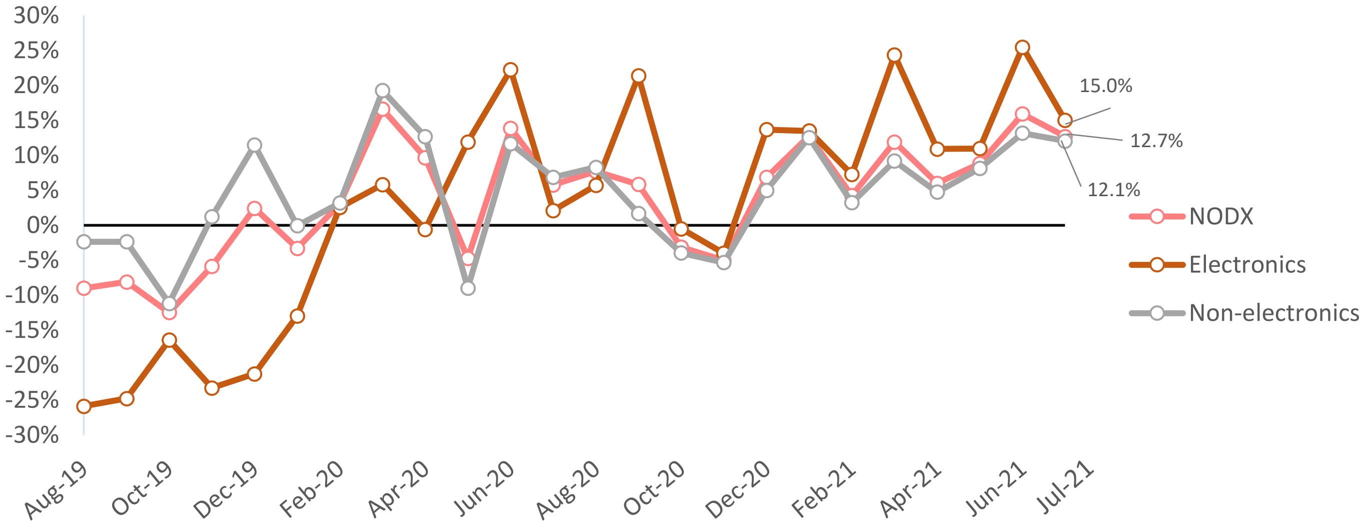
JUL 2021

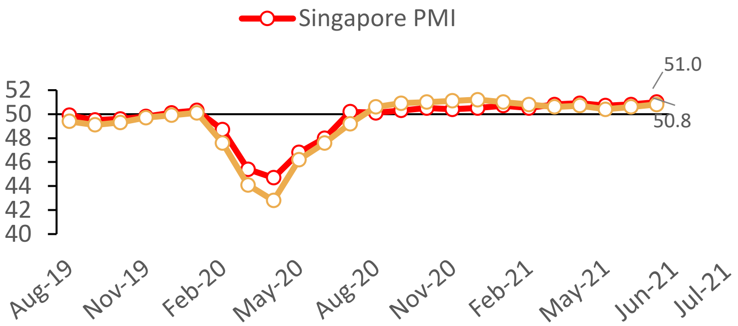
In July, Singapore announced the return to Phase 2 Heightened Alert measures as Covid-19 cases soared. This caused a setback in Singapore's economy. While uncertainties remain, the Singapore economy is likely to recover due to relative successful vaccination roll-out and government policies. This would allow for the gradual reopening of the economy, for long-term economic recovery to eventually take place.

Non-Oil Domestic Export (NODX)



- **Trend:** Overall NODX, electronics and non-electronics exports all increased in Jul 21, continuing the increasing trend since Jun 21. Growth rates slowed in all 3 categories in Jul 21 in comparison to Jun 21:
  - NODX rose by 12.7%, slower than the 15.9% in Jun
  - Electronics rose by 15.0%, a fall from the 25.5% in Jun
  - Non-electronics rose by 12.1%, slowing from the 13.2% in Jun
- **Main contributors to growth (electronics):** PCs, ICs and diodes & transistors, which expanded by 83.2%, 11.1% and 29.7% respectively
- **Main contributors to growth (non-electronics):** Specialised machinery, pharmaceuticals and petrochemicals, which expanded by 56.8%, 48.3% and 49.4% respectively
- **Going forward:** NODX to key markets generally experience growth, with the exception to US (down 50.7%). NODX to China went up to 58.5% from 27.5% in the previous month, and Taiwan from 41.7% down to 37.0% growth. While growth has slowed due to the recent developments regarding Covid-19 in the region, Singapore's economic recovery is likely to continue as vaccination-roll out continues, allowing more economic activity to take place.

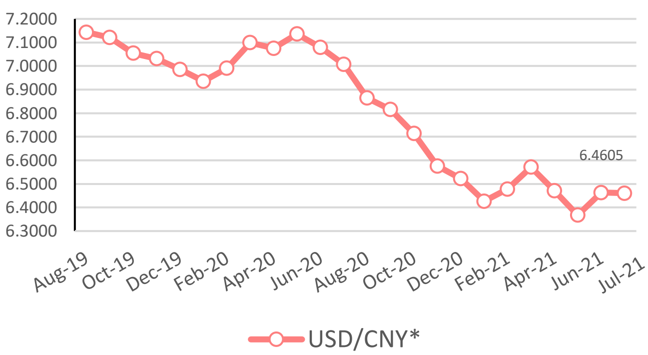
Purchasing Managers Index (PMI)



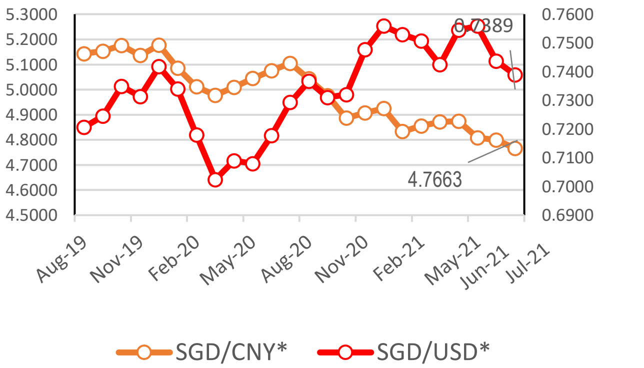
- **Trend:** PMI remains stable above the 50-point mark in Jul 2021, with Singapore PMI increasing from 50.8 in June to 51 in July and electronics PMI increasing from June's 50.6 to July's 50.8.
- **Going forward:** Manufacturing output is expected to increase by 10.5% in 2021, and continue to experience growth in 2022, according to Focus Economics Consensus Forecast panellists.

Foreign Exchange Rates (FX)

USD/CNY

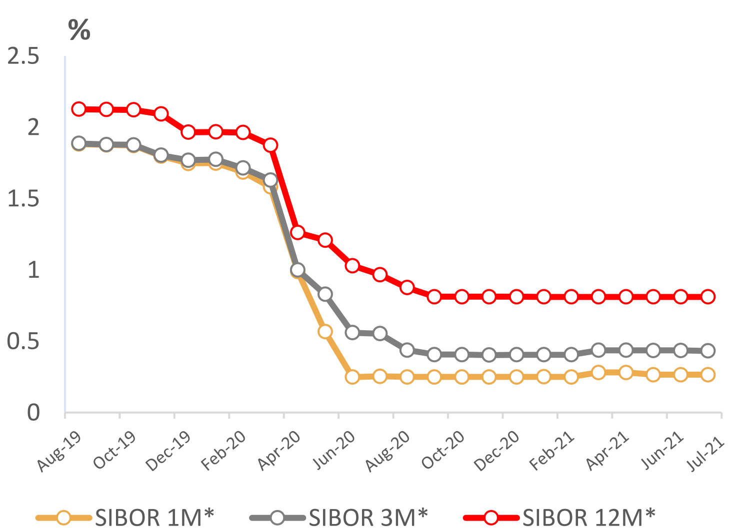


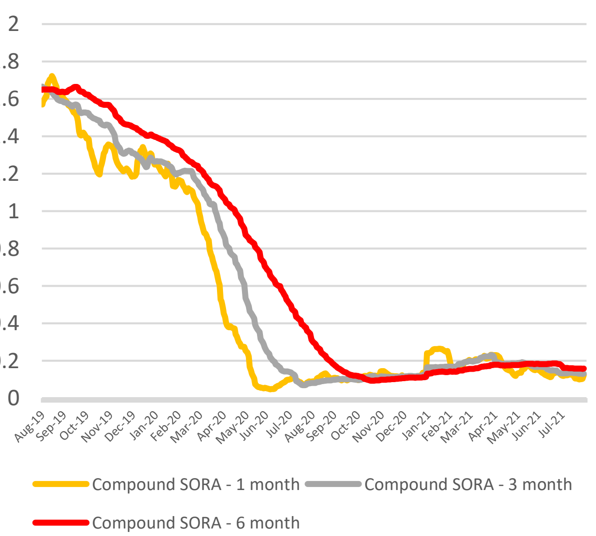
SGD/CNY **SGD/USD**



- **SGD/USD:** SGD depreciated against USD in July 21 (at a rate of 0.7389).
- **SGD/CNY:** SGD depreciated against CNY in July 21 (at a rate of 4.7663).
- **USD/CNY:** USD depreciated against CNY in July 21 (at a rate of 6.4605).

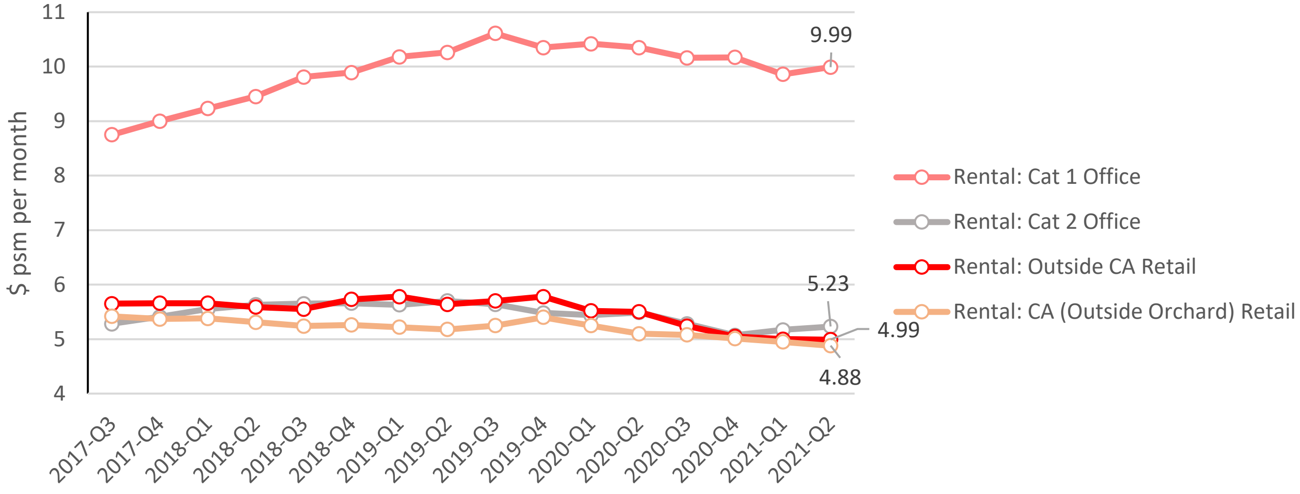
Singapore Interbank Offered Rate (SIBOR)
Singapore Overnight Rate Average (SORA)

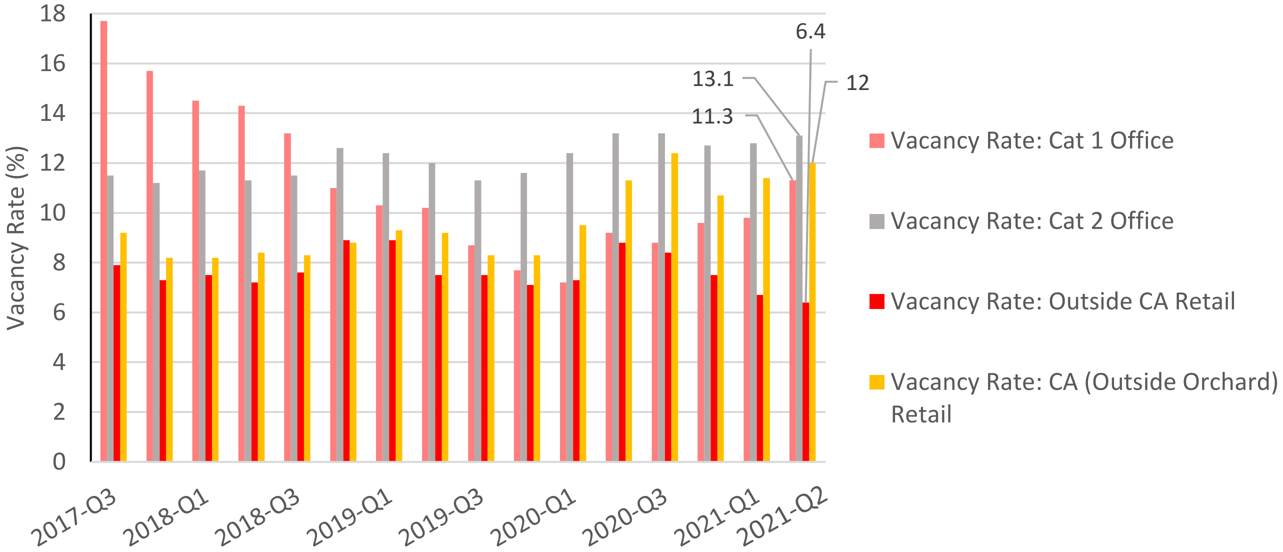




- **SIBOR Trend:** The 1-month SIBOR, 3-months SIBOR, and the 12-months SIBOR remain stable at 0.265, 0.432, and 0.811 respectively.
- **SORA Trend:** All three compounded SORA rates have fallen slightly below 0.2 range.

Median Rentals and Vacancy Rates for Offices and Retails





- **Median rental:** Median rental of Cat 1 offices (located in core business areas in Downtown Core and Orchard Planning Area) and Cat 2 offices (localities not included in Cat 1) both increased in Q2. Median rental of retail space in Outside Central Area (CA) and retail space in CA (outside Orchard) median rental both decreased in Q2.
- **Vacancy rate:** The vacancy rate of Cat 1 offices, Cat 2 offices, and CA (Outside Orchard) Retail all increased in Q2. The vacancy rate of Outside CA Retail decreased in Q2.
- **Analysis:** The increasing trend in median rental for office spaces is due to the increase in demand for offices, primarily from technology firms, financial institutions, and investment funds. By taking up spaces vacated by banks now, these firms were able to secure lower rents during the pandemic to expand operations at higher quality office spaces. This flight to quality explains the relatively larger increase in median rental for Cat 1 offices than Cat 2 offices. In addition, economic recovery combined with a steady vaccination roll-out contributes to a return to in-person work. . Despite increase in demand for Category 1 offices, however, vacancy rates of these offices continue to rise as the supply continue to increase. Occupied office space shrank by 23,000 sq m net lettable area (NLA) while the stock of office space grew by 34,000 sq m NLA. Cushman & Wakefield expects rents to increase by 1% to 3% in the second half of 2021.
- The general decrease in median rental and increase in the vacancy rate of retail spaces is due to reduced demand for physical retail spaces amidst the crowd restrictions during phase 2 (heightened alert). The shift to online shopping combined with continued COVID-19 restrictions may further extend this decreasing trend in median rental and increase in retail space vacancy rate in the rest of 2021. The slight decrease in the vacancy rate of Outside CA retail (from 6.7% to 6.4%) may be due to the shift in physical shopping from CA to heartland malls.

- In Q2 2021, GDP expanded by 14.7% YOY, which is a jump from the 1.5% in Q1 2021, according to Ministry of Trade and Industry (MTI). The jump can be mostly attributed to the low base in Q2 2020, where GDP fell by 13.3% due to measures implemented to curb the spread of Covid-19. In absolute terms, the Q2's GDP was 0.6% below Q2 2019, before the pandemic hit. MIT said that GDP is expected to grow 6 to 7% in 2021.

Growth by Sector*:

1) Manufacturing – grew by 17.7% year on year
2) Construction – grew by 106.2% year on year
3) Wholesale trade sector – grew by 2.9% year on year
4) Retail trade sector - grew by 50.7% year on year
5) Transportation and storage sector - grew by 20.9% year on year
6) Accommodation sector - grew by 13.2% year on year
7) Food and Beverages - grew by 36.7% year on year
8) Information and Communications sector - grew by 9.6% year on year
9) Finance and Insurance sector - grew by 9.1% year on year
10) Real estate sector - grew by 25.8% year on year
11) Professional services sector - grew by 9.4% year on year
12) Administrative and support services – contracted by 1.3% year on year
13) Others – grew by 15.8% year on year

*Data taken from Ministry of Trade and Industry Singapore

(Source: https://www.singstat.gov.sg/-/media/files/news/gdp2q2021.pdf)

Revised FY2021 fiscal position

	Estimated FY2021 ($billion)	Revised FY2021 (As at July 5, 2021) ($billion)	Change over estimated FY2021	
			($billion)	(% change)
Operating revenue	76.6	76.5	(0.1)	(0.2)
Less:				
Total expenditure	102.3	101.9	(0.5)	(0.5)
Primary surplus/deficit[1]	**(25.7)**	**(25.4)**		
Less:				
Special transfers[2]	4.9	5.8	1	20.2
Basic surplus/deficit[3]	**(30.6)**	**(31.2)**		
Top-ups to endowment and trust funds	-	-	-	-
Add:				
Net Investment Returns Contribution	19.6	19.6	-	-
Less:				
Debt servicing costs[4]	-	0	0	NA
Overall Budget surplus/deficit	**(11)**	**(11.6)**		
Add:				
Capitalisation of nationally significant infrastructure	-	0.6	0.6	NA
Less:				
Depreciation	-	-	-	-
Overall fiscal position	**(11)**	**(11)**		

NOTES:
- Due to rounding, figures may not add up. Negative figures are shown in parentheses.
- [1] Surplus/deficit before special transfers (including top-ups to endowment and trust funds) and Net Investment Returns Contribution.
- [2] Special transfers including top-ups to endowment and trust funds.
- [3] Surplus/deficit before top-ups to endowment and trust funds, and Net Investment Returns Contribution.
- [4] Debt servicing costs for Revised FY2021 estimated to be $1 million.

Source: MINISTRY OF FINANCE STRAITS TIMES GRAPHICS

Table 1: Singapore's fiscal position
Source: Straits Times

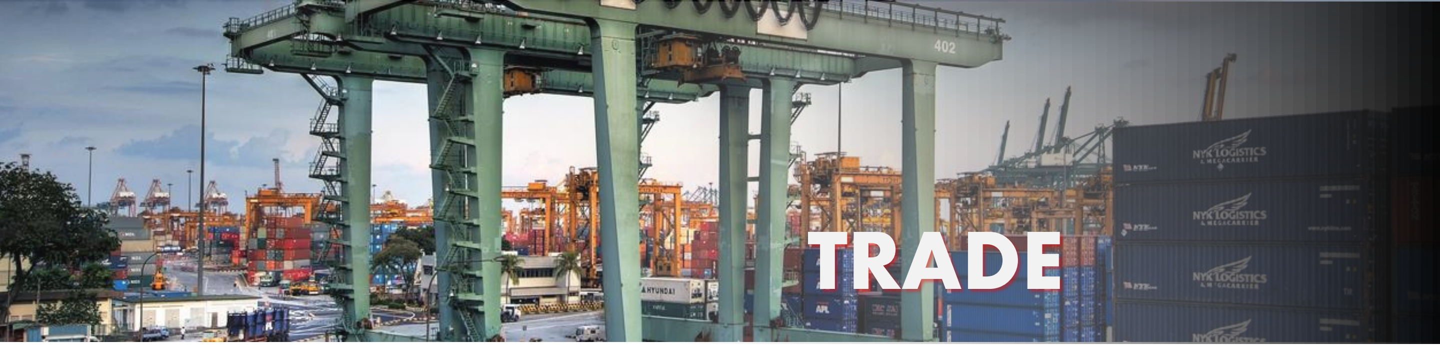
Fixed Asset Investment: In the second quarter, according to the Economic Survey of Singapore released by Ministry of Trade and Industry, Singapore fixed asset investments increased to $3.6 billion while the total business expenditure dropped to $1.4 billion. For fixed asset investments: The electronics cluster -under manufacturing - had $1.3 billion worth, while $603 million was channelled into biomedical manufacturing. Research and development had also garnered $594 million, the most within the services sector.

For total business expenditure: The electronics cluster had $178 million while for biomedical medical manufacturing, $142 million. Headquarters and professional services garnered $445 million while for the research and development cluster, $227 million.

Core inflation is expected to be between 0% - 1% while overall inflation is forecast to increase from initial range of 0.5%-1.5% to 1%-2%. Core inflation gone down to 0.6%, though it is expected to increase in the future while overall inflation is likely to let up by year end.

Core inflation is a measure that 'excludes transitory or temporary price volatility as in the case of some commodities such as food items, energy products etc. It reflects the inflation trend in an economy.'*

*Quoted from Economic Times



TRADE

• **Singapore's maritime centre to maintain top spot in 2021 Xinhua-Baltic International Shipping Centre Development (ISCD):** Due to Singapore's strategic location, supportive government policies and infrastructure, Singapore has once again clinched the top position in 2021 ISCD. Despite the pandemic, 17 international shipping groups have established or expanded their business in Singapore last year. Furthermore, container output was also at a staggering rate of 3.1 million TEUs as of July, according to the Maritime and Port Authority of Singapore (MPA). MPA continues to build up the maritime capabilities through nurturing talents and digitalization. Supportive government policies are also being put in place, such as the Maritime Sector Incentive (MSI), which allows eligible companies to have a tax exemption for qualifying shipping income.

BUSINESS ENVIRONMENT

• **Comparatively lower average effective tax rates for Small to Medium-sized (SMEs) Enterprise in Singapore:** SMEs paid 2.8% of effective tax for Year of Assessment (YA) 2019 – a fall from 3.4% in YA 2010. In the same ten-year period, the effective tax rates for non-SMEs, on the other hand, ranged from 8% to 10%. There are ~~also~~ tax schemes such as (1) Tax Exemption Scheme for New Start-Up Companies, (2) Partial Tax Exemptions for all companies and (3) Corporate Income Tax Rebate. The corporate income tax rebate is for all companies, regardless of their size, to support and ease business' cashflow.

• **Increase demand for office spaces:** Demand for Category 1 office on the rise as technology firms, financial institutions and investment funds relocate or expand, according to Cushman & Wakefield's forecast. By taking advantage of this pandemic, firms are able to rent better offices at a lower price as banks vacated the office space. Despite increase in demand for Category 1 offices, however, vacancy rates of these offices continue to rise as the supply continue to increase. Rent for office spaces expected to increase by 1% - 3% in the second half of 2021.

- **Singapore to tighten monetary policies earlier than counterparts:** As vaccination rates continue to increase and inflation continues to rise, the Monetary Authority of Singapore (MAS) is likely to tighten monetary policies earlier than other Southeast Asia countries. The relative success of the vaccination will most likely result in the economy to reopen sooner than later. The Singapore dollar is therefore expected to have a higher appeal for speculators/business owners as a sanctuary. MAS has also recently announced for dividend restrictions on finance companies and banks to be removed, given that the economic outlook globally has since look up.

- **Investment in Singapore:** The portfolio of Temasek is valued at $381 billion, as of 31 March 2021, marking a $75 billion worth of increase compared to the previous year. Anchored in Asia, Temasek has 27% of underlying assets in China and 24% in Singapore. Temasek aims to invest in ways for sectors to become more climate align, as well as form a sustainability council.

Plans by Singapore Exchange (SGX) to allowing listing of a special purpose acquisition company (Spac) in Singapore are also in the making. Vertex Holdings, a venture capital holdings company that is under Temasek, plans to do so as a means to raise fund. The criteria proposed by the Singapore government are as follows*:

1) A $300 million market capitalisation minimum and at least 25% of the total number of issued shares held by at least 500 public shareholders at IPO
2) A minimum IPO price share of $10 per share
3) At least 90% of IPO proceeds placed in escrow pending the acquisition of a target company
4) Any warrant (or other convertible securities) issued with the ordinary shares of the SPAC at IPO must be non-detachable from the underlying ordinary shares of the SPAC for trading on SGX.

*Bullet points are quoted from SGX (Source: https://www.sgx.com/regulation/public-consultations/20210331-consultation-paper-proposed-listing-framework-special)

It will be the first Spac listing in Singapore if the plans go through.

- **Funding for tech start-ups in Singapore:** The Special Situation Fund for start-ups announced back in June 2020 have supported 25 tech start-ups, ranging from e-commerce to healthcare sectors. This scheme allows private-sector investors, Economic Development Board (EDB)'s investment arm, EBDI, and Seed's capital to co-invest in start-ups that align with Singapore's national priorities, where EDBI and Seeds Capital will invest a dollar for dollar invested by the private investors. The aim of the scheme was to bring investments into start-ups with high potential, tiding them through the Covid-19 period – a time where they might be facing challenges regarding raising funds or cashflows. A total of $216 million have been raised as of 28 July. Overall, local tech start-ups raised a total of $5.3 billion despite the pandemic.

- **Launch of Bosch innovation hub:** Bosch have established their innovation hub in Singapore, with the aim to establish a network of cooperation for start-ups in the region. Bosch have also launched AquaEasy, an aquaculture start-up unit under Growth, which seeks to improve farm yield and predictability through tracking water quality using analytics and software. This is likely to bring Singapore a step closer towards the goal of '30 by 30' – where by 2030, 30% of the food required by the nation is produced locally. EDB New Ventures and Bosch have both invested in AquaEasy.

LABOUR MARKET

- **Training opportunities for those in the tech industry:** Google will expand the Skills Ignition programme, a training program that is expected to benefit 600 people in Singapore. Skills Ignition SG is a training program in partnership with Economic Development Board, Infocomm Media Development Authority (IMDA) and SkillsFuture Singapore, with the aim to reskill and upskill workers with skills needed for Digital Marketing or Cloud Technology. The program was launched last year July, with the intent of upskilling 2,400 participants through vocational training and 600 through a combination of first-hand job experience and online training. Currently, according to estimates from IMDA, the digital economy in Singapore has 19,000 unfilled technology jobs every year. There are only about 7,000 graduates from Information and communication technology major in Singapore.

- **Higher approval rate for work passes for employees in tech sector:** Approximately 90 work passes for foreign workers in the tech sector - otherwise known as the Tech.Pass - have been approved, a comparatively significant increased from the 22 in March. These work passes fall under the Tech.Pass scheme managed by the Economic Development Board (EDB), a visa aimed to attract global talents from the tech field.

  For more information regarding the Tech.Pass: https://www.edb.gov.sg/en/how-we-help/incentives-and-schemes/tech-pass.html

- **Continued growth in employment in infocomm media sector:** Employment for locals in infocomm media sector increased by 5% in 2020, even as employment as a whole decreased by 5.4%. It is projected that this industry will continue to grow in the next few years, as the economy continues to digitalize. Spending on infocomm technology is anticipated to surpass US$1 trillion in Asia-Pacific by 2024. Currently, the infocomm sector has created 35,000 for local professionals, with around 6,000 of those positions vacant.

- **Preparing Singapore's workforce for the ever-changing economy:** National University of Singapore (NUS) will work with two top Indonesia Universities. Scholarships will be offered to students from Gadjah Mada University (UGM) and University of Indonesia (UI) who will partake in the Master of Science in Venture Creation programme, according to the memorandum of understanding (MOU) signed. Initiatives will also be launched to build and expand deep-tech enterprises in Indonesia. The aim of this partnership is to encourage entrepreneurship and innovation in the students through providing opportunities for them to do so.

Temasek Poly has opened its Smart E-Commerce Centre (SMEC), which aims to equip students with the necessary skillset to thrive in the digital economy. The SMEC, established with the support of SkillsFuture Singapore, includes in-campus unmanned brick and mortar stores and online stores, giving the students the opportunity to build up their skills and acquire knowledge in e-commerce. There will also be training opportunities for individuals who are already in the workplace, looking to upskill in areas such as E-Commerce Branding & Digital Marketing, Inventory Management and Workplace Digital Literacy.

Singapore Institute of Technology (SIT) have also opened their new campus in the Punggol digital hub, a smart district for tech companies. This immerses the students in an environment conducive for learning as well as provides more opportunities. SenseTime, an AI company, has also partnered with Institute of Technical Education (ITE) and Business China to equip students with the necessarily skillsets through curriculum and internships.

DIGITAL CONNECTIVITY & INNOVATION

• **A smarter Singapore:** Technology firms in Singapore can now better benefit from a smarter environment. The Punggol digital district (PDD) is a smart district that combines a business park, an educational institute as well as community facilities. It will be Singapore's first district that operates on a cloud system, allowing for the centralization of data collection, also serving as a location for companies to trial their digital innovations and solutions. The district has currently attracted its first four firms:

1) Delta Electronics Int'l Singapore
2) Boston Dynamics
3) Group IB
4) Wanxiang

The creation of 2,000 tech jobs is to be anticipated for now. As PDD gradually open from 2024, a total of 28,000 digital economy jobs are to be expected.

The real estate sector is shifting towards digitalizing their operations, given the manpower shortage as a result of the pandemic. GuocoLand, a real estate developer, have disclosed its collaborations with local tech firms in an effort to digitalize. Some of the partnerships include:

1) Working with Operva AI to use drones for building inspections
2) Working with Airsquire and SpaceAge Labs to monitor progress of construction and usage of facilities
3) Working with Doxa to ease the process of procurement and transaction
4) Working with Groundup.ai detect any falls or dangers for elderly at home

Government agencies are also implementing some of this digitalization. Housing Board and JTC for instance, have made use of drones and AI for inspecting buildings and identify those in need for maintenance. The Public Utilities Board (PUB) in Singapore also has plans to install smart water meters in housing estates, industrial and commercial buildings.

• **Payment services gains popularity in Asia**: The prevalence of smartphones in Asia has led to a boom in popularity for payment platforms such as Pine Labs and Grabpay. Pine Labs provides digital solutions, easing the transaction for both the seller and the buyer. Furthermore, it also offers a 'pay later' option for approximately 100 million people- a program where buyers can pay in instalments for certain products. Pine Labs is currently valued at US$3 billion. Grab, a leading payment platform in Southeast Asia, have also further cooperated with Ayden to provide a similar 'PayLater' option for its users. Consumers have a choice of interest-free payments (where they have to pay over four instalments) or a PayLater Postpaid (where they pay the following month). It was reported that Zalora, an online fashion retailer, had experience a 20% increase in new consumers and a 15% growth in shoppers using Grabpay to purchase after the introduction of the PayLater option.

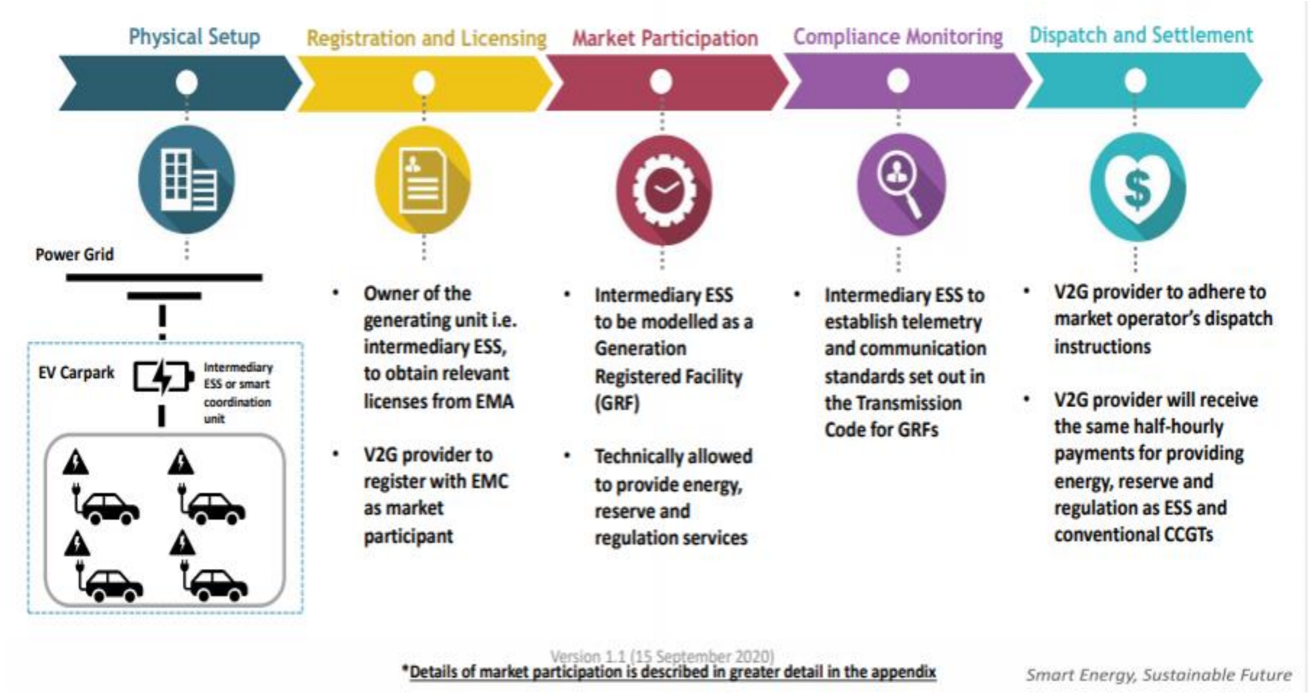
TRANSPORTATION

- **Greener transport - Electric vehicle (EV):** In lieu of the deployment of electric trucks for waste and recyclables collection, Sembcorp has launched an EV charging hub in Tuas. The shift towards EV is part of the firm's efforts to support the Singapore Green Plan 2030.

For more details on Singapore Green Plan, refer to URL: https://www.greenplan.gov.sg/

Sembcorp's push for greener transport is likely to expand the EV charging network, in turn easing the switch towards EV. The charging hub is set to be open to public use for industrial vehicles by 2022.

Trials for charging points that extract electricity from EVs have also begun, according to SP. This vehicle-to-grid (V2G) technology, which allows transfer of energy between EV's batteries and power grid, is likely to increase power grid reliability. This technology allows power grids to support the expected jump in EV usage by 2040. The Energy Market Authority (EMA) intends to provide support for business models regarding the new energy system. While V2G is currently still under trials, the government has illustrated how one might partake in the new business model:



For more information regarding V2G and EMA:
https://www.ema.gov.sg/cmsmedia/PPD/Co%20creation%20Facilitating%20V2G%20Uptake%20in%20Singapore%20Sep%202020.pdf

- **$8 million worth of funds for Energy start-ups in Singapore:** Shell and Energy Market Authority (EMA) have jointly pledged another $4 million to the Shell StartUp Engine program – a program that aims to support local clean energy start-ups establish and expand their presence in the market, as well as build their capabilities. The previous $4 million was pledge at the start of this partnership in 2019. Since the start of this program, twelve start-ups have benefitted from it.

- **Net-zero energy infrastructure in Singapore:** DBS has announced its decision to spend $5 million on transforming their office into a net zero energy building. This is in lieu of Singapore's Green Plan 2030, which aims to have 80% of the buildings green. Portion of the cost is being offset by a grant from Green Buildings Innovation Cluster (GBIC) Program, a scheme managed by the Building and Construction authority.

For more information regarding the Green Building Innovation Cluster (GBIC) Programme: https://www1.bca.gov.sg/buildsg/buildsg-transformation-fund/green-buildings-innovation-cluster-gbic-programme

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