Flash by EIC

SCB Economic Intelligence Center

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Thai exports continue to grow at 11.4%YOY in May. EIC expecting an annual growth of 8.5%YOY for 2018

Key point

- **Growth of Thai exports in May remained strong at 11.4%YOY,** led by exports of oil-related products such as refined fuel, and chemical and plastic products that grew by 30.7%YOY and 29.5%YOY, respectively. Furthermore, exports of key industrial products like cars, parts and equipment, and computers, accessories, and parts grew due to improving global manufacturing sector by 25.2%YOY and 10.8%YOY, respectively. Nevertheless, exports of rubber and sugar slumped further at 17.5%YOY and 13.4%YOY, respectively, owing to falling global prices. Overall in the first 5 months of 2018, Thai exports grew by 11.6%YOY.
- **Exports of solar panels and iron products continued to grow in other markets, despite the U.S. import tariff affecting Thai exports.** Value of exports of washing machines and dryers and parts, solar panels, and iron, steel and steel products to the U.S. decreased by 39.8%YOY, 53.8%YOY and 14.6%YOY, respectively, due to safeguard tariff. Nevertheless, total export value of washing machines and dryers and parts only shrunk by 8.5%YOY, while, exports of solar panels, and iron, steel and steel products rose by 13.8%YOY and 9.0%YOY, respectively due to increased demand from other markets besides the U.S. and the tariff having had partial impact on exports of steel products.
- **Value of Thai imports continued to grow by 11.7%YOY,** led by imports of fuel products, which grew by 25.0%YOY in line with increased oil prices. As for imports of computers, accessories and parts, they expanded by 41.0%YOY, following export growth of the same product category. Meanwhile, imports of capital goods (exclusive of airplanes and ships) increased by 10.7%YOY. For the first 5 months of 2018, the growth of Thai imports is at 16.6%YOY.

Implication

- **EIC revised upwards its annual forecast for Thai export growth in 2018 to 8.5% from 7.5%.** Continued improvement of the global economy in 2018 will help boost demand for goods, whilst, exports of oil-related products will increase alongside oil prices that will likely rise further. EIC reassessed its forecast for Brent prices in 2018 to an average of 72 USD per barrel, implying a growth of 33%YOY. Meanwhile, the U.S. protectionist trade policy is expected to have limited effect on Thai exports as Thai exporters can redirect sales to other export markets that have strong growth outlook.

- **Trade war remains a key risk to keep close watch.** Although, such conflict may affect Thai exports limitedly in 2018, going forward situations may further worsen and start to have impact on global trade and economy. Furthermore, such trade barriers will raise production cost of major manufacturers around the world driving them to produce more domestically and lower overseas investments for their export production. This will cause FDIs in Thailand to fall and harm Thai exports going forward. EIC expects the U.S. tariff hike on 1,102 imports from China (worth 50 million USD) to affect intermediate products, in particular Thai electronics and electronic appliances sent to the China that accounts for 0.34% of total Thai exports. Meanwhile, China's tariff hike on 659 imports from the U.S. (worth 50 million USD) may not have as much impact on Thai exports as they are mostly agricultural products that are unrelated to Thai exports. Rather, China's retaliation towards the U.S. can benefit Thai exports of chemical and plastic as China will need to seek new import markets to substitute the U.S.
- **EIC advices businesses to stay cautious of baht fluctuations despite recent depreciation.** The baht has fallen against the USD due to major economies' monetary policies lean towards more tightening and risk-off sentiments caused by trade war, triggering capital outflows from emerging markets, including Thailand. Although the baht depreciation will support increased baht income for exporters, going forward EIC expects greater fluctuations and possible strengthening of the baht, due to monetary policy and global trade uncertainties that may put downward pressure on the USD. Thus, businesses should closely monitor risk relating to currency volatility.
- **EIC revise upwards its forecast for imports of 2018 to 13.5% from 12.2%,** owing to increased demand for raw materials and capital goods that will expand with the recovery of domestic investment of both public and private sector during the latter half of the year. Also, the value of imports of fuel related products will increase in tandem with rising oil prices.

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