

6.2 CONSTRUCTION

OVERVIEW

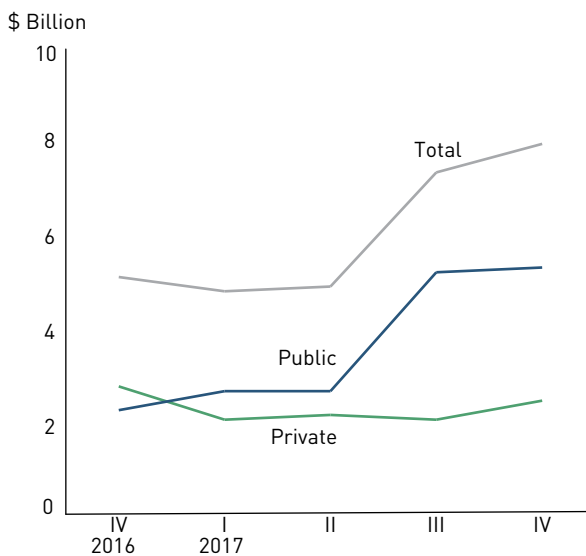
The construction sector shrank by 5.0 per cent in the fourth quarter of 2017, extending the 9.3 per cent decline recorded in the previous quarter.

For the whole of 2017, the sector contracted by 8.4 per cent, reversing from the 1.9 per cent growth in the previous year.

CONSTRUCTION DEMAND

Construction demand (or contracts awarded) increased by 56 per cent to reach \$7.9 billion in the fourth quarter, due to an expansion in public sector construction demand (Exhibit 6.4).

Exhibit 6.4: Contracts Awarded



For the full year, total construction demand fell by 6.1 per cent to \$25 billion (Exhibit 6.5) as a result of continued weakness in private sector construction demand. On the other hand, public sector construction demand provided some support to growth.

Exhibit 6.5: Contracts Awarded, 2017 (\$ Billion)

	Total	Public	Private
Total	24.8	15.8	9.0
Residential	6.2	3.2	3.0
Commerical	1.9	0.1	1.7
Industrial	4.2	1.7	2.5
Institutional & Others	3.2	2.5	0.7
Civil Engineering Works	9.3	8.3	1.1

Public Sector

In the fourth quarter, public sector construction demand expanded by 132 per cent, following the 201 per cent increase in the previous quarter. This was primarily due to a surge in contracts awarded for civil engineering works such as Circle Line 6 and the Deep Tunnel Sewerage System Phase 2.

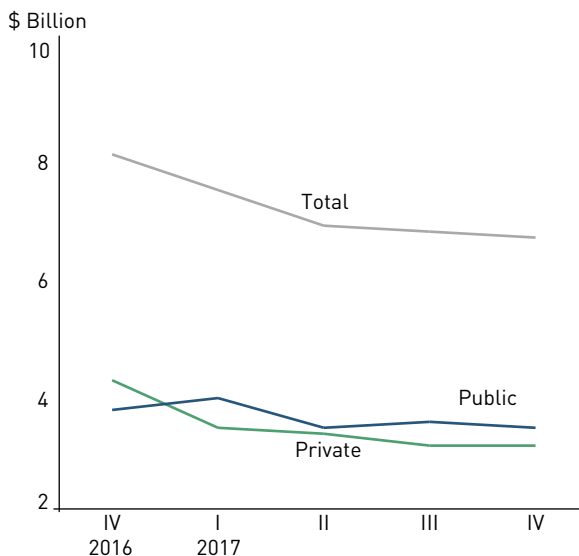
For the full year, public sector construction demand rose by 2.9 per cent to reach \$16 billion. Growth was mainly supported by a 99 per cent increase in the demand for industrial building works and a 10 per cent rise in the demand for civil engineering works. Some of the major projects awarded included HDB's Defu Industrial City, JTC's Logistics Hub @ Gul and the North-South Corridor.

Private Sector

Private sector construction demand declined in the fourth quarter (-7.6 per cent), mainly due to the weakness in demand for industrial developments and commercial developments. However, demand for civil engineering developments and institutional & other building developments provided some support to growth.

For the full year, private sector construction demand shrank by 19 per cent from \$11 billion in 2016 to \$9.0 billion in 2017. Private construction demand for all development types, except for institutional & other building projects, fell. Despite overall sluggish private sector construction demand, a number of notable projects were awarded in 2017, including the construction of the fourth Desalination Plant at Marina East and Project Glory at Market Street (redevelopment of the Golden Shoe Carpark to a mixed use commercial development) as well as the refurbishment of Raffles Hotel.

Exhibit 6.6: Certified Payments



CONSTRUCTION ACTIVITIES

Construction output (or certified payments) declined by 17 per cent to \$6.7 billion in the fourth quarter, due to a slowdown in both private and public sector construction activities (Exhibit 6.6).

For the full year, construction output contracted by 21 per cent to \$28 billion, likewise dragged down by private and public sector construction works.

Public Sector

Public sector construction output fell by 7.1 per cent to \$3.5 billion in the fourth quarter. The contraction was led by a reduction in on-site construction activities for all development types, except for industrial building works, which rose marginally by 1.0 per cent during the quarter.

For the full year, public sector construction output declined by 11 per cent to \$15 billion, pulled down by a drop in residential building works (-30 per cent) and civil engineering works (-13 per cent). On the other hand, construction activities for institutional & other building developments, industrial developments, and commercial developments rose. Major on-going projects in these areas include the expansion of the Liquefied Natural Gas (LNG) Terminal (Phase 3), JTC Space @ Tuas, Sengkang General and Community Hospital and Woodlands Integrated Health Campus.

Private Sector

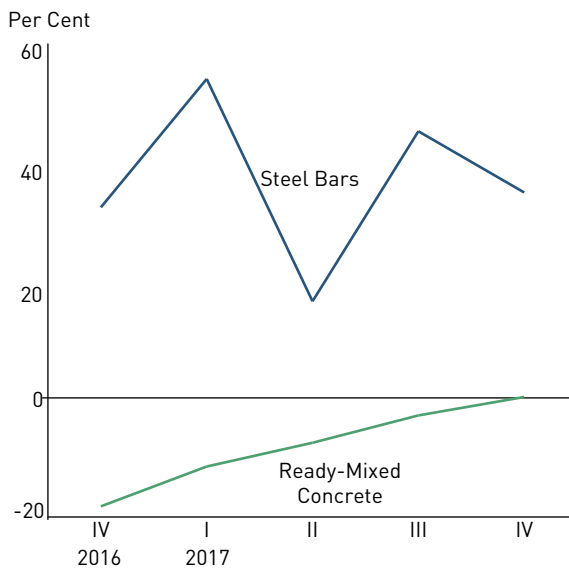
Private sector construction output shrank by 26 per cent to \$3.2 billion in the fourth quarter, largely attributable to a moderation in residential building and industrial building works. For the whole of 2017, private construction output fell by 29 per cent to \$13 billion, due to a broad-based decline in all types of construction activities.

CONSTRUCTION MATERIALS

In tandem with the slowdown in construction activities, total consumption of ready-mixed concrete fell by 8.6 per cent to reach \$13 million m³ in 2017, compared to a year ago. Similarly, total consumption of steel rebars declined to 1.5 million tonnes in 2017, from 1.6 million tonnes in the previous year.

Due to higher raw material prices, the average market price of Grade 40 pump ready-mixed concrete increased by 1.9 per cent year-on-year in the fourth quarter (Exhibit 6.7). Similarly, the average market price of steel rebar increased by 36 per cent year-on-year in the same period.

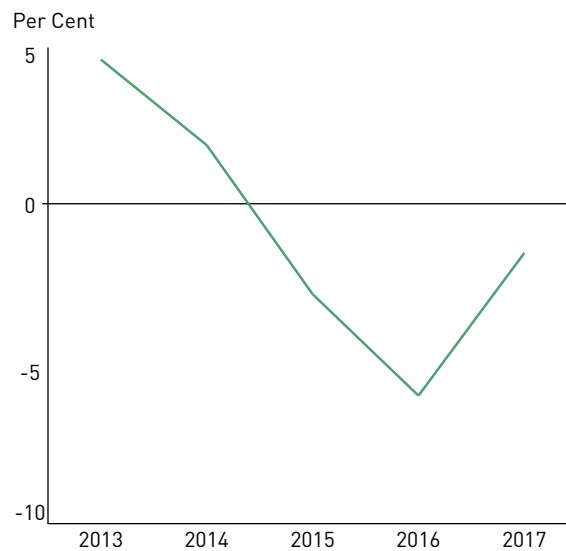
Exhibit 6.7: Changes in Market Prices of Construction Materials



CONSTRUCTION COSTS

Based on BCA's Building Works Tender Price Index (TPI), tender prices in the construction sector registered an estimated drop of 1.3 per cent in 2017 (Exhibit 6.8). This came on the back of a reduction in private sector building demand and a softening of plant and equipment costs.

Exhibit 6.8: Changes in Tender Price Index



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

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

3 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 2018

According to BCA, total construction demand in 2018 is projected to be between \$26 billion and \$31 billion (Exhibit 6.9). Demand from the public sector is expected to strengthen to between \$16 billion and \$19 billion in 2018, accounting for around 60 per cent of total construction demand. The boost to public sector construction demand is likely to come from an anticipated increase in the demand for institutional & other building projects and civil engineering works. Furthermore, private sector demand is projected to improve from the \$9 billion in 2017 to between \$10 billion and \$12 billion in 2018, in line with the positive economic outlook and property market sentiments.

Total construction output in 2018 is projected to remain subdued at between \$26 billion and \$28 billion, due to the slowdown in overall construction demand since 2015.

Exhibit 6.9: Projected Construction Demand in 2018

	\$ Billion
Public Sector	16.0 – 19.0
Building Construction Sub-total	7.3 – 9.2
Residential	2.8 – 3.1
Commercial	0.1 – 0.3
Industrial	0.5 – 1.3
Institutional & Others	3.9 – 4.4
Civil Engineering Works Sub-total	8.7 – 9.8
Private Sector	10.0 – 12.0
Building Construction Sub-total	9.0 – 10.7
Residential	3.0 – 3.6
Commercial	2.1 – 2.5
Industrial	2.8 – 3.3
Institutional & Others	1.1 – 1.3
Civil Engineering Works Sub-total	1.0 – 1.3
TOTAL CONSTRUCTION DEMAND	26.0 – 31.0