Singapore's manufacturing signals much weaker 2Q GDP

As Singapore's industrial production falls, we forecast a downward revision of 2Q GDP growth to -13.2% YoY from -12.6%

6.7%

June manufacturing fall

Year-on-year

Worse than expected

Downside manufacturing surprise

Singapore's industrial production for June fell by 6.7% year-on-year. The result was disappointing for the market looking for just a 2.6% YoY fall while at ING, we were expecting a -4.6% contraction. This is in stark contrast to the over 16% YoY non-oil domestic exports surge in June, although this was mainly due to favourable base effects rather than underlying strength.

Like NODX, the pronounced base effect was at work for industrial production too, but in an adverse way. The seasonally adjusted industrial production was little changed from its level in May (unadjusted IP surged 10% on the month).

Contrasting the headline IP growth pattern, electronics IP bounced 17% YoY but contracted 5% MoM. On the other hand, pharmaceuticals and transport posted large year-on-year declines (-37% and -34%) but were up month-on-month. And, chemicals suffered declines on both a yearly and monthly basis.

Downward 2Q GDP revision

Year-on-year industrial production growth is closely correlated with manufacturing GDP growth, which as per the advance 2Q GDP estimate was +2.5% YoY. However, today's release brings 2Q IP growth of -0.7% YoY, which suggests the advance headline GDP growth number for the quarter, -12.6% YoY, is at risk of being revised lower.

Assuming everything else as constant, we estimate a revision to -13.2% YoY.

As we have said earlier, this will be marked as the bottom of the current downturn, but recovery from here onwards will take time.

We don't anticipate any more macro-policy support ahead, including any change to the central bank's policy in October.