

MEDIA RELEASE

29 October 2021

BUSINESS EXPECTATIONS OF THE MANUFACTURING SECTOR

I Business Sentiments for October 2021 – March 2022

1. Business sentiments in the manufacturing sector remain positive amid the COVID-19 situation and pressure on supply chains. A weighted 22 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 16 per cent of manufacturing firms anticipate a favourable business situation for the period October 2021 – March 2022, compared to the third quarter of 2021.
2. Within the manufacturing sector, the electronics cluster is the most optimistic, with a net weighted balance of 27 per cent of firms expecting a better business situation in the period October 2021 – March 2022, compared to the third quarter of 2021. This optimism is largely led by the semiconductors segment which continues to expect robust demand from the 5G market, cloud services and data centres.
3. A net weighted balance of 24 per cent of firms in the transport engineering cluster anticipate an improved operating environment in the next six months ending March 2022. Firms in the aerospace segment expect higher volume of maintenance, repair & overhaul with more countries easing international travel. The land segment foresees stronger demand for automotive parts as the global automotive industry continues to recover. On the other hand, the marine & offshore engineering segment expects business situation to remain lacklustre as new orders remain weak.
4. In the precision engineering cluster, a net weighted balance of 10 per cent of firms predict favourable business prospects in the six months ahead. Strong global semiconductor demand continues to drive optimism among firms in the metal stamping, bonding wire and metal precision component industries within the precision modules & components segment. In the machinery & systems segment, the semiconductor-related equipment industry remains sanguine about

business conditions, on the back of robust capital investments by global semiconductor manufacturers to expand capacities. Despite the positive outlook, many precision engineering firms have expressed concerns over longer shipment lead time and rising costs due to supply chain bottlenecks.

5. A net weighted 8 per cent of firms in the general manufacturing industries cluster expect a positive business outlook in the next six months ending March 2022. In the miscellaneous industries segment, most firms expect business outlook to remain unchanged or improve from a quarter ago. However, some firms supporting the construction sector opine that demand could weaken if construction activities remain weighed down by labour shortages. In the food, beverage and tobacco segment, firms are generally optimistic about demand in view of the upcoming festive seasons.
6. In contrast, a net weighted balance of 3 per cent of firms in the chemicals cluster project weaker business conditions in the period October 2021 – March 2022, compared to the third quarter of 2021. This muted outlook is attributed to the specialties and other chemicals segment which anticipate higher raw material costs and logistical delays arising from global supply chain disruptions.

II Output Forecast for October to December 2021

7. Overall, a net weighted balance of 7 per cent of manufacturers expect output to increase in the fourth quarter of 2021 compared to the third quarter of 2021. All clusters project higher levels of production in the next three months.
8. In the transport engineering cluster, a net weighted balance of 33 per cent of firms project a higher level of production in the fourth quarter of 2021 compared to the previous quarter. The aerospace and land segments continue to anticipate more aircraft engine repair and a higher production of automotive parts respectively. In the marine & offshore engineering segment, a majority of the firms expect output to remain similar to a quarter ago, as these firms continue to face labour constraints and the need to comply with safe management measures.

9. A net weighted balance of 22 per cent of firms in the general manufacturing industries cluster predict higher output in the fourth quarter of 2021 compared to a quarter ago. This is led by the food, beverages & tobacco segment which expects increased production to meet the festive demand ahead. In contrast, the printing segment continues to foresee weak demand for commercial print jobs, as orders are still negatively impacted by COVID-19.

10. In the biomedical manufacturing cluster, a net weighted 11 per cent of firms expect output to rise in the fourth quarter of 2021. The medical technology segment expects output of COVID and non-COVID medical devices to increase on the back of strong export demand. The pharmaceutical segment foresees a decline in output, on the back of a different product-mix being planned for the December quarter.

11. A net weighted balance of 3 per cent of firms in the chemicals cluster forecast a higher level of output in the quarter ending December 2021. This is led by the petrochemicals segment, as production is expected to resume after the maintenance shutdowns in the third quarter of 2021. In contrast, the petroleum segment expects planned turnarounds to weigh down refining throughput in the December quarter while the specialties segment foresees a decline in production in anticipation of weaker exports to the region.

III Employment Forecast for October – December 2021

12. A majority of firms (a weighted 71 per cent) in the manufacturing sector expect the employment level in the fourth quarter of 2021 to remain similar to the third quarter of 2021. Overall, a net weighted balance of 11 per cent of manufacturers project a larger workforce in the next three months. In particular, the biomedical manufacturing and electronics clusters are the most optimistic in their employment outlook.

IV Factors Affecting Export Orders for October – December 2021

13. A majority of firms (a weighted 73 per cent) in the manufacturing sector reported no limiting factors that would affect their ability to obtain export orders in the fourth 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 fourth 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 fourth quarter of 2021 was conducted between September and October 2021 by the Economic Development Board. Out of a total of 413 manufacturing establishments surveyed, 91 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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Table 1: Business Expectations for the Next Three and Six Months by Industry

(per cent)

Industry	General Business Outlook for October 2021 – March 2022 compared with July – September 2021				Forecast for October – December 2021	
	Net Weighted Balance	Up	Same	Down	Output	Numbers Employed
Electronics	+27	31	65	4	+1	+24
Semiconductors	+34	37	60	3	0	+26
Computer Peripherals & Data Storage	-5	0	95	5	-2	+22
Infocomms & Consumer Electronics	0	0	100	0	+8	+25
Other Electronic Modules & Components	-5	28	39	33	-1	+17
Chemicals	-3	3	91	6	+3	+7
Petroleum	+25	25	75	0	-25	0
Petrochemicals	+2	2	98	0	+26	0
Specialties	-12	2	84	14	-13	+15
Other Chemicals	-4	0	96	4	-1	+6
Biomedical Manufacturing	+7	10	87	3	+11	+14
Pharmaceuticals	0	0	100	0	-4	+14
Medical Technology	+13	19	75	6	+27	+14
Precision Engineering	+10	17	76	7	+3	+3
Machinery & Systems	+8	14	80	6	+10	+17
Precision Modules & Components	+11	21	69	10	-10	-11
Transport Engineering	+24	30	64	6	+33	+8
Marine & Offshore Engineering	-9	6	79	15	+1	-2
Aerospace	+43	43	57	0	+53	+42
Land	+28	37	54	9	+28	-20
General Manufacturing Industries	+8	24	60	16	+22	+12
Food, Beverages & Tobacco	+9	27	55	18	+30	+14
Printing	-4	4	88	8	-4	+5
Miscellaneous	+11	26	59	15	+17	+11
Total All Industries	+16	22	72	6	+7	+11