

## CHAPTER 2

# SECTORAL PERFORMANCE



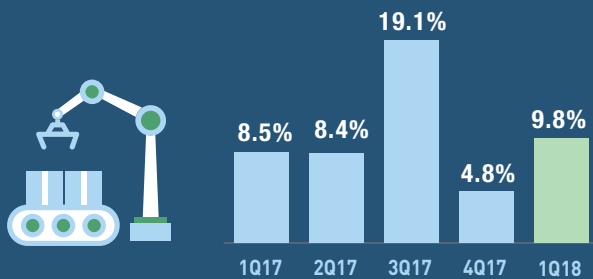


## CHAPTER 2

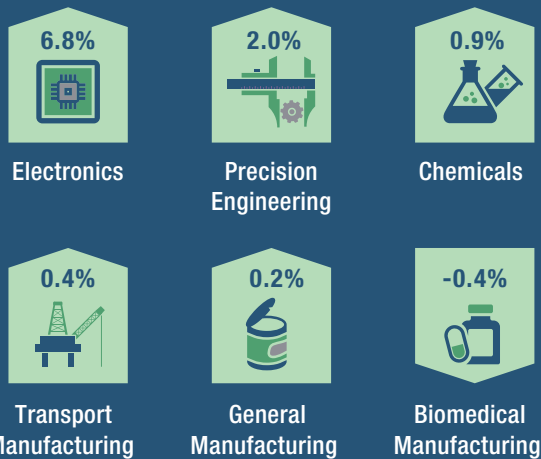
# SECTORAL PERFORMANCE

### MANUFACTURING

#### REAL GROWTH

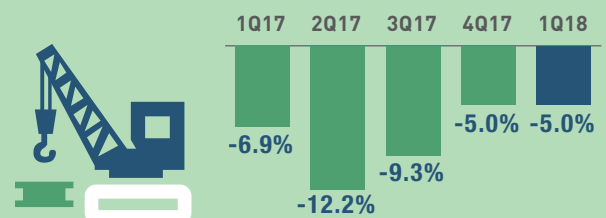


#### CLUSTERS IN MANUFACTURING SECTOR %-POINT CONTRIBUTION IN 1Q18



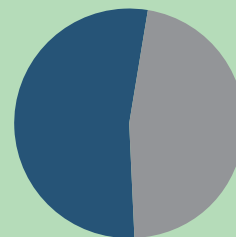
### CONSTRUCTION

#### REAL GROWTH



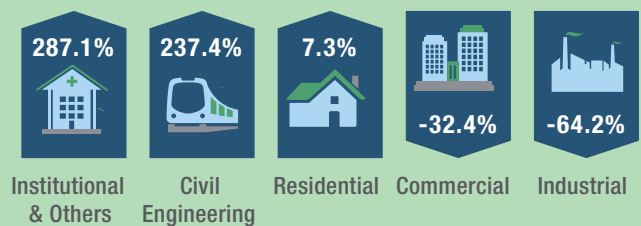
#### CERTIFIED PAYMENTS IN 1Q18

53.1%  
Public



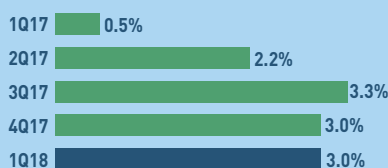
46.9%  
Private

#### CONTRACTS AWARDED IN 1Q18



### WHOLESALE & RETAIL TRADE

#### REAL GROWTH



#### WHOLESALE TRADE

Foreign Wholesale  
Trade Index Growth

1.8%



Domestic Wholesale  
Trade Index Growth

3.2%



#### RETAIL TRADE

Retail Sales Index Growth  
(Non-motor Vehicles)

1.2%



Retail Sales Index Growth  
(Motor Vehicles)

-16.1%



## ACCOMMODATION & FOOD SERVICES

### REAL GROWTH



### ACCOMMODATION

#### Occupancy Rates of Hotels (Y-O-Y CHANGE)



Luxury  
1.8%-pt



Upscale  
-0.5%-pt



Mid-tier  
2.5%-pt



Economy  
2.1%-pt

### FOOD SERVICES

#### Performance of F&B (SALES GROWTH)



Fast Food  
9.6%



Others  
-4.3%



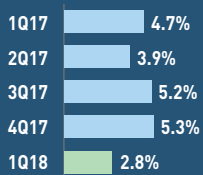
Food Caterers  
-5.1%



Restaurants  
-5.2%

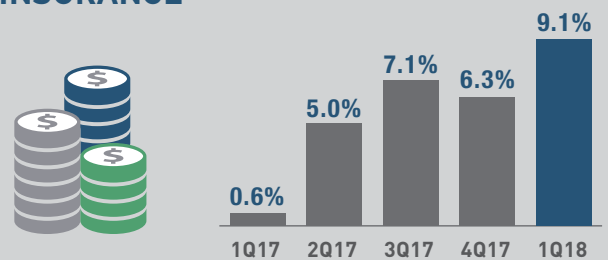
## TRANSPORTATION & STORAGE

### REAL GROWTH



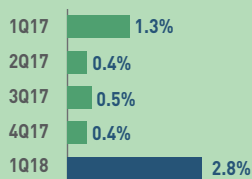
## FINANCE & INSURANCE

### REAL GROWTH



## BUSINESS SERVICES

### REAL GROWTH



### PRIVATE RESIDENTIAL REAL ESTATE

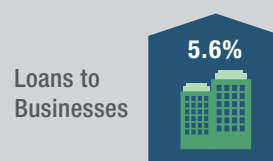


Units Transacted  
(Y-O-Y CHANGE)



Price Index  
(Q-O-Q CHANGE)

### GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 1Q18



Loans to Businesses



Consumer Loans

## OVERVIEW

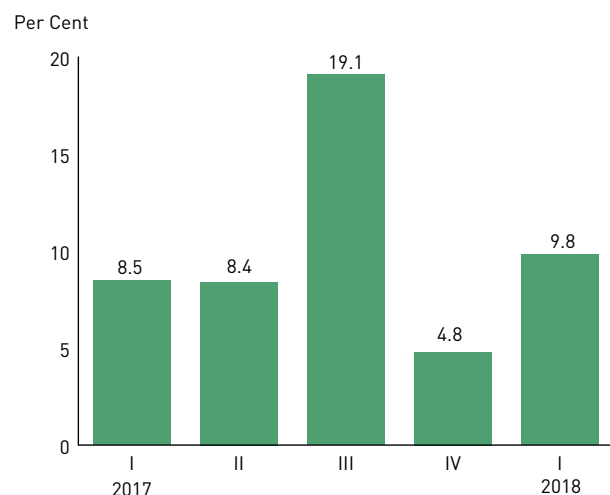
In the first quarter of 2018,

- The manufacturing sector expanded by 9.8 per cent, extending the 4.8 per cent growth in the previous quarter. All clusters recorded output expansions, with the exception of the biomedical manufacturing cluster, which posted a decline in output.
- The construction sector contracted by 5.0 per cent, unchanged from the previous quarter. The fall in construction output was due to continued weakness in both public sector and private sector construction activities.
- The wholesale & retail trade sector grew by 3.0 per cent, the same pace of growth as in the preceding quarter. Growth was supported by the wholesale trade segment.
- The transportation & storage sector expanded by 2.8 per cent, moderating from the 5.3 per cent expansion in the previous quarter. Growth was led by the water transport and air transport segments.
- The accommodation & food services sector posted growth of 2.0 per cent, slower than the 2.9 per cent increase in the previous quarter. Growth was supported by the accommodation segment.
- The finance & insurance sector grew by 9.1 per cent, an improvement from the 6.3 per cent growth in the preceding quarter. Broad-based improvements across segments, including the financial intermediation, fund management and insurance segments, contributed to the stronger performance of the sector.
- The business services sector expanded by 2.8 per cent, faster than the 0.4 per cent growth in the previous quarter, on the back of healthy growth in the others and professional services segments.

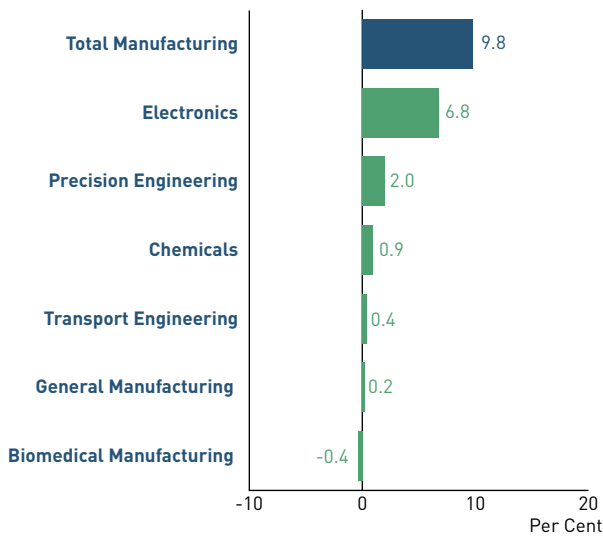
## MANUFACTURING

The manufacturing sector grew by 9.8 per cent year-on-year in the first quarter, faster than the 4.8 per cent growth in the fourth quarter of last year (Exhibit 2.1). Growth during the quarter was supported by higher output across all clusters, with the exception of the biomedical manufacturing cluster, which registered a decline in output (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate



*Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 1Q 2018*



The output of the electronics cluster increased by 19 per cent in the first quarter, led by the semiconductors segment, which grew by 27 per cent. The robust performance of the semiconductors segment came on the back of strong global semiconductor demand from a broad range of end markets such as the smartphone, server, automotive and industrial markets. At the same time, the computer peripherals segment registered growth of 3.0 per cent in the first quarter, supported by an increase in demand for printer-related products. By contrast, output in the data storage, other electronic & modules, and infocomms & consumer electronics segments declined by 23 per cent, 10 per cent and 1.0 per cent respectively.

The precision engineering cluster expanded by 14 per cent in the first quarter, supported by both the precision modules & components (PMC) and machinery & systems (M&S) segments. Output in the PMC segment rose by 23 per cent, largely driven by an increase in the production of optical products. Meanwhile, the M&S segment grew by 8.9 per cent, supported by higher export demand for semiconductor-related equipment.

The output of the chemicals cluster rose by 10 per cent in the first quarter, with all segments recording output growth. Growth was led by the petrochemicals segment, which expanded by 17 per cent on the back of increased plant capacities. The healthy performance of the specialty chemicals segment (6.4 per cent) was underpinned by an increase in the production of mineral oil additives, while the other chemicals segment (6.5 per cent) recorded a higher production of fragrances. At the same time, petroleum throughput rose by 4.9 per cent, in part due to a low base caused by some plant maintenance shutdowns a year ago.

The transport engineering cluster expanded by 3.6 per cent in the first quarter, as a robust expansion in the output of the aerospace segment more than offset the output decline in the marine & offshore engineering (M&OE) segment. In particular, the aerospace segment expanded by 32 per cent on account of a higher volume of repair and maintenance work from commercial airlines. By contrast, the M&OE segment contracted by 20 per cent on the back of a drop in shipbuilding and repair activity, and weaker demand for oilfield & gasfield equipment.

The output of the general manufacturing industries cluster rose by 1.6 per cent in the first quarter. In particular, the food, beverages & tobacco segment recorded a strong performance (6.5 per cent) on account of a rise in the production of infant milk and beverage products. On the other hand, the printing and miscellaneous industries segments shrank by 7.0 per cent and 2.0 per cent respectively.

The biomedical manufacturing cluster contracted by 2.1 per cent in the first quarter. Within the cluster, the medical technology segment expanded by 5.1 per cent, supported by higher export demand for medical instruments. However, this was outweighed by a 4.7 per cent decline in the output of the pharmaceuticals segment, which could be attributed to the production of a different mix of active pharmaceutical ingredients.

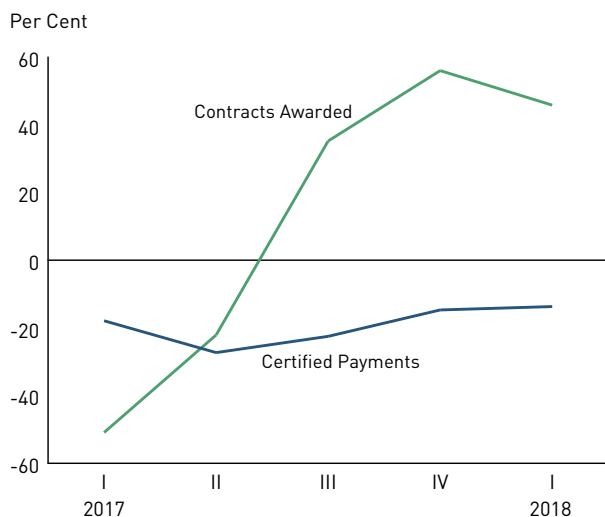
## CONSTRUCTION

The construction sector shrank by 5.0 per cent year-on-year in the first quarter, unchanged from the previous quarter, due to weakness in both public sector and private sector construction output.

In the first quarter, nominal certified progress payments (a proxy for construction output) fell by 14 per cent, similar to the 15 per cent drop in the preceding quarter (Exhibit 2.3). The contraction in construction output could be attributed to a decline in both public (-14 per cent) and private (-14 per cent) certified progress payments. The fall in public certified progress payments came on the back of a decline in public institutional & other building works (-15 per cent) and public civil engineering works (-9.1 per cent). Meanwhile, private certified progress payments were weighed down by a weakness in private residential building works (-27 per cent) and private industrial building works (-20 per cent).

On the other hand, construction demand in terms of contracts awarded continue to increase, growing by 46 per cent in the first quarter, extending the 56 per cent rise in the previous quarter (Exhibit 2.3). The increase was primarily due to a robust expansion in public sector construction demand (69 per cent), which was in turn driven by a surge in demand for public civil engineering works (349 per cent) and public institutional & other building works (192 per cent). Likewise, private sector construction demand rose by 16 per cent, a reversal from the 7.6 per cent decline in the previous quarter. The turnaround was mainly due to a surge in contracts awarded for private institutional & other building works, such as the development of nature-themed attractions at Mandai Park.

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

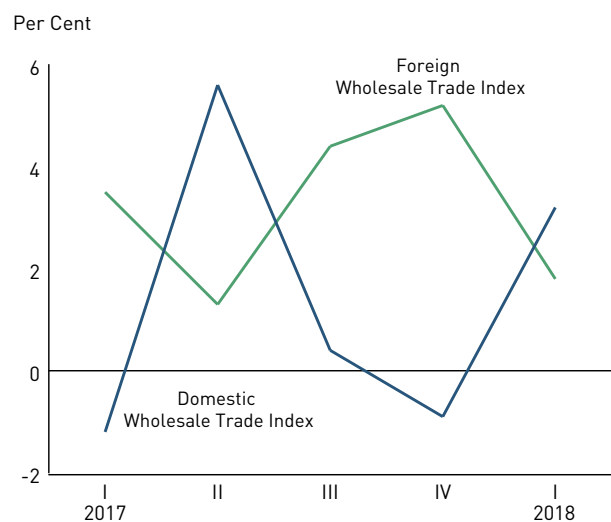


## WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector grew by 3.0 per cent year-on-year in the first quarter, the same pace of growth as in the previous quarter. Growth during the quarter was driven by the wholesale trade segment.

In turn, 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 3.2 per cent in the first quarter, reversing the 0.9 per cent contraction in the previous quarter. Growth in the domestic wholesale trade volume came on the back of expansions in the sales of petroleum & petroleum products (17 per cent) and electronic components (5.4 per cent).

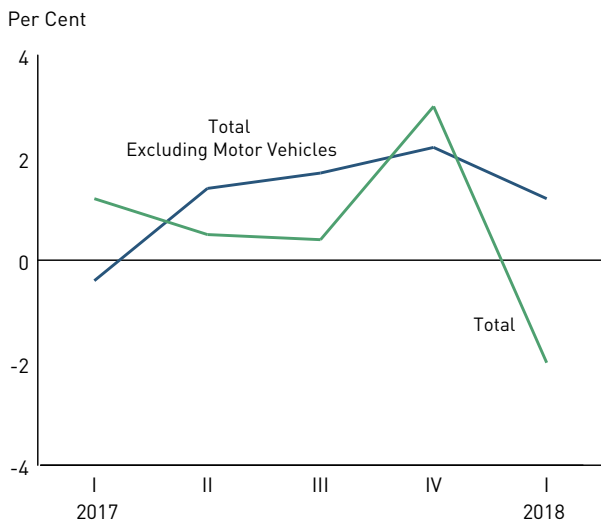
Exhibit 2.4: Changes in Wholesale Trade Index at Constant Prices



Meanwhile, the foreign wholesale trade index increased by 1.8 per cent in the first quarter, easing from the 5.2 per cent growth in the preceding quarter. Growth in the foreign wholesale trade volume was partly supported by a sustained expansion in the sales of petroleum & petroleum products. Specifically, the sales of petroleum & petroleum products rose by 6.3 per cent in the first quarter, extending the 9.2 per cent increase in the previous quarter. At the same time, growth in the sales of telecommunications & computers came in at 21 per cent in the first quarter, picking up from the 17 per cent in the previous quarter. These increases more than offset declines in the sales of metals, timber & construction materials (-20 per cent) and food, beverages and tobacco (-12 per cent).

For the retail trade segment, overall retail sales volume dipped by 2.0 per cent in the first quarter, reversing the 3.0 per cent expansion in the previous quarter. The decline in overall retail sales volume in the first quarter was caused by a 16 per cent fall in motor vehicular sales volume, which was a reversal from the 6.2 per cent growth registered in the preceding quarter. Nevertheless, a sustained recovery in non-motor vehicle sales provided some support to the retail trade segment (Exhibit 2.5). Notably, retail sales volume (excluding motor vehicles) expanded by 1.2 per cent in the first quarter, extending the 2.2 per cent increase in the previous quarter. The expansion in non-motor vehicle sales came on the back of an uptick in consumer sentiments as well as higher tourist expenditure on shopping. By categories of products, the sales volume of furniture & household equipment, wearing apparel & footwear and medical goods & toiletries rose by 5.9 per cent, 5.4 per cent and 4.4 per cent respectively.

*Exhibit 2.5: Changes in Retail Sales Index at Constant Prices*

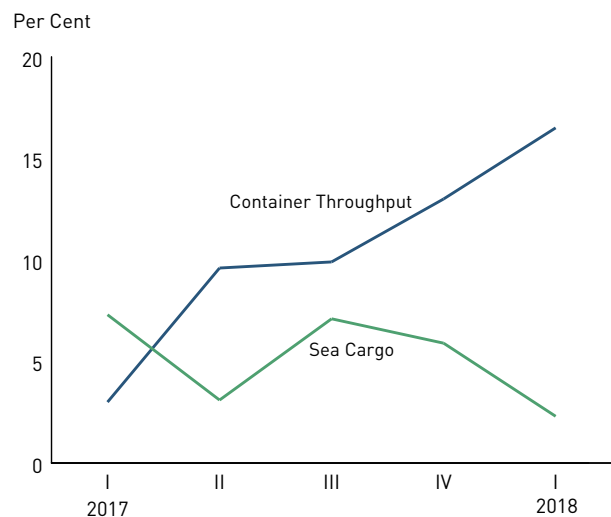


## TRANSPORTATION & STORAGE

Growth of the transportation & storage sector came in at 2.8 per cent year-on-year in the first quarter, moderating from the 5.3 per cent in the previous quarter.

Within the sector, the water transport segment was supported by a 2.3 per cent increase in the volume of sea cargo handled, which was slower than the 5.9 per cent growth recorded in the previous quarter (Exhibit 2.6). In turn, the increase in volume of sea cargo handled came on the back of a robust 16 per cent expansion in container throughput handled at Singapore's ports, in line with the sustained growth in global container trade flows. On the other hand, a 7.2 per cent decline in oil-in-bulk shipments in the first quarter posed a drag on the growth of sea cargo handled at Singapore's ports.

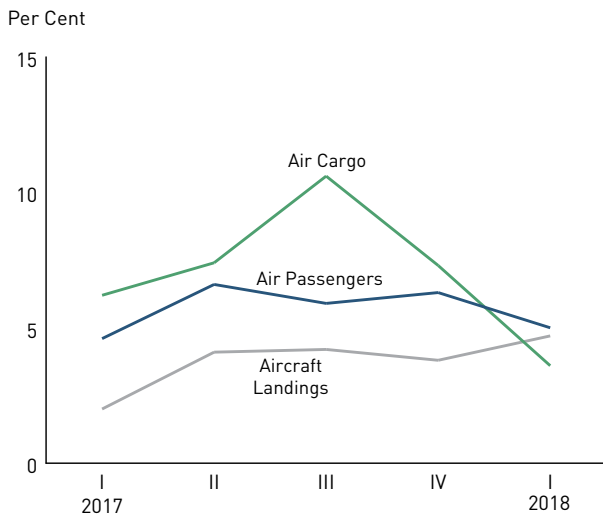
*Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled*



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 5.0 per cent in the first quarter, extending the 6.3 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-India and Singapore-Thailand routes. Meanwhile, in tandem with the moderation in the growth of Singapore's non-oil export volumes, total air cargo shipments handled at Changi Airport rose by a slower 3.6 per cent in the first quarter compared to the 7.3 per cent growth in the preceding quarter. In addition, the number of aircraft landings increased by 4.7 per cent in the first quarter to reach 47,391, faster than the 3.8 per cent expansion in the previous quarter.

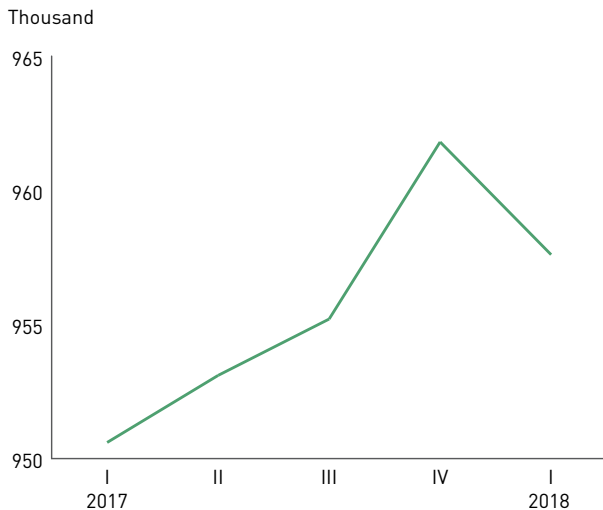


Exhibit 2.7: Changes in Air Transport



As of March 2018, the total number of motor vehicles registered with the Land Transport Authority was 957,562, representing a 0.7 per cent increase from a year ago (Exhibit 2.8). These comprised 546,170 private and company cars, 68,311 rental cars, 21,746 taxis, 19,218 buses, 140,280 motorcycles and scooters, and 161,837 goods vehicles & other vehicle types.

Exhibit 2.8: Motor Vehicles Registered

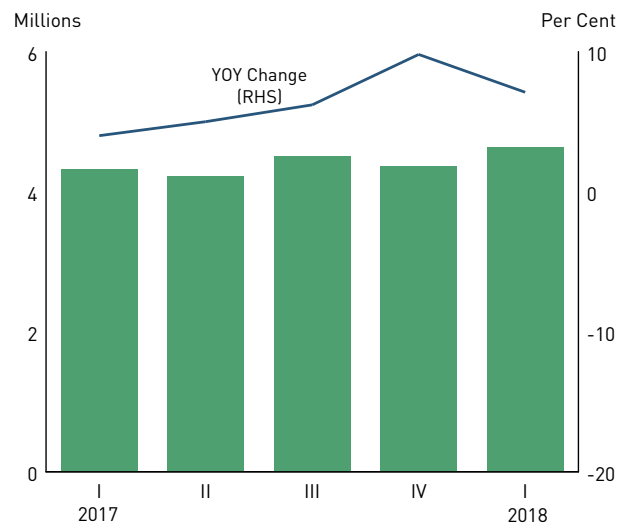


## ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector grew by 2.0 per cent year-on-year in the first quarter, moderating from the 2.9 per cent expansion in the preceding quarter. The sector's growth was bolstered by the accommodation segment.

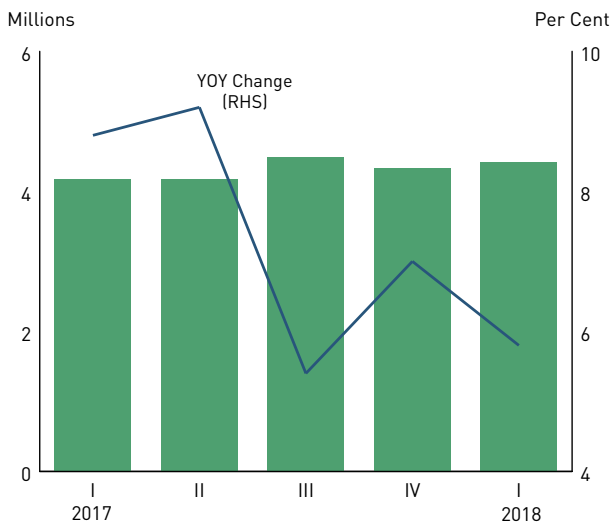
Total visitor arrivals rose by 7.1 per cent in the first quarter, following the 9.8 per cent increase in the previous quarter (Exhibit 2.9). This came on the back of buoyant travel demand from the Indian and Chinese source markets. Specifically, Indian and Chinese arrivals increased by 22 per cent and 9.6 per cent respectively in the first quarter.

Exhibit 2.9: Visitor Arrivals



In tandem with the robust growth in visitor arrivals, gross lettings at gazetted hotels improved by 5.8 per cent in the first quarter, extending the 7.0 per cent increase in the previous quarter (Exhibit 2.10). The average occupancy rate of gazetted hotels rose by 1.7 percentage-points year-on-year to reach 86 per cent in the first quarter, as the rise in gross lettings outstripped the 3.7 per cent increase in available room-nights over the same period.

*Exhibit 2.10: Gross Lettings at Gazetted Hotels*



On the other hand, the food services segment contracted on the back of a 3.2 per cent decline in the overall volume of food & beverage sales in the first quarter (Exhibit 2.11). The latter was in turn due to weak sales volumes at restaurants, food caterers and other eating places. Specifically, the sales volumes at restaurants, food caterers and other eating places fell by 5.2 per cent, 5.1 per cent and 4.3 per cent respectively in the first quarter. The declines were partially offset by a 9.6 per cent expansion in the sales volume of fast food outlets.

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

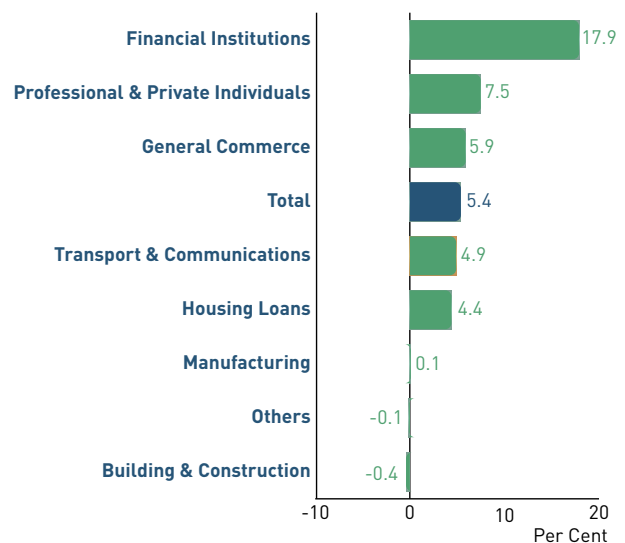


## FINANCE & INSURANCE

The finance & insurance sector expanded by 9.1 per cent on a year-on-year basis in the first quarter, accelerating from the 6.3 per cent growth recorded in the preceding quarter.

The improvement in performance was broad-based across segments within the sector. Financial intermediation activities continued to register firm expansions on the back of the global cyclical uplift. In particular, Asian Currency Unit (ACU) non-bank lending grew by 20 per cent in the first quarter, maintaining the momentum from the previous quarter, as credit demand from East Asia and the Americas remained robust. Domestic Banking Unit (DBU) non-bank lending expanded by 5.4 per cent in the first quarter, similar to the 5.6 per cent recorded in the previous quarter, with increases in both business and consumer loans (Exhibit 2.12). Banks also posted gains in fees and commissions earned in segments such as trade financing and investment banking.

*Exhibit 2.12: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 1Q 2018*



Growth in the insurance segment was driven by sustained demand for both life and general insurance products, as well as supply-side expansions in the segment. Meanwhile, heightened volatility in global financial markets provided a fillip to sentiment-sensitive segments such as forex trading and securities dealing. For example, average daily trading volumes of forex and trading value of securities rose by 13 and 18 per cent respectively in the first quarter.

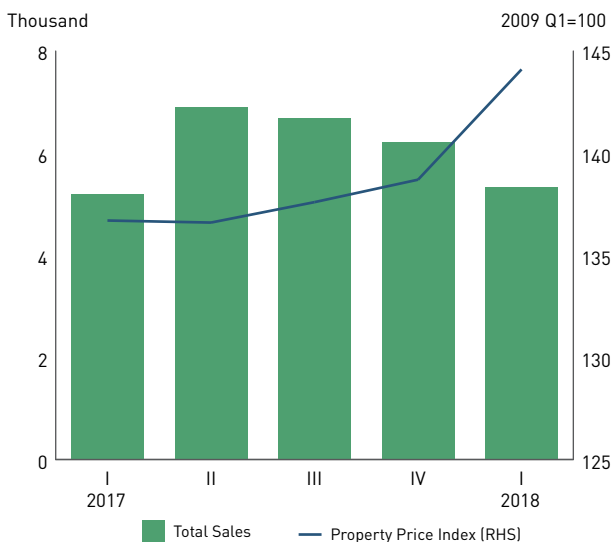
## BUSINESS SERVICES

The business services sector grew by 2.8 per cent year-on-year in the first quarter, faster than the 0.4 per cent growth in the preceding quarter.

The healthy performance of the sector was primarily due to the others<sup>1</sup> and professional services segments, which expanded on the back of sustained growth in economic activities domestically and in the region.

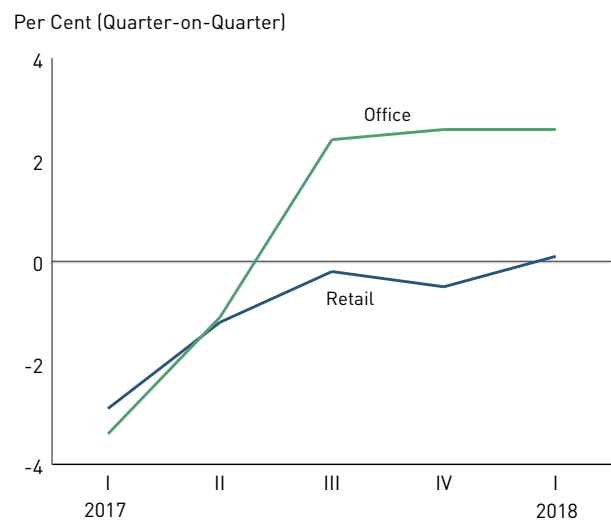
On the other hand, the real estate segment continued to contract, although there were signs of improvement in the segment. The improvement was in part due to an increase in the prices and sales transactions of private residential units. In particular, private residential property prices rose by 3.9 per cent on a quarter-on-quarter basis in the first quarter, faster than the 0.8 per cent increase in the preceding quarter. This also marked the fastest increase since 2010. At the same time, the sales transactions of private residential units remained healthy, rising by 2.4 per cent year-on-year in the first quarter (Exhibit 2.13).

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



Meanwhile, the commercial office and retail space markets also saw signs of a recovery. For the private retail space segment, rentals rose by 0.1 per cent on a quarter-on-quarter basis in the first quarter, reversing the 0.5 per cent decline in the previous quarter (Exhibit 2.14). This also represented the first uptick in retail rentals after twelve consecutive quarters of decline. At the same time, the average occupancy rate of private retail space remained at 92 per cent in the first quarter, unchanged from the preceding quarter.

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



Similarly, for the private office space segment, rentals rose by 2.6 per cent on a quarter-on-quarter basis in the first quarter, the same pace of increase as in the previous quarter. Reflecting the healthy demand for office space, the average occupancy rate was maintained at 86 per cent in the first quarter, similar to the last quarter, despite an expansion in the supply of office space.

In the private industrial space market, overall rentals fell by 0.1 per cent on a quarter-on-quarter basis, extending the 0.1 per cent decline in the previous quarter (Exhibit 2.15). The occupancy rates for private sector multiple-user factory space and private sector warehouse space stood at 87 per cent and 89 per cent respectively in the first quarter, both of which were similar to the previous 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*

