

## MEDIA RELEASE

30 July 2010

### BUSINESS EXPECTATIONS OF THE MANUFACTURING SECTOR

#### I Business Sentiments for July - December 2010

1. Business outlook in the manufacturing sector remains positive for the second half of 2010. The latest survey showed a weighted 25 per cent of manufacturers expecting business conditions to improve while a weighted 7 per cent foresee deterioration. Overall, a net weighted balance of 18 per cent of manufacturers anticipate a more favorable business situation for the period July to December 2010 as compared to the second quarter of 2010.
2. Though business outlook remains positive, the manufacturing clusters generally registered smaller positive net balances for business sentiments compared to the survey conducted a quarter ago. This is due to the expectations of a slower pace of growth globally in the second half of 2010.
3. Within the manufacturing sector, the electronics cluster is the most optimistic with a net weighted balance of 33 per cent of firms expecting an improved business situation in the second half of 2010. The firms foresee orders being sustained by demand for consumer electronic products such as wireless handsets and mobile computing devices. Manufacturers in the chemicals cluster are the next most optimistic, with a net weighted 19 per cent of firms expecting the business situation to improve in the next six months. While the specialties and other chemicals segments project better demand ahead, the petrochemical segment has a less positive outlook due to concerns of weaker margins as a result of excess capacities in the region.

## **II Output Forecast for July - September 2010**

4. A net weighted 15 per cent of manufacturers expect output to increase in the third quarter of 2010, as compared to the second quarter of 2010.
  
5. The electronics cluster is the most upbeat with a net weighted balance of 45 per cent of firms projecting a higher level of production in the third quarter of 2010 as compared to a quarter ago. This is due to higher export orders arising from the year-end holiday season. The general manufacturing industries and the precision engineering clusters also project higher output levels in the next three months. On the other hand, the transport engineering cluster projects lower level of production in the third quarter of 2010. This is due mainly to the marine and offshore engineering segment which foresees a modest level of new orders that would be secured. The biomedical manufacturing cluster also forecasts a lower level of production in view of plant maintenance shutdowns and a different mix of active pharmaceutical ingredients to be produced.

## **III Employment Forecast for July - September 2010**

6. A net weighted 7 per cent of manufacturers expect to hire more workers in the third quarter of 2010, as compared with a quarter ago. The expected increase in employment can be largely attributed to the precision engineering and electronics clusters.

#### IV Factors Affecting Export Orders for July - September 2010

7. Price competition from overseas remains the most important factor limiting manufacturers' ability to obtain more export orders in the third quarter of 2010. This was expressed by a weighted 27 per cent of firms. Another weighted 9 per cent of firms also cited political and economic conditions as a factor limiting their ability to secure more orders.

*Editors' Note:*

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*Updates on business expectations of the manufacturing sector for the third quarter of 2010 are available on <http://www.news.gov.sg> and <http://www.sedb.com>*

## Technical Notes

The Survey of Business Expectations of the Manufacturing Sector for the third quarter of 2010 was conducted between May and June 2010 by the Economic Development Board. Out of a total of 404 manufacturing establishments surveyed, 93 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”). Individual responses provided by the establishments are weighted by their contribution to employment and value added. These responses are then aggregated at cluster, sub-cluster and overall manufacturing level, and presented in terms of weighted percentages. 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.

## About the Singapore Economic Development Board

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

Industry	General Business Outlook for July - December 2010 compared with April - June 2010				(per cent) Forecast for July - September 2010	
	Net Weighted Balance	Up	Same	Down	Output	Numbers Employed
	<b>Electronics</b>	+33	43	47	10	+45
- Semiconductors	+48	56	36	8	+60	+35
- Computer Peripherals	+17	17	83	0	+58	-7
- Data Storage	-13	19	49	32	-13	-32
- Infocomms & Consumer Electronics	+72	72	28	0	+84	+12
- Other Electronic Modules & Components	+44	44	56	0	+17	+28
<b>Chemicals</b>	+19	27	65	8	0	+8
- Petroleum	0	0	100	0	-60	0
- Petrochemicals	-27	0	73	27	-26	+1
- Specialties	+30	35	60	5	+23	+3
- Others	+80	80	20	0	+57	+44
<b>Biomedical Manufacturing</b>	-1	1	97	2	-23	0
- Pharmaceuticals	0	0	100	0	-29	0
- Medical Technology	-4	4	88	8	0	0
<b>Precision Engineering</b>	+18	23	72	5	+19	+18
- Machinery & Systems	+13	18	77	5	+18	+18
- Precision Modules & Components	+21	27	67	6	+19	+16
<b>Transport Engineering</b>	+7	19	69	12	-3	0
- Marine & Offshore Engineering	+3	23	57	20	-22	-13
- Aerospace	+10	10	90	0	+17	+22
- Land	+24	24	76	0	+60	0
<b>General Manufacturing Industries</b>	+15	19	77	4	+22	+3
- Food, Beverages & Tobacco	+14	14	86	0	+30	+13
- Printing	+8	8	92	0	+13	+8
- Miscellaneous	+22	32	58	10	+22	-9
<b>Total All Industries</b>	<b>+18</b>	<b>25</b>	<b>68</b>	<b>7</b>	<b>+15</b>	<b>+7</b>