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Singapore's Production Rebounds in June on Pharmaceutical Output
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By Shamim Adam and Sarina Yoo

July 26 (Bloomberg) -- Singapore's industrial production rose for the first time in three months in June as increased output by drug companies countered a slump in electronics.

Manufacturing, which accounts for more than a fifth of the economy, gained 10.5 percent from a year earlier after a revised 16.2 percent drop in May, the Economic Development Board said in a statement today. That was more than the 8.6 percent median estimate of 14 economists surveyed by Bloomberg News.

Singapore is vulnerable to swings in pharmaceutical production by companies such as Sanofi-Aventis SA and changes in overseas demand for manufactured goods, making it the most volatile Asian economy according to Credit Suisse Group AG.

Exports are forecast by the government to grow in 2011 at less than half last year's pace.

The growth in drugs output "will provide a much needed jab in the arm for the ailing manufacturing sector and help pick up part of the slack from a sluggish electronics sector," Irvin Seah, an economist at DBS Group Holdings Ltd. in Singapore, said before the report.

"Electronics manufacturers have remained cautious and are holding back their production."

North American orders for semiconductor equipment fell 4.4 percent in June from a month earlier, a trade group report showed. The book-to-bill ratio, a gauge of industry health, was 0.94, meaning chip-equipment companies received \$94 in orders for every \$100 in sales. A ratio below 1 indicates a contracting market for chip-equipment tools.

Electronics Fall

Singapore's industrial production rose a seasonally adjusted 1.6 percent in June from May, when it dropped a revised 2.4 percent from the previous month, today's report showed.

Electronics production decreased 15.3 percent from a year earlier, while pharmaceutical output surged 41.5 percent.

"With the impending introduction of new smartphone and other electronic gadgets in the second half of 2011, the recent round of destocking by manufacturers and retailers could well imply a strong restocking cycle ahead," Seah said.

Production in the second quarter shrank 5.9 percent, more than the government's July 14 preliminary estimate of a 5.5 percent contraction.

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