

## Singapore

3 October 2024

### Stronger manufacturing PMI in September not surprising after August industrial production data

#### Highlights:

- Manufacturing PMI continued to improve in September, coming in at 51.0 (August: 50.9), which did not come as a surprise since August industrial production had already surprised to the upside. The September reading was the highest since July 2021, which also showed a reading of 51.0. The electronics sector was a key driver in the strong August industrial production data, as illustrated by the electronics PMI which hit 51.5 (the highest since August 2018).
- However, apart from the positive factors of faster expansion of new orders, new exports, output and employment, which are generally indicative of the pickup in external demand conditions consistent with a global soft-landing narrative, there are a couple of dark clouds to watch out for. For instance, input prices have risen further even as supplier deliveries have fallen, which could mean that global supply chain challenges are starting to bite. This could be linked to recent developments associated with widening Middle East tensions, and potentially further complicated by the U.S. port strikes. Secondly, the electronics order backlogs and electronics further business gauges are starting to subside, which suggests that the ramp up for the year-end Christmas order season may be coming to an end. That said, they still remain in relatively healthy expansion levels of ~51 currently, but may ease going into 4Q23 - 1Q25.
- Since markets are counting down to November with U.S. elections, whose outcome may impact trade tariffs for China and other economies, the geopolitical outlook may also exert some influence on near-term uncertainties. Like Singapore, manufacturing PMI in Taiwan, Thailand, Philippines and India remain in expansion territory in September, albeit a bit softer compared to August. Thus, the question is if we will see Singapore manufacturing PMI also start to ease from October onwards. I suspect this is likely to be the case as we get closer to year-end.

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- The other factor to watch include China's recent slew of policy stimulus in the run up to its golden week holidays which appears to have aided market sentiments and should have some positive impact on near-term growth momentum. However, whether this will break the negative cycle of weak domestic consumer confidence in China over the medium term remains to be seen. At this juncture, China's growth prognosis for 2025 is still likely to be slower than 2024. Moreover, the external geopolitical environment remains less conducive to China, as potential tariffs and other measures are likely to push back on Chinese exports of EVs for instance.
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