

## Singapore Economics

# Manufacturing Resilient, Upgrade 2018 GDP to 3.1%

### Manufacturing On Track Despite CNY Effect

Manufacturing remained resilient (+8.9%), dispelling concerns after non-oil domestic exports contracted (-5.9%) in Feb. Industrial production expanded despite fewer working days in Feb this year because of the timing of Chinese New Year holidays, boosted by semiconductors. The softer electronics exports may however translate into weaker electronics output in coming months.

Industrial production (IP) expanded by +8.9% in Feb-18 from a year ago (vs. +16.9% in Jan) while IP ex-biomed also grew by a strong +9.1% (vs. +19.6% in Jan). For Jan/Feb combined to account for seasonal factors, IP and IP ex-biomed grew by +13% and +14.4% respectively, a strong start to 2018.

### Semiconductor Boom Continues

Electronics output remains the key driver despite our expectations of a moderation due to the high base. Electronics production accelerated by +17.4% (vs. +28% in Jan) on the back of semiconductors (+27%), but other major segments such as computer peripherals (+0.9%), consumer electronics (-9.1%), data storage (-22%) and other electronic modules & components (-24%) softened or declined. Precision engineering eased to a 16-month low of +3.4% (vs. +23% in Jan). Machinery & systems (+6.6%) was supported by higher demand for semiconductor related equipment but the precision modules & components segment fell (-1.6%) partly due to the holiday effect.

### Broad Based Growth Except for General Manufacturing

All clusters recorded gains in Feb except general manufacturing (-6.3%), which saw declines across all segments due to fewer production days. Chemicals (+8%) continued to rise on the back of petrochemicals (+17%) while biomedical manufacturing (+8.4%) was boosted by the increase in pharmaceuticals (+15%). Transport engineering (+5.4%) was supported by the surge in aerospace (+57%) due to higher volume of repair & maintenance work, but land transport (-11%) and marine & offshore (-29%) both declined.

### Raise 2018 GDP to +3.1% as IP Beats Expectations

We raise our 2018 GDP forecast to **+3.1%** (from +2.8%) given the upside surprise in manufacturing. First quarter GDP growth will be around 4%. The ongoing trade spat has not impacted Singapore's manufacturing growth as yet. With growth normalizing and core inflation risks, we expect MAS to normalize policy and shift to a "slight appreciation bias" at the Apr meeting.

Table 1: Industrial Production Breakdown (% YoY)

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	YTD2018	2017
Industrial Production	20.5	14.6	15.3	6.3	(2.4)	16.9	8.9	13.0	10.5
Electronics	39.4	33.1	45.4	28.2	6.5	28.3	17.4	23.0	33.8
Biomedical Manufacturing	30.8	9.7	(21.5)	(21.0)	(34.2)	5.7	8.4	7.0	(8.2)
Chemicals	1.4	9.7	14.4	7.7	14.2	14.0	8.0	11.0	6.2
Precision Engineering	10.5	16.4	22.8	20.6	19.9	23.2	3.4	13.7	18.1
Transport Engineering	7.1	(13.5)	(3.3)	(7.5)	(10.3)	0.8	5.4	3.1	(6.8)
General Mfg. Industries	(0.6)	4.0	16.4	2.5	4.1	11.6	(6.3)	2.8	(1.4)
IP ex. Biomedical	18.2	15.8	25.9	14.5	6.2	19.6	9.1	14.4	15.5

Source: CEIC, EDB, Maybank KE

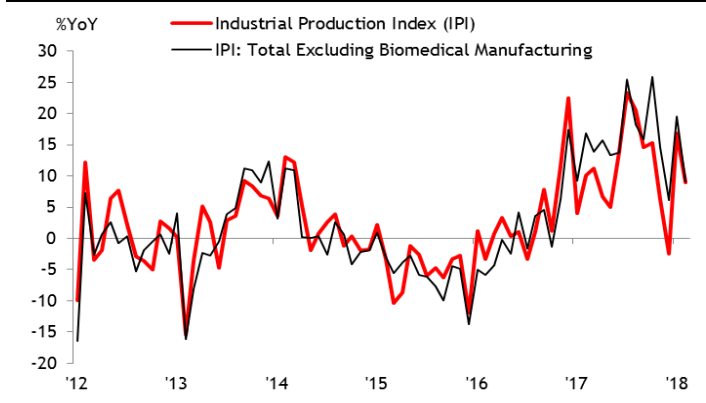
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#### Analysts

Chua Hak Bin  
(65) 6231 5830  
chuahb@maybank-ke.com.sg

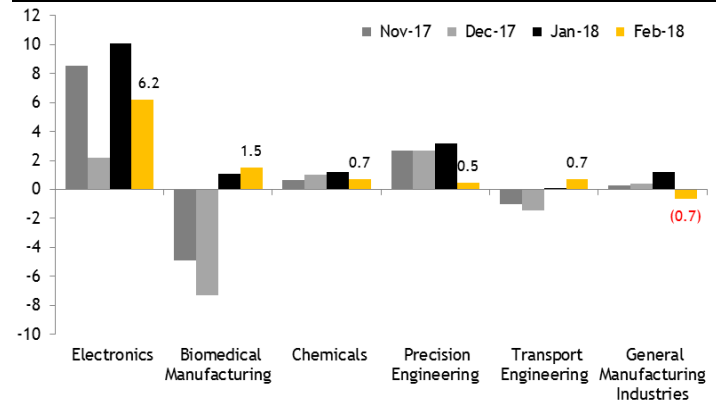
Lee Ju Ye  
(65) 6231 5844  
leejuye@maybank-ke.com.sg

**Fig 1: IP Maintains Strong Momentum in Feb-18 Despite Chinese New Year Effects**



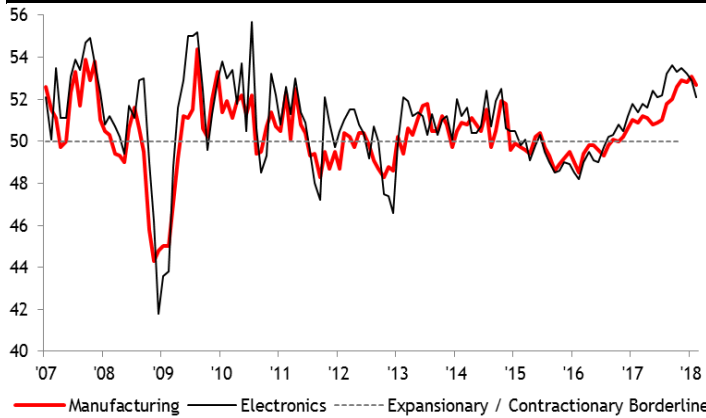
Source: CEIC, Maybank Kim Eng

**Fig 2: Contribution to Growth by Clusters (ppts)**



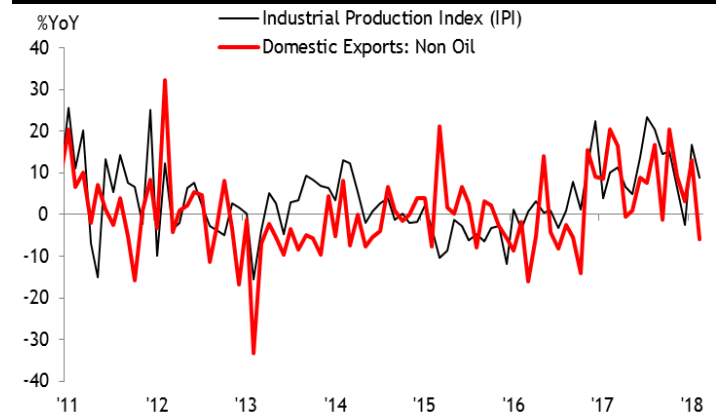
Source: CEIC, Maybank Kim Eng

**Fig 3: Manufacturing Purchasing Manager Index (PMI) Moderated in Feb-18**



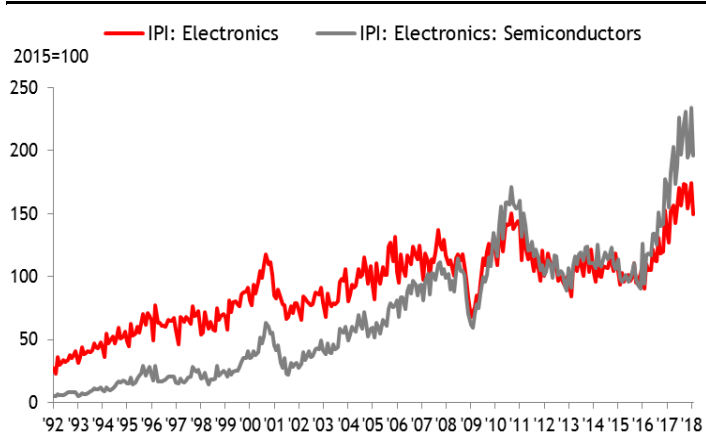
Source: CEIC, Maybank Kim Eng

**Fig 4: IP Sustained Growth but NODX Declined in Feb-18**



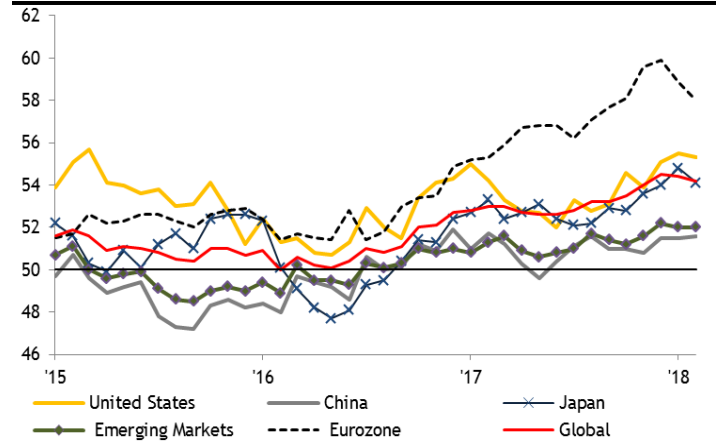
Source: CEIC, Maybank Kim Eng

**Fig 5: Semiconductors and Electronics Output Stay Strong in Feb**



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>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>	<u>Feb-18</u>
<b>Manufacturing</b>	50.9	51.0	51.8	52.0	52.6	52.9	52.8	53.1	52.7
New Orders	51.6	51.9	52.7	53.1	53.7	54.1	54.3	54.7	54.5
New Export Orders	51.1	51.4	52.4	52.7	52.9	53.3	53.4	53.7	53.6
Production	51.8	52.0	53.1	53.3	53.8	54.4	54.1	54.9	54.0
Inventory	51.5	51.1	51.9	52.2	52.6	52.7	52.1	52.4	52.8
Stocks of Finished Goods	50.7	51.0	51.4	51.1	50.9	51.3	51.0	51.2	51.5
Imports	51.2	51.3	51.6	51.9	52.3	52.9	53.0	53.3	52.9
Input Price	50.1	49.8	50.2	50.1	50.8	51.6	51.8	51.1	51.4
Employment	49.5	49.3	49.8	50.3	50.7	50.9	51.0	50.8	50.6
Supplier Deliveries	50.5	50.4	49.6	50.1	49.4	49.3	49.6	49.7	50.2
Order Backlog	50.2	50.7	51.0	51.1	51.3	51.5	50.9	51.0	50.9

Source: CEIC, Maybank Kim Eng

## Research Offices

### REGIONAL

**Sadiq CURRIMBHOY**  
Regional Head, Research & Economics  
(65) 6231 5836  
sadiq@maybank-ke.com.sg

**WONG Chew Hann, CA**  
Regional Head of Institutional Research  
(603) 2297 8686  
wchewh@maybank-ib.com

**ONG Seng Yeow**  
Regional Head of Retail Research  
(65) 6231 5839  
ongsengyeow@maybank-ke.com.sg

**TAN Sin Mui**  
Director of Research  
(65) 6231 5849  
sinmui@kimeng.com.hk

### ECONOMICS

**Suhaimi ILIAS**  
Chief Economist  
Malaysia | Philippines | China  
(603) 2297 8682  
suhaimi\_ilias@maybank-ib.com

**CHUA Hak Bin**  
Regional Thematic Macroeconomist  
(65) 6231 5830  
chuahb@maybank-ke.com.sg

**LEE Ju Ye**  
Singapore  
(65) 6231 5844  
leejuye@maybank-ke.com.sg

**Dr Zamros DZULKAFLI**  
(603) 2297 8618  
zamros.d@maybank-ib.com

**Ramesh LANKANATHAN**  
(603) 2297 8685  
ramesh.l@maybank-ib.com

### FX

**Saktiandi SUPAAT**  
Head, FX Research  
(65) 6320 1379  
saktiandi@maybank.com.sg

**Christopher WONG**  
(65) 6320 1347  
wongkl@maybank.com.sg

**Leslie TANG**  
(65) 6320 1378  
leslietang@maybank.com.sg

**Fiona LIM**  
(65) 6320 1374  
fionalim@maybank.com.sg

### STRATEGY

**Sadiq CURRIMBHOY**  
Global Strategist  
(65) 6231 5836  
sadiq@maybank-ke.com.sg

**Willie CHAN**  
Hong Kong / Regional  
(852) 2268 0631  
williechan@kimeng.com.hk

### FIXED INCOME

**Winson Phoon, ACA**  
(65) 6231 5831  
winsonphoon@maybank-ke.com.sg

**Se Tho Mun Yi**  
(603) 2074 7606  
munyi.st@maybank-ib.com

### MALAYSIA

**WONG Chew Hann, CA** *Head of Research*  
(603) 2297 8686 wchewh@maybank-ib.com  
• Strategy

**Desmond CH'NG, ACA**  
(603) 2297 8680  
desmond.chng@maybank-ib.com  
• Banking & Finance

**LIAW Thong Jung**  
(603) 2297 8688 tjliaw@maybank-ib.com  
• Oil & Gas Services - Regional

**ONG Chee Ting, CA**  
(603) 2297 8678 ct.ong@maybank-ib.com  
• Plantations - Regional

**Mohshin AZIZ**  
(603) 2297 8692 mohshin.aziz@maybank-ib.com  
• Aviation - Regional • Petrochem

**YIN Shao Yang, CPA**  
(603) 2297 8916 samuel.y@maybank-ib.com  
• Gaming - Regional • Media

**TAN Chi Wei, CFA**  
(603) 2297 8690 chiwei.t@maybank-ib.com  
• Power • Telcos

**WONG Wei Sum, CFA**  
(603) 2297 8679 weisum@maybank-ib.com  
• Property

**LEE Yen Ling**  
(603) 2297 8691 lee.yl@maybank-ib.com  
• Building Materials • Glove • Ports • Shipping

**Ivan YAP**  
(603) 2297 8612 ivan.yap@maybank-ib.com  
• Automotive • Semiconductor • Technology

**Kevin WONG**  
(603) 2082 6824 kevin.wong@maybank-ib.com  
• REITs • Consumer Discretionary

**LIEW Wei Han**  
(603) 2297 8676 weihan.l@maybank-ib.com  
• Consumer Staples

**Adrian WONG**  
(603) 2297 8675 adrian.wkj@maybank-ib.com  
• Constructions • Healthcare

**Jade TAM**  
(603) 2297 8687 jade.tam@maybank-ib.com  
• Media • Building Materials

**Mohd Hafiz Hassan**  
(603) 2082 6819 mohdhafiz.ha@maybank-ib.com  
• Small & Mid Caps

**TEE Sze Chiah** *Head of Retail Research*  
(603) 2082 6858 szechiah.t@maybank-ib.com

**Nik Ihsan Raja Abdullah, MSTA, Cfte**  
(603) 2297 8694  
nikmohdihsan.ra@maybank-ib.com

### SINGAPORE

**Neel SINHA** *Head of Research*  
(65) 6231 5838 neelsinha@maybank-ke.com.sg  
• Strategy  
• SMID Caps - Regional

**CHUA Su Tye**  
(65) 6231 5842 chuasutye@maybank-ke.com.sg  
• REITs

**Derrick HENG, CFA**  
(65) 6231 5843 derrickheng@maybank-ke.com.sg  
• Property • REITs (Office)

**Luis HILADO**  
(65) 6231 5848 luishilado@maybank-ke.com.sg  
• Telcos

**John CHEONG, CFA**  
(65) 6231 5845 johncheong@maybank-ke.com.sg  
• Small & Mid Caps • Healthcare • Transport

**NG Li Hiang**  
(65) 6231 5840 nglhiang@maybank-ke.com.sg  
• Banks

**LAI Gene Lih**  
(65) 6231 5832 laigenetih@maybank-ke.com.sg  
• Technology

### HONG KONG / CHINA

**Christopher WONG**  
(852) 2268 0652  
christopherwong@kimeng.com.hk  
• HK & China Properties

**Jacqueline KO, CFA**  
(852) 2268 0633 jacquelineko@kimeng.com.hk  
• Consumer Staples & Durables

**Ka Leong LO, CFA**  
(852) 2268 0630 kll@kimeng.com.hk  
• Consumer Discretionary & Auto

**Mitchell KIM**  
(852) 2268 0634 mitchellkim@kimeng.com.hk  
• Internet & Telcos

**Ricky NG, CFA**  
(852) 2268 0689 rickyng@kimeng.com.hk  
• Regional Renewables  
• HK & China Properties

**Sonija LI, CFA, FRM**  
(852) 2268 0641 sonijali@kimeng.com.hk  
• Gaming

**Stefan CHANG, CFA**  
(852) 2268 0675 stefanchang@kimeng.com.hk  
• Technology - Regional

**Bonny WENG**  
(852) 2268 0644 bonnyweng@kimeng.com.hk  
• Technology - Regional

**Tony REN, CFA**  
(852) 2268 0640 tonnyren@kimeng.com.hk  
• Healthcare & Pharmaceutical

### INDIA

**Jigar SHAH** *Head of Research*  
(91) 22 6623 2632 jigar@maybank-ke.co.in  
• Strategy • Oil & Gas • Automobile • Cement

**Vishal MODI**  
(91) 22 6623 2607 vishal@maybank-ke.co.in  
• Banking & Financials

**Neerav DALAL**  
(91) 22 6623 2606 neerav@maybank-ke.co.in  
• Software Technology • Telcos

**Vishal PERIWAL**  
(91) 22 6623 2605 vishalperiwa@maybank-ke.co.in  
• Infrastructure

### INDONESIA

**Isnaputra ISKANDAR** *Head of Research*  
(62) 21 8066 8680  
isnaputra.iskandar@maybank-ke.co.id  
• Strategy • Metals & Mining • Cement

**Rahmi MARINA**  
(62) 21 8066 8689  
rahmi.marina@maybank-ke.co.id  
• Banking & Finance

**Aurellia SETIABUDI**  
(62) 21 8066 8691  
aurellia.setiabudi@maybank-ke.co.id  
• Property

**Janni ASMAN**  
(62) 21 8066 8687  
janni.asman@maybank-ke.co.id  
• Cigarette • Healthcare • Retail

### PHILIPPINES

**Minda OLONAN** *Head of Research*  
(63) 2 849 8840  
minda\_olonan@maybank-atrke.com  
• Strategy

**Katherine TAN**  
(63) 2 849 8843  
kat\_tan@maybank-atrke.com  
• Banks • Construction

**Luis HILADO**  
(65) 6231 5848 luishilado@maybank-ke.com.sg  
• Telcos

### THAILAND

**Maria LAPIZ** *Head of Institutional Research*  
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399  
Maria.L@maybank-ke.co.th  
• Strategy • Consumer • Materials • Ind. Estates  
• Oil & Gas • Telcos

**Sittichai DUANGRATTANACHAYA**  
(66) 2658 6300 ext 1393  
Sittichai.D@maybank-ke.co.th  
• Services Sector • Transport • Property • Telcos

**Tanawat RUENBANTERNG**  
(66) 2658 6300 ext 1394  
Tanawat.R@maybank-ke.co.th  
• Banks & Diversified Financials

**Ornmongkol TANTITANATORN**  
(66) 2658 6300 ext 1395  
ormmongkol.t@maybank-ke.co.th  
• Oil & Gas

**Sukit UDOMSIRIKUL** *Head of Retail Research*  
(66) 2658 5000 ext 5090  
Sukit.u@maybank-ke.co.th

**Ekachai TARAPORNITIP** *Deputy Head*  
(66) 2658 5000 ext 1530  
Ekachai.t@maybank-ke.co.th

**Surachai PRAMUALCHAROENKIT**  
(66) 2658 5000 ext 1470  
Surachai.p@maybank-ke.co.th  
• Auto • Conmat • Contractor • Steel

**Suttatip PEERASUB**  
(66) 2658 5000 ext 1430  
suttatip.p@maybank-ke.co.th  
• Media • Commerce

**Sutthichai KUMWORACHAI**  
(66) 2658 5000 ext 1400  
sutthichai.k@maybank-ke.co.th  
• Energy • Petrochem

**Termporn TANTIVIVAT**  
(66) 2658 5000 ext 1520  
termporn.t@maybank-ke.co.th  
• Property

**Jaroopan WATTANAWONG**  
(66) 2658 5000 ext 1404  
jaroopan.w@maybank-ke.co.th  
• Transportation • Small cap

**Sorabhol VIRAMETEEKUL** *Head of Digital Research*  
(66) 2658 5000 ext 1550  
sorabhol.v@maybank-ke.co.th  
• Food, Transportation

**Wijit ARAYAPISIT**  
(66) 2658 5000 ext 1450  
wijit.a@maybank-ke.co.th  
• Strategist

### VIETNAM

**LE Hong Lien, ACCA**  
*Head of Institutional Research*  
(84 28) 44 555 888 x 8181  
lien.le@maybank-kimeng.com.vn  
• Strategy • Consumer • Diversified

**THAI Quang Trung, CFA,**  
*Deputy Head, Institutional Research*  
(84 28) 44 555 888 x 8180  
trung.thai@maybank-kimeng.com.vn  
• Real Estate • Construction • Materials

**LE Nguyen Nhat Chuyen**  
(84 28) 44 555 888 x 8082  
chuyen.le@maybank-kimeng.com.vn  
• Oil & Gas

**NGUYEN Thi Ngan Tuyen,**  
*Head of Retail Research*  
(84 28) 44 555 888 x 8081  
tuyen.nguyen@maybank-kimeng.com.vn  
• Food & Beverage • Oil & Gas • Banking

**TRUONG Quang Binh,**  
*Deputy Head, Retail Research*  
(84 28) 44 555 888 x 8087  
binh.truong@maybank-kimeng.com.vn  
• Rubber Plantation • Tyres & Tubes • Oil & Gas

**TRINH Thi Ngoc Diep**  
(84 28) 44 555 888 x 8208  
diep.trinh@maybank-kimeng.com.vn  
• Technology • Utilities • Construction

**NGUYEN Thi Sony Tra Mi**  
(84 28) 44 555 888 x 8084  
mi.nguyen@maybank-kimeng.com.vn  
• Port Operation • Pharmaceutical  
• Food & Beverage

**NGUYEN Thanh Lam**  
(84 28) 44 555 888 x 8086  
thanhlam.nguyen@maybank-kimeng.com.vn  
• Technical Analysis

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**Malaysia**

Maybank Investment Bank Berhad  
(A Participating Organisation of  
Bursa Malaysia Securities Berhad)  
33rd Floor, Menara Maybank,  
100 Jalan Tun Perak,  
50050 Kuala Lumpur  
Tel: (603) 2059 1888;  
Fax: (603) 2078 4194

Stockbroking Business:  
Level 8, Tower C, Dataran Maybank,  
No.1, Jalan Maarof  
59000 Kuala Lumpur  
Tel: (603) 2297 8888  
Fax: (603) 2282 5136


**Philippines**

Maybank ATR Kim Eng Securities Inc.  
17/F, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines 1200

Tel: (63) 2 849 8888  
Fax: (63) 2 848 5738


**South Asia Sales Trading**

Kevin Foy  
Regional Head Sales Trading  
kevinfoy@maybank-ke.com.sg  
Tel: (65) 6636-3620  
US Toll Free: 1-866-406-7447

**Malaysia**

Joann Lim  
joann.lim@maybank-ib.com  
Tel: (603) 2717 5166

**Indonesia**

Hariato Liong  
hariato.liong@maybank-ke.co.id  
Tel: (62) 21 2557 1177

**New York**

James Lynch  
jlynch@maybank-keusa.com  
Tel: (212) 688 8886

**Vietnam**

Patrick Mitchell  
patrick.mitchell@maybank-kimeng.com.vn  
Tel: (84)-8-44-555-888 x8080


**Singapore**

Maybank Kim Eng Securities Pte Ltd  
Maybank Kim Eng Research Pte Ltd  
50 North Canal Road  
Singapore 059304

Tel: (65) 6336 9090


**Hong Kong**

Kim Eng Securities (HK) Ltd  
28/F, Lee Garden Three,  
1 Sunning Road, Causeway Bay,  
Hong Kong

Tel: (852) 2268 0800  
Fax: (852) 2877 0104


**Thailand**

Maybank Kim Eng Securities  
(Thailand) Public Company Limited  
999/9 The Offices at Central World,  
20<sup>th</sup> - 21<sup>st</sup> Floor,  
Rama 1 Road Pathumwan,  
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)  
Tel: (66) 2 658 6801 (research)


**North Asia Sales Trading**

Andrew Lee  
andrewlee@kimeng.com.hk  
Tel: (852) 2268 0283  
US Toll Free: 1 877 837 7635

**Thailand**

Tanasak Krishnasreni  
Tanasak.K@maybank-ke.co.th  
Tel: (66)2 658 6820

**London**

Mark Howe  
mhowe@maybank-ke.co.uk  
Tel: (44) 207-332-0221

**India**

Sanjay Makhija  
sanjaymakhija@maybank-ke.co.in  
Tel: (91)-22-6623-2629

**Philippines**

Keith Roy  
keith\_roy@maybank-atrke.com  
Tel: (63) 2 848-5288


**London**

Maybank Kim Eng Securities  
(London) Ltd  
PNB House  
77 Queen Victoria Street  
London EC4V 4AY, UK

Tel: (44) 20 7332 0221  
Fax: (44) 20 7332 0302


**Indonesia**

PT Maybank Kim Eng Securities  
Sentral Senayan III, 22<sup>nd</sup> Floor  
Jl. Asia Afrika No. 8  
Gelora Bung Karno, Senayan  
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188  
Fax: (62) 21 2557 1189


**Vietnam**

Maybank Kim Eng Securities Limited  
4A-15+16 Floor Vincom Center Dong  
Khoi, 72 Le Thanh Ton St. District 1  
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888  
Fax : (84) 8 38 271 030


**New York**

Maybank Kim Eng Securities USA  
Inc  
777 Third Avenue, 21st Floor  
New York, NY 10017, U.S.A.

Tel: (212) 688 8886  
Fax: (212) 688 3500


**India**

Kim Eng Securities India Pvt Ltd  
2nd Floor, The International,  
16, Maharishi Karve Road,  
Churchgate Station,  
Mumbai City - 400 020, India

Tel: (91) 22 6623 2600  
Fax: (91) 22 6623 2604


**Saudi Arabia**

*In association with*  
**Anfaal Capital**  
Villa 47, Tujjar Jeddah  
Prince Mohammed bin Abdulaziz  
Street P.O. Box 126575  
Jeddah 21352

Tel: (966) 2 6068686  
Fax: (966) 26068787