

Country Market Profile: Singapore

Euromonitor reports that Singapore's economy rebounded robustly from the shock induced during the early stages of the COVID-19 pandemic. Following a contraction of 4.1% in 2020, annual real gross domestic product (GDP) growth came in at 7.6% in 2021, compared to 5.2% for the developed countries average. This was due to a combination of a solid vaccination program with extremely strong uptake, the strength of its economy prior to the pandemic, the government's timely policy implementation to deal with the negative effects of the pandemic on households and businesses, along with good recovery in the external sector.

Although annual real GDP growth is expected to moderate in the short term, it is forecast at a respectable 3.7% in 2022, versus 2% for the developed countries average that year, but will be negatively affected by supply constraints and the war in Ukraine.

With total goods exports equating to 108% of GDP in 2021, Singapore demonstrates that it has a very open economy. Furthermore, Singapore is very dependent on imports of food and energy, given the small size of its geographical territory that prohibits agriculture, whilst the country has limited natural resources. Total goods imports accounted for 95.3% of GDP in 2021. Its very open economy and high reliance on imports make Singapore's external sector extremely vulnerable to global fluctuations in trade, with demand and supply changes considerably affecting the economy.

Singapore is expected to remain one of the wealthiest nations in the world. An advanced technology sector and extensive free trade policies have cemented Singapore's image as an attractive location for international companies, contributing significantly to the increase in the highest earning class.

The wealthy and affluent consumer segment is forecast to grow continuously in both numbers and net wealth, supported by a favorable tax regime, driving expenditure on 'inconspicuous consumption' categories, such as education and health goods and medical services. Additionally, the country will continue to boast one of the highest savings per capita levels globally, which is forecast to continue to rise over the period to 2030. These combined factors will help to support discretionary spending in Singapore.

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.

At the end of 2020, Singapore became a member of the largest trade bloc in the world, the RCEP, which stands for Regional Comprehensive Economic Partnership. The trade

bloc consists of 15 countries from the Asia Pacific and Australasian regions, such as China, Japan, South Korea, Philippines, Thailand and Australia, and aims to promote more active regional trading, thanks to the elimination of tariffs on goods traded within a bloc. The deal is also expected to strengthen intra-regional investment and enhance regional supply chains through harmonization of trade and investment policies and procedures. Trade-dependent Singapore is expected to strongly benefit from the deal, thanks to the country's large business presence in regional supply chains. Furthermore, regional cooperation is anticipated to support faster trade recovery after the COVID-19 pandemic.

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.

The population reached 5.9 million in 2022, (CIA World Factbook Est.), up from 4.3 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 41.8 years in 2022, nearly 8 years greater than in 2000. The number of elderly (those over 65 years) represented 11% of total population in 2021 and the share will rise to 25.3% by 2030.

The proportion of the population aged 65 or over is growing and the youth population is shrinking. Singapore is projected to experience one of the largest percentage point increases in the elderly share of the population at 21% between 2019 and 2050, according to the UN. The working-age population (aged 15-64) will gradually decrease, leaving fewer workers to economically support the elderly population.

USDA's Office of Agricultural Affairs, OAA, hereinafter referred to as "FAS Singapore" reports that Singapore's highly import dependent, multi-billion-dollar food industry is driven by robust consumer spending, high disposable incomes, and intense urbanization. The country's trade and regulatory policies are focused on ensuring consistent foreign supply of high-quality food and agricultural products. Singapore's total agricultural and related product imports in 2021 reached US\$17.2 billion, with the United States capturing a 9% market share.

Market Opportunities and Key Issues in the Singapore Food Market

Market Opportunities

- 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.
- A large resident expatriate community helps increase the 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 signs of high quality food and drink products.

Key Issues

- 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 2021, the U.S. exported US\$1.3 billion in total agricultural products to Singapore, an increase of 22% from 2020, which ranked it 5th in size in the region. Of that amount US\$496.3 million were in consumer-oriented products, an increase of 1%, but 38% of the agricultural total. Singapore also imported US\$677.7 million in U.S. processed food exports in 2021, an increase of 26%, ranking 3rd in the region, and 52.1% of the agricultural total. When processed food exports are more than half of the agricultural total and higher than the consumer oriented sector it makes Singapore a premium destination for value added foods. Top U.S. exports of processed foods to Singapore in 2021 included:

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

Retail Sector Highlights:

Euromonitor has estimated the retail sales value of packaged foods in Singapore at US\$3.2 billion in 2022. This represents an increase of 20.8% or US\$553.1 million since 2018. They have also forecast the packaged food retail sales to reach over US\$3.9 billion

by 2026, an increase of 22.3% or US\$715.2 million from 2018. High growth products in the forecast include:

- Ice Cream
- Cheese
- Baked Goods
- Processed Meat, Seafood & Alternatives to Meat
- Rice, Pasta & Noodles
- Savory Snacks
- Dairy (Ex. Cheese)
- Baby Food

FAS Singapore 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 USD in 2021. The sector is dominated by three key players: the NTUC Fair Price Cooperative, Dairy Farm Group, and Sheng Siong Supermarket Chain.

Singapore's economy experienced a slowdown in 2021 triggered by the COVID-19 pandemic, which impacted business activity in various sectors. The ongoing war between Russia and Ukraine has resulted in a spike of food and energy prices as well as supply chain disruptions. Export restrictions in supplying countries are felt in Singapore as the country is import dependent.

In particular, Malaysia's recent export ban on live chickens and fresh poultry has caused fresh poultry related businesses to shut temporarily as one-third of supplies came from Malaysia. Despite these factors, the outlook for the sector is strong, and will continue as the consumer market is supported by high disposable incomes. The Singapore Government continues to provide economic stimulus measures and monetary aids to both businesses and individuals to mitigate economic hardship.

NTUC Fairprice is Singapore's largest retailer (supermarkets, hypermarkets, gas marts and convenience stores), with a market share of 35%. Their retail formats include FairPrice, Finest, FairPrice Xtra, and FairPrice Xpress supermarkets or hypermarkets and Cheers is their convenience store. Housebrand/Private label lines include: FairPrice, Gold, Home Proud, Pasar and Pasar Organic. Their Exclusive Brands are Kirkland Signature, 365, and Tesco. They are all known to procure from consolidates, distributors, local importers and direct from exporters. They target all income groups with different retail formats.

Dairy Farm Group is Singapore's 2nd largest retailer (supermarkets, hypermarkets, gourmet stores and convenience stores). They have a market share of 15%. Their retail format includes Cold Storage, CS Fresh and Giant supermarkets and 7Eleven convenience stores. Their Housebrand/Private label lines are Meadows, Papa Alfredo,

Captain Catch, and Giant. Their exclusive brands include Waitrose & Partners, Duchy Organics, and Alison's Pantry. They are known to procure from consolidators, distributors, local importers, and direct from exporters. They target middle and upper income group while the hypermarkets target middle to lower income groups.

Singapore's 3rd largest retailer is Sheng Siong. Their retail formats include: Supermarkets with "wet & dry" market experience. They are located across the island, mostly in suburban neighborhood areas. Their Housebrand/Private label lines include: Happy Family, Tasty Bites, Jean Fresh, Homeniks, Heritage Farm, Bake For You, and PowerPlus. They are known to procure from distributors, local importers, and direct from exporters. They target middle to lower income groups.

Other retailers include:

- Online grocers: RedMart, Amazon and Shopee.
- Hao Marts with 45 outlets, mainly located in residential areas, price-competitive.
- Prime Supermarkets with 20 stores, mainly located in suburban neighborhood areas, targeting budget-conscious consumers.
- The Japanese retail stores Meidi-Ya Singapore and Isetan Supermarket.
- Mustafa Supermarket in "Little India" which imports from multiple countries (including the United States) which is very popular amongst the migrant workers and tourists.
- Specialty grocers such as: Scoops Wholefoods, The Source Bulk Food, Ryan's, Culina, Little Farms, Huber's, and organic and wholesome stores such as Supernature, Mahota.
- Traditional "wet and dry" markets and "Mom and Pop" grocery stores.

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:

FAS Singapore reports that top prospective U.S. products for the sector include food preparations, dairy, fresh fruit, processed vegetables, bakery goods, cereals and pasta, poultry, and beef products, chocolate and cocoa products.

Food Service Sector Highlights:

FAS Singapore has a highly developed and competitive hotel, restaurant, and institutional (HRI) sector. The sector was badly affected by Covid-19. The tourism receipt of US\$890 million for YTD Q3 2021 was a decline of 72.9% compared to the same period in 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, but faced another dining restriction in May 2021. The sector has evolved over the course of the past two years, with increased digitalization and food deliveries.

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.

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:

FAS Singapore 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:

FAS Singapore reports Singapore's food processing sector is relatively small and is comprised of mainly small and mediumsized enterprises. Its main products include flavorings, sauces, ready-to-eat meals, noodles, deli meat, sausage, confectionary,

chocolates, snacks, and beverages (including beer). Almost all raw materials for the Singaporean food processing industry are imported, as local agricultural production is minimal.

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, fats and oils, food preparations and ingredients, and snacks.

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.

The Covid measures have been eased since then, but some practices are still in place such as social distancing and wearing masks. The pandemic has encouraged Singaporeans to be more mindful of possible supply chain disruptions, climate change’s effects on food security, and widespread food waste which is of course one of the major global challenges. In 2020, Singapore generated 665,000 tons of food waste, which constituted to about 11% of the total waste generated in the country.

Some product types also saw increased sales, such as those perceived as “healthy” or “immune boosting,” low-cost, or convenient. These included probiotics and fortified packaged food products, processed fruits and vegetables, and frozen ready-to-eat meals. With the easing of restrictions, retail sales of processed/packaged food products are likely to drop, especially as more people 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:

FAS Singapore reports that top prospective U.S. food processing ingredient products for the Singapore market include animal fats, dairy, vegetable oils, processed vegetables, tree nuts, and beef products.