

○ **CHAPTER 2**  
Sectoral Performance





Image courtesy of Singapore Economic Development Board

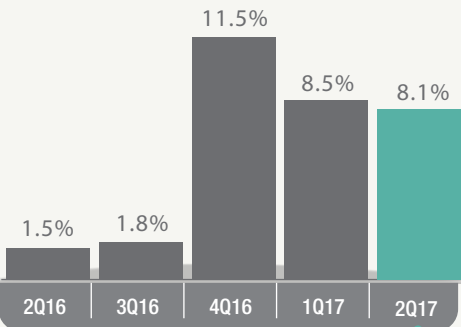
# CHAPTER 2

# SECTORAL PERFORMANCE

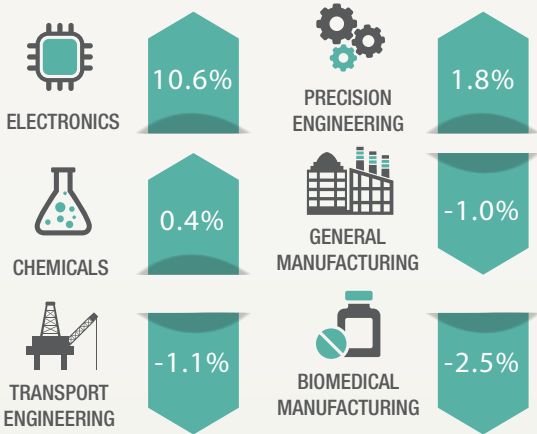
## MANUFACTURING



### Real Growth



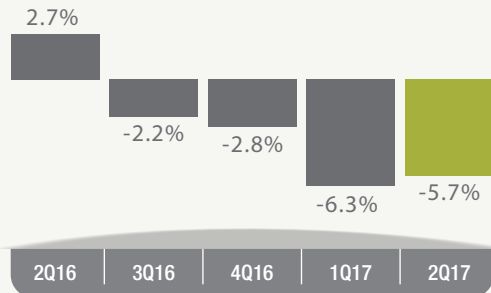
### Clusters in Manufacturing Sector %-point contribution in 2017



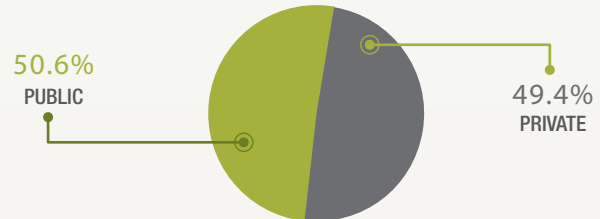
## CONSTRUCTION



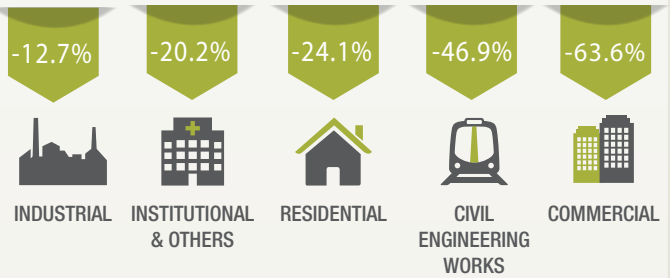
### Real Growth



### Certified Payments in 2017



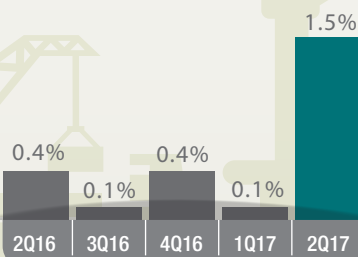
### Contracts Awarded in 2017



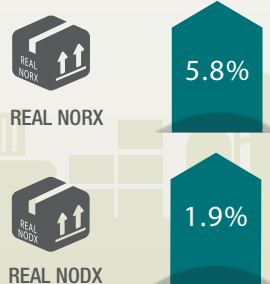
## WHOLESALE & RETAIL TRADE



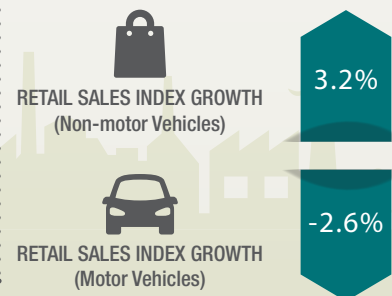
### Real Growth



### Wholesale Trade



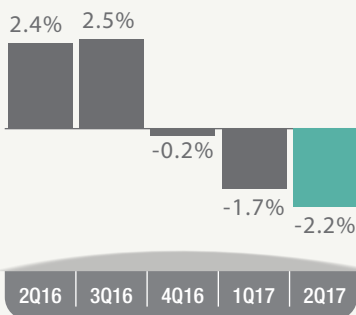
### Retail Trade



## ACCOMMODATION & FOOD SERVICES



### Real Growth



### Accommodation

Occupancy rates of hotels (Y-O-Y CHANGE)



LUXURY

-0.9%-pt



MID-TIER

0.6%-pt



UPSCALE

2.2%-pt



ECONOMY

2.6%-pt

### Food Services

Performance of F&B (Sales growth)



FAST FOOD

6.2%



CATERING

2.5%



OTHERS

-1.2%



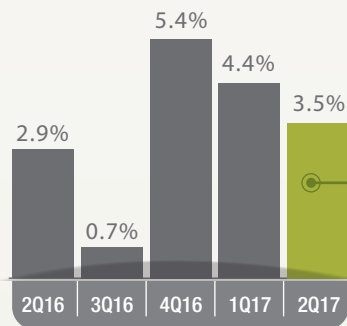
RESTAURANTS

-9.3%

## TRANSPORTATION & STORAGE



### Real Growth



TOTAL SEA CARGO HANDLED GROWTH

3.0%



MOTOR-VEHICLE POPULATION GROWTH

-0.2%



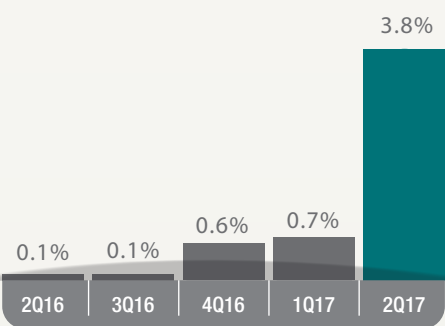
AIR PASSENGERS HANDLED GROWTH

6.6%

## FINANCE & INSURANCE



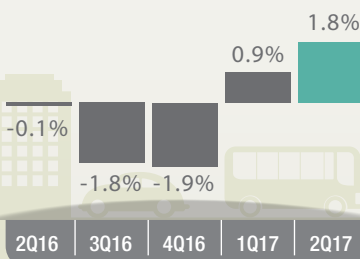
### Real Growth



## BUSINESS SERVICES



### Real Growth



### Private Residential Real Estate

51.8%

-0.1%



UNITS TRANSACTED (Y-O-Y CHANGE)



PRICE INDEX (Q-O-Q CHANGE)

### Growth of bank loans & advances to non-bank customers in 2Q17

+10.5%



LOANS TO BUSINESSES

+3.7%



CONSUMER LOANS

## OVERVIEW

In the second quarter of 2017,

- The manufacturing sector expanded by 8.1 per cent, extending the 8.5 per cent growth in the previous quarter. Growth was supported by higher output in the electronics, precision engineering and chemicals clusters. On the other hand, lower output levels in the biomedical manufacturing, transport engineering and general manufacturing clusters placed a drag on growth.
- The construction sector contracted by 5.7 per cent, extending the 6.3 per cent decline in the preceding quarter. The decline in construction output was due to weakness in both private sector and public sector construction activities.
- The wholesale & retail trade sector grew by 1.5 per cent, accelerating from the 0.1 per cent growth in the previous quarter. Growth was supported by expansions in both the wholesale trade and retail trade segments.
- The transportation & storage sector expanded by 3.5 per cent, moderating from the 4.4 per cent expansion in the previous quarter. Growth was supported by the water transport and air transport segments, which were in turn bolstered by an increase in the volume of sea cargo handled and air passenger traffic respectively.
- The accommodation & food services sector contracted by 2.2 per cent, extending the 1.7 per cent decline in the preceding quarter, weighed down primarily by the poor performance of the food services segment.
- Growth in the finance & insurance sector accelerated to 3.8 per cent, from 0.7 per cent in the first quarter. Stronger outturns in the financial intermediation, fund management and insurance segments contributed to higher growth in the sector.
- The business services sector grew by 1.8 per cent, faster than the 0.9 per cent expansion in the preceding quarter. Growth in the sector was supported primarily by the others and professional services segments.

## MANUFACTURING

Manufacturing output increased by 8.1 per cent in the second quarter (Exhibit 2.1). This was due to output expansions in the electronics, precision engineering and chemicals clusters. On the other hand, declines in the output of the biomedical manufacturing, transport engineering and general manufacturing clusters weighed on the performance of the sector (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rates

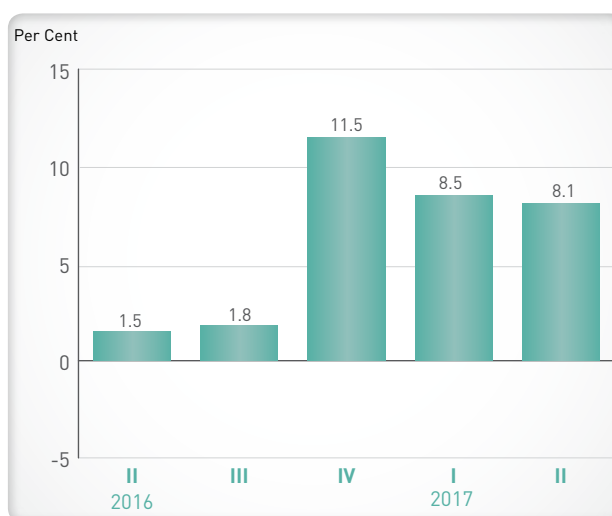
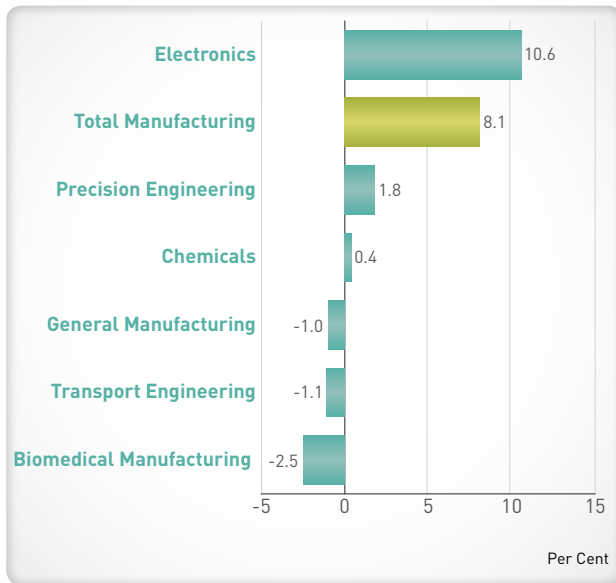


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 2Q 2017



The output of the electronics cluster increased by 36 per cent in the second quarter, largely driven by the semiconductors segment, which recorded robust growth of 51 per cent. The strong performance of the semiconductors segment came on the back of a continued pickup in global semiconductor demand, supported in turn by an improved outlook for key end markets such as smartphone and automotive applications. Apart from the semiconductors segment, the computer peripherals (10 per cent), infocomms & consumer electronics (7.1 per cent), and other electronic modules & components (12 per cent) segments also saw output expansions during the quarter. On the other hand, output in the data storage segment declined by 23 per cent.

The precision engineering cluster expanded by 13 per cent in the second quarter, supported by both the machinery & systems (M&S) and precision modules & components (PMC) segments. Output in the M&S segment rose by 16 per cent, driven in part by strong demand for semiconductor-related equipment from U.S. and China. Meanwhile, the PMC segment grew by 7.7 per cent on account of a higher level of production of dies, moulds, tools, jigs & fixture and metal precision parts.

The output of the chemicals cluster increased by 4.3 per cent in the second quarter, supported by growth in all segments. The specialty chemicals (4.9 per cent) segment posted higher output on the back of robust export demand for mineral oil additives. Growth in the petrochemicals (4.7 per cent) segment, on the other hand, was largely on account of a low base in the second quarter of last year caused by plant maintenance shutdowns. At the same time, the other chemicals and petroleum segments grew by 2.7 per cent and 4.5 per cent respectively.

The output of the general manufacturing cluster fell by 8.5 per cent in the second quarter, with all segments recording declines. The miscellaneous industries (-12 per cent) segment recorded lower production of fibreglass products, metal doors, windows, grilles & gratings and other construction-related materials. Output in the food, beverages & tobacco segment declined by 4.0 per cent due to a drop in the production of soft drinks, while output in the printing segment fell by 14 per cent on account of a lower volume of print jobs.

The transport engineering cluster contracted by 7.4 per cent in the second quarter, as continued weakness in the marine & offshore engineering (M&OE) segment placed a drag on the cluster's performance. Output in the M&OE segment fell by 23 per cent as rig-building activities and demand for oilfield & gasfield equipment remained weak. In addition, the segment also recorded lower levels of shipbuilding and repair activities. The decline in output in the M&OE segment more than offset robust output expansions in the aerospace and land segments, at 11 per cent and 17 per cent respectively. The aerospace segment was in turn supported by a higher level of repair and maintenance activity for commercial airlines.

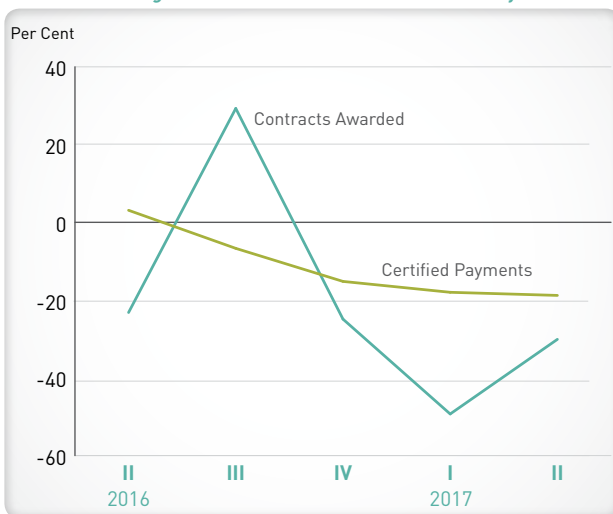
The biomedical manufacturing cluster shrank by 12 per cent in the second quarter. Within the cluster, the medical technology segment grew by 13 per cent on the back of higher export demand for medical devices. By contrast, the pharmaceuticals segment contracted by 18 per cent as the production of active pharmaceutical ingredients fell.

## CONSTRUCTION

The construction sector contracted by 5.7 per cent in the second quarter, extending the 6.3 per cent decline recorded in the previous quarter. This was due to weakness in both private sector and public sector construction output.

Nominal certified progress payments (a proxy for construction output) fell for the fourth consecutive quarter in the second quarter, at a pace of 19 per cent, similar to the 18 per cent drop recorded in the preceding quarter (Exhibit 2.3). The decline was due to a contraction in both private and public certified progress payments. Private certified progress payments fell by 22 per cent, led by a slowdown in private industrial building works (-27 per cent) and private residential building works (-21 per cent). Public certified progress payments declined by 15 per cent on the back of weakness in public civil engineering works (-25 per cent) and public residential building works (-26 per cent), even as public institutional & other building works (8.8 per cent) and public industrial building works (28 per cent) provided some support.

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments



Construction demand in terms of contracts awarded continued to weaken in the second quarter, decreasing by 30 per cent, extending the 49 per cent decline in the previous quarter (Exhibit 2.3). The fall was largely due to private sector construction demand, which slumped by 39 per cent as a result of lower demand for private industrial building works (-44 per cent) and private commercial building works (-72 per cent). Construction demand was also weighed down by public sector construction demand, which declined by 23 per cent on the back of lower demand for public civil engineering works (-56 per cent) and public institutional & other building works (-27 per cent). However, an increase in public industrial building contracts awarded helped to cushion the fall in public sector construction demand.

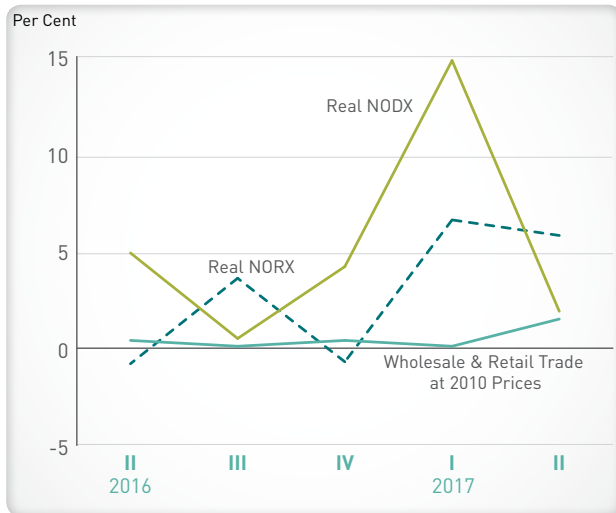
Notwithstanding the decline in total contracts awarded to-date, BCA expects construction demand to come in at \$28 billion to \$35 billion for the full year. At the lower bound of the range, a 7.4 per cent increase in construction demand from 2016's level is expected. The public sector is expected to account for approximately 70 per cent of total construction demand.

## WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector grew by 1.5 per cent in the second quarter, accelerating from the 0.1 per cent growth in the previous quarter (Exhibit 2.4). Growth was supported by both the wholesale trade and retail trade segments.

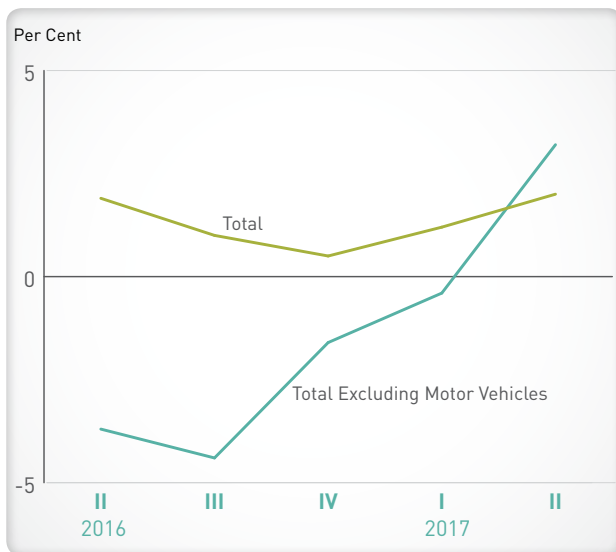
The wholesale trade segment grew on the back of an expansion in trade volumes in Singapore. Singapore's non-oil domestic exports (NODX) expanded by 1.9 per cent in volume terms in the second quarter, although this was slower than the 15 per cent growth in the preceding quarter. The increase in NODX was primarily driven by healthy growth in the domestic exports of machinery & equipment. Similarly, the volume of non-oil re-exports (NORX) rose by 5.8 per cent in the second quarter, following the 6.6 per cent expansion in the first quarter. The increase in NORX was supported by robust growth in the re-exports of machinery & equipment as well as chemicals & chemical products.

Exhibit 2.4: Changes in Wholesale & Retail Trade VA at 2010 Prices, Real NODX and Real NORX



For the retail trade segment, overall retail sales volume rose by 2.0 per cent in the second quarter, improving from the 1.2 per cent growth in the previous quarter, on the back of a recovery in non-motor vehicle sales (Exhibit 2.5). Notably, retail (excluding motor vehicles) sales volume expanded by 3.2 per cent in the second quarter, a reversal from the 0.4 per cent decline in the previous quarter, buoyed in part by higher tourist spending on discretionary items. In particular, the sales volume of watches & jewellery, department stores, and computer & telecommunications equipment improved by 14 per cent, 4.9 per cent and 3.5 per cent respectively in the second quarter.

Exhibit 2.5: Changes in Retail Sales Index at Constant Prices

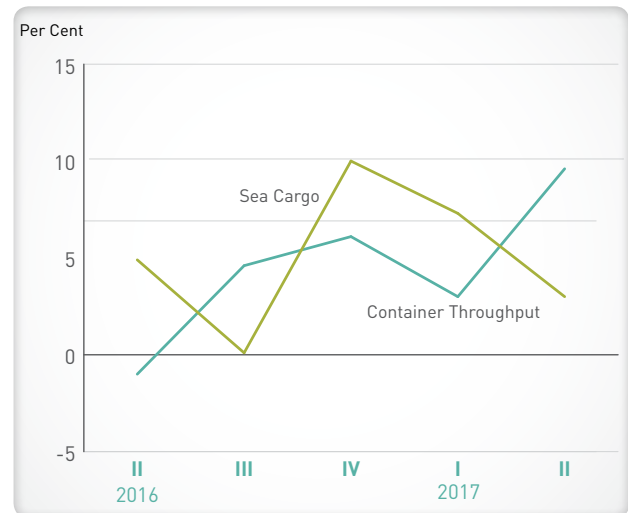


## TRANSPORTATION & STORAGE

Growth in the transportation & storage sector came in at 3.5 per cent in the second quarter, easing from the 4.4 per cent expansion in the previous quarter.

Within the sector, the water transport segment remained healthy in the second quarter, as the volume of sea cargo handled grew by 3.0 per cent, extending the 7.3 per cent growth in the previous quarter (Exhibit 2.6). The higher volume of sea cargo handled in the second quarter came on the back of an uptick in container throughput handled (9.6 per cent) at Singapore's ports.

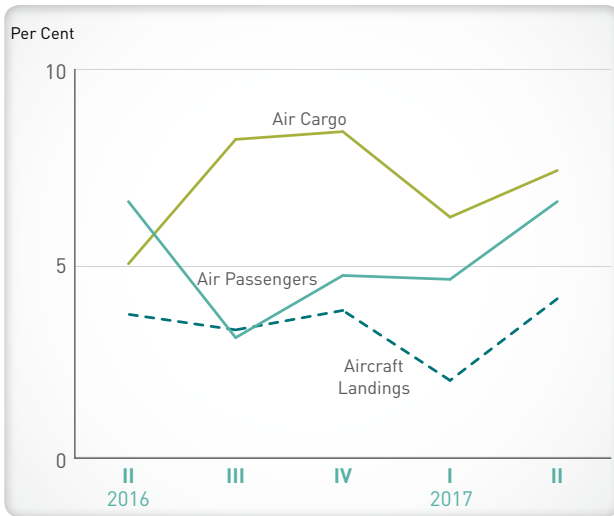
Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



Similarly, the air transport segment posted robust growth, supported by an increase in air passenger and air cargo volume handled at Changi Airport. Specifically, the volume of air passenger traffic passing through Changi Airport rose by 6.6 per cent in the second quarter, up from the 4.6 per cent increase in the previous quarter (Exhibit 2.7). The higher volume of air passenger traffic was underpinned by robust growth on the Singapore-China and Singapore-Indonesia routes. Likewise, total air cargo shipments handled at Changi Airport expanded by 7.4 per cent in the second quarter, following the 6.2 per cent growth in the preceding quarter. In addition, the number of aircraft landings rose by 4.1 per cent in the second quarter to reach 46,330, higher than the 2.0 per cent expansion in the previous quarter.

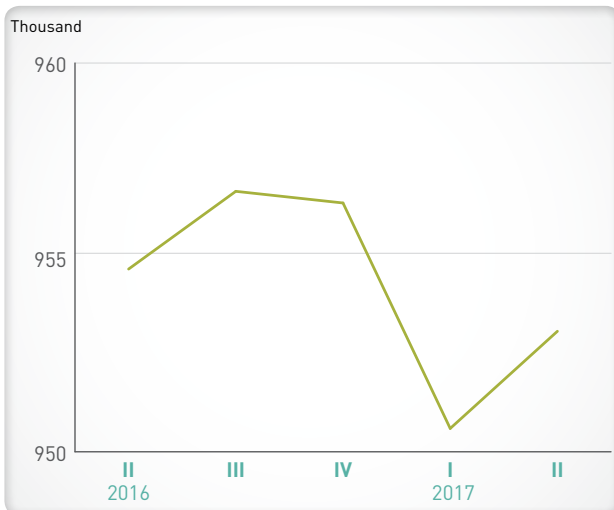


Exhibit 2.7: Changes in Air Transport



As of June 2017, the total number of motor vehicles registered with the Land Transport Authority was 953,097, representing a 0.2 per cent decline from a year ago (Exhibit 2.8). These comprised 545,024 private and company cars, 63,259 rental cars, 25,699 taxis, 18,632 buses, 142,118 motorcycles and scooters, and 158,365 goods vehicles & other vehicle types.

Exhibit 2.8: Motor Vehicles Registered

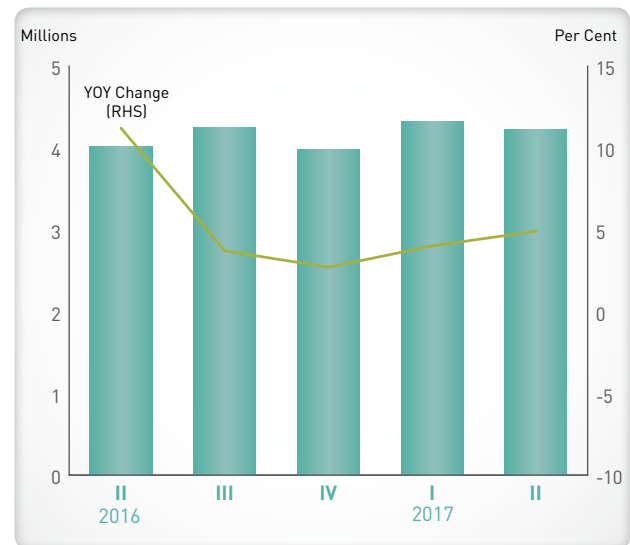


## ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector contracted by 2.2 per cent in the second quarter, extending the 1.7 per cent decline recorded in the previous quarter. The lacklustre performance of the sector was primarily due to continued weakness in the food services segment.

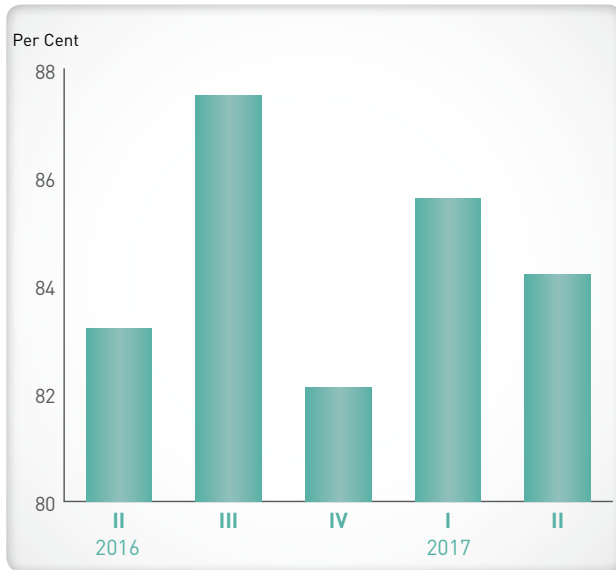
The accommodation segment was supported by healthy visitor arrivals in the second quarter. Specifically, total visitor arrivals rose by 4.9 per cent during the quarter, improving from the 4.0 per cent increase in the preceding quarter (Exhibit 2.9). The pickup in visitor arrivals came on the back of a surge in Indian arrivals, which expanded by 20 per cent in the second quarter, faster than the 7.3 per cent growth in the previous quarter. The strong performance of the Indian inbound market could in turn be due to the addition of flights connecting Changi Airport to the various Indian cities.

Exhibit 2.9: Visitor Arrivals



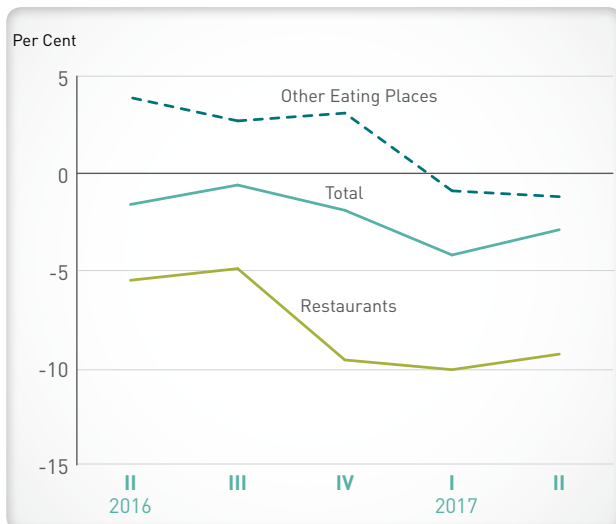
In tandem with the growth in visitor arrivals, the overall average occupancy rate of gazetted hotels rose by 1.0 percentage-points from a year ago to reach 84 per cent in the second quarter (Exhibit 2.10). The improvement was broad-based, with most hotel tiers recording higher occupancy rates over the period. In particular, the average occupancy rate of the economy, mid-tier and upscale hotels rose by 2.6 percentage-points, 0.6 percentage-points and 2.2 percentage-points respectively as compared to the same period a year ago.

Exhibit 2.10: Overall Average Occupancy Rate



By contrast, the food services segment remained weak with the volume of food & beverage sales declining by 2.9 per cent in the second quarter, extending the 4.2 per cent contraction in the first quarter (Exhibit 2.11). The fall in food & beverage sales volume could largely be attributed to the lacklustre performance of restaurants, which recorded a 9.3 per cent slump in sales volume over the period. The sales volume at other eating places also dipped by 1.2 per cent in the second quarter, extending the 0.9 per cent decline in the previous quarter.

Exhibit 2.11: Changes in Food & Beverage Services Index at Constant Prices

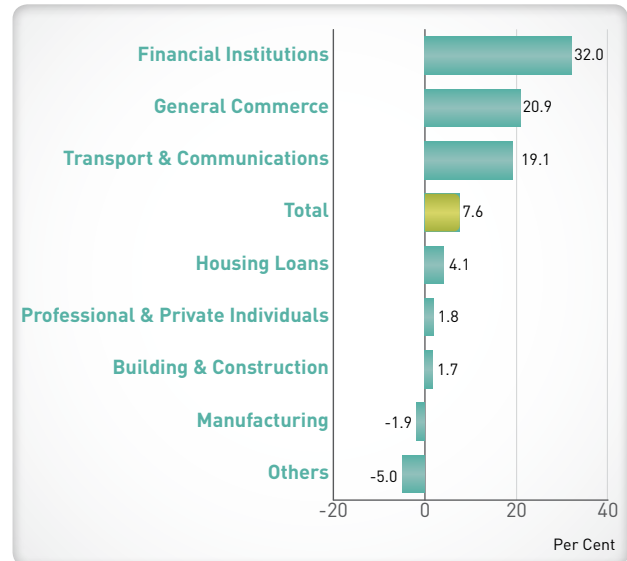


## FINANCE & INSURANCE

The finance & insurance sector expanded by 3.8 per cent in the second quarter, after growing by 0.7 per cent in the preceding quarter.

The improvement resulted in part from the robust performance of the financial intermediation segments. Domestic Banking Unit (DBU) non-bank lending grew by 7.6 per cent in the second quarter, with increases in loans to various sectors such as general commerce, transport & communication, and non-bank financial institutions (Exhibit 2.12). Asian Currency Unit (ACU) non-bank lending also expanded by 2.6 per cent in the second quarter, extending the 1.1 per cent growth in the previous quarter. In particular, non-bank lending to Europe and the Americas registered strong gains, while lending to East Asia saw a turnaround. Furthermore, banks posted robust growth in net fees and commissions earned from the provision of credit-related and portfolio management services in the second quarter.

Exhibit 2.12: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 2Q 2017



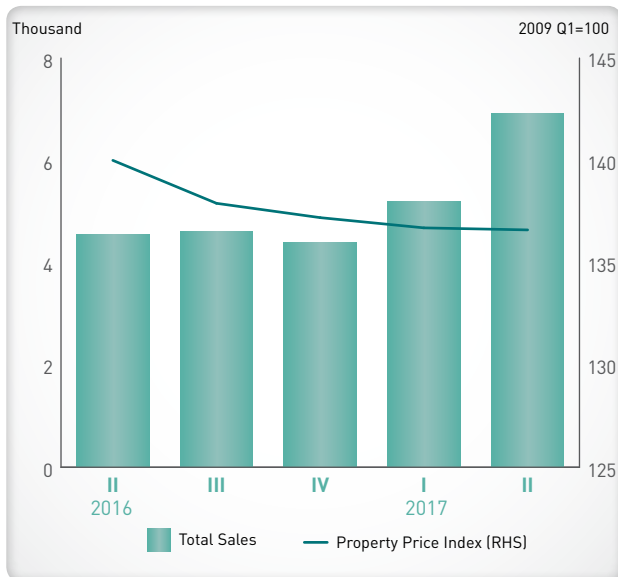
The insurance industry grew strongly in the quarter, across both the life and general insurance segments. Meanwhile, the sentiment-sensitive cluster saw mixed performances. Net fees and commissions received by fund managers recorded stellar growth, supported by sustained investor interest in regional assets. However, average daily forex turnover contracted by 2.1 per cent, in part due to lower demand for safe-haven currencies amidst a low-volatility environment.

## BUSINESS SERVICES

The business services sector grew by 1.8 per cent in the second quarter, an improvement from the 0.9 per cent growth recorded in the previous quarter.

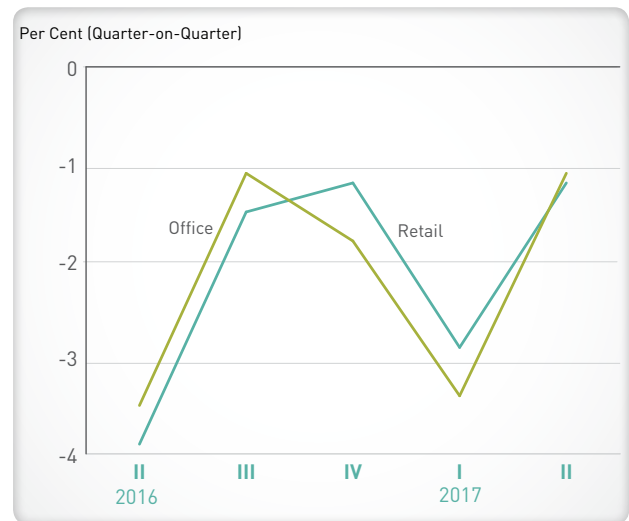
Growth in the business services sector was supported primarily by the others<sup>1</sup> and professional services segments. Meanwhile, the real estate segment's performance improved on the back of a moderation in the decline of private residential property prices as well as healthy sales transactions. Private residential property prices dipped by 0.1 per cent on a quarter-on-quarter basis in the second quarter, the smallest contraction in fifteen consecutive quarters of decline. At the same time, the sales transactions of private residential units saw an uptick, supported by the launch of new condominiums such as Seaside Residences. Specifically, private home sales rose by 52 per cent year-on-year in the second quarter, extending the 83 per cent growth registered in the preceding quarter (Exhibit 2.13).

Exhibit 2.13: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



For the private retail space segment, rentals fell by 1.2 per cent on a quarter-on-quarter basis in the second quarter, extending the 2.9 per cent decline registered in the previous quarter (Exhibit 2.14). This came about as retailers continued to face challenging operating conditions, even as the supply of retail space continued to increase. Reflecting the sluggish retail space market, the average occupancy rate of private retail space remained at 91 per cent in the second quarter, lower than the average occupancy rate of 93 per cent achieved in the past five years.

Exhibit 2.14: Changes in Rentals of Private Sector Office and Retail Spaces



Similarly, the private office space segment remained soft on the back of lacklustre demand and rising supply. In particular, rentals declined by 1.1 per cent on a quarter-on-quarter basis, extending the 3.4 per cent drop in the previous quarter. The average occupancy rate also deteriorated slightly from 87 per cent in the first quarter to 86 per cent in the second quarter.

In the private industrial space market, overall rentals shrank by 0.8 per cent on a quarter-on-quarter basis, similar to the 0.9 per cent decline in the previous quarter (Exhibit 2.15). The occupancy rate in the private sector multiple-user factory space segment stood at 86 per cent, lower than the 87 per cent registered in the previous quarter. Likewise, the occupancy rate for private sector warehouse space declined from 90 per cent in the first quarter to 88 per cent in the second quarter.

<sup>1</sup> The others segment consists of (i) rental & leasing, (ii) other professional, scientific & technical services and (iii) other administrative & support services. Rental & leasing activities include rental & leasing of motor vehicles, rental & leasing of other machinery, equipment and tangible goods and the leasing of non-financial intangible assets.

**Exhibit 2.15: Occupancy Rate and Rental Growth of Private Sector Industrial Space**

