

Singapore: Sep NODX Expands on Month

Singapore's non-oil domestic exports extended its monthly growth pace in Sep, increasing 3% on a seasonally adjusted basis, from 1.2% in Aug, on higher exports of both non-electronics and electronics. On-year, the contraction pace of 7.2% in Sep remained unchanged from Aug. The data was much better than our expectations of a monthly decrease of 3% and yearly decline of 8.9%. We had projected a month-on-month contraction following 2 prior consecutive months of growth. But exports still seem to be holding up relatively well, buoyed by improvements in electronics and non-electronics.

Electronic exports shrank at a faster pace of 14.4% y/y, compared to Aug's -13.7%, reflecting the slow recovery process in this sector. Exports of ICs, disk drives, and parts of ICs contracted more sharply last month. Non-electronic exports fell 2.4% y/y, slightly less than -2.9% in Aug, mainly lifted by pharmaceuticals. Drug exports however grew slower, at 18.1% y/y in Sep, compared to 25.8% in Aug, and down from the 56.4% jump in Jul. Other components such as chemicals and petrochemicals saw further decline in exports of -0.9% and -16.9%, respectively. NODX to some key markets are showing improvement, with exports to EU and US shrinking at a smaller pace. NODX to EU fell 15.2% y/y from 26.7% in Aug, while NODX to US dropped 4.7% from 21.4% in Aug. NODX to China however contracted more sharply at 14.7% fr -5.4% in Aug.

Although NODX is projected to pick up, recovery will be a slow process. Reports show US retailers expect this year-end holiday season to be weak, thus impacting on Singapore's exports. We are also expecting lackluster US consumer spending, around 1% in 4Q, which will translate to incremental improvements in NODX, but not providing the much-needed boost. Sep PMI in Singapore has also seen the growth pace in the overall manufacturing sector as well as electronics slow, to 50.6 from 54.4 in Aug, and 52.4 vs 55.2, respectively. All these indicators would point to a gradual improvement, rather than a quick recovery in NODX in the months ahead.

Sep NODX expands on month, flat on year (y/y%)			
	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>
Total NODX	-8.7	-7.2	-7.2
Electronics	-14.8	-13.7	-14.4
Disk Drives	7.5	1.2	-23.5
ICs	-11.4	-0.5	-12.4
Parts of PCs	-11.3	-23.7	-6.0
Parts of ICs	-49.8	-36.5	-37.1
Diodes and Transistors	-10.4	-1.4	9.6
Non-Electronics	-4.9	-2.9	-2.4
Pharmaceuticals	56.4	25.8	18.1
Petrochemicals	-32.2	-12.5	-16.9
Source: IE Singapore			