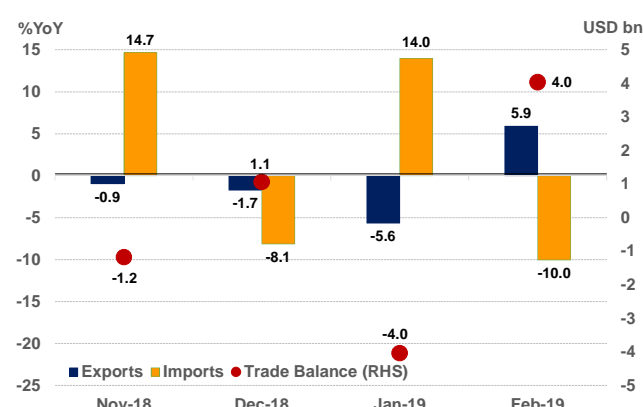


March 22, 2019

Thai export numbers for February 2019 were vastly overstated by the repatriation of US weapons systems following Cobra Gold

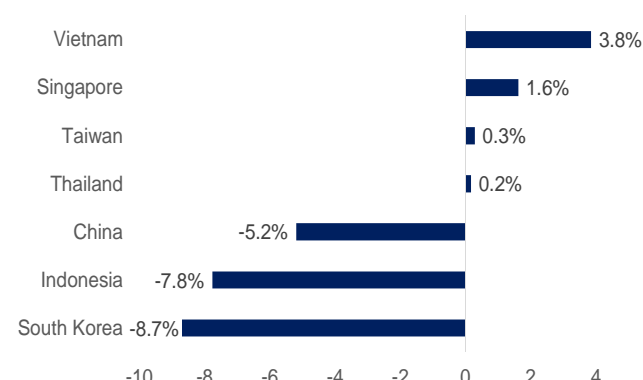
- **Headline Thai exports in February 2019 rose by 5.9% YoY, but this number was vastly overstated, due to the repatriation of US weapons systems following the Cobra Gold joint military exercise.** The US weapons systems will not be included in the Current Account, as ownership of the items did not change. Excluding weapons, gold, and oil, exports slipped 4.9% YoY, deeper than the consensus estimate of a 2.0% YoY decline.
- **Imports fell by 10.0% YoY** with substantial declines across capital goods, raw materials, and consumer goods (Figure 1).
- **The weak global backdrop continued to squeeze the exports of Thailand and most Asian countries** (Chart 2). However, Thai exports to China dipped only 1.5% YoY in February, a much shallower decline than the 16.7% YoY drop posted for January. Thai exports to the ASEAN5 improved—up 2.8% YoY in February after falling 7.4% YoY in January. Furthermore, even after excluding weapons systems, Thai exports to the US for the month rose again, up 5.0% YoY, partly due to greater exports of automotive products & parts and electrical appliances, which serve as substitutes for China-manufactured products that are now subject to US import tariffs.
- **Exports of Thailand's core products continued to decline.** In particular, exports of computers & parts slumped 14.1% YoY in February, as global demand for hard disk drives has diminished in tandem with the widespread adoption of solid state drives (SSDs). Exports of automotive products & parts for the month slid 7.9% YoY; the most pronounced declines in automotive exports were to Australia, the Philippines, and Indonesia.
- **The Current Account won't be boosted by tourism in February.** Foreign arrivals inched up just 0.2% YoY in February and tourism receipts dipped 0.8% YoY for the month.
- Nevertheless, the easing of Sino-US trade tensions and the stabilizing Chinese domestic demand, supported by policy stimulus (as indicated by a rebound in new orders in China's manufacturing PMI and stronger broad credit growth), may help improve global trade and, thus, Thai exports going forward.

Figure 1: Export growth, import growth, & the Trade Balance



Source: Ministry of Commerce

Figure 2: Export growth of Asian economies (2M19 vs. 2M18)



Source: CEIC

Anuk Serechetapongse

Economist

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

Bangkok Bank Public Company Limited

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