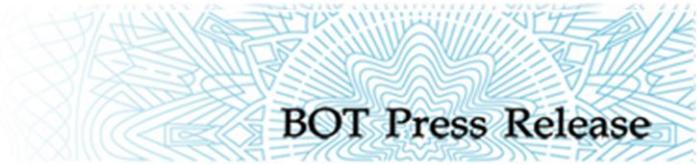




BANK OF THAILAND



BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

No. 18/2020

Press Release on the Economic and Monetary Conditions for February 2020

In February 2020, the Thai economy contracted from the same period last year. The COVID-19 outbreak affected economic activities more pronounced, particularly the tourism sector which highly contracted. The outbreak also had an additional impact on merchandise exports and imports as a result of China's lockdown. Public spending continued to contract. Only private consumption continued to expand from accelerating purchases on necessary consumer goods. As a consequence of the decline in economic activities, manufacturing production and private investment contracted.

On the stability front, headline inflation decreased on the back of a decline in energy prices following global crude oil prices whereas core inflation edged up. The current account registered a further surplus from a significant drop in merchandise imports value even though travel receipts declined. The capital and financial accounts posted a deficit from both the asset and the liability positions.

Details of the economic conditions are as follows:

The number of foreign tourist arrivals highly contracted at 42.8 percent compared to the same period last year in almost all nationalities. In particular, the number of Chinese tourists severely contracted due to the announcement of Chinese government to shut down many areas and ban on outbound group tour traveling abroad in order to contain the spreading of the COVID-19. However, the number of Russian tourists continued to expand because the situation in Russia was not severe in February. Therefore, the tourists remained their travel as planned. Overall, the deterioration of the number of foreign tourists have a negative impact on tourism-related businesses such as hotel and restaurant as well as transportation.

The value of **merchandise exports** expanded by 3.6 percent from the same period last year. Excluding gold, exports value growth also remained negative at 1.3 percent due to the slowdown in external demand. Moreover, the COVID-19 outbreak and China's lockdown measures resulted in the significant drop in economic activities in China, particularly private consumption, manufacturing production and merchandise transportation. Consequently, Thai exports to China considerably contracted especially agricultural products, particularly fruits, as well as petrochemical and chemical products. Furthermore, exports of gems and jewelry to Hong Kong contracted due to a decline in export orders. However, exports of electrical appliances and hard disk drive continued to expand thanks to the relocation of production base to Thailand in the previous periods.

Public spending, excluding transfers, continued to contract from both current and capital expenditures of the central government as a result of the delayed enactment of the FY2020 budget. Meanwhile, state enterprise's capital expenditures contracted from disbursement of energy-related agencies.

Private consumption indicators expanded from the same period last year on the back of spending on non-durable goods, attributed to the acceleration in purchases on necessary consumer goods as a result of concerns over the COVID-19 outbreak. Nevertheless, spending on other categories contracted,

especially services expenditure on hotel and restaurant as well as transportation, partly because people avoided going outside. Additionally, spending on durable goods further contracted from vehicle sales in all types. This was consistent with weakening supporting factors, including household income, employment and consumer confidence, while debt burden remained high.

Private investment indicators contracted at a higher rate from the same period last year mainly due to imports of capital goods from China. At the same time, other indicators reflecting investment in machinery and equipment and investment in construction contracted in line with softening domestic and external demand as well as deteriorated business sentiment from the COVID-19 outbreak.

The value of **merchandise imports** contracted by 7.8 percent from the same period last year in almost all categories including raw materials and intermediate goods, capital goods and consumer goods, particularly imports from China as a result of their lockdown measures. **Manufacturing production** contracted in line with softer demand. Nonetheless, the impact of China-linked supply chain disruptions on the Thai manufacturing production in February was not apparent because firms had sufficient inventory of raw materials and parts for production.

On the stability front, headline inflation stood at 0.74 percent, decelerating from the previous month on the back of a decrease in energy prices following global crude oil prices. Meanwhile, core inflation edged up. The current account registered a higher surplus as a result of a significant drop in merchandise imports value despite a decline in travel receipts. The overall capital and financial accounts registered a deficit from both the asset and the liability positions. The former was mainly from portfolio investment abroad by Foreign Investment Funds (FIF) and other depository corporations (ODCs). The latter was mainly from the short-term loan repayment by ODCs to adjust their foreign currency position and the net sell in debt securities by foreign investors, consistent with portfolio investment trend in regional countries.

Bank of Thailand
31 March 2020

For further information, please contact: Macroeconomic Team 1-2

Tel: +66 (0) 2283 5639, +66 (0) 2283 5647

E-mail: EPD-MacroEconomicsTeam1-2@bot.or.th