

6.2 CONSTRUCTION

OVERVIEW

The construction sector contracted by 1.0 per cent year-on-year in the fourth quarter, extending the 2.3 per cent decline recorded in the previous quarter.

For the whole of 2018, the sector shrank by 3.4 per cent, moderating from the 10 per cent contraction in the preceding year.

CONSTRUCTION DEMAND

Construction demand (or contracts awarded) increased by 19 per cent year-on-year to \$9.3 billion in the fourth quarter, due to an uptick in public sector construction demand (Exhibit 6.4).

Exhibit 6.4: Contracts Awarded

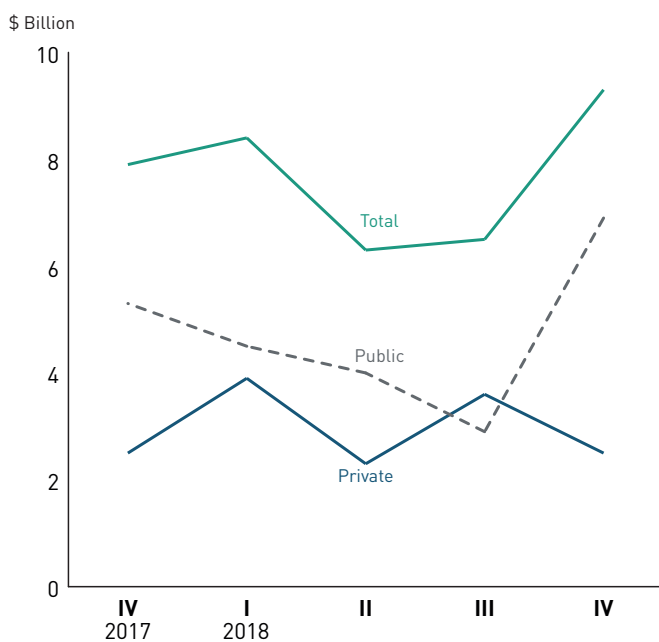


Exhibit 6.5: Contracts Awarded, 2018 (\$ Billion)

	Total	Public	Private
Total	30.5	18.3	12.2
Residential	9.0	3.8	5.2
Commercial	1.5	0.1	1.4
Industrial	4.8	0.8	4.0
Institutional & Others	5.8	4.4	1.4
Civil Engineering Works	9.5	9.2	0.2

For the full year, total construction demand increased by 23 per cent to \$31 billion (Exhibit 6.5) on the back of expansions in both private and public sector construction demand.

Public Sector

In the fourth quarter, public sector construction demand expanded by 28 per cent to \$6.9 billion. This was primarily due to stronger demand for public residential building works and public civil engineering works.

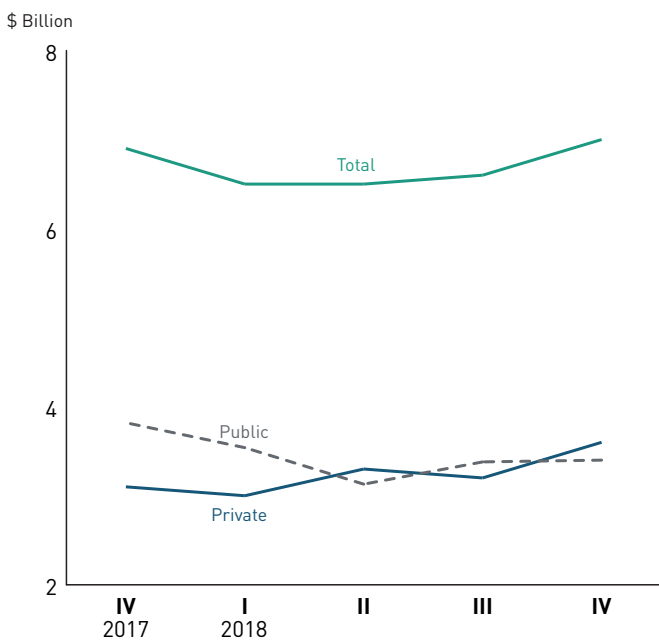
For the full year, public sector construction demand rose by 16 per cent to \$18 billion. The increase was mainly due to a rise in the demand for institutional and other building works (74 per cent) as well as civil engineering works (11 per cent). Some of the major projects awarded included Woodlands Health Campus, Punggol Town Hub and North-South Corridor construction.

Private Sector

Private sector construction demand declined in the fourth quarter (-2.2 per cent) to \$2.5 billion, solely attributable to a contraction in civil engineering construction demand (89 per cent in). By contrast, construction demand for all building types saw an uptick.

For the full year, private sector construction demand grew by 37 per cent from 9.0 billion in 2017 to \$12 billion. This was primarily driven by an expansion in the demand for residential building works (72 per cent) and industrial building works (61 per cent). Some of the projects included the redevelopment of various en-bloc sales sites and the construction of high-specification industrial buildings.

Exhibit 6.6: Certified Payments



CONSTRUCTION ACTIVITIES

Construction output (or certified payments) increased by 0.8 per cent year-on-year to \$7.0 billion in the fourth quarter, supported by a pickup in private sector construction activities (Exhibit 6.6). However, public sector construction activities remained sluggish.

For the full year, construction output fell by 4.7 per cent to \$27 billion in 2018, moderating from the 21 per cent contraction in the preceding year. Output was weighed down by the weakness in public sector construction activities.

Public Sector

Public sector construction output fell by 11 per cent to \$3.4 billion in the fourth quarter. The contraction was attributable to lower on-site construction activities for all development types, except for industrial building works, which rose by 15 per cent.

For the full year, public sector construction output declined by 9.0 per cent to \$13 billion, largely dragged down by lower construction activities for institutional developments (-23 per cent) and civil engineering projects (-4.3 per cent). On the other hand, construction activities for industrial developments grew by 2.6 per cent, supported by major on-going projects such as JTC's Logistics Hub and PUB's Changi Water Reclamation Plant (Phase 2).

Private Sector

In the fourth quarter, private sector construction output rose by 15 per cent, underpinned by a robust expansion in industrial developments (62 per cent).

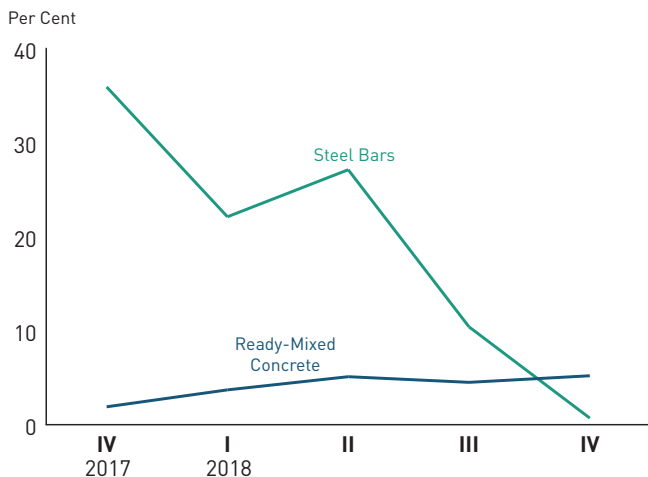
For the whole of 2018, private sector construction output grew marginally by 0.2 per cent to reach \$13 billion. Growth was primarily supported by an increase in industrial building construction activities (21 per cent). Some of the major on-going projects include a semi-conductor fabrication plant and data centres.

CONSTRUCTION MATERIALS

In tandem with the moderation in on-site construction activities, total consumption of ready-mixed concrete fell by 9.7 per cent to \$12 million m³ in 2018. Similarly, total consumption of steel rebars¹ declined by 3.3 per cent to 1.4 million tonnes in 2018.

Due to higher raw material prices, the average market price of Grade 40 pump ready-mixed concrete² increased by 5.2 per cent year-on-year to \$87 per m³ in the fourth quarter (Exhibit 6.7). The average market price of steel rebar³ hovered at around \$790 to \$800 per tonne at the start of 2018 before softening to \$774 per tonne in the fourth quarter due to ample global steel supply.

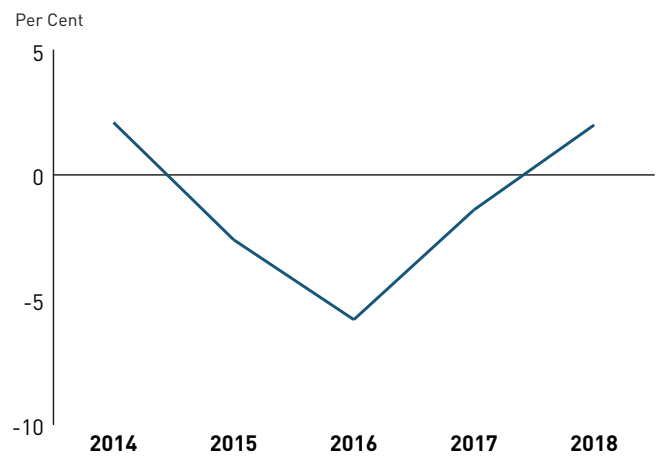
Exhibit 6.7: Changes in Market Prices of Construction Materials



CONSTRUCTION COSTS

Based on BCA's Building Works Tender Price Index (TPI), tender prices in the construction sector registered an estimated growth of 2.0 per cent in 2018 (Exhibit 6.8). This marked the first uptick after three consecutive years of decline. The increase came on the back of a rebound in total construction demand and higher import prices for raw materials such as concrete and steel rebar.

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 2019

According to BCA, total construction demand is projected to be between \$27 billion and \$32 billion in 2019 (Exhibit 6.9). Demand from the public sector is expected to stay firm at between \$17 billion and \$20 billion in 2019, accounting for around 60 per cent of total construction demand. The support to public sector construction demand is likely to come from an anticipated increase in the demand for industrial building construction works and a steady stream of major infrastructure works. Furthermore, private sector construction demand is projected to remain steady at between \$11 billion and \$13 billion in 2019, supported by the redevelopment of past en-bloc sales sites concluded prior to the second half of 2018 and a pipeline of major industrial developments.

Total construction output in 2019 is projected to improve to between \$28 billion and \$30 billion, on the back of the rebound in total construction demand in 2018.

Exhibit 6.9: Projected Construction Demand in 2019

	\$ Billion
Public Sector	16.5-19.5
Building Construction Sub-total	9.0-10.5
Residential	2.5-2.9
Commercial	0.1-0.1
Industrial	3.4-4.0
Institutional & Others	3.0-3.5
Civil Engineering Works Sub-total	7.5-9.0
Private Sector	10.5-12.5
Building Construction Sub-total	9.8-11.6
Residential	4.3-4.7
Commercial	1.3-1.8
Industrial	2.6-3.3
Institutional & Others	1.6-1.8
Civil Engineering Works Sub-total	0.7-0.9
TOTAL CONSTRUCTION DEMAND	27.0-32.0