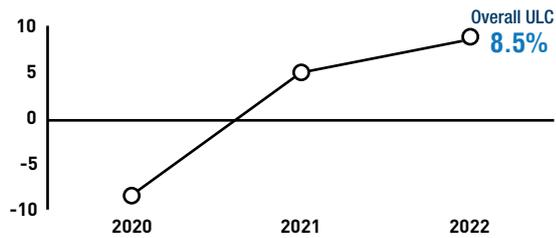


## Chapter 3

# COSTS, INVESTMENTS AND PRICES

### OVERALL UNIT LABOUR COST

(Year-On-Year Growth)



### WITHIN THE MANUFACTURING SECTOR



9.6%  
in 2022  
Unit Labour Cost



9.6%  
in 2022  
Unit Business Cost

### INVESTMENT COMMITMENTS IN 2022



Fixed Asset Investment Commitments  
**\$22.5 billion**



Total Business Expenditure Commitments  
**\$6.2 billion**

### CLUSTERS THAT ATTRACTED THE HIGHEST FIXED ASSET INVESTMENT COMMITMENTS



Electronics



Services Clusters



Chemicals

### CLUSTERS THAT ATTRACTED THE HIGHEST TOTAL BUSINESS EXPENDITURE COMMITMENTS



Headquarters & Professional Services

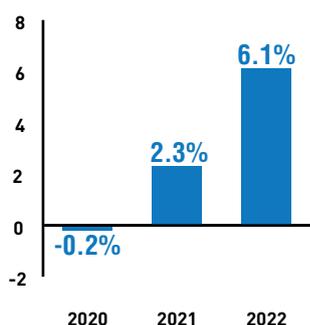


Infocommunications & Media



Research & Development

### CPI-ALL ITEMS INFLATION



### IN 2022, THE INCREASE IN CPI WAS MAINLY DUE TO THE INCREASE IN PRICES OF



Transport  
3.0%  
point contribution



Housing & Utilities  
1.3%  
point contribution



Food  
1.1%  
point contribution

## OVERVIEW

Overall ULC for the economy rose by 9.3 per cent year-on-year in the fourth quarter, extending the increase of 7.7 per cent in the preceding quarter. For the whole of 2022, overall ULC rose by 8.5 per cent.

Total investment commitments attracted by EDB remained healthy in 2022. 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 chemicals clusters within the manufacturing sector were the biggest contributors to FAI commitments, while the headquarters & professional services cluster within the services sector contributed the most to TBE commitments.

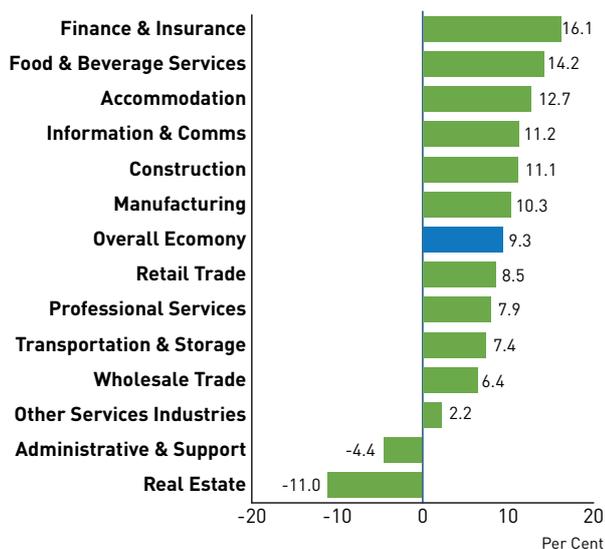
The Consumer Price Index-All Items (CPI-All Items) rose by 6.6 per cent year-on-year in the fourth quarter, moderating from the 7.3 per cent increase in the previous quarter. For 2022 as a whole, CPI-All Items inflation came in at 6.1 per cent, higher than the 2.3 per cent recorded in 2021.

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 2022, the DSPI, SMPPPI as well as the import and export price indices increased by 18.6 per cent, 14.9 per cent, 14.4 per cent and 15.9 per cent respectively.

## COSTS

Overall ULC for the economy rose by 9.3 per cent year-on-year in the fourth quarter, extending the increase of 7.7 per cent in the previous quarter (Exhibit 3.1). The pickup in overall ULC during the quarter came on the back of an increase in total labour cost per worker and a decrease in labour productivity (as measured by real value-added per worker).

**Exhibit 3.1: Changes in Unit Labour Cost in 4Q 2022**



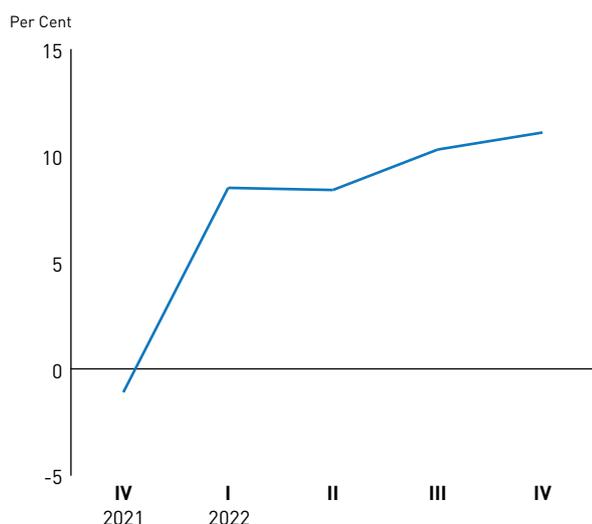
By broad sectors, the construction sector registered the largest ULC increase (11.1 per cent) in the fourth quarter, although this was a moderation from the 14.0 per cent increase seen in the previous quarter. Similarly, the ULC for the manufacturing sector rose by 10.3 per cent in the fourth quarter, following the 10.0 per cent increase in the third quarter. For both the manufacturing and construction sectors, the increase in their respective ULCs was due to a fall in their productivity, which was partially offset by a decline in total labour cost per worker in the sector.

Meanwhile, the ULC of services producing industries went up by 7.8 per cent in the fourth quarter, extending the 6.0 per cent increase in the previous quarter. Most services sectors saw a pickup in their ULCs, with the finance & insurance sector registering the largest increase (16.1 per cent). The latter was on account of an increase in total labour cost per worker and a decline in labour productivity within the sector.

For the whole of 2022, the overall ULC rose at a faster pace of 8.5 per cent, compared to the 4.9 per cent increase in 2021. The rise in the overall ULC was due to the combined effect of an increase in total labour cost per worker and a decline in labour productivity in the economy.

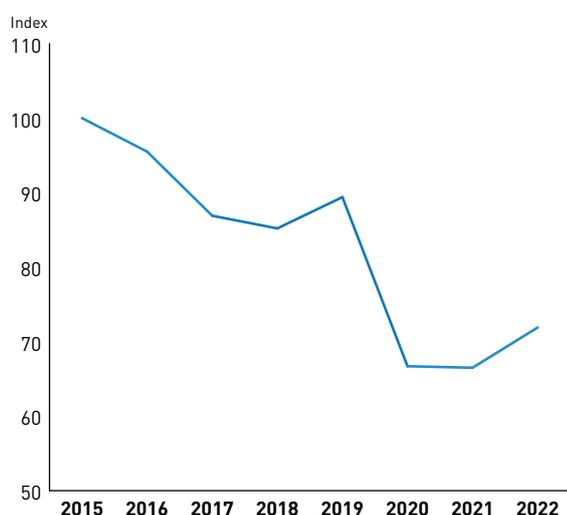
Manufacturing unit business cost (UBC) rose by 11.1 per cent year-on-year in the fourth quarter, extending the 10.3 per cent increase in the previous quarter (Exhibit 3.2). The increase in manufacturing UBC came on the back of a pickup in unit services costs (11.6 per cent), manufacturing ULC (10.3 per cent) and unit non-labour production taxes (11.5 per cent). For 2022 as a whole, the manufacturing UBC climbed by 9.6 per cent, faster than the 0.1 per cent increase in 2021.

**Exhibit 3.2: Changes in Unit Business Cost for Manufacturing**



Singapore's relative unit labour cost (RULC) for manufacturing – a measure of Singapore's competitiveness against 16 economies<sup>1</sup> – rose in 2022 (i.e., less competitive) as compared to 2021 (Exhibit 3.3). The deterioration in Singapore's RULC was mainly on account of an increase in Singapore's manufacturing ULC and a stronger Singapore dollar.

**Exhibit 3.3: Singapore's Relative Unit Labour Cost in Manufacturing Against Selected 16 Economies<sup>1</sup>**



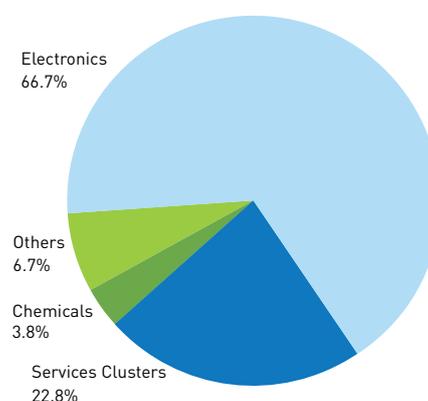
<sup>1</sup> The 16 economies are Australia, China, France, Germany, Hong Kong, India, Indonesia, Japan, Malaysia, Netherlands, South Korea, Taiwan, Thailand, the United Kingdom, the United States and Vietnam.

## INVESTMENT COMMITMENTS

EDB attracted healthy levels of investment commitments in 2022. For the full year, FAI and TBE commitments came in at \$22.5 billion and \$6.2 billion respectively.

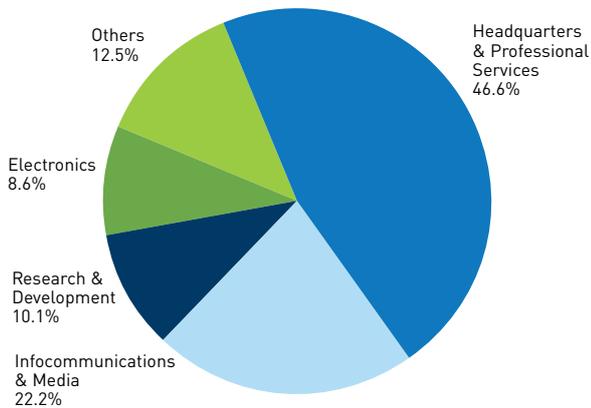
In terms of FAI, the largest contribution came from the manufacturing sector, which garnered \$17.4 billion in commitments. Within manufacturing, the electronics cluster attracted the largest amount of FAI commitments, at \$15.0 billion, followed by the chemicals cluster, at \$862 million. Within the services sector, the infocommunications & media and research & development clusters contributed the most to total FAI commitments, with \$2.2 billion and \$1.4 billion respectively (Exhibit 3.4).

**Exhibit 3.4: Fixed Asset Investments by Industry Clusters in 2022**



Investors from the United States were the largest source of FAI commitments, with \$11.4 billion (50.6 per cent). They were followed by investors from Europe who contributed about \$4.8 billion of FAI commitments (21.2 per cent).

For TBE, the services sector attracted the highest amount of commitments, at \$5.0 billion. This was driven by the headquarters & professional services cluster, which garnered \$2.9 billion in TBE commitments, followed by the infocommunications & media cluster, with \$1.4 billion. Among the manufacturing clusters, the electronics cluster contributed the highest amount of TBE commitments, at \$533 million (Exhibit 3.5).

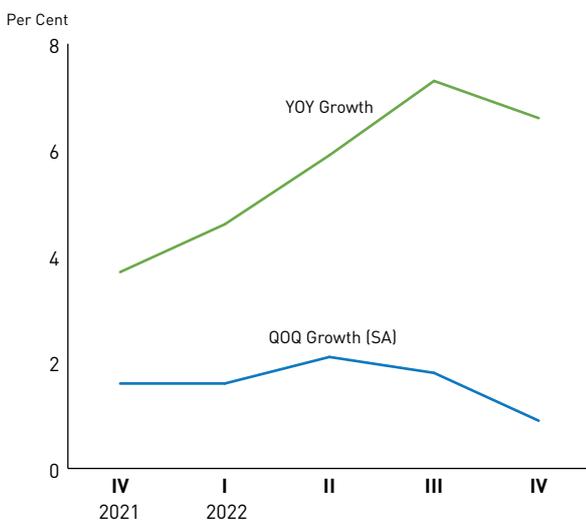
**Exhibit 3.5: Total Business Expenditure by Industry Clusters in 2022**

Investors from the others region<sup>2</sup> accounted for most of the TBE commitments, at \$2.7 billion (44.1 per cent).

When these projects are fully implemented, they are expected to generate \$20.6 billion of value-added per annum and create more than 17,000 jobs in the coming years.

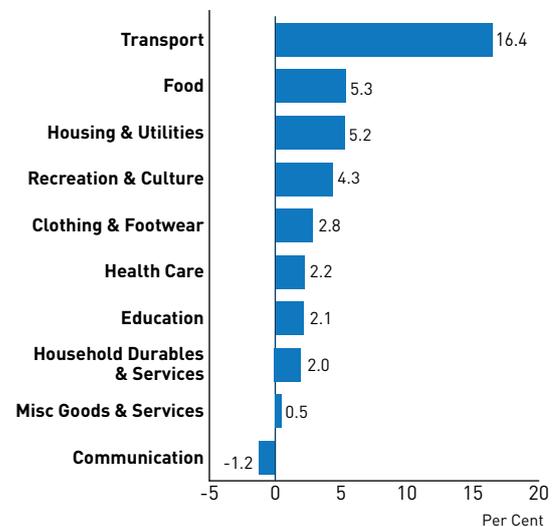
## CONSUMER PRICE INDEX

Singapore's CPI-All Items rose by 6.6 per cent on a year-on-year basis in the fourth quarter, moderating from the 7.3 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 0.9 per cent, down from the 1.8 per cent in the previous quarter.

**Exhibit 3.6: Changes in Overall CPI**

For 2022 as a whole, CPI-All Items rose by 6.1 per cent, faster than the 2.3 per cent increase in 2021.

Price increases in the following CPI categories contributed positively to CPI-All Items inflation in 2022 (Exhibit 3.7). Transport costs climbed by 16.4 per cent due to an increase in the costs of cars, petrol and airfares.<sup>3</sup> Food prices rose by 5.3 per cent on the back of an increase in the costs of food services like hawker food and restaurant meals, as well as non-cooked food items such as meat, fish & seafood, and bread & cereals. Housing & utilities costs increased by 5.2 per cent because of a rise in accommodation and electricity costs. Recreation & culture prices rose by 4.3 per cent as a result of the higher costs of holiday travel<sup>4</sup> and recreational & cultural services. Clothing & footwear prices picked up by 2.8 per cent due to more expensive ready-made garments and footwear. Healthcare costs increased by 2.2 per cent on account of the higher costs of outpatient and hospital services. Education costs rose by 2.1 per cent due to higher fees at commercial institutions and universities. Prices of household durables & services went up by 2.0 per cent as the prices of household durables and domestic & household services increased. Prices of miscellaneous goods & services edged up by 0.5 per cent on the back of a rise in the cost of personal care items.

**Exhibit 3.7: Changes in CPI by Category in 2022**

By contrast, communication costs fell by 1.2 per cent on account of a drop in the prices of telecommunication services.

<sup>2</sup> Others refers to countries except for Singapore, Europe, Japan and the United States.

<sup>3</sup> As overseas travel was limited in April 2020 – December 2022, a portion of the CPI for airfares was imputed using the overall change in CPI-All Items. With more flights resuming and prices becoming available, actual airfares are being progressively incorporated into the CPI.

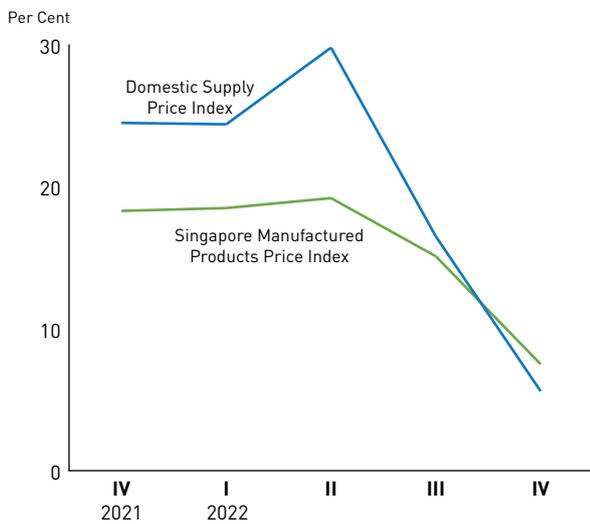
<sup>4</sup> Similarly, as overseas travel was limited, the CPI for holiday expenses was imputed using the overall change in CPI-All Items. However, with the easing of travel restrictions, actual holiday expenses are increasingly being incorporated into the CPI.

## PRODUCER PRICE INFLATION

Producer prices – as measured by the DSPI, SMPPI, and 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 on the back of a rise in the prices of integrated circuits and diesel fuel.

For the full year, the DSPI and SMPPI climbed by 18.6 per cent and 14.9 per cent respectively, while the import and export price indices rose by 14.4 per cent and 15.9 per cent respectively. The higher prices of integrated circuits and diesel fuel 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**

