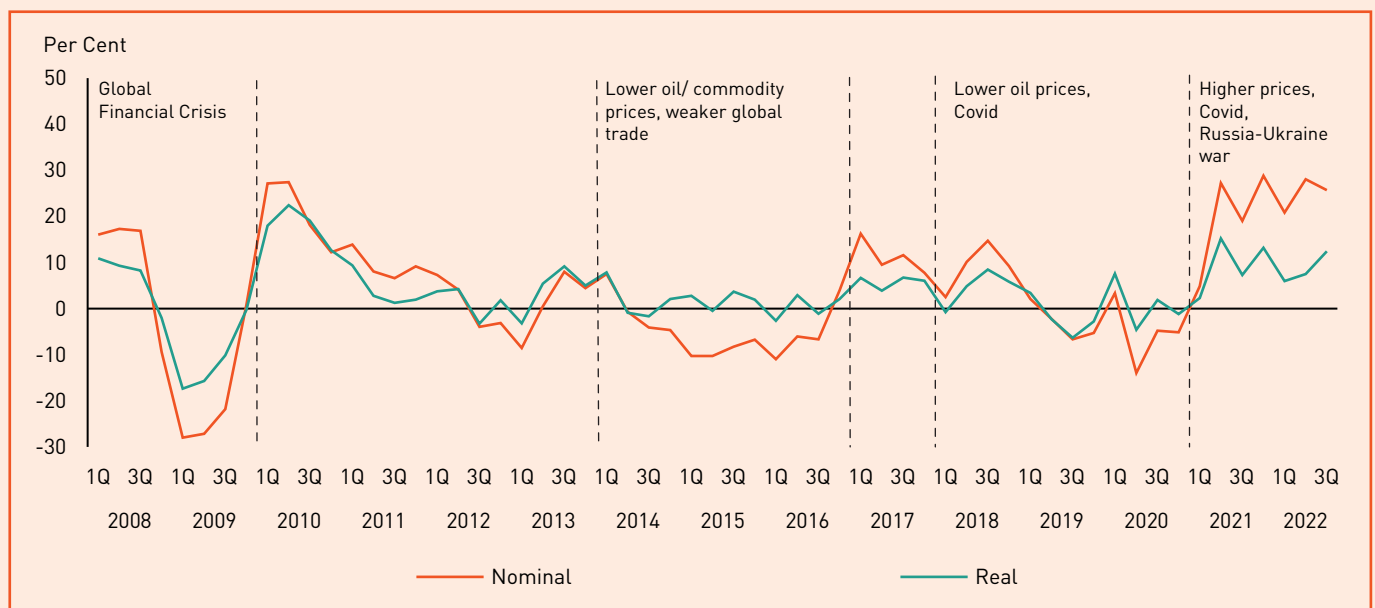


# NOMINAL AND REAL TRADE PERFORMANCE IN THE FIRST THREE QUARTERS OF 2022<sup>1</sup>

In the first three quarters of 2022, total trade<sup>2</sup> growth in nominal terms outpaced that in real terms

Singapore's total trade rose by 24.9 per cent year-on-year (y-o-y) in nominal terms in the first three quarters of 2022 [Exhibit 1]. Over this period, total trade in real terms grew at a slower pace of 8.7 per cent y-o-y. This article examines the drivers of Singapore's nominal and real trade growth.

**Exhibit 1: Nominal and Real Total Merchandise Trade Growth (Year-on-Year, Y-o-Y), 2008 - 3Q 2022**



Source: Enterprise Singapore

**Both oil trade and electronics trade contributed to total trade growth in nominal and real terms in the first three quarters of the year, with their growth in nominal terms faster than that in real terms**

Oil trade and electronics trade are major components of total trade, accounting for 16.3 per cent and 36.1 per cent of nominal total trade respectively in 2021. In the first three quarters of 2022, oil trade and electronics trade expanded in both nominal and real terms [Exhibit 2], thereby contributing to growth in nominal and real total trade:

- Oil trade.** In nominal terms, oil trade grew by 61.8 per cent y-o-y in the first three quarters of 2022, much faster than its 1.4 per cent growth in real terms over the same period. The stark difference in nominal and real oil trade growth was attributable to the sharp rise in oil prices following the onset of the Russia-Ukraine war.<sup>3</sup> In terms of its contribution to total trade, oil trade contributed to 39.3 per cent of nominal total trade growth (i.e., 9.8 percentage-points, pp) and 2.8 per cent of real total trade growth (i.e., 0.2 pp) during this period.

<sup>1</sup> The views expressed in this paper are solely those of the authors and do not necessarily reflect those of the Ministry of Trade and Industry or the Government of Singapore. We would like to thank Ms Yong Yik Wei for her useful suggestions and comments. All errors belong to the authors.

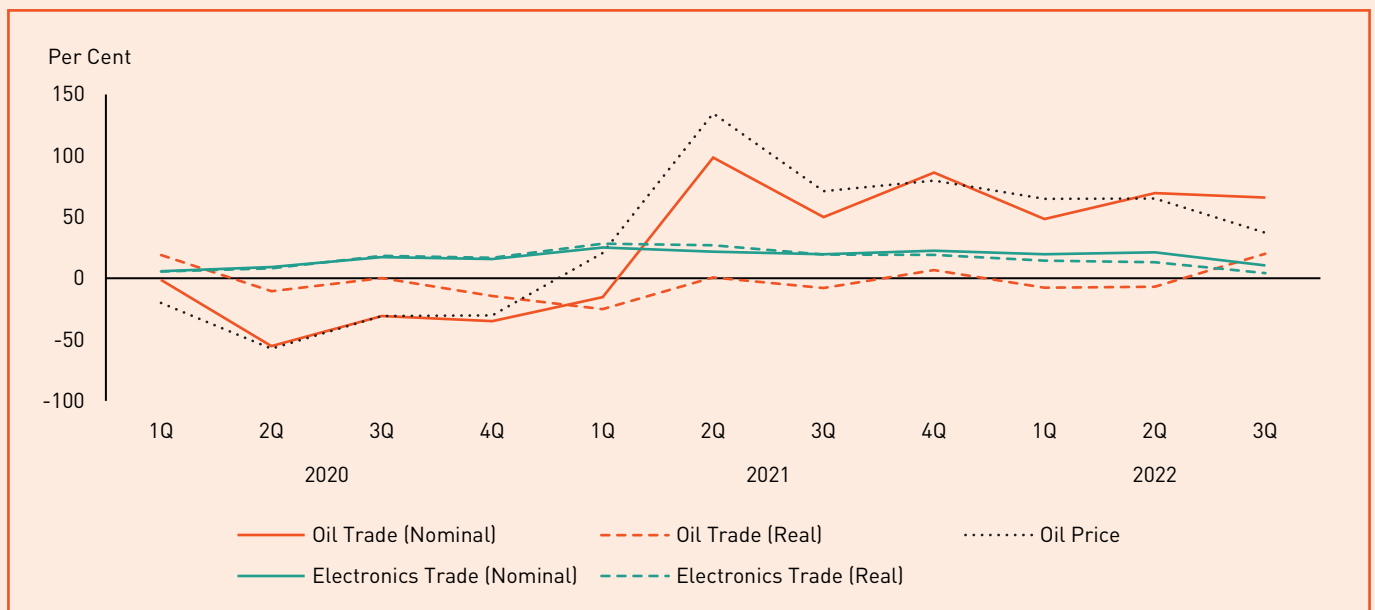
<sup>2</sup> This refers to total merchandise trade (i.e., sum of merchandise exports and imports).

<sup>3</sup> Oil prices increased by 54.9 per cent y-o-y in the first three quarters of 2022.

- b. **Electronics trade.** Electronics trade increased by 16.9 per cent and 10.4 per cent y-o-y in nominal and real terms respectively in the first three quarters of 2022. The faster growth in nominal electronics trade generally reflected higher electronics prices amidst robust global demand for electronics (e.g., semiconductors). In terms of its contribution to total trade, electronics trade accounted for 24.5 per cent of nominal total trade growth (i.e., 6.1 pp) and 43.4 per cent of real total trade growth (i.e., 3.8 pp).

However, a closer examination of their quarterly growth profiles suggests that electronics trade has eased over the course of the year, while oil trade has remained broadly resilient. Specifically, both nominal and real electronics trade growth trended down from 1Q22 to 3Q22 amidst the weakening outlook for the global electronics industry following a longer-than-usual upcycle. By contrast, both nominal and real oil trade growth trended up from 1Q22 to 3Q22 on the back of elevated oil prices and an improvement in real oil trade. These trends suggest that electronics trade will increasingly weigh on the performance of total trade for the rest of the year, even as oil trade continues to provide some support.

**Exhibit 2: Oil and Electronics Trade Growth (Year-on-Year, Y-o-Y), 2020 - 3Q 2022**



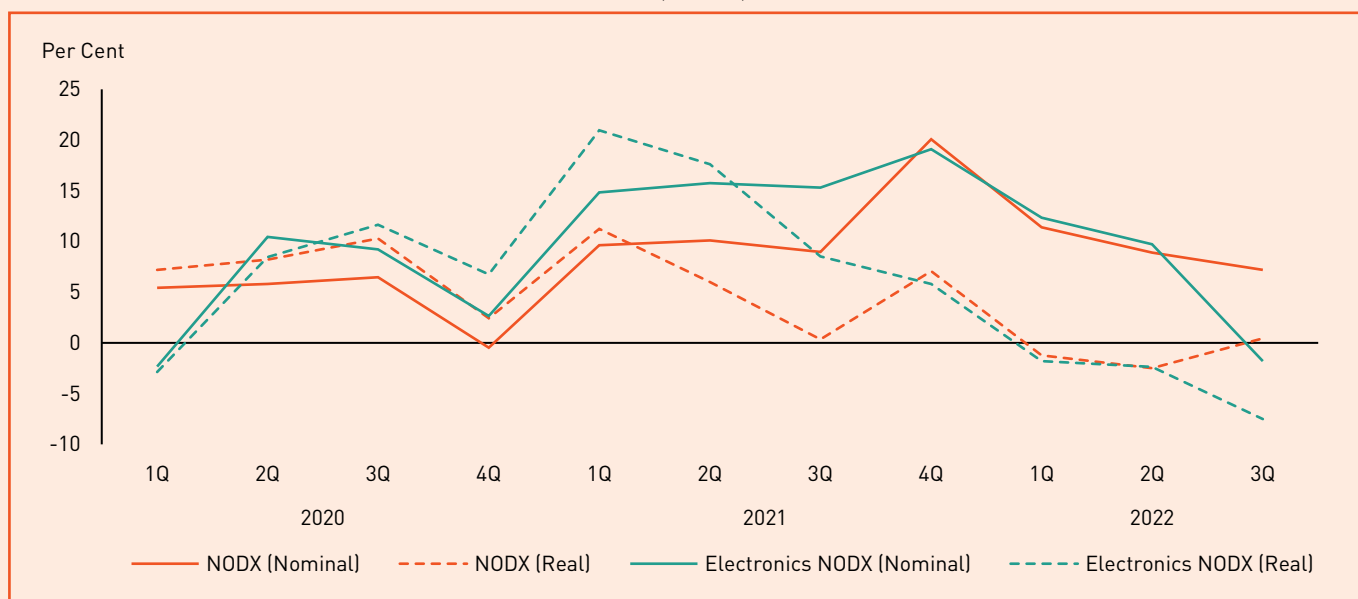
Source: Enterprise Singapore

## Meanwhile, NODX rose in nominal terms but declined in real terms in the first three quarters of 2022

In the first three quarters of 2022, non-oil domestic exports (NODX) rose by 9.1 per cent y-o-y in nominal terms on the back of rising export prices, but fell marginally by 1.1 per cent y-o-y in real terms [Exhibit 3]. The performance of NODX in both nominal and real terms was partly driven by electronics NODX<sup>4</sup>. Specifically, nominal electronics NODX increased by 6.5 per cent y-o-y on the back of higher electronics prices, contributing 16 per cent to nominal NODX growth (or 1.5 pp) over this period. On the other hand, real electronics NODX declined by 3.9 per cent y-o-y from a high base last year, thereby contributing 80 per cent to the fall in real NODX (or -0.9 pp).

Similar to the trends in overall electronics trade, the performance of electronics NODX has deteriorated over the course of the year. In particular, nominal electronics NODX posted its first y-o-y decline in 3Q22 (-1.8 per cent) after nine consecutive quarters of growth, while real electronics NODX contracted more significantly in 3Q22 as compared to the start of the year. The weakening of electronics NODX reflects the fall in end-consumer demand for electronics products like handphones and PCs amidst heightened economic uncertainty and a softening global economic outlook.

<sup>4</sup> Electronics NODX accounted for close to 25% of NODX in nominal terms in 2021.

**Exhibit 3: NODX and Electronics NODX Growth (Year-on-Year, Y-o-Y), 2020 - 3Q 2022**

Source: Enterprise Singapore

### Looking ahead to 2023, the outlook for total trade and NODX has weakened

In 2021, both total trade and NODX reached historic highs in nominal and real terms. Total trade continued to grow in both nominal and real terms in the first three quarters of 2022, supported by oil trade even though electronics trade saw signs of deterioration. Similarly, nominal NODX continued to expand over this period on the back of rising export prices in an inflationary environment, even as real NODX declined. The fall in real electronics NODX from a high base last year was a contributor to the decline in real NODX.

Looking ahead, and barring fresh supply shocks, oil prices are expected to ease in 2023 from 2022's level in tandem with the slowdown in the global economy.<sup>5</sup> Globally, the electronics outlook has also weakened, with semiconductor and computer peripheral firms expressing concerns over the rapid softening in consumer demand. As such, support from the key growth drivers of NODX – electronics – and total trade – oil and electronics – could be limited going into 2023.

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<sup>5</sup> Brent crude oil prices averaged US\$71/barrel in 2021. Prices are estimated at US\$102/barrel and US\$95/barrel for 2022 and 2023 respectively. (Source: The U.S. Energy Information Administration)

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