

MEDIA RELEASE

29 January 2021

BUSINESS EXPECTATIONS OF THE MANUFACTURING SECTOR

I Business Sentiments for January – June 2021

1. The manufacturing sector expects improved business conditions in the first half of 2021, amidst anticipation of better global economic prospects, aided by the roll-out of COVID-19 vaccines across countries. A weighted 36 per cent of manufacturers expect an improved business situation while a weighted 4 per cent foresee a weaker business outlook. Overall, a net weighted balance of 32 per cent of manufacturers anticipate a favourable business situation for the period January – June 2021, compared to the fourth quarter of 2020.
2. All manufacturing clusters anticipate better business prospects in the first half of 2021, compared to a quarter ago.
3. The biomedical manufacturing cluster is the most optimistic, with a net weighted balance of 46 per cent of firms anticipating a favourable operating environment in the next six months ending June 2021. Within the cluster, the pharmaceuticals segment expects improved market conditions, such as fewer supply chain disruptions in the six months ahead. Similarly, the medical technology segment foresees increased orders for both COVID-19 and non-COVID-19 related medical devices in the near-term.
4. The precision engineering and electronics clusters expect improved business conditions in the first half of 2021, supported by a net weighted balance of 45 and 37 per cent of firms respectively. The positive sentiment in the precision engineering cluster is largely led by the machinery & systems segment, which foresees demand for semiconductor-related equipment to remain robust in the months ahead. In the electronics cluster, the semiconductors and other electronic modules & components segments project higher export orders, on the back of strong demand from 5G markets.

5. A net weighted balance of 24 per cent of firms in the transport engineering cluster expect better business prospects in the months ahead, led by positive sentiments in the land and aerospace segments. The land segment foresees higher export demand for automotive parts as the global automotive industry recovers. The aerospace segment expects effective COVID-19 vaccinations to allow countries to gradually ease travel restrictions, thereby supporting a modest pick-up in demand for aircraft engine repair. By contrast, firms in the marine & offshore engineering segment continue to anticipate weak demand from the global oil & gas market.

II Output Forecast for January – March 2021

6. Compared to the fourth quarter of 2020, a net weighted balance of 17 per cent of manufacturers expect output to increase in the first quarter of 2021. All clusters, except the general manufacturing industries cluster, project higher levels of output in the next three months.
7. A net weighted balance of 33 per cent of precision engineering firms and 25 per cent of electronics firms project a higher level of production in the first quarter of 2021. The former is mainly supported by the machinery & systems segment, which foresees increased production of semiconductor-related equipment. The latter expects higher production in the semiconductors and other electronic modules & components segments on account of firm demand from 5G markets.
8. The chemicals cluster expects output to increase in the next three months, supported by a net weighted balance of 4 per cent of firms. Within the cluster, the petroleum segment forecasts a higher level of production following plant maintenance shutdowns a quarter ago. In addition, the specialties segment projects higher output of mineral oil additives to meet increased export demand.
9. By contrast, the general manufacturing industries cluster expects output in the first quarter of 2021 to be similar to that in the preceding quarter. Within the cluster, firms in the miscellaneous segment project higher production of construction-related materials, as domestic construction activities continue to pick up. The food, beverages & tobacco segment anticipates a modest uptick in output to meet the festive demand during the Lunar New Year. However, the printing segment expects output to be weighed down by persistently weak demand for print jobs locally and overseas.

III Employment Forecast for January – March 2021

10. A majority of firms (a weighted 86 per cent) in the manufacturing sector expect the employment level in the first quarter of 2021 to remain similar to the fourth quarter of 2020. Overall, a net weighted balance of 4 per cent of manufacturers plan to hire more workers in the next three months.

IV Factors Affecting Export Orders for January – March 2021

11. A majority of firms (a weighted 68 per cent) in the manufacturing sector reported no limiting factors that would affect their ability to obtain export orders in the first quarter of 2021. Among the firms that anticipate challenges in obtaining export orders, the top two limiting factors cited are the COVID-19 pandemic and price competition from overseas competitors.

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Updates on Business Expectations of the Manufacturing Sector for the first quarter of 2021 are available on <http://www.gov.sg/resources/sgpc/> and <http://www.edb.gov.sg>

Technical Notes

The Survey of Business Expectations of the Manufacturing Sector for the first quarter of 2021 was conducted between December 2020 and January 2021 by the Economic Development Board. Out of a total of 410 manufacturing establishments surveyed, 90 per cent responded. These establishments were asked to indicate their expectation of general business conditions and other indicators such as output and employment. Their views are expressed in terms of directional change (i.e. “up”, “same” or “down”). Establishments’ responses are then weighted and aggregated to derive the weighted percentage for “up”, “same” or “down” at sub-cluster, cluster and overall manufacturing level. For employment forecast, employment is used as the weighting variable at both establishment and cluster level. For general business outlook and output forecast, total output and value added are used as weights at the establishment level and cluster level respectively.

The net weighted balance is commonly used to reflect the direction and extent of the business sentiments. It is the difference between the weighted percentage of 'up' responses and the weighted percentage of 'down' responses. For example, if weighted responses for overall manufacturing output yields a net weighted balance of +30 per cent, the plus sign before the percentage figure indicates a positive balance or net upward movement, and not a 30 per cent increase in output. Similarly, a minus sign before the percentage indicates a downward trend and not a decline by that amount.

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The Singapore Economic Development Board (EDB), a government agency under the Ministry of Trade and Industry, is responsible for strategies that enhance Singapore's position as a global centre for business, innovation, and talent. We undertake investment promotion and industry development, and work with international businesses, both foreign and local, by providing information, connection to partners and access to government incentives for their investments. Our mission is to create sustainable economic growth, with vibrant business and good job opportunities for Singapore.

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ANNEX

Table 1: Business Expectations for the Next Three and Six Months by Industry

(per cent)

Industry	General Business Outlook for January – June 2021 compared with October – December 2020				Forecast for January – March 2021	
	Net Weighted Balance	Up	Same	Down	Output	Numbers Employed
Electronics	+37	40	57	3	+25	+8
Semiconductors	+41	44	53	3	+28	+16
Computer Peripherals & Data Storage	+3	3	97	0	-7	-4
Infocomms & Consumer Electronics	-4	4	88	8	-4	0
Other Electronic Modules & Components	+55	55	45	0	+55	+1
Chemicals	+6	8	90	2	+4	+2
Petroleum	+24	24	76	0	+24	0
Petrochemicals	-1	0	99	1	0	+3
Specialties	+11	16	79	5	+11	+5
Other Chemicals	+11	12	87	1	-4	-4
Biomedical Manufacturing	+46	46	54	0	+3	+4
Pharmaceuticals	+55	55	45	0	-6	0
Medical Technology	+19	19	81	0	+30	+6
Precision Engineering	+45	54	37	9	+33	+5
Machinery & Systems	+59	62	35	3	+50	+5
Precision Modules & Components	+11	35	41	24	-7	+5
Transport Engineering	+24	29	66	5	+22	+1
Marine & Offshore Engineering	-2	8	82	10	-23	-3
Aerospace	+35	38	59	3	+47	+13
Land	+62	62	38	0	+62	0
General Manufacturing Industries	+3	13	77	10	0	+3
Food, Beverages & Tobacco	-10	4	82	14	+1	-1
Printing	-18	0	82	18	-23	-3
Miscellaneous	+24	27	70	3	+5	+7
Total All Industries	+32	36	60	4	+17	+4