



Chapter 3

SECTORAL PERFORMANCES

OVERVIEW

- The manufacturing sector was the fastest growing sector, led by the transport engineering and biomedical manufacturing clusters.
- Buoyed by strong non-oil re-exports and retail sales, the wholesale and retail trade sector continued to register double-digit growth rates.
- Growth of the hotels and restaurants sector moderated as both segments experienced a slowdown in growth.
- The transport and communications sector slowed, as most segments in the sector saw a moderation of activity.
- Growth in the financial services sector was fairly broad-based, with growth across most segments.
- The business services sector was supported by robust growth in IT and related services and business representative offices.

GOODS PRODUCING INDUSTRIES

MANUFACTURING SECTOR

[Tables 3.1, A8.1 and Chart 3.1]

Manufacturing growth moderated...

Manufacturing output expanded 12 per cent in the second quarter of 2006, down from 21 per cent in the first quarter. The transport engineering and biomedical manufacturing clusters continued to lead growth in the sector. Excluding the biomedical manufacturing cluster, manufacturing output grew at a similar 12 per cent.

The transport engineering cluster saw a robust expansion of 29 per cent in the second quarter. The marine & offshore engineering and aerospace industries expanded by 39 per cent and 20 per cent respectively. Activity in shipyards was boosted by contracts for ship conversion, ship-building and ship repairing. The jack-up rigs and oil field equipment segments also saw an expansion in output in response to stronger demand. The aerospace industry increased 20 per cent on the back of more commercial aircraft repairs, boosted by increased air flights within the Asia Pacific region and to the US.

The biomedical manufacturing cluster climbed 16 per cent, down from 48 per cent in the previous quarter. The expansion was driven by the pharmaceuticals segment, which rose 19 per cent from the manufacture of various types of active pharmaceutical ingredients. However, the medical technology segment contracted 6.2 per cent because of lower shipments of medical devices to Europe and the US.

The precision engineering cluster posted a growth of 11 per cent, after expanding 14 per cent in the preceding quarter. The machinery & systems segment expanded 26 per cent while the precision modules & components segment grew 2.2 per cent. Higher demand boosted the output of machinery such as semiconductor assembly & testing equipment, industrial process control equipment, refrigerating and conveying systems.

The electronics cluster rose 9.8 per cent, moderating from 16 per cent in the last quarter. Growth in the second quarter was held back largely by contraction in the data storage segment, which fell 30 per cent as a result of the relocation of production to overseas plants. The infocomms & consumer electronics segment also declined 3.5 per cent due mainly to lower output of computers and consumer electronics. However, output of semiconductors remained strong, boosted by the strong demand for chips used in consumer electronics. Production of computer peripherals also rose 9.8 per cent with higher output of printers and related products.

The chemicals cluster grew 5.4 per cent in the second quarter, up from 2.9 per cent in the previous quarter. Nevertheless, expansions in the petrochemicals and specialty chemicals segments were offset somewhat by the contraction in the petroleum industry. Higher output of petrochemicals was enabled by new capacities which became operational this year. The decline in the petroleum industry was due to short periods of shutdown in some units in the refineries.

...output of semiconductors remained strong...

MANUFACTURING

[TABLE 3.1]

	2005 Value Added % share	2005				2006	2006
		2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
		Percentage Change Over Same Period				Of Previous Year	
INDEX OF INDUSTRIAL PRODUCTION (2003 = 100)							
Electronics	35.8	3.8	3.2	19.8	9.2	15.5	9.8
Chemicals	14.0	0.8	1.0	2.4	2.7	2.9	5.4
Precision Engineering	12.4	3.7	6.6	13.4	6.1	14.4	10.6
Transport Engineering	10.1	29.2	20.5	34.7	26.8	39.6	29.4
General Manufacturing Industries	9.3	1.9	0.4	3.3	1.8	5.6	4.6
Total Manufacturing Excluding Biomedical Manufacturing	81.7	6.5	5.6	16.3	9.2	15.9	11.8
Biomedical Manufacturing	18.3	2.8	64.6	7.6	10.7	47.5	15.6
TOTAL MANUFACTURING	100.0	5.8	13.5	14.4	9.5	20.7	12.5

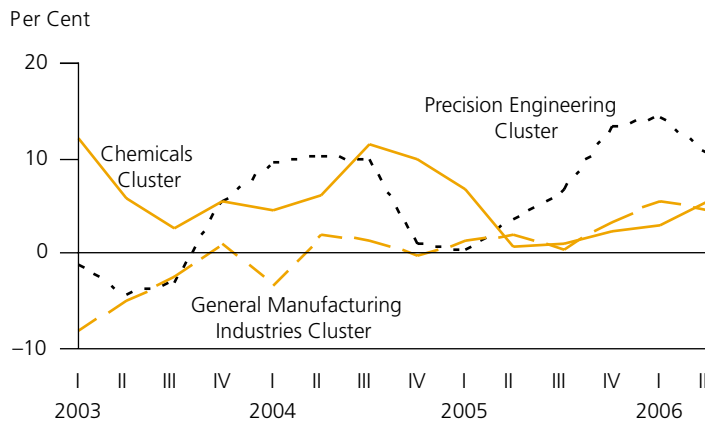
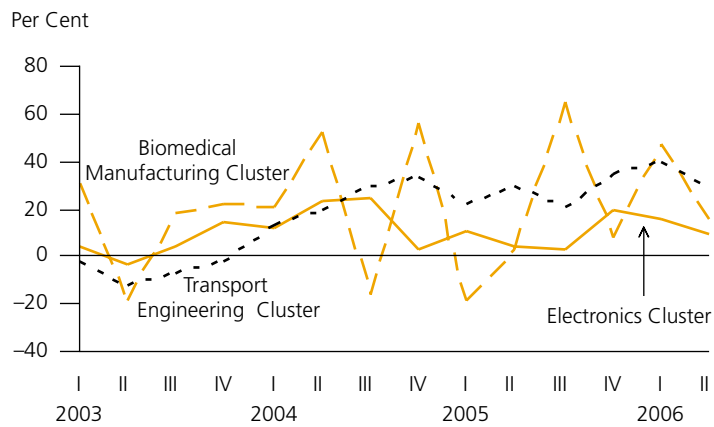
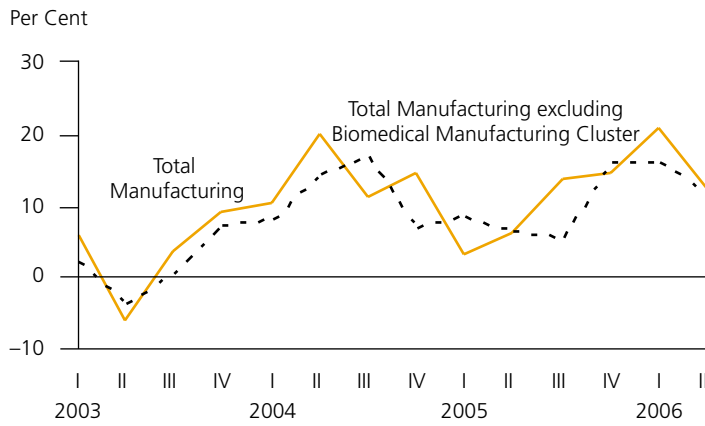
Note: The Industries are classified according to the SSIC 2000.

Source: Economic Development Board

The general manufacturing industries increased 4.6 per cent, down from 5.6 per cent in the first quarter. The growth was attributable to the 6.2 per cent expansion in the food, beverages & tobacco industries and the 2.9 per cent growth in the printing industry.

CHANGES IN INDEX OF INDUSTRIAL PRODUCTION

[Chart 3.1]



CONSTRUCTION SECTOR

[Tables 3.2, A9.1 and Chart 3.2]

Positive growth after two years of decline...

The construction sector expanded 0.2 per cent in the second quarter, a pickup from the 0.8 per cent contraction in the previous quarter. However, the sector declined 16 per cent on a seasonally-adjusted quarter-on-quarter annualised basis, reversing the 27 per cent gain a quarter earlier.

Certified payments grew by 3.5 per cent in the second quarter, after declining by 4.5 per cent in the last quarter. With the contraction in civil engineering activities, public certified payments shed 17 per cent, continuing from the 18 per cent decline in the preceding quarter. On the other hand, boosted by stronger activity in the commercial and industrial segments, private certified payments continued to expand strongly by 24 per cent, up from 16 per cent a quarter earlier.

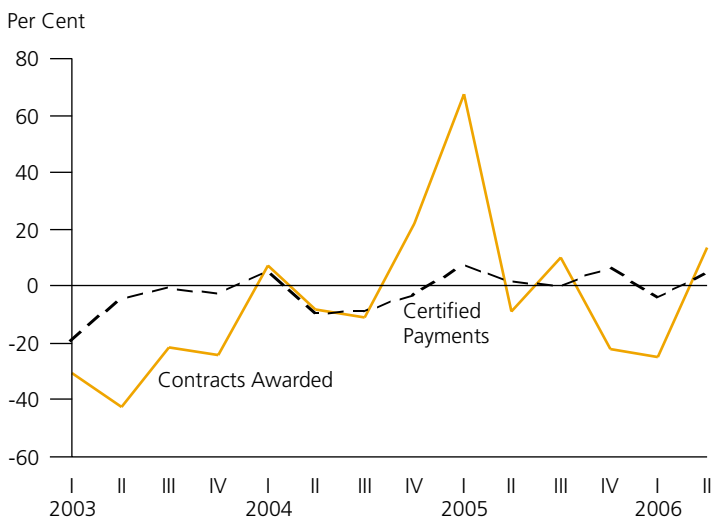
Growing pipeline of contracts awarded...

Contracts awarded climbed 13 per cent in the second quarter, after tumbling 25 per cent in the previous quarter. This was largely due to the 25 per cent jump in public sector contracts awarded, which reversed the 37 per cent fall in the last quarter. The increase mainly reflects increases in orders booked for civil engineering and some public residential works, which offset the decline in the public institutional segment. On the other hand, private sector construction demand registered a 9.4 per cent increase, compared to the 17 per cent drop a quarter earlier.

...tentative signs of improvement...

CHANGES IN CONTRACTS AWARDED AND CERTIFIED PAYMENTS

[Chart 3.2]



CONSTRUCTION

[TABLE 3.2]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
	Percentage Change Over Same Period Of Previous Year					
Value Added At 2000 Prices	-1.1	-1.4	-0.8	-1.1	-0.8	0.2
Value of Contracts Awarded	-9.0	9.8	-22.1	9.9	-24.8	13.2
Value of Certified Payments	0.7	-0.2	6.1	3.3	-4.5	3.5

Source: Singapore Department of Statistics
Building and Construction Authority

SERVICES PRODUCING INDUSTRIES

WHOLESALE AND RETAIL TRADE SECTOR

[Table 3.3]

Robust growth in the wholesale and retail trade sector...

Despite the slowdown from the 15 per cent expansion in the previous quarter, the wholesale and retail trade sector still managed a robust 10 per cent growth in the second quarter. Both non-oil re-exports and retail sales contributed to the sector's healthy performance.

Retail Sales

[Table A10.1 and Chart 3.3]

Double-digit expansion in retail sales...

The double-digit expansion in retail sales of 12 per cent came on the heels of an 8.2 per cent gain in the first quarter. This can be mainly attributed to the 15 per cent growth in motor vehicles sales, an increase from the 10 per cent growth recorded a quarter earlier. Excluding motor vehicles, retail sales grew by 7.7 per cent, on the back of a 5.6 per cent gain in the first quarter.

WHOLESALE & RETAIL TRADE, AND HOTELS & RESTAURANTS SECTORS

[TABLE 3.3]

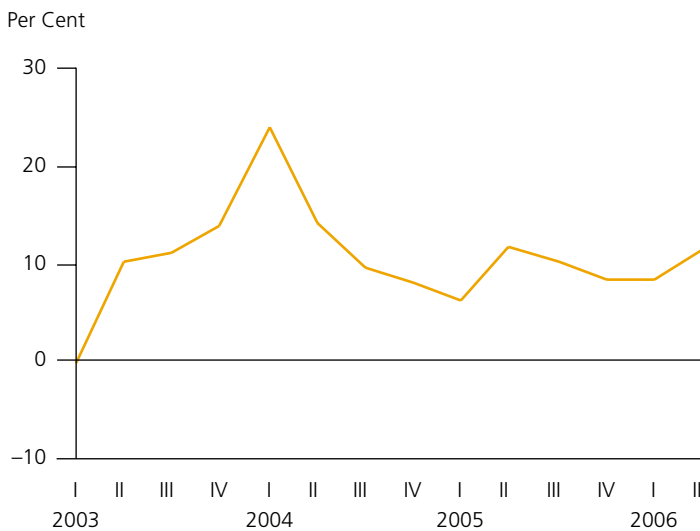
	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
	Percentage Change Over Same Period Of Previous Year					
Value Added At 2000 Prices						
Wholesale & Retail Trade	10.2	10.7	12.1	10.5	15.1	10.1
Hotels & Restaurants	5.4	4.7	6.2	4.6	7.1	6.1
Retail Sales Index at Constant Prices	11.6	10.1	8.2	9.0	8.2	11.5
Number of Visitor Arrivals	8.0	8.4	4.9	7.4	14.2	9.6

Source: Singapore Department of Statistics
Singapore Tourism Board

Other retail segments that experienced improved sales include telecommunications and computers (25 per cent), wearing apparel and footwear (11 per cent), department stores (9.0 per cent), medical goods and toiletries (6.9 per cent), provision and sundry shops (6.7 per cent), furniture and household equipment (6.7 per cent), recreational goods (6.3 per cent), supermarkets (4.6 per cent), optical goods and books (2.8 per cent), and petrol service stations (1.2 per cent). Meanwhile, sales of watches and jewellery remained unchanged while food and beverages experienced a decline of 1.3 per cent in sales.

CHANGES IN RETAIL SALES INDEX AT CONSTANT PRICES

[Chart 3.3]



Retail sales gathered momentum...

HOTELS AND RESTAURANTS SECTOR

[Table 3.3]

Growth eased in the hotels and restaurants sector...

The hotels and restaurants sector grew 6.1 per cent in the second quarter, easing from the 7.1 per cent expansion in the previous quarter. Contributing to the moderation was a slowdown in both the hotels and restaurants segments.

Total hotel room revenue is estimated to have grown 14 per cent in the second quarter to \$348 million. Although the average occupancy rate of hotels in the second quarter was 84 per cent, a 0.5 percentage-point decline from the same period last year, the average room rate rose to \$161, a 17 per cent increase from the same period a year ago. Food and beverage revenue from all cess-paying establishments increased by 4.6 per cent to \$439 million.

Visitor Arrivals

[Table A11.1 and Chart 3.4]

Stronger visitor arrivals in the second quarter...

Singapore welcomed 2.4 million visitors in the second quarter, an increase of 9.6 per cent, down from 14 per cent in the previous quarter.

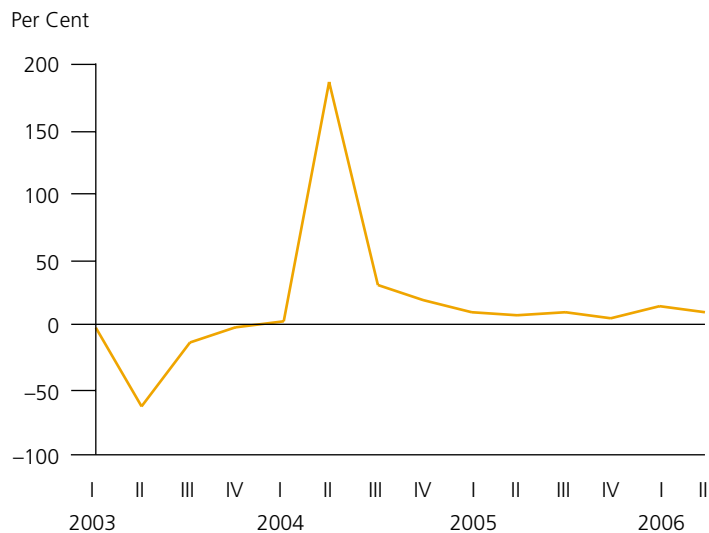
Asia continued to be an important source market for Singapore, contributing over 75 per cent of the total visitor arrivals. The 1.8 million visitors from Asia represented an increase of 9.0 per cent over the second quarter of 2005.

Indonesia (460,000), China (247,000), India (202,000), Australia (176,000), and Malaysia (157,000) were the top five markets in the second quarter, accounting for about 52 per cent of total visitor arrivals.

The top five major markets which experienced the highest growth in visitor arrivals over the same period last year were China (28 per cent), the Philippines (20 per cent), Australia (20 per cent), South Korea (13 per cent) and India (11 per cent).

CHANGES IN VISITOR ARRIVALS

[Chart 3.4]



TRANSPORT AND COMMUNICATIONS SECTOR

[Tables 3.4 and A12.1]

Slower growth in most segments...

Growth in the transport and communications sector slowed to 3.7 per cent in the second quarter from 5.0 per cent in the previous quarter. Most segments in the sector saw a moderation in activity.

In the sea segment, container throughput rose by 3.2 per cent, after expanding by 4.3 per cent in the first quarter. Meanwhile, sea cargo turned in a 5.0 per cent growth, compared to the first quarter's 1.9 per cent performance.

In the air segment, growth in air passengers slipped to 8.4 per cent from 11 per cent in the preceding quarter. Similarly, air cargo growth also fell to 5.0 per cent from 9.0 per cent a quarter ago.

TRANSPORT AND COMMUNICATIONS

[TABLE 3.4]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
	Percentage Change Over Same Period Of Previous Year					
VALUE ADDED AT 2000 PRICES	4.1	4.3	5.1	4.5	5.0	3.7
Transport						
Tonnes of Total Sea Cargo Handled	9.1	3.8	4.1	7.6	1.9	5.0
General & Bulk cargo	8.5	5.6	6.0	8.1	4.3	1.4
Oil-in-Bulk	10.4	0.0	0.4	6.6	-2.9	12.3
Total Container Throughput	9.3	6.4	5.8	8.7	4.3	3.2
Number of Sea Passengers Handled	-8.9	-14.9	-15.2	-12.8	0.1	11.4
Vessel Arrivals (Over 75 GRT)						
Number	2.7	-3.1	-5.2	-2.2	-4.8	-2.1
'000 GRT	11.6	10.7	11.5	10.5	15.1	15.6
Tonnes of Total Air Cargo Handled ¹	1.2	2.7	6.9	3.3	9.0	5.0
Number of Air Passengers Handled ¹	9.2	8.9	5.5	7.4	10.6	8.4
Communications						
Mobile Subscribers	11.6	11.8	10.3	10.3	9.9	6.7 ²
Broadband Subscribers	29.4	25.3	24.6	24.6	22.0	20.1
Internet Dial-up Subscribers	-4.7	-5.0	-5.6	-5.6	-6.3	-6.4
International Telephone Call Minutes	31.4	0.3	1.9	15.7	4.4	-0.2

¹ Refers to both Changi Airport and Seletar Airport.

² Refers to the growth in May 2006 over the same month a year ago.

Source: Singapore Department of Statistics
 PSA Corporation Ltd
 Maritime and Port Authority of Singapore
 Singapore Cruise Centre Pte Ltd
 Civil Aviation Authority of Singapore
 Infocomm Development Authority of Singapore

In the communications segment, growth in the total number of broadband subscribers slipped slightly from 22 per cent in the first quarter to 20 per cent. Likewise, the number of mobile phone subscribers increased at a weaker rate of 6.7 per cent¹, as opposed to 9.9 per cent in the previous quarter. International telephone call duration declined by 0.2 per cent, a slowdown from the 4.4 per cent expansion a quarter earlier.

FINANCIAL SERVICES SECTOR

[Tables 3.5 and A13.1-A13.4]

The financial services sector continued its steady expansion...

The financial services sector grew by 9.5 per cent in the second quarter, up from 8.7 per cent in the previous quarter. On a seasonally-adjusted quarter-on-quarter annualised basis, the sector expanded by 32 per cent, an improvement from the 3.3 per cent contraction in the first quarter.

FINANCIAL AND BUSINESS SERVICES SECTORS

[TABLE 3.5]

	2005				2006	2006
	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr	2nd Qtr
Percentage Change Over Same Period Of Previous Year						
Financial Services						
Value Added At 2000 Prices	7.9	8.5	7.4	6.5	8.7	9.5
Money Supply (M1) ¹	11.3	9.2	4.4	4.4	7.3	6.6
Deposits ¹						
Banks ²	5.5	9.5	8.5	8.5	9.8	13.0
Finance Companies	4.9	5.3	12.3	12.3	11.2	15.3
Loans & Advances ¹						
(Including Bills Financing)						
Banks ²	2.6	1.9	2.2	2.2	2.8	5.7
Finance Companies	5.4	8.7	14.4	14.4	14.2	11.7
Assets/Liabilities of ACUs ¹	5.2	7.9	5.1	5.1	8.0	16.8
Business Services						
Value Added At 2000 Prices	3.9	6.6	6.3	4.9	6.5	6.4

¹ End of period.

² Exclude Singapore Dollar Negotiable Certificates of Deposit.

Source: Singapore Department of Statistics
Monetary Authority of Singapore

¹ Refers to the growth in May 2006 over the same month a year ago.

Growth was fairly broad-based, with increases across most financial industries, and led by activity in the capital markets. The domestic stock market saw turnover volume increase by 99 per cent during the quarter, reflecting strong interest in finance and property stocks. Global investors continued to overweight their portfolios in favour of Asian equities, tapping on Singapore as a hub for such mandates and boosting the domestic fund management industry. At the same time, offshore bank lending activity also recorded sharp gains in both the interbank and non-bank segments.

Commercial Banks

[Table A13.5 and Chart 13.5]

Bank credit extended to non-bank customers grew more rapidly...

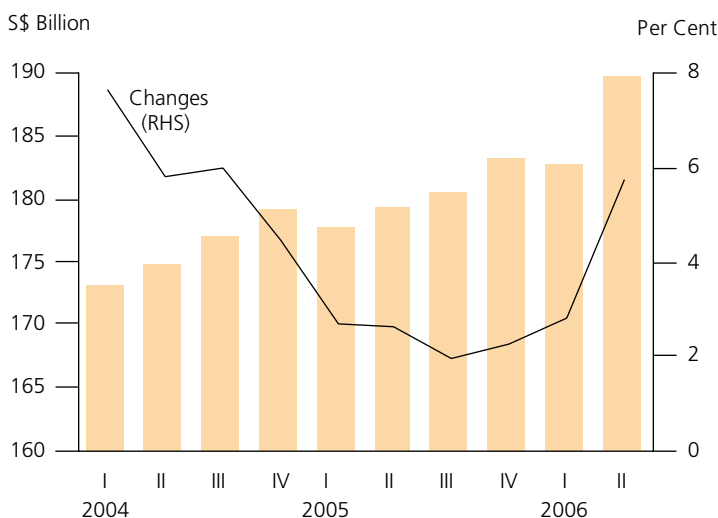
Loans extended by commercial banks to non-bank customers grew at a faster pace of 5.7 per cent in the second quarter, up from 2.8 per cent in the last quarter. The stock of outstanding loans in the domestic banking industry stood at \$190 billion at the end of June, some \$7.0 billion higher than at the end of March.

Most major loan categories saw steady growth, led by credit extended to the transport & communications sector, which expanded by 35 per cent. Lending to non-bank financial institutions and the building & construction segment also contributed to the more rapid credit growth, rising by 19 per cent and 9.7 per cent respectively. However, growth of credit extended to the housing sector – which accounts for over a third of total domestic non-bank loans – slipped for the ninth consecutive quarter to 2.2 per cent.

...stronger credit to transport and communications sector...

COMMERCIAL BANK LOANS TO NON-BANK CUSTOMERS

[Chart 3.5]



Credit extended by finance companies slowed marginally in the second quarter, posting an expansion of 12 per cent, compared with 14 per cent in the preceding quarter. This reflected mainly the weaker performance in hire-purchase financing, which contracted by 6.1 per cent, compared to a 1.1 per cent decline a quarter earlier. The total stock of loans extended by finance companies increased by \$9.0 million from end-March to \$8.0 billion as at end-June 2006.

Asian Dollar Market

[Table A13.6 and Chart 3.6]

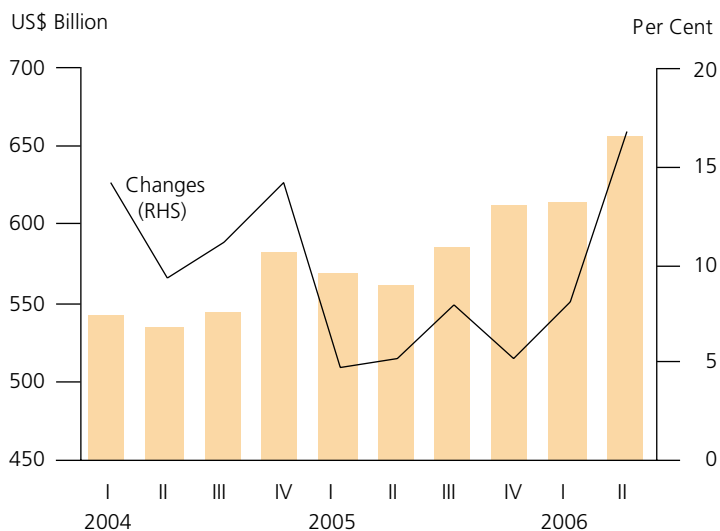
The offshore banking sector was boosted by sharp expansions in both non-bank and interbank lending...

The stock of total assets/liabilities in the Asian Dollar Market jumped by 17 per cent in the second quarter, compared with 8.0 per cent a quarter earlier. Both the interbank and non-bank segments saw robust lending activity. The expansion in non-bank loans, in particular, accelerated further to 35 per cent, after growth of 28 per cent in the previous quarter, reflecting stronger lending across most major regions in the world. The increase in interbank lending was also more rapid at 13 per cent, compared with 4.4 per cent a quarter ago.

In level terms, the stock of total assets in the Asian Dollar Market rose by US\$42 billion from end-March to US\$656 billion at end-June 2006.

ADM ASSETS/LIABILITIES

[Chart 3.6]



BUSINESS SERVICES SECTOR


[Table 3.5]

Robust performances in IT & related services and business representative offices...

The business services sector expanded at a marginally slower pace of 6.4 per cent in the second quarter, down from the 6.5 per cent in the first quarter. As in the previous quarters, expansion in this sector was driven by the continued robust performances of IT & related services, business representative offices, legal and accounting services. The real estate segment was also buoyed by the sustained interest in luxury property developments.

Growing demand and improving business sentiments raised rents for shop space in the Central Region by 4.7 per cent, an improvement over the 3.8 per cent in the first quarter. Overall vacancy rates of shops stayed at 7.6 per cent, the same rate as the previous quarter. Rents for office space in the Central Region also climbed to 19 per cent from 13 per cent in the first quarter although the occupancy rate for office space remained at about 88 per cent, same as that in the preceding quarter.

Rents of industrial space gained 5.1 per cent, similar to the 5.2 per cent in the previous quarter. In the residential segment, rents increased by 4.7 per cent. Private residential property prices rose 6.0 per cent, compared to the 4.7 per cent increase in the previous quarter. The vacancy rate in the residential market also continued to fall significantly to 6.5 per cent, the lowest level since the first quarter of 2001.



Lowest vacancy rate in residential market since first quarter 2001...