

## MEDIA RELEASE

30 January 2009

### BUSINESS EXPECTATIONS OF THE MANUFACTURING SECTOR

#### I Business Sentiments for January - June 2009

1. Business outlook in the manufacturing sector is expected to be weak in the first half of 2009 due to the rapid decline in global economic conditions. A weighted 6 per cent of manufacturers expect the business situation to improve for the period January - June 2009 while a weighted 63 per cent anticipate deterioration. Overall, a net weighted balance of 57 per cent of manufacturers expect a less favorable business outlook in the first half of 2009 compared to the fourth quarter of 2008.
2. The weak business sentiment is broad-based, affecting all clusters in the manufacturing sector. The transport engineering cluster shows less optimism in the first half of 2009 compared to a quarter ago. Within the cluster, the marine & offshore segment expects a drop in orders, resulting from credit tightening and falling oil prices. The aerospace segment also foresees lower maintenance, repair and overhaul activities with the slowdown in the airline industry.

3. The rest of the manufacturing clusters are significantly less optimistic as they foresee further weakening of orders in the next six months, brought about by the steep decline in global economic conditions. The firms most affected are those in the electronics, precision engineering and chemical clusters.

## **II Output Forecast for January - March 2009**

4. Compared to the fourth quarter of 2008, a net weighted balance of 52 per cent of manufacturers expect output to decline in the first quarter of 2009.
5. The transport engineering cluster is the least affected with a net weighted balance of 18 per cent of firms predicting a decline in production. This is largely due to the marine & offshore segment which has secured orders on hand. A net weighted 23 per of the biomedical manufacturing cluster foresees a drop in output, in anticipation of a different mix of active pharmaceutical ingredients to be produced in the first quarter of 2009. The rest of the clusters are considerably less upbeat about production activities in the next three months, as they face declining demand from both the local and overseas markets.

### **III Employment Forecast for January - March 2009**

6. While a weighted 70 per cent of manufacturers expect employment in the first quarter of 2009 to remain similar to the fourth quarter of 2008, a weighted 1 per cent expect to hire more workers and a weighted 29 per cent anticipate a reduction in headcount. Within the manufacturing sector, the biomedical manufacturing cluster projects stable employment in the first quarter of 2009 compared to the preceding quarter. The precision engineering and electronics clusters are the least optimistic about employment opportunities in the next three months.

### **IV Factors Affecting Export Orders for January - March 2009**

7. Political/economic conditions has overtaken price competition from overseas competitors as the most important factor limiting export orders in the first quarter of 2009.
8. A weighted 24 per cent of manufacturers indicate that the slowdown in global economic growth has dampened the demand for their goods. This is most prevalent in the electronics and precision engineering clusters.

*Editors' Note:*

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*Updates on business expectations of the manufacturing sector for the fourth quarter of 2008 are available on <http://www.sprinter.gov.sg> and <http://www.sedb.com>*

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## Technical Note

The Survey of Business Expectations of the Manufacturing Sector for the first quarter of 2009 was conducted between December 2008 and January 2009 by the Economic Development Board. Out of a total of 412 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”). 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.

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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 <i>January - June 2009</i> compared with October - December 2008				Forecast for <i>January - March 2009</i>	
	Net Weighted Balance	Up	Same	Down	Output	Numbers Employed
Electronics	- 86	1	12	87	- 80	- 46
- Semiconductors	- 81	0	19	81	- 86	- 54
- Computer Peripherals	- 100	0	0	100	- 42	- 69
- Data Storage	- 92	4	0	96	- 92	- 7
- Infocomms & Consumer Electronics	- 64	0	36	64	- 75	- 9
- Other Electronic Modules & Components	- 91	0	9	91	- 100	- 61
Biomedical Manufacturing	- 32	22	24	54	- 23	0
- Pharmaceuticals	- 30	26	18	56	- 20	0
- Medical Technology	- 40	0	60	40	- 40	0
Precision Engineering	- 73	0	27	73	- 81	- 51
- Machinery & Systems	- 69	0	31	69	- 65	- 23
- Precision Modules & Components	- 75	0	25	75	- 90	- 66
Transport Engineering	- 24	4	68	28	- 18	- 16
- Marine & Offshore Engineering	- 25	8	59	33	- 12	- 14
- Aerospace	- 18	0	82	18	- 21	- 23
- Land	- 34	0	66	34	- 42	0
Chemicals	- 68	0	32	68	- 37	- 12
- Petroleum	- 100	0	0	100	- 33	- 1
- Petrochemicals	- 27	0	73	27	- 22	- 6
- Specialty Chemicals	- 73	0	27	73	- 58	- 35
- Others	- 43	0	57	43	- 48	- 13
General Manufacturing Industries	- 32	9	50	41	- 29	- 12
- Food, Beverages & Tobacco	- 22	5	68	27	- 14	- 1
- Printing	- 41	0	59	41	- 39	- 29
- Miscellaneous	- 34	18	30	52	- 31	- 6
<b>Total Manufacturing</b>	<b>- 57</b>	<b>6</b>	<b>31</b>	<b>63</b>	<b>- 52</b>	<b>- 28</b>