

S'pore industrial production in April surprises at 13.0% yoy.

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Highlights

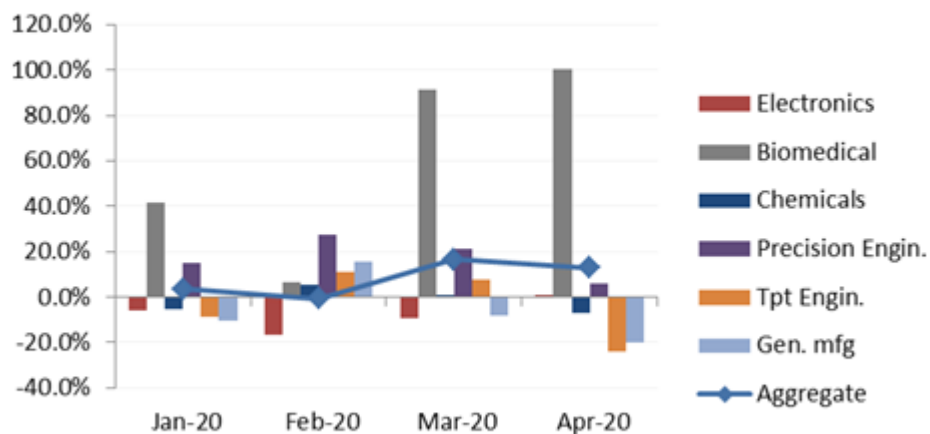
Singapore industrial production surprisingly rose a staggering 13.0% yoy in April (consensus: -1.0% yoy), despite the circuit-breaker measures in place. A 100.5% yoy increase in biomedical manufacturing covered declines in other sectors, notably in transport engineering (-24.1% yoy), general manufacturing (-20.2% yoy) and chemicals manufacturing (-6.8% yoy). We had initially expected a contraction of -2.6% yoy, but the extraordinary gains in the biomedical manufacturing tipped overall industrial production into expansion territory.

The other surprise lay in an expansion of the electronics manufacturing sector, which increased 0.8% yoy despite the circuit-breaker in April. While we noted that manufacturing has been listed as an essential service, we had expected softening external demand for electronic products to have dampened production of electronic parts. The normalisation of China's economy, as well as Taiwan and South Korea largely being able to control their Covid-19 outbreak domestically, probably meant the electronics supply chain experienced lesser disruptions than previously thought.

This is the second consecutive month that domestic industrial production saw a double-digit percentage increase yoy, supported almost single-handedly by the biomedical manufacturing cluster. Extraordinary gains in the biomedical manufacturing sector, however, cannot continue indefinitely. At some stage, we expect demand in the biomedical segment to mean-revert – potentially before the end of 2020. But with the coronavirus outbreak still far from stable globally and the growing threat of a second wave of infection, the biomedical sector is expected to continue leading overall industrial production into expansion territory.

The resilience in Singapore's industrial production has been extraordinary, to say the least. Although electronics still largely dominates Singapore's manufacturing landscape, the economy's diversification into the biomedical cluster has cushioned the economic fallout from the coronavirus. On a ytd basis, industrial production is up 8.3% yoy. The global economic situation remains highly fluid and demand for goods and services may yet take a dive in H2, but the cushion built from the first four months of 2020 has increased the odds that the domestic economy may narrowly escape a full-year contraction in its manufacturing sector.

Singapore Industrial Production, YoY%



Source: CEIC, EDB, OCBC Bank

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