

## Singapore

3 April 2024

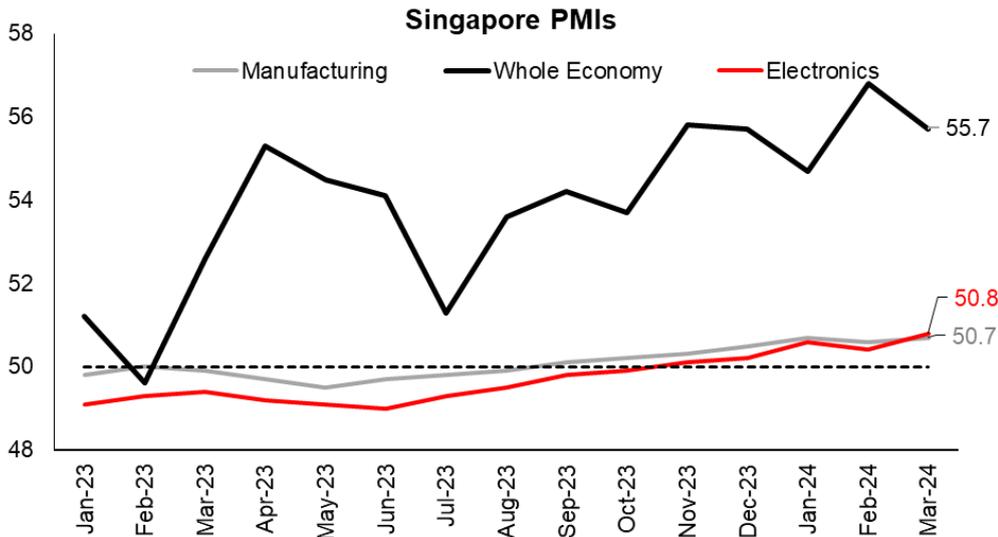
### S'pore's manufacturing and electronics PMIs gained traction in March, pointing to a supportive 2Q growth outlook

#### Highlights:

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- **The manufacturing and electronics PMIs accelerated to 50.7 (+0.1 point) and 50.8 (+0.4 points) in March, suggesting that the February prints were a temporary blip** which were likely attributable to the Lunar New Year festive season. The March readings also marked the 7<sup>th</sup> and 5<sup>th</sup> consecutive month of expansion above the 50-threshold. The improvements were supported by faster expansions in new orders, new exports, input purchases and employment. That said, the manufacturing PMI saw imports, input prices and future business gauges moderate slightly March, whilst the supplier deliveries index remained in contraction for the 10<sup>th</sup> straight month, albeit the contraction pace narrowed. For the electronics PMI, the output gauge resurfaced to expansion territory after two months of contraction, alongside faster expansion in finished goods, imports, order backlog, and future business. Notably, the input price index had expanded for 11 consecutive months.
- The key observations are:
  - Singapore's March PMI readings bode well for growth prospects for 2Q24 after a slightly shaky start in the early part of 1Q24. The key support is driven by electronics, especially semiconductors, on the back of an uptick in global demand. The recent rally in chip stocks point to an AI-related boost to demand for both DRAM and NAND, and the demand story for AI memory chips should sustain in coming months.
  - The Red Sea tensions appear to have little impact on supplier deliveries, but the order backlogs are still restrained compared to the January 2024 prints, potentially implying that the external demand pickup is still less than broad-based outside of electronics.
  - The noticeable uptrend in the future business gauge for the electronics PMI is commendable, but that for the manufacturing PMI is less stellar in comparison. The contributing reasons for the latter could be the continued uncertainties arising from the geopolitical tensions and still elevated interest rate environment that was referenced to.
  - That said, Singapore's manufacturing sector should see its growth pace strengthen in 1H24, paving the way for a modest recovery back to positive growth territory for full-year 2024.

- Singapore’s PMI improvements are aligned to the regional manufacturing PMI picture** which also reinforce the expected modest improvement in the near-term outlook. For instance, China’s official manufacturing PMI reverted to expansion territory at 50.8 in March (previously 49.1), while the Caixin manufacturing PMI also accelerated further from 50.9 to 51.1. Meanwhile, those for Indonesia (54.2 versus 52.7), Taiwan (49.3 versus 48.6) and Thailand (49.1 versus 45.3) also improved, albeit South Korea (49.8 versus 50.7), Malaysia (48.4 versus 49.5) and Vietnam (49.9 versus 50.4) were a tad softer.



Source: S&P Global, SIPMM, OCBC.

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