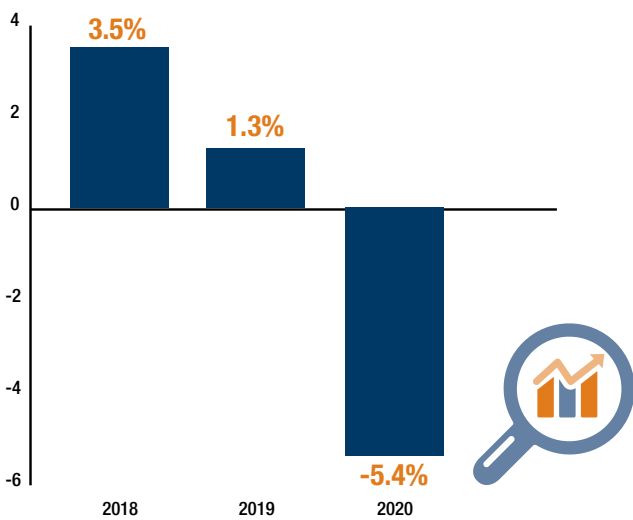
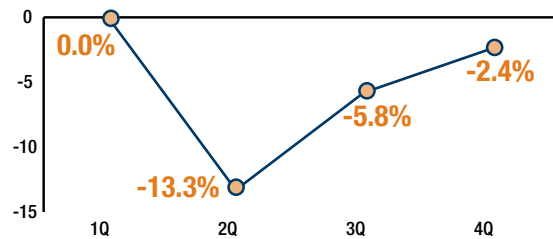


CHAPTER 1 ECONOMIC PERFORMANCE

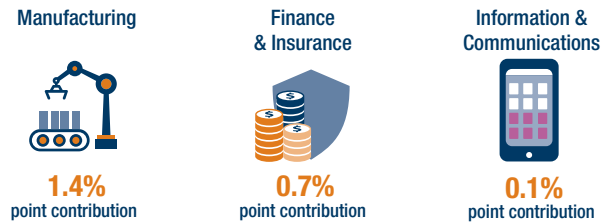
REAL GDP DECLINED BY 5.4% IN 2020



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



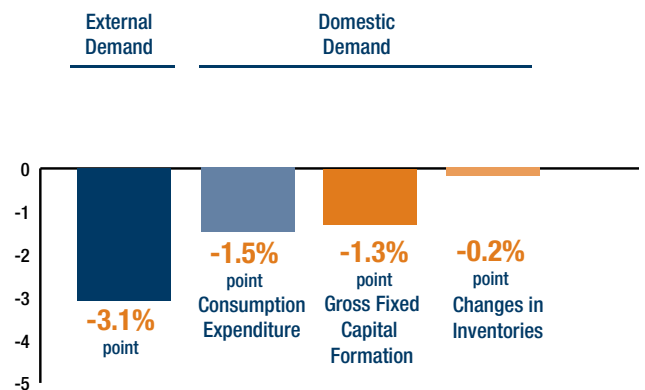
MAIN DRIVERS OF GDP GROWTH IN 2020



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.

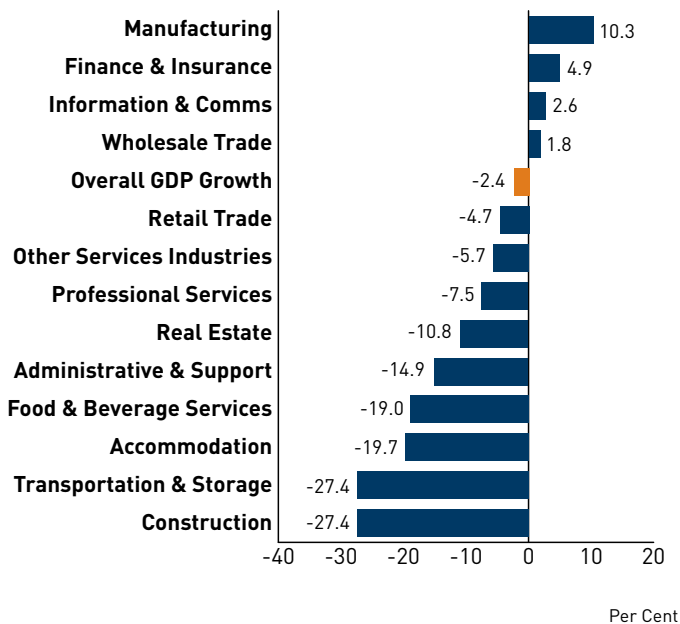
For the whole of 2020, the economy contracted by 5.4 per cent, a reversal from the 1.3 per cent growth in 2019. The sectors that provided support to the economy were the manufacturing, finance & insurance and information & communications sectors, which posted expansions in 2020.

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

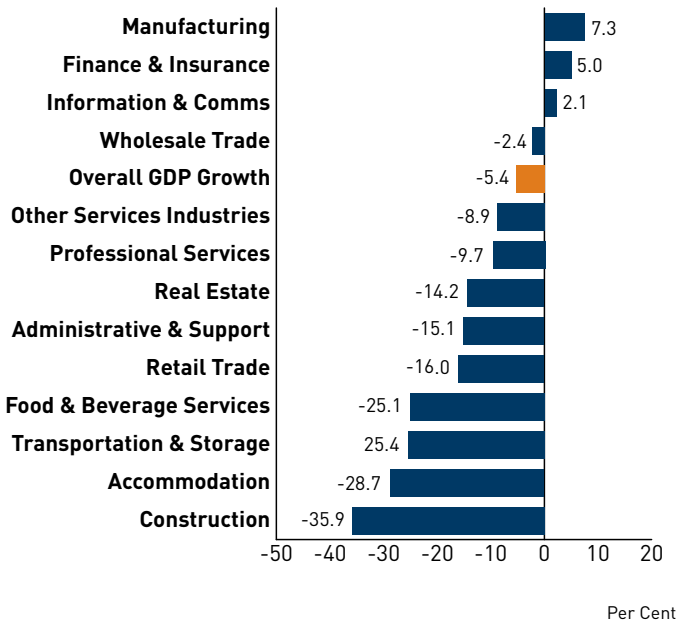
For the whole of 2020, the Singapore economy contracted by 5.4 per cent, a reversal from the 1.3 per cent growth in 2019 (Exhibit 1.2).

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.

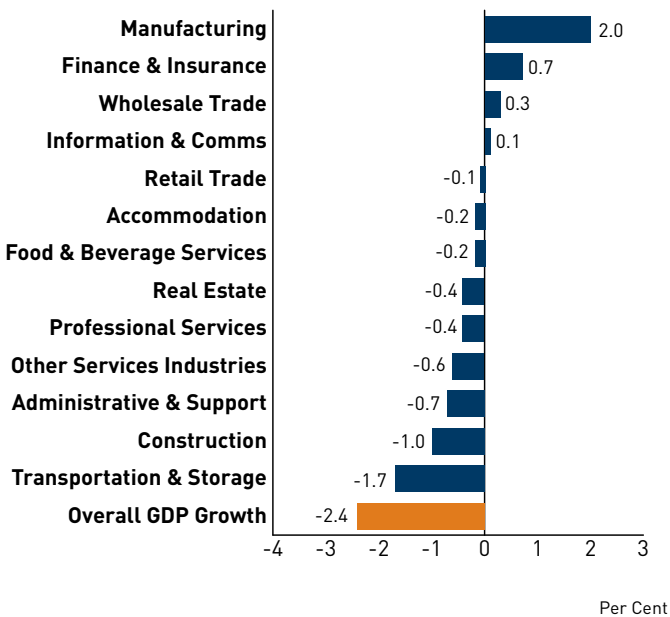
Meanwhile, the construction sector contracted by 36 per cent in 2020, a sharp reversal from the 1.6 per cent growth in 2019. Output in the sector was weighed down by declines in both public sector and private sector construction works.

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.

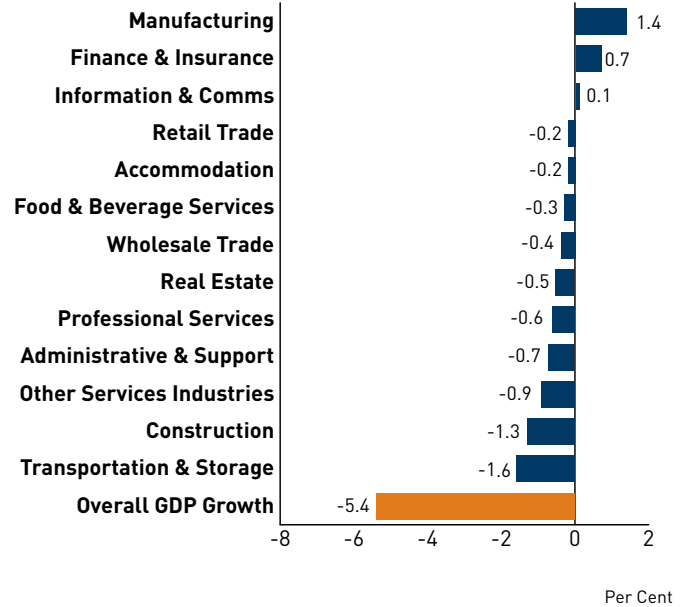
Exhibit 1.2: GDP and Sectoral Growth Rates in 2020

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

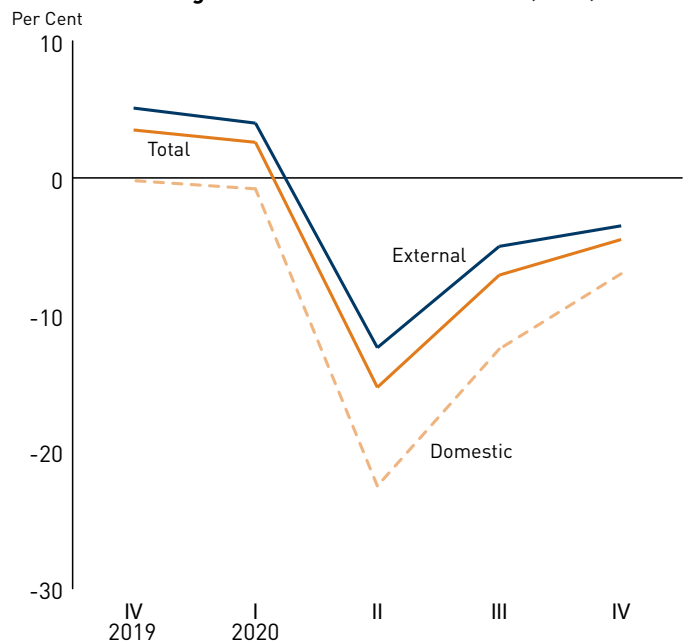
| | 2019 | 2019 | | | 2020 |
|--------------------------------------|------|-------|------|------|-------------|
| | | II | III | IV | |
| Total Demand | 0.6 | -15.3 | -7.1 | -4.5 | -6.1 |
| External Demand | 0.1 | -8.9 | -3.6 | -2.5 | -3.1 |
| Total Domestic Demand | 0.4 | -6.3 | -3.5 | -2.0 | -3.0 |
| 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 |

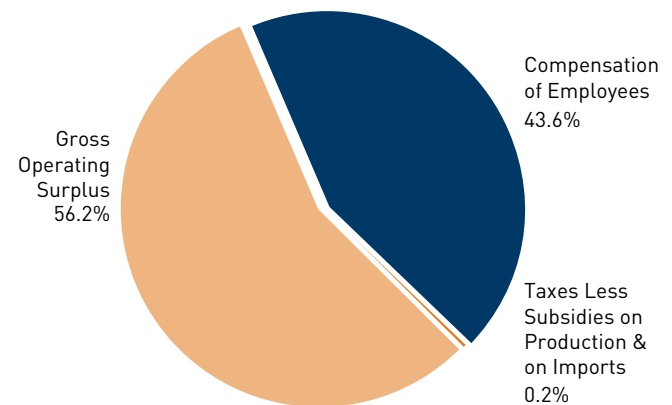
Exhibit 1.8: Percentage-Point Contribution to Growth of Gross Fixed Capital Formation in Chained (2015) Dollars, 2020

| | 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

