

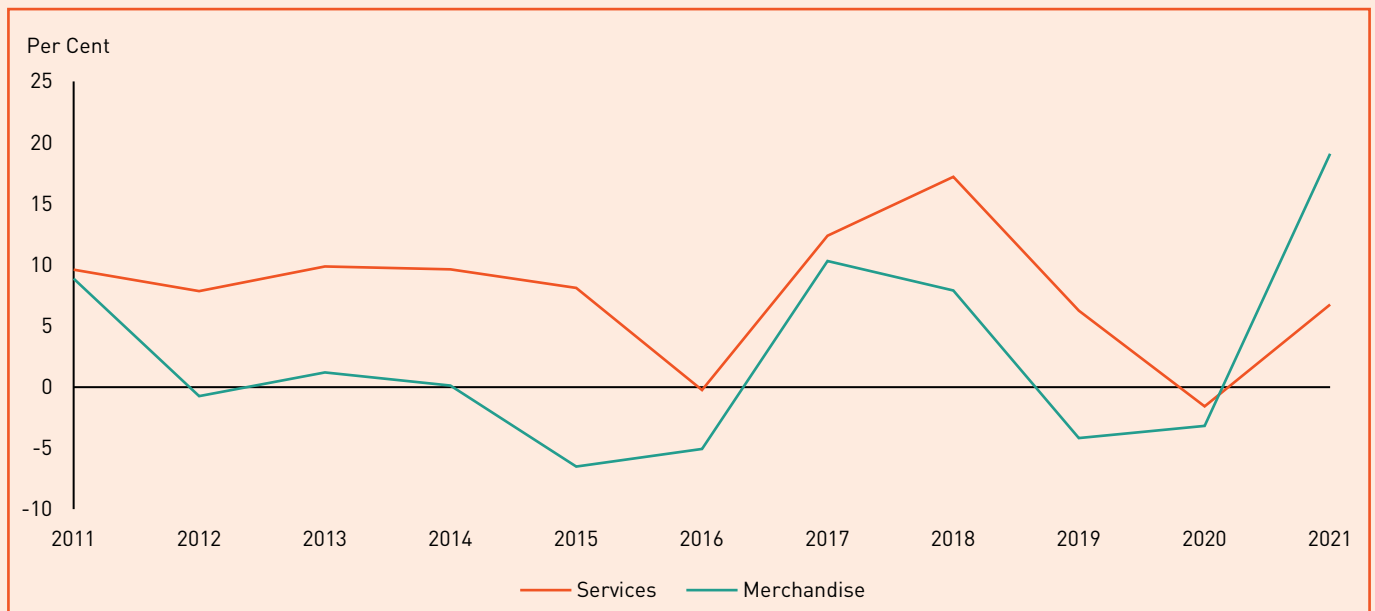
# IMPACT OF THE COVID-19 PANDEMIC ON SINGAPORE'S SERVICES EXPORTS

## Prior to the pandemic, Singapore's services exports saw healthy growth that outpaced the growth in merchandise exports

The services sector plays an important role in Singapore's economy, and this is reflected in the rising contribution of services exports.<sup>1</sup> Prior to the onset of the COVID-19 pandemic in 2020, Singapore's services exports growth was healthy, averaging 8.9 per cent per annum, between 2010 and 2019. Notably, over this period, the growth in services exports had consistently outpaced that in merchandise exports (Exhibit 1).<sup>2</sup> As a result, the value of services exports rose steadily from around 28.7 per cent of the value of merchandise exports in 2011 to approximately 55.2 per cent by 2019<sup>3</sup>.

However, services exports shrank by 1.6 per cent in 2020 with the onset of the COVID-19 pandemic, before rebounding by 6.7 per cent in 2021. This article examines the impact of the COVID-19 pandemic on Singapore's services exports in more detail.

**Exhibit 1: Services and Merchandise Exports Growth, 2011-2021 (%)**



Source: Department of Statistics

## Services exports fell in 2020 as a result of the COVID-19 pandemic, driven largely by the plunge in travel services exports

Between 2010 and 2019, the main services export categories driving the growth of Singapore's services exports were other business services<sup>4</sup> (+42.8 percentage-points [pp]), transport services (+24.6pp), financial services (+18.4pp), and telecommunication, computer & information services (+9.9pp). (Refer to Annex A for detailed descriptions of the various services export categories.) These export categories collectively contributed 95.6pp of the 115 per cent increase in services exports over the period (Exhibit 2).

<sup>1</sup> See for example Feng and Teo (2014).

<sup>2</sup> Between 2011 and 2019, services exports grew by 96.0% cumulatively, while merchandise exports expanded by 1.8%.

<sup>3</sup> In 2011, the value of Singapore's services exports was S\$150 billion, which was 28.7% of the value of its merchandise exports (S\$523 billion). By 2019, the value of Singapore's services exports had risen to S\$294 billion, or around 55.2% of the S\$533 billion of merchandise exports.

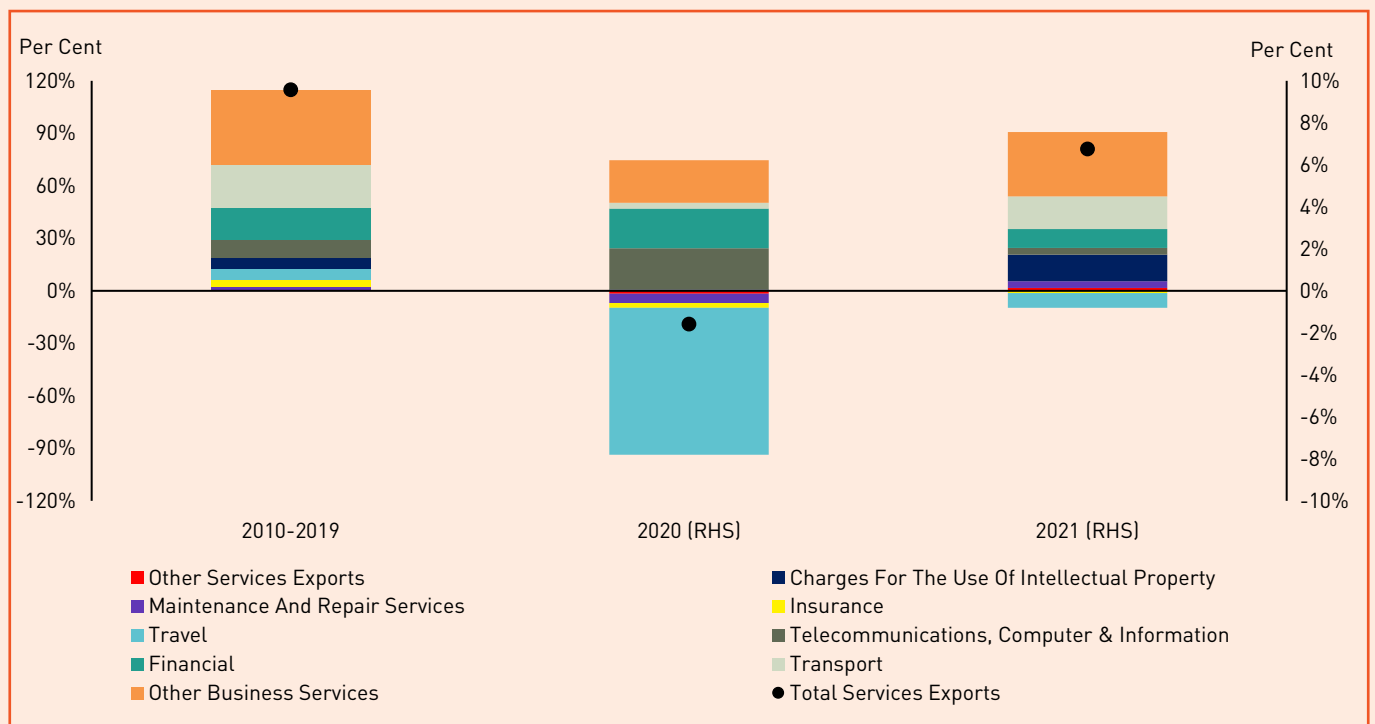
<sup>4</sup> Other business services exports comprise the exports of accounting services, advertising & market research services, architectural services, business management services, engineering & technical services, legal services, research & development services, operating leasing services, trade-related services, and others.

The onset of the COVID-19 pandemic led to a 1.6 per cent drop in Singapore's services exports in 2020. This was largely due to a 74.2 per cent decline in travel services exports (i.e., the consumption of goods and services by travellers to Singapore for less than one year), which accounted for -7.0pp of the fall in services exports. In turn, the plunge in travel services exports came on the back of border closures imposed by countries around the world, including Singapore, to prevent the cross-border spread of the COVID-19 virus. Reflecting the impact of these border closures, international visitor arrivals to Singapore plummeted by 85.7 per cent while tourism receipts fell by 82.6 per cent in 2020.<sup>5</sup>

However, the contraction in travel services exports in 2020 was partially offset by positive contributions from the exports of other business services (+2.0pp), telecommunications, computer & information services (+2.0pp) and financial services (+1.9pp).

In 2021, Singapore's services exports rebounded by 6.7 per cent. Growth was primarily supported by positive contributions from the exports of other business services (+3.1pp), transport services (+1.6pp), charges for the use of intellectual property (+1.3pp) and financial services (+0.9pp). Meanwhile, the exports of travel services continued to contribute negatively, at -0.7pp, as border restrictions remained largely in place throughout the year.

**Exhibit 2: Contribution to Total Services Exports Growth by Categories (pp)**

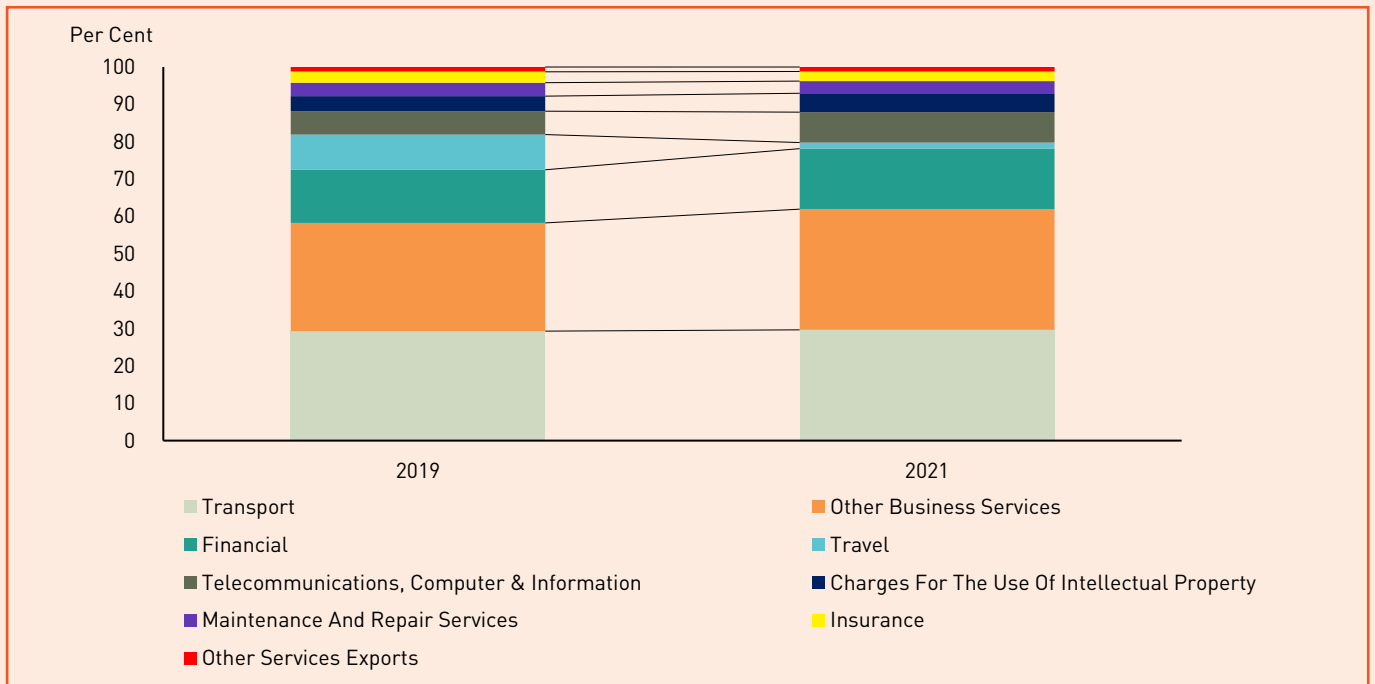


Source: Department of Statistics

Note: Other services exports comprise the exports of construction services, personal, cultural & recreational services, government goods & services and manufacturing services on physical inputs owned by others. These export categories accounted for 0.8pp, -0.1pp and 0.1pp of the growth in total services exports in 2010-2019, 2020 and 2021, respectively

## Reflecting these trends, the travel services share of total services exports fell in 2021 as compared to 2019

Prior to the pandemic, the top three services export categories as at 2019 were transport services (29.3 per cent of total services exports), other business services (28.9 per cent) and financial services (14.2 per cent). Travel services exports was the fourth largest category, accounting for 9.4 per cent of total services exports in 2019. However, due to the impact of the pandemic on travel services exports in both 2020 and 2021, its share of total services exports fell sharply to 1.7 per cent by 2021. Meanwhile, the top three services export categories remained the same, with their combined share of total services exports increasing from 72.5 per cent in 2019 to 78.2 per cent in 2021 (Exhibit 3).

**Exhibit 3: Services Exports Shares by Categories (%)**

Source: Department of Statistics

Note: Other services exports comprise the exports of construction services, personal, cultural & recreational services, government goods & services and manufacturing services on physical inputs owned by others. These export categories collectively accounted for 1.2 per cent of total services exports in 2021.

The rest of this article examines the quarterly profile of Singapore's services exports performance over the course of the pandemic and up to 1Q22.

### Compared to past crises, the impact of the COVID-19 pandemic on Singapore's services exports was larger and more prolonged

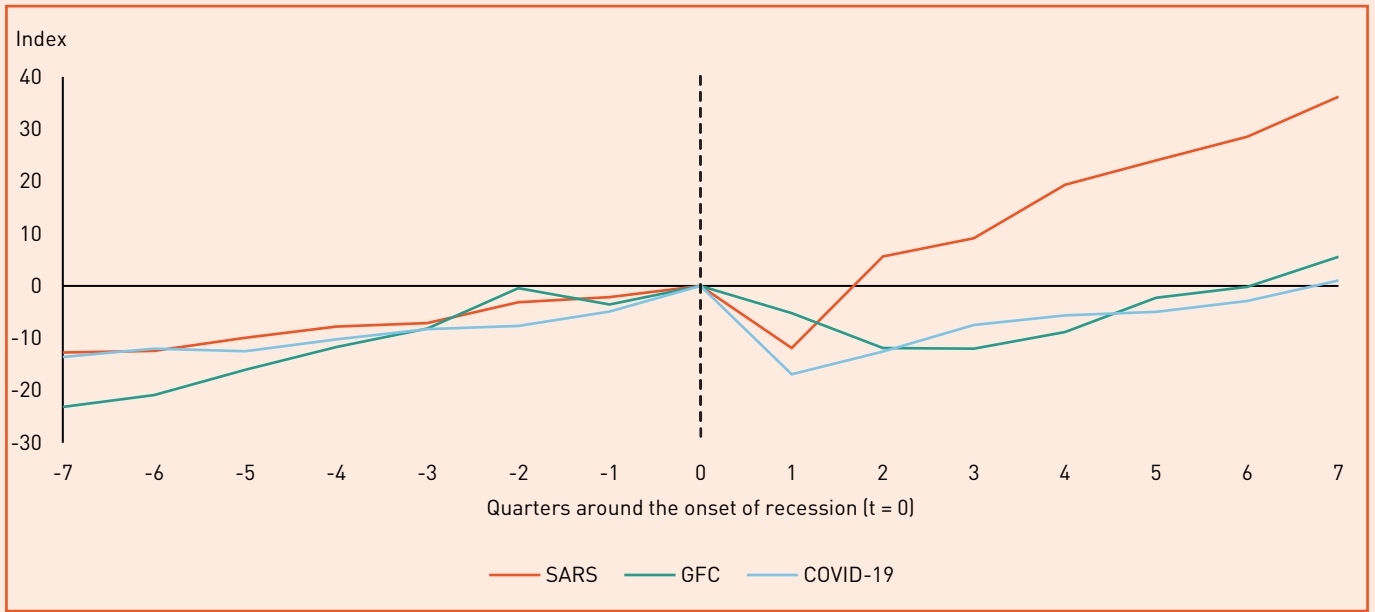
This section compares the impact of the COVID-19 pandemic on Singapore's services exports against that observed during two other crisis periods in Singapore, namely the Global Financial Crisis (GFC) in 2008/2009 and SARS in 2003. In the chart in Exhibit 4, the value of services exports is normalised to 0 in the quarter of the onset of each crisis.<sup>6</sup> It therefore shows the deviation in the level of services exports in the quarters before and after the onset of each crisis compared to its level at the start of the crisis.

As can be seen, Singapore's services exports saw the sharpest decline in the immediate quarter after the onset of the COVID-19 pandemic, falling by 16.9 per cent in 2Q20 compared to 1Q20. This is as compared to the 5.2 per cent and 11.9 per cent declines one quarter after the onset of the GFC and SARS, respectively.

Furthermore, in terms of the time taken to recover to levels at the start of the crisis, the recovery from the impact of COVID-19 was the most protracted, with services exports taking seven quarters to return to its level at the start of the pandemic. By contrast, services exports recovered two and six quarters after the onset of SARS and GFC, respectively.

<sup>6</sup> The quarter of the onset of the crisis is defined as 1Q03, 3Q08 and 1Q20 for the SARS, GFC and COVID-19 crises, respectively.

**Exhibit 4: Services Exports Trends During Crises**

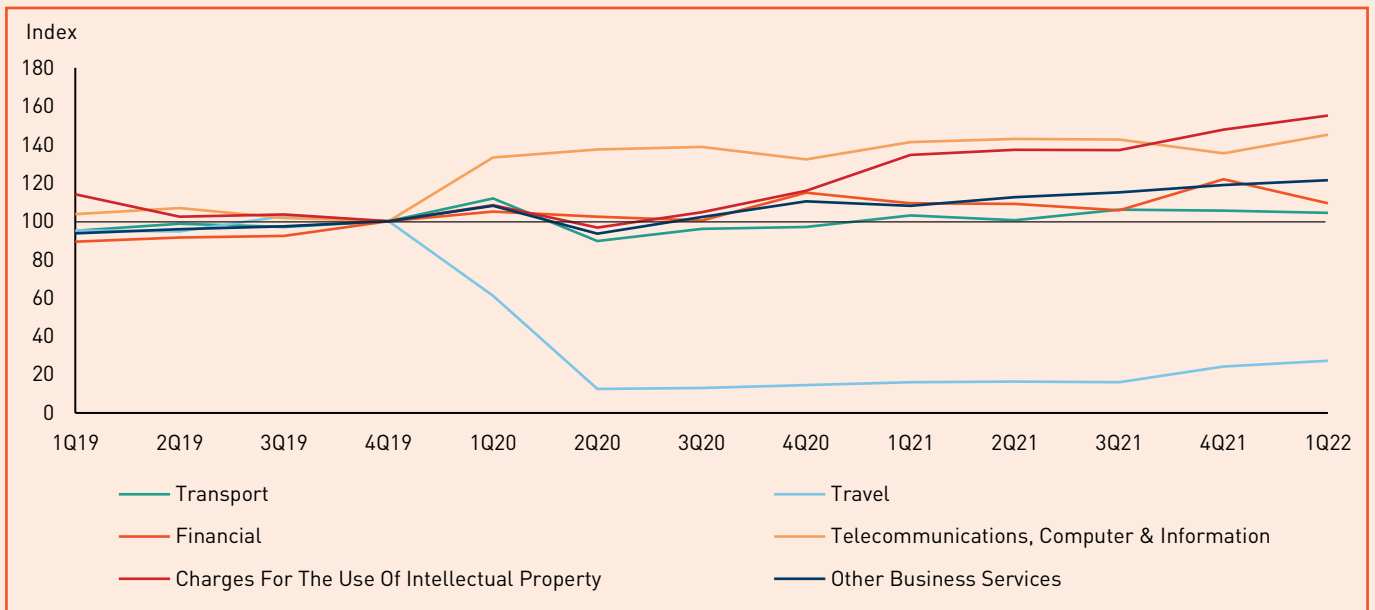


Source: Department of Statistics  
 Note: Services exports were normalised to 0 at the onset of the crisis (t = 0), which is defined as 1Q03, 3Q08 and 1Q20 for the SARS, GFC and COVID-19 crises, respectively.

**By export categories, travel services exports were the most badly affected by the pandemic and remained below pre-pandemic levels as at 1Q22**

As highlighted earlier, travel services exports were the most badly hit by the pandemic due to the border restrictions imposed by countries globally. In 2Q20, one quarter after the onset of the pandemic, travel services exports plunged by 86.8 per cent year-on-year. In level terms, the value of travel services exports in 2Q20 fell to only 12.5 per cent of its pre-pandemic value in 4Q19<sup>7</sup>. Since then, travel services exports have remained weak, recovering to just 27.1 per cent of its pre-pandemic level by 1Q22 (Exhibit 5).

**Exhibit 5: Trends in Services Exports by Selected Services Categories (Index 4Q19 = 100)**



Source: Department of Statistics  
 Note: To avoid clutter, the exports of government goods & services, manufacturing services on physical inputs owned by others, personal, cultural & recreational services, construction services, insurance services and maintenance and repair services were omitted from the graph. Each of these categories of exports accounted for less than 4.0 per cent of total services exports in 2019.

<sup>7</sup> Pre-pandemic level (i.e., 4Q19) is defined as the quarter prior to the onset of the pandemic (i.e., 1Q20).

## On the other hand, services exports in categories such as charges for the use of intellectual property, telecommunications, computer & information services, other business services, and financial services were resilient amidst the pandemic

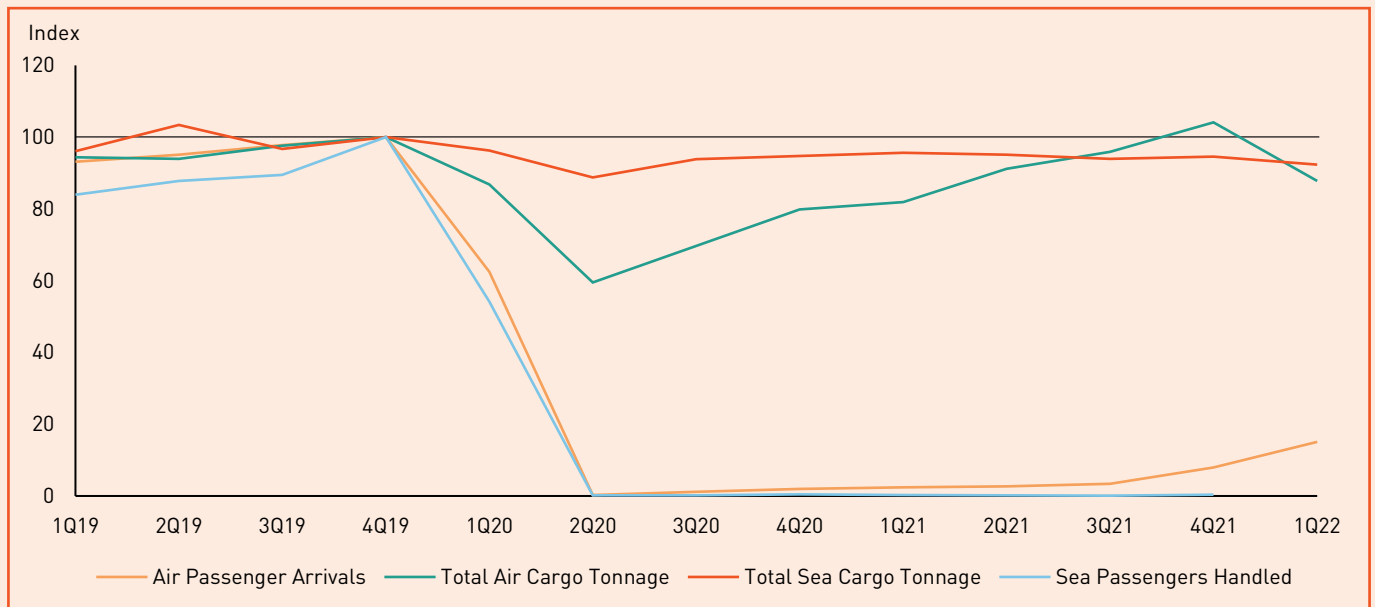
By contrast, Singapore's services exports in categories such as charges for the use of intellectual property, telecommunications, computer & information services, other business services, and financial services continued to expand during the pandemic (Exhibit 5). As at 1Q22, they were 55.2 per cent, 45.1 per cent, 21.4 per cent and 9.3 per cent above their pre-pandemic levels, respectively. These export categories were relatively less affected by the pandemic as many of the services could be delivered remotely to clients, thus rendering them more resilient to the impact of global border restrictions.<sup>8</sup>

Additionally, the pandemic had catalysed the push for digital transformation among enterprises in the region, which helped to support Singapore's exports of telecommunications, computer & information services. Similarly, Singapore's financial services exports were bolstered by the exports of payments processing players, which had benefitted from the shift to online business platforms.<sup>9</sup>

## Exports of transport services<sup>10</sup> during the pandemic was supported by the exports of freight transport services, even as that of other transport services remained weak

The exports of transport services generally held up during the pandemic, rising to 4.3 per cent above pre-pandemic levels by 1Q22. However, this masked significant weakness in the exports of other transport services. The imposition of border restrictions globally led to both the number of air passenger arrivals and sea passengers handled plunging in 2Q20 to 0.3 per cent and 0.1 per cent of their pre-pandemic levels in 4Q19 (Exhibit 6). Correspondingly, other transport services exports in 2Q20 fell to 41.9 per cent of its pre-pandemic level (Exhibit 7). Since then, its performance has remained subdued, mirroring the trends in the number of air and sea passengers, and was only at 65.4 per cent of its pre-pandemic level by 1Q22.

**Exhibit 6: Air and Sea Transport Indicators (Index 4Q19 = 100)**



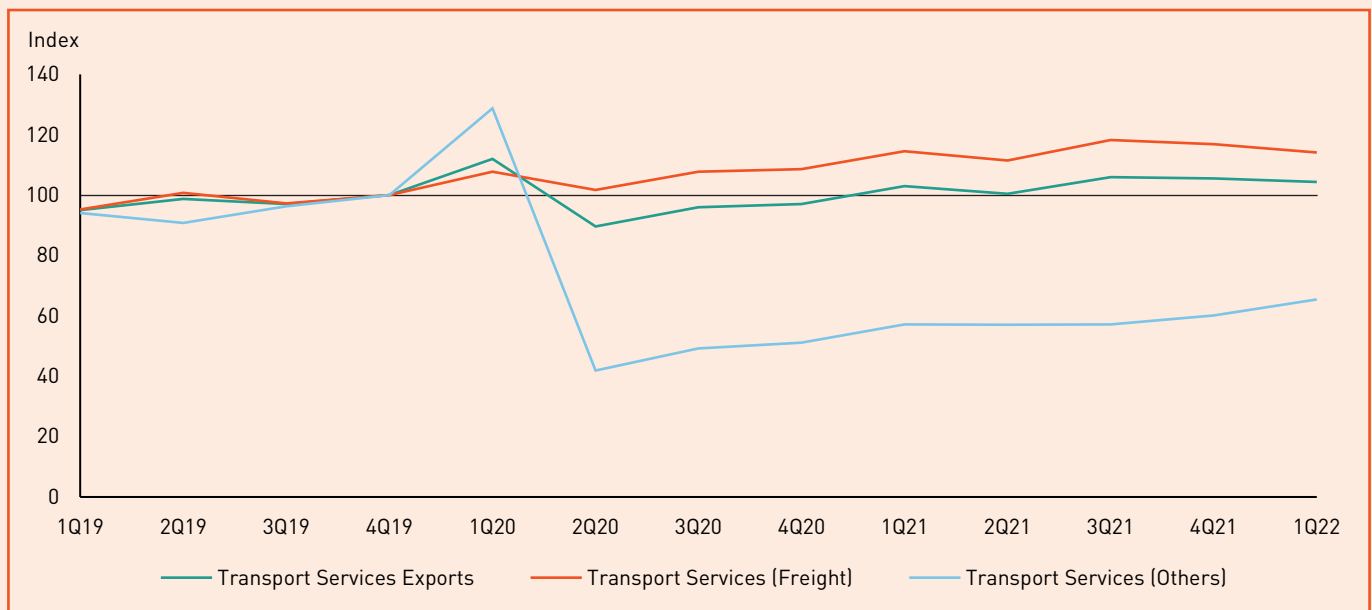
Sources: Maritime and Port Authority Singapore, Singapore Cruise Centre Private Limited, Civil Aviation Authority of Singapore  
Note: Data on the number of sea passengers handled was only available up to 4Q21.

- <sup>8</sup> This was also the case globally, with the global exports of these categories collectively falling by 1.8% in 2020, significantly smaller than the 20.0% decline in total services exports over the same period. Source: UNCTAD
- <sup>9</sup> Globally, cross-border payments grew in 2020 even as travel and trade volumes declined. Furthermore, the number of non-cash transactions rose by 6% in 2020, with the pandemic accelerating reductions in cash usage, particularly in markets such as Indonesia and Thailand. Source: McKinsey & Company (2021)
- <sup>10</sup> Transport services can be divided into freight transport services and other transport services. Freight transport services include the movement of goods and the carriage of mails for all modes of transport, while other transport services include passenger services, postal & courier services and other services for all modes of transport.

By contrast, total air cargo tonnage had recovered to its pre-pandemic level by 4Q21<sup>11</sup>, driven by strong air cargo demand in key segments such as e-commerce, pharmaceuticals and electronics (Exhibit 6).<sup>12</sup> Meanwhile, sea cargo tonnage was resilient throughout the pandemic and remained only slightly below its pre-pandemic level in 1Q22, weighed down by ongoing supply chain disruptions. The strong recovery in air cargo, together with the resilience in sea cargo, meant that the exports of freight transport services expanded amidst the pandemic, and was 14.1 per cent above its pre-pandemic level by 1Q22.

Supported by the exports of freight transport services, which more than offset the weakness in the exports of other transport services, overall transport services exports saw a recovery to pre-pandemic level by 1Q21, just a year after the onset of the pandemic (Exhibit 7).

**Exhibit 7: Singapore's Transport Services Exports and its Components (Index 4Q19 = 100)**



Source: Department of Statistics

## CONCLUSION

Singapore's services exports are expected to continue to grow in 2022, as the further easing of border restrictions would likely lead to increases in travel services exports and other transport services exports, which have remained below their pre-pandemic levels thus far. In addition, services exports in categories such as financial services, telecommunications, computer & information services, and other business services are likely to continue to expand alongside global demand in tandem with the post-pandemic recovery of major economies around the world.

Over the longer term, there will be many new opportunities for Singapore's services exports, especially as economic growth and the rising middle class in economies like China and ASEAN will lead to an increase in demand for services. At the same time, it is important for Singapore to continue to develop its capabilities as a business and logistics hub, so that it remains well-positioned to serve the region's demand for services (e.g., financial services, freight transport services and other business services). With a vibrant services sector, complemented by a dynamic manufacturing sector, Singapore's economy is poised for sustained growth in the years ahead.

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<sup>11</sup> Air cargo tonnage returned to below pre-pandemic level in 1Q22, as demand was weighed down by pandemic controls in China and Hong Kong, which limited exports from these markets. Air cargo demand also eased during the Chinese New Year holiday period.

<sup>12</sup> Source: Singapore Airlines Group

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## ANNEX A: DESCRIPTION OF SERVICES EXPORTS CATEGORIES

Services Categories	Share of Services Exports in 2019	Share of Services Exports in 2021	Description
Other Business Services	28.9%	32.3%	Accounting services, advertising and market research services, architectural services, business management services, engineering and technical services, legal services, research and development services etc.
Transport	29.3%	29.6%	Carriage of passengers, the movement of goods, charter of carriers with crew, and related supporting and auxiliary services.
Financial	14.2%	16.2%	Financial intermediary and auxiliary services which can be charged explicitly or implicitly.
Telecommunications, Computer & Information	6.2%	8.1%	The transmission of sound, images and other information by telephone, cable, satellite, etc, as well as business network services, teleconferencing and related technical support services.
Charges for the use of intellectual property	4.0%	5.1%	Fees and charges for the use of research & development outcomes, as well as franchises and trademarks licencing fees, reproduction and/or distribution rights of computer software and audio-visual products, etc.
Maintenance and Repair Services	3.6%	3.3%	Repair work performed by residents on goods that are owned by non-residents, and include maintenance and repairs performed on ships, aircraft and other transportation equipment.
Insurance	3.0%	2.6%	Charges for reinsurance, life insurance, general insurance and freight insurance.
Travel	9.4%	1.7%	Goods and services consumed by travellers during visits to a particular economy for less than one year.
Construction	0.6%	0.5%	Work performed on construction activities by employees or enterprises.
Personal, Cultural and Recreational	0.4%	0.4%	Audio-visual & related services, health services, education services and other personal, cultural & recreational services.
Manufacturing Services on Physical Inputs owned by Others	0.1%	0.2%	Processing, assembly, labelling, packing and so forth undertaken by entities that do not own the goods concerned.
Government Goods and Services	0.1%	0.1%	Expenditure of foreign diplomatic and consular missions and foreign armed forces in Singapore, including personal expenditure incurred by diplomats and consular staff located in Singapore.