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.

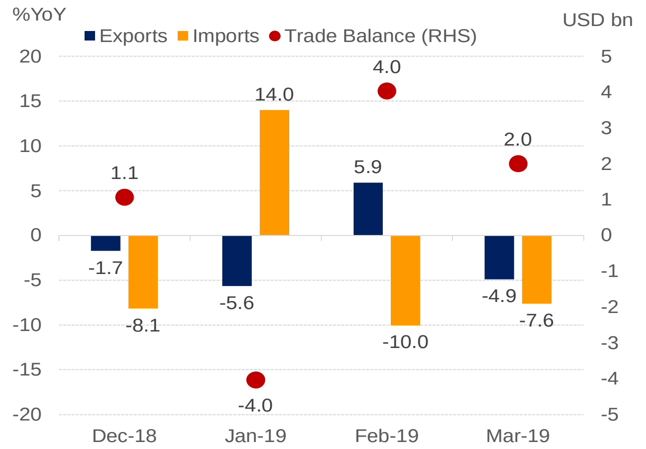
- **Export slippage was deepest in the computer, machinery & parts, and integrated circuit categories** (Figure 2). In particular, exports of computers & parts have slumped for six straight months, diving 20% YoY in March, as hard disk drives are being replaced by solid state drives (SSDs). Furthermore, 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.

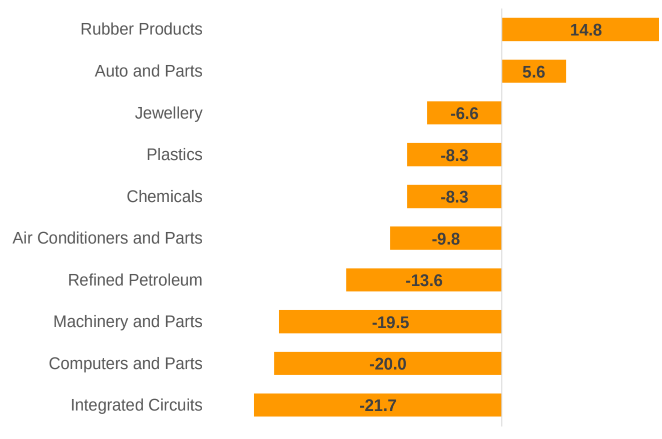
- **Disappointing export statistics mean greater downside risk to GDP growth.** Given the 1Q19 trade data and the dimmer global outlook (the IMF cut its 2019 world GDP growth projection from 3.5% YoY to 3.3% YoY, the lowest since 2009), we will have to trim our 2019 export and GDP growth forecasts.

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



Source: Ministry of Commerce

Figure 2: Thai exports, by product, March 2019 (% YoY)



Source: CEIC

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