FACTORY output slipped unexpectedly last month as electronics manufacturing fell for the 13th straight month.

Industrial production fell 0.3 per cent in April, compared with last year, surprising economists who had been expecting a 4.1 per cent expansion. They cited the volatile pharmaceutical sector as the main drag, with production down 4.4 per cent in April over the same month last year.

Barclays Capital economist Leong Wai Ho said the fall in drug production was unexpected, given that drug exports surged last month.

“In fact, production has been fairly muted compared to the strong increase in exports over the past five months,” he noted.

This means that if the rise in exports was largely driven by a run-down in inventories, the next few months could see a rebound in drug output.

Despite the relatively positive external environment, Credit Suisse economist Robert Prior-Wandesford noted that output fell for the 13th straight month, noted Credit Suisse economist Robert Prior-Wandesford.

Electronics output fell 12.5 per cent compared with April last year, slightly better than the 16.3 per cent fall in March.

To make matters worse, the output of electronics as a percentage is weaker than it was five years ago,” he said.

DBS economist Irvin Seah said the latest output figures suggest that electronics production has peaked. “Expect a pullback in manufacturing growth in the second quarter, which will pull a dent in the overall headline growth figures.”

He said that the bright spot continued to be transport engineering production, which grew 36.3 per cent, attributed to robust demand for oil.

This was largely due to strong production in the marine and offshore engineering sub-sector, which was boosted by robust demand for oil, said UniSIM senior lecturer Tan Khay Soon.

He said the poor industrial production figures show a clear trade-off between trying to combat inflation using exchange rates and the adverse impact this approach can have on the export sector...

“For all its strengths, a weaker dollar makes Singaporean exports less competitive although it reduces import costs,” he said.

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Unexpected fall in industrial output for April