

Wednesday, 26 August 2009

Flash Notes

Singapore: Manufacturing Posts Strongest Growth Rate in 16 Months on Pharmaceutical Production

Singapore's manufacturing output unexpectedly jumped in Jul on the back of strong pharmaceutical production. Industrial production grew 12.4% y/y (consensus: -1%, UOB: -1.9%) and 23% on a m/m s/adj basis, (consensus: +8%, UOB: +8%), reversing a 9% y/y contraction in Jun. Excluding the volatile biomedical component, industrial production would have declined substantially more, by 7.4% y/y. Pharmaceutical production soared 139% y/y, but the other major component of manufacturing-electronics, also put up a decent improvement, with the rate of contraction of 5.6% y/y, the least in almost a year.

Most categories of electronics posted a moderation in its declines, but computer peripherals managed the strongest rebound, expanding 44.5%, compared to the 20.7% contraction in Jun. We expect electronics to continue its growth trend, as evidenced by the Singapore Purchasing Managers' Index (PMI) for electronics having been in gradual expansion since Apr. This trend is likely to continue for the rest of the year, boding well for increased output. As for other segments, such as chemicals, and precision engineering, these saw smaller y/y declines than the previous month. Transport engineering however, shrank at the same pace as before, while general manufacturing saw a sharper contraction.

Industrial production should continue to edge higher in the coming months ahead as a result of the low base last year. The surge in Jul's data sets a positive tone for the 3Q, and looks likely to boost full year GDP. We are still keeping to our full year forecast of -5% for now, with the possibility of an upward revision.

July Industrial Production (y/y%)				
	VA Share (%) 2008	May-09	Jun-09	Jul-09
Industrial Output	100	2.2	-9.0	12.4
Electronics	26.3	-22.9	-19.2	-5.6
Biomedical Manufacturing	22.2	121.8	10.0	125.4
Pharmaceuticals	19.7	140.2	12.0	139.2
Chemicals	10.2	-17.4	-9.8	-2.3
Precision Engineering	14.0	-22.7	-17.2	-16.6
Transport Engineering	16.1	-8.5	-10.9	-10.2
General Manufacturing	11.2	-7.9	-0.6	-4.8
Source: EDB				

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