

Singapore Manufacturing Output Held Up By Biomedical and Transport Engineering

Singapore IP rose 13.8%/y/y (Mkt: 15.0% ; UOB: 10.0%) in August, moderating from 22.1% surge in July. With the exception of precision engineering, all the other clusters rose in August. The headline growth continued to be held up by robust biomedical manufacturing and transport engineering which registered growth of 49.4%/y/y and 19.5%/y/y respectively. This was within expectation given strong pharmaceutical exports in the month (Aug NODX data was released last week). However, it will become increasingly difficult for transport engineering to outperform given the high base. The chemical cluster was boosted by petrochemical output which saw growth surging to 27.7%/y/y due to low base in August 2006 when some plants shut down for maintenance works.

Electronics output continued to recover, with growth picking up to 5.6%/y/y in Aug from 1.7% in Jul. Semicon output was sustained at 8.6%/y/y vs 9.7% in July. Data storage (+5.0%/y/y) and infocomms & consumer electronics segments (+7.6%) showed signs of bottoming-out in August after 19 consecutive months of contraction. Basis effect and iPhones launch in early 2008 will support electronics sector outlook going forward. However, the recovery process is likely to remain gradual given the uncertainties in the US economy. The SEMI book-to-bill ratio has stayed at 0.83 in Jul and Aug, suggesting fragile outlook ahead.

For the first 8 months of the year, IP has risen by 9.3%/y/y. This suggests manufacturing output growth could come in closer to 8.0% for the full-year compared to our earlier forecast of 7.5%. On a s/adj basis, IP fell 13.7% m/m in Aug, payback after the 26.3% jump in July.

Positive Growth in Most Clusters						
	VA share (%) (2006)	2006	2Q07	Jun 07	Jul 07	Aug 07
		% y/y change				
Industrial Output	100	11.9	8.3	-7.5	22.1	13.8
Electronics	28.8	4.5	1.3	-1.8	1.7	5.6
Chemicals	13.9	1.7	2.8	3.7	-2.5	6.4
Precision Engineering	12.6	9.1	-1.2	-1.5	3.7	-4.0
Transport	11.2	32.1	31.2	31.0	31.5	19.5
General Manufacturing	8.9	6.4	8.6	5.0	9.0	7.8
Biomedical Manufacturing	24.6	22.4	11.0	-45.7	77.6	49.4
Pharmaceuticals	22.4	26.6	8.4	-52.5	83.0	52.6

Source: EDB