

BUSINESS

Q2 GDP shrinks 12.2% y/y, weakest in 22 years

PUBLISHED : 17 AUG 2020 AT 10:17
UPDATED: 17 AUG 2020 AT 11:18

17 August

WRITER: AGENCIES

The economy contracted the most in more than two decades, deepening its recession as **the nation's key drivers of trade and tourism** remain hobbled by the global coronavirus pandemic.

Gross domestic product shrank 12.2% from a year ago, the National Economic and Social Development Council said Monday, its biggest decline since the Asian financial crisis in 1998. The figure wasn't quite as bad as the median estimate of a 13% contraction in a Bloomberg survey of economists.

The outlook for Thailand's economy this year is the most dire in Asia given **its reliance on exports and tourism**, both of which have suffered heavy blows amid the Covid-19 outbreak. **The pain has been compounded by the strong baht**, which gained more than 6% in the the April-June quarter, the **second-best performing currency in Asia tracked by Bloomberg**.

"We are concerned about the economy, especially employment, bad debts" and small and medium enterprises, said Thosaporn Sirisumphand, secretary general of the economic council. "We will try to take care of 16 million workers in the informal sector. We have prepared measures to help them."

The council cut its full-year forecast to a 7.3%-7.8% contraction, from an earlier estimate of a 5%-6% fall. That's still better than the 8.1% fall seen by the country's central bank and the 8.5% decline the Finance Ministry expects

- Summarize the Previous Class

* trend & business cycle
 LR growth SR fluctuation

* Business Cycle

fluctuation of aggregate economies

Phases of cycle

recurrent not periodic

persistent

co-movement & regular patterns

procyclical
 counter-cyclical
 acyclical
 = Direction =

leading
 lagging
 co-incident
 = timing =

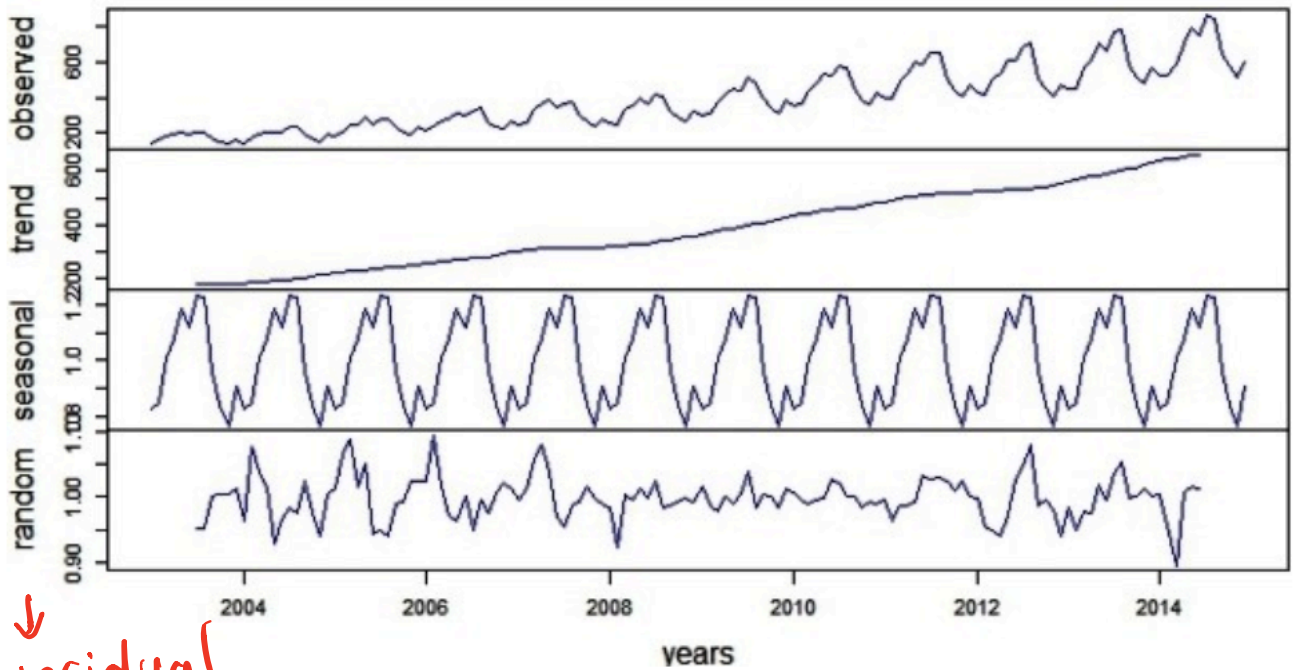
The Cyclical Behavior of Key Macroeconomic Variables (The Business Cycle Facts)		
Variable	Direction	Timing
Production		
Industrial production	Procyclical	Coincident
<i>Durable goods industries are more volatile than nondurable goods and services</i>		
Expenditure		
Consumption	Procyclical	Coincident
Business fixed investment	Procyclical	Coincident
Residential investment	Procyclical	Leading
Inventory investment	Procyclical	Leading
Government purchases	Procyclical	— ^a
<i>Investment is more volatile than consumption</i>		
Labor Market Variables		
Employment	Procyclical	Coincident
Unemployment	Countercyclical	Unclassified ^b
Average labor productivity	Procyclical	Leading ^a
Real wage	Procyclical	— ^a
Money Supply and Inflation		
Money supply	Procyclical	Leading
Inflation	Procyclical	Lagging
Financial Variables		
Stock prices	Procyclical	Leading
Nominal interest rates	Procyclical	Lagging
Real interest rates	Acyclical	— ^a

^a Timing is not designated by The Conference Board.
^b Designated as "unclassified" by The Conference Board; leading at peaks and lagging at troughs.
 Source: *Business Cycle Indicators*, September 2008. Industrial production: series 47 (industrial production); consumption: series 57 (manufacturing and trade sales, constant dollars); business fixed investment: series 86 (gross private nonresidential fixed investment); residential investment: series 28 (new private housing units started); inventory investment: series 30 (change in business inventories, constant dollars); employment: series 41 (employees on nonagricultural payrolls); unemployment: series 43 (civilian unemployment rate); money supply: series 106 (money supply M2, constant dollars); inflation: series 120 (CPI for services, change over six-month span); stock prices: series 19 (index of stock prices, 500 common stocks); nominal interest rates: series 119 (Federal funds rate), series 114 (discount rate on new 91-day Treasury bills), series 109 (average prime rate charged by banks).

$$X = T + C + \cancel{S}$$

de seasonalized $X = T + C$

Decomposition of multiplicative time series



$$X = T + C + S + R$$

