

Singapore Economics

Strong Start to 2018 as Electronics Hit Record High

IP Rebounds on Semiconductors

Manufacturing maintained its strong momentum at the start of 2018. Industrial production (IP) surged in Jan-18 mainly on the back of semiconductors. IP expanded by +17.9% in January from a year ago, reversing the -3.4% fall in Dec-17. Excluding the volatile biomedical cluster, IP ex-biomed also rose by a healthy +21.6% (vs. +5.1% in Dec). All clusters registered positive growth in Jan and improved from the previous month, except for chemicals which moderated slightly.

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Electronics Reaches Another Historical High

Electronics continues to lead the manufacturing boom. Contrary to our expectations of a moderation in electronics due to a high base, electronics output surged by +32% (vs. +4.4% in Dec) on the back of semiconductors (+42%). Computer peripherals (+9.6%) and consumer electronics (+20%) strengthened, while data storage (-29%) and other electronic modules & components (-6.8%) continued to fall.

Precision engineering (+24%) and chemicals (+14%) continued their healthy growth with all segments recording output gains. General manufacturing rose by +11.6% on the back of food, beverages & tobacco (+18%).

Biomedical & Transport Engineering Rebounded

Biomedical manufacturing (+2.5%) returned to the black after three consecutive months of double-digit contraction, on the back of the surge in medical technology (+23%) and softer decline in pharmaceuticals (-3.9% vs. -37% in 4Q17). Transport engineering (+1.4%) also recovered from four straight months of decline as the gains in aerospace (+23%) and land transport (+18%) offset the continued fall in marine & offshore (-20%).

Maintain 2018 GDP at +2.8%, With Upside Risks

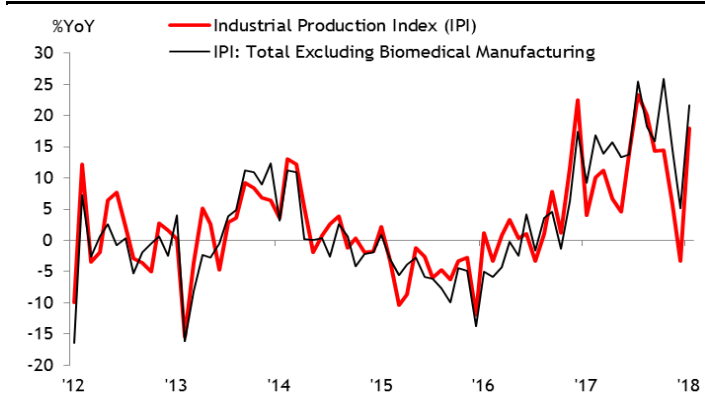
We maintain our view that both trade and manufacturing will moderate to single-digit growth in 2018 following the surge in 2017. High base effects will likely show up more visibly from March as the first two months of 2017 were relatively soft compared to the succeeding months. Services will likely contribute to a larger proportion of growth as the recovery broadens to domestically-oriented services sectors. Our GDP forecast for 2018 stands at +2.8%, with risk to the upside.

Table 1: Industrial Production Breakdown (% YoY)

	<u>Jul-17</u>	<u>Aug-17</u>	<u>Sep-17</u>	<u>Oct-17</u>	<u>Nov-17</u>	<u>Dec-17</u>	<u>Jan-18</u>	<u>2017</u>	<u>2016</u>
Industrial Production	23.3	20.1	14.4	14.5	5.7	(3.4)	17.9	10.1	3.7
Electronics	50.3	39.4	33.1	45.4	28.2	4.4	32.4	33.5	15.8
Biomedical Manufacturing	14.6	28.3	8.3	(25.0)	(23.2)	(34.5)	2.5	(9.3)	13.6
Chemicals	5.1	1.4	9.7	14.4	7.7	14.2	13.7	6.2	(1.0)
Precision Engineering	22.3	10.6	16.4	22.8	20.2	19.4	24.5	17.8	0.9
Transport Engineering	2.0	7.1	(13.5)	(3.3)	(7.4)	(10.5)	1.4	(6.9)	(17.2)
General Mfg. Industries	5.0	(0.6)	4.0	16.1	2.2	3.6	11.6	(1.6)	(2.4)
IP ex. Biomedical	25.5	18.2	15.8	25.8	14.4	5.1	21.6	15.3	1.3

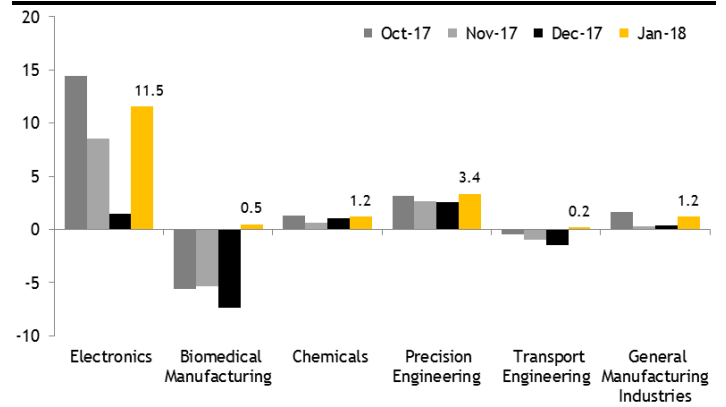
Source: CEIC, EDB, Maybank KE

Fig 1: IP Rebounds Strongly in Jan-18 Following Dip in Dec-17



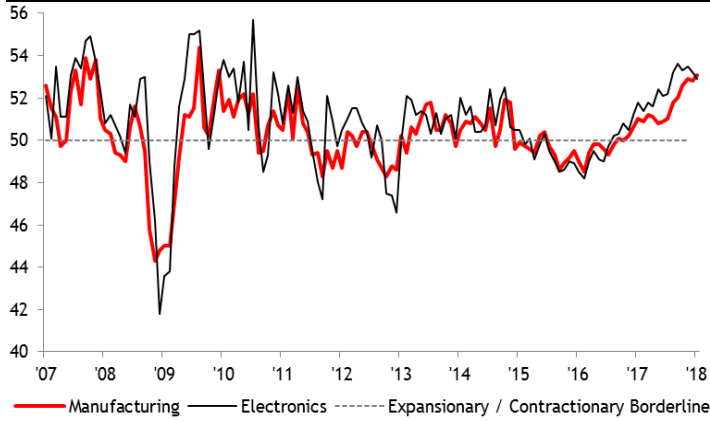
Source: CEIC, Maybank Kim Eng

Fig 2: Contribution to Growth by Clusters (ppts)



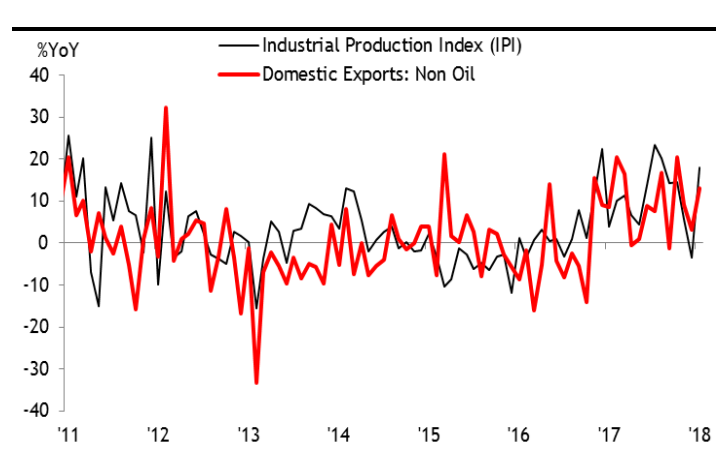
Source: CEIC, Maybank Kim Eng

Fig 3: Manufacturing Purchasing Manager Index (PMI) Still Rising on the Back of Non-Electronics



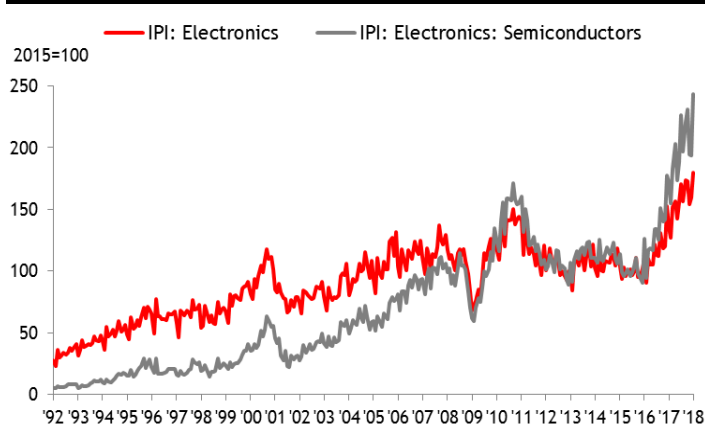
Source: CEIC, Maybank Kim Eng

Fig 4: Both Headline IPI and NODX Accelerated in Jan 2018



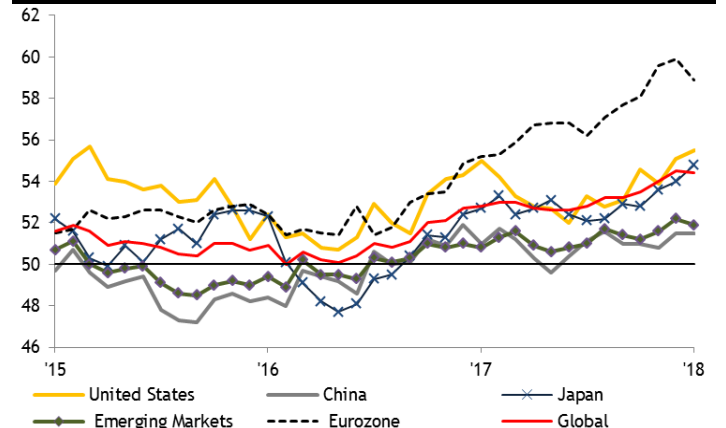
Source: CEIC, Maybank Kim Eng

Fig 5: Semiconductors and Electronics Reached Another Historical High in Jan-18



Source: CEIC, Maybank Kim Eng

Fig 6: Markit Manufacturing PMI Still in Expansion Phase for Most Countries/Regions



Source: CEIC, Markit, Maybank Kim Eng

Table 2: Manufacturing PMI

	<u>May-17</u>	<u>Jun-17</u>	<u>Jul-17</u>	<u>Aug-17</u>	<u>Sep-17</u>	<u>Oct-17</u>	<u>Nov-17</u>	<u>Dec-17</u>	<u>Jan-18</u>
Manufacturing	50.8	50.9	51.0	51.8	52.0	52.6	52.9	52.8	53.1
New Orders	51.4	51.6	51.9	52.7	53.1	53.7	54.1	54.3	54.7
New Export Orders	51.0	51.1	51.4	52.4	52.7	52.9	53.3	53.4	53.7
Production	51.7	51.8	52.0	53.1	53.3	53.8	54.4	54.1	54.9
Inventory	51.3	51.5	51.1	51.9	52.2	52.6	52.7	52.1	52.4
Stocks of Finished Goods	50.5	50.7	51.0	51.4	51.1	50.9	51.3	51.0	51.2
Imports	51.6	51.2	51.3	51.6	51.9	52.3	52.9	53.0	53.3
Input Price	50.3	50.1	49.8	50.2	50.1	50.8	51.6	51.8	51.1
Employment	49.7	49.5	49.3	49.8	50.3	50.7	50.9	51.0	50.8
Supplier Deliveries	51.1	50.5	50.4	49.6	50.1	49.4	49.3	49.6	49.7
Order Backlog	50.5	50.2	50.7	51.0	51.1	51.3	51.5	50.9	51.0

Source: CEIC, Maybank Kim Eng

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