



Thai exports in October returned to an expansion at 8.7% but with signs of weakening

Key point

- **Value of Thai exports returned to growth at 8.7%YOY** following a contraction of -5.2 % YOY in the preceding month. Improvement of several export product groups contributed to the expansion.
 - **Exports of key products that expanded** were manufacturing goods such as textiles, electrical appliances. Gold export, in particular, expanded by 240.8%YOY. Meanwhile, growth of agro-industrial products exports such as canned and processed seafood, sugar, and canned and processed fruits, as well as agricultural products including rice and livestock, led total exports of agricultural products to surge by 11.2%YOY (from 0.1%YOY in the preceding month).
 - **Exports of key products that continued to fall** were, for instance; car seats, pick-up trucks, buses and trucks, electrical circuits, wood and wooden products as well as rubber that shrunk for the 10th consecutive month.
 - **Nevertheless, the total value of Thai exports for first 10 months of 2018 expanded by 8.2 % YOY.** Excluding gold, the value of Thai exports grew by 7.3%YOY.
- **Growth of Thai exports in key markets became positive once again.** Markets that led the expansion were the US, Japan, ASEAN-5 and CLMV. Export growth accelerated to 7.2% YOY, 18.7% YOY, 24.4% YOY and 18.2% YOY, from 1.2% YOY, 0.2% YOY, 0.9% YOY and 17.5% YOY, respectively, in the preceding month. Exports to China, especially, returned to growth after declining by -14.1 % YOY in the month earlier following the rise in demand for industrial products such as chemicals and plastic pallets, as well as agricultural products like rice, and fresh, frozen and dried fruits. Exports to Australia, however, continued to drop by -2.0%YOY although less severely comparing to the previous month, which fell by -19.3 % YOY, as demand for car exports declined. On the contrary, exports to the EU shrunk by -4.1%YOY despite growing 3.6%YOY in the month earlier. The contraction was primarily due to lower imports of cars, car products and parts, and electrical circuits.
- **The US tariff hike continued to strain several export categories.** The value of the Thai exports affected by US import tariffs including semiconductors (solar panels) and

washing machines, dryers and parts, continued to contract by -73.0%YOY and -93.7%YOY, respectively. As a result, Thai exports of these product groups to all markets fell by -35.3% YOY and -40.2% YOY, respectively. On the hand, exports of iron, steel and steel products to the US expanded by 49.6% YOY in October, which allowed growth of the product to overall markets to increase to 17.1%YOY from 4.4%YOY in the preceding month. As for exports of aluminum products, expansion continued in general and to the US at 14.5%YOY and 61.9%YOY, respectively.

- **Exports affected by the US-China trade war contracted for the second consecutive month.** The value of Thai exports to China namely electrical circuit, and computers and parts that were anticipated to be related to tariffed Chinese exports to the US beginning July and August, contracted by -38.4% YOY and -17.2% YOY, respectively. Nevertheless, Thai exports of chemicals to China that were also expected to take a toll from tariff hikes, on the contrary, were able to perform well.
- **Thai imports expanded at 11.2%YOY,** increasing from 9.9%YOY in the last month. Growth was led by imports of raw products and semi-processed goods, and consumer goods that grew by 13.4% YOY and 19.2% YOY, from 11.5% YOY and 4.5% YOY, respectively, from the month earlier. Capital goods, and vehicles returned to growth in October at 1.5%YOY and 16.4%YOY, following a contraction of -5.8%YOY and -2.3%YOY, respectively. In contrast, imports of fuel-related products slowed to 21.1% YOY from 50.5% YOY in the month before. Overall, Thai imports in the first 10 months of 2018 expanded by 14.8%YOY.

Implication

- **Exports from Thailand and many Asian countries that returned to an expansion this month reflects tapering of temporary factors.** Growth of Thai exports rebounded this month in line with pick up in export among Asian countries including China, Japan, Taiwan, South Korea, Vietnam and Singapore. Exports in these countries during October grew by 15.0%YOY, 8.2%YOY, 7.0%YOY, 22.7%YOY, 10.8%YOY and 15.6%YOY, increasing from last month growth rates of 14.4%YOY, -1.3%YOY, 2.0%YOY, -8.2%YOY, 9.5%YOY and 10.4%YOY, respectively. The improvement reflects tapering of temporary factors from poor weather conditions that obstructed transportation of exports within Asia in the past month.
- **EIC revised downwards its growth prediction of Thai exports in 2018 to 7.5%YOY from 8.5%YOY, with an expectation of further slowdown in future.** Although the contraction in the September were primarily caused by bad weather that hampered delivery of exports, the combined value of exports in September and October compared to the same period last year grew by merely 1.5% YOY (or expanded by

3.2 % YOY when excluding gold). The figure reflects signs of weakening growth of Thai exports, which may follow from the slowdown of global economy and trade, continued impact from the US trade protectionism, and indirect impact from the US-China trade war. Furthermore, given lower crude oil price expectation, exports of oil-related products may also fall. Price of Brent oil during the first 21 days of November averaged at 67.8 USD per barrel and grew by 8.9%YOY, which is a deceleration from a rate of 39.7%YOY in October (average price of Brent oil was 80.5 USD per barrel in October).

- **EIC lowered its prediction for Thai import in 2018 to 13%YOY from 15%YOY.** Growth of imports is expected to recede in the remaining period of the year owing to the fall in fuel product imports as price of crude oil drops. Nevertheless, EIC imports relating to domestic consumption and investment are likely to continue expanding.

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