

S'pore's NODX slumped again for the 11th consecutive month by a worse-than expected 20.1% YoY (-3.8% MoM sa) in August

Highlights:

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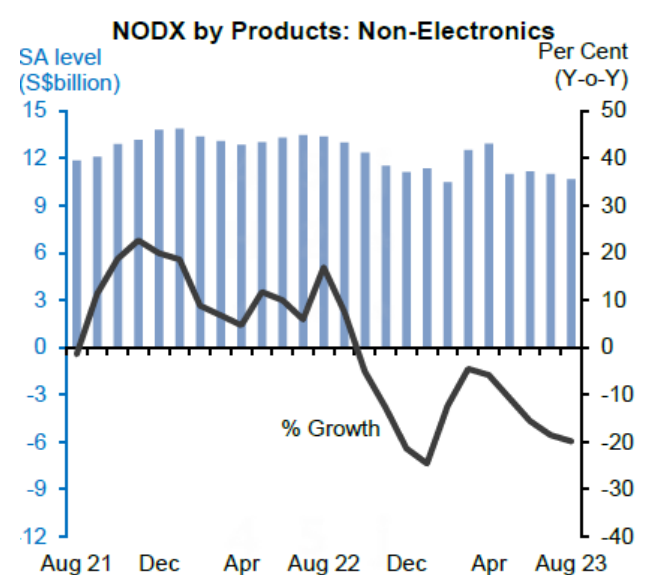
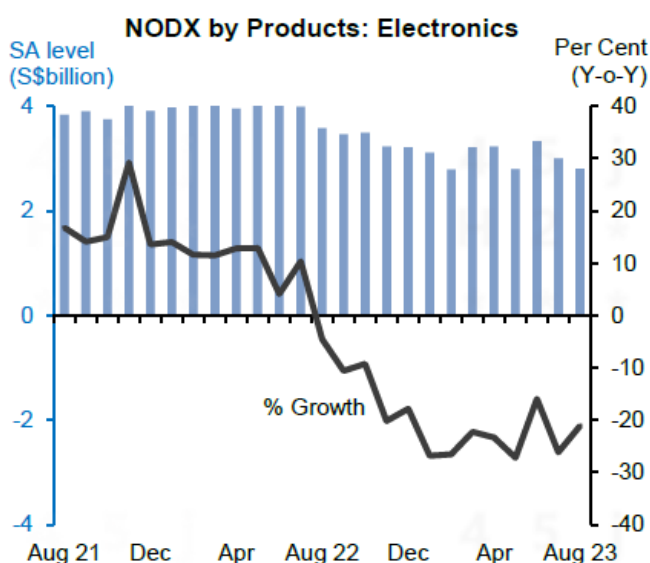
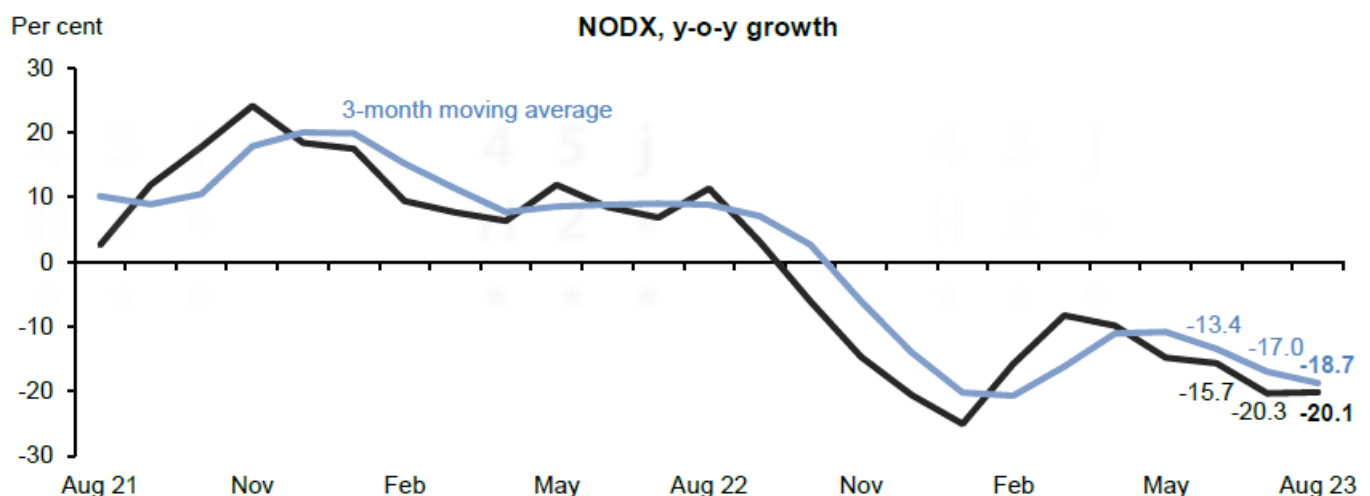
- **A disappointing NODX print for August.** Singapore's NODX fell more than expected by 20.1% YoY (-3.8% MoM sa) in August. This performance is similar the revised -20.3% YoY (-3.5% MoM sa) seen in July, but worse than the Bloomberg consensus forecast of -17.1% YoY (2.9% MoM sa) and our forecast of -18.5% YoY (-1.3% MoM sa). This also marked the 11th consecutive month of declines and the 4th straight month of double-digit YoY contraction. Both electronics and non-electronics exports fell 21.1% and 19.9% YoY respectively in August, suggested broad-based weakness.

- **No sign of an imminent electronics turnaround yet. The main drag was electronics exports which also slumped 21.1% YoY in August,** albeit this is slightly less than the 26.1% YoY contraction seen in July. Notably, ICs (-28.5%), disk media products (-30.6%) and PCs (-25.6%) were the main contributors to the electronic NODX decline, while structures of ships & boats (-97.7%, partly due to the high base a year ago), pharmaceuticals (-37.7% also partly due to the high base last year) and specialised machinery (-25.5% YoY amid the weak semiconductor-related equipment demand) were the main drags on non-electronics NODX.

- **External demand remains soft and patchy.** NODX to 9 of the top 10 NODX markets decreased in August, with US (-21.4% YoY, reversing July's 34.3% expansion amid lower demand for structures of ships & boats, food preparations and disk media products), the EU27 (-28.9% due to soft pharmaceuticals, specialised machinery, and miscellaneous manufactured articles) and China (-16.4% due to weak NODX for pharmaceuticals, specialised machinery, and ICs) leading the declines. The only exception was NODX to Indonesia which accelerated to 33.2% YoY in August, up from the 11.2% expansion in July due mainly to non-electronics NODX (+24.5% YoY). NODX to Indonesia is weighted towards chemical and chemical products.

- **Our baseline remains no technical recession for the Singapore economy in 2H23,** but the persistent soft patch in external demand conditions imply some downside risk to 3Q23 NODX forecast of -16.3% YoY and in turn the manufacturing performance in 3Q. For the first 8 months of 2023, NODX has contracted 16.2% YoY, which reinforced our house view that even with a gradual improvement for the remaining months, full-year 2023 NODX is

likely to contract at least 11% YoY. If this materialises, this will potentially mark the worst annual NODX performance since 2001 (-14.5% YoY). While there was a recent stabilisation in the July industrial production data at -0.9% YoY (4.1% MoM sa), the divergence with NODX suggests it bears watching if the manufacturing output improvement can be sustained, especially with the hopes for a turnaround in the global electronics industry towards the end of this year or early 2024. Note that a recent Reuters article flagged that TSMC had reportedly told its major suppliers to delay deliveries of high-end chipmaking equipment because of concerns about customer demand. While this is unlikely to significantly influence the MAS monetary policy decision coming up in early October where we anticipate no change in policy settings given still elevated core inflationary pressure, any further delay in the electronics global cycle turnaround is likely to have spill over impact into the downside growth risks for 1H24, which coupled with the currently weak growth footing of the Chinese economy, could warrant a stronger fiscal stance at the Budget 2024.



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

Top Markets [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Jul 2023	Aug 2023	Jul 2023	Aug 2023	Jul 2023	Aug 2023
US	34.3	-32.4	11.7	-1.6	39.2	-37.2
EU 27	-38.6	-28.9	5.1	1.0	-43.9	-33.3
China	-20.1	-16.4	-26.0	-17.8	-18.9	-16.1
Taiwan	-36.0	-31.5	-36.4	-25.5	-35.7	-38.5
South Korea	-36.8	-31.5	-43.8	-41.9	-34.1	-26.1
Malaysia	-24.2	-14.1	-31.5	-26.5	-18.8	-6.9
Japan	-14.7	-10.9	-27.9	-17.0	-10.5	-9.6
Thailand	-17.4	-10.6	-37.0	-31.0	-5.1	-1.9
Hong Kong	-2.8	-5.9	-35.6	-21.2	60.6	30.9
Indonesia	33.2	11.2	-33.9	-63.2	-33.1	24.5

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

Source: Enterprise Singapore

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