

# ECONOMIC SURVEYS SERIES

Reference Year 2007

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## Introduction

The Singapore Department of Statistics conducts an annual survey on the services industries to collect a wide range of data for studies and analyses. The first survey on the services industries was conducted in 1968 for the reference year 1967 and subsequently at regular intervals. Since 1984, the inquiry was carried out on an annual basis.

The latest survey was carried out in 2008 for reference year 2007. This year, the reports will focus on several services industries of importance to Singapore's economy. This report on *The Services Sector* is the Department's seventh and last issue in the series. This consolidated report aims to provide a comprehensive performance review of the services sector.

The seven reports which have been released are as follows:

*Food and Beverage Services*

*Health Services*

*Information and Communications Services*

*Retail Trade*

*Transport and Storage Services*

*Wholesale Trade*

*The Services Sector*

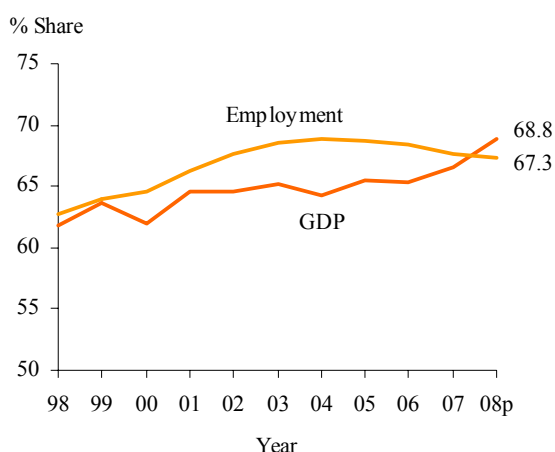
As at 30 June 2009

# THE SERVICES SECTOR

## I. OVERALL SERVICES SECTOR'S ECONOMIC SHARE

The services sector, an important engine of growth in the Singapore economy, contributed 68.8 per cent of nominal GDP and 67.3 per cent of total employment in 2008 (Chart 1).

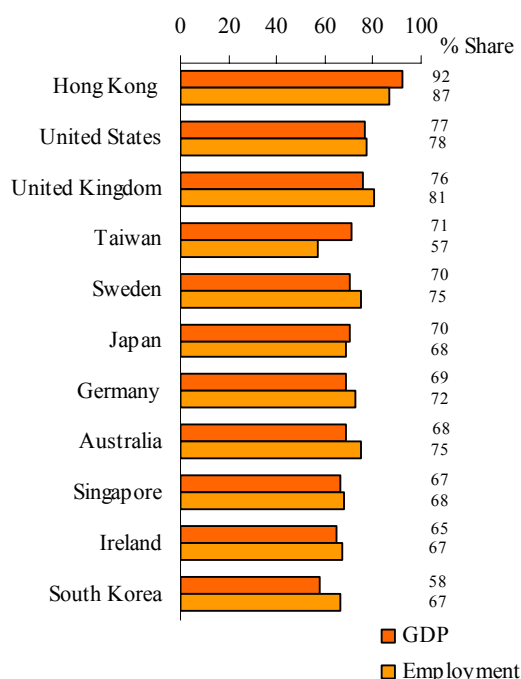
*Chart 1 – Services Share of GDP and Employment in Singapore, 1998 – 2008<sup>p</sup>*



Source: Employment – Ministry of Manpower

Singapore's GDP share of services in 2008 was comparable to Germany (68.7 per cent) and Australia (68.4 per cent). In terms of employment share, Singapore's services sector was closer to Japan (68.4 per cent) and Ireland (67.2 per cent) (Chart 2).

*Chart 2 – Services Share of GDP and Employment of Selected Countries/Regions, 2007*



Sources: OECD – National Accounts of OECD countries, Taiwan Bureau of Statistics, Hong Kong Census and Statistics Department, Australian Bureau of Statistics.

## II. COVERAGE OF ANALYSIS

The services sector is diverse and encompasses a wide range of heterogeneous activities. The analysis presented in the following sections is based on data collected from the Annual Survey of Services<sup>1</sup> conducted by the Singapore Department of Statistics.

The analysis focuses primarily on services establishments in the private-sector group within the overall services sector, excluding institutions like banks and finance, securities & insurance companies under the purview of the Monetary Authority of Singapore. Services provided by the

<sup>1</sup> Detailed coverage of the survey is provided in the Explanatory Note.

## THE SERVICES SECTOR

government sector (i.e. government ministries and departments) are also excluded.

### III. ECONOMIC PERFORMANCE

<i>Key Indicators</i>			
		<u>2007</u>	<u>2006</u>
<i>Establishments</i>	↑ 0.2 %	138,375	138,048
<i>Employment</i>	↑ 6.1 %	1,197,513	1,128,137
<i>Operating Receipts</i>	↑ 17.0 %	\$1,519.6 bil	\$1,298.5 bil
<i>Operating Expenditure</i>	↑ 17.1 %	\$1,426.8 bil	\$1,218.0 bil
<i>Operating Surplus</i>	↑ 14.0 %	\$111.0 bil	\$97.4 bil
<i>Value Added</i>	↑ 17.2 %	\$133.0 bil	\$113.4 bil

In 2007, the services sector<sup>2</sup> comprised 138,400 establishments and engaged a total of 1,197,500 workers, or an average of 9 workers per establishment.

**Total operating receipts** of the sector rose from \$1,298.5 billion in 2006 to \$1,519.6 billion in 2007. The increase of 17.0 per cent was largely attributed by the wholesale & retail trade industry. Correspondingly, operating receipts per establishment increased by 16.7 per cent during the same period.

**Total operating expenditure** amounted to \$1,426.8 billion in 2007, 17.1 per cent higher than the previous year's total of \$1,218.0 billion.

<sup>2</sup> Detailed list of services activities covered in the sector is provided in the Explanatory Note.

**Total operating surplus** increased by 14.0 per cent, from \$97.4 billion in 2006 to \$111.0 billion in 2007. Operating surplus per establishment increased by 13.7 per cent to \$802,500 in 2007.

**Total value added** generated by the sector rose to \$133.0 billion in 2007, representing an increase of 17.2 per cent. On a per establishment basis, value added per establishment correspondingly increased by 17.0 per cent to \$960,900 in 2007.

### IV. MAIN ACTIVITIES IN SERVICES

The services sector comprises the following main industries:

	<u>Abbreviations used in charts and tables</u>
• Wholesale and Retail Trade	<i>WR</i>
• Accommodation and Food & Beverage Services	<i>AF</i>
• Transport and Storage	<i>TP</i>
• Information and Communications	<i>IC</i>
• Financial- and Insurance-Related Services <sup>3</sup>	<i>FN</i>
• Real Estate and Business Services	<i>RB</i>
• Community, Social and Personal Services <sup>4</sup>	<i>CSP</i>

The majority (39.3 per cent) of firms in the services sector were engaged in wholesale & retail trade. They were the largest employer, employing 29.5 per cent of the services sector's total workforce (Chart 3). However, their average employment size of

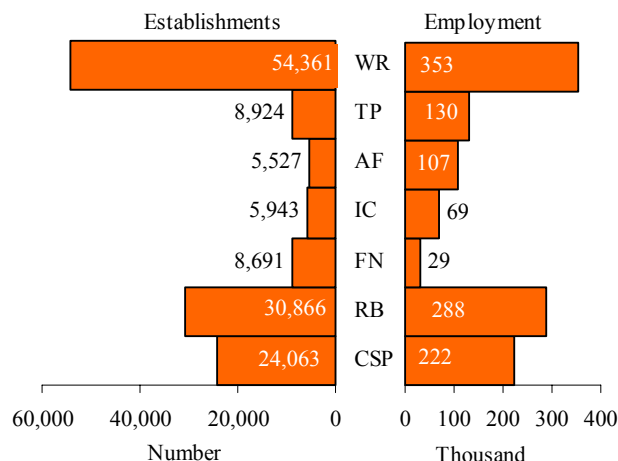
<sup>3</sup> Data for this industry exclude institutions under the purview of the Monetary Authority of Singapore, viz banks and finance, securities and insurance companies. Detailed list of financial- and insurance-related services activities covered in this industry is provided in the Explanatory Note.

<sup>4</sup> Exclude public administration activities.

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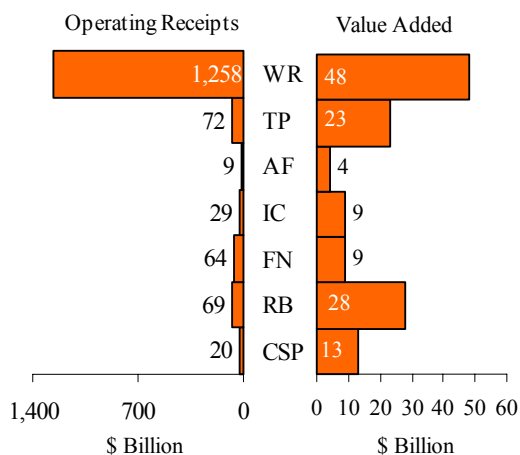
7 workers per establishment was lower than the sectoral average of 9 workers.

**Chart 3 – Establishments and Employment, 2007**



Food & beverage services hired an average of 19 workers per establishment, the highest among the services industries.

**Chart 4 – Operating Receipts and Value Added, 2007**



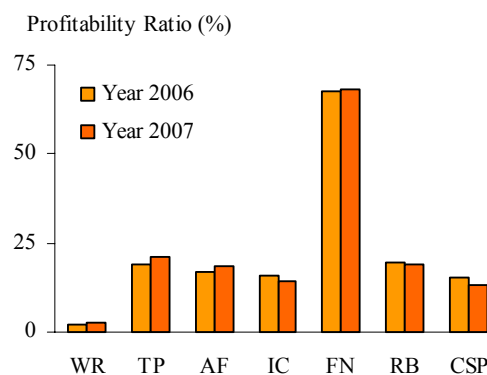
Of the total operating receipts generated by the services sector, wholesale & retail trade contributed the largest share of 82.8 per cent (Chart 4). Its share of the total value added, however, was of a smaller proportion at 36.3 per cent, a result of its high operating expenditure.

Despite their relatively smaller contributions of 5 per cent to total operating receipts, both real estate & business services and transport & storage accounted for significant value added shares of 21.0 per cent and 17.2 per cent respectively.

## V. KEY PERFORMANCE RATIOS

**Profitability Ratio\*** of the services sector was 7.3 per cent in 2007. All the services industries attained double-digit profitability ratios, except for wholesale & retail trade which recorded the lowest ratio of 2.4 per cent (Chart 5).

**Chart 5 – Profitability Ratio, 2006 & 2007\***

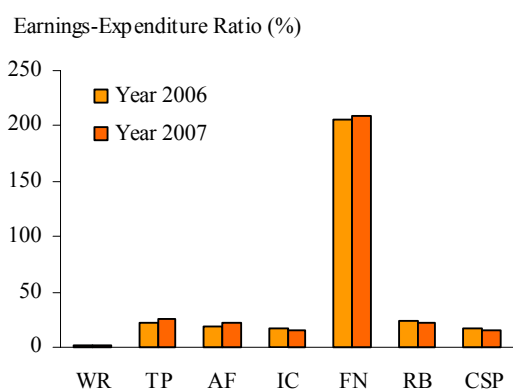


\*Exclude non-profit organizations

## THE SERVICES SECTOR

**Earnings-Expenditure Ratio\*** of the services sector was 7.8 per cent in 2007. Financial- and insurance-related services<sup>3</sup> recorded the highest earnings-expenditure ratio, while wholesale & retail trade registered the lowest ratio (Chart 6).

**Chart 6 – Earnings-Expenditure Ratio, 2006 & 2007\***



\*Exclude non-profit organisations

**Average Annual Remuneration per Employee** for employees working in the financial- & insurance-related services<sup>3</sup> was \$141,500, the highest among the various services industries in 2007 (Table 1). Employees in accommodation and food & beverage services were paid the lowest average remuneration of \$20,900.

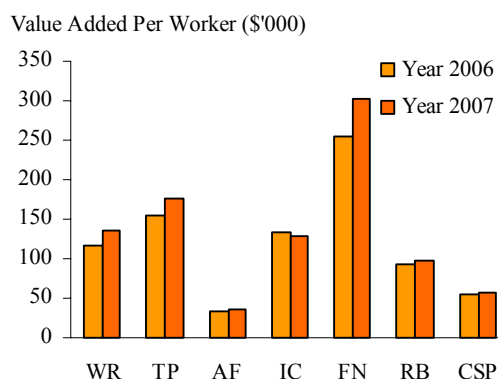
All services industries recorded an increase in average annual remuneration in 2007. The largest year-on-year increase of 9.4 per cent was registered by wholesale & retail trade. On the other hand, information & communications had marginal increase of less than 1 per cent in average remuneration. The rest of the services industries registered increases of 3-7 per cent.

**Table 1 : Average Annual Remuneration per Employee, 2006 & 2007**

Industry	2006 (\$'000)	2007 (\$'000)	Change (%)
WR	47.7	52.2	9.4
TP	55.2	56.6	2.5
AF	20.4	20.9	2.5
IC	67.6	68.1	0.7
FN	131.8	141.5	7.4
RB	48.8	51.2	4.9
CSP	41.6	43.7	5.0

**Value Added per Worker** of the services sector increased by 10.4 per cent to \$111,000 in 2007. The highest value added per worker of \$302,400 was recorded by financial- & insurance-related services<sup>3</sup>. Information & communications was the only industry which recorded a decrease in value added per worker (-4.1 per cent) in 2007 (Chart 7).

**Chart 7 – Value Added per Worker, 2006 & 2007**



# THE SERVICES SECTOR

## VI. PERFORMANCE BY FIRM SIZE

### Key Indicators of Firms by Size

Small firms (i.e. less than 10 workers) accounted for the majority (86.0 per cent) of firms in the services sector. Despite their predominance, they made up only 14.6 per cent and 22.9 per cent of the sector's total operating receipts and employment respectively (Table 2).

Medium firms (10-99 workers), which made up 13.0 per cent of the sector, were the main revenue contributors. They generated 43.2 per cent of the total operating receipts. Although large firms (100 workers & more) accounted for only 1.1 per cent of the total number of firms in the sector, they employed 42.5 per cent of all workers, making them the biggest employer.

**Table 2 : Establishments, Operating Receipts & Employment by Firm Size, 2007**

Employment Size	Establishments (Number)	Operating Receipts (\$ Million)	Employment ('000)
Less than 10	118,960	221,606	274.5
10 – 99	17,955	656,834	414.4
100 & above	1,460	641,138	508.7

### Main Business Costs of Firms by Size

The major business costs for small & medium firms among the various services industries differs due to the diverse nature of services activities. Wholesale & retail trade firms, which engaged in trading business, spent a significant amount (95.5 per cent) of their operating expenditure on purchases of goods for resale (Table 3a).

Accommodation and food & beverage services' main expense item was purchases of food & beverages, which accounted for almost one-third of their total operating expenditure. For transport & storage firms, charter fees was the main expense item (28.4 per cent).

**Table 3a : Main Business Costs of Small & Medium Firms by Activity, 2007**

Industry	Cost Type and % Share			
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
WR	Pur_sale 95.5	Rem 1.5	Freight 0.9	Rental 0.4
TP	Charter 28.4	Cargo 11.1	Fuels 10.0	Rem 9.3
AF	Pur_f&b 31.9	Rem 27.0	Rental 17.7	Utilities 4.9
IC	Rem 23.0	Pur 21.3	Tele 12.4	Profess 5.4
FN	Interest 30.7	Rem 22.2	Admin 12.0	Bank 8.4
RB	Pur 20.1	Rem 17.8	Subcontract 16.9	Admin 5.8
CSP	Rem 38.2	Pur 18.9	Rental 9.3	Subcontract 4.5

#### Notations

Admin : Administrative & management fees  
 Bank : Bank and financial charges  
 Cargo : Cargo handling, airport & port charges  
 Charter : Charter fees  
 Freight : Freight charges  
 Fuels : Fuel diesel & lubricating oil  
 Interest : Interest payable  
 Profess : Professional & business services  
 Pur : Purchases of goods & materials  
 Pur\_f&b : Purchases of food & beverages for sale  
 Pur\_sale : Purchases of goods & materials for sale  
 Rem : Remuneration  
 Rental : Renting of offices, shops & other premises  
 Subcontract : Subcontract charges / work given out  
 Tele : Postage, telecommunications and internet charges  
 Utilities : Utilities charges

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The top four business cost items incurred by small & medium firms were different from those of large firms for all industries, except transport & storage (Tables 3a and 3b).

*Table 3b : Main Business Costs of Large Firms by Activity, 2007*

Industry	Cost Type and % Share			
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
WR	Pur_sale 94.9	Rem 1.2	Freight 0.9	Taxes 0.5
TP	Cargo 24.5	Fuels 20.3	Rem 13.0	Charter 11.9
AF	Rem 33.6	Pur_f&b 16.0	Dep 8.5	Rental 7.2
IC	Royalties 20.5	Pur 18.6	Rem 16.1	Agency 12.3
FN	Interest 56.6	Rem 15.8	Loss Inv 11.7	Admin 2.9
RB	Rem 31.9	Pur 21.6	Subcontract 19.1	Dep 4.7
CSP	Rem 43.4	Taxes 11.9	Pur 9.0	Dep 8.8

### Notations

Admin : Administrative & management fees

Agency : Commission and agency fees

Cargo : Cargo handling, airport & port charges

Charter : Charter fees

Dep : Depreciation

Freight : Freight charges

Fuels : Fuel diesel & lubricating oil

Interest : Interest payable

Loss Inv : Loss on investment

Pur : Purchases of goods & materials

Pur\_f&b : Purchases of food & beverages for sale

Pur\_sale : Purchases of goods & materials for sale

Rem : Remuneration

Rental : Renting of offices, shops & other premises

Royalties : Royalties and franchise fees

Subcontract : Subcontract charges / work given out

Taxes : Government taxes & fees

Nonetheless, for both small & medium and large firms, remuneration ranked among the top four expense items for all the services industries. Community, social & personal services had the highest remuneration shares of 38.2 per cent and 43.4 per cent for small & medium firms and large firms respectively.

*The publication on "The Services Sector" containing more detailed statistical tables will be released in 3<sup>rd</sup> Quarter 2009.*

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## Summary Tables

### Key Indicators of The Services Sector, 2005-2007

Industry	Establishments (Number)			Employment (Number)			Operating Receipts (\$ Million)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Total Services	138,025	138,048	138,375	1,055,517	1,128,137	1,197,513	1,100,514	1,298,474	1,519,577
WR	55,851	55,251	54,361	320,700	339,750	352,862	895,698	1,065,905	1,257,893
TP	8,958	9,205	8,924	115,555	121,566	129,713	58,769	62,532	71,806
AF	4,738	5,202	5,527	96,158	101,149	107,355	6,939	7,675	8,617
IC	5,760	5,884	5,943	58,798	62,990	68,559	24,082	26,160	28,512
FN	8,468	8,622	8,691	24,541	27,089	28,653	48,667	60,867	64,048
RB	31,118	30,613	30,866	235,697	264,909	288,090	50,836	57,396	68,960
CSP	23,132	23,270	24,063	204,068	210,685	222,280	15,523	17,938	19,741

Industry	Operating Expenditure (\$ Million)			Operating Surplus (\$ Million)			Value Added (\$ Million)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Total Services	1,036,455	1,218,015	1,426,762	81,315	97,399	111,043	101,406	113,406	132,965
WR	877,044	1,042,926	1,228,964	20,360	24,641	30,705	34,192	39,930	48,239
TP	49,828	54,637	61,206	12,660	11,946	15,318	19,099	18,860	22,888
AF	6,290	6,784	7,391	1,031	1,287	1,613	2,941	3,384	3,897
IC	21,505	23,424	25,832	3,987	4,140	4,104	7,945	8,458	8,833
FN	18,182	20,084	20,858	30,758	41,144	43,486	5,335	6,868	8,665
RB	44,721	49,862	60,043	9,433	11,179	12,829	21,015	24,353	27,914
CSP	18,886	20,297	22,466	3,085	3,061	2,988	10,880	11,553	12,528

### Key Indicators of The Services Sector by Employment Size of Firm, 2007

Employment Size	Establishments (Number)	Employment (Number)	Operating Receipts (\$ Million)
All Categories	138,375	1,197,513	1,519,577
Less than 10 persons	118,960	274,471	221,606
10 to 99 persons	17,955	414,361	656,834
100 to 199 persons	819	112,069	272,444
200 persons & above	641	396,611	368,693

Employment Size	Operating Expenditure (\$ Million)	Operating Surplus (\$ Million)	Value Added (\$ Million)
All Categories	1,426,762	111,043	132,965
Less than 10 persons	191,621	32,486	23,920
10 to 99 persons	634,703	26,314	41,726
100 to 199 persons	265,429	8,716	13,397
200 persons & above	335,008	43,528	53,923

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### Key Indicators of The Services Sector by Size of Operating Receipts of Firm, 2007

Size of Operating Receipts	Establishments (Number)	Employment (Number)	Operating Receipts (\$ Million)
All Categories	138,375	1,197,513	1,519,577
Less than \$50,000	29,284	28,268	607
\$50,000 to \$199,999	34,673	66,802	3,923
\$200,000 to \$999,999	44,044	208,060	21,114
\$1,000,000 to \$4,999,999	19,670	235,439	46,006
\$5,000,000 & above	10,704	658,942	1,447,928

Size of Operating Receipts	Operating Expenditure (\$ Million)	Operating Surplus (\$ Million)	Value Added (\$ Million)
All Categories	1,426,762	111,043	132,965
Less than \$50,000	1,547	-295	279
\$50,000 to \$199,999	3,978	369	1,497
\$200,000 to \$999,999	19,869	2,429	7,171
\$1,000,000 to \$4,999,999	43,212	5,009	12,307
\$5,000,000 & above	1,358,157	103,532	111,711

### Number of Firms by Firm Size and Activity, 2007

Industry	Less than 10 persons	10 to 99 persons	100 to 199 persons	200 persons & above
Total Services	118,960	17,955	819	641
WR	46,801	7,222	228	110
TP	7,571	1,199	65	89
AF	3,150	2,256	68	53
IC	5,227	613	48	55
FN	8,252	396	27	16
RB	27,167	3,243	236	220
CSP	20,792	3,026	147	98

Note :

- 1 Data for 2007 are preliminary.
- 2 Figures may not add up to the total due to rounding.
- 3 Industries are classified according to the Singapore Standard Industrial Classification (SSIC) 2005.

# THE SERVICES SECTOR

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## *Explanatory Note*

### Objective

The data presented in this report were compiled from the results of the following 2007 surveys:

- *Wholesale Trade Survey*
- *Retail Trade Survey*
- *Hotels & Catering Survey*
- *Transport & Storage Survey*
- *Information & Communications Survey*
- *Financial- & Insurance-Related Services Survey*
- *Business Services & Real Estate Survey*
- *Community, Social & Personal Services Survey*
- *Non-Profit Organisations Survey*

The objective of the surveys is to gather information on the services industries to enable in-depth analyses and understanding of the performance, structure and profile of this sector. The data and analytical findings are used extensively for the compilation of national accounts, input-output tables and other related studies. In addition, the results are frequently used by policy makers, economic planners and academicians, the business community and researchers in their work.

### Scope & Coverage

The services sector includes all establishments and statutory boards engaged in services activities but excludes government ministries and departments, foreign missions, taxi drivers, independent artistes and other individual self-employed persons. Financial institutions such as banks and finance, securities and insurance companies were also not included. The detailed services activities are presented below:

#### **Wholesale and Retail Trade**

##### **Wholesale Trade**

Wholesale on a fee or contract basis  
Wholesale of agricultural raw materials, live animals, food, beverages and tobacco  
Wholesale of household goods  
Wholesale of non-agricultural intermediate products, waste and scrap  
Wholesale of machinery, equipment and supplies  
Wholesale of transport equipment  
Other wholesale

##### **Retail Trade**

Non-specialised retail in stores  
Retail sale of food, beverages and tobacco in specialised stores  
Retail sale of transport equipment  
Other retail trade of new goods in specialised stores  
Retail sale of second-hand goods in stores

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Retail trade not in stores

## **Accommodation and Food & Beverage Services**

Hotels, camping sites and other provision of short-stay accommodation  
Restaurants, bars and canteens

## **Transport and Storage**

Transport via railways  
Other land transport  
Sea and coastal water transport  
Inland water transport  
Air transport services  
Storage and warehousing  
Supporting services to land transport  
Supporting services to water transport  
Supporting services to air transport  
Services allied to transport  
Services allied to transport nec<sup>1</sup>  
Post and courier activities

## **Information and Communications**

Publishing activities  
Motion picture and video activities  
Radio and television activities  
Sound recording activities  
Broadcasting  
Telecommunications  
IT services activities  
Other information service activities

## **Financial- and Insurance-Related Services**

Monetary intermediation  
Other financial intermediation  
Insurance and pension funding nec

## **Real Estate and Business Services**

Real estate activities with own or leased property  
Real estate activities on a fee or contract basis  
Renting of transport equipment  
Renting of other machinery and equipment  
Renting of personal and household goods nec  
Legal and accounting activities  
Management and management consultancy activities  
Architectural and engineering activities  
Industrial design, technical testing and analysis services  
Research and experimental development on natural sciences and engineering  
Research and experimental development on social sciences and humanities

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<sup>1</sup> Not elsewhere classified

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Advertising and market research  
Photographic and other professional, scientific and technical activities  
Veterinary activities  
Employment activities  
Travel agencies, tour operators and other reservation service activities  
Investigation and security activities  
Building-cleaning and landscaping activities  
Office administrative activities  
Support service activities nec

## **Community, Social and Personal Services**

General education services  
Technical, vocational and commercial education  
Higher education  
Other education  
Supporting services to education nec  
Medical activities  
Social and community activities  
Dramatic arts, music and other arts activities  
Museums, botanical and zoological gardens and other cultural activities  
Sports activities  
Other amusement and recreation activities  
Activities of business, employers and professional organisations  
Activities of trade unions  
Activities of other membership organisations  
Repair and maintenance (including inspection) of vehicles  
Repair and maintenance of office, accounting and computing machinery  
Repair of personal and household goods  
Other service activities nec

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### *Definition of Terms*

Establishment	Defined as a business or organisation unit engaged in one activity and operating in a single location.
Employment	Refers to paid employees, working directors, working proprietors/partners and unpaid family workers. It included those temporarily away on medical or casual leave.
Employees	Employment excluding working proprietors and partners.
Operating Receipts	Includes those arising from services rendered, commission charges, sale of goods, rental of premises and machinery and equipment. For local branches of foreign airlines and foreign shipping lines, operating receipts refers to the reimbursement from their head offices for the operating expenditure they incurred.
Operating Expenditure	Refers to all current expenses (except capital expenditure) connected to the business operations such as purchases of goods and services and remuneration. It includes depreciation and adjustment for changes in stocks and work-in-progress. For local branches of foreign airlines and foreign shipping lines, operating expenditure refers only to expenses incurred by the branch offices in providing support services to their head offices (ie foreign airlines and foreign shipping lines) and expenses paid by them on behalf of their head offices.
Operating Surplus	Refers to the amount of operating receipts less operating expenditure plus depreciation of fixed assets. For non-profit organizations (i.e. entities which cannot distribute any surplus made to their shareholders) which mainly rely on funds (such as grants and donations) other than receipts from sales of goods and services rendered to cover their operating expenditure, operating surplus refers only to depreciation of fixed assets.
Value Added (At Basic Price)	Comprises the value of operating surplus, remuneration and indirect taxes.  The impact of taxes including Goods & Services Tax (and subsidies) on products is removed.
Remuneration	Comprises wages and salaries, employers' contribution to Central Provident Fund/pension funds and other benefits of all employees as well as fees paid to non-working directors.
Depreciation	The value, at current replacement cost, of reproducible fixed assets such as buildings, plants and machinery used during a period of time as a result of normal wear and tear, foreseen obsolescence and the normal rate of accidental damage.
Profitability Ratio	Defined as the ratio of operating surplus to operating receipts. It shows the proportion of operating receipts that was converted to profits.

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Earnings-Expenditure  
Ratio

Defined as the ratio of operating surplus to operating expenditure.