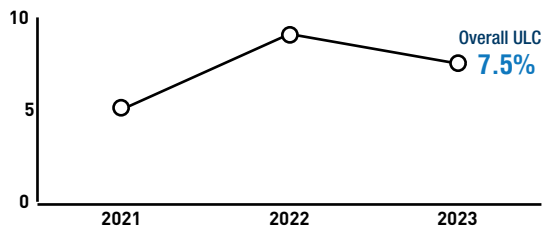


Chapter 3

COSTS, INVESTMENTS AND PRICES

OVERALL UNIT LABOUR COST

(YoY Growth)



WITHIN THE MANUFACTURING SECTOR



10.0%
in 2023
Unit Labour Cost



8.5%
in 2023
Unit Business Cost

INVESTMENT COMMITMENTS IN 2023



Fixed Asset Investment Commitments
\$12.7 billion

Total Business Expenditure Commitments
\$8.9 billion

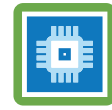
CLUSTERS THAT ATTRACTED THE HIGHEST FIXED ASSET INVESTMENT COMMITMENTS



Chemicals



Services Clusters



Electronics

CLUSTERS THAT ATTRACTED THE HIGHEST TOTAL BUSINESS EXPENDITURE COMMITMENTS



Headquarters & Professional Services

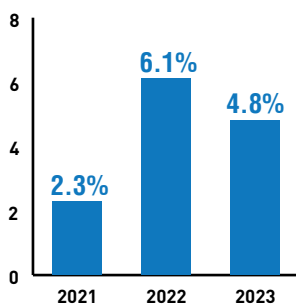


Research & Development



Electronics

CPI-ALL ITEMS INFLATION



IN 2023, THE INCREASE IN CPI WAS MAINLY DUE TO THE INCREASE IN PRICES OF



1.3%
point contribution



1.2%
point contribution

Housing & Utilities



1.1%
point contribution

OVERVIEW

Overall ULC for the economy rose by 3.2 per cent year-on-year in the fourth quarter, extending the increase of 7.9 per cent in the preceding quarter. For the whole of 2023, overall ULC rose by 7.5 per cent.

Total investment commitments attracted by EDB remained healthy in 2023. The manufacturing sector garnered a larger amount of commitments in terms of fixed asset investments (FAI) than the services sector, while the latter attracted a larger amount of total business expenditure (TBE) commitments. By clusters, the chemicals and electronics clusters within the manufacturing sector were the biggest contributors to FAI commitments, while the headquarters & professional services cluster within the services sector contributed the most to TBE commitments.

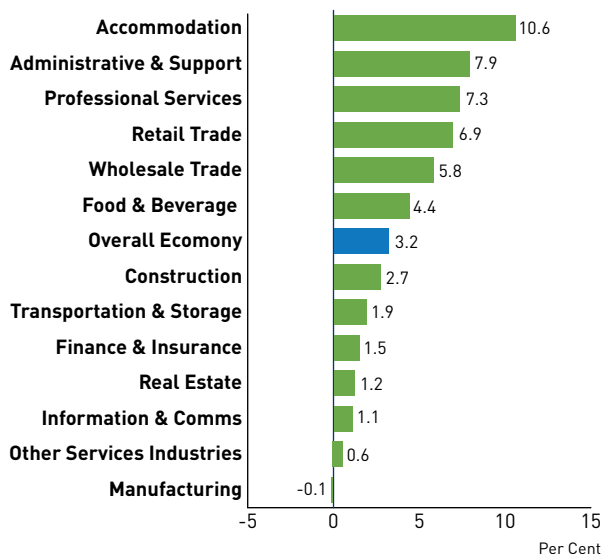
The Consumer Price Index-All Items (CPI-All Items) rose by 4.0 per cent year-on-year in the fourth quarter, moderating from the 4.1 per cent increase in the previous quarter. For 2023 as a whole, CPI-All Items inflation came in at 4.8 per cent, lower than the 6.1 per cent recorded in 2022.

Producer prices, as measured by the domestic supply price index (DSPPI), the Singapore manufactured products price index (SMPPPI) 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 2023, the DSPPI, SMPPPI, as well as the import and export price indices decreased by 6.7 per cent, 4.5 per cent, 5.6 per cent and 7.6 per cent respectively.

COSTS

Overall ULC for the economy rose by 3.2 per cent year-on-year in the fourth quarter, moderating from the increase of 7.9 per cent in the previous quarter (Exhibit 3.1). The pickup in overall ULC during the quarter came on the back of an increase in total labour cost per worker and a decrease in labour productivity (as measured by real value-added per worker).

Exhibit 3.1: Changes in Unit Labour Cost in 4Q 2023



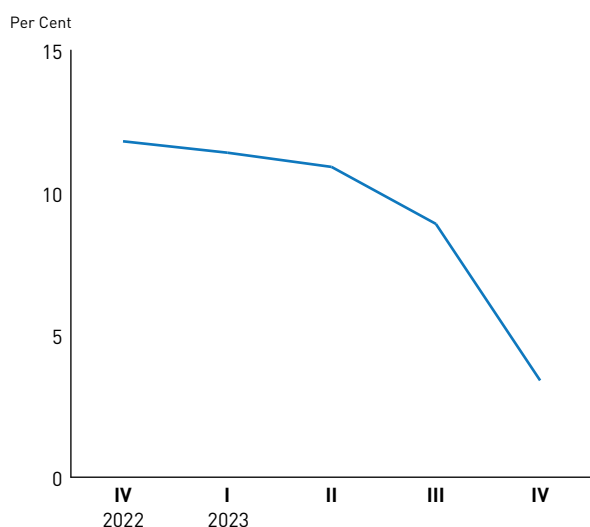
By broad sectors, the ULC of services producing industries went up by 3.6 per cent in the fourth quarter, slowing from the 6.6 per cent increase in the previous quarter. Most services sectors saw a pickup in their ULCs, with the accommodation sector registering the largest increase (10.6 per cent). The latter was on account of an increase in total labour cost per worker and a decline in labour productivity within the sector. Similarly, the construction sector registered a ULC increase of 2.7 per cent in the fourth quarter, a moderation from the 8.0 per cent increase seen in the previous quarter. The increase in ULC in the construction sector was also due to the combined effect of an increase in total labour cost per worker alongside a decline in labour productivity.

Conversely, the ULC for the manufacturing sector fell by 0.1 per cent in the fourth quarter, a reversal from the 10.4 per cent increase in the third quarter. This decline was due to an increase in labour productivity, which outpaced the increase in total labour cost per worker.

For the whole of 2023, the overall ULC rose at a slower pace of 7.5 per cent, compared to the 9.1 per cent increase in 2022. The rise in the overall ULC was due to an increase in total labour cost per worker alongside a decline in labour productivity in the economy.

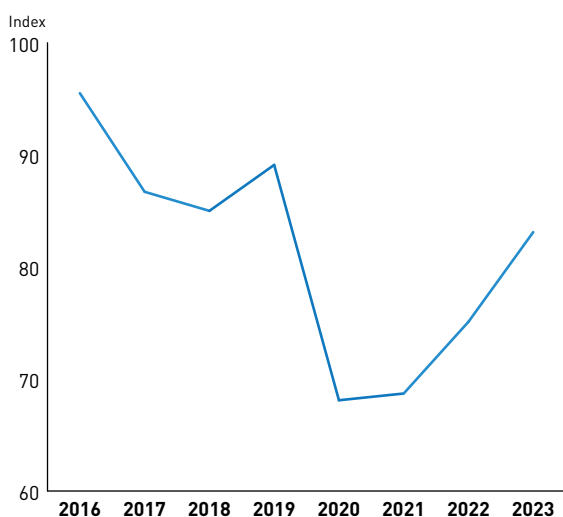
Manufacturing unit business cost (UBC) rose by 3.4 per cent year-on-year in the fourth quarter, easing from the 8.9 per cent increase in the previous quarter (Exhibit 3.2). The increase in manufacturing UBC came on the back of an increase in unit services costs (4.6 per cent) and unit non-labour production taxes (15.3 per cent), which offset the slight decline in the manufacturing ULC (-0.1 per cent). For 2023 as a whole, manufacturing UBC increased by 8.5 per cent, moderating from the 9.9 per cent increase in 2022.

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 economies¹ – rose in 2023 (i.e., less competitive) as compared to 2022 (Exhibit 3.3). The deterioration in Singapore's RULC was mainly on account of an increase in Singapore's manufacturing ULC and a stronger Singapore dollar.

Exhibit 3.3: Singapore's Relative Unit Labour Cost in Manufacturing Against Selected 16 Economies¹



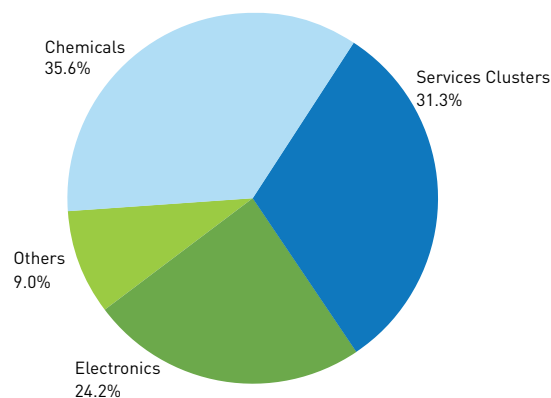
¹ The 16 economies are Australia, China, France, Germany, Hong Kong, India, Indonesia, Japan, Malaysia, Netherlands, South Korea, Taiwan, Thailand, the United Kingdom, the United States and Vietnam.

INVESTMENT COMMITMENTS

EDB attracted healthy levels of investment commitments in 2023. For the full year, FAI and TBE commitments came in at \$12.7 billion and \$8.9 billion respectively.

In terms of FAI, the largest contribution came from the manufacturing sector, which garnered \$8.7 billion in commitments. Within manufacturing, the chemicals cluster attracted the largest amount of FAI commitments, at \$4.5 billion, followed by the electronics cluster, at \$3.1 billion. Within the services sector, the research & development and headquarters & professional services clusters contributed the most to total FAI commitments, with \$2.1 billion and \$1.3 billion respectively (Exhibit 3.4).

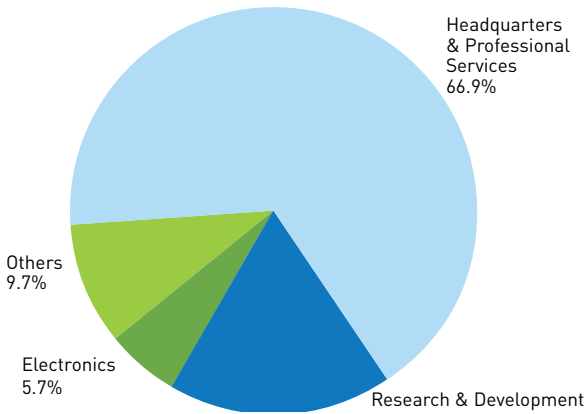
Exhibit 3.4: Fixed Asset Investments by Industry Clusters in 2023



Investors from the United States were the largest source of FAI commitments, with \$6.6 billion (51.9 per cent). They were followed by investors from Europe who contributed about \$3.1 billion of FAI commitments (24.8 per cent).

For TBE, the services sector attracted the highest amount of commitments, at \$7.6 billion. This was driven by the headquarters & professional services cluster, which garnered \$6.0 billion in TBE commitments, followed by the research & development cluster, with \$1.6 billion. Among the manufacturing clusters, the electronics cluster contributed the highest amount of TBE commitments, at \$508 million (Exhibit 3.5).

Exhibit 3.5: Total Business Expenditure by Industry Clusters in 2023



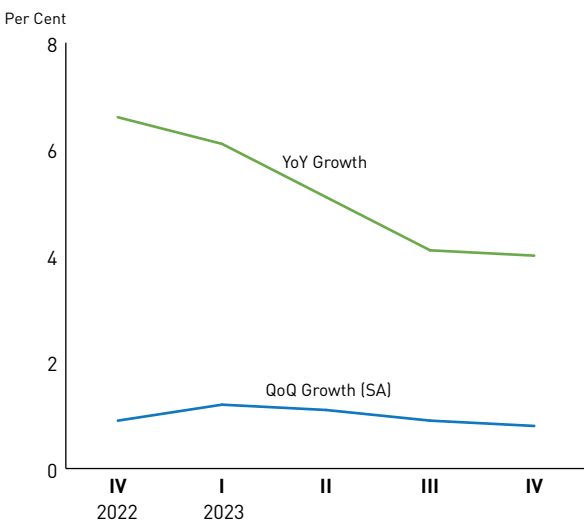
Local investors accounted for most of the TBE commitments, at \$3.1 billion (35.2 per cent).

When these projects are fully implemented, they are expected to generate \$26.7 billion of value-added per annum and create more than 20,000 jobs in the coming years.

CONSUMER PRICE INDEX

Singapore’s CPI-All Items rose by 4.0 per cent on a year-on-year basis in the fourth quarter, moderating from the 4.1 per cent increase in the previous quarter (Exhibit 3.6). On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items inflation came in at 0.8 per cent, edging down from the 0.9 per cent in the previous quarter.

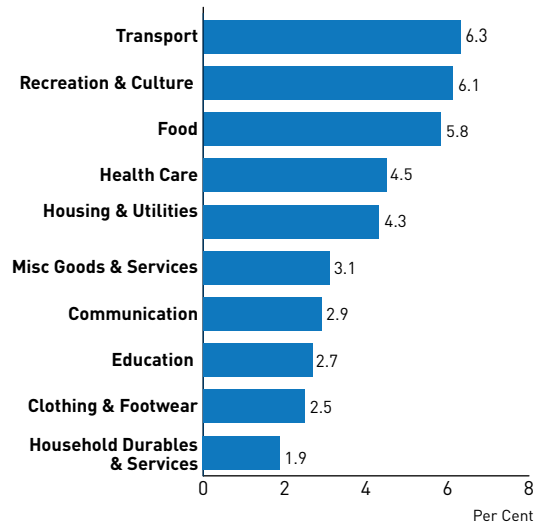
Exhibit 3.6: Changes in Overall CPI



For 2023 as a whole, CPI-All Items inflation came in at 4.8 per cent, lower than the 6.1 per cent recorded in 2022.

Price increases in the following CPI categories contributed positively to CPI-All Items inflation in 2023 (Exhibit 3.7). Transport costs climbed by 6.3 per cent as higher car prices, road tax and bus & train fares more than offset cheaper petrol and airfares. Recreation & culture prices rose by 6.1 per cent due to increases in the costs of holiday travel and recreational & cultural services. Food prices increased by 5.8 per cent on account of the higher costs of food serving services such as hawker food and restaurant meals, as well as non-cooked food items such as bread & cereals and meat. Healthcare costs rose by 4.5 per cent as a result of more expensive outpatient and hospital services. Housing & utilities costs increased by 4.3 per cent as accommodation costs and electricity prices picked up. Prices of miscellaneous goods & services increased by 3.1 per cent because of the higher prices of personal care items and alcoholic drinks & tobacco. Communication costs went up by 2.9 per cent due to the higher costs of telecommunication services. Education costs rose by 2.7 per cent due to higher fees at commercial institutions. Clothing & footwear prices went up by 2.5 per cent as footwear and ready-made garments became more expensive. Prices of household durables & services increased by 1.9 per cent on the back of more expensive domestic & household services and household durables.

Exhibit 3.7: Changes in CPI by Category in 2023



PRODUCER PRICE INFLATION

Producer prices – as measured by the DSPI, SMPPI, and 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 during the quarter came largely on the back of lower prices of integrated circuits.

For the full year, the DSPI and SMPPI decreased by 6.7 per cent and 4.5 per cent respectively, while the import and export price indices fell by 5.6 per cent and 7.6 per cent respectively. The declines are partly due to the lower prices of crude petroleum, integrated circuits and semiconductor memory chips.

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

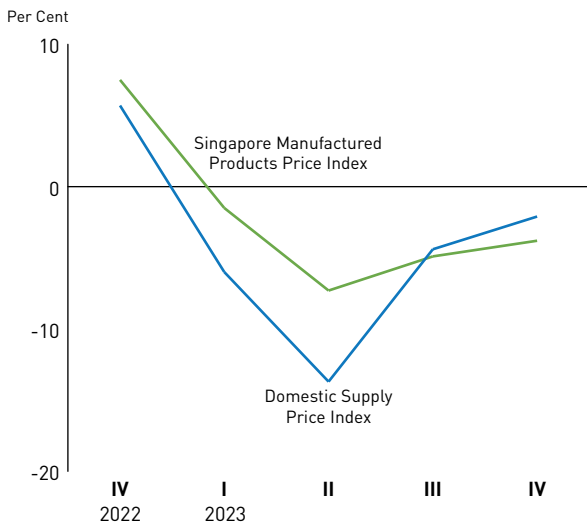


Exhibit 3.9: Changes in Import and Export Price Indices

