

# Singapore: A second month of production weakness threatens April MAS move

After falling 2.1%MoM in November, a 2.0%MoM decline in Singapore industrial production in December is not helpful to thoughts of an April MAS tightening of policy



Pills

## Production growth falls to -3.9%YoY in December

After the second month on month decline in the seasonally adjusted series, industrial production in Singapore is now 3.9% lower than it was a year ago. As recently as July, Industrial production in Singapore was running at 23.3%YoY in July 2017.

What has happened?

**-3.9%YoY**

Worse than expected

Industrial production

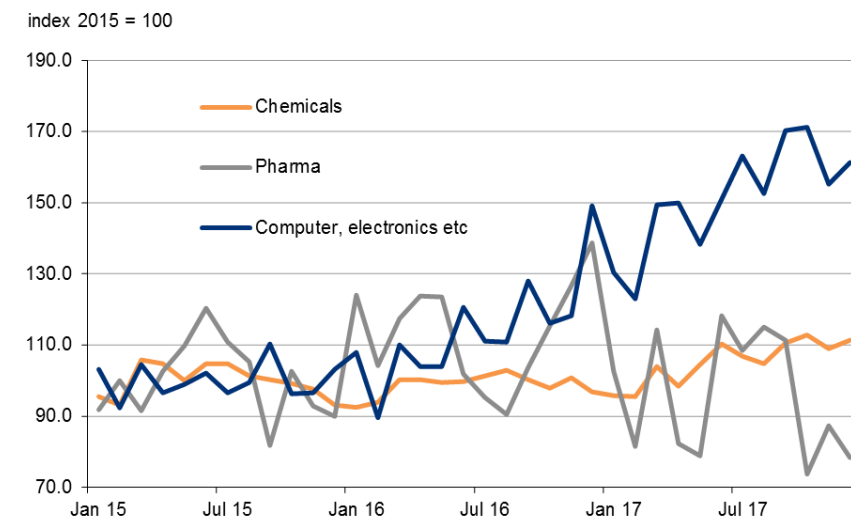
Recent high of 23.3%YoY in July 2017

## Pharmaceuticals weakness now offsetting electronics growth

When production was accelerating during 2017, electronics were in the driving seat and dominated the headline figures for production. Two things have now happened. Electronics growth has slowed - both a function of less supportive base effects, but also a genuine slowdown in the annualized rate of monthly production.

Meanwhile, pharmaceuticals growth, which had not been particularly strong during the earlier part of 2017, actually began to stage outright declines.

## Singapore industrial production - main items 2015 = 100



Singapore IP

## Inflation is also soft

If it were just industrial production, it wouldn't be so bad, but the indicators of household spending have also been on the soft-side, though admittedly retail spending picked up sharply in November. Non-oil domestic export growth has fallen to only 3.1%YoY, down from over 20% back in October. Inflation is low and showing few signs of picking up - although the Monetary Authority of Singapore is only forecasting a range of 0-1% inflation for 2018, so this is not yet a massive cause for concern.

With this fairly consistent picture of mediocre growth and very limited inflation, we are feeling very uncomfortable with our forecast for some monetary tightening from the MAS at their April meeting. If they don't move by then, they will likely have to wait until the October meeting, which seems a long time to wait. But April is getting nearer, and the run of data currently is making that call look overly optimistic.

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.