

**Singapore's disappointing May exports darken trade outlook**  
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Singapore's exports unexpectedly fell in May on weak shipments of electronics and pharmaceuticals to its key markets, data showed today, indicating the city-state may not be benefiting yet from a recovery in developed economies.

Non-oil domestic exports fell a seasonally adjusted 7.5% in May from April, trade agency International Enterprise Singapore said, well below a forecast of 0.5% growth.

From a year earlier, non-oil exports in May slid 6.6%, compared with growth of 0.9% forecast in a Reuters poll.

Many economists had predicted at the start of the year that a recovery in the United States and European economies would boost Singapore's exports, but signs of that filtering through have yet to fully materialise.

Electronics is a key driver of Singapore's exports but it is not as well positioned in the electronics supply chain to gain from growth in smartphones and other recreational tech products.

"It will fail to benefit fully from the expected recovery in developed markets," said Frances Cheung, head of Asian rates strategy at Credit Agricole CIB in Hong Kong, pointing to potential weaknesses in the electronics sector.

Its electronics manufacturers have struggled to tap surging demand for smartphones, unlike rivals in South Korea and Taiwan.

"Pricing through a slightly weaker Singapore dollar can help, but the product mix, which relies much on PCs, ICs and parts could be a more important issue," Cheung said, referring to personal computers and integrated circuits.

Non-oil domestic exports to the United States fell 8.8% in May from a year earlier, compared with 11.7% growth in April.

Shipments to the European Union declined an annual 22.6% last month, more than double April's fall of 10.9%. In March, exports to Europe slipped 27.8 percent.

Exports to China grew 7.2% last month, but the expansion was less than a third of April's 22.6%.

The disappointing export figures came even as major economies, especially the United States, showed signs of a recovery. The European economy is also poised to find support from monetary policy easing by the European Central Bank.

After the data, the Singapore dollar lost 0.2% to 1.2526 per US dollar, its weakest since June 6.

Exports of electronics and pharmaceuticals contributed to the overall weakness in May.

Electronics shipments in May fell 15.3% from a year earlier after suffering an 8.7% fall in April and a 16.1% loss in March.

"Electronics was more of a disruption story – the number of public holidays in May, particularly in Korea and Taiwan, caused disruptions to the regional supply chains," said Wai Ho Leong, senior regional economist at Barclays in Singapore.

"So I don't think the fall is anything particularly sinister, but it was more pronounced than we had expected."

Domestic exports of pharmaceuticals, which tend to be very volatile from month-to-month, lost 26.3% from a year earlier.

Economists slightly cut their forecasts for 2014 non-oil domestic exports growth to 4.1% from 4.2%, the latest central bank survey showed. – Reuters, June 17, 2014.

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