

18 June 2024

Global Economics & Market Strategy

Singapore: Moderate Rebound in NODX is Expected in 2H24

- ◆ We keep our full-year NODX growth at 0.5% in 2024, accounting for gentle pace of decline seen in today’s NODX print.
- ◆ We also expect Singapore’s manufacturing and trade-related sectors to support overall growth in 2H24.
- ◆ May’s NODX fell 0.1% YoY, improving for the third straight month following a sharp 9.6% YoY drop in April and recorded better print than market’s expectations of -1.1% YoY.

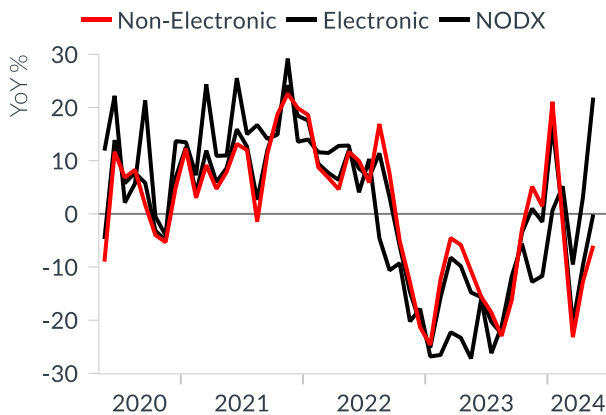
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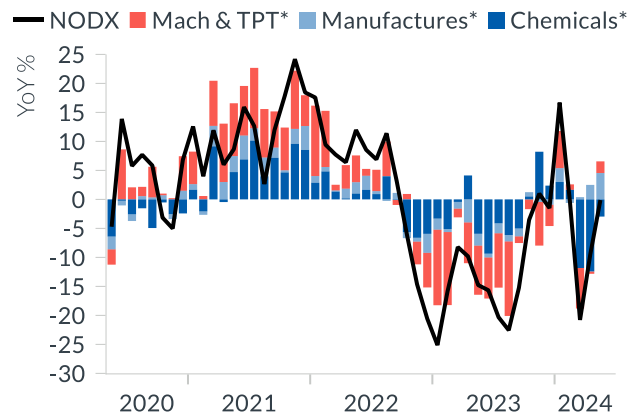
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Figure 1: NODX’s contraction in April persisted into May, albeit at a gentle pace...



Source: Macrobond, RHB Economics & Market Strategy

Figure 2: ... with SG exports of manufacturing goods and articles rising in the latest month



Source: Macrobond, RHB Economics & Market Strategy

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Anticipating Gradual Recovery for Singapore's NODX in 3Q24

We keep our full-year NODX growth at 0.5% in 2024, accounting for gentle pace of decline seen in today's NODX print. We are still maintaining our positive outlook for NODX to pick up in 2H24, given NODX may see gentle YoY improvement for the remainder of 2Q24. Our RHB proprietary GDP leading index model suggests a GDP momentum pickup in 2H24, a view reinforced by China's latest above-consensus GDP growth print of 5.3% YoY in 1Q24. Additionally, further acceleration in global trade and manufacturing activities is expected to benefit Singapore's externally-facing industries.

We also expect Singapore's manufacturing and trade-related sectors to support overall growth in 2H24. Notwithstanding the negative annual prints in Singapore's industrial production and NODX in recent months, we maintain our positive view of global external demand for the year ahead. Notably, the global external economic environment has remained resilient so far this year, aligning with our above-consensus GDP growth forecasts for the US and China in 2024. We continue to project GDP growth of 2.5% for the US and 5.0% for China, with market estimates gradually converging with our predictions. Consequently, we anticipate a recovery in Singapore's NODX growth momentum in 2H24, driven by an improved global backdrop. The current decline in today's NODX print was primarily due to the shipments of relatively volatile pharmaceutical cluster. Given the inherent volatility in this cluster, this downturn may not indicate a sustained trend.

We see strong growth potential, especially for Singapore's electronic sector in 2H24 with the current upside has surprised the market's expectations by expanding at 21.9% YoY. The significant growth in the shipments of electronics sector has further feed into our positive view on the breakdown of electronics sector in Singapore. It is important to highlight that exports in electronics segments like integrated circuits, disk media products, and other electronic modules, continued to expand annually. This growth reflects the ongoing recovery in key economies such as the US and China. The electronics cluster contributes 47.8%, holding the lion's share of Singapore's manufacturing sector. This sector is expected to benefit from the ongoing upswing in the global tech cycle, which will support electronic production in the coming quarters.

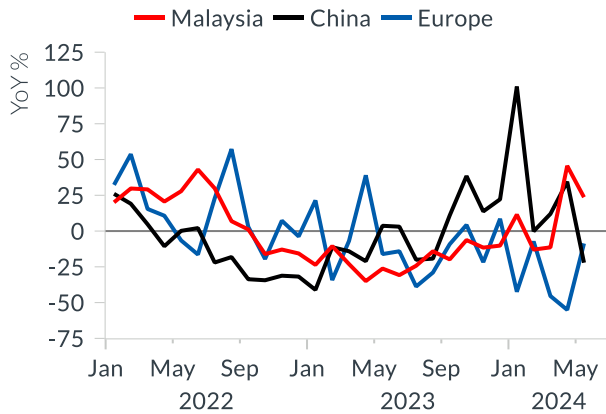
We are optimistic on Singapore's exports momentum given the external environment will stay supported in 3Q24, leading to a positive growth in 2H24. We are seeing exports to ASEAN is on upside trajectory in today's NODX print. We are clearly witnessing that NODX to the top markets overall has increased, though NODX to China, Taiwan, the European Union, Japan, and Thailand has declined in May. Exports shipments grew significantly to Hong Kong at 73.4%, given that the country is a gateway to China. China is showing clear signs of recovery at this stage, which will help support the ASEAN trade environment, including Singapore. In addition to China's above-consensus GDP growth in 1Q24, its externally-facing industries continue to recover and strengthen.

May's NODX fell 0.1% YoY, improving for the third straight month following a sharp 9.6% YoY drop in April and recorded better print than market's expectations of -1.1% YoY, posting the mildest decline in 20 months. On YoY basis, non-electronics exports continued to fall, while electronics expanded. NODX declined 0.1% MoM SA in May, reversing from April's revised 7.3% expansion. While non-electronics decreased, electronics grew. Electronics exports grew by 21.9% YoY, building on the previous month's 3.3% YoY increase. The most significant contributors to May's expansion were exports of integrated circuits (35.8%), disk media products (92%), and PCs (27.2%). In contrast, non-electronics shipments fell by 6% YoY compared to the same period last year, following a 12.6% YoY decline in the previous month. The largest declines were seen in non-monetary gold (-47.2%), pharmaceuticals (-37.5%), and electrical circuit apparatus (-21.8%).

Across economies, NODX to Singapore's top markets grew in May, driven primarily by increases to Hong Kong (+73.4%), Malaysia (+23.6%), and the US (+12.1%). Conversely, shipments to China, Taiwan, the EU27, Japan, and Thailand declined. Overall, total trade increased by 14.2% YoY in May, following the revised 15.6% YoY growth recorded in April. Total exports rose by 12.6%, while total imports increased by 16%. The value of key exports in May, seasonally adjusted, remained at S\$13.9 billion, the same as the previous month. However, this is lower than both the 2023 average of S\$14.5 billion and the S\$14 billion recorded in the same period last year. On a MoM SA basis, total trade fell by 2.4% in May, reversing the 3.9% expansion from the previous month.

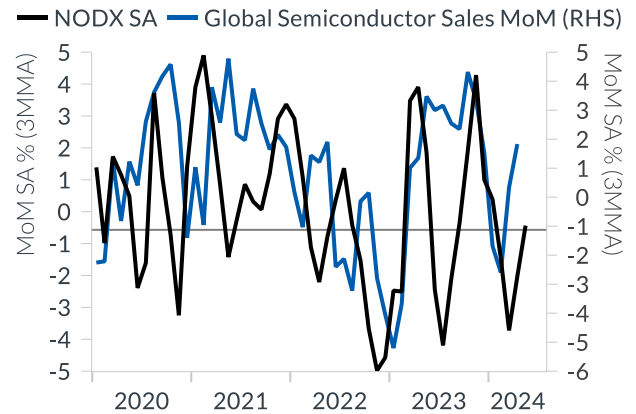
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Figure 3: China's recovery expected to spur Singapore's exports into ASEAN



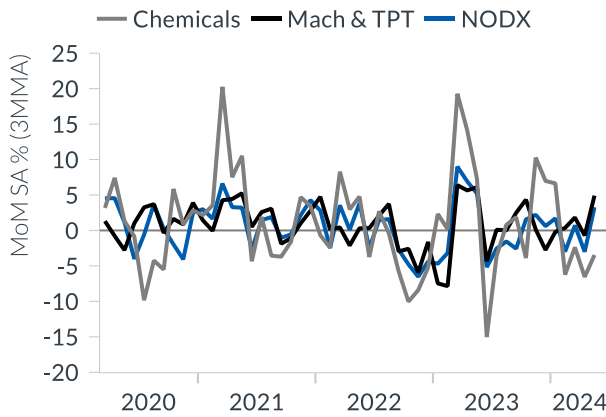
Source: Macrobond, RHB Economics & Market Strategy

Figure 4: ... whereby improving export conditions should further support manufacturing activities



Source: Macrobond, RHB Economics & Market Strategy

Figure 5: Decline in pharmaceuticals and non-monetary gold attributed to the overall drop in NODX



Source: Macrobond, RHB Economics & Market Strategy

Figure 6: Singapore's GDP momentum expected grow in 2H24



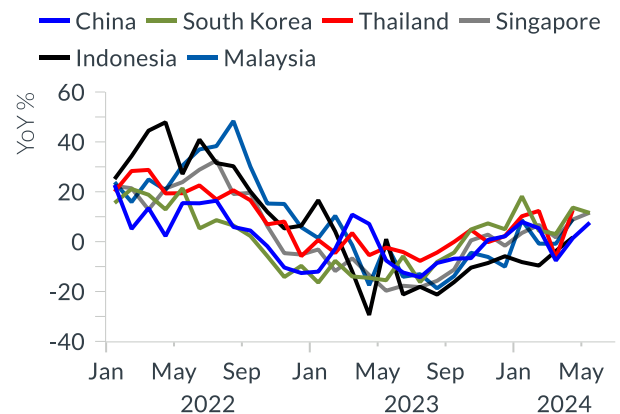
Source: Macrobond, RHB Economics & Market Strategy

Figure 7: Note some slowdown in ASEAN's exports to China and US



Source: Macrobond, RHB Economics & Market Strategy

Figure 8: ...despite increasing export growth in ASEAN countries



Source: Macrobond, RHB Economics & Market Strategy

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