

## SG NODX shrank a better-than-expected 8.9% yoy in August

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### Highlights

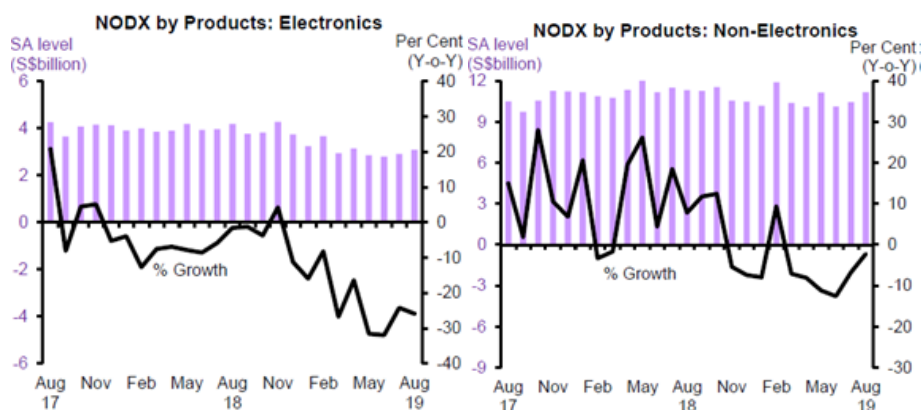
**NODX shrank a better-than-expected 8.9% yoy (+6.7% mom sa) in August**, compared to our expectations for -11.5% yoy (+2.8% mom sa) and market consensus forecast for -10.6% yoy (+1.6% mom sa), and versus July's print of -11.2% yoy (+3.7% mom sa). **Non-electronics exports fell a smaller 2.2% yoy in August** which helped to partially mitigate the 25.9% yoy contraction in electronics exports. The drag for non-electronics exports came mainly from pharmaceuticals (-23.6% yoy), petrochemicals (-20.8%) and primary chemicals (-29.3% yoy). **Headline electronics exports continued to see a double-digit contraction in August, partly due to a high base last year.** Declines were led by ICs (-32.1% yoy), PCs (-28.6% yoy) and diodes & transistors (-18.1% yoy). However, the underlying electronics momentum appears to be stabilizing with the second month of m-o-m growth.

**For the top 10 NODX markets, the sole bright spot was China where NODX saw a sharp 38.5% yoy rebound in August** compared to a 5.1% yoy decline in July. The support came from a 58.0% yoy surge in non-electronics NODX to China, whereas electronics NODX continued to decrease by 20.1% yoy. At this juncture, it is difficult to determine how much of the pickup was due to front-loading activities ahead of the 1 September tranche of US tariffs against Chinese imports or due to the lower NODX base in 2H18. It remains to be seen if the NODX growth rebound for China can be sustained, albeit China has embarked on coordinated policy easing including conventional monetary policy measures like RRR cuts which should help to cushion its slowdown. We also saw these volatile swings for the US market where NODX expanded 12.2% yoy in July before contracting 15.0% yoy in August, again mainly contributed by the non-electronic exports (July: +18.3% yoy, August: -14.6% yoy), namely due to non-electric engines & motors, pharmaceuticals and ICs.

**Note the double-digit NODX growth contractions to the other top 9 key markets remained intact**, with the exception of South Korea, where NODX declined a modest 2.9% yoy. The worst NODX growth decline was seen in HK (-32.0% yoy), followed by Japan (-29.7% yoy) and Indonesia (-21.0% yoy). With the pronounced current growth slowdown, the onus is now on fiscal stimulus to step up to accompany the ongoing monetary policy easing in major economies, which may in turn help to support consumption and mitigate the ill effects of the global trade tensions. With US president Trump hinting that US has reached a trade deal with Japan, market speculation is alit again for a US-China mini trade deal for the upcoming trade talks.

**Is the worst for NODX over?** We expect NODX growth to potentially contract a less severe 7.8% yoy and 6.2% yoy in 3Q and 4Q19 respectively to bring the full year to -8.9% yoy, within Enterprise Singapore's 2019 NODX

forecast of -9% to -8% yoy. This is compared to the NODX slump of 14.6% yoy in 2Q19 and 10.5% for the first eight months of 2019.



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

Top Market <sup>^</sup>	NODX		Electronic NODX		Non-Electronic NODX	
	Jul 2019	Aug 2019	Jul 2019	Aug 2019	Jul 2019	Aug 2019
Hong Kong	-21.7	-32.0	-22.6	-27.2	-19.9	-43.8
US	12.2	-15.0	-8.9	-16.4	18.3	-14.6
Malaysia	-23.5	-19.7	-44.7	-31.8	-8.0	-11.5
Japan	-44.2	-29.7	-40.3	-21.4	-45.1	-31.7
Indonesia	-16.6	-21.0	1.7	12.6	-18.7	-24.4
Taiwan	-18.5	-18.9	-22.7	-39.2	-13.9	12.1
EU 28	-3.3	-10.8	-37.2	-40.0	5.6	-5.1
Thailand	-6.1	-16.8	-24.4	-20.1	5.5	-14.9
South Korea	-4.6	-2.9	-10.3	-27.1	-2.7	4.3
China	-5.1	38.5	-13.4	-20.1	-2.7	58.0

<sup>^</sup>: Ranked by contribution to the change in NODX levels over the year.

Source: Enterprise Singapore

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