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KEY SUMMARY

Exports in 2022 continued to grow during the first month of the year.

The value of exports expanded by 8% during the first month of 2022, significantly slowing from the 24.7% expansion in the previous month. Such a figure corresponded to the stalling export growth in various key economies in January due to the global Omicron outbreak. Furthermore, the stalling growth reflected hastened global trade and economic recovery in the previous periods. However, looking forward, exports should continue to improve according to the recovery of global economic conditions, despite potential global trade slowdowns from the Russia-Ukraine war.

Thailand's trade balance may decline in 2022.

In 2022, Thailand's trade balance may decline as imports expanded by a faster rate than exports, and the price of imported goods heightened in comparison to the price of exported goods. In particular, the price of energy-related products continued to fluctuate and remained high due to supply conditions that may worsen from the Russia-Ukraine conflict. Hence, the energy demand will likely increase following the recovery of global demand.

Exports should continue to improve, though impacts from the Russia-Ukraine war warrant monitoring.

At the present, EIC is re-assessing the export forecast figures for 2022. Going forward, notable export growth drivers include the continual recovery of global trade and economic conditions, the lower-than-expected impact from the Omicron outbreak, the higher value of oil-related exports, and the benefits from participating in the Regional Comprehensive Economic Partnership (RCEP) trade agreement. On the other hand, the playouts of the Russia-Ukraine war, including international sanctions on Russia, warrant close monitoring as the conflict could hamper Thai exports, as well as other sectors, such as manufacturing, agriculture, and livestock. Such sectors should see particular impacts from higher energy and raw materials costs. Moreover, exports to Europe, one of the main destinations for Thai exports, may also weaken.

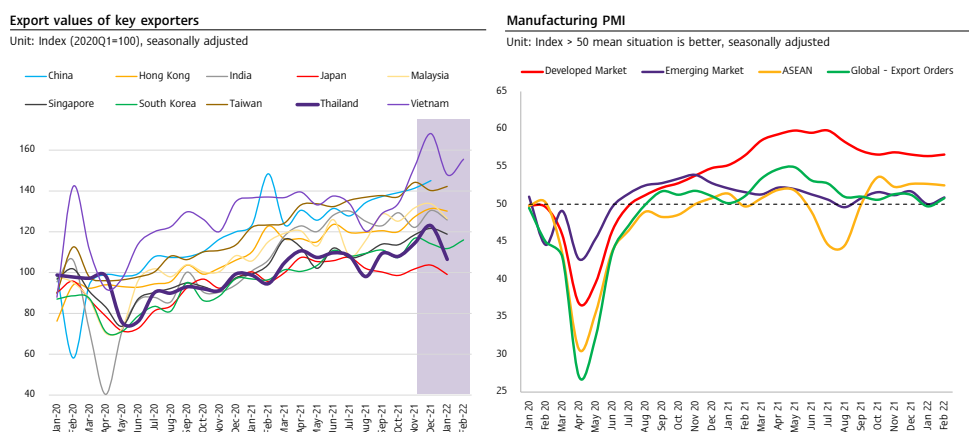
KEY POINTS

The value of exports in January 2022 expanded by 8%YOY, stalling from the 24.2% growth in the previous month. Meanwhile, merchandise imports soared by 20.5%, slowing from the previous month at 33.4%. As such, the trade deficit during the first month of 2022 registered at USD -2,526.4 million. As for trade data by product category for January, the Ministry of Commerce has yet to release such figures as the Harmonized System code (HS code) data is currently under revision. The revision takes place every 5 years and should be completed within Q1/2022. In terms of exports by destinations, the Ministry of Commerce reported that the top 5 destinations with the highest growth were India, Russia, the UK, South Korea, and the US.

IMPLICATIONS

The value of exports expanded by 8% during the first month of 2022, slowing from the 24.7% expansion in the previous month. In terms of seasonally adjusted month-on-month growth, exports tumbled by -15.2% (MOM, SA) from December, in line with the export figures of various key economies around the world (Figure 1 left). Similarly, manufacturing activities slowed in January, reflected by the Global Manufacturing PMI – export orders index that dropped to under 50 for the first time in 17 months, as well as the Manufacturing PMI index of advanced and developing economies that also weakened (Figure 1 right). Such conditions likely reflected the casualties from the global Omicron outbreak in recent periods. Nevertheless, exports should continue to improve in the next period as the latest reading of the Global Manufacturing PMI – export orders index in February returned to above 50. Furthermore, in February, the value of exports from Vietnam and South Korea, seasonally adjusted, accelerated compared to January.

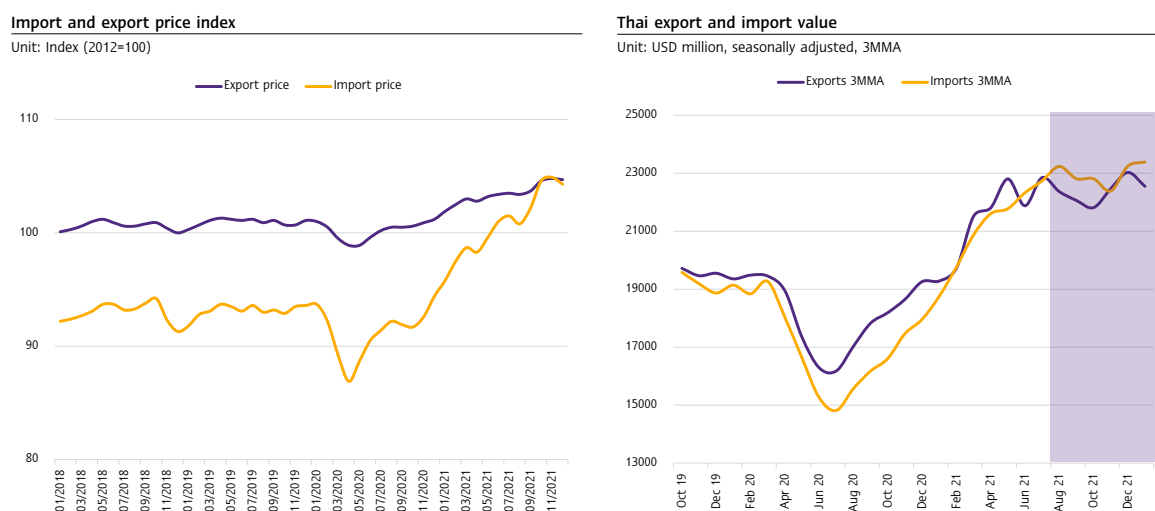
Figure 1: Thai export grew by a slowing rate in January 2022, in line with the export figures of various countries and the weakened Manufacturing PMI index in January.



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

Thailand's trade balance may decline in 2022 as in recent periods, imports expanded by a faster rate than exports, and the price of imported goods heightened in comparison to the price of exported goods (Figure 2). In particular, the price of energy-related products continued to fluctuate and remained high due to supply conditions that may worsen from the Russia-Ukraine conflict. Also, the energy demand will likely increase following the recovery of global demand.

Figure 2: Comparison of Thai exports and imports during recent periods.



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

EIC is currently re-assessing the export forecast figures for 2022. Notable factors that should drive Thai export growth in 2022 include (1) the continual recovery of global trade and economic conditions, especially among developing economies that should gradually recover with higher-than-anticipated growth from lower-than-expected impact from the Omicron outbreak, (2) the higher value of oil-related exports following the direction of global energy prices, and (3) the benefits from participating in the Regional Comprehensive Economic Partnership (RCEP) trade agreement, the world's largest free trade agreement that entered into force in early January 2022.

In terms of direct impact, the Russia-Ukraine war should have limited influence on Thailand's overall export conditions due to the low proportion of exports to Russia and Ukraine. However, consequential impacts from the conflict warrant monitoring. The Russia-Ukraine war, including international sanctions on Russia, may not have much direct impact on Thai trade conditions as the proportion of merchandise exports to Russia and Ukraine totaled at only 0.43% of total Thai exports. However, the conflict warrants close monitoring as the conflict could indirectly impact Thailand via several channels, including (1) the war and the sanctions may slow global trade and economic conditions, especially in Europe, one of Thailand's main merchandise exporting market with overall export proportion to Europe, including the European Union, the UK, and the European Free Trade Association (EFTA) totaling to 9.9% of total Thai exports, (2) Russia and Ukraine are key producers of oil

and natural gas as well as major producers of agriculture related products, such as fertilizer, maize, wheat, barley, and sunflower oil, such supply disruptions will prompt Thailand to import the products for use in the manufacturing, agriculture, and livestock sectors at higher prices, which could worsen Thailand's trade balance, (3) Russia and Ukraine are the world's main producers of palladium and neon gas, the components required to produce semiconductors (chip), such disruptions could lengthen the semiconductors shortage crisis with implications on the production and exports of Thai electronics, electrical appliances, and automotive, and (4) prolonged period of escalating maritime freight. **However, countermeasures between Russia and western countries could benefit the exports of certain Thai products as a substitute for Russian and Ukrainian exports**, such as cassava (substitute for maize) and certain categories of packaged food.

With the rapid development of various situations around the world, EIC is currently re-assessing the Thai export forecasts for 2022 and will publish such figures within March 2022.

Figure 3: Thai-Russia and Thai-Ukraine trade conditions

Import and Export of Thai Goods to Russia and Ukraine

	Russia	Ukraine
Share of Thai exports	0.38% of total exports (ranked 36 th)	0.05% of total exports (ranked 74 th)
Share of Thai imports	0.65% of total imports (ranked 26 th)	0.09% of total imports (ranked 58 th)
Major export products (% export to Russia/Ukraine)	Vehicles and parts (1.1%), Rubber product (0.7%), Machinery (0.7%)	auto and parts (0.1%), Rubber product (0.2%), Canned/processed fruit (1%)
Major import products (% import from Russia/Ukraine)	Crude oil (3.4%), Fertilizers (5.6%), Iron and steel (1.1%)	Plants and plant products (1.5%), Iron and Steel (0.6%)

Risk and negative effects

- The global economy and trade may slow down, especially in Europe which is one of the major export markets of Thailand
- Price of energy products may rise, which may affect the costs of production and import of Thailand
- Higher freight costs
- Supply chain disruption, especially in semiconductor (Chip)

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

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