

Anti-government protests cast shadow over economic recovery from the COVID-19 pandemic

SHOHEI TAKASE
ECONOMIC RESEARCH OFFICE

MUFG Bank, Ltd.
A member of MUFG, a global financial group

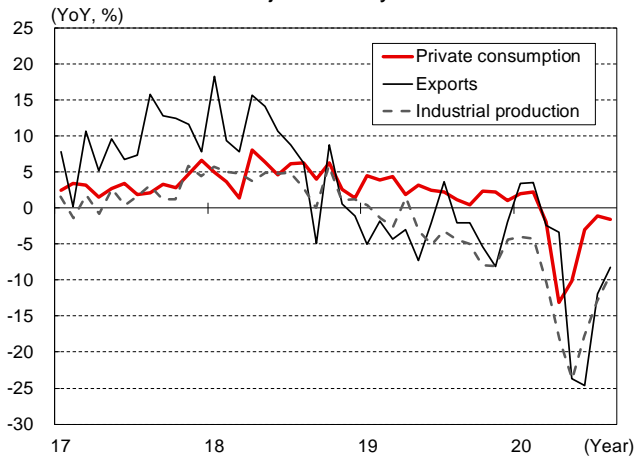
13 NOVEMBER 2020
(ORIGINAL JAPANESE VERSION RELEASED ON 30 OCTOBER 2020)

Thailand's economy is visibly recovering as various restrictions on movement in response to the COVID-19 pandemic are lifted in stages. Private consumption expenditure for August fell 1.5% YoY, which was less of a decrease than that which occurred during the first half of the year, and both exports and industrial production are recovering, albeit at a slow pace (Chart 1).

Meanwhile, there have been anti-government protests of up to 50,000 people, most of them young people, demanding the current government administration steps down and the monarchy is reformed, which has led to fears that these protests will affect the economy. Although it is unclear how they will develop in the future, a comparison with protests in the past will help in forecasting any impact on the economy. Over the past 20 years, there have been repeated demonstrations due to the conflict between pro-Thaksin and anti-Thaksin groups: in 2008, thousands of anti-Thaksin protestors seized airports; in 2010, there were protests of up to 100,000 people from pro-Thaksin groups; in 2014, demonstrations by anti-Thaksin groups of up to 100,000 people culminated in a military coup. A specific effect of these demonstrations on economic activities has been a decrease in private consumption due to citizens refraining from going outside and commercial businesses such as department stores shortening their opening hours. In addition, a rise in political risks resulted in a decrease in foreign visitors. Past retail sales (non-durable goods) and the number of foreign visitors show, in general, a trend of negative results year-on-year during periods when protests have taken place. It is thought that there was a fairly large negative impact on foreign tourists who are not aware of the current situation in particular (Chart 2).

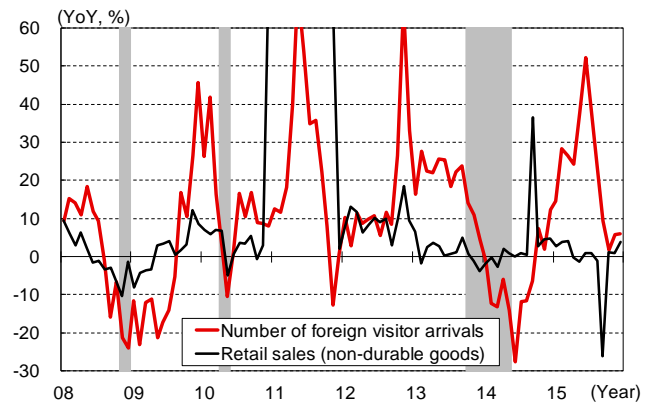
During past demonstrations, the monarchy played an important role in bringing calm to the situation, but a point of concern this time around is that criticism is also aimed at the monarchy, which is unprecedented. If protests grow worse or are prolonged, there is a very real possibility it will put a dampener on the recovery in domestic consumption, which has been driving the current economic recovery. Since the number of foreign visitors remains at around zero owing to the current COVID-19 pandemic, it is likely the demonstrations will have minimal impact compared with previous instances. That being said, Thailand has finally re-opened its borders to foreign tourists at the start of October and the protests could end up discouraging visitors. It will be important to keep a close eye on demonstrations as they could put more downward pressure than expected on the economy's recovery from the COVID-19 pandemic, which is still in progress.

Chart 1: Thailand's Major Monthly Economic Statistics



Source: Bank of Thailand, MUFG Bank Economic Research Office

Chart 2: Number of Foreign Visitor Arrivals and Retail Sales (Non-Durable Goods)



Note: Shaded areas indicate periods when protests have taken place
Source: Bank of Thailand, MUFG Bank Economic Research Office

Translated by Elizabeth Foster

For further details, please contact the Economic Research Office, MUFG Bank

Managing Director, Rei Tsuruta Tel: +81-(0)3-3240-3204

Written by Shohei Takase<shiyouhei_takase@mufg.jp>

This report is intended for information purposes only and shall not be construed as solicitation to take any action such as purchasing/selling/investing financial market products. In taking any action, each reader is requested to act on the basis of his or her own judgment. This report is based on information believed to be reliable, but we do not guarantee its accuracy. The contents of the report may be revised without advance notice. Also, this report is a literary work protected by the copyright act. No part of this report may be reproduced in any form without express statement of its source. This report is also available for viewing online.