

## 6.2

# CONSTRUCTION

### OVERVIEW

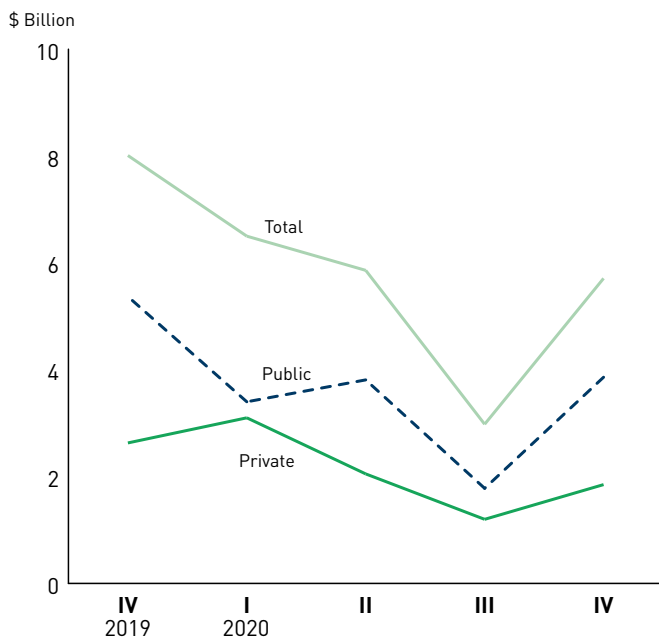
The construction sector shrank by 27 per cent year-on-year in the fourth quarter of 2020, moderating from the 53 per cent contraction recorded in the previous quarter.

For the whole of 2020, the sector contracted by 36 per cent, a sharp reversal from the 1.6 per cent growth in 2019.

### CONSTRUCTION DEMAND

Construction demand (contracts awarded) plunged by 29 per cent year-on-year to \$5.7 billion in the fourth quarter, on the back of declines in both public and private sector construction demand (Exhibit 6.4).

Exhibit 6.4: Contracts Awarded



For the full year, total construction demand fell by 37 per cent to \$21 billion (Exhibit 6.5), on account of the COVID-19 pandemic which disrupted project implementation schedules.

Exhibit 6.5: Contracts Awarded, 2020 (\$ Billion)

	Total	Public	Private
<b>Total</b>	21.0	12.8	8.2
<b>Residential</b>	5.6	2.9	2.7
<b>Commercial</b>	1.6	0.4	1.3
<b>Industrial</b>	4.3	2.1	2.2
<b>Institutional &amp; Others</b>	3.9	2.6	1.3
<b>Civil Engineering Works</b>	5.7	4.9	0.8

### Public Sector

In the fourth quarter, public sector construction demand contracted by 28 per cent to \$3.9 billion. This was primarily due to declines in contracts awarded for public institutional & others building (-64 per cent) and public civil engineering (-52 per cent) works. However, these declines were partially offset by expansions in contracts awarded for public residential building (23 per cent) and industrial building (2080 per cent) works.

For the full year, public sector construction demand fell by 33 per cent to \$12.8 billion. The contraction was due to a reduction in contracts awarded for most types of works, particularly institutional & others building (-48 per cent) and civil engineering (-37 per cent) works. Some of the major projects awarded during the year included LTA's first contract for the Rapid Transit System (RTS) Link and Integrated Train Testing Centre, NEA's Integrated Waste Management Facility (IWMF) (Package 1) and PUB's various contracts for the Deep Tunnel Sewerage System (DTSS) (Phase 2).

## Private Sector

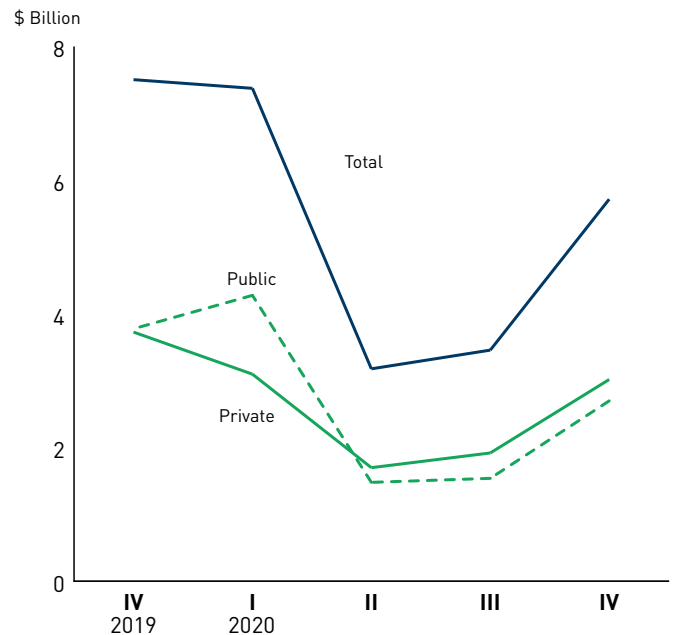
Private sector construction demand decreased by 30 per cent in the fourth quarter to \$1.9 billion, weighed down by lower demand for private residential building (-54 per cent) and private institutional & others building (-87 per cent) works. On the other hand, expansions in contracts awarded for private commercial building (28 per cent) and industrial building (137 per cent) works helped to provide some support to private sector construction demand.

For the full year, private sector construction demand fell by 43 per cent to \$8.2 billion, due to contractions in demand for all types of works, particularly residential (-46 per cent) and industrial building (-55 per cent) works. Major projects awarded in 2020 included Mandai Park's rejuvenation project, residential developments for Government Land Sales (GLS) and past en-bloc sale sites, as well as Hyundai Mobility Global Innovation Centre.

## CONSTRUCTION ACTIVITIES

Construction output (or certified payments) decreased by 24 per cent year-on-year to \$5.7 billion in the fourth quarter, due to contractions in both public and private sector construction output (Exhibit 6.6).

**Exhibit 6.6: Certified Payments**



For the full year, construction output dropped by 30 per cent to \$19.7 billion, a sharp reversal from the 6.4 per cent increase in 2019. Output was adversely affected by the suspension of construction activities during the Circuit Breaker period, as well as the slow pace of recovery of construction activities due to the need to implement safe management measures at construction worksites.

## Public Sector

Public sector construction output contracted by 29 per cent year-on-year to \$2.7 billion in the fourth quarter. Construction output for all types of works declined on a year-on-year basis, with public institutional & others building (-35 per cent) and public civil engineering (-25 per cent) works seeing the largest declines.

For the full year, public sector construction output shrank by 31 per cent to \$10 billion, led by declines in residential building (-35 per cent) and civil engineering (-33 per cent) works. Major projects supporting public sector construction activities included LTA's East Coast Integrated Depot and Circle MRT Line 6, JTC's business park development at the Punggol Digital District and Logistics Hub at Benoi Road, MOH's Woodlands Health Campus, as well as PUB's DTSS (Phase 2).

## Private Sector

In the fourth quarter, private sector construction output shrank by 19 per cent year-on-year to \$3.0 billion, as all types of construction works declined, particularly private residential building (-15 per cent) and private industrial building (-20 per cent) works.

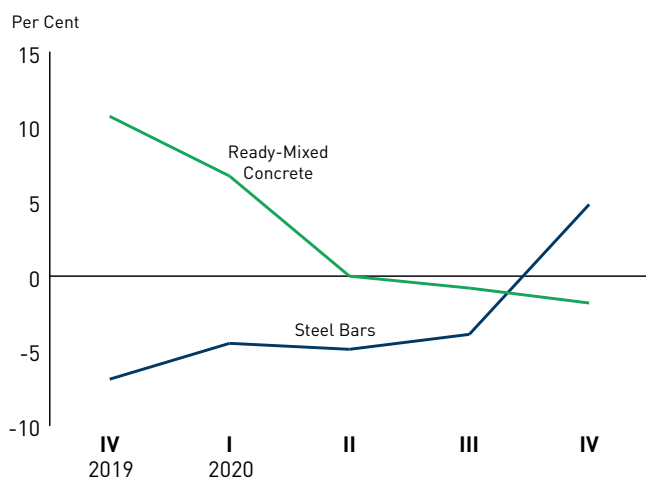
For the full year, private sector construction output fell by 29 per cent to \$9.7 billion. All types of construction output contracted, especially residential building (-28 per cent) and industrial building (-25 per cent) works. Major on-going projects which contributed to private sector construction activities included the chemical and refining facilities at Jurong Island, data centres, a semiconductor fabrication plant, Mandai Park attractions and island-wide cable installation projects.

## CONSTRUCTION MATERIALS

In tandem with the reduction in total construction output, total consumption of ready-mixed concrete shrank by 42 per cent to 7.2 million m<sup>3</sup> in 2020. Similarly, the total consumption of steel rebars decreased by 39 per cent to 0.83 million tonnes in 2020.

The average market price of Grade 40 pump ready-mixed concrete dropped by 1.8 per cent year-on-year to about \$94 per m<sup>3</sup> in the fourth quarter (Exhibit 6.7). On the other hand, the average market price of steel rebar rose by 4.8 per cent year-on-year to around \$754 per tonne in the fourth quarter, due to the rising costs of raw materials and tight supplies from import countries like China.

**Exhibit 6.7: Changes in Market Prices of Construction Materials**



1 Rebar consumption is estimated from net imports plus local production (without factoring in stock levels).

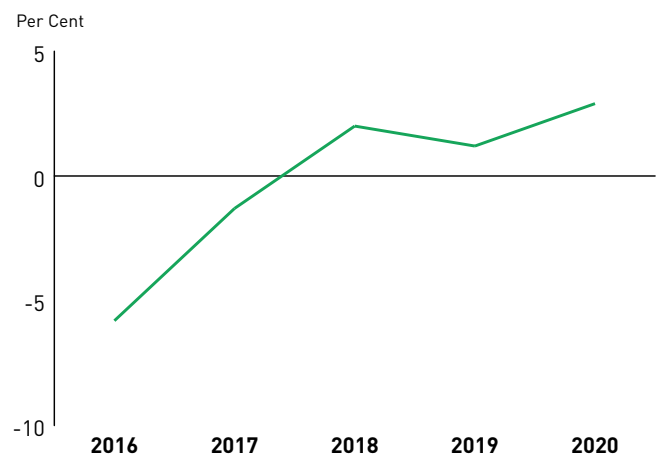
2 The market prices are based on contracts with non-fixed price, fixed price and market retail price.

3 The market prices refer to 16mm to 32mm High Tensile rebar and are based on fixed price supply contracts with a contract period 12 months or below.

## CONSTRUCTION COSTS

Based on BCA's Building Works Tender Price Index (TPI), tender prices in the construction sector rose by 2.9 per cent in 2020, mainly on account of significant increases in manpower-related costs, which were in turn attributable to the tight supply of foreign workers as a result of travel restrictions (Exhibit 6.8). Looking ahead, elevated manpower-related costs as well as rising global material costs are likely to continue to exert upward pressures on construction costs and tender prices in 2021.

**Exhibit 6.8: Changes in Tender Price Index**



## CONSTRUCTION OUTLOOK IN 2021

According to BCA, total construction demand is projected to be between \$23 billion and \$28 billion in 2021 (Exhibit 6.9). Demand from the public sector is expected to improve to between \$15 billion and \$18 billion, with an anticipated expansion in demand for public housing and major infrastructure works. Meanwhile, total private sector construction demand is projected to be between \$8 billion and \$10 billion in 2021. Demand is expected to be supported by the redevelopment of the remaining en-bloc sales sites, major retrofitting of commercial developments and construction of high-specification industrial buildings.

Total construction output in 2021 is projected to increase to between \$24 billion and \$27 billion, supported by an anticipated improvement in construction demand in 2021 as well as the backlogs of remaining workloads adversely affected by the COVID-19 pandemic in 2020.

Exhibit 6.9: Projected Construction Demand in 2021

	\$ Billion
<b>Public Sector</b>	<b>15.0-18.0</b>
<b>Building Construction Sub-total</b>	<b>6.0-7.9</b>
<b>Residential</b>	3.4-4.2
<b>Commercial</b>	0.1-0.1
<b>Industrial</b>	0.5-0.8
<b>Institutional &amp; Others</b>	2.0-2.8
<b>Civil Engineering Works Sub-total</b>	<b>9.1-10.1</b>
<b>Private Sector</b>	<b>8.0-10.0</b>
<b>Building Construction Sub-total</b>	<b>7.4-9.2</b>
<b>Residential</b>	2.9-3.4
<b>Commercial</b>	1.5-1.9
<b>Industrial</b>	2.2-2.9
<b>Institutional &amp; Others</b>	0.7-1.1
<b>Civil Engineering Works Sub-total</b>	<b>0.6-0.8</b>
<b>TOTAL CONSTRUCTION DEMAND</b>	<b>23.0-28.0</b>