

## **MEDIA RELEASE**

**31 January 2018**

### **BUSINESS EXPECTATIONS OF THE MANUFACTURING SECTOR**

#### **I Business Sentiments for January – June 2018**

1. A majority of firms (a weighted 75 per cent) in the manufacturing sector expects business situation in the first half of 2018 to remain similar to a quarter ago. A weighted 13 per cent of manufacturers expects business conditions to improve while a weighted 12 per cent foresees a deteriorating business outlook. Overall, a net weighted balance of 1 per cent of manufacturers expects an improved business situation for the period January – June 2018, compared to the fourth quarter of 2017.
2. Within the manufacturing sector, the precision engineering cluster is the most optimistic in the first half of 2018, with a net weighted balance of 36 per cent of firms anticipating improved business conditions ahead. The positive sentiment is largely led by the machinery & systems segment, which foresees continued strong demand for semiconductor-related equipment in the next six months. Additionally, the precision modules & components segment expects positive business prospects to be supported by increased orders for bonding wires and optical instruments.
3. In the transport engineering cluster, a net weighted balance of 5 per cent of firms is cautiously optimistic about business prospects in the next six months ending June 2018. Within the cluster, the marine & offshore engineering segment anticipates business conditions to marginally improve in the next six months, amidst a modest uptick in crude oil prices. In the aerospace and land segments, a majority of firms projects similar business conditions in the months ahead.
4. On the other hand, the general manufacturing industries and electronics clusters are the least optimistic, with a net weighted balance of 10 per cent of firms in each cluster expecting a less favourable operating environment in the first half of 2018. In the general manufacturing industries cluster, all segments expect a weaker business outlook. In particular, the miscellaneous industries

segment continues to be weighed down largely by the lacklustre domestic construction activities. In the electronics cluster, the infocomms & consumer electronics and the semiconductors segments anticipate business prospects to be seasonally softer over the next six months.

## **II Output Forecast for January – March 2018**

5. Compared to the fourth quarter of 2017, a net weighted balance of 10 per cent of manufacturers expects output to increase in the first quarter of 2018.
6. The biomedical manufacturing cluster is the most optimistic, with a net weighted balance of 45 per cent of firms projecting production to increase in the first quarter of 2018, compared to the fourth quarter of 2017. The pharmaceutical segment projects a higher level of production of active pharmaceutical ingredients in the next three months following plant maintenance in the previous quarter. The medical technology segment foresees a rise in output of medical devices to meet the robust demand from the US and EU.
7. In the precision engineering cluster, a net weighted balance of 24 per cent of firms expects higher production in the first quarter of 2018, compared to a quarter ago. This optimism is led by the machinery & systems segment which foresees higher production of semiconductor-related equipment, measuring devices and process control equipment.
8. In the chemicals cluster, a net weighted balance of 5 per cent of firms expects production to increase in the first quarter of 2018, compared to a quarter ago. While the specialties and other chemical segments anticipate more output to meet the expected increase in export orders from the region, the petroleum and petrochemical segments project a lower level of production due to scheduled plant maintenance.
9. A net weighted balance of 3 per cent of firms in the transport engineering cluster expects output level to be lower in the first quarter of 2018. This is mainly led by the marine & offshore engineering segment, which expects rig building and offshore conversion activity to remain weighed down by excess supply in the global market. By contrast, the aerospace and land segments foresee more aircraft engine repairs and higher production of automotive parts.

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10. The electronics cluster is the least optimistic, with a net weighted balance of 14 per cent of firms projecting a lower output in the first quarter of 2018. This is largely led by the semiconductors, data storage and infocomms & consumer electronics segments, which expect production to be seasonally lower.

### **III Employment Forecast for January – March 2018**

11. A net weighted balance of 3 per cent of manufacturers plans to hire fewer workers in the first quarter of 2018 as compared to the fourth quarter of 2017. The transport engineering, electronics and general manufacturing industries clusters expect to hire fewer workers in the period January – March 2018 compared to a quarter ago.

### **IV Factors Affecting Export Orders for January – March 2018**

12. A weighted 74 per cent of firms in the manufacturing sector reported no limiting factors that would affect their ability to obtain export orders in the first quarter of 2018. The weighted 23 per cent of firms that faced export constraints cited price competition from overseas competitors and economic and political conditions abroad as the most important limiting factors.

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*Updates on Business Expectations of the Manufacturing Sector for the first quarter of 2018 are available on <http://www.news.gov.sg> and <http://www.edb.gov.sg>*

## **Technical Notes**

The Survey of Business Expectations of the Manufacturing Sector for the first quarter of 2018 was conducted between December 2017 and January 2018 by the Economic Development Board. Out of a total of 429 manufacturing establishments surveyed, 95 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 2018 compared with October – December 2017				Forecast for January – March 2018	
	Net Weighted Balance	Up	Same	Down	Output	Numbers Employed
<b>Electronics</b>	-10	5	80	15	-14	-2
Semiconductors	-8	5	82	13	-10	0
Computer Peripherals	0	0	100	0	+3	+15
Data Storage	0	0	100	0	-20	0
Infocomms & Consumer Electronics	-60	0	40	60	-60	-13
Other Electronic Modules & Components	+26	26	74	0	+7	-17
<b>Chemicals</b>	-9	13	65	22	+5	+4
Petroleum	+41	41	59	0	-41	0
Petrochemicals	-43	0	57	43	-2	0
Specialties	+16	18	80	2	+37	+4
Other Chemicals	+27	27	73	0	+27	+9
<b>Biomedical Manufacturing</b>	+4	4	96	0	+45	+8
Pharmaceuticals	+1	1	99	0	+56	+3
Medical Technology	+14	14	86	0	+13	+11
<b>Precision Engineering</b>	+36	46	44	10	+24	+6
Machinery & Systems	+53	62	29	9	+35	+17
Precision Modules & Components	+6	19	68	13	+5	-5
<b>Transport Engineering</b>	+5	11	83	6	-3	-20
Marine & Offshore Engineering	+5	13	79	8	-29	-28
Aerospace	+4	10	84	6	+24	+1
Land	+6	6	94	0	+6	0
<b>General Manufacturing Industries</b>	-10	6	78	16	-10	-1
Food, Beverages & Tobacco	-6	2	90	8	-8	+2
Printing	-5	3	89	8	-6	-15
Miscellaneous	-17	10	63	27	-15	0
<b>Total All Industries</b>	<b>+1</b>	<b>13</b>	<b>75</b>	<b>12</b>	<b>+10</b>	<b>-3</b>

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