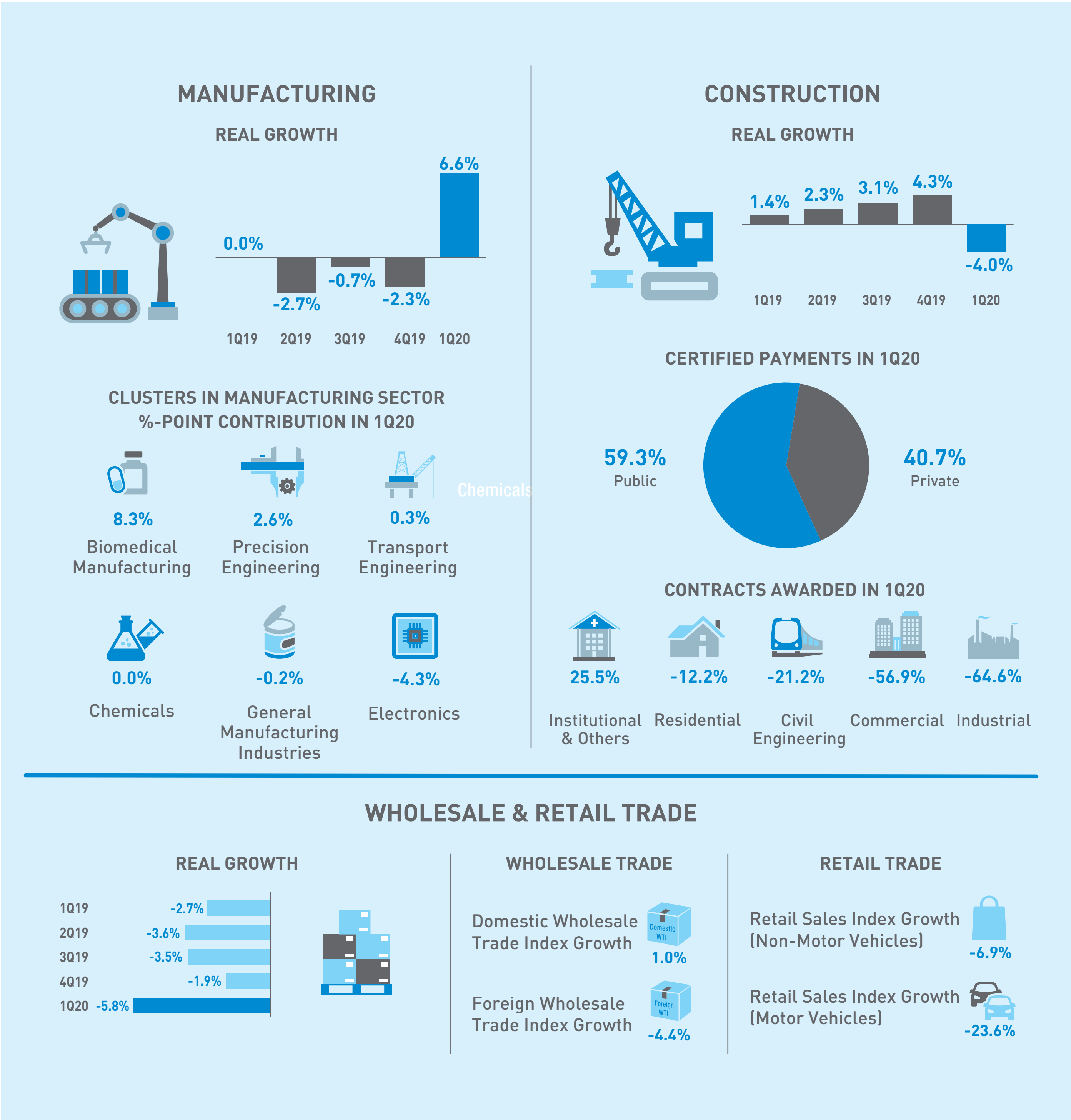
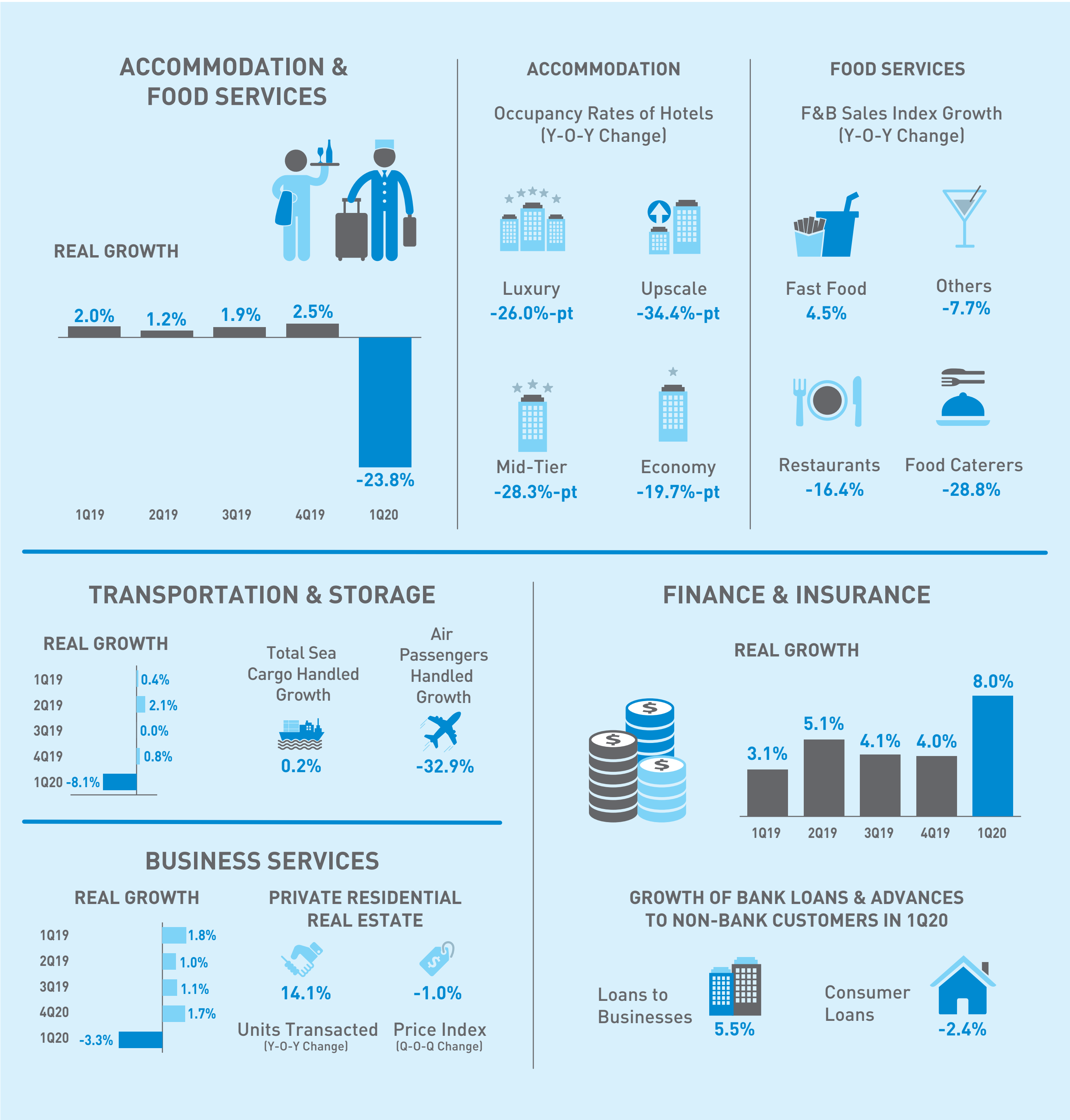
CHAPTER 2

SECTORAL PERFORMANCE




ACCOMMODATION & FOOD SERVICES
REAL GROWTH
2.0%
1.2%
1.9%
2.5%
-23.8%
1Q19
2Q19
3Q19
4Q19
1Q20
ACCOMMODATION
Occupancy Rates of Hotels (Y-O-Y Change)
Luxury -26.0%-pt
Upscale -34.4%-pt
Mid-Tier -28.3%-pt
Economy -19.7%-pt
FOOD SERVICES
F&B Sales Index Growth (Y-O-Y Change)
Fast Food 4.5%
Others -7.7%
Restaurants -16.4%
Food Caterers -28.8%
TRANSPORTATION & STORAGE
REAL GROWTH
1Q19 0.4%
2Q19 2.1%
3Q19 0.0%
4Q19 0.8%
1Q20 -8.1%
Total Sea Cargo Handled Growth
0.2%
Air Passengers Handled Growth
-32.9%
BUSINESS SERVICES
REAL GROWTH
1Q19 1.8%
2Q19 1.0%
3Q19 1.1%
4Q20 1.7%
1Q20 -3.3%
PRIVATE RESIDENTIAL REAL ESTATE
14.1%
Units Transacted
(Y-O-Y Change)
-1.0%
Price Index
(Q-O-Q Change)
FINANCE & INSURANCE
REAL GROWTH
3.1%
5.1%
4.1%
4.0%
8.0%
1Q19
2Q19
3Q19
4Q19
1Q20
GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 1Q20
Loans to Businesses 5.5%
Consumer Loans -2.4%

OVERVIEW

In the first quarter of 2020,

- The manufacturing sector grew by 6.6 per cent year-on-year, reversing the 2.3 per cent contraction in the previous quarter. Growth of the sector was supported by output expansions in the biomedical manufacturing, precision engineering and transport engineering clusters.
- The construction sector contracted by 4.0 per cent year-on-year, in contrast to the 4.3 per cent growth in the preceding quarter. The fall in construction output during the quarter was on account of a decline in private sector construction activities.
- The wholesale & retail trade sector shrank by 5.8 per cent year-on-year, worsening from the 1.9 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 contracted by 8.1 per cent year-on-year, a reversal from the 0.8 per cent expansion in the previous quarter, driven primarily by the weak performance of the air transport and land transport segments.
- The accommodation & food services sector shrank by 24 per cent year-on-year, a sharp turnaround from the 2.5 per cent growth in the preceding quarter. Both the accommodation and food services segments contracted during the quarter.
- The finance & insurance sector expanded by 8.0 per cent year-on-year, faster than the 4.0 per cent growth posted in the previous quarter, underpinned by strong outturns in the banking and insurance segments.
- The business services sector shrank by 3.3 per cent year-on-year, reversing the 1.7 per cent expansion in the previous quarter, on account of contractions in the real estate, professional services and "others" segments.

MANUFACTURING

The manufacturing sector expanded by 6.6 per cent year-on-year in the first quarter, a reversal from the 2.3 per cent contraction observed in the preceding quarter (Exhibit 2.1). Growth of the sector was supported by output expansions in the biomedical manufacturing, precision engineering and transport engineering clusters. On the other hand, the electronics, general manufacturing and chemicals clusters recorded output declines.

Exhibit 2.1: Manufacturing Sector's Growth Rate

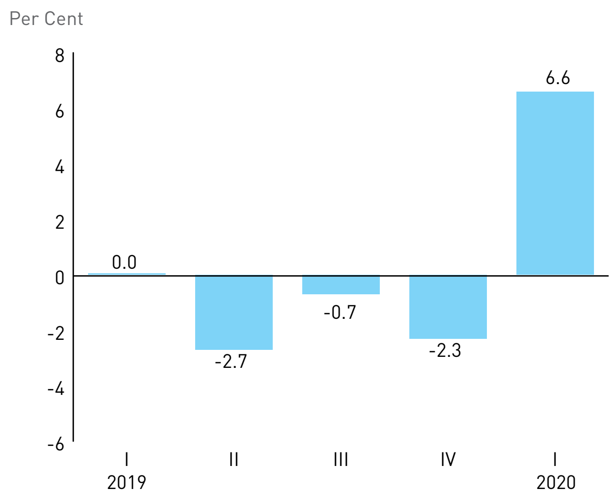
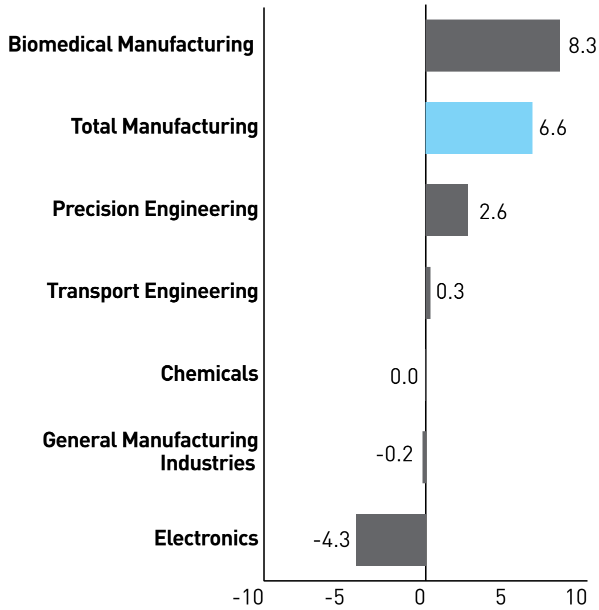


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 1Q 2020



Output in the biomedical manufacturing cluster increased by 49 per cent in the first quarter. This was largely driven by the pharmaceuticals segment, which saw its output surge by 68 per cent on the back of a higher level of production of active pharmaceutical ingredients and biological products. The medical technology segment also posted growth of 3.2 per cent due to higher export demand for medical devices.

The precision engineering cluster expanded by 21 per cent in the first quarter. Growth was supported by an increase in output in both the machinery & systems and precision modules & components segments. The expansion of the former (27 per cent) came on the back of a rise in the production of semiconductor equipment, while that of the latter (6.7 per cent) was driven by an increase in the output of optical products and metal precision components.

The transport engineering cluster grew by 3.2 per cent in the first quarter, supported by the aerospace segment which expanded by 7.9 per cent. The latter was in turn due to an increase in repair and maintenance work for commercial airlines. By contrast, the marine & offshore engineering (M&OE) and land transport segments contracted by 1.8 per cent and 3.0 per cent respectively. In particular, the M&OE segment was weighed down by a lower level of work done for offshore projects.

The chemicals cluster shrank marginally by 0.1 per cent in the first quarter, weighed down by a 4.9 per cent output decline in the petrochemicals segment which more than offset the output expansions in the remaining segments. The specialty chemicals segment grew by 9.1 per cent on the back of a rise in the production of industrial gases and additives, while the petroleum segment expanded by 6.8 per cent, partly due to a low base caused by maintenance shutdowns a year ago. At the same time, the output of the other chemicals segment increased by 0.5 per cent because of a higher level of production of fragrances.

Output of the general manufacturing cluster fell by 2.4 per cent in the first quarter, weighed down by the food, beverages & tobacco (FBT) and printing segments. In particular, the FBT segment contracted by 5.6 per cent on account of a fall in the production of milk powder products, while the output of the printing segment declined by 3.7 per cent. On the other hand, the miscellaneous industries segment grew by 2.6 per cent.

The electronics cluster contracted by 11 per cent in the first quarter, driven by output declines across all segments. Specifically, the output of the semiconductors, computer peripherals & data storage, other electronics modules & components and infocomms & consumer electronics segments shrank by 11 per cent, 18 per cent, 1.4 per cent and 0.4 per cent respectively.

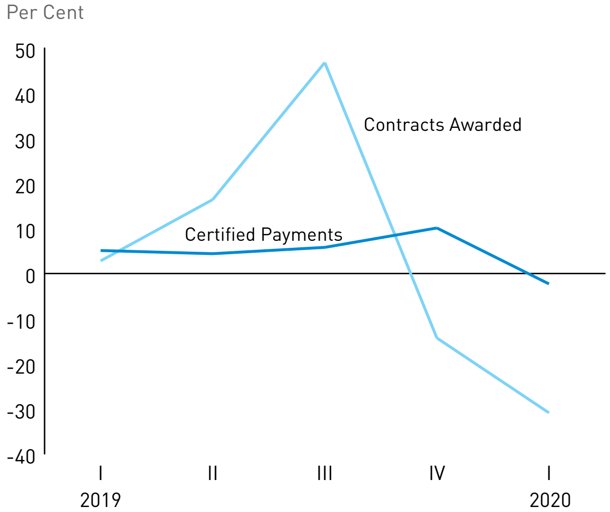
CONSTRUCTION

The construction sector contracted by 4.0 per cent year-on-year in the first quarter, reversing the 4.3 per cent growth recorded in the previous quarter. This was due to a decline in private sector construction activities.

In the first quarter, nominal certified progress payments (a proxy for construction output) fell by 2.3 per cent, a reversal from the 10 per cent increase in the previous quarter (Exhibit 2.3). The fall in construction output came on the back of a drop in private certified progress payments (-12 per cent), which was in turn mainly driven by declines in private commercial building works (-23 per cent) and private institutional & others building works (-20 per cent). On the other hand, public certified progress payments expanded (5.1 per cent), largely due to an increase in public industrial building works (65 per cent).

Meanwhile, construction demand in terms of contracts awarded slumped by 31 per cent in the first quarter, worsening from the 14 per cent decline in the previous quarter (Exhibit 2.3). This was due to weaker demand for both private sector (-49 per cent) and public sector (-4.8 per cent) construction works. The decline in private sector construction demand was led by a fall in contracts awarded for private industrial building works (-84 per cent). Meanwhile, the decline in public sector construction demand was largely due to public residential building works (-79 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

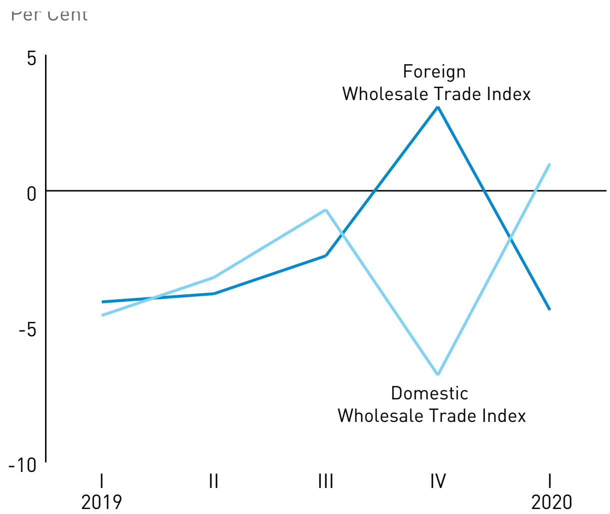


WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector shrank by 5.8 per cent year-on-year in the first quarter, deteriorating from the 1.9 per cent contraction 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 was weighed down by weak foreign wholesale trade sales volumes (Exhibit 2.4), which declined by 4.4 per cent in the first quarter, a reversal from the 3.1 per cent growth in the previous quarter. In particular, a fall in the volume of foreign wholesale sales of telecommunications & computers (-6.3 per cent), transport equipment (-25 per cent) and general wholesale trade (-9.5 per cent) more than offset an expansion in the volume of sales of metals, timber & construction materials (1.7 per cent).

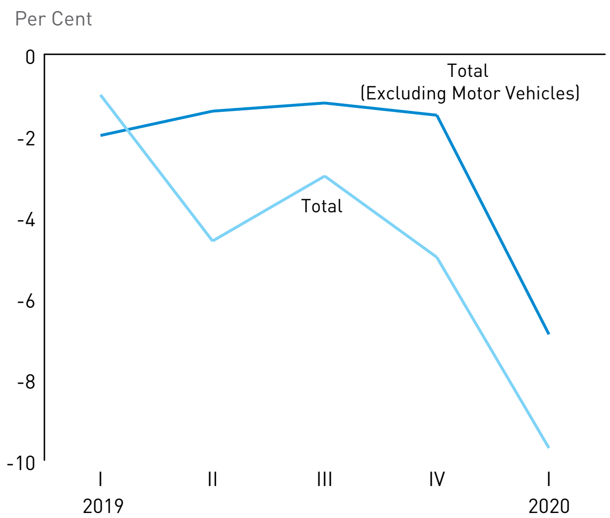
Exhibit 2.4: Changes in Wholesale Trade Index in Volume Terms



On the other hand, domestic wholesale trade sales volume rose by 1.0 per cent in the first quarter, a turnaround from the 6.8 per cent contraction in the previous quarter. The expansion was largely due to higher sales volumes of petroleum & petroleum products (6.6 per cent), ship chandlers & bunkering (8.8 per cent) and chemicals & chemical products (6.6 per cent).

For the retail trade segment, overall retail sales volume (Exhibit 2.5) declined by 9.7 per cent in the first quarter, worse than the 5.0 per cent drop in the previous quarter. The weaker performance of retail trade occurred in tandem with a cutback in consumer spending as a result of the COVID-19 outbreak and the safe distancing measures implemented to reduce the community spread of the virus.

Exhibit 2.5: Changes in Retail Sales Index in Chained Volume Terms



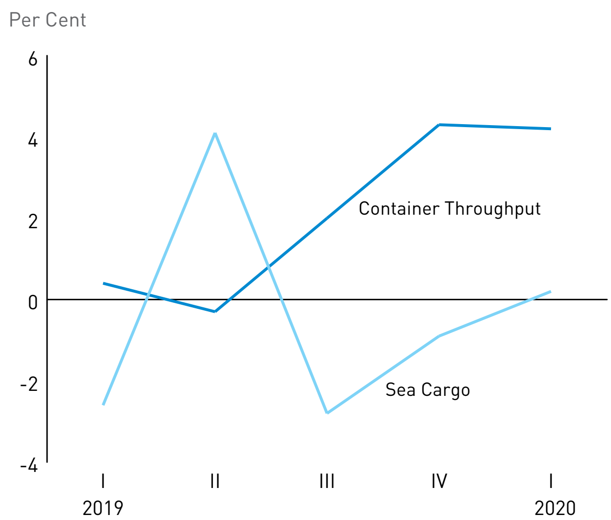
Retail sales volume during the quarter was weighed down by both motor vehicular sales (-24 per cent) and non-motor vehicular sales (-6.9 per cent). The latter was driven by a drop in the sales of discretionary goods such as watches & jewellery (-26 per cent) and wearing apparel & footwear (-20 per cent). By contrast, supermarkets & hypermarkets and minimarts & convenience stores, which generally sell non-discretionary goods, registered an increase in sales volume of 18 per cent and 2.9 per cent respectively over the same period.

TRANSPORTATION & STORAGE

The transportation & storage sector shrank by 8.1 per cent year-on-year in the first quarter, a reversal from the 0.8 per cent expansion in the previous quarter. The contraction was driven by the weak performance of the air transport and land transport segments.

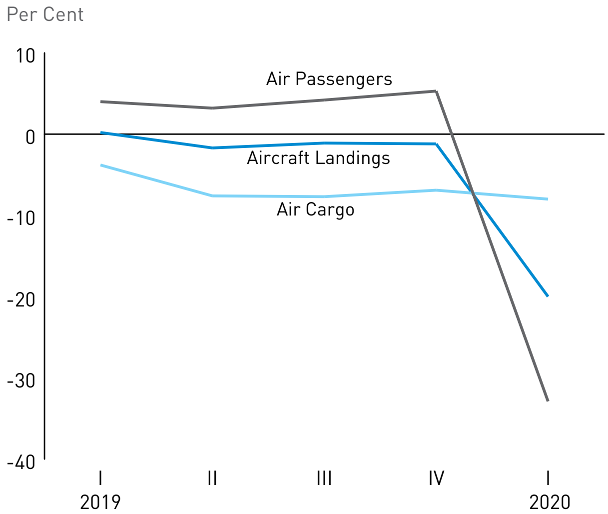
For the water transport segment, the volume of sea cargo handled grew marginally by 0.2 per cent in the first quarter, which was a reversal from the 0.9 per cent decline in the previous quarter (Exhibit 2.6). The improvement in the volume of sea cargo handled came on the back of a 4.2 per cent increase in container throughput, which outweighed a 5.2 per cent decline in the volume of oil-in-bulk cargo handled.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



On the other hand, the air transport segment was weighed down by a 33 per cent fall in the volume of air passenger traffic handled at Changi Airport, which represented a significant reversal from the 5.3 per cent increase registered in the previous quarter (Exhibit 2.7). The plunge in air passenger traffic was seen for Singapore's routes with all major regions around the world, and could be attributed to widespread travel restrictions imposed to curb the spread of COVID-19. Meanwhile, total air cargo shipments handled at Changi Airport fell by 8.0 per cent in the first quarter, extending the 6.9 per cent decline in the preceding quarter, due to sluggish external demand. At the same time, the number of aircraft landings plummeted by 20 per cent to reach 37,980 in the first quarter, following the 1.2 per cent decline in the previous quarter.

Exhibit 2.7: Changes in Air Transport

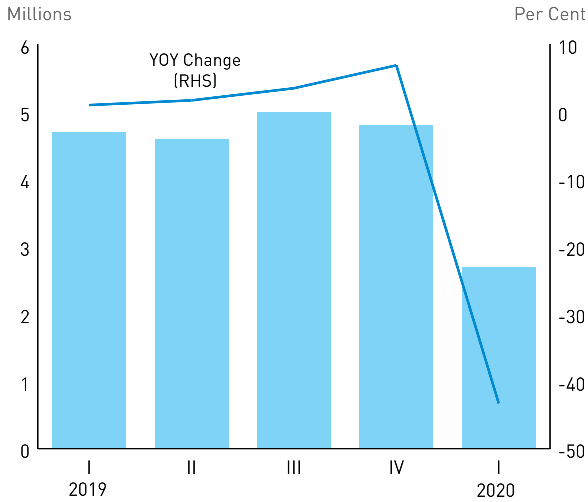


ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector contracted by 24 per cent year-on-year in the first quarter, a reversal from the 2.5 per cent growth in the preceding quarter. The performance of the sector was weighed down by both the accommodation and food services segments.

Total visitor arrivals plunged by 43 per cent in the first quarter, a sharp turnaround from the 6.9 per cent growth posted in the previous quarter (Exhibit 2.8). The fall in visitor arrivals was seen across most source markets, and was the result of reduced travel demand arising from the COVID-19 pandemic and travel restrictions put in place globally and domestically to contain the spread of the virus.[1]

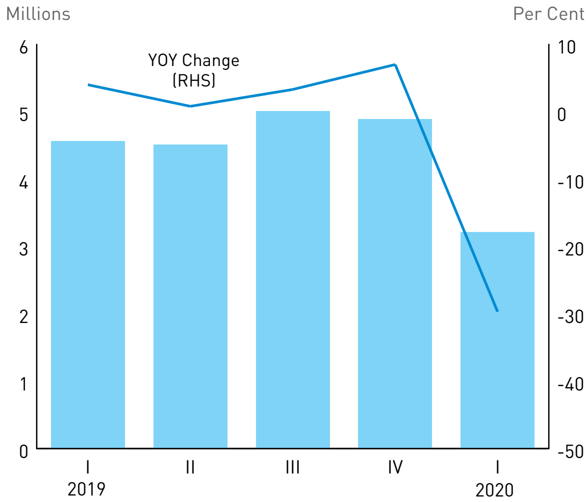
Exhibit 2.8: Visitor Arrivals



In tandem with the plunge in visitor arrivals, gross lettings at gazetted hotels fell by 30 per cent in the first quarter, reversing from the 7.0 per cent increase in the preceding quarter (Exhibit 2.9). As gross lettings fell and available room-nights rose (2.8 per cent), the average occupancy rate of gazetted hotels declined by 27 percentage-points on a year-on-year basis to 58.7 per cent in the first quarter.

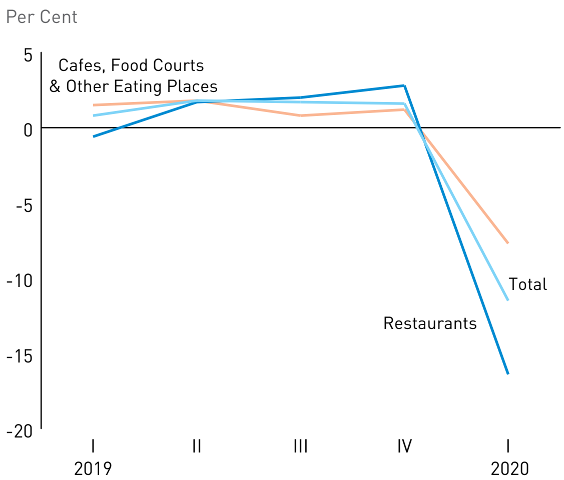
1 *Starting from 2 February 2020, Singapore gradually prohibited all short-term visitors with recent travel history to locations such as Mainland China, Iran, northern Italy and the Republic of Korea from entering or transiting through Singapore. On 24 March 2020, the restriction was widened to include all short-term visitors.*

Exhibit 2.9: Gross Lettings at Gazetted Hotels



Meanwhile, the food services segment contracted in the first quarter due to a pullback in domestic consumption amidst the COVID-19 outbreak and the safe distancing measures implemented to limit community transmissions. Specifically, food & beverage sales volume fell by 12 per cent, reversing the 1.6 per cent growth in the previous quarter (Exhibit 2.10). Lower sales volumes were seen for restaurants (-16 per cent), food caterers (-29 per cent) and cafes, food courts & other eating places (-7.7 per cent) during the quarter, even as sales volume at fast food outlets rose (4.5 per cent) over the same period.

Exhibit 2.10: Changes in Food & Beverage Services Index in Chained Volume Terms

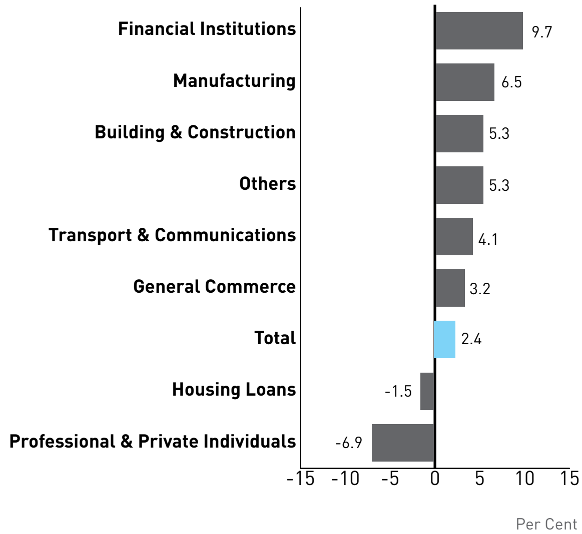


FINANCE & INSURANCE

The finance & insurance sector grew by 8.0 per cent year-on-year in the first quarter, faster than the 4.0 per cent growth in the preceding quarter. Growth was largely driven by strong outturns in the banking and insurance segments.

In the banking segment, Asian Currency Unit (ACU) non-bank lending increased by 8.2 per cent year-on-year, better than the 6.2 per cent growth in the preceding quarter. Growth was supported by resilient non-bank loan growth to Europe and the Americas, while that to East Asia eased. In comparison, growth in Domestic Banking Unit (DBU) non-bank lending moderated to 2.4 per cent in the first quarter, from the 3.1 per cent registered in the preceding quarter (Exhibit 2.11). Notably, there was a contraction in loans to professional & private individuals as well as for housing.

Exhibit 2.11: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 1Q 2020



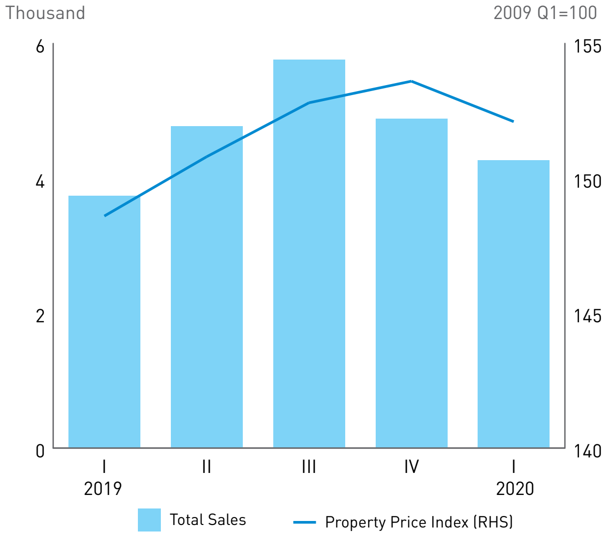
The strong outturn in the insurance segment was due to the robust performance of the life insurance segment. Elsewhere, sentiment-sensitive segments such as security dealing and foreign exchange trading benefitted from heightened volatility in both the equity and fixed income markets that was triggered by the COVID-19 outbreak and Russia-Saudi Arabia oil price war. Meanwhile, growth in other auxiliary activities, comprising mainly payments-related activities, moderated as cross-border spending waned with overseas travel coming to a standstill.

BUSINESS SERVICES

The business services sector shrank by 3.3 per cent year-on-year in the first quarter, reversing the 1.7 per cent growth in the preceding quarter, on account of contractions across the real estate, professional services and "others"[2] segments.

The real estate segment contracted in the first quarter despite an increase in the sales transactions of private residential units (14 per cent). Meanwhile, private residential property prices fell by 1.0 per cent on a quarter-on-quarter basis, reversing the 0.5 per cent increase in the previous quarter (Exhibit 2.12).

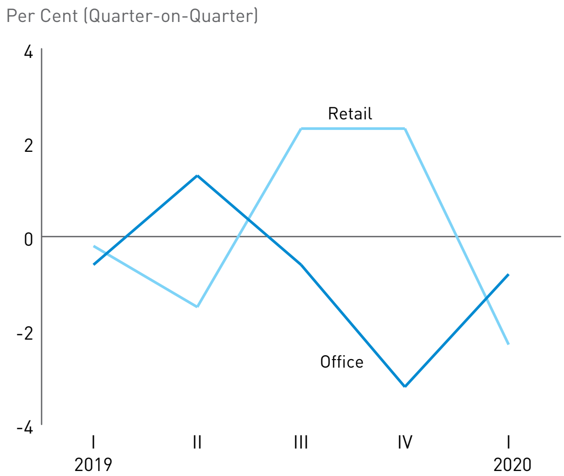
Exhibit 2.12: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



For the private retail space market, rentals declined by 2.3 per cent on a quarter-on-quarter basis in the first quarter, reversing the 2.3 per cent increase in the previous quarter (Exhibit 2.13). On the other hand, the average occupancy rate of private retail space held steady at 91 per cent in the first quarter, similar to the preceding quarter.

Meanwhile, rentals for private office space fell by 0.8 per cent on a quarter-on-quarter basis in the first quarter, moderating from the 3.2 per cent decline in the previous quarter. The average occupancy rate of private office space came in at 88 per cent over the same period, inching down from the 89 per cent in the preceding quarter.

Exhibit 2.13: Changes in Rentals of Private Sector Office and Retail Spaces



2 The "others" segment of the business services sector consists of (i) rental & leasing, (ii) other professional, scientific & technical services, and (iii) other administrative & support services.

The private industrial space market remained stable, as rentals eased marginally by 0.1 per cent on a quarter-on-quarter basis in the first quarter, after staying unchanged in the previous quarter. The occupancy rates for private sector multiple-user factory space and private sector warehouse space stood at 90 per cent and 87 per cent respectively in the first quarter, comparable to the previous quarter's rates of 89 per cent and 88 per cent respectively (Exhibit 2.14).

Exhibit 2.14: Occupancy Rate and Rental Growth of Private Sector Industrial Space