

February 3, 2020

## Thailand's Economic Indicators (December): slight improvement in external and domestic demand

- **A smaller decline in merchandise exports and imports in December 2019 reflected a mild recovery, partly attributable to effects of supply chain relocation and electronic cycle improvement.** Exports dropped by 1.3% YoY while imports improved by 2.5% YoY. For the year 2019, exports and imports fell by 2.7% YoY and 4.7% YoY respectively. We expect a rebound for external trade performance in 2020 as the phase one trade deal should reduce trade tensions and improve business confidence. The rollout of 5G network is also expected to boost the global electronics demand from the second half of 2020 onwards. Current account surplus came in at US\$4.1 bn for December and US\$37.3 bn for the year, up from US\$28.5 bn in 2018.
- **For December 2019, manufacturing production and private investment posted a less pronounced drop than the previous month (Chart 1).** The Manufacturing Production Index (MPI) in December was also in negative territory, a decline for seven consecutive months. The December MPI fell by 4.3% YoY following an 8.1% YoY contraction in November. The fall was primarily driven by a contraction in production in export-oriented industries; automotive (-19.0% YoY), IC and semiconductors (-4.8% YoY), and textiles and apparels (-9.7% YoY). Meanwhile, capacity utilization, however, improved to 65.0 from 63.1 last month, inching towards a five-year average of 68.0. Similarly, the Private Investment Index (PII) fell 3.7% YoY from -6.8% last month due to an improvement in permitted construction areas and imported capital goods, while investment in motor vehicles and domestic machinery sales continued to drop.
- **Tourist arrivals expanded at a slower pace as the base effect of the Phuket ferry incident dissipated.** Visitors to Thailand in December increased only by 2.5% YoY to 3.9 mn, supported by a continued inflow of tourists from China and India. Overall, tourist arrivals in 2019 hit a record of 39.8 mn, below the target set by the TAT of 41 mn. Tourist receipts increased by 3.1% YoY, resulting in a surplus of US\$10.7 bn for the net services, income & transfers account.
- **Private consumption remained the same as last month, with improvement in service index from government's domestic tourism stimulus.** The Private Consumption Index (PCI) in December slowed slightly to 2.1% YoY, down from 2.2% YoY last month (Chart 2). Durable goods has continued to contract for the past seven months (-12.0% YoY), with a steeper drop in car sales (-21.4% YoY) (Chart 3). Farm income growth rose by 3.0% YoY primarily due to the price effect. For the whole year 2019, private consumption growth slowed to 2.5% YoY compared to a 4.6% YoY rise in 2018.
- **December Consumer Price Index (CPI) jumped to 0.9% YoY, up from 0.2% YoY in the previous month, primarily driven by the surge in fresh food prices.** The full-year inflation rate was 0.7%. The headline inflation in 2019 still came in below the Bank of Thailand's new inflation target range – between 1% and 3%.
- **We downgrade our 2019 GDP estimate from 2.6% to 2.4% on the back of weaker-than-expected exports and spillovers to manufacturing production and investment.** Going forward, we still expect accommodative policy stance and reduced trade tensions to support a mild global recovery. However, trade uncertainties, budget delay and coronavirus outbreak significantly dim our outlook and we revise down our 2020 GDP forecast from 2.8% to 2.5% in our upcoming 2020 outlook report.

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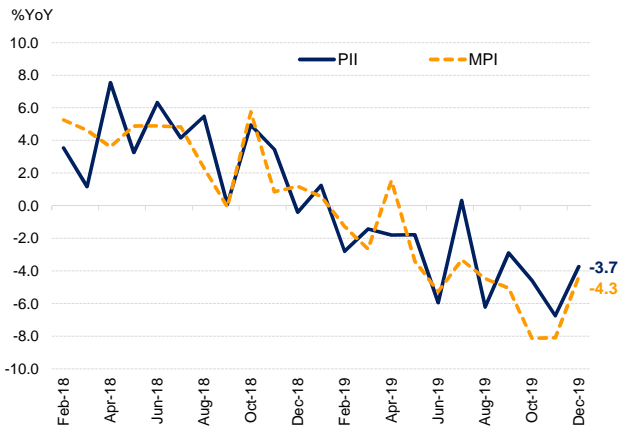
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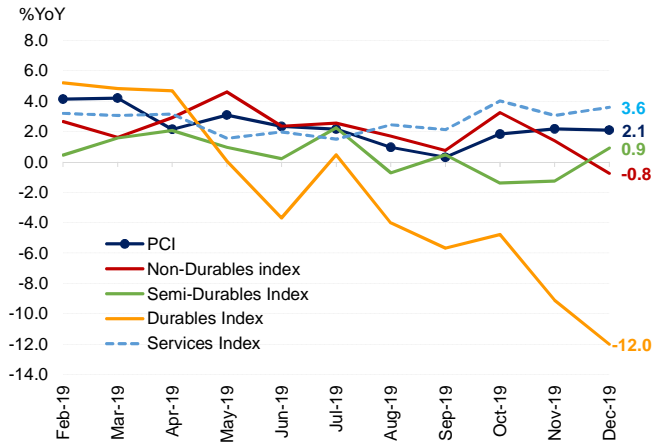
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**Chart 1: Private Investment Index (PII) and Manufacturing Production Index (MPI)**



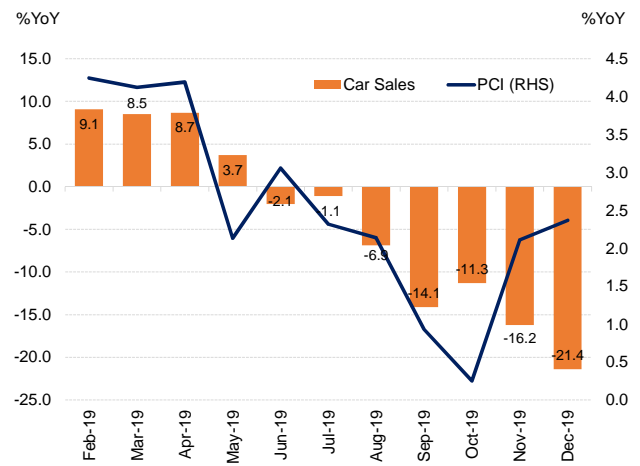
Source: Bank of Thailand, Office of Industrial Economics

**Chart 2: Private Consumption Index (PCI)**



Source: Bank of Thailand

**Chart 3: Private Consumption Index (PCI) and Car Sales**



Source: Bank of Thailand, CEIC

Figure 4: Monthly Economic Indicators

	2019	2018	2019				2019		
		Q4	Q1	Q2	Q3	Q4	October	November	December
<b>Private Consumption</b>									
Private Consumption Index (PCI)	132.3	130.8	129.9	134.2	131.8	133.4	125.0	143.6	131.8
PCI (% YoY)	2.5	3.5	4.2	2.5	1.1	2.0	1.8	2.2	2.1
Imports of consumer goods (% YoY)	2.6	9.7	-0.1	1.9	8.9	0.1	-5.0	-0.5	6.5
Motorcycle sales (% YoY)	-3.4	-0.2	-0.1	-7.1	0.9	-7.3	2.0	-6.8	-17.3
Passenger car sales (% YoY)	-3.0	9.8	12.3	1.7	-6.5	-16.4	-10.3	-18.2	-19.8
Non-durable index (% YoY)	2.2	2.9	2.4	3.3	1.7	1.2	3.2	1.4	-0.8
Semi-durable index (% YoY)	0.6	3.6	1.4	1.0	0.6	-0.7	-1.4	-1.3	0.9
Durable index (% YoY)	-2.0	6.6	5.3	0.1	-3.1	-8.8	-4.8	-9.1	-12.0
Service index (% YoY)	2.8	2.2	3.5	2.3	2.0	3.5	4.0	3.1	3.6
Net tourist spending (% YoY)	0.1	-0.8	-2.5	1.6	3.7	-1.4	8.6	-4.0	-5.6
<b>Private Investment</b>									
Private Investment Index (% YoY)	-3.1	2.7	-1.0	-3.2	-3.0	-5.1	-4.6	-6.8	-3.7
One-ton pickup sales (% YoY)	-3.8	24.8	12.2	5.4	-9.6	-19.0	-14.8	-17.6	-23.3
Commercial car sales (% YoY)	-3.6	28.1	10.6	5.4	-9.1	-17.2	-12.5	-15.1	-22.6
Permitted construction area (9mma) (% YoY)	-8.4	-10.3	-13.1	-11.4	-6.8	-1.1	-3.6	-3.1	3.7
Construction materials index (% YoY)	-0.7	7.6	1.0	2.4	-3.9	-1.9	-4.0	-3.1	1.6
Newly registered motor vehicle for investment (% YoY)	-3.0	6.9	6.6	-1.8	-2.5	-15.4	-6.0	-15.4	-26.4
Imports of capital goods (% YoY)	-1.0	4.6	2.6	-2.2	-1.0	-2.9	-4.2	-7.6	3.8
Imports of raw materials (% YoY)	-6.8	12.9	-0.6	-5.9	-7.0	-13.6	-15.5	-22.6	-0.5
Capacity utilisation (%)	66.3	69.3	71.3	65.6	65.0	63.4	63.0	63.3	64.0
MPI (% YoY)	-3.7	2.5	-1.2	-2.5	-4.3	-6.9	-8.1	-8.1	-4.3
<b>Government Expenditure</b>									
Current expenditure ex. subsidies/grants and other (billion baht)	1598.5	429.4	423.5	356.5	402.4	416.1	163.6	122.7	129.7
(% YoY)	-0.2	0.5	10.7	-6.1	-1.8	-3.1	1.5	-9.3	-2.5
Capital expenditure ex. subsidies/grants and other (billion baht)	406.3	93.6	117.5	96.2	115.7	76.9	21.6	22.3	33.1
(% YoY)	1.3	-7.5	5.1	5.7	10.6	-17.9	-25.1	-20.1	-10.4
<b>External Sector</b>									
Exports of goods (BoP, billion USD)	243.0	62.2	60.0	60.5	63.3	59.2	20.5	19.6	19.1
Exports (% YoY)	-3.2	2.7	-3.8	-4.2	0.0	-4.9	-5.0	-7.7	-1.7
Export vol (% YoY)	-3.5	1.1	-4.2	-4.4	-0.4	-4.9	-4.9	-8.0	-2.8
Imports of goods (BoP, billion USD)	216.4	57.6	53.3	54.5	55.3	53.2	18.4	17.6	17.2
Imports (% YoY)	-5.4	6.5	-3.0	-4.0	-6.8	-7.6	-9.2	-13.9	1.8
Import vol (% YoY)	-5.6	3.7	-3.2	-3.9	-6.6	-7.6	-7.9	-15.0	-0.7
Tourist arrivals (million arrivals)	39.8	9.7	10.8	9.0	9.7	10.3	3.0	3.4	3.9
Tourist arrivals (% YoY)	4.2	4.0	2.1	1.4	7.2	6.4	12.5	5.9	2.5
Tourist revenue (billion baht)	1933.4	494.6	556.9	395.6	476.7	504.1	147.8	163.5	192.8
Tourist revenue (% YoY)	3.1	1.3	2.3	2.3	5.8	1.9	9.3	0.9	-2.2
Trade balance (billion USD)	26.6	4.6	6.7	6.0	8.0	5.9	2.1	2.0	1.9
Net services, income and transfers (billion USD)	10.7	1.6	5.8	-0.8	1.3	4.4	0.8	1.4	2.2
Current account (billion USD)	37.3	6.3	12.4	5.2	9.2	10.4	2.9	3.4	4.1
Capital account (billion USD)	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	....
Financial account (billion USD)	-12.6	-2.5	-5.1	-2.5	-1.1	-3.90	-1.4	-0.4	-2.1
Overall balance (billion USD)	13.6	-0.7	5.5	0.1	6.8	1.3	1.1	0.9	-0.8
International reserves (billion USD)	224.3	205.6	212.2	215.8	220.5	222.7	222.8	221.0	224.3
Net forward position (billion USD)	34.7	32.9	31.9	34.6	32.5	34.1	34.4	33.3	34.7
<b>Labor Market</b>									
Unemployment (%)	1.0	0.9	0.9	1.0	1.0	1.0	0.9	1.1	1.0
Farm income (% YoY)	2.1	1.6	0.9	0.9	5.2	2.2	3.1	2.1	3.0
Non farm income (% YoY)	1.6	1.0	1.2	3.2	1.3	0.8	1.0	-1.0	1.0
Wage change (% YoY)	2.3	0.6	2.0	4.1	1.8	1.4	1.4	-0.4	2.0
<b>Interest Rate and Currency</b>									
CPI (%)	0.7	0.8	0.7	1.1	0.6	0.4	0.1	0.2	0.9
CPI, core (%)	0.5	0.7	0.6	0.5	0.5	0.5	0.4	0.5	0.5
Repo rate (%)	1.25	1.75	1.75	1.75	1.50	1.25	1.50	1.25	1.25
MLR (%)	6.08	6.28	6.28	6.28	6.28	6.08	6.28	6.08	6.08
3M deposit rate (%)	1.14	1.00	1.15	1.15	1.15	1.10	1.15	1.15	1.00
10Y govt bond yield (%)	2.05	2.74	2.51	2.43	1.70	1.58	1.52	1.66	1.56
THB/USD (avg)	31.04	32.81	31.61	31.58	30.70	30.27	30.34	30.24	30.21

Source: Bank of Thailand

## **Bangkok Bank Public Company Limited**

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