

# CHAPTER 3

# COSTS, INVESTMENTS AND PRICES

## INVESTMENT COMMITMENTS IN 2020



Fixed Asset Investment Commitments

**\$17.2 billion**

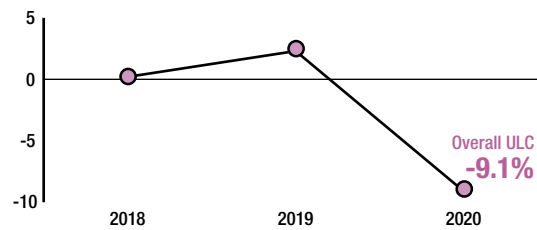


Total Business Expenditure Commitments

**\$6.8 billion**

## OVERALL UNIT LABOUR COST

(Year-On-Year Growth)



## WITHIN THE MANUFACTURING SECTOR



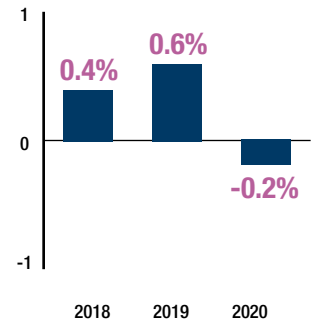
**-22.8%**  
in 2020  
Unit Labour Cost



**-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



Transport Engineering



Headquarters & Professional Services



Research & Development

## CLUSTERS THAT ATTRACTED THE HIGHEST TOTAL BUSINESS EXPENDITURE COMMITMENTS

## 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.

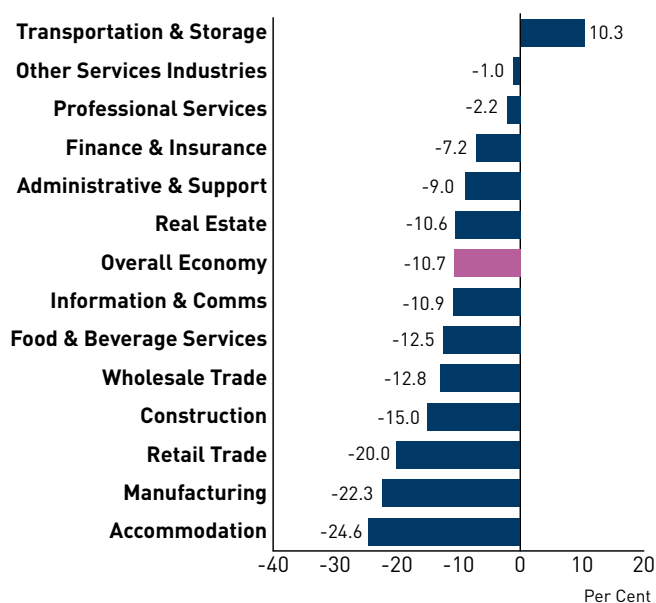
The Consumer Price Index-All Items (CPI-All Items) inched down by 0.1 per cent on a year-on-year basis in the fourth quarter, compared to the 0.3 per cent decline in the previous quarter. For 2020 as a whole, CPI-All Items declined by 0.2 per cent, a reversal from the 0.6 per cent increase in 2019.

Producer prices, as measured by the domestic supply price index (DSPI), the Singapore manufactured products price index (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 2020, the DSPI, SMPPPI 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.

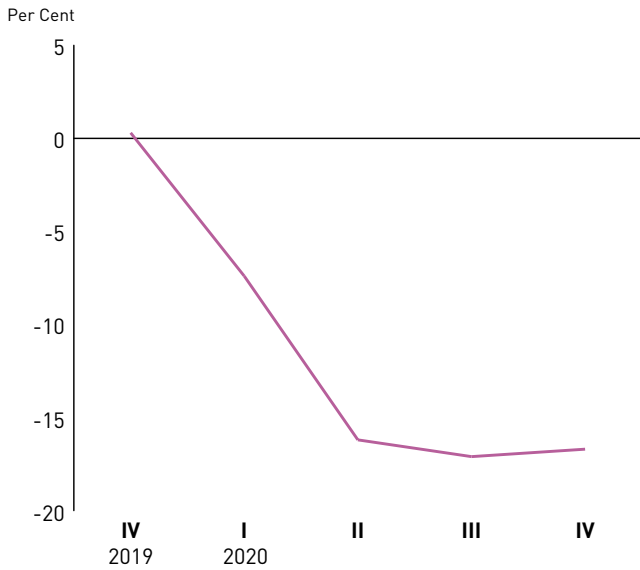
Similarly, the ULC for services producing industries fell by 6.6 per cent, extending the 4.9 per cent decline in the previous quarter. Most services sectors saw a drop in their ULCs, except for the transportation & storage sector. For the transportation & storage sector, its ULC increased on the back 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.

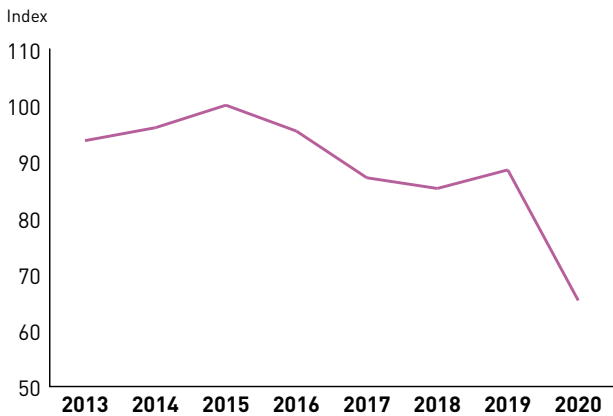
Manufacturing unit business cost (UBC) fell by 17 per cent year-on-year in the fourth quarter, similar to the decline recorded in the previous quarter (Exhibit 3.2). This came on the back of declines in the manufacturing ULC (-22 per cent), unit services cost (-14 per cent) and unit non-labour production 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<sup>1</sup> – 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<sup>1</sup>**

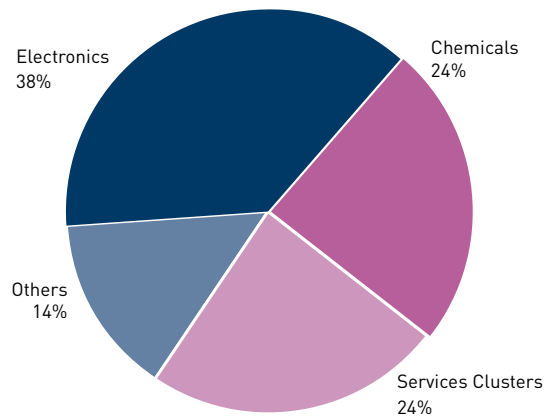


## INVESTMENT COMMITMENTS

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**

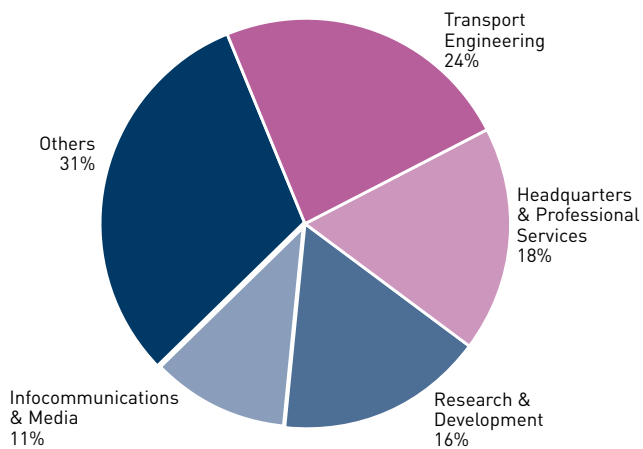


Investors from the United States were the largest source of FAI commitments with \$9.2 billion (53 per cent). They were followed by local investors who contributed about \$3.0 billion of FAI commitments (17 per cent).

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).

<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 2020**



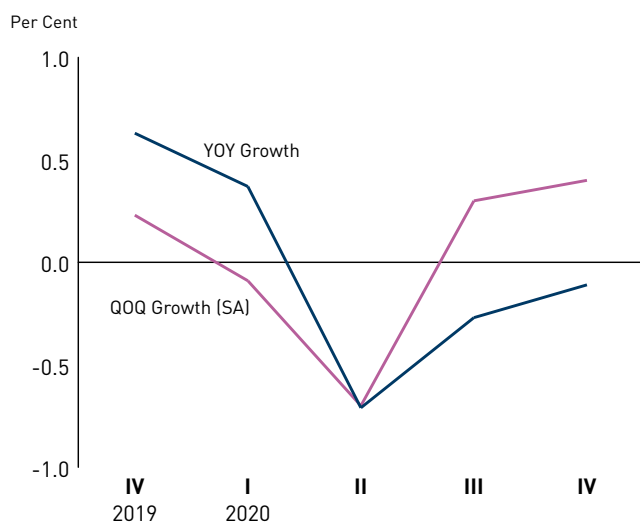
Local investors accounted for most of the TBE commitments, at \$2.8 billion (41 per cent), followed by investors from the United States, at \$1.5 billion (21 per cent).

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**

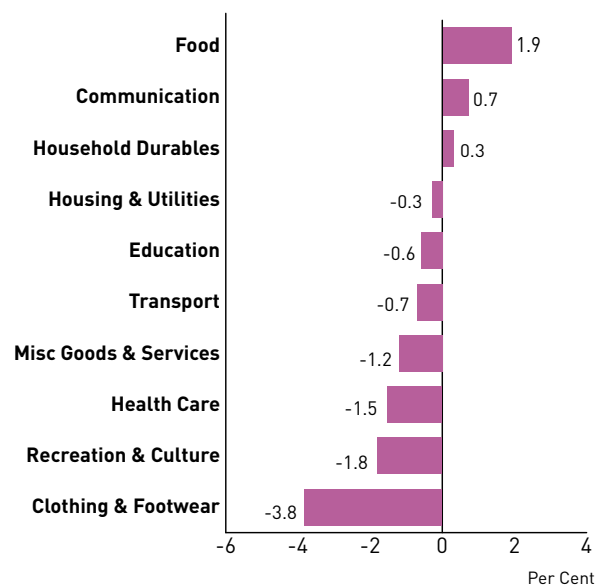


<sup>2</sup> These services were either fully or partially unavailable in April – December 2020 due to international and safe-distancing measures to contain the COVID-19 pandemic. Price changes were imputed, in line with international guidelines.

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.<sup>2</sup> 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**



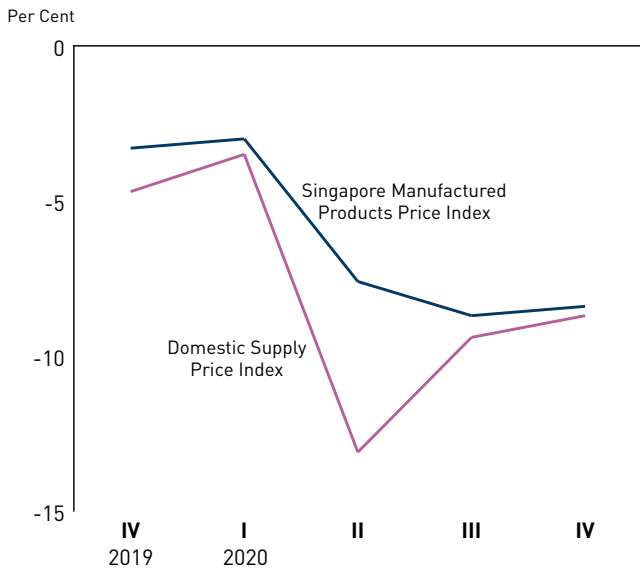
By contrast there were price increases in other CPI categories. Prices of household durables & services rose by 0.3 per cent on account of more expensive domestic and household services. Communication costs climbed by 0.7 per cent due to higher telecommunication services costs. Food costs rose by 1.9 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.

## 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 Export Price Indices**

