

Thai export data for May was the weakest in 34 months

- **Thai exports declined by a further 5.8% YoY in May 2019, the worst reading in 34 months** (Figure 1), in tandem with falling export numbers across other major Asian economies (Figure 2), as the re-escalation of Sino-US trade conflict exacerbated an already-slowing global trade trend.
- **Imports slipped by 0.6% YoY.** The slippage was concentrated in the automotive & parts, capital goods, and raw materials categories, in line with lower manufacturing production among export-oriented sectors. As such, the trade balance (customs basis) posted a slim surplus of \$0.2bn.
- **Exports declined to most major trading partners and across most major categories** (Figures 3 and 4). The drop was most pronounced for petroleum-related products—refined oil, petrochemicals, and plastics. To some extent, this reflected lower inventory accumulation by trading partners in response to weakening global trade. Automotive & parts exports slid by 17.2% YoY, with exports to China diving by an alarming 31.3% YoY (Figure 5) in tandem with a 16.4% YoY drop in Chinese car sales. Furthermore, overall exports of integrated circuits fell by 16.4% YoY, in tandem with a 21.2% YoY drop in exports of electrical machinery & equipment to China. This was largely due to the downturn in the global electronics cycle and the knock-on effects of US tariffs on imports from China, which has reduced Chinese demand for components and parts from suppliers across a range of electronics and machinery supply chains. Washington's import tariff jump from 10% to 25% (effective May) on Chinese-made product categories to a value of \$200bn will eat further into Thai exports of electronics-related products going forward.
- **In contrast, exports to the US rose by 7.8% YoY, with exports of rubber products up by 27.4% YoY** (Figure 6). Instead of China, Thailand has become the top exporter of rubber products to the US, accounting for 13.5% of the US imports of rubber products in the first four months of 2019 (Figure 7). This is in line with anecdotal evidence indicating that rubber tire factories in Thailand have expanded exports to the US following Washington's tariffs on imports from China.
- **Worsening export outturn means even greater downside risk to GDP growth.** Our latest 2019 GDP growth forecast of 3.1% YoY was based on the assumption that exports would inch up 0.5% this year, which now looks unlikely, given that 5M19 exports are down by 4.5% YoY (excluding the repatriation of US weapons systems in February). Furthermore, the recent sharp appreciation of the baht against the greenback will hurt the agricultural sector and export-oriented industries. Against this backdrop, we do not rule out the possibility of a policy rate cut later in the year (though we expect the Bank of Thailand to keep the One-day Repurchase Rate unchanged at its next Monetary Policy Committee on June 26).

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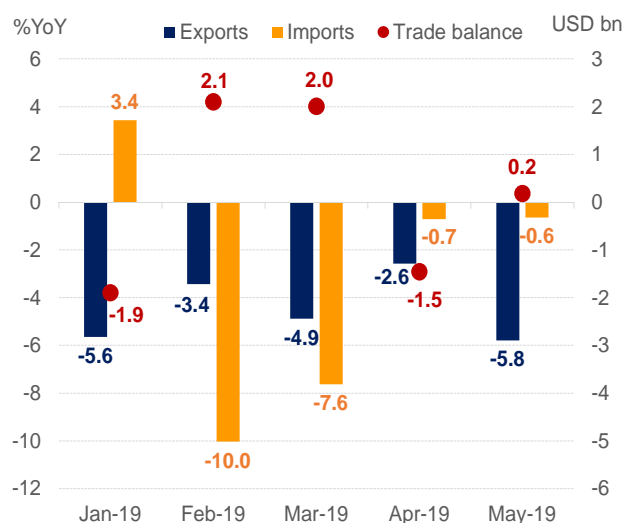
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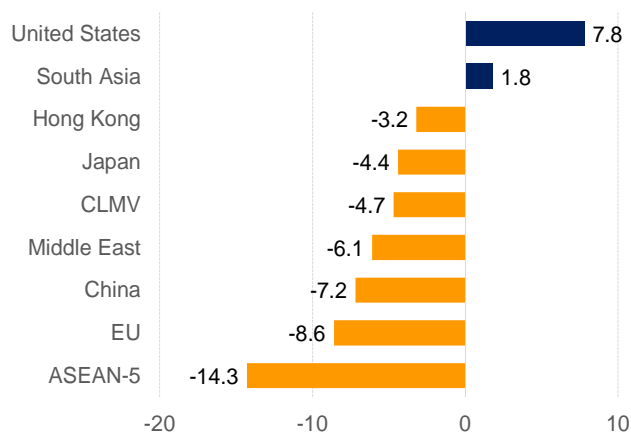
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Figure 1: Export growth, import growth, & the trade balance



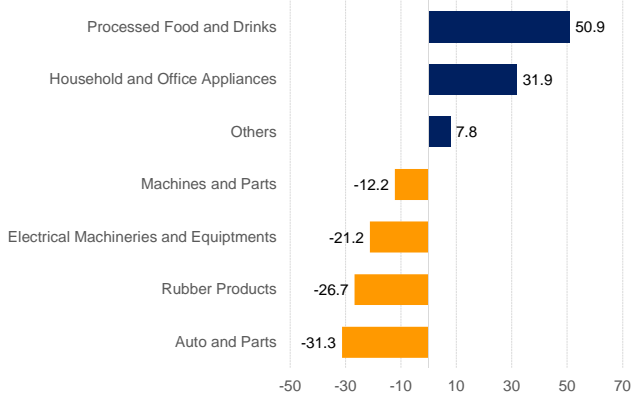
Source: Ministry of Commerce

Figure 3: Thai exports, by country, May 2019 (% YoY)



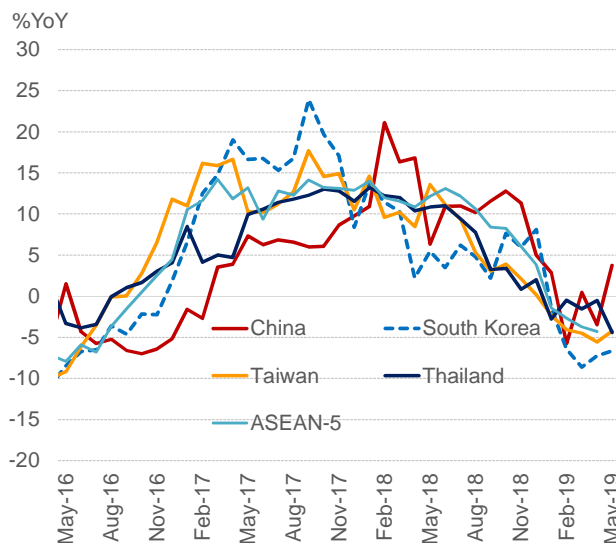
Source: Ministry of Commerce

Figure 5: Thai exports to China, by product, May 2019 (% YoY)



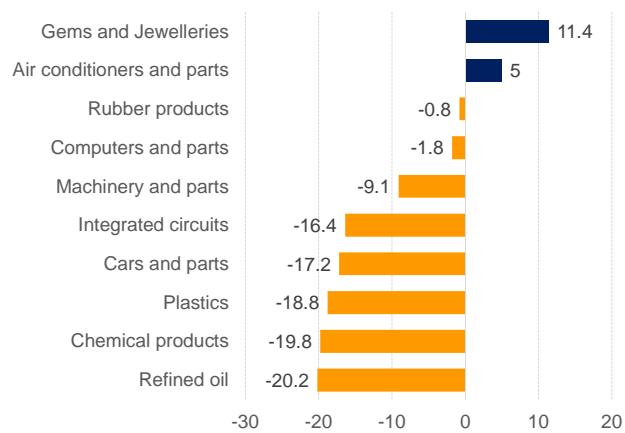
Source: Ministry of Commerce

Figure 2: Export growth of Thailand and neighboring countries



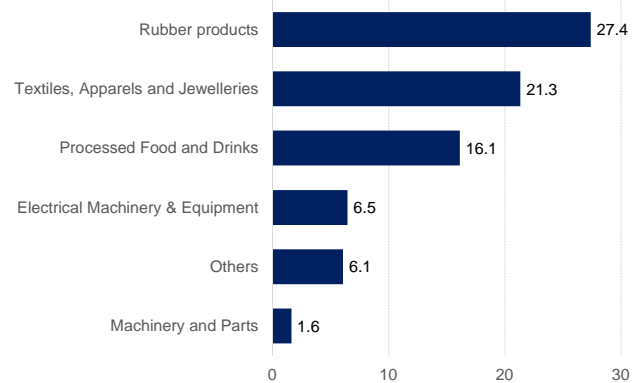
Source: Ministry of Commerce

Figure 4: Thai exports, by product category, May 2019 (% YoY)



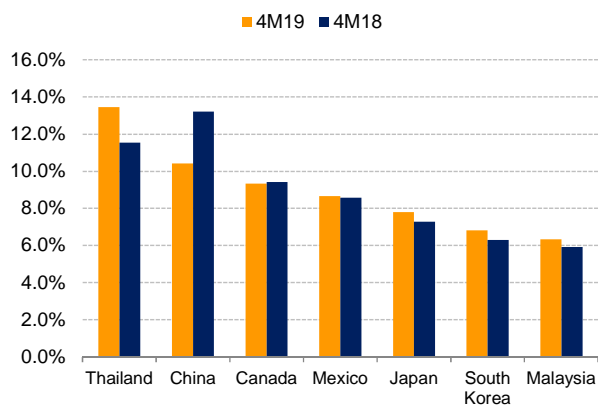
Source: Ministry of Commerce

Figure 6: Thai exports to the US, by product, May 2019 (% YoY)



Source: Ministry of Commerce

Figure 7: Composition of US imports of rubber products, by source country, 4M19 against 4M18



Source: ITC

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