



Thai exports grew 10.3% in February. EIC suggests keeping a close look on Baht Appreciation – US protectionism policy.

## Key point

- **Thai exports in February continued to grow at 10.3%YOY.** Growth was recorded in most export destinations and product categories led by oil-related products such as petroleum and chemical and plastic products, which increased by 47%YOY and 20%YOY respectively. Exports of key industrial products continued to rise alongside the global production trends, for example, computer and parts, and auto and parts that grew by 21%YOY and 18%YOY respectively. At the same time, the export value of rice and cassava increased by 20%YOY and 14%YOY respectively, thanks to the export price recovery of mentioned products.
- **The value of Thai imports maintained its rise with 16.0%YOY.** From the import of oil-related products that surged by over 21%YOY based on the increasing oil price. Computer and parts also saw an exponential import growth recording over 28%YOY alongside the increase in export of the same product categories. Meanwhile, the import of capital goods (excluding airplanes and ships) rose by 1.3%YOY, reflecting the trend of increasing investment in Thailand.

## Implication

- **EIC expects Thailand's total export value to grow by 5.0% in 2018,** following the growth of the global manufacturing sector, as well as the increase in the price of oil and agricultural products. However, the appreciation of Thai Baht against currency of important trade partners, reflected in 5% growth in the nominal effective exchange rate (NEER) since 2017, has weakened Thai exporters' international competitiveness especially for products that can be easily substituted like agricultural products such as rice, cassava, sugar and rubber. Furthermore, the appreciation of Thai Baht can also have a direct impact on the profitability of agricultural products exporters in Thai Baht value. This is because these products contain low import contents thus receive only limited benefits from Thai Baht appreciation. The low gross profit margin for agricultural products exporters could also mean that some exporters may face losses if they do not have a currency hedging.
- **Some Thai export products face potential risks from the US trade protectionism policy and retaliation by other countries.** President Trump imposed import tariffs on washing machine and solar panel on 22 January 2018. On 8

March 2018, President Trump also officially signed a proclamation on a safeguard measure introducing 25% tariff on steel imports into the US in addition to other products that already have import tariffs. EIC analysis shows that the steel tariff will reduce steel exports from Thailand to the US by 200,000 tonnes (9% of total Thai steel export) or only 0.1% of the total export from Thailand.

- EIC forecasts that the total export value into Thailand for 2019 will rise by 9.2%, through an increase in demands for raw materials and capital goods. The import of these products is expected to grow with the trend of increasing investment in Thailand and the rise in oil-related imports based on the increase in oil price.

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