

Thai exports in April continued to disappoint; China-US trade conflict re-escalation intensifies downside risks

- **Following a 3.9% YoY decline in Mar, Thai exports contracted by 2.6% YoY in Apr, weaker than the consensus estimate of 2.0% YoY slippage.** April marked the sixth consecutive month of lower YoY exports (excluding the repatriation of US weapons systems in Feb). Meanwhile, imports slipped by 0.7% YoY, mainly due to reduced imports of fuels, but that wasn't sufficient to offset the impact of lower exports. As such, the trade account (customs basis) reported a US\$1.5bn deficit for April (Figure 1).
- **Exports to most major trading partners were down, notably ASEAN-5 (-5.8% YoY), the EU (-5.2% YoY), and China (-5.0% YoY) (Figure 2),** largely reflecting a sharp fall in global trade, elevated uncertainties across different regions, and supply chain-reshuffling away from China as a result of existing US tariffs on Chinese exports (before the increase in tariffs from 10% to 25% on \$200bn worth of Chinese goods). The only major markets where Thai exports expanded were CLMV nations (up 10% YoY) and the US (up 4.7% YoY).
- **Exports fell across most product categories** (except for air conditioners and refined petroleum products) (Figure 3). The fall was deepest in the machinery & parts category, which contracted by an alarming 12.3% YoY. Exports of computers & parts fell by 10.6% YoY, marking the seventh straight month of decline (albeit a shallower contraction than the 20% YoY dive posted for March). This was primarily attributable to weakening overall global demand, particularly for machinery and electronics, in tandem with downturns in the investment and electronics cycles.
- **To some extent, the YoY changes in Thai exports to China and the US reflect supply chain-reshuffling, particularly after the US tariffs on Chinese products became effective.** Since mid-2018, the decline in Thai exports to China has been driven by lower exports of rubber & products, machinery & parts, electrical machinery & equipment, and automotive & parts (Figure 4). This was partly due to the knock-on effects of US tariffs on China, which have negatively affected Chinese demand for components from suppliers across a range of electronics and machinery supply chains. But while exports of rubber & products and automotive & parts to China declined, exports of these product categories to the US increased (Figure 5), in line with anecdotal evidence of Chinese firms expanding production capacity in Thailand, particularly in the rubber tire and wheel industries, for export to the US and elsewhere.
- **Nevertheless, the re-escalation of China-US trade conflict intensifies the downside risks to Thai exports.** Despite some potential benefits from production relocation to Thailand, the re-escalation of China-US trade conflict—particularly with regard to tech-related industries—and uncertainty over US trade policy toward other countries, threatens to disrupt global supply chains and weaken global demand further, which could lead to delays in investment decisions. Against this backdrop, we have slashed our 2019 export projection from 4.5% YoY to 0.5% YoY, with greater downside risk should the renewed China-US trade conflict intensify further (more details in our previous report: *2019 GDP growth forecast cut—1Q19 number missed market expectation and China-US trade conflict is re-escalating*).

Anuk Serechetapongse

Economist

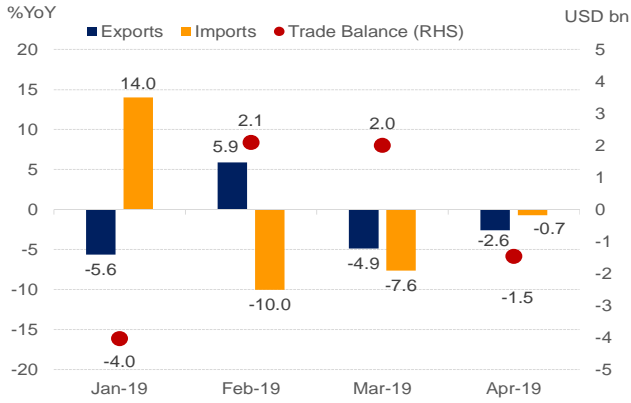
anuk.serechetapongse@bangkokbank.com/ +66 2 626 3372

Kantheera Tipkanjanarat

Research Associate

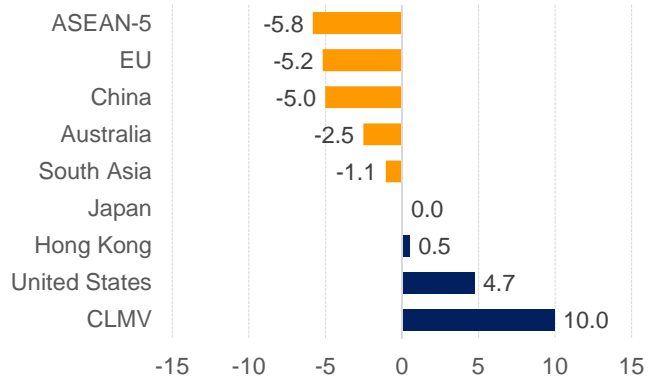
kantheera.tipkanjanarat@bangkokbank.com

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



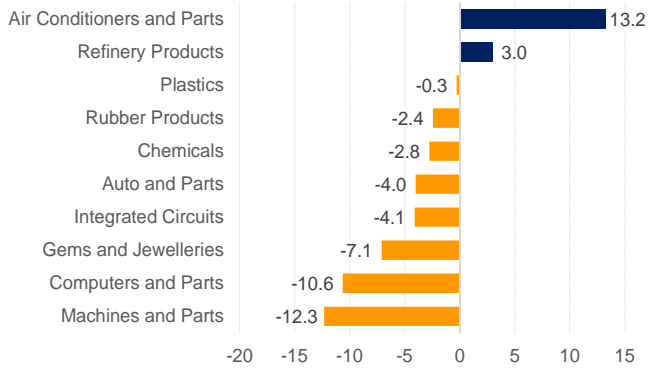
Source: Ministry of Commerce

Figure 2: Thai export trends, by country, April 2019 (% YoY)



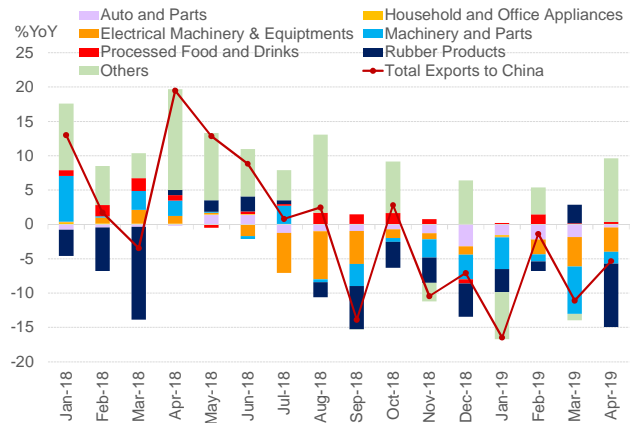
Source: Ministry of Commerce

Figure 3: Thai export trends, by product, April 2019 (% YoY)



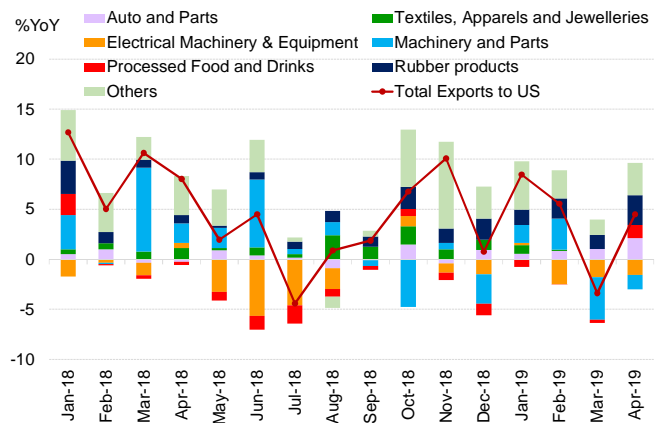
Source: Ministry of Commerce

Figure 4: Contribution of Thai exports to China



Source: Ministry of Commerce

Figure 5: Contribution of Thai exports to US



Source: Ministry of Commerce

DISCLAIMER

Bangkok Bank Public Company Limited

The information contained in this report has been obtained from sources believed to be reliable. All reasonable effort has been made to ensure the facts stated herein are accurate and that the opinions contained herein are fair and reasonable. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by Bangkok Bank as being accurate. Neither Bangkok Bank nor any of its directors, officers, employees, and advisors nor any other person shall have any liability whatsoever for loss or damage howsoever arising, directly or indirectly, from any use of this information. The facts and information contained herein are as up to date as are reasonably possible and may be subject to revision in the future. Any opinions presented herein represent our subjective view and our current estimates and judgments which are based on various assumptions that may be subject to change without notice, and may not prove to be correct.

This report is for the recipient's information only. It does not represent or constitute an advice, offer, recommendation, or solicitation by Bangkok Bank and should not be relied as such. Neither Bangkok Bank nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this report. Neither Bangkok Bank nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss or damage howsoever arising, directly or indirectly, from any use of this report.