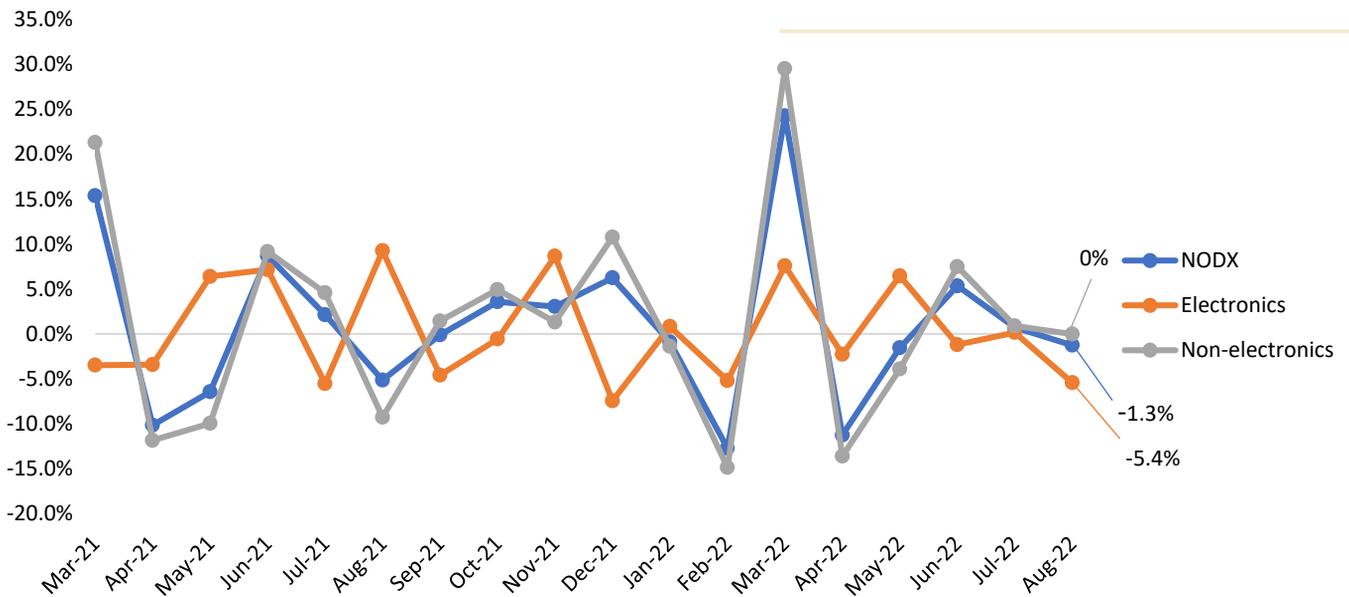


SEP 2022

In September, core inflation continue to rise in which inflation reached a decade high as cost of food and services rose due to geopolitical tensions, rising global commodity prices, supply chain disruption and global warming issues. This has led to MAS adjusting the interest rates with most banks revising their rates for loans and deposits.

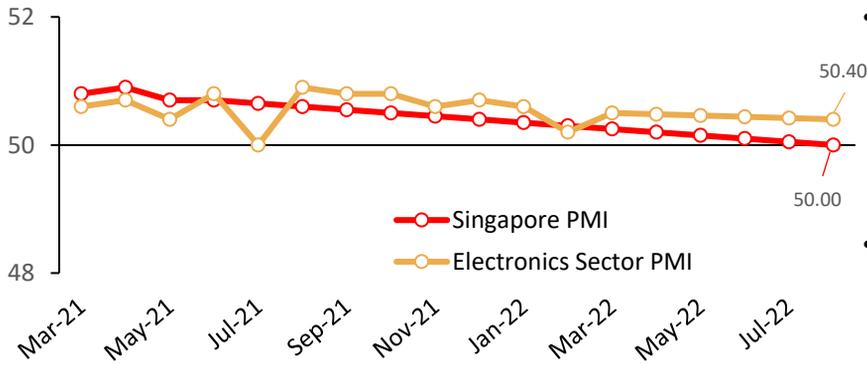
Non-Oil Domestic Export (NODX)



- **Trend:** NODX, electronics and non-electronics exports in general have been fluctuating for the past 18 months with major spikes in Q2. All 3 segments showed decline in September compared to the previous month:
 - NODX declined by 1.3%, a reduction from the growth of 0.7% in Jul
 - Electronics declined by 5.4%, a reduction from the growth of 0.2% in Jul
 - Non-electronics remained flat, in comparison to a growth 0.9% in Jul
 - **Main contributors to growth (electronics):** Consumer electronics, Diodes and Transistors and which expanded by 1.3% and 20.2% respectively
- **Main contributors to growth (non-electronics):** Electrical circuit apparatus, which expanded by 1.2%,
- **Going forward:** : NODX is expected to grow by 5 % to 6 %, up from the previous forecast of 3 % to 5 % amid aggressive global monetary policy tightening is due to persistent inflation amid energy and food security concerns. Moreover, the geopolitical landscape remains uncertain amid the ongoing Russia-Ukraine war, while the US is also tightening regulations on its shipments of advanced semiconductor chips and chipmaking equipment to China.
- NODX to the top 10 markets as a whole rose in August 2022, though NODX to China, Taiwan and Hong Kong declined. The largest contributors to the growth in NODX were the exports of structures of ships & boats, food products and measuring instruments to the US. Another major contribution were increased NODX to EU 7 for exports due to pharmaceuticals , telecommunications equipment and specialised machinery.

Link to the September monthly trade report: https://www.enterprisesg.gov.sg/-/media/esg/files/media-centre/media-releases/2022/september/mr04522_monthly-trade-report--aug-2022.pdf

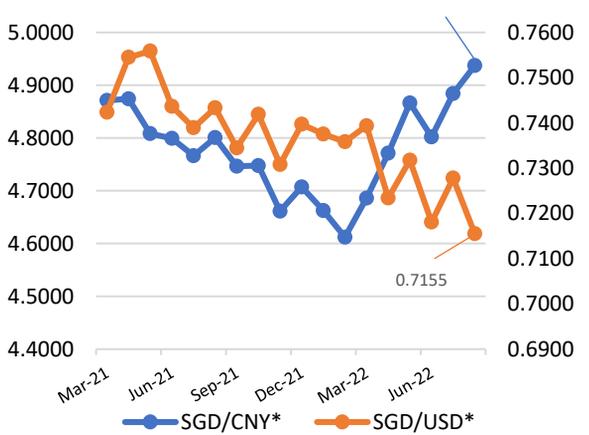
Purchasing Managers Index (PMI)



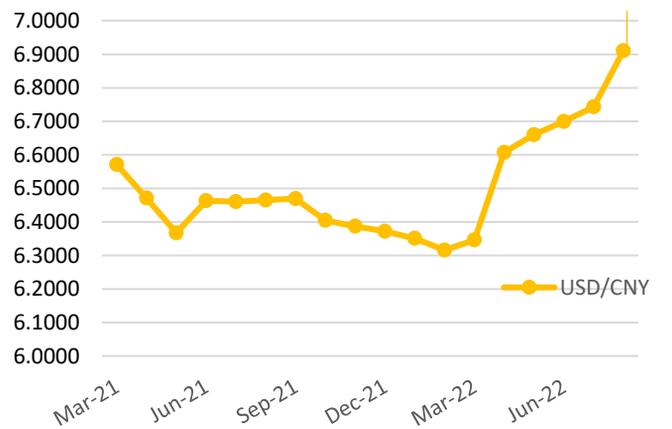
- **Trend:** PMI remains stable at the 50-point mark in Aug 2022. Singapore PMI decreased from 50.05 in Jul 2022 to 50.00 in Aug 2022 while Electronics PMI decreased from 50.42 in Jul 2022 to 50.40 in Aug 2021.
- **Going forward:** The global inflation will continue to pressure various sectors and interest rates are expected to continue to rise in tandem to address rising cost.

Foreign Exchange Rates (FX)

SGD/CNY

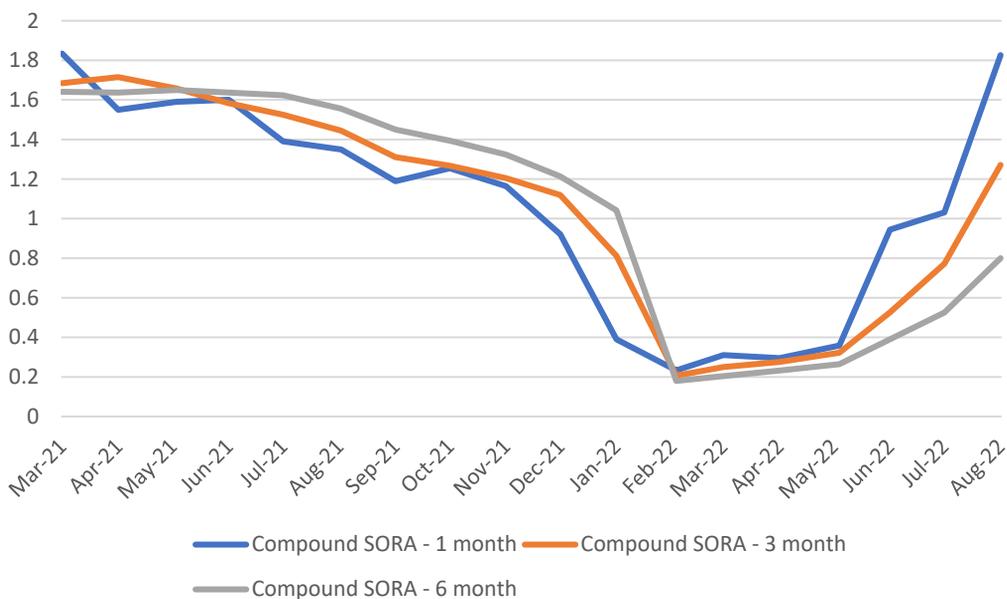


USD/CNY



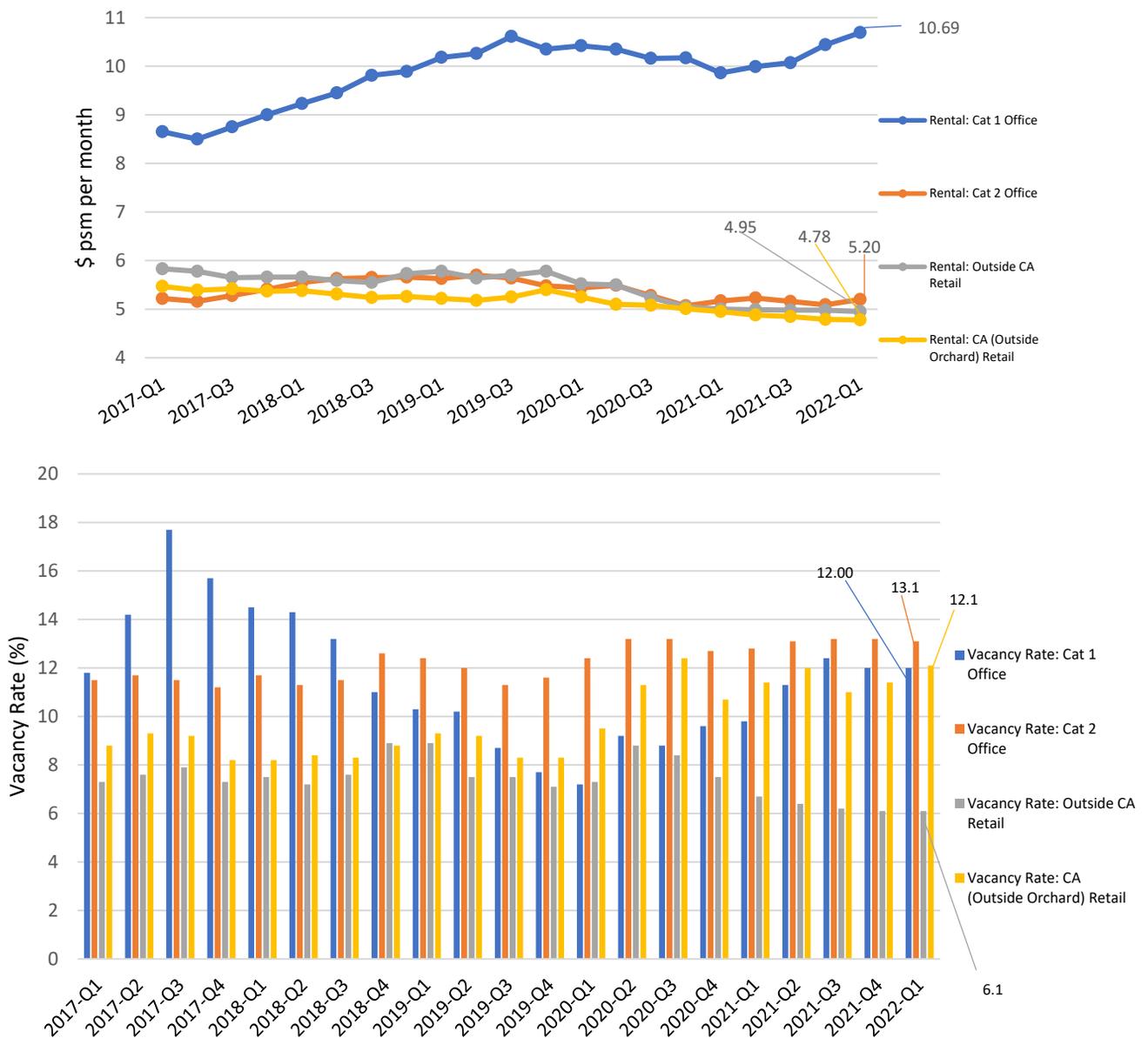
- **SGD/USD:** SGD appreciated against USD in Aug 22 (at a rate of 0.7155).
- **SGD/CNY:** SGD appreciated against CNY in Aug 22 (at a rate of 4.9370).
- **USD/CNY:** USD appreciated against CNY in Aug 22 (at a rate of 6.9108).

Singapore Overnight Rate Average (SORA)



- **SORA Trend:** All three compounded SORA rates soared, with 1-month compounded SORA at 1.8263, 3-month compounded SORA at 1.2712 and 6-month compounded SORA at 0.8004 in Aug 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) increased in 2022 Q1. Median rental of retail space in Outside Central Area (CA) and retail space in CA (outside Orchard) median rental both decreased in 2022 Q1.
- Vacancy rate:** There's not much change on the vacancy rate of Cat 1 offices and Cat 2 offices in 2022 Q1. The vacancy rate of CA (Outside Orchard) Retail increased and there's not much change on the vacancy rate of Outside CA Retail in 2022 Q1.
- Analysis:** The increasing trend in median rental for office spaces is due to the economy reopening of Singapore and the positive momentum from end-2021 carried over to 2022 Q1. Occupiers of office are led demand by sectors in the technology, consumer and non-banking financial services. Singapore's market is expected to continue to benefit from the back-to-office recovery momentum and the re-opening of international borders. The retail market continued to face uncertainty in 2022 Q1 as leasing activity continued to be stable while the recovery of the retail market was still capped by restrictions on social gatherings in most of the quarter.



KEY POLICY UPDATES

- **GST hike to go ahead as planned with support measures in place:** The goods and services tax (GST) will increase as planned from 2023, even amid a sharp rise in tax revenue of more than 22 %. The Government is committed to offsetting the GST increase even amid inflation. GST will be raised by % points in two stages, from 7% to 8% on Jan 1 2023, and to 9% on Jan 1, 2024.

There will always be a high degree of uncertainty in predicting Singapore yearly 's revenue, given that the economy is small and open and subject to external demand fluctuations. The spending needs are growing, particularly on higher healthcare expenditure as the population ages. There is also a need to accelerate Singapore's economic and green transformation, and shore up resilience in food and energy amid global economic uncertainty. The GST hike will provide the resources to help meet long-term priorities in a responsible manner, said Finance Minister Lawrence Wong.

The consistent fiscal policy plan is to run a balanced budget over the medium term. Support measures will also be extended to lower income groups which face difficulty coping with higher inflation.

- **Rules to tackle online harm here could be in place as early as 2023 :** Social media firms will be held to greater account as Singapore looks to roll out a slew of online safety measures, including content filters and user reporting tools, to minimise local access to harmful material. The codes are expected to be rolled out as early as 2023 .

In short, the Ministry of Communications and Information (MCI) said the public generally agreed that social media platforms, which include Facebook, Instagram and Tik Tok, will need to implement safety standards for six types of content: sexual content, violent content, self-harm content, cyber-bullying content, content that endangers public health and content that endangers public health and content that facilitates vice and organised crime.



BUSINESS ENVIRONMENT

- Singapore is world's 7th most innovative economy:** Singapore is now the seventh most innovative economy in the world, up one spot from its ranking in 2021. The rankings are in accordance with the Global Innovation Index 2022, a report released by the World Intellectual Property Organisation (Wipo) and non-profit research firm Portulans Institute on Thursday. The report ranks 132 economies according to their capacity for and success in innovation. Switzerland has remained the top economy globally this year. The rest of the top five are, in descending order, the United States, Sweden, the United Kingdom and the Netherlands.

The ranking is based on two broad areas: innovation inputs and outputs. Innovation inputs are factors in an economy that enable innovative activities. They include the effectiveness of an economy's government, access to information and communications technology, and intellectual property payments. Innovation outputs refer to the actual results of innovative activities in an economy. They include knowledge and technology outputs such as high-tech exports, as well as creative outputs like the amount of creative goods exported. Overall, Singapore is top in most institution-related input factors, including political and operational stability, ability to formulate and implement sound regulations that promote private sector development, and government effectiveness.

Wipo's director-general Daren Tang noted that investments in innovation continued to grow in 2021 despite the Covid-19 pandemic. The outlook for 2022 is clouded by global uncertainties, such as those from supply chain disruptions, and a slowdown in converting investments into inventions that drive economic productivity. Hence, more attention needed to pay to not just investing in innovation but how it translates into economic and social impact.

- E-commerce sales in Singapore seen to reach \$19.7b by 2027:** E-commerce sales in Singapore are expected to reach US\$14 billion (S\$19.7 billion) by 2027, despite slower growth this year amid inflationary pressures and supply chain disruptions, according to a report released by Facebook parent Meta and management consultancy Bain & Company. This forecast reflects the continued optimism regarding Southeast Asia's long-term growth outlook, which is underpinned by the steady growth of the digital consumer population in the region. Digital consumers in South-east Asia are expected to account for about 88% of the population – or 402 million people – by 2027, the latest Sync South-east Asia Report noted.

E-commerce sales in Singapore are projected to grow to US\$9 billion this year, an increase from US\$8 billion last year. But this was much slower than the 73% YOY jump in sales seen last year. However, consumers here spent more per transaction this year, with the online basket size increasing to US\$131 from US\$119 last year. Across the region, the average basket size went up to US\$56 this year, compared with US\$52 last year. Moreover, Singaporeans are regional leaders in the adoption of future technologies. More than four in 10 Singaporeans used metaverse-related tech such as cryptocurrencies and non-fungible tokens (NFTs) this year, and almost the same proportion used fintech solutions like Internet banking and e-wallets in the past year.

Link to Sync South-east Asia Report: <https://www.facebook.com/business/m/sync-southeast-asia>

Top 10 most innovative economies

Rank	2022	2021
1	Switzerland	Switzerland
2	United States ▲ 1	Sweden
3	Sweden ▼ 1	United States
4	Britain	Britain
5	The Netherlands ▲ 1	South Korea
6	South Korea ▼ 1	The Netherlands
7	Singapore ▲ 1	Finland
8	Germany ▲ 2	Singapore
9	Finland ▼ 2	Denmark
10	Denmark ▼ 1	Germany

Sources: WORLD INTELLECTUAL PROPERTY ORGANISATION, PORTULANS INSTITUTE
STRAITS TIMES GRAPHICS



BUSINESS ENVIRONMENT

- **\$8m boost for tourism and lifestyle businesses to help market S'pore:** Hotels, restaurants and other tourist attractions here will be able to tap a new \$8 million fund to help them promote Singapore as a choice destination for business and leisure. The SingapoReimagine Marketing Programme was launched on Wednesday by the Singapore Tourism Board (STB) to give more marketing support for these businesses. Under the programme, successful applicants will receive funds that make up 70% of their marketing campaign costs, capped at \$500,000. To encourage collaboration across the industry, a further 10%, capped at \$50,000, will be disbursed to applicants who partner tourism stakeholders from different sectors.

Link to SingapoReimagine Marketing Programme: <https://www.stb.gov.sg/content/stb/en/assistance-and-licensing/SMP.html>



FINANCE

- **Sing\$ remains Asia's best performer against greenback's relentless surge** : The Singdollar has outperformed its regional peers, including renminbi and yen, due to Singapore's recovering economy and MAS intervention to tighten monetary policy four times since October 2021.

The Singdollar is increasingly seen as a regional safe haven amid heightened foreign exchange market volatilities spurred by aggressive US Federal Reserve tightening and a China slowdown. The Singdollar is likely to hold the line against the relentless US dollar surge as the Monetary Authority of Singapore (MAS) is expected to continue pushing forward with its tightening policy, giving the Singdollar an appreciation bias. Given that Singapore imports almost everything it consumes, it is vulnerable to higher import prices that rise with global inflation. A stronger currency helps absorb some of the higher import costs. The impact of an appreciating currency on exports is, however, relatively less given the high content of imported raw materials.

- **Inflation near 14-year high on costlier food, services**: Consumer prices in Singapore continued their climb in August to a near 14-year high as food items and services became more costly. Singapore had moved ahead of the curve in tackling inflation, but the August data suggests challenging times ahead. Core inflation, which excludes private transport and accommodation costs, and reflects the expenses of Singapore households more accurately, hit 5.1 % YOY. This is higher than the 4.8 % in July and marks its highest level since it hit 5.5 % in November 2008. August's consumer price index (CPI) came in at 7.5 %, matching the 14-year high in June 2008. In July, it had touched 7 %.

Core inflation is projected to stay elevated over the next few months. For the first eight months of the year, headline inflation stands at 5.7 % YOY, which is near the upper end of MAS forecast. OCBC Bank's chief economist, Ms Selena Ling commented that inflation continue to remain within MAS projections with the expectation to peak later in the year and stay elevated for a period of time. Economists expect MAS to tighten its monetary policy at the mid-October meeting, given the strong inflationary pressures.

- **Inflation slows Singapore's July retail sales growth to 13.7 %**: July retail sales growth to 13.7%: Takings continue to grow at a slower pace in July as inflation touched new highs, but analysts expect bright spots to remain with major events and the year-end holiday season coming up. Retail sales rose 13.7 % YOY, cooling from the revised 14.9 % growth in June. Overall inflation for July came in at 7 % – the highest in 14 years since it reached 7.5 % in June 2008. RHB senior economist Mr. Barnabas Gan commented that higher inflation may dissuade some retail expenditure. However, there are bright spots, due to the resumption of the upcoming Formula 1 Singapore Grand Prix, the Great Singapore Sale and front-loading of retail demand before the GST hike next year.

All industries in the sector recorded growth in sales, with food caterers seeing the largest increase of 133 % amid higher demand for event and in-flight catering with the easing of restriction on large-scale events and international travel. Overall, the estimated total retail sales value in July was \$3.9 billion, of which online sales made up an estimated 12.7 %.



MANUFACTURING

- **Pall setting up \$140m facility to boost Singapore's chip industry:** Filtration solutions producer Pall Corporation is setting up a new US\$100 million (S\$140 million) manufacturing facility in Singapore, which will support the semiconductor industry's needs in the Asia-Pacific. The facility will occupy a 2.8ha campus that will include more than 18,000 sq m of manufacturing and office space. When fully operational, it will be more than double Pall's current production capacity. More than 300 jobs in science, engineering and manufacturing will be created with the new site. The expansion of Pall's production in Singapore further strengthens the semiconductor ecosystem here and deepens the Singapore's role in the global semiconductor supply chain.



INFRASTRUCTURE

- **Singapore expects to get her first hydrogen power plant by 2026:** Singapore is expected to get her first hydrogen-ready power plant by the first half of 2026 as it transitions its power sector into using fuels that emit less carbon. The Keppel Sakra Cogen Plant, which will run entirely on clean-burning hydrogen will be built on Jurong Island and is slated to produce up to 600MW of electricity. This amounts to 9 % of Singapore's peak electricity demand in 2020 and could power 864,000 four-room HDB flats for a year. The combined-cycle gas turbine power plant developed by Keppel Infrastructure will use natural gas as its primary fuel for now. About 95 % of Singapore's energy is now generated from natural gas. More energy-efficient power plants like this will lead to a reduction of 220,000 tonnes of carbon emissions annually.
- **Singapore aims to set up 5G network over port waters by mid-2025:** Singapore aims to have remote-controlled ships and self-driving vessels in her port waters, with her plans to set up a dedicated 5G network over the area. Full maritime 5G coverage in anchorages, fairways, terminals and boarding grounds by the middle of 2025 is expected. A 5G dedicated network is 10 times faster than 4G and it allows users to conduct mission-critical operations where real-time communication is needed. The network over Singapore's port waters will also serve as a test bed for maritime technological innovations. The 5G test bed at sea will also be the world's first and largest for maritime technology. The test bed can be used to trial maritime autonomous surface ships – vessels having automated systems which may be remotely controlled. These ships will allow firms to create and test new systems that enable operations such as autonomous ship manoeuvres and remote control of vessels. Another system, to monitor ships anchored in Singapore's waters in real time, will be introduced in the third quarter of next year.



LABOUR MARKET

- **Transformation plan to add at least 3,000 financial jobs yearly:** To ensure that the financial sector grows by an average annual rate of 4 % to 5 % from 2021 to 2025 and create 3,000 to 4,000 net jobs on average each year. Singapore's updated financial sector transformation plan aims to set up a digital platform for small businesses, positioning the country as a regional hub for philanthropy. Converting stocks, bonds and real estate into digital tokens are several of the new initiatives in the plan.

Financial support in the form of grants and other incentives will be provided to help upskill the workforce across various segments of the financial sector. To digitalise this financial infrastructure, MAS will promote the development of digital platforms for the bond market and funds industry. A digital platform for small and medium-sized enterprises (SMEs) will help them discover trade opportunities overseas.

Link to the Transformation plan : <https://www.mas.gov.sg/news/media-releases/2022/mas-launches-financial-services-industry-transformation-map-2025>

- **19,000 lower-wage retail staff to get higher pay from this month:** From this month, about 19,000 full time lower-wage retail assistants, cashiers and assistant retail supervisors will see their salaries rise by 8.4 % to 8.5% annually over the next three years. Firms in the sector have until next February to meet those progressive wage requirements before they face penalties for non-compliance. Besides the PWM for retail, another progressive wage move that took effect this month is the extension of the PWM to include 19,000 in-house workers in the cleaning, security and landscape sectors.



DIGITAL CONNECTIVITY

- **DBS: Digital banking now the baseline for all lenders:** The shift to digital banking in Singapore has spurred incumbent banks to take more notice of customers needs and invest in novel ways to meet rising expectations. DBS Bank's digitalisation efforts began 10 years ago. A full suite of financial services by DBS enables the bank to bank five million customers. With data, DBS was able to revise its Multiplier rates in order to offer higher returns on savings when 40% of their customers had not risen as fast as inflation. Also, artificial intelligence has been deployed to help customers select products and build portfolios that suit their financial needs.

In order to be competitive, the new digital banks must have data that is superior to help them offer more compelling products and services than the incumbents. Digital banks could steal a march over the traditional banks in terms of the ease of conducting basic functions, such as through digital wallets and banking through chats.

- **Stanchart: NTUC Enterprise to launch digital Trust bank:** The new digital bank by Standard Chartered Bank and the National Trades Union Congress (NTUC) offered a savings account, credit card and family personal accident insurance. They offered an interest rate of 1.4% per annum for the first \$50,000 deposit. The savings account comes with a debit card that offers points rebates. The account has no minimum balance, lock-in period or fees. Trust Bank is also offering a family personal accident insurance scheme, upon signing up for the Trust credit card.

Trust Bank plans to cater to older Singaporeans which are traditionally seen as less tech-savvy. 80% of bank customers aged 60 and above used digital banking in 2021, showing an increment from just 20% in 2019.

- **Trials of battery swapping systems for electric m-cycles:** Two trials on testing battery swapping systems that could allow electric vehicle (EV) users to swap out their depleted batteries instead of waiting for their EVs to be charged will be conducted by electric scooter companies Gogoro and MO Batteries. The trial will involve 26 electric motorcycles and two battery swapping set-ups. They will partner up with other companies to deploy their vehicles. The trials will examine the potential of swapping battery technology for motorcycles. It follows the revision in March of the technical standards surrounding EV charging that addresses battery swapping for motorcycles and is part of the nation's push to make land transport and other sectors environmentally friendly. To further support the move towards cleaner vehicles, new training and certification courses have been launched by Land Transport Authority (LTA). Technicians can also sign up for subsidised courses and obtain certification related to the safety and maintenance of EVs under the Workforce Skills Qualification framework developed by SkillsFuture Singapore.

Link to the revision: <https://www.lta.gov.sg/content/ltagov/en/newsroom/2022/3/news-releases/introduction-of-updated-national-electric-vehicle-charging-stand.html>

Link to the news of the courses: <https://www.lta.gov.sg/content/ltagov/en/newsroom/2022/5/news-releases/new-initiatives-to-upskill-and-certify-professionals.html>

- **Four tech innovation areas vital for Singapore's survival:** Four areas of tech innovation, which are energy and sustainability, biopharma and medicine, urban sustenance, and digital and information innovations are important. Singapore must remain connected to the rest of the world to tap global opportunities, while policies and organisations must enable people to innovate. Policies that are progressive, predictable and innovation-friendly are needed to connect Singapore to the global economy and entrench Singapore in the global value chain.

On the socio-economic front, innovative strategies will be needed to uplift the local workforce, and help people keep pace with global competition and mitigate the disparity in opportunities and outcomes. Educational institutions like NUS can play a part in translating their research and innovations into enterprise. With good innovations, NUS can be a trusted platform for talents to learn from each other and create new ideas.



- **Measures to reduce Singapore's Grand Prix's carbon footprint:** The F1 Pit Building will be fully powered by carbon-neutral sources of energy when the Formula One Singapore Airlines Singapore Grandprix (GP) returns to the Marina Bay Circuit from Sept 30 to Oct 2. Most of the buildings and activity areas will be powered by clean energy through the purchase of renewable energy certificates. This is just one of a series of initiatives introduced to reduce the carbon footprints of the race. B7 biodiesel will be used on the event area. B7 is a mix of regular diesel and up to 7 % bio-based diesel which is made from plant or animal sources. In addition, Singapore GP will work with Alpha Biofuel to trial the use of a generator powered by B100 biodiesel, which is wholly composed of bio-based fuels. Alpha Biofuels, which is based in Singapore, will also collect used cooking oil from F&B operators around the circuit to be recycled into biodiesel, a practice that has been in place since 2009. Solar panels will also be installed on the roof of the Pit Building by July 2023. From expanding the use of renewable sources to converting food waste into compost, the Singapore GP is on the way to delivering more sustainability events and helping the sport achieve its goal of being net zero by 2030.



- **Singapore eyes 2050 target for net-zero emissions** : : Singapore is planning to have its planet-warming emissions reach net zero by 2050. The current target lets the country continue releasing planet-warming emissions, reaching a peak of 65 million tonnes of greenhouse gas emissions around 2030. The latest plan to reach net-zero emissions, which refers to the country taking out as much planet-warming greenhouse gases from the atmosphere as it releases, shows a more definitive timeline. Any remaining emissions need to be reabsorbed from the atmosphere by restoring forests and mangroves. Singapore's carbon tax rate will be increased from the current \$5 per tonne of emissions to between \$50 and \$80 by 2030 as one of the climate initiatives. Companies will have to be less carbon-intensive in their operations, workers have to acquire new skills, and individuals will have to adjust to lifestyle changes such as consuming and wasting less and reducing energy usage.

Link to the carbon tax rate: <https://www.nccs.gov.sg/singapores-climate-action/carbon-tax/>

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