

# 6.2 Construction

## OVERVIEW

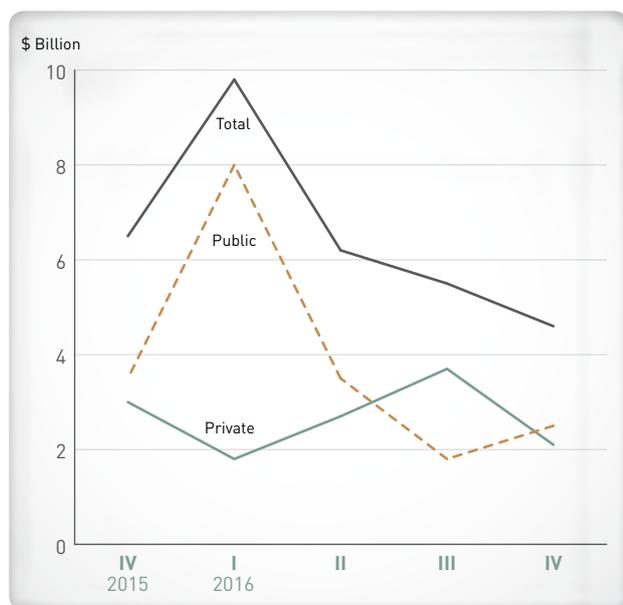
The construction sector shrank by 2.8 per cent in the fourth quarter of 2016, extending the 2.2 per cent contraction recorded in the previous quarter.

For the whole of 2016, the sector expanded marginally by 0.2 per cent, moderating from the 3.9 per cent growth in the previous year.

## CONSTRUCTION DEMAND

Construction demand (or contracts awarded) fell by 29 per cent to \$4.6 billion in the fourth quarter, on the back of a fall in both public and private sector construction demand. (Exhibit 6.4).

Exhibit 6.4: Contracts Awarded



For the full year, total construction demand fell by 3.6 per cent to \$26 billion (Exhibit 6.5). This was due to weakness in private sector construction demand. Public sector construction demand, on the other hand, provided some support.

Exhibit 6.5: Contracts Awarded, 2016 (\$ Billion)

|                                   | Total       | Public      | Private     |
|-----------------------------------|-------------|-------------|-------------|
| <b>Total</b>                      | <b>26.1</b> | <b>15.8</b> | <b>10.3</b> |
| <b>Residential</b>                | <b>6.4</b>  | <b>3.2</b>  | <b>3.1</b>  |
| <b>Commercial</b>                 | <b>2.6</b>  | <b>0.2</b>  | <b>2.5</b>  |
| <b>Industrial</b>                 | <b>3.3</b>  | <b>0.6</b>  | <b>2.7</b>  |
| <b>Institutional &amp; Others</b> | <b>4.4</b>  | <b>3.8</b>  | <b>0.5</b>  |
| <b>Civil Engineering Works</b>    | <b>9.4</b>  | <b>7.9</b>  | <b>1.5</b>  |

### Public Sector

In the fourth quarter, public sector construction demand declined by 28 per cent, a further pullback from the 2.2 per cent contraction registered in the previous quarter. This was due to a decline in contracts awarded for all types of building works, notably residential, industrial, and institutional & other building works.

For the full year, public sector construction demand increased by 19 per cent to reach \$16 billion. Growth was supported by a 108 per cent surge in demand for civil engineering works such as the construction of the Thomson-East Coast Line (TEL), among others. On the other hand, demand for public building works registered broad-based weakness, mainly led by declines in the residential, industrial, and institutional & others segments.

## Private Sector

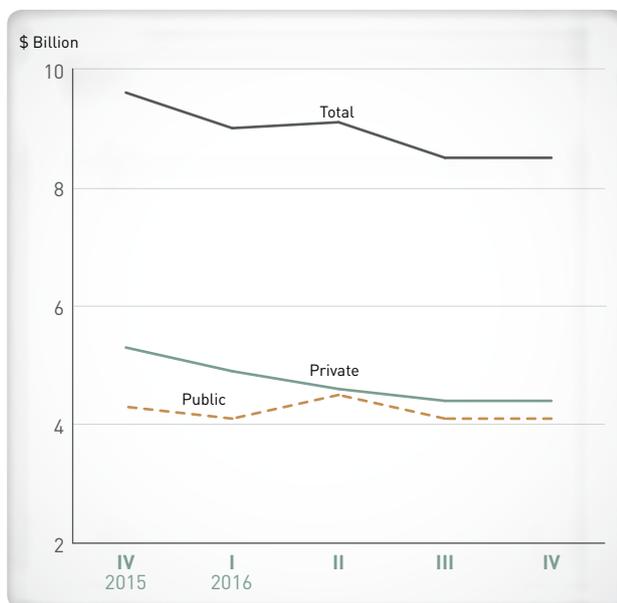
Private sector construction demand in the fourth quarter fell by 31 per cent to \$2.1 billion. The decline was attributed to a contraction in construction demand for commercial developments and civil engineering works. In particular, the demand for civil engineering works fell significantly to \$91 million, compared to the \$1.2 billion in the same period a year ago.

For the full year, private sector construction demand shrank by 25 per cent from \$14 billion in 2015 to \$10 billion in 2016. This was largely due to a fall in the demand for residential, industrial, institutional and other building works. On the other hand, contracts awarded for commercial developments such as Woods Square, the first office development in Woodlands Regional Centre, provided some support to growth.

## CONSTRUCTION ACTIVITIES

Construction output (or certified payments) declined by 11 per cent to \$8.5 billion in the fourth quarter, due to a slowdown in both public and private sector construction activities (Exhibit 6.6).

Exhibit 6.6: Certified Payments



For the full year, construction output contracted by 3.7 per cent to \$35 billion, dragged down primarily by a decline in overall residential building works. However, strong overall on-site construction activities for institutional developments as well as civil engineering works helped to alleviate the contraction in construction output.

## Public Sector

Public sector construction output fell by 3.9 per cent in the fourth quarter, mainly due to a reduction in on-site construction activities for residential developments (-22 per cent) and civil engineering projects (-16 per cent).

For the full year, public sector construction output rose by 7.3 per cent, largely supported by robust on-site construction activities for industrial developments (68 per cent), institutional developments (19 per cent) and civil engineering projects (13 per cent). Some of the major projects under construction included the expansion of the Liquefied Natural Gas (LNG) Terminal (Phase 3), Sengkang General and Community Hospital, TEL, and land preparation works for Changi Airport.

## Private Sector

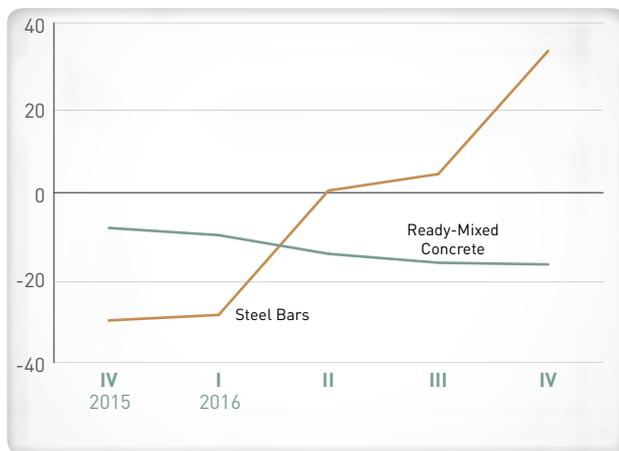
Private sector construction output shrank by 17 per cent in the fourth quarter, largely due to weakness in residential and industrial building works. Likewise, private sector construction output for 2016 as a whole fell by 12 per cent, in part due to lower output from residential (-22 per cent) and industrial building (-6.7 per cent) works.

## CONSTRUCTION MATERIALS

In 2016, the total consumption of ready-mixed concrete reached \$14 million m<sup>3</sup>, 13 per cent lower as compared to a year ago. Similarly, the total consumption of steel rebars<sup>1</sup> declined to 1.7 million tonnes in 2016, from 2.0 million tonnes in 2015.

The average market price of Grade 40 pump ready-mixed concrete<sup>2</sup> decreased by 16 per cent year-on-year to \$80.8 per m<sup>3</sup> in December 2016 (Exhibit 6.7). On the other hand, the average market price of steel rebar<sup>3</sup> increased by 64 per cent year-on-year to \$649.6 per tonne in December 2016.

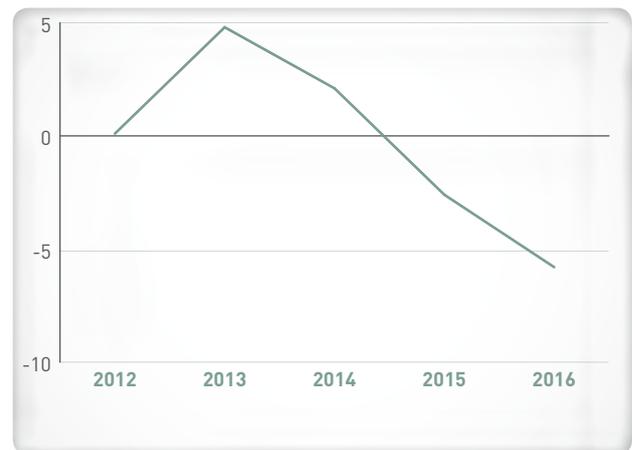
**Exhibit 6.7: Changes in Market Prices of Construction Materials**



## CONSTRUCTION COSTS

Based on BCA's Building Works Tender Price Index (TPI), tender prices in the construction sector recorded its ninth consecutive quarter of year-on-year decline in the fourth quarter, dropping by 2.6 per cent. This came on the back of a reduction in private sector building demand and a softening in the costs of some key construction materials and plant and equipment. For the full year, the TPI declined by 5.8 per cent (Exhibit 6.8).

**Exhibit 6.8: Changes in Tender Price Index**



<sup>1</sup> Rebar consumption is estimated from net imports plus local production (without factoring in stock levels).

<sup>2</sup> The market prices are based on contracts with non-fixed price, fixed price and market retail price.

<sup>3</sup> The market prices refer to 16mm to 32mm High Tensile rebar and are based on fixed price supply contracts with a contract period 12 months or below.

## CONSTRUCTION OUTLOOK IN 2017

According to BCA, total construction demand in 2017 is projected to be between \$28 billion and \$35 billion (Exhibit 6.9). Demand from the public sector is expected to strengthen to between \$20 billion and \$24 billion, contributing about 70 per cent to total construction demand. The boost to the overall public sector demand is likely to come from an anticipated increase in demand for most building construction works and civil engineering works. On the other hand, private sector demand is projected to remain subdued at between \$8.0 billion and \$11 billion amidst weakness in the property market and continued economic uncertainties.

Total construction output in 2017 is projected to moderate to between \$30 billion and \$32 billion, due to the slowdown in construction demand since 2015.

Exhibit 6.9: Projected Construction Demand in 2017

|  | \$ Billion         |
|--|--------------------|
| <b>Public Sector</b>                     | <b>20.0 – 24.0</b> |
| <b>Building Construction Sub-total</b>   | <b>9.4 – 10.5</b>  |
| Residential                              | 3.6 – 3.9          |
| Commercial                               | 0.1 – 0.2          |
| Industrial                               | 2.3 – 2.7          |
| Institutional & Others                   | 3.4 – 3.7          |
| <b>Civil Engineering Works Sub-total</b> | <b>10.6 – 13.5</b> |
| <b>Private Sector</b>                    | <b>8.0 – 11.0</b>  |
| <b>Building Construction Sub-total</b>   | <b>7.3 – 9.9</b>   |
| Residential                              | 2.1 – 2.9          |
| Commercial                               | 2.3 – 3.0          |
| Industrial                               | 1.9 – 2.9          |
| Institutional & Others                   | 1.0 – 1.2          |
| <b>Civil Engineering Works Sub-total</b> | <b>0.7 – 1.1</b>   |
| <b>TOTAL CONSTRUCTION DEMAND</b>         | <b>28.0 – 35.0</b> |