

## Upside surprise in July NODX prompts 2020 NODX growth forecast upgrade

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### Highlights:

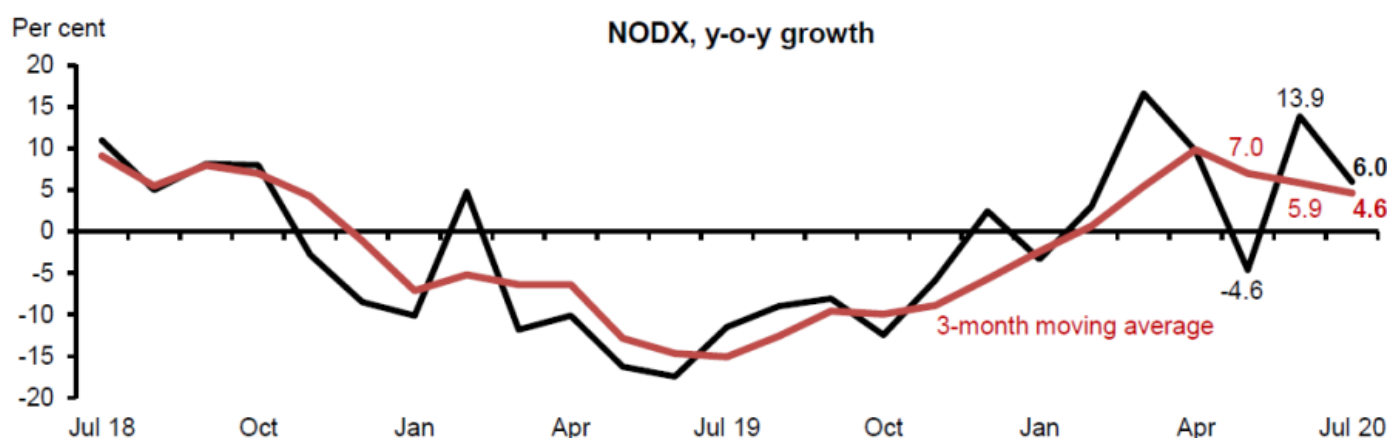
**July NODX moderation, but still an upside surprise:** NODX moderated to 6.0% yoy (1.2% mom sa) in July, beating both market and our forecasts, compared to a 13.9% yoy (-1.4% mom sa) reading in June. Notably, electronics exports also slowed significantly from 22.2% yoy in June (which was partly attributable to a low base last year) to 2.8% in July, with disk media products, telecom equipment and ICs as the main contributors. Meanwhile, non-electronics exports also grew 6.9%, led by pharmaceuticals exports which rose by 15.5% (from a low base of -33% in July 2019), but other key contributors remained non-monetary gold (+227.9%) and specialised machinery (60.1%).

**US had already overtaken China as S'pore top NODX market based on the first half of 2020** with 18.0% market share of S'pore' NODX compared to China's 13.5% market share. This was a reversal of 2019 when China held pole position for S'pore's NODX with a market share of 17.3% while the US was in second place with 13.1%. With US-China bilateral relations remaining somewhat bumpy at this juncture, especially with the indefinite postponement of the weekend trade talks that were supposed to mark the six-month review of the Phase 1 trade agreement, and noise levels likely to ratchet higher approaching the US presidential elections in November, this trend is likely to sustain for the rest of this year. Note that five of S'pore's top ten NODX markets saw growth in July, led by the US (98.7%), South Korea (+56.3%), Taiwan (18.7%), Japan (14.5%) and Malaysia (4.0%), whereas NODX to China reverted to contraction of 5.1% after resurfacing at +0.6% in June. NODX improvements to the US, South Korea, Taiwan and Japan were also lifted mainly on the non-electronics NODX front with double-digit on-year growth.

**We upgrade our full-year 2020 NODX growth forecast from 3% yoy to 4% yoy on the back of better-than-expected performance after the lifting of the Circuit Breaker restrictions.** Looking ahead, NODX growth may ease further to 4.8% yoy in 3Q20 and subside by 4Q20 due to the higher 4Q19 base where the US-China agreement for their Phase 1 trade deal was reached. Note Enterprise S'pore had also revised up its full-year 2020 total trade and NODX growth forecast last week to -8% to -10% yoy and 3-5% respectively, versus its earlier projections for -9% to -12% and -1% to -4% respectively. The forecast revision was attributed to better-than-expected performances for specific products (namely non-monetary gold, pharmaceuticals & electronics) and global trade is unlikely to hit the worst-case scenario of -32% yoy earlier tipped by the WTO. The next thing to watch may be South Korea's trade performance for the first 20 days of

August which is due on 21 August, which could give early clues to the regional trade performance in August.

**DPM Heng is due to deliver his ministerial statement at 330pm this afternoon** which could chart next steps for how the government will continue to support workers and business through the Covid crisis and amid a challenging economic environment as key support schemes like the Jobs Support Scheme, the foreign worker levy waivers, the Self-Employed Person Income Relief Scheme etc will be ending soon. This comes ahead of the opening of the Parliament on 24 August. The key questions remain if the current support schemes will be extended, recalibrated to be more targeted or allowed to eventually expire, if there is a need to draw beyond the \$13b that had been earlier set aside in the Contingencies Fund during the Fortitude Budget announcement, and if there would be new support schemes announced.



Top Market <sup>^</sup>	NODX		Electronic NODX		Non-Electronic NODX	
	Jun 2020	Jul 2020	Jun 2020	Jul 2020	Jun 2020	Jul 2020
US	23.1	98.7	56.9	28.5	17.0	114.1
South Korea	85.6	56.3	75.1	-12.0	88.4	76.9
Taiwan	32.5	18.7	41.3	24.8	25.4	12.8
Japan	52.0	14.5	24.3	9.5	57.8	15.7
Malaysia	16.7	4.0	30.1	34.0	9.2	-9.2
EU 27	14.1	-8.9	-0.9	-22.1	16.3	-6.6
China	0.6	-5.1	37.7	-16.3	-5.3	-2.2
Hong Kong	-21.0	-15.1	-19.4	-11.8	-23.8	-21.7
Thailand	-4.2	-24.7	41.4	5.4	-21.1	-38.3
Indonesia	-17.8	-20.7	18.2	-3.6	-21.5	-23.2

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

Source: Enterprise S'pore

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