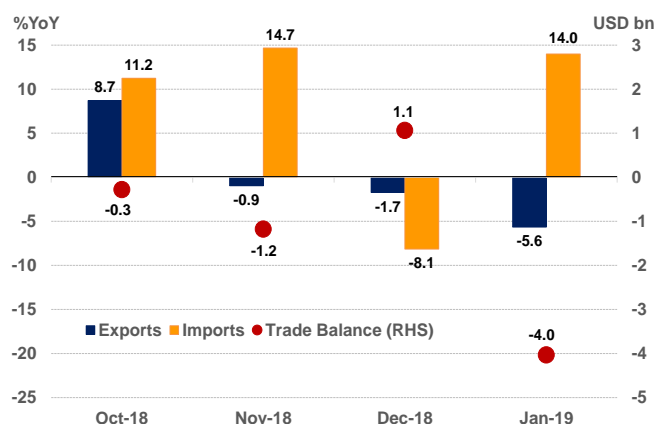


Thai exports declined more steeply than expected in Jan 2019

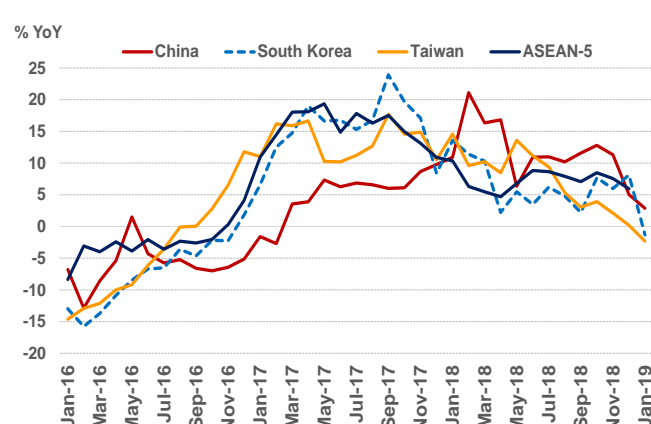
- **Thailand's exports in January 2019 shrank 5.7% YoY, and even excluding oil and gold, exports fell by 5.1% YoY— a third consecutive month of contraction.** This is due to a combination of weak global backdrop and the recent strengthening of the baht. As such, **trade deficit widened to USD 4 billion**, the highest since 2013 (**Chart 1**). According to the Bloomberg consensus, the estimate of trade deficit was only USD 326 million.
- **Imports surged by 14.0% YoY, but this was primarily a result of the weapons imported associated with the Thai-US Cobra Gold joint military exercise, which vastly overstated the import figure.** Note that this will not show up in the current account number, which is prepared on the BOP basis, because there was no change in the ownership of the weapons.
- **The weak global backdrop has resulted in slowing global trade (Chart 2).** In January, Thai exports to China dropped by an alarming 16.7% YoY, and our exports to ASEAN5 fell by 7.4% YoY. In contrast, our exports to the US expanded by 8.3% YoY, partly benefitting from the US-China trade tariffs.
- The rebound in tourist numbers in January 2019 will likely cushion the blow to our current account from the trade deficit, as tourism receipts grew by 2.4% YoY in the month.
- Our export growth projection of 4.5% for the year 2019 may have looked too optimistic, given the Jan trade data, therefore we would have to lower our baseline 2019 GDP growth forecast of 3.8%, with even greater risks tilted to the downside.
- **The baht dropped upon the release of the trade data, with USDTHB weakening from 31.24 to 31.34 immediately.** If trade deficits were to turn current account into deficit too, this might finally give a pause to the unrelenting appreciation in the baht.

Chart 1: Export Growth, Import Growth, and Trade Balance



Source: Ministry of Commerce

Chart 2: Asian Export Growth (%YoY, 3mma)



Source: CEIC

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