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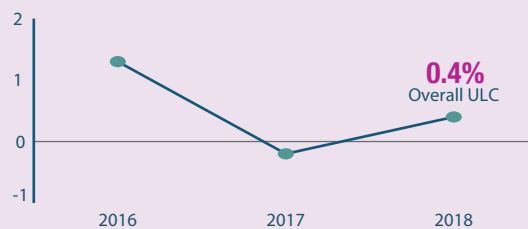
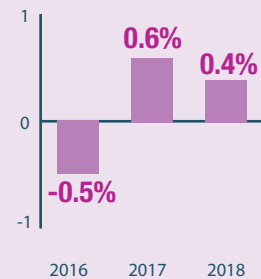
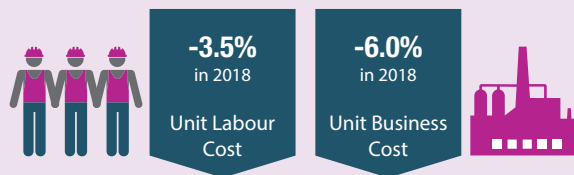
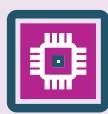
CHAPTER 3

COSTS, INVESTMENTS AND PRICES

CHAPTER 3

COSTS, INVESTMENTS
AND PRICESINVESTMENT
COMMITMENTS
IN 2018Fixed Asset
Investment
Commitments**\$10.9
billion**Total Business
Expenditure
Commitments**\$6.2
billion**

OVERALL UNIT LABOUR COST

The Consumer Price
Index (CPI) increased by**0.4%** in 2018CPI-ALL ITEMS
INFLATIONWITHIN THE
MANUFACTURING SECTORCLUSTERS THAT ATTRACTED
THE HIGHEST FIXED ASSET
INVESTMENT COMMITMENTSServices
Clusters

Electronics

Biomedical
ManufacturingCLUSTERS THAT ATTRACTED
THE HIGHEST TOTAL BUSINESS
EXPENDITURE COMMITMENTSResearch &
DevelopmentInfocommunications
& MediaHeadquarters &
Professional ServicesTHE INCREASE IN CPI
WAS MAINLY DRIVEN BY
INCREASES IN PRICES OF...

Food

**+0.3%**
point contribution

Education

**+0.2%**
point contributionBUT THIS WAS
PARTIALLY OFFSET BY
DECLINES IN PRICES OF...

Housing & Utilities

**-0.3%**
point contribution

Transport

**-0.1%**
point contribution

OVERVIEW

Overall Unit Labour Cost (ULC) rose by 1.3 per cent on a year-on-year basis in the fourth quarter of 2018, similar to the increase in the preceding quarter. For the whole of 2018, the ULC rose by 0.4 per cent, a reversal from the 0.2 per cent decline in 2017.

Total investment commitments in the manufacturing and services sectors remained healthy in 2018. The services clusters attracted the largest amount of commitments in both fixed asset investments (FAI) and total business expenditure (TBE). Among the services clusters, the infocommunications & media and research & development clusters were the biggest contributors to commitments in FAI and TBE respectively.

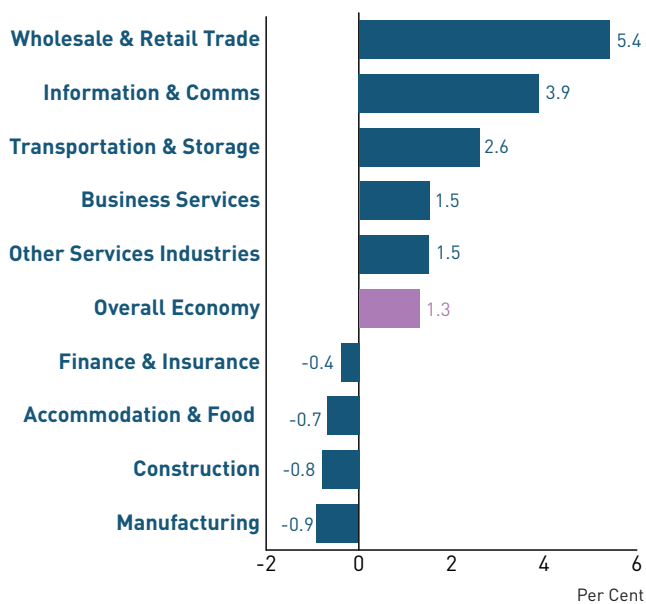
The Consumer Price Index-All Items (CPI-All Items) rose by 0.5 per cent in the fourth quarter on a year-on-year basis, easing from the 0.7 per cent increase in the previous quarter. For 2018 as a whole, CPI-All Items inflation came in at 0.4 per cent, slightly lower than the 0.6 per cent recorded in 2017.

Producer prices, as measured by the domestic supply price index (DSPI), Singapore manufactured products price index (SMPPPI) and import prices, rose in the fourth quarter. For 2018 as a whole, the DSPI, SMPPPI, import and export price indices increased by 6.4 per cent, 4.4 per cent, 4.9 per cent and 3.2 per cent respectively.

COSTS

Overall ULC for the economy rose by 1.3 per cent year-on-year in the fourth quarter, similar to the preceding quarter, as an increase in total labour cost per worker exceeded labour productivity gains.

Exhibit 3.1: Changes in Unit Labour Cost in 4Q 2018



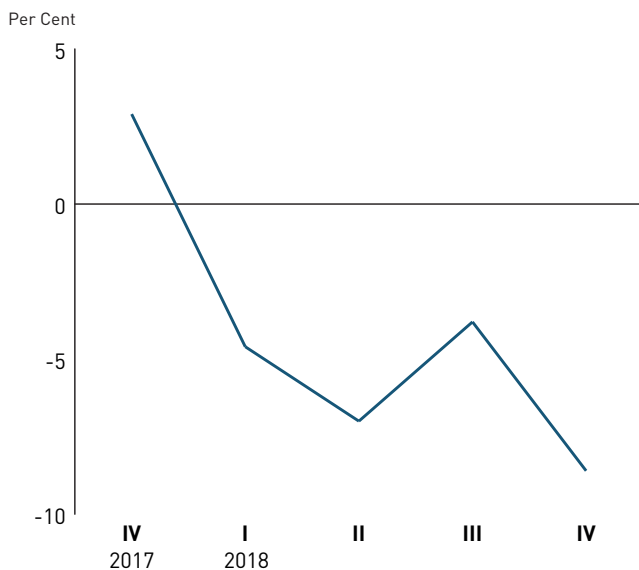
By broad sectors, the ULC for the manufacturing sector declined by 0.9 per cent, the twelfth consecutive quarter of decline. The continued fall in the manufacturing ULC was due to sustained productivity gains in the sector. Construction ULC also fell by 0.8 per cent, extending the 0.7 per cent decline in the preceding quarter.

On the other hand, the ULC for services producing industries rose by 2.3 per cent, slightly higher than the 2.0 per cent increase in the previous quarter. Most services sectors saw increases in their ULCs, with the exception of the accommodation & food services and finance & insurance sectors, where labour productivity gains outweighed the rise in total labour cost per worker.

For the whole of 2018, overall ULC rose by 0.4 per cent as total labour cost per worker increased by more than labour productivity.

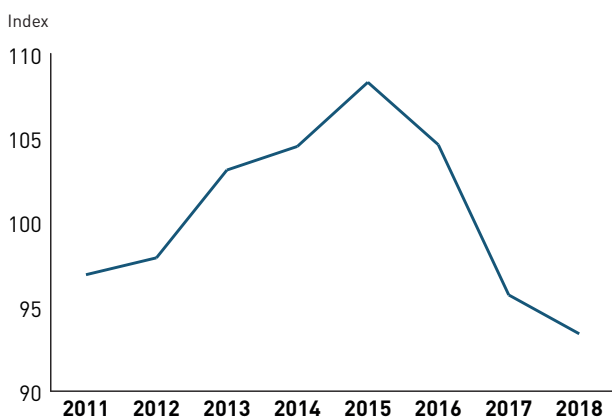
Manufacturing unit business cost (UBC) fell by 8.6 per cent year-on-year in the fourth quarter, extending the 3.8 per cent decline in the previous quarter (Exhibit 3.2). All components of the UBC (i.e., manufacturing ULC, unit services cost and unit non-labour production taxes) decreased during the quarter. For the whole of 2018, the manufacturing UBC fell by 6.0 per cent, a reversal from the 0.3 per cent increase in 2017, on the back of declines in all three components of the UBC.

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 – declined in 2018 as compared to 2017 (Exhibit 3.3). This came on the back of a fall in Singapore's manufacturing ULC relative to that of the other economies, which outweighed the effect of the appreciation of the Singapore dollar against the trade-weighted currencies of these economies.

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

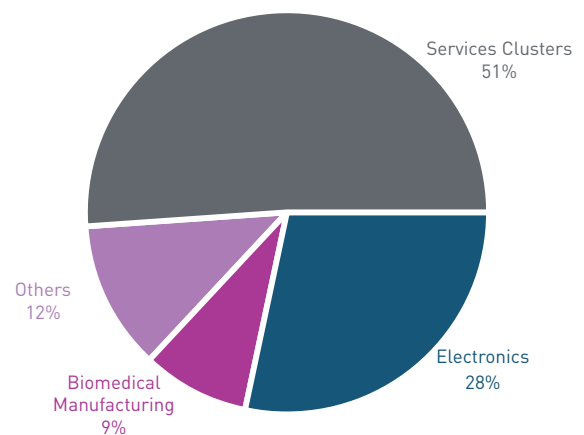


INVESTMENT COMMITMENTS

The Singapore economy received healthy levels of investment commitments in 2018. For the full year, FAI and TBE commitments came in at \$10.9 billion and \$6.2 billion respectively.

In terms of FAI, the largest contribution came from the services clusters, which garnered \$5.6 billion in commitments. Among the services clusters, the infocommunications & media cluster contributed the most to total FAI commitments, with \$2.0 billion. Within manufacturing, the electronics cluster attracted the largest amount of commitments, at \$3.1 billion, followed by the biomedical manufacturing cluster at \$949 million (Exhibit 3.4). Investors from the United States were the largest source of FAI commitments with \$5.5 billion (50 per cent). They were followed by investors from Europe who contributed about \$2.4 billion of FAI commitments (22 per cent).

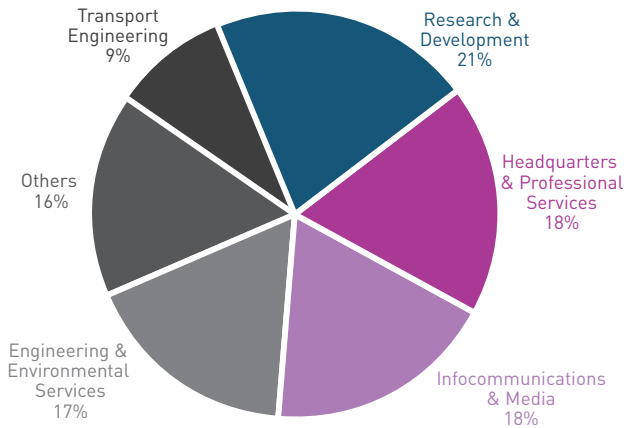
Exhibit 3.4: Fixed Asset Investments by Industry Clusters in 2018



Similar to FAI, the services clusters attracted the highest amount of TBE commitments, at \$4.9 billion. This was driven by the research & development cluster, which garnered \$1.3 billion in TBE commitments, followed by the infocommunications & media cluster, with \$1.1 billion. Among the manufacturing clusters, the transport engineering cluster contributed the highest amount of TBE commitments, at \$562 million (Exhibit 3.5). Investors from Singapore accounted for the most of total TBE commitments, at \$1.8 billion (30 per cent), followed by investors from Europe, at \$1.3 billion (21 per cent).

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 2018

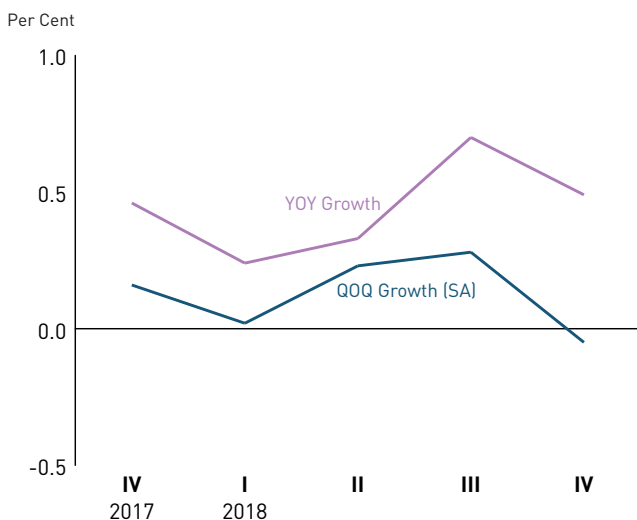


When fully operational, these FAI and TBE commitments are estimated to generate \$13.6 billion of value-added per annum and create approximately 17,417 jobs.

CONSUMER PRICE INDEX

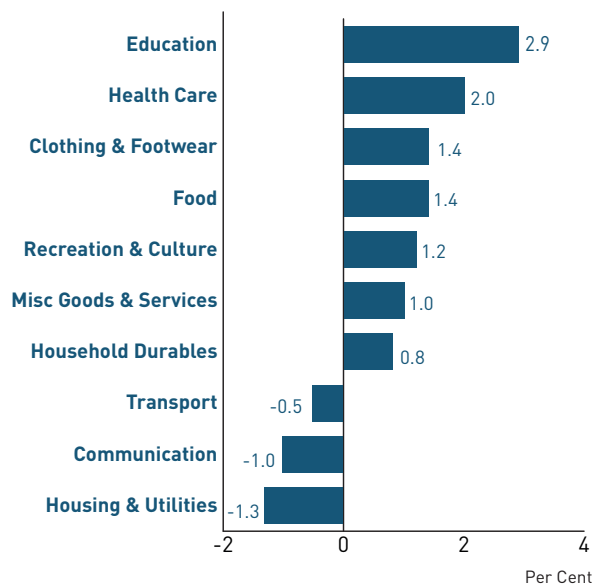
Singapore's CPI-All Items increased by 0.5 per cent on a year-on-year basis in the fourth quarter, easing from the 0.7 per cent rise in the third quarter (Exhibit 3.6). On a quarter-on-quarter seasonally-adjusted basis, the CPI-All items remained unchanged, moderating from the 0.3 per cent increase in the previous quarter.

Exhibit 3.6: Changes in Overall CPI



For 2018 as a whole, CPI-All Items inflation came in at 0.4 per cent, slightly lower than the 0.6 per cent recorded in 2017. Among the CPI categories, the largest positive contributor to CPI inflation was food, with prices rising by 1.4 per cent (Exhibit 3.7) on the back of price increases for food servicing services like hawker food and restaurant meals, as well as non-cooked food items such as fish & seafood, breads & cereals, fruits, and milk, cheese & eggs.

Exhibit 3.7: Changes in CPI by Category in 2018



Education costs increased by 2.9 per cent as a result of higher fees at kindergartens & childcare centres, universities and commercial institutions. Healthcare costs went up by 2.0 per cent due to more expensive hospital and outpatient services. Recreation and culture costs climbed by 1.2 per cent on the back of a rise in the cost of holiday travel. Prices of miscellaneous goods and services increased by 1.0 per cent as the result of an increase in cigarette prices. Clothing and footwear costs rose by 1.4 per cent due to more expensive footwear and ready-made garments. Prices of household durables and services increased by 0.8 per cent because of an increase in the salaries of foreign maids.

The price gains in these CPI categories were partially offset by declines in other categories. The costs of housing and utilities fell by 1.3 per cent as a decline in accommodation costs more than offset higher electricity tariffs, water price and housing maintenance charges. Transport costs decreased by 0.5 per cent as a fall in the prices of cars and bus & train fares outweighed higher petrol prices. Communication costs fell by 1.0 per cent due to a drop in the prices of telecommunication services and equipment.

PRODUCER PRICE INFLATION

Producer prices - as measured by the DSPI and SMPPI - as well as the import price index rose in the fourth quarter (Exhibits 3.8 and 3.9). This was largely due to a rise in the prices of diesel fuel, kerosene and chemical compounds. Likewise, the export price index increased on account of a pickup in the prices of bunker fuel, high speed diesel fuel and diesel fuel.

For the whole of 2018, the DSPI and SMPPI rose by 6.4 per cent and 4.4 per cent respectively, mainly on account of an increase in the prices of diesel fuel and kerosene. Similarly, the rise in the prices of diesel fuel and high speed diesel fuel contributed to the bulk of the increase in import prices (4.9 per cent) and export prices (3.2 per cent).

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

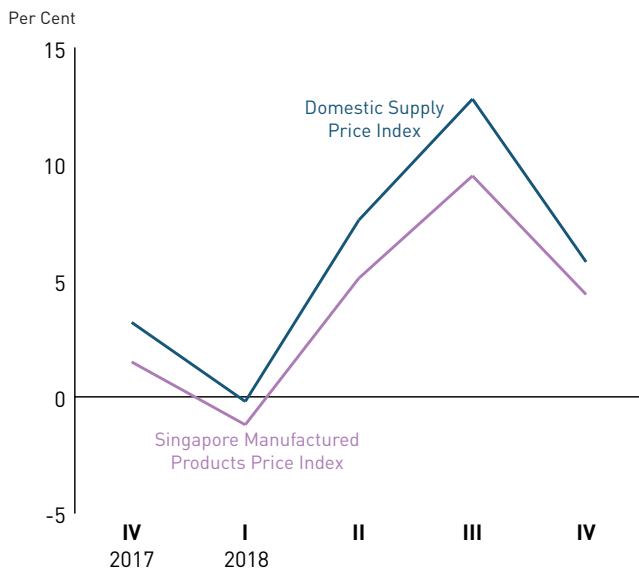


Exhibit 3.9: Changes in Import and Export Price Indices

