CHAPTER 2

SECTORAL PERFORMANCE

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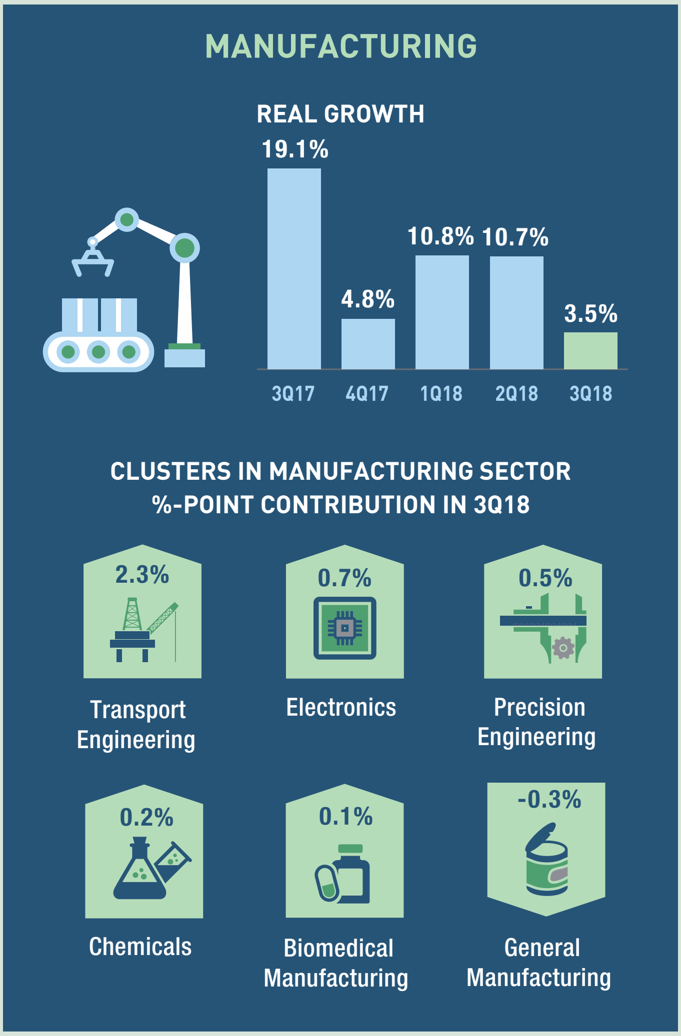
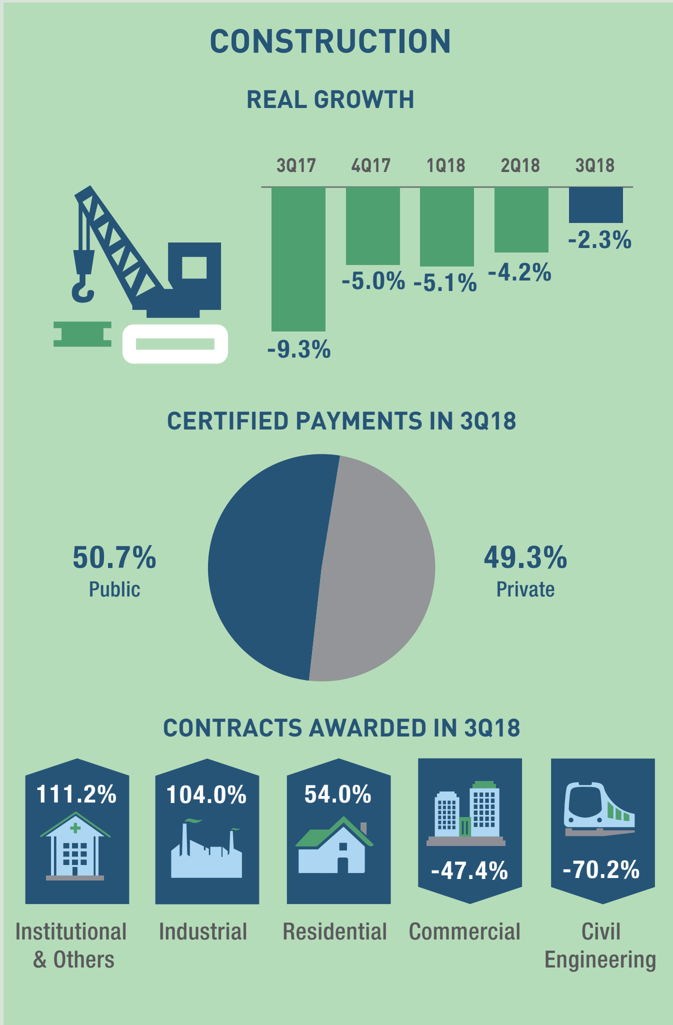
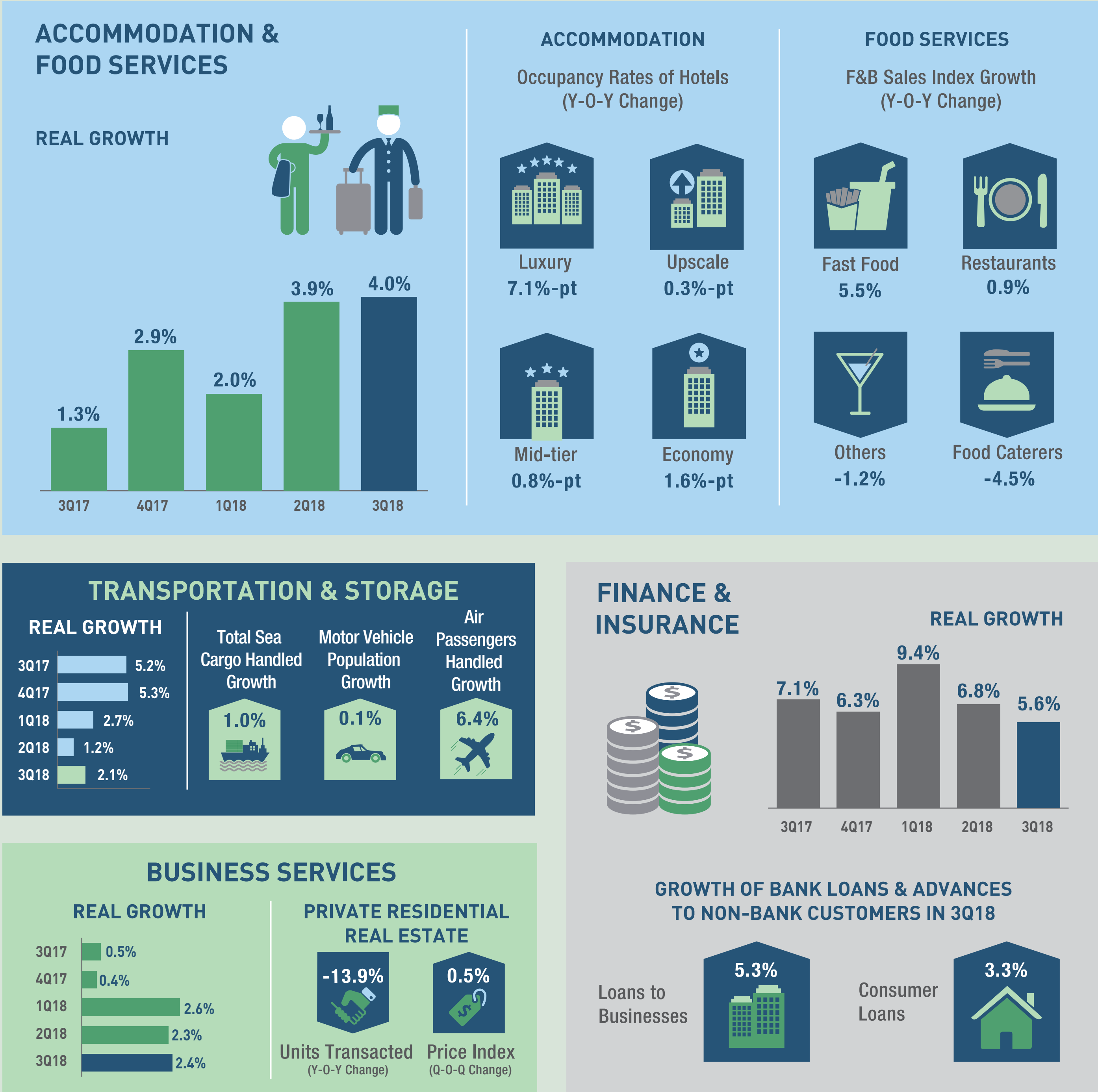





ACCOMMODATION & FOOD SERVICES
REAL GROWTH
1.3%
2.9%
2.0%
3.9%
4.0%
3Q17
4Q17
1Q18
2Q18
3Q18
ACCOMMODATION
Occupancy Rates of Hotels (Y-O-Y Change)
Luxury 7.1%-pt
Upscale 0.3%-pt
Mid-tier 0.8%-pt
Economy 1.6%-pt
FOOD SERVICES
F&B Sales Index Growth (Y-O-Y Change)
Fast Food 5.5%
Restaurants 0.9%
Others -1.2%
Food Caterers -4.5%
TRANSPORTATION & STORAGE
REAL GROWTH
3Q17 5.2%
4Q17 5.3%
1Q18 2.7%
2Q18 1.2%
3Q18 2.1%
Total Sea Cargo Handled Growth 1.0%
Motor Vehicle Population Growth 0.1%
Air Passengers Handled Growth 6.4%
BUSINESS SERVICES
REAL GROWTH
3Q17 0.5%
4Q17 0.4%
1Q18 2.6%
2Q18 2.3%
3Q18 2.4%
PRIVATE RESIDENTIAL REAL ESTATE
-13.9% Units Transacted (Y-O-Y Change)
0.5% Price Index (Q-O-Q Change)
FINANCE & INSURANCE
REAL GROWTH
7.1%
6.3%
9.4%
6.8%
5.6%
3Q17
4Q17
1Q18
2Q18
3Q18
GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 3Q18
Loans to Businesses 5.3%
Consumer Loans 3.3%

OVERVIEW

In the third quarter of 2018,

- The manufacturing sector expanded by 3.5 per cent, moderating from the 11 per cent growth in the previous quarter. All clusters recorded positive growth, except for the general manufacturing cluster, which recorded a decline in output.
- The construction sector contracted by 2.3 per cent, improving from the 4.2 per cent contraction in the preceding quarter. The decline in construction output was due to the weakness in public sector construction activities.
- The wholesale & retail trade sector grew by 0.5 per cent, slowing from the 1.5 per cent growth in the second quarter. Growth was supported by the wholesale trade segment.
- The transportation & storage sector expanded by 2.1 per cent, extending the 1.2 per cent expansion in the previous quarter. The air transport and water transport segments contributed the most to the sector's growth.
- Growth in the accommodation & food services sector came in at 4.0 per cent, slightly faster than the 3.9 per cent recorded in the preceding quarter. Growth during the quarter was mainly driven by the accommodation segment.
- The finance & insurance sector grew by 5.6 per cent, a moderation from the 6.8 per cent growth in the previous quarter. Growth was driven by the healthy performance of the insurance segment as well as digital-related activities.
- The business services sector posted growth of 2.4 per cent, similar to the 2.3 per cent achieved in the second quarter, on the back of expansions in the "others" and professional services segments.

MANUFACTURING

Manufacturing output rose by 3.5 per cent year-on-year in the third quarter, moderating from the 11 per cent increase in the previous quarter (Exhibit 2.1). Growth during the quarter was supported by an increase in output across all manufacturing clusters, with the exception of the general manufacturing cluster, which registered a decline in output (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate

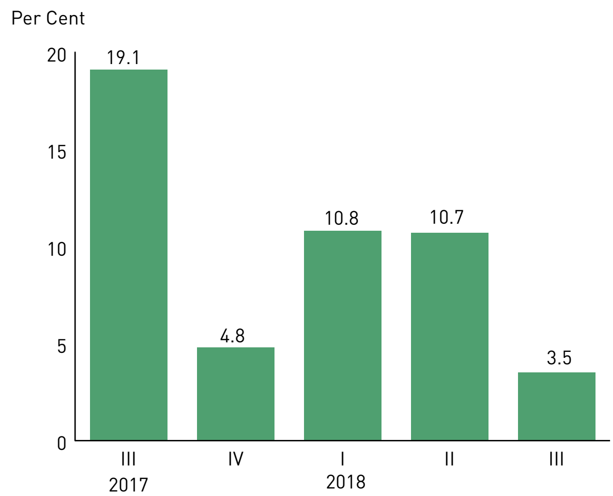
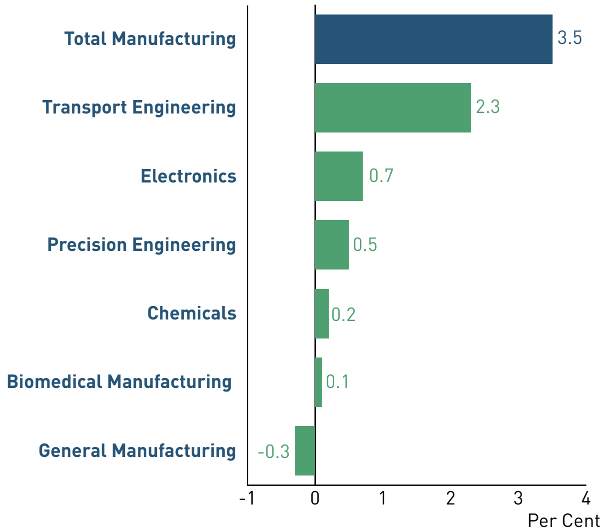


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 3Q 2018



The transport engineering cluster's output increased by 21 per cent in the third quarter. In particular, the marine & offshore engineering segment saw its output expand by 36 per cent on account of a higher level of work done in offshore projects, as well as a low base in the third quarter of last year. At the same time, the aerospace segment grew by 15 per cent on the back of a higher volume of engine repair and maintenance work from commercial airlines. On the other hand, the land transport segment's output declined by 15 per cent.

Output of the electronics cluster rose by 1.8 per cent in the third quarter, largely driven by the semiconductors segment, which grew by 4.5 per cent. The resilient performance of the semiconductors segment came on the back of a continued expansion in global semiconductor demand, which was in turn supported by key end markets such as the server, industrial and automotive markets. The other electronic modules & components and infocomms & consumer electronics segments also recorded positive growth of 8.0 per cent and 3.9 per cent respectively. By contrast, the computer peripherals and data storage segments weighed on the performance of the sector as their output contracted by 26 per cent and 8.5 per cent respectively.

The precision engineering cluster expanded by 4.0 per cent in the third quarter, driven by both the precision modules & components (PMC) and machinery & systems (M&S) segments, which grew by 9.6 per cent and 0.5 per cent respectively. In particular, the PMC segment was supported by a higher level of output of optical instruments.

The output of the chemicals cluster rose by 2.0 per cent in the third quarter, driven mainly by the specialties segment, which expanded by 8.0 per cent on account of a pickup in the production of industrial gases and mineral oil additives. Meanwhile, the output of the other chemicals segment edged up by 0.2 per cent due to an increase in the production of fragrances. However, the petrochemicals and petroleum segments contracted due to scheduled plant maintenance shutdowns.

The biomedical manufacturing cluster's output grew by 0.6 per cent in the third quarter, underpinned by output expansions in the pharmaceuticals segment. In particular, pharmaceuticals output rose by 2.8 per cent as more active pharmaceutical ingredients and biological products were produced. By contrast, the medical technology segment declined by 5.4 per cent.

Output of the general manufacturing cluster fell by 2.7 per cent in the third quarter, weighed down by the printing and miscellaneous industries segments. Specifically, the former recorded a 11 per cent decline in output on account of a fall in demand for print products, while the latter contracted by 3.8 per cent due to a drop in the production of wooden furniture & fixtures and insulation products.

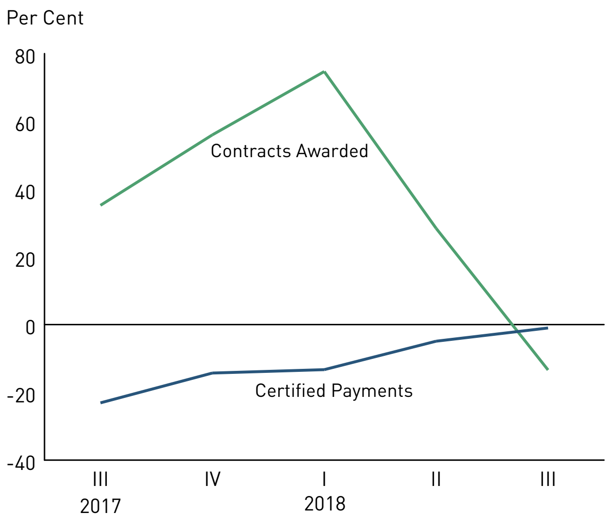
CONSTRUCTION

The construction sector contracted by 2.3 per cent year-on-year in the third quarter, an improvement from the 4.2 per cent decline recorded in the previous quarter. The contraction in the third quarter was due to a fall in public sector construction output.

In the third quarter, nominal certified progress payments (a proxy for construction output) shrank by 1.0 per cent, a more gradual pace of contraction as compared to the 4.9 per cent decline in the second quarter (Exhibit 2.3). The decline in construction output was due to a fall in public certified progress payments (-4.6 per cent), which was in turn weighed down by weakness in public institutional & other building works (-27 per cent). On the other hand, private certified progress payments provided some support to overall output growth, rising by 3.0 per cent on the back of a pickup in private industrial building works (14 per cent) and private commercial building works (20 per cent).

Meanwhile, construction demand in terms of contracts awarded declined by 13 per cent in the third quarter, a reversal from the 28 per cent increase in the previous quarter (Exhibit 2.3). This was due to a fall in public sector construction demand (-44 per cent) on the back of a decline in the demand for public civil engineering works (-71 per cent) and public residential building works (-41 per cent). By contrast, private sector construction demand expanded by 62 per cent, accelerating from the 2.8 per cent increase in the previous quarter. The increase was mainly due to an uptick in contracts awarded for private residential building works (199 per cent), such as contracts awarded for collective sales sites, and private industrial building works (114 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

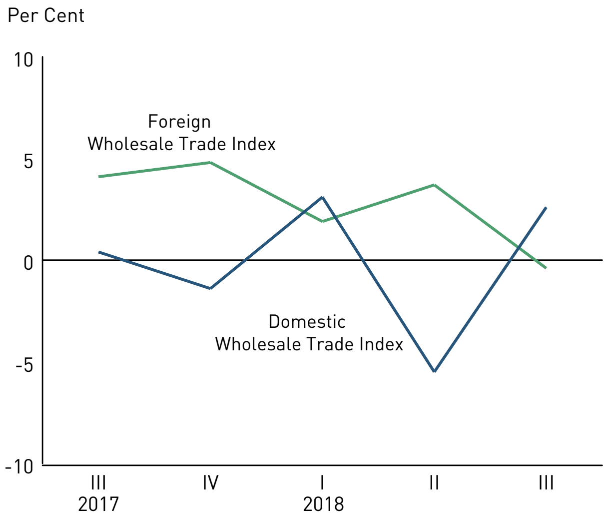


WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector grew by 0.5 per cent year-on-year in the third quarter, moderating from the 1.5 per cent growth in the previous quarter. Growth during the quarter was driven by the wholesale trade segment.

The wholesale trade segment was supported by an expansion in domestic wholesale trade sales volume (Exhibit 2.4). In particular, domestic wholesale trade sales volume rose by 2.6 per cent in the third quarter, reversing the decline of 5.5 per cent in the previous quarter. This came on the back of an increase in the sales volumes of petroleum & petroleum-related products (7.8 per cent), telecommunications & computers (14 per cent) and electronic components (5.4 per cent).

Exhibit 2.4: Changes in Wholesale Trade Index at Constant Prices

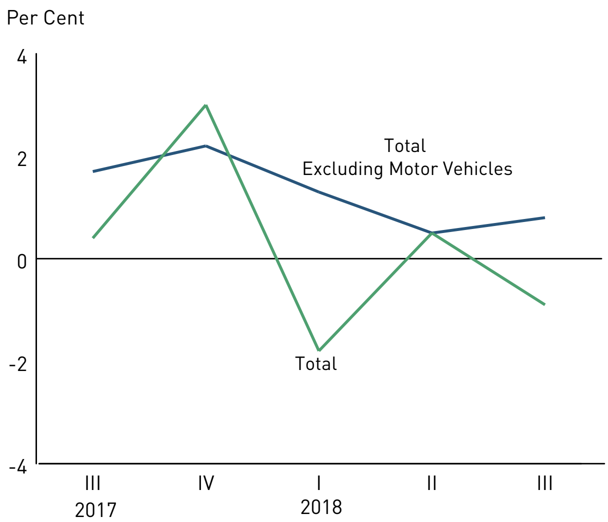


Meanwhile, the foreign wholesale trade index declined by 0.4 per cent in the third quarter, a pullback from the 3.7 per cent growth in the second quarter. This was largely due to declines in the sales volumes of metals, timber & construction materials (18 per cent) and "other wholesale trade" (6.2 per cent)[1]. Nevertheless, these declines were partially offset by robust expansions in the sales volumes of industrial & construction machinery (16 per cent) and telecommunications & computers (23 per cent).

1 The "other wholesale trade" segment consists 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.

For the retail trade segment, the overall retail sales volume shrank by 0.9 per cent in the third quarter, reversing the 0.5 per cent growth in the previous quarter. Retail sales volume was largely dragged down by motor vehicle sales, which fell by 8.6 per cent in the third quarter (Exhibit 2.5). By contrast, retail sales volume (excluding motor vehicles) rose by 0.8 per cent, led by a rise in the sales of goods such as watches & jewellery (8.5 per cent), medical goods & toiletries (3.4 per cent) and wearing apparel & footwear (1.7 per cent).

Exhibit 2.5: Changes in Retail Sales Index at Constant Prices

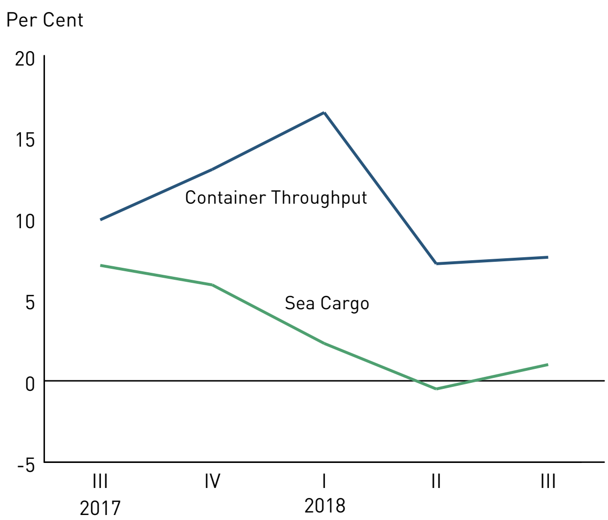


TRANSPORTATION & STORAGE

The transportation & storage sector grew by 2.1 per cent year-on-year in the third quarter, extending the growth of 1.2 per cent in the previous quarter. Growth was mainly supported by the water transport and air transport segments.

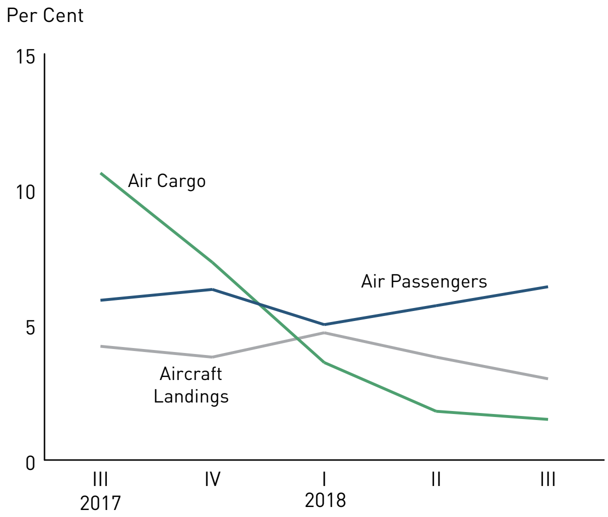
The water transport segment expanded, supported by a 1.0 per cent increase in the volume of sea cargo handled in the third quarter, which was in turn a reversal of the 0.5 per cent decline recorded in the previous quarter (Exhibit 2.6). The higher volume of sea cargo handled came on the back of a 7.6 per cent expansion in container throughput handled at Singapore's ports, in tandem with the sustained growth in global container trade flows.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



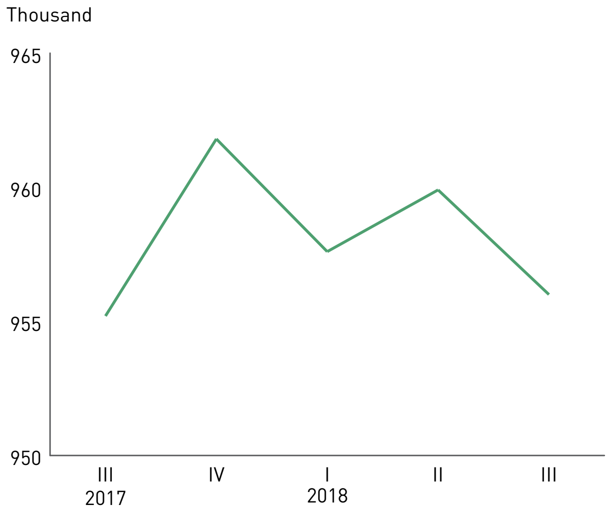
The air transport segment also grew, bolstered by an increase in both air passenger traffic and air cargo volume handled at Changi Airport. Specifically, the volume of air passenger traffic passing through Changi Airport rose by 6.4 per cent in the third quarter, extending the 5.7 per cent increase in the previous quarter (Exhibit 2.7). The increase in air passenger traffic volume continued to be underpinned by robust growth on the Singapore-India and Singapore-China routes. Meanwhile, in line with the growth in Singapore's non-oil export volumes, total air cargo shipments handled at Changi Airport expanded by 1.5 per cent in the third quarter, extending the 1.8 per cent increase in the preceding quarter. In addition, the number of aircraft landings rose by 3.0 per cent in the third quarter to reach 48,484, following the 3.8 per cent increase in the previous quarter.

Exhibit 2.7: Changes in Air Transport



As of September 2018, the total number of motor vehicles registered with the Land Transport Authority was 955,956, representing a 0.1 per cent increase from a year ago (Exhibit 2.8). These comprised 550,423 private and company cars, 66,410 rental cars, 21,279 taxis, 19,290 buses, 137,224 motorcycles and scooters, and 161,330 goods vehicles & other vehicle types.

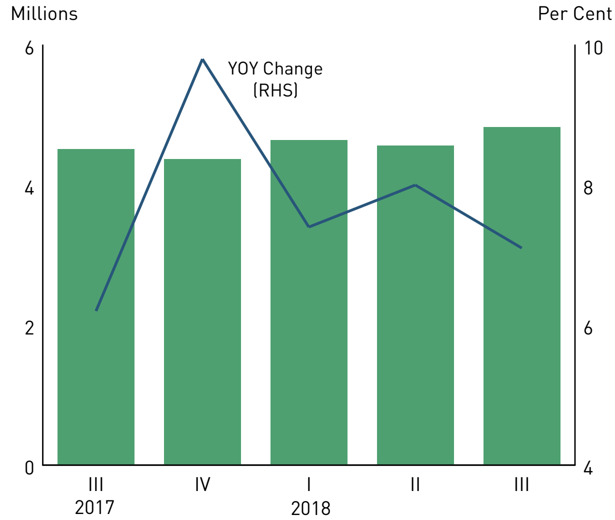
Exhibit 2.8: Motor Vehicles Registered



ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector grew by 4.0 per cent year-on-year in the third quarter, extending the 3.9 per cent growth in the second quarter. The sector's performance was bolstered by the accommodation segment, which was in turn supported by the healthy growth in visitor arrivals.

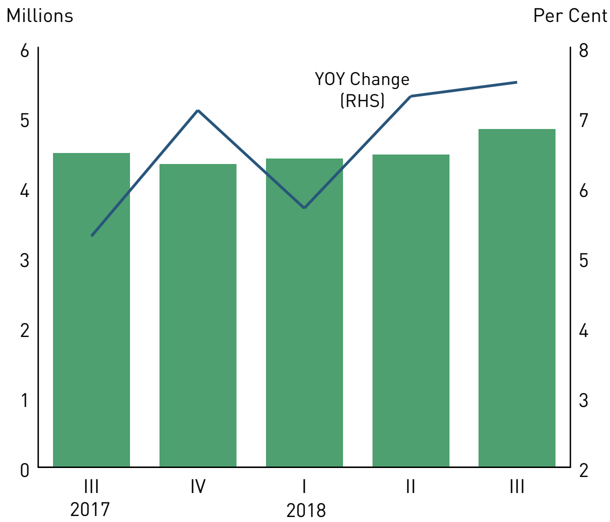
Exhibit 2.9: Visitor Arrivals



Total visitor arrivals rose by 7.1 per cent in the third quarter, following the 8.0 per cent increase in the previous quarter (Exhibit 2.9). The strong performance came on the back of buoyant travel demand from the Chinese, Malaysian, and Indian source markets. Specifically, Chinese, Malaysian and Indian arrivals increased by 5.0 per cent, 13 per cent and 10 per cent respectively in the third quarter.

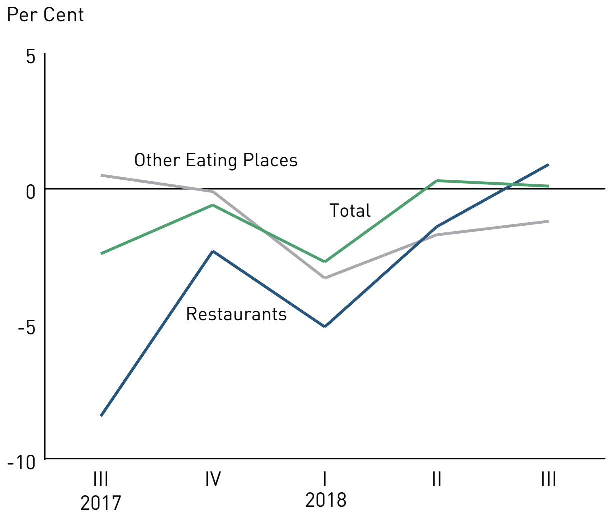
In tandem with the robust growth in visitor arrivals, gross lettings at gazetted hotels rose by 7.5 per cent in the third quarter, improving from the 7.3 per cent increase posted in the previous quarter (Exhibit 2.10). As the rise in gross lettings outstripped a 5.3 per cent increase in available room-nights over the same period, the average occupancy rate of gazetted hotels increased by 1.9 percentage-points on a year-on-year basis to reach 89.7 per cent in the third quarter.

Exhibit 2.10: Gross Lettings at Gazetted Hotels



On the other hand, the food services segment remained subdued in the third quarter. The overall volume of food & beverage sales rose marginally by 0.1 per cent during the quarter, easing from the 0.3 per cent expansion in the second quarter (Exhibit 2.11). The weak performance of food caterers and other eating places weighed on the segment's growth over the period. Specifically, the sales volumes of food caterers and other eating places fell by 4.5 per cent and 1.2 per cent respectively in the third quarter. By contrast, the sales volumes of fast food outlets (5.5 per cent) and restaurants (0.9 per cent) rose.

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

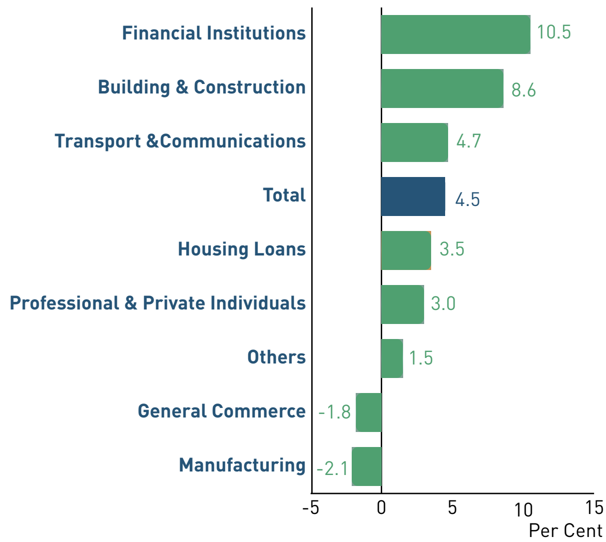


FINANCE & INSURANCE

The finance & insurance sector grew by 5.6 per cent year-on-year in the third quarter, easing from the 6.8 per cent growth in the preceding quarter. Growth was supported by the insurance segment and digital-related activities such as those by payment network players. At the same time, financial intermediation and fund management activities registered slower expansions compared to the previous quarter.

In the financial intermediation segment, Asian Currency Unit (ACU) non-bank lending ceded some momentum, growing by 10 per cent year-on-year in the third quarter compared to the 17 per cent average in the first half of 2018, as loan demand from East Asia and the Americas moderated. Similarly, Domestic Banking Unit (DBU) non-bank lending grew by a slower 4.5 per cent in the third quarter, compared to the 5.6 per cent average in the first half of 2018 (Exhibit 2.12). Notably, loans to the general commerce and manufacturing sectors contracted amidst global trade and political concerns.

Exhibit 2.12: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 3Q 2018



Growth in the insurance segment was driven by strong demand for both life and general insurance products and services, including reinsurance. Separately, increasing technological adoption has benefited activities such as digital payments. In particular, payment network players have expanded strongly in recent quarters as cashless transactions gain currency. Meanwhile, the fund management segment was weighed down by heightened global financial uncertainty.

BUSINESS SERVICES

The business services sector grew by 2.4 per cent year-on-year in the third quarter, similar to the 2.3 per cent growth in the preceding quarter.

Growth of the sector was driven primarily by the "others"[2] and professional services segments, which expanded on the back of sustained growth in economic activities domestically and in the region.

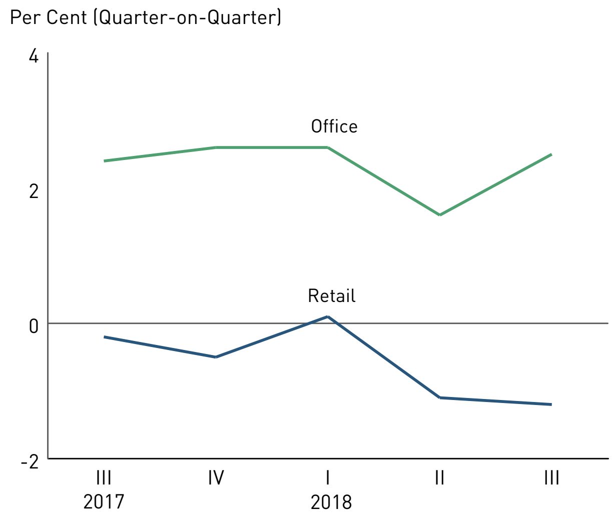
On the other hand, the real estate segment continued to contract, as the sales transactions of private residential units eased during the quarter on the back of the introduction of property cooling measures. Specifically, the sales transactions of private residential units deteriorated by 14 per cent year-on-year in the third quarter, a reversal from the 4.1 per cent growth in the previous quarter (Exhibit 2.13). This also marked the first decline after twelve consecutive quarters of increases. At the same time, the pickup in private residential property prices moderated to 0.5 per cent on a quarter-on-quarter basis in the third quarter, from 3.4 per cent in the previous quarter.

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 1.2 per cent on a quarter-on-quarter basis in the third quarter, similar to the 1.1 per cent decline 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.

By contrast, the rentals for private office space remained robust, rising by 2.5 per cent on a quarter-on-quarter basis in the third quarter, marking the fifth consecutive quarter of increase. Reflecting the healthy demand for office space, the average occupancy rate of private office space stayed at 87 per cent despite 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 third quarter, the same pace of decline seen in the previous quarter (Exhibit 2.15). The occupancy rates for private sector multiple-user factory space and private sector warehouse space stood at 86 per cent and 89 per cent respectively in the third quarter, both of which were similar to the previous quarter's rates.

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