S'pore's Mfg and electronics PMIs saw marginal improvement

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Highlights

- **Singapore's manufacturing PMI edged up slightly from 49.8 in July to 49.9 in August, but still marked the fourth straight month of contraction.** The improvement was led by new orders (50.3 versus 50.1) and factory output (50.4 versus 50.2), albeit new export orders slipped from 50.3 to 49.9 (contraction territory) and the order backlog gauge also contracted further for a 11th straight month to 49.7 from 49.8. In addition, the employment gauge also contracted for the third consecutive month, suggesting caution in hiring intentions amid the ongoing US-China trade war and dampened global growth prospects.

- **Meanwhile, the electronics PMI also improved by 0.1 point to 49.4 in August, but still registered the 10th consecutive month of contraction**. Notably, the new orders gauge improved slightly from 49.3 to 49.5 but stayed in contraction territory, but may be seeing some support from local demand. In contrast, the electronics output has shrunk for nine straight months, the new export orders gauge slipped further from 49.5 to 49.2 (lowest since January) and the order backlog gauge also contracted for sixteen continuous months. These likely reflected business concerns over the escalating US-China trade tensions which culminated in the latest round of tariff retaliation that kicked in from 1 September.

- **The regional manufacturing PMI picture remained very mixed as well in August, suggesting stabilization at best if not still modest slippage**. While China's Caixin PMI recovered from 49.9 in July to 50.4 (expansion territory) in August, they remained in contraction territory for South Korea (49.0 vs 47.3), Indonesia (49.0 vs 49.6) and Taiwan (47.9 vs 48.1). Meanwhile, those for Thailand (50.0 vs 50.3), Philippines (51.9 vs 52.1) and Myanmar (52.0 vs 52.9) kept their head above water for now.

- **Barring the materialization of the US-China face-to-face trade talks that are expected to resume in Washington later this month, there is little prospect of a near-term pick-up heading into the seasonal Christmas period.** Note the latest round of tariffs from 1 September which will hit mainly consumer goods including smart watches, flat screen TVs and footwear amongst others, whilst the next tranche of US' 15% tariffs on around the remaining US$180b of Chinese imports is also due in mid-December.

- **Assuming there is no further deterioration in the US-China trade relations, Singapore's industrial production may contract a less severe 2.1% yoy in 3Q19, compared to +3.2% yoy in 2Q19.** This may also mean the Singapore economy escapes a technical recession for now. Our full-year 2019 GDP growth forecast remains at 0-1% yoy.

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