

S'pore's manufacturing growth suggests tentative signs of stabilization in April

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Highlights

- **Manufacturing output surprised by expanding 0.1% yoy in April, reversing the 4.3% yoy decline seen in March.** In on-month terms, manufacturing also grew 2.4% mom sa in April after two months of contraction. This beat the Bloomberg consensus forecast for -3.5% yoy (-1.4% mom sa) and our expectation for -5.4% yoy (-4.6% momsa). For the first four months of 2019, manufacturing growth slipped 0.2% yoy (-2.7% yoy if biomedical manufacturing is excluded).
- **The main boost came from biomedical manufacturing whose output rose 11.2% yoy,** driven by both pharmaceuticals (+10.9% yoy) and medical technology (+12% yoy). Excluding biologics, manufacturing output still fell 2.1% yoy (+5.7% mom sa), suggesting that the recovery was not broad-based yet. Meanwhile, the chemicals cluster also expanded 1.9% yoy, aided by specialities and other chemicals even though petroleum and petrochemicals output continued to shrink.
- **Electronics output declined for a second month by 0.6% yoy,** albeit a smaller decrease compared to the -15.1% yoy seen in March. The cluster was weighed down by computer peripherals (-18.1% yoy) and data storage (-7.0% yoy) which offset growth in the semiconductor (+0.3% yoy), infocomms & consumer electronics (+1.3% yoy) and other electronics modules and components (+12.5% yoy). **Accordingly, the precision engineering cluster also underperformed** with output falling 10.4% yoy, amid weakness in machinery & systems (-20.6% yoy).
- **The other manufacturing segments were also nothing to shout about in April.** The transport engineering cluster saw a 1.1% yoy decline in April, as marine & offshore engineering (-18.7% yoy) and land transport (-12.8% yoy) weakness offset growth in the aerospace segment (+16.3% yoy). The general manufacturing cluster similarly declined 1.1% yoy in April.
- **While April's print of 0.1% yoy is an improvement from the -0.5% yoy seen in 1Q19, it is still too early to tell if the positive manufacturing growth streak will last.** Note that the May 2018 base is relatively high at +13.0% yoy, so without an attendant stabilization or improvement in the electronic or other related clusters, 2Q19 manufacturing growth may not be fully out of the woods yet. More importantly, the recent manufacturing PMI prints for key trading partners like the US, Eurozone, Germany and Japan remained soft at 50.6, 47.7, 44.3 and 49.6 (<50 denotes contraction territory) respectively in May amid the ongoing escalation in US-China trade tensions,

Treasury Research
Tel: 6530-8384

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

which does not bode well for the near-term momentum. Singapore as a small open economy remains sensitized to any external trade headwinds.

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