Productivity continues to slide, falling 2.2 per cent in the first quarter.

The latest decline in output follows a 0.5 per cent dip in the final three months of last year, according to the Economic Survey of Singapore out yesterday.

Productivity — the output generated by a worker, equipment or capital — slipped by 1.2 per cent last year.

Falling productivity is a concern because it indicates that the economy is becoming less efficient or cost-effective.

There were a few bright spots in the first quarter, with construction output up 1.2 per cent, and a 1.5 per cent increase in the service sector, which includes health care, education, the arts and casinos, among others.

However, most segments of the economy turned less productive.

The main culprits were the finance and insurance industries and the information and communications sector, each of which declined by 4.8 per cent. Productivity in the wholesale and retail trade industry fell by 3.8 per cent.

Even though output is down, business costs have shot up. The unit labour cost across the economy rose 1.7 per cent from levels in the corresponding period a year ago, after strengthening the previous quarter, the economic survey showed.

Unit labour cost in the wholesale and retail trade industry fell by 3.8 per cent.

There are a few bright spots.

In particular, the unit business cost for manufacturing leapt 5.1 per cent.

Dr Tan Khay Boon, a senior lecturer at UniSIM’s school of business, said manufacturing costs had gone up because oil prices, industrial property prices and wages had increased.

He added that the soaring costs could "erode our competitiveness in the export market".

"With growth slowing in China and the instability in the Eurozone, it is not clear whether the good manufacturing performance and the high export growth can be sustained."