

S'pore's NODX: two steps forward, one step back? May NODX unexpectedly fell 4.5% yoy (-4.5% mom sa) after three months of expansion

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Highlights

In a nutshell, S'pore's NODX unexpectedly fell 4.5% yoy (-4.5% mom sa) in May, down from the 9.7% yoy (-5.1% mom sa) seen in April. This disappointed both market estimates and our expectations and came after three months of expansion. Electronics exports rose 12.5% yoy, but non-electronics fell 8.8%, dragged down by petrochemicals (-31.2%) especially to India, China and Indonesia. 6 of the top 10 NODX markets saw declines in May with the exception of US, Japan, Taiwan and South Korea.

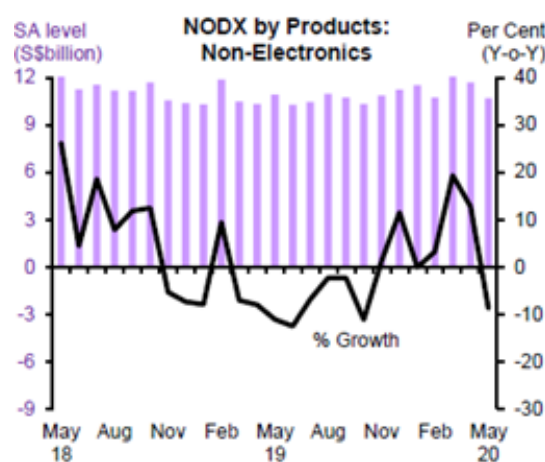
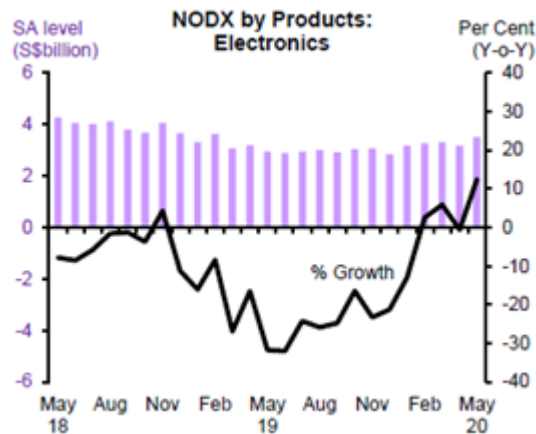
A 2 steps forward, 1 step back story for NODX: The good news is that electronics exports improved to expand by 12.5% yoy in May, led by ICs, disk media products and disk drives. Note that May marked the second month of the Circuit Breaker period, so that could have contributed to the NODX decline as well. The negative news is that non-electronics exports fell, mainly due to the petrochemical drag (-31.2%) especially to India, China and Indonesia, but even the previous outperformers like food preparations fell 24.5% and non-electric engines & motors slumped 55.0% which is probably signifying the demand slump in many economies. Petrochemicals exports may have been affected by currently low oil prices (compared to a year ago) and high base last year.

No point being too carried away with the current market euphoria: the recovery story in the US appears to be on stronger legs for now relative to Asia as also illustrated in the strong S'pore NODX growth of 50.6% yoy to the US. Overnight, the US retail sales data had jumped a record 17.7% mom in May on pent-up demand, following a revised 14.7% fall in April and lifting hopes that pent-up consumer demand would drive the US' reopening recovery. This should bode well as the performance of the other top 10 NODX markets remains uneven still. 6 of the top 10 NODX markets saw NODX declines in May with the exception of US, Japan, Taiwan and South Korea. The NODX drivers for these markets appear to be non-monetary gold, electronics (eg. disk media products, PCs, and ICs), pharmaceuticals, and specialised machinery. That said, the NODX contraction in other key markets like China (-7.0% yoy versus -31.4% previously), Hong Kong (-7.2% versus -41.7% previously) and Malaysia (-9.1% versus -24.2% previously) actually narrowed in May, which also affirmed that April was likely the bottom.

Singapore

17 June 2020

The re-emergence of the Covid-19 cases in Beijing and other spots are troubling and may imply that the 2H recovery trajectory may not be linear as consumer confidence and demand may remain subdued. Pharmaceuticals exports should still be well demanded, especially with second wave concerns and recent news of vaccine developments (eg. Spore to start human trials of Covid-19 vaccine in August). **June NODX could snap back again with the re-opening of the Singapore economy** and other lockdowns being lifted globally, including our key markets like US, Japan, Malaysia etc. However, the 2H NODX growth may be relatively muted even if the full year NODX growth remains positive. Overall, there are still risks on both sides - the earlier transition to Phase 2 for Spore with more economic engines restarting is definitely a positive development, but the ongoing US-China trade and tech war may complicate the picture in addition to the evolving pandemic situation.



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

Top Market [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Apr 2020	May 2020	Apr 2020	May 2020	Apr 2020	May 2020
US	124.0	50.6	46.3	50.5	139.5	50.6
Japan	81.1	52.9	-33.6	18.0	144.3	61.8
Taiwan	28.1	27.2	61.7	72.3	-1.1	-9.4
South Korea	27.9	24.2	30.4	30.2	27.3	22.5
Thailand	-0.9	-5.0	23.5	35.4	-11.4	-22.5
Hong Kong	-41.7	-7.2	-37.4	-17.8	-49.2	25.8
Malaysia	-24.2	-9.1	22.0	67.1	-40.7	-36.6
China	-31.4	-7.0	-14.8	1.3	-34.4	-8.9
Indonesia	-25.6	-34.9	-21.8	8.4	-26.0	-40.0
EU 27	106.8	-28.6	0.6	-26.8	128.6	-28.7

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

Source: Enterprise Singapore

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