Singapore

24 October 2025

Singapore's industrial production surprised with red-hot growth momentum in September!

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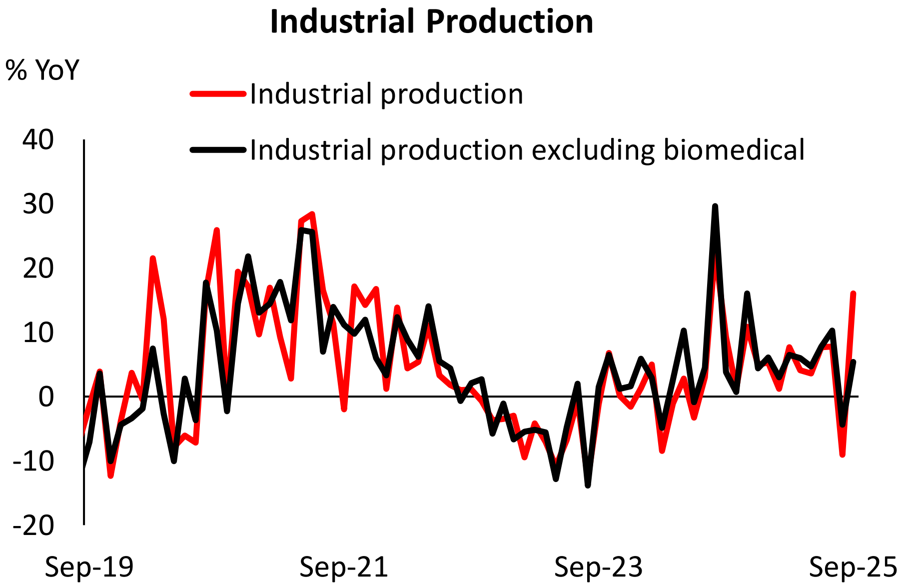
- Singapore's manufacturing output surged to 16.1% YoY, up from -9.0% in August surpassing consensus forecast of 0.5% and our forecast of 2.5% YoY.
- This brought 3Q25 manufacturing growth from the 0% YoY (initially estimated in the advance 3Q25 GDP growth estimates) to 5% YoY, which also implies that 3Q25 GDP growth could also see a significant upgrade from 2.9% YoY to 4% YoY.
- Even assuming that 4Q25 growth momentum tapers as US reciprocal tariffs start to weigh, full-year GDP growth may overshoot the 3% YoY handle to come in around 3.3% YoY.

Huge upside surprise as Singapore's manufacturing output surged 16.1% YoY (26.3% MoM sa) in September, beating the Bloomberg consensus forecast of 0.5% YoY (8.7% MoM sa) as well as our forecast of 2.5% YoY (10.3% MoM sa). This was also a big turnaround from the disappointing August data which was revised to -9.0% YoY (-11.0% MoM sa) from initial estimates of -7.8% YoY (-9.7% MoM sa). Given the wild swings in the August and September IP data, it may make sense to average the two months performance to 3.7% YoY, which is still lower than the same period last year (15.5% YoY). This brought 3Q25 manufacturing growth from the 0% YoY (initially estimated in the advance 3Q25 GDP growth estimates) to 5% YoY, which also implies that **3Q25 GDP growth could also see a significant upgrade from 2.9% YoY to 4% YoY.** If this materialises, this would also elevate the 1Q-3Q25 GDP growth from 3.9% to 4.2% YoY. **Even assuming that 4Q25 growth momentum tapers as US reciprocal tariffs start to weigh, full-year GDP growth may overshoot the 3% YoY handle to come in around 3.3% YoY.**

The September manufacturing upside was largely thanks to a big snapback in pharmaceuticals and also double-digit YoY growth in electronics and transport engineering. Excluding biomedical, IP is more muted at 5.4% YoY (0.8% MoM sa). Hard to tell how much of this surprise surge is due to front loading ahead of potential pharmaceutical tariffs and/or due to new mix of ingredients production lines. Global pharmaceutical companies are likely trying to strike some deals with the U.S. to lower their tariffs if they commit to investments and/or on shoring of production in the U.S. In addition, it is possible that sectoral tariffs, whether on pharmaceutical or semiconductors, may not be as punitive as what the headlines may suggest.

Outside of the biomedical sector, other clusters that performed in September were electronics (13.2% YoY due to infocomms & consumer electronics, other electronics modules & components and semiconductors), transport engineering (13.8% YoY aided by aerospace due to ongoing activity in aircraft parts and maintenance, repair and overhaul jobs from commercial airlines). On the contrary, precision engineering cluster contracted for the second consecutive month by 5.9% YoY in September, weighed down by machinery & systems (namely reduced production of front-end semiconductor equipment), whilst general manufacturing industries also shrunk for the 9th straight month by 4.7% YoY mainly dragged down by food, beverages & tobacco (namely lower output of beverage and coca products).

The irony is that despite US tariffs, Singapore's manufacturing sector may actually outperform in 2025 vis-a-vis 2024! Jan-Sep25 manufacturing growth is already 5.0% YoY, compared to 3.2% for same period last year, and that is without accounting for the low base in 4Q24. It's possible we will get some payback in terms of a moderation in manufacturing in coming months when sectoral tariffs, such as on pharmaceutical or semiconductor, materialise, but increasingly global affected firms are also adjusting to recalibrate their supply chains and potentially leveraging on Singapore's relatively lower tariffs imposed by the U.S. and as they negotiate with the U.S. on lowering tariffs by pledging to onshore some production/investments to the U.S.



Source: EDB, CEIC, OCBC.

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