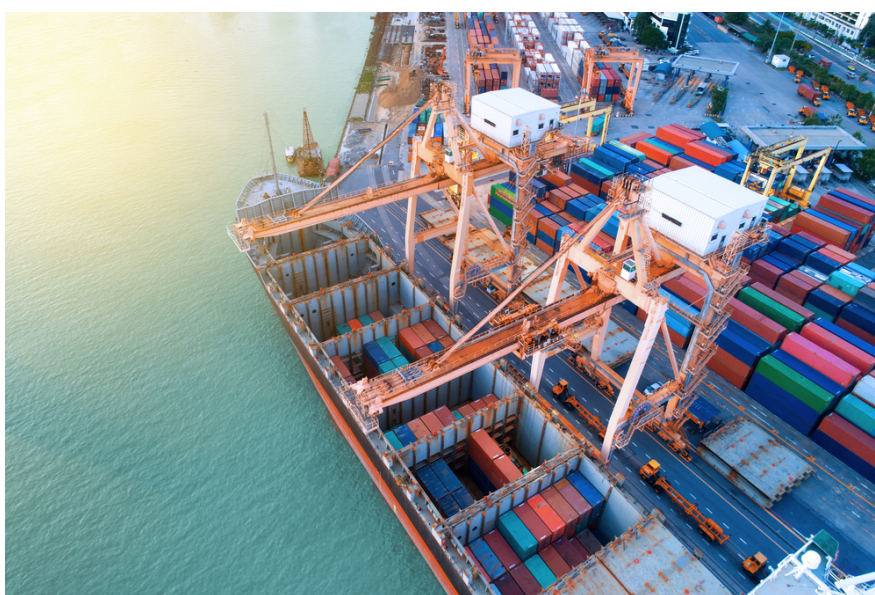


## Thailand: Trade balance clings to surplus in June

A falling external surplus is behind the reversal of fortune for the Thai baht (THB) this year. Our end-2018 forecast for the USD/THB is 35.0



Source: Shutterstock

A shift in Thailand's currency (THB) from Asia's outperformer in 2017 to underperformer this year can be ascribed to the country's falling trade surplus. Although just-released customs trade data for June does not entirely support this view, the cumulative data for the first half of the year does. We continue to see the USD/THB rate trading toward the 35.0 level by end-2018 (spot 33.5).

# \$1.6bn Trade surplus in June

Higher than expected

## Surprisingly strong trade surplus in June

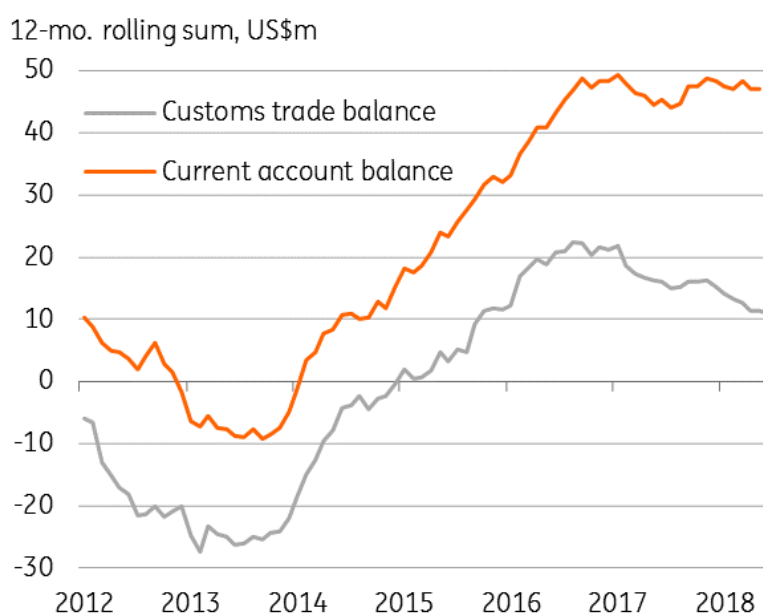
Beating the consensus, the trade surplus widened to \$1.6bn in June from \$1.2bn in the previous month; the consensus forecast was \$1.3bn, while we were expecting a small deficit. Exports grew by 8.2% year-on-year and imports by 10.8%, though both fell short of the 11% growth registered in May. Electronics and autos have been the main export drivers this year, whereas fuel has been the dominating commodity on the imports side.

## Cumulative surplus is still lower

However, the cumulative trade surplus of \$3.5bn in the first half of 2018 has more than halved from the \$7.6bn surplus of a year ago. Trade balance drives the current account balance. Indeed, the \$17.3bn current surplus in the first five months was \$1.4bn less than a year-ago.

After a strong run in the last four years, Thailand's external payments have started to weaken this year and foreign exchange reserves have started to fall after peaking over \$215 billion in March. These trends are here to stay as the global trade war threatens exports and confidence-sensitive capital inflows while rising oil prices boost imports. We forecast that the annual current surplus in relation to GDP will narrow to 7.5% in 2018 from 10.6% in 2017.

## Trade balance drives current account balance



Source: Bloomberg, ING

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