

BOX ARTICLE 2.1

THE PROFESSIONAL SERVICES AND ADMINISTRATIVE & SUPPORT SERVICES SECTORS IN SINGAPORE

Since the Annual Economic Survey of Singapore 2020, the business services sector has been disaggregated into its constituent sectors of real estate, professional services and administrative & support services.

Given that the professional services and administrative & support services sectors cover a wide range of activities which have different growth drivers, this article details the composition of the two sectors, as well as characterises their growth drivers. The article also describes the past performance of the two sectors, before concluding with the outlook for the sectors in 2021 amidst the COVID-19 pandemic.

The professional services and administrative & support services sectors cover a diverse range of activities

The professional services and administrative & support services sectors, which accounted for 5.9 per cent and 4.5 per cent of the overall economy's nominal value-added (VA) in 2020 respectively, provide a wide variety of services that are essential for business operations, such as accounting and advertising services. The detailed segments within the two sectors and their nominal VA shares are shown in Exhibits 1A and 1B below.

Exhibit 1A: Segments of the Professional Services Sector and Their Nominal VA Shares

Segment	Description	Nominal VA Share of Sector (%)
Legal	Activities of legal representation of one party's interest against another party	8.8
Accounting	Preparation or auditing of financial accounts and preparation of income tax returns	6.9
Head Offices & Business Representative Offices	Activities of units mainly set up to assess business opportunities in Singapore for a related foreign commercial entity	34
Business & Management Consultancy	Provision of advice and guidance on management and operational issues to businesses	9.4
Architectural & Engineering, Technical Testing & Analysis	Architectural, building inspection and surveying services, as well as engineering design services	25
Other Professional, Scientific & Technical Services	Advertising, market research, interior design, commercial photography and translation services	17

Source: Singapore Department of Statistics

Exhibit 1B: Segments of the Administrative & Support Services Sector and Their Nominal VA Shares

Segment	Description	Nominal VA Share of Sector (%)
Rental & Leasing	Renting and leasing of motor vehicles, household goods (e.g., furniture) and machinery & equipment (e.g., air transport equipment), as well as the leasing of patents and trademarks	60
Other Administrative & Support Services	Activities of employment agencies, travel agencies and tour operators, security and investigation firms, cleaning firms, and event organisers	40

Source: Singapore Department of Statistics

The professional services and administrative & support services sectors are reliant on intermediate demand from other sectors of the economy

The output of the professional services sector is largely consumed by other sectors of the Singapore economy. Singapore’s 2017 Input-Output Tables show that 52 per cent of the sector’s output is purchased as intermediate inputs by various sectors of the economy, higher than that of other key sectors such as manufacturing (26 per cent) and wholesale trade (17 per cent) (Exhibit 2). The major purchasing sectors across the different segments of the professional services sector include the finance & insurance, information & communications, wholesale trade, and manufacturing sectors (Exhibit 3).

Exhibit 2: Percentage of Total Output Purchased as Intermediate Inputs, for Selected Sectors



Source: Singapore Supply, Use and Input-Output Tables 2017, Singapore Department of Statistics

Exhibit 3: Major Purchasing Sectors of Professional Services' Intermediate Output

Segment	Top 5 Purchasing Sectors	Share of Intermediate Output Sold to Purchasing Sector (%)
Legal	1. Finance & Insurance	23
	2. Wholesale Trade	15
	3. Real Estate	10
	4. Other Professional, Scientific & Technical Activities	9.7
	5. Legal	8.3
Accounting	1. Finance & Insurance	20
	2. Wholesale Trade	20
	3. Other Services	8.9
	4. Information & Communications	8.7
	5. Manufacturing	8.3
Head Offices & Business Representative Offices	1. Manufacturing	34
	2. Information & Communications	18
	3. Administrative & Support Services	8.2
	4. Finance & Insurance	7.3
	5. Wholesale Trade	6.4
Business & Management Consultancy	1. Wholesale Trade	22
	2. Information & Communications	22
	3. Finance & Insurance	8.1
	4. Other Services	7.7
	5. Transport & Storage	7.3
Architectural & Engineering, Technical Testing & Analysis	1. Real Estate	24
	2. Manufacturing	17
	3. Architectural & Engineering, Technical Testing & Analysis	16
	4. Wholesale Trade	9.3
	5. Finance & Insurance	6.1
Other Professional, Scientific & Technical Services	1. Wholesale Trade	17
	2. Other Services	17
	3. Manufacturing	13
	4. Other Professional, Scientific & Technical Activities	11
	5. Information & Communications	11

Source: Singapore Supply, Use and Input-Output Tables 2017, Singapore Department of Statistics

Compared to the professional services sector, the administrative & support services sector is far more reliant on intermediate demand from other sectors of the economy, with 78 per cent of its output purchased as intermediate inputs by other sectors (Exhibit 2). Its major purchasing sectors include the manufacturing, wholesale trade and other services industries (Exhibit 4).

Exhibit 4: Major Purchasing Sectors of Administrative & Support Services' Intermediate Output

Segment	Top 5 Purchasing Sectors	Share of Intermediate Output Sold to Purchasing Sector (%)
Rental & Leasing	1. Manufacturing	57
	2. Wholesale Trade	12
	3. Transport & Storage	8.6
	4. Construction	8.1
	5. Rental & Leasing	5.5
Other Administrative & Support Services	1. Other Services	18
	2. Real Estate	17
	3. Other Administrative & Support Services	12
	4. Information & Communications	11
	5. Wholesale Trade	10

Source: Singapore Supply, Use and Input-Output Tables 2017, Singapore Department of Statistics

The two sectors also vary in terms of their reliance on external demand. The professional services sector is more dependent on external demand than the administrative & support services sector: in 2017, domestic exports made up 33 per cent of the professional services sector's total output, larger than the 20 per cent recorded for the administrative & support services sector.¹

From 2014 to 2019, both the professional services sector and the administrative & support services sector outperformed the Singapore economy

Between 2014 and 2019 (i.e., prior to the COVID-19 pandemic), the real VA of the professional services sector grew by 4.4 per cent on a compound annual growth rate (CAGR) basis, outpacing real GDP growth of 3.1 per cent, reflecting in part Singapore's continued development as a global business hub. Among the various segments of the sector, the highest CAGRs were seen for the (i) head offices & business representative offices; (ii) business & management consultancy; and (iii) other professional, scientific & technical services segments. These segments also saw stronger growth from 2014 to 2019 compared to the decade as a whole (i.e., the period of 2010 to 2019) (Exhibit 5).

Exhibit 5: Real VA Growth of the Segments of the Professional Services Sector

Segment	Real VA CAGR, %	
	Longer-Term Trend (2010 – 2019)	Shorter-Term Trend (2014 – 2019)
Legal	1.7	1.8
Accounting	3.5	0.9
Head Offices & Business Representative Offices	7.4	8.7
Business & Management Consultancy	1.9	4.4
Architectural & Engineering, Technical Testing & Analysis	1.4	2.5
Other Professional, Scientific & Technical Services	1.1	2.6

Source: Singapore Department of Statistics

¹ Based on Singapore Supply, Use and Input-Output Tables 2017

Similar to the professional services sector, the administrative & support services sector also outperformed the Singapore economy between 2014 and 2019, with its real VA expanding at a CAGR of 5.6 per cent. Both segments of the sector expanded at a faster pace than the overall economy during this period. However, when compared to the decade as a whole (i.e., the period of 2010 to 2019), their growth during the more recent period of 2014 to 2019 was weaker (Exhibit 6).

Exhibit 6: Real VA Growth of the Segments of the Administrative & Support Services Sector

Segment	Real VA CAGR, %	
	Longer-Term Trend (2010 – 2019)	Shorter-Term Trend (2014 – 2019)
Rental & Leasing	11.2	6.9
Other Administrative & Support Services	5.2	3.5

Source: Singapore Department of Statistics

The professional services and administrative & support services sectors sharply contracted in 2020 on account of the COVID-19 pandemic

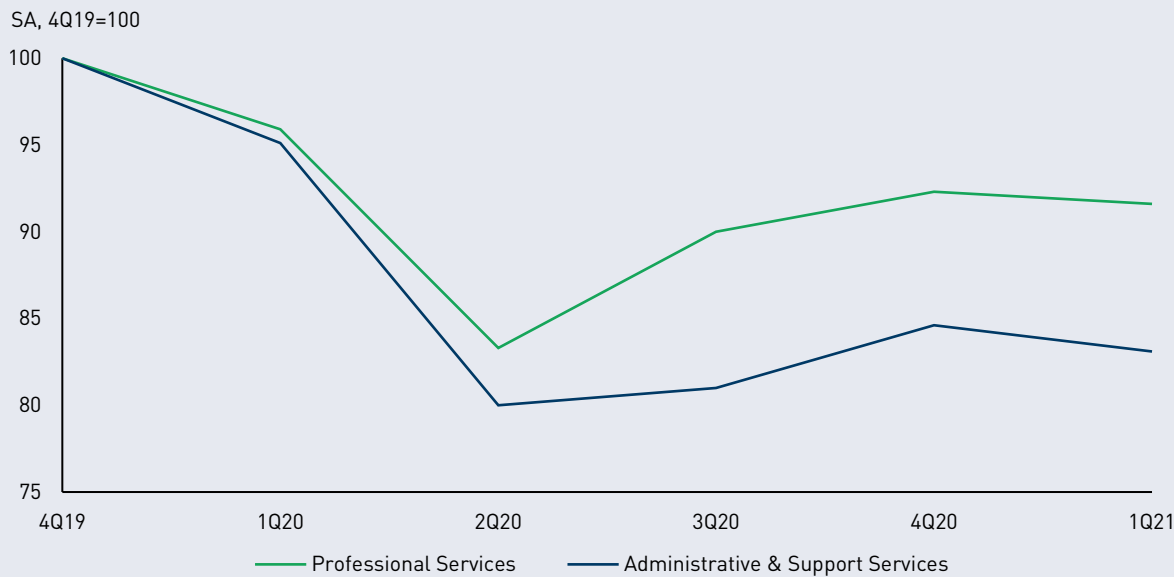
2020 was a challenging year for both the professional services and administrative & support services sectors due to the economic fallout from the COVID-19 pandemic. The former shrank by 9.7 per cent, sharply reversing the 5.4 per cent growth in 2019; meanwhile, the latter contracted by 15 per cent, worse than the 11 per cent decline recorded in the previous year.

While all segments of the professional services sector shrank in 2020, the overall contraction of 9.7 per cent was mainly contributed by the architectural & engineering, technical testing & analysis (-16 per cent), as well as the other professional, scientific & technical services (-14 per cent) segments. The former segment contracted on the back of weak demand for architectural & surveying services and engineering design & consultancy services, given the sharp plunge in construction contracts awarded in 2020, as well as the slow pace of activity at construction worksites due to (i) the stoppage of almost all construction works during the Circuit Breaker period; and (ii) the need to implement safe management measures (SMMs) at construction worksites post-Circuit Breaker.² On the other hand, the other professional, scientific & technical services segment shrank mainly on account of a decline in the demand for advertising and market research activities, which was in turn caused by businesses cutting back on spending on such services amidst the economic downturn arising from the COVID-19 pandemic.

As for the administrative & support services sector, its weak performance in 2020 came on the back of a decline in the real VA of both the rental & leasing (-14 per cent) and other administrative & support services (-17 per cent) segments. In particular, global travel restrictions, slower work progress at construction worksites due to SMMs and labour shortages, and weaker domestic economic conditions contributed to a decline in rental and leasing activities, as well as the activities of travel agencies, tour operators and MICE organisers during the year.

Given the ongoing effect of the pandemic, the real VA of both sectors, which fell below pre-COVID (i.e., 4Q19) levels throughout 2020, continued to remain below pre-COVID levels in 1Q21 (Exhibit 7).

² Delays in construction activities affect the cash flow of developers and impede their ability to plan for new projects, thereby lowering their demand for architectural & surveying services and engineering design & consultancy services.

Exhibit 7: Real VA of the Professional Services and Administrative & Support Services Sectors (Seasonally Adjusted, 4Q19 = 100)

Source: Singapore Department of Statistics

Looking ahead, while the professional services and administrative & support services sectors are expected to recover in 2021, their real VA is unlikely to reach pre-COVID levels even by the end of the year

The professional services sector is projected to see a recovery in 2021. In particular, improvements in regional economic activity are expected to support activities in segments such as business & management consultancy, as well as head offices & business representative offices. At the same time, the projected pickup in construction demand and gradual recovery in construction activity are likely to benefit the architectural & engineering, technical testing & analysis segment of the sector. Similarly, the administrative & support services sector is expected to recover in 2021 in tandem with domestic economic activity.

However, the real VA of the two sectors is unlikely to reach pre-COVID levels even by the end of 2021 due to two main factors. First, the slow lifting of international travel restrictions is likely to weigh on the recovery of the business & management consultancy and head offices & business representative offices segments of the professional services sector. It is also expected to dampen the recovery in demand for the rental and leasing of air transport equipment, as well as the activities of travel agencies, tour operators and MICE organisers, which will in turn weigh on the performance of the administrative & support services sector.

Second, construction activity is expected to see a slow recovery and remain substantially below pre-COVID levels by the end of the year due to labour shortages arising from border restrictions, as well as the need to comply with SMMs at worksites. As such, the recovery of the architectural & engineering, technical testing & analysis segment of the professional services sector, as well as activities relating to the rental and leasing of construction machinery & equipment within the administrative & support services sector, is expected to be weak.

Over the longer term, as the global and domestic economies recover from the COVID-19 pandemic, the prospects for the professional services sector remain bright. The administrative & support services sector will also continue to play an essential role in supporting the business operations of the various sectors of the Singapore economy.

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