

# Notice to readers

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SCB Securities Company Limited

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July year-on-year export growth soared due to the low-base effect. However, the growth momentum started to stall from the previous month due to the casualties from COVID-19 that weakened trading partner's demand and suppressed supply from temporary factory closures, a major risk in the periods ahead.

23 August 2021

### Key summary

- The value of exports in July continued to surge by 20.3%YOY in comparison to the previous year, due to the push from the low-base effect. The driver for such growth came from higher export growth in nearly all product categories and destinations. However, the growth momentum started to stall from the resurgence of the global COVID-19 outbreak, causing the seasonally adjusted month-on-month growth to contract by -1.1%MoM\_sa. Moreover, in terms of the %MoM\_sa growth, export contractions were observed in various key markets, especially markets that were severely hampered by the COVID-19 outbreak, including ASEAN (ASEAN 5 and CLMV), the US, and Europe.
- During the remainder of 2021, supply risks warrant close monitoring as troublesome signs started to emerge. Notable supply risks include the increasing number of domestic factories that halted operations as well as growing concerns regarding supply chain disruption. The production chains between Thailand and developing countries, particularly ASEAN countries, require special attention, as the readings of the Manufacturing PMI of such countries weakened significantly in recent periods.
- Such export growth slowdown was in line with EIC's previous estimate that export growth will stall during the second half of 2021 from the gradually heightening base in late 2020. Other suppressing factors include the most recent wave of global outbreaks that will continue to undermine export growth during the remainder of the year. With such regards, EIC maintains the 2021 export forecast at 15.0%.

### ■ Key points

**The value of Thai exports in July surged by 20.3%YOY**, slowing from the 43.8%YOY growth in the previous month. Excluding gold, export growth improved to 28.6%YOY. As such, during the first 7 months of 2021, the value of Thai exports expanded by 16.2%YOY. Excluding gold, the figure increased to 23.3%YOY.

**Exports of key merchandise continued to expand across the board. The key growth drivers included:**

- **Exports of automotive and parts continued to increase for 8 consecutive months with a growth of 39.2%YOY.** Key export destinations with robust growth included Vietnam (105.4%YOY), Australia (68.2%YOY), the US (88.9%YOY), and Malaysia (121.9%YOY).
- **Exports of fresh/ chilled/ frozen/ dried fruits surged by 122.8%YOY** following growth in various key markets, including China (79.81%YOY), the US (19.7%YOY), and Malaysia (133.1%YOY), meanwhile markets that saw significant weakening were Hong Kong (-19.6%YOY) and Vietnam (-51.85%YOY).
- **Exports of refined fuel improved by 70.9%YOY** following the continually increasing demand for energy and crude oil. Export destinations with high growth included Cambodia (59.4%YOY), Malaysia (40.5%YOY), and the Philippines (339.3%YOY).
- **Exports of chemical products increased by 54%YOY.** Key destinations that saw surging growth were China (38.9%YOY), Vietnam (57.7%YOY), and Japan (55.2%YOY). Similarly, **exports of plastic beads increased by 57.8%YOY** with strong growth to India (78.7%YOY), Indonesia (71%YOY), and Vietnam (53.5%YOY).
- **Exports of computer and parts increased by 20.7%YOY** following heightening demand for electronic product usage at home due to the COVID-19 outbreak. Such growth momentum continued for 8 consecutive months with exports of hard disk drives (HDD) leading the recovery with 31.1%YOY growth.
- **Exports of rubber products soared by 121.2%YOY.** Key markets that saw considerable growth were China (49.8%YOY), Malaysia (41%YOY), and the US (78.5%YOY).
- **Exports of iron, steel, and products grew by 59.4%YOY** with strong growth to China (49.8%YOY), Malaysia (41%YOY), the US (78.50%YOY), and India (158.7%YOY).

**Regarding exports by destinations, exports to nearly all key destinations improved, particularly India and China. However, exports to Australia weakened.**

- **Exports to India continued to surge for 6 consecutive months with a growth of 75.3%YOY in July.** Products that led the expansion included automotive and parts (360.5%YOY), plastic beads (83.8%YOY), chemicals (69.1%YOY), and iron, steel, and products (94.8%YOY).
- **Exports to China expanded for 8 consecutive months with a growth of 41%YOY.** Exports of fresh/ chilled/ frozen/ dried fruits (173.9%YOY), rubber (129%YOY), cassava products (75.57%YOY), and chemicals (53.3%YOY) led the growth.
- **Exports to ASEAN 5 grew by 26.9%YOY.** Key products that drove the improvement were automotive and parts (141.7%YOY), refined fuel (69.1%YOY), computers (81%YOY), and iron, steel, and products (192.8%YOY).

- **Exports to Japan improved by 23.3%YOY** following the expansion from exports of automotive and parts (14.2%YOY), copper and articles thereof (124.1%YOY), plastic beads (69.2%YOY), and chemicals (40.6%YOY).
- **Exports to Australia reverted to a -12.3%YOY contraction.** Key products with weakening growth were air conditioner and parts (-6.4%YOY), cosmetics, soap, and skincare products (-21.9%YOY), and canned and processed seafood (-40.1%YOY). On the contrary, key products that supported growth were automotive and parts (21.3%YOY), rubber products (24.2%YOY), and plastic beads (38.7%YOY).

**Figure 1: Exports in July continued to improve across the board, both in terms of product categories and destinations except Australia.**

**Exports by product**

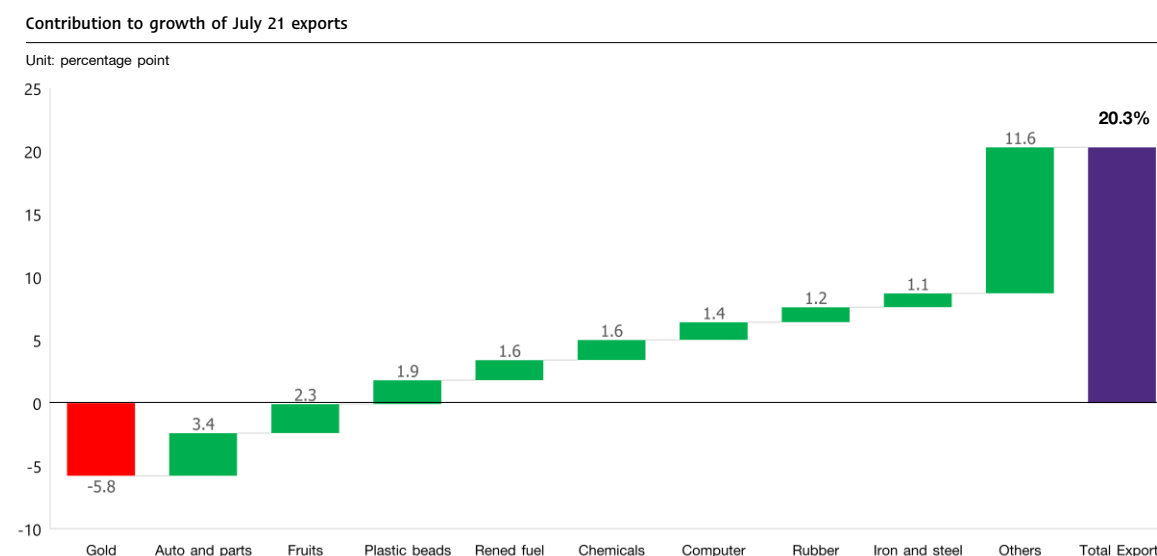
Unit: %YOY, (Share in 2020)	2020	2020Q3	2020Q4	2021Q1	2021Q2	May-21	Jun-21	Jul-21	YTD
<b>Total (100%)</b>	-5.9%	-7.7%	-2.0%	2.1%	31.8%	41.6%	43.8%	20.3%	16.2%
<b>Total (ex. gold) (94.2%)</b>	-8.5%	-10.7%	-1.6%	8.1%	40.1%	48.8%	43.4%	28.6%	23.3%
Electrical appliances (10.2%)	-3.0%	0.7%	10.9%	14.8%	48.8%	60.3%	42.3%	21.9%	28.4%
Auto & parts (9.2%)	-21.8%	-24.3%	0.1%	23.8%	120.4%	170.3%	78.5%	39.2%	53.1%
Agriculture (9.1%)	-3.1%	-9.5%	4.8%	12.9%	26.8%	20.5%	59.8%	46.4%	23.6%
Chemical & plastics (8.1%)	-10.7%	-10.3%	-0.3%	20.6%	49.7%	58.5%	47.2%	47.3%	36.3%
Agro (7.8%)	-3.8%	-4.6%	-11.5%	-2.7%	6.7%	5.5%	13.5%	0.4%	1.8%
Computer & parts (8.1%)	2.3%	3.7%	3.8%	8.4%	30.8%	44.5%	21.5%	19.3%	19.1%
Rubber products (5.2%)	7.8%	15.7%	15.5%	32.4%	48.6%	54.7%	38.1%	16.0%	36.0%
IC (3.1%)	-5.7%	-9.7%	-1.9%	13.9%	22.7%	29.8%	32.8%	25.9%	19.4%
Machinery & parts (2.8%)	-10.5%	-14.8%	1.9%	8.2%	51.1%	52.9%	73.1%	26.0%	26.0%
Refined fuel (2.3%)	-27.0%	-33.3%	-28.3%	-5.5%	95.7%	105.5%	81.9%	70.9%	37.5%
Textile (2.5%)	-16.9%	-21.0%	-12.5%	-5.3%	32.6%	38.2%	24.3%	18.1%	11.6%

**Exports by country**

Unit: %YOY, (Share in 2020)	2020	2020Q3	2020Q4	2021Q1	2021Q2	May-21	Jun-21	Jul-21	YTD
<b>Total (100%)</b>	-5.9%	-7.7%	-2.0%	2.1%	31.8%	41.6%	43.8%	20.3%	16.2%
US (14.8%)	9.7%	17.8%	16.2%	12.4%	30.4%	44.9%	41.2%	22.2%	21.2%
ASEANS (13.4%)	-12.2%	-19.2%	-15.0%	-10.2%	27.0%	51.0%	48.7%	26.9%	8.6%
China (12.9%)	2.2%	0.0%	-2.6%	19.7%	29.2%	25.5%	42.0%	41.0%	27.2%
CLMV (10.5%)	-11.1%	-9.2%	-12.0%	0.6%	42.3%	46.8%	36.3%	16.1%	17.9%
Japan (9.9%)	-7.0%	-13.0%	4.2%	6.4%	20.0%	27.4%	32.3%	23.3%	14.0%
EU15 (8%)	-12.6%	-12.5%	-3.7%	8.0%	51.9%	63.1%	42.2%	20.4%	25.1%
Hong Kong (4.9%)	-3.6%	-13.9%	-2.0%	-19.3%	16.3%	48.4%	36.6%	20.9%	0.5%
Australia (4.2%)	-3.9%	-8.8%	14.8%	19.8%	27.7%	22.4%	30.3%	-12.3%	17.4%
Middle East (3.1%)	-12.7%	-23.3%	-10.1%	-0.3%	41.7%	39.9%	26.1%	12.4%	15.9%
India (2.4%)	-25.0%	-21.3%	9.0%	7.6%	181.5%	243.8%	123.9%	75.3%	57.4%

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

**Figure 2: Key products supporting Thai export growth included automotive and parts, fruits, plastic beads, refined fuel, chemicals, and computers. On the contrary, gold exports tumbled.**



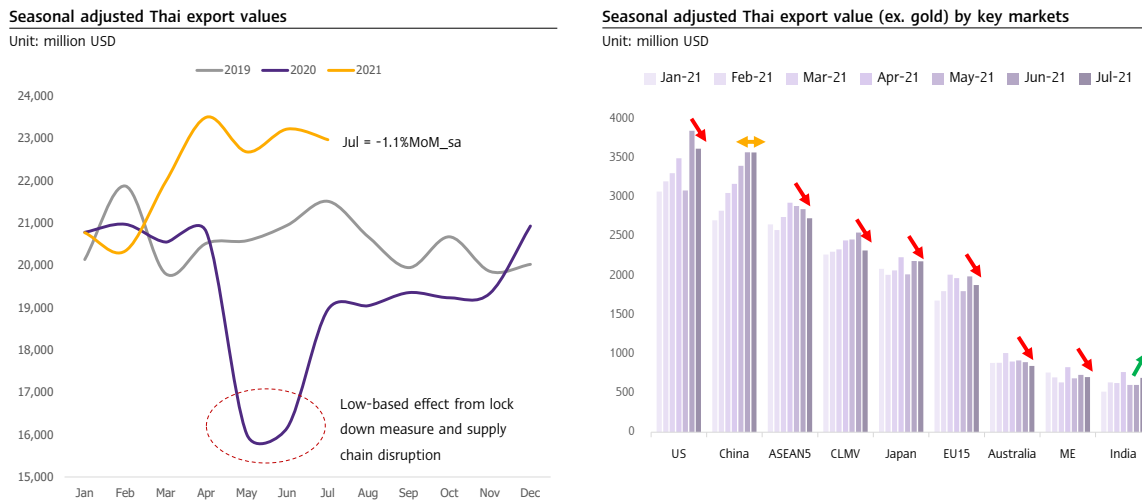
Source: EIC analysis based on data from the Ministry of Commerce

**In terms of imports, the value of imports in July accelerated for 6 consecutive months with a growth of 45.9%YOY.** Albeit slightly stalling from the 53.8%YOY expansion in the previous month, imports in July improved across the board following better export conditions. Key import growth drivers included fuel products (74.4%YOY) that expanded from the low-base as well as higher prices compared to the prior year, capital goods (35.4%YOY), consumer goods (17%YOY), and vehicles and transportation equipment (75.4%YOY). Similarly, imports of raw materials and intermediate raw materials improved by 51.5%YOY. Excluding gold, the growth dropped slightly to 50.1%YOY. As such, during the first 7 months of 2021, imports expanded by 28.7%YOY with a trade surplus of USD 2,622.6 million.

## ■ Implication

**July export figures signaled stalling momentum due to the implications of the global COVID-19 outbreak.** Although growth in terms of %YOY accelerated from the low-base effect, in terms of the seasonally adjusted month-on-month growth, the figure shrank by -1.1%MoM\_sa (Figure 3 left). Moreover, in terms of the %MoM\_sa growth, export contractions were observed in various key markets (Figure 3 right), especially markets that were severely hampered by the COVID-19 outbreak, including ASEAN (ASEAN 5 and CLMV), the US, and Europe. Such conditions reflected that the demand for Thai exports has already begun to be affected by the latest wave outbreak.

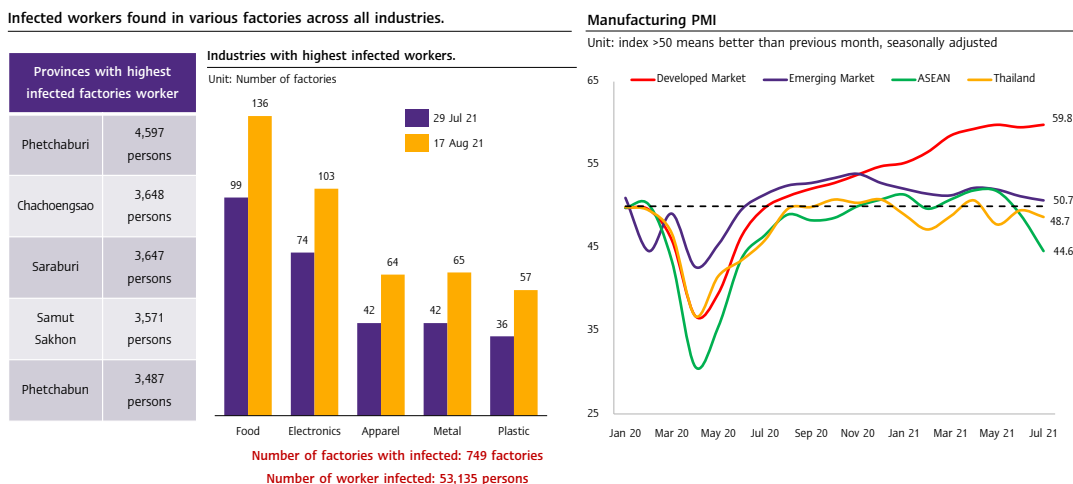
**Figure 3: Exports in July slowed as the seasonally adjusted month-on-month growth shrank with contractions observed in various key markets, especially those severely hit by the COVID-19 pandemic.**



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

**Going forward, supply-side risks warrant close monitoring as troublesome signs started to emerge.** Notable supply risks include the increasing number of domestic factories that halted operations to resolve and contain the COVID-19 spread (Figure 4 left). If the outbreak within Thailand continues to be out of control, thereby increasing or lengthening factory closures, the manufacturing of export goods could be impacted in the periods ahead. Furthermore, concerns regarding supply chain disruption resurfaced. The production chains between Thailand and developing countries, particularly ASEAN countries, require special attention as the readings of the Manufacturing PMI of such countries weakened significantly in the recent periods (Figure 4 upper-right).

**Figure 4 : Going forward, escalating supply-side risks could undermine export growth. Such risks include domestic factory closures and supply chain disruption between Thailand and developing countries, especially ASEAN.**

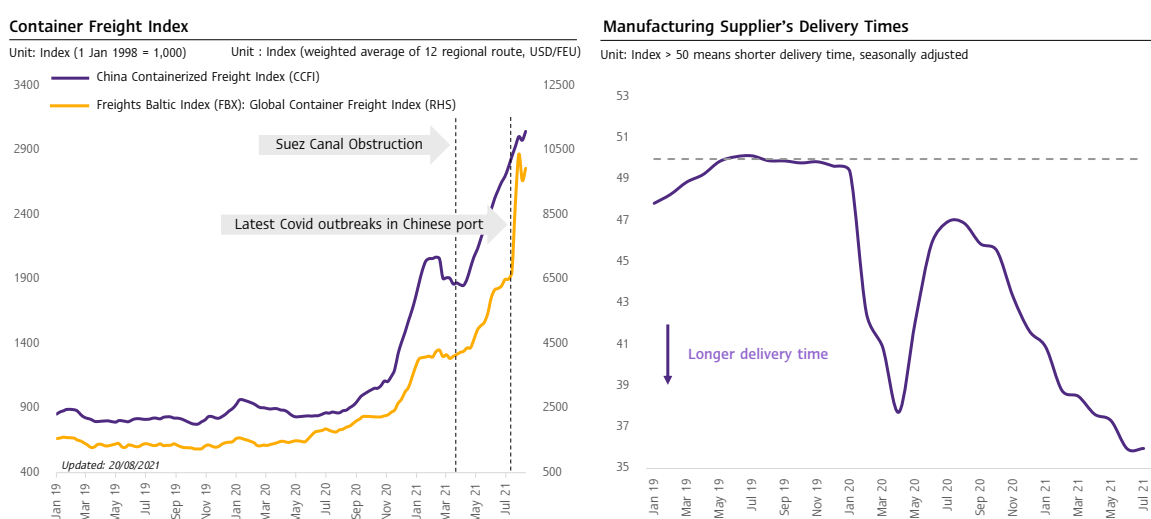


Source : EIC analysis based on data from various press, IHS Markit, and CEIC

## Meanwhile, container and semiconductor (chip) shortages continued to hinder exports.

Most recently on 11 August 2021, China partly suspended the operations of the Ningbo-Zhoushan port in Shanghai after 1 worker was infected with the Delta variant of COVID-19. The closing of the world's third-busiest container port worsened container shortages causing freight costs and shipping duration to continue to increase. Furthermore, the chip shortages continued to impair various sectors that depended on chip technology. For example, in the automotive industry, Toyota recently announced to cut global car production by 40% in September because of the chip shortage. Such an event could undermine Thai automotive exports during Q4.

**Figure 5: Container shortages worsened once again due to the new outbreak in Southern China causing freight costs and shipping duration to continue to increase.**



Source: EIC analysis based on data from Bloomberg, Freightos, and JP Morgan

*In summary, the slowdown in export growth was in line with EIC's previous estimate that exports will stall during the second half of 2021 from the gradually heightening base in late 2020. Other suppressing factors include the most recent wave of global outbreaks that will continue to undermine export growth during the remainder of the year. With such regards, EIC maintains the 2021 export forecast at 15.0%. However, casualties from the latest outbreak warrant monitoring from the dire implications on demand (Thailand's trading partner's economic conditions) and supply (domestic factory shutdowns and potential supply chain disruption).*

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