

## THE BUSINESS TIMES

# Construction industry seen resisting downturn

**NatSteel president  
cites public housing  
demand, projects**

By **OH BOON PING**

[SINGAPORE] Singapore's construction industry is unlikely to slump despite the dim economic outlook, according to the head of the biggest steelmaker here.

In a recent interview with *The Business Times*, NatSteel president TV Narendran pointed out that public housing demand remains firm, and there are still a number of public projects in the pipeline.

"Early this year, the government postponed about \$5 billion worth of projects due to overheating in the market. Even though there may be some slowdown and softening in steel prices, we think the public projects can still make up for the drop in private developments," he said.

Mr Narendran's com-

ments come as Singapore braces for a lean year ahead, with the economy having slipped into a technical recession and likely to end 2008 with about 3 per cent GDP growth.

Given the deteriorating economic climate, the fear among some is that Singapore's construction industry may go underwater again - after having recently only recovered from a painfully prolonged slump.

However, Mr Narendran is not perturbed, pointing to strong orders and cautious optimism among industry players.

"Today, the total value of all projects is at \$27 billion, while the worst we have seen was \$11 billion.

"The sense we get is that demand may drop to \$17-18 billion in the next three years, but this is still higher than the previous bottom."

Part of this demand, he says, stems from the upcoming integrated resorts and new expressways.

He should know, given that NatSteel now controls more than 60 per cent of the steel market here.

The company, which was bought over by Tata Steel in 2005, derives some 60 per cent of its business from Singapore, and 40 per cent from foreign markets such as Australia.

Plus, Mr Narendran still sees pockets of tightness in the construction sector, given the small number of contractors in the market.

The government earlier said that it will help cushion any slide in demand if the construction sector should get hit by the financial turmoil. This year, domestic construction demand is estimated to reach between \$27 billion and \$32 billion, and the government stands ready to bring forward the public projects that were earlier deferred.

But Mr Narendran concedes that steel prices have been volatile in recent months, and that means the company has to peg its prices to some underlying index for longer-term contracts. This also eases the pressure on margins.

Business concerns aside, NatSteel remains socially active.

Its charity commitments include pledging \$1 million to fund community initiatives over the next three years. More than \$150,000 have been donated to NatSteel's adopted charities - St Joseph's Home and the Society for the Physically Disabled.

In addition, its parent Tata Steel is also the sponsor of a nationwide quiz - Tata Crucible - that offers more than \$17,000 worth of cash prize money.

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