

Markets

Asia's Worst-Performing Currency Takes a Hit From Tourism's Wipeout

By [Lilian Karunungan](#)

March 31, 2021, 4:49 AM GMT+7

Updated on March 31, 2021, 2:21 PM GMT+7

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A perfect storm is engulfing Thailand's baht and the one group of people who can save it are stuck in lockdown, thousands of kilometers from the arrivals lounges of Bangkok, Phuket and Chiang Mai.

A current-account deficit, resurgent dollar and the seasonal repatriation of dividends by Japanese investors have all helped made the baht the worst-performing currency for Asia's emerging markets for March. But it's the bleak outlook for tourism that's underlying the

weakness, sending the dollar-baht to nearly a six-month high and ever closer to a test of its four-year downtrend.

Wrong Way

Dollar-baht hurtling towards test of four-year downtrend



“The real stimulant for the economy would be the return of international tourists and it’s something that will largely be missing in action this year,” said Prakash Sakpal, a senior economist at ING Groep NV in Singapore. “I would be surprised if the Thai baht sees the previous support it enjoyed from external surpluses anytime soon.”

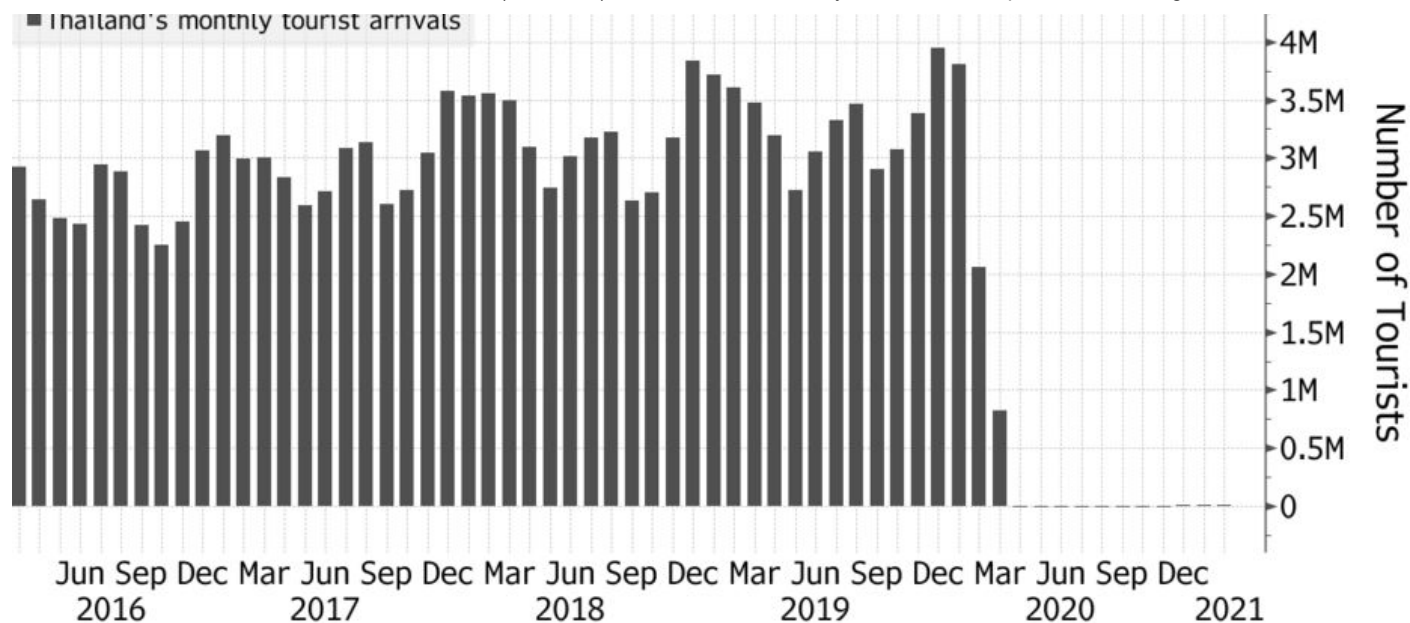
The more than year-long pandemic has helped erode a key attraction for the baht -- the Thai current-account surplus -- which has flipped to a deficit for four straight months after six years in the green. Tourism receipts contributed more than 62% of the surplus in 2019, according to ING.

As Europe -- the second-biggest source of tourists to Thailand -- is grappling with another wave of infections, visitor numbers are unlikely to rebound soon. The Bank of Thailand lowered its estimate for arrivals this year to 3 million from December’s estimate of 5.5 million -- less than a 10th of the 39.9 million tourists who visited in 2019.

Thailand to Reopen Phuket to Vaccinated Tourists From July

In the Doldrums

Thailand 's tourist arrivals show no improvement



The shortfall in the current account has had a knock-on effect, leaving the baht vulnerable to outflows from rising U.S. yields and the seasonal repatriation of dividends by Japanese companies, according to Kobsidthi Silpachai, head of capital market research at Kasikornbank Plc in Bangkok. They amounted to \$3.5 billion in the first quarter of last year, he said.

The propensity to import gold by Thais when prices are going down has also weighed on the baht, he added.

The Thai currency has dropped about 3% in March, taking losses for the year to around 4.5%. It traded above 31.3 per dollar on Wednesday, its weakest since early October.

Welcome for Some

Still, the baht's decline is welcome news for the central bank, which had been trying to rein in appreciation of the currency last year.

"Policymakers should take comfort in accelerated baht depreciation -- something they strived hard for quite a long time through several market measures that never came their way -- as supportive for exports and tourism recovery," said ING's Sakpal.

Commerzbank AG forecasts the baht could slide to 32 by year-end, well above the median year-end estimate of 30 per dollar in a Bloomberg survey of analysts.

“We’re looking for a muted, bumpy recovery for the economy given the pandemic,” said Charlie Lay, a currency analyst in Singapore. “Global travel will only come back gradually, which will hamper the recovery in tourism.”

– *With assistance by Chester Yung, and Suttinee Yuvejwattana*

(Updates baht performance in second, eight paragraphs; current account in fourth paragraph)

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