BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for May 2020

In May 2020, the Thai economy continued to contract substantially due to external demand, both in tourism sector and merchandise exports. The former continued to extremely contract as a result of international travel restrictions. The latter further contracted from weakening trading partner demand. Consequently, domestic economic activities were affected especially private investment indicators and manufacturing production which contracted at a higher rate. Nevertheless, public spending continued to expand. Meanwhile, private consumption indicators contracted somewhat lower rate owing to the relaxation of lockdown measures and the government's COVID-19 relief measures.

On the stability front, headline inflation was more negative due to lower fresh food and core inflation. Labor market was more vulnerable. The current account was nearly balanced. The capital and financial accounts posted a surplus mainly from both the asset and the liability positions.

Details of the economic conditions are as follows:

The number of foreign tourist arrivals continued to contract extremely at 100 percent from the same period last year. There was none of foreign tourist arrivals for the second consecutive month due to the implementation of Thailand's inbound travel restrictions. As a result, businesses and labor in tourism-related sector were severely affected.

The value of merchandise exports contracted sharply by 23.6 percent from the same period last year. Excluding gold, exports value shrank to 29.0 percent. The high contraction of exports was in almost all categories and markets due to weak trading partner demand and low global crude oil prices as well as the effect from drought leading to the high contraction in exports of sugar. However, there was only an agricultural product that can expand, mainly fruits to China.

Private consumption indicators continued to contract significantly from the same period last year in all spending categories due to weakening supporting factors including employment, income, and consumer confidence. However, the contraction rate was slightly lower from the previous month due to the relaxation of COVID-19 containment measures leading some economic activities to resume operations, the government's COVID-19 relief measures, and farm income which contracted at a lower rate. Together with the high level of inventories, weakening domestic and external demand contributing **manufacturing production** to contract at a higher rate.

Private investment indicators continued to contract at a higher rate from the same period last year, from both investment in machinery and equipment as well as construction. This reflected that businesses delayed their investment plans as excess production capacity remained high due to weak domestic and external demand, coupled with business's concern over the economic outlook in the periods ahead that remained highly uncertain.

The value of merchandise imports contracted sharply at 34.2 percent from the same period last year. The contraction was in all categories including consumer goods, raw materials and intermediate goods, and capital goods, reflecting weak economic activities. The sharp decline in merchandise imports led to an increase in the trade balance although merchandise exports highly contracted.

Public spending continued to expand from the same period last year, reflecting a role of the government to support the economy when other economic drivers were muted. Nevertheless, excluding transfer, public spending was flat due to the contraction in current expenditures and state enterprise's capital expenditures after highly expanding in March and April although capital expenditures of central government continued to expand.

Overall economic stability remained sound, though more vulnerable. Headline inflation was more negative than the previous month due to a decline in fresh food and core inflation. Labor market was more vulnerable as reflected by the continued acceleration of the number of jobless claims on the social security system. The current account became balanced, after a deficit last month, from a large surplus in the trade balance. The capital and financial accounts posted a surplus mainly from both the asset and the liability positions despite the net sell in portfolios by foreign investors.

Bank of Thailand
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