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SCB Securities Company Limited

Promising export recovery in March following better global economic conditions. In **2021**, EIC anticipates a higher-than-expected export growth within the range of **7-9%**, up from the previous estimation of **6.4%**.

23 April 2021

Key summary

- The value of Thai exports in March accelerated by 8.5%YOY. Excluding gold, the figure soared to 13.8%YOY. Such conditions reflected an across the board export growth led by automotive and parts, rubber products, and plastic beads following better global trade and economic conditions prompted by the progress of COVID-19 inoculations. As such, developed countries, the early adopters of vaccinations, should lead the recovery. Furthermore, recovering export prices and the low base effect in Q2 influenced EIC to anticipate a higher-than-expected export growth within the range of 7-9%, up from the previous estimation of 6.4%. Such growth will help support Thailand's economic stance amidst deteriorating domestic demand from the 3rd round of the COVID-19 outbreak as well as weakening tourism conditions.
- Nevertheless, various downside risks warrant monitoring, including the shortages of containers and semiconductors (chip), which will hinder logistics and manufacturing of certain products. Moreover, the casualties from the COVID-19 pandemic should be closely monitored despite the currently limited impact on the manufacturing sector, as a severe outbreak could re-trigger a chain of strict containment measures. A series of events that would stall global trade and economic recovery.

■ Key points

The value of Thai exports expanded by 8.5%YOY in March. Excluding gold, exports soared to 13.8%YOY. As such, during Q1/21 the value of exports reverted to a 2.3%YOY expansion. Excluding gold, exports climbed to 8.2%YOY.

Regarding exports by products, exports improved across the board, led by automotive and parts, rubber products, and plastic beads.

- **Exports of automotive and parts soared by 43.1%YOY in March**, reaching a monthly all-time high at USD 3 billion. The main markets that supported such growth included Australia (84.9%YOY), Japan (37.6%YOY), and Vietnam (50.2%YOY).
- **Exports of rubber products continued to surge by 50.6%YOY** driven by exports of rubber gloves (271.5%YOY) due to the rising demand for medical supplies. Similarly, tire exports soared (31.5%YOY) following the recovery of the global automotive industry.
- **Exports of plastic beads accelerated by 52.9%YOY**. The markets that saw notable growth included China (70.1%YOY), India (66.2%YOY), and Indonesia (39.7%YOY).
- **Exports of agricultural products also improved by 11.5%YOY**. The products that led the growth were rubber (109.2%YOY) and cassava products (59.2%YOY). Nevertheless, rice exports shrank by -41.5%YOY. Meanwhile, exports of agro-industrial products reverted to a slight expansion at 0.9%YOY from processed seafood exports (4.2%YOY), despite the contraction from sugar exports (-60.6%YOY).
- **Exports of refined fuel bounced back to a 21.6%YOY expansion**. Such growth was partly influenced by the surge in fuel prices during March.

Regarding exports by destinations, exports to Thailand's key trading partners continued to improve, especially to China, the US, and the European Union. However, exports to ASEAN 5 and the Middle East continued to shrink.

- **Exports to China accelerated by 35.4%YOY**. Major products contributing to the growth included plastic beads (70.1%YOY), cassava products (118.9%YOY), and rubber products (10.6%YOY).
- **Exports to the US moderated to 7.2%YOY** following the growth from rubber products (88.3%YOY), steel (124.5%YOY), and automotive and parts (62.9%YOY).
- **Exports to the European Union surged by 32.0%YOY**, improving from the expansion of computer (88.2%YOY), automotive and parts (116.6%YOY), and air conditioners (47.0%YOY).
- **However, exports to the Middle East continued to contract in March**. Export products influencing such growth were automotive (-4.1%YOY) and air conditioners (-29.6%YOY).
- **Exports to Hong Kong contracted (-26.8%YOY)** following the decline of gold (-92.9%YOY), computers (-0.4%YOY), and rice (-26.4%YOY).
- **Meanwhile, exports to ASEAN 5 continued to decline by -2.4%YOY**. The main products that led the decline were refined fuel (-16.3%YOY), precious stones and jewelry (-84.2%YOY), air conditioners (-11.3%YOY), and sugar (-67.5%YOY).

Figure 1: The growth of key export merchandise recovered across the board in March 2021 with expansion witnessed in nearly all major markets.

Exports by product

Unit: %YOY, (Share in 2020)	2020	2020Q2	2020Q3	2020Q4	2021Q1	Jan-21	Feb-21	Mar-21	YTD
Total (100%)	-6.0%	-15.2%	-7.8%	-2.0%	2.3%	0.3%	-2.6%	8.5%	2.3%
Total (ex. gold) (94.2%)	-8.6%	-18.8%	-10.8%	-1.6%	8.2%	6.3%	4.0%	13.8%	8.2%
Electrical appliances (10.2%)	-2.7%	-22.0%	1.6%	10.9%	14.8%	10.4%	12.3%	20.9%	14.8%
Auto & parts (9.2%)	-22.2%	-52.7%	-24.8%	-0.5%	23.8%	25.7%	3.6%	43.1%	23.8%
Agriculture (9.1%)	-3.2%	1.4%	-9.6%	4.8%	12.9%	9.6%	18.0%	11.5%	12.9%
Chemical & plastics (8.1%)	-10.7%	-19.4%	-10.3%	-0.3%	20.6%	5.7%	21.4%	34.4%	20.6%
Agro (7.8%)	-4.0%	-3.0%	-4.8%	-11.5%	-2.2%	-3.2%	-4.8%	0.9%	-2.2%
Computer & parts (8.1%)	2.3%	-6.8%	3.7%	3.8%	8.4%	9.2%	12.7%	4.3%	8.4%
Rubber products (5.2%)	7.8%	-7.7%	15.7%	15.5%	32.5%	21.9%	24.8%	50.6%	32.5%
IC (3.1%)	-5.7%	-5.1%	-9.7%	-1.8%	13.9%	12.6%	9.5%	18.9%	13.9%
Machinery & parts (2.8%)	-11.0%	-27.4%	-16.5%	1.9%	8.2%	-5.2%	14.6%	15.0%	8.2%
Refined fuel (2.3%)	-26.9%	-42.5%	-33.2%	-27.9%	-5.5%	-26.0%	-5.4%	21.6%	-5.5%
Textile (2.5%)	-16.8%	-29.0%	-20.8%	-12.3%	-5.2%	-14.2%	-12.5%	12.4%	-5.2%

Exports by country

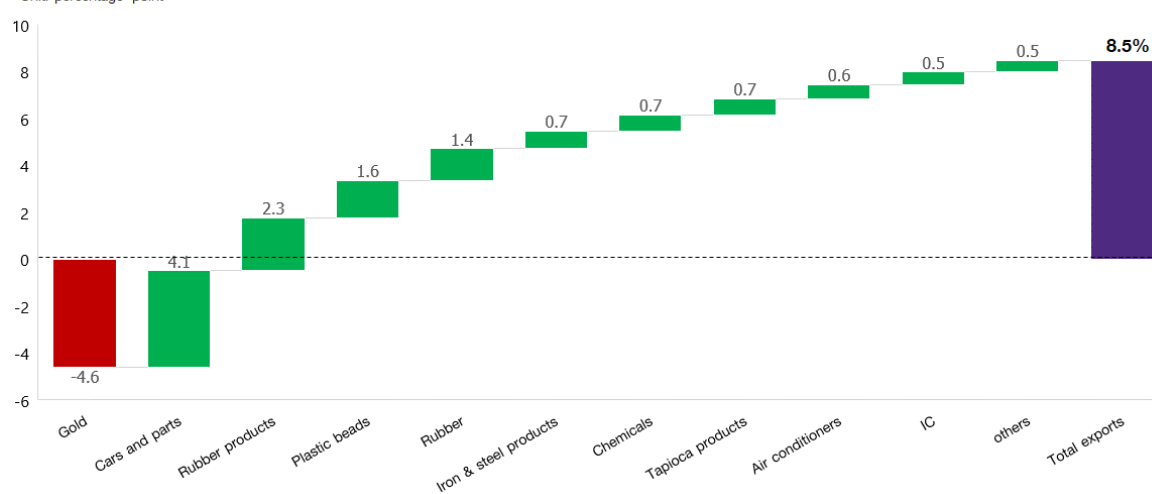
Uni: %YOY, (Share in 2020)	2020	2020Q2	2020Q3	2020Q4	2021Q1	Jan-21	Feb-21	Mar-21	YTD
Total	9.6%	8.9%	17.6%	16.0%	12.5%	12.4%	19.7%	7.2%	12.5%
US (14.8%)	-12.2%	-19.7%	-19.0%	-15.0%	-10.2%	-11.0%	-17.3%	-2.4%	-10.2%
ASEAN5 (13.4%)	2.0%	12.1%	-0.2%	-2.6%	20.6%	9.9%	15.7%	35.4%	20.6%
China (12.9%)	-11.1%	-25.9%	-9.2%	-12.0%	0.6%	3.8%	-4.2%	2.0%	0.6%
CLMV (10.5%)	-6.7%	-13.5%	-12.2%	4.2%	6.2%	7.4%	6.5%	4.6%	6.2%
Japan (9.9%)	-12.7%	-30.7%	-12.6%	-3.7%	8.5%	-5.4%	0.2%	32.0%	8.5%
EU15 (8%)	-3.6%	-8.6%	-13.9%	-2.0%	-19.3%	23.4%	-36.7%	-26.8%	-19.3%
Hong Kong (4.9%)	-3.9%	-15.9%	-8.9%	14.8%	19.8%	30.0%	17.2%	14.9%	19.8%
Australia (4.2%)	-13.0%	-22.0%	-24.3%	-10.1%	-0.1%	13.1%	-9.9%	-0.5%	-0.1%
Middle East (3.1%)	-25.2%	-67.2%	-21.6%	9.0%	8.0%	-11.5%	8.9%	28.3%	8.0%

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

Figure 2: Key products supporting Thai export growth in March included automotive, rubber products, and plastic beads. On the contrary, gold exports tumbled.

Contribution to contraction of April 2021 exports

Unit: percentage point



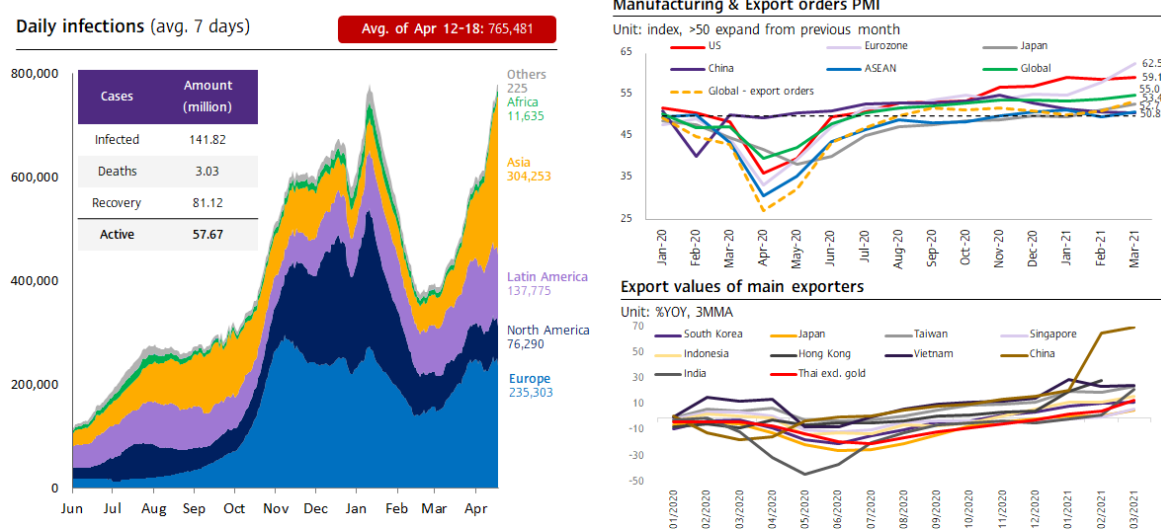
Source: EIC analysis based on data from the Ministry of Commerce

In terms of imports, the value of imports in March improved by 14.1%YOY, continually increasing from the 22.0%YOY expansion in the previous month. Imports improved in nearly all categories, including capital goods (16.8%YOY), consumer goods (21.9%YOY), and vehicles and transportation equipment (11.3%YOY). Nevertheless, imports of fuel products shrank by -9.5%YOY. Although imports of raw materials and intermediate raw materials expanded by 29.6%YOY, excluding gold, exports somewhat moderated to 9.3%YOY (still a high rate). Such satisfactory import growth was partly influenced by the growing demand to manufacture export products, suggesting a recovery in exports in the periods ahead. With such regards, during Q1/21, imports expanded by 9.4%YOY with a mere trade surplus at USD 515.7 million.

Implication

Global trade conditions continued to improve despite the resurgence of the COVID-19 outbreak. Since March 2021, severe COVID-19 outbreaks have resurfaced (Figure 3 left) triggered by the contagion of the mutated strain. As such, the recovery of various economies stalled. The service sector saw severe implications, whilst the manufacturing sector continued to improve as reflected by satisfactory readings of the Manufacturing PMI index in various key economies as well as the Global PMI – Export orders reading that continued to increase and was above 50 (indicating expansion). Furthermore, the value of exports of key exporting countries around the globe continued to accelerate, reflecting a strong recovery in global export conditions in the recent periods (Figure 3 right).

Figure 3: Despite the global resurgence of the COVID-19 outbreak, the manufacturing sector in various countries continued to improve, reflecting the strong recovery in global trade conditions.

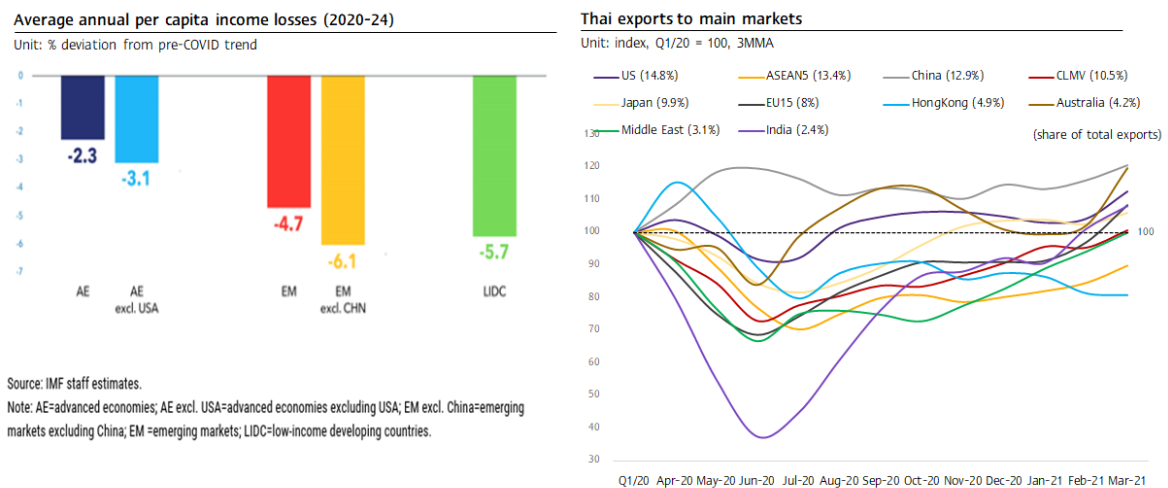


Source: EIC analysis based on data from the Ministry of Commerce, WHO, CEIC, and JPMorgan

Going forward, EIC expects that the satisfactory export growth momentum should be maintained following better global economic conditions. In 2021, export growth should increase within the range of 7-9%, up from the previous estimation of 6.4%.

- The rapid progress of vaccine inoculations and the stimulus packages introduced throughout the globe should continue to usher global economic growth. Developed economies should observe a faster recovery. According to the latest data, Thai exports witnessed uneven recovery among its major export destinations (Figure 4). The recovery of exports to developed economies (the US, Australia, Japan, the European Union, in addition to China that largely contained the outbreak) was already at a faster pace than before the COVID-19 outbreak (Q1/20). Meanwhile, exports to developing economies (the Middle East, CLMV, and ASEAN 5) recovered at a comparatively slower pace. Such conditions were in line with IMF’s prediction (WEO April 2021 edition) that forecasted that advanced countries would recover sooner due to the more rapid progress of vaccine inoculations. Furthermore, given the anticipated development of herd immunity from mid-2021 onwards and the higher capability to stimulate economic activities, the recovery of developed economies should continue to improve. On the other hand, developing economies should see a slower recovery from the slower vaccination arrivals and the lower capability to stimulate economic activities.

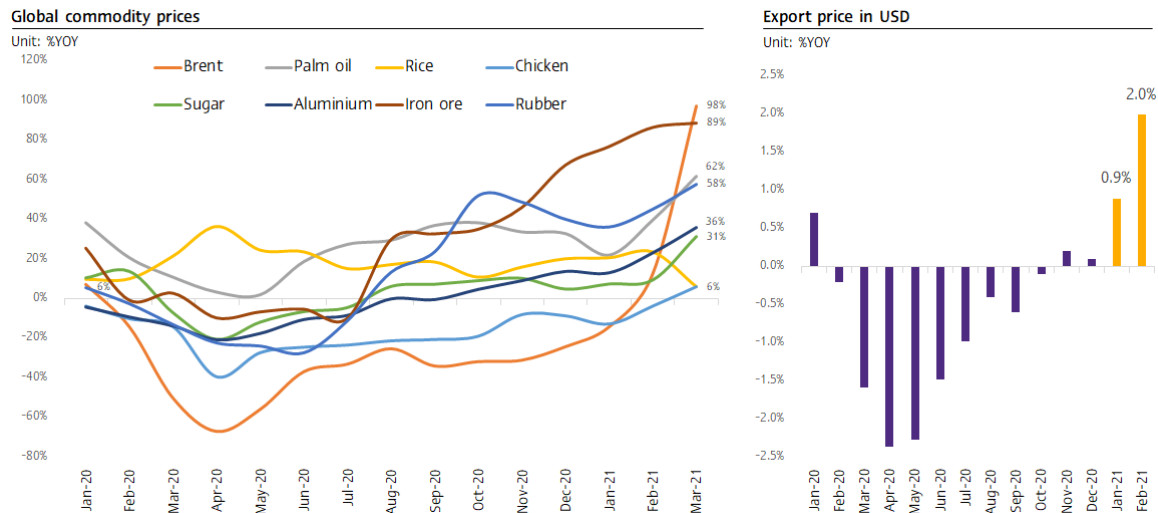
Figure 4: The global economy saw uneven recovery. Advanced economies recovered sooner, which should benefit Thai exports to such countries.



Source: EIC analysis based on data from the Ministry of Commerce and IMF WEO (April 2021 edition)

- Commodity prices continued to recover, thus supporting Thai export growth in 2021 from the increasing prices of key commodities, including agricultural commodities (i.e. sugar, rubber, and rice), refined fuel, chemicals, and steel.

Figure 5: Recovering commodity prices will support Thai export growth via the generation of higher export revenue.



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

- **The low base effect in Q2/20 should prompt higher export growth.** During Q2/20 various countries around the globe imposed strict national lockdowns, thus suppressing trade activities. Such conditions should allow exports during Q2/21 to witness 2 digit growth, thereby prompting higher overall export growth in 2021.

In summary, given the soaring recovery in global trade, improving global economic conditions from vaccine inoculations particularly in advanced economies, recovering commodity prices, as well as the low base effect in Q2/20, EIC anticipates that Thai export growth could expand within the range of 7-9%, increasing from the previous forecast at 6.4%.

Nevertheless, various downside risks warrant monitoring, including :

1) **Prevailing container shortages and skyrocketing freight costs.** Such a situation will continue to suppress export growth during the first half of 2021 before the situation alleviates in the second half of 2021.

2) **The global shortage of semiconductors (chip) should impair manufacturers within its supply chain.** The demand for electronic products continued to increase, prompted by the change in behavior from the COVID-19 casualties. However, supply could not meet demand due to the prior production suspension from the COVID-19 outbreak and the drought-induced lower chip production capacity in Taiwan, one of the world's main chip manufacturers. The situation impaired various sectors that depended on chip technology, such as for the manufacturing of mobile phones, game consoles, and cars. Such a situation could linger and suppress export growth throughout the remainder of the year.

3) The recurring waves of the COVID-19 outbreak. Despite the currently limited impact from COVID-19 on the manufacturing sector and global trade conditions, a severe outbreak that cannot be contained could re-trigger a chain of strict containment measures. Developing countries will be particularly affected as herd immunity has not been achieved. Such a situation could hence inevitably impair global economic and trade conditions.

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