Bangkok Bank | RESEARCH

ECONOMICS

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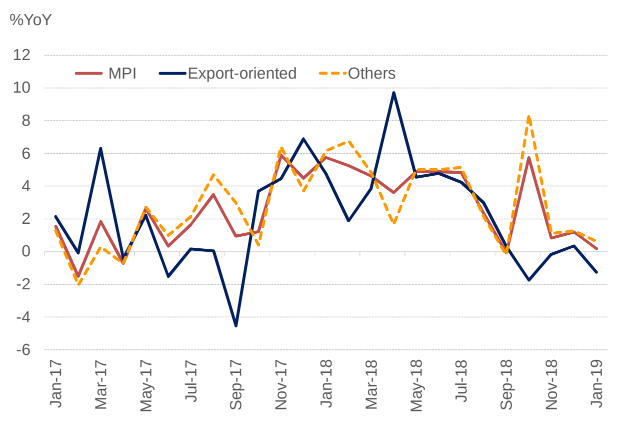
Thailand's Economic Indicators (January 2019): Solid domestic activity, despite weakening exports

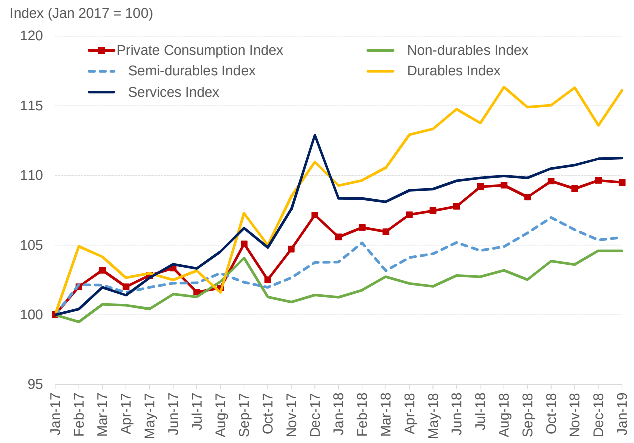
- **Despite weakening exports, the tourism rebound kept the current account in surplus.** A further 4.7% YoY decline in merchandise exports, together with a 4.2% YoY rise in imports (BOP basis)[1], caused the trade surplus to narrow from US$2.5bn in Dec 2018 to $0.1bn in Jan 2019. Nevertheless, a 4.9% YoY increase in tourist arrivals meant that the net services, income, & transfers account recorded a surplus of $2.2bn for Jan. Consequently, the current account reported a surplus of $2.3bn for the month (albeit less than half the $5.0bn surplus posted for Dec 2018).
- **The impact of the export decline is being felt in domestic production sectors.** The Manufacturing Production Index (MPI) inched up just 0.2% YoY in January, a deceleration from the 1.2% YoY expansion posted for Dec. The weak growth was largely attributable to slowing production among export-oriented sectors, which once again recorded a slippage of 1.3% YoY for Jan, as export orders softened (Figure 1).
- **Nevertheless, overall domestic demand remained solid.** The Private Consumption Index (PCI) rose by 3.3% YoY in Jan, following the 2.6% YoY expansion posted for Dec. Every major component of the PCI reported increases, particularly consumption of durables, which grew by 5.9% YoY (Figure 2) in tandem with 17.3% YoY car sales expansion. At the same time, public consumption surged by 24.6% YoY, partly due to the disbursement of employee compensation, which was earlier than the usual schedule of March. Public investment also jumped by 19.6% YoY on disbursements for some small-scale projects.
- **Although our GDP growth forecast remains 3.8% YoY, we see greater downside risks.** Given the weaker global backdrop, if exports were to continue declining, we would probably revise down our forecast. We also expect car sales to give less of a boost to private consumption, as growth for the whole year will probably ease from the 19.5% YoY expansion reported for 2018. However, policies to improve household purchasing power—which are promoted by all major parties and thus are likely to be implemented by the post-election government—will support domestic consumption later in the year.

Figure 1: Manufacturing Production Index (MPI)



Source: Office of Industrial Economics

Figure 2: Private Consumption Index (PCI) and Components



Source: Bank of Thailand

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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		2019
		Q1	Q2	Q3	Q4	November	December	January
Private Consumption								
Private Consumption Index (PCI)	126.7	122.7	126.3	128.4	129.2	139.7	126.7	126.6
PCI (% YoY)	4.7	3.7	4.4	6.0	4.5	4.1	2.6	3.3
Imports of consumer goods (% YoY)	12.2	20.4	13.1	7.1	9.2	9.1	2.2	3.8
Motorcycle sales (% YoY)	-1.2	0.7	-3.7	-2.2	0.5	-4.9	4.4	-4.0
Passenger car sales (% YoY)	18.7	14.8	25.1	27.0	9.8	15.3	-0.1	13.2
Non-durable index (% YoY)	1.4	1.5	1.1	0.1	2.9	2.9	3.1	3.0
Semi-durable index (% YoY)	2.8	2.4	2.5	2.6	3.6	3.3	1.6	1.6
Durable index (% YoY)	8.4	6.3	10.4	10.6	6.8	7.7	2.6	5.9
Service index (% YoY)	5.2	7.3	6.6	4.9	2.2	2.9	-1.0	2.5
Net tourist spending (% YoY)	-0.7	9.0	4.7	-10.1	-5.5	-1.7	-6.0	0.7
Private Investment								
Private Investment Index (% YoY)	3.5	2.7	5.6	3.3	2.6	3.4	-0.5	2.1
One-ton pickup sales (% YoY)	20.6	10.5	26.8	20.5	24.8	27.5	16.4	21.0
Commercial car sales (% YoY)	21.3	11.8	29.1	16.6	28.1	30.2	19.7	22.6
Permitted construction area (9mma) (% YoY)	-3.3	1.3	0.0	-4.3	-10.3	-9.0	-14.3	-14.0
Construction materials index (% YoY)	4.5	1.5	1.3	7.9	7.6	6.9	1.0	4.1
Newly registered motor vehicle for investment (% YoY)	5.7	3.0	6.8	6.3	6.9	2.6	11.8	21.6
Import of capital goods (% YoY)	3.7	4.5	5.8	0.0	4.5	7.2	-1.0	4.0
Import of raw materials (% YoY)	18.8	18.8	20.2	21.3	14.9	25.8	2.6	6.5
Capacity utilisation (%)	68.9	72.7	67.5	67.0	68.5	69.3	67.5	70.5
MPI (% YoY)	3.6	5.2	4.5	2.3	2.5	0.8	1.2	0.2
Government Expenditure								
(billion baht)	1601.0	382.6	379.8	409.8	428.8	134.5	132.9	155.9
(% YoY)	3.5	1.7	5.1	7.2	0.4	1.7	4.0	24.6
(billion baht)	400.9	111.8	91.0	104.6	93.6	27.8	36.9	37.1
(% YoY)	0.8	0.1	7.7	4.4	-7.5	-10.5	-14.2	19.6
External Sector								
Exports of goods (BoP, billion USD)	253.4	63.3	64.2	63.4	62.5	21.3	19.5	19.4
Exports (% YoY)	7.7	12.6	14.4	2.6	2.3	0.2	-1.6	-4.7
Export vol (% YoY)	4.2	7.5	9.5	-0.4	0.7	-1.2	-2.3	-4.9
Imports of goods (BoP, billion USD)	229.8	55.0	56.7	60.0	58.1	20.7	17.1	19.3
Imports (% YoY)	14.3	17.5	15.8	17.0	7.5	16.2	-6.7	4.2
Import vol (% YoY)	8.2	10.3	8.0	10.2	4.6	13.5	-7.2	4.7
Tourist arrivals (million arrivals)	38.3	10.6	8.9	9.1	9.7	3.2	3.8	3.7
Tourist arrivals (% YoY)	7.5	15.4	9.1	2.7	4.3	4.5	7.7	4.9
Tourist revenue (billion baht)	2003.8	571.6	441.3	478.0	512.9	167.3	203.9	195.8
Tourist revenue (% YoY)	9.4	18.5	13.4	1.4	5.1	5.0	8.1	2.4
Trade balance (billion USD)	23.6	8.4	7.4	3.4	4.4	0.7	2.5	0.1
Net services, income and transfers (billion USD)	14.1	8.5	0.8	0.8	4.1	1.0	2.5	2.2
Current account (billion USD)	37.7	16.8	8.2	4.2	8.5	1.6	5.0	2.3
Capital account (billion USD)	-0.6	-0.6	0.0	0.0	0.0	0.0	0.0	...
Financial account (billion USD)	-21.6	-3.7	-9.5	-4.2	-4.3	-0.3	-2.0	0.7
Overall balance (billion USD)	7.3	12.0	-4.3	0.3	-0.7	0.4	-0.2	2.3
International reserves (billion USD)	205.6	214.3	211.5	204.8	203.5	203.2	205.6	209.9
Net forward position (billion USD)	33.7	35.6	33.5	32.1	32.9	32.2	33.7	31.8
Labor Market								
Unemployment (%)	1.1	1.2	1.1	1.0	0.9	1.0	0.9	1.0
Farm income (% YoY)	-0.4	-1.2	5.8	-1.7	-1.2	-6.0	1.4	0.0
Non farm income (% YoY)	1.8	3.5	1.5	1.3	1.0	0.6	1.2	1.6
Wage change (% YoY)	1.4	2.3	1.2	1.4	0.6	0.3	0.8	2.4
Interest Rate and Currency								
CPI (%)	0.4	0.8	1.4	1.3	0.4	0.9	0.4	0.3
CPI, core (%)	0.7	0.6	0.8	0.8	0.7	0.7	0.7	0.7
Repo rate (%)	1.5	1.5	1.5	1.5	1.6	1.5	1.8	1.8
MLR : max (%)	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	1.0	1.0	1.0	1.2
10Y govt bond yield (%)	2.7	2.5	2.7	2.8	2.7	2.8	2.6	2.5
THB/USD (avg)	32.30	31.54	31.92	32.95	32.81	32.95	32.71	31.78

Source: Bank of Thailand

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