

CHAPTER 2

PERFORMANCE OF SELECTED SECTORS

OVERVIEW

- The manufacturing sector contracted at a much slower rate, shored up by a surge in biomedical manufacturing output. Most of the other manufacturing clusters also contracted less sharply compared to the first quarter.
- The rate of decline in wholesale and retail trade moderated in the second quarter, in tandem with improvements in non-oil exports.
- The contraction in hotels and restaurants was marginally worse than in the first quarter, dampened by weaknesses in the catering trade segment.
- The pace of decline in the financial services sector slowed considerably in the second quarter compared to the first quarter of 2009, supported by growth in the domestic banking segment and higher stock market turnover volumes.

MANUFACTURING

- The manufacturing sector contracted by 2.4 per cent in the second quarter of 2009, compared to the 24 per cent contraction in the first quarter of 2009.
- The biomedical manufacturing cluster expanded 59 per cent. The surge in the pharmaceuticals segment was due to a higher production of active pharmaceutical ingredients in major plants.
- The electronics cluster contracted by 22 per cent. Global demand for electronics products remained weak due to the economic downturn.
- The transport engineering cluster declined by 2.8 per cent, pulled down by contractions in the marine and offshore engineering and land segments. Activities slowed in the shipyards for ship-building, ship conversion and ship repair.
- Output of the general manufacturing industries contracted by 5.6 per cent. While the printing, and food, beverages and tobacco industries segments contracted, the miscellaneous industries expanded as a result of increased construction-related activities.
- The output of the chemicals cluster declined by 16 per cent, while the precision engineering cluster contracted by 22 per cent.

Exhibit 2.1: Manufacturing Growth Rates

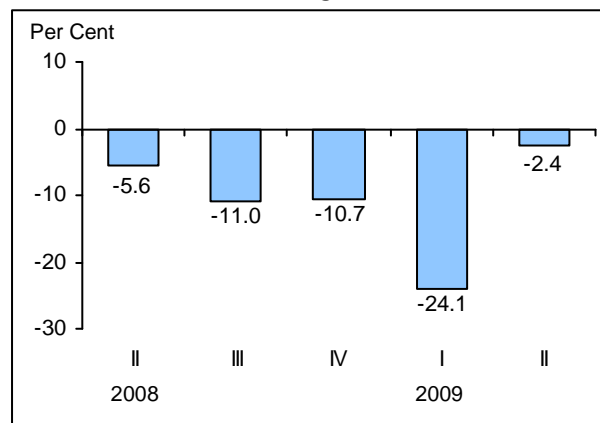
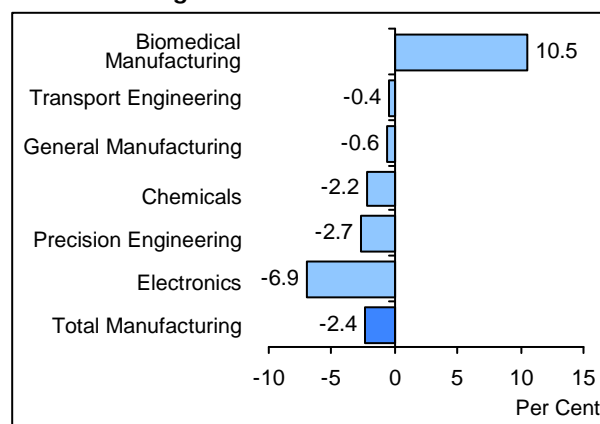


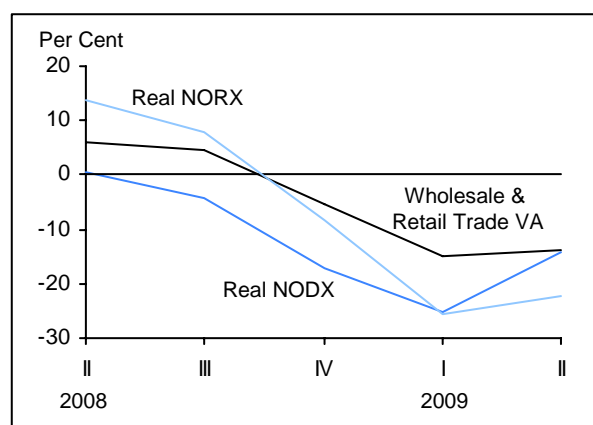
Exhibit 2.2: Percentage Point Contribution to Manufacturing Sector's Growth in 2Q 2009



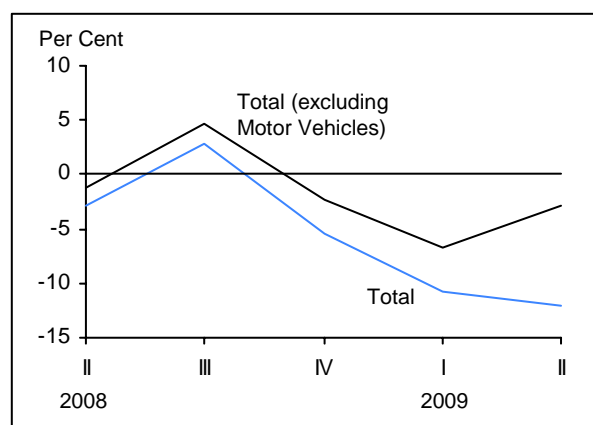
## WHOLESALE AND RETAIL TRADE

- In the second quarter of 2009, the wholesale and retail trade sector contracted by 14 per cent, which was a slight moderation in decline compared to the previous quarter. This moderation was in tandem with the slower rates of decline in real NODX and NORX in the second quarter of 2009.
- Retail sales volume declined by 12 per cent on year, a marginally worse decline than the 11 per cent decline registered in the previous quarter. Excluding motor vehicle sales, the decline in the second quarter was smaller, at 2.9 per cent.
- The sharpest declines in retail sales volume were posted by big-ticket retail segments such as motor vehicles (-29 per cent), and watches and jewellery (-18 per cent). Telecommunications and computers (7.2 per cent), supermarkets (2.0 per cent) and department stores (0.2 per cent) posted better performance in the second quarter than the first quarter.

**Exhibit 2.3: Changes in Wholesale & Retail Trade, NODX and NORX**



**Exhibit 2.4: Changes in Retail Sales Index at Constant Prices**



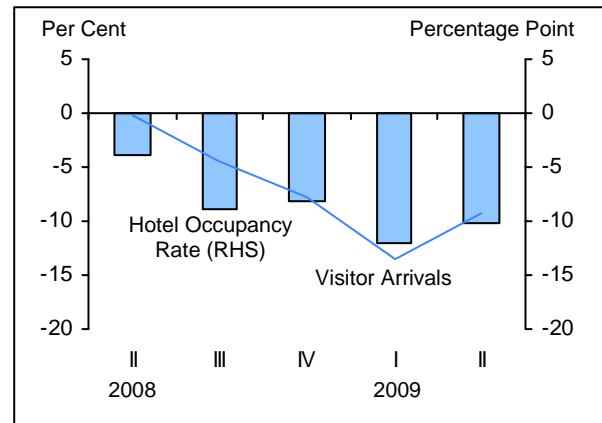
## HOTELS AND RESTAURANTS

- The hotels and restaurants sector contracted by 6.2 per cent on year in second quarter, slightly worse than the 5.6 per cent decline in the previous quarter.
- Visitor arrivals declined by 9.3 per cent in the second quarter, which was an improvement from the 14 per cent decline in the previous quarter. Consequently, the decline in hotel room occupancy rate was also smaller in the second quarter of 2009.
- The catering trade index fell by 5.6 per cent, marginally better than the decline in the first quarter. Fast food outlets continued to expand (2.6 per cent) and the rate of decline in the restaurants segment (-1.1 per cent) moderated in the second quarter. However, the food caterers segment remained sluggish (-19 per cent).

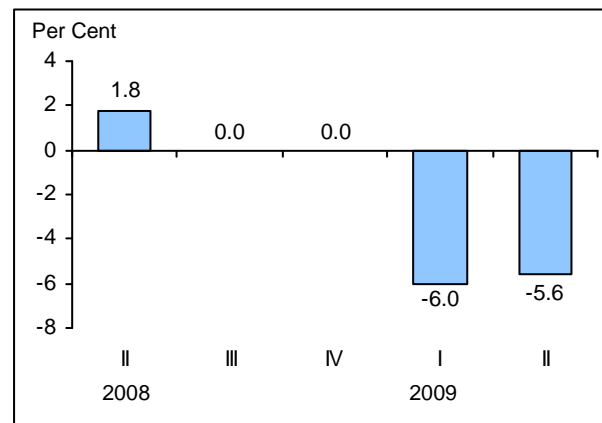
## FINANCIAL SERVICES

- The financial services sector contracted by 4.5 per cent on year in the second quarter of 2009, a smaller contraction than the 7.7 per cent contraction in the first quarter. This moderation was driven by the improvement in general investor sentiment.
- The financial intermediation cluster weakened further in the second quarter. The offshore banking segment contracted for the third quarter in a row, while the domestic banking segment recorded a smaller expansion in the second quarter. Gains in non-bank credit were underpinned by resilient lending activity to the property and business services sectors.
- The performance of the sentiment-driven cluster was mixed. In line with the global rally, stock market turnover volumes rebounded nearly 70 per cent in the second quarter compared to the same period a year ago. The forex market, however, remained weak, in line with the uncertain external economic backdrop.

**Exhibit 2.5: Changes in Visitor Arrivals and Hotel Occupancy Rate**



**Exhibit 2.6: Changes in Catering Trade at Constant Prices**



**Exhibit 2.7: Loans and Advances to Non-bank Customers by Industry in 2Q 2009**

