Factory output up for first time in 3 months

By MAGDALEN NG

FACTORY output turned around last month, expanding for the first time in three months thanks to strong showings by transport engineering and biomedical.

Overall output expanded 0.6 per cent from the same month a year ago, beating the market consensus of a 0.1 per cent increase. It also reversed the year-on-year declines of 0.2 per cent in April and 1.1 per cent in March, according to the Economic Development Board data yesterday.

Transport engineering expanded 3.4 per cent with higher output recorded in all its segments: marine and offshore engineering leading the way with growth of 4.4 per cent due mainly to booming rig and ship building.

The biomedical manufacturing cluster grew 3.2 per cent last month while pharmaceuticals were up 0.1 per cent.

But electronics declined for the 14th straight month, falling 9.7 per cent last month compared with a year earlier although it was still better than the 12.5 per cent slide in April.

Dr Tan Khay Boon, senior lecturer at UniSIM’s School of Business, said: “The outlook of the electronics sector is less positive, with China’s purchasing managers’ index showing a downward trend even though the official PMI is still above 50.

As the output of pharmaceuticals is highly volatile, it is not clear whether the strong growth in this segment can be sustained.”

Stripping out the unpredictable biomedical cluster, industrial production still grew by 2 per cent last month compared with a year ago. April recorded expansion of 0.7 per cent, if the biomedical cluster is discounted.

Barclays economist Leong Wai Ho remains more positive on the electronics industry, expecting an “upturn in the global IT industry in the third quarter, which will be driven by demand for new products such as Apple’s Macbooks and iPhone.”

“Confidence indicators for the electronics industry remain constructive,” he said.

“This expected upturn could be slightly more muted than was earlier expected, due to increased market hedges from Europe.”

songyuan@sph.com.sg