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**Industrial production tanked amid a dismal July
NODX****Friday, 26 August 2016**

- S'pore industrial production tanked by 3.6% yoy (-4.0% mom sa) in July, below our estimate of -0.7% yoy (-1.9% mom sa) and market consensus forecast of +0.8% yoy (+0.3% mom sa), albeit the June print was revised up from -0.3% yoy (-2.5% mom sa) to +0.6% yoy (-1.5% mom sa). This marked the second yoy contraction reading this year (the first being February 2016).
- This disappointing July IP dataset followed a dismal July NODX print as well - as we flagged in our morning report, the earlier July NODX slump was likely a harbinger of weakened business confidence impacting demand post-Brexit.
- The electronics output was the silver lining and posted the second consecutive month of double-digit improvement at +16.2% yoy, as the semiconductor industry (+34.0% yoy) outshone the other electronics industries which continued to shrink.
- Elsewhere, the other clusters generally performed weaker across the board, including chemicals (-3.2% yoy), precision engineering (-4.9% yoy), biomedical (-9.7% yoy, dragged down by a 14.1% decline in pharmaceuticals), general manufacturing (-10.2% yoy) and transport engineering (-21.8% yoy, with marine & offshore engineering continuing to fall 33.4% yoy amid the low oil prices).
- Excluding biomedical, manufacturing output slumped 2.0% yoy (-4.8% mom sa) in July. This brought the manufacturing performance to -2.5% yoy for the first seven months of this year. Given the tepid external demand conditions, we tip 3Q16 domestic manufacturing growth to contract by 1.7% yoy, reversing the short-lived +1.1% yoy growth blip seen in 2Q16.

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