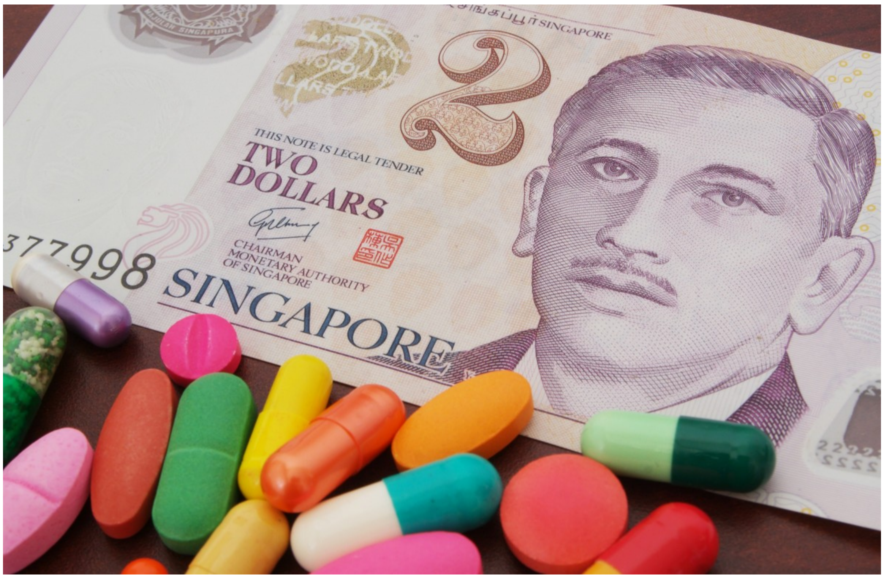
Singapore: Pharma boosts manufacturing in March

But with a significant downgrade to February's manufacturing data, 1Q18 GDP growth is likely to be revised down



5.9%

March industrial production growth

Year-on-year

Better than expected

Strong March, but big downgrade to February growth

Singapore's industrial production grew in March by 5.9% year-on-year, slightly better than expected. The consensus forecast for March was 5.7%. But there also was a sharp downward revision to February IP growth to 6.7% from 8.9%. The month-on-month (seasonally adjusted) IP growth of 0.3% was barely a clawback of February's 2.6% fall, which was revised from the initial estimate of a 0.5% fall.

The better March IP reading came despite weak non-oil domestic exports (NODX) in the month, with a 2.7% YoY and 1.8% MoM SA fall. The saving grace was a sizable month-on-month bounce in pharmaceutical and precision engineering output, both up 40%, and in marine/offshore engineering and miscellaneous manufacturing, each up 27%.

The 10% MoM growth in semiconductor output was a recovery from a 16% crash in February. Unlike Korea and to a smaller extent Taiwan whose semiconductor exports held up well in the first quarter of 2018 (up 45% and 10% YoY, respectively), Singapore's semiconductor exports contracted about 10% from a year ago. The prospects are clouded by the recent downgrade of sales revenue forecasts by key chipmakers in Asia and abroad.

Slight revision to 1Q18 GDP growth

March IP data indicates a slight downward revision of GDP growth in the first quarter. As per the advance estimate released earlier this month, GDP grew by 4.3% YoY in 1Q18. Based on today's data, we estimate a revision to 4.2%.