

# HSBC Global Connections

## Trade Forecast Update: Thailand

February 2012

Forecast exploring the future of world trade and the opportunities for international businesses

- World trade to grow by 86% in the next 15 years (2012-2026)
- International trade growth will accelerate from 2014
- Companies to increase trade activity by 4.70% annually to achieve projected growth
- Fastest growing emerging sectors support trade infrastructure and the transportation of goods around the world
- Thailand's trade growth from 2012 to 2026 will be 160.10%
- Thai companies to increase trade activity annually by 5.44% over the next 15 years
- Growth will be fuelled by emerging exports of cars and lorries to Australia which the Trade Forecast predicts will grow by 9.08% and 8.98%, respectively

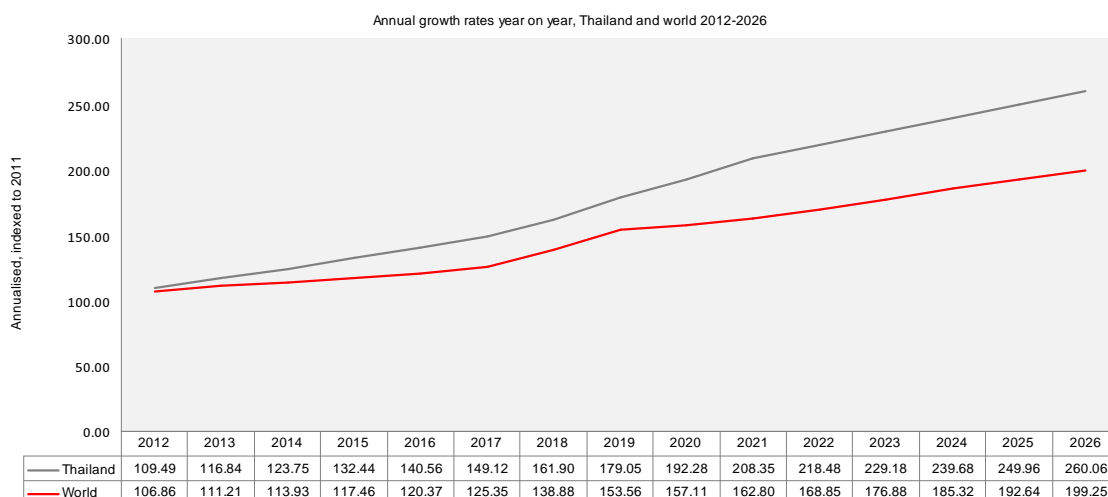
### Trade overview

As the world continues to face well-documented economic challenges, the Trade Forecast suggests grounds for optimism for international businesses. Despite the current climate the overall trend for international trade is positive with growth acceleration sooner than expected from 2014, rather than 2015. After 2014 the global economy ends a period of slow growth and contraction and sees an upturn in trade in line with GDP forecasts. Over the next five years it is forecast that world trade will grow at an annualised rate of 3.78% (see below graph for year-on-year predictions), due primarily to the expectation of an earlier recovery of the overall global economy. In the period 2017-2021, the Forecast predicts even more rapid annualised growth at 6.23%, as world demand for traded goods recovers its dynamism. As a result world trade is predicted to grow by 86.00% in the next 15 years, taking total trade activity in that year to \$53.8 trillion.

The Trade Forecast predicts that trade in Thailand will grow at an annualised rate of 5.22% over the next five years to 2016 and that it will grow even more quickly over the following five years (2017 - 2021) at 6.73%. This equates to growth, indexed to a base in 2011, of 160.06%. Such rapid growth reflects Thailand's central role in the Asia Pacific supply chain of infrastructural products, electronic goods and a rapidly growing automotive sector. Annualised total trade growth in Thailand over the next 15 years will 5.44% which is the rate at which companies will need to increase their international activities if they are to keep pace with this change.

### Thailand's trade outlook

Thailand's trade index, based to 2011, will grow much faster than is average for the world up to 2026, when it will reach 160.06%. World growth is because of accelerated growth after 2015 in Latin America and Asia Pacific, which is driving rapidly increased world trade growth over the next 15 years. The Trade Forecast predicts that Thailand's growth will outstrip the world average by 20.20% in 2016 and by 60.82% by 2026.



### Alan Keir, Group Managing Director and Global Head, HSBC Commercial Banking:

"Where once businesses followed economic investment, now, forward-thinking companies lead, taking matters into their own hands and making business happen. Whether that's taking advantage of shorter-term growth in international trade, which despite economic uncertainty sits at \$1trillion a year, or by creating new supply chains that open up trade corridors, businesses are connecting themselves to future opportunities. The reality is that growth opportunities lie internationally. The companies that succeed will be planning for that today."

## Trade corridors and trends

Thailand's largest export partners are China with exports forecast to grow by 7.95%, Japan by 4.98% and the USA by 4.46%, all annually over the next five years. Thailand's exports of pneumatic and unvulcanised rubber to China alone are set to increase by 15.99% annually to 2016, reinforcing the role that the country plays in developing Chinese infrastructures and supply chains. India is Thailand's fastest growing large export partner with forecast growth of 10.50% driven partly by exports of gold and oil, but also by emerging relationships in the consumer electronics sector. Australia is also a fast growing export destination with exports set to increase by 10.31% driven by gold (14.43%), cars (9.08%) and road haulage vehicles (8.98%) annually to 2016. Switzerland is one of the biggest emerging export partners; driven by gold, watches and clocks exports are forecast to increase annually over the next five years by 13.40%.

Thailand's largest import partner is Japan with imports forecast to grow by 4.91% annually over the next five years. This is driven to some extent by an annual increase of 6.86% in imports of internal combustion engines (to 2016). The increase in imports from China is predominantly in the consumer electronics sector while Switzerland is the fastest growing large import partner fuelled by an increase in imports of gold. Russia will see its imports into Thailand grow by 9.55% annually to 2016 driven by a forecast annualised increase in imports of oil of 16.09%. Emerging import partners reflect both the importance of traditional sector imports, for example in textiles from Cambodia and Sri Lanka but also in electronic equipment components with imports from countries in emerging Europe, such as Hungary and Slovenia forecast to increase annually to 2016 by 11.42% and 11.34%, respectively.

Thailand's Largest (2012) Export Partners Ordered by Value	CAGR (2012)	Emerging Growth Export Partners	%	Thailand's Largest (2012) Import Partners Ordered by Value	CAGR (2012)	Emerging Growth Import Partners	%
China	7.95%	Uruguay	17.16%	Switzerland	11.45%	Cayman Islands	26.52%
Japan	4.98%	Paraguay	15.32%	Russia	9.55%	Brunei Darussalam	17.85%
USA	4.46%	Rwanda	13.53%	South Korea	8.38%	Bermuda	16.22%
Hong Kong	8.95%	Nigeria	13.47%	China	8.29%	Latvia	15.84%
Malaysia	7.33%	Switzerland	13.40%	Australia	7.76%	Ethiopia	14.13%
Australia	10.31%	Peru	13.36%	Indonesia	7.67%	Cambodia	13.76%
Singapore	4.87%	Slovakia	13.34%	Qatar	7.15%	Sri Lanka	13.37%
Indonesia	8.68%	Bolivia	13.26%	Germany	6.16%	Slovakia	13.24%
Vietnam	9.41%	Czech Republic	12.70%	Malaysia	5.78%	Estonia	12.16%
India	10.50%	Bermuda	12.64%	USA	5.34%	Columbia	12.07%

N.B. Emerging Growth Import and Export Partners are trade partners that are growing most quickly over the period, albeit potentially from a small base.

## Sector watch

The table below shows Thailand's fastest growing export and import sectors by partner:

Export Sector	Export Partner	CAGR (2012-16)	Import Sector	Import Partner	CAGR (2012-16)
Gold, unwrought, semi-manufactured, powder form	Switzerland	16.87%	Petroleum oils, oils from bituminous minerals, crude	Russia	16.09%
Documents of title (bonds etc), unused stamps etc	Hong Kong	16.43%	Golf, unwrought, semi-manufactured, powder form	Switzerland	13.40%
Compounded unvulcanised rubber, in primary forms	China	15.99%	Parts for radio, tv transmission, receive equipment	China	12.21%
Oils petroleum, bituminous, distillates, except crude	Malaysia	15.76%	Petroleum oils, oils from bituminous minerals, crude	Australia	11.69%
Gold, unwrought, semi-manufactured, powder form	Hong Kong	15.50%	Prepared unrecorded sound recording media (non-photo)	Malaysia	10.60%
Gold, unwrought, semi-manufactured, powder form	Australia	14.43%	Coal, briquettes, ovoids etc, made from coal	Indonesia	9.97%
Oils petroleum, bituminous, distillates, except crude	China	12.00%	Gold, unwrought, semi-manufactured, powder form	Australia	9.83%
Electronic integrated circuits and microassemblies	Hong Kong	9.12%	Automatic data processing machines (computers)	China	8.02%
Motor vehicles for transport of persons (except buses)	Australia	9.08%	Parts for internal combustion spark ignition engines	Japan	6.86%
Motor vehicles for the transport of goods	Australia	8.98%	Flat-rolled iron/steel, >600mm, clad, plated or coated	Japan	5.83%

N.B. Thailand's fastest growing import and export sectors by partner are developed from the top 50 export and import partners and are selected alongside the trade sectors that constituted values of above \$100 million at the end of 2010. The top ten fastest growing partners by sector were selected for this table.

## Sector opportunities

**Consumer electronics:** Thailand's consumer electronics sector is as substantial and growing as it is innovative and high value. Although elements such as software are not directly visible in merchandise trade data, these add substantial value and embed Thailand into Asia Pacific's growing supply chain, trade and emerging trade corridors within the sector. Beneath the trade in computers as an end product is a supply chain of integrated circuitry and related sectors like unrecorded sound equipment and radio and TV parts. All of this suggests a robust basis for trade through Thailand which will require both high-level innovation and price and quality competitiveness internationally. In order to take advantage of the opportunities for international trade that this sector offers, businesses need to grow at around 5.00% annually over the next five years.

**Commodities and infrastructures:** Alongside its strong production base, Thailand has a buoyant commodity and infrastructure sector. Exports to China of both unvulcanised rubber and of rubber and gum are forecast to increase by 15.99% and 7.31% respectively annually, both to 2016. Thailand itself imports iron and steel to support its own rapid infrastructure development. Furthermore, the Trade Forecast predicts that exports of tug boats will increase by 22.05% and of railway service vehicles by 20.36% annually to 2016, suggesting that Thailand is supplying infrastructures to other emerging economies in the region. Commodities and infrastructure are vast and complex sectors and Thailand's trade profile is dominated by them as its role in supplying resources to the Asia Pacific region grows. This is a big opportunity for businesses that need to find technical niches and work through supply chains to integrate themselves with infrastructure development over the next 15 years.

**Automotives:** Thailand's automotive sector is fast growing both in terms of exports and imports. For example, trade exports of motor vehicles are forecast to grow by 10.05% while exports of car accessories are forecast to increase annually by 7.38% to 2016 and exports of rubber tyres by 9.91%. Imports from Japan of internal combustion engines are forecast to increase by 6.86% while exports of cars and road haulage vehicles to Australia will increase by 9.08% and 8.98%, respectively. Thailand is increasing its exports of cars across the Asia Pacific region on the back of this development and the opportunities for businesses throughout the automotive industry supply chain are clear. The sector has exacting quality standards but is highly internationalised. If companies are to keep pace then they need to grow their international activities at annualised rates of above 10.00%.

## HSBC Trade Connections

### Trade Forecast

The Trade Forecast predicts how trade is going to develop over the next five, 10 and 15 years. It forecasts overall trade growth (exports, imports and total trade) globally, in global regions, and individual countries. Spanning 37 countries, it covers the top 10 sectors for exports and imports for each of these. The forecast has a unique approach to understanding the drivers of trade from a business perspective, informed by: trade trends, macroeconomic and market influences trade (for example GDP, oil prices, inflation, foreign direct investment), and business environment influences on trade (including regulation, demographics, access to capital and finance). The research has been commissioned by HSBC and undertaken by Delta Economics. The economic and business narratives stem from a broader documentary search that includes material from National Statistical Offices, the World Bank and International Monetary Fund, economic blogs, the Economist Intelligence Unit, Bloomberg, the Financial Times and other professional and financial services news websites.

### About HSBC Commercial Banking

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. HSBC is one of the world's most international commercial banks with over three million customers in more than 60 markets.