

## Thailand's merchandise exports nosedived in May

- **Thai exports in May collapsed by 22.5% YoY, down from an increase of 2.1% YoY in April. Similarly, imports for the month tumbled 34.4% YoY, worsening from a 17.1% YoY drop in the previous month (Chart 1).** Consequently, the May trade surplus rose to USD2.6 bn from USD2.5 bn a month before.
- **The drop for exports was broad-based, resulting from a collapse in gems and jewelry (excluding gold) (-68.6% YoY), cars and parts (-62.6% YoY), and oil-related products (-33.2% YoY).** This could be primarily attributed to weak external demand for big-ticket items and a curb on travels due to lockdown measures. Gold exports (+735.1% YoY), on the other hand, rose as gold price climbed to multi-year high. Excluding gold, oil, and weaponry, exports dropped 27.2% YoY. Meanwhile, agricultural and agro-manufacturing exports rose 2.5% YoY mainly from exports of frozen fruits (83.5% YoY) and cassava products (8.0% YoY) as activities started to resume in some of Thailand's major agricultural product importers, such as China and Hong Kong.
- **Imports in May deteriorated in almost every product category.** The 70.0% YoY drop in fuel imports was the key driver behind the sharp drop. Imports of vehicle and parts also plunged by almost 40% YoY in tandem with declining domestic demand and supply chain disruptions worldwide. Other major categories, such as capital goods, raw and intermediate goods, and consumer goods, were down by more than 20% YoY.
- **Looking ahead, we think global exports may have bottomed out.** South Korea's trade data, a popular barometer for world trade, showed exports dipping by 16.2% YoY for the first 20 days of June compared to a 23.6% YoY plunge in May (**Chart 2**). The improvement was mainly led by semiconductor shipments (+2.6% YoY). This should point to a gradual rebound in electronics exports. In addition, the Purchasing Managers Index (PMI) suggested that activities should continue to pick up as the PMIs for several countries improve in May from April (**Chart 3**). That said, only China's PMI was above 50—signifying an expansion in activity while the rest still remained well below 50.
- **Nonetheless, signs of weakness persist, threatening the speed of the recovery.** The demand for Korean exports remained depressed in major nations such as the US (-10% YoY), Japan (-16.0% YoY), and the EU (-14.0% YoY), despite partial easing of restrictions. Also, the surge in number of infected patients in various places, such as the US and China, likely impeded the return to normality in many places. **Therefore, even if trades have bottomed out, any recovery should be a very gradual one as we don't expect a v-shaped recovery in trade any time soon. As such, merchandise export growth are likely to be dragged by the sluggish global recovery.**

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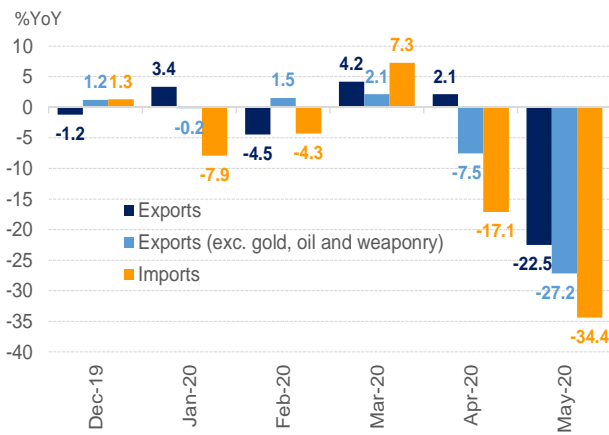
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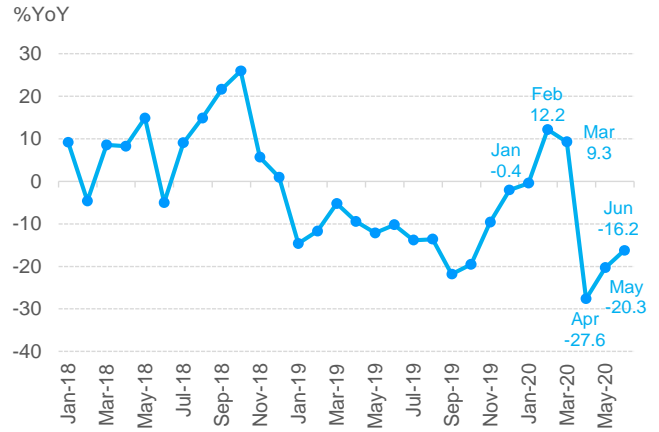
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Chart 1: Thai Export Growth



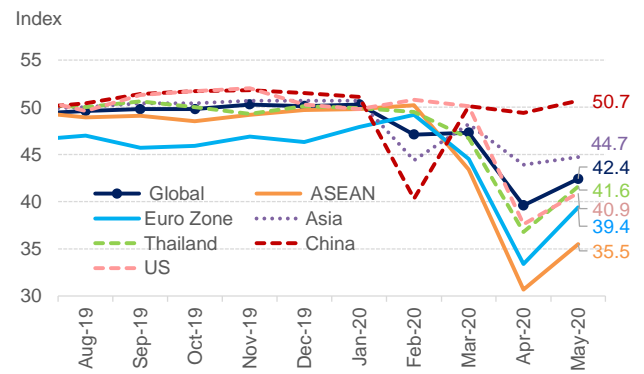
Source: Ministry of Commerce

Chart 2: South Korea's Preliminary Exports



Source: Bloomberg

Chart 3: Purchasing Managers Index (PMI)



Source: CEIC

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