

Singapore Economics

Exports Surge for 2nd Month, But Electronics Puzzle Remain

NODX Growth Accelerates as Pharma Extends Gains

Non-oil domestic exports (NODX) growth surged to a 7-month high in May, boosted by non-electronics even as electronics exports continued to disappoint. NODX accelerated by +15.5% in May-18 from a year ago (vs. +11.8% in Apr), led by non-electronics (+26.2% vs. +19.6% in Apr). Electronics exports (-7.8% vs. -6.9% in Apr) extended its decline for the sixth consecutive month, which again we think may not be reflected in electronics production. Non-oil re-exports (NORX) - a proxy for wholesale trade services - remains healthy, rising by +4% (vs. +8.2% in Apr), supported by both electronics (+1.1%) and non-electronics (+6.8%).

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Electronics Exports & Production Continue to Diverge

Electronics exports remained weak in May, with exports declining for most of the major products - integrated circuits (-8.5%), parts of PCs (-38%), diodes and transistors (-19%), and PCs (-18%). Only disk media products (+54%) continued to rise at a healthy pace. The puzzling divergence between electronics exports and production persist, with NODX declining by -7.6% in the first four months of 2018 while industrial production surged by +17% over the same period. Non-electronics jumped for a second month, driven by civil engineering equipment parts, food preparations (+133%) and pharmaceuticals (+32%).

G3 Driving Growth, Exports to Asia ex-Japan Declining

In recent months, NODX to the G3 economies have been supporting Singapore's exports growth while NODX to Asia ex-Japan (except Indonesia) have been declining. In May, NODX to EU (+98%), US (+54%) and Japan (+15%) were the key drivers to growth while NODX to top Asian markets such as China (-5.9%), Malaysia (-9.2%), Taiwan (-8.9%), South Korea (-24%) and Thailand (-9%) posted declines.

Growth Risks as Trade War Looms, But Services Resilient

We think that exports growth will likely see some slowdown in the second half of 2018 as the momentum in electronics subsides. Export data for May was still strong in Asia, with China (+13%), South Korea (+13%) and Taiwan (+14%) all posting double-digit growth (see Table 2). Escalating US-China trade war risks may however hit exports in the second half, if both countries go ahead with the threatened tariffs on US\$50bn worth of imports (effective from 6th July). For Singapore, services, as well as services export growth, will be more resilient and support growth for the rest of 2018. Our GDP forecast stands at +3.5% for 2018, at the upper bound of MTI's 2.5% to 3.5% forecast range.

Table 1: External Trade by Category (%YoY)

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	YTD 2018	3Q17	4Q17	1Q18	2017
Total Trade	7.1	1.6	-0.8	10.6	9.8	5.6	11.6	7.8	2.5	11.1
Exports	9.2	-1.0	-1.0	10.1	10.1	5.4	10.1	6.6	2.3	10.3
Domestic Exports	13.7	-2.1	-0.4	11.3	16.3	7.7	11.0	15.3	3.5	15.8
Oil	15.4	5.1	5.6	10.3	17.8	10.8	19.3	26.1	8.6	33.4
Non-oil	12.9	-6.0	-3.1	11.8	15.5	6.2	7.6	10.4	1.1	8.8
Re-exports	4.6	0.1	-1.6	8.7	3.7	3.0	9.3	-1.3	0.9	5.2
Oil	-9.8	5.4	-36.9	35.9	-11.3	-9.3	-0.9	5.5	-19.7	-4.2
Non-oil	5.0	0.1	-0.4	8.2	4.0	3.3	9.6	-1.4	1.5	5.5
Imports	4.8	4.8	-0.6	11.2	9.6	5.8	13.4	9.1	2.8	12.1
Oil	11.9	8.5	-7.9	7.7	36.8	10.9	26.3	30.5	3.7	41.6
Non-oil	2.7	3.6	1.6	12.3	2.4	4.3	10.4	4.0	2.6	5.8

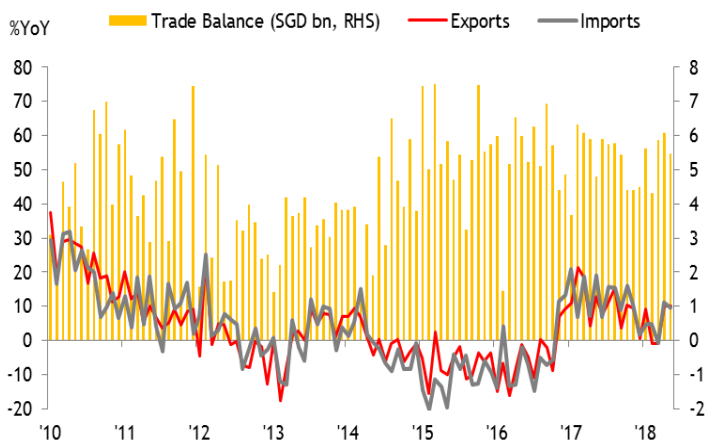
Source: IFS Singapore, CEIC, Maybank Kim Eng

Table 2: Exports of AxJ Countries (%YoY, in USD terms)

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Indonesia	13.5	7.5	8.6	12.0	6.2	9.0	
Malaysia	18.8	14.4	32.9	11.3	16.2	29.2	
Philippines	14.2	8.4	-4.0	-5.5	-8.2	-8.5	
Singapore	13.5	10.0	22.0	0.7	3.5	18.8	20.4
Thailand	13.4	8.6	17.6	10.3	7.1	12.3	
Vietnam	24.4	19.2	40.2	8.6	22.3	4.5	11.3
China	11.6	10.8	10.8	43.7	-2.9	12.6	12.6
Hong Kong	7.1	5.2	17.2	0.9	7.0	7.1	
India	30.0	15.0	11.6	4.5	-0.7	5.2	20.2
Korea	9.7	8.8	22.3	3.3	6.0	-1.5	13.2
Taiwan	14.5	15.2	15.5	-1.9	16.2	9.2	13.6

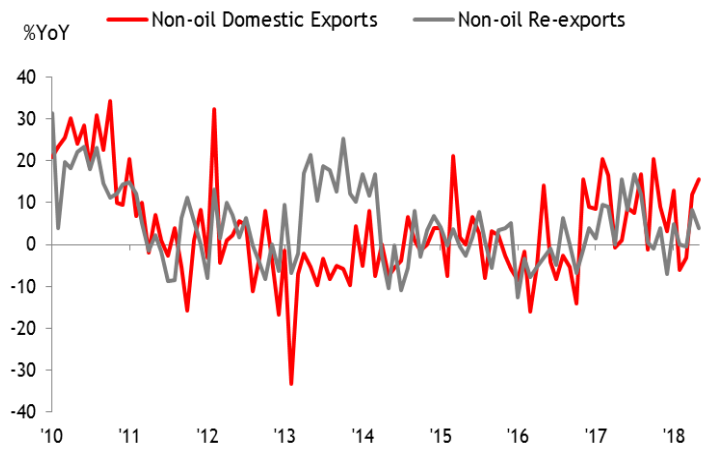
Source: CEIC, Maybank Kim Eng

Fig 1: Both Exports and Imports Rose in May-18



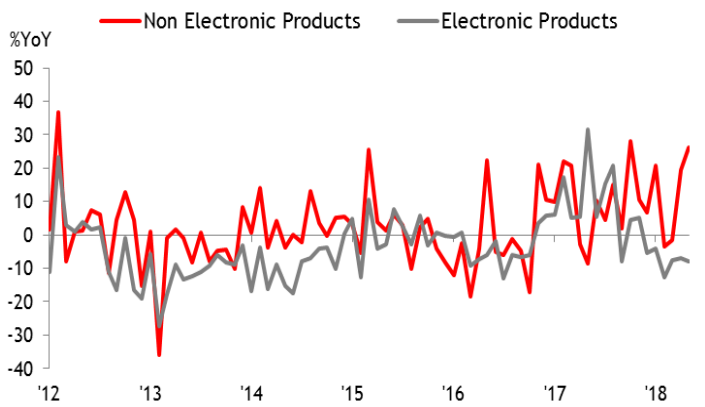
Source: CEIC, Maybank Kim Eng

Fig 2: NODX and NORX Posted Robust Growth in May



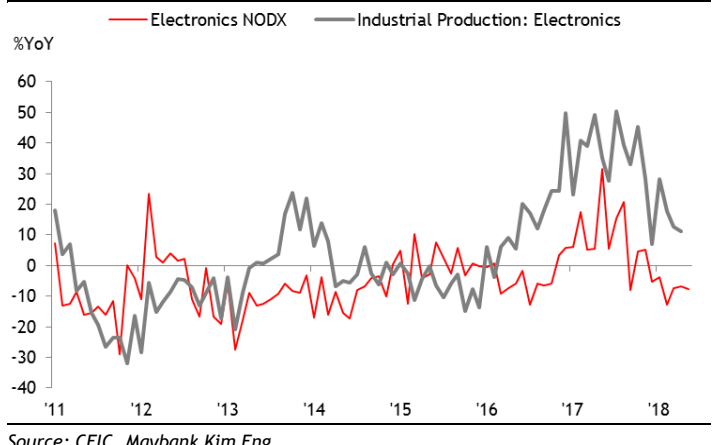
Source: CEIC, Maybank Kim Eng

Fig 3: NODX - Non-Electronics Surging While Electronics Declining for Sixth Consecutive Month



Source: CEIC, Maybank Kim Eng

Fig 4: Electronics - NODX and Production Continue to Diverge



Source: CEIC, Maybank Kim Eng

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