

S'pore's manufacturing growth suggests tentative signs of stabilization in April

Friday, May 24, 2019

Highlights

- **Manufacturing output surprised by expanding 0.1% yoy in April, reversing the 4.3% yoy decline seen in March.** In on-month terms, manufacturing also grew 2.4% mom sa in April after two months of contraction. This beat the Bloomberg consensus forecast for -3.5% yoy (-1.4% mom sa) and our expectation for -5.4% yoy (-4.6% momsa). For the first four months of 2019, manufacturing growth slipped 0.2% yoy (-2.7% yoy if biomedical manufacturing is excluded).
- **The main boost came from biomedical manufacturing whose output rose 11.2% yoy,** driven by both pharmaceuticals (+10.9% yoy) and medical technology (+12% yoy). Excluding biomedical, manufacturing output still fell 2.1% yoy (+5.7% mom sa), suggesting that the recovery was not broad-based yet. Meanwhile, the chemicals cluster also expanded 1.9% yoy, aided by specialities and other chemicals even though petroleum and petrochemicals output continued to shrink.
- **Electronics output declined for a second month by 0.6% yoy,** albeit a smaller decrease compared to the -15.1% yoy seen in March. The cluster was weighed down by computer peripherals (-18.1% yoy) and data storage (-7.0% yoy) which offset growth in the semiconductor (+0.3% yoy), infocomms & consumer electronics (+1.3% yoy) and other electronics modules and components (+12.5% yoy). **Accordingly, the precision engineering cluster also underperformed** with output falling 10.4% yoy, amid weakness in machinery & systems (-20.6% yoy).
- **The other manufacturing segments were also nothing to shout about in April.** The transport engineering cluster saw a 1.1% yoy decline in April, as marine & offshore engineering (-18.7% yoy) and land transport (-12.8% yoy) weakness offset growth in the aerospace segment (+16.3% yoy). The general manufacturing cluster similarly declined 1.1% yoy in April.
- **While April's print of 0.1% yoy is an improvement from the -0.5% yoy seen in 1Q19, it is still too early to tell if the positive manufacturing growth streak will last.** Note that the May 2018 base is relatively high at +13.0% yoy, so without an attendant stabilization or improvement in the electronic or other related clusters, 2Q19 manufacturing growth may not be fully out of the woods yet. More importantly, the recent manufacturing PMI prints for key trading partners like the US, Eurozone, Germany and Japan remained soft at 50.6, 47.7, 44.3 and 49.6 (<50 denotes contraction territory) respectively in May amid the ongoing escalation in US-China trade tensions,

Treasury Research
Tel: 6530-8384

Selena Ling
Tel: 6530-4887
LingSSSelena@ocbc.com

which does not bode well for the near-term momentum. Singapore as a small open economy remains sensitized to any external trade headwinds.

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W