

S'pore's manufacturing and electronics PMIs improved in January, but may not sustain in coming months should travel and quarantine curbs upend regional supply chains and impact business and consumer confidence in the interim.

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Highlights

Singapore's manufacturing PMI rose for the second month by 0.2 points to 50.3 in January, marking its second month in expansion territory after six straight months in contraction territory. This came amid improved new orders, new exports, output, inventory, finished goods, imports and order backlog gauges, suggesting a more broad-based uptick. The sustained improvement in the manufacturing PMI should bode well for the manufacturing sector that had contracted in 2019 amid the US-China trade war and weak global electronics demand.

The electronics PMI also finally popped its head back into expansion territory at 50.1 in January after 14 consecutive months in contraction. This was attributed to first-time expansions in new orders, new exports, factory output and order backlog gauges, which suggested a further stabilization for the industry ahead. However, the electronics inventory, finished goods and deliveries gauges saw some slippage compared to December readings, albeit they stayed above the key 50 handle.

The January manufacturing and electronics PMI readings for January 2020 also reaffirmed the firmer tone in the latest Business Expectations survey which showed a net weighted 12% of manufacturers and 23% of electronics firms anticipate a stronger 1H20 business outlook. This is a sharp turnaround from the survey three months ago which showed that a net weighted 5% of manufacturers and 7% of electronics firms were expecting a deteriorating outlook for 4Q19-1Q20. In particular, the most upbeat industry was electronics led mainly by semiconductors (net weighted +36% from -7% previously), whereas there was some softening in the computer peripherals & data storage industry (+6% versus +15% previously), infocomms & consumer electronics (+13% versus +3% previously) and the other electronic modules & components remained very bearish (-57% versus -65% previously). Outside of electronics, the transport engineering

cluster turned more upbeat at +15% (from +5% previously, followed by precision engineering (+8% from -12% previously), biomedical (+7% from +10% previously as pharmaceuticals softened from +115% to +9%), chemicals (+7% from -14%), whereas the general manufacturing industries still lagged at -4% (albeit an improvement from -11% previously).

Note that for the Asian manufacturing PMIs, the January prints were already wobbling. The slippage was most stark for Malaysia (fallen back into contraction territory at 48.8 from 50.0 previously), South Korea (also slipped back to contraction at 49.8 from 50.1 previously), and Thailand (also declined back to contraction at 49.9 from 50.1 previously), whereas a softening was also apparent for Japan (Jibun: 48.8 versus 49.3), China (Caixin: 51.1 versus 51.5) and Vietnam (50.6 versus 50.8). Only Myanmar (52.7 versus 52.0), Philippines (52.1 versus 51.7), and Taiwan (51.8 versus 50.8) actually defied the drag of the coronavirus outbreak.

Going forward, the key to watch will be the supplier deliveries index which both slipped 0.1 point in January to 50.7 for the manufacturing sector and to 50.4 for the electronics sector. While this could be partly due to the factory closures for the Chinese New Year festive holidays, nevertheless the widening Coronavirus outbreak coupled with the travel restrictions and quarantine orders for affected Chinese workers may only start to show up more significantly in subsequent data and some caution may be warranted if there is any cascading effects into the rest of the economy. For instance, a reported 30,000 work pass holders of Chinese nationality who had left Singapore over the Chinese New Year break have not returned, which may imply some staffing issues, albeit it is unclear if the services firms may be more affected. If there are any disruptions to the regional supply chains due to the coronavirus outbreak, this may also potentially have a domino effect on the domestic manufacturing and electronics PMIs to sustain their uptick in coming months.

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