

NODX surprised with 9.7% yoy (-5.8% mom sa) growth in April despite the Circuit Breaker period.

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Highlights

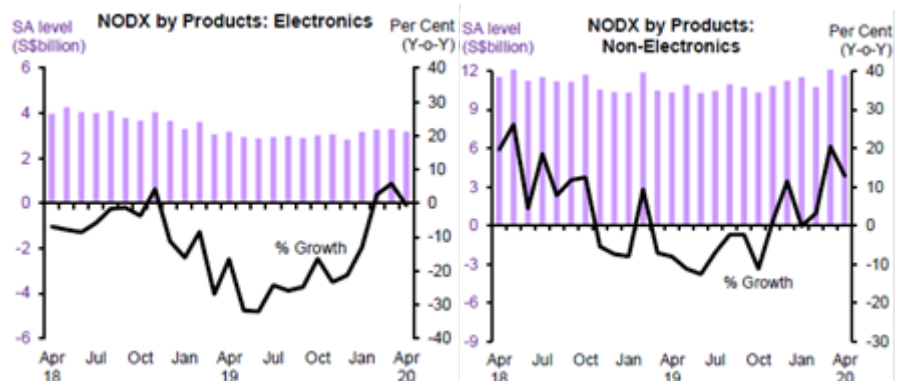
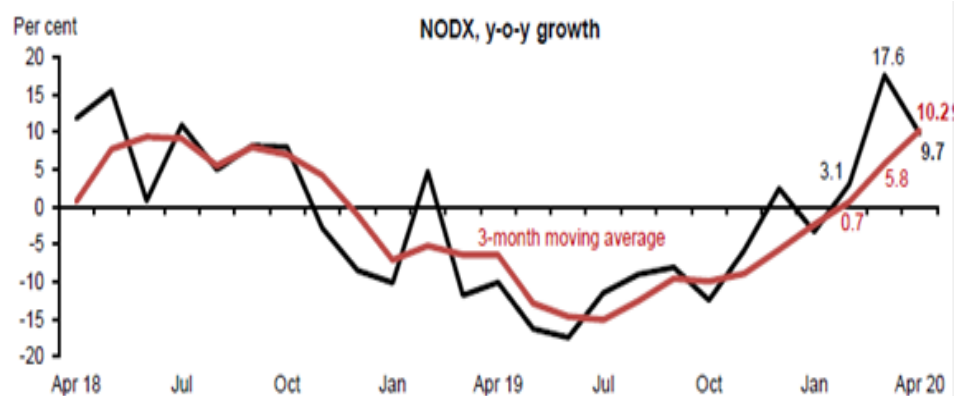
NODX surprised with 9.7% yoy (-5.8% mom sa) growth in April despite the Circuit Breaker and was mainly driven by non-electronics led by pharmaceuticals due to a low base a year ago. This was a moderation from the 17.6% yoy growth in March, but outperformed Bloomberg market consensus forecast of -5.0% yoy and our expectations for -8.5% yoy. The positive April NODX growth print also marked the third consecutive month of expansion after eleven-month contraction streak till January 2020.

Non-electronics exports eased from 20.5% in March to 12.8% in April. Pharmaceuticals (+174.3%), usually volatile, was the star performer due to a low base in April 2019. Other contributors were food preparations (+66.3%) and non-monetary gold (+25.0%). Pharmaceuticals exports are lifted by the Covid-19 pandemic, with medical supplies being in high demand globally. Non-monetary gold exports are likely aided by bouts of risk aversion arising from Covid-19, US-China bilateral tensions and central bankers' caution over the economic outlook (for instance, Fed chair Powell opining that a full recovery of the US economy could drag into 2021 and only on sight of a full Covid-19 vaccine). Gold prices are currently at 7-year highs of \$1755 per ounce. With the disruptions and subsequent restocking of the global food supply chains due to Covid-19 lockdowns and containment measures, food preparations have also picked up. Singapore imports around 90% of food consumed, but the local food manufacturing industry includes flavors, sauces, ready meals, noodles, deli meat, sausage, confectionary, chocolates, snacks and beverages including beer, non-alcoholic beverages etc.

Electronics exports fell 0.6% in April, reversing the 5.8% growth in March. Notably, PCs (-44.3%), diodes & transistors (-13.2%) and disk drives (-32.9%) exports were the key drags. Global electronics demand may still face choppy conditions ahead with the US-China tensions at risk of re-escalation – note the US Commerce Department would require any foreign chipmaker using US equipment to obtain a license before selling to Huawei and its 114 subsidiaries or other companies on the US blacklist.

NODX to top 10 markets also rose for half of them led by US (+124.0% led by non-monetary gold), EU (+106.8% led by pharmaceuticals) and Japan (+81.1% due to pharmaceuticals) and Taiwan (+28.2%) and South Korea (+27.9%) bringing up the rear. However, NODX to regional markets like China, HK, Malaysia, Indonesia and Thailand contracted, suggesting that regional demand conditions remain very soft outside of any Covid-19 driven pharmaceutical demand.

NODX growth is seeing a second wind from Covid-induced demand for pharmaceuticals, non-monetary gold and food preparations amid the disruptions to the global supply chain and medical shortages and bouts of risk aversion. The low NODX base for most of 2019, especially the double-digit NODX contractions in 2Q19, which could be attributed to the US-China trade war, also helped. Combined, they could help limit the NODX fallout from the domestic Circuit Breaker period, but the global re-opening of economies post-lockdown and the risk of subsequent infection waves will determine the NODX momentum going into the second half of 2020.



Non-oil Domestic Exports to Top Markets (% Y-O-Y Growth)

Top Market [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Mar 2020	Apr 2020	Mar 2020	Apr 2020	Mar 2020	Apr 2020
US	22.5	124.0	46.8	46.4	19.3	139.5
EU 27	24.0	106.8	-18.2	0.5	31.3	128.6
Japan	47.6	81.1	-28.4	-33.6	67.9	144.3
Taiwan	38.9	28.2	84.3	61.7	15.1	-0.9
South Korea	33.6	27.9	31.3	30.4	34.1	27.3
Thailand	147.2	-0.9	55.9	23.5	174.1	-11.4
Indonesia	-2.2	-25.6	-4.6	-21.8	-1.9	-26.0
Malaysia	-27.1	-24.1	-31.8	22.0	-24.0	-40.7
Hong Kong	34.4	-41.7	-1.1	-37.4	70.7	-49.2
China	-0.5	-31.3	-3.3	-14.7	0.1	-34.4

[^]: Ranked by contribution to the change in NODX levels over the year.

Source: Enterprise Singapore

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