

August 3, 2020

Thailand's Economic Indicators (June): the economy showed signs of bottoming out

- **Based on the BOP basis, June merchandise exports continued to drop by 24.6% YoY.** Excluding gold, exports fall narrowed to 18.4% YoY compared to -29% YoY in May. Shipments improved across almost all categories and markets. Similarly, imports contracted less by 18.2% YoY compared to -34.2% last month, in line with higher exports and manufacturing activities. As a result, the current account saw a small deficit of USD 0.2 bn. June tourist arrivals remained non-existent for the third month as the international travel restrictions were only eased on July 1 for specific groups of non-leisure travelers.
- **Private consumption continued to decline at a slower pace due to lockdown easing and government stimulus policies.** The Private Consumption Index (PCI) in June contracted by 4.7% YoY, up from -11.5% YoY in May. **(Chart 1).** With reopening in phases, service index fell by 24.3% YoY compared to -28.6% YoY in the previous month. The number could remain negative for longer as activities are yet to fully return to normal. Social distancing measures will only allow businesses, such as restaurants and cinemas, to operate under the full pre-pandemic capacity.
- **Durable index showed signs of recovery as the fall narrowed to -18.9% YoY from -32.0% YoY in May.** The slump in domestic car sales decelerated as the number dropped by 32.6% YoY in June, a big improvement from a 54.1% YoY collapse a month earlier. Farm income fared better with a smaller decline of 1.9% in June versus -3.2% YoY in May due to an increase in agricultural production (i.e. rubber and fruits). **With weak demand and low energy prices, the June Consumer Price Index (CPI) fell by a 1.6% YoY compared to a 3.4% fall in the previous month.**
- **Manufacturing production and private investment also gradually regained momentum in line with consumption and exports bottoming out. (Chart 2).** June MPI declined by 17.7% YoY following a 23.8% YoY plunge in May. The fall was driven by lower production in automotive due to high inventory. Capacity utilization in June inched up to 55.2 from 52.3% last month. Meanwhile, the Private Investment Index (PII) for the month declined by 12.1%, up from -18.2% YoY in May. Excess capacity will continue to weigh down on private investment.
- **Government current expenditure and public investment spending continued to expand.** Current expenditure held up by posting a 0.6% YoY growth. Capital expenditure rose significantly by 27.9% YoY from the central government's investment projects.
- **Looking ahead, we expect weakness in demand, especially for big-ticket item, to continue for the rest of the year.** Although household confidence edged up in June at 49.2 from 48.2 in May as lockdowns are gradually eased, it is still relatively low compared to the pre-crisis levels. High household debt would remain a drag for recovery. Despite the economy showed signs of bottoming out in consumption and exports, we expect tourism to be in the low for longer until the development of vaccines.

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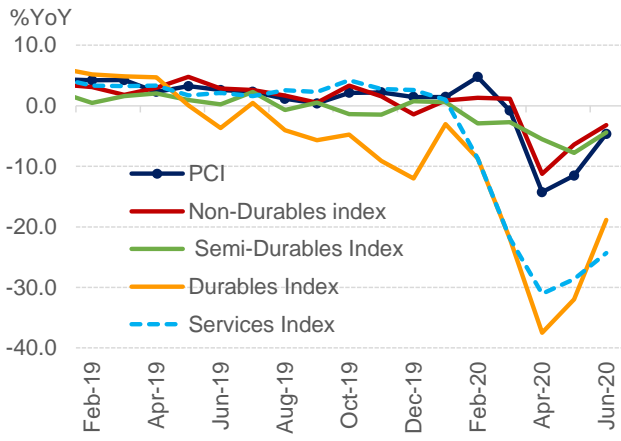
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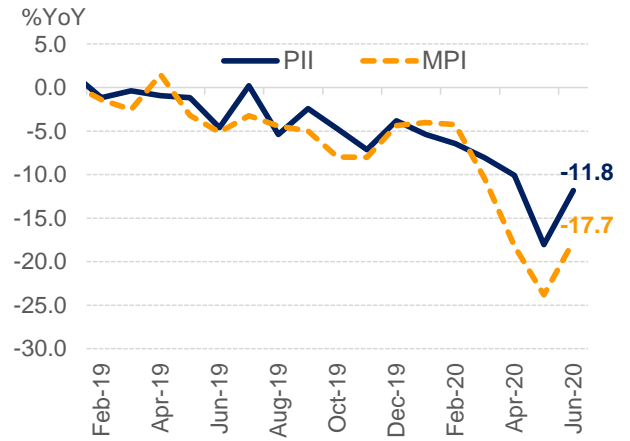
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Chart 1: Private Consumption Index (PCI)



Source: Bank of Thailand

Chart 2: Private Investment Index (PII) and Manufacturing Production Index (MPI)



Source: Bank of Thailand, Office of Industrial Economics

Table 1: Monthly Economic Indicators

	2019	2019			2020		2020	
		Q2	Q3	Q4	Q1	April	May	Jun
Private Consumption								
Private Consumption Index (PCI)	132.3	134.3	132.3	132.8	132.1	120.3	118.0	123.1
PCI (% YoY)	2.5	2.7	1.3	1.9	1.7	-14.3	-11.5	-4.7
Imports of consumer goods (% YoY)	3.0	2.8	9.5	0.1	-1.6	-17.7	-22.2	-5.7
Motorcycle sales (% YoY)	-3.4	-7.1	0.9	-7.3	-5.9	-33.7	-37.7	-13.2
Passenger car sales (% YoY)	-2.9	1.7	-6.5	-16.4	-24.8	-72.6	-61.5	-40.1
Non-durable index (% YoY)	2.3	3.5	1.6	1.1	1.1	-11.2	-6.4	-3.2
Semi-durable index (% YoY)	0.5	1.0	0.7	-0.7	-1.6	-5.5	-7.8	-4.4
Durable index (% YoY)	-2.0	0.1	-3.1	-8.8	-12.0	-37.5	-32.0	-18.9
Service index (% YoY)	2.8	2.4	2.2	3.1	-9.9	-31.1	-28.6	-24.3
Net tourist spending (% YoY)	0.0	1.7	3.2	-2.4	-41.0	-89.0	-86.8	-89.7
Private Investment								
Private Investment Index (% YoY)	-2.6	-3.2	-2.6	-5.2	-6.5	-9.9	-18.2	-12.1
One-ton pickup sales (% YoY)	-3.8	5.4	-9.6	-19.0	-26.9	-59.4	-47.5	-26.7
Commercial car sales (% YoY)	-3.6	5.4	-9.1	-17.2	-23.3	-56.8	-46.8	-24.4
Permitted construction area (9mma) (% YoY)	-3.9	-2.7	-6.2	-6.9	-2.1	0.4	-2.2	-1.8
Construction materials index (% YoY)	-0.7	2.4	-3.4	-1.9	-0.3	16.3	-2.5	-3.3
Newly registered motor vehicle for investment (% YoY)	-3.0	-1.8	-2.5	-15.4	-11.7	-25.4	-34.7	-12.6
Imports of capital goods (% YoY)	-0.9	-2.2	-0.8	-3.0	-9.2	-17.5	-26.8	-13.7
Imports of raw materials (% YoY)	-7.2	-5.9	-7.7	-14.1	-0.1	-11.6	-37.3	-19.6
Capacity utilisation (%)	66.3	65.6	65.0	63.4	0.0	51.3	52.3	55.2
MPI (% YoY)	-3.7	-2.5	-4.3	-6.8	-6.6	-18.2	-23.8	-17.7
Government Expenditure								
Current expenditure ex. subsidies/grants and other (billion baht)	1566.1	351.8	391.8	409.9	393.0	131.0	112.2	117.0
(% YoY)	-1.6	-7.4	-4.4	-2.2	-4.8	7.9	-1.5	0.6
Capital expenditure ex. subsidies/grants and other (billion baht)	434.9	100.9	126.4	79.3	95.9	40.3	37.8	46.6
(% YoY)	5.8	10.9	20.8	-23.6	-25.3	36.4	8.3	27.9
External Sector								
Exports of goods (BoP, billion USD)	242.7	60.6	63.1	59.0	60.9	17.9	15.9	16.1
Exports (% YoY)	-3.3	-4.2	-0.3	-5.2	1.4	-3.3	-23.6	-24.6
Export vol (% YoY)	-3.7	-4.4	-0.7	-5.6	1.8	-1.0	-21.9	-23.5
Imports of goods (BoP, billion USD)	216.0	54.5	55.1	53.0	52.8	15.3	12.7	13.8
Imports (% YoY)	-5.6	-4.0	-7.2	-8.0	-1.0	-17.0	-34.2	-18.2
Import vol (% YoY)	-5.7	-3.9	-7.0	-8.7	-0.1	-10.5	-30.6	-15.8
Tourist arrivals (million arrivals)	39.8	9.0	9.7	10.3	6.7	0.0	0.0	0.0
Tourist arrivals (% YoY)	4.2	1.4	7.2	6.4	-38.0	-100.0	-100.0	-100.0
Tourist revenue (billion baht)	1933.4	395.6	476.7	504.1	332.0	0.0	0.0	0.0
Tourist revenue (% YoY)	3.1	2.3	5.8	1.9	-40.4	-100.0	-100.0	-100.0
Trade balance (billion USD)	26.6	6.0	8.1	6.0	8.0	2.5	3.2	2.3
Net services, income and transfers (billion USD)	11.6	-0.6	1.7	4.7	0.9	-3.2	-3.1	-2.6
Current account (billion USD)	37.3	5.4	9.8	10.7	8.9	-0.7	0.1	-0.2
Capital account (billion USD)	30.0	0.0	0.0	0.0	0.0	0.0	0.0	....
Financial account (billion USD)	-12.6	-2.5	-1.1	-6.2	-3.0	6.5	2.3	....
Overall balance (billion USD)	13.6	0.1	6.8	1.3	4.5	6.4	1.1	3.5
International reserves (billion USD)	224.3	215.8	220.5	222.7	228.7	235.7	237.2	241.6
Net forward position (billion USD)	34.7	34.6	32.5	34.1	33.1	29.3	27.9	24.5
Labor Market								
Unemployment (%)	1.0	1.0	1.0	1.0	1.0	....	....	....
Farm income (% YoY)	2.1	1.9	3.6	-0.4	1.8	-12.4	-3.2	-1.9
Non farm income (% YoY)	1.6	3.2	1.3	0.8	2.0	....	....	....
Wage change (% YoY)	2.3	4.1	1.8	1.4	2.8	....	....	....
Interest Rate and Currency								
CPI (%)	0.7	1.1	0.6	0.4	-0.5	-3.0	-3.4	-1.6
CPI, core (%)	0.5	0.5	0.5	0.5	0.5	0.4	0.0	0.0
Repo rate (%)	1.25	1.75	1.58	1.33	1.00	0.75	0.50	0.50
MLR (%)	4.1	4.5	4.5	4.4	4.4	3.3	3.2	....
3M deposit rate (%)	1.1	1.2	1.2	1.1	0.9	0.7	0.5	0.4
10Y govt bond yield (%)	2.1	2.4	1.7	1.6	1.3	1.4	1.2	1.3
THB/USD (avg)	31.0	31.6	30.7	30.3	31.3	32.6	32.1	31.1

Source: Bank of Thailand

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