

S'pore's manufacturing and electronics PMIs sink further

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Highlights

- **S'pore's manufacturing and electronics PMIs eased to 50.4 (-0.3, lowest since Dec16) and 49.5 (-0.1, 4th contraction) in February 2019.** This was not unexpected as global/regional manufacturing PMIs remained softer to stable in February (with stabilization seen only in China's Caixin and Indonesia, whereas continued to soften for the other Asian economies), pending the highly anticipated US-China trade deal, as well as due to the Chinese New Year holidays in early February.
- **For the overall manufacturing PMI, this February print marked the 6th straight month of pullback from 52.6 in August 2018.** The soft manufacturing PMI was attributed to a broad-based soft patch across new orders, new exports, output, inventory and employment gauges, whilst the input price index sank into contraction territory (49.8 versus 50.3 previously) and the backlog index continued to contract for the 5th month (49.0 versus 49.3).
- **Note that for the electronics sector, the last contraction streak had lasted for 13 consecutive months from July 2015,** excluding the sporadic contraction warning signals in the first half of 2015. Moreover, the underlying gauges for the February 2019 electronics PMI were generally weak across new orders (49.4), new exports (49.3), output (49.1), finished goods (49.8), imports (49.2), employment (49.7) and backlog (48.5), albeit input prices improved to 50.3 in February (up from 50.2 previously). **This suggests that the soft patch in electronics is likely to sustain for the next few months and it is too early to call for a turnaround in this sector.**
- **With the weak start to manufacturing momentum in January (industrial output fell for the first time since December 2017 by 3.1% yoy), there is downside risk to 1Q19 manufacturing and GDP growth for S'pore.** Barring a quick resolution to the US-China trade war, regional manufacturing and trade activities may remain lacklustre. **I have shaded down my 1Q19 manufacturing growth forecast to -0.5% yoy, and consequently our 2019 full-year GDP growth forecast from 2.7% yoy to 2.3% yoy.**

Treasury Research
Tel: 6530-8384

Selena Ling
Tel: 6530-4887
LingSSSelena@ocbc.com

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