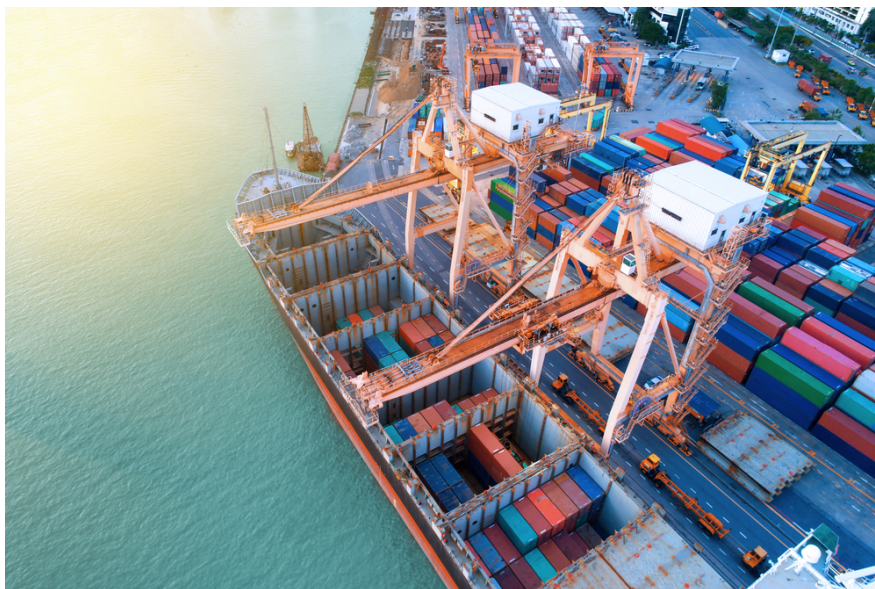


Thailand: Some green shoots of trade recovery

The accelerated trade decline in October tells us more about past history than the current trend, which already looks to have turned for the better.



Source: Shutterstock

\$507 million October trade surplus

Higher than expected

Trade slump deepened in October

Thailand's October trade figures released today showed steeper than expected declines in both exports and imports. Exports fell by 4.5% year-on-year and imports were down 7.6%, yielding a narrower monthly trade surplus of \$507 million compared with \$1.3 billion in September.

Trade growth was weaker than a consensus that centred on -3.7% YoY for exports and -6.5% for

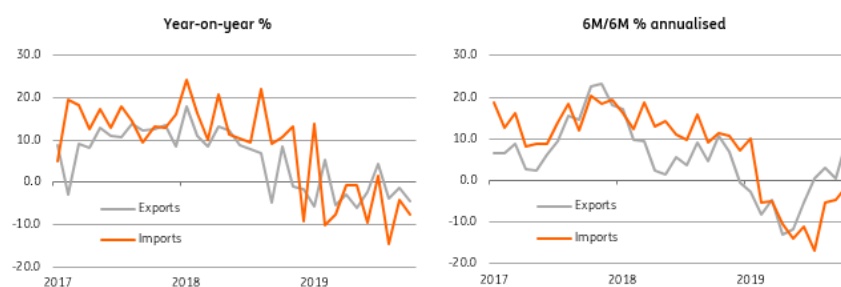
imports, but the trade surplus was higher than \$419 million expected.

Separating noise from trend

Accelerated trade declines from September, when exports shrank by 1.4% and imports by 4.2%, largely reflect what happened a year ago – the large month-on-month (and also the year-on-year) spikes in both exports and imports swelled the base. Besides, significant current volatility and seasonality added to the noise. To separate noise from the underlying trend, we look at six-month annualised growth (6M/6M % annualised). And, this shows that both exports and imports have been well on the recovery path since the middle of this year.

That said, we expect the noise to continue in the remaining two months of the year, but the picture to be clearer, and better too going into 2020, at least from a statistical perspective as the base effects will normalise. Not fundamentally though, given the greater likelihood of things on the US-China trade war getting worse before they get better.

Trade growth - different perspectives



Source: Bloomberg, CEIC, ING

Re-widening of current surplus

Although the monthly trade surplus narrowed sharply in October, the cumulative surplus of \$7.9 billion in the first 10 months of the year is up by \$3.5 billion from the same period of 2018. Indeed, this will be associated with a wider current account surplus this year, marking the end of a brief trend of narrowing in 2018.

We see the 2019 current account being equivalent to 6.5% of GDP, up from 5.6% in 2018 which was a sharp drop from about 10% in the previous two years.

THB remains a safe haven, better than JPY

We don't see this trade report carrying much market impact, especially on the currency (Thai baht, THB) for which it matters most. However, the THB continues to enjoy the strong backing of a large current account surplus. 7.8% year-to-date appreciation puts the THB at the top of the emerging market bunch. But it's not good for economic recovery.

The Bank of Thailand (BoT) policy minutes yesterday expressed worries about strong THB hurting exports and the overall economy. The THB has clawed back all of the loss it suffered in the aftermath of the BoT policy rate cut at the meeting earlier this month when the central bank also unveiled additional measures to rein in currency appreciation.

Aside from growth-boosting policies, particularly targeting domestic demand, there is little more the authorities can do about the large current account surplus sustaining THB as a refuge for investors during periods of heightened global uncertainty.

USD/THB remains a one-way bet



Source: Bloomberg, ING