

## **SINGAPORE – TRADE DATA FOR JANUARY BETTER THAN EXPECTED, BUT ECONOMIC OUTLOOK STILL CAUTIOUS**

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### **S u m m a r y**

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1. Singapore's trade performance in January was better than expected, and followed strong manufacturing growth in December. But while exports rose, imports fell. Data released February 17 by IE Singapore (formerly the Trade Development Board) indicates that Singapore's non-oil domestic exports, the most widely-used gauge of the country's exports, rose 18% in January on a nominal, month-on-month (m/m) basis, following a sharp drop in December. If seasonal factors are removed, the growth in NODX in January was even more impressive, up 25% on a seasonally-adjusted month-on-month (sa m/m) basis, to S\$9.5 billion (US\$5.5 billion). While both electronics and non-electronics NODX expanded, the increase was sharpest for non-electronics, especially pharmaceuticals. Pulling all the data together, total trade registered a 16.9% sa m/m rise in January.

2. Looking forward, analysts remain cautious. On the positive side, data for non-oil retained imports of intermediate goods, which provides some insight as a short-term indicator of coming manufacturing activity, rose 0.5% on a sa m/m basis in January, the first increase in six months. Also, non-oil reexports, a barometer of economic conditions in the region, grew by 20.4% on a sa m/m basis in January. But on the negative side, much of the increase in exports stems from the volatile pharmaceutical sector, a narrow base. In addition, continued weak IT demand in the U.S. limit the potential upside for growth in electronics NODX. *(Note: This is our last monthly analysis of Singapore's trade data. We will be moving to analyze trade data on a quarterly basis, in order to provide a better picture of underlying trends.)*

*Note: All percentage changes are seasonally adjusted, month-on-month, unless otherwise indicated.*

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### **Exports Up Sharply in January**

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3. While Singapore's export performance in January was expected to show renewed strength, following a 6.6% seasonally adjusted month-on-month (sa m/m) increase in manufacturing output in December, the magnitude of the increase surprised analysts. After falling almost ten percent on a nominal month-on-month (m/m) basis in December, overall exports rose in January by 14% m/m, while the narrowest, but most widely-used, gauge of Singapore exports, non-oil domestic exports (NODX), rose 18%. Removing seasonal influences from the data, NODX increased by an even stronger 25.3% on a sa m/m basis in January, to S\$9.5 billion (US\$5.5 billion). On a year-on-year (y/y) basis, NODX rose 18.4% in January. *(Note: Total exports are comprised of domestic exports – 56% of total exports - and reexports, 44% of total exports.)*

4. Both electronics and non-electronics NODX rose in January: domestic exports of electronics (which account for around 54% of NODX and 40% of manufacturing value-added) were up by 11% on a nominal m/m basis, while domestic exports of non-electronics increased by 28%. Much of the latter increase stems from the pharmaceutical sector, and follows a sharp rise in output in December. Pharmaceutical exports remain extremely volatile, with sharp increases and decreases in production and exports, a result of industry production patterns. Non-oil reexports, often a useful barometer of economic conditions in the region, rose 20.4% on a sa m/m basis in January, reversing two months of declines.

**Singapore's Non-Oil Domestic Exports by Major Product** (Nominal terms, S\$ millions)

	<u>Nov 02</u>	<u>Dec 02</u>	<u>Jan 03</u>
Non-oil Domestic Exports	9,504	8,002	9,463
- Electronic Products	5,494	4,624	5,138
- Non-Electronic Products	4,009	3,379	4,325
- Pharmaceuticals	898	468	1,052
- Petrochemicals	392	391	454

*Source: IE Singapore (formerly Trade Development Board)*

5. The following table provides summary data on a non-seasonally adjusted basis:

**Total Trade**

(Non-seasonally adjusted, nominal terms, S\$ millions)

	<u>Jan 02</u>	<u>Oct 02</u>	<u>Nov 02</u>	<u>Dec 02</u>	<u>Jan 03</u>
Total Trade	33,436	39,033	37,865	35,353	38,194

Exports	17,692	20,217	20,279	18,414	20,933
Domestic Exports	9,595	10,742	11,373	9,938	11,888
- Oil	1,600	1,881	1,870	1,936	2,425
- Non-oil (NODX)	7,995	8,861	9,503	8,002	9,463
Re-exports	8,097	9,475	8,906	8,476	9,045
- Oil	149	150	273	270	230
- Non-oil	7,948	9,325	8,633	8,206	8,815
Imports	15,744	18,816	17,586	16,939	17,261
- Oil	1,879	2,694	2,459	2,227	2,966
- Non-oil	13,865	16,122	15,127	14,712	14,295

*Source: IE Singapore (formerly Trade Development Board)*

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**Outlook: Continued Uncertainty**

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6. The trade data underscore continued uncertainty in the economic outlook. On the positive side, data for non-oil retained imports of intermediate goods (a sub-set of the “non-oil imports” line in the above table), which provides some insight as a short-term

indicator of coming manufacturing activity, rose 0.5% on a sa m/m basis in January. While this is a marginal rise, it is the first increase in six months. In addition, reexports, which can be a useful gauge of economic activity in the region, expanded by 20.4% on a sa m/m basis in January, reversing a decline in December. However, as noted above, a significant component in recent one off increases in exports has stemmed from the pharmaceutical sector, providing a narrow base for sustained growth. The potential for growth in electronics NODX – which continue to account for over half of NODX – remains limited by weak IT demand. Therefore, the overall growth momentum remains shallow.

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### **NODX To All Key Markets Up**

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7. On a geographic basis, domestic exports and NODX in January showed gains to all key markets. NODX to Malaysia, Singapore’s largest trading partner, rose by 15.4 on a sa m/m basis. Exports to the US, EU and Japan were also up. In the case of the U.S., exports of both electronics and non-electronics rose, although pharmaceutical exports accounted for the largest increase when Singapore’s exports to Puerto Rico are factored in (note: Singapore’s trade data counts trade with Puerto Rico – a key destination for the pharmaceutical compounds made in Singapore – separately from the U.S.). Imports from the U.S. declined, however.

8. The following chart provides similar data in real, rather than nominal, terms for domestic exports:

#### Domestic Exports

(Real terms, 1995 prices, S\$ millions)

	<u>Jan 02</u>	<u>Oct 02</u>	<u>Nov 02</u>	<u>Dec 02</u>	<u>Jan 03</u>
Total	10,789	11,771	12,671	10,864	12,787
USA	2,145	2,173	2,936	2,048	2,471
EU	1,692	1,978	1,906	1,752	1,997
Malaysia	1,345	1,433	1,263	1,084	1,269
Japan	930	943	936	903	1,074

Hong Kong	773	967	1,064	1,131	1,243
Taiwan	570	550	656	549	641
China	618	761	710	715	780
Thailand	434	470	481	376	500
Korea	431	350	402	359	445
Australia	307	330	341	316	310

*(Note: Publicly-released Singapore trade statistics do not capture trade with Indonesia.)*

*Source: IE Singapore*

9. The U.S. maintained its position in January – and in 2002 – as Singapore's largest overall market for domestic exports and as its second largest source of imports. Malaysia remains Singapore's top trading partner when reexports are taken into consideration.

In billions of USD, Singapore's trade with:

	<u>1990</u>	<u>1995</u>	<u>2001</u>	<u>2002</u>
Malaysia	15.7	42.0	39.9	44.3
U.S.	21.7	40.3	36.6	35.9
EU	16.9	32.5	29.0	30.3
Japan	17.5	35.6	24.6	24.2
China	3.0	6.8	12.1	16.2
Hong Kong	5.5	14.3	13.2	14.7

*Source: IE Singapore (formerly Trade Development Board)*

10. When both NODX and reexports are added together, Singapore's exports to the U.S. totaled S\$2.8 billion (US\$1.61 billion) in January, compared with S\$2.5 billion in January 2002. Imports from the U.S. totaled only S\$2.1 billion in January, resulting in a S\$700 million trade surplus for Singapore.

11. Trade with China continues to show impressive growth on a y/y basis; China continues to run a strong trade surplus with Singapore. Singapore's total exports to China totaled \$1.23 billion (US\$707 million) in January, up 31% over January 2002. Imports from China registered S\$1.5 billion in January 2003, compared to S\$1.2 billion in January 2002, a 28% y/y increase.

Trading Partner	<u>Top Markets Share of Total Trade</u>					
	2000	2001	2002	2000	2001	2002
	(S\$ Million)			(Percent Share)		
World	470,001	425,718	432,391	100.0	100.0	100.0
Malaysia	82,589	73,796	76,954	17.6	17.3	17.8
U.S.	75,907	67,671	62,450	16.2	15.9	14.4
EU	57,744	53,616	52,653	12.3	12.6	12.2
Japan	57,904	45,506	42,070	12.3	10.7	9.7
China	21,564	22,445	28,122	4.6	5.3	6.5
Hong Kong	24,764	24,359	25,565	5.3	5.7	5.9
Taiwan	24,492	20,050	20,617	5.2	4.7	4.8
Thailand	20,130	18,729	19,891	4.3	4.4	4.6
Korea	16,788	15,234	17,007	3.6	3.6	3.9
Philippines	11,632	10,089	9,919	2.5	2.4	2.3
Others	76,489	74,407	77,144	16.3	17.5	17.8

Source: IE Singapore

12. Further data is available at: <http://www.iesingapore.com/>