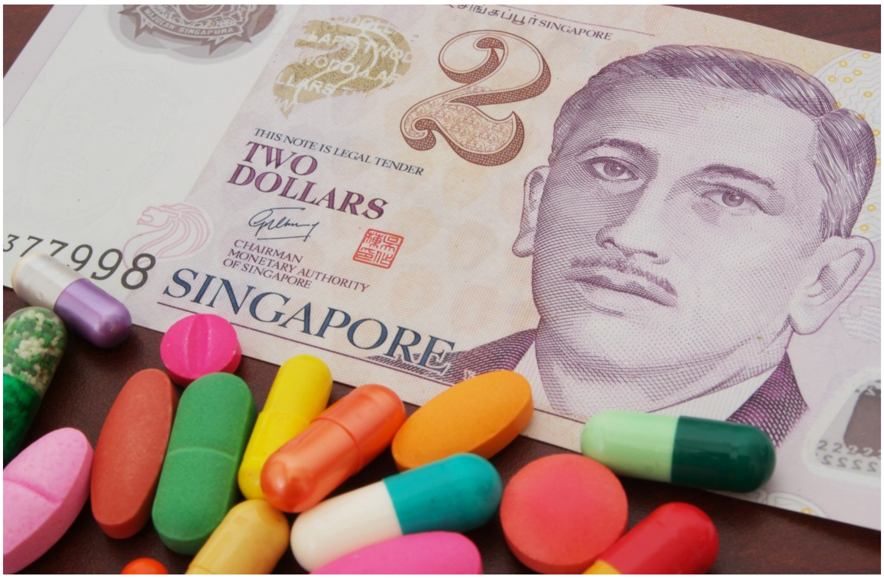
Singapore's amazing activity surge in March

The pharmaceutical sector is behind Singapore's manufacturing growth. Everything else is just so gloomy that we've decided to cut our forecasts



16.5%

March manufacturing growth

Year-on-year

Higher than expected

Confounding March data - but largely strong

Confounding the consensus of a 4.9% year-on-year fall, Singapore's industrial production surged by 16.5% in March. A seasonally-adjusted 22% month-on-month bounce.

This comes on the heels of an 18% YoY (13% MoM SA) surge in non-oil domestic exports (NODX) last month. Yet, all this is in stark contrast with a rather grim picture painted by the manufacturing PMI posting which posted a sharp decline in March, led by a plunge in output and new export order

PMI components to the lows since the global financial crisis.

Pharmaceuticals - make hey while the sun shines

Unsurprisingly though, if there is anything left to support economic activity, it is healthcare and pharmaceuticals benefitting from a significant swelling demand.

Like NODX, pharma output was at the core of the March manufacturing surge. The output of the sector advanced by a whopping 127% over a year ago, more than offsetting contractions in other key manufacturing sectors of electronics and petrochemicals by 9% and 7%, respectively.

Among other positives were, precision engineering (up 21%) and transport engineering (up 8%). General manufacturing activity contracted 8% on the year.

1Q20 GDP – smaller fall than initial report

Obviously, the consensus of weak March manufacturing was derived from a -0.5% first-quarter manufacturing GDP growth in the advance GDP estimate for the quarter. However, the advance GDP estimate typically rests on data for the first two months in the quarter. And in the first quarter, March typically sees a bounceback from the Lunar New Year related slack in the first two months, although this time there was little hope of such an outcome given the pervasive economic gloom.

Therefore, -2.2% YoY advance GDP growth estimate clearly missed out the information about an unusual activity strength in the final month in the quarter. Based on today's figure, manufacturing in the first quarter was up by 6.6%, which on its own implies only 0.8% GDP contraction in 1Q, entirely coming from declines in construction and services output.

The final GDP estimate for the quarter is due in mid-May and that will inform about demand-side drags on GDP growth.

2Q20 GDP – going to be worse

The activity may have largely bypassed the Covid-19 pain in the first quarter, but, there is little reason for complacency as the economy is headed for a bigger dent in the current quarter than we earlier thought. The accelerated spread of the disease over last two weeks has forced an extended circuit-breaker until 1 June as announced earlier this week.

We have cut GDP growth forecast for 2Q to -6.8% YoY from -4.5% and for the full-year 2020 growth to -3.7% from -2.6% earlier.