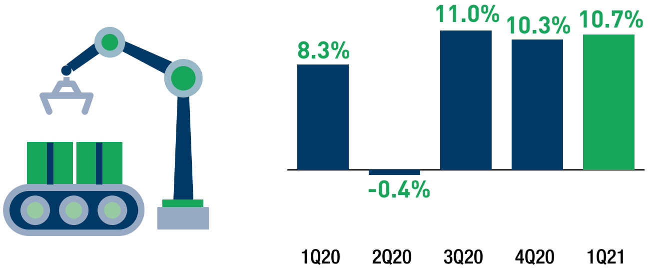
CHAPTER 2
SECTORAL PERFORMANCE

MANUFACTURING

REAL GROWTH



CLUSTERS IN MANUFACTURING SECTOR (Y-O-Y CHANGE)

28.1% Electronics

12.2% Precision Engineering

7.0% Chemicals

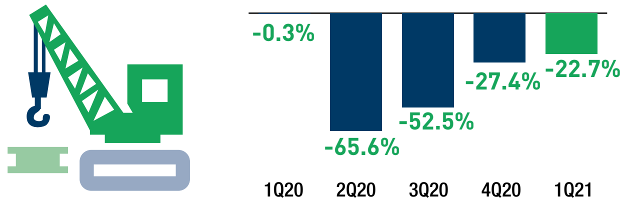
-0.9% Biomedical Manufacturing

-1.9% General Manufacturing Industries

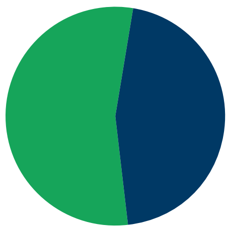
-20.8% Transport Engineering

CONSTRUCTION

REAL GROWTH



CERTIFIED PAYMENTS IN 1Q21



54.3% Public

45.7% Private

CONTRACTS AWARDED IN 1Q21

19.3% Residential

-13.9% Institutional & Others

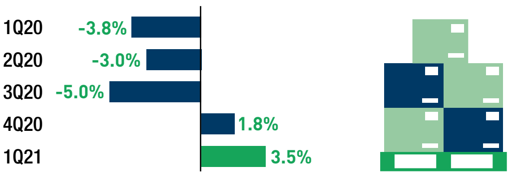
-22.5% Commercial

-27.7% Civil Engineering

-64.9% Industrial

WHOLESALE TRADE

REAL GROWTH

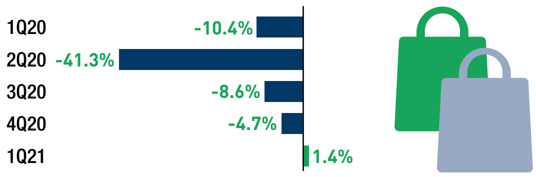


Foreign Wholesale Trade Index Growth 6.7%

Domestic Wholesale Trade Index Growth -10.9%

RETAIL TRADE

REAL GROWTH

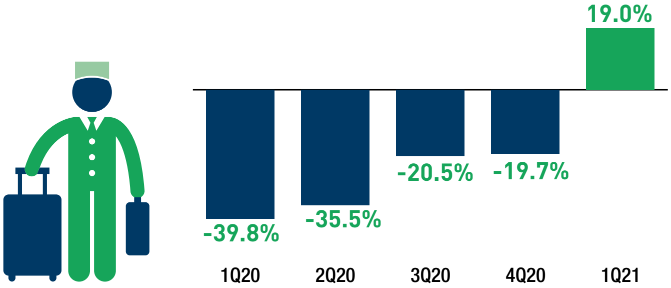


Retail Sales Index Growth (Motor Vehicles) 4.2%

Retail Sales Index Growth (Non-Motor Vehicles) 0.5%

ACCOMMODATION

REAL GROWTH



OCCUPANCY RATES OF HOTELS (Y-O-Y CHANGE)

Luxury **-14.1%-pt**

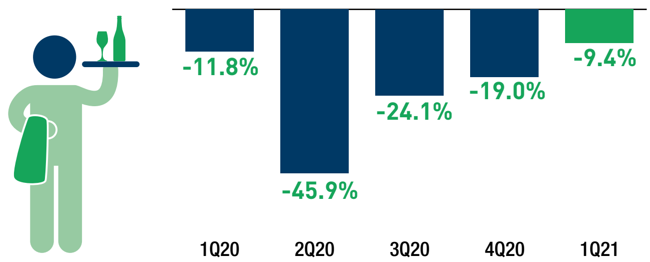
Upscale **-13.5%-pt**

Mid-Tier **-19.3%-pt**

Economy **-7.7%-pt**

FOOD & BEVERAGE SERVICES

REAL GROWTH



F&B SALES INDEX GROWTH (Y-O-Y CHANGE)

Fast Food **-1.1%**

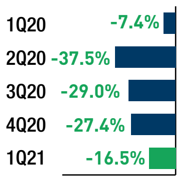
Others **-3.1%**

Restaurants **-7.2%**

Food Caterers **-60.6%**

TRANSPORTATION & STORAGE

REAL GROWTH

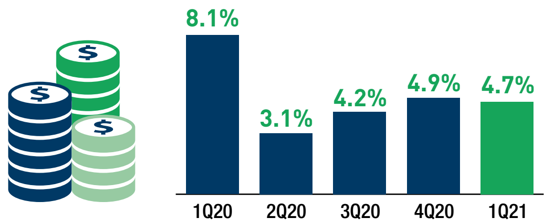


Total Sea Cargo Handled Growth **-0.6%**

Air Passengers Handled Growth **-96.1%**

FINANCE & INSURANCE

REAL GROWTH



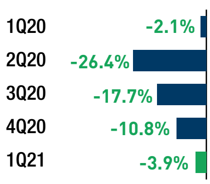
GROWTH OF BANK LOANS & ADVANCES TO NON-BANK CUSTOMERS IN 1Q21

Loans to Businesses **-1.5%**

Consumer Loans **2.1%**

REAL ESTATE

REAL GROWTH



PRIVATE RESIDENTIAL REAL ESTATE

Units Transacted (Y-O-Y Change) **89.7%**

Price Index (Q-O-Q Change) **3.3%**

OVERVIEW

In the first quarter of 2021,

- The manufacturing sector expanded by 11 per cent year-on-year, extending the 10 per cent growth in the previous quarter. Within the sector, the output of the electronics, precision engineering and chemicals clusters expanded, whereas that of the biomedical manufacturing, general manufacturing and transport engineering clusters declined.
- The construction sector shrank by 23 per cent, extending the 27 per cent contraction in the preceding quarter, due to lower levels of private and public sector construction output.
- The wholesale trade sector grew by 3.5 per cent, faster than the 1.8 per cent expansion in the previous quarter.
- The retail trade sector expanded by 1.4 per cent, a reversal from the 4.7 per cent contraction in the previous quarter.
- The transportation & storage sector shrank by 16 per cent, a moderation from the 27 per cent decline in the preceding quarter, primarily because of the weak performance of the air transport, water transport and land transport segments.
- The accommodation sector grew by 19 per cent, a turnaround from the 20 per cent contraction in the previous quarter.
- The food & beverage services sector shrank by 9.4 per cent, an improvement from the 19 per cent contraction in the preceding quarter.
- The finance & insurance sector expanded by 4.7 per cent, extending the 4.9 per cent growth in the previous quarter. Growth was underpinned by expansions in the banking and insurance segments.
- The real estate sector shrank by 3.9 per cent, moderating from the 11 per cent decline in the previous quarter.
- The professional services sector contracted by 4.5 per cent, easing from the 7.5 per cent contraction in the preceding quarter.

MANUFACTURING

Manufacturing output increased by 11 per cent on a year-on-year basis in the first quarter (Exhibit 2.1). Growth of the sector was supported by output expansions in the electronics, precision engineering and chemicals clusters. On the other hand, the biomedical manufacturing, general manufacturing and transport engineering clusters registered output declines (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate

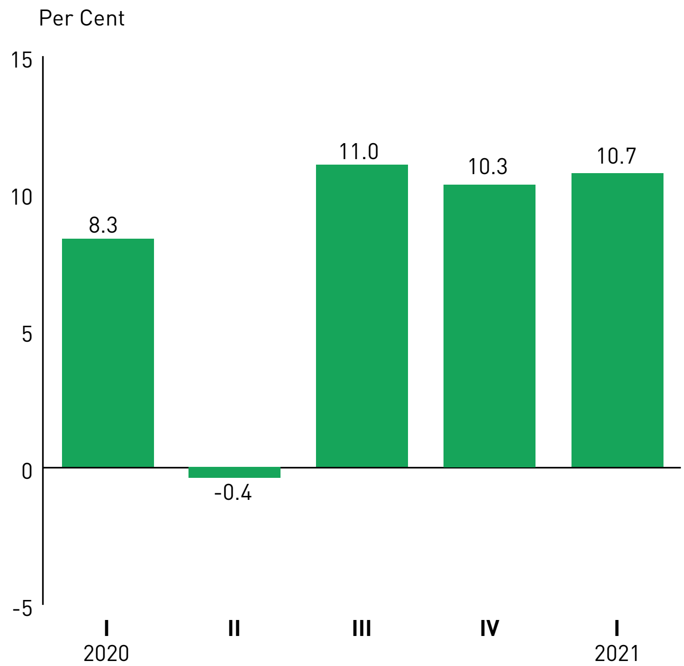
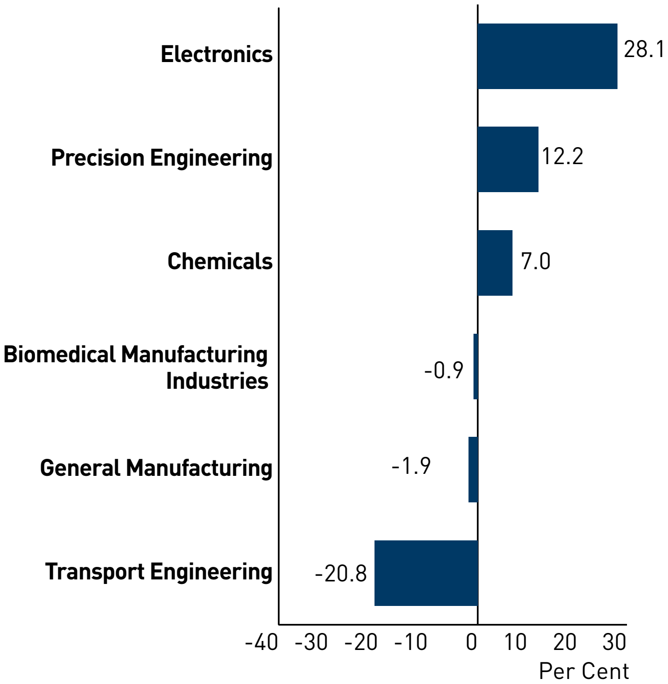


Exhibit 2.2: Manufacturing Clusters' Growth Rates in 1Q 2021



The electronics cluster expanded by 28 per cent in the first quarter, driven mainly by the semiconductors segment, which grew by 33 per cent on account of robust demand from cloud services, data centres, automotive producers and the 5G market. Meanwhile, the computer peripherals & data storage and other electronics modules & components segments expanded by 13 per cent and 2.0 per cent respectively. By contrast, output in the infocomms & consumer electronics segment fell by 6.9 per cent.

Output in the precision engineering cluster increased by 12 per cent in the first quarter, supported by expansions in both the machinery & systems (M&S) and precision modules & components (PMC) segments. The M&S segment expanded by 16 per cent on the back of strong global demand for semiconductor equipment, while the PMC segment grew by 3.7 per cent, driven by a higher level of output of optical instruments and metal precision components.

The chemicals cluster grew by 7.0 per cent in the first quarter, supported by output expansions in all segments except for the petroleum segment. The petrochemicals segment expanded by 13 per cent from the low base a year ago caused by plant maintenance shutdowns. Similarly, the specialty chemicals segment grew by 11 per cent on account of a higher level of production of industrial gases and mineral oil additives, while output in the other chemicals segment increased by 3.0 per cent, supported by the production of fragrances. Conversely, the petroleum segment contracted by 24 per cent as demand for transportation fuel remained weak amidst international travel restrictions to contain the spread of COVID-19.

Output in the biomedical manufacturing cluster fell by 0.9 per cent in the first quarter, as a contraction in the pharmaceuticals segment outweighed an expansion in the medical technology segment. The pharmaceuticals segment contracted by 6.4 per cent on account of a different mix of active pharmaceutical ingredients produced and a fall in the output of biological products. By contrast, the medical technology segment grew by 16 per cent due to higher export demand for medical devices.

The general manufacturing cluster contracted by 1.9 per cent in the first quarter, weighed down by output declines in all segments except for the miscellaneous industries segment. Output in the food, beverages & tobacco (FBT) and printing segments declined by 3.8 per cent and 15 per cent respectively, with the former coming on the back of a fall in the production of milk products due to weaker export demand. Conversely, output in the miscellaneous industries segment rose by 5.1 per cent on account of a recovery in domestic demand for construction-related materials, as well as a higher level of production of batteries.

The transport engineering cluster shrank by 21 per cent in the first quarter, weighed down by the weak performance of the aerospace and marine & offshore engineering (M&OE) segments. In particular, output in the aerospace segment plunged by 30 per cent due to a fall in the demand for repair and maintenance works from commercial airlines as aircraft were grounded amidst global travel restrictions. Likewise, output in the M&OE segment declined by 18 per cent as work at the shipyards was weighed down by the requirement to implement safe management measures, as well as labour shortages due to border restrictions. On the other hand, the land transport segment expanded by 22 per cent on the back of an increase in the output of parts and accessories for motor vehicles.

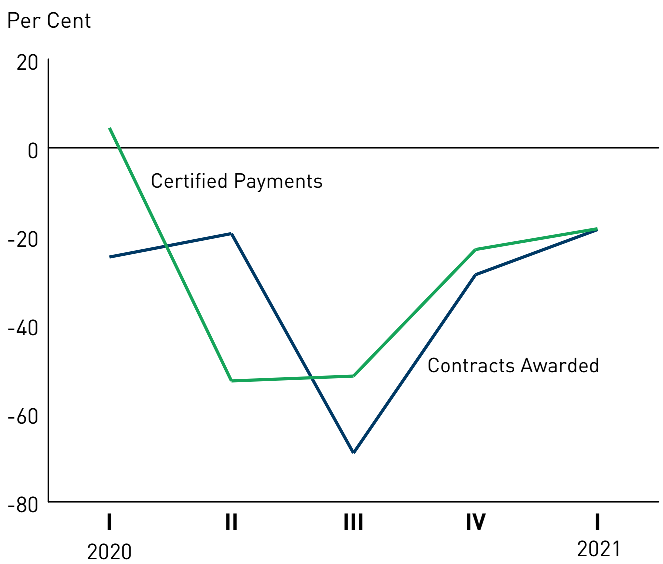
CONSTRUCTION

The construction sector contracted by 23 per cent year-on-year in the first quarter, extending the 27 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 18 per cent, a moderation from the 23 per cent decline recorded in the previous quarter (Exhibit 2.3). The fall in certified progress payments was mainly because of the need to comply with safe management measures at worksites, as well as labour shortages due to border restrictions. Declines in certified progress payments were seen in both the private (-11 per cent) and public (-24 per cent) sectors. The slump in private certified progress payments was largely driven by private industrial building works (-9.5 per cent) and private commercial building works (-18 per cent). On the other hand, the plunge in public certified progress payments was led by public institutional & others building works (-36 per cent) and public civil engineering works (-17 per cent).

Meanwhile, construction demand in terms of contracts awarded shrank by 19 per cent in the first quarter, moderating from the 29 per cent decline in the previous quarter. This was due to weaker demand for both private (-33 per cent) and public (-5.4 per cent) sector construction works. The former was driven by a fall in contracts awarded for private sector residential building works (-41 per cent) and private sector industrial building works (-44 per cent), while the latter was led by a decline in contracts awarded for public civil engineering works (-31 per cent) and public industrial building works (-87 per cent).

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments



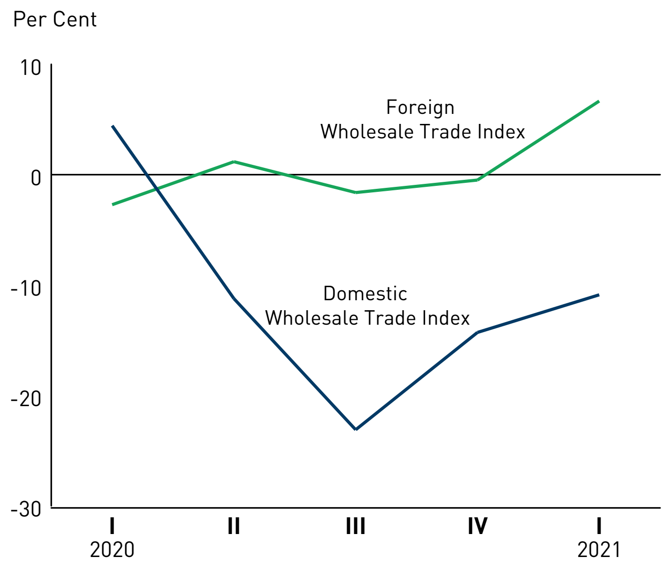
WHOLESALE TRADE

The wholesale trade sector grew by 3.5 per cent year-on-year in the first quarter, faster than the 1.8 per cent expansion in the previous quarter.

The wholesale trade segment was bolstered by a 6.7 per cent increase in foreign wholesale trade sales volume (Exhibit 2.4), which was in turn a reversal from the 0.5 per cent drop seen in the previous quarter. The rise in foreign wholesale trade sales volume came on the back of an increase in the sales volumes of telecommunications equipment & computers (66 per cent) and electronic components (51 per cent), which more than offset declines in the sales volumes of petroleum & petroleum products (-3.2 per cent) and metals, timber & construction materials (-8.2 per cent).

By contrast, the domestic wholesale trade sales volume fell by 11 per cent in the first quarter, extending the 15 per cent decline in the previous quarter. The drop was largely due to a fall in the sales volumes of petroleum & petroleum products (-24 per cent), ship chandlers & bunkering (-18 per cent) and industrial & construction machinery (-18 per cent).

Exhibit 2.4: Changes in Wholesale Trade Index

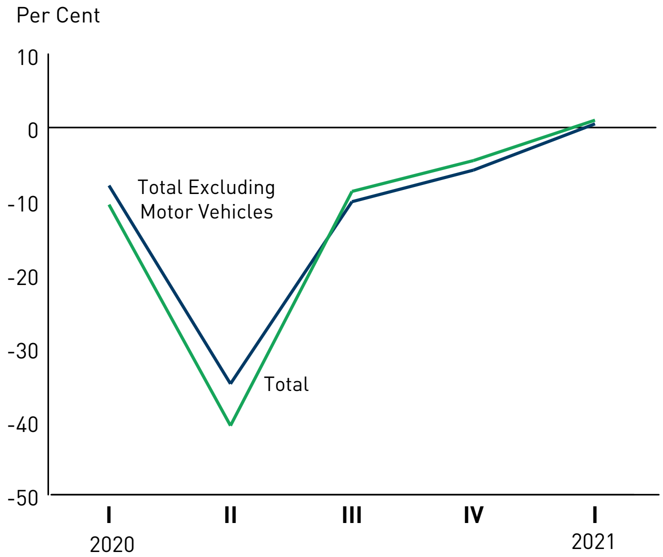


RETAIL TRADE

The retail trade sector expanded by 1.4 per cent year-on-year in the first quarter, a reversal from the 4.7 per cent contraction in the previous quarter.

Overall retail sales volume increased by 1.0 per cent in the first quarter, in contrast to the 4.5 per cent decline in the previous quarter (Exhibit 2.5). The turnaround was partly due to a low base, as overall retail sales volume had shrunk by 10 per cent a year ago.[1] Retail sales volume in the first quarter was supported by both motor vehicular sales (4.2 per cent) and non-motor vehicular sales (0.5 per cent). The latter saw support from the increased sales of goods such as computers & telecommunications equipment (21 per cent), recreational goods (20 per cent), furniture & household equipment (14 per cent), and supermarkets & hypermarkets (1.1 per cent). The healthy growth in the sales of these goods is likely spurred by the continued prevalence of work-from-home practices. Meanwhile, the sales volumes of goods such as watches & jewellery (16 per cent) and wearing apparel & footwear (6.6 per cent) also rose, albeit on the back of a low base in the first quarter of 2020. On the other hand, the sales of goods such as food & alcohol (-27 per cent) and cosmetics, toiletries & medical goods (-21 per cent) continued to decline.

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

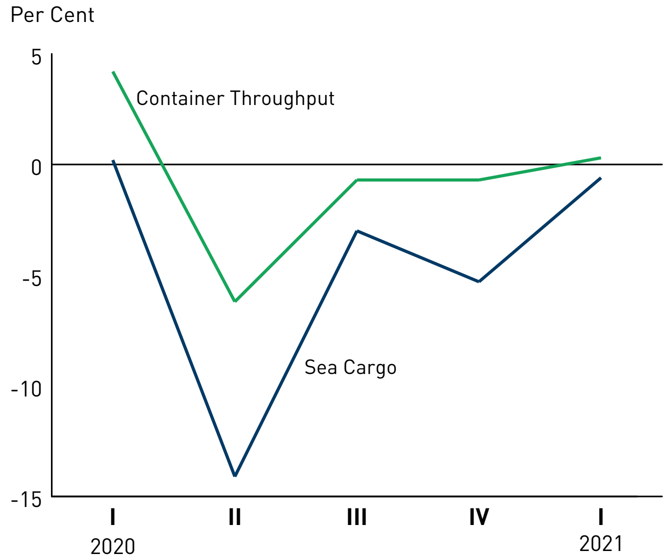


TRANSPORTATION & STORAGE

The transportation & storage sector contracted by 16 per cent year-on-year in the first quarter, extending the 27 per cent decline in the previous quarter. The 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 0.6 per cent year-on-year in the first quarter, an improvement from the 5.3 per cent decline recorded in the previous quarter (Exhibit 2.6). The fall in sea cargo volume handled was due to a decline in oil-in-bulk cargo volume (-4.3 per cent), which outweighed an increase in container throughput (0.3 per cent).

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



The global travel restrictions put in place to limit the spread of COVID-19 across borders, alongside weak travel demand, continued to adversely affect the air transport segment. In particular, the volume of air passenger traffic handled at Changi Airport plunged by 96 per cent year-on-year in the first quarter, extending the 98 per cent decline in the previous quarter (Exhibit 2.7). The decline in air passenger traffic volume was seen for Singapore's routes with all major regions around the world. Meanwhile, total air cargo shipments handled at Changi Airport fell by 5.7 per cent, an improvement from the 20 per cent contraction recorded in the previous quarter. At the same time, the number of aircraft landings plummeted by 71 per cent to reach 11,144 in the first quarter, following the 79 per cent decline in the previous quarter.

1 *Border restrictions and safe distancing measures, which were first introduced in the first quarter of 2020 to contain the COVID-19 outbreak, weighed on retail sales in the first quarter of 2020.*

Exhibit 2.7: Changes in Air Transport

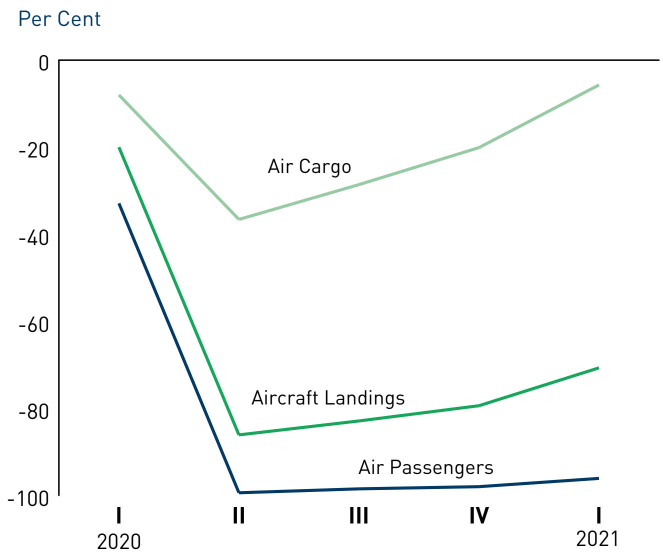
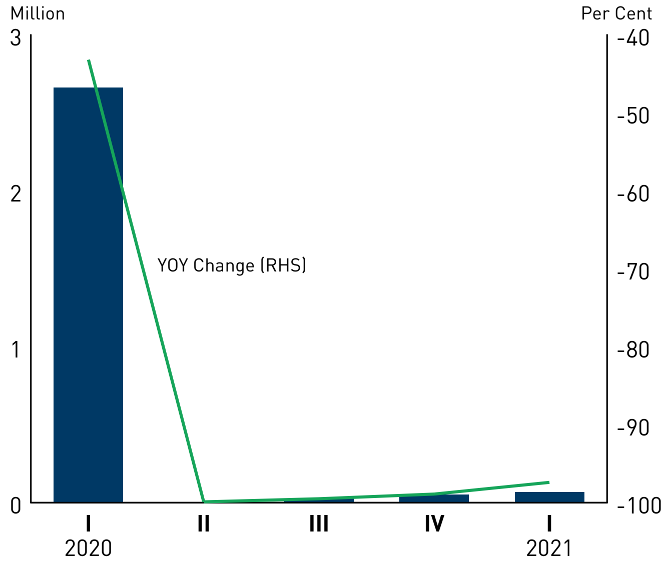


Exhibit 2.8: Visitor Arrivals



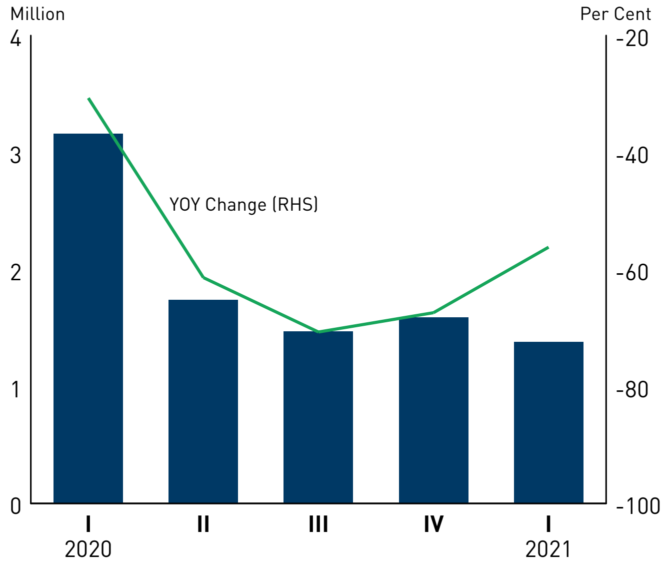
ACCOMMODATION

The accommodation sector expanded by 19 per cent year-on-year in the first quarter, a turnaround from the 20 per cent contraction in the preceding quarter. This was largely due to low base effects as border restrictions, implemented to limit the importation of the COVID-19 virus, caused the value-added of the sector to plunge by 40 per cent a year ago.[2]

Total visitor arrivals shrank by 97 per cent year-on-year in the first quarter, although this was a slight improvement from the 99 per cent decline in the previous quarter (Exhibit 2.8). The slump in visitor arrivals during the quarter was on account of continued global and domestic travel restrictions to limit the cross-border spread of COVID-19.[3]

In tandem with the plunge in visitor arrivals, gross lettings at gazetted hotels plummeted by 56 per cent in the first quarter, extending the 67 per cent drop in the preceding quarter (Exhibit 2.9). As gross lettings fell by more than the decline in available room-nights (-43 per cent), the average occupancy rate of gazetted hotels slipped by 14 percentage-points on a year-on-year basis to reach 44 per cent in the first quarter, lower than the average occupancy rate of 57 per cent registered in the previous quarter.

Exhibit 2.9: Gross Lettings at Gazetted Hotels



2 *The Multi-ministry Task Force began barring short-term visitors from entering or transiting through Singapore in the first quarter of 2020 to contain the COVID-19 outbreak. This had adversely affected the accommodation sector's performance during the quarter.*

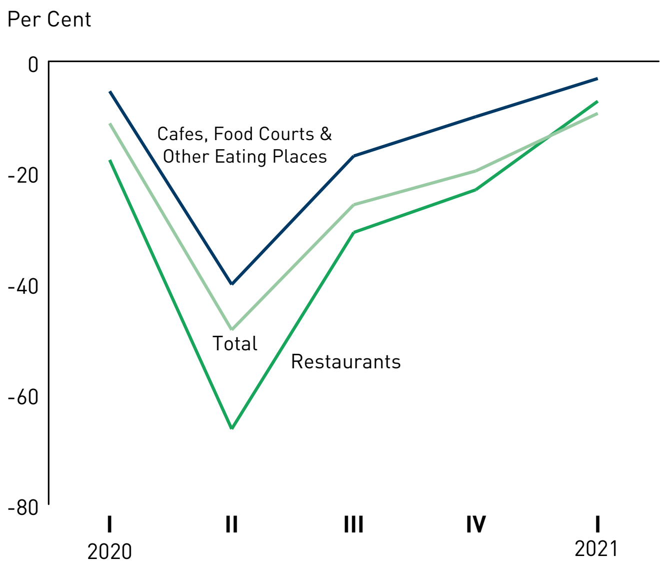
3 *Singapore prohibited all short-term visitors from entering or transiting through Singapore on 24 March 2020. Although Singapore has gradually allowed the entry of all visitor types through unilaterally opening our borders to countries with low COVID-19 incidence rates and comprehensive public health surveillance systems (e.g., China, New Zealand), travel demand remains weak in part because these countries currently discourage or restrict travel for their residents.*

FOOD & BEVERAGE SERVICES

The food & beverage services sector shrank by 9.4 per cent year-on-year in the first quarter, improving from the 19 per cent contraction observed in the preceding quarter.

Food & beverage sales volume fell by 9.4 per cent in the first quarter, a smaller decline compared to the 20 per cent drop in the previous quarter (Exhibit 2.10). Lower sales volumes were seen across all segments during the quarter, with food caterers registering the largest decline (-61 per cent) as they continued to be adversely affected by restrictions on large-scale events and gatherings. Restaurants (-7.2 per cent), cafes, food courts & other eating places (-3.1 per cent) and fast food outlets (-1.1 per cent) also contracted during the quarter, as they were weighed down by capacity constraints arising from safe distancing measures as well as weak visitor arrivals during the period.

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

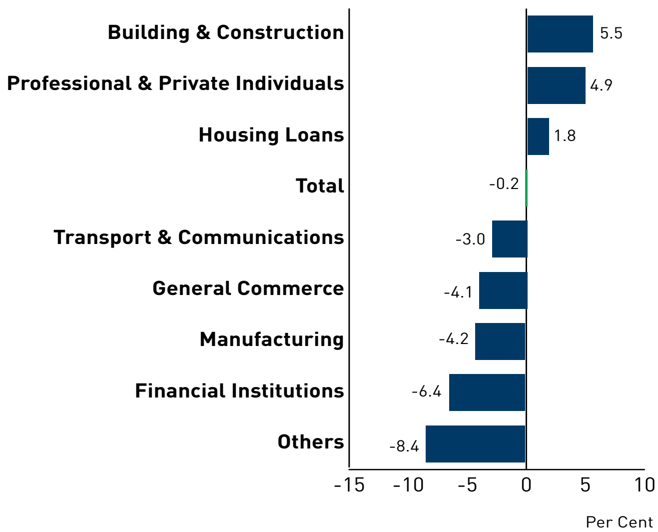


FINANCE & INSURANCE

The finance & insurance sector grew by 4.7 per cent year-on-year in the first quarter, extending the 4.9 per cent growth in the preceding quarter. Growth was largely underpinned by expansions in the banking and insurance segments.

The banking segment posted a steady pace of expansion in the first quarter, reflecting the continued growth of interest income from loans, as well as net commissions received from brokerage and other services. Asian Currency Unit (ACU) non-bank loans climbed by 2.8 per cent due to robust credit expansion to East Asia. By contrast, Domestic Banking Unit (DBU) non-bank lending declined slightly by 0.2 per cent, largely due to a drop in the loans extended to financial institutions (-6.4 per cent) as well as firms in the general commerce (-4.1 per cent) and manufacturing sectors (-4.2 per cent) (Exhibit 2.11). Meanwhile, loans to the building & construction sector and professional & private individuals rose strongly, at 5.5 per cent and 4.9 per cent respectively.

Exhibit 2.11: Growth of DBU Loans & Advances to Non-Bank Customers by Industry in 1Q 2021



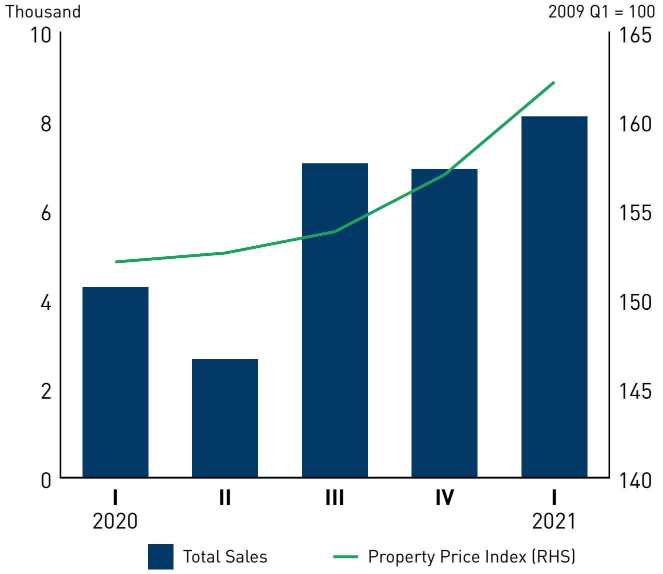
In the first quarter, the insurance segment continued to benefit from sustained demand for life insurance products, while demand for general insurance products improved in tandem with the wider economic recovery. Other auxiliary activities increased as the shift towards e-payments benefited payments processing activities. Robust outturns were also recorded in sentiment-sensitive segments such as forex, security dealing activities and fund management despite renewed COVID-19 infections around the world, as global equity markets continued to perform well.

REAL ESTATE

The real estate sector shrank by 3.9 per cent year-on-year in the first quarter, moderating from the 11 per cent contraction in the preceding quarter.

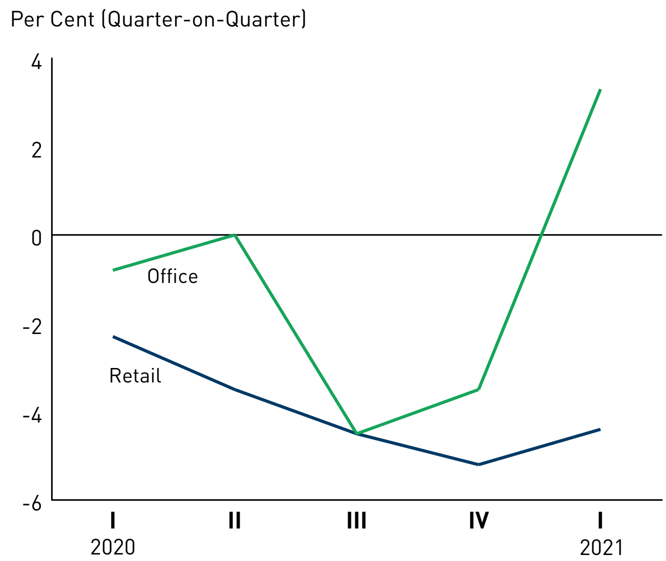
Within the real estate segment, the number of private residential sales transactions rose by 90 per cent on a year-on-year basis in the first quarter on the back of an increase in sales across all regions of Singapore. Similarly, private residential property prices rose by 3.3 per cent on a quarter-on-quarter basis during the quarter, faster than the 2.1 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



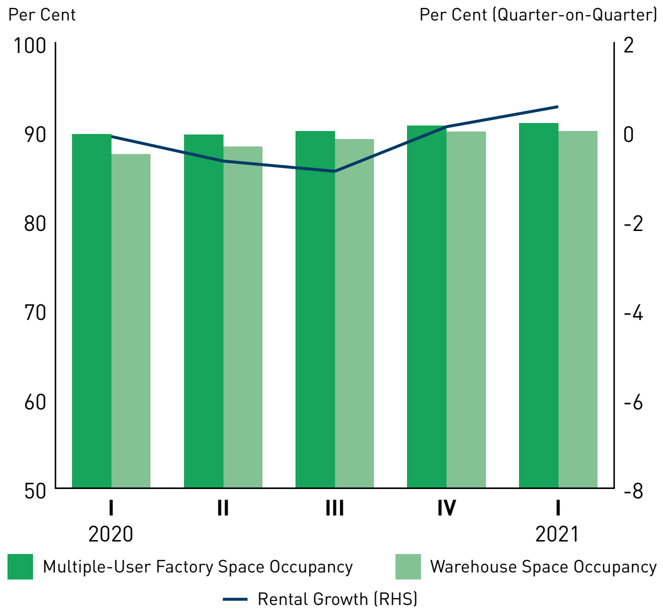
Conditions in the commercial and industrial property space markets were mixed. For the private retail space market, rentals declined by 4.4 per cent on a quarter-on-quarter basis in the first quarter, extending the 5.2 per cent drop in the previous quarter (Exhibit 2.13). Meanwhile, the average occupancy rate of private retail space was 90 per cent during the quarter, unchanged from the preceding quarter. By contrast, rentals for private office space rose by 3.3 per cent on a quarter-on-quarter basis in the first quarter, reversing the 3.5 per cent decline in the previous quarter. The average occupancy rate of private office space came in at 87 per cent, the same as that observed in the previous quarter.

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



As for the private industrial space market, rentals rose by 0.6 per cent on a quarter-on-quarter basis in the first quarter, a step-up from the 0.1 per cent increase in the previous quarter. The occupancy rates for private sector multiple-user factory space and private sector warehouse space stood at 91 per cent and 90 per cent respectively, the same as that seen in the previous quarter (Exhibit 2.14).

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



PROFESSIONAL SERVICES

In the first quarter, the professional services sector shrank by 4.5 per cent year-on-year, a moderation from the 7.5 per cent decline recorded in the preceding quarter. The contraction was broad-based, with all segments registering declines. The largest contributors to the sector's weak performance were the architectural & engineering, technical testing & analysis segment, as well as the other professional, scientific & technical services segment.