

March 2, 2020

Thailand's Economic Indicators (January): Further weakness ahead

- **January merchandise exports rebounded, but downside risks are growing.** Exports rose by 3.5% YoY primarily due to a jump in gold exports as a rising demand for safe assets supports prices of havens such as gold. Meanwhile, imports dropped 0.1% YoY mainly from a high base effect of weaponry imports for military exercise in January 2019. As a result, the current account saw a surplus of USD 3.4 bn. However, the effects on Thai exports from a slowing Chinese demand and prolonged factory shutdowns in China due to the Covid-19 outbreak should be more visible over the coming months. On the other hand, imports, especially weaponry, will likely surge in February as the Cobra Gold 2020 military exercise began on February 25th.
- **Manufacturing production and private investment continued to weaken (Chart 1).** January MPI fell 4.6% YoY following a 4.4% YoY contraction in December, marking an eight-month consecutive decline. The contraction was primarily driven by lower production in export-oriented industries, such as automotive (-13.3% YoY), rubber and plastics (-7.6% YoY), textiles and apparels (-4.8% YoY), and IC and semiconductors (-3.1% YoY). Meanwhile, January capacity utilization remained at the same level as in December at 65.0%. Likewise, the Private Investment Index (PII) in January dropped sharply to -8.1% YoY from -3.6% in December as construction materials investment and imports of capital goods deteriorated. Furthermore, other components, namely permitted construction area, domestic machinery sales as well as newly registered motor vehicles for investment, all see negative growth.
- **Tourist arrival growth in January still remained positive, but the impacts of the epidemic are yet to be fully realized.** Visitors to Thailand in December increased slightly by 2.5% YoY to 3.8 mn, mostly supported by a rise in the number of tourists from Malaysia (+20.6% YoY) and Russia (+11.2% YoY). Chinese visitors, however, dropped 3.7% YoY, partly due to the efforts of the Chinese officials to contain the outbreak in January. February tourism data should reflect a sharper decline as travel bans and flight cancellations became much more pronounced that month. Tourist receipts fell by 3.6% YoY, narrowing the net services, income & transfers account surplus for the month to USD 3.1 bn from USD 4.1 bn in the previous month.
- **Private consumption growth remained muted.** The Private Consumption Index (PCI) in January moderated to 1.2% YoY from 1.7% YoY last month (**Chart 2**). This was primary due to a slowdown in services consumption growth from 3.0% YoY to 1.0% YoY. Farm income growth surged 6.5% YoY largely due to the price effect. With prices of fresh food as well as energy increasing, the January Consumer Price Index (CPI) rose to 1.0% YoY from 0.9% YoY in the previous month. However, February CPI data should show a drop mainly due to a steep decline in energy prices, such as oil. (**Charts 3**)
- **We expect global economic recovery, including Thailand's, to be delayed as the coronavirus outbreak intensifies.** The number of infected patients is still rising, and more countries, such as Italy and South Korea, have imposed lockdowns. Schools in several nations have also been closed (China, Japan, Hong Kong, and Greece). Moreover, many events, including the Tokyo Marathon 2020 and many business conferences, have been postponed. These settings will likely lead to business disruptions and weak service and retail sectors worldwide. We will continue to monitor further development. However, we expect further weakness ahead with economic activities in Q1 2020 performing a lot worse than the same period last year.

Burin Adulwattana

Chief Economist

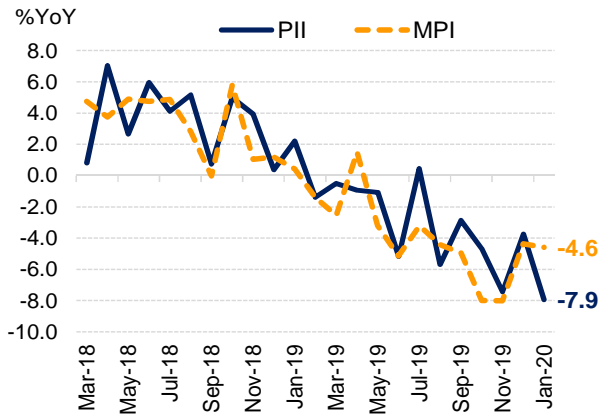
burin.adulwattana@bangkokbank.com/ +66 2 230 2657

Boochita Pitakard

Research Associate

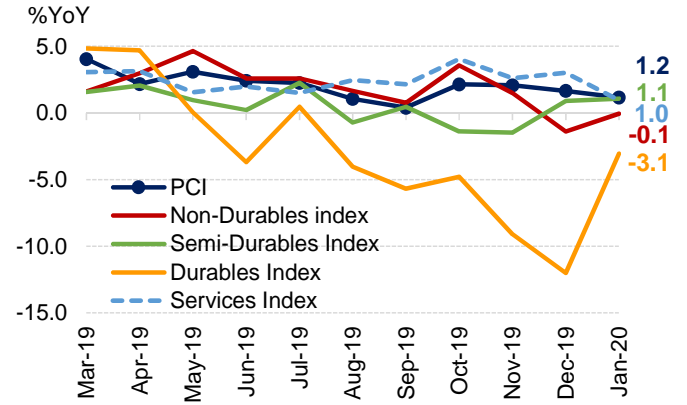
boochita.pitakard@bangkokbank.com

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



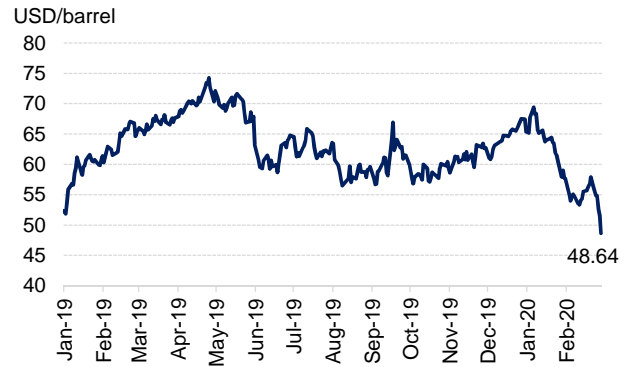
Source: Bank of Thailand, Office of Industrial Economics

Chart 2: Private Consumption Index (PCI)



Source: Bank of Thailand

Chart 3: Dubai Crude Oil Price



Source: Bloomberg

Figure 4: Monthly Economic Indicators

	2019	2019				2019		2020
		Q1	Q2	Q3	Q4	November	December	
Private Consumption								
Private Consumption Index (PCI)	132.7	129.8	134.4	132.8	133.8	143.9	131.7	131.8
PCI (% YoY)	2.4	4.0	2.6	1.2	2.0	2.1	1.7	1.2
Imports of consumer goods (% YoY)	2.6	-0.1	1.9	8.9	0.1	-0.5	6.5	8.6
Motorcycle sales (% YoY)	-3.4	-0.1	-7.1	0.9	-7.3	-6.8	-17.3	-2.0
Passenger car sales (% YoY)	-2.9	12.4	1.7	-6.5	-16.4	-18.2	-19.8	-4.0
Non-durable index (% YoY)	2.2	2.5	3.4	1.7	1.2	1.5	-1.4	-0.1
Semi-durable index (% YoY)	0.5	1.4	1.0	0.6	-0.7	-1.5	0.9	1.1
Durable index (% YoY)	-2.0	5.4	0.1	-3.1	-8.8	-9.1	-12.0	-3.1
Service index (% YoY)	2.8	3.6	2.3	2.0	3.2	2.6	3.0	1.0
Net tourist spending (% YoY)	0.0	-1.5	1.7	3.2	-2.4	-5.0	-6.5	-3.4
Private Investment								
Private Investment Index (% YoY)	-2.7	0.0	-3.2	-2.7	-5.3	-7.5	-3.7	-8.1
One-ton pickup sales (% YoY)	-3.8	12.2	5.4	-9.6	-19.0	-17.6	-23.3	-16.1
Commercial car sales (% YoY)	-3.6	10.6	5.4	-9.1	-17.2	-15.1	-22.6	-12.8
Permitted construction area (9mma) (% YoY)	-3.9	0.3	-2.7	-6.2	-6.9	-9.3	-3.5	-3.1
Construction materials index (% YoY)	-0.7	0.4	2.4	-3.4	-1.9	-3.3	1.6	-3.2
Newly registered motor vehicle for investment (% YoY)	-3.0	6.6	-1.8	-2.5	-15.4	-15.4	-26.4	-17.6
Imports of capital goods (% YoY)	-1.0	2.6	-2.2	-1.0	-3.0	-7.6	3.7	-5.1
Imports of raw materials (% YoY)	-6.8	-0.6	-5.9	-7.0	-13.6	-22.6	-0.5	-0.4
Capacity utilisation (%)	66.3	71.3	65.6	65.0	63.4	63.2	64.0	66.5
MPI (% YoY)	-3.7	-1.2	-2.5	-4.3	-6.9	-8.0	-4.4	-4.6
Government Expenditure								
Current expenditure ex. subsidies/grants and other (billion baht)	1596.2	423.5	356.5	402.4	413.7	121.9	128.4	124.1
(% YoY)	-0.3	10.7	-6.1	-1.8	-3.7	-9.9	-3.4	-20.4
Capital expenditure ex. subsidies/grants and other (billion baht)	407.7	117.5	96.2	115.7	78.4	23.1	33.5	25.7
(% YoY)	1.7	5.1	5.7	10.6	-16.3	-17.3	-9.3	-30.8
External Sector								
Exports of goods (BoP, billion USD)	243.0	60.0	60.5	63.3	59.2	19.6	19.1	19.7
Exports (% YoY)	-3.2	-3.8	-4.2	0.0	-4.9	-7.7	-1.7	3.5
Export vol (% YoY)	-3.5	-4.2	-4.4	-0.4	-4.9	-8.0	-2.8	2.8
Imports of goods (BoP, billion USD)	216.4	53.3	54.5	55.3	53.2	17.6	17.2	19.3
Imports (% YoY)	-5.4	-3.0	-4.0	-6.8	-7.6	-13.9	1.8	-0.1
Import vol (% YoY)	-5.6	-3.2	-3.9	-6.6	-7.6	-15.0	-0.7	-2.1
Tourist arrivals (million arrivals)	39.8	10.8	9.0	9.7	10.3	3.4	3.9	3.8
Tourist arrivals (% YoY)	4.2	2.1	1.4	7.2	6.4	5.9	2.5	2.5
Tourist revenue (billion baht)	1933.4	556.9	395.6	476.7	504.1	163.5	192.8	188.8
Tourist revenue (% YoY)	3.1	2.3	2.3	5.8	1.9	0.9	-2.2	-3.6
Trade balance (billion USD)	26.6	6.7	6.0	8.0	5.9	2.0	1.9	0.4
Net services, income and transfers (billion USD)	10.7	5.8	-0.8	1.3	4.4	1.4	2.2	3.1
Current account (billion USD)	37.3	12.4	5.2	9.2	10.4	3.4	4.1	3.4
Capital account (billion USD)	30.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A
Financial account (billion USD)	-12.6	-5.1	-2.5	-1.1	-3.90	-0.4	-2.1	3.0
Overall balance (billion USD)	13.6	5.5	0.1	6.8	1.3	0.9	-0.8	5.9
International reserves (billion USD)	224.3	212.2	215.8	220.5	222.7	221.0	224.3	230.3
Net forward position (billion USD)	34.7	31.9	34.6	32.5	34.1	33.3	34.7	33.1
Labor Market								
Unemployment (%)	1.0	0.9	1.0	1.0	1.0	1.1	1.0	N/A
Farm income (% YoY)	2.1	0.9	0.9	5.2	2.2	1.1	1.9	6.5
Non farm income (% YoY)	1.6	1.2	3.2	1.3	0.8	-1.0	1.0	N/A
Wage change (% YoY)	2.3	2.0	4.1	1.8	1.4	-0.4	2.0	N/A
Interest Rate and Currency								
CPI (%)	0.7	0.7	1.1	0.6	0.4	0.2	0.9	1.1
CPI, core (%)	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Repo rate (%)	1.25	1.75	1.75	1.50	1.25	1.25	1.25	1.25
MLR (%)	6.08	6.28	6.28	6.28	6.08	6.08	6.08	6.08
3M deposit rate (%)	1.14	1.15	1.15	1.15	1.10	1.15	1.00	1.0
10Y govt bond yield (%)	2.05	2.51	2.43	1.70	1.58	1.66	1.56	1.4
THB/USD (avg)	31.04	31.61	31.58	30.70	30.27	30.24	30.21	30.45

Source: Bank of Thailand

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