



## Chapter 3

# SECTORAL PERFORMANCES

### OVERVIEW

- Growth in the manufacturing sector was led by double-digit gains in the transport engineering sector.
- The construction sector saw its strongest growth in 9 years.
- The wholesale and retail trade sector remained healthy on firm non-oil re-exports and retail sales.
- The hotels and restaurants sector saw a moderation in growth.
- Stronger growth in the transport and storage sector driven by the sea segment.
- The Information and communications sector saw a modest increase in growth, mainly due to the telecommunications segment.
- All major clusters in the financial services sector saw strong performances.
- The business services sector was driven by the robust performance in the real estate segment.

## GOODS PRODUCING INDUSTRIES

### MANUFACTURING SECTOR

[Tables 3.1, A8.1 and Chart 3.1]

*Growth moderated on the back of declines in biomedical manufacturing and precision engineering...*

Total manufacturing output increased 4.3 per cent in the first quarter, down from 7.7 per cent in the last quarter of 2006. Performance in the transport engineering cluster remained strong but the biomedical manufacturing and precision engineering clusters saw mild declines in production.

The transport engineering cluster grew by 23 per cent, slightly below the pace in the previous quarter. The marine & offshore engineering segment grew by a robust 26 per cent. Shipyards reported brisk activity in ship-building, ship repairing and ship conversion works. Rig fabrication also increased, with some rigs scheduled for completion later this year. The repair and maintenance of commercial aircraft was supported by strong demand for air travel, resulting in 19 per cent growth in the aerospace segment. Overseas demand also raised the production of land vehicle parts.

The electronics cluster recovered from its contraction in the last quarter of 2006, with an increase of 2.6 per cent on the back of growth in the semiconductors segment while other segments saw declines. The production of chips, especially DRAMs and flash, rose 16 per cent to meet higher overseas demand. The data storage segment shrank 13 per cent, although this was less than half the magnitude of contraction in the last quarter. The infocomms & consumer electronics segment shrank 17 per cent with lower production of mobile and consumer electronic products. Output of computer peripherals also dipped 1.2 per cent while the electronic modules and components segment contracted 4.8 per cent.

The chemicals cluster grew by 1.2 per cent in the first quarter, up from a 0.6 per cent decline in the last quarter. This was supported by the 4.8 per cent and 0.3 per cent increases in petrochemicals and specialty chemicals output respectively, which offset the 0.5 per cent dip in petroleum output.

The precision engineering cluster shrank 0.7 per cent compared to a 2.7 per cent growth in the last quarter. The contraction was due mainly to a 3.1 per cent decline in the precision modules & components segment. Output was affected by the relocation of some production capacities and the nascent growth in the electronics cluster. On the other hand, the machinery & systems segment grew 3.2 per cent.

The general manufacturing industries grew 9.3 per cent, same as in the previous quarter. The food, beverages & tobacco industries grew by 18 per cent on the back of strong demand for seasonal festive food. The printing industries also posted growth of 3.1 per cent.

The biomedical manufacturing cluster shrank 5.0 per cent, reversing the 27 per cent growth in the fourth quarter. This was due to the 7.3 per cent drop in pharmaceuticals output as a result of changes in the mix of active ingredients produced. On the other hand, the medical technology segment expanded 16 per cent to cater to more orders from the US and Europe.

*Lower pharmaceuticals output due to changes in mix of active ingredients...*

## MANUFACTURING

[TABLE 3.1]

	2006 Value Added (% Share)	2006					2007
		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
		Percentage Change Over Same Period Of Previous Year					
<b>INDEX OF INDUSTRIAL PRODUCTION (2003 = 100)</b>							
Electronics	28.8	10.5	7.4	6.3	-4.1	4.5	2.6
Chemicals	13.9	1.8	4.5	1.3	-0.6	1.7	1.2
Biomedical Manufacturing	24.6	47.5	18.2	4.7	26.8	22.4	-5.0
Precision Engineering	12.6	13.7	10.7	10.1	2.7	9.1	-0.7
Transport Engineering	11.2	38.5	28.9	38.4	24.7	32.1	23.3
General Manufacturing Industries	8.9	5.4	3.9	6.5	9.3	6.3	9.3
<b>Total Manufacturing</b>	100.0	18.5	11.9	10.2	8.4	11.9	4.3

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

Source: Economic Development Board

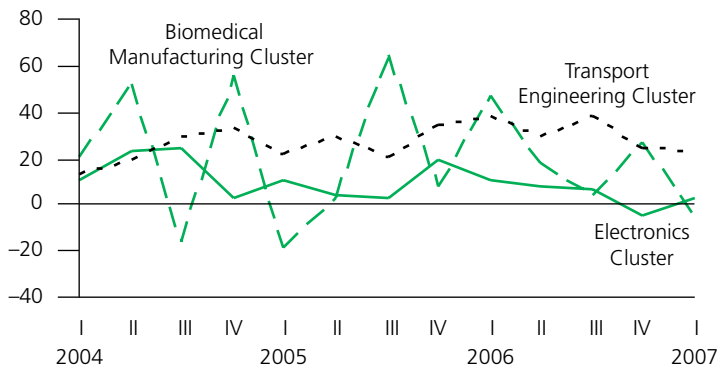
### CHANGES IN INDEX OF INDUSTRIAL PRODUCTION

[Chart 3.1]

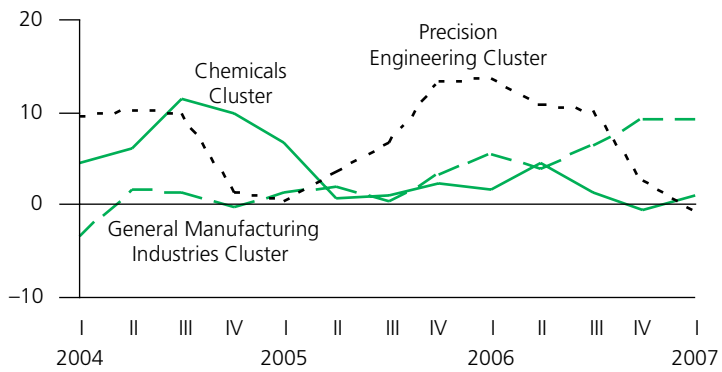
Per Cent



Per Cent



Per Cent



**CONSTRUCTION**

[Tables 3.2, A9.1 and Chart 3.2]

*The sector has entered a phase of stronger growth...*

The construction sector surged by 9.7 per cent in first quarter, faster than the 4.7 per cent in the last quarter. On a seasonally adjusted basis, growth accelerated to a robust 22 per cent, almost twice the pace a quarter ago.

Certified payments grew by 9.5 per cent, a significant step up from the 0.5 per cent increase in the previous quarter. This was due largely to the 30 per cent surge in private certified payments, after growing 12 per cent in the previous quarter. The increase was propelled by concerted strong growth in the commercial, industrial and residential segments. Public certified payments also saw a slower decline of 11 per cent compared with a 12 per cent drop in the fourth quarter as a result of improved performance in the institutional and commercial segments.

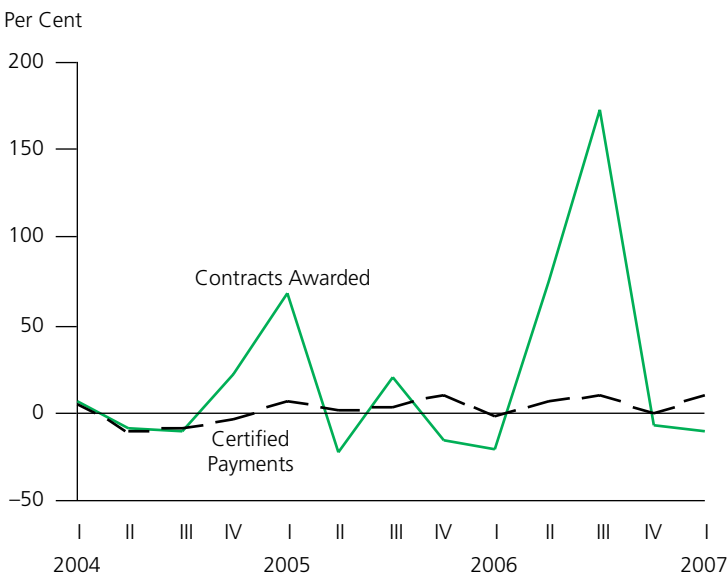
*Notwithstanding declines in the first quarter, demand is still expected to post steady growth this year...*

Contracts awarded fell 11 per cent in the first quarter following the 8.0 per cent drop in the previous quarter. Private construction demand fell by 7.8 per cent, due largely to the bunching of contract awards in the second and third quarters last year, which pushed up private contracts awarded in 2006 by 67 per cent. Large contracts awarded in the private industrial and commercial segments were responsible for the spike. Public construction demand also registered a steeper 19 per cent decline, reversing the 3.7 per cent growth a quarter earlier.

*All the key engines are firing strongly, supported by new flows from large projects.*

**CHANGES IN CONTRACTS AWARDED AND CERTIFIED PAYMENTS**

[Chart 3.2]



## CONSTRUCTION

[TABLE 3.2]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Percentage Change Over Same Period Of Previous Year					
<b>Value Added At 2000 Prices</b>	-0.7	0.9	5.8	4.7	2.7	9.7
<b>Value of Contracts Awarded</b>	-20.2	74.3	172.3	-8.0	40.8	-11.4
<b>Value of Certified Payments</b>	-2.2	6.4	10.1	0.5	3.4	9.5

Source: Singapore Department of Statistics  
Building and Construction Authority

## SERVICES PRODUCING INDUSTRIES

### WHOLESALE AND RETAIL TRADE SECTOR

[Table 3.3]

*Firm performance in the wholesale and retail trade sector...*

The wholesale and retail trade sector expanded by 6.7 per cent in the first quarter, a modest decline from the 6.9 per cent growth registered in the previous quarter. Both non-oil re-exports and retail sales remained firm despite moderating from stronger performance in the fourth quarter.

#### Retail Sales

[Table A10.1 and Chart 3.3]

*Higher retail sales across most retail segments...*

Retail sales grew by 6.1 per cent, down from 7.9 per cent in the preceding quarter. The main contributor to the decline was motor vehicles sales which grew slower at 6.5 per cent compared with 15 per cent in the last quarter. Excluding motor vehicles, retail sales rose by 5.9 per cent, up from 4.2 per cent in the fourth quarter.

### WHOLESALE & RETAIL TRADE, AND HOTELS & RESTAURANTS SECTORS

[TABLE 3.3]

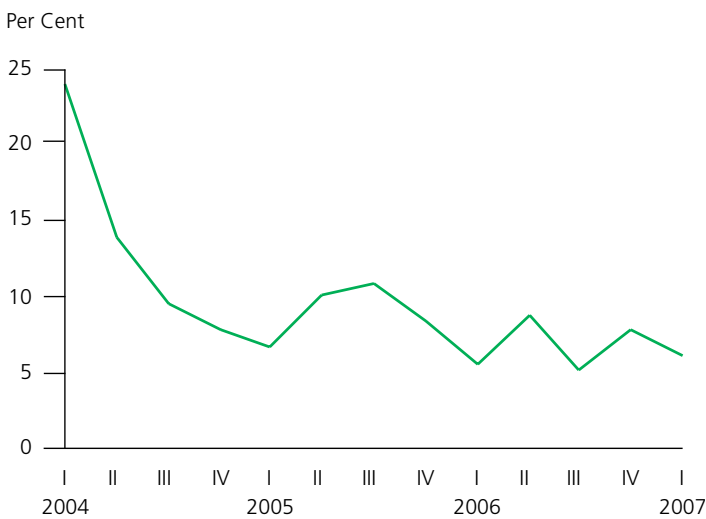
	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Percentage Change Over Same Period Of Previous Year					
<b>Value Added At 2000 Prices</b>						
Wholesale & Retail Trade	14.8	9.5	10.4	6.9	10.3	6.7
Hotels & Restaurants	6.2	3.8	4.4	6.1	5.1	4.7
<b>Retail Sales Index at Constant Prices</b>	5.6	8.7	5.2	7.9	6.9	6.1
<b>Number of Visitor Arrivals</b>	14.2	9.8	4.5	8.4	9.0	4.1

Source: Singapore Department of Statistics  
Singapore Tourism Board

Higher sales were broadly seen across the retail segments. These include furniture and household equipment (10 per cent), department stores (8.7 per cent), supermarkets (8.4 per cent), wearing apparel and footwear (7.4 per cent), provision and sundry shops (5.4 per cent), telecommunications and computers (5.1 per cent), petrol service stations (4.6 per cent), optical goods and books (4.6 per cent), food and beverages (2.3 per cent), medical goods and toiletries (2.1 per cent), and watches and jewellery (0.2 per cent). Sales of recreational goods remained the same.

**CHANGES IN RETAIL SALES INDEX AT CONSTANT PRICES**

[Chart 3.3]



**HOTELS AND RESTAURANTS**

[Table 3.3]

*Slower growth in both the hotels and restaurants segments...*

The hotels and restaurants sector grew by 4.7 per cent in the first quarter, a dip from 6.1 per cent in the preceding quarter. Both the hotels and the restaurants segments registered slower growth.

The average occupancy rate of hotels climbed to 87 per cent, a 4.3 percentage points increase over the first quarter of 2006. The average room rate also saw a 15 per cent rise to \$183. Consequently, total hotel room revenue of gazetted hotels went up by 14 per cent in the first quarter to an estimated \$391 million. Food and beverage revenue from all cess-paying establishments increased by an estimated 18 per cent to \$515 million.

*Slower growth in hotels and restaurants...*

## Visitor Arrivals

[Table A11.1 and Chart 3.4]

*A measured increase in visitor arrivals...*

Singapore welcomed 2.4 million visitors in the first quarter. This was a more measured increase of 4.1 per cent compared to the 8.4 per cent expansion in the fourth quarter of 2006.

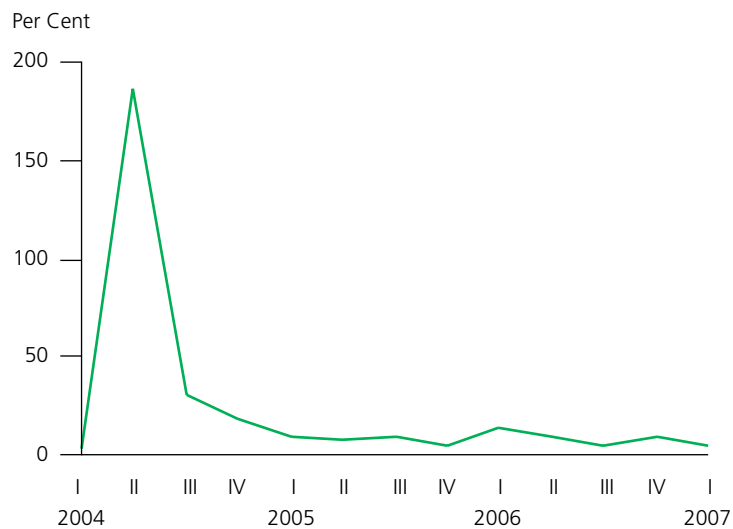
The top five markets in the first quarter were Indonesia (429,000), China (265,000), Australia (158,000), the United Kingdom (157,000) and Japan (153,000), which accounted for 48 per cent of total visitor arrivals.

The number of visitors from Asia grew by 4.0 per cent to 1.7 million. These continued to be an important source market for Singapore, contributing 70 per cent of total visitor arrivals.

The markets experiencing the highest growth among Singapore's top 15 markets were Vietnam (19 per cent), the Philippines (19 per cent), India (8.7 per cent), Taiwan (4.2 per cent) and the United Kingdom (3.6 per cent).

### CHANGES IN VISITOR ARRIVALS

[Chart 3.4]



## TRANSPORT AND STORAGE

[Tables 3.4 and A12.1]

*Growth was largely driven by the sea segment...*

The transport and storage sector grew by 4.4 per cent in the first quarter, up from 4.0 per cent in the previous quarter. Growth was largely driven by stronger activity in the sea segment while the air segment experienced a slowdown.

In the sea segment, container throughput grew by a sizeable 14 per cent, up from 11 per cent in the preceding quarter. Similarly, sea cargo expanded by 10 per cent compared to 6.1 per cent a quarter ago.

On the other hand, the air segment experienced a moderation in activity in the first quarter. Growth in air passenger traffic slowed to 6.9 per cent from 9.7 per cent while air cargo contracted by 3.0 per cent after a marginal gain of 0.8 per cent in the fourth quarter of 2006.

## TRANSPORT & STORAGE, AND INFORMATION & COMMUNICATIONS SECTORS

[TABLE 3.4]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Percentage Change Over Same Period Of Previous Year					
<b>Transport &amp; Storage</b>						
Value Added At 2000 Prices	5.3	4.0	4.0	4.0	4.3	4.4
Tonnes of Total Sea Cargo Handled	1.9	5.0	10.8	6.1	6.0	10.0
General & Bulk cargo	4.3	1.5	4.2	4.1	3.5	7.8
Oil-in-Bulk	-2.9	12.4	25.6	10.2	11.0	14.6
Total Container Throughput	4.3	3.2	9.4	10.5	6.9	14.2
Number of Sea Passengers Handled	-0.1	11.3	8.8	11.5	7.9	-6.7
Vessel Arrivals (Over 75 GRT)						
Number	-4.8	-2.1	1.7	1.0	-1.1	-1.6
'000 GRT	15.1	15.6	14.4	11.7	14.2	10.5
Tonnes of Total Air Cargo Handled <sup>1</sup>	9.0	5.0	2.8	0.8	4.2	-3.0
Number of Air Passengers Handled <sup>1</sup>	10.6	8.4	5.8	9.7	8.6	6.9
<b>Information &amp; Communications</b>						
Value Added At 2000 Prices	5.1	3.7	3.6	6.0	4.6	6.6
Mobile Subscribers	9.9	3.4	5.5	8.9	8.9	9.2
Broadband Subscribers	22.0	20.2	19.3	20.3	20.3	19.6
International Telephone Call Minutes	4.4	1.2	4.7	10.6	5.3	18.9

<sup>1</sup> Refer to both Changi Airport and Seletar Airport.

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

## INFORMATION AND COMMUNICATIONS

[Tables 3.4 and A12.1]

*Increase mainly due to the telecommunications segment...*

Growth in the information and communications sector saw a modest increase to 6.6 per cent in the first quarter from 6.0 per cent in the preceding quarter. This was mainly attributed to the strong pickup in the telecommunications segment. The IT services segment, on the other hand, grew at a more moderate pace.

In the telecommunications segment, broadband subscribers continued to grow at a double digit rate of 20 per cent as at end March, similar to that at the end of December 2006. Likewise, international telephone call duration surged by 19 per cent in the first quarter, up from 11 per cent in the previous quarter. Growth in the number of mobile subscribers held steady at 9.2 per cent, little changed from 8.9 per cent in the preceding quarter.

## FINANCIAL SERVICES SECTOR

[Tables 3.5 and A13.1-13.4]

*The financial services sector continued to grow strongly...*

The financial services sector continued to grow rapidly in the first quarter following a 9.2 per cent expansion for the whole of 2006. On a year-on-year basis, the sector expanded by 13 per cent. On a seasonally-adjusted quarter-on-quarter basis, growth came in at 21 per cent.

## FINANCIAL AND BUSINESS SERVICES SECTORS

[TABLE 3.5]

	2006					2007
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Annual	1st Qtr
	Percentage Change Over Same Period Of Previous Year					
<b>Financial Services</b>						
Value Added At 2000 Prices	8.7	9.6	7.4	11.1	9.2	12.9
Money Supply (M1) <sup>1</sup>	7.3	6.6	7.6	13.4	13.4	14.8
Deposits <sup>1</sup>						
Banks <sup>2</sup>	9.8	13.0	15.2	21.8	21.8	25.7
Finance Companies	11.2	15.3	14.4	12.3	12.3	20.5
Loans & Advances <sup>1</sup>						
(Including Bills Financing)						
Banks <sup>2</sup>	2.8	5.7	7.5	6.3	6.3	10.3
Finance Companies	14.2	11.7	7.1	1.3	1.3	5.3
Assets/Liabilities of ACUs <sup>1</sup>	8.0	16.8	14.0	14.3	14.3	20.4
<b>Business Services</b>						
Value Added At 2000 Prices	6.1	6.6	5.1	5.4	5.8	6.6

<sup>1</sup> End of period.

<sup>2</sup> Exclude Singapore Dollar Negotiable Certificates of Deposit.

Source: Singapore Department of Statistics  
Monetary Authority of Singapore

All major financial clusters saw strong performances, with robust expansions in the capital and money markets. The domestic stock market recorded a 69 per cent jump in turnover value in the first quarter of the year, despite the brief but sharp correction to stock prices in late February. The wealth advisory cluster remained buoyant, in line with continued strength in the regional and domestic economic environment. Activity in the forex markets also rose by 20 per cent during the quarter. At the same time, the banking cluster saw strong growth in both the Asian Dollar Market and domestic segment.

**Commercial Banks**

[Table A13.5 and Chart 3.5]

*Credit extended by commercial banks picked up strongly, with expansions across most lending categories...*

Loans to non-bank customers grew by 10 per cent in the first quarter. The stock of total loans in the domestic banking sector stood at \$201 billion at the end of March, \$6.8 billion higher than the level at the end of 2006.

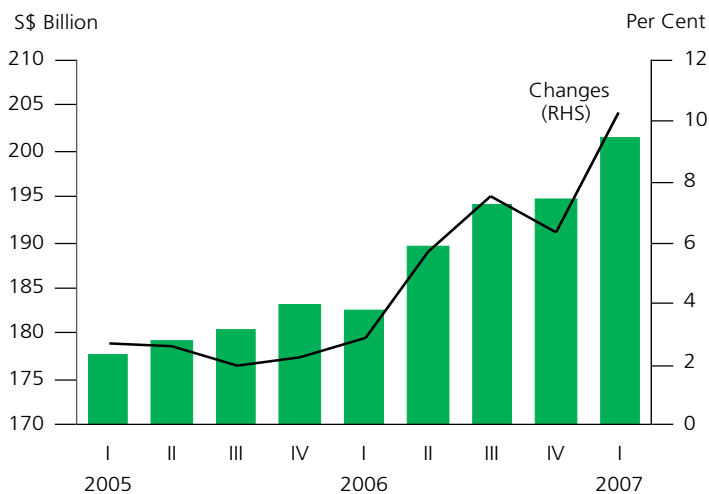
Credit growth was broad-based, although business loans accounted for the bulk of the increase, rising by 17 per cent. Lending to the transport and storage, and business services segments was robust, recording increases of 48 per cent and 29 per cent respectively. Credit extended to the building and construction sector also rose by 24 per cent, reflecting in part the acceleration in commercial building activity. In comparison, consumer-related lending recorded a 3.4 per cent expansion during the period, as housing loans continued to see relatively sluggish growth.



*Stronger credit to the transport and storage sector...*

**COMMERCIAL BANK LOANS TO NON-BANK CUSTOMERS**

[Chart 3.5]



Loans by finance companies rose by 5.3 per cent in the first quarter. Housing and hire-purchasing loans declined by 1.1 per cent and 6.0 per cent respectively, although this was more than offset by the strong expansion in loans to the *Others* category (like personal and household services). The overall stock of loans extended by finance companies increased by \$421 million from end-March 2006 to \$8.4 billion as at end-March 2007.

### Asian Dollar Market

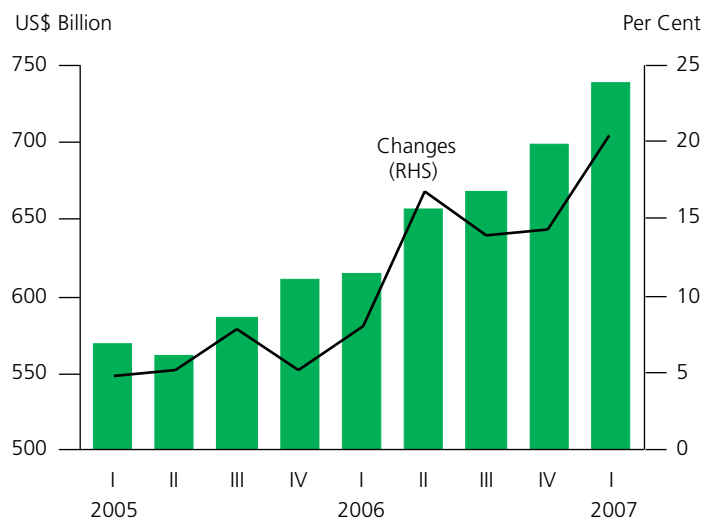
[Table A13.6 and Chart 3.6]

*The offshore banking sector was boosted by stronger interbank and non-bank loans...*

The stock of total assets/liabilities in the Asian Dollar Market rose by 20 per cent to reach US\$739 billion in the first quarter, up from US\$699 billion as at end-December 2006. The increase came on the back of strong lending activity in both the interbank and non-bank markets. The latter recorded a marked 22 per cent expansion, as lending to regions such as East Asia and Europe continued to gather pace. Loans in the interbank segment also rose by 19 per cent, compared with growth of 11 per cent in the preceding quarter.

### ADM ASSETS/LIABILITIES

[Chart 3.6]



**BUSINESS SERVICES SECTOR**


[Table 3.5]

*Robust performance in the real estate segment...*

The business services sector grew by 6.6 per cent in the first quarter, improving on the 5.4 per cent in the last quarter. Expansion in this sector was led by the buoyant real estate segment. Growth was also supported by the healthy performance of business representative offices, and business and management consultancy activities.

Office rents in the Central Region rose strongly by 41 per cent, up from 30 per cent in the previous quarter, driven by strong demand for office space amid tightening supply. The occupancy rate for office space climbed further to 91 per cent, the highest level since the fourth quarter of 1996.

Reflecting the continued interest in private residential property, the number of units sold in the primary and secondary markets doubled to 9,065 units. Private property prices rose by 14 per cent, higher than the 10 per cent in the preceding quarter. The rental index of residential property also rose by 21 per cent. As a result of the strong demand for private residential property, the vacancy rate fell to 5.1 per cent, a level not seen for more than two decades.



*Strong demand reduced vacancy rate in residential market significantly...*