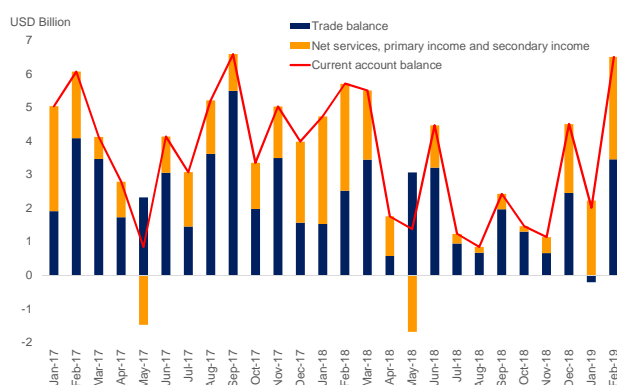


April 1, 2019

Thailand's Economic Indicators (February 2019): Solid domestic consumption, despite weaker exports and investment

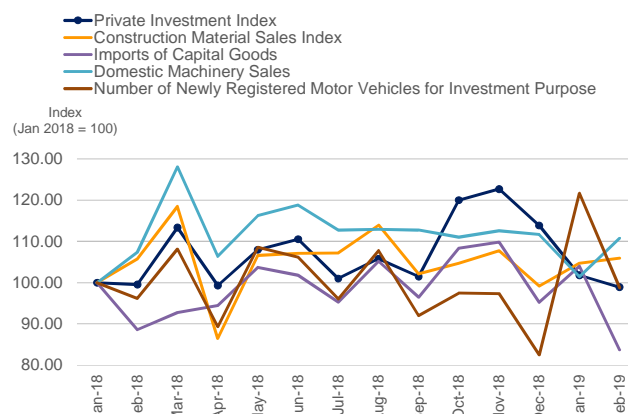
- **Despite the export decline, lower imports and a solid services account made for a bigger current account surplus.** Although merchandise exports dipped by 1.7% YoY, a 7.3% YoY fall in goods imports (BOP basis)¹ caused the trade surplus to turn around from a deficit of US\$0.2bn in Jan to a surplus of \$3.5bn in Feb. Furthermore, although tourism receipts dipped 0.8% YoY in Feb, the net services, income & transfers account recorded a surplus of \$3.1bn for the month. As such, the current account surplus jumped from \$2.0bn in Jan to \$6.5bn in Feb (Figure 1).
- **The export decline continued to squeeze domestic production.** The Manufacturing Production Index (MPI) dipped by 1.6% YoY in Feb, following slight growth of 0.6% YoY in Jan. The Feb decline was largely due to lower export-oriented production, particularly of electronics-related products. The Private Investment Index (PII) also slipped by 0.6% YoY in Feb (Figure 2), led south by lower imports of capital goods and construction activity.
- **However, overall domestic consumption remained solid.** The Private Consumption Index (PCI) rose by 4.3% YoY in Feb, with continued consumption expansion across both durables and non-durables. The driver was a 3.9% YoY increase in farm income, led by an overall rise in agricultural commodity prices for the first time since April 2017. Also, public consumption increased by 8.1% YoY, largely due to the disbursement of employee compensation and goods purchases. Meanwhile, public investment declined by 3.5% YoY, partly as a result of the high Feb 2017 bases set by some provinces.
- **Despite the weak global backdrop, several factors will improve global growth later in the year.** The prospect of easing global financial conditions, progress in China-US trade negotiations, and improving Chinese domestic demand (supported by policy stimulus), should boost business sentiment as well as global trade and investment. This will in turn ease the pressure on Thailand's exports and manufacturing production.
- **Extension of welfare programs and subsidies by the post-election government will provide additional support to private consumption.** But we don't expect policy implementation till 4Q19. The promised minimum wage increase and tax cuts are unlikely to be enacted until sometime into 2020.

Figure 1: Current Account and components



Source: Bank of Thailand

Figure 2: Private Investment Index and components



Source: Bank of Thailand

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See disclaimer at the end of report

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				2019	
		Q1	Q2	Q3	Q4	January	February
Private Consumption							
Private Consumption Index (PCI)	126.7	122.8	126.4	128.5	129.2	129.5	118.9
PCI (% YoY)	4.6	3.7	4.4	6.0	4.5	5.6	4.30
Imports of consumer goods (% YoY)	12.2	20.4	13.1	7.1	9.2	3.8	-5.2
Motorcycle sales (% YoY)	-1.2	0.7	-3.7	-2.2	0.5	-4.0	-0.05
Passenger car sales (% YoY)	18.7	14.8	25.1	27.0	9.8	13.2	13.51
Non-durable index (% YoY)	1.4	1.5	1.1	0.0	2.9	3.1	3.66
Semi-durable index (% YoY)	2.8	2.4	2.5	2.6	3.6	2.2	0.94
Durable index (% YoY)	8.4	6.3	10.4	10.6	6.8	5.9	5.15
Service index (% YoY)	5.2	7.3	6.7	4.9	2.1	6.1	4.16
Net tourist spending (% YoY)	-0.7	9.0	4.7	-10.1	-5.5	0.7	1.72
Private Investment							
Private Investment Index (% YoY)	3.5	2.7	5.6	3.3	2.6	1.8	-0.62
One-ton pickup sales (% YoY)	20.6	10.5	26.8	20.5	24.8	21.0	10.09
Commercial car sales (% YoY)	21.3	11.8	29.1	16.6	28.1	22.6	4.96
Permitted construction area (9mma) (% YoY)	-3.3	1.3	0.0	-4.3	-10.3	-12.9	-12.74
Construction materials index (% YoY)	4.5	1.5	1.3	7.9	7.6	4.7	0.19
Newly registered motor vehicle for investment (% YoY)	5.7	3.0	6.8	6.3	6.9	21.6	2.65
Import of capital goods (% YoY)	3.7	4.5	5.8	0.0	4.5	4.0	-5.53
Import of raw materials (% YoY)	18.8	18.8	20.2	21.3	14.9	6.5	-1.86
Capacity utilisation (%)	69.8	72.9	68.2	68.7	69.3	70.5	69.03
MPI (% YoY)	3.6	5.2	4.5	2.3	2.6	0.6	-1.56
Government Expenditure							
Current expenditure (billion baht)	1600.9	382.6	379.8	409.8	428.7	155.8	126.20
(% YoY)	3.5	1.7	5.1	7.2	0.4	24.6	8.15
Capital expenditure (billion baht)	401.0	111.8	91.0	104.6	93.6	37.1	33.52
(% YoY)	0.8	0.1	7.7	4.4	-7.5	19.7	-3.53
External Sector							
Exports of goods (BoP, billion USD)	252.2	62.5	63.6	63.5	62.6	19.1	19.62
Exports (% YoY)	7.2	11.1	13.4	2.8	2.3	-4.8	-1.65
Export vol (% YoY)	3.6	6.1	8.5	-0.2	0.7	-5.0	-2.04
Imports of goods (BoP, billion USD)	229.8	55.0	56.7	60.0	58.1	19.3	16.17
Imports (% YoY)	14.3	17.5	15.8	17.0	7.5	4.2	-7.26
Import vol (% YoY)	8.2	10.3	8.0	10.2	4.6	4.7	-7.65
Tourist arrivals (million arrivals)	38.3	10.6	8.9	9.1	9.7	3.6	3.72
Tourist arrivals (% YoY)	7.5	15.4	9.1	2.7	4.3	0.8	4.25
Tourist revenue (billion baht)	2003.8	571.6	441.3	478.0	512.9	195.8	191.9
Tourist revenue (% YoY)	9.4	18.5	13.4	1.4	5.1	2.4	-0.8
Trade balance (billion USD)	23.6	8.4	7.4	3.4	4.4	-0.2	3.45
Net services, income and transfers (billion USD)	14.1	8.5	0.8	0.8	4.1	2.2	3.05
Current account (billion USD)	37.7	16.8	8.2	4.2	8.5	2.0	6.50
Capital account (billion USD)	-0.6	-0.6	0.0	0.0	0.0	0.0	...
Financial account (billion USD)	-21.6	-3.7	-9.5	-4.2	-4.3	1.0	...
Overall balance (billion USD)	7.3	12.0	-4.3	0.3	-0.7	2.3	3.34
International reserves (billion USD)	205.6	214.3	211.5	204.8	203.5	209.9	212.54
Net forward position (billion USD)	33.7	35.6	33.5	32.1	32.9	31.8	31.25
Labor Market							
Unemployment (%)	1.1	1.2	1.1	1.0	0.9	1.0	0.78
Farm income (% YoY)	0.7	-2.3	4.6	-0.4	2.8	4.8	3.89
Non farm income (% YoY)	1.8	3.5	1.5	1.3	1.0	1.6	0.02
Wage change (% YoY)	1.4	2.3	1.2	1.4	0.6	2.4	0.97
Interest Rate and Currency							
CPI (%)	0.4	0.8	1.4	1.3	0.4	0.3	0.7
CPI, core (%)	0.7	0.6	0.8	0.8	0.7	0.7	0.6
Repo rate (%)	1.5	1.5	1.5	1.5	1.6	1.8	1.8
MLR : max (%)	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	1.0	1.2	1.2
10Y govt bond yield (%)	2.7	2.5	2.7	2.8	2.7	2.5	2.5
THB/USD (avg)	32.30	31.54	31.92	32.95	32.81	31.78	31.3272

Source: Bank of Thailand

Bangkok Bank Public Company Limited

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