ECONOMIC SURVEY OF SINGAPORE

First Quarter 2020

MTI MINISTRY OF TRADE AND INDUSTRY SINGAPORE

May 2020

Ministry of Trade and Industry
Republic of Singapore

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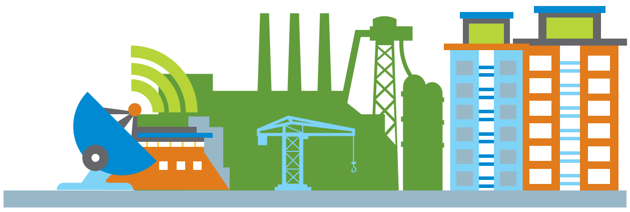

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MAIN INDICATORS OF THE SINGAPORE ECONOMY

OVERALL ECONOMY

Real GDP
(Year-on-Year Growth)
4Q19: +1.0%
1Q20: -0.7%

GDP at Current Market Prices
4Q19: $128.7 billion
1Q20: $122.9 billion

PRICES

Consumer Price Index - All Items
(Year-on-Year Growth)
4Q19: +0.6%
1Q20: +0.4%

Domestic Supply Price Index
(Year-on-Year Growth)
4Q19: -4.7%
1Q20: -3.5%

LABOUR MARKET

Change in Employment
(Quarter-on -Quarter)
4Q19: +21.5 thousand
1Q20: -19.5 thousand

Overall Unemployment Rate
4Q19: 2.3%
1Q20: 2.4%

Value-Added per Actual Hour Worked
(Year-on-Year Growth)
4Q19: -2.2%
1Q20: -4.7%

COSTS

Unit Labour Cost of Overall Economy
(Year-on-Year Growth)
4Q19: +2.1%
1Q20: +1.5%

Unit Business Cost of Manufacturing
(Year-on-Year Growth)
4Q19: -3.4%
1Q20: -11.9%

Unit Labour Cost of Manufacturing
(Year-on-Year Growth)
4Q19: +3.0%
1Q20: -8.6%

MERCHANDISE TRADE

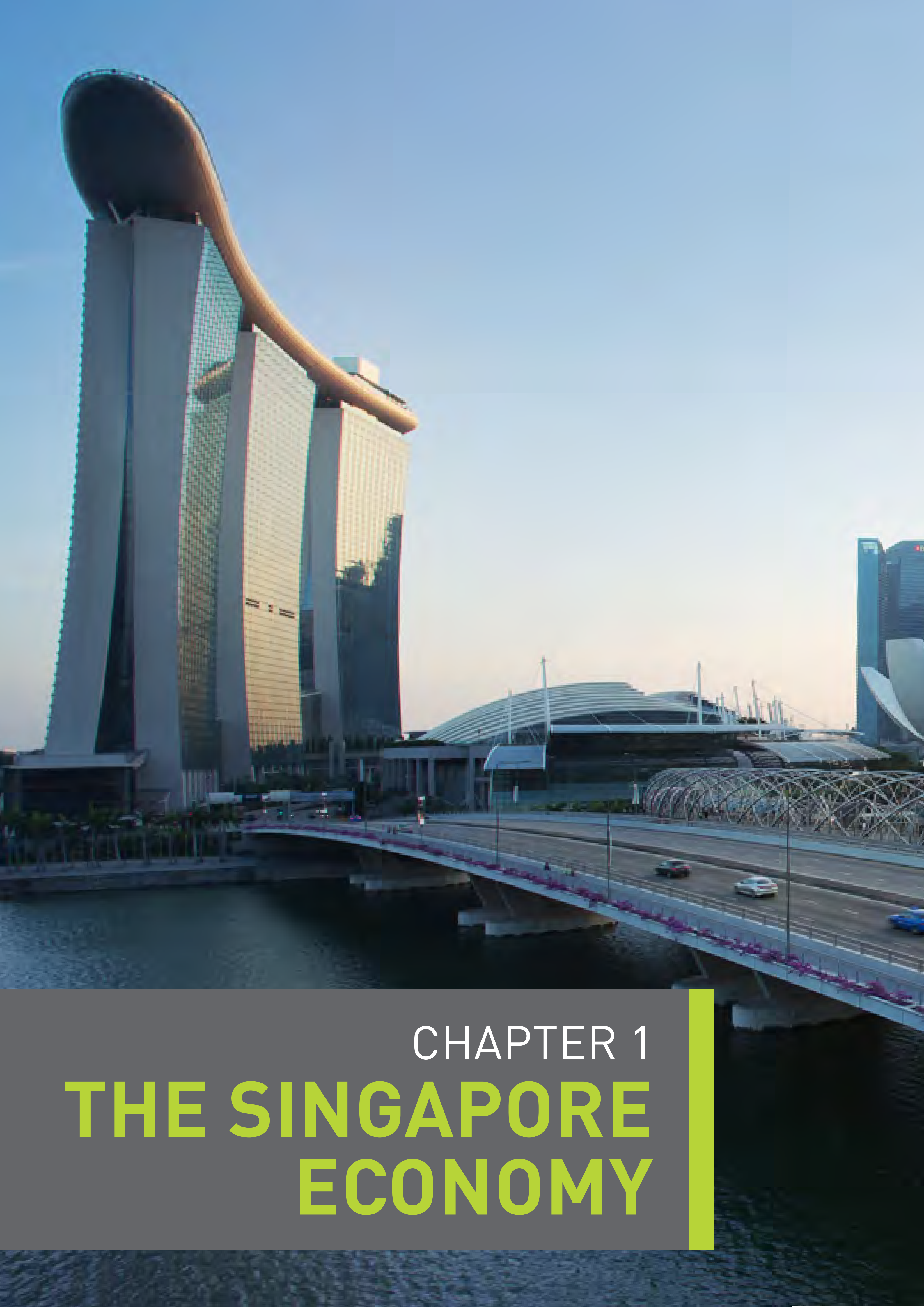
Merchandise Exports
4Q19: $137,651 million, -4.3% Year-on-Year Growth
1Q20: $126,909 million, -1.3% Year-on-Year Growth

Merchandise Imports
4Q19: $126,353 million, -6.3% Year-on-Year Growth
1Q20: $121,091 million, +2.6% Year-on-Year Growth

SERVICES TRADE

Services Exports
4Q19: $71,603 million, +4.5% Year-on-Year Growth
1Q20: $66,039 million, -2.9% Year-on-Year Growth

Services Imports
4Q19: $70,292 million, +0.6% Year-on-Year Growth
1Q20: $63,495 million, -4.2% Year-on-Year Growth



CHAPTER 1

THE SINGAPORE ECONOMY

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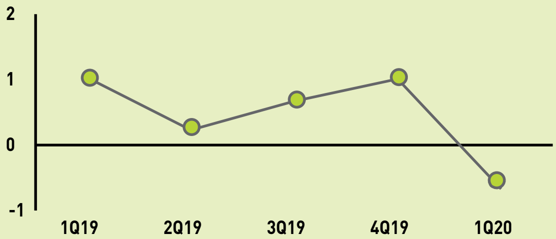
THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP declined by 0.7% in 1Q20

Quarterly Growth (Year-on-Year)



Main Drivers of Growth in 1Q20

Manufacturing

1.3%-point contribution

Finance & Insurance

1.0%-point contribution

LABOUR MARKET

Resident Unemployment Rate

3.3% in 1Q20

Employment (Q-O-Q Change)

-19,500 employed

Sectors with the Highest Employment Growth in 1Q20

Finance & Insurance	Information & Communications	Other Services Industries
+1,900 employed	+1,100 employed	+900 employed

PRODUCTIVITY

Value-Added per Actual Hour Worked declined by 4.7% in 1Q20

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 1Q20

Manufacturing	Finance & Insurance
4.3%	0.7%

COSTS

Overall Unit Labour Cost increased by
1.5% in 1Q20

Within the manufacturing sector

-11.9%
Unit Business Cost

-8.6%
Unit Labour Cost

PRICES

The Consumer Price Index (CPI) rose by
0.4% in 1Q20

Categories with Price Increases

Transport	Food	Communication
2.0%	1.6%	0.5%

Quarterly Growth (Year-on-Year)

INTERNATIONAL TRADE

Total Merchandise Exports declined by 1.3% in 1Q20

EXPORTS

Non-Oil Domestic Exports	Re-exports	Oil Domestic Exports
5.8%	3.2%	-28.9%

Total Services Exports declined by 2.9% in 1Q20

Services Export Growth was supported by...

Other Business Services	Financial Services	Telecommunications, Computer and Information
0.7%-pt	0.6%-pt	0.3%-pt

OVERVIEW

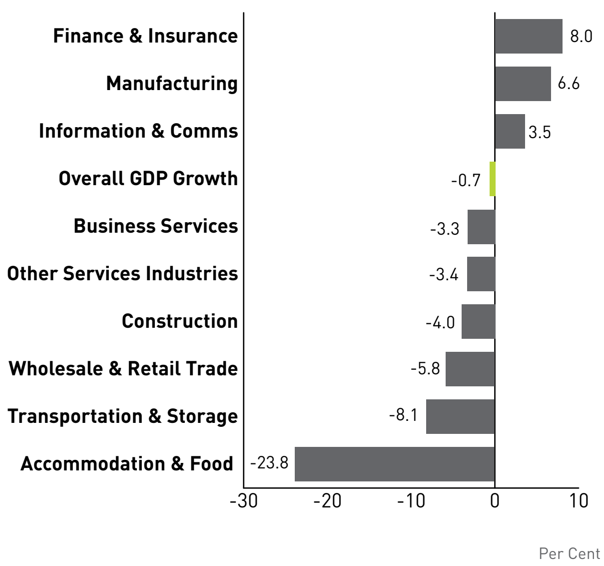
In the first quarter of 2020,

- The Singapore economy contracted by 0.7 per cent on a year-on-year basis. The decline in GDP during the quarter was primarily due to contractions in the wholesale & retail, transportation & storage and accommodation & food services sectors. By contrast, the manufacturing, finance & insurance and information & communications sectors expanded.
- The seasonally-adjusted overall, resident and citizen unemployment rates rose in March 2020 as compared to December 2019. Retrenchments in the first quarter were also higher as compared to the preceding quarter, but remained significantly lower when compared to the peak during the Global Financial Crisis (GFC).
- Total employment declined by 19,500 on a quarter-on-quarter basis, the sharpest quarterly contraction since the SARS crisis in the second quarter of 2003. Excluding foreign domestic workers (FDWs), total employment fell by 19,900 in the first quarter.
- The Consumer Price Index-All Items (CPI-All Items) rose by 0.4 per cent on a year-on-year basis, slower than the 0.6 per cent increase in the previous quarter.

OVERALL PERFORMANCE

The Singapore economy contracted by 0.7 per cent on a year-on-year basis in the first quarter, reversing the 1.0 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted annualised basis, the Singapore economy shrank by 4.7 per cent, a pullback from the 0.6 per cent expansion in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 1Q 2020



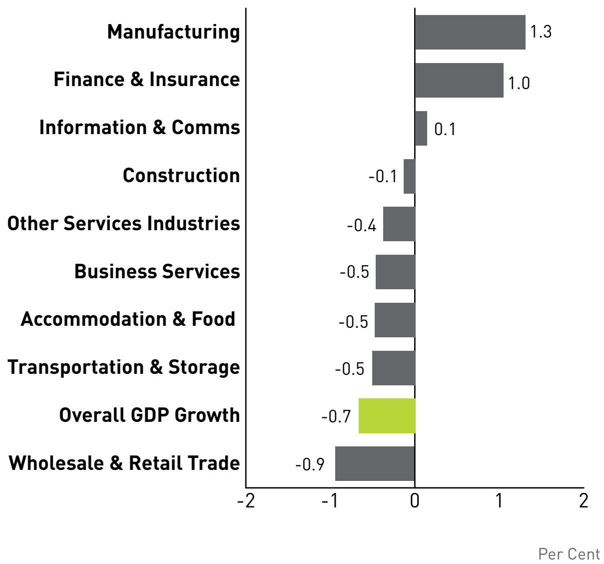
The manufacturing sector grew by 6.6 per cent year-on-year, a reversal from the 2.3 per cent contraction in the preceding quarter. Growth was on account of output expansions in the biomedical manufacturing, precision engineering and transport engineering clusters, which outweighed output declines in the electronics, general manufacturing and chemicals clusters.

The services producing industries shrank by 2.4 per cent year-on-year, in contrast to the 1.5 per cent expansion in the previous quarter. All services sectors contracted, except for the finance & insurance and information & communications sectors. The finance & insurance sector grew by 8.0 per cent, while the information & communications sector expanded by 3.5 per cent. Among the sectors that contracted, the accommodation & food services (-24 per cent) and transportation & storage (-8.1 per cent) sectors recorded the largest declines.

The construction sector contracted by 4.0 per cent year-on-year, a turnaround from the 4.3 per cent growth in the fourth quarter of last year. Construction output during the quarter was weighed down by a decline in private sector construction works.

The GDP decline during the first quarter was primarily because of contractions in the wholesale & retail, transportation & storage and accommodation & food services sectors (Exhibit 1.2).

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 1Q 2020 (By Industry)



SOURCES OF GROWTH

Total demand rose by 0.5 per cent on a year-on-year basis in the first quarter, slower than the 1.1 per cent increase in the previous quarter (Exhibit 1.3). Total demand was supported by growth in both external and domestic demand.

External demand grew by 0.5 per cent year-on-year, moderating from the 1.6 per cent growth in the previous quarter. Meanwhile, domestic demand also expanded by 0.5 per cent year-on-year, reversing the 0.2 per cent contraction in the previous quarter, supported by growth in public consumption expenditure as well as public and private gross fixed capital formation (GFCF).

Within domestic demand, GFCF increased by 1.6 per cent year-on-year, a reversal from the 1.7 per cent contraction in the previous quarter. The increase came on the back of a 2.8 per cent expansion in public sector GFCF, which was in turn supported by higher investment spending on machinery & equipment and construction & works. Meanwhile, private sector GFCF registered a 1.3 per cent increase year-on-year, supported by investment spending in transport equipment and machinery & equipment.

Consumption expenditure rose by 0.9 per cent year-on-year, moderating from the 3.0 per cent growth in the preceding quarter. Growth during the first quarter was on account of a 8.5 per cent increase in public consumption expenditure, even as private consumption expenditure fell by 1.6 per cent.

*Exhibit 1.3: Changes in Total Demand**

	2019				2020
	I	II	III	IV	I
Total Demand	-0.6	-1.3	-2.1	1.1	**0.5**
External Demand	-2.2	-2.2	-3.4	1.6	**0.5**
Total Domestic Demand	3.6	1.0	1.1	-0.2	**0.5**
Consumption Expenditure	4.9	2.7	3.5	3.0	**0.9**
Public	3.4	0.7	2.6	4.3	**8.5**
Private	5.4	3.2	3.8	2.6	**-1.6**
Gross Fixed Capital Formation	-0.6	-0.7	2.5	-1.7	**1.6**
Changes in Inventories	0.4	-0.3	-1.4	-1.1	**-0.4**

* *For inventories, this refers to the contribution to GDP growth.*

LABOUR MARKET

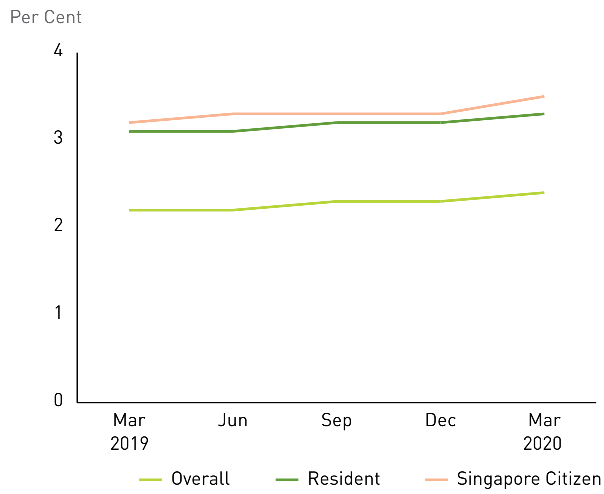
Unemployment and Retrenchment[1]

Compared to December 2019, the seasonally-adjusted unemployment rates edged up in March 2020 at the overall level (from 2.3 per cent to 2.4 per cent), as well as for residents (from 3.2 per cent to 3.3 per cent) and citizens (from 3.3 per cent to 3.5 per cent) (Exhibit 1.4). Nonetheless, these remained lower than the highs observed during SARS[2] and the GFC[3].

In March 2020, an estimated 76,400 residents, including 67,100 Singapore citizens, were unemployed. These were higher than the number of unemployed residents (73,900) and citizens (63,500) in December 2019.[4]

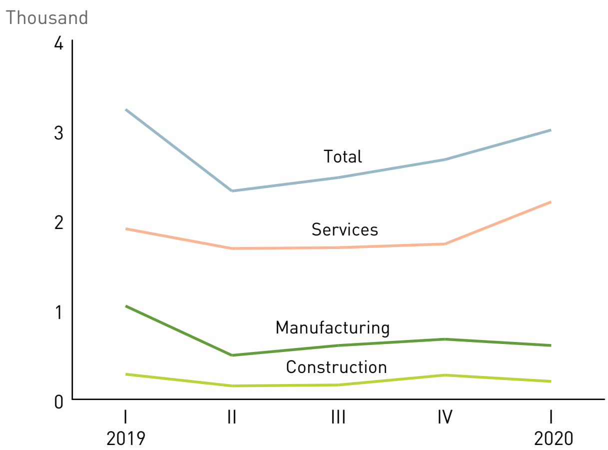
1 *Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.*
2 *In September 2003, the overall, resident and citizen unemployment rates were 4.8 per cent, 6.2 per cent and 6.4 per cent respectively.*
3 *In September 2009, the overall, resident and citizen unemployment rates were 3.3 per cent, 4.9 per cent and 4.9 per cent respectively.*
4 *Based on seasonally-adjusted data on the number of unemployed persons.*

Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)



Total retrenchments increased to 3,000 in the first quarter, from the 2,670 recorded in the preceding quarter (Exhibit 1.5). However, the number of retrenchments remained significantly lower as compared to the peak recorded during the GFC (12,760 in the first quarter of 2009). Over the quarter, retrenchments increased in the services sector (from 1,730 to 2,200), but declined in the manufacturing (from 670 to 600) and construction (from 270 to 200) sectors.

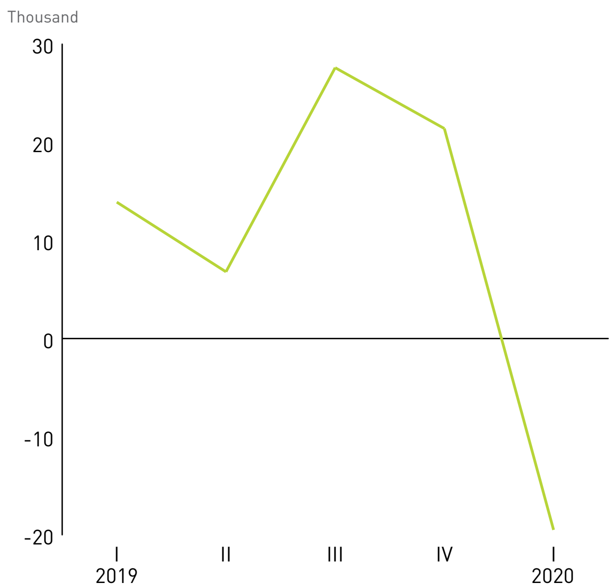
Exhibit 1.5: Retrenchments



Employment[5]

Total employment fell by 19,500 on a quarter-on-quarter basis in the first quarter (Exhibit 1.6), the sharpest quarterly contraction since the SARS crisis (-26,000 in the second quarter of 2003). Excluding FDWs, employment declined by 19,900. The fall in total employment was driven by a significant reduction in foreign employment, which outweighed a modest increase in local employment.[6]

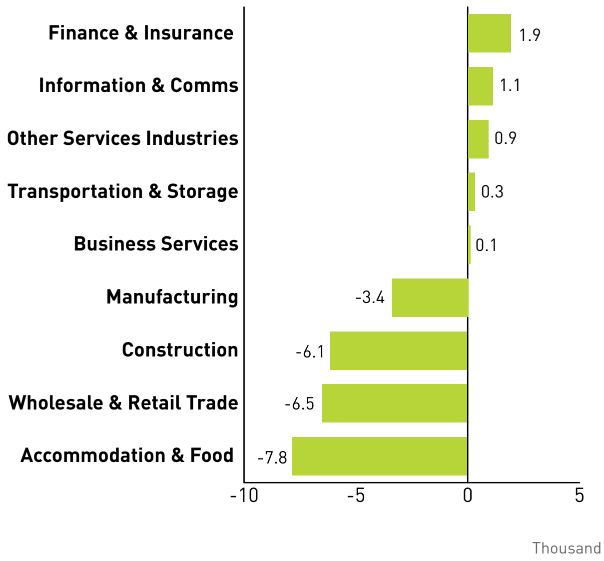
Exhibit 1.6: Change in Total Employment, Quarter-on-Quarter



Employment declines were observed across all broad sectors in the first quarter. In the overall services sector, employment fell by 10,000 (-10,400 excluding FDWs), driven by contractions in the accommodation & food services (-7,800) and wholesale & retail trade (-6,500) sectors (Exhibit 1.7). At the same time, employment in the construction sector decreased by 6,100 after four consecutive quarters of growth. Similarly, employment in the manufacturing sector declined by 3,400, reversing two consecutive quarters of growth.

5 *Based on preliminary estimates.*
6 *Local employment growth in the healthcare, public administration and professional services industries outweighed local employment declines in the wholesale & retail trade, food & beverage services and accommodation industries.*

Exhibit 1.7: Changes in Employment by Industry in 1Q 2020



Hiring Expectations

According to EDB's latest Business Expectations Survey for the Manufacturing Sector, hiring expectations in the sector remained subdued, with a net weighted balance of 10 per cent of manufacturers expecting to reduce hiring in the second quarter of 2020 as compared to the first quarter. Firms in the land segment of the transport engineering cluster had the weakest hiring sentiments, with a net weighted balance of 22 per cent of firms expecting lower levels of hiring in the second quarter. By contrast, firms in the other electronic modules & components segment of the electronics cluster were the most optimistic, with a net weighted balance of 18 per cent of firms expecting to increase hiring in the second quarter.

Hiring expectations for firms in the services sector were weak. According to DOS' latest Business Expectations Survey for the Services Sector, a net weighted balance of 24 per cent of services firms expected to reduce hiring in the second quarter of 2020 as compared to the first quarter. In particular, firms in the accommodation and food & beverage services industries were the most pessimistic, with a net weighted balance of 56 per cent and 42 per cent of firms expecting to hire fewer workers in the second quarter respectively.

COMPETITIVENESS

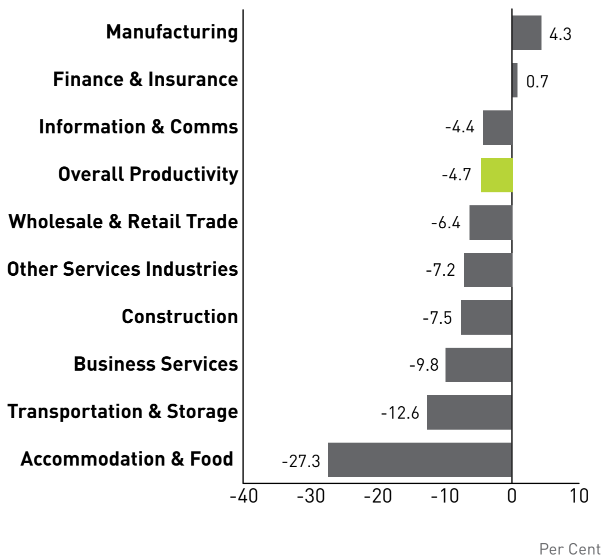
Productivity

In line with the contraction in GDP, overall labour productivity, as measured by real value-added per actual hour worked, fell by 4.7 per cent year-on-year in the first quarter (Exhibit 1.8).[7] This extended the 2.2 per cent decline recorded in the previous quarter.

Among the sectors, only the manufacturing (4.3 per cent) and finance & insurance (0.7 per cent) sectors posted productivity growth in the first quarter. All other sectors saw productivity declines, with the accommodation & food services (-27 per cent) and transportation & storage (-13 per cent) sectors experiencing the largest declines.

In the first quarter, the productivity of outward-oriented sectors as a whole declined by less than the productivity of domestically-oriented sectors.[8] Specifically, the productivity of outward-oriented sectors fell by 3.7 per cent year-on-year, extending the 2.9 per cent decline in the previous quarter. In comparison, the productivity of domestically-oriented sectors saw a larger fall of 7.8 per cent, which in turn followed from a 1.2 per cent decline in the preceding quarter.

Exhibit 1.8: Changes in Value-Added per Actual Hour Worked for the Overall Economy and Sectors in 1Q 2020



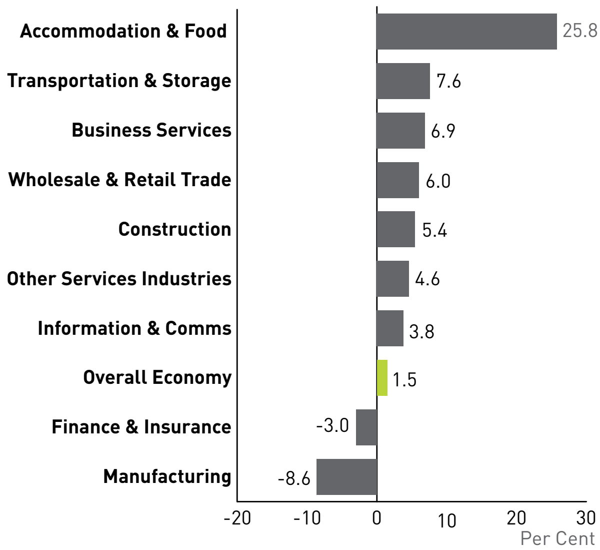
7 *Overall labour productivity, as measured by real value-added per worker, fell by 2.1 per cent in the first quarter as compared to the 0.7 per cent decline in the preceding quarter. The larger decline in real value-added per actual hour worked compared to real value-added per worker in the first quarter was due to an increase in the number of actual hours worked per worker.*

8 *Outward-oriented sectors refer to manufacturing, wholesale trade, transportation & storage, accommodation, information & communications, finance & insurance and professional services. Domestically-oriented sectors refer to construction, retail trade, food & beverage services, other business services and other services industries.*

Unit Labour Cost and Unit Business Cost

Overall unit labour cost (ULC) for the economy rose by 1.5 per cent on a year-on-year basis in the first quarter, moderating from the 2.1 per cent increase in the preceding quarter (Exhibit 1.9). The increase in the overall ULC was due to a fall in labour productivity, as measured by real value-added per worker, which more than offset the fall in total labour cost per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 1Q 2020



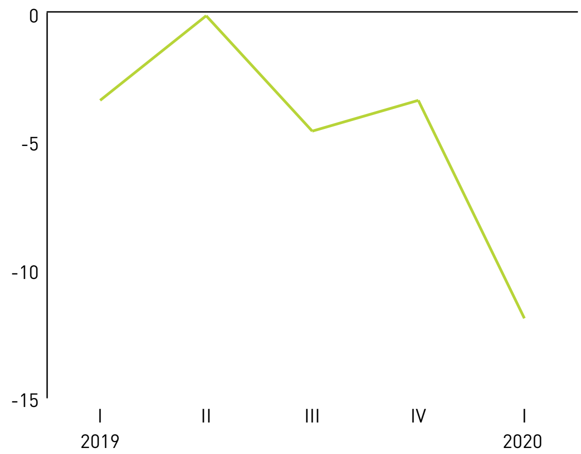
By sectors, the ULC for the manufacturing sector declined by 8.6 per cent year-on-year, reversing the increase of 3.0 per cent in the preceding quarter. The decline occurred on the back of productivity gains alongside a fall in total labour cost per worker in the sector.

In comparison, the ULC for services producing industries rose by 4.4 per cent, faster than the 1.8 per cent increase in the previous quarter. Most services sectors saw an increase in their ULCs, with the exception of the finance & insurance sector. The ULC of the finance & insurance sector fell as productivity growth in the sector exceeded the increase in total labour cost per worker.

For the construction sector, ULC increased by 5.4 per cent, reversing the 2.0 per cent decline recorded in the fourth quarter of last year, as labour productivity fell by more than total labour cost per worker in the sector.

Unit business cost (UBC) for the manufacturing sector decreased by 12 per cent year-on-year in the first quarter, extending the 3.4 per cent decline in the previous quarter (Exhibit 1.10). This came on the back of declines in the manufacturing ULC (-8.6 per cent), unit services cost (-13 per cent) and unit non-labour production taxes (-4.9 per cent).

Exhibit 1.10: Changes in the Manufacturing Unit Business Cost

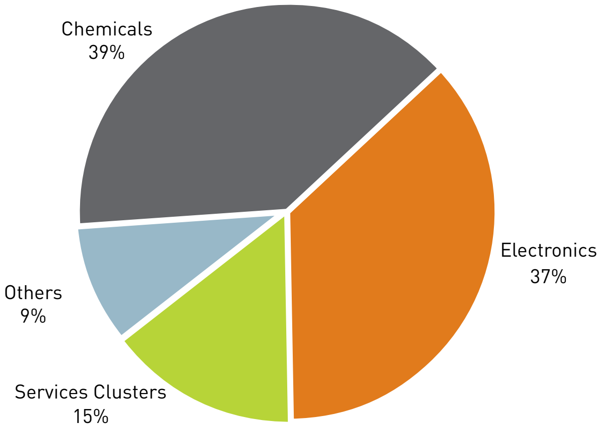


Investment Commitments

Investment commitments garnered by the Economic Development Board (EDB) in terms of Fixed Asset Investments (FAI) and Total Business Expenditure (TBE) amounted to $12.4 billion and $3.1 billion respectively in the first quarter (Exhibit 1.11 and Exhibit 1.12).

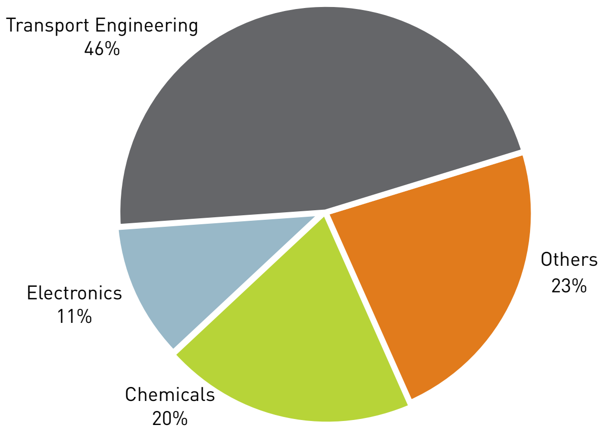
In terms of FAI, the largest contribution was from the manufacturing sector, which attracted $10.6 billion worth of commitments. Within the manufacturing sector, the chemicals and electronics clusters garnered the largest amount of commitments, at $4.8 billion and $4.5 billion respectively. Among the services clusters, the logistics cluster contributed the most to total FAI commitments, at $811 million. This was followed by the infocommunications & media cluster, which contributed $578 million. Investors from the United States were the largest contributors to total FAI, with $8.6 billion (69 per cent) in commitments, followed by local investors, with $2.2 billion (18 per cent).

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 1Q 2020



For TBE, the manufacturing clusters attracted the highest amount of commitments, at $2.6 billion. This was driven by the transport engineering cluster, which garnered $1.5 billion in TBE commitments, followed by the chemicals and electronics clusters, at $614 million and $332 million respectively. Among the services clusters, the headquarters & professional services cluster pulled in the largest amount of TBE commitments, at $255 million. Local investors were the largest source of TBE commitments, with commitments of $1.7 billion (53 per cent). They were followed by investors from the United States, with commitments of $843 million (27 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 1Q 2020



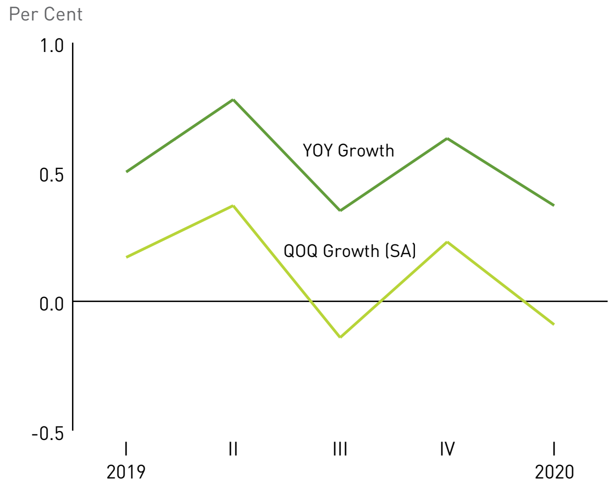
When these projects are fully implemented, they are expected to generate $5.3 billion of value-added and create more than 6,800 jobs in the coming years.

PRICES

Consumer Price Index

On a year-on-year basis, the Consumer Price Index-All Items (CPI-All Items) rose at a slower pace of 0.4 per cent in the first quarter, compared to the 0.6 per cent increase in the preceding quarter (Exhibit 1.13). On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items fell by 0.1 per cent, a reversal from the 0.2 per cent increase in the fourth quarter of 2019.

Exhibit 1.13: Changes in CPI



Among the CPI categories, food was the largest positive contributor to CPI-All Items inflation in the first quarter, with prices rising by 1.6 per cent on a year-on-year basis due to an increase in the prices of food servicing services like restaurant meals and hawker food, as well as non-cooked food items such as meat and vegetables (Exhibit 1.14). Transport costs went up by 2.0 per cent as an increase in car prices, bus & train fares as well as petrol prices more than offset a fall in airfares. Prices of household durables & services rose by 0.4 per cent as higher salaries and levy for FDWs outweighed a fall in the prices of household durables. Communication costs edged up by 0.5 per cent due to an increase in the prices of telecommunication services and equipment.

Exhibit 1.14: Percentage Changes in CPI over Corresponding Quarter of Previous Year

Per Cent

	2019				2020
	I	II	III	IV	I
All items	0.5	0.8	0.4	0.6	**0.4**
Food	1.6	1.5	1.4	1.6	**1.6**
Clothing & Footwear	1.8	-0.8	-2.5	-1.6	**-3.1**
Housing & Utilities	-0.6	-0.8	-1.3	-1.3	**-0.2**
Household Durables & Services	0.8	1.3	0.6	0.4	**0.4**
Health Care	1.9	1.3	1.1	0.2	**-1.5**
Transport	-1.3	1.4	0.8	2.3	**2.0**
Communication	-1.5	-1.1	-1.4	0.3	**0.5**
Recreation & Culture	1.4	1.8	0.6	0.5	**-1.0**
Education	2.8	2.5	2.2	2.1	**-0.6**
Miscellaneous Goods & Services	0.8	0.2	0.2	0.3	**-0.1**

The price gains in the above CPI categories outweighed the declines in the following categories. Prices of miscellaneous goods & services dipped by 0.1 per cent because of a fall in the costs of personal effects and infant care services. Education costs fell by 0.6 per cent on the back of lower fees at childcare centres & kindergartens due to the enhancement of preschool subsidies from January 2020. Housing & utilities costs edged down by 0.2 per cent as a fall in electricity prices and gas tariffs outweighed a rise in accommodation cost. Clothing & footwear costs declined by 3.1 per cent on account of cheaper ready-made garments. Recreation & culture costs fell by 1.0 per cent due to the lower cost of holiday travel. Healthcare costs dropped by 1.5 per cent as a fall in the cost of outpatient services and prices of medical products more than offset an increase in the cost of hospital services.

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade increased by 0.6 per cent year-on-year in the first quarter, after posting a decline of 5.3 per cent in the preceding quarter (Exhibit 1.15). The rise in total merchandise trade was due to an increase in non-oil trade, which outweighed a decline in oil trade. Oil trade fell by 16 per cent in nominal terms on the back of lower oil prices compared to a year ago, while non-oil trade increased by 4.5 per cent.

Exhibit 1.15: Growth Rates of Total Merchandise Trade, Merchandise Exports and Merchandise Imports (In Nominal Terms)

Per Cent

	2019					2020
	I	II	III	IV	Ann	I
Merchandise Trade	2.1	-2.2	-6.7	-5.3	-3.2	**0.6**
Merchandise Exports	0.0	-4.6	-7.3	-4.3	-4.2	**-1.3**
Domestic Exports	-6.5	-10.6	-13.1	-11.5	-10.5	**-6.2**
Oil	-6.5	-2.9	-19.7	-21.5	-12.9	**-28.9**
Non-Oil	-6.4	-14.7	-9.6	-5.7	-9.2	**5.8**
Re-Exports	6.8	2.0	-1.7	2.8	2.3	**3.2**
Merchandise Imports	4.5	0.5	-5.9	-6.3	-2.1	**2.6**
Oil	-4.3	-9.6	-18.2	-20.4	-13.5	**-6.2**
Non-Oil	7.3	3.7	-2.3	-1.9	1.5	**5.1**

Total merchandise exports declined by 1.3 per cent in the first quarter, extending the 4.3 per cent fall in the preceding quarter. This was due to a fall in domestic exports (-6.2 per cent) even as re-exports grew (3.2 per cent).

Domestic exports contracted on account of a decline in oil domestic exports, which more than offset the expansion in non-oil domestic exports (NODX). In particular, oil domestic exports fell by 29 per cent, partly reflecting lower oil prices compared to a year ago. In volume terms, oil domestic exports decreased by 14 per cent.

Meanwhile, NODX increased by 5.8 per cent, reversing the 5.7 per cent decline in the previous quarter. The rise in NODX was due to an increase in non-electronics domestic exports, which outweighed a decline in electronics domestic exports.

Total merchandise imports expanded by 2.6 per cent in the first quarter, after registering a decline of 6.3 per cent in the previous quarter. The increase was due to a rise in non-oil imports, which more than offset a fall in oil imports. Specifically, oil imports declined by 6.2 per cent amid lower oil prices compared to levels a year ago. Meanwhile, non-oil imports grew by 5.1 per cent, driven by an increase in both electronics and non-electronics imports.

Services Trade

Total services trade contracted by 3.5 per cent on a year-on-year basis in the first quarter, a reversal from the 2.5 per cent growth recorded in the previous quarter (Exhibit 1.16). Both services exports and services imports declined during the quarter.

Services exports fell by 2.9 per cent, a turnaround from the 4.5 per cent expansion in the preceding quarter. The fall in services exports was largely attributable to declines in the exports of travel services, receipts from the use of intellectual property and exports of transport services. Meanwhile, services imports declined by 4.2 per cent year-on-year, reversing the 0.6 per cent increase in the previous quarter. The fall in services imports was mainly due to lower imports of travel services, transport services and other business services.

Exhibit 1.16: Growth Rates of Total Services Trade, Services Exports and Services Imports (In Nominal Terms)

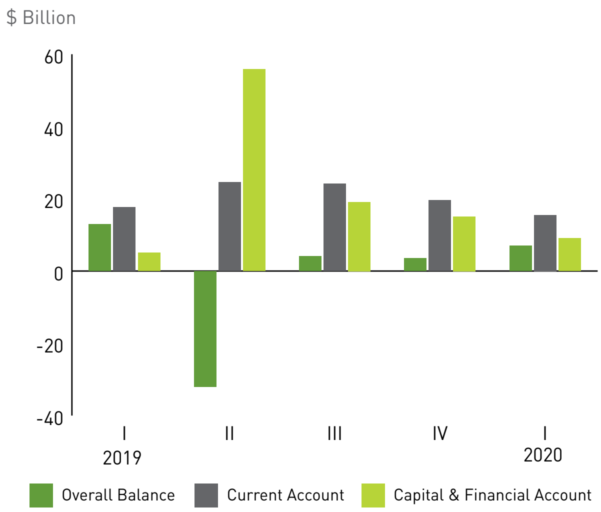
Per Cent

	2019					2020
	I	II	III	IV	Ann	I
Total Services Trade	0.3	1.9	0.6	2.5	1.3	**-3.5**
Services Exports	0.6	1.9	1.9	4.5	2.2	**-2.9**
Services Imports	-0.1	1.9	-0.8	0.6	0.4	**-4.2**

BALANCE OF PAYMENTS

The overall balance of payments registered a larger surplus of $7.0 billion in the first quarter, compared to the surplus of $3.5 billion in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus fell to $16 billion in the first quarter, from $20 billion in the last quarter of 2019. This largely reflected the narrowing of the surplus in the goods balance.

The surplus in the goods balance declined to $27 billion in the first quarter, from $32 billion in the previous quarter, as goods exports fell by a larger magnitude relative to goods imports.

By contrast, the services balance rose to $2.5 billion in the first quarter, from $1.3 billion in the preceding quarter. This was mainly driven by a decline in net payments for travel, transport and other business services.

In addition, the deficits in both the primary and secondary income balances remained steady, at $12 billion and $2 billion respectively in the first quarter, as the growth in receipts in each account was broadly compensated by higher payments.

Capital and Financial Account[9]

Net outflows from the capital and financial account fell to $9.1 billion in the first quarter, from $15 billion in the fourth quarter. This came on the back of lower net outflows of portfolio investment and financial derivatives, which collectively more than offset a decline in the net inflows of direct investment and a rise in the net outflows of "other investment".

Net outflows of portfolio investment declined sharply by $20 billion to $6.6 billion in the first quarter. This primarily reflected a shift from net purchases to net sales of overseas securities by resident deposit-taking corporations.

At the same time, the net outflows of financial derivatives eased to $2.1 billion in the first quarter, from $5.3 billion in the preceding quarter.

Meanwhile, the net inflows of direct investment slipped to $16 billion in the first quarter, from $26 billion in the previous quarter, as a decline in foreign direct investments into Singapore outweighed a fall in residents' direct investments abroad.

On the other hand, the net outflows of "other investment" rose to $17 billion, from $8.6 billion in the preceding quarter. This was mainly because resident deposit-taking corporations shifted from a net inflow to a net outflow position, which exceeded the increase in net inflows to the non-bank private sector.

9 *Net inflows in net balances are indicated by a minus (-) sign. For more details regarding the change in sign convention to the financial account, please refer to DOS's information paper on "Singapore's International Accounts: Methodological Updates and Recent Developments".*

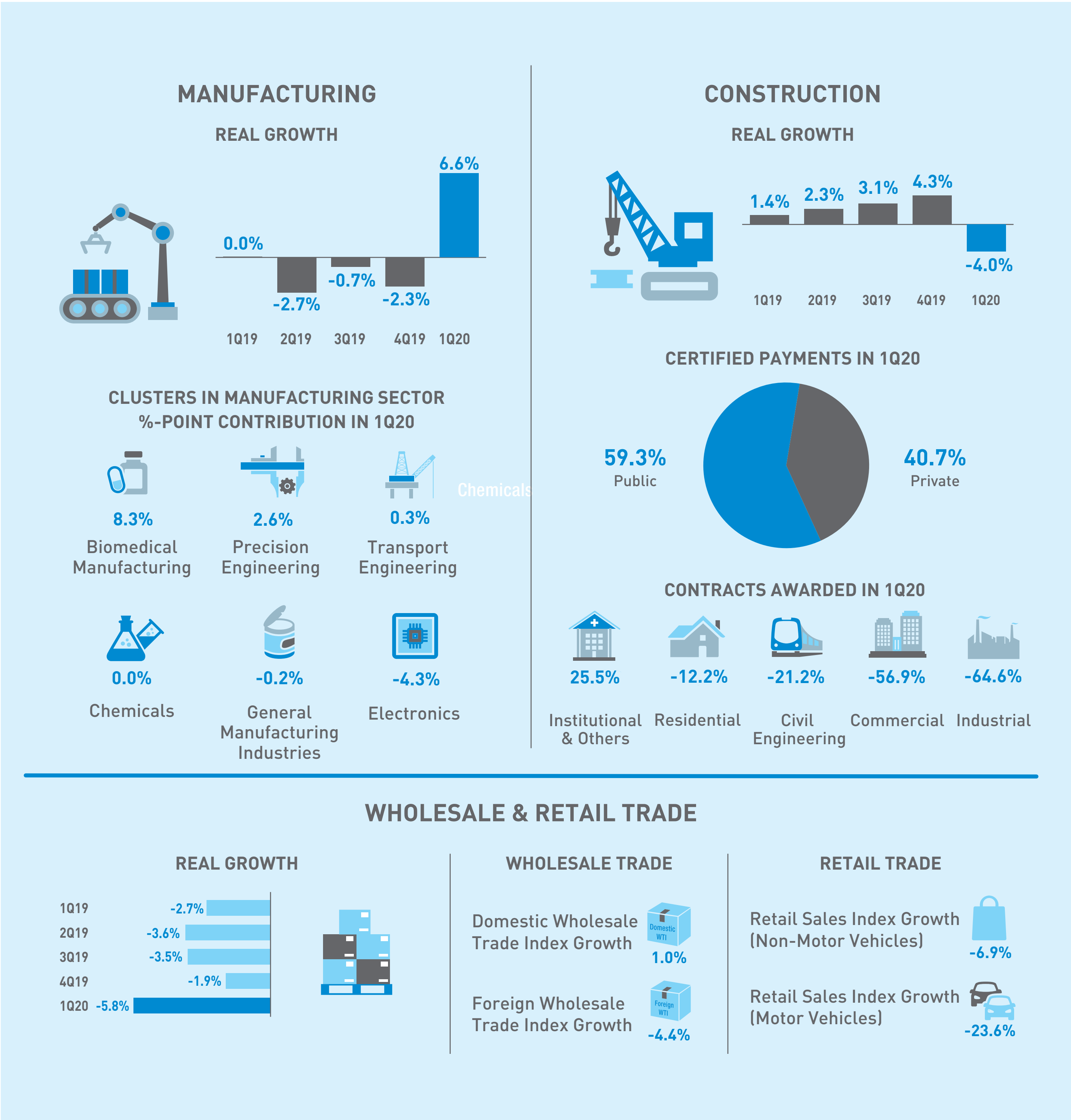
CHAPTER 2

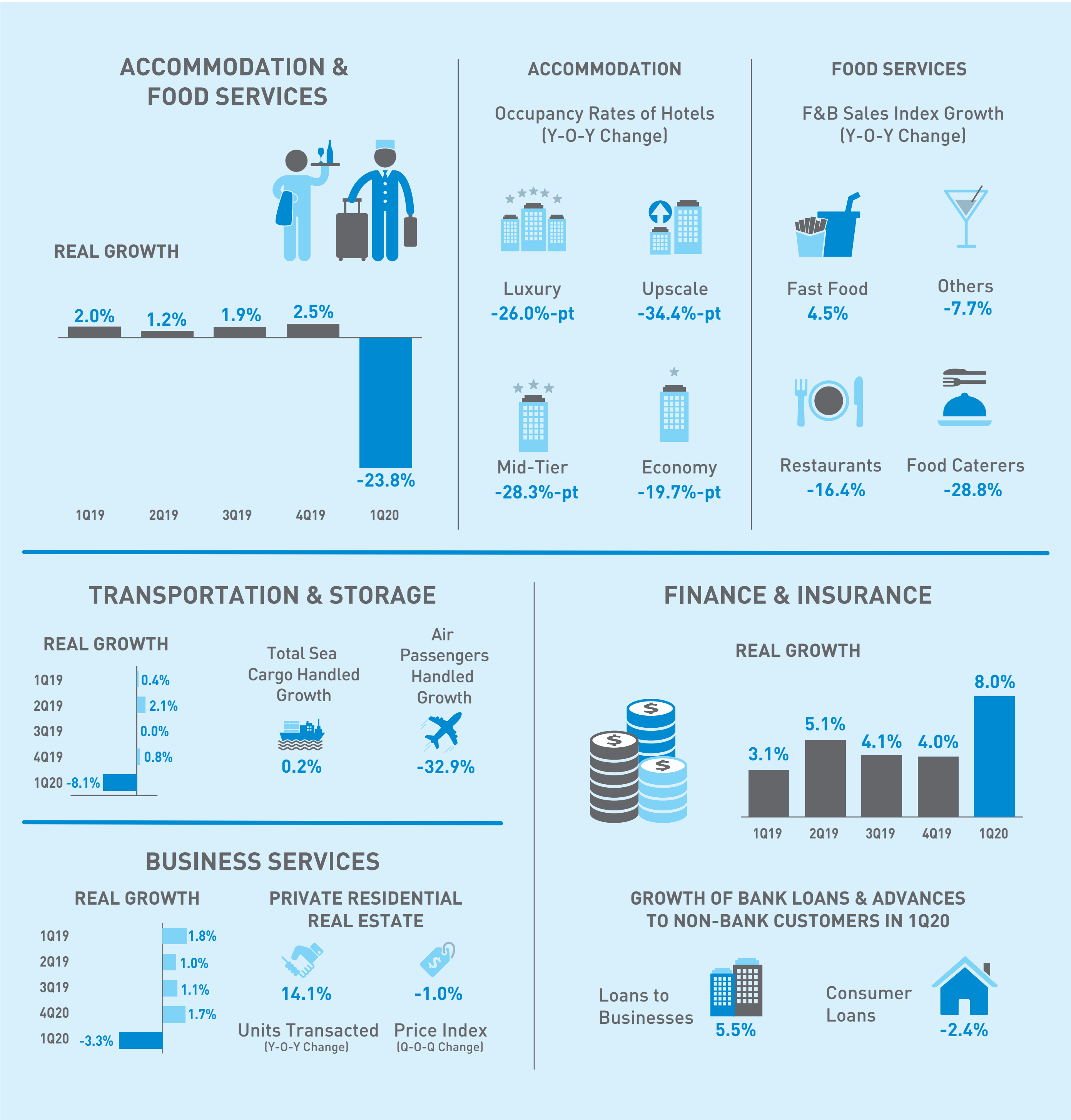
SECTORAL PERFORMANCE


RoBi 2

CHAPTER 2

SECTORAL PERFORMANCE




ACCOMMODATION & FOOD SERVICES
REAL GROWTH
2.0%
1.2%
1.9%
2.5%
-23.8%
1Q19
2Q19
3Q19
4Q19
1Q20
ACCOMMODATION
Occupancy Rates of Hotels (Y-O-Y Change)
Luxury -26.0%-pt
Upscale -34.4%-pt
Mid-Tier -28.3%-pt
Economy -19.7%-pt
FOOD SERVICES
F&B Sales Index Growth (Y-O-Y Change)
Fast Food 4.5%
Others -7.7%
Restaurants -16.4%
Food Caterers -28.8%
TRANSPORTATION & STORAGE
REAL GROWTH
1Q19 0.4%
2Q19 2.1%
3Q19 0.0%
4Q19 0.8%
1Q20 -8.1%
Total Sea Cargo Handled Growth
0.2%
Air Passengers Handled Growth
-32.9%
BUSINESS SERVICES
REAL GROWTH
1Q19 1.8%
2Q19 1.0%
3Q19 1.1%
4Q20 1.7%
1Q20 -3.3%
PRIVATE RESIDENTIAL REAL ESTATE
14.1%
Units Transacted (Y-O-Y Change)
-1.0%
Price Index (Q-O-Q Change)
FINANCE & INSURANCE
REAL GROWTH
3.1%
5.1%
4.1%
4.0%
8.0%
1Q19
2Q19
3Q19
4Q19
1Q20
GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 1Q20
Loans to Businesses
5.5%
Consumer Loans
-2.4%

OVERVIEW

In the first quarter of 2020,

- The manufacturing sector grew by 6.6 per cent year-on-year, reversing the 2.3 per cent contraction in the previous quarter. Growth of the sector was supported by output expansions in the biomedical manufacturing, precision engineering and transport engineering clusters.
- The construction sector contracted by 4.0 per cent year-on-year, in contrast to the 4.3 per cent growth in the preceding quarter. The fall in construction output during the quarter was on account of a decline in private sector construction activities.
- The wholesale & retail trade sector shrank by 5.8 per cent year-on-year, worsening from the 1.9 per cent decline in the previous quarter. The contraction of the sector was driven by both the wholesale trade and retail trade segments.
- The transportation & storage sector contracted by 8.1 per cent year-on-year, a reversal from the 0.8 per cent expansion in the previous quarter, driven primarily by the weak performance of the air transport and land transport segments.
- The accommodation & food services sector shrank by 24 per cent year-on-year, a sharp turnaround from the 2.5 per cent growth in the preceding quarter. Both the accommodation and food services segments contracted during the quarter.
- The finance & insurance sector expanded by 8.0 per cent year-on-year, faster than the 4.0 per cent growth posted in the previous quarter, underpinned by strong outturns in the banking and insurance segments.
- The business services sector shrank by 3.3 per cent year-on-year, reversing the 1.7 per cent expansion in the previous quarter, on account of contractions in the real estate, professional services and "others" segments.

MANUFACTURING

The manufacturing sector expanded by 6.6 per cent year-on-year in the first quarter, a reversal from the 2.3 per cent contraction observed in the preceding quarter (Exhibit 2.1). Growth of the sector was supported by output expansions in the biomedical manufacturing, precision engineering and transport engineering clusters. On the other hand, the electronics, general manufacturing and chemicals clusters recorded output declines.

Exhibit 2.1: Manufacturing Sector's Growth Rate

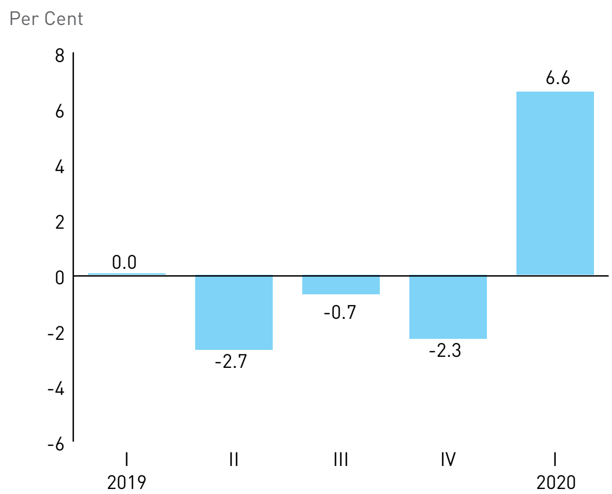
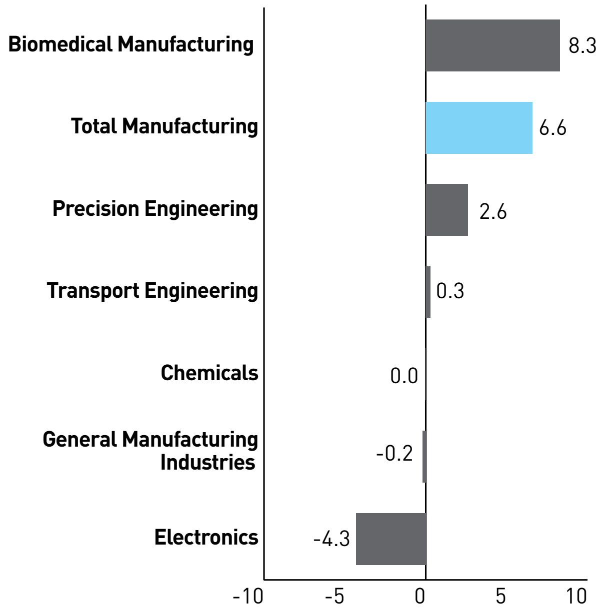


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 1Q 2020



Output in the biomedical manufacturing cluster increased by 49 per cent in the first quarter. This was largely driven by the pharmaceuticals segment, which saw its output surge by 68 per cent on the back of a higher level of production of active pharmaceutical ingredients and biological products. The medical technology segment also posted growth of 3.2 per cent due to higher export demand for medical devices.

The precision engineering cluster expanded by 21 per cent in the first quarter. Growth was supported by an increase in output in both the machinery & systems and precision modules & components segments. The expansion of the former (27 per cent) came on the back of a rise in the production of semiconductor equipment, while that of the latter (6.7 per cent) was driven by an increase in the output of optical products and metal precision components.

The transport engineering cluster grew by 3.2 per cent in the first quarter, supported by the aerospace segment which expanded by 7.9 per cent. The latter was in turn due to an increase in repair and maintenance work for commercial airlines. By contrast, the marine & offshore engineering (M&OE) and land transport segments contracted by 1.8 per cent and 3.0 per cent respectively. In particular, the M&OE segment was weighed down by a lower level of work done for offshore projects.

The chemicals cluster shrank marginally by 0.1 per cent in the first quarter, weighed down by a 4.9 per cent output decline in the petrochemicals segment which more than offset the output expansions in the remaining segments. The specialty chemicals segment grew by 9.1 per cent on the back of a rise in the production of industrial gases and additives, while the petroleum segment expanded by 6.8 per cent, partly due to a low base caused by maintenance shutdowns a year ago. At the same time, the output of the other chemicals segment increased by 0.5 per cent because of a higher level of production of fragrances.

Output of the general manufacturing cluster fell by 2.4 per cent in the first quarter, weighed down by the food, beverages & tobacco (FBT) and printing segments. In particular, the FBT segment contracted by 5.6 per cent on account of a fall in the production of milk powder products, while the output of the printing segment declined by 3.7 per cent. On the other hand, the miscellaneous industries segment grew by 2.6 per cent.

The electronics cluster contracted by 11 per cent in the first quarter, driven by output declines across all segments. Specifically, the output of the semiconductors, computer peripherals & data storage, other electronics modules & components and infocomms & consumer electronics segments shrank by 11 per cent, 18 per cent, 1.4 per cent and 0.4 per cent respectively.

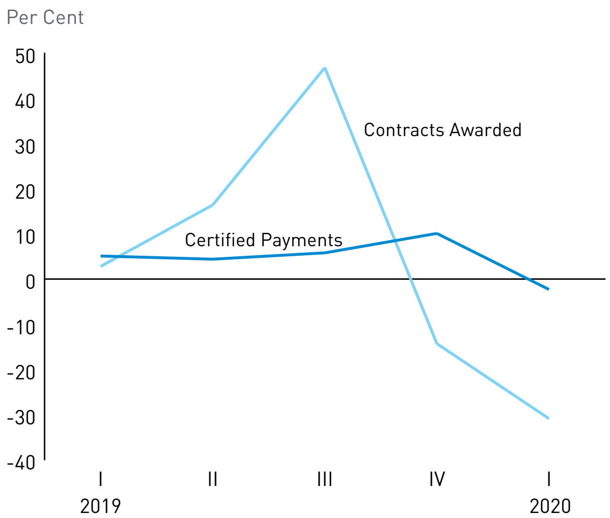
CONSTRUCTION

The construction sector contracted by 4.0 per cent year-on-year in the first quarter, reversing the 4.3 per cent growth recorded in the previous quarter. This was due to a decline in private sector construction activities.

In the first quarter, nominal certified progress payments (a proxy for construction output) fell by 2.3 per cent, a reversal from the 10 per cent increase in the previous quarter (Exhibit 2.3). The fall in construction output came on the back of a drop in private certified progress payments (-12 per cent), which was in turn mainly driven by declines in private commercial building works (-23 per cent) and private institutional & others building works (-20 per cent). On the other hand, public certified progress payments expanded (5.1 per cent), largely due to an increase in public industrial building works (65 per cent).

Meanwhile, construction demand in terms of contracts awarded slumped by 31 per cent in the first quarter, worsening from the 14 per cent decline in the previous quarter (Exhibit 2.3). This was due to weaker demand for both private sector (-49 per cent) and public sector (-4.8 per cent) construction works. The decline in private sector construction demand was led by a fall in contracts awarded for private industrial building works (-84 per cent). Meanwhile, the decline in public sector construction demand was largely due to public residential building works (-79 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

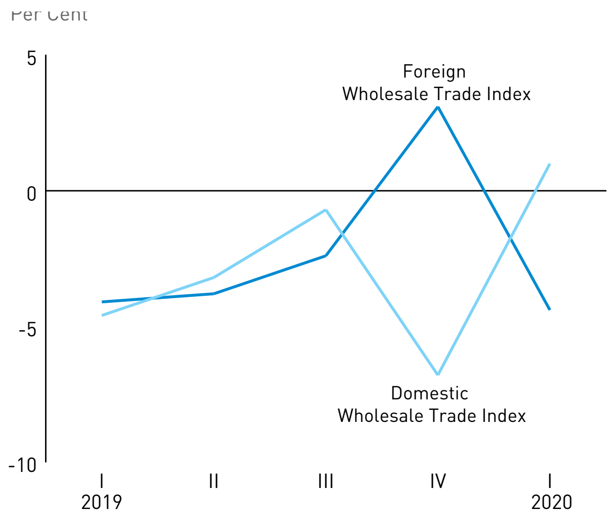


WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector shrank by 5.8 per cent year-on-year in the first quarter, deteriorating from the 1.9 per cent contraction in the previous quarter. The performance of the sector was dragged down by both the wholesale trade and retail trade segments.

The wholesale trade segment was weighed down by weak foreign wholesale trade sales volumes (Exhibit 2.4), which declined by 4.4 per cent in the first quarter, a reversal from the 3.1 per cent growth in the previous quarter. In particular, a fall in the volume of foreign wholesale sales of telecommunications & computers (-6.3 per cent), transport equipment (-25 per cent) and general wholesale trade (-9.5 per cent) more than offset an expansion in the volume of sales of metals, timber & construction materials (1.7 per cent).

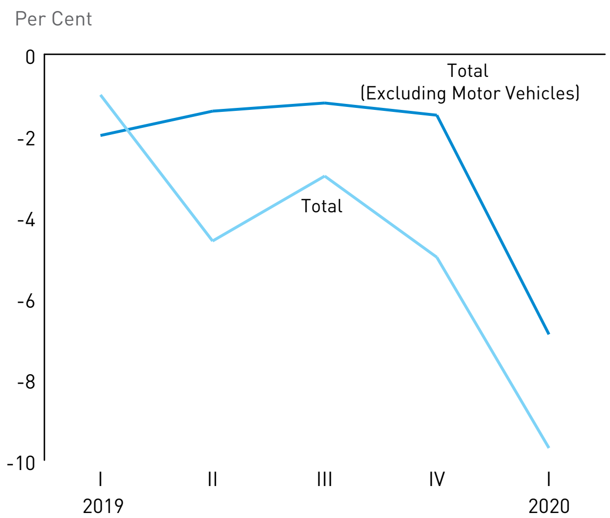
Exhibit 2.4: Changes in Wholesale Trade Index in Volume Terms



On the other hand, domestic wholesale trade sales volume rose by 1.0 per cent in the first quarter, a turnaround from the 6.8 per cent contraction in the previous quarter. The expansion was largely due to higher sales volumes of petroleum & petroleum products (6.6 per cent), ship chandlers & bunkering (8.8 per cent) and chemicals & chemical products (6.6 per cent).

For the retail trade segment, overall retail sales volume (Exhibit 2.5) declined by 9.7 per cent in the first quarter, worse than the 5.0 per cent drop in the previous quarter. The weaker performance of retail trade occurred in tandem with a cutback in consumer spending as a result of the COVID-19 outbreak and the safe distancing measures implemented to reduce the community spread of the virus.

Exhibit 2.5: Changes in Retail Sales Index in Chained Volume Terms



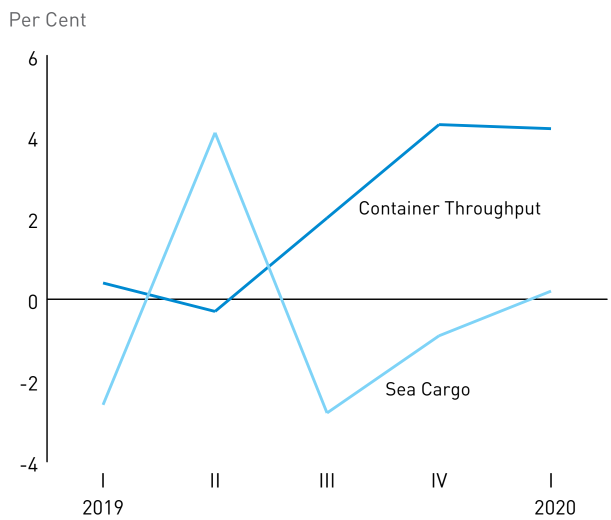
Retail sales volume during the quarter was weighed down by both motor vehicular sales (-24 per cent) and non-motor vehicular sales (-6.9 per cent). The latter was driven by a drop in the sales of discretionary goods such as watches & jewellery (-26 per cent) and wearing apparel & footwear (-20 per cent). By contrast, supermarkets & hypermarkets and minimarts & convenience stores, which generally sell non-discretionary goods, registered an increase in sales volume of 18 per cent and 2.9 per cent respectively over the same period.

TRANSPORTATION & STORAGE

The transportation & storage sector shrank by 8.1 per cent year-on-year in the first quarter, a reversal from the 0.8 per cent expansion in the previous quarter. The contraction was driven by the weak performance of the air transport and land transport segments.

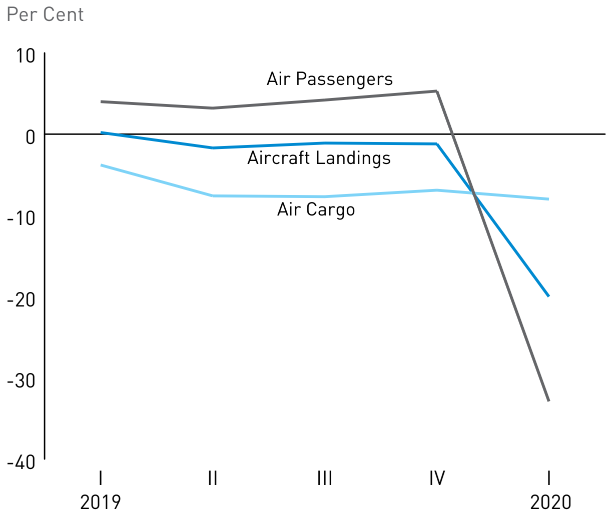
For the water transport segment, the volume of sea cargo handled grew marginally by 0.2 per cent in the first quarter, which was a reversal from the 0.9 per cent decline in the previous quarter (Exhibit 2.6). The improvement in the volume of sea cargo handled came on the back of a 4.2 per cent increase in container throughput, which outweighed a 5.2 per cent decline in the volume of oil-in-bulk cargo handled.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



On the other hand, the air transport segment was weighed down by a 33 per cent fall in the volume of air passenger traffic handled at Changi Airport, which represented a significant reversal from the 5.3 per cent increase registered in the previous quarter (Exhibit 2.7). The plunge in air passenger traffic was seen for Singapore's routes with all major regions around the world, and could be attributed to widespread travel restrictions imposed to curb the spread of COVID-19. Meanwhile, total air cargo shipments handled at Changi Airport fell by 8.0 per cent in the first quarter, extending the 6.9 per cent decline in the preceding quarter, due to sluggish external demand. At the same time, the number of aircraft landings plummeted by 20 per cent to reach 37,980 in the first quarter, following the 1.2 per cent decline in the previous quarter.

Exhibit 2.7: Changes in Air Transport

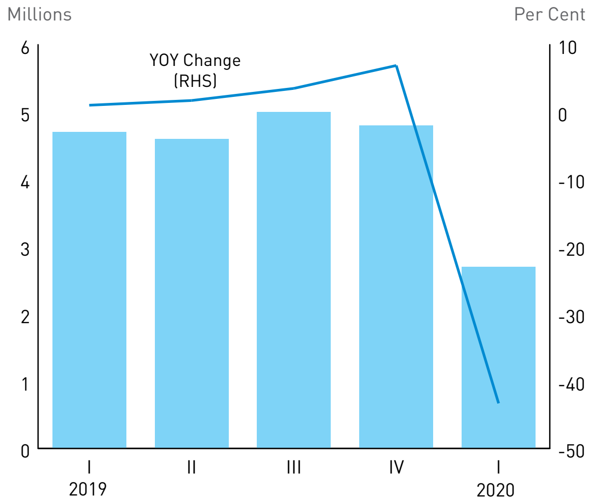


ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector contracted by 24 per cent year-on-year in the first quarter, a reversal from the 2.5 per cent growth in the preceding quarter. The performance of the sector was weighed down by both the accommodation and food services segments.

Total visitor arrivals plunged by 43 per cent in the first quarter, a sharp turnaround from the 6.9 per cent growth posted in the previous quarter (Exhibit 2.8). The fall in visitor arrivals was seen across most source markets, and was the result of reduced travel demand arising from the COVID-19 pandemic and travel restrictions put in place globally and domestically to contain the spread of the virus.[1]

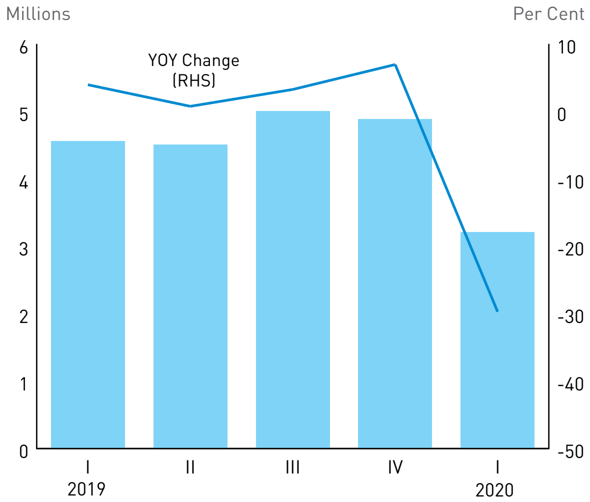
Exhibit 2.8: Visitor Arrivals



In tandem with the plunge in visitor arrivals, gross lettings at gazetted hotels fell by 30 per cent in the first quarter, reversing from the 7.0 per cent increase in the preceding quarter (Exhibit 2.9). As gross lettings fell and available room-nights rose (2.8 per cent), the average occupancy rate of gazetted hotels declined by 27 percentage-points on a year-on-year basis to 58.7 per cent in the first quarter.

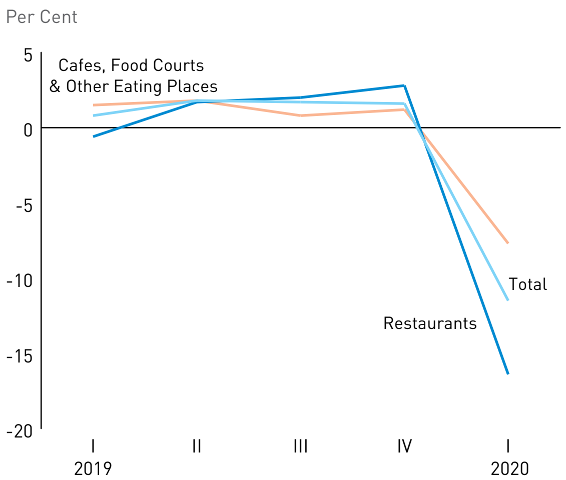
1 *Starting from 2 February 2020, Singapore gradually prohibited all short-term visitors with recent travel history to locations such as Mainland China, Iran, northern Italy and the Republic of Korea from entering or transiting through Singapore. On 24 March 2020, the restriction was widened to include all short-term visitors.*

Exhibit 2.9: Gross Lettings at Gazetted Hotels



Meanwhile, the food services segment contracted in the first quarter due to a pullback in domestic consumption amidst the COVID-19 outbreak and the safe distancing measures implemented to limit community transmissions. Specifically, food & beverage sales volume fell by 12 per cent, reversing the 1.6 per cent growth in the previous quarter (Exhibit 2.10). Lower sales volumes were seen for restaurants (-16 per cent), food caterers (-29 per cent) and cafes, food courts & other eating places (-7.7 per cent) during the quarter, even as sales volume at fast food outlets rose (4.5 per cent) over the same period.

Exhibit 2.10: Changes in Food & Beverage Services Index in Chained Volume Terms

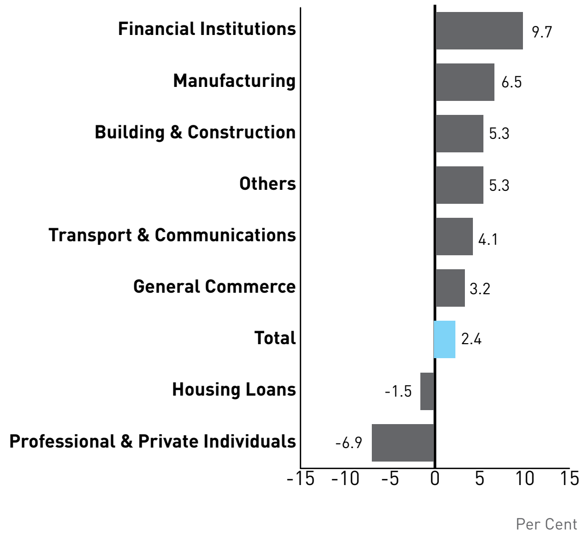


FINANCE & INSURANCE

The finance & insurance sector grew by 8.0 per cent year-on-year in the first quarter, faster than the 4.0 per cent growth in the preceding quarter. Growth was largely driven by strong outturns in the banking and insurance segments.

In the banking segment, Asian Currency Unit (ACU) non-bank lending increased by 8.2 per cent year-on-year, better than the 6.2 per cent growth in the preceding quarter. Growth was supported by resilient non-bank loan growth to Europe and the Americas, while that to East Asia eased. In comparison, growth in Domestic Banking Unit (DBU) non-bank lending moderated to 2.4 per cent in the first quarter, from the 3.1 per cent registered in the preceding quarter (Exhibit 2.11). Notably, there was a contraction in loans to professional & private individuals as well as for housing.

Exhibit 2.11: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 1Q 2020



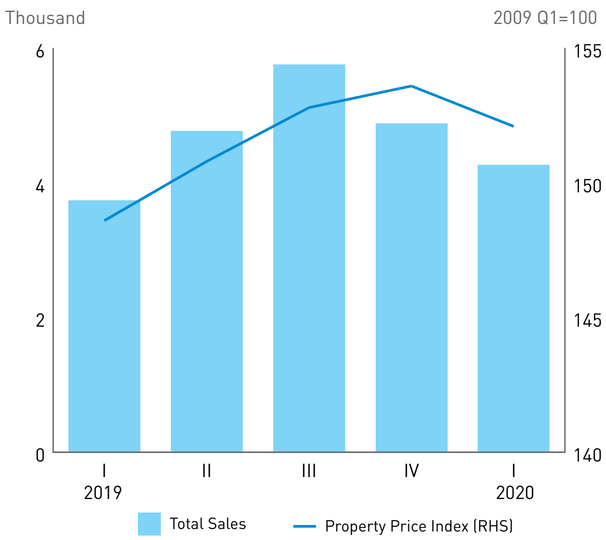
The strong outturn in the insurance segment was due to the robust performance of the life insurance segment. Elsewhere, sentiment-sensitive segments such as security dealing and foreign exchange trading benefitted from heightened volatility in both the equity and fixed income markets that was triggered by the COVID-19 outbreak and Russia-Saudi Arabia oil price war. Meanwhile, growth in other auxiliary activities, comprising mainly payments-related activities, moderated as cross-border spending waned with overseas travel coming to a standstill.

BUSINESS SERVICES

The business services sector shrank by 3.3 per cent year-on-year in the first quarter, reversing the 1.7 per cent growth in the preceding quarter, on account of contractions across the real estate, professional services and "others"[2] segments.

The real estate segment contracted in the first quarter despite an increase in the sales transactions of private residential units (14 per cent). Meanwhile, private residential property prices fell by 1.0 per cent on a quarter-on-quarter basis, reversing the 0.5 per cent increase in the previous quarter (Exhibit 2.12).

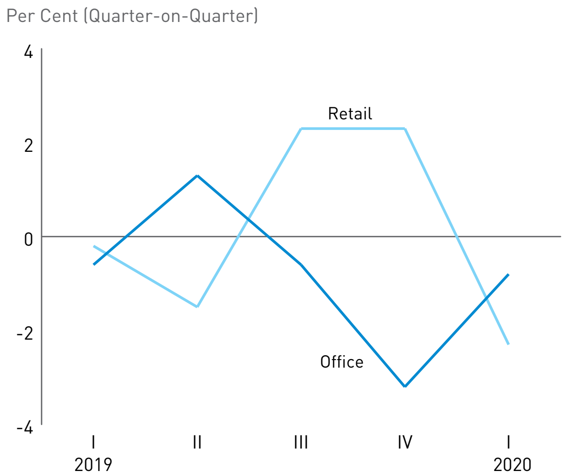
Exhibit 2.12: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



For the private retail space market, rentals declined by 2.3 per cent on a quarter-on-quarter basis in the first quarter, reversing the 2.3 per cent increase in the previous quarter (Exhibit 2.13). On the other hand, the average occupancy rate of private retail space held steady at 91 per cent in the first quarter, similar to the preceding quarter.

Meanwhile, rentals for private office space fell by 0.8 per cent on a quarter-on-quarter basis in the first quarter, moderating from the 3.2 per cent decline in the previous quarter. The average occupancy rate of private office space came in at 88 per cent over the same period, inching down from the 89 per cent in the preceding quarter.

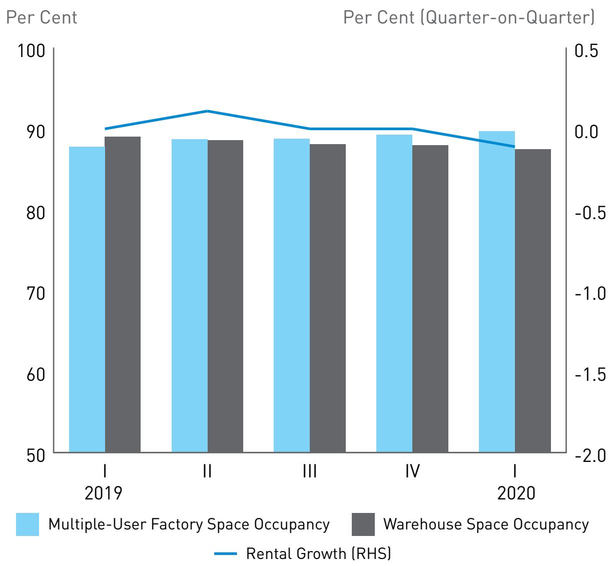
Exhibit 2.13: Changes in Rentals of Private Sector Office and Retail Spaces



2 *The "others" segment of the business services sector consists of (i) rental & leasing, (ii) other professional, scientific & technical services, and (iii) other administrative & support services.*

The private industrial space market remained stable, as rentals eased marginally by 0.1 per cent on a quarter-on-quarter basis in the first quarter, after staying unchanged in the previous quarter. The occupancy rates for private sector multiple-user factory space and private sector warehouse space stood at 90 per cent and 87 per cent respectively in the first quarter, comparable to the previous quarter's rates of 89 per cent and 88 per cent respectively (Exhibit 2.14).

Exhibit 2.14: Occupancy Rate and Rental Growth of Private Sector Industrial Space



CHAPTER 3

ECONOMIC OUTLOOK

CHAPTER 3

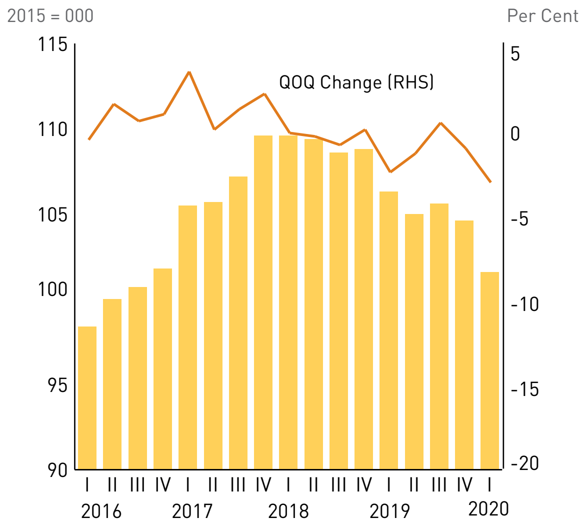
ECONOMIC OUTLOOK

LEADING INDICATORS

On a quarter-on-quarter basis, the composite leading index (CLI) fell by 2.9 per cent in the first quarter, extending the 0.9 per cent decline in the previous quarter (Exhibit 3.1).

Of the nine components in the CLI, three components rose on a quarter-on-quarter basis, namely money supply, non-oil retained imports and the US Purchasing Managers' Index. By contrast, domestic liquidity, stock price, new companies formed, stocked of finished goods and wholesale trade declined compared to a quarter ago. There was no change in the remaining component, namely non-oil sea cargo handled.

Exhibit 3.1: Composite Leading Index Levels and Growth Rate



OUTLOOK FOR 2020

In March, MTI highlighted that the escalation of the COVID-19 outbreak worldwide had led to a significant deterioration in the external economic environment. Since then, the disruptions to economic activity in major economies around the world have been more severe than expected. In its April review, the IMF projected that the global economy would contract by 3.0 per cent in 2020, with most of the major advanced and emerging economies expected to see full-year recessions.

In the US, GDP is forecast to decline in 2020 on the back of sustained weakness in personal consumption expenditure due to the COVID-19 outbreak. The curtailment of economic activity from "stay-at-home" orders issued by state governments has triggered large-scale job losses and weakened consumer spending. Even as the states begin to re-open, consumer spending is unlikely to recover strongly in the near-term given heightened uncertainties in the labour market. Similarly, the Eurozone economy is expected to be in recession this year, as measures implemented by the Eurozone countries to contain the spread of COVID-19 have taken a heavy toll on economic activity and weakened labour market conditions.

In Asia, China's economy is projected to slow sharply in 2020 as compared to 2019 due to the lockdowns and restrictions imposed to curb the spread of COVID-19. Private consumption growth is expected to remain weak as households cut back on spending due to uncertainty about the future and subsequent waves of infections, while exports growth is likely to be subdued because of sluggish global demand. Growth in the key ASEAN economies of Malaysia, Thailand and Indonesia is also expected to be weighed down by weak external demand and domestic consumption as a result of the COVID-19 outbreak.

There remain significant uncertainties in the global economy. First, there is a risk that subsequent waves of infections in major economies such as the US and Eurozone may further disrupt economic activity. In particular, if infections start to rise and strict measures such as lockdowns and movement restrictions are re-imposed, the downturn in these economies could be more severe and prolonged than expected. Second, a growing perception of diminished fiscal and monetary policy space in many major economies could damage confidence in authorities' ability to respond to shocks, undermining risk appetite and driving further financial market volatility, with negative spillovers for the broader global economy.

Against this backdrop, the outlook for the Singapore economy has weakened further since March. First, outward-oriented sectors such as manufacturing, wholesale trade and transportation & storage will be adversely affected by the sharper-than-expected slowdown in many of Singapore's key markets, as well as more prolonged supply chain disruptions. Second, the Circuit Breaker (CB) measures implemented to curb the spread of COVID-19 in Singapore, which include the closure of most workplace premises, have further dampened domestic economic activity, along with domestic consumption. In particular, consumer-facing segments such as retail and food services have been negatively affected by the CB measures. Firms across most sectors, especially those that cannot operate fully from home, have also been working under reduced capacity as a result of the workplace closures and the fall in demand. Third, sectors like construction and marine & offshore engineering have been severely affected by manpower shortages due to the outbreak of infections among foreign workers, especially those living in foreign worker dormitories.

Nonetheless, there are pockets of resilience in the Singapore economy. Within the manufacturing sector, the biomedical manufacturing cluster is expected to continue to expand, supported by the production of pharmaceutical and biological products. Among the services sectors, the information & communications sector is also projected to grow given firms' resilient demand for IT and digital solutions.

In view of the deterioration in the external demand outlook for Singapore as well as the expected economic impact of the CB measures, the GDP growth forecast for Singapore for 2020 is downgraded to "**-7.0 to -4.0 per cent**", from "-4.0 to -1.0 per cent". Notwithstanding the downgrade, there continues to be a significant degree of uncertainty over the length and severity of the COVID-19 outbreak, as well as the trajectory of the economic recovery, in both the global and Singapore economies.

FEATURE ARTICLE

Image courtesy TBA

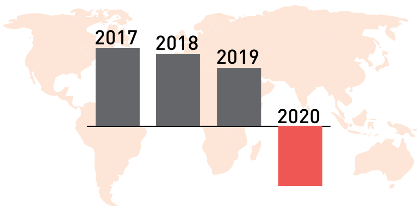
FEATURE ARTICLE

IMPACT OF THE COVID-19 PANDEMIC ON THE SINGAPORE ECONOMY

INTRODUCTION

The COVID-19 pandemic has caused a severe disruption to global economic activity and has led to both demand- and supply-side shocks to the Singapore economy.

GLOBAL GDP GROWTH



THE IMF EXPECTS THE GLOBAL ECONOMY TO CONTRACT BY 3% IN 2020

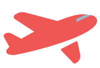
THE FORECAST FOR SINGAPORE'S 2020 GDP GROWTH IS DOWNGRADED TO -7% TO -4%

ECONOMIC IMPACT

The impact of COVID-19 on the Singapore economy has been broad and significant, affecting different sectors of the economy to varying degrees.

SEVERELY AFFECTED


Accommodation


Air Transport


Arts, Entertainment & Recreation (AER)

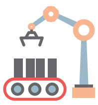
SIGNIFICANTLY AFFECTED


Food Services


Retail Trade


Land Transport

MODERATELY AFFECTED (OUTWARD-ORIENTED)


Manufacturing


Wholesale Trade

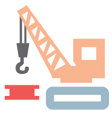

Other Transportation & Storage


Information & Communications


Professional Services


Finance & Insurance

MODERATELY AFFECTED (DOMESTICALLY-ORIENTED)


Construction


Real Estate

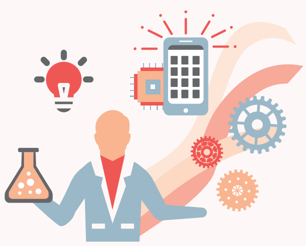

Other Business Services


Other Services excluding AER

CONCLUSION

While most sectors are expected to be adversely affected by the COVID-19 outbreak, there are some bright spots in the economy, including new opportunities that have come with the rise in demand for online sales and services.

In the months ahead, MTI will continue to closely monitor developments in the global and Singapore economies as the COVID-19 situation remains fluid. Globally, there continues to be a high degree of uncertainty over the length and severity of the outbreak, as well as the trajectory of the recovery in the global economy.



EXECUTIVE SUMMARY

- The COVID-19 pandemic has severely disrupted global economic activity, and led to both demand- and supply-side shocks to the Singapore economy.
- Given the fast-evolving situation, it is important for policymakers to leverage high-frequency and real-time economic indicators to monitor the effects of COVID-19 on the Singapore economy.
- The impact of COVID-19 on the Singapore economy has been significant. Sectors that have been the most severely affected are those that rely on international travel, including the air transport, accommodation and other tourism-related sectors. Consumer-facing sectors such as retail and food services have also been badly affected by the cutback in domestic consumption amidst progressively stricter safe distancing measures. At the same time, outward-oriented sectors like manufacturing and wholesale trade have been affected by the fall in external demand and supply chain disruptions, while domestically-oriented sectors like construction and real estate have been affected by negative spillovers arising from the downturn in the domestic economy. However, there are also bright spots in the economy, with the rise in demand for online sales and services.
- Taking these factors into account, MTI has further downgraded the 2020 GDP growth forecast for the Singapore economy to "-7.0 per cent to -4.0 per cent", from "-4.0 per cent to -1.0 per cent".

The views expressed in this paper are solely those of the authors and do not necessarily reflect those of the Ministry of Trade and Industry (MTI).[1]

1. INTRODUCTION

Since the outbreak of the Coronavirus Disease 2019 (COVID-19) early this year, the virus has spread rapidly across the world, and more than 5 million people in over 200 countries have been infected to-date. In order to control the spread of the virus, many countries have implemented strict public health measures, including lockdowns and border closures to limit the movement of people. This has led to significant disruptions in global economic activity. As a result, the International Monetary Fund (IMF) has sharply revised its forecast for global growth downwards. Specifically, the IMF is now projecting that the global economy will contract by 3 per cent in 2020[2], a reversal from the 3.3 per cent growth projected earlier, with full-year recessions expected in most of the major advanced and emerging economies [Exhibit 1].

Against this backdrop, we can expect both demand- and supply-side shocks to the Singapore economy. On the demand-side, the global recession will lead to a sharp drop in external demand for the goods and services produced in Singapore. On the supply-side, the widespread curtailment of economic activity around the world has caused global supply chain disruptions, which have in turn affected some business operations in Singapore.

1 *We would like to thank Yong Yik Wei, Kuhan Harichandra, Andy Feng and Kenneth Yeow for their useful suggestions and comments.*
2 *This is the forecast announced in the IMF's April World Economic Outlook (WEO).*

Exhibit 1: World GDP Growth Forecasts

Per Cent

	2019	2020f
World GDP	2.9	-3.0
United States	2.3	-5.9
Eurozone	1.2	-7.5
Japan	0.7	-5.2
Mainland China	6.1	1.2
Hong Kong SAR	-1.2	-4.8
Taiwan	2.7	-0.5
Republic of Korea	2.0	-1.0
Malaysia	4.3	-3.3
Indonesia	5.0	-0.1
Thailand	2.4	-5.9
Philippines	6.0	-1.3
Vietnam	7.0	2.5

Source: IMF World Economic Outlook (April 2020), Asia Pacific Consensus Forecasts

Domestically, the measures implemented to contain the outbreak are also expected to have an impact on the Singapore economy. First, tighter border controls have been introduced to prevent the importation of COVID-19 cases, even as other countries have also imposed travel restrictions to protect their borders. These global and domestic travel restrictions have led to a sharp fall in tourist arrivals and air passengers handled at Changi Airport, thereby dampening the demand for tourism- and air transport-related services in Singapore. Second, progressively stricter safe distancing measures, culminating in the Circuit Breaker period from 7 April to 1 June, have also been implemented to reduce the community spread of COVID-19 in Singapore. While such measures are necessary to protect and save lives, they have further dampened domestic economic activity, especially given the closure of non-essential workplaces, and led to deeper cutbacks in domestic consumption.

Overall, the impact of the COVID-19 pandemic on the Singapore economy is expected to be significant. The next section details the impact of COVID-19 on the different sectors of the Singapore economy, as well as some of the high-frequency, real-time indicators used to monitor the effects of COVID-19 at the overall economy and sectoral levels.

2. ECONOMIC IMPACT OF COVID-19

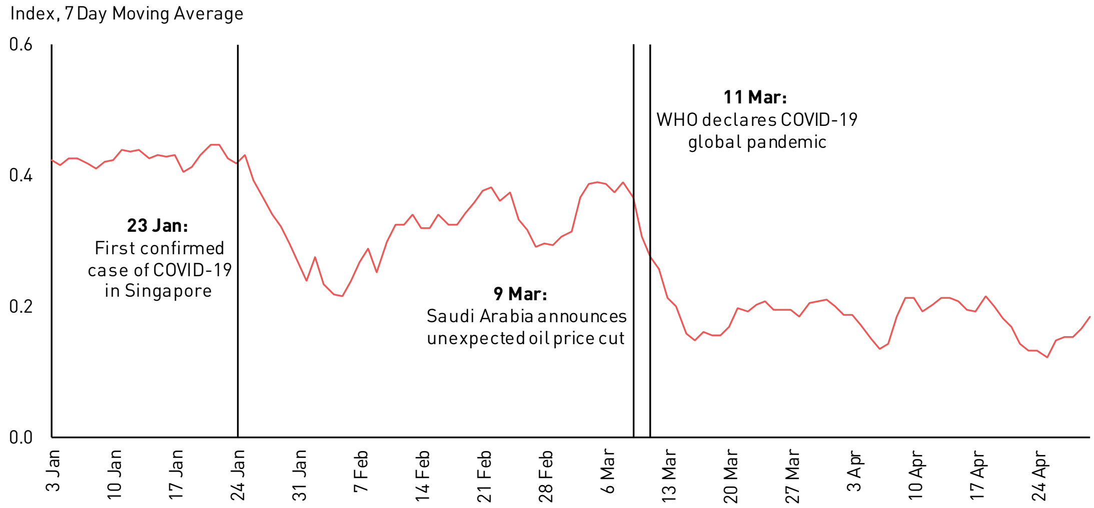
Given the highly-fluid situation, the Ministry of Trade and Industry (MTI) is tapping on high-frequency and real-time indicators, in addition to traditional indicators, to monitor the latest economic developments and assess the impact of COVID-19 on the Singapore economy. Apart from monitoring the real-time economic indicators that have been developed in-house, MTI has also worked with public and private sector partners to obtain new sources of non-traditional high-frequency data such as daily data on credit card spending, online food orders and electricity consumption, which can provide an indication of the health of different aspects of the Singapore economy on a more timely basis.

At the overall economy level, MTI's own Singapore News Economic Sentiments Index[3] (SNES), which analyses text data from daily local news, provides MTI with a real-time sensing of economic sentiments in Singapore [Exhibit 2]. Not surprisingly, the COVID-19 outbreak has weighed heavily on economic sentiments. Specifically, the daily SNES (7-day moving average) declined from 0.42 on 23 January (when the first confirmed COVID-19 case in Singapore was announced) to 0.27 by end-January, reaching levels similar to that seen in March 2003 during the SARS outbreak.

3 *The SNES Index is measured within a range of -1 to 1. A fall in the index indicates that economic sentiments have weakened. A value below 0 indicates that the overall economic sentiment is negative. See Lam (2016) and Chia & Foo (2018) for more details of the SNES, including the methodology used to construct the index.*

Sentiments then began to see a gradual recovery until 9 March, when news of the oil price war between Saudi Arabia and Russia, as well as the World Health Organisation's declaration of COVID-19 as a global pandemic caused sentiments to plunge again, reaching 0.15 by 17 March. Sentiments have fluctuated at around this low level since then.

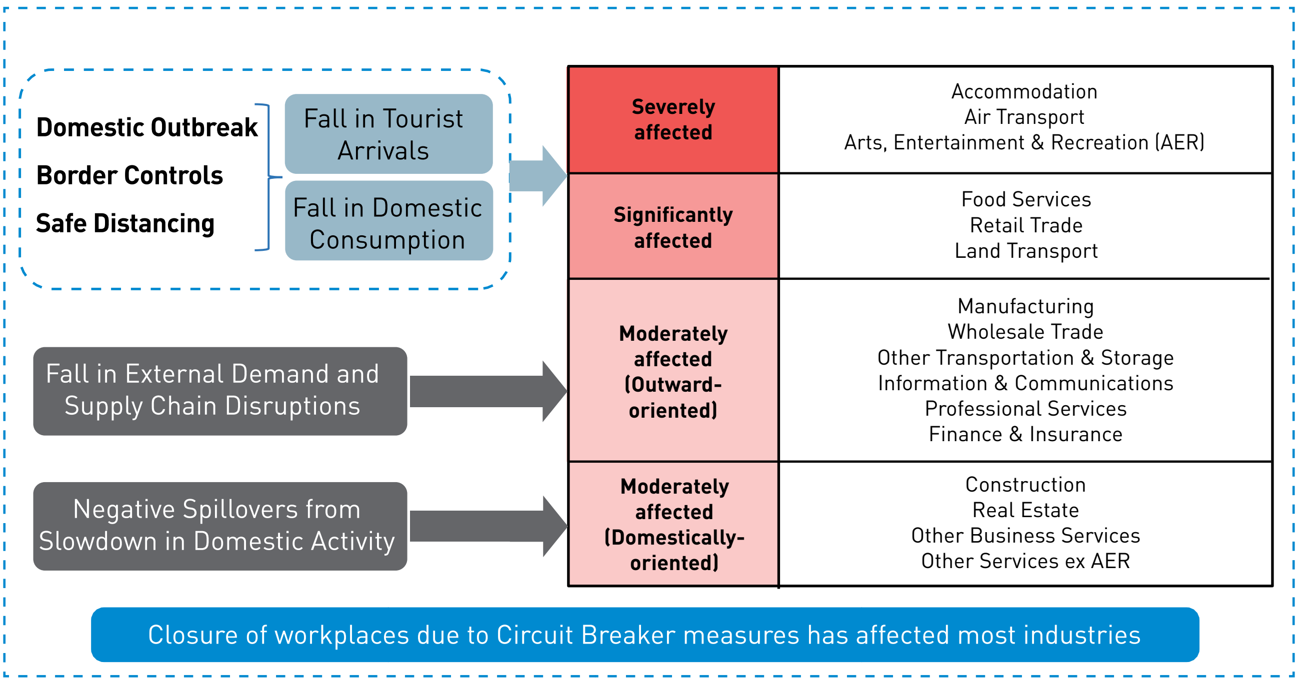
Exhibit 2: Daily Singapore News Economic Sentiments (January to April)



Source: Authors' estimates

At the sectoral level, the COVID-19 pandemic is expected to affect the different sectors of the Singapore economy to varying degrees and through different transmission channels, as illustrated in Exhibit 3.

Exhibit 3: Impact of COVID-19 on Different Sectors of the Singapore Economy[4]

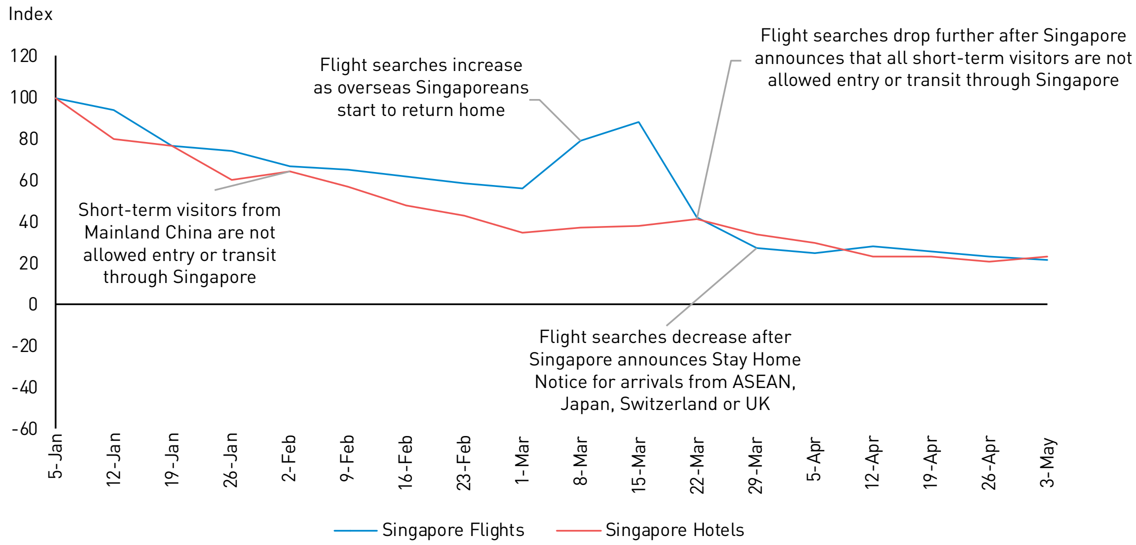


4 *The rest of the economy not covered in this framework comprises Other Goods Producing Industries, Utilities and Ownership of Dwellings.*

First, global and domestic travel restrictions to contain the spread of COVID-19 have led to a sharp fall in tourist arrivals to Singapore and international air travel in general. This has severely affected the accommodation, air transport, and arts, entertainment & recreation sectors, as well as the tourism-related segments (e.g., travel agencies, tour operators and meetings, incentives, conventions & exhibitions organisers) within the business services sector.

An example of a high-frequency indicator used by MTI as a leading indicator to monitor trends in tourist arrivals is the Global Google Search Trends[5] for Singapore flights and hotels. From Exhibit 4, we can observe a steady fall in the Google search index for Singapore hotels over time as (i) Singapore progressively tightened its border controls to reduce the risk of importation of COVID-19 cases as the outbreak escalated around the world, and (ii) other countries also implemented their own travel restrictions to curb the cross-border spread of the virus. The Google search index for Singapore flights depicts the same downward trend, even though there was a short period between early March to mid-March when there was a reversal of trend as Singaporeans overseas, especially students studying overseas, were urged to return home.

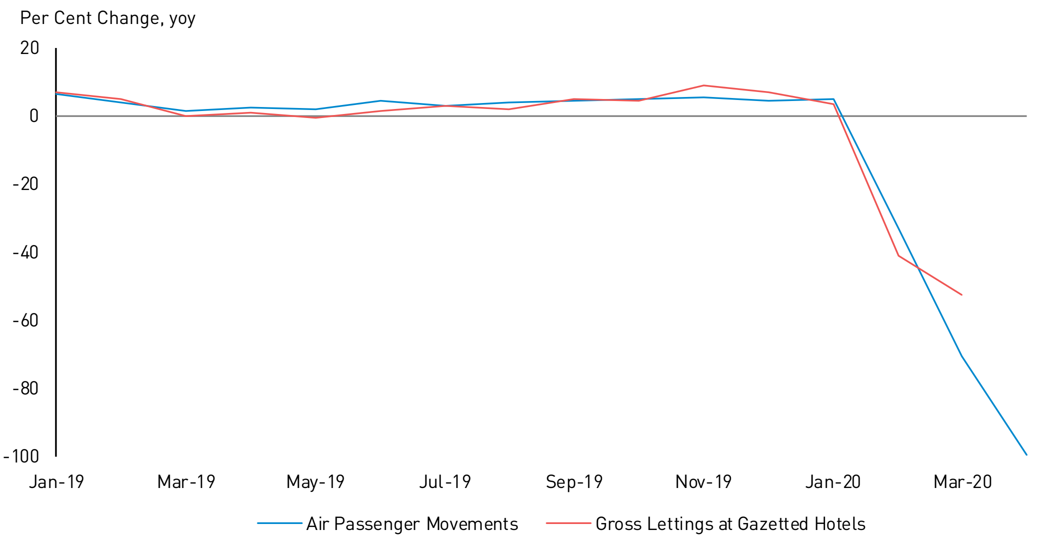
Exhibit 4: Weekly Global Google Search Trends for "Singapore Flights" and "Singapore Hotels"



Source: Google Trends (https://www.google.com/trends)

Reflecting the cumulative effect of the international and domestic travel restrictions, air passenger movements at Changi Airport and gross lettings at gazetted hotels have recorded double-digit declines since February [Exhibit 5]. As of April, air passenger movements at Changi Airport have plunged by almost 100 per cent.

Exhibit 5: Air Passenger Movements and Gross Lettings at Gazetted Hotels



Source: Changi Airport Group, Singapore Tourism Board. April data for Hotel Gross Lettings is not yet available.

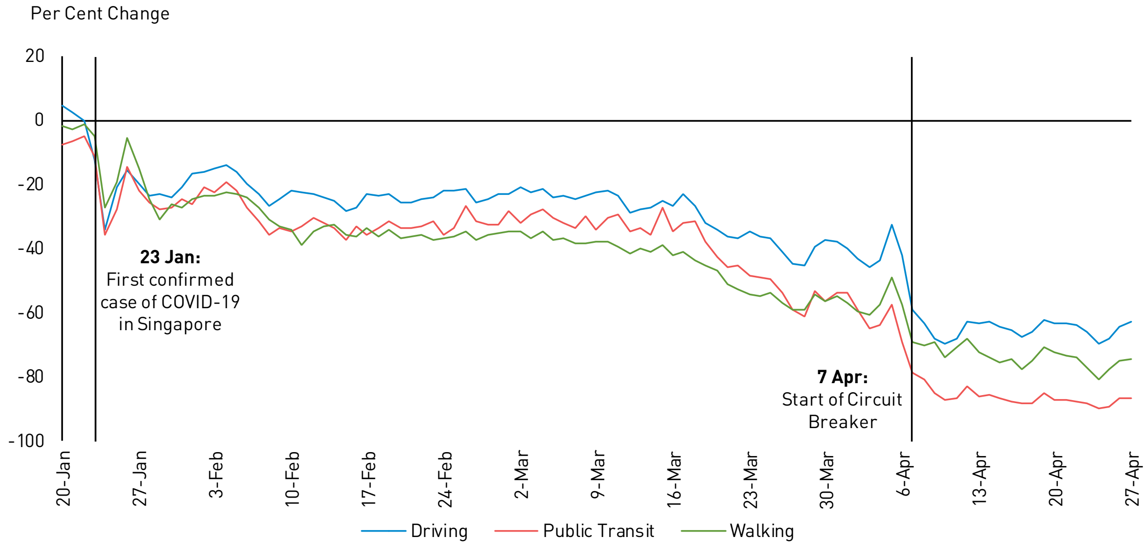
5 *The Google Search Trends track how often specific key words, subjects and phrases have been entered into Google's search engine over a period of time.*

<u>Second</u>, the COVID-19 outbreak has led to a reduction in domestic consumption and travel, which has had a significant impact on consumer-facing sectors such as food services, retail trade and land transport. Using data from the Apple Mobility Trends Report[6], we find that mobility in the form of driving, public transit and walking has declined since the first confirmed case of COVID-19 in Singapore [Exhibit 6]. Subsequent safe distancing measures introduced in March (e.g., closure of entertainment venues such as bars and cinemas) and the Circuit Breaker measures implemented since 7 April to curb the community transmission of COVID-19 have led to a further drop in mobility. With more people staying home, the Retail Sales Index and the Food & Beverages Sales Index compiled by the Department of Statistics (DOS) fell by 9.6 per cent and 16.4 per cent year-on-year respectively in February, before worsening to register declines of 14.1 per cent and 23.6 per cent in March [Exhibit 7].

Of note, however, is that even though overall retail sales and food & beverage sales fell, there were some areas of retail sales and food services such as sales at grocery stores[7] and online sales that continued to do well. In particular, based on data compiled by DOS, online retail sales rose by almost 40 per cent year-on-year in both February and March. This was likely driven by specific retail categories such as computer & telecommunications equipment and furniture & household equipment, which had seen a significant increase in the proportion of retail sales that took place online.[8] Similarly, DOS' data showed that online food & beverage sales rose by 41 per cent and 47 per cent year-on-year in February and March respectively.

Going forward, the demand for online sales and services is expected to continue to increase as consumption patterns adapt to the COVID-19 situation. This is, in turn, expected to provide opportunities to businesses with e-commerce presence, including those that provide food and grocery deliveries.[9] With telecommuting and safe distancing set to become the new normal, more businesses are also going online to reach out to their customers, while adopting digital solutions to improve their processes such as e-payment and e-invoicing.

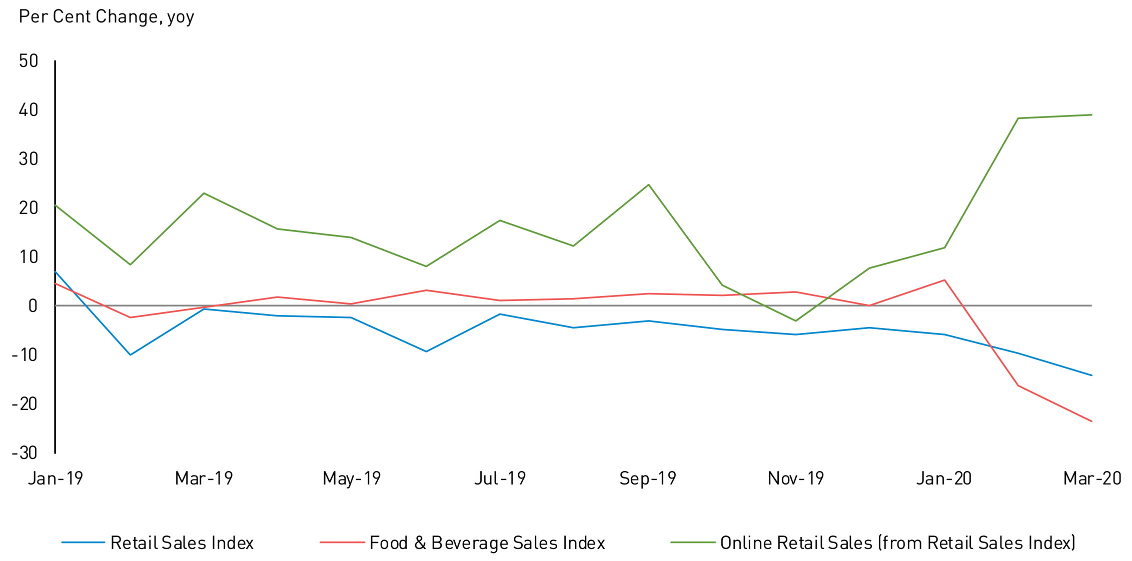
Exhibit 6: Change in Daily Movements



Source: Apple Mobility Trends Report (https://www.apple.com/covid19/mobility); Authors' estimates. Compared to the same day in the week of 13 to 19 January 2020.

6 *This indicator is compiled using aggregated anonymised data, and tracks the volume of daily requests for directions in Apple Maps by mode of transportation, compared to a baseline volume on 13 January 2020. Adjustments were made by the authors to compare each day to the same day in the week of 13 to 19 January 2020.*
7 *According to credit card spending data obtained from a payment processing and technology company.*
8 *The proportion of sales of computer & telecommunications equipment that took place online rose from 27.8 per cent in December 2019 to 41.2 per cent in March 2020, while that for furniture & household equipment increased from 12.3 per cent to 16.5 per cent over the same period.*
9 *According to data obtained from an online delivery fulfillment platform in Singapore.*

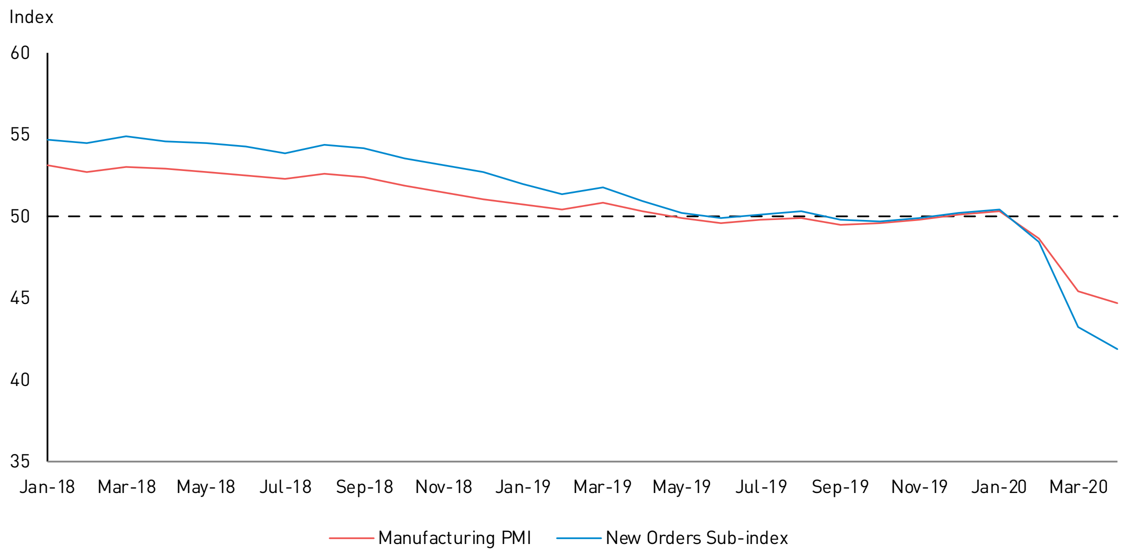
Exhibit 7: Retail Sales Volume Index and Food & Beverage Sales Volume Index[10]



Source: Department of Statistics

Third, outward-oriented sectors such as manufacturing, wholesale trade and transportation & storage have been adversely affected by the fall in external demand and supply chain disruptions. For example, reflecting the weakness in external demand conditions and worsening business sentiments, the manufacturing Purchasing Managers' Index has declined sharply since February, weighed down by a fall in new orders [Exhibit 8]. In addition, sentiment-sensitive sectors such as finance & insurance have experienced greater volatility amidst heightened uncertainty and concerns over the spread of COVID-19. International trade has also been affected by weak global demand and supply chain disruptions, and this has in turn contributed to a fall in air and sea cargo handled at our air and sea ports [Exhibit 9].

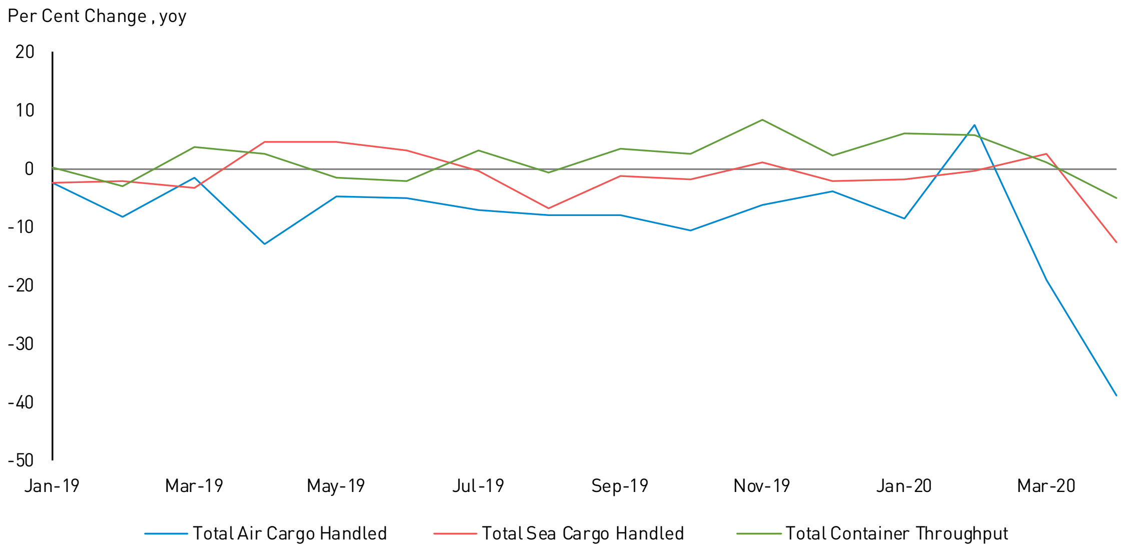
Exhibit 8: Manufacturing Purchasing Managers' Index



Source: Singapore Institute of Purchasing and Materials Management

10 *Data on online food & beverage sales is not included in the chart. This is because the year-on-year growth rates of online food & beverage sales prior to January 2020 cannot be computed given that data on online food & beverage sales before 2019 is not available.*

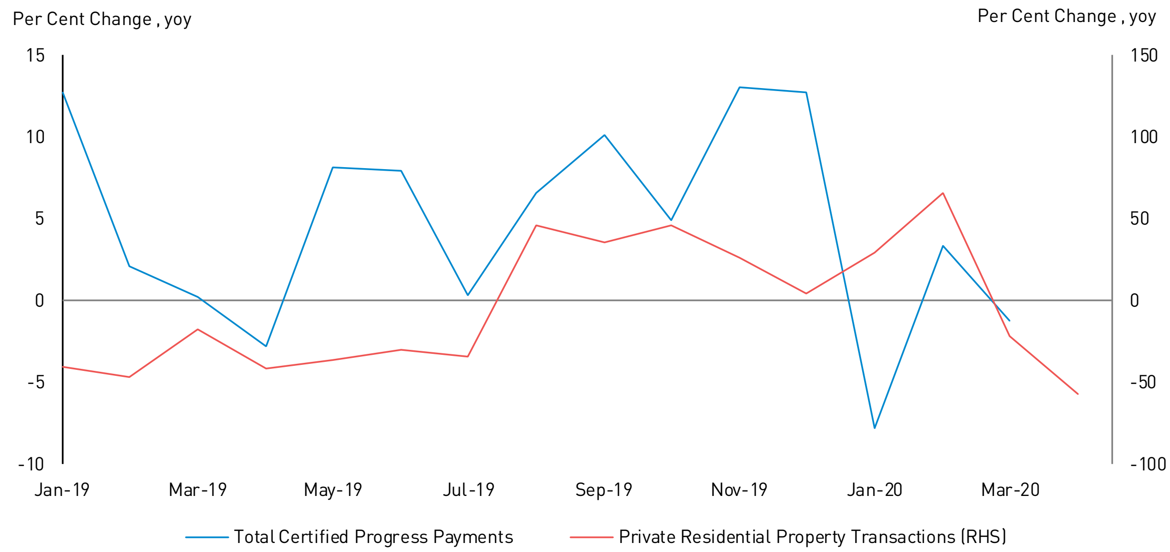
Exhibit 9: Air and Sea Cargo Volumes[11]



Source: Civil Aviation Authority of Singapore, Changi Airport Group, Maritime and Port Authority of Singapore

Fourth, domestically-oriented sectors such as construction, real estate and other business services sectors have experienced negative spillovers from the slowdown in domestic economic activity, as well as weaker sentiments. Reflecting this, certified progress payments, a proxy for nominal construction output, declined by 1.2 per cent year-on-year in March, while residential property transactions plunged by 22 per cent and 57 per cent year-on-year in March and April respectively [Exhibit 10]. In the near-term, the construction sector is also expected to be affected by manpower disruptions due to the additional measures implemented to curb the spread of COVID-19 at construction worksites and foreign worker dormitories (e.g., movement restrictions at the foreign worker dormitories).

Exhibit 10: Construction Certified Progress Payments[12] *and Private Residential Property Transactions*



Source: Building and Construction Authority, Urban Redevelopment Authority

11 Air cargo volumes refer to those handled at Changi Airport only, and exclude passenger baggage, diplomatic cargo and aircraft stores. Sea cargo and container throughput for April 2020 are preliminary estimates.
12 Data on certified progress payments for March 2020 are preliminary estimates.

Fifth, the closure of most workplaces during the Circuit Breaker period has affected firms in most sectors, especially those that cannot operate fully from home. However, this impact should ease over time as more firms are allowed to resume activities with the gradual lifting of the Circuit Breaker measures from 2 June onwards.

3. CONCLUSION

In view of the weaker external demand outlook for Singapore and the expected economic impact of the domestic measures taken to contain the spread of COVID-19, MTI has further downgraded Singapore's GDP growth forecast for 2020 to "-7.0 per cent to -4.0 per cent", from its earlier forecast of "-4.0 per cent to -1.0 per cent". While most sectors are expected to be adversely affected by the COVID-19 outbreak, there are some bright spots in the economy, including new opportunities that have come with the rise in demand for online sales and services.

In the months ahead, MTI will continue to closely monitor developments in the global and Singapore economies as the COVID-19 situation remains fluid. Globally, there continues to be a high degree of uncertainty over the length and severity of the outbreak, as well as the trajectory of the recovery in the global economy.

Domestically, how the Singapore economy performs in the remaining quarters of the year will also depend on the extent to which we are able to resume economic activities safely and without a resurgence of infections in the community as we exit from the Circuit Breaker period. To this end, it is important for businesses to ensure that safe management practices are implemented at the workplace, and that their workers continue to work from home to the maximum extent possible. Similarly, Singaporeans should continue to adhere to the safe distancing measures, including limiting their movements and social interactions as much as possible. The Government has introduced substantial support through three Budgets (Unity, Resilience and Solidarity) to help businesses and Singaporeans tide through this difficult period, with more support to be announced soon.

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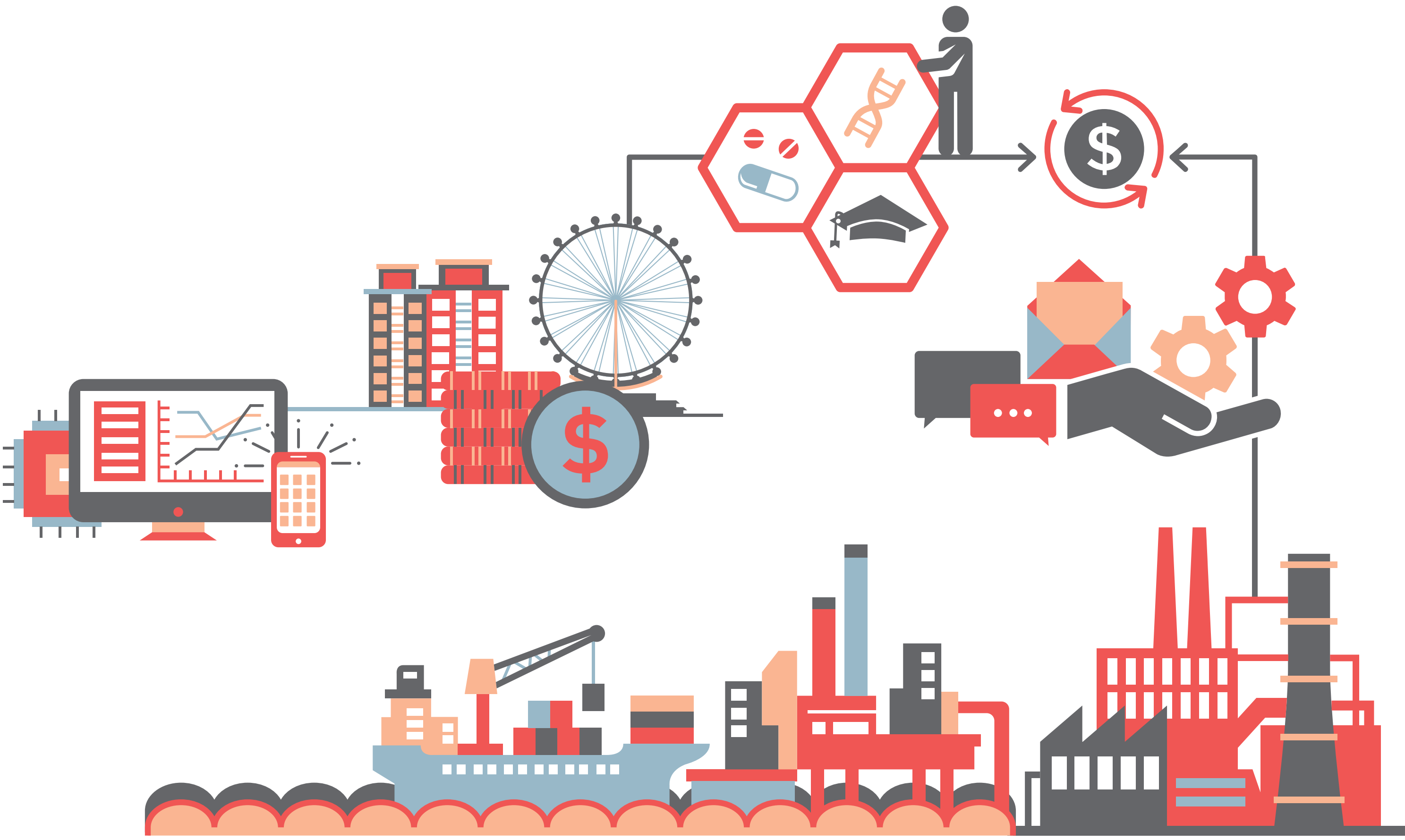

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