Singapore's NODX continues to power higher in February

We believe the MAS will see through the recent export strength and maintain its neutral policy stance at the next semi-annual policy review scheduled in April

A deep water port in Singapore

8.2%

February NODX growth

MoM SA

Higher than expected

Another month of strong NODX growth

If you had expected Singapore's export strength to have tapered in February, then you would have been disappointed by data just out. Non-oil domestic exports (NODX), the closely watched indicator of the economy's health, posted an 8.2% MoM (seasonally adjusted) surge in February, on top of the 6.9% rise in January. This compares with a consensus view centred on a small contraction and our -2.1% MoM forecast. This fourth straight monthly increase reflects a deep-rooted positive trend.

Year-on-year growth, however, slowed sharply in the last month (to 4.2% YoY from 12.7% in

January). This is partly explained by distortion from the different timing of this year's Chinese New Year holiday, which last year fell in January (this year was in February). Combining January-February growth removes this distortion and shows approximately an 8.5% YoY NODX increase for the first two months of the year, which is still a robust performance aligning with strong export bounces elsewhere in the region so far this year.

As in other exporting countries in Asia, base effects for Singapore have been favourable and are likely to become more favourable in the months ahead as the pandemic-induced slump one year ago becomes more pronounced.

What's driving NODX growth?

The latest strong export figures from Singapore take place against a backdrop of still weak external demand, with the Covid-19 pandemic still causing problems in some of Singapore's main export markets and reflected in still large year-on-year declines in exports to the US, Europe and Japan.

By product type, electronics remained the key driver with 7.4% YoY growth, though electronics shipments were down 3% on the month. Pharmaceuticals persisted as the weak spot with a 33% YoY and 30% MoM plunge, but petrochemicals picked up some of this slack with 19% YoY and 5% MoM bounces.

GDP returning to positive growth

The activity data confirm that Singapore’s economy is off to a strong start in 2021 even as the rise in Covid-19 cases elsewhere in the region and in other parts of the world weighed on the economic recovery. We see this economy turning the corner to positive YoY growth in the current quarter. We have recently revised our GDP growth forecast for 1Q21 higher to +0.2% YoY from -2.7%. Our full-year growth view of 5.2% YoY sits in the middle of the government’s 4-6% forecast range for the year.

Macro policies have been accommodative enough to support the recovery and are expected to remain so over the rest of the year. Indeed, the Monetary Authority of Singapore’s shift a year ago to a neutral monetary policy targeting zero appreciation of S$-NEER has served well for the export-driven recovery. We believe the MAS will see through the recent export strength and maintain its current policy stance throughout this year.