BANK OF THAILAND

BOT Press Release

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No. 23/2020

Press Release on the Economic and Monetary Conditions for March and the first quarter of 2020

In March 2020, the Thai economy contracted at a higher rate than the previous month. The COVID-19 outbreak affected economic activities more severely in all aspects. In particular, the tourism sector severely contracted due to international travel restriction measures in many countries including Thailand. Merchandise exports excluding gold contracted at higher rate, consistent with the declines in trading partner demand and global crude oil prices. Private consumption indicators contracted as a result of weakening supporting factors and tightening COVID-19 control measures. As a consequence of the contraction in domestic and external demand, manufacturing production and private investment indicators further contracted. Only public spending expanded thanks to the disbursement after the enactment of the FY2020 budget.

On the stability front, some indicators deteriorated. Headline inflation became negative due to the sharp contraction in energy prices following global crude oil prices. Labor market was more vulnerable. The current account registered a smaller surplus owing to the lower trade balance from the increase in merchandise imports value, and the decline in travel receipts. The capital and financial accounts posted a deficit from both the asset and the liability positions. However, the overall stability remained sound.

Details of the economic conditions are as follows:

The number of foreign tourist arrivals severely contracted at 76.4 percent compared to the same period last year in all nationalities. This was a consequence of an implementation of international travel restriction measures in many countries including Thailand in order to contain the spread of the COVID-19. Overall, the deterioration of the number of foreign tourists have a severe impact on tourism-related businesses, especially hotel and restaurant as well as passenger transportation.

The value of **merchandise exports** contracted by 2.2 percent from the same period last year. Excluding gold, exports value contracted by 6.5 percent, higher than the previous month, in several categories. In particular, exports of automotive and parts, machinery and equipment and petroleum-related products significantly contracted. This was partly due to lockdown measures in many countries, resulting in the significantly drop in economic activities and demand from trading partners, coupled with the contraction export price in tandem with a high contraction in global crude oil prices. However, exports of some products expanded such as electronic products, agro-manufacturing and electrical appliances.

Private consumption indicators contracted from the same period last year in almost all spending categories, due to weakening supporting factors including household income, employment and consumer confidence. This was coupled with the effect of the decline in traveling and spending outside caused by the control measures and concern over the COVID-19 outbreak. Only spending on necessary consumer goods and household electricity usage continued to expand. **Manufacturing production** further contracted in line with weakening domestic and external demand.

Private investment indicators contracted at a higher rate from the same period last year, from investment in machinery and equipment as well as construction. This was consistent with softening domestic and external demand as well as deteriorated business sentiment from the COVID-19 outbreak.

The value of **merchandise imports** turned to expand by 4.4 percent from the same period last year after highly contracted in the previous month. Excluding gold, imports value expanded by 1.3 percent from imports of raw materials and intermediate goods especially from China. After China eased some lockdown measures, imports of some products turned into expansion. Moreover, imports of crude oil expanded due to the contracts before the COVID-19 outbreak. Nevertheless, imports of consumer goods and capital goods continued to contract in line with weakening economic activities

Public spending, excluding transfers, turned into expansion for the first time in 5 months, due to the disbursement after the enactment of the FY2020 budget. Current expenditures expanded from purchases on goods and services and compensation of civil servants. Meanwhile, capital expenditures expanded by both the central government and state enterprise.

On the stability front, some indicators deteriorated. Headline inflation became negative for the first time since June 2017, due to the sharp contraction in energy prices following global crude oil prices. Core inflation and raw food inflation remained positive but decreased from the previous month. Labor market was more vulnerable. The current account registered a smaller surplus owing to lower trade balance from the increase in merchandise imports value, and the decline in travel receipts. The capital and financial accounts posted a deficit from both the asset and the liability positions. However, the overall stability remained sound.

Overall economic activities in the first quarter of 2020 contracted from the same period last year. The COVID-19 outbreak severely affected both external and domestic demand particularly the tourism sector which sharply contracted. Merchandise exports excluding gold continued to contract. Private consumption indicators softened due to weakening household income and confidence. Only spending on necessary consumer goods still expanded. Public spending continued to contract as a result of the delayed enactment of the FY2020 budget. As a consequence of the decline in economic activities, manufacturing production and private investment indicators contracted. On the stability front, headline inflation slightly increased from the previous quarter on the back of core inflation and energy prices due to the low base effect last year. Labor market was more vulnerable. The current account register a smaller surplus as travel receipts sharply dropped. The capital and financial accounts recorded a deficit from both the asset and the liability positions.

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30 April 2020

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