A BETTER-than-expected manufacturing output report for last month has boosted hopes that the Government will raise the growth estimates for the first three months of the year.

Although manufacturing output fell 3.4 per cent last month over the same month a year earlier, economists said this was still better than the 5.8 per cent contraction that many were expecting. Output had shrunk 5.3 per cent in February.

The improvement over the past few months shows that momentum is building in the manufacturing sector, said Barclays economist Leong Wai Ho.

He believed that the latest positive news may even lead to the Government revising its growth numbers for the entire economy.

In its advance estimates, which takes data from the first two months of the year, the Government said that the economy expanded by 1.6 per cent for the first three months of the year.

But this may be raised after the latest manufacturing figures, especially with the services sector continuing to show strong growth, said Mr Leong.

Yesterday, the Economic Development Board said that a weaker electronics sector continued to weigh down the manufacturing sector last month.

Electronics output fell 15.9 per cent, while the volatile pharmaceutical industry contracted 6.3 per cent compared with March last year.

But the standout performer was transport engineering, which grew by a strong 20.8 per cent growth to post its strongest output levels ever.

Said Mr Leong: “We think production momentum is likely to accelerate into the next three months, led by a turnaround in the key electronics sector.”

UniSim senior lecturer Tan Khay Boon noted that the manufacturing sector is closely linked to the American, Chinese and European economies.

While outlook on Europe remains murky, hopes that the United States Federal Reserve will boost its economy with a cash injection remains high, he said.

“...As for China, the perception is that the Chinese government will try to steer the economy towards a soft landing and is willing and able to provide more liquidity to the economy when needed. This is considered as favourable to the Singapore manufacturers,” said Dr Tan.