

# Macro Note

## Singapore: Electronic Exports Continue To Drag NODX

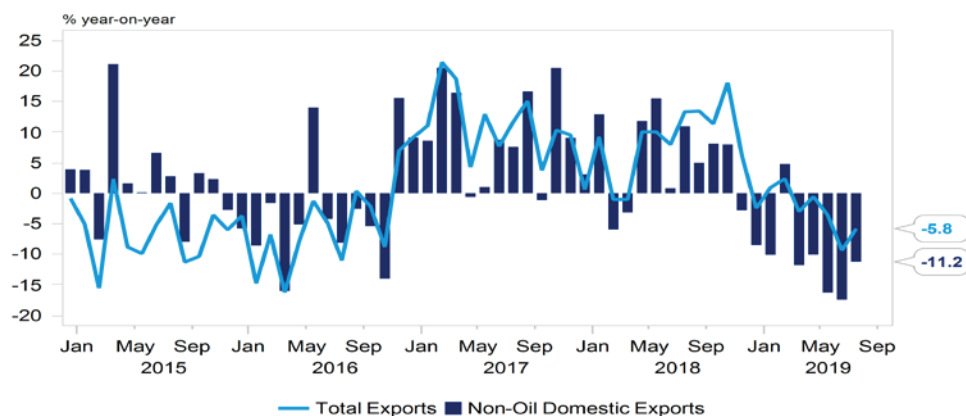
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**Non-oil Domestic Exports (NODX) contracted further in July 2019 at -11.2% y/y**, albeit better than market expectation of -15.4% y/y and -17.4% in June. On a m/m seasonally adjusted perspective, NODX surprised higher with a positive 3.7% reading, a reversal from -7.8% m/m sa in the previous month. Accounting for the latest print, NODX fell 10.8% y/y in the first seven months of 2019. Overall, total trade fell 6.0% y/y in July, following a decrease in overall exports (-5.8% y/y) and overall imports (-6.3% y/y).

### Singapore's Trade Environment Remains In Contraction Mode

Source: Macrobond, UOB Global Economics & Markets Research

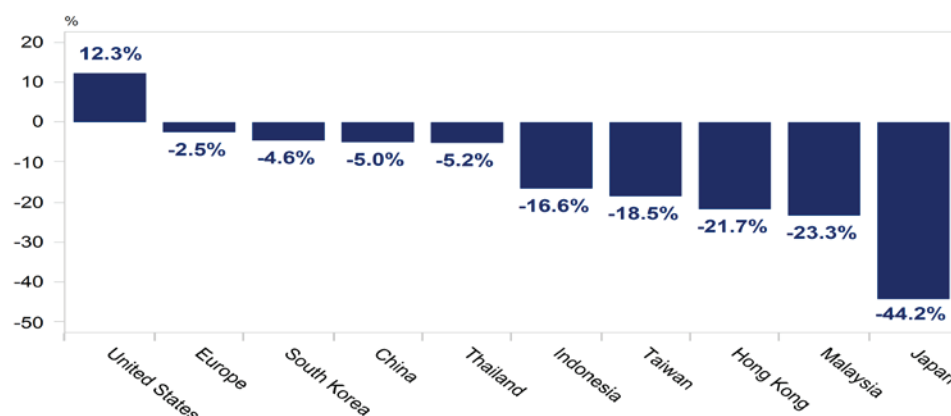


**The ongoing maturing of the global electronic cycle continues to negatively impact Singapore's export environment.** Both electronic exports (-24.2% y/y) and non-electronic exports (-6.6% y/y) contracted in July. The fall in the exports of electronic products, which clocked eight consecutive months of negative growth into July 2019, was dragged by all sectors (except for consumer electronics which rose 53.1% y/y) including Parts of Integrated Circuits (-62.1%), Disk Drives (-55.0%) and Personal Computers (-35.5%). Elsewhere in the non-electronic space, exports of Pharmaceuticals (-32.7%) fell for its second consecutive month and clocked its weakest y/y growth since January 2019.

**The slowdown in trade momentum seen across Asia is also evident in Singapore's exports to its key destinations** given the (1) intensified trade tensions between US and China, (2) ongoing disputes between Japan and S. Korea and (3) Hong Kong's protests. Across the destinations, exports to Japan fell by a worrying 44.2% y/y (a record low growth since data was made public in 1988) led by lower exports of integrated circuits (-73.7%), specialized machinery (-72.6%) and pharmaceuticals (-33.6%). Elsewhere, exports to Malaysia (-23.3%) contracted at its slowest pace since February 2013, coupled with faltering exports to Hong Kong (-21.7%) which contracted at double-digit pace for the third consecutive month. Bucking the contraction, exports to the United States (+12.3%) continue to expand on a y/y basis, clocking six consecutive months of positive growth into July 2019.

## Singapore NODX Across Key Destinations (July 2019)

Source: Macrobond, UOB Global Economics & Markets Research



**Non-oil Re-exports (NORX)**, widely viewed as an indication of the health of the wholesale trade sector, fell 0.8% y/y (-1.3% m/m sa) and marked the second consecutive month of contraction. The fall is primarily dragged by the sustained decline in electronics re-exports (-2.1% in July, down from -2.3% y/y in June), while re-exports of non-electronics grew marginally by 0.3% y/y (vs -3.3% in June) in the same month. Similar to the soft NODX environment across Asia, the top three contributors to the decrease in NORX were Hong Kong (-19.0%), Indonesia (-23.3%) and South Korea (-6.4%).

In the latest [media release by Enterprise Singapore](#), the agency has downgraded Singapore's total trade to a range of -3.0% and -2.0% and NODX to a range of -9.0% and -8.0%. This is a revision from the previous official outlook which penciled total trade growth at 0 – 2% and NODX at -2.0% to 0.0% earlier in May 2019. The trade outlook as penned by Enterprise Singapore stated that “global economic and trade growth is expected to further moderate in 2019”, citing that the growth outlook for Singapore's key trade partners as well as global trade volumes have been downgraded by the International Monetary Fund.

**Accounting for the sustained weakness in Singapore's trade numbers in the first seven months of 2019**, coupled with the relatively anemic outlook for global trade momentum into the rest of the year, our initial outlook for NODX to contract by a mere 6.0% faces downside risks should trade momentum deteriorate further into the year ahead. As such, we downgrade our NODX to average -8.5% y/y in 2019 given the ongoing trade tensions between US-China and Japan-S.Korea, the persistent maturing electronic cycle, and the slowdown of the Chinese economy into the year ahead.

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