Singapore: surprisingly strong non-oil domestic exports

This signals a good start to the fourth quarter of the year, bringing the Monetary Authority of Singapore close to tightening

Source: shutterstock

20.9%

Non-oil domestic exports

(year-on-year)

Better than expected

In yet another strong turnout, the non-oil domestic exports (NODX) in October surged 20.9% year-on-year, nearly double the consensus of 11.9% growth and up from -1.1% in September. A 12.5% month-on-month (seasonally adjusted) bounce more than clawed back the 11% crash in September. Electronics and pharmaceuticals were the sources of the NODX collapse in September, and they were the source of the bounce in October.

Electronics has been a key driver of NODX growth this year. We saw in October's export data from Korea and Taiwan signs of an electronics-led export recovery tapering out in the final quarter of the year. Singapore data doesn't support this view, nor does it defy it.

With the seasonal product replacement cycle for flagship mobile devices coming to an end, the NODX growth is likely to ease in the months ahead. Nonetheless, today's data signals are an excellent start to the fourth quarter of the year, imparting upside risk to our forecast of 1.3% year-on-year GDP growth in the current quarter (consensus: 1.9%, prior 4.6%).

The bias to MAS policy is clearly towards tightening based on strong GDP growth and accelerating core CPI inflation. But the path to this outcome looks somewhat tentative. A recent press briefing from the MAS indicates that policy will be moved in anticipation of its effects on the economy, so unlike some other central banks, tightening need not be data dependent.

That said, the run of data ought to be moving in the right direction, and it is not at all clear at this time that it is doing so. We anticipate a change to the NEER band at the April meeting next year, but only at a 1% appreciation pace.