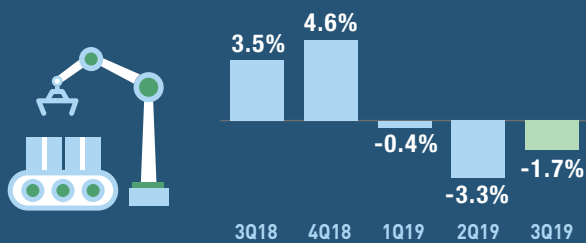


CHAPTER 2

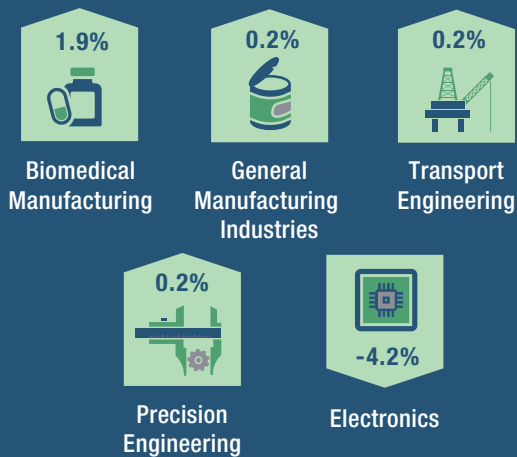
SECTORAL PERFORMANCE

MANUFACTURING

REAL GROWTH

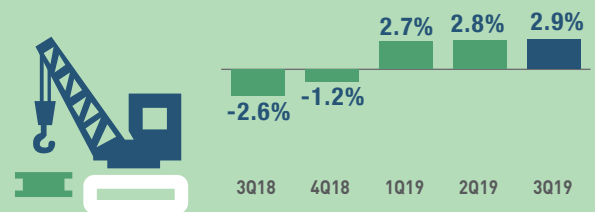


CLUSTERS IN MANUFACTURING SECTOR %-POINT CONTRIBUTION IN 3Q19



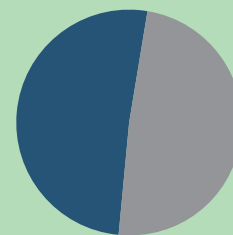
CONSTRUCTION

REAL GROWTH



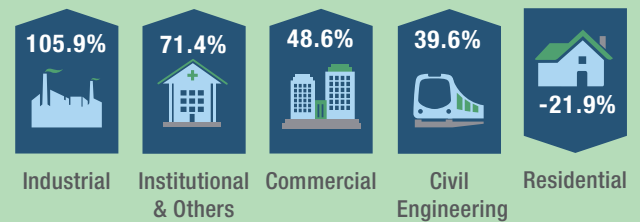
CERTIFIED PAYMENTS IN 3Q19

50.9%
Public



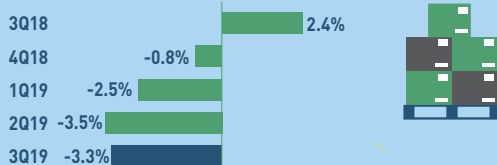
49.1%
Private

CONTRACTS AWARDED IN 3Q19



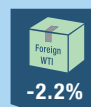
WHOLESALE & RETAIL TRADE

REAL GROWTH

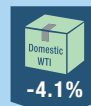


WHOLESALE TRADE

Foreign Wholesale
Trade Index Growth



Domestic Wholesale
Trade Index Growth



RETAIL TRADE

Retail Sales Index Growth
(Non-Motor Vehicles)

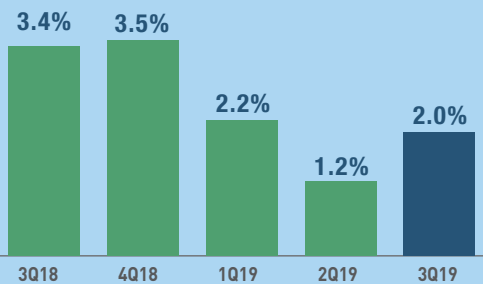


Retail Sales Index Growth
(Motor Vehicles)



ACCOMMODATION & FOOD SERVICES

REAL GROWTH



ACCOMMODATION

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



Luxury
0.3%-pt



Upscale
0.2%-pt



Mid-Tier
2.5%-pt



Economy
1.7%-pt

FOOD SERVICES

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



Fast Food
7.8%



Restaurants
1.8%



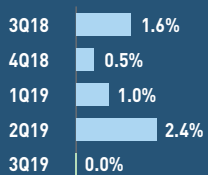
Others
0.6%



Food Caterers
-1.6%

TRANSPORTATION & STORAGE

REAL GROWTH



Total Sea
Cargo Handled
Growth



Motor Vehicle
Population
Growth

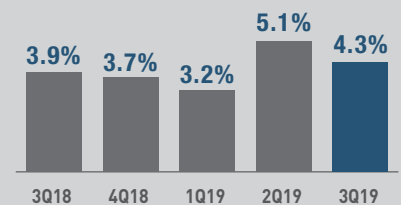


Air
Passengers
Handled
Growth



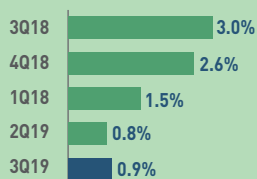
FINANCE & INSURANCE

REAL GROWTH



BUSINESS SERVICES

REAL GROWTH



PRIVATE RESIDENTIAL REAL ESTATE



Price Index
(Q-O-Q Change)

GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 3Q19

Loans to
Businesses



Consumer
Loans



OVERVIEW

In the third quarter of 2019,

- The manufacturing sector contracted by 1.7 per cent, improving from the 3.3 per cent decline in the previous quarter. The sector was weighed down by a decline in the output of the electronics cluster, which more than offset the output increases in the remaining clusters.
- The construction sector grew by 2.9 per cent, slightly faster than the 2.8 per cent growth 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 3.3 per cent, extending the 3.5 per cent contraction in the previous quarter. The contraction of the sector was driven by both the wholesale trade and retail trade segments.
- The transportation & storage sector registered flat growth, easing from the 2.4 per cent expansion in the previous quarter. Within the sector, the air transport segment continued to expand, even as the water transport segment contracted.
- Growth in the accommodation & food services sector accelerated to 2.0 per cent, from 1.2 per cent in the preceding quarter. Both the accommodation and food services segments expanded during the quarter.
- The finance & insurance sector grew by 4.3 per cent, extending the 5.1 per cent growth in the previous quarter, underpinned by firm demand for payments-related activities.
- The business services sector posted growth of 0.9 per cent, comparable to the 0.8 per cent recorded in the previous quarter, driven by healthy growth in the professional services segment.

MANUFACTURING

The manufacturing sector shrank by 1.7 per cent year-on-year in the third quarter, improving from the 3.3 per cent decline in the preceding quarter (Exhibit 2.1). The sector's performance was dragged down by a decline in the output of the electronics cluster. The other clusters of the sector all recorded output expansions (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate

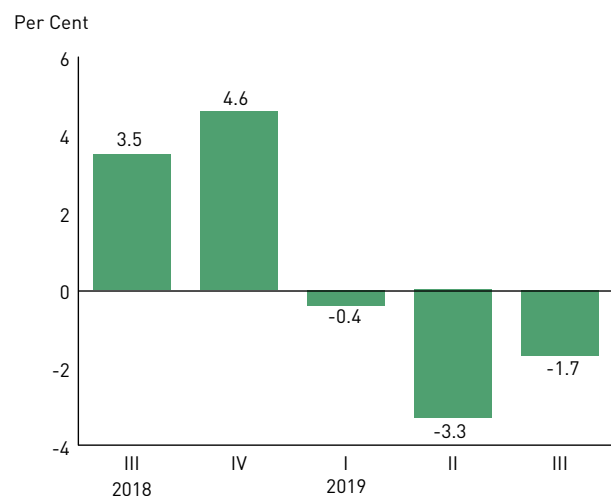
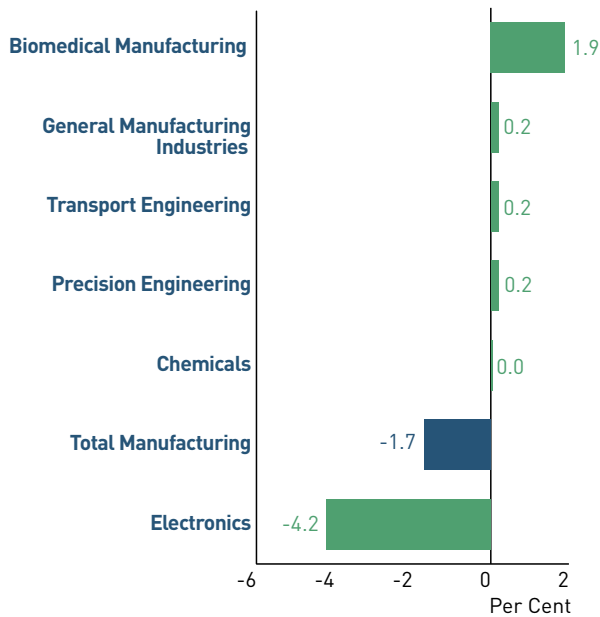


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 3Q 2019



The biomedical manufacturing cluster's output rose by 10 per cent in the third quarter, supported by robust output expansions in both the pharmaceuticals and medical technology segments. In the pharmaceuticals segment, output rose by 11 per cent due to a higher level of production of active pharmaceutical ingredients. As for the medical technology segment, output increased by 9.2 per cent on the back of higher export demand for medical devices.

The general manufacturing cluster expanded by 2.4 per cent in the third quarter. Growth was driven by the miscellaneous industries segment, which grew by 5.9 per cent due to a higher level of production of metal tanks & containers and wearing apparel, as well as the food, beverage & tobacco segment, which expanded by 1.7 per cent on account of an increase in the output of beverage products. By contrast, output in the printing segment continued to decline.

Output in the transport engineering cluster increased by 1.5 per cent in the third quarter, supported by a 21 per cent and 9.1 per cent expansion in output in the aerospace and land transport segments respectively. In particular, the robust performance of the aerospace segment was due to a higher volume of engine repair and maintenance work from commercial airlines. On the other hand, the marine & offshore engineering segment declined by 17 per cent on account of a lower level of offshore and shipbuilding & repairing activities.

In the third quarter, output in the precision engineering cluster rose by 1.3 per cent, bolstered by strong growth in the precision modules & components segment. Specifically, the segment grew by 9.6 per cent on the back of an increase in the output of optical products. By contrast, the machinery & systems segment contracted by 4.3 per cent as the output of semiconductor foundry equipment and refrigeration systems fell.

Output of the chemicals cluster increased by 0.5 per cent in the third quarter, supported by the other chemicals segment which expanded by 9.6 per cent on account of a higher level of output of fragrances. On the other hand, the cluster's growth was weighed down by output declines in the petrochemicals, specialty chemicals and petroleum segments, mainly due to scheduled maintenance shutdowns in some plants.

The electronics cluster contracted by 11 per cent in the third quarter. The poor outturn of the cluster was largely due to a 13 per cent fall in the output of the semiconductors segment on the back of soft global semiconductor demand. The latter was in turn due to weak demand conditions in key end-markets such as the smartphone and PC markets, which had been exacerbated by the uncertainty caused by the US-China trade tensions. Similarly, the computer peripherals and other electronic modules & components segments recorded output declines of 12 per cent and 13 per cent respectively. By contrast, the data storage and infocomms & consumer electronics segments grew by 14 per cent and 3.8 per cent respectively.

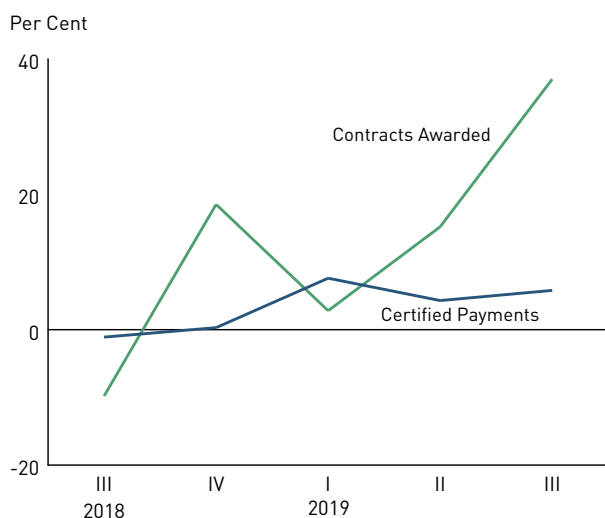
CONSTRUCTION

The construction sector grew by 2.9 per cent year-on-year in the third quarter, extending the 2.8 per cent growth in the previous quarter. Both public sector and private sector construction activities increased during the quarter.

In the third quarter, nominal certified progress payments (a proxy for construction output) rose by 5.8 per cent, faster than the 4.3 per cent increase in the previous quarter (Exhibit 2.3). The rise in construction output was partly supported by public certified progress payments (5.4 per cent), which was in turn driven by an expansion in public civil engineering works (11 per cent) and public industrial building works (34 per cent). Private certified progress payments also rose (6.3 per cent) during the quarter, largely due to an increase in private industrial building works (26 per cent) and private residential building works (8.1 per cent).

Meanwhile, construction demand in terms of contracts awarded expanded at a faster pace of 37 per cent in the third quarter, compared to the 15 per cent increase in the previous quarter (Exhibit 2.3). The expansion in overall construction demand was due to stronger public sector construction demand (116 per cent), which was in turn led by a surge in demand for public industrial building works (5,316 per cent) such as JTC's Integrated Business Park Development at Punggol Digital District, and institutional & others building works (78 per cent) such as SIT's centralised campus in Punggol. By contrast, private sector contracts awarded declined (-26 per cent) due to weaker demand for private residential building works (-36 per cent) and private industrial building works (-52 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments



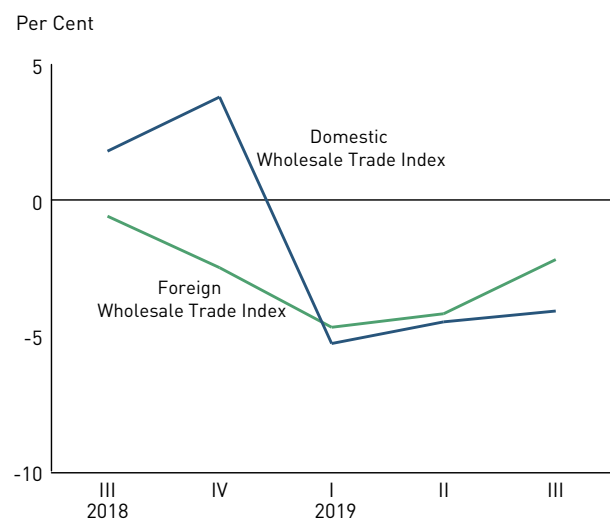
WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector shrank by 3.3 per cent year-on-year in the third quarter, extending the 3.5 per cent decline in the previous quarter. Both the wholesale trade and retail trade segments within the sector contracted during the quarter.

The wholesale trade segment was weighed down by foreign wholesale trade sales volumes (Exhibit 2.4), which declined by 2.2 per cent in the third quarter, extending the 4.2 per cent contraction in the previous quarter. The fall in foreign wholesale trade sales volumes was due to lower sales volumes of electronic components (-11 per cent), telecommunications & computers (-3.9 per cent) and "other wholesale trade"¹ (-12 per cent), which outweighed an increase in the sales volume of metals, timber & construction materials (7.3 per cent).

Likewise, domestic wholesale trade sales volumes shrank by 4.1 per cent in the third quarter, following the 4.5 per cent contraction in the previous quarter. The decline was largely due to lower sales volumes of electronic components (-37 per cent), metals, timber & construction materials (-11 per cent) and chemicals & chemical products (-8.2 per cent).

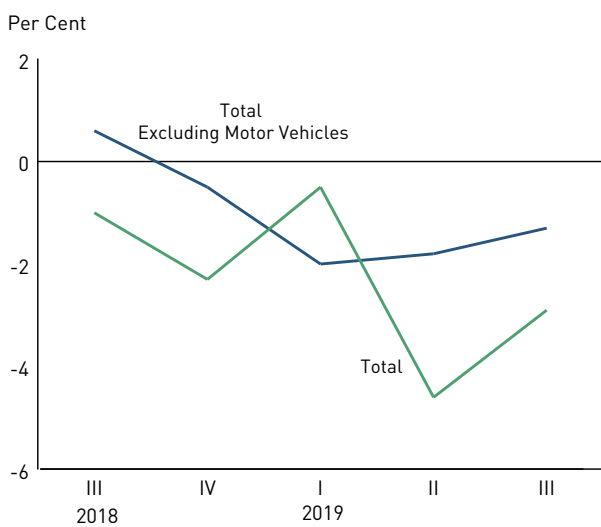
Exhibit 2.4: Changes in Changes in Wholesale Trade Index at Constant Prices



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 2.9 per cent in the third quarter, moderating from the 4.6 per cent drop in the previous quarter. Overall retail sales volume was weighed down by an 11 per cent fall in motor vehicle sales on the back of lower COE quotas. Non-motor vehicle retail sales volume also contracted by 1.3 per cent, led by a fall in the sales volumes of watches & jewellery (-15 per cent) and furniture & household equipment (-6.3 per cent).

Exhibit 2.5: Changes in Retail Sales Index at Constant Prices

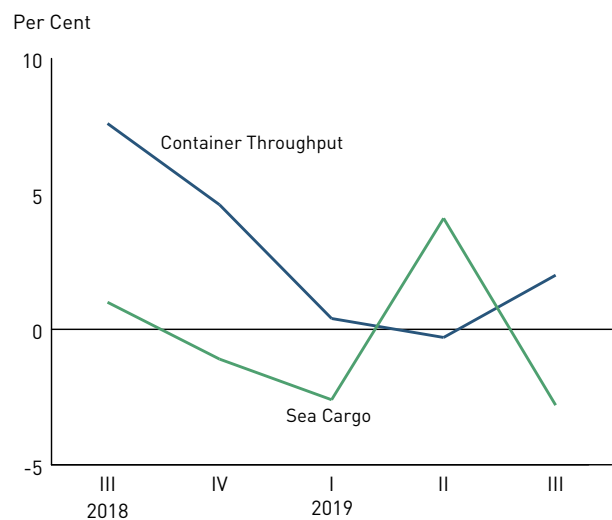


TRANSPORTATION & STORAGE

The transportation & storage sector registered flat growth year-on-year in the third quarter, easing from the 2.4 per cent growth in the previous quarter. Within the sector, the air transport segment continued to expand, even as the water transport segment contracted.

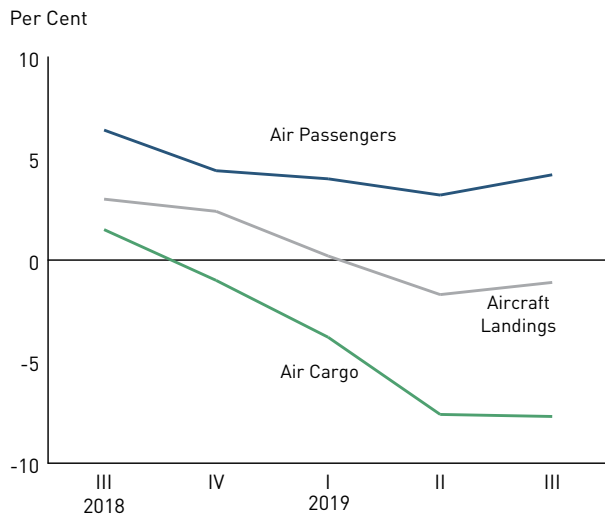
The water transport segment was weighed down by a fall in the volume of sea cargo handled. Specifically, the volume of sea cargo handled declined by 2.8 per cent in the third quarter, a reversal from the 4.1 per cent expansion recorded in the previous quarter (Exhibit 2.6). The lower volume of sea cargo handled was in turn due to a 7.8 per cent decline in the volume of oil-in-bulk cargo handed at Singapore’s ports, which more than offset a 2.0 per cent expansion in container throughput over the same period.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



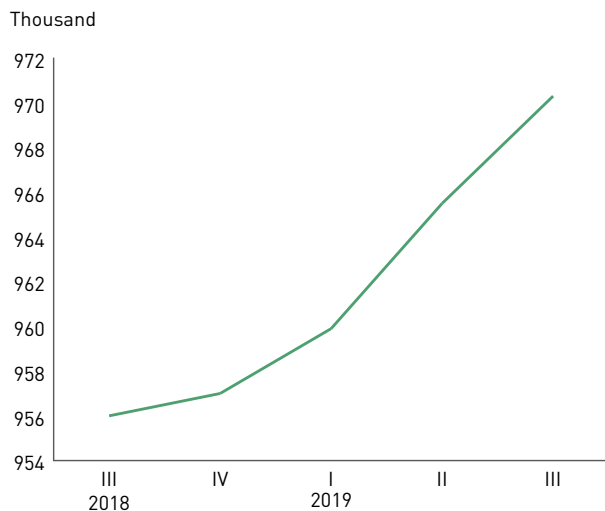
On the other hand, the air transport segment was bolstered by a 4.2 per cent increase in the volume of air passenger traffic handled at Changi Airport, which was higher than the increase of 3.2 per cent posted in the previous quarter (Exhibit 2.7). The rise in air passenger traffic volume was underpinned by robust growth on routes to and from Changi Airport’s key markets, including South-East Asia, China, Japan and Oceania. Meanwhile, total air cargo shipments handled at Changi Airport fell by 7.7 per cent in the third quarter, extending the 7.6 per cent contraction in the preceding quarter, likely due to the weakness in electronics exports. The number of aircraft landings also fell by 1.1 per cent to reach 47,966 in the third quarter, extending the 1.7 per cent decline in the previous quarter.

Exhibit 2.7: Changes in Air Transport



As of September 2019, the total number of motor vehicles registered with the Land Transport Authority was 970,344, representing a 1.5 per cent increase from a year ago (Exhibit 2.8). These comprised 555,823 private and company cars, 75,079 rental cars, 18,772 taxis, 19,598 buses, 139,741 motorcycles and scooters, and 161,331 goods vehicles & other vehicle types.

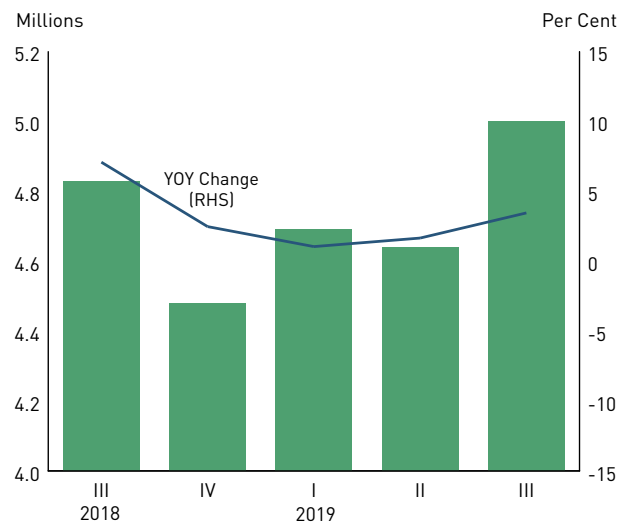
Exhibit 2.8: Motor Vehicles Registered



ACCOMMODATION & FOOD SERVICES

Growth in the accommodation & food services sector came in at 2.0 per cent year-on-year in the third quarter, higher than the 1.2 per cent in the preceding quarter. The sector's expansion was supported by both the accommodation and food services segments.

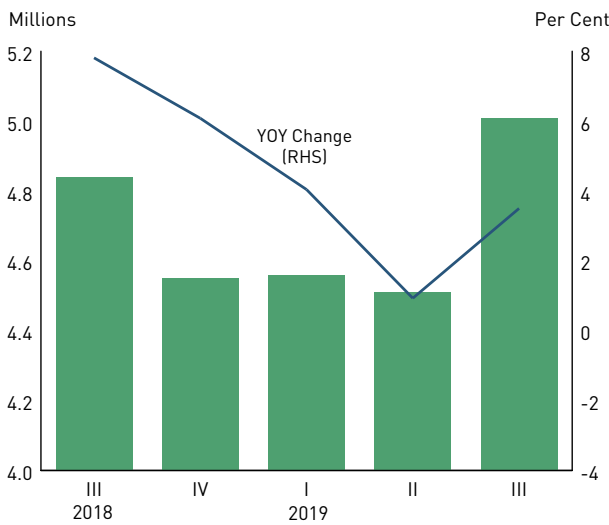
Exhibit 2.9: Visitor Arrivals



Total visitor arrivals rose by 3.5 per cent in the third quarter, faster than the 1.7 per cent growth in the previous quarter (Exhibit 2.9). The increase in visitor arrivals was led by inbound markets such as China, Indonesia and the United States, which recorded growth of 5.5 per cent, 7.6 per cent and 17 per cent respectively.

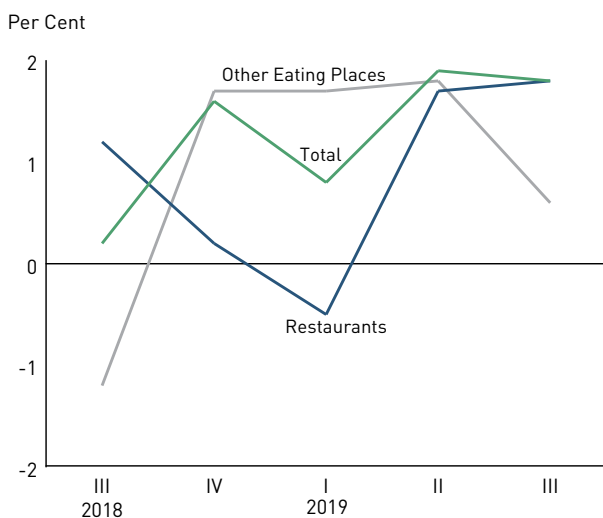
In tandem with the higher number of visitor arrivals, gross lettings at gazetted hotels rose by 3.5 per cent in the third quarter, accelerating from the 0.9 per cent growth in the preceding quarter (Exhibit 2.10). As the increase in gross lettings outpaced the 1.9 per cent growth in available room-nights over the same period, the average occupancy rate of gazetted hotels edged up by 1.4 percentage-points on a year-on-year basis to reach 91.4 per cent in the third quarter.

Exhibit 2.10: Gross Lettings at Gazetted Hotels



The food services segment expanded in the third quarter, as food & beverage sales volume rose by 1.8 per cent, extending the 1.9 per cent growth in the second quarter (Exhibit 2.11). Higher sales volume was seen for fast food outlets (7.8 per cent), restaurants (1.8 per cent) and other eating places² (0.6 per cent) during the quarter. On the other hand, the sales volume of food caterers declined by 1.6 per cent over the same period.

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



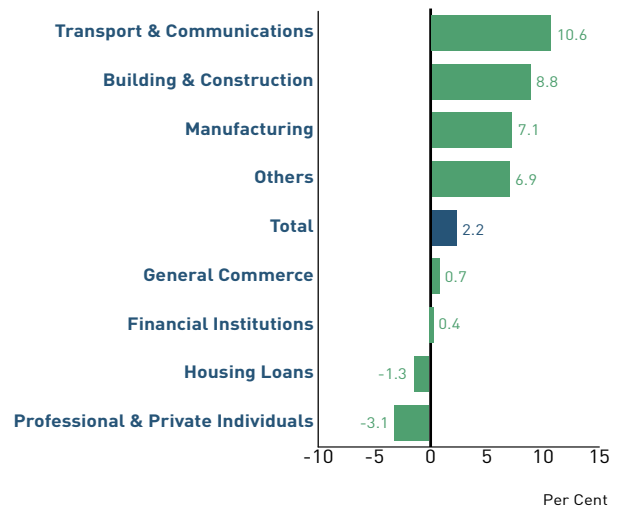
2 Other eating places include cafes, coffee houses, food courts, food kiosks, pubs and canteens.

FINANCE & INSURANCE

The finance & insurance sector grew by 4.3 per cent year-on-year in the third quarter, extending the 5.1 per cent growth in the preceding quarter. Growth was largely driven by robust demand for payment processing services amidst a steady expansion in e-commerce activities and rising consumer preferences for cashless transactions. Financial intermediation activity also picked up further, while growth in the insurance segment continued to moderate.

In the financial intermediation segment, Asian Currency Unit (ACU) non-bank lending grew by 5.6 per cent year-on-year in the third quarter, supported by a lift in demand from Asia, which more than offset the weakness in the Americas. Growth of Domestic Banking Unit (DBU) non-bank lending edged higher to 2.2 per cent in the third quarter, from the 2.1 per cent registered in the preceding quarter, helped by a pickup in loans to businesses (Exhibit 2.12). Notably, growth in loans to the transport, storage & communication and building & construction sectors remained firm, more than offsetting the contractions seen in loans to professional & private individuals and consumer loans.

Exhibit 2.12: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 3Q 2019



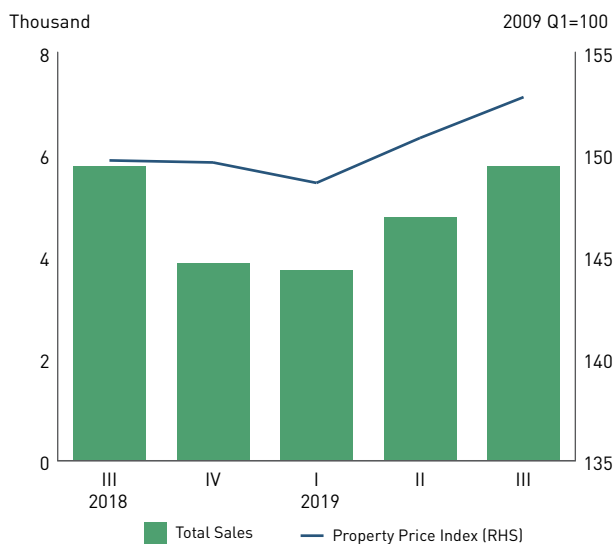
Meanwhile, sentiment-sensitive segments such as security dealing and foreign exchange trading found firmer footing from the accommodative policies of central banks, which supported the risk appetite of investors. Elsewhere, growth in the insurance segment was lacklustre, against the backdrop of a series of natural disaster events, as well as softer domestic and regional demand for insurance services.

BUSINESS SERVICES

The business services sector grew by 0.9 per cent year-on-year in the third quarter, extending the 0.8 per cent growth in the preceding quarter. Growth was primarily driven by the professional services segment, which expanded on account of the sustained demand for its services domestically and in the region.

On the other hand, the real estate segment contracted slightly in the third quarter on the back of lacklustre sales transactions of private residential units (-0.03 per cent). Private residential property prices rose by 1.3 per cent on a quarter-on-quarter basis in the third quarter, slightly slower than the 1.5 per cent increase in the previous quarter (Exhibit 2.13).

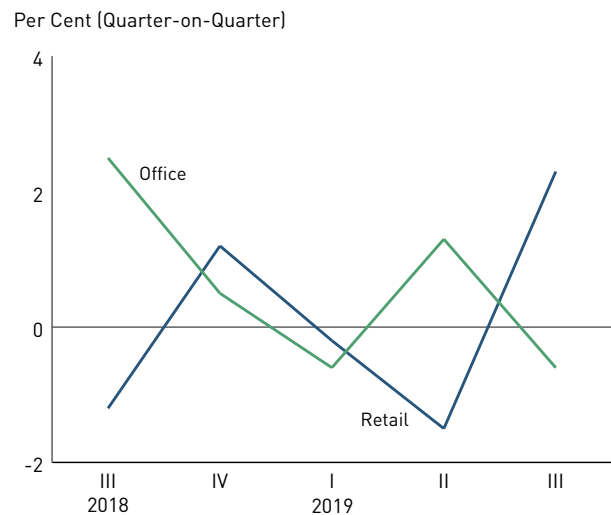
Exhibit 2.13: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



For the private retail space market, rentals rose by 2.3 per cent on a quarter-on-quarter basis in the third quarter, reversing the 1.5 per cent decline in the previous quarter (Exhibit 2.14). Meanwhile, the average occupancy rate of private retail space held steady at 91 per cent in the third quarter, similar to the preceding quarter.

By contrast, rentals for private office space fell by 0.6 per cent on a quarter-on-quarter basis in the third quarter, a reversal from the 1.3 per cent increase in the previous quarter. The average occupancy rate of private office space came in at 89 per cent during the quarter, inching up from the 88 per cent in the second quarter.

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



The private industrial space market remained stable in the third quarter. Industrial rentals were unchanged on a quarter-on-quarter basis, easing from the 0.1 per cent growth in the second quarter. The occupancy rates for private sector multiple-user factory space and private sector warehouse space stood at 89 per cent and 88 per cent respectively in the third quarter, comparable to the previous quarter's rates of 89 per cent and 89 per cent respectively.

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

