Singapore

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Automotive/Transport

Remains Poor

Due to the economic downturn, domestic sales of passenger cars and commercial vehicles are decreasing, which has led to increased credit risk for the car retail segment. The weak economic outlook is likely to hinder consumer's willingness to make larger purchases such as vehicles in 2020. Sector value added is forecast to decrease by 2.4% in 2020, with a 6.6% recovery expected in 2021. The transport segment has been impacted by lockdown measures and decreased demand for logistics, with the airline segment severely hit. Transport value added is forecast to contract by more than 8% this year.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. However, deteriorating demand from key buyer sectors domestically and abroad has a negative impact on chemicals performance, and sector value added is forecast to decrease by 3.5% in 2020. That said, pharmaceuticals demand benefits from rising global health expenses leading to higher exports, and sector value added is expected to increase by more than 19% in 2020.

Construction/ Construction Materials

Remains Bleak

Subdued economic growth in 2019 already impacted private construction activity (residential and commercial) last year, with businesses facing fierce competition, tighter margins, slow payments and increasing insolvencies.

The situation has further deteriorated as a result of the coronavirus, since the majority of projects (including ongoing public infrastructure and civil engineering works) were put on hold due to lockdown measures and the high infection rate among foreign construction workers (which made up the majority of coronavirus cases reported in Singapore). As of mid-August, all 330,000 workers in dormitories have been tested, and the authorities are cautiously planning for the gradual and safe release of workers back on sites. All construction sites are assessed for a special Building and Construction Authority´s approval as per COVID-Safe Restart Criteria before they are allowed to resume works. The downturn in the construction sector is projected to be deeper and more protracted than previously anticipated due to the longer time taken to clear and rearrange foreign workers residing in dormitories. Construction output contracted 59.3% year-on-year in Q2 of 2020, deteriorating from the 1.2% decrease recorded in Q1. Since July, payment delays and and credit insurance claim cases are increasing.

Consumer Durables

Remains Poor

In response to the coronavirus outbreak, the government imposed Circuit breaker (lockdown) from April 7th to June 1st. This severely affected the non-food retail sector, as department stores and other retail shops were closed. Government subsidies and rental rebates from some landlords were provided to the affected retailers during the period.

Retail outlets have been allowed to reopen since June 19th, but the deteriorated economic condition (private consumption is forecast to shrink 5.5% in 2020) and restrictions on tourist visas continue to pose challenges to the sector in the near future. Retail value added is expected to contract by 13% in 2020, and the number of payment defaults and business closures is increasing in the non-food retail segment.

Electronics/ICT

Remains Fair

While ICT was impacted by supply chain disruptions and deteriorated demand from China in H1 of 2020, production has gradually resumed since then, as global ICT companies have restarted their operations. Spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. The industry will benefit from the roll-out of 5G and the growing need for data centers.

Additionally, in order to boost the economy and support businesses recovering from the coronavirus repercussions, the Singaporean government has announced it will spend an estimated SGD 3.5 billion on ICT procurement in the financial year (FY) 2020, an increase of 30% from FY 2019 projected spending of SGD 2.7 billion. The increased spending will help the government accelerate digitalization, as technology becomes increasingly vital in enabling citizens and workers to resume normal activities, and businesses to reopen safely after the Circuit breaker.

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Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Good

Bucking the overall trend, the financial services sector grew 5% in H1 of 2020. However, increased financial troubles for businesses and consumers alike due to the economic downturn and job losses could lead to more loan defaults for banks and tighter lending conditions. While the Monetary Authority of Singapore expects sector growth to slow in H2 due to weaker credit demand and lower interest rate margins, a contraction seems to be unlikely.

Food

Remains Fair

Supply chain disruptions from Malaysia and other countries have slowly eased, as most countries have lifted movement restrictions. However, food wholesalers and distributors continue to be impacted by the deteriorated demand from hotels, restaurants and caterers. While businesses are slowly back in operations, most of them are still not operating at full capacity. It is expected that the rebound of the food industry will remain slow over the coming months. Value added is expected to increase by 1% in 2020.

Machines/Engineering

Remains Fair

While companies in this industry are generally financially resilient, the business outlook has been impacted by decreasing orders on hand and lower production due to the economic downturn. Electrical machinery value added is expected to contract 3.5% in 2020. However, the precision engineering segment benefited from a stronger than expected demand for semiconductors and semiconductor equipment in Q2 of 2020, and this trend is expected to persist in H2.

Metals

Remains Poor

In 2020 the situation has further deteriorated, due to the economic downturn triggered by the coronavirus pandemic, with less demand from construction as a key buyer industry. Additionally, production has been hampered by lockdown measures and supply chain disruptions. Metal value added is expected to decline by almost 6% in 2020, and payment delays and insolvencies will increase in the coming months.

Paper

Remains Fair

The paper industry is of minor relevance in Singapore, with products mainly coming from other countries like Indonesia. The impact of the coronavirus pandemic could be both positive (more people having time to read), but also negative (decreasing advertisement revenues due to the economic slump could force some magazines or newspapers to leave the market). So far, the paper sector has been neither severely affected nor boosted.

Services

Remains Bleak

Due to the comprehensive lockdown measures in H1 of 2020, service segments suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. The accommodation and food services sector contracted 41.4% in Q2 of 2020 after a 23.8% decrease in Q1. Hotel and catering added value is forecast to decrease 26% in 2020. Payment delays and insolvencies are increasing in the affected service segments.

Steel

Remains Poor

In 2019 the steel industry already showed a subdued performance, with lower demand from key sectors like construction and rising pressure on margins. In 2020 the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic, with demand decreasing further. Both payment delays and insolvencies are expected to increase this year.

Textiles

Remains Poor

Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown in Q2 of 2020 and ongoing subdued consumer sentiment. Clothing value added is expected to shrink by more than 7% in 2020, with rising payment defaults and business failures among retailers.