Singapore

August 2021

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 January 2021 · Sources: Atradius, Oxford Economics

Automotive/Transport

Remains Poor

Due to the economic downturn in 2020 domestic sales of passenger cars and commercial vehicles decreased, which led to increased credit risk for the car retail segment. After a 9.5% contraction in 2020, automotive value added is forecast to rebound by about 13% in 2021. The transport segment has been impacted by lockdown measures and decreased demand for logistics, with the airline segment particularly severely hit. Transport value added contracted by 24% in 2020, with a 19% recovery expected in 2021.

Despite the deterioration in both segments last year there has been no material increase in payment delays and insolvencies so far, and this trend is expected to continue in the coming months.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals and pharmaceuticals businesses generally show decent business financials, good payment records and low insolvency rates compared to other industries. Chemicals sector value added is forecast to grow by more than 8% in 2021 after a 3.6% increase in 2020. The sector benefits from robust demand from major economic countries like the US and China.

Pharmaceuticals value added recorded a whopping 34.7% year-on-year growth due to the pandemic. In 2021 output will decrease by about 8%, although from a very high level. The long-term outlook remains positive due to rising global health expenses.

Construction/ Construction Materials

Up from Bleak to Poor

In 2020 Singapore's construction sector suffered a major value added contraction of 36.4%. Construction works, halted during the circuit-breaker, have resumed since Q3 of 2020 under the Singapore Building and Construction Authority's Covid-Safe Restart programme, which imposes stringent requirements on construction companies in relation to worker accommodation, transport, and safety at the worksite.

In Q1 of 2021 sector performance continued to be weighed down by declining public and private-sector construction works, and both payment delays and credit insurance claims increased. However a rebound should gain momentum in the coming months and in 2022, mainly driven by public sector work. After a forecast 1.5% growth in 2021, construction sector value added is projected to increase by about 25% in 2022.

Consumer Durables

Remains Poor

While the government gradually eased social distancing restrictions as of July 2020, due to the impact of new virus variants restrictions have been implemented again since early May 2021. Footfall in shopping malls has sharply decreased, and sales of brick-and-mortar retailers have deteriorated again. The slow recovery of global economy and international travel restrictions continue to pose additional challenges. While retail sales in Singapore are forecast to rebound by 10% in 2021, in 2020 the contraction was 16%.

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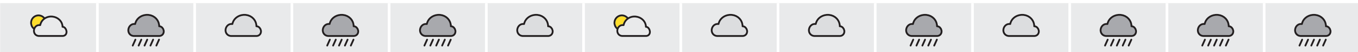

Source: Atradius

Industry performance

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Electronics/ICT

Remains Fair

In 2020 ICT growth was driven by the IT and communication services segment, which increased by 6.4%. Spending from businesses and employees on digital goods and services increased due to the sharp rise of remote working.

The industry benefits from the roll-out of 5G and the growing need for data centers. In order to boost the economy and to support businesses recovering from the repercussions of the pandemic, the Singaporean government has announced to spend up to SGD 3.8 billion on ICT procurement in 2021, an almost 10% increase from the financial year 2020 procurement plan. The increased spending will continue to accelerate digitalisation, as technology becomes increasingly vital in enabling citizens and workers to resume normal activities, as well as in allowing businesses to reopen safely.

Singapore's "digital road map" was already well-established and defined before the outbreak of the pandemic. An estimated SGD 2.7 billion (70% of the ICT procurement budget) will be spent on 250 projects to transform, integrate and streamline digital services across different sectors. More than SGD 500 million will be spent to accelerate the adoption and deployment of Artificial Intelligence (AI) for the public sector.

Financial Services

Remains Good

The sector matters to Singapore, an Asian financial hub, and is a major contributor to the country's GDP. The financial sector has been remarkably resilient in the face of the pandemic. Default rates have remained low on the back of government stimulus packages for many SMEs and local employees. In 2021 and 2022 financial services value added is expected to increase by 1.5% and 1.0% respectively.

Food

Remains Fair

Food wholesalers and distributors continue to be impacted by the deteriorated demand from hotels, restaurants and caterers. While businesses are slowly back in operation, most of them are still not operating at full capacity. Food value added is expected to grow by about 8% in 2021 after a 5% contraction in 2020.

Machines/Engineering

Remains Fair

Engineering value added is expected to increase by about 5% in 2021, with all main segments (precision engineering, transport engineering, marine & offshore engineering) recording output growth. In particular, precision engineering production is fuelled by high demand for semiconductor equipment. Engineering is a strong contributor to manufacturing sector growth in Singapore.

Metals

Remains Poor

In 2020 sector performance was affected by the economic downturn, with less demand from construction as a key buyer industry. Additionally, production was hampered by lockdown measures, supply chain disruptions, and manpower shortages. While demand is expected to rebound, pandemic-related uncertainties remain. Metals manufacturing value added is expected to grow by only 3% in 2021 after a 6% decline in 2020.

Paper

Remains Fair

The paper industry is of minor relevance in Singapore, with products mainly coming from other countries like Indonesia. We have not observed any major increase in payment delays and insolvencies in H1 of 2021. Paper value added is forecast to grow by about 6% in 2021 and 3% in 2022.

Services

Up from Bleak to Poor

The sector is slowly recovering, also helped by continued government support. Payment delays and insolvencies in the industry have stabilized again since Q4 of 2020 after increases in the previous quarters. Service value added is expected to rebound by about 6% in 2021 after an 11.5% contraction last year. The business environment remains challenging as new restrictions have been imposed since May 2021, and tourism remains affected by international travel restrictions. Hotel and Catering value added is expected to grow by about 15% in 2021 after a 25% contraction last year.

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Steel

Remains Poor

In 2020 the performance of the steel industry deteriorated due to the economic downturn triggered by the coronavirus pandemic. Subdued demand from construction as a key buyer sector due to the ongoing pandemic remains a downside risk for the industry´s recovery in the coming months. Additionally, the currently high steel prices could lead to construction project delays.

Textiles

Remains Poor

Textile value added contracted by 33% last year, as local brands in Singapore have been hit hard by the pandemic, recording double-digit contractions, while many international fashion brands closed stores. In Q1 of 2021 apparel and footwear sales increased by 32.5% quarter-on quarter, mainly due to Chinese New Year sales, and clothing value added is expected to increase by about 5% in 2021. Businesses have increasingly extended their e-commerce sales platforms. Ongoing subdued consumer sentiment remains a downside risk and could lead to rising payment defaults and business failures.