ANNUAL SURVEY ON INFOCOMM INDUSTRY 2017

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Introduction

Conducted since 1999, the 2017 Annual Survey of the Infocomm Industry ("Survey") is the 18th in the series, with the objective of tracking the market performance of the infocomm industry.

Survey Methodology

The Survey covered a representative sample of infocomm establishments which was selected from the establishment sampling frame maintained by the Singapore Department of Statistics (DOS).

Notes on Data

Data for the period of 2008 to 2012 were restated to include other resellers/ OEMs revenue in domestic and overall infocomm revenue.

Past years' data are included for comparison purposes where appropriate. Due to rounding, the sum of the individual parts may not add up to the total or 100%.

PART II: SURVEY FINDINGS

1. EXECUTIVE SUMMARY

Overall Performance

- With the exception of 2016, infocomm industry revenue has seen year on year growth since 1999. The global economic uncertainty in 2016 resulted in lower demand for infocomm products and services. Based on United Nations Comtrade Database, hardware exports were impacted across diverse economies, such as China, USA, Malaysia, Thailand and Indonesia. Singapore's hardware export was similarly affected with a 7.3% year-on-year decline in the year's Infocomm industry revenue, to S$175.8 billion.

- Despite the year-on-year drop, the compounded annual growth rate (CAGR) of infocomm industry revenue grew by 13.2% from 2011 to 2016. The hardware segment continued to be the largest contributor to infocomm industry revenue, with a share of 74.3% of revenue. This is followed by the IT services and software segments that contributed 9.2% and 8.7% of revenue respectively.

Export Market and Destinations

- Export revenue decreased from S$136.2 billion in 2015 to S$127.8 billion in 2016.
- Re-exports formed 88.4% of the export revenue or S$113.0 billion while processed exports formed the remaining 11.6% or S$14.8 billion that year.
- The hardware segment continued to be the largest contributor of re-exports (96.3%), while the software sector was the largest contributor of processed exports (46.2%).
- East Asia, which includes China and Japan, was the top export destination by region for infocomm products and services in 2016.
- SE Asia continues to be a growing market accounting for S$42.3 billion exports in 2016, an increase from S$41.9 billion in 2015.

Domestic Market

- While Domestic revenue decreased from S$53.4 billion in 2015 to S$48.0 billion in 2016, IT services continued to post strong growth in the domestic market with a growth of 9.5% CAGR from 2011 to 2016, signifying the growth of digitalisation.
- The hardware (40.2%), IT services (22.0%) and telecom services (18.8%) segments were the key contributors to domestic revenue.

2. PERFORMANCE OF THE INFOCOMM INDUSTRY

2.1 Overall Performance

Infocomm industry grew by a CAGR of 13.2% from 2011 to 2016

The infocomm industry revenue in 2016 was S$175.8 billion, a decline from S$189.6 billion in 2015 (Chart 1) as a result of global economic uncertainties. However, from 2011 to 2016, revenue grew by a CAGR of 13.2%.

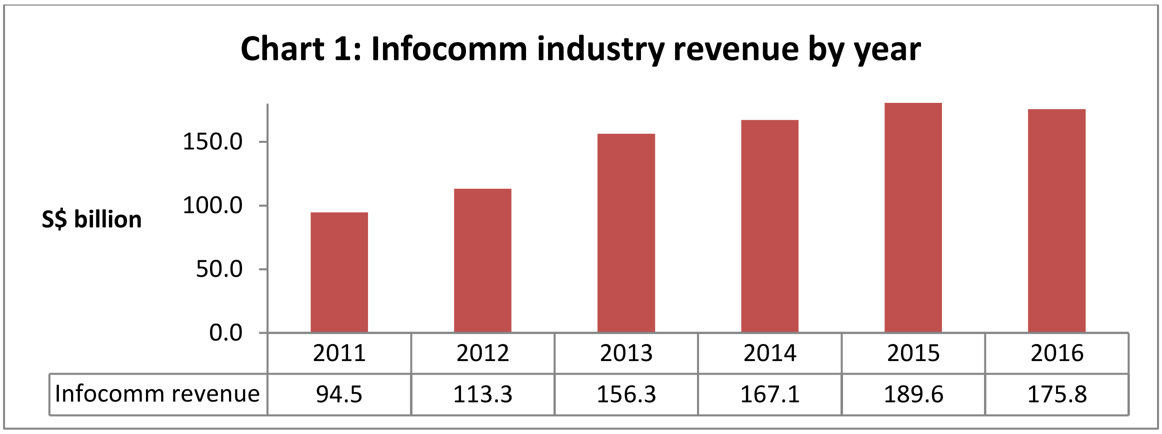


Table 1: Proportion of domestic and export revenue by year

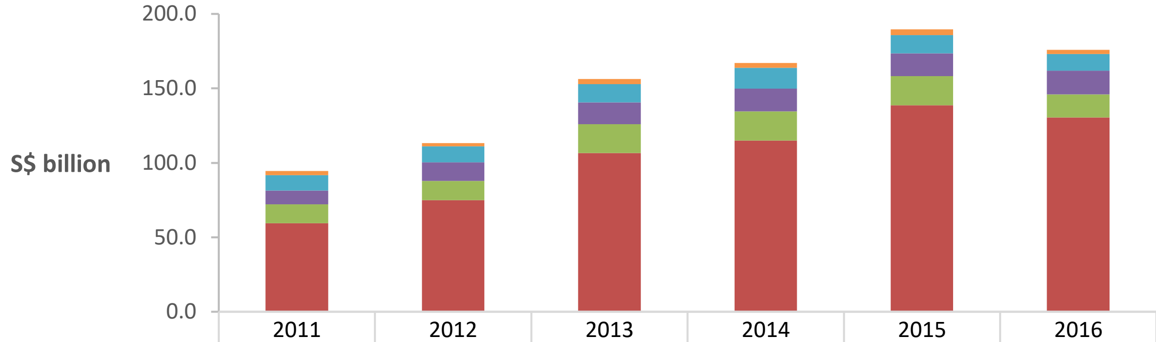
	2011	2012	2013	2014	2015	2016
Domestic revenue	37.9%	31.3%	31.0%	30.3%	28.2%	27.3%
Re-export revenue	49.7%	55.3%	59.4%	60.7%	63.4%	64.3%
Processed exports revenue	12.4%	13.4%	9.5%	8.9%	8.5%	8.4%

*Figures may not add up to 100% due to rounding.

Hardware segment continued to be the largest contributor to infocomm industry revenue

The hardware segment declined from S$138.6 billion in 2015 to S$130.6 billion in 2016 (Chart 2). However, the hardware segment continues to be the largest contributor, with a share of 74.3%, followed by the IT services segment with a share of 9.2% (Table 2).

Chart 2: Infocomm revenue by segment



	2011	2012	2013	2014	2015	2016
Total revenue	94.5	113.3	156.3	167.1	189.6	175.8
Content services	2.8	2.1	3.4	3.3	3.7	2.7
Telecom services	10.2	10.8	12.3	13.9	12.4	11.1
IT services	9.4	12.5	14.6	15.1	15.1	16.1
Software	12.6	12.9	19.4	19.7	19.7	15.3
Hardware	59.5	74.9	106.6	115.0	138.6	130.6

Table 2: Proportion of infocomm revenue by segment

2016	Hardware	Software	IT services	Telecom services	Content services	Total infocomm
Share of infocomm revenue	74.3%	8.7%	9.2%	6.3%	1.5%	100.0%

*Figures may not add up to 100% due to rounding.

2.2 Export Market and Destinations

Uncertain economic conditions resulted in decline of hardware exports across economies around the world as well as Singapore

Total export revenue declined from S$136.2 billion in 2016 to S$127.8 billion in 2016 (Chart 3). Exports accounted for 72.7% of total revenue in 2016 (Table 3).

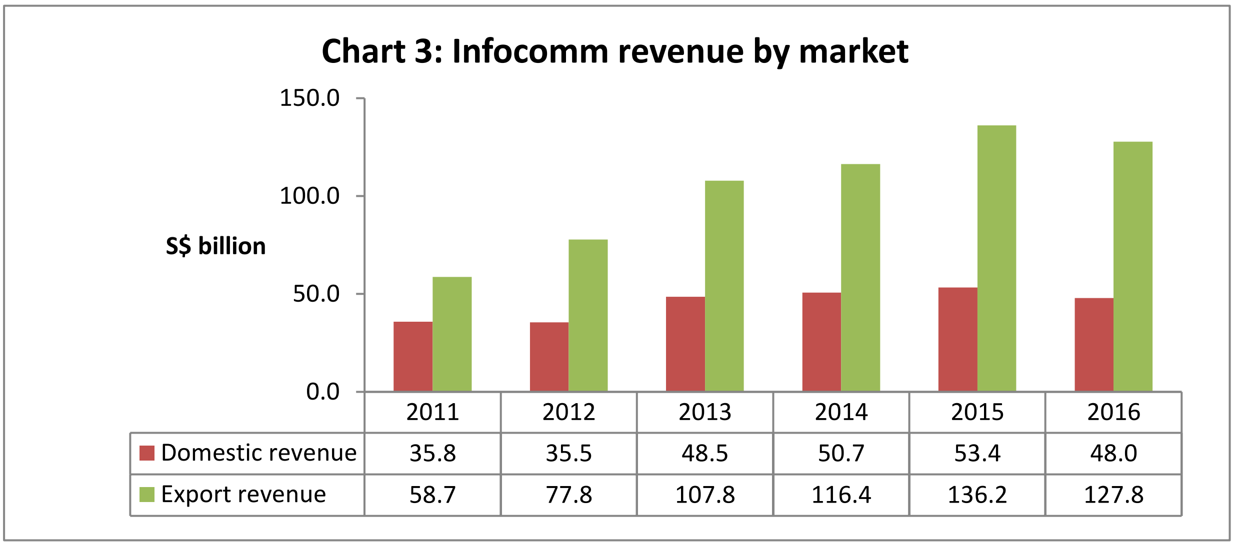


Table 3: Proportion of infocomm revenue by market

	2011	2012	2013	2014	2015	2016
Share of domestic revenue	37.9%	31.3%	31.0%	30.3%	28.2%	27.3%
Share of export revenue	62.1%	68.7%	69.0%	69.7%	71.8%	72.7%
Total Infocomm revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Figures may not add up to 100% due to rounding.

Re-exports formed 88.4% of export revenue in 2016, while the remaining 11.6% were from processed exports (Table 4).

Table 4: Proportion of export revenue by type

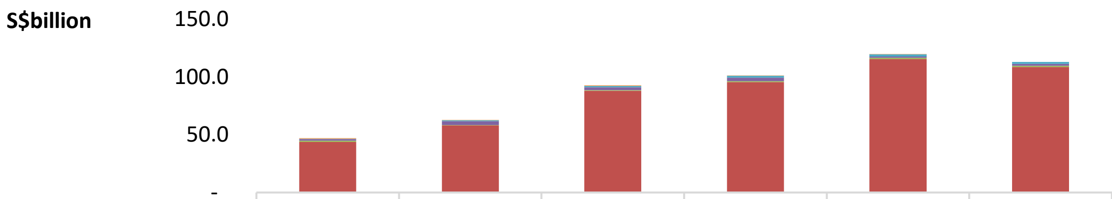
	2011	2012	2013	2014	2015	2016
Share of processed exports	19.9%	19.6%	13.8%	12.8%	11.8%	11.6%
Share of re-exports	80.1%	80.4%	86.2%	87.2%	88.2%	88.4%
Total exports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Figures may not add up to 100% due to rounding.

Hardware segment contributed the bulk of re-exports while software segment continues to account for almost half of processed exports.

Re-exports declined from S$120.1 billion in 2015 to S$113.0 billion in 2016 (Chart 4), mainly due to the hardware segment which accounted for 96.3% of re-exports.

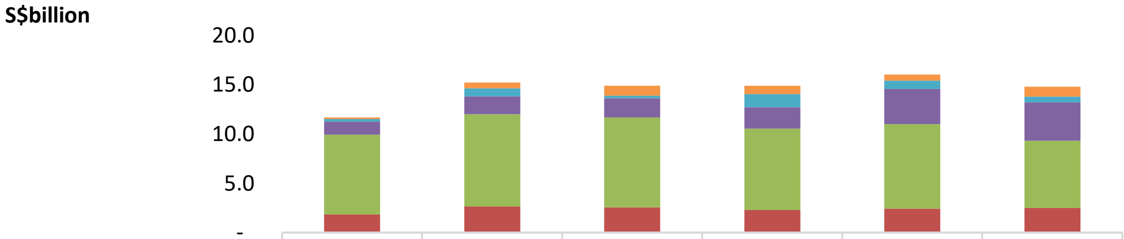
Chart 4: Re-exports by segment



	2011	2012	2013	2014	2015	2016
Total Re-Exports	47.0	62.6	92.9	101.5	120.1	113.0
Content services	0.4	0.0	0.5	0.4	0.5	0.0
Telecom services	0.3	0.8	1.2	1.6	1.7	1.5
IT services	1.3	3.1	2.4	3.0	1.3	1.7
Software	1.3	0.3	0.6	0.9	0.9	1.0
Hardware	43.7	58.3	88.2	95.7	115.7	108.8

Processed exports declined from S$16.0 billion in 2015 to S$14.8 billion in 2015 (Chart 5) mainly due to the software segment which contributed 46.2% of processed exports.

Chart 5: Processed exports by segment

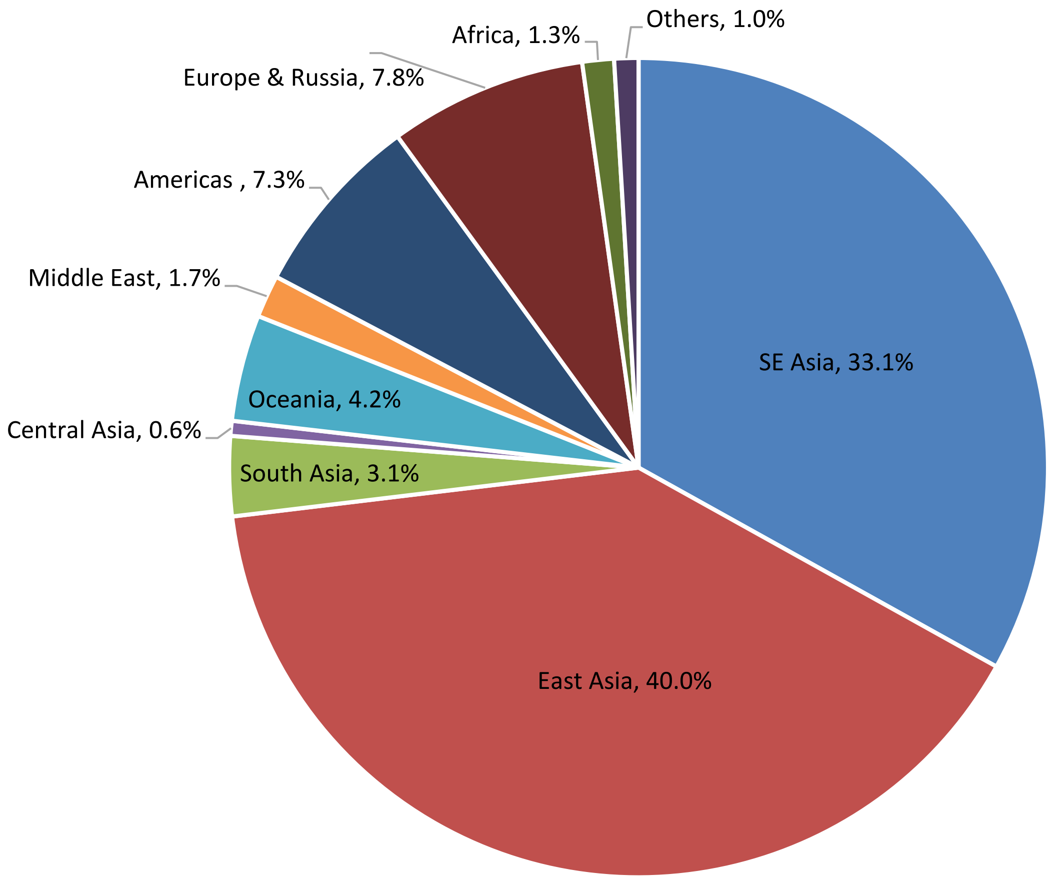


	2011	2012	2013	2014	2015	2016
Total Processed Exports	11.7	15.2	14.9	14.9	16.0	14.8
Content services	0.2	0.6	1.0	0.8	0.6	1.0
Telecom services	0.3	0.8	0.3	1.3	0.8	0.6
IT services	1.3	1.8	2.0	2.2	3.6	3.9
Software	8.1	9.3	9.1	8.2	8.6	6.8
Hardware	1.9	2.7	2.6	2.3	2.4	2.5

East Asia was the top region for exports while SE Asia continues to be a growing market

East Asia, which includes China, Japan and South Korea, was the top export destination region for 2016, accounting for 40.0% of exports (Chart 6).

Chart 6: Export by Regions

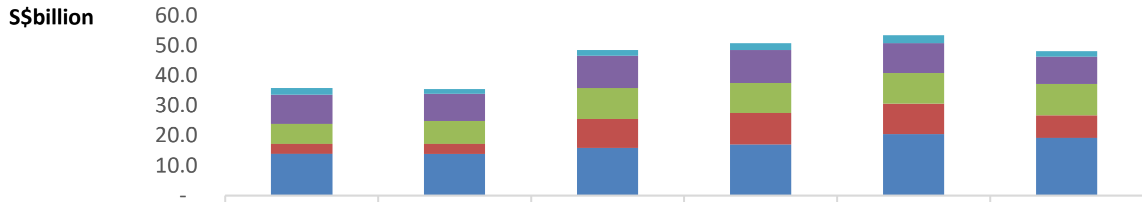


2.3 Infocomm Domestic Revenue and Market Composition

IT services continued to post strong growth in the domestic market

Domestic revenue was S$48.0 billion in 2016, a decrease from S$53.4 billion in 2015 (Chart 7). The hardware segment was the largest contributor of domestic revenue with a share of 40.2% (Table 5).

Chart 7: Domestic revenue by segment



	2011	2012	2013	2014	2015	2016
Domestic revenue	35.8	35.5	48.5	50.7	53.4	48.0
Content services	2.2	1.5	1.9	2.1	2.6	1.7
Telecom services	9.7	9.2	10.8	11.0	9.9	9.0
IT services	6.7	7.5	10.2	10.0	10.2	10.6
Software	3.3	3.3	9.7	10.5	10.2	7.4
Hardware	13.9	13.9	15.9	17.0	20.5	19.3

Table 5: Proportion of domestic revenue by segment

2016	Hardware	Software	IT services	Telecom services	Content services	Total domestic revenue
Share of domestic revenue	40.2%	15.5%	22.0%	18.8%	3.6%	100.0%

*Figures may not add up to 100% due to rounding.