

BUSINESS EXPECTATIONS OF THE CONSTRUCTION SECTOR

July 2021 to December 2021 (2H2021)

PART A: HIGHLIGHTS

A1: Contractors	2
A2: Consultants	2

PART B: KEY FINDINGS (CONTRACTORS)

B1: General Outlook	3 - 4
B2: Current Outstanding Balance-Of-Works	4

PART C: KEY FINDINGS (CONSULTANTS)

C1: General Outlook	5 - 6
C2: Current Outstanding Balance-Of-Works	6

ANNEXES

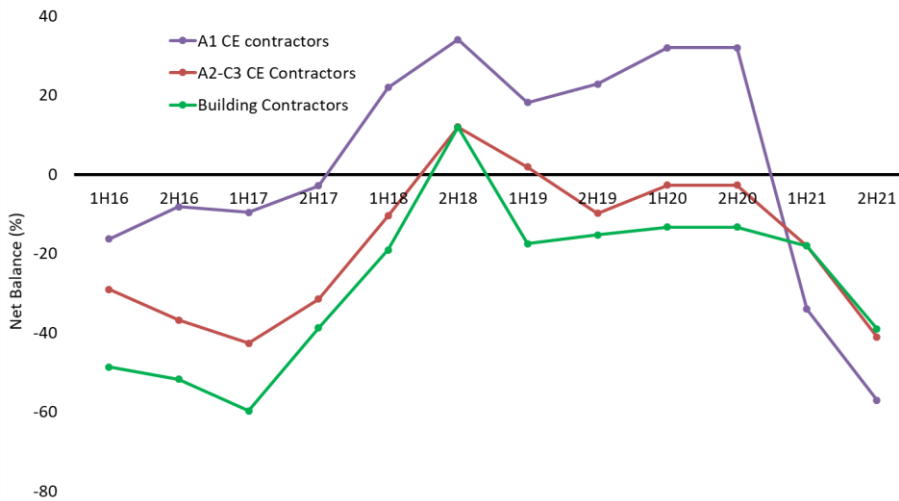
Annex A: Survey Coverage	A-1
Annex B: Firm Profile of Respondents	A-1
Annex C: Contractors	A-2 – A-3
Annex D: Consultants	A-4

PART A: HIGHLIGHTS

A1: Contractors

More contractors expect business conditions to deteriorate in 2H21 as compared to 1H21 in light of recently imposed heightened measures and stricter border controls aimed at containing the resurgence of COVID-19. An overall net balance¹ of 39% of building contractors expect a less favourable business situation in 2H21 (i.e. Jul – Dec 2021). Business sentiments among large A1 civil engineering contractors deteriorated, with a net balance of 57% of them expecting business outlook to be less favourable in 2H21 as compared to 1H21 (Chart 1).

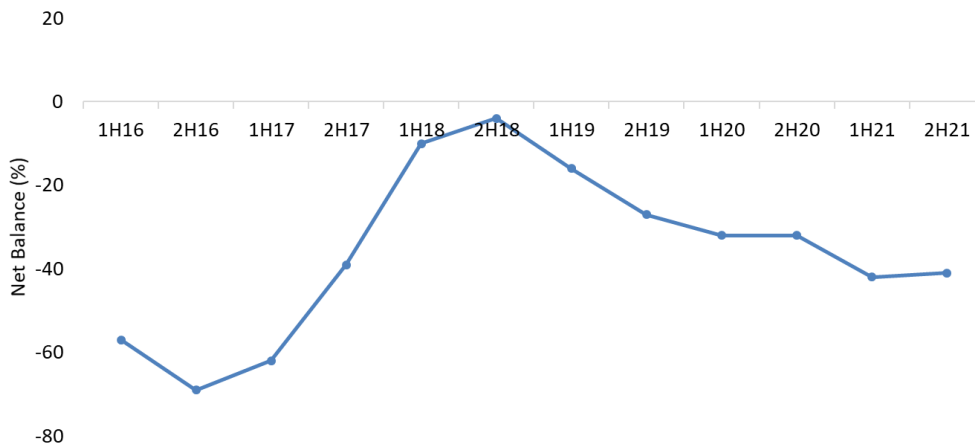
Chart 1: Business Outlook of Contractors for the next 6 months²



A2: Consultants

Business outlook among consultants remains weak, with a net balance of 41% expecting business outlook to be less favourable in 2H21. However, this is better than the sentiments during the industry downturn of 2015-2017.

Chart 2: Business Outlook of Consultants for the next 6 months²



¹ Net balance is calculated by taking the difference between the percentages of 'ups' and 'downs'. A plus sign indicates a net upward trend, and a minus sign denotes a net downward trend.

² Business outlook of contractors and consultants on 2H20 were assumed unchanged from those on 1H20, as the survey was temporarily suspended in May 2020 in view of the sharp disruption to the industry by COVID-19 pandemic.

PART B: KEY FINDINGS (CONTRACTORS)

B1: General Outlook

Business Outlook

The additional restrictions under Phase 2 (Heightened Alert) to minimise COVID-19 transmission announced in early May 2021 dampened contractors' market sentiments, with all segments expecting a weaker business outlook in 2H21 as compared to 1H21 (Table 1). The larger contractors are the most pessimistic among their counterparts, with a net balance of 69% of A1 building contractors and 57% of A1 civil engineering contractors anticipating business outlook to deteriorate in 2H21.

Tender Opportunities

A net balance of 26% of all contractors foresee tender opportunities to decrease over the next six months (Table 1). In line with their most pessimistic business outlook, the largest A1 building contractors are least positive on tender opportunities, while the outlook on tender opportunities in 2H21 among the rest of the building contractors also deteriorated compared to six months ago. Civil engineering contractors are more positive on tender opportunities in 2H21 compared to their building counterparts (Table 1). Contractors surveyed cited a shortage of skilled workers, COVID-19 related regulations and difficulty in getting subcontractors as the main reasons affecting their opportunities to obtain new businesses.

Profitability

A net balance of 59% of all contractors expect project profitability to decline in 2H21, deteriorating from a net balance of 53% recorded six months ago (Table 1). About two-thirds of all respondents foresee a decline in profitability in 2H21 (Chart A.4).

Table 1: Selected Indicators of General Outlook (Contractors)

Contractors by CRS Grade	Net Balance* (%)					
	Business Outlook		Tender Opportunities		Profitability	
	1H21	2H21	1H21	2H21	1H21	2H21
CW01 ⁺ - A1	-46	-69	-46	-48	-81	-84
CW01 - A2	-24	-63	-24	-29	-66	-63
CW01 - B1	-6	-50	-4	-34	-65	-68
CW01 - B2	-19	-46	-24	-30	-55	-64
CW01 - C1/C2/C3	-14	-29	-13	-22	-43	-53
CW02 ⁺ - A1	-34	-57	-27	-29	-71	-74
CW02 - A2/B1/B2	-16	-56	-38	-29	-62	-58
CW02 - C1/C2/C3	-19	-37	-19	-16	-47	-54
All contractors	-19	-41	-20	-26	-53	-59

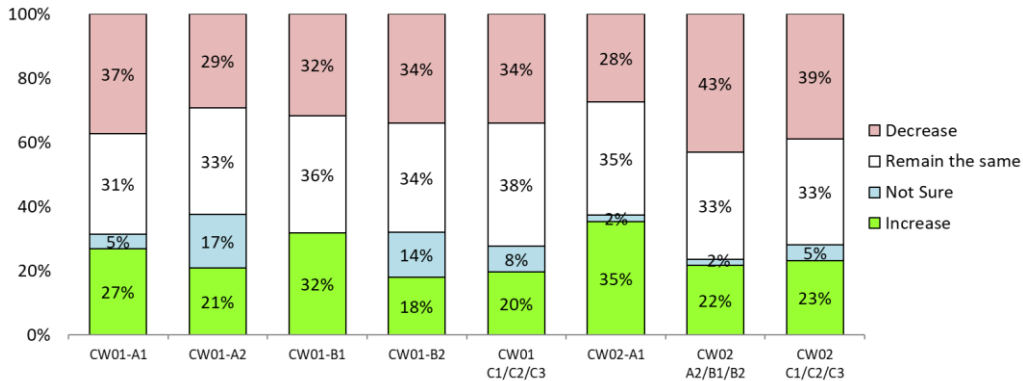
*Net balance is calculated by taking the difference between the percentages of 'ups' and 'downs'. A plus sign indicates a net upward trend, and a minus sign denotes a net downward trend.

*CW01 denotes General Building workhead and CW02 denotes Civil Engineering workhead under BCA's Contractors Registration System (CRS).

Employment

A higher proportion of contractors (35%) indicates their intention to reduce hiring of employees in 2H21, as compared to 32% six months ago, while 36% of them expect no changes in the number of employees under their payroll. Despite their more negative business outlook, 27% and 35% of A1 building and civil engineering contractors respectively expect to increase hiring in 2H21.

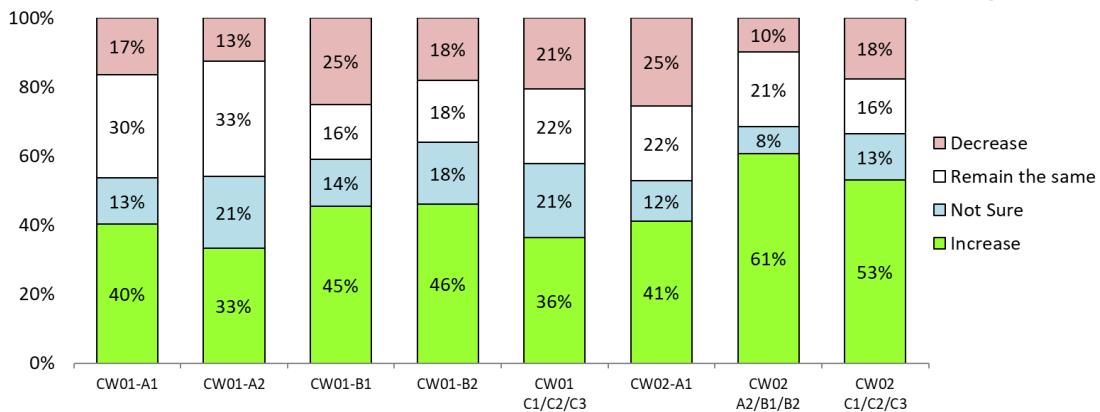
Chart 3: Contractors' Outlook on Number of Employees (2H21)



Job Vacancies

43% of all contractors surveyed expect the number of job vacancies in the construction sector to increase in 2H21 as compared to 1H21, which could be in view of the current shortage of skilled workers due to inflow and border restrictions.

Chart 4: Contractors' Outlook on Number of Job Vacancies (2H21)



Construction Costs

With firms expecting significant increase in overall cost of construction resources (>20%), in particular manpower and material costs, 64% of contractors surveyed expect tender prices to increase in 2H21 as compared to 1H21 (Table A.2). 19% of contractors surveyed indicated that tender prices could increase by more than 20% in 2H21, as compared to 6% in the previous survey.

B2: Current Outstanding Balance-Of-Works

An overall net balance of 26% of contractors indicated a decline in current outstanding balance of works in terms of value in May 2021 (Table A.3). More contractors (26%) recorded an increase in their current outstanding balance-of-works on hand as compared to 22% of them in Nov 2020, on the back of the award of more construction projects since then.

PART C: KEY FINDINGS (CONSULTANTS)

C1: General Outlook

Business Outlook

While overall outlook among consultants remains weak, sentiments among architectural and civil & structural consultants shows some improvement as compared to six months ago. (Table 2).

Contract Opportunities

A net balance of 43% of all consultants foresee a decrease in tender opportunities over the next six months, improving from the net balance of 47% in 1H21. Consultants' outlook on contract opportunities improved across most disciplines (Table 2). Intense competition and insufficient consultancy tenders were cited as the main reasons affecting consultants' opportunities to obtain new businesses.

Fee Margins

A net balance of 50% of all consultants expect project profitability to be lower in 2H21, improving from a net balance of 56% recorded in 1H21 (Table 2). In line with their more positive outlook for business and contract opportunities, architectural and civil & structural consultants' outlook on fee margins improved in the latest survey.

Table 2: Selected Indicators of General Business Outlook (Consultants)

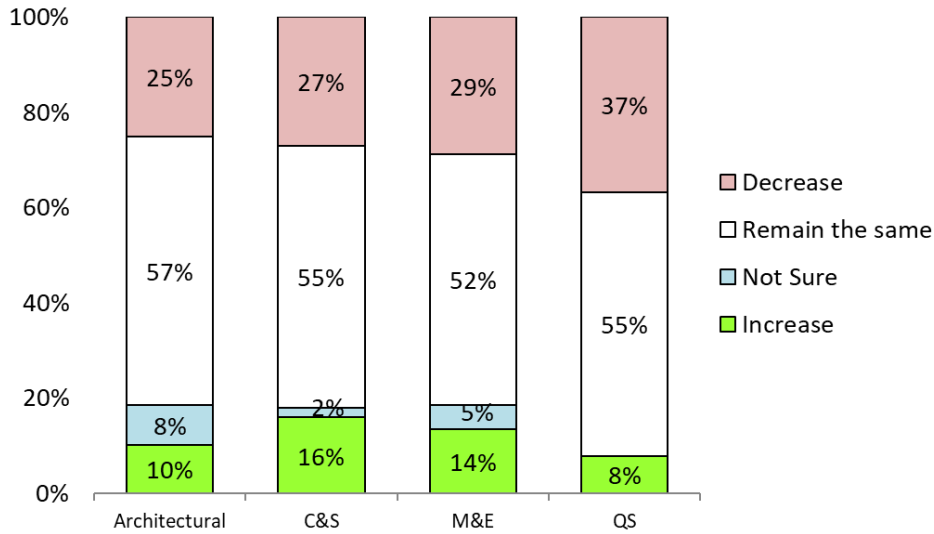
Contractors by CRS Grade	Net Balance* (%)					
	Business Outlook		Contract Opportunities		Fee Margins	
	1H21	2H21	1H21	2H21	1H21	2H21
Architectural	-45	-41	-51	-44	-54	-50
Civil & Structural (C&S)	-36	-32	-41	-39	-51	-42
Mechanical & Electrical (M&E)	-51	-51	-58	-47	-65	-63
Quantity Surveying (QS)	-36	-48	-31	-45	-59	-50
All consultants	-42	-41	-47	-43	-56	-50

*Net balance is calculated by taking the difference between the percentages of 'ups' and 'downs'. A plus sign indicates a net upward trend, and a minus sign denotes a net downward trend.

Employment

28% of consultants surveyed expect to reduce hiring in 2H21, while the remaining majority expect the number of employees under their payroll in 2H21 to remain similar to that of 1H21.

Chart 5: Consultants' Outlook on Number of Employees (2H21)



Construction Tender Price

A higher proportion of consultants surveyed (50% as compared to 40% of respondents in 1H21) expect construction tender prices to increase in 2H21 as compared to six months ago (Table A.4), which could be in view of higher input costs.

C2: Current Outstanding Balance-Of-Works

An overall net balance of 47% of the consultants indicated a decline in current outstanding balance of works in terms of value in May 2021 (Table A.5). The latest survey suggests an increase in business activities among some consultants. 21% of the consultants (28% in Nov 2020) indicated a decrease of more than 30% in current outstanding balance of works in May 2021, while a larger proportion (9%) reported an increase of 1% to 30% in current outstanding balance-of-works as compared to 6% six months ago.

Annex A: Survey Coverage

The survey was sent to 1,543³ contractors and consultant firms in early May 2021 with a total return of 792 responses from contractors and 305 responses from consultant firms (Table A.1).

Table A.1

Industry Sector	Survey Sent Out	Response received
CW01 General Building A1	92	67
CW01 General Building A2	34	24
CW01 General Building B1	68	44
CW01 General Building B2	68	50
CW01 General Building C1/C2/C3	556	341
CW02 Civil Engineering A1	62	51
CW02 Civil Engineering A2/B1/B2 ³	69	51
CW02 Civil Engineering C1/C2/C3	262	164
Contractors	1211	792
Architectural	147	108
Civil & Structural	124	100
Mechanical & Engineering	77	59
Quantity Surveying	55	38
Consultants	403	305
TOTAL	1,614	1,097

Annex B: Firm Profile of Respondents

The distributions of survey respondents by their revenue in the latest financial year (Chart A.1: Contractors; Chart A.2: Consultants) are as follows:

Chart A.1:

Breakdown of Contractors by Revenue in latest Financial Year

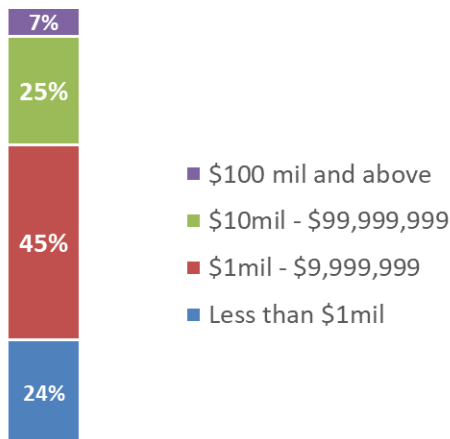
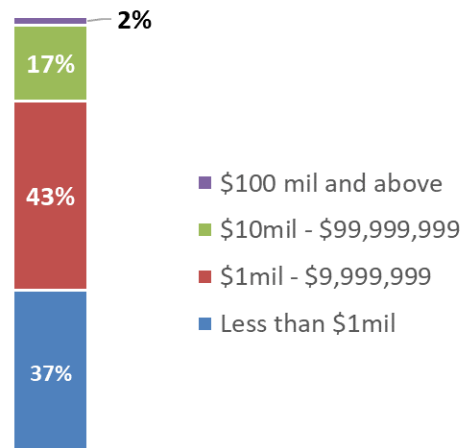


Chart A.2:

Breakdown of Consultants by Revenue in latest Financial Year



³ The 1,543 firms comprise 1,187 contractor firms and 356 consultancy firms. Out of the 1,187 contractor firms, 24 firms were registered under Grade A1 for both CW01 and CW02 workheads and were sent 2 survey invitations to seek their views on each of these workheads. Hence a total of 1,211 survey invitations were disseminated to the contractors. Out of the 356 consultancy firms, 29 firms were multi-disciplinary consultancy firms and were surveyed according to their consultancy disciplines. A total of 403 survey invitations were disseminated to the consultants. In total, 1,614 survey invitations were sent out for this survey.

Annex C: Contractors

Chart A.3: Contractors' Outlook on Tender Opportunities (2H21)

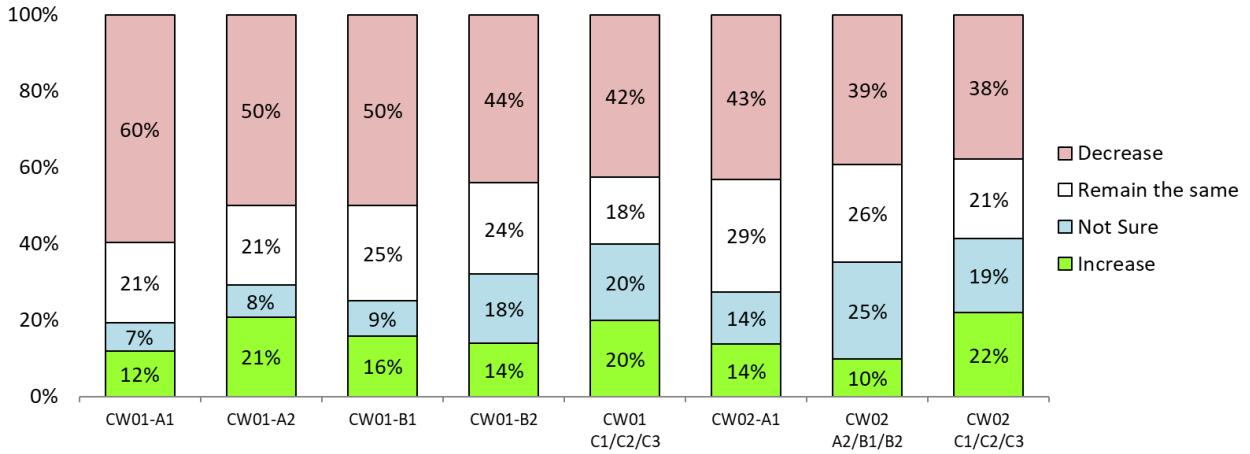
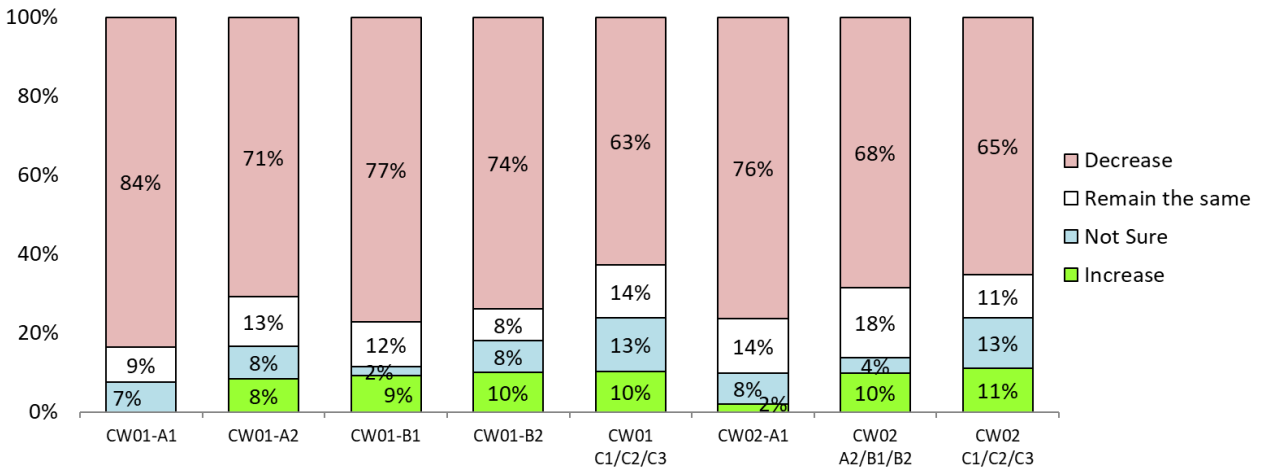


Chart A.4: Contractors' Outlook on Profit Margins (2H21)



	Cost Trend	Proportion of Respondents (1H21)	Proportion of Respondents (2H21)
a) Materials	Decrease >20%	4%	4%
	Decrease <20%	11%	5%
	Remain the Same	14%	3%
	Increase <20%	61%	55%
	Increase >20%	5%	31%
	Not sure	5%	2%
b) Labour	Decrease >20%	5%	5%
	Decrease <20%	11%	4%
	Remain the Same	7%	3%
	Increase <20%	50%	46%
	Increase >20%	25%	41%
	Not sure	2%	1%
c) Plant & Equipment	Decrease >20%	4%	3%
	Decrease <20%	12%	7%
	Remain the Same	27%	18%
	Increase <20%	46%	54%
	Increase >20%	4%	12%
	Not sure	7%	6%
d) Tender Price	Decrease >20%	6%	4%
	Decrease <20%	29%	16%
	Remain the Same	11%	11%
	Increase <20%	41%	45%
	Increase >20%	6%	19%
	Not sure	7%	5%

	Proportion of Respondents (Nov 2020)			Proportion of Respondents (May 2021)		
	Increase (+)	Decrease (-)	Net Balance (+/-)	Increase (+)	Decrease (-)	Net Balance (+/-)
All Contractors	22	52	-30	26	53	-27
By CRS Grade						
CW01-A1	21	60	-39	25	67	-42
CW01-A2	34	58	-24	29	54	-25
CW01-B1	22	51	-29	23	50	-27
CW01-B2	24	48	-24	34	58	-24
CW01-C1/C2/C3	25	52	-27	25	51	-26
CW02-A1	19	51	-32	23	65	-42
CW02-A2/B1/B2	23	52	-29	26	51	-25
CW02-C1/C2/C3	18	52	-34	28	46	-18

CW01 – General Building; CW02 – Civil Engineering

Annex D: Consultants

Chart A.5: Consultants' Outlook on Contract Opportunities (2H21)

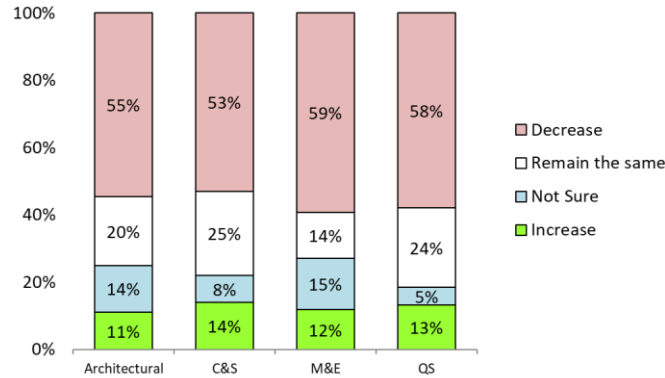


Chart A.6: Consultants' Outlook on Fee Margins (2H21)

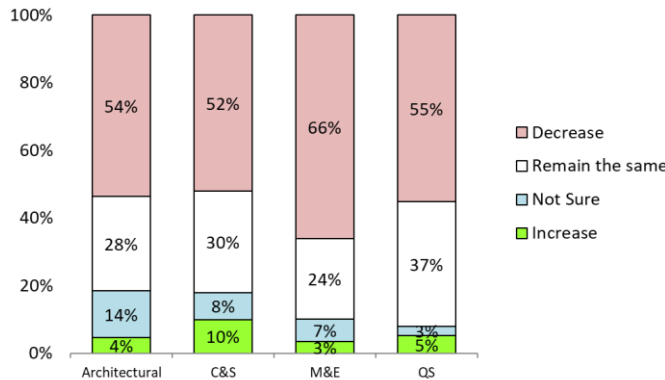


Table A.4: Consultants' Perception of Construction Tender Price Trend

Tender Price Trend	Proportion of Respondents (1H21)	Proportion of Respondents (2H21)
Decrease	41%	34%
Remain the Same	7%	8%
Increase	40%	50%
Not sure	12%	8%

Table A.5: Consultants' Outstanding Balance-of-Works

	Proportion of Respondents (Nov 2020)			Proportion of Respondents (May 2021)		
	Increase (+)	Decrease (-)	Net Balance (+/-)	Increase (+)	Decrease (-)	Net Balance (+/-)
All Consultants	9	69	-60	11	58	-47
By Consultancy Type						
Architectural	9	68	-59	11	59	-48
Civil & Structural	10	68	-58	10	58	-48
Mechanical & Electrical	5	75	-70	12	61	-49
Quantity Surveying	10	62	-52	11	55	-44