

## Singapore non-oil domestic exports likely fell for second straight month in June

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SINGAPORE (Thomson Financial) - Non-oil domestic exports in Singapore likely contracted for the second consecutive month in June on continued weakness in electronics demand led by the United States, a key export market.

The stronger Singapore dollar versus the U.S dollar also likely weighed on demand.

Based on a Thomson IFR poll of economists, non-oil domestic exports in June probably fell 6.7 percent from a year earlier following the surprise 10.5 percent drop in May after pharmaceutical shipments tumbled.

June non-oil domestic exports probably rose a seasonally-adjusted 5.0 percent compared to May when they fell 9.8 percent on the month.

International Enterprise Singapore will release the data on Thursday.

'Although this is an improvement from May's decline of 10.5 percent, the high base in June 2007, a strong currency as well as the harsh reality of a U.S.-led slowdown in demand will continue to weigh on export performance,' said Irvin Seah, an economist at DBS Bank.

'The technology sector will probably continue to worsen as Singapore's electronics sector is also experiencing a structural decline. Some electronics manufacturing companies have already relocated to other lower cost countries, hence causing a 'hollowing-out' in certain segments of the sector,' he said.

Electronics exports fell for the 16th consecutive month in May as inventories mounted and orders dwindled. Exports to Singapore's biggest markets were weak, with shipments to the U.S. dropping 22.3 percent in May and exports to Europe slipping 28 percent.

Nonetheless, Seah pegged non-oil domestic exports to expand 0.3 percent year-on-year in June.

Analysts say growth in non-electronic exports could limit the continued contraction in electronic exports, although the volatility of pharmaceutical shipments would be a huge sway.

Pharmaceutical exports are estimated to rebound in June after falling 48.5 percent in May, against expectations.

'But growth in the pharmaceutical sector could remain volatile,' **Citigroup** analyst Leon Hiew said. 'Pharmaceutical exports have remained in the red for three consecutive months, and a protracted softness could potentially become a further drag on overall export growth in coming months.'

Citigroup expects non-oil domestic exports in June to fall 9.5 percent year-on-year.

Singapore's economy grew at its slowest pace in five years at 1.9 percent in the second quarter largely due to a slump in pharmaceutical production, according to preliminary estimates released by the government.

**Source: Thomson Financial News Limited**