Summary

The growth of the construction industry had brought significant transformation to the local construction companies. Once dominated by small family-based businesses that manage small local development, the industry is now characterised by large private and public listed company. The image of the industry has also changed and is presently managed by professionals who take on complex and sophisticated projects. A few of the growing firms had partnered with large foreign contractors to work on major civil engineering and building projects. In addition, some local contractors have ventured into other markets in the region. A handful of the construction companies have also diversified into property development and other non-related businesses such as trading, manufacturing and agencies.

However, due to competition from large foreign firms and their internal weaknesses in productivity, construction quality, backwardness in construction technology, etc, the local construction firms had not been performing well. Past studies had also shown that the construction firms had continued to rely on unskilled foreign labour. As a result, they were affected by the government policy on foreign labour control and steep unskilled foreign worker levy.

The aim of this study is to examine the financial indicators of public listed construction companies, from 1991 to 1995, to infer their financial, operational and growth performance of the construction industry. The study also assesses the profitability of the construction companies with respect to the general performance of the Singapore Industry.
The study concluded that the construction industry was lacking in operating margin due to the weakness in operational performance. Also, construction companies that had diversified into other business areas had achieved better ROE than those that had concentrated on construction activity. These observations showed the low profitability of the industry. However, despite this, the market had shown confident in the construction companies, as their growth in market capitalisation was 4 times higher than the equity.