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Trends in Singapore's International Trade in Services

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Introduction

With the Singapore economy becoming more services-oriented over the past decade, Singapore's international trade in services has not only expanded rapidly, but also become more diversified geographically and in the types of services traded.

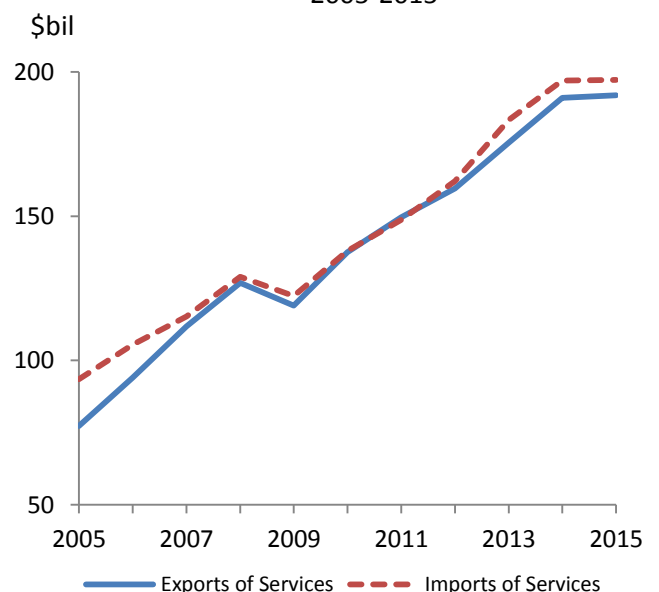
This article highlights the main trends in Singapore's international trade in services. It presents Singapore's exports and imports of services by major services categories and trading partners from 2005 to 2015 and 2004 to 2014¹ respectively.

Overview

Singapore's total trade in services was \$389 billion in 2015, close to 97 per cent of Gross Domestic Product (GDP). Its compound annual growth rate (CAGR) from 2005 to 2015 was 8.6 per cent. The value of overall services trade has more than doubled since 2005. In comparison, trade in goods grew at a slower CAGR of about 2 per cent over the same period.

Singapore has traditionally been a net importer of services (Chart 1). Between 2005 and 2015, Singapore's services exports grew at a faster CAGR of 9.5 per cent, compared to imports which increased at a CAGR of 7.8 per cent. As a result, the services trade deficit has narrowed over the decade, from \$16 billion in 2005 to \$5.3 billion in 2015 (Table 1).

CHART 1 SINGAPORE'S TOTAL TRADE IN SERVICES, 2005-2015



1 Trade in services estimates by major services categories are available on a quarterly basis in Singapore's Balance of Payments with the latest available reference year being 2015, while detailed breakdown by trading partners compiled solely based on more comprehensive data from the International Trade in Services Survey are available on an annual basis with the latest reference period being 2014.

TABLE 1 SINGAPORE'S SERVICES BALANCE, 2005-2015

| Year | \$bil |
|------|-------|
| 2005 | -16.2 |
| 2006 | -11.4 |
| 2007 | -3.4 |
| 2008 | -2.1 |
| 2009 | -3.4 |
| 2010 | -0.5 |
| 2011 | 0.9 |
| 2012 | -2.5 |
| 2013 | -7.8 |
| 2014 | -6.0 |
| 2015 | -5.3 |

Trade in Services by Major Services Categories, 2005-2015

Exports of Services

Transport services remained by far the largest contributor of Singapore's exports of services. Its CAGR over the 2005-2015 period was healthy at 7.1 per cent (Table 2), but was moderate compared to other emerging services. This resulted in a substantial

fall in its share of total exports, from 42 per cent in 2005 to 34 per cent in 2015.

In contrast, financial, travel and other business services saw relatively faster growth. Exports of financial services grew at a CAGR of 14 per cent over the period, and its share in total services exports rose to 15 per cent from 10 per cent. Travel receipts expanded 8.3 per cent annually from 2005 to 2015, reflecting Singapore's rising profile as a travel destination.

Growth of other business services was mainly contributed by business management, advertising and market research, and engineering and technical services. Business management services remained the largest services category within other business services. It expanded at 9.7 per cent annually over the 2005-2015 period, a sign of Singapore's continued attractiveness and growth as a regional business hub. Singapore's exports of engineering and technical expertise, to developing countries in particular, remained healthy over the same period with services receipts growing at 15 per cent annually.

TABLE 2 EXPORTS OF SERVICES BY MAJOR SERVICES CATEGORY: GROWTH AND SHARE, 2005-2015

| Services Category | CAGR 2005-2015 | Per Cent Share in Total Services Exports | |
|--|-------------------|--|------|
| | | 2005 | 2015 |
| Transport | 7.1 | 42.4 | 33.8 |
| Financial | 13.8 | 9.9 | 14.5 |
| Travel | 8.3 | 13.4 | 12.0 |
| Business Management | 9.7 | 10.3 | 10.5 |
| Maintenance and Repair Services | 7.1 | 6.1 | 4.9 |
| Advertising and Market Research | 27.8 | 0.9 | 4.1 |
| Telecommunications, Computer & Information | 14.3 | 2.3 | 3.5 |
| Engineering and Technical | 15.3 | 1.8 | 3.0 |
| Trade-related | 6.4 | 3.5 | 2.6 |
| Charges for the Use of Intellectual Property | 18.1 | 1.1 | 2.4 |
| Research and Development | 11.2 | 0.4 | 0.4 |

Exports of advertising and market research services increased more than tenfold from 2005 to \$7.9 billion in 2015. While still relatively small, the share of charges for the use of intellectual property in overall services exports rose to 2.4 per cent from 1.1 per cent in 2005.

Imports of Services

In 2005 and 2015, transport payments accounted for the largest share of services imports, although its contribution fell 5.9 percentage points to 31 per cent over the period (Table 3). In contrast, the share of telecommunications, computer and information services rose over the 2005-2015 period.

Payments for computer services increased rapidly, in line with the general local and global trend towards increasing computerisation and automation.

Large payments of charges for the use of intellectual property continued to be a key characteristic of Singapore’s imports of services, accounting for 12 per cent of total services imports in 2015. These were mainly paid by Singapore-based subsidiaries of foreign companies to their related companies overseas.

Similarly, such transactions dominated imports of business management and research and development services, which both grew at a CAGR of about 12 per cent from 2005 to 2015.

Trade in Services by Major Trading Partners, 2004-2014

Exports of Services

By Region

Asia was Singapore’s largest services export market in 2014, accounting for 39 per cent of overall exports of services while Europe and North America contributed 22 per cent and 15 per cent respectively (Chart 2).

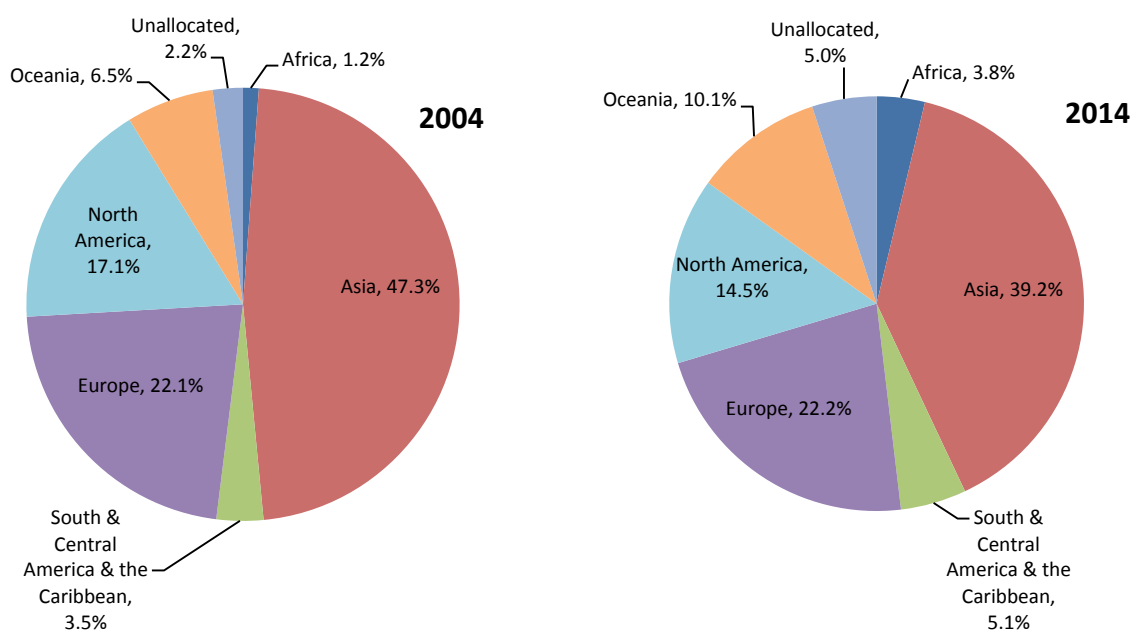
They remained as Singapore’s top three regional markets throughout the 2004-2014 period, although the shares of Asia and North America declined from 47 per cent and 17 per cent respectively in 2004.

Conversely, the share of services exported to the Oceania, South & Central America & the Caribbean and Africa rose to 19 per cent from 11 per cent in 2004, indicating greater diversification of Singapore’s export destinations over the years.

TABLE 3 IMPORTS OF SERVICES BY MAJOR SERVICES CATEGORY: GROWTH AND SHARE, 2005-2015

| Services Category | CAGR 2005-2015 | Per Cent Share in Total Services Imports | |
|--|-------------------|--|------|
| | | 2005 | 2015 |
| Transport | 5.9 | 36.6 | 30.7 |
| Travel | 6.1 | 17.9 | 15.4 |
| Charges for the Use of Intellectual Property | 4.4 | 16.6 | 12.0 |
| Business Management | 11.9 | 6.0 | 8.7 |
| Trade-related | 8.4 | 5.9 | 6.2 |
| Telecommunications, Computer & Information | 19.1 | 2.0 | 5.5 |
| Research and Development | 11.7 | 2.5 | 3.5 |
| Financial | 15.0 | 1.6 | 3.1 |
| Engineering and Technical | 12.7 | 1.0 | 1.5 |
| Advertising and Market Research | 10.8 | 1.1 | 1.5 |
| Maintenance and Repair Services | 10.8 | 0.3 | 0.4 |

CHART 2 EXPORTS OF SERVICES BY REGION, 2004 and 2014

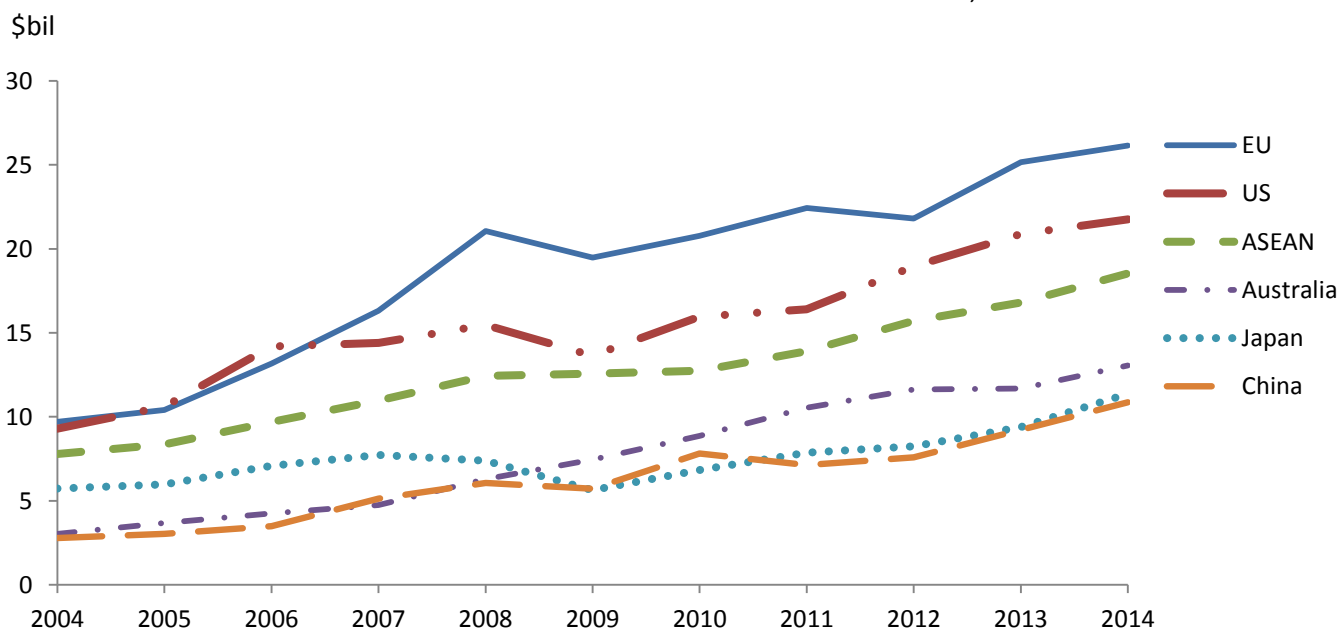


By Trading Partner

Singapore’s top trading partners for services exports in 2014 were the European Union (EU), the United States (US), the Association of Southeast Asian Nations (ASEAN), Australia, Japan and China. Within the EU, the United Kingdom (UK) was Singapore’s top country market, accounting for 41 per cent of services exports to the EU in 2014. The largest export destinations within ASEAN were Malaysia and

Indonesia, which accounted for 53 per cent of services exports to ASEAN in 2014. Services exports to Australia and China grew rapidly at CAGRs of 16 per cent and 15 per cent respectively over the 2004-2014 period, with Australia overtaking Japan as Singapore’s fourth largest services export destination since 2009 (Chart 3). Compared with Australia, services exports to Japan grew moderately at a CAGR of 7.1 per cent between 2004 and 2014.

CHART 3 EXPORTS OF SERVICES BY MAJOR TRADING PARTNERS, 2004-2014



Imports of Services

By Region

Asia was Singapore’s top regional source of services imports in 2014, constituting 30 per cent of total imports of services, slightly lower than the share of 33 per cent recorded in 2004 (Chart 4). The share of services imports from Europe grew to 25 per cent over the same period, overtaking North America whose contribution fell to 21 per cent in 2014.

Imports of services from Europe and Asia increased at double-digit annual rates of 12 per cent and 10 per cent respectively, while services imports from North America expanded at a lower CAGR of 7.7 per cent over the 2004-2014 period.

Similar to services exports, the share of services imports from the smaller markets of Oceania,

South & Central America & the Caribbean and Africa increased, rising from 8.4 per cent in 2004 to 16 per cent in 2014.

By Trading Partner

The US, EU, China, ASEAN, Hong Kong and Japan were Singapore’s main sources of services imports in 2014. Within the EU, the Netherlands and the UK were the largest sources of imports, jointly making up 52 per cent of services imports from the EU in 2014.

Within ASEAN, Singapore purchased the most services from Malaysia and Thailand. Services imports from China expanded considerably at a CAGR of 17 per cent from 2004, propelling it past Japan, ASEAN and Hong Kong to become Singapore’s third largest source of imports in 2014 (Chart 5).

CHART 4 IMPORTS OF SERVICES BY REGION, 2004 and 2014

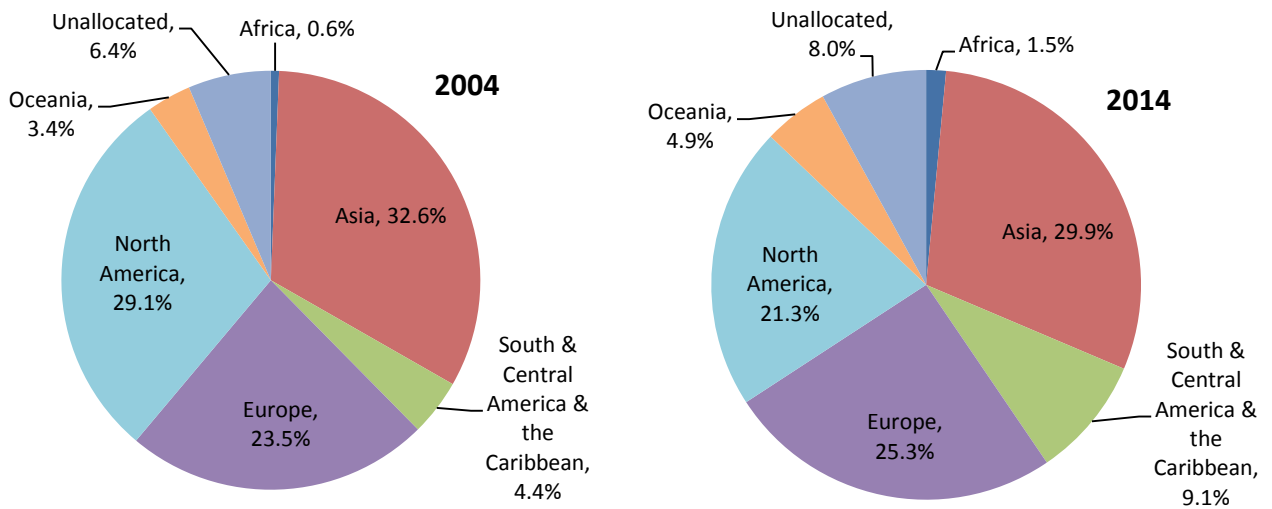
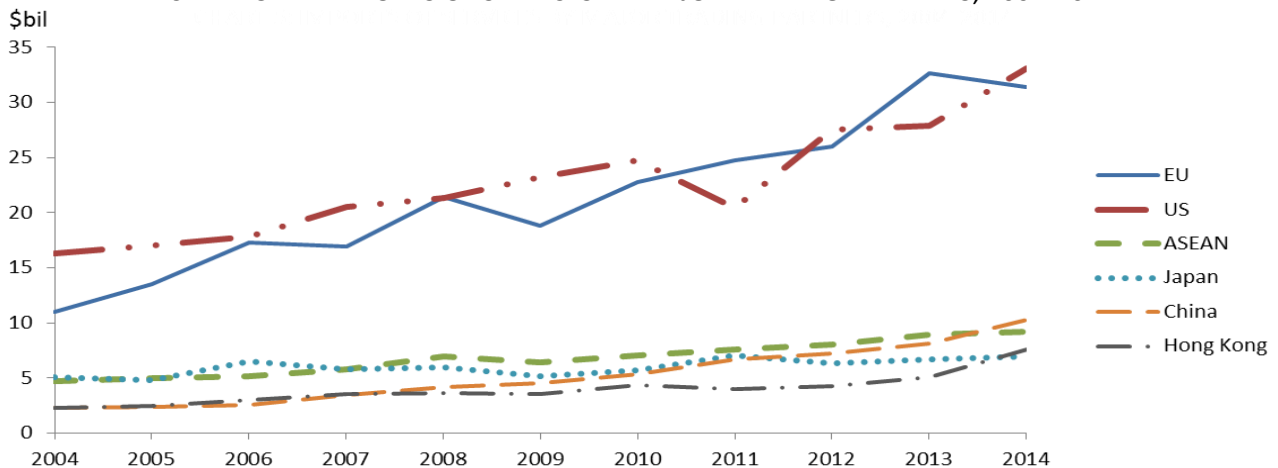


CHART 5 IMPORTS OF SERVICES BY MAJOR TRADING PARTNERS, 2004-2014



Total Trade in Services

While the list of Singapore’s major trading partners remained broadly the same in 2004 and 2014, there were subtle shifts in the relative sizes of their services trade with Singapore, reflecting changes in their economic links with Singapore and economic developments over the period (Table 4). The EU surpassed the US as Singapore’s largest trading partner in services in 2008, while China and Australia had overtaken Japan to become the fourth and fifth largest trading partners by 2014.

TABLE 4 RANKING OF SINGAPORE’S TOP TRADING PARTNERS BY SIZE OF TOTAL TRADE IN SERVICES, 2004 and 2014

| Trading Partner | 2014 | 2004 |
|--------------------------|------|------|
| European Union (EU-28) | 1 | 2 |
| United States Of America | 2 | 1 |
| ASEAN | 3 | 3 |
| China | 4 | 5 |
| Australia | 5 | 6 |
| Japan | 6 | 4 |
| Hong Kong | 7 | 7 |
| Switzerland | 8 | 9 |

Conclusion

Over the last decade, Singapore’s trade in services has grown substantially, reflecting Singapore’s openness and competitiveness as well as an increasingly services-oriented economy.

While transport and travel services continued to be the largest contributors, Singapore’s services trade has become more diversified with emerging services such as telecommunications, computer & information services and advertising and marketing services becoming more important.

While Singapore’s services trade links with the G3 developed economies remained significant, the 2004-2014 period saw large developing countries like China and India becoming Singapore’s top trading partners.

Services trade with other regions such as Oceania, South & Central America & the Caribbean and Africa also expanded, reflecting the broadening and deepening of Singapore’s economic engagement with the rest of the world.



The **Singapore’s International Trade in Services 2014** report has been released recently.

It presents findings on Singapore’s trade in services, including major services categories and trading partners.

Find out more from the report



INFOGRAPHIC

STORYBOARD

View key trends

