

## Singapore Economics

# Mixed Signals: Headline Export Recovers, Electronics Contract

### Non-Oil Domestic Exports (NODX) Up on Pharma Surge

The positive headline export figure is somewhat misleading, as the reading on electronic exports remains rather grim. Non-oil domestic exports (NODX) rebounded (+11.8%) in April, after contracting for two consecutive months. But the recovery was led by the volatile pharmaceuticals (+43.7%) sector and petrochemicals (+15.1%). Electronic exports continued to contract (-6.9%) in April. Non-oil re-exports - a proxy for wholesale trade services - was more encouraging, growing +8.2% in April. This follows soft numbers in March (-0.4%) and Feb (+0.1%).

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### Puzzling Divergence in Electronics Exports & Production

The soft patch in electronics exports is looking rather protracted, with the contraction now into its 5<sup>th</sup> consecutive month. Electronic exports contracted 6.9% in April from a year ago, little improvement from the contraction in March (-7.1%) and February (-12.7%). The puzzling divergence in electronics exports and production could be in part because orders, while being booked in Singapore, are produced and shipped from outside Singapore (eg. Penang). Electronics production, for example, expanded +12.4% in March, even though electronics exports contracted 7.5% that same month.

Most of the major electronic products continued to contract, including integrated circuits (-5.5%), parts of PC (-42.5%), and diodes and transistors (-20%). Disk media products (+20.5%) and PCs (+2.9%) continued to grow but at a slower pace as compared to March. Non-electronics exports grew a strong (+19.6%), led by a surge in pharmaceuticals (+43.7%) and petrochemicals (+15.1%).

### Manufacturing Peak in 1Q, Slower GDP Growth in 2Q

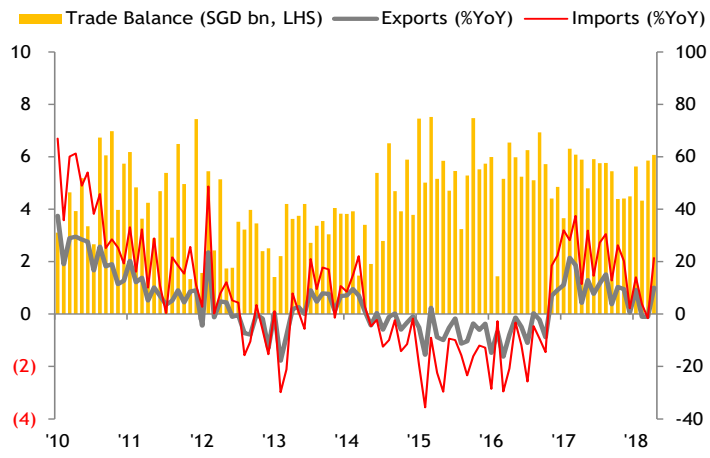
Manufacturing growth likely peaked in 1Q. The protracted soft patch in electronic exports suggests that manufacturing growth will likely cool off to the lower single-digits in the second quarter. Export data for April was mixed in Asia: soft in Korea (-1.5%) and China (+3.7%), but decent in Taiwan (+10%). The ongoing US-China trade noises may be dampening business sentiments, while the smartphone demand cycle is fading. Services will probably be more resilient and contribute a greater proportion of growth for the rest of the year. Our GDP forecast stands at 3.1% for 2018, at the upper half of MTI's forecast range.

Table 1: External Trade by Category (%YoY)

	<u>Dec-17</u>	<u>Jan-18</u>	<u>Feb-18</u>	<u>Mar-18</u>	<u>Apr-18</u>	<u>YTD2018</u>	<u>3Q17</u>	<u>4Q17</u>	<u>1Q18</u>	<u>2017</u>
<b>Total Trade</b>	1.1	7.1	1.6	-0.6	10.6	4.5	11.6	7.8	2.6	11.1
<b>Exports</b>	0.6	9.2	-1.0	-0.8	10.1	4.2	10.1	6.6	2.4	10.3
Domestic Exports	8.2	13.7	-2.1	-0.2	11.3	5.4	11.0	15.3	3.6	15.8
Oil	19.1	15.4	5.1	5.7	10.3	9.0	19.3	26.1	8.6	33.4
Non-oil	3.1	12.9	-6.0	-2.7	11.8	3.7	7.6	10.4	1.2	8.8
Re-exports	-6.6	4.6	0.1	-1.4	8.8	2.8	9.3	-1.3	1.0	5.2
Oil	10.1	-9.8	5.4	-36.9	35.9	-8.9	-0.9	5.5	-19.7	-4.2
Non-oil	-7.0	5.0	0.0	-0.2	8.2	3.1	9.6	-1.4	1.6	5.5
<b>Imports</b>	1.6	4.8	4.8	-0.3	11.3	4.8	13.4	9.1	2.9	12.1
Oil	29.3	11.9	8.5	-7.9	7.7	4.6	26.3	30.5	3.7	41.6
Non-oil	-4.6	2.7	3.6	2.0	12.3	4.9	10.4	4.0	2.7	5.8

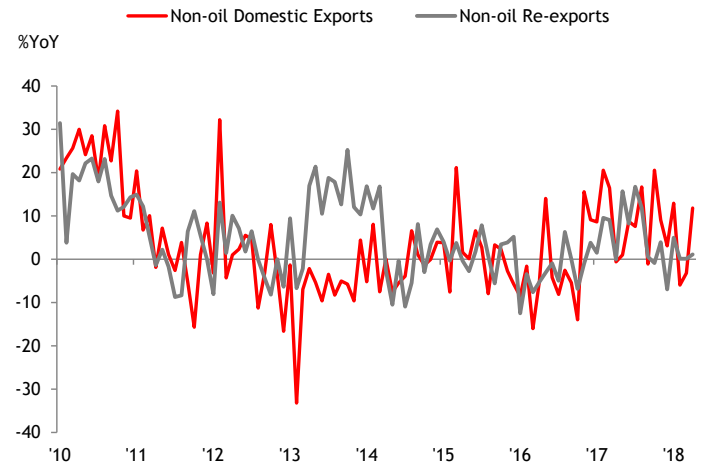
Source: IE Singapore, CEIC, Maybank Kim Eng

**Figure 1: Exports Rebounded in April, Due to Pharma Surge**



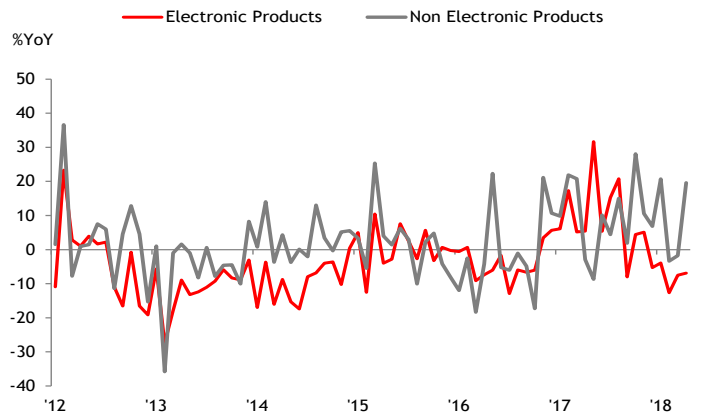
Source: CEIC, Maybank Kim Eng

**Figure 2: NODX and NORX Rebounded in April**



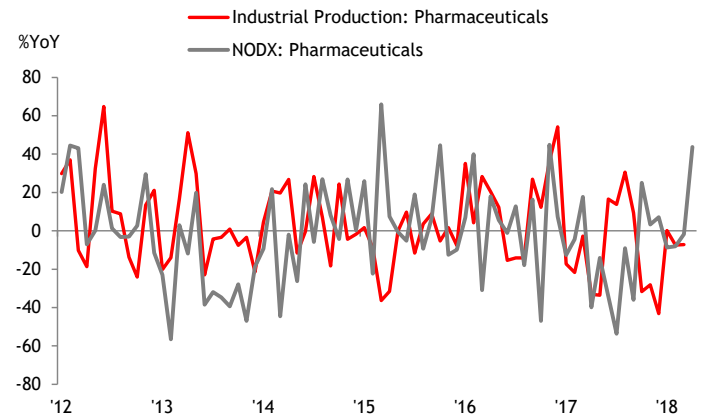
Source: CEIC, Maybank Kim Eng

**Figure 3: Electronic Exports Contracted Again in April**



Source: CEIC, Maybank Kim Eng

**Figure 4: Pharmaceuticals Rebounded in April**



Source: CEIC, Maybank Kim Eng

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