

**S'pore's industrial production rose a better-than-expected 1.2% mom (-6.9% yoy) in June, but resident and citizen unemployment rates continued to soften slightly**

Friday, July 26, 2019

**Highlights:**

- **S'pore's industrial production rose 1.2% mom sa (-6.9% yoy) in June**, beating market consensus expectations of -0.8% mom sa (-8.5% yoy) and our forecast of -1.2% mom (-8.9% yoy). Moreover, the May industrial output growth was also revised higher to -0.1% mom sa (-2.0% yoy) from -0.7% mom sa (-2.4% yoy) estimated earlier. That said, the 6.9% yoy decline in manufacturing output is still the worst yoy performance since December 2015. Excluding biomedical manufacturing, output fell 2.9% mom sa (-9.9% yoy), which suggested that the improvement in the biomedical cluster was a contributing reason.
- **Biomedical output grew 5.0% yoy in June**, but the expansion pace has been slowing from the double-digit growth pace seen in 1Q19. This is also reflected in pharmaceuticals which saw output increase by 5.3% yoy in June, supported by biological products, albeit this is still down from 17.8% in May.
- **Electronics output plunged 18.8% yoy in June**, marking the fourth straight month of contraction and also a deterioration from May's 10.8% yoy decline. Weakness was seen across all electronics segments, including computer peripherals (-23.9% yoy) and semiconductors (-21.8% yoy), with the key exception of data storage which rebounded 30.0% yoy (May: -10.4% yoy).

Treasury Research

Tel: 6530-8384

Selena Ling Siew Sing

Tel: 6530-4887

LingSSSelena@ocbc.com

- **Surprisingly, precision electronics eked out a small positive growth of 0.3% yoy** in June, breaking multiple months of contraction and seemingly in defiance of the electronics weakness amid higher output in semiconductor foundry equipment and refrigeration systems. The general manufacturing cluster also saw 10.8% yoy growth in output, led by growth in the beverage products. The transport engineering cluster also shrank 14.2% yoy in June, dragged down by the marine and offshore engineering industry (-33.3% yoy) amid lower offshore and shipbuilding & repairing activities.
- **At this juncture, we would hesitate to call a bottom to the manufacturing slump**, pending the outcome not just for the US-China trade war and Huawei issues, but also the uncertainty whether Japan will remove South Korea from its white list of trusted export destinations.
- **For the labour market, the unemployment rate was steady at 2.2% in 2Q19 and retrenchments fell to 2,300 (-24% yoy)**. However, there are some tentative signs of softening in hiring intentions – while firms have turned cautious in fresh hiring, nevertheless they are not stepping up retrenchments. Total employment (excluding FDW) moderated to 4,000 in 2Q19, which is 38% lower than the same period a year ago and also the lowest print since 1Q18. **Moreover, the resident and citizen unemployment rates also continued to edge higher by 0.1% points to 3.1% and 3.2% respectively (the highest since 3Q17 and 2Q17)**, albeit this could be partly due to more entrants into the workforce ahead of the economic uncertainties.
- **While services remained the key driver of employment creation (+3,400 excluding FDW)**, driven by Information & Communications, Professional Services, SCPS and Financial Services, this was offset by the drag in Retail Trade. Manufacturing employment also contracted for the third straight quarter, suggesting that the addition of 3,500 jobs in 3Q18 was a temporary blip and that the ongoing US-China trade and tech war may continue to weigh on the near-term hiring outlook for this cluster. This reinforces our view that any deterioration in the domestic labour market is likely to be relatively restrained as services firms will have to weigh the current growth soft patch against the DRC tightening measures that will kick in from January 2020.

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 and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W