Thai merchandise exports rose in January amid downside risks from the coronavirus outbreak

- January exports rose 3.5% YoY, a first expansion in six months, following a 1.3% YoY drop last month, whereas imports contracted 7.9% YoY after a 2.5% YoY growth in December last year (Chart 1). The result was a trade deficit of USD 1.6 bn after 8-month consecutive trade surplus.

- Gold was the main driver of January’s export rebound (+299.6% YoY) with price and quantity increases contributing around 21% and 278.6% of the growth, respectively. A rising demand for safe assets amid the COVID-19 outbreak supports prices of havens such as gold. Excluding gold and oil-related products, exports fell slightly by 0.6% YoY. Agricultural exports dropped 6.3% YoY, led by rice (-34.0% YoY), frozen fruits (-17.0% YoY), and cassava (-16.6%), primarily due to a combination of slowing demand from abroad, lower production from drought, and a relatively strong Thai baht.

- Imports in January contracted mainly due to the effect of a high base of weaponry imports for military exercise in the same period last year (-96.8% YoY). Excluding golds, oil, and weaponry, imports contracted mildly by 0.2% YoY. Weaponry imports will likely increase in February as Exercise Cobra Gold 2020 is scheduled to begin on 25th February. Apart from that, raw materials and intermediate goods (-10.2% YoY), driven by gems and jewelry (-37.0% YoY), steel products (-22.0% YoY), and plant products (-18.7% YoY), also weighed down on January imports.

- While the trade tensions between US-China have somewhat waned, Thailand and other Asian countries’ exports are still subject to downside risks from declining Chinese demand and prolonged factory shutdowns in China due to the outbreak. Although Thai exports outperformed most Asian economies in January (Chart 2), slowing Chinese demand could hinder the countries’ export growth over the coming months given that Thai exports to China accounts for around 12% of total exports. Furthermore, the region’s imports of manufacturing inputs from China could also contract as Chinese factory lockdowns limit the availability of Chinese raw materials and intermediate goods. For Thailand, the main industries to feel the impacts are electronic devices, textiles, and electrical machinery, which Chinese imports account for 39%, 38%, and 31% of the total imports, respectively. (Chart 3).

- All in all, the impact of the virus outbreak on Thailand’s exports remains uncertain. The spread is still continuing, and factory shutdowns in China seem to be extended, lowering demand for Asian intermediate goods. Furthermore, the epidemic has already led to lockdowns in many countries such as Italy and Korea. Increasing number of flight cancellations could reduce oil demand, pushing down petroleum prices. Therefore, we expect the Thai exports recovery to be hampered due to the virus outbreak.

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Chart 1: Thai Export Growth

Source: Ministry of Commerce

Chart 2: Asian Economies’ Export Growth (Jan 20)

Source: Ministry of Commerce

Chart 3: Chinese Products as a Percentage of Total Imported Manufacturing Inputs

Source: OECD, Capital Economics
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