

## 6.2 CONSTRUCTION

### OVERVIEW

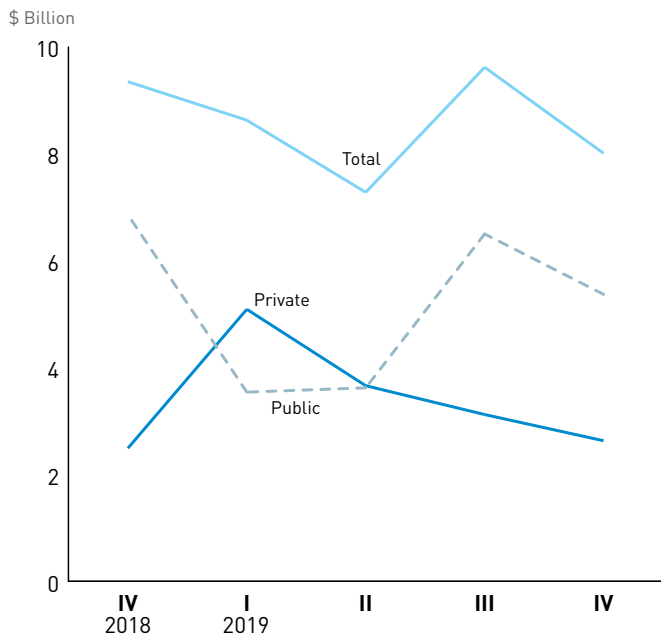
The construction sector expanded by 4.3 per cent year-on-year in the fourth quarter of 2019, extending the 3.1 per cent growth recorded in the previous quarter.

For the whole of 2019, the sector grew by 2.8 per cent, rebounding from the 3.5 per cent contraction in the preceding year.

### CONSTRUCTION DEMAND

Construction demand (or contracts awarded) decreased by 14 per cent year-on-year to \$8.0 billion in the fourth quarter. This was due to lower public sector construction demand given the high base in the same quarter in 2018 (Exhibit 6.4).

Exhibit 6.4: Contracts Awarded



For the full year, total construction demand increased by 9.8 per cent to \$33.5 billion (Exhibit 6.5) on the back of expansions in both public and private sector construction demand.

Exhibit 6.5: Contracts Awarded, 2019 (\$ Billion)

	Total	Public	Private
<b>Total</b>	33.5	19.0	14.5
Residential	8.6	3.6	5.0
Commercial	1.8	0.1	1.8
Industrial	7.5	2.7	4.8
Institutional & Others	6.6	5.0	1.6
Civil Engineering Works	9.0	7.7	1.3

### Public Sector

In the fourth quarter, public sector construction demand declined by 22 per cent to \$5.4 billion. This was primarily due to weaker demand for public industrial building works and public civil engineering works.

For the full year, public sector construction demand increased by 4.0 per cent to \$19 billion. The increase was mainly due to a rise in the demand for industrial building works (24 per cent) and institutional & others building works (14 per cent). Some of the major projects awarded include JTC's business park development and SIT's campus construction at the Punggol Digital District.

## Private Sector

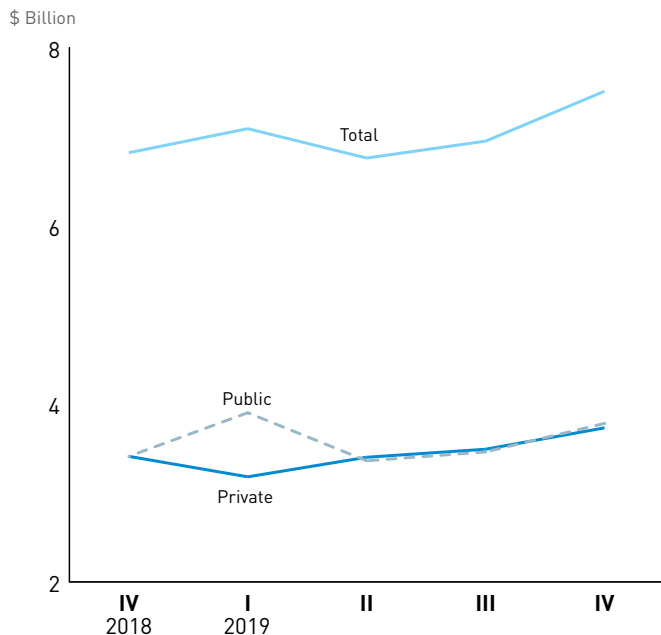
Private sector construction demand rose in the fourth quarter (5.9 per cent) to \$2.6 billion, supported by higher demand for institutional and other building works (183 per cent) and civil engineering works (83 per cent).

For the full year, private sector construction demand expanded by 18 per cent to \$14.5 billion. This was driven by an expansion in construction demand for all development types, except for residential buildings. Specifically, robust demand growth was seen for private civil engineering works (425 per cent), private industrial building works (20 per cent), private commercial building works (31 per cent), and private institutional & others building works (14 per cent). Major projects awarded include commercial developments at Central Boulevard and Beach Road, Changi Airport Terminal 2 upgrading works, and major investments in petrochemical facilities.

## CONSTRUCTION ACTIVITIES

Construction output (or certified payments) increased by 10 per cent year-on-year to \$7.5 billion in the fourth quarter, supported by both public and private sector construction activities (Exhibit 6.6).

Exhibit 6.6: Certified Payments



For the full year, construction output expanded by 6.4 per cent to \$28 billion, reversing the 4.7 per cent decline in 2018. Output was boosted by a pickup in both public and private sector construction activities.

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 of 12 months or below.

## Public Sector

Public sector construction output increased by 11 per cent to \$3.8 billion in the fourth quarter. This was attributable to an expansion in on-site construction activities for all development types, except for residential building works, which saw a 10 per cent decline in output.

For the full year, public sector construction output rose by 6.3 per cent to \$15 billion, boosted by a step-up in construction activities for industrial building (37 per cent), institutional & others building (5.5 per cent) and civil engineering (8.7 per cent) projects. Major projects supporting the growth in public sector construction activities include JTC's business park development at the Punggol Digital District, PUB's Tuas Water Reclamation Plant, MOH's various healthcare facilities, and LTA's Thomson-East Coast MRT Line.

## Private Sector

In the fourth quarter, private sector construction output rose by 9.3 per cent, underpinned by an expansion in residential (12 per cent), industrial (34 per cent) and institutional & others (16 per cent) building works.

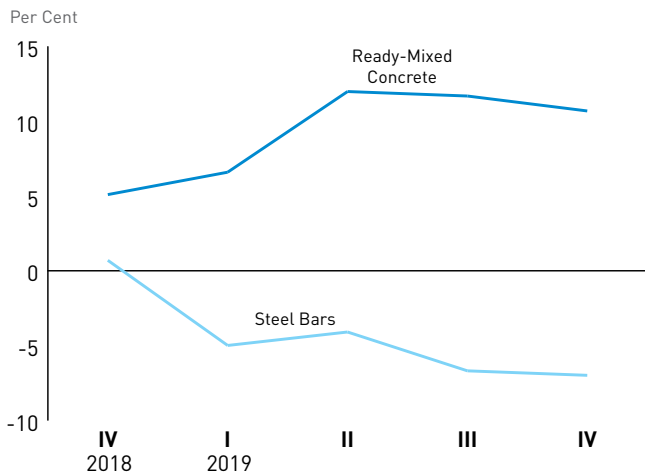
For the whole of 2019, private sector construction output grew by 6.5 per cent to reach \$14 billion. Growth was supported by an increase in residential (6.0 per cent), industrial (30 per cent) and institutional & others (20 per cent) building works. Some of the major on-going projects include a semiconductor fabrication plant, petrochemical facilities, data centres, international schools and religious facilities.

## CONSTRUCTION MATERIALS

In line with the pickup in construction activities, total consumption of ready-mixed concrete increased by 8.4 per cent to 13 million m<sup>3</sup> in 2019. However, the total consumption of steel rebars<sup>1</sup> eased from 1.43 million tonnes in 2018 to 1.37 million tonnes in 2019.

Due to higher raw material prices, the average market price of Grade 40 pump ready-mixed concrete<sup>2</sup> rose by 11 per cent year-on-year to about \$96 per m<sup>3</sup> in the fourth quarter (Exhibit 6.7). The average market price of steel rebar<sup>3</sup> hovered at around \$749 per tonne in the first quarter of 2019 before softening to \$720 in the fourth quarter, due to sluggish global demand amidst the protracted US-China trade conflict.

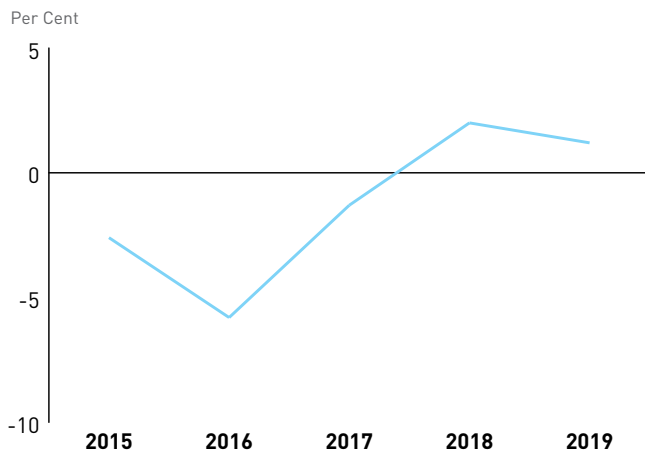
Exhibit 6.7: Changes in Market Prices of Construction Materials



## CONSTRUCTION COSTS

Based on BCA's Building Works Tender Price Index (TPI), tender prices in the construction sector rose by 1.2 per cent in 2019, mainly due to upticks in price inflation for construction resources, particularly ready-mixed concrete and construction plant and equipment (Exhibit 6.8). While construction demand improved further in 2019, contractors continued to submit competitive prices to replenish their order books amidst cautious market sentiments arising from heightened global economic uncertainties.

Exhibit 6.8: Changes in Tender Price Index



## CONSTRUCTION OUTLOOK IN 2020

According to BCA, total construction demand is projected to come in between \$28 billion and \$33 billion in 2020<sup>4</sup> (Exhibit 6.9). Demand from the public sector is expected to continue to stay firm, at between \$17.5 billion and \$20.5 billion, accounting for around 62 per cent of total construction demand. The support for public sector construction demand comes from an anticipated increase in the demand for major infrastructure works which are larger and more complex in scale. Private sector construction demand is projected to moderate to between \$10.5 billion and \$12.5 billion<sup>5</sup> in 2020. Demand is expected to be supported by the redevelopment of the remaining en-bloc sales sites transacted before July 2018, recreational developments at Mandai Park, and the construction of berth facilities at Jurong Port and Tanjong Pagar Terminal.

Exhibit 6.9: Projected Construction Demand in 2020

	\$ Billion
<b>Public Sector</b>	<b>17.5 – 20.5</b>
<b>Building Construction Sub-total</b>	<b>7.5 – 9.3</b>
Residential	2.8 – 3.2
Commercial	0.3 – 0.4
Industrial	1.7 – 2.1
Institutional & Others	2.8 – 3.6
<b>Civil Engineering Works Sub-total</b>	<b>10.0 – 11.2</b>
<b>Private Sector</b>	<b>10.5 – 12.5</b>
<b>Building Construction Sub-total</b>	<b>9.5 – 11.3</b>
Residential	3.6 – 4.0
Commercial	1.1 – 1.7
Industrial	3.3 – 3.8
Institutional & Others	1.5 – 1.8
<b>Civil Engineering Works Sub-total</b>	<b>1.0 – 1.2</b>
<b>TOTAL CONSTRUCTION DEMAND</b>	<b>28.0 – 33.0</b>

<sup>4</sup> BCA's construction demand outlook in 2020 has not taken into consideration the impact of the 2019 Coronavirus Disease (COVID-19).

<sup>5</sup> The private sector construction demand projection in 2020 has not factored in any potential award of the expansion of the two Integrated Resorts by Marina Bay Sands and Resorts World Sentosa.

Total construction output in 2020 is projected to increase further to between \$30 billion and \$32 billion, on the back of the rebound in construction demand since 2018 following the slowdown from 2015 to 2017.