

## Thai merchandise exports rose in January amid downside risks from the coronavirus outbreak

- **January exports rose 3.5% YoY, a first expansion in six months, following a 1.3% YoY drop last month, whereas imports contracted 7.9% YoY after a 2.5% YoY growth in December last year (Chart 1).** The result was a trade deficit of USD 1.6 bn after 8-month consecutive trade surplus.
- **Gold was the main driver of January's export rebound (+299.6% YoY) with price and quantity increases contributing around 21% and 278.6% of the growth, respectively.** A rising demand for safe assets amid the COVID-19 outbreak supports prices of havens such as gold. Excluding gold and oil-related products, exports fell slightly by 0.6% YoY. Agricultural exports dropped 6.3% YoY, led by rice (-34.0% YoY), frozen fruits (-17.0% YoY), and cassava (-16.6%), primarily due to a combination of slowing demand from abroad, lower production from drought, and a relatively strong Thai baht.
- **Imports in January contracted mainly due to the effect of a high base of weaponry imports for military exercise in the same period last year (-96.8% YoY).** Excluding golds, oil, and weaponry, imports contracted mildly by 0.2% YoY. Weaponry imports will likely increase in February as Exercise Cobra Gold 2020 is scheduled to begin on 25<sup>th</sup> February. Apart from that, raw materials and intermediate goods (-10.2% YoY), driven by gems and jewelry (-37.0%YoY), steel products (-22.0%YoY), and plant products (-18.7%YoY), also weighed down on January imports.
- **While the trade tensions between US-China have somewhat waned, Thailand and other Asian countries' exports are still subject to downside risks from declining Chinese demand and prolonged factory shutdowns in China due to the outbreak.** Although Thai exports outperformed most Asian economies in January (Chart 2), slowing Chinese demand could hinder the countries' export growth over the coming months given that Thai exports to China accounts for around 12% of total exports. Furthermore, the region's imports of manufacturing inputs from China could also contract as Chinese factory lockdowns limit the availability of Chinese raw materials and intermediate goods. For Thailand, the main industries to feel the impacts are electronic devices, textiles, and electrical machinery, which Chinese imports account for 39%, 38%, and 31% of the total imports, respectively. (Chart 3).
- **All in all, the impact of the virus outbreak on Thailand's exports remains uncertain.** The spread is still continuing, and factory shutdowns in China seem to be extended, lowering demand for Asian intermediate goods. Furthermore, the epidemic has already led to lockdowns in many countries such as Italy and Korea. Increasing number of flight cancellations could reduce oil demand, pushing down petroleum prices. **Therefore, we expect the Thai exports recovery to be hampered due to the virus outbreak.**

**Burin Adulwattana**

Chief Economist

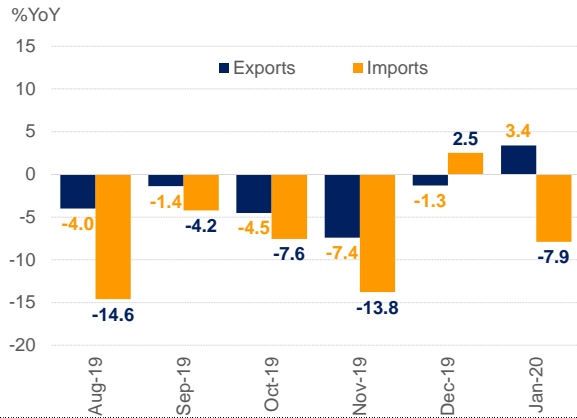
burin.adulwattana@bangkokbank.com/ +66 2 230 2657

**Boochita Pitakard**

Research Associate

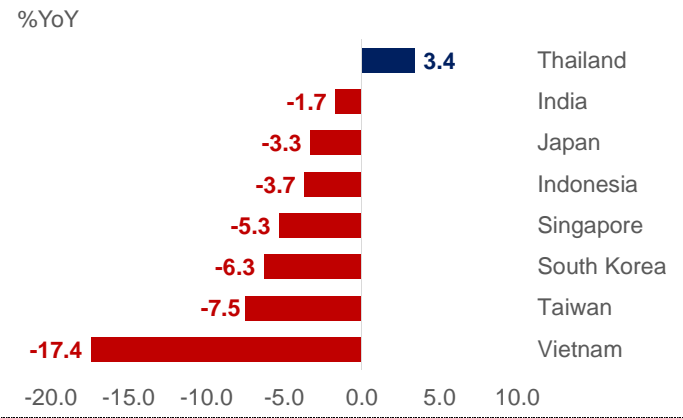
boochita.pitakard@bangkokbank.com

Chart 1: Thai Export Growth



Source: Ministry of Commerce

Chart 2: Asian Economies' Export Growth (Jan 20)



Source: Ministry of Commerce

Chart 3: Chinese Products as a Percentage of Total Imported Manufacturing Inputs

	Vietnam	Malaysia	Cambodia	Thailand	S. Korea	Taiwan	Hong Kong	Philippines	Singapore	Indonesia	India
Food, drinks, tobacco	12	14	21	17	16	9	24	14	8	12	8
Textiles, apparel	47	42	69	38	44	29	55	38	21	36	35
Wood & cork	27	27	39	27	28	26	22	36	9	20	13
Paper & printing	28	19	34	20	18	18	21	25	5	15	14
Coke & petroleum	21	5	4	1	1	1	44	4	2	5	2
Chemicals	22	14	33	16	15	12	22	19	6	15	25
Rubber & plastic	29	19	32	23	24	19	21	22	7	21	26
Other non-metals	30	26	26	28	36	20	21	36	10	13	12
Basic metals	38	19	11	21	17	15	23	33	10	18	10
Fabricated metals	45	29	17	28	36	25	22	47	15	32	16
Electronic devices	41	29	25	39	45	36	23	18	6	43	48
Electrical machinery	39	28	15	31	33	30	21	29	9	34	15
Other machinery	40	28	23	30	28	29	21	33	11	31	18
Autos & parts	40	25	21	27	29	21	22	18	9	14	21
Other transport	32	28	21	24	31	23	25	30	7	25	20
Other manufacturing goods	39	27	30	27	33	26	22	31	11	29	17



Source: OECD, Capital Economics

## 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.