# Singapore: April Non-oil Domestic Exports herald a weak start to the economy in 2Q21

Tapering export strength and a significant reduction in domestic economic activity during new month-long Covid-19 restrictions will weigh on GDP growth in the current quarter

A deep water port in Singapore

6%

April NODX growth

Year-on-year

Lower than expected

## A downside April NODX surprise

Just released, Singapore's non-oil domestic exports (NODX) for April missed expectations with a 6% year-on-year rise as against the consensus of steady double-digit growth close to March's 11.9% rate (revised down from 12.1% initial estimate). Unlike exports from other Asian countries, the base effect for Singapore NODX was slightly less favourable in April.

However, it wasn't just the unfavourable year-ago base. An 8.8% month-on-month (seasonally adjusted) fall was the first negative reading in six months underscoring the current weakness.

## What's behind the NODX slowdown?

The latest NODX slowdown squares with still weak external demand in Singapore's main export markets as reflected in large year-on-year declines in exports to the US, Europe and Japan (-42% YoY, -30%, and -33% respectively). Exports to China bucked this trend with a 55% YoY bounce.

By product type, electronics remained the key driver, though with a sharp slowdown in growth (10.9% YoY vs. 24.4% in March). Pharmaceutical weakness returned with a 41% YoY plunge more than reversing a one-off 25% rise in March. Petrochemicals picked up some of this slack with another strong month (63% YoY following 51% in March).

## Increased downside GDP risk

April data signals a weak start to the economy in 2Q21. The export slowdown may be transitory and low base effects will still help a strong bounce in GDP of double-digits in the current quarter. However, the recent tightening of Covid-19 restrictions effective yesterday (16 May) for a month (read more here) will also weigh on domestic spending.

We will look to scale back our 14.2% YoY 2Q GDP forecast on more signs of economic weakness in forthcoming activity data. We believe fiscal policy will remain in the forefront to soften the Covid-19 impact on the economy, while the Monetary Authority of Singapore will hold on to its neutral policy stance ahead.