

August 2021 NODX slowed more than expected

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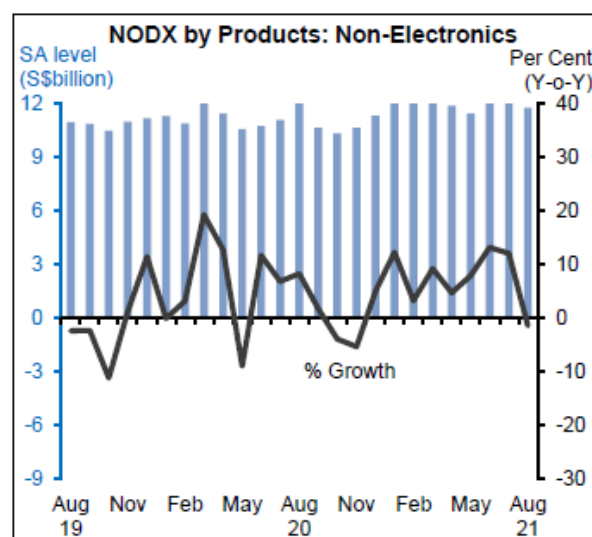
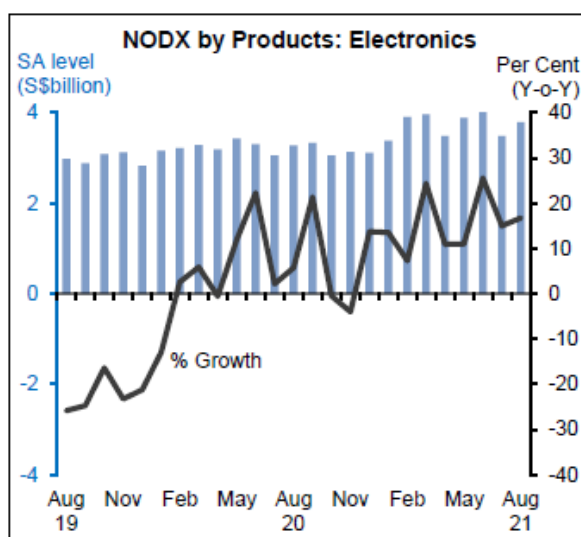
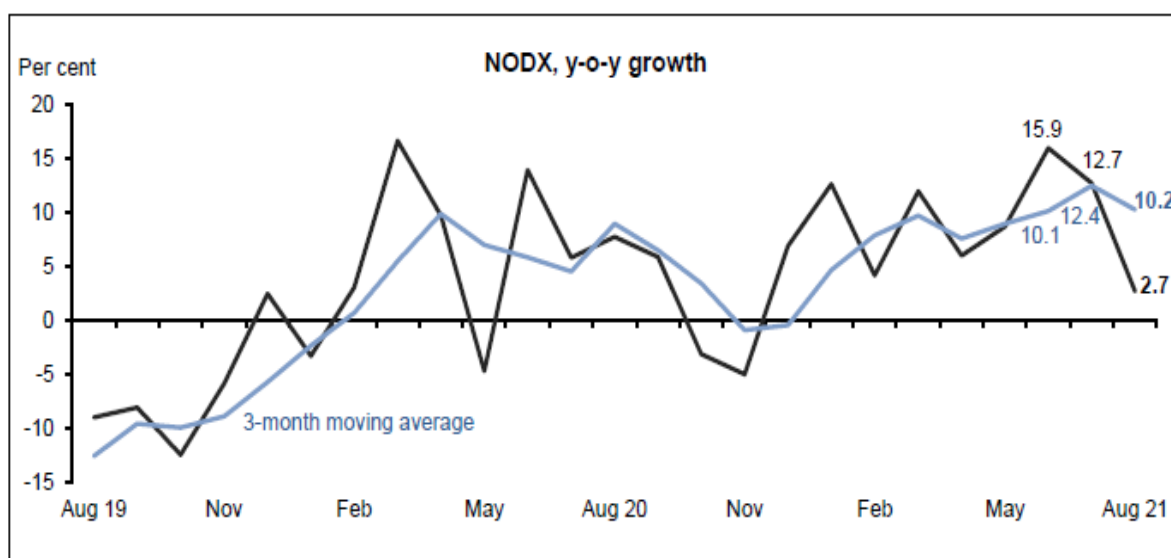
Highlights:

August NODX moderated more than expected from 12.7% yoy (-0.9% mom sa) in July to just 2.7% yoy (-3.6% mom sa) in August, the slowest since November 2020. The data miss was attributed to the high base last year as well as a further contraction in non-electronics exports. Note the 3.6% mom sa decline also marked the second straight month of contraction on a month-on-month basis and also the fourth contraction in five months. Still, the year-to-date NODX growth stands at 9.3% yoy.

Electronics exports improved from 15.0% yoy to 16.7% yoy in August, marking its 6th consecutive month of double-digit yoy expansion. The ongoing global chip shortage and supply chain disruptions continue to sustain the electronics exports momentum. Notably, exports of ICs, diodes and transistors, and PCs remained healthy. However, non-electronics exports declined by 1.4% yoy, dragged down by non-monetary gold (-66.4% yoy), food preparations (-27.1% yoy) and pharmaceuticals (-12.4% yoy). Non-monetary gold exports fell from a high base last year and a global stock market rally that may have dampened safe haven demand. Similarly exports of food preparations also declined due to a high base effect, while pharmaceutical exports are notoriously volatile and contracted after two months of yoy growth.

Eight of the top ten NODX markets saw positive NODX growth in August, led by Taiwan (+50.6% yoy), Hong Kong (+22.8% yoy) and Malaysia (+17.9% yoy) amid the ongoing healthy demand for specialised machinery, ICs, disk media, other electrical circuit apparatus and diodes & transistors. The key exceptions were the EU27 (-20.0% yoy) and China (-17.5% yoy) which marked a sharp reversal from their July performances of 61.5% and 58.4% respectively, and the contributing reasons could be the sporadic Delta outbreak as well as China's slowing growth momentum which may be taking a toll on their import demand. While both electronics and non-electronics exports to China fell in August, the NODX contraction to EU27 was solely due to non-electronics NODX. Interestingly, however, NODX to the US actually improved and expanded by 7.6% yoy in August after double-digit contractions for the previous five months, suggesting that US demand for non-electronics goods was picking up.

With the gradual relaxation of Covid restrictions in regional economies who are Singapore's key trading partners as vaccination rates improve, and a less challenging base for the remaining months of the year, our 8% yoy NDOX forecast remains intact. As we highlighted previously, if growth momentum has peaked in both US and China, coupled with sporadic outbreaks of Delta cases, it is plausible that their import demand could be dampened somewhat in the near-term, albeit the US' US\$1 trillion infrastructure plan could be a positive factor going into 2022.



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

Top Market [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Jul 2021	Aug 2021	Jul 2021	Aug 2021	Jul 2021	Aug 2021
Taiwan	37.0	50.6	27.6	21.8	47.2	82.7
Hong Kong	1.2	22.8	-9.5	41.5	25.7	-14.4
Malaysia	3.2	17.9	6.3	26.5	1.2	12.1
US	-50.7	7.6	-17.3	-10.2	-55.1	13.4
Thailand	30.4	24.2	9.5	6.8	46.6	36.0
South Korea	5.6	18.7	75.5	70.8	-4.9	5.1
Indonesia	14.2	17.2	42.7	33.1	10.2	14.9
Japan	22.5	13.9	26.5	3.6	21.6	16.8
EU 27	61.5	-20.0	27.2	32.7	66.6	-25.7
China	58.4	-17.5	34.0	-2.1	63.8	-19.8

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

Source: Enterprise Singapore

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