CHAPTER 2
Sectoral Performance

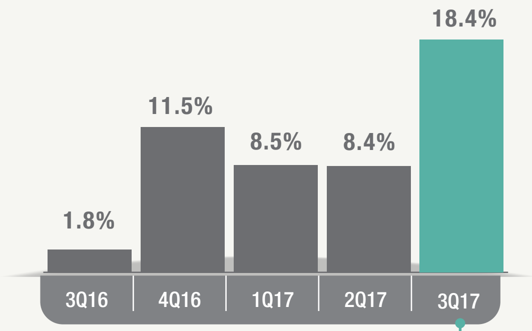
Image courtesy of Singapore Economic Development Board

CHAPTER 2

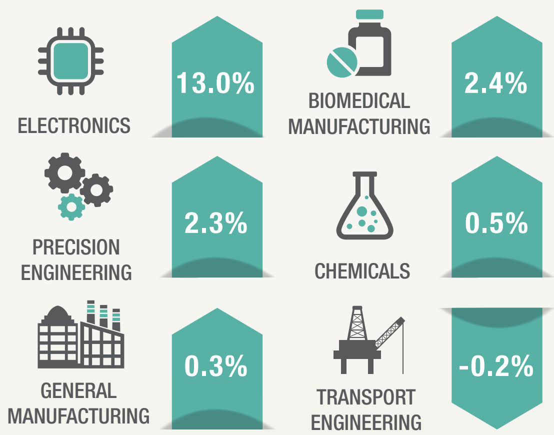
SECTORAL PERFORMANCE

MANUFACTURING

Real Growth

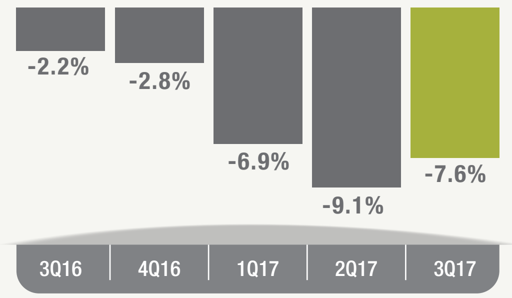


Clusters in Manufacturing Sector %-point contribution in 3Q17

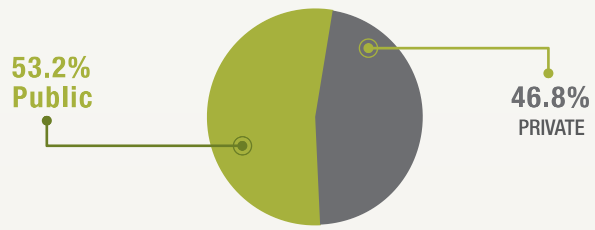


CONSTRUCTION

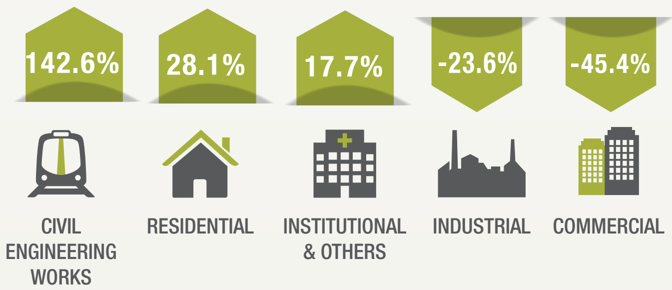
Real Growth



Certified Payments in 3Q17

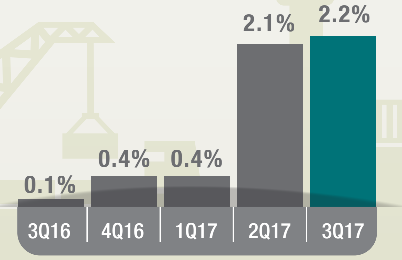


Contracts Awarded in 3Q17

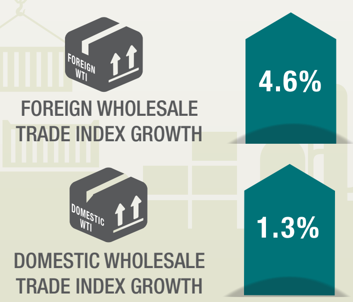


WHOLESALE & RETAIL TRADE

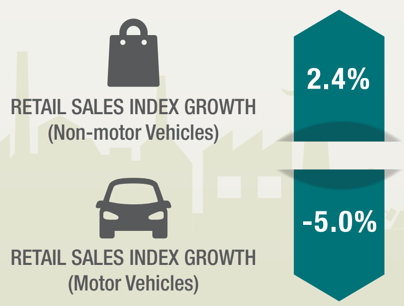
Real Growth



Wholesale Trade

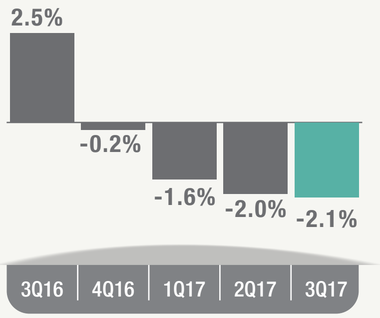


Retail Trade



ACCOMMODATION & FOOD SERVICES

Real Growth



Accommodation

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

LUXURY -1.8%-pt	UPSCALE 2.1%-pt
MID-TIER 1.9%-pt	ECONOMY 3.3%-pt

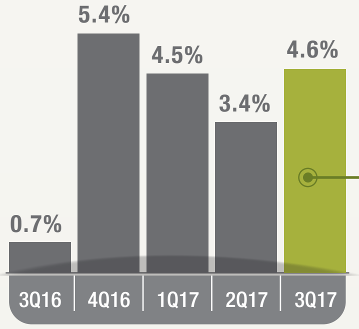
Food Services

Performance of F&B (Sales growth)

FAST FOOD 3.6%	CATERING 2.2%
OTHERS 1.2%	RESTAURANTS -3.4%

TRANSPORTATION & STORAGE

Real Growth



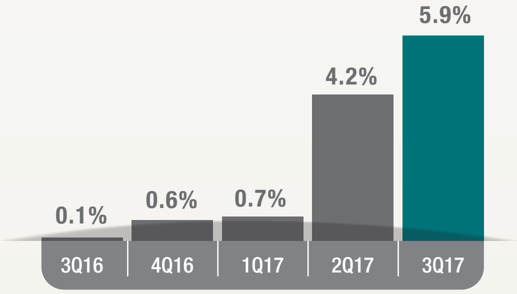
TOTAL SEA CARGO HANDLED GROWTH 7.1%

MOTOR-VEHICLE POPULATION GROWTH -0.2%

AIR PASSENGERS HANDLED GROWTH 5.9%

FINANCE & INSURANCE

Real Growth



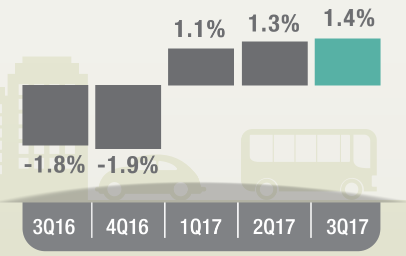
Growth of bank loans & advances to non-bank customers in 3Q17

LOANS TO BUSINESSES +8.0%

CONSUMER LOANS +3.6%

BUSINESS SERVICES

Real Growth



Private Residential Real Estate

UNITS TRANSACTED (Y-O-Y CHANGE) 45.6%

PRICE INDEX (Q-O-Q CHANGE) 0.7%

OVERVIEW

In the third quarter of 2017,

- The manufacturing sector expanded by 18 per cent, accelerating from the 8.4 per cent growth in the previous quarter. Growth was broad-based, with all manufacturing clusters recording output expansions, except for the transport engineering cluster.

- The construction sector contracted by 7.6 per cent, extending the 9.1 per cent decline in the previous quarter. The drop in construction output was due to continued weakness in both private sector and public sector construction activities.

- The wholesale & retail trade sector grew by 2.2 per cent, similar to the 2.1 per cent growth in the preceding quarter. Growth was supported by expansions in both the wholesale trade and retail trade segments.

- The transportation & storage sector expanded by 4.6 per cent, picking up from the 3.4 per cent expansion in the second 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 2.1 per cent, extending the 2.0 per cent decline in the previous quarter, weighed down by the sluggish performance of both the accommodation and food services segments.

- The finance & insurance sector grew by 5.9 per cent, an improvement from the 4.2 per cent growth in the preceding quarter. Stronger outturns in the financial intermediation, fund management and insurance segments contributed to the improved performance of the sector.

- The business services sector expanded by 1.4 per cent, similar to the 1.3 per cent growth in the second quarter. Growth in the sector was supported primarily by the professional services and others segments.

MANUFACTURING

The manufacturing sector expanded by 18 per cent in the third quarter (Exhibit 2.1). Growth was supported by higher output across all manufacturing clusters, with the exception of the transport engineering cluster, which continued to register a decline in output (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rates

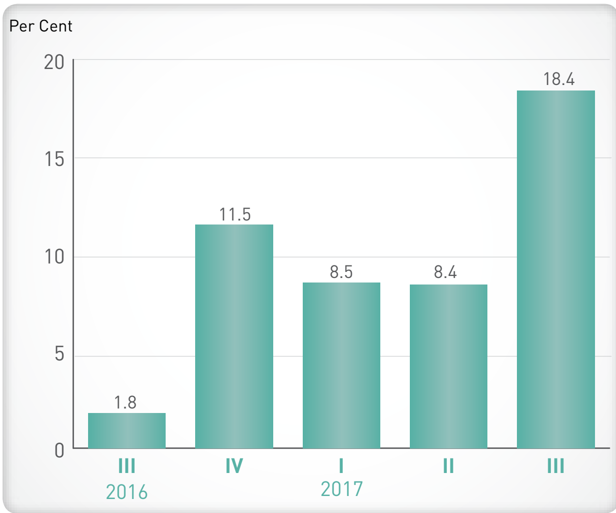
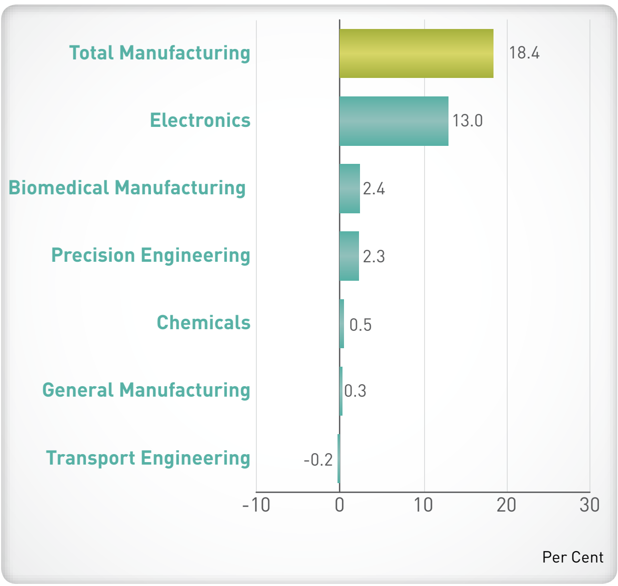


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 3Q 2017



The output of the electronics cluster increased by 41 per cent in the third quarter, largely driven by a 57 per cent surge in the output of the semiconductors segment. The strong performance of the semiconductors segment came on the back of robust global semiconductor demand, which was in turn driven by improvements in the outlook for key end markets, such as the smartphone market. At the same time, the computer peripherals segment also registered healthy growth of 22 per cent, mainly due to rising demand for printer-related products. On the other hand, output in the data storage, other electronic modules & components and infocomms & consumer electronics segments declined by 25 per cent, 2.4 per cent and 0.3 per cent respectively.

The output of the biomedical manufacturing cluster rose by 13 per cent in the third quarter, driven by expansions in both the pharmaceuticals and medical technology segments. The pharmaceuticals segment grew by 10 per cent, partly due to a higher level of production of biological products. At the same time, the medical technology segment expanded by 20 per cent, as domestic manufacturers benefitted from higher export demand for medical devices.

The precision engineering cluster grew by 16 per cent in the third quarter, with both the machinery & systems (M&S) and precision modules & components (PMC) segments contributing strongly to growth. Output in the M&S segment rose by 14 per cent, largely driven by healthy global semiconductor equipment demand. Meanwhile, the PMC segment grew by 20 per cent on account of a higher level of production of dies, moulds, tools, jigs & fixture, optical instruments and metal precision components.

Output in the chemicals cluster increased by 5.4 per cent in the third quarter, led by expansions in the petrochemicals (13 per cent), other chemicals (5.6 per cent) and petroleum (7.2 per cent) segments. The strong performance of the petrochemicals segment was mainly due to the low base in the third quarter of last year when some plants were shut down for maintenance. Meanwhile, the other chemicals segment was supported by robust global demand for fragrances, while the petroleum segment recorded healthy production volumes on the back of strong refining margins.

The general manufacturing cluster's output expanded by 2.8 per cent in the third quarter. In particular, the food, beverages & tobacco segment saw a strong outturn, growing by 8.9 per cent on the back of an increase in production of beverage concentrates and dairy products. By contrast, the printing and miscellaneous industries segments contracted by 8.7 per cent and 1.2 per cent respectively, weighed down by the weak demand for print products and construction-related materials respectively.

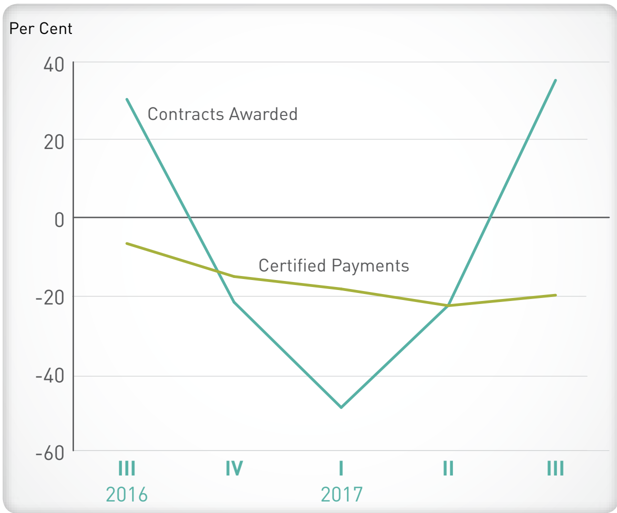
The transport engineering cluster shrank by 1.2 per cent in the third quarter, as output in the marine & offshore engineering segment declined by 17 per cent on account of lower levels of rig-building and shipbuilding and repair activities. The output decline in the M&OE segment more than offset robust output expansions in the aerospace (18 per cent) and land (12 per cent) segments. The aerospace segment was supported by a higher volume of repair and maintenance work from commercial airlines, while the land segment reported an increase in the production of motor vehicle parts.

CONSTRUCTION

The construction sector shrank by 7.6 per cent in the third quarter, extending the 9.1 per cent contraction in the preceding quarter, due to weakness in both private sector and public sector construction output.

In the third quarter, nominal certified progress payments (a proxy for construction output) fell for the fifth consecutive quarter, contracting at a pace of 20 per cent, easing from the 23 per cent drop in the previous quarter (Exhibit 2.3). The decline in construction output was primarily due to a fall in private certified progress payments. In particular, private certified progress payments declined by 28 per cent, driven by a slowdown in private residential building works (-30 per cent) and private industrial building works (-31 per cent). Construction output was also weighed down by a decline in public certified progress payments (-11 per cent), which came on the back of a fall in public residential building works (-30 per cent) and public civil engineering works (-6.2 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments



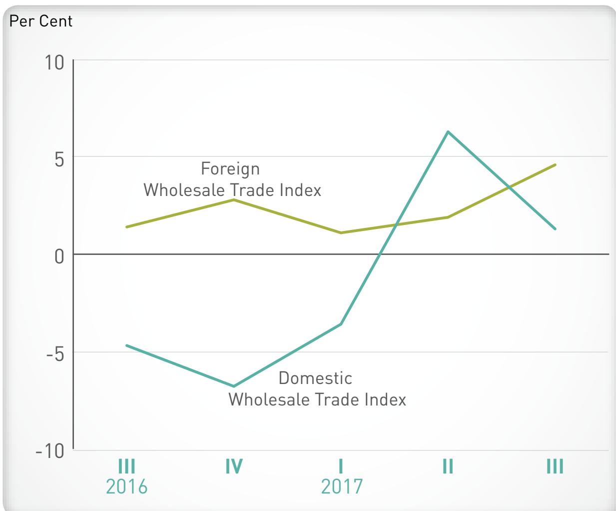
Construction demand in terms of contracts awarded rose by 35 per cent in the third quarter, a reversal from the 23 per cent decline in the previous quarter (Exhibit 2.3). The increase was largely due to higher public sector construction demand (194 per cent), which was in turn driven by a surge in demand for public civil engineering works (921 per cent) as contracts for Circle Line 6 and the Deep Tunnel Sewerage System were awarded. Public sector construction demand was also supported by public residential building works (45 per cent) and public institutional & other building works (6.9 per cent). On the other hand, construction demand was weighed down by private sector construction demand (-39 per cent), which fell on the back of weaker demand for private civil engineering works (-85 per cent) and private commercial building works (-46 per cent).

WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector grew by 2.2 per cent in the third quarter, extending the 2.1 per cent growth in the previous quarter. Growth was supported by both the wholesale trade and retail trade segments.

The wholesale trade segment was boosted by expansions in both domestic and foreign wholesale trade sales volumes (Exhibit 2.4). The domestic wholesale trade index rose by 1.3 per cent in the third quarter, following an increase of 6.3 per cent in the previous quarter, on the back of expansions in the sales of petroleum & petroleum-related products (3.0 per cent) and others[1] (11 per cent).

Exhibit 2.4: Changes in Wholesale Trade Index at Constant Prices

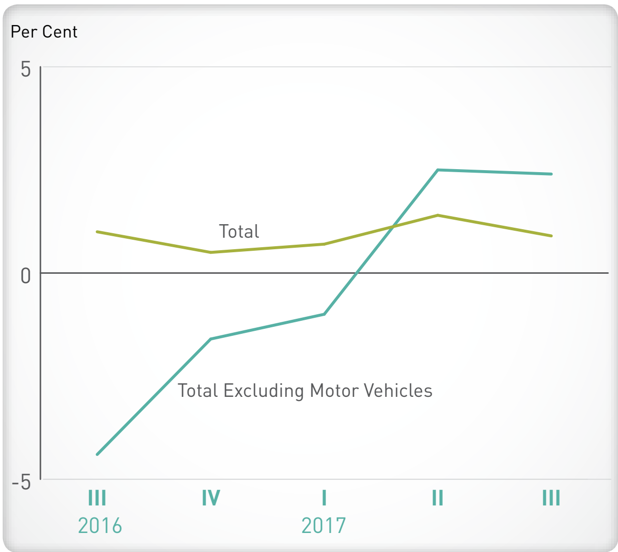


[1] *Others consist of a diverse range of products that includes agricultural raw materials and live animals, tropical produce, personal effects and medicinal and pharmaceutical products, among others.*

Meanwhile, the foreign wholesale trade index expanded by 4.6 per cent in the third quarter, faster than the 1.9 per cent growth in the second quarter. The improved performance of the index can be mainly attributed to a turnaround in the sales of petroleum & petroleum-related products. Specifically, the sales of petroleum & petroleum-related products expanded by 5.3 per cent in the third quarter, a reversal from the decline of 4.2 per cent in the second quarter. Additionally, robust expansions in the sales of electronic components (15 per cent) and food, beverages & tobacco (19 per cent) further lent support to growth.

Overall retail sales volume rose by 0.9 per cent in the third quarter, extending the 1.4 per cent growth in the previous quarter, supported by a sustained recovery in non-motor vehicle sales (Exhibit 2.5). Notably, retail sales volume (excluding motor vehicles) expanded by 2.4 per cent in the third quarter, similar to the 2.5 per cent increase in the previous quarter. The improvement in non-motor vehicle sales came on the back of an uptick in consumer sentiments as well as higher tourist expenditure on shopping. In particular, the sales volume of department stores, watches & jewellery, and wearing apparel & footwear rose by 4.6 per cent, 4.5 per cent and 4.1 per cent respectively.

Exhibit 2.5: Changes in Retail Sales Index at Constant Prices

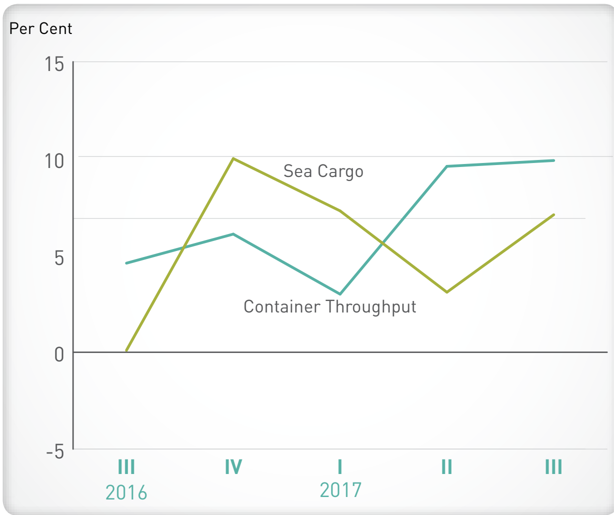


TRANSPORTATION & STORAGE

Growth in the transportation & storage sector picked up to 4.6 per cent in the third quarter, from 3.4 per cent in the previous quarter.

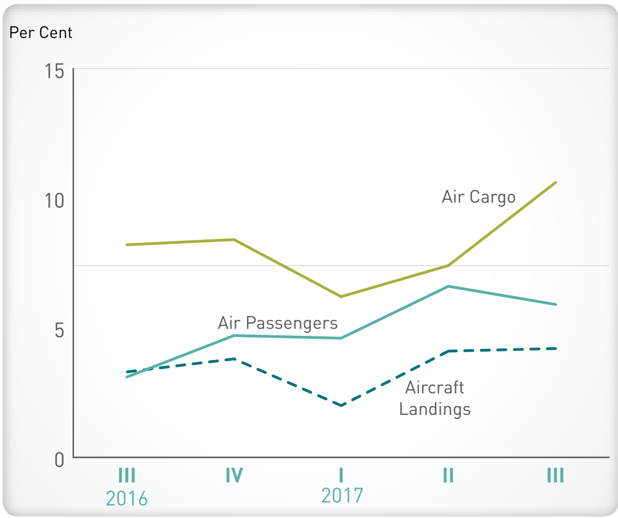
The water transport segment saw a healthy increase in the volume of sea cargo handled in the third quarter, with the latter growing by 7.1 per cent, higher than the 3.1 per cent growth in the previous quarter (Exhibit 2.6). The higher volume of sea cargo handled came on the back of a 9.9 per cent expansion in container throughput handled at Singapore's ports, in line with improvements in global container trade flows.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



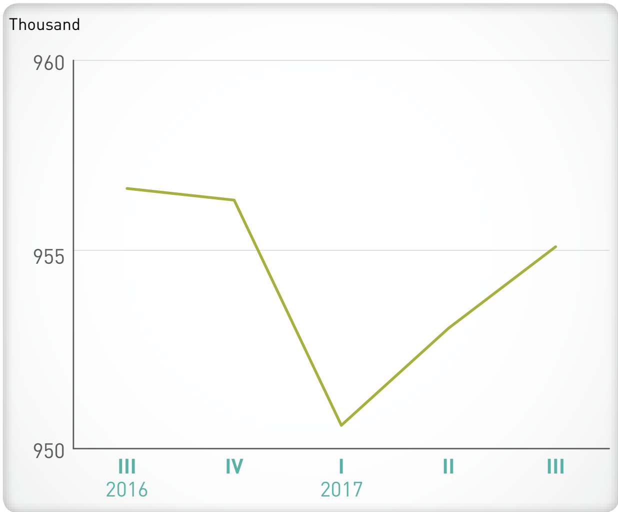
Similarly, the air transport segment was boosted by an increase in air passenger and air cargo volume handled at Changi Airport. Specifically, the volume of air passenger traffic passing through Changi Airport rose by 5.9 per cent in the third quarter, extending the 6.6 per cent increase in the second quarter (Exhibit 2.7). The higher volume of air passenger traffic was underpinned by strong growth on the Singapore-China and Singapore-Indonesia routes. Likewise, bolstered by robust non-oil export volumes, total air cargo shipments handled at Changi Airport rose by 11 per cent in the third quarter, faster than the 7.4 per cent growth in the preceding quarter. In addition, the number of aircraft landings increased by 4.2 per cent in the third quarter to reach 47,071, similar to the 4.1 per cent expansion in the previous quarter.

Exhibit 2.7: Changes in Air Transport



As of September 2017, the total number of motor vehicles registered with the Land Transport Authority was 955,156, representing a 0.2 per cent decline from a year ago (Exhibit 2.8). These comprised 543,991 private and company cars, 65,470 rental cars, 24,468 taxis, 18,827 buses, 141,893 motorcycles and scooters, and 160,507 goods vehicles & other vehicle types.

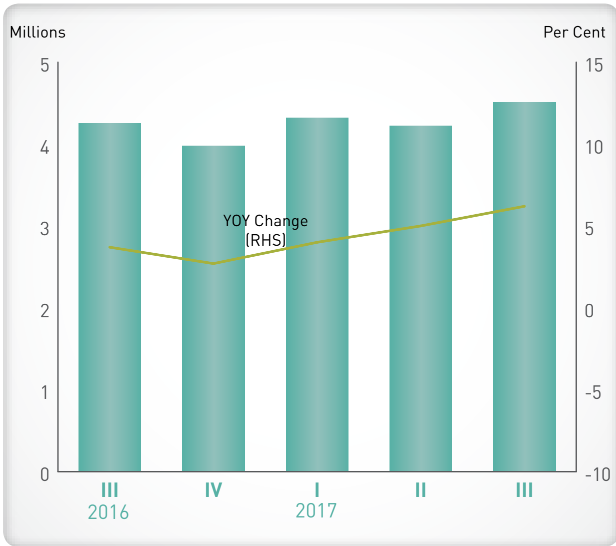
Exhibit 2.8: Motor Vehicles Registered



ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector contracted by 2.1 per cent in the third quarter, extending the 2.0 per cent decline recorded in the previous quarter. The sector's growth was weighed down by the sluggish performance of both the accommodation and food services segments.

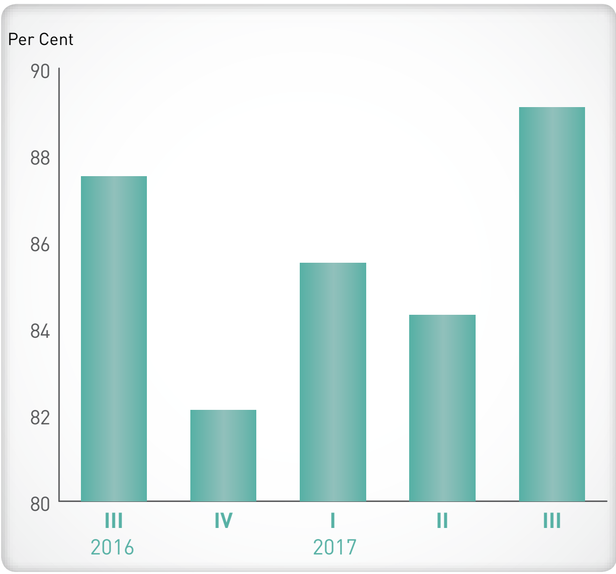
Exhibit 2.9: Visitor Arrivals



Total visitor arrivals rose by 6.2 per cent in the third quarter, improving from the 5.0 per cent increase in the preceding quarter (Exhibit 2.9). This came on the back of the robust growth in Indian and Chinese arrivals, which expanded by 19 per cent and 17 per cent respectively. The rise in visitor arrivals from these source markets was facilitated by the addition of flights connecting Changi Airport to the various Indian and Chinese cities.

In tandem with the growth in visitor arrivals, the overall average occupancy rate of gazetted hotels rose by 1.5 percentage-points from a year ago to reach 89 per cent in the third quarter (Exhibit 2.10). In particular, the average occupancy rate of the economy, mid-tier and upscale hotels rose by 3.3 percentage-points, 1.9 percentage-points and 2.1 percentage-points respectively as compared to the same period a year ago. Nevertheless, the average occupancy rate of the luxury hotel segment, which contributes a higher value-added per room, fell by 1.8 percentage-points in the third quarter as compared to the same period ago. The fall in the average occupancy rate of the luxury hotels occurred in tandem with a decline in their gross lettings as rooms were taken off the market for maintenance and renovation works. This in turn posed a drag on the value-added growth of the accommodation segment over the period.

Exhibit 2.10: Overall Average Occupancy Rate



For the food services segment, overall food & beverage sales volume remained tepid, declining by 0.1 per cent in the third quarter, although this was a moderation from 3.0 per cent contraction in the preceding quarter (Exhibit 2.11). The weak performance of the food services segment was primarily due to the lacklustre performance of restaurants, which posted a 3.4 per cent slump in sales volume over the period. By contrast, the sales volume of other eating places grew by 1.2 per cent in the third quarter, offsetting part of the decline in the sales volume of restaurants.

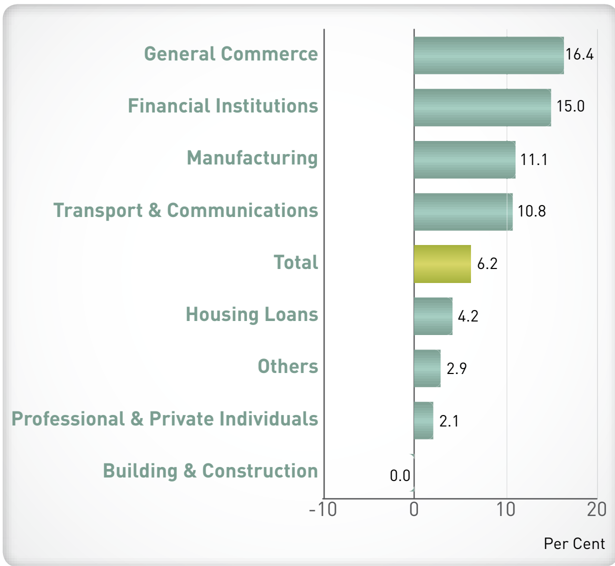
Exhibit 2.11: Changes in Food & Beverage Services Index at Constant Prices

FINANCE & INSURANCE

The finance & insurance sector expanded by 5.9 per cent in the third quarter, extending the 4.2 per cent growth in the preceding quarter.

The improved performance of the sector was in part due to the stronger growth of the financial intermediation segments. Asian Currency Unit (ACU) non-bank lending increased by 11 per cent in the third quarter, after growing by 2.6 per cent in the previous quarter. Notably, non-bank lending to East Asia, Europe and the Americas saw robust growth, alongside the synchronous upturn in worldwide economic activity. Meanwhile, Domestic Banking Unit (DBU) non-bank lending grew by 6.2 per cent in the third quarter, following the 7.6 per cent growth in the second quarter, with broad-based increases in loans extended to most sectors of the economy (Exhibit 2.12). Banks also recorded steady growth in net fees and commissions earned from the provision of underwriting, merger & acquisition, portfolio management and credit-related services.

Exhibit 2.12: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 3Q 2017



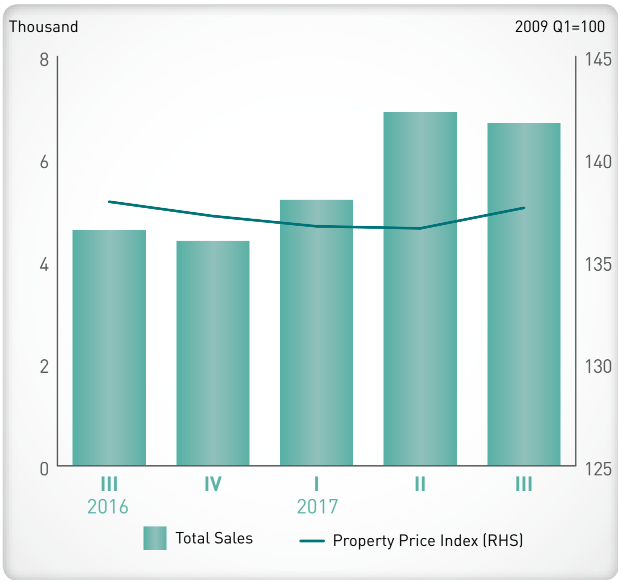
Meanwhile, the insurance industry recorded a second consecutive quarter of strong growth, supported by both the life and general insurance segments. Additionally, the sentiment-sensitive cluster saw improved outcomes in the third quarter. Average daily forex turnover expanded by 8.8 per cent, as trading in several major currency pairs rose. Net fees and commissions received by fund managers also increased, benefitting from sustained fund inflows into regional assets.

BUSINESS SERVICES

The business services sector grew by 1.4 per cent in the third quarter, similar to the 1.3 per cent growth in the preceding quarter.

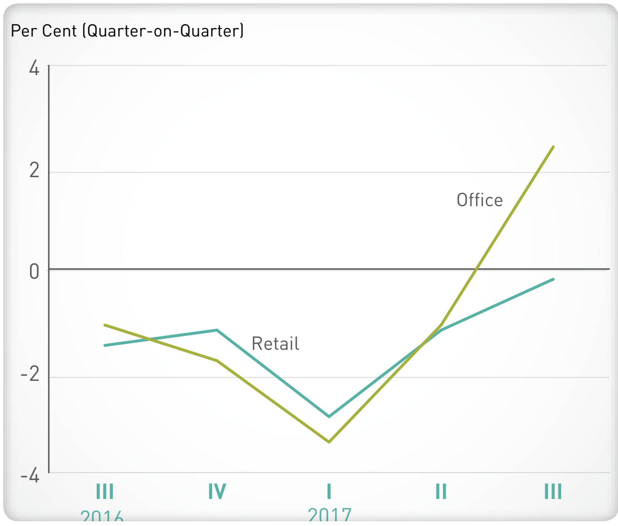
Growth in the sector was supported primarily by the professional services and others[2] segments. Meanwhile, the real estate segment continued to contract, although there were signs of improvement in the segment due to the rebound in private residential property prices and robust sales transactions. Private residential property prices rose by 0.7 per cent on a quarter-on-quarter basis in the third quarter, a reversal of the 0.1 per cent decline in the preceding quarter. This also marked the first increase after fifteen consecutive quarters of decline. At the same time, the sales transactions of private residential units remained healthy, in part supported by sustained interest in recent condominiums launches such as Le Quest and Martin Modern. Specifically, private home sales rose by 46 per cent year-on-year in the third quarter, extending the 52 per cent growth 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 0.2 per cent on a quarter-on-quarter basis in the third quarter, extending the 1.2 per cent decline in the previous quarter (Exhibit 2.14). This came on the back of an increase in the supply of retail space. Reflecting the sluggish retail space market, the average occupancy rate of private retail space remained at 91 per cent in the third 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



By contrast, the private office space segment saw a recovery in the third quarter. In particular, rentals rose by 2.4 per cent on a quarter-on-quarter basis, a turnaround from the 1.1 per cent decline in the previous quarter. Meanwhile, the average occupancy rate inched down slightly to 85 per cent in the third quarter, from 86 per cent in the previous quarter, on the back of an expansion in the supply of office space.

In the private industrial space market, overall rentals fell by 1.1 per cent on a quarter-on-quarter basis, extending the 0.8 per cent decline in the previous quarter (Exhibit 2.15). The occupancy rate for private sector warehouse space declined from 88 per cent in the second quarter to 87 per cent in the third quarter. On the contrary, the occupancy rate for private sector multiple-user factory space segment stood at 87 per cent, higher than the 86 per cent recorded in the previous quarter.

[2] *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