

Box Article 1.1

TRENDS IN SINGAPORE'S SERVICES TRADE

This article examines recent trends in Singapore's services trade, including a focus on the trends in Singapore's services exports by types of exports and markets.

Services trade has risen in importance to Singapore's economy

Between 2014 and 2024, Singapore's services trade (i.e., the sum of services exports and imports) increased at a robust pace of 9.4 per cent per annum, outpacing the growth in nominal gross domestic product (GDP) of 6.2 per cent per annum over the same period. Consequently, services trade as a share of Singapore's nominal GDP rose from 101.8 per cent in 2014 to 136.4 per cent in 2024, reflecting its increasing importance to the economy.

The US remains Singapore's largest trading partner for services trade

Singapore's ten largest services trade partners in 2023 (latest data available) were the same as that in 2014, even though there were shifts in the ranking of some trading partners [Exhibit 1].¹

The United States (US) remained Singapore's largest services trade partner in 2023, with bilateral services trade increasing by nearly three-fold from S\$58.1 billion in 2014 to S\$159.1 billion in 2023. Similarly, the EU-27 remained Singapore's second largest services trade partner, as bilateral services trade expanded by over two-fold from S\$53.1 billion to S\$115.7 billion over the same period. Meanwhile, Singapore's services trade with Mainland China grew from S\$21.3 billion in 2014 to S\$64.9 billion in 2023, resulting in it surpassing ASEAN to become Singapore's third largest services trade partner in 2023. Over the same period, Japan rose from being Singapore's sixth largest services trade partner to our fourth largest partner, as bilateral services trade increased from S\$18.1 billion to S\$62.2 billion.

Exhibit 1: Singapore's Top 10 Services Trading Partners, 2014 and 2023

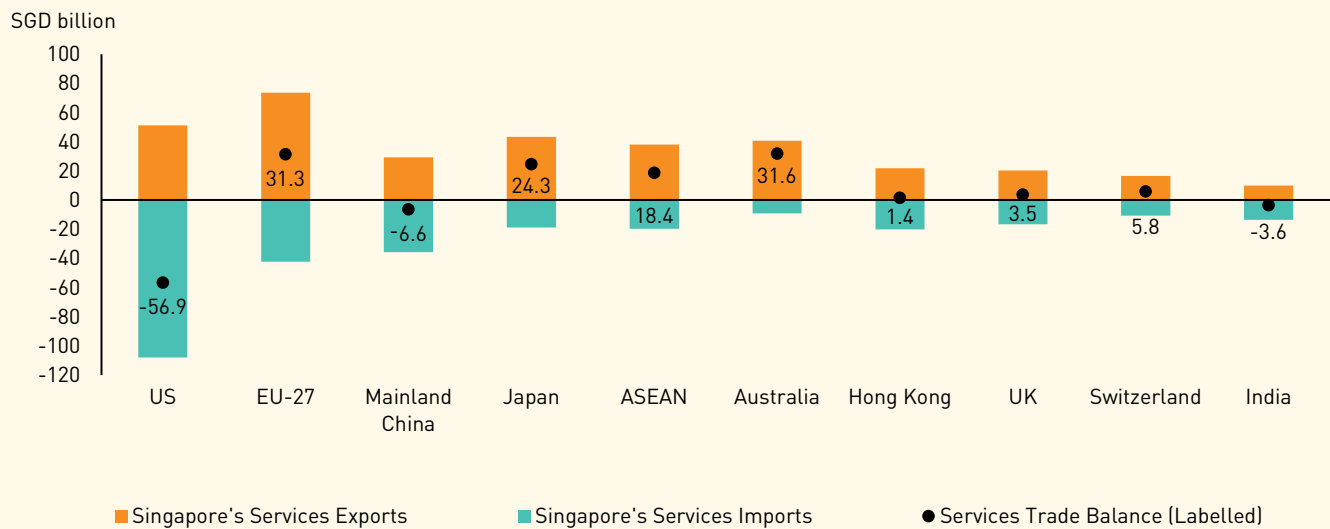
	2014		2023	
	Trading Partner	Value of Services Trade (SGD billion)	Trading Partner	Value of Services Trade (SGD billion)
1	United States	58.1	United States	159.1
2	EU-27	53.1	EU-27	115.7
3	ASEAN	26.9	Mainland China	64.9
4	Mainland China	21.3	Japan	62.2
5	Australia	18.6	ASEAN	57.8
6	Japan	18.1	Australia	49.8
7	United Kingdom	17.8	Hong Kong	41.9
8	Hong Kong	13.5	United Kingdom	36.9
9	Switzerland	12.0	Switzerland	27.3
10	India	8.1	India	23.4

Source: Department of Statistics

In terms of trade balance (i.e., exports less imports), Singapore recorded a services trade surplus with most of these key trading partners in 2023, except for the US, Mainland China and India [Exhibit 2]. Singapore's largest services trade deficit over this period was with the US.²

¹ Data on services trade by markets is only available up to 2023.

² Based on data from the Department of Statistics, Singapore consistently ran a services trade deficit with the US, with the deficit widening from S\$13.7 billion in 2014 to S\$56.9 billion in 2023.

Exhibit 2: Singapore's Services Trade and Trade Balance with Key Trading Partners in 2023

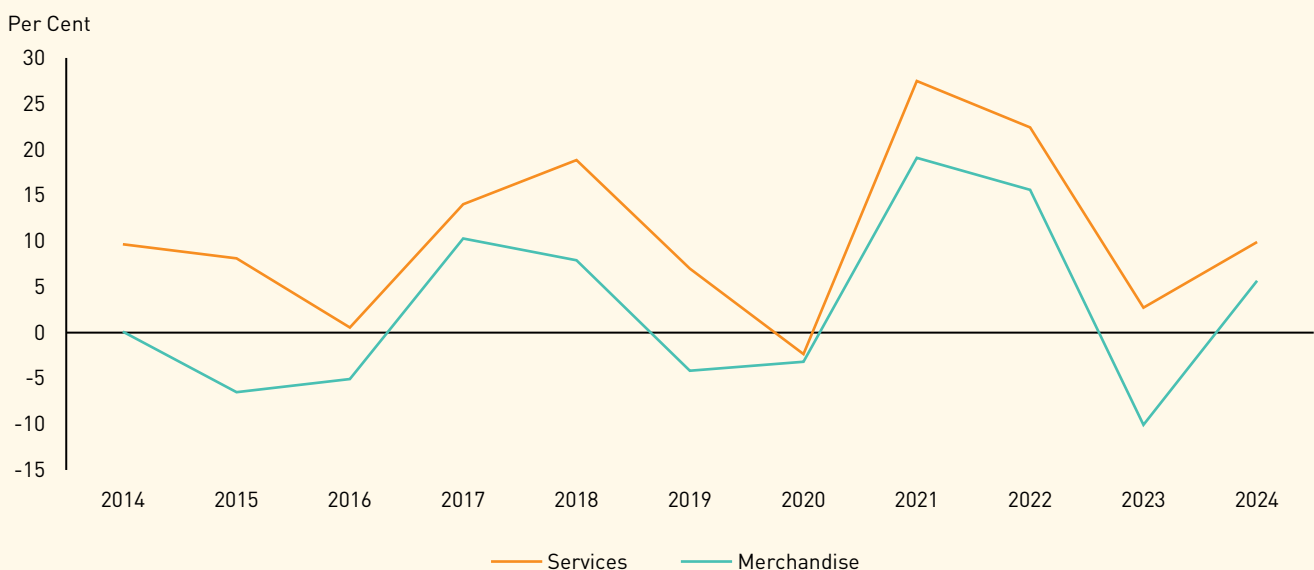
Source: Department of Statistics

The rest of this article examines Singapore's services exports in terms of its growth, composition and markets.

Over the past decade, services exports growth and its value-added (VA) contribution to Singapore's economy exceeded that of merchandise exports

While merchandise exports remain a key driver of Singapore's economic growth, the role of services exports has become more important over time in tandem with the growth in services-oriented economic activities in Singapore. This is reflected both in terms of its pace of growth, as well as its VA contribution to Singapore's economy.

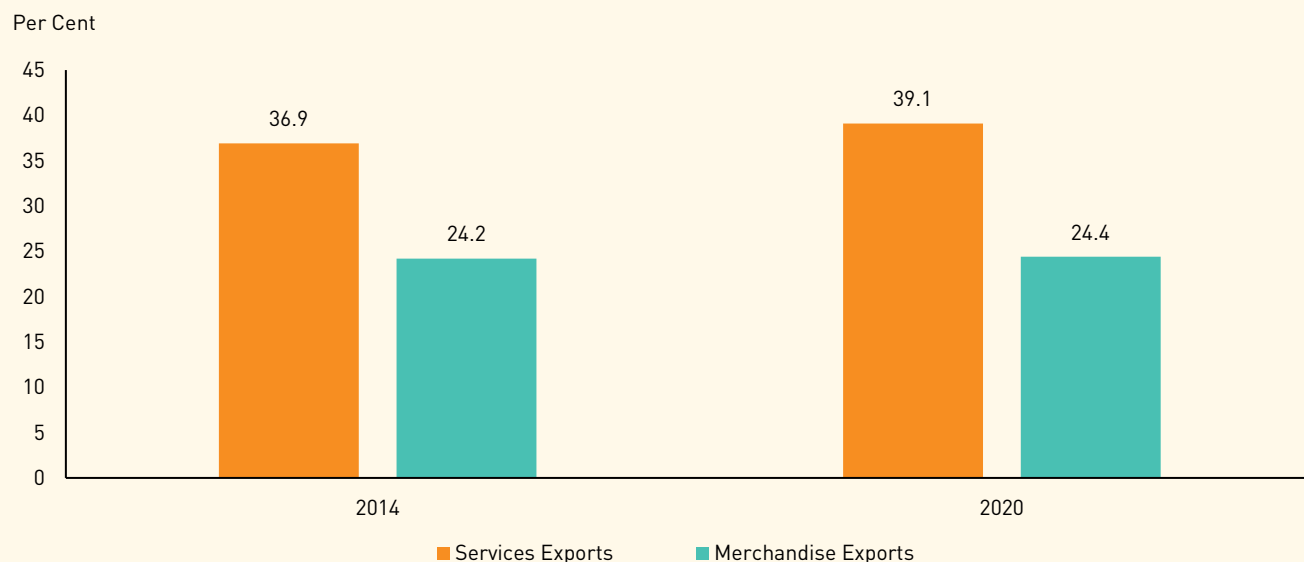
Between 2014 and 2024, Singapore's total services exports grew by 10.5 per cent per annum on average, outpacing merchandise exports growth of 2.5 per cent per annum over the same period [Exhibit 3]. Cumulatively, Singapore's total services exports rose by 171.3 per cent over this period, compared to 28.2 per cent for our merchandise exports. Consequently, the share of services exports in total exports climbed from 27.0 per cent in 2014 to 43.9 per cent in 2024.

Exhibit 3: Services and Merchandise Exports Growth, 2014-2024

Source: Department of Statistics, EnterpriseSG

In terms of VA contribution, OECD-WTO's Trade in Value-Added (TiVA) data shows that the contribution of services exports to Singapore's economy exceeded that of merchandise exports [Exhibit 4].³ In particular, the VA contribution of services exports rose from 36.9 per cent of Singapore's nominal GDP in 2014 to 39.1 per cent of nominal GDP in 2020, even as the VA contribution of merchandise exports remained relatively unchanged at around 24 per cent over the same period.⁴ The increase in the VA contribution of services exports over this period was due to (i) the faster pace of growth in services exports compared to that of merchandise exports, and (ii) the higher VA per dollar of services exports⁵.

Exhibit 4: VA Contribution of Singapore's Services and Merchandise Exports (Share of GDP)



Source: OECD-WTO TiVA Database, Author's calculations

Most of Singapore's services exports growth over the decade was driven by transport, business-related and financial services exports

Transport services contributed the most to total services exports growth of 171.3 per cent between 2014 and 2024, accounting for 56.0 percentage-points (pp) of this growth, notwithstanding a sharp contraction in 2023⁶ [Exhibit 5]. The second largest contributor was other business services⁷ (54.2pp), mostly driven by advertising & market research services and business management services. Financial services was the third largest contributor (23.1pp), reflecting Singapore's role as a global financial hub.

³ The TiVA database is compiled by OECD and WTO using a global input-output table that describes interactions between industries and consumers for 76 economies (including all OECD, EU, G20 and ASEAN economies). It provides data on the VA generated by a country in the production of goods and services that are exported. 2020 is the latest year of data available.

⁴ The VA contributions of services exports in Exhibit 4 were calculated based on the exports of services sectors, as the OECD-WTO's TiVA data classifies exports by sectors. This differs from the data presented in the rest of the article, which are based on the services export categories.

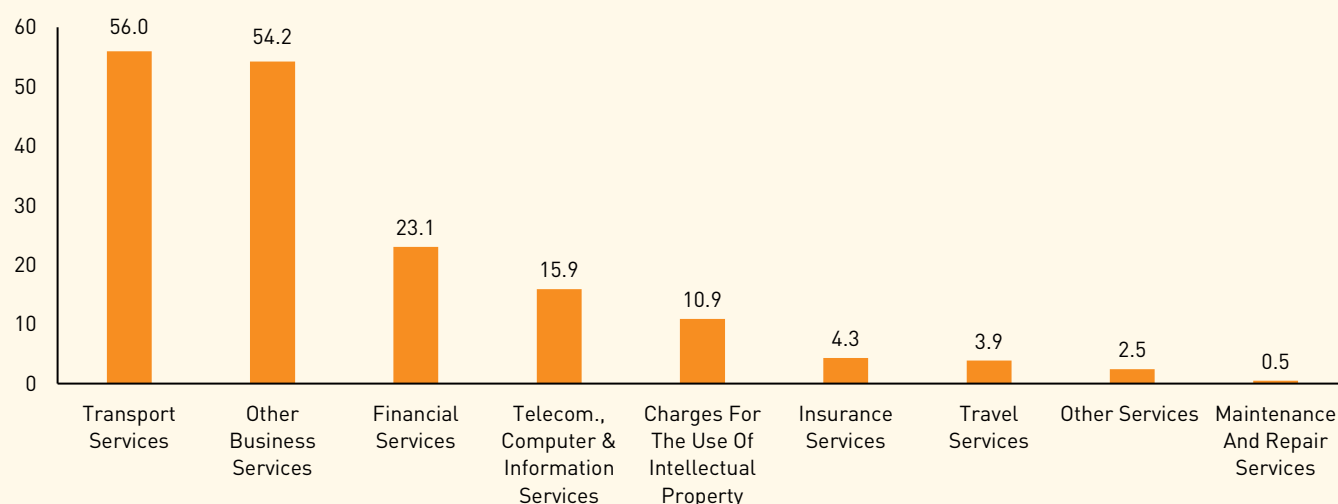
⁵ For instance, an earlier MTI study found that the VA per dollar of services exports (51 cents) was higher than the VA per dollar of merchandise domestic exports (34 cents). For more details, please see Chan, Y. J. and Lim, Y. (2012).

⁶ Exports of transport services declined by 8.6 per cent in 2023. This was driven entirely by a fall in sea freight transport services exports, which was in turn partly due to shipping disruptions caused by droughts in the Panama Canal region.

⁷ Other business services include 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.

Exhibit 5: Contribution to Cumulative Growth of Total Services Exports from 2014 to 2024

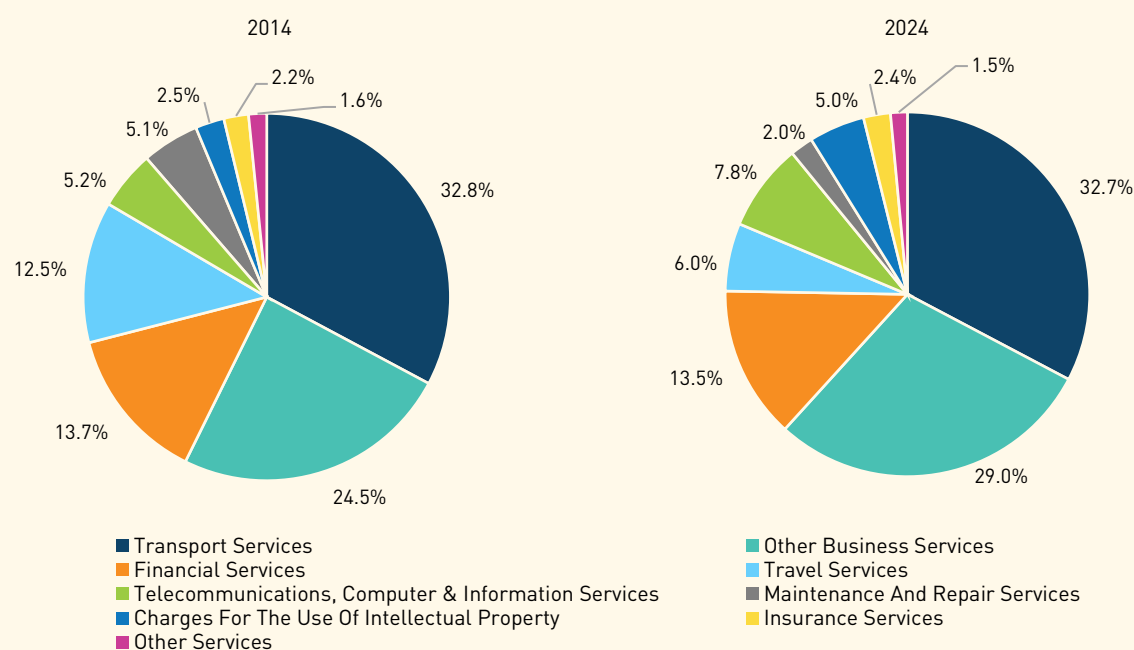
Percentage-point contribution



Source: Department of Statistics

Note: Other services consist of construction services, personal, cultural & recreational services, government goods & services and manufacturing services on physical inputs owned by others. Bars sum to 171.3 per cent, which is the cumulative growth in total services exports between 2014 and 2024.

Similarly, transport services, other business services and financial services were the top three services export categories in both 2014 and 2024 [Exhibit 6]. Meanwhile, telecommunications, computer & information services saw its share of total services exports increase from 5.2 per cent in 2014 to 7.8 per cent in 2024. This led to it overtaking travel services as the fourth largest services export category in 2024, as the latter's share had fallen from 12.5 per cent to 6.0 per cent over the same period, in part due to the COVID-19 pandemic.⁸

Exhibit 6: Share of Services Exports by Categories, 2014 and 2024

Source: Department of Statistics

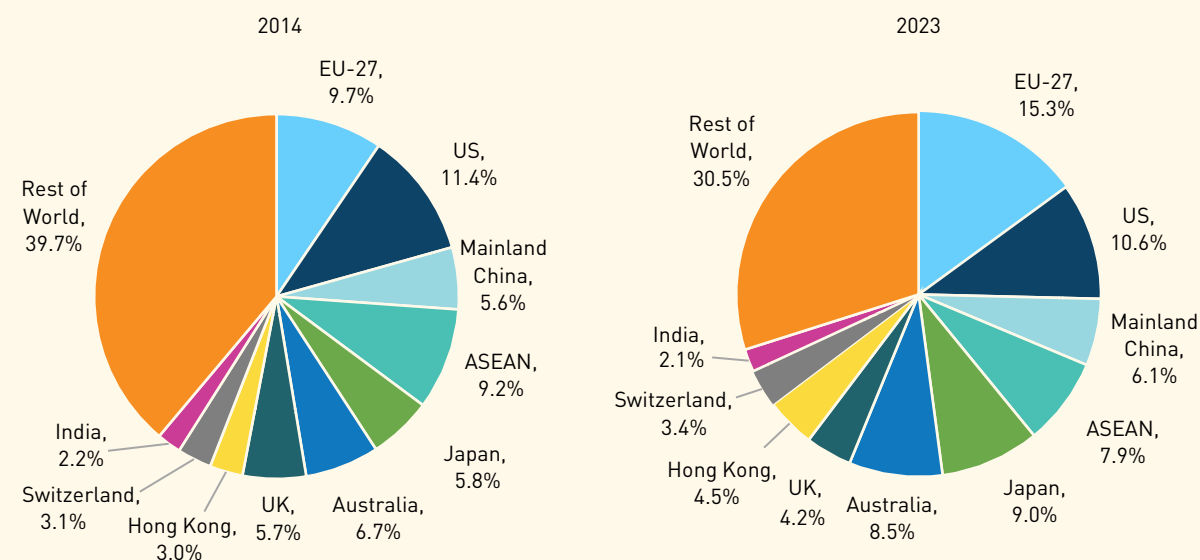
Note: Other services consist of construction services, personal, cultural & recreational services, government goods & services and manufacturing services on physical inputs owned by others.

⁸ Singapore's exports of travel services declined by 72.9 per cent and 28.3 per cent in 2020 and 2021 respectively due to border restrictions imposed during the COVID-19 pandemic. Nonetheless, travel services exports have since recovered, returning to pre-pandemic levels in 2023.

Singapore's services exports cater to diverse markets

In terms of markets, EU-27 remained Singapore's largest services export market in 2023 [Exhibit 7], with its share of Singapore's total services exports rising from 9.7 per cent in 2014 to 15.3 per cent in 2023. On the other hand, the US' share of Singapore's total services exports dipped slightly from 11.4 per cent in 2014 to 10.6 per cent in 2023.

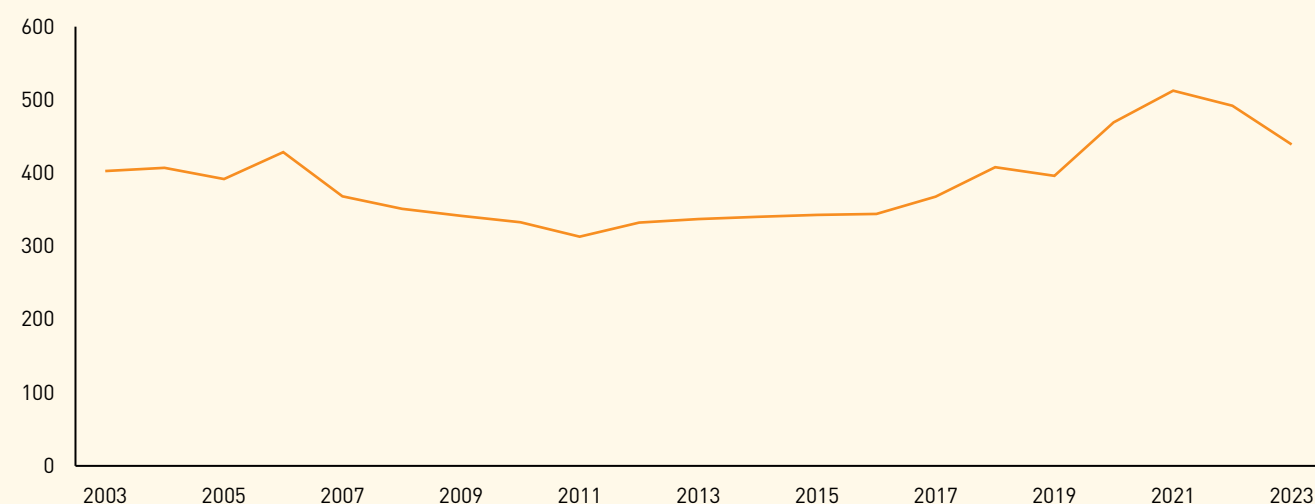
Exhibit 7: Share of Services Exports by Markets, 2014 and 2023



Source: Department of Statistics

Notwithstanding shifts in the shares of various markets over time, Singapore's services export markets are generally well diversified at the overall level. Specifically, over the period of 2003 to 2023, the Herfindahl-Hirshman Index (HHI), a measure of market concentration, was consistently lower than 1,000 for our services exports, suggesting that Singapore maintains a diversified portfolio of markets for our services exports [Exhibit 8].⁹ Having diversified markets is important as it will enable us to better withstand external headwinds and volatility in global markets, thereby providing some resilience to our services exports performance.

Exhibit 8: HHI for Markets of Singapore's Services Exports, 2003 to 2023



Source: Department of Statistics, Author's calculations

Note: A larger (smaller) number means more concentrated (diversified) markets

⁹ The HHI is a measure of market concentration. A HHI of less than 1,500 is considered geographically diversified, 1,500 to 2,500 is moderately diversified, and 2,500 and above is highly concentrated.

Conclusion

Singapore's services trade has seen healthy growth over the years, alongside our development as a global business, logistics and financial hub. At the same time, our services export markets have remained well diversified. Looking ahead, demand for services is expected to continue to increase, supported by trends such as the rising middle class in regional economies. By enhancing the competitiveness of Singapore's export-oriented services industries, broadening their access to more overseas markets and strengthening our trade links with global partners, Singapore will be well-positioned to tap on these opportunities and further grow our services exports over the longer term.

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