FOZL 福智霖

Singapore Newsletter

Q1 2024

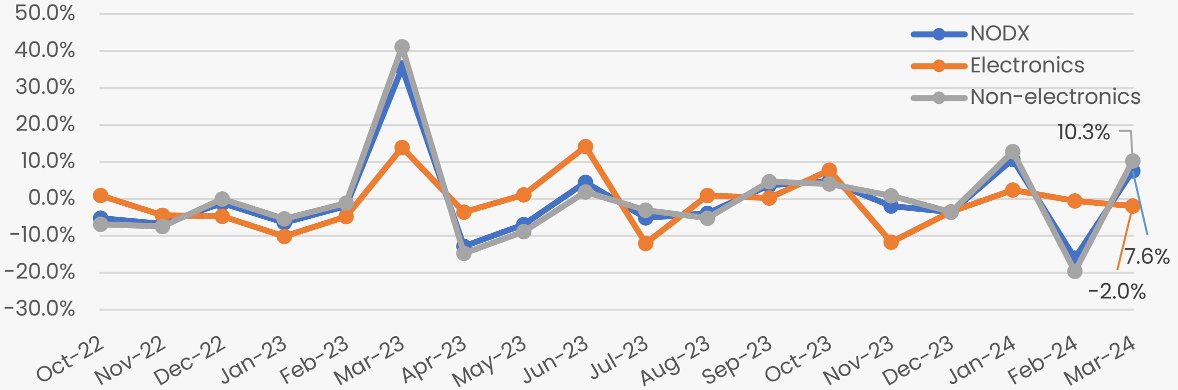
Insight on market information, trends, policies and investments.

Summary

The Singapore economy grew by **2.7%** on a year-on-year basis in the first quarter of 2024, faster than the 2.2% growth in the previous quarter due to a recovery in the tourism sector. Inflation also moderated in March, reaching a two-year low with broad-based easing across various sub-indices, particularly food, housing, and transportation. Furthermore, the central bank maintained its monetary policy stance at its second review in April.

KEY DATA

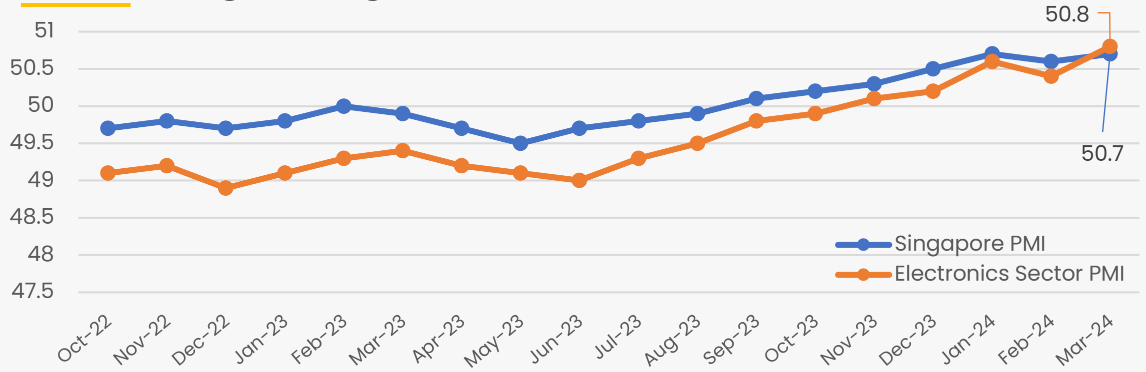
Non-Oil Domestic Export (NODX) (month-on-month)



Electronics	36.76% Consumer Electronics	34.20% Disk Drives	20.43% Diodes & Transistors
Non-Electronics	81.72% Pharmaceuticals	27.80% Electrical Circuit Apparatus	18.35% Electrical Machinery & Apparatus

For more information, refer to URL: https://tablebuilder.singstat.gov.sg/table/TS/M450981

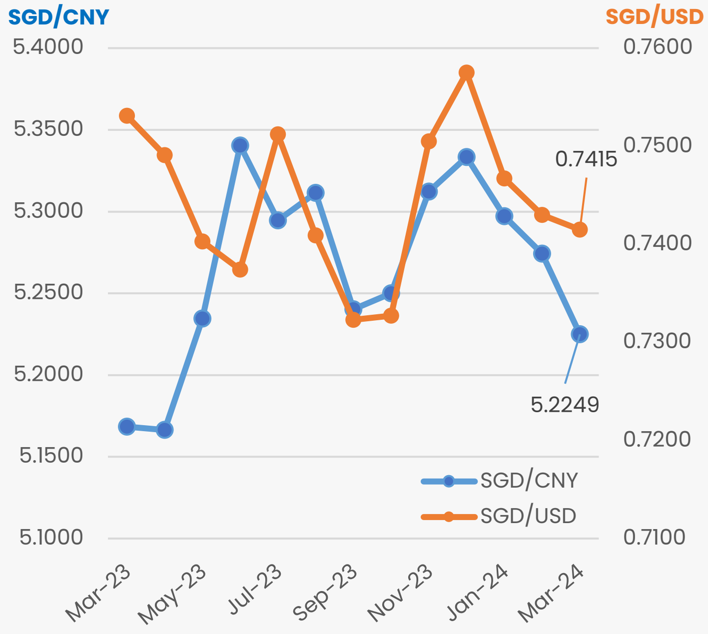
Purchasing Managers Index (PMI)

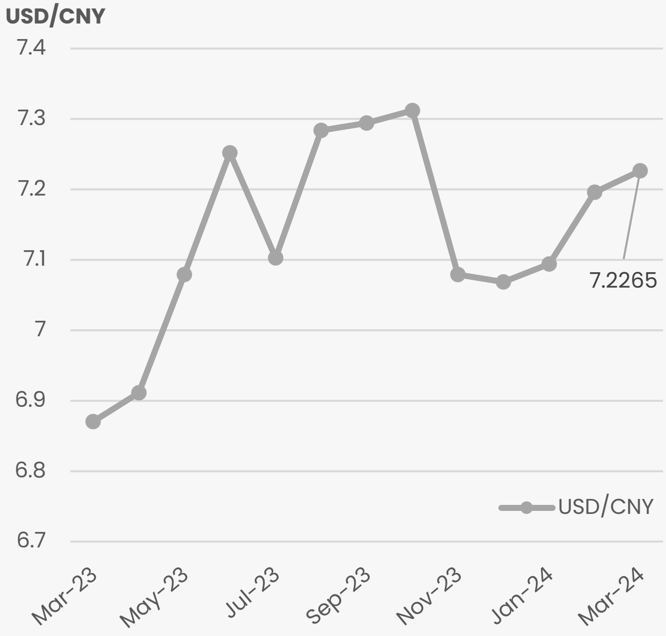


Trend: The Singapore PMI has been expanding for seven consecutive months to 50.7 in Mar 2024. The Electronics PMI rose to 50.8, marking six consecutive months of above 50.

For more information, refer to URL: [PMI Media - SIPMM PMI]

Foreign Exchange Rate (FX)

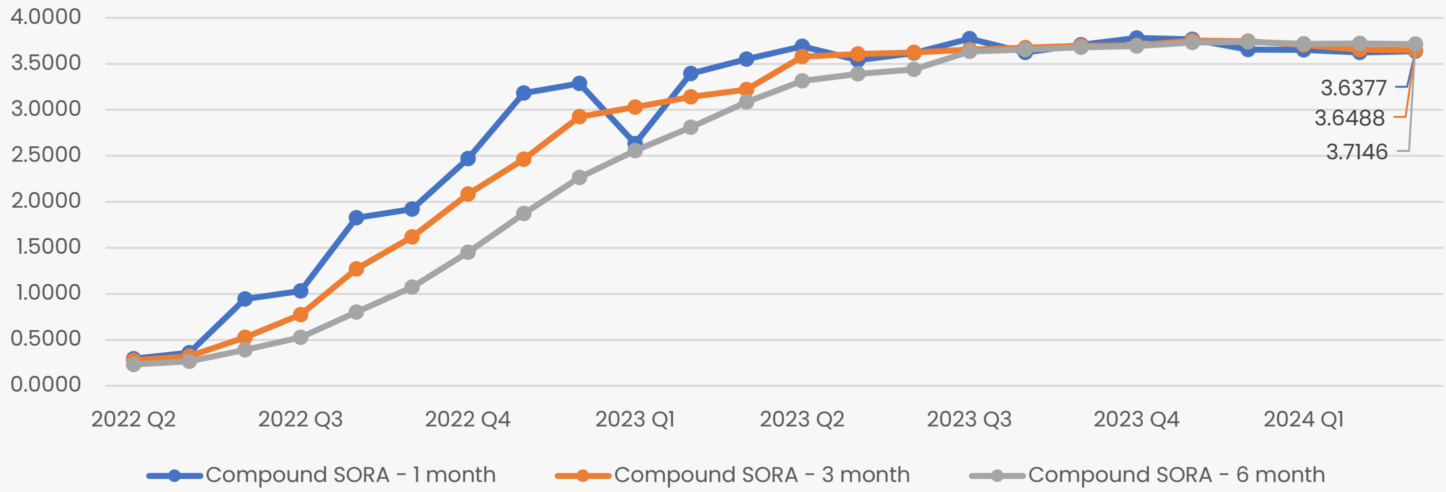




- **SGD/CNY:** SGD depreciated against CNY in Mar 2024 (at a rate of 5.2249).
- **SGD/USD:** SGD depreciated against USD in Mar 2024 (at a rate of 0.7415).
- **USD/CNY:** USD appreciated against CNY in Mar 2024 (at a rate of 7.2265).

For more information, refer to URL: MAS Exchange Rate

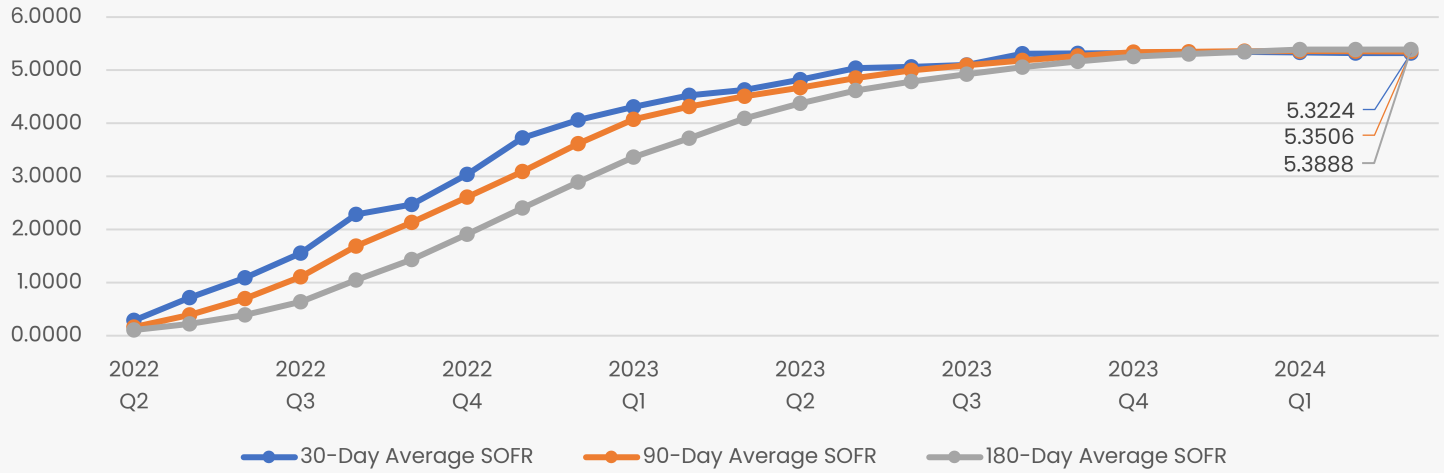
Singapore Overnight Rate Average (SORA)



Trend: All three compounded SORA rates began to trend downward, with 1-month compounded SORA at 3.6377, 3-month compounded SORA at 3.6488 and 6-month compounded SORA at 3.7146 in Mar 2024.

For more information, refer to URL: Monetary Authority of Singapore (mas.gov.sg)

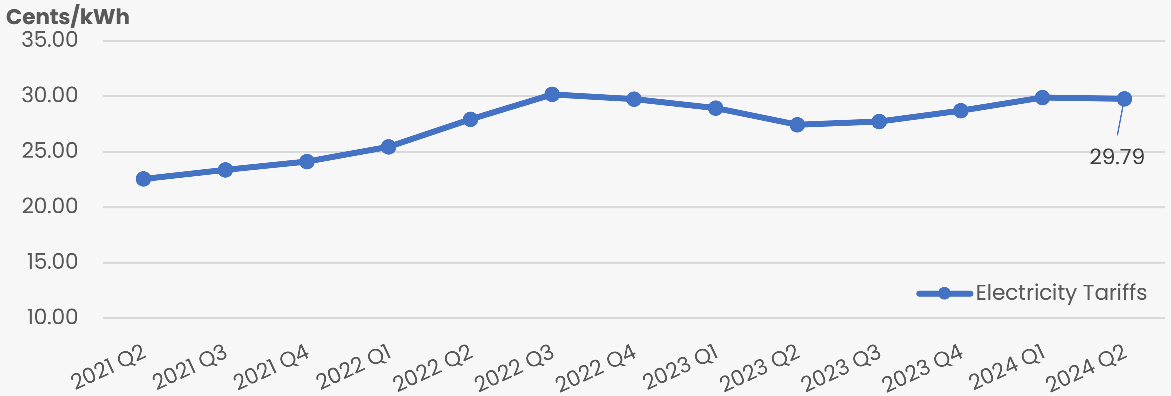
Secured Overnight Financing Rate (SOFR)



Trend: The SOFR remains with 30-day average SOFR at 5.3224, 90-day average SOFR at 5.3506 and 180-day average SOFR at 5.3888 in Mar 2024.

For more information, refer to URL: https://www.newyorkfed.org/markets/reference-rates/sofr

Utilities: Electricity Tariffs and Water Price



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

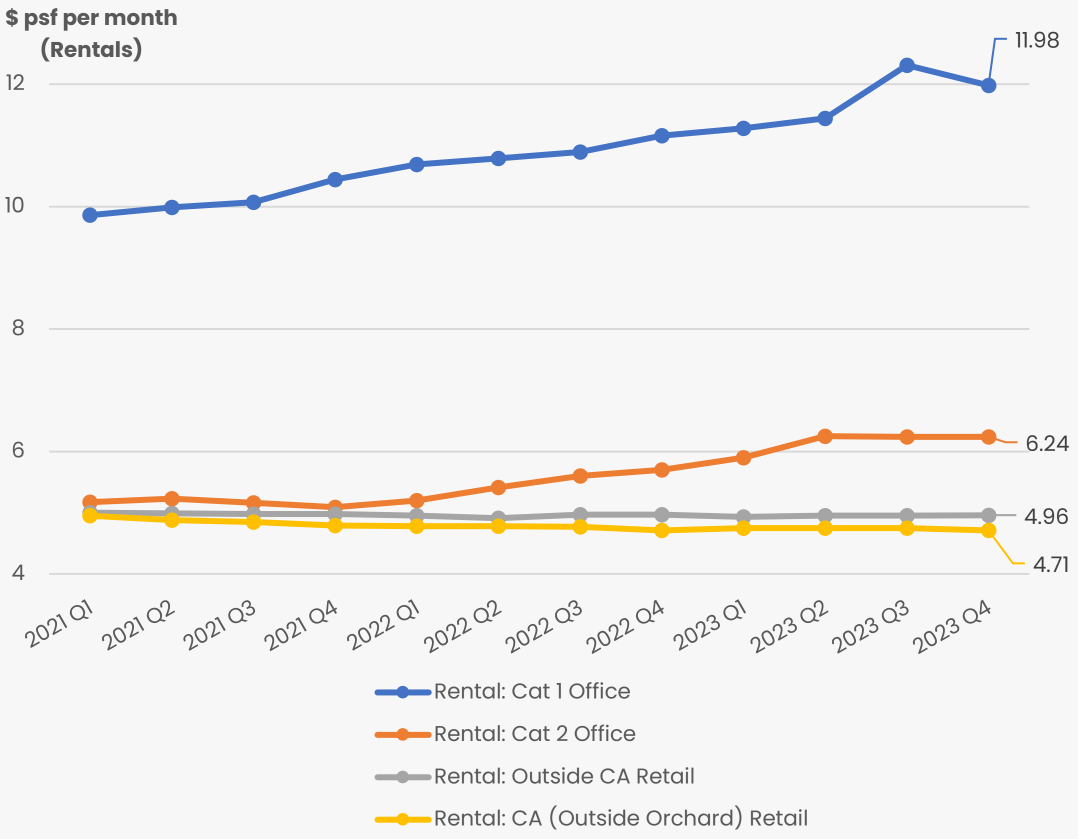
Trend: Electricity tariff is set to decrease by 0.3% or 0.1 cent per kWh for the second quarter of 2024. Including the 9% GST, the new electricity tariff will be 32.47 cents per kWh. *Figures are not inclusive of GST

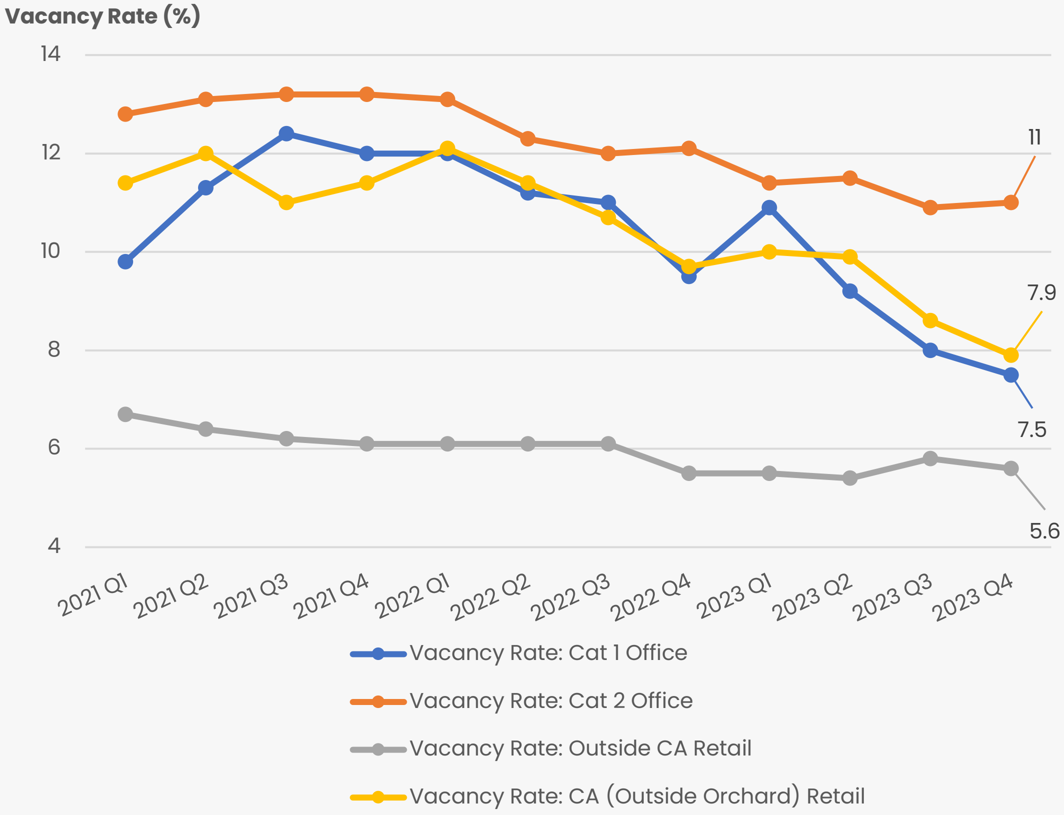
For more information, refer to URL: Electricity Tariff

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. *Figures are not inclusive of GST.

For more information, refer to URL:
Water Price | PUB, Singapore's National Water Agency

Median Rentals and Vacancy Rates for Offices and Retails





Trend: Core Premium and Grade A office rents in Singapore's central business district (CBD) began declining, reaching SGD 11.98 per sq ft in the final quarter of 2023. This downward trend is due to subdued demand as tenants become more conservative in spending and driving space optimisation. On the other hand, the vacancy in Core CBD (Grade A) remains low due to limited supply. This has led some occupiers to renew existing leases at higher reversionary rents rather than relocate, given higher capital expenditure and interest rates. The supply of office space in the CBD is expected to increase around 2.9 million sq. ft. in 2024, notably from the delayed completion of IOI Central Boulevard Towers in Core CBD to Keppel South Central in the Fringe CBD, and Labrador Tower and Paya Lebar Green in the Decentralised locations.

For more information, refer to URL: [Median Rentals and Vacancy of Office Space](), [Median Rentals and Vacancy of Retail Space]()

Key policy update: Singapore Budget 2024 - Tackling immediate challenges, investing in longer-term goals

Deputy Prime Minister and Minister for Finance, Mr Lawrence Wong, delivered Singapore's FY2024 Budget Statement on 16 February 2024, focusing on "Building Our Shared Future Together" to help tackle challenges faced by businesses and people. The Budget sets up measures to help Singaporeans with their cost-of-living concerns, as well as reskilling and upskilling for better jobs.

Some support measures are also introduced to help businesses manage rising costs and strengthen competitive advantages, including grant of corporate income tax rebate (for year of assessment 2024), introduction of the refundable investment credit, extension and revision to sections 13D, 13O and 13U tax incentive schemes, enhancement to the progressive wage credit scheme and enterprise financing scheme.

The Budget also announced that Singapore will move ahead to implement the Income Inclusion Rule and a Domestic Top-up Tax under Pillar 2 of the Base Erosion and Profit Shifting Initiative (BEPS 2.0), which will take effect from financial year starting on or after 1 January 2025, on large Multi-National Enterprise groups with global revenue of at least 750 million euros annually. This will result in an increased tax burden for numerous MNEs, especially those currently benefiting from tax incentives in Singapore.

The Economic Development Board (EDB) currently offers various tax incentive schemes, including the Pioneer Certificate Incentive (PC), Development and Expansion Incentive (DEI), and Finance & Treasury Centre (FTC) Incentive. These incentives enable enterprises to benefit from a corporate tax rate of below 15%.

Refundable Investment Credit

To enhance Singapore's attractiveness for investments, a new Refundable Investment Credit (RIC) will be introduced to support a broad range of projects that bring substantive economic activities to Singapore – from new productive capacity to headquarters and services, R&D and innovation and decarbonisation. RIC can be awarded to support up to 50 per cent of various qualifying costs, subject to an overall cap.

The credits will be offset against Corporate Income Tax payable. Any unutilised credit will be refunded in cash within four years from when the company satisfies the conditions for receiving credits. EDB and Enterprise SG will administer the RIC and provide more details by 3Q2024.

For more information, refer to URL: Budget 2024 (mof.gov.sg)

Key policy update: Section 10L - New tax treatment for gains from sale of foreign assets received in Singapore

Singapore has recently amended the Income Tax act by introducing the new Section 10L on gains from Sale of foreign assets. This will apply to gains from such sale that occurs on or after Jan 1, 2024 by entities that do not have adequate economic substance in Singapore. The purpose of this new section is to bring Singapore's tax regime in line with international anti-tax avoidance norms and to encourage substantial economic activities to be anchored in Singapore.

This legalisation applies to "covered entities", which are entities of a group that are incorporated, registered, or established in more than one jurisdiction. This includes both "pure equity-holding entities" and "non-pure equity-holding entities", each with its own set of economic substance conditions. A foreign entity (that is, not incorporated, registered or established in Singapore) that is not operating in or from Singapore is not within the scope of section 10L.

The Inland Revenue Authority of Singapore (IRAS) has issued an e-Tax Guide on "Income Tax: Treatment of Gains or Losses from the Sale of Foreign Assets" that provides further clarity on what constitutes adequate economic substance of a Singapore entity. It is crucial for businesses to assess the potential impact section 10L can have and take the necessary steps.

For more information, refer to URL: https://www.iras.gov.sg/media/docs/default-source/e-tax/tax-treatment-of-gains-or-losses-from-the-sale-of-foreign-assets.pdf

Key policy update: Singapore-China mutual visa-free travel to start on Feb 9, in time for CNY

China and Singapore have officially agreed to implement a visa-free entry policy for their citizens, allowing stays of up to 30 days. Starting from February 9, individuals holding ordinary passports and traveling for tourism, family visits, or business purposes will benefit from this new agreement. The agreement, signed in Beijing, marks a significant step in creating closer ties between the two nations and facilitating smoother travel for their citizens.

Chinese nationals who enter Singapore without a visa and plan to stay for more than 30 days will need to apply for an extension online with the Singapore Immigration and Checkpoints Authority (ICA).

For more information, refer to URL: https://www.straitstimes.com/asia/singapore-china-mutual-visa-exemption-to-start-on-feb-9-in-time-for-cny-holidays

Finance: Financial sector development fund top-up will fuel pursuit of new opportunities in AI and more

A $2 billion boost to a fund for developing the financial sector announced in Budget 2024 will give Singapore's central bank a stronger hand to capture new opportunities in sustainability, artificial intelligence, technology, and innovation.

The Monetary Authority of Singapore (MAS) also said the top-up to the Financial Sector Development Fund (FSDF) would give it more resources to "anchor" capabilities across banking, capital markets, asset management and insurance.

For the financial year ended March 31, 2023, the FSDF had total net assets worth $1.08 billion and disbursed $235 million in grants. A spokeswoman for the MAS said in response to queries from The Straits Times that the top-up will enable MAS and the Institute of Banking and Finance to step up Singapore talent development initiatives, upskill Singaporeans and equip the workforce to take on these opportunities. This will help strengthen the competitiveness of Singapore's financial centre and create good jobs for locals.

In his Budget speech on Feb 16, Deputy Prime Minister and Finance Minister Lawrence Wong said he would top up the fund so that the MAS has more resources to take full advantage of opportunities and extend Singapore's lead in financial services. The top-up is part of the Government's aim to accelerate gross domestic product growth to 2% - 3% on average over the next decade.

The FSDF was set up in 1999 to support the development of Singapore as a financial centre, and is controlled and administered by the MAS. The spokeswoman said that over the years, FSDF has supported key initiatives in talent development, industry capabilities, fintech, innovation and consumer education. She added that during the five-year period from 2018 to 2022, FSDF training support schemes provided funding for more than 250,000 training places for Singaporeans to gain new competencies. The fund also supported initiatives to deepen industry capabilities across asset classes. For instance, in the foreign exchange (FX) market, the foreign exchange e-trading ecosystem grant scheme supports key FX liquidity providers and multi-dealer platforms in anchoring their e-FX functions in Singapore.

For more information on the news, refer to URL: https://www.straitstimes.com/business/financial-sector-development-fund-top-up-will-fuel-pursuit-of-new-opportunities-in-ai-and-more-mas

Innovation & Technology: Singapore's $1b AI boost will help sustain competitive edge in digital era

Business leaders said that Singapore's plan to invest more than $1 billion over the next five years to further boost its artificial intelligence (AI) activities will help sharpen the Republic's competitiveness.

Mr Ben King, managing director of Google Singapore, told The Straits Times that early adoption of digital innovations is important to sustain the competitive advantage in a digital economy. He added that the Singapore Budget 2024 has unveiled support that will set this pace as Singapore continues to accelerate with the help of transformative technologies like AI.

Mr King mentioned that strategic private-public partnerships will complement the Government's initiatives to support workers' upskilling and business digitalisation efforts. He also stated that this is what Google has set out to achieve through tailored-for-Singapore initiatives such as the Skills Ignition SG programme, which has helped Singaporeans acquire digital skills for new career possibilities, which has supported 84 organisations in developing impactful generative AI solutions in Singapore. He added that empowering Singaporeans for today, and for tomorrow, means planning 10 steps ahead to ensure that the right structures are put in place for continued growth.

In his Budget speech on Feb 16, Deputy Prime Minister and Finance Minister Lawrence Wong said the Government will invest more than $1 billion over the next five years into AI compute, talent and industry development. Part of the investment will be used to ensure that Singapore can secure access to the advanced chips that are so crucial to AI development and deployment.

Mr Wong added that the Government will work with leading companies to set up AI centres of excellence here to "spur collaboration and innovation, and drive greater value creation across the whole economy".

Singapore's digital economy contributed $106 billion, or 17% of gross domestic product, in 2022, according to the Infocomm Media Development Authority.

For more information on the news, refer to URL: https://www.straitstimes.com/business/s-pore-s-1b-ai-boost-will-help-sustain-competitive-edge-in-digital-era-say-business-leaders

Labour Market: Minimum qualifying salary for new Employment Pass applicants to increase in 2025

The minimum monthly qualifying salary for new Employment Pass (EP) applicants will increase to S$5,600 (US$4,200) from Jan 2025, up from S$5,000 currently. The financial services sector, which has "higher wage norms", will have to earn a minimum of S$6,200 a month, up from the current threshold of S$5,500. For EP renewal applications, the new qualifying salary will take effect a year later on Jan 2026.

The Employment Pass is issued to expatriates employed as foreign managers, executives, and skilled professionals in Singapore. First-time candidates can obtain an EP for an initial two years which can then be renewed for up to three years at a time.

Manpower Minister Tan See Leng said that the qualifying salary for EP applicants is benchmarked to the top one-third of salaries for local professionals, managers, executives and technicians, and increases progressively with age.

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

Higher minimum qualifying salary for Employment Pass (EP)

The increased minimum qualifying salary will apply to:

- **New EP applications from Jan 1, 2025**
- **EP renewal applications from Jan 1, 2026**

Sector	Current	Revised
Financial services	S$5,500	S$6,200
All other sectors	S$5,000	S$5,600

Infographic: *Clara Ho*
Source: *Ministry of Manpower, Mar 4, 2024*

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Business Environment: Singapore maintains ranking as world's 5th least corrupt

Singapore maintained its position as the fifth least corrupt country in the world, according to the Transparency International Corruption Perceptions Index. Singapore remains the only Asian country to have been placed in the top 10 since the index was first published in 1995. It was third in 2018 and 2020, fourth in 2019 and 2021 and dropped to fifth in 2022 and 2023.

The index ranks and measures countries by their perceived levels of public sector corruption.

For more information on the news, refer to URL: https://www.straitstimes.com/singapore/courts-crime/global-anti-graft-watchdog-places-singapore-as-5th-least-corrupt-country-in-world-index

Top 10 countries and territories for 2023

Rank	Country/territory	Score
1	Denmark	90
2	Finland	87
3	New Zealand	85
4	Norway	84
5	**Singapore**	**83**
6	Sweden	82
7	Switzerland	82
8	Netherlands	79
9	Germany	78
10	Luxembourg	78

Table: STRAITS TIMES GRAPHICS • Source: TRANSPARENCY INTERNATIONAL

Manufacturing: Japan's Toppan to build its first Singapore microchip materials plant, creating 350 new jobs

Toppan Holdings plans to build a semiconductor package substrate plant in Singapore and will begin operations at the end of 2026. The factory in Pesawat Drive in Jurong will make substrates that are used in semiconductor products such as network switches, artificial intelligence (AI) and machine-learning devices. It will be the first such plant in Singapore, and the first investment by Toppan outside Japan to produce these substrates. The Japanese newspaper Nikkei reported that the capital investment is estimated at 50 billion yen ($450 million). It also stated that the factory's capacity will increase in line with demand, with total investment expected to surpass 100 billion yen.

Mr Tetsuro Ueki, senior managing executive officer and head of Toppan's electronics division, said that it looked for venues outside Japan to boost the production of what are known as Flip Chip Ball Grid Array substrates. The chip substrate market is projected to reach $29 billion by 2028, up 90% from 2022, as per what French research firm Yole Intelligence estimates. Mr Ueki said that Singapore was the most attractive destination for this investment as it is where most of Toppan top clients and partners are located. He added this plant will run by a new Toppan subsidiary called Advanced Substrate Technologies (AST), will be more advanced than its similar facility in Niigata, Japan, as it will use state-of-the-art automation technology.

Toppan's Singapore venture is also supported by Broadcom, one of its top customers for the substrates. Dr Charlie Kawwas, the president of Broadcom's semiconductor solutions group, said his company's involvement in the plant is to secure a regular supply of advanced substrate materials after experiencing shortages during the pandemic.

Mr Pee Beng Kong, executive vice-president of the Economic Development Board (EDB), mentioned taht the production of this new substrate in Singapore will increase business opportunities for existing players in the semiconductor ecosystem here and may also attract new investors in the supply chain. Mr Pee expects the new investment will also create new jobs at other partners of Toppan and Broadcom in Singapore as they get involved in the new substrate business.

For more information on the news, refer to URL: https://www.straitstimes.com/business/japan-s-toppan-to-build-its-first-s-pore-microchip-materials-plant-creating-350-new-jobs#:~:text=Home-,Japan's%20Toppan%20to%20build%20its%20first%20S'pore%20microchip,plant%2C%20creating%20350%20new%20jobs&text=SINGAPORE%20%E2%80%93%20Japanese%20manufacturer%20Toppan%20Holdings,many%20as%20350%20new%20jobs.

Manufacturing: Novartis spending $342m to expand Singapore plant by 2026

Swiss pharmaceutical giant Novartis is spending US$256 million (S$342.3 million) to expand its biopharmaceutical manufacturing plant in Singapore. The enlarged facility is expected to be operational by early 2026 and will focus on manufacturing therapeutic antibody drugs to address conditions like skin and respiratory diseases. Digital and automation solutions will be used to lift productivity at the plant and improve operational efficiency. The facility will help to bolster the biopharmaceutical manufacturing and supply chain across Asia as well as strengthen local capabilities and upskill talent in Singapore. Novartis will upskill its workforce through training programmes lasting around one to two years. In addition, it will create 100 high-skilled new jobs, including for scientists and engineers.

In 2023, Novartis facilities in Singapore shipped about 9 million treatment doses globally for chronic hives and arthritis. Mr. Steffen Lang, Novartis' President of Operations, noted the significant rise of biotherapeutics in recent drug approvals, making up nearly half and showing promise in addressing various diseases. To meet the growing demand, Novartis expanded its early-stage biologics portfolio substantially in capacities and investment. He encouraged further partnership with Singapore for manufacturing advanced modalities like gene and cell therapy and RNA therapeutics, aiming to cure specific conditions via biological pathway modulation.

For more information on the news, refer to URL: https://www.straitstimes.com/business/novartis

Innovation & Technology: New $10m lab to develop new ways to recycle plastics, oil, EV batteries

A new $10 million chemical engineering lab in Jurong will focus on recycling and producing batteries for electric vehicles (EVs), addressing a global priority as the first wave of EVs near obsolescence. The Innovation Technology Hub (InTecH) at Jurong Innovation District is Sulzer's inaugural research and development centre in Asia. It includes various chemical separation equipment, including a tall fractional distillation tower, claimed to be the tallest among pilot plants in Asia, for recycling chemicals, plastics, and lubricant oils.

The market for repurposed EV batteries from passenger cars alone is valued at an estimated US$15 billion (S$20.1 billion) globally, according to Greenpeace East Asia, which anticipates a "tidal wave" of used EV batteries from China in the next decade.

For more information on the news, refer to URL: https://www.straitstimes.com/tech/multi-million-dollar-lab-to-develop-new-ways-to-recycle-plastics-oil-ev-batteries

Sustainability: Travellers to pay more for flights leaving S'pore from 2026 to support use of greener jet fuel

From 2026, travellers flying out of Singapore will pay higher airfares because of a levy the Government will impose as part of a move to require flights departing from the city-state to use environmentally sustainable jet fuel. The money collected from the passenger levy will go towards the bulk purchase of sustainable aviation fuel that airlines here will need to use, to kick-start its adoption.

The eco-friendly fuel, mostly made from waste materials such as used cooking oil, is 3 to 5 times more expensive than conventional fuel. But it has been earmarked as a critical way for the aviation sector to decarbonise.

While the specific details are yet to be finalised, preliminary estimates from the Civil Aviation Authority of Singapore (CAAS) suggest that economy-class passengers may incur an additional $3 levy for short-haul flights, $6 for medium-haul flights, and $16 for long-haul flights, such as those to Bangkok, Tokyo and London, respectively.

The estimates are based on a national target that Singapore has set for sustainable aviation fuel to constitute 1% of all jet fuel used at Changi Airport and Seletar Airport in 2026. The eventual goal is to reach 3% to 5% sustainable fuel use by 2030.

The initiative is part of a sustainable air hub blueprint launched on Feb 19 by Transport Minister Chee Hong Tat at the second Changi Aviation Summit, which was held at the Sands Expo and Convention Centre. The blueprint outlines 12 initiatives for Singapore to tackle aviation emissions, with the medium-term objective of reducing carbon emissions from airport operations to 326 kilotonnes a year in 2030, which is 20% lower than 2019 levels.

By 2050, Singapore aims to reach net-zero domestic emissions from its airports and net-zero international emissions from its carriers. This goal excludes future developments in Changi East, including Terminal 5. Emissions targets for these projects will be determined separately. According to CAAS, Singapore is the first country in the world to introduce a levy to meet its sustainable aviation fuel goals. Other nations have also implemented sustainable aviation fuel requirements, but in the form of mandates based on fixed volumes.

For more information on the news, refer to URL: https://www.straitstimes.com/singapore/transport/travellers-to-pay-more-for-flights-leaving-s-pore-from-2026-to-support-use-of-greener-jet-fuel

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