

# CHAPTER 3 COSTS, INVESTMENTS AND PRICES

## INVESTMENT COMMITMENTS IN 2019



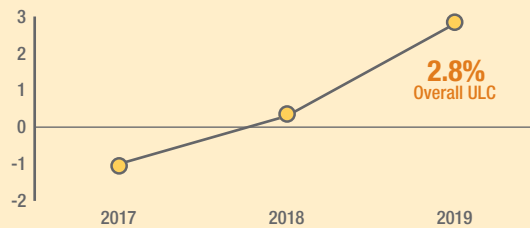
Fixed Asset Investment Commitments

**\$15.2 billion**

Total Business Expenditure Commitments

**\$9.0 billion**

## OVERALL UNIT LABOUR COST



## WITHIN THE MANUFACTURING SECTOR



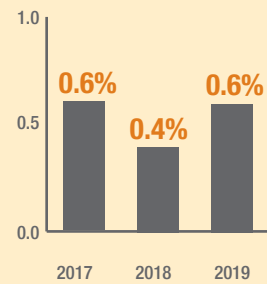
**3.2%** in 2019  
Unit Labour Cost

**-3.0%** in 2019  
Unit Business Cost



The Consumer Price Index (CPI) increased by **0.6%** in 2019

## CPI-ALL ITEMS INFLATION



## CLUSTERS THAT ATTRACTED THE HIGHEST FIXED ASSET INVESTMENT COMMITMENTS



Chemicals



Electronics



Services Clusters

## CLUSTERS THAT ATTRACTED THE HIGHEST TOTAL BUSINESS EXPENDITURE COMMITMENTS



Engineering & Environmental Services



Headquarters & Professional Services



Infocommunications & Media

## THE INCREASE IN CPI WAS MAINLY DRIVEN BY INCREASES IN PRICES OF...

Food



**0.4%** point contribution

Education



**0.2%** point contribution

## BUT THIS WAS PARTIALLY OFFSET BY DECLINES IN PRICES OF...

Housing & Utilities



**-0.2%** point contribution

## OVERVIEW

Overall Unit Labour Cost (ULC) for the economy rose by 2.1 per cent on a year-on-year basis in the fourth quarter of 2019, a moderation from the 3.6 per cent increase in the preceding quarter. For the whole of 2019, the overall ULC increased at a faster pace of 2.8 per cent, compared to the 0.3 per cent recorded in 2018.

Total investment commitments attracted by EDB in the manufacturing and services sectors remained healthy in 2019. The manufacturing clusters attracted a larger amount of fixed asset investment (FAI) commitments, while the services clusters attracted a higher amount of total business expenditure (TBE) commitments.

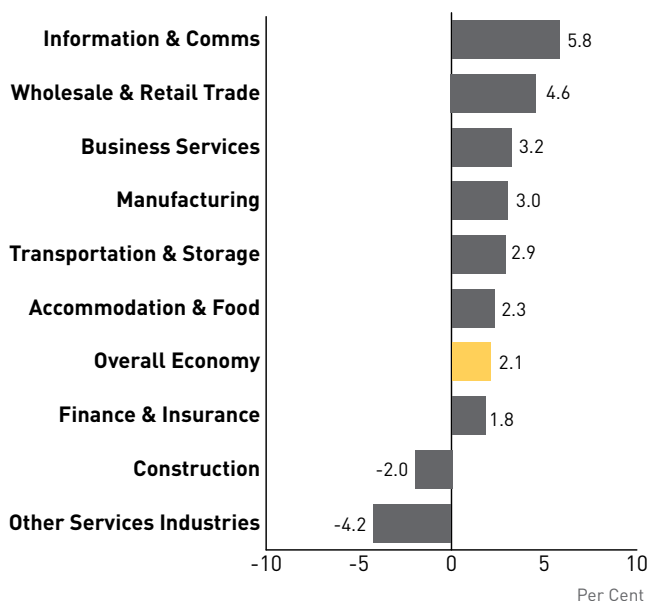
The Consumer Price Index-All Items (CPI-All Items) rose by 0.6 per cent year-on-year in the fourth quarter, slightly higher than the 0.4 per cent increase in the previous quarter. For 2019 as a whole, CPI-All Items inflation came in at 0.6 per cent, up from the 0.4 per cent recorded in 2018.

Producer prices, as measured by the domestic supply price index (DSPPI) and the Singapore manufactured products price index (SMPPI), as well as import prices fell in the fourth quarter. For 2019 as a whole, the DSPPI, SMPPI, import and export price indices declined by 3.2 per cent, 3.3 per cent, 1.0 per cent and 1.4 per cent respectively.

## COSTS

The overall ULC for the economy rose by 2.1 per cent year-on-year in the fourth quarter, a moderation from the 3.6 per cent increase in the third quarter (Exhibit 3.1). The uptick in the overall ULC was due to an increase in total labour cost per worker, along with a fall in labour productivity, as measured by real value-added per worker.

Exhibit 3.1: Changes in Unit Labour Cost in 4Q 2019



By broad sectors, the ULC for the manufacturing sector rose by 3.0 per cent in the fourth quarter, moderating from the 3.4 per cent increase in the preceding quarter.

For the services sector, the ULC picked up by 1.8 per cent, slower than the 3.9 per cent increase in the previous quarter. Most services sectors saw an increase in their respective ULCs during the quarter, with the exception of the other services industries.

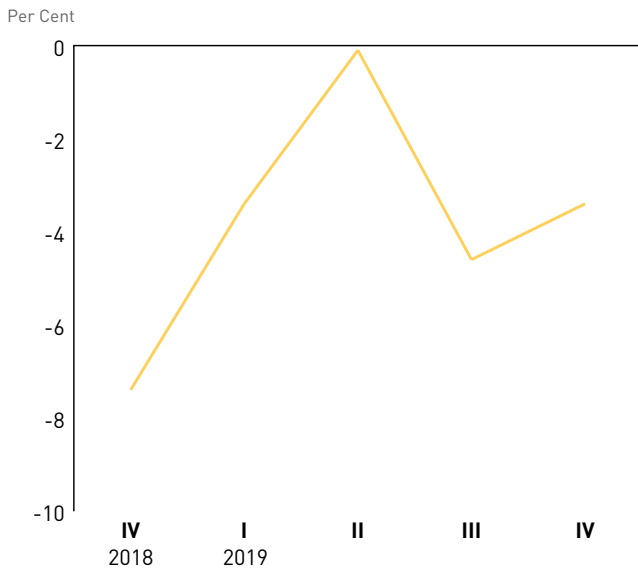
By contrast, the construction ULC fell by 2.0 per cent (the fourth consecutive quarter of decline) as a result of productivity gains in the sector.

For the whole of 2019, the overall ULC rose by 2.8 per cent on account of an increase in total labour cost per worker and a decline in labour productivity.

Manufacturing unit business cost (UBC) fell by 3.4 per cent year-on-year in the fourth quarter, extending the 4.6 per cent decline in the previous quarter (Exhibit 3.2). The drop in the manufacturing UBC was mainly due to a 5.9 per cent fall in unit services cost (which includes royalties, utilities and other services costs such as professional and advertising fees), which more than offset the 3.0 per cent increase in the manufacturing ULC.

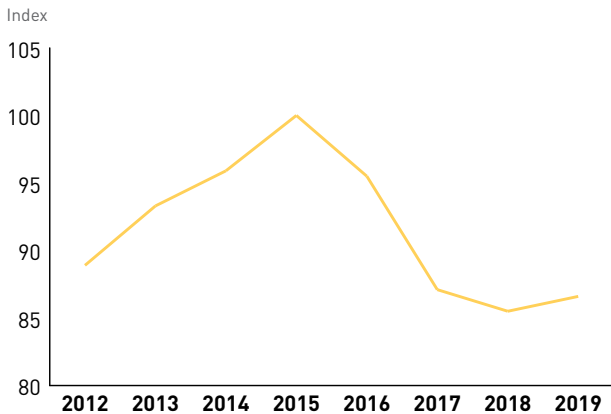
For the whole of 2019, the manufacturing UBC contracted by 3.0 per cent, extending the 7.0 per cent fall in 2018, on account of a sustained decline in unit services cost.

*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<sup>1</sup> – rose in 2019 as compared to 2018 (Exhibit 3.3). The increase was mainly due to an 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 Economies<sup>1</sup>*



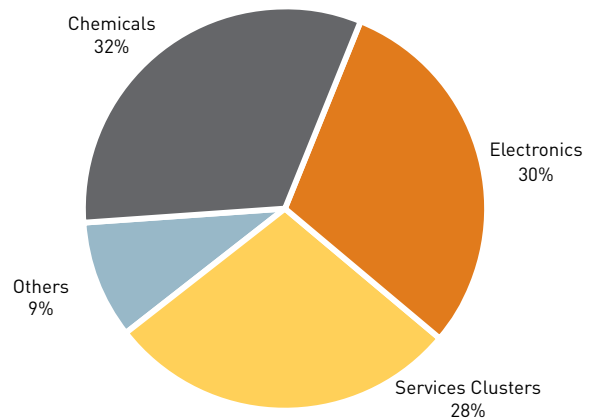
## INVESTMENT COMMITMENTS

EDB attracted healthy levels of investment commitments in 2019, with FAI and TBE commitments coming in at \$15.2 billion and \$9.0 billion respectively.

In terms of FAI, the manufacturing clusters contributed the most amount of commitments, at \$10.9 billion. Within manufacturing, the chemicals cluster attracted the largest amount of commitments, at \$4.9 billion, followed by the electronics cluster, at \$4.6 billion (Exhibit 3.4). Among the services clusters, the engineering & environmental services and research & development clusters contributed the most to total FAI commitments, at \$1.3 billion and \$1.2 billion respectively.

Investors from Europe were the largest source of FAI commitments, at \$7.2 billion (47 per cent). They were followed by investors from the United States who contributed about \$5.7 billion of FAI commitments (38 per cent).

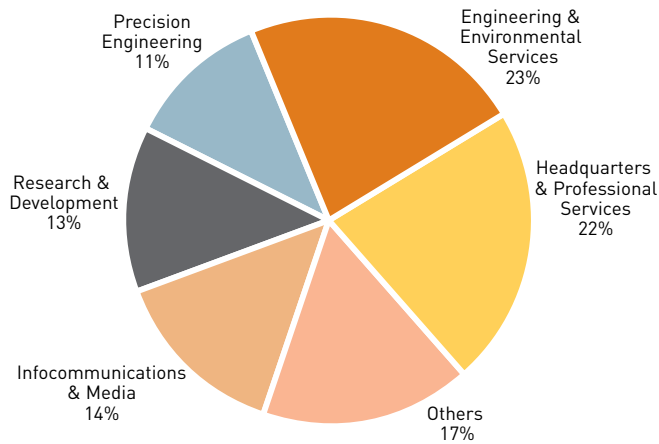
*Exhibit 3.4: Fixed Asset Investments by Industry Clusters in 2019*



For TBE, the services clusters attracted the highest amount of commitments, at \$6.8 billion. This was driven by the engineering & environmental services cluster, which garnered \$2.1 billion in TBE commitments, followed by the headquarters & professional services cluster, with \$2.0 billion. Among the manufacturing clusters, the precision engineering cluster contributed the highest amount of TBE commitments, at \$1.0 billion (Exhibit 3.5).

<sup>1</sup> 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 2019



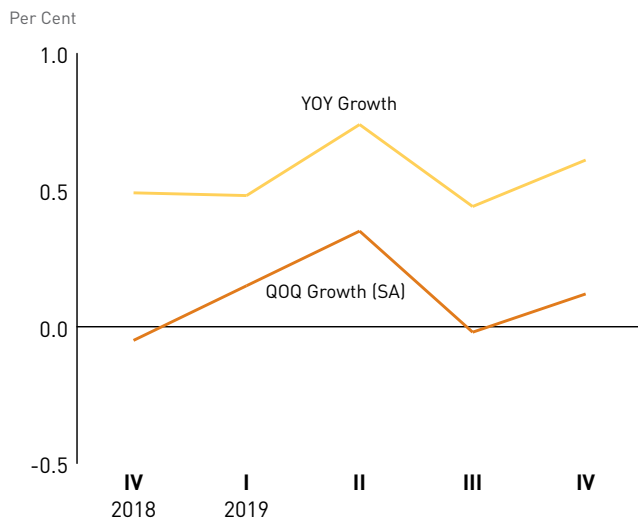
Investors from the United States contributed the most to total TBE commitments, at \$3.5 billion (38 per cent), followed by investors from Asia Pacific & Others, at \$2.0 billion (22 per cent).

When these projects are fully implemented, they are expected to generate \$29.4 billion of value-added per annum and create more than 32,000 jobs in the coming years.

## CONSUMER PRICE INDEX

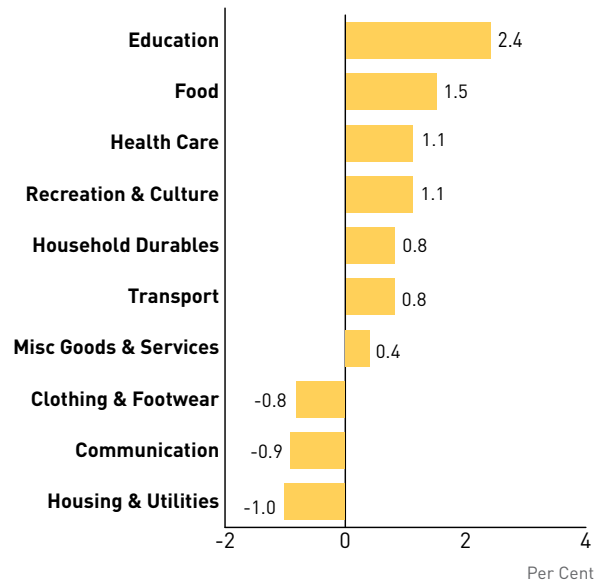
Singapore's CPI-All Items increased by 0.6 per cent on a year-on-year basis in the fourth quarter, slightly faster than the 0.4 per cent rise in the third quarter (Exhibit 3.6). On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items inched up by 0.1 per cent, after remaining unchanged in the previous quarter.

Exhibit 3.6: Changes in Overall CPI



For 2019 as a whole, CPI-All Items inflation came in at 0.6 per cent, up from the 0.4 per cent recorded in 2018. Among the CPI categories, the largest positive contributor to CPI-All Items inflation was food, with prices rising by 1.5 per cent (Exhibit 3.7) due to an increase in the prices of food servicing services like hawker food and restaurant meals, as well as non-cooked food items such as bread & cereals, vegetables, fruits and fish & seafood.

Exhibit 3.7: Changes in CPI by Category in 2019



Education costs increased by 2.4 per cent because of higher fees at commercial institutions, kindergartens & childcare centres, universities and polytechnics. Transport costs edged up by 0.8 per cent as an increase in bus & train fares, car prices and costs of general repair & maintenance more than offset a fall in the prices of motorcycles & scooters. Recreation & culture costs rose by 1.1 per cent on the back of higher holiday travel expenses. Healthcare costs increased by 1.1 per cent due to a rise in the cost of hospital and outpatient services. Prices of household durables & services went up by 0.8 per cent on account of an increase in the salaries and levy for foreign domestic workers. Prices of miscellaneous goods & services rose by 0.4 per cent due to more expensive personal care items.

The price gains in these CPI categories were partially offset by price declines in other categories. Clothing & footwear costs fell by 0.8 per cent because of cheaper ready-made garments. Communication costs declined by 0.9 per cent due to the lower cost of telecommunication equipment & services. Housing & utilities costs fell by 1.0 per cent as a decline in accommodation and electricity costs outweighed higher water prices and housing maintenance charges.

## PRODUCER PRICE INFLATION

Producer prices - as measured by the DSPI and SMPPI - as well as the import price index fell on a year-on-year basis in the fourth quarter (Exhibits 3.8 and 3.9). These declines could be attributed to a fall in the prices of diesel fuel, kerosene & vaporizing oil and ethylene. Likewise, the export price index fell on account of a drop in the prices of diesel fuel, bunker fuel and high-speed diesel fuel.

For the full year, the DSPI and SMPPI declined by 3.2 per cent and 3.3 per cent respectively, mainly because of a fall in the prices of integrated circuits and diesel fuel. Meanwhile, the drop in the prices of diesel fuel and motor spirit of ron 90-97 contributed to the bulk of the decline in import (-1.0 per cent) and export (-1.4 per cent) prices.

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

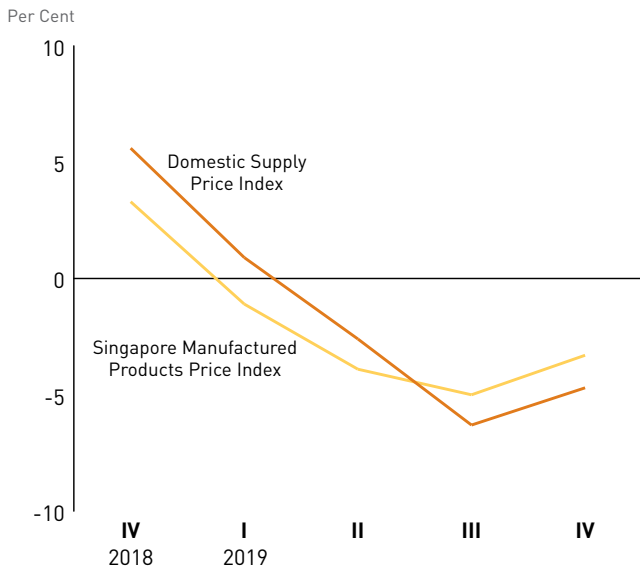


Exhibit 3.9: Changes in Import and Export Price Indices

