

# Thailand's Goods Export

Surprises on the upside

April 30, 2018

**Thailand's 1Q18 exports once again registered double-digit YoY growth. Given the strong global outlook, annual export growth may surpass market expectations in 2018 and will likely remain solid in 2019.**

**1Q18 Export Performance:** Thai exports have registered double-digit YoY growth four times in a row. Exports in 1Q18—bolstered by the continued expansion in most major markets (Exhibit 1)—grew by 11.3%YoY, exceeding our forecast for annual export growth (4.5%YoY) as well as the consensus (5.6%YoY). Exports of goods (customs basis<sup>1</sup>) in March rose by 7.1%YoY to a record \$US22 billion.

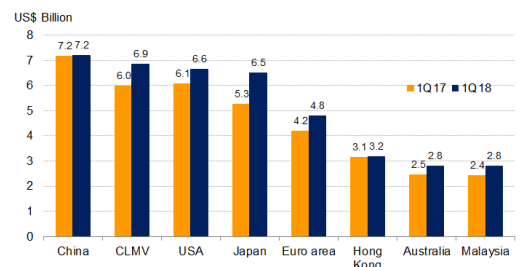
Due to a rapid oil price rally, exports of refined fuel surged by 39.3% YoY and exports of chemical products grew by 27.1%YoY. Exports of the automotive sector increased by 12.4%YoY, up from -3.1%YoY in 1Q17, predominantly attributed to stronger exports of auto parts as automotive producers have established auto parts centers in Thailand, starting with Toyota in 2007 and subsequently Mazda in 2015 and BMW in 2016. In addition, the growth of computers and parts exports accelerated from 3.3% in 1Q17 to 18.8% in 1Q18, and exports of integrated circuits also continued to expand solidly at 7.4%YoY in 1Q18. This is in line with the new technology cycle that has increased Asia's market share in consumer electronics (Exhibit 2).

**Export Outlook:** We expect the solid expansion of Thai exports to continue throughout 2018 and 2019. This view is conditioned on the following: (1) the higher trajectory of China's rebalancing growth path, (2) the brighter US investment outlook as a result of accelerating economic activity and corporate tax cuts, and (3) a higher-than-expected domestic demand outturn in the Euro area. Further, the CLMV and Malaysia, accounting for 10.9% and 4.5% of Thailand's total exports, are expected to grow robustly for the next two years. Nevertheless, the pace of Thai export growth is expected to moderate as the growth of most trading partners will likely start to cool down from 2019 onward, in contrast to the acceleration over the past several years (Exhibit 3).

**Risks to Export:** One of the possible downside risks is an inclination towards protectionism, as exemplified by the US-China trade tension. Despite Thailand's small direct exposure (less than 1% of total exports) to the supply chains of the goods in both countries' tariff lists, the risk that an escalation in the tension could delay trade and investment decisions warrants close monitoring. However, we believe that the overall impact on Thai exports will be limited (more details in [Trade skirmishes – not a full-scale war](#) of March 26).

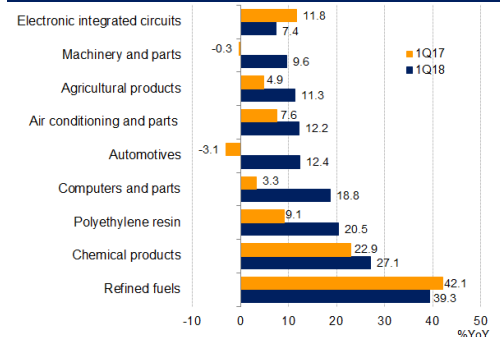
More importantly, although the effect of the Thai baht's prolonged appreciation may not be visible in export volumes, it has eroded exporters' profit margins, and thus their viability in the markets. The impact will be more pronounced in sectors that rely more heavily on domestic inputs, such as agricultural products.

**Exhibit 1: Thailand's Exports to Major Markets**



Source: Ministry of Commerce  
CLMV - Cambodia, Laos, Myanmar and Vietnam

**Exhibit 2: Thailand's Major Exports**



Source: Ministry of Commerce

**Exhibit 3: Main Trading Partners' Growth**

	Share of Thai Exports*	GDP Growth (%YoY) 2018F	GDP Growth (%YoY) 2019F
China	11.5	6.6	6.4
CLMV	10.9	6.8	6.8
USA	10.6	2.9	2.7
Japan	10.4	1.2	0.9
Euro area	7.6	2.4	2.0
Hong Kong	5.1	3.6	3.2
Australia	4.5	3.0	3.1
Malaysia	4.5	5.3	5.0

Sources: Ministry of Commerce, IMF  
\*as of 1Q18

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<sup>1</sup> The customs basis trade balance recorded a deficit of USD120 million. Unlike the customs basis, the BOP basis excludes goods transferred to Thai citizens abroad and transactions associated with shipment.

**Our Assessment:** Based on the higher-than-expected figure in the first quarter and the strong outlook for trading partners, Thailand's export performance for 2018 may surpass market expectations. Moreover, we expect that high oil prices and the upturn of the technology cycle will continue to support exports in the petrochemical and electronics sectors. Therefore, we judge it appropriate to upwardly revise our exports projection for 2018, more details of which will be provided in our next quarterly outlook report.

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60 – 69		Satisfactory
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Below 50	No logo given	N/A

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