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SCB Securities Company Limited

Exports in September recovered from the past two months following better global COVID-19 conditions. However, surging inflation from heightening energy prices will continue to undermine exports in the periods ahead.

26 October 2021

Key summary

- **The value of exports in September continued to expand by 17.1%YOY following improving exports in all key categories and destinations except Australia that saw a slight decline from dwindling gold exports. In terms of the seasonally adjusted month-on-month growth, exports increased by 4.2%MoM_sa, following better global COVID-19 conditions in September that prompted demand recovery. Similarly, the casualties from temporary factory shutdowns due to COVID-19 were also alleviated.**

- **Albeit the recovery from COVID-19, exports will continue to face new undermining factors throughout the remainder of the year. A notable risk includes surging energy prices that led to a global hike in inflation. Such a condition could weaken purchasing power in the short term, particularly in countries that heavily rely on energy imports. However, the situation should gradually alleviate in the coming periods. Meanwhile, China's economic condition warrant monitoring due to the risks from the energy crisis and the troubling real estate sector from the Evergrande case. Given such headwinds, Thai exports to China could weaken during the remainder of the year.**

- **EIC maintains the export growth forecast for 2021 at 15%YOY as the latest export figures still aligned with the prior view. Specifically, exports during the remainder of 2021 will recover from the trough in July-August from the aggressive Delta variant outbreaks. However, such recovery will not be as robust as during Q2. Looking forward to 2022, Thai exports should continue to expand by 4.7%, following stalling global economic growth. Meanwhile, exports to developing economies should especially accelerate following the improving vaccination progress.**

Key points

The value of Thai exports in September expanded by 17.1%YOY, accelerating from the previous month at 8.9%YOY. Excluding gold, export growth improved to 18.9%YOY. As such, during the first 3 quarters of 2021, the value of exports expanded by 15.5%YOY.

Merchandise exports continued to increase in terms of %YOY growth.

- **Exports of refined fuel continued to improve for 7 consecutive months with a surge of 114.4%YOY in September**, following the continually increasing demand for energy and rising oil prices. Exports by key destinations improved across the board, including Cambodia (87.73%YOY), Malaysia (284.7%YOY), Singapore (186.5%YOY), and the Philippines (913.3%YOY).
- **Exports of computer and parts grew for 10 consecutive months with a growth of 22.6%YOY in September.** Destinations that drove the expansion included the US (18.5%YOY), Hong Kong (33.2%YOY), China (27.7%YOY), and Malaysia (132.9%YOY). Meanwhile, destinations that dragged the recovery included the Netherlands (-16%YOY).
- **Exports of chemical products expanded for 10 consecutive months with a growth of 55.8%YOY.** Exports by key destinations improved across the board, including China (75.9%YOY), Japan (48%YOY), and India (115.7%). However, growth to Vietnam contracted by (-30.1%YOY).
- **Exports of plastic beads grew for 10 consecutive months with a growth of 40.3%YOY in September.** Exports by key destinations expanded across the board, including China (14.1%YOY), India (75.3%YOY), and Indonesia (81.1%YOY).
- **Exports of rubber surged for 12 consecutive months with a growth of 83.6%YOY.** Exports by key destinations also improved across the board, including China (125.6%YOY), the US (249%YOY), and India (231.7%YOY).
- **Exports of machinery and parts continued to improve for 8 consecutive months with an expansion of 32.8%YOY in September**. Exports by key destinations increased across the board, including the US (28.6%YOY) and China (98.1%YOY). However, growth to India contracted by (-6.8%YOY).
- **Exports of fresh/ chilled/ frozen/ dried fruits reverted to a contraction at -22%YOY,** the first decline in 6 months. Such a drop was in line with exports to China that weakened by -15.2%YOY. Fruit exports to China accounted for 83.4% of Thailand's total fruit export.
- **Exports of automotive and parts improved by 4.9%YOY**, stalling from the previous month at 17.8%YOY. Despite the slowing %YOY growth, in terms of the seasonally adjusted month-on-month growth, automotive and parts exports increased by 4.5%MoM_sa after contracting during the 2 previous months. Such conditions signaled recovery following better global economic conditions.

Regarding exports by destinations, exports to all key destinations improved except Australia due to gold.

- **Exports to India continued to surge for 8 consecutive months with a growth of 76.1%YOY.** All key product categories saw accelerating or stable growth, including animal or vegetable fats and oil (426.4%YOY), plastic beads (75.3%YOY), and chemicals (115.7%YOY).
- **Exports to China improved by 23.3%YOY**, following exports of plastic beads (14.1%YOY), cassava products (52.2%YOY), computer and parts (27.7%YOY), and chemicals (75.9%YOY). However, exports of fresh/ chilled/ frozen/ dried fruits contracted by -15.2%YOY. Once a driver in the recent periods, fruits export became the main drag this month.
- **Exports to CLMV reverted to an 8.2%YOY growth**, after contracting slightly by -0.03%YOY in the previous month. Analysis of growth by countries found that exports to Cambodia, Laos, and Myanmar improved by 48.9%YOY, 19.8%YOY, and 48.9%YOY, respectively. Meanwhile, exports to Vietnam dropped by -23.3%YOY due to the severe COVID-19 outbreak. However, exports to Myanmar returned to growth due to improving electrical wires and cables export that soared by 7,308.7%YOY.
- **Exports to Hong Kong reverted to a 14.6%YOY increase**, after dropping by -9.5%YOY in the previous month. Notable drivers included computer and parts (33.2%YOY), integrated circuits (16.3%YOY), precious stones and jewelry (21.7%YOY), especially gold, steel, and iron products (1,124.6%YOY). However, exports of fax, telephone, components and parts dropped by (-44.4%YOY), a continual suppressing factor.
- **Exports to Australia continued to drop for 4 consecutive months with a -0.6% contraction.** Such growth improved from the previous month at -23.1%YOY. Key exports that dragged growth were automotive and parts (-14.2%YOY) and gold (-100%YOY). Furthermore, gold exports to Australia contracted by over 90%YOY for 3 consecutive months.

Figure 1: Exports in September by key products and destinations improved across the board in terms of %YOY. However, exports to Australia continued to contract due to gold.

Exports by product

Unit: %YOY, (Share in 2020)	2020	2020Q4	2021Q1	2021Q2	2021Q3	Jul-21	Aug-21	Sep-21	YTD
Total (100%)	-5.9%	-2.0%	2.1%	31.8%	15.3%	20.3%	8.9%	17.1%	15.5%
Total (ex. gold) (94.2%)	-8.5%	-1.6%	8.1%	40.1%	23.6%	28.6%	23.8%	18.9%	22.8%
Electrical appliances (10.2%)	-3.0%	10.9%	14.8%	48.8%	12.9%	21.9%	6.3%	11.2%	23.6%
Auto & parts (9.2%)	-21.8%	0.1%	23.8%	120.4%	19.1%	39.2%	17.8%	4.9%	42.3%
Agriculture (9.1%)	-3.1%	4.8%	12.9%	26.8%	34.3%	46.4%	45.5%	12.9%	24.7%
Chemical & plastics (8.1%)	-10.7%	-0.3%	20.6%	49.7%	43.0%	47.3%	42.1%	39.9%	37.4%
Agro (7.8%)	-3.8%	-11.5%	-2.7%	6.7%	4.0%	0.4%	0.2%	11.3%	2.7%
Computer & parts (8.1%)	2.3%	3.8%	8.4%	30.8%	17.7%	19.3%	10.5%	22.6%	18.6%
Rubber products (5.2%)	7.8%	15.5%	32.4%	48.6%	8.2%	16.0%	6.5%	2.6%	28.1%
IC (3.1%)	-5.7%	-1.9%	13.9%	22.7%	19.4%	25.9%	16.5%	16.2%	18.7%
Machinery & parts (2.8%)	-10.5%	1.9%	8.2%	51.1%	27.2%	26.0%	21.8%	32.8%	26.4%
Refined fuel (2.3%)	-27.0%	-28.3%	-5.5%	95.7%	103.4%	70.9%	127.8%	114.4%	53.4%
Textile (2.5%)	-16.9%	-12.5%	-5.3%	32.6%	15.5%	18.1%	9.2%	19.2%	12.2%

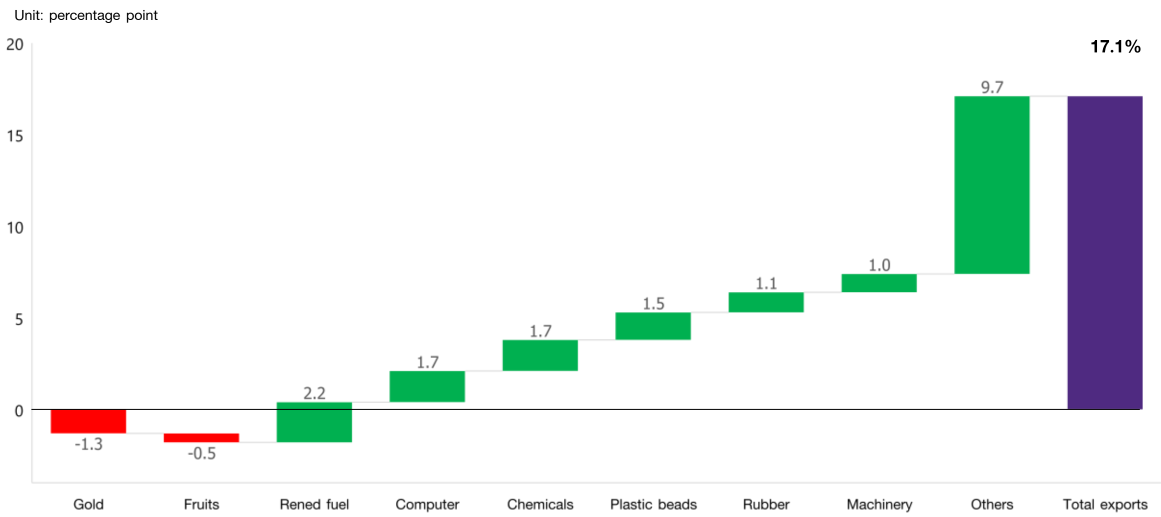
Exports by country

Unit: %YOY, (Share in 2020)	2020	2020Q4	2021Q1	2021Q2	2021Q3	Jul-21	Aug-21	Sep-21	YTD
Total (100%)	-5.9%	-2.0%	2.1%	31.8%	15.3%	20.3%	8.9%	17.1%	15.5%
US (14.8%)	9.7%	16.2%	12.4%	30.4%	19.6%	22.2%	16.2%	20.2%	20.5%
ASEAN5 (13.4%)	-12.2%	-15.0%	-10.2%	27.0%	26.5%	26.9%	26.9%	25.7%	12.4%
China (12.9%)	2.2%	-2.6%	19.7%	29.2%	32.2%	41.0%	32.3%	23.3%	27.4%
CLMV (10.5%)	-11.1%	-12.0%	0.6%	42.3%	8.1%	16.1%	0.0%	8.2%	14.9%
Japan (9.9%)	-7.0%	4.2%	6.4%	20.0%	15.3%	23.3%	10.0%	13.2%	13.5%
EU15 (8%)	-12.6%	-3.7%	8.0%	51.9%	14.1%	20.4%	12.8%	9.4%	21.8%
Hong Kong (4.9%)	-3.6%	-2.0%	-19.3%	16.3%	7.8%	20.9%	-9.5%	14.6%	0.8%
Australia (4.2%)	-3.9%	14.8%	19.8%	27.7%	-12.6%	-12.3%	-23.1%	-0.6%	9.7%
Middle East (3.1%)	-12.7%	-10.1%	-0.3%	41.7%	19.9%	12.4%	31.9%	17.4%	17.6%
India (2.4%)	-25.0%	9.0%	7.6%	181.5%	64.9%	75.3%	44.2%	76.1%	58.4%

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

Figure 2: Gold dragged export recovery in September, while refined fuel, computer, and chemical exports supported growth.

Contribution to growth of Sep 21 exports



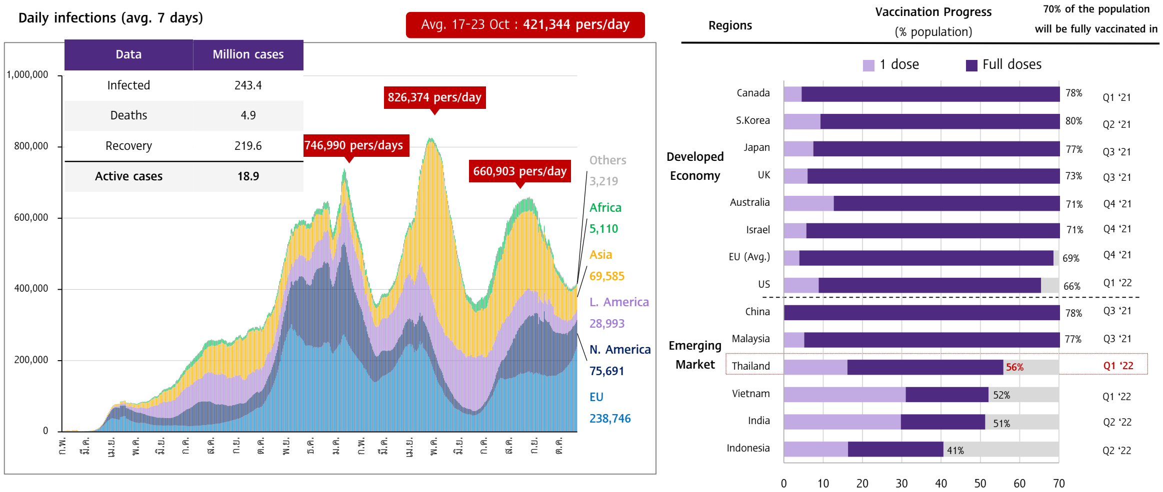
Source: EIC analysis based on data from the Ministry of Commerce

In terms of imports, the value of imports in September accelerated by 30.3%YOY, stalling from the previous month at 47.9%YOY. Imports improved across the board. Key import growth drivers included fuel products (43.9%YOY) that expanded from the low-base as well as higher prices compared to the prior year, capital goods (16.1%YOY), consumer goods (22.2%YOY), and vehicles and transportation equipment (16.2%YOY). Similarly, imports of raw materials and intermediate raw materials improved by 44.6%YOY. Excluding gold, the growth improved to 43.6%YOY. As such, during the first 3 quarters of 2021, imports expanded by 30.9%YOY. The trade surplus in September registered at USD 609.8 million. As such, during the first 3 quarters of 2021, the trade balance remained at a surplus of USD 2,016.8 million.

Implication

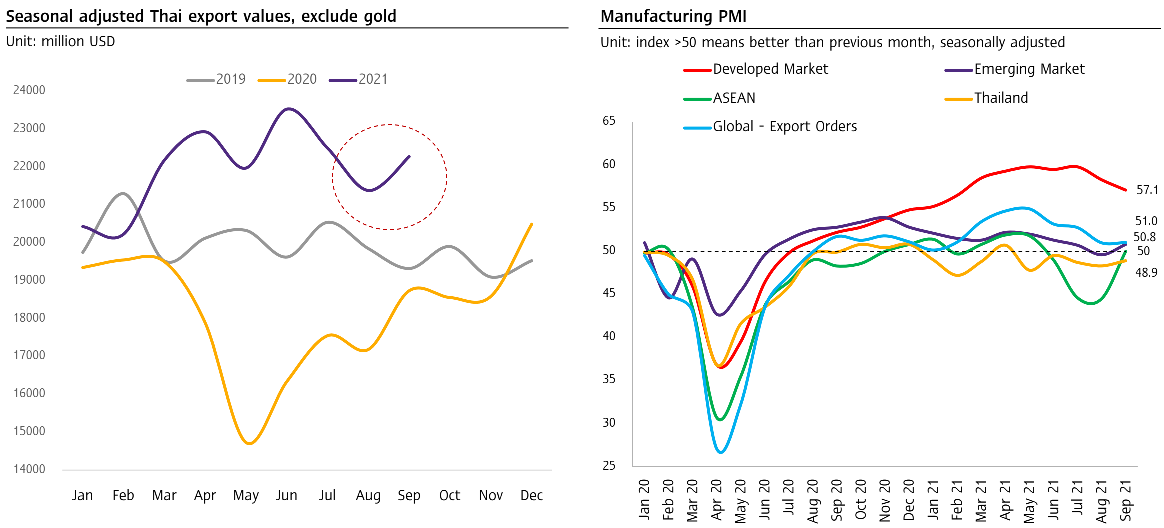
Exports in September recovered from the prior period following better global COVID-19 conditions. During July and August exports considerably waned due to the global Delta variant outbreak. However, situations improved from September onwards (Figure 3). As such, the global economic conditions started to recover, thus prompting Thai exports, excluding gold, to increase by 4.2% in terms of the seasonally adjusted month-on-month growth (mom_sa). Similarly, readings of the Global Manufacturing PMI Export Orders and Manufacturing PMI for EMs and ASEAN countries heightened from the prior period. Although the readings of the Manufacturing PMI for developed economies somewhat weakened, the value continued to remain above 50 (Figure 4).

Figure 3: The number of global new confirmed COVID-19 cases dropped considerably during September in tandem with improving vaccination progress in various countries.



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

Figure 4: Given alleviating COVID-19 circumstances, the global economic and trade conditions in September improved as well as Thai exports.

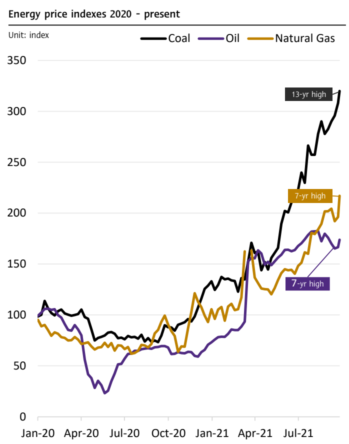


Source: EIC analysis based on data from the Ministry of Commerce, JP Morgan, and CEIC

Despite recovering exports from better COVID-19 conditions, various headwinds remain, including the global energy shortage that prompted inflation surge. The 4 factors influencing the current global energy shortage (Figure 5) include **1) The COVID-19 outbreak and the impact on energy production** that lowered supply in the prior period, though demand heightened as economies started to recover as in the present, thus, causing energy shortage. **2) Volatile weather conditions** that impaired energy production, including natural gas and coal. Furthermore, as winter approaches, energy demand will also increase for the use of heating applications. **3) Geopolitical risks,** including the uncertainty involving the sufficiency of natural gas imported from Russia to Europe and the conflict between China and Australia regarding coal. **4) The clean energy transition** that reduced or slowed investments for fossil energy production, whilst the capacity of clean energy cannot fully replace traditional energy. Such factors together influenced the global energy shortage, which caused prices of various energy products to rapidly increase and triggered concerns regarding inflation and stagflation (low or contracting economic growth amid accelerating inflation). Nevertheless, analysis from various sources views that such conditions should be short-lived. Despite the global economic slowdown in the short term following weakening purchasing power from inflation, the global economy should continue to recover from the push from the vaccination progress that will help jump-start economic activities. As such, the risks of stagflation should not be as high.

Figure 5: Factors contributing to the current global energy shortage.

	The COVID-19 outbreak	Weather conditions	Geopolitical/ OPEC	Energy Transition
Supply	Closure or production cuts of coal mines due to COVID-19 preventive measures	Snowstorm in Texas and Hurricane Ida suspended natural gas production in the US	Europe relies on natural gas from Russia, roughly 45%	Producers hesitate to invest in traditional energy due to environmental concerns and energy transition
	Labor shortages, such as shale in the US and truck drivers in the UK	The floods in Australia and Indonesia reduced coal production	OPEC+ constricted oil production to maintain oil prices	China closed mines that could not comply with environmental and safety measures
	Maintenance shutdowns of energy production sources and delayed maintenance schedule (Norway)	The droughts in South America lowered electricity generation from dams and biobased fuels		
Demand	Robust economic growth in the US and Eurozone	Colder-than-normal winter depleted gas inventory in Europe, such winters should continue, thus raising gas prices further	China stopped importing coal from Australia due to political conflicts	Lower than expected wind and hydro electricity generation in Europe heightened demand for natural gas
	Increasing demand from the industrial sector prompted by economic recovery			The global demand for natural gas increased (a transition fuel with lower greenhouse gas emission)

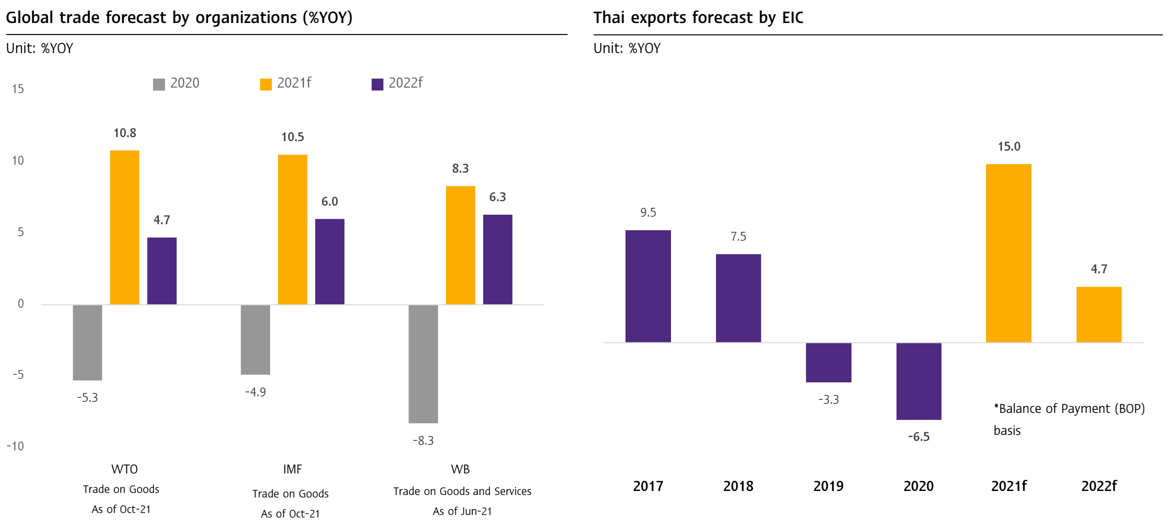


Source: EIC analysis based on data from Bloomberg, CEIC, and various press

Furthermore, China's economic condition warrant monitoring due to the risks from the energy crisis and the troubling real estate sector from the Evergrande case, which could worsen Thai exports to China. Other notable risks include the prolonged semiconductor (chips) shortage that impaired the automotive and electronics sector and the container shortage that considerably lengthened shipment delivery and increased freight.

Despite the surmounting risks surrounding the remainder of 2021, EIC maintains the export growth forecast for 2021 at 15%YOY (balance of payments basis). The latest export figures continued to align with the view from the previous forecast that exports during the remainder of 2021 will recover from the Delta variant COVID-19 outbreak induced trough in July-August. However, such recovery will not be as robust as during Q2. Looking forward to 2022, Thai exports should continue to expand by 4.7% following stalling global economic growth. Meanwhile, exports to developing economies in 2022 should especially accelerate following robust economic growth prompted by improving vaccination progress.

Figure 6: Global trade and Thai export conditions should continue to improve in 2022, though at stalling rates.



Source: EIC analysis based on data from the Office of the National Economic and Social Development, WTO, IMF, and World Bank

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