

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

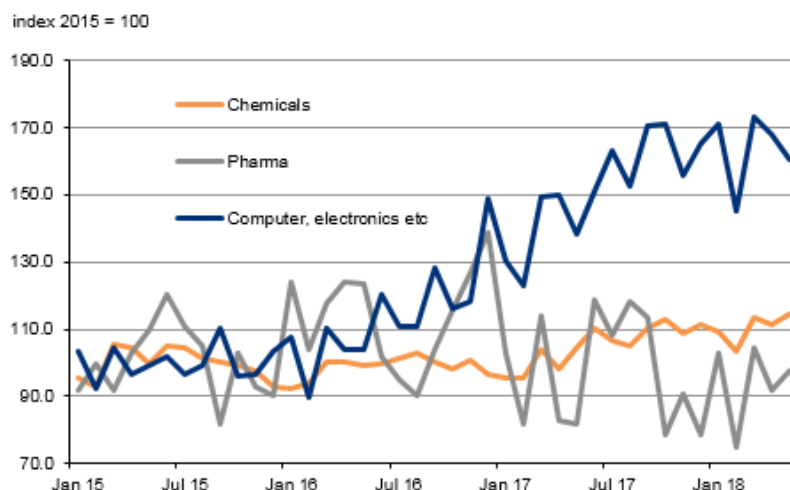
With the bulk of Singapore's GDP coming from manufacturing production, May's industrial production (IP) figures take us two-thirds of the way into the quarter, allowing for some rudimentary guesswork as to where full 2Q18 GDP will come out.

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

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

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>.