

Singapore: NODX Contracted For the Second Straight Month in Dec

NODX fell by 4.5%/y/y in Dec against market's expectation of 6.1% rise (UOB: +3.0%). This was the second straight month of surprise contraction following the 3.4%/y/y decline in Nov. While the 9.2%/y/y contraction in electronics shipments was expected, we were disappointed by the poor performance in the pharmaceutical sector which fell 11.1% despite a low base in Dec 2006. In Dec, non-electronics NODX fell 0.8%/y/y as a result of the unexpected fall in pharmaceutical shipments which was down for the second consecutive month. The contraction in NODX in Nov and Dec has resulted in 0.4%/y/y decline in NODX for 4Q07, a sharp contrast to the 6.1% expansion in 3Q07. Adjusted for seasonal factors, NODX was down for the 4th straight month by 3.8%/m/m in Dec with cumulative loss at 11.4% in the four months.

The contraction in electronics NODX deepened to -9.2%/y/y in Dec from -8.2% in Nov, as a result of sharp decline in shipments of ICs (-22.9% y/y), disk drives (-26.8%) and telecoms equipment (-39.5%). For the full-year, electronics NODX contracted 9.2%. Most research groups in the market including the SEMI, Gartner and WSTS expect global demand for ICs to improve this year but the outlook for the sector is far from certain given the risk of U.S. heading into a recession and the unfolding of the U.S. subprime mortgage mess. While a gradual recovery in electronics demand could take hold, in particular with more widespread launch of the iphones, we expect the non-electronics sector to drive NODX growth this year.

Overall for 2007, NODX grew just 2.3%, slowing sharply from the 8.5% pace in 2006. Of the top three export markets, NODX to EU fell in 2007 while NODX to U.S. and China registered significantly slower growth rate. Despite the uncertain economic landscape, we expect NODX growth to pick up to 4.5% in 2008, helped by pharmaceutical shipments which are likely to be less affected by the business cycles as well as supported by a low base in 2007. The government is now forecasting NODX growth of 4-6% in 2008.

Both Electronics and Pharmaceutical Shipments Fell in Dec (y/y, %)

	3Q07	4Q07	2007	Oct 07	Nov 07	Dec 07
Total NODX	6.1	-0.4	2.3	6.5	-3.4	-4.5
Electronics	-5.7	-8.3	-9.2	-7.6	-8.2	-9.2
Disk Drives	-20.8	-15.0	-21.1	-12.1	-7.4	-26.8
ICs	-10.6	-19.9	-13.8	-18.7	-18.5	-22.9
Parts of PCs	-7.8	-3.3	-2.4	-3.6	-16.1	9.9
Consumer electronics	27.7	24.4	0.3	16.5	40.6	17.4
Telecoms	-34.3	-48.3	-32.3	-53.7	-52.2	-39.5
Non-Electronics	16.9	6.0	12.4	19.6	0.2	-0.8
Pharmaceuticals	51.9	-8.0	20.9	15.1	-21.5	-11.1
Petrochemicals	-1.9	7.7	6.6	17.8	2.8	2.5

Source: EDB