

April 1, 2020

Thailand's Economic Indicators (February): the economy took hit from the outbreak

- **February merchandise exports rose by 3.6% YoY primarily due to gold (BOP basis).** Excluding gold, exports continued to drop by 1.3% YoY as global demand slowed. Exports to China contracted again by 2% YoY from the COVID-19 outbreak and travel lockdown in China especially for agricultural, petroleum-related and chemical products. The decline in 3-month expected Business Sentiment Index exports order signaled export slowdown in the coming months. Imports dropped 7.8% YoY broad-based across raw-materials and capital goods in line with lower export demand and travel restrictions in China. As a result, the current account saw a small surplus of USD5.4 bn. Tourist arrivals in February collapsed 42.8% YoY. Tourism revenue plunged 44.0% YoY in tandem. (Our previous report, *Tourism collapsed in February, signaling the initial impact of the Covid-19 outbreak*, March 24)
- **Manufacturing production and private investment took a sharper decline (Chart 1).** February MPI fell further by 5.2% YoY following a 4.0% YoY contraction in January, marking a tenth-month consecutive decline. The contraction was primarily driven by lower production in automotive (-18.9% YoY), sugar (-36.6% YoY), and rubber products (-23.1% YoY). Meanwhile, capacity utilization edged down to 65.3% from 66.8% in January. Likewise, the Private Investment Index (PII) for the month continued to drop sharply to -10.1% YoY from -6.1% YoY in January as equipment investment contracted due to lower imports of capital goods from China. Overall Business Sentiment Index dived to 44.1 from 48.5 in the previous month, the lowest level since 2011 floods.
- **Government expenditure continued to contract due to the budget delay.** Current spending fell by 13.4% YoY while capital expenditure sharply declined by 50.7% YoY. With the approval of the FY2020 government budget on February 24, public spending is expected to pick up. The cabinet also recently approved two fiscal stimulus packages to alleviate the impacts of COVID-19 outbreak worth THB400 bn and THB117 bn.
- **Private consumption expanded from growth in non-durable items.** The Private Consumption Index (PCI) in February rose to 3.4% YoY from 2.5% YoY last month (**Chart 2**). This was primary due to a rush to stockpile food and consumer products. Non-durable index increased by 2.4% YoY from 1.0% YoY in January. However, service index plunged 12.2% YoY as consumers chose to stay at home amid fears of the COVID-19 cases. Durable index continued to decline from the slump in car sales (**Chart 3**). Farm income rose by 3.7% YoY from the price increases due to the ongoing drought. **With declining energy prices, the February Consumer Price Index (CPI) slowed to 0.7% YoY down from 1.0% YoY in the previous month. And the BOT now forecasts the 2020 CPI to nosedive to -1.0%.**
- **We expect the hit to the global economy to intensify as the COVID-19 outbreak is ravaging the economies of Europe and the United States.** The week ending March 21 saw 3.3 million initial jobless claims in the US. The world could be heading towards the deepest recession since World War II. Governments around the world such as the US, the UK, France and Singapore are ramping up the fiscal support.

Burin Adulwattana

Chief Economist

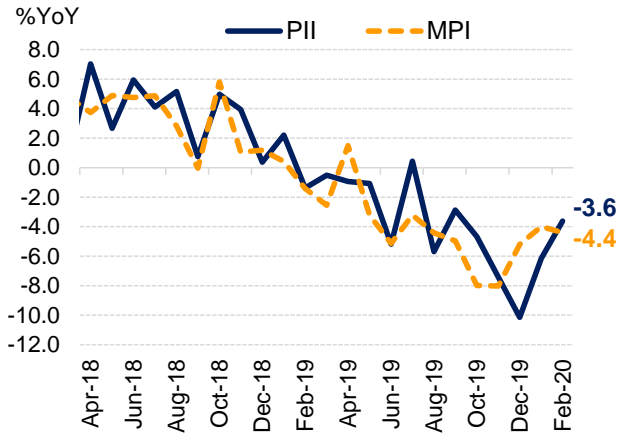
burin.adulwattana@bangkokbank.com/ +66 2 230 2657

Kantheera Tipkanjanarat

Research Associate

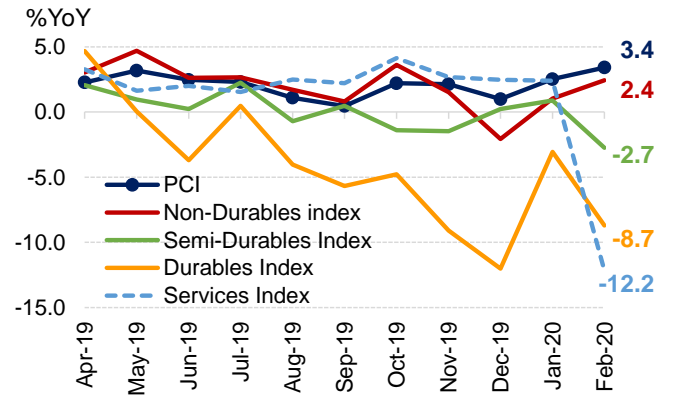
kantheera.tipkanjanarat@bangkokbank.com

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



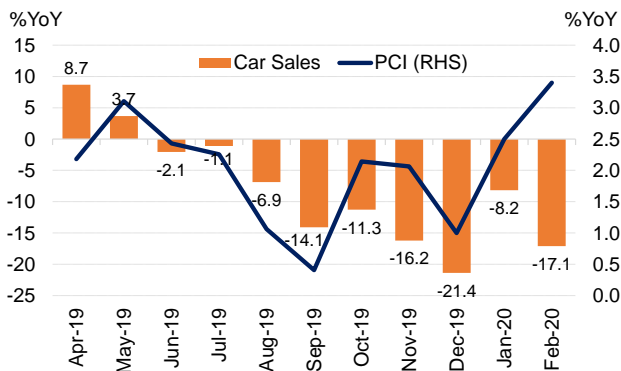
Source: Bank of Thailand, Office of Industrial Economics

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 5: Monthly Economic Indicators

	2019	2019				2019	2020	
		Q1	Q2	Q3	Q4	December	January	February
Private Consumption								
Private Consumption Index (PCI)	132.7	129.8	134.4	132.8	133.8	130.7	133.5	124.7
PCI (% YoY)	2.4	4.0	2.6	1.2	2.0	1.0	2.5	3.4
Imports of consumer goods (% YoY)	2.6	-0.1	1.9	8.9	0.1	6.5	8.6	-9.0
Motorcycle sales (% YoY)	-3.4	-0.1	-7.1	0.9	-7.3	-17.3	-2.0	-3.7
Passenger car sales (% YoY)	-2.9	12.4	1.7	-6.5	-16.4	-19.8	-4.0	-18.6
Non-durable index (% YoY)	2.2	2.5	3.4	1.7	1.2	-2.1	1.0	2.4
Semi-durable index (% YoY)	0.5	1.4	1.0	0.6	-0.7	0.2	0.9	-2.7
Durable index (% YoY)	-2.0	5.4	0.1	-3.1	-8.8	-12.0	-3.1	-8.7
Service index (% YoY)	2.8	3.6	2.3	2.0	3.2	2.5	2.4	-12.2
Net tourist spending (% YoY)	0.0	-1.5	1.7	3.2	-2.4	-6.5	-3.4	-48.5
Private Investment								
Private Investment Index (% YoY)	-2.7	0.0	-3.2	-2.7	-5.3	-3.6	-6.2	-10.1
One-ton pickup sales (% YoY)	-3.8	12.2	5.4	-9.6	-19.0	-23.3	-16.1	-18.5
Commercial car sales (% YoY)	-3.6	10.6	5.4	-9.1	-17.2	-22.6	-12.8	-14.8
Permitted construction area (9mma) (% YoY)	-3.9	0.3	-2.7	-6.2	-6.9	-3.5	-2.5	-2.2
Construction materials index (% YoY)	-0.7	0.4	2.4	-3.4	-1.9	1.7	-3.2	-0.4
Newly registered motor vehicle for investment (% YoY)	-3.0	6.6	-1.8	-2.5	-15.4	-26.4	-17.6	-8.4
Imports of capital goods (% YoY)	-1.0	2.6	-2.2	-1.0	-3.0	3.7	-2.8	-15.3
Imports of raw materials (% YoY)	-6.8	-0.6	-5.9	-7.0	-13.6	-0.5	-0.4	-6.8
Capacity utilisation (%)	66.3	71.3	65.6	65.0	63.4	64.0	66.8	65.3
MPI (% YoY)	-3.7	-1.2	-2.5	-4.3	-6.9	-4.4	-4.0	-5.2
Government Expenditure								
Current expenditure ex. subsidies/grants and other (billion baht)	1596.2	423.5	356.5	402.4	413.7	128.7	124.1	109.8
(% YoY)	-0.3	10.7	-6.1	-1.8	-3.7	-3.2	-20.5	-13.4
Capital expenditure ex. subsidies/grants and other (billion baht)	407.7	117.5	96.2	115.7	78.4	33.2	25.7	16.5
(% YoY)	1.7	5.1	5.7	10.6	-16.3	-10.0	-30.8	-50.7
External Sector								
Exports of goods (BoP, billion USD)	243.0	60.0	60.5	63.3	59.2	19.1	19.7	20.3
Exports (% YoY)	-3.2	-3.8	-4.2	0.0	-4.9	-1.7	3.5	3.6
Export vol (% YoY)	-3.5	-4.2	-4.4	-0.4	-4.9	-2.8	2.8	3.8
Imports of goods (BoP, billion USD)	216.4	53.3	54.5	55.3	53.2	17.2	19.3	14.9
Imports (% YoY)	-5.4	-3.0	-4.0	-6.8	-7.6	1.8	-0.1	-7.8
Import vol (% YoY)	-5.6	-3.2	-3.9	-6.6	-7.6	-0.7	-2.1	-7.2
Tourist arrivals (million arrivals)	39.8	10.8	9.0	9.7	10.3	3.9	3.8	2.1
Tourist arrivals (% YoY)	4.2	2.1	1.4	7.2	6.4	2.5	2.5	-42.8
Tourist revenue (billion baht)	1933.4	556.9	395.6	476.7	504.1	192.8	188.8	103.7
Tourist revenue (% YoY)	3.1	2.3	2.3	5.8	1.9	-2.2	-3.6	-43.9
Trade balance (billion USD)	26.6	6.7	6.0	8.0	5.9	1.9	0.4	5.4
Net services, income and transfers (billion USD)	10.7	5.8	-0.8	1.3	4.4	2.3	3.1	0.0
Current account (billion USD)	37.3	12.4	5.2	9.2	10.4	4.2	3.4	5.4
Capital account (billion USD)	30.0	0.0	0.0	0.0	0.0	0.0	0.0	...
Financial account (billion USD)	-12.6	-5.1	-2.5	-1.1	-3.90	-2.5	2.1	...
Overall balance (billion USD)	13.6	5.5	0.1	6.8	1.3	-0.8	5.9	-0.6
International reserves (billion USD)	224.3	212.2	215.8	220.5	222.7	224.3	230.3	229.5
Net forward position (billion USD)	34.7	31.9	34.6	32.5	34.1	34.7	33.1	31.8
Labor Market								
Unemployment (%)	1.0	0.9	1.0	1.0	1.0	1.0	1.1	1.1
Farm income (% YoY)	2.1	0.9	0.9	5.2	2.2	0.8	5.0	3.7
Non farm income (% YoY)	1.6	1.2	3.2	1.3	0.8	1.0	1.6	1.0
Wage change (% YoY)	2.3	2.0	4.1	1.8	1.4	2.0	2.3	1.2
Interest Rate and Currency								
CPI (%)	0.7	0.7	1.1	0.6	0.4	0.9	1.1	0.7
CPI, core (%)	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.6
Repo rate (%)	1.25	1.75	1.75	1.50	1.25	1.25	1.25	1.00
MLR (%)	6.08	6.28	6.28	6.28	6.08	6.35	6.35	6.35
3M deposit rate (%)	1.14	1.15	1.15	1.15	1.10	1.00	1.00	0.90
10Y govt bond yield (%)	2.05	2.51	2.43	1.70	1.58	1.56	1.40	1.17
THB/USD (avg)	31.04	31.61	31.58	30.70	30.27	30.20	30.47	31.32

Source: Bank of Thailand

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