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27 April 2022

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KEY SUMMARY

Thai exports in March continued to improve, though with a sign of stalling momentum.

The value of exports in March 2022 reached as high as USD 28,859.6 million, a historic high value since data collection inception, with a growth of 19.5%, accelerating from 16.2% in the previous month. In terms of seasonally adjusted month-on-month growth, exports improved by 7.3% (MOM, SA) from February. However, excluding gold (a product that does not reflect actual trade conditions), exports edged up by 9.5% compared to 13.2% in the previous month. Such slowing growth coincided with the readings of the Global Manufacturing PMI and Export Orders Index that dropped to an 18 and 20 months low, respectively. Such shifts reflected slowing manufacturing and trade conditions in the periods ahead. Regarding Thai exports in March, key products that drove the growth apart from gold were computers, precious stones and jewelry, animal or vegetable fats and oil, and sugar. Meanwhile, markets with high growth included ASEAN-5, India, and the Middle East. With such regards, the overall export growth in 1Q-2022 was 14.9%.

The war in Ukraine and China's lockdown measure started to impact Thai exports.

Thai exports began to see implications from the slowdown in demand, as well as the global supply disruption prompted by the Russia-Ukraine war. From such an impact, Thai exports to Russia and Ukraine in March shrank by 73% and 77.8%, respectively. The export situation was further exacerbated by China's strict disease control measures, as China is one of the main players in the global supply chain. Although Thai exports saw a limited impact in the prior months, EIC anticipates growing fatalities in the periods ahead as reflected by South Korea's export figures during the first 20 days of April that remained stable with the potential to stall in the periods ahead if China continues to prolong strict disease control measures. Furthermore, industries that are highly dependent on the European market may also suffer. On the contrary, certain industries should benefit from exporting substitute products to replace Russian products in the European market with the potential to expand market share.

EIC anticipates that Thai exports in 2022 should improve by 6.1%, accelerating from the previous forecast.

EIC expects that Thai exports in 2022 will continue to improve. As such, EIC revises the Thai merchandise export forecast upwards to 6.1% from the prior forecast of 3.4%. Although the global economic conditions could slow following the effects of the war with implications of slowing export quantity, the price of Thai merchandise exports should continue to heighten following the price of products and commodities in the world market, particularly energy prices. The Russia-Ukraine war will be the main factors responsible for the higher prices as the two countries are the key exporters of various commodities. Furthermore, the Thai Baht should depreciate in the short term due to pressure from lower demand for high-risk assets, growing current account deficit, and heightening interest rates in many key economies. Such events will support Thailand's export price competitiveness and push Thai export growth to exceed prior forecasts.

KEY POINTS

The value of Thai exports in March 2022 reached as high as USD 28,859.6 million, a historic high value since data collection inception with a growth of 19.5%YOY (compared to the same period in the prior year). Such growth marked a 13 consecutive months increase with gold as the leading driver. However, excluding gold, export growth dropped to 9.5%.

In terms of exports by key products, exports of all key categories, agricultural, agro-industrial, industrial, and mineral and fuel products, improved.

- **Exports of agricultural products expanded by 3.3%**, after contracting by -1.7% in the prior month. Key products that drove the growth were rice (+53.9%), cassava products (+6.3%), and processed chicken (+6.6%). Meanwhile, key markets included Iraq (+60,612%), the US (+31.8%), and the UK (+26%).
- **Exports of agro-industrial products soared by 27.7%** with 13 consecutive months growth. Key products that drove the growth were fat and animal and vegetable oil (+350.1%) and sugar (+204.3%). Meanwhile, key markets were India (+1,191.8%) and Indonesia (+262.7%).
- **Exports of industrial products surged by 20.6%** with 13 consecutive months growth. Key products that drove the growth included gold (+1,046.7%), computer and parts (+32.3%), and precious stones and jewelry, excluding gold (+37.1%). Meanwhile, key products that dragged growth were automotive and parts (-10.9%) and rubber products (-13.4%).
- **Exports of mineral and fuel products improved by 19.5%** with 13 consecutive months growth. Key product that drove the growth was refined fuel (+19.8%). Meanwhile, key markets included Malaysia (+52.8%), Laos (+25.4%), and South Korea (+674.6%). However, exports to China (-56.1%) dragged growth.

Regarding exports by destinations, exports to Russia and Ukraine shrank significantly, exports to Europe stalled, while exports to Hong Kong dropped slightly.

- Exports to Russia and Ukraine shrank considerably by -73% and -77.8% due to the war between the two countries.
- Exports to the European Union and the United Kingdom (EU28) expanded by 8%, stalling from the 9.6% expansion in the previous month. Main exports driver were aircraft (+3,575.3%) and precious stones and jewelry (+85.5%). On the other hand, exports of computer and parts (-22.1%) and automotive and parts (-48.2%) dragged growth. Nevertheless, excluding aircraft related products (potentially a temporary surge that does not reflect actual export conditions), exports to EU28 expanded by only 2.1% in March, dropping from 9.4% in the prior month.
- Exports to Hong Kong shrank by -1%, after expanding by 29.7% in the previous month, following slowing growth from some of the key products, which are electronic integrated circuits (-13.6%), semiconductors, transistors and diodes (-17.7%), cosmetics (-50.1%), and phones (-48.7%). However, exports were supported by growth from internal combustion reciprocating engines and parts (+10,901.6%), computer and parts (+4.9%), and precious stones and jewelry (+71.3%).
- Exports to Switzerland surged by 2,865% with gold exports to Switzerland accounting for as high as USD 1,812.9 million in March 2022 or equivalent to 67.9% of Thailand's total gold exports.

Figure 1: Exports to Russia and Ukraine were severely hampered by the tensions from the war.

Exports by product

Unit: %YOY, (Share in 2020)	2021	2021Q2	2021Q3	2021Q4	2022Q1	Jan-22	Feb-22	Mar-22	YTD
Total (100%)	17.1%	31.8%	15.3%	22.1%	14.9%	8.0%	16.2%	19.5%	14.9%
Total (ex. gold) (94.2%)	22.4%	40.1%	23.6%	21.6%	10.1%	7.7%	13.2%	9.5%	10.1%
Electrical appliances (10.2%)	20.3%	48.7%	12.9%	11.7%	8.8%	9.2%	14.1%	4.1%	8.8%
Auto & parts (9.2%)	36.2%	120.5%	19.1%	21.8%	-11.4%	-21.0%	-1.1%	-10.9%	-11.4%
Agriculture (9.1%)	23.5%	26.9%	34.3%	19.2%	1.9%	3.9%	-1.7%	3.3%	1.9%
Chemical & plastics (8.1%)	36.4%	49.6%	43.0%	34.0%	18.6%	25.9%	19.9%	11.8%	18.6%
Agro (7.8%)	6.7%	6.8%	4.0%	19.4%	28.0%	21.5%	34.8%	27.6%	28.0%
Computer & parts (8.1%)	18.0%	30.4%	17.7%	16.9%	8.6%	-10.5%	0.6%	32.3%	8.6%
Rubber products (5.2%)	19.4%	48.5%	8.2%	-1.8%	-8.2%	-1.2%	-8.3%	-13.4%	-8.2%
IC (3.1%)	18.7%	22.7%	19.4%	18.7%	17.7%	22.5%	20.9%	11.0%	17.7%
Machinery & parts (2.8%)	21.6%	52.0%	27.2%	10.1%	17.5%	15.1%	14.8%	21.9%	17.5%
Refined fuel (2.3%)	65.2%	93.8%	103.4%	103.5%	21.9%	23.0%	23.3%	19.8%	21.9%
Textile (2.5%)	13.6%	32.5%	15.5%	17.8%	13.7%	12.8%	18.7%	10.2%	13.7%

Exports by country

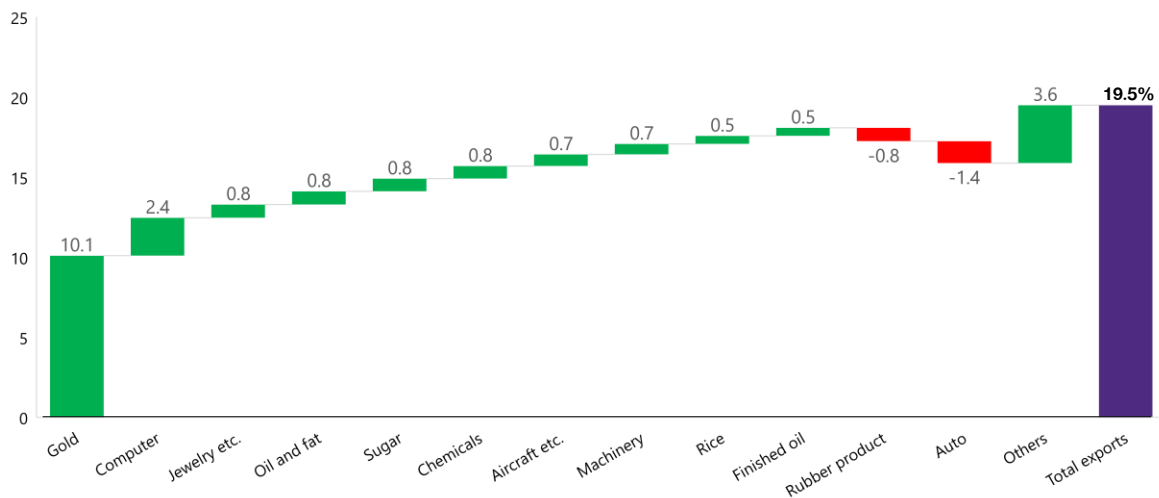
Unit: %YOY, (Share in 2020)	2021	2021Q2	2021Q3	2021Q4	2022Q1	Jan-22	Feb-22	Mar-22	YTD
Total (100%)	17.1%	31.8%	15.3%	22.1%	14.9%	8.0%	16.2%	19.5%	14.9%
US (14.8%)	21.5%	30.4%	19.6%	24.3%	24.1%	24.1%	27.2%	21.5%	24.1%
ASEAN5 (13.4%)	24.8%	29.3%	32.2%	17.3%	4.2%	6.8%	3.0%	3.2%	4.2%
China (12.9%)	19.4%	27.0%	26.5%	42.9%	26.9%	13.2%	31.5%	34.8%	26.9%
CLMV (10.5%)	14.4%	42.1%	8.1%	13.4%	5.5%	2.3%	14.4%	1.0%	5.5%
Japan (9.9%)	9.5%	20.0%	15.3%	-0.4%	1.2%	0.1%	2.6%	1.0%	1.2%
EU15 (8%)	21.2%	52.0%	14.0%	19.9%	7.5%	4.8%	9.6%	8.0%	7.5%
Hong Kong (4.9%)	2.6%	15.7%	7.8%	9.2%	5.0%	-8.7%	29.7%	-1.0%	5.0%
Australia (4.2%)	10.9%	27.7%	-12.6%	14.6%	-2.4%	-2.4%	-2.6%	-2.2%	-2.4%
Middle East (3.1%)	21.5%	41.7%	19.9%	34.5%	15.5%	0.3%	14.1%	30.0%	15.5%
India (2.4%)	55.1%	181.3%	64.9%	47.5%	33.0%	31.9%	23.0%	43.4%	33.0%
Russia (0.4%)	41.7%	61.3%	61.4%	70.5%	-6.6%	31.9%	33.4%	-73.0%	-6.6%
Ukraine (0%)	35.7%	52.8%	21.0%	27.1%	-49.2%	-29.1%	-43.8%	-77.8%	-49.2%
Switzerland (0.5%)	-81.3%	-76.8%	-87.9%	53.1%	1220.5%	13.5%	491.7%	2865.0%	1220.5%

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

Figure 2: Exports of various merchandise, especially gold, supported growth in March 2022, though exports of automotive and parts and rubber products undermined growth.

Contribution to growth of Mar22 exports

Unit: percentage point



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

In terms of imports, the value of imports grew by 18.4%YOY in 1Q-2022, stalling from 29.4% in the previous quarter. Imports during the quarter improved in nearly all key sectors, including fuel products (+86.2%) with growth following heightening prices from the global economic recovery and the war in Ukraine, capital goods (+12%), consumer goods (+10.8%), and raw materials and intermediate raw materials (+7.3% or +17.6% if excluding gold). However, imports of vehicles and transportation equipment (-20.2%) shrank. Meanwhile, the trade deficit in 1Q-2022 registered at USD -944 million.

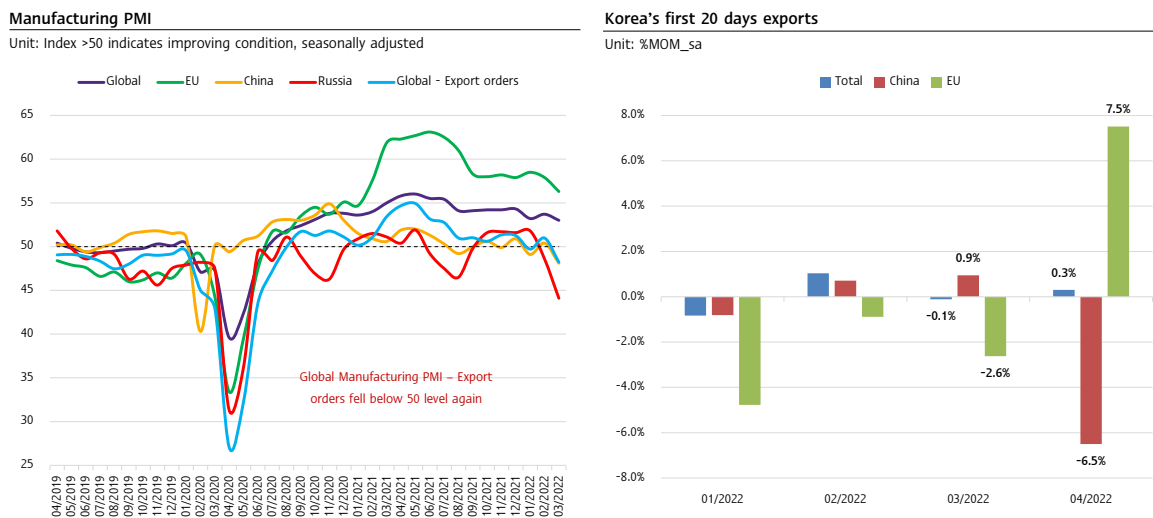
IMPLICATIONS

Exports in March continued to expand, with a sign of stalling momentum from weakening global demand and supply disruption triggered by the war. Overall, Thai merchandise exports accelerated in March by 19.5%, improving from 16.2% in February. In terms of seasonally adjusted month-on-month growth, exports improved by 7.3% (MOM, SA) from February. However, excluding gold (a product that does not reflect actual trade conditions), exports grew by 9.5%, stalling from 13.2% in the previous month. Furthermore, in terms of seasonally adjusted month-on-month growth, exports excluding gold improved by merely 2.4% (MOM, SA) from February. Such slowing growth coincided with the Global Manufacturing PMI reading that dropped to 53, a lowest in 18 months, suggesting stalling manufacturing conditions in the periods ahead. Similarly, the Export Orders Index reading dropped below 50 to a 20 months low at 48.2 (Figure 3 left). Such a reading suggested weakening demand prompted by the Russia-Ukraine war. Moreover, the global supply disruption started to hamper Thailand's manufacturing sector. For example, automotive exports tumbled by over 11% with growing casualties in the periods ahead following China's strict Omicron curbing measures as China is one of the key players in the global supply chain. As such, **EIC views that Thai exports will be increasingly hampered** in the periods ahead. For instance, South Korea's export figures during the first 20 days of April remained stable with the potential to slow in the periods ahead if China continues to impose strict disease control measures. Meanwhile, exports to Hong Kong slowed due to the reimposition of strict virus control measures (Figure 3 right).

Exports to Europe continued to expand, though with slowing momentum. Given drastically lower exports to Russia and Ukraine with contractions of 73% and 77.8%, respectively, and Russia's weakening Manufacturing PMI reading that dropped to nearly a 1 year low at 44.1, the impact on Thailand's trade condition remained limited as the proportion of Thai exports to Russia and Ukraine only accounted for 0.43% of total Thai exports (data as of 2021). On the other hand, exports to Europe, one of Thailand's main export markets with a share of 9.3%, continued to expand, despite the slight drop to 8%. The weakened conditions were in line with Europe's Manufacturing PMI reading that slightly reduced from the previous month to 54, yet the index continued to remain above 50 for 21 consecutive months. If the war in Ukraine continued to be prolonged with implications on global economic recovery, especially in Europe, Thai exports may face with higher risk in the periods ahead. Products that will see the largest impacts will be ones highly dependent on the European market (Figure 4 left). Nevertheless, exports of certain Thai products may benefit from the sanctions on Russia and could potentially expand market share in Europe. Such products include synthetic rubber, plywood, frozen fish, phosphinate, as well as carbohydrate-related products to substitute wheat, barley, and corn exports from Russia and Ukraine (Figure 4 right).

Looking forward, exports to China should slow following the imposition of strict virus control measures and the implications of China's slowing economic conditions. In March, Thai exports to China already slowed from the prior year with a growth of only 3.2%. The figure was in line with China's overall import conditions, which also slowed (Figure 5 left). Furthermore, China's Manufacturing PMI reading dropped from 50.4 in February to 48.1 in March (Figure 3 left). Similarly, China's fast-moving data reflected slowing economic activities as well (Figure 5 right).

Figure 3: Going forward, Thai exports should slow in line with the Manufacturing PMI index and South Korea's fast-moving data.

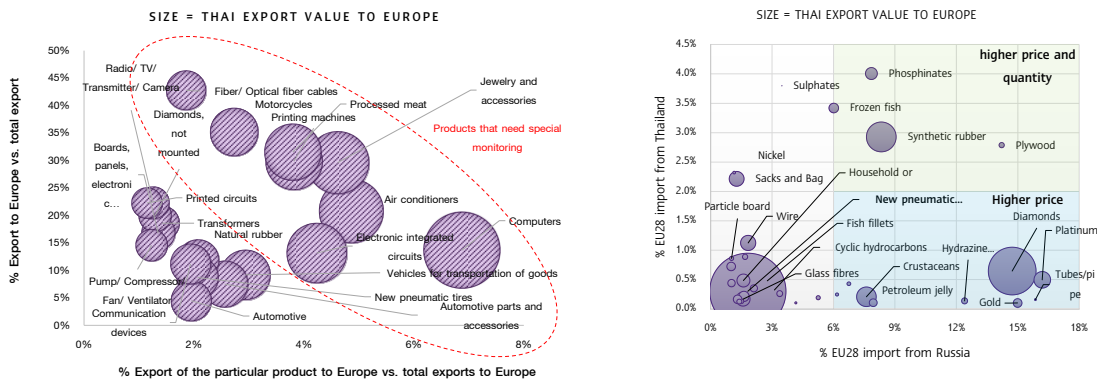


Source: EIC analysis based on data from IHS Markit, S&P Global, Google, and CEIC

Figure 4: Thai products that are highly dependent on Europe may see affects from stalling economic recovery with the severity of countermeasures dictating the size of impact. The value of exports to the EU28 was USD 25 billion (9.3%).

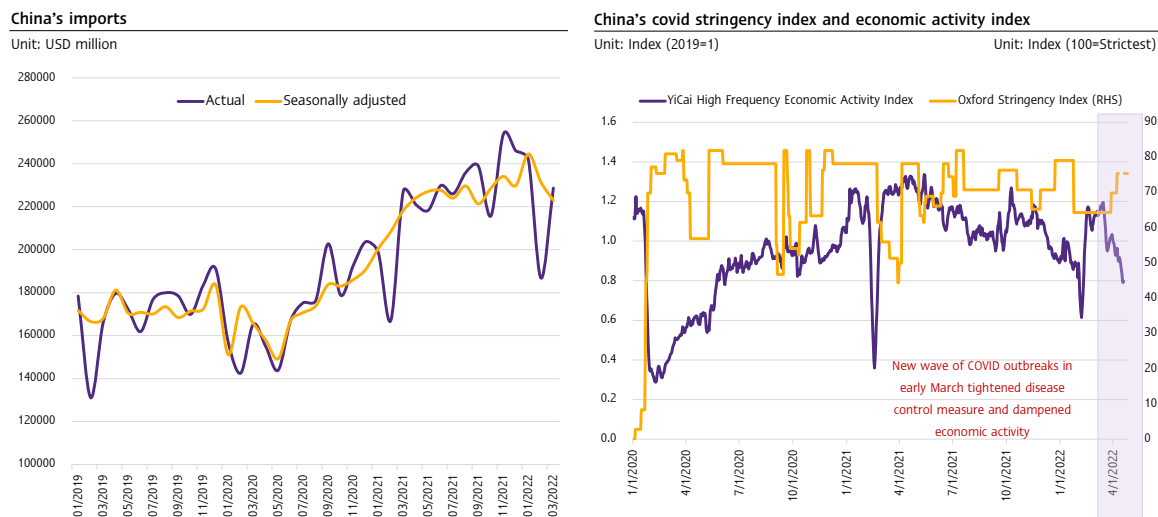
Industries that are highly dependent on exports to Europe, such as electronics, air conditioners, jewelry, printing machines, motorcycles, and cables, may be impacted by stalling economic recovery in Europe.

However, as Russian products are blocked from entering Europe, Thai exports in certain categories could potentially expand market share, such as synthetic rubber, plywood, and frozen fish.



Source: EIC analysis based on data from Trademap

Figure 5: Looking forward, exports to China should slow following the imposition of strict virus control measures and slowing economic conditions.



Source: EIC analysis based on data from Yicai Research Institute and CEIC

EIC revises the 2022 Thai export forecast upwards to 6.1% from 3.4% (balance of payment basis). However, the upward revision reflected growing prices following higher costs, especially those energy-related, rather than higher quantity. Such a revision is in line with the downward revision of global trade and economic conditions from various agencies, including EIC, amid the continually heightening export price index. Furthermore, the weakening baht will boost Thai exporters' income and increase Thailand's competitiveness. Since the war has been escalated, Thai Baht has depreciated more than most regional currencies. EIC anticipates that the baht will continue to depreciate in the short term due to pressures from lower demand for high-risk assets, as well as growing current account deficit and heightening interest rates in many key economies, before strengthening in 2H-2022. During this transition period, the Thai export sector will therefore benefit from increasing price competitiveness that will help increase market share and translate to higher Thai export revenue. However, the value of import growth should increase by a higher accelerated rate at 13.2%.

Figure 6: EIC revises Thailand's export forecast upwards to 6.1% from 3.4% following higher export prices, especially those energy-related, and the potentially weakening baht amid stalling global economic conditions.

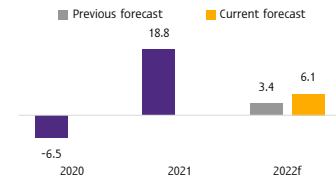
EIC's 2022 global economic forecasts

Unit: %YOY

GDP growth (%YOY)	2021	Prev	Current
World	5.8%	4.1%	3.4% ↓
US	5.5%	3.7%	3.2% ↓
Euro	5.0%	4.2%	2.7% ↓
Japan	1.9%	2.5%	1.7% ↓
China	7.8%	4.6%	4.5% ↓
India	8.8%	8.6%	7.8% ↓
Brazil	4.7%	0.5%	0.1% ↓
Korea	4.0%	3.3%	3.0% ↓
Malaysia	3.0%	6.5%	5.7% ↓
Philippines	5.0%	7.5%	6.8% ↓
Global Inflation	3.7	5%	7% ↑

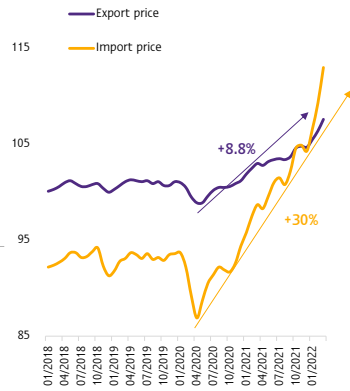
EIC's Thai export forecast

Unit: %



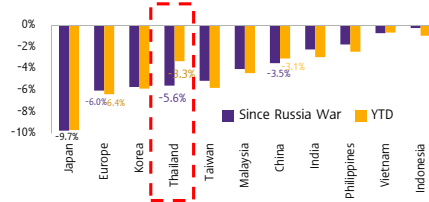
Export and import price index

Unit: Index (2012=100)



Changes in currency value compared to USD

Unit: %, data as of 27 Apr 22



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

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