## Singapore

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

# April industrial output surprised on the upside at 6.2% yoy.

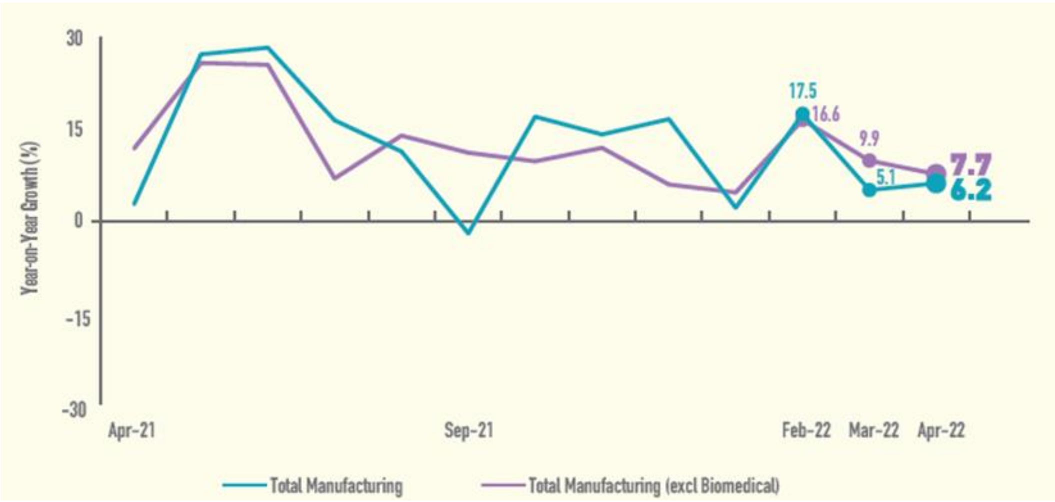
**Highlights:**

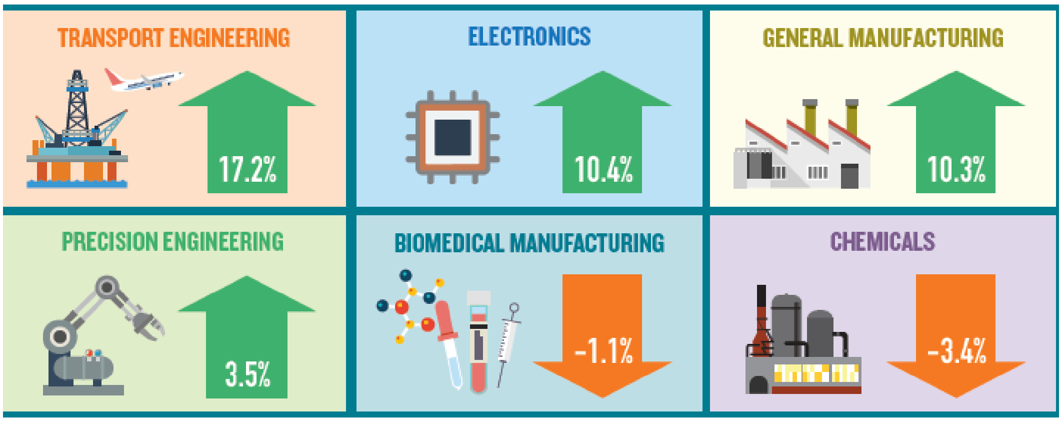
**April industrial output surprised on the upside at 6.2% yoy (2.2% mom sa)**, boosted by transport engineering, electronics and general manufacturing output and in spite of weakness in biomedical (-1.1% yoy, mainly due to the drag from pharmaceuticals which fell 11.3% yoy) and chemicals (-3.4% yoy weighed down by petrochemicals amid plant maintenance shutdowns and soft regional demand). This is an improvement from the upwardly revised March performance of 5.1% yoy (-11.2% mom sa) and suggests that any immediate spillover effects from China's Covid-related lockdowns, growth slowdown and supply chain disruptions has been muted so far. Excluding biomedical manufacturing, industrial output contracted for the second straight month by 1.8% mom sa in April.

**Singapore's manufacturing sector has been boosted by the robust global chip demand and improved aerospace MRO activities** on the back of strong demand from 5G and data centres amid the global chip shortage as well as the lifting of air travel restrictions that have contributed to a surge in commercial airlines positioning for revenge travel respectively. These latter two factors should sustain in the coming months. Even the general manufacturing segment is benefiting from higher output of beverage products, milk products and animal feed which have been seeing increased demand.

**The main segment that has underperformed recently is the biomedical sector**, namely pharmaceuticals which could be possibly attributable to more countries treating Covid as endemic and hence waning the demand for test kits etc. The pharmaceutical sector output is notoriously volatile while the base is relatively high until August 2021, hence the pharmaceutical underperformance could continue for the next few months. The pharmaceutical industry output has declined 6.3% yoy in the first four months of this year.

**Given that the first four months have recorded healthy manufacturing output growth, even if manufacturing momentum tapers in the coming months, there may be a slight upside risk to our full-year 2022 manufacturing growth forecast of 3.8% yoy.** However, I would prefer to await for another 1-2 months of data for confirmation since the China slowdown story in 2Q and the global supply chain disruptions, partly attributable to the Russia-Ukraine conflict, as well as the aggressive monetary policy tightening by major central banks like the FOMC are still in play. Note that MTI had narrowed the 2022 GDP growth forecast from the original 3-5% to the lower half of the range at 3-4% yesterday despite the upward revision in 1Q GDP growth estimates.


30
15
0
-15
-30
Year-on-Year Growth (%)
17.5
16.6
9.9
5.1
7.7
6.2
Apr-21
Sep-21
Feb-22
Mar-22
Apr-22
Total Manufacturing
Total Manufacturing (excl Biomedical)


TRANSPORT ENGINEERING
17.2%
ELECTRONICS
10.4%
GENERAL MANUFACTURING
10.3%
PRECISION ENGINEERING
3.5%
BIOMEDICAL MANUFACTURING
-1.1%
CHEMICALS
-3.4%

Source: EDB

# 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

**Howie Lee**
*Thailand & Commodities*
HowieLee@ocbc.com

**Herbert Wong**
*Hong Kong & Macau*
herberthtwong@ocbcwh.com

## FX/Rates Strategy

**Frances Cheung**
*Rates Strategist*
FrancesCheung@ocbc.com

**Terence Wu**
*FX Strategist*
TerenceWu@ocbc.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

**Toh Su N**
*Credit Research Analyst*
Tohsn@ocbc.com