

Monday, 26 October 2009

Flash Notes

Singapore: Manufacturing Slumped More Than Expected on Pharmaceutical Production

Singapore's manufacturing output showed a contraction after 2 consecutive months of double-digit growth and came in lower than expectations. Industrial production shrank 9.1% m/m on a s/adj basis, (consensus: -7.2%, UOB: -8%), and contracted 7.7% y/y (consensus: -1.1%, UOB: -3%). The decline was largely due to a 15.2% drop in pharmaceutical production, which reverses prior months' growth rates of 107.8% and 177% in Aug and Jul, respectively. Excluding the volatile biomedical component, industrial production would have been flat on a m/m basis and declined 5.8% y/y. The electronic segment continued to improve with contraction moderating to 1.1% y/y from -6.4% y/y in Aug. Most categories of electronics posted lessening declines, except infocomms & consumer electronics, which contracted more sharply at 27.4% vs -22.9% in Aug. All other manufacturing clusters fared worse in Sep, with chemicals, precision engineering, and transport engineering output shrinking faster than the previous month.

With manufacturing growth for the 3Q now at 6.6%, instead of 8.3% in the 3Q advance estimates by MTI, 3Q GDP should be tracking 0.3% growth, rather than the 0.8% projected in the advance estimates. This is assuming that the growth rates of other sectors such as construction and services remain unchanged. As mentioned previously, the spectacular growth rates of the pharmaceutical production might not be sustainable for the remainder of the year. Industrial production, however still looks likely to continue growing, albeit at low single-digit rates for the rest of the year, on account of improvement in the rest of the manufacturing clusters such as electronics. The Sep Singapore Purchasing Managers' Index (PMI) also reflects the slower pace of growth in the manufacturing sector, with the index just expanding slightly at 50.6, compared to a reading of 54.4 in Aug. We are still keeping our full year forecast of -3.3%, on account of lower manufacturing production due to slower pharmaceutical output for 4Q.

September Industrial Production (y/y%)				
	VA Share (%) 2008	Jul-09	Aug-09	Sep-09
Industrial Output	100	17.1	11.8	-7.7
Electronics	26.3	-5.9	-6.4	-1.1
Biomedical Manufacturing	22.2	159.0	97.7	-13.9
Pharmaceuticals	19.7	177.0	107.8	-15.2
Chemicals	10.2	-2.5	-4.8	-8.7
Precision Engineering	14.0	-17.6	-12.1	-14.3
Transport Engineering	16.1	-11.7	-5.6	-8.1
General Manufacturing	11.2	-3.6	-4.2	-3.8
Source: EDB				

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