



Image courtesy of Infineon Singapore



CHAPTER 2

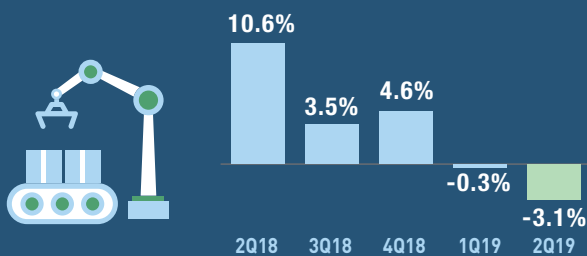
SECTORAL PERFORMANCE

CHAPTER 2

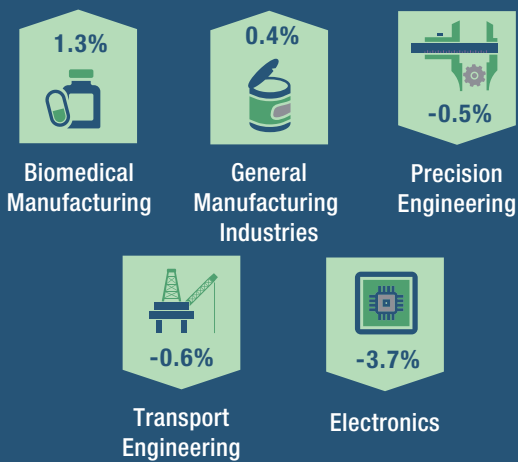
SECTORAL PERFORMANCE

MANUFACTURING

REAL GROWTH

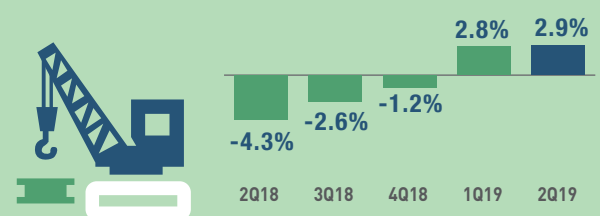


CLUSTERS IN MANUFACTURING SECTOR %-POINT CONTRIBUTION IN 2Q19

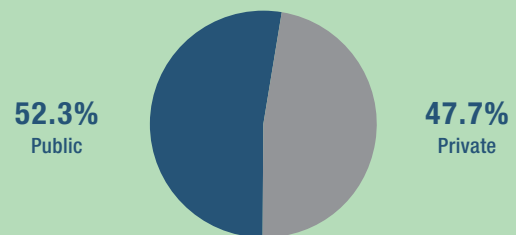


CONSTRUCTION

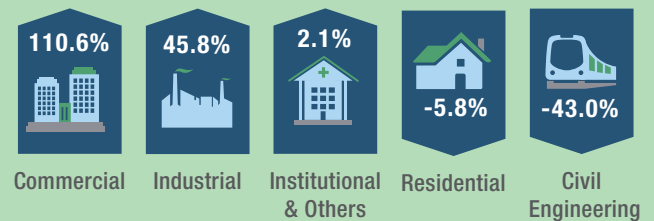
REAL GROWTH



CERTIFIED PAYMENTS IN 2Q19

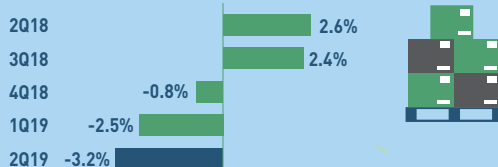


CONTRACTS AWARDED IN 2Q19



WHOLESALE & RETAIL TRADE

REAL GROWTH



WHOLESALE TRADE

Real NORX Growth



Real NODX Growth



RETAIL TRADE

Retail Sales Index Growth
(Non-Motor Vehicles)

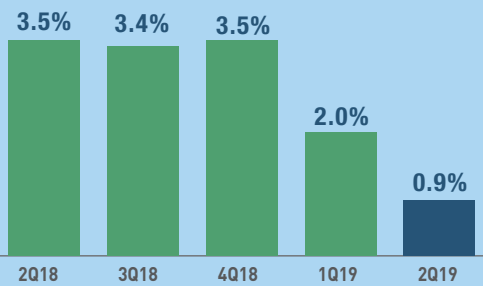


Retail Sales Index Growth
(Motor Vehicles)



ACCOMMODATION & FOOD SERVICES

REAL GROWTH



ACCOMMODATION

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



Luxury
0.5%-pt



Upscale
-0.5%-pt



Mid-tier
0.8%-pt



Economy
-2.5%-pt

FOOD SERVICES

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



Fast Food
5.5%



Others
1.9%



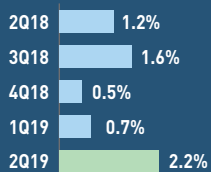
Restaurants
1.0%



Food Caterers
-1.4%

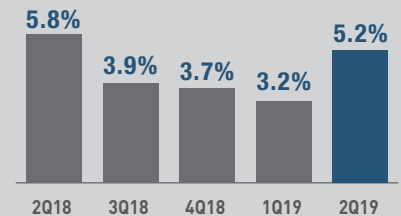
TRANSPORTATION & STORAGE

REAL GROWTH



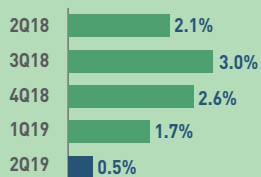
FINANCE & INSURANCE

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 2Q19

Loans to Businesses



Consumer Loans



OVERVIEW

In the second quarter of 2019,

- The manufacturing sector contracted by 3.1 per cent, steeper than the 0.3 per cent decline in the previous quarter. The sector was weighed down mainly by output declines in the electronics, transport engineering and precision engineering clusters, which more than offset output expansions in the biomedical manufacturing and general manufacturing clusters.
- The construction sector grew by 2.9 per cent, extending the 2.8 per cent growth in the preceding quarter. The increase in construction output during the quarter was due to public sector construction works.
- The wholesale & retail trade sector shrank by 3.2 per cent, worsening from the 2.5 per cent decline in the previous quarter. Both the wholesale trade and retail trade segments saw contractions during the quarter.
- The transportation & storage sector expanded at a faster pace of 2.2 per cent, compared to the 0.7 per cent growth in the previous quarter, with both the water transport and air transport segments posting moderate growth during the quarter.
- Growth in the accommodation & food services sector slowed to 0.9 per cent, from 2.0 per cent in the preceding quarter. Both the accommodation and food services segments expanded during the quarter.
- The finance & insurance sector grew by 5.2 per cent, accelerating from the 3.2 per cent growth in the previous quarter. Growth was driven by continued expansions in payments-related activities and a modest improvement in financial intermediation.
- The business services sector expanded at a slower pace of 0.5 per cent compared to the 1.7 per cent expansion recorded in the previous quarter. Growth during the quarter was supported by the professional services segment.

MANUFACTURING

The manufacturing sector contracted by 3.1 per cent year-on-year in the second quarter, sharper than the 0.3 per cent contraction in the preceding quarter (Exhibit 2.1). Manufacturing output during the quarter was weighed down mainly by output declines in the electronics, transport engineering and precision engineering clusters. By contrast, the biomedical manufacturing and general manufacturing clusters saw an increase in output (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate

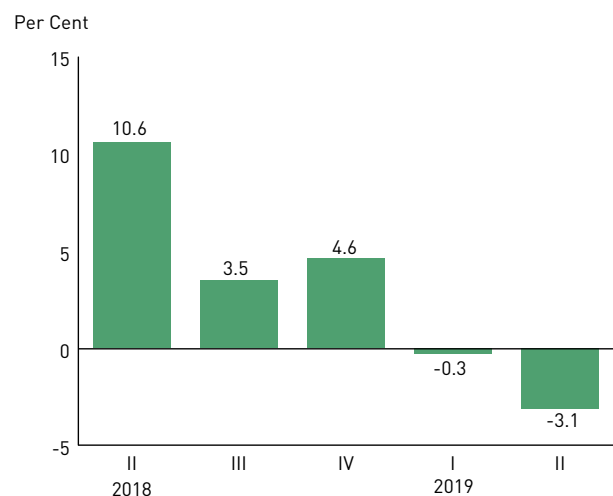
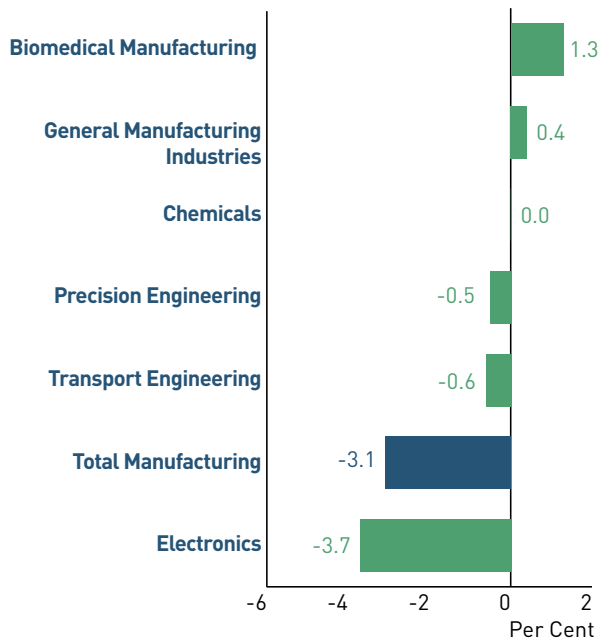


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 2Q 2019



The biomedical manufacturing cluster expanded by 7.3 per cent in the second quarter. In particular, output in the pharmaceuticals segment rose by 9.0 per cent on the back of a higher level of production of pharmaceutical and biological products. At the same time, the medical technology segment grew by 2.5 per cent on account of steady export demand for medical devices.

Output in the general manufacturing cluster rose by 4.6 per cent in the second quarter. Growth of the cluster was driven by a 12 per cent increase in the output of the food, beverages & tobacco segment, which more than offset output declines in the printing and miscellaneous industries segments. Specifically, the performance of the food, beverages & tobacco segment was boosted by a higher level of production of infant milk and beverage products.

The chemicals cluster's output decreased slightly by 0.3 per cent in the second quarter on the back of a 7.4 per cent contraction in the petrochemicals segment, largely due to plant maintenance shutdowns. By contrast, the other chemicals and specialty chemicals segments grew by 5.9 per cent and 1.8 per cent respectively. In particular, the other chemicals segment recorded an increase in the output of fragrances.

Output in the precision engineering cluster fell by 3.4 per cent in the second quarter due to a decline in the output of the machinery & systems segment. Specifically, the machinery & systems segment contracted by 11 per cent on account of a fall in the output of industrial process control and semiconductor-related equipment. On the other hand, the precision modules & components segment provided some support to the cluster, growing by 10 per cent on the back of a higher level of production of optical products.

The transport engineering cluster's output declined by 5.0 per cent in the second quarter. The performance of the cluster was weighed down by the marine & offshore engineering segment, which saw its output fall by 23 per cent on account of a lower level of offshore and shipbuilding & repairing activity, as well as a high base in the same period a year ago. By contrast, the aerospace segment expanded by 13 per cent, supported by more repair and maintenance jobs from commercial airlines.

The electronics cluster contracted by 10 per cent in the second quarter. This was largely due to a 11 per cent fall in output in the semiconductors segment, which came on the back of a slump in global semiconductor demand. The latter was in turn due to weak demand conditions in major end-markets such as the smartphone and PC markets, as well as heightened uncertainty arising from the US-China trade conflict. At the same time, the computer peripherals and infocomms & consumer electronics segments recorded output declines of 20 per cent and 6.9 per cent respectively. By contrast, the data storage and other electronic modules & components segments grew by 4.9 per cent and 2.7 per cent respectively.

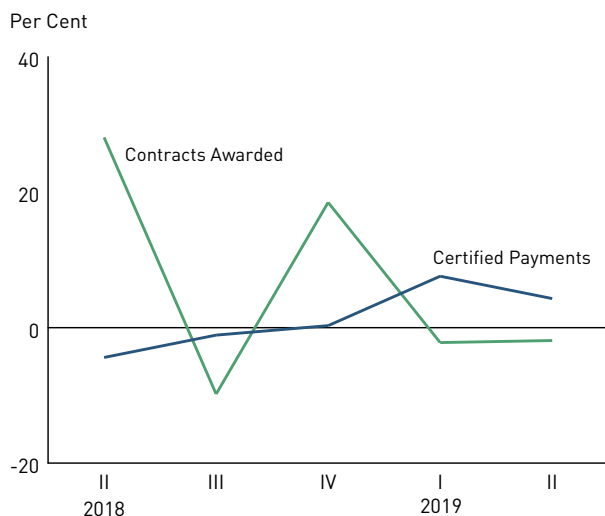
CONSTRUCTION

The construction sector expanded by 2.9 per cent year-on-year in the second quarter, extending the 2.8 per cent growth in the previous quarter. Growth was supported by public sector construction works.

Nominal certified progress payments (a proxy for construction output) rose by 4.3 per cent in the second quarter, extending the 7.6 per cent increase in the previous quarter (Exhibit 2.3). Construction output during the quarter was bolstered by public certified progress payments (13 per cent), which was in turn driven by an increase in public civil engineering works (26 per cent), public industrial building works (44 per cent) and public institutional & others works (4.6 per cent). On the other hand, private certified progress payments fell (-3.7 per cent), mainly due to lower levels of private industrial building works (-13 per cent) and private commercial building works (-6.1 per cent).

Meanwhile, construction demand in terms of contracts awarded declined by 1.9 per cent in the second quarter, extending the 2.2 per cent drop in the previous quarter (Exhibit 2.3). The decline in construction demand was due to lower public sector construction demand (-31 per cent), which came on the back of a fall in demand for public civil engineering works (-63 per cent) and public residential building works (-26 per cent). By contrast, private sector construction demand expanded by 49 per cent, accelerating from the 22 per cent increase in the previous quarter. The increase was mainly due to a larger value of contracts awarded for private civil engineering works (375 per cent) and private industrial building works (60 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

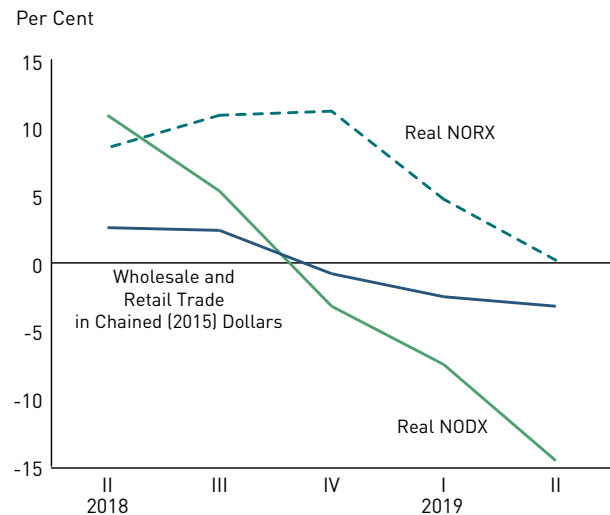


WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector shrank by 3.2 per cent year-on-year in the second quarter, steeper than the 2.5 per cent decline in the previous quarter. The performance of the sector was dragged down by both the wholesale trade and retail trade segments.

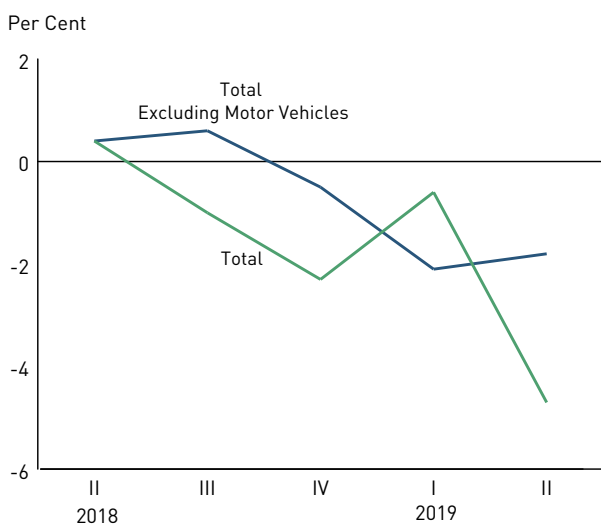
The wholesale trade segment contracted on the back of weaker non-oil domestic export volumes in Singapore, as the latter fell by 15 per cent in the second quarter, worsening from the 7.5 per cent decline in the previous quarter (Exhibit 2.4). The fall in overall NODX volume was primarily driven by weaker domestic exports of machinery & equipment, including electronics. On the other hand, the growth of non-oil re-exports (NORX) in volume terms was flat (0.2 per cent) in the second quarter, slowing from the 4.7 per cent expansion in the first quarter. While overall NORX volume was supported by growth in the re-exports of machinery & equipment as well as chemicals & chemical products, this was largely offset by the lower re-export volumes of miscellaneous manufactured goods.

Exhibit 2.4: Changes in Wholesale & Retail Trade in Chained (2015) Dollars, Real NODX and Real NORX



For the retail trade segment, overall retail sales volume declined by 4.7 per cent in the second quarter, worsening from the 0.6 per cent drop in the previous quarter. Retail sales volume was weighed down by a 17 per cent fall in motor vehicle sales on the back of lower COE quotas. Meanwhile, non-motor vehicle retail sales volume contracted by 1.8 per cent, led by a fall in the sales of furniture & household equipment (-8.5 per cent), computers & telecommunications equipment (-5.1 per cent) and supermarkets & hypermarkets (-1.3 per cent).

Exhibit 2.5: Changes in Retail Sales Index at Constant Prices

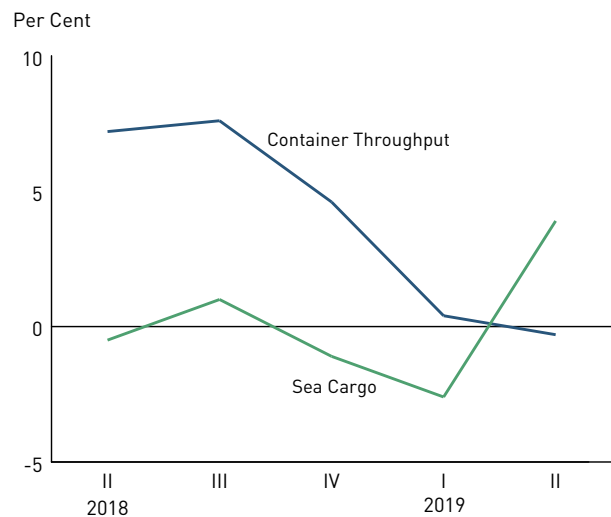


TRANSPORTATION & STORAGE

The transportation & storage sector grew by 2.2 per cent year-on-year in the second quarter, faster than the growth of 0.7 per cent in the previous quarter. Growth was supported by the water transport and air transport segments.

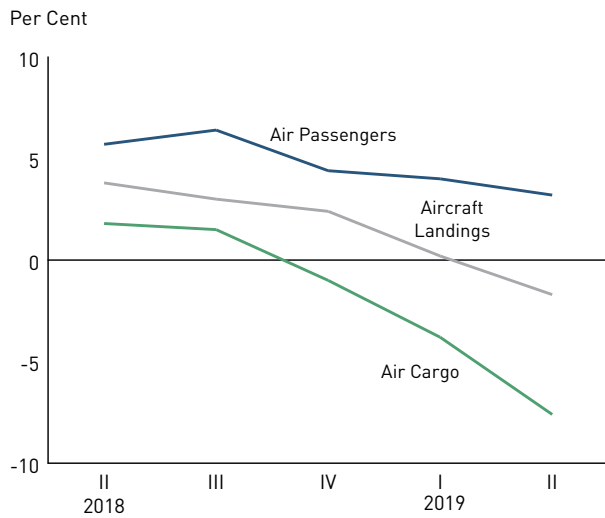
For the water transport segment, the volume of sea cargo handled increased by 3.9 per cent in the second quarter, a reversal from the 2.6 per cent decline recorded in the previous quarter (Exhibit 2.6). The higher volume of sea cargo handled came on the back of a 17 per cent increase in the volume of oil-in-bulk cargo handed at Singapore's ports, which more than offset a 0.3 per cent decline in container throughput.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



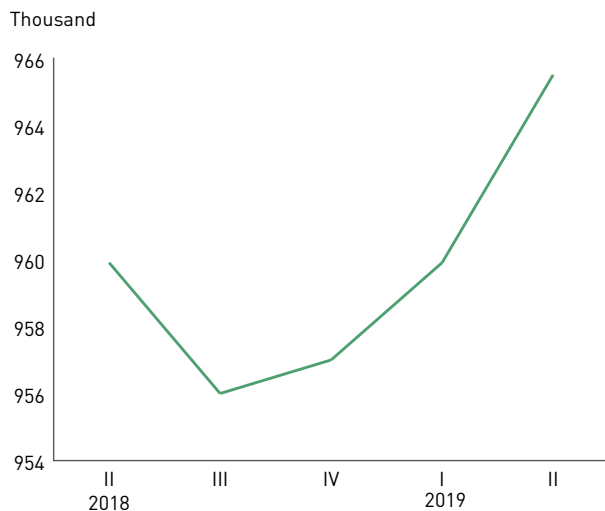
Meanwhile, the air transport segment was bolstered by a 3.2 per cent increase in the volume of air passenger traffic handled at Changi Airport, although this was a moderation from the 4.0 per cent increase registered in the previous quarter (Exhibit 2.7). The rise in air passenger traffic volume was underpinned by robust growth on routes to and from Changi Airport's key markets, including China, Oceania and Europe. On the other hand, total air cargo shipments handled at Changi Airport fell by 7.6 per cent in the second quarter, weakening from the 3.8 per cent contraction in the preceding quarter. The number of aircraft landings also declined by 1.7 per cent to reach 47,253 in the second quarter, reversing the 0.2 per cent increase in the previous quarter.

Exhibit 2.7: Changes in Air Transport



As of June 2019, the total number of motor vehicles registered with the Land Transport Authority was 965,547, representing a 0.6 per cent increase from a year ago (Exhibit 2.8). These comprised 555,611 private and company cars, 71,180 rental cars, 19,478 taxis, 19,527 buses, 138,772 motorcycles and scooters, and 160,979 goods vehicles & other vehicle types.

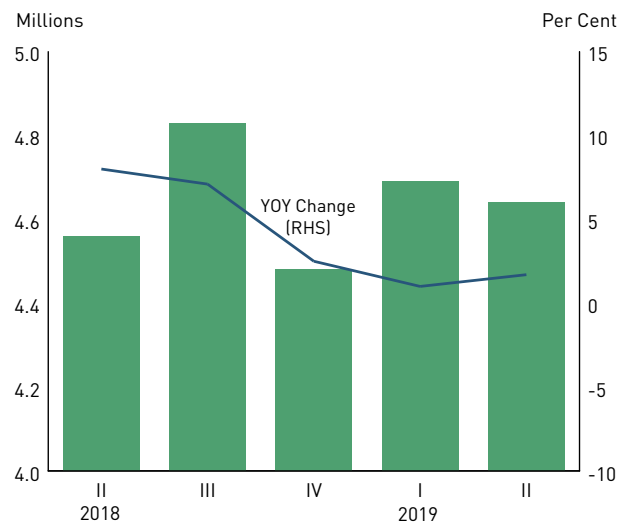
Exhibit 2.8: Motor Vehicles Registered



ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector expanded by 0.9 per cent year-on-year in the second quarter, slowing from the 2.0 per cent growth in the preceding quarter. The sector's expansion was supported by both the accommodation and food services segments.

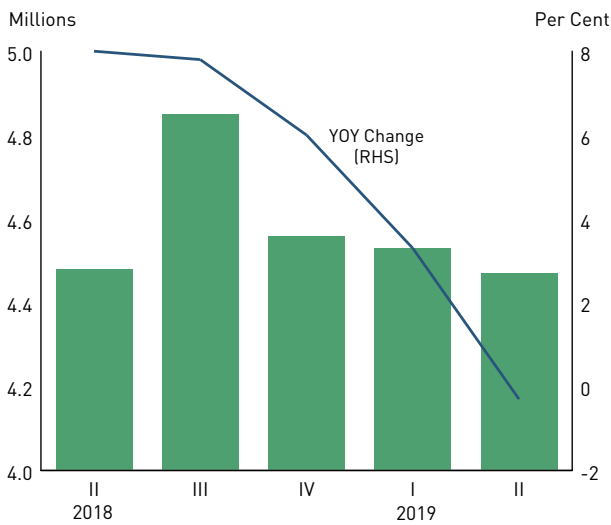
Exhibit 2.9: Visitor Arrivals



Total visitor arrivals rose by 1.7 per cent in the second quarter, improving from the 1.0 per cent growth in the previous quarter (Exhibit 2.9). The increase in visitor arrivals was led by inbound markets such as China, Japan and the United States, which recorded growth of 6.7 per cent, 15 per cent and 12 per cent respectively.

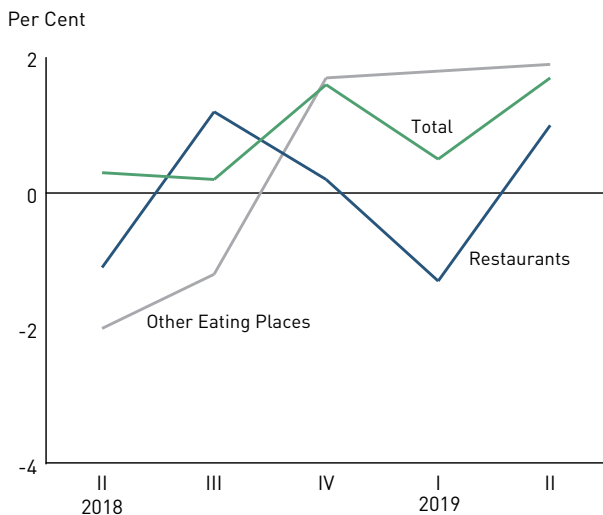
Despite the higher number of visitor arrivals, gross lettings at gazetted hotels fell marginally by 0.3 per cent in the second quarter, a reversal from the 3.3 per cent increase in the preceding quarter (Exhibit 2.10). As gross lettings fell and available room-nights rose by 0.1 per cent over the same period, the average occupancy rate of gazetted hotels dipped by 0.3 percentage-point on a year-on-year basis to reach 84.1 per cent in the second quarter.

Exhibit 2.10: Gross Lettings at Gazetted Hotels



The food services segment expanded in the second quarter, as food & beverage sales volume rose by 1.7 per cent, faster than the 0.5 per cent expansion in the first quarter (Exhibit 2.11). Higher sales volume was seen for fast food outlets (5.5 per cent), other eating places (1.9 per cent) and restaurants (1.0 per cent) during the quarter. On the other hand, the sales volume of food caterers fell by 1.4 per cent over the same period.

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

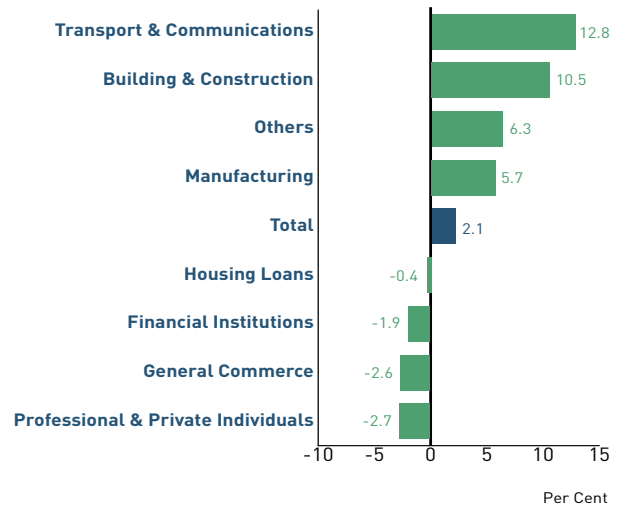


FINANCE & INSURANCE

The finance & insurance sector grew by 5.2 per cent year-on-year in the second quarter, faster than the 3.2 per cent growth posted in the preceding quarter. Growth was largely driven by continued expansions in payment processing services. Financial intermediation and sentiment-sensitive segments like fund management and foreign exchange trading also saw growth pick up slightly compared to the previous quarter, even as growth in the insurance segment moderated.

In the financial intermediation segment, Asian Currency Unit (ACU) non-bank lending rose by a faster 6.1 per cent in the second quarter, supported by an uplift in demand from Asia, which more than offset weakness in the Americas. Growth of Domestic Banking Unit (DBU) non-bank lending stabilised at 2.1 per cent in the second quarter, comparable to the 2.2 per cent registered in the preceding quarter, helped by a pickup in loans to businesses (Exhibit 2.12). Notably, growth in loans to the building & construction sector remained firm, outweighing the declines seen in loans to non-bank financial institutions and general commerce.

Exhibit 2.12: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 2Q 2019



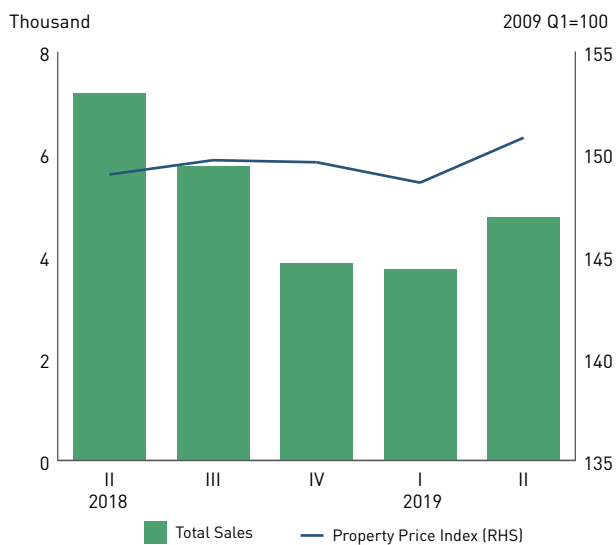
Meanwhile, the fund management and foreign exchange trading segments turned around amidst improved investor sentiment after the US Federal Reserve indicated its willingness to ease policy. At the same time, growth in the insurance segment moderated, reflecting a slower expansion in life insurance services.

BUSINESS SERVICES

The business services sector expanded by 0.5 per cent year-on-year in the second quarter, moderating from the 1.7 per cent growth in the preceding quarter. Growth was primarily driven by the professional services segment, which expanded on the back of sustained demand for its services domestically and in the region.

On the other hand, the real estate segment contracted in the second quarter. This was partly due to a decline in the sales transactions of private residential units during the quarter. Specifically, private residential property sales volume fell by 34 per cent year-on-year, extending the 30 per cent decline in the previous quarter. By contrast, private residential property prices rose by 1.5 per cent on a quarter-on-quarter basis in the second quarter, a turnaround from the 0.7 per cent decline in the previous quarter (Exhibit 2.13).

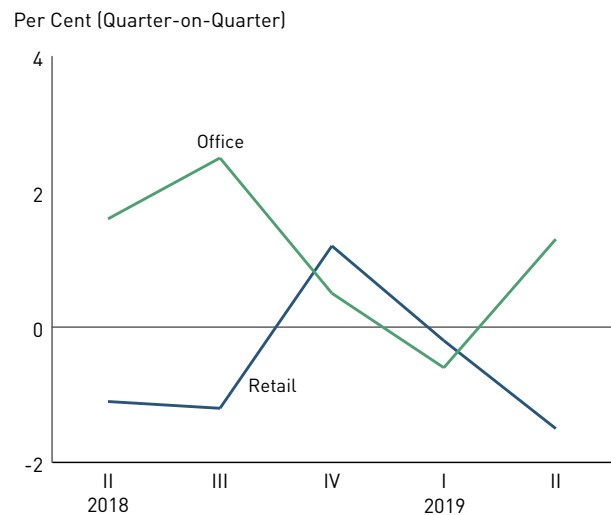
Exhibit 2.13: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



For the private retail space market, rentals fell by 1.5 per cent on a quarter-on-quarter basis in the second quarter, extending the 0.2 per cent decline in the previous quarter (Exhibit 2.14). Meanwhile, the average occupancy rate of private retail space rose marginally to 91 per cent in the second quarter, from 90 per cent in the first quarter.

By contrast, rentals for private office space increased by 1.3 per cent on a quarter-on-quarter basis in the second quarter, a reversal from the 0.6 per cent decline in the previous quarter. The average occupancy rate of private office space came in at 88 per cent in the second quarter, inching up slightly from the 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 stable, as rentals rose marginally by 0.1 per cent on a quarter-on-quarter basis in the second quarter, similar to the 0.0 per cent growth in the previous quarter. The occupancy rates for private sector multiple-user factory space and private sector multiple-user factory space and private sector warehouse space stood at 87 per cent and 89 per cent respectively in the second quarter, largely unchanged from the previous quarter's rates of 88 per cent and 89 per cent respectively.

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

