8.2

CONSTRUCTION

OVERVIEW

The construction sector grew by 18 per cent in the final quarter of 2008, slower than the rapid growth of 26 per cent experienced in the preceding quarter.

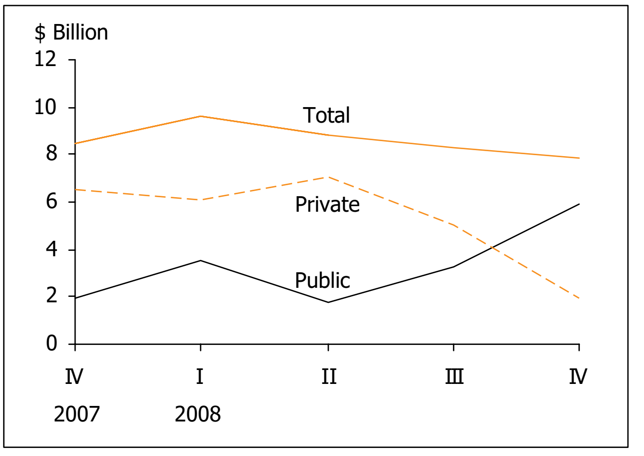
For the whole of 2008, growth in the construction sector reached 20 per cent, up from 18 per cent in 2007. 2008 saw broad-based growth in construction demand in the residential, commercial, institutional and civil engineering segments, for both public and private sectors.

CONSTRUCTION DEMAND

Contracts awarded shrank by 6.9 per cent to $7.9 billion in the fourth quarter (Exhibit 8.4). Nonetheless, strong expansion in the first three quarters of 2008 led construction demand for the whole year to reach a record high of $34.6 billion. The exceptionally high level of contracts awarded was largely propelled by continued strong growth in private sector construction demand as well as an upswing in the total value of public housing and infrastructural projects committed.

Overall, contracts awarded in 2008 remained robust, with demand from both the private and public sectors increasing by 7.0 per cent and 155 per cent respectively.

Exhibit 8.4: Contracts Awarded



Public Sector

Public sector construction demand surged 205 per cent in the fourth quarter.

For 2008 as a whole, public sector construction demand expanded rapidly to $14.5 billion, up from $5.7 billion in 2007 (Exhibit 8.5). Most of the construction demand was from residential, institutional and civil engineering projects.

The public residential segment grew by 132 per cent to $4.2 billion while public institutional construction demand increased from $1.5 billion to $3.0 billion. Public civil engineering construction demand in 2008 reached an all-time high of $7.2 billion, up from 2007's level of $2.1 billion.

Exhibit 8.5: Contracts Awarded, 2008

$ Billion

	Total	Public	Private
TOTAL	**34.6**	**14.5**	**20.1**
Residential	**10.6**	**4.2**	**6.4**
Commercial	**8.5**	**0.1**	**8.4**
Industrial	**3.7**	**0.0**	**3.7**
Institutional & Others	**3.9**	**3.0**	**0.9**
Civil Engineering Works	**7.9**	**7.2**	**0.7**

Private Sector

Private sector construction demand plummeted by 70 per cent in the fourth quarter.

Nevertheless, private sector construction demand for 2008 reached $20.1 billion on account of the high level of contracts awarded for residential and commercial developments during the first half of the year.

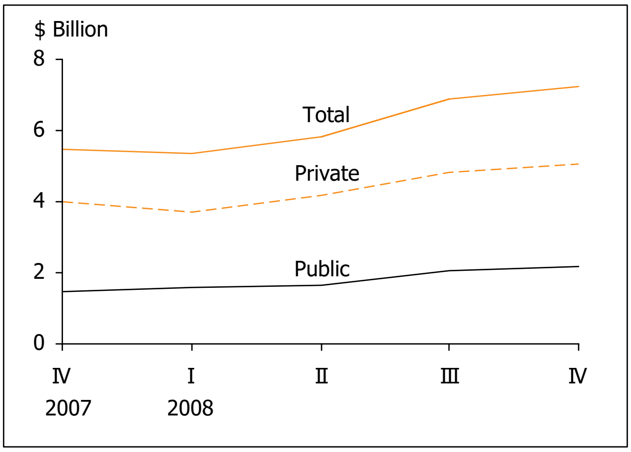
Despite the weakening property market in the second half of 2008, private residential construction demand reached $6.4 billion in 2008, buoyed by the commencement of various projects committed earlier. Private commercial construction demand rose to a record high of $8.4 billion while industrial construction demand moderated from a high base of $6.8 billion in 2007 to $3.7 billion.

CONSTRUCTION ACTIVITIES

Construction output rose by 31 per cent in the fourth quarter of 2008, down from 47 per cent growth in the previous quarter (Exhibit 8.6).

The robust growth recorded in all quarters of 2008 brought construction output for the whole year to $25 billion, a 41 per cent increase over 2007. Output from both the public and private sectors rose by 36 per cent and 44 per cent respectively against the previous year. Apart from public industrial projects, growth was broad-based among all building construction activities.

Exhibit 8.6: Certified Payments



Public Sector

Public sector construction output grew by 47 per cent in the fourth quarter.

For 2008, strong expansion in construction activities for residential, institutional and civil engineering works strengthened overall public construction sector output to $7.5 billion, a 36 per cent increase from a year ago.

Public residential construction output was bolstered by the high volume of public housing contracts awarded since the second half of 2007 and rose 46 per cent in 2008. Institutional construction output increased by 24 per cent while civil engineering works rose by 56 per cent. Civil engineering construction activities constituted almost 50 per cent of the total public sector construction output.

Private Sector

Growth in private sector construction output moderated in the fourth quarter to 26 per cent, down from the 45 per cent seen in the previous quarter.

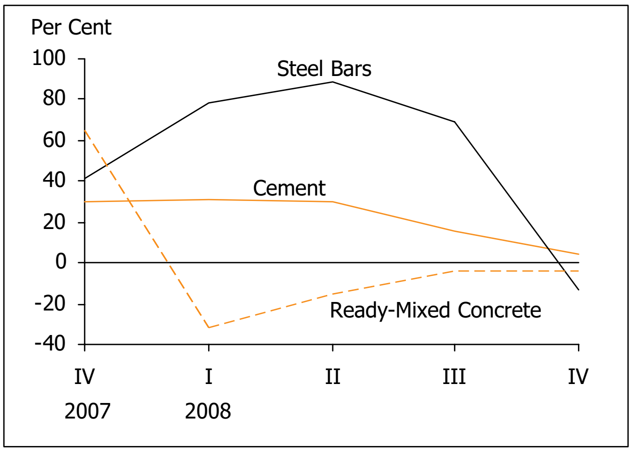
Private sector construction output for 2008 rose by 44 per cent to reach $17.7 billion. The growth was fuelled by across-the-board expansions for all types of construction activities, in particular for residential, commercial and industrial developments. Industrial developments contributed the highest volume of output in the private sector, supported by various mega petrochemical and green technology projects.

CONSTRUCTION MATERIALS

The demand for construction materials rose in tandem with the rising volume of construction activity in 2008. Demand for ready-mixed concrete and steel reinforcement bars (rebars) in 2008 increased by 32 per cent and 62 per cent respectively over the previous year. In contrast, the demand for cement rose by a lower 18 per cent due to the higher inventory level carried over from 2007.

The market price for ready-mixed concrete declined by 4.2 per cent year-on-year to $122 per cubic metre in December 2008 (Exhibit 8.7). In contrast, the price for cement rose to $120 per tonne in the last month of 2008, up by 4.3 per cent over the same month in the previous year. The market price for rebars rose by 60 per cent in 2008. Notably, the price of rebars reached a peak of $1,700 per tonne in July 2008, but declined thereafter in tandem with commodity prices in general. The average market price for rebars dropped to $913 per tonne in December 2008.

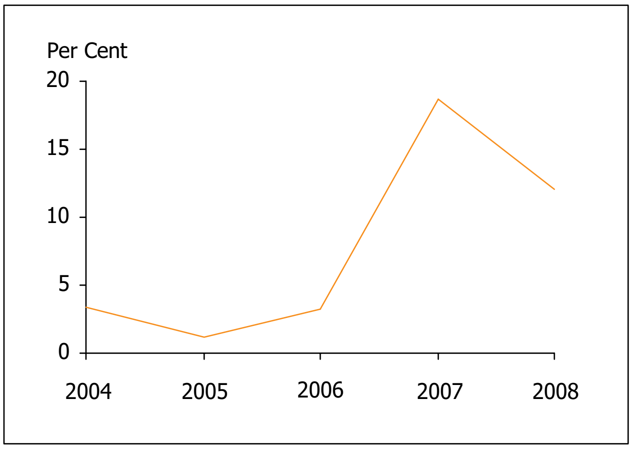
Exhibit 8.7: Changes in Market Prices of Construction Materials



CONSTRUCTION COSTS

Global inflation, coupled with strong construction activities elsewhere, resulted in the worldwide escalation in the prices of construction resources in the first half of 2008. Construction prices have moderated since September 2008, in line with the sharp global economic downturn. BCA's Building Works Tender Price Index (TPI) recorded a 12 per cent year-on-year increase in 2008 (Exhibit 8.8). The increase was largely contributed by the steep surge in construction costs in the first half of 2008. Notably, the TPI rose by 16 per cent in the first half of year over the same period in 2007, and grew by a slower 8.3 per cent in the second half of the 2008.

Exhibit 8.8: Changes in Tender Price Index



CONSTRUCTION OUTLOOK IN 2009

BCA projects that total construction demand will moderate to a sustainable $22 billion to $28 billion in 2009 (Exhibit 8.9). The public sector is expected to be a key driver in construction demand and is anticipated to award a historical high of between $17 billion and $19 billion worth of projects in 2009. In view of the global economic downturn, private sector construction demand is likely to soften significantly in 2009 to between $5 billion and $9 billion with expected falls in all types of construction projects except for the institutional & other building segment.

With robust construction demand during the past two years, BCA projects construction output to grow further and peak at about $28 billion to $30 billion in 2009, before moderating slightly in 2010. Riding on the projected heightened construction activities in 2009, the estimated demands for cement, ready-mixed concrete and rebars are expected to increase by about 15 per cent each. Construction costs, however, are likely to moderate with slackened global demand and the easing of global freight and fuel costs amid the poor global economic outlook.

Exhibit 8.9: Projected Construction Demand in 2009

	$ Billion
Public Sector*	**17.0 - 19.0**
Building Construction Sub-total	**7.1 -8.3**
Residential	**3.5 - 3.8**
Commercial	**0.8 - 0.9**
Industrial	**0.1 - 0.1**
Institutional & Others	**2.7 - 3.6**
Civil Engineering Works Sub-total	**10.0 - 10.7**
Private Sector	**5.0 - 9.0**
Building Construction Sub-total	**4.6 - 8.6**
Residential	**1.7 - 2.3**
Commercial	**0.8 - 1.5**
Industrial	**1.2 -2.6**
Institutional & Others	**0.8 - 2.1**
Civil Engineering Works Sub-total	**0.4 - 0.4**
TOTAL CONSTRUCION DEMAND	**22.0 - 28.0**

* Excluding the $1.3 billion worth of advanced projects announced at the Budget 2009.