

Exports growth finally turns positive, the highest in four years

Tuesday, 24 January 2017

Highlights

- **Thailand's external environment ends on a fairly good note**, with exports growth printing its second consecutive month of advance at 6.2% yoy in December and bringing full-year export growth to a four-year high at +0.5% yoy. This contrasts with the negative export growth seen in 2015 (-5.7%) and 2014 (-0.4%). Meanwhile, import growth grew for its fourth consecutive month (+10.3%) in December, accelerating from a 3.0% growth print in the previous month. Empirically, Thailand registered healthy trade surplus of US\$938 million in December. Much of the gain in export has been attributed to higher oil prices, while specific products such as Industrials (+5.4%) and Agricultural (+5.5%) also supported export growth
- **Into 2017, the recovery in export print, albeit gradually, does illustrates that Thailand's external environment may once again play its part in supporting overall GDP growth.** Moreover, Thailand's commerce ministry commented that the country will have little negative consequences from Trump's TPP withdrawal, given that Thailand was not a TPP member to begin with, and the upside risk to US economic growth should benefit Thailand's export numbers into 2017. In a nut-shell, the ministry commented that exports growth is expected to accelerate to 2.5% - 3.5% in 2017, supported by higher oil prices (estimated at around \$50 - \$60 in 2017) and a relatively weaker THB (estimated at around 35.5 – 37.5 a dollar).
- **In our opinion, the recovery seen in Thailand's external environment is definitely an encouragement, given that exports account for two-thirds of the country's GDP.** Still, much of Thailand's growth fundamentals will also depend on its tourism industry, domestic consumption and investment trends. On this, We do look for overall GDP growth to be marginally better compared to 2016's numbers at around 3.3 – 3.5% in 2017, in line with NESDB's projection of 3 – 4%. Elsewhere, with potentially higher oil prices, headline inflation is likely to pick up to 1.5% in 2017 as well. Moreover, the monetary space at Thailand enjoys, with its benchmark rate at 1.5% at this juncture, should also aid matters should growth unexpectedly turn south.

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