

Thai exports in January 2020 made a positive turnaround due to gold export. Going forward, EIC expects Thai exports will be hit by the COVID-19 impact.

February 24, 2020

Thailand's exports figures in January 2020 increased for the first time in six months, by 3.3%YOY (-1.5%YOY excluded golds). The growth was driven mainly by gold, air conditioner, motorbike and semiconductor. Meanwhile, exports of rice, chemicals, plastic beads and auto vehicles remained on a decline.

Thai exports as of January 2020 picked up as anticipated earlier based on the recovering manufacturing PMI of key trade partners. The improvement was due to the easing concern over the US – China trade war which finally reached phase-1 deal.

Nevertheless, in the upcoming term, Thailand's exports will be affected by the COVID-19 situation which has already slowed down the economies of countries with the COVID-19 cases, influenced a drop of oil price, and caused supply disruptions across markets depending on China. For the year 2020, EIC keeps a forecast for Thai exports at -1.0%YOY.

■ Key points

The value of Thai exports in January 2020 returned to positive territory for the first time in six months at 3.3%YOY, from -1.3%YOY in a month earlier. However, excluding golds, Thai exports contracted -1.5%YOY.

Key exports products included gold, air conditioner, motorbike and semiconductor. (Figure 1)

- Exports of gold soared outstandingly by 299.6%YOY due to the rising price. (20.8%YOY and 5.5%MOM in January 2020) Main markets included Switzerland (397.3%YOY), Singapore (890.1%YOY), Myanmar (201.3%YOY) and Russia (129.8%YOY).
- Exports of a number of industrial products continued to rise including air conditioner and parts (25.0%YOY), motorbike and parts (49.3%YOY), and semiconductor (61.9%YOY).
- Exports of a product group being part of China's supply chain and affected by the trade war expanded including rubber (12.0%YOY), wood and wood products (2.6%YOY), and computer

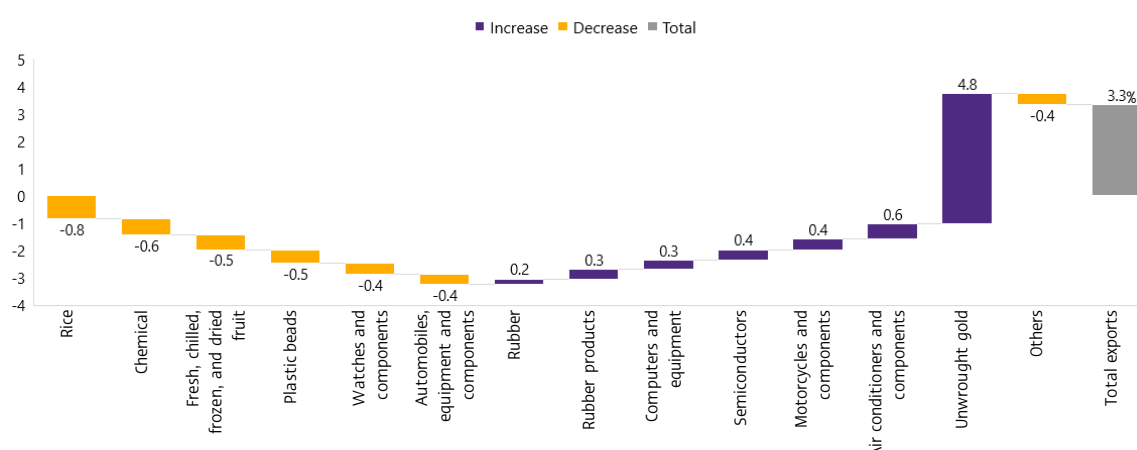
and parts (5.6%YOY). (To China, these exports rose 73.2%YOY, 23.6%YOY and 12.7%YOY respectively.)

- **Refined fuel export bounced back to positive growth of 5.9%YOY** as a result of the reoperation after temporary maintenance shutdown of some refineries during the end of 2019.
- **Nevertheless, Thai exports of a number of products continued to decrease.** On this list were rice (-34%YOY) which was pressured by drought and strong Thai baht; chemicals (-16.1%YOY); fresh, frozen and dried fruits (-41.6%YOY); plastic beads (-12.6%YOY); watch and components (-54.8%); and car and parts (-3.4%YOY).

Figure 1: Key products influencing Thai exports in January 2020

Contribution to contraction of Jan/2020 exports

Unit: percentage point



Source: EIC analysis based on data from MOC

In terms of markets, Thai exports to a number of key countries rose significantly.

- **Exports to the US increased by 9.9%YOY.** Star products included computer and parts, semiconductor, rubber products, furniture and parts, air conditioner, and car and parts.
- **Exports to China continued to expand by 5.2%YOY.** Strategic products were car and parts, rubber and rubber products, wood and wood products, and computer and parts.
- **Exports to 15 European countries (EU15) returned to grow by 0.6%YOY after 15-month long contraction.** Key products included car and parts, motorbike and parts, electronics, and chemicals.
- **Exports to ASEAN-5 countries upsurged by 3.8%YOY.** Leading exports items included gem and jewelry products, sugar and rubber.
- **On a contrary, exports to CLMV returned to a decline by -0.7%YOY.** Key contracting items were car and parts. **Similarly, exports to Japan fell continuously by -2.5%YOY,** leading by machinery, plastic beads, and processed seafood. **Exports to India also shrank for the sixth consecutive month by -5.7%YOY** led by car and parts, and watch and components.

Meanwhile Thai imports significantly declined by -7.9%YOY due to the high base effect in 2019 influenced by arms imports for military exercises. In January 2020, Thai imports of arms dropped outstandingly by -96.8%YOY. Other declining products were raw materials (-10.2%YOY), and vehicle and transport parts (-2.4%YOY). Excluding arms, Thai imports expanded by 1.2%YOY supported by fuel products (19.6%YOY). The imports of fuel products were boosted by the reoperation of some refineries which temporarily closed down for maintenance purpose in late 2019 and the increased oil price in January. (Crude oil price in Dubai rose 8.1%YOY.) Imports of consumer products expanded by 9.6%YOY and capital goods escalated by 5.8%YOY in relation to the imports of aircrafts which surged by 155.9%YOY.

■ Implication

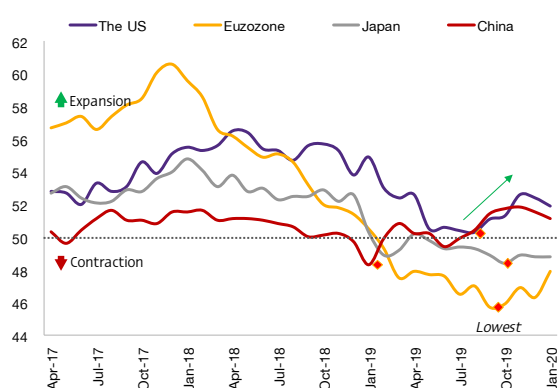
Before the effects from COVID-19 outbreak, Thai exports signaled an expected recovery.

Earlier, EIC saw the global trade situation bottoming out as the manufacturing Purchasing Manager's Index (PMI) of a number of countries began to pick up (Figure 2) partly due the phase-1 deal between China and the US. Considering from the value of Thai exports without gold shipments (Figure 3, left side), Thai exports showed a sign of recovery in later stage along with the improving PMI of many countries across the globe. During this period of time, the ratio of contracting Thai exports products also reduced. (Figure 3, right side)

Figure 2: Thanks to the easing concern over the trade war, global economic recovery was sensed as exports and manufacturing PMI of a number of countries bottomed out.

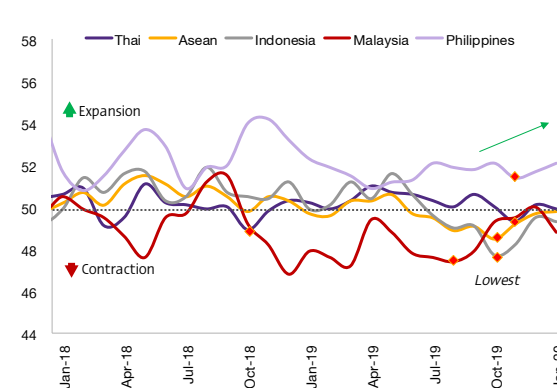
Manufacturing PMI in major economic countries

Unit: Index (>50: Expansion)



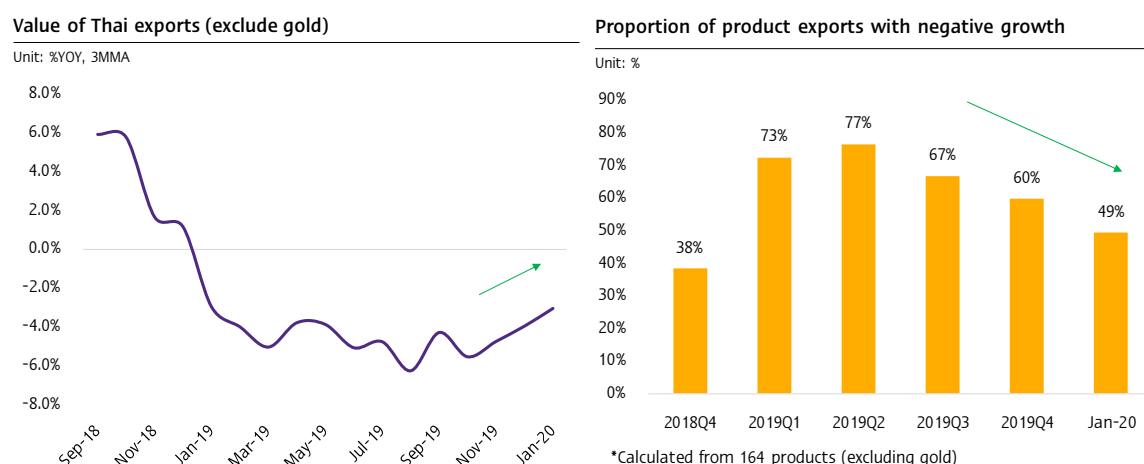
Production sector PMI in ASEAN countries

Unit: Index (>50: Expansion)



Source: EIC analysis based on data from IHS Markit and CEIC

Figure 3: Before the COVID-19 outbreak, Thai exports was bottoming out and steadily recovering.



Source : EIC analysis based on data from MOC

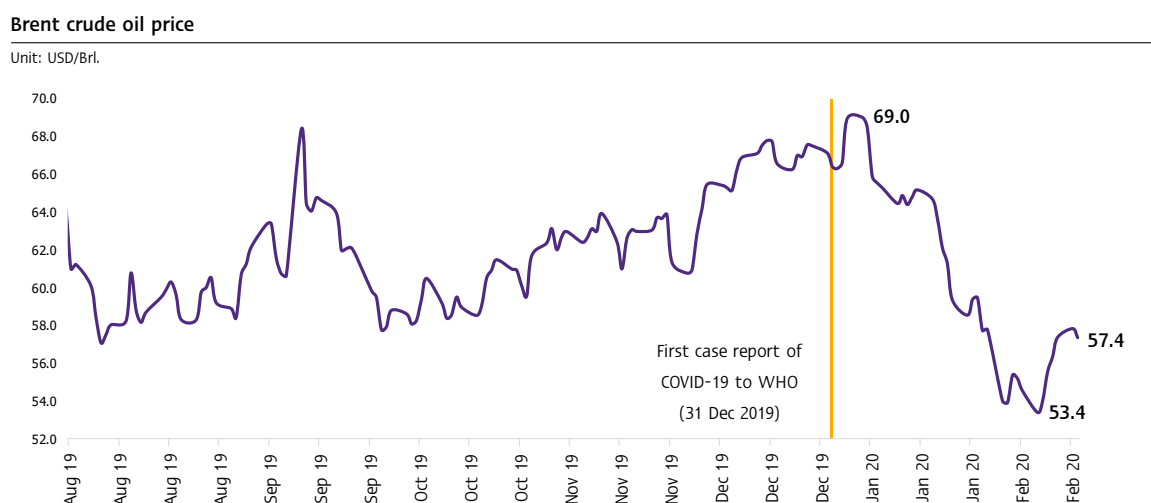
Nevertheless, EIC expects Thai exports in the coming phase would return to contraction from the effects of COVID-19 outbreak.

COVID-19 which has spread rapidly in late January 2020 will hit a number of world's economies, particularly the countries with high numbers of infected cases, such as China (77,345 cases), South Korea (763 cases), Italy (155 cases), Japan (146 cases), and Iran (43 cases) (as of February 24, 2020). As parts of economic activities have been interrupted by the disease control measures, a number of global economies is likely to decelerate during the outbreak of COVID-19.

Moreover, China's supply chain disruption caused by the disease control measures is a pressing factor that will affect global supply chain networks. Companies which have production bases in China or depend on China for raw materials or are part of China's supply chain will be affected significantly as their Chinese units or partners may not perform or deliver as per usual. As a result, China's supply chain disruption is a great risk to global supply chain networks in the upcoming future and therefore must be closely monitored.

The downtrend of global oil price is another factor pressuring the value of Thai exports in the coming phase. As shown in Figure 4, after the critical outbreak of COVID-19, the price of global Crude oil declined. As the global economic deceleration directly influences the global demand for Crude oil, the value of Thai exports related to oil price has a tendency to sink in the coming stage. These exports products include plastic beads, chemicals, and petroleum, which altogether account for about 10% of total exports of Thailand.

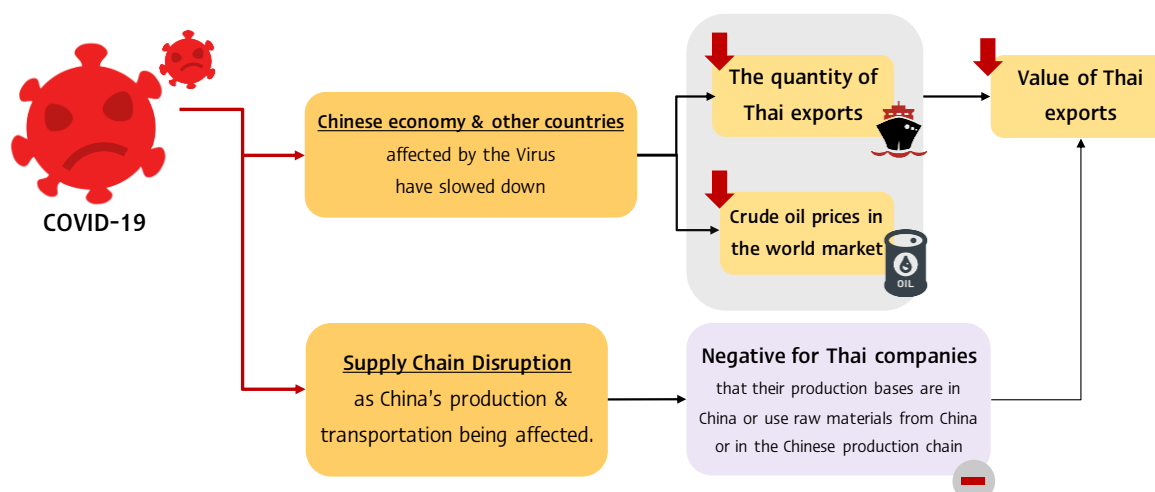
Figure 4: Crude oil price slipped as the Coronavirus outbreak interrupted global economies and oil demand.



Source: EIC analysis based on data from CEIC

Considering the cited factors, EIC projects Thai exports in 2020 to contract further from the earlier year, however at a decelerating rate of -1.0%. (Before the outbreak of COVID-19, the projection was 0.2%.) If COVID-19 can be contained within the first six months of 2020, Thai exports may return to recover before the end of the year.

Figure 5: With COVID-19 affecting a number of economies and causing supply chain disruptions across the globe, EIC projects Thai exports in 2020 to contract -1.0%YOY.



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