

Singapore's NODX rose in September, but be wary of supply chain disruptions contributing to potential slowdown into early 2022

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Highlights:

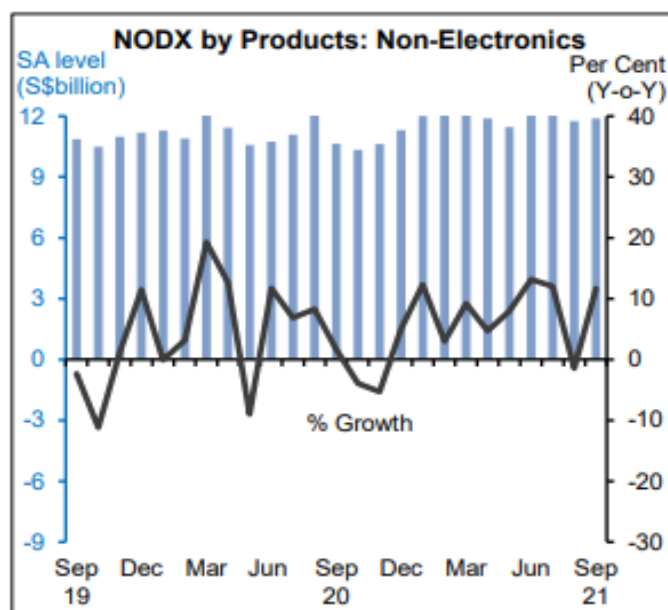
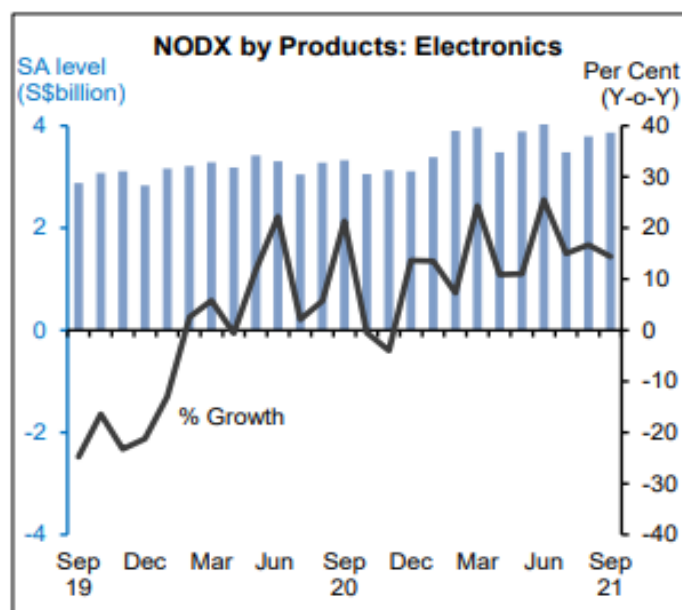
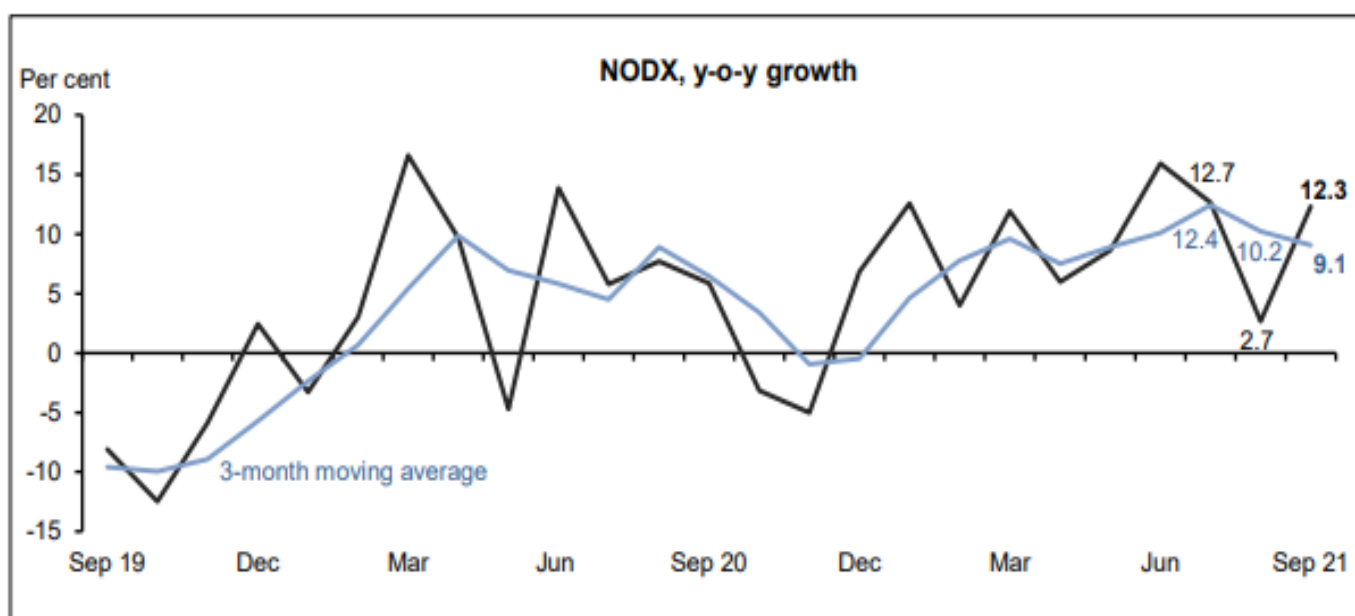
Singapore's NODX expanded 12.3% yoy (1.2% mom sa) in September, supported by continued robust demand for electronics especially integrated circuits. This is an improvement from August NODX performance of 2.7% yoy (-3.5% mom sa). Notably, electronics exports grew 14.4% yoy, aided by PCs (45.4% yoy), diodes & transistors (23.0% yoy), while non-electronics exports also rose 12.2% yoy which is a reversal from the August decline of 1.4% yoy. For non-electronics, pharmaceutical exports bounced back with a 27.3% yoy growth. In particular, NODX shipments of petrochemicals also rose 52.8% yoy and is expected to continue outperforming in the coming quarter due to the global gas crunch and China's power crisis.

China's power crisis has sent the demand for Singapore's petrochemical exports higher. With power and fuel sources being conserved in China for the coming winter, demand for petrochemicals is likely to shift towards Singapore's oil refinery hubs. Already we are seeing a sharp increase in the Singapore-Dubai hydrocracking margin (a key process in the production of petrochemicals), which has risen from \$1/bbl at the start of September to more than \$5/bbl this month. This temporal shift in demand of oil-related products to Singapore is expected to persist until winter blows over, which suggests we might see continued outperformance in this sector through Q4 and early Q1.

On the whole, China's power crisis is also expected to curtail production of many intermediate products in various supply chains, which could further exacerbate the already-tight squeeze in semiconductor production and other goods. Hence, outside of the petrochemical sector, we expect a general slowdown in export activity due to supply-side constraints. We expect these supply chain bottlenecks to persist for possibly the next two to three quarters, fully alleviating probably only in H2 2022.

7 of the top 10 NODX markets rose in September, led by China, US and South Korea, whereas NODX to EU27, Thailand and Malaysia contracted. NODX to EU27 shrank for the second consecutive month by 37.4% yoy, suggesting that the energy crisis in Eurozone amid skyrocketing energy prices is starting to hurt demand, while NODX to the latter two economies may have been dented by the recent tightening of restriction measures due to the Delta variants.

Singapore's NODX has already risen 10.8% yoy on a year-to-date basis for the first 9 months of 2021, but we shade down our full-year 2021 NODX growth to finish 10.5-11.0% yoy in anticipation of the supply chain disruptions. The NODX moderation is likely to extend into 2022 where we expect NODX to expand at a reduced pace of 4-5% yoy, with a potential slow start in 1H22 due to the supply chain disruptions before they abate to give way to a stronger finish by end-2022.



Source: Enterprise Singapore

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

Top Market [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Aug 2021	Sep 2021	Aug 2021	Sep 2021	Aug 2021	Sep 2021
China	-17.6	38.9	-2.1	32.5	-19.8	40.5
US	7.6	22.2	-10.2	0.4	13.4	28.1
South Korea	18.7	61.6	70.8	86.1	5.1	53.1
Taiwan	50.6	31.5	21.8	27.4	82.7	35.5
Japan	13.9	25.3	3.6	21.2	16.8	26.2
Indonesia	17.2	21.9	33.1	38.8	14.9	19.1
Hong Kong	22.8	18.5	41.5	35.3	-14.4	-9.1
Thailand	24.2	-7.5	6.8	-0.4	36.0	-11.1
Malaysia	17.9	-4.1	26.5	-32.5	12.1	27.9
EU 27	-20.0	-37.4	32.7	40.1	-25.7	-42.7

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

Source: Enterprise Singapore

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