



The Thai Economy in Q4/2019 and the Outlook for 2020

The Office of the National Economic and Social Development Council (NESDC) announced the Thai Gross Domestic Product (GDP) in the fourth quarter and the economic outlook for 2020 as follows:

The Thai Economy in Q4/2019

The Thai economy in the fourth quarter of 2019 expanded by 1.6 percent (%YoY), decelerated from 2.6 percent in the previous quarter. After seasonally adjusted, the economy grew by 0.2 percent from the second quarter (%QoQ sa). In 2019, the Thai economy expanded by 2.4 percent, compared with 4.2 percent in 2018.

The economic slowdown in this quarter was mainly due to (i) slow global economic growth rate, uncertain directions of trade measures, and the Baht appreciation, (ii) the delay in FY2020's budgeting process, and (iii) impacts from the drought as well as temporary factors disrupting production in some manufacturing products.

On the expenditure side: the economy was driven mainly by continual expansion of private consumption and investment, while government expenditure and export volume declined. **Private consumption expenditure** expanded by 4.1 percent, continuing from a 4.3-percent growth in the previous quarter, supported by low rates of interest, inflation and unemployment, together with continued government's economic stimulus measures. The expansion was in line with the development of key indicators especially the VAT of hotel and restaurant index, benzene, gasohol and diesel sale index, and household electricity consumption index with growth rates of 6.3, 3.4 and 3.1 percent consecutively. However, the passenger and commercial car sales declined by 16.4 and 17.2 percent respectively. The consumer confidence index stood at 56.8, compared with 60.8 in the previous quarter. **Government consumption expenditure** declined by 0.9 percent, compared with 1.7 percent in the previous quarter. The government budget disbursement rate in this quarter was 22.8 percent (lower than 29.8 percent in the same quarter last year). **Total investment** increased by 0.9 percent, decelerating from 2.7 percent in the previous quarter. **Private investment** grew by 2.6 percent, accelerating from 2.3 percent in the previous quarter, due to the 3.1-percent growth of construction while investment in machinery and equipment expanded by 2.5 percent. **Public investment** grew by 5.1 percent, up from 3.7 percent in the previous quarter, following the delay in the FY 2020 budgeting process, where government investment decreased by 16.7 percent while investment of state-owned enterprises expanded by 13.1 percent. The disbursement rate of capital budget in this quarter was 4.0 percent, compared with 21.6 percent in the previous quarter, and 13.7 percent in the same quarter of last year.

Export value was recorded at 59.2 billion US dollars, with 4.9 percent contraction, compared with the zero growth in the previous quarter. This was consistent with slow global economic growth rate, uncertain directions of trade measures, and the Baht appreciation. Export volume dropped by 5.3 percent and export price slightly increased by 0.4 percent.

Export items with increases in value included sugar (51.1 percent), aircraft, boat, oil rig and rail (26.5 percent), computer parts & accessories (5.2 percent), motorcycle (44.1 percent), air-conditioners (8.2 percent), beverages (11.4 percent), and fruits (9.9 percent). On the other hand, **export items with decreases in value** included petroleum products (-30.7 percent), chemicals (-25.9 percent), rice (-33.3 percent), tapioca (-37.7 percent), rubber (-15.2 percent), pick up and trucks (-22.6 percent), machinery & equipment (-8.2 percent), passenger cars (-6.3 percent), vehicle parts & accessories (-3.1 percent), and rubber products (-0.5 percent). **Import value** was registered at 53.2 billion US dollars, showing a contraction of 7.6 percent (declined for the fourth consecutive quarters), compared with a 6.8 percent decline in the previous quarter. Import quantity dropped by 8.3 percent, continuing from a reduction of 6.6 percent in the previous quarter. The decline was owed to decreases in imports quantity of consumer goods, raw materials and intermediate goods, and capital goods, in line with decline in exports. In addition, imports price increased by 0.8 percent, compared with a reduction of 0.2 percent in the previous quarter.

Growths of Real GDP and Export Value in Key Economies

Country	Exports (%YoY)						GDP (%YoY)						Lowest in
	2018	2019					2018	2019					
	Year	Year	Q1	Q2	Q3	Q4	Year	Year	Q1	Q2	Q3	Q4	
US 	7.8	-1.3	1.3	-3.1	-1.7	-1.4	2.9	2.3	2.7	2.3	2.1	2.3	-
Eurozone 	8.7	-2.6	-4.3	-3.7	-1.4	-1.0	1.9	1.2	1.4	1.2	1.2	0.9	24 quarters
Japan 	5.7	-4.4	-5.7	-6.2	-1.3	-4.4	0.3	0.7	0.8	0.9	1.7	-0.4	19 quarters
China 	9.9	0.5	1.4	-1.0	-0.3	1.9	6.7	6.1	6.4	6.2	6.0	6.0	-
Hong Kong 	6.8	-4.1	-2.6	-4.6	-6.3	-2.6	3.1	-1.2	0.7	0.4	-2.8	-2.9	42 quarters
India 	8.5	0.2	6.7	-1.3	-3.8	-0.9	7.4	-	5.8	5.0	4.5	-	-
Indonesia 	6.6	-6.9	-8.2	-8.9	-6.9	-3.8	5.2	5.0	5.1	5.1	5.0	5.0	12 quarters
South Korea 	5.4	-10.4	-8.5	-8.7	-12.3	-11.8	2.7	2.0	1.7	2.0	2.0	2.2	-
Malaysia 	14.2	-4.3	-5.2	-5.2	-3.5	-3.2	4.7	4.3	4.5	4.9	4.4	3.6	41 quarters
Philippines 	0.9	1.5	-2.9	1.8	1.0	6.1	6.2	5.9	5.6	5.5	6.0	6.4	-
Singapore 	10.3	-5.2	-2.7	-6.6	-7.8	-3.5	3.2	0.7	1.1	0.2	0.7	0.8	-
Taiwan 	5.9	-1.4	-4.2	-2.7	-0.8	1.8	2.7	2.7	1.8	2.6	3.0	3.3	-
Thailand 	7.5	-3.2	-3.8	-4.2	0.0	-4.9	4.2	2.4	2.9	2.4	2.6	1.6	21 quarters
Vietnam 	13.3	8.4	5.2	9.0	10.7	8.5	7.1	7.0	6.8	6.7	7.5	7.0	2 quarters

Source: CEIC, compiled by Office of the National Economic and Social Development Council

On the production side: the accommodation and food service activities sector and transport and storage sector accelerated. Meanwhile the wholesale and retail trade sector and repair of motor vehicles and motorcycles sector showed favourable growths. Nevertheless, manufacturing, agricultural, construction, and electricity and gas sectors declined. **Agriculture, forestry and fishing sector** decreased by 1.6 percent, compared with a 2.7-percent expansion in the previous quarter. The decline was caused the drought and a dry spell. This was in line with a reduction of agricultural production index of 1.5 percent. Major agricultural products with production contraction included paddy (-3.2 percent), sugarcane (-21.2 percent), oil palm (-15.2 percent), and maize (-4.9 percent). At the same time, major agricultural products with production expansion included fruits (8.4 percent), rubber (2.4 percent), and cassava (10.9

percent). In addition, fishery production and livestock production expanded by 13.7 percent and 0.7 percent, respectively. **Agricultural price index** increased by 3.8 percent, accelerating from 2.5 percent in the previous quarter. Major agricultural products with higher price index included fruits (10.3 percent), paddy (6.7 percent), oil palm (39.8 percent) and sugarcane (1.0 percent). In contrast, major agricultural products with declining price index included cassava (-23.6 percent), rubber (-2.3 percent) and maize (-5.8 percent). This increase in agricultural price index, in turn, led the farm income index to increase by 2.6 percent. **Manufacturing production sector** decreased by 2.3 percent, further from a decline of 0.8 percent in the previous quarter. This was consistent with decline in exports due to the global economic slowdown and uncertain trade protection measures, together with temporary impacts on some manufacturing products. Specifically, the manufacturing production index of those industries with 30 – 60 percent share of export to total production decreased by 16.0 percent, industries with the share more than 60 percent declined by 4.5 percent and industries with the share less than 30 percent (mainly for domestic consumption) declined by 1.6 percent. Meanwhile, average capacity utilization rate stood at 63.4 percent, compared with 69.3 percent in the same quarter of last year. Major industries with negative MPI growth included vehicles (-21.4 percent), petroleum products (-15.2 percent) and sugar refinery (-22.1 percent). On the other hand, industries with positive MPI growth included other general-purpose machinery (17.0 percent), computers and assembly (7.3 percent), and rectifying and blending of spirits expanded by (31.7 percent). **Accommodation and food service activities sector** expanded by 6.8 percent, accelerating from 6.7 percent in the previous quarter, and was consistent with higher foreign tourist growth. In this quarter, total number of **foreign tourists was 10.33 million persons, increasing by 6.4 percent** and continuing from a 7.2-percent growth in the previous quarter. Total tourism revenues were about 0.79 trillion baht, increasing by 0.9 percent. This was attributed to (i) receipts from foreign tourists of 0.50 trillion Baht, with a 1.9-percent growth, decelerating from 5.8 percent in the previous quarter. Key contribution in tourism receipts were tourists from China, India, Japan, Russia and Taiwan; (ii) receipts from Thai tourists of 0.29 trillion Baht, with a 0.8-percent contraction, compared with a decline of 3.0 percent in the previous quarter. **Average occupancy rate** was at 71.24 percent, higher than 64.08 percent in the previous quarter. **Transport and storage sector** expanded by 3.9 percent, accelerating from 3.1 percent in the last quarter. The improvement was supported mainly by an expansion of passenger transport services, in which land transport and transport via pipeline, and air transport grew by 2.8 and 5.1 percent respectively, while water transport declined by 4.2 percent. Shipping support expanded by 5.8 percent but postal services grew by 0.8 percent.

Economic stability remained favorable in which the unemployment rate stood at 1.0 percent and the headline inflation averaged 0.4 percent. Meanwhile, the current account was registered a surplus of 10.4 billion US dollar (equivalent to 314.5 billion baht or accounted for 7.2 percent of GDP). At the end of December 2019, the international reserves stood at 224.3 billion USD and the public debt recorded total value of 7.0 trillion baht or accounted for 41.2 percent of GDP.

The Thai Economy in 2019

The 2019 Thai economy expanded by 2.4 percent, compared with 4.2 percent in 2018. **On the expenditure side**, private consumption and investment grew by 4.5 and 2.8 percent, expanded continually from 4.6 and 4.1 percent in the prior year, respectively. In addition, government consumption and investment increased by 1.4 and 0.2 percent, compared with 2.6 and 2.9 percent in the previous year, consecutively. However, export value declined by 3.2 percent, compared with 7.5 percent growth last year. **On the production side**, agricultural production, forestry production and fishery sector, accommodation and food service activities sector, wholesale and retail trade; repair of motor vehicles and motorcycles sector, and transport and storage sector expanded by 0.1, 5.5, 5.7, 3.4, percent, slowing from expansions of 5.5, 7.6, 6.6 and 4.4 percent in the previous year, respectively. The manufacturing sector declined by 0.7 percent, compared with a 3.2-percent growth in 2018. In all, **for the year 2019, GDP value at current prices** was 16,879.0 billion Baht (543.7 billion US dollar). GDP per capita was at 248,257.4 Baht per person per year (7,996.2 US dollar per person per year), increasing from 241,269.6 baht per person per year (7,467.1 US dollar per person per year).

Economic stability remained favorable, in which headline inflation was 0.7 percent and current account recorded a surplus of 6.8 percent of GDP.

The Thai Economic Outlook for 2020

The Thai economy in 2020 is projected to expand by 1.5 – 2.5 percent, softening from 2019 due to impacts from the coronavirus (Covid-19) outbreak, the drought conditions, and the delay in FY2020 budget. Nevertheless, the economy will be supported by (i) a gradual global economic recovery following easing trade tensions and reduced risks of a no-deal Brexit; (ii) a favourable expansions of private consumption and investment of both private and public; (iii) key government stimulus measures; and (iv) a low growth base in the last quarter of 2019. In all, it is expected that export value will expand by 1.4 percent while private consumption and total investment will increase by 3.5 and 3.6 percent respectively. Headline inflation will lie in the range of 0.4 – 1.4 percent and the current account will register a surplus of 5.3 percent of GDP.

Key growth components include as follows:

1) Consumption: (i) Private consumption expenditure is expected to grow by 3.5 percent, decelerating from 4.5 percent in 2019 in line with slower-than-expected growth of overall economy and income base especially revenues from tourists affected by the Covid-19 outbreak, and the farm income affected by severe drought condition. **(ii) Government consumption expenditure is estimated to expand by 2.6 percent**, remaining unchanged from the previous projection and accelerating from 1.4 percent in 2019 in consistent with an increase in the FY2020 government annual budget.

2) Total investment is expected to grow by 3.6 percent, accelerating from 2.2 percent in 2020. Public investment is projected to increase by 4.8 percent, speeding up from 0.2 percent but revised down from a 6.5-percent expansion in the previous projection. This downward revision is mainly due to the lower capital budget disbursement assumption under the FY2020 government annual budget. **Private investment is likely to expand by 3.2 percent**, gradually improving from 2.8 percent in 2019 due to (i) the progress in public investment projects including both special economic areas and key transportation projects. Moreover, the production relocation of foreign investors have been more apparent as observed from high growth of the construction of industrial plants in the latter half of 2019, (ii) the

relaxation of the Loan-to-Value (LTV) regulations governing mortgage loans, and (iii) the government's investment promotion measures particularly the Thailand Plus Package aiming to expedite investment relocation from foreign firms as well as additional investment incentive measures recently approved by the cabinet on January 28th, 2020.

3) Export value of good in US dollar terms is anticipated to grow by 1.4 percent, improving from a 3.2-percent contraction in 2019 but lower than 2.3 percent in the previous projection due to (i) the downward revision of export volume from a 2.4-percent growth in the previous forecast to 1.5 percent in this projection, and (ii) the lower export of services in tandem with the downward revision of the numbers of foreign tourist to be at 37.0 million people, revised down from 41.8 million people in the previous projection. Henceforth, the revenue from foreign tourists in 2020 is likely to be lower than 2019 by 150 billion baht. This estimation is based on the assumption that the Covid-19 outbreak will reach its peak in March and would eventually end in early May in which that the Chinese government will lift the travel ban for Chinese tourists to travel aboard. Consequently, the export quantity of goods and services is projected to grow by 0.9 percent, comparing with 3.5 percent in the previous projection.

Economic management for the remainder of 2020 should put emphasis on following issues in order: **(1) Coordinating the monetary and fiscal policies** to support the economy in the first half and continue to propel the recovery in the second half of the year; **(2) Supporting the recovery and sustaining the expansion of the tourism sector** in order to achieve 37.0 million people of foreign tourists and 1.73 trillion baht tourism of revenue from foreign tourists by focusing on (i) relaxing rules and regulations for tourists that already made reservations for accommodation and tourism-related services but are unable to travel during the Covid-19 outbreak; (ii) encouraging Thais to make more domestic travel; (iii) holding up tourism marketing activities to stimulate the tourism in the second half; (iv) promoting Thailand's readiness in terms of prevention, control, and solution measures for tackling with the Covid-19 outbreak; (v) collaborating with private sector to consider announcing additional holidays in the first half of the year or postponing holidays without creating economic impacts; and (vi) implementing tourism supportive measures approved by the cabinet on February 4th, 2020. **(3) Fostering export growth** to reach the target of at least 2.0 percent (excluding gold) mainly by (i) propelling export strategies in 2020; (ii) fostering export of goods which will benefit from trade diversion; (iii) seeking export opportunities from the Covid-19 epidemic in China; (iv) assisting producers and exporters in the Chinese supply chain; and (v) expediting process to finalize the negotiations under key trade agreements. **(4) Maintaining growth momentum from government expenditure and public investment** by (i) speeding up the disbursement of FY 2020's annual budget, carry-over budget, and the state-owned enterprises (SOEs) budget to reach no less than 91.2, 70.0, and 75.0 percent respectively; (ii) improving efficiency in budget disbursement; and (iii) preparing additional fiscal stimulus measures if the Covid-19 outbreak prolongs. **(5) Building up investors' confidence and supporting private investment growth** by (i) monitoring and implementing investment stimulus measures approved by the cabinet especially the Thailand plus package and monetary and fiscal measures to support domestic investment; (ii) speeding up the implementation of key public infrastructure projects; (iii) pushing up key trade negotiations; and (iv) solving constraints proposed by foreign investors and entrepreneurs. **(6) Strengthening low income groups as well as those impacted by droughts, reduced tourists, and economic slowdown** by providing particular care on (i) agricultural worker who work in the service sector during off-crop/cultivated season; (ii) employees in tourism and related sector that are under risks of

being laid off; (iii) the SMEs entrepreneurs in agriculture and tourism sectors; (iv) speeding up the disbursement of compensation for droughts impacts; and (v) the comprehensive water resource management.

Office of the National Economic and Social Development Council

17 February 2020

Table 1 GDP, Production Side

%YoY	2018			2019			2018				2019			
	Year	H1	H2	Year	H1	H2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture	5.5	9.3	1.9	0.1	0.2	0.0	8.3	10.4	2.9	1.3	1.7	-1.4	2.7	-1.6
Non-Agriculture	4.0	4.4	3.6	2.6	2.9	2.2	4.7	4.1	3.2	4.1	3.0	2.8	2.5	2.0
Manufacturing	3.2	3.7	2.8	-0.7	0.2	-1.6	4.0	3.3	1.7	3.8	0.2	0.1	-0.8	-2.3
Service	4.8	5.2	4.3	4.0	3.9	4.0	5.6	4.8	4.2	4.5	4.3	3.6	3.9	4.1
Construction	2.4	1.4	3.6	2.0	3.2	0.6	1.2	1.7	4.1	3.0	3.0	3.4	2.7	-1.9
Wholesale and Retail Trade	6.6	6.1	7.1	5.7	6.1	5.3	5.7	6.6	6.9	7.3	6.7	5.5	5.3	5.2
Transportation and Storage	4.4	5.3	3.5	3.4	3.4	3.5	6.2	4.2	3.1	4.0	3.7	3.0	3.1	3.9
Accommodation and Food Service Activities	7.6	10.8	4.4	5.5	4.3	6.7	12.9	8.6	3.7	5.1	5.0	3.6	6.7	6.8
Information and Communication	7.6	7.4	7.7	8.8	8.0	9.6	6.2	8.7	8.1	7.3	7.1	8.8	8.2	10.8
Financial and Insurance Activities	3.4	4.4	2.5	2.7	1.9	3.6	4.3	4.5	3.1	1.9	2.0	1.8	3.8	3.4
GDP	4.2	4.8	3.5	2.4	2.7	2.1	5.0	4.6	3.2	3.8	2.9	2.4	2.6	1.6
GDP_SA (QoQ)							1.7	0.8	-0.1	1.3	0.8	0.4	0.2	0.2

Source: Office of the National Economic and Social Development Council

Table 2 GDP, Expenditure Side

%YoY	2018			2019			2018				2019			
	Year	H1	H2	Year	H1	H2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Private Consumption	4.6	4.1	5.0	4.5	4.7	4.2	3.7	4.5	5.0	5.1	4.8	4.7	4.3	4.1
Government Consumption	2.6	2.6	2.5	1.4	2.5	0.4	2.4	2.9	2.8	2.2	3.5	1.5	1.7	-0.9
Investment	3.8	3.5	4.1	2.2	2.5	1.8	3.3	3.7	3.8	4.3	3.2	1.9	2.7	0.9
Private	4.1	3.3	4.8	2.8	3.2	2.5	3.3	3.3	3.9	5.7	4.3	2.1	2.3	2.6
Public	2.9	3.9	1.9	0.2	0.7	-0.3	3.2	4.6	3.8	-0.3	0.0	1.5	3.7	-5.1
Exports	3.3	6.5	0.3	-2.6	-3.7	-1.5	6.4	6.7	-0.7	1.3	-3.5	-4.0	0.6	-3.6
Goods	3.8	7.2	0.5	-3.6	-4.5	-2.6	6.0	8.3	-0.0	1.1	-4.4	-4.6	-0.1	-5.1
Services	2.0	4.4	-0.3	0.4	-1.3	2.1	7.2	1.1	-2.7	2.0	-1.1	-1.7	3.2	1.1
Imports	8.3	9.2	7.4	-4.4	-1.7	-7.1	8.9	9.5	10.3	4.6	0.1	-3.4	-5.9	-8.3
Goods	7.9	9.4	6.5	-5.5	-3.3	-7.7	10.7	8.2	9.2	3.8	-2.8	-3.7	-6.8	-8.6
Services	9.9	8.3	11.5	0.0	5.0	-4.7	1.6	15.0	15.7	7.7	13.0	-2.1	-2.1	-7.1
GDP	4.2	4.8	3.5	2.4	2.7	2.1	5.0	4.6	3.2	3.8	2.9	2.4	2.6	1.6

Source: Office of the National Economic and Social Development Council

Economic Projection for 2020 ^{1/}

	Actual			Projection 2020	
	2017	2018	2019	18 Nov 19	17 Feb 20
GDP (at current prices: Bil. Bht)	15,486.6	16,365.6	16,879.0	17,593.2	17,368.5
GDP per capita (Bht per year)	225,095.2	236,815.0	243,511.4	253,106.7	249,874.1
GDP (at current prices: Bil. USD)	456.3	506.5	543.7	567.5	556.7
GDP per capita (USD per year)	6,632.2	7,329.2	7,843.9	8,164.4	8,009.0
GDP Growth (CVM, %)	4.1	4.2	2.4	2.7 – 3.7	1.5 – 2.5
Investment (CVM, %) ^{2/}	1.8	3.8	2.2	4.8	3.6
Private (CVM, %)	2.9	4.1	2.8	4.2	3.2
Public (CVM, %)	-1.4	2.9	0.2	6.5	4.8
Private Consumption (CVM, %)	3.1	4.6	4.5	3.7	3.5
Government Consumption (CVM, %)	0.1	2.6	1.4	2.6	2.6
Export volume of goods & services (%)	5.2	3.3	-2.6	3.5	0.9
Export value of goods (Bil. USD)	233.7	251.1	243.0	251.7	246.4
Growth rate (%) ^{3/}	9.5	7.5	-3.2	2.3	1.4
Growth rate (Volume, %) ^{3/}	5.6	3.9	-3.5	2.4	1.5
Import volume of goods & services (%)	6.2	8.3	-4.4	3.9	3.1
Import value of goods (Bil. USD)	201.1	228.7	216.4	228.2	222.2
Growth rate (%) ^{3/}	13.2	13.7	-5.4	3.5	2.7
Growth rate (Volume, %) ^{3/}	7.3	7.7	-5.6	3.6	2.8
Trade balance (Bil. USD)	32.6	22.4	26.6	23.5	24.2
Current account balance (Bil. USD)	44.0	28.5	37.3	31.8	29.5
Current account to GDP (%)	9.6	5.6	6.8	5.6	5.3
Inflation (%)					
CPI	0.7	1.1	0.7	0.5 – 1.5	0.4 – 1.4
GDP Deflator	2.0	1.5	0.7	0.5 – 1.5	0.4 – 1.4

Source: Office of the National Economic and Social Development Council, 17th February 2020

Note: ^{1/} Data were calculated based on new National Accounts Office's series, published on www.nesdc.go.th.

^{2/} Investment means Gross Fixed Capital Formation.

^{3/} Export and import is based on the Bank of Thailand's data, which is in compliance with the Balance of Payment recording system.