

# Singapore Economics

## Exports Surge; Impact from Trade War May Be More Visible in Coming Months

### NODX and NORX Surge in July, Electronics Remain Weak

Non-oil domestic exports (NODX) accelerated in July despite the start of the trade war, driven by non-electronics. NODX growth jumped to +11.8% in Jul-18 from a year ago (vs. +0.8% in Jun) as non-electronics surged by +18.8% (vs. +4.5% in Jun), while electronics continued to decline by -3.8% (vs. -8.6% in Jun). Non-oil re-exports (NORX) - a proxy for wholesale trade services - picked up pace to +8.5% in Jul (vs. +5.2% in Jun), boosted by the acceleration in non-electronics (+24%) which offset the fall in electronics (-4.6%).

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### Falling Electronics Exports to Result in IP Correction

Electronics exports continued to disappoint as major products such as integrated circuits (-12%), part of PCs (-12%) and diodes and transistors (-25%) extended their decline. With electronics exports now in its eighth month of decline, we think that production numbers will correct by the end of the year. June numbers have already shown an easing in electronics production, especially for semiconductors. The steep rise in non-electronic exports in July was driven by pharmaceuticals (+109%), food preparations (+120%) and primary chemicals (+41%).

### Divergence Between Exports to US/EU and China

Key drivers of Singapore's NODX in July were US (+34%), Japan (+54%), Indonesia (+43%) and EU (+20%). Singapore's NODX year-to-date is largely driven by US (9% of total NODX) and EU (11%), while exports to China (18%) and major regional partners such as South Korea, Hong Kong and Taiwan are declining. This is a reversal from last year when the major contributors to growth were China and South Korea.

### Trade War Impact to be More Apparent by Year End

July trade numbers may have been distorted by companies stocking up in anticipation of higher US and China tariffs in coming months. Exports of other Asian countries in July are still growing at a robust pace. With the next round of tariffs on \$16bn of goods kicking off on 23 Aug, and tariffs on a further \$200bn (US list) and \$60bn (China list) in the cards, we think the trade war impact may be more apparent later in the year. In its 2Q GDP press release last week, the Ministry of Trade and Industry had cautioned that amid the escalating trade conflict, Singapore's externally-oriented services such as electronics, wholesale trade and transportation & storage will likely ease in the second half of the year. Our GDP forecast stands at +3.5% for 2018 and +2.7% for 2019.

Table 1: External Trade by Category (%YoY)

|                    | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | YTD 2018 | 4Q17 | 1Q18  | 2Q18 | 2017 |
|--------------------|--------|--------|--------|--------|--------|----------|------|-------|------|------|
| <b>Total Trade</b> | -0.8   | 10.5   | 9.8    | 10.2   | 17.6   | 8.0      | 7.8  | 2.5   | 10.2 | 11.1 |
| <b>Exports</b>     | -1.0   | 10.0   | 10.0   | 8.0    | 13.7   | 7.0      | 6.6  | 2.3   | 9.4  | 10.3 |
| Domestic Exports   | -0.4   | 11.3   | 16.3   | 10.9   | 19.3   | 9.7      | 15.3 | 3.5   | 12.9 | 15.8 |
| Oil                | 5.6    | 10.3   | 17.8   | 34.7   | 38.2   | 17.3     | 26.1 | 8.6   | 20.4 | 33.4 |
| Non-oil            | -3.1   | 11.8   | 15.5   | 0.8    | 11.8   | 6.2      | 10.4 | 1.1   | 9.3  | 8.8  |
| Re-exports         | -1.6   | 8.7    | 3.6    | 5.0    | 8.7    | 4.2      | -1.3 | 0.9   | 5.7  | 5.2  |
| Oil                | -36.9  | 35.9   | -11.3  | -1.1   | 22.7   | -4.4     | 5.5  | -19.7 | 6.1  | -4.2 |
| Non-oil            | -0.4   | 8.2    | 4.0    | 5.2    | 8.5    | 4.4      | -1.4 | 1.5   | 5.7  | 5.5  |
| <b>Imports</b>     | -0.6   | 11.1   | 9.5    | 12.7   | 22.1   | 9.1      | 9.1  | 2.8   | 11.1 | 12.1 |
| Oil                | -7.9   | 7.7    | 37.2   | 34.3   | 50.1   | 18.9     | 30.5 | 3.7   | 26.3 | 41.6 |
| Non-oil            | 1.6    | 12.1   | 2.2    | 7.2    | 15.4   | 6.4      | 4.0  | 2.6   | 6.9  | 5.8  |

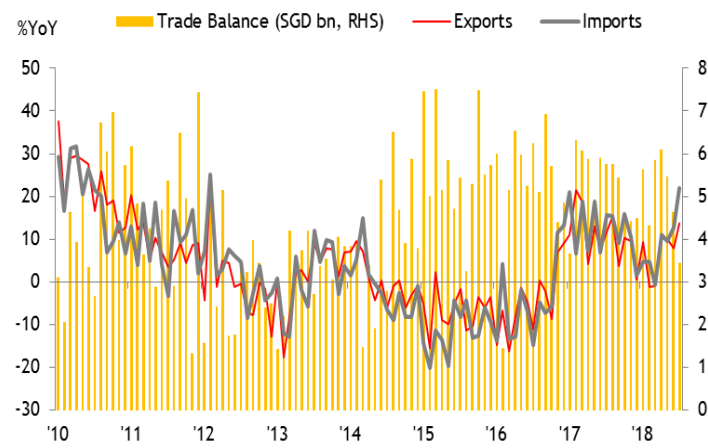
Source: IE Singapore, CEIC, Maybank Kim Eng

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

|             | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 |
|-------------|--------|--------|--------|--------|--------|--------|--------|
| Indonesia   | 8.6    | 12.0   | 6.2    | 9.6    | 13.1   | 11.3   | 19.3   |
| Malaysia    | 32.9   | 11.3   | 16.2   | 29.2   | 12.7   | 15.1   |        |
| Philippines | -4.0   | -5.5   | -6.8   | -4.9   | -1.8   | -0.1   |        |
| Singapore   | 22.0   | 0.7    | 3.5    | 18.8   | 20.3   | 3.5    | 12.4   |
| Thailand    | 17.6   | 10.5   | 7.0    | 12.4   | 11.4   | 8.2    |        |
| Vietnam     | 40.2   | 8.6    | 22.3   | 4.5    | 11.3   | 11.3   | 14.8   |
| China       | 10.6   | 43.5   | -3.0   | 12.1   | 12.1   | 11.2   | 12.2   |
| Hong Kong   | 17.2   | 0.9    | 7.0    | 7.1    | 15.0   | 2.7    |        |
| India       | 13.6   | 5.3    | -0.5   | 4.3    | 21.0   | 18.0   | 14.3   |
| Korea       | 22.3   | 3.2    | 5.5    | -1.9   | 12.9   | -0.3   | 6.2    |
| Taiwan      | 15.5   | -1.9   | 16.2   | 9.1    | 13.6   | 9.3    | 4.4    |

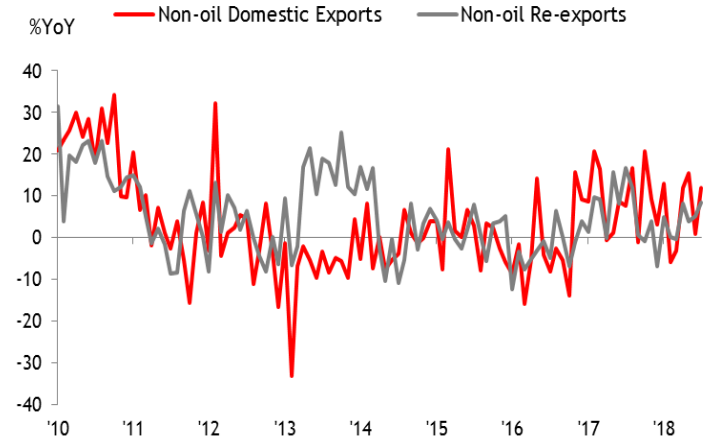
Source: CEIC, Maybank Kim Eng

Figure 1: Both Exports and Imports Picked Up in Jul-18



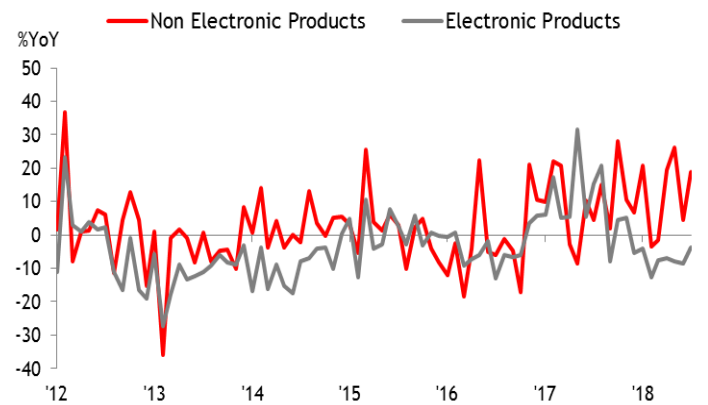
Source: CEIC, Maybank Kim Eng

Figure 2: NODX and NORX Gained Momentum in Jul-18



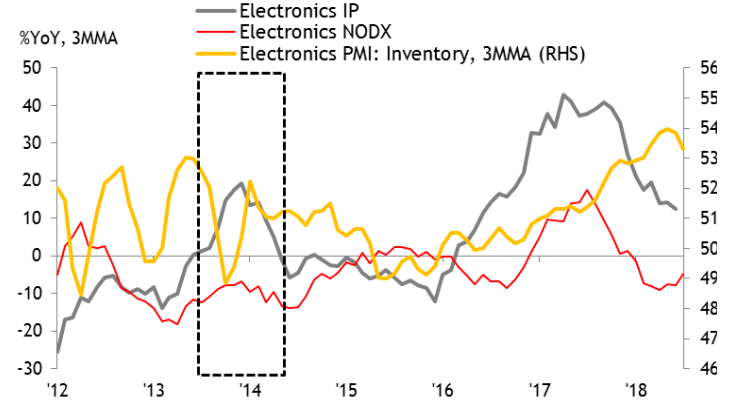
Source: CEIC, Maybank Kim Eng

Figure 3: NODX - Non-Electronics Surging While Electronics Declining for Eighth Consecutive Month



Source: CEIC, Maybank Kim Eng

Figure 4: Electronics - NODX and Production Continue to Diverge, Inventory Stays High



Source: CEIC, Maybank Kim Eng

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