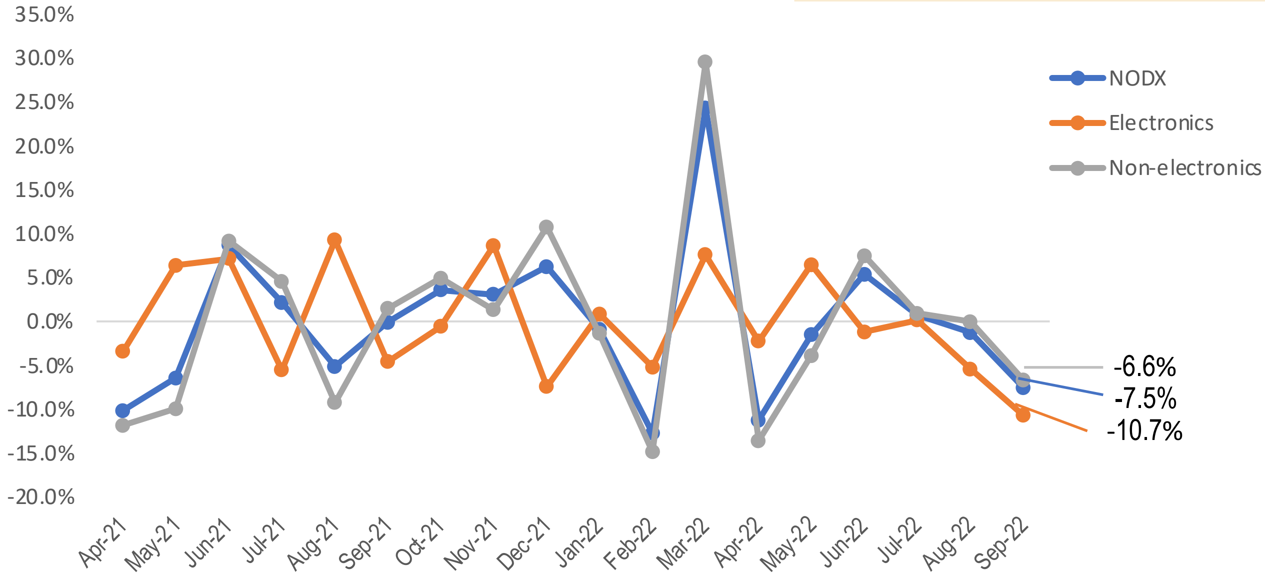
OCT 2022

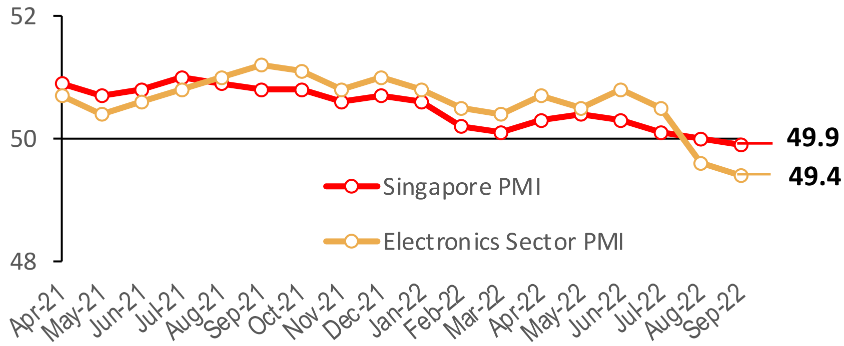
Singapore has a better than expected GDP growth of 4.4% YOY in Q3 2022. Going into Q4, the economy growth is expected to slow further amid weaker external demand conditions. Various business activities have started to show the sign of slowing down following the worsening of global economy. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook

Non-Oil Domestic Export (NODX)



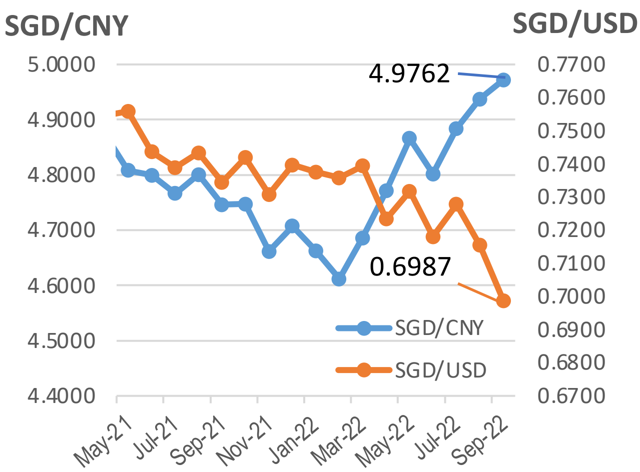
- **Trend:** NODX, electronics and non-electronics exports in general have continued the decline trend in September:
  - NODX declined by 7.5%, a further reduction of 1.3% in Aug
  - Electronics declined by 10.7%, a further reduction of 5.4% in Aug
  - Non-electronics declined by 6.6%, a reduction from close-to-zero in Aug
- **Electronics:**The Integrated Circuits (IC) and its part components declined by 16% and 20% each, which both of these segments made up of 50% of total Electronics.
- **Non-electronics:** All segments in the non-electronics shrink with the major decline in pharmaceuticals of 23%.
- **Going forward:** : The global demand is heading towards a downturn on the back of more aggressive monetary policy tightening. The NODX growth is expected to turn even weaker in the remaining months of 2022, and may continue its contraction in 2023.
- **Top 10 Markets:** NODX to the top 10 markets as a whole declined in September 2022, though NODX to most top markets including Indonesia, the US and Thailand rose. The largest contributors to the decline in NODX were China (-33.8%) and Hong Kong (-16.7%).
- Link to the September monthly trade report: https://www.enterprisesg.gov.sg/-/media/esg/files/media-centre/media-releases/2022/october/mr05222_monthly-trade-report---sep-2022.pdf

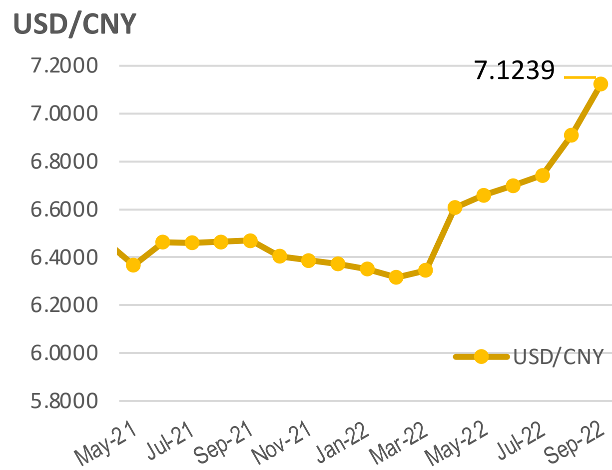
Purchasing Managers Index **(PMI)**



- **Trend:** PMI recorded a first-time contraction after 26 consecutive months of expansion while the Electronics Sector PMI recorded a further decline of 0.2 point from the previous month of 49.6.
- The latest sector reading was attributed to a faster contraction in the key indexes of new orders, new exports, factory output, and a contraction in the employment index..

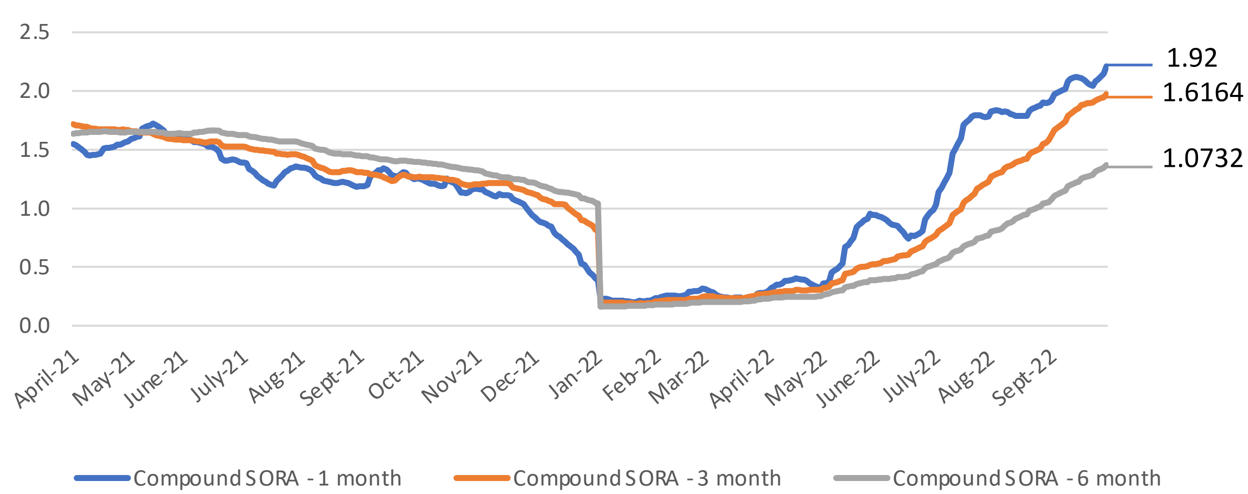
Foreign Exchange Rates **(FX)**





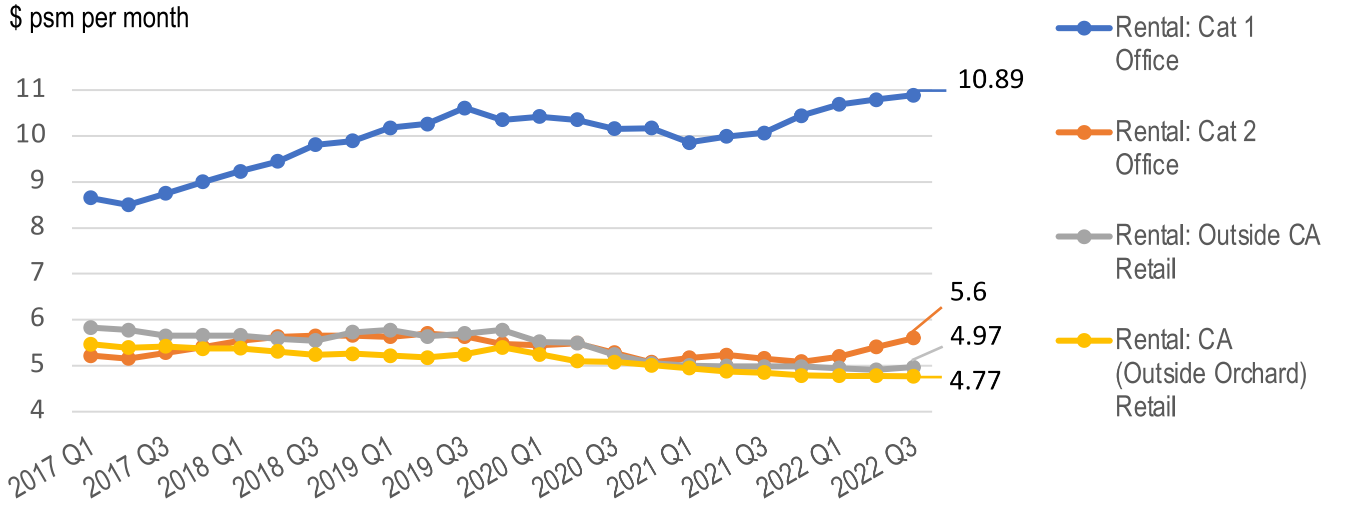
- **SGD/USD:** SGD depreciated against USD in Sep 22 (at a rate of 0.6987).
- **SGD/CNY:** SGD appreciated against CNY in Sep 22 (at a rate of 4.9762).
- **USD/CNY:** USD appreciated against CNY in Sep 22 (at a rate of 7.1239).

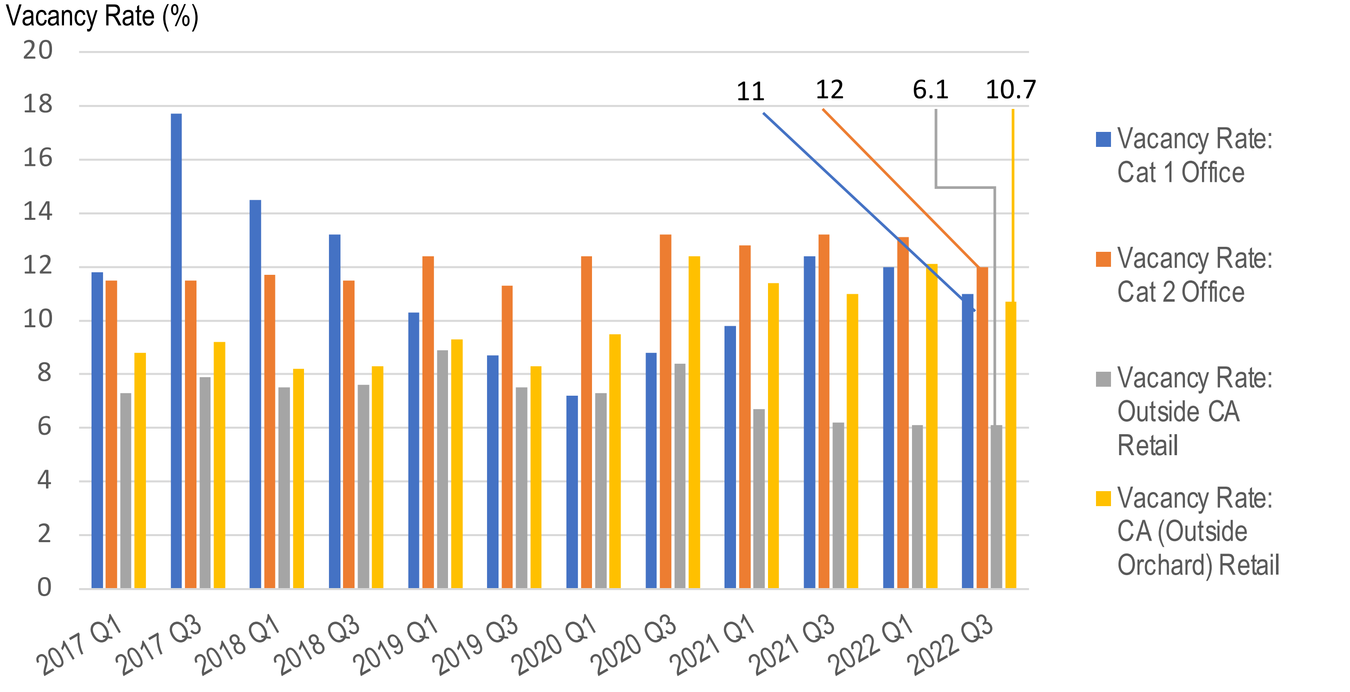
Singapore Overnight Rate Average **(SORA)**



- **Trend:** All three compounded SORA rates soared, with 1-month compounded SORA at 1.92, 3-month compounded SORA at 1.6164 and 6-month compounded SORA at 1.0732 in Sep 2022.

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) exhibit an increasing trend in 2022. Median rental of retail space in Outside Central Area (CA) and retail space in CA (outside Orchard) median rental both remains relatively stable in 2022.
- **Vacancy rate:** The vacancy rate of Cat 1 offices and Cat 2 offices continued to drop since Q3 2021. The vacancy rate of CA (Outside Orchard) Retail decreased in Q3 compared to Q1 2022 and there's not much change on the vacancy rate of Outside CA Retail in 2022.
- **Analysis:** The Singapore office rents have continued their upward trajectory during the third quarter of 2022 despite looming recession concerns and in fact marked a new 14- year high in Q3 2022. The demand was bolstered through expansion in the CBD by tech firms, flexible workspace operators and non-banking financial companies as well as the trend of Asia Pacific firms relocating their headquarters to Singapore. Retail rents retained growth across the board in Q3 2022, underpinned by improved footfall and tenant sales from the return of tourism spending and lifting of safe management measures.

KEY POLICY UPDATES

- **MAS tightens Singapore currency policy again to fight inflation:** The Monetary Authority of Singapore (MAS) will adjust the midpoint of the trade-weighted Singdollar policy band up to its current level. This policy stance, further is expected to reduce the effects of importing inflation and address cost pressures.

Singapore uses its currency as the main monetary policy to cool import costs which is the main contributor to inflation while leaving domestic interest rates to follow the US Federal reserve rates.

If the Singapore dollar becomes too strong, it could hurt exports and economic growth with the potential risk of a global recession in the future. There is a potential risk of another tightening policy if inflation expectations rise further due to the scheduled goods and services tax (GST) increase in 2023 from 7% to 8%. Consumers are expected to purchase high value items ahead of an increase in GST.

- **A new S$1.5 billion support package to help locals cope with inflation:** Finance Minister Lawrence Wong announced an additional S$1.5 billion to the Assurance package. It will aid Singaporean households to cope with rising prices, focusing on lower- to middle-income groups. 2.5 million eligible adult Singaporeans will receive a special cost-of-living payment of up to S$500 in December as part of the package. This aid package does not require the use of national reserves, and is funded by positive government fiscal position in the first half of 2022. This is because the Omicron Covid-19 strain was not as severe as expected, and many industries recovered in the 1st half of 2022.

- **UK's accession process to CPTPP trade bloc to be benchmark for others:** Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement signed in March 2018 by 11 Asia- Pacific countries representing 13% of the global GDP. As of date, a total of 9 member states have ratified the pact with Brunei and Chile being the only countries which have yet to complete their ratification processes. CPTPP's uniqueness is its provision on common obligations on food regulations, the digital economy, investment, labour and financial services. Apart from Britain, the other countries such as China, Taiwan, Ecuador and Costa Rica have also officially applied to join the CPTPP while South Korea and Thailand have also shown interest in joining the pact. The trade flow among CPTPP members increased by about 15%, from S$670 billion in 2019 to S$768 billion in 2021.

- **Proposed measures to regulate cryptocurrency market in Singapore:** To ensure a high degree of stability in the market, the MAS is proposing to regulate the issuance of stablecoins that are pegged to a single currency. This will apply to firms where the value of such stablecoins in circulation exceeds S$5 million. These stablecoins which are issued in Singapore can only be pegged to the Singdollar or any Group 10 currency, including the US dollar and Japanese yen. The issuing company will also be required to separate its reserves and allow timely redemption at par value.

The proposed measures also restrict retail crypto speculation. Retail users are required to take a test to assess their understanding of the risks in using digital payment token services. In addition, they will not be allowed to use credit card financing to purchase crypto tokens.

The firms will be required to segregate customers' assets from their own assets. The issuers will not be allowed to undertake other activities that introduce additional risks to itself. This includes investing in and extending loans to other companies, lending or staking of stablecoins and other digital payment tokens, and trading of digital payment tokens. This is to ringfence and mitigate risks to the stablecoins issuer.

Link to the consultation paper published by MAS:
https://www.mas.gov.sg/-/media/MAS-Media-Library/publications/consultations/PD/2022/Consultation-on-stablecoin-regulatory-approach_FINALISED.pdf

BUSINESS ENVIRONMENT

- **Singapore recognised as world's 12th top tech city:** Singapore's rise as a tech city began with the National Computerisation Plan (NCP) in 1980. Forty-two years later, Singapore is recognised as the 12th top tech city globally in the recent Tech Cities 2022 report compiled by real estate services consultancy, Cushman & Wakefield (C&W).

The results were based on a compilation of 14 metrics which included the availability of tech talent, real estate and business environment. This report reflects the Singapore attractiveness as a tech hub with 80 of the world's top 100 tech companies operating in Singapore and with more than half of the, setting up headquarters here. Singapore currently has a total number of 100,000 computer professionals compared to the initial 1,000 professions when NCP was first launched.

"There are now more than 4,000 start-ups in Singapore, translating into one young hustling venture for about every 1,000 Singaporeans. Singapore is at a crossroads of opportunity, with a "once-in-a-lifetime chance" to become a global powerhouse in two sectors", said Mr Wong Wai Meng, chairman of SGTech, the Singapore trade voice for more than 1,000 tech companies. He added: "We believe sustainability and digital trust are two key emerging areas for Singapore to be the front runner and create value in."

The information and communications sector was the seventh-largest contributor to Singapore's economy in 2021, at 5.6%. That is only 63% of what could be its full potential, with an estimated of US$17 billion (S$24 billion) worth of domestic digital output and digital trade activities each as highlighted by Digital Prosperity for Asia coalition, a grouping of local digital companies.

Source: CUSHMAN & WAKEFIELD, CENTRE FOR LIVEABLE CITIES STRAITS TIMES GRAPHICS

- **Singapore firms' earnings hit by higher energy bills and supply disruptions:** Local companies are feeling the squeeze from all sides, due to soaring oil prices leading to higher utility and transport costs while rising freight costs and shipping delays from supply chain disruptions are piling on the pressure.

Oil has been rising steadily as countries emerged from the Covid-19 pandemic only to have prices supercharged by Russia's invasion of Ukraine. Brent crude oil has been hovering at US$80 to US$90 a barrel in recent months, more than 30% higher than pre-pandemic. It is a similar story in freight, with shipping costs for a 40ft container at US$4,000 (S$5,700), compared with US$1,500 in 2019.

Transport costs are on the rise too. Diesel costs $2.70 a litre which is 30% more than a year ago. Diesel usually form about 30% to 35% of trucking costs, but this has risen to 40%, said Mr Alvin Ea, chief executive of Haulio, a digital platform that helps to link 800 trucking companies to customers who need first-mile cargo services. Some trucking companies have chosen to pass on these cost increases to customers.

Other businesses, such as F&B company Peace Kitchen have seen electricity bills balloon from S$700 to S$800 a month to about $1,300. The restaurant is also facing cost pressures such as manpower, rent and pricier raw materials like cooking oil.

FINANCE

- **Singapore asset management industry hits S$5.4 trillion:** Singapore's asset management industry grew at a quicker pace than the global average in 2021, aided by a strong pipeline of new funds seeking investment opportunities in the Asia-Pacific. The annual Singapore Asset Management Survey 2021 published by MAS showed that global AUM grew by 12% to US$112 trillion. Assets under management (AUM) in Singapore expanded by 16% YOY to S$5.4 trillion.

"Singapore continues to serve as a global gateway for asset managers and investors to tap the region's growth opportunities," said MAS. It noted that last year, 78% of AUM originated from outside the Republic, and 90% of the total was invested in assets outside Singapore.

Singapore saw continued interest from players seeking to expand their Asia presence, with the number of licensed and registered fund management companies rising by 15% – from 962 in December 2020 to 1,108 in December 2021. The sector is supported or advised by over 220 service providers, such as lawyers, tax advisers and fund administrators. Singapore's financial sector accounts for about 6% of the total workforce.

The majority of AUM growth came from new net inflows that stood at S$448 billion, or 58.9% of the YOY increase. Valuation gains made up the remaining increase in AUM. MAS highlighted that full year AUM growth in 2022 is expected to be moderate as investors turn cautious amid geopolitical and macroeconomic risks. Nevertheless the global and regional asset managers may continue to tap Singapore's strong network of private wealth managers, family offices and institutional asset owners, as well as investment opportunities in Asia.

- **Fewer unicorns this year in Singapore as economic headwinds grow:** New unicorns have been fewer in 2022 amid a poor economy that is hitting investor confidence and fund raising prospects. Only four unicorns have been minted, compared with 11 last year, noted Mr Peter Ong, chairman of trade agency Enterprise Singapore (EnterpriseSG). The four are digital health company Biofourmis, digital solutions provider Coda Payments, marketing technology firm Insider and online interior design start-up Livespace.

Mr Ong shared during the recent Singapore Week of Innovation and Technology conference that the current macroeconomic climate has darkened considerably. Fund-raising and listings prospects are less favourable. But he also noted that venture funding in Singapore is still continuing at a healthy pace, with 517 deals worth $11.4 billion closed in the first three quarters of this year. The number of deals is up 6% compared with the same period last year, although the value of investments is lower than the $11.6 billion recorded then. Mr Ong added that investors are now more attracted to early-stage start-ups, as opposed to those in the later stage of their development. He shared that economic uncertainties may have caused later-stage investors to hold back, highlighting that later-stage start-ups may also be more prudently in managing capital to extend their runways. Those who can hold out may prefer to delay fund raising to avoid devaluation.

- **Singapore banks fight for market share in fixed deposits, saving accounts:** In the past few months, banks have been dishing out various deals for fixed deposits (FD), with promotional rates now edging past 3%. Mr Michael Wu, senior equity analyst for Morningstar Asia, said that as money moves around in search of higher-yielding instruments, local banks here have to join in the deposit rates war to maintain their market position in deposits. This is a situation that has not happened in the Singapore FD market for close to two decades.

Back in the 1980s and 1990s, depositors could still enjoy FD rates of as high as 4% to 6%, according to data from MAS. FD rates started falling below 1% in May 2003 and stayed at those levels until around August 2022.

- **US tech curbs on China will affect Singapore chip sector:** New restrictions on China's access to cutting-edge American technology will hit Singapore's semiconductor industry, but measures are in train to offset the impact, said Minister of State for Trade and Industry Mr Alvin Tan.

Mr Tan told Parliament that while these measures are not targeted at Singapore, Singapore semiconductor sector could still be impacted, since semiconductor supply chains are highly complex and globalised. "Many semiconductor companies operating in Singapore have manufacturing processes and products that rely on US technology, which may be subjected to export controls imposed by the US government."

Singapore supplies 11% of the world's semiconductors, 20% of chip-making equipment, and is a regional manufacturing and research and development (R&D) hub for some of the top microchip companies. The electronics industry is key to Singapore's economic growth as it represents 40% of output by the export-driven manufacturing sector.

The semiconductor segment, which is dominated by multinationals such as Micron Technology, Advanced Micro Devices, Qualcomm and Infineon Technologies, contributes more than 80% of electronics manufacturing and 7% of gross domestic product.

- **Chipmaker UMC cuts capex but proceed with $7 billion expansion in Singapore :** Taiwanese chipmaker United Microelectronics Corp (UMC) has cut its planned capital expenditure for this year by almost a fifth citing weakening consumer demand without signs of recovery.

UMC has benefited from a global semiconductor shortage that has kept chipmakers' order books full over the past two years. However, demand has slumped in recent months as soaring inflation, rising interest rates and a gloomy economic outlook have led consumers and businesses to tighten spending.

The company has revised 2022 capital expenditure down to US$3 billion (S$4.2 billion), compared with a previous plan for US$3.6 billion. However, the expansion in Singapore and Tainan in southern Taiwan are progressing as planned to meet long-term supply commitments, said UMC co-president Jason Wang.

UMC announced in February last year plans to build a US$5 billion (S$7 billion) advanced manufacturing facility in Singapore next to its existing plant, known as Fab12i, in Pasir Ris.

- **US drugmaker giant MSD launches production facilities in Singapore:** US pharmaceutical giant MSD launched a new packaging facility and broke ground for a plant to manufacture new-generation inhaler medicine in Singapore. The $280 million expansion at its multi-product manufacturing hub in Tuas is part of MSD's plan to invest $700 million in Singapore which started in 2020.

At the launch and ground-breaking ceremony in Tuas, Singapore's Minister for Trade and Industry, Mr Gan Kim Yong, said MSD's investment will create more than 100 local jobs, lifting its overall headcount here to more than 1,800. The expansion will bring MSD's total investment in Singapore to more than $3 billion, he added.

Mr Gan said Singapore has established itself as one of MSD's key manufacturing locations, producing seven out of MSD's top 10 products. Furthermore, Singapore is the only MSD site in Asia that manufactures immunotherapy products for cancer patients in Singapore and the Asia-Pacific region.

The new packaging and sterile filling facility will support the production of vaccines and medicine here, including the company's cancer immunotherapy products. The new inhaler medicine facility, when ready in 2026, will manufacture next-generation inhaler devices for targeted administration of medicine.

Part of the total investment includes new technology to further the company's environmental sustainability goals, and modernisation of MSD's information technology infrastructure to digitalise its facilities here.

INFRASTRUCTURE

- **Sun Cable solar project to supply Singapore with 1.75GW of power:** Australian company Sun Cable, which is developing a solar energy power link between Australia and Singapore, confirmed the amount of electricity it plans to supply to Singapore.

Mr Mitesh Patel, Sun Cable's chief commercial officer announced that the supply would total 1.75 gigawatts (GW) of power. He shared during the Singapore International Energy Week conference that the company have also received expressions of interest from corporate buyers in Singapore for more than 2.5GW, illustrating strong interest in green energy supplies. In response to questions, the company said it was not able to disclose when it would be supplying the 1.75GW. But Sun Cable commented that they expect the project to be completed by 2029.

Sun Cable's S$27 billion Australia-Asia PowerLink plans to send electricity to Singapore via subsea cables from a 12,000ha solar power station south of Darwin in the Northern Territory. The 4,200km high-voltage cable link will be the longest of its type in the world, and the project aims to meet up to 15% of Singapore's power needs when it is completed by 2029.

LABOUR MARKET

- **Job market shows signs of slowing as layoffs rise:** Employment continued to rise in the third quarter, but Singapore's job market recovery showed signs of a "slowing momentum" as retrenchments swung up and the unemployment rate climbed. Total employment (excluding Migrant Domestic Workers) expanded by 75,600 in 3Q 2022, continuing the strong growth observed in the previous quarter. Non-residents accounted for the majority of the expansion and it was mainly in sectors with a higher share of non-resident workers such as Manufacturing and Construction.

After trending down to a 6-year low in August 2022, unemployment rates edged up slightly in September 2022 to 2.0%. The number of retrenchments increased to 1,600 in 3Q 2022, from the previous quarter's all-time low of 830. The retrenchments were from Manufacturing, mainly due to discontinuation of product lines, as well as Services, mainly due to business reorganisation or restructuring.

In the coming months, a deteriorating global economic environment, higher global inflation, as well as geopolitical tensions, will impact the labour market. Demand in tourism- and consumer-related sectors is expected to remain robust, supported by the recovery of international visitor arrivals and year-end festive hiring. In contrast, trade-reliant sectors such as Manufacturing could experience more subdued employment growth as external demand weakens. Non-resident employment is expected to continue to recover, as employers backfill their vacancies.

- **Updated road maps for manufacturing, trade to add 13,400 jobs:** Refreshed industry transformation maps (ITMs) for five advanced manufacturing and trade clusters will uplift companies in Singapore and create at least 13,400 new jobs. The ITMs will support research and development, deep-tech innovation, extensive digitalisation and environmental sustainability across the electronics, precision engineering, energy and chemicals, aerospace and logistics sectors. The strategies outlined in the five ITMs pave the way towards Singapore's overall goal to grow manufacturing value-added by 50% from 2020 to 2030.

Links to various ITMs:
https://www.mti.gov.sg/ITMs/Overview

- **Green trade finance goes digital to help SMEs run efficiently and sustainably:** A memorandum of understanding was signed between Kimly, UOB and Doxa to pilot their first green trade and sustainable transaction using Doxa's platform, with a financing module co-created with UOB.

Doxa Connex helps construction companies to digitalise their workflow and payment processes between suppliers and buyers. These include the creation of invoices, uploading and validation of supporting documents including purchase orders (POs) and progress claims.

With Doxa Connex, Kimly was able to save about 30% of man hours in payment processing for its suppliers and subcontractors. Kimly and its suppliers are able to manage their business processes with greater efficiency with all the documents now on the platform.

- **Next-gen contactless lie detector in the works:** Home Team Science and Technology Agency (HTX) began developing a contactless next-generation lie detector last year with the aim of building a portable device that can be used by officers across the Home Team.

The HTX's Biometric and Profiling Centre of Expertise believes that it is possible to tell an innocent person from a guilty one by measuring metrics, and it has identified six relevant metrics. They are the frequency of eye blinks, pupil dilation, eye fixation, breathing rate, heart rate and the time taken to respond to questions. For example, one camera is used to detect facial colour changes caused by fluctuations in heart rate and blood flow, while another can monitor breathing by the changes observed at the nostrils.

One scenario calls for the system to be deployed at the checkpoints, to help identify smugglers, traffickers and those entering Singapore with malicious intent. Mr Kee Ein Cern, deputy director of profiling at HTX, said his team is still processing the findings from the experiment, but the preliminary results are promising. What they have found so far is that pupil dilation, blinking and changes in heart rate may be indicators of hostile intention.

- **Singapore to invest $71 million to attract and develop AI tech talent:** There were three barriers to innovation: the manpower crunch, technology moving too fast, and slow progress on sustainability.

Deputy Prime Minister Heng Swee Keat announced that Singapore will invest US$50 million (S$71 million) to attract and develop talent in the field of artificial intelligence (AI). Singapore aims to double the number of AI apprenticeships in the next five years, he said, adding that a new National Research Foundation Fellowship for AI will also be created to attract top researchers who can in turn draw in and mentor emerging talent.

Another three new centres of innovation (COI) will also set to help small and medium-sized enterprises (SMEs) test new ideas in built environment advanced materials, urban agriculture, and beauty and personal care in order to keep pace with technology.

Sustainability efforts will also be ramped up by finding innovative solutions for climate problems, such as through the national Sustainability Open Innovation Challenge. The focus of this year's Sustainability Open Innovation Challenge is making the fashion industry more sustainable, as it is responsible for 10% of annual carbon emissions globally.

SUSTAINABILITY

- **Singapore to share its expertise on sustainability via series of courses:** Officials in developing countries will be able to tap Singapore's experience in areas such as water resources management and food security through a series of courses that Singapore has introduced, in order to address sustainability and climate change issues.

The courses in the Sustainability Action Package will come under the broader Singapore Cooperation Programme, which celebrates its 30th anniversary in October. "The package aims to help countries decarbonise and will include key areas of sustainability, including strategies to build resilience for water resources and food security; managing and financing green projects; developing sustainable infrastructure; and managing carbon markets," said Foreign Minister Vivian Balakrishnan.

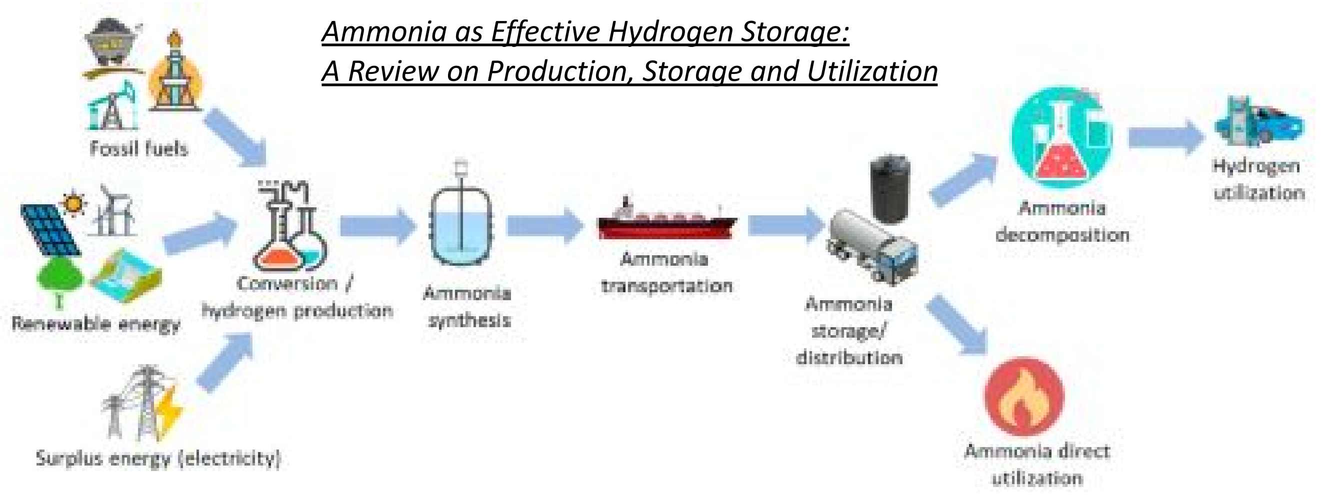
Globally, more than 150,000 government officials from 180 countries have attended workshops or courses under the programme, which was set up in 1992 to bring together Singapore's technical assistance efforts. About 88,000 are from Asean member states.

- **Keppel & Sembcorp ink deals on hydrogen and green ammonia:** Sembcorp signed three new agreements with three Japanese firms - Japan Bank for International Cooperation, conglomerate Sojitz Corp and engineering firm IHI Corp in which the areas of collaboration will focus on areas such as green hydrogen production and establishing ammonia supply chains.

In a separate deal, Keppel Infrastructure on Tuesday signed an agreement with Indian renewable energy company Greenko to explore the feasibility of jointly developing a production facility in India that can produce at least 250,000 tonnes of green ammonia a year.

Hydrogen, which releases little to no greenhouse gases when burned, can be used as a low-carbon fuel or feedstock which is the raw material needed to fuel a machine or industrial process. When produced through the electrolysis of water using renewable energy, where water is split into hydrogen and oxygen, hydrogen as a fuel could also have close to zero emissions. There are different ways to transport hydrogen, which releases little to no greenhouse gases when burned, such as by using ammonia as a carrier or by liquefying hydrogen. The gas can also be transported at ambient temperatures by using liquid organic hydrogen carriers.

These collaboration on hydrogen could play a key role in allowing Singapore to meet its net zero emission target by 2050.



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