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SCB Securities Company Limited

Exports in November continued to expand at an accelerated pace from the previous month with supporting factors from recovering global consumption and manufacturing conditions, weakening Thai baht, and higher commodity prices.

21 December 2021

Key summary

- The value of exports continued to expand at a strong pace of 24.7%YOY in November. Exports of key merchandise have improved across the board, except rubber products. Meanwhile, exports to all major destinations expanded, except Japan which remained stable. In terms of seasonally adjusted month-on-month growth, exports, excluding gold, also expanded by 5.7%MOM SA following the recovery in global consumption and manufacturing conditions as reflected from persistent Global Manufacturing PMI readings above 50.
- EIC views that exports in 2021 expand by 16.3%YOY. Although exports recovered following improving global trade and economic conditions due to better COVID-19 circumstances, new suppressing factors emerged during late 2021, including the new wave of outbreaks in Europe, the Omicron mutation, and supply bottlenecks that led to rising inflation and lowering purchasing power in many countries. Such factors potentially impaired short term global trade and economic conditions.
- Looking forward to 2022, Thai exports should continue to improve following recovering global trade and economic conditions, albeit at a slower rate due to the global growth acceleration last year. EIC anticipates that exports should improve by 3.4%YOY in 2022, though with various risks that warrant monitoring, including concerns regarding the Omicron outbreaks, as well as the prolonged upward inflationary pressure due to supply bottlenecks, weakened economic conditions in China from the energy and real estate crisis, and semiconductor (chip) shortages.

■ Key points

The value of exports in November soared by 24.7%YOY, improving at an accelerated pace from 17.4% in the previous month. Excluding gold, export growth expanded at 23.7%. As such, the value of exports grew by 16.4%YOY during the first 11 months of 2021.

Merchandise exports in nearly all key categories continued to increase in terms of %YOY growth, while exports of rubber products contracted.

- **Exports of refined fuel expanded for 9 consecutive months with a surge of 146%YOY**, following higher demand for energy and rising oil prices. Exports to all major destinations improved across the board, including Malaysia (545.1%YOY), Singapore (205.4%YOY), and the Philippines (1,749%YOY).
- **Exports of chemical products improved for 12 consecutive months with a growth of 63.4%YOY**. Growth was observed in all major destinations, for example, China (31%YOY), Japan (67.6%YOY), and India (145.5%YOY).
- **Exports of plastic beads grew for 12 consecutive months with at 41.9%YOY**. Exports to all major destinations improved, for example, China (26.5%YOY), India (60.5%YOY), and Indonesia (38.9%YOY).
- **Exports of automotive and parts improved for 13 consecutive months with a growth of 12%YOY**. Major destinations that drove the improvement were the Philippines (26.7%YOY), Indonesia (65.1%YOY), and Australia (22.4%YOY) although exports to Australia were the key pressure on exports last month. Exports to Japan and Vietnam contracted during the current month at -38%YOY and -10.1%YOY, respectively.
- **Exports of iron, steel, and products improved for 12 consecutive months with an expansion of 51.9%YOY** with growth in nearly all major destinations, including Japan (35.5%YOY), the US (90.2%YOY), and Taiwan (265.5%YOY). On the contrary, exports to China and Cambodia dropped slightly by -1.5%YOY and -0.3%YOY, respectively.
- **Exports of computer and parts returned to a double-digit growth at 19.9%YOY**, after expanding by only 1.7%YOY in the previous month. Growth was driven by exports to the US (18.9%YOY), China (64.8%YOY), and the Netherlands (37.8%YOY). Meanwhile, exports to Hong Kong and Germany contracted by -8.4%YOY and -12.8%YOY, respectively.
- **Exports of integrated circuits increased for 12 consecutive months with a growth of 26.7%YOY** following higher global demand for electronics with growth in all major destinations, for example, Hong Kong (28.2%YOY), Singapore (12.1%YOY), and Japan (38.9%YOY).

Regarding exports by destinations, exports to Japan remained stable, while exports to Hong Kong and Australia reverted to an expansion. Exports to other major destinations improved.

- **Exports to India continued to surge for 10 consecutive months with a growth of 61.1%YOY**, following the expansion in nearly all key categories, including plastic beads (60.5%YOY), air conditioner and parts (37.4%YOY), and chemicals (145.5%YOY). However, exports of machinery and parts dropped slightly by -3.5%YOY.
- **Exports to ASEAN 5 expanded by 55.1%**, marking a 7 consecutive months growth. Exports to nearly all countries in the group improved, including Malaysia (42.6%YOY), Indonesia (56.5%YOY), Singapore (91.4%YOY), and the Philippines (37.4%YOY). Nevertheless, exports to Brunei contracted by -4.7%YOY.
- **Exports to Australia reverted to a 9.6%YOY expansion, after contracting for 4 consecutive months.** Key products that drove growth were automotive and parts (22.4%YOY), iron, steel, and products (83.1%YOY), and plastic beads (39.1%YOY). However, exports of various merchandise continued to weaken, for example, precious stones and jewelry (-56.7%YOY) and rubber products (-13%YOY).
- **Exports to Hong Kong improved again by 4.7%YOY**, after contracting by -2.5%YOY in the previous month. Products that led the expansion were integrated circuits (28.2%YOY) and electrical appliances and parts (56.8%YOY). On the other hand, products that contracted included computer and parts (-8.4%YOY) and precious stones and jewelry (-7.4%YOY).
- **Exports to Japan slightly contracted by -0.1%YOY. Such a figure improved from the first contraction in 12 months at -2%YOY during the previous month.** Key products that contracted were automotive and parts (-38%YOY), processed chicken (-5.8%YOY), telephones (-26.3%YOY), and electrical appliances (-7.1%YOY). Meanwhile, the key drivers included chemicals (67.6%YOY), integrated circuits (38.9%YOY), iron, steel, and products (35.5%YOY), and plastic beads (49%YOY).

Figure 1: Merchandise exports in November continued to increase in terms of %YOY in all key products, except rubber products, as well as, in all key destinations, except Japan with neutral growth.

Exports by product

Unit: %YOY, (Share in 2020)	2020	2020Q4	2021Q1	2021Q2	2021Q3	Sep-21	Oct-21	Nov-21	YTD
Total (100%)	-5.9%	-2.0%	1.9%	31.8%	15.3%	17.1%	17.4%	24.7%	16.4%
Total (ex. gold) (94.2%)	-8.5%	-1.6%	7.9%	40.1%	23.6%	18.9%	17.0%	23.7%	22.3%
Electrical appliances (10.2%)	-3.0%	10.9%	14.7%	48.7%	12.9%	11.2%	5.4%	13.1%	20.7%
Auto & parts (9.2%)	-21.8%	0.1%	23.7%	120.5%	19.1%	4.9%	10.3%	12.0%	35.3%
Agriculture (9.1%)	-3.1%	4.8%	13.4%	26.9%	34.3%	12.9%	22.5%	14.2%	23.7%
Chemical & plastics (8.1%)	-10.7%	-0.3%	20.6%	49.6%	43.0%	39.9%	33.1%	42.6%	37.4%
Agro (7.8%)	-3.8%	-11.5%	-2.7%	6.8%	4.0%	11.3%	13.5%	21.2%	5.2%
Computer & parts (8.1%)	2.3%	3.8%	8.4%	30.4%	17.7%	22.6%	1.7%	19.9%	16.9%
Rubber products (5.2%)	7.8%	15.5%	32.1%	48.5%	8.2%	2.6%	-4.6%	-2.3%	21.3%
IC (3.1%)	-5.7%	-1.9%	13.9%	22.7%	19.4%	16.2%	18.6%	26.7%	19.4%
Machinery & parts (2.8%)	-10.5%	1.9%	6.6%	52.0%	27.2%	32.8%	15.7%	8.9%	23.3%
Refined fuel (2.3%)	-27.0%	-28.3%	-5.5%	93.8%	103.4%	114.4%	169.7%	146.0%	68.9%
Textile (2.5%)	-16.9%	-12.5%	-5.3%	32.5%	15.5%	19.2%	11.2%	27.3%	13.4%

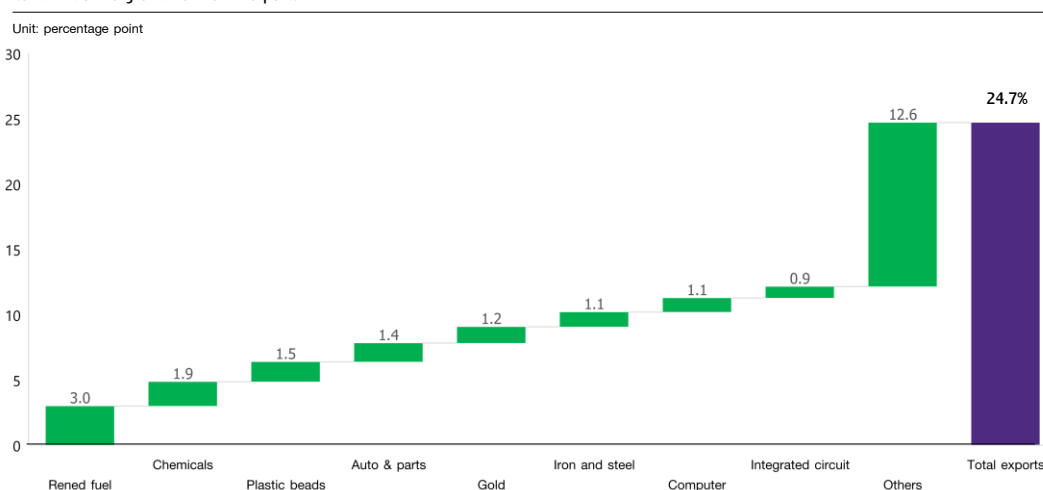
Exports by country

Unit: %YOY, (Share in 2020)	2020	2020Q4	2021Q1	2021Q2	2021Q3	Sep-21	Oct-21	Nov-21	YTD
Total (100%)	-5.9%	-2.0%	1.9%	31.8%	15.3%	17.1%	17.4%	24.7%	16.4%
US (14.8%)	9.7%	16.2%	12.3%	30.4%	19.6%	20.2%	16.1%	20.5%	20.1%
ASEAN5 (13.4%)	-12.2%	-15.0%	-10.8%	27.0%	26.5%	25.7%	39.7%	55.1%	18.0%
China (12.9%)	2.2%	-2.6%	19.7%	29.3%	32.2%	23.3%	14.1%	24.3%	25.9%
CLMV (10.5%)	-11.1%	-12.0%	0.6%	42.1%	8.1%	8.2%	19.8%	10.0%	14.8%
Japan (9.9%)	-7.0%	4.2%	5.9%	20.0%	15.3%	13.2%	-2.0%	-0.1%	10.4%
EU15 (8%)	-12.6%	-3.7%	8.5%	51.8%	14.1%	9.4%	12.0%	29.0%	21.6%
Hong Kong (4.9%)	-3.6%	-2.0%	-19.4%	15.7%	7.8%	14.6%	-2.5%	4.7%	0.7%
Australia (4.2%)	-3.9%	14.8%	19.7%	27.7%	-12.6%	-0.6%	-12.4%	9.6%	7.4%
Middle East (3.1%)	-12.7%	-10.1%	-1.3%	41.7%	19.9%	17.4%	33.2%	41.1%	20.7%
India (2.4%)	-25.0%	9.0%	7.5%	181.3%	64.9%	76.1%	58.3%	61.1%	58.6%

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

Figure 2: Exports of refined fuel, chemicals, plastic beads, and automotive and parts supported recovery.

Contribution to growth of Nov21 exports



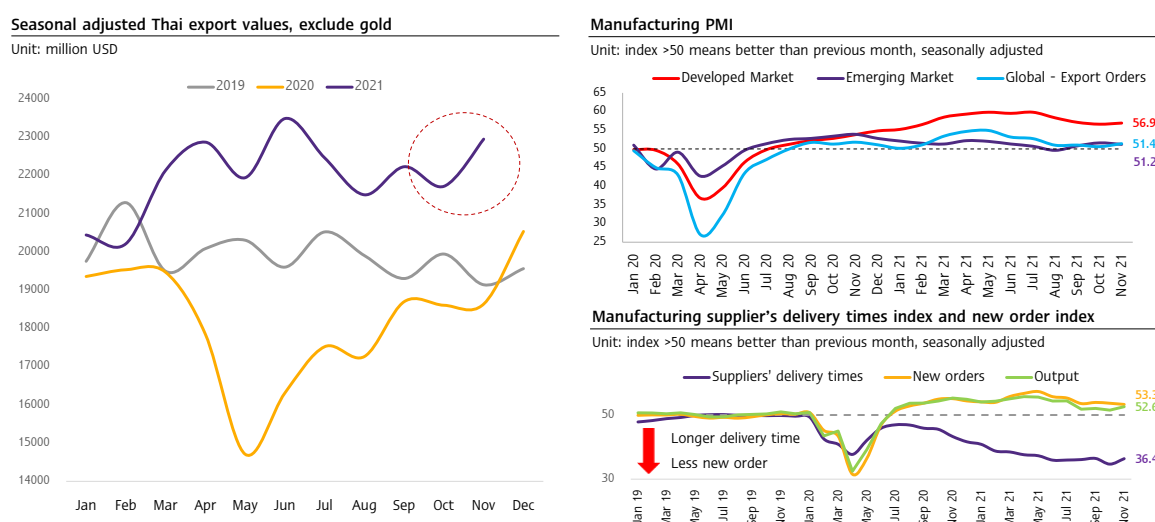
Source: EIC analysis based on data from the Ministry of Commerce

In terms of imports, the value of imports in grew by 20.5%YOY in November, stalling from 34.6%YOY from the previous month. Imports improved across the board. Key import growth drivers included fuel products (71.7%YOY) with considerably higher prices compared to the previous year, capital goods (11%YOY), consumer goods (17.9%YOY), and vehicles and transportation equipment (3.7%YOY). Similarly, imports of raw materials and intermediate raw materials improved by 18.6%YOY. Excluding gold, import growth increased by 39.3%YOY. With such regards, during the first 11 months of 2021, imports expanded by 29.4%YOY. The trade surplus in November registered at USD 1,018.7 million. As such, during the first 11 months of 2021, the trade balance remained at a surplus of USD 3,927.3 million.

■ Implication

Exports in November continued to soar by 24.7%YOY, accelerating from the previous month at 5.7%MOM SA (excluding gold and seasonally adjusted) following recovering global consumption and manufacturing conditions as reflected from the persistent of Global Manufacturing PMI readings above 50. The trend of depreciation in Thai baht also enhanced price competitiveness of Thai exports in the global market, as the weakening of the baht directly improved the income and profits of exporters. In particular, exporters of products with high local content, such as agricultural products, benefited more. Meanwhile, price increments of some commodities, for example, agricultural products and crude oil, boosted the export value of related products, including refined fuel, chemicals, and plastic beads. However, persistently high oil prices could prompt further current account deficits in the periods ahead as Thailand is a net importer of oil and oil products.

Figure 3: Exports in November continued to soar with accelerations from the previous month due to recovering global consumption and manufacturing conditions.



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

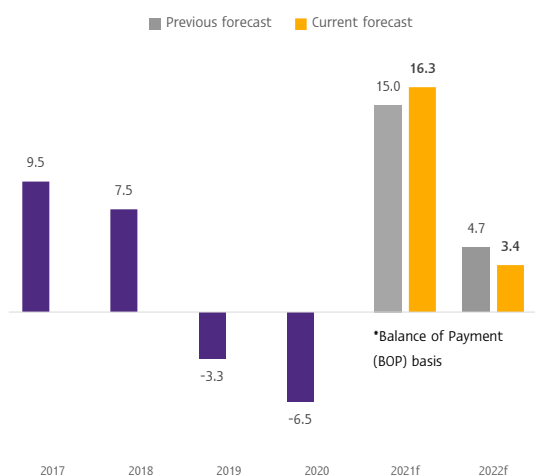
Although exports recovered following improving global trade and economic conditions and easing COVID-19 circumstances, new suppressing factors emerged during late 2021, including the new wave of outbreaks in Europe, the Omicron mutation, and supply bottlenecks that led to rising inflation in many countries. Such factors impaired purchasing power with short term damages on global trade and economic conditions. EIC anticipates that exports in 2021 should improve by 16.3%YOY (balance of payment basis). Meanwhile, in 2022, exports should continue to improve according to recovering global trade and economic conditions. In particular, exports to emerging markets should see robust growth following satisfactory vaccination progress. Exports to advanced economies should observe continual growth, though at a slowing pace compared with the past acceleration.

However, various risks will continue to suppress Thai export growth in 2022, particularly the Omicron outbreak. EIC evaluates that exports will continue to grow at 3.4%YOY in 2022, though with various risks that warrant monitoring with particular focus on the Omicron outbreaks. Other notable headwinds include the prolonged upward inflationary pressure due to supply bottlenecks, weakened economic conditions in China from the energy and real estate crisis, semiconductor (chip) shortages, stalling US imports from smaller economic stimulus measures amid behavioral shifts to spend more on services, and container shortages that triggered escalating freight and shipment duration compared to pre-crisis levels with lingering impact into 2022. Some of the challenges may ease after Q2/2022 according to the invested manufacturing capacity expansions. In 2022, EIC views that exports should expand by 3.4% under an assumption that Omicron outbreaks around the world, including in Thailand, will not be severe with no reimpositions of strict lockdown measures. Also, vaccine developments should be widely distributed from Q2/2022 onwards.

Figure 4: Thai exports should continue to expand in the next period, though with various risks that warrant monitoring.

Thai exports forecast by EIC

Unit: %YOY



Export-suppressing risks that warrant monitoring.



Global Omicron outbreaks, especially in Europe



Potential inflation hikes or prolonged inflationary pressure due to supply bottleneck



Slowing Chinese economy from the energy crisis and the troubling real estate sector.



Container shortages that heightened freight and delivery time



Semiconductor (chip) shortages

Source: EIC analysis

By: Poonyawat Sreesing (poonyawat.sreesing@scb.co.th)
Senior Economist
Vishal Gulati (vishal.gulati@scb.co.th)
Analyst
Economic Intelligence Center (EIC)
Siam Commercial Bank PLC.
EIC Online: www.scbeic.com



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