

July 23, 2019

## Thai exports continued to contract in June, but came in better than expected with a surge in trade surplus

- **Thai exports declined by a 2.15% YoY for the month of June 2019, resulting in a first-half contraction of 2.91% YoY** in line with falling exports from other Asian economies (**Chart 1**). However, the extent of the decline of the June export figure is lower than the consensus of a 5% contraction according to a Bloomberg survey. Removing the distortions caused by arms exports, this marked the eighth consecutive month of export contraction dating back since November 2018, reflecting a combination of weak global demand and impacts from US-China trade war.
- **Imports for June fell 9.44% YoY, deeper than the consensus decline of 2.5% YoY.** The fall in imports outweighed the fall in exports, resulting in a trade surplus of \$3.2 bn for June and \$3.9 bn for the first half of 2019. This was primarily driven by a sharp fall in fuel (-18.8% YoY) and capital goods (-11.3% YoY)
- **The better-than-expected June export figure resulted from a spike in gold exports (+317% YoY) as gold price climbed to multi-year high.** Excluding gold, June exports dropped 9.6% YoY and first-half exports shrank by -4.7% YoY. The export contraction stemmed from a broad base of products– ranging from automotive and parts, computers and parts, electronics and chemicals, while rubber exports in June managed to eke out a small gain of 1.5% YoY. Other commodity exports did not fare as well as rubber as substantial declines are recorded in rice (-35% YoY), tapioca (-18% YoY) and sugar (-19% YoY).
- **Overall, exports to major trading partners declined substantially in the first half of 2019 (Chart 2).** Exports to the US rose 17.3% from a year ago, reflecting, in part, a trade substitution and supply chain reconfiguration. That said, the impacts from trade war, direct and indirect, dragged our overall exports, and the trade substitution has been unable to offset the decline in exports to other destinations.
- **The unrelenting strength of the Thai baht has not been helpful as agricultural products are hard hit due to high price sensitivities for these products.** The ministry of commerce sounded helpful in the June trade press release, citing a better outlook for Thai exports as well as a range of export promotion measures to be introduced. We are unfortunately not so sanguine about the second half performance of Thai exports. Our previous projection of +0.5% gain in exports will be revised down. Based on our old projection of +0.5%, export in the second-half has to grow by 3.9%, which is rather ambitious at this juncture. Even with a projection of 0% export growth, H2 export has to expand by 2.9% every month on average. **We are much more comfortable with a new projection of a contraction of 1% in exports for 2019– implying a H2 export growth of 0.9%.**

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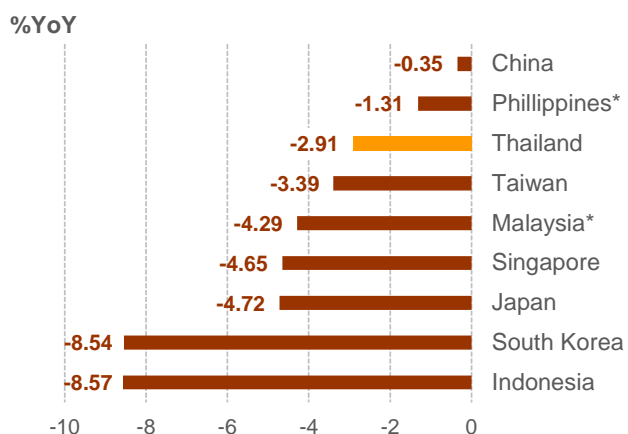
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### See disclaimer at the end of report

<sup>1</sup> The international trade figures released by the Ministry of Commerce are customs basis figures, whereas those released by the Bank of Thailand are of BOP basis, which excludes goods transferred to Thai citizens abroad and transactions associated with shipment.

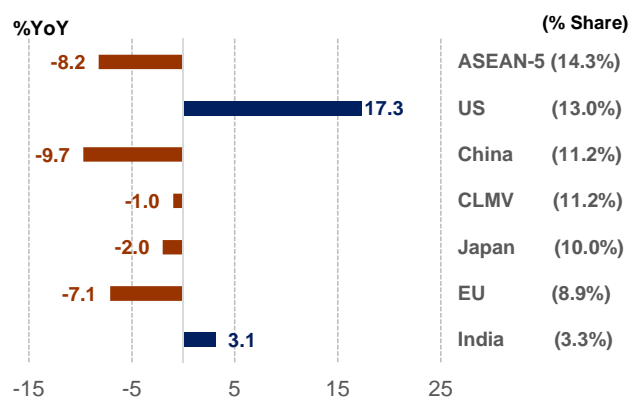
**Chart 1: Export Growth, H1 2019**



Source: CEIC, Ministry of Commerce

\*Only from Jan – May 2019

**Chart 2: Thai exports by destination country, H1 2019**



Source: Ministry of Commerce

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