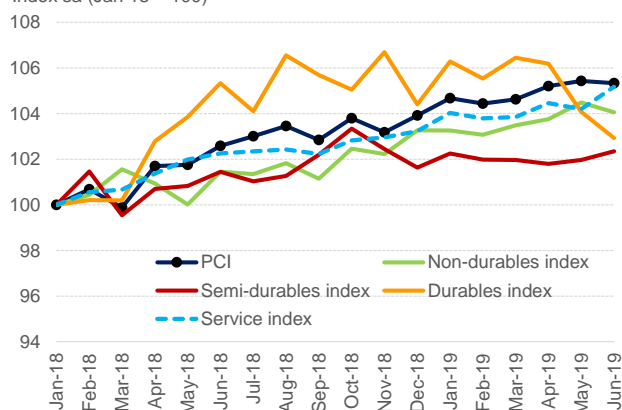


Thailand's Economic Indicators (June): A slowdown in economic activity from weak external and domestic demand

- **Smaller decline in exports and a collapse in imports resulted in a current account surplus of US\$3.9 bn in June from a deficit in May.** Merchandise exports (BOP basis)¹ contracted by 2.1% YoY in June across the majority of goods (excluding gold exports, the drop is 9.1% YoY), while imports of goods plunged 9.6% YoY in line with domestic industrial production, so the trade balance posted a surplus of US\$4.4bn for June.
- **Tourist arrivals mildly rebounded by 0.9% YoY for the month** (compared to a 1.0% YoY drop in May), primarily driven by the sharp increase in the number of Indian tourists, up by 27.1%. Nevertheless, Chinese tourist arrivals continued to contract by 7.1% YoY. Hence, the net services, income & transfers account posted a lesser deficit of US\$ -0.5 bn compared to US\$ -1.8 bn in May. Given such backdrop, the current account improved from a US\$ -0.4bn deficit in May to a US\$ 3.9bn surplus in June.
- **Private consumption expanded at a slower pace.** The Private Consumption Index (PCI) growth softened to 2.4% YoY this month compared to 3.7% in May, reflecting falling momentum in good purchases in almost all categories, especially the durables such as passenger cars and motorcycles (**Chart 1**). The decline was in tandem with a small non-farm income growth of 1.9% YoY. Farm income, on the other hand, rose by 6.7% YoY led by higher agricultural prices of rubber and pineapple.
- **Production and investment indicators further contracted.** The Manufacturing Production Index (MPI) posted the deepest drop of 5.5% YoY since April 2016 (**Chart 2**), driven down by export-oriented sectors, such as electronics. Also, the Private Investment Index (PII) fell by 4.6% YoY with declines across most categories. Public investment fell by a 5.3% YoY partly due to constraints from investment project revisions while the new government settles in.
- **Given the weak readings for the economic indicators in 1H2019, we are more likely to downgrade the Thai 2019 GDP forecast of 3.1% upon the release of Q2 2019 GDP by the NEDSC.** With the 6M19 export decline of 4.1% YoY, we see whole-year exports to contract by 1% from our previous assumption of 0.5% growth. Currently the BOT's GDP forecast of 3.3% looks increasingly optimistic therefore the BOT should lower its 2019 GDP and inflation forecasts too. Further, we expect to see a shift in monetary policy stance from the BOT soon as growth and inflation continue to disappoint.

Chart 1: Private Consumption Index (PCI)

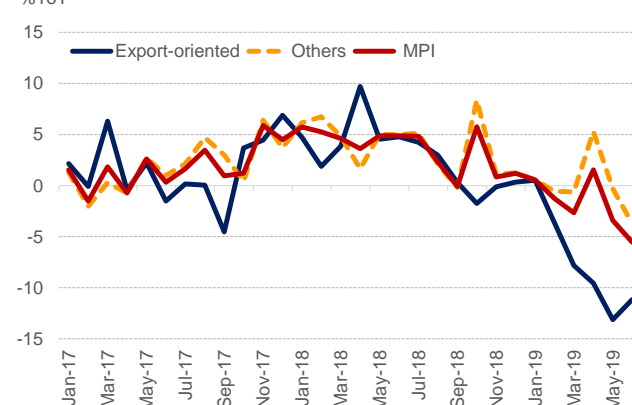
Index sa (Jan 18 = 100)



Source: Bank of Thailand

Chart 2: Manufacturing Production Index (MPI)

%YoY



Source: Office of Industrial Economics

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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.

Figure 3: Monthly Economic Indicators

	2018	2018	2018	2018	2019	2019	2019	2019	2019
		Q2	Q3	Q4	Q1	Q2	April	May	Jun
Private Consumption									
Private Consumption Index (PCI)	127.3	127.1	128.6	130.1	128.8	131.2	137.0	130.3	126.4
PCI (% YoY)	3.1	3.3	3.9	3.0	4.3	3.3	3.7	3.7	2.4
Imports of consumer goods (% YoY)	12.5	13.3	7.4	9.7	-1.3	1.6	7.5	0.2	-2.9
Motorcycle sales (% YoY)	-2.9	-5.8	-3.7	-0.2	-0.1	-7.1	0.1	-3.8	-15.3
Passenger car sales (% YoY)	18.7	25.1	27.0	9.8	12.3	1.7	10.3	-0.8	-3.5
Non-durable index (% YoY)	1.4	1.1	0.0	2.9	2.4	3.3	2.9	4.6	2.6
Semi-durable index (% YoY)	2.8	2.5	2.6	3.6	1.4	1.0	2.0	1.1	0.1
Durable index (% YoY)	8.0	9.9	10.2	6.6	5.3	0.1	4.7	0.1	-3.7
Service index (% YoY)	5.3	6.8	5.1	2.2	3.5	2.6	3.1	1.8	2.9
Net tourist spending (% YoY)	7.7	12.9	-0.4	1.9	-2.7	-1.6	-1.1	-4.5	0.4
Private Investment									
Private Investment Index (% YoY)	3.5	5.6	3.2	2.7	-1.0	-2.8	-1.9	-1.8	-4.6
One-ton pickup sales (% YoY)	20.6	26.8	20.5	24.8	12.2		7.2	8.9	
Commercial car sales (% YoY)	21.3	29.1	16.6	28.1	10.6	5.4	8.1	9.2	-1.1
Permitted construction area (9mma) (% YoY)	-3.3	0.0	-4.3	-10.3	-13.1	-11.4	-12.5	-12.2	-9.5
Construction materials index (% YoY)	4.5	1.3	7.9	7.6	1.0	2.6	3.0	1.6	3.2
Newly registered motor vehicle for investment (% YoY)	5.7	6.8	6.3	6.9	6.6	-1.8	4.2	-2.0	-6.8
Import of capital goods (% YoY)	3.6	5.8	-0.3	4.6	2.6	-2.1	6.4	0.0	-12.2
Import of raw materials (% YoY)	17.9	20.2	19.8	12.9	-0.1	-4.8	-5.7	3.4	-12.2
Capacity utilisation (%)	69.8	68.2	68.7	69.3	71.3	65.6	63.6	67.8	65.3
MPI (% YoY)	3.6	4.5	2.3	2.5	-1.2	-2.6	1.5	-3.4	-5.5
Government Expenditure									
Current expenditure ex. subsidies/grants and other (billion baht)	1600.6	379.8	409.8	428.4	421.1	355.3	121.6	114.9	118.9
Current expenditure ex. subsidies/grants and other (% YoY)	3.4	5.1	7.2	0.3	10.1	-6.4	-0.4	-13.4	-5.0
Capital expenditure ex. subsidies/grants and other (billion baht)	401.0	91.0	104.6	93.6	117.7	96.2	28.7	33.9	33.7
Capital expenditure ex. subsidies/grants and other (% YoY)	0.8	7.7	4.4	-7.5	5.3	5.8	10.9	14.5	-5.3
External Sector									
Exports of goods (BoP, billion USD)	251.1	63.2	63.3	62.2	59.9	60.6	18.5	20.8	21.3
Exports (% YoY)	7.5	13.4	3.1	2.7	-4.0	-4.2	-3.1	-7.2	-2.1
Export vol (% YoY)	3.9	8.5	0.1	1.1	-4.4	-4.4	-3.4	-7.2	-2.3
Imports of goods (BoP, billion USD)	228.7	56.8	59.4	57.6	53.4	54.8	18.6	19.4	16.9
Imports (% YoY)	13.7	15.8	15.9	6.5	-2.9	-3.4	-0.4	-0.2	-9.6
Import vol (% YoY)	7.7	8.1	9.1	3.7	-3.0	-3.3	-1.0	0.0	-9.1
Tourist arrivals (million arrivals)	38.3	8.9	9.1	9.7	10.8	9.0	3.2	2.7	3.1
Tourist arrivals (% YoY)	7.5	8.4	1.9	4.3	1.8	1.1	3.3	-1.0	0.9
Tourist revenue (billion baht)	2003.8	441.3	478.0	512.9	573.8	448.4	164.1	134.6	149.8
Tourist revenue (% YoY)	9.4	13.4	1.4	5.1	0.4	1.6	3.9	-1.0	1.5
Trade balance (billion USD)	22.4	6.4	3.9	4.6	6.5	5.7	-0.1	1.4	4.4
Net services, income and transfers (billion USD)	10.0	-0.2	0.6	2.4	6.0	-0.8	1.5	-1.8	-0.5
Current account (billion USD)	32.4	6.3	4.5	7.0	12.5	4.9	1.4	-0.4	3.9
Capital account (billion USD)	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account (billion USD)	-20.8	-9.5	-4.0	-3.6	-5.9	-2.5	-1.7	0.0	-0.8
Overall balance (billion USD)	7.3	-4.3	0.3	-0.7	5.5	0.1	-1.2	-0.6	1.9
International reserves (billion USD)	205.6	211.5	204.8	203.5	211.5	212.1	210.5	210.0	215.8
Net forward position (billion USD)	33.7	33.5	32.1	32.9	31.9	34.6	34.0	35.1	34.5
Labor Market									
Unemployment (%)	1.1	1.1	1.0	0.9	0.9	0.98	1.0	1.1	0.9
Farm income (% YoY)	0.5	4.2	5.2	0.3	2.1	0.4	-2.0	1.1	6.7
Non farm income (% YoY)	1.8	1.5	1.3	1.0	1.2	3.16	3.7	3.3	1.9
Wage change (% YoY)	1.4	1.2	1.4	0.6	2.0	4.10	5.0	4.2	2.4
Interest Rate and Currency									
CPI (%)	1.1	1.3	1.5	0.9	0.7	1.1	1.2	1.1	0.9
CPI, core (%)	0.7	0.8	0.8	0.7	0.6	0.5	0.6	0.5	0.5
Repo rate (%)	1.52	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75
MLR : max (%)	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
3M deposit rate (%)	1.0	1.0	1.0	1.0	1.2	1.2	1.2	1.2	1.2
10Y govt bond yield (%)	2.7	2.7	2.8	2.7	2.5	2.4	2.5	2.5	2.2
THB/USD (avg)	32.30	31.92	32.95	32.81	31.61	31.58	31.85	31.80	31.10

Source: Bank of Thailand

Bangkok Bank Public Company Limited

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