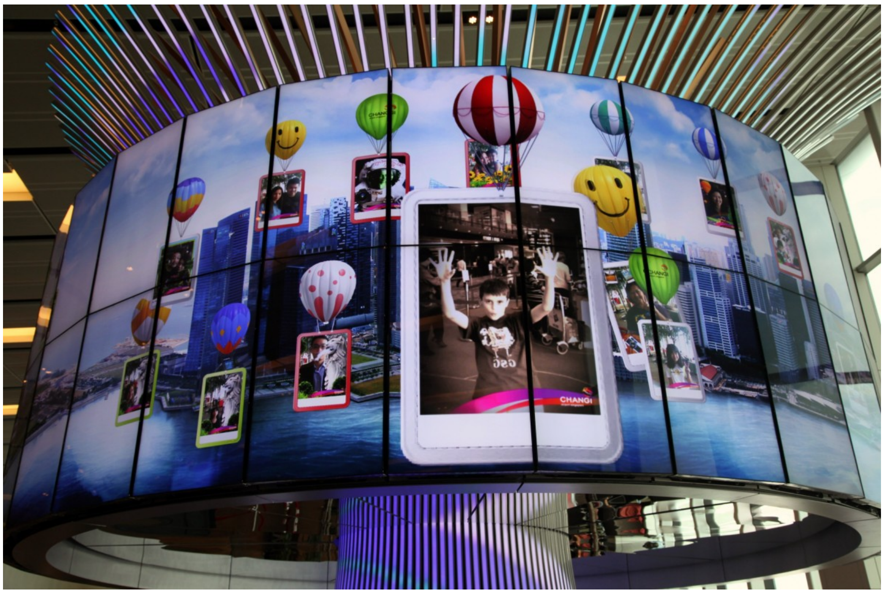
Singapore: Non-oil exports disappoint

Slower growth and persistent low inflation in Singapore argue for the central bank to maintain its neutral policy stance next month



-5.9%

NODX contraction

Year-on-year

Worse than expected

Disappointing NODX data

Singapore's non-oil domestic exports contracted by 5.9% year-on-year in February against the consensus forecast of 4.8% growth. This follows 12.9% growth in January, which was a minor revision from the initial print of 13.0%. Electronics remained a weak spot, with the decline deepening to 12.3% in February from 3.9% in the previous month, led by semiconductor shipments.

Like the data in January, activity growth in February was distorted by the Lunar New Year holiday. However, the cumulative January-February number provides a clearer picture. And it doesn't seem to be promising for continued export-led growth in Singapore's economy. NODX grew by 3.6% YoY in the first two months, a sharp slowdown from 14.2% growth a year ago and 12.9% in all of 2017.

The corresponding figures for semiconductor exports are -10.8%, +29% and +18.2%.

Weak argument for MAS tightening

Weak NODX points to weak manufacturing in the current quarter (look out for industrial production data on March 26), which in turn undermines the consensus of continued acceleration in GDP growth to 3.8% YoY from 3.6% in the fourth quarter of 2017. We are reviewing our 3.9% growth forecast for the first quarter for possible downward revision. Slower growth coupled with persistent low consumer price inflation argues for the Monetary Authority of Singapore (the central bank) holding on to the neutral policy stance at the semi-annual policy meeting in April rather than shifting to the 'modest and gradual' SGD-NEER appreciation policy.