

Singapore's manufacturing surpasses forecasts again in January

On the heels of strong exports growth, Singapore's manufacturing data confirms that the economy is off to a strong start in 2021, which provides more reason for the central bank to maintain its neutral policy stance in April



Source: Shutterstock

8.6%

January IP growth

Year-on-year

Higher than expected

Another upside manufacturing surprise ...

January turned out to be the third consecutive month that Singapore's industrial production growth surprised on the upside.

Coming in at 8.6% year-on-year, it was more than twice the consensus median growth estimate and faster than our 6.4% YoY forecast. December growth was revised higher to 16.2% YoY from the initial reading of 14.3%.

We are reviewing our -2.7% YoY GDP growth forecast for the current quarter and +3.8% FY21 growth forecast for a possible upward revision

The tapering of industrial production growth in January from the double-digit year-on-year surges in the previous two months is explained by a high base year effect, while the third straight month-on-month rise by 4.6% in January (up from 2.4% MoM rise in December) suggests that the underlying trend remains strong.

The non-oil domestic exports with about 13% YoY jump in January continued to be the main source of manufacturing strength. By product types, electronics have been the main driver of both exports and manufacturing growth, while pharmaceuticals and transport were dragging the recovery.

... heralds steady GDP recovery

The data confirms that Singapore's economy is off to a strong start in 2021 despite the pandemic weighing on the economic recovery in the region and the world. We are reviewing our -2.7% YoY GDP growth forecast for the current quarter and +3.8% FY21 growth forecast for a possible upward revision.

Meanwhile, the macro-policy has been accommodative enough for steady economic recovery this year. Released earlier this month, the government's FY21 budget underscored persistent fiscal policy support.

Singapore's central bank shift to a neutral monetary policy targeting zero appreciation of S\$-NEER a year ago has also served well for the export-driven recovery. There are no compelling grounds for them to change this policy stance in 2021.