



## The Thai Economy in Q2/2020 and the Outlook for 2020

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

### The Thai Economy in Q2/2020

The Thai Economy in the second quarter of 2020 declined by 12.2 percent compared with a 2.0-percent contraction in the previous quarter. After seasonally adjusted, the economy dropped by 9.7 percent from the first quarter (%QoQ sa). In the first half of 2020, the Thai economy contracted by 6.9 percent.

**On expenditure side:** export of goods and services, private consumption, and private investment declined sharply due to the outbreak of COVID-19, while public investment and government expenditure expanded and supported the economy. **Private consumption expenditure** dropped by 6.6 percent compared with a 2.7-percent expansion in the previous quarter in line with declining income base, change of consumer behavior and, measures for controlling and preventing the COVID-19 pandemic. The decrease in consumption was observed in spending in durable goods, semi-durable goods and services, such as vehicles (decreased by 43.0 percent), clothing and footwear (21.4 percent), restaurants and hotels (45.8 percent), and alcohol beverages (17.1 percent). However, a spending for household water and electricity increased by 3.8 percent. **Government consumption expenditure** increased by 1.4 percent comparing with a 2.8-percent contraction in the previous quarter. The disbursement rate of this quarter was 22.3 percent compare with 19.7 percent in the same quarter of last year. **In the first half of 2020**, private consumption and government consumption expenditure declined by 2.1 percent, and 0.7 percent respectively. **Total investment** declined by 8.0 percent, decelerating from 6.5 percent in the previous quarter. **Private investment** decreased by 15.0 percent, continually from a 5.4-percent decrease in the previous quarter. Investment in machinery and equipment, and investment in construction declined by 18.4 percent, and 2.1 percent, respectively. **Public investment** increased by 12.5 percent, compared with a 9.3-percent decrease in the previous quarter due to the expansion of government's investment by 21.0 percent, while investment of State-Owned Enterprises (SOEs) contracted by 0.8 percent. The disbursement rate of capital budget in this quarter was 17.9 percent compared with 10.8 percent in the previous quarter and 16.8 percent in the same quarter last year. **In the first half of 2020**, total investment decreased by 7.2 percent with private investment declined by 10.2 percent, and public investment increased by 1.2 percent.

**Export value** in the second quarter of 2020 was recorded at 49.787 billion USD, decreased by 17.8 percent (the lowest recorded since the second quarter of 2009), compared with a 1.4-percent growth in the previous quarter due to the sharp decline in global economy and merchandise trade. The export volume index and the export price dropped by 16.1 percent, and 2.0 percent, respectively. **Export items with decreased value** included rice (-0.9 percent), rubber (-41.0 percent), passenger cars (-45.2 percent), pick up & trucks (-67.7 percent), vehicle parts & accessories (-45.0 percent), electronics (-6.6 percent), machinery & equipment (-23.4 percent), chemicals (-20.4 percent), petro-

chemical products (-18.9 percent), petroleum products (-42.7 percent). On the other hand, **export items with increased value included** fruits (47.4 percent), fish canned, prepared, or preserved (17.9 percent), rubber products (23.4 percent), animal food (24.0 percent), and computer (5.8 percent). Exports to key market including the US and China returned to a positive growth while exports to Japan, ASEAN(9), EU(15), Australia, and Middle East(15 declined. Exports excluded gold declined by 21.4 percent. **In baht term**, export value was recorded at 1,592 billion baht, decreased by 16.8 percent. **In the first half of 2020**, export value was recorded at 110,654 million USD, decreased by 8.2 percent. **Import value** in the second quarter was recorded at 41.745 billion USD, dropped by 23.4 percent, the sixth consecutive decline, compared with 1.0 percent contraction in the previous quarter in line with decline in export, domestic demand and import price. In the first half of 2020, import value was registered at 94.562 billion USD, decreased by 12.3 percent.

### Growths of Exports and Real GDP in Key Economies

%YoY	GDP (%YoY)					Exports (%YoY)				
	2018	2019		2020		2018	2019		2020	
	Year	Year	Q4	Q1	Q2	Year	Year	Q4	Q1	Q2
US	3.0	2.2	2.3	0.3	-9.5	7.9	-1.5	-1.5	-3.3	-30.3
Eurozone	1.9	1.3	1.0	-3.1	-15.0	8.7	-2.5	-0.9	-4.6	-24.9
United Kingdom	1.3	1.5	1.1	-1.7	-21.7	10.2	-3.5	5.3	-10.4	-25.0
Australia	2.8	1.8	2.2	1.4	-	11.3	5.3	-0.7	-6.8	-14.6
Japan	0.3	0.7	-0.7	-1.7	-	5.7	-4.4	-4.4	-4.4	-23.7
China	6.7	6.1	6.0	-6.8	3.2	9.9	0.5	2.0	-13.3	0.1
India	6.8	4.9	4.1	3.1	-	8.8	-0.2	-1.9	-12.9	-36.6
South Korea	2.9	2.0	2.3	1.4	-2.9	5.4	-10.4	-11.8	-1.8	-20.3
Taiwan	2.7	2.7	3.3	2.2	-0.6	5.9	-1.4	1.8	3.7	-2.4
Hong Kong	2.8	-1.2	-3.0	-9.1	-9.0	6.8	-4.1	-2.6	-8.8	-3.2
Singapore	3.4	0.7	1.0	-0.3	-13.2	10.3	-5.2	-3.5	-3.7	-16.7
Indonesia	5.2	5.0	5.0	3.0	-5.3	6.6	-7.0	-3.8	2.8	-12.8
Malaysia	4.8	4.3	3.6	0.7	-17.1	14.2	-4.3	-3.2	-0.9	-17.7
Philippines	6.3	6.0	6.7	-0.7	-16.5	0.9	2.3	6.2	-5.1	-29.5
Vietnam	7.1	7.0	7.0	3.7	0.4	13.3	8.4	8.5	7.6	-6.9

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

**On Production side:** the accommodation and food service activities, the agriculture, the manufacturing sectors, the transportation and storage sectors, the wholesale and retail trade sector, and the electricity and gas sector declined, while the construction sector, and financial and insurance activities increased. **Agriculture sector** continually declined by 3.2 percent, continuously drop from a 9.8-percent decrease in the previous quarter due to the drought and the lower level of water in most reservoirs and natural water resources. Major agricultural products with production contraction include maize (-28.2 percent), cassava (-5.1 percent), and paddy (-43.7 percent). Nevertheless, major agricultural products with production expansion include fruits (10.9 percent), oil palm (4.3 percent), and rubber (0.9 percent). Besides, fishery sector decreased by 16.1 percent and livestock sector expanded by 6.2 percent. **Agricultural price index** decreased by 1.4 percent compared to an increase of 8.8 percent in the previous quarter. This price decline was mainly contributed by the contractions of prices of rubber (-27.0 percent), swine (-5.2 percent), poultry (-7.1 percent), cassava (-10.1 percent), and white shrimp (-3.5 percent). In contrast, major agricultural price index with the increased price index consisted of paddy (12.7percent), oil palm (31.5 percent), sugarcane (4.4

percent), and egg (3.8 percent). Dropping in both agricultural production index and agricultural price index, thus led to overall **farm income index** to decrease by 6.0 percent which decreased for three consecutive quarters. **In the first half of 2020**, agricultural sector contracted by 6.7 percent, the agricultural production index shrank by 9.2 percent, the agricultural price index increased by 3.8 percent, and hence the farm income index decreased by 6.1 percent.

**The manufacturing sector** declined by 14.4 percent continually drop from a 2.6-percent reduction in the last quarter in line with declines in export values and domestic demand. Manufacturing Production Index (MPI) of industries with export share of more than 60 percent to total production, those with export share between 30 - 60 percent, and those with export share less than 30 percent decreased by 13.1 percent, 50.9 percent, and 7.6 percent respectively. The average **capacity utilization rate** stood at 52.9 percent, down from 66.9 percent in the previous quarter, and 65.0 percent in the same quarter of 2019. Meanwhile, the industries with negative growth of MPI were vehicles (-68.8 percent), refined petroleum products (-15.5 percent), and other general-purpose machinery (-39.4 percent). The industries with positive growth of MPI were processing and preserving of fish (28.6 percent), pharmaceuticals (15.4 percent), and animal feed (7.0 percent). **In the first half of 2020**, the manufacturing sector decreased by 8.3 percent. Manufacturing production index dropped by 12.9 and the average capacity utilization rate stood at 59.9 percent. **The accommodation and food service activities sector** contracted by 50.2 percent, continuously dropping from a 23.3-percent decrease in the previous quarter. The total revenue from tourism stood at 19 billion Baht, which dropped by 97.1 percent. Revenue from Thai tourists was 19 billion baht, decreasing by 97.1 percent while there are no records of revenue from foreign tourists. The average occupancy rate was at 6.51 percent, dropping from 51.50 percent in the previous quarter and down from 70.79 percent in the same period last year. **In the first half of 2020**, the accommodation and food service activities sector contracted by 36.2 percent. The tourism receipts stood at 332 billion baht, the number of foreign tourists drop by 66.2 percent, and the average occupancy rate was at 29.01 percent. **The transportation and storage sector** decreased by 38.9 percent compared with a 6.0-percent reduction in the previous quarter due to the stagnant demand for transportation services particularly the air transport services. This contraction was mainly attributed by 89.6-percent decline in air transport services, 43.9-percent decline in land and tubes transport services, and 2.2-percent decline in water transport services. Transport supporting service declined by 26.1 percent while postal service expanded continually by 22.9 percent. **In the first half of 2020**, transportation and storage sector contracted by 21.7 percent. Transport services and shipping support services dropped by 23.0 percent and 14.0 percent respectively, while postal services expanded by 14.0 percent. **The sectors that expanded in this quarter were (i) the construction sector** that grew by 7.4 percent recovered from a 9.9-percent decreased in previous quarter due to the expansion of public construction, **(ii) the financial and insurance activities** which rose by a 1.7 percent slowing down from 4.5 percent growth in the previous quarter, and **(iii) the information and communication sector** rose by a 1.7 percent compare with an increased by a 3.2 percent in the previous quarter. For the first half of 2020, construction, financial and insurance activities, and information and communication sector expanded by 1.3 percent 3.1 percent and 2.4 percent respectively.

**On the stability front**, unemployment was 2.0 percent while the headline inflation was -2.7 percent. The current account recorded a deficit of 0.8 billion USD or 27.0 billion Baht or accounted for 0.8 percent of GDP. International reserves at the end of June stood at 241.6 billion USD and the public debts at the end of June was 7,433.1 billion Baht or 44.8 percent of GDP.

### **The Thai Economic Outlook for 2020**

The Thai economy in 2020 is expected to show a contraction in the range of (-7.8) – (-7.3)

percent, revised down from the range of (-6.0) - (-5.0) in the previous projection (as of May 18<sup>th</sup>, 2020). The downward revision is mainly due to (i) the sharp decline in number and revenues from foreign tourist, (ii) the severe recession of global economy and merchandised trade, (iii) the impact of the pandemic, and (iv) the drought condition. In all, it is expected that export values of goods, private consumption expenditure, and total investment will decline by 10.0 percent, 3.1 percent, and 5.8 percent respectively. Meanwhile, the headline inflation is expected to be in a range of (-1.2) - (-0.7), and the current account tends to register a surplus of 2.5 percent of GDP.

Key growth components include as follows:

1. **Total Consumption: (1) Private Consumption Expenditure** tends to decline by 3.1 percent, compared with a 4.5-percent growth in 2019, and a 1.7-percent decrease in the previous projection. This downward revision was mainly owing to the lower-than-expected income from tourism and export sectors. Nevertheless, the private consumption tends to gradually increase during the rest of the year as results of more easing containment measures, and the continuity of zero new-infected number which made households to be able to adjust their behaviors and normalize their consumption patterns amid the continual economic and income recovery. **(2) Government Consumption Expenditure** is projected to expand by 3.6 percent, the same level as previous estimation, and accelerating from a 1.4-percent growth in 2019. This was in accordance with the unchanged assumptions of current budget disbursement under the key budgetary frameworks.

2. **Total Investment** is expected to decrease by 5.8 percent, compared with a 2.1-percent decline in the previous assumption and a 2.1-percent growth in 2019. **(1) Public investment** is estimated to grow by 8.6 percent, compared with a 5.6-percent in the previous quarter and speeding up from 0.2 percent in 2019. This was in line with the upward revision of the FY2020's capital budget disbursement rate from 55.0 percent in the previous projection to 60.0 percent in the current estimation. **(2) Private investment** is expected to decrease by 10.2 percent, compared with a 2.8-percent growth in 2019, and revised down from 4.2 percent in the previous projection. This downward revision was in line with declines in exports, level of capital utilization rate, business confidence, as well as the travel restrictions of international investors, and the highly uncertain world economy.

3. **Export value of good in US dollar terms** is anticipated to decrease by 10.0 percent, compared with a decrease of 3.3 percent in 2019, and revised down from an 8.0-percent decline in the previous assumption. This downward revision was a result of the downward revision of export volume forecast from a 6.0-percent decrease to a 9.0-percent contraction due to the adjustment of assumption on world economic growth and global trade volume. Additionally, export price assumption is expected to decrease by 1.0 percent, compared with a 2.0-percent decrease in the previous projection. Meanwhile, export of services is also expected to be 0.31 trillion baht, downwardly revised from 0.59 trillion baht in the previous projection. Consequently, the export quantity of goods and services is estimated to decrease by 20.9 percent, compared with a 17.3-percent decline in the previous projection, and a 2.6-percent contraction in 2019.

### **Economic Management for the remainder of 2020**

The policy management for the remaining of 2020 should put emphasis on the measures for the Covid-19 prevention and control together with the macroeconomic policy implementation as follows: **(1) Coordination of monetary policy and fiscal policy to support economic recovery**, especially: (i) Expediting the implemented policies in order to ensure that they will reach the target group efficiently, be more flexible and be in line with the recovery of each business sector. (ii) Controlling and preventing the spread of potential problems in some production sectors that may affect the financial sector. (iii) Providing a suitable financial environment to support continuous

economic recovery: **(2) Considering additional reliefs for businesses and workers who experience the difficulty to recover**, particularly: (i) Businesses and employees in tourism and related service sectors. (ii) SMEs with potential to recover but face difficulty to access government support. (iii) Temporarily closed businesses and suspended workers, and the unemployed workers and workers who will join the new job market. **(3) Driving export of goods to generate foreign-currency income to compensate the decrease in foreign tourist income and to encourage the recovery of production and private investment**, emphasizing on: (i) Driving exports of goods that benefited from trade diversion and relocation in the previous period, including the groups of products that receive advantages from the outbreak. (ii) Advertising and utilizing the strengths of Thailand, especially the success in controlling and preventing the spread of COVID-19. (iii) Promoting economic and trade cooperation between ASEAN's countries. **(4) Assisting agricultural sector that experienced severe drought and decrease in export prices**, especially for: (i) Providing water resource and water management to the agricultural sector. (ii) Providing immediate compensation to farmers affected by drought. (iii) Supporting production improvement in agricultural sector. (iv) Supporting online distribution channels for agricultural products, and providing low-cost logistics. **(5) Driving government expenditure**, including the FY2020's annual budget disbursement, the FY2021' annual budget disbursement in the first quarter, and the carry-over budget disbursement, together with the further driving measures for supporting long-term economic expansion. **(6) Promoting domestic tourism and the purchase of domestic-made product**. **(7) Preparing measure to handle additional risks factors**, especially the prolonged outbreak in major countries and the possibility of a second wave, the fluctuation of global economic and financial market, and risks from global economic condition in the medium term. **(8) Maintaining the domestic political climate** in order to not further aggravate the economic conditions and become obstacle to economic recovery, which remains fragile and uncertain.

Office of the National Economic and Social Development Council

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Table 1 GDP, Production Side

%YoY	2019							2020		
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
<b>Agriculture</b>	<b>-0.2</b>	<b>0.2</b>	<b>-0.6</b>	<b>1.7</b>	<b>-1.4</b>	<b>2.7</b>	<b>-2.5</b>	<b>-6.7</b>	<b>-9.8</b>	<b>-3.2</b>
<b>Non-Agriculture</b>	<b>2.6</b>	<b>2.9</b>	<b>2.3</b>	<b>3.0</b>	<b>2.8</b>	<b>2.5</b>	<b>2.0</b>	<b>-6.9</b>	<b>-1.3</b>	<b>-12.9</b>
Manufacturing	-0.7	0.2	-1.5	0.2	0.1	-0.8	-2.2	-8.3	-2.6	-14.4
<b>Service</b>	<b>4.0</b>	<b>3.9</b>	<b>4.0</b>	<b>4.3</b>	<b>3.6</b>	<b>3.9</b>	<b>4.1</b>	<b>-6.5</b>	<b>-0.9</b>	<b>-12.3</b>
Construction	1.9	3.2	0.5	3.0	3.4	2.7	-2.1	-1.3	-9.9	7.4
Wholesale and Retail Trade	5.7	6.1	5.3	6.7	5.5	5.3	5.2	-1.9	4.8	-9.8
Transportation and Storage	3.4	3.4	3.5	3.7	3.0	3.1	3.9	-21.7	-6.0	-38.9
Accommodation and Food Service Activities	5.5	4.3	6.7	5.0	3.6	6.7	6.8	-36.2	-23.3	-50.2
Information and Communication	8.8	8.0	9.5	7.1	8.8	8.2	10.6	2.4	3.2	1.7
Financial and Insurance Activities	2.7	1.9	3.6	2.0	1.8	3.8	3.4	3.1	4.5	1.7
<b>GDP</b>	<b>2.4</b>	<b>2.7</b>	<b>2.0</b>	<b>2.9</b>	<b>2.4</b>	<b>2.6</b>	<b>1.5</b>	<b>-6.9</b>	<b>-2.0</b>	<b>-12.2</b>
<b>GDP_SA (QoQ)</b>				<b>1.0</b>	<b>0.7</b>	<b>0.0</b>	<b>-0.3</b>		<b>-2.5</b>	<b>-9.7</b>

Source: Office of the National Economic and Social Development Council

Table 2 GDP, Expenditure Side

%YoY	2019							2020		
	Y	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
<b>Private Consumption</b>	<b>4.5</b>	<b>4.7</b>	<b>4.2</b>	<b>4.8</b>	<b>4.7</b>	<b>4.3</b>	<b>4.1</b>	<b>-2.1</b>	<b>2.7</b>	<b>-6.6</b>
<b>Government Consumption</b>	<b>1.4</b>	<b>2.5</b>	<b>0.4</b>	<b>3.5</b>	<b>1.5</b>	<b>1.7</b>	<b>-0.9</b>	<b>-0.7</b>	<b>-2.8</b>	<b>1.4</b>
<b>Investment*</b>	<b>2.1</b>	<b>2.5</b>	<b>1.8</b>	<b>3.2</b>	<b>1.9</b>	<b>2.7</b>	<b>0.8</b>	<b>-7.2</b>	<b>-6.5</b>	<b>-8.0</b>
Private	2.8	3.2	2.4	4.3	2.1	2.3	2.6	-10.2	-5.4	-15.0
Public	0.2	0.7	-0.3	0.0	1.5	3.7	-5.1	1.2	-9.3	12.5
<b>Exports</b>	<b>-2.6</b>	<b>-3.7</b>	<b>-1.5</b>	<b>-3.5</b>	<b>-4.0</b>	<b>0.6</b>	<b>-3.4</b>	<b>-17.6</b>	<b>-7.3</b>	<b>-28.3</b>
Goods	-3.6	-4.5	-2.6	-4.4	-4.6	-0.1	-5.1	-7.0	2.0	-15.9
Services	0.5	-1.3	2.4	-1.1	-1.7	3.2	1.7	-49.0	-32.2	-70.4
<b>Imports</b>	<b>-4.4</b>	<b>-1.7</b>	<b>-6.9</b>	<b>0.1</b>	<b>-3.4</b>	<b>-5.9</b>	<b>-7.9</b>	<b>-13.2</b>	<b>-3.1</b>	<b>-23.3</b>
Goods	-5.5	-3.3	-7.7	-2.8	-3.7	-6.8	-8.6	-9.9	-0.3	-19.3
Services	0.5	5.0	-3.8	13.0	-2.1	-2.1	-5.3	-25.3	-13.0	-37.9
<b>GDP</b>	<b>2.4</b>	<b>2.7</b>	<b>2.0</b>	<b>2.9</b>	<b>2.4</b>	<b>2.6</b>	<b>1.5</b>	<b>-6.9</b>	<b>-2.0</b>	<b>-12.2</b>

Note: \* Investment means Gross Fixed Capital Formation

Source: Office of the National Economic and Social Development Council

### Economic Projection for 2020<sup>1/</sup>

	Actual Data			Projection for 2020	
	2017	2018	2019	May 18 <sup>th</sup> , 2020	Aug 17 <sup>th</sup> , 2020
GDP (at current prices: Bil. Bht)	15,486.6	16,365.6	16,875.9	15,947.7	15,610.2
GDP per capita (Bht per year)	225,095.2	236,815.0	243,466.9	229,434.2	224,578.4
GDP (at current prices: Bil. USD)	456.3	506.5	543.6	493.7	498.7
GDP per capita (USD per year)	6,632.2	7,329.2	7,841.9	7,103.2	7,175.0
GDP Growth (CVM, %)	4.1	4.2	2.4	(-6.0) – (-5.0)	(-7.8) – (-7.3)
Investment (CVM, %) <sup>2/</sup>	1.8	3.8	2.1	-2.1	-5.8
Private (CVM, %)	2.9	4.1	2.8	-4.2	-10.2
Public (CVM, %)	-1.4	2.9	0.2	5.6	8.6
Private Consumption (CVM, %)	3.1	4.6	4.5	-1.7	-3.1
Government Consumption (CVM, %)	0.1	2.6	1.4	3.6	3.6
Export volume of goods & services (%)	5.2	3.3	-2.6	-17.3	-20.9
Export value of goods (Bil. USD)	233.7	251.1	242.7	223.5	218.7
Growth rate (%) <sup>3/</sup>	9.5	7.5	-3.3	-8.0	-10.0
Growth rate (Volume, %) <sup>3/</sup>	5.6	3.9	-3.7	-6.0	-9.0
Import volume of goods & services (%)	6.2	8.3	-4.4	-13.3	-16.3
Import value of goods (Bil. USD)	201.1	228.7	216.0	187.8	183.0
Growth rate (%) <sup>3/</sup>	13.2	13.7	-5.6	-13.2	-15.4
Growth rate (Volume, %) <sup>3/</sup>	7.3	7.7	-5.7	-9.7	-12.4
Trade balance (Bil. USD)	32.6	22.4	26.7	35.7	35.7
Current account balance (Bil. USD)	44.0	28.5	38.4	24.0	12.6
Current account to GDP (%)	9.6	5.6	7.0	4.9	2.5
Inflation (%)					
CPI	0.7	1.1	0.7	(-1.5) – (-0.5)	(-1.2) – (-0.7)
GDP Deflator	2.0	1.5	0.7	(-0.5) - 0.5	(-0.3) - 0.2

Source: Office of the National Economic and Social Development Council, 17<sup>th</sup> August 2020

Note: <sup>1/</sup> Data were calculated based on new National Accounts Office's series, published on [www.nesdc.go.th](http://www.nesdc.go.th).

<sup>2/</sup> Investment means Gross Fixed Capital Formation.

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