Manufacturers brace themselves for rough ride

Nearly one-fifth of companies in EDB survey say next 6 months will be bad

By AARON LOW
ASSISTANT MONEY EDITOR

MANUFACTURING firms see a tough six months ahead amid weak global conditions, an Economic Development Board survey has found.

It showed that just 8 per cent of the 407 companies polled envisaged better business conditions in the next six months while 18 per cent believed things will get worse.

Electronics firms were by far the most pessimistic: About 33 per cent said their environment will get worse, with only 5 per cent expecting improvement.

In particular, 78 per cent of firms making peripheral products such as printers for computers were downbeat on the next six months, and none expected stronger demand.

The survey is the latest in a series of indicators pointing to a tough environment for manufacturers. Last year, manufacturing contracted by 0.2 per cent compared with the previous year—making it the worst-performing sector in the economy. Services rose 1.2 per cent while construction grew 8.8 per cent last year.

Economists said rising costs, a strong Sing dollar and slow demand are hitting manufacturing firms hard.

Inflation is expected to come in at between 3.5 per cent and 4.5 per cent this year, while the Sing dollar is tipped to strengthen against the Japanese yen and Korean won.

SIM Global Education senior lecturer Tan Khay Boon said the pessimism in the electronics cluster could extend beyond the short term, largely due to the weakness of major export economies such as the United States and Europe.

"A significant pick-up in demand from China may soften the impact but the high unit labour cost and land cost are taking their toll on Singapore competitiveness," he said.

The good news is that 85 per cent of firms expect employment to remain stable. The manufacturing sector added 11,000 jobs, as gains in the chemical products outnumbered losses in electronic manufacturing, said the Manpower Ministry.

Workers at the Venture Corp factory in Singapore assembling hand-held inventory computer devices, in a file photo taken in 2008. In a recent EDB survey, 33 per cent of the electronics firms polled were pessimistic, saying the environment will get worse. Only 5 per cent expected an improvement. (PHOTO BLOOMBERG)