

Notice to readers

SCBS



Dear readers:

The economic report contained in this report was produced by SCB Economic Intelligence Center (SCB EIC) and SCB Securities (SCBS) has been granted permission by Siam Commercial Bank to distribute this report to its clients. In doing so, SCBS has reviewed the report and agrees with the contents of this report.

SCBS is distributing this economic research report on its own behalf for general information only.

SCB Securities Company Limited

EIC anticipates robust export recovery. In 2021, export growth should expand in the range of 6-8%, increasing from the previous forecast of 4%.

23 February 2021

Key summary

The value of Thai exports in January 2021 expanded slightly by 0.3%YOY, after increasing by 4.7%YOY in December 2020. Excluding gold, exports in January soared to 6.3%YOY.

Exports of various key merchandise continued to improve, especially agricultural and industrial exports. The key products with improving export growth were cassava products, fresh/chilled/frozen/dried fruits, automotive and parts, electrical appliances, chemicals and plastic, rubber products, computer and parts, and electronic integrated circuits.

Given the faster-than-anticipated export recovery and improving export conditions in various countries, Thai export growth in 2021 could improve by 6-8%, increasing from the previous forecast of 4.0%.

■ Key points

The value of Thai exports in January 2021 expanded slightly by 0.3%YOY, after increasing by 4.7%YOY in December 2020. Excluding gold, exports in January soared to 6.3%YOY. Such a growth marked a two consecutive month increase after export conditions were severely battered by the lockdown measures imposed globally during Q2/2020.

Exports of various key merchandise continued to improve, especially agricultural and industrial exports.

- Exports of agricultural products continued to improve for 3 consecutive months with the latest month growth of 9.6%YOY, after expanding by 10.7%YOY in the previous month. The key products influencing such growth were cassava products (50.5%YOY), fresh/chilled/frozen pork meat (38.5%YOY), and fresh/chilled/frozen/dried fruits (77.9%YOY). However, rice exports continued to shrink by -15.9%YOY as the price of Thai rice heightened despite similar rice quality compared to competitors.
- Exports of industrial merchandise continued to expand for 2 months straight with the latest month growth of 0.9%YOY. Excluding gold, industrial merchandise exports increased to

8.4%YOY. The key products that prompted the recovery included automotive and parts (25.7%YOY), electronic appliances (10.4%YOY), chemicals and plastic (5.7%YOY), rubber products (21.9%YOY), computer parts and components (9.2%YOY), and electronic integrated circuits (12.6%YOY).

- **Exports of products relating to food, living and working at home, and COVID-19 prevention continued to increase**, including canned and processed seafood (5.4%YOY), canned and processed fruits (3.1%YOY), food seasoning (3.8%YOY), refrigerators, freezers, and components (15.7%YOY), washing machine and parts (49.6%YOY), furniture and parts (12.4%YOY), medical instruments and equipment (15.4%YOY), and rubber gloves (200.5%YOY).
- **Nevertheless, exports of agro-industrial products continued to shrink for 9 consecutive months at -3.2%YOY**, after tumbling by -7.5%YOY in the previous month. The products that led the decline were alcoholic drinks (-21.8%YOY) and sugar (-48.1%YOY). Similarly, **exports of refined fuel dropped by -26.0%YOY**. Destinations with dwindling export growth included Cambodia (-20.8%YOY), Singapore (-33.1%YOY), and Laos (-24.0%YOY).

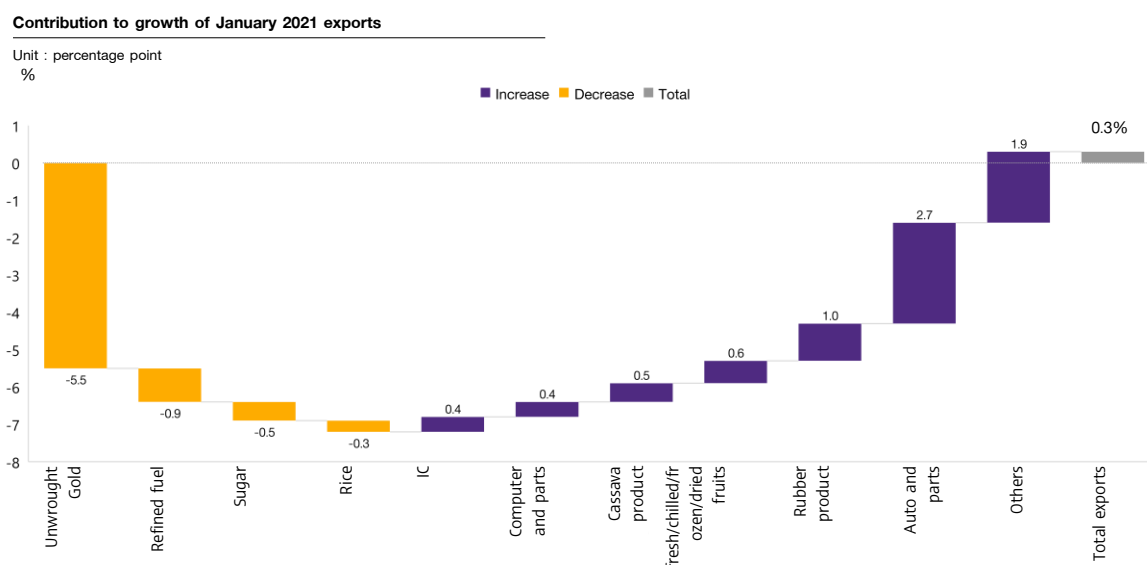
Figure 1: Exports of various key merchandise continued to improve, especially agricultural and industrial exports.

Export by product										
Unit: %YOY, (Share in 2020)	2019	2020	2020Q1	2020Q2	2020Q3	2020Q4	Nov-20	Dec-20	Jan-21	YTD
Overall exports	-2.6%	-6.0%	1.0%	-15.2%	-7.8%	-2.0%	-3.6%	4.7%	0.3%	0.3%
Exports excl. gold and arm (94.2%)	-4.7%	-8.4%	-1.2%	-19.8%	-10.8%	-1.6%	-3.1%	5.0%	6.3%	6.3%
Electrical appliance (10.2%)	-0.4%	-2.7%	-1.0%	-22.0%	1.6%	10.9%	9.5%	13.2%	10.4%	10.4%
Auto & parts (9.2%)	-5.6%	-22.2%	-10.4%	-52.7%	-24.8%	-0.5%	10.3%	3.2%	25.7%	25.7%
Agriculture (9.2%)	-6.2%	-3.2%	-8.6%	1.4%	-9.6%	4.8%	6.9%	10.7%	9.6%	9.6%
Chemical & plastic (8.1%)	-11.8%	-10.7%	-12.4%	-19.4%	-10.3%	-0.3%	-3.7%	9.5%	5.7%	5.7%
Computer and part (8.1%)	-7.6%	2.3%	8.8%	-6.8%	3.7%	3.8%	-7.4%	15.1%	9.2%	9.2%
Agro (7.8%)	2.9%	-4.0%	4.0%	-3.0%	-4.8%	-11.5%	-12.2%	-7.5%	-3.2%	-3.2%
Rubber product (5.3%)	1.9%	7.8%	6.6%	-7.7%	15.7%	15.5%	13.3%	15.7%	21.9%	21.9%
IC (3.1%)	-8.9%	-5.7%	-6.3%	-5.1%	-9.7%	-1.8%	-8.2%	7.3%	12.6%	12.6%
Machinery and part (2.8%)	-10.6%	-11.0%	-1.9%	-27.4%	-16.5%	1.9%	1.6%	8.6%	-5.2%	-5.2%
Refined fuel (2.3%)	-21.4%	-26.9%	-4.0%	-42.5%	-33.2%	-27.9%	-19.6%	-16.6%	-26.0%	-26.0%
Export by destination										
Unit: %YOY, (Share in 2020)	2019	2020	2020Q1	2020Q2	2020Q3	2020Q4	Nov-20	Dec-20	Jan-21	YTD
USA* (14.4%)	5.0%	12.8%	16.1%	1.1%	17.6%	16.0%	15.4%	15.7%	12.4%	12.4%
ASEAN 5 (13.5%)	-9.8%	-12.2%	5.3%	-19.7%	-19.0%	-15.0%	-15.0%	0.8%	-11.0%	-11.0%
China (12.9%)	-3.8%	2.0%	-0.9%	12.1%	-0.2%	-2.6%	-8.9%	7.2%	9.9%	9.9%
CLMV (10.6%)	-6.3%	-11.1%	2.8%	-25.9%	-9.2%	-12.0%	-13.0%	-6.3%	3.8%	3.8%
Japan (9.9%)	-1.7%	-6.7%	-5.5%	-13.5%	-12.2%	4.2%	5.4%	14.8%	7.4%	7.4%
EU15 (8%)	-6.6%	-12.7%	-4.0%	-30.7%	-12.6%	-3.7%	-8.5%	-2.4%	-5.4%	-5.4%
Hong Kong (4.9%)	-6.5%	-3.6%	12.3%	-8.6%	-13.9%	-2.0%	-13.9%	10.0%	23.4%	23.4%
Australia (4.3%)	-5.1%	-3.9%	-2.3%	-15.9%	-8.9%	14.8%	24.3%	15.3%	30.0%	30.0%
Middle East (3.2%)	-1.6%	-13.0%	3.7%	-22.0%	-24.3%	-10.1%	-12.1%	0.1%	13.1%	13.1%
India (2.4%)	-3.8%	-25.2%	-11.4%	-67.2%	-21.6%	9.0%	-1.3%	14.5%	-11.5%	-11.5%

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 January 2021



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

Regarding exports by destinations, exports to the US continued to improve. Meanwhile, exports to China, Japan, Australia, and CLMV countries suggested a sign of recovery. On the contrary, exports to EU15 continued to drop, while exports to ASEAN5 reverted to negative growth.

- **Exports to the US moderated to 12.4%YOY**, slightly declining from the 15.7%YOY expansion in the previous month. The products that prompted such growth were semiconductors, transistors, and diodes (6.7%YOY), rubber products (27.4%YOY), and automotive and parts (34.2%YOY).
- **Exports to China continued to increase for 2 consecutive months at 9.9%YOY**, after increasing by 7.2%YOY in the previous month. The products that contributed to the growth included computer parts and components (33.9%YOY), fresh/chilled/frozen/dried fruits (148.3%YOY), cassava products (107.5%YOY), and chemicals (13.0%YOY).
- **Exports to CLMV returned to growth of 3.8%YOY**, after declining for 9 consecutive months. Exports to Vietnam improved considerably by 20.1%YOY. The products that led the growth in CLMV market included automotive and parts (6.2%YOY), plastic beads (40.5%YOY), and sugar (42.4%YOY).
- **Exports to Japan continued to increase for 3 months straight at 7.4%YOY**, declining from the 14.8%YOY growth in the previous month. The products that contributed to the growth were automotive and parts (77.8%YOY), chemicals (80.8%YOY), and machinery and parts (5.4%YOY).
- **Exports to Australia soared by 30.0%YOY**, considerably increasing from the 15.3%YOY growth in the previous month. The key products influencing such growth were automotive and parts (48.7%YOY), precious stones and jewelry (88.8%YOY), and air conditioner and parts (12.8%YOY).

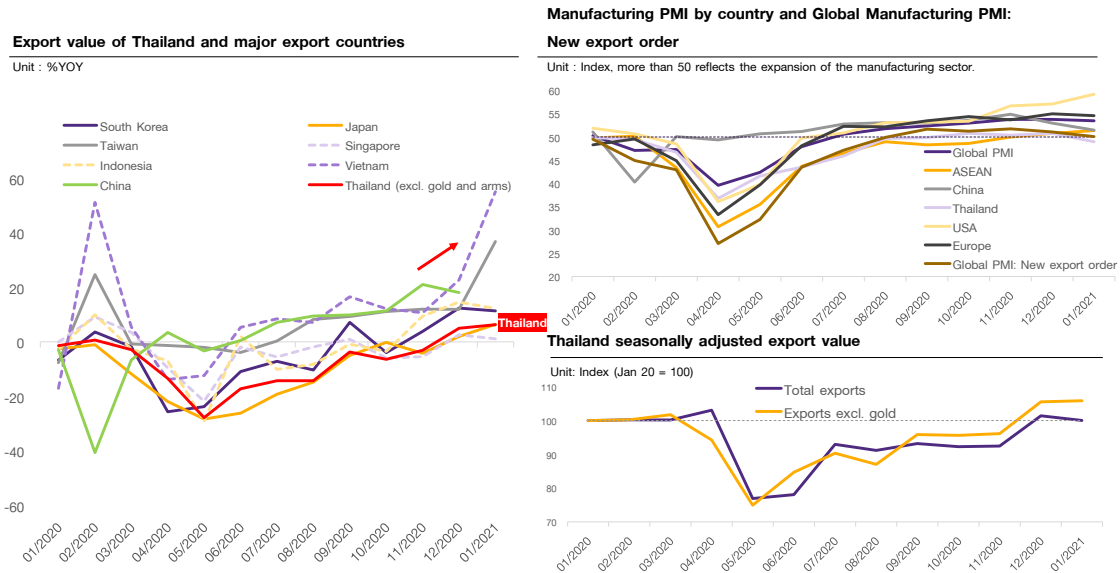
- **Exports to the Middle East continued to increase for 2 consecutive months at 13.1%YOY.** The products with expanding growth were automotive and parts (50.9%YOY), rubber products (41.4%YOY), and canned and processed seafood (14.9%YOY).
- **Nevertheless, exports to EU15 continued to contract for 11 consecutive months with a -5.4%YOY decline,** after shrinking by -2.4%YOY in the previous month. The key products that continued to weaken included automotive and parts (-0.5%YOY), precious stones and jewelry (-45.6%YOY), and electronic integrated circuits (-11.5%YOY).
- **Exports to ASEAN 5 reverted to a -11.0%YOY decline,** after improving by 0.8%YOY in the previous month from the fall of refined fuel (-41.5%YOY) and chemicals (-8.4%YOY) exports.

In terms of imports, the value of Thai imports in January 2021 reverted to a -5.2%YOY contraction, after improving by 3.6%YOY in December 2020. Imports in nearly all categories returned to a contraction, including capital goods (-10.6%YOY), consumer goods (-2.8%YOY), and vehicles and transportation equipment (-6.9%YOY). Similarly, fuel products import shrank (-30.1%YOY) due to the high base effect in the prior year that various refineries resumed operations. However, imports of raw materials and intermediate raw materials expanded by 10.0%YOY. Excluding gold imports, raw materials and intermediate raw materials imports fell slightly to -1.3%YOY. As such, **the trade balance in January was at a deficit of USD 202.4 million.**

■ Implication

Thai export conditions performed better-than-expected in the recent months. As such, in 2021, exports could improve by 6-8%, a rate higher than the previous forecast of 4.0%. According to the lower bottom graph in Figure 3, the value of exports during the most 2 recent months (Dec 20 – Jan 21) both including gold and excluding gold returned to a level equivalent to before the COVID-19 outbreak. Most importantly, the value of exports, excluding gold, in January reached a level higher than prior to the COVID-19 outbreak. Such a figure reflected a faster-than-expected export recovery. The trend was also prominent in the export sectors of various key countries (Figure 3 left), reflecting that global trade conditions have started to recover. Furthermore, the readings of the global Manufacturing PMI : New export orders (Figure 3 upper right) and the Manufacturing PMI of various countries continually improved with some moderations experienced in January from the second wave COVID-19 outbreak. However, most of the countries' PMI readings stood above 50, reflecting an uptrend for exports in the short-term. Going forward, Thai exports should continue to recover following improving global economic conditions that will be boosted by widespread COVID-19 inoculations and herd immunity development, especially during the latter half of this year.

Figure 3: Export conditions in the recent months performed better-than-anticipated. Meanwhile, PMI readings of various countries stood above 50, reflecting an uptrend for global exports in the short-term.



Remarks: The improving export conditions in January were partly influenced by the low-base in the prior year as the Chinese New Year was celebrated during January.

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

Nevertheless, various risk factors could undermine Thai export recovery in 2021. Such risks that warrant monitoring include 1) **container shortages** and the continually increasing freight rates that should continue to hamper Thai exports throughout the first half of 2021, 2) **Uncontained COVID-19 outbreak**, as well as the **political unrest in Myanmar** that could obstruct border trade and weaken demand from Myanmar. According to data as of January 2021, only 3 out of 21 Thai-Myanmar border checkpoints were open, and 3) **the stronger baht appreciation relative to trading partners and competitors**, which will directly impair the exporter’s competitiveness and profit.

By: Kampon Adireksombat, Ph.D. (kampon.adireksombat@scb.co.th)
Head of Economic and Financial Market Research

Panundorn Aruneeniramarn (panundorn.aruneeniramarn@scb.co.th)
Senior Economist

Phimchanok Hou (phimchanok.hou@scb.co.th)
Analyst

Economic Intelligence Center (EIC)
Siam Commercial Bank PLC.
EIC Online: www.scbeic.com



Disclaimer: The information contained in this report has been obtained from sources believed to be reliable. However, neither we nor any of our respective affiliates, employees or representatives make any representation or warranty, express or implied, as to the accuracy or completeness of any of the information contained in this report, and we and our respective affiliates, employees or representatives expressly disclaim any and all liability relating to or resulting from the use of this report or such information by the recipient or other persons in whatever manner. Any opinions presented herein represent our subjective views and our current estimates and judgments 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 any advice, offer, recommendation, or solicitation by us and should not be relied upon as such. We, or any of our associates, may also have an interest in the companies mentioned herein.