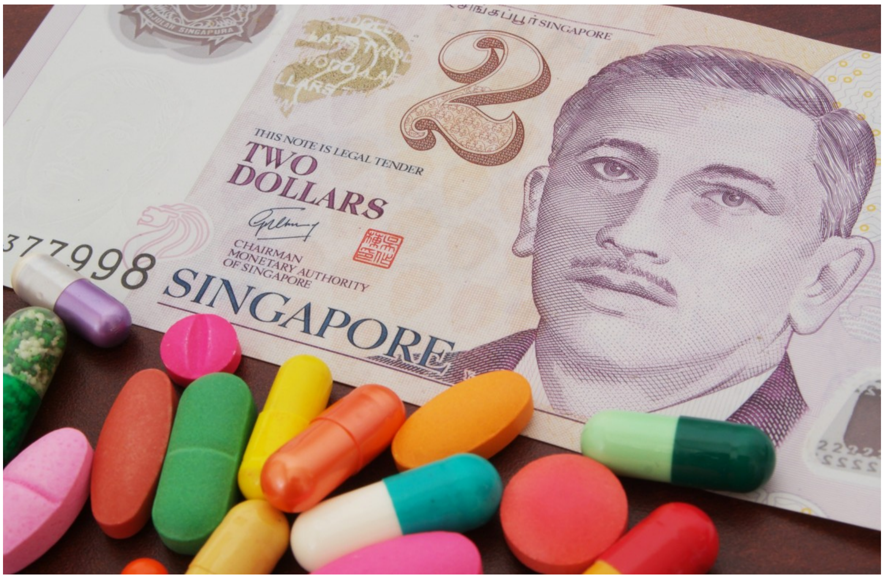
Singapore manufacturing surges 24% in September

The second wave of Covid-19 around the world threatens Singapore's export-led recovery. But such a strong manufacturing performance prompts us to upgrade our full-year growth forecast to -5.8% from -6.6%



24.2%

September industrial production growth

Year-on-year

Higher than expected

A huge upside miss, again

Singapore's industrial production surged by a whopping 24.2% year-on-year and 10.1% month-on-month (seasonally adjusted.

The growth was much faster than our estimates, +1.6% YoY and -9.3% MoM, which were derived from manufacturing growth in the initial 3Q GDP estimate released earlier this month. It's also much better than the +5.9% (-11.3% MoM) non-oil domestic export (NODX) growth in the last month.

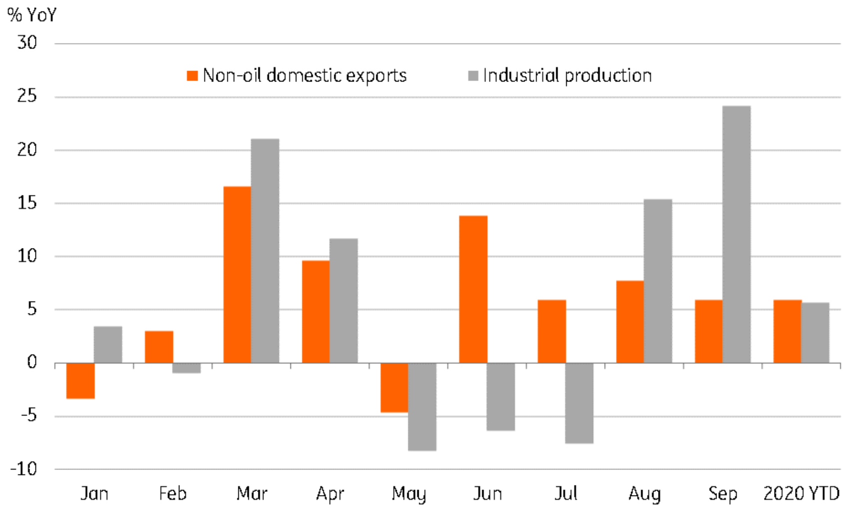
Meanwhile, the August industrial production growth was revised higher to 15.4% YoY from the initial reading of 13.7%. Two straight months of industrial production bounce reflects strong post-Covid manufacturing recovery.

What's behind it?

The electronics and pharmaceutical sector remained the star performers, building on their disproportionate benefits in recent months from an upswing in the global electronics cycle and the Covid-19 pandemic. The electronics sector grew by 30% YoY in September and 45% in August while the pharmaceuticals sector grew by 114% YoY and 10% respectively.

Precision engineering and transport followed on, though strong month-on-month bounces here fell short of pulling the year-on-year growth rates into positive territory. Chemicals including petrochemicals continued to be the weak spot in the overall manufacturing, which could be traced to lower global oil prices.

Year-to-date NODX and manufacturing performance



Source: CEIC, ING

Upward GDP revision

Year-on-year industrial production growth is closely correlated with manufacturing GDP growth, which according to the advance 3Q GDP estimate was +2% YoY. However, today's release brings 3Q IP growth of 10% YoY, which suggests the advance headline GDP growth number for the quarter of, -7% YoY, is prone to upward revision.

Assuming everything else remains constant, we estimate a GDP revision to –5.4% YoY. The final estimate is out in mid-November.

The second-wave of Covid-19 outbreak around the world threatens Singapore's export-led recovery. Even so, such a strong manufacturing performance prompts us to upgrade our full-year GDP growth view to -5.8% from -6.6%, putting it close to the top end of the government's forecast range, -7% to -5%.