



The Thai Economy in Q1/2020 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 first quarter of 2020 and the economic projection for the year 2020 are as follows:

The Thai Economy in Q1/2020

The Thai Economy in the first quarter of 2020 contracted by 1.8 percent compared with a 1.5-percent expansion in the previous quarter. After seasonally adjusted, the economy declined by 2.2 percent from the first quarter (%QoQ sa).

On expenditure side: private consumption slowed down while government consumption expenditure, and total investment declined. In addition, total export declined as a result of a notably contraction in export of services while export of goods returned to a positive growth. **Private consumption expenditure** expanded by 3.0 percent, decelerating from a 4.1-percent growth in the previous quarter, owing to decreased consumption of durable and semi-durable products, which was in line with a lower income base and a worsened consumer confidence. On the other hand, the consumption of non-durable products and services expanded at satisfactory rates. In detail, the consumption of durable goods declined by 8.8 percent, due partly to a reduction in passenger car sale. In addition, the consumption of semi-durable products declined by 4.4 percent, in line with reductions in index of semi-durables products and index of textile import. However, the consumption of non-durable goods expanded by 2.8 percent, partly due to a stock-up in household daily necessities products for the Covid-19 preparation, which resulted in expansion in spending on several foods and beverage products. The consumption of services also increased by 9.3 percent, in tandem with a higher household electricity usage. The consumer confidence index was at 49.7, compared with 56.8 in the previous quarter. **Government consumption expenditure** declined by 2.7 percent, compared with a reduction of 0.9 percent in the previous quarter. The government budget disbursement rate in this quarter was at 25.3 percent (higher than 22.3 percent in the same quarter last year). **Total investment** declined by 6.5 percent, compared with an increase of 0.8 percent in the previous quarter. **Private investment** contracted by 5.5 percent, compared with an increase of 2.6 percent in the previous quarter, due to reductions in machinery and equipment, and construction investments of 5.7 and 4.3 percent consecutively. **Public investment** declined by 9.3 percent, continuing from a reduction of 5.1 percent in the previous quarter, where government investment decreased by 22.1 percent consistent with a delay in FY2020 budgetary process while investment of state-owned enterprises expanded by 12.1 percent. The disbursement rate of capital budget in this quarter was at 10.5 percent, compared with 4.3 percent in the previous quarter, and 18.2 percent in the same quarter of last year.

Export value totalled 60.9 billion US dollars, with a 1.5 percent expansion, compared with a decline of 4.9 percent in the previous quarter. Export volume increased by 1.9 percent,

while export price slightly decreased by 0.4 percent. Export items with increases in value included sugar (16.2 percent), computer (11.0 percent), computer parts & accessories (15.0 percent), air-conditioners (14.8 percent), parts of electrical appliances (12.4 percent), and animal food (10.6 percent). On the other hand, export items with decreases in value included rice (-25.0 percent), rubber (-2.7 percent), tapioca (-19.0 percent), passenger cars (-11.1 percent), pick up and trucks (-27.4 percent), chemical products (-14.0 percent), petrochemical products (-10.7 percent) and petroleum products (-4.4 percent). Exports to the ASEAN (9) and the Middle East (15) expanded, while exports to the US, China, Japan, EU (15), and Australia declined. After excluding exports of unwrought gold, export value declined by 3.1 percent in US dollar term. Export value in Thai Baht term increased by 0.5 percent. Meanwhile, **import values** totalled 52.8 billion USD, declining by 0.9 percent, compared with a contraction of 7.6 percent in the previous quarter, owing to 0.01-increase of import volume and 0.9-decline of import price.

Growths of Exports and Real GDP in Key Economies

%YoY	GDP (%YoY)						Exports (%YoY)				
	2018	2019			2020	Lowest in (Quarter)	2018	2019			2020
	Year	Q3	Q4	Year	Q1		Year	Q3	Q4	Year	Q1
US	2.9	2.1	2.3	2.3	0.3	41	7.8	-1.7	-1.4	-1.3	-3.3
Eurozone	1.9	1.3	1.0	1.2	-3.2	42	8.7	-1.4	-0.9	-2.6	-4.6
United Kingdom	1.3	1.3	1.1	1.4	-1.6	41	10.2	-12.1	5.2	-3.6	-10.2
Australia	2.7	1.8	2.2	1.8	-	-	11.3	7.8	-0.8	5.3	-6.4
Japan	0.3	1.7	-0.7	0.7	-2.0	41	5.7	-1.3	-4.4	-4.4	-4.4
China	6.7	6.0	6.0	6.1	-6.8	113	9.9	-0.3	2.0	0.5	-13.3
India	6.8	5.1	4.7	5.3	-	-	8.7	-3.8	-1.0	0.1	-12.8
South Korea	2.7	2.0	2.3	2.0	1.3	42	5.4	-12.3	-11.8	-10.4	-1.7
Taiwan	2.7	3.0	3.3	2.7	1.5	16	5.9	-0.9	1.8	-1.4	3.7
Hong Kong	2.8	-2.8	-3.0	-1.2	-8.9	185	6.8	-6.3	-2.6	-4.1	-8.8
Singapore	3.5	0.7	1.0	0.7	-2.2	44	10.3	-7.8	-3.5	-5.2	-3.6
Indonesia	5.2	5.0	5.0	5.0	3.0	73	6.6	-6.9	-3.8	-7.0	2.8
Malaysia	4.8	4.4	3.6	4.3	0.7	42	14.2	-3.5	-3.2	-4.3	-0.9
Philippines	6.3	6.3	6.7	6.0	-0.2	85	0.9	2.2	6.2	2.3	-5.2
Vietnam	7.1	7.5	7.0	7.0	3.8	44	13.3	10.5	8.5	8.4	7.6

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

On Production side: accommodation and food service activities sector, manufacturing production sector, agriculture sector, transportation and storage sector, and construction sector declined. Nevertheless, wholesale and retail trade sector, electricity, and gas sector, information and communication sector, and financial and insurance activities sector expanded. **Agriculture, forestry, and fishing sector** declined by 5.7 percent, continually from a 2.5-percent contraction in the previous quarter affected by the drought and dry spells. Major agricultural products with production contraction included (i) paddy (-29.4 percent), maize (-29.2 percent), sugarcane (-12.7 percent), oil palm (-19.1 percent), cassava (-5.4 percent) and fruits (-0.4 percent). Rubber however expanded by 1.1 percent. Fishery production decreased by 8.3 percent while livestock production expanded by 3.6 percent. **Agricultural Price Index** increased by 8.8 percent, accelerating from 3.5 percent in the previous quarter. Major agricultural products with higher

price included oil palm (123.2 percent), fruits (23.4 percent), paddy (6.7 percent), and sugarcane (17.3 percent). In contrast, major agricultural products with lower price included rubber (-9.0 percent), cassava (-11.8 percent), and maize (-10.0 percent). The rise of agricultural price index led the Farm Income Index to increase by 2.0 percent. **Manufacturing production sector** dropped by 2.7 percent following a drop by 2.2 percent in the previous quarter. Manufacturing Production Index (MPI) of the industries with 30 - 60 percent export share to total production declined by 19.0 percent, MPI of the domestic-oriented industries (with export share of less than 30 percent to total production) reduced by 2.2 percent, and MPI of export-oriented industries (with export share of more than 60 percent to total production) increased by 0.8 percent. Major industries with negative MPI growth included vehicles (-18.8 percent), sugar (-37.7 percent), and petroleum products (-4.3 percent). Major industries with positive MPI growth were covered other general-purpose machinery (13.0 percent), computers and assembly (6.9 percent), and processing and preserving of fishery products (12.7 percent). Meanwhile the average capacity utilization rate stood at 66.7 percent, lower than 70.8 percent in the same quarter last year. **Accommodation and food service activities sector** declined by 24.1 percent, compared with a 6.8-percent growth in the previous quarter due to a significant decline in numbers and revenue from foreign tourists resulting from the Covid-19 pandemic. **The number of foreign tourists was recorded at 6.69 million persons, decreasing by 38.0 percent** which was the first contraction in 13 quarters (since the fourth quarter of 2016). Together with the descent in number of Thai tourists, total revenue from tourists in the first quarter totalled 0.515 trillion Baht or shrank by 38.2 percent. This was attributed to (i) receipts from foreign tourists of 0.332 trillion Baht, with a 40.4-percent contraction, mainly contributed to plummet of tourism receipts from China, Malaysia, Japan, India, and South Korea respectively, and (ii) receipts from Thai tourists of 0.183 trillion Baht, with a 33.6-percent contraction. **Average Occupancy Rate** was 51.50 percent, lower than 71.26 percent in the previous quarter and dropping from 78.62 percent in the same period last year. **Transportation and storage sector** declined by 6.0 percent compared with a 3.9-percent growth in the previous quarter due mainly to decreasing transport service of passengers. In particular, air transport services, land transport and transport via pipeline, and shipping supporting services decreased by 20.8 percent, 4.2 percent, and 2.4 percent respectively. Meanwhile, water transport services expanded by 2.2 percent and postal services grew by 4.7 percent. **Information and communication sector** expanded by 4.4 percent, slower from 10.6 percent growth in the previous quarter due to the expansion of telecommunication services, computer programming services, and computer counselling services. **Financial and insurance activities sector** grew by 4.5 percent, compared with 3.4 percent in the previous quarter, owing mainly to high expansions in credit card and consumer loans among non-financial credit card issuance companies as well as better performance of commercial banks. Meanwhile, insurance activities accelerated.

Economic stability remained favorable in which the unemployment rate stood at 1.0 percent and the headline inflation was 0.4 percent. Meanwhile, the current account was registered a surplus of 9.5 billion US dollar (equivalent to 295.8 billion Baht or accounted for 7.1 of GDP). The international reserves at the end of March 2020 stood at 7,018.7 billion Baht or accounts for 44.0 percent of GDP

The Thai Economic Outlook for 2020

The Thai economy in 2020 is expected to show a contraction in the range of (-6.0) – (-5.0) percent, due to (i) the severe downturn of global economy and merchandised trade, (ii) the sharp decline in number and revenues from foreign tourists, and (iii) the drought condition. In all, it is expected that export values of goods, private consumption expenditure, and total investment will decline by 8.0 percent, 1.7 percent, and 2.1 percent respectively. Meanwhile, the headline inflation is expected to be in a range of (-1.5) – (-0.5) percent, and the current account tends to register a surplus of 4.9 percent of GDP.

Key growth components include as follows:

1) **Consumption: Private consumption expenditure** tends to decline by 1.7 percent, comparing with a 4.5 percent expansion in 2019, and a 3.5 percent growth in the previous projection. This downward revision was mainly due to (i) the declining trend of income base particularly export and tourism sectors which has affected employment and consumer confidence, (ii) changing consumer behaviors, and (iii) the protection and containment measures. Nonetheless, the private consumption tends to pick up gradually over the remainder of the year following the lower number of new inflected cases as well as more easing of lockdown restrictions, and the support from government assistance measures. **Government consumption expenditure** is projected to grow by 3.6 percent, accelerating from 1.4 percent in 2019, and revised from 2.6 percent in the previous projection. This revision is mainly due to the adjustment of FY2020 annual budget disbursement assumption together with additional spending under the Emergency decree authorizing the Ministry of Finance to raise loans to solve problems, to remedy and restore the economy and society as affected by the Coronavirus disease pandemic BE 2563 (2020) including both the public health program for the Covid prevention and the program for economic and social restoration. **Total investment** is expected to decrease by 2.1 percent, comparing with a 2.1-percent expansion in 2019, and a 3.6-percent expansion in the previous projection. **Public investment** is projected to grow by 5.6 percent, speeding up from 0.2 percent in 2019, and revised up from a 4.8-percent in the previous projection. This was in line with the upward revision of FY2020's carry-over budget disbursement assumption to 88 percent of total budget due to a higher-than-expected disbursement rate in the first-two quarters of FY2020, together with the expected additional spending under the Emergency decree to restore the economy and society. **Private investment** is expected to decrease by 4.2 percent, comparing with a 2.8-percent contraction in 2019, and revised down from a 3.2-percent expansion in the previous projection. The downward revision was in line with the declines in capital utilization rate, export, domestic consumption, and business confidence.

2) **Export value of good in US dollar terms is anticipated to decrease by 8.0 percent**, compared with a 3.2-percent contraction in 2019, and a 1.4-percent growth in the previous projection. This downward revision was a result of the downward revision of export volume forecast from a 1.5-percent expansion to a 6.0-percent contraction due to the adjustment of assumptions on the world GDP growth and global trade volume from an expansion of 3.2 percent and 2.4 percent to a decrease of 2.8 percent and 10.0 percent respectively. Additionally, the export price assumption was also revised down to a 2.0-percent decrease from a 0.1-percent contraction in the previous forecast consistent with the lower Dubai crude oil price assumption. Moreover, the export of services is also expected to decline in tandem with the expected decline in number of foreign tourist to be at 12.7 million persons in

2020, compared with 39.8 million persons in 2019. Consequently, the export quantity of goods and services in 2020 is estimated to decline by 17.3 percent, compared with a 0.9-percent growth in the previous projection, and a 2.6-percent contraction in 2019.

Economic Management for the remainder of 2020

The macroeconomic policy management over the remainder of 2020 should put emphasis on the following issues: **(1) Coordinating the monetary and fiscal policies to support the economy** during the periods of sharp decline in tourism revenues and the global economic recession as well as to assist those impacted from the economic downturn and to assure the readiness for reopening business sectors after the Covid-19 case dwindled and more eased economic conditions; **(2) Loosening restrictions that had been imposed under a lockdown and easing a traveling control gradually and in calibrated manner as well as strictly adhere to the preventive measures**, together with implementing additional measures to support households and business sectors in order to adjust their behaviors and prompt to return to near the pre-Covid level, and also to adhere to the preventive measures as well as to be able to cope with changing environment of both consumer behaviors and business operations during the post-Covid; **(3) Driving the export sector** to avoid a too-sharp decline both in export and production as well as to cushion the impacts from declined tourism revenues by focusing mainly on export products benefiting from the trade protection and also from the Covid-19; **(4) Disbursing the government budget** including the baseline of (i) the 2020's annual budget disbursement should be at least 90.2 percent of the total budget where the current and capital expenditure disbursements should be at least 99.0 and 55.0 percent respectively, (ii) the carry-over budget disbursement should be at least 90.0 percent, (iii) the state-owned enterprises' capital expenditure disbursement should be at least 75.0 percent, and (iv) accelerating the disbursement under the Emergency Decree Authorizing the Ministry of Finance to Raise Loans to Solve Problems, to Remedy and Restore the Economy and Society as Affected by the Coronavirus Disease Pandemic; **(5) Supporting the economic recovery** under the Emergency Decree specifically to restore the economy coupled with continuously fostering long-term economic potential under the annual and state-owned enterprises' capital budgetary frameworks; and **(6) Preparing measures to handle for additional risk factors** that potentially affect Thai economic conditions for the rest of the year and over the medium term.

Office of the National Economic and Social Development Council

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Table 1 GDP, Production Side

%YoY	2018	2019	2018				2019				2020
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Agriculture	5.5	-0.2	8.3	10.4	2.9	1.3	1.7	-1.4	2.7	-2.5	-5.7
Non-Agriculture	4.0	2.6	4.7	4.1	3.2	4.1	3.0	2.8	2.5	2.0	-1.4
Manufacturing	2.7	0.0	3.2	2.7	1.4	3.5	0.7	1.2	-0.1	-1.9	-1.9
Service	4.8	4.0	5.6	4.8	4.2	4.5	4.3	3.6	3.9	4.1	-1.1
Construction	2.4	1.9	1.2	1.7	4.1	3.0	3.0	3.4	2.7	-2.1	-9.9
Wholesale and Retail Trade	6.6	5.7	5.7	6.6	6.9	7.3	6.7	5.5	5.3	5.2	4.5
Transportation and Storage	4.4	3.4	6.2	4.2	3.1	4.0	3.7	3.0	3.1	3.9	-6.0
Accommodation and Food Service Activities	7.6	5.5	12.9	8.6	3.7	5.1	5.0	3.6	6.7	6.8	-24.1
Information and Communication	7.6	8.8	6.2	8.7	8.1	7.3	7.1	8.8	8.2	10.6	4.4
Financial and Insurance Activities	3.4	2.7	4.3	4.5	3.1	1.9	2.0	1.8	3.8	3.4	4.5
GDP	4.2	2.4	5.0	4.6	3.2	3.8	2.9	2.4	2.6	1.5	-1.8
GDP_SA (QoQ)			1.9	0.8	0.1	1.0	1.0	0.3	0.3	-0.2	-2.2

Source: Office of the National Economic and Social Development Council

Table 2 GDP, Expenditure Side

%YoY	2018	2019	2018				2019				2020
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Private Consumption	4.6	4.5	3.7	4.5	5.0	5.1	4.8	4.7	4.3	4.1	3.0
Government Consumption	2.6	1.4	2.4	2.9	2.8	2.2	3.5	1.5	1.7	-0.9	-2.7
Investment	3.8	2.1	3.3	3.7	3.8	4.3	3.2	1.9	2.7	0.8	-6.5
Private	4.1	2.8	3.3	3.3	3.9	5.7	4.3	2.1	2.3	2.6	-5.5
Public	2.9	0.2	3.2	4.6	3.8	-0.3	0.0	1.5	3.7	-5.1	-9.3
Exports	3.3	-2.6	6.4	6.7	-0.7	1.3	-3.5	-4.0	0.6	-3.4	-6.7
Goods	3.8	-3.6	6.0	8.3	0.0	1.1	-4.4	-4.6	-0.1	-5.1	2.0
Services	2.0	0.5	7.2	1.1	-2.7	2.0	-1.1	-1.7	3.2	1.7	-29.8
Imports	8.3	-4.4	8.9	9.5	10.3	4.6	0.1	-3.4	-5.9	-7.9	-2.5
Goods	7.9	-5.5	10.7	8.2	9.2	3.8	-2.8	-3.7	-6.8	-8.6	-0.3
Services	9.9	0.5	1.6	15.0	15.7	7.7	13.0	-2.1	-2.1	-5.3	-10.5
GDP	4.2	2.4	5.0	4.6	3.2	3.8	2.9	2.4	2.6	1.5	-1.8

Source: Office of the National Economic and Social Development Council

Economic Projection for 2020^{1/}

	Actual Data			Projection for 2019	
	2017	2018	2019	Feb 17, 2020	May 18, 2020
GDP (at current prices: Bil. Bht)	15,486.6	16,365.6	16,875.9	17,368.5	15,947.7
GDP per capita (Bht per year)	225,095.2	236,815.0	243,466.9	249,874.1	229,434.2
GDP (at current prices: Bil. USD)	456.3	506.5	543.6	556.7	493.7
GDP per capita (USD per year)	6,632.2	7,329.2	7,841.9	8,009.0	7,103.2
GDP Growth (CVM, %)	4.1	4.2	2.4	1.5 - 2.5	(-6.0) - (-5.0)
Investment (CVM, %) ^{2/}	1.8	3.8	2.1	3.6	-2.1
Private (CVM, %)	2.9	4.1	2.8	3.2	-4.2
Public (CVM, %)	-1.4	2.9	0.2	4.8	5.6
Private Consumption (CVM, %)	3.1	4.6	4.5	3.5	-1.7
Government Consumption (CVM, %)	0.1	2.6	1.4	2.6	3.6
Export volume of goods & services (%)	5.2	3.3	-2.6	0.9	-17.3
Export value of goods (Bil. USD)	233.7	251.1	243.0	246.4	223.5
Growth rate (%) ^{3/}	9.5	7.5	-3.2	1.4	-8.0
Growth rate (Volume, %) ^{3/}	5.6	3.9	-3.5	1.5	-6.0
Import volume of goods & services (%)	6.2	8.3	-4.4	3.1	-13.3
Import value of goods (Bil. USD)	201.1	228.7	216.4	222.2	187.8
Growth rate (%) ^{3/}	13.2	13.7	-5.4	2.7	-13.2
Growth rate (Volume, %) ^{3/}	7.3	7.7	-5.6	2.8	-9.7
Trade balance (Bil. USD)	32.6	22.4	26.6	24.2	35.7
Current account balance (Bil. USD)	44.0	28.5	37.9	29.5	24.0
Current account to GDP (%)	9.6	5.6	7.0	5.3	4.9
Inflation (%)					
CPI	0.7	1.1	0.7	0.4 - 1.4	(-1.5) - (-0.5)
GDP Deflator	2.0	1.5	0.7	0.4 - 1.4	(-0.5) - 0.5

Source: Office of the National Economic and Social Development Council, 18 May 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.