

Country Market Profile: Singapore

Euromonitor reports that Singapore's trade-dependent economy will experience healthy growth in 2021. Domestic activity should return, driven by a pick-up of consumption, meanwhile resurgence in the external sector will occur as the global pandemic subsides. Investment will also return to growth. Economic growth should continue in 2022, albeit at a lower rate. Real Gross Domestic Product (GDP) receded 5.4% in 2020 and the forecast is for growth of 7% in 2021.

- The real value of private final consumption fell by 12.5% in 2020 as consumer spending was limited by lockdown measures and high levels of household debt (about 75% of GDP) were a drag.
- Consumption is expected to increase by 3.2% in real terms in 2021 as pent-up demand is released.
- Unemployment rose to around 3% in 2020, but should ease to 2.7% in 2021.
- Economic growth should continue in 2022, albeit at a lower rate. Real GDP should increase by 3.6% in 2022 and about 2% per year in 2025-2028.

Singapore is one of the most open and competitive markets in the world. It is also the most export-dependent economy in Asia and relies mainly on its service sector. GDP tripled between 2000 and 2013 while population rose by 34%. Singapore now claims one of the world's highest levels of per capita income (at purchasing power parity). However, income inequality and the cost of living are also high.

The role of foreign workers has expanded over time, as the process of demographic ageing proceeds. Currently, nearly a third of all those living in Singapore were born in other countries. However, Singapore's increasing reliance on foreign workers has kept wages low for local low-skilled workers and become a source of social tension. As a result, the government has begun to limit the intake of foreigner workers. The move requires an increase in the labor force participation rate of women and older workers.

Singapore relies on manufacturing, finance and tourism to provide most of its growth but that leaves it especially vulnerable to downturns in consumer demand in wealthy countries. At the same time, the city-state's strong competitive position has allowed it to accumulate a huge amount of foreign exchange reserves – amongst the largest in Asia. This buffer offers ample protection in times when the global and regional environment slumps.

Singapore has concluded free trade agreements with Australia, Japan, New Zealand and the U.S. and is negotiating free trade agreements with the Gulf States, Canada, Chile, China, India, South Korea, Jordan and Sri Lanka. A recently concluded free trade agreement with the EU is one of the most ambitious commercial accords the EU has ever struck. Singapore is also expected to become an associate member of the Pacific Alliance which presently consists of Colombia, Chile, Mexico and Peru. Finally, the city-state is a member of the 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was formally created in March 2018.

The population reached 5.7 million in 2019, up from 4 million in 2000. By 2030, officials expect the population to be 6 million. Singapore's society is ageing even while the population grows. Median age was 43.9 years in 2019, 9.1 years greater than in 2000. The number of elderly (those over 65 years) represented 15.2% of total population in 2019 and the share will rise to 25.3% by 2030.

USDA's Office of Agricultural Affairs, OAA, in Singapore hereinafter referred to as "Post" reports Singapore's highly import dependent, multibillion-dollar food industry is driven by robust consumer spending, high disposable incomes, and intense urbanization. Singapore's total agricultural and related products imports in 2020 reached US\$15 billion with the United States capturing 10% market share

Advantages and Challenges Facing U.S. Exporters

Advantages

- Singapore is highly dependent on imports for all of its food requirements.
- Higher disposable incomes and a well-traveled and educated population drive demand for premium products.
- Preference for high quality premium, wholesome, and natural products (although the market is niche).
- Millennials with higher spending power are willing to purchase imported meats, premium fruits, wines, spirits and beers, and pet food.
- Large resident expatriate community. Influence of Western trends and eating habits and the proliferation of western-style restaurants and fast-food chains.
- Consumers generally perceive "Made in USA" or "Imported from USA" and U.S. brands as quality suppliers of food and drink products.

Challenges

- Extremely high rental and operating costs in Singapore make promotional marketing activities more challenging.
- Competition in the Singaporean market is more intense in recent years, with countries such as China picking up significant market share.
- Imported U.S. products are slightly more expensive than other regional suppliers.
- End-users lack knowledge on use of U.S. products and their versatility.
- U.S. exporters' inability to service Singapore importers, retailers, and end users, i.e. meeting smaller packaging and reduced pricing that fits the market and providing marketing support.

In 2020, the U.S. exported US\$1 billion in total agricultural products to Singapore, an increase of 7% from 2019. Of that amount US\$490.1 million were in consumer-oriented products, a drop of 8%, but 45% of the agricultural total, ranking it 5th in Southeast Asia. Singapore also imported US\$537 in U.S. processed food exports in 2020, an increase of 9%, ranking 3rd in the region, and nearly 50% of the agricultural total. Top exports of processed foods to Singapore in 2020 included:

- Fats And Oils
- Food Preparations & Ingredients
- Processed/Prepared Dairy Products
- Processed Vegetables & Pulses
- Snack Foods
- Alcoholic Beverages
- Chocolate And Confectionery

Retail Sector Highlights:

Euromonitor has estimated the retail sales value of packaged foods in Singapore at nearly US\$2.7 billion in 2020. This represents an increase of 17% or US\$389.8 million since 2016. They have also forecast the packaged food retail sales to reach over US\$3 billion by 2025, an increase of 13.3% or US\$359 million. High growth products in the forecast include:

- Cheese
- Rice, Pasta & Noodles
- Savory Snacks
- Baked Goods
- Breakfast Cereals
- Pet Food

Post reports that Singapore's food retail sector is highly developed and competitive. The industry is comprised of a range of large supermarkets/hypermarkets, convenience stores, "mom and pop" traditional stores, and specialty retailers. Industry analysts report total retail food sales surpassed US\$7 billion in 2020. The sector is dominated by three key players: the NTUC Fair Price Cooperative, Dairy Farm Group, and Sheng Siong Supermarket Chain.

In 2020, Singapore's economy experienced an economic slowdown triggered by the COVID-19 pandemic, and business activity in various sectors was impacted. The pandemic and the lockdown measures prompted panic buying as consumers rushed to stockpile essential foods such as frozen meats, instant noodles, cooking ingredients as well as personal hygiene products. The retail foods sector continued to perform well, and the outlook for the sector is strong. Retailers with stronger digital presence fared better as consumers shifted their grocery shopping online. The Singapore Government provided massive economic stimulus measures and monetary aids to both businesses and individuals to mitigate economic hardship.

According to Euromonitor, Singapore's food retail sector continues to flourish as a result of robust demand for premium products and increased interest in home cooking. Additionally, changes are anticipated in consumer lifestyles with new norms emerging in Singapore's consumers' behavior in consumption and buying patterns because of COVID-19.

Health and wellness trends continued to be highly prevalent in 2021, accelerated by COVID-19 as consumers pay more attention to their wellbeing. Consumers are opting for healthier food products; reduced sugar, salt, and/or fat content. More consumers are scrutinizing product nutrition labels. Singapore's Ministry of Health will implement legislative measures in 2022 to curb sugar consumption. Online grocery shopping will continue to flourish, largely driven by the COVID-19 pandemic. Other attributing factors include convenience, variety, and stock availability. Brand disloyalty or brand switching is increasing. According to the Nielsen's Insight March 2020 report, more consumers are willing to try new brands, and/or switch for "value-for-money" food and beverage products.

Convenience is a key consideration in Singapore, especially for time-strapped working consumers. The preference is towards modern grocery retailers that offer one-stop shopping experience. There are an increasing number of independent specialty retail stores selling premium gourmet and/or organic and wholesome/natural food products. Premium supermarkets and independent specialty retail stores located in upscale residential areas have seen stronger growth as they cater to upper income consumers and expatriates with higher disposable income.

Singapore is experiencing high saturation in convenience stores. As many convenience stores are located near each other, competition is intense. To reduce costs, many convenience store operations are making use of cutting-edge technology to pilot unmanned stores/kiosks.

Best Product Prospects:

Post reports that top prospective U.S. products for the sector include dairy, fresh fruit, processed vegetables, bakery goods, cereals and pasta, poultry, and beef products.

Food Service Sector Highlights:

Singapore has a highly developed and competitive hotel, restaurant and institutional (HRI) industry that are traditionally fueled by robust tourism and consumer spending. However, due to the global COVID-19 pandemic and ensuing travel/movement restrictions, the HRI sector is currently experiencing a major drop in business. As there is minimal local agricultural production, the country's HRI sector is highly dependent on imports for its food and beverage requirements. In 2019, the country's tourist receipts topped US\$20.5 billion, of which US\$2 billion was derived from food and beverage sales.

According to Euromonitor, Singapore's food service sector (which includes hotels, restaurants, casual dining, fast food outlets and local food stalls) was valued at nearly US\$6.6 billion in 2019 and has grown steadily over the past five years. The sector was badly affected by Covid-19. The pandemic and ensuing travel restrictions have had a severe impact on the Singaporean HRI industry as it is highly dependent on tourism and consumer expenditures. Visitor arrivals fell by 85% to just 2.7 million and tourism receipts fell by 78% to \$3.3 billion in the first three quarters of 2020.

The food and beverage (F&B) industry saw a pick-up in sales at the end of 2020 with the return of dining-in; however, in-person dining was restricted again with the rise in COVID-19 cases in May 2021. But the sector has evolved over the course of the past year, with increased digitalization and food deliveries.

To support the industry, the Singapore Tourism Board spearheaded a multi-million-dollar dining and hotel “staycation” promotional campaign for Singaporean residents. Contacts report this initiative has helped hotel occupancy rates maintain a 60%-70% level in late fall of 2020.

According to Euromonitor, due to the government-imposed COVID-19 safe-distancing precautionary measures, third-party food delivery services have dramatically increased in use throughout the city. Singapore’s food service industry is highly diverse with a broad range of Asian and Western cuisines widely available in dining formats ranging from food stalls to full-service restaurants. Fast and convenient food options are increasingly popular for time-strapped consumers. Healthy and organic products are becoming very popular. Major retailers and department stores are investing more in foodservice in order to provide shoppers with a combined shopping and dining experience. International franchise dining chains are highly prevalent and popular in Singapore.

Competition in the HRI/food service supply market is aggressive from certain low-cost countries in some of the United States’ core target markets for example, chicken (Brazil) and fish fillets (Vietnam). Competition from other quality countries, for example, Australia (freight advantages), New Zealand and some European countries (for example, France and Netherlands) because of strong and longstanding links between exporters in these countries and their loyal importers in Singapore. European exporters also benefit from demands for provenance (original origin of products) and also from very strong demand-pull from European executive chefs who work in 4 to 6 star hotels in Singapore.

Best Product Prospects:

Post reports that the top U.S. product prospects for the Singaporean HRI industry include dairy, fresh & processed fruit, pork, poultry, and snack foods.

Food Processing Sector:

Post reports that most raw materials for food processing are imported into Singapore due to its limited land, natural resources, livestock, and agricultural production. Total industry output in 2020 reached US\$8.5 billion. The Singapore food processing industry’s main products include flavorings, sauces, ready-to-eat meats, noodles, deli meat, sausage, confectionary, chocolates, snacks, and beverages (including beer). Major suppliers include Australia and New Zealand (dairy products) and Malaysia and China (fresh vegetables). The United States is also a major supplier of dairy products, as well as processed vegetables and fresh fruit.

In 2020, at the height of the pandemic, the Singaporean Government implemented several measures to curb COVID-19 transmission, including a “circuit breaker” lockdown where residents had to work and study at home as much as possible. During that time, consumers rushed to stockpile essential foods, including packaged food items like prepared meats, noodles, and cooking ingredients such as sauces and flavorings. Larger companies fared rather well; companies such as Mondelez, Kraft Heinz, and Nestle were able to meet the increased demand from their extensive portfolios, which range from snacks/confectionary to essential food items like cooking ingredients and dairy products.

Some product types also saw increased sales, such as those perceived as “healthy” or “immune boosting,” low-cost, or convenient. These included probiotic and fortified packaged food products, processed fruits and vegetables, and frozen ready-to-eat meals. Dinner mixes (also known as meal kits) also witnessed growing demand due to COVID-19, as consumers cooked more at home.

With the easing of restrictions, retail sales of processed/packaged food products are likely to drop, especially as more people will eat out as additional businesses and restaurants reopen and people increasingly return to work. Several major trends seeded in 2020 that are likely to continue include the increased usage of technology in the food and beverage industry and food delivery services.

Most local food manufactures are small-scale operators based in factories within industrial areas. Larger food manufacturers are usually multinational companies, and sometimes produce for the export market. Another general type of food manufacturer is involved in providing food preparation services, such as the processing of meat and vegetables, to hotels and restaurants.

Best Product Prospects:

Post reports that best prospective U.S. food processing ingredient products for the Singaporean market include animal fats, dairy, vegetable oils, processed dairy, processed vegetables, beef and beef products, tree nuts, and pork and pork products.