

August NODX data points to upside risk for 2020 NODX growth forecast

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Highlights:

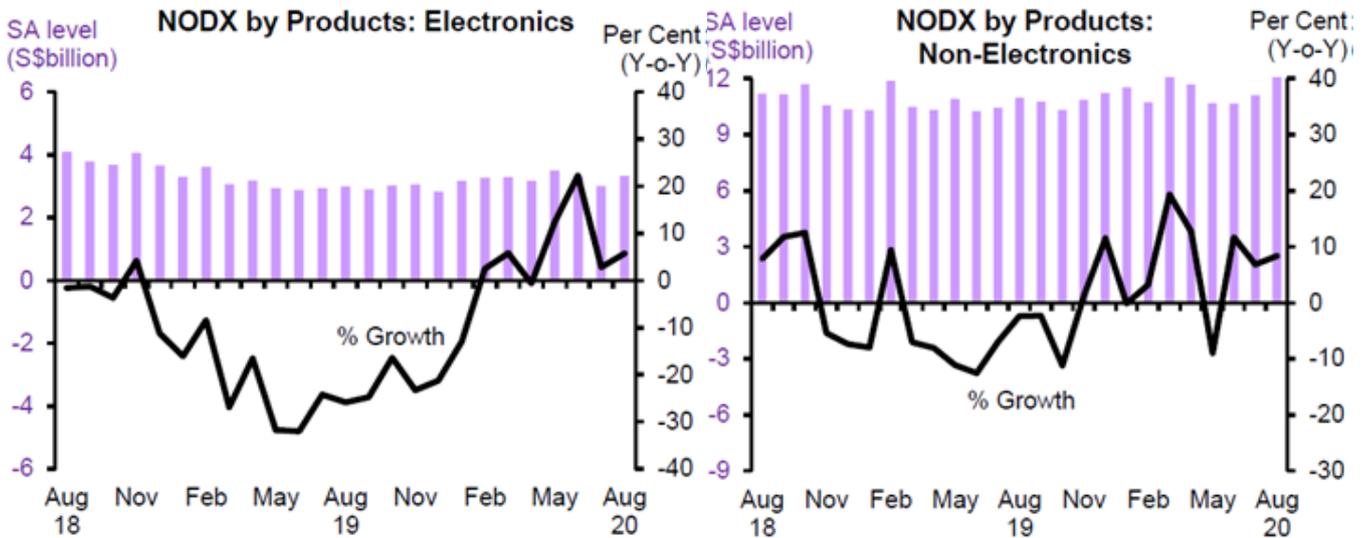
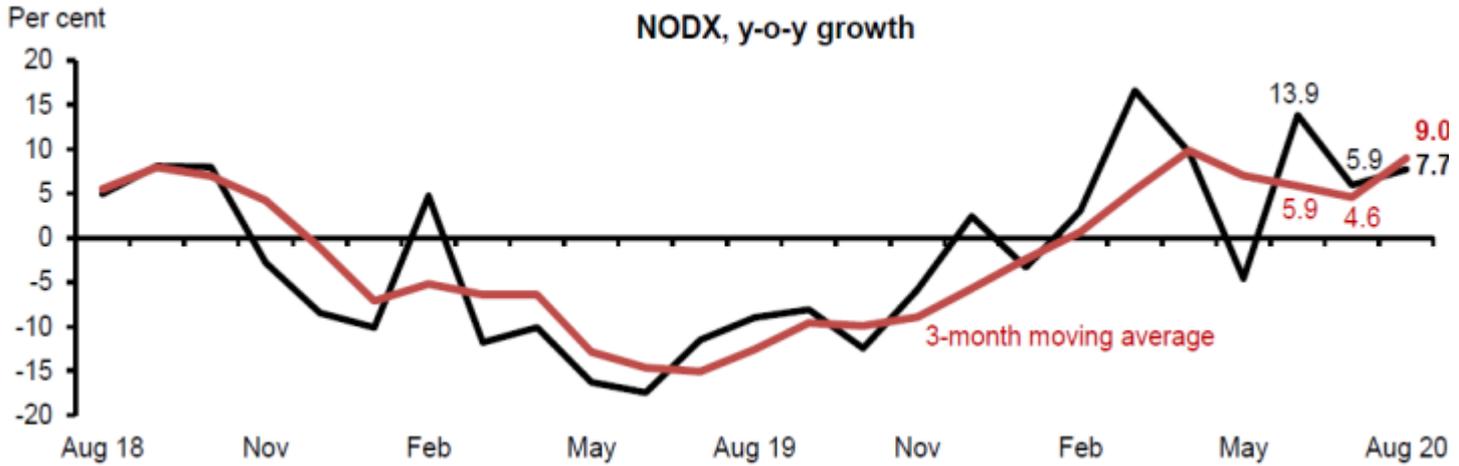
NODX beat expectations to expand 7.7% yoy (+10.5% mom sa) in August, while the July data was revised down marginally by 0.1% point to 5.9% yoy. This also marked the third straight month of on-year NODX growth after a brief contraction of 4.6% yoy in May 2020. Both non-electronics and electronics exports grew by 8.3% and 5.7% yoy respectively in August, up from 6.9% and 2.8% yoy in July.

Aiding the improvement in electronics exports were the ICs (+7.1% yoy), PCs (+15.2% yoy) and disk media products (+11.8% yoy), whereas parts of PCs (-20.6%) and diodes & transistors (-2.7%) remained soft. Electronics exports also rose 6.9% mom and the sequential improvement suggests that the global electronics cycle may be picking up speed. This is also reflected in the strength of electronics exports to key markets like Taiwan (+37.6% yoy) and South Korea (+34.8% yoy) in August, whilst that to China also rebounded strongly from -16.3% in July to +9.2% yoy in August.

Non-electronics exports also expanded for the third straight month in August. The key drivers of non-electronics exports were again non-monetary gold (+55.1%), specialised machinery (+24.7%) and food preparations (+18.9%). Non-monetary gold exports to China and EU27 were also among the key product beneficiaries. Meanwhile, pharmaceuticals exports rose 5.6% yoy, but slower than the double-digit growth seen in June-July, whereas petrochemicals continued to fall by 16.4% yoy.

The top 10 NODX markets performance was also encouraging, with the number of NODX growth to key markets expanding from 5 in July to 6 in August, led by the EU27 (+30.2% yoy), China (+24.5% yoy, with recent robust economic indicators again testifying to its First-In-First-Out status from the Covid-19 pandemic), and also the US (+14.1% yoy). The exceptions were Indonesia (-21.9% yoy, which could be further exacerbated by the fresh lockdown in Jakarta for September amid the uptick in Covid cases), Hong Kong (-11.8% yoy), Malaysia (reverted back to contraction of 5.0% yoy versus +3.9% in July) and also Thailand (-2.6% yoy). In particular, the double-digit contraction in non-electronics NODX to Indonesia (-21.5% yoy), Malaysia (-13.1% yoy) and Thailand (-10.3% yoy) underpins the weak private consumption story in those economies.

More upside for 2020 NODX growth forecast? Year-to-date NODX growth is already 5.9% yoy, with electronics and non-electronics chalking up growth of 4.0% and 6.5% yoy respectively. Recall that Enterprise Singapore had earlier raised the 2020 NODX growth forecast to 3-5% yoy. At the current run rate, it is plausible that the full-year NODX growth will be at the top-end of the forecast range and even potentially exceed the 6% handle slightly. Notwithstanding the ongoing US-China tensions, China's recovery is currently aided by its dual circulation thrust and may receive another boost from the prospects of an impending Chinese Covid-19 vaccine to be ready for general public use by November. Even US president Trump is tweeting that a vaccine could be available before the 3 November elections. The global growth prognosis has also been modestly improving with the re-opening of economies. Note the OECD had also just upgraded its 2020 global growth forecast to contract by a milder 4.5% compared to -6% tipped three months ago with China as the sole G20 economy to see positive growth this year, while the US Federal Reserve now expects 2020 US GDP growth to shrink 3.7% compared to -6.5% three months ago. **All these factors could provide a potential upside risk and we upgrade our 2020 NODX growth forecast from 4% to around 6% yoy.**



Top Market [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Jul 2020	Aug 2020	Jul 2020	Aug 2020	Jul 2020	Aug 2020
China	-5.4	24.5	-16.3	9.2	-2.6	27.0
EU 27	-8.8	30.2	-22.1	-0.3	-6.4	34.6
US	98.7	14.1	28.5	28.2	114.1	10.1
Taiwan	18.7	18.5	24.8	37.6	12.8	2.5
South Korea	56.2	12.0	-12.0	34.8	76.9	7.2
Japan	14.5	5.2	9.5	5.4	15.7	5.2
Thailand	-24.7	-2.6	5.4	11.5	-38.3	-10.3
Malaysia	3.9	-5.0	34.0	10.3	-9.3	-13.1
Hong Kong	-15.1	-11.9	-11.8	-22.7	-21.7	22.0
Indonesia	-20.7	-21.9	-3.6	-24.5	-23.2	-21.5

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

Source: Enterprise Singapore

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