



# ASEAN TRADE UPDATE

1Q 2018

## Thai exports to CLMV resumed growth at 13.1 percent YoY in 2017, buoyed by recovering commodity prices.

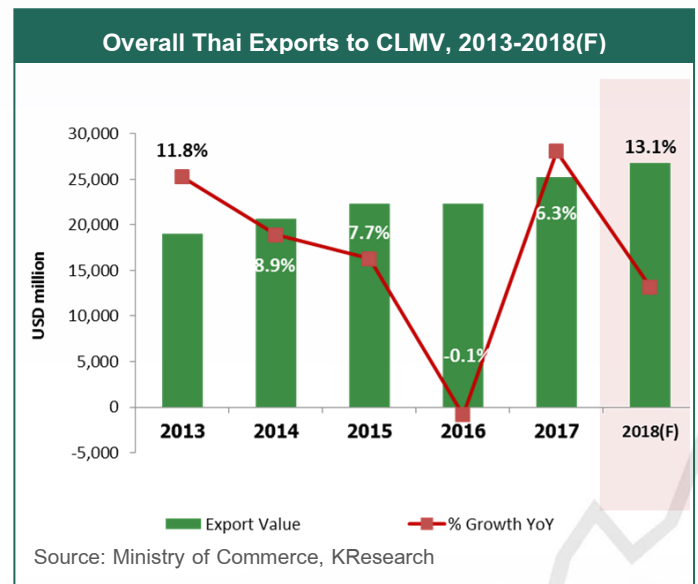
As for 2018, they may register slower growth, 6.4 percent YoY, due to lower prices of refined petroleum products that are our key shipment. However, other products will likely perform well.

▶ **Thai exports to CLMV grew 13.1 percent and reached a total value of USD25,191 million.** An overall recovery was witnessed in Thai exports to CLMV in 2017, mainly boosted by rising commodity prices. The value of refined petroleum and petrochemical products – Thailand’s main exports which together accounted for 20.1 percent of our total exports to CLMV – expanded markedly. Shipments of energy drinks and fresh fruits also grew well.

▶ **Although the overall exports to CLMV increased satisfactorily in 2017, the auto export – another main shipment of Thailand – significantly dropped.** Auto and part export is Thailand’s second most important shipment to CLMV, after refined petroleum products. Being a large auto producer in the region, our auto export to CLMV had enjoyed steady growth until 2017 when this export category contracted 8.9 percent, mainly due to Vietnam market that usually buys more than 60 percent of our products to CLMV. Vietnamese consumers have delayed their decision to buy new cars, before the zero-percent import duty on vehicles would be effective in 2018. Therefore, auto export to Vietnam decreased 8.7 percent YoY. In Lao PDR where the zero-percent regime started in 2015, our auto export in 2017 also fell 31.8 percent against the high base of the previous year.

▶ **Thai exports exhibited strong growth in CLMV market in 2017, as evidenced by higher export growth than the overall performance that was recorded at 9.9 percent.**

Going forward, a close watch should be on the original merchandises that had expanded at a satisfactory pace, as they may be affected by various factors. In particular, auto export to Vietnam is now facing more stringent regulations on quality control of new imported vehicles, which became effective on January 1, 2018.



▶ **In 2018, Thai exports to CLMV will likely grow at a slower pace, or around 6.4 percent YoY, amounting to USD26.792 billion, due to a lack of support from oil and petrochemical product prices.** Although slower growth is expected this year, Thai exports to CLMV will benefit from rising demand in CLMV following their high economic growth, supported by FDI inflows and public infrastructure developments. Key driver will be Vietnam, which is Thailand’s largest market in CLMV with a share of 46.3 percent of our total exports sent there.

	Growth of Thailand export to CLMV (&)		
	2016	2017	2018F
Cambodia	-5.8	12.8	4.0
Laos	-5.7	-1.1	2.0
Myanmar	0.2	3.1	2.0
Vietnam	5.9	23.7	10.5
CLMV	-0.0	13.1	6.4
Indonesia	4.7	7.7	2.5
ASEAN (9)	-0.7	8.9	4.4

- ▶ **Thai exports to Vietnam in 2018 are expected to increase 10.5 percent YoY. New regulations concerning quality control of new imported vehicles may put pressure on our vehicle export there.** Thai auto export to Vietnam has been boosted by various positive factors, but the issuance of Decree No. 116/2017/ND-CP will make auto imports more complicated. Vietnam is Thailand's third largest buyer of automobiles among ASEAN markets and in 2018, Thailand should benefit from the zero-percent regime under the ASEAN Trade in Goods Agreement, whereas this new Decree could be an important impediment to our auto export there. However, such impacts will likely be felt in many countries as well and it is expected that negotiations will be held for maximum benefits of all parties concerned. Any progress of such talks will be closely monitored.



- ▶ **Exports to Cambodia, Lao PDR and Myanmar (CLM) will continue to grow at 4.0 percent YoY, 2.0 percent YoY and 2.0 percent YoY, respectively, albeit at a slower pace than in 2017.** Key drivers include intermediary and capital goods, such as petrochemical products, namely plastic pellets and chemicals and machinery, for their manufacturing sectors. Growth is also expected in consumer goods exports, for example, personal care items, energy drinks and processed food.
- ▶ **Exports to Indonesia could grow 2.5 percent YoY, slower pace than the 7.7 percent rate reported in 2017.** This year's exports will lack last year's important support, i.e., prices of petrochemical products including plastic pellets and chemicals. Indonesia is in a stage of infrastructure development, which should be beneficial to Thai machinery and steel exports. However, last year's high base of both goods will result in only slight increase in this year's exports.
- ▶ **KResearch expects growth of 4.4 percent YoY in Thai exports to ASEAN in 2018.** However, Thai businesses may face many challenges with respect to commodity prices and changes in manufacturing structures and regional supply chains. Business adjustments are therefore necessary for Thailand in order to maintain our share in ASEAN, which is our largest export market with high growth potential.

**Thai exports to CLMV in 2018 are expected to increase 6.4 percent, versus the 13.1-percent pace recorded in 2018, due to a lack of support from prices of oil and related products.**

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TRADE UPDATE

# Cambodia

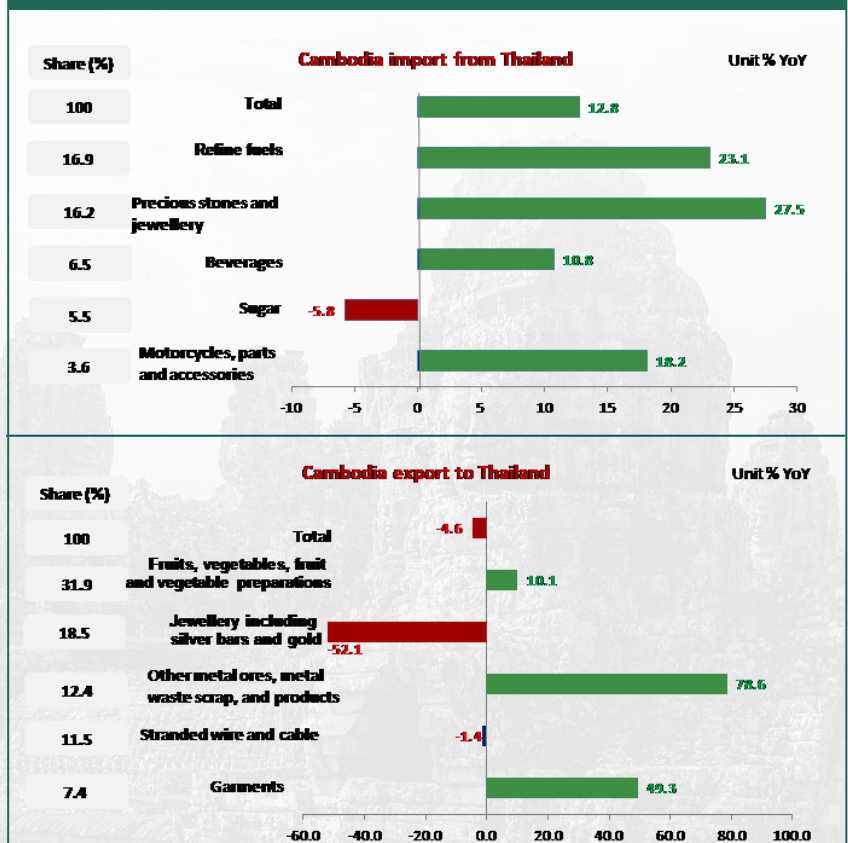
▶ Thailand's exports to Cambodia jumped 12.8 percent to USD5.3 billion in 2017, against the contraction of 5.8 percent reported for 2016. The sharp increase was attributable chiefly to rising refined petroleum product prices and higher unwrought gold exports. Thai consumer products exports, including beverages, motorcycles and cars also performed well there, thanks to the thriving Cambodian economy.

▶ Thailand's imports from Cambodia reached USD894.9 million, shrinking 4.6 percent. The contraction was due primarily to a shrink in gold bar imports by more than 52.1 percent. However, raw material imports, including cassava and aluminum scraps grew favorably, while a steady leaf-frog growth was seen in garment imports because Cambodia is an important garment manufacturing base for ASEAN.

**News Update:** Cambodia and China inked 19 financial assistance and investment agreements in January 2018 during a meeting between Chinese Premier Li Keqiang and Cambodian Prime Minister Hun Sen in Phnom Penh. These agreements are intended to offer financial facilities for the development of various infrastructure construction projects in Cambodia, including a new airport in Siem Reap and a national highway from Phnom Penh to Sihanoukville. A closer tie between the two nations through financial assistance and China's direct investments in Cambodia should help bolster their bilateral trade substantially ahead. However, Thailand's status as Cambodia's biggest exporter may be undermined ahead, given that numerous Chinese products have made greater inroads into Cambodia, including plastic products, construction machinery and other consumer products.

**Thai exports to Cambodia grew substantially in 2017 due to rising refined petroleum product prices and higher gold bar exports. Other Thai shipments also performed well, thanks to favorable Cambodian economic performance.**

Cambodia-Thailand Trade (Jan – Dec 2017)



# Laos

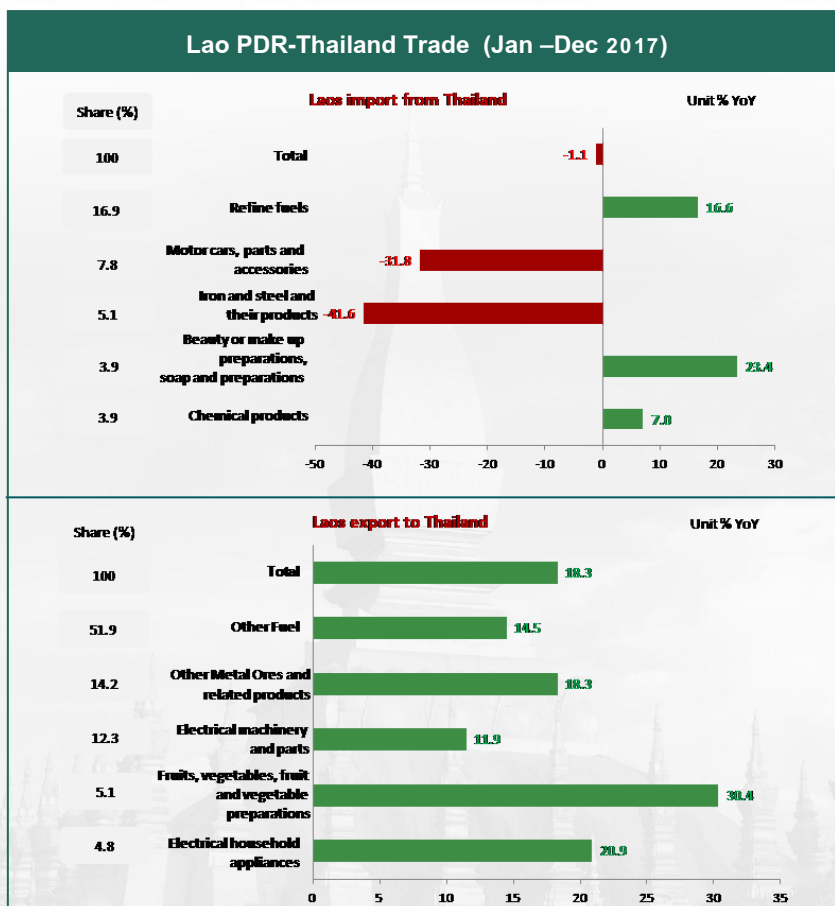
▶ Thailand's outward trade to Laos contracted 1.1 percent to USD4.0 billion in 2017, bettering the contraction of 5.7 percent recorded in 2016. Such a disappointing performance was due mainly to shrinking vehicle exports, given a high base since 2015 as a result of the reduction in vehicle import tariffs to 0 percent as part of the ASEAN Free Trade Agreement and ebbing iron exports because of intense competition from China.

However, Thai exports continued to be supported by the rebound in refined petroleum product and chemical prices, plus growth in personal care product shipments.

▶ Thailand's imports from Laos totaled some USD2.2 billion, increasing 18.3 percent. The increase was led by electricity, copper and cassava imports. Such cassava imports were intended to process into various tapioca products for export to China amid rising demand there.

Thailand also imported more camera and mobile phone parts from Laos in 2017. Such imports have risen steadily in recent years.

**News Update:** Lao Minister of Energy and Mining recently said that the country's two largest gold mines, i.e., Sepon mine in Savannakhet and Phu Bia mine in Xaysomboun are scheduled to shut down between 2020 and 2021 because gold and copper ores have begun to decline. Their closure will likely affect some Thai export categories to Laos, in particular trucks and mining machinery.



**Thai shipments to Laos contracted sharply in 2017 due to ebbing vehicle and iron exports. However, recovering oil prices and favorable consumer product exports helped support Thai shipments to Laos somewhat.**

# Myanmar

▶ **Thai exports to Myanmar in 2017 expanded 3.1 percent, valued at USD4.3 billion compared to a 0.2 percent growth over year.** The rise in outward trade was driven by a recovery in refined petroleum product price, coupled with a jump in iron exports due to booming property sector in Myanmar. Meanwhile, machinery exports edged up slightly, buoyed by construction machinery shipments. Nonetheless, close attention should be paid to the exports of certain consumer products such as alcoholic beverages and personal care products which continue to decline because Myanmar has increasingly improved its capacity to produce such products locally.

▶ **Myanmar imports to Thailand in 2017 totaled USD2.5 billion, up 5.1 percent.** Although natural gas which accounts for more than 75 percent of all Myanmar exports to Thailand dropped by 11.9 percent because Yadana, Yetagun and Zawtika natural gas fields halted the production from February to March, the shipments of other items which accounted for one-fourth of total imports from Myanmar skyrocketed more than 50.8 percent. Such active export items that contributed to the surge in Myanmar imports to Thailand in 2017 included copper and aquatic animals for consumption.

**News Update:** Myanmar's Ministry of Electricity and Energy recently unveiled its plan to double the country's electricity generation capacity by 2021 by constructing four natural gas power plants with a combined investment around USD5.2 billion to raise total capacity to 3,100 megawatts from 3,000 megawatts previously. The planned construction of large-scale power stations should further increase demand for construction materials from Thailand particularly iron used in construction that Myanmar is dependent on Thai exports.

**Thai exports to Myanmar in 2017 increased 3.1 percent buoyed by a recovery in refined petroleum products and iron exports in line with rising demand in booming construction sector.**

Myanmar-Thailand Trade (Jan-Dec 2017)



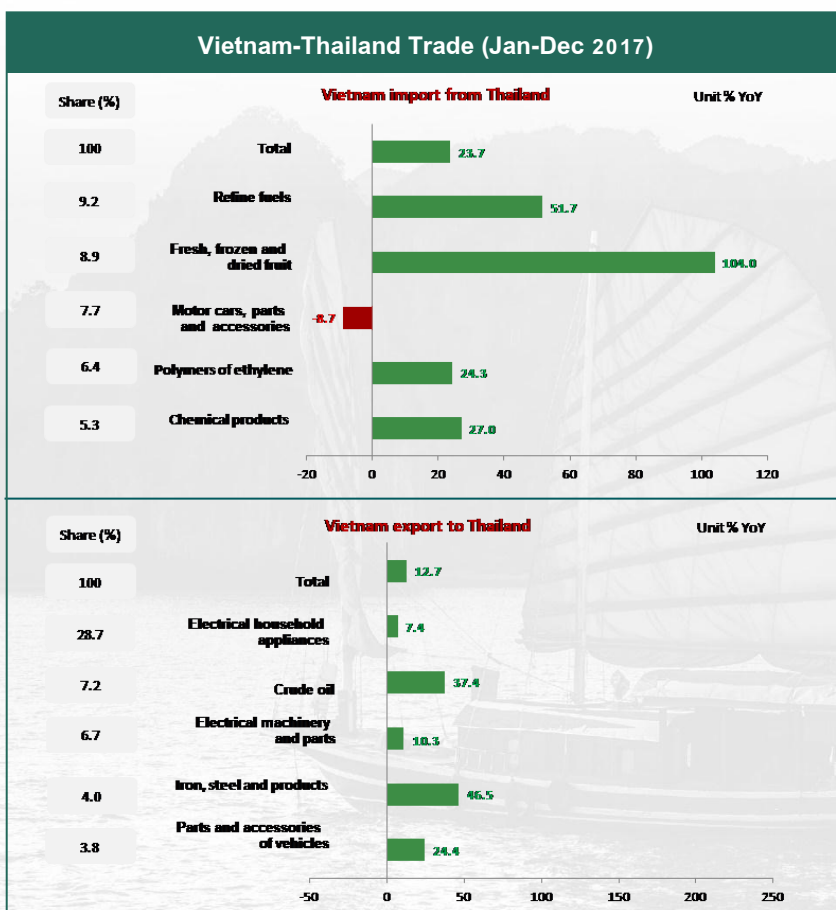
# Vietnam

▶ **Thai exports to Vietnam in 2017 surged 23.7 percent, valued at USD11.7 billion.** The uplift was mainly attributed to a surge in prices of oil and related products such as plastic pellets and chemicals. In addition, outbound shipment of Thai fresh fruits, mainly longan and durian, expanded remarkably for consumption in Vietnam and re-export to China. However, automobile exports declined from the figures in 2017 because buyers delayed the purchases until 2018 when Vietnam begins reducing tariffs on automobiles from ASEAN countries to zero. Attention should also be paid to a new law to control the quality of imported automobiles because it may

lower Thai auto exports in 2018 below initial target.

▶ **Vietnam exports to Thailand in 2017 valued at USD5.0 billion, up 12.7 percent.** The outbound trade was boosted by growing demand for mobile phone and parts as Vietnam is a major production base for South Korean smartphones. Crude oil outbound shipment increased both value and volume. Vietnam increased crude oil exports by 20.1 percent for refinery here. Meanwhile, Thailand continued buying more intermediate goods such as electronic parts, reflecting Vietnam's status as a regional major production base in the region.

**News Update:** Vietnam government has issue a decree 116/2017/ND-CP which stipulates the conditions for controlling the quality of new automobile imports to Vietnam, effective January 1, 2018. The regulations will make it more difficult for Thai exporters because they require more paperwork and longer time for quality inspection, plus additional expenses incurred from such procedures. In a related development, some car companies in Thailand have already suspended the outbound shipments to Vietnam, pending more clarity on the law as they are trying to negotiate with the Vietnamese government to ask for relaxations of the enforcement.



**Thai exports to Vietnam in 2017 surged on growing shipment of refined petroleum products which increased both in terms of value and volume, together with booming Thai fresh fruit exports.**



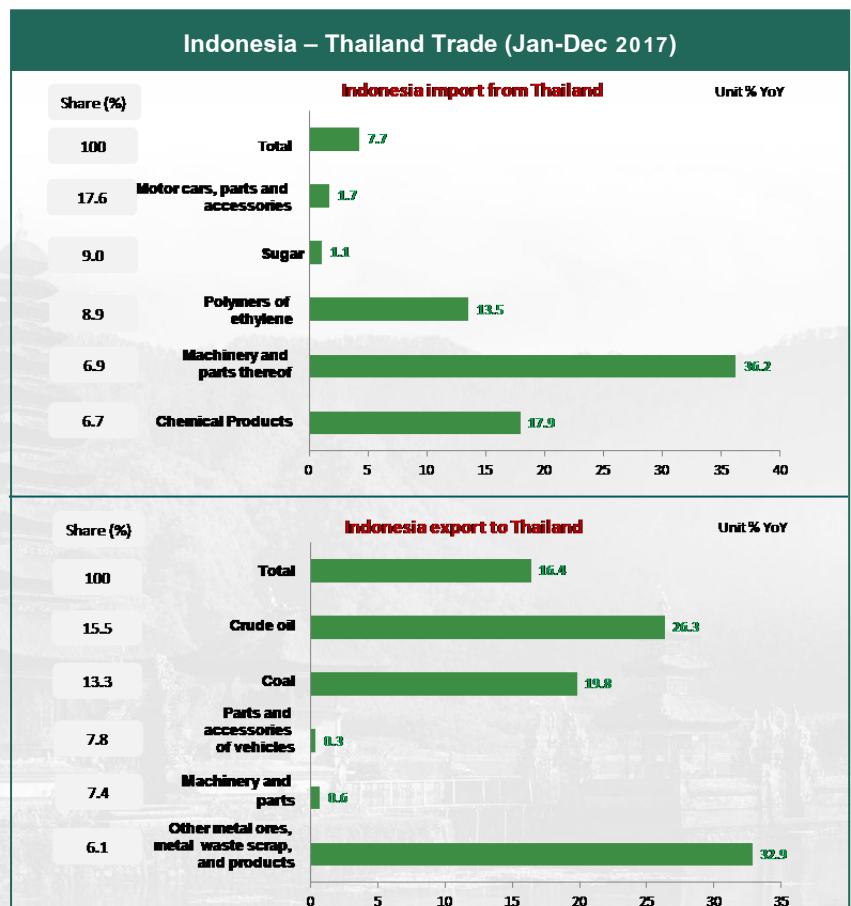
# Indonesia

▶ **Thai exports to Indonesia in 2017 rose 7.7 percent to USD8.8 billion, slightly accelerating from 4.7 percent in 2016.** The outward trade was pushed by construction machinery shipment to serve demands from the domestic infrastructure project development in Indonesia. In addition, Thailand sold more petrochemical products such as plastic pellets to Indonesia to serve the growing needs for the product there.

▶ **Indonesian imports to Thailand in 2017 totaled USD7.4 billion, up 16.4 percent.** Thai outbound shipment surged on the recovery of commodity prices such as those of crude oil, coal, chemicals and copper which are main products that Thailand imported from Indonesia. Particularly, the volume of copper export from Indonesia jumped over 22.3 percent after Jakarta relaxed the regulations on the export of unprocessed mineral ore to stimulate its domestic economy in 2017.

**News Update:** Indonesia's Ministry of Trade revealed that the government plans to import 500,000 tons of rice to stabilize domestic rice prices because the price increase may trigger a significant surge in inflation and, thus, affect consumer purchasing power. The Indonesian government will use Government-to-Government (G2G) approach to purchase such amount of rice, contributing positively to Thai exports because Thailand is the biggest rice seller to

**In 2017, Thai outbound shipment was driven by rising prices of petrochemical products and growing demand for construction machinery to serve the Indonesian policy to develop its infrastructure.**





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