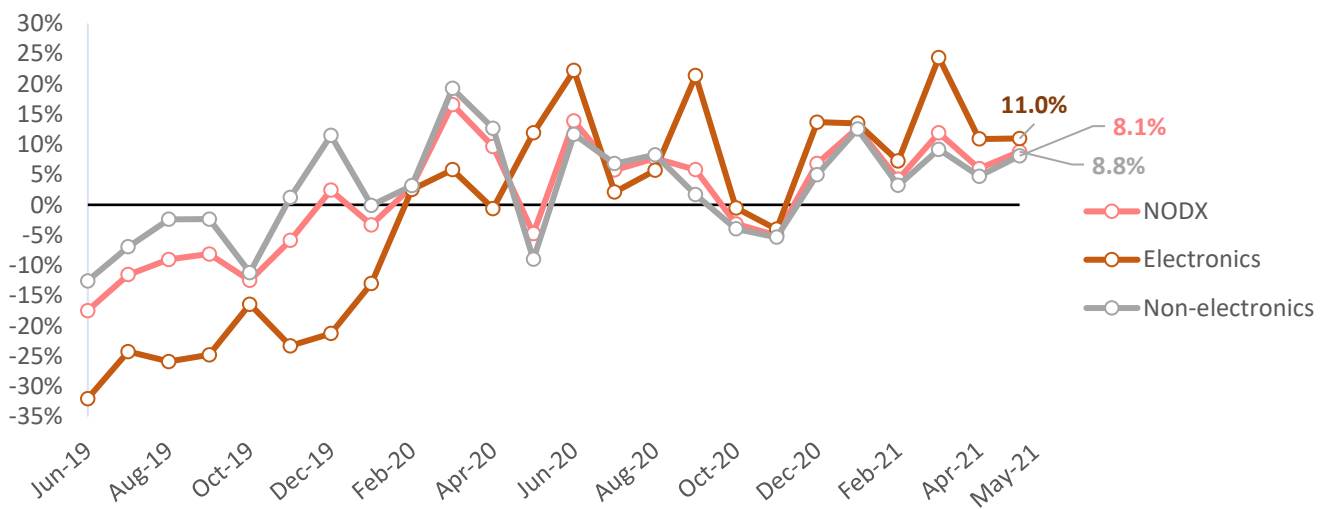


MAY 2021

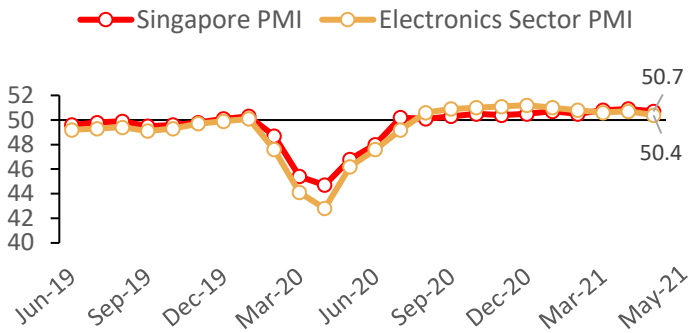
In mid-May, Singapore implemented Phase 2 (heightened alert) measures as Covid cases increased. Due to its shorter timeframe and limited scope as compared previous controls, the services and manufacturing sectors expect operations to be less adversely affected. Nonetheless, the government has extended relief measures for sectors such as F&B and construction and continues to develop industries such as RegTech, e-commerce, and biomanufacturing to facilitate long-term economic recovery.

Non-Oil Domestic Export (NODX)



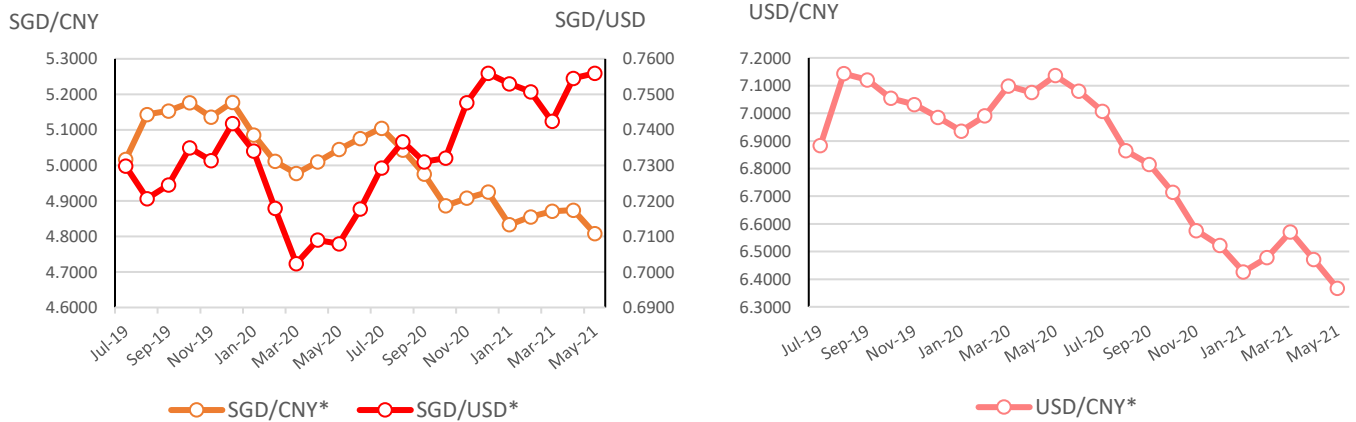
- Trend:** Overall NODX, electronics and non-electronics exports all increased in May 21. On a Y-o-Y basis, growth rates of all 3 categories were higher in May 21 compared to Apr 21:
 - NODX rose by 8.8%, higher than the 6.0% in April
 - Electronics rose by 11.0%, higher than the 10.9% in April
 - Non-electronics rose by 8.1%, higher than the 4.7% in April
- Main contributors to growth (electronics):** ICs, diodes & transistors and telecommunications equipment, which expanded by 5.8%, 53.9% and 52.3% respectively
- Main contributors to growth (non-electronics):** Specialised machinery, petrochemicals and primary chemicals, which expanded by 58.0%, 55.7% and 96.8% respectively
- Going forward:** COVID-19 restrictions remain the most significant limiting factor for export growth. The speed of vaccination rollout in countries that are Singapore's major trading partners is the key to NODX growth. As of 27th of May, Singapore ranks first in terms of vaccination population coverage in Asia, which is an optimistic sign for the reopening of borders to facilitate trade. The re-opening is likely to be gradual as policymakers are cautious of the transmission of the mutated COVID-19 strains.

Purchasing Managers Index (PMI)



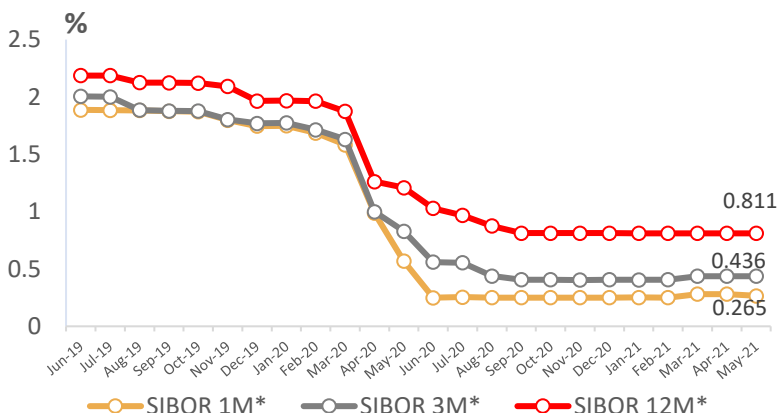
- **Trend:** PMI remains stable above the 50-point mark in May 21, with Singapore PMI decreasing slightly from 50.9 in April to 50.7 in May and electronics PMI decreasing slightly from April's 50.7 to May's 50.4.
- **Going forward:** Ms Sophia Poh, vice-president for industry engagement and development at Singapore Institute of Purchasing and Materials Management (SIPMM), attributes the slight decreases to the phase two heightened alert measures slowing down manufacturing activities. Barring an extension of tightened measures, Singapore's export-oriented industries are expected to benefit from global trade growth.

Foreign Exchange Rates (FX)



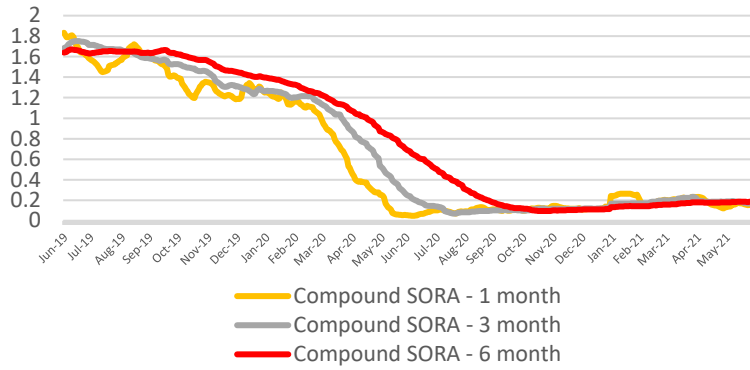
- **SGD/USD:** SGD continued the general trend of appreciation against USD in May 21 (at a rate of 0.7559).
- **SGD/CNY:** SGD depreciated against CNY in May 21 (at a rate of 4.8081).
- **USD/CNY:** USD continued the general trend of depreciation against CNY in May 21 (at a rate of 6.3674).

Singapore Interbank Offered Rate (SIBOR) Singapore Overnight Rate Average (SORA)



- **SIBOR Trend:** Since the dip in Apr 20, the 3-months SIBOR and the 12-months SIBOR has gradually stabilised to 0.436 and 0.811 respectively in May 21. The 1-months SIBOR continued to dip until Jun 20 before stabilising. It decreased slightly from 0.281 in Apr 21 to 0.265 in May 21.

Singapore Interbank Offered Rate (SIBOR) and Singapore Overnight Rate Average (SORA)



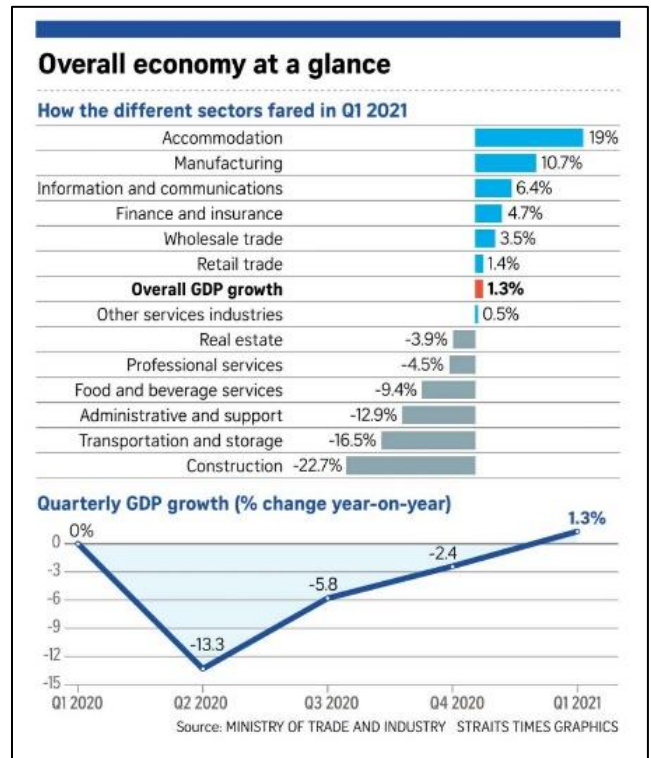
- **SORA Trend:** All three compounded SORA rates have stabilised to the 0.2 range.
- **Going forward:** The transition from SIBOR to SORA continues apace as DBS and Standard Chartered Bank executed Singapore's first SORA-based interbank option trade in May. Both banks have stated their goal of offering more SORA derivatives in the future.



• **1st Quarter Review:** The economy grew by 1.3% on a year-on-year basis in the first quarter of 2021. This is primarily due to the growth of the electronic, precision engineering and chemical clusters under manufacturing—which expanded 10.7% overall (see Fig 1).

On a quarter-on-quarter basis, manufacturing and construction expanded by 7.6% and 8.4% respectively while all the subsectors of services-producing industries except wholesale & retail trade and transportation & storage shrank. Services grew by 0.4% overall.

Fig 1: Q1 Economic Performance by Sectors
Source: Straits Times



- In the first quarter, Singapore drew **\$2.8 billion of fixed asset investments and \$1.9 billion total business expenditure**. 57% of the investments were in services. There is higher value-added generated per dollar of fixed asset investments in both services and manufacturing. The breakdown of the investments by sector is (see chart to right, Fig 2):

Revenue of the services sector decreased by 1.5% in the first quarter, on a year-on-year basis. Administrative & support services and recreation & personal services were the two hardest-hit services subsectors and will continue to be affected by the social and mobility restrictions put in effect during the heightened alert phase. Revenue of information & communication services increased by 21% due to digitalisation initiatives driven by the Singapore government and enterprises adoption.

Small and medium-sized enterprises (SMEs), which account for 43% of Singapore's nominal value added to the economy, generally began to recover in the first quarter. This is evidenced by an OCBC SME Index score of 51.2 points that quarter. The quarterly scores have been below 50 since the pandemic has begun. A score below 50 indicates that the health of SMEs had deteriorated that quarter.

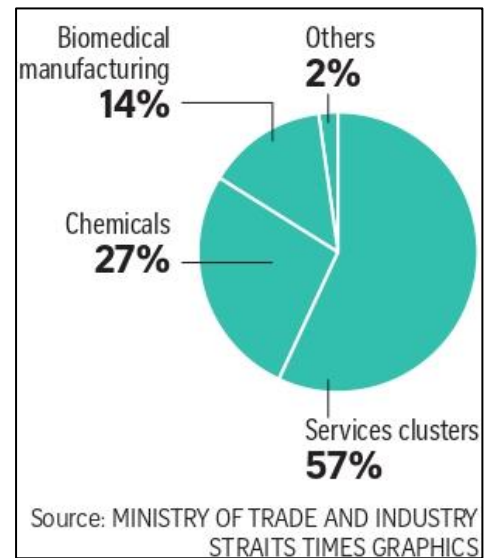


Fig 2: Fixed Asset Investment Breakdown by Sector

Source: Straits Times

- For May, core inflation rose to 0.8% (year-on-year) while overall inflation exceeded expectations and rose to 2.4%. As the increase is due to the low base effect, it is expected to be transitory.

According to a poll by Singapore Business Federation (SBF), 31% of manufacturing firms expect revenue to decrease by more than 25% due to the impact of the Heightened Alert (HA) Covid measures. This is lower than the 46% of other industries and the relatively positive sentiment stems primarily from the electronics cluster, which has benefitted from strong demand for semiconductors, 5G network implementations and other electronic components.

It is expected that Singapore will recover in tandem with the global economic recovery as the US, UK and Europe markets reopen. Singapore also continues to make headway in the domestic vaccination programme. At the end of May, the population coverage of fully vaccinated people is 29.9%. It is estimated that herd immunity (i.e. 75% of the population is vaccinated) can be achieved by September 2021.



- Easing manpower crunch for construction, marine shipyard and process sectors:** Foreign worker levy rebates will be increased from \$90 to \$250 per month, from May 2021 to December 2021, for companies in construction, marine shipyard and process sectors. This short-term measure will ease the manpower crunch caused by COVID-19 restrictions by leaving companies with more funds to retain existing workers or hire more workers from lower-risk countries. From 7 May to 7 November 2021, new Chinese work permit holders can obtain their skills certification in Singapore to prevent the arrival delay that may be caused by the lower number of training centres in China currently opened. The extension of public sector construction contract timelines by 49 days on top of the 122 days provided in the COVID-19 (Temporary Measures) Act is another measure implemented earlier to ease the manpower crunch. For eligible public sector projects, the government will also cost-share half of 0.2% of the awarded contract sum per month of delay, for a contract sum of up to \$100 million.

- **Help for tourism sector—SingaporeRediscovered Vouchers scheme extended to the end of 2021:** The Singapore Rediscovered Vouchers will continue to be eligible for use past its original June deadline, until December 2021. To date, 1.3 million transactions have been made under the vouchers scheme and contributed over \$200 million to tourism-related sectors. The transactions breakdown by industry is as follows: (Source: table graphic from Straits Times, data from Singapore Tourism Board)

Industry	Transaction revenue ▲	Number of transactions
Tours	\$11.4 million	124,000
Bundled packages	\$3.7 million	35,000
Attractions	\$51.6 million	793,000
Hotels	\$80.3 million	292,000

- **Helping food & beverage businesses, retail firms manage phase two heightened alert restrictions:** Enterprise Singapore (ESG) reintroduced the Food Delivery Booster Package and E-commerce Booster Package in May to help Food & Beverage (F&B) and retail businesses reduce delivery costs and increase their online operations as the phase two heightened alert period imposes a dine-in ban and other restrictions that reduce consumer footfall.

For the Food Delivery Booster Package, support will be available from 16 May to 15 July 2021. Merchants must prep food that is meant for immediate consumption on premise to be eligible:

	Whom it supports	How much it supports
Delivery via third party logistics	Businesses delivering through any of the following partners: Lalamove, Pickup, Zeek Logistics, GrabExpress, pandago, Chope, DLVRD, MilkRun, and YY Circle	20% of the delivery cost per trip, no cap on the qualifying food delivery transaction value
Delivery via food delivery platforms	Businesses delivering through any of the following partners: Deliveroo, foodpanda, GrabFood, and Bungkus	Reduction of 5% of the commission cost charged by the food delivery platform, no cap on the qualifying food delivery transaction value

For details on how to apply for the packages: <https://tinyurl.com/FoodDBP>

For the E-Commerce Booster Package, retailers can engage with one of ESG's appointed e-commerce platforms to establish an online sales avenue:

Whom it supports	What it supports	How much it supports
Singapore-based retailers that have a physical retail storefront	Appointed e-commerce platforms will help with content development, product listing, channel management, fulfilment, advertising and e-commerce capabilities training workshops	One-time support of 80% of qualifying costs, capped at S\$8000

For more on the specific eligibility criteria and application process: <https://tinyurl.com/ECommBP>

- **Singapore's long-term COVID-19 recovery plans:** Apart from the immediate relief measures for the three sector groups above, the government has begun two measures to help Singapore recover from the pandemic's effects in the long run.

Firstly, the Emerging Stronger Taskforce (EST) has completed a report that makes five recommendations to transform Singapore into a sustainability, technology and enterprise hub. These are:

- 1) Expand the **Smart Nation initiative**, which is currently a nationwide effort to integrate technology into the daily lives of citizens and operations of the government and businesses, to a global scale by both tapping into global resources and offering digitalisation solutions for other countries.
- 2) Seize growth opportunities from the sustainability sector by positioning Singapore's place as a hub for sustainability and for carbon trading and services, develop Singapore's AgriTech capabilities and complete end-to-end digitalisation of industry value chains.
- 3) Grow a pool of international Large Local Enterprises and strengthen local enterprises through tripartite collaboration
- 4) Institutionalise the Alliances for Action (AfA) model, which is a form of private-public partnership that enables the EST and its partners to testbed prototypes immediately after ideation, in the work of the Future Economy Council (FEC)
- 5) Strengthen international partnerships, with a focus on the business-to-business (B2B) connections in South-east Asia

For full report: <https://tinyurl.com/2021-ES-Report>

Secondly, the Industry Transformation Maps (ITM) 2025 will be refreshed to incorporate the above recommendations. In addition, it will be aligned more closely with the Research, Innovation and Enterprise (RIE) 2025 plans, and focus more on job creation and upskilling the workforce. Specifically, the FEC will align its projects with these four RIE domains:

- manufacturing, trade and connectivity
- human health and potential
- urban solutions and sustainability
- smart nation and digital economy

- **Updates on the new company set up after Singapore Press Holdings's restructuring:** The Newspaper and Printing Presses Act (NPPA) will apply to the new media company under a company limited by guarantee (CLG) that will be set up after Singapore Press Holdings (SPH) restructures its media operations. The Act restricts the ownership of local newspaper companies. One such restriction is the compulsory issuance of ordinary and management shares, where shareholders of the former hold less than 5% of the shares while shareholders of the latter have 200 times the voting power on staff appointment and dismissal. All SPH's management shareholders will be founding members of the CLG and membership in the new firm will be offered to more diverse institutions in the future.

In addition, to ensure that the CLG will successfully navigate the challenges print media faces due to technological trends, the government will fund the firm's digital innovation and capability development after it proposes a detailed strategic business plan.

- **Renewed Singapore-Japan currency swap pact:** Monetary Authority of Singapore (MAS) and the Bank of Japan renewed the bilateral currency swap arrangement that allows Singapore to swap Singapore dollars for Japanese yen, up to US\$3 billion or its equivalent in yen, and for Japan to swap yen for Singapore dollars up to US\$1 billion. The arrangement has also been modified to align with the Chiang Mai Initiative Multilateralisation (CMIM) agreement. The CMIM is a multilateral currency swap arrangement between ASEAN states plus China, Japan, and South Korea.

- Enhanced Digital Acceleration Grant (DAG) scheme:** The DAG scheme, which was launched in April 2020 to support smaller Financial Institutions (FIs) and FinTech firms in adopting digital solutions to mitigate the effects of COVID-19, will receive an additional \$30 million funds from the Monetary Authority of Singapore (MAS) till 31st December 2021. The total grants available under DAG is \$65 million. Life insurance and general insurance agencies with less than 200 agents and employees are also eligible for the DAG. For more details on the changes to the DAG, refer to: <https://tinyurl.com/DAG-Changes>

The DAG currently supports two types of project tracks—the Institutional Project track and the Industry Pilot track:


	Whom it supports	What it supports	How much it supports
Institution Project	Singapore-based FIs and FinTech firms with less than 200 staff	Adoption of digital solutions that can improve the firm's productivity, operational resilience, risk management capability and customer service	80% of qualifying expenses, up to \$120,000 per entity
Industry Pilot	Singapore-based FIs with less than 200 staff	Joint projects between <u>at least three smaller FIs</u> to customise digital solutions that will be implemented within their institutions	80% of qualifying expenses, up to \$100,000 per participating FI per project

For more details on the grant criteria: <https://tinyurl.com/DAG-Details>

- New Regulatory Technology (RegTech) grant scheme:** The Monetary Authority of Singapore (MAS) announced the RegTech scheme to help Singapore-based FIs adopt and integrate technology in risk management and compliance. It currently has two tracks—the Pilot track and the Production Level Project track:

	Whom it supports	What it supports	How much it supports
Pilot	Singapore-based FIs	Piloting RegTech solutions, applicable for in-house development or commercial partnerships with local RegTech firms	Capped at S\$75,000
Production Level Project	Singapore-based FIs	Development of larger scale customised projects that can be fully integrated into the institution's systems, applicable for in-house development or commercial partnerships with local RegTech firms	Capped at S\$300,000

Singapore has been strongly promoting the growth of the RegTech sector. MAS and Govtech had launched the MyInfo initiative, which allows citizens to authorise 3rd party access securely and easily to their data on digital platforms. By 2018, more than 20 FIs were already using the service to provide more than 110 financial services. The Singapore FinTech Association (SFA) has launched the RegTech sub-committee in 2019 and worked with the Fintech Association of Hong Kong (FTAHK) and Fintech Association of Japan (FTJ) to launch the APAC RegTech Network. This network will facilitate cross-border collaboration on RegTech use and education across Asia Pacific. SFA has also signed a memorandum of understanding with Australia's RegTech Association to increase engagement with the RegTech ecosystem. There are currently 82 firms listed on SFA's directory of RegTech firms in Singapore.



MANUFACTURING & TECHNOLOGY

- **Biomedical cluster as key for Singapore's growth into an advanced manufacturing hub:** In his recent speech for Biopharma Industry Day 2021, Trade and Industry Minister Mr Chan Chun Sing highlighted that the development of the biomedical ecosystem is key for the maturation of Singapore's manufacturing sector from low-end to high-end manufacturing.

Currently, Tuas Biomedical Park hosts 13 global biopharmaceutical companies and encourages the formation of dense inter-firm networks that are foundational for knowledge-sharing. This year, BioNTech, the vaccine maker of the Pfizer COVID-19 vaccine, will join this collection of multinational corporations by opening its South-east Asia headquarters in Singapore. It will also begin construction of an mRNA manufacturing facility that has end-to-end production capabilities and can produce hundreds of million doses of mRNA-based vaccines per year. BioNTech chief executive Ugur Sahin positions these decisions as a long-term investment in Singapore, with the intent to develop the country into a regional or even global vaccine and therapies supplier centre.

As for local biomanufacturers, Singapore-based diagnostics company BioCheetah plans to establish a facility in the China-Singapore Guangzhou Knowledge City while Esco Lifesciences Group (a local manufacturer of laboratory and medical equipment) recently raised \$265 million of funds. Its investors include life science investor Novo Holdings, healthcare investor Vivo Capital, China's sovereign wealth fund China Investment, and Singapore's sovereign wealth fund GIC. Part of the funds will be used for acquisitions of equipment makers across Asia, Europe and North America by leveraging Singapore's neutral status.

The manufacturing 2030 plan also serves to steer Singapore towards being a regional biomanufacturing platform and to strengthen local biomanufacturing capabilities. One of the three key strategies in this plan will be to focus on developing the biomanufacturing talent pool in Singapore. An example is the Biopharma Industry Day which is a flagship event of the Biopharmaceutical Manufacturers' Advisory Council (BMAC) and JTC. The event was attended by 1800 students and job seekers which gave them insights into the industry. Workforce Singapore (WSG), Temasek Polytechnic (TP), and Novartis Singapore Pharmaceutical Manufacturing Pte Ltd (NSPM) have also collaborated to create the Professional Conversion Programme (PCP) for Advanced Biopharmaceuticals Manufacturing to build up skilled manpower. Singapore aims to be a regional education hub for the development of biopharma talents. GlaxoSmithKline (GSK) for example has established one of its two global learning centres in Singapore.



DIGITAL CONNECTIVITY & INNOVATION

- **Launch of nationwide parcel delivery locker network:** About 1000 lockers will be deployed by Pick Network in HDB estates, MRT stations, bus interchanges, and community centres by the end of 2021. Each locker will be reachable within a five-minute walk from the estate's HDB blocks. Pick Networks is wholly owned by Infocomm Media Development Authority (IMDA), which means that the locker network servicing public estates will be government operated. These lockers will be accessible for all e-commerce and logistics providers and are meant to complement commercial parcel locker providers by extending the last-mile fulfilment infrastructure into public estates previously unreachable by the commercial providers. Together with commercial providers such as blu and Singapore Post, Pick adds to the Locker Alliance Network, which is a platform launched by IMDA to allow online retailers and various locker operators to interface their services under one interoperable system. For parcel collection, Pick has already partnered with online marketplace Qoo10 and will add other marketplaces (e.g. Lazada and Shopee) and logistics providers (e.g. J&T Express, Ninja Van) as partners by mid 2021. For parcel return, Pick has partnered with eight logistics providers (e.g. FedEx, UPS). To use Pick's lockers—which range from shoebox sized to luggage sized—the company will be charged a fee. Over 200 lockers have already been installed by Pick. Parcel lockers can improve delivery efficiency by four times and will be important for supporting Singapore's fast-growing e-commerce sector, which grew by 87% to \$5.3 billion in gross merchandise value from 2019 to 2020.
- **More opportunities to collaborate with Singapore through Eureka network:** Singapore officially joined Eureka network as an associate country in May. Eureka network is an intergovernmental network between over 45 countries to increase the innovativeness of member countries' businesses and academia through cross-border collaboration in applied Research and Design. Member countries are required to have a representative national funding body that can support the network's organisations. For Singapore, Enterprise Singapore (ESG) will fulfil the role. ESG and Eureka have collaborated on three co-innovation calls, which saw more than 40 local firms partnering with firms from more than 20 countries, before the membership was officially given. In addition to funding, ESG is also a contact point for overseas businesses in the network who are seeking international project partners. ESG also provides customised advisory services and funding for joint innovation projects.



SUSTAINABILITY

- **Development of masterplan to make Lim Chu Kang into an agri-tech core begins:** Singapore Food Agency (SFA) hosted the first two engagement sessions for public and industry input on the development of Lim Chu Kang into a high-tech agriculture centre in May. The farms in the area will be redeveloped to increase its food production to more than three times to support Singapore to achieve its goal to be self-sufficient for 30% of its nutritional needs by 2030. By building shared facilities like waste treatment plants and using by-products of farming to fuel other needs in the agri-food ecosystem, this productivity aim will be sustainably achieved. The Lim Chu Kang masterplan will also incorporate educational tours, researcher visits, farmers' markets and other farmland-supporting elements to develop the area into an agri-food cluster.
- **Doubling Singapore's greasy waste treatment capacity:** Singapore's national water agency PUB will build two new greasy waste treatment facilities. One will be located next to the Changi Water Reclamation Plant and food waste treatment facility. The other facility is part of the integrated water and solid waste treatment facility located in Tuas Nexus. Both plants can process up to 12,000 cu m of waste per month. The co-location of both greasy waste facilities with other waste treatment facilities will enable the co-digesting of waste materials to produce a higher biogas yield (possibly 40% more than isolated waste digestion) to power water reclamation plants.



TRANSPORTATION

- **Military testing use of driverless vehicles on bases:** Singapore Armed Forces (SAF) will trial test the use of four electric autonomous vehicles (AV) in May. These vehicles will be used to move equipment in the first phase of the trial and passengers in the second phase. Both scheduled services and on-demand services requested through a mobile app will be provided by these vehicles. The vehicles have a maximum load capacity of 1000kg, or up to 10 people, and have five-hour battery life. Both the Singapore Air Force and navy will be testing AVs in their systems as well.
- **Woodland's integrated transport hub to operate soon to support Singapore's North region as transport node:** The Woodlands Bus Interchange, an integrated transport hub, will open on June 13, extending the existing transport infrastructures of the North-South Line and the Thomson-East Coast Line. In 2026, a Transit Priority Corridor (TPC), which is a redesigned road that gives more space to public transport and active modes, will be implemented in the region too. The 21.5Km North-South Corridor will connect Woodlands to the city and will further reinforce the North as a transport node.
- **LTA will regulate both electric vehicles and electric vehicle chargers:** A new law has been passed in May that sets the Land Transport Authority (LTA) as the regulatory authority of electric vehicle (EV) chargers in addition to EVs. By consolidating both segments under its jurisdiction, LTA will have oversight of both the development of and the installation of charging infrastructure. LTA will also review existing EV technical standards and safety precautions and set new EV charging standards in the future. The government is also considering the mandatory installation of chargers for new buildings, among other EV infrastructure-related legislations.

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