

Singapore

26 August 2024

July industrial production rose 1.8% YoY (10.1% MoM sa), close to our forecast for 2.1% YoY (10% MoM sa)

Highlights:

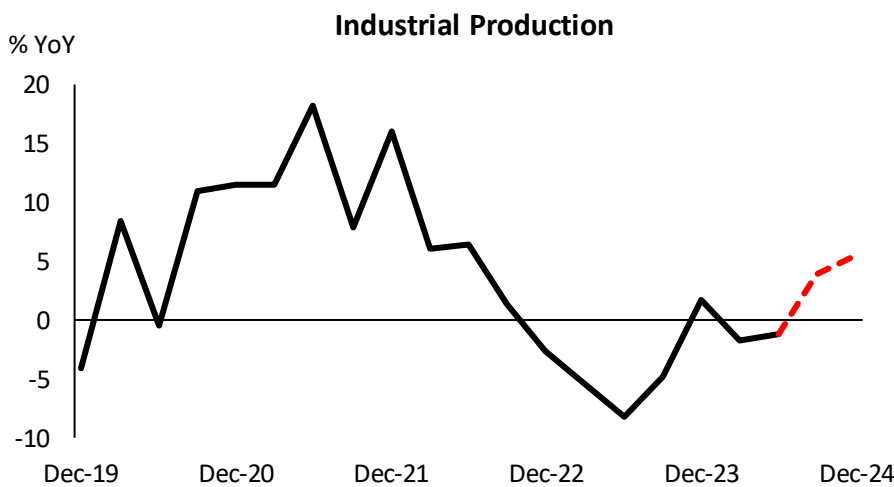
- **Manufacturing output rose 1.8% YoY (10.1% MoM sa), close to our forecast for 2.1% YoY (10% MoM sa).** This was higher than Bloomberg's consensus forecast of 0.2% YoY (5.0% MoM sa), and also a sharp rebound from June's downwardly revised -4.3% YoY (-4.3% MoM sa). Excluding biomedical, manufacturing output actually rose 3.4% YoY (4.1% MoM sa). For the year-to-date 2024, manufacturing output is still down 1.0% YoY, but would have expanded 3.4% YoY if biomedical is excluded.
- **The outperforming cluster in July was transport engineering (13.3% YoY),** led by aerospace (21.7% YoY) amid higher demand for aircraft parts and maintenance, repair and overhaul (MRO) activities, as well as land (16.5% YoY), whereas marine & offshore engineering fell 1.2% YoY. This was followed by the general manufacturing cluster (7.3% YoY), aided by food, beverages & tobacco (8.4% YoY). Meanwhile, the electronics cluster also reverted to positive growth in July with 2.8% YoY, following a 6.7% contraction in June, with the soft spot in semiconductors appearing temporary at this juncture, whilst the computer peripherals & data storage segment continue to power ahead with 34.9% YoY growth. In tandem, the precision engineering cluster also eked out 0.7% YoY growth in July, after contracting in May and June, as precision modules & components did slightly better.
- **The main drag was again biomedical manufacturing which shrank 17.4% YoY,** attributable to weakness in pharmaceuticals (-27.4% YoY) as well as medical technology (-1.6% YoY) amid the changeover in active pharmaceutical ingredients being produced for the former and lower export demand for medical devices for the latter. In fact, the biomedical cluster had been contracting YoY since March 2024. With global Covid vaccinations having peaked, market attention has turned to growth of specialty products, chronic condition and weight-loss medicines. While Asia is still likely to see pharmaceuticals output and sales growth, it is likely to be lower than in previous years. That said, the global Mpox outbreak may be worth watching given that the World Health Organisation head Tedros has called for USD135mn over the next six months to combat it.

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- **Our 2024 full-year manufacturing forecast remains at 1.8% YoY**, assuming that the sector continues to expand around 3.8% YoY in 3Q24 and 5.5% YoY in 4Q24. Given the low base in August 2023 (-12.9% YoY which was the worst month last year), which was mainly due to electronics (-21.2% YoY), August 2024 manufacturing performance should improve further on a YoY basis. Note that 2023 manufacturing output had already contracted 4.2% YoY. According to SEMI, global electronics sales are set to rebound in 3Q24 by 4% YoY (9% QoQ) as AI-fuelled demand continues to boost IC sales growth and the market is preparing for a broader surge in 2025. That said, the ongoing strategic rivalry between US and China could potentially see noise levels ratchet higher in the run-up to the US presidential elections in November. US national security adviser Jake Sullivan will be travelling to China on 27-29 August to meet with Chinese Foreign Minister Wang Yi.



Source: EDB, CEIC, OCBC. Note: Dotted line represents OCBC forecast

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