Service sector also gloomy; global uncertainties dampen expectations

By MELISSA TAN

A NEW survey on business expectations paints a gloomy picture of firms struggling to stay afloat – not that company boss Alex Tan needs any reminding.

Mr Tan, managing director of ToyochemInk, which makes commercial printing ink, said the next six months will be tough.

“Revenue has bottomed already and we expect that to continue for the next six months at least. We don’t expect any upturn,” he told The Straits Times yesterday.

Pointing to high operating costs and weak global demand for his firm’s products, he said that while his customers had mostly not turned to other suppliers yet, that scenario was “slowly coming”.

His concerns are echoed in a survey carried out by the Economic Development Board (EDB), which underlined how global economic uncertainties over the eurozone and the United States and Chinese economies have dampened sentiment in the manufacturing sector.

The survey, conducted between June and last month, found that a weighted 13 per cent of the nearly 400 manufacturers who responded think business conditions will improve from the second quarter of this year, while a weighted 12 per cent think they will get worse.

The net weighted balance of 1 per cent is far weaker than the net weighted balance of 15 per cent recorded in the previous quarter’s survey, the EDB said.

While the general manufacturing cluster was the most optimistic, with a net weighted balance of 15 per cent seeing an improvement, the precision engineering cluster was the most bearish, with a net weighted balance of 16 per cent predicting deterioration over the next six months.

The other manufacturing sectors make up nearly a quarter of Singapore’s economy.

Sentiments in the service sector, which accounts for nearly two-thirds of the economy, were similarly downbeat, according to the Statistics Department survey also out yesterday.

While 64 per cent of firms said they expected business conditions to remain unchanged, the net weighted balance of optimistic firms was a mere 2 per cent.

The net weighted balance was 6 per cent in the previous quarter’s survey.

The financial and insurance sector was the most pessimistic, with a net weighted balance of 16 per cent of firms expecting worsening conditions.

“The cautious outlook in the finance and insurance industry is expected as the eurozone economies are still facing uncertainties and may escalate into crisis,” said UniSIM business school senior lecturer Tan Khay Boon.

But the prospect of year-end holidays is lifting spirits in sectors that depend on tourist arrivals. One is accommodation, which was the most bullish with a net weighted balance of 44 per cent of firms upbeat.

“The higher demand will kick in during F1 and Christmas, with the festive light-up happening in Orchard. Regional school holidays will also drive up the demand,” said Mr Patrick Fiat, general manager of hotel Royal Plaza on Scotts.

Dr Tan added: “If air travel is cheaper due to lower oil prices and the opening of attractions such as Gardens by the Bay attracts more tourists, this sector can contribute more to the growth of Singapore.”

The Statistics Department’s survey was also conducted from June to last month and covers around 1,500 firms.

REASONS TO BE UPBEAT

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