

Friday, 26 June 2009

Flash Notes

Singapore: Manufacturing Expands on Year After 7 Months of Consecutive Declines

Singapore's manufacturing output grew for the second time in May, following a revised 0.4% y/y growth in April. This growth of 2% y/y comes after 7 consecutive months of decline (since Sep last year), surpassing market expectations of a 3% contraction y/y. Month-on-month, however, manufacturing still shrank 1.6%, on a seasonally adjusted basis. The uptick in manufacturing came largely from a surge in pharmaceutical output, which grew 138.6% y/y, due to a higher production of active pharmaceutical ingredients and a low base last year. We think pharmaceutical production – which tends to be volatile and depends on sector dynamics- while still wobbly, is improving, and will continue to show y/y increase for the coming months ahead, due to the low base of last year. But excluding biomedical production, the contraction in the manufacturing sector would have shown a steeper decline, of 17.7%/y/y in May, from -15.4% in Apr. The contraction in output for other segments such as precision engineering, general manufacturing and chemicals continued to shrink, but at a smaller pace. Transport engineering, however- the only sector which previously expanded, declined 8.1% compared to 14.3% in Apr. This was mainly due to the mix of projects and the various stages of completion.

Electronics production, which have been showing smaller declines, contracted more sharply in May. Production shrank 22.3% y/y, compared to the revised 21.8% contraction in Apr. Declines though, have moderated steadily every month from a sharp -43% y/y in Jan, to -24.2% in Apr. May's steeper drop was due to lower production of computer peripherals, data storage and infocomms & consumer electronics. We think though, that electronics will continue to see its contractions narrow in the coming months. Given that the overall Singapore Purchasing Managers' Index (PMI) has expanded in May, and that the electronics sector grew for the second consecutive month, this bodes well for manufacturing output on the whole. As we have mentioned before, Singapore's exports seem to be benefiting from the global inventory restocking process, and this will have a positive impact on manufacturing production here as well boosting exports for the next few months ahead. But whether this can be sustained will be a cause for concern since real demand in the key NODX markets of US, EU and China has not yet come back. We think the pickup of industrial production here will likely be slow and patchy, with some months showing improvements, but other months declining. Until consumers in the US and EU start spending again-which might not happen till well into 2010, we will not see Singapore's manufacturing sector recovering conclusively.

May Industrial Production (y/y%)				
	VA Share (%) 2008	Mar-09	Apr-09	May-09
Industrial Output	100	-32.8	0.4	2.0
Electronics	26.3	-34.3	-21.8	-22.3
Biomedical Manufacturing	22.2	-51.9	69.3	120.4
Pharmaceuticals	19.7	-54.5	78.7	138.6
Chemicals	10.2	-22.4	-21.7	-17.0
Precision Engineering	14.0	-27.7	-25.6	-23.6
Transport Engineering	16.1	0.5	14.3	-8.1
General Manufacturing	11.2	-12.0	-9.0	-8.8
Source: EDB				

Disclaimer: This analysis is based on information available to the public. Although the information contained herein is believed to be reliable, UOB Group makes no representation as to the accuracy or completeness. Also, opinions and predictions contained herein reflect our opinion as of date of the analysis and are subject to change without notice. UOB Group may have positions in, and may effect transactions in, currencies and financial products mentioned herein. Prior to entering into any proposed transaction, without reliance upon UOB Group or its affiliates, the reader should determine, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of the transaction and that the reader is able to assume these risks. This document and its contents are proprietary information and products of UOB Group and may not be reproduced or otherwise.