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Thailand's export growth momentum started to stall in April following China's lockdowns and slowing global demand prompted by the Russia-Ukraine war.

KEY POINTS

Thailand's merchandise export in April grew by a significantly lower rate.

Exports in April expanded by 9.9%YOY (compared to the same period in the prior year). Despite the consecutive 14 months growth, such growth was significantly lower than the 19.5%YOY in the previous month. Exports, excluding gold, grew by 8.9%, slowing from the previous month at 9.5%. However, arms and ammunition exports to Japan surged during the month, with the export value reaching as high as USD 109.59 million. Such support from arms and ammunition exports should be short-lived and did not reflect Thailand's overall export conditions.

Exports to China contracted for the first time in 17 months.

In terms of export destinations, exports to nearly all key destinations contracted, stalled, or remained stable, with surging growth only to CLMV and Hong Kong. Notable challenges that undermined growth included exports to China that contracted for the first time in 17 months at -7.2%, and exports to EU28 that dropped to a 14 month low (0.0%). Meanwhile, exports to Russia and Ukraine continued to tumble by -76.8% and -94.9%, respectively. On the contrary, exports to Switzerland continued to soar by 392.2% mainly due to the high value of gold exports.

Automotive and computer exports shrank.

Exports of nearly all key products continued to grow, though various key categories contracted or slowed, including (1) exports of agricultural products grew by 3% from the support of cassava products and rice, though fruits and rubber exports undermined growth, (2) exports of agro-industrial products expanded by 22.8% driven by animal or vegetable fats and oil, sugar, and animal feed, (3) exports of industrial products improved by 8.3% following exports of aircraft, iron, steel, chemicals, aluminum products, and electronic integrated circuits, with exports of computers, automotive and parts, and rubber products undermining growth, and (4) exports of mining and fuel products increased by 39% with refined fuel export driving growth.

Import growth considerably exceeded export growth, prompting a trade deficit.

Imports growth in April reached a 4 month high at 21.5%. During the month, imports in nearly all key categories improved, including fuel products (+99.3%) with growth following heightening prices due to the war in Ukraine, capital goods (+10.9%), consumer goods (+1.2%), and raw materials and intermediate raw materials (+11.7%). However, imports of vehicles and transportation equipment (-25.2%) shrank. With such regards, the trade deficit during the month registered at USD -1,908.4 million, causing the trade deficit during the first 4 months of 2022 at USD -2,852.4 million.

IMPLICATIONS

Thai export growth in April, excluding gold, was at a 3 month low.

In terms of seasonally adjusted month-on-month growth, exports, excluding gold (a product that does not reflect actual trade conditions), expanded by only 2.8% (MOM, SA) from March. Such slowing growth marked a 3 month low and started to reflect the implications of China's lockdowns and slowing global demand prompted by various events, including continually rising inflation that weakened the real purchasing power of consumers around the world, the Russia-Ukraine war, and the ongoing challenges from supply disruption and logistics. Nevertheless, the slowdown in Thai exports was in line with stalling export performance of other major exporting countries. Similarly, other export indicators also weakened, including the reading of the Global Manufacturing PMI that declined, and the reading of the Export orders index that fell below 50, which represent contraction, for 2 consecutive months.

Exports to China and Europe started to falter.

Given the prolonged lockdown measures imposed and China's economic slowdown, Thailand's exports to China plunged by as high as -7.2% in April. Excluding gold, exports dropped to -6.2% (MOM, SA) compared to the previous month. Such growth was in line with China's Manufacturing PMI reading, which fell to a 26 month low reading at 46. Exports to China shrank in nearly all product categories, led by fresh/ chilled/ frozen/ dried fruits, computer parts and components, chemicals, and rubber. Going forward, if the outbreak and lockdown measures are prolonged amid slowing Chinese economic growth, Thai exports that are highly reliant on the Chinese market could be severely hampered, such as fruits and rubber.

Furthermore, exports to Europe, one of Thailand's main export markets, started to see a more pronounced impact from the war in Ukraine. Excluding gold, exports dropped -2.4% (MOM, SA) compared to the previous month, though remained stable in %YOY term. Such weakened momentum was in line with the reading of Europe's Manufacturing PMI, which also dropped to a 15 month low. Meanwhile, exports (excluding gold) to Russia and Ukraine continued to plummet, though such a contraction did not impose a significant impact on the Thai economy as exports to the two markets accounted for only a small portion of Thailand's export market.

Looking ahead, EIC expects that exports will continue to improve, though at stalling rates.

EIC expects that Thai exports will continue to expand in 2022. During Q1/2022, export price of Thailand grew by 3.9%, while quantity grew 11%. However, going forward, boosts from quantity growth should stall following slowing global demand and weakening global economic conditions prompted by war and inflation. The electronics and automotive industries should see the most pronounced impact, both in terms of production and exports. On the contrary, boosts from price factors should continue to drive export growth, particularly from rising in energy and food products from supply chain challenges that may exacerbate and last longer than expected. Nevertheless, import growth should exceed export growth following higher import prices, especially from oil and oil-related products. As such, in 2022, Thailand's trade balance should continue to weaken, causing lingering current account deficit conditions.

EIC is currently updating the export forecast figures and will publish such figures as well as the overall projection of Thai economic conditions in mid-June.

Figure 1: Exports to China were hampered by COVID-19 casualties and strict virus curbs.

Exports by product

Unit: %YOY, (Share in 2020)	2021	2021Q2	2021Q3	2021Q4	2022Q1	Feb-22	Mar-22	Apr-22	YTD
Total (100%)	17.1%	31.8%	15.3%	22.1%	14.9%	16.2%	19.5%	9.9%	13.7%
Total (ex. gold) (94.2%)	22.4%	40.1%	23.6%	21.6%	10.1%	13.2%	9.5%	8.9%	9.8%
Electrical appliances (10.2%)	20.3%	48.7%	12.9%	11.7%	8.8%	14.1%	4.1%	-1.7%	6.3%
Auto & parts (9.2%)	36.2%	120.5%	19.1%	21.8%	-11.4%	-1.1%	-10.9%	-9.5%	-11.0%
Agriculture (9.1%)	23.5%	26.9%	34.3%	19.2%	1.9%	-1.7%	3.3%	3.0%	2.2%
Chemical & plastics (8.1%)	36.4%	49.6%	43.0%	34.0%	18.6%	19.9%	11.8%	8.3%	15.8%
Agro (7.8%)	6.7%	6.8%	4.0%	19.4%	28.0%	34.8%	27.6%	22.8%	26.7%
Computer & parts (8.1%)	18.0%	30.4%	17.7%	16.9%	8.6%	0.6%	32.3%	-25.1%	0.3%
Rubber products (5.2%)	19.4%	48.5%	8.2%	-1.8%	-8.2%	-8.3%	-13.4%	-5.2%	-7.5%
IC (3.1%)	18.7%	22.7%	19.4%	18.7%	17.7%	20.9%	11.0%	15.3%	17.1%
Machinery & parts (2.8%)	21.6%	52.0%	27.2%	10.1%	17.5%	14.8%	21.9%	7.3%	15.1%
Refined fuel (2.3%)	65.2%	93.8%	103.4%	103.5%	21.9%	23.3%	19.8%	53.4%	30.7%
Textile (2.5%)	13.6%	32.5%	15.5%	17.8%	13.7%	18.7%	10.2%	5.7%	11.7%

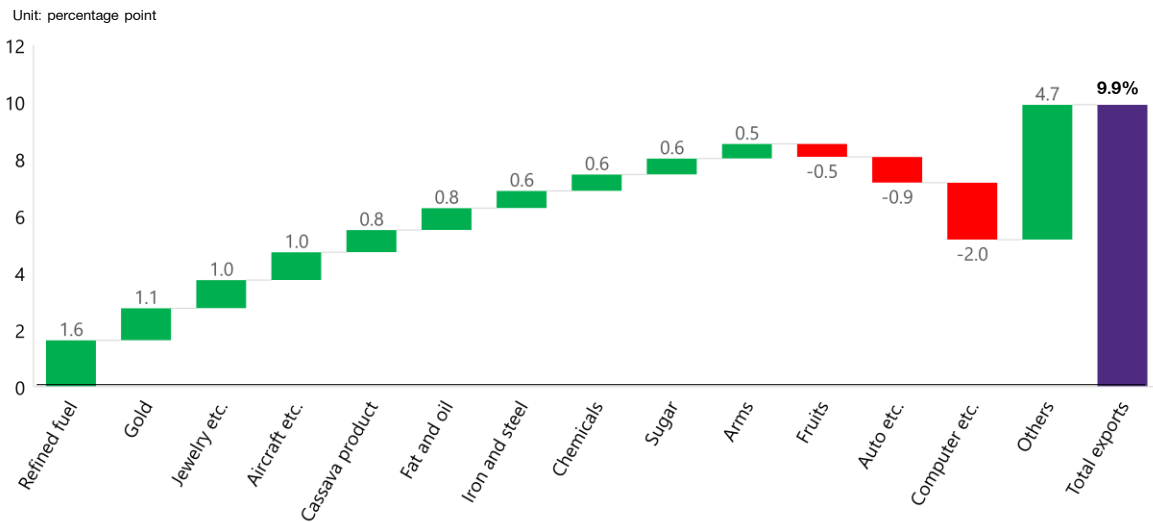
Export by country

Unit: %YOY, (Share in 2020)	2021	2021Q2	2021Q3	2021Q4	2022Q1	Feb-22	Mar-22	Apr-22	YTD
Total (100%)	17.1%	31.8%	15.3%	22.1%	14.9%	16.2%	19.5%	9.9%	13.7%
US (14.8%)	21.5%	30.4%	19.6%	24.3%	24.1%	27.2%	21.5%	13.6%	21.5%
ASEANS (13.4%)	24.8%	29.3%	32.2%	17.3%	4.2%	3.0%	3.2%	-7.2%	0.9%
China (12.9%)	19.4%	27.0%	26.5%	42.9%	26.9%	31.5%	34.8%	26.9%	26.9%
CLMV (10.5%)	14.4%	42.1%	8.1%	13.4%	5.5%	14.4%	1.0%	9.3%	6.4%
Japan (9.9%)	9.5%	20.0%	15.3%	-0.4%	1.2%	2.6%	1.0%	-0.3%	0.9%
EU28 (9.3%)	21.2%	52.0%	14.0%	19.9%	7.5%	9.6%	8.0%	0.0%	5.7%
Hong Kong (4.9%)	2.6%	15.7%	7.8%	9.2%	5.0%	29.7%	-1.0%	10.6%	6.5%
Australia (4.2%)	10.9%	27.7%	-12.6%	14.6%	-2.4%	-2.6%	-2.2%	-3.9%	-2.7%
Middle East (3.1%)	21.5%	41.7%	19.9%	34.5%	15.5%	14.1%	30.0%	26.0%	18.0%
India (2.4%)	55.1%	181.3%	64.9%	47.5%	33.0%	23.0%	43.4%	43.4%	35.8%
Russia (0.4%)	41.7%	61.3%	61.4%	70.5%	-6.6%	33.4%	-73.0%	-76.8%	-23.6%
Ukraine (0%)	35.7%	52.8%	21.0%	27.1%	-49.2%	-43.8%	-77.8%	-94.9%	-60.1%
Switzerland (0.5%)	-81.3%	-76.8%	-87.9%	53.1%	1220.5%	491.7%	2865.0%	392.2%	1021.4%

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

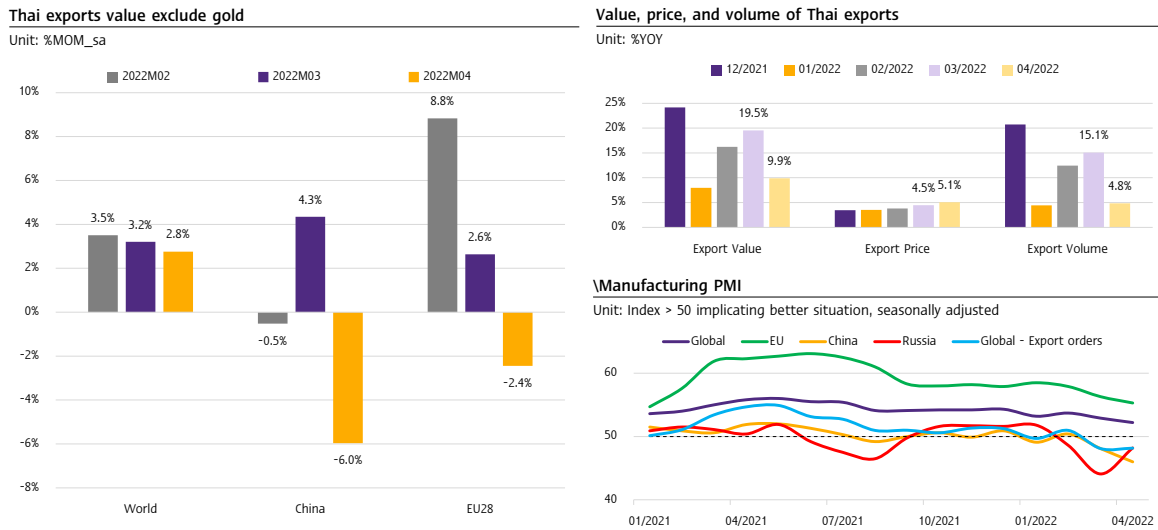
Figure 2: Exports of various products supported growth in April, while automotive and computer dragged growth.

Contribution to growth of Apr22 exports



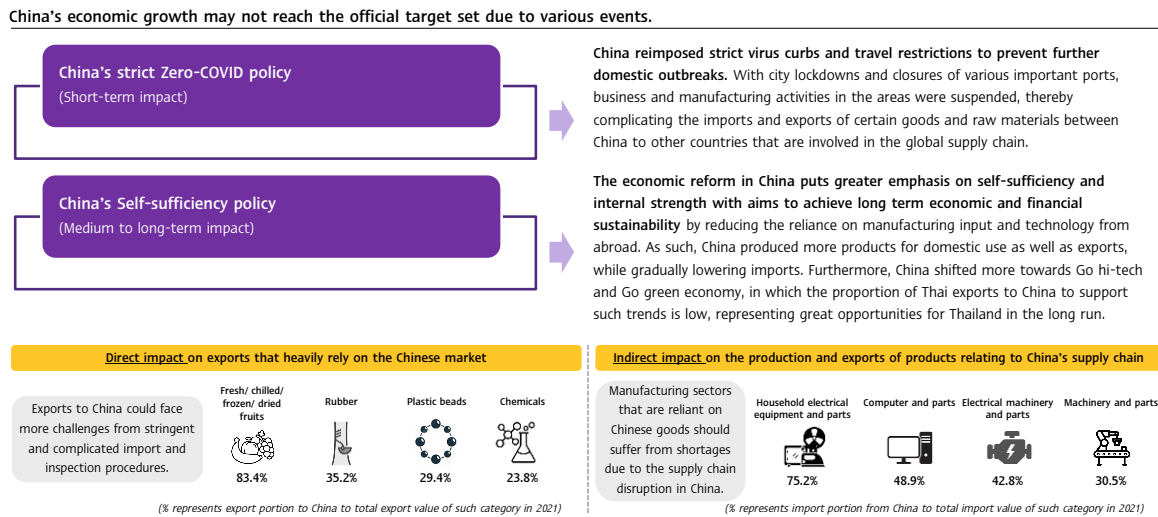
Source: EIC analysis based on data from the Ministry of Commerce

Figure 3: Exports prices should continue to heighten.



Source: EIC analysis based on data from the Ministry of Commerce, IHS Markit, S&P Global, JP Morgan, and CEIC

Figure 4: China’s slowing economic outlook will directly impact Thai products that are highly dependent on the Chinese market while manufacturing sectors that import materials from China will be affected by the impact of supply chain disruption in China.



Source: EIC analysis based on data from the Ministry of Commerce and Office of the National Economic and Social Development Council

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