

Singapore Newsletter

— Q2 2024 —

Insight on market information, trends, policies and investments.





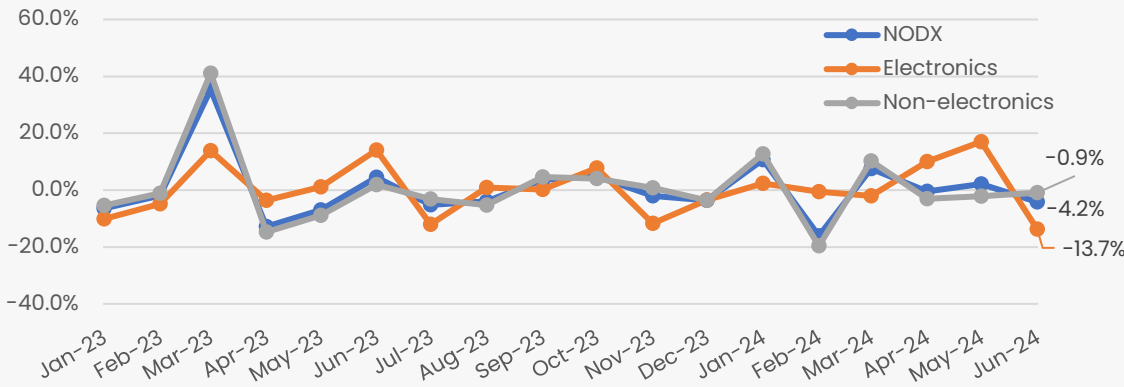
Summary

The Singapore economy grew by **2.9%** year-on-year in the second quarter of 2024, following a 3% growth in the first quarter. This growth was primarily driven by the wholesale trade, finance and insurance, and information and communications sectors. However, the manufacturing sector contracted, largely due to a significant decline in biomedical manufacturing. **Headline inflation** in June slowed to **2.4%** compared to a year ago, down from a 3.1% increase in May, largely due to a decrease in private transport costs.

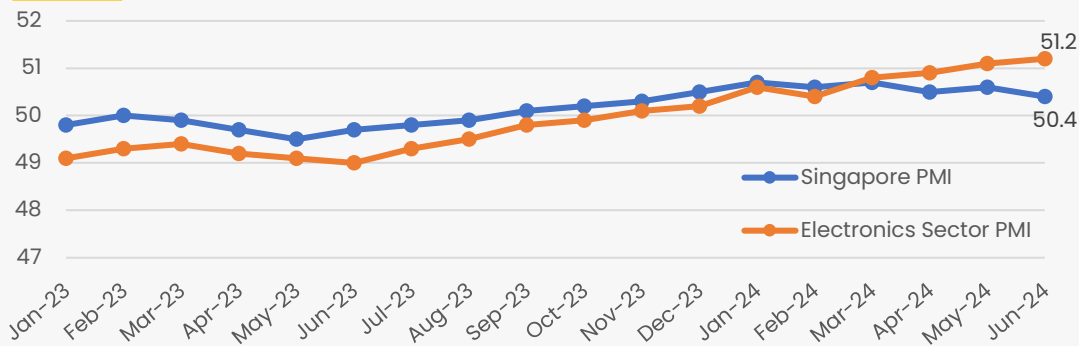


KEY DATA

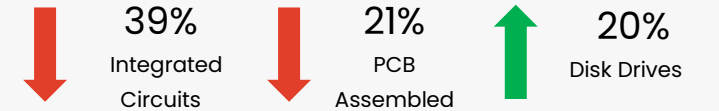
Non-Oil Domestic Export (NODX) (month-on-month)



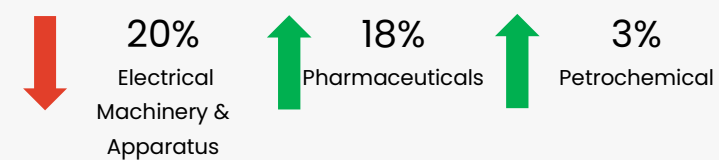
Purchasing Managers Index (PMI)



Electronics



Non-Electronics

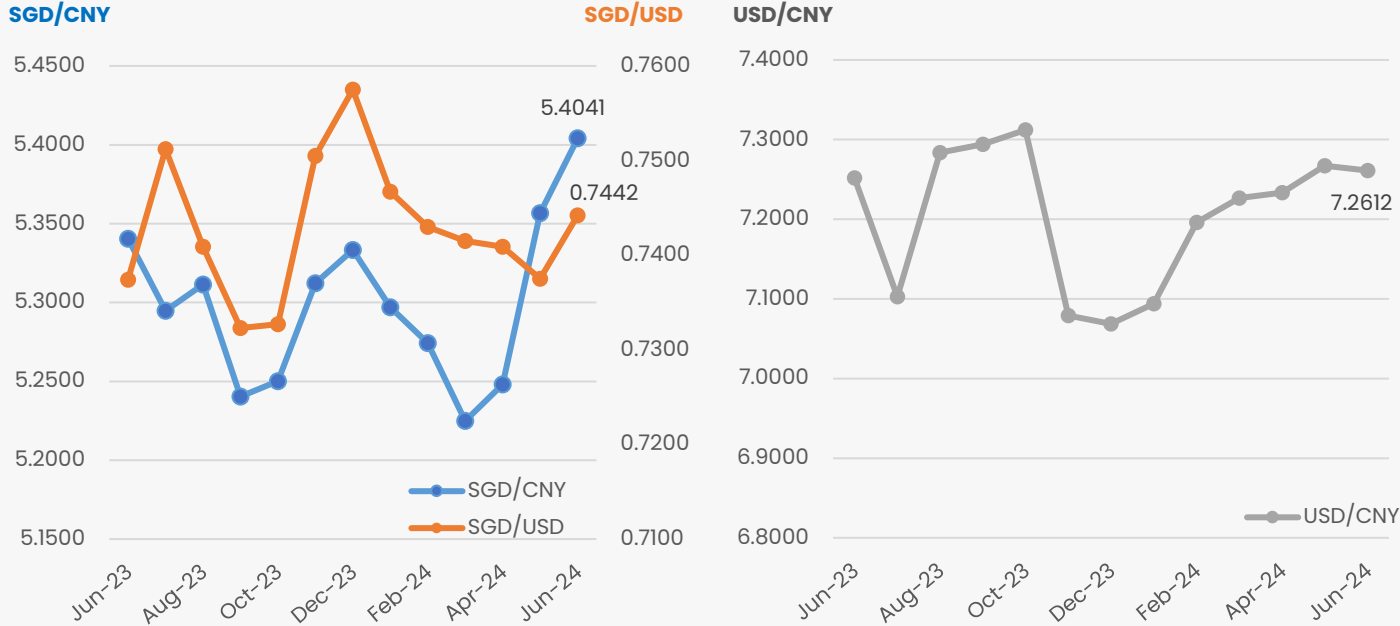


For more information, refer to URL: <https://tablebuilder.singstat.gov.sg/table/TS/M450981>

Trend: The Singapore PMI edged down slightly to 50.4 in June, showing an expansion for the 10th consecutive month. Electronics PMI continued its climb, edging up to 51.2 and remaining in expansion for eight consecutive months.

For more information, refer to URL: [PMI](#)

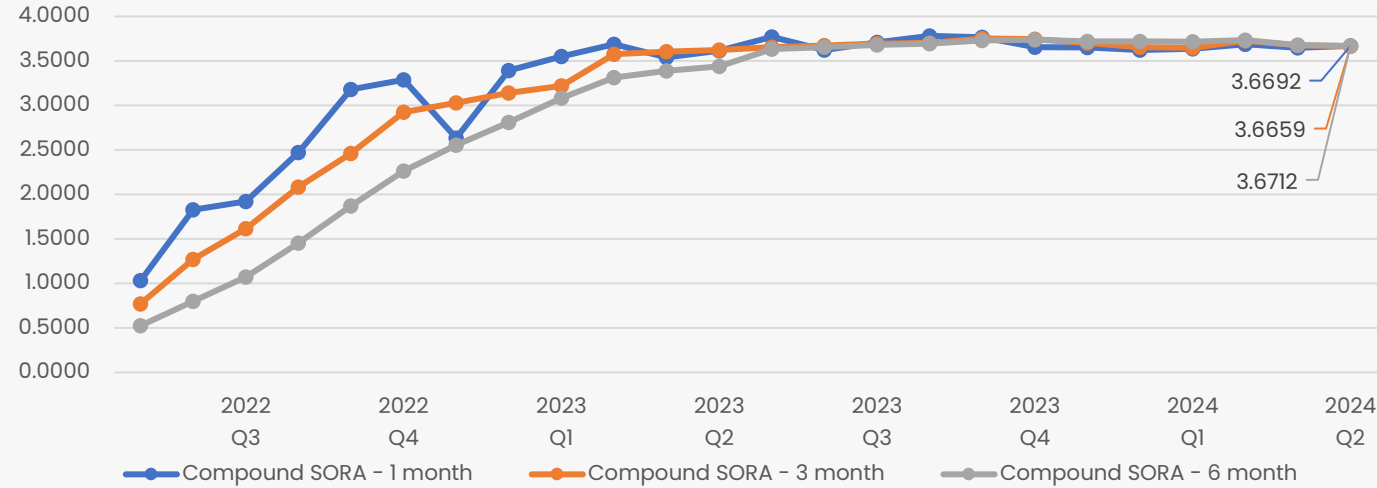
Foreign Exchange Rate (FX)



- **SGD/CNY:** SGD appreciated against CNY in Jun 2024 (at a rate of 5.4041).
- **SGD/USD:** SGD appreciated against USD in Jun 2024 (at a rate of 0.7442).
- **USD/CNY:** USD depreciated against CNY in Jun 2024 (at a rate of 7.2612).

For more information, refer to URL: [MAS Exchange Rate](#)

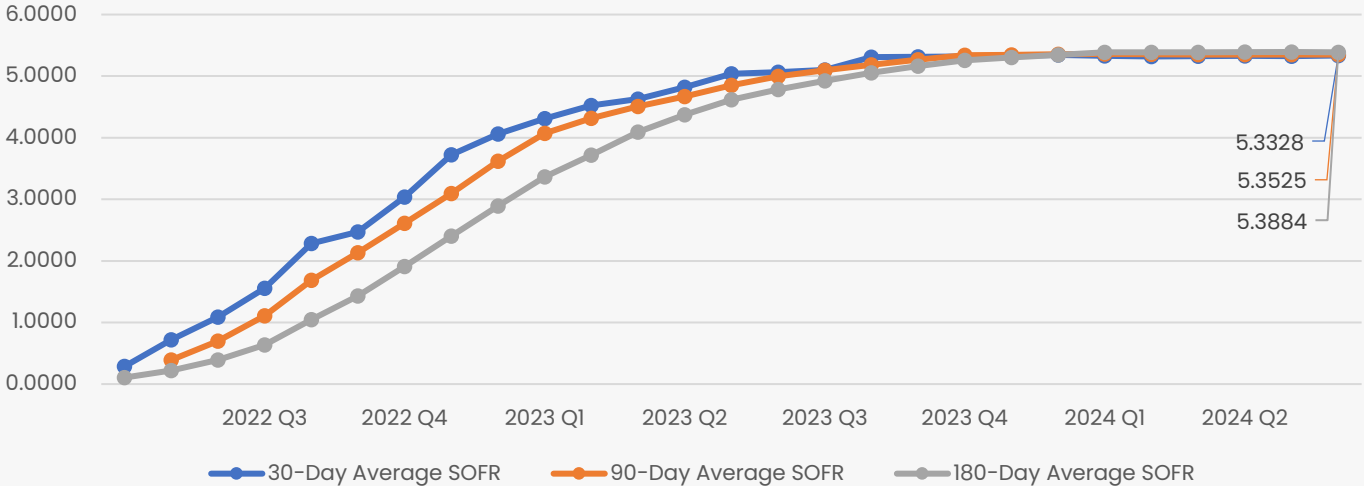
Singapore Overnight Rate Average (SORA)



Trend: All three compounded SORA rates began to trend downward, with 1-month compounded SORA at 3.6692, 3-month compounded SORA at 3.6659 and 6-month compounded SORA at 3.6712 in Jun 2024.

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

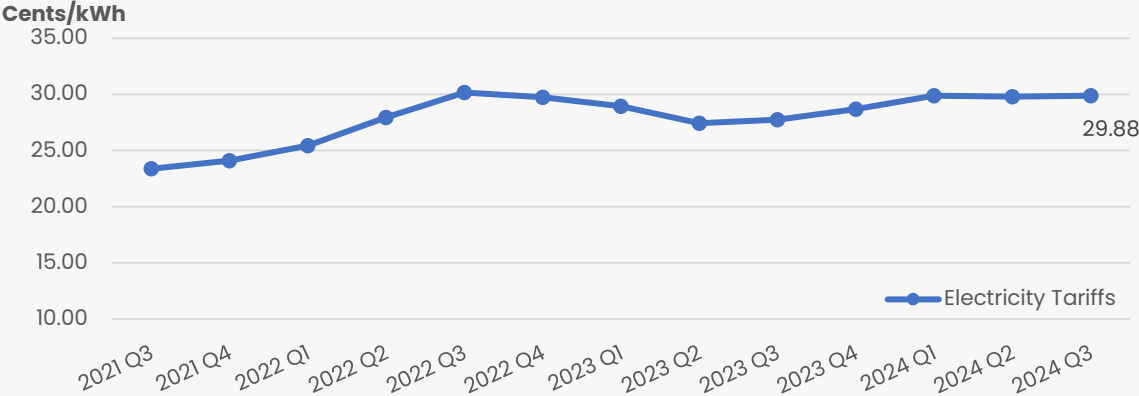
Secured Overnight Financing Rate (SOFR)



Trend: The SOFR remains with 30-day average SOFR at 5.3328, 90-day average SOFR at 5.3525 and 180-day average SOFR at 5.3884 in Jun 2024.

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

Utilities: Electricity Tariffs and Water Price



Trend: Electricity tariff is set to increase by 0.3% or 0.09 cent per kWh for the third quarter of 2024. Including the 9% GST, the new electricity tariff will be 32.57 cents per kWh.

For more information, refer to URL: [Electricity Tariff](#)

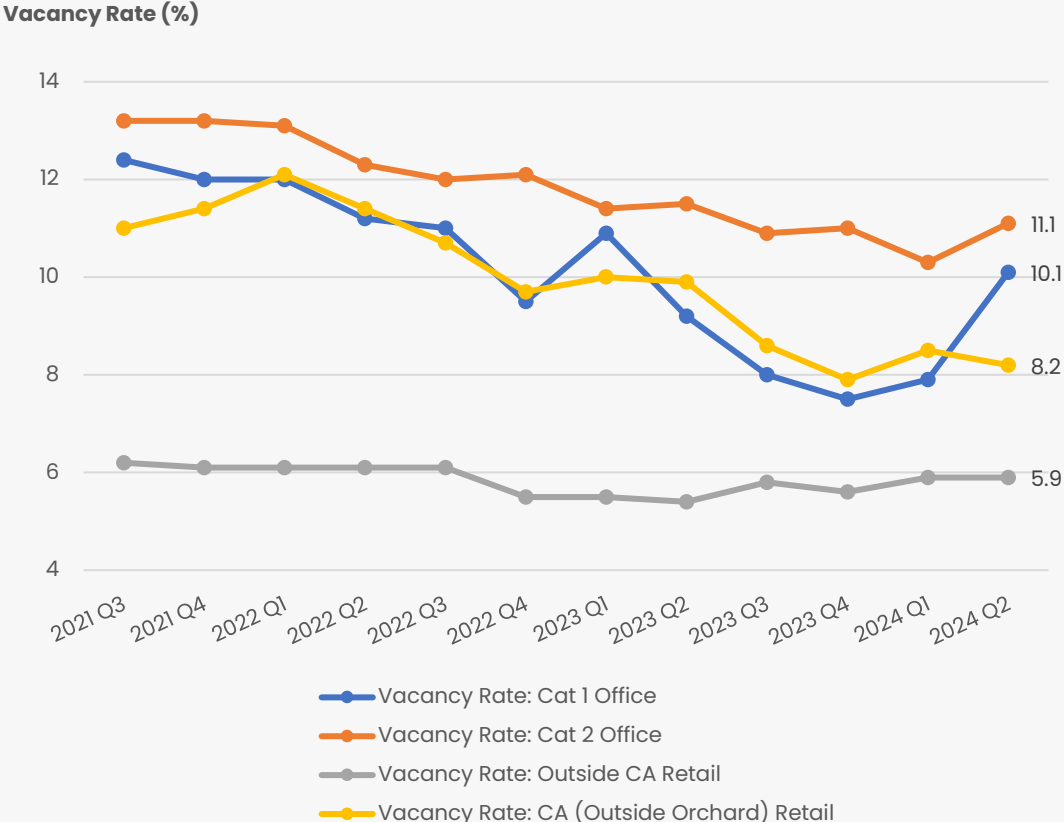
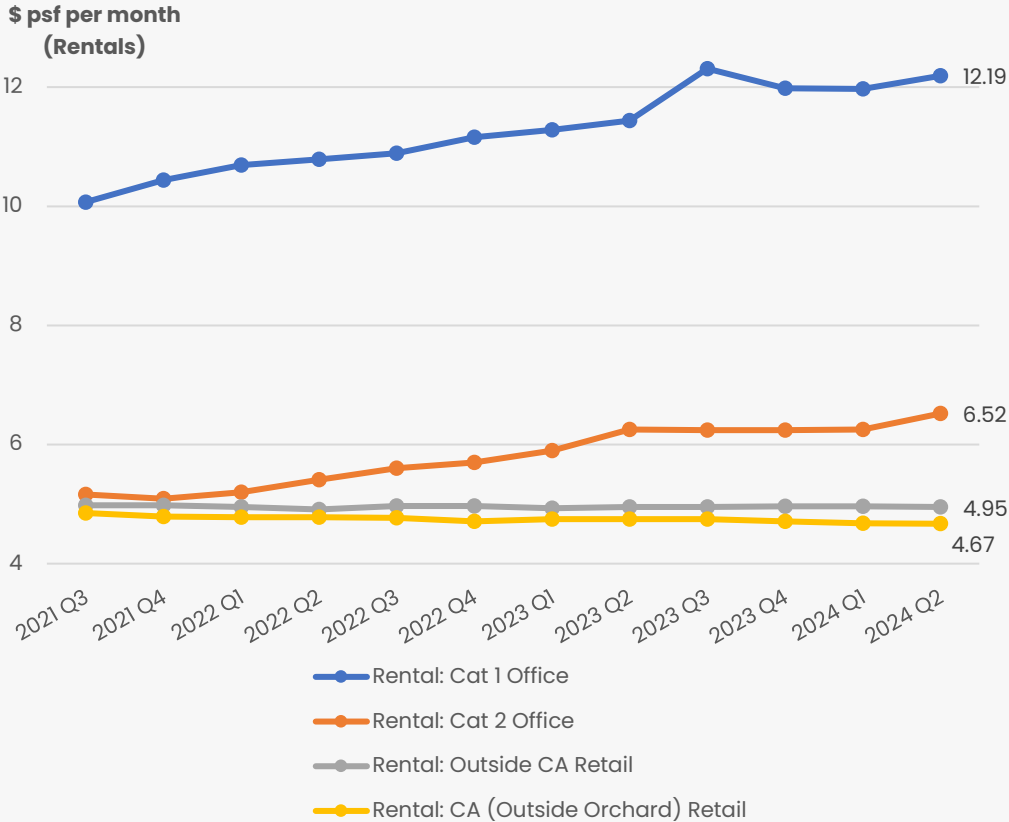
Industrial Water Price

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

Trend: Singapore raised the 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: The Singapore office rental market showed a strong rebound in Q2 2024, with the prime central business district (CBD) seeing particularly significant rental increases. This growth is primarily driven by increased demand for high-quality office spaces in prime locations. While the market has been predominantly characterized by lease renewals, reflecting occupiers' cost-conscious strategies in a high-interest rate and capital-intensive environment, relocation activities have also increased. Research indicates that legal firms and certain tech companies are driving this demand, seeking prime locations to attract and retain talent. Additionally, the recent completion of IOI Central Boulevard Towers has expanded office supply, providing tenants with more options and potentially moderating rental growth.

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



Key policy update: Singapore launches new governance framework for generative AI

Transparency about where and how content is generated is crucial in the global fight against misinformation, which has been exacerbated by generative artificial intelligence (gen AI), and is one of nine areas highlighted in an ethical framework for gen AI launched on May 30.

The Model Governance Framework for Generative AI aims to address concerns over the nascent technology, which has taken the world by storm since late 2022 because of its ability to quickly create realistic content. Developed by the AI Verify Foundation and Infocomm Media Development Authority (IMDA), the framework identifies nine areas – including accountability, trusted data for AI training and content provenance – where governance of gen AI can be strengthened.

The framework – developed in consultation with some 70 organisations ranging from tech giants Microsoft and Google to government agencies such as the US Department of Commerce – also balances the need to facilitate innovation. The framework identifies content provenance as an area of concern, pointing to the increasing difficulty people face in identifying AI-generated content, due to the technology’s ability to rapidly create realistic content.

For more information, refer to URL: <https://www.straitstimes.com/tech/s-pore-launches-new-governance-framework-for-generative-ai>

Key policy update: Singapore amends cyber-security law to boost oversight of national interests, essential services

Lawmakers on May 7 passed a Bill that seeks to expand the oversight of Singapore’s cyber-security watchdog over any computer system that is critical to the nation and at high risk of cyber-attacks. This includes temporary systems set up to support the distribution of vaccines and host key international summits and other high-profile events.

Tabling the Cybersecurity (Amendment) Bill, the first changes to the Cybersecurity Act since it came into force in 2018, Dr Janil said that the Act had to be updated to keep up with evolving tech and business models, which often rely on outsourced digital services that can also span across borders. Under the amended Cybersecurity Act, CII operators in Singapore will need to declare any cyber-security outage and attack faced on their premises or along their supply chain, as long as it affects their services. The proposed law will also add new categories of entities whose digital defences will be audited by the authorities, including autonomous universities, which may hold sensitive data or perform significant functions.

For more information, refer to URL: <https://www.straitstimes.com/singapore/politics/s-pore-amends-cybersecurity-law-to-better-secure-national-interests-essential-services>



Business Environment: Singapore and other major Asean economies see stronger investments amid supply chain shifts

Singapore and five other Asean countries have received most of the investment flows as companies diversify their supply chains and adopt a China-plus-one strategy, economists said. Foreign direct investment (FDI) inflows into the Asean economies of Indonesia, Malaysia, the Philippines, Thailand, Singapore and Vietnam have been gaining traction, although there are some differences across sectors and countries.

Inflows into the region rose to US\$236 billion (S\$318 billion) in 2023, compared with the annual average of US\$190 billion from 2020 and 2022. The major contributors were the United States, Japan, Europe, as well as mainland China and Hong Kong, attracted by the region’s strong domestic reforms, which have led to improving macroeconomic fundamentals.

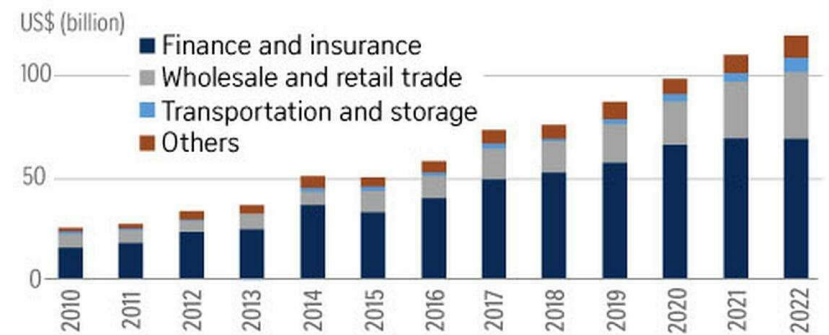
Many firms have diversified their operations away from China, following the Covid-19 pandemic and amid rising geopolitical tensions between Beijing and Washington. According to the American Chamber of Commerce in Shanghai, 40 per cent of those surveyed in 2023 had redirected investment or planned to redirect investment originally meant for China. For these companies, South-east Asia was the most preferred destination, with technology hardware, software and services companies looking at Singapore. The US was the second most preferred destination, followed by Mexico, the survey showed.

Singapore continues to be the largest recipient of FDI from China, reflecting the Republic’s status as a financial hub with strong synergies in the manufacturing, real estate and services sectors. Mainland China and Hong Kong’s share of the total FDI into Singapore has been rising in recent years, from almost US\$52 billion in 2015 to US\$113.2 billion at the end of 2022.

Chinese tech giants such as Alibaba, Tencent and ByteDance have set up regional offices in the Republic. According to Enterprise Singapore, there were over 400 Shanghai companies in Singapore as at end-2022.

For more information, refer to URL: <https://www.straitstimes.com/business/singapore-and-other-major-asean-economies-see-stronger-investments-amid-supply-chain-shifts>

FDI from China-HK into Singapore



Source: OCBC
STRAITS TIMES GRAPHICS



Finance: Singapore the top start-up investment destination in South-east Asia; deep tech sector growing: Report

The report from Enterprise Singapore and DealStreetAsia noted that Singapore was the top start-up investment destination in South-east Asia in 2023 despite a downturn in funding.

It found that start-ups based here accounted for 63.7% of all equity deals in the Asean-6 group of nations – Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam – in 2023, compared with 56.7% in 2022. The report also noted that Singapore's deep-tech start-up ecosystem flourished in 2023, with a 31.4% year-on-year increase in deals. This marked a recovery from a 38.9% drop in 2022, although deal value fell 18.4% to US\$1.53 billion (S\$2.07 billion) in 2023.

EnterpriseSG start-up ecosystem director Cindy Ngiam said on April 3 that Singapore's results indicate continued investor confidence in the country as the region's go-to destination for funding and start-up development. She emphasised that as investors prioritise strong fundamentals during this funding winter, the resilience and solid foundation Singapore has built into its tech and innovation ecosystem are what will allow Singapore to further its growth in deep tech.

The report also noted that deep-tech start-ups here are integrating artificial intelligence (AI) and machine learning, which marks a shift in how these firms approach research and development and cost management. The recent surge in private funding for AI companies in the US is likely to inspire other investors, including those based in Singapore.

The report said that while the AI landscape in Singapore is relatively nascent, fund managers see the potential for disruptive companies to emerge on the back of the resources and funding it has committed to strengthening its position as a test bed for new technologies.

The report noted that Singapore boasts a number of tech companies valued at over US\$500 million after closing large funding rounds. These include e-commerce loyalty solutions platform ShopBack, cross-border payments company Thunes and e-commerce solutions provider SCI Ecommerce.

For more information, refer to URL: <https://www.straitstimes.com/business/companies-markets/s-pore-the-top-start-up-investment-destination-in-south-east-asia-deep-tech-sector-growing-report>



Finance: 84 Singapore names, including DBS, in first Fortune 500 list of South-east Asia's largest companies

The first South-east Asian edition of the Fortune 500 list, a ranking of the largest companies by revenue, features 84 companies in Singapore.

In a strong showing, 5 of the top 10 companies ranked by revenue in the fiscal year ending Dec 31, 2023, are based in Singapore. They include commodities trader Trafigura, which came in 1st, as well as 10th-ranked DBS Group. Agribusiness groups Wilmar International and Olam Group as well as manufacturing services provider Flex were the three other top firms from Singapore.

In a statement on June 18, Fortune said that Trafigura dominated the rankings with sales of US \$244 billion (S\$ 330 billion). Fortune added that the privately held commodity trader in minerals, metals and energy had the fewest employees among the list's top 10 companies by revenue and is the second most profitable amongst this group.

Fortune, which publishes a much-watched annual list of the 500 top-grossing US companies as well as global, Europe and China rankings, said its focus on South-east Asia comes amid the rapid development of the region's economies and its growing significance in the global economy due to shifting supply chains.

Singapore-headquartered companies make up the largest share of the top 10 and top 20 lists among the South-east Asian countries, whether ranked by revenue or profitability. As is the case with the top 10 by revenue, five companies figured in the top 10 by profitability.

The inaugural rankings include companies from seven nations: Indonesia, Thailand, Malaysia, Singapore, Vietnam, the Philippines and Cambodia. The top 10 firms by revenue hailed from an eclectic range of sectors. While the energy sector held three of the top 10 spots, fast-moving consumer goods, financial services and commodities were represented as well.

The 10 largest companies on the list reported a combined revenue of US\$650 billion.

For more information on the news, refer to URL: <https://www.straitstimes.com/business/84-s-pore-names-including-dbs-in-first-fortune-500-list-of-south-east-asia-s-largest-companies#:~:text=They%20include%20commodities%20trader%20Trafigura,other%20top%20firms%20from%20Singapore.>



Infrastructure: JB-Singapore RTS Link project reports steady progress, nears 80% completion

The construction of the Rapid Transit System (RTS) Link project between Johor Bahru and Singapore is progressing as scheduled, reaching 77.61% completion as at May 31.

Malaysia's Mass Rapid Transit Corporation (MRT Corp) said the maintenance depot, a key part of the railway infrastructure located in the Wadi Hana area of Johor Bahru, is 82.14% ready and is set for system installation by the end of the year. It mentioned in a statement on June 11 that currently the track-level floor and architectural, mechanical and electrical works, as well as external works, are progressing well.

It also mentioned that the platform for Bukit Chagar station will be ready for system access by the end of the year, with current progress at 71.16% following the completion of U-shell beams above the KTMB (railway company) tracks. It added that the focus now is on constructing the station floors.

Meanwhile, all marine pier columns have been erected and installation works for the guideway spans connecting the columns are under way. This brings the progress of overall construction of the marine section to 74.76%, and the full completion is anticipated by the end of November 2024. With all areas progressing as planned, the operator of the RTS Link, RTS Operations Systems, will have access by the end of this year to carry out system installation works.

The RTS Link is a 4km light rail transit shuttle service between Bukit Chagar station in Johor Bahru and Woodlands North station in Singapore. The link has a capacity of 10,000 passengers an hour in each direction and is expected to relieve congestion at the Johor-Singapore Causeway, currently the world's busiest border crossing.

For more information on the news, refer to URL: <https://www.straitstimes.com/asia/se-asia/jb-s-pore-rt-s-link-project-reports-steady-progress-nears-80-completion>





Manufacturing: US chip gear giant Applied Materials to double Singapore manufacturing, R&D and headcount

Applied Materials (AM), one of the world's top suppliers of machines that make semiconductors, plans to double its Singapore manufacturing capacity, headcount and research activities in the coming years. The US company will soon announce the expansion of one of its innovation centres here that focuses on advanced packaging of semiconductors – the integration of a multitude of components into a single package to enhance performance and power efficiency without a significant increase in the size and cost of the product.

AM is already one of the largest employers and contributors in the output of Singapore's semiconductor equipment industry, which has a global market share of 20%. Singapore is also its South-east Asia headquarters. Earlier this year, the company's new S\$600 million plant in Tampines Industrial Crescent started operations. The new plant will employ 1,000 staff once it is fully functional.

Mr Gary Dickerson, president and chief executive of the Santa Clara, mentioned that AM has a significant manufacturing, supply chain and R&D footprint here in Singapore. It has over 2,500 employees here in Singapore today, and he believes there is a great opportunity for this company to more than double the size of Applied Materials and create many great jobs here.

For more information on the news, refer to URL: <https://www.straitstimes.com/business/us-chip-gear-giant-applied-materials-to-double-s-pore-manufacturing-rd-and-headcount>

Sustainability: ST Engineering to invest S\$ 120m in new sustainable data centre at Jalan Boon Lay

Technology and engineering group ST Engineering is investing S\$120 million over the next three years in a new data centre with high security and energy efficiency standards. The data centre, which is expected to be operational in 2026, will increase ST Engineering's total capacity to more than 30MW in Singapore.

Located within ST Engineering Land Systems' premises in Jalan Boon Lay, the seven-storey, 6,000 sqft facility will be the group's 4th data centre in Singapore. The new data centre will be able to accommodate high power density artificial intelligence and graphics processing unit-based workloads of more than 20 kilowatts per rack, in partnership with established industry leaders such as Google. As part of its sustainability features, the data centre will have 2,400 sqm of solar panels. These panels are expected to be exposed to at least six hours of sunlight a day, will be able to power much of the building's electrical requirements.

For more information on the news, refer to URL: <https://www.straitstimes.com/business/st-engineering-to-invest-120m-in-new-sustainable-data-centre-at-jalan-boon-lay>



Infrastructure: Amazon invests \$12b in Singapore operations and cloud infrastructure, launches AI training scheme

Amazon Web Services (AWS) is set to make one of the largest investments yet in digital infrastructure in Singapore, with \$12 billion over the next four years going into cloud and artificial intelligence (AI) projects, as well as expanding its operations here. It will also helm a series of workshops with at least 100 enterprises here to help drive AI adoption.

The company announced that the investment brings the company's total sum poured into Singapore to \$23.5 billion. This is more than double the amount it invested here from 2010, when Amazon's cloud computing division set up its regional headquarters here for its cluster of data centres, to 2023.

AWS said that the investment is expected to contribute some \$23.7 billion to the Republic's gross domestic product (GDP) and support more than 12,300 jobs through 2028, within AWS and in businesses that use its cloud services. AWS' services are deeply entrenched in Singapore's digital services, providing the foundation for thousands of online platforms like Trust Bank, Grab, PayNow, academic institutions and public sector entities.

Market analysts place AWS ahead of the competition in market share, with its estimated worldwide market share above 30 per cent, outpacing the likes of Google and Microsoft. The investment is one of the largest in AI here, on the back of the Government's \$1 billion investment in AI over the next five years, announced during the 2024 Budget.


Senior Minister of State for Communications and Information Tan Kiat How said cloud service providers like AWS provide the foundational digital infrastructure for firms to access digital resources like storage, computing power, and advanced capabilities like AI. The digital economy here continues to grow, hitting a compound annual growth rate of 12.9 per cent since 2017, outpacing the rest of the economy, he said, adding that its growth has helped to create jobs. It generated \$106 billion in 2022 – or 17 per cent of Singapore's nominal GDP.


Small and medium-sized enterprises in the region are also predicted to deploy an additional US\$130 billion (\$176 billion) to digitalise over the next three years.

For more information on the news, refer to URL: <https://www.straitstimes.com/tech/amazon-invests-12b-in-s-pore-operations-cloud-infrastructure-launches-ai-training-initiative>

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