

Manufacturing expansion continues to ease in June

THE PACE OF Singapore's manufacturing growth continued to slow in June, with the Purchasing Managers' Index (PMI) down a marginal 0.2 point to 52.5. This was the third straight month of deceleration, although conditions remained expansionary for the 22nd straight month. The PMI is a leading indicator of economic activity, with a reading of 50 and above indicating expansion.

The Singapore Institute of Purchasing and Materials Management (SIPMM), which compiles the data, attributed June's reading to slower growth in factory output, new orders and new exports, as well as slightly lower inventory levels. Stocks of finished goods expanded at a faster pace, with the index hitting 52.9, the highest since February 2011. Overall employment and input prices were marginally higher. However, imports saw slower expansion, while order backlog saw a marginal contraction, ending its run of expansion which began in July 2016.

Electronics sector growth also slowed with June's PMI down 0.4 point to 51.9, in the sector's 23rd straight month of expansion. This was attributed to slower expansion of new orders, new exports, factory output, inventory and employment.

Electronics imports and input prices saw slower expansion, while supplier deliveries and finished goods saw faster expansion. The electronics order backlog index remained in contraction for the second month.

Singapore's performance was in line with regional conditions, with the Nikkei Asean manufacturing PMI slipping to 51.0 in June from May's four-year high of 51.4. Thailand, Indonesia and the Philippines saw continued but slower expansion, while Myanmar's PMI left expansionary territory, dipping to neutral. Vietnam saw faster expansion, while Malaysia's PMI rose to a three-month high, though remaining in contraction.

Further abroad, South Korea's PMI improved but remained in contraction, China's Caixin manufacturing PMI continued expanding but at a slower rate, while Japan and Taiwan saw faster expansion. **BY JANICE HENG**



Source: SIPMM



"The June prints marked the 22nd and 23rd month of consecutive expansions in the respective sectors, and suggest that manufacturing and electronics growth momentum could decelerate into 3Q18, but not fall off the cliff yet, barring a full-scale outright trade war situation."

– OCBC head of treasury research & strategy Selena Ling