

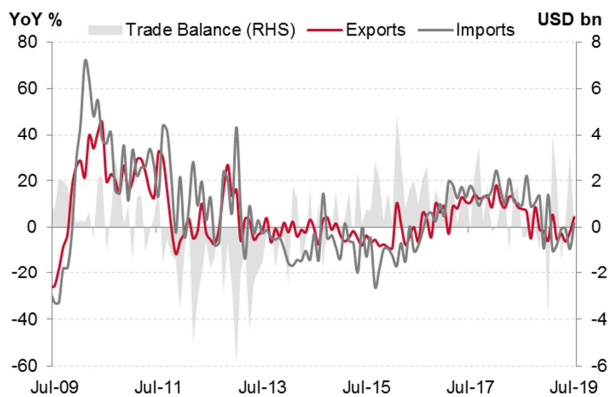
Thailand External Trade

Exports surprised on the upside on one-off factor, trade surplus narrowed

OVERVIEW

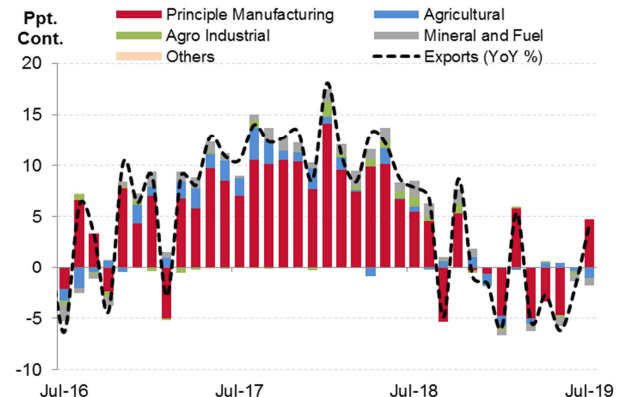
- July's exports accelerated, charting the first expansion in five months (4.3% YoY; Jun:-2.1%),** contrary to Reuters's consensus of -2.3%. On a MoM basis, it fell by 1.0% (Jun: +1.9%), after retaining an uptrend for the two preceding months. Apart from a low base effect, the improved export performance was also underpinned by rising shipments of principle manufacturing goods and improved demand from China.
- By product, the better exports figure was broad-based, led by manufacturing and agricultural goods.** Exports of principle manufacturing goods spiked to 6.0% YoY (Jun: 0.0%), the steepest growth in five months, subsequently contributing 4.7 percentage points (ppt) to the overall export growth. We foresee the strength to be temporary in nature as it was largely lifted by a one-off surge in gold shipments (406.9%). Agricultural exports also rebounded to 3.3% (Jun: -13.0%), lifting the overall export growth by 0.3 ppt.
- By destination, demand for Thailand's exports improved across regions.** The improvement was steered by China (6.2%; Jun: -14.9%), followed by the US (9.8%; Jun: -2.1%) and Japan (8.0%; Jun: -1.9%). The strength in China's demand will likely taper in the coming months, reflecting the announcement of 10% tariff by the US on the remaining USD300b of Chinese imports, to be imposed on 1st September and 15th December.
- Similarly, imports bounced to 1.7% YoY (Jun:-9.4%), marking its first growth in six months,** beating Reuters's consensus of -5.4%. The higher growth was driven by a favourable turnaround in imports of capital goods (11.9%; Jun: -11.3%) and consumer goods (18.5%; Jun: -7.5%), suggesting some strength in domestic demand conditions, which will receive further support from the recently-approved fiscal stimulus package of THB316b (1.9% of GDP). As exports contracted while imports expanded (15.9%; Jun: 12.7%) on a MoM basis, **the trade surplus narrowed to USD0.1b (Jun: USD3.2b).**
- Overall, we revised our 2019 exports forecast down to 0.5-1.5% from 1.5-2.5%, (2018: 6.0%), taking into account the YTD export growth of -1.9% (Jan-Jul 2018: 11.1%), as well as the re-escalation of tensions surrounding the US-China trade negotiation.** Continued economic moderation in key export markets especially China and the US as well as intra-regional trade and the ongoing tech down cycle would also dampen export growth this year.

Graph 1: External Trade Growth Trend



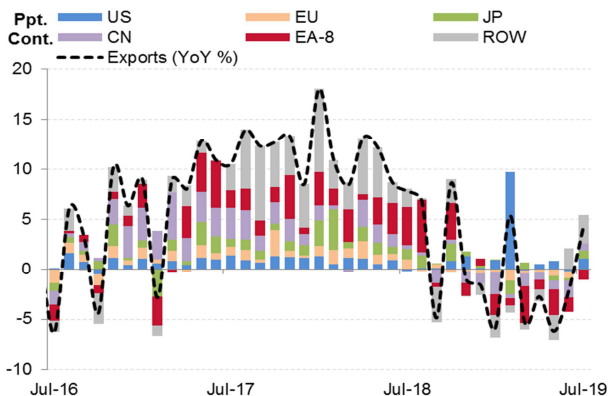
Source: Ministry of Commerce, Kenanga Research

Graph 2: Exports by Product



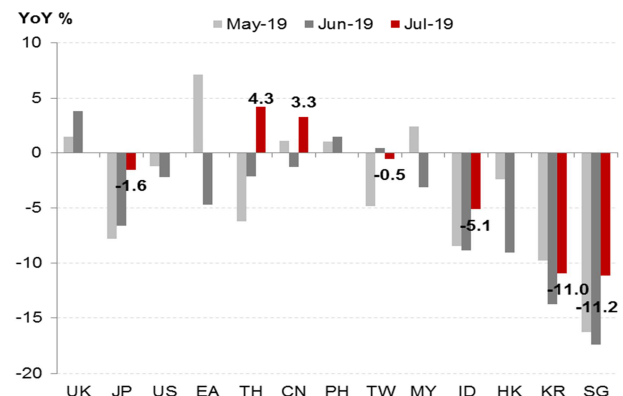
Source: Ministry of Commerce, Kenanga Research

Graph 3: Exports by Destination



Source: Ministry of Commerce, Kenanga Research

Graph 4: Export Growth of Selected Countries



Source: Ministry of Commerce, Kenanga Research

Table 1: Thailand External Trade Growth Trend

		2017	2018	Jul -18	Jan -19	Feb -19	Mar -19	Apr -19	May -19	Jun -19	Jul -19
Total Trade	YoY %	11.9	9.4	8.7	4.1	-2.2	-6.4	-1.7	-3.5	-5.6	3.0
Trade Balance	USD bn	15.1	4.8	-0.4	-4.0	4.0	2.0	-1.5	0.2	3.2	0.1
Exports	YoY %	9.9	6.9	7.8	-5.9	5.4	-5.3	-2.8	-6.2	-2.1	4.3
Manufacturing	YoY %	9.3	6.6	6.9	-6.1	7.1	-6.3	-4.4	-5.9	0.0	6.0
	Share	79.4	79.2	78.5	79.1	82.1	79.7	76.5	79.1	81.7	79.8
Agricultural	YoY %	17.8	1.1	-2.1	-2.1	-5.6	5.2	4.4	-4.8	-13.0	3.3
	Share	9.7	9.2	9.0	9.8	8.0	9.3	11.4	9.0	7.8	8.9
Imports	YoY %	14.1	12.0	9.5	14.0	-10.1	-7.6	-0.7	-0.7	-9.4	1.7
Raw Materials & Intermediates	YoY %	18.7	9.7	2.9	7.5	-13.4	-18.4	1.5	-5.1	-5.2	-2.5
	Share	41.2	40.3	40.8	37.2	38.4	37.8	40.4	38.7	41.7	39.1
Capital Goods	YoY %	8.0	5.2	0.0	-2.9	-21.2	-2.4	2.1	-6.1	-11.3	11.9
	Share	27.5	25.8	24.5	23.2	24.8	26.5	25.7	24.8	25.5	27.0
Consumer Goods	YoY %	6.4	10.0	6.5	3.9	-7.4	4.4	5.8	-2.3	-7.5	18.5
	Share	11.3	11.1	9.9	11.0	11.6	12.1	11.6	11.2	11.4	11.5

Source: Ministry of Commerce, CEIC, Kenanga Research

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