

Q1 2020 GDP growth contracted for the first time in six years amid Covid-19 outbreak

- **Q1 2020 GDP growth contracted for the first time in six years by 1.8% YoY from a 1.5% YoY growth in Q4 2019 as the Covid-19 outbreak began to intensify (Chart 1).** The outturn was better than our expectation (-3.3% YoY) and consensus (Bloomberg survey -3.9%).
- **Weakness in external sector, especially tourism, was one of the main contributions of the decline.** Total exports in the first quarter fell by 6.7% YoY, primarily due to the collapse in export of services (-29.8%). The number of tourist arrivals in the first three months of the year went down by 38.0% YoY as the intensification of the pandemic in several nations in March prompted travel bans and lockdowns toward the end of the month. Accordingly, tourism receipts, the main component in service exports, fell 40.4% YoY in the first quarter.
- **Private investment also went down amid the uncertainty around the pandemic.** For the first quarter of the year, private investment contracted by 5.5% YoY, down from a 2.6% YoY growth in the previous quarter. The contraction was mainly driven by investment in machinery (-5.7% YoY) and construction (-4.3% YoY). Public investment went down by 9.3% YoY primarily with falling construction investment (-5.1% YoY) partly due to the FY2020 budget delay. As a result, total investment contracted by 6.5% YoY, compared to a 0.8% YoY rise last quarter.
- **Although private consumption edged up this quarter, signs of weakness are observed ahead.** Private consumption went up by 3.0% YoY with rising purchases of non-durable goods (+2.8% YoY) as people stocked food and necessities prior to the city lockdown. Service consumption also went up by 9.3% YoY. Meanwhile, sales of durable products (-8.8% YoY), especially car sales (-17.3% YoY), and semi-durable goods (-4.4% YoY) all contracted. Consumption should soften further in the second quarter as lockdown of Bangkok along with various business closures have started since the end of March. (See GDP growth by expenditure approach in **Chart 2**).
- **For supply side, the Thai economy saw a contraction in all agricultural, manufacturing, and service sectors (Chart 3).** The agricultural production fell by 5.7% YoY, down from a 2.5% YoY contraction in Q4 2019, with lower yields from major crops partly due to the ongoing drought. Non-agricultural production fell 1.4% YoY from both manufacturing and service sectors (-2.7% YoY and 1.1% YoY, accordingly). The latter's weakness was mainly from hotel and restaurant (-24.1% YoY), construction (-9.9% YoY), and logistic (-6.0% YoY).
- **Looking forward, we project Thailand's GDP to reach trough in the second quarter as lockdowns in many nations, including the country itself, became much more prevalent in April.** Full travel restriction was implemented in late April and now extended to end of June, bringing tourist arrivals down to effectively zero ever since (**Chart 4**). Also, various businesses in Bangkok were closed from the end of March to April, hampering both consumption and investment. The gradual easing of restrictions worldwide in May implies that the country's economy should start to show signs of recovery going forward. Nonetheless, tourism should be among the last sectors to see recovery and business sentiment should remain low for several months until a vaccine is developed. The two forces will result in a lagged recovery this year. For 2020, we have revised down our GDP forecast to -5.3% YoY.

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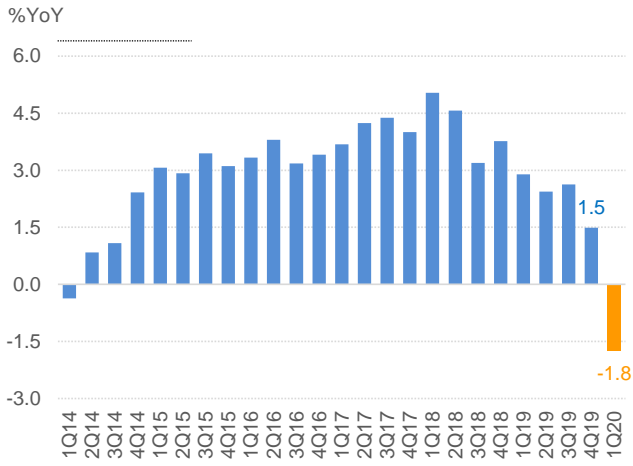
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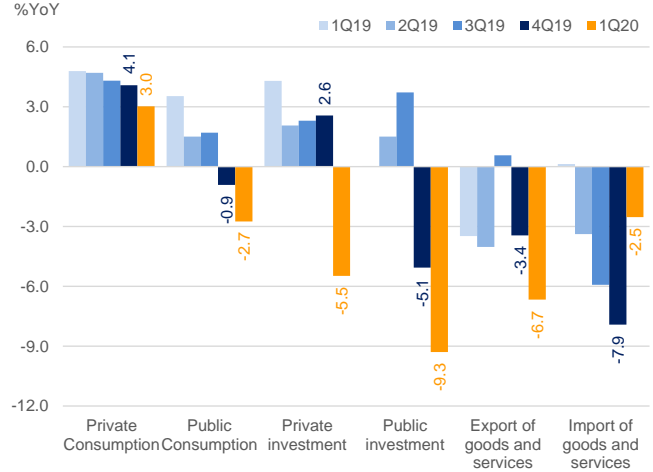
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Chart 1: Quarterly GDP Growth



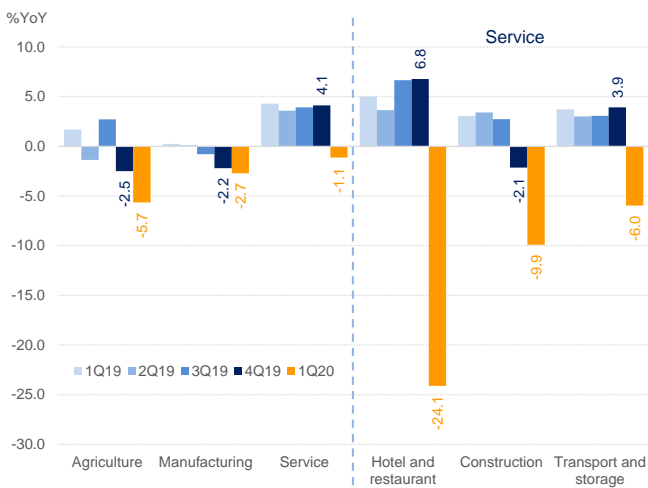
Source: NESDC

Chart 2: GDP Growth by Expenditure Approach



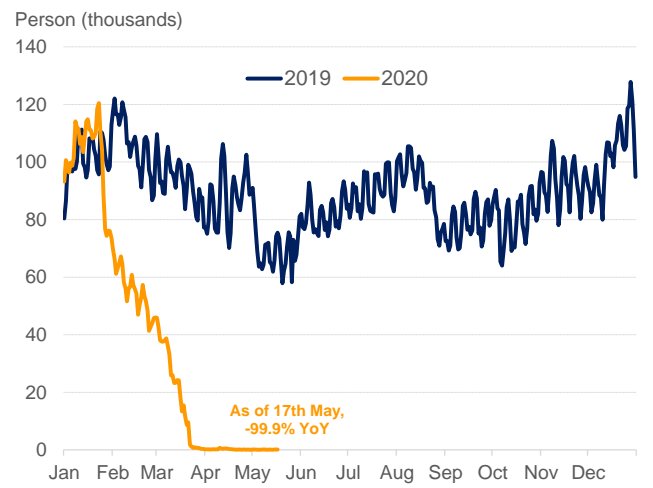
Source: NESDC

Chart 3: GDP Growth by Production Approach



Source: NESDC

Chart 4: Thailand's Daily International Arrivals



Source: TAT

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