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SCB Securities Company Limited

Exports fell by a slower rate of -3.6%YOY in November from the support of the low-base effect in the prior year.

23 December 2020

Key summary

The value of Thai exports fell by a slower rate of -3.6%YOY in November. Such improving conditions were partly supported by the low-base effect in the prior year when export conditions were battered by the closing of large refineries for maintenance and growing trade war tensions. However, in terms of the seasonally adjusted month on month growth (%mom_sa), exports in November fell by -0.3%mom_sa, reflecting the relatively stable recovery in the latter periods.

Going forward, short-term challenges that could hinder export recovery include the returning waves of COVID-19 casualties in various countries, which could impair global economic recovery. Similarly, the recent surge in COVID-19 cases in Thailand may further hurt Thai fishery exports in the short-term.

Container shortage challenges could also damage Thai export recovery during Q4/2020 and Q1/2021. Moreover, the stronger baht relative to the currencies of trading partners and competitors may also pressure export growth in 2021.

Key points

The value of Thai exports fell by -3.6%YOY in November, improving from -6.7%YOY in the previous month. As such, during the first 11 months of 2020, overall exports dropped by -6.9%YOY. Excluding gold and weaponry shipments to the US, exports contracted by -9.5%YOY.

Exports of key merchandise relating to work from home, health protection, agriculture, automotive, and machinery expanded. On the other hand, exports of agro-industrial products and oil-related products contracted (Figure 1).

- Exports of automotive and parts reverted to 10.3%YOY expansion, marking the first increase in as long as 9 months. Key export destinations that contributed to the growth included Australia (42.1%YOY), Japan (100.8%YOY), and the US (68.3%YOY).
- Exports of agricultural products edged up by 6.9%YOY, increasing from the -3.3%YOY in the previous month. The products that influenced the growth were rice (16.7%YOY), rubber (32.5%YOY), cassava products (14.0%YOY), and fresh/ chilled/ frozen/ dried fruits (6.5%YOY).

- Exports of machinery and parts expanded by 1.6%YOY, after shrinking for 6 consecutive months. The main markets with growth included the US, China, and Vietnam.
- Exports of products relating to living and working at home and COVID-19 prevention continued to improve. Key items that drove the expansion were air conditioner and parts (17.0%YOY), washing machines and parts (22.2%YOY), furniture and parts (10.8%YOY), telephone and parts (35.5%YOY), and rubber products (13.3%YOY) with rubber gloves surging by 191.9%YOY.
- However, exports of electronics returned to a contraction of -1.4%YOY, following declining growth in key electronic products, such as computer and parts (-7.4%YOY), semiconductors, transistors, and diodes (-6.1%YOY), and electronic integrated circuits (-8.2%YOY).
- Exports of agro-industrial products stalled to a -12.2%YOY contraction, after tumbling by -14.1%YOY in the previous month. Key products that drove the decline included canned and processed seafood (-3.3%YOY), beverages (-8.7%YOY), and sugar (-74.1%YOY).
- Exports of oil-related products continued to drop following persistently low oil prices and sluggish global economic conditions. Refined fuel exports worsened by -19.6%YOY, meanwhile chemicals and plastics exports contracted by -3.7%YOY.

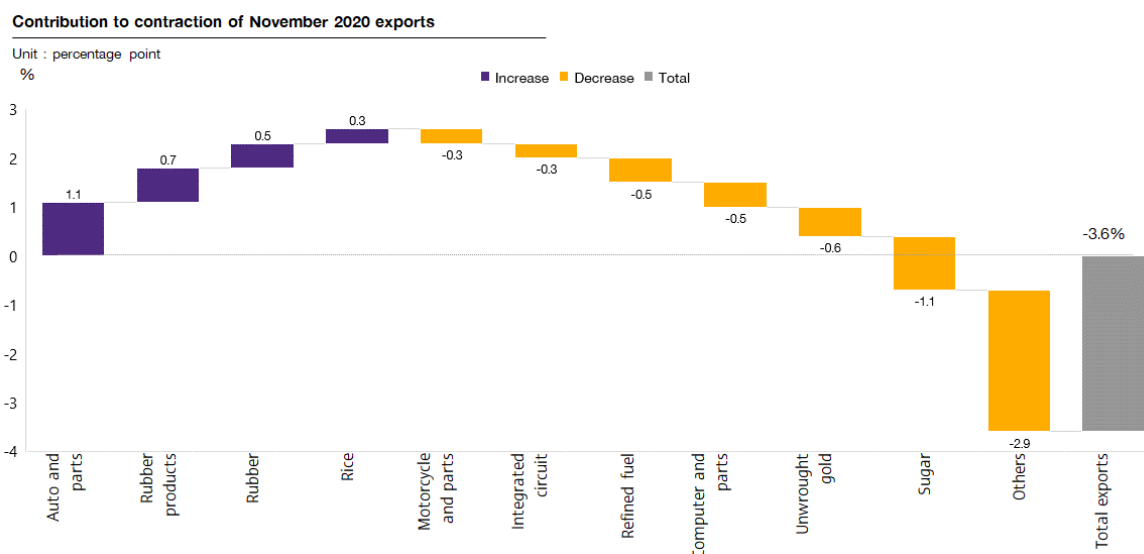
Figure 1: Exports of key merchandise relating to work from home, health protection, agriculture, automotive, and machinery expanded. On the other hand, exports of agro-industrial products and oil-related products contracted.

Export by product										
Unit: %YOY, (Share in 2019)	2018	2019	2019Q4	2020Q1	2020Q2	2020Q3	Sep-20	Oct-20	Nov-20	YTD
Overall exports	6.9%	-2.6%	-4.4%	1.0%	-15.2%	-7.8%	-3.9%	-6.7%	-3.6%	-6.9%
Total (ex. Weapon) (100%)	6.9%	-3.4%	-4.4%	3.2%	-16.1%	-7.8%	-3.9%	-6.7%	-3.6%	-6.6%
Total (ex. Weapon and gold) (96.9%)	7.7%	-4.7%	-4.1%	-1.2%	-19.8%	-10.8%	-3.7%	-6.4%	-3.1%	-9.5%
Auto & parts (11.2%)	7.0%	-5.6%	-10.0%	-10.4%	-52.7%	-24.8%	-15.3%	-12.6%	10.3%	-24.1%
Electrical appliances (9.9%)	3.6%	-0.4%	0.3%	-1.0%	-22.0%	1.6%	8.3%	10.0%	9.5%	-4.1%
Agriculture (8.9%)	1.1%	-6.2%	-13.6%	-8.6%	1.4%	-9.6%	9.8%	-3.3%	6.9%	-4.3%
Chemical & plastics (8.5%)	18.6%	-11.8%	-15.7%	-12.4%	-19.4%	-10.3%	-2.3%	-6.0%	-3.7%	-12.4%
Agro-industrial product (7.6%)	7.0%	2.9%	10.3%	4.0%	-3.0%	-4.8%	-3.5%	-14.1%	-12.2%	-3.7%
Computer and parts (7.5%)	6.8%	-7.6%	4.6%	8.8%	-6.8%	3.7%	14.6%	4.2%	-7.4%	1.1%
Rubber products (4.6%)	7.5%	1.9%	3.7%	6.6%	-7.7%	15.7%	21.2%	17.6%	13.3%	7.1%
IC (3.1%)	0.8%	-8.9%	-1.1%	-6.3%	-5.1%	-9.7%	-7.0%	-4.2%	-8.2%	-6.9%
Machinery & parts (3%)	8.3%	-10.6%	-10.0%	-1.9%	-27.4%	-16.5%	-6.9%	-4.4%	1.6%	-12.7%
Refined fuel (3%)	29.6%	-21.4%	-30.7%	-4.0%	-42.5%	-33.2%	-33.5%	-46.4%	-19.6%	-27.9%
Export by destination										
Unit: %YOY, (Share in 2019)	2018	2019	2019Q4	2020Q1	2020Q2	2020Q3	Sep-20	Oct-20	Nov-20	YTD
ASEAN5 (14.5%)	13.6%	-9.8%	-9.9%	5.3%	-19.7%	-19.0%	-15.6%	-27.2%	-15.0%	-13.2%
China (11.9%)	2.7%	-3.8%	1.6%	-0.9%	12.1%	-0.2%	6.9%	-6.1%	-8.9%	1.5%
CLMV (11.2%)	16.7%	-6.3%	-6.2%	2.8%	-25.9%	-9.2%	-4.8%	-17.0%	-13.0%	-11.6%
USA (12.1%)	5.5%	5.0%	5.5%	16.1%	1.1%	17.6%	19.7%	17.0%	15.4%	12.5%
Japan (10%)	13.0%	-1.7%	-5.3%	-5.5%	-13.5%	-12.2%	-1.9%	-5.3%	5.4%	-8.4%
EU15 (8.7%)	5.1%	-6.6%	-6.3%	-4.0%	-30.7%	-12.6%	-4.4%	-0.4%	-8.5%	-13.6%
Hong Kong (4.8%)	1.8%	-6.5%	-1.1%	12.3%	-8.6%	-13.9%	-29.5%	-0.5%	-13.9%	-4.7%
Australia (4.2%)	2.6%	-5.1%	-14.9%	-2.3%	-15.9%	-8.9%	4.1%	6.9%	24.3%	-5.2%
Middle East (3.4%)	-5.1%	-1.6%	7.1%	3.7%	-22.0%	-24.3%	-26.1%	-18.1%	-12.1%	-14.2%
India (3%)	17.8%	-3.8%	-14.3%	-11.4%	-67.2%	-21.6%	-5.1%	13.7%	-1.3%	-28.2%

Remarks: * Excluding weaponry shipments to the US in 2019 and 2020

Source: EIC analysis based on data from the Ministry of Commerce

Figure 2: Key products influencing Thai exports in November 2020.



Source: EIC analysis based on data from the Ministry of Commerce

Regarding exports by destinations, exports to the US, Japan, and Australia expanded. On the contrary, exports to other key destinations contracted.

- **Exports to the US continued to improve for 6 consecutive months with the latest month growth of 15.4%YOY**, slightly declining from the 17.0%YOY growth in the previous month. Major products contributing to the growth included processed and canned seafood (12.8%YOY), rubber products (33.3%YOY), and automotive and parts (68.3%YOY).
- **Exports to Japan reverted to a 5.4%YOY expansion**, after declining for 6 consecutive months. Products influencing the growth were automotive and parts (100.8%YOY), chemicals (72.3%YOY), and telephone and parts (34.4%YOY).
- **Exports to Australia continued to improve for 3 consecutive months with the latest month growth of 24.3%YOY**, after increasing by 6.9%YOY in the previous month. The products that led to such high growth included automotive and parts (42.1%YOY), precious stones and jewelry (114.6%YOY), and air conditioner and parts (53.0%YOY).
- **However, exports to China continued to contract for 2 months with the latest month decline of -8.9%YOY**, after falling by -6.1%YOY in October. Products that led the decline were plastic beads (-8.8%YOY), computer and parts (-16.2%YOY), and rubber products (-28.5%YOY).
- **Exports to ASEAN 5 contracted for 7 consecutive months with the latest month growth of -15.0%YOY**, after falling by -27.2%YOY in the previous month. Key products with contractions were automotive and parts (-24.9%YOY), refined fuel (-35.5%YOY), and chemicals (-18.5%YOY).
- **Exports to CLMV slowed to a -13.0%YOY contraction**, after declining by -17.0%YOY in the previous month. The main products that drove the decline were precious stones and jewelry (-78.2%YOY), refined fuel (-11.9%YOY), and beverages (-14.3%YOY).

- **Exports to EU15 tumbled by -8.5%YOY**, worsening from the -0.4%YOY in October following weakening export situations of key products, such as computer and parts (-3.3%YOY), precious stones and jewelry (-34.1%YOY), and electronic integrated circuits (-15.7%YOY).
- **Exports to India returned to a contraction of -1.3%YOY**, after soaring by 13.7%YOY in the previous month. Products that led to the decline were computer and parts (-29.9%YOY) and chemicals (-25.7%YOY).

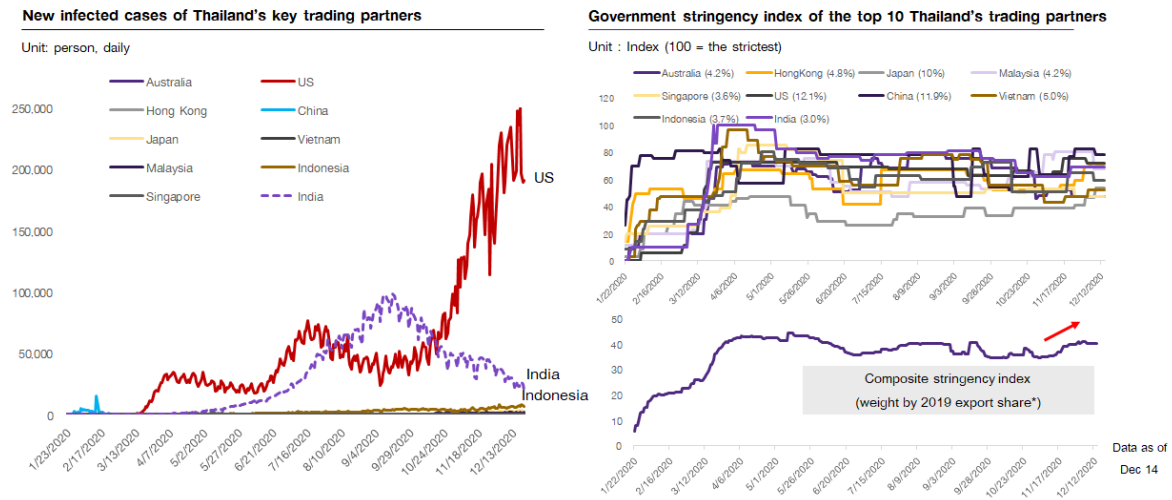
In terms of imports, the value of Thai imports in November stalled to -1.0%YOY, after tumbling by -14.3%YOY in the previous month. Imports in nearly all sectors saw slowing contractions, including fuel products (-9.8%YOY), capital goods (-2.5%YOY), consumer goods (-7.7%YOY), and vehicles and transportation equipment (-8.3%YOY). Meanwhile, imports of raw materials and intermediate raw materials reverted to a 5.9%YOY expansion. However, such growth was driven by soaring gold imports at 66.1%YOY. Excluding gold, imports of raw materials and intermediate raw materials fell by -2.0%YOY. Nevertheless, **during the first 11 months of 2020, imports fell by -13.7%YOY**. The trade balance in November was at a surplus of USD 52.6 million, whereas the trade balance during the first 11 months of 2020 was at a surplus of USD 23.5 billion.

■ Implication

Thai export contracted at a slower pace in November following support from the low-base effect. A seasonally adjusted month on month growth (%mom_sa) comparison to October revealed that exports in November dropped slightly by -0.3%mom_sa. Such a figure reflected that export recovery stalled in the recent periods. However, a year-on-year comparison indicated a slower contraction due to the low-base effect in November 2019. During such respective periods in 2019, oil-related exports drop considerably as large refineries shut down operations for maintenance, while overall exports were hampered by the trade war escalation.

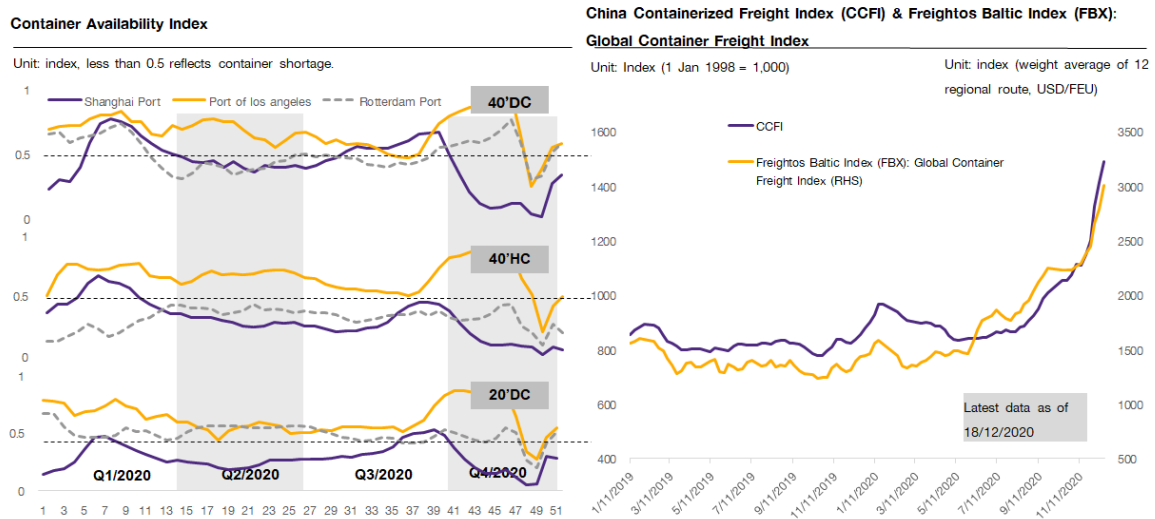
Going forward, short-term challenges that could hinder export recovery include the returning waves of COVID-19 casualties, both domestic and overseas. In recent periods, several of Thailand's key trading partners saw surging numbers of COVID-19 infections. Such a situation caused the countries to reimpose strict lockdown measures (Figure 3), which should impair the countries' economic recovery. More importantly, the new round of COVID-19 outbreak in Thailand, especially in the Samut Sakhon province, could adversely impair Thai fishery exports due to labor shortages (workers from Myanmar) and lower confidence from trading partners from the view that Thai seafood exports could be contaminated with COVID-19.

Figure 3: Several of Thailand's top 10 trading partners reimposed strict virus containment measures after experiencing surging COVID-19 cases.



Furthermore, container shortage issue could also damage Thai export recovery during Q4/2020 and Q1/2021. Currently, sizeable numbers of highly-demanded containers are still clustered in Europe and the US following the prior lockdown and lower exports from such countries. As such, various exporting countries in Asia are struggling to find containers to export products. Furthermore, such shortages triggered soaring freight rates (Figure 4), in addition to requiring more time to locate available containers for exports. Given such a situation, export growth could be lower-than-anticipated, especially during Q1/2021. Therefore, EIC expects that exports in 2021 will slowly improve with growth of 4.7% (previous projection at 5.3%).

Figure 4: Container shortage issue, especially in Asia, significantly increased freight rates. Such a condition may hamper Thailand's export recovery.



Source: EIC analysis based on data from Bloomberg and Container xChange (as of 23 December 2020)

The stronger baht relative to currencies of trading partners and competitors may also pressure Thailand's export growth in 2021.

Factors that should continue to strengthen the baht include the global economic recovery that would influence the US dollar to further depreciate as well as the increasing capital flow into emerging markets, including Thailand. Furthermore, on 16 December 2020, the US Treasury announced that it placed Thailand on its monitoring list (Figure 5). Such an event could pose market concerns regarding the Bank of Thailand's capability to oversee the baht and could push the baht to further appreciate. As such, the stronger baht will directly cut Thai exporter's profit. Exporters that produce products with high local content (i.e. agricultural products exporters) will witness the most damaging results as they will receive no benefits from cheaper raw material imports due to the appreciating baht.

Figure 5: On 16 December 2020, the US Treasury placed Thailand on its monitoring list.

	Bilateral Trade Surplus at least \$20 bn over 12 months	Current A/C < 2% of GDP over 12 months	FX Intervention		Monitoring list	
			1) Net purchases < 2% of GDP	2) At least 6 out of 12 months	Jan 2020	Dec 2020
	United States (USD Bil., Trailing 4Q) (1)	(% of GDP, Trailing 4Q) (2a)	(% of GDP, Trailing 4Q) (3a)	6 of 12 Months† (3d)		
China	310	1.1	-0.1	No	✓	✓
Mexico	96	-0.2	0.0	No	✓	✓
Germany	62	6.8	..	..	✓	✓
Vietnam	58	4.6	5.1*	Yes	✓	✓
Japan	57	3.1	0.0	No	✓	✓
Ireland	55	-5.5	..	..	✓	✓
Switzerland	49	8.8	14.2	Yes	✓	✓
Italy	30	3.0	..	..	✓	✓
Malaysia	29	2.5	1.1	Yes	✓	✓
Taiwan	25	10.9	1.7	Yes	✓	✓
Canada	24	-1.9	0.0	No	✓	✓
Thailand	22	6.3	1.8**	Yes		✓
India	22	0.4	2.4	Yes		✓
Korea	20	3.5	-0.6	Yes	✓	✓
France	15	-1.6	..	..
Singapore	-1	16.1	21.3	Yes	✓	✓
United Kingdom	-8	-2.8	0.0	No		
Belgium	-11	0.6	..	..
Brazil	-13	-2.8	-2.3	Yes		
Netherlands	-18	9.4	..	..
Memo: Euro Area	152	2.1	0.0	No		

Source: EIC analysis based on data from BOT and US Department of Treasury

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