Thailand’s Economic Indicators (May): Further external sector and private investment weakness; private consumption growth remained steady

- **Deeper export decline and weak tourism number made for a current account deficit in May.** Merchandise exports (BOP basis)\(^1\) contracted by 7.2% YoY in May, a deeper decline than the 3.1% YoY slippage posted for April. Imports of goods dipped by only 0.2% YoY, so the trade balance posted a small surplus of US$1.4bn for May. With tourism arrivals dipping by 1.0% YoY for the month (compared to a 3.3% YoY increase in April), the net services, income & transfers account posted a deficit of $1.8bn—the first in 11 months. As such, the current account reversed from a $1.4bn surplus in April to a $0.4bn deficit in May.

- **Private consumption growth remained steady.** The Private Consumption Index (PCI) rose by 4.2% YoY in May (following growth of 4.0% in April), largely due to increased purchases of non-durables (Figure 1) in tandem with increases of 3.3% YoY in nonfarm income and 1.1% YoY in farm income for the month, led by higher agricultural production and prices. At the same time, public consumption dropped by 13.4% YoY from the temporarily high base set by May 2018 (when Ministry of Education disbursement accelerated in response to a regulatory change).

- **Private investment indicators contracted, while public investment continued to rise.** The Manufacturing Production Index (MPI) contracted once again by 4.0% YoY in May (Figure 2), driven down by export-oriented sectors, as well as food & beverages (due to reduced supply of raw materials, such as pineapples and sugar cane). Also, the Private Investment Index (PII) dipped by 2.6% YoY with declines across most categories. Meanwhile, public investment increased by a further 14.8% YoY in the month, primarily attributable to heavier disbursement for ongoing highway-related projects.

- **Weak external sector and private consumption prospects mean greater downside risk to Thai economy.** With the 5M19 export decline of 4.5% YoY, exports now look unlikely to grow for the year as a whole. Furthermore, despite resumed trade talks between Washington and Beijing, looming downside risks to the global economy will continue to cloud the outlooks for exports and domestic production. On the domestic front, private consumption is set to slow with an elevated household debt burden and waning confidence (the Consumer Confidence Index has declined for three consecutive months, led south by concerns over economic conditions, job opportunities, and future income). This points to greater downside risk to the Thai economy, which may prompt us to trim our 2019 GDP forecast should the 2Q19 GDP growth number disappoint (we project GDP growth of 2.5% YoY for 2Q19 and 3.1% for the whole year).

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\(^{1}\)The international trade figures released by the Ministry of Commerce are customs basis figures, whereas those released by the Bank of Thailand are of BOP basis, which excludes goods transferred to Thai citizens abroad and transactions associated with shipment.

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**Figure 1:** Private Consumption Index (PCI)

**Figure 2:** Manufacturing Production Index (MPI)

Source: Bank of Thailand

Source: Office of Industrial Economics

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### Monthly Economic Indicators

#### Private Consumption
- **Index (PCI)**: 127.2, 123.5, 127.0, 128.5, 130.0, 128.7, 136.9, 137.3, 130.9 (2018 Q1 - May 2019)
- **PCI (% YoY)**: 3.1, 3.2, 3.3, 3.9, 3.3, 4.2, 4.0, 4.0, 4.2 (2018 Q1 - May 2019)
- **Imports of consumer goods (% YoY)**: 12.5, 20.4, 13.3, 7.4, 9.7, -1.3, -2.8, 7.5, 0.2 (2018 Q1 - May 2019)
- **Motorcycle sales (% YoY)**: -2.9, -1.7, -5.8, -3.7, -0.2, -0.1, 2.3, 0.1, -3.8 (2018 Q1 - May 2019)
- **Passenger car sales (% YoY)**: 18.7, 14.8, 25.1, 27.0, 9.8, 12.3, 10.6, 10.3, -0.8 (2018 Q1 - May 2019)
- **Non-durable index (% YoY)**: 1.4, 1.5, 1.1, 0.0, 2.9, 2.3, 1.5, 2.9, 4.2 (2018 Q1 - May 2019)
- **Semi-durable index (% YoY)**: 2.8, 2.5, 2.5, 2.6, 3.6, 1.4, 1.6, 2.2, 1.4 (2018 Q1 - May 2019)
- **Durable index (% YoY)**: 8.1, 5.8, 9.9, 10.2, 6.3, 5.3, 4.8, 4.7, 0.0 (2018 Q1 - May 2019)
- **Service index (% YoY)**: 5.3, 7.4, 6.7, 5.0, 2.3, 3.5, 3.0, 3.6, 2.9 (2018 Q1 - May 2019)
- **Net tourist spending (% YoY)**: 7.7, 17.3, 12.9, -0.4, 1.9, -2.7, -5.9, -1.1, -4.5 (2018 Q1 - May 2019)

#### Private Investment
- **Index (% YoY)**: 3.5, 2.7, 5.6, 3.3, 2.6, -1.0, -1.4, -1.9, -2.6 (2018 Q1 - May 2019)
- **One-ton pickup sales (% YoY)**: 20.6, 10.5, 26.8, 20.5, 24.8, 12.2, 7.9, 7.2, 8.9 (2018 Q1 - May 2019)
- **Commercial car sales (% YoY)**: 21.3, 11.8, 29.1, 16.6, 28.1, 10.6, 7.1, 8.1, 9.2 (2018 Q1 - May 2019)

#### Government Expenditure
- **(billion baht)**: 1600.6, 382.6, 379.8, 409.8, 428.4, 421.3, 139.3, 121.6, 114.9 (2018 Q1 - May 2019)
- **(billion baht)**: 401.0, 111.8, 91.0, 104.6, 93.6, 117.6, 47.0, 28.9, 33.9 (2018 Q1 - May 2019)

#### External Sector
- **Imports of goods (BoP, billion USD)**: 228.7, 55.0, 56.8, 59.4, 57.6, 53.4, 17.9, 18.6, 19.4 (2018 Q1 - May 2019)
- **Tourist arrivals (million arrivals)**: 9.5, 2.5, 2.2, 2.3, 2.6, 2.7, 3.5, 3.2, 2.7 (2018 Q1 - May 2019)
- **Tourist arrivals (% YoY)**: 10.8, 9.1, 13.6, 11.7, 9.4, 8.0, 0.7, 3.3, 1.0 (2018 Q1 - May 2019)

#### Labor Market
- **Unemployment (%)**: 1.1, 1.2, 1.1, 1.0, 0.9, 0.9, 0.9, 1.0, 1.1 (2018 Q1 - May 2019)
- **Farm income (% YoY)**: 0.5, -3.9, 4.2, 5.2, 0.3, 2.149378, -0.4, -2.0, 1.1 (2018 Q1 - May 2019)
- **Wage change (% YoY)**: 1.4, 2.3, 1.2, 1.4, 0.6, 2.00, 2.2, 5.0, 4.2 (2018 Q1 - May 2019)

#### Interest Rate and Currency
- **CPI (%)**: 0.4, 0.8, 1.4, 1.3, 0.4, 1.2, 1.2, 1.2, 1.1 (2018 Q1 - May 2019)
- **MLR : max (%)**: 6.6, 6.6, 6.6, 6.6, 6.6, 6.6, 6.6, 6.6, 6.6 (2018 Q1 - May 2019)
- **3M deposit rate (%)**: 1.0, 1.0, 1.0, 1.0, 1.0, 1.2, 1.2, 1.2, 1.2 (2018 Q1 - May 2019)
- **THB/USD (avg)**: 32.30, 31.54, 31.92, 32.95, 32.81, 31.61, 31.74, 31.85, 31.80 (2018 Q1 - May 2019)
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