

MEDIA RELEASE

30 July 2021

BUSINESS EXPECTATIONS OF THE MANUFACTURING SECTOR

I Business Sentiments for July – December 2021

1. Business sentiments in the manufacturing sector remain positive amid the COVID-19 environment and pressure on supply chains. A weighted 26 per cent of manufacturers anticipate better business conditions while a weighted 6 per cent foresee a weaker business outlook. Overall, a net weighted balance of 20 per cent of manufacturing firms anticipate a favourable business situation for the period July – December 2021, compared to the second quarter of 2021.
2. Within the manufacturing sector, the electronics cluster is the most optimistic with a net weighted balance of 40 per cent of firms anticipating an improved business situation in the second half of 2021. This is largely attributed to the semiconductors and other electronic modules & component segments which expect demand from the 5G market, cloud services and data centres to remain robust.
3. A net weighted balance of 21 per cent of firms in the transport engineering cluster project a positive business environment for the period July – December 2021. Firms in the aerospace segment expect business conditions to improve, in anticipation of the gradual resumption of regional and domestic flights, as more countries step up their vaccination programmes. The land segment also foresees stronger demand for automotive parts as the global automotive industry continues to recover.
4. In the precision engineering cluster, a net weighted balance of 15 per cent of firms predict a favourable business situation in the six months ahead. The semiconductor-related equipment industry leads the optimism in the machinery & systems segment, on the back of strong capital investments in the global semiconductor industry. In the precision modules & components

segment, firms in the leadframe, metal stamping, bonding wire and optical instrument industries are optimistic given the strong demand for semiconductors globally.

5. A net weighted balance of 11 per cent of firms in the biomedical manufacturing cluster anticipate better business prospects for the period July – December 2021, compared to the second quarter of 2021. This positive outlook is mainly led by the medical technology segment which continues to project higher export demand for COVID-19 and non-COVID-19 medical devices.
6. In contrast, a net weighted balance of 24 per cent of firms in the chemicals cluster are the least optimistic, expecting a less favourable business situation until December 2021. Within the cluster, firms in the petrochemicals segment are concerned that product prices and margins will be adversely impacted with new capacities coming on-stream in the region.

II Output Forecast for July – September 2021

7. A majority of firms (a weighted 71 per cent) in the manufacturing sector expect the output level in the third quarter of 2021 to remain similar to the second quarter. Overall, a net weighted balance of 9 per cent of manufacturers expect output to increase in the third quarter of 2021, from a quarter ago. All clusters project higher output levels in the next three months except the chemicals and general manufacturing clusters.
8. In the transport engineering cluster, a net weighted balance of 27 per cent of firms project a higher level of production in the third quarter of 2021 compared to the previous quarter. The aerospace and land segments anticipate more repair work on aircraft engines and higher production of automotive parts respectively. In the marine & offshore engineering segment, many of the firms expect output to remain similar to the preceding quarter, as production continues to be constrained by the labour crunch and safe management measures.
9. In the precision engineering and electronics clusters, a respective net weighted balance of 24 per cent and 11 per cent of firms expect output to rise in the next quarter. The precision engineering cluster foresees increased output of semiconductor-related and process control equipment while the electronics cluster expects higher production of semiconductors and other electronics components.

10. In contrast, a net weighted balance of 5 per cent of firms in the general manufacturing industries cluster project a decline in output in the next three months. This is due mainly to the food, beverages & tobacco segment which expects lower production of milk products for exports. In addition, the printing segment continues to foresee weak demand for commercial print jobs in the months ahead.
11. A net weighted balance of 14 per cent of firms in the chemicals cluster expect production level to decrease in the quarter ending September 2021. This is largely attributed to the petroleum and petrochemicals segments which anticipate a decline in production in the next quarter, in view of planned maintenance shutdowns.

III Employment Forecast for July – September 2021

12. A majority of firms (a weighted 74 per cent) in the manufacturing sector expect the employment level in the third quarter of 2021 to remain similar to the second quarter of 2021. Overall, a net weighted balance of 8 per cent of manufacturers project an increase in the workforce in the next three months. In particular, the electronics and biomedical manufacturing clusters are the most optimistic in their employment outlook.

IV Factors Affecting Export Orders for July – September 2021

13. A majority of firms (a weighted 72 per cent) in the manufacturing sector reported no limiting factors that would affect their ability to obtain export orders in the third 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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Editors' Note:

For media enquiries, please contact Ms Kavitha Selvakumar (Tel: 6832-6025 / HP: 9022-8722 / Email: kavitha_selvakumar@edb.gov.sg).

For further information on the business expectation results, please contact Mr Chong Tse Ming (Tel: 6832-6677 / HP: 9154-7959 / Email: quin_chong@edb.gov.sg).

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

Technical Notes

The Survey of Business Expectations of the Manufacturing Sector for the third quarter of 2021 was conducted between June and July 2021 by the Economic Development Board. Out of a total of 415 manufacturing establishments surveyed, 92 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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Singapore Economic Development Board

250 North Bridge Road #28-00 Raffles City Tower Singapore 179101
Tel (65) 6832 6832 Fax (65) 6832 6566 Web www.edb.gov.sg

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

(per cent)

Industry	General Business Outlook for July – December 2021 compared with April – June 2021				Forecast for July – September 2021	
	Net Weighted Balance	Up	Same	Down	Output	Numbers Employed
Electronics	+40	40	60	0	+11	+23
Semiconductors	+46	46	54	0	+12	+15
Computer Peripherals & Data Storage	+5	5	95	0	+5	+20
Infocomms & Consumer Electronics	0	0	100	0	-4	+44
Other Electronic Modules & Components	+47	47	53	0	+47	+40
Chemicals	-24	3	70	27	-14	+7
Petroleum	+25	25	75	0	-42	0
Petrochemicals	-68	0	32	68	-34	+14
Specialties	-3	3	91	6	+4	+8
Other Chemicals	0	0	100	0	+1	+5
Biomedical Manufacturing	+11	13	85	2	+6	+13
Pharmaceuticals	+3	6	91	3	-32	+23
Medical Technology	+20	20	80	0	+43	+8
Precision Engineering	+15	21	73	6	+24	+3
Machinery & Systems	+15	22	71	7	+39	+18
Precision Modules & Components	+15	19	77	4	-2	-12
Transport Engineering	+21	27	67	6	+27	+6
Marine & Offshore Engineering	-1	15	69	16	+4	+2
Aerospace	+32	32	68	0	+42	+25
Land	+28	37	54	9	+28	-20
General Manufacturing Industries	+4	18	68	14	-5	+3
Food, Beverages & Tobacco	+3	18	67	15	-13	-4
Printing	-7	4	85	11	-9	-5
Miscellaneous	+9	21	67	12	+8	+9
Total All Industries	+20	26	68	6	+9	+8