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KEY SUMMARY

Thai exports continued to expand for 12 consecutive months.

The impact of the war in Ukraine has not yet affected exports in February. Exports expanded by 16.2% in February, accelerating from the 8% growth in the previous month. In terms of seasonally adjusted month-on-month growth, exports improved by 4.4% (MOM, SA) from January. Such growth coincided with improving export conditions of various key economies around the world, and better readings of global manufacturing indicators in February after weakening in January from Omicron casualties.

EIC anticipates that Thai exports and imports in 2022 will expand following higher prices.

In 2022, EIC expects that Thai exports and imports will grow at a higher than previously anticipated level following higher prices rather than quantity. Looking back, Thailand's trade condition in 2021 recovered from growing quantity according to better global economic conditions. However, such quantity recovery may slow in 2022 due to the implications of the Russian-Ukraine war that should undermine global demand, especially in Europe. In addition, export quantity growth in 2022 should be negatively influenced by higher commodity prices, a global phenomenon especially pronounced among energy and raw material products following the sanctions on Russia and greater risks of supply disruption.

KEY POINTS

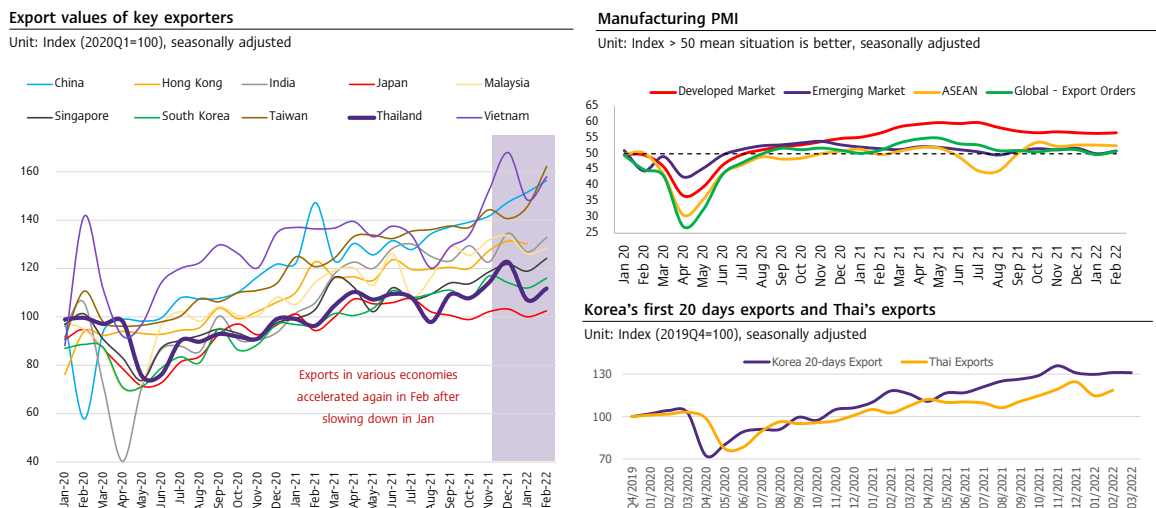
The value of exports in February 2022 improved by 16.2%, accelerating from the 8% growth in the previous month. Meanwhile, merchandise imports grew by 16.8%, stalling from the 20.5% growth in the previous month. From such figures, the trade surplus in February registered at USD 123.3 million, though the accumulated trade balance during the first two months of 2022 remained at a deficit of USD

-2,403.1 million. As for trade data by product category, the Ministry of Commerce has yet to release such figures for January as the Harmonized System code (HS code) data is currently under revision that takes place every 5 years. In terms of exports by destinations, the Ministry of Commerce reported that the top 5 destinations with the highest growth were Russia (33.4%), ASEAN 5 (31.5%), Hong Kong (29.8%), South Korea (28.9%), and the US (27.2%).

IMPLICATIONS

Exports in February were still unaffected by the war in Ukraine as the tensions escalated in late February. As such, the outlook for exports during February remained positive. In terms of seasonally adjusted month-on-month growth, exports improved by 4.4% (MOM, SA) from January, coinciding with improving export conditions of various key economies around the world (Figure 1 left) and better readings of the Global Manufacturing PMI – Export Orders and the Manufacturing PMI index in February after weakening in January from Omicron casualties (Figure 1 upper right). However, Thai exports may begin to see the effects of the war in Ukraine in March-April, especially exports to Europe. Nevertheless, the 20-first day of South Korea’s export data in March still signaled valid growth momentum. (Figure 1 lower right).

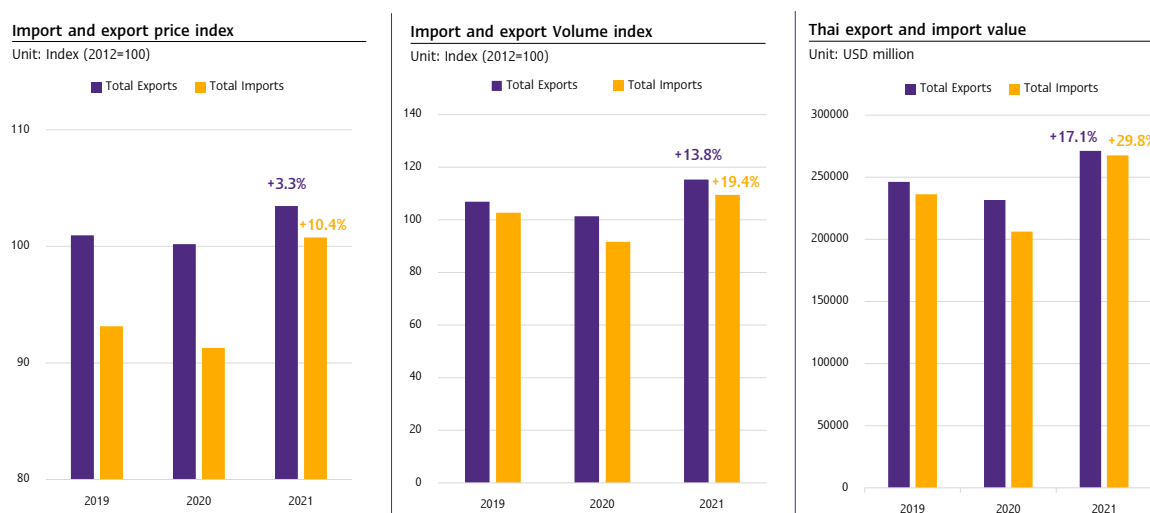
Figure 1: Thailand’s export growth in February accelerated in line with the export growth of various countries and the Manufacturing PMI index.



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

EIC anticipates that Thai exports and imports in 2022 should expand by a higher than previously anticipated rate due to higher prices rather than quantity contrary to the trade condition in 2021 that recovered from growing quantity according to better global economic conditions (Figure 2). Higher export prices in 2022 will stem from higher product and commodity prices, in particular, energy products prompted by the Russia-Ukraine war as the two countries are the main exporters of many key commodities, including oil, natural gas, industrial metal, and agricultural inputs. As such, the mentioned tension should push up import costs and inflate export prices this year. Although the global economic growth in 2022 is likely to expand at a stalling rate due to the Russia-Ukraine war, slowing global demand, heightening supply disruptions, and more severe impacts on exports during March or April due to sanctions on Russia, higher prices will still be Thailand’s main key driver for exports in the periods ahead.

Figure 2: In 2021, imports and exports accelerated following higher quantity.



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

In addition, there are several supporting factors for Thai exports in 2022, which are the restoration progress of Thai – Saudi Arabia diplomatic ties. Recently, the Saudi Food & Drug Authority allowed the country to import chicken from 11 Thai factories. The first chicken shipment from Thailand to Saudi Arabia should start in early April 2022. Apart from chicken, other Thai products with export opportunities to Saudi Arabia in the periods ahead are products in food, automotive and parts, and consumer goods categories. Furthermore, trade agreements between Thailand and states or cities in India, China, South Korea, and Japan as well as the gradual re-opening of border trade with ASEAN neighbors should also support export growth during the second half of 2022.

EIC is currently re-assessing the Thai export forecasts for 2022 as well as other economic indicators and will publish such figures in the EIC Outlook in late March 2022.

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