

July 1, 2020

Thailand's Economic Indicators (May): the economy worsened on the back of downbeat external and domestic demand

- **Based on the BOP basis, May merchandise exports contracted by 23.6% YoY across almost all products and markets.** Excluding gold exports, exports value fell sharply by 29.0% YoY given the slump in global demand during lockdowns. Meanwhile, imports dropped by 34.2% YoY in all categories in line with deteriorated economic activities, marking the sharpest decline since May 2009. As a result, the current account saw a small surplus of USD 0.1 bn.
- **May tourist arrivals remained non-existent as the ban on international flights was in effect until the end of June.** The ban was recently lifted on July 1 for specific groups of travellers, such as foreigners with spouses, residency, work permit, or visitors for business, educational or medical purposes (other than Covid-19 treatment). Nevertheless, inbound visitors will still need to fulfill quarantine requirements. As we expect travel restrictions to likely remain in place until development of vaccines, the tourism industry recovery will be very gradual.
- **Private consumption continued to decline albeit at a slower pace due to partial lockdown easing and government stimulus policies.** The Private Consumption Index (PCI) in May contracted by 12.5% YoY, a slight improvement from -14.4% YoY in April. **(Chart 1).** With reopening in phases, service index fell by 29.7% YoY compared to -31.9% YoY in the previous month. Durable index sharply contracted by 32.0% YoY from the ongoing slump in car sales. Farm income slightly recovered by posting a smaller decline of 4.3% in May versus -9.1% YoY in April due to an increase in agricultural production (i.e. fruits). **With lower raw food prices and energy prices, the May Consumer Price Index (CPI) further contracted by 3.4% YoY, down from a 3.0% drop in the previous month.**
- **Manufacturing production and private investment worsened in tandem with the ongoing slump in external and internal demand. (Chart 2).** May MPI plunged by 23.2% YoY following a 18.2% YoY decline in April, marking a thirteenth-month consecutive drop. The fall was driven by lower production in automotive (-69.0% YoY), rubbers and plastics (-21.0% YoY) and electrical appliances (-27.4% YoY). Capacity utilization in May inched up to 52.8 from 51.3% last month. Meanwhile, the Private Investment Index (PII) for the month declined by 12.5%, a sharper decrease from -10.0% YoY in March after a one-time jump in construction activities in April due to the postponing of Songkran holidays. Overall Business Sentiment Index slightly improved to 34.4, however still hovered below the 50-level, which indicates a decline in business sentiment.
- **Government current expenditure remained flat while public investment spending continued to expand.** Current expenditure dipped by 1.5% YoY. Capital expenditure grew by 11.5% YoY, of which central government investment expanded, however state-owned enterprises declined.
- **Going forward, global trade and business sentiment show signs of improvement.** South Korea's trade data, a popular barometer for world trade, showed exports declining by 16.2% YoY for the first 20 days of June compared to a 23.6% YoY plunge in May. Purchasing Managers' Index also showed an uptick in May across many economies. With the lifting of curfew in June, we expect the service sector to gradually recover in the coming months.

Burin Adulwattana

Chief Economist

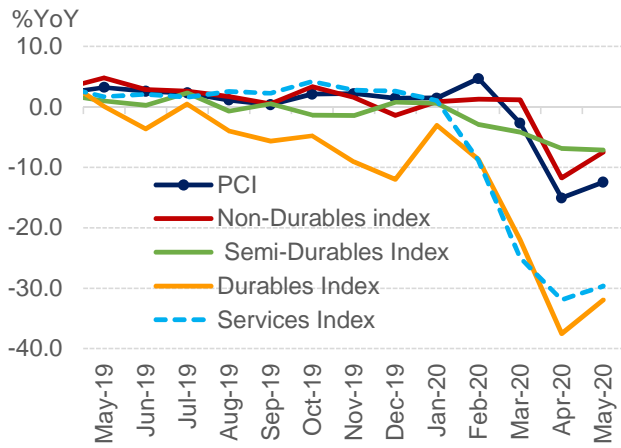
burin.adulwattana@bangkokbank.com/ +66 2 230 2657

Kantheera Tipkanjanarat

Research Associate

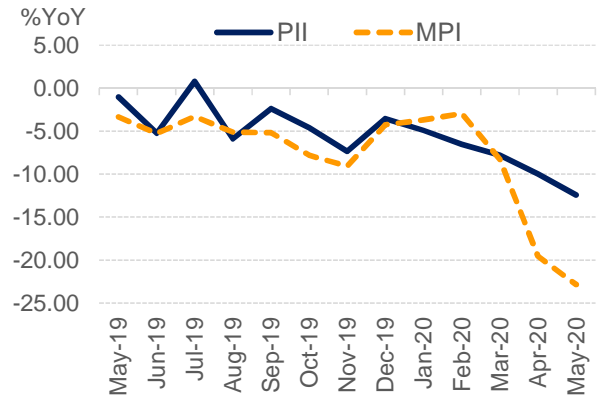
kantheera.tipkanjanarat@bangkokbank.com

Chart 1: Private Consumption Index (PCI)



Source: Bank of Thailand

Chart 2: Private Investment Index (PII) and Manufacturing Production Index (MPI)



Source: Bank of Thailand, Office of Industrial Economics

Table 1: Monthly Economic Indicators

	2019	2019			2020		2020	
		Q2	Q3	Q4	Q1	March	April	May
Private Consumption								
Private Consumption Index (PCI)	132.3	134.2	132.3	132.8	132.0	136.8	120.1	116.7
PCI (% YoY)	2.5	2.7	1.3	1.9	1.6	-0.9	-14.4	-12.5
Imports of consumer goods (% YoY)	3.0	2.8	9.5	0.1	-1.6	-6.1	-17.7	-22.2
Motorcycle sales (% YoY)	-3.4	-7.1	0.9	-7.3	-5.9	-11.3	-33.7	-37.7
Passenger car sales (% YoY)	-2.9	1.7	-6.5	-16.4	-24.8	-45.3	-72.6	-61.5
Non-durable index (% YoY)	2.3	3.5	1.6	1.1	1.1	1.2	-11.8	-7.5
Semi-durable index (% YoY)	0.5	1.0	0.7	-0.7	-1.6	-2.7	-5.3	-7.2
Durable index (% YoY)	-2.0	0.1	-3.1	-8.8	-12.0	-22.0	-37.5	-32.0
Service index (% YoY)	2.8	2.4	2.1	3.1	-10.0	-22.0	-30.9	-29.7
Net tourist spending (% YoY)	0.0	1.7	3.2	-2.4	-41.0	-77.1	-89.0	-86.8
Private Investment								
Private Investment Index (% YoY)	-2.7	-3.2	-2.6	-5.2	-6.5	-7.8	-10.0	-12.4
One-ton pickup sales (% YoY)	-3.8	5.4	-9.6	-19.0	-26.9	-41.8	-59.4	-47.5
Commercial car sales (% YoY)	-3.6	5.4	-9.1	-17.2	-23.3	-38.2	-56.8	-46.8
Permitted construction area (9mma) (% YoY)	-3.9	-2.7	-6.2	-6.9	-2.1	-1.8	0.4	0.3
Construction materials index (% YoY)	-0.7	2.4	-3.4	-1.9	-0.3	-1.0	16.3	-2.3
Newly registered motor vehicle for investment (% YoY)	-3.0	-1.8	-2.5	-15.4	-11.7	-8.0	-25.4	-34.7
Imports of capital goods (% YoY)	-0.9	-2.2	-0.8	-3.0	-9.2	-11.0	-17.5	-28.0
Imports of raw materials (% YoY)	-7.2	-5.9	-7.7	-14.1	-0.1	6.3	-11.6	-37.3
Capacity utilisation (%)	66.3	65.6	65.0	63.4	0.0	67.8	51.3	52.8
MPI (% YoY)	-3.7	-2.5	-4.3	-6.8	-6.6	-10.5	-18.2	-23.2
Government Expenditure								
Current expenditure ex. subsidies/grants and other (billion baht)	1566.4	351.8	391.8	410.2	393.4	160.3	131.0	112.3
(% YoY)	-1.6	-7.4	-4.4	-2.2	-4.7	16.0	7.9	-1.5
Capital expenditure ex. subsidies/grants and other (billion baht)	408.4	96.2	115.7	79.0	95.5	52.6	40.3	37.7
(% YoY)	1.9	5.7	10.6	-15.6	-18.7	12.2	40.5	11.5
External Sector								
Exports of goods (BoP, billion USD)	242.7	60.6	63.1	59.0	60.9	20.9	17.9	15.9
Exports (% YoY)	-3.3	-4.2	-0.3	-5.2	1.4	-2.4	-3.3	-23.6
Export vol (% YoY)	-3.7	-4.4	-0.7	-5.6	1.8	-0.8	-1.0	-21.9
Imports of goods (BoP, billion USD)	216.0	54.5	55.1	53.0	52.8	18.6	15.3	12.7
Imports (% YoY)	-5.6	-4.0	-7.2	-8.0	-1.0	4.1	-17.0	-34.2
Import vol (% YoY)	-5.7	-3.9	-7.0	-8.7	-0.1	8.7	-10.5	-30.6
Tourist arrivals (million arrivals)	39.8	9.0	9.7	10.3	6.7	0.8	0.0	0.0
Tourist arrivals (% YoY)	4.2	1.4	7.2	6.4	-38.0	-76.4	-100.0	-100.0
Tourist revenue (billion baht)	1933.4	395.6	476.7	504.1	332.0	39.5	0.0	0.0
Tourist revenue (% YoY)	3.1	2.3	5.8	1.9	-40.4	-77.6	-100.0	-100.0
Trade balance (billion USD)	26.6	6.0	8.1	6.0	8.0	2.3	2.5	3.2
Net services, income and transfers (billion USD)	11.6	-0.6	1.7	4.7	0.9	-1.7	-3.2	-3.1
Current account (billion USD)	37.3	5.4	9.8	10.7	8.9	0.5	-0.7	0.1
Capital account (billion USD)	30.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account (billion USD)	-12.6	-2.5	-1.1	-6.2	-3.0	-2.41	6.50
Overall balance (billion USD)	13.6	0.1	6.8	1.3	4.5	-0.8	6.4	1.1
International reserves (billion USD)	224.3	215.8	220.5	222.7	228.7	226.5	235.7	237.2
Net forward position (billion USD)	34.7	34.6	32.5	34.1	33.1	34.4	29.3	27.9
Labor Market								
Unemployment (%)	1.0	1.0	1.0	1.0	1.0	1.0
Farm income (% YoY)	2.1	1.9	3.6	-0.4	1.8	-2.0	-9.1	-4.3
Non farm income (% YoY)	1.6	3.2	1.3	0.8	2.0	3.3
Wage change (% YoY)	2.3	4.1	1.8	1.4	2.8	4.6
Interest Rate and Currency								
CPI (%)	0.7	1.1	0.6	0.4	-0.5	-0.5	-3.0	-3.4
CPI, core (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.0
Repo rate (%)	1.25	1.75	1.58	1.33	1.00	0.75	0.75	0.50
MLR (%)		4.5	4.5	4.4	4.4	3.6	3.3
3M deposit rate (%)	1.14	1.2	1.2	1.1	0.9	0.7	0.7	0.5
10Y govt bond yield (%)	2.05	2.4	1.7	1.6	1.3	1.3	1.4	1.2
THB/USD (avg)	31.0	31.6	30.7	30.3	31.3	32.1	32.6	32.1

Source: Bank of Thailand

Bangkok Bank Public Company Limited

The information contained in this report has been obtained from sources believed to be reliable. All reasonable effort has been made to ensure the facts stated herein are accurate and that the opinions contained herein are fair and reasonable. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by Bangkok Bank as being accurate. Neither Bangkok Bank nor any of its directors, officers, employees, and advisors nor any other person shall have any liability whatsoever for loss or damage howsoever arising, directly or indirectly, from any use of this information. The facts and information contained herein are as up to date as are reasonably possible and may be subject to revision in the future. Any opinions presented herein represent our subjective view and our current estimates and judgments which are based on various assumptions that may be subject to change without notice, and may not prove to be correct.

This report is for the recipient's information only. It does not represent or constitute an advice, offer, recommendation, or solicitation by Bangkok Bank and should not be relied as such. Neither Bangkok Bank nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this report. Neither Bangkok Bank nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss or damage howsoever arising, directly or indirectly, from any use of this report.