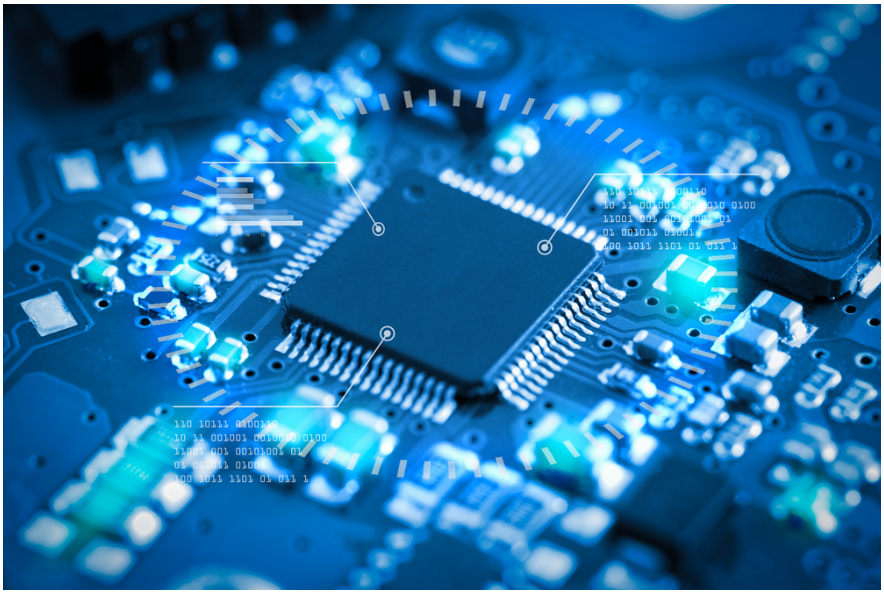
Singapore's NODX falls less than expected

A bounce from last month of 3.7% still leaves non-oil domestic exports (NODX) down 11.2%YoY, but this is a much smaller decline than had been anticipated. Electronics bounce strongly from last month.



-11.2%YoY

July NODX

3.7% MoM

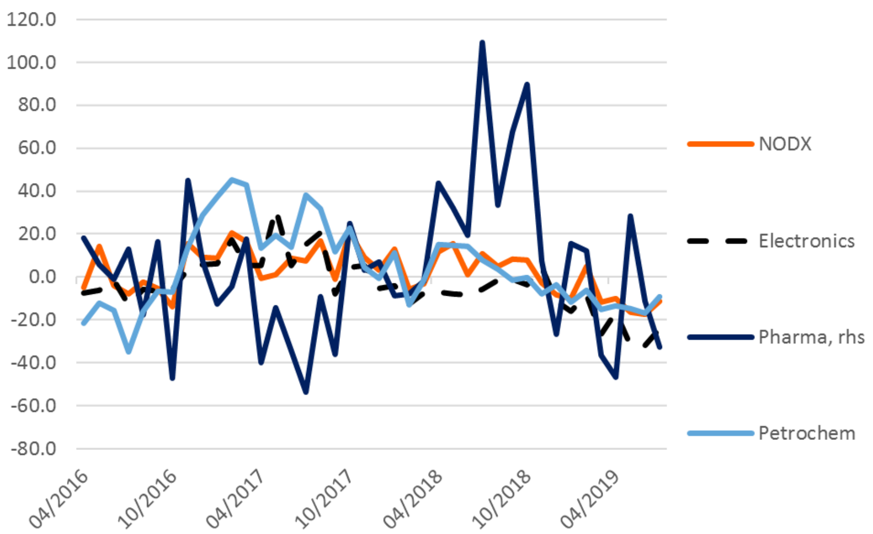
Better than expected

What is going on under the bonnet?

NODX data is very volatile and the year on year figures tell you as much about what happened a year ago, as they do about what is happening now. As such, the relative improvement in the year on year decline (in July only -11.2% up from -17.4% in June) needs some further examination to reveal what is going on.

But because of both massive volatility, and extreme seasonality, looking directly at the NODX figures in terms of "levels" (SGD terms) can also give you a headache. To try to extract as much signal from the noise as possible, without losing too much sight of what is going on in SGD terms, the following two charts, the year on year and 6m/6m annualized series are provided for comparison. The 6m series is smoother, but in taking a longer moving average, we lose sight of some of the most recent data moves.

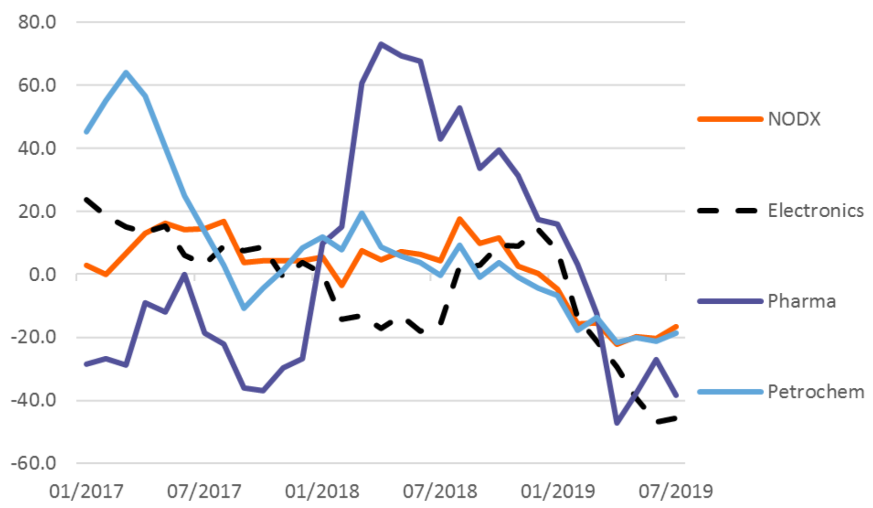
NODX YoY%



Source: CEIC

What we see is that overall NODX growth is still down about 20%YoY on the 6M measure, though it seems to be troughing out, and this should head back towards the zero line over the next 6 months. Electronics is more negative, though it too is showing signs of troughing, as are petrochemicals, a barometer for global economic demand. Pharmaceuticals, by far the most volatile of the major export components is less clear.

NODX 6M/6M annualized



Source: CEIC, ING

"L" stands for limp

Today's data don't really change our perception that Singapore's export facing industries are still struggling, and we expect this to be reflected in ongoing production weakness in the months ahead. But it may be beginning to look like the worst of the declines may already have passed. Without a catalyst to stimulate a big pick up in demand, and we don't expect one unless the trade war suddenly ends or 5G bursts into life, any upswing is likely to be very muted, however. Think in terms of "L"-shaped recoveries, not "V".

Consequently, although the MAS has indicated that it will not change policy until the October scheduled meeting, that meeting may have to deliver a fairly substantial change to the current path for the SGD NEER. At the very least, it should revert to a "flat" path.

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