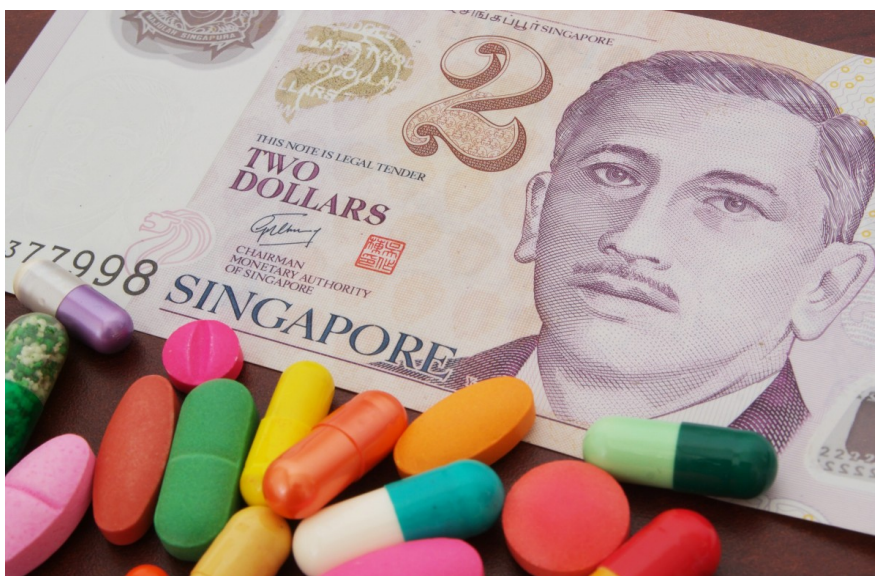


## Singapore production slows in September

After a good run in recent months, a decline in pharmaceuticals production of 11.1%YoY was not the only drag on Singapore's production growth in September. Semiconductor production also fell (the broader electronics category also registered falls), and petrochemicals fell 14.3%YoY worsening a 2.3% fall in August.

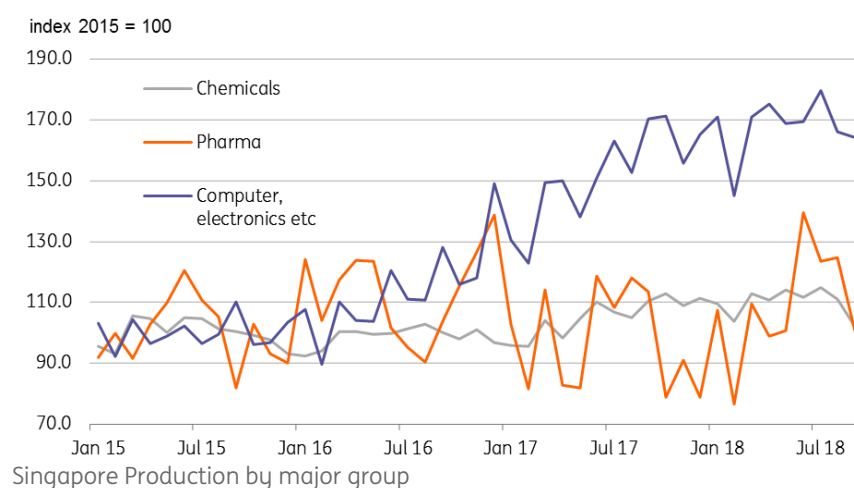


### Across the board declines spell a downgrade to GDP growth

The breadth of the weakness in September 2018 industrial production is surprising mainly in that it hasn't happened earlier. There have been clear signs of a slowdown in many production sectors in recent months, but until now, there has usually been one sector, or sometimes two, that put in a heroic performance and kept the overall index from slumping on the month.

But not this month. The big change was pharmaceuticals. This has been the clear outperformer this year, but it has finally dipped sharply. With few other sectors picking up the slack (a massive percentage leap in marine engineering is unfortunately too small in absolute terms to overturn the outcome) the result was a disappointing 4.9%MoM decline for a -0.2%YoY growth rate.

## Singapore industrial production by major group



### Consensus overestimated - now GDP will be revised lower

The consensus estimate for this figure had been a 3.5%YoY increase. Our own forecast was closer to the mark (ING f -1.0%YoY) which derived from the earlier softness of non-oil domestic exports, which provides an unreliable, but in this case accurate lead over the production figures.

Plugging in the new production data into our GDP estimates, we now think that the preliminary 2.6%YoY estimate for 3Q18 GDP will be revised down to 2.4%. Assuming that Singapore grows at a similar pace in 4Q18, we now see full-year growth of 3.3%, consistent with the MAS' forecast of growth for 2018 in the top half of a 2.5% to 3.5% range. However, next year, we anticipate growth slowing to only 2.2% as trade frictions bite.

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