

Business expectations for S'pore manufacturers improved mildly despite softer electronics sentiments

Tuesday, 31 October 2017

Highlights:

- **A net 5% of manufacturers tip business conditions to improve for the six months ending March 2018**, up from 4% a quarter ago and also a year ago. Notably, the most optimistic were precision engineering (+22% on the back of higher demand for semiconductor-related equipment and measuring devices supporting wireless communications and automotives), chemicals (+17% due to winter and year-end festive demand for oil products, and higher export orders for mineral oil additives and fragrances), biomedical manufacturing (+12% amid resilient demand for medical devices from US and EU markets), transport engineering (+7% amid higher aircraft engine repair orders), whereas the outperformer for the year-to-date electronics cluster turned distinctly less upbeat (-11%) in view of an anticipated seasonal slowdown, especially for infocomms & consumer electronics (-45%) and other electronics modules & components (-43%).
- **Beneath the modest improvement in the headline net weighted balance data, the manufacturing engine is actually cooling** - after the manufacturers' output forecast peaked at 17% in 2Q17, it has continued to moderate to 9% in 3Q17 and 6% for 4Q17. Accordingly, the employment situation for manufacturers also remained in the doldrums (-11%) for 4Q17, which is worse than the -5% seen in the previous two quarters and also a year ago (4Q16: -9%), with the only exceptions being chemicals and biomedical manufacturing clusters.
- **However, the service sector confidence has soared** – compared to the trough of -18% anticipating worsening business conditions in 1Q16, service sentiments has improved for the third consecutive quarter to a net 9% anticipating more favourable business conditions for the next six months ending Mar 2018. With the broadening growth base, all services industries apart from the real estate segment (-5%) tip a more positive outlook going ahead. This compares favourably to a quarter ago when 4 service industries, comprising transport & storage (-17%), real estate (-6%), retail trade (-5%) and wholesale trade (-2%), were pessimistic in their outlook.
- **The most upbeat were the F&B services** (+34%, albeit this was a moderation from +41% a quarter ago), finance & insurance (+20%, up from +14% previously) and retail trade (+19% which is a sharp turnaround from -5% previously) with the upcoming year-end holidays and festive season. In contrast, within the real estate industry, commercial leasing firms anticipate weaker demand. In terms of hiring intentions, a net weighted 7% of service firms plan to increase employment in

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4Q17, led mainly by the accommodation (+23%) and retail trade (+17%).

- **The broadening growth base should provide greater resilience to S'pore's growth outlook in 2018 as the services sector potentially picks up speed,** even it is not ready to take over the driver's seat just yet. Our forecast is for 2018 GDP growth to be around the 2-4% range with more even sectorial growth prospects.

FORECAST FOR THE QUARTER

(Net Weighted Balance)

Industry	Forecast for October – December 2017					
	Numbers Employed	Output	Total New Orders Received	Sales in Singapore	Direct Export Overseas	Stocks of Finished Goods
Electronics	-5	0	-3	-6	-2	+2
Semiconductors	0	+4	+1	-2	+2	+6
Computer Peripherals	0	0	0	0	0	+3
Data Storage	-14	-2	-2	0	-2	-35
Infocomms & Consumer Electronics	-13	-47	-47	-47	-47	0
Other Electronic Modules & Components	-17	+1	-10	-41	-10	+33
Chemicals	+6	+28	+27	+15	+31	+28
Petroleum	0	+41	+41	0	+41	+41
Petrochemicals	+24	+42	+42	+42	+42	+40
Specialties	+1	+8	+5	0	+21	+14
Other Chemicals	+2	+10	+9	0	+11	+1
Biomedical Manufacturing	+10	-9	-15	+1	-23	-18
Pharmaceuticals	+3	-26	-34	0	-34	-33
Medical Technology	+13	+55	+55	+5	+18	+34
Precision Engineering	-4	+29	+29	+7	+32	-23
Machinery & Systems	-5	+49	+48	+21	+48	-32
Precision Modules & Components	-5	-1	-1	-15	+6	-7
Transport Engineering	-37	+7	+7	-8	+11	-5
Marine & Offshore Engineering	-52	-23	-4	-29	-19	-10
Aerospace	+15	+50	+27	+17	+50	+10
Land	0	+22	-3	+24	+28	-40
General Manufacturing Industries	-1	-10	-11	-15	-2	-7
Food, Beverages & Tobacco	+3	+2	0	-4	+2	-9
Printing	-15	-14	-14	-14	-13	-4
Miscellaneous	0	-22	-22	-29	-2	-6
Total All Industries	-11	+6	+4	-1	+5	-3

Note :

"Net weighted balance" is the difference between the weighted percentage of 'up' responses and the weighted percentage of 'down' responses.

A plus sign indicates a net upward movement, and a minus sign denotes a net downward trend.

Source: EDB

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