

EIC views decelerated contraction of export in September originates from the low base. Export growth forecast for 2019 is maintained at -2.5%.

21 October 2019

- The value of Thai exports dropped, though at a lower rate. Automotives exports and exports to China returned to growth due mainly to the low base from the previous year. As no clear export recovery signal is present, EIC views that during the 4th quarter of 2019, the export contraction momentum will continue.
- Although China and the US reached a preliminary trade agreement on October 10-11, 2019, the ongoing trade war should still drag on, pressuring export growth throughout the remainder of the year. Hence, EIC maintains its -2.5% export growth forecast for 2019.
- As for 2020, various factors will continue to suppress export growth, for example, sluggish key trade partners' economic growth, ongoing and prolonged trade war, and the strong baht. Therefore, EIC views that in 2020, export growth should slightly increase by 0.2%.

■ Key points

The value of Thai exports (in USD basis) fell by -1.4%YOY in September 2019, however, if excluding gold, the figure dropped to -2.8%YOY. During the first 9 months of 2019, the value of exports (excluding military arms and weapons shipment in February) shrank by -3.1%YOY, and if excluding gold the figure declined to -5.0%YOY.

The export contraction slowed, supported by automotive export low-base during the same period in the prior year, in addition to continued high growth in gold exports

(Figure 1). September 2019 was the first month that the US' import tariff increment on Chinese imports equivalent to 15% took effect, which impacted a new spectrum of Chinese consumer goods worth USD 104 billion and stalled global trade figures. However, Thai export growth fell at slower rate due to low-base of automotive exports (5.4%YOY in September 2019 vs -7.5%YOY in September 2018).

Furthermore, Thai export growth was supported by satisfactory growth in gold exports from increasing gold prices (110.6%YOY in September 2019 vs -78.7%YOY in September 2018).

Products that were part of China's supply chain for exports to the US continued to stall.

Thai export products with negative growth in China were, for instance, computers and parts (-9.3%YOY), chemicals (-19.1%YOY), and wood and wood products (-27.0%YOY).

Though exports to various key trading partners contracted, exports to the US, China, ASEAN-5, and Japan grew.

Exports to the US satisfactory grew by 7.8%YOY from products such as rubber products (19.2%YOY), radio receivers-television-and parts (30.7%YOY), and automotive and parts (9.4%YOY). Similarly, exports to Japan grew by 2.4%YOY from products such as electrical appliances (10.1%YOY) and electronic integrated circuits (32.9%YOY). Exports to ASEAN-5 expanded by 0.6%YOY from automotive export growth (16.3%YOY). Meanwhile, exports to China returned to growth at 6.1%YOY due to the low base effect (Figure 1). During the same period in the prior year, exports of various key items to China dropped, forming a low base, for instance, rubber products, automotive and parts, and electronic integrated circuits exports. However, if considering in terms of seasonally adjusted figures, Thai export growth to China dropped by -4.5%MoM_sa when compared to the previous month, reflecting no clear recovery signal.

The value of imports shrank by -4.2%YOY following declining fuel prices. Imports of fuel products significantly dropped by -20.1%YOY due to lower global crude oil prices in September (Brent crude price contracted by as high as -21.0%YOY). Meanwhile, imports of other product categories such as durable goods and raw materials contracted as well by -0.8%YOY and -5.4%YOY, respectively. On the other hand, consumer goods and automotive imports expanded by 11.0%YOY and 12.5%YOY, respectively.

■ Implication

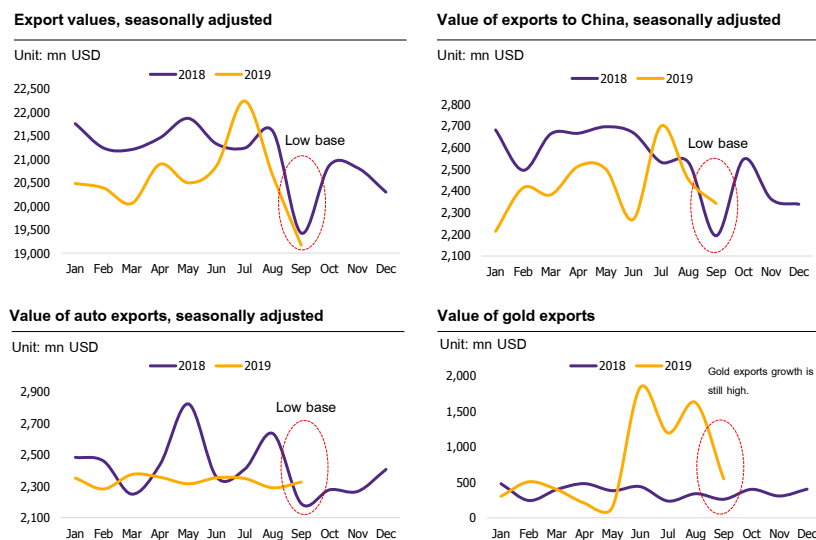
EIC maintains its 2019 export growth forecast at -2.5% (on balance of payment basis that excluded military arms and weapons shipment in February 2019). During the last quarter of 2019, exports should continue to weaken, though at slower rates (approximately expected slowdown of -1%YOY) from the low base in quarter 4 of 2018¹. However, various events could hamper export growth for the remainder of 2019. A notable event is such as the trade war between the US and China. On October 10-11, a preliminary agreement was reached between the US and China, delaying import tax increment on Chinese imports worth USD 250 billion or from tax rates of 25% to 30% set on October 15. However, EIC still views that the remaining agreements could be prolonged as the demands from both parties are difficult in practice (read more at Flash: IMF revises global GDP in 2019/2020 to 3.0%/3.4% following fragile recovery from the ongoing trade war and geopolitical tension). Other key events are such as protests in Hong Kong, tensions

¹ The value of exports during Q4-2018 grew by only 2.0%YOY, dropping from the average growth of 8.8%YOY during the first 3 quarters.

between Japan and South Korea that could lead to economic retaliation, and risks from the US lifting automotive import tariff.

For 2020, EIC expects that exports will slowly recover by 0.2% following sluggish trade partners' economic growth, trade war tensions, and the strong baht. According to IMF WEO's latest prediction in October, the global economy in 2020 is expected to grow by 3.4%, a rate higher than the 2019's forecast at 3.0%. The recovery is seen to be supported by the low base among the Middle East and Central Asia², Sub-Saharan Africa³, and Latin America and the Caribbean⁴ markets. However, the proportion of Thai exports to the mentioned markets accounted for only 9.5% of total exports. Meanwhile, the economic growth of key trade partners such as China, Japan, ASEAN-5, and CLMV should stabilize or slightly decline in 2020 when compared to 2019 (Figure 4). Furthermore, the prolonged trade war uncertainty and the strong baht could further suppress export growth recovery in 2020.

Figure 1: Total exports, exports to China, and automotive exports saw growth from the low base effect in September 2018, meanwhile gold exports continued its high growth momentum



Source: EIC analysis based on data from MOC

² Middle East and Central Asia includes 31 countries: Afghanistan, Algeria, Armenia, Azerbaijan, Bahrain, Djibouti, Egypt, Georgia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, the Kyrgyz Republic, Lebanon, Libya, Mauritania, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tajikistan, Tunisia, Turkmenistan, the United Arab Emirates, Uzbekistan, and Yemen.

³ Sub-Saharan Africa includes 45 countries: Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Congo, Côte d'Ivoire, Equatorial Guinea, Eritrea, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Seychelles, Sierra Leone, South Sudan, United Republic of Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

⁴ Latin America and the Caribbean includes 33 countries: Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.

Figure 2: Growth rates by export product and export destination

Exports by products

Unit: %YOY, (share 2018)	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Aug' 19	Sep' 19	9M19
Total (ex. Weapon)	12.2%	11.2%	3.0%	2.0%	-5.0%	-3.8%	-4.0%	-1.4%	-3.1%
Total (ex. Weapon and gold)	13.6%	10.9%	5.8%	1.1%	-5.3%	-5.3%	-9.8%	-2.8%	-5.0%
Electronics (15.2%)	16.5%	10.1%	1.9%	-7.8%	-12.3%	-8.9%	-9.5%	-7.8%	-9.5%
Auto & parts (14.9%)	12.5%	17.0%	6.9%	-6.0%	-2.2%	-7.9%	-12.6%	5.4%	-4.6%
Electrical appliances (9.6%)	5.8%	3.9%	3.6%	1.1%	0.0%	-1.2%	-6.9%	6.5%	-0.2%
Chemical & plastics (9.4%)	21.5%	24.4%	14.6%	14.4%	-6.1%	-12.6%	-17.2%	-9.9%	-10.4%
Agriculture (9.2%)	0.6%	6.7%	1.6%	-3.8%	-0.8%	-4.3%	-6.6%	-14.4%	-3.7%
Agro (7.1%)	10.0%	9.2%	6.1%	3.0%	-1.8%	-1.7%	-1.5%	11.5%	-0.3%
Rubber products (4.4%)	5.3%	14.1%	6.1%	4.9%	7.6%	-4.1%	-0.1%	3.5%	1.3%
Machinery & parts (3.2%)	18.0%	15.5%	-2.6%	4.8%	-12.2%	-12.0%	-2.2%	-8.5%	-10.8%

Exports by destinations

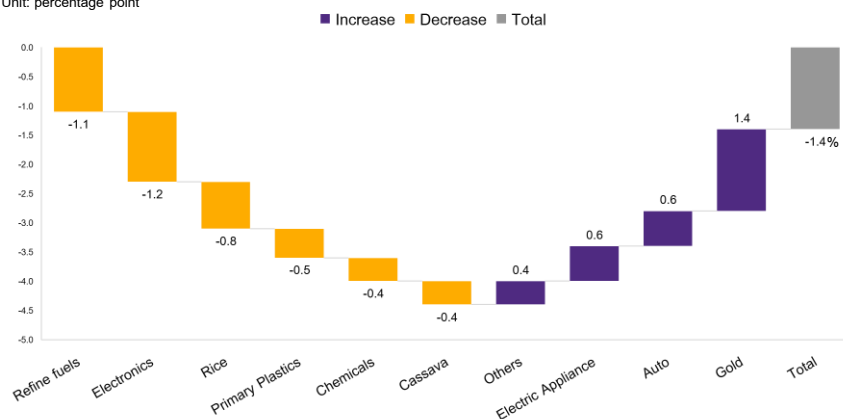
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Total (ex. Weapon and gold)	13.6%	10.9%	5.8%	1.1%	-5.3%	-5.3%	-9.8%	-2.8%	-5.0%
ASEAN5 (15.5%)	16.1%	9.4%	20.2%	9.3%	-7.8%	-8.7%	-24.6%	0.6%	-9.6%
China (12.0%)	4.1%	16.0%	-2.3%	-4.8%	-10.4%	-9.1%	-2.7%	6.1%	-5.6%
CLMV (11.6%)	13.8%	19.9%	24.1%	9.9%	0.0%	-2.0%	-22.7%	-15.3%	-6.4%
USA (11.1%)	9.1%	6.8%	0.1%	6.8%	3.6%	3.3%	5.8%	7.8%	4.9%
Japan (9.9%)	24.9%	11.3%	8.6%	8.2%	-1.8%	-2.3%	-1.2%	2.4%	-0.4%
EU15 (9.0%)	11.0%	11.2%	2.5%	-3.7%	-6.8%	-7.3%	-6.2%	-8.2%	-6.6%
Hong Kong (5.0%)	1.4%	9.5%	2.8%	-6.3%	-13.6%	-5.1%	-6.5%	-10.8%	-8.0%
Australia (4.3%)	14.5%	10.3%	-5.7%	-6.5%	-12.3%	-9.5%	18.9%	-1.8%	-2.8%
Middle East (3.4%)	11.1%	-10.2%	-6.2%	-13.7%	-7.3%	-8.3%	5.3%	-2.4%	-4.5%

Source: EIC analysis based on data from MOC

Figure 3: Growth of key export products slowed in September, except electronics, automotives, and gold

Contribution to export contraction in September 2019

Unit: percentage point

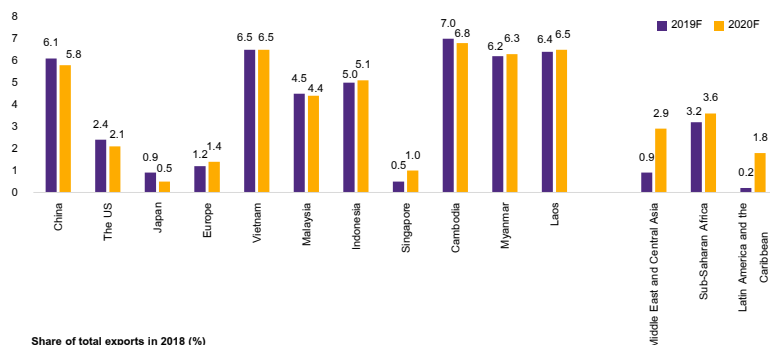


Source: EIC analysis based on data from MOC

Figure 4: Economic growth of Thailand’s key trade partners should stall in 2020

Economic growth forecasts by IMF, as of October 2019

Unit: %



Share of total exports in 2018 (%)

12.0	11.1	9.9	9.0	5.1	4.6	4.1	3.7	3.0	1.8	1.6	3.9	2.3	3.2
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Economic growth of Thailand’s key trading partners are forecast to decelerate or stable in 2020

Exporting to countries with predicted accelerated growth in 2020 account to only 9.5% of Thailand total export.

Source: EIC analysis based on data from IMF, MOC and CEIC

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