



## Thai Exports in September Dropped Unexpectedly by 5.2% as US-China Trade War Escalated.

### Key point

- **The value of Thai exports in September sank by -5.2%YOY**, the first drop in 19 months. The unexpected decrease, due to export drops in multiple product groups, was led by a group of industrial products which altogether fell by -6.7%YOY. They were, for instance, automobile, accessories and parts (-7.4%YOY), electronic machines (-4.1%YOY), electrical appliances (-0.8%YOY), and especially gold which dropped significantly at -78.7%YOY from -66.6%YOY in the previous month. Excluding gold, the growth of Thai exports in September was at -0.8%YOY. Agro-industrial products also fell by -1.6%YOY including processed and canned seafood, processed shrimp, white refined sugar, and processed and canned fruits. However, exports of agricultural products grew slightly at 0.1%YOY, following the growth in rice and cassava production. Meanwhile, exports of rubber and sugar continued declining due to falling prices. For the first 9 months of 2018, the growth of Thai exports was at 8.1%YOY.
- **Thai exports to Asian markets descended significantly.** Major declines were in exports to China (-14.1%YOY), Hong Kong (-7.0%YOY), Taiwan (-17.5%YOY), and South Asian Markets (-3.7%YOY). Meanwhile exports to Japan grew at 0.2%YOY, a lower rate from 14.6%YOY in the previous month. Similarly, exports to CLMV and ASEAN-5 markets rose by 17.5%YOY and 0.9%YOY respectively, dropping from 32.5%YOY and 35.5%YOY respectively in August. Moreover, the value of Thai exports to Australia decreased by -19.3%YOY, a huge drop from 10.1%YOY growth in the earlier month. Nevertheless, Thai exports to the US and EU improved to 1.2%YOY and 3.9%YOY from 0.6%YOY and -4.3%YOY in August, respectively.
- **US import tariffs continued influencing Thai exports.** The values of the Thai exports affected by US import tariffs including solar panels, and washing machines, dryers and parts dropped by -78.2%YOY and -87.6%YOY respectively. These falls resulted in a significant drop in Thai exports of these product groups to all markets by -38.3%YOY and -44.6%YOY respectively. Meanwhile, Thai exports of iron, steel and steel products to the US returned to be negative at -16.1%YOY after growing by 12.6%YOY in August. However, the exports of iron, steel and steel products to overall markets accelerated from 2.4%YOY to 4.4%YOY. In the meantime, exports of aluminum products continued improving in general and to the US at 12.1%YOY and 38.2%YOY respectively.
- **US – China Trade War generated greater impacts.** Thai exports to China in September declined significantly at -14.1%YOY. This was expected as a result partially due to US import tariffs on Chinese products activated on July 6 and August 23 this year. The affected trade value was USD 50 billion in total, a reflection of the notably dropped value of

Thai exports anticipated to be related to the tariffed Chinese exports to US namely electrical circuits, and assembling parts of refrigerators and freezers. Thai exports of these products to China fell by -50.8%YOY and -78.9%YOY respectively. Meanwhile, Thai exports of computers and parts to China continued decreasing at -13.4%YOY. Apart from that, the fall of Thai exports to China may as well be affected by China's economic slowdown.

- **The value of Thai imports grew at 9.9%YOY**, a lower growth rate from 22.8%YOY in August. This was led by a 11.5%YOY growth of Thai imports of raw materials and intermediate goods which slowed down from 37.6%YOY in the earlier month. Moreover, it was due to imports of capital goods which dropped by -5.8%YOY from 6.2%YOY growth in August. In this product group, a great drop in airplane and ship imports was the main factor (-80.2%YOY). However, imports of fuel products accelerated to 50.5%YOY from 33.8%YOY in the month earlier. For the first 9 months of 2018, the growth of Thai imports is at 15.2%YOY.

## Implication

- **EIC views the annual growth of Thai exports in 2018 may be lower than the expected 8.5%YOY** as Thai exports in September appeared to be surprisingly lower than expected by the market (-5.2%YOY vs 5.6%YOY) and the effects from trade war started to be more noticeable and persistent. The risks from US-China trade war will bring Thailand others set of storms due to the US-China trade retaliatory measures made effective on the recent September 24. The impacts from this USD 200-billion trade policy are expected to be seen from end of 2018 onwards, in addition to the trade policies activated earlier on July 6 and August 23 which may also continue to influence the markets. Moreover, it is crucial to keep a close watch on the effects from the economic slowdown of key trading partners particularly China which is likely to be impacted from the trade war as well. The growth of Thai exports value being lower than expected could in turn affect Thailand's economy growth of 2018 and 2019.
- **EIC forecasts the annual growth of Thai imports in 2018 to be at 15%YOY** as Thai imports for the rest of the year 2018 have potential to grow further due to the country's domestic consumption and investment which continue to expand, as well as fuel imports which are likely to increase along the rising oil prices. However, imports of products related to production for exports may slow down if Thai exports grow at a rate lower than expected in the next coming phase. For the first 9 months of 2018, Thailand still has a high trade surplus of USD 2,838.5 million which reflects the country's strong external stability.

By : Jirayu Photirat ([jirayu.photirat@scb.co.th](mailto:jirayu.photirat@scb.co.th))  
Economic Intelligence Center (EIC)  
Siam Commercial Bank Public Company Limited  
EIC Online: [www.sceic.com](http://www.sceic.com)