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SCB Securities Company Limited

Exports in April continued to bolster. Despite support from the low-base effect, signs of sound and distributed recovery continued to emerge. Thus, EIC revises up the 2021 export forecast to 13-15%.

25 May 2021

Key summary

The value of Thai exports in April soared by 13.1%YOY, marking a 36-months high expansion. Excluding gold, the figure surged to 28.9%YOY. Such considerable growth was partly driven by the low-base effect in the prior year, prompted by a series of national lockdowns that triggered supply disruption. Despite the low-base effect, the seasonally adjusted month-on-month growth also reflected expansion. In March and April, the economy improved by as high as 7.9 and 6.5%MoM_sa, respectively. Such figures, thus, signaled promising export recovery in the recent periods.

EIC revises up the export forecast figure to 13-15% from the previously estimated 8.6%. The main drivers for the upward revision include bolstering export conditions during the first 4 months of 2021 with a faster-than-anticipated recovery. Furthermore, the global economic conditions should continue to improve during H2. Advanced countries should lead the growth from more rapid vaccination progress and higher capability to stimulate economic activities. As such, Thai exports should continue to recover with the strongest growth expected during May-July from additional low-base effect boosts. Other notable drivers for exports include accelerating export prices influenced by heightening commodity prices.

Key points

The value of Thai exports expanded by 13.1%YOY in April, marking a 36-months high expansion. Excluding gold, the figure surged to 28.9%YOY. During the first 4 months of 2021, exports improved by 4.8%YOY. Excluding gold, exports surged to 12.8%YOY.

Regarding exports by products, key merchandise exports improved across the board. Products that led the growth were automotive and parts, rubber products, refined fuel, and chemicals.

- **Exports of automotive and parts soared by 135.9%YOY in April.** The growth spurred from better conditions of trading partners' economies as well as the low-base effect in the previous

year due to the imposed national lockdowns. The main markets that supported such a growth included Australia (174.9%YOY), Vietnam (356.1%YOY), and the Philippines (708.9%YOY).

- **Exports of rubber products continued to surge by 55.5%YOY** driven by increasing rubber demand to produce rubber gloves and tires.
- **Exports of refined fuel improved by 98.9%YOY**, supported by the low-base effect in the prior year and the recovering economic conditions of trading partners. The main markets that supported such growth included Cambodia (179.9%YOY), Malaysia (72.6%YOY), Laos (126.5%YOY), Vietnam (137.1%YOY), and Myanmar (162.5%YOY).
- **Exports of chemicals expanded by 65.7%YOY** following heightening export quantity and price. The markets that saw notable growth included China (38.6%YOY), India (384.4%YOY), Vietnam (93.4%YOY), and Malaysia (375.8%YOY).
- **Exports of plastic beads accelerated by 52.9%YOY** from the support from China (70.1%YOY), India (66.2%YOY), and Indonesia (39.7%YOY).
- **Exports of agricultural and agro-industrial products also improved by 11.4 and 1.5%YOY, respectively.** The products that led the growth were rubber (85.2%YOY), cassava products (40.0%YOY), fruits and vegetables (22.3%YOY), beverages (30.6%YOY), and pet food (11.3%YOY). Meanwhile, exports of rice and sugar tumbled by -53.6 and -33.7%YOY, respectively.

Regarding exports by destinations, exports to Thailand's key trading partners continued to improve, especially to China, the US, CLMV, and the European Union. However, exports to ASEAN 5 and Hong Kong weakened following lower gold exports.

- **Exports to China accelerated by 21.9%YOY.** Major products contributing to the growth included fruits (37.5%YOY), computer and parts (55.8%YOY), and cassava products (68.5%YOY).
- **Exports to the US continued to expand by 9.0%YOY** following growth from computer and parts (4.8%YOY), rubber products (97.7%YOY), and automotive and parts (314.8%YOY).
- **Exports to CLMV surged by 44.3%YOY.** Major products contributing to the growth were refined fuel (160.2%YOY), automotive and parts (302.0%YOY), beverages (32.3%YOY), and chemicals (55.1%YOY).
- **Exports to Europe accelerated by 52.5%YOY** driven by the growth of computer and parts (28.7%YOY), automotive and parts (319.6%YOY), and rubber products (131.5%YOY).
- **Exports to ASEAN 5 and Hong Kong continued to weaken by -4.4 and -19.8%YOY, respectively.** Gold exports largely contributed to the decline. Gold exports to Hong Kong weakened (-97.7%YOY), as well as to Singapore (-83.1%YOY). Excluding gold, exports to Hong Kong and Singapore reverted to an expansion of 17.7 and 43.3%YOY, respectively.

Figure 1: Exports in April 2021 accelerated with key merchandise exports improving across the board.

Exports by product

Unit: %YOY, (Share in 2020)	2020	2020Q2	2020Q3	2020Q4	2021Q1	Feb-21	Mar-21	Apr-21	YTD
Total (100%)	-6.0%	-15.2%	-7.8%	-2.0%	2.3%	-2.6%	8.5%	13.1%	4.8%
Total (ex. gold) (94.2%)	-8.6%	-18.8%	-10.8%	-1.6%	8.2%	4.0%	13.8%	28.9%	12.8%
Electrical appliances (10.2%)	-2.7%	-22.0%	1.6%	10.9%	14.8%	12.3%	20.9%	45.2%	21.0%
Auto & parts (9.2%)	-22.2%	-52.7%	-24.8%	-0.5%	23.8%	3.6%	43.1%	135.9%	37.1%
Agriculture (9.1%)	-3.2%	1.4%	-9.6%	4.8%	12.9%	18.0%	11.5%	11.4%	12.5%
Chemical & plastics (8.1%)	-10.7%	-19.4%	-10.3%	-0.3%	20.6%	21.4%	34.4%	44.0%	26.1%
Agro (7.8%)	-4.0%	-3.0%	-4.8%	-11.5%	-2.2%	-4.8%	0.9%	1.5%	-1.3%
Computer & parts (8.1%)	2.3%	-6.8%	3.7%	3.8%	8.4%	12.7%	4.3%	28.7%	12.8%
Rubber products (5.2%)	7.8%	-7.7%	15.7%	15.5%	32.5%	24.8%	50.6%	55.5%	37.3%
IC (3.1%)	-5.7%	-5.1%	-9.7%	-1.8%	13.9%	9.5%	18.9%	6.5%	12.0%
Machinery & parts (2.8%)	-11.0%	-27.4%	-16.5%	1.9%	8.2%	14.6%	15.0%	29.8%	12.6%
Refined fuel (2.3%)	-26.9%	-42.5%	-33.2%	-27.9%	-5.5%	-5.4%	21.6%	98.9%	11.0%
Textile (2.5%)	-16.8%	-29.0%	-20.8%	-12.3%	-5.2%	-12.5%	12.4%	36.9%	2.6%

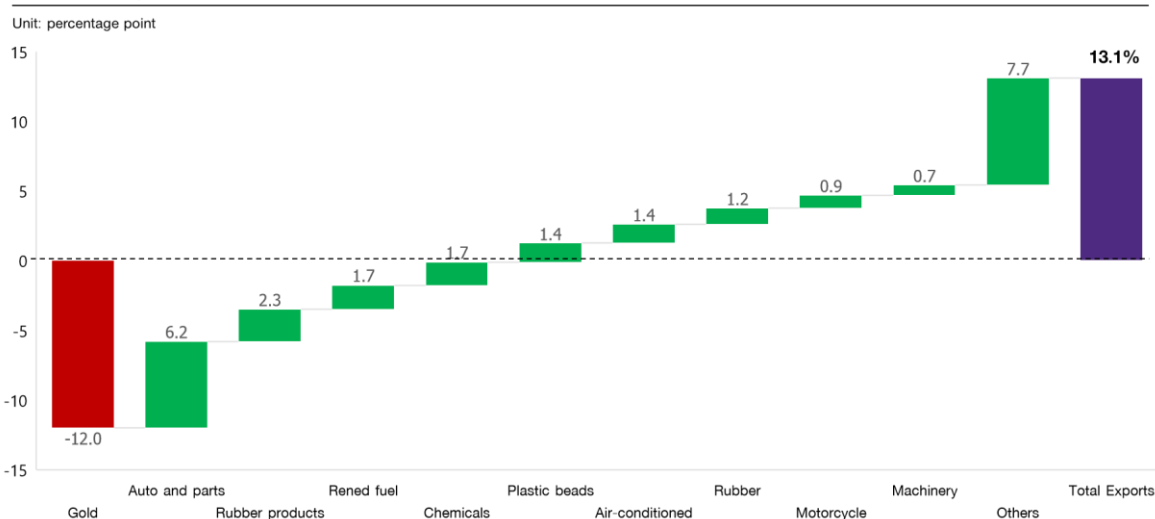
Exports by country

Unit: %YOY, (Share in 2020)	2020	2020Q2	2020Q3	2020Q4	2021Q1	Feb-21	Mar-21	Apr-21	YTD
Total	-6.0%	-15.2%	-7.8%	-2.0%	2.3%	-2.6%	8.5%	13.1%	4.8%
US (14.8%)	9.6%	8.9%	17.6%	16.0%	12.5%	19.7%	7.2%	9.0%	11.6%
ASEAN5 (13.4%)	-12.2%	-19.7%	-19.0%	-15.0%	-10.2%	-17.3%	-2.4%	-4.4%	-8.7%
China (12.9%)	2.0%	12.1%	-0.2%	-2.6%	20.6%	15.7%	35.4%	21.9%	21.0%
CLMV (10.5%)	-11.1%	-25.9%	-9.2%	-12.0%	0.6%	-4.2%	2.0%	44.3%	8.6%
Japan (9.9%)	-6.7%	-13.5%	-12.2%	4.2%	6.2%	6.5%	4.6%	2.7%	5.3%
EU15 (8%)	-12.7%	-30.7%	-12.6%	-3.7%	8.5%	0.2%	32.0%	52.5%	16.5%
Hong Kong (4.9%)	-3.6%	-8.6%	-13.9%	-2.0%	-19.3%	-36.7%	-26.8%	-19.8%	-19.4%
Australia (4.2%)	-3.9%	-15.9%	-8.9%	14.8%	19.8%	17.2%	14.9%	31.9%	22.0%
Middle East (3.1%)	-13.0%	-22.0%	-24.3%	-10.1%	-0.1%	-9.9%	-0.5%	65.7%	10.3%
India (2.4%)	-25.2%	-67.2%	-21.6%	9.0%	8.0%	8.9%	28.3%	193.0%	30.2%

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

Figure 2: Key products supporting Thai export growth included automotive, rubber products, and refined fuel. On the contrary, gold exports tumbled.

Contribution to growth of Mar21 exports



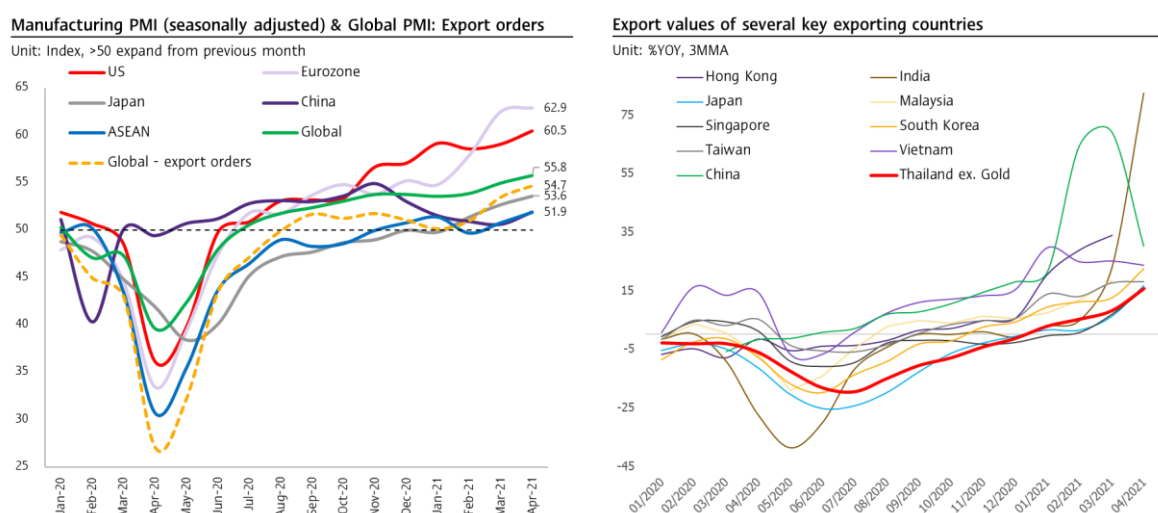
Source: EIC analysis based on data from the Ministry of Commerce

In terms of imports, the value of imports in April improved by 29.8%YOY, increasing from the 14.1%YOY expansion in the previous month. Imports of key product categories expanded across the board, including fuel products (45.51%YOY), capital goods (18.6%YOY), consumer goods (40.8%YOY), vehicles and transportation equipment (27.5%YOY), and raw materials (29.1%YOY, excluding gold, the growth increased to 26.8%YOY). Such growth suggested a strong export recovery in the periods ahead, as most imported goods were used to manufacture export products. During the first 4 months of 2021, imports expanded by 13.9%YOY, while registering a slight trade surplus at USD 698.1 million. The trade surplus value was lower than the same period in 2020 at USD 7,124.1 million.

■ Implication

Despite support from the low-base effect, export growth in April strengthened following recovering global trade conditions. Export growth, excluding gold, accelerated by 28.9%YOY in April. Such considerable growth was partly driven by the low-base effect in the prior year, prompted by a series of national lockdowns that triggered supply disruption. Despite the low-base effect, the seasonally adjusted month-on-month growth also reflected expansion. In March and April, the economy improved by as high as 7.9 and 6.5%MoM_Sa, respectively. Such figures emphasized strong recovery. Furthermore, global trade conditions signaled an uptrend as the readings of the Manufacturing PMI and Global PMI – Export orders index for all major countries continued to increase and were above 50 (improving from the prior month). Export growth of major exporting countries also improved with all countries reporting double-digit growth (including Thailand), suggesting a rapid global export recovery in the recent periods (Figure 3).

Figure 3: Global trade conditions signaled strong recovery as the readings of the Manufacturing PMI and Global PMI – Export orders index continued to increase amid double-digit export growth in various countries.



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

EIC revises up the 2021 export forecast to 13-15% from the previous estimation of 8.6% due to the following reasons:

- **Reported export figures recovered faster than anticipated. Furthermore, the global economic conditions should continue to improve during H2.** During the first 4 months of 2021, exports, excluding gold, registered a 12.8%YOY expansion, a significantly better-than-expected rate. Going forward, exports should continue to recover following better global economic conditions. Advanced countries should lead the growth due to the more rapid vaccination progress and higher capability to stimulate economic activities. As such, Thai exports should benefit from the situation. Moreover, Thai export growth should see the strongest recovery during May-July from the additional low-base effect boosts.
- **Export prices heightened following commodity prices,** including agricultural products (such as sugar, rubber, oil palm, and chicken meat), refined fuel, chemicals, and steel. Such increasing prices will give extra boosts to export growth, supplementing higher export quantity.
- **Technical factors relating to how export figures are calculated.** EIC's export forecast at 13-15% is based on the BOP basis, a forecast that conforms to the concepts and definitions of GDP calculations. Meanwhile, figures from the Ministry of Commerce are reported on a Customs basis. Usually, the reported growth figures from the two basis are on par. However, during Q1/2021, the posted BOP basis export growth was at 5.3%YOY, a rate significantly higher than the Custom basis at 2.3%YOY. The difference spurred from the lower base of the BOP basis as during the prior year private chartered planes were returned. The Custom basis included the item, however, the BOP basis did not include the item as no change of ownership¹ was reported. As such, the mentioned technical factor also influenced EIC's accelerated export growth projection.

Figure 4: The low-base effect during May-July, the strong export recovery in the recent periods, as well as heightening export prices, influenced EIC to revise the export growth projection upwards.

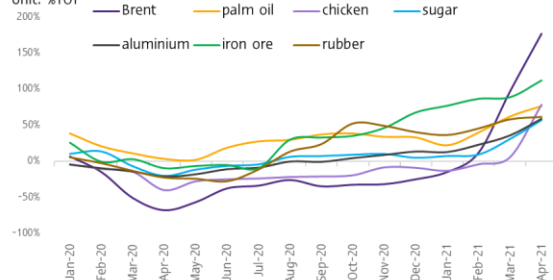
Export prices of key products

Unit: Index Q1/20 = 100, 3MMA

	2020	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21
Export price index	-0.8	-0.4	-2.0	-0.7	0.1	2.1
Agriculture (10.3%)	2.9	3.2	1.0	2.3	5.3	7.7
Agro-industry (7.9%)	2.2	0.9	1.5	3.1	3.5	3.9
Manufacturing (75.1%)	-0.4	-0.6	-0.9	-0.3	0.2	1.2
Fuel (6.7%)	-24.3	-9.7	-40.1	-24.4	-22.3	3.4

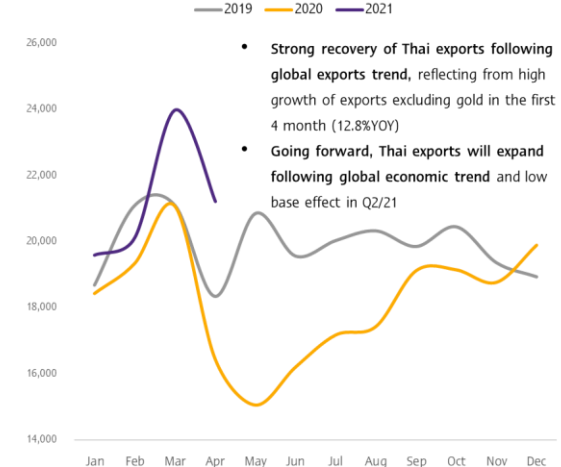
Global commodity prices

Unit: %YOY



Thai exports, excluding gold

Unit: USD million



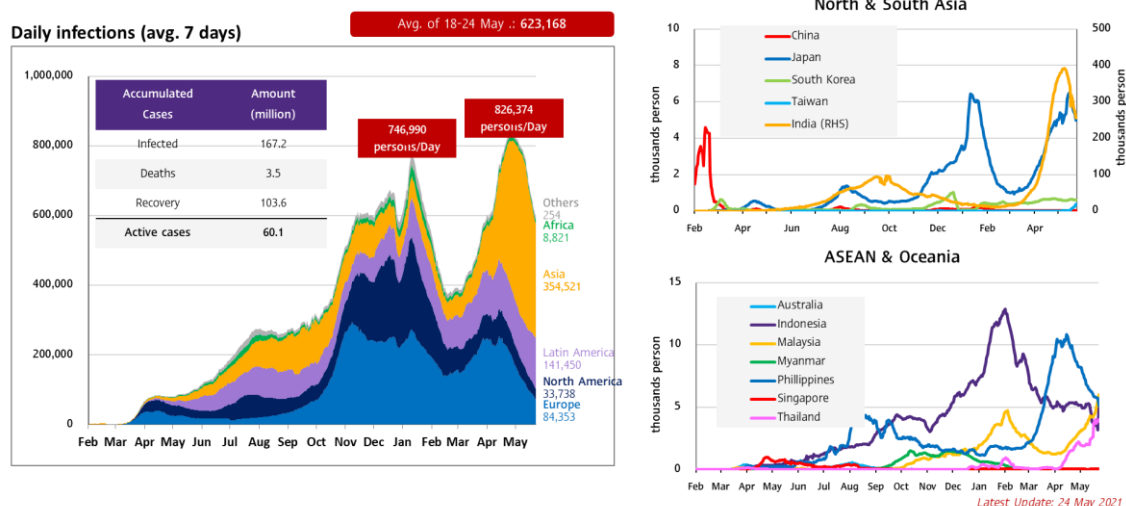
Source: EIC analysis based on data from the Ministry of Commerce and CEIC

¹ For more information regarding the difference between the BOP and Custom basis see more at https://www.bot.or.th/Thai/Statistics/Articles/Doc_Lib_StatinFocus/trade.pdf

Nevertheless, various downside risks warrant monitoring, including:

- **Prevailing container shortages and skyrocketing freight costs.** Such a situation will continue to suppress export growth in 2021. However, the situation should alleviate starting from the end of 2021 or early 2022. Initially, various parties anticipated better conditions during H2/2021, however, the continually increasing global trade demand puts pressure on container supply, as well as triggering freight costs to continue to increase.
- **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. Furthermore, the tech war between China and the US triggered a battle for chip stockpiles, further depleting the available chip supply. The situation impaired various sectors that depended on chip technology, such as mobile phones, game consoles, and cars. Such a situation could linger and suppress export growth throughout the remainder of the year.
- **The recurring waves of the COVID-19 outbreak.** Although the number of infected persons started to drop on a global scale, the outbreak in India remained severe. Furthermore, situations could worsen in Asia and South America due to the spread of the new virus strain and the slow vaccination progress. Worsening outbreaks in Asian countries, including Japan, Indonesia, the Philippines, and Malaysia, could reduce the demand for Thai exports. As such, conditions in such countries should be closely monitored as the countries are Thailand's main trading partners.

Figure 5: Although the number of infected persons started to drop on a global scale, the outbreak in India remained severe. Furthermore, situations could worsen in Asia and South America due to the more transmissible virus strain and the slow vaccination progress.



Source: EIC analysis based on data from the World Health Organization (WHO)

EIC will continue to closely monitor and assess the export situation and will publish the updated export and Thai economic forecast figures during early June.

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