

Thailand: Above-expected trade surplus in March

2018 remains on course to be the second year of a narrowing trade surplus. Re-pricing for a narrower external surplus and political uncertainty associated with delayed general elections will weigh on THB performance this year



Source: Shutterstock

\$1.3bn Trade surplus in March

Higher than expected

Above-expected exports, weak imports in March

Thailand's exports grew a greater-than-expected 7.1% year-on-year in March, but import growth was slower than expected, at 9.5%. The consensus forecasts were 6.0% and 11.6%, respectively. The result was a trade surplus of almost \$1.3bn - double the \$660m consensus forecast.

Nevertheless, the year-to-date trade surplus of \$2bn has almost halved from a year ago.

\$40bn

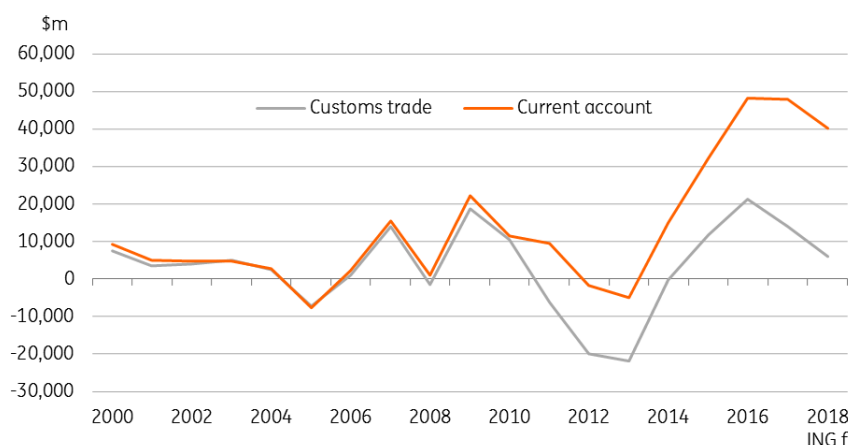
ING forecast of 2018 current account surplus

8% of GDP

Narrowing trade surplus

2017 was the first year in the last four years that Thailand's trade surplus narrowed; at \$13.9bn, the 2017 annual surplus was down from \$21.2bn in 2016. Our forecasts of 7% export growth and 11% import growth in all of 2018, imply a further narrowing of the surplus to \$6bn this year. If all of this narrowing gets carried over to the current account surplus, the latter will come in close to \$40bn or about 8% of GDP in 2018. That cannot be taken for granted, however. Despite a \$7.3bn YoY narrowing of the trade surplus in 2017, the current account held steady at \$48bn (10.5% of GDP).

Trade balance drives current account balance



Source: CEIC, ING

THB re-pricing

We view the persistent wide current account surplus more as a sign of weakness than a strength of the economy, signifying anaemic domestic spending. Yet this is the main source of the currency appreciation underway since last year. The Thai baht's (THB) 4% year-to-date appreciation against the US dollar, the most among Asian currencies, comes on top of 10% appreciation in 2017 when it was the third-best performer (after the Korean Won and the Malaysian ringgit).

However, THB appreciation has almost stalled since March this year. We believe re-pricing for a narrower external surplus and political uncertainty associated with delayed general elections will weigh on THB performance in 2018. We forecast a tight range trading of USD/THB around 31 through the rest of the year.