

## Softer growth in S'pore September NODX

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### Highlights:

**September NODX rose less than expected by 5.9% yoy (-11.3% mom sa)**, even though electronics exports expanded for the 5<sup>th</sup> consecutive month and momentum actually accelerated by 21.4% yoy due to a low base last year. While non-electronics exports also grew, it was mainly driven by non-monetary gold, specialised machinery and food preparations, and the drag actually came from pharmaceuticals exports that plunged 27.3% yoy (-26.9% mom sa). The September NODX performance disappointed both market consensus forecast of 11.5% yoy and our expectations for 11.9% yoy, but electronics NODX growth was close to our forecast of 19.8% yoy. Still, the year-to-date NODX growth is running around 5.9%, with electronics now catching up at 5.8% yoy whilst pharmaceuticals is still leading at 20.2% yoy despite the latest September dip.

**The key driver of the electronics NODX outperformance was ICs, disk media products and parts of PCs** which saw double-digit growth of 30.1%, 15.2% and 22.7% yoy respectively. In contrast, non-electronics NODX growth moderated from 8.3% yoy in August to 1.8% in September, even though non-monetary gold (+53.4% yoy), specialised machinery (+34.2% yoy) and food preparations (+30.7% yoy) continued to see healthy demand. However, the unexpected drag came from pharmaceuticals exports which could be due to the high base last year. Nevertheless, the volatile nature of the Covid pandemic and vacillating global vaccine prospects with the recent pause in two vaccine trials could also mean that one cannot rely on pharmaceuticals exports to drive NODX growth.

**For the top 10 NODX markets, NODX growth grew for 6 key NODX markets, with the exception of HK, Indonesia, Thailand and South Korea.** S'pore's NODX growth was strong at 60.5% yoy to the EU 27 and rebounded back to positive growth territory at 28.8% yoy for Malaysia (previously -5.1% yoy), but slowed for China (from 24.2% to 0.3% yoy), US (from 14.0% to 3.7% yoy) and Taiwan (from 18.5% to 2.5% yoy). Looking ahead, I expect 4Q20 NODX growth may run into a more bumpy road - given the latest Covid uptick in Europe with and the CMCO in Malaysia, it remains to be seen if NODX growth momentum can be sustained in the months ahead for these key NODX markets as consumer demand may take a hit from the re-tightened restrictions. Moreover, with the upcoming US elections, there is some market concern that a contested outcome could engender a protracted period of uncertainty and weigh on overall business and consumer confidence. **4Q20 NODX growth could ease further to around 2.2% yoy, which could weigh slightly on our earlier full-year 2020 NODX growth forecast of around 6% yoy.**

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

Top Market <sup>^</sup>	NODX		Electronic NODX		Non-Electronic NODX	
	Aug 2020	Sep 2020	Aug 2020	Sep 2020	Aug 2020	Sep 2020
EU 27	30.2	60.5	-0.3	4.7	34.6	66.6
Malaysia	-5.1	28.8	10.3	83.8	-13.2	-3.7
US	14.0	3.7	28.2	17.7	10.1	0.4
Japan	5.2	5.4	5.4	-6.4	5.2	8.6
Taiwan	18.5	2.5	37.6	26.5	2.5	-13.3
China	24.2	0.3	9.2	27.6	27.0	-4.6
South Korea	12.0	-5.0	34.8	20.2	7.2	-11.5
Thailand	-2.6	-15.7	11.5	14.8	-10.3	-25.7
Indonesia	-21.9	-16.0	-24.5	15.6	-21.5	-19.7
Hong Kong	-11.9	-26.7	-22.7	-10.4	22.0	-43.5

<sup>^</sup>: Ranked by contribution to the change in NODX levels over the year.

(Source: Enterprisesg)

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