Flash by EIC

SCB Economic Intelligence Center

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Thai export grew 8.2% in June. EIC expects a slowdown in the second half of 2018

Key point

- **Thai exports maintained a high growth rate at 8.2%YOY in June.** The main contributor to this growth was the export of products related to oil including petroleum as well as chemical and plastic products which grew 23.5%YOY and 13.6%YOY respectively. Exports of key industrial products also grew well with computer and parts and automobiles, accessories, and parts risen by 12.0%YOY and 7.4%YOY respectively. However, exports of rubber continued to shrink by 10.4%YOY due to the global price weakening. Overall, Thai exports in the first half of 2018 rose by 11.0%YOY

- **Total export of solar panels declined due to a decrease in exports to the US.** Overall export of semiconductors (solar panels) fell by 21.8%YOY. The main factor behind this decline was the introduction of the safeguard tariffs by the US that resulted in a decline of semiconductor exports to the US of 84.6%YOY. Nevertheless, exports of other products included in the US tariffs including washing machines, dry cleaning machines and parts, and iron, as well as steel and related-products, still increased by 4.7%YOY and 24.9%YOY respectively. This was because the prices of these exports were still competitive even after tariffs were added. Meanwhile, some iron producers also received tariff exemption from the US. The total exports of the two mentioned product categories from Thailand increased by 5.0%YOY and 21.4%YOY respectively.

- **Thai imports also continued to grow at 10.8%YOY.** The main contributor was the import of oil-based products that increased by 49.9%YOY following an increase in oil price. Computer and parts also witnessed considerable import growth at 23.1%YOY following the upward trend in exports of products in the same categories. Meanwhile, the import of capital goods (excluding planes and ships) increased by 15.2%YOY. In sum, Thai imports grew by 15.6%YOY in the first 6 months of the year.

Implication

- **EIC expects the total value of Thai exports to grow by 8.5% in 2018.** The main driver of this growth will be the expanding global economy, as well as the increasing oil prices. However, the growth rate of Thai exports is likely to slow down in the upcoming period due to a sluggish performance in the global manufacturing sector. This is reflected in the Global Manufacturing PMI that indicated a slowdown since the beginning of the year and has reached the lowest level in 10 months at 53.0 in June. Furthermore, there is also an additional risk from the ongoing trade war, especially through the introduction of trade measures and retaliating policies, even though direct effects of the trade war on Thai exports in 2018 are still limited at the current stage.

- EIC suggests that Thai imports will grow by 13.5% in 2018. The growth will occur through the increase in demands for raw materials and capital goods that follow the rise in exports, as well as the recovery of domestic investment by public and private sectors and the rise in import value of oil-based products following an increase in oil price. EIC analysis suggests that the rise in the value of oil imports will be an important factor that leads to the decline in the balance of trade and the current account balance when compared to the previous year. Nevertheless, EIC expects Thailand's current account surplus in 2018 to remain at a high-level at around 8% of the GDP, a positive indication of the country's international financial stability.

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