

S'pore May NODX stalled by latest Covid resurgence?

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Highlights:

NODX accelerated from 6.0% yoy in April to 8.8% yoy in May, but fell 0.1% mom, albeit this was actually an improvement from the -8.8% mom in April. This was below both market consensus forecast and our expectation for a 16.0% yoy and 16.8% yoy respectively, given the very low base last year during the Circuit Breaker period. Given that the Phase 2 (Heightened Alert) started in mid-May and coincided with the resurgence of Covid cases globally which also saw many countries tightening their borders and restrictions measures, and this could have dampened near-term external demand conditions, notwithstanding the very low base last year.

The NODX performance in May was underpinned by the non-electronics exports which improved to 8.1% yoy (April: 4.7% yoy), mainly due to specialised machinery, petrochemicals and primary chemicals which expanded by 58% yoy, 56% yoy, and 97% yoy. However, the drivers underlying the outperformance were different – specialised machinery is reacting to the robust global semiconductor demand, while petrochemicals saw a global down-cycle in their last two years and primary chemicals are also coming off from a low base last year.

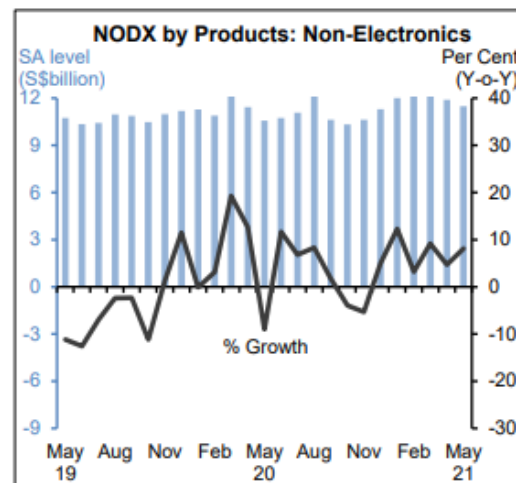
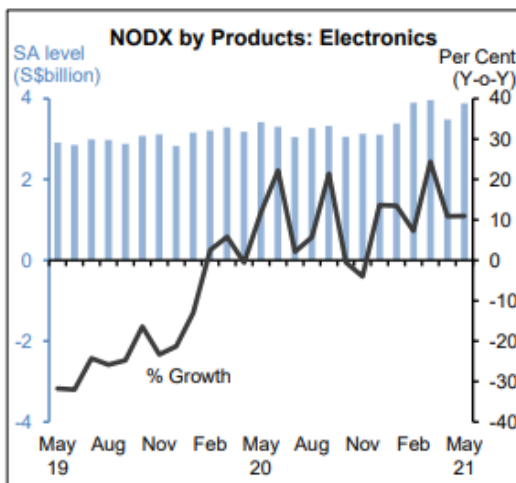
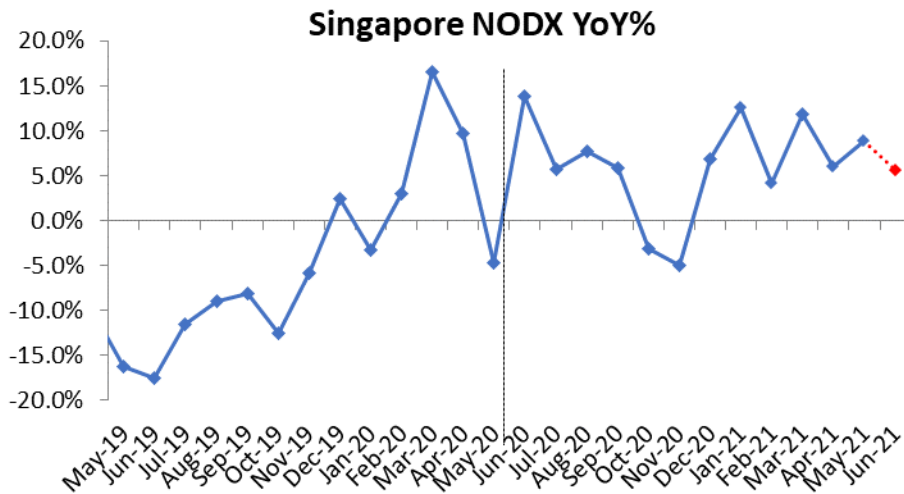
Electronics exports also sustained its double-digit clip at 11.0% yoy in May, supported by ICs, diodes & transistors and telecom equipment. The persistent global chip shortage is likely to continue to benefit Singapore in the short term, coupled with ongoing demand from work-from-home arrangements and 5G products and solutions. Hence, the electronics growth momentum is not expected to run out of steam in the next few months.

For the top 10 NODX markets, 7 of the 10 markets saw positive NODX growth in May, clocking in double-digit NODX growth on the back of the low base last year and led by China (36.9% yoy), Hong Kong (30.2% yoy), and Malaysia (27.1% yoy). The key exceptions were the three major economies of US, EU 27 and Japan. NODX to the US declined against by 34.8% yoy, likely attributable to the recent softening in the US labour market and retail sales as well. NODX to the EU 27 markets also declined 1.2% yoy in May, which is milder than the -30.2% seen in April, as the region's vaccination efforts picked up speed. However, as the US and EU 27 markets re-open given their vaccination progress, NODX demand could stabilize ahead. However, NODX to Japan also shrank 23.4% yoy in May, as the state of emergency was extended beyond 31 May in Tokyo, Osaka and seven other prefectures by another three weeks to 20 June, which could continue to weigh on the Japanese economy and import demand in the short-term.

Looking ahead, the base effects are likely to turn generally less favourable over the course of the remaining months of this year. Shipping activities in Asia have also been affected by the latest Covid resurgence, with Yantian in Shenzhen currently only operating at 30.0% of its normal capacity. One development that also bears watching ahead is that electronics NODX to South Korea and Thailand have already turned negative at -3.0% yoy and -0.2% yoy respectively in May, with the risk being that the latest Covid surge in regional economies could disrupt the chip manufacturing supply chains. For instance, the Malaysia Semiconductor Industry Association has warned that the latest MCO3.0 extension could reduce output by 15-40%. Similarly, the Covid outbreak in Taiwan is impacting chip manufacturing operations, with TSMC warning that chip shortages could persist through 2022. S'pore's NODX has grown 8.7% for the first five months of 2021, and we expect that NODX may contract 2.5% yoy in 3Q21 and expand by 1.1% in 4Q21. As we had earlier cautioned during the April NODX report, there is a risk that NODX momentum may moderate further in the coming months due to the global Covid situation and tightening of restriction measures both globally and domestically, which could pose some downside risk to our existing full-year 2021 NODX growth forecast of 4.0% yoy. Moreover, the domestic Covid situation remains dynamic and any unexpected delay to the easing of P2(HA) restrictions may also weigh on domestic confidence in the near-term.

Singapore

17 June 2021



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

Top Market [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Apr 2021	May 2021	Apr 2021	May 2021	Apr 2021	May 2021
China	55.5	36.9	9.8	13.8	66.3	42.8
Hong Kong	30.9	30.2	35.8	43.7	20.3	2.6
Malaysia	57.2	27.1	17.9	-3.2	86.2	55.9
Taiwan	14.9	28.8	-10.8	15.6	51.2	49.3
Indonesia	28.3	42.4	63.3	9.1	24.4	49.6
South Korea	24.9	20.8	13.1	-3.0	27.9	27.8
Thailand	9.7	24.3	3.7	-0.2	13.3	43.8
EU 27	-30.2	-1.2	8.5	33.8	-33.7	-4.3
Japan	-33.2	-23.4	9.0	-15.1	-39.6	-25.0
US	-42.3	-34.8	-12.4	-22.1	-45.9	-36.8

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

Source: CEIC, Enterprise SG, OCBC Bank

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