

Q4 2019 GDP growth slowed sharply to 1.6% YoY– below consensus.

- **Q4 2019 GDP growth slowed to 1.6% YoY from an upward-revised 2.6% YoY in the previous quarter (Chart 1), the weakest level since 2014.** The GDP figure came in below market consensus (Bloomberg: 1.9%). On a QoQ basis, the Thai economy expanded by only 0.2%. Therefore, for the year 2019, growth slowed to 2.4% from 4.2% in 2018, in line with our estimate.
- **Weakness was broad-based across domestic and external sectors.** The slowdown was led by the fall in exports and public expenditure. Exports of goods slipped by 5.1% YoY from -0.1% YoY in Q3 from the contractions in rice, electronics and chemicals exports. Exports of services also slowed to 1.1% YoY from 3.2% YoY previously, due to a smaller increase in tourist arrivals. By contrast, imports fell even more sharply by 8.3% YoY in Q4, from -5.9% YoY in Q3 (**Chart 2**). The merchandise import contraction was in line with softened domestic demand and production.
- **A delay in FY2020 budget approval weighed on public consumption and public investment,** which contracted by 0.9% YoY and 5.1% YoY respectively. The fall in spending was largely contributed by the purchases of goods and services, which dropped by 6.5% YoY. Government construction fell sharply but state enterprise projects continued to expand such as Bangkok Water Supply Improvement Project, Phase 2 Suvarnabhumi Airport and MRT Orange Line Project.
- **Private consumption in Q4 2019 slightly softened to 4.1% YoY from 4.3% YoY in Q3 from the consecutive contractions in vehicles sales.** Severe drought hindered farm income significantly. Despite the government stimulus, Chim-Shop-Chai, elevated household debts and lackluster consumer confidence continued to drag on private spending. On the other hand, private investment fared better than expected, edged up to 2.6% YoY from 2.3% in the previous quarter. Construction expanded by 3.1% YoY from a 0.1% dip in Q3.
- **For supply side, the Thai economy experienced a slowdown in agricultural and industrial production while the service sector expanded.** The agricultural sector declined by 1.6% YoY compared to a 2.7% YoY expansion in Q3 (**Chart 3**), with lower yields in paddy and sugar cane due to the ongoing drought. The fall in industrial production deepened to 2.3% from a 0.8% YoY fall in the previous quarter due to the basic metals, refined petroleum products, and rubber and plastics industry.
- **NESDC revised down the growth projection for 2020 to 1.5%-2.5%**, from the earlier forecast of 2.7%-3.7%. The government baseline projection is 2%, near our forecast of 2.3%, which is subject to growing downside risks. At the end of last year, we forecast the yearend USDTHB to 30.75-31.25. The COVID-19 outbreak accelerated the baht towards our target to the current level of 31.17. Despite previous headwinds have subsided with the easing of the US-China tensions to support global demand and the passing of the budget bill last Friday, this may not sufficiently negate the damage from the disease.

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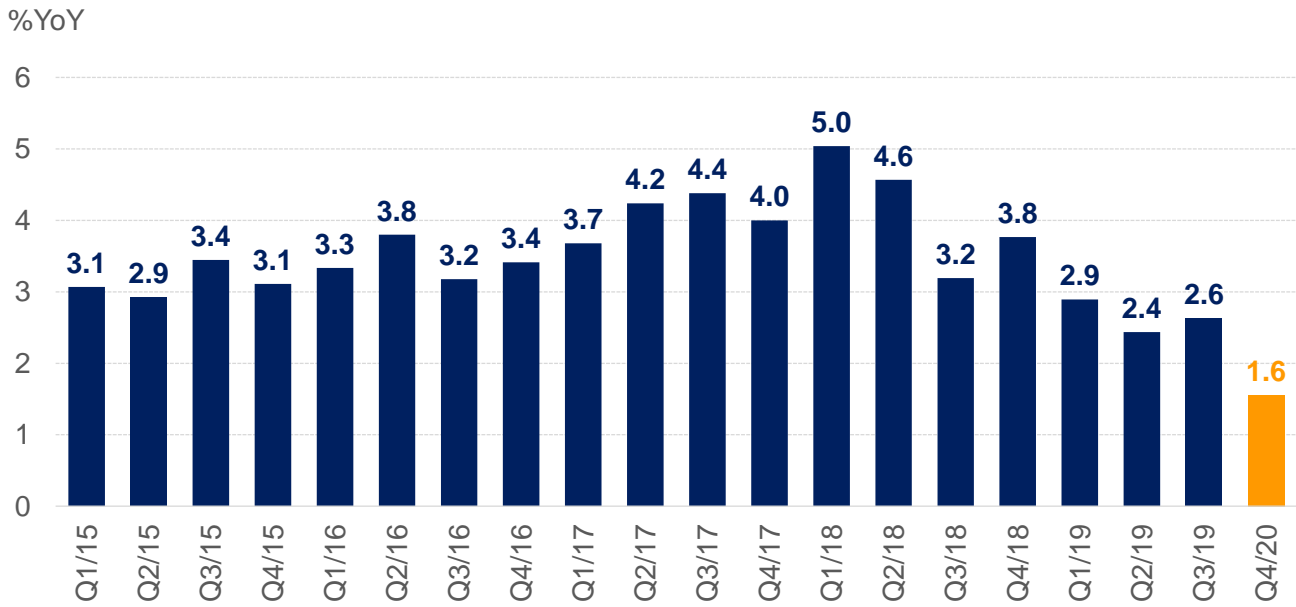
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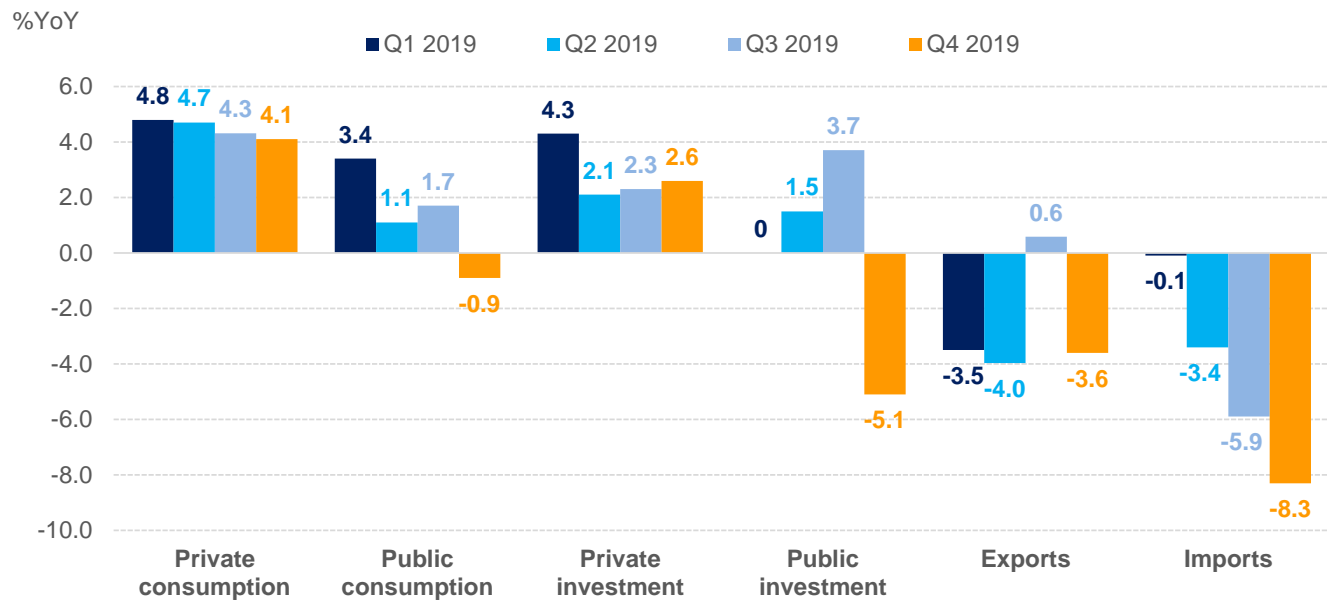
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Chart 1: Quarterly GDP Growth



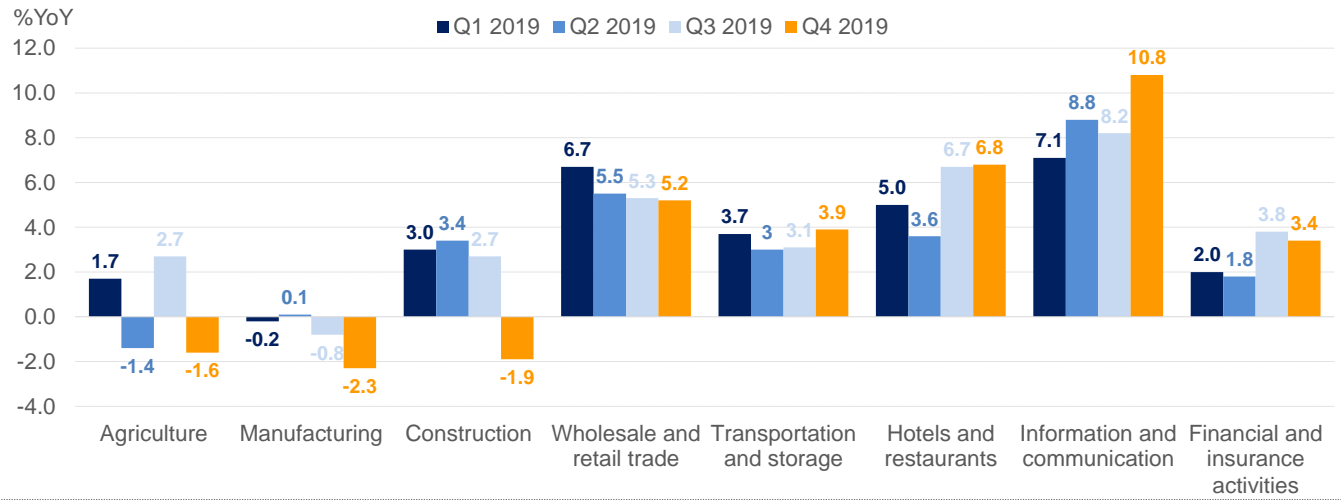
Source: NESDC

Chart 2: GDP Growth by Expenditure Approach



Source: NESDC

Chart 3: GDP Growth by Production Approach



Source: NESDC

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