



Image courtesy of Infineon Singapore



CHAPTER 2

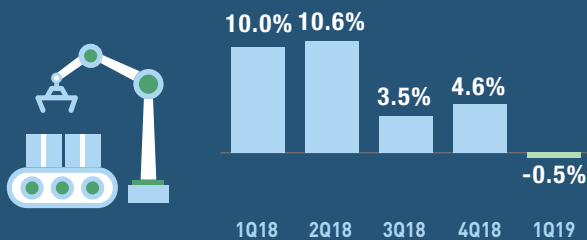
SECTORAL PERFORMANCE

CHAPTER 2

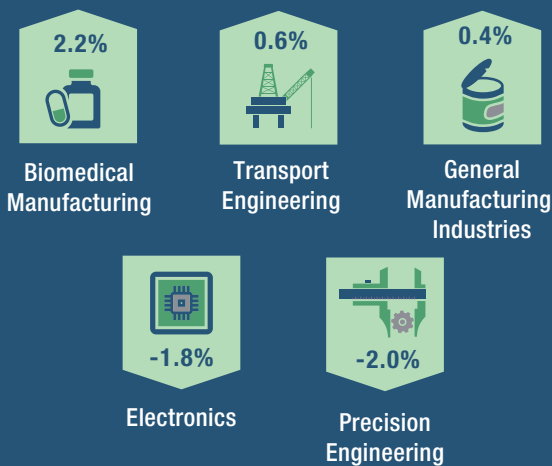
SECTORAL PERFORMANCE

MANUFACTURING

REAL GROWTH

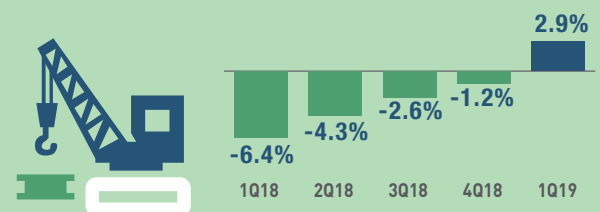


CLUSTERS IN MANUFACTURING SECTOR %-POINT CONTRIBUTION IN 1Q19

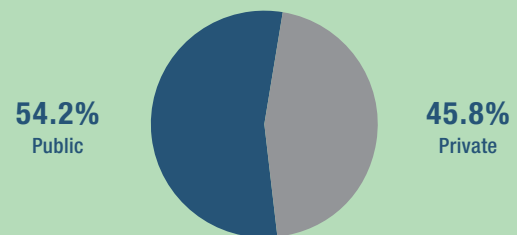


CONSTRUCTION

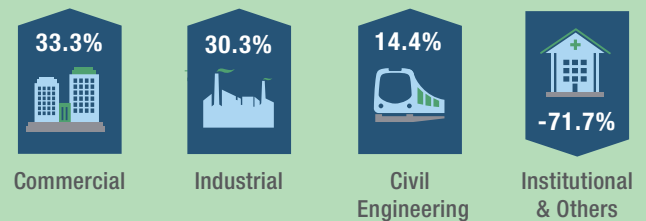
REAL GROWTH



CERTIFIED PAYMENTS IN 1Q19

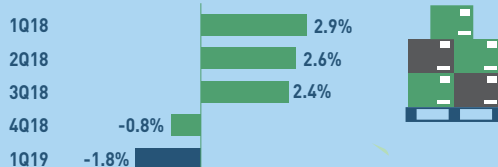


CONTRACTS AWARDED IN 1Q19



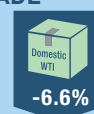
WHOLESALE & RETAIL TRADE

REAL GROWTH

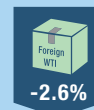


WHOLESALE TRADE

Domestic Wholesale Trade Index Growth

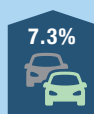


Foreign Wholesale Trade Index Growth



RETAIL TRADE

Retail Sales Index Growth (Motor Vehicles)

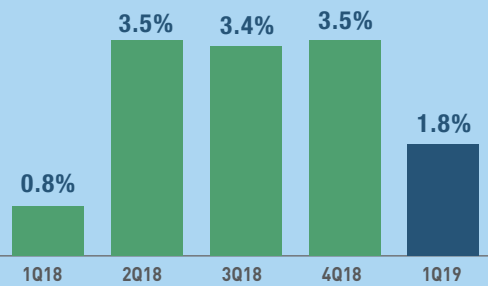


Retail Sales Index Growth (Non-Motor Vehicles)



ACCOMMODATION & FOOD SERVICES

REAL GROWTH



ACCOMMODATION

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



Luxury
1.7%-pt



Upscale
-1.3%-pt



Economy
-2.1%-pt

FOOD SERVICES

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



Fast Food
6.6%



Others
0.9%



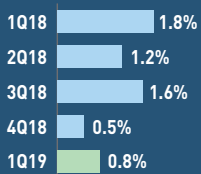
Restaurants
-2.6%



Food Caterers
-3.0%

TRANSPORTATION & STORAGE

REAL GROWTH



Total Sea
Cargo Handled
Growth



Motor Vehicle
Population
Growth

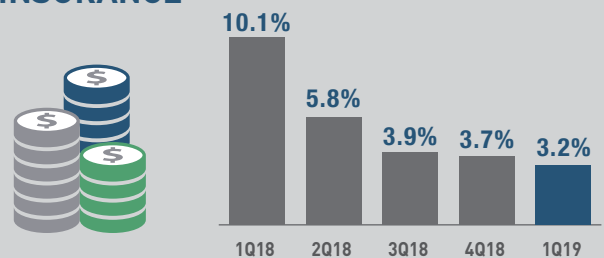


Air
Passengers
Handled
Growth



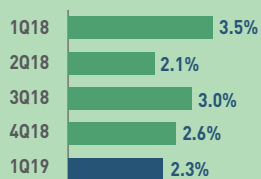
FINANCE & INSURANCE

REAL GROWTH



BUSINESS SERVICES

REAL GROWTH



PRIVATE RESIDENTIAL REAL ESTATE



Units Transacted
(Y-O-Y Change)



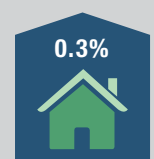
Price Index
(Q-O-Q Change)

GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 1Q19

Loans to
Businesses



Consumer
Loans



OVERVIEW

In the first quarter of 2019,

- The manufacturing sector contracted by 0.5 per cent, reversing the 4.6 per cent growth in the previous quarter. The contraction was due to output declines in the precision engineering and electronics clusters, which outweighed output expansions in the biomedical manufacturing, transport engineering, general manufacturing and chemicals clusters.
- The construction sector grew by 2.9 per cent, a turnaround from the 1.2 per cent contraction in the preceding quarter. The increase in construction output during the quarter was supported by both public sector and private sector construction activities.
- The wholesale & retail trade sector shrank by 1.8 per cent, sharper than the 0.8 per cent decline in the previous quarter. The contraction of the sector was driven by both the wholesale trade and retail trade segments.
- The transportation & storage sector expanded by 0.8 per cent, extending the 0.5 per cent expansion in the previous quarter. Growth during the quarter was mainly led by the air transport segment.
- Growth in the accommodation & food services sector came in at 1.8 per cent, moderating from the 3.5 per cent recorded in the preceding quarter. The expansion during the first quarter was driven by the accommodation segment.
- The finance & insurance sector grew by 3.2 per cent, extending the 3.7 per cent growth in the previous quarter, supported by continued expansions in the “others” and insurance segments.
- The business services sector posted growth of 2.3 per cent, easing from the 2.6 per cent recorded in the previous quarter, on the back of healthy growth in the professional services segment.

MANUFACTURING

The manufacturing sector shrank by 0.5 per cent on a year-on-year basis in the first quarter, deteriorating from the 4.6 per cent growth in the preceding quarter (Exhibit 2.1). Manufacturing output was dragged down by output declines in the precision engineering and electronics clusters. On the other hand, the biomedical manufacturing, transport engineering, general manufacturing and chemicals clusters registered output expansions (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate

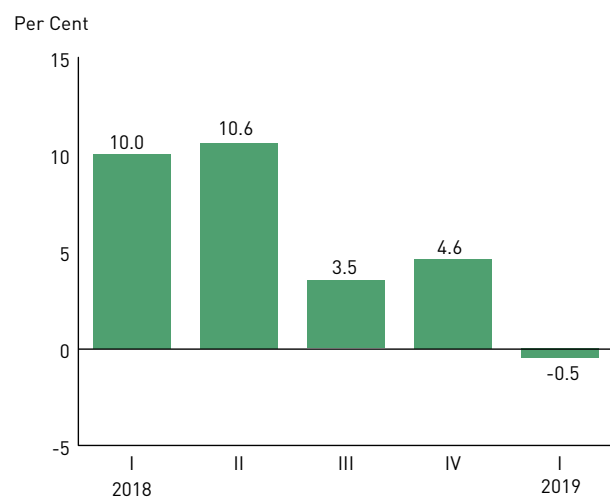
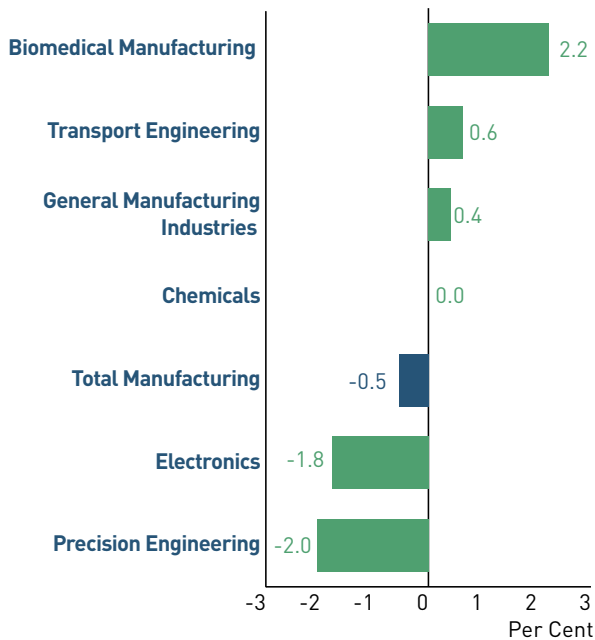


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 1Q 2019



The biomedical manufacturing cluster grew by 13 per cent in the first quarter, supported by robust output expansions in both the pharmaceuticals and medical technology segments. Specifically, output in the pharmaceuticals segment increased by 15 per cent on account of a higher level of production of active pharmaceutical ingredients and biological products, while output in the medical technology segment rose by 7.9 per cent due to sustained export demand for medical devices.

The transport engineering cluster expanded by 5.5 per cent in the first quarter, driven largely by the aerospace segment, which grew by 15 per cent on the back of a higher volume of repair and maintenance work from commercial airlines. By contrast, the marine & offshore engineering segment contracted by 4.5 per cent because of lower levels of offshore projects and shipbuilding & repairing activities.

Output in the general manufacturing cluster rose by 4.3 per cent in the first quarter, bolstered primarily by a healthy 8.9 per cent increase in output in the food, beverages & tobacco segment, which was in turn supported by a higher level of production of infant milk and beverage products. On the other hand, the printing segment recorded a 9.8 per cent decrease in output.

Output in the chemicals cluster rose marginally by 0.1 per cent in the first quarter. Growth was underpinned by the other chemicals segment, which grew by 17 per cent on the back of a rise in the output of fragrances. On the other hand, the petrochemicals, specialty chemicals and petroleum segments shrank by 5.2 per cent, 4.4 per cent and 9.3 per cent respectively, largely due to plant maintenance shutdowns.

The electronics cluster contracted by 4.6 per cent in the first quarter. The performance of the cluster was dragged down mainly by the semiconductors segment, where output fell by 3.0 per cent on account of weaker global semiconductor demand. The latter was in turn negatively affected by poor demand conditions in major end-markets such as the smartphone and PC markets. In addition, the computer peripherals, data storage and infocomms & consumer electronics segments also recorded output declines of 18 per cent, 25 per cent and 8.0 per cent respectively. By contrast, the other electronic modules & components segment expanded by 8.1 per cent.

In the first quarter, the precision engineering cluster shrank by 14 per cent because of output declines in both the machinery & systems and precision modules & components segments. In particular, the machinery & systems segment contracted by 17 per cent due to a drop in the export demand for semiconductor-related equipment, while output in the precision modules & components segment fell by 8.5 per cent due to a lower level of production of optical products.

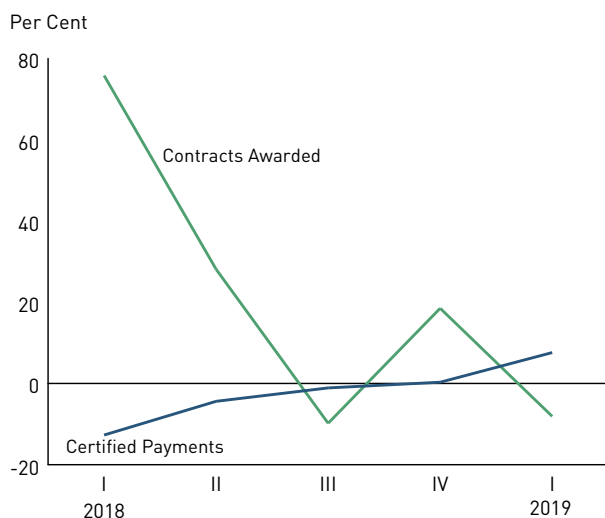
CONSTRUCTION

The construction sector grew by 2.9 per cent year-on-year in the first quarter, a turnaround from the 1.2 per cent contraction recorded in the previous quarter. Growth was supported by both public sector and private sector construction activities.

During the quarter, nominal certified progress payments (a proxy for construction output) rose by 7.6 per cent, stronger than the 0.3 per cent increase in the previous quarter (Exhibit 2.3). The recovery in construction output was supported by public certified progress payments (6.5 per cent), which was in turn driven by an increase in public civil engineering works (11 per cent) and public industrial building works (21 per cent), as well as private certified progress payments (8.9 per cent), which was buoyed by strong growth in private industrial building works (54 per cent).

Meanwhile, construction demand in terms of contracts awarded fell by 8.1 per cent in the first quarter, a reversal from the 19 per cent increase in the previous quarter (Exhibit 2.3). The decline in overall construction demand was due to a fall in public sector construction demand (-25 per cent), which in turn came on the back of a drop in demand for public institutional & others building works (-62 per cent) and public residential building works (-19 per cent). By contrast, private sector construction demand expanded by 12 per cent, a reversal from the 2.2 per cent decline in the previous quarter. The increase was mainly due to the larger value of contracts awarded for private civil engineering works (2,619 per cent) such as the construction of container berths at Tuas port, and private industrial building works (26 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

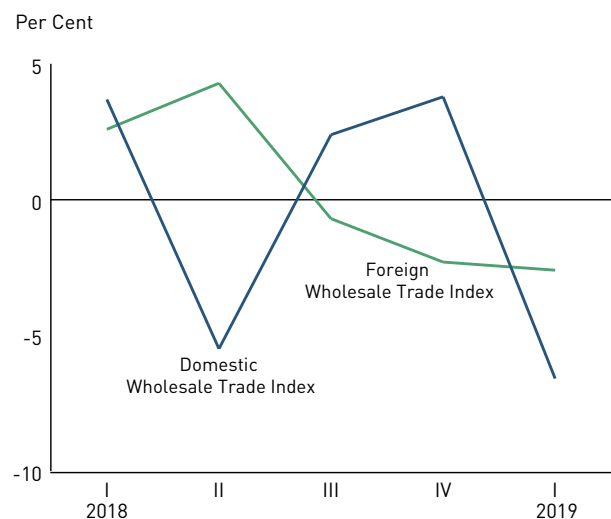


WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector shrank by 1.8 per cent year-on-year in the first quarter, sharper than the 0.8 per cent decline in the previous quarter. The contraction of the sector was driven by both the wholesale trade and retail trade segments.

The wholesale trade segment was weighed down by declines in both domestic and foreign wholesale trade sales volumes (Exhibit 2.4). In particular, domestic wholesale trade sales volume fell by 6.6 per cent in the first quarter, a reversal from the growth of 3.8 per cent recorded in the previous quarter. This was due to declines in the sales volumes of electronic components (-33 per cent), petroleum & petroleum-related products (-7.3 per cent) and telecommunications & computers (-7.8 per cent).

Exhibit 2.4: Changes in Wholesale Trade Index at Constant Prices

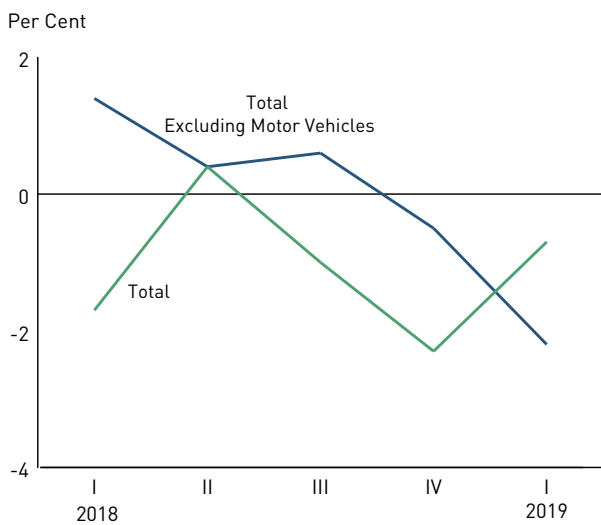


Meanwhile, the foreign wholesale trade index fell by 2.6 per cent in the first quarter, extending the 2.3 per cent decline in the previous quarter. This was largely due to declines in the sales volumes of "other wholesale trade" (-6.7 per cent)¹, telecommunications & computers (-6.9 per cent), chemicals & chemical-related products (-11 per cent) and electronic components (-10 per cent). Nevertheless, these declines were partially offset by expansions in the sales volumes of petroleum & petroleum-related products (1.6 per cent) and metals, timber & construction materials (1.2 per cent).

¹ The "other wholesale trade" segment consists of a diverse range of products that include agricultural raw materials and live animals, tropical produce, personal effects and medicinal and pharmaceutical products, among others.

For the retail trade segment, overall retail sales volume declined by 0.7 per cent in the first quarter, extending the 2.3 per cent drop in the previous quarter. Retail sales volume was weighed down by a 2.2 per cent fall in non-motor vehicle sales, driven in turn by lower sales of furniture & household equipment (-4.9 per cent), supermarkets & hypermarkets (-2.3 per cent) and watches & jewellery (-3.5 per cent) (Exhibit 2.5). By contrast, motor vehicles sales volume provided some support, rising by 7.3 per cent over the same period.

Exhibit 2.5: Changes in Retail Sales Index at Constant Prices

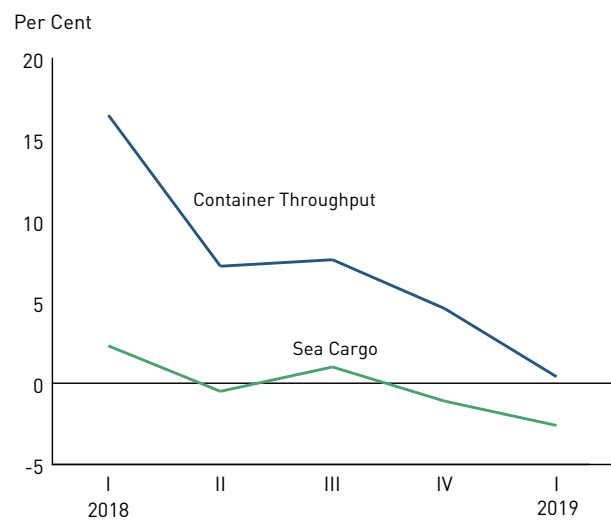


TRANSPORTATION & STORAGE

The transportation & storage sector grew by 0.8 per cent year-on-year in the first quarter, extending the growth of 0.5 per cent in the previous quarter. Growth was mainly supported by the air transport segment.

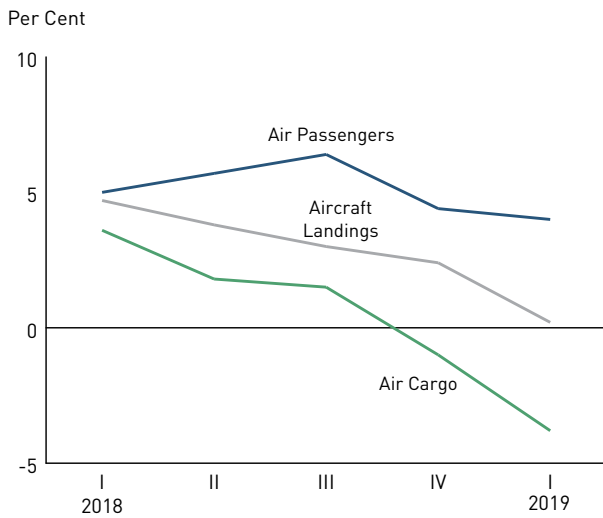
The water transport segment was weighed down by a 2.6 per cent drop in the volume of sea cargo handled in the first quarter, which was larger than the 1.1 per cent decline recorded in the previous quarter (Exhibit 2.6). The lower volume of sea cargo handled came on the back of a slowdown in container throughput growth at Singapore's ports, from 4.6 per cent in the fourth quarter of last year to 0.4 per cent in the first quarter, in line with the slower growth in global container trade flows.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



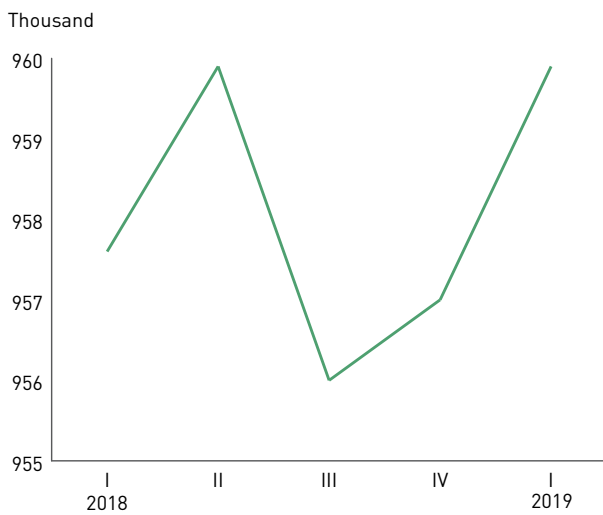
On the other hand, the air transport segment was bolstered by a 4.0 per cent increase in the volume of air passenger traffic handled at Changi Airport, extending the 4.4 per cent increase registered in the previous quarter (Exhibit 2.7). The rise in air passenger traffic volume was underpinned by robust growth on routes to and from Changi Airport's key markets, including China, Oceania and Europe. Meanwhile, total air cargo shipments handled at Changi Airport fell by 3.8 per cent in the first quarter, extending the 1.0 per cent contraction in the preceding quarter. By contrast, the number of aircraft landings rose slightly by 0.2 per cent to reach 47,496 in the first quarter, following the 2.4 per cent increase in the previous quarter.

Exhibit 2.7: Changes in Air Transport



As of March 2019, the total number of motor vehicles registered with the Land Transport Authority was 959,864, representing a 0.2 per cent increase from a year ago (Exhibit 2.8). These comprised 553,412 private and company cars, 68,035 rental cars, 20,061 taxis, 19,461 buses, 137,908 motorcycles and scooters, and 160,987 goods vehicles & other vehicle types.

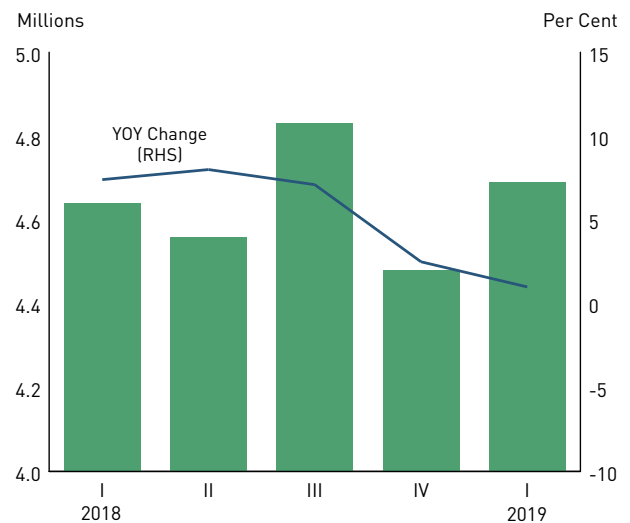
Exhibit 2.8: Motor Vehicles Registered



ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector expanded by 1.8 per cent year-on-year in the first quarter, moderating from the 3.5 per cent growth in the preceding quarter. The sector's performance was bolstered by the accommodation segment, which was in turn supported by an increase in visitor arrivals during the quarter.

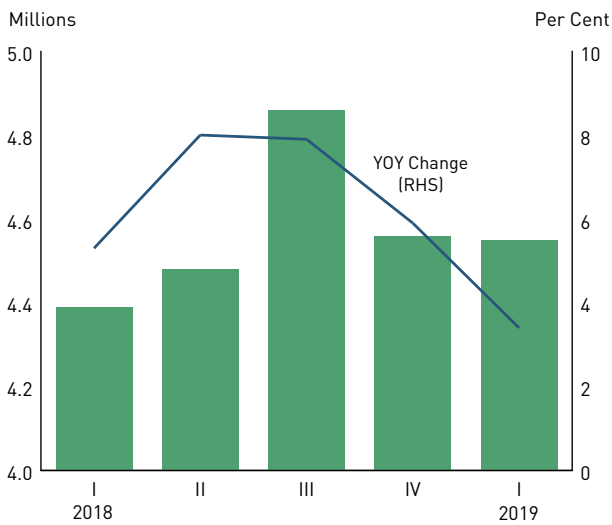
Exhibit 2.9: Visitor Arrivals



Total visitor arrivals rose by 1.0 per cent in the first quarter, moderating from the 2.5 per cent growth in the previous quarter (Exhibit 2.9). The increase in visitor arrivals was led by inbound markets such as China, Germany and the United States, which recorded growth of 3.0 per cent, 19 per cent and 8.7 per cent respectively. On the other hand, visitor arrivals from Indonesia and Australia contracted by 3.0 per cent and 1.0 per cent respectively, following declines of 1.3 per cent and 1.1 per cent in the previous quarter.

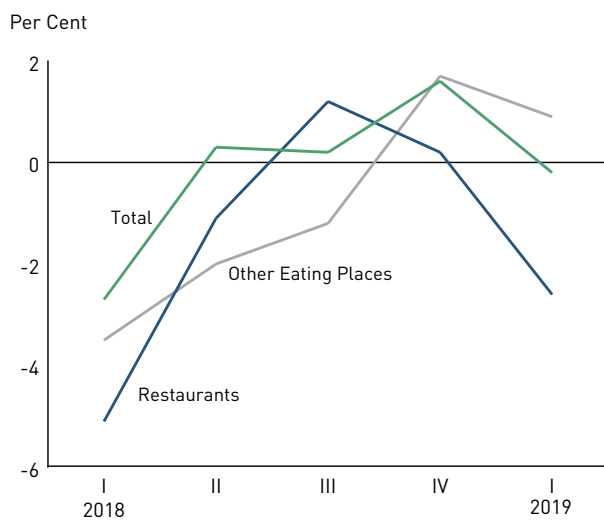
In tandem with the increase in visitor arrivals, gross lettings at gazetted hotels rose by 3.4 per cent in the first quarter, extending the 5.9 per cent increase in the preceding quarter (Exhibit 2.10). As the rise in gross lettings was outstripped by a 4.0 per cent increase in available room-nights over the same period, the average occupancy rate of gazetted hotels fell by 0.5 percentage-point on a year-on-year basis to reach 85.7 per cent in the first quarter.

Exhibit 2.10: Gross Lettings at Gazetted Hotels



On the other hand, the food services segment remained subdued in the first quarter. The overall volume of food & beverage sales fell marginally by 0.2 per cent during the quarter, a pullback from the 1.6 per cent expansion in the fourth quarter (Exhibit 2.11). This was due to the weak performance of restaurants and food caterers. Specifically, the sales volumes of restaurants and food caterers declined by 2.6 per cent and 3.0 per cent respectively in the first quarter. By contrast, the sales volumes of fast food outlets and other eating places rose by 6.6 per cent and 0.9 per cent respectively over the same period, thus providing some support to the food services segment.

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

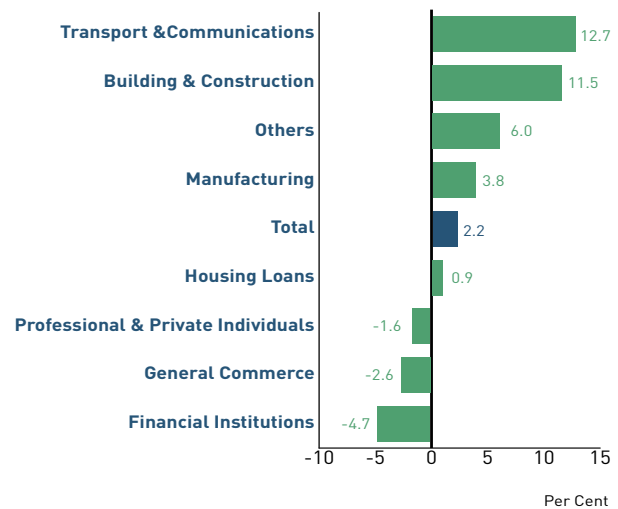


FINANCE & INSURANCE

The finance & insurance sector grew by 3.2 per cent year-on-year in the first quarter, extending the 3.7 per cent growth in the preceding quarter. Growth was largely driven by continued expansions in the “others”² and insurance segments. By contrast, financial intermediation, foreign exchange trading and securities dealing activities registered deeper contractions compared to the previous quarter.

In the financial intermediation segment, Asian Currency Unit (ACU) non-bank lending slowed, growing by 1.9 per cent year-on-year in the first quarter compared to the average increase of 7.5 per cent in the second 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 2.2 per cent, compared to the 3.8 per cent average in the second half of 2018 (Exhibit 2.12). Notably, loans to non-bank financial institutions, general commerce and professional & private individuals contracted amidst weakening domestic and external demand.

Exhibit 2.12: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 1Q 2019



At the same time, firm regional demand supported growth in the insurance segment, while the increasing adoption of electronic payments bolstered the performance of payments network players. Meanwhile, sentiment-sensitive segments such as forex and securities dealing activities were weighed down by increased external economic uncertainties and rising trade tensions between the US and China.

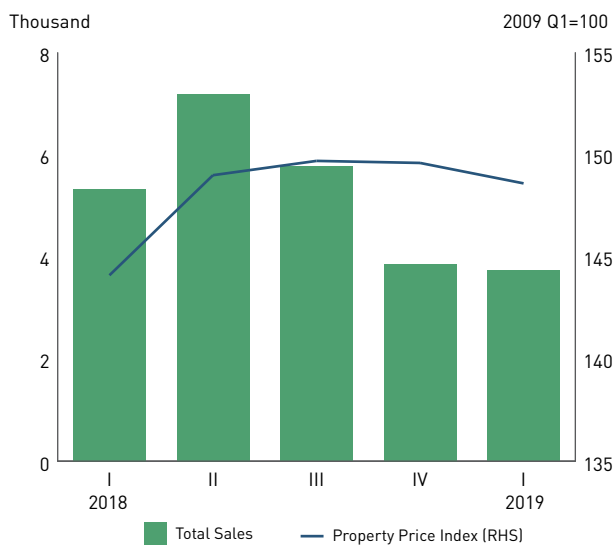
2 The “others” segment includes payment players and money-changing services.

BUSINESS SERVICES

The business services sector expanded by 2.3 per cent year-on-year in the first quarter, easing from the 2.6 per cent growth in the preceding quarter. Growth was primarily driven by the professional services segment, which benefitted from sustained growth in economic activities domestically and in the region. The real estate segment also contributed positively to the sector's growth in the first quarter.

In terms of private residential space, property prices fell by 0.7 per cent on a quarter-on-quarter basis in the first quarter, extending the 0.1 per cent decline in the previous quarter. In tandem with the decrease in prices, private residential property sales volumes remained lacklustre. Sales transactions of private residential units fell by 30 per cent year-on-year in the first quarter, extending the 38 per cent decline in the previous quarter (Exhibit 2.13).

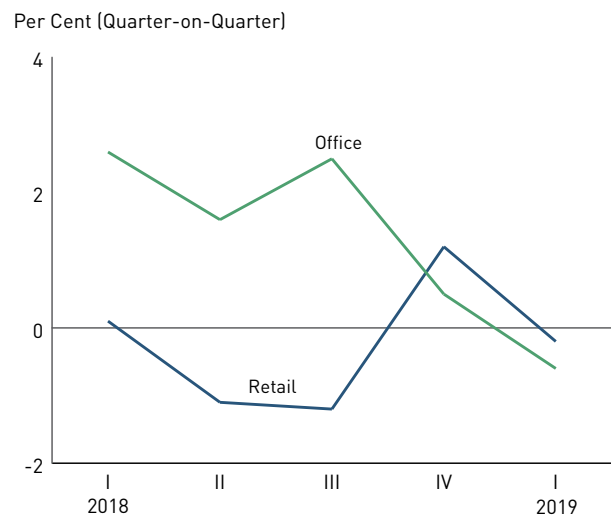
Exhibit 2.13: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



Within the commercial space segment, the private retail space market was stable. Retail rentals eased marginally by 0.2 per cent on a quarter-on-quarter basis in the first quarter, compared to the 1.2 per cent increase in the previous quarter (Exhibit 2.14). Meanwhile, the average occupancy rate of private retail space held firm at 90 per cent, similar to the preceding quarter.

As for the office space market, rentals for private office space fell by 0.6 per cent on a quarter-on-quarter basis in the first quarter, reversing the 0.5 per cent increase in the previous quarter. Nevertheless, the demand for office space remained healthy, with the average occupancy rate of private office space holding steady at 87 per cent in the first quarter.

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



The private industrial space market remained resilient, as overall rentals were unchanged from the previous quarter. The occupancy rates of private sector multiple-user factory space and private sector warehouse space stood at 88 per cent and 89 per cent respectively in the first quarter, largely unchanged from the previous quarter's rates of 87 per cent and 89 per cent respectively (Exhibit 2.15).

Exhibit 2.15: Occupancy Rate and Rental Growth of Private Sector Industrial Space

