

Singapore: Another big plunge in NODX...

... raises the odds of the Monetary Authority of Singapore easing monetary policy well ahead of the next scheduled semi-annual policy review in October



17.3% June NODX fall on year

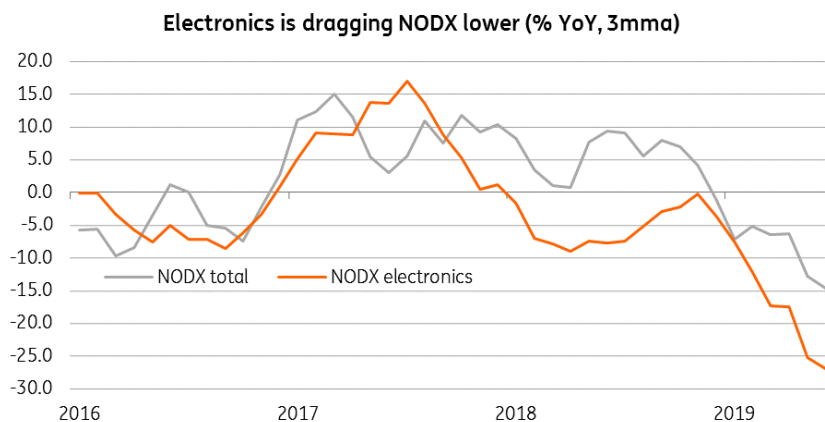
Worse than expected

Electronics exports dents NODX, again

Singapore's non-oil domestic exports (NODX) tumbled by 17.3% year-on-year in June, almost twice as bad as the consensus median estimate of -9.6% in a Bloomberg survey. This comes on top of a 16.3% fall in May. Likewise, the 7.6% month-on-month (seasonally adjusted) NODX fall was double the consensus of -3.5% MoM, and this more than reversed a 5.8% bounce posted in the previous month.

Electronics continues to be the weak spot with a more than 30% YoY decline in shipments for the second consecutive month, while an outsized surge in pharmaceuticals shipments in May was also

partly retraced. By destination, the weakness was across the board except for shipments to the US, which are still growing on the back of strong consumer spending in that economy. The persistently large decline in exports to China, Japan, and Europe were the standouts otherwise.



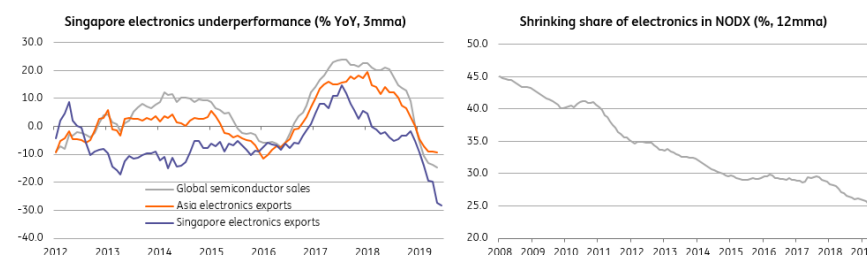
Source: Bloomberg, CEIC, ING

What's happening to electronics?

Bar a positive month last November, electronics exports have been on a steady declining streak since December 2017, led by semiconductor exports, which make up nearly half of the electronics cluster. It's not just the growth rate that's been on a downward trend, the share of electronics in total exports has also been waning.

The weakness of electronics exports squares with the prevailing downturn observed in the global tech cycle. However, a significant underperformance of Singapore's electronics relative to other Asian electronics heavyweights (e.g. Korea, Taiwan) as well as intermediary processors (Malaysia, Philippines, Thailand) suggests some structural shift underway. This can also be inferred from the steadily falling share of electronics in total NODX, which at 25% (12-month average through June 2019) is down from over 40% a decade ago.

From this, we surmise Singapore is losing out on its electronics market share to other Asian countries.



Source: Bloomberg, CEIC, ING

Weak NODX imparts downside risk to GDP growth

The June NODX report follows on from last week's disappointing GDP report for the second quarter, showing 'only' 0.1% YoY (-3.4% QoQ SAAR) growth. Even though the advance GDP estimate is typically based on data for the first two months of the quarter, we think the latest one may have

already factored in a weak June NODX turnout.

However, this will be tested by the industrial production data for June due later this month (26 July). IP growth is closely correlated with manufacturing GDP growth and this will offer clues about how GDP growth is likely to be revised when the final estimate is released in mid-August. Downside growth risk has intensified, not just for 2Q GDP but also for the rest of the year in our view.

Easing is imminent - earlier the better

As for most other global central banks, the economic data has increasingly favoured easing by the Monetary Authority of Singapore (MAS).

The earlier the MAS moves, the better it will be for the economy. Talk of an off-cycle policy adjustment, before the next scheduled semi-annual review in October, has gained traction since the MAS's Managing Director Ravi Menon recently hinted at such a policy action. We continue to expect easing either this month or next via a reduction or even flattening of the slope of the MAS's policy trading band for the SGD nominal effective exchange rate.

For further insight into the ING house view of MAS's policy, please see our [Asia Chief Economist Rob Carnell's latest note on Singapore](#).