

## Thailand: No end to negative export trend

A negative economic backdrop and ongoing political noise continue to bode ill for Thai financial assets



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# -3.9%

September export growth

Year-on-year

As expected

### Still weak exports

Year-on-year export growth in the majority of Asian economies has crept back into positive territory in September. But not yet in Thailand, according to the September trade data today.

Total exports contracted by 2.9% month-on-month and 3.9% year-on-year in September, which was in line with our forecast. This would have been far worse without a strong month-on-month bounce in the main export drivers, automobiles and electronics. Electronics exports jumped 14% MoM and 12% YoY. Automobiles were up 22% MoM, but still down 15% YoY.

Despite the continued negative headline of -9.1% YoY, imports were far better than our -18%

forecast for the month. This comes after fourth consecutive months of growth, led by fuel and raw material imports. Reflecting still weak domestic demand was the continued fall in consumer goods imports.

## Resilient currency

The result of weak exports and firmer imports was a sharp narrowing of the trade surplus. It fell to \$2.2 billion in September from \$4.3 billion in August, which was the second-highest ever. Even so, the cumulative surplus of \$20.6 billion in the first nine months was still \$12.5 billion higher than a year ago.

The wider trade surplus is the only positive for the Thai baht (THB) this year in the face of weak tourism and elevated political uncertainty currently. The currency has been pretty resilient to the latest escalation of political turmoil in the country with the USD/THB firm around the 31.20 level.

## Political uncertainty

The government today announced the lifting of the state of emergency in the capital city Bangkok. The decree was enforced a week ago to curb anti-government protests. Indeed, local markets breathed a sigh of relief on this news. However, this could further strengthen the resolve of protestors demanding the resignation of Prime Minister Prayuth Chan-Ocha.

We consider the present political crisis in Thailand to be far from over and this will continue to weigh on the prospects of economic recovery ahead. We continue to see the THB weakening up to 32.30 against the USD by year-end.