

## Chapter 6.2

# CONSTRUCTION

## OVERVIEW

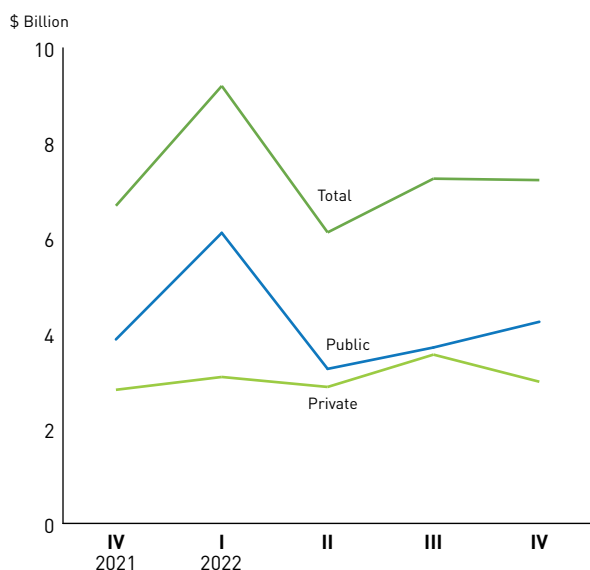
The construction sector grew by 10.0 per cent year-on-year in the fourth quarter of 2022, faster than the 8.1 per cent expansion in the previous quarter.

For the whole of 2022, the sector expanded by 6.7 per cent, slower than the 20.5 per cent growth in 2021.<sup>1</sup>

## CONSTRUCTION DEMAND

Construction demand (contracts awarded) increased by 8.1 per cent year-on-year to \$7.2 billion in the fourth quarter, supported by expansions in both public and private sector construction demand (Exhibit 6.3).

Exhibit 6.3: Contracts Awarded



For the full year, total construction demand fell by 0.5 per cent to \$29.8 billion (Exhibit 6.4), as a 3.2 per cent increase in private sector construction demand was outweighed by a 3.0 per cent decline in public sector construction demand. The latter was due to a lower volume of public sector industrial building projects and civil engineering works.

Exhibit 6.4: Contracts Awarded, 2022 (\$ Billion)

	Total	Public	Private
<b>Total</b>	29.8	17.3	12.5
<b>Residential</b>	9.2	5.3	3.9
<b>Commercial</b>	1.6	0.1	1.5
<b>Industrial</b>	4.4	0.4	4.1
<b>Institutional &amp; Others</b>	4.3	2.9	1.4
<b>Civil Engineering Works</b>	10.2	8.6	1.6

## Public Sector

In the fourth quarter, public sector construction demand grew by 9.5 per cent year-on-year to \$4.2 billion. This was supported by higher demand for public residential (37.0 per cent) and institutional (202.5 per cent) building projects. However, these increases were partially offset by a reduction in contracts awarded for public commercial building (-29.9 per cent), industrial building (-87.2 per cent) and civil engineering (-11.2 per cent) works.

<sup>1</sup> The strong growth of the construction sector in 2021 was mainly due to the low base in 2020 caused by the Circuit Breaker and the slow resumption of construction activities following the Circuit Breaker.

For the full year, public sector construction demand fell by 3.0 per cent to \$17.3 billion. The decline was mainly due to a drop in contracts awarded for public industrial building (-62.4 per cent) and civil engineering (-6.2 per cent) works. Some of the major projects awarded during the year include (i) LTA's MRT contracts for the Cross Island Line (CRL) and Cross Island Line-Punggol Extension; (ii) MOH's SGH Elective Care Centre/National Dental Centre and Serangoon Polyclinic; and (iii) PA's Marine Parade Community Club.

## Private Sector

In the fourth quarter, private sector construction demand increased by 6.1 per cent year-on-year to \$3.0 billion. Except for industrial building projects, which registered a contraction (-64.0 per cent), all other types of projects saw an increase in demand, ranging from 84.1 per cent for residential projects to 596.1 per cent for institutional projects.

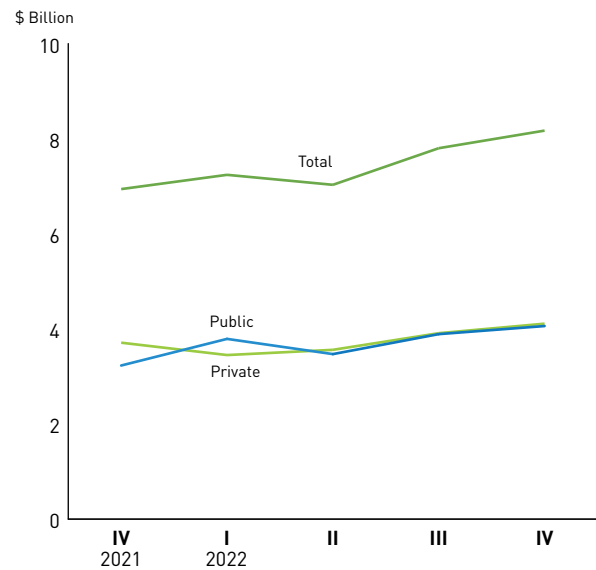
For the full year, private sector construction demand grew by 3.2 per cent to \$12.5 billion, on the back of higher demand for private industrial building (0.8 per cent), institutional building (36.2 per cent) and civil engineering (260.3 per cent) projects. Major projects awarded in 2022 include (i) semiconductor fabrication plants at Pasir Ris and Tampines; (ii) a cogeneration plant at Jurong Island; (iii) retrofitting of Mount Elizabeth Hospital; (iv) construction of container berths at Tuas Terminal Finger 2; and (v) island-wide cabling projects.

## CONSTRUCTION ACTIVITIES

Construction output (or nominal certified payments) rose by 17.7 per cent year-on-year to \$8.2 billion in the fourth quarter, supported by expansions in both public and private sector construction output (Exhibit 6.5).

For the full year, construction output increased by 15.6 per cent to \$30.2 billion, moderating from the 32.5 per cent growth in 2021.

**Exhibit 6.5: Certified Payments**



## Public Sector

Public sector construction output rose by 25.6 per cent year-on-year to \$4.1 billion in the fourth quarter. With the exception of public industrial building works, construction output for all types of works expanded, driven by public residential building (50.1 per cent), institutional building (31.2 per cent) and civil engineering (16.8 per cent) works.

For the full year, public sector construction output increased by 16.2 per cent to \$15.2 billion, underpinned by public residential building (44.9 per cent), institutional building (9.5 per cent) and civil engineering (9.4 per cent) works. Major projects include (i) LTA's East Coast Integrated Depot, North South Corridor, Circle MRT Line 6 and Rapid Transit System Link; (ii) PUB's Deep Tunnel Sewerage System (Phase 2); (iii) MOH's Woodlands Health Campus, SGH Emergency Medicine Building and Integrated Care Hub; and (iv) Singapore Institute of Technology's Campus at Punggol.

## Private Sector

In the fourth quarter, private sector construction output increased by 10.7 per cent year-on-year to \$4.1 billion, as all types of private sector construction works, except for industrial and civil engineering works, expanded. These included private residential building (25.9 per cent), commercial building (35.5 per cent) and institutional building (11.7 per cent) works.

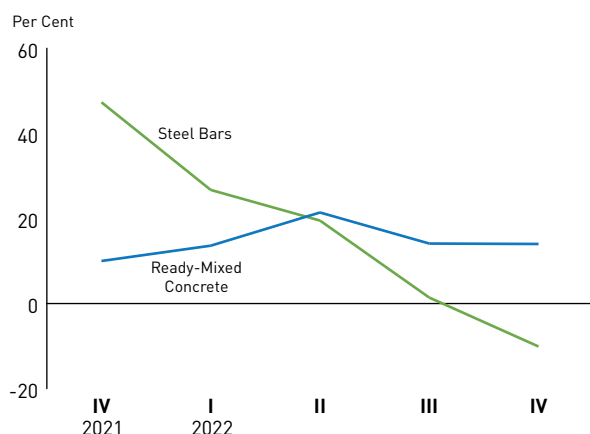
For the full year, private sector construction output increased by 15.0 per cent to \$15.0 billion. All types of private construction output rose, led by private residential building (24.3 per cent) and commercial building (30.7 per cent) works. Major ongoing projects include (i) the redevelopment of past en-bloc sales sites and development of Government Land Sales (GLS) sites; (ii) refurbishment of existing hotels and development of new hotels; (iii) data centres; (iv) semiconductor production plants; (iv) Changi Airport Terminal 2 expansion; and (v) Mandai Wildlife Reserve developments.

## CONSTRUCTION MATERIALS

In tandem with the rise in construction output, total consumption of steel rebars<sup>2</sup> rose by 31.1 per cent to 1.2 million tonnes in 2022. On the other hand, the total consumption of ready-mixed concrete edged down by 0.3 per cent in 2022 to 11.6 million m<sup>3</sup>.

The average market price of Grade 40 pump ready-mixed concrete<sup>3</sup> increased by 14.0 per cent year-on-year to about \$118.30 per m<sup>3</sup> in the fourth quarter (Exhibit 6.6). By contrast, the average market price of steel rebars<sup>4</sup> fell by 10.1 per cent to around \$999.00 per tonne in the fourth quarter, following the easing of raw material costs and freight rates in the second half of 2022.

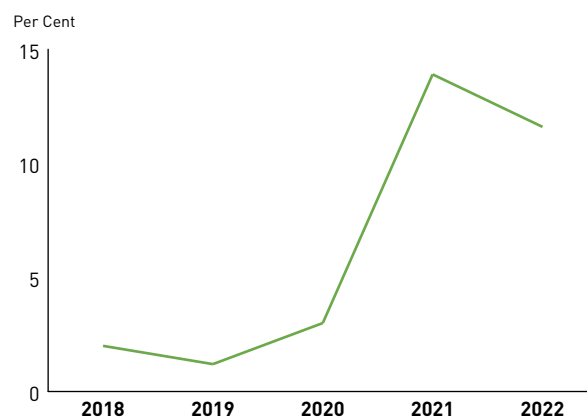
**Exhibit 6.6: Changes in Market Prices of Construction Materials**



## CONSTRUCTION COSTS

Based on BCA's Building Works Tender Price Index (TPI), tender prices increased by about 11.6 per cent in 2022. This was mainly driven by higher input costs resulting from global supply disruptions that were exacerbated by the Russia-Ukraine war (Exhibit 6.7). Looking ahead, barring fresh supply shocks to key global construction resources, the uptrend in BCA's TPI is expected to ease in 2023 in tandem with the moderation of some input prices from their highs in the first half of 2022, as well as an anticipated slowdown in the global economy.

**Exhibit 6.7: Changes in Tender Price Index**



<sup>2</sup> Rebar consumption is estimated from net imports plus local production (without factoring in stock levels).

<sup>3</sup> The market prices are based on contracts with non-fixed price, fixed price and market retail price.

<sup>4</sup> The market prices refer to 16mm to 32mm High Tensile rebar and are based on fixed price supply contracts with a contract period of 12 months or below.

## CONSTRUCTION OUTLOOK FOR 2023

According to BCA, total construction demand is projected to be between \$27.0 billion and \$32.0 billion in 2023 (Exhibit 6.8). In particular, demand from the public sector is expected to stay firm at between \$16.0 billion and \$19.0 billion, supported by a continued strong pipeline of public housing, institutional building and infrastructure projects. Meanwhile, total private sector construction demand is projected to be between \$11.0 billion and \$13.0 billion in 2023, comparable to the annual volume in the previous two years. This is expected to be supported by (i) a ramp-up in Build-To-Order HDB flats; (ii) the Central Business District (CBD) Incentive Scheme on conversion to residences; (iii) commercial building redevelopments; (iv) high-specification industrial buildings; and (v) mechanical & electrical contracts for North South Corridor, CRL and Jurong Region MRT Line.

Total construction output in 2023 is projected to increase to between \$30.0 billion and \$33.0 billion, supported by a steady level of construction demand and some remaining backlogs of construction works that were disrupted by the COVID-19 pandemic.

Exhibit 6.8: Projected Construction Demand in 2023

	\$ Billion
<b>Public Sector</b>	<b>16.0 – 19.0</b>
<b>Building Construction Sub-total</b>	<b>8.6 – 10.9</b>
<b>Residential</b>	4.7 – 6.3
<b>Commercial</b>	0.1 – 0.1
<b>Industrial</b>	0.8 – 1.0
<b>Institutional &amp; Others</b>	2.9 – 3.5
<b>Civil Engineering Works Sub-total</b>	<b>7.5 – 8.1</b>
<b>Private Sector</b>	<b>11.0 – 13.0</b>
<b>Building Construction Sub-total</b>	<b>10.2 – 12.0</b>
<b>Residential</b>	3.6 – 4.0
<b>Commercial</b>	2.5 – 3.0
<b>Industrial</b>	3.3 – 4.0
<b>Institutional &amp; Others</b>	0.8 – 1.0
<b>Civil Engineering Works Sub-total</b>	<b>0.8 – 1.0</b>
<b>TOTAL CONSTRUCTION DEMAND</b>	<b>27.0 – 32.0</b>