

Singapore: Non-oil domestic exports disappoint

Singapore's non-oil domestic exports (NODX) are always volatile but anyway you cut this data, it doesn't look good



Source: Shutterstock

Headline weaker than expected

When you have a series as volatile as Singapore's non-oil domestic exports (NODX), missing a consensus number isn't a big deal, unless you miss it by miles. And the -2.7%YoY March figure for NODX is not all that far off the 1.2% gain expected by forecasters. This is well within the probable forecasting error range to ignore. But we can't leave it there. The Monetary Authority of Singapore (MAS) moved to an appreciating trend earlier in the month with respect to the nominal effective exchange rate for the Singapore dollar (SGD NEER), so we need to dig into the export figures a little more to see whether this trade data provides some vindication for what was, in our view, a very marginal decision.

-2.7% Non-oil domestic exports (YoY)

Worse than expected

What, no electronics!

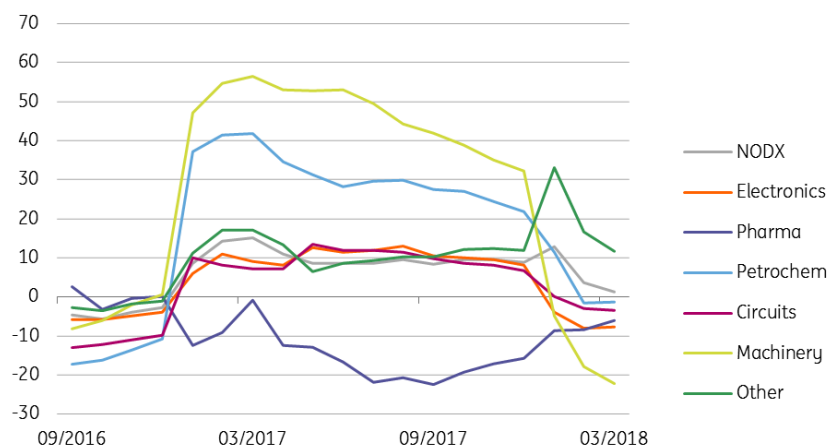
In order to make some sense of the NODX figures, we look at its constituent parts and try to pull out any emerging trends. This month, the one saving grace of the export data was the sizeable "other" segment, which doesn't help analysis much.

Most analysts look at year-on-year growth for NODX, though this is usually dominated by the previous 12m history of the figures and doesn't always reveal very much. Right now, this shows exports of machinery down about 30%YoY, with all other components also down from a year ago, except again for the "other" category of miscellaneous goods. Year-to-date year-on-year figures tell much the same story - machinery is well down, and most categories are a bit softer year-to-date, with the exception of "other" and petrochemicals.

Another way of breaking down the data is by looking at the 3m sum on the previous 3m sums annualised, or 6m on 6m annualised. This encounters seasonality issues, but bears out the other data, with the only addition that the pharmaceutical industry, the sick-child of 2017, seems to be staging a recovery of sorts, though as it accounts for only about 12-13% of total exports, it will have to outperform spectacularly to offset weakness elsewhere.

But perhaps the most interesting part of this data is electronics. Accounting for about 30% of total non-oil domestic exports, electronics are down whatever way you measure them. And having been one of the strongest elements of the Asian export story for 2017, this is a little worrying.

Non-oil domestic exports - major components Year-to-date year-on-year



MAS decision needs a firming domestic story

So returning to our original question, do these data vindicate the recent MAS tightening decision? The answer is no. That does not mean this decision was misplaced, but that we need to find justification in other areas of the economy, namely domestic demand to justify this decision. For example, recent strength in retail sales will need to persist if we are not to see the MAS reverting to a flat NEER trend later this year.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.