

Exports plunged again in October as the returning waves of the COVID-19 outbreak undermined global economic conditions.

23 November 2020

Key summary

Exports of key merchandise in the industrial, agricultural, and agro-industrial sectors saw slower contractions in October. Meanwhile, exports of products relating to living and working at home, electronics, and rubber gloves continued to improve.

The value of Thai exports, excluding gold, plummeted again (-6.4%YOY) in October as the returning waves of the COVID-19 outbreak triggered various countries to reimpose strict lockdown measures, which undermined global economic recovery.

In 2021, EIC expects that exports should gradually expand by 5.3% following sluggish global economic and trade conditions. Notable risks, especially from labor market fragility and growing business closures, continued to linger. However, the discovery of high efficacy vaccines should accelerate the pace of economic recovery in advanced economies, as the countries should receive the vaccinations first. As such, growth in such countries could be better than previously anticipated.

■ Key points

The value of Thai exports tumbled again in October by -6.7%YOY, declining from -3.9%YOY in the previous month. Excluding gold, exports contracted by -6.4%YOY. As such, during the first 10 months of 2020, exports dropped by -7.3%YOY. Excluding gold and weaponry shipments to the US, exports tumbled by -10.2%YOY.

Exports of key merchandise in the industrial, agricultural, and agro-industrial sectors continued to contract. On the other hand, exports of products relating to living and working at home, electronics, and rubber gloves continued to expand (Figure 1).

- **Exports of automotive and parts contracted at a slower pace to -12.6%YOY**, after contracting by -15.3%YOY in the previous month. The fall in October represented a 13-consecutive month decline. Key export destinations that saw contractions included the Philippines (-43.4%YOY), China (-41.1%YOY), and Indonesia (-60.3%YOY).

- **Exports of agricultural products dropped by -3.3%YOY**, declining from the 9.8%YOY growth in the previous month. The products that led the decline were rice (-20.1%YOY), fresh/ chilled/ frozen/ processed chicken (-1.5%YOY), and cassava products (-12.4%YOY).
- **Exports of agro-industrial products dropped considerably by -14.1%YOY**, after declining by -3.5%YOY in the previous month. Key products that drove the decline included canned and processed seafood (-3.0%YOY), sugar (-75.0%YOY), and beverages (-14.8%YOY).
- **Exports of oil-related products continued to drop** following persistently low oil prices and sluggish global economic conditions. Refined fuel exports tumbled by -46.4%YOY from -33.5%YOY in the previous month. The main markets with contractions were Malaysia (-81.7%YOY), Singapore (-46.6%YOY), and Laos (-37.2%YOY).
- **Exports of other key industrial products that continued to shrink from the previous month** were chemicals (-10.1%YOY), electronic integrated circuits (-4.2%YOY), and machinery and parts (-4.4%YOY).
- **However, exports of electronics continued to expand for 2 consecutive months, with the latest month growth of 5.5%YOY**. Electronic products that improved significantly were computer, parts, and components (4.2%YOY), semiconductors (25.7%YOY), and fax machines, telephones, and parts (7.5%YOY).
- **Exports of products relating to living and working at home and COVID-19 prevention items continued to improve**. Key items that drove the expansion were refrigerators and parts (20.5%YOY), washing machines and parts (40.3%YOY), furniture and parts (19.5%YOY), pet food (17.4%YOY), and rubber products (17.6%YOY) with rubber gloves surging by 164.1%YOY.

Figure 1: Exports of key merchandise in the industrial, agricultural, and agro-industrial sectors continued to contract. Meanwhile, exports of products relating to living and working at home, electronics, and rubber gloves continued to expand.

Export by product										
Unit: %YOY, (Share in 2019)	2018	2019	2019Q4	2020Q1	2020Q2	2020Q3	Aug-20	Sep-20	Oct-20	YTD
Overall exports	6.9%	-2.6%	-4.4%	0.9%	-15.2%	-7.8%	-7.9%	-3.9%	-6.7%	-7.3%
Total (ex. Weapon) (100%)	6.9%	-3.4%	-4.4%	3.1%	-16.2%	-7.8%	-7.9%	-3.9%	-6.7%	-7.0%
Total (ex. Weapon and gold) (96.9%)	7.7%	-4.7%	-4.1%	-1.3%	-19.8%	-10.8%	-14.3%	-3.7%	-6.4%	-10.2%
Auto & parts (11.2%)	7.0%	-5.6%	-10.0%	-13.7%	-53.0%	-24.8%	-28.7%	-15.3%	-12.6%	-28.1%
Electrical appliances (9.9%)	3.6%	-0.4%	0.3%	-0.9%	-21.8%	1.6%	3.4%	8.3%	10.0%	-5.3%
Agriculture (8.9%)	1.1%	-6.2%	-13.6%	-8.7%	1.1%	-9.6%	-19.4%	9.8%	-3.3%	-5.4%
Chemical & plastics (8.5%)	18.6%	-11.8%	-15.7%	-12.1%	-19.4%	-10.3%	-11.5%	-2.3%	-6.0%	-13.1%
Agro-industrial product (7.8%)	7.0%	2.9%	10.3%	3.2%	-3.1%	-4.8%	-5.4%	-3.5%	-14.1%	-3.1%
Computer and parts (7.5%)	6.8%	-7.6%	4.6%	8.8%	-6.8%	3.7%	-3.1%	14.6%	4.2%	2.1%
Rubber products (4.6%)	7.5%	1.9%	3.7%	6.6%	-7.7%	15.7%	12.8%	21.2%	17.6%	6.4%
IC (3.1%)	0.8%	-8.9%	-1.1%	-6.3%	-5.1%	-9.7%	-12.9%	-7.0%	-4.2%	-6.8%
Machinery & parts (3%)	8.3%	-10.6%	-10.0%	-2.8%	-27.4%	-16.5%	-27.1%	-6.9%	-4.4%	-14.3%
Refined fuel (3%)	29.6%	-21.4%	-30.7%	-3.9%	-42.4%	-33.2%	-25.7%	-33.5%	-46.4%	-28.5%
Export by destination										
Unit: %YOY, (Share in 2019)	2018	2019	2019Q4	2020Q1	2020Q2	2020Q3	Aug-20	Sep-20	Oct-20	YTD
ASEANS (14.5%)	13.6%	-9.8%	-9.9%	5.7%	-19.7%	-19.0%	-16.5%	-15.6%	-27.2%	-12.9%
China (11.9%)	2.7%	-3.8%	1.6%	-0.9%	12.1%	-0.2%	-4.0%	6.9%	-6.1%	2.7%
CLMV (11.2%)	16.7%	-6.3%	-6.2%	2.7%	-25.8%	-9.2%	-9.3%	-4.8%	-17.0%	-11.5%
USA (12.1%)	5.5%	5.0%	5.5%	15.9%	1.1%	17.6%	15.2%	19.7%	17.0%	12.2%
Japan (10%)	13.0%	-1.7%	-5.3%	-5.5%	-13.5%	-12.2%	-16.6%	-1.9%	-5.3%	-9.7%
EU15 (8.7%)	5.1%	-6.6%	-6.3%	-4.6%	-30.6%	-12.6%	-16.9%	-4.4%	-0.4%	-14.3%
Hong Kong (4.8%)	1.8%	-6.5%	-1.1%	12.3%	-8.6%	-13.9%	1.5%	-29.5%	-0.5%	-3.8%
Australia (4.2%)	2.6%	-5.1%	-14.9%	-3.3%	-16.1%	-8.9%	-16.6%	4.1%	6.9%	-7.8%
Middle East (3.4%)	-5.1%	-1.6%	7.1%	1.7%	-22.0%	-24.3%	-30.3%	-26.1%	-18.1%	-15.0%
India (3%)	17.8%	-3.8%	-14.3%	-11.9%	-67.2%	-21.6%	-18.8%	-5.1%	13.7%	-30.5%

Remarks: * Excluding weaponry shipments to the US in 2019 and 2020

Source: EIC analysis based on data from the Ministry of Commerce

Figure 2: Key products influencing Thai exports in October 2020.



Source: EIC analysis based on data from the Ministry of Commerce

Regarding exports by destinations, exports to the US, Australia, and India expanded. On the contrary, exports to other key destinations contracted.

- Exports to the US continued to improve for 5 consecutive months with the latest month growth of 17.0%YOY. Major products contributing to the growth included computer, parts, and components, rubber products, and automotive and part.
- Exports to Australia accelerated by 6.9%YOY, improving from the 4.1%YOY expansion in the previous month as air conditioner and parts, precious stone and jewelry, and rubber products exports heightened.
- Exports to India marked the first positive expansion in 15 months with the latest growth of 13.7%YOY, after falling by -5.1%YOY in the previous month. Key products contribution to the growth included chemicals and plastic, steel and products, and automotive and parts.
- However, exports to China fell by -6.1%YOY, declining from the growth of 6.9%YOY in September. Products that led the decline were plastic beads, computer and parts, and automotive and parts.
- Exports to EU15 moderated to -0.4%YOY, after declining by -4.4%YOY in the previous month. Products influencing such growth included precious stones and jewelry, electronic integrated circuits, and automotive and parts.
- Exports to ASEAN 5 contracted for a 6 consecutive month with the latest monthly growth of -27.2%YOY, after falling by -15.6%YOY in the previous month. The products that led the drop were automotive and parts, plastic beads, and refined fuel.
- Exports to Japan dropped by -5.3%YOY, after falling by only -1.9%YOY in the previous month. Products influencing such growth were machinery and parts, fax machines, telephones, and parts, and electronic integrated circuits.

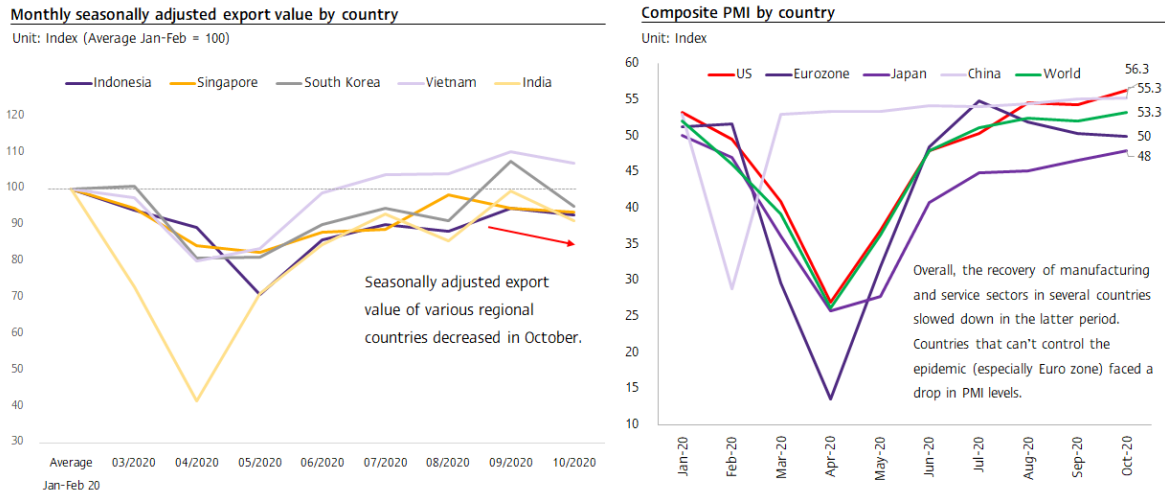
- **Exports to CLMV tumbled to -17.0%YOY**, after falling by -4.8%YOY in the previous month. The key products that drove the decline were automotive and parts, refined fuel, and beverages.

In terms of imports, the value of Thai imports in October worsened to -14.3%YOY, after dropping by -9.1%YOY in the previous month. Imports in nearly all sectors saw more aggressive declines, including fuel products (-16.5%YOY), capital goods (-16.3%YOY), consumer goods (-21.2%YOY), and vehicles and transportation equipment (-25.1%YOY). Meanwhile, imports of raw materials and intermediate raw materials stalled slightly at -8.1%YOY. **Nevertheless, during the first 10 months of 2020, imports fell by -14.6%YOY**. The trade balance in October was at a surplus of USD 2.0 billion, whereas the trade balance during the first 10 months of 2020 was at USD 22.7 billion.

■ Implication

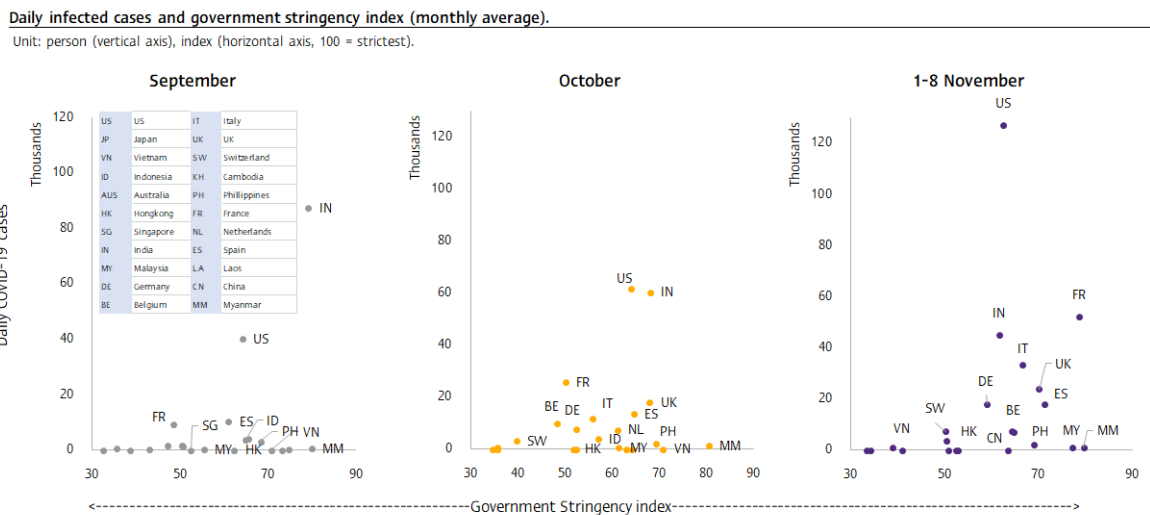
Thai exports dropped once again in October as various countries suffered from returning waves of the COVID-19 outbreak. In October, exports tumbled by -6.7%YOY compared to the fall of only -3.9%YOY in September. A seasonally adjusted month on month growth (%mom_sa) comparison to September revealed that exports in October dropped slightly by -0.7%. Such a figure indicated trends of stalling recovery in Thai exports, a momentum that was in line with the conditions of the export markets in several regional countries (Figure 3). Apart from slowing global economic recovery, a notable trigger that prompted sluggish growth in global exports was the acceleration of COVID-19 casualties, which forced various countries, especially countries in Europe, such as France, the UK, Belgium, and Italy, to reimpose strict lockdown measures. Meanwhile, countries with worsening COVID-19 situations within Thailand's proximity were Malaysia, Myanmar, and the Philippines (Figure 4). Furthermore, recent information during early November indicated that the infectious situation continued to worsen. Given such conditions, exports during the remainder of 2020 should slow from the previous period. EIC previously predicted a similar situation of stalling global economic recovery and slowing export growth during quarter 4. Therefore, **EIC maintains the export growth forecast for 2020 at -8.0%** (value based on the balance of payment basis: BOP basis).

Figure 3: Export conditions in regional countries stalled. Whereas countries experiencing severe COVID-19 outbreaks, especially in Europe, saw lower economic activities when compared to the prior periods.



Source: EIC analysis based on data from CEIC

Figure 4: COVID-19 resurgences forced various countries to reimpose strict lockdown measures.

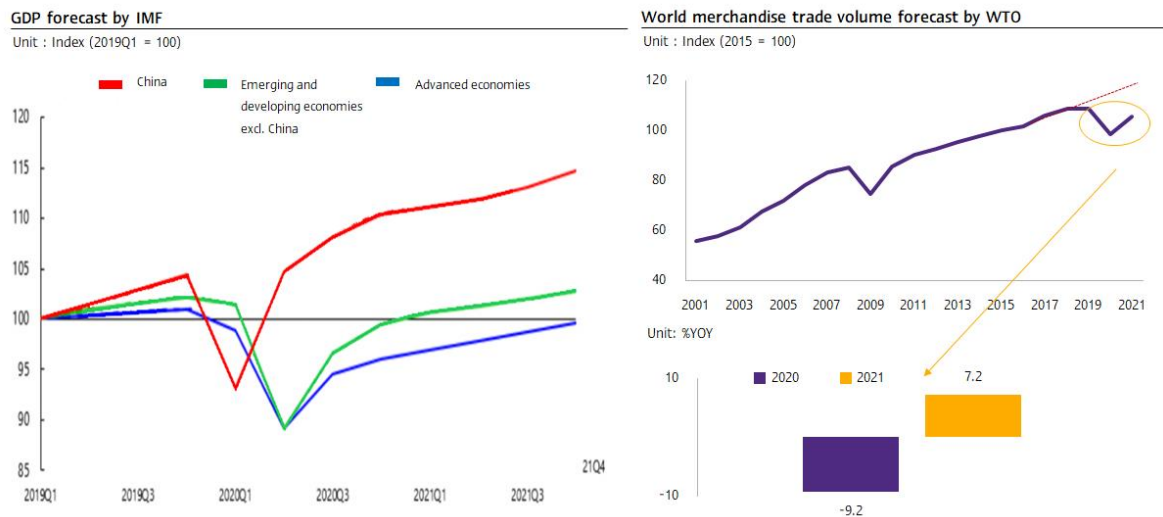


Source: EIC analysis based on data from John Hopkins and Oxford

Looking forward to 2021, EIC anticipates that Thai exports will continue to gradually recover following sluggish global economic conditions. However, promising vaccine discoveries could improve the conditions in advanced economies, triggering a better-than-expected growth. According to IMF's forecast (Figure 5), in 2021, economic growth in the emerging markets and advanced economies, excluding China, will remain lower than the rate in 2019 (Pre-COVID

level) as various risks lingered, especially regarding labor market fragility and growing business closure. Similarly, the WTO predicted that the global trade recovery would also be slow, which could limit the growth of Thai exports.

Figure 5: In 2021, Thai exports should gradually recover following sluggish global economic and trade conditions.



Source: EIC analysis based on data from WTO and IMF (as of October 2020)

Nevertheless, promising vaccine trial results restored confidence to many parties, as widespread usage of high efficacy vaccines seemed more within reach. Initially, EIC found that the advanced economies already pre-booked the vaccines. Therefore, as the vaccines reach the market in early 2021, citizens in such countries will receive widespread vaccination first. The situation will benefit such countries, as well as rebuild global trade and economic confidence. Thai exports will inevitably improve, especially from exports to countries that received vaccination first. Although overall exports will improve gradually, EIC views that the progress of high efficacy vaccine developments will trigger advanced economies to grow by a better-than-expected rate, thus potentially uplifting Thai exports by 5.3% in 2021, a rate higher than the previous forecast of 4-5%.

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