

CHAPTER 2

SECTORAL PERFORMANCE





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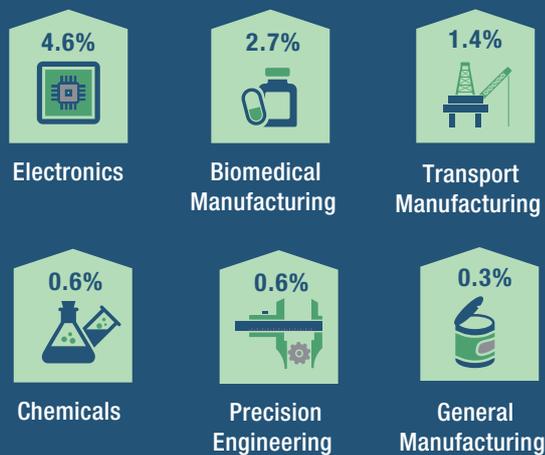
SECTORAL PERFORMANCE

MANUFACTURING

REAL GROWTH



CLUSTERS IN MANUFACTURING SECTOR %-POINT CONTRIBUTION IN 2Q18

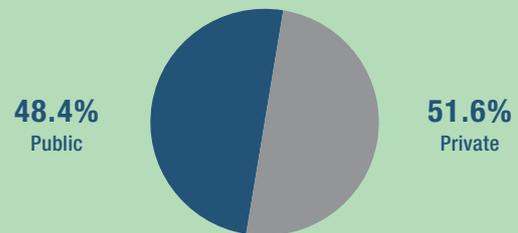


CONSTRUCTION

REAL GROWTH



CERTIFIED PAYMENTS IN 2Q18

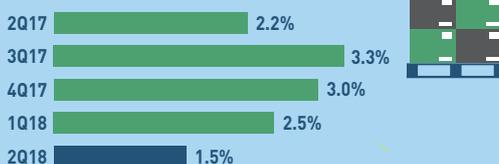


CONTRACTS AWARDED IN 2Q18



WHOLESALE & RETAIL TRADE

REAL GROWTH



WHOLESALE TRADE

Real NODX Growth



Real NORX Growth



RETAIL TRADE

Retail Sales Index Growth
(Motor Vehicles)



Retail Sales Index Growth
(Non-Motor Vehicles)



ACCOMMODATION & FOOD SERVICES

REAL GROWTH



ACCOMMODATION

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



Luxury
3.6%-pt



Upscale
-2.1%-pt



Mid-tier
2.0%-pt



Economy
1.5%-pt

FOOD SERVICES

F&B Sales Index Growth (Y-O-Y CHANGE)



Fast Food
8.2%



Food Caterers
4.2%



Restaurants
-1.5%



Others
-3.2%

TRANSPORTATION & STORAGE

REAL GROWTH



Total Sea
Cargo Handled
Growth



-0.6%

Motor Vehicle
Population
Growth



0.7%

Air
Passengers
Handled
Growth



5.7%

FINANCE & INSURANCE

REAL GROWTH



BUSINESS SERVICES

REAL GROWTH



PRIVATE RESIDENTIAL REAL ESTATE



4.1%

Units Transacted
(Y-O-Y CHANGE)



3.4%

Price Index
(Q-O-Q CHANGE)

GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 2Q18

Loans to
businesses



7.0%

Consumer
loans



4.3%

OVERVIEW

In the second quarter of 2018,

- The manufacturing sector expanded by 10 per cent, extending the 11 per cent growth in the preceding quarter. All clusters within the sector grew, with the electronics, biomedical manufacturing and transport engineering clusters contributing the most to growth.
- The construction sector contracted by 4.6 per cent, easing from the 5.2 per cent contraction in the previous quarter. The fall in construction output was primarily due to weakness in public sector construction activities.
- The wholesale & retail trade sector grew by 1.5 per cent, moderating from the 2.5 per cent growth in the previous quarter. Growth was largely supported by the wholesale trade segment.
- The transportation & storage sector expanded by 1.3 per cent, slowing from the 2.7 per cent expansion in the first quarter. Growth was led by the air transport segment within the sector.
- Growth in the accommodation & food services sector came in at 4.0 per cent, faster than the 2.0 per cent in the previous quarter. The pickup in the performance of the sector was mainly due to the accommodation segment.
- The finance & insurance sector grew by 6.7 per cent, moderating from the 9.2 per cent growth in the preceding quarter. Broad-based expansions across segments, including the financial intermediation, insurance and fund management segments, contributed to the growth of the sector.
- The business services sector expanded by 2.1 per cent, extending the 2.6 per cent growth in the first quarter, on the back of healthy growth in the others and professional services segments.

MANUFACTURING

Manufacturing output rose by 10 per cent year-on-year in the second quarter, extending the 11 per cent expansion in the first quarter [Exhibit 2.1]. Growth was supported by higher output across all manufacturing clusters, with the electronics, biomedical manufacturing and transport engineering clusters contributing the most to the growth of the sector [Exhibit 2.2].

Exhibit 2.1: Manufacturing Sector's Growth Rate

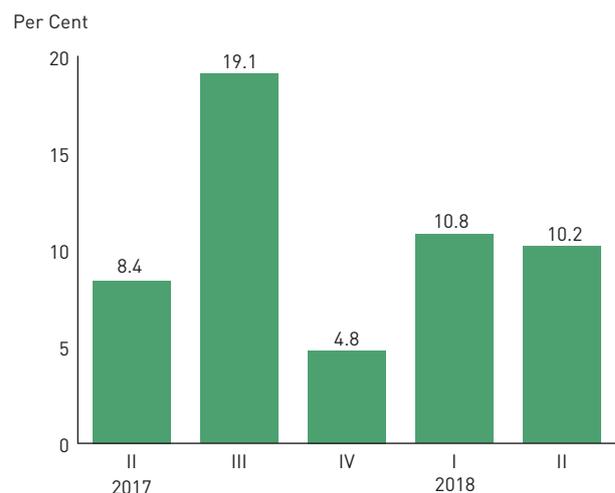
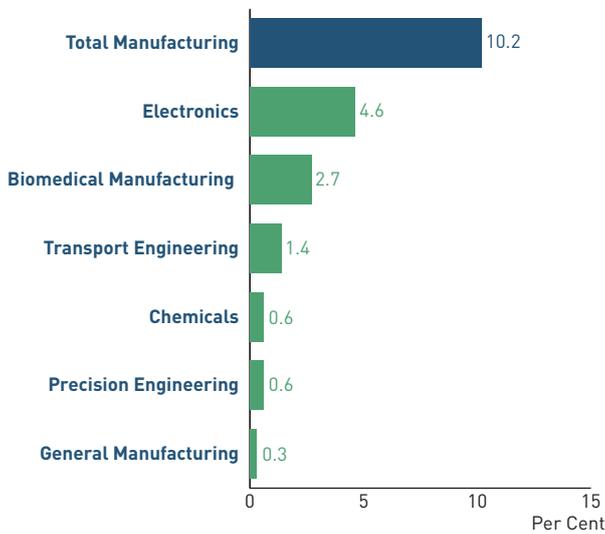


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 2Q 2018



The output of the electronics cluster increased by 12 per cent in the second quarter, driven by an 18 per cent expansion in the output of the semiconductors segment. The healthy performance of the semiconductors segment came on the back of robust global semiconductor demand from the server, PC, industrial and automotive markets. By contrast, the rest of the segments within the electronics cluster posted output declines.

The biomedical manufacturing cluster expanded by 15 per cent in the second quarter, supported by both the pharmaceuticals and medical technology segments. In particular, the output of the pharmaceuticals segment grew by 19 per cent on the back of a higher level of production of pharmaceutical and biological products. At the same time, higher export demand for medical devices contributed to the 5.9 per cent growth of the medical technology segment.

Output of the transport engineering cluster rose by 12 per cent in the second quarter. The marine & offshore engineering segment expanded by 16 per cent on the back of a higher level of work done in offshore projects. Meanwhile, the output of the aerospace segment increased by 13 per cent due to a rise in the volume of engine repair and maintenance work from commercial airlines. By contrast, the land transport segment contracted by 13 per cent.

The chemicals cluster grew by 7.4 per cent in the second quarter. Growth was largely driven by the petrochemicals segment, which expanded by 20 per cent on the back of increased plant capacities. The petroleum and other chemicals segments also posted growth of 7.4 per cent and 4.8 per cent respectively, with the latter driven by a higher level of production of fragrances. On the other hand, the specialty chemicals segment registered flat growth during the quarter.

The precision engineering cluster expanded by 3.9 per cent in the second quarter, supported by output growth in both the precision modules & components (PMC) and machinery & systems (M&S) segments. Specifically, output in the PMC and M&S segments rose by 6.5 per cent and 2.5 per cent respectively, with the latter supported by an increase in the production of process control equipment.

The general manufacturing industries cluster grew by 3.0 per cent in the second quarter. The expansion was driven by the food, beverages & tobacco segment, which grew by 9.0 per cent on account of a higher level of production of infant milk and beverage products. By contrast, the printing and miscellaneous industries segments shrank by 8.3 per cent and 1.1 per cent respectively.

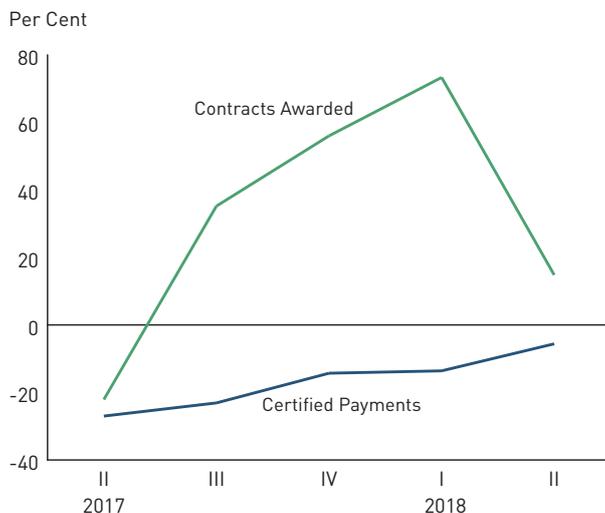
CONSTRUCTION

The construction sector contracted by 4.6 per cent year-on-year in the second quarter, easing from the 5.2 per cent decline in the previous quarter. The contraction was primarily due to the weakness in public sector construction output.

In the second quarter, nominal certified progress payments (a proxy for construction output) fell by 5.6 per cent, although this was an improvement from the 14 per cent drop in the first quarter (Exhibit 2.3). The decline in construction output was because of a fall in public certified progress payments (-11 per cent), which was in turn dragged down by contractions in public institutional & other building works (-33 per cent) and public residential building works (-7.6 per cent). By contrast, private certified progress payments increased marginally by 0.3 per cent, driven primarily by an expansion in private industrial building works (26 per cent).

On the other hand, construction demand in terms of contracts awarded continued to increase, rising by 15 per cent in the second quarter, extending the 73 per cent increase in the previous quarter (Exhibit 2.3). This was due to a rise in public sector construction demand (39 per cent) on the back of a higher demand for public civil engineering works (185 per cent) and public residential building works (39 per cent). On the other hand, private sector construction demand fell by 14 per cent, a reversal from the 80 per cent rise in the previous quarter. The decline was mainly due to weakness in contracts awarded for private industrial building works (-58 per cent) and private institutional & other building works (-58 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments



WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector grew by 1.5 per cent year-on-year in the second quarter, moderating from the 2.5 per cent growth in the previous quarter. Both the wholesale trade and retail trade segments expanded during the quarter.

Growth of the wholesale trade segment came on the back of an expansion in trade volumes in Singapore. In particular, Singapore's non-oil domestic exports (NODX) rose by 10 per cent in volume terms in the second quarter, accelerating from the 4.0 per cent growth in the preceding quarter. The increase in NODX was primarily driven by higher domestic exports of chemicals & chemical products. Similarly, the volume of non-oil re-exports (NORX) grew by 7.6 per cent in the second quarter, faster than the 3.6 per cent expansion in the first quarter. The higher volume of 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

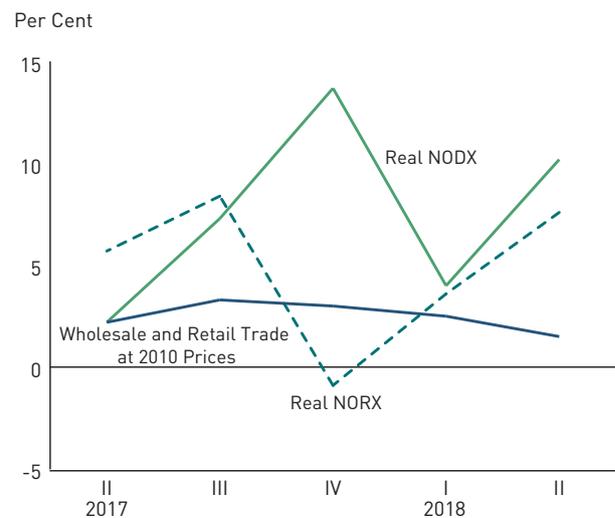
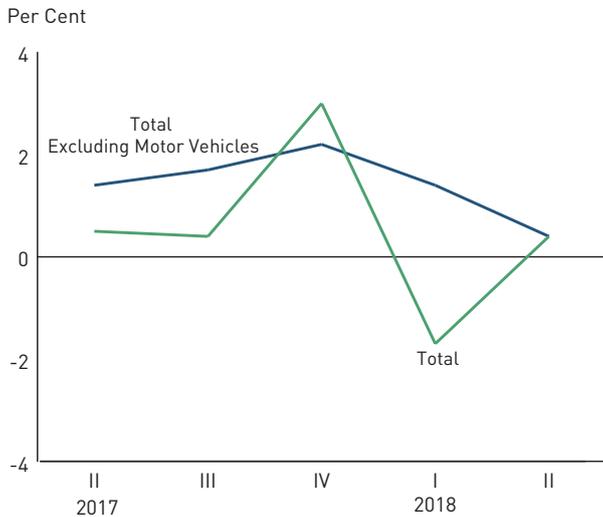


Exhibit 2.5: Changes in Retail Sales Index at Constant Prices



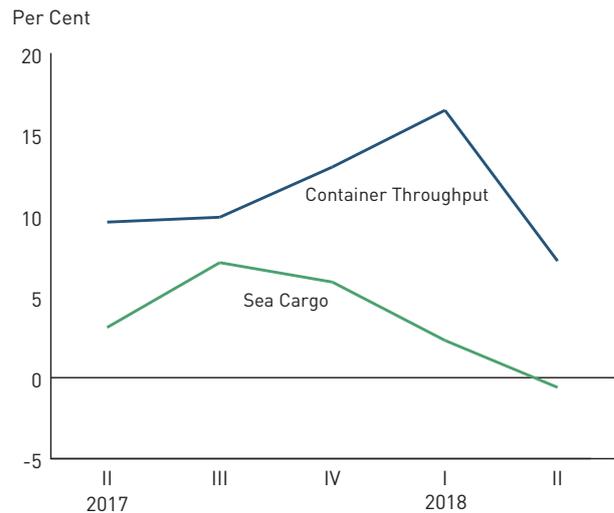
For the retail trade segment, overall retail sales volume rose by 0.4 per cent in the second quarter, reversing the 1.7 per cent decline in the previous quarter. The rise in overall retail sales volume could be attributed to an increase in the volume of sales of both motor vehicles (0.5 per cent) and non-motor vehicles (0.4 per cent) over the period (Exhibit 2.5). Notably, the pickup in non-motor vehicle sales volume came on the back of a modest recovery in consumer sentiments. By categories of products, the sales volume of medical goods & toiletries, furniture & household equipment and wearing apparel & footwear rose by 7.8 per cent, 4.5 per cent and 1.6 per cent respectively.

TRANSPORTATION & STORAGE

Growth of the transportation & storage sector came in at 1.3 per cent year-on-year in the second quarter, moderating from the 2.7 per cent increase in the previous quarter.

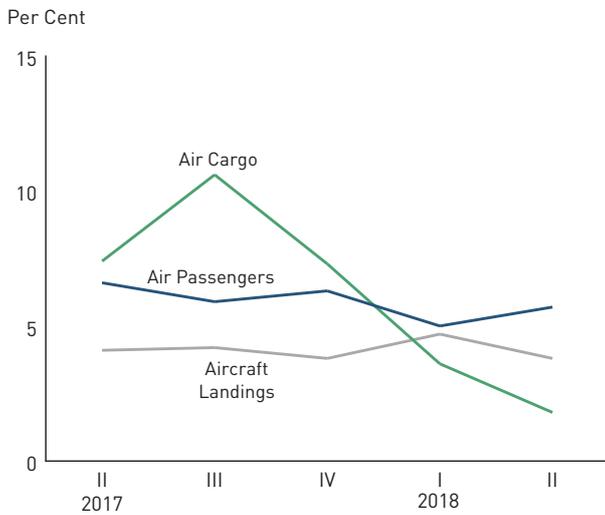
Within the sector, the water transport segment was weighed down by a 0.6 per cent fall in the volume of sea cargo handled in the second quarter, which was a reversal from the 2.3 per cent growth recorded in the previous quarter (Exhibit 2.6). In turn, the fall in the volume of sea cargo handled was primarily due to a 3.9 per cent decline in oil-in-bulk shipments, in line with the drop in oil trade volumes recorded. By contrast, container throughput handled at Singapore’s ports rose by 7.2 per cent in the second quarter, extending the 16 per cent increase in the preceding quarter, on the back of sustained growth in global container trade flows.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



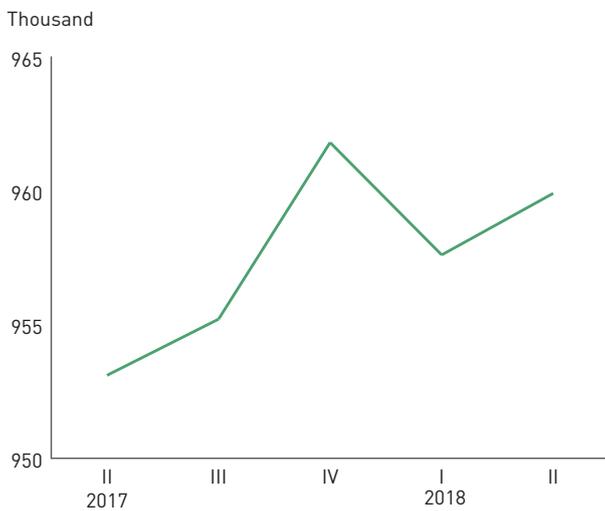
The air transport segment was boosted by an increase in both air passenger traffic and air cargo volume handled at Changi Airport. Specifically, the volume of air passenger traffic passing through Changi Airport rose by 5.7 per cent in the second quarter, extending the 5.0 per cent increase in the previous quarter (Exhibit 2.7). The rise in air passenger traffic volume was underpinned by robust growth on the Singapore-India and Singapore-China routes. Meanwhile, in line with the growth of Singapore’s non-oil export volumes, total air cargo shipments handled at Changi Airport expanded by 1.8 per cent in the second quarter, albeit slower than the 3.6 per cent expansion in the preceding quarter. In addition, the number of aircraft landings rose by 3.8 per cent in the second quarter to reach 48,087, following a 4.7 per cent increase in the previous quarter.

Exhibit 2.7: Changes in Air Transport



As of June 2018, the total number of motor vehicles registered with the Land Transport Authority was 959,938, representing a 0.7 per cent increase from a year ago (Exhibit 2.8). These comprised 551,000 private and company cars, 68,817 rental cars, 21,164 taxis, 19,245 buses, 138,047 motorcycles and scooters, and 161,665 goods vehicles & other vehicle types.

Exhibit 2.8: Motor Vehicles Registered



ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector grew by 4.0 per cent year-on-year in the second quarter, accelerating from the 2.0 per cent growth in the first quarter. The sector's performance was bolstered by the accommodation segment on the back of healthy growth in visitor arrivals.

Total visitor arrivals rose by 7.9 per cent in the second quarter, improving from the 7.3 per cent growth in the previous quarter (Exhibit 2.9). This came on the back of buoyant travel demand from the Chinese and Indian source markets. Specifically, Chinese and Indian arrivals increased by 14 per cent and 13 per cent respectively in the second quarter.

Exhibit 2.9: Visitor Arrivals



In tandem with the robust growth in visitor arrivals, gross lettings at gazetted hotels improved by 7.7 per cent in the second quarter, better than the 5.7 per cent increase posted in the previous quarter (Exhibit 2.10). The average occupancy rate of gazetted hotels rose by 1.3 percentage-points year-on-year to reach 85 per cent in the second quarter, as the rise in gross lettings outstripped a 6.1 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 remained lacklustre in the second quarter. The overall volume of food & beverage sales dipped by 0.3 per cent during the quarter, although this was an improvement from the 3.0 per cent contraction recorded in the first quarter (Exhibit 2.11). The weak performance of restaurants and other eating places weighed on the segment’s growth over the period. Specifically, sales volumes at restaurants and other eating places fell by 1.5 per cent and 3.2 per cent respectively in the second quarter. By contrast, the sales volumes at fast food outlets (8.2 per cent) and food caterers (4.2 per cent) rose, partially offsetting the declines recorded by restaurants and other eating places.

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



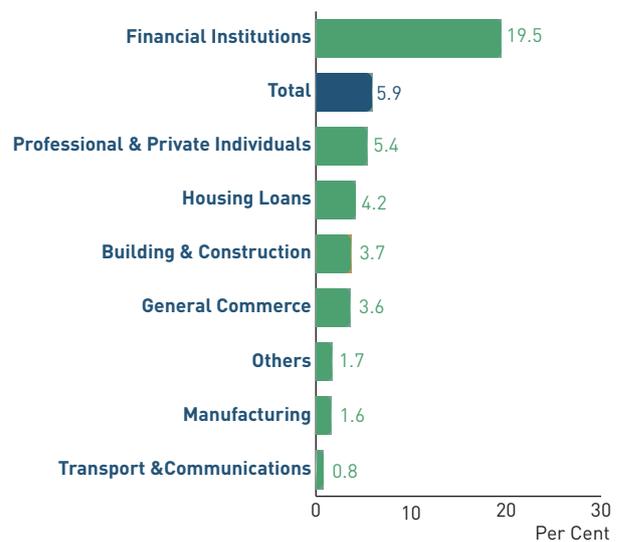
FINANCE & INSURANCE

The finance & insurance sector expanded by 6.7 per cent year-on-year in the second quarter, following the 9.2 per cent growth recorded in the previous quarter.

All segments within the sector expanded. In particular, firm global economic growth generated stronger demand for financial intermediation services. Asian Currency Unit (ACU) non-bank lending rose by 15 per cent in the second quarter, as loan demand from East Asia and the Americas remained robust. Domestic Banking Unit (DBU) non-bank loans also posted healthy growth of 5.9 per cent. Notably, loans to the building & construction segment increased by 3.7 per cent, a turnaround after three consecutive quarters of decline.

Growth in the insurance segment was boosted mainly by robust demand for life insurance products. Meanwhile, the fund management segment saw slower growth, with regional non-traditional players such as hedge funds posting muted returns in the first half of 2018 amidst global trade and political concerns.

Exhibit 2.12: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 2Q 2018



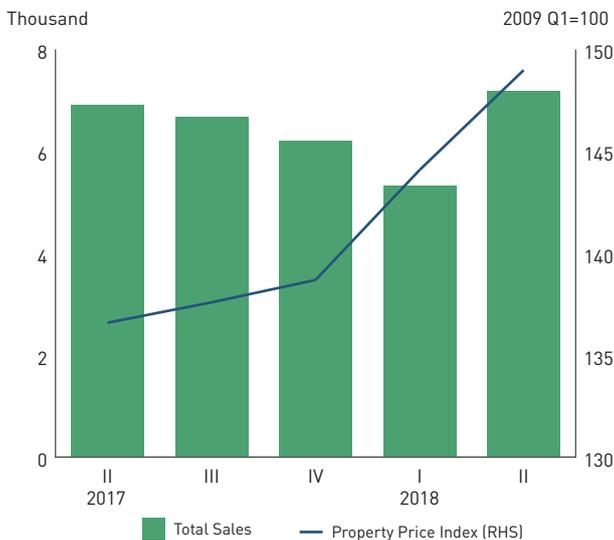
BUSINESS SERVICES

The business services sector grew by 2.1 per cent year-on-year in the second quarter, moderating from the 2.6 per cent growth in the preceding quarter.

Growth of the sector was driven primarily by the others¹ 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 as the prices and sales transactions of private residential units continued to improve during the quarter. In particular, private residential property prices rose by 3.4 per cent on a quarter-on-quarter basis in the second quarter, extending the 3.9 per cent increase in the previous quarter. At the same time, the sales transactions of private residential units remained healthy, rising by 4.1 per cent year-on-year in the second quarter, extending the 2.4 per cent increase in the previous quarter (Exhibit 2.13).

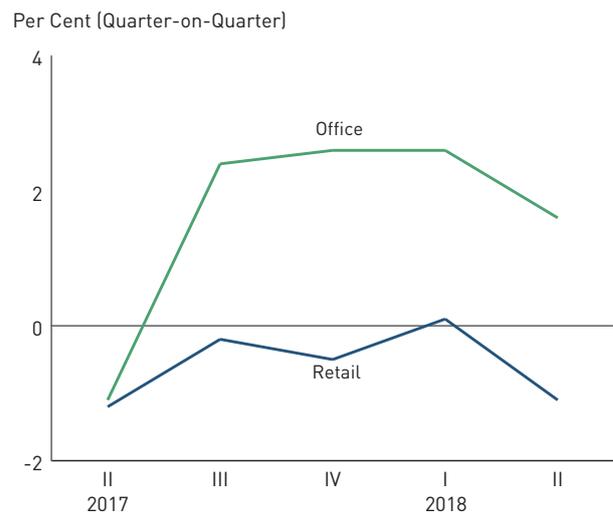
Exhibit 2.13: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



For the private retail space segment, rentals dropped by 1.1 per cent on a quarter-on-quarter basis in the second quarter, reversing the 0.1 per cent increase in the previous quarter (Exhibit 2.14). However, the average occupancy rate of private retail space remained at 92 per cent, unchanged from the preceding quarter, despite an expansion in the supply of retail space.

On the other hand, the rentals for private office space rose by 1.6 per cent on a quarter-on-quarter basis in the second quarter, marking the fourth consecutive quarter of increase. Reflecting the healthy demand for office space, the average occupancy rate rose from 86 per cent in the first quarter to 87 per cent in the second quarter, as the pickup in demand for office space outstripped the injection of new supply into the market.

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



As for the private industrial space market, overall rentals fell marginally by 0.1 per cent on a quarter-on-quarter basis in the second quarter, similar to 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 88 per cent respectively in the second quarter, both of which were similar to the previous quarter's rates.

¹ 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

