

Singapore

17 September 2024

August electronics exports accelerated to 35.1% YoY, but NODX still moderated to 10.7% YoY (-4.7% MoM sa)

Highlights:

- **August NODX moderated to 10.7% YoY (-4.7% MoM sa), down from 15.7% YoY (12.2% MoM sa) in July.** This marked the second consecutive month of double-digit expansion after five months of contraction this year, as both electronics and non-electronics exports rose. That said, the August print actually disappointed our forecast for 15.7% YoY (-1.8% MoM sa) and also the Bloomberg consensus forecast of 15.0% YoY (-2.7% MoM sa), notwithstanding a low NODX base for the same period a year ago.
- **Although electronics exports doubled from an upwardly revised 16.8% YoY in July to 35.1% YoY in August, nevertheless, non-electronics exports eased from 15.5% YoY to just 3.7%.** While non-electronics exports were led by specialised machinery (43.7% YoY), non-monetary gold (26.8% YoY) and food preparations (20.9% YoY), one main drag was from pharmaceutical exports which slumped 31.6% YoY after registering two months of positive, albeit tepid growth at 4.0% YoY in July and 6.7% in June. In addition, petrochemical exports also faltered further to just 0.9% YoY in August, compared to 28.0% YoY in July. Within electronics exports, the improvement was led by ICs (52.0% YoY), disk media products (166.8% YoY) and PCs (36.0% YoY), whereas diodes and transistors remained weak (-14.8% YoY).
- **August NODX expanded to 8 of the top 10 NODX markets, with weakness in Japan and the EU27.** Nevertheless, this is an improvement from July when NODX grew to only 6 of the top 10 NODX markets. Notably, NODX growth to the US market slowed from 28.9% YoY in July to 6.4% in August, reinforcing the US growth slowdown story, whereas NODX to ASEAN markets like Malaysia and Indonesia remained healthy with their fifth consecutive months of expansion at 28.6% YoY and 18.6% YoY respectively. However, NODX to Japan declined 29.6% YoY (fourth straight contraction) and that to EU 27 fell 20.9% YoY (second consecutive month of contraction) with economic signals in these markets staying somewhat mixed in recent months. NODX remained buoyant to North Asian markets, namely Hong Kong (70.6% YoY), Taiwan (37.2% YoY), South Korea (20.3% YoY) and China (18.8% YoY, which is the second straight month of double-digit growth). There is market talk that China is frontloading chips in anticipation of potential trade tariffs from the US that are targeted at China. Many uncertainties remain due to the US-China confrontation. There have been some news reports suggesting that China has been impacted by new Dutch export

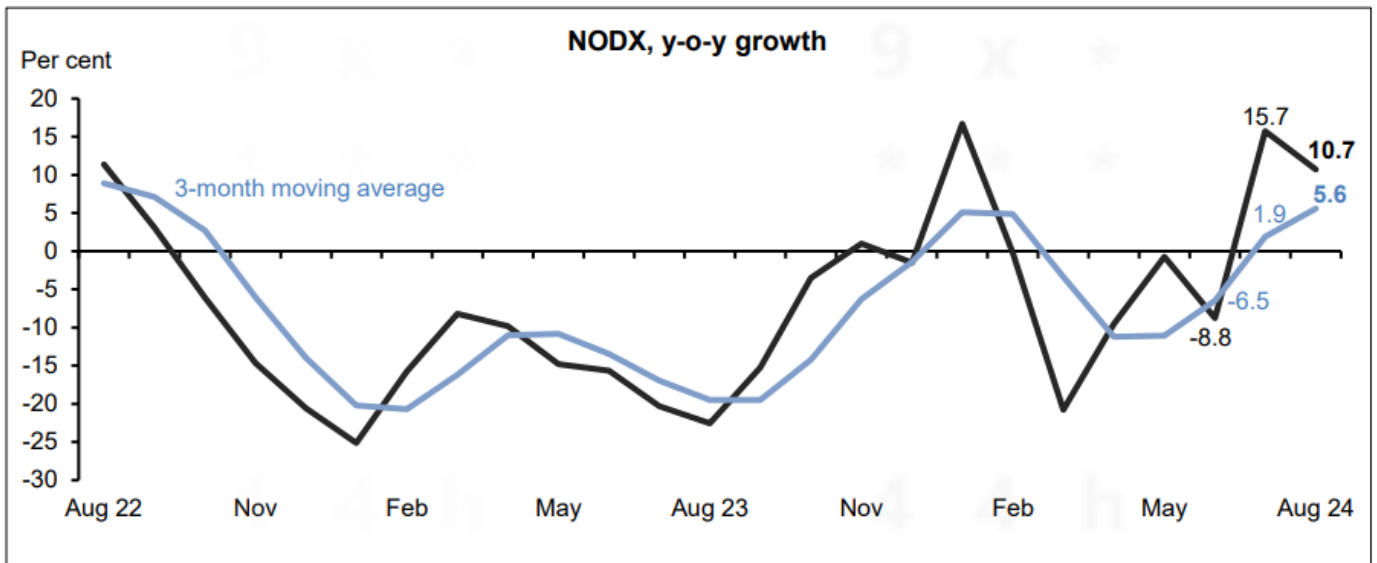
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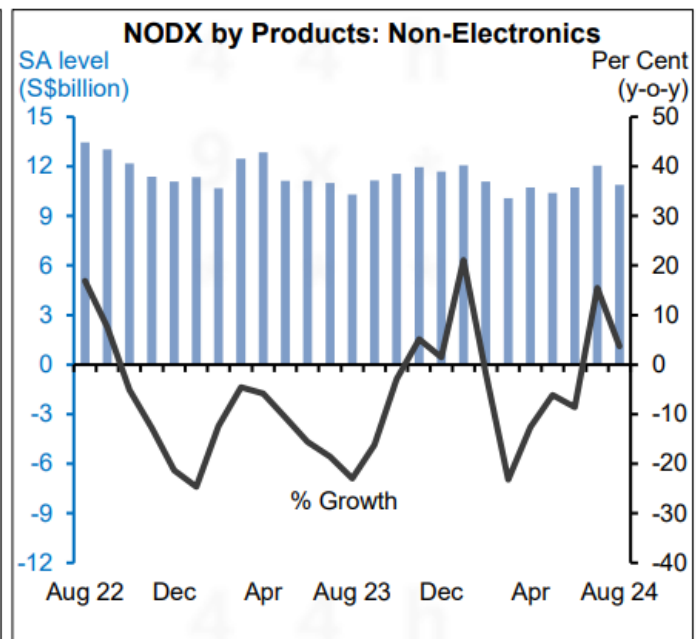
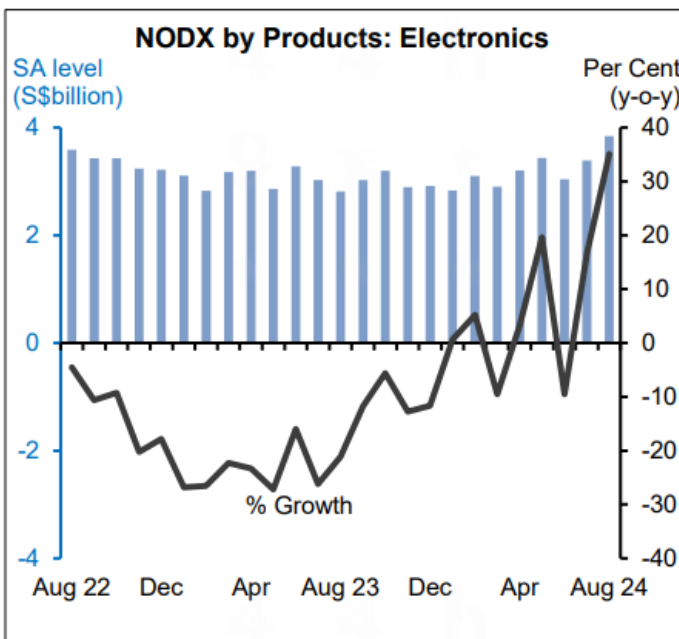
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controls on ASML chip-making equipment, namely the 1970i and 1980i immersion deep ultraviolet machine to China-based customers. China has also recently called on the US to cancel tariff duties on EVs, EV batteries, solar cells, semiconductors and medical products, ship-to-shore cranes etc after the USTR's announcement confirming the tariffs under Section 301 of the Trade Act of 1974. This followed US national security adviser Jake Sullivan's visit to China last month which hinted at an attempt to improve bilateral engagement. The US House of Representatives is also said to be considering a bill to tighten de minimis rules and lower the threshold. Current polls suggest that Harris and Trump are in a neck-to-neck race ahead of the US presidential elections, and Trump has said he would impose up to 60% tariffs on all imports from China and 10% on imports from the rest of the world.

- **For 2024 year-to-date, NODX has shrunk 0.6% YoY.** This is an improvement over the same eight months last year when NODX slumped a sharper 16.5% YoY. For Singapore to achieve Enterprise Singapore's full-year 2024 NODX growth forecast of 4-5% YoY, this would require NODX to average more than 13% YoY for September-December 2024 to reach the lower end of its forecast range. However, if NODX only expands by ~4% YoY for the remaining four months of this year, this implies that full-year NODX could undershoot and come in below 2% YoY. As mentioned in our July NODX report on 16 August, there remains downside risk to the full-year 2024 NODX growth forecast even on the assumption of a global soft landing narrative, more green shoots of the electronics recovery, continued potential front-loading by China before the year-end, and resilient domestic consumption in ASEAN. While there are new smartphone launches including the Apple iPhone 16 and the Huawei Mate XT for instance, the external landscape remains complicated by the upcoming US presidential elections, the ongoing soft patch in China and heightened geopolitical tensions. One silver lining is that the global monetary policy easing cycle has started - pending the first FOMC rate cut later this week where the market debate is currently rampant on whether it will be a 25bp or 50bp salvo, also key to watch is potentially how dovish the dot plot and Fed chair Powell's press conference rhetoric will be. If the Fed chooses to start with a modest 25bp cut at this juncture (which is our house view given the implicit reluctance of policymakers to rock the boat when the economic roof has not collapsed), but Powell and the dot plot both signal dovishness through openness to more 2025 cuts for example, then financial markets will likely reprice the 5 cuts that are already priced in for next year to factor in even more cuts. However, if the magnitude and/or dovish rhetoric disappoints and the Fed's forecasts do not suggest an US recession is imminent, then there could be a kneejerk reaction to both the USD and US Treasury bond markets.



Note: On a 3-month moving average (3MMA) y-o-y basis, NODX grew by 5.6% in August 2024, following the 1.9% increase in July 2024.



Non-oil Domestic Exports to Top Markets (% y-o-y growth)

Top Markets [^]	NODX		Electronic NODX		Non-Electronic NODX	
	Jul 2024	Aug 2024	Jul 2024	Aug 2024	Jul 2024	Aug 2024
Hong Kong	-3.3	70.6	47.0	137.1	-42.4	-26.1
China	21.1	18.8	19.3	10.4	21.4	20.5
Malaysia	49.1	28.6	90.9	91.1	22.7	0.0
Taiwan	2.7	37.2	-0.5	7.7	5.4	79.3
US	28.9	6.4	-9.5	20.2	35.5	3.0
Indonesia	33.5	18.6	-15.1	-11.2	41.2	21.1
South Korea	-3.1	20.3	-15.5	49.9	0.9	8.5
Thailand	31.3	2.1	27.8	18.2	32.8	-2.7
Japan	-7.9	-29.6	-8.5	-14.5	-7.8	-32.5
EU 27	-4.7	-20.9	-29.2	-38.4	0.8	-17.0

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

Source: Enterprise Singapore

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