Singapore: May production keeps growth on track

Some further disappointment in electronics, but pharmaceuticals and chemicals provide some lift and keep GDP forecasts on track

2Q18 GDP on track for 3.8%YoY

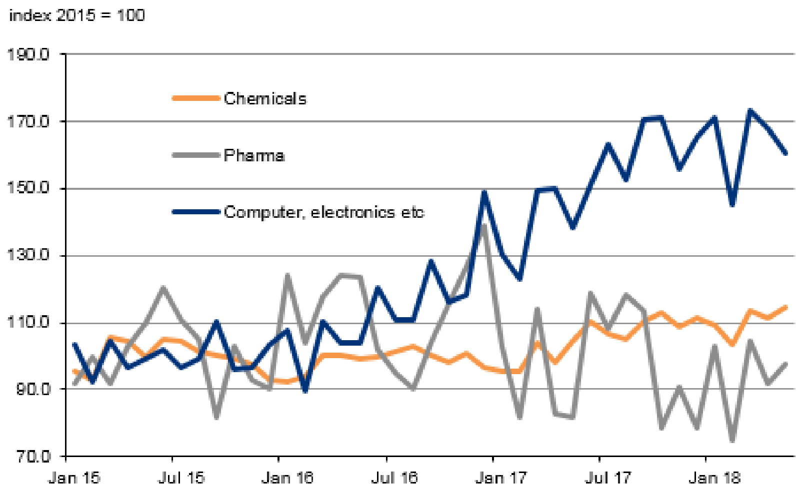
With the bulk of Singapore's GDP coming from manufacturing production, May's industrial production (IP) figures take us two-thirds of the way into the quarter, allowing for some rudimentary guesswork as to where full 2Q18 GDP will come out.

Once again, a somewhat disappointing result for the important electronics component was offset by better production in the chemicals and pharmaceutical industries. Biomedical equipment, in particular, seems to be outperforming within the broader pharmaceutical index.

What happens next month is a bit tricky, however. Normally, June sees outsize month on month increases across components, especially electronics, as manufacturers gear up production for the second half of the year in anticipation of gift giving seasons in the US and Europe. But there may be inventory overhangs in this sector, associated with product replacement cycles in things like mobile handsets. If we do get a bounce, then it may be smaller than in recent years, so year on year growth could shrink sharply.

Even so, with the aid of a wet-finger to guide some guesstimates for electronics, pharmaceuticals, and chemical production in June, we get figures consistent with 3.8%YoY GDP growth in 2Q18. With this likely to slow to the mid to low 2's in 3Qand 4Q18, that would leave 2018 GDP growth at 3.3%, in line with our existing forecasts.

Singapore production by main component



Source: CEIC, Bloomberg

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