

Singapore: Aug NODX Came in Below Expectation But was up from July After Seasonal Adjustment

Singapore's Aug non-oil domestic exports (NODX) slumped 13.8%/y/y, the largest pace of decline since Dec 2006 as a result of sharp contractions in both pharmaceutical (-45.2%/y/y) and electronic exports (-19.4%/y/y). This was weaker than our forecast of a 9.0% contraction and market's -8.0%. However, after adjusting for seasonal factors, NODX rose 2.0%/m/m in Aug, reversing the 2.3% fall in Jul. This was better than our expectation of a 1.0%/m/m contraction.

Electronics exports fell a sharper 19.4%/y/y in Aug compared with -14.1% in Jul. With the exception of the pc parts, all other segments in electronics registered double-digit fall in Aug. Non-electronics NODX turned in a contraction of 9.6%/y/y in Aug from a growth of 0.3% in Jul as both pharmaceutical and petrochemicals exports fell in the month. By markets, the top contributors to the NODX decline were the EU, US and Malaysia. Asian exports are increasingly coming under stress as a result of the slowdown in the developed markets.

With NODX down 4.4%/y/y in the first eight months this year and external demand softening, we could likely see full-year NODX coming in below the government's forecast of -2% to -4%. We are still maintaining our full-year NODX growth forecast at -3.5% for now. The swing factor will be the pharmaceutical shipments which have already sustained seven months of double-digit contractions in the first eight months this year. Risk of technical recession has increased given the weak industrial production and NODX data so far. Aug IP due on 26 Sep will give us a better sense of that possibility.

For now, market will continue to price in MAS' move to loosen its monetary policy in Oct given the peaking in inflation, stress in the financial markets and weaker growth prospects ahead. For now, we still expect the S\$NEER to trade +/-0.5% around the pivot point. That should translate to a range of 1.4260-1.4400 for USD/SGD based on current currency levels.

Electronics and Pharmaceutical NODX Contracted Sharply in Aug					
	2Q08	May 08	Jun 08	Jul 08	Aug 08
Total NODX	-5.5	-10.5	-10.6	-5.8	-13.8
Electronics	-7.8	-8.5	-14.7	-14.1	-19.4
Disk Drives	1.6	2.9	-18.7	-25.1	-25.8
ICs	-11.5	-12.6	-24.5	-6.7	-16.4
Parts of PCs	-9.2	-9.3	-18.2	-15.4	8.8
Parts of ICs	15.7	15.2	41.7	7.6	-15.5
Consumer electronics	-31.7	-30.6	-32.9	-43.6	-56.8
Non-Electronics	-3.9	-11.8	-7.9	0.3	-9.6
Pharmaceuticals	-29.5	-48.5	-22.3	-42.4	-45.2
Petrochemicals	1.0	-2.6	-7.3	26.4	-9.6
Source: IE Singapore					

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