OCBC TREASURY RESEARCH

Singapore

26 December 2019

S'pore's industrial production slumped 9.3% yoy in November

Selena Ling
Head of Research and Strategy
+65 6530 4887
LingSSSelena@ocbc.com

Highlights

S'pore's industrial production slumped 9.3% yoy (-9.4% mom sa) in November, significantly underperforming expectations for -0.8% yoy (-0.3% mom sa) according to the Bloomberg consensus forecast. This data also marked a return to contraction after two consecutive months of positive on-year growth and is also the largest decline registered since December 2015 (-11.9% yoy). Meanwhile the October reading was also revised lower to 3.6% yoy (+3.0% mom sa), down from the initial estimates of 4.0% yoy (3.4% mom sa). **This brought the first eleven months' manufacturing performance to -1.6% yoy, or -4.1% yoy excluding the biomedical cluster**.

The slump was driven mainly by electronics which contracted 20.9% yoy in November, reversing the 0.9% yoy growth seen in October, and reinforces the "fits and starts" recovery theme for global semiconductor demand. The main drags came from computer peripherals (-31.8% yoy) and semiconductors (-25.7% yoy) which more than offset growth in other industry segments like infocomms and consumer electronics (+29.8% yoy) and data storage (+23.1% yoy). Note both the domestic manufacturing and electronics PMIs had both improved to 49.8 and 49.7 respectively in November, from 49.6 and 49.3 in October, but stayed shy of the 50 expansion threshold for now, suggesting that a clear turnaround for the sector was not on the cards yet. Notwithstanding the Phase 1 of the US-China trade agreement, the road ahead for the manufacturing and electronics recovery may remain bumpy.

Adding to the weakness was the biomedical cluster whose output also fell 10.3% yoy in November, due to a plunge in the output for pharmaceuticals (-12.7% yoy) and medical technology (-4.3% yoy). This is also the first yoy contraction in the biomedical cluster since September 2018 (-9.7% yoy). The contraction in the pharmaceutical output was attributed to a different mix of active pharmaceutical ingredients and biological products produced, but is illustrative of the volatility inherent in the biomedical cluster. Excluding the biomedical cluster, the manufacturing output decreased 9.0% yoy (-8.4% mom sa) in November.

Outside of the key electronics and biomedical clusters, the other manufacturing segments did not fare so badly. Namely, the precision engineering output rose 9.7% yoy, lifted by the machinery & systems segment (+10.6%yoy) amid increased activity in front-end semiconductor equipment and mechanical engineering work, as well as higher output in optical products and other metal precision components. Output for the transport engineering cluster also grew 2.1% yoy last month, as a strong aerospace performance (+15.3% yoy) led by repair and maintenance job pipeline from commercial airlines which offset lower land (-1.9% yoy) and marine & offshore (-10.4% yoy) segments.

The November manufacturing output data was clearly a negative surprise to the recent green shoots theme developing in the global and regional economic landscape. We tip 4Q19 GDP growth estimates, which are due on Thursday 2 January 2020, to come in around 0.2% yoy (-1.6% qoq saar). This implies that the full-year 2019 GDP growth could be around 0.5% yoy, which is at the lower end of the official growth forecasts. This assumes that despite the much larger than expected November manufacturing output slump, the December manufacturing output could stabilize around -2.5% yoy and 4Q19 manufacturing growth could materialise at -2.7% (which is worse than 3Q19's -0.9% yoy print but less severe than 2Q19's -2.9% yoy). Our 2020 GDP growth forecast for the Singapore economy remains at 1-2% yoy, predicated on a modest manufacturing recovery with the services and construction sectors providing the growth bulwark. Since global monetary policy accommodation appears to have largely run its course for now, the onus will turn to fiscal policy stimulus to come to the rescue of tepid demand conditions. For Singapore, the upcoming 2020 Budget will also be a key focus.

Treasury Research & Strategy

Macro Research

Selena Ling
Head of Research & Strategy
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Wellian Wiranto
Malaysia & Indonesia
WellianWiranto@ocbc.com

Terence Wu
FX Strategist
TerenceWu@ocbc.com

Howie Lee
Thailand, Korea & Commodities
HowieLee@ocbc.com

Carie Li
Hong Kong & Macau
carierli@ocbcwh.com

Dick Yu
Hong Kong & Macau
dicksnyu@ocbcwh.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com

Seow Zhi Qi
Credit Research Analyst
ZhiQiSeow@ocbc.com

Co.Reg.no.:193200032W