

Unexpected NODX contraction in October

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Highlights:

October NODX fell 3.1% yoy (-5.3% mom sa), after growing a revised 5.8% yoy (-11.4% mom sa) in September. This marked the first contraction after four consecutive months of NODX growth. This data print also disappointed Bloomberg consensus forecast of +5.1% yoy (+2.7% mom sa) and also our conservative forecast of 1.7% yoy (-0.7% mom sa).

The main drag came from electronics exports which declined 0.4% yoy, reversing its 21.4% surge previously and marking the first yoy drop since April 2020. The big reversal was in exports of ICs which fell 12.8% yoy after surging 30.1% in September, and parts of PCs which also pulled back 1.0% yoy (previously 22.7% yoy). Exports of other electronics export components like PCs (+24.8% yoy), disk media products (+13.6%) and diodes and transistors (+4.7% yoy) remained healthy. Non-electronics exports also unexpectedly contracted 3.9% yoy after expanding for four straight months. Whilst pharmaceuticals exports rose 2.7% yoy, nevertheless, this was not sufficient to offset the drag from petrochemicals (-15.3% yoy) and chemicals (-1.7% yoy) exports.

Among the top 10 NODX markets, NODX to 6 markets contracted in October, with Hong Kong, (-21.0% yoy), South Korea (-13.0% yoy), Thailand (-12.2% yoy) and Indonesia (-10.7% yoy) leading declines. The four NODX markets that saw positive growth in October were Japan and the US which outperformed at +16.9% yoy and +13.2% yoy, followed by China (+5.3% yoy, which affirms its sustained recovery) and the EU27 (which nearly stalled at +0.8% yoy after a phenomenal 60.5% yoy jump in September and could be attributable to the resurgence of Covid infections and re-instatement of localised lockdown measures).

Given the disappointing October NODX print, we are now eyeing a weaker -0.4% yoy 4Q20 NODX growth reading, which could weigh on the full-year 2020 NODX growth to between 4-5% yoy. Year-to-date NODX growth is currently running at 5.0% yoy. Still, we expecting that next Monday's 3Q20 GDP growth will be revised up from the flash estimate of -7.0% yoy to -5.4% yoy due to better-than-expected September manufacturing data cues.

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