

Upside surprise for August industrial production

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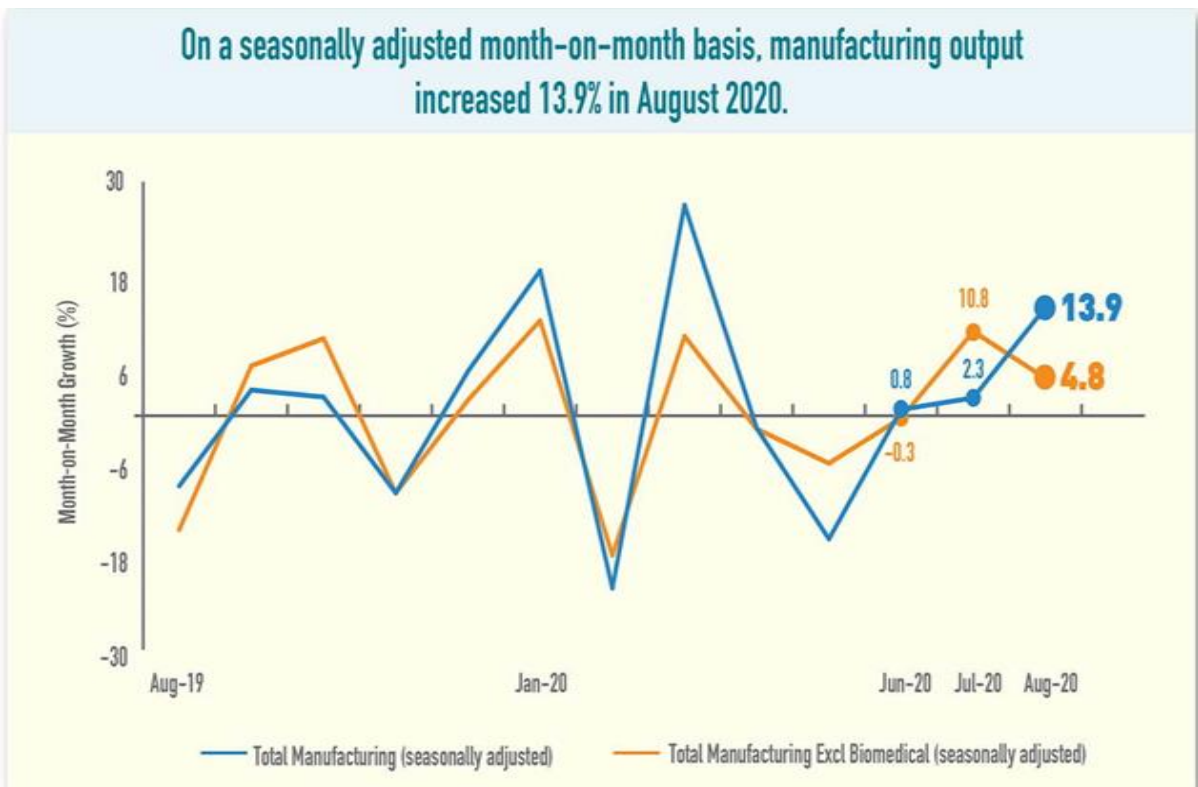
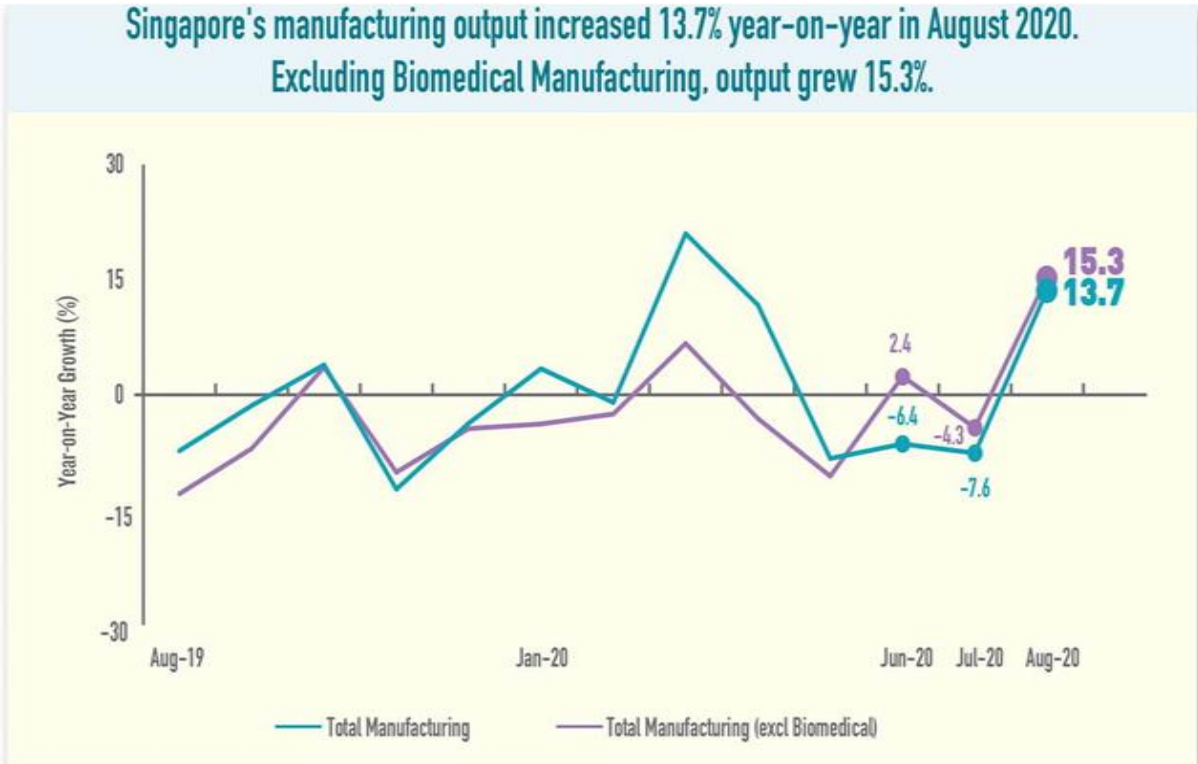
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Highlights:

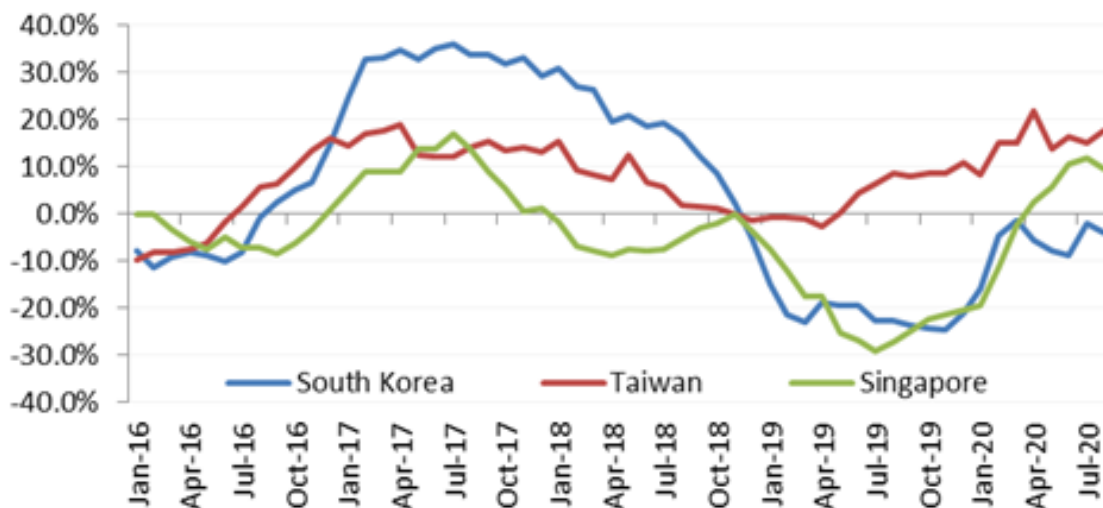
A very stellar performance was seen in August when manufacturing output rose 13.7% yoy (13.9% mom sa). This exceeded both market and our expectations, and was aided by an electronics outperformance, which was partly due to a low base last year but also contributed by the semiconductors segment due to the increased demand for cloud services, data centers and 5G services. In tandem, the precision engineering industry also benefited from higher production of related semiconductor equipment, while the biomedical cluster also continued to see higher output of medical instruments and pharmaceuticals. Excluding biomedical cluster, manufacturing output still expanded 15.3% yoy (4.8% mom sa) in August.

This manufacturing and electronics growth prints, which are the strongest since March 2020 and October 2017 respectively, bodes well for the recovery story for the S'pore recovery in 3Q20. Even assuming a more modest industrial production growth data in September 3Q manufacturing growth is now likely to be positive at 2.5% yoy (versus the earlier expectation for -0.5% yoy), which will also lift our 3Q20 GDP growth contraction from -7.1% yoy to -6.5% yoy accordingly. Our sense is that the uptick in the global electronics demand will likely sustain in the coming months as this improvement trend is apparent across other key regional manufacturing hubs including Taiwan and South Korea. As such, we have pencilled in a healthy electronics output growth for the remaining four months of 2020, which may lift our full-year 2020 manufacturing growth forecast from 2.5% to 3.5% yoy.



(Source: EDB)

Electronics Exports YoY%, 3mma



Source: CEIC, OCBC Bank

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