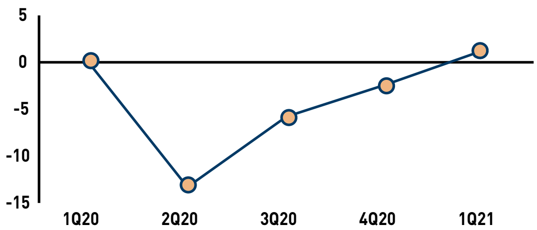
CHAPTER 1
THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP grew by
1.3% **in 1Q21**

Quarterly Growth (Year-on-Year)



Main Drivers of Growth in 1Q21

Manufacturing

2.2%-point
contribution

Finance & Insurance

0.7%-point
contribution

LABOUR MARKET

Resident
Unemployment Rate

4.0%
in 1Q21

Employment
(Q-O-Q Change)

+6,700
employed

Sectors with the Highest Employment Growth in 1Q21

+7,300
employed
Other Services Industries

+2,300
employed
Information & Communications

+1,900
employed
Food & Beverage Services

PRODUCTIVITY

Value-Added per Actual Hour Worked increased by 7.3% in 1Q21

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 1Q21

59.6%
Accommodation

19.7%
Manufacturing

COSTS

Overall Unit Labour Cost declined by
6.6% in 1Q21

Within the manufacturing sector

-10.1%
Unit Business Cost

-18.5%
Unit Labour Cost

INTERNATIONAL TRADE

Total Merchandise Exports increased by 6.9% in 1Q21

EXPORTS

13.6%
Re-exports

9.7%
Non-Oil Domestic Exports

-19.3%
Oil Domestic Exports

PRICES

The Consumer Price Index (CPI) rose by
0.8% in 1Q21

Categories with Price Increases

3.1%
Transport

1.5%
Food

1.1%
Household Durables & Services

Total Services Exports declined by 7.8% in 1Q21

Services Export Decline was led by...

-4.5%-pt
Travel

-2.6%-pt
Transport Services

-1.4%-pt
Maintenance and Repair Services

OVERVIEW

In the first quarter of 2021,

- The Singapore economy grew by 1.3 per cent on a year-on-year basis. The sectors that contributed the most to GDP growth were manufacturing, finance & insurance and wholesale trade.
- The seasonally-adjusted overall, resident and citizen unemployment rates declined in March 2021 as compared to December 2020, marking the second consecutive quarter of decline. The number of retrenchments also fell for the second consecutive quarter.
- Total employment increased by 6,700 on a quarter-on-quarter basis, a turnaround following four consecutive quarters of decline. Excluding Migrant Domestic Workers (MDWs), total employment expanded by 4,800 on the back of continued growth in resident employment, which more than offset a decline in non-resident employment.
- The Consumer Price Index-All Items (CPI-All Items) rose by 0.8 per cent on a year-on-year basis, in contrast to the 0.1 per cent decline in the previous quarter.

OVERALL PERFORMANCE

The Singapore economy expanded by 1.3 per cent on a year-on-year basis in the first quarter of 2021, a reversal from the 2.4 per cent contraction in the preceding quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 3.1 per cent, extending the 3.8 per cent growth in the previous quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 1Q 2021

By sectors, the manufacturing sector expanded by 11 per cent year-on-year in the first quarter, similar to the 10 per cent growth in the previous quarter. Growth was due to output expansions in the electronics, precision engineering and chemicals clusters, which more than offset output declines in the transport engineering, general manufacturing and biomedical manufacturing clusters.

The services producing industries contracted by 0.5 per cent year-on-year in the first quarter, an improvement from the 4.7 per cent decline recorded in the previous quarter. Growth in the accommodation, information & communications, finance & insurance, wholesale trade, retail trade and other services sectors partially offset the contractions seen in the remaining services sectors. Among the services sectors that shrank, the transportation & storage (-17 per cent) and administrative & support services (-13 per cent) sectors recorded the largest contractions.

The construction sector contracted by 23 per cent year-on-year in the first quarter, extending the 27 per cent contraction in the previous quarter. The performance of the sector during the quarter was weighed down by declines in both public and private sector construction works.

The top three contributors to GDP growth in the first quarter were the manufacturing, finance & insurance and wholesale trade sectors (Exhibit 1.2).

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 1Q 2021 (By Industry)

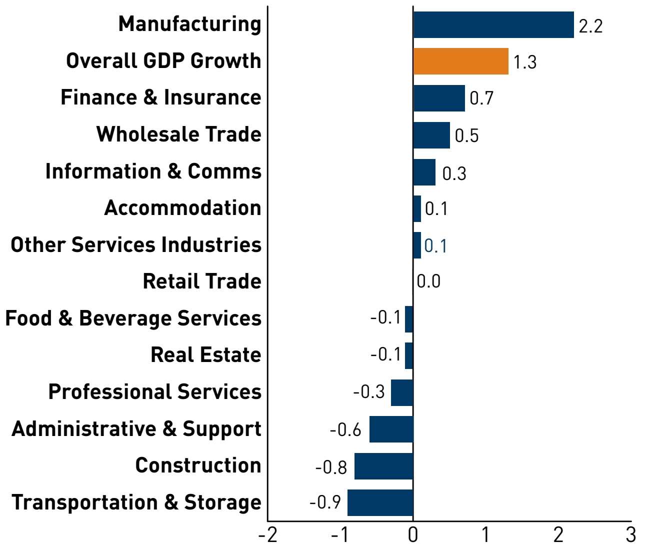


Exhibit 1.3: Changes in Total Demand*

	2020				2021
	I	II	III	IV	I
Total Demand	2.6	-15.3	-7.1	-4.5	**-2.2**
External Demand	4.0	-12.4	-5.0	-3.5	**-1.3**
Total Domestic Demand	-0.8	-22.5	-12.5	-7.0	**-4.6**
Consumption Expenditure	-0.3	-19.5	-6.7	-6.7	**-3.9**
Public	7.2	19.8	15.8	9.6	**6.7**
Private	-2.9	-29.4	-13.0	-11.3	**-7.9**
Gross Fixed Capital Formation	1.5	-27.9	-23.0	-4.7	**-5.7**
Changes in Inventories	-0.8	-0.4	-0.3	-0.8	**-0.1**

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

SOURCES OF GROWTH

Total demand declined by 2.2 per cent year-on-year in the first quarter, moderating from the 4.5 per cent drop in the previous quarter (Exhibit 1.3). Total demand was weighed down by both external and domestic demand.

External demand fell by 1.3 per cent year-on-year, although this was better than the 3.5 per cent decline in the previous quarter. Similarly, domestic demand decreased by 4.6 per cent year-on-year, improving from the 7.0 per cent contraction in the previous quarter. Both private consumption expenditure and gross fixed capital formation (GFCF) remained weak, thereby weighing on domestic demand during the quarter.

Within domestic demand, consumption expenditure fell by 3.9 per cent year-on-year, easing from the 6.7 per cent decline in the preceding quarter. The drop in consumption expenditure came on the back of a fall in private consumption expenditure (-7.9 per cent), even as public consumption expenditure rose (6.7 per cent).

Meanwhile, GFCF shrank by 5.7 per cent year-on-year, extending the 4.7 per cent decline in the previous quarter. The fall in GFCF was due to declines in both public and private sector GFCF. Public sector GFCF contracted by 21 per cent as a result of lower spending on public construction & works. At the same time, private sector GFCF declined by 1.5 per cent, weighed down by lower investments in transport equipment and construction & works.

LABOUR MARKET

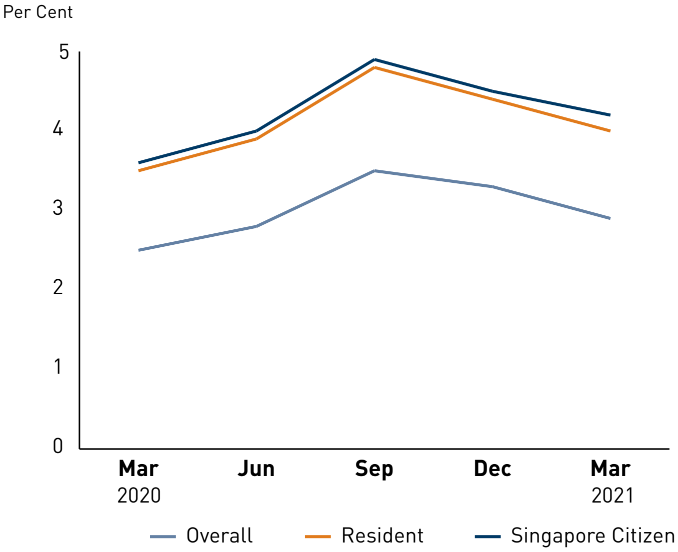
Unemployment and Retrenchment[1]

Compared to December 2020, the seasonally-adjusted unemployment rates in March 2021 fell at the overall level (from 3.3 per cent to 2.9 per cent), as well as for residents (from 4.4 per cent to 4.0 per cent) and citizens (from 4.5 per cent to 4.2 per cent) (Exhibit 1.4). Although unemployment rates dipped for the second consecutive quarter, they remained elevated compared to pre-pandemic levels.[2]

In March 2021, an estimated 95,500 residents, including 85,400 Singapore citizens, were unemployed. These were lower than the number of unemployed residents (104,300) and citizens (90,000) in December 2020.[3]

1 Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.
2 The annual average overall, resident and citizen unemployment rates in 2019 were 2.3 per cent, 3.1 per cent and 3.3 per cent respectively.
3 Based on seasonally-adjusted data on the number of unemployed persons.

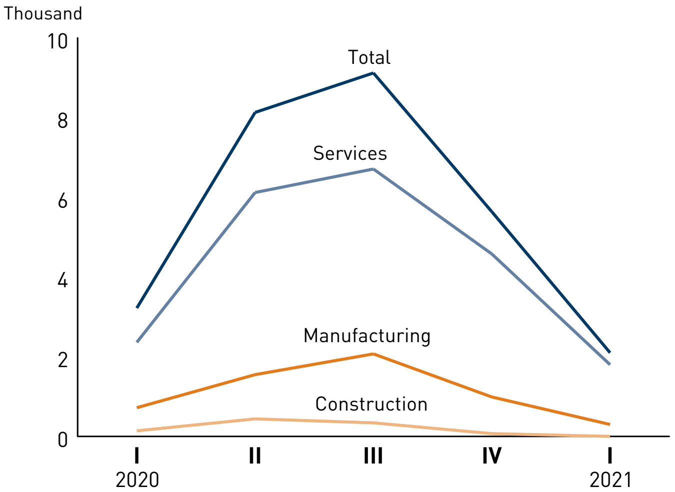
Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)



Total retrenchments fell sharply to 2,100 in the first quarter, from 5,640 in the preceding quarter (Exhibit 1.5). This was the second consecutive quarter of decline since the number of retrenchments peaked in the third quarter of 2020 (9,120).

Over the quarter, retrenchment declined in the services (from 4,580 to 1,800), manufacturing (from 990 to 300) and construction (from 70 to 0) sectors.

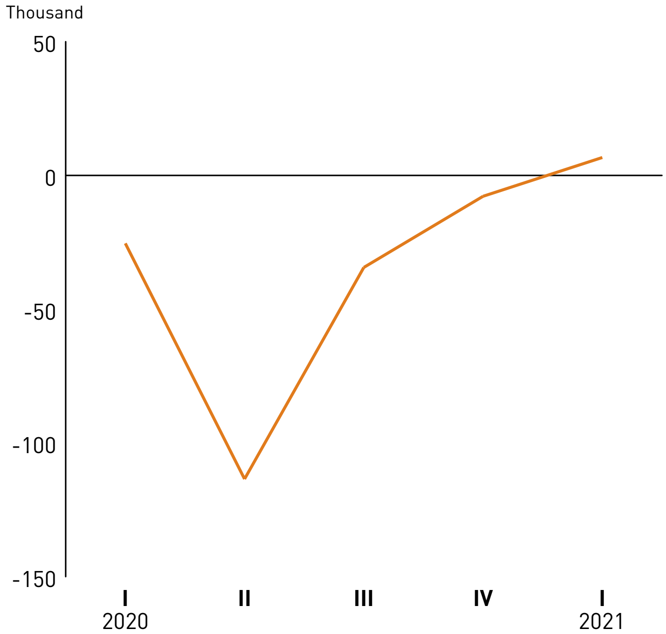
Exhibit 1.5: Retrenchments



Employment[4]

Total employment increased by 6,700 on a quarter-on-quarter basis in the first quarter (Exhibit 1.6), a turnaround following four consecutive quarters of decline. Excluding MDWs, total employment rose by 4,800. The increase in total employment was driven by continued growth in resident employment, which more than offset a decline in non-resident employment.

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



In the overall services sector, employment rose by 10,800 (or 9,000 excluding MDWs). Employment growth in the services sector was supported by employment gains in the other services industries (+7,300), information & communications (+2,300) and food & beverage services (+1,900) sectors (Exhibit 1.7). Employment in the construction sector grew by 200, as the decline in non-resident employment moderated significantly. By contrast, manufacturing employment fell by 4,400, albeit lower than the decline registered in the preceding quarter (-10,800).

4 *Based on preliminary estimates.*

Exhibit 1.7: Changes in Employment by Industry in 1Q 2021

Hiring Expectations

According to EDB's latest Business Expectations Survey for the Manufacturing Sector, hiring expectations in the sector were positive, with a net weighted balance of 9 per cent of manufacturers expecting to increase hiring in the second quarter of 2021 as compared to the first quarter. Firms in the pharmaceuticals segment of the biomedical manufacturing cluster were the most optimistic, with a net weighted balance of 36 per cent of firms expecting to increase hiring in the second quarter. By contrast, firms in the food, beverages & tobacco segment of the general manufacturing cluster were the most pessimistic, with a net weighted balance of 8 per cent of firms expecting a lower level of hiring in the second quarter.

Hiring expectations for services firms were also positive. According to DOS' latest Business Expectations Survey for the Services Sector, a net weighted balance of 6 per cent of services firms expected to increase hiring in the second quarter of 2021 as compared to the first quarter. Firms in the other services industries had the strongest hiring sentiments, with a net weighted balance of 19 per cent of firms expecting to increase hiring in the second quarter. On the other hand, firms in the accommodation sector had the weakest hiring sentiments, with a net weighted balance of 5 per cent of firms expecting to hire fewer workers in the second quarter.

COMPETITIVENESS

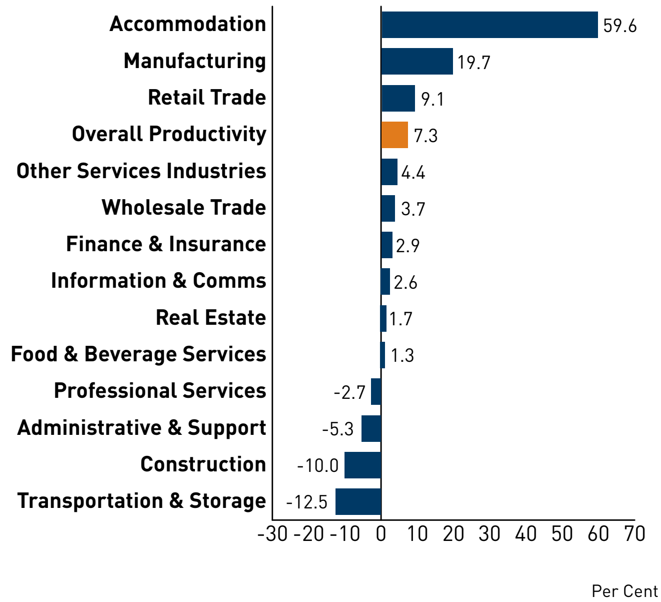
Productivity

Overall labour productivity, as measured by real value-added per actual hour worked, rose by 7.3 per cent year-on-year in the first quarter, faster than the 3.8 per cent growth in the previous quarter (Exhibit 1.8).[5]

Among the sectors, the accommodation (60 per cent) and manufacturing (20 per cent) sectors registered the strongest productivity gains in the first quarter. The retail trade (9.1 per cent), other services industries (4.4 per cent), wholesale trade (3.7 per cent), finance & insurance (2.9 per cent), information & communications (2.6 per cent), real estate (1.7 per cent) and food & beverage services (1.3 per cent) sectors also posted productivity improvements. By contrast, productivity declines were observed in the transportation & storage (-13 per cent), construction (-10 per cent), administrative & support services (-5.3 per cent) and professional services (-2.7 per cent) sectors.

In the first quarter, the productivity of outward-oriented sectors as a whole rose by 7.3 per cent year-on-year, exceeding the 6.4 per cent increase in the previous quarter.[6] The productivity of domestically-oriented sectors as a whole rose by 1.1 per cent year-on-year, reversing the 5.3 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 2021



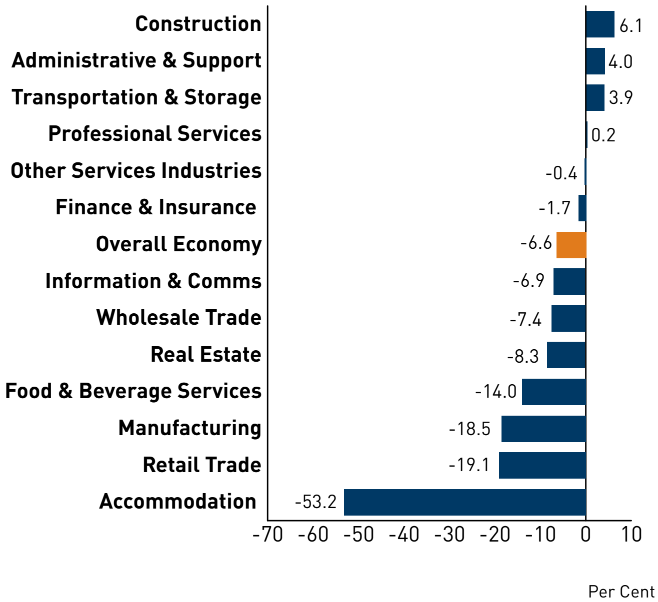
5 Overall labour productivity, as measured by real value-added per worker, rose by 6.0 per cent in the first quarter as compared to the 2.4 per cent growth in the preceding quarter. The difference in trends between real value-added per actual hour worked and real value-added per worker in the first quarter was due to a fall in the number of actual hours worked per worker.

6 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, real estate, administrative & support services and other services industries.

Unit Labour Cost and Unit Business Cost

Overall unit labour cost (ULC) for the economy fell by 6.6 per cent on a year-on-year basis in the first quarter, moderating from the 11 per cent decline in the preceding quarter (Exhibit 1.9). The drop in the overall ULC was due to the combined effect of a fall in total labour cost per worker and an increase in labour productivity as measured by real value-added per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 1Q 2021



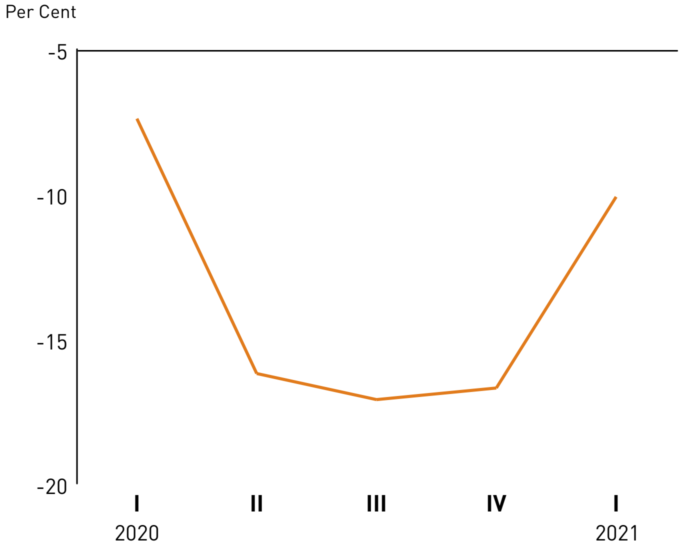
By broad sectors, the ULC for the manufacturing sector contracted by 19 per cent year-on-year, easing from the 22 per cent decline registered in the preceding quarter. The fall occurred on the back of productivity gains alongside a decline in total labour cost per worker in the sector.

Similarly, the ULC for services producing industries fell by 3.5 per cent, a moderation from the 6.6 per cent fall in the preceding quarter. Amongst the services producing industries, ULC decreased the most in the accommodation sector, reflecting strong productivity gains alongside a fall in total labour cost per worker. On the other hand, ULC increased the most in the administrative & support services sector, as a fall in labour productivity outpaced a decline in total labour cost per worker in the sector.

The ULC for the construction sector rose by 6.1 per cent in the first quarter, a reversal from the decline of 15 per cent in the preceding quarter. The increase came on the back of a fall in labour productivity, which exceeded a decline in total labour cost per worker.

Unit business cost (UBC) for the manufacturing sector fell by 10 per cent year-on-year in the first quarter, extending the 17 per cent drop in the previous quarter (Exhibit 1.10). This was due to declines in the manufacturing ULC (-19 per cent) and unit services cost (-6.9 per cent), which more than offset an increase in unit non-labour production taxes (15 per cent).

Exhibit 1.10: Changes in Unit Business Cost for Manufacturing

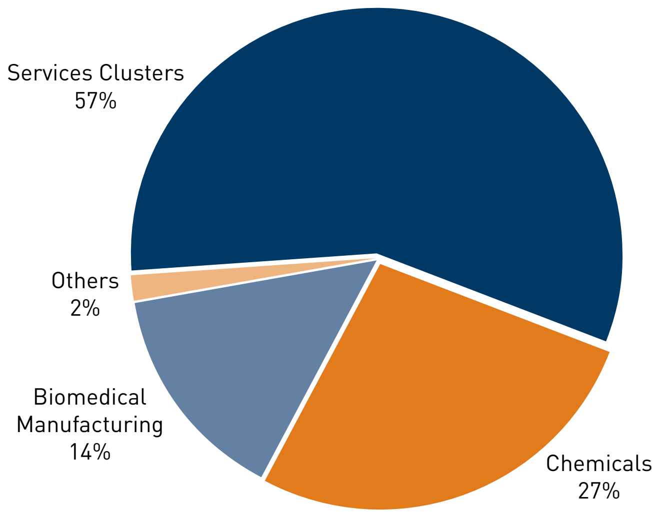


Investment Commitments

Investment commitments garnered by the Economic Development Board (EDB) in terms of Fixed Asset Investments (FAI) and Total Business Expenditure (TBE) amounted to $2.8 billion and $1.9 billion respectively in the first quarter (Exhibit 1.11 and Exhibit 1.12).

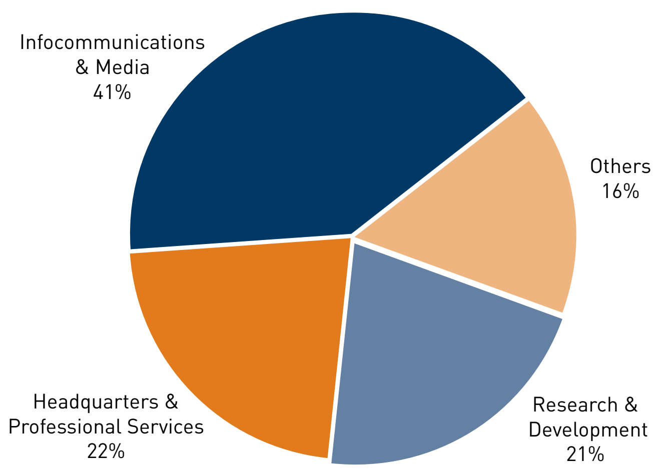
For FAI, the largest contribution came from the services sector, which attracted $1.6 billion worth of commitments. Within the services sector, the infocommunications & media cluster garnered the largest amount of commitments, at $1.1 billion. Meanwhile, the chemicals and biomedical manufacturing clusters attracted the most FAI commitments within the manufacturing sector, at $753 million and $404 million respectively. Investors from the United States contributed the most to total FAI, at $1.9 billion (67 per cent), followed by investors from Europe, at $565 million (20 per cent).

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 1Q 2021



For TBE, the services clusters attracted the highest amount of commitments, at $1.7 billion. This was driven by the infocommunications & media cluster, which garnered $760 million in TBE commitments, followed by the headquarters & professional services and research & development clusters, at $413 million and $391 million respectively. Among the manufacturing clusters, the chemicals cluster attracted the largest amount of TBE commitments, at $59 million, followed by the transport engineering cluster, at $57 million. Investors from the United States were the largest source of TBE commitments, with commitments of $995 million (53 per cent). They were followed by investors from Asia Pacific & Others which contributed $356 million of TBE commitments (19 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 1Q 2021



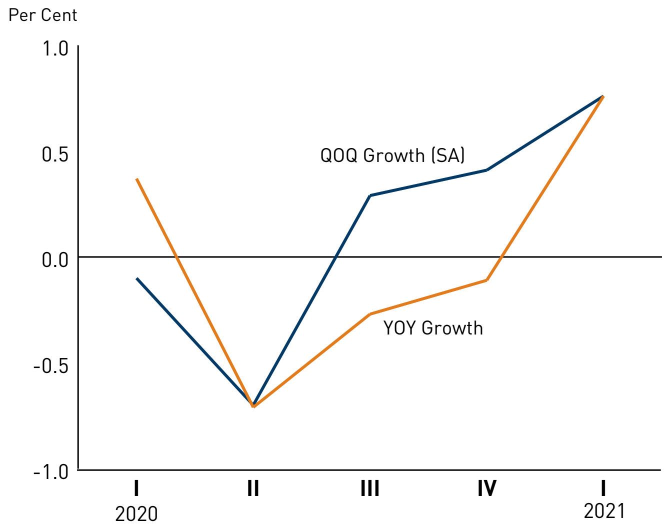
When these projects are fully implemented, they are expected to generate $7.5 billion of value-added and create more than 3,700 jobs in the coming years.

PRICES

Consumer Price Index

The Consumer Price Index-All Items (CPI-All Items) increased by 0.8 per cent on a year-on-year basis in the first quarter, a reversal from the 0.1 per cent decline in the previous quarter (Exhibit 1.13). On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items rose by 0.8 per cent, faster than the 0.4 per cent increase in the preceding quarter.

Exhibit 1.13: Changes in CPI



Price increases in the following CPI categories contributed positively to CPI-All Items inflation on a year-on-year basis in the first quarter (Exhibit 1.14). Food prices rose by 1.5 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, milk and cheese & eggs. Prices of household durables & services climbed by 1.1 per cent on account of more expensive domestic & household services and household durables. Health care costs edged up by 0.3 per cent as a rise in hospital services and health insurance costs outweighed a fall in outpatient services fees. Transport costs went up by 3.1 per cent due to an increase in the prices of cars and motorcycles that more than offset lower Electronic Road Pricing (ERP) charges. Communication costs picked up by 0.9 per cent on account of a rise in telecommunication services costs. Education costs rose by 0.9 per cent as a result of higher fees at universities and commercial institutions.

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

Per Cent

	2020				2021
	I	II	III	IV	I
All items	0.4	-0.7	-0.3	-0.1	**0.8**
Food	1.6	2.2	1.9	1.7	**1.5**
Clothing & Footwear	-3.1	-3.6	-4.0	-4.7	**-5.3**
Housing & Utilities	-0.2	0.1	-0.7	-0.3	**-0.3**
Household Durables & Services	0.4	-0.2	0.4	0.5	**1.1**
Health Care	-1.5	-1.8	-1.9	-0.9	**0.3**
Transport	2.0	-3.9	-0.8	-0.1	**3.1**
Communication	0.5	-0.3	1.8	0.8	**0.9**
Recreation & Culture	-1.0	-2.6	-1.6	-2.0	**-0.2**
Education	-0.6	-0.6	-0.5	-0.9	**0.9**
Miscellaneous Goods & Services	-0.1	-1.4	-1.7	-1.5	**-1.3**

On the other hand, price declines in the following CPI categories contributed negatively to CPI-All Items inflation in the first quarter. Clothing & footwear prices dropped by 5.3 per cent due to cheaper ready-made garments and footwear. Housing & utilities costs fell by 0.3 per cent as lower electricity prices outweighed a rise in accommodation costs. Recreation & culture prices edged down by 0.2 per cent as a result of a fall in the cost of holiday travel[7]. Prices of miscellaneous goods & services declined by 1.3 per cent on account of cheaper personal care and personal effects items.

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade increased by 4.9 per cent on a year-on-year basis in the first quarter, after posting a decline of 5.1 per cent in the preceding quarter (Exhibit 1.15). The growth in total merchandise trade was due to an increase in non-oil trade (9.5 per cent), which outweighed a decline in oil trade (-15 per cent).

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

Per Cent

	2020					2021
	I	II	III	IV	Ann	I
Merchandise Trade	3.4	-13.9	-4.8	-5.1	-5.2	**4.9**
Merchandise Exports	4.0	-11.4	-2.2	-2.9	-3.2	**6.9**
Domestic Exports	4.9	-16.2	-5.1	-10.3	-6.8	**-0.2**
Oil	3.9	-53.3	-29.1	-30.6	-28.1	**-19.3**
Non-Oil	5.4	5.8	6.5	-0.5	4.3	**9.7**
Re-Exports	3.2	-6.9	0.3	3.4	0.1	**13.6**
Merchandise Imports	2.6	-16.6	-7.6	-7.6	-7.4	**2.7**
Oil	-6.2	-57.5	-32.3	-39.2	-34.0	**-12.5**
Non-Oil	5.1	-5.2	-1.5	0.4	-0.3	**6.5**

Total merchandise exports rose by 6.9 per cent in the first quarter, reversing the 2.9 per cent decline in the preceding quarter. This was due to an increase in re-exports (14 per cent) even as domestic exports fell (-0.2 per cent).

The fall in domestic exports was on account of a decline in oil domestic exports, which outweighed an increase in non-oil domestic exports (NODX). In particular, oil domestic exports contracted by 19 per cent. In volume terms, oil domestic exports decreased by 27 per cent.

7 *Holiday travel services were either fully or partially unavailable from April 2020 to March 2021 due to international measures implemented to contain the COVID-19 pandemic. Price changes for such services were thus imputed, in line with international guidelines.*

On the other hand, NODX expanded by 9.7 per cent in the first quarter, reversing the 0.5 per cent decline in the previous quarter. The rise in NODX was supported by an increase in both non-electronics and electronics domestic exports.

Total merchandise imports grew by 2.7 per cent in the first quarter, in contrast to the 7.6 per cent decline in the previous quarter. The expansion in imports was due to an increase in non-oil imports, which more than offset a decrease in oil imports. Specifically, oil imports declined by 13 per cent. By contrast, non-oil imports increased by 6.5 per cent as higher electronics imports outweighed a fall in non-electronics imports.

Services Trade

Total services trade contracted by 10 per cent on a year-on-year basis in the first quarter, smaller than the 16 per cent decline in the previous quarter (Exhibit 1.16). Both exports and imports of services recorded negative growth during the quarter.

Services exports fell by 7.8 per cent, following the 14 per cent decline in the preceding quarter. The fall in services exports was largely attributable to declines in the exports of travel services, transport services and maintenance & repair services. Meanwhile, services imports contracted by 12 per cent, easing from the 19 per cent fall in the previous quarter. The decline 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)

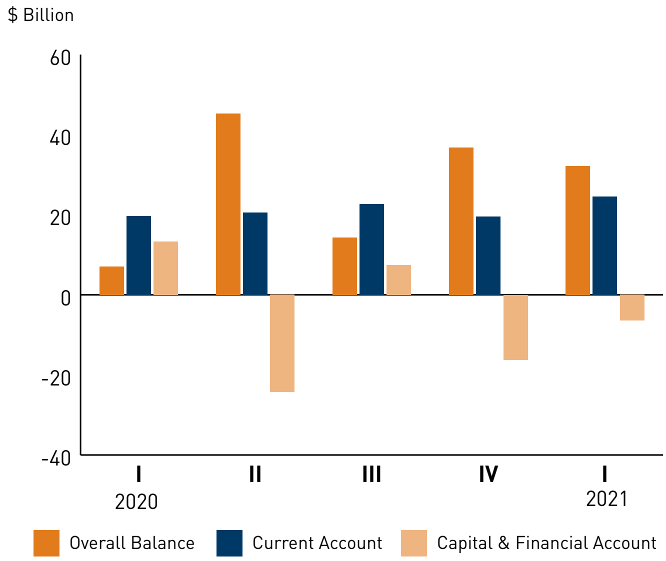
Per Cent

	2020					2021
	I	II	III	IV	Ann	I
Total Services Trade	-3.0	-21.4	-16.3	-16.3	-14.3	**-10.1**
Services Exports	-3.3	-19.1	-14.1	-13.8	-12.7	**-7.8**
Services Imports	-2.7	-23.7	-18.7	-18.9	-16.1	**-12.4**

BALANCE OF PAYMENTS

The overall balance of payments recorded a smaller surplus of $32 billion in the first quarter, compared to the surplus of $37 billion in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus rose to $25 billion in the first quarter, from $20 billion in the previous quarter. This was due to an increase in the goods surplus, as well as a reduction in the primary income deficit, which collectively more than offset a fall in the services trade surplus.

The surplus in the goods balance edged up to $32 billion in the first quarter, from $31 billion in the previous quarter, as goods exports rose more than goods imports.

By contrast, the surplus in the services balance decreased to $4.9 billion in the first quarter, from $6.9 billion in the preceding quarter. This was mainly due to higher net payments for charges for the use of intellectual property, a shift from net receipts to net payments for other business services, as well as a decline in net receipts for transport services.

Meanwhile, the deficit in the primary income balance narrowed significantly to $9.8 billion, as primary income receipts rose faster than primary income payments. The deficit in the secondary income balance remained unchanged, with higher receipts broadly matched by an increase in payments.

Capital and Financial Account[8]

Net inflows to the capital and financial account fell to $6.4 billion in the first quarter, from $16 billion in the previous quarter. This was due to a sharp decline in the net inflows of "other investment", which more than offset a reduction in the net outflows of portfolio investment and an increase in the net inflows of direct investment.

Net inflows of "other investment" decreased significantly to $3.4 billion in the first quarter, from $33 billion in the preceding quarter. This mainly reflected movements in the banking sector with smaller net inflows to resident deposit-taking corporations.

At the same time, net outflows of portfolio investment fell to $13 billion in the first quarter, from $31 billion in the previous quarter. This was largely due to resident deposit-taking corporations shifting to a net inflow position from the net outflow position in the preceding quarter, along with a decrease in net outflows from the non-bank private sector.

Meanwhile, net inflows of direct investment rose to $21 billion in the first quarter from $19 billion in the previous quarter, as foreign direct investments into Singapore increased by a larger magnitude than residents' direct investments abroad.

Finally, net outflows of financial derivatives eased to $4.8 billion in the first quarter, from $5.6 billion in the preceding quarter.

8 *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".*