Singapore October production not as good as it looks

Year-on-year production growth looks impressive, but monthly production levels have barely grown in three months

Source: shutterstock

14.6%YoY production growth for Singapore in October looks pretty good. And even though it was a little lower than the consensus forecast of a 16.0% rise, we doubt there was much information content in the consensus view and this has to be regarded as a "near hit", despite some downward revisions to last months numbers.

Viewed in terms of actual output, however, three consecutive months of 1% or lower growth are less impressive, even taking into account the seasonality of these figures. And the helpful base effects stemming from 2016 production weakness will also soon drop out of the headline growth figures.

14.6%

Singapore Industrial production

Year-on-year growth

Worse than expected

Pharmaceuticals dreadful again

Although there were some impressive elements to the production total (petrochemicals +33.6%YoY, electronics +45.1%YoY) pharmaceuticals suffered another big drop (-36.1%YoY) and are weighing heavily on the total.

We expect electronics production to ease back in the coming months as product replacement cycles for communications devices mature and the production emphasis switches to finished handsets made elsewhere in the region. Unless pharmaceuticals stage a substantial recovery, we could be looking at much softer production figures in 2018, making it harder for the Monetary Authority of Singapore (MAS) to justify a shift to a less accommodative policy stance in 2018.

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