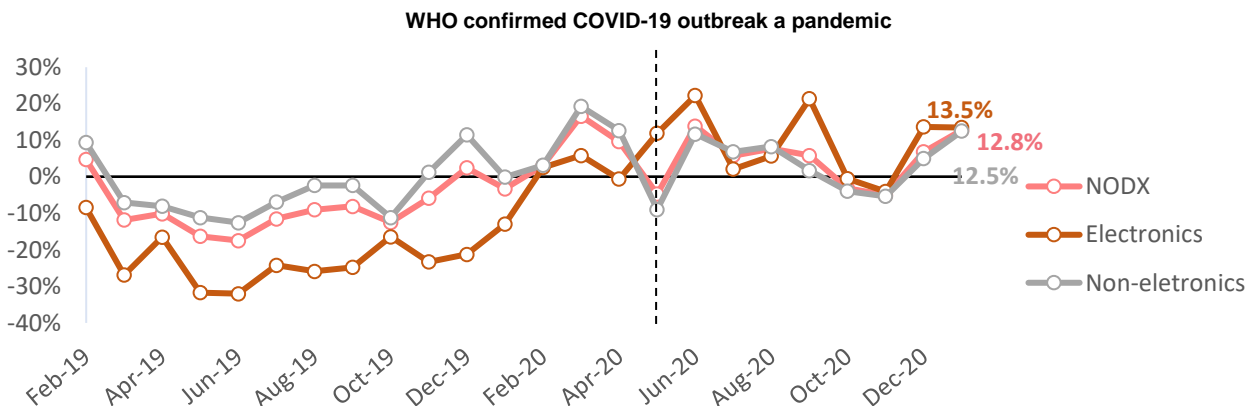


FEB 2021

Feb was an important month for Singapore as the Singapore government announced its annual budget for 2021 with the theme on “Emerging Stronger Together”. The budget aims to help families, workers and businesses weather the COVID-19 crisis in the immediate term, with measures to accelerate structural adaptations for the long term. This was delivered by Deputy Prime Minister Heng Swee Keat on 16 Feb 2021, in which Budget 2021 will shift from “containment” to “restructuring” as Singapore’s economy reopens.

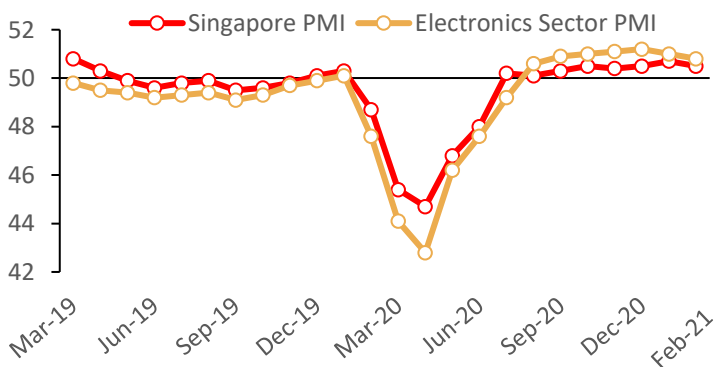
Budget 2021 will be crucial in shaping the next 5 years of Singapore’s development. In addition, the Singapore Green Plan 2030 was also announced as part of Singapore’s commitment to fulfil the Paris agreement on climate action and to develop new industries in this sector.

Non-Oil Domestic Export (NODX)



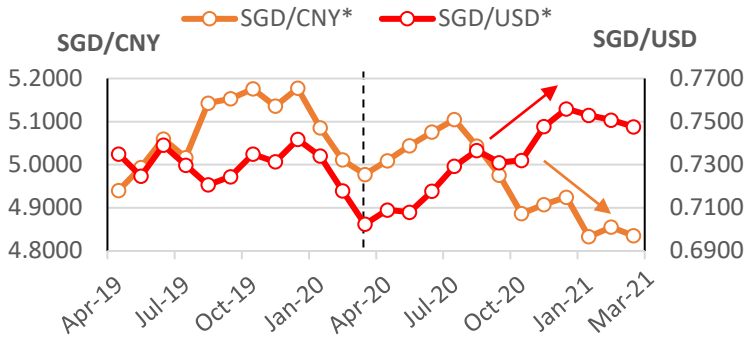
- Singapore’s NODX, electronics and non-electronics increased for the 2nd consecutive month in Jan 21.
- Overall NODX grew by 12.8% in Jan 21: Electronics and non-electronics grew by 13.5% (from a 13.7.0% increase in the previous month) and 12.5% (from a 5.0% increase in the previous month) respectively, on a Y-o-Y basis.
- Electronics: Export of ICs, telecommunications equipment and diodes & transistors continue to expand by 13.9%, 65.1% and 27.4% respectively, contributing the most to the increase in electronic NODX.
- Non-electronics: Majority of the growth in non-electronic NODX was made up of specialised machinery, non-monetary gold and petrochemicals which expanded by 53.2%, 70.9% and 10.1% respectively.

Purchasing Managers Index (PMI)



- Singapore’s PMI and electronics sectors PMI dipped sharply at the start of 2020 due to the global pandemic, but made a quick and strong recovery by Aug 2020 and stabilized at above the 50-point mark since then.
- Though both the PMIs dipped slightly (by 0.2 points) in Feb 2021, the outlook for Singapore’s economy and its electronics sector remain positive.

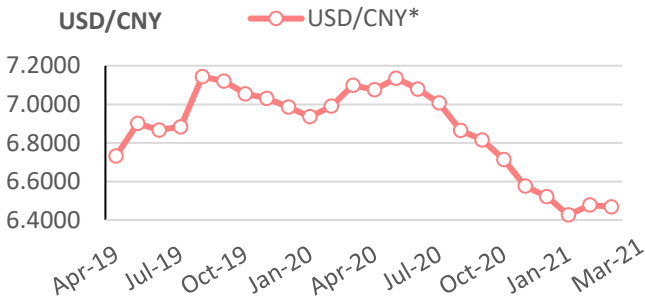
Foreign Exchange Rates (FX)



- SGD gained traction against both the USD and CNY despite MAS's monetary policy adjustments in Mar 2020 to allow for depreciation and flatter growth of the SGD in view of the anticipated recession. Appreciation against CNY reversed in Jul 2020 and was consistently strengthening against the SGD till Jan 21 before stabilising.

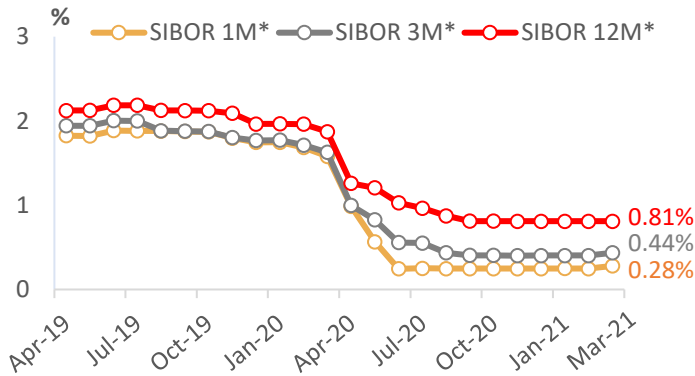
- Both CNY and SGD have displayed upward trajectories against USD since the onset of the 2020 pandemic.

- USD has rebounded slightly against the CNY in Feb 21. Factors of influence may include the hike in US Treasury bond yields last month and China's potential plans to ease capital flows in the future. In addition, the US economy has also begun to recover with the release of vaccine and COVID measures.



*Exchange rates are quoted adjusted close price as of the 1st business day of the month

Singapore Interbank Offered Rate (SIBOR)

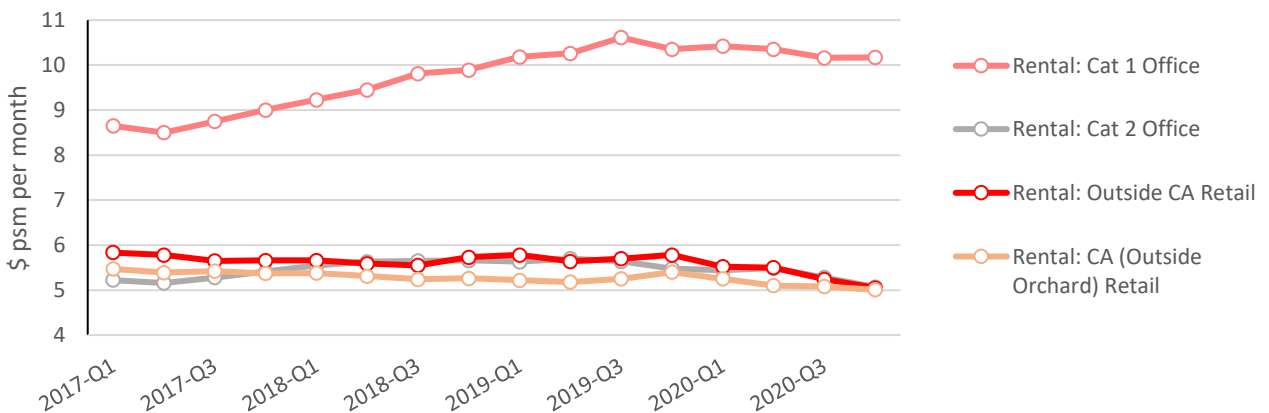


*SIBOR are quoted as of the 1st business day of the month

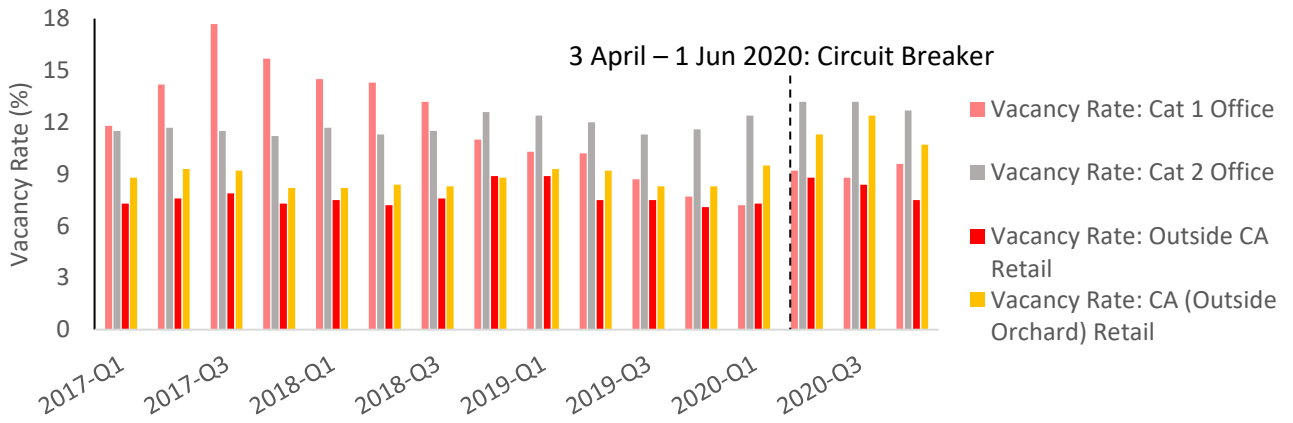
- SIBOR, which follows the US Fed funds rate movements, fell sharply in Mar 2020 when the Fed announced a cut of the Fed funds rate target range from 1-1.25% to 0-0.25%. SIBOR continued to decline as the Fed declared in Sep 2020 that it has no plans to change its target range till 2023. However, both SIBOR 1M and 3M rose slightly in Mar 21 after consecutive months of decline since Feb 2020.

- SORA is set to replace both SIBOR and SOR in 3-4 years' time from Jul 2020 to be the main interest rate benchmark in Singapore.

Median Rentals for Offices and Retail



Vacancy Rates for Offices and Retails



- Median rental of Cat 1 offices (located in core business areas in Downtown Core and Orchard Planning Area) has been on an upward trend since 2017 while median office rentals of other localities have been fairly stable. Median retail rental across all localities experienced little price changes since 2017.
- Vacancy rate of Cat 1 offices declined sharply since 2017-Q3 while vacancy rate of Cat 2 offices (localities not included in Cat 1) gained upward momentum since 2019-Q3 till 2020-Q3 as the pandemic hits Singapore. Vacancy rate in Central Area (Outside Orchard) rose notably from 8.3% in 2019-Q4 to 12.4% 2020-Q3, fuelled by the rise in e-commerce and the subsequent nation-wide “Circuit Breaker” stay-home notice during the COVID-19 pandemic. On the other hand, vacancy rate of retails outside Central Area have increased modestly since 2017.
- As Singapore’s economy sets its foot on recovery, the vacancy rate of all except Cat 1 Offices had reduced. Many reasons including the relatively higher rent of Cat 1 Offices and/or offices adapting to the new normal of working from home arrangement as opposed to retails businesses resuming their operations are possible explanation of the difference in vacancy rate changes in 2020-Q4.

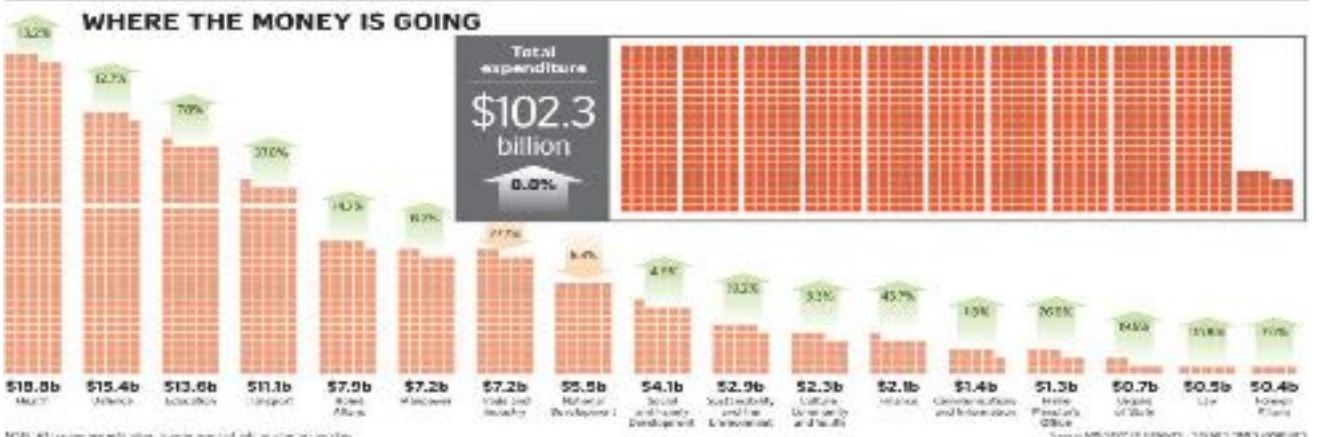
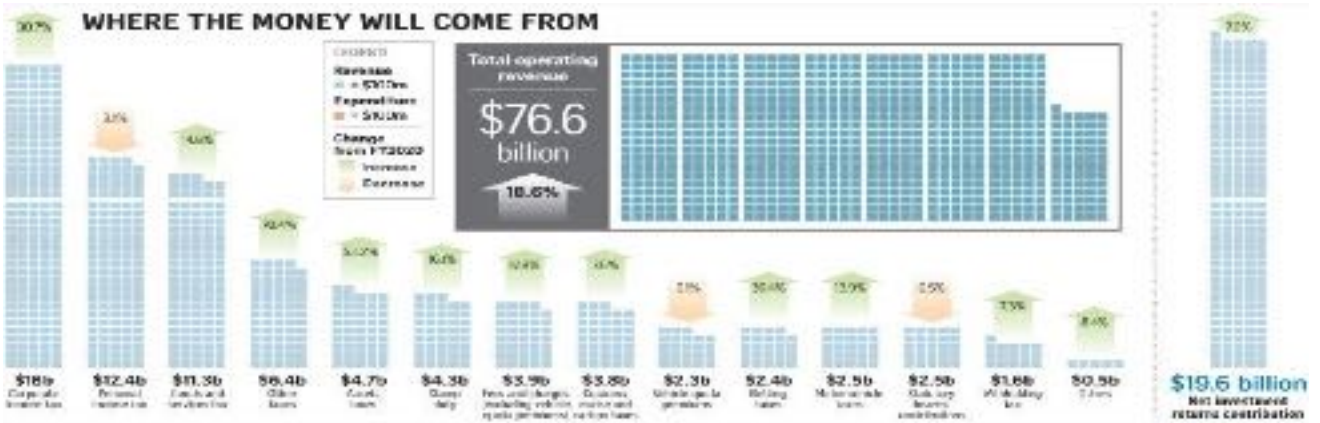


Real household incomes decline for first time in more than 10 years

- In 2020, median household income fell for the first time since the 2008/09 global financial crisis; a drop of 2.5% in nominal terms and 2.4% real terms from \$9,425 to \$9,189 as reported by the Department of Statistics.
- The lower-income households were the most affected by the COVID-19 pandemic in which the bottom 10% saw a 6.1% decline in real average household income from work in 2020 while the remaining households registered less severe declines of between 1.4% to 3.2%.
- Government transfers and taxes have significantly reduced income inequality as more financial aid are directed to the lower-income households through various financial relief and support schemes such as the Care and Support Package, Workfare Income Supplement and GST Voucher
- Despite the drop in 2020, overall real median household income from work rose over the last 5 years, at 1% per annum between 2015 and 2020.

BUDGET 2021

- In FY2020, Singapore's total budget deficit was S\$64.9 billion and estimated to be **13.9% of GDP**. In FY 2021, Singapore will continue to adopt an **expansionary fiscal policy stance** amid the stronger recovery exhibited. A budget deficit of S\$11.0 billion has been planned for FY2021 that will account for 2.2% of GDP.
- Government Revenue:**
 - Total revenue is expected to hit S\$76.6 billion, a 18.6% increase from previous year's revised estimate.
 - Corporate income tax is projected to remain as the largest contributor of total revenue**, leading all other sources at S\$18 billion as more businesses look to make a stronger recovery in the current FY.
 - Personal income taxes on the other hand, is projected to decline 3.1% while revenue from other sources such as GST, betting, asset and stamp duty are expected to increase relative to the previous FY.
- Government Expenditure:**
 - The Government plans to incur a total of S\$103.2 billion, that is 8.8% higher than prior year.
 - The 4 key areas of expenditure are **healthcare, education, transport and national defence**. As the nation continues to combat the pandemic, **healthcare will be the largest recipient of government funding at S\$18.8 billion**. The government will also continue to commit a substantial and increased amount of resources to education (S\$13.6b) and transport (S\$11.1b) in the current FY. Besides trade and industry and national development, all other areas will see a surge in the amount of funding allotted.





THE SINGAPORE GREEN PLAN 2021


An Ambitious Long-Term Plan to Secure a Green, Liveable, and Sustainable Home for Generations

- SG Green Plan is collaboration of multiple government agencies such as the Ministry of National Development, Transport, Education, Sustainability and the Environment, Trade and Industry, and Finance, to strengthen Singapore's commitments under the UN's 2030 Sustainable Development Agenda and Paris Agreement, and ultimately achieve the aspiration of becoming a **long-term net zero emissions nation**.

This will be driven by 5 key pillars which are

- City in Nature** – 50% more lands for nature parks, Every household will live within a 10-minute walk of a park.
- Energy Reset** - Quadruple Singapore's solar energy deployment by 2025. Tap green energy sources from the ASEAN region and beyond. Green 80% of all buildings over the next decade. Double Singapore's EV charging point. Reduce domestic greenhouse gas emissions by at least 3 million tonnes per year by 2030.
- Sustainability living** - By 2030, Singapore aims to reduce the waste sent to landfills by 30%. Eco Stewardship Programme, to get schools to be carbon neutral by 2030.
- Green Economy** - Enterprise Sustainability Programme, to help enterprises, especially SMEs, embrace sustainability and develop capabilities in this area. Promote home-grown innovation under the Research, Innovation & Enterprise Plan 2025. To be a leading centre for Green Finance in Asia and globally.
- Resilient Future** - Pledge to the next generation to engage Singaporeans to each play a part to transform Singapore.

Details: <https://www.greenplan.gov.sg/key-focus-areas/green-government/>



MANUFACTURING & TECHNOLOGY

Investment in Infrastructures and Regional Collaboration

Southeast Asia Manufacturing Alliance (SMA):

- A tripartite agreement between EDB, ESG, and private sector partners to promote industrial parks to manufacturers who are keen on investing in Singapore and the Southeast Asia region. Singapore SMEs and suppliers can benefit from the connections to global manufacturers in member industrial parks provided by SMA as well as the smoothed process of establishing operations abroad.
- The first three strategic partners are real estate giant CapitaLand, urban developer Sembcorp Development, and investment holding company Gallant Venture, who have collectively operated 15 industrial parks across Malaysia, Vietnam, and Indonesia.

Indonesia as a Strategic Partner:

- Cross-border investments in infrastructures include the Kendal Industrial Park, a joint investment between Singapore's Sembcorp and Indonesia's PT Jababeka to build up activities in food processing, building materials, and medical equipment manufacturing. By 2016, the site has already attracted a total investment of S\$451 million and local manufacturers such as Tai Wai Enterprise to expand their operations there.
- For digital companies, the Nongsa Digital Park (Batam) will present a mutually beneficial 'digital bridge' for both Indonesia and Singapore. The integrated digital park is an ideal site for digital startups and Singaporean companies due to its proximity to Singapore that supplies a readily accessible regional pool of tech talents and ease in market access.



Urban Solutions and Sustainability (USS)

- USS is a prominent domain under the Research, Innovation and Enterprise 2020 (RIE2020) as highlighted in Budget 2021. A total \$900 million funding has been allocated to USS in the previous years. \$150 million was directed to The Cities of Tomorrow (CoT) R&D programme. Led by Ministry of National Development, CoT covers research under 4 key pillars: Advanced Construction, Resilient Infrastructure, New Spaces, and Greater Sustainability with the purpose of identifying and developing R&D solutions to address challenges of cities.
- A*STAR and HDB researchers have piloted the development of the Integrated Environmental Modeller, a tool that combines wind, solar irradiance, shading, and environmental noise, to forecast the effects of these factors on the thermal comfort of residents, which has already been adopted by urban planners in the planning of upcoming residential estates.

Agriculture Sustainability

- The "Eco-Ark" is the only sea-based fish farm in Singapore equipped with a post-harvest facility that has the capacity to achieve one of the shortest food miles (i.e. distance from farm to consumer). It is built by Aquaculture Centre of Excellence (ACE) Pte Ltd, a local organisation who specializes in sustainable fish farming by embracing Aquaculture 4.0.
- Through the support of Singapore Food Agency's Agriculture Productivity Fund, "Eco-Ark" has developed a fully automated and integrated process management controller that harnesses the capabilities of AI and Internet of Things (IoT), alongside advanced aquaculture technologies that enable intensive fish farming in a sustainable way which can produce outputs about 20 times more than the average coastal fish farms in Singapore.. The government has [set aside \\$60 million for a new Agri-Food Cluster Transformation Fund](#) to continue supporting technology adoption in the agri-food sector.



GREEN FINANCE

Singapore Government Green Bonds

- The Singapore Government has announced that they [plan to issue green bonds on selected public infrastructure projects with up to \\$19 billion of public sector green projects currently being identified](#). This issuance will serve as a reference for the Singapore Dollar corporate green bond market, including the standards and framework applied, and yields achieved. The issuance of green bonds will build on current efforts by deepening market liquidity for green bonds, attracting green issuers, capital, and investors, and anchoring Singapore as a green finance hub.
- MAS will drive the Singapore's Green Finance Action Plan to develop green finance solutions and markets for a sustainable economy. The plan also includes the International Financial Corporation (IFC)-MAS partnership through the signing of a Memorandum of Understanding (MOU), to collectively accelerate the growth of green bond markets in Asia.
- In addition, the Green and Sustainability-Linked Loan Grant Scheme (GSLs), launched by MAS in 2020, seeks to support corporates of all sizes to obtain green and sustainable financing by defraying the expenses of engaging independent service providers to validate the green and sustainability credentials of the loan. The grant also encourages banks to develop green and sustainability-linked loan frameworks to make such financing more accessible to small and medium-sized enterprises (SMEs).

Tuas Nexus, Singapore's First Integrated Water and Solid Waste Treatment Facility

- The Tuas Nexus is a green test pilot project that will be financed with green bonds. It integrates the Tuas Water Reclamation Plant (Tuas WRP) with the Integrated Waste Management Facility (IWMF) to solve Singapore's long-term solid waste management and used water treatment needs by optimising land use and maximising energy and resource recovery. The expected result is more than 200,000 tonnes of CO₂ reduction annually and a total land saving of up to 2.6 hectares. The 1st phase of construction of Tuas Nexus has begun in Sep 2020 and will be completed in phases from 2025 onwards.



TRANSPORTATION

Cleaner-energy Vehicles

- Electric Vehicle (EV) has been identified as the most promising clean-energy vehicular technology today. To catalyse the partnership between the public and private sectors, Singapore has set aside [\\$30 million over the next five years for EV-related initiatives, such as to deploy 60,000 charging points at public carparks and private premises by 2030](#).
- Singapore will narrow the cost differential between electric cars and internal combustion engine (ICE) cars to further encourage the early adoption of electric cars. Specifically, two changes to vehicle-related fees will be implemented:
 - i. The Additional Registration Fee (ARF) floor will be lowered to zero for electric cars, from Jan 2022 to Dec 2023. EV car buyers can benefit from the enhanced rebates of various green initiatives such as the EV Early Adoption Incentive and Vehicular Emissions Scheme.
 - ii. The road tax treatment for electric cars will be revised by adjusting the road tax bands so that a mass-market electric car will have road tax comparable to an internal combustion engine (ICE) equivalent.

- Furthermore, the Government will continue to emphasise the importance of public transport as the cleanest and most energy-efficient mode of transport. Consistent with past investments in public transportation, Singapore will be spending more than \$60 billion to expand and renew its rail network within this decade.



KEY POLICIES UPDATES

Adjustment of GST from 7% to 9%:

- The intention of raising GST from 7 to 9% between 2021 to 2025 was first brought up in Budget 2018. However, in view of the economic condition, the GST rate will not take effect in 2021, as announced in the Unity Budget in Feb 2020. Nonetheless, it was announced that the initial plan of raising GST will be implemented between 2022 to 2025.

Extension of GST to Imported Low-value Goods:

- Singapore has decided to extend GST to goods imported by air or post that are valued up to (and including) the current GST import relief threshold of S\$400, and Business-to-Consumer ("B2C") imported non-digital services with effect from 1 Jan 2023. Overseas suppliers of goods and services will be subject to the same GST treatment as local suppliers.

Job Support Scheme (JSS)

- Since the surface of the COVID-19 virus in Singapore, the Government has committed over \$25 billion to the JSS as part of the COVID-19 Resilience Package, to help businesses preserve local workers. All active employers, except for Government organisations (local and foreign) and representative offices, are eligible for the JSS.
- Current tranche will continue to cover wages up to Mar 2021 for most sectors, further targeted support will be catered to those sectors that continue to be hard-hit. A total of S\$700 million has been allocated to the extended JSS.
- **Tier 1 sectors firms** - aviation, aerospace, and tourism. JSS will be extended by 6 months. Firms in these sectors will receive 30% support for wages paid from April to June 2021, and 10% support for wages paid from July to September 2021.
- **Tier 2 sectors firms** - retail, arts and culture, food services, and built environment. JSS will be extended at 10% for three months, covering wages paid up to June 2021.
- **Tier 3A sectors firms** – all firms outside of the other tiers JSS will continue to cover wages up to Mar 2021, as previously announced. These sectors are generally recovering and will not be receiving any extended support

Table 1: Revised JSS Schedule

Month of Payout	Payout based on wages paid in	Tier 1	Tier 2	Tier 3A	Tier 3B
Apr 2020	Oct – Dec 2019				
Jul 2020	Feb – Apr 2020	75%	50%	25%	
Oct 2020	May – Aug 2020	75%	50%	25%	
Mar 2021	Sep – Dec 2020	50%	30%	10%	
Jun 2021	Jan – Mar 2021			10%	0%
Sep 2021 [Extended]	Apr – Jun 2021	30%	10%		
Dec 2021 [Extended]	Jul – Sep 2021	10%	0%		0%



DIGITAL CONNECTIVITY AND INNOVATION

Singapore aims to emerge from the pandemic as a competitive, connected and innovative nation by shifting from physical to digital modes of transactions across geographical borders, and transiting from tangible to intangible assets such as knowledge, networks and data that businesses can use to innovate and develop new technologies in value creation.

Singapore will invest in 3 key platforms for businesses to innovate and remain competitive

- **Corporate Venture Launchpad** - The Launchpad will provide co-funding for corporates to build new ventures through pre-qualified venture studios which is especially useful for larger businesses that are looking to rekindle a startup mindset within their organisations. It is targeted to be piloted in 2021 to drive new innovative ventures.
- **Open Innovation Platform (OIP)** - The OIP facilitates the matching of problems faced by companies and public agencies, with solution providers, and co-funds prototyping and deployment. Singapore is also setting sights on enhancing the OIP with new features such as a cloud-based Digital Bench for accelerated virtual prototyping and testing
- **Global Innovation Alliance (GIA)** - The GIA serves to catalyse cross-border collaboration between Singapore and major innovation hubs globally and its network currently has 15 city links, including four Southeast Asian cities – Bangkok, Ho Chi Minh City, Jakarta, and Manila. It will expand it to more than 25 cities around the globe over the next five years. The GIA will also be enhanced through the inclusion of the Co-Innovation Programme that will support up to 70% of qualifying costs for cross-border innovation and partnership projects.

For more details, refer to:

<https://www.openinnovation.sg/about>

<https://www.enterprisesg.gov.sg/industries/hub/startup/global-innovation-alliance>

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