

Singapore Newsletter

— Q3 2023 —

Insight on market information, trends, policies and investments.





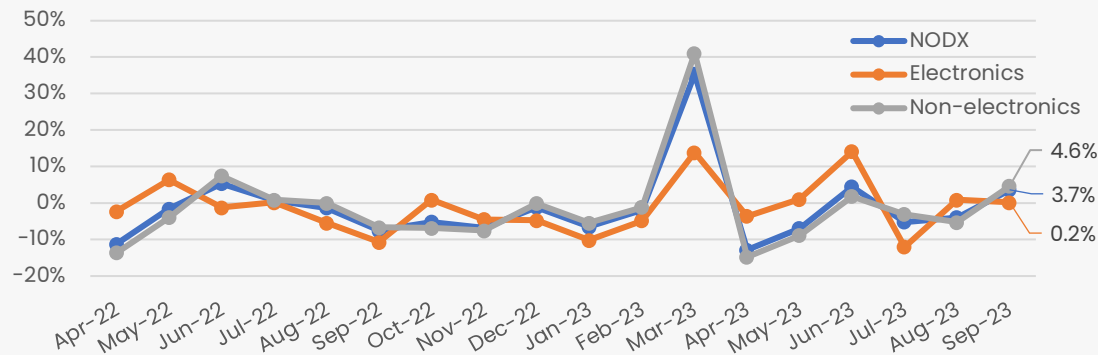
Summary

Singapore's economy grew at a faster than expected pace in Q3, boosted by tourism and manufacturing returning to a small quarter-on quarter growth. **GDP** grew by **0.7%** y-o-y, surpassing the 0.5% growth in Q2. In September, **inflation** rose to 5.3% on a year-on-year (y-o-y) basis, driven by price hikes in food, services and retail & other goods. However, the key exports continued their decline for the 12th straight month in September, with a substantial drop of 13.25%.



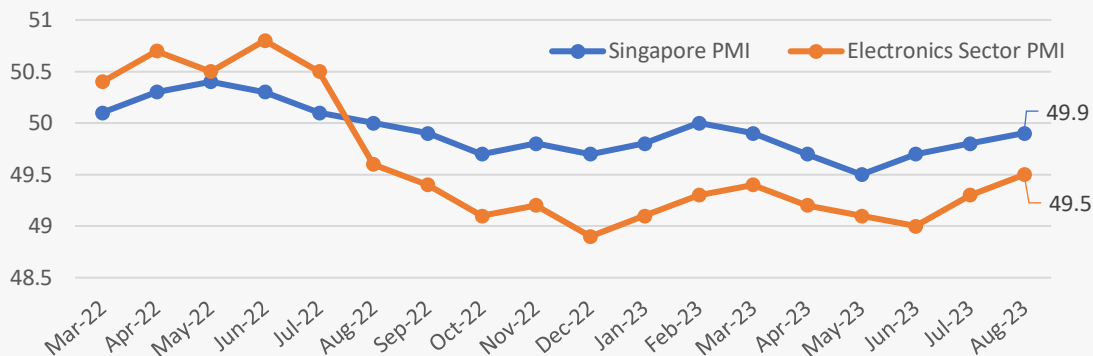
KEY DATA

Non-Oil Domestic Export (NODX)



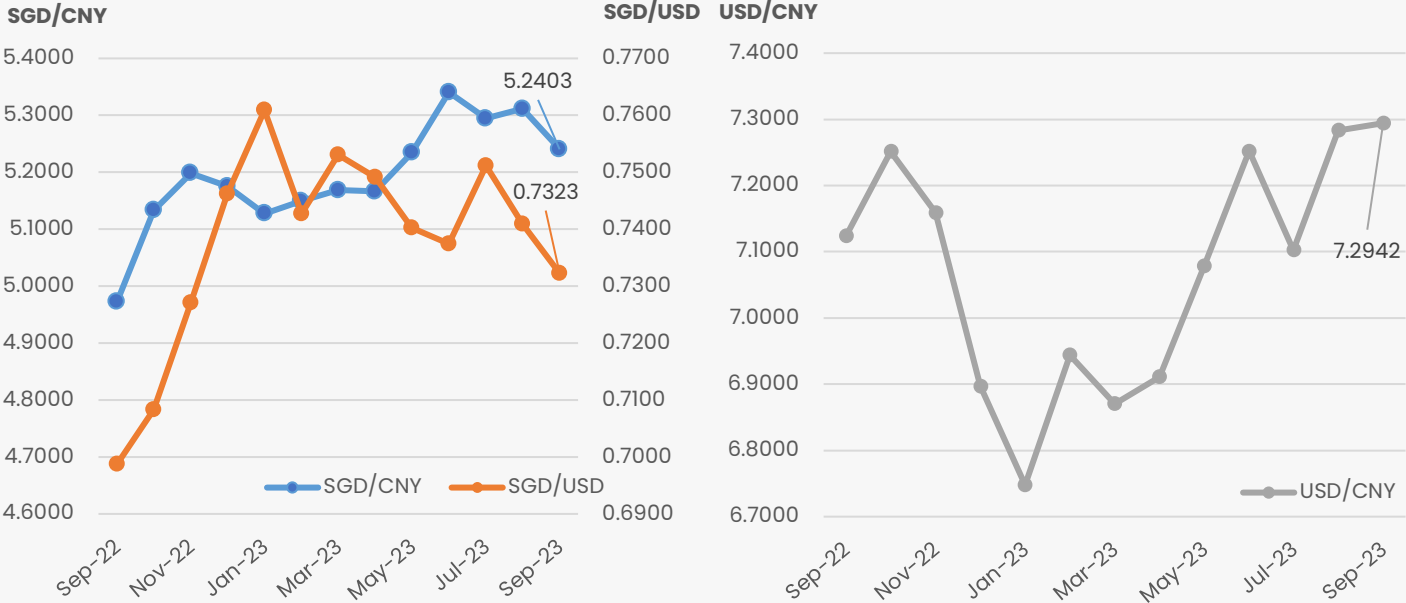
Category	Change	Value	Category	Change	Value
Electronics	↑	51.48%	Disk Drives	↓	18.10%
	↓		Diodes and Transistors	↑	14.07%
	↑		Consumer Electronics		
Non-Electronics	↓	33.94%	Electrical Machinery & Apparatus Nes	↓	19.32%
	↓		Electrical Circuit Apparatus	↓	17.88%
	↓		Pharmaceuticals		

Purchasing Managers Index (PMI)



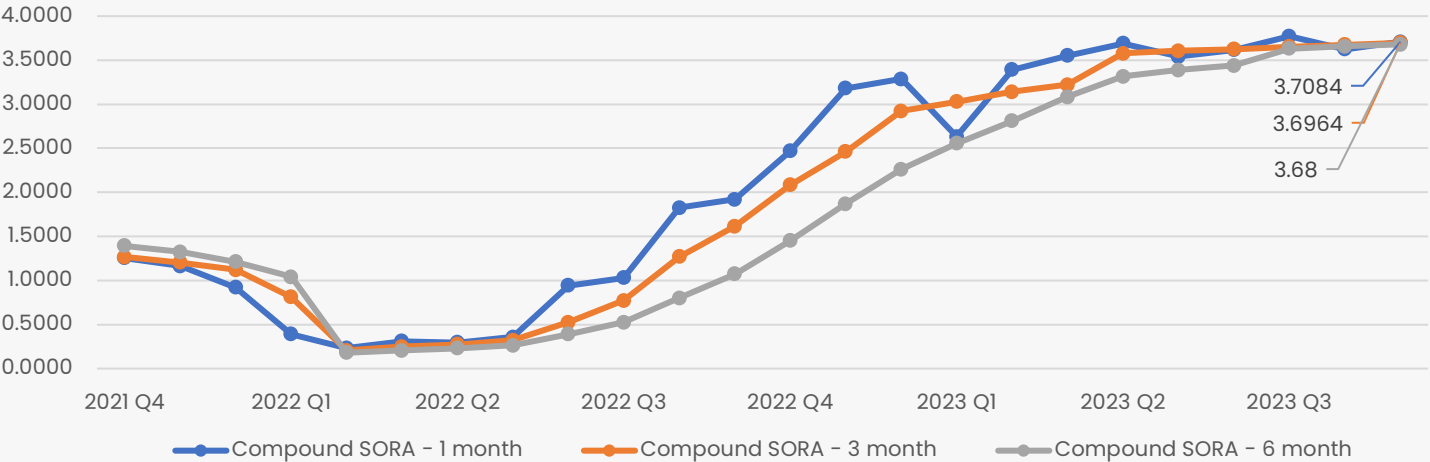
Trend: The Singapore PMI recorded a reading of 49.9 in Aug 2023, improved by 0.1 point from the previous month (49.8). Electronics Sector PMI increase for the 2nd consecutive month to 49.5 (vs 49.3 in July).

Foreign Exchange Rate (FX)



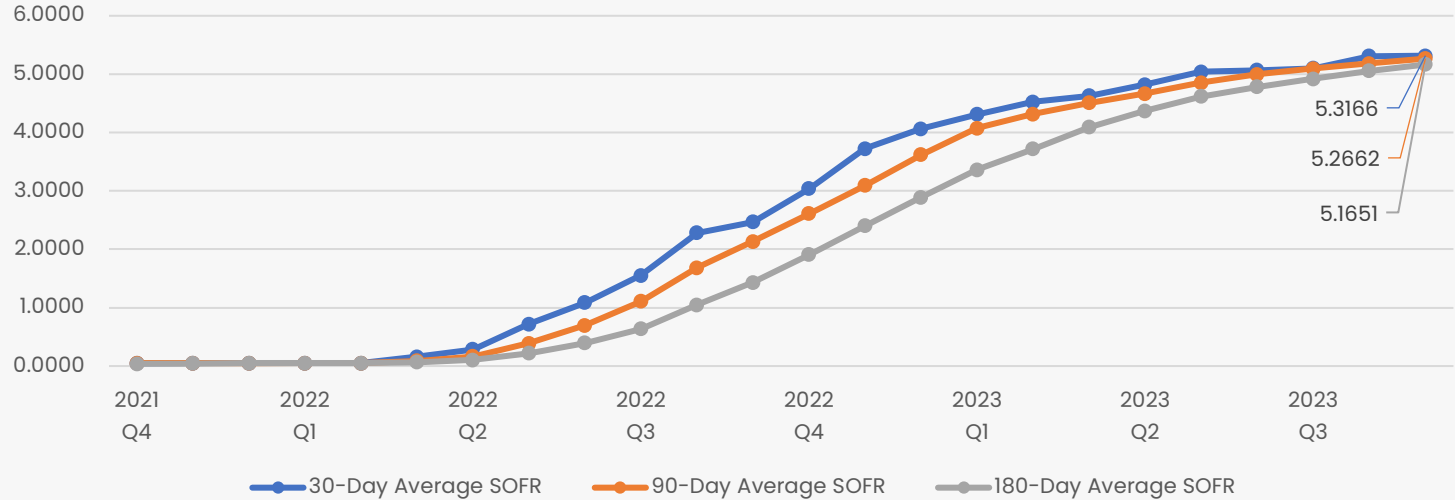
- **SGD/CNY:** SGD depreciated against CNY in Sep 2023 (at a rate of 5.2403).
- **SGD/USD:** SGD depreciated against USD in Sep 2023 (at a rate of 0.7323).
- **USD/CNY:** USD appreciated against CNY in Sep 2023 (at a rate of 7.2942).

Singapore Overnight Rate Average (SORA)



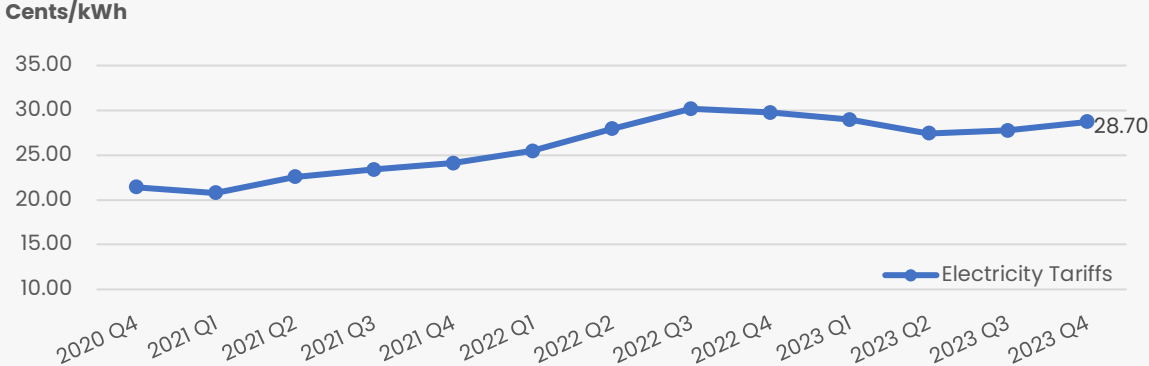
Trend: All three compounded SORA rates continue to increase, with 1-month compounded SORA at 3.7480, 3-month compounded SORA at 3.7009 and 6-month compounded SORA at 3.6880 in Sep 2023.

Secured Overnight Financing Rate (SOFR)



Trend: The SOFR continue to increase, with 30-day average SOFR at 5.3141, 90-day average SOFR at 5.2304 and 180-day average SOFR at 5.123 in Sep 2023.

Utilities: Electricity Tariffs and Water Price

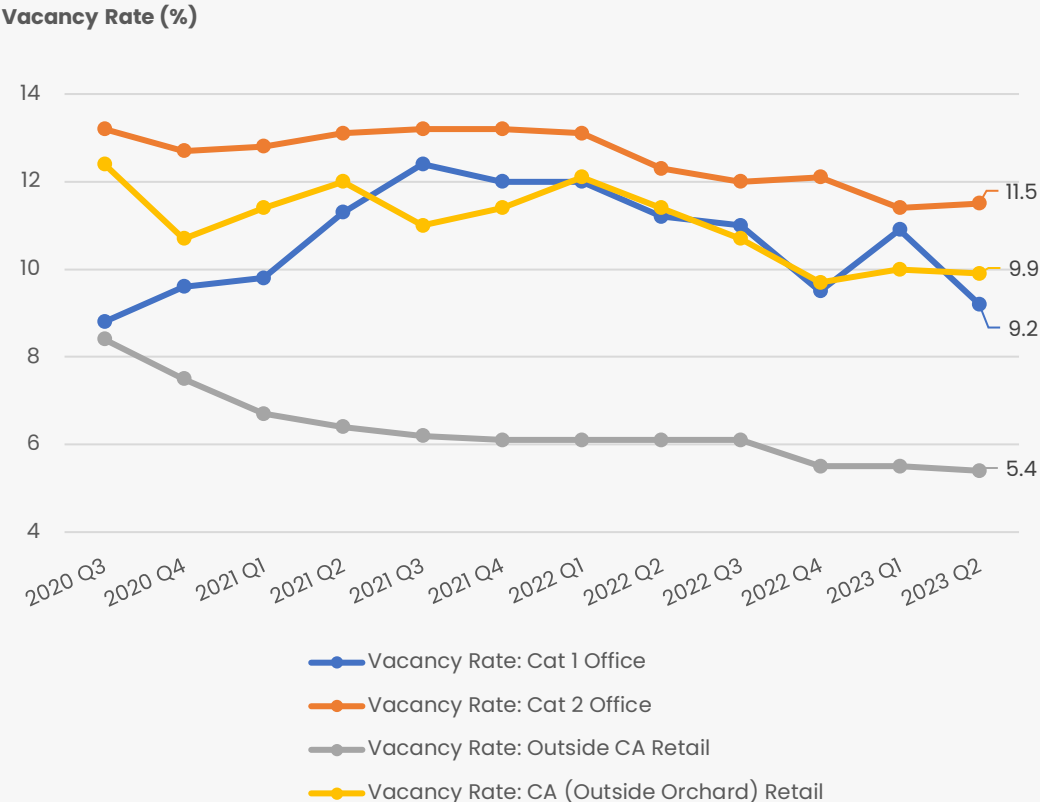
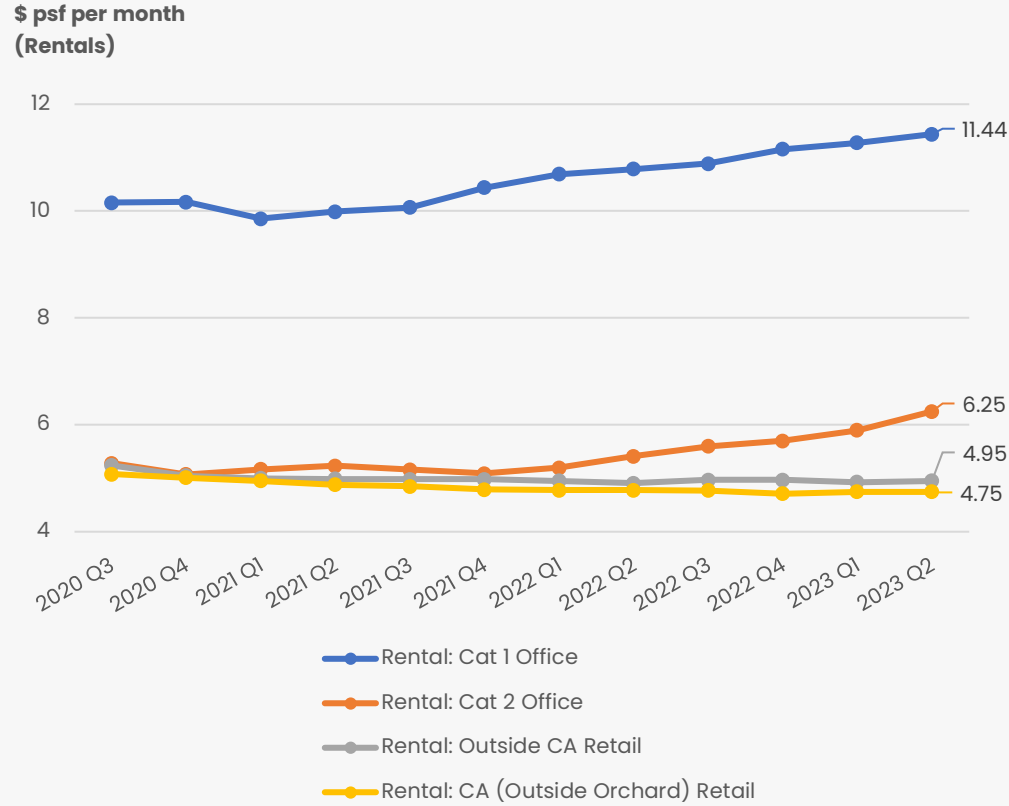


Trend: For the fourth quarter of 2023, the electricity tariff (before GST) will increase by an average of 3.7% or 0.98 cent per kWh to 28.70 cent compared with the previous quarter. This is due to higher energy costs compared with the previous quarter.

Industrial Water Price			
	Current	Phase 1 From Apr 2024	Phase 2 From Apr 2025
Water tariff	\$0.65	\$0.66	\$0.66
Waterborne tax	\$0.92	\$1.0	\$1.09
Total	\$1.58	\$1.66	\$1.75

Trend: Singapore to raise industrial water price amounting to 11% over two phases, the first of which took place on Apr 2024 and second phase on Apr 2025. Note: Figures are not inclusive of GST.

Median Rentals and Vacancy Rates for Offices and Retails



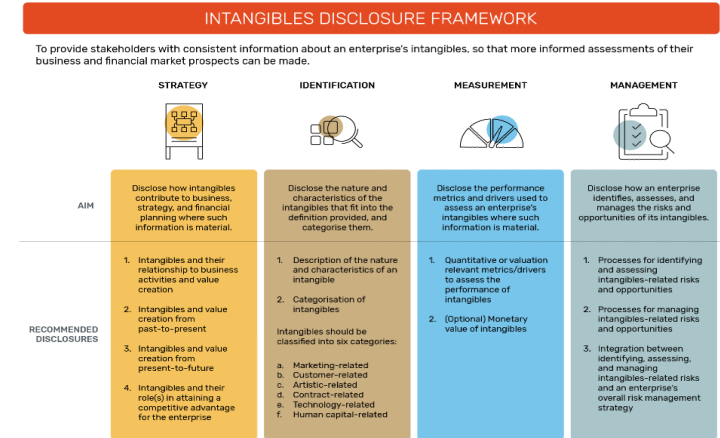
Trend: In Q2 2023, Core CBD Premium & Grade A office rents continued the ninth consecutive quarter of growth (1.4% Q-O-Q) in Q1 2023 to reach SGD 11.44 per sq ft, pushing peak rents since its record high in 2008. Demand from the tech sector has slowed but was offset by demand from financial, professional service, and wealth management companies. It is expected that the Grade A Core CBD rents could remain more resilient despite slower economic growth. On the other hand, the supply of office space is set to rise in the coming months, with the impending completion of IOI Central Boulevard Towers yielding 1.26 million sq ft of Grade-A office space.



Digital Connectivity: New framework encourages companies to disclose intangible assets

Singapore is introducing the Intangibles Disclosure Framework (IDF) to provide companies with guidance on disclosing and communicating the value of their intangible assets. This initiative is part of the Singapore IP Strategy 2030, which supports technological innovation in the country. Developed by an industry working group with input from various sectors, including accounting, valuation, legal, and finance, the IDF is anchored in four pillars: Strategy, Identification, Measurement, and Management (SIMM). Under the measurement pillar, the IDF indicates that it is optional for companies to disclose the monetary value of intangible assets.

For more information, refer to URL: <https://www.ipos.gov.sg/manage-ip/intangibles-disclosure-framework>



Digital Connectivity: Bill passed to allow digital signing of legal documents, oath-taking via video

Those signing legal documents and taking official oaths will soon have the option to complete these tasks electronically, with the unanimous passing of two Bills in Parliament on 2nd August. The Bills update the Constitution of the Republic of Singapore, the Oaths and Declarations Act and the Notaries Public Act to provide a digital alternative when signing documents and taking oaths, which are often required for legal purposes in real estate, financial transactions and immigration applications.

For instance, witnesses in court will now be able to take an oath virtually before giving evidence. A judge, or any individual appointed to an office, can be sworn in via electronic means. Business owners will also be able to declare that a company is solvent and transfer a bill of sale digitally, without signing in wet ink. Among other things, the newly passed Bills will set out a framework to allow statutory declarations, oaths and affirmations, and notarisations to be done through electronic means with a high degree of security against fraud. The process typically involves individuals who need to certify that an identity card or academic certificate is the true copy before they may apply to a foreign educational institution. Businesses may also need an official to witness the signing of a document that is meant for use overseas.

For more information on the news, refer to URL: <https://www.straittimes.com/singapore/politics/bills-passed-to-allow-digital-signing-of-legal-documents-oath-taking-over-video-link>



Labour Market: Higher wage threshold for S Pass renewals set to have limited impact on businesses

The first of three increases in the minimum qualifying salary for S Pass renewals kicked in on September 1, but it is expected to have a muted impact on business costs and operations. Business players feedbacked that the advance notice of the changes and the relatively smaller composition of S Pass holders in the workforce compared with work permit holders cushion much of the impact of the increases. However, some businesses with a larger proportion of S Pass holders earning less than \$3,000 may have to lift wages to retain this workforce, or rely more on work permit holders.

The minimum qualifying salary for S Pass renewals has risen to \$3,500 for those in financial services and \$3,000 for other sectors. New S Pass applications now require a minimum qualifying salary of \$3,150, increasing to \$3,650 for the financial sector on September 1.

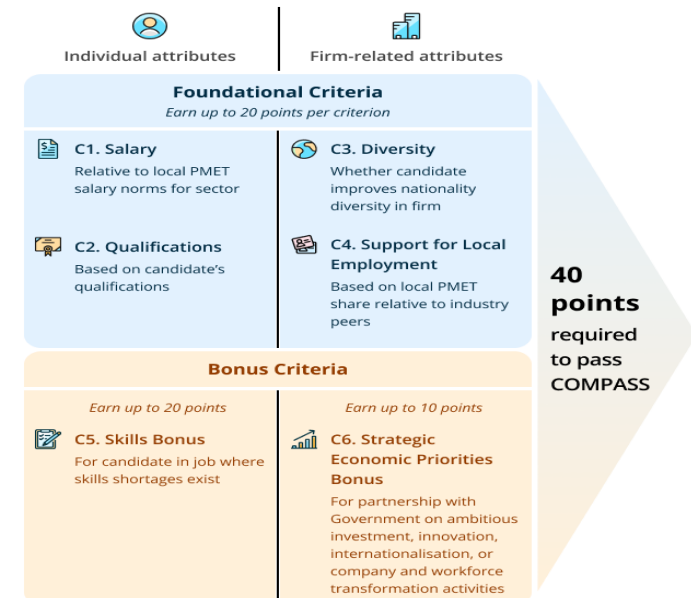
For more information, refer to URL: <https://www.straitstimes.com/business/higher-wage-threshold-for-s-pass-renewals-set-to-have-limited-impact-on-businesses>

Labour Market: The New Employment Pass regulation in Singapore

Singapore has introduced a new Employment Pass (EP) points system called the Complementarity Assessment Framework (COMPASS). This system, effective from September 1, 2023, and from September 1, 2024 for renewal applicants, aims to enhance the ability of Singaporean businesses to select high-quality foreign professionals and promote workforce diversity. Under COMPASS, future EP applicants need to score a minimum of 40 points based on four key attributes and two bonus criteria. The framework evaluates applicants on individual and firm-related attributes, with points awarded for meeting or exceeding expectations.

Foreign professionals may qualify for exemptions from the COMPASS system if they meet specific criteria, such as earning a fixed monthly salary exceeding S\$22,500 (US\$16,427) or fulfilling other defined conditions.

For more information, refer to URL: <https://www.mom.gov.sg/passes-and-permits/employment-pass/eligibility>





Business Environment: Singapore is now the world’s freest economy, displacing Hong Kong

According to a report released by Canadian think tank Fraser Institute, Singapore has dethroned Hong Kong to become the world’s freest economy. For the first time since the Economic Freedom of the World Index started in 1970, Hong Kong slipped to second place from the number one spot – and its score is about to drop even further.

The findings in the 2023 report are based on data from 2021, the most recent year with available comparable statistics across the 165 jurisdictions. It measures the economic freedom of individuals – or their ability to make economic decisions on their own. The report indicated that Hong Kong’s ranking was negatively impacted by the introduction of new regulatory hurdles for market entry, rising business expenses, and restrictions on the recruitment of foreign workers.

	Ranking	Economic Freedom Scores
1	Singapore	8.56
2	Hong Kong	8.55
3	Switzerland	8.47
4	New Zealand	8.43
5	United States	8.14
6	Ireland	8.11
7	Denmark	8.1
8	Australia	8.0
9	United Kingdom	8.0
10	Canada	7.98

For more information on the news, refer to URL: <https://www.fraserinstitute.org/sites/default/files/economic-freedom-of-the-world-2023.pdf> ranking?utm_source=News&utm_medium=Website

Innovation & Technology: Singapore rises to fifth most innovative economy in the world

Singapore has moved up two spots to fifth place in the Global Innovation Index (GII), leading the South-east Asia, East Asia and Oceania (SEAO) region. The GI is a global ranking of the world’s most innovative economies. This year, the index used 80 indicators to track innovation trends in 132 economies. It added a new indicator on the combined valuation of a country’s unicorns – privately held start-ups valued at over US\$1 billion.

The report noted that 5 other SEAO economies – South Korea, China, Japan, Hong Kong and Australia – topped key innovation indicators, such as labour productivity growth in the case of China, and production and export complexity in the case of Japan. Globally, corporate research and development expenditure reached a historic high of US\$1.1 trillion (S\$1.51 trillion) in 2022, primarily driven by ICT companies.

For more information on the news, refer to URL: <https://www.wipo.int/edocs/pubdocs/en/wipo-pub-2000-2023-en-main-report-global-innovation-index-2023-16th-edition.pdf>



Finance: Fintech fund inflows for Asean hit \$5.7b; Singapore an 'excellent bridge' for investing firms

According to a report released on July 14 by professional services firm PwC Singapore, the Singapore Fintech Association (SFA) and Singapore Economic Development Board (EDB), South-east Asia as a whole remains a hotbed of opportunities for the financial tech industry, due to the region's rapid urbanisation and its young and tech-savvy population. Fintech investments in Asean soared to US\$4.3 billion (S\$5.7 billion) in the first nine months of 2022, surpassing the total value of all such investments in the region from 2018 to 2020 combined.

In the midst of these developments, Singapore serves as an "excellent bridge" for companies to reach its neighbours in South-east Asia, the report noted. It has a conducive business environment supported by a sound technological and financial infrastructure, which balances the risks involved with investing in emerging countries.

On the global front, the report said that challenges remain for the industry, especially at a time when macroeconomic headwinds and geopolitical tensions have dampened operations and led to mass layoffs. Investments in the global fintech industry fell to US\$75.2 billion in 2022 from US\$139.8 billion the previous year. However, the industry achieved a market value of over US\$194.1 billion in 2022, and is projected to grow at a compound annual rate of 16.8 per cent between 2023 and 2028, when it could reach US\$492.81 billion.

According to the report, there are three trends that will continue to shape the global fintech industry – artificial intelligence (AI), digital trust, and sustainability. Singapore has introduced a number of initiatives to support companies in these areas. For example, AI Singapore, a national research and innovation programme, introduced the AI International Grant Call to offer grants for AI research through partnerships between Singapore and other countries. The AI Verify Foundation, launched in June by the Infocomm Media Development Authority, is the world's first AI governance testing framework and toolkit, which allows industry players to demonstrate their deployment of responsible AI. Besides, Enterprise Singapore announced in 2021 that it had set aside \$180 million for the Enterprise Sustainability Programme to help local companies develop sustainability capabilities so they can better seize opportunities in the green economy.

For more information on the report, refer to URL: <https://www.edb.gov.sg/en/business-insights/market-and-industry-reports/fintech-innovation-in-singapore-sustaining-growth-in-uncertain-times.html>



Labour Market: Demand for compliance officers grows as regulatory scrutiny

Private banks, wealth and asset managers, as well as family offices in Singapore are upping their headcount for compliance officers amid increasing regulatory scrutiny. While there are no specific figures, recruitment consultants feedbacked they have observed a higher demand among companies here in filling specific compliance roles in 2023, compared with 2022. These roles range from regulatory, financial, information technology to operational. This is in contrast to 2022, when the search was more general and broad-based.

Financial institutions rely on compliance officers to navigate the labyrinth of industry regulations. These officers ensure that the organisation adheres to all relevant laws and regulations regarding financial transactions and reporting. This includes reviewing the financial institutions for potential money laundering or fraud. In short, a compliance officer is a gatekeeper who ensures that all the company's activities are legal and ethical.

Apart from traditional financial institutions, payments, digital assets and investment firms have been very active in hiring compliance professionals too. Moreover, there has also been an uptick of demand in other industries such as commodities, oil and gas trading firms, pharmaceutical and technology space.

While the downfall of Silicon Valley Bank and the merger of USB and Credit Suisse have led to an increased pool of potential candidates, many did not fit the targeted roles employers are looking for. There are several mismatches in expectations between employers and talent in today's compliance labour landscape, with one of it being the salary expectations.

For more information on the report, refer to URL: <https://www.straitstimes.com/business/private-banks-wealth-managers-looking-to-hire-compliance-officers-in-s-pore-amid-regulatory-demands>



Business Environment: Singapore and Malaysia discuss setting up Johor–Singapore special economic

Singapore and Malaysia are in talks to establish a special economic zone in Johor and Singapore to drive growth and strengthen connectivity and collaboration as mentioned by Singapore Minister for National Development Desmond Lee on 14 July.

A special task force will be set up under the Malaysia–Singapore Joint Ministerial Committee for Iskandar Malaysia (JMCIM) to study the Johor–Singapore Special Economic Zone. The task force, led by Singapore’s Ministry of Trade and Industry and Malaysia’s Ministry of Economy, will work out the terms of reference and broad areas of collaboration for the zone. It will report its progress to Prime Minister Lee Hsien Loong and his Malaysian counterpart Anwar Ibrahim at the Singapore–Malaysia Leaders’ Retreat in October.

The special economic zone will build on the strong growth of Johor and significant investments in the region by Singapore. Johor recorded RM70.6 billion (\$20.6 billion) worth of foreign investments in 2022 alone, across various sectors including electrical and electronics, medical equipment, food manufacturing and data centres, with Singapore being the second-largest foreign investor. Singapore contributed around 70 per cent of Johor’s total foreign direct investment in the manufacturing sector.

Mr Lee stated that the special economic zone, which both sides strongly support, will build on the strengths and attractiveness of both Johor and Singapore and bring tangible benefits in terms of jobs and livelihoods for people on both sides. He added that the areas of cooperation will follow from what has been done under the JMCIM, such as in transport connectivity, innovation, business ecosystem, environment, tourism, and technical and skills training.

In May, Malaysia Minister of Economy Mr Rafizi indicated that renewable energy could be an area of cooperation in the upcoming special economic zone. Johor has the potential to be the biggest beneficiary of Malaysia’s focus on the energy sector’s shift from fossil fuels to renewables, given its proximity to Singapore. This is further supported by Malaysia’s announcement that month that it would lift its export ban on renewable energy.

For more information on the news, refer to URL: <https://www.straitstimes.com/singapore/politics/singapore-johor-discuss-setting-up-special-economic-zone>



Manufacturing: Singapore will stay a vibrant, competitive semiconductor hub

Deputy Prime Minister Lawrence Wong mentioned on September 12 that the decision by GlobalFoundries (GF) to expand its manufacturing base here proves that Singapore will continue to have a strong, competitive and vibrant semiconductor industry despite the intense global battle for high-end chip investments.

Speaking at the opening ceremony of the US-based company's new US\$4 billion (S\$5.5 billion) microchip fabrication plant in Woodlands, Mr Wong said Singapore "cannot afford to engage in a subsidy arms race" and outbid the United States, China, Japan and European Union, which have rolled out massive subsidies to attract chipmakers.

Singapore may not be the most budget-friendly location, but it offers a myriad of advantages: exceptional connectivity, reliability and stable business conditions, and a cluster of leading companies across the entire value chain, from design to wafer fabrication and assembly to testing. Singapore's key asset is its well-educated and highly skilled workforce, driving innovation and research. This combination has cultivated an ecosystem that fosters enduring company growth and quality job creation for its citizens. Additionally, Singapore has carved out a niche in producing specialty chips, crucial components found in virtually every daily-use device, with sustained demand driven by trends like 5G, automotive technology, and the Internet of Things.

GF's expanded plant will be the first wafer fab in Singapore capable of manufacturing speciality chips at 28 nanometres (a nanometre is one-billionth of a metre). These chips support a wide range of applications including in both consumer and industrial products. In other words, there is a high chance that the image sensors and radio frequency chips inside smartphones and electric vehicles of the future will be made from GF's Singapore fab.

The expansion of GF's plant will create up to 1,000 high-value jobs, the majority of which will be filled by Singaporeans, who will benefit from picking up the manufacturing and research and development (R&D) know-how from the advanced technologies used. It will produce an additional 450,000 wafers of 300mm each annually, raising GF Singapore's overall capacity to about 1.5 million wafers a year.

For more information on the news, refer to URL: <https://www.straitstimes.com/business/singapore-remains-vibrant-competitive-semiconductor-hub-despite-challenges-dpm-wong>



Manufacturing: GSK's Tuas vaccine facility is Singapore's largest after over \$300m investment added

Minister for Trade and Industry Gan Kim Yong mentioned that the expansion of British drugmaker GSK's facility in Tuas has earned the title of Singapore's largest vaccine production site based on a cumulative investment of some \$850 million.

Part of the investment included GSK transferring its next-generation process for the hepatitis B vaccine to the Tuas site – an advancement which will further bolster Singapore's position as a hub for innovation in the biopharmaceutical industry. This technology will provide greater flexibility for GSK's existing manufacturing process and enable rapid large-scale vaccine production. The vaccine will be manufactured using single-use bags, which Mr Gan highlighted as a novel technology within the vaccine production space.

The Covid-19 pandemic has clearly shown the importance of preparedness in effectively responding to emergent threats. In the light of this, Singapore has been actively welcoming investments aimed at developing the entire value chain of activities related to vaccines, from clinical vaccine development to commercial vaccine manufacturing. Underscoring Singapore's longstanding partnership with GSK, the minister noted how Singapore's whole-of-ecosystem approach to collaborating with the pharmaceutical giant has differentiated the city-state as an "attractive investment destination, enabling us to maintain our competitiveness even in the face of challenges such as rising costs".


One such example was the establishment of the \$50 million GSK-EDB Trust fund in 2009 to train Singaporeans in green manufacturing. Over 200 trainees were supported through this fund to carry out sustainability research locally for pharmaceutical and fine chemicals manufacturing, as well as to address existing challenges of unsustainable practices in traditional manufacturing.


Other multinational vaccine manufacturers have recently made investments in their Singapore-based facilities. Thermo Fisher launched a new sterile drug facility in May. French healthcare company Sanofi in 2022 broke ground for a vaccine production facility in Tuas. In late 2022, an affiliate of German biotech company BioNTech acquired a manufacturing site from Novartis Singapore to set up an mRNA facility. Chinese vaccine maker Sinovac Biotech's plans to invest 10 billion yuan (\$1.85 billion) in development also included opening a research facility and its international headquarters in Singapore.

For more information on the news, refer to URL: <https://www.straitstimes.com/business/gsk-s-tuas-vaccine-facility-is-singapore-s-largest-after-300m-investment-gan-kim-yong>

FOZL 福智霖



 6 Raffles Quay, #14-06, Singapore 048580.

 +65 67170088

 enquiry@fozl.sg