

Thursday, 17 September 2009

Flash Notes

Singapore: Aug NODX Improved on Month, Contraction Eased on Year

Singapore's non-oil domestic exports continued to improve on month in Aug, while the on-year declines also gradually eased. NODX expanded 1.3% in Aug from Jul on a seasonally adjusted basis, but lower than the 5.9% increase in Jul. On year, NODX contracted 7.1% in Aug, better than the -8.7% in Jul, but worse than our expectation of -5.3% y/y and +3% m/m. Both electronic and non-electronic (particularly pharmaceuticals) NODX contributed to the increase in Aug, but the pace of improvement was less than what we saw in Jul. The segment declined by 13.7% y/y in Aug, better than the -14.8% in Jul, but the moderation was less than the one seen in the previous month when NODX improved from -14.8% y/y in Jul, from -21.6% in Jun.

The fall in electronic exports lessened to 13.7% y/y- the least in 11 months, helped by exports of ICs, disk drives, parts of ICs and diodes and transistors. Non-electronic exports also showed a smaller contraction pace of 2.8% compared to -4.8% in Jul, on exports of chemicals, pharmaceuticals and slower contraction of petrochemicals. Pharmaceutical exports did not manage to grow as quickly in Aug, expanding 25.8% y/y compared to the 56.4% jump in Aug. But the double digit growth rate is still the highest among the major export products. In terms of NODX to the top markets, there is still no clear trend of improvement emerging. NODX to EU reversed a 9.4% y/y expansion in Jul to turn in a contraction of 26.7% in Aug, while NODX to US and China lessened their declining pace. NODX to US contracted at 21.4% y/y compared to -25% y/y in Jul, while NODX to China improved to -5.3% y/y from -13.3% in Jul.

We are still expecting NODX to turn in smaller y/y contractions in the coming months, as monthly economic indicators strengthen. PMI for Aug surged to 54.4 from 51.5 in Jul, which bodes well for the manufacturing sector and exports. We note that the impact of pharmaceuticals on Singapore's export growth is quite apparent, because if pharmaceuticals were excluded, NODX would have contracted 10.2% y/y in Aug and 14.2% in Jul. And compared to other exporting countries in Asia such as Korea, Taiwan and China, these countries, unlike Singapore, are not seeing a decisive rebound, with little or no improvement on a y/y basis. Taiwan's Aug exports shrank 24.6% y/y in Aug compared to Jul's 24.4% y/y decline. Korea's exports fell 20.9% y/y compared to -21.9% y/y in Jul, and China's exports dropped 23.1% y/y vs 22.9% in Jul. As the global recovery takes hold, top NODX markets like US, Europe and China are also expected to increase their imports and this should augur well for Singapore's NODX. We might now see single-digit or low double digit contraction in NODX for the full year, an improvement from the almost 20% contraction we had initially expected for 2009. We have also revised our full year forecast for Singapore's GDP to -3.3%, compared to -5% earlier projected.

Aug NODX Improved on Month, Contraction Eased on Year (y/y%)			
	Jun-09	Jul-09	Aug-09
Total NODX	-11.1	-8.7	-7.1
Electronics	-21.6	-14.8	-13.7
Disk Drives	-15.4	7.5	1.2
ICs	-4.9	-11.4	-0.6
Parts of PCs	-18.7	-11.3	-23.7
Parts of ICs	-45.6	-49.8	-36.2
Diodes and Transistors	-15.2	-10.4	-1.4
Non-Electronics	-4.7	-4.8	-2.8
Pharmaceuticals	1.1	56.4	25.8
Petrochemicals	-36.4	-32.2	-12.1
Source: IE Singapore			

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