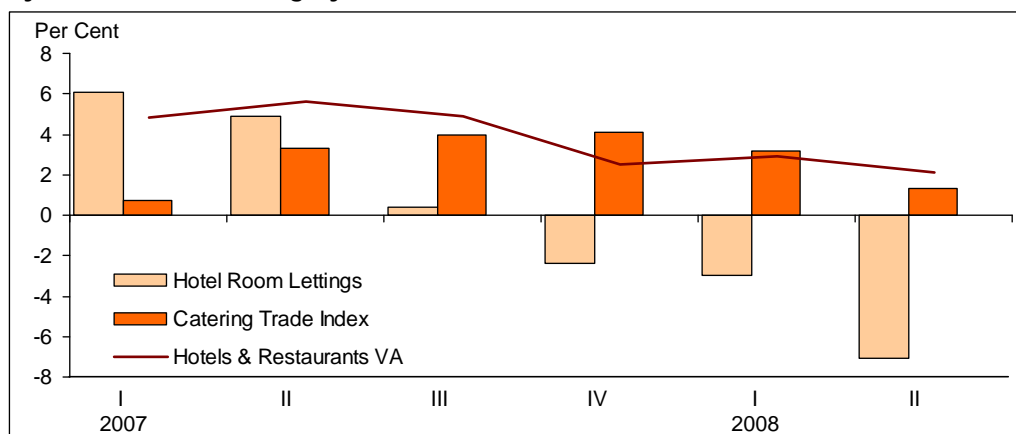


Box 2.2 Recent Trends in Singapore’s Hotel Sector

Slower growth in the hotels and restaurants sector as a result of falling room lettings...

The real value-added (VA) of the hotels and restaurants sector grew by 2.5 per cent in the previous three quarters, lower than the 5.1 per cent growth registered in the first three quarters of 2007 (Exhibit 1). The slower growth was largely due to the hotels segment of the sector. While the catering index (a proxy for the performance of the restaurants segment) continued to register positive growth during this period, the number of room lettings of gazetted hotels (a proxy for the real growth of the hotels segment) has been in decline since the fourth quarter of 2007.

Exhibit 1: Recent growth in hotels and restaurants sector was largely driven by the restaurants category



But the hotel industry is enjoying double-digit growth in RevPAR across all segments...

Singapore hotels have been increasing their room rates, which has resulted in higher revenue per available room (RevPAR). In the first half of 2008, the average room rate (ARR) rose by 30 per cent. The higher ARR led to growth in RevPAR of 25 per cent over the same period (Exhibit 2). Hotels from all tiers experienced this strong growth in RevPAR (Exhibit 3). As a result, the hotel industry posted a robust 22 per cent growth in revenue in the first half of 2008, achieving a record high of \$1.1 billion. As this was due to higher prices, discounting for price changes would result in a decline in real VA, consistent with the decline in room lettings.

Exhibit 2: RevPAR has risen in tandem with ARR

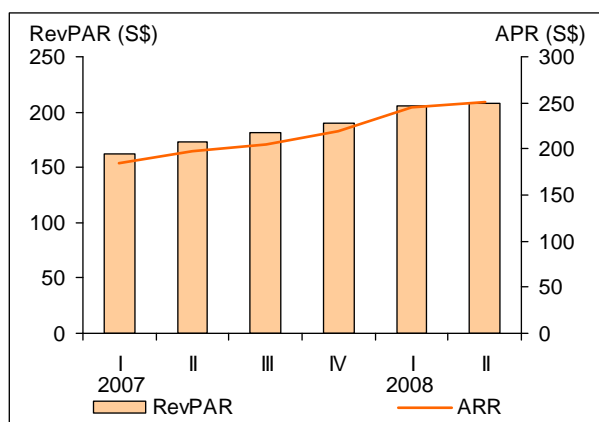
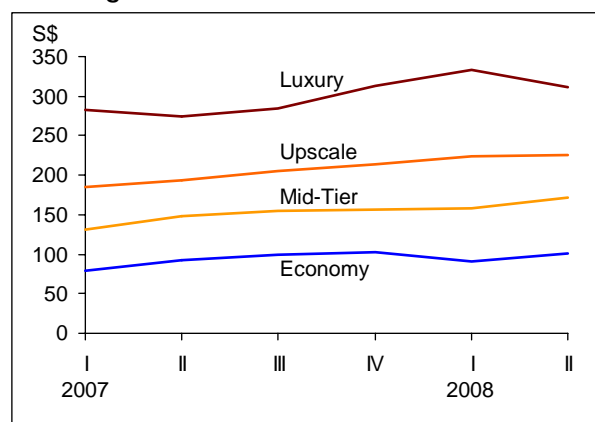


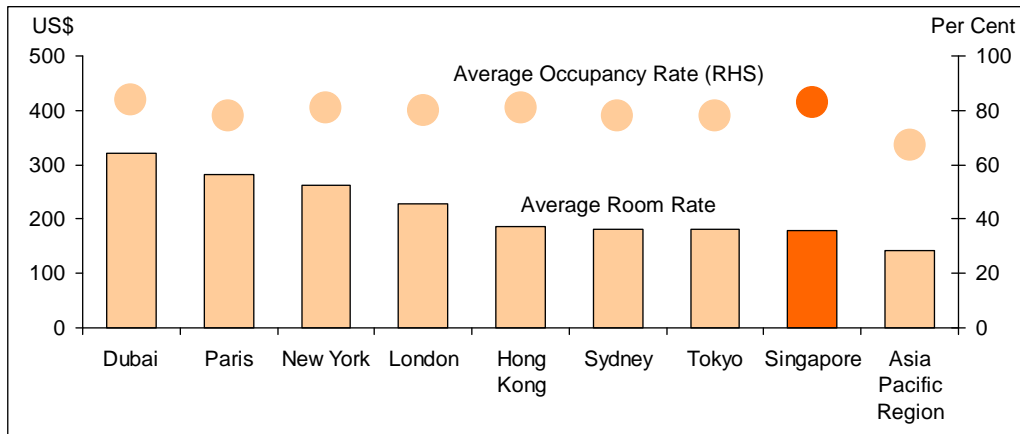
Exhibit 3: Strong growth in RevPAR across all hotel segments



Despite higher average room rates, Singapore's hotel room rates remain lower than other global cities...

Although Singapore's ARR has grown strongly, Singapore's hotel room rates are still lower than those seen in other cities such as Dubai, Paris, New York and London (Exhibit 4). The average occupancy rate (AOR) of Singapore hotels declined slightly by 3.4 percentage points in the first half of 2008 to achieve an AOR of 83 per cent during the period. However, this AOR still ranks as one of the highest when compared to other major cities.

Exhibit 4: Singapore has one of the highest AOR; and our ARR is still lower than other key cities in the first half of 2008



Source: Singapore Tourism Board
Smith Travel Research, "Global Lodging Report for June 2008"

The outlook for hotel industry remains positive...

The recent decline in gross lettings of hotel rooms has contributed to the slower growth in the real value-added of the hotels and restaurants sector. Nevertheless, with the AOR still at healthy levels, the strong growth in ARR has helped to drive up revenue across all hotel segments.

Looking ahead, the outlook for the hotel industry remains positive. According to the Business Expectations Survey for the services sector, a net weighted balance of 37 per cent of hoteliers projects better business in the next six months. The hotel industry will also benefit from major upcoming developments in the tourism industry. These include the inaugural 2008 FORMULA 1™ SingTel Singapore Grand Prix, the opening of Singapore's two Integrated Resorts in 2009 and 2010, and the Youth Olympic Games in 2010.

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