

## The Downturn of GDP in Q2 2020 of Thailand

Gross Domestic Product Growth Rates in Real Terms by the Expenditure Approach (YoY) (%)

	2018p	2019p1	2019p1				2020p1	
			Q1	Q2	Q3	Q4	Q1r	Q2
Private Final Consumption Expenditure	4.6	4.5	4.8	4.7	4.3	4.1	2.7	-6.6
General Government Final Consumption Expenditure	2.6	1.4	3.5	1.5	1.7	-0.9	-2.8	1.4
Gross fixed capital formation	3.8	2.1	3.2	1.9	2.7	0.8	-6.5	-8.0
<i>Private</i>	4.1	2.8	4.3	2.1	2.3	2.6	-5.4	-15.0
<i>Public</i>	2.9	0.2	0.0	1.5	3.7	-5.1	-9.3	12.5
Export of goods and services	3.3	-2.6	-3.5	-4.0	0.6	-3.4	-7.3	-28.3
<i>Goods</i>	3.8	-3.6	-4.4	-4.6	-0.1	-5.1	2.0	-15.9
<i>Services</i>	2.0	0.5	-1.1	-1.7	3.2	1.7	-32.2	-70.4
Import of goods and services	8.3	-4.4	0.1	-3.4	-5.9	-7.9	-3.1	-23.3
<i>Goods</i>	7.9	-5.5	-2.8	-3.7	-6.8	-8.6	-0.3	-19.3
<i>Services</i>	9.9	0.5	13.0	-2.1	-2.1	-5.3	-13.0	-37.9
Gross Domestic Expenditure (GDE)	4.1	2.2	2.9	2.4	2.3	1.4	-1.9	-12.2

Source: nesdc.go.th

According to NESDC, **the GDP of Thailand in the second quarter of 2020 decreased by 12.2%** as a result of decreases in total export of goods and services, private investment, private final consumption expenditure.

On the **Production side**, it was affected by the natural disaster such as drought and the outbreak of COVID-19 epidemic. The agricultural sector fell by 3.2%. The non-agricultural from both industrial and service sectors declined by 12.9%

For the **Expenditure side**, private final consumption fell by 6.6%. Fixed capital formation, and export and import of goods and services decreased by 8.0% 28.3% and 23.3% respectively. However, government final consumption expenditure expanded by 1.4%.

**Private final consumption expenditure** dropped by 6.6% due to the contraction of durable, semi-durable items and service items with a decrease of 30.2%, 15.2%, and 7.0%.

**General government final consumption expenditure** increased by 1.4%. The expansion was mainly attributed to compensate employees with a 2.2% increase. Purchase of goods and services grew by 7.8% while social transfer dropped by 8.6%.

**Gross fixed capital formation** dropped by 8.0% with the private investment reduction of 15.0%. The contraction of construction and machinery items was reduced by 2.1% and 18.4%, respectively. However, public investment increased by 12.5%.

**Changes in inventories** decreased with the value of 190.2 billion baht. Reduction stocks was mainly from paddy, rice, sugar, computers, refined petroleum product, and non-monetary gold. At the same time, accumulation in stocks included plastic products, chilled and frozen chicken meat, textiles, and electronic products.

**Goods and services balance** experienced a surplus of 123.6 billion baht comprised a surplus of 257.1 billion baht in trade balance and a deficit of 133.5 billion baht in service balance.

From the data above, we can conclude that in overall Thai economy was affected severely during the COVID-19 outbreak. The sectors that was affected the most in this economic downturn is the exporting of goods and services part, according to the table, which faced the reduction of 23.3% compared to the declination of 3.1% of the previous quarter. In the sector, the growth of exporting services was reduced by 70.4%. I suppose that this is the result of closed boarder that makes the revenue from providing services to the tourists during the outbreak.

Although many sectors faced a decrease in the second quarter, Government expenditure sector contributes the growth to the GDP by 1.4% from the previous quarter which accounts for -2.8%. The main contribution of the growth is from 7.8% increase from purchasing goods and services and compensation of employees with a rise of 2.2%. This is the result of providing goods and services to the people during the epidemic and special policies during the epidemic.

Inside the economy, the businesses that experienced growth during the epidemic in the quarter 2 of 2020 are **construction, information and communication, and financial and insurance activities** with a rise by 7.4%, 1.7%, and 1.7% compared to the previous quarter, respectively.

- **Construction** The expansion was mainly by the government construction which resulted from accelerating in disbursement after the fiscal 2020 bill enacted. However, the state enterprise construction expanded at a lower rate and the private construction decreased.
- **Information and communication** The growth of the sector grew at slower rate compared to the previous quarter which is 3.2% higher. The most successful business is telecommunication which accounts for 4.8% increase.
- **Financial and insurance activities** The sector rose according to decelerated loans of credit-card business in non-banks. However, the overall performance declined in commercial banks as a result of the reduction in net interest margin on loan, deposit and fee income in accordance to MPC cut the policy interest rate. Moreover, the bank of Thailand issued a soft-loan measure which provides a low-interest rate to help debtors who suffered from the epidemic.

In conclusion, we can assume that the outbreak of COVID-19 induces economic downturn in Thailand, especially in exporting of goods and services sector due to lack of foreign tourists. Moreover, people tend to economize and take more time in making a decision in purchasing. However, some business such as construction, information and communication, and financial and insurance activities faced growth in the quarter 2 of 2020.