further improvements in risk sentiment alongside another bout of US Dollar weakness. The Pound was also supported towards year-end by the successful negotiation of an agreement for the UK's exit from the EU.

6.10
REAL ESTATE AND PROFESSIONAL SERVICES[15]

OVERVIEW

The real estate sector shrank by 11 per cent year-on-year in the fourth quarter, extending the 18 per cent contraction in the previous quarter. For the whole of 2020, the sector contracted by 14 per cent, worse than the 1.6 per cent decline recorded in 2019.

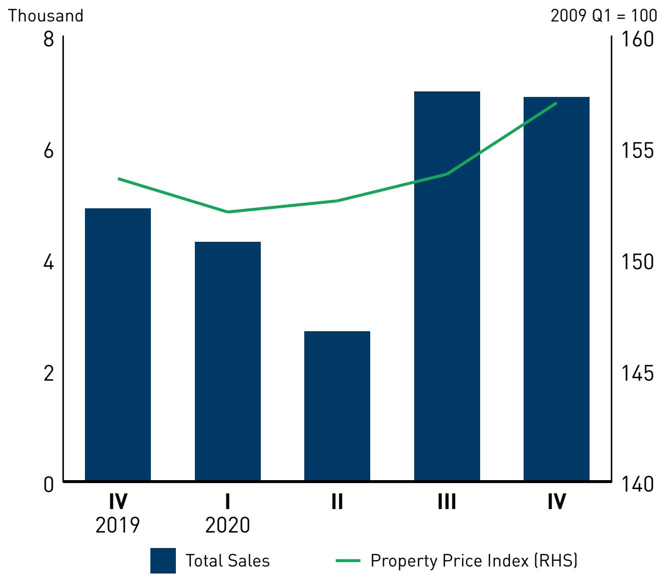
The professional services sector contracted by 7.5 per cent year-on-year in the fourth quarter, easing from the 11 per cent decline in the previous quarter. For 2020 as a whole, the sector shrank by 9.7 per cent, a sharp reversal from the 5.4 per cent growth in 2019.

REAL ESTATE

The private residential property market remained resilient in the fourth quarter. On a quarter-on-quarter basis, private residential property prices rose by 2.1 per cent during the quarter, improving from the 0.8 per cent increase in the preceding quarter. For the whole of 2020, prices rose by 2.2 per cent, extending the increase of 2.7 per cent seen in 2019.

In tandem with the rise in prices, private residential property sales volume also increased in the fourth quarter. Specifically, total private residential property sales surged by 42 per cent year-on-year during the quarter, faster than the 22 per cent growth registered in the previous quarter. For the full year, total sales grew by 9.2 per cent to 20,909 units, from the 19,150 units sold in 2019 (Exhibit 8.28).

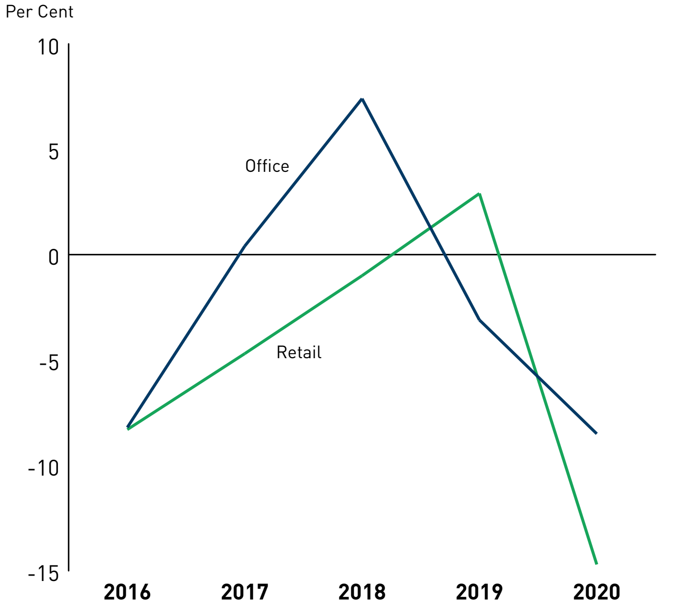
Exhibit 6.28: Total Sales of Private Residential Units and Private Residential Property Price Index



15 *With effect from the preliminary GDP estimates for the fourth quarter of 2020, the estimates for the Business Services sector will be disaggregated into their constituent Real Estate, Professional Services and Administrative & Support Services sectors. The Department of Statistics (DOS) will continue to make available the data for the broader sectors for downloading on DOS' website (www.singstat.gov.sg).*

In the commercial space segment, the retail space market worsened significantly in 2020. Specifically, private retail space rentals fell by 15 per cent, a sharp reversal from the 2.9 per cent increase in the previous year (Exhibit 8.29). The weak rental performance was due to lower rentals in the Central Area (-13 per cent) and Fringe Area (-15 per cent). Similarly, the prices of private retail space declined by 4.5 per cent in 2020, in contrast to the 1.3 per cent increase recorded in 2019, with prices in the Central Area and Fringe Area shrinking by 10 per cent and 3.9 per cent respectively.

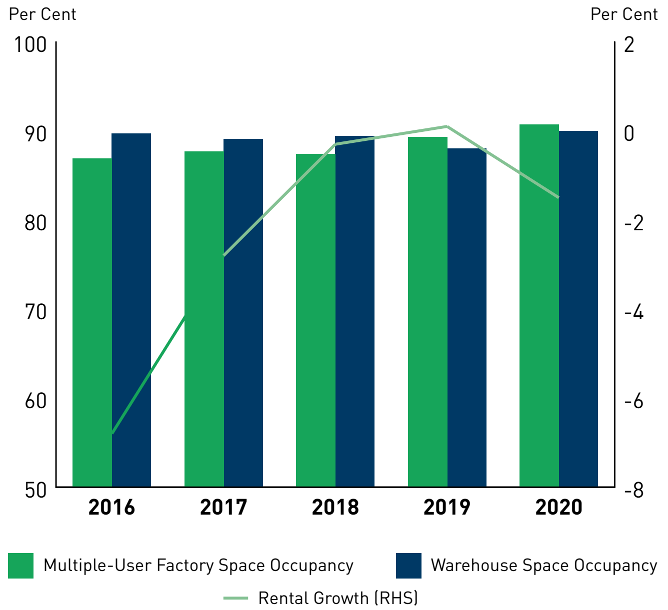
Exhibit 6.29: Changes in Rentals of Private Sector Office and Retail Spaces



The office space market also weakened in 2020, with rentals falling by 8.5 per cent, larger than the 3.1 per cent decline recorded in the previous year. The decline in office rentals was due to lower rentals in the Central Area (-9.0 per cent) and Fringe Area (-8.5 per cent). Meanwhile, prices in the office space market plummeted by 11 per cent in 2020, significantly worse than the 0.6 per cent decline in 2019.

In the industrial space market, overall rentals for the whole of 2020 declined by 1.5 per cent, reversing the 0.1 per cent growth seen in the previous year. Rentals of all types of industrial property space (i.e., single-use factories, multiple-user factories, warehouses and business parks) shrank in 2020 (Exhibit 8.30). Meanwhile, the overall prices of industrial properties fell by 2.7 per cent in 2020, extending the 0.3 per cent decline in 2019.

Exhibit 6.30: Occupancy Rate and Rental Growth of Industrial Space



PROFESSIONAL SERVICES

In 2020, the professional services sector contracted, with all segments of the sector registering declines. The contraction in the sector was largely driven by the architectural & engineering, technical testing & analysis segment, as well as the other professional, scientific & technical services segment, which shrank by 16 per cent and 14 per cent respectively.

CHAPTER

07

ECONOMIC OUTLOOK

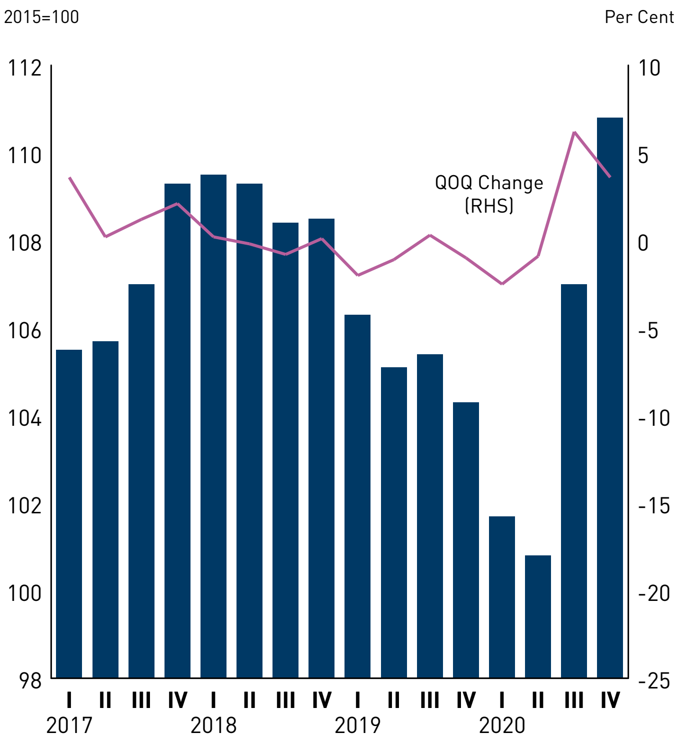
CHAPTER 7
ECONOMIC OUTLOOK

LEADING INDICATORS

The composite leading index (CLI) points to a continued recovery in the Singapore economy in the near term. Specifically, the CLI rose by 3.6 per cent on a quarter-on-quarter basis in the fourth quarter of 2020, extending the 6.2 per cent increase in the third quarter (Exhibit 7.1).

Of the nine components in the CLI, eight of them increased on a quarter-on-quarter basis, namely wholesale trade, US Purchasing Managers' Index, stock of finished goods, money supply, non-oil sea cargo handled, domestic liquidity, stock price and new companies formed. By contrast, non-oil retained imports declined compared to a quarter ago.

Exhibit 7.1: Composite Leading Index Levels and Growth Rate



OUTLOOK FOR 2021

Since the last Economic Survey of Singapore in November 2020, there has been further progress in COVID-19 vaccine development and deployment, with several approved vaccines being rolled out in many economies around the world. Although the speed of vaccine deployment varies, advanced economies like the US and Eurozone are likely to reach population immunity by the second half of this year, which should in turn spur their economic recoveries. On the other hand, the growth prospects for regional economies such as Malaysia and Indonesia have weakened due to the recent resurgence in infections, which has necessitated the re-imposition of lockdowns and restrictions. On balance, as the positive developments in key economies broadly offset the negative ones, Singapore's external demand outlook remains largely similar compared to three months ago.

In particular, the US economy is projected to rebound this year on the back of a recovery in personal consumption expenditure, which is in turn expected to be bolstered by the injection of additional fiscal stimulus amidst an improvement in the health situation and the progressive rollout of vaccines. In the Eurozone, the recent surge in COVID-19 cases and resulting public health measures to contain the outbreak are likely to pose a drag on domestic demand and hence its economic recovery. Nonetheless, the pace of recovery is expected to pick up over the course of the year as the deployment of vaccines becomes more widespread. In Asia, China's economy is projected to continue to strengthen this year, driven by healthy growth in investment, consumption and exports. Meanwhile, the key ASEAN economies are expected to post a recovery this year, supported by a pickup in external demand, even though domestic demand is likely to be dampened by the recent wave of COVID-19 cases and associated measures taken to contain the virus.

At the same time, uncertainties and risks in the global economy remain. First, there continues to be significant uncertainty surrounding the course of the COVID-19 pandemic and the trajectory of the global economic recovery. How these pan out in the year ahead depends on factors such as the adequacy of vaccine supplies and speed of vaccine deployment, the possible emergence and spread of new strains of the virus, as well as the strength of policy support to drive economic recovery. Second, the protracted nature of the economic recovery in many countries could lead to financial system stresses, which could in turn trigger a tightening of financial conditions and adversely affect the global economic recovery. Excessive private sector indebtedness arising from loose monetary conditions also remains a concern. Third, continued geopolitical uncertainty involving the major economies could weigh on global trade and the global economic recovery.

Domestically, Singapore's COVID-19 situation remains under control and our vaccination programme is also underway. However, the pace of border re-opening has slowed amidst the global surge in COVID-19 cases and the emergence of more contagious strains of the virus.

Against this external and domestic backdrop, the Singapore economy is expected to see a gradual recovery over the course of the year, although the outlook remains uneven across sectors. First, outward-oriented sectors, including trade-related services sectors (e.g., wholesale trade and water transport), are projected to benefit from the pickup in external demand. The manufacturing sector, in particular, is likely to expand at a faster pace than previously projected due to robust semiconductor demand from the 5G and automotive markets. Meanwhile, the information & communications and finance & insurance sectors are expected to continue to post steady growth, supported by sustained enterprise demand for IT and digital solutions, and credit and payment processing services respectively.

Second, the tourism- and aviation-related sectors (e.g., accommodation and air transport) are projected to see a weaker recovery than previously expected due to the slower-than-anticipated lifting of global travel restrictions, as well as sluggish travel demand. Economic activity in these sectors is likely to remain below pre-COVID levels even by the end of 2021.

Third, consumer-facing sectors (e.g., retail trade and food & beverage services) are expected to benefit from an improvement in consumer sentiments amidst a gradual turnaround in labour market conditions. However, the slower recovery in visitor arrivals and capacity constraints arising from safe distancing measures are likely to weigh on their performance. On balance, economic activity in these sectors is not likely to return to pre-COVID levels by end-2021.

Fourth, while the construction and marine & offshore engineering sectors are projected to recover from the low base last year, activity levels at construction worksites and shipyards will continue to be dampened by the requirement for safe management measures. The recovery in output in these two sectors is also expected to be slow due to the plunge in contracts awarded for construction works in 2020 and the weakness in the global oil & gas market respectively.

Taking into account the developments in the global and domestic economic environment, the GDP growth forecast for 2021 is maintained at **"4.0 to 6.0 per cent"**.

FEATURE ARTICLE

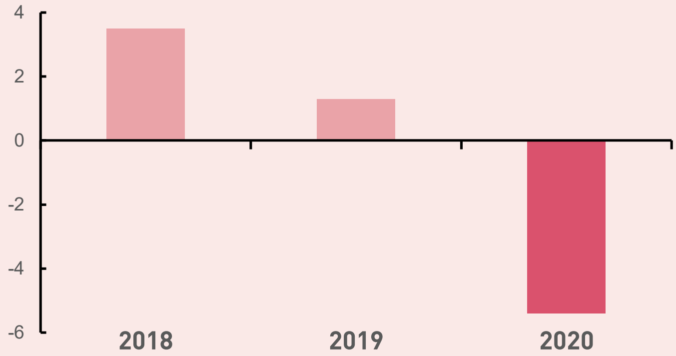
FEATURE ARTICLE

PERFORMANCE OF THE SINGAPORE ECONOMY IN 2020

INTRODUCTION

The COVID-19 pandemic caused massive global economic disruptions in 2020. Singapore was not spared as the economy recorded its worst full-year recession since independence. During the year, the economy had to grapple with both demand- and supply-side shocks, such as a fall in external demand for goods and services produced in Singapore caused by the economic slowdown in major economies and global travel restrictions, supply chain disruptions, as well as the implementation of the Circuit Breaker (CB) measures domestically from April to June 2020.

REAL GDP GROWTH RATE (%)



SINGAPORE'S ECONOMIC RECOVERY IN 2H20

Across sectors, the economic impact of COVID-19 was felt through different transmission channels. Consequently, their economic performance, including their recovery post-CB, was variegated.

OUTLOOK

Overall, Singapore's GDP is projected to gradually recover and expand by 4.0 to 6.0 per cent this year, with GDP not likely to return to pre-COVID levels until the second half of the year at the earliest. The pace of recovery is also expected to be uneven across sectors. For instance, while outward-oriented sectors are likely to benefit from the pickup in global economic activity, activity levels in tourism- and aviation-related sectors are projected to remain below pre-pandemic levels even by the end of 2021.

EXECUTIVE SUMMARY

- The COVID-19 pandemic caused massive global economic disruptions in 2020. Singapore was not spared as the economy recorded its worst full-year recession since independence. During the year, the economy had to grapple with both demand- and supply-side shocks, such as a fall in external demand for goods and services produced in Singapore caused by the economic slowdown in major economies and global travel restrictions, supply chain disruptions, as well as the implementation of the Circuit Breaker (CB) measures domestically from April to June 2020.

- Across sectors, the economic impact of COVID-19 was felt through different transmission channels. Consequently, their economic performance, including their recovery post-CB, was variegated. For example, while the proxy indicators for external demand had either surpassed or were close to pre-pandemic levels by the fourth quarter of 2020, air passengers and tourist arrivals remained significantly lower than pre-pandemic levels as at end-2020.

- Furthermore, significant risks in the global economy remain. While Singapore's vaccination programme is well underway, there is uncertainty over how the COVID-19 pandemic will evolve around the world given the emergence of new strains of the virus and difficulties in vaccine rollouts globally.

- Overall, Singapore's GDP is projected to gradually recover and expand by 4.0 to 6.0 per cent this year, with GDP not likely to return to pre-COVID levels until the second half of the year at the earliest. The pace of recovery is also expected to be uneven across sectors. For instance, while outward-oriented sectors are likely to benefit from the pickup in global economic activity, activity levels in tourism- and aviation-related sectors are projected to remain below pre-pandemic levels even by the end of 2021

The views expressed in this paper are solely those of the authors and do not necessarily reflect those of the Ministry of Trade and Industry or the Government of Singapore.[1]

INTRODUCTION

The COVID-19 pandemic caused massive global economic disruptions in 2020. To-date, the virus has infected more than 100 million people worldwide and resulted in more than two million deaths. Many countries were forced to implement strict public health measures, including lockdowns and border closures, to contain the spread of the virus. This led to significant disruptions in global economic activity. Reflecting the unprecedented extent of the disruptions, the International Monetary Fund had revised its 2020 global growth forecasts downwards over the course of the year, with its forecasts in October 2020 being much lower than that announced a year ago before the start of the pandemic [Exhibit 1].

The Singapore economy was not spared the damage caused by the pandemic, contracting by 5.4 per cent in 2020, its worst full-year recession since independence. Our economic performance turned out to be much worse than the 2020 GDP growth forecast of 0.5 to 2.5 per cent announced by MTI in November 2019, before the pandemic struck. The sharp downturn came about as the economy had to grapple with both demand- and supply-side shocks arising from the pandemic, including a fall in external demand for goods and services produced in Singapore caused by the economic slowdown in major economies and global travel restrictions, supply chain disruptions, as well as the implementation of the Circuit Breaker (CB) measures domestically from 7 April to 1 June 2020. The effects of these shocks were the most pronounced in the first half of 2020 (1H20), and there were signs of recovery in the Singapore economy in the second half of 2020 (2H20) as the economy gradually re-opened and major economies emerged from their initial lockdowns.

Building on an earlier article which assessed the immediate impact of COVID-19 on the Singapore economy,[2] this article analyses the recovery of the economy in 2H20 relative to pre-pandemic levels[3] using high-frequency indicators as well as traditional sectoral indicators.

1 *We would like to thank Ms Yong Yik Wei, Dr Andy Feng, Mr Kenneth Yeow and Mr Tan Di Song for their useful suggestions and comments. All errors belong to the authors.*
2 *See Saw, Lin & Wong (2020).*
3 *Pre-pandemic levels refer to the fourth quarter of 2019 for quarterly data and January 2020 for monthly data.*

Exhibit 1: World GDP Growth Forecasts

Dependent Variable	2020 Forecast in Oct 2019	2020 Forecast in Oct 2020	Percentage point difference
World GDP	3.4	-4.4	-7.8
United States	2.1	-4.3	-6.4
Eurozone	1.4	-8.3	-9.7
Japan	0.5	-5.3	-5.8
Mainland China	5.8	1.9	-3.9
Hong Kong SAR	1.5	-7.5	-9.0
Taiwan	1.9	0.0	-1.9
Republic of Korea	2.2	-1.9	-4.1
Malaysia	4.4	-6.0	-10.4
Indonesia	5.1	-1.5	-6.6
Thailand	3.0	-7.1	-10.1
Philippines	6.2	-8.3	-14.5
Vietnam	6.5	1.6	-4.9

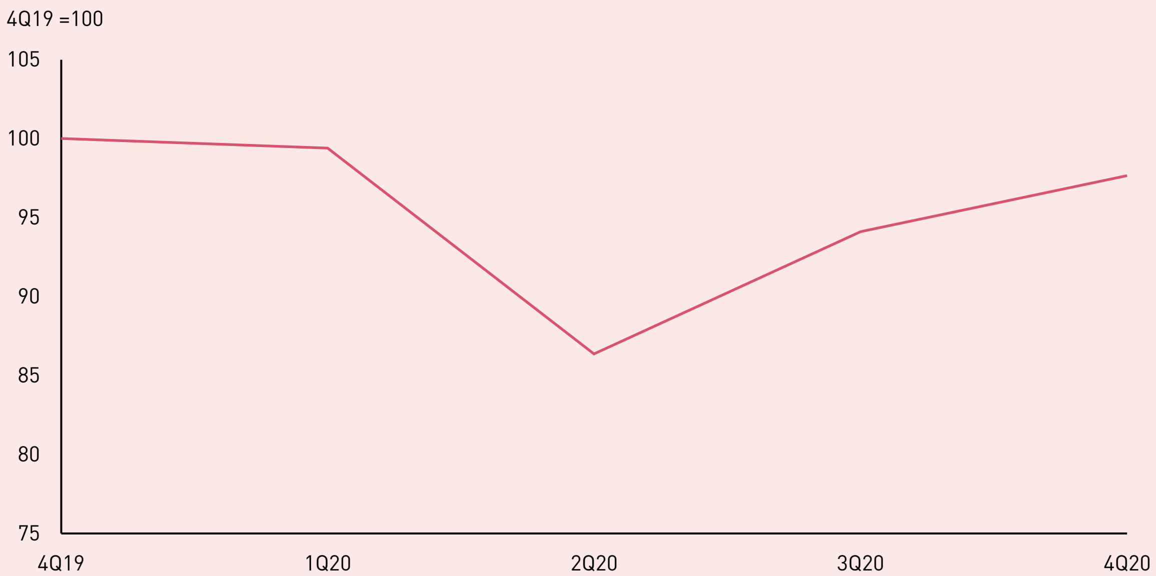
Source: IMF World Economic Outlook (October 2019, October 2020)

SINGAPORE'S ECONOMIC RECOVERY IN SECOND HALF OF 2020

The Singapore economy contracted sharply in 1H20, largely due to the CB measures as well as the global fallout from the pandemic. In particular, even though the CB measures – which included the suspension of non-essential services and the closure of most workplace premises – were necessary to contain the increasing local transmissions of COVID-19 then, they had a severe impact on the Singapore economy. In the second quarter of 2020 (2Q20), Singapore registered the largest quarterly GDP contraction, both on a year-on-year and quarter-on-quarter basis, on record [Exhibit 2].

After the CB period, the Singapore economy saw two consecutive quarters of positive quarter-on-quarter growth due to the phased resumption of activities domestically, and the rebound in activity in major economies as they emerged from their initial lockdowns. By the fourth quarter of 2020 (4Q20), the economy had recovered to about 98 per cent of pre-pandemic levels – which is taken to be the seasonally-adjusted GDP level in the fourth quarter of 2019 (4Q19) – compared to the low of 86 per cent in 2Q20.

Exhibit 2: Singapore's Seasonally-adjusted Quarterly GDP



Source: DOS

The impact of COVID-19 on the Singapore economy was felt through five main transmission channels: (i) a fall in tourist arrivals and air travel; (ii) a fall in domestic consumption; (iii) a fall in external demand and supply chain disruptions; (iv) manpower disruptions and the requirement to implement safe management measures; and (v) negative spillovers from the slowdown in domestic economic activity. Each of these channels affected the various sectors of the economy to varying degrees [Exhibit 3]. Consequently, the performance of the different sectors of the economy in 2020 was variegated.

Exhibit 3: Grouping of Sectors, based on Nature of Activity and Transmission Channels

Group	Examples of Sectors	Nature of Activity	Main Transmission Channels of Economic Impact from COVID-19
1	Accommodation, Air Transport, Aerospace	Sectors closely related to tourism and aviation, and dependent on tourist arrivals and air travel	Weak tourist arrivals and air travel due to global travel restrictions
2	Retail Trade, Food & Beverage (F&B) Services, Land Transport	Consumer-facing sectors with output mostly driven by domestic demand	Fall in domestic consumption on account of weak consumer sentiments and labour market conditions; capacity constraints from safe distancing measures
3	Manufacturing, Wholesale Trade, Water Transport, Information & Communications, Finance & Insurance, Professional Services	Outward-oriented sectors with output mostly driven by external demand	Fall in external demand and supply chain disruptions
4	Construction and Marine & Offshore Engineering	Sectors with a high dependence on foreign workers, especially work-permit holders (WPH) and S-Pass holders	Disruptions in manpower supply; requirement to implement safe management measures which weigh on productivity and activity levels
5	Real Estate, Rental & Leasing	Rental and sale of residential, commercial and industrial property, as well as rental and leasing of tangible goods and intangible assets	Adverse effects on individual and business sentiments from the slowdown in domestic economic activity

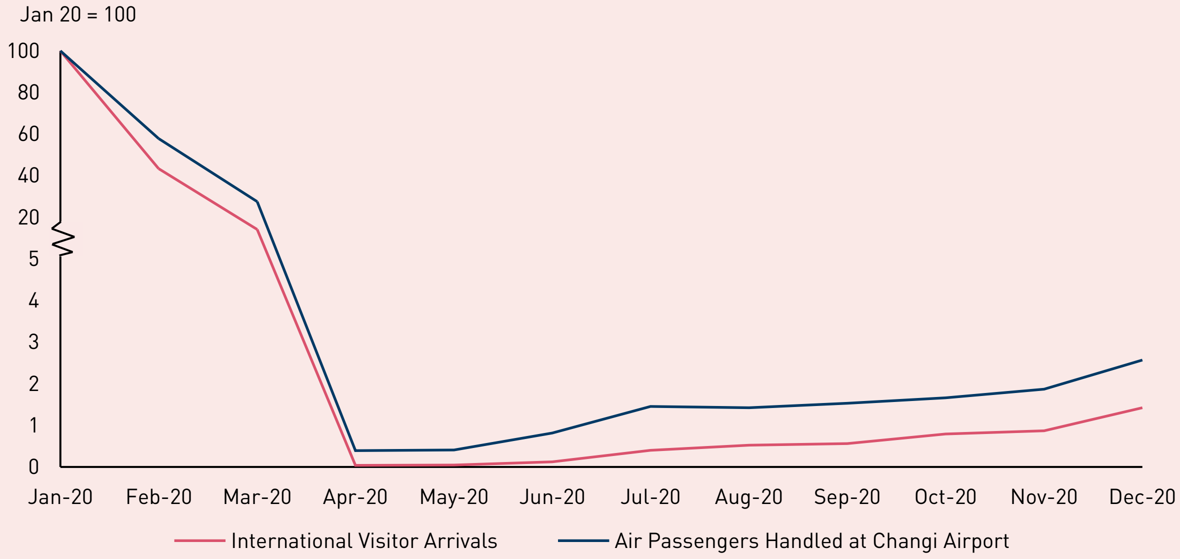
Performance of Group 1 Sectors

Since February 2020, increasingly tight global travel restrictions and domestic border controls to contain the spread of COVID-19 led to a sharp fall in air travel demand and tourist arrivals to Singapore. While there were attempts to kickstart the recovery in air travel and tourist arrivals to Singapore through the introduction of reciprocal green lanes and travel bubbles in 2H20, the impact has been limited due to the cautious demand for travel globally. The global surge in COVID-19 cases and emergence of more contagious variants of the virus also led to a suspension of some of these arrangements, and a slowdown in the pace of border re-opening in recent months.

As a result, the activity of Group 1 sectors continued to languish even at the end of 2020, with air passenger volume and international visitor arrivals coming in at less than 5 per cent of pre-pandemic (i.e., January 2020) levels throughout the period of April to December 2020 [Exhibit 4]. Consequently, the performance of the accommodation sector was also tepid, with the monthly gross lettings of gazetted hotels only at about 30 per cent of pre-pandemic levels in November 2020, although the re-opening of hotels for staycation bookings since July 2020 provided some support to the sector [Exhibit 5].

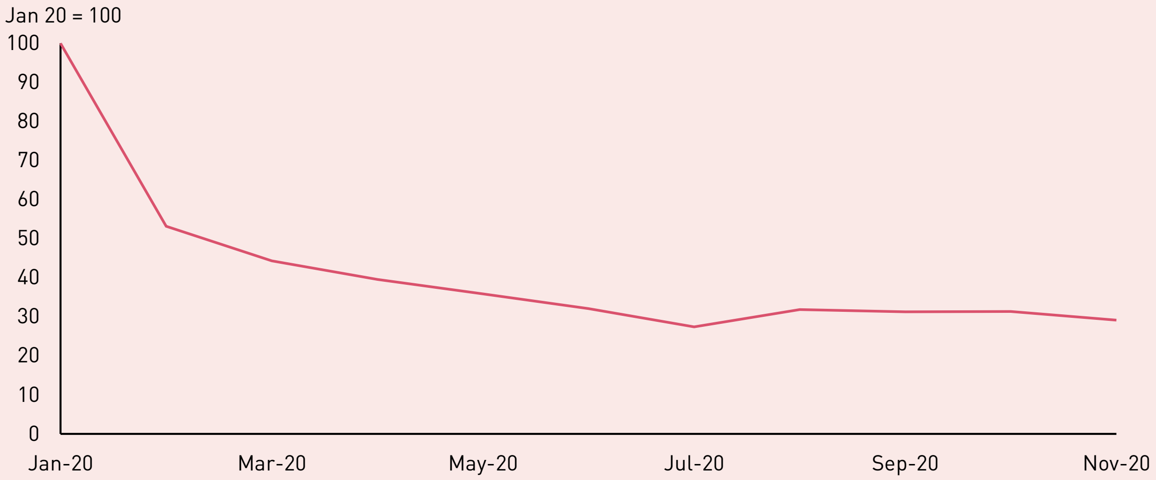
Likewise, the sharp reduction in air travel and subsequent grounding of aircraft led to a plunge in the volume of aircraft maintenance and repair work, with output in the aerospace segment remaining depressed compared to year-ago levels since April 2020 [Exhibit 6].

Exhibit 4: Air Passenger Volume and International Visitor Arrivals



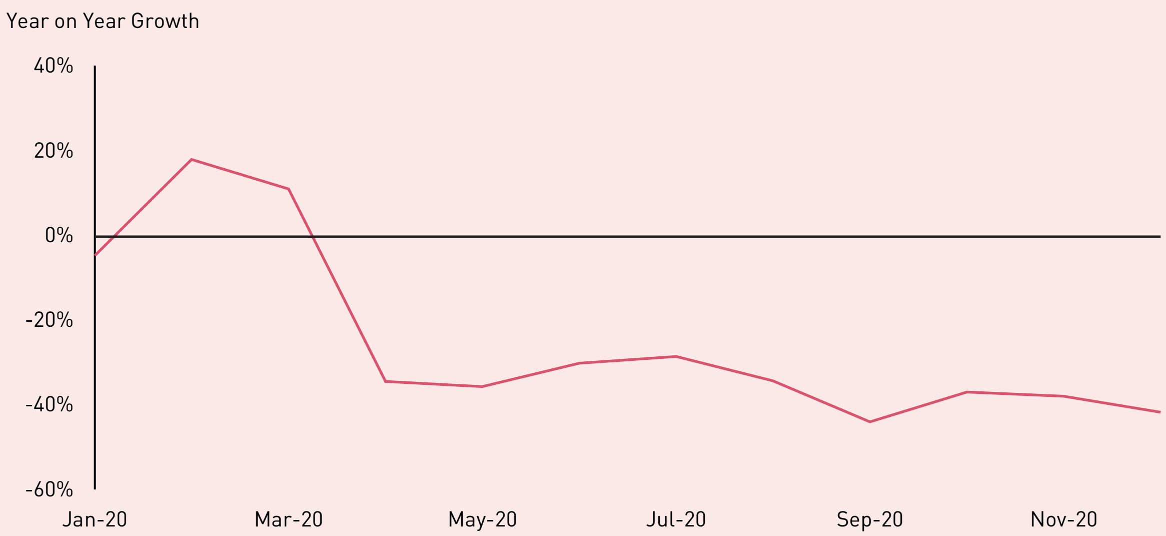
Source: Civil Aviation Authority of Singapore, Singapore Tourism Board

Exhibit 5: Gross Lettings of Gazetted Hotels



Source: Singapore Tourism Board
Note: The data does not take into account the occupancy of rooms arising from government contracts for stay-home notice and quarantine facilities.

Exhibit 6: Index of Industrial Production in the Aerospace Segment



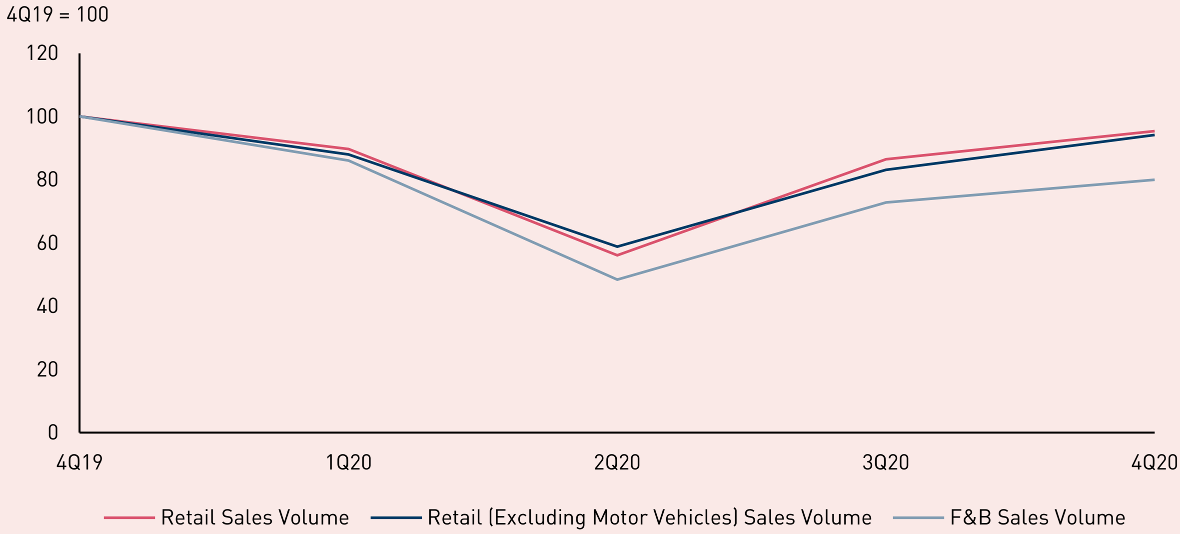
Source: Economic Development Board

Performance of Group 2 Sectors

The COVID-19 outbreak also had a severe effect on consumer-facing sectors in 1H20, as the CB measures restricted business operations (e.g., physical workplace closures affected most retailers, while F&B outlets were not allowed to offer dining-in services). The economic downturn and resulting weakening of labour market conditions also weighed on sentiments, and in turn, domestic consumption.

In tandem with the phased re-opening of the Singapore economy, activity in the Group 2 sectors picked up in 2H20. For instance, retail and F&B sales volumes saw a rebound with the resumption of physical retail and dining-in activities in June 2020 [Exhibit 7]. However, notwithstanding the improvement, they remained below pre-pandemic (i.e., 4Q19) levels even by 4Q20 on account of sluggish tourist demand brought about by the plunge in visitor arrivals, as well as lacklustre consumer sentiments in view of weak labour market conditions. In addition, the F&B services sector was adversely affected by safe distancing measures which constrained dining-in capacity.

Exhibit 7: Retail and F&B Sales Volume

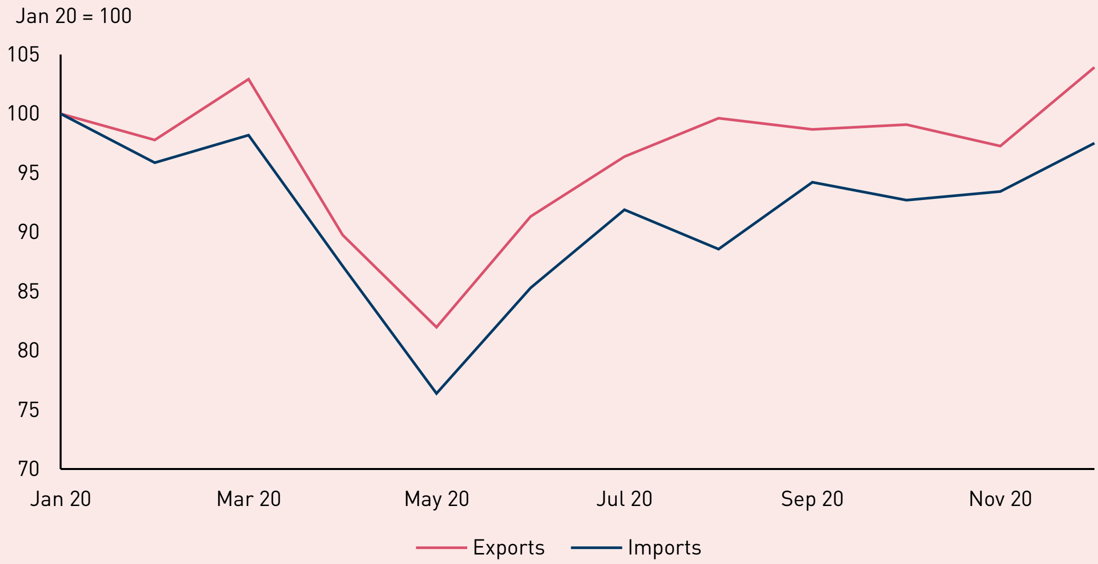


Source: Department of Statistics

Performance of Group 3 Sectors

In 1H20, COVID-19 affected the external demand for Singapore goods and services as well as disrupted supply chains, as major economies around the world implemented lockdowns and restrictions to contain the spread of the virus. Economic uncertainty caused by the pandemic also negatively affected global consumer and business sentiments. Reflecting these factors, Singapore's merchandise trade declined significantly from March 2020 to May 2020, with imports and exports in May 2020 reaching a low of 76 per cent and 82 per cent of pre-pandemic (i.e., January 2020) levels respectively [Exhibit 8]. However, merchandise trade rebounded relatively quickly when major economies emerged from their initial lockdowns towards the middle of 2020. By the end of 2020, exports recovered to surpass pre-pandemic levels while imports recovered to 98 per cent of these levels.

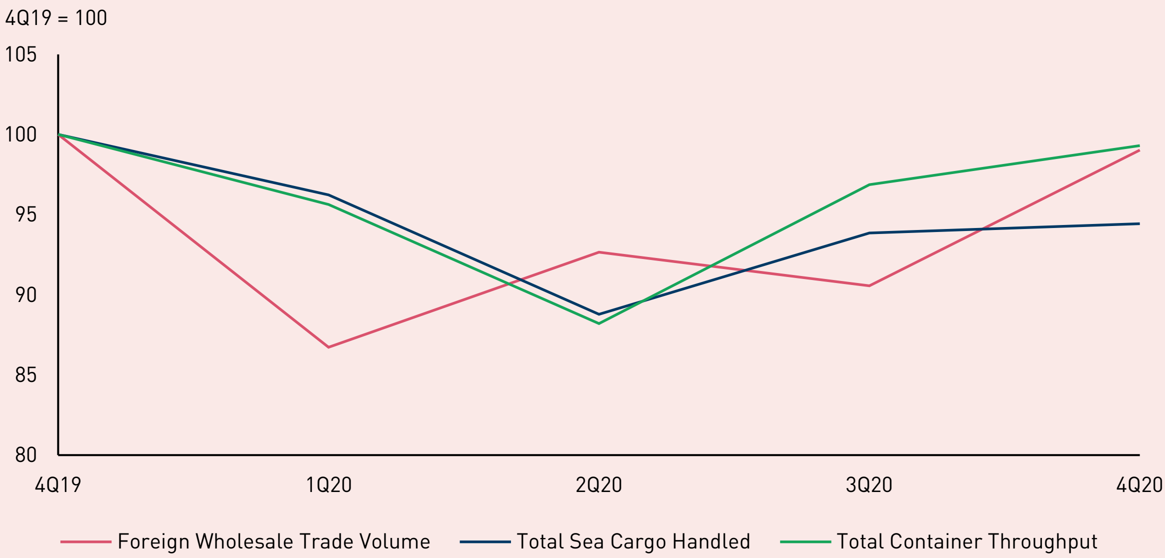
Exhibit 8: Singapore's Monthly Merchandise Imports and Exports



Source: Department of Statistics

In tandem with the pickup in external demand, the Group 3 sectors generally saw a recovery in activity in 2H20, although the pace of recovery varied across sectors. Activity in trade-related services sectors such as wholesale trade and water transport, while improving over the course of 2H20, remained weaker than pre-pandemic levels amidst continued economic uncertainty. For instance, total foreign wholesale trade volume had not recovered to 4Q19 levels even by 4Q20, while total sea cargo handled and total container throughput also remained below 4Q19 levels in the same quarter [Exhibit 9].

Exhibit 9: Foreign Wholesale Trade Volume, Total Sea Cargo Handled and Total Container Throughput

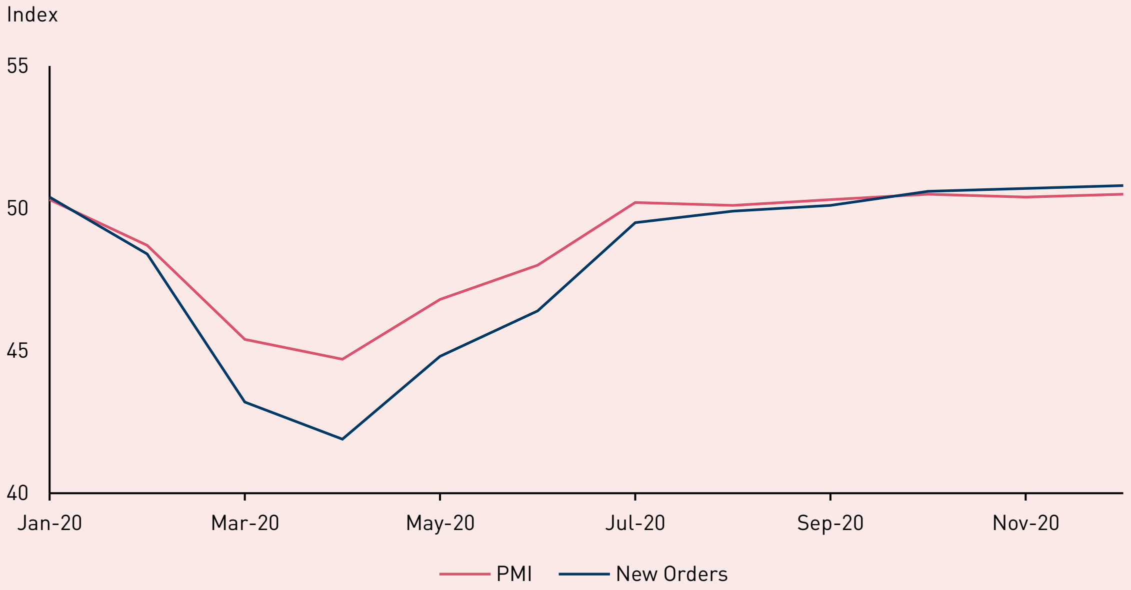


Source: Department of Statistics,

By contrast, the performance of sectors such as manufacturing, information & communications and finance & insurance sectors has been relatively robust. In particular, the overall manufacturing sector saw a strong recovery in 2H20, with the manufacturing purchasing managers' index (PMI) rebounding from the trough registered in April 2020 during the CB [Exhibit 10].[4] This was mainly on account of the robust performance of the electronics and precision engineering clusters as production in these clusters climbed above year-ago levels in 2H20 due to buoyant global demand for semiconductors from the 5G markets, data centres and cloud services, as well as semiconductor equipment respectively [Exhibit 11]. Meanwhile, the information & communications and finance & insurance sectors also continued to post steady growth in both 3Q20 and 4Q20, led by resilient enterprise demand for IT solutions, as well as healthy expansions in the banking and insurance segments respectively.

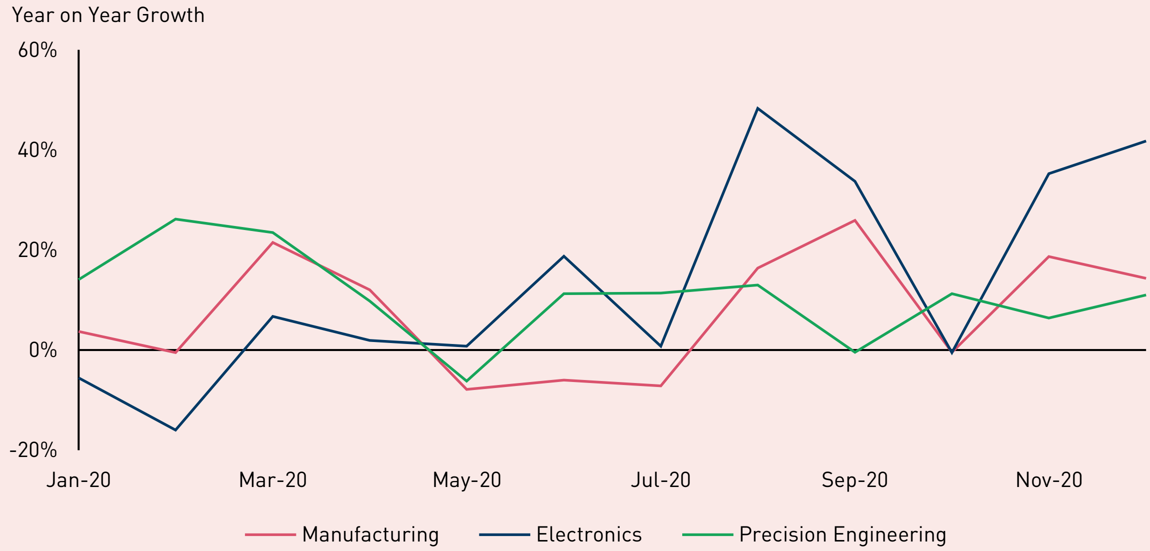
4 *The rebound in overall manufacturing output was similarly seen in the Index of Industrial Production, which recorded positive year-on-year growth in all months of 2H20 except for July and October 2020.*

Exhibit 10: Manufacturing Purchasing Managers' Index



Source: Singapore Institute of Purchasing and Materials Management

Exhibit 11: Index of Industrial Production in the Electronics and Precision Engineering Clusters



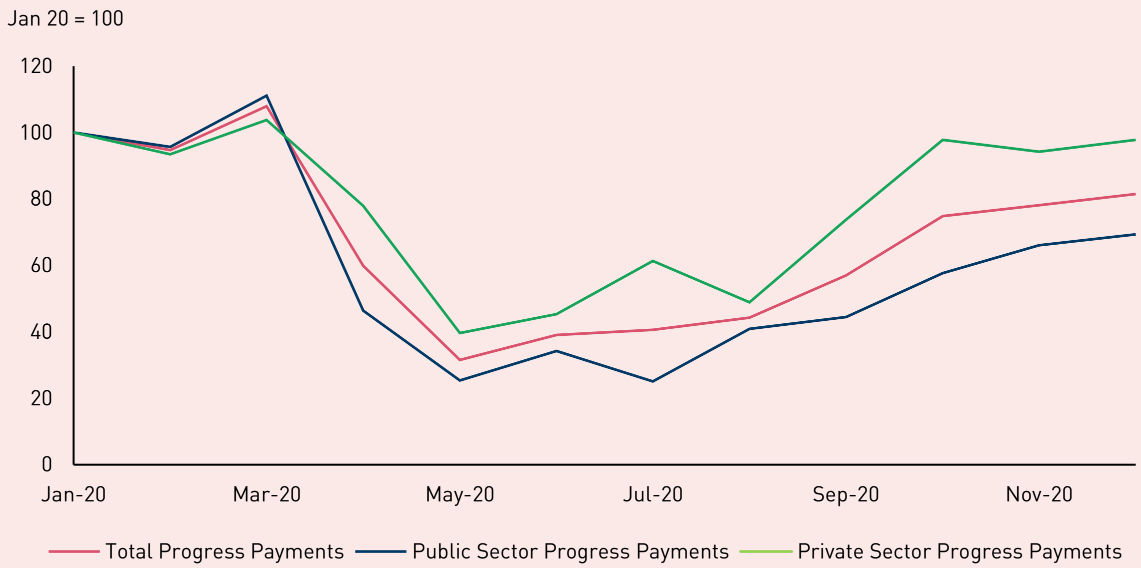
Source: Economic Development Board

Performance of Group 4 Sectors

During the earlier outbreak of COVID-19 in the foreign worker dormitories, movement restrictions implemented to contain the outbreak led to manpower shortages in the Group 4 sectors (i.e., construction and marine & offshore engineering), which in turn weighed heavily on their performance. The subsequent requirement for strict safe management measures at construction worksites and shipyards to mitigate the risk of future outbreaks among the foreign workforce also continued to dampen activity levels in these sectors.

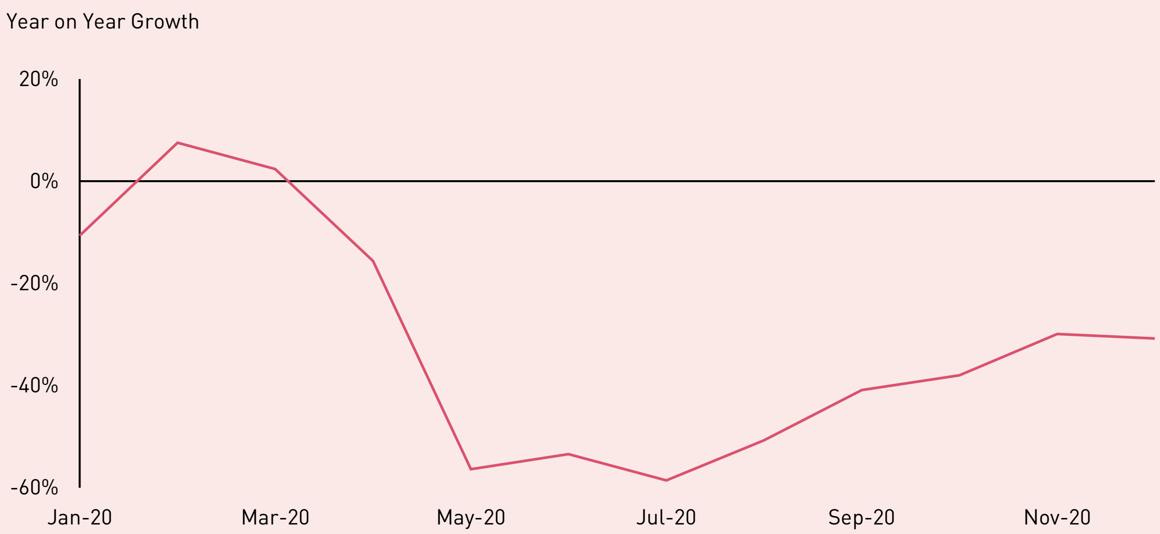
As a result, the construction sector and marine & offshore engineering segment saw a relatively slow recovery in 2H20. Construction output, in terms of certified progress payments, remained below pre-pandemic (i.e., January 2020) levels in December 2020 [Exhibit 12]. Similarly, output in the marine & offshore engineering segment continued to languish below year-ago levels in December 2020 [Exhibit 13].

Exhibit 12: Certified Progress Payments



Source: Building and Construction Authority

Exhibit 13: Index of Industrial Production in the Marine & Offshore Engineering Segment

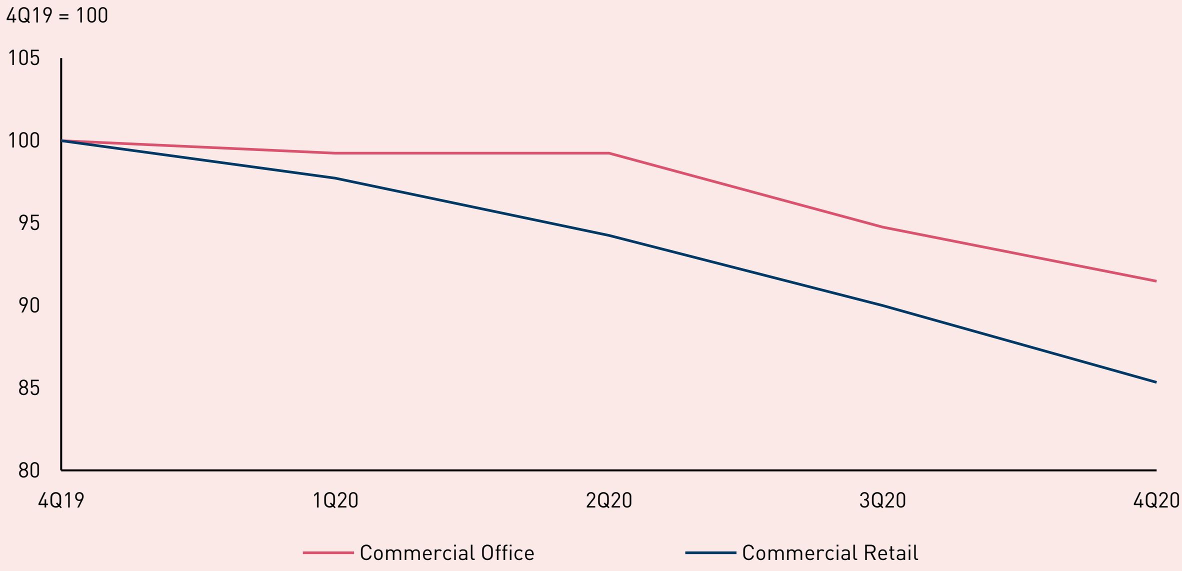


Source: Economic Development Board

Performance of Group 5 Sectors

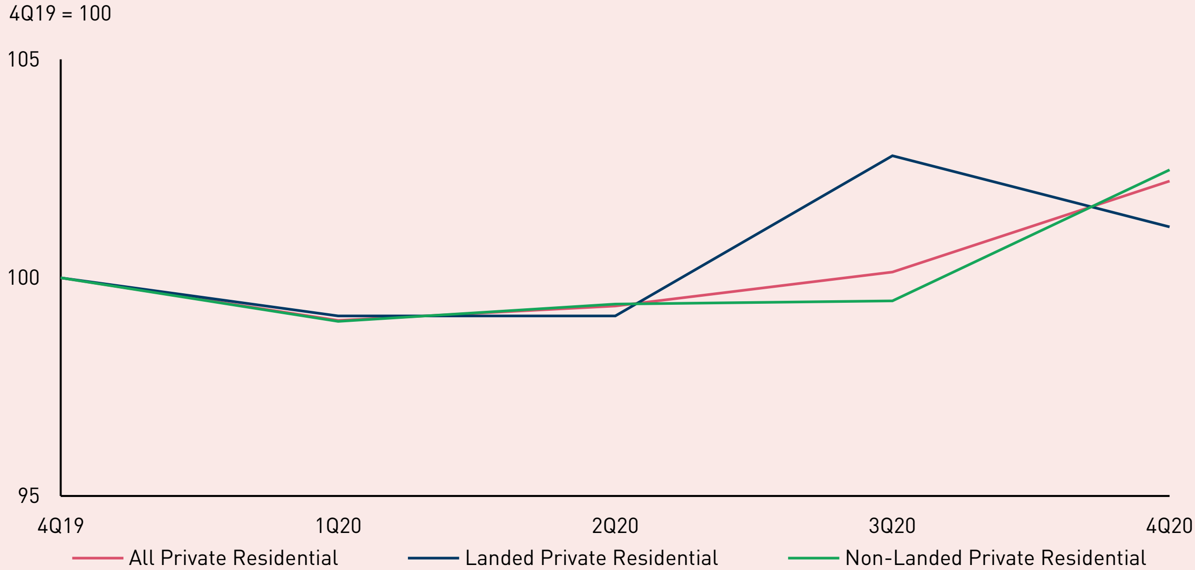
Finally, the economic downturn in Singapore due to COVID-19 also resulted in negative spillovers to domestically-oriented sectors such as real estate. For example, the poor performance of the retail trade sector in 2020 had a knock-on effect on the commercial retail property segment of the real estate sector, with retail rentals in 4Q20 remaining around 15 per cent lower compared to the same period a year ago due to weak leasing demand. Similarly, commercial office rentals remained depressed as at end-2020 on account of the economic downturn and cautious business sentiments [Exhibit 14]. By contrast, the private residential property segment was resilient, with the prices of landed and non-landed private residential property in 4Q20 already exceeding 4Q19 levels, supported by stable demand from buyers amidst a low interest rate environment [Exhibit 15].

Exhibit 14: Rental Indices of Commercial (Retail and Office) Property



Source: Urban Redevelopment Authority

Exhibit 15: Price Indices of Private Residential Property



Source: Urban Redevelopment Authority

CONCLUDING REMARKS AND OUTLOOK

The COVID-19 pandemic caused massive global economic disruptions in 2020. Singapore was not spared as the economy recorded its worst full-year recession since independence. Across sectors, the economic impact of COVID-19 was felt through different transmission channels. Consequently, their economic performance in 2020 was variegated.

Furthermore, significant risks in the global economy remain. While Singapore's vaccination programme is well underway, there is uncertainty over how the COVID-19 pandemic will evolve around the world given the emergence of new strains of the virus and difficulties in vaccine rollouts globally.

Overall, barring the materialisation of downside risks, Singapore's GDP is projected to recover gradually and expand by 4.0 to 6.0 per cent this year, with GDP not likely to return to pre-COVID levels until 2H21 at the earliest. Moreover, the pace of recovery is expected to remain uneven across sectors. In particular, the tourism- and aviation-related sectors are unlikely to return to pre-pandemic levels even by the end of 2021 due to the slow lifting of global travel restrictions and weak global demand for air travel amidst the emergence of more contagious variants of the virus.

Similarly, the slower recovery in visitor arrivals and capacity constraints due to safe distancing measures are likely to continue to weigh on the performance of the consumer-facing sectors, thus hindering their return to pre-pandemic levels throughout 2021. The recovery of the construction sector and marine & offshore engineering segments will likewise be slow because of the continued need for safe management measures at worksites and shipyards, as well as sluggish demand arising from the plunge in construction contracts awarded in 2020 and weakness in the global oil & gas market respectively. By contrast, the outward-oriented sectors – which had either already surpassed or recovered close to pre-pandemic levels by 4Q20 – are expected to continue to benefit from the pickup in global economic activity this year.

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