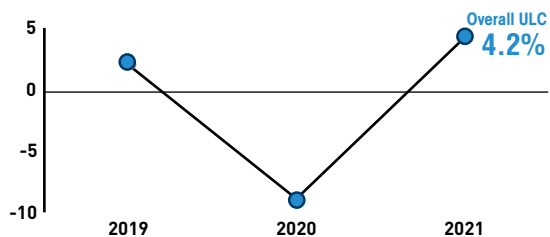


COSTS, INVESTMENTS AND PRICES

OVERALL UNIT LABOUR COST

(Year-On-Year Growth)



WITHIN THE MANUFACTURING SECTOR



-1.3%
in 2021
Unit Labour Cost



-3.3%
in 2021
Unit Business Cost

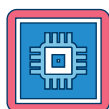
INVESTMENT COMMITMENTS IN 2021



Fixed Asset Investment Commitments
\$11.8 billion

Total Business Expenditure Commitments
\$5.2 billion

CLUSTERS THAT ATTRACTED THE HIGHEST FIXED ASSET INVESTMENT COMMITMENTS



Electronics



Services Clusters



Biomedical Manufacturing

CLUSTERS THAT ATTRACTED THE HIGHEST TOTAL BUSINESS EXPENDITURE COMMITMENTS



Headquarters & Professional Services

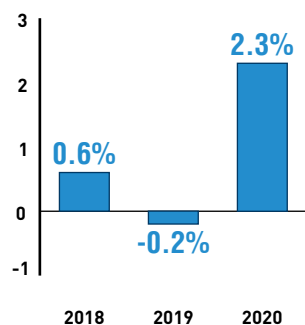


Infocommunications & Media

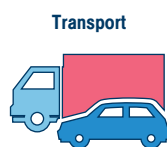


Research & Development

CPI-ALL ITEMS INFLATION



IN 2021, THE INCREASE IN CPI WAS MAINLY DUE TO THE INCREASE IN PRICES OF



1.5%
point contribution

Housing & Utilities



0.3%
point contribution



0.3%
point contribution

OVERVIEW

Overall Unit Labour Cost (ULC) rose by 6.7 per cent on a year-on-year basis in the fourth quarter of 2021, easing from the 7.0 per cent increase recorded in the preceding quarter. For the whole of 2021, the overall ULC increased by 4.2 per cent, a reversal from the 8.9 per cent decline in 2020.

Total investment commitments attracted by EDB in the manufacturing and services sectors remained healthy in 2021. The manufacturing sector garnered a larger amount of commitments in terms of fixed asset investments (FAI), while the services sector attracted a larger amount of total business expenditure (TBE) commitments. By clusters, the electronics and biomedical manufacturing clusters within the manufacturing sector were the biggest contributors to FAI commitments, while the headquarters & professional cluster within the services sector contributed the most to TBE commitments.

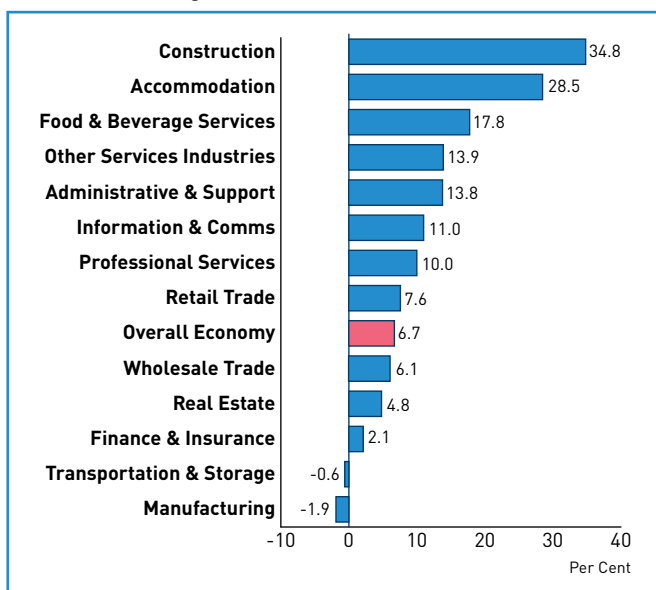
The Consumer Price Index-All Items (CPI-All Items) rose by 3.7 per cent on a year-on-year basis in the fourth quarter, faster than the 2.5 per cent increase in the previous quarter. For 2021 as a whole, CPI-All Items increased by 2.3 per cent, a reversal from the 0.2 per cent decline in 2020.

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 rose on a year-on-year basis in the fourth quarter. For the whole of 2021, the DSPI, SMPPPI as well as the import and export price indices increased by 15.2 per cent, 9.5 per cent, 11.6 per cent and 11.3 per cent respectively.

COSTS

Overall ULC for the economy rose by 6.7 per cent year-on-year in the fourth quarter, easing from the 7.0 per cent increase in the preceding quarter (Exhibit 3.1). The pickup in overall ULC came on the back of an increase in total labour cost per worker that outweighed labour productivity growth (as measured by real value-added per worker).

Exhibit 3.1: Changes in Unit Labour Cost in 4Q 2021



By broad sectors, the construction sector registered the largest ULC increase (34.8 per cent) in the fourth quarter, a reversal from the contraction of 9.8 per cent in the previous quarter. The large increase in ULC was due to a significant increase in total labour cost per worker, which exceeded productivity gains in the sector.

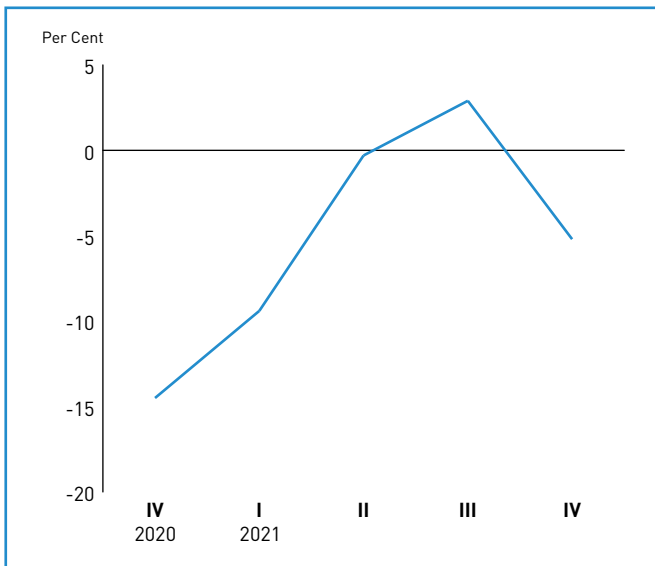
The ULC for services producing industries rose by 8.3 per cent in the fourth quarter, extending the 6.5 per cent increase in the previous quarter. Most services sectors saw a pickup in their ULCs, with the accommodation sector registering the largest increase (28.5 per cent) as a significant rise in total labour cost per worker more than offset an increase in labour productivity in the sector.

By contrast, the ULC for the manufacturing sector dipped by 1.9 per cent in the fourth quarter, a turnaround from the increase of 9.2 per cent in the preceding quarter. The ULC decline occurred on the back of productivity improvements which slightly outstripped the increase in total labour cost per worker.

For the full year of 2021, overall ULC rose by 4.2 per cent, a reversal from the 8.9 per cent decline in 2020. The rise in the overall ULC was on account of an increase in total labour cost per worker which outpaced labour productivity growth in the economy.

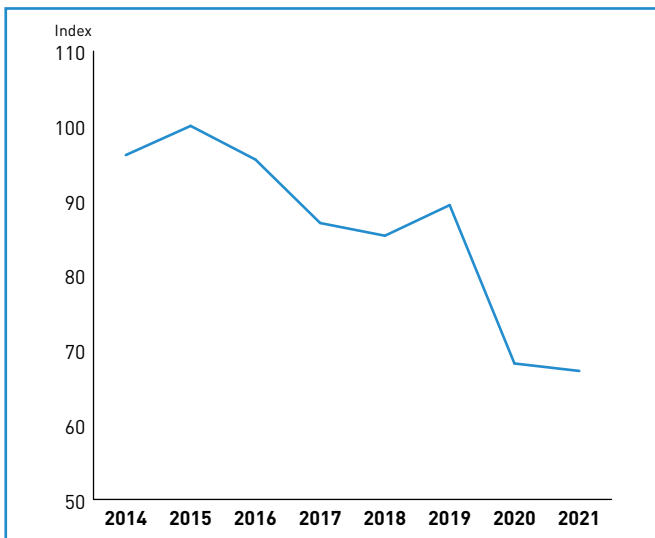
Manufacturing unit business cost (UBC) fell by 5.2 per cent year-on-year in the fourth quarter, a turnaround from the 2.9 per cent increase in the previous quarter (Exhibit 3.2). The drop in manufacturing UBC came on the back of declines in both the unit services costs (-6.7 per cent) and the manufacturing ULC (-1.9 per cent), which more than offset an increase in unit non-labour production taxes (16.4 per cent). For 2021 as a whole, the manufacturing UBC fell by 3.3 per cent, moderating from the 12.5 per cent decline in 2020.

Exhibit 3.2: Changes in Unit Business Cost for Manufacturing



Singapore’s relative unit labour cost (RULC) for manufacturing – a measure of Singapore’s competitiveness against 16 economies¹ – fell in 2021 (i.e., more competitive) as compared to 2020 (Exhibit 3.3). The decline in the RULC was mainly on account of the fall in Singapore’s manufacturing ULC.

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

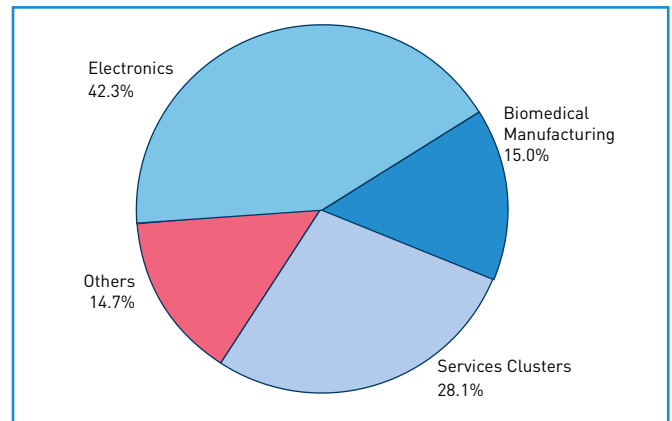


INVESTMENT COMMITMENTS

EDB attracted healthy levels of investment commitments in 2021. For the full year, FAI and TBE commitments came in at \$11.8 billion and \$5.2 billion respectively.

In terms of FAI, the largest contribution came from the manufacturing sector, which garnered \$8.5 billion in commitments. Within manufacturing, the electronics cluster attracted the largest amount of FAI commitments, at \$5.0 billion, followed by the biomedical manufacturing cluster, at \$1.8 billion. Within the services sector, the research & development and infocommunications & media clusters contributed the most to total FAI commitments, with \$1.5 billion and \$1.3 billion respectively (Exhibit 3.4).

Exhibit 3.4: Fixed Asset Investments by Industry Clusters in 2021

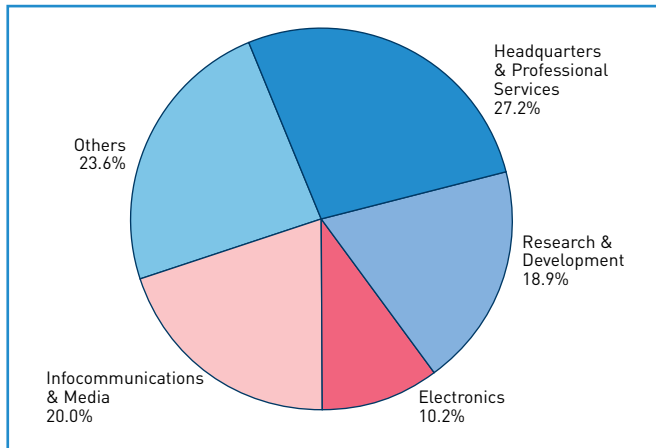


Investors from the United States were the largest source of FAI commitments with \$7.9 billion (67.1 per cent). They were followed by investors from Europe who contributed about \$1.5 billion of FAI commitments (13.1 per cent).

For TBE, the services sector attracted the highest amount of commitments, at \$3.8 billion. This was driven by the headquarters & professional services cluster, which garnered \$1.4 billion in TBE commitments, followed by the infocommunications & media cluster, with \$1.0 billion. Among the manufacturing clusters, the electronics cluster contributed the highest amount of TBE commitments, at \$527 million (Exhibit 3.5).

¹ The 16 economies are Australia, China, France, Germany, Hong Kong, India, Indonesia, Japan, Malaysia, Netherlands, South Korea, Taiwan, Thailand, the United Kingdom, the United States and Vietnam..

Exhibit 3.5: Total Business Expenditure by Industry Clusters in 2021



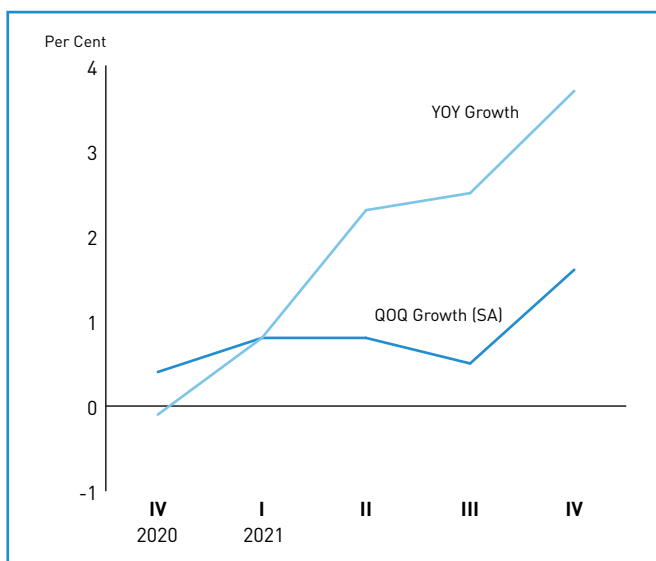
Investors from the United States accounted for most of the TBE commitments, at \$2.1 billion (40.9 per cent).

When these projects are fully implemented, they are expected to generate \$16.8 billion of value-added per annum and create more than 17,000 jobs in the coming years.

CONSUMER PRICE INDEX

Singapore's CPI-All Items rose by 3.7 per cent on a year-on-year basis in the fourth quarter, faster than the 2.5 per cent increase in the previous quarter (Exhibit 3.6). On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items inflation came in at 1.6 per cent, higher than the 0.5 per cent in the previous quarter.

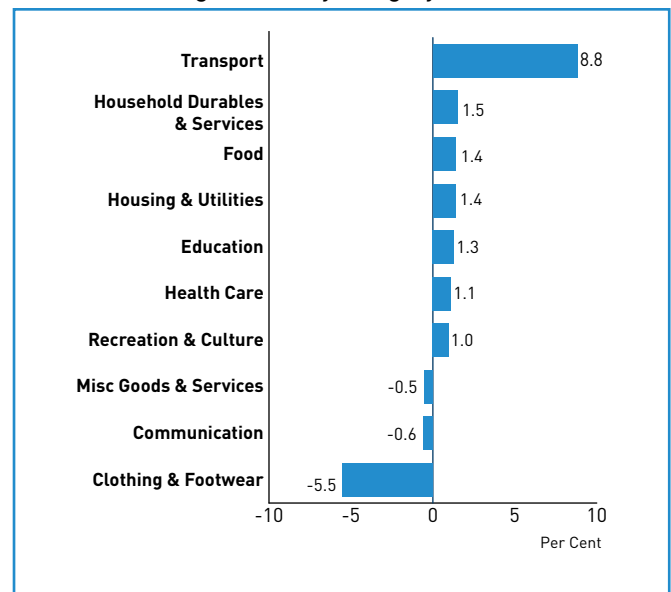
Exhibit 3.6: Changes in Overall CPI



For 2021 as a whole, CPI-All Items increased by 2.3 per cent, a reversal from the 0.2 per cent decline in 2020.

Price increases in the following CPI categories contributed positively to CPI-All Items inflation in 2021 (Exhibit 3.7). Transport costs climbed by 8.8 per cent as the prices of cars and petrol, as well as airfares² increased. Prices of household durables & services went up by 1.5 per cent on account of more expensive domestic & household services and household durables. Food prices rose by 1.4 per cent on the back of an increase in the costs of food serving services like hawker food and restaurant meals, as well as non-cooked food items such as vegetables and fruits. Housing & utilities costs increased by 1.4 per cent due to a rise in accommodation costs, as well as gas and electricity tariffs. Education costs edged up by 1.3 per cent as higher fees at universities and commercial institutions more than offset lower fees at childcare centres. Healthcare costs picked up by 1.1 per cent because of an increase in the costs of health insurance, hospital services and outpatient services. Recreation & culture prices rose by 1.0 per cent as a result of the higher cost of holiday travel³ and recreational & cultural services.

Exhibit 3.7: Changes in CPI by Category in 2021



By contrast there were price declines in other CPI categories. Clothing & footwear prices fell by 5.5 per cent due to cheaper ready-made garments and footwear. Communication costs dropped by 0.6 per cent on the back of lower telecommunication services & equipment costs. Prices of miscellaneous goods & services edged down by 0.5 per cent because of a fall in the cost of personal care items.

² 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.

³ Similarly, as overseas travel was limited, the CPI for holiday expenses was imputed using the overall change in CPI-All Items. With the easing of border restrictions and establishment of Vaccinated Travel Lanes, actual prices of available holiday-related services are being progressively incorporated into the CPI.

PRODUCER PRICE INFLATION

Producer prices, as measured by the DSPI, SMPPPI, as well as the import and export price indices, all rose on a year-on-year basis in the fourth quarter (Exhibits 3.8 and 3.9). The increases seen during the quarter came partly on the back of a rise in the prices of diesel fuel and motor spirit of ron 90-97.

For the full year, the DSPI and SMPPPI increased by 15.2 per cent and 9.5 per cent respectively, while the import and export price indices rose by 11.6 per cent and 11.3 per cent respectively. Higher diesel fuel and motor spirit of ron 90-97 also contributed to the increase in these producer price indices for the year.

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

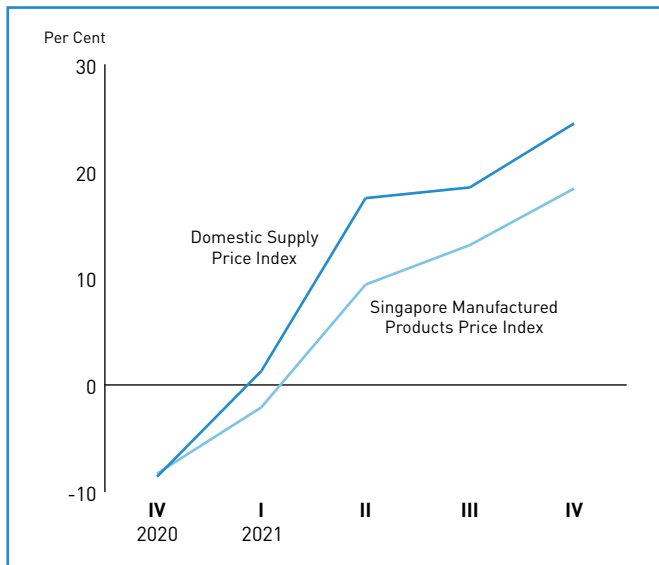


Exhibit 3.9: Changes in Import and Export Price Indices

