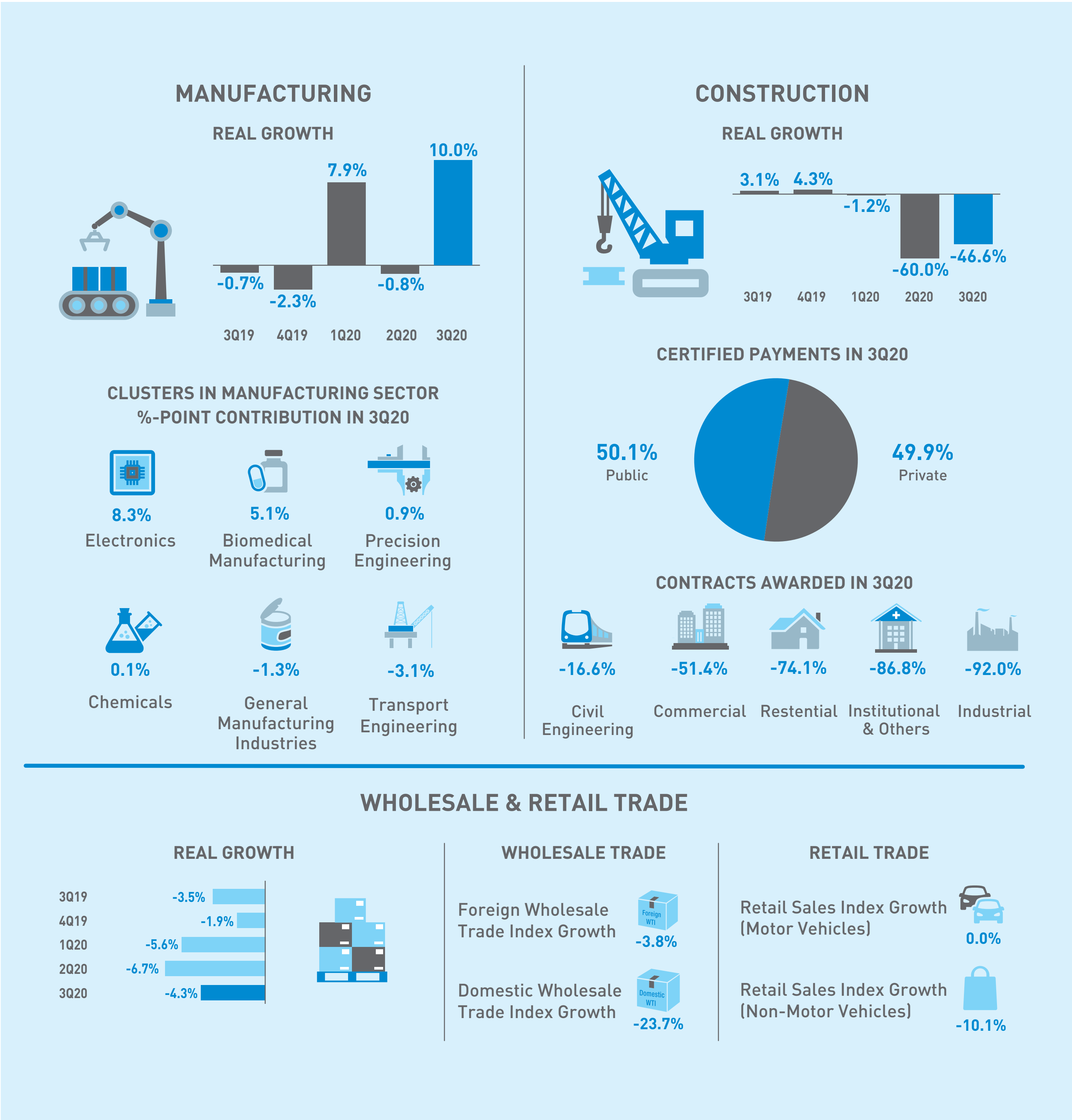
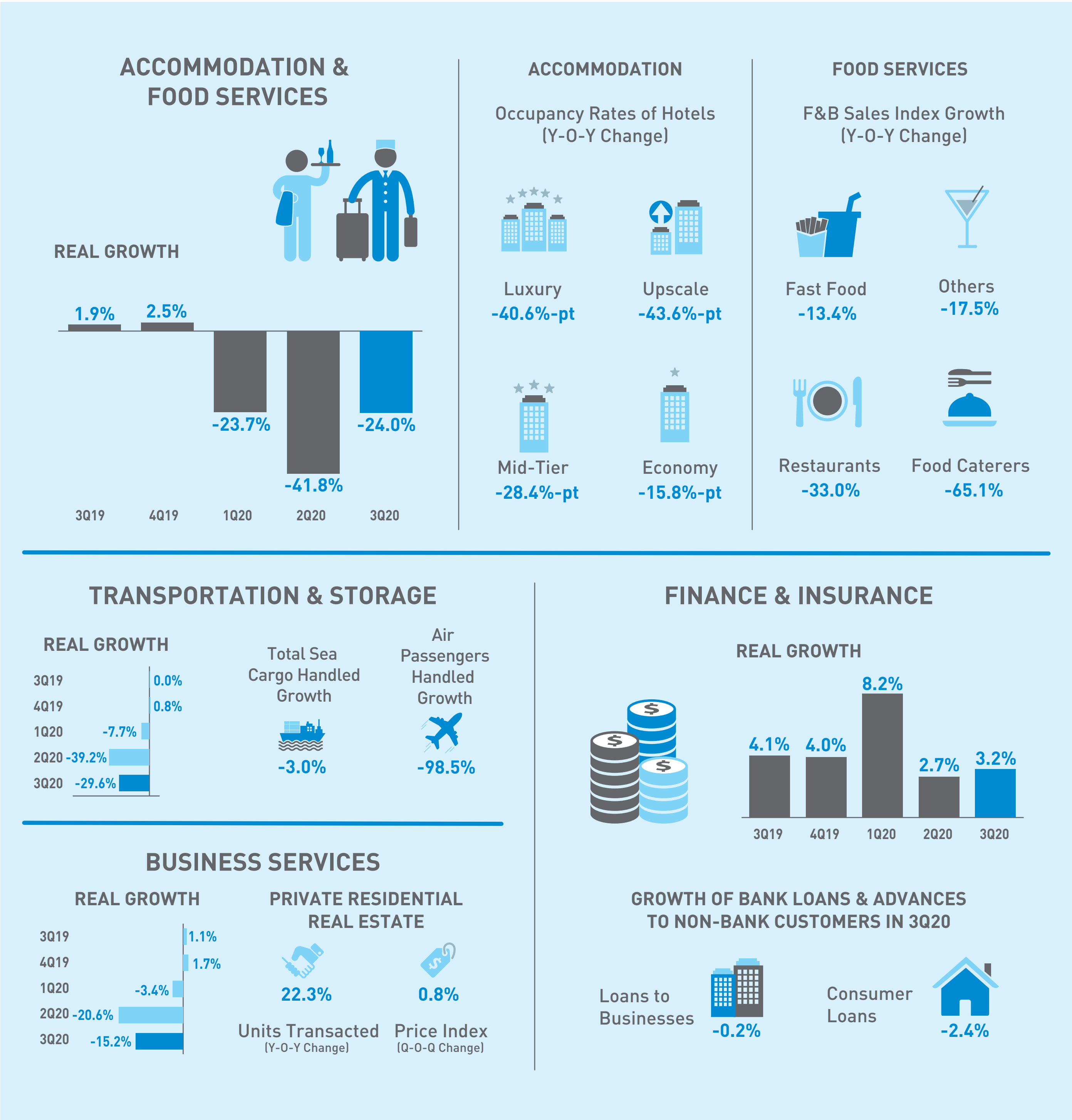
CHAPTER 2
SECTORAL PERFORMANCE




ACCOMMODATION & FOOD SERVICES
REAL GROWTH
1.9%
2.5%
-23.7%
-41.8%
-24.0%
3Q19
4Q19
1Q20
2Q20
3Q20
ACCOMMODATION
Occupancy Rates of Hotels (Y-O-Y Change)
Luxury
-40.6%-pt
Upscale
-43.6%-pt
Mid-Tier
-28.4%-pt
Economy
-15.8%-pt
FOOD SERVICES
F&B Sales Index Growth (Y-O-Y Change)
Fast Food
-13.4%
Others
-17.5%
Restaurants
-33.0%
Food Caterers
-65.1%
TRANSPORTATION & STORAGE
REAL GROWTH
3Q19 0.0%
4Q19 0.8%
1Q20 -7.7%
2Q20 -39.2%
3Q20 -29.6%
Total Sea Cargo Handled Growth
-3.0%
Air Passengers Handled Growth
-98.5%
BUSINESS SERVICES
REAL GROWTH
3Q19 1.1%
4Q19 1.7%
1Q20 -3.4%
2Q20 -20.6%
3Q20 -15.2%
PRIVATE RESIDENTIAL REAL ESTATE
22.3%
Units Transacted
(Y-O-Y Change)
0.8%
Price Index
(Q-O-Q Change)
FINANCE & INSURANCE
REAL GROWTH
4.1%
4.0%
8.2%
2.7%
3.2%
3Q19
4Q19
1Q20
2Q20
3Q20
GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 3Q20
Loans to Businesses
-0.2%
Consumer Loans
-2.4%

OVERVIEW

In the third quarter of 2020,

- The manufacturing sector expanded by 10 per cent, reversing the 0.8 per cent contraction in the second quarter. Growth in the sector was driven by expansions in the electronics, biomedical manufacturing, precision engineering and chemicals clusters. On the other hand, the transport engineering and general manufacturing clusters registered output declines.

- The construction sector shrank by 47 per cent, extending the 60 per cent contraction in the preceding quarter, due to lower levels of private and public sector construction output.

- The wholesale & retail trade sector contracted by 4.3 per cent, improving from the 6.7 per cent contraction recorded in the previous quarter. Within the sector, both the wholesale trade and retail trade segments contracted.

- The transportation & storage sector shrank by 30 per cent, a moderation from the 39 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 contracted by 24 per cent, improving from the 42 per cent contraction in the preceding quarter, as both the accommodation and food services segments continued to shrink during the quarter.

- The finance & insurance sector expanded by 3.2 per cent, faster than the 2.7 per cent growth in the previous quarter. Growth was primarily underpinned by steady expansions in the banking and insurance segments.

- The business services sector shrank by 15 per cent, extending the 21 per cent decline in the previous quarter, on account of contractions in the real estate, professional services and "others" segments.

MANUFACTURING

Manufacturing output increased by 10 per cent on a year-on-year basis in the third quarter (Exhibit 2.1). All manufacturing clusters recorded output expansions, except for the transport engineering and general manufacturing clusters (Exhibit 2.2).

The electronics cluster expanded by 22 per cent in the third quarter. The cluster's growth was largely driven by the semiconductors segment, which grew by 27 per cent on account of robust semiconductor demand from cloud services, data centres and the 5G market. Meanwhile, the other electronics modules & components segment expanded by 5.9 per cent. By contrast, output in the infocomms & consumer electronics and computer peripherals & data storage segments fell by 20 per cent and 12 per cent respectively.

Exhibit 2.1: Manufacturing Sector's Growth Rate

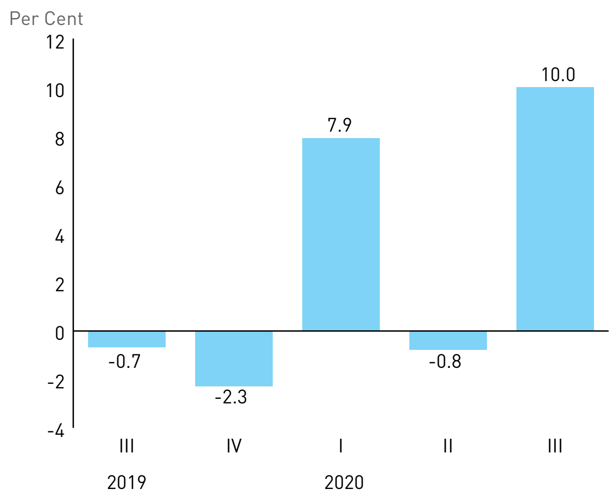
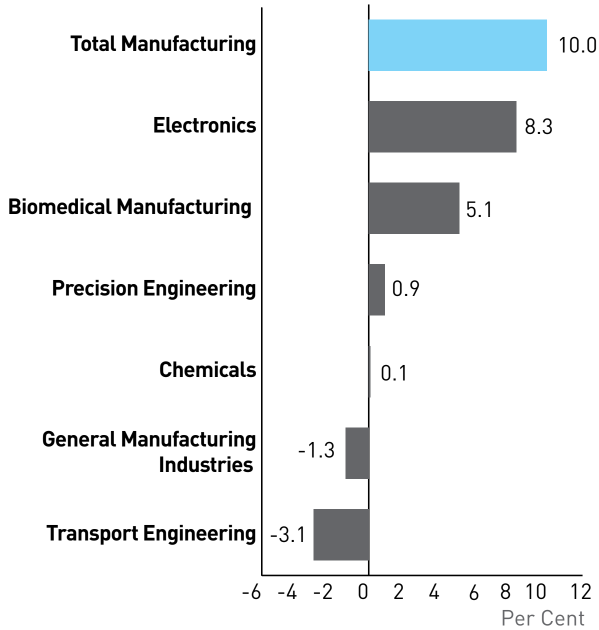


Exhibit 2.2: Percentage-Point Contribution to Manufacturing Sector's Growth in 3Q 2020



Output in the biomedical manufacturing cluster rose by 26 per cent in the third quarter. The pharmaceuticals segment expanded by 33 per cent on the back of a higher level of production of active pharmaceutical ingredients and biological products. At the same time, the medical technology segment grew by 7.2 per cent due to higher export demand for medical devices.

The precision engineering cluster grew by 6.7 per cent in the third quarter. Growth in the cluster was bolstered by the machinery & systems segment, which registered a 13 per cent increase in output due to healthy demand for semiconductor equipment from major semiconductor manufacturers. On the other hand, output in the precision modules & components segment declined by 7.0 per cent, weighed down by a drop in the production of optical products and dies, moulds, tools, jigs & fixtures.

Output in the chemicals cluster increased slightly by 0.5 per cent in the third quarter. Growth was supported by the petrochemicals and specialty chemicals segments, which expanded by 3.9 per cent and 5.4 per cent respectively, with the latter recording a rise in the output of industrial gases and mineral oil additives. By contrast, the petroleum and other chemicals segments contracted by 20 per cent and 6.8 per cent respectively, weighed down by plant maintenance shutdowns and lower export orders amidst the COVID-19 outbreak.

Output in the general manufacturing cluster fell by 16 per cent in the third quarter, weighed down by declines in all segments. In particular, the miscellaneous industries segment contracted by 23 per cent due to a drop in the production of construction-related products arising from the slow resumption of domestic construction activities. Similarly, the output of the food, beverages & tobacco segment declined by 10 per cent, largely weighed down by a lower level of production of milk powder as a result of plant maintenance shutdowns. Meanwhile, the printing segment contracted by 19 per cent.

The transport engineering cluster shrank by 37 per cent in the third quarter, pulled back by the aerospace and marine & offshore engineering (M&OE) segments. Output in the aerospace segment declined by 36 per cent due to a fall in repair and maintenance work from commercial airlines amidst ongoing global travel restrictions and weak air travel. Likewise, output in the M&OE segment fell by 50 per cent as movement restrictions at foreign worker dormitories adversely affected the level of activity in shipyards. By contrast, the land transport segment grew by 12 per cent during the quarter.

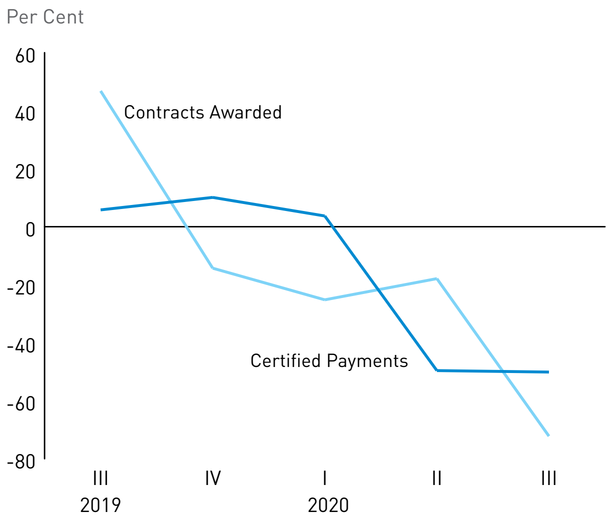
CONSTRUCTION

The construction sector contracted by 47 per cent year-on-year in the third quarter, extending the 60 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, the same pace of decline as in the previous quarter (Exhibit 2.3). This was mainly on account of the challenges faced by construction firms in the implementation of safe management measures stipulated in the COVID-Safe Restart criteria, which led to declines in both private (-50 per cent) and public (-50 per cent) certified progress payments. The slump in private certified progress payments was largely driven by private residential building works (-53 per cent) and private industrial building works (-46 per cent). On the other hand, the plunge in public certified progress payments was led by public institutional & others building works (-61 per cent) and public civil engineering works (-50 per cent).

Meanwhile, construction demand in terms of contracts awarded plummeted by 72 per cent in the third quarter, significantly worse than the 18 per cent decline in the previous quarter (Exhibit 2.3). This was due to weaker demand for both private (-66 per cent) and public (-75 per cent) sector construction works. The former was driven by a fall in contracts awarded for private sector residential building works (-82 per cent) and private sector industrial building works (-77 per cent), while the latter was led by public industrial building works (-98 per cent) and public institutional & others building works (-86 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments

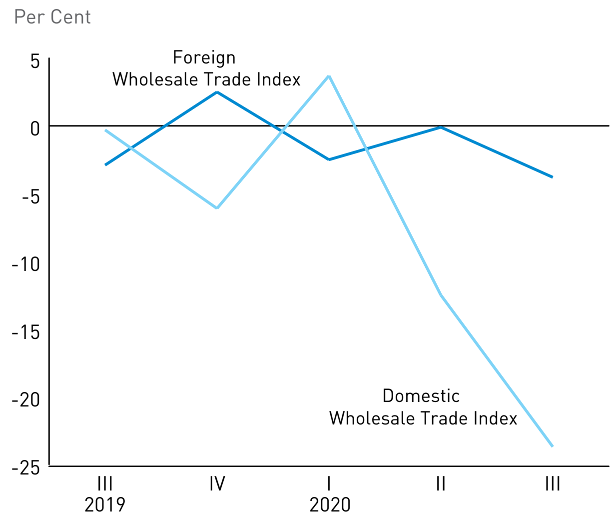


WHOLESALE & RETAIL TRADE

The wholesale & retail trade sector shrank by 4.3 per cent year-on-year in the third quarter, moderating from the 6.7 per cent contraction in the previous quarter. Within the sector, both the wholesale trade and retail trade segments contracted.

The wholesale trade segment was weighed down by foreign wholesale trade sales volumes (Exhibit 2.4), which declined by 3.8 per cent in the third quarter, larger than the 0.1 per cent drop in the previous quarter. The fall in foreign wholesale trade sales volumes came on the back of lower sales volumes of petroleum & petroleum products (-7.2 per cent), transport equipment (-38 per cent) and "other wholesale trade" (-17 per cent).[1] These declines were partially offset by expansions in the sales volumes of metals, timber & construction materials (7.1 per cent) and electronic components (13 per cent).

Exhibit 2.4: Changes in Wholesale Trade Index

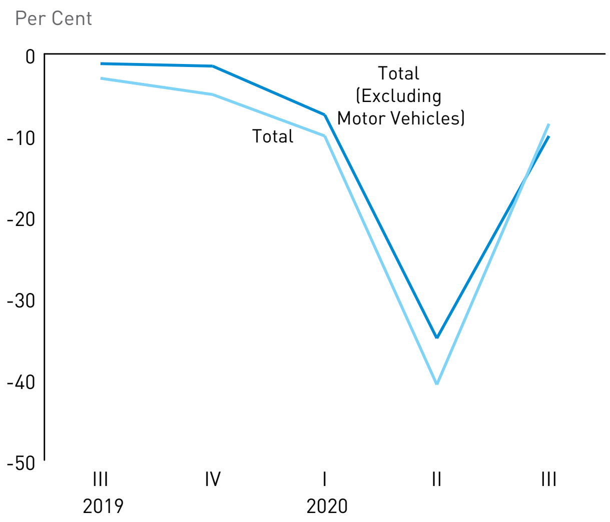


Likewise, domestic wholesale trade sales volumes fell by 24 per cent in the third quarter, extending the 13 per cent decline in the previous quarter. The drop was largely due to a fall in the sales volumes of petroleum & petroleum products (-34 per cent), metals, timber & construction materials (-34 per cent) and industrial & construction machinery (-27 per cent).

1 The "other wholesale trade" segment consists of a diverse range of products that includes agricultural raw materials and live animals, tropical produce, personal effects and medicinal and pharmaceutical products, among others.

For the retail trade segment, overall sales volume recorded a drop of 8.6 per cent in the third quarter, an improvement from the 41 per cent decline in the previous quarter (Exhibit 2.5). The better performance was on account of the easing of Circuit Breaker measures, as retailers were allowed to operate at their physical outlets from 19 June onwards. Retail sales volume in the third quarter was weighed down mainly by non-motor vehicular sales (-10 per cent), while motor vehicular sales were flat. The former was in turn driven by a fall in the sales volume of discretionary goods, such as food & alcohol (-43 per cent), department stores (-34 per cent) and cosmetics, toiletries & medical goods (-29 per cent). By contrast, supermarkets & hypermarkets (22 per cent), furniture & household equipment (14 per cent) and recreational goods (6.8 per cent) saw an uptick in sales volume, with the higher demand likely a result of more people working from home.

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

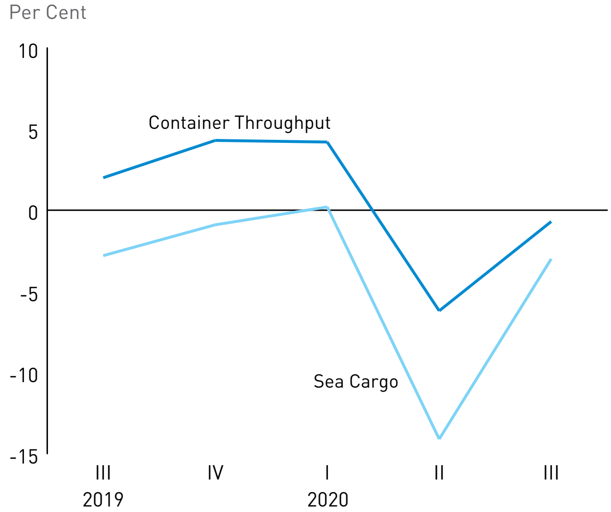


TRANSPORTATION & STORAGE

The transportation & storage sector contracted by 30 per cent year-on-year in the third quarter, slightly better than the 39 per cent decline in the previous quarter. The continued poor performance of the sector was driven mainly by the air transport, water transport and land transport segments.

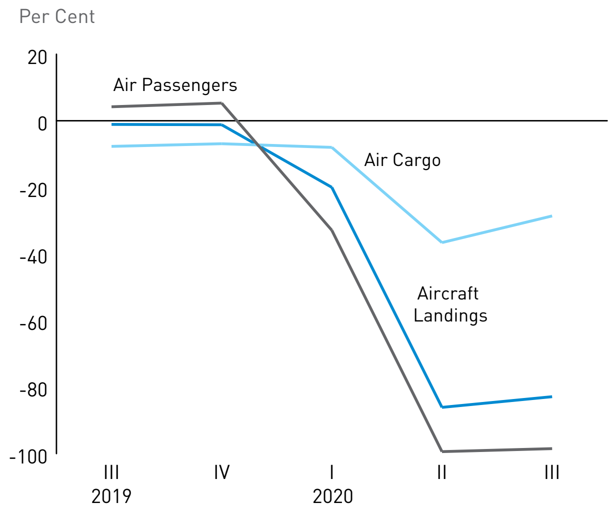
For the water transport segment, the volume of sea cargo handled fell by 3.0 per cent year-on-year in the third quarter, an improvement from the 14 per cent decline recorded in the previous quarter (Exhibit 2.6). The fall in sea cargo volume handled came as container throughput and oil-in-bulk cargo volume dipped by 0.7 per cent and 1.2 per cent respectively.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



The air transport segment continued to be adversely affected by the global travel restrictions put in place to limit the spread of COVID-19 across borders. These travel restrictions, coupled with weak travel demand, resulted in a 98 per cent year-on-year plunge in the volume of air passenger traffic handled at Changi Airport in the third quarter, similar to the 99 per cent decline in the previous quarter (Exhibit 2.7). Compared to the same period a year ago, there were 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 29 per cent, an improvement from the 37 per cent contraction in the second quarter. At the same time, the number of aircraft landings plummeted by 83 per cent to reach 8,212 in the third quarter, following the 86 per cent decline in the previous quarter.

Exhibit 2.7: Changes in Air Transport

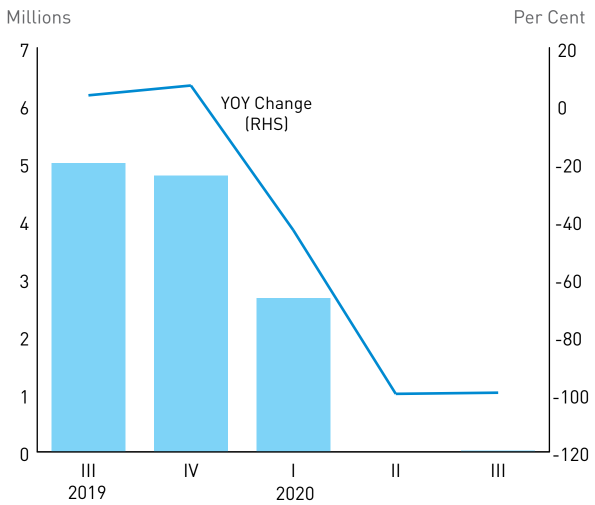


ACCOMMODATION & FOOD SERVICES

The accommodation & food services sector shrank by 24 per cent year-on-year in the third quarter, a slower pace of decline than the 42 per cent contraction observed in the preceding quarter. Within the sector, both the accommodation and food services segments contracted.

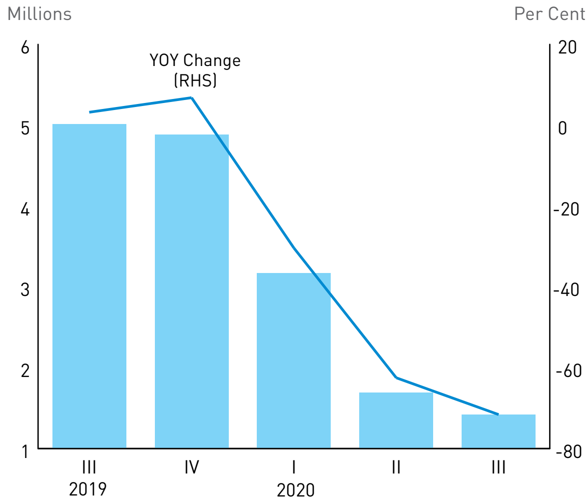
Total visitor arrivals slumped by 99.5 per cent in the third quarter, marginally better than the 99.9 per cent decline in the previous quarter (Exhibit 2.8). The near standstill in visitor arrivals was due to Singapore's border controls to limit the importation of COVID-19, as well as weak travel demand amidst the COVID-19 pandemic.[2]

Exhibit 2.8: Visitor Arrivals



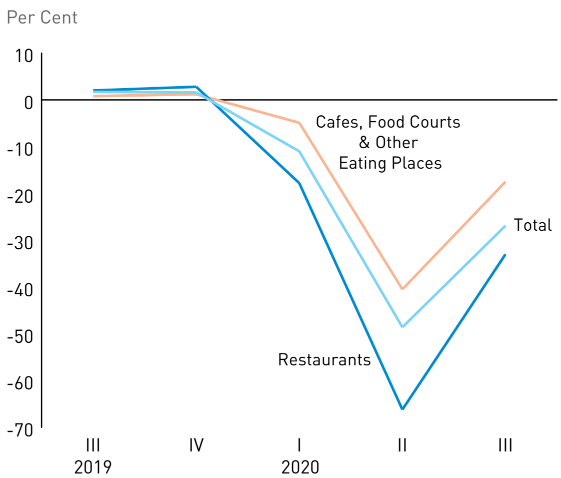
In tandem with the plunge in visitor arrivals, gross lettings at gazetted hotels plummeted by 72 per cent in the third quarter, extending the 63 per cent drop in the preceding quarter (Exhibit 2.9). As gross lettings fell by more than the decline in available room-nights (-59 per cent), the average occupancy rate of gazetted hotels slipped by 29 percentage-points on a year-on-year basis to reach 62.4 per cent in the third quarter. Nevertheless, this was higher than the average occupancy rate of 46.2 per cent registered in the second quarter.

Exhibit 2.9: Gross Lettings at Gazetted Hotels



The food services segment also continued to contract in the third quarter. Specifically, the food & beverage sales volume fell by 27 per cent in the third quarter, improving from the 49 per cent decline in the previous quarter as dining-in activities were allowed from 19 June onwards (Exhibit 2.10). Lower sales volumes were seen across-the-board during the quarter, with food caterers registering the largest decline (-65 per cent) followed by restaurants (-33 per cent), cafes, food courts & other eating places (-17 per cent) and fast food outlets (-13 per cent).

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



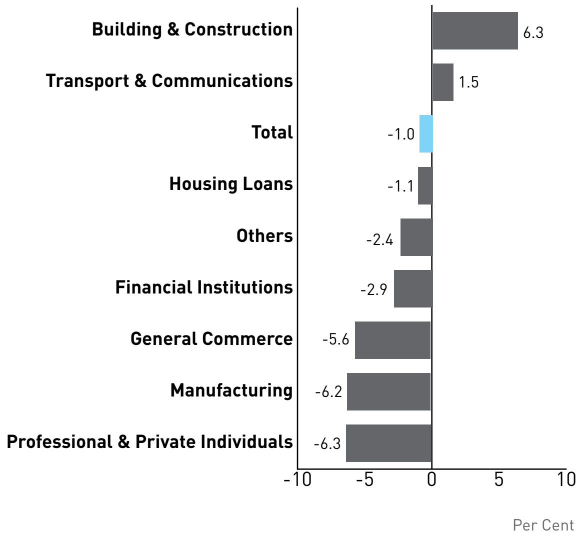
2 On 24 March 2020, Singapore prohibited all short-term visitors from entering or transiting through Singapore. Since June 2020, Singapore has begun gradually easing border restrictions through reciprocal green lane arrangements, air travel passes and air travel bubbles.

FINANCE & INSURANCE

The finance & insurance sector grew by 3.2 per cent year-on-year in the third quarter, faster than the 2.7 per cent growth in the preceding quarter. Growth was primarily underpinned by steady expansions in the banking and insurance segments.

Growth in the banking segment picked up in the third quarter, reflecting higher interest income from loans, as well as net commissions received from brokerage and other services. Asian Currency Unit (ACU) non-bank loan growth stayed positive at 1.6 per cent, due to resilient credit expansion to Europe and a turnaround in non-bank loan growth to East Asia. In comparison, Domestic Banking Unit (DBU) non-bank lending continued to decline by 1.0 per cent, largely due to weakening loans extended to professional & private individuals (Exhibit 2.11). There was also a contraction in loans to the general commerce and manufacturing sectors.

Exhibit 2.11: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 3Q 2020



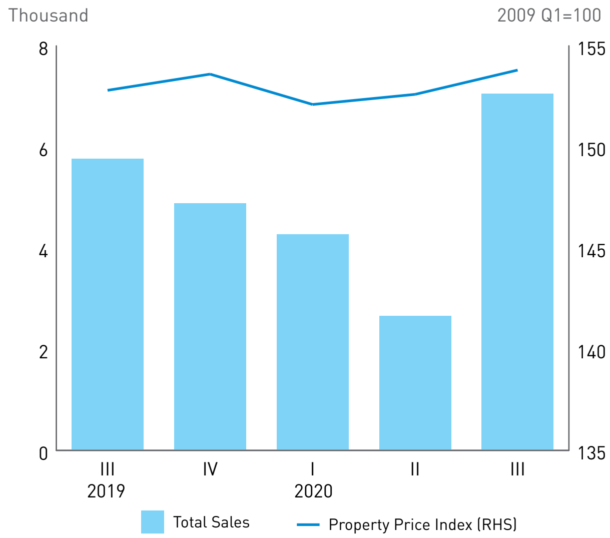
The insurance segment continued to benefit from a sustained demand for life insurance products in the third quarter. Outturns in the sentiment-sensitive segments such as forex, security dealing activities and fund management also improved. In particular, forex and security dealing activities saw strong trading volumes in the third quarter, while the performance of the fund management segment improved as global equities traded higher. In comparison, growth in other auxiliary services moderated in the third quarter, reflecting the weak performance of credit card network players.

BUSINESS SERVICES

The business services sector shrank by 15 per cent year-on-year in the third quarter, extending the 21 per cent decline in the preceding quarter. This came on the back of contractions in the real estate, professional services and "others" segments.

Within the real estate segment, the number of private residential sales transactions rose by 22 per cent during the quarter, in part due to pent-up demand arising from the suspension of operations at developers' sales galleries during the Circuit Breaker period. On the back of a pickup in sales, private residential property prices rose by 0.8 per cent on a quarter-on-quarter basis in the third quarter, improving from the 0.3 per cent increase in the previous quarter (Exhibit 2.12).

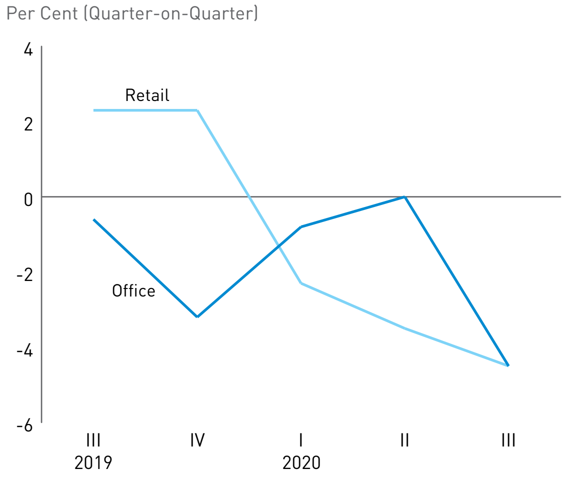
Exhibit 2.12: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



On the other hand, conditions in the commercial and industrial property space markets remained weak. For the private retail space market, rentals declined by 4.5 per cent on a quarter-on-quarter basis in the third quarter, extending the 3.5 per cent drop in the previous quarter (Exhibit 2.13). Meanwhile, the average occupancy rate of private retail space was 89 per cent during the quarter, unchanged from the preceding quarter.

Similarly, rentals for private office space fell by 4.5 per cent on a quarter-on-quarter basis in the third quarter, worsening from the flat growth in the previous quarter. The average occupancy rate of private office space came in at 87 per cent, the same as observed in the second quarter.

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



For the private industrial space market, rentals fell by 0.9 per cent on a quarter-on-quarter basis in the third quarter, extending the 0.7 per cent decline 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 89 per cent respectively during the quarter, comparable to the previous quarter's rates of 90 per cent and 88 per cent respectively (Exhibit 2.14).

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