

Upside August NODX surprise but more challenging outlook ahead.

Selena Ling

Head of Research and Strategy

+65 6530 4887

LingSSSelena@ocbc.com

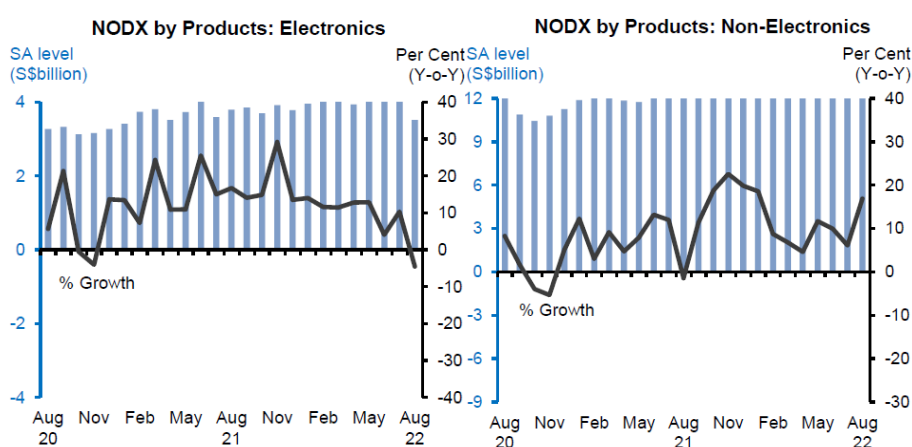
Highlights:

August NODX accelerated from 7.0% YoY (1.4% MoM sa) in July to 11.4% YoY (-3.9% MoM sa), as the surge in pharmaceuticals (+68.8% YoY and -7.9% MoM sa) offset the weakness in electronics exports which shrank 4.5% YoY in August (the worst in 31 months due to the high base in 2021). This marked the 21st straight month of NODX growth. For electronics, the drags came from parts of PCs, disk media products and ICs, whereas non-electronics exports (+16.9% YoY) were aided by structures of ships & boats, pharmaceuticals and food preparations. In absolute level terms, the August NODX is the lowest since May 2022, while NODX to China is the softest since February 2022. The soft patch in electronics NODX is not limited to Singapore, as South Korea's exports of information and communication technology products also fell 4.6% YoY in August amid the global demand slowdown for tech goods, with similar weakness seen in exports to China and Hong Kong.

NODX to 7 of the top 10 NODX markets expanded in August, led by the US (+60.0%), EU27 (+57.3%), Japan (24.6%) and supported by healthy demand from ASEAN markets like Indonesia (26.3%), Thailand (16.0%) and to a lesser extent Malaysia (6.9%) as they gear up for more tourist arrivals. However, NODX to China contracted for the second straight month by 18.2% YoY in August, reinforcing concerns about the pace of the slowdown in the Chinese economy. NODX to other North Asian markets were also weak for Hong Kong (-31.0% YoY) and Taiwan (first contraction at -24.5% YoY). In particular, both electronic and non-electronic NODX were in contraction territory for China, Hong Kong and Taiwan, suggesting that the weak demand is fairly broad-based.

The NODX outlook ahead remains fraught with concerns of a slowing global economy with demand conditions likely dampened by ongoing global monetary policy tightening. The World Bank is already warning that global growth is slowing sharply but global core inflation rate could stay ~5% in 2023 and global monetary policy tightening could give rise to significant financial stress and trigger a global recession next year. Note that market consensus forecasts for China's 2022 GDP growth has sunk further below the 4% handle, well below the official target of around 5.5% announced in March this year, amid the ongoing COVID outbreaks and related curbs, with the offshore yuan reflecting the fragile market sentiments. Elsewhere, the current energy crisis is also likely to weigh on Eurozone growth prospects with economic activities vulnerable to energy curbs amid surging natural gas prices. Enterprise Singapore's 2022 total merchandise trade and NODX forecasts currently stand at 15-16% YoY and 5-6% YoY respectively. Given NODX growth for January-August is already

9.9% YoY, our 2022 NODX growth forecast remains at 6-8% YoY but may come in at the lower end of this range given rising downside risk attached to the remaining months due to the deteriorating external outlook as flagged last month. In summary, aggressive global monetary policy tightening due to persistent inflation amid energy and food security concerns will continue to dampen global trade and raise the strain on the global economy. Moreover, the geopolitical landscape remains uncertain amid the ongoing Russia-Ukraine war, whilst the US White House is also tightening regulations on US shipments of advanced semiconductor chips and chipmaking equipment to China, following the signing of the Chips and Science Act into law last month.



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

| Top Market [^] | NODX | | Electronic NODX | | Non-Electronic NODX | |
|-------------------------|----------|----------|-----------------|----------|---------------------|----------|
| | Jul 2022 | Aug 2022 | Jul 2022 | Aug 2022 | Jul 2022 | Aug 2022 |
| US | 10.9 | 60.0 | 0.8 | 5.3 | 13.3 | 74.2 |
| EU 27 | 22.9 | 57.3 | 30.0 | 24.7 | 22.1 | 63.6 |
| Indonesia | 22.8 | 26.3 | 11.8 | 33.9 | 24.8 | 25.0 |
| Japan | -15.3 | 24.6 | 6.9 | 6.4 | -20.5 | 29.2 |
| South Korea | 22.4 | 19.3 | 54.6 | 35.0 | 13.5 | 12.6 |
| Thailand | 0.1 | 16.0 | 4.9 | -0.8 | -2.7 | 25.0 |
| Malaysia | 29.9 | 6.9 | 37.0 | -8.8 | 25.0 | 18.8 |
| Hong Kong | -3.8 | -31.0 | 1.8 | -36.4 | -13.2 | -13.2 |
| Taiwan | 24.4 | -24.5 | 16.9 | -4.4 | 31.5 | -39.5 |
| China | -21.3 | -18.2 | -15.4 | -13.5 | -22.3 | -19.0 |

[^]: 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 Strategy & Research

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau

cindyckeung@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

Ong Shu Yi

Environmental, Social & Governance (ESG)

ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@ocbc.com

Christopher Wong

FX Strategist

christopherwong@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

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