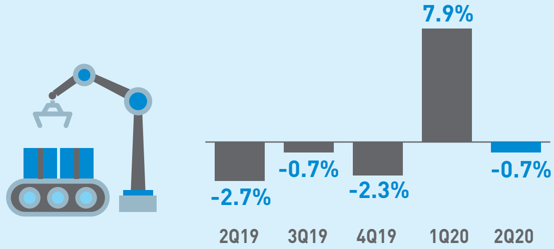
CHAPTER 2

SECTORAL PERFORMANCE

MANUFACTURING

REAL GROWTH



CLUSTERS IN MANUFACTURING SECTOR %-POINT CONTRIBUTION IN 2Q20

2.2% Biomedical Manufacturing

2.1% Electronics

0.6% Precision Engineering

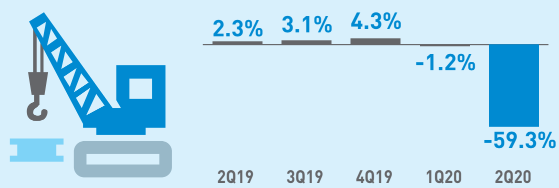
-1.4% Chemicals

-1.5% General Manufacturing Industries

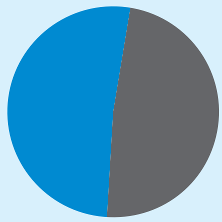
-2.7% Transport Engineering

CONSTRUCTION

REAL GROWTH



CERTIFIED PAYMENTS IN 2Q20



51.5% Public

48.5% Private

CONTRACTS AWARDED IN 2Q20

57.0% Institutional & Others

33.2% Commercial

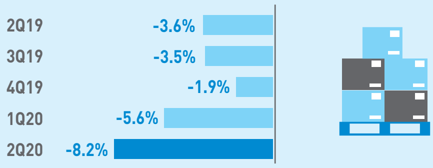
-7.0% Industrial

-44.9% Residential

-58.2% Civil Engineering

WHOLESALE & RETAIL TRADE

REAL GROWTH



WHOLESALE TRADE

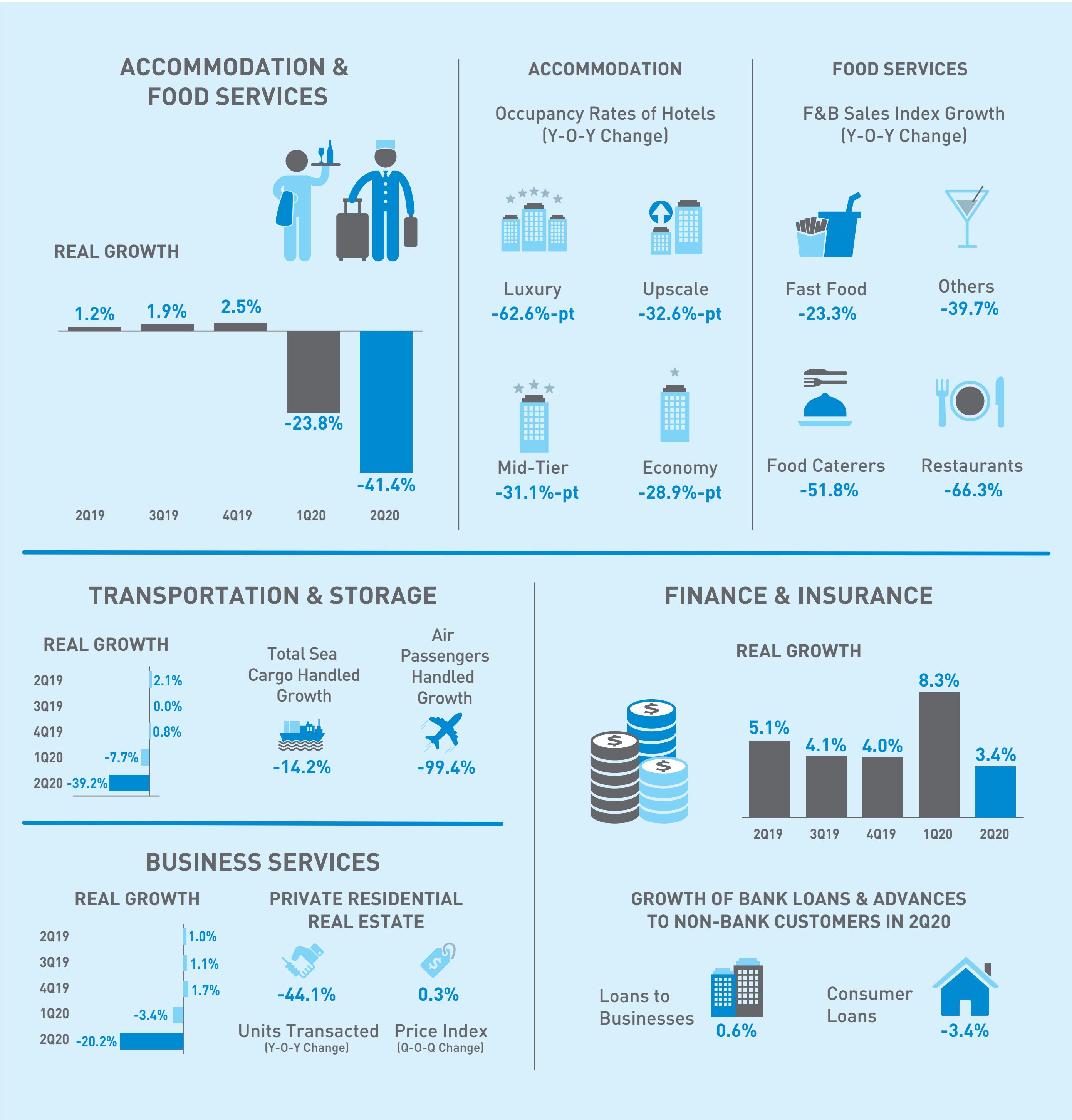
Real NODX Growth 9.0%

Real NORX Growth -7.0%

RETAIL TRADE

Retail Sales Index Growth (Non-Motor Vehicles) -35.3%

Retail Sales Index Growth (Motor Vehicles) -70.3%


ACCOMMODATION & FOOD SERVICES
REAL GROWTH
1.2%
1.9%
2.5%
-23.8%
-41.4%
2Q19
3Q19
4Q19
1Q20
2Q20
ACCOMMODATION
Occupancy Rates of Hotels (Y-O-Y Change)
Luxury -62.6%-pt
Upscale -32.6%-pt
Mid-Tier -31.1%-pt
Economy -28.9%-pt
FOOD SERVICES
F&B Sales Index Growth (Y-O-Y Change)
Fast Food -23.3%
Others -39.7%
Food Caterers -51.8%
Restaurants -66.3%
TRANSPORTATION & STORAGE
REAL GROWTH
2Q19 2.1%
3Q19 0.0%
4Q19 0.8%
1Q20 -7.7%
2Q20 -39.2%
Total Sea Cargo Handled Growth
-14.2%
Air Passengers Handled Growth
-99.4%
FINANCE & INSURANCE
REAL GROWTH
5.1%
4.1%
4.0%
8.3%
3.4%
2Q19
3Q19
4Q19
1Q20
2Q20
BUSINESS SERVICES
REAL GROWTH
2Q19 1.0%
3Q19 1.1%
4Q19 1.7%
1Q20 -3.4%
2Q20 -20.2%
PRIVATE RESIDENTIAL REAL ESTATE
-44.1%
Units Transacted
(Y-O-Y Change)
0.3%
Price Index
(Q-O-Q Change)
GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 2Q20
Loans to Businesses
0.6%
Consumer Loans
-3.4%

OVERVIEW

In the second quarter of 2020,

- The manufacturing sector contracted by 0.7 per cent, reversing the 7.9 per cent expansion in the previous quarter. Within the sector, the output of the transport engineering, general manufacturing and chemicals clusters declined, whereas that of the biomedical manufacturing, electronics and precision engineering clusters expanded.
- The construction sector shrank by 59 per cent, a sharp deterioration from the 1.2 per cent contraction in the preceding quarter. Both private sector and public sector construction output fell during the quarter.
- The wholesale & retail trade sector shrank by 8.2 per cent, larger than the 5.6 per cent contraction recorded in the previous quarter. Within the sector, both the wholesale trade and retail trade segments contracted.
- The transportation & storage sector contracted by 39 per cent, worsening from the 7.7 per cent decline in the previous quarter, driven primarily by the weak performance of the air transport, water transport and land transport segments.
- The accommodation & food services sector shrank by 41 per cent, weakening from the 24 per cent contraction in the preceding quarter. Both the accommodation and food services segments contracted during the quarter.
- The finance & insurance sector grew by 3.4 per cent, moderating from the 8.3 per cent growth in the previous quarter. Growth was underpinned by steady expansions in insurance and other auxiliary activities.
- The business services sector shrank by 20 per cent, steeper than the 3.4 per cent decline in the previous quarter, on account of contractions in the real estate, professional services and "others" segments.

MANUFACTURING

Manufacturing output fell by 0.7 per cent year-on-year in the second quarter, reversing the 7.9 per cent expansion in the first quarter. The sector was weighed down by output declines in the transport engineering, general manufacturing and chemicals clusters during the quarter. On the other hand, the biomedical manufacturing, electronics and precision engineering clusters recorded output expansions.

Exhibit 2.1: Manufacturing Sector's Growth Rate

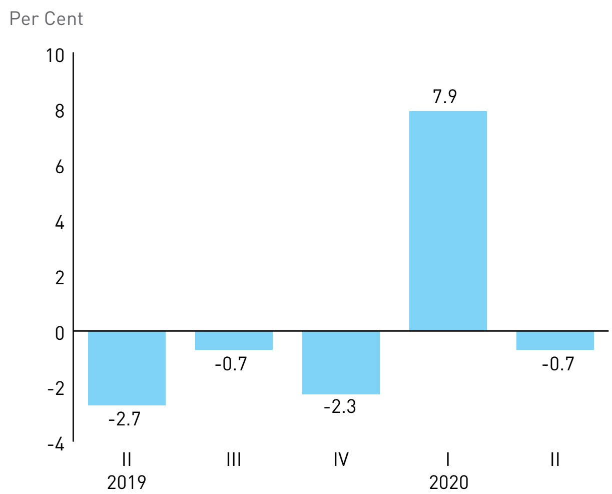
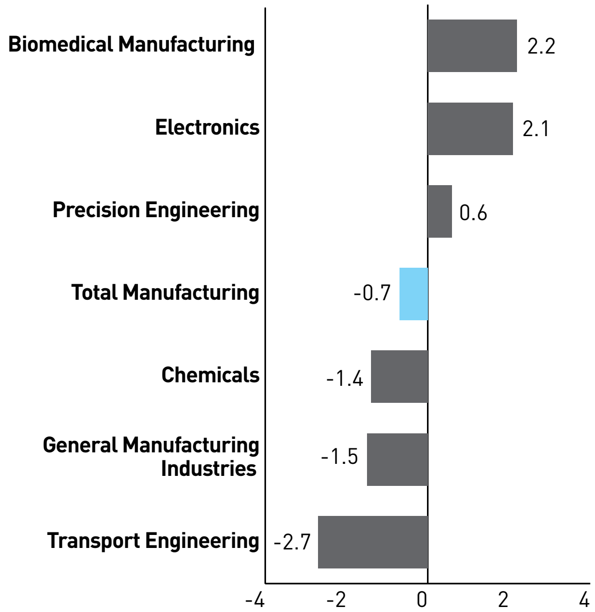


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 2Q 2020



The biomedical manufacturing cluster expanded by 11 per cent in the second quarter. The expansion was driven by the pharmaceuticals segment, which saw its output increase by 15 per cent on the back of a higher level of production of active pharmaceutical ingredients. On the other hand, the medical technology segment contracted by 6.0 per cent, due in part to workplace disruptions arising from the Circuit Breaker (CB) measures and also weak export demand for non-COVID-19 related medical devices.

Output in the electronics cluster rose by 5.6 per cent in the second quarter, largely supported by the semiconductors segment, which grew by 9.6 per cent. In turn, the latter was driven by strong demand for semiconductors from the 5G market, cloud services and data centres. By contrast, the computers & data storage and other electronic modules & components segments contracted by 29 per cent and 11 per cent respectively.

The precision engineering cluster expanded by 4.5 per cent in the second quarter. Growth in the cluster was bolstered by the machinery & systems segment, which grew by 9.8 per cent on the back of robust demand for semiconductor equipment by major semiconductor manufacturers. On the other hand, the output of the precision modules & components segment declined by 9.3 per cent, as the COVID-19 pandemic dampened demand and disrupted operations locally and in key export markets.

Output of the chemicals cluster fell by 11 per cent in the second quarter, with all segments recording output declines due to plant maintenance shutdowns and lower export orders amidst the COVID-19 outbreak. Specifically, the petrochemicals, specialty chemicals, other chemicals and petroleum segments contracted by 7.1 per cent, 13 per cent, 14 per cent and 20 per cent respectively.

The general manufacturing cluster contracted by 20 per cent in the second quarter, weighed down by output declines in all segments. In particular, the output of the miscellaneous industries segment declined by 32 per cent due to a drop in the production of construction-related products. Similarly, the output of the food, beverage & tobacco segment fell by 10 per cent, with a lower level of production of beverage concentrates and confectionery. Meanwhile, the printing segment contracted by 29 per cent.

Output of the transport engineering cluster declined by 34 per cent in the second quarter, with all segments recording declines. In particular, the output of the marine & offshore engineering segment plunged by 43 per cent as movement restrictions on foreign workers living in dormitories disrupted work at the shipyards. At the same time, the aerospace and land transport segments contracted by 29 per cent and 27 per cent respectively. In turn, the fall in output in the aerospace segment was due to lower levels of repair and maintenance work from commercial airlines, as aircraft remained grounded amidst weak air travel demand arising from the COVID-19 pandemic and global travel restrictions.

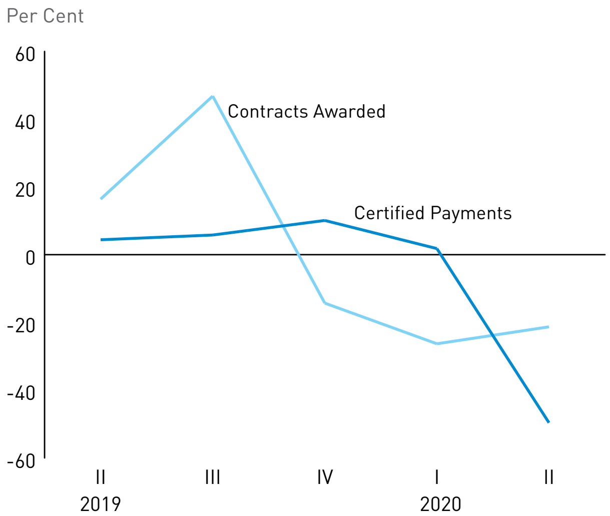
CONSTRUCTION

The construction sector contracted by 59 per cent year-on-year in the second quarter, a sharp deterioration from the 1.2 per cent contraction recorded in the previous quarter. This came about as both private sector and public sector construction output declined.

During the quarter, nominal certified progress payments (a proxy for construction output) fell by 50 per cent, reversing the 1.8 per cent increase in the previous quarter (Exhibit 2.3). This was due to the stoppage of most construction activities during the CB period from 7 April to 1 June, as well as continued restrictions on the movement of foreign workers living in dormitories thereafter because of the COVID-19 outbreak in the dormitories. Reflecting this broad-based weakness, both private (-51 per cent) and public (-48 per cent) certified progress payments fell. The decline in private certified progress payments was mainly driven by private residential building works (-55 per cent) and private industrial building works (-48 per cent). On the other hand, the contraction in public certified progress payments was led by public residential building works (-75 per cent) and public civil engineering works (-40 per cent).

Meanwhile, construction demand in terms of contracts awarded fell by 21 per cent in the second quarter, extending the 26 per cent decline in the previous quarter (Exhibit 2.3). The contraction was due to weaker demand for private sector construction works (-54 per cent), driven by a fall in contracts awarded for private sector residential building works (-76 per cent). By contrast, public sector construction demand expanded by 12 per cent, bolstered by a rise in demand for public sector commercial building works (802 per cent) and public sector industrial building works (108 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

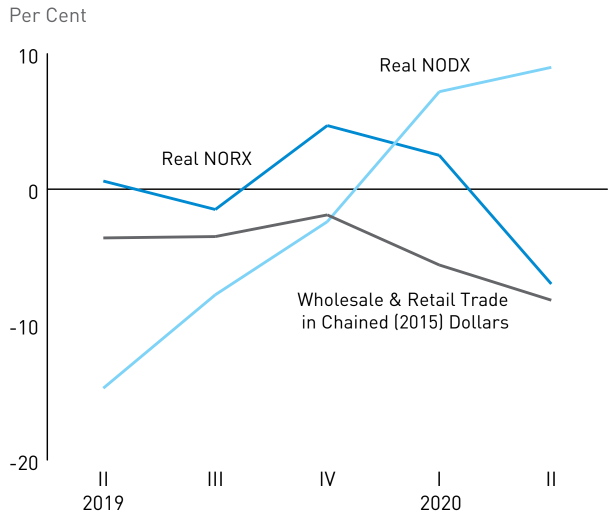


WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector shrank by 8.2 per cent year-on-year in the second quarter, worsening from the 5.6 per cent decline in the previous quarter. Within the sector, both the wholesale trade and retail trade segments contracted.

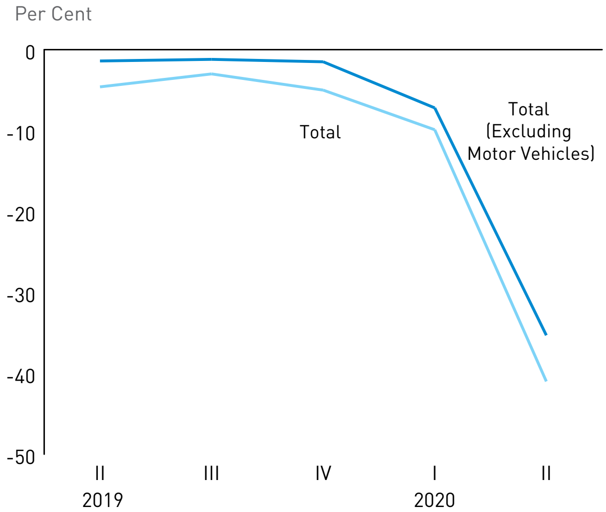
The contraction of the wholesale trade segment came on the back of weaker non-oil re-export (NORX) volumes in Singapore. Specifically, NORX volumes fell by 7.0 per cent in the second quarter, reversing the 2.5 per cent growth in the preceding quarter (Exhibit 2.4), with the contraction primarily driven by the weaker re-exports of machinery & equipment and miscellaneous manufactured goods. The fall in NORX volumes more than offset the 9.0 per cent increase in non-oil domestic export (NODX) volumes over the same period, which was in turn an improvement from the 7.2 per cent expansion recorded in the first quarter. The strong NODX performance in the second quarter was mainly driven by growth in the domestic exports of chemicals & chemical products and miscellaneous products.

Exhibit 2.4: Changes in Wholesale & Retail Trade, Real NODX and Real NORX



For the retail trade segment, overall retail sales volume declined by 41 per cent in the second quarter, significantly worse than the 9.9 per cent drop in the previous quarter. The weaker performance of retail trade occurred as most retailers were prohibited from operating at their physical outlets between 7 April and 18 June, due to workplace closures during the CB period and the phased reopening of the economy thereafter. Retail sales volume was weighed down by both motor vehicular sales (-70 per cent) and non-motor vehicular sales (-35 per cent). The latter was in turn driven by a fall in the sales volume of most goods, such as watches & jewellery (-83 per cent), wearing apparel & footwear (-78 per cent) and goods sold at department stores (-81 per cent). Nevertheless, supermarkets & hypermarkets and minimarts & convenience stores, which were allowed to open their physical outlets between 7 April and 18 June, registered an increase in sales volume of 56 per cent and 8.0 per cent respectively over the same period.

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

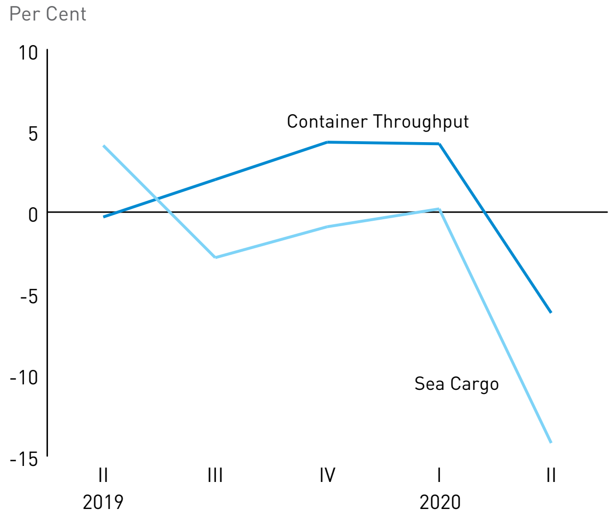


TRANSPORTATION & STORAGE

The transportation & storage sector contracted by 39 per cent year-on-year in the second quarter, significantly worse than the 7.7 per cent contraction in the previous quarter. The poor performance of the sector was driven mainly by the air transport, water transport and land transport segments.

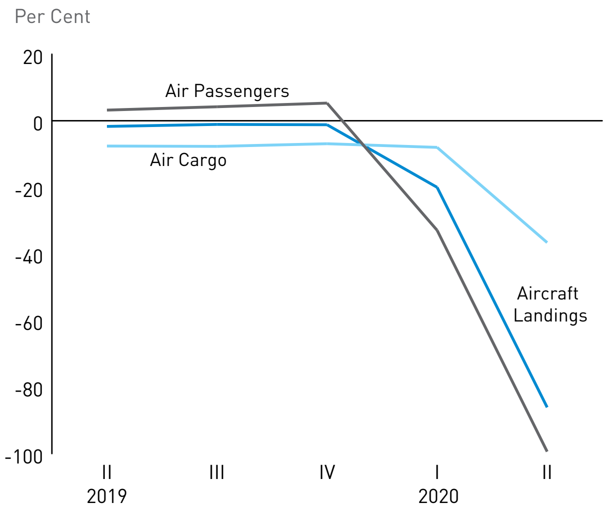
Within the water transport segment, the volume of sea cargo handled in the second quarter fell by 14 per cent year-on-year, a reversal from the 0.2 per cent growth recorded in the previous quarter (Exhibit 2.6). The large drop in sea cargo volume handled came as container throughput and oil-in-bulk cargo volume declined by 6.2 per cent and 23 per cent respectively.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



The air transport segment was badly affected by global travel restrictions imposed to limit the spread of COVID-19 across borders, which resulted in a 99 per cent year-on-year plunge in the volume of air passenger traffic handled at Changi Airport in the second quarter, far worse than the 33 per cent decline in the previous quarter (Exhibit 2.7). There were broad-based declines in air passenger traffic volumes across Singapore's routes with all major regions around the world. Meanwhile, total air cargo shipments handled at Changi Airport fell by 37 per cent in the second quarter, deteriorating from the 8.0 per cent contraction in the preceding quarter. At the same time, the number of aircraft landings plummeted by 86 per cent to reach 6,547 in the second quarter, following the 20 per cent decline in the previous quarter.

Exhibit 2.7: Changes in Air Transport

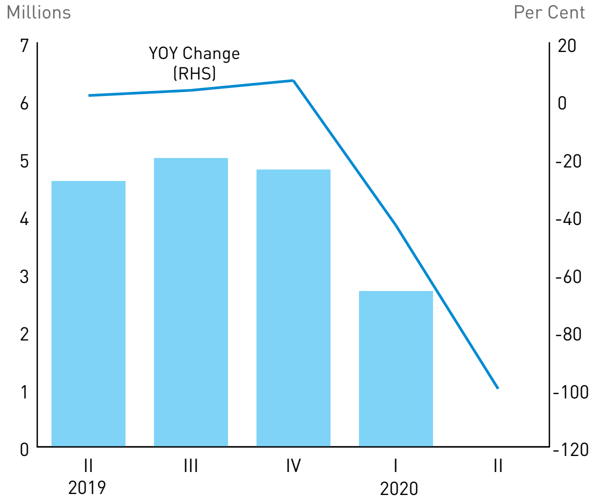


ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector shrank by 41 per cent year-on-year in the second quarter, worsening from the 24 per cent contraction in the preceding quarter. Within the sector, both the accommodation and food services segments contracted.

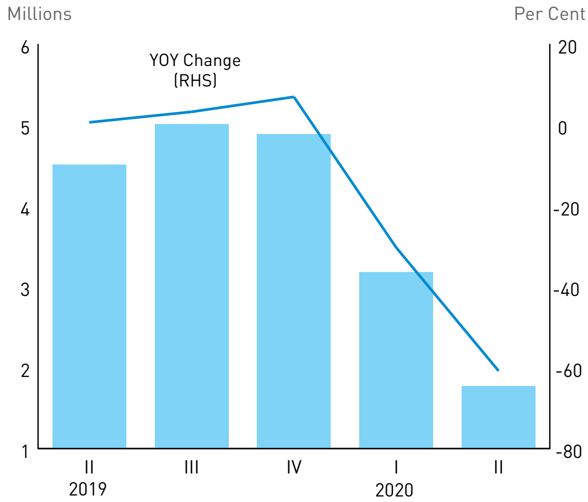
Total visitor arrivals slumped by almost 100 per cent in the second quarter, accelerating from the 43 per cent decline in the previous quarter (Exhibit 2.8). This was the result of Singapore's border controls to limit the importation of COVID-19 cases, as well as weak travel demand amidst the COVID-19 pandemic.[1]

Exhibit 2.8: Visitor Arrivals



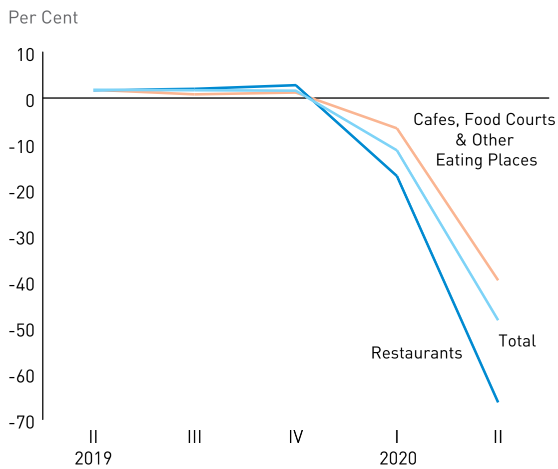
In tandem with the plunge in visitor arrivals, gross lettings at gazetted hotels plummeted by 61 per cent in the second quarter, worse than the 30 per cent drop in the preceding quarter (Exhibit 2.9). As gross lettings fell by more than the decline in available room-nights (-32 per cent) in the second quarter, the average occupancy rate of gazetted hotels slipped by 36 percentage-points on a year-on-year basis to reach 48.7 per cent in the second quarter.

Exhibit 2.9: Gross Lettings at Gazetted Hotels



The food services segment contracted in the second quarter, mainly because dining-in services were not allowed between 7 April and 18 June. Specifically, food & beverage sales volume fell by 48 per cent in the second quarter, significantly worse than the 11 per cent contraction in the previous quarter (Exhibit 2.10). Lower sales volume was seen across-the-board for restaurants (-66 per cent), food caterers (-52 per cent), cafes, food courts & other eating places (-40 per cent), and fast food outlets (-23 per cent) during the quarter.

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



1 *On 24 March 2020, Singapore prohibited all short-term visitors from entering or transiting through Singapore.*

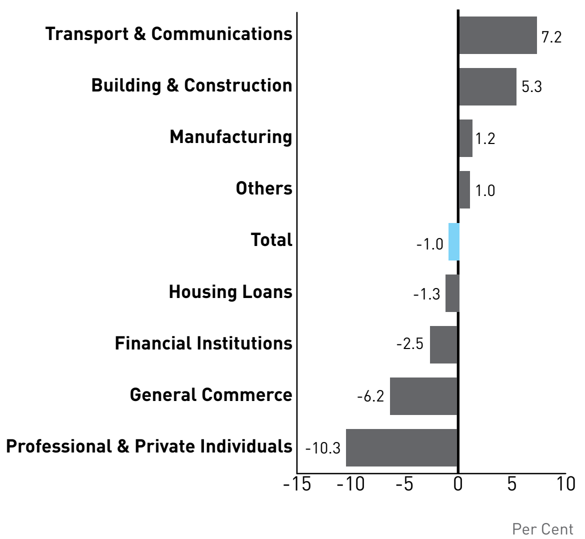
FINANCE & INSURANCE

The finance & insurance sector grew by 3.4 per cent year-on-year in the second quarter, moderating from the 8.3 per cent growth in the preceding quarter. Growth was underpinned by steady expansions in insurance and other auxiliary activities.

The insurance segment continued to be supported by sustained demand for life insurance and reinsurance products in the second quarter, albeit at an attenuated rate compared to the previous quarter. Meanwhile, other auxiliary activities — comprising mainly credit card network players — expanded steadily in the second quarter, as digital adoption in the region continued apace throughout the lockdown period.

Growth in the banking segment moderated in the second quarter. Asian Currency Unit (ACU) non-bank lending rose at a slower pace of 2.2 per cent year-on-year in the second quarter, compared to the 8.2 per cent growth in the previous quarter. In particular, loan growth to East Asia dipped into negative territory, even as credit demand from Europe remained strong. In addition, Domestic Banking Unit (DBU) non-bank lending contracted by 1.0 per cent in the second quarter, reversing the 2.4 per cent growth in the preceding quarter. The contraction in loans to professional & private individuals and general commerce were the most pronounced in the second quarter (Exhibit 2.11).

Exhibit 2.11: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 2Q 2020



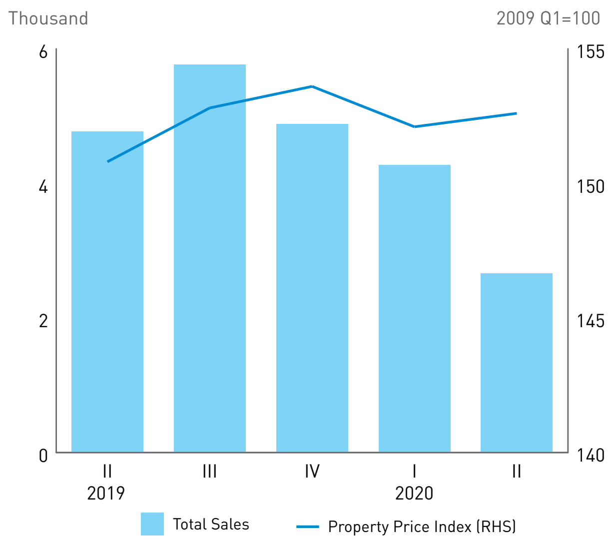
By contrast, forex posted a contraction in the second quarter as trading volumes declined to more normal levels from the surge in March. The performance of the fund management segment was also weak, as investment returns stayed suppressed with market participants remaining risk averse.

BUSINESS SERVICES

The business services sector shrank by 20 per cent year-on-year in the second quarter, larger than the 3.4 per cent decline in the preceding quarter. This came on the back of contractions in the real estate, professional services and "others"[2] segments.

The real estate segment contracted in the second quarter, in tandem with a fall in the number of private residential sales transactions (-44 per cent) during the quarter. However, private residential property prices rose marginally by 0.3 per cent on a quarter-on-quarter basis in the second quarter, reversing the 1.0 per cent decline in the previous quarter (Exhibit 2.12).

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

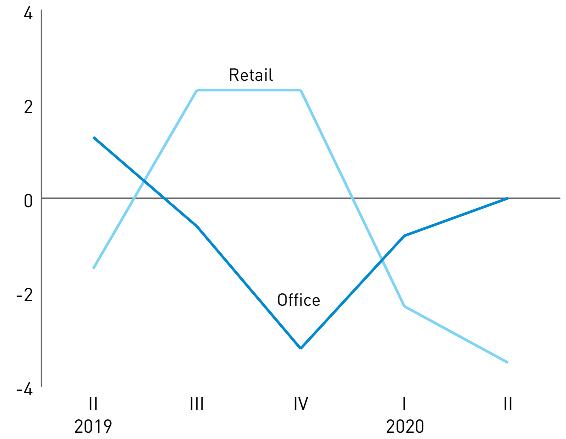


For the private retail space market, rentals declined by 3.5 per cent on a quarter-on-quarter basis in the second quarter, extending the 2.3 per cent drop in the previous quarter (Exhibit 2.13). Meanwhile, the average occupancy rate of private retail space was 89 per cent in the second quarter, easing from the 91 per cent registered in the preceding quarter.

Meanwhile, rentals for private office space remained unchanged on a quarter-on-quarter basis in the second quarter, an improvement from the 0.8 per cent decline in the previous quarter. The average occupancy rate of private office space came in at 87 per cent in the second quarter, inching down from the 88 per cent achieved in the preceding quarter.

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.

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



For the private industrial space market, rentals fell by 0.7 per cent on a quarter-on-quarter basis in the second quarter, extending the 0.1 per cent contraction 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 88 per cent respectively in the second quarter, comparable to the previous quarter's rates of 90 per cent and 87 per cent respectively (Exhibit 2.14).

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