Thai exports in March declined more steeply than the market had expected

- Thai exports slipped 4.9% YoY in March 2019, deeper than the consensus estimate of a 3.3% YoY decline. Exports in 1Q19 dipped by 1.6% YoY, but this number doesn’t accurately represent the scale of the fall because the repatriation of US weapons systems following Cobra Gold (Feb 12-23) skewed it up. Excluding weapons, exports in 1Q19 dropped 4.6% YoY, the deepest decline in 12 quarters.

- Imports fell by 7.6% YoY with continued declines in capital goods and raw materials (Figure 1), in tandem with lower manufacturing production, particularly among export-oriented industries.

- Export slippage was deepest in the computer, machinery & parts, and integrated circuit categories (Figure 2). In particular, exports of computers & parts have slumped for six straight months, diving 20% YoY in March, as hard disk drives are being replaced by solid state drives (SSDs). Furthermore, exports of machinery & parts fell by 19.5% YoY and exports of integrated circuits by an alarming 21.7% YoY. This was largely attributable to weaker global electronics demand and the knock-on effects of US tariffs on China, which have reduced Chinese demand for components and parts from suppliers across a range of electronics and machinery supply chains.

- Nevertheless, exports of agricultural products rebounded in March. Exports of agricultural products rose by 3.2% YoY, with expansion across most major product categories to leading Asian markets. Notably, exports of rubber improved for the first time in 16 months, up 6.5% YoY, while exports of rubber products surged by 14.8% YoY, led by heavier exports of rubber tires to the US.

- The tepid global economy and the US-China trade tariffs continued to squeeze Thai exports. Thai exports to ASEAN-5 dropped by 15.6% YoY, the sharpest rate of decline in 25 months. Exports to China fell by 9.0% YoY, primarily due to lower demand for intermediate goods used to make Chinese products that are subject to US tariffs. Meanwhile, exports to Japan increased by 7.4% YoY, but this quite possibly reflects—at least in part—a front-loaded demand surge ahead of a Japanese consumption tax (JCT) increase scheduled for late 2019.

- Disappointing export statistics mean greater downside risk to GDP growth. Given the 1Q19 trade data and the dimmer global outlook (the IMF cut its 2019 world GDP growth projection from 3.5% YoY to 3.3% YoY, the lowest since 2009), we will have to trim our 2019 export and GDP growth forecasts.
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