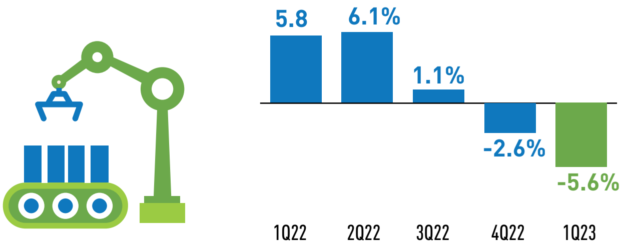
Chapter 2

SECTORAL PERFORMANCE

MANUFACTURING



CLUSTERS IN MANUFACTURING SECTOR

17.7% Transport Engineering

-1.8% Biomedical Manufacturing

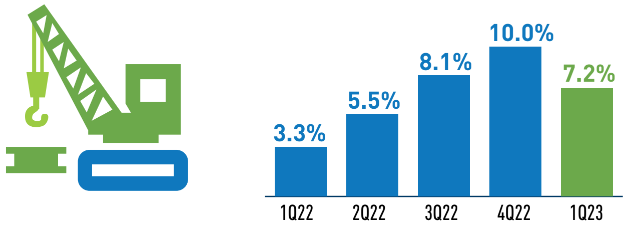
-5.8% Precision Engineering

-7.6% General Manufacturing Industries

-8.0% Electronics

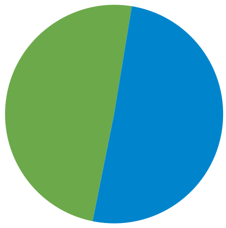
-13.1% Chemicals

CONSTRUCTION



CERTIFIED PAYMENTS

50.8% Public



49.2% Private

CONTRACTS AWARDED

72.6% Institutional & Others

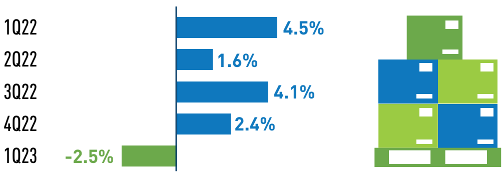
54.6% Commercial

14.6% Residential

-56.1% Civil Engineering

-87.9% Industrial

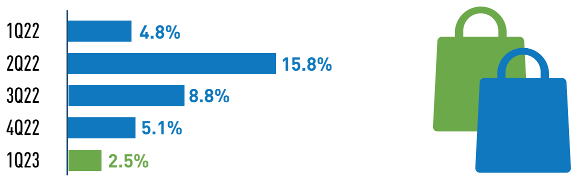
WHOLESALE TRADE



Domestic Wholesale Trade Index Growth 10.3%

Foreign Wholesale Trade Index Growth -1.2%

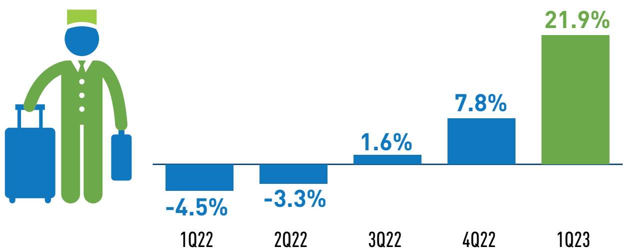
RETAIL TRADE



Retail Sales Index Growth (Non-Motor Vehicles) 2.7%

Retail Sales Index Growth (Motor Vehicles) -7.7%

ACCOMMODATION



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

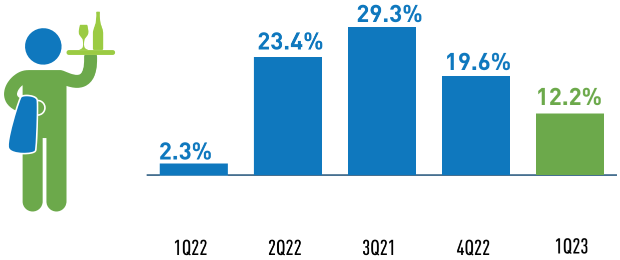
Luxury
19.3%-pt

Upscale
20.9%-pt

Mid-Tier
18.2%-pt

Economy
9.8%-pt

FOOD & BEVERAGE SERVICES



FOOD & BEVERAGE SALES INDEX GROWTH

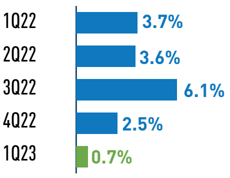
Food Caterers
81.4%

Restaurants
9.5%

Others
5.9%

Fast Food Outlets
4.1%

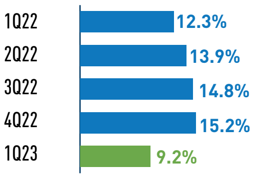
TRANSPORTATION & STORAGE



Total Sea Cargo Handled Growth -1.4%

Air Passengers Handled Growth 405%

REAL ESTATE

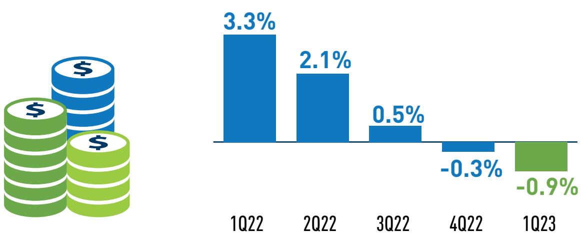


PRIVATE RESIDENTIAL REAL ESTATE

Units Transacted (Y-O-Y Change) -22.8%

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

FINANCE & INSURANCE



OVERVIEW

In the first quarter of 2023,

- The manufacturing sector contracted by 5.6 per cent year-on-year, following the 2.6 per cent decline in the preceding quarter. All clusters saw a fall in output except for the transport engineering cluster.
- The construction sector expanded by 7.2 per cent year-on-year, easing from the 10.0 per cent expansion in the previous quarter.
- The wholesale trade sector contracted by 2.5 per cent year-on-year, reversing the 2.4 per cent growth recorded in the preceding quarter.
- The retail trade sector expanded by 2.5 per cent year-on-year, moderating from the 5.1 per cent recorded in the fourth quarter of 2022.
- The transportation & storage sector posted growth of 0.7 per cent year-on-year, slowing from the 2.5 per cent growth recorded in the previous quarter.
- The accommodation sector expanded by 21.9 per cent year-on-year, extending the 7.8 per cent growth in the preceding quarter.
- Growth in the food & beverage services sector moderated to 12.2 per cent year-on-year, from the 19.6 per cent in the fourth quarter of 2022.
- The finance & insurance sector contracted by 0.9 per cent year-on-year, extending the 0.3 per cent decline in the preceding quarter.
- The real estate sector expanded by 9.2 per cent year-on-year, easing from the 15.2 per cent growth in the previous quarter.
- The professional services sector expanded by 5.7 per cent year-on-year, following the 6.1 per cent expansion in the preceding quarter.

MANUFACTURING

The manufacturing sector contracted by 5.6 per cent on a year-on-year basis in the first quarter of 2023, following the 2.6 per cent decline in the previous quarter (Exhibit 2.1). The decline in the first quarter of 2023 was due to output contractions in all clusters except for the transport engineering cluster (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate

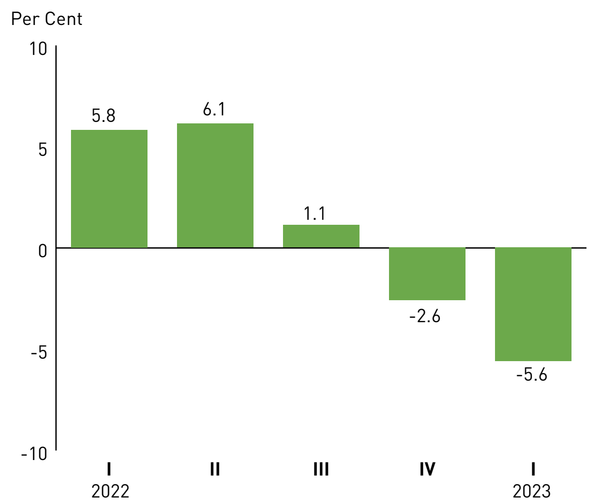
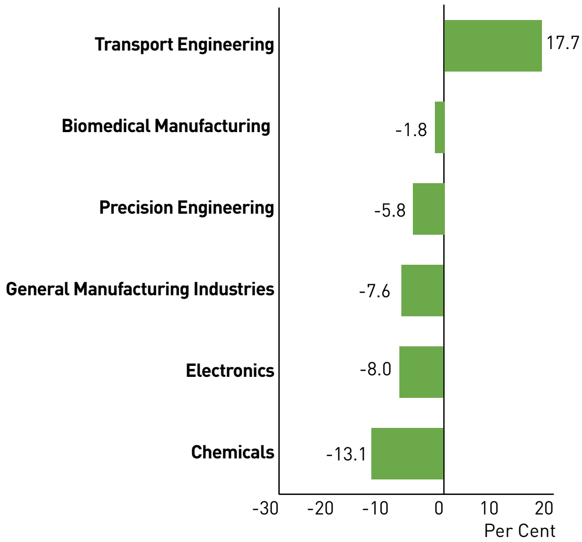


Exhibit 2.2: Manufacturing Clusters' Growth Rates in 1Q 2023



Output in the transport engineering cluster expanded by 17.7 per cent year-on-year in the first quarter, supported by expansions in the marine & offshore engineering (M&OE) and aerospace segments. The M&OE segment grew by 40.0 per cent, supported by a higher level of activity in the shipyards as well as an increase in production of oilfield & gasfield equipment. Meanwhile, output in the aerospace segment expanded by 16.1 per cent driven by stronger demand for maintenance, repair & overhaul (MRO) works from commercial airlines, on the back of increased global air traffic. By contrast, the land segment contracted by 22.5 per cent.

The biomedical manufacturing cluster contracted by 1.8 per cent year-on-year on the back of a 11.3 per cent decline in the output of the pharmaceuticals segment. The latter was due to a different mix of active pharmaceutical ingredients (APIs) produced. On the other hand, output in the medical technology segment rose by 12.2 per cent due to higher export demand for medical devices.

Output in the precision engineering cluster fell by 5.8 per cent year-on-year, on the back of a 17.7 per cent decline in the precision modules & components segment due to a lower level of production of (i) plastic and metal precision components, (ii) optical instruments and (iii) dies, moulds, tools, jigs and fixtures. Meanwhile, the machinery & systems (M&S) segment contracted by 0.9 per cent on account of a lower output of back-end semiconductor equipment as well as refrigeration and air-conditioning compressors.

The general manufacturing cluster contracted by 7.6 per cent year-on-year, driven by output contractions across all segments. Output in the miscellaneous industries and printing segments fell by 14.7 per cent and 10.5 per cent respectively, with the former recording a lower level of production of batteries and structural metal products. Meanwhile, the food, beverages & tobacco segment declined by 1.9 per cent due to a lower output of dairy, bread and bakery products.

The electronics cluster fell by 8.0 per cent year-on-year, with output declines across all segments on the back of weak external demand. Output in the other electronic modules & components, infocomms & consumer electronics, computer peripherals & data storage and semiconductors segments fell by 23.3 per cent, 17.1 per cent, 8.8 per cent and 7.5 per cent respectively.

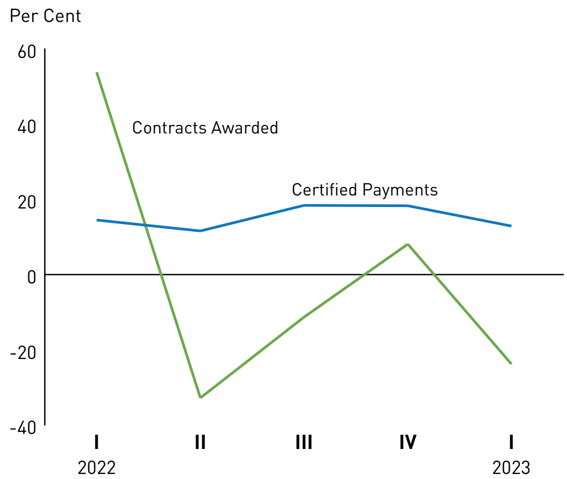
Output in the chemicals cluster shrank by 13.1 per cent year-on-year, driven by a fall in the output of the petrochemicals (-26.1 per cent), specialty chemicals (-8.3 per cent) and other chemicals (-7.9 per cent) segments. The petrochemicals segment recorded a lower level of output amidst plant maintenance shutdowns and weak market demand, while the specialties segment recorded lower production of mineral oil and food additives. Meanwhile, the other chemicals segment reported a drop in production due to a decline in the output of fragrances.On the other hand, output of the petroleum segment grew by 8.4 per cent on account of higher demand for jet fuel driven by greater global air travel demand.

CONSTRUCTION

The construction sector grew by 7.2 per cent year-on-year in the first quarter of 2023, easing from the 10.0 per cent expansion in the previous quarter.

In the first quarter, nominal certified progress payments (a proxy for construction output) rose by 12.9 per cent year-on-year, moderating from the 18.3 per cent increase recorded in the previous quarter (Exhibit 2.3). Higher certified progress payments were seen in both the public (9.5 per cent) and private (16.5 per cent) sectors. The growth in public certified progress payments was largely driven by higher outturns in public institutional & others building (26.5 per cent) and civil engineering (6.9 per cent) works. Meanwhile, the increase in private certified progress payments was led by expansions in private commercial (56.6 per cent) and industrial (12.8 per cent) building works.

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments



On the other hand, construction demand in terms of contracts awarded fell by 23.8 per cent year-on-year in the first quarter, reversing the 8.1 per cent expansion in the previous quarter (Exhibit 2.3). The fall in contracts awarded during the quarter was on account of lower public (-25.2 per cent) and private (-21.0 per cent) sector construction demand. The former was led by a fall in contracts awarded for public civil engineering (-57.7 per cent) and industrial building (-97.3 per cent) works, while the latter was driven by a decline in contracts awarded for private industrial (-86.2 per cent) and institutional & others (-69.2 per cent) building works.

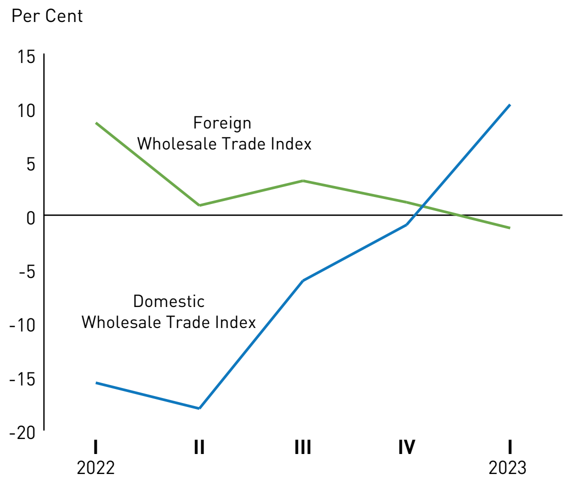
WHOLESALE TRADE

The wholesale trade sector shrank by 2.5 per cent year-on-year in the first quarter of 2023, reversing the 2.4 per cent expansion in the previous quarter.

The contraction in the sector was led by a 1.2 per cent year-on-year decline in foreign wholesale trade sales volume over the same period (Exhibit 2.4), reversing the 1.2 per cent expansion recorded in the previous quarter. This decrease was led by declines in the sales volumes of other wholesale trade[1] (-17.9 per cent), general wholesale trade (-14.9 per cent), chemicals & chemical products (-14.8 per cent) and metals, timber & construction materials (-10.7 per cent).

On the other hand, the domestic wholesale trade sales volume expanded by 10.3 per cent year-on-year, reversing the 0.9 per cent contraction in the previous quarter. The expansion was primarily due to growth in the sales volumes of ship chandlers & bunkering (35.0 per cent) and petroleum & petroleum products (27.8 per cent). Meanwhile, there were large declines in the sales volumes of other wholesale trade (-19.7 per cent) and telecommunications & computers (-15.9 per cent).

Exhibit 2.4: Changes in Wholesale Trade Index in Chained Volume Terms



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

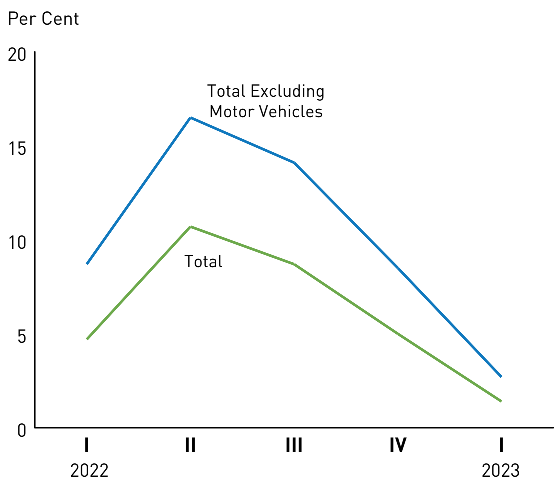
RETAIL TRADE

The retail trade sector posted growth of 2.5 per cent year-on-year in the first quarter of 2023, extending the 5.1 per cent expansion in the previous quarter.

In the first quarter, overall retail sales volume increased by 1.4 per cent year-on-year, following the 5.0 per cent growth in the preceding quarter (Exhibit 2.5). Growth in overall retail sales volume in the first quarter of 2023 could be attributed to non-motor vehicular sales (2.7 per cent), as motor vehicular sales saw a decline (-7.7 per cent) due to a reduction in Certificate of Entitlement (COE) quotas.

Among the non-motor vehicle segments, the sales volumes of food & alcohol (39.1 per cent), wearing apparel & footwear (20.9 per cent), optical goods & books (9.2 per cent), department stores (8.8 per cent) and computer & telecommunications equipment (8.5 per cent) rose. By contrast, the sales volumes of furniture & household equipment (-8.5 per cent), supermarket & hypermarkets (-8.4 per cent) and mini-marts & convenience stores (-5.3 per cent) fell.

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

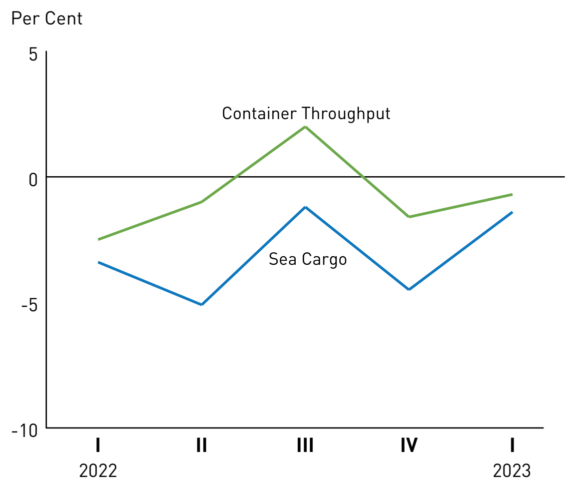


TRANSPORTATION & STORAGE

The transportation & storage sector expanded by 0.7 per cent year-on-year in the first quarter of 2023, moderating from the 2.5 per cent growth in the previous quarter. While the air transport and land transport segments expanded during the quarter, the water transport segment contracted.

In the water transport segment, the volume of sea cargo handled fell by 1.4 per cent year-on-year in the first quarter, improving from the 4.5 per cent decline in the previous quarter (Exhibit 2.6). The drop in sea cargo volume handled was due to lower general cargo volume (-4.4 per cent), even as oil-in-bulk cargo volume grew (2.9 per cent). At the same time, container throughput contracted by 0.7 per cent during the quarter.

Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled

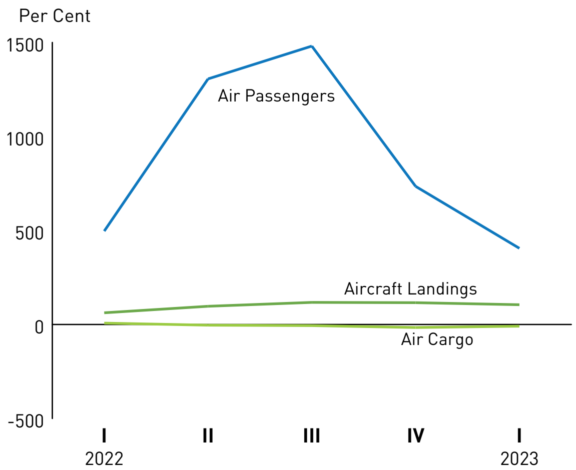


By contrast, the air transport segment saw robust growth in the first quarter. In particular, the volume of air passenger traffic (less transit) handled at Changi Airport surged by 405 per cent year-on-year in the first quarter, following the 735 per cent increase in the previous quarter (Exhibit 2.7). The high growth rates in both quarters were due to the low bases in the first quarter of 2022 and fourth quarter of 2021, when the volume of air passenger traffic was weak due to travel restrictions[2]. While air passenger traffic volume saw a sharp rebound in the first quarter, it remained 20.8 per cent below its pre-COVID level (i.e., first quarter of 2019) in absolute terms.

2 *For instance, the volume of air passenger traffic in the first quarter was 84.3 per cent below its pre-COVID level (i.e., the first quarter of 2019). The Vaccinated Travel Framework was only rolled out in the second quarter of 2022 (i.e., from 1 April 2022).*

Reflecting the recovery in air travel, the number of aircraft landings climbed by 105 per cent year-on-year to reach 37,064 in the first quarter of 2023, extending the 116 per cent increase in the preceding quarter. On the other hand, total air cargo shipments handled at Changi Airport declined by 9.0 per cent year-on-year in the first quarter, albeit an improvement from the 16.1 per cent contraction in the previous quarter.

Exhibit 2.7: Changes in Air Transport

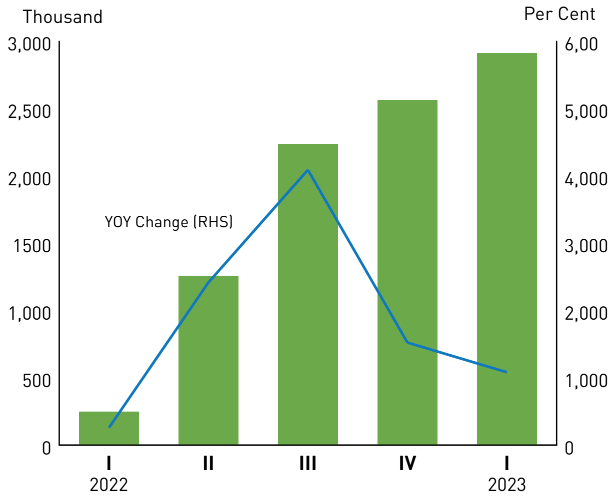


ACCOMMODATION

The accommodation sector expanded robustly by 21.9 per cent year-on-year in the first quarter of 2023, accelerating from the 7.8 per cent growth in the preceding quarter.

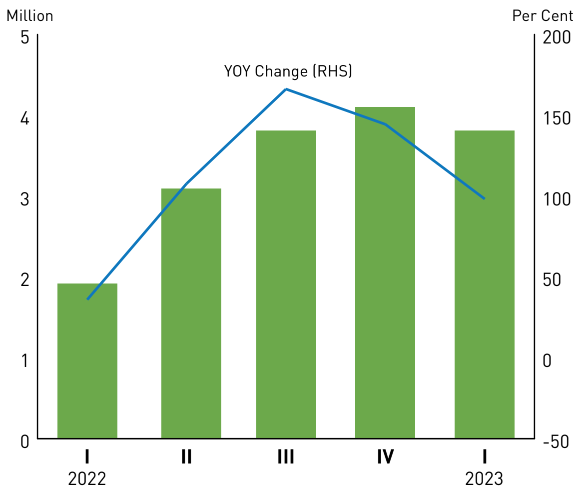
In the first quarter, total visitor arrivals surged by 1,082 per cent year-on-year, extending the 1,523 per cent growth in the previous quarter (Exhibit 2.8). The strong growth in both quarters was on account of low base effects. In level terms, the number of visitor arrivals in the first quarter of 2023 was around 2.9 million, reaching 62.1 per cent of the 4.7 million visitor arrivals recorded in the first quarter of 2019 (i.e., pre-COVID level).

Exhibit 2.8: Visitor Arrivals



Reflecting the recovery in visitor arrivals, gross lettings at gazetted hotels climbed by 98.2 per cent year-on-year in the first quarter, extending the 144 per cent increase in the previous quarter (Exhibit 2.9). At the same time, the average occupancy rate of gazetted hotels rose by 16.7 percentage-points year-on-year to reach 77.7 per cent in the first quarter of 2023. This was a moderation from the 82.7 per cent recorded in the previous quarter.

Exhibit 2.9: Gross Lettings at Gazetted Hotels

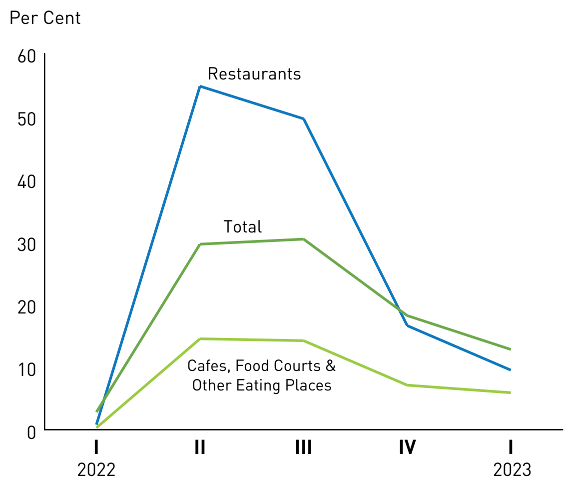


FOOD & BEVERAGE SERVICES

The food & beverage services sector expanded by 12.2 per cent year-on-year in the first quarter of 2023, extending the 19.6 per cent growth in the previous quarter.

Overall food & beverage sales volume rose by 12.8 per cent year-on-year in the first quarter, extending the 18.2 per cent growth in the previous quarter (Exhibit 2.10). The increase in food & beverage sales volume was broad-based, led by the food caterers (81.4 per cent) segment, followed by the restaurants (9.5 per cent), cafes, food courts & other eating places (5.9 per cent) and fast food outlets (4.1 per cent) segments.

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



FINANCE & INSURANCE

The finance & insurance sector contracted by 0.9 per cent year-on-year in the first quarter of 2023, extending the 0.3 per cent decline in the previous quarter. The poor performance was led by the banks segment, which weakened further amidst a decline in both net fees & commissions and credit intermediation. Non-bank loans to residents fell by 4.0 per cent, weighed down by loans to the general commerce sector (Exhibit 2.11). Likewise, loans to non-residents shrank by 6.7 per cent, reflecting a contraction in lending to East Asia and the Americas amid the global manufacturing downturn (Exhibit 2.12).

Similarly, the performance of the insurance segment remained lacklustre. Sales of single-premium life insurance products fell as investors pivoted to other products such as treasury bills. In comparison, the other auxiliary activities segment (comprising mainly payments processing players) continued to benefit from firm growth in card fees amidst the continued uptick in travel spending. Meanwhile, the fund management segment posted a small expansion, as net fees & commissions earned by fund managers held up despite some weakness in global equities.

Exhibit 2.11: Growth of Bank Loans & Advances to Non-Bank Residents by Industry in 1Q 2023

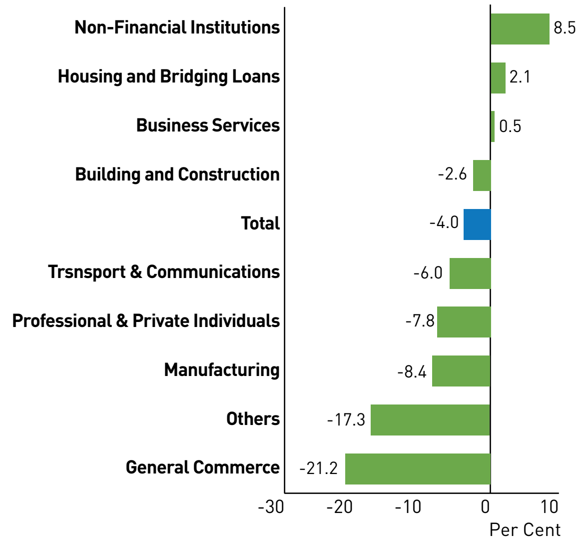
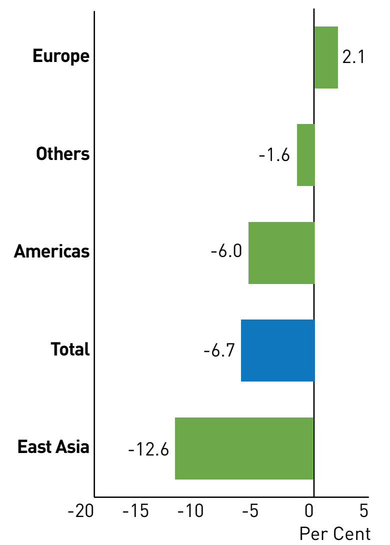


Exhibit 2.12: Growth of Bank Loans & Advances to Non-Bank Non-Residents by Region in 1Q 2023

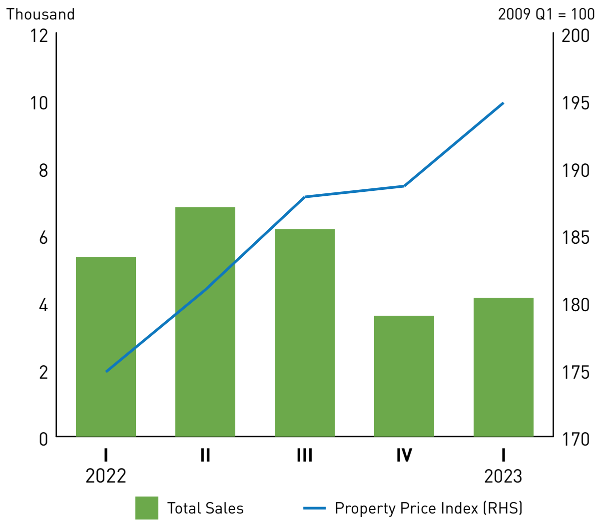


REAL ESTATE

The real estate sector expanded by 9.2 per cent year-on-year in the first quarter of 2023, slowing from the 15.2 per cent growth in the preceding quarter. The growth of the sector could be attributed to the private residential property segment, as well as the commercial office and industrial property segments. In particular, prices of private residential properties rose by 11.4 per cent year-on-year. Meanwhile, the rentals of commercial office and industrial space saw increases of 15.5 per cent and 8.8 per cent respectively.

Within the sector, the number of private residential property sales transactions fell by 22.8 per cent on a year-on-year basis in the first quarter, moderating from the 54.7 per cent decrease in the previous quarter. Meanwhile, private residential property prices rose by 3.3 per cent on a quarter-on-quarter basis, following the 0.4 per cent increase seen in the previous quarter (Exhibit 2.13).

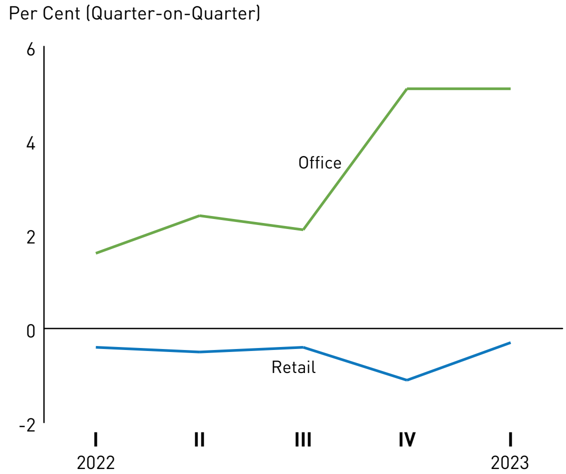
Exhibit 2.13: Total Sales Transactions for Private Residential Units and Private Residential Property Price Index



Conditions in the commercial space markets were mixed. For the private retail space market, rentals edged down by 0.3 per cent on a quarter-on-quarter basis in the first quarter of 2023, extending the 1.1 per cent decline in the previous quarter (Exhibit 2.14). The average occupancy rate of private retail space came in at 91.5 per cent during the quarter, lower than the 92.2 per cent registered in the preceding quarter.

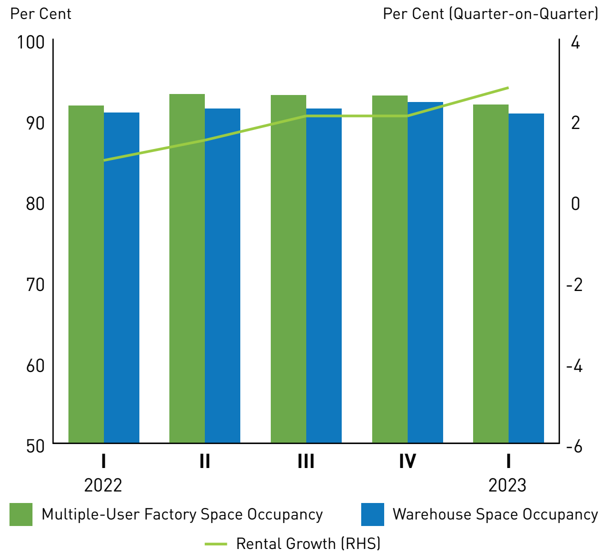
By contrast, rentals for private office space rose by 5.1 per cent on a quarter-on-quarter basis in the first quarter, extending the 5.1 per cent increase in the preceding quarter. The average occupancy rate of private office space rose to 88.1 per cent, higher than the 87.8 per cent recorded in the preceding quarter.

Exhibit 2.14: Changes in Rentals of Private Sector Office and Retail Spaces



Similarly, private industrial rentals rose by 2.8 per cent on a quarter-on-quarter basis in the first quarter, following the 2.1 per cent increase in the preceding quarter. The occupancy rates of private sector multiple-user factory and warehouse spaces stood at 91.9 per cent and 90.8 per cent respectively, declining from that seen in the previous quarter (93.0 per cent and 92.2 per cent respectively) (Exhibit 2.15).

Exhibit 2.15: Occupancy Rate and Rental Growth of Private Sector Industrial Space



PROFESSIONAL SERVICES

In the first quarter of 2023, the professional services sector grew by 5.7 per cent year-on-year, following the 6.1 per cent growth in the previous quarter. Growth of the sector was mainly driven by expansions in the architectural & engineering, technical testing & analysis and the other professional, scientific & technical services segments, which outweighed a contraction in the head offices & business representative offices segment.