

S'pore NODX shrank in Dec

Thursday, January 17, 2019

Highlights

- **NODX data unexpectedly shrank for the second month by 8.5% yoy (-5.7% mom sa) in Dec18, marking a very weak end to 2018.** The yoy and mom readings for Dec18 were respectively the weakest since Oct16 and Jun18. Meanwhile the Nov prints were also revised lower to -2.8% yoy (-4.3% mom sa). Notably, the weakness was broad-based, across both electronics and non-electronics, and in line with the recent trade data disappointments out from China, South Korea, Taiwan, Philippines and even Indonesia.
- **Electronics exports slumped 11.2% yoy in Dec, the worst since Feb18 which saw a 12.7% yoy contraction.** This also suggested that Nov's growth of 4.3% was just an anomaly as it came after 12 straight months of contractions as well ie. electronics exports had shrunk in 12 of the last 13 months. Within electronics, the main contributors to the decline were PCs, disk media products and diodes & transistors which all saw double-digit yoy contraction. Even non-electronics exports declined by 7.4% yoy in Dec18, extending the 5.4% drop in Nov, due to lower exports of specialised machinery, pharmaceuticals and primary chemicals which also registered double-digit yoy contractions.
- **Eight of the top ten NODX markets saw a contraction in Dec18, with the drags mainly coming from the EU28 (-28.7% yoy), South Korea (-39.1% yoy) and Malaysia (-15.5% yoy).** The only two markets that saw NODX growth were the US (31.1% yoy) and China (15.4% yoy) in Dec. This suggested a deterioration in global and regional growth prospects and was likely exacerbated by the fading of some of the pre-emptive frontloading activities within the region in 3Q18 in anticipation of the US-China tit-for-tat tariffs. While Singapore's NODX to the US market may have benefited in recent months, nevertheless at this juncture it is unclear if the Dec rebound in NODX to China is sustainable at 15.4% yoy, pending the outcome of the US-China trade talks given the 90-day ceasefire will end in Mar19.
- **Looking ahead, given the high yoy base in 1Q19, NODX growth is likely to continue to disappoint, barring any rapid turnaround in US-China trade talks and a firm resolution to the contentious issues between US and China.** For the full year of 2018, NODX grew by 4.4% yoy, half of the 8.8% yoy pace in 2017, and may face bleaker growth prospects ahead. We expect 2019 NODX growth to flatline yoy, which is at the low end of IESingapore's official NODX forecast of 0-2% yoy.

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