

## Singapore's industrial production surges 14% in December

A 7.3% full-year industrial production growth rate in 2020 was an impressive result despite headwinds from the Covid-19 pandemic. Sustaining this performance in 2021 hinges on the pandemic abating and a continued positive semiconductor cycle. We're not expecting much in terms of policy support



# 14.3%

Singapore December IP growth  
year-on-year

Better than expected

### Manufacturing roars ahead

Singapore's industrial production staged another month of strong growth in December, surging by 14.3% year-on-year. This comes on top of an 18.7% jump recorded in November, which was revised higher from the 17.9% initial reading. A 2.4% month-on-month (seasonally adjusted) IP

growth followed a 7.5% growth in the previous month.

The report was better than our estimate of 13% YoY industrial production growth which was derived from manufacturing growth in the initial 4Q GDP estimate released earlier in January. It also beats the +6.8% YoY non-oil domestic export (NODX) growth in December.

## Electronics up, pharma down

The electronics' sector was the star performer, with a 41.8% YoY surge. And there's also more evidence of a positive global semiconductor cycle which appears to be in full swing with a 51% YoY bounce there

Balancing that were pharmaceutical, petroleum, communication, and transport sectors – all posting large year-on-year output contractions in December. A -23% YoY plunge in pharmaceuticals was a sharp negative swing from a 51% bounce in November, which could just be a blip given that the sector remains a disproportionate beneficiary of the pandemic.

## Upward 4Q20 growth revision

Year-on-year IP growth is closely correlated with manufacturing GDP growth, which according to the advance 4Q GDP estimate was +9.5% YoY. However, today's release brings 4Q IP growth of 10.3% YoY, which suggests the advance headline GDP growth number for the last quarter, -3.8% YoY, is prone to upward revision.

Assuming everything else remains constant, we estimate a slight upward GDP revision to -3.7% YoY. The final estimate is out in mid-February.

## What's in store in 2021?

A 7.3% full-year growth target in 2020 sets the manufacturing sector for outperformance in 2021. However, we're still cautious as Covid-19 maintains its rapid spread globally, while the vaccination drive has yet to gain full speed. This could mean continued sluggish global demand for Singapore's exports. Hope of a strong bounce back this year also rests on the positive semiconductor cycle keeping its current momentum.

Macro policy should remain accommodative, though we would imagine 2021 to be more a normal year for policy after a record stimulus in the last year 2020. We don't anticipate a significant policy boost coming from the FY2021-22 Budget scheduled on 16 February, nor any change to the Monetary Authority of Singapore's zero SGD-NEER appreciation policy path throughout the year.

That said, Singapore's should see an above-trend GDP growth this year, partly lifted by a low base year effect. Our GDP growth forecast for 2021 is 3.8%.