

Selena Ling
Chief Economist
+65 6530 4887
Lingssselena@ocbc.com

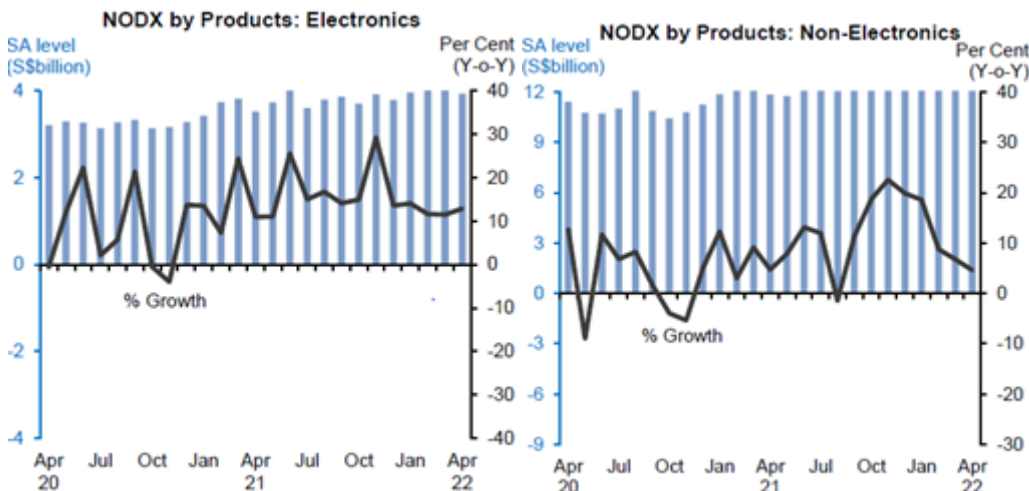
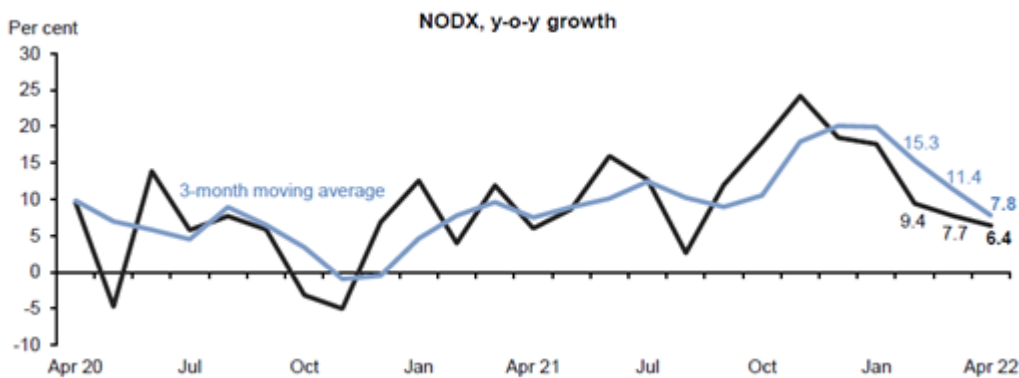
S'pore NODX growth slowdown continued in April, as weaker pharmaceuticals exports offset still healthy electronics exports.

Highlights:

- **NODX growth slowed from 7.7% yoy in March to 6.4% yoy in April, but shrank sequentially for the third straight month by 3.3% mom sa.** This is slightly below the Bloomberg consensus forecast of 6.5% yoy (-2.1% mom sa) but ahead of our expectations for 5.6% yoy (-5.0% mom sa). NODX momentum is clearly moderating amid the twin headwinds of slowing growth prospects amid the supply chain disruptions, frontloading of monetary policy tightening, the Russia-Ukraine conflict and China's zero-Covid related lockdowns. In absolute seasonally adjusted level terms, NODX fell for the third straight month to \$16.6b, which is back to the October 2021 reading although it is still above the April 2021 level of \$15.4b and the 2021 average of \$16.1b.
- **Electronics exports accelerated to 12.8% yoy,** marking the 17th consecutive month of yoy growth and also the 14th straight month of double-digit yoy expansion. In particular, exports of ICs, disk media products, PCs and other electronic product exports grew by double-digits in April, with the exception of diodes and transistors which fell for the third month out of the last four months, possibly due to the supply shock due to the global chip shortage. Electronics components like semiconductors, transistors and other essential raw materials may still remain tight in coming months even as global chipmaking infrastructure investments are being ramped up. Meanwhile non-electronics exports grew 4.6% in April, also marking an easing from the 6.8% yoy growth in March. The key drivers were specialised machinery (+6.9% yoy), measuring instruments (+18.4% yoy) and structures of ships & boats (+305.6% yoy), whereas pharmaceutical exports fell 6.0% yoy in April. Petrochemicals exports, on the other hand, rebounded to 2.2% yoy growth in April.
- **Seven of the top ten NODX export markets saw growth in April,** with the exception of the North Asian markets namely China, Hong Kong and South Korea whose NODX declined 10.6%, 12.5% and 8.9% yoy respectively. NODX growth to Taiwan (+29.9% yoy) and US (10.0% yoy) were aided by exports of specialised machinery while NODX to Malaysia (+20.7% yoy) were mainly boosted by ICs and electrical circuit apparatus. In contrast, the sharp decline in NODX to China is likely attributable to the Covid-related lockdowns in key cities like Shanghai which have weighed on onshore business confidence and impacted private consumption as seen in the recent soft Chinese economic indicators like April industrial production, retail sales and the unemployment rate. While Shanghai is gradually allowing shops to reopen from yesterday, it may still take a few weeks if not months for economic activities to ramp up again, therefore market expects further forthcoming policy stimulus – note PBOC had cut the lower bound range of mortgage rates from 4.6% to 4.4% to boost the ailing housing market and may trim the LPR later this week although the 1-year policy

lending rate was kept unchanged. This could mean that China-related supply chain disruptions have impacted the consumer outlook and it may take more aggressive policy stimulus to stem the deterioration. Elsewhere, the recent improved NODX growth to regional markets like Indonesia, Thailand and Malaysia suggests that the re-opening of borders and relaxation of Covid measures as part of the shift to a Covid-endemic environment have benefited the domestic demand conditions.

- **NODX growth is likely to taper further in 2Q22** after registering a healthy 11.4% yoy start in 1Q22. The full impact of China’s zero-Covid strategy and the Russian-Ukraine conflict is still being played out and the global supply chain bottlenecks may not resolve anytime soon, which compounded with the inflationary pressures that is prompting many central banks to frontload their monetary policy tightening, could continue to weigh on business and consumer sentiments in the near-term. As such, while we are hopeful that Singapore’s 2Q22 NODX growth slowdown will be temporary rather than persistent, the external demand picture has dimmed compared to the start of 2022, with market players now concerned about the risk of an outright US recession on the horizon and the EU warning that growth could stall at 0.2% this year under a severe scenario if Russian natural gas supplies are seriously disrupted. The China economy is also undergoing a challenging period during the ongoing battle with Covid, so the silver lining is that the regional Asean economies appear to be gaining some economic traction with the re-opening of their domestic economies to tourism and relaxation of restriction measures.



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

Top Market [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Mar 2022	Apr 2022	Mar 2022	Apr 2022	Mar 2022	Apr 2022
Taiwan	0.6	29.9	9.1	23.5	-5.9	35.2
Malaysia	29.1	20.7	61.9	62.9	13.4	0.9
US	68.1	10.0	6.7	8.2	80.7	10.3
EU 27	15.4	11.0	2.3	27.3	17.0	8.5
Indonesia	0.3	20.8	13.5	114.7	-1.7	7.0
Thailand	-3.2	20.8	-0.2	9.0	-4.7	27.3
Japan	24.2	10.6	59.5	-1.7	17.7	14.0
South Korea	-8.0	-8.9	6.7	-10.0	-11.3	-8.7
Hong Kong	-22.4	-12.5	-23.1	-25.6	-21.2	19.7
China	4.7	-10.6	26.5	-1.7	1.2	-12.0

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

Source: Enterprise Singapore

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Howie Lee

Commodities

HowieLee@ocbc.com

Ong Shu Yi

Environmental, Social & Governance (ESG)

ShuyiOng1@ocbc.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Toh Su N

Credit Research Analyst

TohSN@ocbc.com

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