



## Thai exports and imports continued to shrink in May 2015

### Event

- The Ministry of Commerce reported that Thai exports fell by 5.0%YOY (compared to the same period in the previous year) to 18,428.8 million USD in May. The contraction continued for the fifth consecutive month, amounting to a drop of 4.2%YOY since the beginning of this year. Imports dropped sharply by 20%YOY to 16,012.1 million USD in May, making Thailand's trade balance a large surplus of 2,416.8 million USD.

### Analysis

- **Exports of Thai manufacturing products fell by 4.5%YOY in May.** Exports of major manufacturing products including electronic appliances, computers and parts, and integrated circuits shrank by 5.1%YOY, 1.3%YOY, and 3.9%YOY respectively. The relocation of TV production bases from Thailand to Vietnam in the first quarter contributed to a sharp contraction of electrical appliances exports. More specifically, exports of TVs and parts fell as much as 11.3%YOY. Exports of computers and parts to Hong Kong were particularly weak. Moreover, export growth of this product group to the U.S. was lower than previously expected. Additionally, exports of oil-related products including refined fuel, chemicals, and plastics continued to shrink markedly by 24.6%YOY, 17.4%YOY and 16.2%YOY, respectively. If compared to April, however, these exports grew slightly. Auto and parts exports continued to expand, albeit by a small percentage, by 0.6%YOY in May, mostly from car exports. However, exports of pick-up trucks declined by over 19.3%YOY due to a delay to wait for a new model of pick-up trucks that were released at the end of May. This was likely a temporary shock to the export growth of auto and parts.
- **The decline in agricultural exports slowed down showing better signs of recovery after a slight increase in rubber prices this year.** Rubber exports declined by 14.4%YOY in May, an improvement from a sharp contraction of 35%YOY in the first quarter. At present, the rubber prices rose by 10%. Rice exports increased slightly by 1.9%YOY. On the other hand, exports of frozen seafood and processed seafood still fell drastically by 14.2%YOY this month due to the loss of import-duty privileges under the European's Union's Generalized Scheme of Preferences (GSP). Thai seafood exporters are

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under pressure from the EU's warning to resolve labor abuse and human-trafficking in the fishery industry. Overall, Thailand's agricultural exports declined by 2.8%YOY.

- **Thai exports to China continued to expand for the second consecutive month.** Exports to China increased by 3.3%YOY in April, an improvement from a 1.1%YOY growth in April. The main export product to China was cassava, which doubled in one month. Exports to the CLMV markets grew by 2.5%YOY. Exports to the U.S., however, rose only by 0.4%YOY in contrast to the big gain of 5% in the first quarter of the year. Exports to Japan and the eurozone declined by 4.1%YOY and 13.7%YOY following a slowdown in their economies.
- **Oil prices that peaked around the same month in 2014 contributed to a sharp drop of Thai import value of 20%YOY in May 2015.** Crude oil imports fell again by 55%YOY in May mainly because the comparison is against the high oil prices during the same time last year; during which, the global crude oil prices were nearing its peak. Capital good imports also shrank by 8%YOY as domestic demand slowed. More specifically, imports of machineries and parts decreased by 13%YOY. Additionally, consumer goods and raw materials imports dropped by 2.6%YOY and 14.5%YOY respectively, making the decline in the first five months of the year 9.4%YOY. The drastic drop in import value contributed to a large trade surplus of 2,416 million USD. In the first five months of this year, the trade balance stood at a surplus of 3,322.7 million USD.

## Implication

- **EIC expects Thai exports to shrink by 1.5%YOY in 2015.** Thai exports in the first five months dropped by 4.2%YOY. We expect that exports in the second half of the year will pick up, partly because the oil prices in the second half of 2014 would be more comparable to the current prices. Auto and parts exports will also continue to expand. In addition, the depreciating Thai baht after the recent policy rate cuts will help support Thailand's export growth in the coming months. However, there are still many risk factors: 1) fragile recovery in key trading partners, 2) volatile agricultural commodity prices, 3) relocation of TV production bases to Vietnam, 4) the end of GSP privileges in the eurozone, and 5) fluctuation in foreign exchange rates. These factors will make Thai exports shrink by 1.5%YOY this year.

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